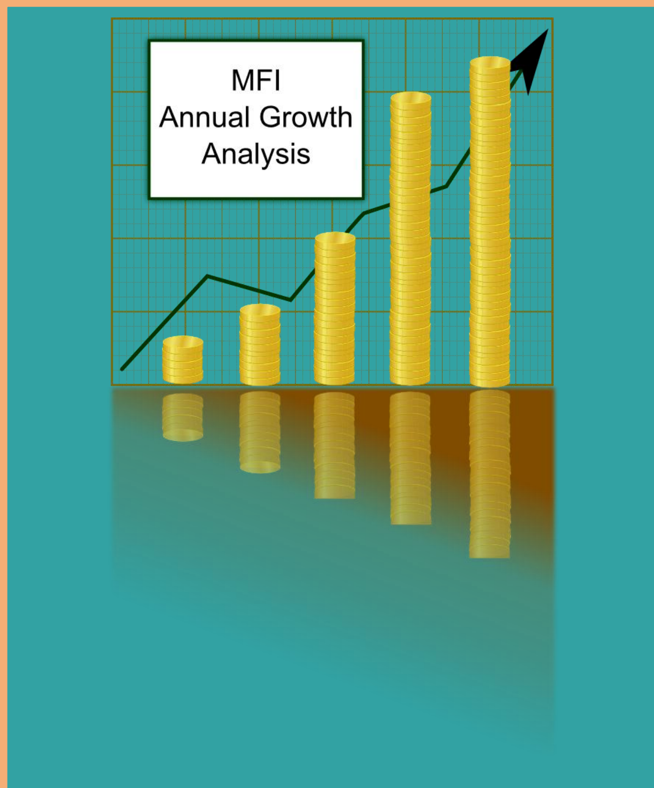

CARIBBEAN MICROFINANCE ALLIANCE

MFI PERFORMANCE REPORT 2011

Caribbean MicroFinance Alliance

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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.

This Performance Report is the first ever produced on the microfinance sector in the Caribbean region. It 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 report is based on the financial statements and statistical information of the following institutions:

- Access Financial Services Limited (Jamaica)
- Spaar-En Kredietcooperatie De Schakel G.A. (Suriname)
- Finatrust de Trustbank (Suriname)
- Coöperatieve Spaar- En Kredietbank Godo G.A (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)
- St. Thomas Co-operative Credit Union (Jamaica)
- Works Co-operative Society Credit Union (Trinidad & Tobago)

The CMFA Secretariat
June 2013

1.0 RATIONALE FOR PRODUCING A PERFORMANCE REPORT

The CMFA intends to play a leadership role in the development of microfinance services in the Caribbean region, and this includes promoting 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 CGAP[1] 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 Network[2] (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 determinant 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 minimal 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 2011* 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.

2.0 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 mode of calculation and interpretation of the financial ratios is presented in Appendix.

3.0 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 12 MFI members, the profile and evolution of microfinance activities in 2011 can be established as follows:

- A total of 10,593 clients were being served with micro credit -- an increase of 17.1% over 2010.
- Gross loan portfolio for micro credit stood at US$5.6 million -- increasing by 8.5% compared to the previous year.
- Micro credit represented 13.9% of the total gross loan portfolio of reporting MFIs – compared to 15% in 2010.
- The average outstanding balance for micro loans was US$527.
- CMFA MFI members had an average of 7 loan officers dedicated to micro credit. Each officer managed 100 loans on average. This is significantly below the industry recommended level of 150-250 micro loans per officer.
- Portfolio at risk (PAR30) for micro credit stood at 20.2% on average. This is way above the industry recommended Target of 5%.
- About half of micro credit clients were women and more than 60% lived in the rural areas (defined as any area outside the country's main town). Both figures are quite satisfactory with regards to international standards.

Table 1 – Microfinance Portfolio Performance for CMFA MFI Members

PORTFOLIO INDICATORS	31 DECEMBER 2010	31 DECEMBER 2011	% CHANGE
Number of Active Loans – Micro Credit	9,048	10,593	+17.1%
Total Gross Loan Portfolio – Micro Credit ('000 USD)	5,147	5,585	+8.5%
Proportion of Micro Credit in Total Gross Loan Portfolio	15.0%	13.9%	- 7.5%
Average Loan Balance – Micro Credit (USD)	569	527	-7.4%
Number of Micro Loan Officers (average[6])	6	7	+16.7%
Productivity of Micro Loan Officers (average[6])	90	100	+11.1%
PAR 30 Days – Micro Credit (average[6])	25.1%	20.2%	-19.5%
% Women Clients in Micro Credit Portfolio (average[6])	56.2%	50.7%	-9.8%
% Rural Clients in Micro Credit Portfolio (average[6])	59.4%	64.2%	+8.1%

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

4.0 COMPARATIVE PERFORMANCE ANALYSIS

Table 2 below provides average results[7] for the 2011 financial year for twelve (12) 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 4 branches, compared to 7 for credit unions and 10 for all financial institutions in the region.
- CMFA members had an average of 15,923 clients/members – an increase of 9.9% compared to 2010.
- On average, CMFA reporting institutions declared total assets of US$19.8 million, total deposits of US$14.8 million and gross loan portfolios of US$13.9 million.
- Year-to-year growth in assets, deposits and gross loan portfolio has been much slower for CMFA members compared to the growth rates registered by the peer group in the region.
- CMFA members had an average staff complement of 39 persons. The corresponding figure for all institutions in the region was 117; it was 68 for credit unions.
- Average deposit balance for CMFA members stood at US$903, compared to US$666 for the group of comparison in the region.
- CMFA members carried an average of 4,166 loans with an average outstanding balance of US$3,936. The number of loans was significantly lower than the peer group, while the loan size was significantly higher.

Financial Ratios

- CMFA MFI members showed an operational self-sufficiency of 132.9% which is far above the regional benchmark of 111.7%. A ratio above 160% is desirable.
- The operating expense ratio stood at 18.4% - similar to the benchmark of 18.8% for all institutions in the region.
- The yield on portfolio was 23.6%, slightly above the regional benchmark of 21.2% (14.7% for credit unions).
- The capital ratio stood at 23.1%, slightly below the regional benchmark of 24.4%
- The transformation ratio was 72.5%, which is below the regional benchmark of 80.8%.
- Portfolio at risk (PAR30) stood at 11.9%, which is far above the regional benchmark of 4.5% and the industry standard of 5%.
- The write off ratio at 2.1% was also above the regional benchmark of 1.5%.
- The return on assets (ROA) was 5.6% compared to 1.6% for credit unions and 1.8% for all institutions in the region.

[7] Average values provided in Table 2 are simple arithmetic averages (un-weighted) for reporting MFIs.
[8] Benchmark figures have been extracted from the Mix Market data base on June 30, 2013, and correspond to the median values for 60 Credit Unions and 392 financial institutions in total that have reported from the Latin America and Caribbean region for financial year 2011.

Social Performance

- Women accounted for 53.9% of the client/member base among CMFA institutions. This compared to 48.1% for credit unions and 58.6% for all institutions in the region.
- Women accounted for 67.7% of employees among CMFA member MFIs. This compared to 54.6% for credit unions and 50% for all institutions in the region.
- Women accounted for 31.1% of the board and committee members of CMFA member MFIs. This compared to 35.7% for credit unions and 25% for all institutions in the region.

Table 2 – Comparative Performance Analysis for CMFA MFI members (As at 31 December 2011)

PERFORMANCE INDICATORS	CMFA AVERAGE	BENCHMARKS	
		CREDIT UNIONS	ALL INSTITUTIONS
INSTITUTIONAL SIZE			
Number of Active Borrowers	15,923	27,080	n/a
Number of Branches-Points of Service	4	7	10
Total Staff	39	68	117
Total Assets ('000 USD)	19,759	21,059	12,733
Total Deposits ('000 USD)	14,848	14,527	n/a
Gross Loan Portfolio ('000 USD)	13,901	17,143	10,265
Average Deposit Balance (USD)	903	577	666
Number of Outstanding Loans	4,166	6,120	13,150
Average Loan Balance (USD)	3,936	2,596	1,126
GROWTH			
Annual Growth in Clients-Members	9.9%	9.4%	n/a
Annual Growth in Total Assets	16.9%	43.5%	-4.5%
Annual Growth in Deposits	18.8%	48.6%	n/a
Annual Growth in Gross Loan Portfolio	12.6%	40.1%	-9.4%
FINANCIAL RATIOS			
Operational Self-Sufficiency Ratio	132.9%	112.3%	111.7%
Operating Expense Ratio	18.4%	10.7%	18.8%
Yield on Portfolio	23.6%	14.7%	21.2%
Capital Ratio	23.1%	15.1%	24.4%
Transformation Ratio	72.5%	83.5%	80.8%
Portfolio at Risk > 30 Days	11.9%	3.6%	4.5%
Write-off Ratio	2.1%	0.4%	1.5%
Return on Assets	5.6%	1.6%	1.8%
SOCIAL PERFORMANCE			
Proportion of Women Clients/Members	53.9%	48.1%	58.6%
Proportion of Women Employees	67.7%	54.6%	50.0%
Proportion of Women on the Board and Committees	31.1%	35.7%	25.0%

n/a – not available

Appendix A

Calculation and Interpretation of Financial Ratios

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