

OPERATIONS

MANUAL-PART 3

AMML MICRO-FINANCE BANK

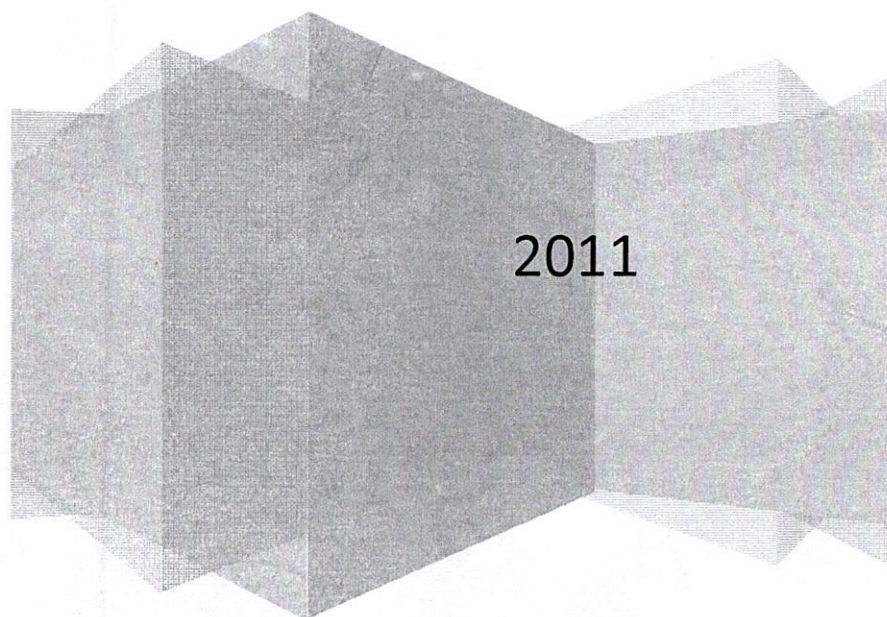


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Appendix 1

Returns to be rendered to CBN

Quarterly Returns

In compliance with the provisions of section 58 (2)b of BOFIA 1991 (as amended) the following quarterly returns shall be submitted by Micro Finance Banks (MFBs) in Nigeria

- a. Statement of assets and liabilities;
- b. Profit and Loss Account;
- c. Schedule of Loans and Investment on sector basis (number and value);
- d. Schedule of liabilities (Deposits) on maturity basis (number and value);
- e. Interest Rate Structure
- f. Schedule of Balance held with Banks
- g. Returns on:

1. Borrowings from other MFBs, other financial institutions, individuals, and non-financial institutions
2. Credits to other, MFBs, other financial institutions, individual/non- financial institutions, shareholders, affiliates, directors/management staff and others.
3. Non-performing credits
4. Off-balance sheet engagement
5. Non-performing other assets
6. Other items as may be specified by the CBN.

All quarterly returns must reach the Director of other Financial Institutions Department (OFID) of the CBN; Lagos, not later than 14 days after the end of each quarter.

Presently micro-finance banks are required by the Central of Nigeria to continue to render the following quarterly returns' to it, unit they transform into MFBS:

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|---|---|----------------|
| 1. Statement of assets and liabilities | - | form QMBR 300 |
| 2. Schedule of other liabilities | - | form QMBR 523 |
| 3. Breakdown of other liabilities | - | form QMBR 524 |
| 4. Schedule of other assets | - | form QMBR 701 |
| 5. Breakdown of other assets | - | form QMBR 702 |
| 6. Schedule of placement with banks, finance Companies, primary mortgage institutions in Nigeria | - | form QMBR 331 |
| 7. Schedule of taking from banks | - | form QMBR 313 |
| 8. Schedule of taking from other financial Institutions | - | form QMBR 337 |
| 9. Profit and loss Account | - | form QMBR 1000 |

- 10.Loans and Account analyses by sector - form QMBR 500
- 11.Report on Credits to Directors, Principal Shareholders and their related interest - form QMBR 1650
- 12.Return on frauds and forgeries; retired, Terminated or dismissed staff on ground of Frauds and employment of such staff - form QMBR 920
13. Report on structure of deposits by size, indicating the type, number of accounts and amount of deposit size of N30,000 and above - form QMBR 1200
- 14.Report on non-performing credit, showing account credit, number, name of customer or account title, type of account (e.g. Overdraft, loan etc), original expiry date, balance on account as at end of quarter, principal repayment unpaid to data, accrued interest unpaid to data, date of last lodgement or credit operation, perfected collateral showing nature and value classification by bank (into sub-standard, doubtful and lost), provision and remarks - form QMBR 1300
- 15.Schedule of non-performing other assets - form QMBR 1400
- 16.Schedule of undrawn commitment - form QMBR 601
- 17.Schedule of top users of fund - form QMBR 1700
- 18.Schedule of fund sources and interest costs - form QMBR 700
- 19.Schedule of deposit ownership - form QMBR 800
- 20.Schedule of lending above statutory - form QMBR 900
- 21>Returns on Frauds and Forgeries - form QMBR 921

Publication of Audited financial Statements

Every MFB shall submit its audited financial statement and the abridged version of the account to the Director of OFID for approval not later than four months after the end of the company's financial year. The Domestic Report on the Account from the External Auditors shall be forwarded to be Director, OFID, not later than three months after the end of the accounting year. After approval by the Central Bank of Nigeria, the MFB shall be required to display an abridged version of its audited financial statement at its head office and all its branches. Every approval audited account shall disclose, in detail, the penalties paid as a result of any contravention of BOFIA 1991 (as amended) and any policy guidelines in force during the year in question and the auditor's report shall reflect such contravention, any MFB that fails to comply with the above requirements shall be liable to a fine not exceeding N20,000.00 for each day during which the offence continues.

DEADLINE FOR SUBMISSION OF RETURNS

Every micro finance bank shall submit the required return to the CBN within the period specified below:

- (1) Quarterly Return: Not later than fourteen (14) days after the end of each quarter.
- (2) Annually: not later than four (4) months after the end of accounting year.
- (3) Management later on the Accounts: Not later than three (3) months after the Accounting year-end.

PURPOSE OF MICRO FINANCE BANK RETURNS

The Central Bank of Nigeria uses the statutory returns of Micro finance banks to create a database to enhance policy formulation for the sub-sector in particular and the financial sector in general. Also, it is used to collate information for the use of potential investors, international bodies such as the World Bank, the international Financial Corporation (IFC).

Penalties for late or False/Inaccurate Returns or Other False/Inaccurate information

- a. For lateness in submitting a return or furnishing any information required the penalty shall be a fine of N200, 000.00 for each day during which such failure occurs. Persistent failure/refusal (consecutively for a period of six months or the prescribed form shall be a ground for the revocation of an MFB's licence.
- b. Where the Banks considers it necessary, it may appoint a firm of qualified accountants to prepare proper books of account or render accurate returns, as the case maybe for the MFB concerned and the cost of preparing the or rendering the returns shall be borne by the MFB.
- c. If any Director or Officer of an MFB fails to take all reasonable steps to ensure that proper books of accounts are kept with respect to all transactions by the company at its Head Officer and/or at its braches, the CBN may impose on him a fine not exceeding N20,000.00 and in addition shall be removed and black – listed. If any default in this respect is caused by the willful act of any Director or Officer of the MFB, the CBN may impose on him/her a fine not exceeding N 1.0 million or cause the removal of such Director or Officer in order to protect the integrity of the financial system, in

addition, the Bank may impose on the MFB such other penalties as are deemed appropriate.

Electronic Financial Analysis and Surveillance System (E-FASS)

E-FASS is an acronym for Electronic Financed Analysis and Surveillance System. It is a web-enabled system that would be deployed to all the reporting institution of the Central Bank of Nigeria, including the Micro finance Banks.

In year 2004, circulars were sent to all OFIs, specifying the infrastructural requirements, including the software and hardware configurations needed to particular In E-FASS. However, we are aware that some micro finance banks can come together on zonal basis to have common/shared facilities to process their returns on the E-FASS.

HOW E-FASS WORKS?

The Central Bank of Nigeria would issue the reporting institutions with Data Submission System (DSS) Compact Disc (CD), therefore, the reporting

institutions would have an interface of their database with the X-ML format of the E-FSS.

The DSS is a software needed to carry out the following;

- (i) Validate the data
- (ii) Encrypt the data for security
- (iii) Compress the data and make it into a form that would pass through the communication channel.

The E – FASS is a robust application that has many security features. All micro finance banks are encouraged to make effort to be part of the new system.

Appendix 2

DETAILED PENALTIES FOR MICRO FINANCE BANKS (MFBS)

| s/no | Offences | Penalties |
|------|---|---|
| 1 | Operating without a valid licence | Outright closure of the institutions and prosecution of the individuals behind the institution. |
| 2 | Engaging in activities outside the approval business. | A fine of 1000 for each day of the default, with a maximum of N1 million. It should forfeit the estimated profit. |
| 3 | Failure to attain the prescribed | Revocation of licence. |

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| | minimum paid up share capital within the time allowed. | |
| 4 | Failure to obtain the approval of the CBN for the appointment of new Director and top management staff. | A fine of N10,000 payable by the institution, for each of the Director or top management staff so appointed. In addition, the appointee should cease to function in that position. |
| 5 | Late rendition of prudential returns | A fine of N1000 for each day of the default. |
| 6 | Late submission of audited annual accounts. | A fine of N2000 for each month during which default occurs. |
| 7 | Non-submission of audited annual accounts to CBN/NDIC after 12 months of end of year. | A fine of N30,000 for the accounting year concerned |
| 8 | Submission of false/inaccurate information to the CBN/NDIC. | For the institution, a fine of N25,000. For individuals, a fine of |
| 9 | Non-rendition of regulatory returns for more than 6 months or 2quarters consecutively. | A fine of N10,000 for each quarter outstanding. |
| 10 | Failure to publish annual accounts. | A fine of N10,000 for thereafter, display in a |

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| | | conspicuous in the bank. |
| 11 | Failure to disclose contraventions and penalties in the audited annual accounts position. | A fine of N10,000 for non disclosure and thereafter display in a conspicuous in the bank |
| 12 | Failure to maintain proper books of accounts and records. | A fine of N10,000 for each Director and N5,000 each for the officers involved. |
| 13 | Failure to provide any information required by the CBN in the prescribed manner. | In the case of the institution, a fine not more than N20,000 in the case of individual, a fine not more than N10,000 in addition to other disciplinary action deemed necessary by the CBN. |
| 14 | Failure to report dismissed staff to the CBN/NDIC. | A fine of N10,000 payable by the institution. |
| 15 | Failure to report dismissed staff to the CBN/NDIC. | A fine of N10,000 payable by the institution. |
| 16 | (a) Opening of branch or cash centre without the approval of the CBN (b) Closing of branch or cash centre without the approval of CBN. | A fine of N20,000 and the closure of such branch/cash centers. A fine of N10,000, and in addition the branch should be re-opened. |

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| 17 | Use of depositors' funds for assets requisition | A fine less than N25,000 in addition to a immediate injection of funds by the shareholders to the extent of the use of the depositors funds. |
| 18 | Revaluation of fixed assets without CBN approval | Reversal to the previous value and letter of warning. |
| 19 | Failure to disburse the NIIF funds and keep appropriate records as stipulated in the guidelines. | Not applicable. |
| 20 | Change in ownership, take over or amalgamation without CBN approval. | A fine of not less than N50,000.00 |
| 21 | Contravention of the single obligor limit without CBN approval. | A fine of not less than N10,000 for the institution and N5,000 for the approving officer. |
| 22 | Failure to pay annual licence renewal fees within 12 months. | Not applicable. |
| 23 | Late payment of annual licence renewal fees. | Not applicable. |
| 24 | change of name without the approval of the CBN | A fine of 5,000 and the immediate reversal to the |

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| | | former name. |
| 25 | Non-display of operating licence and the interest rate in a conspicuous location in the Head-Office/Branches/Cash centers. | A fine of N5,000 and the immediate display of the licence/interest rate. |
| 26 | <p>(i) Persistent failure/refusal to render the required returns in the prescribed form for a period of twelve months.</p> <p>(ii) Persistent failure to comply with any other requirement of the monetary policy guidelines, provisions of the Banks and Other Finance Institutions' Act (BOFIA) 1991 as amended, as well as other circulars issued by the CBN for a period of</p> | <p>Revocation of licence</p> <p>Revocation of licence</p> <p>Revocation of licence</p> |

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| | <p>twelve months.</p> <p>(iii) Engaging in activities prejudicial to the Nigeria economy.</p> <p>(iv) Any other act which in the opinion of the CBN constitute a serious offence.</p> | Revocation of licence |
| 27 | Failure to convene a special meeting of the Board of Directors of the presentation of an Examination Report within four weeks and failure to convey the reaction of the Director to the CBN within two weeks of the presentation. | A fine of N10,000 for each week during which the offence continues. |
| 28 | Failure to implement the recommendations contained in the examination report. | A fine of N500 for each day of the default. |
| 29 | Change of External Auditors without the approval of the CBN | A warning letter to the Board in addition, the External Auditor should be re-instated. |
| 30 | Failure to report Director-related credits to the CBN/NDIC. | A fine of N25,000 |

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| 31 | Granting unsecured credits above N50,000. | A fine of N5,000. The approving officer should be sanctioned |
| 32 | Non-display of the buying and selling rate of original currency. | Not applicable |
| 33 | Failure by Director to complete the code of conduct forms | Removal of the Director from office. |
| 34 | Non-compliance with the code of conduct by the Director. | Removal of the Director from Office. |
| 35 | Holding AGM without approved accounts. | A fine of N5,000 |
| 36 | Failure to service credit facility granted to Directors and their relations. | A fine of N50,000 for the Director, repayment of the facility plus the accrued interest, and suspension of the director from the membership of the Board until the payment is finally redeemed. |

Appendix 3

DAILY CONTRIBUTION OR MICRO SAVING COLLECTION

1. Introduction

Daily Contribution is a system whereby Banks collect saving from their customer through field workers that go to such customer to receive the money. Here saving mobilization does not take place through the conventional banking practice entailing the customer themselves or their agents having to come to the Bank to make their lodgement or withdraw money. Rather, it is the Bank that now sends its own staff to such customers to collect their savings for lodgement on the customer's behalf. Then at the end of the month, the Bank takes one day's lodgement as its service charge (commission), that is to say, if the customer is lodging in say N500 per day through the Bank's field staff, then at the end of the month, the customer would have save N15,00, i.e N5,000, i.e N500 as its service charge for the

month N15,500, while the Bank now takes N500 as its service charge for the month.

Note that the Bank must take the N500 commission in any case, i.e even where the said customer failed to save up to this N15,000 being expected from him for that month, so long as the bank's field staff visited his shade or shop throughout the month.

Also, if at the month-end a customer fails to save his expected contribution for the month, eg the said N15,000 in the above example, owing to the customer's own fault, the customer's saving for that month immediately ceases and he starts a new month, unless of course the customer now wants to save for the two months concurrently, as happens sometimes.

Without this, the Bank will not be able to recover the overheads of its field staff who visit these customers daily for field collections and payments. Often these daily Contribution customers are very small business people who make money daily but cannot go to banks, either because they see their daily income as too small to warrant their having to go to Bank now and then, or because they are probably illiterates with some complex, or also, because they have no assistants they can send to Banks to make lodgements for them. Such business people include roadside market women, roadside restaurants, mechanics, owners of small lock-up shops, and so on.

Besides, the field staff used by Banks to collect these daily savings or contributions from such small business people are often very junior trained bankers of whom many are mere school leavers in Banking Certificate holders not really trained bankers or persons schooled in Banking and Finance, which then

implies that the registers, books and documents to be designed for these field workers for use in this their work of micro saving mobilization, must be simple enough and easy for them to understand.

Another problem is that the individual savings are often so small that it becomes quite uneconomical to maintain a separate ledger for each of the customer. Instead, only a passbook or saving card (see Appendix 5.1) is prepared for each customer and complemented by other records, both at the field and in the office.

Now, this Manual details all the procedures, documentations and controls that are necessary for an effective management of the Daily Contribution business of a Bank.

2. Other Features of the Daily Contribution Business

- (a) Not all the customers do agree to hold their own passbooks or saving cards. Some of the customers do ask the Bank's field staff to keep custody of their passbooks for them.
- (b) In all cases, the customers do not come to Bank to withdraw money. Rather, it is Bank's field staff who withdraw money on their behalf and them in the field, after these customer must have made a withdraw Request by submitting their passbook to the Bank through the Bank's field staff.
- (c) Sometime too the monies withdrawn for some of these customers by the field Staff are returned unpaid, often because the customer who made the withdraw Request were not found by the field staff, when they got to their shade.

- (d) Some of the customer sometimes do request for loan from the Bank, through the Bank's field staff.
- (e) It is also the practice for the customer to pay for the passbooks, although sometimes, some of the customers would want to be given these passbooks free of charge by the Bank is enough income for the Bank from poor people.

3. Documents and Registers or Books usually employed for the Daily Contribution Business.

(a) Passbooks or saving cards (Appendix 5.1)

Entries of daily contribution is made into the passbook in the field by the field staff who also signs against each entry from day to day, in the presence of the customer. Entries of customers' withdrawal requests into the passbook are also made by the field staff and signed by him, to counter-signed by the paying cashier after payment.

(b) Withdrawal Request Register (Appendix 5.2)

This Register, of which will be one each field staff, summarizes at a glance the total Withdraw Requests received each day from the customer of each field staff. All the Withdraw Request Register are to be in the custody of the Daily Contribution clerk, and are only to be released to the various field staff when they want to make entries of customer Withdraw Request therein, as also when they are to sign therein for the monies collected on behalf of those customers. On no account should the field staff make entries into the Withdraw Request Register without the presence of the Daily Contribution Clerk or some other office staff to act as a check.

(c) Daily Collection Notebook (Appendix 5.3)

This is not a collection Notebook, but also contains each customer's Savings and Loan Accounts for daily updating since, like I said in the introduction to the Daily Contribution business, it is quite un-economical to maintain a separate ledger Account for each of these micro-saving customers, because of the smallness of their individual saving. Again, like the Withdraw Request Register in Appendix 5.2, each field staff would have his own Daily Contribution Notebook for use in the field. And again, the custody of the original copies of the Collection Notebook Sheets rests with the Daily Contribution Clerk, who is also the one who does the said daily updating of the Saving and Loans Accounts contained in these Collection Notebook Sheet copies.

(d) Register of passbooks/Savings Cards held for customers by the field staff (Appendix 5.4)

This is control Register signed by each field staff at the end of the day, after surrendering the passbooks being held for customer to the Daily Contribution Clerk, for counting and for checking into the Daily Collection Notebook sheets of the day. In the absence of this daily checking of these passbook being held for the customer by the Bank, some of the field staff do use that opportunity to steal the customer daily contribution, ie by entering the customer's saving in the passbook only, without also entering it in Daily Collection Notebook, or alternatively, by failing to enter the customers daily saving in both those when the field staff has just a few days or weeks to stay in the Banks employment. Thus, this daily checking of all such passbooks being held for the customer by the field staff helps to prevent such defalcations.

(e) Loan Request From (appendix 5.5)

This form must be completed for, or by each of the Daily Contribution customer requesting for the Bank's Loan which loan, as an exception, must have to be collected personally by the customer after previously submitting his/her passport photographs to the Bank through the field staff. The form is quite simplified and therefore would be easily understood by these daily contribution customer before signing or thumb-printing. And of course, as most of these customer are poor people who are very unlikely to provide any tangible assets as collateral, the maximum loan that should be granted such customers should be at most 1 ½ times or double their monthly saving and, even then, with some cash collateral. Provided of course that the maximum loan does not exceed N100,000 which is the maximum credit that banks could grant without security, according to CBN Credit policy for banks.

(f) Passbook stock Register (Appendix 5.6)

The printing of the Daily Contribution Passbook costs lots of money and therefore its issuance to the field staff would need to be controlled to prevent excessive spending on the daily contribution business. For this reason, a stock register would have to be maintained for each individual field staff, which she also has to sign each time she received new passbooks for customer.

(g) Customers Loan Request (Appendix 5.7)

This Register in the custody of the Daily Contribution Clerk is to be used by each field staff for entering the name of the customer who have made a loan request to the Bank. No loan request are to be considered received by the Bank until they are first of all entered into this Register by the Field staff who knows those customers.

(h) Loan Repayment Notice (Appendix 5.8)

This Notice is usually sent out to those Daily Contribution customer whose loans are not being adequately serviced. Research into the psychology of the grassroots people have also shown that this kind of notice, sent out to such person who are owing a Bank, do work on them positively since, at that grassroots level, many of them believe that a good name is better than gold.

NB: for the Register of Unclaimed withdrawals (Appendix 5.9), see page 100

4. Other Bank employee who are to work directly with the Daily Contribution field workers.

These other Bank staff and their functions are as follows:-

The Receiving Cashier: Receives cash from the Daily contribution field staff at the end of the day, after the return of the latter from the field. And of course, as with every other person making a lodgement, the field staff must make this lodgement with bank teller, one of which is taken by the Receiving Cashier while the duplicate copy is given to the Daily Contribution clerk.

b) Daily Contribution Clerk: Receives the following from each field staff at the end of the day:

- Passbooks held for the customers by the field staff, counting and cross-checking into the Daily Collection Notebook Sheets of the day.
- Withdrawal request Register completed by each field staff, together with the passbooks of the customers who made the Withdrawal Requests.

- Completed Loan Request forms, with the customers' two passport photographs attached, certified by the field staff who deals with the customers.
- Stamped bank teller evidencing the lodgement of the day's field collections with the Receiving Cashier.
- Daily Collection Notebook stamped by the Receiving Cashier as evidence of having received the day's field collections from the field staff.
- A passbook requisition slip evidencing the field staff's request for new passbooks for customers use.

NB: On no account should cash or field collections be given to the Daily Contribution Clerk, likewise unused passbooks, and the Master List of customers, otherwise, there will be no checks and balances.

Then, at the beginning of the next day, before the field staff leave for the field, the Daily Contribution Clerk does the following:

Works on the Withdrawal Request Registers, and forwards them to the Paying Cashier, for use in making payment to the Field Staff on behalf of the customers

- Works partially on the Daily Collection Notebook, i.e. checks the field worker's additions, and cross checks their summaries at the foot of the Notebook.
- Gives the approved passbook requisition slip to the field staff for approaching the stores clerk for supplies.
- Gives Account Numbers to all the new customers of the previous day marked "X" in the Daily Collection Notebook and communications those numbers to the Field Staff who won the customers.
- Gives back to each field staff, the passbooks held for customers by the field staffs, which were counted and cross-checked into the summaries at the foot of the Daily Collection Notebook.
- Confirms that each field staff signed the withdrawal Request register as evidence of having collected cash from Paying Cashier on behalf of the customers who made the Withdrawal Requests.
- Gives back to each field staff, the passbooks of those customers whose said Withdrawal Requests have just been paid, after checking these passbooks to authenticate their entries and ensure that they agree with the entries in the customers' savings Accounts in the daily Collection Notebook.

- c) The Paying Cashier: Pays cash to the field staff, for forwarding to customers who made Withdrawal Request; also pays cash directly to those customers whose request for loan was approved.
- d) The stores Clerk; Supplies each field staff with new passbooks for customers use. This supply of passbooks can as well be done by the Managers Secretary where a Bank has no Store Clerk, i.e. where the work of the Stores Clerk is being done by this Secretary. (Note that this supply of the new passbooks should be done on the strength of the approved requisition slip received from each field staff.
- e) The Audit Clerk: Goes into the field, now and then, especially when reports are received from customers, to audit the activities of this or that field staff; also goes into the field with this of that field staff, now and then, and with the Master List too, to confirm that all the customers with the Bank's passbooks are in the said Master List of customers.
- f) Banking Operations Supervisor; supervises the activities of both the field staff and the Daily Contribution Clerk; also gives certain approvals on behalf of the Banking Operations Officer.

5. **Duties and Activities of the field Staff in the field**

- a) Collecting savings or daily contribution from customers and entering the amount collected into Daily Collection Notebook, after entering the same amount in the customer's passbook at the Daily Contribution Rate, which may be either N100 per day or N500 per day, and so on. (NB: In the Daily Contribution Notebook, the letter "X" or other identification symbol should be marked against the names of all the new customers of each day, i.e. all those contributing money for the first time. The Daily Contribution Clerk would use such identification marks to know which customers to give new Account Numbers before the field staff are allowed to assign Account Numbers to customers).
- b) Collecting daily loan repayments from customers, and centring them too in the Daily Collection Notebook, as also in the customer's passbook. (NB: It is usual for the loan repayment to be made daily. If the customer continues with the daily contribution after taking the loan, the loan repayment rate could be put at half the daily contribution rate. Otherwise, the loan repayment rate should but the same as the daily contribution rate).
- d) Opening new savings cards or passbooks for customer's, be they new customers or old customers whose passbooks are "full", and also collecting the amount paid for the new passbooks by the customers.
- e) Collecting the passbooks of all those customers' who want to withdrawal money the next day, i.e. who have made a Withdrawal Request, for submission to the Office through the Daily Contribution Clerk.

f) Conveying customers request for loans to the office by filling the Customers Loan Request Register kept by the Daily Contribution Clerk and, after the approval of the loan request, forwarding the loan request forms to the customers for completion and signing, before those customers' come personally to collect the loan, after submitting their passports photographs (two copies), which must be certified by the field staff that deals with them.

NOTE:

It is up to each Bank to decide on what level of loan would require the loan application providing a surely or guarantor before getting the loan.

a) Before leaving for the field every morning, every field staff prepares or rules their Daily Collection Notebook in duplicate, using carbon to do so. The essence of this duplication is to have an office copy of these Collection Notebook Sheets for office use since, as mentioned in paragraph 3C of this section (Appendix 5), the Daily Collection Notebook is not only a collection Register but also serve as the customers ledger Accounts, i.e. contains each Customer's Savings and Loan Accounts, which have to be updated on daily basis by the Daily Contribution

Clerk. Thus, while the duplicate copy of this Daily Collection Notebook will be with the field staff in the field, the original copy will be in the office.

b) Next, the field staff, after ruling her Daily Collection Notebook in duplicate, as aforesaid, now liaises with all those other Bank staff mentioned in paragraph 4 of this section, i.e. the paying cashier, the stores clerk and the Daily Contribution Clerk, from whom the field staff collects the following items with which she leaves for the field with her ruled Daily Collection Notebook.

- Cash to be paid to those customers who made a withdrawal request the previous day.
- Passbooks of those customers, which they need for continuing their daily contribution.
- Passbooks held for customers by the field staff.
- New passbooks for customers, both existing and potential.

c) Now in the field, the field staff do their work, i.e. perform the duties described in paragraph 5 of this section while the Daily Contribution Clerk updates the Daily Contribution Collection Notebook Sheets with the previous day's field collections, loan repayments and withdrawal requests just paid, while awaiting the return of the field staff at the end of new day, when he again performs the further duties mentioned in paragraph 4b of this section.

- d) Then at the end of day, the field staff, having finished their field work, now return to the office with cash, which they hand over to the receiving Cashier after filling a bank teller, as also with some other items mentioned in paragraph 4b of this section , which they hand over the Daily Contribution Clerk for processing and checking. (NB: The office table of each field staff must have lockable drawers wherein they can securely keep passbooks and cash before rendering account).
- e) However, in the case of the Daily Collection Notebook, i.e. before handing over this Notebook to the Daily Collection Clerk, after its stamping by the Receiving Cashier as evidence of having collected cash, each field staff must summaries his passbook stock position at the foot of the Collection Notebook Sheets to enable the Daily Contribution Clerk work with those summaries which are in respect of the quantities of the following:
- New Savings cards Balance
 - Customers Cards Held
 - New Cards Requested.
- f) Finally, the next day, these procedures are repeated again, and so on.

7.6 Conclusion

The Daily Contribution business is fast gaining popularity amongst banks, as competition for deposit mobilisation at grassroots level hots up amongst these banks. A lot of fraud is possible in this area of business, in the absence of adequate documentation, daily checking and controls. To enhance these documentations and controls, it would also be necessary to have a Master List of all the Daily Contribution customers, something akin to the Accounts Opening Register containing the names of the Bank's conventional customers. This Master List will be updated now and then with names of the new daily contribution customers, i.e. those marked "x" in the Daily Collection Notebook, and who have made a withdrawal request would be checked but the Banking Operations Supervisor before cash is paid to those customers. In this way, ghost passbooks or fake savings cards can be discovered in time before any cash loss is suffered by the Bank.

Finally, with regard to cases where monies withdrawn for some of the customers by the field staff are returned unpaid, as mentioned on page 85 (paragraph 2C). Here, a Register of Unclaimed Withdrawals (Appendix 5.9) should be kept with the Receiving Cashier, to be updated and signed by the field staff each time they lodge an unclaimed Withdrawal and the accompanying passbooks with this

Cashier (in an envelope), or take them back. On no account should the field staff keep unclaimed Withdrawals with themselves, as they may be tempted to spend the money. Neither should such unclaimed monies be kept with the Daily Contribution Clerk.

A fundamental control over the field staff in the field is that of using the customers themselves to check the field staff, that is to days, each time a new customer is won and assigned an Account Number, an internal audit staff must go to that customer immediately and inform him of his duty to co-operate with the bank in checking fraud, by always giving his Daily Contribution to the field staff only if after the staff must have entered the amount in both the customer's passbook and the Bank's Daily Collection Notebook, even where the customer's passbook is being held by the field staff. This is a strong control, so long as cancellations in the Daily Collection Notebook by the field staff are prohibited; for then, what this would then mean would be that the amount in the customer's passbook always tallies with the figure in the Daily Collection Notebook.

Appendix 4.1

Passbook or Savings Card

| Customer's name | | | | | | | | | | FOR OFFICE USE | | | | | | | |
|--------------------|----------|--------------------|------|------------------------|-----|-----|--------------------|------|------------------------|--------------------|-------|------|-----|--------------|----------------|---|--|
| Customer's address | | | | | | | | | | | | | | | | | |
| DAYS | D/C N | LOAN REPAY N | DATE | FIELD STAFF SIGN | DAY | D/C | LOAN REPAY N | DATE | FIELD STAFF SIGN | WITHDRAWAL | | | | | | | |
| 1 | | | | | 16 | | | | | Date of Payment | Gross | Comm | Net | Signatu e | | | |
| 2 | | | | | 17 | | | | | | | | | | Field Staff | | |
| 3 | | | | | 18 | | | | | | | | | | | | |
| 4 | | | | | 19 | | | | | | | | | | | | |
| 5 | | | | | 20 | | | | | | | | | N | N | N | |
| 6 | | | | | 21 | | | | | | | | | | | | |

| | | | | | | | | | | | | | | |
|--------|--|--|--|--|----|--|--|--|--|-------------------|------------|--|--|--|
| 7 | | | | | 22 | | | | | | | | | |
| 8 | | | | | 23 | | | | | | | | | |
| 9 | | | | | 24 | | | | | | | | | |
| 10 | | | | | 25 | | | | | | | | | |
| 11 | | | | | 26 | | | | | APPROVALS | | | | |
| 12 | | | | | 27 | | | | | | | | | |
| 13 | | | | | 28 | | | | | Approved by | Date | | | |
| 14 | | | | | 29 | | | | | Approved by | Date | | | |
| 15 | | | | | 30 | | | | | Approved by | Date | | | |
| | | | | | 31 | | | | | | | | | |
| Page 1 | | | | | | | | | | Page 2 | | | | |

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Appendix ~~5.2~~ 5.1

Withdrawal Request Register

Date.....

| Date of Request | A/C | Customers Name | Passbook Savings to Date | Withdrawal Request (Gross) | NO. of Days or Months | | Service Charge or Commission | Net due to the Customer | Cash collected by (Field staff initials) | Date of Pay | Daily Collection Notebook Savings to date |
|-----------------|-----|----------------|--------------------------|----------------------------|-----------------------|----|------------------------------|-------------------------|--|-------------|---|
| | | | | | FROM | TO | | | | | |
| | | | ₦ | ₦ | | | ₦ | ₦ | | | ₦ |

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| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|

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Appendix ~~5.1~~ 5.2

Daily collection Notebook

Date

| s/ N | A/ C | Customer name | Amount Collected | Daily Contribution | Loan Repaid | Savings Cards sold | Remarks Cards Held Card Bal Card requeste d | Savings Balance | | | Loan Balanc e |
|---------|---------|------------------|---------------------|-----------------------|----------------|--------------------------|---|---------------------|---------------|--------------------|---------------------|
| | | | | | | | | Comm Saving s | withdawa l | Net saving s | |
| | | | ₦ | ₦ | ₦ | ₦ | | ₦ | ₦ | ₦ | ₦ |

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| | | | | | | | | | | | |
|---------------------------------|-----------------------|--|--|--|--|--------------------------|--|-----|--|------|--|
| | | | | | | | | | | | |
| Totals | FOR OFFICE USE | | | | | | | | | | |
| Total Cash | Receiving Cashier | | | | | Daily Contribution Clerk | | | | | |
| Less Field Expenses: | | | | | | | | | | | |
| Transport | | | | | | | | | | | |
| Others (specify) | | | | | | Remark | | Qty | | sign | |
| Net cash | | | | | | | | | | | |
| Cash Received by Cashier | | | | | | | | | | | |
| Differences (Shortage/ surplus) | | | | | | | | | | | |

Appendix ~~5.4~~ 5.3

Register of passbooks held for customers by the Field staff

| Date | Field staff | | Field staff | | Field staff | | Field staff | | Field staff | | Total No. of Cards Held | Checked By D.C Clerk |
|------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|-------------------------|----------------------|
| | No | Sig n | No | Sig n | No | Si gn | No | Si gn | No | Si gn | | |
| 1 | | | | | | | | | | | | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | | | | | | | | | | | | |
| 7 | | | | | | | | | | | | |
| 8 | | | | | | | | | | | | |
| 9 | | | | | | | | | | | | |
| 10 | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | |
| 12 | | | | | | | | | | | | |
| 13 | | | | | | | | | | | | |
| 14 | | | | | | | | | | | | |
| 15 | | | | | | | | | | | | |

PREPARED BY:



APPENDIX ~~5.5~~ 5.4

LOAN REQUEST FORM

From: _____ Bank of No. _____

To: Mr./Mrs. _____ of _____

Residing at _____

Loan N _____ (in words _____)

Interest Rate _____ % per annum or N _____

Repayment Period: _____ days (from _____ to _____)

Repayment per day N _____ (Loan N _____ plus interest N _____)

Security: Without Surety: Savings of 1/2 of the requested loan, without the right to withdraw money from the savings during the loan repayment period.

With Surety: Savings of 1/3 of the requested loan, without the right to withdraw money from the requested loan, during the loan repayment period.

Surety's

Name: _____ Address: _____

Surety's Signature _____ Sum N _____

(in the presence of _____ (in words _____))

NB: Before collecting the loan, the customer must send us his or her two passport photographs, certified by our staff as witness. The photographs will be returned to the customer after the loan repayment, or retained by us if another loan request has been made.

Signed:..... Signed:..... Signed:.....

Manager Customer Witness (Field Staff)

Name: _____ Name: _____ Name: _____

Date: _____ Date: _____ Date: _____

PREPARED BY:



APPENDIX 5.6 *5-5*

Passbook Stock Register Month: _____

| Date | Field staff | | | | Field staff | | | | Field staff | | | | Field staff | | Qty sold | Bal. |
|------|--------------|------|----------|-----------|--------------|------|----------|-----------|--------------|------|----------|-----------|--------------|------|----------|------|
| | Qty received | sign | Qty Sold | Bal. Bal. | Qty Received | sign | Qty sold | Bal. Bal. | Qty received | sign | Qty sold | Bal. Bal. | Qty received | sign | | |
| | pcs | | pcs | pcs | Pcs | | pcs | pcs | pcs | | pcs | pcs | pcs | | pcs | pcs |
| | | | | | | | | | | | | | | | | |

APPENDIX ~~5.7~~ 5-6

Customers Loan Request Register

| Date Of Request | Name Of customer | A/C No | Loan Amount requested | Expected Monthly savings | Daily Contribution rate | Cash collateral With surety | Without surety | Proposed Repayment period | Date Loan expected | Name Of Staff in charge |
|-----------------|------------------|--------|-----------------------|--------------------------|-------------------------|-----------------------------|----------------|---------------------------|--------------------|-------------------------|
| | | | N | N | N | | | | | |

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APPENDIX ~~5.8~~ 5.7

Loan Repayment Notice

Date: _____

Dear Customer

LOAN REPAYMENT NOTICE

This is to inform you that your loans of _____ was due final repayment on _____

Yet, you still owe us the sum of N _____ as at today.

The position of your loan is summarized below, as follows:

| | |
|---------------------|-------|
| Loan | _____ |
| Interest | _____ |
| Total | _____ |
| Loan repaid so far | _____ |
| Loan not yet repaid | _____ |

Please, pay us this said balance of N _____ immediately, or else the next time you want a loan, you will not be given, since you were not able to pay up your present loan on time. Help us to serve you better, and you will be happy for it in future.

Signed:

received by:

Signed:

Manager

Customer

Field Staff (Witness)

APPENDIX ~~5.9~~ 5.8

Register of Unclaimed Withdrawals

| Date | Returned | Name of Customer | A/C No | Cash Returned | Received By Cashier | Date Cash taken back | Received by Field Staff | Remarks |
|-------|----------|------------------|--------|---------------|------------------------|----------------------|-------------------------|---------|
| DRAFT | | | | | | | | |

APPENDIX 6

Permissible and Prohibited Activities of MFBs

6.1. Permissible Activities

According to the CBN, an MFB shall be allowed to engage in the provision of the following services to its clients.

- a) Acceptance of various types of deposits, including savings, time, target and demand deposits from individuals, groups and association, except public sector deposits (government).
- b) Provision of credit to its customers, including formal and informal self-help groups, individuals and associations.
- c) Promotion and monitoring of loan usage among its customers by providing ancillary capacity building in such areas as record keeping and small business management.
- d) Issuance of redeemable debenture to interested parties to raise funds from members of the public, with the approval of the CBN:
- e) Collection of money or proceeds of banking instruments on behalf of its customers through correspondent banks
- f) Provision of payment services, such as salaries, gratuities, and pensions for the various tiers of government

- g) Provision of loan disbursement services for the delivery of the credit programmes of governments, agencies, groups and individuals for poverty alleviation on a non- recourse basis
- h) Provision of ancillary banking services to their customers, such as domestic remittance of funds and safe custody
- i) Maintenance and operation of various types of account with other banks in Nigeria
- j) Investment of surplus funds of the MFB in suitable instruments, including placing such funds with correspondent banks and in Treasury Bills
- k) Payment of micro leasing facilities, micro finance related hire-purchase, and arrangement of consortium lending and supervision of credit schemes to ensure access of micro finance customers to inputs for their economic activities
- l) Receiving of re-financing or other funds from the CBN and other sources, private or public, on terms mutually acceptable to both the provider of the funds and the recipient MFBs
- m) Provision of micro finance related guarantees for MFB customers to enable them have greater access to credit and other resources
- n) Buying, selling and supplying industrial and agricultural inputs, livestock, machinery and industrial raw materials to

poor persons on credit and acting as agents for any association for the sale of such goods or livestock

- o) Investment in shares or equity of any corporate, the objective of which is to provide micro finance services to poor persons
- p) Encouragement of investment in cottage industries and generating projects for poor persons as may be prescribed by CBN
- q) Provision of services and facilities to customers to hedge various risks relating to micro finance activities
- r) Provision of professional advice to poor persons regarding investments in small businesses; rendering managerial; marketing technical and administrative advice to customers and assisting them in obtaining services in such fields
- s) Mobilizing and providing financial and technical assistance and training to micro enterprises
- t) Provision of loans to micro finance clients for home improvement and consumer credit; and
- u) Performance of non-banking services, such as co-operatives and group formation activities, rural industrialization and other support services needed by micro enterprises.

No MFB shall undertake any business or activity other than those permitted as stated above or as may be prescribed by the Central Bank of Nigeria from time to time.

6.2 Prohibited Activities

No MFB shall engage in the provision of the following financial services, according to the CBN;

- a) Acceptance of public sector (government) deposits except for the permissible activities (f) and (g) in sub-section 1 of these guidelines;
- b) Foreign exchange transactions;
- c) International commercial papers
- d) International corporate finance;
- e) International electronic funds transfer;
- f) Cheque clearing activities;
- g) Dealing in and for speculative purpose
- h) Real estate, except for its use as office accommodation;
- i) Allowing any facility for speculative purpose; and
- j) Entering into leasing, renting, and sale/purchase of any kind with its directors, officers, employees or persons who, either individually or in concert with their family members and beneficiaries, own five percent (5%) or more of the MFB, without the prior approval in writing of the Central Bank of Nigeria.

APPENDIX 7

GLOSSARY OF TERMS AND DEFINITIONS

The following are the definitions given to the under-listed terms by the CBN.

7.1 Micro Loan

A micro loan is a facility granted to an individual borrower or a group of borrowers whose principal source of income is derived from business activities involving the production or sale of goods and services.

The maximum principal amount shall not exceed N500,000.00 or as may be reviewed from time to time by the CBN. Generally, a microloan is granted to the operators of micro-enterprises, such as peasant farmers, artisans, fishermen, rural women. Senior citizens, salaried and non-salaried workers in the formal and informal sectors. The said loans are usually unsecured, but typically granted on the basis of the applicant's character and the combined cash flow of the business and household. Ordinarily, the tenure of a microloan is 180 days (6 months).

However, in the case of crops with a longer gestation period, a maximum tenure of twelve (12) months shall be permitted. Microloans may require

joint and several guarantees of one or more monthly basis accordance with the amortization schedule in the loan contract.

7.2 Past Due Microloans

This is any loan that has missed one day repayment in accordance with the agreed repayment terms in the loan contract. Such loans, whether restricted or re-financed, shall attract appropriate provisions for loan loss. The past due microloans shall remain in the account of the MFB until it is fully repaid, or arrangements are formalized for its reactivation, renewal, restructuring, or a collection case has filled in court.

7.3 Restructured Microloans

These represent microloans that have been renegotiated or modified to either lengthen or postpone the original scheduled installment payments, or to substantially alter the original terms of the loans. Restructured loans, which shall include re-financed loans (i.e. loans disbursed to enable repayment or part repayment of prior loans was past due), shall be treated as non-performing and no interest income shall be accrued thereon.

No microloans shall be restructured more than two times.

7.4 PAR (Portfolio-at-Risk)

- a) PAR is the outstanding principal of all loans that have at least one installment past due for one or more days. The amount includes the unpaid principal balance, including the accrued interest. Under PAR, loans are considered past due if payment has fallen due and remained unpaid. Loan payments are applied first to any interest due, and then to any installment of principal that is due but unpaid, beginning with the earliest installment. The number of days of lateness is based on the due date of the earliest installment that has not been fully paid.
- b) It shall be required that PAR shall not exceed 2.5% at any given time for an MFB.

5. Micro Enterprises

A micro enterprise is a business that requires micro credit/loans to operate. The operations and management are often built around the sole owner or micro entrepreneur. The micro entrepreneur usually works alone or provides employment for a few people, typically the immediate family members, and does not often require formal registration to start. The management and accounting requirements of the business are usually very simple and flexible. Generally, micro entrepreneurs work informally, without business license or formal record of their activities or earnings. The scope of economic activities of micro-enterprises typically includes primary production and crafts, value-added processing and distributive trades.

6. microfinance Credit

A client of an MFB who generally possesses the following characteristics shall qualify as a microfinance client:

- i. Has a monthly of not more than twice the monthly per capita income of Nigeria, or minimum wage, whichever is higher,
- ii. Has a total productive asset (including those arising from loans but excluding the cost of land) of not more than five hundred thousand Naira (N500,000.00);
- iii. Is not a regular employee of any organization; and
- iv. Aged between 18 and 60 years.

7. Poor Person

A poor person shall be defined as one who has meager means of sustenance or livelihood and whose total income during a year is less than the minimum taxable limit set out in the law relating to income tax.

APPENDIX 8

PRUDENTIAL GUIDELINES FOR MFBs

The CBN prudential Requirements for MFBs are as follows:

8.1 General Prudential Requirements

Every MFB shall comply with the following requirements:

a) Compulsory investment in Treasury Bills

All MFBs shall be required to maintain not less than 5% of their deposit liabilities in Treasury Bills (TBs).

b) Liquidity Ratio

The operation of MFBs requires the maintenance of a high level of liquid assets to meet frequent request for funds from clients and for field operations. All MFBs shall be required to maintain a minimum ratio of twenty percent (20%) of their deposit liabilities, including 5% compulsory investment in Treasury Bills in the liquid assets.

c) Capital fund Adequacy

An MFB shall at all times maintain a minimum capital adequacy ratio as may be prescribed by the CBN from time to time. The capital adequacy ratio shall be measured as a percentage of the capital base of an MFB to its risk-weighted asset exposure in accordance with the provision which the CBN shall prescribe.

The minimum capital Adequacy Ratio (Capital/Risk Weighted Ratio) for each microfinance institution shall be a 10% furthermore, an MFB is expected to maintain a ratio of not less than 1:10 between its shareholders' funds unimpaired by losses and net credits.

The CBN may require an MFB to maintain additional capital as it considers appropriate in respect of specific concentration of risks or market risks or connected lending.

When any of the above ratios falls below the prescribed level, the MFB shall be prohibited from any or all of the following, until the required ratio is restored:

- i. Granting credits and undertaking further investment;
- ii. Paying dividends to shareholders;
- iii. Borrowing from the investing public;
- iv. Opening branch/cash centers.

In addition, the MFB shall be required to submit, within a specified period, a recapitalization plan acceptable to the CBN. Failure to comply with the above may constitute grounds for the revocation of the operating license of the MFB, or such other penalties as may be deemed appropriate. MFBs are enjoined to ensure that their shareholders' funds do not fall below the required minimum paid-up capital.

d) Fixed Assets/Long-term investments and Branch Expansion. No MFB shall be allowed to finance any of the following other than from the shareholders' funds, unimpaired by losses.

1. The acquisition of fixed assets;

2. Equity investments and investments in long-term debentures; and
3. Branch expansions.

In consideration of a request for any or a combination of the above options reference shall be made to the aggregate value of the listed items against shareholders' funds impaired by losses.

e) Maintenance of Capital Funds

MFBs are generally expected to pay less emphasis on collaterals in granting credits. The impact of delinquent risk assets, which may result in capital erosion, calls for string maintenance of capital funds.

Every MFB shall, therefore, maintain a reserve fund into which shall be transferred out of its net profits for each year, before it declares any dividend and after it made provision for any taxed, the following amounts:-

- i. Where the amount of the MFB's reserve fund is 50 percent (50%) or its paid-up capital, an amount which shall not be less than 50 percent (50%) of the MFB's net profit for the year.
- ii. Where the amount of the MFB's reserve fund is 50 percent (50%) or more, but less than 100 percent (100%) of its paid-up capital, an amount which shall not be less than 25 percent (25%) of the MFB's net profit for the year; or

- iii. Where the amount of the MFB's reserve fund is equal to 100 percent (100%) or more of its paid-up capital, an amount equal to 12.5 percent (12.5%) of the MFB's net profit for the year.

An MFB shall not appropriate any sum or sums from the balance in its reserve fund unless prior approval in writing is obtained from the CBN for the purpose, which may be granted for such amount and subject to compliance with such conditions as the CBN may determine.

The CBN may, from time to time, vary the proportion of net profit transferable to statutory Reserves.

- i. All preliminary and pre-operational expenses have been written off;
- ii. Adequate provision has been made for loan loss/assets deterioration and
- iii. All identifiable losses have been fully provided for.

f) Restriction on Declaration of Dividends

An MFB shall not declare or pay a dividend on its shares until it has:

- i. Completely written-off all its preliminary and pre-operational expenses;
- ii. Made the required provisions for non-performing loans and other erosions in assets values.
- iii. Satisfied the minimum capital adequacy ratio requirement; and
- iv. Met all matured obligations

1. Where the payment of dividend would result in the withdrawal of any part of the free reserves due to inadequacy of the profit for the year or where the statutory report of the auditors on the Annual Accounts of the bank is not satisfactory, the MFB may declare any dividend on its shares only after obtaining the prior approval of the CBN.
2. Where an MFB declares or pays any dividend in contravention of this provision, every director and chief executive officer of the MFB shall be liable to pay to the CBN a penalty, the sum of which shall be determined by the CBN.

g) Limit of Lending to a single Borrower and Related party.

The maximum loan by an MFB to an individual borrower or director, related borrowers shall not exceed one (1%) percent, while a group borrower is restricted to a maximum of 5% of the MFB's shareholders' funds unimpaired by losses or as may be prescribed by the CBN from time to time.

Any contravention will attract a penalty of N1million on the MFB and a fine of N100.00 on the director/manager who fails to comply.

h) Maximum Equity Investment Holding Ratio

The aggregate value of the equity participation of an MFB in all permissible enterprise shall not exceed 7.5% of its shareholders fund unimpaired by losses without prior approval in writing by the CBN.

i) Provision for classified Assets

All performing risk assets created by the MFBs shall attract 1% general provision. Provision for non-performing risk assets and other assets shall be as stated hereunder.

| Days at Risk Requirement | Description | Provisioning or allowance for probable losses (%) |
|---|----------------|---|
| (No of days Missed payment) | | |
| () | performing | 1% |
| 1 – 30 days | pass and watch | 5% |
| 31 – 60 days | substandard | 20% |
| 61 – 90 days | doubtful | 50% |
| 91 or more days and/ Or restructured loans | lost | 100% |

Each MFB shall review, at least once every thirty days, its loans and advances and other investments and make appropriate provisions for loans losses or assets deterioration.

Every MFB must send to OFID every month a schedule of loans/investments showing the provisions made for losses or deterioration in the quality of the loans/investments.

j) Contingent Items

The concept, use and treatment of Bankers' acceptances (BAs) and Commercial papers (CPs) by banks and discount houses and other financial institutions shall apply to MFBs.

k) Limit of investment in Fixed Assets

The maximum amount which an MFB can invest in fixed assets is 20% of its shareholders' funds unimpaired by losses. Any contraventions shall attract a penalty not exceeding N2 million or suspension of the license.

l) Revaluation of Fixed Assets

Prior approval of the CBN must be obtained by any MFB before the recognition of the revaluation surplus on fixed assets in its books, taking into consideration that:

- i. The basis of the underlying fixed assets valuations are stated and the valuation made by qualified professional valuers whose identity and qualifications are stated;
- ii. The difference between the market and the historic values of the eligible fixed assets being revalued shall be discounted by 55%

- iii. The revaluation of fixed assets is applicable to own premises only; and
- iv. Within a minimum period of five years after the date of the purchase of the asset or the last revaluation.

8.2 Special Prudential Standards

Some regulations common in traditional banking shall be adjusted, at the full discretion of the CBN from time to time, to accommodate the peculiarities of microfinance services a detailed in this section.

a. Unsecured lending Limits:

In accordance with the provision of BOFA section 20(2)(a), any unsecured advances or loans or credit facilities of an aggregate amount in excess of fifty thousand naira (N50,000.00) is not permitted. For the purpose of applying this regulation to an MFB, group, guarantee or third party guarantees of an individual acceptable to the MFB shall qualify as collateral for microfinance loans.

b. Loan Documentation Requirement:

Given the nature of microfinance loans' sizes and customers, collateral registration, financial statements of borrowers or evidence that those businesses are formally registered shall not be required.

c. Restriction of co-signers as Borrowers:

The restriction prohibiting a bank from lending to someone who has co-signed or otherwise guaranteed a loan from the same bank shall not apply to a microfinance Bank.

d. Reporting Requirements:

The reporting requirements for microfinance Banks shall be simplified to minimize administrative costs to them.

e. Cash Reserve Requirements:

The mandatory cash reserve requirements (CCR) for banks shall not apply to an MFB, rather, an MFB shall be required to have compulsory investment of 5% of its total deposits liabilities in treasury bills which qualify as specified liquid asset in the computation of its liquidity ratio.

Appendix 9

Incentives/Supports packaged for MFB's

1. The CBN shall collaborate with the appropriate fiscal authorities in providing a favorable tax treatment of MFB's financial transactions, such as exemption from value added tax (VAT) on lending, or tax on interest income or revenue.
2. Similarly, the principle of exemption from profit tax shall be applied to any MFB that does not distribute its net surplus but plough it back and reinvest the surplus to finance more economically beneficial micro, small and medium entrepreneurship.
3. Furthermore a Rediscounting and Refinancing facility (RRF) shall be made available to MFB's for purposes of providing liquidity assistance to support and promote micro finance programs. This will enable MFB's that have met the CHN prudential requirements to, on a sustainable basis, provide and render micro credits and other services to their client.
4. State government shall dedicate an amount of not less than 1% of their annual budgets for the on-lending activities of MFB's in favors of their residents.

REPORT RENDITION FRAMEWORK

These forms are provided by the Other Financial Institutions Department of the Central Bank of Nigeria to standardized the reporting format of all micro finance banks in Nigeria.

They are thus provided for AMML-MFBs use as when appropriate.

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MONTHLY STATEMENT OF ASSETS AND LIABILITIES AS AT.....

ASSETS

MICROFINANCE BANK CODE..... STATE CODE.....

MICROFINANCE BANK NAME..... STATE NAME.....

| Item Code | Item Description | Amount N'000 | Amount N'000 | Amount N'000 |
|-----------|---|-----------------|-----------------|-----------------|
| 10100 | CASH | | | |
| 10110 | Notes | | | |
| 10120 | Coins | | | |
| 10130 | Total Cash | | | |
| | | | | |
| 10200 | DUE FROM: | | | |
| 10250 | Banks in Nigeria | | | |
| 10260 | Balance with Banks (Schedule MMFBR 261) | | | |
| 10300 | Placement with: | | | |
| 10310 | Banks/Discount Houses: | | | |
| 10311 | Secured/Unsecured with Treasury Bills (Schedule, MMF BR 312 & 313) | | | |
| 10400 | Total Due From | | | |
| | | | | |
| 10500 | SHORT-TERM INVESTMENTS | | | |
| 10510 | Treasury Bills | | | |
| | | | | |

| | | | | |
|-------|--|--|--|--|
| 10600 | LOANS AND ADVANCES/LEASE | | | |
| 10610 | Micro loans (Schedule MMFBR 611) | | | |
| 10620 | Small and Medium Enterprises Loans | | | |
| 10630 | Hire Purchase | | | |
| 10640 | Advances Under Micro-Lease | | | |
| 10645 | Other Loans (specify) | | | |
| 10650 | Staff Loans | | | |
| 10660 | Total loans and Advances/Lease | | | |
| 10670 | Specific Loans/lease Loss Provision (Schedule MMFBR | | | |
| 10680 | General Loan/lease loss provision | | | |
| 10690 | Total Loan/Lease Loss Provision | | | |

| | | | | |
|-------|---|--|--|--|
| 10695 | Net Loans and Advances/Lease | | | |
| | | | | |
| 10700 | OTHER ASSETS | | | |
| 10710 | Total Other Assets (schedule, MMFBR 711) | | | |
| 10720 | Provision for Losses on Other Assets | | | |
| 10730 | Other Assets (Net) | | | |
| | | | | |
| 10800 | FIXED ASSETS | | | |
| 10810 | Land and Buildings (Owned) | | | |
| 10820 | Plant and Machinery | | | |
| 10830 | Furniture and Fixtures | | | |

| | | | | |
|-------|--|--|--|--|
| 10840 | Motor Vehicles | | | |
| 10850 | Office Equipment | | | |
| 10860 | Total Fixed Assets | | | |
| 10870 | Accumulated Provision for Depreciation | | | |
| 10880 | Net Fixed Assets | | | |
| | | | | |
| 10900 | Total Assets | | | |

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| | | | | |
|-------|--|--|--|--|
| 10840 | Motor Vehicles | | | |
| 10850 | Office Equipment | | | |
| 10860 | Total Fixed Assets | | | |
| 10870 | Accumulated Provision for Depreciation | | | |
| 10880 | Net Fixed Assets | | | |
| | | | | |
| 10900 | Total Assets | | | |

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LIABILITIES

| Item Code | Item description | N'000 | Amount | |
|-----------|--------------------------------|-------|--------|-------|
| | | | N'000 | N'000 |
| 20100 | DEPOSITS: | | | |
| 20110 | Demand Deposits | | | |
| 20120 | Mandatory Deposits | | | |
| 20125 | Voluntary Savings Deposits | | | |
| 20130 | Time/Term Deposits | | | |
| 20140 | Special Deposits | | | |
| 20145 | Other Deposits (Specify) | | | |
| 20200 | Total Deposits | | | |
| | | | | |
| 20300 | TAKINGS FROM: | | | |
| 20310 | Banks in Nigeria | | | |
| 20320 | Total Takings | | | |
| | | | | |
| 20450 | Re-financing Facilities | | | |
| | | | | |
| 20500 | OTHER LIABILITIES (MMFBR 1501) | | | |
| | | | | |
| 20600 | BORROWINGS (On-lending) | | | |
| 20610 | Federal Government | | | |
| 20620 | State Government | | | |
| 20630 | Local Government | | | |

| | | | | |
|-------|----------------------------------|--|--|--|
| 20640 | Others (Specify) | | | |
| 20650 | Total Borrowings | | | |
| 20700 | DEBENTURES/LOAN/STOCK | | | |
| 20710 | Redeemable Debentures | | | |
| 20720 | Irredeemable Debentures | | | |
| 20750 | Total Debenture/Loan stock | | | |
| | | | | |
| 20800 | CAPITAL & RESERVE | | | |
| 20810 | Authorized Capital | | | |
| 20820 | Issued and Fully Paid-up Capital | | | |
| 20825 | Donated Capital | | | |
| 20830 | Total Capital | | | |
| | | | | |
| 20840 | RESERVES | | | |
| 20850 | Statutory Reserves | | | |
| 20860 | Share Premium | | | |
| 20870 | General Reserve | | | |
| 20880 | Other Reserves | | | |
| 20890 | Retained Profits/(Loss) | | | |
| 20900 | Total Reserves | | | |
| 20910 | TOTAL CAPITAL & RESERVES | | | |
| | | | | |
| 20960 | GRANTS/DONATIONS (Specify) | | | |
| | | | | |
| 20970 | TOTAL LIABILITIES | | | |

FORM MMFBR 1000

MONTHLY STATEMENT OF PROFIT AND LOSS ACCOUNT

FOR THE PERIOD

MICRO-FINANCE BANK CODE..... STATE CODE.....

MICR-FINANCE BANK NAME..... STATE NAME.....

| Item Code | Item Description | Amount N'000 | Amount N'000 | Amount N'000 |
|-----------|--|-----------------|-----------------|-----------------|
| 10000 | INTEREST INCOME | | | |
| 10100 | LESS INTEREST EXPENSES | | | |
| 10110 | NET INTEREST INCOME | | | |
| 10200 | OTHER INCOME | | | |
| 10210 | COMMISSION | | | |
| 10220 | FEES/CHARGES | | | |
| 10230 | INCOME FROM INVESTMENTS | | | |
| 10240 | OTHER INCOME FROM NON-FINANCIAL SERVICES | | | |
| 10250 | TOTAL OTHER INCOME | | | |
| 10300 | NET TOTAL INCOME | | | |
| 20000 | OPERATING EXPENSES | | | |
| 20100 | STAFF COST | | | |
| 20130 | DEPRECIATION | | | |
| 20140 | PROVISION FOR BAD DEBTS | | | |
| 20151 | BAD DEBTS WRITTEN-OFF | | | |

| | | | | |
|-------|------------------------------|--|--|--|
| 20155 | PENALTIES PAID | | | |
| 20160 | OVERHEADS | | | |
| 20170 | LESS: TOTAL OTHER EXPENSES | | | |
| 20180 | PROFIT/(LOSS) BEFORE TAX | | | |
| 20190 | LESS: PROVISION FOR TAXATION | | | |
| 20200 | PROFIT/(LOSS) AFTER TAX | | | |

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FORM MMFBR 261

SCHEDULE OF BALANCES DUE FROM OTHER BANKS IN NIGERIA AS
AT.....

MICRO-FINANCE BANK CODE.....

MICRO-FINANCE BANK NAME..... STATE CODE.....

Total Amount N'000.....

| BANK'S CODE | NAME OF BANK | N'000 |
|----------------|--------------|-------|
| | | |
| | | |
| | | |
| TOTAL | | |

FORM MMFBR 312 & 313

SCHEDULE OF PLACEMENTS WITH BANKS/DISCOUNT HOUSES AS
AT.....

MICRO-FINANCE BANK CODE..... STATE CODE.....

MICRO-FINANCE BANK NAME..... STATE NAME.....

Total Amount N'000

| BANK'S CODE | NAME OF BANK | TENOR | MATURITY DATE | SECURED WITH TREASURY BILLS N'000 | UNSECURED N'000 |
|----------------|-----------------|-------|---------------|--|--------------------|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

RM MMFBR 611

SCHEDULE OF MICRO-FINANCE LOANS AS AT.....

MICRO-FINANCE BANK CODE..... STATE CODE.....

MICRO-FINANCE BANK CODE..... STATE NAME.....

Total Amount N'000

LENDING MODELS

| S/N | MODEL | NUMBER | AMOUNT (N'000) | % |
|-----|--|--------|----------------|---|
| 1 | Individuals | | | |
| 2 | Solidarity Group | | | |
| 3 | Neighborhood and Small Group Revolving Funds | | | |
| 4 | Village Banking | | | |
| 5 | Wholesale Lending | | | |
| 6 | Credit Unions | | | |
| 7 | Staff | | | |
| 8 | Others – Specify | | | |
| | TOTAL | | | |

FORM MMFBR 672

SUMMARY OF SECTORAL ANALYSIS OF LOANS AND ADVANCES AS AT.....

MICRO-FINANCE BANK CODE..... STATE CODE.....

MICRO-FINANCE BANK NAME..... STATE NAME.....

| SECTOR | NUMBER OF LOANS | AMOUNT (N) | % |
|---------------------------------|-----------------|------------|---|
| AGRICULTURE & FORESTRY | | | |
| MANUFACTURING & FOOD PROCESSING | | | |
| TRADE & COMMERCE | | | |
| TRANSPORT & COMMUNICATION | | | |
| REAL ESTATE & CONSTRUCTION | | | |
| RENT/HOUSING | | | |
| CONSUME/PERSONAL | | | |
| HEALTH | | | |
| EDUCATION | | | |
| TOURISM & HOSPITALITY | | | |
| PURCHASES & | | | |

| | | | |
|------------------|--|--|--|
| SHARES | | | |
| STAFF | | | |
| OTHERS (Specify) | | | |
| TOTAL | | | |

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MEMORANDUM ITEMS

| | | CURRENT MONTH | | PREVIOUS MONTH | |
|-------|---|---------------|-----------|----------------|-----------|
| | | Number | Value (N) | Number | Value (N) |
| 21100 | Total New Loans Disbursed | | | | |
| 21110 | Borrowers | | | | |
| 21111 | Female | | | | |
| 21112 | Male | | | | |
| 21120 | Clients Drop-out | | | | |
| 21121 | Female | | | | |
| 21122 | Male | | | | |
| 21130 | Depositors | | | | |
| 21131 | Female | | | | |
| 21132 | Male | | | | |
| 21140 | Number of Staff | | | | |
| 21141 | Senior Staff | | | | |
| 21142 | Junior Staff | | | | |
| 21145 | Total Staff | | | | |
| 21146 | Staff Resigned, Terminated Dismissed etc in the Month (Specify) | | | | |
| 21147 | New Recruitments in the Month | | | | |
| 21147 | New Recruitment in the Month (specify) | | | | |

PREPARED BY:



| | | | |
|-------|--|--|--|
| 21150 | Date of last CBN/NDIC Examination | | |
| 21151 | Recommended Provision as at last Examination | | |
| 21160 | Financial Year end | | |
| 21170 | Number of Branches in Operation | | |
| 21171 | Existing | | |
| 21172 | New | | |
| 21173 | Closed | | |

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FORM MMFBR 673

SCHEDULE OF LOANS STRUCTURE AND MATURITY PROFILE AS AT.....

MICRO-FINANCE BANK CODE..... STATE CODE.....

MICRO-FINANCE BANK NAME..... STATE NAME.....

Total Amount

| TYPE OF | 1-30 Days | 31-60 Days | 61-90 Days | 91-180 Days | 180-360 Days | Above 360 Days | Total N | % |
|-----------------------------------|-----------|------------|------------|-------------|--------------|----------------|---------|---|
| MICRO-LOANS | | | | | | | | |
| Number of accounts | | | | | | | | |
| Amount (N) | | | | | | | | |
| Small & medium enterprise & loans | | | | | | | | |
| Number of accounts | | | | | | | | |
| Amount (N) | | | | | | | | |
| HIRE PURCHASE | | | | | | | | |
| Number of accounts | | | | | | | | |

PREPARED BY:



| | | | | | | | | |
|-----------------------|--|--|--|--|--|--|--|--|
| Amount (N) | | | | | | | | |
| Micro-leases | | | | | | | | |
| Number of accounts | | | | | | | | |
| Amount(N) | | | | | | | | |
| Other loans (specify) | | | | | | | | |
| Number of accounts | | | | | | | | |
| Amount N) | | | | | | | | |
| Staff loans | | | | | | | | |
| Number of accounts | | | | | | | | |
| Amount (N) | | | | | | | | |
| Total | | | | | | | | |
| Number of accounts | | | | | | | | |
| Amount (N) | | | | | | | | |



Form 674

Schedule of Interest Rates As At.....

MICRO-FINANCE BANK CODE..... STATE CODE.....

MICRO-FINANCE BANK NAME..... STATE NAME.....

| TYPE OF ACCOUNT | 0 – 30 DAYS | 31 – 60 DAYS | 61 – 90 DAYS | 91 – 180 DAYS | 180 – 360 DAYS | OVER 360 DAYS |
|--------------------|-------------|--------------|--------------|---------------|----------------|---------------|
| | % | % | % | % | % | % |
| Loans & Advances | | | | | | |
| Hire Purchase | | | | | | |
| Micro-lease | | | | | | |
| SAVINGS DEPOSITS | | | | | | |
| TIME/TERM DEPOSITS | | | | | | |
| TARGET DEPOSITS | | | | | | |

FORM MMFBR 711

SCHEDULE OF OTHER ASSETS AS AT.....

MICRO-FINANCE BANK CODE..... STATE
 CODE.....

MICRO-FINANCE BANK NAME..... STATE
 NAME.....

Total Amount N'000

| | | PERFORMING | NON- PERFORMING | TOTAL |
|-------|--|------------|--------------------|-------|
| CODE | ITEM | N'000 | N'000 | N'000 |
| 10910 | Accounts Receivable | | | |
| 10920 | Accrued Interest Receivable (Specify) | | | |
| 10930 | Cheques for Collection/Transit items | | | |
| 10940 | Un-audited Loss to date | | | |
| 10950 | Prepaid Interest | | | |
| 10960 | Prepaid Rent | | | |

| | | | | |
|-------|--------------------------------------|--|--|--|
| 10970 | Stationery | | | |
| 10980 | Other Payments | | | |
| 10990 | Suspense Account | | | |
| 11010 | Goodwill and Other intangible Assets | | | |
| 11020 | Miscellaneous (specify) | | | |
| | TOTAL | | | |

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FORM MMFBR 1151

SCHEDULE OF DEPOSIT STRUCTURE AND MATURITY PROFILE AS AT.....

MICRO-FINANCE BANK CODE..... STATE CODE.....

MICRO-FINANCE BANK NAME..... STATE NAME.....

Total Amount

| DEPOSIT | 1- 30 DAYS | 31 - 60 DAYS | 61 - 90 DAYS | 91 - 180 DAYS | 180 - 360 DAYS | ABOVE 360 days | TOTAL N'000 | % |
|--------------------|------------|--------------|--------------|---------------|----------------|----------------|-------------|---|
| DEMAND DEPOSITS | | | | | | | | |
| Number of accounts | | | | | | | | |
| Amount (N) | | | | | | | | |
| Mandatory savings | | | | | | | | |
| Number of accounts | | | | | | | | |
| Amount (N) | | | | | | | | |
| Voluntary savings | | | | | | | | |

| | | | | | | | | | |
|--------------------------|--|--|--|--|--|--|--|--|--|
| Number of accounts | | | | | | | | | |
| Amount (N) | | | | | | | | | |
| Term/time Deposits | | | | | | | | | |
| Number of accounts | | | | | | | | | |
| Amount (N) | | | | | | | | | |
| Special deposits | | | | | | | | | |
| Number of accounts | | | | | | | | | |
| Amount (N) | | | | | | | | | |
| Other Deposits (Specify) | | | | | | | | | |
| Number of accounts | | | | | | | | | |
| Amounts | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

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FORM 1501

SCHEDULE OF OTHER LIABILITIES AS AT.....

MICRO-FINANCE BANK CODE..... STATE CODE.....

MICRO-FINANCE BANK NAME..... STATE
NAME.....

Total Amount N'000

| CODE | ITEM | N'000 |
|-------|--|-------|
| 20110 | Accounts Payable | |
| 20120 | Unearned Income | |
| 20130 | Interest Accrued not Paid | |
| 20150 | Uncleared Effects/Transit Items | |
| 20160 | Un-audited Profit to date | |
| 20170 | Interim halfway audited Profit Approved by CBN | |
| 20180 | Provision for the Diminution of the Value of Investments | |
| 20190 | Provision for Losses on off-balance sheet items | |
| 20200 | Interest in Suspense | |
| 20210 | Provision for Taxation | |
| 20230 | Provision for Other Losses | |
| 20240 | Dividends Payable | |
| 20250 | Suspense Account | |
| 20260 | Deposit for Shares | |

PREPARED BY:



| | | |
|-------|-------------------------|--|
| 20270 | Miscellaneous (Specify) | |
| | Total | |

Note: Please provide a breakdown of any item that is equal to or greater than 10% of Total Other Liabilities.

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FORM NUMBER 1600

GAP ANALYSIS REPORT AS AT.....

MICRO-FINANCE BANK CODE..... STATE
CODE.....

MICRO-FINANCE BANK NAME..... STATE
NAME.....

Total Amount N'000

| Items | 1 - 3- days | 31 - 60 days | 61 - 90 days | 91 - 180 days | 180 - 360 days | >360 days | Total N'000 |
|----------------------------|-------------|--------------|--------------|---------------|----------------|-----------|-------------|
| Loans | | | | | | | |
| Investments | | | | | | | |
| Other Assets | | | | | | | |
| Total (A) | | | | | | | |
| Deposits | | | | | | | |
| CDs and Other Liabilities | | | | | | | |
| Total (B) | | | | | | | |
| Equity © | | | | | | | |
| Net Periodic Gap A - (B+C) | | | | | | | |
| Cumulative Gap | | | | | | | |

Note:-

- i. Net Periodic Gap = A minus B minus C
- ii. Cumulative Gap in Column 1 = Net Periodic Gap in Column 1
- iii. Cumulative Gap in Column 2 = Net Periodic Gap in (Column 1+ Column 2)
- iv. Cumulative Gap in Column 3 = Cumulative Gap in Column 2 + Net Periodic Gap in Column 3
- v. Cumulative Gap in Column 4 = Cumulative Gap in Column 3 + Net Periodic Gap in Column 4 etc.

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Performance Indicators

Compulsory Prudential Ratios

| S/N | DESCRIPTION | RATIO | REMARK | STANDARD |
|-----|--|-------|---|--|
| 1. | Capital Adequacy Ratio | | Capital adequacy ratio is the ratio which determines the capacity of the bank in terms of meeting the time liabilities and other risk such as credit risk, operational risk etc | |
| | Recapitalization Required | | | |
| 2. | Current Ratio | | Measures how well an MFI matches the maturities of its assets and liabilities or a portion thereof that have a due date, maturity date, or may be readily converted into cash within 12 months. | 20% |
| 3. | Fixed Assets Long Term Investments/Share Holders Funds | | No MFB shall be allowed to finance any acquisition of Fixed Assets, Equity Investments, investments in Long Term debentures and Branch expansion from any funds other than the shareholders funds. This ratio measures the aggregate value of such investments against the shareholders funds unimpaired by losses. | |
| 4. | Statutory Reserve//paid up capital | | Measures how much of the MFBs Net profit for the year will be transferred to Statutory reserve. | MFB Policy page 28 |
| 5. | Single Obligor Limit | | Measures the limit of lending to a single borrower and related parties | Single obligor – 1% (single) 5% (group) 5% (group) of shareholders funds |
| 6. | Maximum Equity Investment ratio | | Measures the participation of the MFB in all permissible enterprises | 7.5% of shareholders funds |
| 7. | Loan loss Provisions | | Measures all loan loss provisioning according to provisioning schedule | See page 31 MFB |
| 8. | Investment in Fixed Assets | | Measures the limit of an MFB investment in Fixed assets | 20% of SHF |

PREPARED BY:

DISCOVERY

IDEA EDGE
Consulting

| S/N | DESCRIPTION | RATIO | REMARK | STANDARD |
|-----|----------------------------------|--------------------------------------|--|----------|
| 1. | Capital Adequacy Ratio | | Capital adequacy ratio is the ratio which determines the capacity of the bank in ter | 10% |
| | Recapitalization Ratio | | | |
| 2. | Return on Equity | | Calculates the rate of return on the average equity for the period. Because the numerator does not include non-operating items such as donations, the ratio is a frequently used proxy or revenue taxes MFIs that are not using average equity as the denominator should specify the alterative denominator they are using. | |
| 3. | Adjusted Return on Equity (AROE) | adjusted net pertaining income-taxes | | |
| 4. | Average Equity | | | |
| 5. | Return on Assets (ROA) | | Measures how well an MFI uses its total assets to generate returns | |
| 6. | Adjusted return on Assets (AROA) | | | |
| 7. | Operational self-sufficiency | | Measures how well an MFI covers its costs through operating revenues in addition to operating expense be included in this calculation, as they are a normal (and significant) cost of operating. | |
| 8. | Profit margin | | Measures what percentage of operating revenue remains after all financial loan-loss provision and operating expenses are paid | |
| 9. | Financial self-sufficiency | | Measures how well an MFI covers its costs taking into account a number of adjustments to operating revenues and expenses. The purpose of most of these adjustments is to model how well the MFI could cover its costs if its operations were unsubsidized and it were funding its expansion with commercial-cost liabilities. Adjustments are discussed in section III | |

PREPARED BY:



Assets Liability Management

| S/N | DESCRIPTION | RATIO | REMARK | STANDARD |
|-----|-------------------------------|--|--|----------|
| 1. | Yield on Gross Loan Portfolio | | Indicates the gross loan portfolio's ability to generate cash financial revenue from interest, fees and commissions. It does not include any revenues that have been accrued but not paid in cash, or any non-cash revenues in the form of post-dated checks seized but unsold collateral etc. | |
| 2. | Current Ratio | | Measures how well an MFI matches the maturities of its assets and liabilities. Short term means assets or liabilities or any portion thereof that have a due date, maturity date or may be readily converted into cash within. Compares revenue actually received in cash with revenue expected from loan contracts. While a small, gap is common, a substantial yield gap (> 10%) may indicate significant past-Expected annual yield) due payments in this formula, 'expected annual yield' means the effective interest rate of the loan contracts (the declining-balance equivalent rate) for a single payment period multiplied by the number of periods in a year. | |
| 3. | Year Gap | | | |
| 4. | Funding expense Ratio | | Shows the blended interest rate an MFI is paying to fund its financial assets. This ratio can be compared with yield on the gross portfolio to determine the interest margin | |
| 5. | Cost of Funds Ratio | Interest and fee expenses on funding liabilities. Average funding liabilities | This ratio gives a blended interest rate for all of an MFI's funding liabilities. Funding liabilities do not include interest payable or interest on loans to finance fixed assets. | |

PREPARED BY:



Portfolio Quality

| S/N | DESCRIPTION | RATIO | REMARK | STANDARD |
|-----|--------------------------|--|---|----------|
| 1. | PAR ratio | | The most accepted measure of portfolio quality. Portfolio at risk is the outstanding amount of all loans that have one or more installments of principal past due by a certain number of days. MFIs should indicate whether restructured loans are included in their portfolio at risk. This practice reflects the belief that restructured loans carry higher risks than do current loans. | |
| 2. | Write-Off ratio | | Represents the percentage of an MFIs loans that have been removed from the balance of the gross loan portfolio because they are unlikely to be repaid. A high ratio may indicate a problem in the MFIs collection efforts. However, write-off policies vary, which makes comparisons among MFIs difficult. As a result, analysis may present this ratio on an adjusted basis to provide for uniform treatment of write-offs (see section III) | |
| | Adjusted write-off ratio | Adjusted value of loans written off. Average gross loan portfolio | | |
| 3. | Risk coverage ratio | | Shows how much of the portfolio at risk is covered by an MFI's loan-loss allowance. It is a rough indicator of how prepared an institution is to absorb loan losses in the worst case | |

| | | | | |
|--|--|--|---|--|
| | | | scenario | |
| | | | MFI's should make provision according to the age of their portfolio at risk the older the delinquent loan, the higher the loan-loss allowance. For example, a ratio for PAR > 180 days may be close to 100% whereas, the ratio for PAR > 30 days is likely to be significantly less. Thus a risk coverage ratio of 100% is not necessarily optimal. | |

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Efficiency/Productivity

These indicators reflect how efficiently an MFI is using its resources, particularly its assets and personnel.

| S/N | DESCRIPTION | RATIO | REMARK | STANDARD |
|-----|-------------------------------|-------|--|----------|
| 1. | Loan Officer Productivity | | Measures the average caseload of each loan officer, as defined in P14. This is a common ratio | |
| 2. | Personal Productivity | DVID | Measures the overall productivity of total MFI human resources in managing clients who have an outstanding loan balance and are thereby contributing to the financial revenue of the MFI Alternatively, the MFI may wish to measure the overall productivity of MFI personnel in | |
| 3. | Average disbursed loan size | DVID | Measures the average loan size that is disbursed to clients. Total number of loans MFIs should be careful to distinguish between disbursed loan size and outstanding loan size (see R17) | |
| 4. | Average outstanding loan size | VALUE | This ratio is the most commonly used efficiency indicator for MFIs it includes all administrative and personnel expenses. Care must be taken when using this ratio to compare unfavorably to others, even though they may be serving their target market efficiently. Likewise, MFIs that offer savings and other services will also compare unfavorably to those that do not offer these services, if gross loan portfolio is used as the denominator. Therefore, average total assets is the more appropriate denominator for financial intermediaries when calculating the operating expenses ratio. | |
| 5. | Cost per borrower | VALUE | Provides a meaningful measure of efficiency for an MFI, by determining the average cost of maintaining an active borrower or client. MFIs | |

| | | | |
|----|-----------------------|---|---|
| | Cost per client | VALUE | may choose to substitute the number of active loans as the denominator to see cost per active loan outstanding. It is also useful to compare to GDP per capita to assess an MFIs efficiency in the local context. Because they count clients rather than amounts, these indicators have the advantage of not prejudicing MFIs which offer smaller loans and savings accounts. |
| 6. | Other expenses ratios | Any expense Average gross loan portfolio | Expense ratios can be created for nearly any expense account on the income statement. This purpose is to allow an MFI or analyst to track the growth or decline of a particular expense over time or across a group. |