

Workshop on PERFORMANCE EVALUATION OF MFIs

“LET YOUR FIGURES TALK”

Introduction

Cooperatives Moshi

Introduction

Welcome - Karibu Esther Nkambwe



Presentation of participants. Who's who?

- Name
- Institution
- Function
- Experience
- Expectations



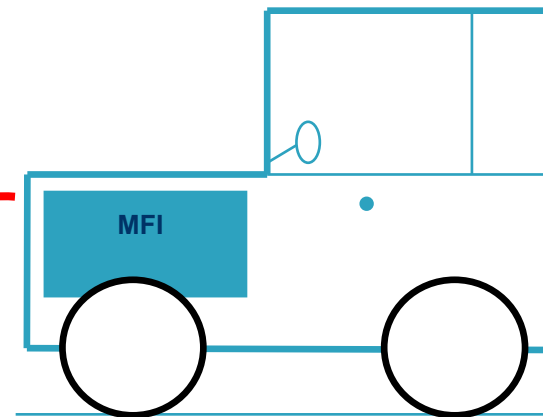
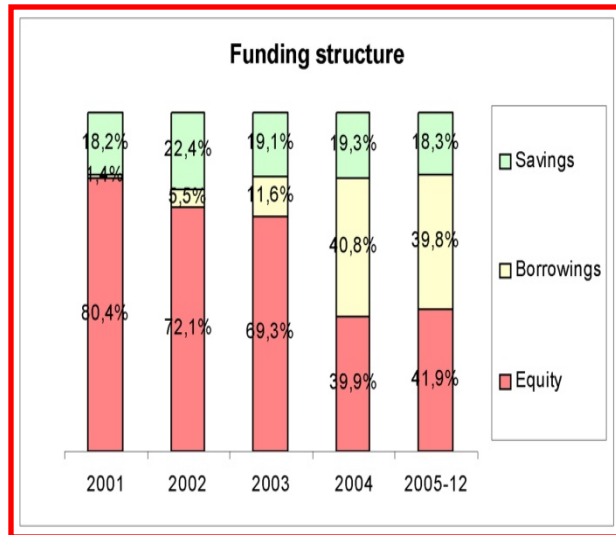
Objectives of the workshop

- The aim of this training is to get to know Microfact tool, that is on one hand used by one of the CEDP-partners and, on the other hand, to assess the usefulness of this tool for your own cooperative development work.
- Additionally, participants will get a better insight in the financial and social evaluation of the microfinance institutions/ Saccos and how to compare their performance with the market.

Agenda - 1 day KPIs workshop

TIME	TOPIC
08:30 to 10:30	Introduction of the day Introduction to Microfact Fact sheets MFI fact sheet details Introduction to microfact sheet compiler Outputs from the compiler Performance Analysis
10:30 to 11:00	Break
11:00 to 13:00	Introduction to financial and social performance Introduction to Ratios Performance Analysis using key ratios
13:00 to 14:00	Lunch
14:00 to 16:30	Financial and Social Performance analysis using different ratios
16:30 to 17:00	Conclusions

Introduction - indicators



How to use the MFI Factsheet tool in a day-to-day management and in the communication with different stakeholders of the microfinance sector. different stakeholders which are using MFI Factsheet (Networks (like TAMFI, CamCcul, Redcamif, networks in South-East Asia), Investors (LMDF, Incofin, Alterfin, BRS, Cordaid, Icco-Terrafina, Grameen Credit Agricole), NGO's (Trias, SOS-Faim, BRS, ADA, ICCO, Stars project) and many more
I also made publicity of our KPIs training for Microinsurance.

Introduction indicators - MFI Factsheet



NOM DE L'ORGANISATION MFI Y

VEUILLEZ REMPLIR TOUTES LES CELLULES
JAUNES

RAPPORT EN

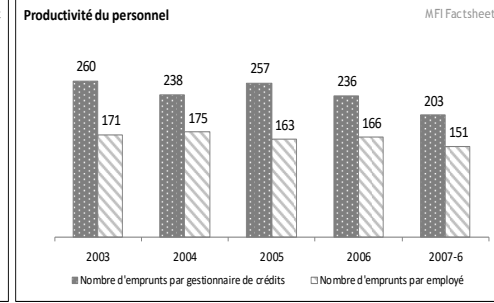
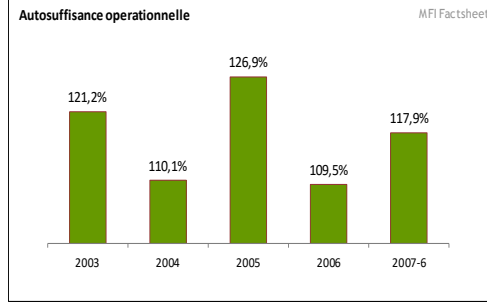
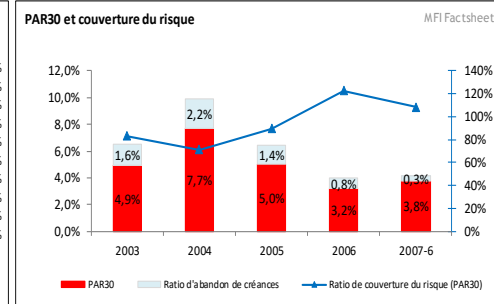
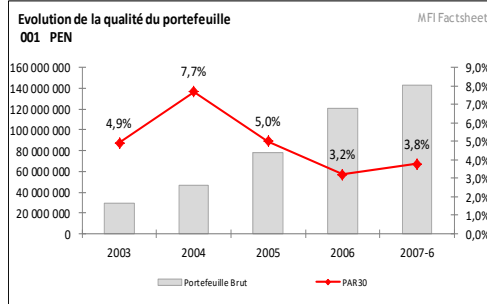
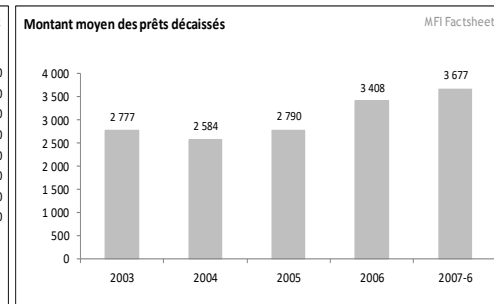
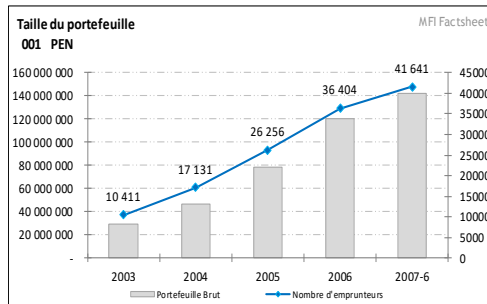
Tableau A: Bilan en fin d'exercice

Item ref.	ACTIF	Année 2003	Année 2004	Année 2005	Année 2006
A01	ACTIFS CIRCULANTS	10 039 470,81	8 852 854,49	19 526 894,74	41 066 947,63
A02	Espèces en caisse	748 622,72	583 016,00	663 165,35	1 507 342,34
A03	Dépôts non productifs d'intérêts et comptes de liquidation	2 402 963,84	1 648 465,20	339 161,56	1 583 632,75
A04	Dépôts productifs d'intérêts et investissements < 1 an	45 019,00	111 588,00	3 409 420,00	34 497 623,08
A05	Charges constatées d'avance	0,00	0,00		
A06	Effets à recevoir	0,00			
A07	Intérêts à recevoir	53 042,92	45 014,29	113 203,23	3 348 908,15
A08	Autres actifs circulants	6 789 822,33	6 464 771,00	15 001 944,60	129 441,31
A09	PORTEFEUILLE DE PRÊTS NET	27 743 416,27	44 176 969,00	74 571 448,93	115 908 977,09
A10	Portefeuille de prêts brut (solde créditeur)	28 928 882,06	46 736 712,00	78 071 854,65	678,58
A11	(Réserves pour pertes sur prêts)	-1 185 465,79	-2 559 743,00	-3 500 405,72	-4 752 701,49
A12	CRÉANCES À PLUS D'UN AN	2 144 633,95	2 736 649,00	4 153 765,61	14 396 195,87
A13	Investissements > 1 an	12 931,23	12 255,00	32 695,37	80 347,57
A14	Immeubles et matériel nets	1 443 236,85	1 959 998,00	2 868 715,98	11 658 166,52
A15	Autres créances à plus d'un an	688 465,87	764 396,00	1 252 354,26	2 657 681,78
A16	TOTAL ACTIF	521,03	472,49	109,28	120,59
	DETES				
A17	DETES À UN AN AU PLUS	10 097 158,86	13 114 537,00	23 059 965,82	38 660 392,38
A18	Dépôts à vue	0,00	0,00	0,00	443 161,56
A19	Dépôts à terme à un an au plus	0,00	0,00	0,00	15 743,44
A20	Fonds empruntés à un an au plus	8 897 700,57	11 787 150,00	20 438 715,44	36 254 024,28
A21	Intérêts à payer	0,00	0,00	0,00	
A22	Autres dettes à un an au plus	1 199 458,29	1 327 387,00	2 621 250,38	1 947 463,10
A23	DETES À PLUS D'UN AN	22 562 011,38	32 778 393,00	58 330 001,94	108 405 237,31
A24	Dépôts à terme à plus d'un an	0,00	0,00	0,00	
A25	Fonds empruntés à plus d'un an	22 517 792,50	32 677 146,00	58 294 247,74	655,91
A26	Comptes de quasi-capital	0,00	0,00	0,00	

NOM DE L'ORGANISATION MFI Y

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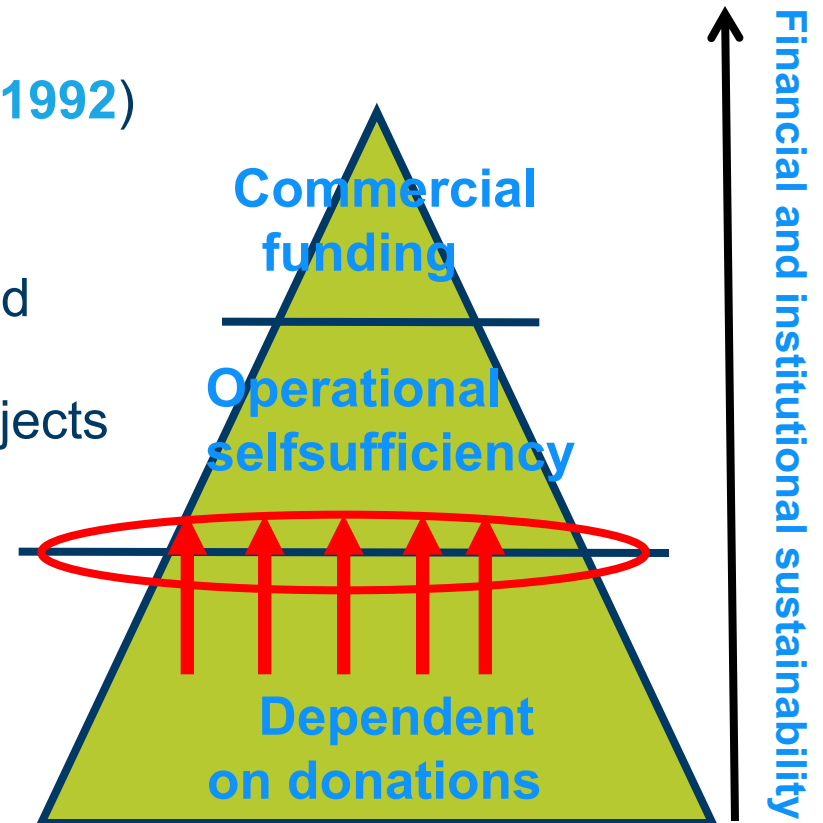


BRS: what it does?

Belgische Raiffeisen Stichting (BRS °1992)

Belgian Raiffeisen Foundation

- Offers coaching, training, financial and technical assistance
- Microfinance and microinsurance projects
- With a cooperative spirit
- In order to reach sustainability
- In Africa and Latin America



Overview of the projects worldwide

Consultancy and training of BRS in 2016: 702 days

Latin America

3 countries:

- Honduras
- El Salvador
- Peru

Africa

7 countries:

- Uganda
- Ruanda
- Burkina Faso
- Ghana
- RD Congo
- Cameroon
- Togo

KBC Experts

26 experts
394 days

BRS coaches

13 coaches
233 days

BRS team

5 permanent
75 days

Worldwide

- 10 countries
- 11 projects

MFI performance indicators categories

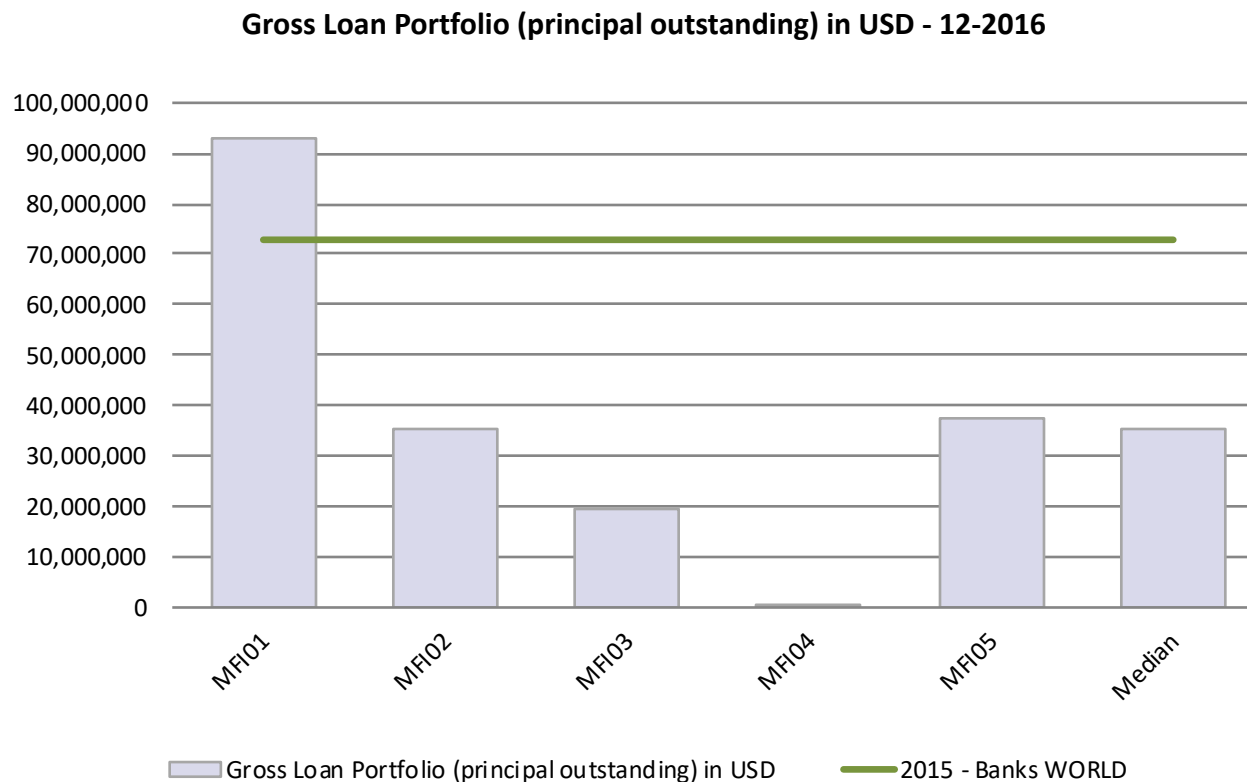
Loan portfolio quality

Efficiency and productivity

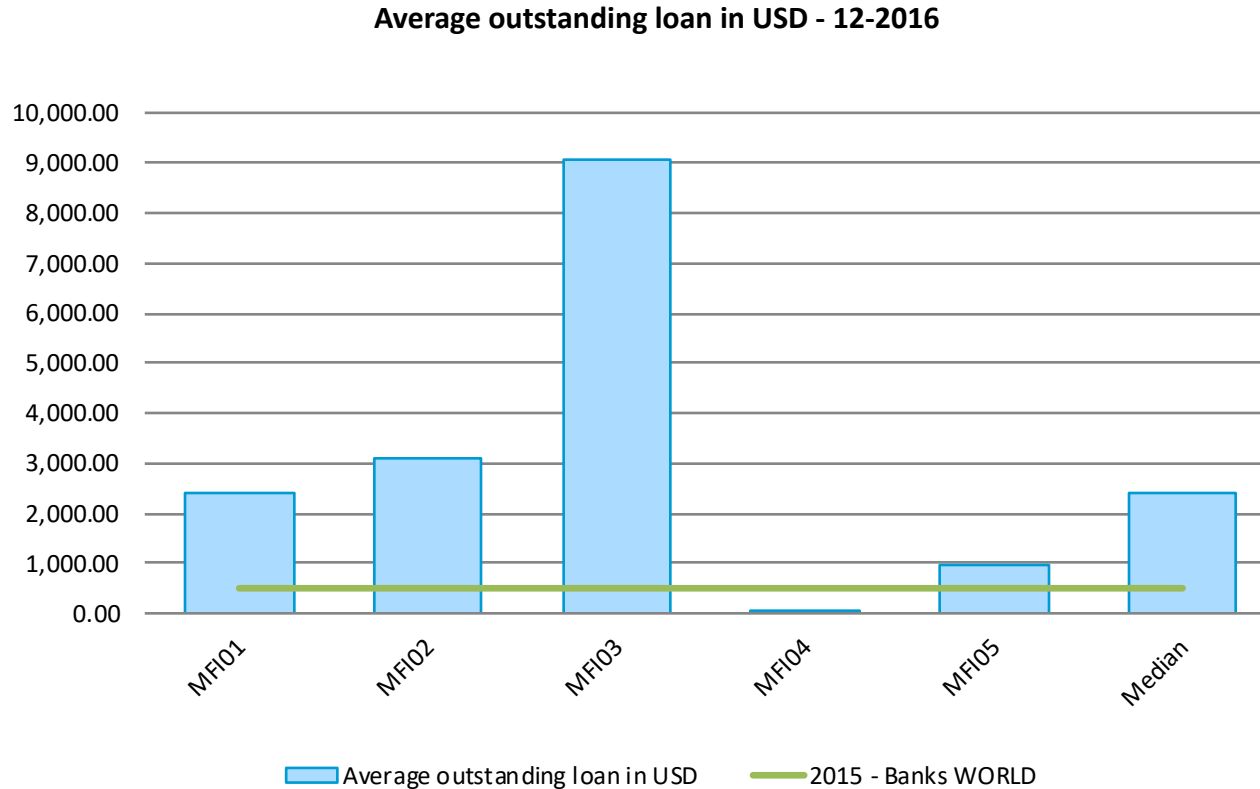
Financial management

Profitability and sustainability

Presentation of participants - Gross loan portfolio



Presentation of participants - Average loan size



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PERFORMANCE EVALUATION OF MFIs

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PORTFOLIO QUALITY

MFI performance indicators categories

Loan portfolio quality

Efficiency and productivity

Financial management

Profitability and sustainability

Portfolio quality is essential!!

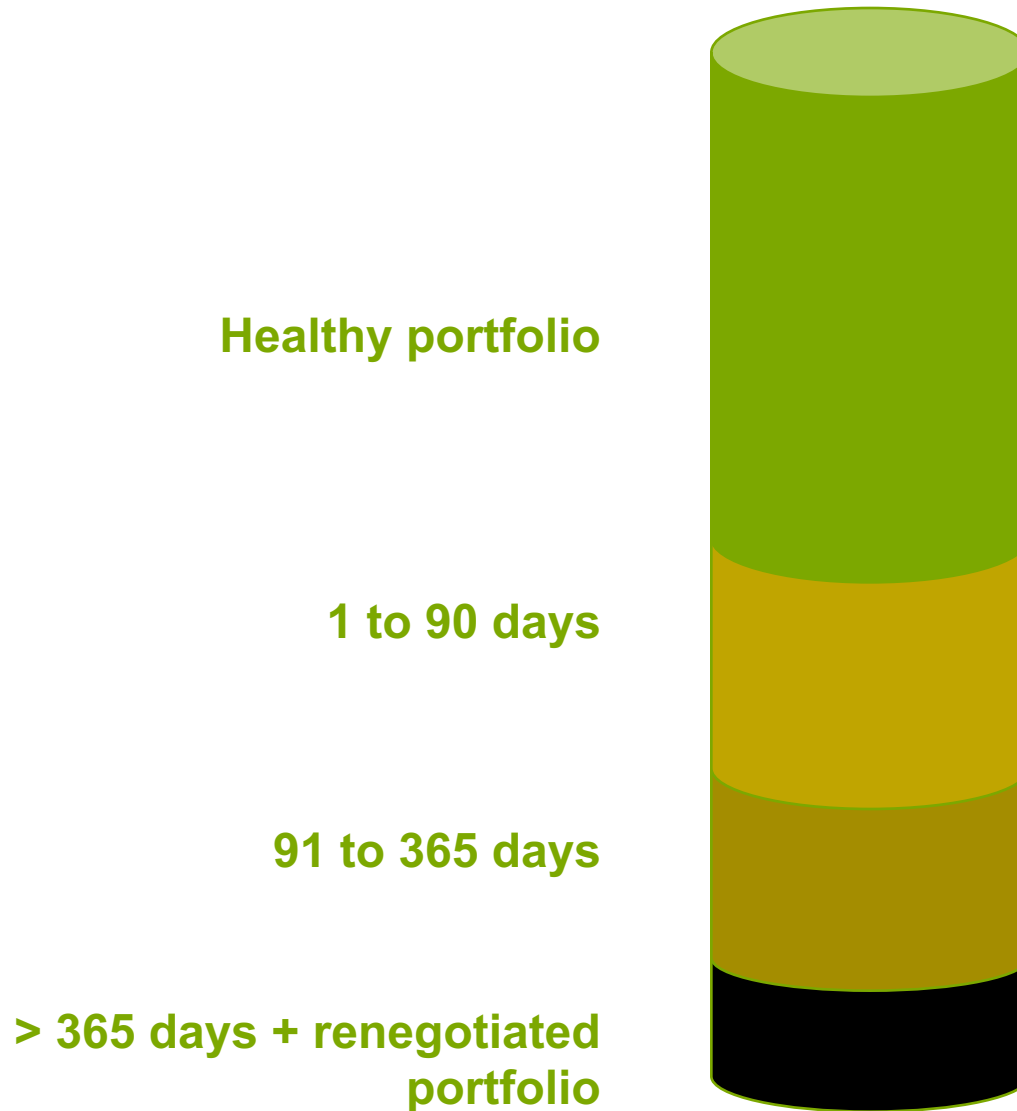
Loan portfolio:

- ✓ Main asset
- ✓ Main source of revenue
- ✓ Main source of risks

This is especially true in microfinance since:

- ✓ No real collateral
- ✓ Vulnerable clients who face great number of risks
- ✓ Portfolio quality may deteriorate or improve very quickly

Portfolio quality: gross loan portfolio



Portfolio at Risk: how to calculate it?

$$PAR_n = \frac{\text{Outstanding balance of arrears over « n » days} + \text{Total gross outstanding renegotiated portfolio}}{\text{Total outstanding gross loan portfolio}}$$

Specify number of days

Specify end of calculation period

Neglecting renegotiated loan = underestimate risk widely

Calculation of the PAR

What is your institution's PAR30?

Exercise on the calculation of portfolio at risk

	Realized payments			Today 28th day of the month	Payments to come			
Client 1	X	X	X					
Client 2		X	O					
Client 3	X	O	O					
Client 4		X	X					

Legend

X = on time payments

O = payment in arrears

4 clients in the loan portfolio

Each box = 10 € and 1 month

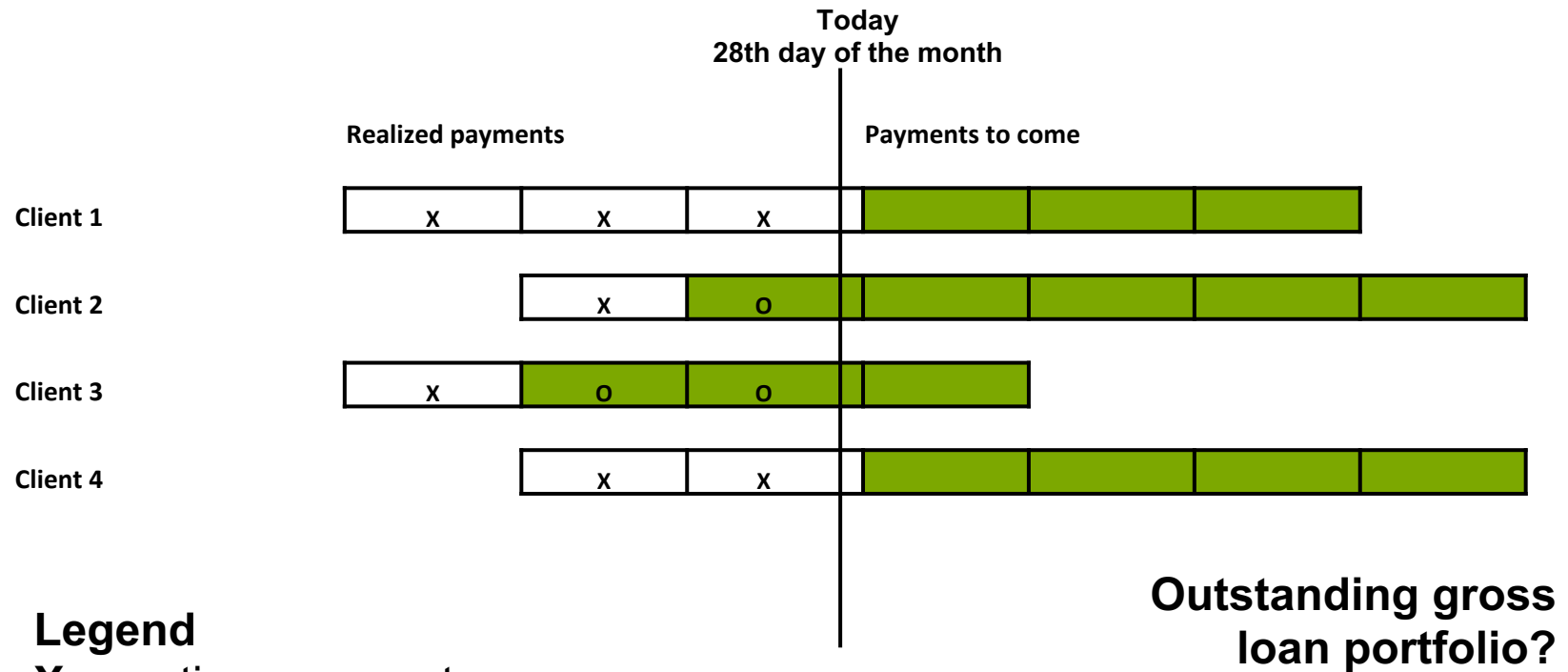
Calculate:

PAR 1 =

PAR 30 =

Source : CGAP

Exercise on the calculation of portfolio at risk



Legend

X = on time payments

O = payment in arrears

4 clients in the loan portfolio

Each box = 10 € and 1 month

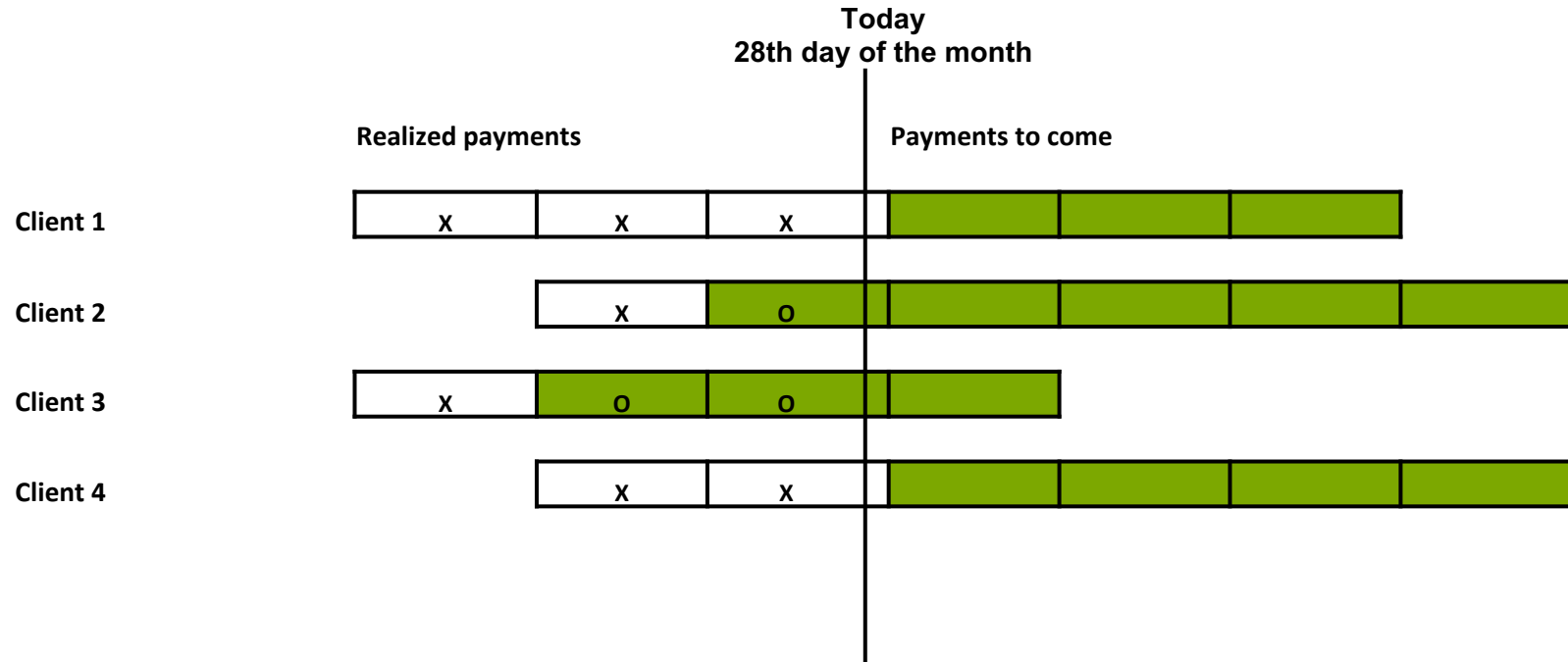
Calculate:

PAR 1 = /150= %

PAR 30 = /150= %

Source : CGAP

Exercise on the calculation of portfolio at risk



Legend

X = on time payments

O = payment in arrears

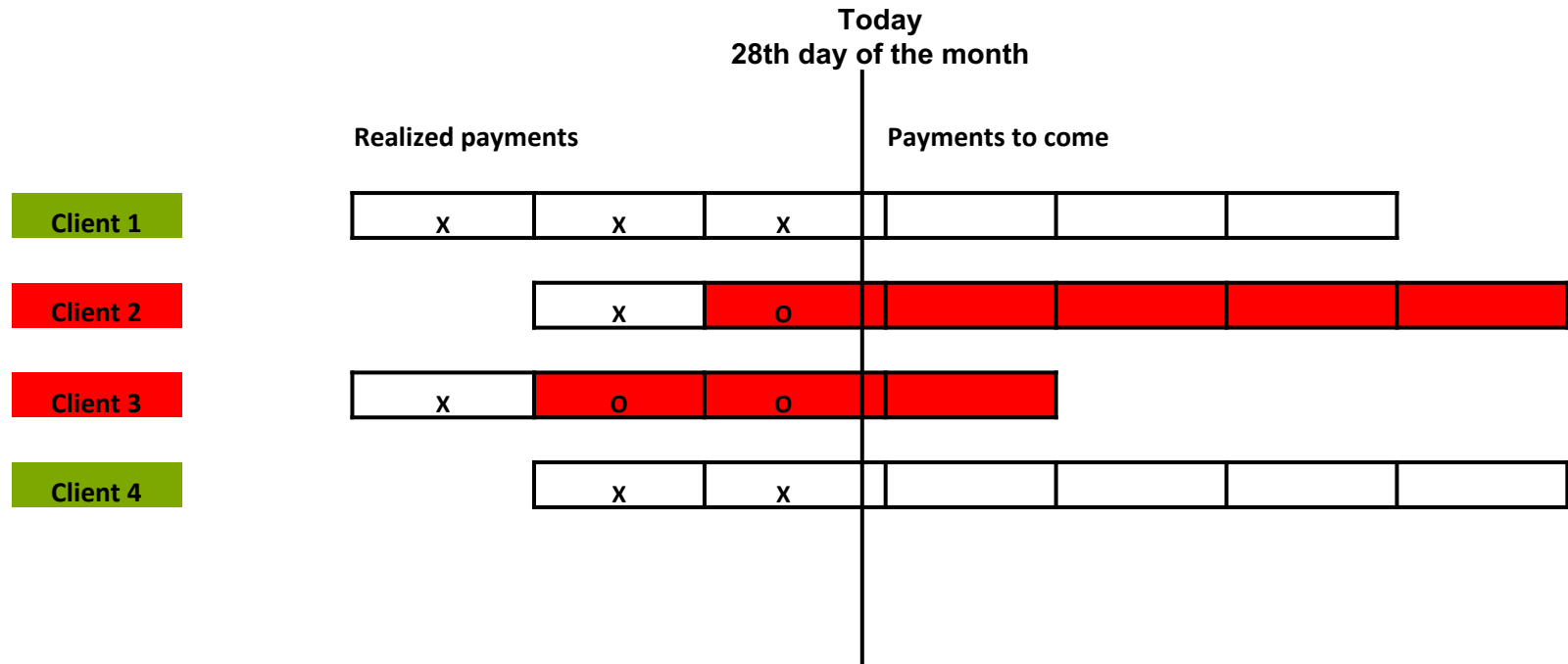
4 clients in the loan portfolio

Each box = 10 € and 1 month

Calculate: **PAR 1 = ? / 150**

Source : CGAP

Exercise on the calculation of portfolio at risk



Legend

X = on time payments

O = payment in arrears

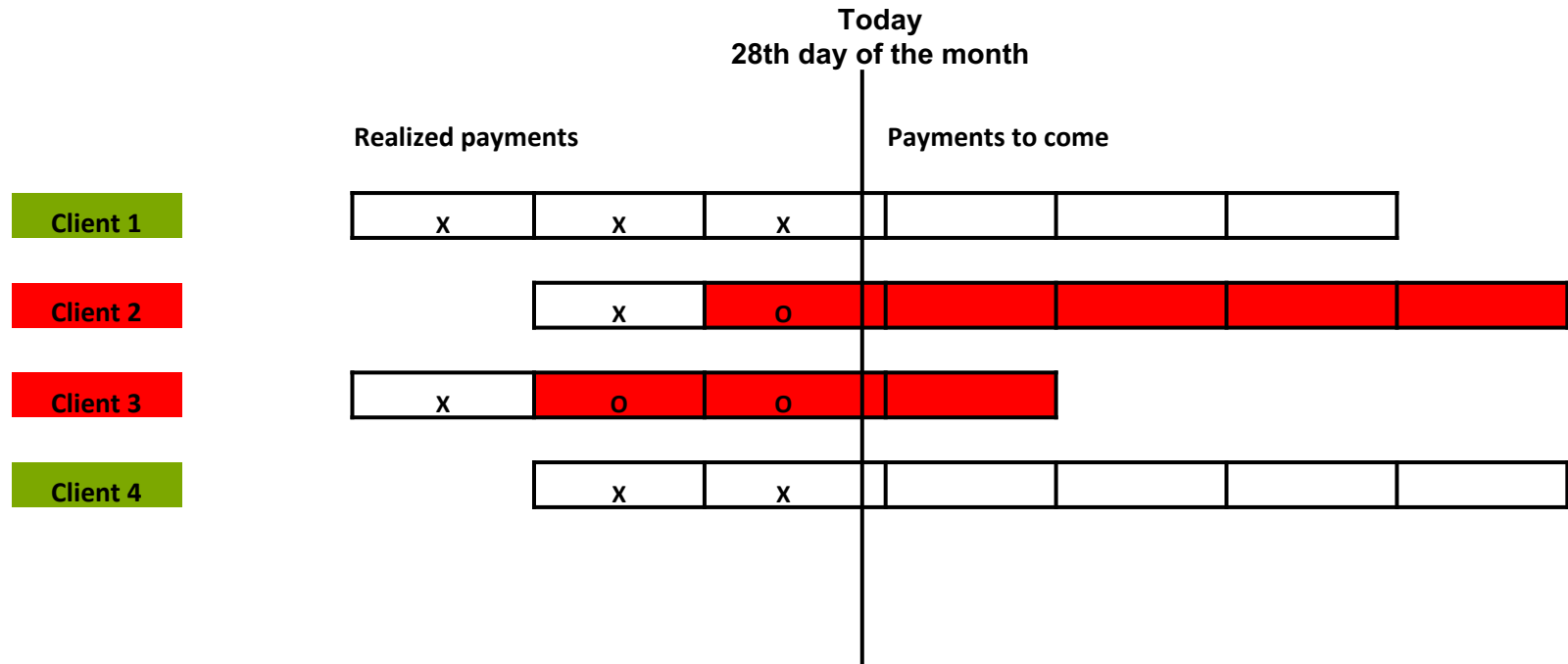
4 clients in the loan portfolio

Each box = 10 € and 1 month

Calculate: **?** / 150
PAR 1 =
PAR 30 =

Source : CGAP

Exercise on the calculation of portfolio at risk



Legend

X = on time payments

O = payment in arrears

4 clients in the loan portfolio

Each box = 10 € and 1 month

Calculate:

$$\text{PAR 1} = 80/150 = 53\%$$

$$\text{PAR 30} = ?$$

Source : CGAP

Exercise on the calculation of portfolio at risk

	Today 28th day of the month						
	Realized payments			Payments to come			
Client 1	X	X	X				
Client 2		X	O				
Client 3	X	O	O				
Client 4		X	X				

Legend

X = on time payments

O = payment in arrears

4 clients in the loan portfolio

Each box = 10 € and 1 month

$$\text{PAR 1} = 53\%$$

$$\text{PAR 30} = 30/150 = 20\%$$

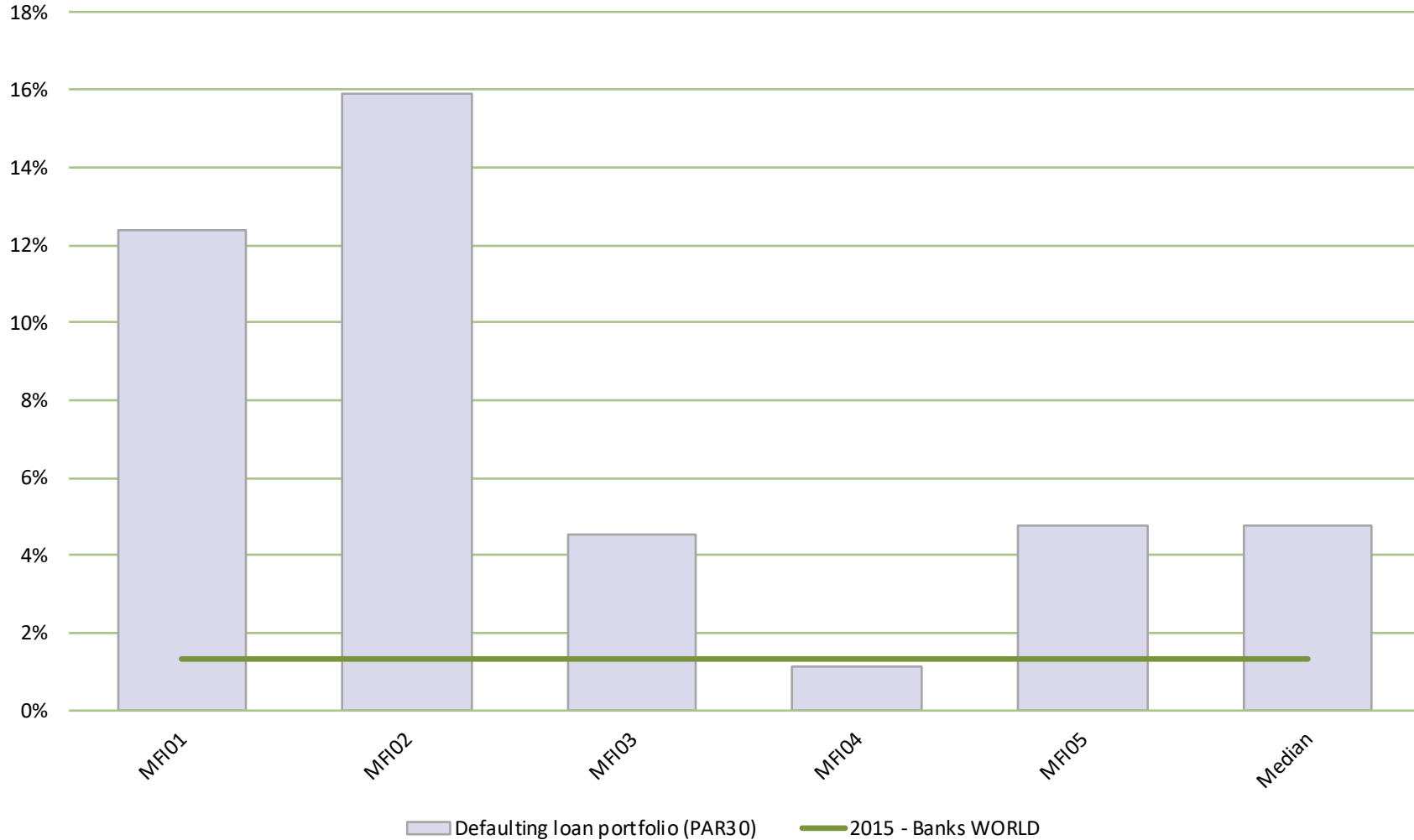
Source : CGAP

Risk profile of an MFI with a similar PAR1



PAR30 - Participants' data

Defaulting loan portfolio (PAR30) - 12-2016



Main indicators for portfolio quality

Portfolio at Risk n days (PAR_n)

What part of my portfolio is at risk / contaminated by arrears?

Risk coverage ratio

What part of my portfolio at risk is covered?

How to protect myself against losses?

Provision expense ratio

How much does this protection cost?

Write-off ratio

Which part of my portfolio has been lost?

Risk coverage ratio: how to calculate it?

$$\text{Risk coverage ratio} = \frac{\text{Loan loss reserves}}{(\text{Outstanding balance on arrears over N days} + \text{renegotiated loans})}$$

Loan loss reserves = ?

Why should one include renegotiated loans?

Provision expense ratio: how to calculate it?

$$\text{Provision expense ratio} = \frac{\text{(net) Loan loss provision expense}}{\text{Average gross portfolio}}$$

Do not confuse loan loss provision expense (income statement) with the risk coverage ratio (balance sheet).

Write-off ratio: how to calculate it?

$$\text{Write-off ratio} = \frac{\text{Amounts written-off for the period}}{\text{Total outstanding gross loan portfolio}}$$

A write-off is an accounting procedure which writes-off the loan amount to be reimbursed from the outstanding gross loan portfolio AND the loan loss reserves for bad loans

Thus the write-off will not affect the net outstanding loan portfolio, total assets or any capital account.

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EFFICIENCY AND PRODUCTIVITY

Efficiency and productivity

Operating expense ratio

How much do my credit operations cost me?

How efficient am I?

Cost per borrower

How much does it cost me to have one more borrower?

Productivity of staff

How many clients is each staff member handling?

Productivity of loan officers

How many borrowers is each loan officer handling?

Operating expense ratio: how to calculate it?

$$\text{Operating expense ratio} = \frac{\text{Operating expenses}}{\text{Average gross loan portfolio}}$$

Operating expenses = all expenses related to the operations of the MFI

The denominator can be replaced by average total assets in case of the MFIs collecting savings

Cost per borrower: how to calculate it?

$$\text{Cost per borrower} = \frac{\text{Operating expenses}}{\text{Average number of active borrowers}}$$

Operating expenses: same figure (item) as the operating expense ratio

Active borrower: borrower individually recognisable, who has at least one outstanding loan

MFIs may choose to substitute the number of active loans as the denominator to see cost per active outstanding loan.

Staff productivity: how to calculate it?

$$\text{Productivity of staff} = \frac{\text{Number of active borrowers}}{\text{Number of staff members}}$$

Number of active borrowers is defined as as individually identifiable borrowers who have at least one outstanding loan at the institution

Total number of staff is defined as the total number of people that work full time in a MFI (includes contract staff like consultants, as long as they work full time).

Productivity of loan officers: how to calculate it?

$$\text{Productivity of loan officer} = \frac{\text{Number of active borrowers}}{\text{Number of loan officers}}$$

Number of active borrowers is defined as an individually identifiable borrowers who have at least one outstanding loan at the institution

Loan officers are defined as the total number of people who's activity is directly linked to the management of part of the outstanding loan portfolio.

Productivity of loan officers: what does it mean?

The higher the ratio, the better the productivity of the loan officers

True

This ratio has the tendency to be higher for MFIs active in the rural areas

False

The increase in the rotation of credit agents has a positive influence on this productivity indicator

False

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FINANCIAL MANAGEMENT

Financial management indicators

Funding expense ratio

How much does the funding of my portfolio cost?

Cost of funds

How much do I pay on average on my funding resources?

Debt/equity ratio

What is my borrowing capacity?

Portfolio to assets

What part of my assets is dedicated to the most generating-income asset?

Funding expense ratio: how to calculate it?

$$\text{Funding expense ratio} = \frac{\text{Interest and fee expenses}}{\text{Average gross loan portfolio}}$$

Interest and fee expenses on funding liabilities take into account all interests, fees and commissions linked to funding liabilities (deposits and external borrowings).

Cost of funds ratio: how to calculate it?

$$\text{Cost of funds ratio} = \frac{\text{Interest and fee expenses}}{\text{Average funding liabilities}}$$

Interest and fee expenses on funding liabilities engage all interests, fees and commissions linked to funding debts

Denominator engages all the MFI financial resources, including deposits, commercial funding, subsidized funding and quasi-capital.

Debt / equity ratio: how to calculate it?

$$\text{Debt / equity ratio} = \frac{\text{Total liabilities}}{\text{Total equity}}$$

Total liabilities engage all the MFI due payments including deposits, borrowings, payable accounts and all others liability accounts

Total equity corresponds to total assets minus total liabilities (due amounts).

Portfolio to assets: how to calculate it?

$$\text{Portfolio to assets} = \frac{\text{Gross loan portfolio}}{\text{Total assets}}$$

Shows how the MFI allocates its assets to its core business and in most cases, its most profitable activity, namely the provision of loans.

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“LET YOUR FIGURES TALK”

PROFITABILITY AND
SUSTAINABILITY

Profitability and sustainability

Return on equity (ROE)

How much do my shareholders earn / do I capitalise every year?

Return on assets (ROA)

What is my assets capacity of generating profit to grow?

Portfolio yield

How much do I actually earn from my clients?

Operational self-sufficiency (OSS)

What is my operational sustainability? Does my income cover my operational expenses?

Return on equity (ROE): calculation

$$\text{ROE} = \frac{\text{Net income after taxes and before donations}}{\text{Average equity}}$$

Note: possibility of adjusting the ratio to take into account the effects of inflation, subsidies, in-kind donations, etc.

ROA: return on assets

$$\text{ROA} = \frac{\text{Net income after taxes and before donations}}{\text{Average assets}}$$

Note: possibility of adjusting the ratio to take into account the effects of inflation, subsidies, in-kind donations, etc.

Portfolio yield: how to calculate it?

$$\text{Portfolio yield} = \frac{\text{Financial revenue received}}{\text{Average gross loan portfolio}}$$

Note: (cash) financial revenue = interest and fee income from loan portfolio except interest receivables.

Profitability and sustainability -> social performance

How to calculate the (approximate) effective interest rate?

$$\text{EIR} = \text{Portfolio yield (PY)} + \text{adjustment for write-offs (WO*PY)} + \text{adjustment for PAR30 (PAR30*PY)}$$

The effective interest rate as calculated in the MFI Factsheet is an estimate based on the portfolio yield with the addition of an adjustment of PAR30 and the write-off rate.

OSS: how to calculate it?

$$\text{OSS} = \frac{\text{Operating revenue}}{\text{Financial expenses + loan loss provision expenses + operating expenses}}$$

Note: as for other performance measures, income and expenses related to the main activity of the MFI, expenses and non-operating income and grants are not taken into account.

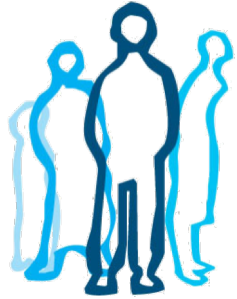
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SOCIAL PERFORMANCE

Universal Standards for Social Performance Management (USSPM)





STAR

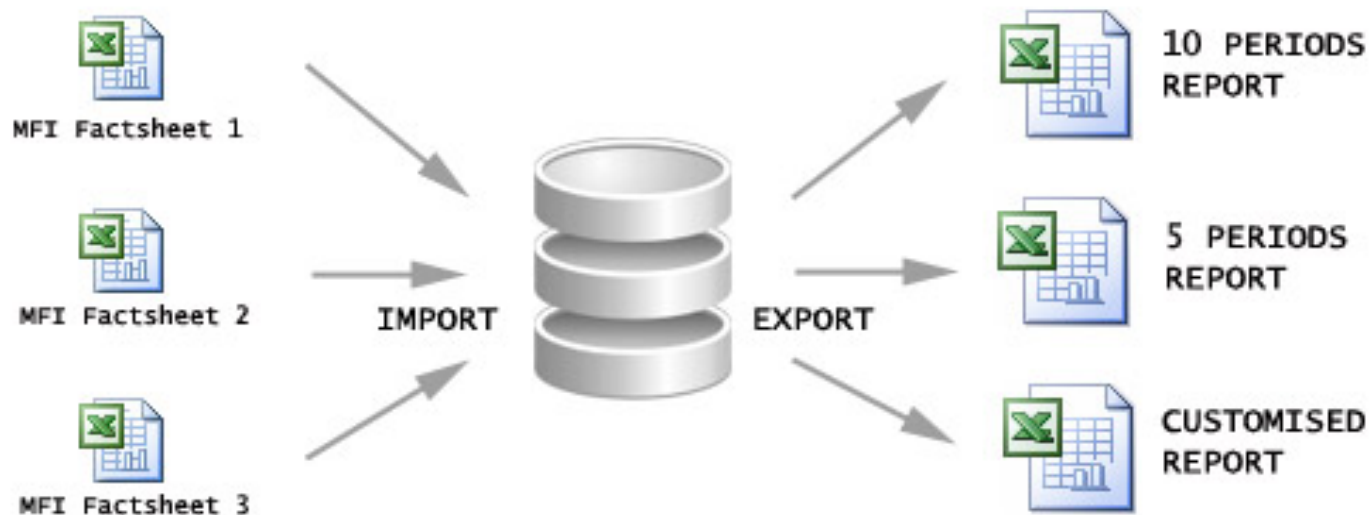
5th annual meeting

Your future, our concern

MFI Factsheets Compiler for MFI-networks, funders and donors

Tool to import, store and organise MFI Factsheets in order to generate financial reports in a practical way.

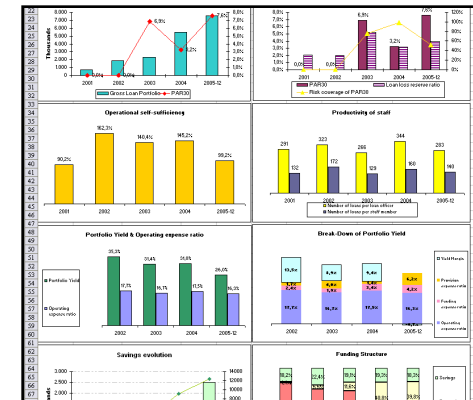
These reports include standard financial and social ratios, graphs and statistics allowing to assess and compare the financial and social performance of MFIs.



MFI Factsheets Compiler

NAME OF INSTITUTION	test	REPORT IN	2001	ETB
Table A: Balance Sheet at period's end.				
	Year 2001	Year 2002	Year 2003	Year 2004
ASSETS				
CURRENT ASSETS	311,096,69	181,587,17	989,245,58	5,252,913,36
Cash on hand	55,166,80	12,629,83	0,00	56,25
Non-interest bearing deposits and clearing accounts	125,549,79	75,680,73	146,649,42	1,457,589,93
Interest bearing deposits and investments < 3 year	135,384,42	77,311,90	732,596,16	1,841,159,10
Prepaid expenses	5,000,00	1,279,19	14,857,12	17,124,60
Receivables	0,00	0,00	4,252,98	19,881,41
Interest receivable	8,266,26	24,630,42	58,472,46	154,555,31
Other current assets	0,00	0,00	3,813,59	0,00
NET LOAN PORTFOLIO	716,527,26	1,812,780,61	2,136,947,73	5,378,194,76
Loans (gross portfolio (original sublimiting))	716,527,26	1,812,780,61	2,136,947,73	5,378,194,76
Less: loan reversion	0,00	0,00	0,00	0,00
LONG TERM ASSETS	31,439,42	26,950,39	197,959,80	273,119,42
Investments > 3 year	0,00	2,000,00	2,000,00	0,00
Real Property and Equipment	31,439,42	24,950,39	195,959,80	271,119,42
Other long term assets	0,00	0,00	0,00	0,00
TOTAL ASSETS	1,059,064,18	2,031,158,37	3,324,148,11	8,195,148,60
LIABILITIES				
CURRENT LIABILITIES	287,323,76	167,873,82	659,623,23	2,211,241,00
Deposits	192,426,45	458,879,90	939,999,84	3,984,139,41
Short term Time Deposits (< 3 year)	0,00	0,00	0,00	0,00
Short term Borrowed Funds (< 3 year)	0,00	63,825,73	0,00	0,00
Interest payable	4,148,41	0,00	10,467,11	48,457,50
Other short term liabilities	9,770,00	49,368,17	11,632,93	19,761,91
LONG TERM LIABILITIES	0,00	0,00	364,000,00	2,716,000,00
Long term Time deposits (> 3 year)	0,00	0,00	0,00	0,00
Long term Borrowed Funds (> 3 year)	0,00	0,00	364,000,00	2,716,000,00
Other long term liabilities	0,00	0,00	0,00	0,00
TOTAL LIABILITIES	287,323,76	167,873,82	1,023,623,23	4,927,241,00
Reserves	289,480,20	201,000,00	201,000,00	201,000,00
Retained capital	17,706,21	174,802,48	1,451,417,93	2,716,000,00
Current year profit/loss	17,706,21	174,802,48	1,451,417,93	2,716,000,00
Reserves / retained earnings / accumulated losses	0,00	0,00	0,00	0,00
Other equity accounts	0,00	0,00	0,00	0,00
TOTAL EQUITY	851,740,42	1,464,886,55	2,312,524,88	5,729,879,59
TOTAL EQUITY AND LIABILITIES	1,059,064,18	2,031,158,37	3,324,148,11	8,195,148,60

BRS.MFI Factsheets Compiler						
Consistency check (den1) (den2) - ADH						
Actual year	2001	Currency	ADH	Unit of Amounts	100	
Consistency Control						
	2006	2007	2008	2009	2010	2010/06
Balance sheet bal...	26,765,050,00	27,532,735,00	26,765,050,00	27,532,735,00	44,564,790,00	
TOTAL ASSETS	26,765,050,00	27,532,735,00	26,765,050,00	27,532,735,00	44,564,790,00	
TOTAL EQUITY AND LIABILITIES	26,765,050,00	27,532,735,00	26,765,050,00	27,532,735,00	44,564,790,00	
Difference	0,00	0,00	0,00	0,00	0,00	
Accrual of interest	523,960,00	774,803,00	523,960,00	774,803,00	744,900,00	
In Balance sheet	523,960,00	774,803,00	523,960,00	774,803,00	744,900,00	
In P&L	523,960,00	774,803,00	523,960,00	774,803,00	744,900,00	
Difference	0,00	0,00	0,00	0,00	0,00	
Portfolio information	22,863,450,00	30,500,180,00	22,863,450,00	30,500,180,00	36,793,402,00	
In Balance sheet	22,863,450,00	30,500,180,00	22,863,450,00	30,500,180,00	36,793,402,00	
In P&L	22,863,450,00	30,500,180,00	22,863,450,00	30,500,180,00	36,793,402,00	
Difference	0,00	0,00	0,00	0,00	0,00	
Result of the year	1,169,107,00	3,089,742,00	1,169,107,00	3,089,742,00	2,448,892,00	
In Balance sheet	1,169,107,00	3,089,742,00	1,169,107,00	3,089,742,00	2,448,892,00	
In P&L	1,169,107,00	3,089,742,00	1,169,107,00	3,089,742,00	2,448,892,00	
Difference	0,00	0,00	0,00	0,00	0,00	
Reserve consistency	634,127,00	1,125,166,00	634,127,00	1,125,166,00	2,082,898,00	
Beginning loan loss reserve (previous year)	NA	634,127,00	1,125,166,00	634,127,00	1,125,166,00	
Provision expense	487,985,00	923,804,00	487,985,00	923,804,00	927,596,00	
Write off	313,653,00	422,768,00	313,653,00	422,768,00	544,000,00	
Ending loan loss reserve (this year)	634,127,00	1,125,166,00	634,127,00	1,125,166,00	2,082,898,00	
Difference	NA	0,00	0,00	0,00	0,00	



Upload the **MFI Factsheets** (Excel) in the **MFI Factsheets Compiler** (central database)

2. In the **MFI Factsheets Compiler** assign organizations to groups, apply exchange rates, change data,...

3. Generates **reports in Excel** for one MFI or a consolidated group of MFIs, for a certain period, in a specific currency, ...

Microvision

2017-09-21 Microvision v15.7.9 sent to BRS - Excel

FILE HOME New Tab INSERT PAGE LAYOUT FORMULAS DATA REVIEW VIEW DEVELOPER ACROBAT

Clipboard Font Cells Editing

D2

1 MV000 microvision

2 English

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5 Item Ref.

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9 G01 First year of the projection 2017

10 G02 Name of institution

11 G03 Currency of the report XOF

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13 G04 Numbers in the report are in 1

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15 G05 Write-off period of defaulting loans 1 Year

16

17 G06 Data import from a MFI Factsheet Please click on item

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24 MONETARY CONTEXT 2013 2014

25 exchange rate (at period end) XOF/USD 0,00

26 exchange rate (at period end) XOF/EUR 0,00

27 exchange rate (at period end) USD/EUR 0,00

28 GNI/capita (local currency) 0,00

29 Annual inflation rate (%) XOF 0,00%

30 Inflation Index XOF 1,00

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32 G13 Include a simplified Projection Please click on item

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Loan portfolio quality

Portfolio at Risk “n” days (PAR_n):

What part of my portfolio is at risk/contaminated by arrears?

$$PAR_n = \frac{\text{Outstanding balance with arrears over “n” days + total gross outstanding renegotiated portfolio}}{\text{Total outstanding gross loan portfolio}}$$

Benchmark: < 5%

Alarm: 10%

Risk coverage ratio:

What part of my portfolio at risk is covered? How to protect myself against losses?

$$\text{Risk coverage ratio} = \frac{\text{Loan loss reserves}}{(\text{Outstanding balance on arrears over “n” days + renegotiated loans})}$$

Benchmark: 80% - 100%

Loan portfolio quality

Provision expense ratio:

How much does this protection cost?

$$\text{Provision expense ratio} = \frac{\text{Net loan loss provision expense}}{\text{Average gross loan portfolio}}$$

Benchmark: 2%

Write-off ratio:

Which part of my portfolio has been lost?

$$\text{Write-off ratio} = \frac{\text{Amounts written off for the period}}{\text{Total outstanding gross loan portfolio}}$$

Benchmark: 1%

Efficiency and productivity

Operating expense ratio:

How much do my loan operations cost? How efficient am I?

$$\text{Operating expense ratio} = \frac{\text{Operating expenses}}{\text{Average gross loan portfolio}}$$

Benchmark: 20%

Cost per borrower:

How much does it cost me to have one more borrower?

$$\text{Cost per borrower} = \frac{\text{Operating expenses}}{\text{Average number of active borrowers}}$$

Efficiency and productivity

Staff productivity:

How many borrowers is each member of staff handling?

$$\text{Staff productivity} = \frac{\text{Number of active borrowers}}{\text{Number of staff members}}$$

Benchmark: 150 / year

Productivity of loan officer:

How many borrowers is each loan officer handling?

$$\text{Productivity of loan officer} = \frac{\text{Number of active borrowers}}{\text{Number of loan officers}}$$

Benchmark: 250 / year

Financial management

Funding expense ratio:

How much does the funding of my portfolio cost?

$$\text{Funding expense ratio} = \frac{\text{Total financial expenses}}{\text{Average gross loan portfolio}}$$

Cost of funds:

How much do I pay on average on my funding resources?

$$\text{Cost of funds} = \frac{\text{Financial expense on funding liabilities}}{\text{Average funding liabilities (deposits + borrowings)}}$$

Financial management

Debt/equity ratio or leverage:

What is my borrowing capacity?

$$\text{Leverage} = \frac{\text{Total liabilities}}{\text{Total equity}}$$

Benchmark: 3,2%

Portfolio to assets:

What part of my assets is dedicated to the most income-generating asset?

$$\text{Portfolio to assets} = \frac{\text{Gross loan portfolio}}{\text{Total assets}}$$

Benchmark: 80%

Profitability and sustainability

Return on assets (ROA):

What is my assets capacity of generating profit to grow?

$$\text{ROA} = \frac{\text{Net income after taxes and before donations}}{\text{Average assets}}$$

Benchmark: 1% - 2%

Return on equity (ROE):

How much do my shareholders earn/do I capitalize every year?

$$\text{ROE} = \frac{\text{Net income after taxes and before donations}}{\text{Average equity}}$$

Benchmark: 5% - 7%

Profitability and sustainability

Operational self-sufficiency (OSS):

What is my level of sustainability?

$$\text{OSS} = \frac{\text{Operating revenue}}{\text{Operating expenses} + \text{loan loss provision expenses} + \text{financial expenses}}$$

Benchmark: 100%

Portfolio yield:

How much do I actually earn from my credit activities?

$$\text{Portfolio yield} = \frac{\text{Financial revenue from loan portfolio}}{\text{Average gross loan portfolio}}$$

Benchmark: 20% - 30%

Social performance

Breakdown of gross loan portfolio by sector:

What is the diversification or specialization of an MFI's portfolio?

Outstanding loan balance **per sector**

Total gross portfolio of outstanding loans

Breakdown of gross loan portfolio by methodology:

What is the diversification or specialization of an MFI's portfolio?

Outstanding loan balance **per methodology**

Total gross portfolio of outstanding loans

Social performance

Average loan size/GNI per capita:

The smaller the size of the loan, the poorer the institution's target clients is assumed to be

Average loan size

GNI per capita of the country in which the MFI operates

Effective (real) interest rate:

What is the actual cost that the borrower has to pay for the loan?

$$\text{EIR} = \text{Portfolio yield (PY)} + (\text{WO} * \text{PY}) + (\text{PAR30} * \text{PY})$$