

A Study on the Performance Evaluation System of Microfinance Companies Under Dual Objectives

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Abstract: Microfinance companies are the result of China's rural financial reform. Since their creation, they have been undertaking the responsibility of effectively allocating financial resources and guiding the flow of funds to rural areas and underdeveloped areas through the introduction of private capital. The emergence of microfinance companies has intensified the competition in rural financial market and built a new pattern of rural financial service systems. As a result driven by multiple objectives, these microfinance companies must face the issue of how to integrate microfinance services for the "three rurals" (rural economy, rural community, and rural residents) as well as small, medium, and micro enterprises with their own finances in a sustainable and effective manner. On the basis of dual objectives and with full consideration of the characteristics of China's microfinance companies, this study has constructed a performance evaluation system exclusively for commercial microfinance companies in China by drawing on the performance evaluation system of foreign micro-credit institutions through analytic hierarchy process and Delphi method.

Keywords: Microfinance companies; Dual objectives; Performance evaluation system

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1. Introduction

Year 2020 is when the goal of building a moderately prosperous society in all respects is realized and when the fight against poverty is finally won in an all-round way. The Fifth Plenary Session of the 19th Central Committee of the Communist Party of China has made it clear that the main goals of economic and social development during the "14th Five-Year Plan" period are the consolidation and expansion of the results of poverty alleviation and the comprehensive promotion of rural revitalization. After winning the fight against poverty, it is necessary to consolidate and expand the results to effectively link with rural revitalization and continue to promote comprehensive rural revitalization of areas lifted out of poverty. Financial funds at all levels require increment, especially for poverty alleviation, while the newly-increased central government's finances are mainly used in deeply impoverished areas, such as the "three districts and three prefectures." The microfinance supporting policies for poverty alleviation can effectively promote both the economic and social development and improve people's lives. It is precisely that by providing microfinance services to support the production and operation of poor farmers as well as small and micro enterprises, the microfinance companies in China have made significant contributions to consolidating the achievements of poverty alleviation. However, due to the geographical location and cultural environment of rural areas, the development of its finance is relatively lagging behind. As the issue of capital outflow in rural areas is prominent, and the capital investment required by farmers for production and operation is insufficient, there is an imbalance between rural financial supply and demand.

In order to solve the imbalance between the supply and demand in the rural financial market, the government has implemented a new round of rural financial reforms. From 2004 to present, the No. 1 Central Document of the Chinese government has paid great attention to rural financial issues for 17 consecutive years, striving to reform and innovate the current rural financial system, in order to improve the current rural financial situation, encourage innovation in service methods and products, as well as ensure its healthy and vigorous development. Rural financial institutions should further strengthen their responsibilities, take poverty alleviation as a major political task and top priority, as well as usher more funds and better services to impoverished areas. According to the national policy guidance, in 2005, the People's Bank of China launched a pilot program of "Only Credits, No Deposits" for microfinance companies, which has been established by private capital in five provinces, including Shaanxi, Shanxi, Inner Mongolia, Guizhou, and Sichuan, marking the milestone of commercial microfinance institutions entering a new stage. In order to further improve the rural financial service system and promote the development of new types of rural financial institutions, China Banking Regulatory Commission issued the *Several Opinions on Adjusting and Relaxing the Access Policy for Banking Financial Institutions in Rural Areas to Better Support the Construction of a New Socialist Countryside* on December 22, 2006, which specifically urged to adjust and relax the access policy of financial institutions in rural areas, lower the barriers for entry, expand the coverage of financial institutions in rural areas, and promote the competition among financial entities ^[1]. At the same time, as small, medium, and micro enterprises play an increasingly important role in the development of national economy, especially when the economic development has entered a new normal, the promotion of the development of small, medium, and micro enterprises is very important to activate the market, expand employment, and enhance the capacity for sustainable development. In 2008, China Banking Regulatory Commission and People's Bank of China issued the *Guiding Opinions on the Pilot Program of Microfinance Companies* (hereinafter, referred to as the *Guiding Opinions*), which pointed out that by following the principle of serving "three rurals," microfinance companies would select service objects independently and be encouraged to provide credit support to farmers as well as small, medium, and micro enterprises ^[2]. It is thus clear that providing credit support for the "three rurals" as well as small, medium, and micro enterprises is the social mission of microfinance companies from the beginning to the end. However, driven by commercial nature, microfinance companies are born with the instinct to maximize profits. If a microfinance company only confines its responsibility of serving the "three rurals" as well as small, medium, and micro enterprises without being equipped with an operational mechanism, its enthusiasm to take the initiative to serve will be weakened.

The performance evaluation of microfinance companies under the dual objectives is beneficial for accomplishing its dual objectives as fulfilling their social responsibilities and maintaining the organization's self-financing; it helps regulatory authorities to make better supervision at the same time. At the institutional level, it is essential to link the evaluation results with policy preferences, provide incentive mechanisms and appropriate preferential policies to microfinance companies with higher performance, as well as guide microfinance companies to pursue two-dimensional performance. It is necessary not only to maximize profits, but also to pay attention to the specific process of income realization (serving the "three rurals" as well as small, medium, and micro enterprises). Therefore, it is of great practical significance to construct a performance evaluation system for microfinance companies under dual objectives.

2. Literature review

2.1. Research on the relationship between dual objectives

Achieving a balanced development of social objectives and financial objectives in the operation is a common understanding of the mission of microfinance companies in domestic academia; that is, the two criteria for measuring the success of rural financial institutions, as pointed out by Yaron, the first is

sustainability, whether it can be financially self-sufficient, and the second is coverage, whether the breadth and depth of services can adequately cover the rural population in need of financial services^[3]. Nevertheless, the realization of the dual objectives is quite controversial in academia.

Several microfinance institutions have equal emphasis on social objectives and financial objectives. Operating in a commercial environment, microfinance institutions can better provide financial services to the poor and achieve their original intention to help the poor and gain financial sustainability, without any obvious conflict between the dual objectives^[4-6]. Zeller and Meyer have constructed a triangular analysis framework for microfinance institutions, presenting the relationship among the three objectives (financial sustainability, the breadth and depth of services, as well as the impact on residents' welfare), which pointed out that the sustainability of microfinance institutions for development has a significant positive impact on the social welfare of financial services provided by the institutions to a certain extent; however, the excessive emphasis on social welfare is not conducive to their sustainable development. It also proposed that micro-financial institutions should build an inclusive financial service system that integrates internal and external environments and try to find a balance among the three objectives in the operation of microfinance institutions^[7].

However, some scholars still believe that there is a conflict between social and financial objectives. Commercialization helps to improve the financial performance of microfinance institutions, but it solicits target customer groups to shift from rural to urban and from poverty to wealth, making the realization of the social goals of microfinance institutions questionable^[8]. With the blind pursue of profits by microfinance institutions, the fewer poor customers they serve, the higher the probability of target deviation, and the more likely it is for them to drift into social missions. Hence while pursuing profit maximization, microfinance institutions should not blindly expand. They are supposed to find an equilibrium point between the dual objectives to achieve effective and continuous provision of financial services to the poor^[9, 10].

2.2. Research on the construction of the performance evaluation system of microfinance companies

At present, since most microfinance institutions have black-box problems in their operations, it is urgent to introduce microfinance ratings to clarify the operating conditions of the institutions^[11]. The most powerful capability of microfinance lies in the perfect combination of social objectives and financial objectives to achieve two-dimensional performances. Yet in the rating microfinance institutions, often, only the financial performance is emphasized. In order to echo the dual objectives, ratings should examine the realization of both social and financial performances at the same time^[12]. Summarizing the development experience of international microfinance institutions and pointing out that the establishment of an effective rating mechanism is essential in the development process of microfinance institutions have important reference value for the development of microfinance institutions in China, especially for the transformation of high-quality microfinance companies into rural banks^[13].

The above-mentioned research at home and abroad has important theoretical value and practical guiding significance. Domestic studies have been carried out from the perspective of social objectives or financial objectives, but there are only minimal studies on the performance evaluation system of microfinance companies based on the dual objectives. For this reason, there is an urgent need to establish a performance evaluation system that fully considers the actual situation of microfinance companies in China and can disclose information for microfinance companies, the market, as well as the regulatory authorities.

3. References from the performance evaluation experience of international microfinance institutions

There are two parts in the rating of microfinance institutions: social performance and financial performance, which correspond to the dual objectives of microfinance institutions. Some leading figures in the industry

believe that only through reasonable evaluation of the microfinance institutions themselves can they gain a deeper understanding of microfinance businesses and improve their efficiency.

The rating systems of famous international microfinance institutions include ACCION CAMEL Indicator Evaluation System, PEARLS Rating System, GIRAFE Rating System, Micro Rate Evaluation System, M-CRIL Evaluation System, CERISE's SPI, and Microfinance Information Exchange (MIX). The above-mentioned internationally renowned microfinance institution rating systems provide useful references for this article in terms of index content selection and design ideas. Summarizing the design ideas of the performance evaluation system of international microfinance institutions mainly involves four aspects: governance, asset quality, profitability, and sustainability. The index evaluation system specifically for social performance is mostly divided into three dimensions: service target positioning, implementation status, and coverage.

Microfinance companies and village banks are special forms of microfinance institutions that have evolved to adapt to national conditions; however, the performance rating systems of the above-mentioned microfinance institutions are mostly targeted at microfinance institutions, so in this case, the international model cannot be completely mirrored. When learning from the performance evaluation experience of international microfinance institutions, it is important to first pay attention to the differences in the development environment, target positioning, and policy support between Chinese microfinance companies and international microfinance institutions. Secondly, in terms of international practical experience, most of the international public welfare microfinance institutions use performance evaluation indices, while for China, they are of commercial nature. Hence, in the process of selecting indices, it is necessary to take into account the achievement of both social performance and financial performance ^[14].

Based on the above analysis, the following experience can be used for reference: first, from the perspective of index system design, it can be divided into dimensional, standard, and index layers for reference; that is, first determine the dimensional layer, and then set the index standards reflecting the dimensional characteristics under the dimensional layer, and finally select the appropriate index under the standard layer, which can well cover the entire process of microfinance companies from setting objectives to achieving objectives; second, from the selection of evaluation indices, financial performance mainly refers to the dimension setting of the ACCION CAMEL rating method, while social performance mainly refers to the dimension setting of the MIX social performance rating method. The selection of indices requires a comprehensive consideration of the design of the index system and the coordinated development of the institution's dual objectives.

4. Constructing a two-dimensional performance evaluation system for microfinance companies in China

4.1. Performance evaluation index design

4.1.1. Design ideas for the index system

Drawing on the design ideas of the Microfinance Information Exchange (MIX) for the social performance of microfinance institutions, the evaluation index system of microfinance companies can be divided into three layers: the first is the dimension, the second is the standard, and followed by the index. First of all, in order to fully reflect the entire service process and results of microfinance companies as well as coordinate the development of two-dimensional performance, the dimensional layer is determined as social performance (the specific process of achieving results) and financial performance. Through the scores of each dimension, the realization of the two-dimensional performances can be visually presented, making it easier to analyze and compare. Secondly, there are separate standards under each dimension, each of which reflects the performance of a particular aspect. Finally, the corresponding indicators are selected according

to the criteria of each dimension.

4.1.2. Selection of index content

Under dual objectives, concerning the selection of the index content of the performance evaluation system of China's microfinance companies, two aspects should be emphasized. Firstly, the coordinated development of financial and social performances. It is understandable that commercial microfinance companies tend to emphasize a lot on the development of their own financial performances, but they should not only consider the financial performance and pursue high profits, while disregarding the objective, which is poverty alleviation. Secondly, in actual operations, both the quantitative data on financial performance and qualitative data on social performance are required to objectively and concretely evaluate their service results as well as to fully reflect the performance of microfinance companies.

4.1.3. Selection of indices

4.1.3.1. Selection of social performance indices

(1) Service target positioning

The social performance of a microfinance company reflects the specific process of transforming social objectives into practice, while its service objectives should highlight the original intention of its establishment, which is to alleviate the financing difficulties of “three rurals” as well as small, medium, and micro enterprises. It is necessary to clarify that the service objectives of microfinance companies conform to the social mission on one hand and meet measurable requirements on the other hand. The regional targets of microfinance companies should be rural areas, suburbs, and places that are not covered by formal finance; their customer positioning should be farmers, small, medium, and micro enterprises, as well as other groups which are not able to obtain funds through formal financial institutions. “Farmer” and “small, medium, and micro enterprises” are adopted as two indices to reflect the service objectives of microfinance companies.

(2) Implementation

In the implementation, it is imperative to carefully review whether China's microfinance companies meet the requirements of the *Guiding Opinions*: the practice of “Only Credits, No Deposits”; mainly engaged in small, decentralized loan businesses; the service targets are mainly the “three rurals” as well as small, medium, and micro enterprises; in terms of loan methods, since most farmers are not able to provide guarantees and collateral, credit loans are mostly adopted; as for loan terms, short-term loans of three to six months are mainly applied. Loans are the mainstay; although the upper limit of interest rate for microfinance companies has been liberalized, it should not exceed the upper limit stipulated by the judicial department; that is, 4 times the benchmark lending rate announced by the People's Bank of China, and the lower limit is 0.9 times the benchmark lending rate, in which the specific floating range is in accordance with market principles independently. Whether a microfinance company implements its own target positioning can be determined through the loan products and loan services offered. At the level of implementation standards, considering loan products and loan services, loan products should meet the needs of farmers as well as small, medium, and micro enterprises. In this article, four indices will be used to measure the implementation standards: “proportion of single loans below 500,000 yuan,” “proportion of loans within one year,” “proportion of credit loans,” and “interest rate.”

(3) Coverage

On the basis of dual objectives, the realization of social objectives will be ultimately reflected through the implementation of loan products and services. The coverage of the institution includes two aspects: the breadth of service, which shows the size of the coverage of loan products and loan services offered by microfinance companies; the depth of service, which reflects the penetration degree of loan products and loan services offered by microfinance companies to the “three rurals” as well as small, medium, and micro enterprises. This article intends to use “number of loans” and “loan balance” to measure the breadth of services, “average loan size” and “proportion of loans for three rurals” to measure loan depth, as well as specific numbers to quantify the coverage of microfinance companies.

4.1.3.2. Selection of financial performance indices

(1) Human resources

Human resources measure financial performance from a management perspective, the quality of which has a great impact on the performance of the entire organization. The assessment of this standard requires the extraction of characteristic information from the perspective of employees as indices, which mainly examine the scale of the company, the quality of employees, professionalism, and professional skills. In this paper, three indices will be adopted by the “human resources” standard layer: “number of employees,” “bank employees,” and “employee development and training.”

(2) Asset quality

Asset quality matters to the risk status of microfinance companies and reflects the operating conditions of the organization; meanwhile, the assets are mainly loans since its main business is to issue small, dispersed loans. Hence, the quality of loans is very important to microfinance companies. This article uses two indices: “proportion of overdue loans” to remind microfinance companies to pay attention to such loans and take heed of losses, as well as “loan loss provision” to prepare for loan provision for possible losses.

(3) Financial sustainability, including profitability and sustainability

The profitability index reflects the operating results of the organization and is an important indicator for measuring the viability of the structure. Only by achieving self-financing and maintaining the sustainability of the organization can microfinance companies serve farmers as well as small, medium, and micro enterprises. The sustainability of microfinance institutions mainly investigates whether the institution can be responsible for its own profits and losses as well as its ability to achieve development. “Return on assets (ROE),” “return on equity (ROA),” and “operating self-sufficiency (OSS)” are used in this article to reflect financial sustainability through the profitability of assets, the efficiency of using the company’s own capital, and its self-sufficiency.

4.1.4. Indices selection

According to the above indices design principles, design ideas, and indices content selection, this paper finally selects 18 indices, including 15 quantitative indices and 3 qualitative indices (**Table 1**).

Table 1. Performance rating system for microfinance companies

Dimension	Standard	Index	Nature	Explanation
Social performance (the specific process of achieving results)	Service target positioning	Farmer	Qualitative	According to the institution's rules and regulations, whether there is any provision to serve the "three rurals."
		Small, medium, and micro enterprises	Qualitative	According to the institution's rules and regulations, whether there is any provision to serve small, medium, and micro enterprises.
	Implementation	Percentage of single loans below 500,000 yuan	Quantitative	= Total loan balance of a single loan of less than 500,000 yuan / total loan balance
		Proportion of loans within one year	Quantitative	= Loan balance within one year of maturity / total loan balance
		Proportion of credit loans	Quantitative	= Credit loan balance / Total loan balance
		Interest rate	Quantitative	Customer loan interest rate
	Coverage (Breadth, depth)	Number of loans	Quantitative	Institution's total number of loans at the end of the year
		Loan balance	Quantitative	Institution's total loan balance at the end of the year
		Average loan size	Quantitative	= Loan balance / number of loans
	Financial performance	Human resources	Proportion of loans for "three rurals"	Quantitative
Number of employees			Quantitative	Number of employees in the institution
Number of bank employees			Quantitative	Number of persons with banking experience in the institution
Asset quality		Employee development and training	Qualitative	According to relevant documents such as institutional policies and regulations, whether there is any training for employees.
		Proportion of overdue loans	Quantitative	Overdue loan balance / total loan balance
Financial sustainability		Loan loss provision	Quantitative	Loan loss reserves of institutions
		ROA	Quantitative	= Net profit / average assets
		ROE	Quantitative	= Net profit / owner's equity
	OSS	Quantitative	= Operating income / (business and management fees + loan loss provision)	

4.2. Determination of weight

4.2.1. Introduction to the analytic hierarchy process

In the 1970s, the American operations researcher, Sadie (TL Seaty), proposed a practical multi-scheme or multi-objective decision-making method – analytic hierarchy process (AHP), which cleverly combines qualitative analysis with quantitative analysis. It integrates different levels and multiple indices into a dimensionless evaluation value, which can effectively solve complex and multi-objective problems that cannot be completely dealt with by quantitative analysis methods. Simplifying complex problems is the

core idea of analytic hierarchy process, decomposing the overall goal into several sub-objectives and then into several indices, and finally forming several levels. Each level is analyzed step by step and the subjective judgments of the experts are quantified, the relative importance and the order of superiority and inferiority are determined, and finally the weight of each plan to the overall objective is calculated through a weighted method.

4.2.2. Modeling

The decision-making process of AHP includes four steps.

(1) Step 1: Draw a hierarchical analysis diagram.

Decompose the abstract and complex overall objective into several sub-objectives, and then decompose the sub-objective layer into several index layers, which are the bottom layers of the hierarchical analysis diagram. It is easier to compare the priorities of various schemes under specific indices to achieve the overall objective.

(2) Step 2: Construct a judgment matrix to determine the priority of each factor.

After determining the hierarchical structure, invite experienced industry experts or scholars from such research field to compare and score the standards of the dimension layer by using the proportional scale, form a comparison matrix of two elements, as well as assign the level of importance according to the meaning of the scale in **Table 2**. The same process is carried out for the index groups under each standard, which forms a two-level comparison judgment matrix.

Table 2. The meaning of the scale

Scale	Meaning
1	Indicates that the two elements have the same importance compared with each other.
3	Indicates that the former element is slightly more important than the latter by comparing the two elements.
5	Indicates that the former is obviously more important than the latter comparing the two elements.
7	Indicates that the former is more important than the latter comparing the two elements.
9	Indicates that the former element is extremely important compared to the latter element.
2,4,6,8	Represents the intermediate value of the above adjacent judgment.
Reciprocal	If the ratio of importance of element “i” to element “j” is “ a_{ij} ,” then the ratio of importance of element j to element “i” is “ $a_{ji} = 1 / a_{ij}$.”

(3) Step 3: Consistency check.

First, calculate the largest eigenvalue of each judgment matrix, and solve the following equation:

$$AW = \lambda_{max}W$$

Among them, W is the feature vector corresponding to λ_{max} ; each component, W_i of W is the weight corresponding to each index.

Second, calculate the consistency index CI, the calculation formula is as follows:

$$CI = (\lambda_{max} - n) / (n - 1)$$

Among them, n is the order of A in the judgment matrix.

Then, find the corresponding average random consistency index value, RI, according to **Table 3**.

Table 3. The value of the average random consistency index, RI (random index)

Order	1	2	3	4	5	6	7	8	9	10	11
Scale	0	0	0.52	0.89	1.12	1.26	1.36	1.41	1.46	1.49	1.52

Finally, calculate the consistency ratio, CR, using the calculation formula as follows:

$$CR = CI/RI$$

When $CR < 0.1$, it is assumed that the judgment matrix A meets the consistency; that is to say, the components in the vector W can be used as weights; when $CR \geq 0.1$, the consistency of each element of the judgment matrix A is too poor and cannot pass the test, so matrix A needs to be readjusted.

(4) Step 4: Normalize the weights of all the factors to obtain the relative weights of each factor.

4.2.3. Weight determination and consistency check

Questionnaires were distributed to microfinance researchers, relevant staffs of the government’s financial office, and managers of microfinance companies, requesting them to independently compare and score the importance of each level element relative to its upper level, without mutual influence. A total of 32 questionnaires were collected, with 23 valid ones, based on which the index data is processed with the scale value of 1-9 and the judgment matrix is constructed. Finally, through AHP (YAAHP 7.5), the weights of standards and indicators in each dimension as well as the consistency ratio of the judgment matrix are calculated.

4.2.3.1. Determination of the weight of the target dimension layer and the check of consistency

In the performance evaluation of microfinance companies under the dual objectives, in order to maintain the best financial performance when the social effect is certain, the weights of the dimensions of social performance and financial performance to the overall objective are both set to 0.5. The weight and consistency of each standard under the dimensions of “social performance” and “financial performance” are calculated using AHP (YAAHP), as shown in **Table 4** and **Table 5**. Among them, the consistency ratio of the judgment matrix of each standard is 0.0000 under the “social performance” dimension, while the consistency ratio of the judgment matrix of each standard is 0.0028 under the “financial performance” dimension. The consistency ratio of all judgment matrices is less than 0.1, which passed the consistency test, showing that the weights are reasonable.

Table 4. Standard weight under the social performance dimension

The consistency ratio of the judgment matrix: 0.0000				
Social performance	Service target positioning	Implementation	Coverage	Weight
Service target positioning	1	1.31	0.84	0.3383
Implementation		1	0.63	0.2567
Coverage			1	0.4051

Table 5. Standard weight under the financial performance dimension

The consistency ratio of the judgment matrix: 0.0028				
Financial performance	Human resources	Asset quality	Financial sustainability	Weight
Human resources	1	0.87	0.51	0.2457
Asset quality		1	0.69	0.2982
Financial sustainability			1	0.4561

4.2.3.2. Determination of the standard layer dimension and the test of consistency

Similarly, AHP (YAAHP) is used to determine the weight of each standard layer under the dimensions of “social performance” and “financial performance,” and consistency checks are conducted (**Table 6, Table 7, Table 8, Table 9, Table 10, and Table 11**). The consistency ratio of the judgment matrix for “service target positioning” is 0.0000, 0.0109 for “loan products” and “implementation,” 0.0005 for “coverage,” 0.0065 for “human resources,” 0.0080 for “asset quality,” and 0.0027 for “financial sustainability.” The consistency ratio of all judgment matrices is less than 0.1, which passed the consistency test, showing that the weights are reasonable.

Table 6. Index weight under the standard of service target positioning

The consistency ratio of the judgment matrix: 0.0000			
Service target positioning	Farmer	Small, medium, and micro enterprises	Weight
Farmer	1	1.29	0.5633
Small, medium, and micro enterprises		1	0.4367

Table 7. Index weight under the standard of implementation

The consistency ratio of the judgment matrix: 0.0109					
Loan products	Proportion of single loans below 500,000 yuan	Proportion of loans within one year	Proportion of credit loans	Average interest rate	Weight
Proportion of single loans below 500,000 yuan	1	2.37	3.23	2.98	0.4731
Proportion of loans within one year		1	2.18	2.05	0.2554
Proportion of credit loans			1	0.89	0.1293
Average Interest Rate				1	0.1423

Table 8. Index weight under the standard of coverage

The consistency ratio of the judgment matrix: 0.0005					
Coverage	Number of loans	Loan balance	Average loan size	Proportion of loans for “three rurals”	Weight
Number of loans	1	1.47	1.45	1.11	0.306
Loan balance		1	0.92	0.73	0.2028
Average loan size			1	0.85	0.2204
Proportion of loans for “three rurals”				1	0.2708

Table 9. Index weight under the standard of human resources

The consistency ratio of the judgment matrix: 0.0065				
Human resources	Number of employees	Number of bank employees	Employee development and training	Weight
Number of employees	1	0.64	0.81	0.2610
Number of bank employees		1	1.62	0.4423
Employee development and training			1	0.2967

Table 10. Index weight under the standard of asset quality

The consistency ratio of the judgment matrix: 0.0080				
Asset quality	Proportion of overdue loans	Loan loss provision		Weight
Proportion of overdue loans	1	1.96		0.5138
Loan loss provision		1		0.4862

Table 11. Index weight under the standard of profitability

The consistency ratio of the judgment matrix: 0.0027				
Profitability	ROA	ROE	OSS	Weight
ROA	1	1.34	0.95	0.3590
ROE		1	0.83	0.2824
OSS			1	0.3586

Table 12. Index weight of the performance evaluation system of microfinance companies

Dimension	Weight	Standard	Weight	Index	Weight		
Social performance (specific process of achieving it)	0.5	Service target positioning	0.3383	Farmer	0.5633		
				Small, medium and micro enterprises	0.4367		
				Proportion of single loans below 500,000 yuan	0.4731		
		Loan products	0.2567	Coverage (breadth, depth)	0.4051	Proportion of loans within one year	0.2554
						Proportion of credit loans	0.1293
						Average interest rate	0.1423
						Number of loans	0.3060
						Loan balance	0.2028
						Average loan size	0.2204
						Proportion of loans for “three rurals”	0.2708
Human resources	0.2457			Number of employees	0.2610		
				Number of bank employees	0.4423		
				Employee development and training	0.2967		
Financial performance	0.5	Asset quality	0.2982	Proportion of overdue loans	0.5138		
				Loan loss provision	0.4862		
		Financial sustainability	0.4561			ROA	0.3590
						ROE	0.2824
						OSS	0.3586

Based on the above analysis, the index weights of the performance evaluation system of microfinance companies are obtained, as shown in **Table 12** above.

4.3.4. Evaluation grades

In order to facilitate the evaluation of the performance of microfinance companies, the evaluation can be divided into five grades: “Excellent” (Grade A), “Good” (Grade B), “Fair” (Grade C), “Poor” (Grade D), and “Very Poor” (Grade E), the standards of which are as follows: the evaluation score of Grade A is above 90 (including 90), which means that the overall performance is excellent as both social performance and financial performance are excellent; the evaluation score of Grade B is below 90 but above 75 (including 75), meaning that the performance is excellent in social performance but average in financial performance, or excellent in financial performance but average in social performance; the evaluation score of Grade C is below 75 points but above 60 points (including 60), indicating that both, social performance and financial performance are average with obvious weaknesses in some aspects; the evaluation score of Grade D is below 60 points but above 40 points (including 40), showing that neither, social performance or financial performance is optimistic and with issues in many aspects; the evaluation score of Grade E score is below 40, meaning that the organization’s social and financial performances are both poor, with prominent issues in many aspects.

Disclosure statement

The author declares that there is no conflict of interest.

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