

Financial Transparency for the Caribbean Microfinance Institutions

Benchmarking MFI Performance

Renso Martínez

Regional Manager for Latin American and the Caribbean
Microfinance Information eXchange (MIX)



Agenda

- 1 What is MIX?
- 2 Performance, Monitoring & Benchmarking
- 3 Looking ahead

Agenda

1 What is MIX?

2 Performance, Monitoring & Benchmarking

3 Looking ahead

MIX: Microfinance Information eXchange



What is MIX?

About MIX:

MIX is a private, non-profit organization, with headquarters in Washington, D.C., dedicated to ***strengthening the information infrastructure*** in the microfinance industry.

Our Mission:

Support the growth of the microfinance industry by providing a world-class public information platform.

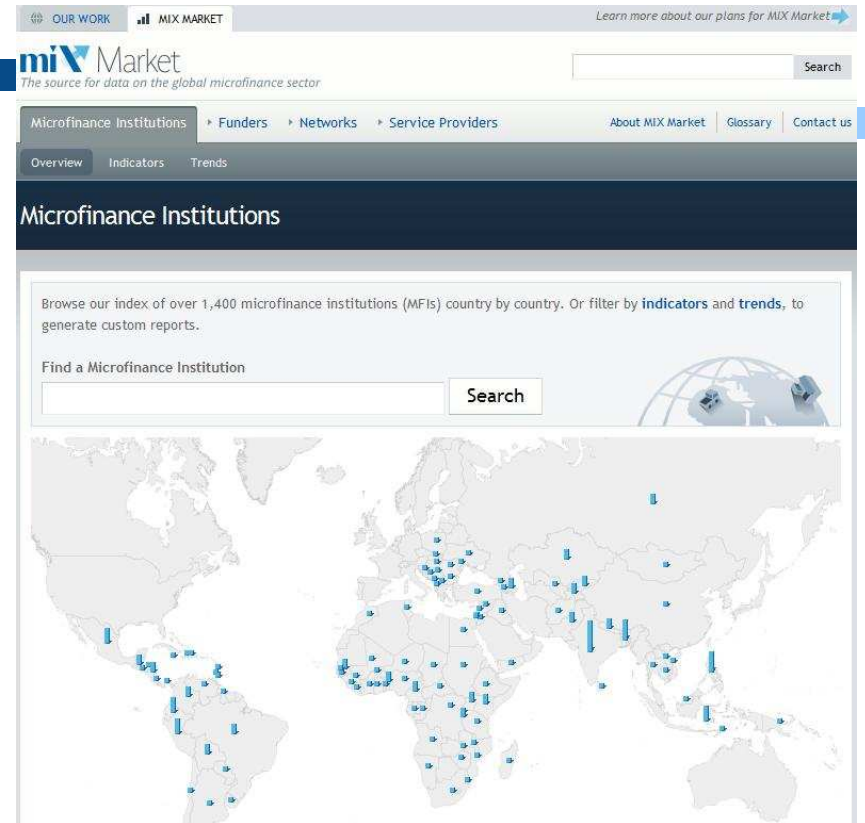
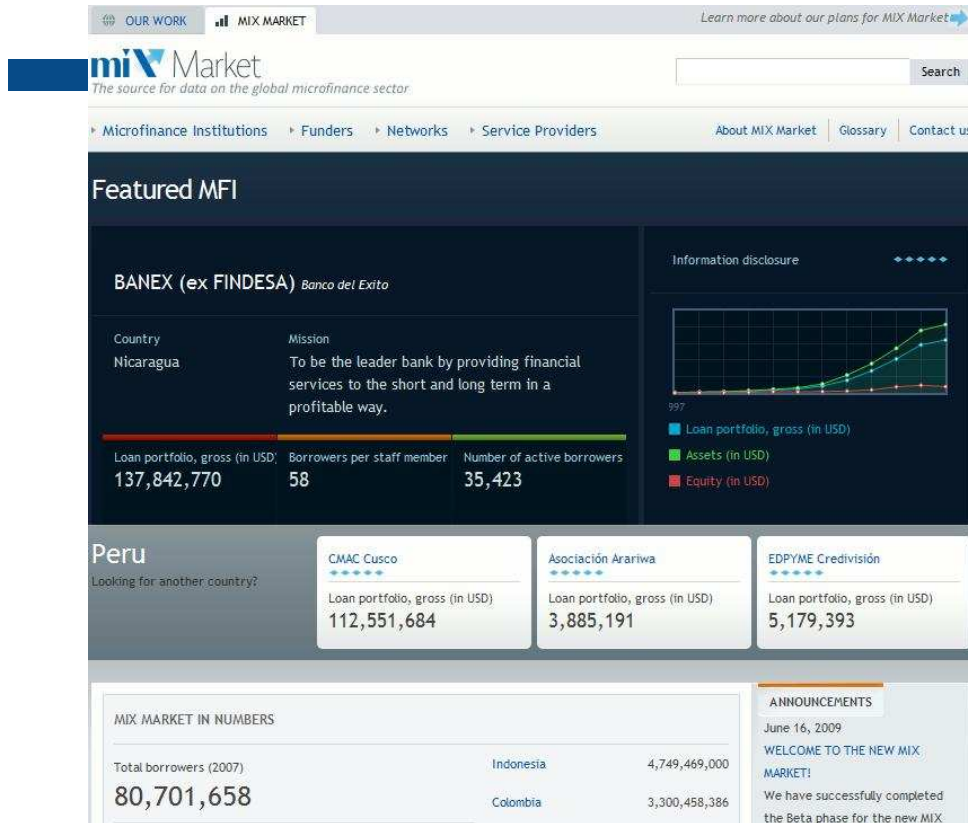
Our Sponsors:



Deutsche Bank Americas Foundation
and Community Development Group



The tools we use

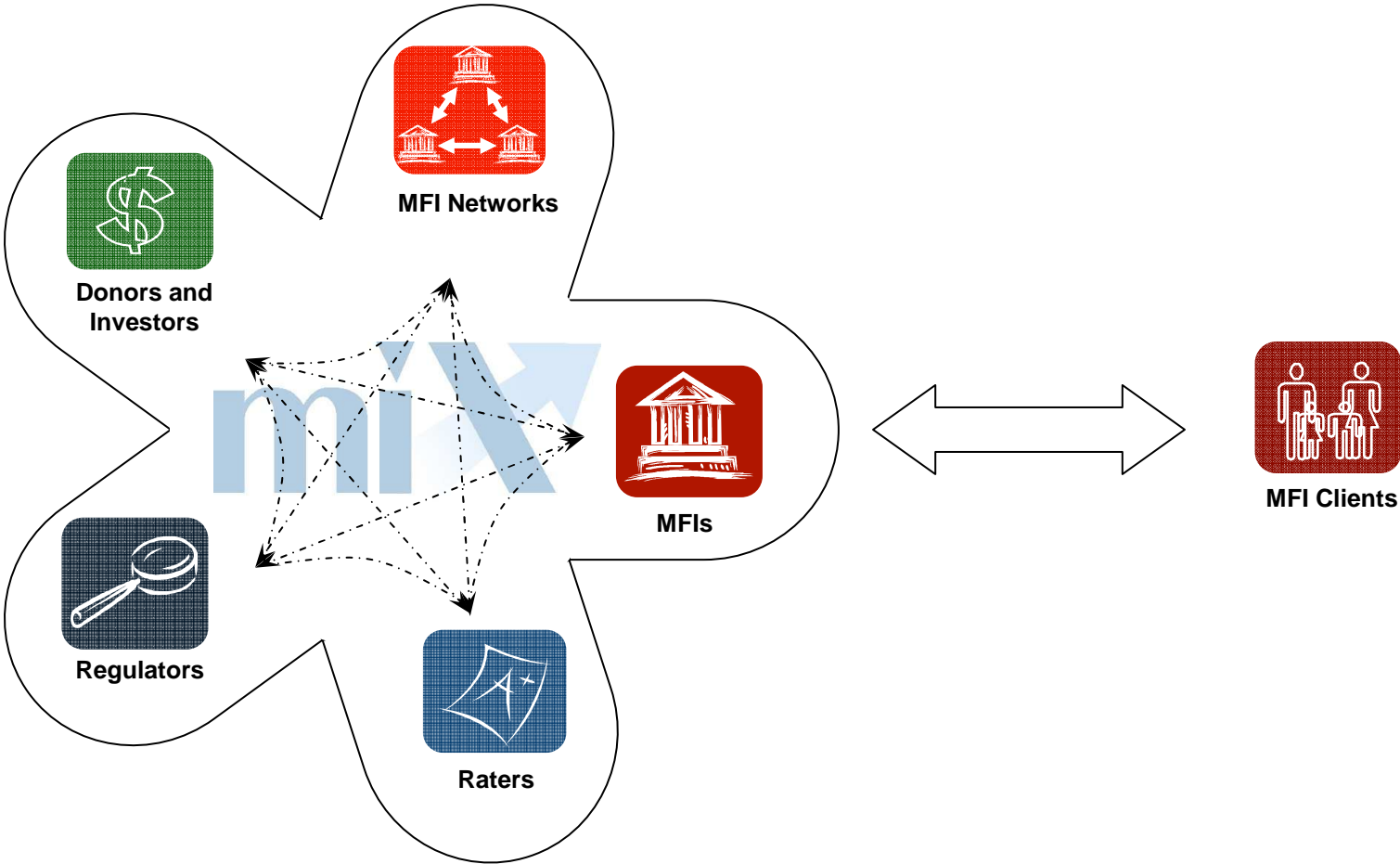


MIX Market – www.mixmarket.org

- Online “Yellow Pages” of Microfinance Industry.
- Provide standardized MFIs data.
- Information to measure performance with appropriate context.
- Customized data available.



Data Flow / Maximum Transparency



Agenda

1 What is MIX?

2 Performance, Monitoring & Benchmarking

3 Looking ahead

PMB is the key tool for a sustainable MFI

Users of Benchmarking

- ▶ MFI managers and board members
- ▶ Donors and Investors
- ▶ Regulators/Monitors
- ▶ Networks

- ▼ Monitor activity
- ▼ Identify strengths and weaknesses
- ▼ Mitigate risks
- ▼ Set performance targets
- ▼ Attract investment
- ▼ Report to stakeholders

Users of Benchmarking

- ▶ MFI managers and board members
- ▶ Donors and Investors
- ▶ Regulators/Monitors
- ▶ Networks

- ▼ Monitor microfinance sectors
- ▼ Identify promising institutions
- ▼ Set targets for investments
- ▼ Assess risk
- ▼ Track investments

Users of Benchmarking

- ▶ MFI managers and board members
- ▶ Donors and Investors
- ▶ Regulators/Monitors
- ▶ Networks

- ▼ Monitor health of sector
- ▼ Set prudential norms / performance guidelines
- ▼ Determine population served / products used

Users of Benchmarking

- ▶ MFI managers and board members
- ▶ Donors and Investors
- ▶ Regulators/Monitors
- ▶ Networks

- ▼ Map local environment
- ▼ Assess and compare affiliate performance
- ▼ Identify MFI strengths/ weaknesses
- ▼ Promote sector development

Indicator Families

Scale / Outreach

1. Avg. Savings Balance / Saver
2. Average Loan Balance / Borrower

Financial Structure

3. Debt / Equity
4. Capital / Asset Ratio

Profitability

5. Return on Assets
6. Operational Self-Sufficiency
7. Operating Expense / LP

Efficiency / Productivity

8. Cost per Borrower
9. Borrowers per Staff
10. Savers per Staff

Risk and Liquidity

11. PAR > 30 days
12. Write-off Ratio

Indicators

Outreach

Funding Structure

Profitability

Efficiency / Productivity

Risk and Liquidity

Questions?

How many are served?

Who are they?

Indicators

Number of Borrowers

Avg Loan Balance / GNP per capita

(Social Performance Indicators ... initial phase ...)

Outreach

		2004	2005	2006	2007	2008
As of date		2004-12-31	2005-12-31	2006-12-31	2007-12-31	2008-12-31
Currency		USD	USD	USD	USD	USD
+ Number of active borrowers	||||	1,780	1,859	952	1,083	1,281
Percent of women borrowers	.....	—	—	—	—	—
+ Number of outstanding loans	||||	—	—	952	1,083	1,281
+ Gross loan portfolio	||||	2,583,374	3,167,377	3,354,490	3,855,352	4,385,205
Average loan balance per borrower	||||	1,451	1,704	3,524	3,560	3,423
Average loan balance borrower per borrower / GNI per capita	||||	15.62%	15.91%	27.38%	24.58%	23.64%
Average outstanding balance	||||	—	—	3,524	3,560	3,423
Average outstanding balance / GNI per capita	||||	—	—	27.38%	24.58%	23.64%
Number of depositors	|||||	0	0	—	—	—
Number of deposit accounts	.....	—	—	—	—	—
Deposits	.....	—	—	0	0	0
Average deposit balance per depositor	.....	—	—	—	—	—
Average deposit balance per depositor / GNI per capita	.....	—	—	—	—	—
Average deposit account balance	.....	—	—	—	—	—
Average deposit account balance / GNI per capita	.....	—	—	—	—	—



Indicators

Outreach

Funding Structure

Profitability

Efficiency / Productivity

Risk and Liquidity

Questions?

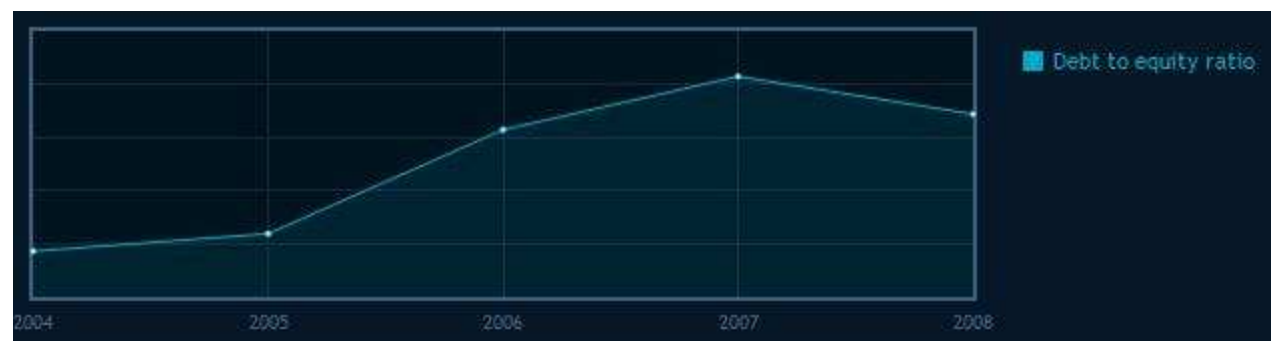
How is portfolio funded?
How leveraged is the MFI?

Indicators

Deposits / Loan Portfolio
Commercial Funding
Liabilities Ratio
Debt / Equity

Financing Structure

		2004	2005	2006	2007	2008
As of date		2004-12-31	2005-12-31	2006-12-31	2007-12-31	2008-12-31
Capital/asset ratio	||||	34.51%	27.58%	12.61%	9.87%	11.66%
Debt to equity ratio	||||	1.90	2.63	6.93	9.13	7.58
Deposits to loans	||||	—	—	0.00%	0.00%	0.00%
Deposits to total assets	||||	—	—	0.00%	0.00%	0.00%
Gross loan portfolio to total assets	||||	77.47%	76.45%	91.63%	70.62%	91.38%



Indicators

Outreach

Funding Structure

Profitability

Efficiency / Productivity

Risk and Liquidity

Questions?

Will it continue operations?
Can it generate profit?
How much does it earn from
its portfolio?
What is its cost structure?

Indicators

Financial Self-Sufficiency
Return on Assets (Equity)
Yield on Gross Loan Portfolio
Expense Ratios

Overall Financial Performance

		2004	2005	2006	2007	2008
As of date		2004-12-31	2005-12-31	2006-12-31	2007-12-31	2008-12-31
		USD	USD	USD	USD	USD
Return on assets		-21.36%	-3.87%	0.32%	1.56%	0.47%
Return on equity		-50.15%	-12.61%	1.56%	14.24%	4.43%
Operational self sufficiency		42.02%	83.98%	101.73%	108.98%	102.41%

Revenues

		2004	2005	2006	2007	2008
As of date		2004-12-31	2005-12-31	2006-12-31	2007-12-31	2008-12-31
		USD	USD	USD	USD	USD
Financial revenue/ assets		15.48%	20.06%	18.84%	18.96%	20.16%
Profit margin		-137.96%	-19.07%	1.70%	8.24%	2.35%
Yield on gross portfolio (nominal)		-	-	18.10%	17.38%	17.30%

Yield on gross portfolio (real)



Expenses

		2004	2005	2006	2007	2008
As of date		2004-12-31	2005-12-31	2006-12-31	2007-12-31	2008-12-31
		USD	USD	USD	USD	USD
Total expense/ assets		36.84%	23.88%	18.52%	17.39%	19.69%
Financial expense/ assets		2.97%	2.74%	3.54%	4.42%	4.48%
Provision for loan impairment/ assets		12.04%	-1.97%	1.76%	0.63%	2.02%

Indicators

Outreach

Funding Structure

Profitability

Efficiency / Productivity

Risk and Liquidity

Questions?

How costly are operations?
How much does it cost to
serve a borrower?
How productive are
resources?

Indicators

Operating Efficiency
Cost per Borrower
Personnel Productivity

Efficiency

		2004	2005	2006	2007	2008
As of date		2004-12-31	2005-12-31	2006-12-31	2007-12-31	2008-12-31
		USD	USD	USD	USD	USD
Operating expense/ loan portfolio	||||	32.95%	30.05%	15.81%	15.61%	16.42%
Personnel expense/ loan portfolio	||||	—	—	7.91%	9.07%	11.25%
Average salary/ GNI per capita	||||	—	—	—	—	—
Cost per borrower	||||	—	475	367	553	573
Cost per loan	||||	—	—	—	553	573

Productivity

		2004	2005	2006	2007	2008
As of date		2004-12-31	2005-12-31	2006-12-31	2007-12-31	2008-12-31
Borrowers per staff member	||||	89	77	—	—	—
Loans per staff member	||||	—	—	—	—	—
Borrowers per loan officer	||||	—	—	—	—	—
Loans per loan officer	||||	—	—	—	—	—
Depositors per staff member	||||	0	0	—	—	—
Deposit accounts per staff member	||||	—	—	—	—	—
Personnel allocation ratio	||||	—	—	—	—	—



Indicators

Outreach

Funding Structure

Profitability

Efficiency / Productivity

Risk and Liquidity

Questions?

What is portfolio quality?

What is historical risk of loss?

How well are assets & liabilities managed?

Indicators

Portfolio at Risk

Loan Loss Rate

Non-earning assets

Current Ratio

Risk and Liquidity

		2004	2005	2006	2007	2008
As of date		2004-12-31	2005-12-31	2006-12-31	2007-12-31	2008-12-31
		USD	USD	USD	USD	USD
Portfolio at risk > 30 days	100%	46.04%	4.00%	4.38%	6.49%	6.68%
Portfolio at risk > 90 days	100%	—	—	0.31%	0.50%	1.42%
Write-off ratio	100%	0.00%	15.69%	1.12%	1.78%	0.67%
Loan loss rate	100%	0.00%	15.69%	1.12%	1.78%	0.67%
Risk coverage	100%	57.55%	14.66%	34.21%	6.16%	30.71%
Non-earning liquid assets as a % of total assets	100%	—	—	0.00%	20.38%	1.61%



Agenda

1 What is MIX?

2 Performance, Monitoring & Benchmarking

3 Looking ahead

Three steps for being a more transparent MFI

Some figures to share...

For LAC region participants in 2008 Benchmarks:

1. 193 MFIs from **South America** in 9 countries (Bolivia, Ecuador and Peru, the most active markets).
2. 78 MFIs from **Central America** in 6 countries (Guatemala and Nicaragua, the most active markets).
3. 51 MFIs from **Mexico**, the second most active country.
4. 10 MFIs from **the Caribbean**, specifically in Dominican Republic and Haiti, no other countries.

Including participant MFI on MIX Market:

1. Almost 400 MFIs from all **Latin American and the Caribbean** region in 24 countries.
2. Not including Dominican Republic and Haiti, there are just 5 MFIs from the rest of **the Caribbean** and just one (1) MFI reporting periodically.



So, what to do then...?

If you are interested to participate in **free** MIX services for MFIs, please:

1. Complete our **Spreadsheet** with basic current and previous financial year data.
2. Send your **Financial Statements** (Audited preferably) with the current and previous financial year end.
3. Respond to **any question** from MIX related to the information.



Transparency Impact

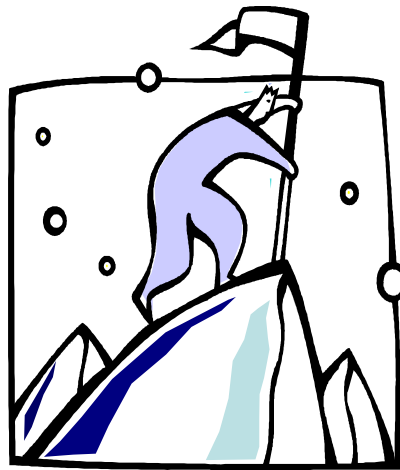
*Something
to
remember*

Transparency and Benchmarking help MFI to:

- Track the most important performance areas, identifying organizational strengths and weakness.
- Prevent fraud by setting internal controls and performing audits.
- Monitor performance, to alert Management to potential problems in order to mitigate risks .
- Establish significant and realistic goals based on reliable Benchmarks.

Unique Opportunity

1. International visibility on **MIX Market**
2. Performance Benchmarks on the **MicroBanking Bulletin** (MBB)
3. **Annual Rankings** as Microfinance Americas 100 and MIX Global 100



Thank you...!

For further information about Financial Performance, please refer to:

<http://www.mixmarket.org/mfi>

<http://www.themix.org/microbanking-bulletin/microbanking-bulletin>

And, for more details regarding to Social Performance Standards, visit:

<http://www.themix.org/standards/social-performance>



Microfinance Information eXchange, Inc.

The leading provider of business information and data services for the microfinance industry

MIX Latin America and the Caribbean

Jr. León Velarde 333, Lima 14, Perú

Tel: (51) 1 471-9526 / Fax: (51) 1 471-6816

rmartinez@themix.org / mcrondon@themix.org / avalencia@themix.org

Headquarters:

1901 Pennsylvania Ave., NW, Suite 307
Washington, D.C. 20006 USA

Other Locations:

Dakar, Senegal • Gurgaon, India • Jakarta, Indonesia

www.themix.org

