



2019 Boulder Microfinance Training (MFT) Course Syllabus

Course Information

Course:	Financial Analysis for Microfinance Institutions
Faculty:	Petronella Chigara-Dhitima
Dates:	Week 1 (July 22-26)
Time:	Afternoon (2:30pm – 5:30pm)
Language:	English

Course Description

Financial Analysis for Microfinance Institutions is a management course which aims to enhance the participants' knowledge and understanding of MFIs' financial performance. The course will explore: How to interpret financial statements; adjust financial statements for benchmarking; and calculate key ratios to measure and evaluate portfolio quality, efficiency, and profitability. Additionally, participants will learn to quantify and gauge the risks inherent in MFIs including credit risk and financial risks, and choose strategies to improve performance for sustainability. The course will also tackle issues of responsible pricing as MFIs set interest rates for sustainability.

The course will also demonstrate Excel tools that can be used to generate analytical reports quickly and analyze credit reports in greater detail.

Objectives

- To sharpen skills in reviewing and interpreting financial statements and management reports;
- To explore key performance indicators and assess the financial position as well as the institutional performance based on these indicators;
- To assess the impact of management decisions on the financial position and performance of the institution.



Prerequisites

Participants should bring their financial statements and credit/savings reports for the past three years which will enable them to apply the course lessons to their own institution. Laptops will be very useful.

Audience / Participants

This course is recommended for senior and middle level managers, board members of financial institutions, microfinance networks and apex institutions. Regulators, donors and consultants who work with MFIs and wish to understand how to analyze MFI financial performance may also participate.

Methodology

The course is highly participatory. One case study will provide the basis for exercises and group discussions to help participants identify institutional challenges through the analytical work on the case. Participants will also develop managerial solutions that can be applied across different institutional types.

Suggested Reading List

1. X Raille, C Kneiding, D Rozas 2010; Occasional Paper No. 15: "All Eyes on Asset Quality: Microfinance Global Valuation Survey." <http://www.cgap.org/publications/all-eyes-asset-quality-microfinance-global-valuation-survey-2010>
2. R Rosenberg, A Gonzalez, S Narain; 2009 CGAP Occasional Paper No. 15: "The New Money Lenders: Are the poor being exploited by High Microcredit Interest rates?" <https://www.cgap.org/sites/default/files/CGAP-Occasional-Paper-The-New-Moneylenders-Are-the-Poor-Being-Exploited-by-High-Microcredit-Interest-Rates-Feb-2009.pdf>
3. Christen, Robert Peck. 2005. "Due Diligence Guidelines for the Review of Microcredit Loan Portfolio: A Tiered Approach." <http://www.cgap.org/publications/due-diligence-guidelines-review-microcredit-loan-portfolios>



4. Isern, Jennifer and Julie Abrams with Matthew Brown. 2008. *Appraisal Guide for Microfinance Institutions. Revision of 1999 Appraisal Handbook*. Washington, D.C.: CGAP, March. <https://www.cgap.org/sites/default/files/CGAP-Technical-Guide-Appraisal-Guide-for-Microfinance-Institutions-Resource-Guide-Mar-2007.pdf>
5. Natilson, Nancy, and Tillman A. Bruett. 2001. *Financial Performance Monitoring: A Guide for Board Members of Microfinance Institutions*. Washington, D.C.: SEEP Network. <http://www.seepnetwork.org/-resources-20.php>
6. SEEP Network Financial Services Working Group and Alternative Credit Technologies, LLC, 2005. *Measuring Performance of Microfinance Institutions: A Framework for Reporting, Analysis, and Monitoring*. Washington, D.C.: SEEP Network. <http://www.seepnetwork.org>
7. SEEP Network Financial Services Working Group and Alternative Credit Technologies, LLC, 2010. "MFRS – Pocket Guide - English." Washington, D.C.: SEEP Network. <http://www.seepnetwork.org/pocket-guide-to-the-microfinance-financial-reporting-standards-measuring-financial-performance-of-microfinance-institutions-resources-180.php>
8. MIX Macroeconomic data: [http://www.mixmarket.org/en/environment/en/environment/environment/environment.search.asp](http://www.mixmarket.org/en/environment/en/environment/environment.search.asp)
9. Risk vs Return for MFIs <http://www.themix.org/publications/microbanking-bulletin/2011/04/risk-vs-return-mfis> (extract from MicroBanking Bulletin)



Course Outline

<p>Day 1 :</p>	<p>Module 1 Introduction to financial Analysis</p> <ul style="list-style-type: none"> • Introduction to Financial Analysis – overview and evolution (This session will also cover how Financial analysis is different from Accounting) • Overview of financial statements and management reports • Formatting of financial statements • Benchmarking (internal and external with peers) <p>Introduce case study</p>
<p>Day 2 :</p>	<p>Module 2: Portfolio Quality analysis</p> <ul style="list-style-type: none"> • Portfolio quality review • Measuring portfolio quality • Analysing portfolio quality key drivers • Provisions, allowances, write-off and impact on FS <p>Case study review</p>
<p>Day 3 :</p>	<p>Module 3: Analytical Adjustments</p> <p>Analytical adjustments overview</p> <ul style="list-style-type: none"> • Rationale – why adjust? • Cost of funds • Inflation • In-kind donations • Adjusted financial statements <p>Case study – adjusted FS</p> <p>Module 4: Efficiency and Productivity</p> <ul style="list-style-type: none"> • Defining Efficiency and Productivity • Key measures of efficiency (calculate) • Analyze key drivers to efficiency • How to improve efficiency & productivity <p>Case study</p>



<p>Day 4 :</p>	<p>Module 5: Asset and Liquidity management</p> <ul style="list-style-type: none"> • Importance of ALM • Leveraging capital • Debt/equity impact on profitability • Liquidity Management <p>Case study review</p> <p>Module 6: Profitability Analysis</p> <ul style="list-style-type: none"> • Key drivers to increasing profitability • Balance sheet distribution • Impact of efficiency, PQ, ALM on profitability <p>Case study review</p>
<p>Day 5 :</p>	<p>Module 7: Towards Profitable MFIs</p> <ul style="list-style-type: none"> • Pricing within Client Protection framework • Types of interest rates • Effective interest rates and APR (as used by MFT?) • Cost of credit to the borrower <p>Case study review – final analysis and recommendations on how to improve performance</p>