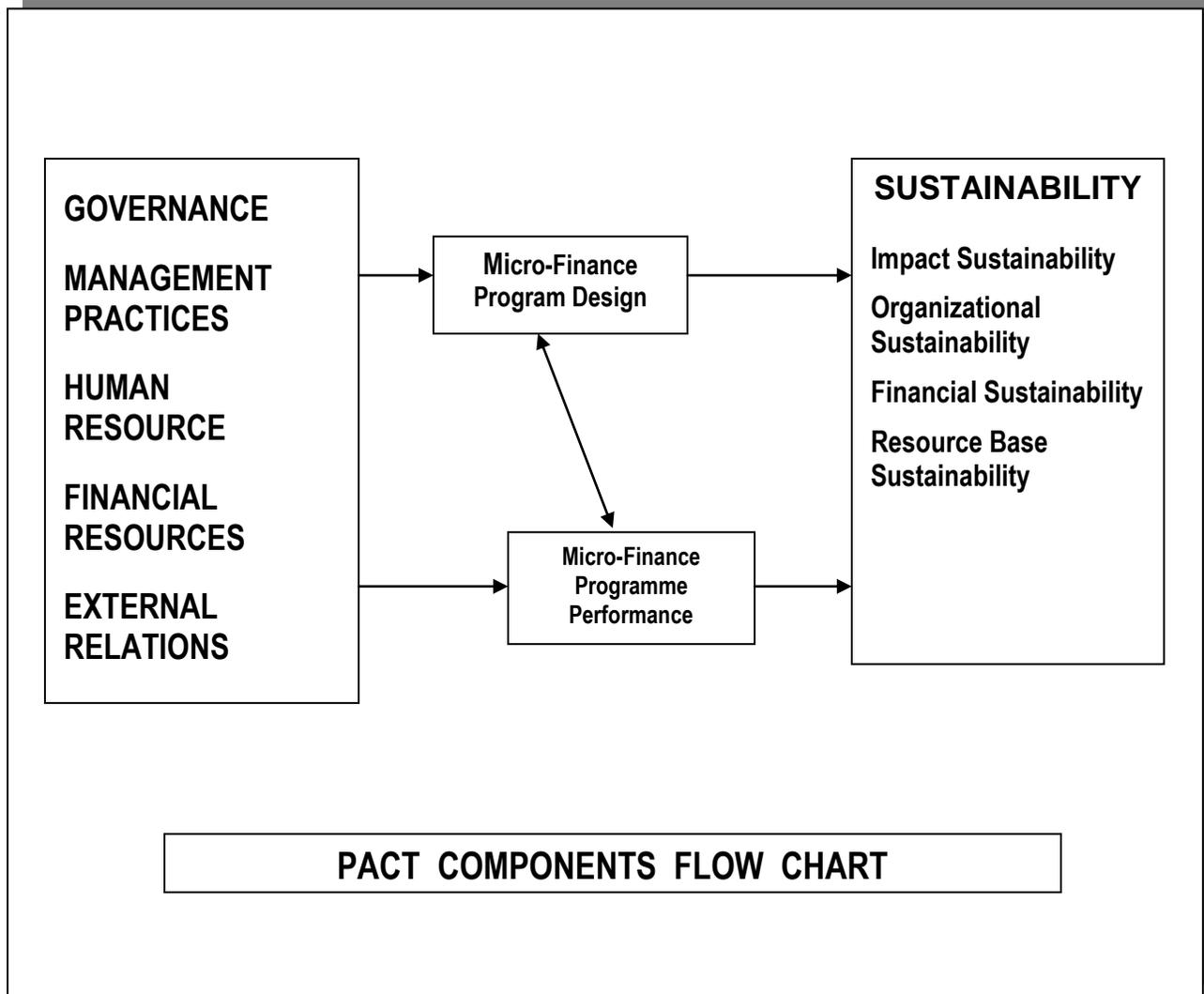


CASHE (CARE INDIA) MICRO-FINANCE PROJECT THE PACT SYSTEM



The flow chart depicts strong correlation amongst performance determinants of the MFI based on which the programme can be designed. The diversification of services and products reflect the vision of the MFI on the one hand and forms base for the self-reliance path on the other hand.

INTRODUCTION

Micro finance has held sway over the lives of the millions of poor in this decade, making deep channels into their socio economic quality of life. The intermediary and external stakeholders like GO and NGO agencies, cooperatives, financial whole sellers and retail service providers and the funding and lending industry have compelling reasons to be more professional, sustainable and competitive in the quality of micro finance service products to stay ahead in the race.

THE STRATEGIC FOCUS:

The strategic focus, naturally, is on constant assessment of the performance standards of the micro finance institutions, guiding them in the path of self-reliance, facilitating the transformation from being 'voluntary grant delivery channels' to 'sustainable main stream financial intermediaries', self assessing their capacity building needs from time to time for efficient micro models of delivery.

THE COMMON THREAD

A common thread has to be drawn through the contours of divergent micro finance agencies, varied in their stage of lifecycle, age, performance, commitment and resources. The most relevant indicators shaping their performance have to be identified, contextual zed and the process of intensification, extensification and diversification has to be set in motion.

The task calls for well-structured tools to locate the MFI in the context of their stage of growth vis-à-vis the identified performance indicators, facilitating paradigm shift in micro finance service product diversification and attendant challenges like commercial provision of new financial services.

REPOSITION:

The identified bottlenecks like unduly high set up costs, poor governance and application skills, lack of information base and regulatory inefficiencies are to be addressed as the partner organizations metamorphasize and reposition from "not for profit social change agents" to "for profit sustainable micro finance service providers". The mainframe savings and credit operations are to be diversified into server micro loan portfolio for productive purposes.

GLOBAL MAINSTREAM:

The micro finance sector is fast emerging as global force. While building a social pillar under global economy, the competitive edge has to be retained through international best practices and the socio-econometric analysis of the performance holds the key for this.

NEED FOR CAPACITY ASSESSMENT

- There are nearly one million self help groups in the country today and the secondary and tertiary support structures are fast institutionalized in the shape of MFIs
- They have moved from the basic Savings and Credit activities to upper trajectory of livelihoods and asset building, in the process leaving huge spatial and experiential gaps in micro finance best practices.
- There is information asymmetry in the performance standards and the market can't take dysfunctions generously, especially the commercial main stream, without which the micro finance sector can't grow.
- Micro finance global mainstream has identified the "core functional areas" and further stratified them into performance indicators, which are of strategic importance for long-term sustainable micro finance operations.

THE PARTNERS' CAPACITY ASSESSMENT TOOL – PACT

PACT envisions contextualization of the performance indicators drawing from broader international best practices at bird's eye view and translocating them into the local micro finance environs with worm's eye view.

The PACT helps to keep 360-degree watch on micro finance formation and transformation approaches, assisting the MFIs to predict risks and improve the odds in the participatory way.

UNLIMITED FORAYS

The forays are unlimited in the application of PACT, giving wings to the spirit of reciprocal lending and self help, the bottom line being capacity building of the MFIs in the micro finance best practices for sustainability.

THE KEY PERFORMANCE INDICATORS

PACT is a compact systematic approach, logically plotting the identified indicators on the performance curve. It has the following broad based variables called components to locate the partners in the performance continuum.

- **Governance**
- **Management Practices**
- **Human Resources**
- **Financial Resources**
- **Micro-Finance Services**
- **Micro-Finance**
- **Program Performance**
- **External relations**
- **Sustain-ability**

The above “**components**” are further stratified into key performance indicators called “**categories**” and “**elements**” with weights for their relative value position.

SOCIO-ECONOMETRIC PATHFINDER

The entire process is to help the partners in locating their exact value position and get a direction to move further in the self-reliance path. As such the PACT should not be construed as rating tool per se. It is a socio econometric pathfinder and operates at a level where both the assessor and assessed, at the diagonally opposite ends are mutually comfortable.

The PACT makes trend analysis for the past 1 to 3 years and projects the realistic and achievable growth curve for the next three years prescribing at the back end, capacity-building inputs needed. It is a complete deviation from the conventional rating tools, which have negative or positive prescriptions at the end. Instead PACT helps the partner draw road map with the necessary inputs and the possible outcome. Hence “ **PACT is not a product but a process**”

THE JAPANESE MAGIC BAMBOO:

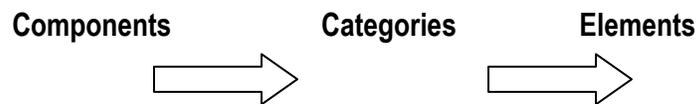
The PACT helps to keep 360-degree watch on micro finance formation and transformation approaches, assisting the MFIs to predict risks and improve the odds. Tolerance limit accompanies each value with a ‘sensitivity space’ for the MFI to operate in the context of particular performance indicator. It is like Japanese magic bamboo stick, which bends but never breaks.

THE PERFORMANCE BAR:

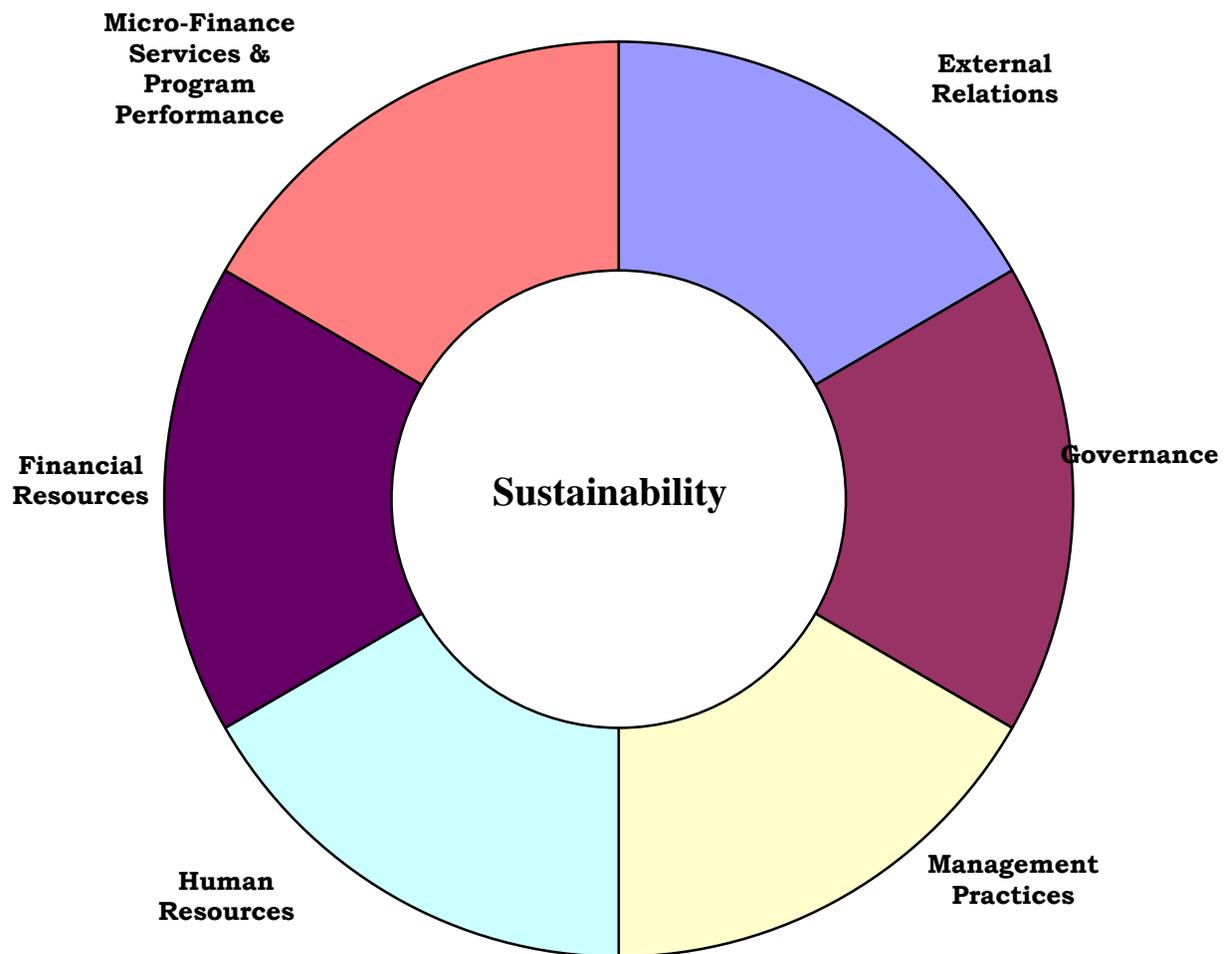
Our endeavor is that PACT becomes a meeting point for the international best practices and localized and diversified micro delivery models. The PACT is best understood when applied and revisited for the results. It is not one stroke questionnaire to administer but a live process set in motion. The performance bar is raised constantly for the MFI to stretch further and further.

CONCEPTUAL FRAMEWORK OF PACT

The PACT operates with the premise that sustainable micro-finance operations require organizational competence in the identified key functional areas, which are named as “components”. The components are identified after careful study of range of MFIs and based on the experience of the CARE-CASHE field staff. The components are further stratified into “categories” and “elements” and the whole gamut of determinants are called “**Performance Indicators**”.



DETERMINANTS OF MFI PERFORMANCE



COMPONENTS AND CATEGORIES UNDER PACT SYSTEM

| GOVERNANCE | MANAGEMENT PRACTICES | HUMAN RESOURCES | FINANCIAL RESOURCES | MICRO FINANCE SERVICES | MICRO FINANCE PROGRAMME PERFORMANCE | EXTERNAL RELATIONS | SUSTAINABILITY |
|---|---|---|---|--|---|---|--|
| Board Mission/ Goal Legal aspects Stake holders Relation- ships Leadership | Organizational structure Systems and policies Planning Personnel administration/ Management Programme Monitoring Admin-istrative procedures Risk management Management Information Systems-MIS Reporting | Human resources dev. Work organization | Financial and accounting systems Budgeting Controls/ Audit | Expertise Product packaging- Demand based products Capacity building of clients Peer pressure Pricing of services Channels for service Delivery General awareness building etc., Micro finance programme impact assessment | Self sufficiency Efficiency RLF management Repayment rates (Within MFI) Repayment rates (MFI to whole sellers) Portfolio quality Profitability Liquidity Group management Impact | Inter - MFI collaboration Governme nt colla- boration Other colla- boration | Programme Benefit sustain-ability Organi- sation sustain-ability Financial sustaina- bility Resource base Sustain-ability |

CONTEXTUAL DEFINITIONS OF COMPONENTS IN PACT

| | |
|---|---|
| Governance: | <i>The provision of leadership and direction to an organization.</i> |
| Management practices: | The mechanisms intended to co-ordinate the resources and activities and facilitate processes within an organization. |
| Human Resources: | Management, staff, members, volunteers, communities, funders and board members who have the skills, motivation and opportunities to contribute to an organization. |
| Financial resources: | The resources required to procure capital and purchase goods and services needed to conduct an organization's affairs, record and account for financial transactions and monitor and report on its financial status. It involves adequate resources and necessary cash flow, a diverse resource base and long term plans for meeting resources needs. |
| Micro-Finance Services: | Financial, social and other intermediation services delivered by MFIs that are appropriate, cost effective and of high quality. |
| Micro-Finance Program Performance: | Sustainability, efficiency, effectiveness, liquidity and other performance characteristics of Micro-Finance programs. |
| External Relations: | Interaction between an organization and other development partners in the context in which it carries out its activities, which ensure that it is noting and responding appropriately to the social, political, ecological, economic and other forces and events around it. |
| Sustainability: | The long-term continuation of an organization, program or project. Identifies and measures the extent to which local partners of an MFI will continue to peruse and support the objectives after a project is over and involves the continuation of programs, institutions and funding. |

CATEGORIZATION OF MFIS AS PER STAGES OF DEVELOPMENT

I. **Mature:** The partner MFI is fully functional, its performance indicators comparable with the international best practices, has sustained resource diversification and partnerships with national and international networks. Its yield curve is steady.

II. **Expanding:** The partner MFI has a track record of achievement. The cohabitant government agencies, private sector agencies and the other well-recognized MFIs accept its full arrival and visibility.

III. **Emerging:** The MFI has covered certain distance in the self-capacitation and reliance path but needs miles to go. Structures for governance, management practices, human resources, financial resources, service delivery, sustainability etc are in place and functioning. With right interventions it is poised to make quantum leap in the days to come.

IV. **Nascent:** The MFI is in the budding stages of development. All the competencies measured by PACT are either in rudimentary form or are non-existent.

Similarly the capacity building needs are inversely proportional to the stage of growth with Nascent organizations requiring intensive interventions and the Mature ones requiring not much.

ROLLING UP METHOD AND FEED BACK LOOPS

The box against individual element is unique and is a dedicated space to plot the score and characterizes that particular element for its weight and score. Similar is the case with the categories and components and this kind of rolling up method facilitates visit and revisit to the particular performance indicator, be it component or category or element, for observation of its moment. It also helps to pay focused attention on that particular element/category/component to be impacted through specific intervention. Thus the intervention and impact become cause and effect of the management decisions guiding the MFI to elevated performance levels.

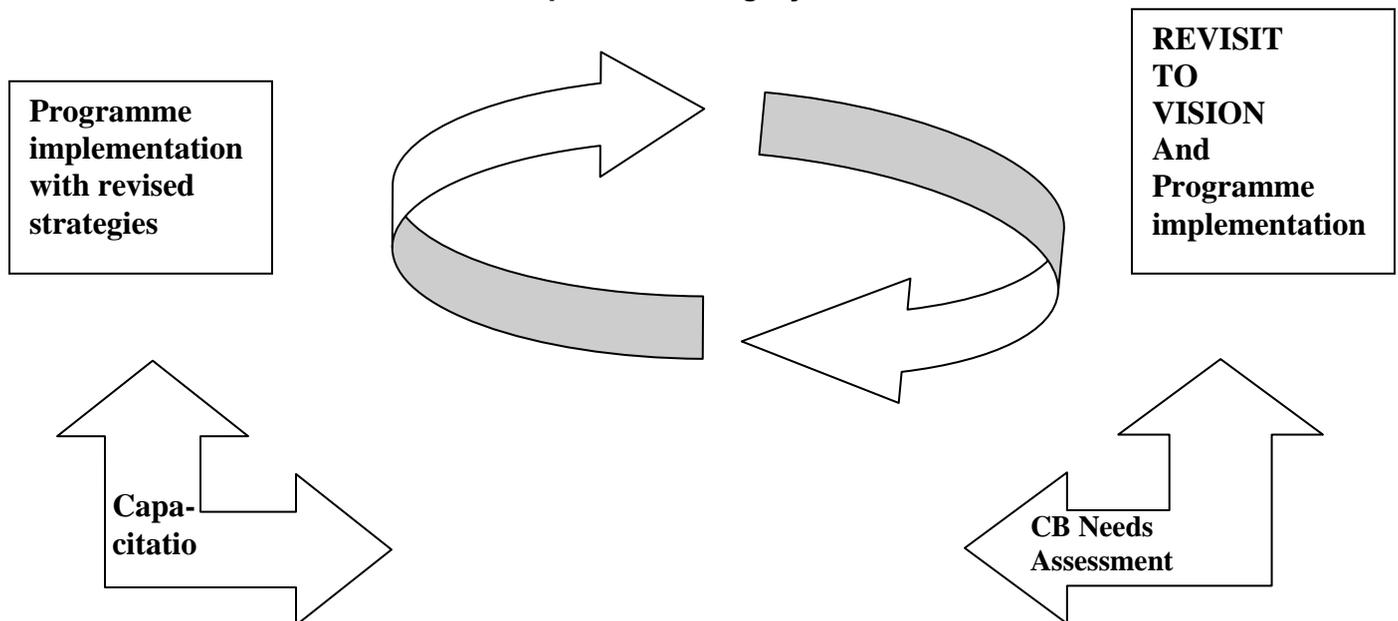
Each time, the score becomes baseline and forms the launching pad for the next take off giving clear feedback loops.

Every time the performance bar is raised and the MFI has to stretch further and further. The feed back loops foray into the capacity building needs and sets training and visit process in motion.

REPORT WRITING AND STRATEGIC BUSINESS PLANNING

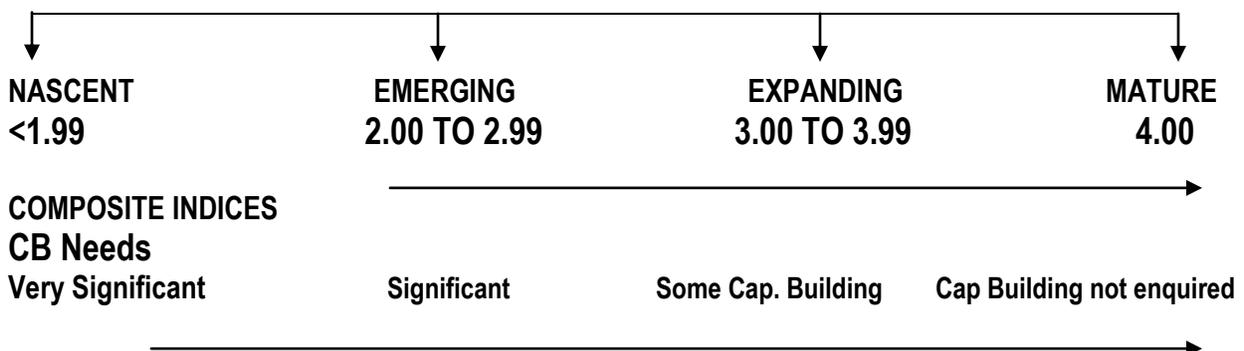
Report is the essence of the PACT and should perfectly reflect the positional value of the MFI vis-à-vis each of its performance indicators. The inference shows where the MFI stands now and the direction in which it has to travel. Since the components and categories form the wheels and cogs of the MFI they have to be accurately posted, compared and contrasted for their impact. Graphic presentation makes the complex matrix easy to comprehend. The scores can be dotted for conspicuous presentation.

FEED BACK LOOPS THROUGH PACT Component / Category / Element wise score



Strategic Business Planning

Applications of The PACT System
 The continuum for stage of development of MFI



APPLICATIONS:

PACT keeps 360 – degree watch on micro finance formation and transformation approaches encompassing all the key functional areas that have tremendous bearing on the out put, sustainability and long and short range forecasts. PACT as a strategic tool in the hands of the funding and lending agencies has the following applications.

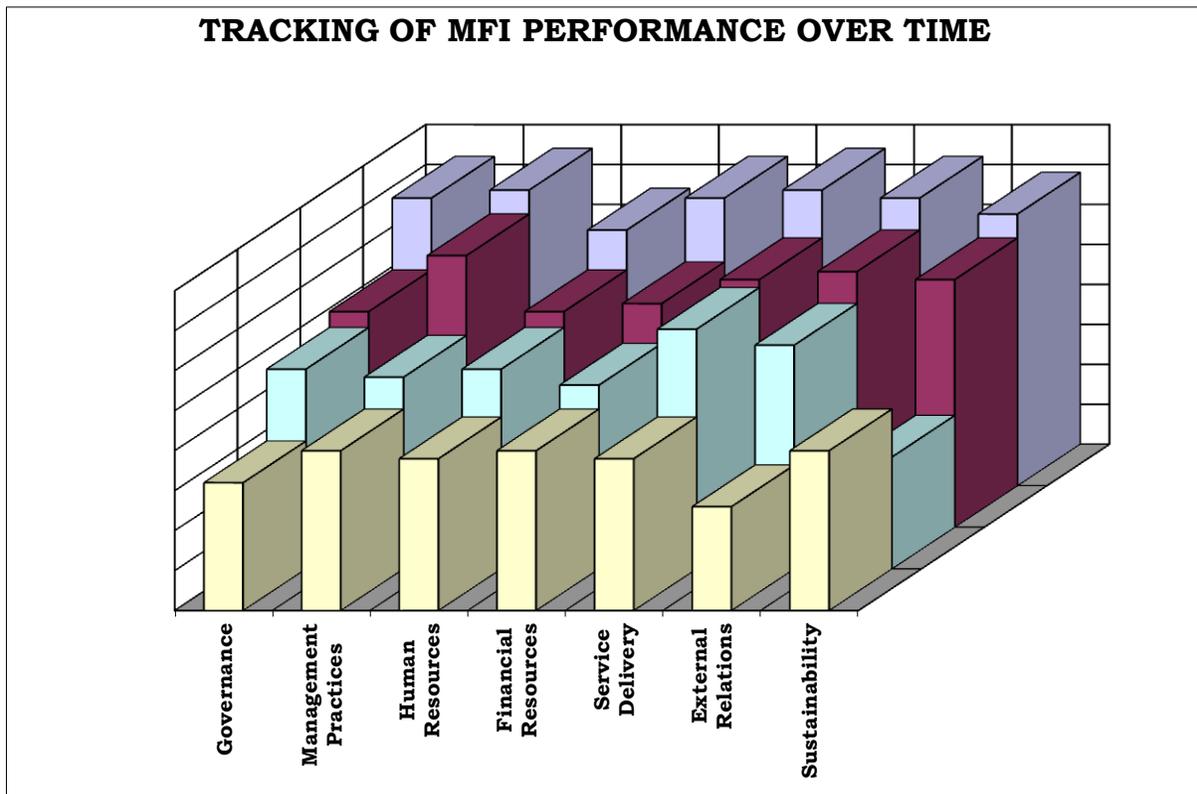
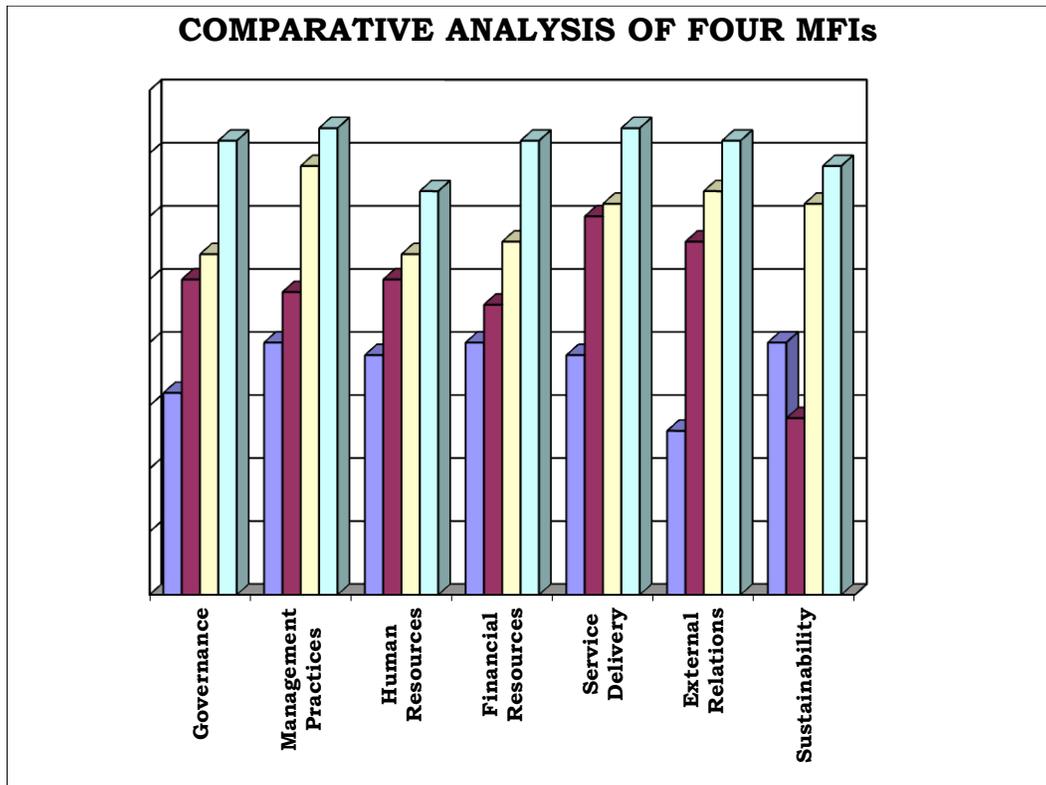
1. Selection of partners with objective and transparent assessment based on the commitment, performance and resources (CPR index)
2. It can compare and contrast the performance of two or more partners' vis-à-vis the specific components/categories/elements setting healthy competition.
3. The investment plan for the funding and lending agencies can be strategized with PACT scores. It can reveal the peaks and valleys of the business cycle and suggests risk diversification.
4. It is a constant education guide for the partner organizations helping them prioritize their CB needs, horizontal and vertical expansion plans and product, service and resource diversification.
5. The element wise scores form feed back loops for the mid-season corrections and attendant shift in focus for better output.
6. The PACT helps in inter-partners' comparison of performance indicators when other variables are common at a given point of time.
7. The rolling over method of plotting the scores in PACT can pinpoint the particular element/category/component for its performance over a period of time in the process, standard setting the systems for the MFI.
8. The credibility of the MFI in the eyes of other funding and lending agencies improves when they make lateral entries into the MFI systems.
9. It can also help the management to assess the performance of the staff members individually and productivity and performance based incentives can be charted out for them.
10. Helps the MFI in designing functional MIS, preparation of monthly workflows based on the strategic business plan and monitoring and evaluation systems of high order.

PACT becomes handy for the reposition of the partner organizations from “funding based social intermediation” to “lending based financial intermediation” with sustainability as its bottom line.

LIMITATIONS:

1. PACT is not a product but a process and has best results when applied periodically in regular intervals rather than an isolated one-time measure.
2. The assessment has to be done by a skilled hand who is not influenced by other performance indicators while focusing on a particular element.
3. It has no killer assumptions like for example good governance is inevitable without which there is any use in making assessment.
4. The PACT based predictions can have influence of external macro environment like government policies, drought and sanction of bulk loans etc.,

5. Needs customization for the type of MFI to be assessed like CBMFI, government promoted MFIs, voluntary agencies promoted MFIs etc.,



STEP BY STEP APPROACH

- Step I** Define the need and scope of assessment
- Step II** Construction of customized questionnaire carefully avoiding the subjective deviations
- Step III** Information and data collection by means of interviews, field visits, observation, perusal of records etc.
- Step IV** Transcribing the collected information onto the PACT element assessment sheet (Tool 1 Sheet).
- Step V** Computing the component and category rating score using Tool 1 sheet, with the rolling up method.
- Step VI** Transferring the individual component scores to the Tool 2 sheet and calculating the composite component score.
- Step VII** Reporting the results of the assessment on the PACT final rating report – Tool 3 sheet.

COMPUTATION OF SCORES

PACT system has twin engagement of measuring composite indices of all the performance indicators (elements) or can focus on particular performance indicator in a pinpointed way.

The scores are plotted against each performance indicator category wise and average is worked to the nearest decimal place. Any performance indicator for which score could not be drawn can be ignored.

Similarly if a particular category cannot be averaged due to lack of performance and or related information about its respective elements, it can be ignored. The same norm applies for components also.

| Data Collection Methodology for Various Components | | |
|---|-----------------------------------|--|
| S. No. | Component | Methods of Data Collection |
| 1 | Governance | Interviews, focus group discussions, policy documents and records perusal and observation. Appreciative inquiry |
| 2 | Management Practices | Interviews, discussion, observation, survey and records perusal |
| 3 | Human Resources | Individual interviews, focus group discussions, perusal of documents/records/policy statements, observation etc. |
| 4 | Financial Resources | Perusal of reports, documents, manuals, individual interviews, focus group discussions and survey |
| 5 | Micro-Finance Services | Observations, field visits, focus groups discussion with management staff/clients, individual interviews and PRA (with clients), perusal of records/evaluation reports, etc. |
| 6 | Micro-Finance Program Performance | Observations, field visits, focus groups discussion with management staff/clients, individual interviews and PRA (with clients), perusal of records/evaluation reports, etc. |
| 7 | External Relations | Individual interviews, discussions with various stakeholders, perusal of records/project reports, survey etc |
| 8 | Sustainability | Examination of reports, policy documents, survey, individual interviews and discussions. |

Rating Scale used in PACT

- (-1) Sufficient information is not available to assess element
- (0) Not applicable
- (1) Needs very significant improvement
- (2) Needs significant improvement
- (3) Acceptable, room for some improvement
- (4) Acceptable, needs maintaining

STAGES OF MFI DEVELOPMENT

Stages of MFI Development

| | |
|-------------------|--|
| Nascent: | The MFI is in the earliest stages of development. All components measured by PACT are in rudimentary form or non-existent. |
| Emerging: | The MFI is developing some capacity. Structures for governance, management practices, human resources, financial resources, micro-finance services etc are in place and functioning. |
| Expanding: | The MFI has a track record of achievement: its work is recognized by its constituency, the government, the private business sector and other MFIs active in the same sector. |
| Mature: | The MFI is fully functioning and sustainable with diversified resource base and partnership relationship with national and international networks. |

| Rating | Stage of MFI Development | Capacity Building Requirements |
|--|--|---|
| < 1.99 2.00 to 2.99 3.00 to 3.99 4.00 to 4.00 | Nascent Emerging Expanding Mature | Very Significant Significant SOME CAPACITY BUILDING Capacity Building not required |

| Partner Assessment classification – Recommendations | | |
|--|--------------|--|
| Final Total Composite Score (%) | Grade | Description of the Score and Grade with Appropriate Recommendations |
| > 75% | A+ | Very Good in most performance. Can absorb shocks in peaks and valleys of business cycle and the cost benefit ratio for the funding and lending agency to invest is very high. ➤ Most strongly recommended |
| 70.1-75.0% | A | Good in Most competencies but scored lower in some of the elements/categories/components ➤ Highly recommended |
| 65.1-70.0% | A- | Good in some Competencies ➤ Recommended |
| 60.1-65.0% | B+ | Reasonably Good in Few Competencies ➤ Recommended, but needs capacity building |
| 55.1-60.0% | B | Fair in some Competencies ➤ Recommended but requires significant capacity building in specific areas |
| 50-55.0% | B- | Poor in Most Competencies and requires total capacity building ➤ Re-assess after 6 months. ➤ Can be recommended if there is improvement. |
| < 50 | B-- | Very Poor in Most Competencies and requires sustained and intensive capacity building ➤ Re-assess after 1 year. ➤ Can be recommended if there is good improvement. |

Processing and analyzing the data

To understand the methodology of posting values of each element we should understand the various tabulations to be made at different stages.

| | |
|----------------|--|
| Tool sheet I | PACT Element Assessment Sheet With Numerical Scales |
| Tool sheet II | Component wise Rating Report |
| Tool sheet III | PACT Final Rating Report |

It is logical deductive method wherein the average score of the elements rated becomes the score of the corresponding category and similarly average score of the categories becomes the corresponding score of the element. Average score of the elements categorizes the MFI in the continuum from Nascent to Emerging to Expanding to Mature. The stage of MFI development decides the Capacity Buildings needs also.

To avoid subjectivity, the value against each element can be carefully drawn out of the discussions and the database. Helping tool in the shape of “guidelines for rating elements, categories and components” at the backend can assist in precisely locating the score of the element.

SCORING

For Categories:

Add the rating score of all elements under each category and divide by the number of elements that have actually been rated. Do not include elements that have not been rated. Write the result to one decimal place in the category box in Tool 1 sheet.

For Components:

Add the rating scores of all categories under each component and divide by the number of categories that have been rated. Do not include categories for which there is no rating. Write the result to one decimal place in the components box in Tool 2 sheet and also Tool 3 sheet.

For Composite Score

Add the rating scores of all components and divide by the number of components that have been rated. Do not include components for which there is no rating. Write the result to one decimal place in the total component (composite rating) box in Tool 2 sheet and Tool 3 sheet. Then divide the individual and total component scores by 4 and multiply these by 100 to get the percentage scores and corresponding

grade. Both of these can be entered in Tool 3 sheet. Once these percentage scores and grades are available, one can make a decision with regard to choosing an MFI as a partner.

Additionally, one can also get an idea of the life cycle stage of an MFI and its capacity building requirements by classifying the individual and total component scores as follows:

| Tool Sheet I – PACT Element Assessment Sheet With Numerical Scales | | |
|---|---|--|
| Name of MFI: | | |
| Date of Assessment: | | |
| Conducted by: | | |
| Rating Scale: | | |
| (-1) | Sufficient information is not available to assess element (Not Shaded but Written Out) | |
| (0) | Not applicable | |
| (1) | Needs very significant improvement | |
| (2) | Needs significant improvement | |
| (3) | Acceptable, room for some improvement | |
| (4) | Acceptable, needs maintaining | |
| ITEMS | RATING SCALE | ALLOCATED RATING SCORE FOR ELEMENTS |
| A.GOVERNANCE – COMPONENT | | |
| 1.Board – CATEGORY | | |
| a. Existence and Functioning – ELEMENT | ① ① ② ③ ④ | |
| b. Role | ① ① ② ③ ④ | |
| c. Member Attendance at Meetings | ① ① ② ③ ④ | |
| d. Members experience in micro-finance | ① ① ② ③ ④ | |
| e. Composition | ① ① ② ③ ④ | |
| 2. Mission/Goal | | |
| a. Existence and Percolation | ① ① ② ③ ④ | |
| b. Reflection in Planning and Implementation | ① ① ② ③ ④ | |
| 3. Legal Aspects | | |
| a. Legal Status | ① ① ② ③ ④ | |
| b. Violations of/ compliance with Existing Laws | ① ① ② ③ ④ | |
| 4. Stakeholders Relationships | | |
| a. Orientation to Clients | ① ① ② ③ ④ | |
| 5. Leadership | | |
| a. Concentration of Power | ① ① ② ③ ④ | |
| b. Management Style | ① ① ② ③ ④ | |
| B. MANAGEMENT PRACTICES | | |
| 1. Organizational Structure, Systems and Policies | | |
| a. Lines of Authority/Responsibility | ① ① ② ③ ④ | |

| | | |
|---|-----------|--|
| b. Systems and Policies | ① ① ② ③ ④ | |
| 2. Planning | | |
| a. Planning Input from Stakeholders | ① ① ② ③ ④ | |
| b. Mission and Resource Compatibility of Planning | ① ① ② ③ ④ | |
| c. Review/ Modification of Plans | ① ① ② ③ ④ | |
| 3. Personnel Administration/ Management | | |
| a. Employment Procedures | ① ① ② ③ ④ | |
| b. Recourse Procedures | ① ① ② ③ ④ | |
| 4. Program Monitoring/ Evaluation | | |
| a. Occurrence of Monitoring/ Evaluation | ① ① ② ③ ④ | |
| 5. Administrative Procedures | | |
| a. Administrative Procedures and Manuals –Existence and Use | ① ① ② ③ ④ | |
| 6. Risk management | | |
| a. Systems for Organizational Abuses | ① ① ② ③ ④ | |
| 7. Management Information Systems (MIS) | | |
| a. Information System Characteristics | ① ① ② ③ ④ | |
| 8. Reporting | | |
| a. Reporting and its Frequency | ① ① ② ③ ④ | |
| b. Report Formats | ① ① ② ③ ④ | |
| c. Use of Reports in Planning | ① ① ② ③ ④ | |
| C. HUMAN RESOURCES | | |
| 1. Human resources development | | |
| a. Staff Appraisal/Promotions/rewards | ① ① ② ③ ④ | |
| b. Training of Staff | ① ① ② ③ ④ | |
| 2. Work organization | | |
| a. Work Flow | ① ① ② ③ ④ | |
| b. Internal Meetings and Staff Input in Decision Making | ① ① ② ③ ④ | |
| c. Intra – MFI Communication | ① ① ② ③ ④ | |
| D. FINANCIAL RESOURCES | | |
| 1. Financial and Accounting Systems | | |
| a. Existence and Functioning of Financial Systems | ① ① ② ③ ④ | |
| b. Separation of Financial from Non-Financial Services for Financial Management | ① ① ② ③ ④ | |
| 2. Budgeting | | |
| a. Existence and Quality of Budgets | ① ① ② ③ ④ | |
| b. Use of Budgets as a Management Tool | ① ① ② ③ ④ | |
| 3. Controls/ Audit | | |
| a. Conduct of Internal Audits | ① ① ② ③ ④ | |
| b. Conduct of External Audits | ① ① ② ③ ④ | |

| | | |
|---|-----------|--|
| E. MICRO-FINANCIAL SERVICES | | |
| 1. Expertise | | |
| a. Micro-finance experience | ① ① ② ③ ④ | |
| 2. Product Packaging | | |
| a. Need based Products | ① ① ② ③ ④ | |
| b. Service Delivery Mechanisms | ① ① ② ③ ④ | |
| c. Pricing of Micro-Finance Services | ① ① ② ③ ④ | |
| d. Peer Pressure Mechanisms | ① ① ② ③ ④ | |
| e. Client capacity building (Preparation) | ① ① ② ③ ④ | |
| f. Client Awareness Building | ① ① ② ③ ④ | |
| 3. Micro-finance Program Impact Assessment | | |
| a. Systems for Impact Assessment | ① ① ② ③ ④ | |
| E1. MICRO-FINANCE PROGRAM PERFORMANCE | | |
| 1. Self-Sufficiency | | |
| a. Operational Self Sufficiency | ① ① ② ③ ④ | |
| b. Financial Self Sufficiency | ① ① ② ③ ④ | |
| c. Subsidy Dependence Index (SDI) | ① ① ② ③ ④ | |
| 2. Efficiency | | |
| a. Cost per unit of money lent | ① ① ② ③ ④ | |
| b. Case load per field worker | ① ① ② ③ ④ | |
| 3. RLF Management | | |
| a. External/ Internal funds in RLF | ① ① ② ③ ④ | |
| b. Rotation of Revolving Loan Fund (RLF) | ① ① ② ③ ④ | |
| 4. Repayment Rates (within MFI) | | |
| a. On time Repayment | ① ① ② ③ ④ | |
| b. Current Re-payment | ① ① ② ③ ④ | |
| c. Current Repayment | ① ① ② ③ ④ | |
| 5. Repayment Rates (MFI to Wholesalers) | | |
| a. Cumulative Repayment | ① ① ② ③ ④ | |
| 6. Portfolio Quality | | |
| a. Portfolio at risk | ① ① ② ③ ④ | |
| b. Loan Losses | ① ① ② ③ ④ | |
| 7. Profitability | | |
| a. Return on Invested Capital | ① ① ② ③ ④ | |
| 8. Liquidity | | |
| a. Quick ratio | ① ① ② ③ ④ | |
| b. Financial cost coverage ratio | ① ① ② ③ ④ | |
| c. Debt Service Coverage Ratio | ① ① ② ③ ④ | |
| 9. Group management | | |
| a. Regularity of Savings | ① ① ② ③ ④ | |
| b. Regularity of Meetings | ① ① ② ③ ④ | |
| c. Regularity of Attendance | ① ① ② ③ ④ | |

| | | |
|--|-----------|--|
| d. Average Group Size | ① ① ② ③ ④ | |
| e. Record Keeping | ① ① ② ③ ④ | |
| f. Governance | ① ① ② ③ ④ | |
| g. Sustainability | ① ① ② ③ ④ | |
| 10. Impact | | |
| a. Credit Usage | ① ① ② ③ ④ | |
| b. Savings Usage | ① ① ② ③ ④ | |
| c. Number of Active Clients | ① ① ② ③ ④ | |
| d. Asset Increases | ① ① ② ③ ④ | |
| e. Income Increases | ① ① ② ③ ④ | |
| f. Empowerment Impact – Decision Making Influence within Household | ① ① ② ③ ④ | |
| g. Empowerment Impact – Income Spending Patterns | ① ① ② ③ ④ | |
| h. Empowerment Impact – Custody of Income | ① ① ② ③ ④ | |
| F. EXTERNAL RELATIONS | | |
| 1. Inter – MFI Collaboration | | |
| a. Experience and Orientation | ① ① ② ③ ④ | |
| 2. Government collaboration | | |
| a. Collaboration | ① ① ② ③ ④ | |
| b. Relationship | ① ① ② ③ ④ | |
| 3. Other Collaboration | | |
| a. Funder collaboration | ① ① ② ③ ④ | |
| b. Private Sector Collaboration | ① ① ② ③ ④ | |
| c. Civil Society Activities | ① ① ② ③ ④ | |
| G. SUSTAINABILITY | | |
| 1. Programme/ Benefit Sustainability | | |
| a. Ownership/ Benefits | ① ① ② ③ ④ | |
| b. Long Term Continuity | ① ① ② ③ ④ | |
| c. Skills Transfer for Self Management and Institution Building | ① ① ② ③ ④ | |
| 2. Organizational Sustainability | | |
| a. Shared Vision with Development Partners | ① ① ② ③ ④ | |
| b. Coalitions and Networking | ① ① ② ③ ④ | |
| 3. Financial sustainability | | |
| a. Financial Sustainability | ① ① ② ③ ④ | |
| 4. Resource Base Sustainability | | |
| a. Funding Sources | ① ① ② ③ ④ | |
| b. Local Resources | ① ① ② ③ ④ | |

COMPONENT WISE CONSOLIDATION

| Tool Sheet II – Component wise Rating Report | | |
|---|---------------------|---------------------------------------|
| COMPONENT | RATING SCORE | CAPACITY BUILDING REQUIREMENTS |
| A. GOVERNANCE | | |
| B. MANAGEMENT PRACTICES | | |
| C. HUMAN RESOURCES | | |
| D. FINANCIAL RESOURCES | | |
| E. MICRO-FINANCE SERVICES | | |
| E1. MICRO-FINANCE PROGRAM PERFORMANCE | | |
| F. EXTERNAL RELATIONS | | |
| G. SUSTAINABILITY | | |
| ALL COMPONENTS | | |

| <u>Tool Sheet III – PACT Final Rating Report</u> | | | |
|---|---|---|--------------------------------|
| Name of MFI : | | | |
| Date of Assessment : | | | |
| Conducted by : | | | |
| Rating Scale : | | | |
| (-1) | Sufficient information is not available to assess element | | |
| (0) | Not applicable | | |
| (1) | Needs very significant improvement | | |
| (2) | Needs significant improvement | | |
| (3) | Acceptable, room for some improvement | | |
| (4) | Acceptable, needs maintaining | | |
| TOTAL COMPOSITE SCORE | | Percentage Score | |
| LIFE CYCLE STAGE | |  | GRADE |
| RECOMMENDATIONS | | | AGE OF MFI IN YEARS |

GUIDELINES FOR APPLICATION

- PACT is not a product but a process. As such the best results come when we operate with the partner at a level where both are mutually comfortable. The information is transparent and an exclusive property of the Organization.
- The PACT per se is a means and not an end unto itself. The PACT should form base for strategic business plan and long range forecast.
- The way we warming up for the administration of PACT sets right tempo for the dialogue. The ice breaking can be through the presentation of earlier findings of some organizations without naming them and the utility derived by the assessed organization.
- The success in assessment lies in jointly planning a step-by-step approach with the partners.
- The right information can be elicited by cutting across the range of multi informants who may be primary or intermediary or external stakeholders.
- The PACT process is punctuated by interactive dialogue methods with brain storming points to ponder over. The informants should never inflate the information on performance indicators due to over enthusiasm or to look smart. But they should be made to realize that the realistic assessment of where they stand vis-à-vis the corresponding element may help them further charter the improvisation plan.
- The intermediary result of the PACT is the realistic assessment of SWOT and forms an insight into the ways and means to convert the weakness and threat to their advantage as strengths and opportunities.
- PACT is not a calendar event and can take comfortable time depending upon the efficient information systems available with the partners. There is no wrong in helping them build the information before making assessment in that particular area of performance.
- Never give the impression that the PACT exercise is gateway to partnership knot. More than partnership imitation it is a valuable guide for the organisation to learn from the mistakes and move forward.
- The best results in the application of PACT comes from inter organizational comparisons of two or more partners.
- The PACT users, while assessing the performance, need not go in a strict taylor made sequential order but can choose their own comfortable and flexible approach.
- PACT as a strategic tool can not be used in isolation

GUIDELINES TO SCORE PERFORMANCE AGAINST ELEMENTS

Format of the Guidance table

| GUIDELINES FOR RATING ELEMENTS, CATEGORIES AND COMPONENTS IN PACT | | | | | | |
|---|------------------------------------|-------------------------------|---------------------------------------|------------------------------|----------------|--|
| SCORE | 1 | 2 | 3 | 4 | 0 | -1 |
| SCENARIO | A | B | C | D | E | F |
| | NEEDS VERY SIGNIFICANT IMPROVEMENT | NEEDS SIGNIFICANT IMPROVEMENT | ACCEPTABLE, ROOM FOR SOME IMPROVEMENT | ACCEPTABLE NEEDS MAINTAINING | NOT APPLICABLE | SUFFICIENT INFORMATION NOT AVAILABLE TO ASSESS |

The above guidelines are provided to help the users in locating the performance indicator on the continuum from 1 to 6. Lowest score is –1 when sufficient information could not be gathered through all means. The score –1 has to be taken into account when the average score of the elements to decide the score of the categories is worked out. The next lowest score is '0' when the element is not applicable in the MFI context. In such circumstances the *Score of 0 is ignored for calculating the average score of the corresponding category.*

Score 1 is allotted when the element in question needs very significant improvement in its area of performance.

Score 2 calls for improvement significantly but next better in the score.

Score 3 is a position of acceptability but signifies scope for further improvement.

Score 4 is the best that can be achieved and needs same level of performance to be maintained

Column E and F are common accompaniments for all the below mentioned score tables. But narrative explanation cannot be given in their respective scenarios as they are either not applicable or sufficient information is not available.

While assessing the performance, the elements are to be located anywhere from A to D and when the scenario calls for E or F due to non applicability or lack of information, the corresponding score has to be posted. Hence the E and F columns are not mentioned in all the pages of the guideline sheets as they are common and need no explanation in Every page.

GUIDELINES FOR SCORING ELEMENTS, CATEGORIES AND COMPONENTS

E Not applicable :0 marks F Sufficient information not available to assess: –1 mark

| I. GOVERNANCE | | | | |
|---|---|--|---|--|
| 1. BOARD | | | | |
| Score | 1 | 2 | 3 | 4 |
| Scenario | A | B | C | D |
| a. Existence & Functioning | No board or independent body exists. | Board exists but there are no regular and prespecified meetings of the board. | Board exists and meetings are held regularly, at prespecified intervals. However, board members have not assumed specific responsibilities. | The board exists and meetings are held regularly, at prespecified intervals. Board functions in a systematic manner, with specific responsibilities being allocated to different members. |
| b. Role | The board is not at all ware of the difference between and policy setting and day-to-day management. It only does day-to-day management | The board is clearly aware of the difference between policy setting and day-to-day management but still only does day-to-day management. | The board is able to clearly differentiate between policy setting and day-to-day management. It provides policy direction but is not always doing so. | The board is able to clearly differentiate between policy setting and day-to-day management. It is aware of its responsibility to provide direction and strategic accountability and is always doing so. |
| c. Member Attendance at Meetings | Less than 25% of members attend board meetings | 25-50% of members attend board meetings | 50-75% of members attend board meetings | Greater that 75% of members attend board meetings |
| d. Members experience in micro-finance | None of the board members have prior experience in micro finance. | Less than 25% of the members have prior micro-finance experience. | 25-50% of the board members have prior experience in micro-finance. | More than 50% of the board includes experienced people in the field of the Micro-Finance |
| e. Composition | Public, staff or client representation in Board is less than 25% | Public, staff or client representation in Board is between 25-50% | Public, staff or client representation in Board is between 50-75% | Public, staff or client representation in Board is greater than 75%. |
| 2. MISSION/GOAL | | | | |
| a. Existence and Percolation | The MFI has no mission or goal with regard to micro-finance | The mission exists but it is not widely understood beyond board and senior management. | The mission exists and is clear to the entire board, senior management and staff. Clients are not aware of the mission. | The MFI has a clearly articulated mission which is understood by all its stakeholders – board, management, staff, clients, wholesalers, etc |
| b. Reflection in Planning and Implementation | The mission is not at all reflected in planning and implementation | The mission is reflected in planning but is not at all evident during implementation | Plans and Strategies are aligned with mission but during implementation, adherence to mission is not very observable (i.e., major deviations exist). | Plans and Strategies are aligned with mission, and take the form of clear objective realistic actions that can be implemented. Visibility of mission during implementation is very evident. |
| 3. LEGAL ASPECTS | | | | |
| a. Legal Status | The MFI is not aware of the need to register itself | The MFI is well aware of the need to register itself according to | The MFI clearly aware of the need to register itself according to prevailing | The MFI is clearly aware of the need to register itself according to prevailing regulations for |

| | | | | |
|--|---|--|--|--|
| | according to prevailing regulations for financial intermediation. It is not a registered body under any of the laws. | prevailing regulations for financial intermediation. It is not a registered body under any of the laws | regulations for financial intermediation. The MFI is registered under law either as a trust or society (that is not the most ideal form for financial intermediation) | financial intermediation. The MFI is properly registered according to local regulations – either as a for-profit MFI, Mutual Benefit MFI or Sec 25 Company (All these three forms are most, appropriate for financial intermediation) |
| b. Violations of compliance with Existing Laws | The MFI is totally violating various aspects of the law relating to micro finance. All the following Acts are violated: Savings rules as per Section 45s of the RBI Act Section 12 A of the Income Tax Act, 1961 Usurious Loans Act State Money Lending Acts | The MFI is not in compliance with several legal requirements Three of following Act are violated: Savings rules as per Section 45s of the RBI Act. Section 12 A of the Income Tax Act, 1961 Usurious Loans Act State Money Lending Acts | The MFI is generally in compliance with legal requirements. Two of the following Acts are violated: Savings rules as per Section 45s of the RBI Act. Section 12 A of the Income Tax Act, 1961 Usurious Loans Act State Money Lending Acts | The MFI is in total compliance with the prevailing laws in the country. One of the following Acts are violated: Savings rules as per Section 45s of the RBI Act. Section 12 A of the Income Tax Act, 1961 Usurious Loans Act State Money Lending Acts |
| 4. STAKEHOLDERS RELATIONSHIPS | | | | |
| a. Orientation to Clients | The MFI views its clients as passive beneficiaries rather than as potential partners and owners. Clients are not all involved in any micro-finance decisions, planning and program design. | Clients are sometimes consulted or invited to participate in some decisions, planning and program design by the MFI. (<33% of the major micro-finance decisions ¹ in the last year). | The MFI views its clients as partners and their need and views are almost always considered in decision-making, planning and program design (33%-67% of decisions in the last year). | The MFI recognizes all of its clients as partners and obtains regular feedback from them and integrates this into its decision making, planning and overall micro-finance program design.(>67% of decisions in the last year) |
| 5. LEADERSHIP (BOARD OR SENIOR MANAGEMENT) | | | | |
| a. Concentration of Power and decision making authority | There is an individual in the MFI who controls most functions and decisions. | Decision making power is vested with few people from the Board or Senior Management. | Management decisions are delegated to large extent with significant decision-making authority for implementing staff at various levels. | Decision-making is totally decentralized across the organization, with existence of cost and profit centers. The board, senior management and staff (at various levels) have a clear understanding of their respective decision making roles/responsibilities |
| b. Management Style | Management style is totally directive and controlling and staff members are told what to do at various levels. | Except at the senior management level, management style is primarily directive and controlling (rather than enabling self-direction to employees and monitoring their performance) | Apart from at the field worker level, Management style is mainly participative and staff is mostly involved (although not always – i.e., every time) in important decisions. | Management style of senior management is very participatory as all levels and all personnel (including field workers) are fully involved in decision-making – especially, according to their expertise in the relevant area. |

II. MANAGEMENT PRACTICES

1. ORGANIZATIONAL STRUCTURE, SYSTEMS AND POLICIES

| | | | | |
|--|--|--|--|---|
| a. Lines of Authority/ Responsibility | Lines of authority and responsibility have not been defined. | Lines of authority/ responsibility have been defined but not implemented | Lines of authority and responsibility have been defined. Responsibility has been assigned but the necessary authority has not been conferred on individuals to permit them to operate effectively. | Lines of authority and responsibility have clearly defined and properly implemented. |
| b. Systems and Policies | The MFI has not developed any management systems and policies. | The MFI has developed management systems and policies but they are not used at all | The MFI has developed management systems and policies but they are not used all the time | Management policies and systems are in place and are used always in the organization. |

2. PLANNING

| | | | | |
|--|---|--|--|--|
| a. Annual Planning | The MFI carries out no annual planning exercise | There is an annual planning process but with no inputs from staff and others | The is an annual planning process with appropriate inputs from staff alone | Inputs from all appropriate stakeholders are always taken into account during the structured annual planning process. |
| b. Mission and Resource Compatibility of Planning | The MFI makes plans without any reference to the mission, the resources required etc. | Annual operating plans are developed with cursory reference to mission and analysis of resource availability | Annual Planning is in consonance with mission and objectives. It takes into account resource availability. | Resources are planned for and allocated properly – to ensure that annual plans are indeed implemented, especially to facilitate optimal achievement of mission/objective |
| c. Review/ Modification of Plans | Plans, once implemented, are neither reviewed nor modified. | Sporadic review of plans take place but, once implemented, plans are not modified | There are regular reviews of plans during implementation but revisions are rare. | Complete flexibility exists to adjust plans as a result of the on-going regular review process. |

3. PERSONNEL ADMINISTRATION/ MANAGEMENT

| | | | | |
|---------------------------------|---|---|--|---|
| a. Employment Procedures | The MFI is not aware of the need for formal employment procedures. Formal employment procedures do not exist. | The MFI is aware of the need for formal employment procedures. However, Formal employment procedures do not exist | The MFI is aware of the need for formal employment procedures. While Formal procedures exist, recruitment processes are not clearly defined. | The MFI is aware of the need for formal employment procedures and a comprehensive system ² exists. |
| b. Recourse Procedures | Recourse procedures do not exist. | Recourse procedures exist but are not followed at all | Recourse procedures exist but are followed only for the senior management levels | Comprehensive recourse procedures exist and are followed for all levels of staff in the organization |

4. PROGRAM MONITORING

| | | | | |
|------------------------------------|------------------------|--|--|--|
| a. Occurrence of Monitoring | Monitoring is not done | Monitoring is done but it is irregular | Monitoring occurs on a regular but infrequent basis. | Monitoring occurs on a regular and frequent basis. |
|------------------------------------|------------------------|--|--|--|

| 5. ADMINISTRATIVE PROCEDURES | | | | |
|--|---|---|--|--|
| a. Existence and Use of Administrative Procedures and Manuals | No administrative procedures or manuals exist. Administrative procedures are informal and there is no documentation | Administrative procedures and manuals exist but are not referred to/used at all | Administrative procedures are formalized and manuals exist. They are not adhered/referred to all the time | Formal Administrative procedures and manuals exist. Administrative procedures are adhered to and manuals are used always. Procedures and operating manuals are updated regularly. |
| 6. RISK MANAGEMENT | | | | |
| a. Systems for Organizational Abuses | No system exists within the MFI against organizational abuses | System to protect against organizational abuses exist but are not used at all | Systems to protect against organizational abuses exist but they are not used all the time. | System is in place to protect against organizational abuses and they are used always. |
| 7. MANAGEMENT INFORMATION SYSTEMS (MIS) | | | | |
| a. Information System Characteristics | No information system exists within the MFI to collect, analyze or disseminate data. | An information system is in place but it is not at all accessible to staff. Information from the system is not used for planning. | An information system is operational and most staff have access to it. Although it is used for planning, there is no mechanism for proper integration of information from the system into the MFI's planning process. There is also no mechanism to disseminate information and/or solicit feedback. | A proper information systems exists to collect, analyze, and report data and information. All staff can access information pertaining to their job. Trained personnel are in place to manage information systems. Systems are used to process, disseminate, and solicit feedback of information. All of these are automatically fed into the planning process and used for subsequent planning and adaptation. |
| 8. REPORTING | | | | |
| a. Reporting and its Frequency | The MFI does not prepare activity (progress) reports. | The MFI prepares activity (progress) reports but only when requested or required by a funder. | The MFI prepares activity (progress) reports on a regular but infrequent basis | The MFI regularly and frequently prepares activity (progress) reports. It disseminates this information on its operations, to all stakeholders regularly. |
| b. Report Formats | There are no report formats at all. | Reports formats reflect funder needs and do not provide a holistic report of activities. | Report formats provide a comprehensive picture of the activities but they are completely standardized (boiler plate) | Reporting formats are comprehensive, flexible and respond to various stakeholder information requirements. |
| c. Use of Reports in Planning | Reports are not used for planning purposes | Reports are used for planning purposes but only during specific situations like submitting a proposal or requesting funding etc. | The MFI uses reports for future planning but only on an annual basis | Reports are always and continuously used in the interactive planning-review- planning process. |

III. HUMAN RESOURCES

1. HUMAN RESOURCES DEVELOPMENT

| | | | | |
|--|---|--|--|---|
| a. A Staff Appraisal/Promotions/Rewards | The MFI does not have a staff appraisal system. Promotion and Rewards depend on personal likes and dislikes | A staff appraisal system exists but it is not based on job performance. Criteria for Promotion and Rewards are unclear | A staff appraisal system exists and it is based on job performance. Criteria for Promotion and Rewards are however unclear | A comprehensive staff appraisal system, based on job performance, exists. Job appraisals, promotions and rewards are fully performance based. The criteria are clearly spelled out and always used while doing any of the above |
| b. Training of Staff | The MFI does not train staff at all. | Training of staff exists but it is related to work responsibility, job descriptions and staff development needs. | Training of staff exists and it is tied to work responsibility and job descriptions but not to staff development needs. | Staff training is an integrated approach based on work responsibility, job descriptions, staff capacity and development needs and organizational objectives. Opportunities exist to integrate skill acquired in training into the work environment. |

2. WORK ORGANIZATION

| | | | | |
|--|--|--|---|---|
| a. Work Flow | Work is not organized and there is little understanding of the need to organize work beyond issuing directives. | Work is organized according to plans. However, work is not coordinated across functions. | Work is organized according to plans and it is coordinated across functions. Teamwork is encouraged and work plans are shared across units and work sites to facilitate effective teamwork. | Workflow is organized according to plans and completely integrated across the organization including functions and units. Staffs participate in workflow planning. Teamwork is encouraged, facilitated and also made mandatory to ensure optimization of performance. |
| b. Internal Meetings and Staff Input in Decision Making | There are no internal staff meetings | Internal staff meetings are conducted, but on an irregular basis. It is more of a briefing and feedback from staff is not solicited | Internal staff meetings are conducted regularly although on an infrequent basis. Feedback from select staff is solicited | Staff meetings are held regularly and frequently. Information is shared freely among all staff members. Staff teams are encouraged to take initiative and be self-motivated and actually get involved in making decisions. |
| c. Intra – MFI Communication | MFI is not aware of the need for formal communication systems. No formally recognized lines or mechanisms exist for intra-MFI communication. | MFI is aware of the need for formal communication systems. However, formal communication systems do not exist and intra-MFI communication is still conducted on an informal basis. | MFI is aware of the need for formal communication systems. A formal communication system exists but it need to be standardized across the organization and geographic areas of operation. | MFI is clearly aware of the need for formal communication systems. A standardized formal communication system is in place and it ensures smooth flow of information across levels of organization and geographic areas of operation. |

| IV. FINANCIAL RESOURCES | | | | |
|--|---|---|---|--|
| 1. FINANCIAL AND ACCOUNTING SYSTEMS | | | | |
| a. Existence and Functioning of Financial Systems | The MFI has no financial (procedures and reporting) systems that are in use. | Basic financial (procedures and reporting) systems have been developed but they are not used at all (i.e., have not yet been implemented) | Financial procedures and reporting systems are in place but they are not always used | Financial procedures and reporting systems are in place and are always used |
| b. Separation of Financial from Non-Financial Services for Financial Management | The MFI does not separate financial and non-financial services for the purposes of financial management | Project funds are separated by financial versus non-financial services, when funders require it. The MFI's accounts have however not yet been set up independently for financial and non-financial services | The MFI's funds are separated across financial and non-financial services, although not always (every time). While different account categories exist for financial and non-financial services, the MFI's accounts have not yet been completely bifurcated across financial and non-financial services. | The MFI's accounts have been set up independently for financial and non-financial services. Clear account categories exist for separating financial from non-financial services and this is a feature always implemented on a continuous on-going basis within the organization. |
| 2. BUDGETING | | | | |
| a. Existence and Quality of Budgets | Budgets do not exist | Budgets exist and are produced when funders require them. They are neither holistic nor accurate | Budgets exist and are developed annually. They are somewhat accurate and variance is between 15%-40% | Integrated budgets exist and are broken down into annual, six monthly or quarterly or monthly budgets. Projections are realistic and match actual expenditures (by and large). Budget variance is 15% or less |
| b. Use of Budgets as an Management Tool | Budgets are not used as a management tool. The MFI has no formal budget controls in place. | Budgets are used as a Management tool but only when a specific situation (funder review or evaluation) mandates their usage. The MFI has no formal budget controls in place. | Budgets are used regularly as a management tool but not always and everywhere. Some senior management staff, department and organizational unit heads use budgets to control their activities and operations. The MFI has no formal budget controls in place. | The annual or six monthly or quarterly or monthly budgets are properly implemented and they are controlled on an ongoing continuous basis as all times and all levels by various staff. The MFI has formal budget controls in place. |
| 3. CONTROLS/AUDIT | | | | |
| a. Conduct of Internal Audits | There are no Internal Audits | Internal Audits exist but are very irregular ³ There are no written down procedures for internal audits | Internal Audits are conducted on a regular basis but not frequently ⁴ . Written down procedures for internal audits exist but are not used always ⁵ | Regular internal audits are conducted frequently ⁶ . Written down procedures for internal audits exist and are used always |
| b. Conduct of External Audits | No external audit is carried out. | External audits are carried out but only when required by funders ⁷ . | External audits are carried out annually but they do not include a review of management practices. | External audits are comprehensively done on an annual basis. Audit reports include a review of management practices as well. Recommendations on management practices in annual external audit reports are implemented (subsequently). |

V. MICRO-FINANCE SERVICES

1. EXPERTISE

| | | | | |
|------------------------------------|---|---|--|---|
| a. Micro-finance experience | The MFI has little (< 1 year) micro-finance program experience. | The MFI is gaining experience (1-3 years) in micro-finance. | The MFI has significant experience (3-6 years) in micro-finance. | The MFI has a large and relevant micro-finance experience (> 6 years), that it can share with other MFIs. |
|------------------------------------|---|---|--|---|

2. PRODUCT PACKAGING

| | | | | |
|--|--|--|--|--|
| a. Need based Products | The MFIs micro-finance products are completely standardized. In other words, all of the following are true with regard to the MFIs products and product packaging: There is no client input in product design. | The MFIs micro-finance products are standardized to a large extent. In other words, three of the following are true with regard to the MFIs products and product packaging: There is no client input in product design. | The MFIs micro-finance products are customizable to a large extent. In other words, three of the following are true with regard to the MFIs products and product packaging: There is no client input in product design. | The MFIs micro-finance products are completely customized. Clients can exercise a great deal of flexibility in accessing services and hence, the MFIs products meet the evolving needs of clients (Demand based services). In other words, three of the following are true with regard to the MFIs products and product packaging: There is no client input in product design. |
| | The MFI offers standardized credit, savings and insurance services. Lending is just for productive purposes determined solely by MFI Savings are mandatory or forced with no interest or dividend being paid to clients. | The MFI offers standardized credit, savings and insurance services. Lending is just for productive purposes determined solely by MFI Savings are mandatory or forced with no interest or dividend being paid to clients. | The MFI offers standardized credit, savings and insurance services. Lending is just for productive purposes determined solely by MFI Savings are mandatory or forced with no interest or dividend being paid to clients. | The MFI offers standardized credit, savings and insurance services. Lending is just for productive purposes determined solely by MFI Savings are mandatory or forced with no interest or dividend being paid to clients |
| b. Service Delivery Mechanisms | The MFI does not use client based peer mechanisms (e.g., groups etc.) for service delivery. | The MFI uses non-community owned client based peer mechanisms for service delivery (i.e., Joint Liability Groups or Solidarity Groups) | Irrespective of the context, the MFI uses community owned client based peer mechanisms for service delivery (SHGs and village banks etc.) | The MFI uses multiple mechanisms (depending on the context) including client based peer mechanisms for service delivery. (SHGs/ Village Banks/Solidarity Groups/ Joint Liability Groups/ MACS groups/Individuals etc) |
| c. Pricing of Micro-Finance Service | The MFI is not charging prices for its services – e.g., it is giving interest free loans etc. | The MFI is charging, below cost prices for its services – e.g., it is charging very subsidized interest rates on loans | The MFI is charging prices necessary to meet almost all costs of service delivery – i.e., subsidized but closer to market interest rates ⁷ . | The MFI is charging prices greater than its cost of service delivery – i.e., market or higher rates of interest |
| d. Peer Pressure Mechanisms | MFI is not aware of need to have disincentives and incentives there are no disincentives for bad clients and no incentives for good clients. | MFI is aware of need to have disincentives and incentives but has not at all used them so far. | MFI is aware of need to have disincentives and incentives for clients. Disincentives and incentives exist and are enforced and used, though not always | MFI is clearly aware of need to have disincentives and incentives for clients. Proper incentives and disincentives exist and are enforced and used always. |
| e. Client capacity building (Preparation) | The MFI is not aware of the need to build capacity of clients and hence, it is not doing so. | The MFI is aware of the need to build capacity of clients but has not yet done so. | The MFI is aware of the need to build capacity of clients. It provides trainings and capacity building support to its clientele, but not always. | The MFI is aware of the need to build capacity of clients. It always provides training and capacity building support to its clients – in fact, this is the first in the set of services delivered to clients. |
| f. Client Awareness Building | The MFI is not conscious of the need to educate or build general awareness | The MFI understands the need to educate and build awareness of clients but has not yet done so | The MFI understands the need to educate and build awareness of clients. It builds general awareness of | The MFI understands the need to educate and build awareness of clients. It proactively educates and |

| | | | | |
|---|--|--|--|--|
| | among clients. | | clients. It builds general awareness and educates clients based on available resources but not on clientele | builds general awareness among clients, especially in relation to their needs. |
| 3. Micro-finance Program Impact Assessment | | | | |
| a. Systems for Impact Assessment | The MFI does not have a system to evaluate the impact of its micro-finance activities. It also has no mechanism with which to gather baseline data required for impact assessment. | The MFI has a system to evaluate impact but indicators are not comprehensive. There is no baseline data. | The MFI has established a comprehensive system for impact assessment. While baseline and impact data are collected, the results are not used for modification of micro-finance products, delivery mechanisms, etc. | The MFI has a comprehensive system for impact assessment with significant client input. Baseline and impact data are collected and analyzed regularly. Results of impact assessments are used to make adjustments to the program design. Results are disseminated as appropriate/relevant. |

| | | | | |
|---|--|--|--|--|
| VI. MICRO-FINANCE PROGRAM PERFORMANCE | | | | |
| 1. SELF-SUFFICIENCY | | | | |
| a. Operational Self-Sufficiency | Less than 50% | Between 51 – 75% | Between 57 – 100% | Greater than 100% - i.e., MFI is generating a surplus over operating costs ⁸ |
| b. Financial Self-Sufficiency | Less than 50% | Between 51 – 75% | Between 57 – 100% | Greater than 100% - i.e., MFI is generating a surplus over operating plus financial costs. |
| c. Subsidy Dependence Index (SDI) | SDI is a very large positive figure, indicative of huge subsidies. SDI > 300 | SDI is a large positive figure, indicative of a significant subsidy component. SDI between 300-100 | SDI is less than 100 but greater than 0, indicating that the MFI is moving towards sustainability. | SDI is 0 or negatives, indicating complete sustainability, especially after adjustment for all forms of subsidies. |
| 2. EFFICIENCY | | | | |
| a. Cost per unit of money lent | Cost per unit of money lent is very large, often exceeding 45% of amount lent. | Cost per unit of money lent is large, often around 30 – 45% of the amount lent. | Cost per unit of money lent is reasonable, often around 15 – 30% of the amount lent. | Cost per unit of money lent is optimal, often around 5 – 15% of the amount lent. |
| b. Case load per field worker | Less than 7 groups per field worker | 7 – 15 groups per field worker | 15 – 25 groups per field worker | Greater than 25 cohesive groups per field worker |
| 3. RLF MANAGEMENT | | | | |
| a. External/Internal funds in RLF | Greater than 4 | Between 4 – 3 | Between 3 - 2 | Less than 2 |
| b. Rotation of Revolving Loan Fund (RLF) | Circulation of portfolio is less than 1 (times) | Circulation of portfolio is between 1 – 1.5 (times). | Circulation of portfolio is between 1.5 – 2 (times) | Circulation of portfolio is greater than 2 (times). |

| 4. REPAYMENT RATES (WITHIN MFI) | | | | |
|--|--|---|---|--|
| a. Online Repayment | Less than 70% | Between 70 – 80% | Between 80 – 90% | Greater than 90% |
| b. Current Repayment | Less than 75% | Between 75 – 85% | Between 85 – 95% | Greater than 95% |
| c. Cumulative Repayment | Less than 75% | Between 75 – 86% | Between 86 – 97% | Greater than 97% |
| 5. REPAYMENT RATES (MFI TO WHOLESALERS) | | | | |
| a. Cumulative Repayment | Less than 75% | Between 75 – 86% | Between 86 – 97% | Greater than 97% |
| 6. PORTFOLIO QUALITY | | | | |
| a. Portfolio at risk | Greater than 25% | Between 15 – 25% | Between 5 – 15% | Less than 5% |
| b. Loan Losses | Greater than 15% | Between 7 – 15% | Between 3 – 7% | Less than 3% |
| 7. PROFITABILITY | | | | |
| a. Return on Invested Capital | Less than 0% (Negative) | Between 0 – 3% | Between 3 – 5% | Greater than 5% |
| 8. LIQUIDITY | | | | |
| a. Quick ratio | Less than 1:1 | 1:1 to 1.25:1 | 1.25:1 to 1.5:1 | 1.5: to 2.00:1 |
| b. Financial cost coverage ratio | Less than 50% of financial cost | 50-75% of financial cost | 75-100% of financial cost | More than 100% of financial cost |
| c. Debt Service Coverage Ratio | Less than 50% of principal and interest | 50-75% of principal and interest | 75-100% of principal and interest | More than 100% of principal and interest |
| 9. GROUP MANAGEMENT | | | | |
| a. Regularity of Savings | 75% of members save as stipulated | 75 – 85% of members save as stipulated | 85 – 95% of members save as stipulated | Greater than 95% of members save as stipulated |
| b. Regularity of Meetings | 75% of groups hold meetings as stipulated | 75 - 85% of groups hold meetings as stipulated | 85 - 95% of groups hold meetings as stipulated | Greater than 95% of groups hold meetings as stipulated |
| c. Regularity of Attendance | 75% of members attend meetings as stipulated | 75 – 85% of members attend meetings as stipulated | 85 – 95% of members attend meetings as stipulated | Greater than 95% of members attend meetings as stipulated |
| d. Average Group Size | Less than 5 or > 30 members | 5 – 10 or 25 – 30 members | 10 – 15 members | 15 – 20 members |
| e. Record Keeping | Records are maintained by field workers and kept by MFI's. | Records are with groups but maintained by field workers. | Records are with groups but maintained by paid accountant. | Records are with groups and are maintained by members themselves. |
| f. Governance | Group leader/office bearers dominate and there is no participation by other members in various activities. | Group office bearers dominate and at best, one or two other members are vocal in discussions and participate in various activities. | Group office bearers are rotated (once in less than 2 years) in a democratic manner. There is widespread participation by members in group activities | Group office bearers change on an annual basis and there is widespread participation by members with regard to various group activities. |

| VII. SUSTAINABILITY | | | | |
|---|---|---|--|--|
| i. Sustainability | Group sustainability (avg) is less than 50% | Group sustainability (avg) is between 50%-75% | Group sustainability (avg) is between 75% - 100% | Group sustainability (avg) is more than 100% - i.e., the group is generating a surplus from its operations |
| ii. Impact | | | | |
| a. Credit Usage | Less than 25% of clients use credit | 25 – 50% client use credit | 50 – 75% clients use credit | Greater than 75% clients use credit |
| b. Savings Usage | Less than 25% of client save | 25 – 50% clients save | 50 – 75% clients save | Greater than 75% clients save |
| c. Number of Active Clients | Less than 1000 active clients | 1000 – 5000 active clients | 1000 – 5000 active clients | Greater than 10000 active clients |
| d. Empowerment Impact – Decision Making Influence within Household | Less than 25% clients have increased their role and influence in economic and other household decision making | 25-50% clients have increased their role and influence in economic and other household decision-making. | 50 75% clients have increased their role and influence in economic and other household decision-making. | Greater than 75% clients have increased their role and influence in economic and other household decision-making. |
| VIII. EXTERNAL RELATIONS | | | | |
| a. Experience and Orientation | The MFI has no plans to work in collaboration with other MFIs. The MFI does not have experience in working with other MFIs. | The MFI has plans to work in collaboration with other MFIs but has not done so till date | The MFI works with other MFIs. The MFI participates I and supports MFI networks, but as yet does not play a leadership role in any MFI network | The MFI works with other MFIs and networks and shares resources with them. The MFI has assumed a leadership role in promoting coalitions/networks. |
| b. Government Collaboration | The MFI does not collaborate with government agencies. | The MFI collaborates with govt. agencies but on a sporadic basis | The MFI collaborates regularly (but infrequently) with govt. agencies. It is often called upon by Government to implement specific projects or collaborate on various specific activities. | The MFI collaborates regularly and frequently with govt. agencies and exchanges resources. The MFI's <u>activities and recommendations</u> are always integrated into government's development plans |

I. Guidelines

- PACT is not a product but a process. As such the best results come when we operate with the partner at a level where both are mutually comfortable. The information is transparent and an exclusive property of the Organisation.
- The PACT per se is means and not an end unto itself. The PACT should form base for strategic business plan and long range forecast, aligning itself with other financial and development statements and records.
- Warm up for the administration of PACT setting right tempo for the dialogue. The ice breaking can be through the presentation of earlier findings of some organizations without naming them and the utility derived by the assessed organisation.
- The success in assessment lies in jointly planning a step-by-step approach with the partners.
- The right information can be elicited by cutting across the range of multi informants who may be primary or intermediary or external stakeholders.
- The PACT process is punctuated by interactive dialogue methods with brain storming points to ponder over. The informants should never inflate the information on performance indicators due to over enthusiasm or to look smart. But they should be made to realize that the realistic assessment of where they stand vis-à-vis the corresponding element may help them further charter the right improvisation plan.
- The intermediary result of the PACT is the realistic assessment of SWOT and forms an insight into the ways and means to convert the weakness and threat to their advantage as strengths and opportunities.
- PACT is not a calendar event and can take comfortable time depending upon the efficient information systems available with the partners. There is no wrong in helping them build the information before making assessment in that particular area of performance.
- Never give the impression that the PACT exercise is gateway to partnership knot. More than partnership, PACT is a valuable guide for the organisation to learn from the mistakes and move forward.
- The best results in the application of PACT comes from inter organizational comparisons of two or more partners.
- The PACT users, while assessing the performance, need not go in a strict taylor made sequential order but can choose their own comfortable and flexible approach.
- PACT as a strategic tool cannot be used in isolation, but to be read with other statements like financial statements, audits reports and MIS.

II. Some dos and donots

1. Have a clear picture ahead of time of how you are going to explain your role as an Evaluator.
2. Make the stake holders understand and appreciate the importance of evaluation a
3. Mind experts are respected but not shared, don't look like expert.
4. Assure participants of confidentiality.
5. You are not census enumerator but an appreciative inquirer. Do not go with the PACT sheets.
6. Keep a record of interviews and relevant comments.
7. *Verify statements by referring to relevant documents and through Observation.*
8. Indicate how the information collected will be used.

III. Data Sources, Documents and Observation Guidelines

During the assessment process, try to meet the line functionaries especially field level functionaries, community leaders and the client partner families to elicit their opinion.

Collect all the records and information sheets for further process. Silent observation some times gives insight into the institutional dynamics. Instead of scanning all the records on the field, better we collect the copies for back to office processing. Information data like group records etc., may have to be noted down at the field level itself. Never bring the originals from the field with a promise to return after PACT report is prepared. This practice sends wrong signals.

It is also desirable not to give any tentative or suggestive rating, the agency is going to get. With one rating agency, it so happened that the rating orally indicated at the end of the fieldwork turned out to be diagonally opposite when the rating and recommendations arrived after 15 days from the rating agency.

IV. Interviewing Protocols

Interview involves asking questions, listening to and recording responses, and following up with additional appropriate questions. But never appear like a formal interviewer. In the context of PACT it is more Appreciative Inquiry (AI) than the interview. The questions can be structured or unstructured but should not be impersonal or vague. We can ask live questions like if you were president of the cooperative how will you react to the problem? Appreciative Inquiry (AI) is the information lifeline for PACT.

V. PROGRAM PERFORMANCE INDICATORS

1. **Self-sufficiency**
 - ◆ Operational self-sufficiency.
 - ◆ Financial Sufficiency.
 - ◆ Subsidy Dependence Index (SDI)
2. **Efficiency**
 - ◆ Cost per unit of money lent.
 - ◆ Caseload per field worker.
3. **RLF Management**
 - ◆ External/Internal funds in RLF.
 - ◆ Rotation of Revolving Loan Fund (RLF).
4. **Repayment Rates (within MFI)**
 - ◆ On time Repayment.
 - ◆ Current Repayment.
 - ◆ Cumulative Repayment
5. **Repayment Rates (MFI to Wholesalers)**
 - ◆ Cumulative repayment
6. **Portfolio Quality**
 - ◆ Portfolio at risk.
 - ◆ Loan Losses
7. **Profitability**
 - ◆ Return on Invested Capital
8. **Liquidity**
 - ◆ Quick ratio.
 - ◆ Financial cost coverage ratio
 - ◆ Debt service coverage ratio
9. **Group Management**
 - ◆ Regularity of Savings
 - ◆ Regularity of Meetings
 - ◆ Regularity of Attendance
 - ◆ Average Group Size
 - ◆ Record Keeping
 - ◆ Governance
 - ◆ Sustainability
10. **Impact**
 - ◆ Credit Usage
 - ◆ Savings Usage
 - ◆ Number of Active Clients
 - ◆ Asset Increases
 - ◆ Income Increases
 - ◆ Empowerment Impact – Decision Making Influence within Household
 - ◆ Empowerment Impact – Income spending Patterns
 - ◆ Empowerment Impact – Custody of Income

VI. PRELIMINARY CHECKLIST OF PARAMETERS FOR PACT

Office Level

- Registration status of the organization.
- Number of board members – their professional training, experience and involvement.
- Years of involvement in micro finance.
- Proportion of staff-time in micro finance.
- Proportion of budget in micro finance.
- Proportion of client families in the villages covered.
- Proportion of project villages to total number of villages within geographical boundary of the project.
- Does the MFI provide any training for micro finance, nature of training?
- Does MFI provide any BDS, nature of such services?
- Does MFI provide any insurance services, nature of such services?
- Does MFI provide technology support for micro finance, nature of this support.
- Number of total members.
- Number of women members.
- Number of SHGs.
- Number of employees in micro finance.
- No of managerial staff in micro finance, experience of each one in micro finance.
- No of professionally trained in the micro finance managerial staff.
- CEO's experience in micro finance.
- Who decides whether the groups should revolve savings, get external funds, expand membership, penalize late payers, increase loan size, change the group leader etc.
- What kind of repayment schedule exists, borrower cards, register at branch office, consolidated schedule at office level etc?
- How do they record loans disbursed & borrower profile, how much lag?
- How do they record amounts recovered, how much lag?
- How do they record amounts due, how much lag between loan disbursement and recording of due?
- Number of errors in 50 pages of any accounts.
- Lag between audit date and 31st March (3 year average).
- Do they have any system of internal audit, can they show any of the internal audit reports, quality of audit.
- Do they have any formal budgets, cash flows for micro-finance any informal plans, how well are these systems working?
- Do they provide financial information readily? How open are they, do they prepare micro finance income statement separately, how accurate is it, do they show micro-finance operations as part of

their overall income statement, how appropriate, do we get a clear idea of how much money is coming in and how much is going out, do the repayment figures provided by them seem accurate.

- Total member savings at year-end.
- Member savings for the last year or total savings at start of the year.
- Total external loans at end of the year.
- Proportion of production loans.
- Cumulative due from SHGs, how did they arrive at this figure.
- Cumulative recovered, how did they arrive at this figure.
- Age statement of over dues, %age > 30, 60, 90 days and more.
- Time taken for repaying over dues for sample 10 loans which were running in arrears.
- Total external loans at start of the year.
- Interest collected from SHGs during the year.
- Other fees collected from SHGs during the year.
- Income from any other investments made by MFI.
- Interest due during the year on external loans.
- Salaries of employees directly or indirectly in micro-finance.
- Annual operating (office/admin) expenses
- Annual travel expense for micro-finance.
- Total fixed assets in micro-finance, annual depreciation.
- Total Social Intermediation costs, annual amortization.
- Principal repayments due to FI during last year.
- Principal due to FI in next year.
- Interest due to FI in next year.
- Withdraw able component of savings at start of the year.
- Withdraw able component of savings at end of the year.
- Loan outstanding to SHGs at start of the year.
- Loan outstanding to SHGs at end of the year.
- Disbursements to SHGs during the year, or cumulative, disbursements at the start and end of the year.
- Cash and other investments of MFI at start of the year.
- Cash and other investments of MFI at end of the year.
- Repayment schedule and record of MFI to FI: Age statement of overdue.
- %age > 30, 60 and 90 days.
- Repayment schedule and record of MFI to FI, time taken to settle overdue.
- Is there any evidence of organization trying to reduce old overdues by entering fresh loans against them. Rescheduling and/or Refinancing. Take a sample of 20 loans which were running in arrears till the end of the term for last installment, are there fresh loans of almost equal amounts against the old ones on dates very close to recorded repayment dates.

GROUP Level

- Size of SHGs.
- Loans outstanding at start of the year.
- Loans outstanding at end of year.

- Loans disbursed during the year.
- Total group savings at start and end of the year.
- Total external funds at start and end of the year.
- Cumulative due from members.
- Cumulative recovered from members.
- Age statement of over dues; pick out loans currently in arrears and see how old these arrears are, reasons for such arrears, %age > 30, 60 and 90 days.
- Pick out 10 loans running in arrears at some point in the past, time taken to settle overdues for each loan.
- What kind of records (accounts) is being maintained at group level, by whom.
- Are borrower repayment cards being filled appropriately.
- How are field workers keeping track of overdues.
- How are group leaders keeping track of overdues.
- What methods does the group use to get repayment of overdues.
- How regular are meetings, how is the attendance at these meetings.
- What kind of action the group has been involved in apart from m-c.
- How are the leaders elected, changed, rotated?
- What are the rules for leaving/joining groups?
- How do they decide who should get a loan and how much?
- What benefits do they see in the SHG?
- What are they using the loan for?
- How often the field worker visits the groups?
- Rates at which group lend to members, has NGO put a ceiling on it, do they lend to non-members, at what interest rate?
- Do individual members know the loans outstanding against their names, their cumulative savings.
- Are loans being channeled through the SHG or directly by MFI?
- What are the responsibilities of the group with reference to m-c. What happens if one of the group members do not repay on time, do other members get fresh loans at that time.

Individual Level (From Households/Village)

- What are the various livelihoods available in the area? Get Range.
- Seasonal Livelihood Calendar.
- Critical Months and Coping Strategies.
- Principal and Secondary Occupations
- Extent of Agriculture base in Livelihoods.
- Value addition possibilities in Agriculture – Processing etc.
- Major need – credit, technical support, marketing etc.
- Need for the Use of Credit.
- Seasonal Food Calendar, Eating Patterns and Food Availability.
- Shelter and Infrastructure Issues – Ratio shop etc.
- Access to other Basic Services.
- Health issues and Facilities/Services.
- Education, Attitude and Facilities/Services.
- Income Patterns and Stability.
- Food from Subsistence Production.
- Food from Cash Crops/Livelihood.
- Expenditure Patterns.
- Priorities in Expenditure.
- Household Decision Making Influence and Roles by Gender.
- Women and Custody of Income.
- Family Sizes, Heads of Household, Eating Patterns.

VII. Standardized Report Format for PACT Results

- The technical results of a PACT assessment should be interpreted and narrated in standard, easy-to-read report formats.
- These should enable all the stakeholders and other user's to understand the situation of the MFI and clarify subtleties, which cannot be explained quantitatively.
- They should also provide enough information to be able to stand on their own.
- The Standardized Report Format for PACT Results provides a clear and simple way to organize the report and to present the findings, conclusions and recommendations.



Outline and Chapterization

- Title Page
 - Acronyms
 - Executive summary
 - Table of contents
 - Annexures/appendices
-
1. **Introduction and Executive summary**
 - a. Background
 - b. Objectives
 2. **Methodology**
 - a. Framework
 - b. Information gathering
 - c. Information analysis
 - d. Limitations/constraints
 3. **Analysis of the Findings**
 - a. Strengths
 - b. Weaknesses
 4. **Conclusions and Recommendations**
 - a. Conclusions
 - b. Recommendations
 5. **Annexures/appendices**

VIII. Formulae for Selected Key Indicators

I. SELF-SUFFICIENCY

$$(1) \text{ OPERATING SELF-SUFFICIENCY RATIO} \\ \text{Operating Self-Sufficiency} = \frac{\text{Financial Income}}{\text{Operating Costs} + \text{Loan Loss Provision}}$$

$$(2) \text{ FINANCIAL SELF-SUFFICIENCY RATIO} \\ \text{Financial Self-Sufficiency} = \frac{\text{Financial Income}}{\text{Fin.Cost} + \text{Op.Cost} + \text{Loan Loss Prov.}}$$

$$(3) \text{ SUBSIDY DEPENDENCE INDEX} \\ \text{SD1} = \frac{A * (m-c) + E * m + K - P}{LP * I}$$

Where A = Total Funds Borrowed by an MFI;
M = Prevailing market interest rate
C = Concessional interest rate
E = Equity
K = Total of Grants received
P = Profit
LP = Outstanding Portfolio
I = On-lending interest rate

II. EFFICIENCY

$$(1) \text{ COST PER UNIT OF MONEY LENT} \\ \text{Cost pr Unit of Money Lent} = \frac{\text{Operating Costs}}{\text{Total Amount Disbursed in the Period}}$$

$$(2) \text{ CASE LOAD PER FIELD WORKER} \\ = \frac{\text{Total Number of Clients}}{\text{Total Number of Field Workers}}$$

$$(3) \text{ OPERATING COST RATIO} \\ = \frac{\text{Operating Costs}}{\text{AVERAGE LOANS OUTSTANDING}} \times 100$$

III. RLF MANAGEMENT

$$(1) \text{ EXTERNAL/INTERNAL FUNDS IN RLF} \\ = \frac{\text{Total External Funds in RLF}}{\text{Total Internal Funds in RLF}}$$

$$(2) \text{ ROTATION OF RLF} \\ = \frac{\text{Loans Disbursed}}{\text{Average RLF}}$$

IV. REPAYMENT RATES

- 1(a) Current Period Repayment rates**
Amount received during period
= $\frac{\text{Amount received during period}}{\text{Amount due (as per schedule during period)}} \times 100$
- (b) Current Period Repayment rates with prepayments**
Amount received during period - prepayment
= $\frac{\text{Amount received during period - prepayment}}{\text{Amount due (as per schedule during period)}} \times 100$
- 2(a) Cumulative Repayment Rate**
Amount received till date
= $\frac{\text{Amount received till date}}{\text{Amount due (as pr schedule till date)}} \times 100$
- (b) Cumulative Repayment Rate with Prepayments**
Amount received till date – prepayments
= $\frac{\text{Amount received till date – prepayments}}{\text{Amount due (as per schedule till date)}} \times 100$
- 3a. Cumulative on-time repayment rates**
Amount paid (till date as per schedule)
= $\frac{\text{Amount paid (till date as per schedule)}}{\text{Amount due (till date as per schedule)}} \times 100$
- (b) Cumulative on-time Repayment rates with prepayments**
Amount paid (till date as per schedule) – prepayments
= $\frac{\text{Amount paid (till date as per schedule) – prepayments}}{\text{Amount due (till date as per schedule)}} \times 100$

V. PORTFOLIO QUALITY

- (1) PORTFOLIO IN ARREARS**
Portfolio in Arrears = $\frac{\text{Value of Payments in Arrears} \times 100}{\text{Value of Loans Outstanding}}$
- (2) PORTFOLIO AT RISK**
Portfolio at Risk = $\frac{\text{Value of Outstanding Balance of Loans in Arrears} \times 100}{\text{Value of Loans Outstanding}}$
- (3) LOAN LOSS RATIO**
Loans Loss Ratio = $\frac{\text{Amount Written Off} \times 100}{\text{Outstanding Portfolio}}$
- (4) RESERVE RATIO**
Reserve Ratio = $\frac{\text{Loans Loss Reserve} \times 100}{\text{Loans Outstanding}}$

VI. PROFITABILITY

$$(1) \text{ RETURN ON INVESTED CAPITAL} = \frac{\text{Net Profit}}{\text{MFI Equity}} \times 100$$

VII. LIQUIDITY

$$(1) \text{ QUICK RATIO} = \frac{\text{Cash + Marketable Securities + Current Receivables}}{\text{Current liabilities}}$$

$$(2) \text{ FINANCIAL COST COVERAGE RATIO} = \frac{\text{Earnings before Financial Costs and Income Taxes}}{\text{Financial Costs}}$$

$$(3) \text{ DEBT SERVICE COVERAGE RATIO} = \frac{\text{Net Financial Margin + Interest Repaid + Dep.}}{\text{Debt Payable (Principal + Interest)}}$$