The aim of this study is to assess the efficiency of microfinance institutions in Pakistan using quarterly data from microfinance connect of second quarter of 2001 and second quarter of 2006 for comparison of two different time span. To estimate efficiency of microfinance institutions in Pakistan, the Data Envelopment Analysis are employee. Out of 52 microfinance providers in Pakistan, only 15 microfinance institutions is sample across the industry based on profile of gross loan portfolio of each microfinance provider. To find out the technical efficiency (i.e constant returns to scale, variable returns to scale and scale efficiency), Malmquist productivity Index and total factor productivity of the microfinance institutions, two input variables (loan amount disbursed, total staff) and output variables (gross loan portfolio and number of active borrowers) are used to estimate the efficiency of microfinance providers in Pakistan. The results of the study conclude that MFIs in Pakistan are working below their optimum scales measurements and only one microfinance provider (Khushali Bank) out of 15 in our sample in 2002 and (Thardeep rural support program) in 2006 works on efficient frontier and while others are inefficient. It recommended that the institutions should increase loan amount disbursed and invest resources to the train thier staff. Moreover, microfinance providers should expand by increasing number of offices to assist community.
Key Words: Microfinance, Microfinance Efficiency, Technical Efficiency, Scale efficiency, Total Factor Productivity, Malmquist Productivity Index, CRS, VRS.