

Pakistan Microfinance Network (*PMN*)

Performance Indicators Report (PIR) workshop “Sharing Microfinance Resources and Knowledge In South Asia”

January 29, 2004

presentation **outline**

- Importance of Information / Transparency
- The Information Continuum
- What is the PIR
- Why PIR?
- Issues / challenges in PIR
- Process of improvements to PIR
- Impact of PIR
- Lessons Learnt
- The New PIR
- PMN and Information Continuum
- Benchmarking
- Performance Standards

Why Transparency / Information

- Improve MFIs performance
 - Trend analysis
 - Comparisons
 - Decision Making
- Commercialization of microfinance
 - Attract market funds
 - Massive expansion of microfinance services

Information Continuum



Adapted from: *MicroBanking Bulletin* no. 7

Performance Indicators Report (PIR)

what is the PIR

- Publication started in 1999
- The PIR is now published on a bi-annual basis
- The PIR comprises
 - Indicators on sustainability, efficiency , portfolio quality and savings ([tables](#))
 - Sector analysis ([annex I](#))
 - Individual members trend analysis ([annex II](#))

Why **PIR**?

- **Initial Objectives:**
 - Enhance transparency
 - Create an environment of healthy competition
 - Map progress in the sector
- **Emerging Objectives:**
 - Set industry standards / benchmarks in Pakistan
 - Promote a culture of self regulation

Issues / challenges in PIR

- Standardization
- Cost Allocation
- Allocation of Investment Income earned through 'Endowment funds'
- Data reliability
- Capacity to generate data
- Ensure data submission on time

Process of PIR **improvement**

- Constant feed back from the members and market
- Issues and probable solutions taken up by the PMN finance committee
- Decisions by finance committee for board approval
- Presentation of changes to the membership for comments and consensus
- Approval of the changes by the Board

Impact of PIR on the **Market**

- Microfinance is taken seriously – wide distribution of PIR
- Improved the credibility of member organizations

Impact of PIR on the **Members**

- PIR has been a tool for management to take decisions and make changes e.g.,:
 - Microfinance as a separate business from other development issues
 - Cost allocation to mf operations
 - Introduction of loan loss reserve and write off policies
 - Change interest rates to match cost structures
 - Comparisons of mf program and review of performance through trend analysis

lessons learnt

- Members commitment to transparency
- Members vision broadened to include entire sector
- Flexibility and compromise is important
- Issues / Challenges should be discussed and sorted in open meetings of all members
- Management at the network secretariat must add value to the work of MFIs and be seen to be neutral
- Trust between members

Improvements to PIR

- Developing data collection tool kit,
- Data adjustments,
- Peer grouping organizations,
- Report indicators as reported in the MBB
- Define and calculate ratios as per MBB

Information Continuum



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Performance Indicators Report (PIR)

Benchmarking

- What?
 - Creating reference points for comparing the performance of Institutions
- For whom and why?
 - MFI Managers and board members
 - Donors and Investors
 - Regulators
 - Networks and Raters
- How?
 - Comparable Data
 - Comparable Groups
 - Benchmarks

Benchmarking

- The MIX Market collaboration
 - The Micro Banking Bulletin
 - National Benchmarking Reports
- Regional Reports
 - South Asia
 - Central Asia

Performance Standards

- Normative levels set for specific performance measurement, e.g.,
 - 5% PAR (over 30 days)
 - CAR of 20%
- Unlike Basle standards for commercial banking MFIs do not have widely agreed performance standards