

Benchmarking Microfinance in Central America 2004

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Some of the oldest Microfinance Institutions (MFIs) are found in Central America (CA); however, the market continues to be controlled by Non Governmental Organizations (NGOs), Private Development Organizations (PDOs), and small cooperatives. This reflects the low level of commercialization achieved by the sector. Some characteristics of the microfinance industry in CA are: little institutional diversification, minimal client outreach- only Eastern Europe & Central Asia (ECA) is lower, intermediate depth of outreach in both absolute and relative terms, little progress in mobilizing small deposits, and average financial performance. Nevertheless the data show interesting results when MFIs are analyzed by country and taking into account their financial scale.

How developed is microfinance in CA and in each of the five countries represented? What factors are influencing their performance? What are the key differences between the MFIs? This first report on "Benchmarking Microfinance in Central America" analyzes the performance of microfinance in CA focusing on the answers to these questions using the lens of the industry's standard performance indicators.

In Brief

Even though the microfinance industry in CA has the same median age as the oldest regions- Asia and the rest of Latin America, its performance is more similar to that of the younger ones- ECA and Middle East and North Africa (MENA). As a result of their NGO / PDO status, MFIs in CA have thus far not been successful in achieving greater development due to their difficulties in accessing commercial funds which limits their prospects for growing.

MFIs in CA earn less revenue from their loan portfolios than their counterparts in other regions, except for Africa. High revenues are being offset by high operational costs and arrears, which reflect lower efficiency levels and poor portfolio control.



Data and Comparison Scales

The performance data used in this report comes from two information groups, the first group includes the regional benchmarks from the *MicroBanking Bulletin* 2004 and the second one includes CA's benchmarks processed at a later stage by the Analytical Regional Unit created in Redcamif in August 2005 with the technical support of the Microfinance Information eXchange (MIX). The *MicroBanking Bulletin* is one of MIX's main products offering the microfinance industry an extraordinary tool which provides the benchmarks and performance analysis of MFIs in a biannual publication. The data collected by REDCAMIF's Analytical Unit / MIX, have served to parameterize for the first time CA's performance separate from the rest of Latin America and the Caribbean, which have been usually handled as a single group.

Data for this report come from the 2004 results of 41 participating MFIs (non regulated, some regulated NGOs from Honduras and non banking financial institutions) from the 5 CA countries. Quality information has been collected and to counteract the diverse institutional and environmental factors, it has been adjusted for inflation, cost-of-funds subsidy, in-kind subsidy and minimum loan loss provisioning, according to the standards of the *MicroBanking Bulletin*. Peer groups are made up of MFIs that share at least one characteristic. Since the performance of MFIs within a peer group can be heterogeneous, the information always reflects the group's median to reduce the influence of extreme and atypical values.

This report analyzes and compares CA microfinance performance in the global and regional context. The first part of each of the following sections places CA MFIs performance in the spectrum of each region's indicators. The second part explores MFI performance within CA. For analytical purposes, this report groups MFIs by country and scale, be it Small, Medium or Large, allowing for a better comparison among institutions and to analyze the impact of different factors on institutional performance.

Benchmarks support the transparency necessary for improved MFI performance and greater access to sources of funding for their growth, as well as access to capital markets.

Peer groups	Country	Most Transparent MFIs in CA
CA (41 MFIs)	Costa Rica ¹ - CRI - (6 MFIs)	ADRI, CrediMujer, FOMIC, Fundación Mujer, FUNDECO, FUNDECOSA.
	El Salvador - SLV - (5 MFIs)	ACCOVI, AMC de R.L, Apoyo Integral, ASEI, Fundación CAMPO.
	Guatemala - GTM - (9 MFIs)	ADEPH, AGUDES, ASDIR, FAFIDESS, FAPE, Friendship Bridge, CRYSQL, Fundación MICROS, Génesis Empresarial.
	Honduras - HND - (5 MFIs)	FINSOL, FUNED, Hermandad de Honduras, ODEF, World Relief – HON.
	Nicaragua ² - NIC - (16 MFIs)	ACODEP, ADIM, FAMA, FINDESA, FDL, FJ Nieborowski, FODEM, Fundación 4i-2000, Fundación León 2000, FUDEMI, FUNDESER, FUNDENUSE, FUNDEPYME, PRESTANIC, PRODESA, Pro Mujer – NIC.
Scale	Characteristics	Peer Group Members
CA Small (26 MFIs)	MFIs with a Gross Loan Portfolio less than \$ 4 million.	ADIM, ADRI, AGUDES, ASDIR, ASEI, CrediMujer, CRYSQL, FAFIDESS, FAPE, FODEM, FOMIC, FUDEMI, FUNDECO, FUNDECOSA, Fundación FUNDEPYME, FUNDESER, FUNED, Friendship Bridge, Fundación 4i-2000, Campo, Fundación León 2000, Fundación MICROS, Fundación Mujer, Hermandad de Honduras, Pro Mujer – NIC, World Relief – HON.
CA Medium (10 MFIs)	MFIs with a Gross Loan Portfolio from \$ 4 to 15 million.	ACODEP, ADEPH, AMC de R.L, Apoyo Integral, FINSOL, FJ Nieborowski, FUNDENUSE, ODEF, PRESTANIC, PRODESA.
CA Large (5 MFIs)	MFIs with a Gross Loan Portfolio greater than \$ 15 million.	ACCOVI, FAMA, FDL, FINDESA, Génesis Empresarial.

¹ Does not include APACO for not differentiating information on financial operations from non financial.

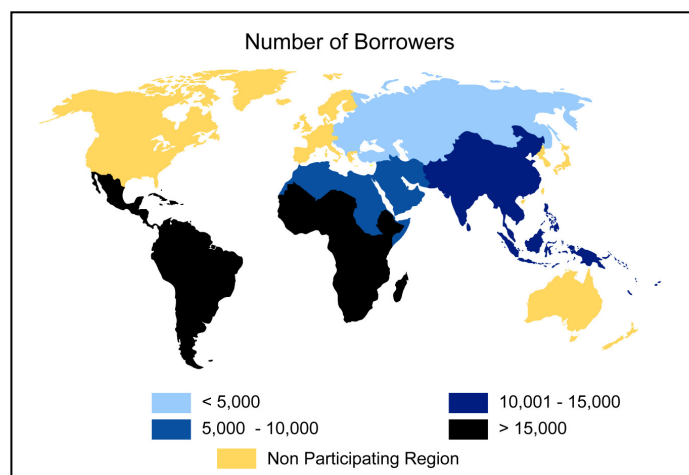
² Does not include Coop 20 de Abril, Idem.

Scale and Outreach

Indicators of scale measure the size of loans provided by the institution. Outreach indicators report on the number or type of clients reached.

CA microfinance in the world.

MFI in CA serve fewer borrowers, with higher Loan Balances and offer a limited number of services. Even though CA is one of the oldest regions, its scale and outreach is more similar to that of the younger regions ECA and MENA, which have half³ as many years of microfinance experience. This reflects the difficulties CA MFIs have had in maturing as a market. It is worth noting that the Asia median is influenced by a large number of small institutions and cooperatives limited to serving their communities exclusively; however, they continue to be much larger than median CA MFI. The existence of so many NGOs in CA is justified partly because of the high poverty levels in the region. However, MFIs' loan portfolios are reaching fewer

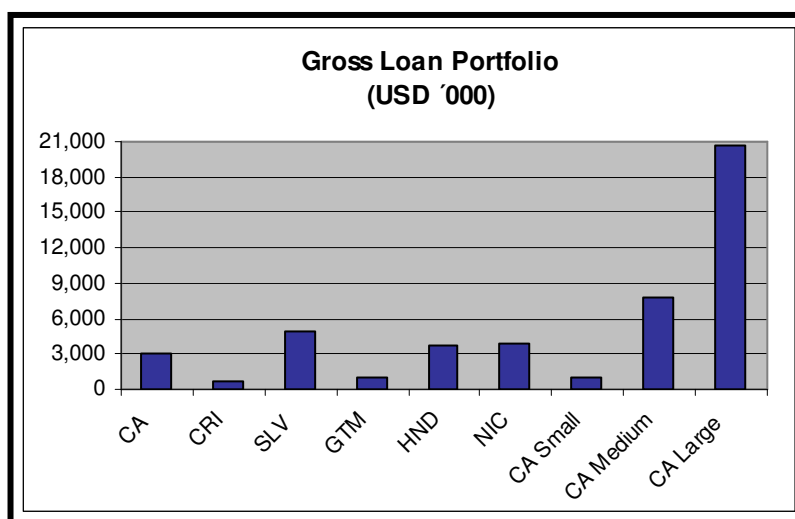


borrowers due to higher average loan balances both in absolute terms and in relation to the GNP (Gross National Product) per capita. This suggests they are not reaching the poorest segments of the population. On the other hand, due to limitations imposed by their legal status, they have limited financial products to attract new clients.

Microfinance in Central America

Outreach Indicators	CA	CR	SLV	GTM	HND	NIC	CA Small	CA Medium	CA Large
# Active Borrowers	5,854	721	5,854	4,431	13,310	7,319	3,112	11,612	29,313
% Women Borrowers	65.7%	65.0%	61.0%	75.6%	81.3%	61.0%	82.5%	62.0%	58.8%
Gross Loan Portfolio (US\$)	3,008,127	651,862	4,903,319	989,743	3,780,661	3,935,179	1,085,940	7,855,192	20,614,000
Average Loan Balance per Borrower	601	904	713	406	445	536	428	730	659
Average Loan Balance per Borrower / GNP per Capita	48.7%	19.4%	30.3%	19.1%	43.2%	67.9%	29.4%	82.5%	90.3%

As CA MFIs grow in scale, their Average Loan Balance increases. Honduras reaches the highest number of borrowers. It employs primarily solidarity groups and village bank methodologies and has the highest median MFI age. El Salvador has the largest financial scale as a result of the high availability of funds for microfinance offered by the formal banking system, which uses individual methodology and has larger loan balances. In both cases, Nicaragua is in second place, taking advantage of a market with a large demand and little on offer from the formal banking system. Costa Rica is one of the oldest groups but is limited by the lack of resources available for NGOs. Guatemala is the youngest group and is made up of small NGOs operating in a market largely covered by the formal banking system.



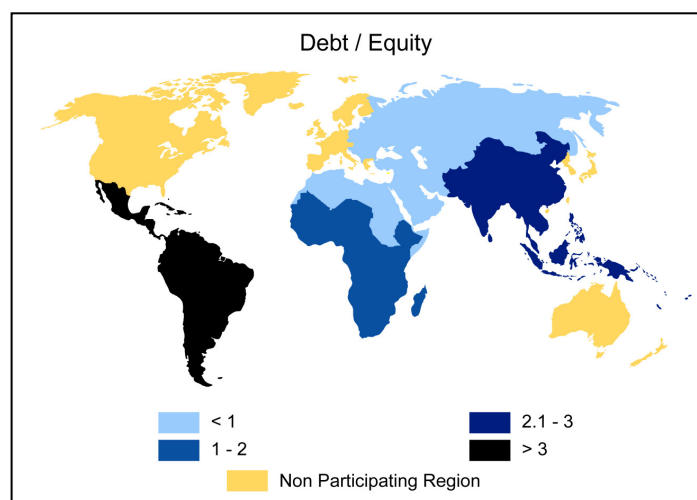
³ See Institutional Characteristics, page 10.

Financial Structure

MFIs finance their activities with a variety of funding sources. Measures of financial structure describe these sources of funds, whether debt or equity, as well as the use of these resources.

CA microfinance in the world.

The NGO status of the majority of CA MFIs limits their access to commercial funds. Due to their unique ownership structure, NGOs are typically considered less attractive to creditors and investors due to the high risk they represent. Consequently, CA MFIs have not been able to reach a larger funding level which has resulted in its slow development. In contrast, liabilities at “market prices” represent between 60 and 80 percent of the gross loan portfolio in Asia and the rest of Latin America, allowing them grow much more quickly. In relation to other regions, CA MFIs dedicate a higher portion of their assets to their loan portfolios; however, this is partially a result of the fact that in Africa, Asia and the rest of Latin America many MFIs mobilize deposits and therefore need to maintain higher liquidity levels. This in turn, limits their ability to devote a higher percentage of their assets to their loan portfolios.

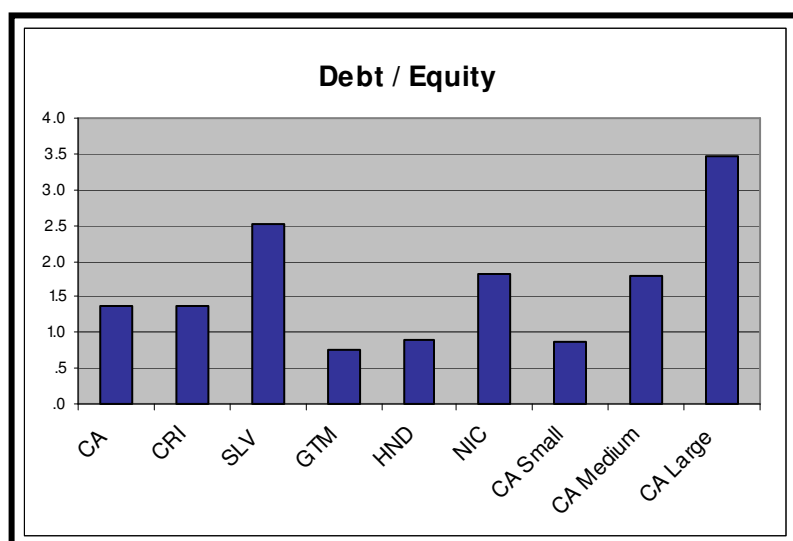


Microfinance in Central America

Financial Structure	CA	CRI	SLV	GTM	HND	NIC	CA Small	CA Medium	CA Large
Capital Asset ratio	42.4%	43.5%	28.4%	57.3%	53.1%	36.4%	53.9%	36.9%	22.4%
Commercial Funding Liabilities Ratio	48.5%	56.6%	87.8%	22.1%	41.2%	55.3%	28.1%	58.6%	81.0%
Debt / Equity	1.4	1.4	2.5	.7	.9	1.8	.9	1.8	3.5
Deposits to Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deposits to Total Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross Loan Portfolio / Total Assets	83.3%	79.7%	76.0%	85.9%	81.8%	85.6%	83.9%	82.7%	80.0%

At close to 90 percent, El Salvador presents the highest level of leverage at market rates. This is in large part the result of high availability of resources from second tier lending institutions, the regulated status of many MFIs there and the overall financial scale reached in the country. In Nicaragua, the amount of concessional funds received in previous years, has contributed to some NGOs achieving greater leverage than they otherwise would have and enabled them to reach a larger financial scale. although at a certain point, this may limit their growth as funds dry up.

The smaller size and legal status of MFIs in the rest of the countries renders leveraging difficult, which is also limited by subsidized funds availability in Small Scale MFIs. They also do not have enough resources to become regulated institutions in order to attract more funding.



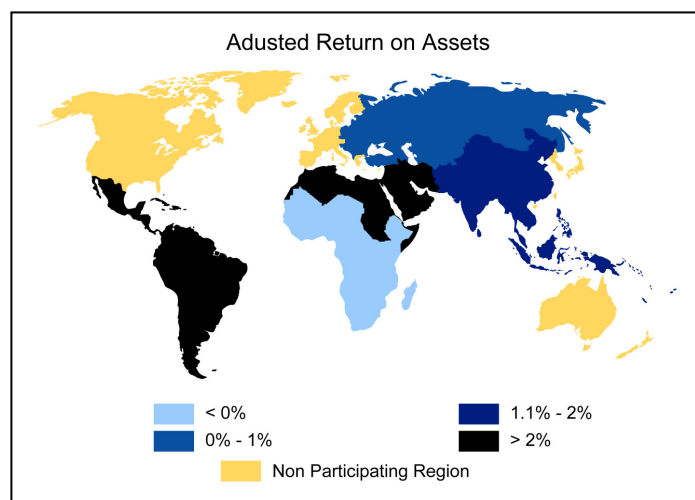
Profitability and Sustainability

Profitable and sustainable institutions earn positive returns which, for microfinance standards, means that an institution earns a positive net income without considering donor support. To measure profitability these returns are compared to the institutions assets and equity. Sustainability measures how much these returns cover institutional expenses.

CA microfinance in the world.

Leveraging difficulties and limited access to commercial funds have affected profitability in CA microfinance. Although CA MFIs in general generate positive returns, they are among the least profitable regions. CA MFIs incur high costs that affect their profitability. Their adjusted returns are among the lowest and show the small positive net income they obtain once donor support is not taken into consideration to subsidize, in many cases, operative losses.

CA MFIs manage to reach the break-even point, but among the sustainable regions they show less Financial Self-sufficiency. This reflects the lower extent to which their returns cover institutional expenses, recovering only 105 percent of their total expenses.

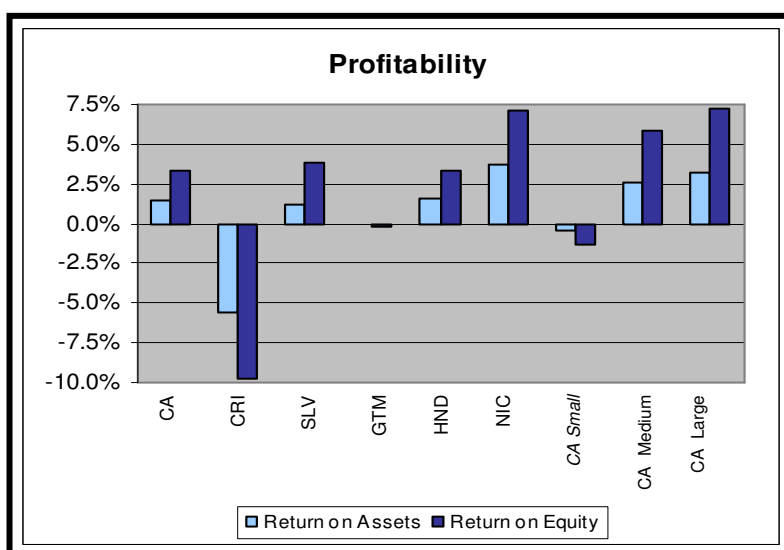


Microfinance in Central America

Profitability and Sustainability	CA	CRI	SLV	GTM	HND	NIC	CA Small	CA Medium	CA Large
Return on Assets	1.4%	-5.7%	1.2%	0.0%	1.6%	3.7%	-0.4%	2.7%	3.2%
Return on Equity	3.3%	-9.8%	3.9%	-0.2%	3.3%	7.2%	-1.4%	5.9%	7.2%
Operational Self-sufficiency	117.8%	110.5%	110.5%	112.5%	121.1%	127.0%	115.5%	122.1%	131.5%
Financial Self-sufficiency	104.9%	85.9%	106.6%	99.8%	107.4%	112.6%	100.9%	110.2%	118.4%

Levels of profitability and sustainability vary notably across CA countries and especially according to scale. MFIs of Medium and Large scale showed adjusted returns on their assets (AROA) close to 2 and 3 times the regional median. In contrast, Small Scale institutions registered a net loss. Some of the largest MFIs in CA are in Nicaragua, in general, the country with the highest returns in CA. Honduras, which has a lower operating profit margin, takes second place. El Salvador, which faces a highly competitive market⁴, shows a lower AROA than that of the other two countries, a fact that reduces income that must be offset by a reduction in expenses.

At the lower end, due to their very small scale, Costa Rica and Guatemala are not yet able to cover their expenses with the revenues they generate.



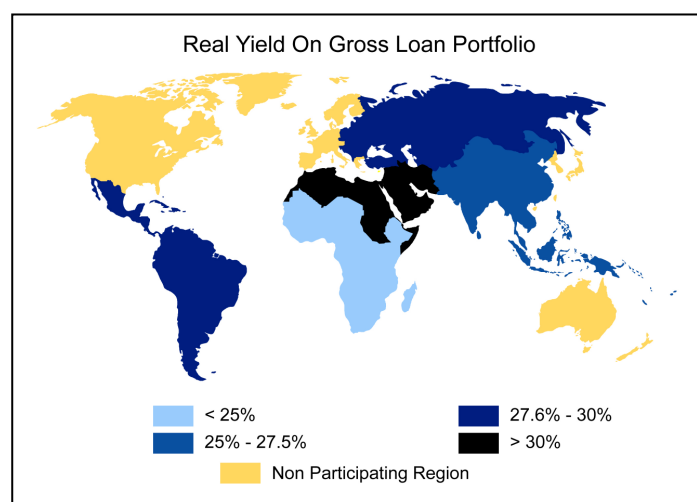
⁴ *Diagnóstico de los servicios financieros rurales en El Salvador*, Mesoamérica Servicios Financieros, 2004.

Revenue

MFIs earn revenues mainly from their loan portfolio. Revenue indicators look at financial revenue over the total asset base, as well as financial revenue over the loan portfolio, to assess the impact of revenue structure on profitability and sustainability.

CA microfinance in the world.

CA portfolios yield less and retain less real value. CA MFIs generate a financial revenue ratio similar to the highest but have lower yields in nominal as well as in real terms, and obtain the lowest profit margin after Africa. Portfolio yields are affected by arrears, and if payment problems with the borrowers persist, yields would continue to diminish even if higher interest rates were to be charged. Additionally, MFIs face inflation in their economies, which cannot be transferred to the borrowers. Given the high productivity of assets in CA, their financial revenue ratio is closer to the highest. Nevertheless, among the positive profit margins it has the lowest, indicating that this is a result of high cost structures.

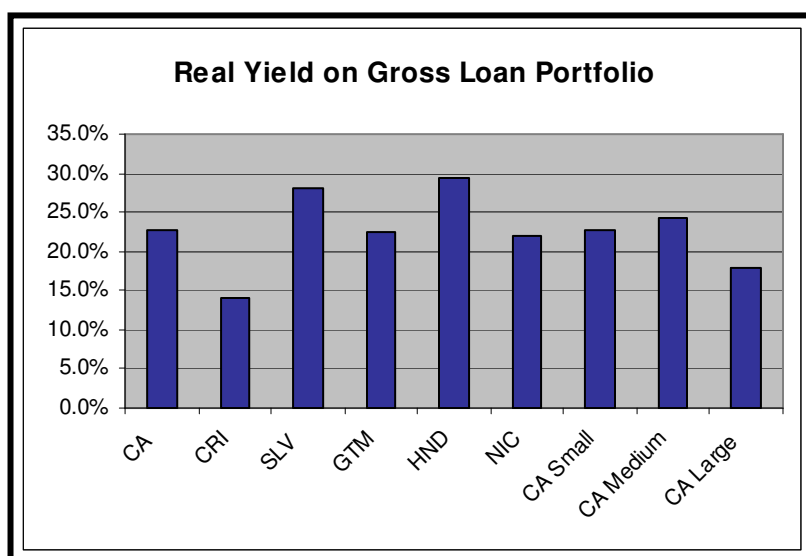


Microfinance in Central America

Revenue	CA	CRI	SLV	GTM	HND	NIC	CA Small	CA Medium	CA Large
Financial revenue Ratio	30.5%	27.2%	28.4%	25.2%	35.5%	32.7%	32.1%	29.7%	26.7%
Profit Margin	4.7%	-16.5%	6.2%	-0.2%	6.9%	11.2%	0.9%	9.2%	15.5%
Nominal Yield on Gross Loan Portfolio	32.0%	28.1%	33.9%	31.5%	39.8%	32.7%	33.8%	32.8%	28.5%
Real Yield on Gross Loan Portfolio	22.7%	14.0%	28.2%	22.5%	29.3%	21.9%	22.8%	24.3%	18%

As they grow in scale, MFIs show lower financial revenue but increase their profit margin. In CA, as institutions grow in scale the average loan balance also increases. The lower financial revenue reflects that, at those levels, they find more competition and that they cannot charge the same for the higher loans allocated. However, MFIs increase their profit margin as a result of economies of scale and the ability they have developed to rigorously control their expenses.

Honduras captures the highest revenues and yields, but they are offset by higher expenses. Even though it has less financial revenues and yields, Nicaragua obtains the highest profit margin, a demonstration of its better expense management.

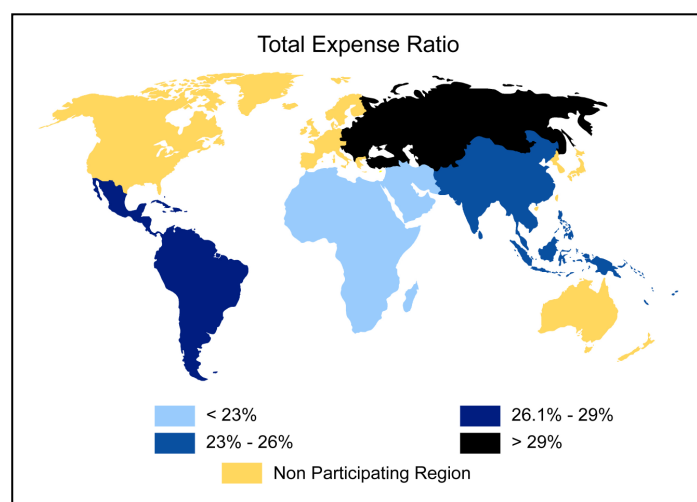


Expense

MFIs generate a variety of expenses, from funding of their asset base and general operating expenses, to provisioning for potential losses. Expense indicators measure the relative importance of different categories in order to determine their impact on profitability and sustainability.

CA microfinance in the world.

CA registers the second highest total expense and has the highest financial and operating expense. CA MFIs have the highest operational expense of all the regions, as a result of their administrative and personnel expenses, that are respectively the first and second highest. This reflects the limited success CA MFIs have had in achieving economies of scale, which would enable them to spread their administrative expenses over a wide client base. Another factor that contributes to the larger Total Expense of CA is the high financial expense due to its limited access to commercial funds, which often come at a high price, and to a lesser extent the inflation suffered by the economy. The difficulties CA has in reducing its financial expense to a level similar to that of other regions, stems from the relatively few regulated MFIs that exist, which translates into limited funding sources that often charge high rates.



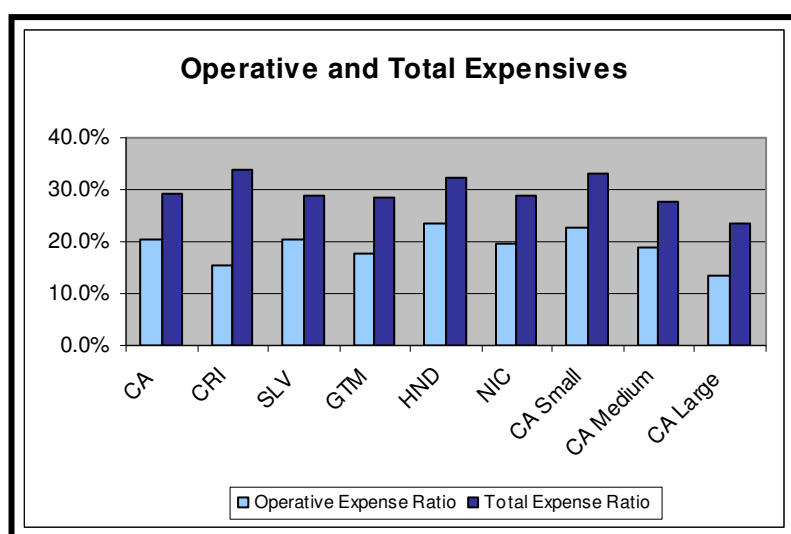
Microfinance in Central America

Expense	CA	CRI	SLV	GTM	HND	NIC	CA Small	CA Medium	CA Large
Total Expense Ratio	29.1%	34.0%	28.8%	28.3%	32.3%	29.0%	33.1%	27.8%	23.5%
Financial Expense Ratio	7.5%	12.2%	3.9%	5.2%	7.9%	8.2%	7.7%	8.1%	6.5%
Loan Loss Provision Expense	1.7%	2.4%	1.1%	1.8%	1.0%	2.0%	2.1%	1.1%	1.7%
Operative Expense Ratio	20.5%	15.3%	20.5%	17.7%	23.3%	19.8%	22.8%	18.9%	13.3%
Personnel Expense Ratio	10.9%	5.4%	12.4%	10.9%	14.3%	9.0%	13.0%	7.9%	8.7%
Administrative Expense Ratio	8.2%	6.9%	8.0%	8.2%	8.7%	9.4%	9.4%	7.7%	5.9%

Expenses are reduced as MFIs grow in scale.

Even though there has been an increase in loan officers as a percentage of personnel, they still represent less of the expenses than the administrative personnel. One will observe that MFIs that have reached a larger scale also have better control of operating as well as total expenses.

Costa Rica has the lowest Operating Expense ratio, which shows an effort to counteract their high financial expense. However, it has the highest Total Expense in CA, as a result of the higher cost of available commercial funds, the lack of resources at subsidized rates for the country, and inflation in their economy.

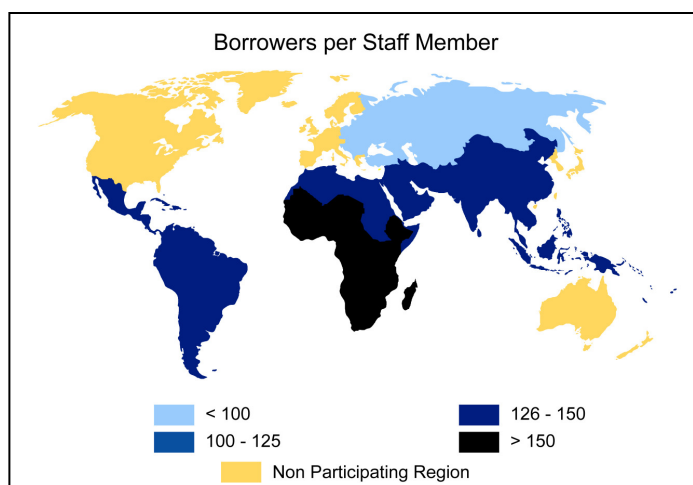


Efficiency and productivity

Efficient institutions generate minimal costs in delivering their services. Productive institutions maximize services with minimal resources. For MFIs, the loan portfolio and the staff time needed to allocate it are two key resources.

CA microfinance in the world.

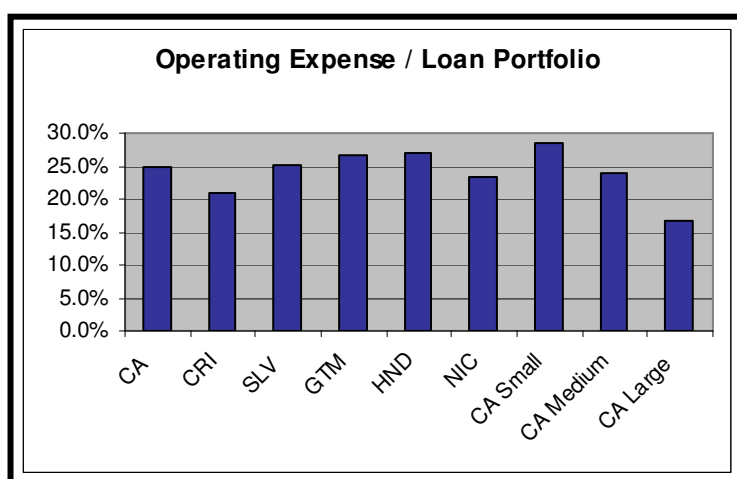
CA efficiency and productivity is lower than the majority. Only Africa and MENA register higher operational costs than CA, for each outstanding dollar. The less efficient operations of CA are also reflected in the higher costs generated by institutions to serve their borrowers, considering their less productive loan officers. At the institutional level productivity is reduced even more. It is the lowest after ECA, due to the smaller number of borrowers with respect to staff as a result of the lower distribution of loan officers with respect to the whole staff. As a result of the less efficient operation of CA MFIs, borrowers may be paying more than they otherwise would have to and MFIs often are not serving the poorest clients. If CA MFIs improved their efficiency they could improve their depth and breadth of outreach.



Microfinance in Central America

Efficiency	CA	CRI	SLV	GTM	HND	NIC	CA Small	CA Medium	CA Large
Operating Expense / Loan Portfolio	24.8%	20.9%	25.1%	26.6%	27.1%	23.4%	28.5%	23.9%	16.7%
Personnel Expense / Loan Portfolio	14.0%	7.0%	15.1%	12.4%	16.2%	10.4%	17.0%	10.1%	9.6%
Average Salary/ GNP per Capita	459.9%	156.6%	368.7%	303.9%	679.6%	775.7%	326.8%	741.0%	811.5%
Cost per Borrower	121	288	147	104	121	112	105	143	112
Productivity	CA	CRI	SLV	GTM	HND	NIC	CA Small	CA Medium	CA Large
Borrowers per Personnel	105	46	105	128	116	102	103	109	91
Borrowers per loan officer	211	114	243	272	199	224	177	224	324
Personnel Distribution	50.0%	48.8%	44.9%	50.0%	51.2%	53.7%	52.8%	56.0%	34.0%

The average salary / GNP is increasing with the scale, but not the cost per borrower. Medium and Large Scale CA MFIs show a better efficiency even though salaries increase significantly. Their efficiency is a result of an increase in Loan Balances which allows them to lower their cost per dollar outstanding. Costa Rica shows mixed efficiency indicators. It looks efficient when considering its reduced operational expense over loan portfolio, but it has the highest Cost per Borrower due to lower outreach. Honduras shows the highest Operational Expense over Gross Loan Portfolio, driven primarily by its high Personnel Expense, although the Cost per Borrower is reduced due to its larger scale.

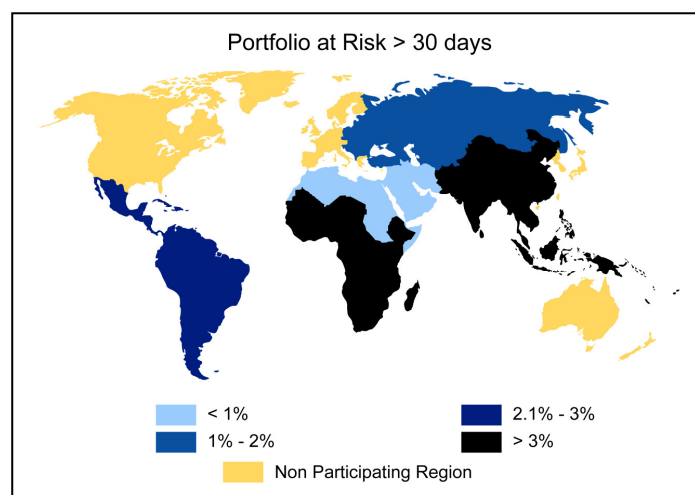


Portfolio Quality

The loan portfolio constitutes an MFI's most important asset. Its quality will determine future revenues, as well as the institution's ability to increase its outreach and to continue serving existing clients.

CA microfinance in the world.

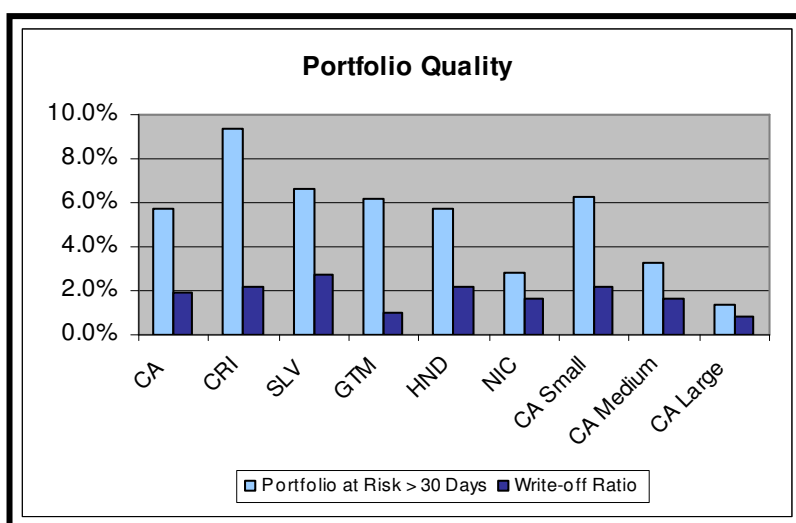
CA shows the highest risk portfolio; it is in second place in write-offs and has the lowest risk coverage. CA MFI performance is affected by arrears. It shows the highest portfolio at risk greater than 30 days, close to 6 percent while none of the other regions reach 4 percent. Although their impact is not measured, these arrears increase operational expense and risk profile for funding sources. The high portfolio at risk in CA indicates a weak credit culture possibly negatively influenced by donations when MFIs were starting and by a growing competition within the sector. It also indicates the need of a better control in loan approval and follow-up. Additionally, bad debt provisioning is insufficient and the lowest compared to other regions, covering only a sixth part of the portfolio at risk greater than 30 days.



Microfinance in Central America

Portfolio Quality	CA	CRI	SLV	GTM	HND	NIC	LAC CA Small	CA Medium	CA Large
Portfolio at Risk > 30 Days	5.7%	9.4%	6.6%	6.2%	5.7%	2.9%	6.3%	3.3%	1.4%
Portfolio at Risk > 90 Days	2.0%	4.2%	1.8%	3.8%	3.0%	1.1%	3.1%	1.1%	0.8%
Write-off Ratio	1.9%	2.2%	2.7%	1.0%	2.2%	1.6%	2.2%	1.6%	0.8%
Risk Coverage	62.3%	56.3%	46.5%	52.5%	86.7%	91.9%	58.7%	100.4%	137.4%

Costa Rica has the highest portfolio at risk in CA, which has its roots in the excess of public funds, multiple periods of debt forgiveness and the high use of concessional funds for the agricultural sector⁵ as a political instrument. Nicaragua shows outstanding portfolio indicators as a result of having created a payment culture in borrowers and the sector's specialization with respect to the little offer of microfinance services from the formal banking system. In contrast, the rest of the countries have a Portfolio at Risk greater than 30 days over 5%, which could be due to the growing competition in the sector and the lack of better practices in loan approval and follow-up. Additionally, there are the consequences of a population originally accustomed to receiving donated resources or with flexible refunding. The larger scale MFIs show a stricter portfolio control.



⁵ Diagnóstico de los servicios financieros rurales en Costa Rica, Mesoamérica Servicios Financieros, 2004.

COMPARATIVE BENCHMARKS AND INDICATORS DEFINITION⁶

INSTITUTIONAL CHARACTERISTICS	Definition	CA	LAC No CA	MENA	ECA	Asia	Africa
Number of MFIs	Simple size of group	41	78	20	60	68	57
Age	Years functioning as an MFI	12	12	6	6	12	7
Total Assets	Total assets, adjusted for inflation and standardized loan portfolio provisioning and write-offs	3,736.6	15,489.3	6,060.8	3,599.9	2,795.8	5,414.8
Offices	Number, including head office	7	9	12	7	9	12
Personnel	Total number of employees	52	124	68	42	117	126

FINANCIAL STRUCTURE	Definition	CA	LAC No CA	MENA	ECA	Asia	Africa
Capital / Asset Ratio	Total Equity, adjusted/ Total Assets, adjusted	42.4	20.7	72.4	56.0	27.9	33.5
Commercial Funding Liabilities Ratio	All liabilities with "market" price/ Average Gross Loan Portfolio	48.5	79.5	8.0	14.6	62.7	54.6
Debt/ Equity Ratio	Total liabilities, adjusted/ Total Equity, adjusted	1.4	3.7	0.4	0.8	2.1	2.0
Deposits to Loans	Voluntary Savings/ Gross Loan Portfolio, adjusted	0.0	0.0	0.0	0.0	2.6	11.6
Deposits to Total Assets	Voluntary Savings/ Total Assets, adjusted	0.0	0.0	0.0	0.0	1.8	8.8
Gross Loan Portfolio/ Total Assets	Gross Loan Portfolio, adjusted/ Total Assets, adjusted	83.3	81.4	71.1	87.4	73.9	69.0

SCALE AND OUTREACH	Definition	CA	LAC No CA	MENA	ECA	Asia	Africa
Number of Active Borrowers	Number of Borrowers with loans outstanding	5,854	20,076	9,267	2,884	11,512	15,542
Percent of Women Borrowers	Number of active women borrowers/ Number of Active Borrowers	65.7	60.2	84.5	60.8	92.0	60.0
Gross Loan Portfolio	Gross Loan Portfolio, adjusted for standardized write-offs	3,007.1	11,623.0	3,898.1	2,780.5	1,880.8	3,855.8
Average Loan Balance per Borrower	Gross Loan Portfolio/ Number of active Borrowers	601	797	279	1,023	113	172
Average Loan Balance per Borrower/ GNP per Capita	Average Loan Balance per Borrower/ GNP per Capita	48.7	34.5	17.8	57.5	18.7	85.5
Number of Voluntary Savings	Voluntary Savings/ Total Assets, adjusted	0	8,347	0	0	4,416	2,138
Average Savings Balance per Saver	Voluntary Savings/ Number of Voluntary Savers	922	654	0	3,167	93	98

MACROECONOMIC INDICATORS	Definition	CA	LAC No CA	MENA	ECA	Asia	Africa
GNP per capita	US\$	1,030	2,270	1,520	2,040	1,140	330
GIP Growth Rate	Annual Average	2.3	2.6	3.2	7.3	4.5	5.2
Deposit Rate	%	4.7	4.1	3.6	4.9	6.2	4.2
Inflation Rate	%	8.9	3.7	3.3	6.9	5.9	9.6
Financial Penetration	M3/ GIP	41.9	29.6	90.7	29.8	59.4	23.6

PROFITABILITY AND SUSTAINABILITY	Definition	CA	LAC No CA	MENA	ECA	Asia	Africa
Adjusted Return on Assets	Net Operating Income, adjusted and net of taxes/ Average Total Assets	1.4	3.4	2.4	0.9	1.4	(1.1)
Adjusted Return on Equity	Net Operating Income, adjusted and net of taxes/ Average Total Equity	3.3	16.2	3.4	3.2	7.6	(3.9)
Operational Self-Sufficiency	Financial Revenue/ (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)	117.8	118.6	128	128	116	111
Financial Self-Sufficiency	Financial Revenue, adjusted/ (Financial Expense + Net Loan Loss Provision Expense + Operating Expense), adjusted	104.9	115.1	112	108	110	98

⁶ More information about adjustments and indicators used in this report can be found at: www.mixmbb.org

REVENUE	Definition	CA	LAC No CA	MENA	ECA	Asia	Africa
Adjusted Financial Revenue Ratio	Financial Revenue, adjusted/ Average Total Assets	30.5	31.2	23.7	31.2	25.2	21.9
Adjusted Profit Margin	Net Operating Income, adjusted/ Financial Revenue, adjusted	4.7	13.1	10.3	7.8	9.0	(1.9)
Yield on Gross Portfolio (nominal)	Financial Revenue from Loan Portfolio/ Average Gross Loan Portfolio	29.7	36.5	36.3	36.9	33.1	30.6
Yield on Gross Portfolio (real)	(Yield on Gross Portfolio (nominal) – Inflation Rate)/ (1+ Inflation rate)	22.7	32.0	33.2	33.2	26.7	24.9

EXPENSE	Definition	CA	LAC No CA	MENA	ECA	Asia	Africa
Adjusted Total Expense Ratio	(Financial Expense + Net Loan Loss Provision Expense + Operating Expense), adjusted/ Average Total Assets	29.1	26.5	22.1	30.5	25.4	21.4
Adjusted Financial Expense ratio	Financial Expense, adjusted/ Average Total Assets	7.5	6.6	2.9	7.3	6.1	5.1
Adjusted Loan Loss Provision Expense ratio	Net Loan Loss Provision Expense, adjusted/ Average Total Assets	1.7	1.7	0.3	1.1	1.1	1.4
Adjusted Operating Ratio	Operating Expense, adjusted/ Average Total Assets	20.5	14.2	19.0	18.5	15.7	13.6
Adjusted Personnel Expense Ratio	Personnel Expense, adjusted/ Average Total Assets	10.9	7.7	10.8	12.0	8.5	7.2
Adjusted Administrative Ratio	Administrative Expense, adjusted/ Average Total Assets	8.2	6.8	6.5	7.5	7.3	7.5
Adjustment Expense Ratio	Net inflation and subsidized cost-of-funds adjustment expense/ Average Total Assets	3.7	0.3	2.5	3.8	1.6	1.8

EFFICIENCY	Definition	CA	LAC No CA	MENA	ECA	Asia	Africa
Operating Expense/ Loan Portfolio	Operating Expense, adjusted/ Average Gross Loan Portfolio	24.8	18.8	25.7	23.5	21.8	27.6
Personnel Expense/ Loan Portfolio	Personnel Expense, adjusted/ Average Gross Loan Portfolio	14.0	9.8	14.9	13.9	10.6	12.9
Average Salary/ GNP per Capita	Average Personnel Expense, adjusted/ GNP per Capita	4.6	4.4	3.5	4.9	2.6	14.9
Adjusted Cost per Borrower	Operating Expense, adjusted/ Average Number of Active Borrowers	121	133	77	197	29	68

PRODUCTIVITY	Definition	CA	LAC No CA	MENA	ECA	Asia	Africa
Borrowers per Staff Members	Number of Active Borrowers/ Number of personnel	105	137	128	76	133	153
Borrowers per Loan Officer	Number of Active Borrowers/ Number of loan Officers	211	296	181	147	226	274
Personnel Allocation Ratio	Number of Loan Officers/ Number of personnel	50.0	47.7	72.6	53.0	65.0	50.8

PORFOLIO QUALITY	Definition	CA	LAC No CA	MENA	ECA	Asia	Africa
Portfolio at Risk> 30 Days	Outstanding balance, loans overdue> 30 days / Gross Loan Portfolio, adjusted	5.7	2.4	0.5	1.1	3.2	3.4
Portfolio at Risk > 90 Days	Outstanding balance, loans overdue> 90 days / Gross Loan Portfolio, adjusted	2.0	1.3	0.2	0.3	1.4	1.2
Write-offs Ratio	Value write-offs adjusted / Average Gross Loan Portfolio adjusted	1.9	2.7	0.4	0.8	0.9	1.5
Risk Coverage	Loan loss reserve, adjusted/ PAR > 30 days	0.6	1.3	0.8	1.3	0.8	0.7
Liquid Assets No Prod./ Total Assets	Cash and Bank adjusted / Total Assets adjusted	7.0	7.3	5.5	4.1	9.7	12.8

† LAC No CA: Latin America and the Caribbean excluding CA, MENA: Middle East and North Africa, ECA: Eastern Europe and Central Asia.

Conclusions

The microfinance industry in CA is taking an important step towards financial transparency and benchmarking which will allow it to attract larger capital investments for its growth and at the same time give MFIs the insight to understand sector trends and to view their own performance from a comparative perspective.

At present, microfinance institutions in CA show different levels of development across countries. Despite the predominance very small MFIs in the region, the improvements achieved by the institutions that have reached some scale confirm the benefits of economies of scale. In general terms, microfinance in CA has developed more slowly than in other mature regions; however, having undertaken this and other initiatives promoted in recent years they should contribute to overcoming CA current challenges and for the industry to achieve maturity in the medium term.

Microfinance in CA faces great challenges in the future: on one hand, to promote adequate regulatory frameworks for the industry that will favor greater funding, and on the other hand, to implement better microfinance practices that will reduce operating costs. This will contribute to increasing MFI productivity, outreach and profitability. Additionally, in order to reach new clients, it will be necessary for MFIs to design a more diversified and innovative financial product offerings.

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Red Centroamericana de Microfinanzas (REDCAMIF)

REDCAMIF is an organization that promotes the institutional strengthening of networks and their associates, generating strategic alliances that contribute to improving the quality of life of clients in their programs. One of its most recent initiatives has been the creation of the Analytic Unit, as a result of the Cooperation Agreement for MFIs Transparency in Central America, signed with MIX. Its objectives are: a.) to increase the availability of standardized information on MFI performance in the region. b.) to promote investment in microfinance institutions in Central America. c.) benchmark the performance of institutions in the region.

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Microfinance Information eXchange (MIX)



The MIX is a non-profit organization whose mission is to help build the microfinance market infrastructure by offering data sourcing, benchmarking and performance monitoring tools, as well as specialized information services. The MIX is supported by the Consultative Group to Assist the Poor (CGAP), Citigroup Foundation, Deutsche Bank America Foundation, Omidyar Foundation, Open Society Institute, Rockdale Foundation and others.

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