

THE BENEFITS OF PRICING TRANSPARENCY IN THE MICROFINANCE INDUSTRY

A CASE STUDY

White paper for the Microfinance Transparency capstone project

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INTRODUCTION

This paper explores the value of pricing transparency in the microfinance field. It is intended to fill the literature gap and inform industry leaders of the widespread benefits of transparent pricing practices. We focus our research around the main concerns an MFI manager faces when deciding whether to implement transparent loan pricing—namely, that it will diminish the MFI's profitability, scale or funding. The evidence presents a compelling case that transparency and profitability are not mutually exclusive. Transparency better serves customers, which leads to an expanded client base with lower default rates and better reputation. It helps attract funders and investors who are increasingly responsive to social performance metrics. Finally, transparency benefits the overall health of the industry, fostering market efficiency and improving the landscape for MFIs in the long run.

As a supplement to this research, we have developed an interactive tool enabling MFI managers to compare their institution's level of transparency and financial performance to a group of peers according to selected criteria including region, size, legal structure and regulatory environment. The *Pricing Transparency Comparison Tool* provides visual evidence for the potential benefits of transparent pricing. The tool will be available on the website of Microfinance Transparency, a not for profit organization dedicated to promoting pricing transparency in the microfinance industry.

Pricing transparency in context

In past decades, the use of microfinance as a means to alleviate poverty has spread rapidly around the world. In recent years, however, in the wake of the stunningly large IPOs of microfinance giants Compartamos and SKS and concurrent large-scale defaults in places like India and Nicaragua, popular discontent has risen. A curtain has been drawn away to reveal just how little consumer protection the microfinance industry has had and the public has begun to question the effectiveness of microfinance in alleviating poverty. While much of the blame has been placed on excessively high interest rates charged by certain microfinance institutions, and many countries have established an interest rate cap in response, these efforts may be misguided, overlooking many of the culprits while simultaneously undermining microfinance's original mission to financially empower the poor.

When examining the interest rate question, one finds that what an MFI communicates to its borrowers is often radically different than what its interest rate really is—once calculation method, timing, upfront fees and compulsory savings are accounted for. This disinformation makes it impossible for borrowers to make informed decisions, for the greater public to focus on the worst offenders and for the market to work efficiently. But what also comes to light is that those MFIs providing the smallest loans to the poorest and most rural clients have the highest operating expenses and thus must charge the highest interest rates to remain viable. These MFIs are likely to mask their true interest rates to avoid undue criticism. Regulation that caps interest rates, rather than protecting the most poor, pressures the MFIs serving them to instead provide larger loans in denser areas, oftentimes causing them to retreat from their mission to serve the poor.

As opposed to placing blame solely on interest rates or advocating for interest rate regulation, *pricing transparency*—the alignment of what an MFI communicates as its interest rate to the borrower as compared to its actual interest rate—enables the client to make informed choices, creates competition in the market, and destigmatizes a high interest rate for those MFIs serving the extreme poor or those in rural, hard-to-reach areas. Information symmetry enables market forces to work more effectively, making interest rates more competitive and pressuring MFIs to streamline their operational costs as much as possible.

NON-TRANSPARENT PRICING

To illustrate the common discrepancy between stated interest rates and actual interest charged, a microfinance institution might quote an interest rate on a loan as 4% per month, but rather than this translating into a 48% annualized interest rate, it turns into an APR greater than 90% through the following manner:

First, the interest is calculated off a flat balance, meaning that the customer is always being charged 4% on the initial balance, even as they pay down principal. Secondly, the MFI charges the 4% every four weeks, not every month, meaning that there are 13 payment cycles within one year, not 12. Thirdly, the MFI has a mandatory savings provision, say 2%, which comes out of the initial loan amount, yet interest is still being charged on the total loan amount. Upfront fees operate in a similar manner, though the client does not get those back at the end; they are subtracted from the loan received but included in the interest calculation. Once these factors are all accounted for, the client is in essence being charged a 90.8% APR on a loan advertised as 4%. This significant difference between advertised interest rate and actual interest rate is not an exception, it is a common occurrence throughout the industry.

Calculation of APR based on Loan Conditions and Pricing -- SIMPLE APPROACH

Basic Loan Conditions

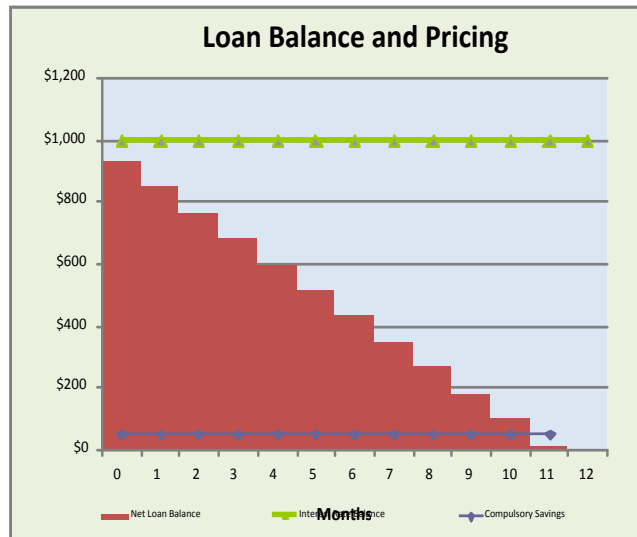
Loan Amount:	\$1,000
Term & Repay Freq.	12 Months

Loan Pricing

Inputs	Incremental Cost	APR	Factor
Interest Method	Flat		
Annual Interest Rate (%)	48.0%	79.4%	1.7
Up-front Fee (%)	2.0%	83.9%	1.7
Value-Added Tax (%)	0.0%	83.9%	1.7
Security Deposit (%)	5.0%	90.8%	1.9
Interest Paid on Deposit (%)			

Total Financial Cost to the Client

Total Cost (less Sec. Dep. int):	\$500	in 12 Months
Annualized	\$500	in 1 year
Avg net loan balance:	\$472	47% of original loan amount
<i>This is the amount the client has to invest in her business</i>		
Client Breakeven Point:	11.3	Months
<i>The month when the total loan cost equals the avg loan balance</i>		
Amount of Time with Negative Net Balance		
Months:	0	
% of loan term:	0%	



APR Calculation Tool from MFTransparency website. The above tool calculates actual APR on a loan once all pricing is taken into account. This example shows how a loan advertised with an interest of 4% a year is actually charging 90.8% APR.

Many practitioners support transparent pricing in theory but find it difficult to practice for the abovementioned reasons. Furthermore, with no reporting or calculation standards, many institutions have found ways to increase their profit margins under the guise of a low interest rate and now fear transparency will diminish those margins. As Chuck Waterfield of MFTransparency explains, the problem is deeply entrenched:

Once the industry began widely employing confusing product pricing, it became very difficult for MFIs to convert to transparent pricing. To do so, the MFI would advertise what appeared to be the highest price in the market, even though their true price could actually be the lowest. As a result, the vast majority of MFIs practice non-transparent pricing even though many would prefer to do otherwise (Waterfield, 2009).

Without understanding the upside of transparency, there is little incentive for institutions to adjust their behaviors. In fact, P.N. Vasudevan, Managing Director of Equitas Micro Finance India, insists that unless governments regulate and standardize MFI pricing, those institutions not practicing transparency will not change their policies.

A number of organizations, however, are working to effect changes regardless of government regulation. Microfinance Transparency (MFTransparency) is at the forefront of efforts to increase pricing transparency throughout the industry. Along with collecting, analyzing and presenting financial data from institutions within 17 countries to date, the organization works towards transparency by collecting signatures from MFIs to endorse its mission.¹ Several organizations and initiatives also promote pricing transparency in the microfinance sector as one element of a their broader social agendas. The Social Performance Task Force, a globally-supported industry initiative based in the US, and the Smart Campaign (an initiative of Center for Financial Inclusion and Consultative Group to Assist the Poor) are both working to create universal standards for social performance management which include pricing transparency as one of the main criteria. Organizations like the UN have developed Principals for Responsible Pricing and a group of investors have become signatories of the Principals for Investors in Inclusive Finance, both of which advocate for pricing transparency among other best practices. Microfinance investment funds have also created their own set of indicators that invariably incorporate pricing transparency or require some of the abovementioned standards. While none of the initiatives advocate that MFIs should only present their interest rates in terms of APR or EIR, which would be as confusing to many clients as a nominal interest rate, these annualized, comprehensive calculations provide a uniform, objective measure that, along with other methods of price communication, will enable clients to compare one loan product or provider with another.

Due to these social responsibility-oriented programs pricing communication is changing for the better, and an increasing number of MFIs have committed to responsible pricing. In countries like India, however, where misleading flat interest rate calculations still prevail, MFI clients do not reap the large-scale benefits of pricing transparency. In regions where transparency is generally low, no MFI wants to be the first to take the step towards greater transparency lest they lose clients to those masking the true costs of their loans. The research presented here on the benefits of pricing transparency alleviates the prevailing concern that transparency is detrimental to an MFI. The findings should therefore invite reflection on the MFI's pricing policies.

¹ As stated on their website, the MFTransparency mission is to “facilitate the collection and dissemination of transparent microcredit product pricing information and, educate stakeholders and enhance their understanding of microcredit product pricing.”

METHODOLOGY

The research presented in this study is derived from both quantitative and qualitative sources. We do not intend to be prescriptive regarding the implementation of transparent pricing practices or to establish statistically significant correlations between an MFI's level of pricing transparency and other variables. The data is shown for descriptive purposes and serves to debunk some of the common misconceptions among practitioners regarding the impact of pricing transparency on three aspects of an MFI's performance: profitability, scale and funding.

Quantitative analysis

Our quantitative analysis draws data from the Microfinance Information Exchange (MIX) Market and MFTransparency. An overall drawback of analysis within the field of microfinance is that the majority of data is self-reported and is thus prone to selection bias, which is hard to overcome since MFIs are rarely required to submit information on their loans' pricing mechanisms to regulatory institutions or third party rating agencies. Notwithstanding, MIX is the most reliable and extensive source of microfinance data available, covering over 2,000 MFIs. MIX collects raw data from a form the MFI completes and when possible, from audited financial statements and internal financial statements. Financial data reporting is supplemented by questionnaires. MIX then calculates financial ratios such as Return on Assets (ROA) and Return on Equity (ROE). Though MIX also collects social performance data, currently only 12% of this self-reported data has been validated by a third party,² making this data even more challenging to use for rigorous analysis.

Although participation in the MIX Market is open to all MFIs and MIX aims to boost the number of reporting MFIs, it is incumbent upon each MFI to decide whether to participate. MFIs may choose to report some indicators and conceal others from year to year. Specific or individual MFI data are confidential and can only be used with the permission of the respective MFIs. Analyses based on MIX Market data are therefore not statistically significant because the data does not represent a random sample.

MFTransparency collects its data from actual loan contracts and repayment schedules provided directly from MFIs and rates their loan products using a "Transparency Index"—a higher score means a more transparent pricing mechanism. Submitted documents are verified by MFTransparency staff and then used as a basis for APR calculation. The results are posted on the MFTransparency website and available to the public. This open disclosure enables industry practitioners, journalists, funders and regulators to flag data that appears suspect, based on their own knowledge and experience in the field, which helps ensure better accuracy of the reporting. Like with the MIX Market, MFIs must elect to participate; however, as MFTransparency takes a comprehensive approach to specific countries, there is pressure for MFIs in those countries to participate, since not participating suggests the MFI is hiding something. MFTransparency is currently working within 17 countries, and is in the process of expanding its geographic focus.

In order to compare transparency data—which is provided by MFTransparency—with financial indicators like ROA and ROE—which is provided by MIX—we combined the two datasets for MFIs reporting to both sources. This resulted in a dataset of 228 MFIs spanning the 17 countries covered by MFTransparency. MFTransparency collects data on a product-by-product basis, while MIX collects and presents data at the institutional level. To bring the datasets together, we aggregated the product-level MFTransparency data into institution-level indicators by taking an average, weighted by number of clients per product, for APR and transparency using up to the six largest products for each MFI. We weighted by number of clients per product to calculate averages that best

² "Frequently Asked Questions: How Do I Know the Data Is Reliable," *MIX Market*, Internet, available from <http://www.mixmarket.org/about/faqs#datasets2>, accessed 1 May 2012.

represent the microfinance institution's activities in terms of population being served. In order to converge the two datasets, we assigned MIX's MFI ID to the corresponding MFI within MFTransparency, and pulled data from the corresponding year or the closest year possible. We also calculated an inflation-adjusted ROE and ROA using inflation statistics provided by the World Bank corresponding to the year the data was collection. For purposes of cross-country or regional analyses, we created a variable for average loan size divided by GNI per capita to normalize the data across countries. GNI per capita data was also obtained from The World Bank.

Because the data is not random and within most countries the samples are not representative, we cannot perform robust statistical analyses on the data. Instead, we analyze the data using graphs and descriptive statistics, looking for general trends. An overview of descriptive statistics is included in the appendix. For the most part, we examine the data by country; however, the number of samples in some countries is very limited. We do not perform country analyses on the four countries with fewer than five samples (Mozambique, Rwanda, Uganda and Zambia). Occasionally we find that analysis in the aggregate (across all 17 countries) is useful for certain variables, knowing that such "global" analysis is subject to inaccuracies due to differences between countries and regions.

Our dataset is the basis for the Pricing Transparency Comparison Tool (See Annex B) we have developed in association with this research. The tool allows an MFI manager to do their own analysis of the data, filtering for criteria that best match their own institution. The user can generate graphs comparing transparency levels of the selected sample to multiple indicators such as APR, average loan size, ROA, ROE and number of clients. The tool also collects data from the MFI manager about their own institution, directing the user to calculate APRs and transparency levels per loan product using an additional tool on the MFTransparency website. Our program then aggregates the user's product-level data into institution-level indicators so that it can be graphically compared to the other MFIs in the sample. The user's MFI is represented on the graphs with a red bubble. In all graphs, bubble size represents a third indicator, which is selected by the user. Through this tool, the MFI manager can see for themselves the relationship between transparency and the financial indicators they are most concerned with. It is our intention that they will recognize, as we argue in this paper, that adopting greater pricing transparency policies will not negatively impact their MFI's performance.

Qualitative Analysis

Our qualitative analysis is based on two primary sources: a literature review of the intersection between social and financial performance in the microfinance sector and interviews with expert practitioners, particularly microfinance fund managers. Their insight into the importance and impact of pricing transparency creates one of the strongest business cases for pricing transparency, as they are controlling a significant portion of the assets directed towards MFIs today. Our interviews covered three out of the top five multi-fund Microfinance Investment Vehicles (MIVs) and twelve other key players in the field of microfinance funding and operations. Their knowledge greatly contributes to the validity and significance of our study. A list of interviewees is attached in the appendix.

The literature on pricing transparency is limited and there is no comprehensive study on its costs or benefits. Where possible, we have supplemented our findings with available analyses. Consultative Group to Assist the Poor (CGAP), the UN, the Smart Campaign and other major actors in the microfinance field make valuable points about the impact and importance of increased client protection, and, when appropriate, we draw upon their findings to support our case. Additional research including a greater sample of institutions with data that is independently verified would be needed to solidify the research presented here.

FINDINGS AND DISCUSSION

The findings of this study are framed around the three key questions that MFI managers face when deciding to adopt transparent pricing policies:

- Will transparency hurt my MFI's profitability?
- Will I lose clients if I become transparent?
- Will transparency affect my MFI's funding opportunities?

Will transparency hurt my MFI's profitability? The impact of transparency on ROE, ROA and spread

To begin to answer this question, we analyze the entire dataset to understand the relationships between loan size, APR and transparency. Our premise is that transparency poses more challenges to those MFIs serving the smaller loans and that those MFIs tend to charge the highest APRs. Though we caution against an analysis of the dataset in the aggregate, some collective trends are insightful. As shown in Figure 1, the Transparency Index appears to increase slightly as average loan balance divided by GNI per capita increases. This can be explained by a reduced pressure to mask interest rates for those MFIs serving the largest loans. Large loans tend to be provided in denser and more developed areas which makes them less expensive to provide for reasons including low transportation costs and the ability for one loan officer to serve multiple clients per day. Additionally, larger MFIs servicing larger loans are often subject to greater regulation which may have already lead to increased transparency.

MFI MANAGERS FACE 3 KEY QUESTIONS REGARDING PRICING TRANSPARENCY

Q1: Will transparency hurt my MFI's profitability?

Not necessarily.

Higher pricing transparency does not entail lower profitability in the sample examined.

In some cases, an upward trend line shows higher transparency connected to higher profitability.

The data suggests that transparency is either neutral or beneficial to profitability.

Q2: Will I lose clients if I become transparent?

Not necessarily.

There is no clear relationship between transparency and number of clients in the sample.

This suggests that transparency does not negatively impact scale.

Q3: Will transparency reduce my MFI's funding opportunities?

*Unlikely –
In fact, transparency increases funding opportunities.*

All interviewees said that high social performance indicators, pricing transparency being a key measure, are becoming increasingly important in their funding decisions.

The largest funders in the microfinance industry want to see more pricing transparency.

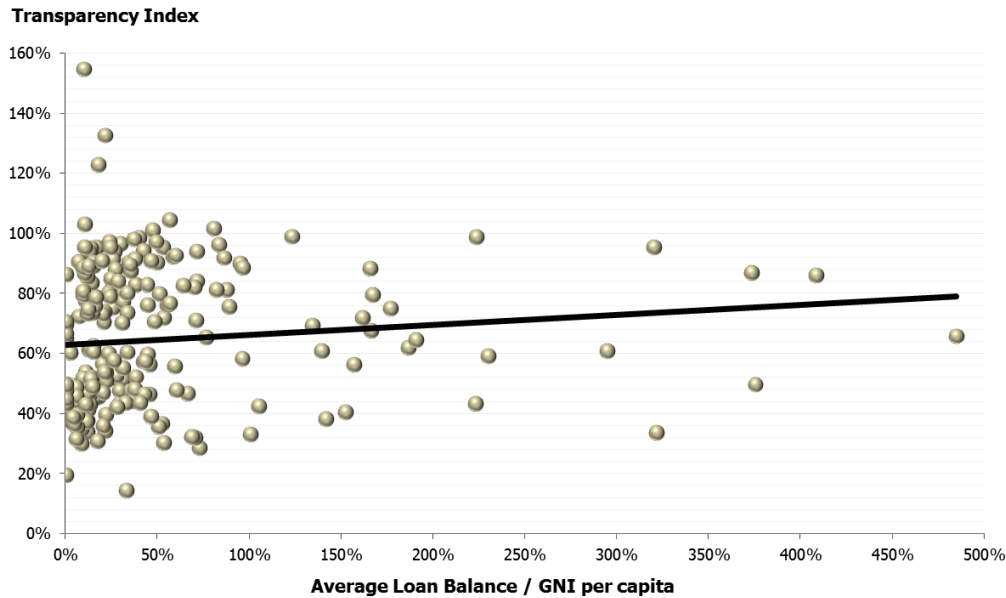


Figure 1: Transparency and average loan balance / GNI across 17 countries

When we explore this trend at the country level, we find a positive relationship between transparency and average loan size in Bolivia (Figure 2), Colombia, Philippines and India. In Kenya, Malawi and Cambodia (Figure 3), transparency slightly decreases as average loan balance increases, and for the remaining countries, there is no noticeable trend between the two. These analyses caution against drawing too broad a conclusion about the aggregate.

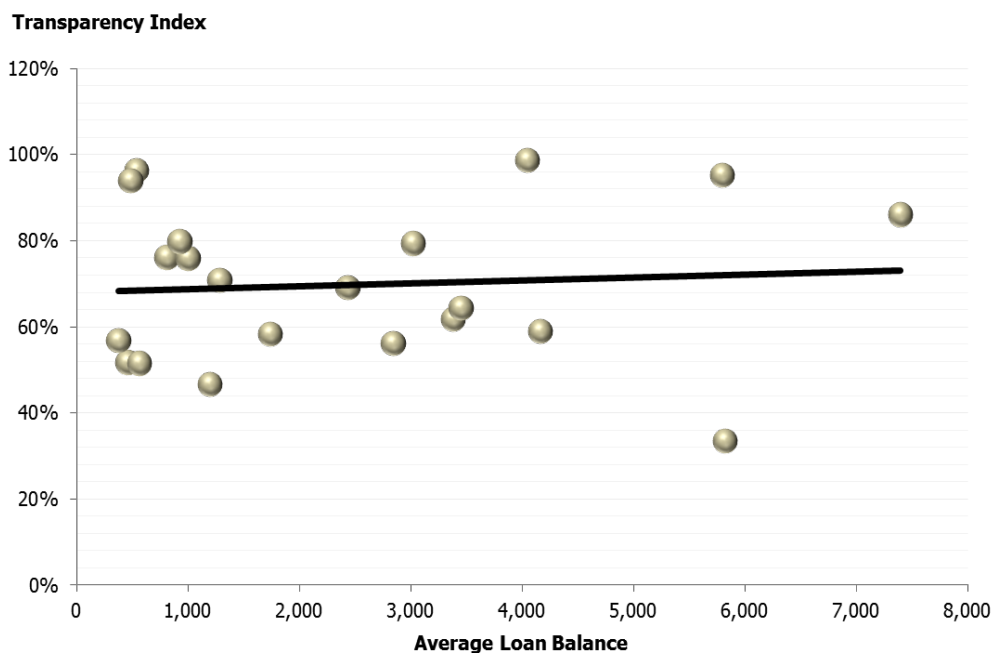


Figure 2: Transparency and average loan balance in Bolivia

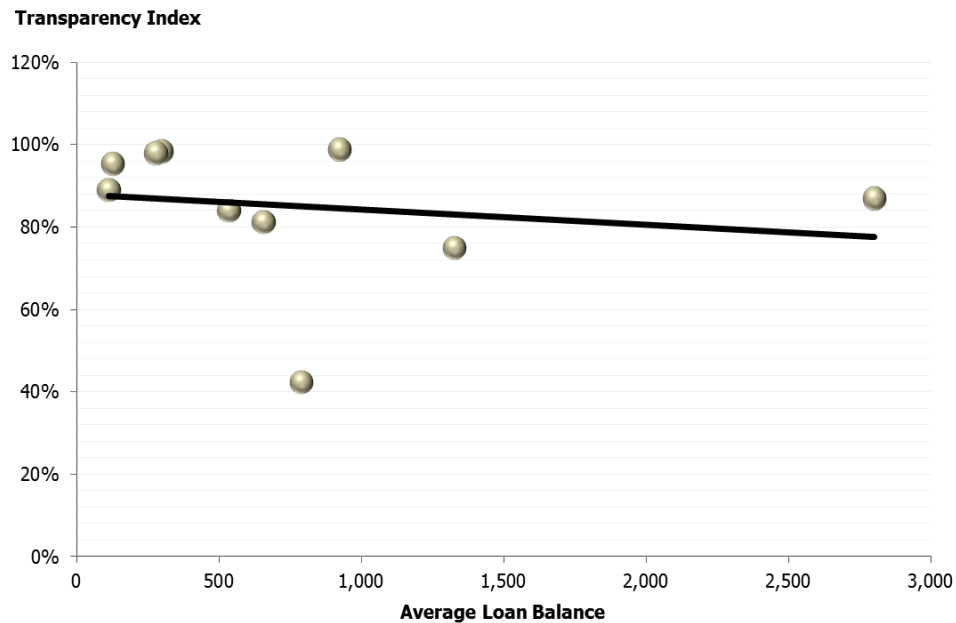


Figure 3: Transparency and average loan balance in Cambodia

We see a more pronounced trend of higher transparency scores with lower APRs (Figure 4). That MFIs with the lowest APRs would be the most transparent is not surprising since those MFIs have nothing to lose by clearly disclosing their rates. Lower APRs are also generally seen in tandem with larger average loan sizes since, as mentioned earlier, larger loans tend to be less expensive to provide.

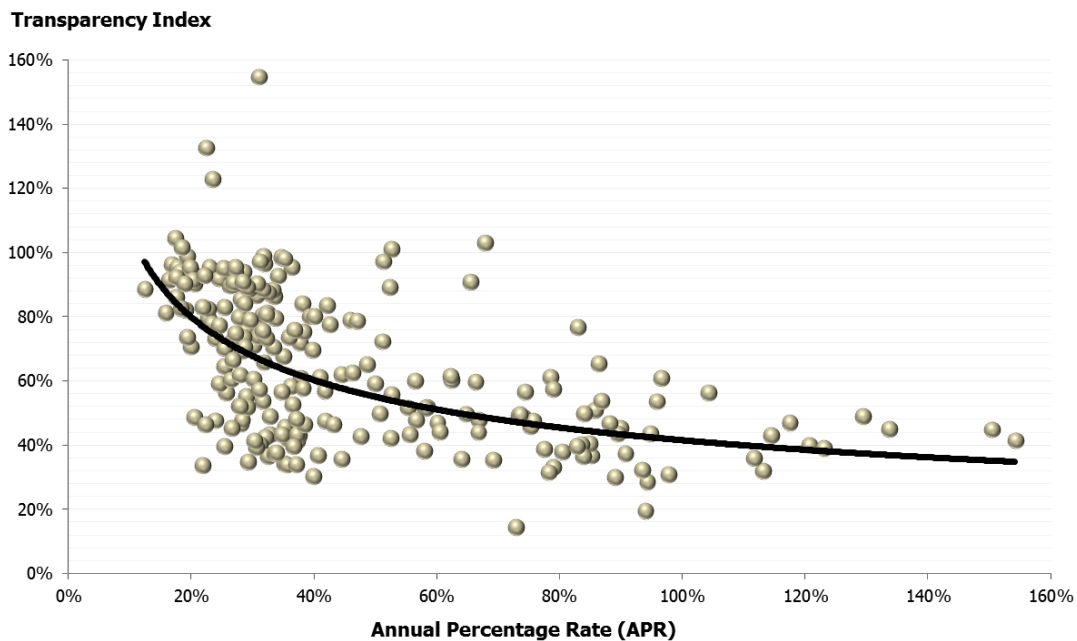


Figure 4: Transparency and APR amongst 17 countries

An incorrect but understandable conclusion from this graph might be to say that since MFIs with the higher transparency have lower APR, they must be less profitable since they generate less income per loan. Our next analysis discredits this theory.

We find no consistent relationship between transparency and the most commonly used indicators for profitability: ROE and ROA (nominal and real). Whereas our APR graph (Figure 4) clearly shows increased APR with lower transparency, no such equivalent patterns emerge for the profitability indicators, both in the aggregate and on a country-by-country basis. In the Philippines, for example, transparency increases as nominal ROE and nominal ROA increase. In Ecuador the relationship between transparency and ROE appears neutral, and in Colombia neutral to slightly increasing (Figure 5). In India, Bosnia and Malawi, the trend is negative. While these findings do not appear to help build a case that transparency is financially beneficial to MFIs, they do suggest that the reverse is not necessarily true: *those institutions with the highest level of transparency do not have the lowest returns*. Our data suggests that being transparent is financially neutral. This finding is useful in building a case that MFIs should embrace transparency as it counters the often-cited reason for not becoming transparent: that it will make the MFI become less profitable.

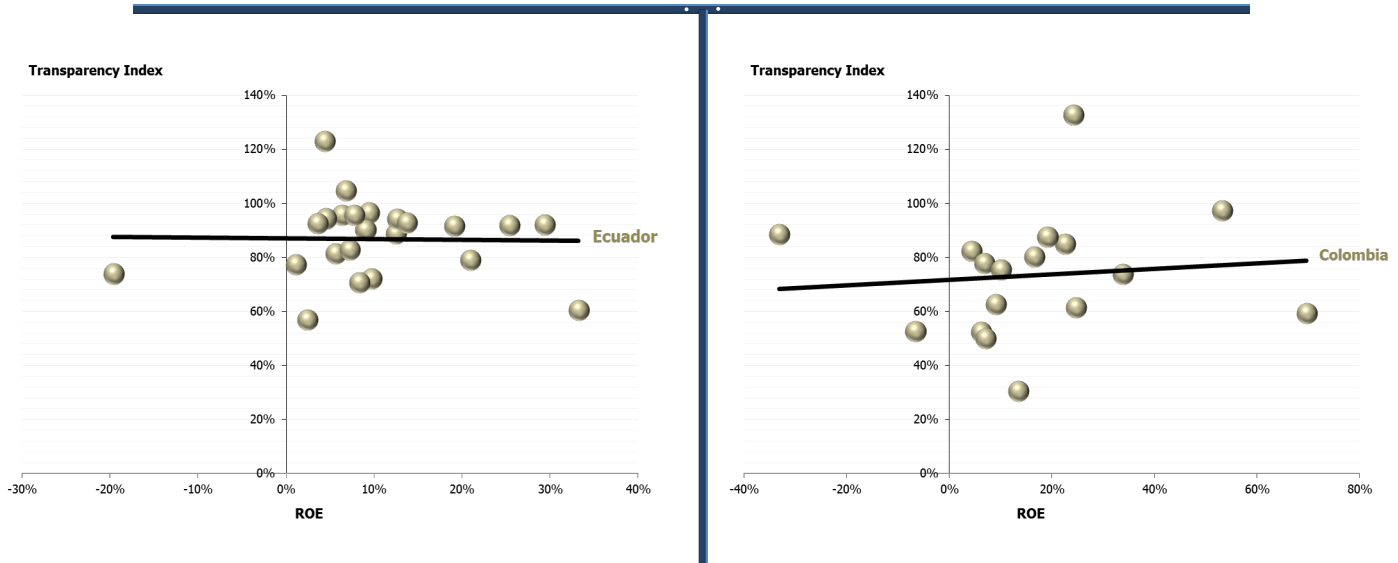


Figure 5: Transparency shows fairly neutral relationships to ROE in Ecuador and Colombia

When we do an analysis of not-for-profit MFIs in the aggregate we find a somewhat higher ROA (nominal) for those not-for-profit MFIs with higher transparency ratings (Figure 6). When we look at their APR and average loan size using the bubble size for those indicators (running two subsequent analyses), we find that neither APR nor loan size consistently increase with ROA. In other words, neither increased price nor increased loan sizes are de facto related to greater ROA for the more transparent MFIs. This suggests that what is driving higher ROA in MFIs with higher transparency is lower costs rather than higher revenues. Perhaps not-for-profit MFIs with greater transparency have better operational efficiencies than those with lower transparency. We do not, however, see this trend with for-profit MFIs. In the aggregate, those with higher ROA tend to have slightly less transparent ratings (Figure 7).

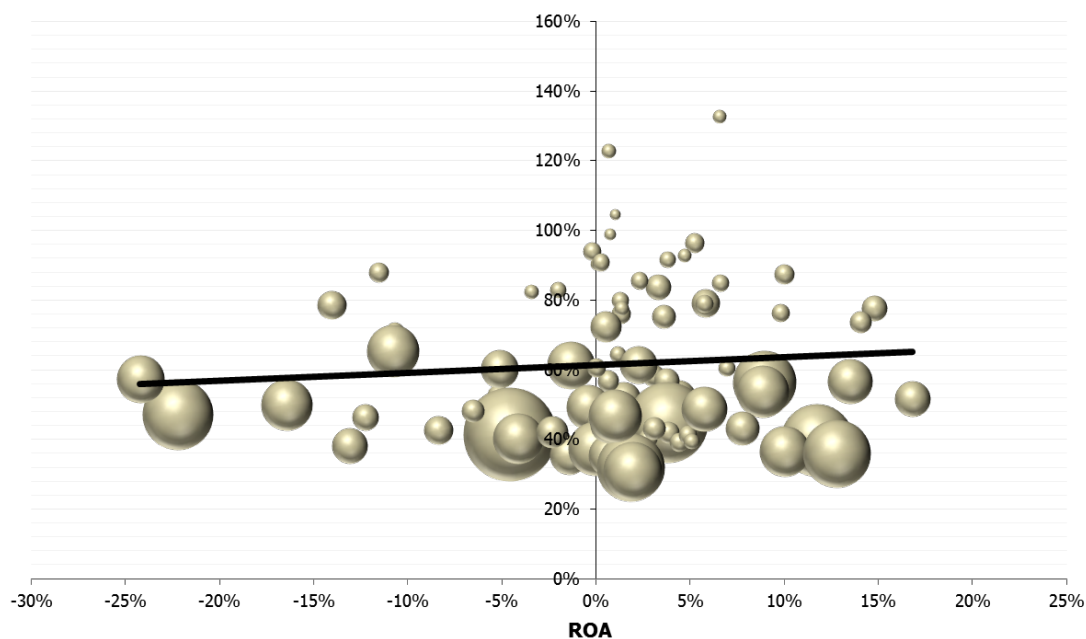
Transparency Index

Figure 6: ROA (nominal) and transparency amongst not-for-profit MFIs within 17 countries

Sample size: 82. Bubbles represent APR.

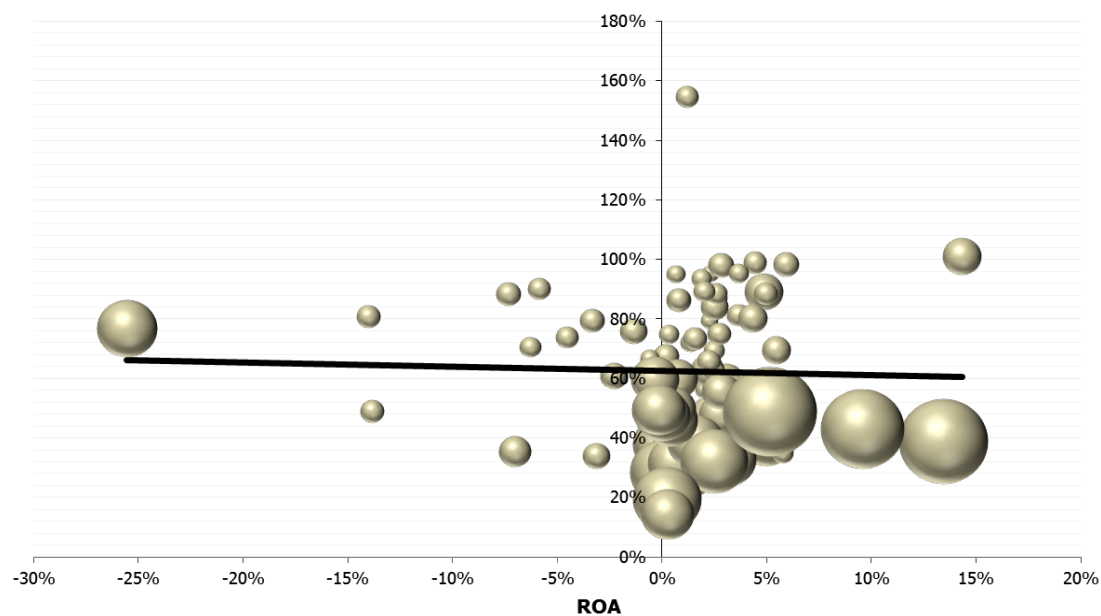
Transparency Index

Figure 7: ROA (nominal) and Transparency amongst for-profit MFIs within 17 countries

Sample size: 97. Bubbles represent APR.

While analysis of ROE and ROA is inconclusive, when we look at the spread between Portfolio Yield³ and Operating Expenses/Assets, a very interesting trend occurs. This particular measure of spread is a proxy for profit and it is particularly useful in examining MFIs as it looks at returns above the operating expenses. This indicator is important because those MFIs that are serving the poorest clients often must have the highest operating expenses, as discussed earlier. If one only looks at profitability indicators that increase as operating expenses decrease, the analysis may disregard some of the MFIs that are remaining true to their social missions and therefore have higher operating expenses. Looking at the relationship between transparency and spread,⁴ we find that in eight out of 13 countries with more than five MFIs per sample, the two are positively related, as is seen below for Bolivia, the Philippines, Cambodia and Ecuador (Figure 8), as four examples. The MFIs with higher transparency ratings show greater profit. It is inconclusive what is driving this greater profitability. For some of the countries, such as Bolivia and Ecuador, we see lower operating expenses for those MFIs that are more transparent, which could explain the greater profit. For others, however, such as the Philippines and Cambodia, we see higher operating expenses for those MFIs with greater transparency, but also higher yields, which drive an increase in the spread between the two. Regardless of the underlying causes, the important takeaway is that, in our dataset, more MFIs than not have found a way to secure higher profits than their competitors while being more transparent in their pricing.

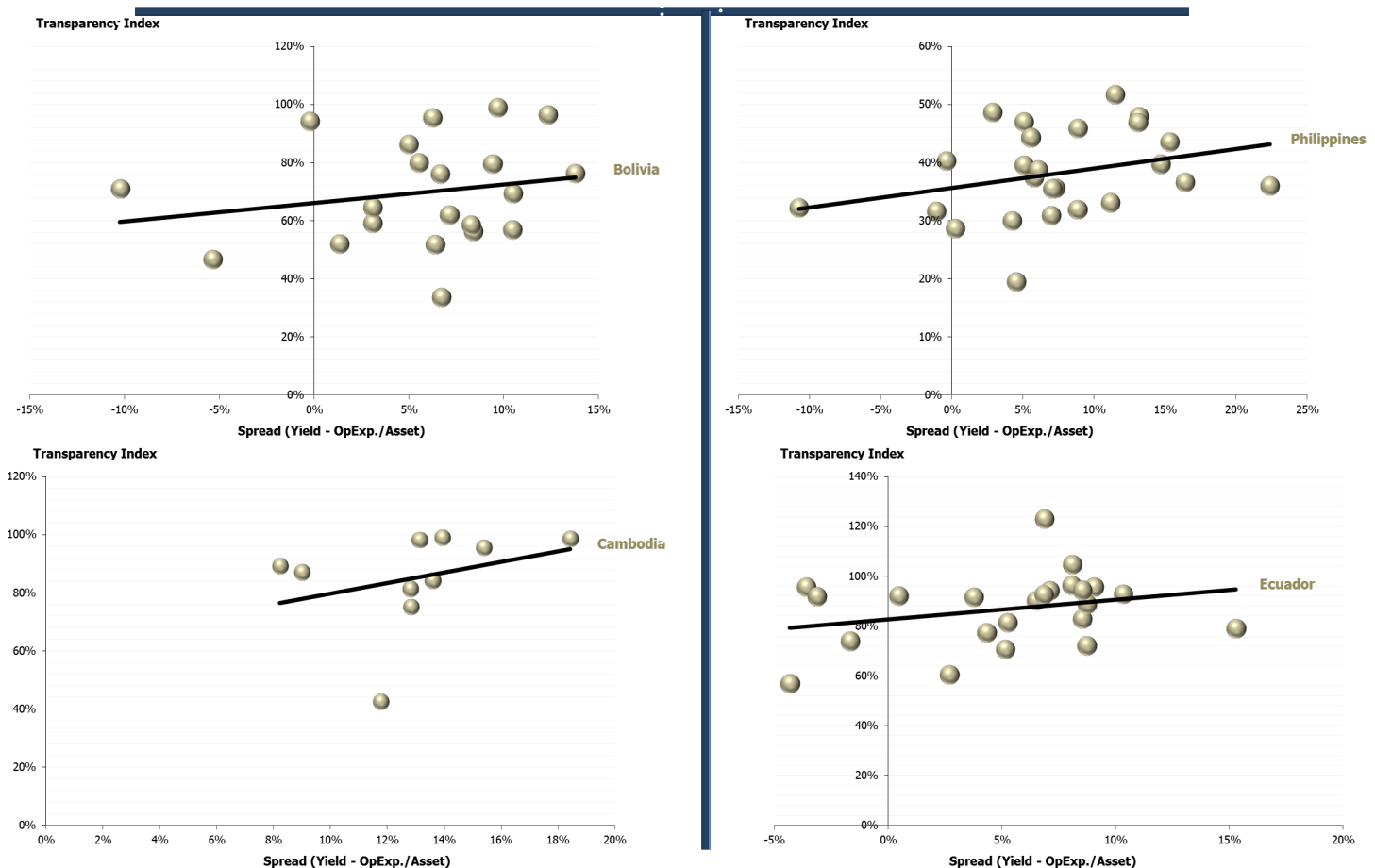


Figure 8: Transparency and Spread in Bolivia, Philippines, Cambodia and Ecuador

³ Portfolio yield is defined as interest income and fees on loan portfolio divided by the average gross loan portfolio.

⁴ Spread is defined as (Portfolio Yield minus Operating Expenses)/Assets.

While the positive relationships between financial indicators (e.g. spread and ROA) and transparency we found are encouraging, we recognize that our dataset is not conclusive, nor can we presume these relationships to be causal in any way. They are, however, promising findings that with further research over time, can paint a better picture of pricing transparency within the microfinance industry. To substantiate these findings, therefore, we complement our quantitative data with interviews and research to determine how transparency affects clients, funders and the microfinance industry as a whole.

Will I lose clients if I become transparent? The impact of transparency on clients

To answer the question of scale, we begin by analyzing our dataset and looking at the relationship between MFIs' transparency score and their number of clients. As shown in Figure 12, there is no significant relationship between these two variables. This finding suggests that greater transparency is not, contrary to common concerns among MFI managers, necessarily connected to a decreased client base. Our qualitative research expands on this finding.

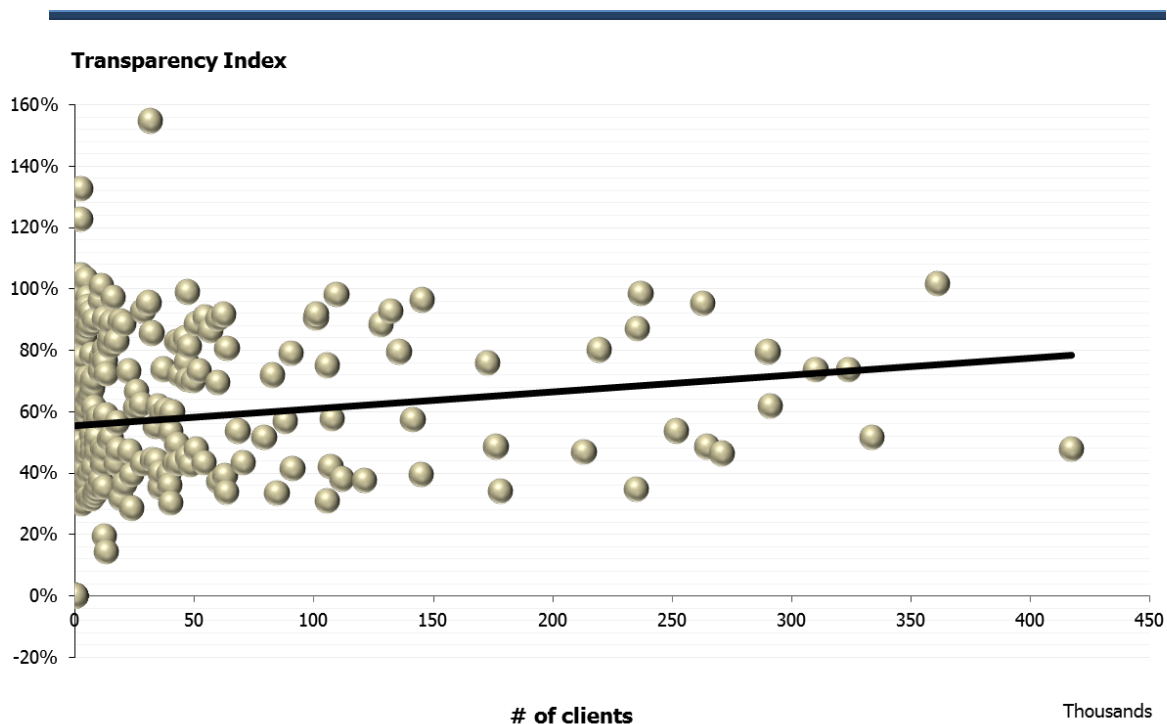


Figure 11: Transparency and size

From a simply practical viewpoint, the more transparent a loan is, the better a customer can make an informed choice that best serves his or her needs and interests, be satisfied with the terms and properly plan for repayment. Oikocredit's Deputy Director of Loans and Investments, Guillermo Salcedo, summarizes, "In theoretical terms, your business depends on your client base. If you provide good products with transparent pricing, it is beneficial in terms of strengthening your client base. There's nothing worse than an unhappy customer, especially in microfinance." His comments evoke the default crises and "no pay" movements, which were fueled by a general sense of anger and mistreatment among borrowers. Xavier Pierluca, Chief Investment Officer of Blue Orchard, similarly sees a correlation between transparency and the long-term health of a microfinance institution's staff, client base and subsequently its overall health: "If you look at Bancofide in Bolivia, for example, it's been disclosing all its information from day one. It has been able to develop a relationship of trust and mutual respect that goes a long way. Clients that can be financially illiterate will learn at one point. They will find out that they

have been fooled.” Pierluca also explains the effect that poor social performance has on an MFI’s staff: “Many organizations have closed their doors because of a huge turnaround of loan officers who don’t want to work with an organization that is fooling a population in need.” Maintaining current clients, attracting new clients and keeping a dedicated staff are all related to how clearly an MFI chooses to communicate with the population it is serving. The funders’ comments highlight the importance of building fair, long term relationships rather than being short-sighted and squeezing out extra dollars from customers in the near term.

The lack of pricing transparency also prevents price competition which, contrary to what an MFI might expect, can actually hinder their ability to attract clients. Research supports this point - as David Cracknell and Hermann

“Many organizations have closed their doors because of a huge turnaround of loan officers who don’t want to work with an organization that is fooling a population in need.”

– Xavier Pierluca, Chief Investment Officer of Blue Orchard

Messan argue, “the obfuscation of prices/fees means that the competitive environment is not working for the clients on price in the same way as it is in other aspects of the product” and that this state of affairs “presents an

important challenge to the microfinance industry and an opportunity for the MFIs to differentiate themselves on the basis of transparent and fair pricing.” (Cracknell and Messan, 2006) With true competition, an MFI can distinguish itself by how it prices its products and how it communicates its prices. It has the ability to add services and make appropriate adjustments to the pricing that a customer can understand and value. Lacking transparency, an MFI is hard pressed to differentiate itself from others. Vidar Jorgensen, president of Grameen America and Grameen Research, confirms this point, saying, “It’s not necessarily that pricing transparency would hurt MFIs’ profitability. With transparency, it’s very competitive. MFIs could have long-term sustainability.” Jorgensen adds that without transparent pricing, MFIs might be profitable in the short term but, echoing earlier comments, they will eventually be “subject to some kind of backlash when their clients find out the truth.”

Women clients are particularly impacted by pricing transparency and since it is the mission of many microfinance organizations to empower women, embracing transparency better equips the institutions to adhere to this mission. Women’s World Banking, a network of microfinance organizations with a strong focus on female empowerment, has been encouraging its members to sign the MFTTransparency Endorsement Statement. WWB representatives highlighted the added importance of pricing transparency and pricing education to its constituents, as literacy levels in the developing world among poor women are generally lower than men, and for many women it is culturally unacceptable to ask questions, making it even harder for them to understand the terms of a loan.

Financial illiteracy is an important issue regarding pricing transparency not only for poor women, but also for the entire client population. This means that simply stating a true APR is not sufficient for an MFI to achieve true pricing transparency. Ellen Willems, Portfolio Analyst at the Emerging Markets department of Triodos Investment Management, describes the difficulty, “When I communicate about APR or EIR, it is challenging since many people don’t really know what it’s about.” Caroline Norton Vance, in charge of Deutsche Bank’s Global Social Investment Funds, holds a similar opinion, saying, “transparency is not a clear-cut case...” and that publicly posting the details of interest rates and other terms is not enough. MFIs have the responsibility to ensure that pricing terms are understandable to all clients. These sentiments are echoed by MFTTransparency, The Smart Campaign, the Principles for Investors in Inclusive Finance and other movements for the implementation of pricing transparency. For clients to benefit from pricing transparency they must understand all the loan terms.

Will transparency reduce my MFI's funding opportunities? The impact of transparency on funders

The microfinance industry was hit hard by the late-2000s global financial crisis, causing increased default rates and decreased demand for funding. Yet, this period also witnessed the rise of microfinance as a commercial market with potentially high returns for outside investors. The notion that microfinance was (very) profitable was further confirmed by multi-million-dollar IPOs in the microfinance sector and a global tendency for MFIs to shift from nonprofit to for-profit status. This new state of affairs was also accompanied by intensely critical media coverage. Prominent examples of this include suicides over debt, Nicaragua's "No Pay" movement (a public backlash against over-indebtedness and high interest rates charged by MFIs), and the recent microfinance troubles that led to government involvement in India. Events such as these have heightened public distrust of microfinance and its social objectives.

However, these events have been beneficial in that they have heightened investor concerns regarding reputation risk and have indeed served to encourage microfinance funds to strengthen their social performance indicators and standards (MicroRate, 2011). Microfinance funds and MIVs are rapidly shifting their focus away from profit maximization and onto increased social performance with moderate returns.

This policy shift should have a profound influence on the practices of MFIs worldwide because microfinance assets are increasingly being managed by impact investment funds and MIVs. MicroRate, a leading social rater that focuses on evaluating MIVs, shows that as of 2010, MIV assets totaled over \$6.4 billion—representing a large portion of the worldwide microfinance industry. Microfinance assets are also becoming increasingly concentrated into fewer funds as large MIVs are growing at faster rates than small and medium-sized MIVs (MicroRate, 2009). The top five microfinance asset managers held over half of global microfinance assets held by MIVs in 2010.

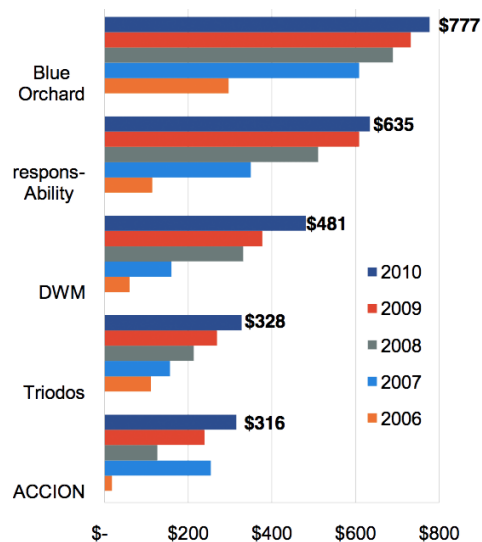


Figure 7: Top 5 Multi-Fund MIV Managers (Source: MicroRate)

In past years, it was sufficient for many MIVs and fund managers that MFIs disclose their financial reports in order to be considered "transparent." Today, social metrics regarding transparency may require that MFIs publicly display an annualized percentage rate (e.g. APR in the US or EIR in the Europe) and take the extra step to explain interest rates to clients. In fact, the top five multi-fund MIV managers in 2010—Blue Orchard, responsAbility,

DWM, Triodos, and ACCION—all require certain standards of social performance and pricing transparency as part of their investment process. Because these five organizations represent over half of all microfinance assets held by MIVs, (MicroRate, 2011) they have a strong influence on the microfinance industry worldwide. If an MFI scores poorly on social performance, it will most likely not be eligible for investment. Indeed, many interview respondents at large MIVs stated that if an MFI does not have social objectives, it is automatically disqualified for funding. As Guillermo Salcedo from Oikocredit said, “We would never fund an organization that is purely commercial. If there’s no social value, we won’t fund it.” Our interviewees all echoed this point and agreed that pricing transparency contributes positively to an MFI’s long-term performance.

Many MIVs have in recent years created their own scorecards that evaluate social performance metrics such as pricing transparency. Many of such scorecards base their social performance measurements on the Smart Campaign’s Client Protection Principles (CPPs). One of the seven principals focuses on pricing transparency (The Smart Campaign, 2011). Some MIVs have a minimum score below which an MFI will simply not receive an investment. As an example, the scorecard of Oikocredit has five dimensions. The second dimension, client welfare and benefit/protection, has a weight of 40 percent. One of the questions focuses on transparency, asking whether or not the MFI discloses all loan information to its clients as well as ensures that they understand the terms of the loan, taking into consideration the client’s literacy.

Similarly, the social performance scorecard of Deutsche Bank’s Global Social Investment Fund assigns a weight of 20 percent of the total score to the CPPs. In Blue Orchard’s scorecard, CPPs account for 30 percent of the total score. Triodos Bank, Triple Jump and other large microfinance funds also include the CPPs in their internal social scorecards. Other MIVs and fund managers, such as responsAbility and key industry players such as Women’s World Banking, do not have specific criteria regarding pricing transparency, but general standards for what they consider to be responsible. In these cases, pricing transparency is determined qualitatively. In their assessments, they ask MFIs questions regarding pricing transparency to determine if customers are treated with dignity and respect. Every year Women’s World Banking gives the “Excellence Leadership Award” to MFIs that fare well on assessments. However, because the award is based on self-reported information from its members, it is not an entirely objective evaluation.

In order to make evaluations more objective, some MIVs and fund managers perform random site visits and due diligence reports to MFIs, conducting interviews and surveys in terms of pricing transparency and other social performance indicators. The quantified social performance scores, along with analyses of financial performance, risk assessments, and other pieces of information, together determine the final investment decision.

Though the majority of funders perceive pricing transparency as significant for MFIs, there are many other social metrics that they consider. As Head of Debt Investment at responsAbility, Martin Heimes said, “Pricing transparency is only one element of judging MFIs. It’s a necessary condition, but not sufficient. I would rather turn it around and say if an MFI does not have transparency, it’s not good.” According to Blue Orchard’s Chief Investment Officer, Xavier Pierluca, “Transparency is one of the social metrics we look at it before we invest. Or, once we invest, we push them to deliver truth in lending to clients... [But] truth in lending is only one aspect.” And as can be imagined, when making investment decisions, many fund managers use their social performance assessments more as a guide, rather than having strict cut-off ratings. Luca Paonessa, Senior Advisor for Portfolio Allocation and Risk at Triple Jump, admits that when making an investment decision, the question of whether financial or social performance has more weight “accords with different types of mandates the investors have.” As for Oikocredit, they are first and foremost socially driven. “Social performance management is one of our key selling points; that’s the kind of investor we want,” says Guillermo Salcedo, Deputy Director of Loans and Investments of Oikocredit Funds such as Deutsche Bank’s Global Social Investment Funds and Triodos

Microfinance Fund are also socially-driven. They focus on how to benefit and empower disadvantaged groups in remote areas and do not promise investors high financial returns. In fact, many such funds tell their investors from the outset that they will not provide high returns. However, as interviews with senior officials at responsAbility, Triodos Bank and Oikocredit suggested, MFIs need to be financially viable and sustainably generate moderate returns, in addition to having high social performance.

On a global level, a consortium of investors along with government agencies are working to establish better consumer protection standards for the microfinance industry. The Principles for Investors in Inclusive Finance (PIIF), an offshoot of Principles for Responsible Investment, is one such initiative launched in January 2011 and developed by a group of investors interested in financial inclusion,⁵ Her Royal Highness Princess Máxima of the Netherlands, the UN Secretary-General's Special Advocate for Inclusive Finance for Development, and the World Bank's Consultative Group to Assist the Poor (CGAP). PIIF lists transparency as the fifth principle and calls for signatories to endorse MFTransparency and embrace other tenets of transparency beyond pricing. With signatories ranging from socially driven fund managers such as Blue Orchard and responsAbility Social Investments to large asset owners such as General Board of Pension, Health Benefits United Methodist Church and Nedlloyd Pension Fund, PIIF is indirectly impacting a huge number of microfinance organizations globally. PIIF signatories will take part in an annual reporting process beginning summer of 2012 that questions the level of their understanding of what is happening at the MFI level. One question in particular is how the investor knows

*"Social performance management is one of our key selling points; that's the kind of investor we want."
– Guillermo Salcedo, Deputy Director of Loans and Investments of Oikocredit.*

the MFI's pricing is in line with what the MFI claims it to be. Investors will be asked to provide examples. The purpose

of these questions is not only to obtain satisfactory answers but to prompt investors to ask these questions of their investees, recognize where information is lacking and taking appropriate action. The questions aim to have a trickle down effect, ultimately causing policy and corporate governance on the MFI level to be more inclusive, transparent and responsible.

Nevertheless, despite the increased demand for socially-driven microfinance investments, there are still many commercially-minded investors that invest in MFIs that score poorly on social performance so long as they have very attractive returns. Regarding such investments, Piercula from Blue Orchard is skeptical. "They have high profitability in the short run," he said, "but we feel that because they are not dealing with the clients in the right way, and that they are fooling their clients, we believe that in the long run they will not be financially viable." Moreover, among the many interviews conducted, no fund manager believed that pressure from investors to meet certain financial returns had changed or dampened the recent focus on social performance indicators like pricing transparency.

In short, as the initiatives toward ensuring greater social returns influence the industry, and as microfinance becomes recognized as an asset class in global financial markets, MFIs will increasingly have to compete for funding based on their ability to meet social metrics such as pricing transparency. In order to ensure their ability to remain competitive in the long-run, it is in a microfinance institution's best interest to implement transparent pricing.

⁵ Financial inclusion is defined by the Principals of Financial Inclusion as, "the expanded access to affordable and responsible financial products and services to those traditionally excluded."

The impact of pricing transparency on the microfinance industry as a whole

A healthy industry is in the best interest of each MFI. While robust, long-term studies on the impact of transparency on microfinance as an industry do not yet exist, we can infer the importance of transparency to the financial health of the industry by looking at other lending-based industries. The example that immediately puts itself forth is that of the sub-prime mortgage crisis in the United States. While arguments vary on the degree of blame to place on the many factors leading to the crisis, there is a general consensus that a lack of consumer protection in the form of transparency was one of the culprits. President of the Center for Responsible Lending, Mike Calhoun, in written testimony to the Senate Banking Committee states that, leading up to the crisis, regulators, “tasked with evaluating both safety and soundness and consumer protection concerns—largely focused on short-term profitability, giving short shrift to consumer protection. Unfortunately, the lesson was not learned that protecting consumers and bolstering the safety and soundness of financial institutions go hand-in-hand in the long term.” (Calhoun, 2011) The Consumer Financial Protection Bureau, which his testimony advocates a continued need for, was established to reinforce consumer protection in the wake of the crisis. The CFPB July 2011 Progress Report explains, “A fair, efficient, and transparent market depends upon consumers’ ability to compare the costs, benefits, and risks of different products effectively and to use that information to choose the product that is best for them. Fine print and overly long agreements can make it difficult for consumers to understand and compare products, and that obstacle to sound markets is not removed by disclosures that are too complicated or that do not focus on the key information consumers need. The principal role of consumer protection regulation in credit markets is to make it easy for consumers to see what they are getting and to compare one product with another, so that markets can function effectively” (Consumer Financial Protection Bureau, 2011). The CFPB, Mike Calhoun and countless others echo classic economic theory which argues that market equilibrium exists when there is equal access to information. Asymmetric information, especially regarding pricing, stifles competition and contributes to the stagnation of the entire industry (or worse).

For an individual MFI in a region with low transparency, the concept of making a transition towards transparency is a scary one. As Ging Ledesma, Manager of social performance at Oikocredit cautioned,

“For transparency to work, everyone else has to be transparent. If not, you put yourself at a real disadvantage. If you’re the first one to go, it’s painful. But one person can change an industry or a region.”

– Ging Ledesma, Manager of Social Performance at Oikocredit

“For transparency to work, everyone else has to be transparent. If not, you put yourself at a real disadvantage. If you’re the first one to go, it’s painful. But one person can change an industry or a region.” As competition for funding and clients increase, and funders and clients place more emphasis on consumer protection, it will be in the best interest of those MFIs to be the first to embrace pricing transparency, and many will find themselves ahead of the competition when the tide changes in their region. Gil Lacson and Rebecca Ruf from Women’s World Banking believe that the historical trend towards extreme MFI commercialization will likely reversed. They assert that “sometimes there’s a swing, and there is a pushback in India toward being more aware of social mission and focus.” Along with a possible shift towards social mission, Lacson and Ruf highlight the value of industry-wide competition that pricing transparency facilitates, noting that it “helps to understand your competitor and microfinance landscape better. Knowing pricing transparency is taking out one variable that is unknown in the competition.” Xavier Pierluca, Chief Investment Officer of Blue Orchard, sums up the historical importance of transparency: “The microfinance sector is about 25 years old. The organizations that have tried to grow and have not practiced transparency have failed.” His point is reiterated by Nadine Chehade from Planet Rating who concludes, “History has proven that transparency is better for MFIs in the long run.”

“History has proven that transparency is better for MFIs in the long run.”

– Nadine Chehade, Business Development Manager at Planet Rating

RECOMMENDATIONS AND CONCLUSION

The most obvious negative consequence of a lack of pricing transparency is the ability for an MFI to charge an interest rate that could be classified as usurious. A number of countries are working to curtail egregious interest rates by creating an interest rate cap. The Bangladeshi government's Microcredit Regulatory Authority (MRA) set an interest rate cap of 27% on microloans effective July 2011, and in May 2011, the Reserve Bank of India established the cap at 26% on loans less than 50,000 rupees (\$1,124). As this paper has argued, the problem with interest rate caps is that they potentially hurt the poorest clients by making it too unprofitable for a microfinance institution to continue providing the smallest, shortest loans (Reed, 2010). In fact, interest rate caps often push the poorest into the hands of illegal loan sharks and predatory lending practices the policy was meant to protect them from.

On the other hand, pricing caps have benefited some MFIs already practicing transparency whose interest rates were already below the cap. P.N. Vasudevan, Managing Director of Equitas Micro Finance India said that since India has passed the interest cap legislation, many MFIs who were taking advantage of the poor are now losing money because they lack the organizational efficiency that would allow them to operate profitably with lower interest rates. His company, in contrast, has always practiced fair and transparent pricing and was sustainable before the legislation passed. His company now has the competitive advantage. While he cautioned against using the threat of pending legislation to incentivize those not practicing transparency to adopt new policies, it is worth those MFIs taking note of the fact that they may shortly find themselves at a huge disadvantage if they do not.

Other arguments to curtail interest rates have involved limiting return on equity (ROE) to a set percentage based on the MFI's mission and location. This method avoids some of the problems of interest rate caps; however, establishing acceptable ROEs is also problematic, ignoring what profit is being used for, differences in operating efficiencies, and potentially harming an institution's attractiveness to funders. Another misguided argument is for government and multilateral organizations to subsidize interest rates of not-for-profit MFIs serving the poorest clients with the smallest loans. As Jessica Haeussler counters in her thesis on pricing transparency, however, "subsidized interest rates distort markets and can foster a culture of rent-seeking and weak repayment ... there is widespread consensus that subsidies on interest rates are an inappropriate use of government and donor funds" (Haeussler, 2009).

Pricing transparency does a better job at curtailing interest rates than the above policies, and the research presented here shows that an MFI can be profitable, achieve scale and continue to serve the most poor while practicing pricing transparency. While the research does not inform an MFI how to be transparent and profitable, it does present a strong case that there are many MFIs who have discovered how to achieve their double bottom line of social impact and profit.

The *Pricing Transparency Comparison Tool* that we have developed illustrates this for MFIs by enabling them to compare themselves to a group of peers, using the dataset we developed for this paper. This interactive tool is an instrument of transparency itself, enabling practitioners and even funders, to quickly assess the level of transparency of MFIs in particular region or of a particular size or subject to truth-in-lending legislation. These visuals provide one more incentive for those MFIs not practicing transparency to adjust their policies to better compare and compete with their peers. While encouraging MFIs charging abnormally high interest rates to temper them, this tool also decreases the stigma on institutions providing the smallest loans whose APRs must be higher than others, as these institutions' APRs reveal themselves to be normal when compared to their peers.

We hope that this paper's added layer of data and research suggesting real benefits to pricing transparency will encourage more MFIs to embrace this vital consumer protection policy, especially when they see how it aligns with their interests.

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APPENDIX

Annex A. Descriptive statistics for key indicators analyzed within this paper.

	Number of MFIs	Transparency Index				Average Loan Balance				Annual Percentage Rate				ROA			
		Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median
Azerbaijan	8	61.0%	83.7%	73.5%	74.8%	567	15701	4930	1852	34.9%	45.8%	40.1%	39.9%	-2.3%	14.8%	4.9%	4.6%
Bolivia	21	33.6%	98.9%	69.7%	69.3%	376	7392	2463	1740	17.5%	58.3%	31.0%	28.2%	-10.7%	9.8%	1.7%	1.5%
Bosnia and Herzegovina	8	34.3%	91.6%	74.2%	82.7%	1030	1809	1386	1344	16.4%	35.1%	27.0%	28.5%	-11.6%	1.8%	-3.7%	-2.7%
Cambodia	10	42.5%	99.0%	85.0%	88.1%	113	2800	785	595	29.9%	52.3%	35.4%	33.5%	1.9%	5.9%	3.6%	3.2%
Colombia	17	30.3%	132.7%	73.4%	75.2%	638	9139	1944	1315	19.0%	50.7%	35.0%	35.9%	-7.4%	14.1%	3.6%	3.4%
Ecuador	23	56.7%	122.8%	86.8%	91.4%	519	6213	2069	1863	12.4%	34.6%	22.2%	20.1%	-4.5%	6.9%	1.6%	1.3%
Ethiopia	14	45.6%	101.6%	72.8%	73.4%	57	314	134	126	18.4%	41.8%	26.8%	25.8%	-3.6%	9.5%	3.1%	2.5%
Ghana	19	36.7%	72.3%	50.1%	47.9%	33	1876	347	185	51.1%	154.2%	87.8%	84.9%	-5.1%	13.5%	2.3%	2.3%
India	41	33.8%	154.8%	63.1%	52.1%	93	212	143	137	22.2%	44.5%	31.1%	30.6%	-14.0%	6.2%	1.2%	2.0%
Kenya	11	42.6%	90.9%	54.9%	48.1%	73	1762	446	339	28.3%	47.6%	36.0%	37.1%	-13.9%	6.4%	-4.0%	-6.3%
Malawi	6	47.1%	103.1%	64.0%	56.4%	34	613	215	151	56.5%	117.5%	88.3%	95.8%	-30.3%	8.9%	-8.3%	0.7%
Mozambique	4	60.9%	97.3%	75.1%	71.1%	217	456	315	293	51.2%	96.6%	79.3%	84.6%	-25.5%	7.2%	-8.4%	-7.5%
Philippines	25	19.4%	51.6%	38.3%	38.0%	82	2068	553	233	36.5%	113.2%	79.4%	80.8%	-4.1%	16.8%	2.8%	1.7%
Rwanda	4	49.7%	75.5%	62.7%	62.8%	231	2521	992	608	31.5%	66.3%	48.6%	48.3%	-0.3%	3.3%	1.4%	1.3%
Tanzania	5	14.3%	53.8%	35.4%	38.1%	112	175	146	150	57.9%	86.7%	72.5%	72.9%	-13.1%	8.8%	-1.3%	0.3%
Uganda	7	42.1%	80.2%	61.2%	55.7%	81	297	182	168	39.9%	73.5%	53.1%	52.5%	-14.0%	3.4%	-2.1%	-0.2%
Zambia	5	44.9%	91.0%	60.6%	53.2%	115	463	236	183	65.4%	150.4%	106.0%	104.2%	-24.2%	5.1%	-7.9%	-6.2%

ROE				Yield				Spread				Profit Margin				Operating Expenses / Assets			
Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median	Max	Min	Mean	Median
-15.7%	40.1%	16.5%	21.2%	14.7%	43.1%	32.8%	37.0%	5.2%	19.5%	15.1%	16.7%	-20.1%	43.5%	14.5%	16.6%	6.5%	22.8%	14.6%	15.3%
-60.6%	30.1%	9.3%	11.9%	13.6%	36.5%	22.6%	19.8%	-10.2%	13.8%	5.6%	6.6%	-42.1%	39.0%	9.4%	11.5%	5.9%	29.8%	13.1%	10.9%
-43.5%	2.0%	-14.0%	-10.8%	18.5%	26.7%	22.7%	22.7%	-3.4%	10.7%	6.1%	8.3%	-44.8%	12.1%	-15.6%	-15.6%	7.8%	24.5%	13.4%	12.9%
6.9%	25.0%	16.8%	17.9%	20.0%	48.2%	31.1%	29.3%	8.2%	18.4%	12.9%	13.0%	-60.6%	24.8%	8.9%	16.5%	6.9%	34.5%	15.1%	13.6%
-33.2%	69.6%	16.5%	13.4%	12.3%	39.5%	27.2%	28.5%	-12.1%	20.8%	9.0%	9.9%	-284.0%	42.3%	-8.8%	11.3%	2.1%	26.7%	14.7%	14.0%
-19.6%	33.2%	10.1%	8.3%	5.6%	37.9%	19.6%	19.0%	-4.3%	15.3%	5.3%	6.8%	1.1%	44.4%	13.5%	12.1%	4.1%	23.2%	11.2%	8.6%
-8.1%	29.5%	10.8%	10.2%	10.0%	37.3%	20.7%	22.2%	-1.5%	16.0%	8.6%	10.9%	-54.3%	51.0%	14.0%	18.8%	2.1%	15.3%	9.2%	9.5%
-17.0%	106.5%	17.3%	3.2%	11.4%	99.5%	47.1%	45.0%	-27.0%	44.9%	9.5%	7.3%	-91.8%	29.3%	2.9%	11.9%	4.8%	43.8%	21.7%	18.3%
-56.7%	80.5%	12.2%	7.9%	20.7%	60.0%	30.7%	28.3%	-6.8%	23.9%	13.6%	14.2%	-44.6%	36.1%	7.2%	10.1%	4.9%	34.3%	13.7%	11.7%
-83.4%	28.6%	-13.6%	-20.9%	17.4%	36.3%	27.2%	29.8%	-21.2%	11.6%	-4.8%	-3.2%	-98.0%	42.3%	-24.6%	-28.7%	8.0%	31.5%	19.3%	17.0%
-71.3%	16.0%	-15.6%	1.3%	0.0%	81.3%	53.4%	69.6%	-55.9%	14.6%	-14.7%	-4.3%	-184.9%	17.0%	-40.6%	3.7%	20.9%	71.3%	41.6%	37.3%
-55.1%	10.2%	-18.8%	-15.1%	42.7%	72.0%	56.2%	55.1%	-49.6%	15.1%	-10.0%	-2.8%	-87.6%	21.3%	-25.7%	-18.3%	22.2%	48.3%	40.1%	45.0%
-15.8%	87.0%	13.5%	9.7%	2.1%	79.4%	37.9%	36.1%	-1.1%	22.4%	8.1%	7.0%	-12.6%	27.8%	8.6%	8.1%	1.3%	104.7%	24.1%	17.7%
-1.1%	15.2%	4.9%	2.7%	22.3%	55.2%	35.4%	32.1%	-4.2%	21.6%	7.3%	5.9%	-0.4%	26.3%	9.7%	6.4%	8.9%	29.5%	20.7%	22.3%
-56.9%	126.9%	23.9%	1.8%	47.6%	76.2%	58.3%	51.0%	-33.1%	14.2%	-4.7%	5.0%	-92.1%	8.2%	-27.6%	0.9%	18.1%	51.8%	34.8%	34.6%
-73.3%	4.5%	-16.5%	-0.4%	43.0%	54.3%	50.1%	50.5%	-7.2%	17.9%	5.8%	2.9%	-51.1%	15.4%	-5.7%	0.9%	16.1%	37.7%	29.2%	35.3%
-24.3%	13.2%	-7.1%	-8.7%	35.4%	101.9%	72.8%	77.0%	-38.1%	12.2%	-12.5%	-12.1%	-76.3%	8.4%	-32.4%	-30.9%	34.8%	56.6%	48.4%	51.1%

Annex B. List of experts interviewed and affiliations

Nadine Chehade, Business Development Manager at Planet Rating

Ximena Escobar de Nogales, Head of Social Performance at Blue Orchard Investments Management

Emilie Goodall, Project Manager of Principles for Investors in Inclusive Finance at UNPRI Principles for Responsible Investment

Martin Heimes, Head Debt Investments at responsAbility Social Investments AG

Vidar Jorgensen, President of Grameen America and Grameen Research

Gil Lacson, Network Engagement Manager at Women's World Banking

Ging Ledesma, Manager of social performance at Oikocredit

Barbara Magnoni, President of EA Consultants

Luca Paonessa, Senior Advisor of Portfolio Allocation and Risk at Triple Jump

Xavier Pierluca, Chief Investment Officer at Blue Orchard Investments Management

Rebecca Ruf, Network Engagement Manager at Women's World Banking

Guillermo Salcedo, Deputy Director of Loans and Investments, Oikocredit

Caroline Norton Vance, Deutsche Bank Global Social Investment Funds

P. N. Vasudevan, Managing Director at Equitas Micro Finance India Private Ltd.

Ellen Willems, Portfolio Analyst at Triodos Investment Management

Annex C. Screen shot of Pricing Transparency Comparison Tool on Microsoft Excel.

Pricing Transparency Comparison Tool							
Part 1							
Choose your country	Argentina						
Compare yourself to your peer group using the following filters							
Comparison region	All						
Institution Type	All						
Scale (number of clients)	All						
** Based on percentiles within selected region. See reference **							
Truth-in-lending legislation in effect	All						
Restrict comparable data to year	All						
Size of your comparison sample	228						
** If this number is less than 10, consider fewer filter restrictions **							
Part 2 (Optional)							
Your MFI inputs							
To complete the following table, use the MFTransparency Tool to calculate APR and Transparency Index for each of your Loan Products (Click here)							
	Product 1	Product 2	Product 3	Product 4	Product 5	Product 6*	Aggregate values
Number of clients							MFI size
Average loan balance (US\$)							of GNI/capita
APR (%)							
Transparency Index (%)							
* If your MFI has more than six products, use this column to aggregate the remainder of your products							