

## Financial Inclusion MEAL

### **Financial Statement Analysis**

LIFT's approach to financial statement analysis is through the review and analysis of MFOs/MFIs statements—balance sheet and income statements. Specifically, analysis of financial ratios allows for the evaluation of risks, performance, safety and soundness and gauging future performance.

### **Financial Indicators<sup>1</sup>**

#### **1. Outreach**

- number of clients
- depth (client poverty level)

#### **2. Portfolio Quality**

- portfolio at risk
- aging of delinquency
- loans at risk
- write-off and restructuring/refinancing (against total loan portfolio)

#### **3. Financial Sustainability**

- operational sustainability
- financial sustainability
- return on assets
- capital adequacy ratio

#### **4. Efficiency**

- operating expense to average total assets
- financial structure (loan portfolio/total assets, earning assets/total assets, return on loan portfolio)

### **IP Quarterly Reporting**

1. Financial Indicators
2. Financial Statements
3. Loan Portfolio by type of loan
4. Loans disbursed by type of loan

### **IP Annual Reporting**

1. Socio-economic profile: gender, income, land, status of household (Data Source: MFO/MFI client database)

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<sup>1</sup> Source: MFO/MFI financial statements and financial management reports

2. Client Survey (Data Source: Annual MFO/MFI Client Survey)
3. Progress out of Poverty Index (PPI) (Data Source: MFO/MFI client database)
4. Social Performance Indicators (SPI) (Data Source: Annual Questionnaire)

### **IP Learning Questions**

1. Impact at household (Data source: LIFT HH Survey)
2. Impact at household level (Data Source: PPI)
3. MFO/MFI sustainability (Data Source: financial reports--indicator analysis)
4. Indebtedness (Data Source: HH Survey/Socio-economic data)
5. Demand for debt consolidation loans (Data Source: Loan Portfolio and Disbursed by Type of Loan)
6. Supply versus demand driven financial services—groups vs individual lending, loan-size rationing, types of financial services demanded (Data Source: Client Survey)

### **Guidelines and Reporting Requirements**

- LIFT Operational Guidelines: <http://www.lift-fund.org/operational-guidelines>
- Quarterly report: Performance report, balance sheet, and income statement: <http://www.lift-fund.org/meal-framework-financial-inclusion>
- Narrative Report for annually and six-monthly time: including update of measurement framework and answers of evaluation and learning questions: <http://www.lift-fund.org/narrative-progress-report-template-updated-june-2016>
- Financial Report for annually and six-monthly time: expenditure report: <http://www.lift-fund.org/meal-framework-financial-inclusion>