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Key ratios/indicators for Cooperative Supervision

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Overview of Ratio Analysis and Indicators for Cooperatives

The safety and soundness ratios are the same as banks although the information may be less reliable.

With no information on current practices at the Ministry of Cooperatives, I would suggest key ratios/indicators as follows:

1. Total assets
2. # members
3. Return on assets
4. Net interest margin
5. Yield on earning assets
6. Cost of funds and the spread
7. Efficiency ratio

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8. Tangible Capital ratio (not risk adjusted--plain leverage ratio)
9. Loans as % Assets and Capital
10. Liquidity ratios (Loans/Deposits; 30 day assets/30 day liabilities; Assets > 1 year/Liabilities > 1 year)
11. Non-performing loan ratio (as % Loan Portfolio and % of Assets)
12. Distribution of past due loans (> 30 days; 60-90 days; >90 days including restructured loans)
13. Concentrations of loans and funding
14. Absolute levels and trends

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The funding issue is very important and deserving of special mention. If the cooperatives' liquidity is funded by members, there is less risk of an individual member liquidity crisis. If the cooperatives' are funded by Banks and other organizations, there is a higher risk of a liquidity crises due to concentrations of funding.

See the following annex for ratios.