Sa - Dhan

The Association of
Community Development
Finance Institutions

Side-by-Side

A Slice of Micro Finance Operations

September 2004

IN INDIA

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List of Participating MFIs

S. No	Name	Headquarters
1	A Society for Integrated Rural Development (ASSIST)	Guntur, A.P.
2	Amber Ashraye Mahila Benefit Association	Rajkot, Gujarat
3	Bandhan *	Kolkatta, West Bengal
4	Bharat Integrated Social Welfare Agency(BISWA) *	Sambalpur, Orissa
5	Bharatha Swamukti Samsthe *	Bangalore, Karnataka
6	Bharati Integrated Rural Development Society *	Nandyal, A.P.
7	Bhartiya Samrudhi Finance Ltd. (BASIX) *	Hyderabad, A.P.
8	Bullock-cart Workers Development Association (BWDA) *	Villupuram, Tamil Nadu
9	Cashpor Micro Credit *	Varanasi, UP
10	Center for Youth and Social Development *	Bhubaneshwar, Orissa
11	Darbara Sahitya Sansad *	Arapada, Orissa
12	Evangelical Social Action Forum (ESAF) *	Trichur, Kerala
13	Friends of Women's World Banking, India *	Ahmedabad, Gujarat
14	Gram Swaraj Sewa Trust	Dattapur, Maharashtra
15	Gram Vikas	Berhampur, Orissa
16	Gram Vikas Samarthan Kendra	Mehsana, Gujarat
17	Grameen Development Services (GDS) *	Lucknow, UP
18	Grameen Mahila Swayamsiddha Sangha	Pune, Maharashtra
19	GRAM-Utthan *	Pimpuri, Orissa
20	Holy Cross Social Service Center *	Hazaribag, Jarkhand
21	Janodaya Trust *	Bangalore, Karnataka
22	Krishna Bhima Samruddhi Local Area Bank *	Mahboobnagar, A.P.
23	League for Education and Development (LEAD)*	Trichirapalli, Tamil Nadu
24	Mahasemam Trust*	Madurai, Tamil Nadu
25	Modern Architects for Rural India (MARI)	Hanamkonda, A.P.
26	Nav Bharat Jagriti Kendra *	Hazaribag, Jarkhand
27	New Life *	Trichy, Tamil Nadu
28	NIDAN *	Patna, Bihar
29	Pragathi Seva Samithi	Hanumakonda, A.P.
30	PREM	Berhampur, Orissa
31	Prochesta *	Guwahati, Assam
32	Rajasthan Forest Produce Collector's and Processor's Group Support Society	Udaipur, Rajasthan
33	Rajpur Seva Niketan	Rajapur, West Bengal
34	Rashtriya Gramin Vikas Nidhi *	Guwahati, Assam
35	Rural Aid Service (RAIDS)	Churachandpur, Manipur

List of Participating MFIs (Continuation)

S.No	Name	Headquarters
36	Rural Education and Action for Change - Manipur	Manipur
37	Sanghamithra Rural Financial Services *	Mysore, Karnataka
38	Sarva Jana Seva Kosh Limited *	Chennai, Tamil Nadu
39	Sarvodaya Nano Finance Limited *	Chennai, Tamil Nadu
40	Sewa Mandir *	Udaipur, Rajasthan
41	SHARE Microfin Limited *	Hyderabad, A.P.
42	Shramik Bharti *	Kanpur, UP
43	Shree Junagadh Mahila Sharafi Sahakari Mandali Ltd	Junagadh, Gujarat
44	Social Education & Voluntary Action	Warangal, A.P.
45	Spandana *	Guntur, A.P.
46	Star Youth Association *	Velgode, A.P.
47	Swayam Krishi Sangam *	Hyderabad, A.P.
48	Swayanshree	Cuttack, Orissa
49	Tha Activists for Social Alternatives *	Trichirapalli, Tamil Nadu
50	Thirumalai Charity Trust (TCT) *	Ranipet, Tamil Nadu
51	Vikas Center for Development	Ahmedabad, Gujarat
52	Vikasana *	Tarikera, Karnataka
53	Village Welfare Society *	Kolkatta, West Bengal

* The MFIs are members of ***Sa-Dhan***

Glossary of terms

Active Clients	Clients regularly availing service(s) provided by MFI
Avg.	Average
CBFI	Community Based Financial Institutions
Co-Op	Co-operative Societies
CRR	Current Repayment Rate
EDP	Entrepreneurship Development Program
FPS	Financial Performance Standards
GB	Grameen Bank (Refers to microfinance operating methodology)
JLG	Joint Liability Group
I	Individual (Refers to microfinance operating methodology)
INR/ Rs.	Indian Rupees
LAB	Local Area Bank
M.F.	Microfinance
MFI	Microfinance Institution (*In the report MFI refers to both MFIs as well as NGOs involved in MF)*
NRM	Natural Resource Management
OCR	Operating Cost Ratio
OSS	Operating Self Sufficiency
PAR	Portfolio At Risk
Sec.25 Comp.	Companies registered under Section 25 of Indian Companies Act
S. No.	Serial Number
SHG	Self- Help Group
SIDBI	Small Industries Development Bank of India
TCR	Total Cost Ratio
USD	United States Dollars
w/w	Within which

Set of Financial Performance Standards[1] Recommended by Sa-Dhan

S. No.	Indicator	Benchmark	Formula
1. SUSTAINABILITY PERFORMANCE STANDARDS			
1	Operational Self-Sufficiency	At least 100%	Operating Income [2] / Operating Costs + Loan Loss Provisions + Financing Costs
2. ASSET QUALITY PERFORMANCE STANDARD			
2	Portfolio at Risk > 60 Days Past Due	Less than 10%	Unpaid Principal Balance of Past Due Loans (with Overdue > 60 days of age) / Total Gross Outstanding Portfolio
3	Current Repayment Rate	Greater than 90%	Total Amount (Principal) Collected for the Period – Prepayments / Total Amount (Principal) Due (to be collected during period)
3. EFFICIENCY PERFORMANCE STANDARDS			
4	Operating Cost Ratio [3]	Less than 20%	Total Operating Costs / Average Outstanding Portfolio
5	Total Cost Ratio	Less than 30%	Total Costs [4] / Average Outstanding Portfolio
6	Active Borrowers Per Credit Officers [5]	Between 250-350	Average Number of Active Borrowers / Average Number of Credit Officers

[1] The Sa-Dhan Sub-Group on Standards finalized the indicators proposed here.
[2] Operating Income is income from Loans and Investments
[3] Sometimes called as Administrative Efficiency Ratio
[4] Total Costs = Operational Costs + Loan Loss Provision + Cost of Funds
[5] Sometimes, also called as client to staff ratio with staff being loan officers/ Field officer primarily

Preface

Fundamental to the growth of any sector, is its ability to define clearly the parameters that enable the understanding of its work. Microfinance, in India, as it goes forward will need to define its parameters of performance. Such performance should clearly define its client base; what it does with them and how the relationships with the clients are working out.

Sa-Dhan, in setting out to build the sector, has struggled with communicating the complete face of what microfinance practitioners are and how they do it. In sequence, we started the exercise, by describing the different models and the different institutions that are delivering the services to poor clients. In doing so, we have brought out detailed study on SHG federations and perspective papers describing the different models. With this study, we have sought to examine the experience of practitioners across the spectrum, drawn from different segments and have included even organisations who are not members of Sa-Dhan. Such a description, will serve to set the foundation for building a greater appreciation and recognition of the sector, its activities and its promise!!

Clearly, for a start, that we have data of this kind available for both explaining and for debate; is extremely commendable for the sector. It not only is indication of the state of the sector, but also its potential. This is extremely commendable given the fact that this data has been generated inspite of low-levels of public funding that popular and widely used MIS systems require. We, at Sa-Dhan believe that if we can build on this discipline, it is not only improvement in performance that will mark us out, but in addition the ability to be transparent.

The data has essentially been analysed using the performance-standards recommendations that were set out by the Sa-Dhan sub-group on Standards. The sub-group, in its debate and in its conclusions had recommended three broad parameters, within which we look at understanding and categorising the portfolio of microfinance work in India. These are: Sustainability Performance Standards; Asset Quality Performance Standards and Efficiency Performance Standards. We believe that over time as we progress towards getting more data, over time we will be able to develop and sharpen not only our interventions at Sa-Dhan but also that of our members as we seek to build the sector in India.

Congratulations to the team led by Mr. R.K. Mukherjee and Mr. Lakshminarayana, who were ably assisted by Mr. Rupaal Singh in bringing out this report to meet the deadlines that we had set out for ourselves.

Mathew Titus
Executive Director

October 20, 2004

1 Introduction

In its deliberations on defining strategy for building the sector, the Sa-Dhan board strongly recommended the development and production of a Sector Report. It was also decided that the reports should not be confined to data of MFIs that are members of Sa-Dhan but efforts to include non-member MFIs should also be made.

Taking the decision of the Board forward, Sa-Dhan prepared a list of MFIs in India that included its member-MFIs and other MFIs that were drawn from sources such as other networks, microfinance partners of Small Industries Development Bank of India (SIDBI) and references from Sa-Dhan members.

The focus of the report was to collect financial and operational data of MFIs for the financial year 2003-04; across the country, spread over the dominant microfinance models and legal forms. The data was analysed by peer-groups with the above three parameters, in the background of the set of six financial standards that Sa-Dhan has developed. The report therefore gives a snap shot of the financial performance of participating MFIs for the FY 2003-04, on the core six financial performance indicators.

In order to take the task forward, a simplified data form was devised. This was based on the form that members of Sa-Dhan have been using to report their performance data to Sa-Dhan.

The data-form was sent to 128 MFIs that are directly working with the poor. This list included 61 members of Sa-Dhan. A period of 6 weeks was planned for collection of the data. 67 MFIs responded to the request from Sa-Dhan (Table 1).

Table 1: Number of Respondents

Region	Number of Respondents
East	17
North	5
South	38
West	7
Total	**67**

The data verification and validation process was initiated in the 4th week and it took three weeks to complete. During the verification and validation period, clarifications and supplementary information were sought from some of the contributing MFIs.

The report contains data from 53 MFIs. Responses from 14 MFIs were excluded due to insufficient / incomplete data. Table no. 2 shows the regional distribution of the MFIs that consist of the sample taken in this report.

Table 2: Number of participating MFIs

Region	Number of Participating MFIs
East	17
North	5
South	24
West	7
Total	**53**

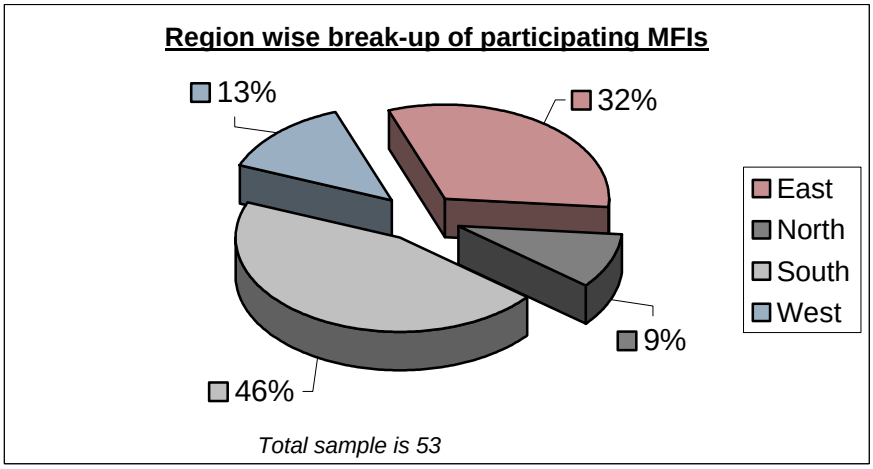

Figure 1: Region wise break-up of participating MFIs

Complete list of the 53 MFIs is given in page number 1 as "List of Participating MFIs"

1.1 Classification of Participating MFIs by Microfinance Models

In terms of microfinance models, the sample of 53 MFIs cover all the four significant models viz. Grameen Bank (GB), Self Help Group (SHG), Joint Liability Group (JLG) and Individual (I).

The model-wise distribution of participating MFIs is given as Table No. 3.

Table 3: Model-wise distribution

Table No. 3					
Region	**Total No.**	**GB**	**SHG**	**JLG**	**I**
East	17	2	15		
North	5	1	4		
South	24	7	14	3	
West	7		4	1	2
Total	**53**	**10**	**37**	**4**	**2**

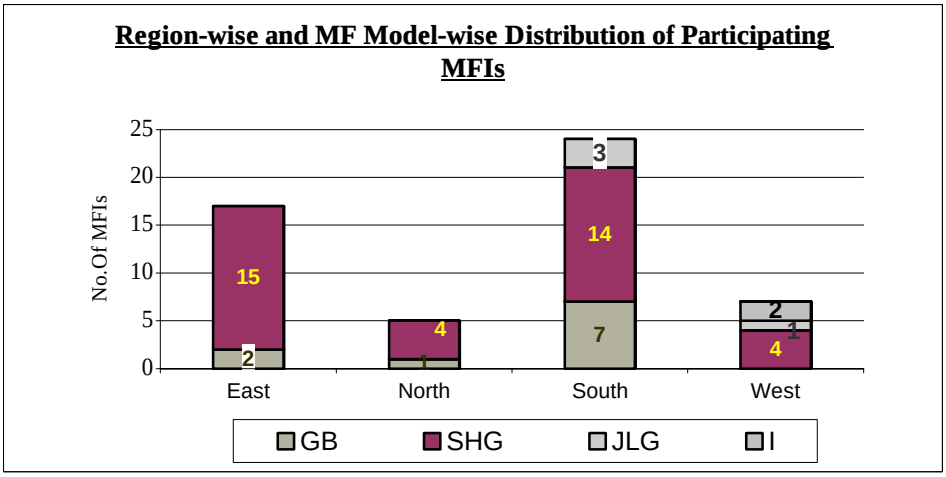

Figure 2: Region and Operating Model wise Distribution

Some of the MFIs work on multiple models of microfinance delivery such as SHG and Individuals, SHG and JLG. Some MFIs operate under more than one model, for example GB and JLG, JLG and 'I'. While classifying such MFIs, the predominant model practised by the MFI has been considered.

1.2 Classification of Participating MFIs by Legal Form

In terms of legal forms that MFIs are incorporated as, Table No. 4 reveals that Society/Trust forms are most significant.

Table 4: Classification by Legal Form

Table 4:						
Region	**Total No.**	**Company**	**Sec.25 Comp.**	**LAB** (Local Area Bank)	**Co-Operative**	**Society/ Trust**
East	17					17
North	5		1			4
South	24	4	1	1		18
West	7				1	6
Total	**53**	**4**	**2**	**1**	**1**	**45**

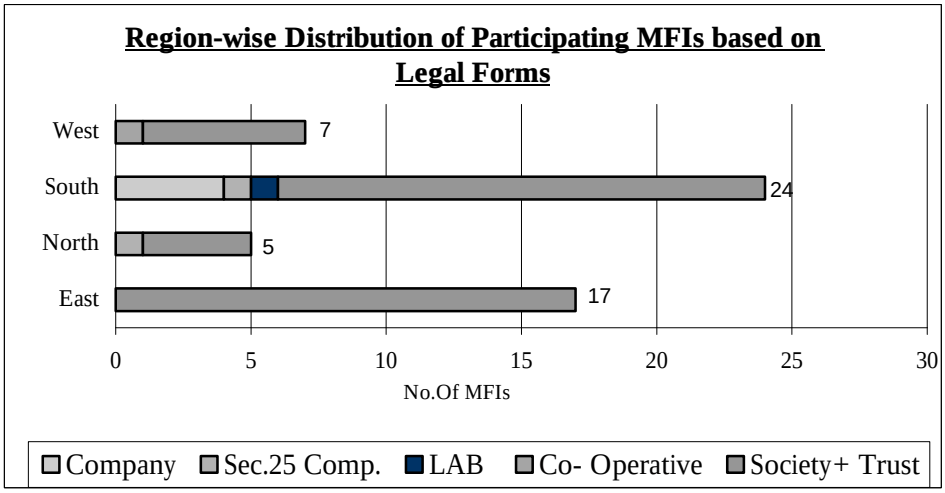

Figure 3: Distribution based on Legal Forms and Region

1.3 Classification of Participating MFIs by Their Number of Years of Microfinance Operations

Age-wise the participating MFIs are widely distributed between groups of 1 - 5 years and 11-15 years. Two organisations have more than 15 years in microfinance operations.

The age distribution is based on number of years the MFI has been in microfinance operations. The age of the institutions may therefore be more than the indicated classification.

Table 5: Classification based on the age of microfinance operations

Table No.5					
Region	**Total No.**	**1-5 Years**	**6-10 Years**	**11-15 Years**	**Above 15 Years**
East	17	4	9	3	1
North	5		3	2	
South	24	9	9	6	
West	7	3	2	1	1
Total	**53**	**16**	**23**	**12**	**2**

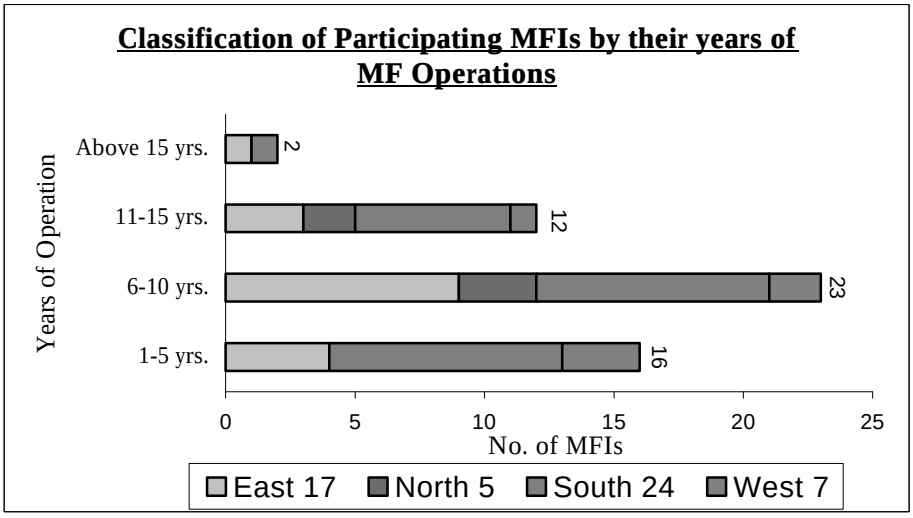

Figure 4: Classification based on the age of microfinance operations

1.4 Classification of Participating MFIs by their Working Methodology

Participating MFIs consist of both direct-lending institutions and MFIs that facilitate clients to access financial services from mainstream institutions e.g. commercial banks.

However, some MFIs in the facilitating mode also have funds in their institution that is used to provide loans to clients.

Table 6: Classification based on working methodology

Table No.6			
Region	**Total No.**	**MFI- Direct Service Providers**	**MFI- Facilitating Mainstream Linkages**
East	17	12	5
North	5	2	3
South	24	24	
West	7	6	1
Total	**53**	**44**	**9**

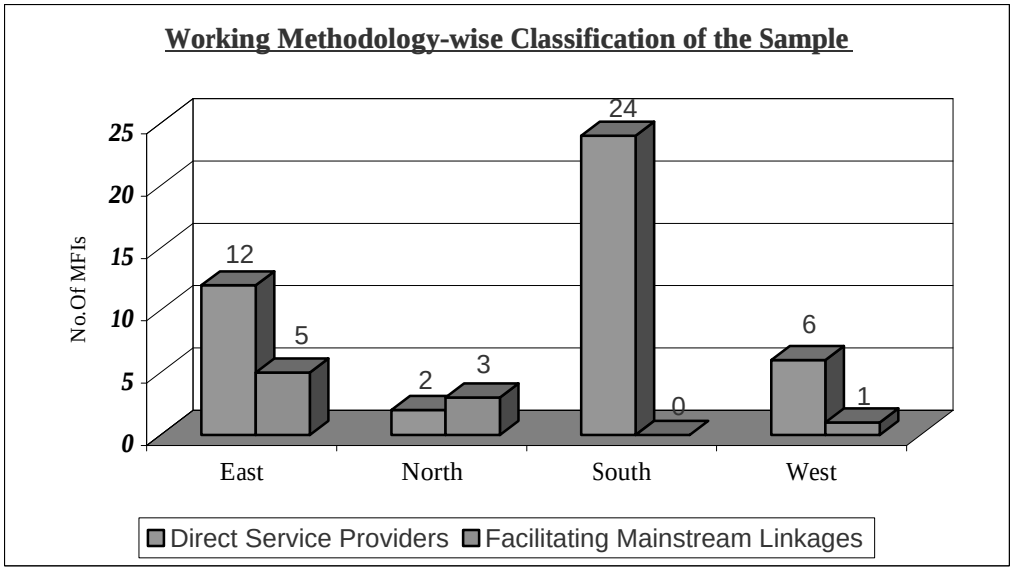

Figure 5: Working methodology-wise classification

2 Outreach

Microfinance is reaching the poor, affecting their quality of life. While MFIs are primarily known by the financial services they provide to the poor, the approach and methodologies of MFIs define their credibility, outreach and quality.

MFIs also provide other services like livelihood support, health, education and support for rights of the poor. Many of these services are integrated in the financial services of the MFIs. Table no. 7 below gives the overall outreach of retail-MFIs (sample size 51MFIs) as of March 2004 and shows that the percentage of women clients to total clients is 91 % and above.

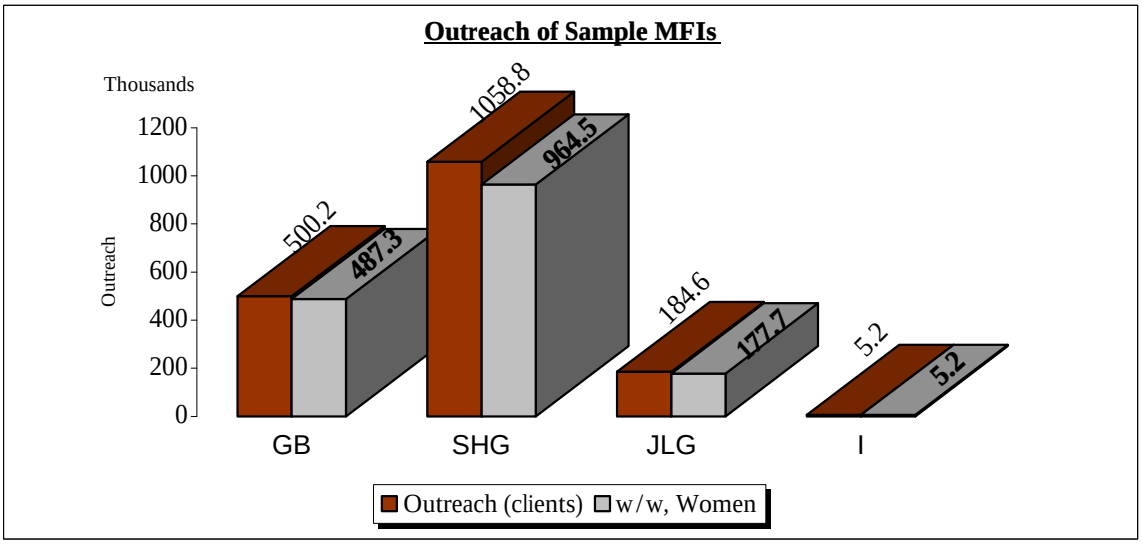

Figure 6: Outreach of participating MFIs

Table 7: Outreach (Clients) of participating MFIs

Table no. 7					
Region	**Total**	**M.F. Model**			
		GB	**SHG**	**JLG**	**I**
East					
No. of MFI	*17*	*2*	*15*		
Outreach (clients)	324183	27561	296622		
w/w, Women	*253105*	*23557*	*229548*		
North					
No. of MFI	*5*	*1*	*4*		
Outreach (clients)	60871	34687	26184		
w/w, Women	*54559*	*34687*	*19872*		
South					
No. of MFI	*23*	*7*	*13*	*3*	
Outreach (clients)	1342336	437943	721069	183324	
w/w, Women	*1307579*	*429037*	*702152*	*176390*	
West					
No. of MFI	*6*		*3*	*1*	*2*
Outreach (clients)	21392		14902	1314	5176
w/w, Women	*14220*		*12906*	*1314*	*5176*
Total					
No. of MFI	*51*	*10*	*35*	*4*	*2*
Outreach (clients)	1748782	500191	1058777	184638	5176
w/w, Women	*1634639*	*487281*	*964478*	*177704*	*5176*
% Of women clients	*93*	*97*	*91*	*96*	*100*

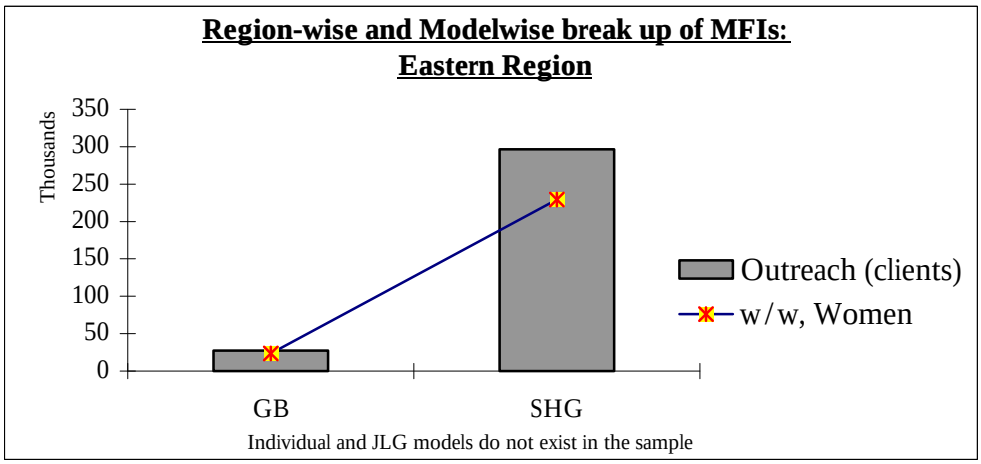

Figure 7:Region and Operational Model-wise break-up

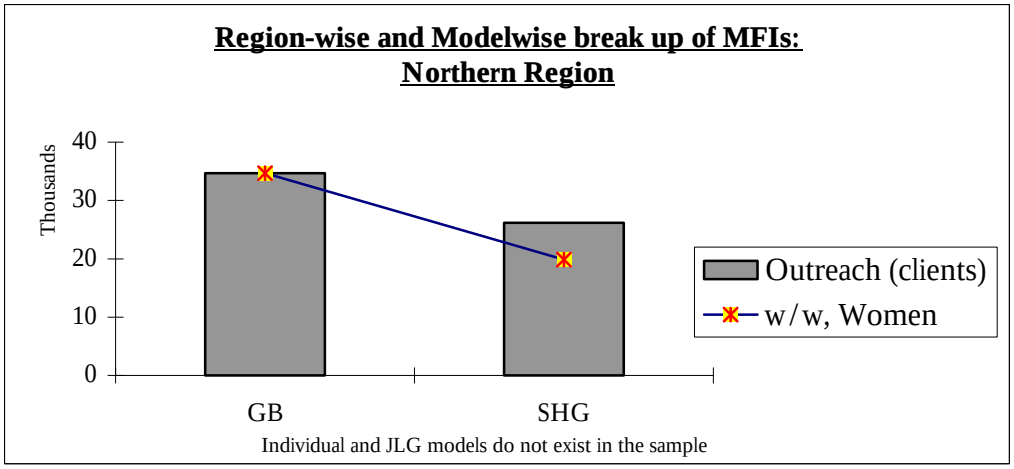

Figure 8: Region and Operational Model-wise break-up

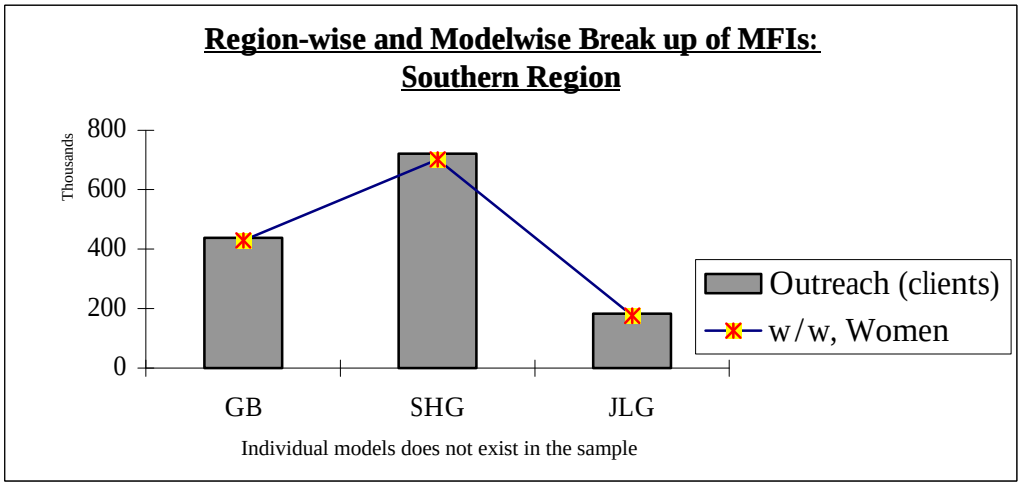

Figure 9: Region and Operational Model-wise break-up

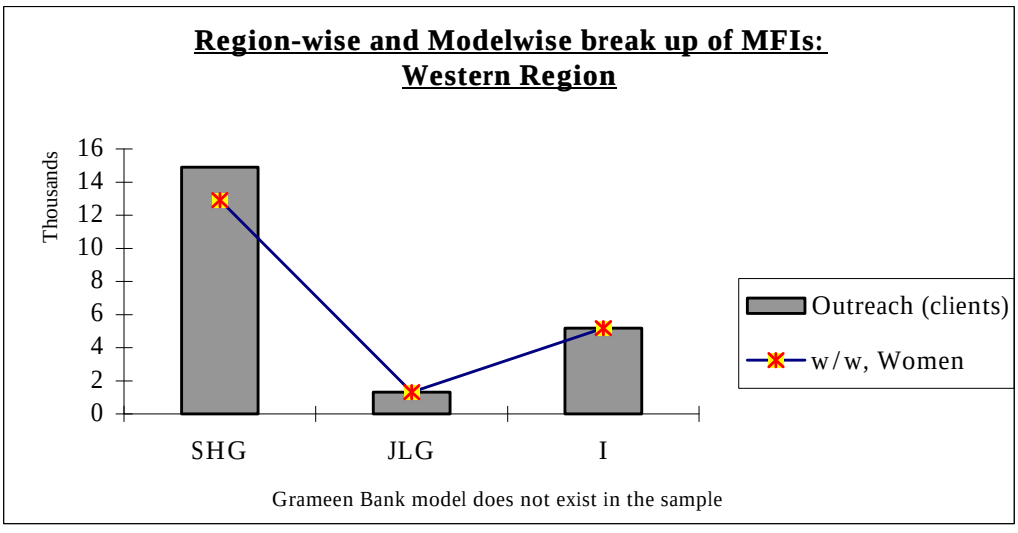

Figure 10: Region and Operational Model-wise break-up

3 Active Clients

In terms of active clients, within the total outreach of Retail-MFIs, as of March 2004 the number of active clients of credit outstrips the number of active clients for other services (savings and insurance). This is prominent in the MFIs working on GB model that is designed around credit.

Table 8: Microfinance Products and Outreach

Table No.8									
Region	M.F. Model								
	GB			SHG			JLG		
	Active Clients			Active Clients			Active Clients		
	Savings	Credit	Insurance	Savings	Credit	Insurance	Savings	Credit	Insurance
East	27561	16872	7727	286591	296622	28435			
North		34687	17896	26184	20141	593			
South	121181	350434	79923	214730	298359	25275	124409	64680	65584
West				18381	14902	1092		1314	
Total	**148742**	**401993**	**105546**	**545886**	**630024**	**55395**	**124409**	**65994**	**65584**

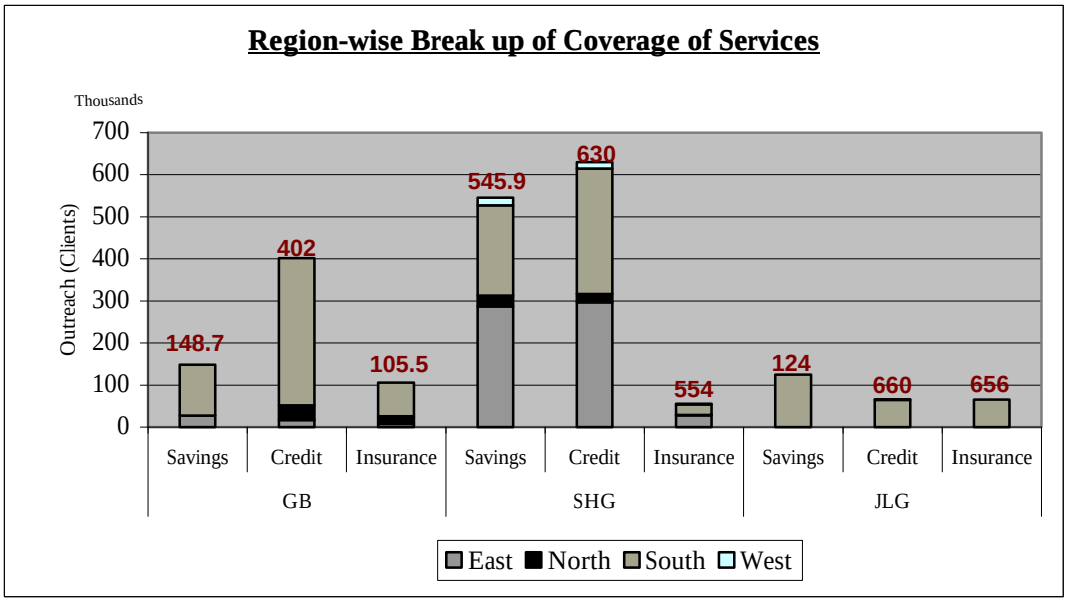

Figure 11: Region-wise break-up of coverage of services

In terms of regions, Table no. 9 below, shows the distribution of retail-MFIs by their intervention methodology (Direct / facilitating) and in terms of their outreach as of March 2004.

Table 9: Break-up of Outreach

Table no. 9									
Region	**Out of 51 Retails-MFIs of the sample, the Number of MFIs having Outreach of**								**States covered by MFIs**
	Up to 5000 clients		***5,001 -15,000 clients***		***15,001-40,000 clients***		***More than 40,000 clients***		
	Direct	Facilitating	Direct	Facilitating	Direct	Facilitating	Direct	Facilitating	
East	2	2	4		4	2	2	1	West Bengal, Orissa, Bihar, Jharkhand, Assam, Manipur
North		2	1	1	1				Uttar Pradesh, Chattisgarh, Rajasthan.
South	1		9		6		7		Andhra Pradesh, Karnataka, Tamil Nadu, Kerala
West	5			1					Gujarat, Maharashtra
Total	**8**	**4**	**14**	**2**	**11**	**2**	**9**	**1**	

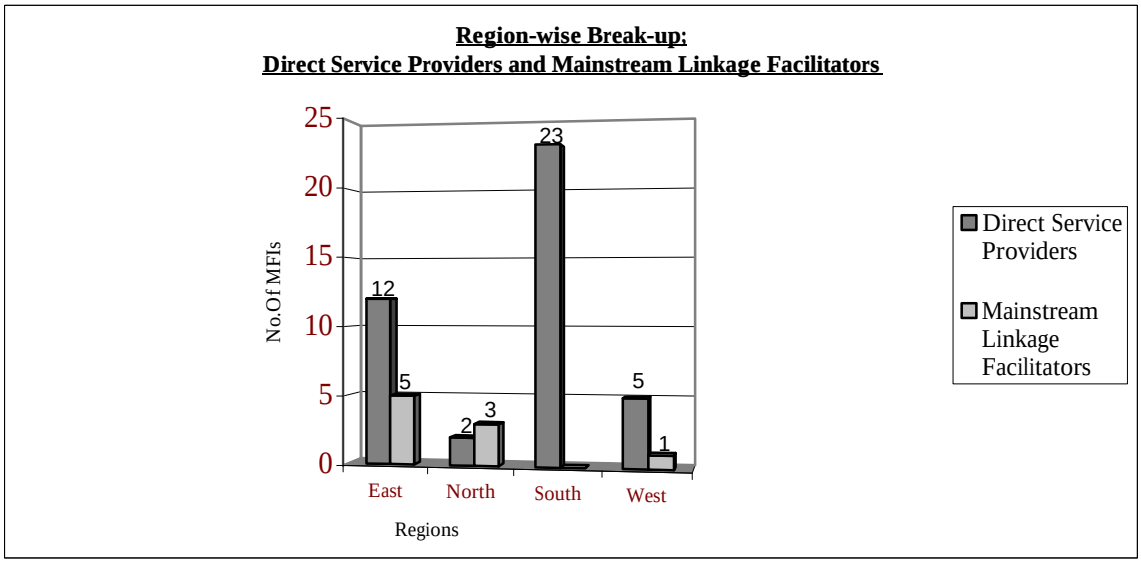

Figure 12: Region-wise break-up of service providers

Overall, the number of MFIs working directly with the poor goes up with the outreach. At the size of up to 5000 clients, the number of retail-MFIs in the 'direct' mode is double the number of MFIs in 'facilitating' mode. The co-relation between number of direct and facilitating MFIs is wider as the outreach size goes up.

Regionally, the sample shows that in North India, the number of direct and facilitating MFIs are considerably balanced; in West and East India it is skewed towards direct MFIs and in South India all MFIs are in direct mode of services only.

4 Creating Access of the Poor to Credit Services

Credit has emerged as the main service that MFIs are providing to their clients. Across microfinance models, credit services are common. The exact design and nature of credit services varies widely from model to model and MFI to MFI.

Table 10: MFI Services - Credit

Table No. 10		
Region	**Total of Retail-MFI**	**Number of MFIs that engaged providing in credit services**
East	17	15
North	5	5
South	23	23
West	6	6
Total	**51**	**49**

The two MFIs that are not providing credit services, are located in North-East region and are concentrating on building the poor communities with savings services.

As of March 2004, the sample of retail-MFIs that are providing credit services to the clients directly (49 MFIs) had credit portfolio outstanding at Rs.374, 26 lakhs (77.97 million USD).

5 Creating Access of the Poor to Insurance Services

Insurance service is a nascent area of intervention of MFIs. The penetration of insurance services in relation to active clients for savings and credit is very low. Insurance services within MFIs are also selective, as depicted by Table no. 10 below. The three large segments of microfinance models, GB, SHG and JLG have been taken for this analysis.

Table 11: MFI Service - Insurance

Table no. 11			
Region	**M.F. Model**		
	GB	**SHG**	**JLG**
North			
No. of MFI	*1*	*4*	
w/w MFIs providing Insurance services	1	1	
Outreach (clients)	17896	593	
South			
No. of MFI	*7*	*13*	3
w/w MFIs providing Insurance services	*5*	*7*	3
Outreach (clients)	79923	25275	65584
East			
No. of MFI	*2*	*15*	
w/w MFIs providing Insurance services	2	4	
Outreach (clients)	7727	28435	
West			
No. of MFI		*3*	*1*
w/w MFIs providing Insurance services		*1*	
Outreach (clients)		1092	
Total			
No. of MFI	*10*	*35*	*4*
w/w MFIs providing Insurance services	*8*	*13*	*3*
Outreach (clients)	105546	55395	65583

The number of MFIs providing insurance services is significantly different from one model to another. Most MFIs working on GB and JLG models are also providing insurance services. The MFIs working on SHG model have a long way to go in bringing insurance services to their clients.

Insurance products too are varied. There are insurance products that are linked to credit clients. Therefore it would be too early to deduce the reasons for significant coverage of insurance services by MFIs that are primarily focussed on microcredit services.

6 Creating Access of the Poor to Savings Services

Facilitating various channels of savings for the clients is a major service from MFIs. This is indicator of the unmet demand for savings. This is possibly a gauge of the problems that the poor clients face in directly accessing savings services from commercial banking system. It also indicates the innovative and user-friendly methodologies that MFIs have devised to enable the poor to save regularly. TableNo12 shows that barring a few, most MFIs are engaged in providing channels to poor, enabling them to save.

Table 12: MFI Services - Savings

Table No. 12		
Region	**Total of Retail-MFI**	**Number of MFIs that are not engaged in providing Access to Savings Services**
East	17	1
North	5	1
South	23	4
West	6	1
Total	**51**	**7**

Out of the seven MFIs that are not engaged in providing savings services to their clients, five are companies. The Indian Law does not facilitate companies to engage in providing savings services. Companies can provide savings services if they also procure banking business license or can mobilise share capital of the minimum of Rs.200 lakhs (0.04 million USD[1]) and fulfil other norms like ratings. These norms are difficult and therefore collectively do not provide congenial circumstances for companies to include savings services.

The retail-MFIs include one company that provides savings services. This company has been able to procure banking business license.

MFIs, whether on direct service mode or in facilitating mode, are engaged in providing alternate channels of savings to the poor.

Two MFIs that are registered as Society, are not engaged in providing savings services. They are focussed on credit and livelihood support to their clients.

As of March 2004, the sample of 51 retail-MFIs shows that the amount of savings mobilised within their clients was to the tune of Rs.99, 02 lakhs (21.53 million USD[1]).

[1] Exchange rate of INR 46/- has been taken per USD ($)

7 Other services

That MFIs are not necessarily concentrating on providing microfinance services, is well known. Table No.13 below, charts various services the MFIs are providing, apart from microfinance.

Figures show the number of MFIs engaged in each of the services. Several MFIs are providing multiple services and therefore the sum total of the numbers is greater than the sample size of 28 MFIs that are engaged in providing other services. This means that 23 out of the 51 retail-MFIs are not engaged in services other than microfinance. However, within the ambit of microfinance services, all MFIs are engaged in training of clients at their induction and on a continuing basis.

Table 13: Other Services Provided by MFIs

Table no.13

Nature of Services (Other than Microfinance services)- *Number of MFIs : 28*

Livelihood support	EDP*	Health	Education	NRM*	Agriculture	Old Age support	Legal support	Human rights	Marketing	Local Governance
11	2	15	13	5	3	2	3	4	2	4

** EDP: Entrepreneurship Development Programme*
** NRM: Natural Resources Management*

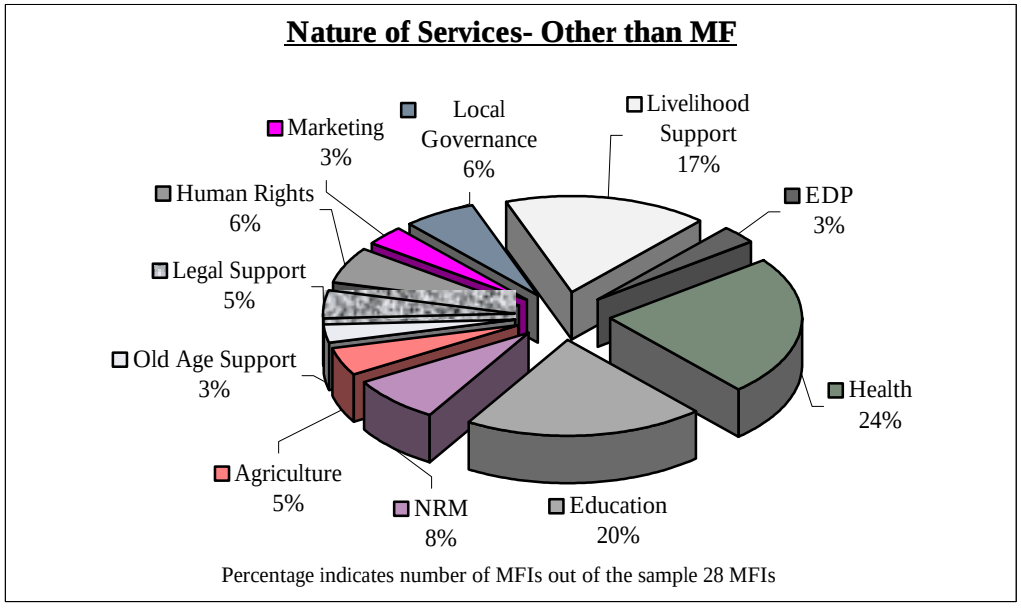

Figure 13: Other services provided by MFIs

Financial Performance of Sample MFIs:
Status Report

8 Sa-Dhan Endeavour in Setting Financial Performance Standards

Sa-Dhan, as Association of Community Development Finance Institutions, took up the challenge of setting a set of standards for the financial performance of Microfinance Institutions (MFI) in India. The task has been unique in the way that Indian microfinance is characterised by diversity in terms of approach, models, legal forms and geographical contexts.

Sa-Dhan has strategically focused on providing platforms for collective action that are required for the fast-growing sector. It has adopted the participatory diagnostic process to safeguard the interests of all stakeholders and develop solidarity within the micro-finance sector.

To steer the task of development of standards and bring clarity, transparency and ownership in the process of formalizing standards for MFIs, a core-group comprising of members was formed.

The need for developing financial performance standards was to

- Increase transparency in the system through uniform information sharing and reporting mechanisms
- Enabling MFIs to use their resources optimally
- Integrating MFIs into the mainstream financial system
- Attracting diverse sources of funding to the sector.

Sa-Dhan held a series of consultative workshops in different regions of the country, involving wider stakeholders to develop a broad framework of standards for Micro-finance sector. Thereafter, a series of workshops were organized across regions to define and arrive at broader agreement on the specifics.

While the range of possible indicators of MFI performance is almost endless, most attempts at defining performance standards for the MFI sector have focused on the following categories:

(1) Sustainability;
(2) Assets (Portfolio) Quality;
(3) Efficiency.

Under these broad categories, Sa-Dhan arrived at

- A common set of reliable performance indicators to be measured/monitored,
- A common methodology for calculating the selected indicators
- An agreed benchmark for each such selected indicator.

The set of six indicators for financial performance of MFIs is neutral to the microfinance models, size of operations and geographical contexts. Together, the set of six indicators are therefore applicable to all MFIs.

Sa-Dhan has formulated a Manual containing detailed instructions on calculating various performance ratios considered useful in measuring performance of MFIs. The manual formulated by Sa-Dhan focuses on the following:

- It defines various ratios for measuring asset quality, viability and sustainability, capital adequacy, productivity, efficiency, profitability and related aspects.
- It identifies reliable and valid indicators for measuring these ratios and to provide operational definitions for these indicators.
- It documents procedures by which these indicators could be calculated including records required to be maintained.
- It provides illustrative calculation of these indicators.

Having achieved the task of setting the standards for the set of six indicators for financial performance of MFIs, Sa-Dhan is working on building consensus among the diverse set of stakeholders on the common minimum set of standards and in facilitating adoption of practices that promote good governance, effective management, transparent reporting and enhanced accountability within the micro-finance sector in India.

8.1 Snap shot on MFI Financial Performance Standards

Sample:

Sa-Dhan has analysed the financial data, as of March 31, 2004, of participating MFIs in the context of the set of six Financial Performance Standards recommended by Sa-Dhan. The sample consists of financial data of 42 MFIs.

The study has grouped the 42 MFIs into peer groups based on Lending Model, Operational Region and Legal form.

A. Operating Models: Grameen Bank (GB); Self Help Group (SHG), Joint Liability Group (JLG) and Individual (I).

B. ***Region:*** East; North; South; West.

C. Legal Form: Company including Companies registered u/s 25; Bank; Society / Trust; Co-Op.

8.2 Analysis of MFI data on Sa-Dhan recommended Financial Performance Standards (FPS):

The overall picture emerging from the sample of 42 MFIs is given below.

Table 14: Glance at Financial Performance Standards (FPS)

Table no. 14 – *Sample of 42 Organizations*					
OSS	**PAR**	**CRR**	**OCR**	**TCR**	**Client per Field Staff**
72.8%	4.5%	90.4%	20.0%	34.9%	164

Table 15: Regional break up of FPS

Table no. 15							
	Sample Size	**OSS**	**PAR**	**CRR**	**OCR**	**TCR**	**Active Clients per Field Staff**
East	11	57.1%	5.0%	87.1%	22.9%	40.0%	98
North	2	64.6%	26.5%	80.2%	20.4%	54.0%	147
South	23	82.4%	2.0%	95.5%	16.9%	30.6%	201
West	6	67.9%	5.8%	80.5%	26.4%	35.8%	146
Total/Avg.*	42	68.0%	9.8%	85.8%	21.6%	40.1%	148

** The average shown in the bottom column refers to simple average of regional break-up for each of the six financial ratios.*

As a snap shot, considering that data only for financial year ended March 31, 2004 has been taken for the analysis, there are some encouraging points. Regions provide learning. In dealing with each of the six indicators of financial performance, the specifics will be detailed.

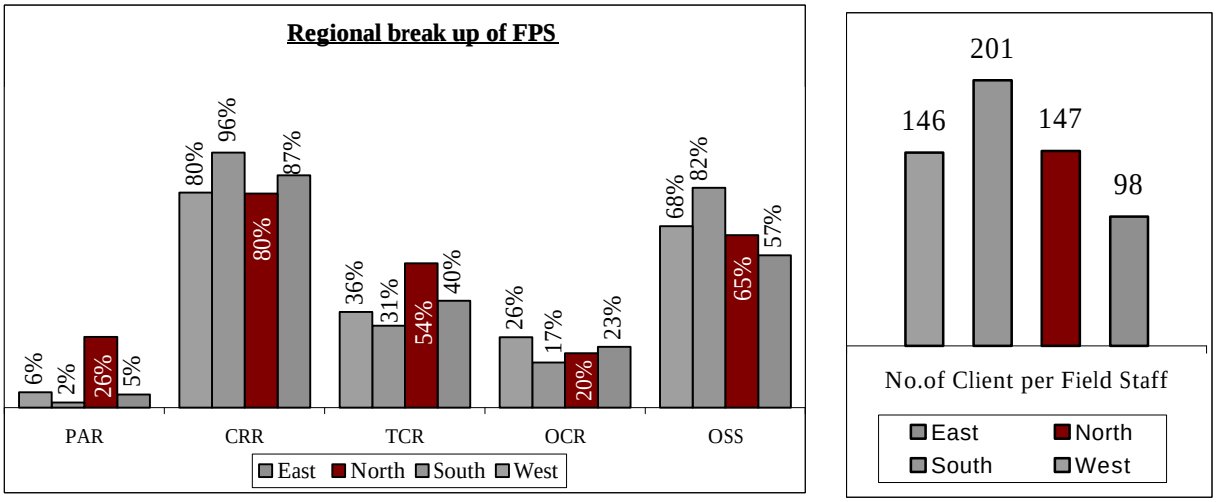

Figure 14: Break-up of FPS of MFIs

Model wise analysis of financial performance shows that the GB model scores highest in all the parameters. JLG model throws concerns on operating self-sufficiency and consequently the costs of operations. Barring the Individual (I) model, all other models have portfolio at risk of below 5%. Current Repayment Rate in all models, except the Individual (I), is above 90%.

Table 16: Model-wise break up of FPS

Table no. 16							
Total	**Sample size**	**OSS**	**PAR**	**CRR**	**OCR**	**TCR**	**Active Clients per Field Staff**
SHG	26	67.2%	4.6%	90.5%	17.7%	32.4%	119
Grameen	8	109.1%	1.6%	96.7%	19.2%	32.2%	277
JLG	3	51.9%	3.9%	90.6%	34.3%	56.2%	183
Individual	5	56.6%	9.0%	79.7%	24.1%	40.0%	203
Total/Avg.*	**42**	**72.1%**	**4.8%**	**89.4%**	**23.8%**	**40.2%**	**195**

The average shown in the bottom column refers to simple average of model-wise break-up for each of the six financial ratios

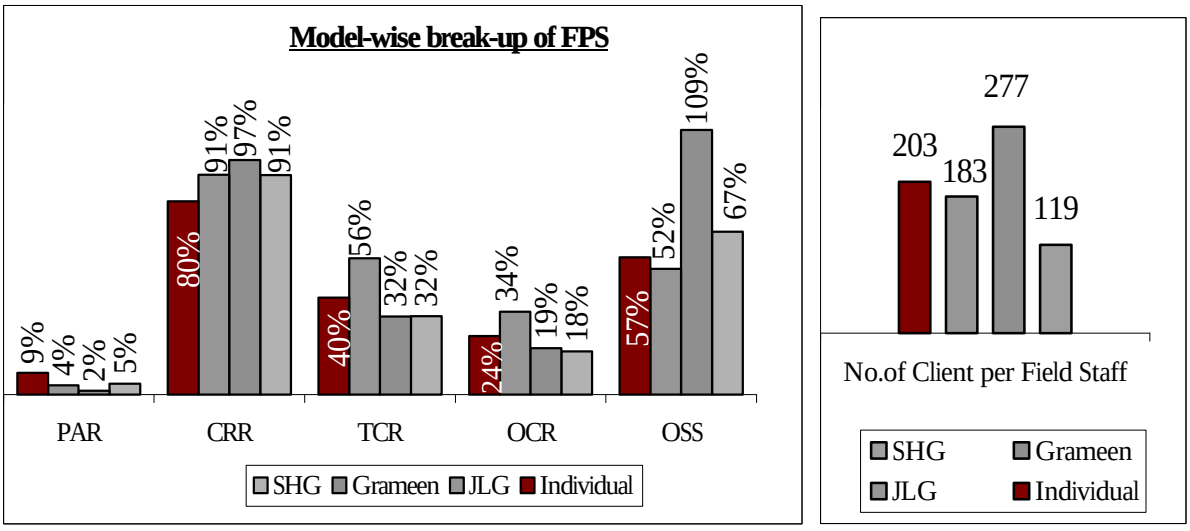

Figure 15: Break-up of FPS of MFIs

A snapshot of the financial performance indicators by legal forms of participating MFIs, is given below.

Table 17: Break up of FPS of MFIs based on Legal Forms

Table no. 17							
	Sample Size	**OSS**	**PAR**	**CRR**	**OCR.**	**TCR**	**Active Clients per Field Staff**
LAB ltd	1	64.9%	10.8%	88.7%	19.4%	38.1%	392
Ltd Comp	3	103.0%	2.0%	98.3%	13.3%	20.8%	277
Sec.25	2	76.4%	1.6%	89.1%	11.6%	18.4%	111
Society / Trust	35	71.4%	4.6%	89.7%	21.6%	37.8%	146
Co-Op.	1	31.9%	6.4%	97.7%	0.4%	8.9%	307
Total/Avg.*	42	69.5%	5.1%	92.7%	13.2%	24.8%	246

** The average shown in the bottom column refers to simple average of break-up of legal forms for each of the six financial ratios*

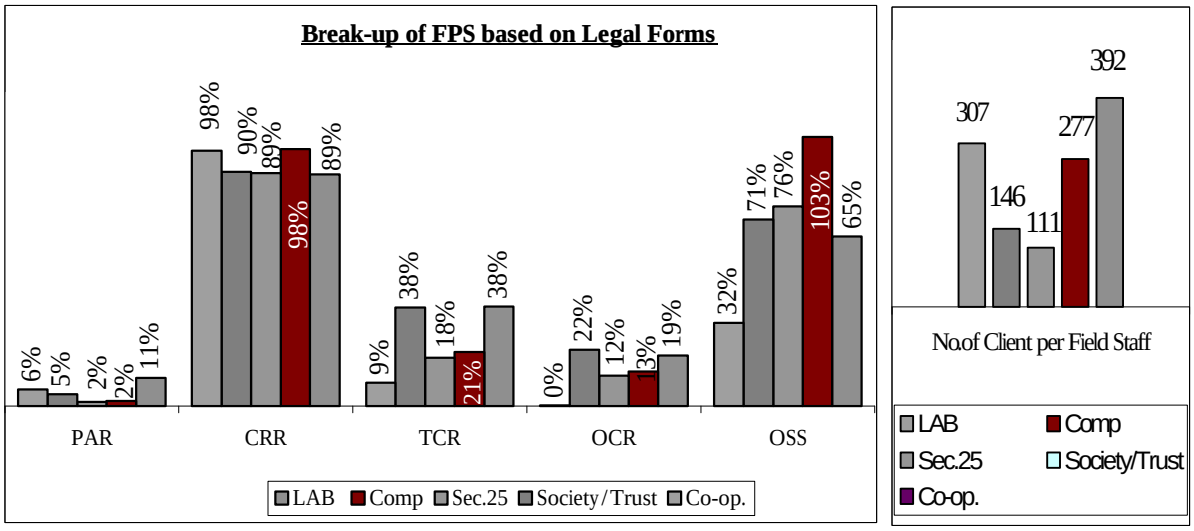

Figure16: Break-up of FPS of MFIs

When simple averages of each of the break-ups based on Region, Delivery Model and Legal forms (Table nos. 15, 16 & 17) are compared with average of all participating MFIs (Table no. 14), it reveals that variation in the performance is high among regions where as it is lesser *among* models. Simple average of Models is influenced by performance of MFIs following GB Model where as Legal forms are influenced by performance of Co-Operatives and Limited Companies

8.2.1 Operational Self Sufficiency (OSS):

The sample shows that overall OSS of 42 MFIs taken together stands at 72.8% for the financial year ended on March 31, 2004. OSS is found to be higher in MFIs working on GB Model (109.1%). MFIs working on SHG model have collectively, OSS of 67.2%. In MFIs working on JLG and Individual models OSS is found to be 51.9% and 56.6% respectively.

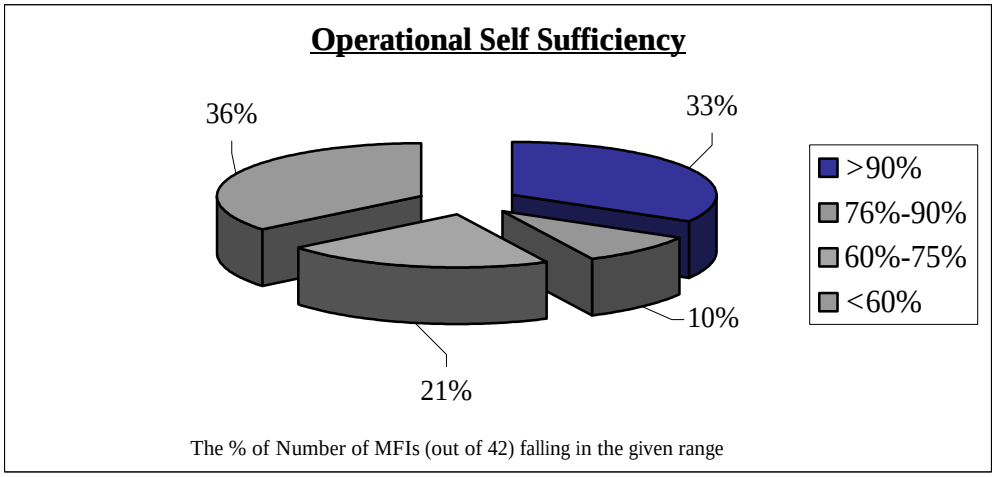

Figure 17: Operational Self Sufficiency of MFIs

OSS is highest in Southern Region with an average of 82.4% and low in Eastern with 57.1%. In North and West, it is 64.6% and 67.9% respectively.

Organizations registered under Companies Act are having higher OSS (103%) compared to organizations with other Legal Forms. It is much low with organization registered under Co-Op. (31.9%)

Among MFIs working on SHG model, 6 out of 26 MFIs (23%) in the sample have OSS greater than 90% and 17 MFIs (65%) have OSS of 75% or less. Among MFIs working on GB model, 6 out of 8 MFIs (75%) have OSS of 90% or above.

The Sa-Dhan recommended OSS is >=100%

8.2.2 Portfolio At Risk >60 Days:

The average PAR>60 days of the sample MFIs stands at 4.5%. In MFIs working on Individual (I) model, PAR is found to be highest (9%) and lowest in GB model (1.6%).

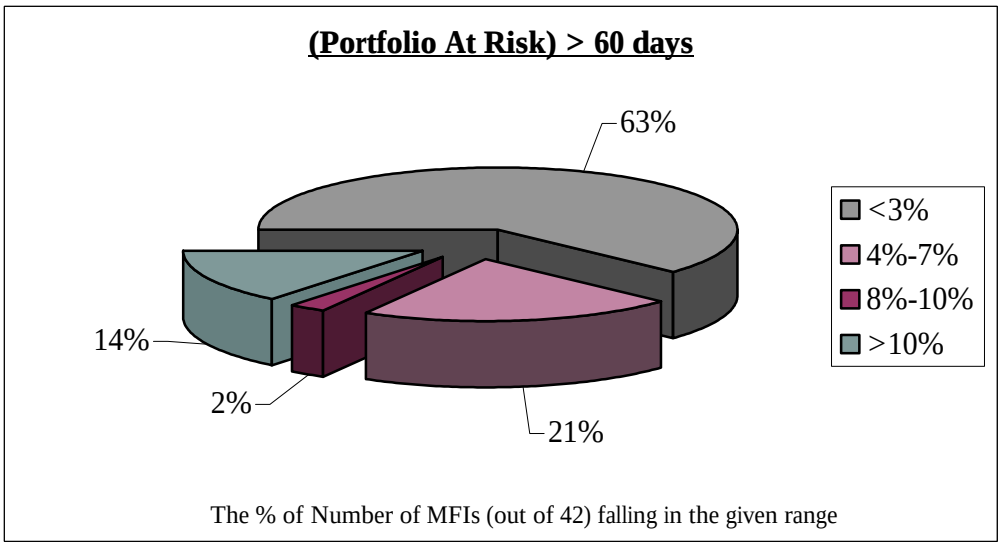

Figure 18: Portfolio At Risk of MFIs

In the sample, 28 MFIs (67%) have PAR>60 days < 3%. In Northern Region PAR is found to be higher (26.5%). PAR>60 days is found to be lower in MFIs that are Companies and Section 25 companies at 1.6% and 2% respectively.

The Sa-Dhan recommended $PAR_{>60\ days}$ is < 10%

8.2.3 Current Repayment Rate (CRR):

The average CRR of all 42 MFIs taken together is 90.4% for the financial year ended on March 31, 2004. CRR is higher in GB model (96.7%) followed by JLG (90.6%) and SHG models (90.5%). It is lower in Individual model (79.7%)

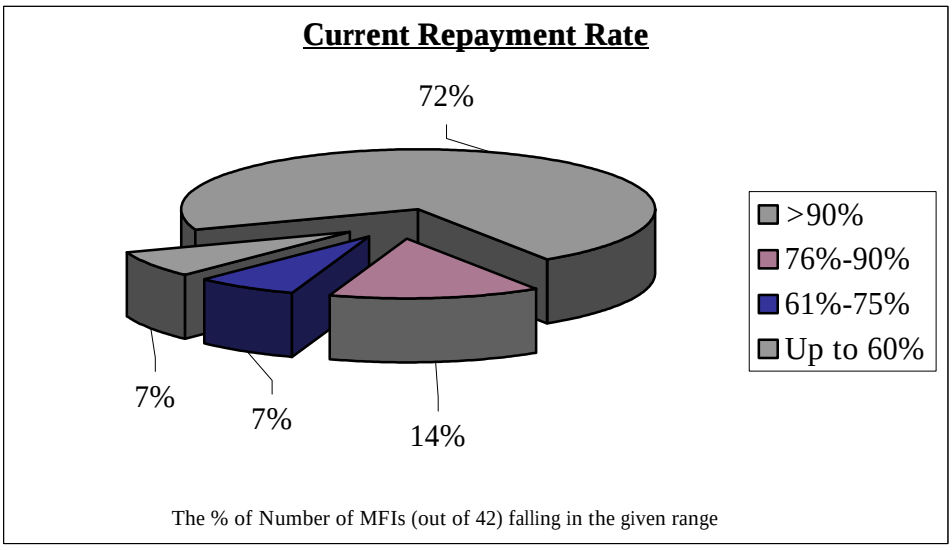

Figure 19: Current Repayment Rate of MFIs

The Southern region has higher CRR (95.5%) compared to other regions. CRR in Eastern and Western Regions is at 87.1% and 80.5% respectively. MFIs registered under Companies and Co-Op. Act are found to have higher CRR (98.3% & 97.7%) where as it is lower with LAB (88.7%) and Sec.25 Companies (89.1%).

Out of the total sample, 71.4% of the MFIs have CRR of 90% or more and only 14% (6 MFIs) have CRR of less than 75%.

The Sa-Dhan recommended CRR > 90%

8.2.4 Total Cost Ratio (TCR):

Average TCR of the sample MFIs stands at 34.9%. The TCR is higher in JLG model (56.2%) and lower in SHG (32.4%) and GB models (32.2%)

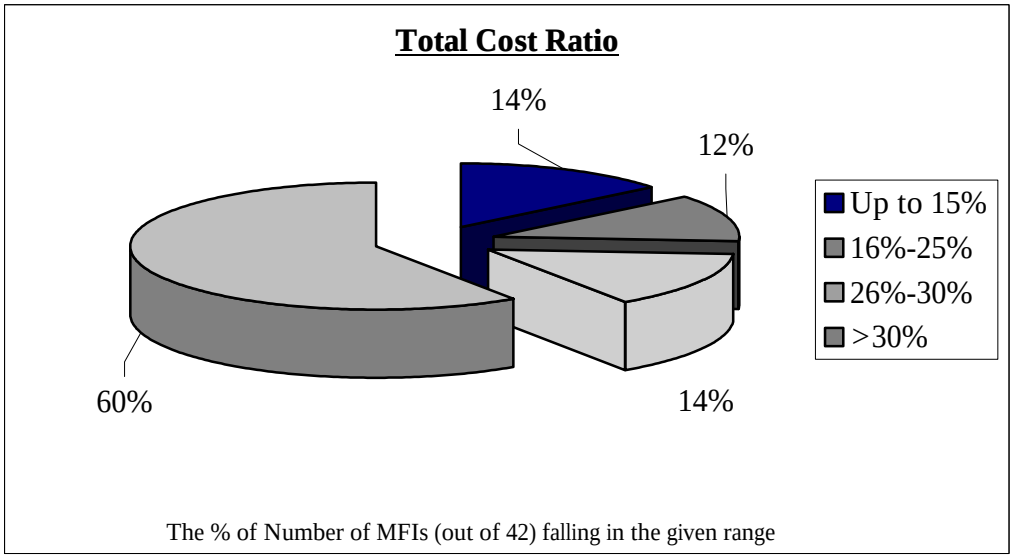

Figure 20: Total Cost Ratio of MFIs

TCR is higher in Northern Region (54%) and lower in Southern Region (30.6%). In Eastern and Western regions TCR is 40% and 35.8% respectively. The study shows that TCR is lower in Co-Op. (8.9%) and Sec.25 Companies (18.4%), and higher in LAB and Societies/Trusts, 38% & 37.8%, respectively.

It is interestingly found that 60% of the sample MFIs has TCR of greater than 30%. Particularly in JLG model 67% of the MFIs have more than 30% TCR.

The Sa-Dhan recommended TCR < 30%

8.2.5 Operating Cost Ratio (OCR):

The average OCR of 42 MFIs is found to be 20%. OCR is high in JLG (34.3%) and Individual (24.1%) models. In GB and SHG models OCR is 19.2% and 17.7% respectively.

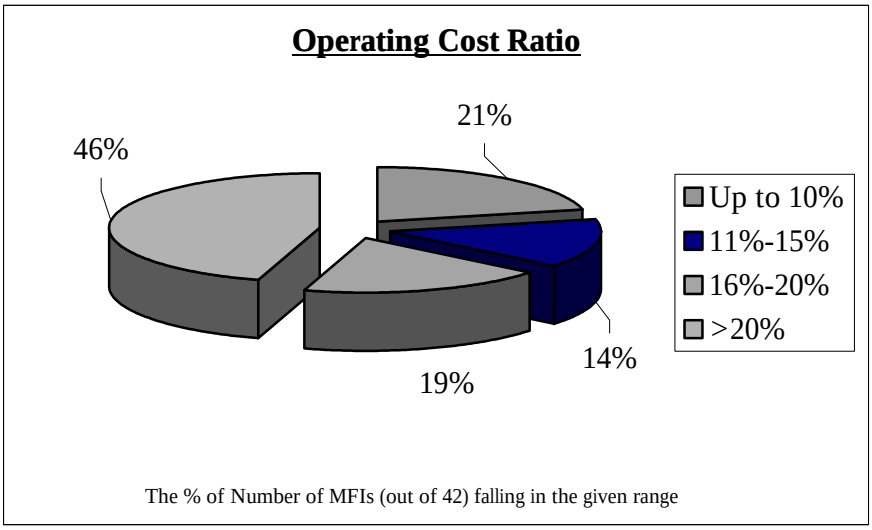

Figure 21: Operating Cost Ratio of MFIs

OCR is lower in Southern Region (16.9%) and higher in Western Region (26.4%). In Northern and Eastern Regions it is 20.4% and 22.9% respectively. OCR is lower in Co-Op. (0.4%) and Sec.25 Companies (11.6%). 19 MFIs (46%) have OCR higher than 20%.

The Sa-Dhan recommended OCR < 20%

8.2.6 Active Borrowers per Credit Officer:

The sample average is found to be 164 clients per field officer. This ratio is higher in GB (277) and lowest in SHG (119) models.

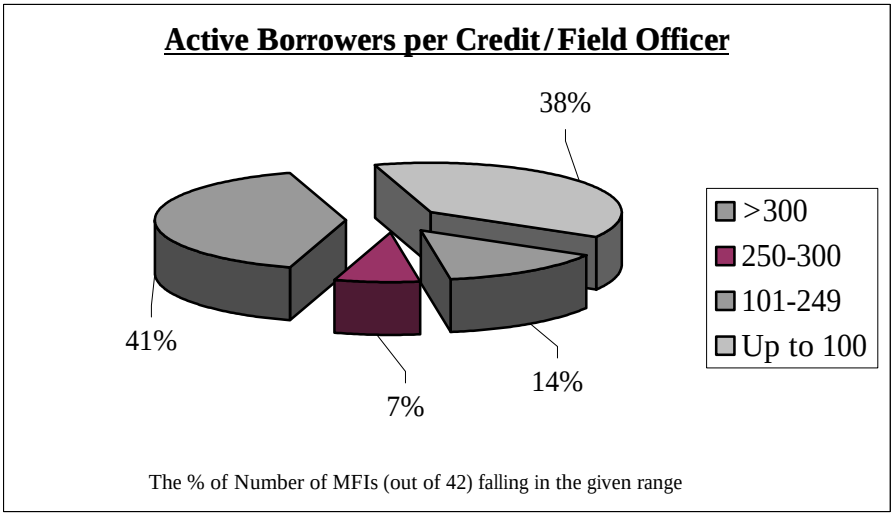

Figure 22: Ratio of Active Borrowers per Credit Officer of MFIs

This ratio is found to be very low in Eastern Region (98). In Southern Region it is highest with an average of 201 clients per credit officer.

By legal forms, this ratio is higher with LAB (392), 307 with Co-Ops., 277 with Companies and lower with Sec.25 Companies (111).

Out the sample, 9 MFIs (21%) have this ratio at 250 clients per credit officer or more.

*The Sa-Dhan recommended ratio is a range between 250 and 350 clients per credit officer***.**

9 Final Words

This report on MFIs has tried to present a snapshot of microfinance in India. This is a beginning. Sa-Dhan will endeavour to expand the scope of the subsequent reports to present the status of microfinance in India.

As a snapshot, the report has not delved into the MF growth patterns; however certain issues have emerged from the report.

Primarily, the tasks of data compilation and analysis have been achieved in a period of eight weeks. This indicates the transparency and readiness among MFIs to share their operational and financial details.

The outreach figures are encouraging. Given that microfinance is a nascent sub-sector, the outreach proves that MF is not about financial products only. The preparedness and professional inputs that MFIs bring in, is sublime but apparent.

The financial performance indicators, as a snap shot, are a mix of achievements. As financial data gets compared over successive periods, the performance of MFIs will be more pronounced.

Regional features of MFIs convince that the inroads made in southern region provide substantial learning for MFIs in other regions.

The presence of companies and SHGs has emerged as features of microfinance in India; these will provide impetus to the movement that aims at providing the poor with financial services on their terms.

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