

This study was conducted to analyse the determinants of operational risk because it was almost uncovered area and has a significant impact on sustainability of Microfinance Banks in Pakistan. Operational risk is everywhere whether the organization is big or small, profitable or not. It cannot be eliminated but it can be minimized by the operations to take the optimal level of output. Primary data was used in this research. It was collected through survey from management of Microfinance Banks from different places of Pakistan. Questionnaire with 5-point Likert scale was used as data collection tool.

For the processing of data descriptive and inferential statistics was used. From inferential statistics comparison of mean score and ordinal logistic regression was used. Results show that Human Resource, Information Technology, Consumer Financial Literacy and Internal Control System have significant relationship with the Microfinance Banks and odd ratios show that Internal Control System has high positive impact on Microfinance Banks which leads towards decrease in operational risk. Human Resource has lowest impact on Microfinance banks of Pakistan. Microfinance banks are the function of operational risk. It is linked with operational performance of Microfinance Banks. Good Human Resource, Information Technology, Consumer Financial Literacy and Internal Control System may reduce the operational risk and as a result performance of MFB's can be better.