

## Performance of Microfinance Institutions in Nigeria: an appraisal of self-reporting institutions to Mix Market

**Abraham, H.**

Professor of Economics  
School of Economics,  
University of Cape Town  
South Africa

**Balogun, I.O**

School of Economics  
University of Cape Town  
South Africa

### Abstract

*Microfinance profile in Nigeria from Mix Market shows the value of loans at 88.2 million (USD, 2010), active borrowers of 582, 264 (2010), value of Deposits 62.3 million (USD, 2010), and number of depositors 710, 224 (2010) from 33 MFIs as at March, 2012. Is this the true state of things? How many of the service providers are self-sustainable? The answers to these questions are the focus of this paper. Operators' lack of understanding of how to run microfinance institutions is an obstacle to the performance of these institutions (looking at the number of OSS). The performance of the MFIs shows the poor state of reporting in the financial development of the nation as well as the weakness of the apex bank. The number of institutions providing data to mix market is very low in comparison to licensed operators and some of those reporting have incomplete records. The remedy to these challenges is through application of technological innovation that will include human and material resources.*

**Keywords:** borrowers, credit, efficiency, deposits, microfinance, repayment

### Introduction

Nigeria has the largest population in sub Saharan Africa, with 144.7 million out of a total of 782.5 in SSA<sup>1</sup>. The age structure in the country is 0 – 14 years: 41.2%, 15 -64 years: 55.7% and 65 years and over 3.1%. The population is estimated to grow at about 2% annually, infant mortality is 92.99/ 1,000 live births and the average life expectancy is 47.24 years. Available labour force by occupation statistics show that agriculture accounts for 70%, of the country's economic activity, industry 10% and services 20%. The economy is largely rural with minimal commercialized farming<sup>2</sup>.

The domestic credit to private sector (2000 – 2008) as a percentage of GDP is low. As shown in Fig.1.0 this declined from 15% to 13% for 5 years and increased to 25%, 34%, and 37% in 2006, 2007 and 2008 respectively. The changes were in response to a new drive by the Nigerian government to allow the economy to be driven by the private sector and market forces. Those who have access to credit facilities are mostly those who bank with conventional banks. That is, many poor people cannot make use of loan facilities because they do not have collateral to secure loans, and benefit from such credit. Microfinance profile in Nigeria shows the value of loans at 88.2 million (USD, 2010), active borrowers of 582, 264 (2010), value of Deposits 62.3 million (USD, 2010), and number of depositors 710, 224 (2010) from 33 MFIs (Mix Market database, 2011). This information is below the reality as over 900 microfinance institutions are in the country, but the data represent self- reporting institutions to the global database for microfinance industry.

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<sup>1</sup> Source: 2008 –The Little Data Book on Africa pg76

<sup>2</sup>. Central Intelligence Agency – The World Fact book - Nigeria

The purpose of this study is to evaluate how much information is available on microfinance institutions in Nigeria through Mix market database and how adequate is it in assessing the industry. This research will consider the efficiency and productivity indicators that are common with the industry (see Jansson, et al. 2003, CGAP/World Bank, 2003, Saltzman and Salinger, 1998). Apart from these indicators other simple statistical tools will be used also to assess the industry, given available data. The rest section of the paper is divided into four sections –brief review of literature, source of data, methodology and findings, and conclusion.

### ***Brief Review of Literature***

Thapa, (2007) said sustainability in microfinance can be financial, managerial or organizational. However, financial sustainability dominates in the industry as a measure of efficiency, profitability and productivity. The ability of a microfinance institution to cover all operational expenses from income earned through financial services after adjusting for inflation and subsidies make it institutional and financially sustainable (Natilson, 2001; Rosenberg, 2009, Deize and Aseidu, 2010). However, Sedzro and Keita, (2009) said this type of evaluation deals with only two dimensions of the institution under evaluation, that is, the numerator and denominator, and is therefore not an exhaustive examination. Repayment rates, operating cost ratio, market interest rates and portfolio quality have therefore been suggested as additional measures (Shah, 1999; Natilson, et al. 2001). Rodman, (2012) said the evaluation method used must not only be relevant and reliable but it has to be accessible with the data used to help others doing the same or similar study.

Microfinance financial sustainability indicators include return on asset (ROA), which measures the net operating income as a percentage of average total assets. This indicates how MFI use assets to generate profit. Another indicator, return on equity (ROE), measures the net operating income as a percentage of average total equity (or net assets). Investors or shareholders use this measure to determine what the institution's returns will be on their equity investment. However, subsidized institutions can be judged on the following three measurements - Adjusted return on asset (AROA), financial and operational self-sufficiency (OSS) and subsidy dependency indicator (SDI) as these allow donor agency to determine the impact of present subsidies (Natilson, et al. 2001, Rosenberg, 2009, Deize and Aseidu, 2010). Profitability measurement is applicable to all types of MFIs (profit, non-profit or NGO) and the findings can be used by the investors, operators, and donors to evaluate the potential viability of the institution.

In the case of efficiency and productivity indicators, Natilson, et al. (2001), state that these allow management decisions to be pragmatic in increasing or reducing inputs that affect the ratios. Indicators that show efficiency and productivity assist the institution to have a competitive edge in the industry. Management decisions about credit methodology, credit terms and markets in which to operate directly affect efficiency and productivity (Jansson, 2003). Personnel, administrative expenses, and client base are basic variables in this area. Common indicators are:

- Operating expense ratio—consists of operating expenses as a percentage of average portfolio, revealing how much the MFI spends to maintain its outstanding loan portfolio. The use of operating expenses as an indicator is flawed in that it will make an MFI granting small loans look worse than an MFI granting large loans, even if both are efficiently managed.
- Cost per borrower—this figure shows how much it costs the MFI to serve clients. It requires dividing operating expenses by the average number of clients for the period.
- Cost per unit of money lent—shows how many cents it takes the MFI to make a \$1 loan, and is calculated by dividing operating expenses by the value of loans disbursed in a given period. It is expected that as the MFI grows, its cost per unit of money lent should fall.
- Staff productivity ratios—are vital ratios for all financial institutions because staff is usually the largest operating expense. The two ratios calculate the size of the case load (the number of active clients) each loan officer carries, as well as the size of the loan portfolio managed by each loan officer. The higher the ratios, the more efficient the MFI.
- Client retention- there is the view in the industry that new clients are more expensive as they must be recruited and trained, and because first-time applicants require greater analysis. Also, they tend to have smaller than average loans and therefore generate less financial income. Thus, microfinance institutions focused on retaining good clients (Rosenberg, 2001; Schreinder, 2002, Natilon,et l.2001,).

Portfolio quality indicators describe the loan portfolio which is pivotal to financial institutions. According to Natilon, et al. (2001), a MFI does not receive its revenue at the time of sale (loan disbursement) but afterwards, therefore the institution must be concerned about the quality long after the sale. The standard practice and regulation expectation is that MFI should calculate portfolio at risk (PAR). Because if a payment is late the entire loan balance is at risk, as the likelihood of recovering the balance of the loan is less if even one payment is late. The indicator reflects the management's ability to recover loans disbursed but system lapses and high delinquency make financial sustainability difficult.

Another measure is loan-loss reserve adequacy, that is, write-offs as a percentage of the average gross loan portfolio. CGAP, SEEP and several networks organisation have developed standards for reserves (table 1.1) that show the standards at which provision must be made for delinquency. However, the write-offs do not imply the banks should cease to make efforts to recover the loan even after 180 days.

### **Source of Data**

The data for this research is based on secondary data sources from publicly available third- party agencies such as MIX (Microfinance Information eXchange), World Bank, and CBN. Although available to the public CBN data is highly aggregated (website) and disaggregated data is not available to the public (classified). But a study of this nature requires disaggregated data that would permit analysis of individual microfinance institutions. Therefore, the best option is to use MIX data which is self –reported by MFIs. However, the MIX database has data for 33 of the 986 licensed service providers in the country, indicating the dataset is a sample of the population (Kuchler, 2011). Hararska and Mersland, (2009) caution on the use of data sets from independent organizations because these may include incomplete information. However, it should be recognised that these 33 institutions represent about 60% of the industry in terms of outreach, deposits and international network linkages (Sannusi, 2010; Isern, et. al. 2009). Data from CBN is also used where necessary to highlight issues.

### **Methodology and Findings**

The simply ratio used in the industry is adhere to in assessing the efficiency of institutions concerned as per the secondary data. The efficiency and productivity indicators are:

- Operating expense ratio calculated by dividing all expenses by the period's average gross portfolio.
- Cost per borrower is calculated as operating expenses divided by number of active borrowers.
- Personnel productivity is calculated by dividing the number of active borrowers by total staff
- Loan officer productivity is calculated as the number of active borrowers divided by number of loan officers.

Table 1.2 shows the length of time each of the 11 microfinance institutions (2006) which submitted their report to the mix market, 4 are new (1-4 years), 1 is fairly new (5-8 years) and 6 are mature (more than 8 years) implying they have been operating since before 2005 microfinance regulation and supervision policy was in force. In the area of level of depth of reporting and transparency according to the industry benchmarks, the 4 new MFIs include two institutions having 3 and 4 diamonds ratings. That is beyond levels 1 - 2, there is financial data for at least two consecutive years and audited financial statements. The fairly new microfinance bank have 3 diamonds, while the mature banks include two having 2 diamonds, one with 3 and two with 5 diamonds.

According to the benchmark standard levels 5 is the best. In 2007, out of 12 institutions only three achieved 5 diamond ratings, four with 4 diamonds, two with 3 diamonds, two have 2 diamonds and 1 bank have a single diamond rating. We observed that the diamond levels in 2006 are still being maintained by those in operation in 2007. This pattern of maintaining previous ratings is also true for years 2008, 2009 and 2010 (fig. 5.1). For instance, Alliance MF, DEC, LAPO and SEAP have remained at their diamond level ratings since 2006. However, the profit status for these institutions in Nigeria differs as profit and non – profit institutions are included. Regulation of non-profit institutions is different from profit institutions (CBN, 2005). The GPFBLC at the 1 diamond level in 2007 remained on that level by 2010 fiscal year, although its legal status changed within that period from bank to an NGO. This shows that the institution has not improved their level of reporting beyond general information. Several microfinance institutions are not classified by age or diamonds, 7 in 2008, 12 and 14 for 2009 and 2010 respectively.

Table 1.2 shows the current legal status of MFIs, including banks, NBFIs, NGOs, credit unions/cooperative and others. In 2006, there were 4 banks (36.4% of MFIs), 3 NBFIs (27.3%), 4 NGOs (36.4%). By 2007 the number of banks rose to 6 and NBFIs to 4, but NGOs were reduced to 2. More institutions acquired the legal status of banks in 2008 to 2009 with 10 and 15 banks being registered respectively. Currently there are more microfinance institutions operating as banks than as others types of MFIs (table. 1.2). In 2006, 33% of MFIs were not regulated and 77% were under CBN regulation. In 2007, 2008, 2009 and 2010 there were 33.3%, 6.25%, 14.3%, and 16.7% unregulated institutions, while regulated institutions added up to 66.7%, 75%, 85.7% and 72.2% respectively. The implication of this is that more than 70% MFIs are under the central bank control and their operations monitored for conformity to best practice in the industry. However, a large minority of these institutions' regulation status could not be determined: 18.75% in 2008 and 11.1% in 2010. This shows that there is incomplete information available on the status of these institutions.

The outreach levels for the MFIs shows (fig. 1.2) that institution with less than 10,000 clients (termed small) add up to 54.5%, 50%, 18.8%, 9.5% and 5.6% for 2006, 2007, 2008, 2009 and 2010 respectively. Medium sized MFIs (10,000 -30,000 clients) added up to 9.1% (2006), 8.3% (2007) and 6.3% (2008). However, 18.2% (2006), 25% (2007), 18.8% (2008), 19% (2009) and 11.1% (2010) are institutions with large outreach of above 30,000 clients. In 2009 and 2010, 71.4% and 83.3% of MFIs had outreach status that was unclassified. This indicates that for these years outreach status classification would not give a true picture. The reason for this may be lack of knowledge of the reporting standard which was reflected in the diamonds ratings (few with best rating) or just an omission on the part of self-reporting institutions.

Table 1.3 and fig.1.3 show the growth that has occurred in the industry between 2006 and 2010. There is over a 100 per cent increase in assets, gross loan portfolio and deposits between 2007 and 2006, and about 40% increase in outreach. The reasons for this could be that new entrants into the industry, better understanding of objective and competition. However, there was a 55.9 per cent decrease in gross loan portfolio and a -10.7 per cent decrease in the number of active borrowers in 2008 because fewer institutions submitted their reports to Mix or some have left the industry. Between 2009 and 2010 the growth rate was less than five per cent for deposits and number of active borrowers, while growth in assets and gross loan portfolio was negative. This was the period 224 MFIs' had their licenses withdrawn by CBN. It is observed that deposits to total assets, gross loan portfolio to total assets, capital/asset ratio and average deposit balance per depositor for MFIs operating in Nigeria had low ratio value. Some of the operators have negative capital/asset ratio in 2010. For example, Crest MF (-17.54%), FGMfB (-22.83%) which does not portray them as performing well (Appendix A& B).

Table 1.5 shows the growth rate personnel productivity indicators for MFIs that reported their operations to MIX, 2011. There was significant growth (344.77%) between 2008 and 2009 and a sharp reduction the following year 2009 and again in 2010(-79.19%) which may have resulted from the withdrawal of licensed of 224 microfinance institutions by the CBN. This means the affected MFIs would lay off staff and no reporting would be done by such institutions. Although 124 of these 224 were later re-issued operating licenses the initial problem had been created (Atonko, et al. 2010). The negative growth affected other factors of staff productivity like loans per loan officer (1.6% from 260.74%), borrowers per staff member which declined from 49.24% in 2009 to -2.82% in 2010 (see fig.1.4). The MFIs were able to manage their loan portfolio well to reduce the number of loans outstanding, which is a function of the willingness of customers to pay back loans as well as proper recovery efforts by the operators (fig. 1.5 and table 1.4). The period 2008-2009 was good for these institutions with positive growth but 2010 recorded a sharp decrease in performance that captured the crisis within the period.

### **Efficiency and Productivity indicators**

Table 1.6 shows the summary of efficiency and productivity indicators for 2006- 2010 which highlights the performance trend self-reported by microfinance institutions to Mix market. The average operating expense ratio for the period covered is below 30% indicating that operating costs is within tolerable limit. Fig.1 6 shows that 2008 showed the highest operating costs which reflected the global economic recession and 2010 showed the lowest operating cost. This is not bad for a growing industry with majority of microfinance institutions in urban areas. The high operating expenses are similar to others on the continent (19%) which is attributed to high staff expenses and high transaction costs (Mix/CGAP, 2011; Orodje2010).

The cost per borrower ratio shows the cost of maintaining an active borrower (fig. 1.7). This shows that the cost per borrower was lowest in 2010 and highest in 2006. Size of loan is not included in the calculation; therefore institutions with larger loans do not automatically appear more efficient, as is the case with the operating expense ratio (Jansson, et al. 2003). Operating expense were highest in 2008, cost per borrower was lowest in 2006. That is, in 2010 it cost \$20.48 to serve a borrower but in 2006 this was \$351 showing a cost reduction as time progresses for the industry. The ratio (2007 and 2008) is in line with the benchmarking report for the West African region in the same period (Mix/CGAP 2010).

The personnel productivity indicator depicted in fig.1.8 shows that the average borrower per staff member is lowest in 2010 and highest in 2006, though low ratio does not mean staff have less work load but are tied up with more paper work. The MFIs productivity ratio is within the boundary for benchmarking for Africa, especially the western zone. However, the highest borrowers per staff member ratio of 652.8 in 2006 is extreme but was due largely to COWAN's 4,483 and 5, 067 borrowers per staff member for 2006 and 2007 respectively. The average personnel productivity ratio tends to be higher for NGOs than for banks. For instance, the average borrower per loan officer ratio in 2010 was 361.25 for NGOs and 197 for banks.

The information available for the indicators as per Mix Market data revealed that some of the MFIs level of reporting is below expectation. For some institutions there are no data on which to assess their performance. For example, under operating expense indicator there is no data for 3 institutions in 2006 and 2007; while 50%, 76%, 55% for 2008, 2009 and 2010 respectively. In the case of cost per active borrower we have 27%, 66%, 68%, 52% and 66% for 2006, 2007, 2008, 2009, and 2010 respectively. Borrowers per staff member data is better recorded for 2006 – 2010 when compared with the former indicators – 18%, 8%, 12%, 19% and 11%. However, Borrowers per loan officer ratio data is not recorded for 36%, 33%, 43%, 28% and 11% for the same period 2006 – 2010. The implication here is that the institutions concerned are not reporting adequately. This could affect Nigerian MFIs' quality of evaluation and comparison globally.

Portfolio quality indicators used here allow an evaluation of their performance in line with the standard to ascertain how vulnerable MFIs in Nigeria are to repayment risk. Portfolio at risk (30 and 90 days) for 2009 and 2010 are considered but risk coverage data from Mix Market is rather scanty, hence its exclusion. Appendix B & C shows that in 2009 two Microfinance institutions have above 10% recommended reserve requirement ratio (AZSA, 47.07% and Gobarau MFB, 32.96% for PaR, 30days, while PaR, 90days the institutions that have record for it are below the 50% reserve required. The PaR, 30days and 90days for 2010 (fig. 1.9) shows that five and four MFIs have above the required reserve ratio, thereby demand management to step up on loan recovery efforts. ChikumMfb that had above 80% of 30days and 90days PaR have NON -OSS rate on sustainability for 2010, just as AMfb). Several other mfis have no information on MixMarket which could be used to determine the level of their loans delinquency.

### **Conclusions**

The number of microfinance institution in Nigeria is increasing at a rapid rate in response to the growing need for financial services to the poor. The legal framework for these institutions is relatively new and there is a need for time for its development, and much is yet to be seen with regard to its ability to regulate this sub sector of the financial sector. Most of the MFIs examined are located in urban areas in the state capitals and few at local government headquarters of the country (Gaul, 2011). This means only the urban poor are reached by their services. Microfinance institutions used in this study exhibit a lax attitude to data handling, which is one of their structural defects. The CBN needs to be more thorough in supervision as regulator to ensure compliance with the rules. It is observed that only 32 MFIs are reporting their activities to the Mix Market, which is the global database for the industry, some of those reporting have provided incomplete information. Furthermore, having 32 out of 986 institutions submitting reports to the global database give half picture of the industry in the country. The low rate of self-reporting MFIs indicates that some are not having 2 years consecutive report and audited financial statement to qualify for inclusion or not aware of such global database.

The insufficient data provided by self-reporting MFIs do not allow for fair assessment of their performance. Moreover, the central bank of Nigeria only provides aggregated data to the public. This has potential of not allowing independent researchers to assess the institutions in order to promote improved services, profitability and comparison.

This attitude could change by taking advantage of advancement in information technology and more investment in human resources as this could enhance accountability and transparency with regard to record keeping within these institutions. Technological gap must be bridge as banking service providers in the country would benefit from technological innovation for the unbanked population as an estimated 70 million mobile subscribers are in the country, which the 11 licensed mobile money operators can serve given that only 28 million people in Nigeria have bank accounts (Rotman, 2011). In addition, their data reporting ability will be enhanced and accurate.

In conclusion, microfinance institutions in Nigeria have structural weaknesses that are a potential threat to the sustainability of these institutions. Secondly, operators' lack of understanding of how to run microfinance institutions is an obstacle to the performance of these institutions (looking at the number of OSS). The performance of the MFIs shows the poor state of reporting in the financial development of the nation as well as the weakness of the apex bank. The number of institutions providing data to mix market is very low in comparison to licensed operators and some of those reporting have incomplete records.

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The MIX Market, Information exchange for microfinance industry - [www.mixmarket.org](http://www.mixmarket.org)

Fig.1.0 Domestic Credit to Private Sector in Nigeria

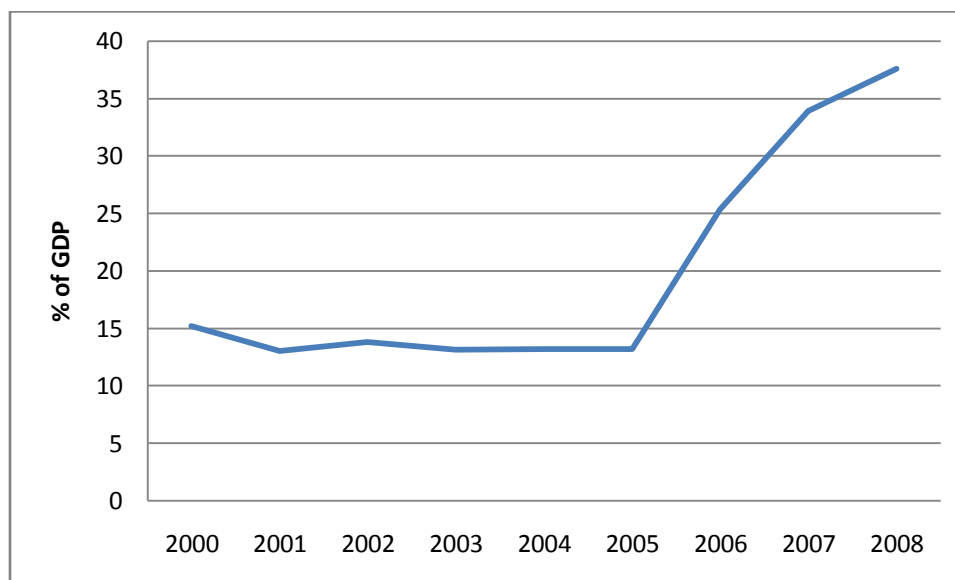


Table 1.1 Expected Standards for Reserves against Delinquency

Aging Categories	Reserve Required
1-30days	10%
31-60days	25%
61-90days	50%
90-180days	87%
181 days or more	100%

Source: adapted from CGAP and the SEEP, (2003)

Fig. 1.1 Diamonds level of MFIs in Nigeria (2006-2010)

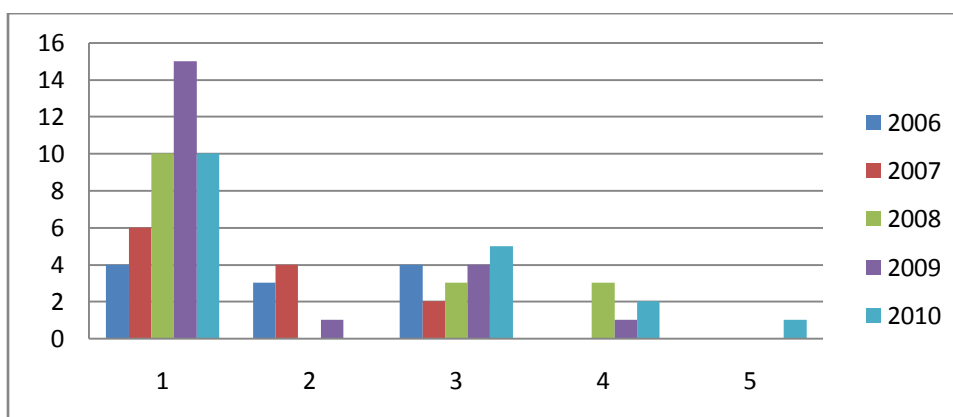


Table 1.2 MFIs' rating for 2006 - 2010 (MIX, 2011)

MFI name	Fiscal Year	As of Date	Age	Diamonds	Current legal status	Regulated	Profit status	Outreach
COWAN	2007	31/12/2007	Mature	2	NBFI	No	Profit	Small
Karis MFB	2007	31/12/2007	Young	3	NGO	No	Non-profit	
DEC	2007	31/12/2007	Mature	5	NGO	No	Non-profit	Small
Alliance MFB	2008	31/12/2008	New	4	NGO	No	Non-profit	Large
SEAP	2009	31/12/2009	Mature	5	NGO	No	Non-profit	Medium
Greenland MFB	2009	31/12/2009			NGO	No	Non-profit	Small
FGMfB	2009	31/12/2009			Other	No	Non-profit	Small
GPFBLC	2010	31/12/2010		1	NGO	No	Non-profit	Large
WODASS	2010	31/12/2010			NGO	No	Non-profit	Small



Nassarawa MFB	2010	31/12/2010			Other	No	Non-profit	
Karis MFB	2006	31/12/2006	Young	3	Bank	Yes	Profit	Small
LFH	2006	31/12/2006	New	3	Bank	Yes	Profit	Small
ICMFB	2006	31/12/2006	Mature	4	Bank	Yes	Profit	Small
DEC	2006	31/12/2006	Mature	5	Bank	Yes	Profit	Small
COWAN	2006	31/12/2006	Mature	2	NBFI	Yes	Profit	Large
Ascend Nigeria	2006	31/07/2006	New	3	NBFI	Yes	Profit	Large
Alliance MFB	2006	31/12/2006	New	4	NBFI	Yes	Profit	
Olomi MFB	2006	31/12/2006	Mature	2	NGO	Yes	Non-profit	Small
AMfB	2006	31/12/2006	New	4	NGO	Yes	Non-profit	Small
LAPO	2006	31/12/2006	Mature	4	NGO	Yes	Non-profit	Small
SEAP	2006	31/12/2006	Mature	5	NGO	Yes	Non-profit	Large
Olomi MFB	2007	31/12/2007	Mature	2	Bank	Yes	Profit	
AMfB	2007	31/12/2007	New	4	Bank	Yes	Profit	Medium
ICMFB	2007	31/12/2007	Mature	4	Bank	Yes	Profit	Small
LAPO	2007	31/12/2007	Mature	4	Bank	Yes	Profit	Small
IMFB	2007	30/09/2007	New	5	Bank	Yes	Profit	
SEAP	2007	31/12/2007	Mature	5	Bank	Yes	Profit	
GPFBLC	2007	31/12/2007		1	NBFI	Yes	Profit	Large
Ascend Nigeria	2007	31/07/2007	New	3	NBFI	Yes	Profit	
Alliance MFB	2007	31/12/2007	New	4	NBFI	Yes	Profit	
GPFBLC	2008	31/12/2008		1	Bank	Yes	Profit	
AMfB	2008	31/12/2008	New	4	Bank	Yes	Profit	Small
ICMFB	2008	31/12/2008	Mature	4	Bank	Yes	Profit	Medium
DEC	2008	31/12/2008	Mature	5	Bank	Yes	Profit	
SEAP	2008	31/12/2008	Mature	5	Bank	Yes	Profit	Large
Crest MFB	2008	31/12/2008			Bank	Yes	Profit	
FGMfB	2008	31/12/2008			Bank	Yes	Profit	Large
Ipapo MFB	2008	31/12/2008			Bank	Yes	Profit	
Nassarawa MFB	2008	31/12/2008			Bank	Yes	Profit	

WODASS	2008	31/12/2008			Bank	Yes	Profit	Small
IMFB	2008	30/09/2008	New	5	NGO	Yes	Non-profit	Small
Zion MFB	2008	31/12/2008			NGO	Yes	Non-profit	Large
GPFBLC	2009	31/12/2009		1	Bank	Yes	Profit	
Azsa MFB	2009	31/12/2009	New	3	Bank	Yes	Profit	
Hasal MFB	2009	30/09/2009		3	Bank	Yes	Profit	Large
AMfB	2009	31/12/2009	New	4	Bank	Yes	Profit	
LAPO	2009	31/12/2009	Mature	4	Bank	Yes	Profit	
DEC	2009	31/12/2009	Mature	5	Bank	Yes	Profit	
Chikum MFB	2009	31/12/2009			Bank	Yes	Profit	
Crest MFB	2009	31/12/2009			Bank	Yes	Profit	
Gobarau MFB	2009	31/12/2009			Bank	Yes	Profit	
Ipapo MFB	2009	31/12/2009			Bank	Yes	Profit	
Nassarawa MFB	2009	31/12/2009			Bank	Yes	Profit	Large
North Capital MFB	2009	31/12/2009			Bank	Yes	Profit	
Trustfund MFB	2009	31/07/2009			Bank	Yes	Profit	
WODASS	2009	31/12/2009			Bank	Yes	Profit	
Zion MFB	2009	31/12/2009			Bank	Yes	Profit	Large
NSD	2009	31/12/2009		1	NBFI	Yes	Profit	
CGEE	2009	31/12/2009	Mature	2	NGO	Yes	Non-profit	
Gboko MFB	2009	31/12/2009			NGO	Yes	Non-profit	
NSD	2010	31/12/2010		1	Bank	Yes	Profit	Small
AMfB	2010	31/12/2010	Young	4	Bank	Yes	Profit	
SEAP	2010	31/12/2010	Mature	5	Bank	Yes	Profit	
Crest MFB	2010	31/12/2010			Bank	Yes	Profit	
Gboko MFB	2010	31/12/2010			Bank	Yes	Profit	
IMHOKHAI FARMERS INITIATIVE	2010	30/06/2010			Bank	Yes	Profit	
Ipapo MFB	2010	31/12/2010			Bank	Yes	Profit	
North Capital MFB	2010	31/12/2010			Bank	Yes	Profit	
Trustfund MFB	2010	31/07/2010			Bank	Yes	Profit	

Zion MFB	2010	31/12/2010			Bank	Yes	Profit	Large
LAPO	2010	31/12/2010	Mature	4	NGO	Yes	Non-profit	
Greenland MFB	2010	31/12/2010			NGO	Yes	Non-profit	
Pace-Setter MFB	2010	31/12/2010			NGO	Yes	Non-profit	
Trustfund MFB	2011	31/07/2011			Bank	Yes	Profit	
Azsa MFB	2008	31/12/2008	New	3			Non-profit	Large
LAPO	2008	31/12/2008	Mature	4			Non-profit	
Gboko MFB	2008	31/12/2008					Non-profit	
FGMfB	2010	31/12/2010			Credit Union / Cooperative		Non-profit	
Chikum MFB	2010	31/12/2010					Non-profit	

Fig. 1.2 Outreach Status of MFIs in Nigeria (2006-2010)

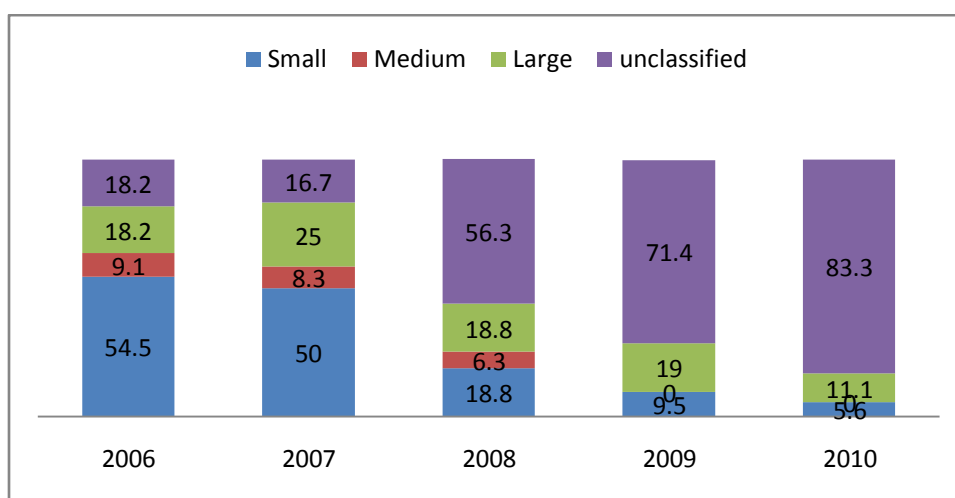


Table 1.3 Growth in key performance indicators in Nigeria (2006 -2010)

Year	Assets	Gross Loan Portfolio	Deposits	Number of active borrowers	Number of loans outstanding	Cost per loan	Deposit accounts per staff member
2006-2007	109.1	32	2.1	-2.6	512.63	-98.06	82.5
2007-2008	149.7	-55.9	595.8	-64.8	44.09	164.58	-31.53
2008-2009	213.8	138.7	42.9	0.6	277.14	405.51	184.96
2009-2010	40	-10.8	44.9	3.3	-56.18	-88.01	-29.57

Fig.1.3 Growth rate(%) in some performance indicators in Nigeria (2006-2010)

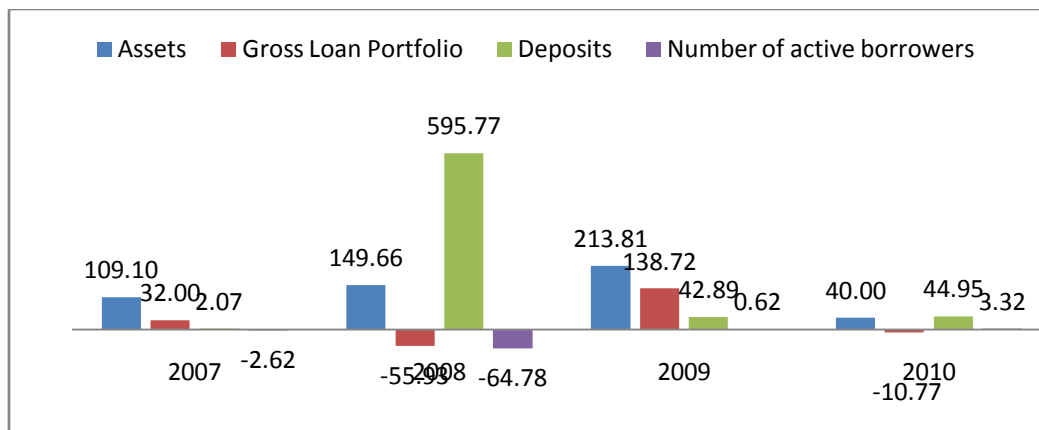


Table 1.4 Growth rates of MFIs’ Operations Indicators (2006-2010)

Year	Number of loans outstanding	Growth rate	Cost per loan	Growth rate	Deposit accounts per staff member	Growth rate
2006	28545		2479		697	
2007	174874	512.63	48	-98.06	1272	82.5
2008	251979	44.09	127	164.58	871	-31.53
2009	950322	277.14	642	405.51	2482	184.96
2010	416453	-56.18	77	-88.01	1748	-29.57

Fig. 1.3 Change in Personnel and Loan Officers Growth rate, 2006-2010

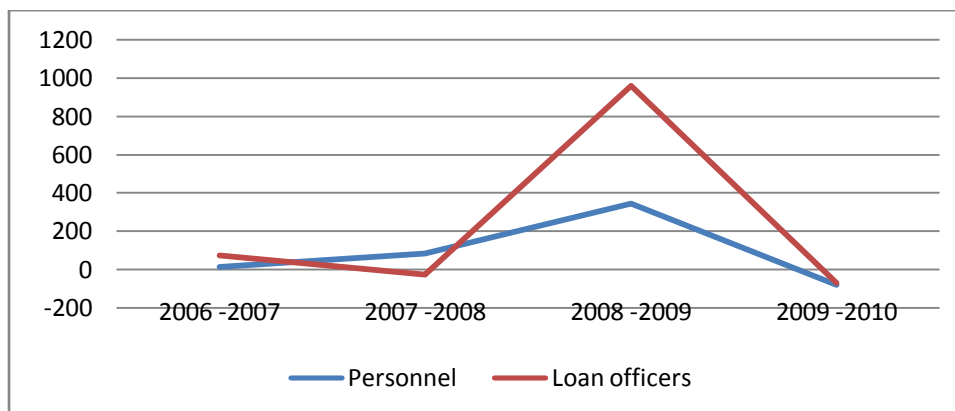


Table 1.5. Changes in Personnel Productivity indicator (2006-2010)

Year	Personnel	Growth rate	Loan officers	Growth rate	Loans per loan officer	Growth rate	Borrowers per staff member	Growth rate
2006	938		325		506		353	
2007	1066	13.65	566	74.15	1367	170.16	10455	2861.76
2008	1952	83.11	410	-27.56	782	-42.79	1117	-89.32
2009	8682	344.77	4345	959.76	2821	260.74	1667	49.24
2010	2501	-79.19	1319	-69.64	2866	1.6	1620	-2.82

Fig. 1.5 Change in Growth rate of Cost per Loan, Number of Loan Outstanding and Deposit Accounts per staff member

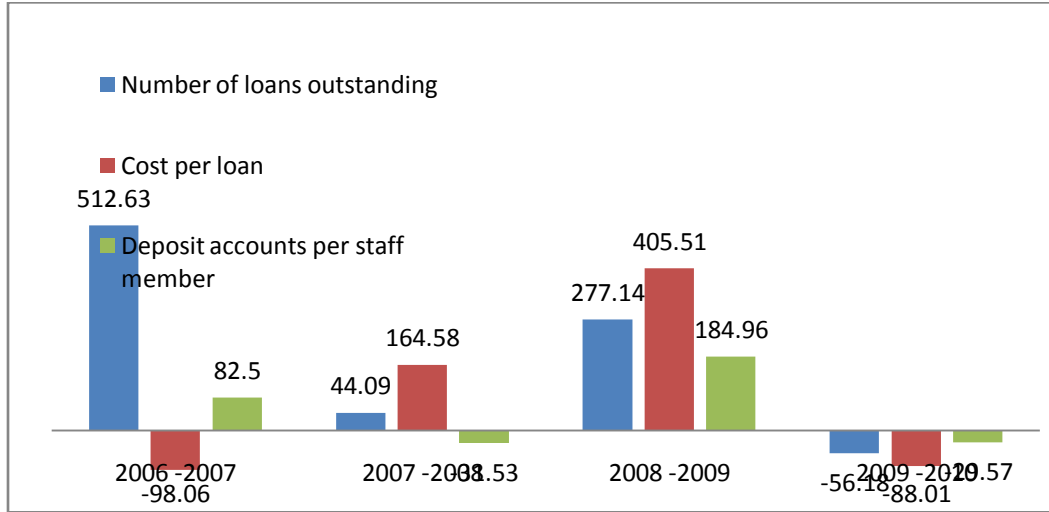


Fig. 1.6 Average Operating Expense ratio, 2006-2010

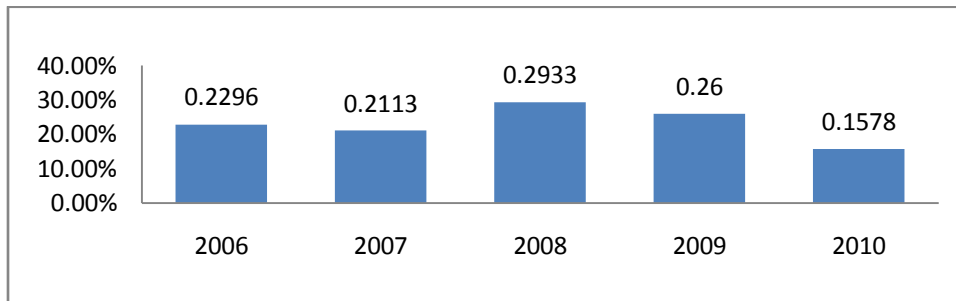


Fig. 1.7 Average Cost per Borrower ratio, 2006-2010

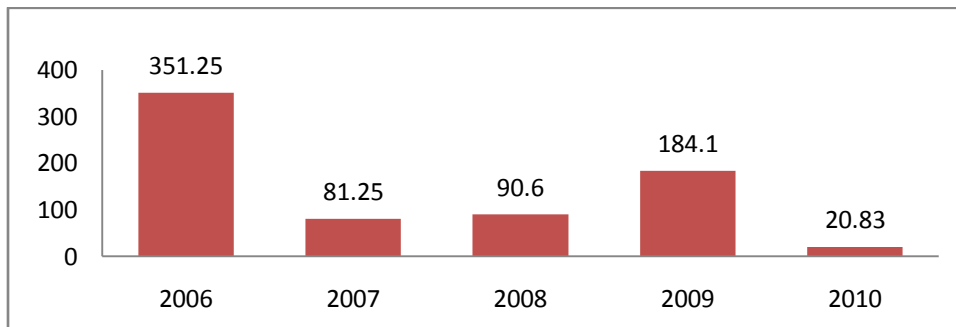


Fig.1.8 Average Personnel Productivity ratio, 2006 - 2010

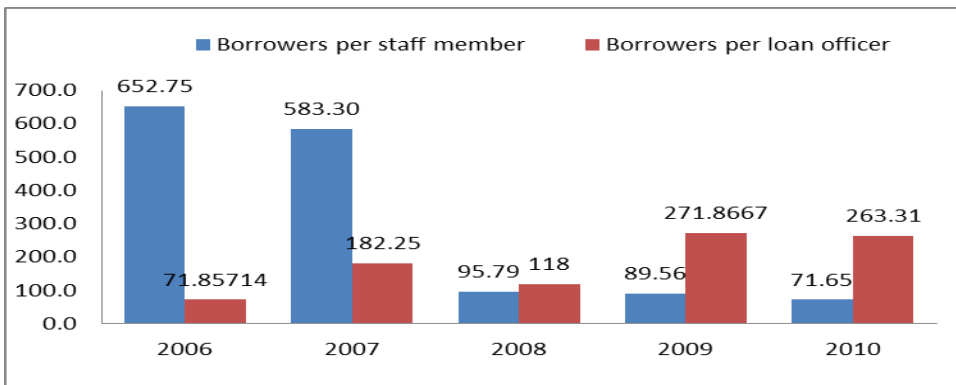


Table1.6 Summary of efficiency and productivity indicators

Period	Summary	Operating expense/ assets	Cost per borrower	Borrowers per staff member	Borrowers per loan officer
2006 (Obs.11)	Mean	22.96%	351.25	652.75	71.85714
	Min	8.97%	27	28	20
	Max	46.51%	693	4483	144
	Stddev	12.09%	247.71	1549.34	49.54267
2007 (Obs.12)	Mean	21.13%	81.25	583.3	182.25
	Min	12.55%	21	11	31
	Max	32.77%	255	5067	436
	Stddev	6.90%	115.8631	1577.184	158.2473
2008 (Obs.16)	Mean	29.33%	90.6	95.78571	118
	Min	19.79%	25	9	9
	Max	44.56%	326	282	436
	Stddev	0.095995	131.6902	91.34902	139.4095
2009 (Obs.21)	Mean	26.00%	184.1	89.55556	271.8667
	Min	12.32%	21	4	17
	Max	32.45%	861	282	448
	Stddev	82.14%	268.0338	93.79968	131.5728
2010 (Obs.18)	Mean	15.78%	20.83	71.64706	263.3125
	Min	10.45%	9	9	44
	Max	27.95%	40	189	640
	Stddev	0.053349	10.87045	65.50471	187.1629

Fig.1.9 Microfinance institutions Portfolio at Risk, 2009

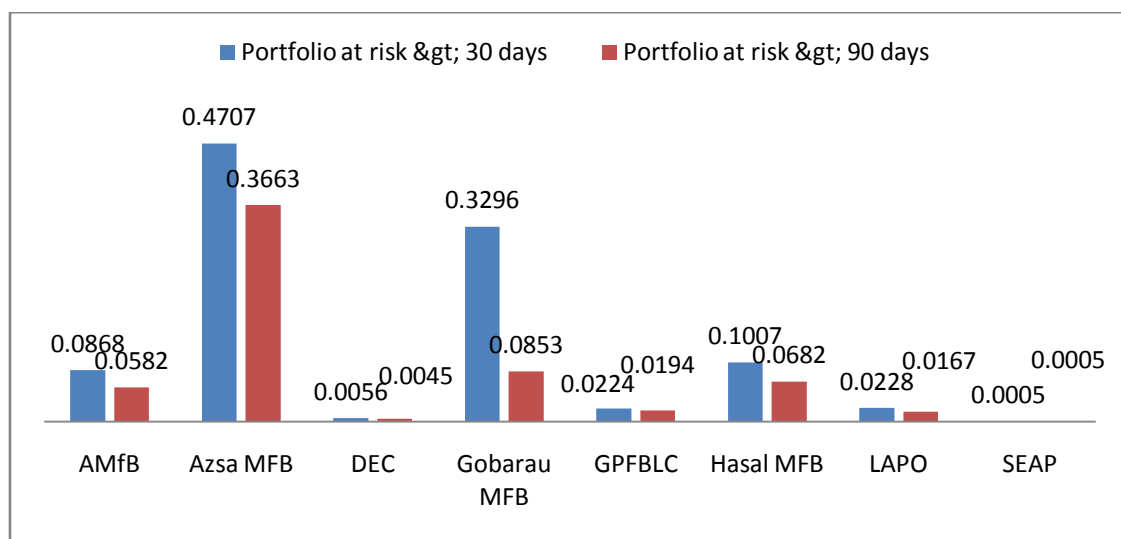
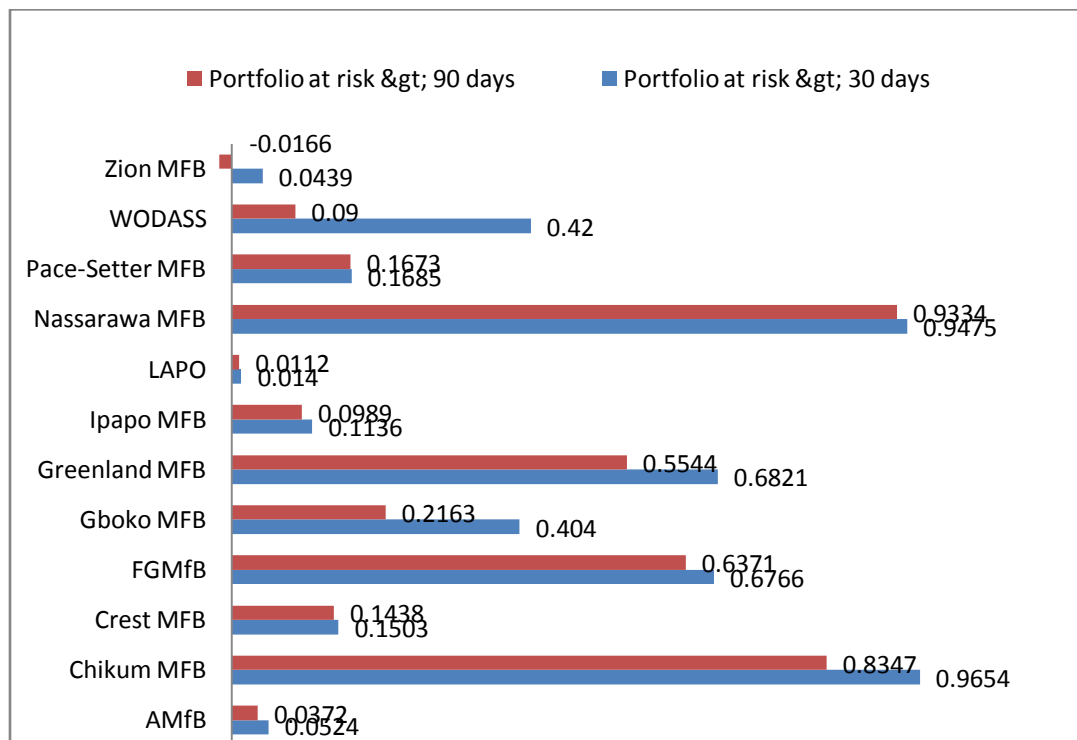


Fig 1.10 Microfinance Institutions Portfolio at Risk, 2010



Appendix A- Data of MFIs in Nigeria -2006-2010 (MIX, 2011)

MFI name	Assets	Gross Loan Portfolio	Number of active borrowers	Deposits	Number of loans outstanding
Alliance MFB	516,560	228,262	389	311,274	389
AMfB	5,285,562	0			460
Ascend Nigeria	779,910	374,357	4,500		775
COWAN	18,678,367	14,167,164	192,763		
DEC	2,695,482	1,508,866	21,168	638,564	1,076
ICMFB	257,971	178,945	654		8,712
Karis MFB	169,040	92,883	129		7,660
LAPO	11,688,472	7,891,553	84,006	3,613,924	9,473
LFH	420,275	276,423	1,882		
Olomi MFB	742,731	651,562		836,744	
SEAP	543,047	409,716	5,747	391,119	
Alliance MFB	1,757,138	706,997	460	1,318,063	268
AMfB	5,737,064	760,000	1,076	197,403	51,129
Ascend Nigeria	945,999	449,350	7,800		
COWAN	22,357,468	18,612,521	228,000		371
DEC	3,592,316	2,739,039	31,705	0	
GPFBLC	969,676	665,688	6,722	197,713	
ICMFB	649,686	381,170		245,651	
IMFB	21,310,698	6,798,125	6,200	5,892,924	
Karis MFB	271,969	136,635	220		944
LAPO	27,401,005	16,452,187	129,269	8,422,634	21,168
Olomi MFB	811,007	697,457		971,425	31,705
SEAP	1,553,360	1,339,096	24,276	929,030	69,289
Alliance MFB	1,052,210	817,749	714	481,277	69,289
AMfB	9,926,524	5,604,538	8,712	1,055,726	

Azsa MFB					
Crest MFB	905,767	233,740	378	599,662	3,134
DEC	5,051,791	4,839,242	69,289	2,330,265	
FGMfB	3,506,988	1,542,714	2,948	1,975,417	
Gboko MFB	401,184	59,095		304,031	136
GPFBLC	4,023,436	3,279,408	31,535	1,296,253	135
ICMFB	468,547	311,889	895	401,384	6,722
IMFB	42,382,311	24,465,686	23,304	14,336,279	31,353
Ipapo MFB	436,852	300,927	2,440	240,846	47,407
LAPO	39,717,151	26,197,673	200,115	15,626,063	93,022
Nassarawa MFB	1,422,479	569,474	701	889,003	
SEAP	5,586,181	5,378,747	45,721	3,661,113	227
WODASS	17,279	107,832	1,520	0	554
Zion MFB	414,601	105,178	535	189,011	
AMfB	11,039,199	5,352,449	7,660	1,354,882	
Azsa MFB	674,369	222,943	268	271,344	895
CGEE		9,804,776	51,129	2,417,076	8,641
Chikum MFB	1,257	185		922	23,304
Crest MFB	811,124	275,023	435	610,308	216
DEC	7,365,833	7,019,730	69,289	3,586,973	
FGMfB	3,744,682	1,476,702	3,131	1,856,201	
Gboko MFB	387,258	38,622		390,181	2,440
Gobarau MFB	383,886	94,090	135	115,619	
GPFBLC	5,431,127	4,633,774	47,407	2,392,430	
Greenland MFB	551,845	254,325	168	367,727	84,006
Hasal MFB	15,105,003	2,316,981	554	11,716,834	129,269
Ipapo MFB	458,408	307,077	2,440	266,602	200,115
LAPO	51,113,226	26,832,610	195,016	22,872,087	195,016
Nassarawa MFB	1,449,900	671,839	1,296	908,040	303,882
North Capital MFB	593,236			156,965	
NSD	351,973	200,669	1,475	288,324	
SEAP	15,729,945	14,956,787	179,834	10,903,545	
Trustfund MFB	2,000,351	1,304,121	1,139	1,290,684	2,538
WODASS	10,491	127,461	1,520	0	
Zion MFB	502,341	133,779	676	227,023	
AMfB	12,178,287	6,835,159	9,473	1,939,094	
Chikum MFB	2,279	562	371	1,855	1,520
Crest MFB		346,763	944	0	
FGMfB		1,259,849	3,134	2,016,388	
Gboko MFB	410,954	148,599	136	134,441	3,200
GPFBLC			93,022		5,747
Greenland MFB	547,463	276,167	227	319,051	24,276
IMHOKHAI FARMERS INITIATIVE		28,442	216	715	45,721
Ipapo MFB		343,289	2,440	341,908	152,471
LAPO	65,378,954	48,808,947	303,882	33,802,000	179,834
Nassarawa MFB	2,058,527	862,678	2,538	1,200,170	
North Capital MFB	565,177			123,301	
NSD	412,546	248,981	1,520	329,308	2,164
Pace-Setter MFB	751,370	488,715	3,200	472,946	
SEAP	28,526,712	26,231,534	157,344	19,239,969	
Trustfund MFB	3,048,907	1,988,634	1,431	2,066,569	1,520
WODASS	167,668	156,310	1,520	20,698	
Zion MFB	571,349	201,789	866	371,980	
Trustfund MFB		2,433,294	2,164	2,857,885	866



## Appendix B Data of MFIs in Nigeria -2006-2010 (MIX, 2011)

MFI name	Personnel	Loan officers	Cost per loan	Deposit accounts per staff member	Portfolio at risk > 30 days
Alliance MFB	14	6			15.09%
AMfB	23	13	378	72	12.77%
Ascend Nigeria	50	27	613	81	5.66%
COWAN					
DEC	100	55		15	2.62%
ICMFB	151	68	693	134	15.27%
Karis MFB	245	90	416	133	8.68%
LAPO	180	66	379	262	5.24%
LFH	75				1.00%
Olomi MFB	100				1.02%
SEAP					
Alliance MFB	31			130	47.07%
AMfB	208	144		274	
Ascend Nigeria					
COWAN	33	12		91	96.54%
DEC	43				0.82%
GPFBLC	45				0.68%
ICMFB	40	8			
IMFB	45	10			
Karis MFB	45	14		0	15.03%
LAPO	148	98		171	9.67%
Olomi MFB	182	121	27	294	0.00%
SEAP	246	159	21	312	0.90%
Alliance MFB	246	159	25	313	0.56%
AMfB	146	53			
Azsa MFB	155	56			
Crest MFB	155	56		272	67.66%
DEC	20	4			
FGMfB	8	6			
Gboko MFB	16	5		151	40.40%
GPFBLC	25	5		53	32.96%
ICMFB	65				1.95%
IMFB	128		33		2.39%
Ipapo MFB	280		30		2.24%
LAPO	524		39		
Nassarawa MFB	14	1			
SEAP	14	1		16	68.21%
WODASS	136	64		66	10.07%
Zion MFB	20				32.45%
AMfB					
Azsa MFB	27	2		354	54.47%
CGEE	555	367		104	1.05%
Chikum MFB	1,045	222	403	146	1.25%
Crest MFB	10	2		22	
DEC	19	6			
FGMfB	19	6			
Gboko MFB	19	6		221	11.36%
Gobarau MFB					0.00%
GPFBLC	15				32.88%
Greenland MFB	500	227	32	177	0.82%
Hasal MFB	1,018	421	35	132	1.85%
Ipapo MFB	1,639	887	61	150	1.33%
LAPO	1,923	1,151	73	126	2.28%

Nassarawa MFB	1,835	1,032	38	194	1.40%
North Capital MFB	8				0.00%
NSD	15	3			
SEAP	14	6			
Trustfund MFB	21	7		856	94.75%
WODASS					
Zion MFB					
AMfB	19	19			
Chikum MFB	29	24		70	
Crest MFB					
FGMfB					
Gboko MFB	65	5			16.85%
GPFBLC	80	36		156	0.98%
Greenland MFB	107	44	23	227	0.83%
IMHOKHAI FARMERS INITIATIVE	235	150	20	285	0.00%
Ipapo MFB	720	460	13	212	0.05%
LAPO	831	460	21	281	
Nassarawa MFB	102	24			
North Capital MFB	113	30			
NSD	120	49		378	5.32%
Pace-Setter MFB	11	4			
SEAP	11	4			
Trustfund MFB	11	4		139	42.00%
WODASS	20	3			
Zion MFB	27	3			
Trustfund MFB	27	5		125	4.39%

## Appendix C Selected Data of MFIs in Nigeria -2006-2010 (MIX, 2011)

MFI name	Portfolio at risk &gt; 90 days	Sustainability	Risk coverage	Loans per loan officer	Borrowers per staff member	Operating expense/ assets
Alliance MFB	0.00%	OSS	15.63%	65	28	17.85%
AMfB	9.74%	OSS	33.04%	35	20	
Ascend Nigeria	5.52%	OSS	15.89%	29	14	15.98%
COWAN						
DEC	0.00%	Non-OSS	107.85%	20	11	21.61%
ICMFB	10.12%	Non-OSS	67.53%	128	58	34.05%
Karis MFB	5.82%	OSS	100.86%	85	31	
LAPO	3.72%	OSS	123.15%	144	53	24.24%
LFH		OSS	100.00%		60	8.97%
Olomi MFB		OSS	98.28%		78	14.47%
SEAP						46.51%
Alliance MFB	36.63%	Non-OSS	67.94%		9	14.13%
AMfB				355	246	25.75%
Ascend Nigeria						19.04%
COWAN	83.47%		3.17%	31	11	
DEC			121.48%		4,483	22.95%
GPFBLC			146.67%		5,067	
ICMFB					9	28.56%
IMFB					10	
Karis MFB	14.38%			67	21	12.55%
LAPO	9.22%	Non-OSS	97.48%	216	143	19.21%
Olomi MFB	0.00%	Non-OSS		262	174	15.21%
SEAP	0.72%	OSS	941.85%	436	282	32.77%
Alliance MFB	0.45%	OSS	1606.87%	436	282	26.93%

AMfB					20	43.32%
Azsa MFB					20	
Crest MFB	63.71%			56	20	
DEC						24.85%
FGMfB						
Gboko MFB	21.63%		0.00%	27	9	
GPFBLC	8.53%			27	5	25.19%
ICMFB	0.00%		-51.19%		103	44.56%
IMFB	1.08%		-98.11%		246	20.21%
Ipapo MFB	1.94%		-104.55%		169	
LAPO					178	29.81%
Nassarawa MFB					12	
SEAP	55.44%		20.16%	227	16	19.79%
WODASS	6.82%		67.80%	9	4	
Zion MFB		OSS	91.92%		33	
AMfB		OSS				32.45%
Azsa MFB	46.63%	Non-OSS	77.98%	448	33	
CGEE	0.00%	OSS	173.00%	24	11	
Chikum MFB	0.92%	OSS	42.88%	105	22	
Crest MFB				108	22	
DEC					128	28.38%
FGMfB					128	
Gboko MFB	9.89%			407	128	
Gobarau MFB		OSS				
GPFBLC		Non-OSS	72.61%		15	24.98%
Greenland MFB	0.59%	OSS	244.45%	370	168	
Hasal MFB	0.36%	OSS	108.17%	307	127	
Ipapo MFB	0.65%	OSS	141.15%	226	122	
LAPO	1.67%	OSS	130.61%	169	101	31.87%
Nassarawa MFB	1.12%	OSS	159.92%	294	166	
North Capital MFB		OSS			235	
NSD					47	
SEAP					93	12.32%
Trustfund MFB	93.34%		3.49%	363	121	
WODASS						
Zion MFB						
AMfB					78	27.95%
Chikum MFB				63	52	10.45%
Crest MFB		Non-OSS				
FGMfB		Non-OSS				
Gboko MFB	16.73%		102.07%	640	49	
GPFBLC	0.71%	OSS	204.08%	160	72	
Greenland MFB	0.83%	OSS	255.67%	552	227	11.70%
IMHOKHAI FARMERS INITIATIVE	0.00%	OSS		305	195	
Ipapo MFB	0.05%	OSS	3698.91%	331	250	
LAPO		OSS		391	189	16.37%
Nassarawa MFB					11	13.70%
North Capital MFB					13	14.67%
NSD	4.49%		0.00%	44	18	
Pace-Setter MFB					138	
SEAP					138	15.94%
Trustfund MFB	9.00%		0.00%	380	138	
WODASS					27	15.42%
Zion MFB					25	
Trustfund MFB	-1.66%			173	32	