

CARIBBEAN MICROFINANCE ALLIANCE

MFI PERFORMANCE REPORT **2012**







ACKNOWLEDGMENT

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FOREWORD

The Caribbean MicroFinance Alliance (CMFA) was launched in January 2011 as a network of Caribbean microfinance practitioners who are working to increase the visibility of microfinance in the region. Our mission is to contribute to the provision of effective and sustainable microfinance services to Caribbean micro entrepreneurs by supporting MFIs in improving their outreach and financial performance. Our current membership comprises 23 organizations located across nine (9) Caribbean countries. These include institutions that are directly involved in the provision of microfinance services and those that provide services that support microfinance providers or contribute to a positive enabling environment for microfinance.

Since 2011, the CMFA has endeavoured to produce a yearly Performance Report on the microfinance sector in the Caribbean region. The report provides a broad assessment of the size and financial performance of the CMFA membership, together with benchmarks taken from the Latin America and Caribbean region. The current 2012 report is based on the financial statements and statistical information of the following sixteen (16) member institutions:

- Access Financial Services (Jamaica)
- COK Sodality Co-operative Credit Union (Jamaica)
- Coöperatieve Spaar- En Kredietbank Godo G.A (Suriname)
- Finatrust de Trustbank (Suriname)
- Grenada Public Service Co-operative Credit Union (Grenada)
- Grenville Co-operative Credit Union (Grenada)
- Institute of Private Enterprise Development (Guyana)
- La Inmaculada Credit Union (Belize)
- Micro Credit Limited (Jamaica)
- National Development Foundation (Dominica)
- National Entrepreneurship Development Company (Trinidad & Tobago)
- National People's Co-operative Bank (Jamaica)
- Spaar-En Kredietcoöperatie De Schakel G.A. (Suriname)
- St. Catherine Co-operative Credit Union (Jamaica)
- St. Thomas Co-operative Credit Union (Jamaica)
- Works Co-operative Society Credit Union (Trinidad & Tobago)

The CMFA Secretariat

RATIONALE FOR PRODUCING A PERFORMANCE REPORT

The CMFA promotes the development of microfinance services in the Caribbean region, and facilitates the sharing of information and increased transparency among the institutions involved in the sector. It is also our intention to establish a uniform basis for comparative analysis with industry standards.

Trends in the microfinance sector have led to increased awareness of how important financial viability is for microfinance institutions (MFIs) and for their performance assessment. This report makes use of industry-recognized performance indicators to assess the results of CMFA MFI members.

This document draws considerably on the CGAP¹ methodology and related directives. CGAP is a leader in the field of standardizing the microfinance industry. CGAP directives were documented and analyzed by the Small Enterprise Education and Promotion Network² (SEEP), which is made of 50 international organizations involved in the field of small business development and microfinance worldwide. In addition, benchmarks used for the purpose of comparison with a large sample of MFIs from the Latin America and Caribbean region were obtained from the Mix Market website,³ which is the main source of financial and social performance data on MFIs.

The financial and statistical data provided by CMFA MFI members is the determining factor in the quality of the information produced in the performance report. All data received from members have been validated in order to ensure that quality standards are respected.

Effective collaboration by CMFA members is of the utmost importance to ensure the statistical value of the survey. It is therefore our wish that more members will participate in the survey in the future.

Keeping all these elements in mind, the CMFA MFI Performance Report 2012 is intended to be an effective reference tool for MFI managers throughout the Caribbean. Data from the report will provide an opportunity to increase the efficiency of decision-making through financial analysis adapted to industry standards.⁴

1. Consultative Group to Assist the Poor, <http://www.cgap.org>

2. SEEP, Measuring Performance of Microfinance Institutions: A Framework for Reporting, Analysis and Monitoring, March 2005.

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

4. The CMFA also produces a customized performance report for each member institution that participates in the survey.

PERFORMANCE INDICATORS

The report presents data on a total of thirty-three (33) indicators that are among the most widely used in the microfinance industry. These indicators can be grouped into five (5) categories.

INSTITUTIONAL SIZE (9)

- Number of Active Clients/Members
- Number of Branches/Points of Service
- Total Staff
- Total Assets
- Total Deposits
- Gross Loan Portfolio
- Average Deposit Balance
- Number of Outstanding Loans
- Average Loan Balance

GROWTH (4)

- Annual Growth in Clients/Members
- Annual Growth in Total Assets
- Annual Growth in Deposits
- Annual Growth in Gross Loan Portfolio

FINANCIAL RATIOS (8)⁵

- Operational Self-Sufficiency Ratio
- Operating Expense Ratio
- Yield on Portfolio
- Capital Ratio
- Transformation Ratio
- Portfolio at Risk > 30 days
- Write-off Ratio
- Return on Assets

SOCIAL INDICATORS (3)

- Proportion of Women Clients/Members
- Proportion of Women Employees
- Proportion of Women on the Board and Committees

MICRO CREDIT PORTFOLIO (9)

- Number of Active Loans – Micro Credit
- Gross Loan Portfolio – Micro Credit
- Proportion of Micro Credit in Total Gross Loan Portfolio
- Average Loan Balance – Micro Credit
- Number of Micro Credit Loan Officers
- Productivity of Micro Credit Loan Officers
- Portfolio at Risk > 30 days – Micro Credit Portfolio
- Proportion of Women in Micro Credit Portfolio
- Proportion of Rural Clients in Micro Credit Portfolio

5. The method of calculation and interpretation of the financial ratios is presented in the Appendix.

MICROFINANCE PORTFOLIO PERFORMANCE

This report uses nine (9) indicators to measure the performance of CMFA MFI members with regards to their microfinance portfolio. Based on the data provided by 16 MFI members, the profile and evolution of microfinance activities in 2012 can be established as follows:

- A total of 16,358 clients were being served with micro credit – an increase of 7.1% over 2011.
- Gross loan portfolio for micro credit stood at US\$15.9 million – increasing by 12.5% compared to the previous year.
- Micro credit represented 14.3% of the total gross loan portfolio of reporting MFIs – compared to 13.5% in 2011.
- The average outstanding balance for micro loans was US\$971 – an increase of 5% over 2011.
- CMFA MFI members had an average of nine loan officers dedicated to micro credit. Each officer managed 116 loans on average. This was significantly below the industry recommended level of 150-250 micro loans per officer.
- Portfolio at risk (PAR30) for micro credit stood at 24.4% on average. This was way above the industry recommended target of 5%.
- 57% of micro credit clients were women and 63.5% lived in the rural areas (defined as any area outside the country's main town). Both figures were quite satisfactory with regards to international standards.

TABLE 1

MICROFINANCE PORTFOLIO PERFORMANCE FOR CMFA MFI MEMBERS (N=16)

PORTFOLIO INDICATORS	31 DECEMBER 2011	31 DECEMBER 2012	% CHANGE
Number of Active Loans – Micro Credit	15,268	16,358	+7.1%
Total Gross Loan Portfolio – Micro Credit ('000 USD)	14,118	15,883	+12.5%
Proportion of Micro Credit in Total Gross Loan Portfolio	13.5%	14.3%	+5.9%
Average Loan Balance – Micro Credit (USD)	925	971	+5.0%
Number of Micro Loan Officers (average ⁶)	8	9	+12.5%
Productivity of Micro Loan Officers (average ⁶)	96	116	+20.8%
PAR 30 Days – Micro Credit (average ⁶)	25.1%	24.4%	-2.8%
% Women Clients in Micro Credit Portfolio (average ⁶)	55.3%	57.0%	+3.1%
% Rural Clients in Micro Credit Portfolio (average ⁶)	60.2%	63.5%	+5.5%

6. Average values provided in Table 1 are simple arithmetic averages (un-weighted) for reporting MFIs.

COMPARATIVE PERFORMANCE ANALYSIS

Table 2 below provides average and median results⁷ for the 2012 financial year for the overall operations for sixteen (16) CMFA MFI members. The results are presented for twenty-four (24) selected performance indicators along with benchmarks for the Latin America and Caribbean Region.⁸ The highlights of the performance assessment are as follows:

INSTITUTIONAL SIZE AND GROWTH

- CMFA MFI members operated an average of seven branches, compared to eight for credit unions and nine for all financial institutions in the region.
- CMFA MFI members had a total of 622,810 clients or an average of 38,926 clients per MFI. There was zero percent growth in these numbers in 2012 compared to 2011.
- On average, CMFA reporting institutions declared total assets of US\$26.1 million, total deposits of US\$19.2 million and gross loan portfolios of US\$18.5 million.
- Year-to-year growth in assets, deposits and gross loan portfolio was 9.5%, 9.0% and 17.2%, respectively.
- CMFA members had an average staff complement of 72 employees. The corresponding figure for all institutions in the region was 106; it was 79 for credit unions.
- Average deposit balance for CMFA members stood at US\$852, compared to US\$703 for the group of comparison in the region.
- CMFA members carried an average of 6,900 loans with an average outstanding balance of US\$3,732. The number of loans was significantly lower than the peer group, while the loan size was significantly higher.

7. The CMFA average values provided in Table 2 are simple arithmetic averages (un-weighted) for 16 reporting MFIs.

8. Benchmark figures have been extracted from the Mix Market database on January 1, 2014, and correspond to the median values for 53 Credit Unions and 371 financial institutions in total that have reported from the Latin America and Caribbean region for financial year 2012.



FINANCIAL RATIOS

- CMFA MFI members showed an operational self-sufficiency of 119.4%, which was slightly better than the regional benchmark of 111.4%. A ratio above 160% is desirable.
- The operating expense ratio stood at 19.6% – similar to the benchmark of 18.4% for all institutions in the region.
- The yield on portfolio was 21.6%, slightly below the regional benchmark of 23.3% (14.0% for credit unions).
- The capital ratio stood at 24.7%, slightly below the regional benchmark of 26.9% (14.7% for credit unions).
- The transformation ratio was 76.2%, below the regional benchmark of 81.4%.
- Portfolio at risk (PAR30) stood at 15.7%, far above the regional benchmark of 5.0% (4.2% for credit unions).
- The write-off ratio at 1.9% was also above the regional benchmark of 1.5%.
- The return on assets (ROA) was -0.3% compared to 1.3% for credit unions and 2.0% for all institutions in the region.



SOCIAL PERFORMANCE

- Women accounted for 55.8% of the client/member base among CMFA institutions. This compared to 47.1% for credit unions and 63.1% for all institutions in the region.
- Women accounted for 70% of employees among CMFA member MFIs. This compared to 56.4% for credit unions and 50.8% for all institutions in the region.
- Women accounted for 31.8% of the board and committee members of CMFA member MFIs. This compared to 41.4% for credit unions and 25% for all institutions in the region.

TABLE 2

COMPARATIVE PERFORMANCE ANALYSIS FOR CMFA MFI MEMBERS (AS OF 31 DECEMBER 2012)

PERFORMANCE INDICATORS	CMFA		BENCHMARKS	
	AVERAGE	MEDIAN	CREDIT UNIONS	ALL INSTITUTIONS
INSTITUTIONAL SIZE				
Number of Active Clients	38,926	13,649	21,743	n/a
Number of Branches-Points of Service	7	4	8	9
Total Staff	72	38	79	106
Total Assets ('000 USD)	26,133	15,567	25,828	11,611
Total Deposits ('000 USD)	19,194	10,401	16,082	n/a
Average Deposit Balance (USD)	852	337	483	703
Gross Loan Portfolio ('000 USD)	18,500	14,236	20,695	9,843
Number of Outstanding Loans	6,900	4,708	7,114	10,580
Average Loan Balance (USD)	3,732	3,120	2,845	871
GROWTH				
Annual Growth in Clients-Members	0.0%	4.9%	n/a	n/a
Annual Growth in Total Assets	9.5%	8.3%	n/a	n/a
Annual Growth in Deposits	9.0%	7.7%	n/a	n/a
Annual Growth in Gross Loan Portfolio	17.2%	17.8%	n/a	n/a
FINANCIAL RATIOS				
Operational Self-Sufficiency Ratio	119.4%	116.5%	110.5%	111.4%
Operating Expense Ratio	19.6%	12.9%	10.0%	18.4%
Yield on Portfolio	21.6%	15.0%	14.0%	23.3%
Capital Ratio	24.7%	12.4%	14.7%	26.9%
Transformation Ratio	76.2%	77.8%	83.4%	81.4%
Portfolio at Risk > 30 Days	15.7%	10.5%	4.2%	5.0%
Write-off Ratio	1.9%	1.3%	0.3%	1.5%
Return on Assets	-0.3%	0.9%	1.3%	2.0%
SOCIAL PERFORMANCE				
Proportion of Women Clients/Members	55.8%	53.1%	47.1%	63.1%
Proportion of Women Employees	70.0%	72.5%	56.4%	50.8%
Proportion of Women on the Board and Committees	31.8%	34.2%	41.4%	25.0%

n/a – not available

APPENDIX

MFI PERFORMANCE REPORT **2012**

Appendix

CALCULATION AND INTERPRETATION OF FINANCIAL RATIOS

RATIO	CALCULATION	INTERPRETATION
Operational Self-Sufficiency	$\frac{\text{Total operating income}}{\text{Operating expenses} + \text{Financial expenses} + \text{Depreciation} + \text{Loan loss provision}}$	Measures to what extent MFI revenue covers its costs. Indicates MFI capacity to sustain its operations. A ratio over 100% should be the target. A ratio above 160% is desirable.
Operating Expense Ratio	$\frac{\text{Total operating expenses}}{\text{Average gross loan portfolio for the period}}$	Measures the cost of every dollar lent. The lower the ratio, the more efficient MFI is. This ratio is important to determine the interest rate on loans.
Yield on Portfolio	$\frac{\text{Income earned on loan portfolio}}{\text{Average gross loan portfolio for the period}}$	Income generated by loans is a key element to ensure MFI survival. This ratio should be compared to nominal interest rate & fee to establish "yield gap."
Capital Ratio	$\frac{\text{Equity}}{\text{Total assets}}$	Indicates MFI capacity to re-invest funds to support expansion of activities and to absorb operating losses. Ratio should be above 8%.
Transformation Ratio	$\frac{\text{Gross loan portfolio}}{\text{Total assets}}$	Measures to what extent MFI allocates available resources to the extension of credit. Ratio should be above 50%.
Portfolio at Risk 30 Days (PAR30)	$\frac{\text{Outstanding principal of loans in arrears} > 30 \text{ days and rescheduled loans}}{\text{Gross loan portfolio}}$	Measures quality of loan portfolio and potential loan losses. Some MFIs prefer to use PAR 7 days. Ratio should be kept below 5%.
Write-off Ratio	$\frac{\text{Principal amount of loans written off}}{\text{Average gross loan portfolio for the period}}$	Depends on write-off policy of the MFI. Should be analyzed jointly with PAR in order to assess overall portfolio quality.
Return on Assets	$\frac{\text{Net income (loss) during the period}}{\text{Average assets for the period}}$	Measures MFI to yield a return on investment. This ratio should be positive.





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