MIX Market and the value of comparative data

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Microfinance Information eXchange (MIX)

Enabling Dialogue Workshop, Colombo

6/28/2010
The Value of Comparative Data: structure of the presentation

- Introduction to MIX
  - Our products and services
  - MIX value add
  - Social performance initiatives
- The uses of comparative data
  - Benchmarking individual institutions
  - Looking at an entire sector
  - MIX Sri Lanka country page
- How to report
MISSION: To support the growth of the microfinance industry through a world-class public information platform

The Problem: Overcoming data dearth

Lack of transparency stymies industry growth

- Limited ability for MFIs to benchmark performance for management diagnostic and business planning
- New capital cannot connect with second tier MFIs
- Donors / policy makers have limited picture of areas requiring public support

...because...

- Lack of consistent, reliable data in public domain
- Private data costly to aggregate on representative scale and coverage for any single actor

The MIX: who we are
Our Contribution: A Catalyst for Growth

MIX is a catalyst for growth because good information …

Promotes sound investments
Increases comfort level of investors
Reduces cost of investing in microfinance
Improves microfinance providers’ performance
Strengthens market surveillance and public support

The MIX: who we are
Products and Services

- **MicroBanking Bulletin** is a global leading publication on the sector
- **Regional and Country level analysis reports** on microfinance performance and sector analysis
- **MIX Market** is an online information platform – a global clearinghouse for performance and outreach information
Customized Performance Reports (CPR)

- MIX Customized Performance Reports (CPRs) are individual performance reports for MFIs.

- MIX CPRs show analytical data by peer group in comparison to one MFI.

- Provided FREE to all MFIs which report full sets of data to the MIX.

The MIX: our products and services.
Social Performance Monitoring (SPM)

- **SPM Tool**
  - Joint design of SPM collection with Social Performance Task Force
  - Tool contains 22 indicators

- **Data Collection**
  - Testing in 2009
  - Full data collection in 2010

- **Toward Standardization**
  - Looking at the linkages between financial and social performance
  - Blog, MIX Market profiles

The MIX: our products and services
MIX Value Add – across all products

Standardization
- IFRS compatible formats
- International standards in calculation of ratios and adjustments

Public Data and Global Coverage
- Global reach
- Benchmark, trend analysis available to anyone, anytime

Data cleaning
- Manual and auto consistency checks
- Checking for outliers

The MIX: our products and services
Topics:
- Trend analysis
- Benchmarking and comparative analysis
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## Performance Comparison

<table>
<thead>
<tr>
<th>Indicator</th>
<th>MFI #1</th>
<th>MFI #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Self Sufficiency</td>
<td>112.91%</td>
<td>102.31%</td>
</tr>
<tr>
<td>Operating Expense/Assets</td>
<td>12.90%</td>
<td>8%</td>
</tr>
<tr>
<td>Borrowers per Staff Member</td>
<td>255</td>
<td>173</td>
</tr>
</tbody>
</table>

MFI #1 is more expensive than MFI #2

MFI #2 serves its borrowers at the lowest cost

Without appropriate benchmarks or standards of performance, institutional comparisons can be deceptive.
### Performance Comparisons with Benchmarks

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<th>South Asia New</th>
<th>MFI #2</th>
<th>South Asia Mature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Self Sufficiency</td>
<td>112.91%</td>
<td>101.00%</td>
<td>102.31%</td>
<td>111.63%</td>
</tr>
<tr>
<td>Operating Expense / Loan Portfolio</td>
<td>12.90%</td>
<td>15.80%</td>
<td>8.00%</td>
<td>8.40%</td>
</tr>
<tr>
<td>Borrowers per Staff Member</td>
<td>255</td>
<td>148</td>
<td>173</td>
<td>182</td>
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MFI #1 operates more cheaply than its peers, and with higher efficiency of staff.

MFI #2 is on par with its peers in terms of expense ratio.

Benchmarks provide the context for meaningful institutional performance comparisons.

*Source: MIX Market, 2008*
Growth slowed across the globe, but total growth in borrowers in Asia remained the same.

Source: MIX Market trend data
State of the Sector: Growth Rates in Asia

Borrowers grew steadily across the region in most countries while growth in loan portfolio was mixed.

Source: MIX Market trend data
Blaine, My additional Sri Lanka specific comment on this one would be that Sri Lanka actually had the biggest jump in terms of # of borrowers last year out of all of Asia, and fairly impressive growth in GLP as well. This may indicate that MF institutions are successfully focusing on expansion. as we will see in future slides it has not been an indicator of increasing loan sizes.

Questions:
Are there any data issues that I should watch out for when discussing SL?
Do you see any additional interesting points related to Sri Lanka which i might talk about?

Elizabeth Larson, 23/06/10
Financial Performance: Expense Ratios - Global

Source: MIX Market trend data

Comparative data
Almost every market in Asia is profitable with a mixture of trends.
This slide clearly shows that the SL MFIs have really improved their performance over the past 3 years, going from having negative yields (as indicated by the gap between the bar and the dot) to having fairly significant yields. Financial expense is increasing which may be an indicator of less development-oriented access to finance and more commercial sources. As financial expense goes up in SL, so does financial revenue, at a similar rate indicating that SL institutions are turning their liabilities into profitable assets.

Question:
Are there any other SL-related tidbits that you find interesting in this one?

Elizabeth Larson, 23/06/10
Financial Performance: ROA Trend Data – Asia, 2006-2008

Diverse range of ROA trends across the region; larger market, deposit-reliant SE Asian MFIs remain the most stable; India had largest increase

Source: MIX Market

Comparative data
this graph seems to (a tad) contradict the previous graph. How do I message this one? It seems that SL institutions are getting more profitable, but this ROA trend is really mixed.

Question:
Can you help me better understand and explain this graph?

Elizabeth Larson, 23/06/10
Operating Expense, Avg. Bal. per borrower/GNI, Cost per Borrower – Asia, 2006-2008

Cost of operations mixed; average balances rising; cost stable in amongst larger scale operations

Source: MIX Market

Comparative data
Looking at Data on MIX Market.....
Comparative data
Data Deep Dive: Financial Performance in Sri Lanka

Comparative data
Blaine, see the notes below and let me know what you think about the messaging and/or if there is anything else interesting to add.

Elizabeth Larson, 23/06/10
<table>
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<th>Extra Exposure for your MFI</th>
<th>Free Tools</th>
<th>Inclusion in global dataset</th>
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| • 60,000 visitors to MIX Market every month | • Online benchmarking function available anytime  
• Another set of eyes on your MFI’s data | • MIX Global 100  
• Other regional reports and datasets. |

Send your financial statements by August 10
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