

Benchmarking Microfinance in Guatemala 2005

Introduction

This first edition of the “Benchmarking Microfinance in Guatemala 2005” focuses on the performance of Guatemalan MFIs using the lens of the industry standard indicators and comparing them in local and regional peer groups. This report shows in general terms that Guatemalan MFIs stand out for their market depth with respect to Central America and the rest of Latin America and the Caribbean. However, they tend to be less profitable and show mixed efficiency indicators compared to the rest of the region.

To enrich the analysis and make the information more comparable, Guatemalan MFIs have been classified in peer groups by their level of sustainability and target market (considering the value of the average loan balance as a percent of the national income per capita) permitting us to identify the segment of population served, their financial structures, portfolio quality, and determine how these influence their performance. Results vary significantly between peer groups, revealing a growing and diverse market.

Guatemalan Microfinance in Context

The majority of the Microfinance Institutions (MFIs) in Guatemala operate under the legal status of NGOs / PDOs (Non Governmental Organizations or Private Development Organizations), which have transformed from an exclusively social focus to a more business oriented focus. The industry combines the presence of a group of young and efficient MFIs with a median age of 6 years and another group of mature MFIs (median age of 13 years) that have started to become stronger only in the last few years.

The importance of the microfinance sector in Guatemala has increased in recent years due to the strong growth of their Loan Portfolio at 36% in 2004 and 46% in 2005. This growth of microfinance in Guatemala was influenced by emulating the success of other institutions in the region and market opportunities. There was still a



wide, unsatisfied demand within Guatemala despite the existence of the giant BanRural (Banco de Desarrollo Rural), a mixed company with public and private capital, operating simultaneously as a first and second tier entity.

Some Guatemalan MFIs stand out in different performance measures with respect to Latin America and the Caribbean, and even at the global level. It should also be noted that Guatemala is among the countries with the highest Financial Transparency of the microfinance industry in Central America, considering the number of MFIs publishing their audited data in the MIX Market (www.mixmarket.org). This provides a favorable context for attracting more investment and funding sources to the sector.

Data for Comparison

The data used in this report was recorded as of December 31 2005. The sample contains 150 Latin American and the Caribbean MFIs, 15 of which are Guatemalan (10.0% of MFIs), a representative sample of the market. All the information has been provided voluntarily, standardized and adjusted according to the standards of the *MicroBanking Bulletin* of the Microfinance Information eXchange (MIX)¹. The information used in this report has been

collected and processed by the Analytical Unit for Central America created at REDCAMIF (August 2005) with the technical support of the MIX. We thank REDIMIF (Red de Instituciones de Microfinanzas de Guatemala) and the affiliates that provided their data, we also thank BanCafé Mipyme for contributing to the transparency of microfinance in Guatemala.

The analysis is static (up to a recording date) and considers seven comparison groups²:

Acronym*	Definition
IGAF	Guatemalan MFIs Financially Self-sustainable (Financial Self-sufficiency > 100%)
IGNA	Guatemalan MFIs Non Financially Self-sustainable (Financial Self-sufficiency < 100%)
IGBA	Guatemalan Mid-range MFIs (Loan Balance per Borrower between 20% and 150% of GIP per capita)
IGBB	Guatemalan Low-range MFIs (Loan Balance per Borrower less than 20% of GIP per capita)
GTMT	The Total of Guatemalan MFIs
CASG	Central American MFIs, not including Guatemala
LSCA	Latin American and Caribbean MFIs, not including Central America

* Acronyms correspond with the initials of the definition in Spanish

List of most Transparent MFIs³ in Guatemala (15)

AGUDESA, ASDIR, Asociación Raíz, AYNLA, BanCafé Mipyme, CDRO, CRY SOL, FAFIDESS, FAPE, FINCA – GTM, Friendship Bridge – GTM, Fundación MICROS, FUNDEA, FUNDESPE, Génesis Empresarial.

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¹ For more information on the definitions and methods used please go to the following Web sites: www.mixmbb.org and www.themix.org

² See details of MFIs by Peer Groups on page 17.

³ MFIs unadjusted individual data is available on the website: www.mixmarket.org

MFIs Performance Analysis

Scale and Outreach

The scale (measured by Gross Loan Portfolio) of Guatemalan MFIs (GTMT) is notably lower than that of the rest of Central America (CASG) and Latin America and the Caribbean (LSCA). This situation is the result of Guatemalan MFIs having lower Loan Balances per Borrower compared to the rest of Central America (US\$ 460 vs. US\$ 569), and also as a percent of the GNP per capita⁴ (21.6%).

Despite the predominance of use of group credit methodology, Guatemalan MFIs have a lower outreach than the rest of Central America and the region. Close to 70% of MFIs use exclusively village banking and 25% use simultaneously individual loans and solidarity groups. Nevertheless, some Guatemalan MFIs such as BanRural, Génesis Empresarial, BanCafé Mipyme, Asociación Raíz, FINCA and AYNLA, rank among the ones with the highest outreach in Latin America and the Caribbean⁵.

Institutions in Guatemala generally have a rural portfolio and among the peer groups, Low-range MFIs (IGBB) offer smaller scale services due to their lower Loan Balance per Borrower (US\$ 278). Using this same indicator as a percent of the per capita GNP (13.0%), these same MFIs reach the lowest income sectors. More than 90% of their borrowers are women, and institutions such as Friendship Bridge and FINCA are among the leading MFIs in terms of market depth in Latin America and the Caribbean⁶.

Guatemalan Broad-range MFIs (IGBA) and Guatemalan Financially Self-sustainable MFIs (IGAF) reach more borrowers and reach a higher scale than the rest. However, they serve a smaller percentage of women.

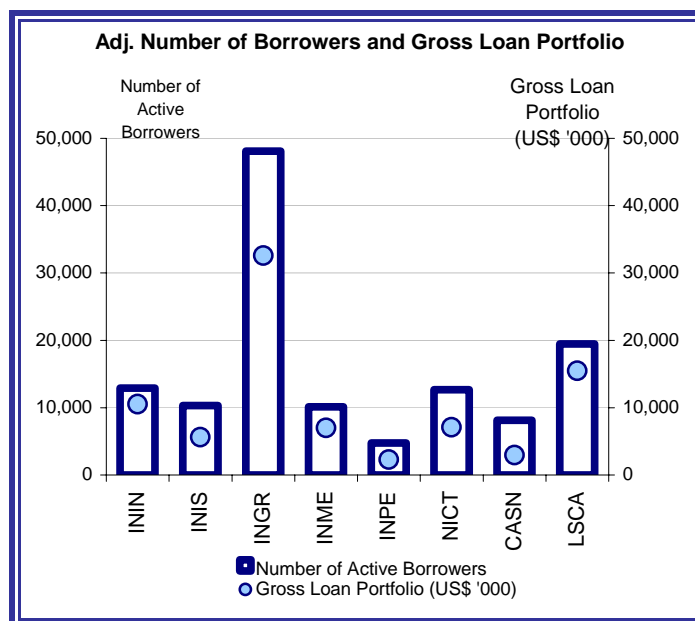
Table 1: Scale and Outreach

Indicators	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Number of Borrowers	8,169	5,237	8,139	7,200	8,108	10,115	19,459
Percent of Women Borrowers	64.5%	78.3%	51.0%	92.0%	77.0%	68.0%	60.1%
Gross Loan Portfolio (US\$ Thousands)	3,045	1,215	5,089	964	2,062	4,397	15,440
Average Loan Balance per Borrower	776	400	976	278	460	569	814
Average Loan Balance per Borrower / GNP per Capita	36.4%	18.8%	45.8%	13.0%	21.6%	49.7%	39.8%

⁴ This indicator (Average Loan Balance per Borrower / GNP per capita) measures the average balance of a loan compared with a reference of the national per capita income. It allows international comparisons of the financial services scale of the MFI's taking into account the different price index in the different countries.

⁵ "Championship League: The Top 100 in Latin America and the Caribbean", *MicroEnterprise Americas*, 2006, Inter - American Development Bank (IADB) and Microfinance Information eXchange (MIX).

⁶ Idem.



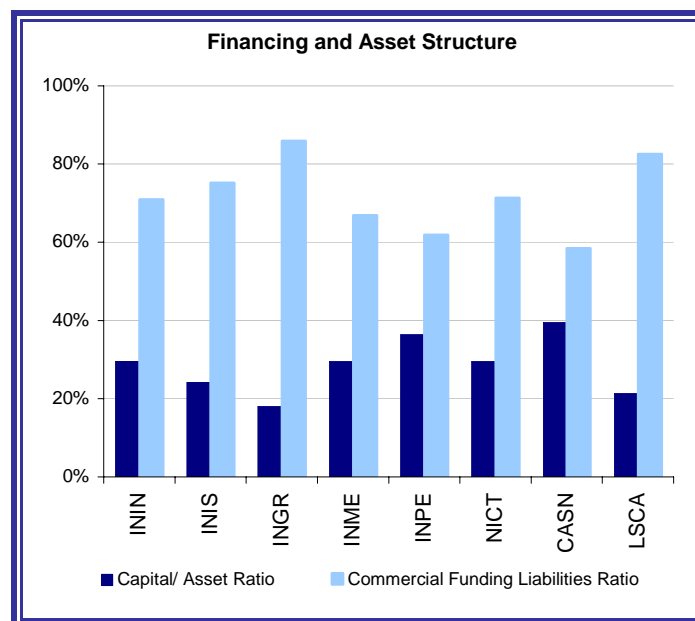
Financial Structure

Guatemalan MFIs attract less commercial funding and are less leveraged than the rest of the institutions in the region. Many of the participating institutions have strong social missions focusing on improving the living conditions of the indigenous ethnic groups and tend to operate at a lower scale. Thus these institutions often finance their assets mainly with Equity and through donations. It is worth noting that in spite of their lower leverage and commercial funding, they achieve larger assets productivity.

In Guatemala, Broad-range MFIs (IGBA) are more highly leveraged and have more access to commercial funding due to the larger size of their operations with respect to other institutions. Nevertheless, the strong gender focus and market depth of Guatemalan Non Financially Self-sustainable MFIs (IGNA) and of the Lower Base (IGBB), have been key factors for obtaining loans at subsidized rates and donations.

Table 2: Financial Structure

Indicators	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Capital Assets Ratio	40.1%	40.1%	27.6%	48.2%	40.1%	34.6%	21.4%
Commercial Funding Liabilities Ratio	58.3%	21.1%	60.5%	25.2%	45.9%	63.5%	82.6%
Debt Equity	1.5	1.6	2.7	1.1	1.5	1.9	3.7
Gross Loan Portfolio / Total Assets	85.6%	77.7%	87.5%	68.1%	85.6%	80.7%	80.8%



Profitability and Sustainability

The profitability and sustainability of Guatemalan MFIs vary by peer group; even though all together they are close to break-even point. However, as a whole they are less profitable than the rest of Central America and Latin America and the Caribbean.

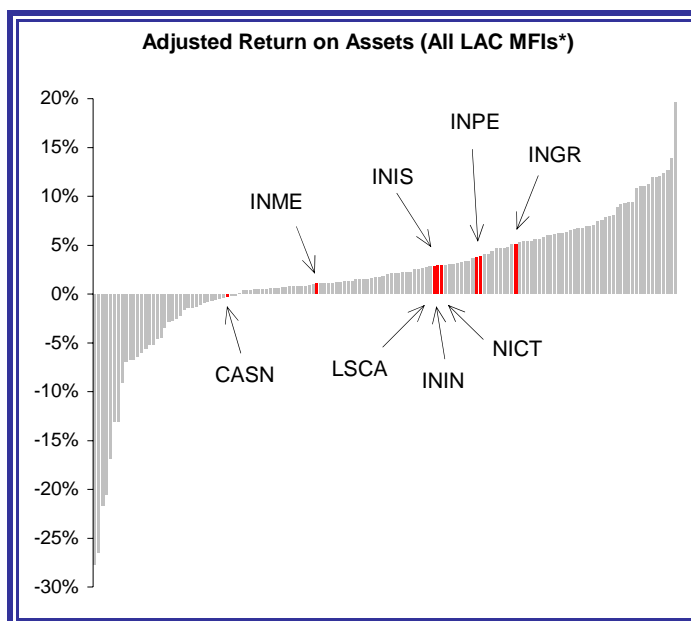
The peer groups present extreme results, showing important differences within the national market. While the group of Broad-range MFIs (IGBA) generates profit and achieves self-sufficiency, the group of Low-

range MFIs (IGBB) obtains negative returns after applying adjustments because they do not manage to recover their high costs.

In Guatemala institutional age shows certain correspondence with profitability. Financially Self-sustainable MFIs (IGAF) are, as a group, more profitable and tend to be younger institutions with respect to Non Financially Self-sustainable MFIs. (IGNA). Profitability in these younger institutions is a result of the efficiency reached due to the allocation of larger sized loans.

Table 3: Profitability and Sustainability

Indicators	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Return on Assets	6.1%	-6.2%	0.9%	-5.6%	-0.2%	0.8%	2.8%
Return on Equity	8.9%	-14.0%	3.3%	-7.7%	-0.2%	2.3%	10.3%
Operational Self-sufficiency	144.2%	102.1%	123.6%	100.9%	106.6%	115.5%	117.5%
Financial Self-sufficiency	118.4%	84.2%	106.6%	87.1%	99.8%	103.6%	111.6%



LAC = Latin American and the Caribbean

Revenue

Guatemalan MFIs as a whole obtain proportionally lower revenues than the rest of the region, even though the difference is not so wide. The Financial Revenue Ratio of Guatemalan MFIs (27.4%) is explained by their lower Nominal Yield on Gross Loan Portfolio (31.3%), reflecting the lower interest rates charged to their borrowers.

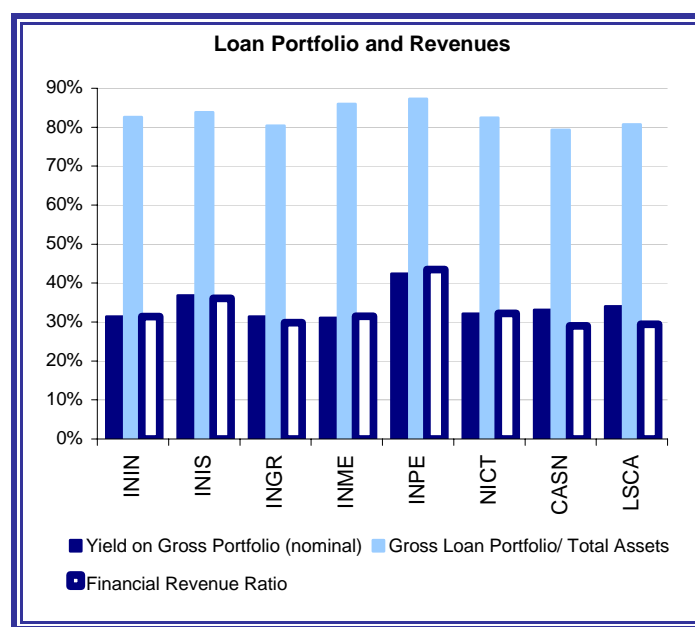
The Financial Revenue Ratio and Yield on Gross Loan Portfolio are similar among all the peer groups in Guatemala. However, the Profit Margins of Non Financially Self-

sustainable MFIs (IGNA) and Low-range MFIs are negative due to their larger Expense Ratios that totally absorb their revenues.

The lower Nominal Yield on Gross Loan Portfolio and the similarity of this indicator among the Guatemalan peer groups reflects that all types of Guatemalan MFIs are able to charge lower interest rates, often due to support from donations and subsidized financing.

Table 4: Revenue

Indicators	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Financial Revenue Ratio	27.3%	28.2%	28.1%	27.4%	27.4%	31.5%	29.5%
Profit Margin	15.6%	-19.0%	6.2%	-14.8%	-0.2%	3.5%	10.4%
Nominal Yield on Gross Loan Portfolio	31.3%	30.7%	30.7%	31.4%	31.3%	33.7%	34.0%
Real Yield on Gross Loan Portfolio	21.1%	20.6%	20.5%	21.2%	21.1%	23.3%	29.7%



Expense

Guatemalan MFIs as a whole exhibit a Lower Total Expense Ratio than the rest of Central America due to the effect of their financial structure on their lower financial expenses even though they do not reach the level of the rest of Latin America and the Caribbean. However, administrative expenses in Guatemala surpass those of the region.

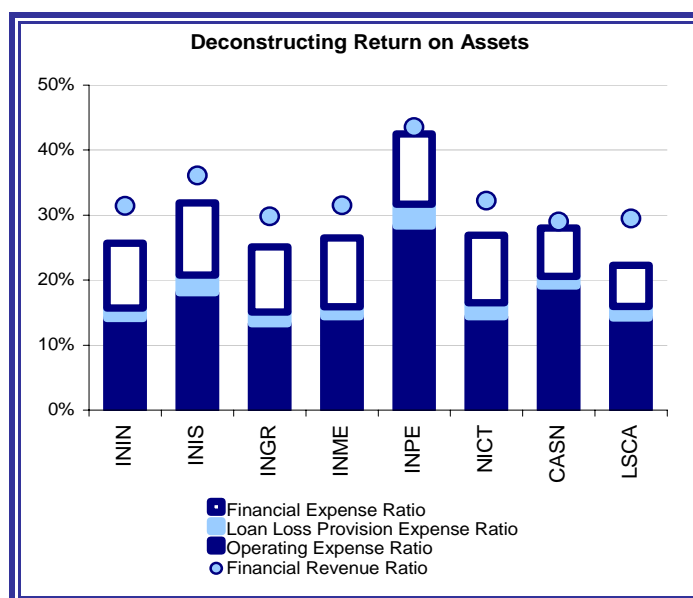
Non Financially Self-sustainable MFIs (IGNA) register the highest Total Expense Ratio among the national peer groups, resulting in lower profitability. The Total Expense Ratio of Guatemalan Broad-range (IGBA) and Low-range (IGBB) MFIs are very similar. But upon

closer examination, IGGB exhibits a higher Operating Expense Ratio as a direct consequence of the higher Personnel Expense Ratio. It is worth mentioning that this peer group shows a higher adjustment due to the effect of subsidies.

The smaller size of their loans and the geographical isolation of their clients in the country increase their Operating Expenses in Guatemala, which tend to be covered by interest rates. That is why expenses have a direct effect on the profitability and sustainability of Guatemalan MFIs.

Table 5: Expense

Indicators	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Total Expense Ratio	25.2%	34.1%	28.4%	28.0%	28.0%	31.7%	24.0%
Financial Expense Ratio	7.2%	6.5%	7.3%	6.7%	7.0%	9.9%	6.4%
Loan Loss Provision Ratio	0.6%	1.2%	2.0%	0.5%	1.1%	1.8%	1.8%
Operating Expense Ratio	16.5%	21.2%	16.5%	20.6%	18.1%	18.6%	14.2%
Personnel Expense Ratio	10.0%	11.7%	10.0%	11.7%	10.4%	10.9%	7.9%
Administrative Expense Ratio	6.5%	10.6%	6.6%	11.1%	8.9%	7.4%	6.9%



Efficiency and Productivity

Guatemalan MFIs as a whole exhibit mixed efficiency indicators compared to the rest of Central America and Latin America and the Caribbean.

Some of the most efficient MFIs with loans less than US\$ 500 (Operational Expenses / Gross Loan Portfolio) of Latin America and the Caribbean are in Guatemala⁷, such as CRY SOL, AYNLA y FAFIDESS. BanCafé Mipyme, with loans more than US\$ 500, stands out among MFIs as the most efficient in the region, while ASDIR is placed among the most efficient at the global level⁸.

Guatemalan Financially Self-sustainable MFIs (IGAF) and Broad-range MFIs (IGBA) register the lowest proportion of Operating Expenses with respect to their Gross Loan Portfolio due to the scale economy achieved for their larger sized operations and larger loans.

The Cost per Borrower is lower in Guatemalan Non Financially Self-sustainable (IGNA) and Low-range MFIs (IGBB), due to a more favorable distribution of their Operating Expenses through the use of group credit methodology.

Table 6: Efficiency and Productivity

Indicators	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Operating Expense / Loan Portfolio	19.9%	28.1%	19.4%	29.7%	25.7%	24.8%	18.8%
Cost per Borrower	115.3	97.9	138.6	84.6	104.8	125.2	145.8
Borrowers per Staff Member	97	111	85	189	97	133	147
Borrowers per Loan Officer	198	280	196	327	215	232	277
Personnel Allocation Ratio	58.3%	45.1%	47.6%	60.0%	48.8%	47.7%	49.8%

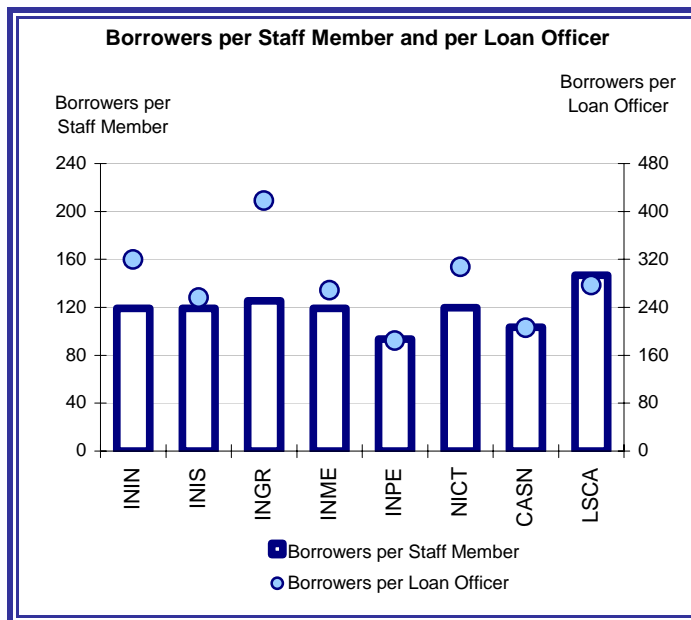
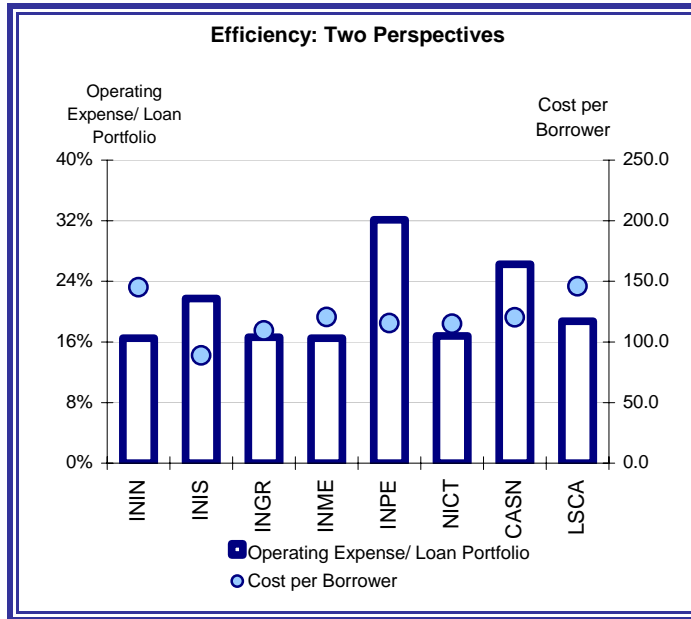
⁷ "Championship League: The Top 100 in Latin America and the Caribbean", *MicroEnterprise Americas*, 2006, IADB and MIX.

⁸ 2005 MIX Global 100 MFIs League, Microfinance Information eXchange (MIX).

The productivity of Guatemalan MFIs as a whole is slightly lower than that of the rest of Central America and Latin America and the Caribbean, measured by the relation of borrowers with respect to the total number of staff members.

The productivity of Guatemalan Low-range MFIs (IGBB), such as AYNLA, CRY SOL, FINCA y Friendship Bridge, stands out

among the peer groups placing itself among the most productive at the global level⁹. This is explained by the heavy use of group lending methodology used and their Personnel Allocation, both resulting in the higher productivity of their loan officers. For their part, Guatemalan Financially Self-sustainable MFIs (IGAF) and Broad-range MFIs (IGBA) are less productive, but compensate with a higher efficiency.



⁹ 2005 MIX Global 100 MFIs League, Microfinance Information eXchange (MIX).

Portfolio Quality

The Guatemalan microfinance sector presents Portfolio Quality indicators slightly lower than the rest of Central America, even though they are higher than those of the rest of Latin America and the Caribbean. Some Guatemalan MFIs, such as CRY SOL, BanCafé Mipyme and FINCA, are among the lowest risk MFIs in Latin America and the Caribbean¹⁰.

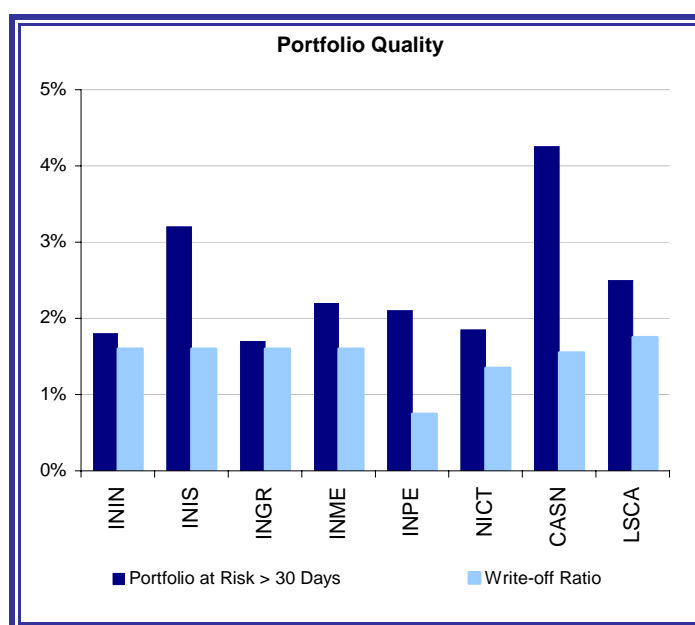
It is not surprising to find among the peer groups that Guatemalan Financially Self-sustainable MFIs (IGAF) exhibit more

favorable portfolio quality indicators compared to MFIs which are not (IGNA), resulting in lower operating and loan loss provision expenses for the former.

Guatemalan Low-range MFIs (IGBB) exhibit a lower portfolio at risk compared to Broad-range MFIs (IGBA), because the latter has a higher proportion of write-offs. In all cases, the Risk Coverage was lower than 100%, similar to the rest of Central America and in contrast with the high percent of the rest of Latin America and the Caribbean.

Table 7: Portfolio Quality

Indicators	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Portfolio at Risk > 30 Days	1.8%	5.0%	3.5%	3.4%	3.4%	3.8%	2.5%
Portfolio at Risk > 90 Days	0.8%	1.9%	1.5%	1.1%	1.4%	1.7%	1.5%
Write-off Ratio	1.4%	2.1%	2.4%	0.4%	1.7%	1.1%	1.8%
Risk Coverage Ratio	96.1%	92.5%	92.5%	96.1%	96.1%	91.0%	136.8%



¹⁰ "Championship League: The Top 100 in Latin America and the Caribbean", *MicroEnterprise Americas*, 2006, IADB and MIX.

Conclusion

2005's results indicate that Guatemalan MFIs share some important differences with respect to the rest of Central America and Latin America and the Caribbean: 1) they offer services at a lower scale but with a strong gender focus and market depth; 2) they finance their activities with a higher level of equity and attract less commercial loans, contributing to their smaller size and operations outreach; 3) they face larger Operating Expenses as a result of their smaller loans, affecting their efficiency (Operating Expense / Gross Loan Portfolio) and therefore their profitability and sustainability. Nevertheless, Guatemalan MFIs as a whole exhibit portfolio quality indicators very similar to those of the rest of Central America and close to those at the regional level. Some of the lowest risk MFIs of Latin America and the Caribbean are found in Guatemala, and even though being less productive as a whole, some of the Low-range MFIs stand out at the global level.

The Guatemalan market is made up of a wide range of institutions with results that vary among the peer groups examined in this report. Guatemalan Financially Self-sustainable MFIs (IGAF) and Broad-range MFIs (IGBA) attract more commercial loans, generate more profit and have operations of

a larger scale and outreach when compared with Guatemalan Financially Non Self-sustainable MFIs (IGNA) and Low-range MFIs (IGBB). However, the former have a lesser gender approach and market depth.

The varying profitability of the different peer groups cannot wholly be explained by their revenues, which were similar among all peer groups. The positive returns of IGAF and IGBA are due more to their efficiency (Operating Expense / Gross Loan Portfolio) and from having lower Operating Expenses, reflected especially in the Personnel Expense and especially the Administrative Expense. However, it is worth mentioning that the portfolio at risk of Guatemalan Financially Non Self-sustainable MFIs is larger than that of the rest, affecting their results.

In the future, the Guatemalan microfinance industry will face the challenge of increasing the sustainability of their operations without abandoning their social commitment, by developing mechanisms for expansion in a market ripe with opportunities such as the void left by the closing of BanCafé in 2006. Eventually this could result in greater impact and performance of the local microfinance industry.

January, 2007

Indicators Definition

INSTITUTIONAL CHARACTERISTICS

Number of MFIs	Sample size of group
Age	Years functioning as an MFI
Total Assets	Total assets, adjusted for inflation and standardized loan portfolio provisioning and write-offs
Offices	Number, including head office
Personnel	Total number of employees

FINANCIAL STRUCTURE

Capital / Asset Ratio	Total Equity, adjusted/ Total Assets, adjusted
Commercial Funding Liabilities Ratio	All liabilities with "market" price/ Average Gross Loan Portfolio
Debt/ Equity Ratio	Total liabilities, adjusted/ Total Equity, adjusted
Deposits to Loans	Voluntary Savings/ Gross Loan Portfolio, adjusted
Deposits to Total Assets	Voluntary Savings/ Total Assets, adjusted
Gross Loan Portfolio/ Total Assets	Gross Loan Portfolio, adjusted/ Total Assets, adjusted

SCALE AND OUTREACH

Number of Active Borrowers	Number of Borrowers with loans outstanding, adjusted for standardized write-offs
Percent of Women Borrowers	Number of active women borrowers/ Number of Active Borrowers adjusted
Number of outstanding loans	Number of outstanding loans, adjusted for standardized write-offs
Gross Loan Portfolio	Gross Loan Portfolio, adjusted for standardized write-offs
Average Loan Balance per Borrower	Gross Loan Portfolio adjusted/ Number of active Borrowers adjusted
Average Loan Balance per Borrower/ GNP per Capita	Average Loan Balance per Borrower, adjusted/ GNP per Capita
Number of Voluntary Savings	Number of Voluntary Savings and fixed term deposits
Average Savings Balance per Saver	Voluntary Savings/ Number of Voluntary Savers

MACROECONOMIC INDICATORS

GNP per capita	US\$
GIP Growth Rate	Annual Average
Deposit Rate	%
Inflation Rate	%
Financial Penetration	M3/ GIP

PROFITABILITY AND SUSTAINABILITY

Adjusted Return on Assets	Net Operating Income, adjusted and net of taxes/ Average Total Assets adjusted
Adjusted Return on Equity	Net Operating Income, adjusted and net of taxes/ Average Total Equity adjusted
Operational Self-Sufficiency	Financial Revenue/ (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)
Financial Self-Sufficiency	Financial Revenue, adjusted/ (Financial Expense + Net Loan Loss Provision Expense + Operating Expense), adjusted

REVENUE

Financial Revenue Ratio	Financial Revenue, adjusted/ Average Total Assets adjusted
Profit Margin	Net Operating Income, adjusted/ Financial Revenue, adjusted
Yield on Gross Portfolio (nominal)	Financial Revenue from Loan Portfolio/ Average Gross Loan Portfolio
Yield on Gross Portfolio (real)	(Yield on Gross Portfolio (nominal) – Inflation Rate)/ (1+ Inflation rate)

EXPENSE

Total Expense Ratio	(Financial Expense + Net Loan Loss Provision Expense + Operating Expense), adjusted/ Average Total Assets
Financial Expense ratio	Financial Expense, adjusted/ Average Total Assets
Loan Loss Provision Expense ratio	Net Loan Loss Provision Expense, adjusted/ Average Total Assets
Operating Ratio	Operating Expense, adjusted/ Average Total Assets
Personnel Expense Ratio	Personnel Expense, adjusted/ Average Total Assets
Administrative Expense Ratio	Administrative Expense, adjusted/ Average Total Assets
Adjustments Expense Ratio	Net Operating Income - Net Operating Income not adjusted / Average Total Assets adjusted

EFFICIENCY

Operating Expense/ Loan Portfolio	Operating Expense, adjusted/ Average Gross Loan Portfolio adjusted
Personnel Expense/ Loan Portfolio	Personnel Expense, adjusted/ Average Gross Loan Portfolio adjusted
Average Salary/ GNP per Capita	Average Personnel Expense, adjusted/ GNP per Capita
Cost per Borrower	Operating Expense, adjusted/ Average Number of Active Borrowers adjusted
Cost per Loan	Operating Expense, adjusted/ Average Number of Outstanding Loans adjusted

PRODUCTIVITY

Borrowers per Staff Members	Number of Active Borrowers, adjusted / Number of Personnel
Loans per Staff Members	Number of Outstanding Loans, adjusted / Number of Personnel
Borrowers per Loan Officer	Number of Active Borrowers / Number of Loan Officers
Loans per Loan Officer	Number of Outstanding Loans, adjusted/ Number of Loan Officers
Voluntary savers per Staff Members	Number of Voluntary Savers / Number of Personnel
Number Voluntary Savings x Staff Members	Number of Voluntary Savings / Number of Personnel
Personnel Allocation Ratio	Number of Loan Officers / Number of Personnel

PORTFOLIO QUALITY

Portfolio at Risk > 30 Days	Outstanding balance, loans overdue > 30 days / Gross Loan Portfolio, adjusted
Portfolio at Risk > 90 Days	Outstanding balance, loans overdue > 90 days / Gross Loan Portfolio, adjusted
Write-offs Ratio	Value write-offs adjusted / Average Gross Loan Portfolio adjusted
Risk Coverage	Loan loss reserve, adjusted/ PAR > 30 days
Liquid Assets No Prod./ Total Assets	Cash and Bank adjusted / Total Assets adjusted

Benchmarks for Guatemala (Referente Data 2005)

INSTITUTIONAL CHARACTERISTICS	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Number of MFIs	7	8	8	7	15	39	96
Age	6	13	9	10	9	13	13
Total Assets (in thousands US\$)	3,494	1,510	6,109	1,379	3,083	5,424	18,696
Offices	8	6	15	4	6	9	13
Personnel	70	33	93	30	36	76	147
FINANCIAL STRUCTURE	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Capital / Asset Ratio	40.1%	40.1%	27.6%	48.2%	40.1%	34.6%	21.4%
Commercial Funding Liabilities Ratio	58.3%	21.1%	60.5%	25.2%	45.9%	63.5%	82.6%
Debt/ Equity Ratio	1.5	1.6	2.7	1.1	1.5	1.9	3.7
Deposits to Loans	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
Gross Loan Portfolio/ Total Assets	85.6%	77.7%	87.5%	68.1%	85.6%	80.7%	80.8%
SCALE AND OUTREACH	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
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Average Loan Balance per Borrower/ GNP per Capita	36.4%	18.8%	45.8%	13.0%	21.6%	49.7%	39.8%
Number of Voluntary Savings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Savings Balance per Saver	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MACROECONOMIC INDICATORS	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
GNP per capita	2,130	2,130	2,130	2,130	2,130	1,030	2,180
GDP Growth Rate	2.7%	2.7%	2.7%	2.7%	2.7%	3.7%	5.1%
Deposit Rate	4.4%	4.4%	4.4%	4.4%	4.4%	4.0%	3.5%
Inflation Rate	8.4%	8.4%	8.4%	8.4%	8.4%	9.4%	2.4%
Financial Penetration	32.1%	32.1%	32.1%	32.1%	32.1%	43.8%	27.7%
PROFITABILITY AND SUSTAINABILITY	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Adjusted Return on Assets	6.1%	-6.2%	0.9%	-5.6%	-0.2%	0.8%	2.8%
Adjusted Return on Equity	8.9%	-14.0%	3.3%	-7.7%	-0.2%	2.3%	10.3%
Operational Self-Sufficiency	144.2%	102.1%	123.6%	100.9%	106.6%	115.5%	117.5%
Financial Self-Sufficiency	118.4%	84.2%	106.6%	87.1%	99.8%	103.6%	111.6%
REVENUE	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Financial Revenue Ratio	27.3%	28.2%	28.1%	27.4%	27.4%	31.5%	29.5%
Profit Margin	15.6%	-19.0%	6.2%	-14.8%	-0.2%	3.5%	10.4%
Yield on Gross Portfolio (nominal)	31.3%	30.7%	30.7%	31.4%	31.3%	33.7%	34.0%
Yield on Gross Portfolio (real)	21.1%	20.6%	20.5%	21.2%	21.1%	23.3%	29.7%

EXPENSE	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Total Expense Ratio	25.2%	34.1%	28.4%	28.0%	28.0%	31.7%	24.0%
Financial Expense ratio	7.2%	6.5%	7.3%	6.7%	7.0%	9.9%	6.4%
Loan Loss Provision Expense ratio	0.6%	1.2%	2.0%	0.5%	1.1%	1.8%	1.8%
Operating Ratio	16.5%	21.2%	16.5%	20.6%	18.1%	18.6%	14.2%
Personnel Expense Ratio	10.0%	11.7%	10.0%	11.7%	10.4%	10.9%	7.9%
Administrative Expense Ratio	6.5%	10.6%	6.6%	11.1%	8.9%	7.4%	6.9%
Adjustments Expense Ratio	3.4%	6.0%	4.4%	5.2%	5.1%	3.1%	0.6%
EFFICIENCY	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Operating Expense/ Loan Portfolio	19.9%	28.1%	19.4%	29.7%	25.7%	24.8%	18.8%
Personnel Expense/ Loan Portfolio	115.3	97.9	138.6	84.6	104.8	125.2	145.8
Average Salary/ GNP per Capita	12.0%	15.5%	11.7%	16.8%	12.8%	13.5%	9.8%
Cost per Borrower	3.1	2.8	3.0	2.9	2.9	5.9	4.5
PRODUCTIVITY	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Borrowers per Staff Members	97	111	85	189	97	133	147
Borrowers per Loan Officer	198	280	196	327	215	232	277
Personnel Allocation Ratio	58.3%	45.1%	47.6%	60.0%	48.8%	47.7%	49.8%
PORTFOLIO QUALITY	IGAF	IGNA	IGBA	IGBB	GTMT	CASG	LSCA
Portfolio at Risk > 30 Days	1.8%	5.0%	3.5%	3.4%	3.4%	3.8%	2.5%
Portfolio at Risk > 90 Days	0.8%	1.9%	1.5%	1.1%	1.4%	1.7%	1.5%
Write-offs Ratio	1.4%	2.1%	2.4%	0.4%	1.7%	1.1%	1.8%
Risk Coverage	96.1%	92.5%	92.5%	96.1%	96.1%	91.0%	136.8%
Liquid Assets No Prod./ Total Assets	5.2%	6.4%	4.6%	7.1%	5.7%	8.8%	6.8%

The analysis in this report is based on a comparison between similar Peer Groups, classified by the following criteria: credit methodology, scale, country and region. The financial statements are adjusted to make comparison possible, taking into account the effect of inflation, subsidies and the differences in loan loss provisions.

Peer Group Criteria and Information Quality

The information included in the peer groups' median is not proved independently. It has been presented voluntarily by transparent MFIs. We show our level of support in the data supplied by each peer group with a quality grading.

The information of participating MFIs is classified in this report according to the level verified independently for reliability. The information graded *** is supported by a detailed financial analysis from an independent entity, for example an evaluation by CAMEL, by CGAP or by a reliable agency. The information graded ** is supported by accompanying documents such as audited financial statements, annual reports or evaluations by independent programs which provide our adjustments with a reasonable level of reliability. The information graded * is from MFIs that have limited themselves to answering our questionnaire. This grading represents levels of reliability of the information provided by the MFIs and not a rating of their financial performance.

Neither the drafting group, nor the consultant, nor the studies commission, and neither REDCAMIF nor MIX accept responsibility for the validity of the information presented in this report.

Page 17 offers a brief description of the Peer Groups, its members and the number and classification of each one of the participating institutions. More detailed information is available on the *MicroBanking Bulletin*.

Adjustments

The cost of funds in the financial statements of all the participating MFIs has been adjusted to reflect the long term effect of inflation on the MFIs equity. This adjustment is reflected in the financial statement as a net expense account which at the same time reduces the net income. It is compensated by an equity account reflecting the distribution between real net income and the effect of inflation over equity. This adjustment has been made on all MFIs financial statements with the exception of those using accounting methods adjusted for inflation which are generally accepted.

The profits of the majority of the participating institutions have been adjusted by deducting subsidies in order to reflect real profit. The adjustment of funds expense due to subsidies is the most common adjustment for the institutions participating in this round. In order to be able to compare the institutions with different levels of subsidies, as if they were not subsidized, an additional cost is added for any liability significantly lower than the commercial price. Determining the commercial price is a difficult task. Nevertheless, for comparison reasons, the most important objective is to ensure the uniform application of the selected method to all institutions. We have decided to use the interest on deposits presented by MFI as the price of commercial rates. We have also excluded donations and revenue is calculated only on the basis of income and operating expenses. Expenses paid by another entity, such as the director's salary, free rent or any other operating expenses, are considered subsidies.

Finally, we normalized the norms for loan loss provisions and write-offs. We provided 50% for outstanding loans from 90 days to 180 days, and 100% for outstanding loans over 180 days. Outstanding loans over 365 days are total write-offs.

Data Quality			
ACRONYM	NAME	DATA QUALITY†	PERÍOD
AGUDESA	Asociación Guatemalteca para el Desarrollo	**	2005
ASDIR	Asociación de Desarrollo Integral Rural	**	2005
Asociación Raíz	Asociación Raíz	**	2005
AYNLA	Ayúdense y Nosotros les Ayudaremos – Chito 'Iwib Xukuje Ri Uj Quixkato 'O	**	2005
BanCafe Mipyme	Banco del Café - División de Microfinanzas	**	2005
CDRO	Asociación Cooperación para el Desarrollo Rural de Occidente	**	2005
CRYSOL	Fundación CRYSOL	**	2005
FAPE	Fundación de Asistencia para la Pequeña Empresa	**	2005
FINCA – GTM	Fundación Internacional para la Asistencia Comunitaria, Guatemala	**	2005
Friendship Bridge - GTM	Friendship Bridge, Guatemala	**	2005
Fundación Micros	Fundación para el Desarrollo de la Microempresa	***	2005
FUNDEA	Fundación para el Desarrollo Empresarial y Agrícola	**	2005
FUNDESPE	Fundación para el Desarrollo de la Pequeña Empresa	**	2005
Génesis Empresarial	Fundación Génesis Empresarial	**	2005

† The *MicroBanking Bulletin* (MBB) uses the following grading system to classify information received from MFIs:

*** The information is supported by an in-depth financial analysis conducted by an independent entity in the last three years.

** The MBB questionnaire plus audited financial statements, annual reports and other independent evaluations.

* The MBB questionnaire or audited financial statements without additional documentation.

Participating MFIs in Central America

Guatemala (GTM: 15 MFIs)

AGUDESA, ASDIR, Asociación Raíz, AYNLA, BanCafé Mipyme, CDRO, CRY SOL, FAFIDESS, FAPE, FINCA – GTM, Friendship Bridge, Fundación MICROS, FUNDEA, FUNDESPE, Génesis Empresarial.

Rest of Central America (CASN: 39 MFIs)

Costa Rica
(6 MFIs)

ADRI, CrediMujer, FOMIC, Fundación Mujer, FUNDECO, FUNDECOCA

El Salvador
(8 MFIs)

ACCOVI, AMC de R.L, Apoyo Integral, ASEI, ENLACE, Fundación Campo, FUNSALDE, ProCredit – SLV.

Honduras
(9 MFIs)

ADICH, FAMA OPDF, FINCA – HND, FINSOL, FUNDAHMICRO, FUNED, Hermandad de Honduras, ODEF, World Relief – HND.

Nicaragua
(16 MFIs)

ACODEP, ADIM, CEPRODEL, FAMA, FDL, FINDESA, FJ Nieborowski FODEM, FUDEMI, Fundación León 2000, FUNDENUSE, FUNDESER, PRESTANIC, ProMujer – NIC, ProCredit – NIC, PRODESA.

Peer Groups	Characteristics		Members of the group
Financial Self-sufficiency	IGAF (7 MFIs)	Financial Self-sufficiency > 100%	The names of these institutions are held confidential
	IGNA (8 MFIs)	Financial Self-sufficiency < 100%	The names of these institutions are held confidential
Target market	IGBA (8 MFIs)	Loan Balance per Borrower between 20% and 150% of GNP per capita	ASDIR, Asociación Raíz, BanCafé Mipyme, CDRO, FAFIDESS, FUNDEA, FUNDESPE, Génesis Empresarial
	IGBB (7 MFIs)	Loan Balance per Borrower less than 20% of GNP per capita	AGUDESA, AYNLA, CRY SOL, FAPE, FINCA - GTM, Friendship Bridge - GTM, Fundación MICROS

Analytic Unit REDCAMIF – MIX

The Analytic Unit is the result of the Cooperation Agreement for MFIs Transparency in Central America between Red Centroamericana de Microfinanzas & Microfinance Information eXchange. Its goal is to promote transparency in microfinance institutions in Central America by fulfilling the following objectives:

- ◆ To Increase the availability of standardized information on MFI performance in the region.
- ◆ To promote investment in microfinance institutions in Central America.
- ◆ Benchmark the performance of institutions in the region.



Red Centroamericana de Microfinanzas (REDCAMIF)

REDCAMIF is a non-profit organization whose mission is to consolidate the microfinance industry in Central America by representing the sector, promoting the institutional strengthening of the networks and their associates and generating strategic alliances which contribute to improve the quality of life of their programs' clients.

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Microfinance Information eXchange (MIX)

The MIX is a non-profit organization whose mission is to help build a microfinance market infrastructure by offering data sourcing, benchmarking and performance monitoring tools, as well as specialized information services. The MIX is a recent association of CGAP, Citigroup Foundation, Deutsche Bank America Foundation, Open Society Institute, Rockdale Foundation and others.

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