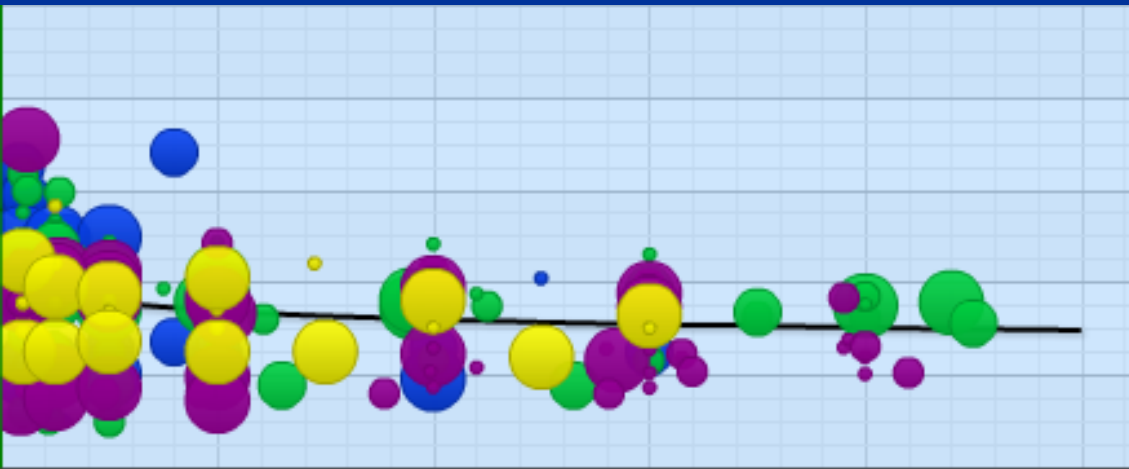


# What Prices Do We Find in the Region?

Chuck Waterfield  
Africa Pricing Transparency  
Leadership Forum  
Nairobi  
June 2013



# Prices in Microfinance

- What price can the poor afford to pay?
- What price do moneylenders charge?
- What price do MFIs charge?
- What price should responsible MFIs charge?

# Microfinance is at a significant transition point

- 1980's – the birth of the industry
  - Microfinance started ago as an innovative experiment to help the poor

And was rewarded with the 2006 Nobel Peace Prize



# Microfinance is at a significant transition point

- 2005 to present
  - Microfinance has evolved into an established, fast-growing business

But has some activity gotten too commercial?



The screenshot shows the BusinessWeek website interface. At the top, there is a red header with the "BusinessWeek" logo, a search bar with the placeholder "keyword or company", and links for "Register" and "Sign In". Below the header is a navigation menu with categories: HOME, INVESTING, COMPANIES, TECHNOLOGY, INNOVATION, MANAGING, SMALL BIZ, B-SCHOOLS, and AS. Underneath the navigation menu are links for "Current Issue", "Past Issues", "Cover Story Podcasts", "Figures of the Week", "Small Biz Magazine", "BW TV", "Subscribe", and "FA". The main content area is titled "Magazine" and features a large photograph of a woman in a factory setting. To the right of the photo, the headline "The Ugly Side of Microlending" is circled in red. Below the headline is a sub-headline: "How big Mexican banks profit as many poor borrowers get trapped in a maze of debt". There are three bullet points: "• The Dark Side of Microfinance", "• Plus: Wal-Mart Banks on the 'Unbanked'", and "• Plus: Compartamos: From Nonprofit to Profit". Below this is another headline: "Google and the Wisdom of Clouds" with a sub-headline: "A lofty new strategy aims to put incredible".

# Prices and Profits

## Compartamos (Mexico)

The Price	APR
w/o Collateral Deposit	105%
With Collateral Deposit	126%

The IPO in 2007 resulted in a 300-to-1 return on investment made in 2000, turning \$6 Million into \$2 Billion.

Year	ROE
2000	62%
2001	40%
2002	54%
2003	53%
2004	49%
2005	55%
2006	57%
2007	54%
2008	55%
2009	43%

...the media continues to be skeptical

THE WALL STREET JOURNAL  
Digital Network WSJ.com MarketWatch BARRON'S FINANCIALNEWS More ▾

Monday, March 1, 2010

THE WALL STREET JOURNAL PERSONAL FINANCE

News for r  
WSJ.com for ju

MARCH 1, 2010

### Microfinance's Midlife Crisis

*Companies that provide banking services in developing countries are attracting private investment. But is the industry losing sight of its mission to alleviate poverty?*

This screenshot shows the top portion of a Wall Street Journal article. The title 'Microfinance's Midlife Crisis' and its subtitle are circled in red. The article discusses the tension between profit and social mission in the microfinance industry.

The New York Times

World

AFRICA AMERICAS ASIA PACIFIC EUROPE MIDDLE EAST

## Banks Making Big Profits From Tiny Loans



February 27, 2012, 11:08 PM

## 'Yunus Was Right,' SKS Microfinance Founder Says

By NEHA THIRANI



Mahesh Kumar A./Associated Press

Petla Narasimhulu and Lakshmi weep in front of their daughter Petla Lalitha's portrait in Godhumaguda village, Andhra Pradesh. The debt-ridden 18-year-old committed suicide by drinking pesticide.

*“Work hard and earn money. Do not take loans.”*

**Suicide note of 18-year-old girl**

**How do we set prices in order to  
be financially sustainable?**



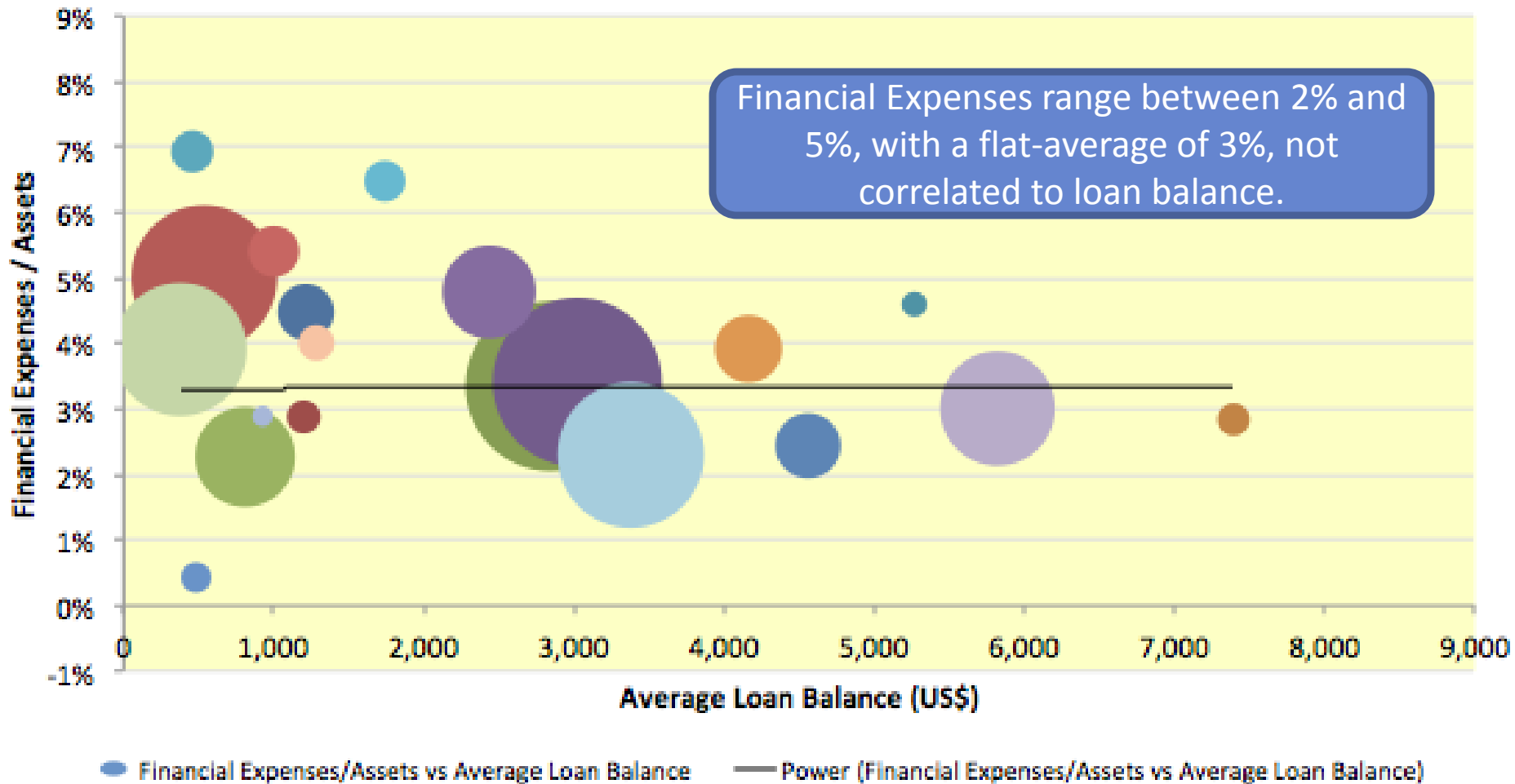
# Cost Components that Affect Pricing

Component	
Financial Costs	10%
Loan Loss	2%
Operating Costs	20%
Profit	3%
Total Price	35%

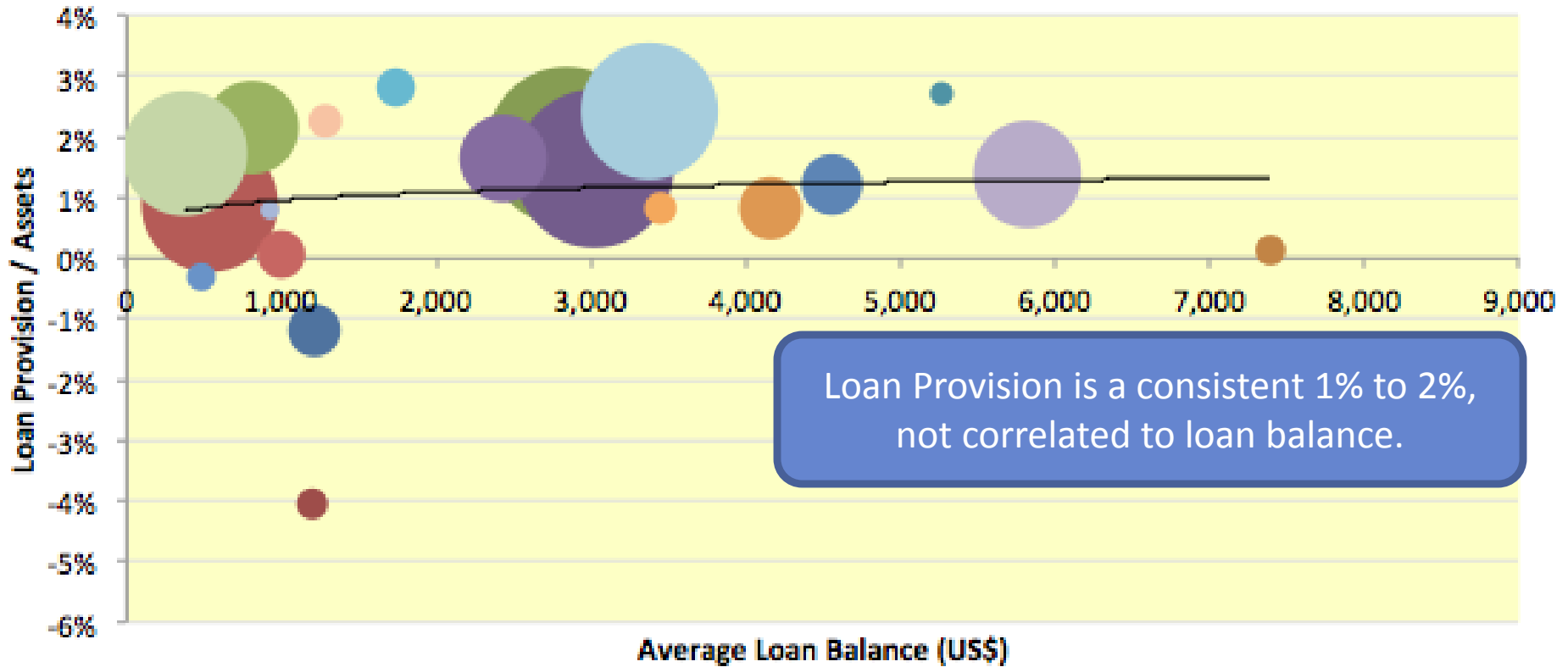
**Are there curves for any of these  
cost components?**

**We first study Bolivia data**

## Financial Expenses/Assets vs Average Loan Balance Bolivia, 24 MFIs



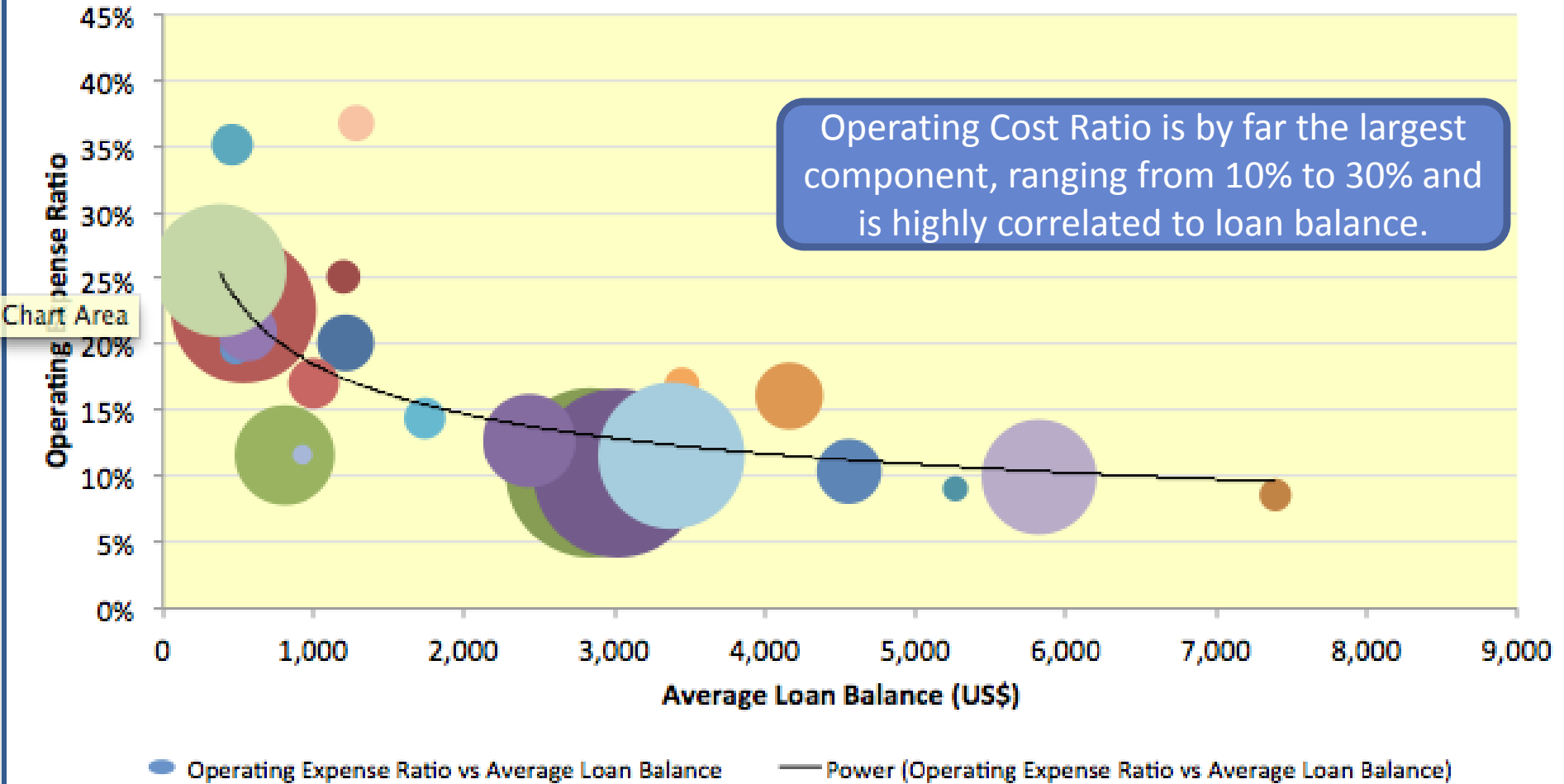
## Loan Provision /Assets vs Average Loan Balance Bolivia, 24 MFIs



● Loan Provision /Assets vs Average Loan Balance

— Log. (Loan Provision /Assets vs Average Loan Balance)

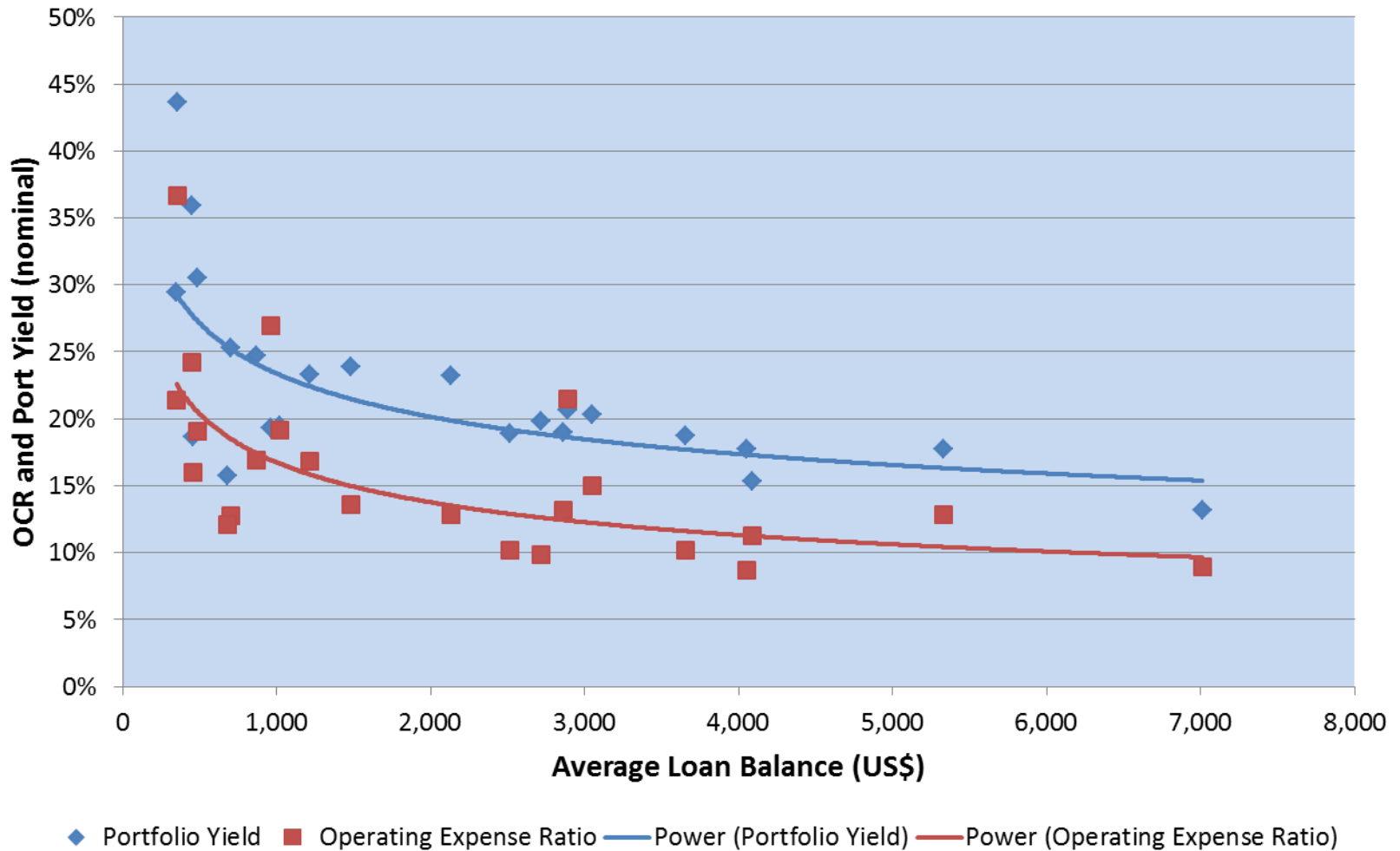
## Operating Expense Ratio vs Average Loan Balance Bolivia, 24 MFIs



# Pricing for Different Products

Component	\$100 Loan	\$1000 Loan
Financial Costs	10%	10%
Loan Loss	2%	2%
Operating Costs	50%	15%
Profit	3%	3%
Total Price	65%	30%

## Portfolio Yield & OER vs Average Loan Balance Bolivia, 23 MFIs



## Realizing that there is a cost curve

Efficiency	1	2	3
Operating Cost per Loan			\$50
Loan Size			\$500
Operating Cost Ratio			10%



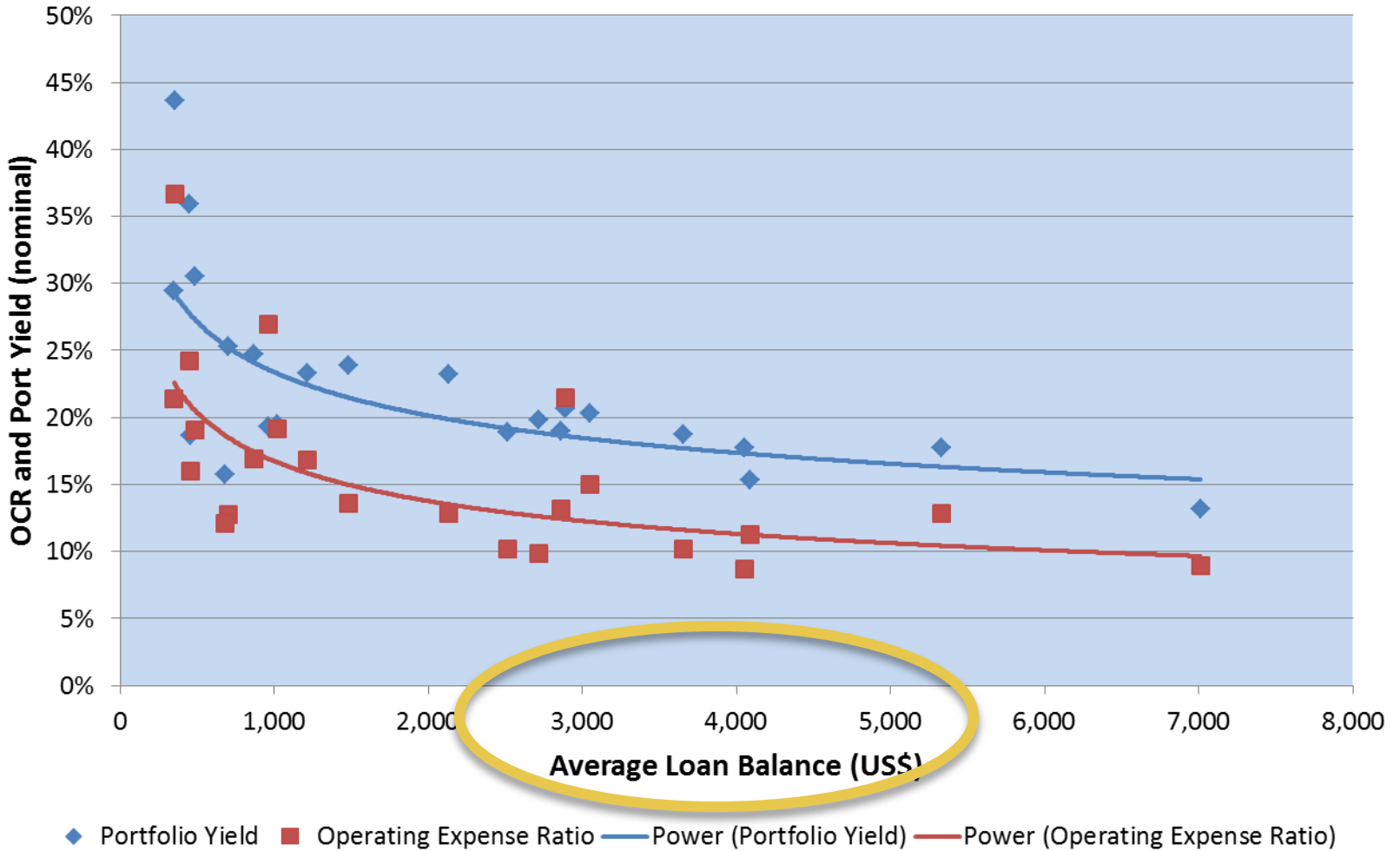
## Realizing that there is a cost curve

Efficiency	1	2	3
Operating Cost per Loan		\$50	\$50
Loan Size		\$250	\$500
Operating Cost Ratio		20%	10%

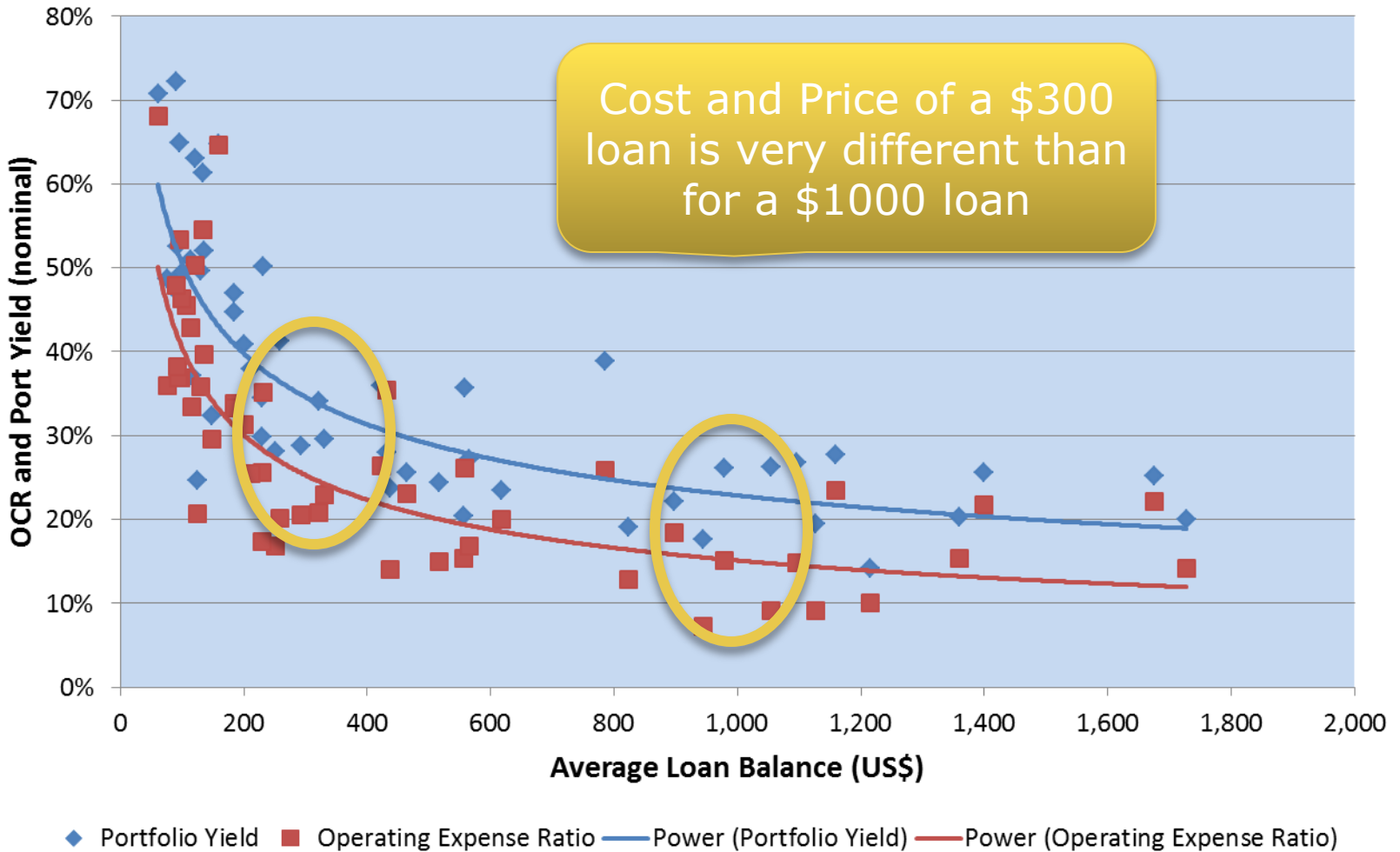
## Realizing that there is a cost curve

Efficiency	1	2	3
Operating Cost per Loan	\$30	\$50	\$50
Loan Size	\$100	\$250	\$500
Operating Cost Ratio	30%	20%	10%

## Portfolio Yield & OER vs Average Loan Balance Bolivia, 23 MFIs



## Portfolio Yield & OER vs Average Loan Balance Philippines, 59 MFIs



## *Many Decisions We Have Made are Flawed*

Detailed analysis of financial statements show:

- Not all micro-credit products are the same
- Microfinance industry averages are often misleading
- Really interesting things happen as loan amounts get very small
- “Where you are on the curve” must influence any judgments made about performance and appropriate prices

## *Determining Real Prices*

For years our analyses were doing from ratios using financial statements, e.g., portfolio yield -> approximate price

MFTransparency was created to

- Investigate actual prices charged
- Move the industry toward full transparency on those prices
- Analyze and learn from those prices

# MFTransparency's Transparent Pricing Initiative

## *Transparent Pricing Initiative*

Over the past five years MF*Transparency* has disclosed the transparent prices for:

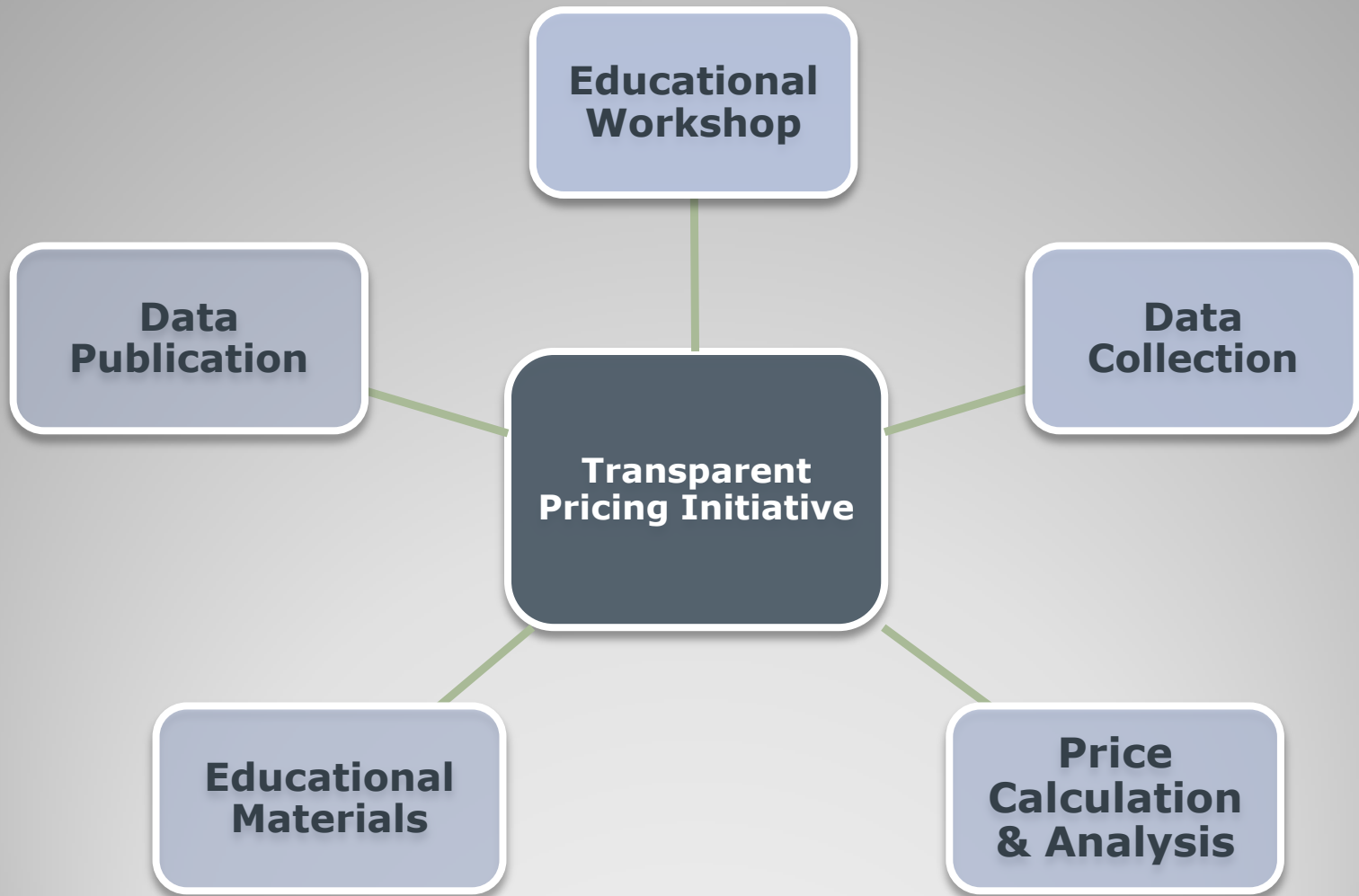
- **29 Countries**
- **526 Institutions**
- **1761 Products**
- **48.7 Million Borrowers**

Via our global program - the *Transparent Pricing Initiative*



## What is the *Initiative*?

1. Country-by country basis
2. Work in partnership with local industry actors
3. Encourage MFIs to voluntary disclosure of data
  - Exemplifies their consumer protection
  - Gives them competitive edge
  - Gains visibility for MFIs to funders
  - Awards Seal of transparency
  - Contribute to development of their market



# Data Collection Process

Completion  
of excel-  
based  
survey

Submission  
of Loan  
Document

MFT Price  
Calculation

MFI Review  
of Prices

Publication  
of Prices



# Transparent Pricing In Uganda

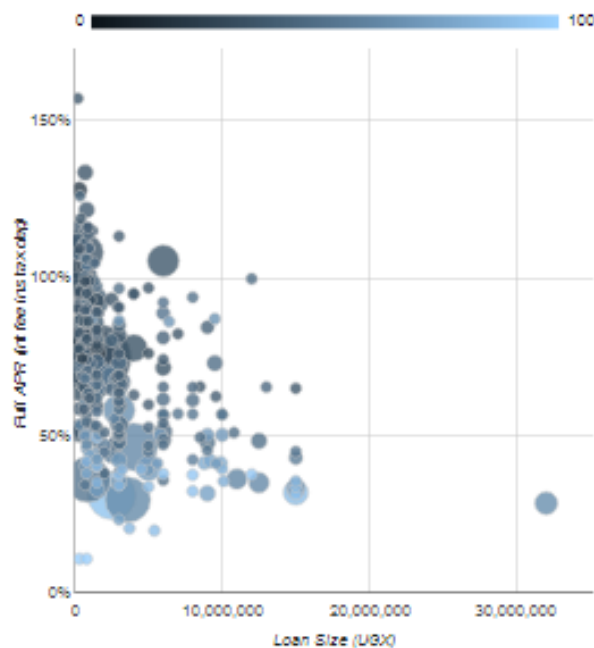
The *Transparent Pricing Initiative* in Uganda has published standardized pricing data from 23 institutions, representing an estimated 85% of Uganda's microloan borrowers. Launched in 2011 the Initiative is delivered in partnership with Planet Rating and AMFIU (Association of Microfinance Institutions in Uganda), and is funded by the MasterCard Foundation.

## Microfinance in Uganda

## Truth-in-Lending Legislation

## Uganda Price Graph

The dataset for Uganda comprises of 67 microloan products offered by 23 microfinance service providers. A classic curve in the market average APR is seen, showing that loans of a smaller size rise dramatically in price. Each bubble represents the loan size and price of a unique loan sample analyzed by MFTransparency. The size of the bubble represents the number of clients with loans of this approximate size, and the color indicates the Transparency Index for this loan product sample. The data indicates a strong correlation of loan products with lower prices being advertised with a more transparent price.



In this graph, the y-axis indicates the 'Full APR', defined by MFTransparency as the price including interest and all required fees, insurance, taxes and security deposits. This full

## BROWSE TRUTH IN LENDING

Countries:

Select country...

Uganda MFIs:

Select institution...

GLOBAL PRICING HOME

## TRANSPARENCY STATISTICS

Uganda



# Institutions:	23
# Borrowers:	444,586
Portfolio (US\$):	\$369.2 Mil
Products:	119
Transp. Index:	48
Participating Since:	2011-Apr
Update Frequency:	Yearly

miX Uganda MIX Market Profile

## LATEST NEWS & RESOURCES

### News

- [Launch of Transparent Pricing Initiative in Uganda](#)
- [MFTransparency and the Association of Microfinance Institutions of Uganda Launch Initiative in Uganda](#)

### Resources

- [Uganda Data Launch Presentation](#)
- [Country Survey for Uganda](#)
- [The Pricing Transparency Index Overview](#)

## Institution

## Centenary Rural Development Bank

Mapeera House, Plot 44-46, Kampala Road  
Kampala  
P.O.Box 1892

Data approved: 2013-01-24

## Details

Type of organization	Bank
Is this institution regulated?	Yes
Website address	<a href="http://www.centenarybank.co.ug/">http://www.centenarybank.co.ug/</a>
Year established	1963
Head of institution	Fabian Kasli
Regions active	Central, Eastern, Northern, Western
# Branches	38

Total Portfolio (nat'l)	UGX 574,975,000,000
Total Portfolio (USD)	USD 221,144,231
Active clients with loans	133,802
Approximate % female clients	20% - 40%
Approximate % urban clients	20% - 40%
Network affiliations	
Funders	

## Loan Products » Summary

<b>Home</b> 11,745 Borrowers USD 16,673,843 Portfolio Active Product	<b>Micro Bsnss</b> 55,071 Borrowers USD 29,238,801 Portfolio Active Product	<b>Salary</b> 49,036 Borrowers USD 42,212,308 Portfolio Active Product	<b>Small Bsnss</b> 20,000 Borrowers USD 1,962 Portfolio Active Product
---	--	---	---

## Loan Products » Scale, Amount &amp; Term

PRODUCT NAME	# BORROWERS	PORTFOLIO (USD)	LOAN SIZE RANGE	LOAN TERM (MONTHS)	AVG GRACE PERIOD (MONTHS)	ANNUAL NOMINAL INTEREST	FULL APR	TRANSPARENCY INDEX
Home Improvement Loan	11,745	USD 16,673,843	UGX 100,000 - 30,000,000	3 - 36	0	24.00% annual, Decl Bal	31.6% - 35.2%	73
Micro Business Loan	55,071	USD 29,238,801	UGX 100,000 - 5,000,000	3 - 24	0	29.00%-42.00% annual, Decl Bal	30.9% - 46.4%	78
Salary Loan	49,036	USD 42,212,308	UGX 100,000 - 250,000,000	3 - 48	0	18.96%-27.96% annual, Decl Bal	28.5% - 36%	60
Small Business Loan	20,000	USD 1,962	UGX 5,100,000 - 20,000,000	3 - 24	1	21.96%-24.00% annual, Decl Bal	33.5% - 36.2%	63

**Institution** Centenary Rural Development Bank  
Mapeera House, Plot 44-46, Kampala Road  
Kampala  
P.O.Box 1892

**Product** Home Improvement Loan  
Product 1 of 4 [« Prev](#) | [Next »](#)

## Product Details

### Key Statistics

Outstanding portfolio (UGX)	UGX 43,351,991,721
Portfolio (USD)	USD 16,673,843
# Borrowers	11,745
% Female	20% - 40%
% Urban	20% - 40%

### Methodology

Individual	<input checked="" type="checkbox"/>
Solidarity group	<input type="checkbox"/>
Village banking	<input type="checkbox"/>
Self-help group	<input type="checkbox"/>
Other	<input type="checkbox"/>

### Description

Short-term loan targeted at home owners with regular income for the purpose of financing home improvement either through construction and/or renovation.

### Loan Purpose

Any purpose	<input type="checkbox"/>
Income generation	<input type="checkbox"/>
Mortgage/housing	<input checked="" type="checkbox"/>
Consumer loan	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>
Education	<input type="checkbox"/>
Other household finance	<input type="checkbox"/>
Other	<input type="checkbox"/>
Other (2)	<input type="checkbox"/>

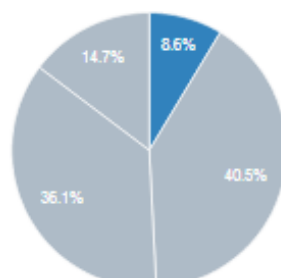
### Included Services

Credit education	<input type="checkbox"/>
Group meetings	<input type="checkbox"/>
Credit insurance	<input checked="" type="checkbox"/>
Workplace visits	<input type="checkbox"/>
Business training	<input type="checkbox"/>
Other training	<input type="checkbox"/>
Other	<input type="checkbox"/>
Other (2)	<input type="checkbox"/>
No other services	<input type="checkbox"/>

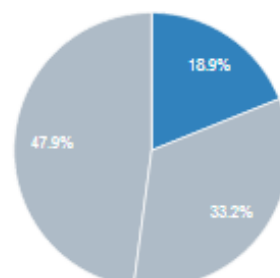
### Eligibility

Men	<input checked="" type="checkbox"/>
Women	<input checked="" type="checkbox"/>
Must run a business	<input type="checkbox"/>
Must own a home or land	<input checked="" type="checkbox"/>
Must be a salaried worker	<input type="checkbox"/>
Must be specific age group	<input type="checkbox"/>
Other	<input type="checkbox"/>
Other (2)	<input type="checkbox"/>

### # Borrowers by Product



### Portfolio Size by Product

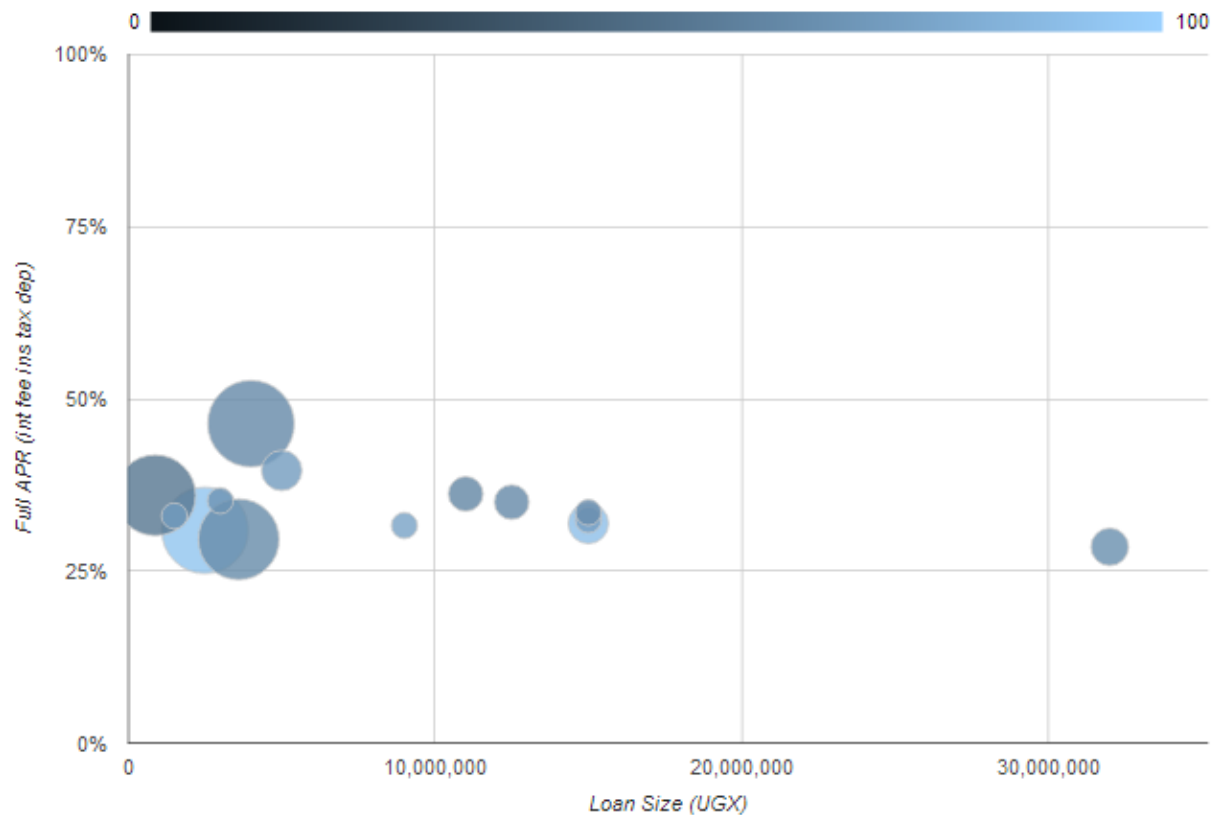


### Geographic Coverage

# Regions for this institution	4
# Regions for this product	4
Regions	Central, Eastern, Northern, Western

## Home Improvement Loan Samples

	SAMPLE 1	SAMPLE 2	SAMPLE 3	SAMPLE 4
Loan Amount	UGX 3,000,000	UGX 15,000,000	UGX 1,500,000	UGX 9,000,000
Loan Cycle (1, 2, 3, etc)	Not Known	Not Known	Not Known	Not Known
Disbursement Date	2012-12-21	2012-10-02	2012-02-07	2012-06-18
Term (Months)	12.0 months	24.0 months	24.0 months	37.0 months
Grace (Months)	0.0 months	0.0 months	0.0 months	0.4 months
Total Cost of Credit	UGX 582,833	UGX 5,513,500	UGX 556,105	UGX 5,120,652
APR (Int)	23.8%	29.7%	23.7%	23.7%
APR (Int fee)	34.3%	31.9%	32.5%	31.2%
APR (Int fee Ins)	35.2%	32.4%	33.0%	31.6%
APR (Int fee Ins tax)	35.2%	32.4%	33.0%	31.6%
Full APR (Int fee Ins tax dep)	35.2%	32.4%	33.0%	31.6%
Transparency Index	68	74	73	76
Original Repayment Schedule	PDF	PDF	PDF	PDF
MFT Pricing Calculation	PDF	PDF	PDF	PDF





**Do we really need *all of that* to  
know what prices we charge?**

# The Confusing World of Pricing

1. How do we communicate our prices?
  - In an utterly confusing way!
2. How should we convert that confusion into a useful price figure?
  - MFT's "Full APR" figure
3. What is an appropriate means of determining the honesty of the price communicated?
  - MFT's Transparency Index

# Which loan would you pick?

	Zero Interest Loan	Interest and Fees	And Savings	Interest Only
Loan amount:	\$1,000	\$1,000	\$1,000	\$1,000
Loan term:	10 weeks	10 weeks	10 weeks	10 weeks
Interest rate:	Nominal Annual Interest Rate	12% "flat"	12% "flat"	40% decl
Full APR	Full APR	1%	1%	0%
Security	Full Transparency = 100	20%	20%	0%
<b>TCC</b>	<b>\$0</b>	<b>\$50</b>	<b>\$33</b>	<b>\$42</b>
<b>APR</b>	<b>49%</b>	<b>47%</b>	<b>49%</b>	<b>40%</b>
<b>Transparency Index</b>	<b>0</b>	<b>32</b>	<b>25</b>	<b>100</b>

# Responsible Microfinance

**Strategy: work together to fix market flaws and “level the playing field”**

# Double Bottom Line –

There is a balance between business and client

Client

MFI



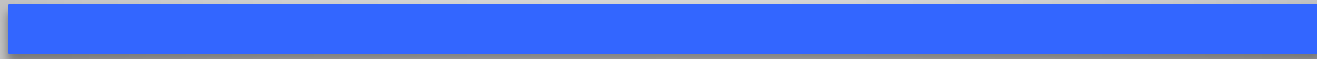
Ideally, we seek a “win-win” in which both the client and the MFI benefit

# Double Bottom Line –

There is a balance between business and client

Client

MFI



Affordable PRICE

Adequate PROFIT



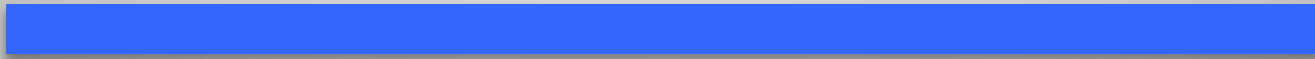
Ideally, we seek a “win-win” in which both the client and the MFI benefit

# Double Bottom Line –

There is a balance between business and client

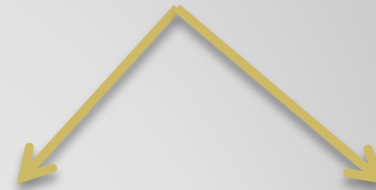
Client

MFI



Affordable PRICE

Adequate PROFIT



Price

Costs

Ideally, we seek a “win-win” in which both the client and the MFI benefit

# Double Bottom Line –

There is a balance between business and client

Client

MFI

Affordable **PRICE**

Adequate **PROFIT**

In Microfinance, neither of these are easy to understand! They depend on the **PRODUCT**

**Price**

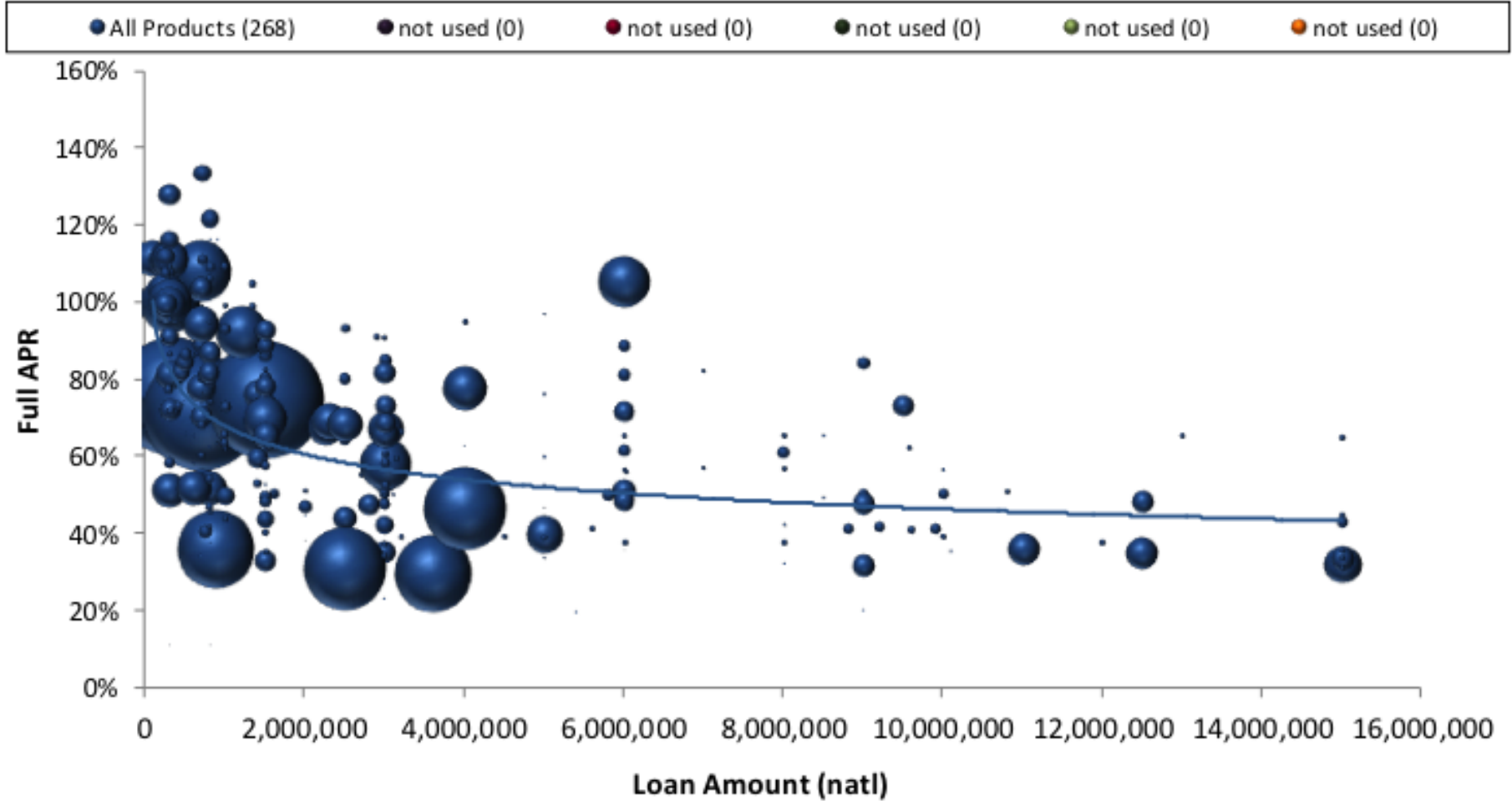
**Costs**

Ideally, we seek a “win-win” in which both the client and the MFI benefit



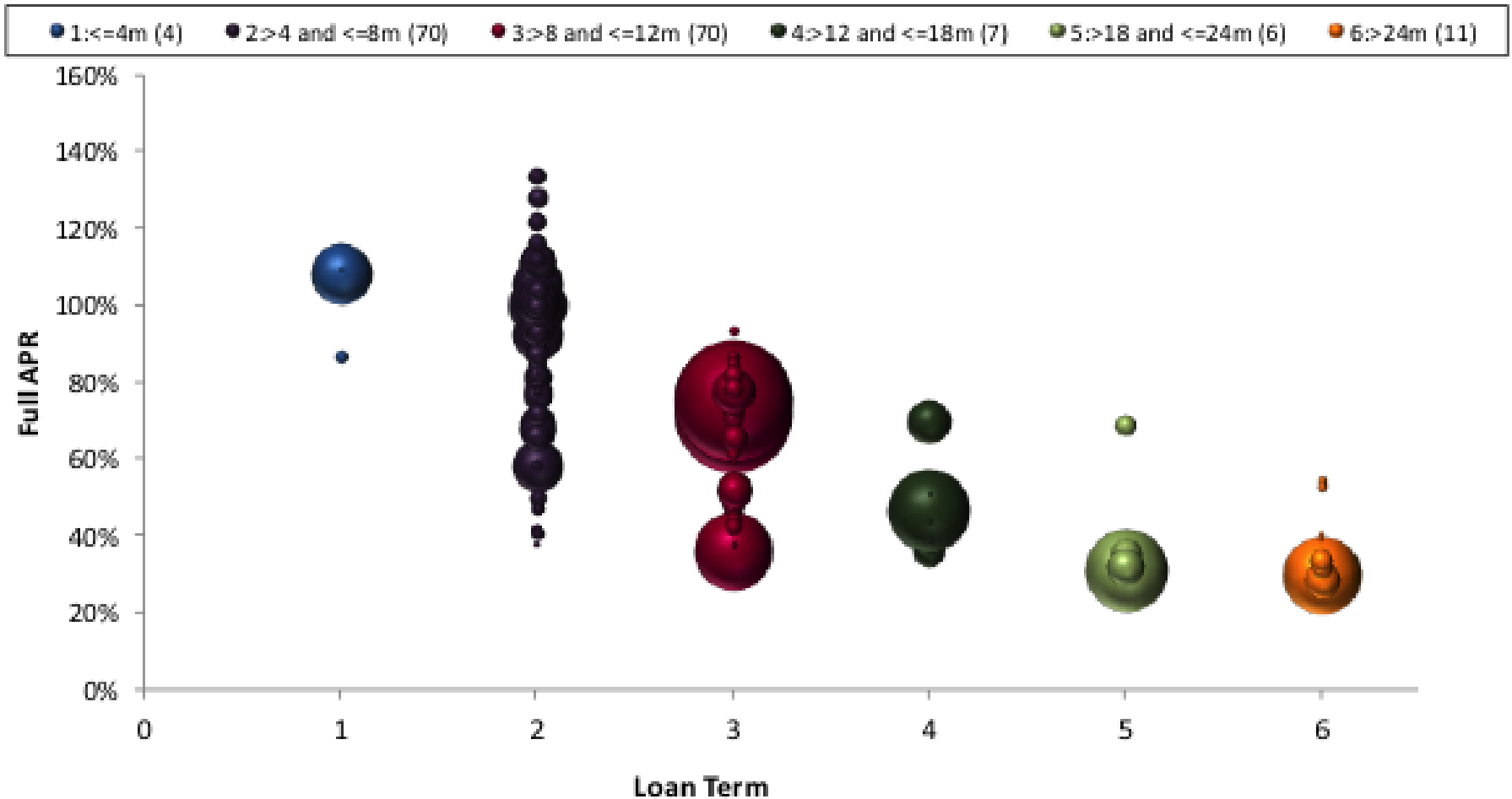
**What prices do we see in your countries?**

Full APR compared to Loan Amount (natl)  
Country: Uganda, Date: 15-Jun-2013



Institution		Status of Information		Total Clients		Total Portfolio		Loan Products	
Institution	Age Data (mon)	Refreshed	Number	Rank	Amt (USD)	Rank	# Active	# Low Vol	
<b>Country Totals</b>			<b>444,543</b>		<b>\$375,695,126</b>		<b>78</b>	<b>9</b>	
1	APAS	24	N	320	20	\$128,000	21	2	0
2	BRAC-UGA	12	Y	121,959	2	\$18,750,057	4	3	0
3	Centenary Bank	5	Y	133,802	1	\$227,712,871	1	4	0
4	EBO SACCO	12	Y	1,500	15	\$1,240,382	12	2	0
5	Equity Bank	8	Y	13,069	8	\$57,252,004	2	0	0
6	FINCA-UGA	11	Y	56,766	3	\$19,056,121	3	4	0
7	Five Talents	9	Y	5,365	12	\$368,057	16	2	0
8	Gatsby	11	Y	1,346	16	\$2,440,236	10	2	0
9	Habitat Uganda	9	Y	858	18	\$265,508	19	1	0
10	Hofokam	11	Y	20,908	6	\$4,745,743	7	6	0
11	KACITA	8	Y	156	23	\$60,318	23	1	0
12	Madfa SACCO	8	Y	4,832	13	\$288,674	17	5	3
13	VF Uganda	8	Y	13,072	7	\$3,221,675	9	5	1
14	Opportunity	8	Y	23,734	4	\$13,560,846	6	13	4
15	RUCREF	24	N	5,557	11	\$898,380	13	4	0
16	Rushere SACCO	9	Y	983	17	\$574,549	15	2	1
17	SAO	7	Y	204	22	\$62,768	22	1	0
18	Silver Upholders	11	Y	2,111	14	\$189,189	20	4	0
19	THPU	8	Y	6,528	10	\$676,391	14	1	0
20	UGAFODE	7	Y	8,197	9	\$4,720,446	8	9	0
21	Finance Trust	8	Y	22,555	5	\$17,520,424	5	5	0
22	Wakiso	7	Y	513	19	\$276,000	18	1	0
23	Y-SAVE	7	Y	208	21	\$1,686,485	11	1	0

Full APR compared to Loan Term  
Country: Uganda, Date: 15-Jun-2013

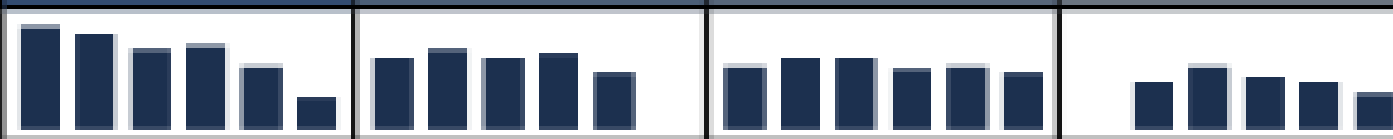


# Analyzing Prices relative to Loan Amount and Loan Term

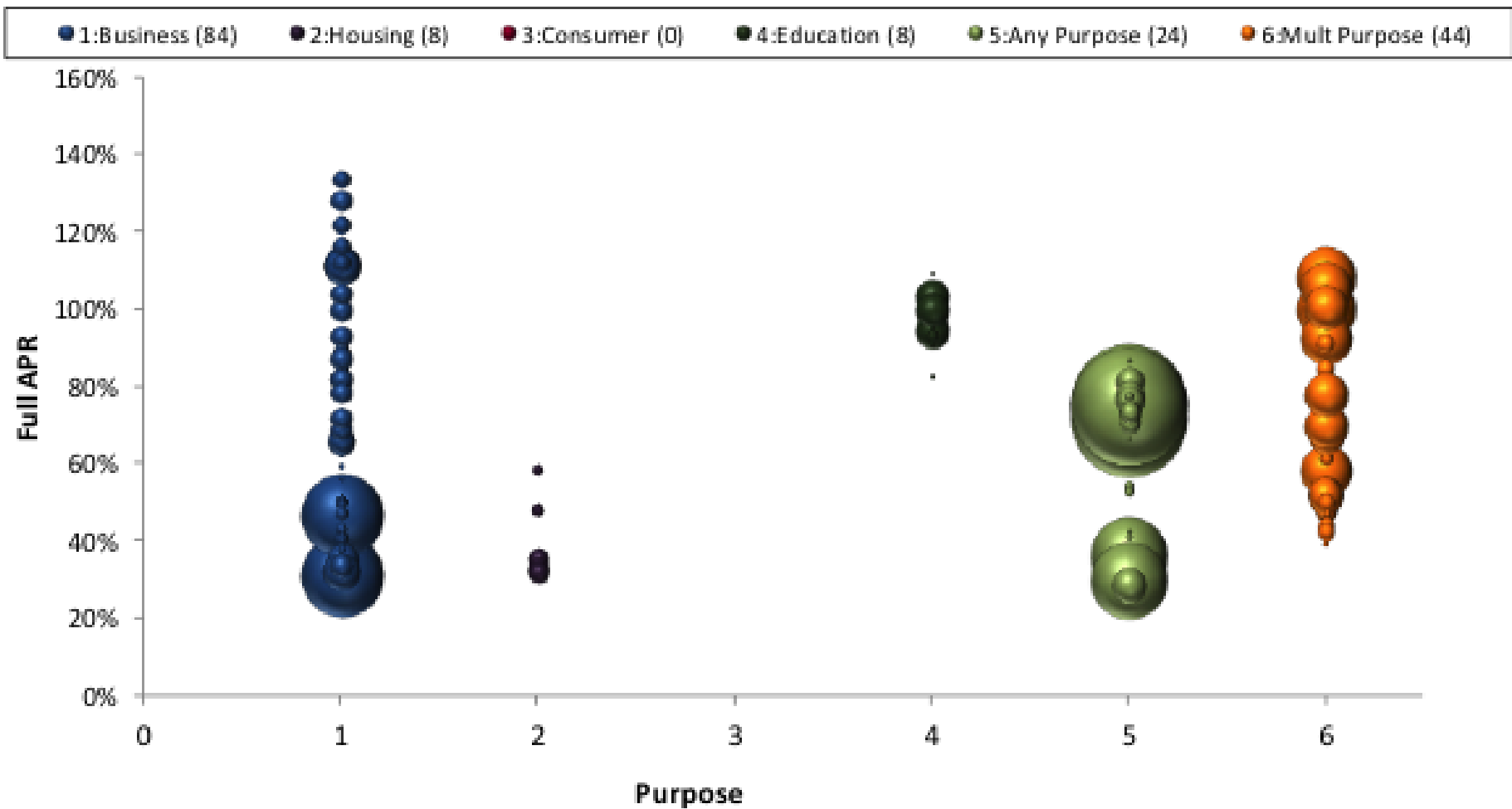
	<6 months	6-9 months	9-12 months	12-18 months	>18 months	All terms	
<\$200	97%	67%	62%	.	.	93%	■ ■ ■
\$201-\$400	89%	74%	66%	44%	54%	78%	■ ■ ■ ■ ■
\$401-\$1,000	76%	68%	66%	60%	39%	66%	■ ■ ■ ■ ■
\$1,001-\$2,000	78%	72%	56%	48%	46%	59%	■ ■ ■ ■ ■
\$2,001-\$5,000	60%	52%	59%	44%	35%	55%	■ ■ ■ ■ ■
>\$5,000	31%	.	52%	34%	34%	40%	■ ■ ■ ■ ■
All amounts	86%	68%	61%	48%	40%	68%	■ ■ ■ ■ ■

# Analyzing Prices relative to Loan Amount and Loan Term


















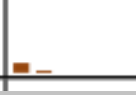
	<6 months	6-9 months	9-12 months	12-18 months
<\$200	97%	67%	62%	.
\$201-\$400	89%	74%	66%	44%
\$401-\$1,000	76%	68%	66%	60%
\$1,001-\$2,000	78%	72%	56%	48%
\$2,001-\$5,000	60%	52%	59%	44%
>\$5,000	31%	.	52%	34%
All amounts	86%	68%	61%	48%



Full APR compared to Purpose  
Country: Uganda, Date: 15-Jun-2013



## Appendix: Data Sources

Institution	Avg Loan Bal		Totals	Client Distribution by Loan Amount (Nat'l Currency)						Price by Loan Amount	Client Distribution		
	Amt (USD)	Number Prods		Less Than	1,001	5,001	7,501	10,001	More than		Inst Dist	Country Dist	
InstAbbrev	Amt (USD)	#		1,000	5,000	7,500	10,000	13,000	13,000				
<b>Country Total</b>	\$263	110	Clients	288,227	84,041	12,307	17,448	4,665	4,008				
	Products		Avg Price	110%	104%	121%	106%	123%	67%				
			#samples	364	177	119	25	24	4				
1 AGFS	\$211	22	Clients	225									
	Products	2	Avg Price	256%	214%	275%	271%	287%	.				
			#samples	9	3	4	1	1	0				
2 Ahantaman RB	\$415	29	Clients	23,850	4,265	10,854	3,035	3,035	2,475	187			
	Products	4	Avg Price	76%	71%	83%	.	.	.				
			#samples	5	3	2	0	0	0	0			
3 ASPI	\$105	8	Clients	845	362	415	10	15	5				
	Products	6	Avg Price	168%	174%	169%	153%	.	.				
			#samples	15	4	9	2	0	0	0			
4 ASA Initiative	\$127	10	Clients	4,535	674	1,617	774	704	476	159			
	Products	4	Avg Price	81%	69%	86%	86%	86%	86%	.			
			#samples	12	4	4	1	2	1	0			
5 ASA-Ghana	\$265	26	Clients	71,633	71,322	311							
	Products	2	Avg Price	81%	84%	78%	.	.	.				
			#samples	6	3	3	0	0	0	0			
6 APED	\$136	13	Clients	13,774	12,397	1,377							
	Products	2	Avg Price	109%	77%	118%	124%	139%	.	.			
			#samples	10	3	4	2	1	0	0			



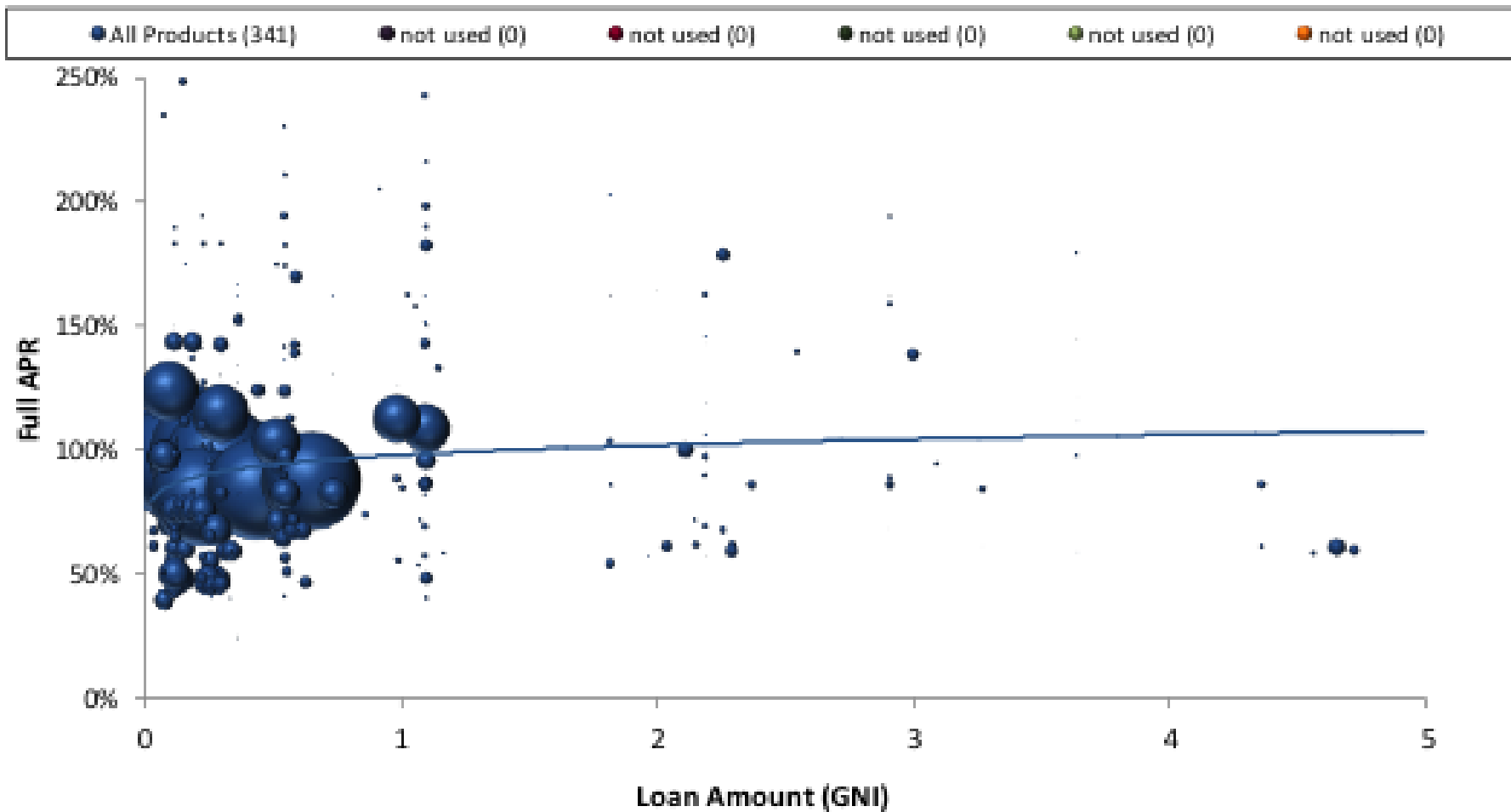
### Client Distribution by Loan Amount (Nat'l Currency)

Less Than	1,001	5,001	7,501	10,001	More than	Price by Loan Amount	Client Distribution	
1,000	5,000	7,500	10,000	13,000	13,000		Inst Dist	Country Dist
288,227	84,041	12,307	17,448	4,665	4,008			
104%	121%	106%	123%	67%	84%			
177	119	25	24	4	15			
214%	275%	271%	287%	.	.			
3	4	1	1	0	0			
4,265	10,854	3,035	3,035	2,475	187			
71%	83%	.	.	.	.			
3	2	0	0	0	0			
362	415	10	15	5				
174%	169%	153%	.	.	.			
4	9	2	0	0	0			
674	1,617	774	704	476	159			
69%	86%	86%	86%	86%	.			
4	4	1	2	1	0			
71,322	311							
84%	78%	.	.	.	.			
3	3	0	0	0	0			
12,397	1,377							
77%	118%	124%	139%	.	.			
3	4	2	1	0	0			

# Prices per country based on Loan Amount as % of GNI per Capita

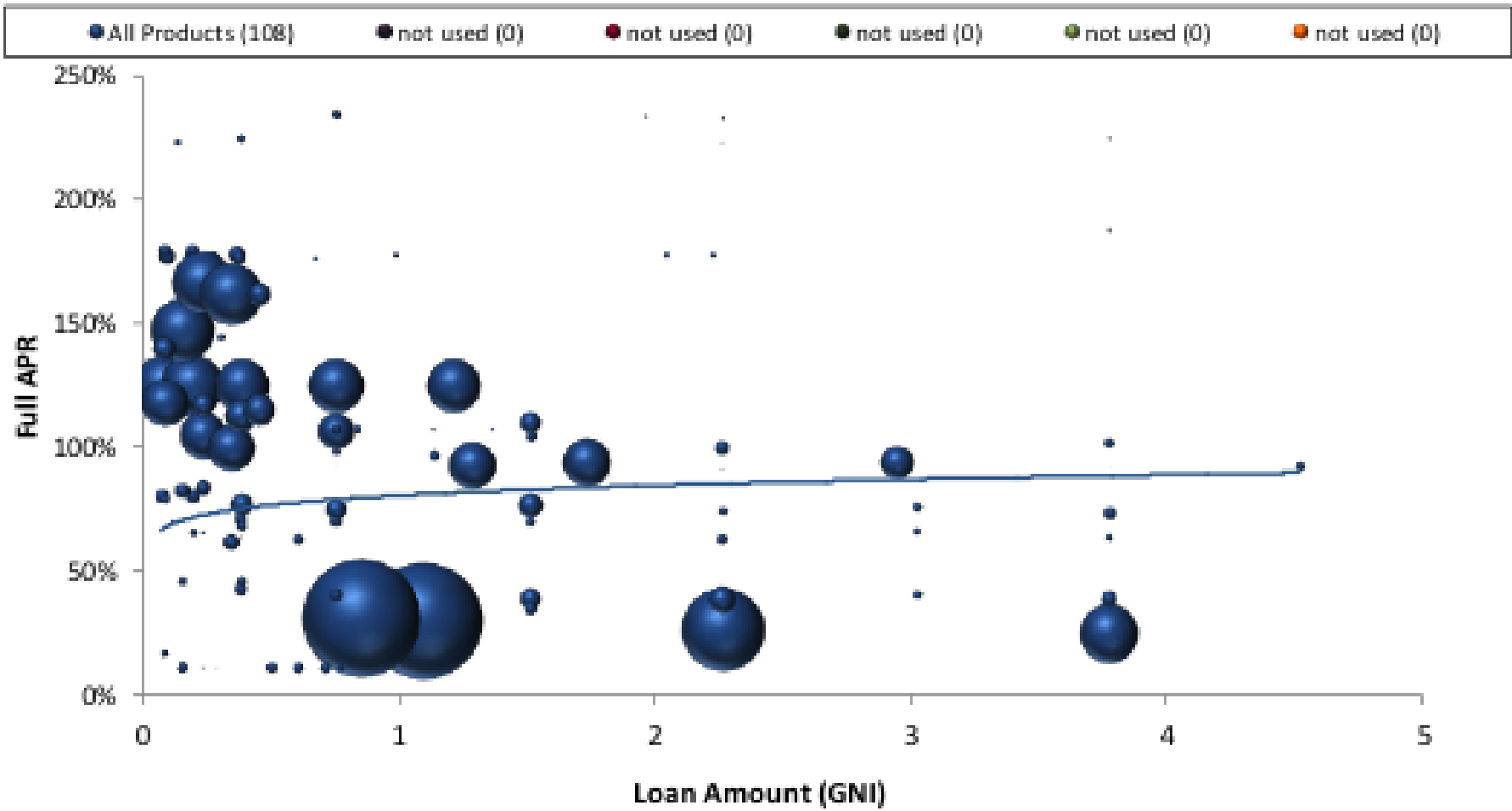
# Full APR compared to Loan Amount (GNI)

Country: Ghana, Date: 16-Jun-2013

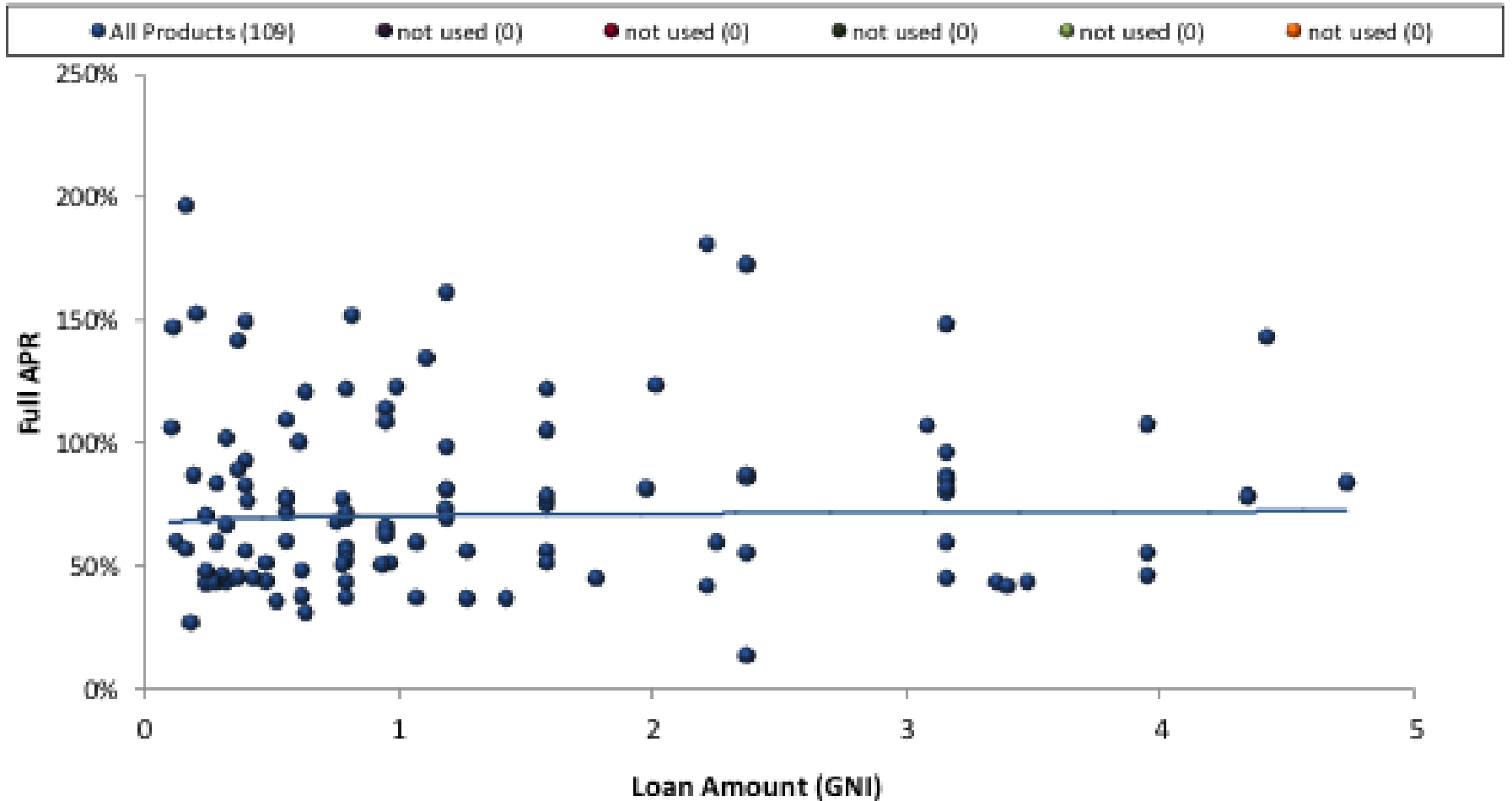


# Full APR compared to Loan Amount (GNI)

Country: Malawi, Date: 16-Jun-2013

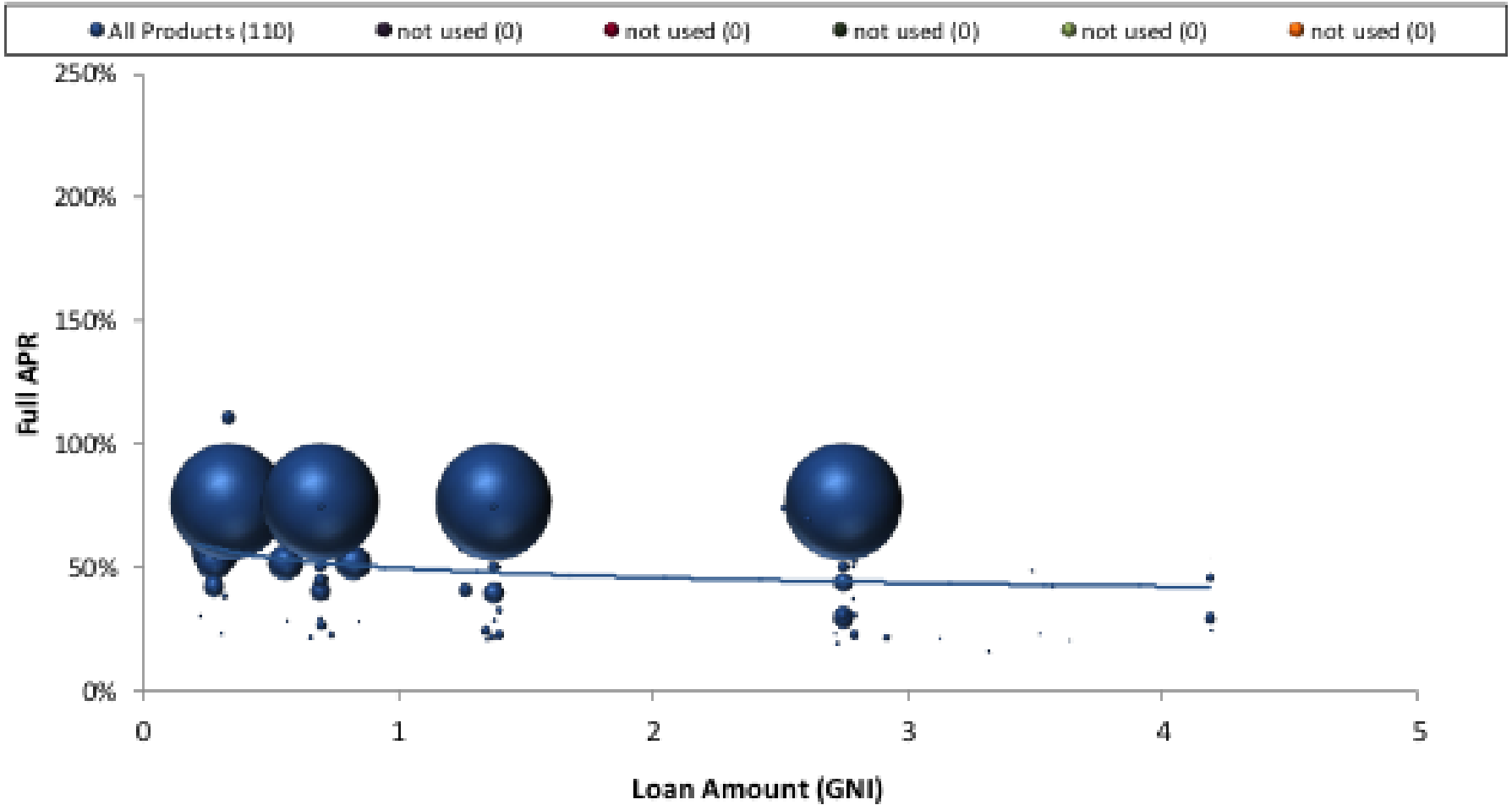


Full APR compared to Loan Amount (GNI)  
Country: Mozambique, Date: 16-Jun-2013



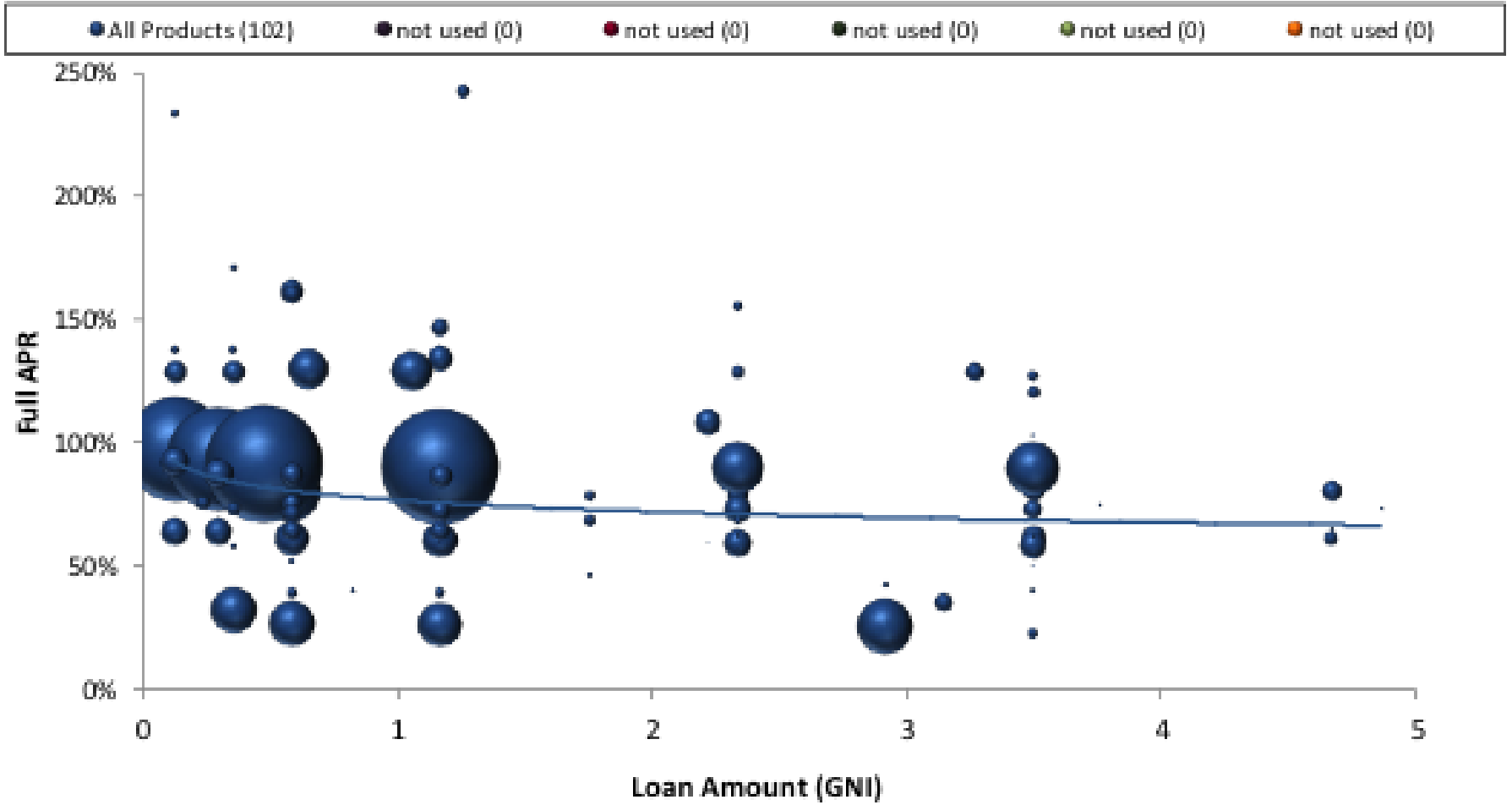
# Full APR compared to Loan Amount (GNI)

Country: Rwanda, Date: 16-Jun-2013



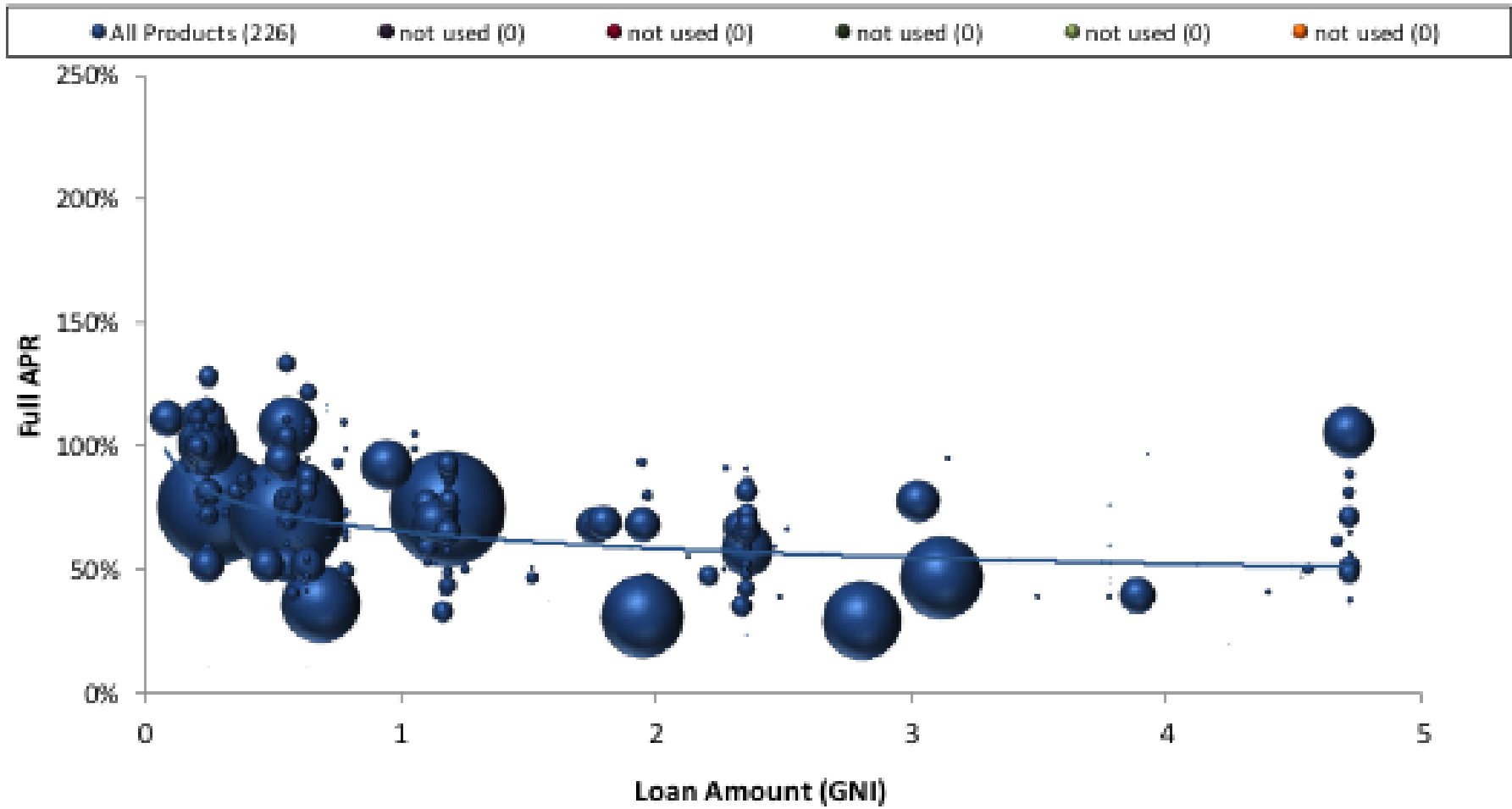
# Full APR compared to Loan Amount (GNI)

Country: Tanzania, Date: 16-Jun-2013



# Full APR compared to Loan Amount (GNI)

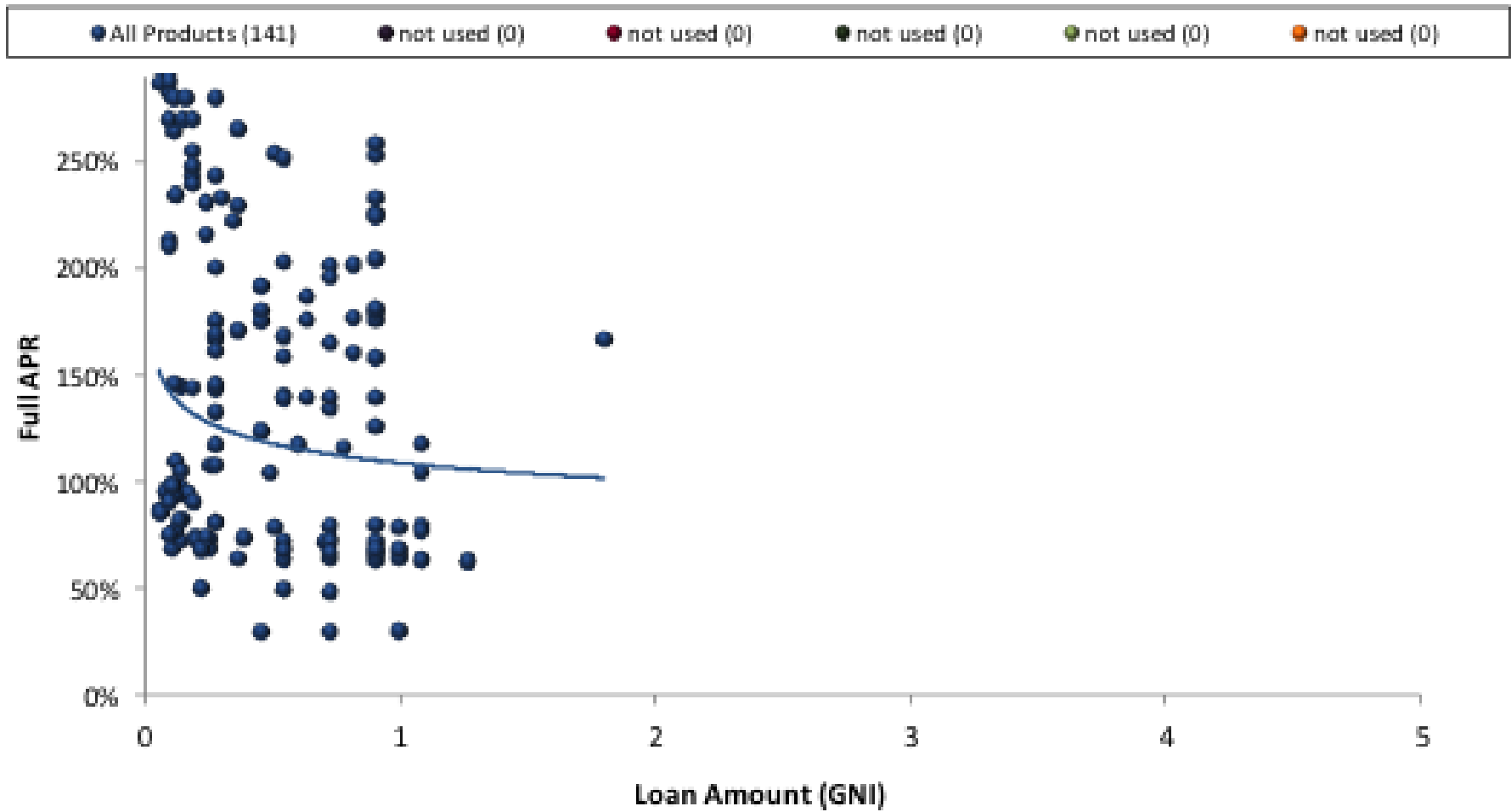
Country: Uganda, Date: 16-Jun-2013





### Full APR compared to Loan Amount (GNI)

Country: Zambia, Date: 16-Jun-2013



True product prices correlated to  
pricing transparency

*Individual*

# HOFOKAM LTD.

Kasese

02/10/2012

17:49:48

## Loan Repayment Schedule

Loan Product: 101543 - COMMERCIAL LOANS



Disbursement Amount: 6,000,000

Disbursement Date: 05/09/2012

Ref. No.:

Loan period in months: 12.00

No. of Installments: 12 (Monthly)

Annual Int. Rate (%): 33.60000%

Loan Officer:

Grace Period: 0 (Monthly)

Loan Fund: General

<u>Due Date</u>	<u>Trx Type</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>	<u>Principal Balance</u>	<u>Interest Balance</u>	<u>Total Balance</u>
05/09/2012	Loan Disbursement	6,000,000	2,016,000	8,016,000	0	0	0
05/10/2012	Repayment Due	500,000	168,000	668,000	5,500,000	1,848,000	7,348,000
05/11/2012	Repayment Due	500,000	168,000	668,000	5,000,000	1,680,000	6,680,000
05/12/2012	Repayment Due	500,000	168,000	668,000	4,500,000	1,512,000	6,012,000
05/01/2013	Repayment Due	500,000	168,000	668,000	4,000,000	1,344,000	5,344,000
05/02/2013	Repayment Due	500,000	168,000	668,000	3,500,000	1,176,000	4,676,000
05/03/2013	Repayment Due	500,000	168,000	668,000	3,000,000	1,008,000	4,008,000
05/04/2013	Repayment Due	500,000	168,000	668,000	2,500,000	840,000	3,340,000
05/05/2013	Repayment Due	500,000	168,000	668,000	2,000,000	672,000	2,672,000
05/06/2013	Repayment Due	500,000	168,000	668,000	1,500,000	504,000	2,004,000
05/07/2013	Repayment Due	500,000	168,000	668,000	1,000,000	336,000	1,336,000
05/08/2013	Repayment Due	500,000	168,000	668,000	500,000	168,000	668,000
05/09/2013	Repayment Due	500,000	168,000	668,000	0	0	0

### Mortgage/Machinery:

1. Toyota premio UAR 2022 (Value: 10,000,000)



# PDF of MFT Price Calculation

## MicroFinance Transparency Pricing Calculation

Institution: Hofokam Ltd

Country: Uganda

Full Price: 61.53%

Product 2: Individual Loan

Transparency Index: 49/100

Sample 4 of 5, Variation 1 of 1 FileName: UG-010-V02-Hofokam-PP2-PriceCalc-S4-1-20120724.PDF

Date of Analysis: 2013-01-25

Loan Amt:	6,000,000.00
Avg Balance:	3,242,466
Disb Date:	5-Sep-12
Term (Months):	12.0
Grace (Months):	1.0
<b>Transp INDEX:</b>	<b>49</b>

Pricing Info	Quoted info	Total Pd	Incr	MPR	APR	EIR
Interest	30.00% annual, Flat	2,016,000.00	56.03%	4.67%	56.03%	75.04%
Fees	2.00% upfront	120,000.00	4.11%	5.01%	60.13%	82.37%
Insurance	40,000 upfront	40,000.00	1.39%	5.13%	61.53%	84.92%
Taxes	None	0.00	0.00%	5.13%	61.53%	84.92%
Deposit	None		0.00%	5.13%	61.53%	84.92%
<b>Total Cost</b>		<b>2,176,000.00</b>		<b>5.13%</b>	<b>61.53%</b>	<b>84.92%</b>

Loan Amount & Balance					Total Cost of Loan				Compulsory Deposit			
Per	Date	Disburse	Principle	Balance	Interest	Fees	Insurance	Taxes	Deposit	Interest	Withdraw	Balance
<b>Transparent Price (nominal APR)</b>					<b>56.03%</b>	<b>60.13%</b>	<b>61.53%</b>	<b>61.53%</b>	<b>61.53%</b>			
<b>Totals</b>					<b>2,016,000</b>	<b>120,000.00</b>	<b>40,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
0	5-Sep-12	6,000,000.00	-	6,000,000.00	-	120,000.00	40,000.00	-	-	-	-	-
1	5-Oct-12	-	500,000.00	5,500,000.00	168,000.00	-	-	-	-	-	-	-
2	5-Nov-12	-	500,000.00	5,000,000.00	168,000.00	-	-	-	-	-	-	-
3	5-Dec-12	-	500,000.00	4,500,000.00	168,000.00	-	-	-	-	-	-	-
4	5-Jan-13	-	500,000.00	4,000,000.00	168,000.00	-	-	-	-	-	-	-
5	5-Feb-13	-	500,000.00	3,500,000.00	168,000.00	-	-	-	-	-	-	-
6	5-Mar-13	-	500,000.00	3,000,000.00	168,000.00	-	-	-	-	-	-	-
7	5-Apr-13	-	500,000.00	2,500,000.00	168,000.00	-	-	-	-	-	-	-
8	5-May-13	-	500,000.00	2,000,000.00	168,000.00	-	-	-	-	-	-	-
9	5-Jun-13	-	500,000.00	1,500,000.00	168,000.00	-	-	-	-	-	-	-
10	5-Jul-13	-	500,000.00	1,000,000.00	168,000.00	-	-	-	-	-	-	-
11	5-Aug-13	-	500,000.00	500,000.00	168,000.00	-	-	-	-	-	-	-
12	5-Sep-13	-	500,000.00	0.00	168,000.00	-	-	-	-	-	-	-

# Top Section of MFT Price Calculation

Full Price: 61.53%

Transparency Index: 49/100

12-PriceCalc-S4-1-20120724.PDF

Date of Analysis: 2013-01-25

Pricing Info	Quoted info	Total Pd	Incr	MPR	APR	EIR
Interest	30.00% annual, Flat	2,016,000.00	56.03%	4.67%	56.03%	75.04%
Fees	2.00% upfront	120,000.00	4.11%	5.01%	60.13%	82.37%
Insurance	40,000 upfront	40,000.00	1.39%	5.13%	61.53%	84.92%
Taxes	None	0.00	0.00%	5.13%	61.53%	84.92%
Deposit	None		0.00%	5.13%	61.53%	84.92%
<b>Total Cost</b>		<b>2,176,000.00</b>		<b>5.13%</b>	<b>61.53%</b>	<b>84.92%</b>

R)	Total Cost of Loan				Compulsory Deposit			
	Interest	Fees	Insurance	Taxes	Deposit	Interest	Withdraw	Balance
	56.03%	60.13%	61.53%	61.53%	61.53%			
	2,016,000	120,000.00	40,000.00	0.00	0.00	0.00	0.00	

# Transparency at Three Levels

- Each Sample
  - Nominal Interest Rate / Full APR x 100
  - $36\% / 72\% \times 100 = 50$
- Each Product
  - Average of the samples
  - $\text{Avg}(50,45,42,53) = 48$
- Institution
  - Weighted average of the Product TI's
  - $(48 \times 35\% \text{ of clients}) + 55 \times 65\% \text{ of clients} = 53$

## Relative Incentive to Hide Prices

Price	1	2	3
Quoted Interest Rate			20%
Full APR			22%
Transparency Index			90

## Relative Incentive to Hide Prices

Price	1	2	3
Quoted Interest Rate			20%
Full APR		50%	22%
Transparency Index			90



## Relative Incentive to Hide Prices

Price	1	2	3
Quoted Interest Rate		30%	20%
Full APR		50%	22%
Transparency Index		60	90

## Relative Incentive to Hide Prices

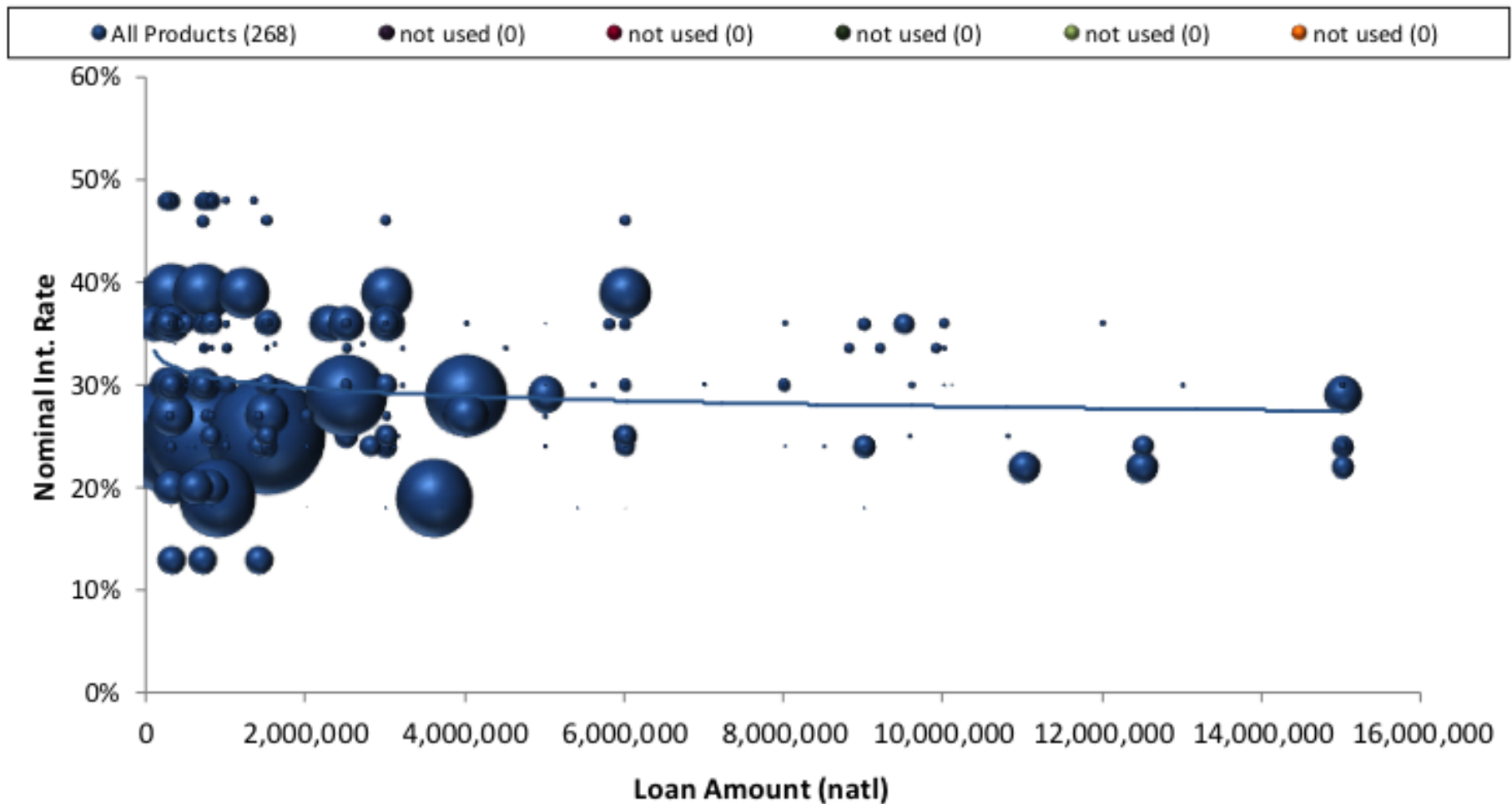
Price	1	2	3
Quoted Interest Rate		30%	20%
Full APR	100%	50%	22%
Transparency Index		60	90

## Relative Incentive to Hide Prices

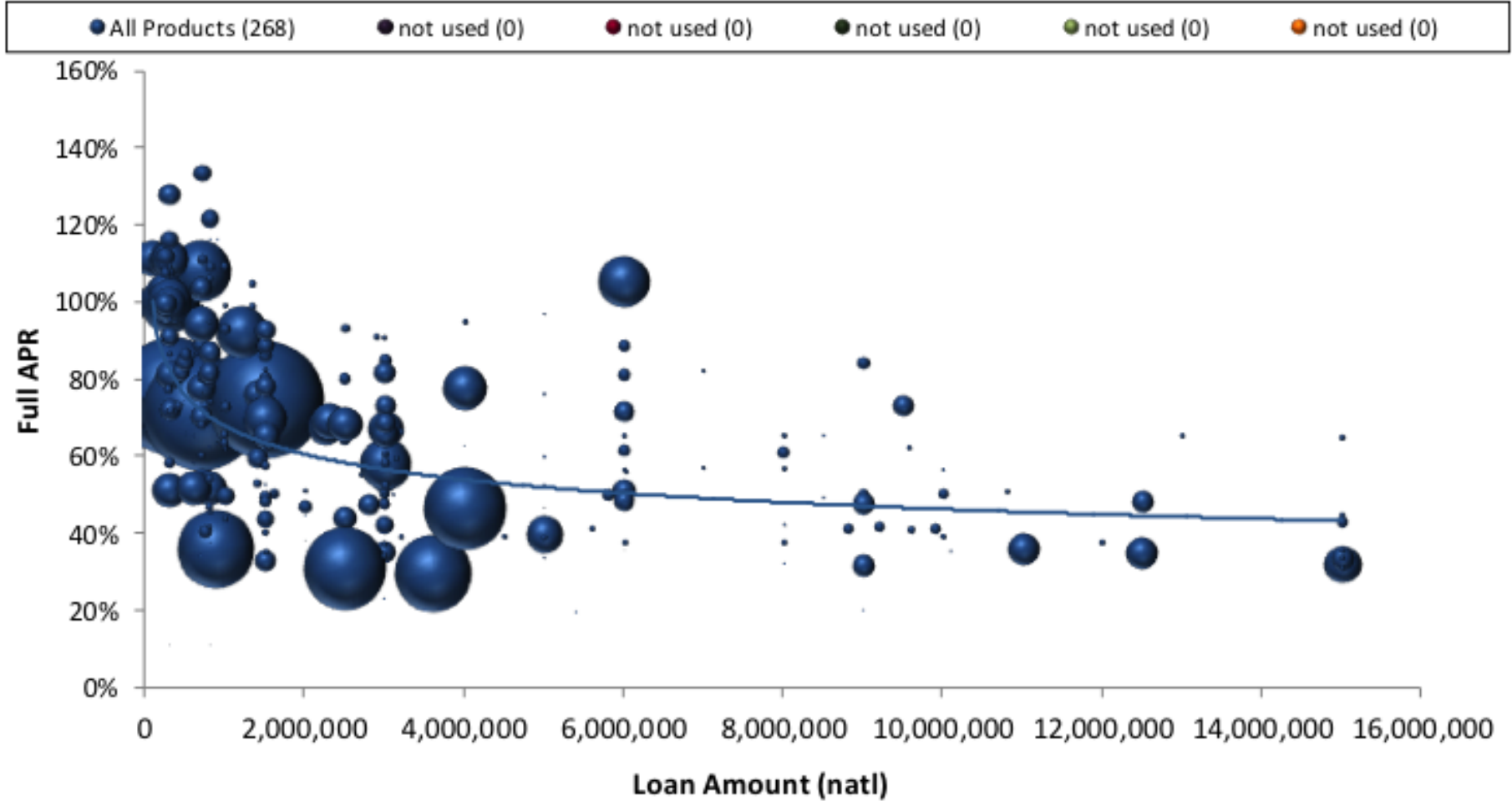
Price	1	2	3
Quoted Interest Rate	35%	30%	20%
Full APR	100%	50%	22%
Transparency Index	35	60	90

# Nominal Int. Rate compared to Loan Amount (natl)

Country: Uganda, Date: 15-Jun-2013

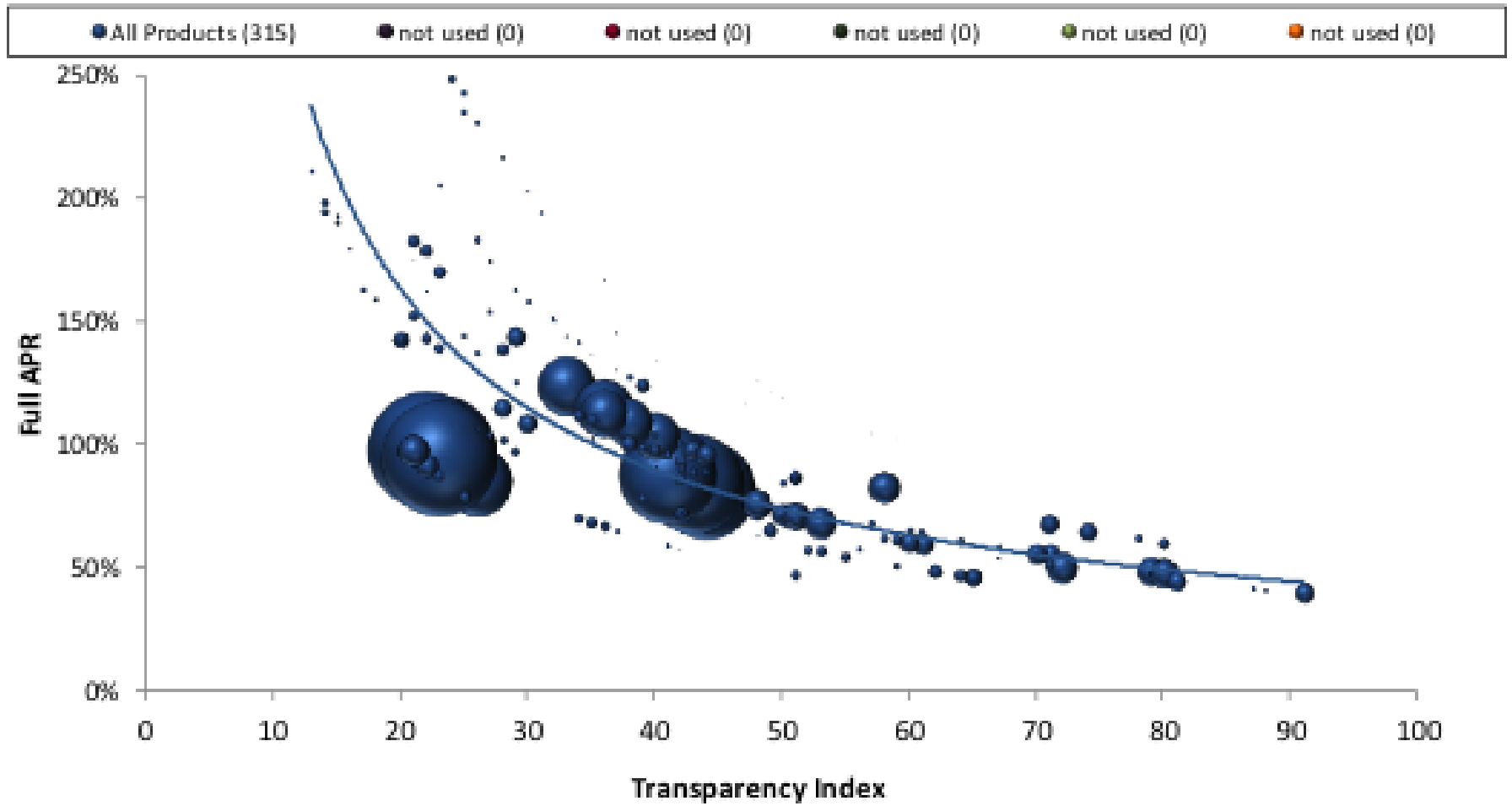


Full APR compared to Loan Amount (natl)  
Country: Uganda, Date: 15-Jun-2013



# Full APR compared to Transparency Index

Country: Ghana, Date: 16-Jun-2013





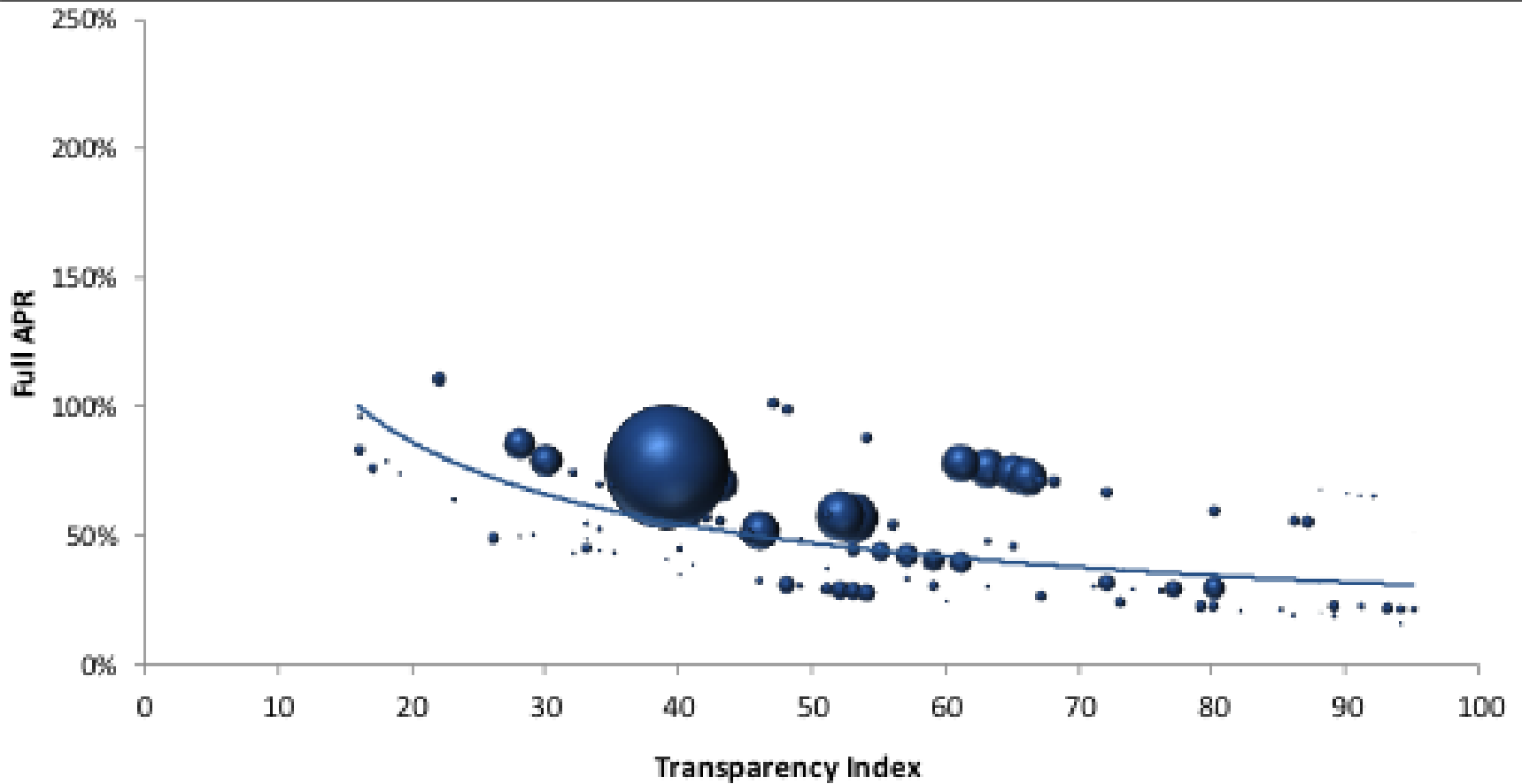




# Full APR compared to Transparency Index

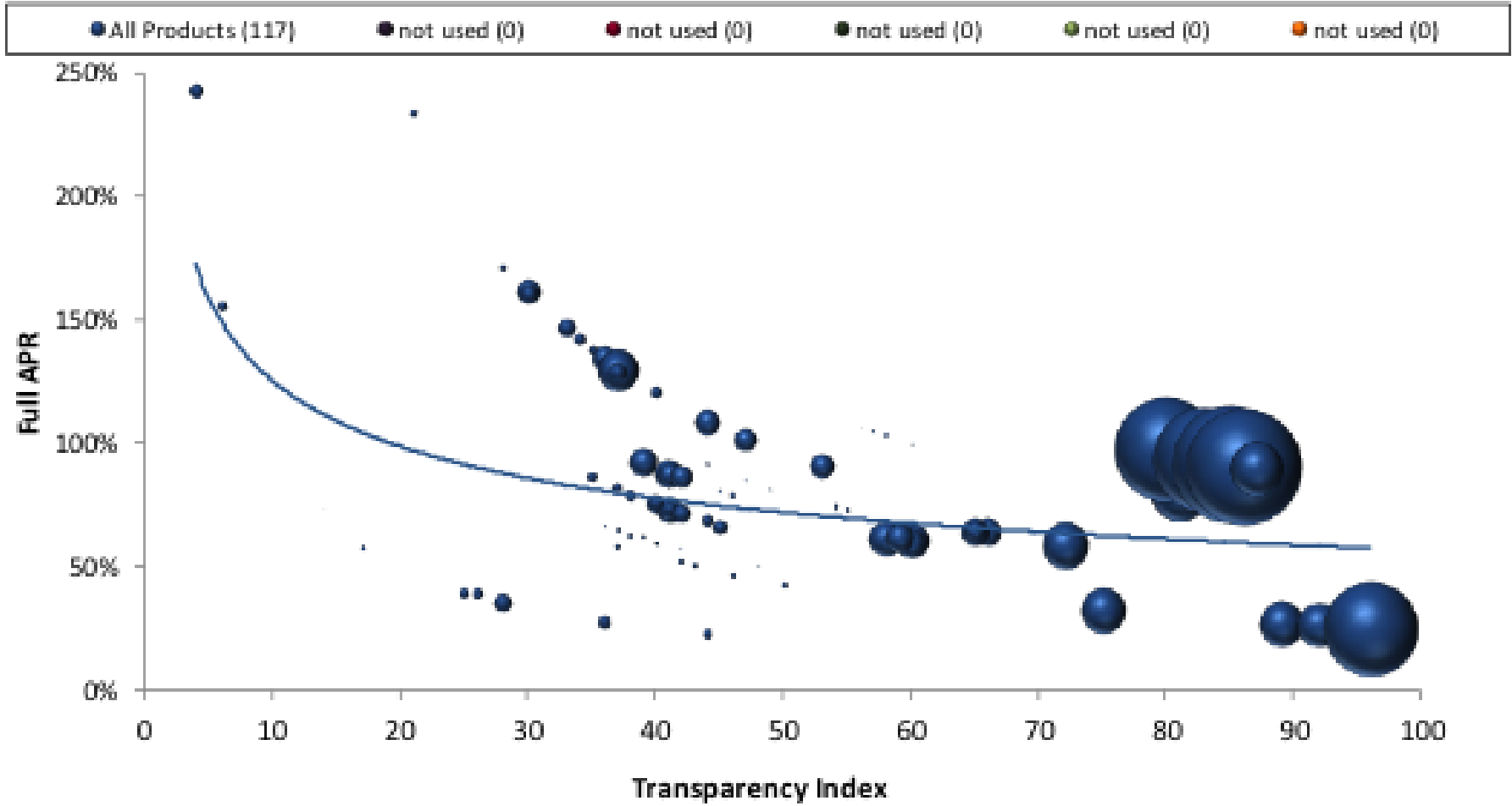
Country: Rwanda, Date: 16-Jun-2013

● All Products (148) ● not used (0) ● not used (0) ● not used (0) ● not used (0) ● not used (0)



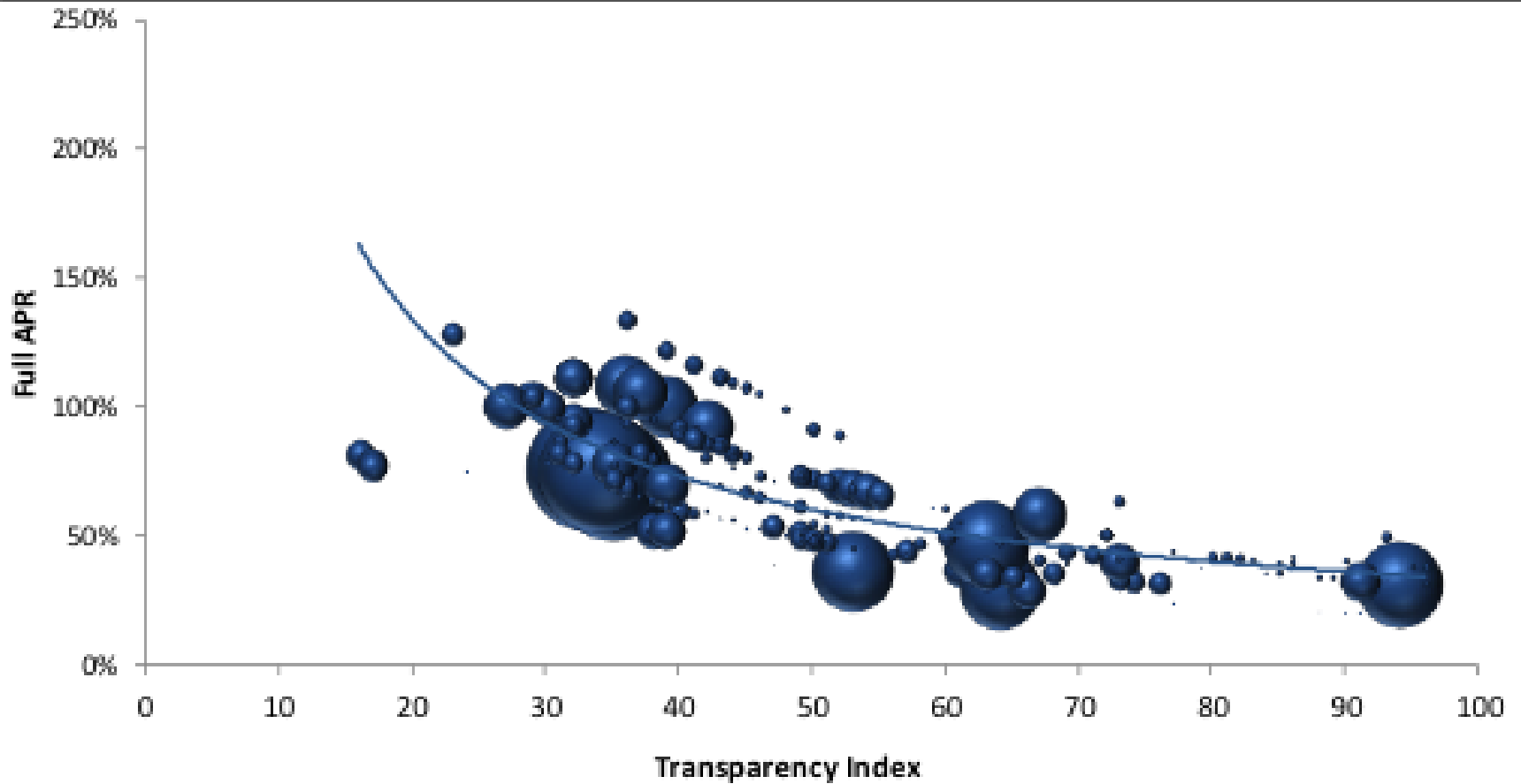
# Full APR compared to Transparency Index

Country: Tanzania, Date: 16-Jun-2013



# Full APR compared to Transparency Index

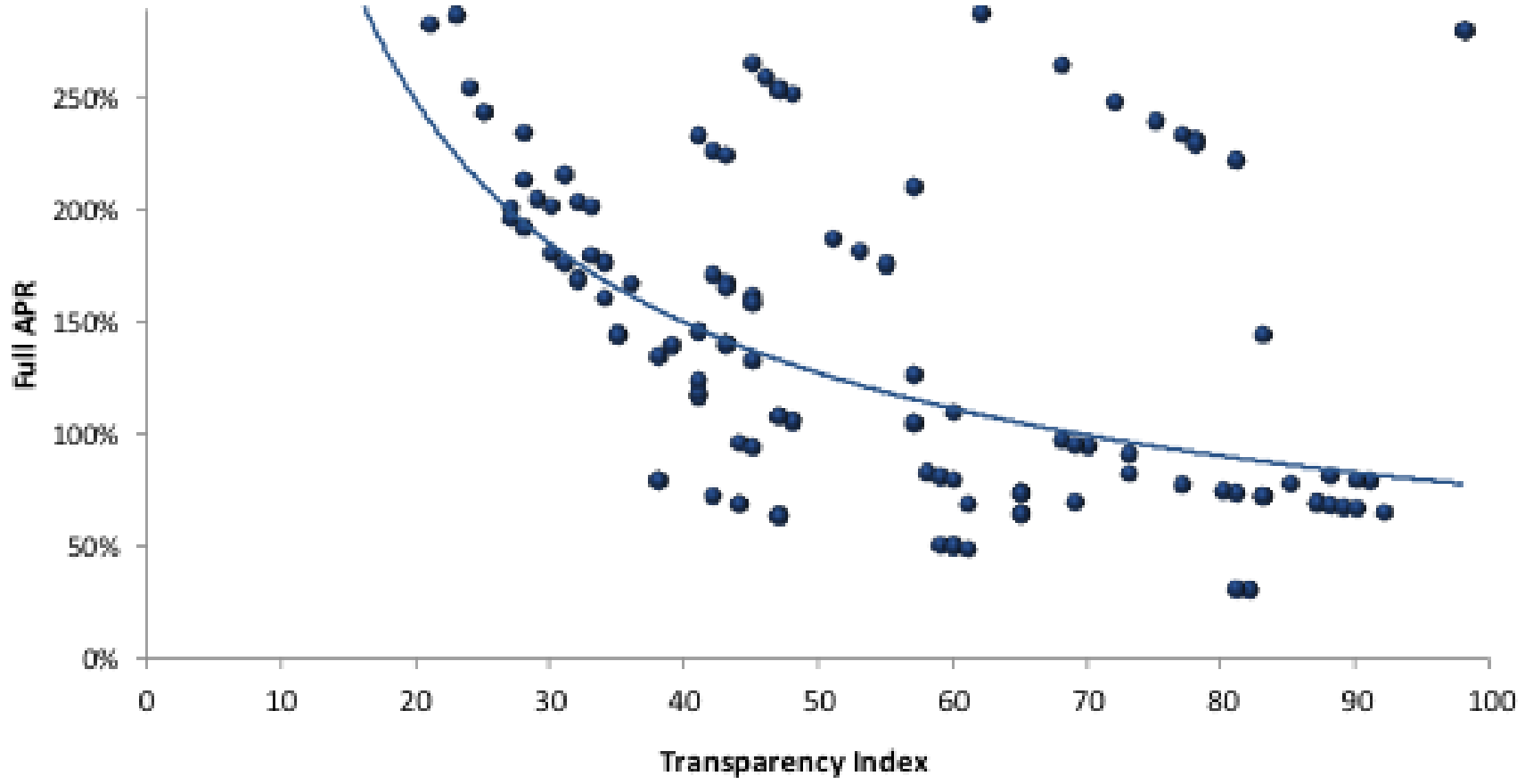
Country: Uganda, Date: 16-Jun-2013



# Full APR compared to Transparency Index

Country: Zambia, Date: 16-Jun-2013

● All Products (133) ● not used (0) ● not used (0) ● not used (0) ● not used (0) ● not used (0)





# Promoting Transparent Pricing in the Microfinance Industry

MicroFinance Transparency is an NGO registered in the USA

