



Microfinance Council of the Philippines, Inc. Update on the Performance of Council Members As of December 31, 2005

The Secretariat of the Microfinance Council has been tracking the performance of its members since the year 2000 as part of the Council's monitoring activities. The Council is delighted to share this update on members' operations for data as of December 31, 2005. This report helps define the state of the microfinance sector in the Philippines since many of the leading players in the sector are members of MCPI.

The Secretariat was able to collect data from all 31 members of the Council having retail microfinance services. The Secretariat used the MIX Data Collection Tool (DCT), annual reports, operations reports, and other secondary data sources to gather outreach and portfolio data from MCPI members.

Aggregate Data Shows Moderate Growth

As of December 31, 2005, the MCPI network served a total of 930,742 active borrowers, up from 732,384 borrowers in 2004. This represents a 28% increase from the previous year. The growth is partly due to the increase in the number of MCPI membership. In the year 2005, 8 institutions became members of MCPI namely – BINHI, Kasagana-Ka, Kazama Grameen, MEDF, PALFSI, PMDF, Serviamus, and VEF. If the number of institutions in 2004 (23 MFIs) were used as the base, the percentage increase in the number of borrowers of MCPI members would correspond to 19%.

At the same time, gross loan portfolio increased to PhP 4.3 billion in 2005 from PhP 3.2 billion in 2004. This corresponds to a 37% growth from 2004. Again, this is due in part to the increase in MCPI members. If the base number of institutions of 23 MFIs in 2004 were used, the growth in gross loan portfolio would correspond to 24%. The aggregate outreach and portfolio data shows that MCPI members continued to expand their operations at moderate levels.

Table 1: Aggregate Data of MCPI Member-MFIs, 2001-2005

Indicators	12 MFIs as of Dec. 31, 2001	15 MFIs as of Dec. 31, 2002	22 MFIs as of Dec. 31, 2003	23 MFIs as of Dec. 31, 2004	31 MFIs as of Dec. 31, 2005
Number of active borrowers	192,802	314,225	578,493	732,384	930,742
Gross loan portfolio (PhP)	1,050,458,155	1,566,435,367	2,334,494,701	3,214,245,492	4,293,454,743

Figures 1 and 2 show the growth of the number of active borrowers and gross loan portfolio over a 5-year period from December 2001 to December 2005.



Figure 1: Number of Active Borrowers of MCPI Member-MFIs, 2001-2005

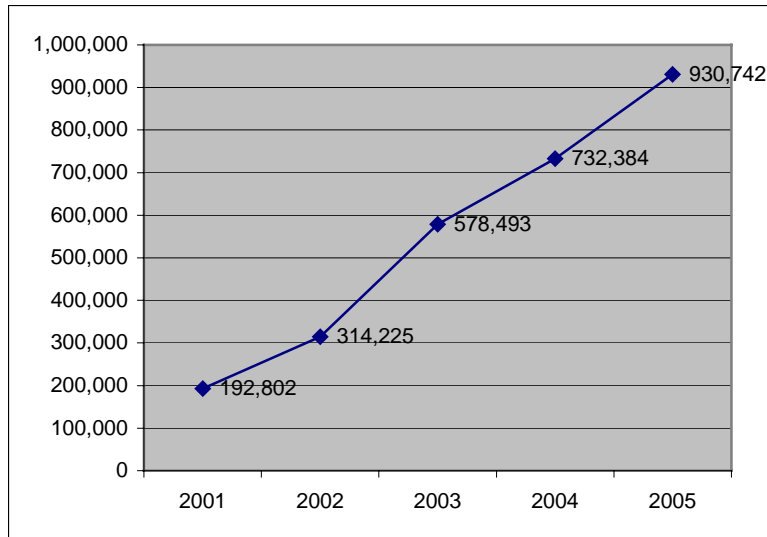
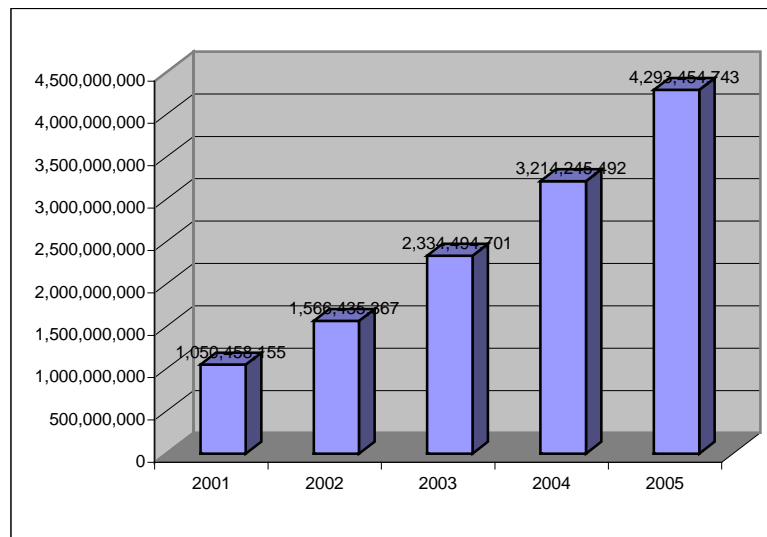


Figure 2: Gross Loan Portfolio of MCPI Member-MFIs, 2001-2005



Ranking Based on Number of Active Borrowers and Gross Loan Portfolio

The Secretariat ranked Council members based on their number of active borrowers and gross loan portfolio. This ranking helps members situate their MFIs vis-à-vis the leading MFIs in the country. Tables 2 and 3 show the ranking of MCPI members based on the number of active borrowers and the amount of gross loan portfolio. Annex A shows the complete names of the MFIs included in this update.



Table 2: MFI Ranking Based on the Number of Active Borrowers, As of December 31, 2005

	MFI	Number of Active Borrowers
1	TSKI	162,867
2	TSPI	125,298
3	CARD NGO	98,194
4	KMBI	82,076
5	NWTF	67,982
6	CCT	63,084
7	ABS-CBN	37,434
8	OMB	29,516
9	Producers	27,384
10	ASKI	25,330
11	CARD Bank	24,955
12	Kazama	19,733
13	ARDCI	19,604
14	CEVI	16,606
15	NORFIL	13,526
16	Mallig	13,377
17	MILAMDEC	13,024
18	PALFSI	11,750
19	ASHI	11,466
20	Kasagana-Ka	8,553
21	NRBSL	7,932
22	Serviamus	7,421
23	FCBFI	7,010
24	CMEDFI	6,378
25	Cantilan	5,925
26	PMDF	5,552
27	ECLOF	5,515
28	BINHI	4,512
29	Talisayan	3,530
30	VEF	2,461
31	MEDF	1,590
32	JVOFI	1,157
	Total	930,742

Table 3: MFI Ranking Based on Gross Loan Portfolio, As of December 31, 2005

	MFI	Gross Loan Portfolio (PhP)
1	TSPI	613,728,146
2	TSKI	603,269,563
3	CARD NGO	468,875,906
4	NWTF	343,674,667
5	CARD Bank	281,213,999
6	CCT	280,627,863
7	KMBI	271,753,760
8	Producers	175,271,413
9	OMB	150,613,619
10	ABS-CBN	135,794,822
11	ARDCI	105,413,814
12	ASKI	103,059,980
13	Mallig	86,626,691
14	Kazama	85,436,245
15	ASHI	79,059,273
16	PALFSI	71,626,109
17	CEVI	56,431,527
18	ECLOF	46,902,005
19	Serviamus	39,645,161
20	NORFIL	39,072,429
21	NRBSL	38,032,469
22	MILAMDEC	30,392,701
23	CMEDFI	28,560,032
24	FCBFI	28,031,746
25	Cantilan	27,438,739
26	Kasagana-Ka	24,636,965
27	PMDF	21,969,728
28	BINHI	19,664,967
29	Talisayan	18,140,816
30	MEDF	8,221,186
31	VEF	5,707,706
32	JVOFI	4,560,696
	Total	4,293,454,743

* Data for Cantilan, Mallig, NRBSL, Producers, and Talisayan cover their microfinance operations only.

** Data for ECLOF is for their retail microfinance operations only.

In terms of the number of active borrowers, Taytay sa Kauswagan, Inc. (TSKI) leads all MCPI members with 162,867 active borrowers. TSKI is followed by TSPI, CARD NGO, KMBI, and NWTF to complete the top five MCPI members based on the number of active borrowers. The first ten MFIs ranked in Table 2 account for 77.3% of the total outreach of 930,742 active borrowers.

On the other hand, TSPI Development Corporation leads all members in terms of loan volume, with a loan portfolio of PhP 613.7 million. TSPI is followed by TSKI, CARD NGO, NWTF, and CARD Bank to complete MCPI's top five MFIs based on the volume of their loan portfolio. The top ten MFIs on Table 3 account for 77.4% of the total loan portfolio of PhP 4.3 billion.



Performance Monitoring Report of the 28 MCPI Members that Submitted Information Using the MIX Data Collection Tool

Using the MIX Data Collection Tool

The Secretariat used the MIX Data Collection Tool (DCT) to gather data from MCPI members. The DCT was developed by the Microfinance Information eXchange (The MIX). The development of the DCT was supported by the Consultative Group to Assist the Poorest (CGAP). The MIX is a not-for-profit institution based in Washington, D.C. The MIX is the publisher of the MicroBanking Bulletin, a journal on microfinance released semi-annually. In 2004, the MIX benchmarked the performance of about 300 MFIs worldwide in its 12th issue of the MBB. MFIs that submit data using the DCT are automatically included in the MBB. MFIs may opt to have their profiles included in the MIX Market, a web-based information platform that facilitates exchanges and investment flows, promote transparency, and improve reporting standards in the microfinance industry.

Of the 31 regular members of the Council with retail microfinance services, 27 members submitted data using the MIX DCT. The Center for Agriculture and Rural Development (CARD) submitted separate reports for CARD Bank and CARD NGO. This report, thus, covers 28 MFIs. Appendix A shows the list of MFIs that completed their reports using the MIX DCT.

Analytical Adjustments

The Secretariat adjusts MFI financial statements for benchmarking analysis. Standard adjustments are made for the following: inflation, subsidies, and standardized loan loss provisioning. The MIX uses these adjustments for their benchmarking analysis in the MBB. Adjustments are made for two reasons. First is to give an institution a more accurate picture of its financial position. These adjustments attempt to account for factors unique to MFIs, including the predominance of below market rate funding sources. Second is to make data from various MFIs comparable, given that MFIs operate under varying levels of subsidies. **All ratios in succeeding sections are computed based on adjusted data.** Formulas and definitions for indicators and ratios computed are presented in Appendix B.

Inflation

The purpose behind inflation adjustment is to calculate the effect of inflation in the real value of an MFI's equity, and to revalue its fixed assets. Inflation decreases the real value of the MFI's equity. Fixed assets are considered to track the increase in price levels, and their value is considered increased. This adjustment takes the form of a net expense account on the income statement, reducing reported net income. It is offset by an equity account, which shows the distribution between real net income and the effect of inflation on equity.

For this report, the inflation rate used for inflation adjustment is 7.6%.

Subsidies

In-kind subsidies

MFIs frequently receive in-kind subsidies, such as donated computers, rent-free office space, or services of personnel who are not paid by the MFI and thus not reflected in the income statement. The omission of their actual costs obscures the true cost of operations. It is valuable for an MFI to know how dependent they are on such in-kind subsidies to continue operations. These costs need to be included in the operating expenses of the institution to reflect its true cost of operations.

Subsidized cost-of-funds

The cost-of-funds adjustments reflect the impact of soft loans or loans with below-market-rate-interests on the financial performance of the institution. The adjustment is done to determine the likely cost of these borrowings if



an MFI had to pay a market rate for the borrowings. These costs are included as additional financial expense for the institution.

For this report, the market interest rate used is 13%. This is the interest rate that the People's Credit and Finance Corporation (PCFC) charge MFI borrowers (12% interest plus 1% service charge).

Standardized loan loss provisioning

MFI's vary tremendously in accounting for loan delinquency. Some MFI's write off bad debts within one year of the initial delinquency, while others never write off bad loans, thus carrying forward delinquent loans that have little chance of being recovered. A standardized loan loss provisioning allows MFI's to compare their performance with other MFI's when held to a standard minimum level of loan loss provisioning.

The minimum proposed provisioning used by the MIX in performance benchmarking is: PAR 91-180 – 50%; PAR 181-361 – 100%; Renegotiated loans – 50%. Under standardized loan loss provisioning adjustment, any loans outstanding more than 365 days are fully written off.

Analyzing Performance by Peer Groups

Peer groups represent MFI's that have similar institutional characteristics. Comparison of an MFI's performance with other MFI's within their group becomes more meaningful and appropriate when peer groups are used. The Secretariat formed peer groups based on three main indicators shown in Table 4: a.) by scale of operations (large, medium, small); b.) by age of operations (mature, young); and c.) by type of institution (bank, NGO/cooperative).

Table 4: Peer Group Criteria and Definitions

By scale of operations		MFI's
Large	Value of loan portfolio > PhP 200 million	Cantilan, CARD BANK, CARD NGO, CCT, KMBI, Mallig, NWTF, TSKI, TSPI
Medium	PhP 50 million ≤ Value of loan portfolio ≤ PhP 200 million	ABS-CBN, ASHI, ASKI, CEVI, ECLOF, Kazama Grameen, OMB, PALFSI, Talisayan
Small	Value of loan portfolio < PhP 50 million	CMEDFI, FCBFI, JVOFI, Kasagana-Ka, MEDF, MILAMDEC, NORFIL, PMDF, Serviamus, VEF
By age of operations		
Mature	Age of operations > 7 years	ABS-CBN, ASHI, ASKI, Cantilan, CARD Bank, CARD NGO, FCBFI, JVOFI, KMBI, Mallig, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, Serviamus, Talisayan, TSKI, TSPI, VEF
Young	Age of operations ≤ 7 years	CCT, CEVI, CMEDFI, ECLOF, Kasagana-Ka, Kazama Grameen, OMB, PMDF
By charter		
Bank		Cantilan, CARD BANK, Mallig, OMB, Talisayan
NGO/ Cooperative		ABS-CBN, ASHI, ASKI, CARD NGO, CCT, CEVI, CMEDFI, ECLOF, FCBFI, JVOFI, Kasagana-Ka, Kazama Grameen, KMBI, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, PMDF, Serviamus, TSKI, TSPI, VEF

* For this special report, consolidated data was gathered from MFI's. Bankwide data was gathered from rural banks. Out of the 28 MFI's that completed the Tool, 20 MFI's submitted their audited financial statements to support the data included in the MIX DCT.

** ASKI and TSPI figures are for the fiscal year ended June 30, 2005.

** CEVI figures are for the fiscal year ended September 30, 2005.



Institutional Characteristics

Institutional indicators provide general information on the age of the MFI and its physical or human resources. Table 5 summarizes the institutional characteristics of the 28 members that submitted data using the MIX DCT.

**Table 5: Institutional Characteristics of the 28 MCPI Members
 As of December 31, 2005**

		<i>Age</i>	<i>Assets</i>	<i>Offices</i>	<i>Personnel</i>
ALL MFIs (n=28)	avg	14	232,895,177	23	243
By scale of operations					
Large					
<i>Cantilan, CARD Bank, CARD NGO, CCT, KMBI, Mallig, NWTF, TSKI, TSPI</i>	avg	20	536,243,372	51	545
Medium					
<i>ABS-CBN, ASHI, ASKI, CEVI, ECLOF, Kazama Grameen, OMB, PALFSI, Talisayan</i>	avg	12	150,273,845	13	151
Small					
<i>CMEDFI, FCBFI, JVOFI, Kasagana-Ka, MEDF, MILAMDEC, NORFIL, PMDF, Serviamus, VEF</i>	avg	9	34,240,999	7	54
By age of operations					
Mature					
<i>ABS-CBN, ASHI, ASKI, Cantilan, CARD Bank, CARD NGO, FCBFI, JVOFI, KMBI, Mallig, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, Serviamus, Talisayan, TSKI, TSPI, VEF</i>	avg	17	276,232,089	23	264
Young					
<i>CCT, CEVI, CMEDFI, ECLOF, Kasagana-Ka, Kazama Grameen, OMB, PMDF</i>	avg	5	124,552,895	23	191
By type of institution					
Bank					
<i>Cantilan, CARD Bank, Mallig, OMB, Talisayan</i>	avg	25	309,978,797	9	182
NGO/Cooperative					
<i>ABS-CBN, ASHI, ASKI, CARD NGO, CCT, CEVI, CMEDFI, ECLOF, FCBFI, JVOFI, Kasagana-Ka, Kazama Grameen, KMBI, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, PMDF, Serviamus, TSKI, TSPI, VEF</i>	avg	11	216,137,868	26	256

- The average number of years in operations of the 28 MFIs is 14 years.
- The average number of offices for the reporting MFIs is 23 while the average number employees stood at 243 individuals.
- Large MFIs have a higher average number of offices and employees because they have been operating for longer periods. Large MFIs that are expanding to new areas require additional manpower.
- Small and young MFIs have offices and employees below the average number of the 28 MFIs.



Financing Structure

Financing structure measures the ability of the MFI to optimally manage its assets (the use of funds) and liabilities (the source of funds). Table 6 presents the financing structure of the 28 members that submitted information using the MIX DCT.

**Table 6: Financing Structure of the 28 MCPI Members
As of December 31, 2005**

		Capital/asset ratio	Commercial funding liabilities ratio	Debt to equity ratio	Deposits to loans ratio	Deposits to total assets ratio	Gross loan portfolio to total assets ratio
ALL MFIs (n=28)	avg	27.7%	45.1%	4.5	46.4%	31.7%	68.4%
By scale of operations							
Large							
<i>Cantilan, CARD Bank, CARD NGO, CCT, KMBI, Mallig, NWTF, TSKI, TSPI</i>	avg	22.5%	53.9%	5.4	54.5%	39.6%	72.0%
Medium							
<i>ABS-CBN, ASHI, ASKI, CEVI, ECLOF, Kazama Grameen, OMB, PALFSI, Talisayan</i>	avg	41.5%	48.5%	2.6	40.2%	25.7%	63.7%
Small							
<i>CMEDFI, FCBFI, JVOFI, Kasagana-Ka, MEDF, MILAMDEC, NORFIL, PMDF, Serviamus, VEF</i>	avg	20.0%	34.2%	5.4	44.6%	30.0%	69.5%
By age of operations							
Mature							
<i>ABS-CBN, ASHI, ASKI, Cantilan, CARD Bank, CARD NGO, FCBFI, JVOFI, KMBI, Mallig, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, Serviamus, Talisayan, TSKI, TSPI, VEF</i>	avg	25.4%	48.9%	3.4	46.7%	32.1%	67.4%
Young							
<i>CCT, CEVI, CMEDFI, ECLOF, Kasagana-Ka, Kazama Grameen, OMB, PMDF</i>	avg	33.5%	35.8%	7.4	45.5%	30.8%	71.1%
By type of institution							
Bank							
<i>Cantilan, CARD Bank, Mallig, OMB, Talisayan</i>	avg	18.4%	93.6%	6.8	75.9%	54.6%	71.7%
NGO/Cooperative							
<i>ABS-CBN, ASHI, ASKI, CARD NGO, CCT, CEVI, CMEDFI, ECLOF, FCBFI, JVOFI, Kasagana-Ka, Kazama Grameen, KMBI, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, PMDF, Serviamus, TSKI, TSPI, VEF</i>	avg	29.8%	34.6%	4.0	39.9%	26.8%	67.7%

A. Capital/asset ratio

This ratio indicates the proportion of assets that is financed by equity. A higher capital/asset ratio generally means that an MFI is funding a higher proportion of its assets with its equity.

- The average capital/asset ratio for the 28 MFIs is 27.7%.
- Medium-sized and young MFIs have a 41.5% and 33.5% capital/asset ratio, respectively. This is higher than the average of all reporting MFIs.
- By type of institution, NGO and cooperative MFIs have a higher capital/asset ratio (29.8%) compared to banks (18.4%).



B. Commercial funding liabilities ratio

This ratio indicates the proportion of an MFI's loan portfolio that is financed by borrowings with commercial interest rates. A higher commercial funding liabilities ratio generally means that the institution relies more on commercial borrowings than concessional borrowings to fund its loan portfolio.

- The average commercial funding liabilities ratio for the 28 MFIs is 45.1%.
- Large, medium, and mature MFIs have a higher than average commercial funding liabilities ratio. This means that these groups are relying more and more on commercial borrowings to fund their loan portfolio. This may also indicate that as an MFI grows, its funding needs could no longer be sourced from providers of loans at concessional rates alone since the latter are likely to provide smaller amounts of wholesale loans compared to commercial funding sources.
- By type of institution, banks have a higher commercial funding liabilities ratio compared to NGO/cooperative MFIs. Banks normally are unable to secure funding at concessional rates.

C. Debt to equity ratio

The debt to equity ratio indicates the safety cushion that the institution possesses in order to absorb losses before creditors are at risk. This ratio also indicates the proportion of equity and debt that the MFI is using to finance its assets. A higher debt to equity ratio generally means that the institution has been aggressive in financing its growth of its assets with debt.

- The average debt to equity ratio for the 28 MFIs is 4.5.
- Large, small, and young MFIs have a debt to equity ratio of 5.4, 5.4, and 7.4, respectively. These are higher than the average of all reporting MFIs. This means that these groups are financing their expansion more through debt than equity.
- Banks have a higher debt to equity ratio (6.8) compared to its counterpart NGO/cooperative MFIs (4.0).

D. Deposits to loans ratio

This ratio indicates the proportion of an institution's loan portfolio that is financed by deposits. A higher deposits to loans ratio generally means that an MFI is funding a higher proportion of its loans with compulsory and voluntary savings.

- The average deposits to loans ratio for the 28 MFIs is 46.4%.
- Large and mature MFIs have a 54.5% and 46.7% deposits to loans ratio, respectively. This is higher than the average of all reporting MFIs.
- By type of institution, banks have a 75.9% deposits to loans ratio, higher than the 39.9% of NGO/cooperative MFIs. This is understandable because aside from providing loans, banks have savings products that are voluntary and are available to the general public. On the other hand, NGOs collect compulsory savings from their borrowers only.

E. Deposits to total assets ratio

This ratio indicates the proportion of assets that is financed by deposits. A higher deposits to total assets ratio generally means that an MFI is funding a higher proportion of its assets with compulsory and voluntary deposits.

- The average deposits to total assets ratio for the 28 MFIs is 31.7%.
- By type of institution, banks have a 54.6% deposits to total assets ratio, higher than the 26.8% of NGO/cooperative MFIs.



F. Gross loan portfolio to total assets ratio

This ratio measures the MFI's allocation of assets to its lending activity. It indicates the management's ability to allocate a larger proportion of resources to the MFI's primary and most profitable activity, which is making loans.

- The average gross loan portfolio to total assets ratio for the 28 MFIs is 68.4%.
- Large and young MFIs have an average gross loan portfolio to total assets ratio of 72.0% and 71.1%, respectively. This is higher than the average of the 28 MFIs, meaning a larger percentage of the assets of large as well as young MFIs are in financial assets that generate interest earnings.

Outreach Indicators

Outreach indicators determine the extent of reach of the institutions engaged in microfinance operations. These set of indicators also provide specific information on the loan portfolio of MFIs. Table 7 summarizes the outreach indicators of the 28 MCPI members that submitted data using the MIX DCT.

**Table 7: Outreach Indicators of the 28 MCPI Members
As of December 31, 2005**

		<i>Number of active borrowers</i>	<i>Percent of Women Borrowers</i>	<i>Gross loan portfolio</i>	<i>Average loan balance per borrower</i>	<i>Average loan balance per borrower/ per capita GNP</i>	<i>Compulsory and voluntary savings</i>	<i>Average savings balance per borrower</i>
ALL MFIs (n=28)	avg	31,566	92.9%	156,532,380	5,574	8.2%	78,989,834	2,837
By scale of operations								
Large								
<i>Cantilan, CARD Bank, CARD NGO, CCT, KMBI, Mallig, NWTF, TSKI, TSPI</i>	avg	72,403	84.5%	368,923,439	7,153	10.5%	191,389,853	4,482
Medium								
<i>ABS-CBN, ASHI, ASKI, CEVI, ECLOF, Kazama Grameen, OMB, PALFSI, Talisayan</i>	avg	18,584	93.0%	93,374,722	6,076	8.9%	42,449,774	2,535
Small								
<i>CMEDFI, FCBFI, JVOFI, Kasagana-Ka, MEDF, MILAMDEC, NORFIL, PMDF, Serviamus, VEF</i>	avg	6,497	99.4%	22,222,319	3,700	5.4%	10,715,871	1,628
By age of operations								
Mature								
<i>ABS-CBN, ASHI, ASKI, Cantilan, CARD Bank, CARD NGO, FCBFI, JVOFI, KMBI, Mallig, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, Serviamus, Talisayan, TSKI, TSPI, VEF</i>	avg	36,513	90.7%	183,745,524	5,839	8.6%	95,975,820	3,208
Young								
<i>CCT, CEVI, CMEDFI, ECLOF, Kasagana-Ka, Kazama Grameen, OMB, PMDF</i>	avg	19,199	100.0%	88,499,519	4,909	7.2%	36,524,869	1,910
By type of institution								
Bank								
<i>Cantilan, CARD Bank, Mallig, OMB, Talisayan</i>	avg	21,621	66.8%	225,882,571	10,915	16.1%	170,272,153	8,479
NGO/Cooperative								
<i>ABS-CBN, ASHI, ASKI, CARD NGO, CCT, CEVI, CMEDFI, ECLOF, FCBFI, JVOFI, Kasagana-Ka, Kazama Grameen, KMBI, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, PMDF, Serviamus, TSKI, TSPI, VEF</i>	avg	33,728	98.4%	141,456,251	4,413	6.5%	59,145,852	1,611



A. Number of active borrowers

- The average number of active borrowers of the 28 reporting MFIs is 31,566 borrowers, 92.9% of whom are women.
- Large, medium, and small MFIs have an average of 72,403, 18,584, and 6,497 active borrowers, respectively, as of December 2005.
- In terms of institution type, NGO/cooperative MFIs served an average of 33,728 active borrowers, 12,107 more than the active borrowers served by banks. 98.4% of NGO/cooperative borrowers are women, while only 66.8% of bank borrowers are women.

B. Gross loan portfolio

- The average amount of gross loan portfolio of the reporting MFIs is PhP 156.5 million.
- Large, medium, and small MFIs have PhP 368.9 million, PhP 93.4 million, and PhP 22.2 million, respectively, in average gross loan portfolio.
- In terms of institution type, banks had a gross loan portfolio that is 50 percent more than that of NGO/cooperative MFIs. As of December 2005, banks had an average gross loan portfolio of PhP 225.9 million compared to PhP 141.5 million of NGO/cooperative MFIs. Understandably, MCPI member banks have non-microfinance loan products that have higher loan amounts than microloans.

C. Average loan balance per borrower / Average loan balance per borrower/per capita GNP

- The average loan balance per borrower as a percentage of GNP per capita represents a proxy measure of the depth of reach to the bottom poor achieved by MFIs. The lower the ratio, the poorer is the market served by MFIs.
- The average loan balance per borrower of the 28 reporting MFIs stood at PhP 5,574. The latter amount is 8.2% of the GNP per capita of PhP 67,977 in 2005.
- Large MFIs have a high amount of average loan balances because most MCPI member banks are included under this peer group. Banks have other loan products that have higher loan amounts than microfinance loan products.
- Mature MFIs tend to have larger amounts of average loan balances in their portfolio. These MFIs have been in operations for a longer period of time. Mature MFIs have older clients that generally borrow larger amounts compared to newer clients.
- The average loan balance per borrower of NGO/cooperative MFIs is PhP 4,413. This amount is lower than the PhP 10,915 average loan balance per borrower of banks. The NGOs and the cooperative in this report have loan portfolios dedicated almost entirely to microfinance. On the other hand, banks have non-microfinance loan products that have higher loan amounts than microloans.

D. Compulsory and voluntary savings

- The average amount of compulsory and voluntary savings of the reporting MFIs is PhP 79 million.
- Large and mature MFIs have average savings amounts of PhP 191.3 million and PhP 96 million, respectively. These amounts are higher than the average savings of all reporting MFIs.
- Understandably, banks more than doubled the average amount of savings of NGO/cooperative MFIs. Banks have savings products that are voluntary and are available to the general public, unlike NGOs that gather savings from their borrowers only.

E. Average savings balance per borrower

- The average savings balance per borrower of the reporting MFIs is PhP 2,837.
- Large and mature MFIs have higher average savings balance per borrower than the average of all reporting MFIs.



- By type of institution, banks have PhP 8,479 average savings balance per borrower, significantly higher than the PhP 1,611 of NGO/cooperative MFIs.

Overall Financial Performance

Overall financial performance indicators include ratios on profitability and sustainability like return on assets, return on equity, operational self-sufficiency, and financial self-sufficiency. These ratios reflect an MFI's ability to continue operating and grow in the future. Table 8 summarizes the overall financial performance of the 28 MCPI members that submitted data using the MIX DCT.

**Table 8: Overall Financial Performance of the 28 MCPI Members
As of December 31, 2005**

		Unadjusted return on assets	Adjusted return on assets	Unadjusted return on equity	Adjusted return on equity	Operational self- sufficiency	Financial self- sufficiency
ALL MFIs (n=28)	avg	0.9%	-3.1%	4.2%	-14.2%	107.6%	97.0%
By scale of operations							
Large							
<i>Cantilan, CARD Bank, CARD NGO, CCT, KMBI, Mallig, NWTF, TSKI, TSPI</i>	avg	5.7%	2.7%	26.6%	4.9%	117.9%	108.3%
Medium							
<i>ABS-CBN, ASHI, ASKI, CEVI, ECLOF, Kazama Grameen, OMB, PALFSI, Talisayan</i>	avg	1.0%	-4.4%	3.1%	-16.2%	104.2%	88.7%
Small							
<i>CMEDFI, FCBFI, JVOFI, Kasagana-Ka, MEDF, MILAMDEC, NORFIL, PMDF, Serviamus, VEF</i>	avg	-3.5%	-7.2%	-17.1%	-31.5%	101.3%	94.2%
By age of operations							
Mature							
<i>ABS-CBN, ASHI, ASKI, Cantilan, CARD Bank, CARD NGO, FCBFI, JVOFI, KMBI, Mallig, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, Serviamus, Talisayan, TSKI, TSPI, VEF</i>	avg	-0.3%	-3.9%	1.0%	-17.4%	106.8%	97.7%
Young							
<i>CCT, CEVI, CMEDFI, ECLOF, Kasagana-Ka, Kazama Grameen, OMB, PMDF</i>	avg	4.0%	-1.3%	13.2%	-5.3%	109.4%	95.3%
By type of institution							
Bank							
<i>Cantilan, CARD Bank, Mallig, OMB, Talisayan</i>	avg	0.0%	-4.9%	3.2%	-38.8%	100.1%	85.6%
NGO/Cooperative							
<i>ABS-CBN, ASHI, ASKI, CARD NGO, CCT, CEVI, CMEDFI, ECLOF, FCBFI, JVOFI, Kasagana-Ka, Kazama Grameen, KMBI, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, PMDF, Serviamus, TSKI, TSPI, VEF</i>	avg	1.1%	-2.7%	4.4%	-8.7%	109.2%	99.5%

A. Return on assets

Return on assets measures how well the MFI uses its assets to generate returns. It is computed by dividing an MFI's unadjusted/adjusted net operating income by its unadjusted/adjusted average total assets.

- The unadjusted average return on assets of the reporting MFIs is 0.9%. If adjustments were made, the average return on assets of the 28 MFIs would be -3.1%.
- From the peer groups, only large MFIs garnered positive unadjusted and adjusted return on assets.



- The unadjusted return on assets of banks in this report ranges between -4.6% and 2.6% .
- Adjustments for inflation, subsidies, and standard loan loss provisioning significantly altered the return on assets of each MFI.

B. Return on equity

Return on equity calculates the rate of return on the average equity for the period. It is computed by dividing an MFI's unadjusted/adjusted net operating income by its unadjusted/adjusted average total equity.

- The unadjusted average return on equity of the reporting MFIs is 4.2% . If adjustments were made, the average return on equity of the 28 MFIs would be -14.2% .
- From the peer groups, only large MFIs garnered positive unadjusted and adjusted return on assets.
- Adjustments for inflation, subsidies, and standard loan loss provisioning significantly altered the return on equity of each MFI.

C. Operational self-sufficiency (OSS) ratio

This ratio shows how an institution is able to sufficiently cover operating costs over time from interest income and other fees to enable the MFI to provide microfinance services to low-income households on a sustainable basis. An OSS ratio greater than 100% indicates that the MFI is able to cover its financing costs, loan loss provisions and operating expenses from revenues obtained from lending.

- The average OSS ratio for the reporting MFIs is 107.6% .
- Based on the scale and age of operations, large, medium, small, mature, and young MFIs achieved an OSS ratio higher than 100% .
- Based on the type of institution, NGO/cooperative MFIs have higher OSS ratios compared to their counterpart banks.

D. Financial self-sufficiency (FSS) ratio

The FSS ratio demonstrates the ability of the MFI to cover all operating, financial and loan loss expenses as well as to maintain the value of equity and quasi-equity relative to inflation and to operate without subsidies.

- The average FSS ratio of the 28 MFIs is 97% .
- Large MFIs generated an FSS ratio greater than 100% .
- Based on the type of institution, NGO/cooperative MFIs have higher FSS ratios compared to their bank counterparts.

Revenue Indicators

Table 9 summarizes the revenue structure of the 28 MCPI members that submitted data using the MIX DCT.

A. Financial revenue ratio

Financial revenue ratio measures how well the MFI uses its assets to generate financial revenue. Financial revenue is computed by dividing an MFI's financial revenue by its adjusted average total assets.

- The average financial revenue ratio of the reporting MFIs is 39.7% .
- Small MFIs garnered the highest financial revenue ratio with 45.1% .



B. Profit margin

Profit margin measures what percentage of operating revenue remains after all financial, loan loss provision, and operating expenses are paid. It is computed by dividing an MFI's adjusted net operating income by its financial revenue.

- The average profit margin of the reporting MFIs is -10.3%. Adjustments for inflation, subsidies, and standard loan loss provisioning significantly altered the return on assets of each MFI.
- Only large MFIs garnered positive adjusted profit margin.

**Table 9: Revenue Indicators of the 28 MCPI Members
As of December 31, 2005**

		Financial revenue ratio	Profit margin	Yield on gross loan portfolio
ALL MFIs (n=28)	avg	39.7%	-10.3%	54.8%
By scale of operations				
Large				
<i>Cantilan, CARD Bank, CARD NGO, CCT, KMBI, Mallig, NWTF, TSKI, TSPI</i>	avg	39.7%	4.9%	52.7%
Medium				
<i>ABS-CBN, ASHI, ASKI, CEVI, ECLOF, Kazama Grameen, OMB, PALFSI, Talisayan</i>	avg	33.7%	-17.6%	49.6%
Small				
<i>CMEDFI, FCBFI, JVOFI, Kasagana-Ka, MEDF, MILAMDEC, NORFIL, PMDF, Serviamus, VEF</i>	avg	45.1%	-17.3%	61.4%
By age of operations				
Mature				
<i>ABS-CBN, ASHI, ASKI, Cantilan, CARD Bank, CARD NGO, FCBFI, JVOFI, KMBI, Mallig, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, Serviamus, Talisayan, TSKI, TSPI, VEF</i>	avg	38.3%	-9.6%	53.3%
Young				
<i>CCT, CEVI, CMEDFI, ECLOF, Kasagana-Ka, Kazama Grameen, OMB, PMDF</i>	avg	43.3%	-12.0%	58.8%
By type of institution				
Bank				
<i>Cantilan, CARD Bank, Mallig, OMB, Talisayan</i>	avg	29.3%	-18.1%	39.0%
NGO/Cooperative				
<i>ABS-CBN, ASHI, ASKI, CARD NGO, CCT, CEVI, CMEDFI, ECLOF, FCBFI, JVOFI, Kasagana-Ka, Kazama Grameen, KMBI, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, PMDF, Serviamus, TSKI, TSPI, VEF</i>	avg	42.0%	-8.6%	58.3%

C. Yield on gross loan portfolio

Yield on gross loan portfolio indicates an MFI's ability to generate income from interest, fees, and commissions on the gross loan portfolio.

- The average yield on gross loan portfolio of the reporting MFIs is 54.8%.
- Small MFIs have the highest yield on gross loan portfolio with 61.4%.



Efficiency Indicators

Efficiency indicators are related to costs and revenues incurred in delivering services to clients and comparing the costs and revenues versus the average amount of the loan portfolio or the average number of borrowers. Table 10 presents the efficiency indicators of the 28 MCPI members that submitted data using the MIX DCT.

**Table 10: Efficiency Indicators of the 28 MCPI Members
As of December 31, 2005**

		Operating expense ratio	Personnel expense ratio	Cost per borrower	Revenue per borrower
ALL MFIs (n=28)	avg	46.3%	28.7%	2,159	2,672
By scale of operations					
Large					
<i>Cantilan, CARD Bank, CARD NGO, CCT, KMBI, Mallig, NWTF, TSKI, TSPI</i>	avg	36.1%	20.4%	2,232	3,186
Medium					
<i>ABS-CBN, ASHI, ASKI, CEVI, ECLOF, Kazama Grameen, OMB, PALFSI, Talisayan</i>	avg	42.1%	23.6%	2,070	2,629
Small					
<i>CMEDFI, FCBFI, JVOFI, Kasagana-Ka, MEDF, MILAMDEC, NORFIL, PMDF, Serviamus, VEF</i>	avg	59.3%	40.8%	2,173	2,249
By age of operations					
Mature					
<i>ABS-CBN, ASHI, ASKI, Cantilan, CARD Bank, CARD NGO, FCBFI, JVOFI, KMBI, Mallig, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, Serviamus, Talisayan, TSKI, TSPI, VEF</i>	avg	45.4%	28.7%	2,209	2,771
Young					
<i>CCT, CEVI, CMEDFI, ECLOF, Kasagana-Ka, Kazama Grameen, OMB, PMDF</i>	avg	48.6%	28.8%	2,034	2,426
By type of institution					
Bank					
<i>Cantilan, CARD Bank, Mallig, OMB, Talisayan</i>	avg	32.6%	17.7%	2,917	3,948
NGO/Cooperative					
<i>ABS-CBN, ASHI, ASKI, CARD NGO, CCT, CEVI, CMEDFI, ECLOF, FCBFI, JVOFI, Kasagana-Ka, Kazama Grameen, KMBI, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, PMDF, Serviamus, TSKI, TSPI, VEF</i>	avg	49.3%	31.1%	1,994	2,395

A. Operating expense ratio

The operating expense ratio shows how much operating cost is spent to keep a peso of loan outstanding at any given time. An operating expense ratio of 20% indicates that it costs the MFI 20 cents to maintain a peso of loan. MFIs should strive for a descending trend in this ratio. The standard for operating expense ratio in the Performance Standards for All Types of Microfinance Institutions being promoted by the National Credit Council (NCC) is 20% or less.

- The operating expense ratio of the 28 MFIs is 46.3%, significantly higher than the recommended operating expense ratio of 20% indicated in the Performance Standards for All Types of Microfinance Institutions.
- As evidenced by a 45.4% operating expense ratio, mature MFIs tend to be more efficient than their counterpart young MFIs with 48.6% operating expense ratio.



- Based on the type of institution, banks are more efficient than NGO and cooperative MFIs, as shown by a 32.6% operating expense ratio for banks and 49.3% for NGO/cooperatives.

B. Personnel expense ratio

The personnel expense ratio measures the personnel cost incurred to maintain a peso in the loan portfolio. A lower ratio would mean that the MFI is incurring smaller personnel cost to maintain one peso in its loan portfolio.

- The personnel expense ratio of the 28 MFIs is 28.7%.
- Large MFIs garnered a personnel cost ratio of 20.4%, which is lower than the average of the 28 MFIs that used the MIX DCT. This is also lower than the personnel expense ratio of medium and small with 23.6% and 40.8%, respectively.
- Based on the type of institution, banks have lower personnel expense ratio compared to NGO/cooperative MFIs.

C. Cost per borrower

The cost per borrower shows the average cost of maintaining an active borrower. Therefore, keeping this indicator at a low level would mean that an MFI is more cost-efficient in maintaining an active borrower.

- The cost per borrower of the 28 MFIs is PhP 2,159. This means that on average, an MFI spends at least PhP 2,159 per year to maintain one active borrower.
- Large MFIs maintain a cost per borrower of PhP 2,232. This amount is slightly higher than the average level of the 28 MFIs.
- In terms of cost per borrower, NGO/cooperatives are more efficient than banks in the MCP membership, as shown by their PhP 1,994 cost per borrower.

D. Revenue per borrower

The revenue per borrower shows the average financial revenue that is earned from each borrower. Therefore, a higher indicator would mean that an MFI is able to generate more income from a borrower.

- The revenue per borrower of the 28 MFIs is PhP 2,672.
- Large MFIs maintain a revenue per borrower of PhP 3,186. This amount is slightly higher than the average of the 28 MFIs in this report.
- Based on the type of institution, banks have a higher revenue per borrower compared to NGO and cooperative MFIs. The reason for this is that banks have fewer borrowers than NGOs and cooperatives, as shown in Table 7 of this report.

Productivity Indicators

Productivity indicators reflect how well an MFI uses its resources, particularly its personnel. Table 11 presents the productivity indicators of the 28 MCP members that submitted data using the MIX DCT.

A. Number of borrowers per loan officer

The number of borrowers per loan officer measures the average number of borrowers managed by each loan officer. Creating caseload targets for loan officers is useful in planning and allows a simple and effective way to measure growth against such targets.

- The average number of borrowers per loan officer of the reporting MFIs is 212 borrowers.
- Loan officers of large MFIs are slightly more productive than medium and small MFIs, as shown by their 230 borrowers per loan officer.



- Loan officers of banks handle 54 more borrowers than loan officers of NGOs and cooperatives.

B. Number of borrowers per staff

The number of borrowers per staff measures the overall productivity of an MFI's total human resources in managing loan clients. MFI managers are encouraged to aspire for an increasing trend in this productivity ratio.

- The average number of borrowers per staff of the 28 MFIs is 128 borrowers.
- There is no significant difference in the number of borrowers per staff between MFIs in the scale and age peer groups.

**Table 11: Productivity Indicators of the 28 MCPI Members
As of December 31, 2005**

		Number of borrowers per loan officer	Number of borrowers per staff	Loan portfolio per loan officer	Loan portfolio per staff	Ratio of loan officers to total staff
ALL MFIs (n=28)	avg	212	128	1,227,103	676,922	61.3%
By scale of operations						
Large						
<i>Cantilan, CARD Bank, CARD NGO, CCT, KMBI, Mallig, NWTF, TSKI, TSPI</i>	avg	230	132	1,756,094	899,994	58.5%
Medium						
<i>ABS-CBN, ASHI, ASKI, CEVI, ECLOF, Kazama Grameen, OMB, PALFSI, Talisayan</i>	avg	222	126	1,319,191	722,637	57.5%
Small						
<i>CMEDFI, FCBFI, JVOFI, Kasagana-Ka, MEDF, MILAMDEC, NORFIL, PMDF, Serviamus, VEF</i>	avg	187	127	668,133	435,014	67.3%
By age of operations						
Mature						
<i>ABS-CBN, ASHI, ASKI, Cantilan, CARD Bank, CARD NGO, FCBFI, JVOFI, KMBI, Mallig, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, Serviamus, Talisayan, TSKI, TSPI, VEF</i>	avg	215	131	1,325,982	714,619	62.3%
Young						
<i>CCT, CEVI, CMEDFI, ECLOF, Kasagana-Ka, Kazama Grameen, OMB, PMDF</i>	avg	204	122	979,907	582,681	58.9%
By type of institution						
Bank						
<i>Cantilan, CARD Bank, Mallig, OMB, Talisayan</i>	avg	256	119	2,813,900	1,248,386	45.6%
NGO/Cooperative						
<i>ABS-CBN, ASHI, ASKI, CARD NGO, CCT, CEVI, CMEDFI, ECLOF, FCBFI, JVOFI, Kasagana-Ka, Kazama Grameen, KMBI, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, PMDF, Serviamus, TSKI, TSPI, VEF</i>	avg	202	131	882,148	552,691	64.7%

C. Loan portfolio per loan officer

The loan portfolio per loan officer measures the average amount of loan portfolio managed by each loan officer. Similar to the number of borrowers per loan officer, creating loan portfolio targets for each loan officers is useful in planning an MFI's growth and expansion.

- The average amount of loan portfolio per loan officer of the reporting MFIs is PhP 1.2 million.



- As evidenced by a loan portfolio per loan officer of PhP 1.8 million, loan officers of large MFIs manage higher loan portfolios as compared to their counterparts from medium and small scale MFIs.
- Since banks have non-microfinance loan products with larger loan amounts, loan officers of banks manage higher loan portfolios than NGO/cooperative loan officers. This is evidenced by an average loan portfolio per loan officer of PhP 2.8 million for banks and PhP 0.9 million for NGO/cooperative MFIs.

D. Loan portfolio per staff

The loan portfolio per staff measures the overall productivity of an MFI's total human resources in managing loan portfolio. Creating loan portfolio goals for each staff is also useful for an MFI's credit operations.

- The average amount of loan portfolio per staff of the 28 MFIs is PhP 676,922.
- Staff of large MFIs handle larger loan portfolios as compared to medium and small scale MFIs.
- As indicated above, bank employees handle larger loan portfolios because banks have non-microfinance loan products with higher loan amounts.

E. Ratio of loan officers to total staff

The ratio of loan officers to total staff measures the allocation of an MFI's total human resources for frontline staff directly engaging clients and support staff in administration and management.

- The average loan officer to total staff ratio of the reporting MFIs is 61.3%.
- Based on the type of institution, banks allocate a smaller portion of their personnel to loan officers, as shown by a 45.6% loan officer to total staff ratio.
- There is no significant difference in the ratio of loan officers to total staff between MFIs in the scale and age peer groups.

Risk and Liquidity

Risk and liquidity are indicators of the state of financial health of the microfinance portfolio of the institutions. Portfolio quality is important to the financial success of any MFI. Deterioration of portfolio quality may indicate an unsatisfied client, inefficient staff supervision and control, or inappropriate client selection techniques. Table 11 shows risk and liquidity indicators of the 28 MCPI members that submitted data using the MIX DCT.

A. Portfolio at risk (PAR) ratio > 30 days

Portfolio at risk ratio indicates the outstanding balance of all loans having an amount overdue expressed as a percentage of gross loan portfolio. In the microfinance industry, this ratio is the most accepted measure of portfolio quality. The most common international measurement of portfolio quality is PAR > 30 days. However, calculating PAR > 1 day is an excellent tool to monitor loan repayment and the risk of default. It enables MFIs to address delinquency problems before they get out of control.

- The average portfolio at risk ratio > 30 days for the 28 MFIs that used the MIX DCT is 7.0%.
- The NCC Performance Standards suggests PAR > 1 day of 5% or less. Out of the 28 MFIs in this report, 14 were able to provide data for PAR > 1 day. The total PAR > 1 day ratio of the 14 MFIs is 8.3%.
- Large MFIs have managed to keep their PAR ratio > 30 days at 5.1%, below the average of all reporting MFIs.
- Small MFIs have a higher average PAR > 30 days than the average PAR of all reporting MFIs.



B. Write-off ratio

This ratio indicates the past quality of the gross loan portfolio. Write-offs result in a reduction in the MFI's assets and its current and future earning potential. A high ratio may indicate a problem in an MFI's collection efforts.

- The average write-off ratio of the 28 reporting MFIs is 6.1%.
- Large MFIs managed to lessen their write-offs compared to their counterpart medium and small MFIs.
- Young MFIs have a lower than average write-off ratio.

**Table 11: Risk and Liquidity Indicators of the 28 MCPI Members
As of December 31, 2005**

		Portfolio at risk ratio > 30 days	Write-off ratio	Risk coverage ratio	Non-earning liquid assets to total assets ratio
ALL MFIs (n=28)	avg	7.0%	6.1%	135.5%	14.5%
By scale of operations					
Large					
<i>Cantilan, CARD Bank, CARD NGO, CCT, KMBI, Mallig, NWTF, TSKI, TSPI</i>	avg	5.1%	2.9%	201.2%	11.4%
Medium					
<i>ABS-CBN, ASHI, ASKI, CEVI, ECLOF, Kazama Grameen, OMB, PALFSI, Talisayan</i>	avg	7.1%	6.8%	99.4%	11.7%
Small					
<i>CMEDFI, FCBFI, JVOFI, Kasagana-Ka, MEDF, MILAMDEC, NORFIL, PMDF, Serviamus, VEF</i>	avg	8.6%	8.3%	106.1%	19.8%
By age of operations					
Mature					
<i>ABS-CBN, ASHI, ASKI, Cantilan, CARD Bank, CARD NGO, FCBFI, JVOFI, KMBI, Mallig, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, Serviamus, Talisayan, TSKI, TSPI, VEF</i>	avg	6.9%	6.8%	127.9%	14.7%
Young					
<i>CCT, CEVI, CMEDFI, ECLOF, Kasagana-Ka, Kazama Grameen, OMB, PMDF</i>	avg	7.1%	4.3%	153.7%	14.0%
By type of institution					
Bank					
<i>Cantilan, CARD Bank, Mallig, OMB, Talisayan</i>	avg	7.4%	5.9%	133.5%	14.9%
NGO/Cooperative					
<i>ABS-CBN, ASHI, ASKI, CARD NGO, CCT, CEVI, CMEDFI, ECLOF, FCBFI, JVOFI, Kasagana-Ka, Kazama Grameen, KMBI, MEDF, MILAMDEC, NORFIL, NWTF, PALFSI, PMDF, Serviamus, TSKI, TSPI, VEF</i>	avg	6.8%	6.1%	136.0%	14.4%

C. Risk coverage ratio

The risk coverage ratio measures the adequacy of an MFI's loan loss reserve to cover losses in the event that outstanding balances of loans that are more than 30 days overdue become uncollectible.

- The average risk coverage ratio of the reporting MFIs is 135.5%, meaning loan loss reserves are more than adequate to cover potential portfolio losses.



- Based on the type of institution, both banks and NGO/cooperatives MFIs cover more than 100% of their potential portfolio losses.

D. Non-earning liquid assets to total assets ratio

The non-earning liquid assets to total assets ratio indicates the proportion of total assets that are allocated to cash and cash in banks. MFIs are advised to allocate a larger proportion of their assets to their loan portfolio which generates interest income. The percentage ratio of non-earning liquid assets to total assets are to be kept to a minimum level as much as possible.

- The average non-earning liquid assets to total assets ratio of the reporting MFIs is 14.5%.
- By type of institution, there is no significant difference in the average non-earning liquid assets ratio among banks and NGO/cooperatives.

Concluding Remarks

Based on the performance of MCPI members using peer groups, large MFIs dominate the microfinance sector in terms of outreach, profitability, productivity, efficiency, and portfolio quality. Many rural banks were categorized as large MFIs because MCPI classified rural banks based on their bankwide data, including non-microfinance loan products. Using rural banks' bankwide data will allow a more meaningful assessment of the rural bank's financial health when benchmarking their performance versus other peer groups.

MCPI is actively promoting the use of the MIX DCT in monitoring the performance of members. The MIX publishes the MicroBanking Bulletin (MBB), a journal that benchmarks the financial and operational performance of MFIs worldwide. In 2004, 25 Philippine MFIs were benchmarked and included in MBB Issue No. 12. The Philippines ranked number 2 in terms of the number of MFIs that submitted data to the MIX and the MBB behind Peru with 27 MFIs. For the 2005 report, there is a possibility that the Philippines will surpass Peru and any other country in terms of the number of MFIs that submitted data for MBB. The number of Philippine MFIs that submitted 2005 data has risen to 45 MFIs.

As more and more MFIs appreciate the value of the MIX DCT for performance monitoring and benchmarking, the Performance Monitoring Report (PMR) prepared by MCPI will primarily help MFI managers and board members to compare their performance with peer groups and other MFIs. The PMR also enhances transparency of the microfinance sector's operations. Transparency of data in turn, encourages would-be investors and loan providers to have greater confidence in the microfinance sector.



Appendix A: List of Regular Members with Data

Name of Institution	Abbrev.	2003	2004	2005
ABS-CBN Bayan Foundation	ABS-CBN	+	+	✓
Ahon sa Hirap, Inc.	ASHI	+	✓	✓
Agricultural & Rural Development for Catanduanes, Inc.	ARDCI	✓	+	+
Alalay sa Kaunlaran sa Gitnang Luzon, Inc.	ASKI	+	✓	✓
Bukidnon Intergrated Network of Home Industries, Inc.	BINHI			+
Cantilan Bank, Inc.	Cantilan	+	✓	✓
Center for Agriculture & Rural Development	CARD	✓	✓	✓
CCT Credit Cooperative	CCT	+	✓	✓
Community Economic Ventures, Inc.	CEVI	✓	✓	✓
ECLOF Philippines Foundation, Inc.	ECLOF	~	✓	✓
FCB Foundation, Inc.	FCBFI	✓	✓	✓
Fundacion Santiago	Fund Sant	#	#	#
Jaime V. Ongpin Foundation, Inc.	JVOFI	✓	✓	✓
Kabalikat Para sa Maunlad na Buhay, Inc.	KMBI	✓	✓	✓
Kasagana-Ka Development Center, Inc.	Kasagana-Ka			✓
Kazama Grameen, Inc.	Kazama			✓
Mallig Plains Rural Bank (Isabela), Inc.	Mallig	+	✓	✓
MILAMDEC Development Foundation	MILAMDEC	+	✓	✓
Mindanao Enterprise Development Foundation	MEDF			✓
Negros Women for Tomorrow Foundation, Inc.	NWTF	✓	✓	✓
New Rural Bank of San Leonardo, Inc.	NRBSL	+	+	+
Notre Dame Business Resource Center Foundation, Inc.	NDBRCFI	#	#	#
NORFIL Foundation	NORFIL	✓	✓	✓
Opportunity Microfinance Bank	OMB	✓	✓	✓
People's Alternative Livelihood Foundation of Sorsogon, Inc.	PALFSI			✓
Philippine Microenterprise Development Foundation	PMDF			✓
Producers Rural Banking Corporation	Producers	✓	✓	+
RAFI- Cebu Microenterprise Development Foundation, Inc.	CMEDFI	✓	✓	✓
Rural Bank of Talisayan (Mis. Or.), Inc.	Talisayan	+	✓	✓
Serviamus Foundation, Inc.	Serviamus			✓
Taytay sa Kauswagan, Inc.	TSKI	✓	✓	✓
TSPI Development Corporation	TSPI	✓	✓	✓
Visayas Enterprise Foundation	VEF			✓

- ✓ - Submitted data using the MIX DCT
- + - Data obtained using other sources (annual reports, etc.)
- ~ - Data not submitted to MCP
- # - No retail microfinance services



Appendix B: Definition of Ratios/Indicators

INDICATORS	DEFINITION/FORMULA
INSTITUTIONAL CHARACTERISTICS	
Age	Years functioning as a financial institution
Assets	Total assets, adjusted for inflation and standardized loan portfolio provisioning and write-offs
Offices	Number, including head office
Personnel	Total number of employees
FINANCING STRUCTURE	
Capital/asset ratio	Adjusted total equity/Adjusted total assets
Commercial funding liabilities ratio	All liabilities with market price/Adjusted Gross loan portfolio
Debt to equity ratio	Adjusted total liabilities/Adjusted total equity
Deposits to loans ratio	Compulsory and voluntary savings/Adjusted gross loan portfolio
Deposits to total assets ratio	Compulsory and voluntary savings/Adjusted total assets
Gross loan portfolio to total assets ratio	Adjusted gross loan portfolio/Adjusted total assets
OUTREACH INDICATORS	
Number of active borrowers	Number of borrowers with loans outstanding, adjusted for standardized write-offs
Percent of women borrowers	Number of active women borrowers/Adjusted number of active borrowers
Gross loan portfolio	Gross loan portfolio, adjusted for standardized write-offs
Average loan balance per borrower	Adjusted gross loan portfolio/Adjusted number of active borrowers
Average loan balance per borrower/GNP per capita	Adjusted average loan balance per borrower/GNP per capita
Compulsory and voluntary savings	Total value of compulsory and voluntary savings
Average savings balance per borrower	Compulsory and voluntary savings/Adjusted number of active borrowers
OVERALL FINANCIAL PERFORMANCE	
Unadjusted return on assets	Net operating income, net of taxes/Average total assets
Adjusted return on assets	Adjusted net operating income, net of taxes/adjusted average total assets
Unadjusted return on equity	Net operating income, net of taxes/Average total equity
Return on equity	Adjusted net operating income, net of taxes/adjusted average total equity
Operational self-sufficiency	Financial revenue/(Financial expense + Net loan loss provision expense + Operating expense)
Financial self-sufficiency	Financial revenue/Adjusted (Financial expense + Net loan loss provision expense + Operating expense)
REVENUE INDICATORS	
Financial revenue ratio	Financial revenue/Adjusted average total assets
Profit margin	Adjusted net operating income/Financial revenue
Yield on gross loan portfolio	Financial revenue from loan portfolio/Adjusted average gross loan portfolio
EFFICIENCY	
Operating expense ratio	Adjusted operating expense/Adjusted average gross loan portfolio
Personnel expense ratio	Adjusted personnel expense/Adjusted average gross loan portfolio
Cost per borrower	Adjusted operating expense/Adjusted average number of active borrowers
Revenue per borrower	Financial revenue from loan portfolio/Adjusted average number of active borrowers



PRODUCTIVITY	
Number of borrowers per loan officer	Adjusted number of active borrowers/Number of loan officers
Number of borrowers per staff	Adjusted number of active borrowers/Number of employees
Loan portfolio per loan officer	Adjusted gross loan portfolio/Number of loan officers
Loan portfolio per staff	Adjusted gross loan portfolio/Number of employees
Ratio of loan officers to total staff	Number of loan officers/Number of employees
RISK AND LIQUIDITY	
Portfolio at risk ratio >30 days	Outstanding balance, loans overdue>30 days/Adjusted gross loan portfolio
Write-off ratio	Value of loans written-off/Adjusted average gross loan portfolio
Risk coverage ratio	Adjusted loan loss reserve/PAR>30 days
Non-earning liquid assets to total assets ratio	Cash in banks/Adjusted total assets



Appendix C: Macroeconomic Indicators

MACROECONOMIC INDICATORS	VALUE	SOURCE
GNP per capita (PhP)	67,977	http://www.bsp.gov.ph
Inflation rate (%)	7.6%	http://www.bsp.gov.ph
Commercial interest rate (%)	13%	PCFC rate (12% + 1% service charge)
