**Palli Karma-Shahayak Foundation (PKSF)**

Plot: E-4/B, Agargaon Administrative Area

Sher-e-Bangla Nagar, Dhaka-1207, Bangladesh

**Procedures for evaluating intermediary’s portfolio**

As PKSF channelize its funds to the program participants through its POs it is very important to evaluate the portfolio of the PO in order to ensure the desired use of the fund provided. PKSF will evaluate its POs portfolio through an operational performance report. The performance report will be prepared by the respective desk officer attached to each PO. The report will present both the past (June of last four years) and present (latest month) information of some selected indicators of the PO. The officer has to use the monthly reports of microfinance programs send by the POs in order to prepare the report. The officer will also have to verify this information whenever he or she visits the Head Office, branches and field level operations of the POs as part of his or her regular responsibility.

The operational performance report will present various indicators of POs operation under nine major areas that will help the management to evaluate the POs operational and financial health in order to take financing decision. The areas will be-

1. **Program Outreach :**

Program Outreach will mainly show the overall size of POs field operation. It will include the no. of branches through which the PO is working, the total number of members it is working with and the number of borrowers (members having outstanding loans at the time of reporting) and the total loan outstanding with them.

1. **Composition of Loan outstanding:**

The second area of this report will be covering the composition of different loan programs under the overall portfolio. PKSF have seven loan programs which targets different segments of the poor and at the same time these loan programs are different in their generic nature (short term, long term, highly subsidized etc.). The composition of these different programs and it trend will allow the management to see whether the PO are working with the different segments as desired.

1. **Source of Loan:**

The POs normally have three major sources of fund including capital fund, member savings and loans taken from other entities. Apart from that the POs can also use some other in-built liabilities as their sauces of fund like insurances. This particular area of the report will give the management a good idea about the different sources of fund that the PO is using in order to maintain their portfolio.

1. **Fund as a % of Loan Outstanding at Field:**

With this section the report will show the contribution of those different sources of fund stated above in POs portfolio and their changes overtime. This particular area will be very helpful for the management in taking financing decision.

1. **Productivity Indicators:**

Productivity indicators will show how efficiently the PO is running its portfolio in the field. Indicators such as member per branch, per credit officers and borrowers per credit officer will help to see whether the respective entity is reaching its economy of scale. While indicators such as borrower coverage, loan outstanding per credit officer will show the lending efficiency at the field level. Credit officer to Staff ratio will help to identify whether there are any overstaffing in the management level especially in the head offices.

1. **Portfolio Quality Indicator:**

Portfolio quality indicators will help the management to see the overall condition of the PO’s portfolio, its repayment collection and default management efficiency. Apart from looking after the total overdue and bad loans overtime, this area will also capture the information about good loan percentage, on-time repayment rate and portfolio at risk.

1. **Long Term Solvency ratios:**

The long term solvency ratios will be used to see the overall financial strength of the POs. Debt to capital and the capital adequacy ratio of the POs will be included in this area. The debt to equity ratio of PO will demonstrate its ability to take financial leverage and also its capital accumulation ability overtime. The capital adequacy ratio will show whether the PO has sufficient capital compared to its risks.

1. **Short Term Solvency Ratio:**

Two short term solvency ratios will be used in this report. The current ratio will show the POs ability to pay out its current liabilities through its current assets. However, this report will also include the liquidity maintained by the POs against the savings collected from the members at the field level.

1. **Portfolio Related Ratios:**

Some other ratios will also be included in this section of the report. The yield on average loan outstanding ratio will help the management to see the overall earning and revolving efficiency of POs portfolio, The return on average asset will show POs asset management efficiency and through the ratio “loan outstanding as percentage of total asset” the management will see whether the PO is maintaining a desired portion of its total assets as loan portfolio which is its core operation.

**Operational Performance Report:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **PO name** | June .. | June .. | June .. | June .. | Last Month |
| **ProgramOutreach** | No. of Total Branch |  |  |  |  |  |
| No. of Total Member |  |  |  |  |  |
| No. of Total Borrower |  |  |  |  |  |
| Total Loan Outstanding at Field (In Cr. Tk.) |  |  |  |  |  |
| **Composition of Loan Outstanding (%)** | **Buniad** Loan Outstanding (%) |  |  |  |  |  |
| **Jagoron** Loan Outstanding (%) |  |  |  |  |  |
| **Agrosor** Loan Outstanding (%) |  |  |  |  |  |
| **Sufolon** Loan Outstanding (%) |  |  |  |  |  |
| **Sahos** Loan Outstanding (%) |  |  |  |  |  |
| Others Loan Outstanding (%) |  |  |  |  |  |
| **Sourceof Loan Fund** | Capital Fund (In Cr. Tk.) |  |  |  |  |  |
| Total Savings (In Cr. Tk.) |  |  |  |  |  |
| PKSF Fund (In Cr. Tk.) |  |  |  |  |  |
| Bank Loan (In Cr. Tk.) |  |  |  |  |  |
| Insurance Balance (In Cr. Tk.) |  |  |  |  |  |
| LLP (In Cr. Tk.) |  |  |  |  |  |
| Others (In Cr. Tk.) |  |  |  |  |  |
| **Fund as a % of Loan Outstanding at Field** | Capital Fund (%) |  |  |  |  |  |
| Total Savings (%) |  |  |  |  |  |
| PKSF Fund (%) |  |  |  |  |  |
| Bank Loan (%) |  |  |  |  |  |
| LLP (%) |  |  |  |  |  |
| Insurance Balance (%) |  |  |  |  |  |
| Others Fund (%) |  |  |  |  |  |
| **ProductivityIndicators** | Member per branch (1500-2000) |  |  |  |  |  |
| Credit Officer : Member (1 : 300-400) |  |  |  |  |  |
| Borrower Coverage (Min 70%) |  |  |  |  |  |
| Credit Officer : Borrower (1: 240-350) |  |  |  |  |  |
| Credit Officer : Total Staff (1 : 1.50 - 1.70) |  |  |  |  |  |
| Credit Officer : Loan Outstanding (1 : 25-30 Lakh Tk.) |  |  |  |  |  |
| **PortfolioQualityIndicators** | Total Overdue (In Cr. Tk.) |  |  |  |  |  |
| Bad Loan (In Cr. Tk.) |  |  |  |  |  |
| Good Loan as % of Total Loan Outstanding  |  |  |  |  |  |
| OTR (Min 92%) |  |  |  |  |  |
| Portfolio at Risk (PAR) (Max 10%) |  |  |  |  |  |
| **Long Term Solvency Ratios**  | Debt to Capital Ratio (Max. 9 : 1) |  |  |  |  |  |
| Capital Adequacy Ratio (Min. 10%) |  |  |  |  |  |
| **Short Term Solvency Ratios** | Current Ratio (Min. 2 : 1) |  |  |  |  |  |
| Liquidity to Savings Ratio (Min. 15%) |  |  |  |  |  |
| **Profitability related Indicators** | Yield on Average Loan Outstanding (Min 20%) |  |  |  |  |  |
| Return on Total Asset (ROTA) (Min. 3%) |  |  |  |  |  |
| Loan Outstanding at Field as a % of Total Asset |  |  |  |  |  |