How Sustainable are the Microfinance Institutions?

Evidence from the SAARC Countries

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Abstract

Microfinance is often considered as one of the most effective and flexible instrument in the fight against poverty. Although some leading MFIs in South Asia have emerged as financially and operationally successful, most of them face many difficulties hindering their growth. In this paper we focus on certain performance indicators of MFIs for eight South Asian countries. These sustainability indicators will encompass sources of fund, outreach indicators, institutional operation, financial structure management, overall financial performance, efficiency and productivity indicators and risk and liquidity indicators.

Keywords: Micro Finance Institutions, sustainable, financial performance, efficiency and productivity indicators, outreach indicators, liquidity.

Introduction

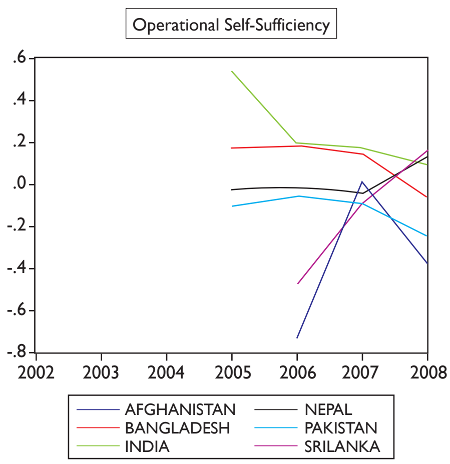
Microfinance is often considered as one of the most effective and flexible instrument in the fight against poverty. It covers a wide range of financial services including loans, deposits and payment services, insurance, money transfers and leasing services to the segment of the poor population who are economically active but financially constrained and least likely to be served by the formal credit market. Some of the Micro Finance Institutions (MFIs from here after) also connect their credit programs with health and education, savings programs, business and technical training, raising the cost of providing credit. Although some leading MFIs in South Asia emerged as financially and operationally successful and achieved self-sufficiency, most of them face many difficulties hindering their growth.. Even though the topic of financial sustainability of the MFIs have attracted much attention in recent times, there is a dearth of literature investigating this topic, particularly for the MFIs in South Asia. This chapter would contribute in this respect. We will focus on some performance indicators of MFIs. These indicators will encompass sources of fund, outreach indicators, institutional operation, financial structure management, overall financial performance, efficiency and productivity indicators and risk and liquidity indicators. Our analysis is mostly based on MIX market data and country reports for the eight countries in the region.

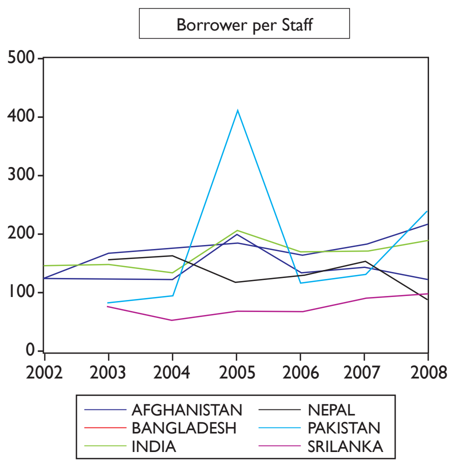
Performance comparison of South Asian countries with rest of the world

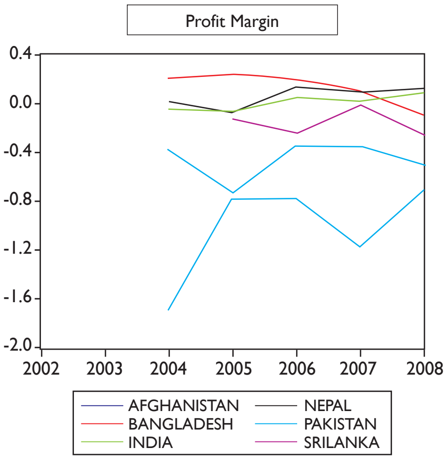
Microfinance Institutes in South Asia are motivated by their deep rooted historical and philosophical agenda of poverty alleviation and improvement of the lives of the disadvantaged and the poor. They constantly face the tradeoff of charging a higher interest rate with a view to running a financially viable profit making organization versus the social goal of poverty eradication and welfare of people at the lowest income strata. Faced with pressure from the Government, Political parties, elected representative and the press, the interest rate charged by the MFIs are substantially much lower than the rest of the world. Also in some countries the Apex organizations that provide subsidized funds to the MFIs are imposing caps on the interest rate to be charged to the borrowers. Majority of the MFIs in South Asia are struggling to attain complete financial sustainability but the bigger and the experienced MFIs in the region are performing relatively well. The average FSS numbers are quite low for South Asia as a whole and also individual countries in South Asia when compared to the rest of the world. But in general MFIs in South Asia are very efficient in staff productivity. Their portfolio management is satisfactory especially when compared to Africa and Latin American countries. Cost per borrower is the lowest in South Asia. Also the recovery rate remains astoundingly high at 98% or more. Given the degree of politicization of the industry, and lower rate of interest , the MFIs need to improve their overall efficiency in terms of management, portfolio quality, and cut down on operating costs if they want to be fully financially self-sustainable. Also all the countries in South Asia are heavily dependent on the external sources of funds: subsidy from foreign donors (Afghanistan, Pakistan and Bangladesh); and Governments (Sri Lanka and India, Bhutan). The MFIs must try to generate their own funds and build up their equity if they want to remain in the industry and become financially viable. One success story in this respect is of the pioneer MFI Grameen Bank of Bangladesh. It was heavily subsidized by foreign funds in the past but under the Grameen II model, the MFI is running their operations completely from their own funds generated from the deposits of its members and the public. It is a profitable concern with complete commercial sources of funds. The MFIs in South Asia also need to focus on service delivery, staff management, staff productivity and operational costs in order to attain self-sufficiency.

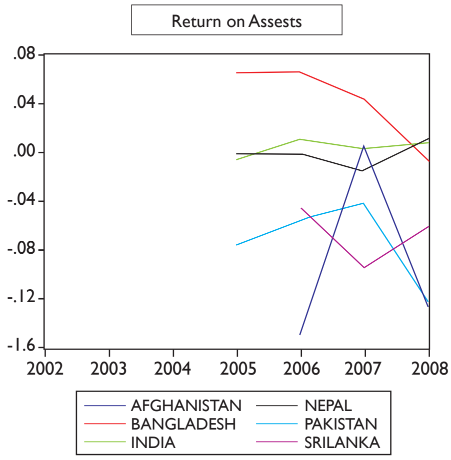
Performance comparison within SAARC countries

Mix market data has been used to compare the performances of the 6 South Asian countries on six key indicators of financial viability, namely, cost per borrower, borrowers per staff, operational self-sufficiency, portfolio at risk (PAR) for 30 days, profit margin and return on assets over the period of 2002 to 2008. Data on Maldives and Bhutan were not available.









The cost per borrower graph indicates that Pakistan has a higher cost per each borrower. Other countries, particularly India, Bangladesh and Nepal have very similar numbers and the trend over time. Staff productivity as measured by borrowers per staff is more or less equal in these countries except for Afghanistan where staff productivity is quite low. Pakistan and Afghanistan show greater volatility in terms of profit margin over the years and both these countries register sharp decline in return on assets in 2008. It is no surprise that Afghanistan is also struggling to achieve operational self-sufficiency. India is doing relatively well in the recent time. Sri Lanka is showing a steep upward trend in 2008 both in OSS and PAR. Performance of each of the country is discussed in details below with particular focus to the models of operation, foreign donation dependence and staff efficiency.

Bangladesh

Consistent increase in average loan size, steady growth of borrowers contributed to increased income leading to financial viability of many MFIs in the recent history of MFI operations in Bangladesh. The growth in membership has been rather sharp, up to 25% for some MFIs since early 1990s. Membership of PKSF, the apex body, has also risen steeply enabling the partner organizations to vertically and horizontally expand their portfolio with increased fund availability from the apex institute. This trend is particularly stronger for smaller MFIs. Most of the smaller MFIs were financially self-sufficient as they could fully cover their operating and financial expenses. Subsidized capital from PKSF, low staff salary, staff efficiency, high loan recovery rate and overall economies of scale contributed to their satisfactory FSS and OSS.

Overtime staff productivity, as measured by members per credit staff, borrowers per credit staff has declined for most of the MFIs in Bangladesh. This is mostly due to competition among MFIs in the same geographic region, particularly smaller MFIs faced difficulty in recruiting new clients for their programs in the wake of intense competition from bigger MFIs. The recovery rate remains praiseworthily high, more than 99% since 2005. Overdue loans as a percentage of outstanding loans have steadily declined since 2004. This can be attributed to some extent to the sharp rise in portfolio size in recent years. The medium sized MFIs achieved almost 200% operating self-sufficiency. The ROA figure for TMSS, one of the prominent medium sized MFIs, was almost 8% in 2004. The performance of the MFIs also depends on the programs they run. Even with loans provided to poor and marginal farmers, MFIs stayed profitable due to low cost of funds and excellent portfolio quality. These MFIs that provide seasonal and agricultural loans with various forms of repayment schedules, in-kind loans (fertilizers, pesticides, water etc.) and run hardcore poor program, were not as profitable as the other MFIs. Studies have shown that PKSF partners of all sizes remained profitable even after the cap on the interest rate, reducing it to a flat rate of 12.5%[1].

The overall financial performance of the MFIs in Bangladesh has been impressive in 2008. The availability of highly subsidized funds is a key reason for such performances across various sizes and programs. This remains a challenge for achieving full financial sustainability for many small and medium sized MFIs in the country in the future when they must covers operating costs from own sources of funds.

[1] Source of data: The State of Microfinance: the Bangladesh Country Report

Maldives

The microfinance operations in the country have been very much program-centric, unlike the institutional efforts observed in other South Asian countries. Atolls credit development projects of BML and micro- credit programs of MoWASS are the core programs that are being implemented in Maldives. The microfinance movement in Maldives is at a very nascent stage, mostly under the support of the Government and various donor agencies. The sustainability of these newly developed programs are hard to evaluate given the lack of data. BML shows promise with reasonable staff productivity measured in terms of borrowers per staff and loans outstanding per staff in Atolls. There is ample scope for improving outreach in Atolls. With population size of 0.3 million spread across 120 islands in 20 Atolls, majority of the population do not have access to any financial services. The GoM is keen on improving this situation, particularly in the remote atolls with a number of recent projects like mobile banking project of the world bank, credit bureau initiative of IFC, small and micro-enterprise promotion by ADB and low cost housing project by HDFC.

Nepal

Nepal is unique in the sense that several prominent models of microfinance are existing in the country. These include the cooperative models and self-help groups, Gameen Bikas Banks (GBBs), Private Microfinance Banks (PMFBs) and Financial Intermediary NGOs (FI-NGOs). The top 20 MFIs in Nepal actually have the majority of the market share covering more than 90% of total borrowers. The GBBs covers 25% of totals borrowers in the top 20 MFIs, while the shares of PMFBs is 42%, FI-NGOs serves 26% and Cooperatives covers 7% respectively. The Grameen Bank model is not as successful in Nepal as it is in the neighboring countries and the rest of the world. With a 25% share of of the total borrowers of the top 20 MFIs, their share of the total over due loans stands at a staggering 72%.

The MFI operations began in Nepal almost two decades ago. Our analysis is based on the operational data of sixty major MFIs collected over a period of years, between 1999 and 2008. In terms of staff efficiency, as measured by borrowers per staff and borrowers per loan officers, it is observed that in recent years the performance level of PMFBs, FI-NGOs and Cooperatives are almost at par. But this efficiency or productivity of staff and loan officers is much lower for Grameen models. Even in terms of return on asset, GB's performance is way below that of the other MFI models. The country report mentioned the ROA figures indicate that the cooperatives, PMFIs and FI-NGOs have a much better chance for continued MFI operations compared to GBBs. Also in terms of the key sustainability indicators, FSS and OSS, GBBs performance is lowest compared to the other existing models of MFIs. The country report for Nepal cited that this relative poor performance of GBB is mostly because of excessive over-staffing. The OSS numbers in table 4 indicate that the cooperatives are more or less self-sustaining followed by PMFBs and Fi-NGOs. The GBBs are facing a greater challenge for sustainability because their total expense is almost equal to their total stream of incomes. The FSS numbers for these 4 types of MFIs show that the different modes of MFI operations have similar level of performance indicators except for GBB models. The GBBs are struggling to perform satisfactorily even after injection of Rs, 162.8 million to boost up their scale of operation and covers costs in the last few years. The country report recommended re-staffing, restructuring operations, and increase in interest rate for the GBB to improve their over all performance to ascertain financial sustainability.

Sri-Lanka

In Sri Lanka several models are in practice. But CRBs and Credit Unions, particularly, Thrift and Credit Cooperative Societies dominate the micro-lending scene in terms of coverage. Majority of these MFIs are not financially sustainable and only a limited few are operating with a profit though they serve almost half of the market. Only the larger and experienced MFIs generated profit on a sustained basis, e.g. SEEDS Janashakthi, and Women's Bank which were in existence for more than 15 years. They are making significant profits consistently over the last 3 years. But most of the smaller MFIs remain operationally unsustainable and financially fragile.

Table 5 provides some of the sustainability indicators for the top MFIs in Sri Lanka. The performance of these MFIs has been mixed. The more commercialized, larger and establish MFIs like SEEDs, Lanka Praja Sanwardana Mandalaya, Janashakthi and Arthacharya Foundation showed solid performance in all dimensions in a consistent manner. The MIX market study "Performance and Transparency" (2006) found that average Sri

Lankan MFI spent US$ 16 per borrower -just two thirds of what it cost the average South Asian Institution. Moreover it only cost 19 cents to maintain each dollar in loans outstanding, compared to 22 cents across South Asia. The country report on Sri lanka reports that among the leading MFIs, only Janashakthi has FSS over 100% and both Janashakthi and SEEDS report positive return on assets. The number of borrowers per staff member has been very low in almost all MFIs compared to all the neighboring countries. This constitutes a major reason for low profitability and un-sustainability in the MFIs. The credit plus and other non financial services of MFIs is one of the major reason for such a low case load. The country report also states that the PAR data should be interpreted with caution as it indicates good portfolio quality for some MFIs who are operating at a loss. The development banks on the other hand are relatively performing well. These development banks are cost efficient, highly efficient in HR management and they also maintain higher portfolio quality which makes these banks profitable.

Grants going to various MFIs in Nepal are quite targeted. Very little grant money is given to MFIs for the purpose of operating costs. A number of MFIs, e.g., BMI, WVI, Sareeram receives assistance for equity. Gemidiriya Village Banking Societies (VSCO) receives its full capital from Gemidiriya Foundation as a grant. The total amount disbursed so far for this purpose is approximately Rs 1.4 billion. Along with loans at subsidized interest rates ranging from 4.5% to 9%, donors provide training and various kinds of technical assistance to improve the performance of MFIs and the industry at large. Government and donors also pay staff support for certain MFIs. Samurdhi authority has deployed 14,000 staff members to implement microfinance program. This cost is not build into accounts of Samurdhi microfinance program which distorts the operational performance of Samurdhi as an MFI. Gemidiriya has 60 staff paid by Gemidiriya Foundation working on its microfinance program.

Bhutan

Bhutan is the only country in South Asia where formal microfinance is provided solely by the government. The Bhutan Development Finance Corporation (BDFC), a non-bank financial institution, deals with both commercial lending and subsidized micro lending. This organization, by structure is totally dependent on government grants and external assistance. Sustainability is a major concern for this bureaucratic, statist, subsidized credit provider. Its rural credit program has high operating costs and mostly sustained by the institute's commercial and industrial lending operations.

Sustainability was never a concern when the micro-finance products of BDFC were designed and administered. A limited number of feasibility analyses were undertaken prior to the initiation of microfinance products, both in case of small individual loans and group loans. BDFC has a practice of proving subsidies on both interest rates and operational costs with loan maturities that were too long, and not adapted to cash flow. Inappropriate pricing and poor demand also contributed to the grim picture about sustainability of the only MFI in Bhutan. The portfolio performance of BDFC's entire credit operation has remained more or less steady. BDFC has improved the operational self-sufficiency of its microfinance program but is still being subsidized by its mainstream program. The table 6 provides some key indicators of sustainability for BDFC.

It is quite difficult to disentangle the financial performance of BDFC as a micro-credit organization because of its dual focus and also the divergence from standard definition of some of the performance indicators from the industry standards. However, analyzing the operational efficiency ratios provided by BDFC for the Agriculture Lending Department (ALD) gives us an idea about sustainability of BDFC's rural credit program. As is seen from the table 7 there is an increasing trend in OSS from 1997. However, the reported operating costs are not adjusted for the public subsidies. Also the costs for salary and other expenses for the staff paid through project financing by donors are not included. So these OSS numbers are over-estimated to some degree. The country report on Bhutan was skeptical about ALD reaching OSS in 2001 particularly in the absence of cross subsidy from Industrial Lending Department of BDFC.

The overall quality of loan portfolio of ALD is rather dismal. The recovery rate of loans outstanding is quite low compared to the neighboring countries. The arrears rate on the other hand is very high. The average arrears per borrower remains the unchanged despite write offs and rescheduling. The country report on Bhutan states that between 1999 -2001 a slight improvement was made in terms staff productivity as measured by the number of clients per staff member.

The country report also stated that ALD will have most likely have sufficient liquidity for the coming years, provided that the quality of its portfolio does not decrease further and the operational self-sufficiency is maintained. But given its institutional structures and mode of operations, it does not seem likely that BDFC could obtain additional funding through commercial sources. It is going to be dependent on government, development agencies and donors for grants and soft loans. Several donors such as the Asian Development Bank, the International Fund for Agriculture Development, the Netherlands and the German Government are currently assisting BDFC in strengthening its management and implementation capabilities, especially in monitoring of its portfolio. Resources are provided for enhancing its governance, increasing operational efficiency, and raising institutional capacity, development of demand-oriented products, product pricing and policies regarding risk management and asset liability management etc

Pakistan

The state of microfinance operations in Pakistan is still at a rudimentary stage compared to most of its neighbors in South Asia. Even with a sound regulatory framework and influx of significant amounts of donor funds, only a limited number of MFIs were able to achieve a level to make any substantial impact. Lack of sound financial accounting, absence of foresight about sustainable level of expansion and entailing operating costs, external pressure on keeping the interest rate low, multifaceted programs and poor organization and human resources were the main reasons for the unsatisfactory performance of the MFIs in the country.

The overall sustainability trends as shown in the following figure indicate that Operational Self Sufficiency and Financial Self-Sufficiency levels were more or less stagnant in the last five years. According to the country report on the state of microfinance in Pakistan, this is mostly because of the rapidly shifting individual MFI ratios. The report also states that the sector was at 89% OSS and about 74% FSS at the end of 2007.

Some MFIs struggled with financial sustainability as there was a mismatch between the expansion of their activities and the associated costs. Donor funds and interest income resulted in a steady flow of funds but in the absence of a sound accounting system and a clear understanding of the costs incurred with rapid expansion; led to a reduction in the revenues and hence they faced difficulty in achieving self-sufficiency. This is true even for some organizations who have achieved self-sufficiency in the early years of operation. Figure below illustrates the fluctuating self-sufficiency ratios of some of the main MFIs in Pakistan. Kashf which from the outset was a specialized MFI with proper financial systems has been one of the few to track its costs and design a business plan with clear indicators regarding sustainability has steadily increased its OSS and FSS over time.

One of the major problems in the industry is that the MFIs are in constant pressure from the Government, elected representatives and the press to reduce the interest rate. The World Bank report notes that the average interest rate is significantly lower than Bangladesh and other neighboring countries. This leads to a lower yield on gross portfolio and making it difficult for MFIs to cover their costs.

Figure PAK1: Profitability Trends of the Microfinance sector in Pakistan

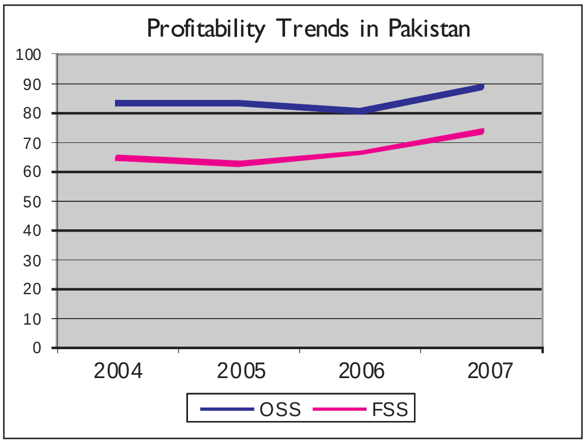
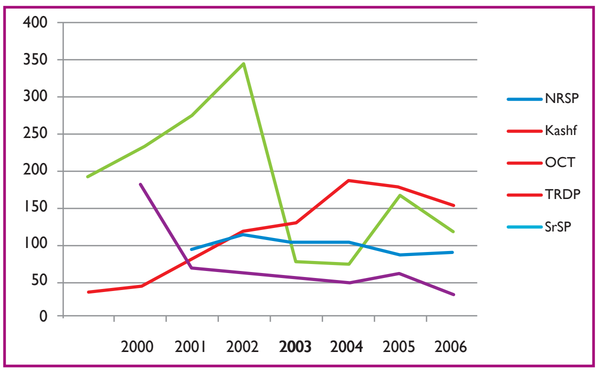


Figure 11: Operational Self-Sufficiency of Selected MFIs

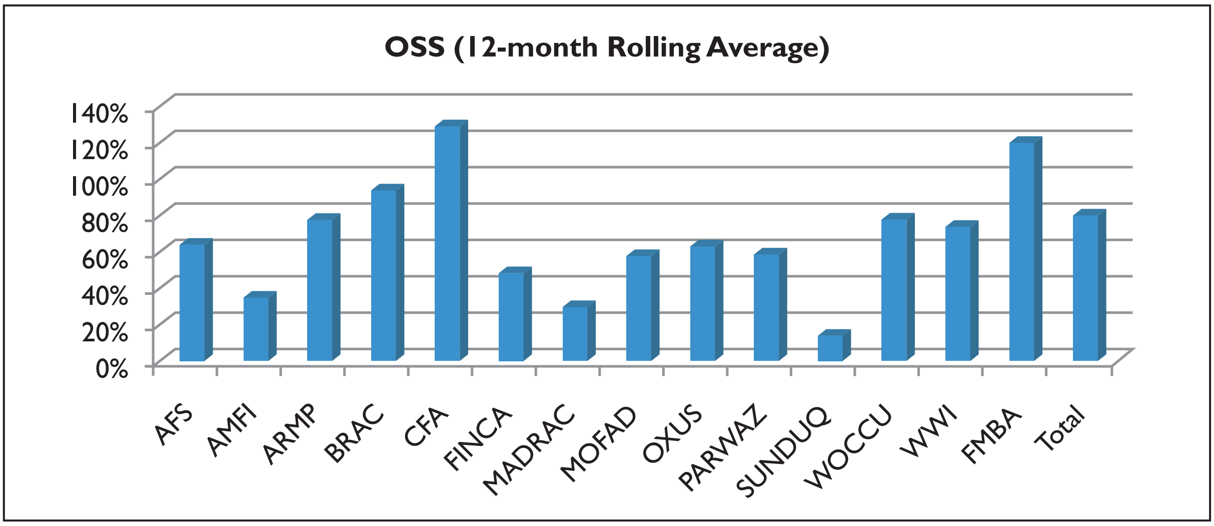


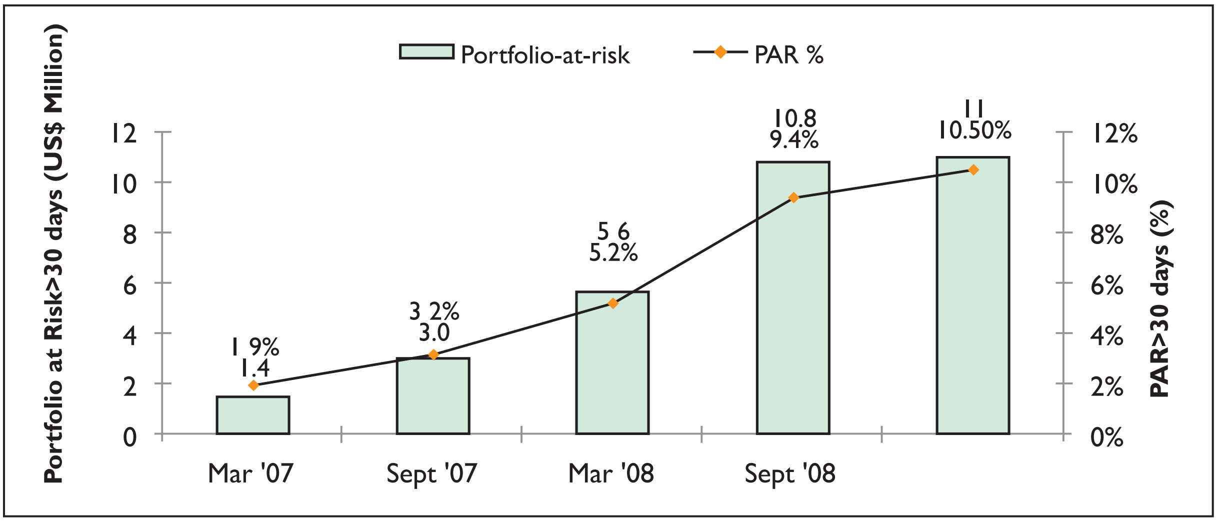
The PAR figures have generally remained at acceptable levels in the past and showed gradual improvement over time. In 2005 PAR was reported to be 9% for loans overdue for more than 90 days. In 2006 the PAR was 5.2% for the sector as a whole for loans overdue for more than 30 days and in 2007 it declined to 3.1% for loans overdue by more than 30 days. The country report on Pakistan expressed concern that the MFIs are probably under reporting the PAR. In 2008 some organizations like Kashf reported their PAR to be 60% and this has caused serious concerns in the sector as a whole. The reasons for this are not entirely clear but are reported to be due to political interference and client dissatisfaction.

Afghanistan

Microfinance programs in Afghanistan by the end of 2001 had a very limited outreach serving approximately 10,000 clients with weak institutional structures. There were about 500 NGOs working in Afghanistan at that point and 4-5% of those were proving some kind of credit services and these programs were not designed to be sustainable[2]. After the creation of the Microfinance Investment Support Facility for Afghanistan (MIFSA) in 2003, there has been a steep rise in outreach and portfolio outstanding. In terms of operational self-sufficiency (OSS), most of the leading MFIs in Afghanistan reported satisfactory performance. The following figure gives

Figure AFG1: Operational Self-Sufficiency in Afghanistan





2 Source of data: The State of Microfinance in Afghanistan, 2009.

the OSS for the main MFIs in the country. The operating costs tend to relatively high in Afghanistan due to security expenses, small sized loans, low population density, poor infrastructure, high costs of some services and hiring of expatriate staff. It is understood that the continued insecurity, high operating costs and funding constraints affected the ability of MFIs to attain sustainability.

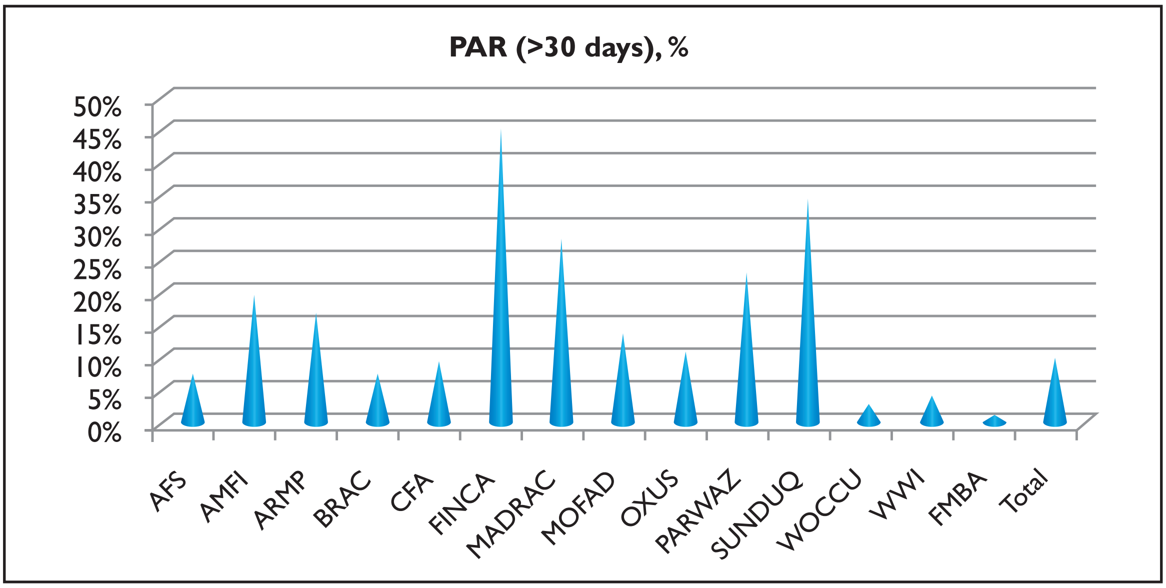
The country report on the state of microfinance reports that loan outstanding per branch has a steady upward trend and each branch on average was handling an outstanding loan portfolio of US$ 375,877. Staff member productivity almost doubled in the last four years. Each staff was managing a portfolio of US$ 22,200 at the end of December 2008. However active borrowers per staff member had remained more or less stagnant in the last four years in the range of 70-83 and had even showed a decline between 2007 and 2008. Data on loan per borrower indicates that loan size has increased by almost 80% in the last four years.

The average portfolio yield in Afghanistan is about 27% and has a wide variance. It ranges between 4% (Sunduq) to 38% (WWI). In general interest rates on loan products depending on terms and type of the product range from 1.4 - to 2% flat per month or 17% to 24% flat per annum. Even with the pressure on MFI to charge lower interest rates, they have remained more or less steady. The country report claimed that the microfinance sector sets the interest rates to cover some of their costs for lending operations without any intervention from the Government or the donors. The availability of grants for covering most of the operating costs is reflected in the rates charged for the services by the MFIs.

The deteriorated portfolio quality is a major concern in the microfinance sector. The PAR (>30 days) increased dramatically within a very short period of time from March 2007 to end of December 2008. The total amount of portfolio at risk in the sector has reached a total of about $11 million of which over $8 million (or 3/4th) is accounted for by the four big MFIs - ARMP ($2.7 mill.), BRAC ($2 mill.), FINCA ($2.2 mill.) and FMFB ($1.2 million) together. In terms of ageing, 1/4th of the total amount at risk is in the 31-90 day category, another 1/4th is in the 91-180 day category and rest, nearly a half (49%), is in the >180 days (6 months) category, suggesting that a significant portion of portfolio is at risk of non-recovery.

This steeply increasing delinquency is a result of both external and internal factors. Deterioration in the security situation, drought conditions prevalent in many parts of the country, losses in business, fraud, weak management, lack of human resources, inflation, migration etc. had affected the repayment of loans.

Figure AFG4: MISFA Portfolio at Risk



Source: MISFA December 2008.

India

In India there are several models of MFI operations exactly like Nepal. But unlike Nepal, the Grameen Bank model is quite successful in India. Staff productivity which measures human resource utilization is provided in table 11 by various models of MFI operations in India. It has improved in a consistent manner over the last seven years making India one of the most efficient in the region. The Grameen model is most efficient in terms of number of borrowers served per staff member, at 252 in 2008 followed by SHG serving 175 clients per each staff. Over the last 7 years, the efficiency of the Grameen Bank models in terms staff productivity increased significantly and made Grameen the most competitive MFI in India. Indian MFIs were enable to maintain a good portfolio quality in 2008 after a setback in 2007. Performance of Grameen organizations have been excellent with of PAR of 2.1% in 2008 while IB had somewhat riskier portfolio with PAR at 8.7%. Analysis of OSS and FSS indicate that Indian MFIs overtime have become more sustainable with improved financial viability and good profitability. Interest rates charged by MFIs have seen considerable decline since 2005. Across various models, Grameen Bank and IB MFIs charge higher interest rates than SHGs. This is mainly due to the legal nature of their operations: while SHGs are mostly non-profit entities, GB and IBs run their operations for profit. Also lower cost per borrower and lower operational costs enables SHGs to charge relatively lower interest rates.

Over the last 7 years, the efficiency of the Grameen Bank models in terms staff productivity increased significantly and made Grameen the most competitive MFI in India

Table 12 shows performance indicators for the various forms of MFI models. Most of the MFIs faced losses in 2007 but recovered in 2008 and became profitable. 72% of the organizations have an average ROA within the range of 0 to 3%. The MFIs overtime are performing well in terms of OSS and FSS. There has been a marked improvement in 2008 from the OSS and FSS numbers in 2007. The Grameen and IB models have OSS and FSS greater than 100 implying their viability. SHG organizations however operationally are not self sufficient even though they improved their overall performance in 2008 from previous years. The FSS ratio continues to be low indicating SHGs are not able to cover their costs without subsidies. There is regional variance in the financial performance of the MFIs. MFIs in the East and West have achieved self sufficiency and the MFIs in the south have either achieved or close to achieving self-sufficiency. The MFIs located in the Northern regions are still struggling with financial viability but have made significant progress in 2008 compared to previous years.

Table 1: Performance Indicators of MFIs in Various Regions of the World, 2008

Institutional characteristics	Africa	EAP	ECA	LAC	MENA	SouthAsia	Afghanistan	Bangladesh	India	Nepal	Pakistan	Sri Lanka
Number of MFIs	209	155	238	328	60	188	16	28	79	27	12	8
Return on assets	-0.36%	2.09%	0.31%	1.84%	2.59%	-0.31%	-12.42%	-0.65%	0.75%	1.11%	-12.04%	6.02%
Return on equity	-1.32%	13.31%	2.78%	7.63%	3.95%	0.89%	-37.76%	-5.62%	9.61%	13.89%	-24.35%	16.72%
Financial self sufficiency	96.35%	13.29%	104.28%	107.76%	107.34%	98.41%	58.83%	91.02%	108.17%	13.21%	58.93%	79.18%
Revenues												
Financial revenue ratio	24.56%	28.51%	24.41%	28.31%	22.27%	19.19%	19.02%	20.19%	20.35%	14.72%	16.18%	21.93%
Profit margin	-3.67%	12.13%	4.09%	6.94%	6.83%	-1.62%	-70.80%	-9.87%	8.29%	11.67%	-50.14%	26.34%
Yield on gross portfolio (nominal)	32.25%	34.74%	29.89%	33.70%	33.20%	23.46%	31.80%	23.39%	22.30%	18.17%	32.60%	24.12%
Yield on gross portfolio (real)	23.05%	27.12%	19.51%	26.66%	22.68%	14.00%	16.61%	13.09%	14.97%	11.38%	23.23%	7.15%
Expenses												
Total expense/ assets	25.91%	26.99%	24.36%	26.32%	21.20%	20.86%	28.26%	23.86%	18.54%	12.50%	27.23%	27.76%
Operating expense/ assets	18.20%	17.60%	12.77%	15.88%	14.00%	9.75%	20.65%	12.46%	8.74%	6.81%	15.78%	17.72%
Efficiency												
Operating expense/ loan portfolio	32.71%	20.01%	14.95%	22.26%	21.43%	14.15%	38.79%	18.25%	10.78%	10.48%	24.84%	12.14%
Cost per borrower	134	68	315	180	73	15	82	14	12	16	40	27
Cost per loan	132	73	289	167	69	15	79	12	12	17	37	26
Productivity												
Borrowers per staff member	107	97	54	107	118	162	98	124	218	190	87	242
Loans per staff member	111	100	58	113	116	169	98	125	228	226	67	159
Risk and liquidity												
Portfolio at risk > 30 days	4.47%	1.56%	1.96%	4.27%	2.38%	1.59%	2.69%	3.81%	0.49%	0.82%	2.22%	4.62%
Write-off ratio	1.56%	0.73%	0.37%	2.36%	0.98%	0.55%	0.30%	1.55%	0.06%	0.67%	0.93%	0.00%

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Table 2: Comparison between Grameen, ASA, Buro-B and BRAC

ASA Performance over time

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Return on assets		9.07%	9.67%	10.94%	14.51%	16.21%	15.44%	15.02%	14.54%	10.85%	6.13%
Operational self sufficiency	148.22%	169.62%	174.79%	194.83%	230.16%	266.53%	269.23%	254.88%	237.86%	187.17%	136.92%
Financial revenue/ assets		22.10%	22.61%	22.47%	25.65%	26.01%	24.56%	24.72%	25.11%	23.37%	22.85%
Profit margin	32.53%	41.05%	42.79%	48.67%	56.55%	62.48%	62.86%	60.77%	57.96%	46.57%	26.96%
Cost per borrower		6	6	6	5	5	6	6	6	7	11
Portfolio at risk > 30 days	0.00%	0.40%	1.16%	0.58%	0.31%	0.46%	1.68%	1.09%	1.53%	3.52%	4.44%

BRAC's Performance over time

Year	1998	1999	2000	2002	2003	2004	2005	2006	2007	2008
Return on assets		4.25%	4.42%	4.71%	3.40%	5.68%	6.97%	1.46%	-0.05%	
Operational self sufficiency	164.85%	125.62%	124.35%	117.98%	126.80%	116.74%	134.15%	138.60%	106.65%	105.27%
Financial revenue/ assets		20.85%	22.55%		22.26%	23.72%	22.31%	25.01%	23.47%	22.18%
Profit margin	39.34%	20.39%	19.58%	15.24%	21.14%	14.34%	25.46%	27.85%	6.23%	-0.06%
Cost per borrower		8	8	8		8	9	9	12	13
Portfolio at risk > 30 days	2.41%	5.06%	6.08%	5.97%	9.60%	8.33%	5.92%	5.71%	5.74%	7.69%

Grameen Bank's Performance over time

	2002	2003	2004	2005	2006	2007	2008
Return on assets		0.77%	0.19%	2.41%	2.46%	0.11%	1.66%
Operational self sufficiency	96.43%	105.41%	101.29%	116.09%	115.97%	100.65%	111.47%
Financial revenue/ assets		15.25%	15.47%	17.49%	18.00%	17.14%	16.10%
Profit margin	-3.70%	5.13%	1.27%	13.86%	13.77%	0.64%	10.29%
Cost per borrower		10	9	11	9	11	10
Portfolio at risk > 30 days	18.41%	6.98%	7.98%	7.78%	7.02%	0.00%	3.67%

BURO-Bangladesh

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Return on assets		-9.81%	2.44%	0.28%	-2.26%	3.99%	6.46%	8.73%	11.10%	9.89%	6.20%	3.16%	1.59%
Operational self sufficiency	77.18%	74.17%	110.49%	101.21%	89.85%	118.92%	130.96%	140.73%	158.79%	158.13%	131.86%	114.60%	107.30%
Financial revenue/ asset		28.19%	25.73%	23.68%	20.00%	25.07%	27.33%	30.17%	30.04%	27.01%	26.12%	25.29%	25.06%
Profit margin	-29.56%	-34.82%	9.49%	1.19%	-11.30%	15.91%	23.64%	28.94%	37.02%	36.76%	24.16%	12.74%	6.81%
Cost per borrower		22	23	19	20	17	15	14	13	11	13	14	15
Portfolio at risk > 30		1.68%	1.92%	3.97%	3.95%	3.70%	3.61%	2.03%	2.07%	2.97%	2.15%	5.42%	3.06%

Table 3: Major share of Microfinance covered by the top 4 Institutions in Bangladesh.

Major player in MF	No. of active member	% of the industry	%of total industry	total disbursement (million)	% of total industry	%of total industry
Grameen Bank	7411229	22.36	65.85	356798.20	31.69	76.86
BRAC	7370847	22.24		270737.99	24.04	
ASA	6663734	20.11		223719.48	19.87	
BURO-Bangladesh	376710	1.14		14155.67	1.26	
Industry total	33137964	100.00	100	1126014.85	100.00	100

Table 4: Performance Indicators of MFIs in Nepal

MFI Name	**Borrowers per staff**	**Borrowers per Loan Officer**	**OSS**	**FSS**
GBBs	153	314	109	81
PMFBs	216	345	132	98
FI-NGOs	233	317	118	97
Cooperatives	239	350	141	101

Table 5: Performance Indicators of Various MFIs of Sri- Lanka for the Period of 2005 -2007.

MFI	**OSS**			**OE/LP**			**Case Load**			**PAR>30**		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
1. Samastha Lanka Praja Sanwardana Mandalaya	108	113	111	9%	8%	10%	66	52	65	4.5%	4.3%	3.8%
2. AgroMicrofinance	74%	97%	89	30%	27%	27%	43	68	82	24%	21.1%	n/a
3. Arthacharya Foundation	112	125	125%	2%	n/a	n/a	81	n/a	80	n/a	n/a	n/a
4. Berendina Microfinance Institute			27%			n/a			146			0%
5. BRAC - Sri Lanka	6%	21%	47%	n/a	51%	31%	19	119	120	n/a	4.8%	3.9%
6. Lakjaya	117%	n/a	107%	12%	n/a	n/a	n/a	n/a	n/a	0.35%	n/a	n/a
7. Sareeram	41%	60%	130%	15%	15%	n/a	63	55	55	10%	12%	0.04%
8. SEEDS	102%	96%	108%	7.3%	10%	10%	188	204	174	20%	20.3%	14.5%
9. Sewa Finance		53%	99%		n/a	16%		114	189		0%	2.%
10. Janashakthi (WDF)	130%	136%	180%	26%	16%	11%	38	82	84	0%	0%	0%

OE/LP: Operating expenses/ loan portfolio, Case load :borrowers per staff member , PAR - Portfolio at Risk:

Source: Author compilation from Country report and www.mixmarket.org and WWB - APU for Janashakthi

Table 6: Performance Ratios of BDFC in Bhutan

Particulars Year				
	2008	2007	2006	2005
Portfolio at Risk (PAR)	16.00	19.10	16.68	18.71
Operating Income (OI)	279,679,265	214,597,159	182,723,293	163,219,420
Operational Expenses (OE)	75,018,751	69,687,172	51,685,238	48,900,895
Financial Expenses (FE)	125,622,856	84,684,750	51,949,832	40,306,608
Operational Self Sufficiency (OSS) (OI / OE)	3.73	3.08	3.54	3.34
Financial Self Sufficiency (FSS) [OI / (OE + FE)]	1.39	1.39	1.76	1.83

Table 7: Operational Self-Sufficiency Ratio of ALD-BDFC in Bhutan

	1996	1997	1998	1999	2000	2001
Total financial income	18,734,195	18,407,406	18,549,945	23,870,924	30,539,831	31,106,576
Financial expenses	6,110	15,695			214,382	300,656
Provisioning	5,316,444	3,502,586	4,123,856	3,530,886	11,015,695	8,443,021
Operation/admin. exp.	11,274,706	14,710,303	13,720,528	18,551,591	16,735,211	16,773,189
Operational Self-Sufficiency	1.13	1.01	1.04	1.08	1.09	1.22
Quality of the Total Loan Portfolio						
Number of loans outstanding	NA	NA	9,426	10,407	10,055	11,061
Total principal outstanding	NA	NA	165,200,406	165,591,798	183,378,222	226,966,256
Total arrears	NA	NA	29,730,109	28,690,259	24,118,941	27,027,748
Average arrears per borrower	NA	NA	3,154	2,757	2,399	2,444
Total arrears rate	NA	NA	18.0%	17.3%	13.2%	11.9%
Portfolio at Risk	NA	NA	NA	NA	31%	31%
Recovery rate	NA	NA	63%	71.55%	76.34%	77.33%

Source: Compiled by author from Country Report, Bhutan, 2009

Table 8: Performance Indicators of Various MFIs in Pakistan

	Active Borrowers	Gross Loan Portfolio (PKR '000)	FSS (%)	ROA	No. of Clients per Staff Member
KASHF FOUNDATION					
1999	2615	6341	32.60	26.30	
2000	5836	12678	41.00	24.50	
2001	15559	33800	49.10	11.80	
2002	26920	134604	85.40	16.50	169
2003	59389	347116	115.09	2.18	227
2004	67552	479101	154.81	7.06	207
2005	75520	774430	126.30	4.10	144
2006	133690	1530321	121.60	3.90	158
2007	295369	3178784	118.00	11.55	188
2008	319652	3352812	209		
National Rural Support Program (NRSP)					
2001	62918	445464	83.60	16.20	
2002	50190	456739	106.50	13.70	
2003	70375	632654	93.82	-0.92	146
2004	88401	829408	89.90	-1.54	170
2005	122157	1206032	75.80	-4.40	132
2006	190846	1993573	81.90	-3.90	104
2007	292456	3244991			118
2008	463383	5019740			111
Orangi Charitable Trust (OCT)					
1999	1317	26767	108.00	14.80	
2000	966	18852	161.50	21.80	
2001	841	21159	181.30	15.90	
2002	26217	198.30	19.40		
2003	2481	34940	55.35	-5.10	113
2004	3895	45086	60.69	-6.22	144
2005	6986	64027	117.10	2.90	218
2006	12002	95806	87.00	-2.60	400
2007	20987	143821			488
2008	22578	247584			415
Sarhad Rural Support Programme (SRSP)					
1999	1267	48090	120.20	16.10	
2000	2174	56360	142.60	12.90	
2001	8354	69577	104.20	9.90	
2002		54128	47.80	13.30	
2003	6389	43759	28.96	-25.33	108
2004	5077	29286	20.01	-25.19	175
2005	6703	13928	15.40	-29.50	181
2006					
2007	7174	42920			113
2008	8991	52751			179
Thardeep Rural Development Programme (TRDP)					
2000	956	5199	64.70	4.80	
2001	2609	14649	57.00		
2002		26725	55.60	10.90	
2003	5488	38392	52.14	-10.68	274
2004	8421	73534	48.24	-12.55	421
2005	32280	288212	53.10	-7.20	497
2006	42932	339502	30.40	-32.10	401
2007	37264	341924		-30.34	284
2008	29761	309212			146

Table 9: Average Productivity of the MFIS in Afghanistan

Productivity Indicators	2005	2006	2007	2008
Loan Outstanding Per Branch	175,948	240,249	398,946	375,877
Loan outstanding per borrower, $	172	214	281	303
Portfolio per staff, $	12,094	16,952	23,457	22,201
Active borrowers per staff	70	79	83	73
Cost per active client, $			9	10

Table 10: Donor Funds Pledged/Received in Afghanistan (2003 - Dec' 08)			
	Pledged	Received (USD Mil)	Received of Pledged %
ARTF			
Canada/CIDA	92.51	86.04	93.01
United Kingdom	67.28	57.31	85.18
USAID	5.00	5.00	100.00
World Bank	6.00	6.00	100.00
Denmark	11.60	11.60	100.00
Sweden/SIDA	2.22	2.22	100.00
Australia	6.59	6.59	100.00
Netherlands	5.00	2.50	50.00
Finland	3.59	1.37	38.12
Sub-Total	**199.78**	**178.63**	**89.41**
Other			
IDA - World Bank	10.00	0.00	0.00
DFID	2.80	1.20	42.86
USAID/RAMP	5.00	5.00	100.00
USAID/ARIES	22.00	17.00	77.27
CGAP	1.80	1.80	100.00
NOVIB	1.26	0.66	52.38
Interest Income from Loan Funds			
+ Bank Interest/Other	0.00	7.19	
Sub-Total	**42.86**	**32.85**	**76.64**
Total Source of Funds	**242.64**	**211.48**	**87.15**

Source: MISFA December 2008.

IFC- International Finance Corporation.
MIFSA- The Microfinance Investment Support Facility for Afghanistan
MIX- Microfinance Information Exchange.
MoWASS- Ministry of Women Affairs and Social Security.
OSS- Operational Self-Sufficiency.
Oxfam - Oxford Committee for Famine Relief
PAR- Portfolio at Risk.
PKSF- Palli Karma-Sahayak Foundation.
PMFB- Private Microfinance Bank.
ROA- Return on Asset.
SAARC- South Asian Association for Regional Cooperation.
SEEDS - Sarvodaya Economic Enterprise Development
SHG- Self Help Group.
TMSS- Thengamara Maliha Sabuj Shangha.
VSCO- Village Savings and Credit Organization
WVI- World Vision International
WWI- Women for Women International.

Table 11: Performance of Various Models in India

	Staff Productivity				ROA				PAR>30			
Models	2003	2005	2007	2008	2003	2005	2007	2008	2003	2005	2007	2008
G	146	251	273	252	0.7	3.0	-3.7	3.3	1.2	0.9	8.4	2.1
IB	119	89	142	124	2.9	3.5	3.5	4.4	23.6	7.8	6.0	8.7
Mixed	142	166			-0.9	0.3						
SHG	103	206	179	175	-2.9	-0.6	0.0	0.3	20.3	9.8	1.3	2.2

Note: PAR>30 days for 2008 only

Table 12: Financial Viability Over Time of Various Models in India

	2003		2005		2007		2008	
Models	OSS	FSS	OSS	FSS	OSS	FSS	OSS	FSS
G	102.7	90.5	112	109	87	83	123.4	116.2
IB	129.3	110.5	121	115	112	106	129.4	123.8
Mixed	95.6	80.6	102	85				
SHG	63.8	54.5	79	69	86	82	105.5	98.5

Acronyms

ADB- Asian Development Bank.
ALD- Agriculture Lending department
ARMP- Afghanistan Rural Microcredit Programme
ARTF- Afghanistan Reconstruction Trust Fund
ASA- Association for Social Advancement.
BDFC- Bhutan Development Finance Corporation.
BMI- Berendina Microfinance Institute
BML- Bank of Maldives.
BRAC- Bangladesh Rural Advancement Committee.
BURO-B- BURO Bangladesh
CIDA- Canadian International Development Agency.
CGAP- Consultative Group to Assist the Poor.
CRB- Cooperative Rural Banks
FINCA- Foundation for International Community Assistance.
FMFB- First Micro Finance Bank.
FSS- Financial Self-sufficiency.
GBB- Grameen Bikas Bank.
GoM- Government of Maldives.
HDFC- Housing Development Finance Corporation.
IB- Individual Banking

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