

THE MICROBANKING BULLETIN

A CALMEADOW PUBLICATION

ISSUE No. 3
JULY 1999

A SEMI-ANNUAL BULLETIN DEDICATED TO THE FINANCIAL PERFORMANCE OF
ORGANIZATIONS THAT PROVIDE BANKING SERVICES FOR THE POOR

(Formerly published by the Economics Institute, Boulder, Colorado)

The MicroBanking Standards Project

The *MicroBanking Bulletin* is one of the principal outputs of the MicroBanking Standards project, which is funded by the Consultative Group to Assist the Poorest (CGAP) and managed by Calmeadow.

Project Purpose

Through the collection of financial and portfolio data on leading microfinance institutions (MFIs), the organization of the data into peer groups, and the reporting of this information, this project is building infrastructure that is critical to the development of the industry. The primary purpose of this database is to help MFI managers to understand the performance of their institutions in comparison with other MFIs. Secondary objectives include establishing industry performance standards, enhancing the transparency of financial reporting, and improving the performance of microfinance institutions.

Project Services

To achieve these objectives, the MicroBanking Standards project provides three services: 1) customized financial performance reports; 2) the *MicroBanking Bulletin*; and 3) network services.

MFIs participate in this project on a *quid pro quo* basis. They provide us with information about their financial and portfolio performance, as well as details regarding accounting practices, subsidies, and the structure of their liabilities. Participating MFIs also submit any substantiating documentation, such as audited financial statements, annual reports, program appraisals, and other materials that will help us understand their operations. With this information, we apply adjustments for inflation, subsidies and loan loss provisioning to create comparable results. *We do not independently verify the information.* Neither Calmeadow nor CGAP can accept responsibility for the validity of the information presented or consequences resulting from its use by third parties.

In return, we prepare a confidential financial performance report for each participating institution. These reports, which are the primary output of this project, explain the adjustments we made to the data, and compare the institution's performance to its peer group as well as to the whole sample of project participants. These reports are essential tools for MFI managers and board members to benchmark their institution's performance.

The third core service is to work with networks of MFIs to enhance their ability to collect and manage performance indicators. This service is provided in a variety of different ways, including teaching networks to collect, adjust and report data at the local level, collecting data on behalf of a network, and providing special data runs to compare member institutions to external peer groups. This service to networks allows us to help a wider range of MFIs to improve their financial reporting besides just the institutions represented in the *Bulletin*.

New Participants

Organizations that wish to participate in the MicroBanking Standards project, either to receive customized reports or network services, should contact Calmeadow's Washington office: email microbanking@calmeadow.com, tel (202) 347-0039, fax (202) 347-0078. Currently, the only criterion for participation is the ability to fulfill fairly onerous reporting requirements. In the future, we reserve the right to establish minimum performance criteria for participation in the *Bulletin*.

Bulletin Submissions

The *Bulletin* welcomes submissions of articles and commentaries, particularly regarding analytical work on the financial performance of microfinance institutions. Submissions may include reviews or summaries of more extensive work elsewhere. Articles should not exceed 2,500 words. We also encourage readers to submit responses to the content of this and previous issues of the *Bulletin*.

The *MicroBanking Bulletin* can be downloaded from Calmeadow's website: www.calmeadow.com, and it is available in hard copy from PACT Publications—Email: books@pactpub.org, Website: www.pactpub.com, Tel: (212) 697-6222, Fax (212) 692-9748.

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The underlying work and publication cost of the MicroBanking Bulletin (MBB) are funded by the Consultative Group to Assist the Poorest (CGAP).

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From the Editor

This third issue of the *MicroBanking Bulletin* reflects some significant changes in the format, content and management of the publication.

Management Changes

In January 1999, the founder and editor of the *Bulletin*, Robert Christen, left the world of independent consulting to join CGAP. This caused a shift in the institutional home of the project from the Economics Institute, which served it well during its first two years of operations, to Calmeadow.

For more than a decade, Calmeadow has worked to achieve some of the same objectives as the *MicroBanking Bulletin*. We believe that improved financial performance is central to the development of the microfinance industry. If MFIs can achieve consistent levels of profitability, they will enhance their creditworthiness and attract private capital to fuel their growth. It is therefore an honor for us to help the microfinance community take strides toward this goal through an industry publication that reports transparent and comparable financial performance.

Fortunately, Bob will remain actively involved in this project by serving as the Chair of the *Bulletin's* Editorial Board. We will continue to rely on his guidance and technical expertise. Another change to the Editorial Board is the addition of Elisabeth Rhyne, who brings outstanding academic credentials and more than a decade of diverse microfinance experiences to this project.

Content Changes

When Calmeadow assumed responsibility for the MicroBanking Standards project, we contacted most of the participating institutions as well as key opinion leaders in the microfinance community to ascertain what improvements they would recommend for the project in general, and for the *Bulletin* in particular.

We received very positive feedback regarding the objectives of the project. The microfinance community recognizes the importance of collecting transparent and comparative data for the purposes of benchmarking performance and establishing industry standards. We received many suggestions on how we could better achieve that objective, especially by enhancing the effectiveness of the *Bulletin* as the primary dissemination vehicle.

Where concerns were expressed, they revolved primarily around a dislike for anonymous data.

The *Bulletin* treats all information as highly confidential. Neither raw data nor the results of the analysis are made available to any party other than the person or institution that provided it. We consider this measure necessary to maximize participation and full disclosure, especially since the data are largely self-reported.

Calmeadow looks forward to the day when confidentiality is no longer an issue. Until then, we are responding to the anonymity complaints by introducing a new feature to the *Bulletin*. This issue contains a case study of a participating institution, Compartamos in Mexico, which should speak to those critics who want their data to have a face and a story. By showing how the performance of this institution compares to its peers, we also hope that the case study will help demonstrate the benefits of the peer group concept. We emphasize that confidentiality is a fundamental principle of the *Bulletin*, and we will not publish the results of any institution without its express permission. The *MicroBanking Bulletin* thanks the management of Compartamos for agreeing to share its experiences with our readers.

In this Issue

Many leading microfinance practitioners are obsessed with finding innovative ways to improve their operating efficiency. And so they should be. One of the greatest challenges in microfinance is to lower the delivery costs of microfinance services, which will enable institutions to profitably serve a lower income market. Missing from most efforts to improve operating efficiency is quantifiable evidence of where in the lending process the inefficiencies exist.

Gheen *et al.* seek to answer this question by presenting a methodology for measuring unit loan costs as well as evidence from applying the methodology to 14 MFIs in Latin America. This effort to quantify the costs in microlending produces some interesting results regarding economies of scale, the advantages of a diverse loan portfolio, and the cost reductions that MFIs are not extracting from their repeat borrowers.

The second feature article, by Ruth Goodwin-Groen, draws on research she conducted for the Foundation for Development Cooperation, to determine how microfinance NGOs in Asia can improve their ability to access funding from commercial banks. Based on the feedback that she received from bankers in the Asia-Pacific region, the author provides some practical suggestions for MFIs to access their local capital markets, including establishing industry performance standards and transparent financial reporting.

This issue also includes a commentary (and a recommended reading list) by Maria Otero regarding the importance of information for corporate governance. Among other things, she notes that board members need to know how the financial performance of their institution compares to other MFIs so they can set appropriate performance targets for management.

Addressing one of the issues identified in the article by Gheen *et al.*, the Compartamos case study highlights the importance of improving operating efficiency to balance profitability with the depth of outreach. This transforming NGO in Mexico uses a village banking methodology to provide average loan sizes of \$66 (or just 1.8 percent of GNP per capita). Yet it has achieved financial self-sufficiency, partly because of its interest rate policies, and partly because of its willingness to innovate. Compartamos' latest innovation, described in a commentary by Chuck Waterfield, is to use paperless loan processing technology to enhance productivity, although this has yet to impact the institution's performance.

The last section of the *Bulletin* provides statistical analysis and performance ratios for the 86 participating institutions, including 16 new programs. The increased participation has allowed us to create three new peer groups to cover Asia-Pacific, Middle East/North Africa, and Eastern Europe. We anticipate that these peer groups will encourage other MFIs from these regions to participate in the *Bulletin*.

We now have 40 financially self-sufficient institutions participating in the *Bulletin*, up from 34 in the previous issue. There are 10 additional institutions that qualify as operationally self-sufficient, which suggests that we may see increases in the number of profitable MFIs in the near future.

Most of the participating institutions have total assets between \$500,000 and \$5,000,000. In general, they seem to target women borrowers and serve a relatively low-income market; average outstanding balances per client are about 35 percent of GNP per capita. Most institutions have fewer than 100 employees, 5,000 to 20,000 active borrowers, and operate as NGOs.

In the last issue of the *Bulletin*, we presented the performance ratios by peer group as well as by other variables, such as the age of the institutions, their target market and their lending methodology. Due to space restrictions, we have excluded these additional tables in this issue, but we are making this information on our website (www.calmeadow.com).

The staff of the *MicroBanking Bulletin* welcomes your comments, criticisms and suggestions so that this publication can best serve the microfinance industry.

FEATURE ARTICLES

Measuring Unit Loan Costs

William E. Gheen, Diego Jaramillo and Nathalie Pazmino

In microfinance, unit loan costs are often discussed, but are seldom actually measured. This study on the unit loan costs of 14 microfinance institutions (MFIs) in three Latin American countries enters new territory.¹ The findings quantify issues the microfinance community has, until this point, only discussed anecdotally, such as economies of scale and the efficiencies created by retaining repeat borrowers.

One of the challenges in microfinance is to find innovative ways of efficiently doing something that is fundamentally expensive: providing large volumes of very small loans. The process of measuring unit loan costs is designed to address this challenge. This technique involves dividing the lending process into discrete phases and assessing the costs of each one. With comparative information, an MFI can identify areas where it is relatively inefficient. This is important for at least two reasons. First, as competition increases an MFI cannot charge whatever interest rate it needs to cover administrative and other costs. Second, by lowering the per unit costs, an MFI can facilitate making profitable microloans and push the financial frontier into the realm of the poor and very poor.

This article first describes the methodology for measuring per unit loan costs and then presents an illustrative sample of the results from this research project. It concludes with a summary of four key findings: a) MFIs are not generating the efficiencies in serving repeat borrowers that they expect; b) economies of scale begin around 1,000 to 2,000 loans and then continue to improve until about 10,000 loans; c) there are cost tradeoffs in the lending process, such as between client screening and default; and d) profitable MFIs often offer large loans to cross-subsidize small loans.

¹ An earlier version of this paper was presented at the Second Annual Seminar on New Development Finance, Goethe University of Frankfurt, September 21-25, 1998. The study was funded by the Inter-American Development Bank. The sample consists of four NGOs, four banks, and six non-bank financial institutions. No credit unions or cooperatives are included. All the 14 MFIs provide individual microenterprise loans in predominantly urban and suburban settings.

A Methodology for Measuring Unit Costs

To measure unit costs, one allocates administrative expenses based on the amount of time spent on an activity in a representative month. This information is collected through interviews with staff members at all levels within the organization, from loan officers to executive directors. The first allocation is based on the amount of time that they spend on the microenterprise loan product. The second allocation is based on how much of that time they spend on different phases of the lending process. For example, the six phases for a new borrower with no repayment problems are highlighted in Table 1. In addition to these six phases, separate unit costs are estimated for late payments and for collecting a loan in default. Separate estimates are also measured for repeat borrowers.

Table 1: Six Basic Phases in the Loan Cycle

Phase	Description
Promotion	Product marketing, including the first site visit to determine client's income and assets
Request	Assisting the client to complete the loan application
Screening	Due diligence, including checking the applicant's credit record, contacting references, reviewing supporting documentation and guarantees
Approval	Review by credit manager and/or credit committee
Disbursement	Establishing the account and disbursing the loan to the borrower
Repayment	Account maintenance and supervision of all payments until final repayment

The next step in the allocation process is to multiply each person's time ratios by their direct and indirect costs. Some adjustments are made for subsidies, such as donated vehicles, and the cost of space is imputed at the rental equivalent. When the calculations are completed, all of the administrative costs (i.e., not financial or loan losses) that appear in the income and expense statement must be allocated. This methodology provides a reasonably accurate estimate of unit loan costs, which permits

a financial institution to measure the costs of each phase of the credit process.

Results

The 14 MFIs in this study are classified into three groups based on institutional type. Group I consists of three small programs that operate as divisions

within commercial banks. In Group II, there are four small and relatively high cost institutions, most of which are NGOs. Group III consists of six larger for-profit institutions: one is a bank and five are non-bank financial institutions. For illustrative purposes, the results for first time borrowers without repayment problems are presented in Table 2.

Table 2: Unit Loan Costs for First Time Borrowers without Repayment Problems by Institutional Type²

Group I: Microloan Divisions of Commercial Banks

MFI	Promotion		Request		Screening		Approval		Disburse		Repayment				Total Unit Cost
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	Unit Cost	Term (Months)	Sub Total	%	
A	23	1	203	5	200	5	321	8	398	10	80	36	2,880	72	4,025
B	133	4	184	6	359	11	142	5	800	26	42	36	1,512	48	3,130
C	83	10	42	5	79	9	107	13	273	32	11	24	264	31	848
Avg.	80	2.9	143	5.3	213	8.0	190	7.1	490	18.4	44		1,552	58.2	2,668
Std.	55		88		140		115		275		35		1,308		1,638

Group II: NGOs

MFI	Promotion		Request		Screening		Approval		Disburse		Repayment				Total Unit Cost
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	Unit Cost	Term (Months)	Sub Total	%	
A	48	16	12	4	19	6	29	10	91	31	12	8	96	33	295
B	9	4	15	6	26	10	32	13	28	11	23	6	138	56	248
C	18	9	27	14	48	25	19	10	25	13	3	18	54	28	191
D	23	17	20	14	19	14	17	12	6	4	3	18	54	39	139
E	8	6	5	4	13	10	13	10	10	8	8	10	80	62	129
Avg.	21	10.5	16	8.0	25	12.5	22	11.0	32	16.0	10		84	42.0	200
Std.	16		8		14		8		34		8		35		71

Group III: Microfinance Banks and Non-Bank Financial Institutions

MFI	Promotion		Request		Screening		Approval		Disburse		Repayment				Total Unit Cost
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%	Unit Cost	Term (Months)	Sub Total	%	
A	33	14	23	10	63	27	47	20	29	12	3	14	42	18	237
B	37	29	15	12	15	12	10	8	26	20	2	12	24	19	127
C	9	11	10	12	10	12	10	12	8	10	1	36	36	43	83
D	6	10	3	5	25	41	6	10	9	15	1	12	12	20	61
E	23	39	7	12	5	8	2	3	7	12	1	15	15	25	59
F	19	35	7	13	5	9	3	5	13	24	1	8	8	15	55
Avg.	21	20.2	11	10.6	21	20.2	13	12.5	15	14.4	2		23	22.1	104
Std.	12		7		22		17		10		1		14		71

² The percentages reflect the percentage of the total unit costs incurred in each phase of the lending process. The Repayment column shows the cost per repayment transaction and the number of repayments, which when multiplied together produces the total repayment costs. Results for delinquent and default loans for both first time and repeat borrowers are available upon request.

This data show fairly consistent cost differences based on the type of institution. The microloan divisions of commercial banks in Group I have high costs at every step of the loan cycle. The loan sizes for Group I are larger (between \$3,000 and \$7,000), which indicates that they are serving the small rather than micro enterprise market. The NGOs of Group II perform significantly better than Group I, but not as well on average as Group III, which consists of the largest institutions based on the number of loans outstanding.

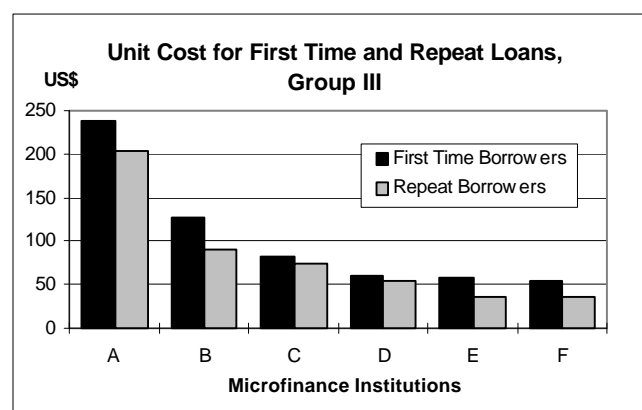
An analysis of the complete set of data reveals some interesting results. Some of the findings microfinance practitioners know intuitively, but have not actually measured before; other findings are not intuitive because they result from the allocation of hidden or indirect costs. The following sections summarize some of the key findings.

A. First Time versus Repeat Borrowers

One of the most valuable assets for a microlender is a low risk repeat borrower. They are even more valuable as they become eligible for larger, more profitable loans. Many microfinance practitioners assume that the unit costs for repeat borrowers are significantly lower than for new clients. The managers of the MFIs in this study expected that the cost of loans to repeat borrowers in good standing would be between one-half to one-tenth the cost of first time borrowers. The results from this research contradicted their expectations.

The unit loan costs for first time and repeat borrowers without repayment problems for Group III are illustrated in Chart 1. The unit costs for first time borrowers ranged from \$55 to \$237, while the costs for repeat borrowers averaged \$36 to \$204. The per unit loan cost savings for repeat borrowers ranged between 10 and 39 percent for the best performing institutions in the sample. The reduction in cost is almost equal to the cost of promotion because the only significant difference between new and repeat borrowers was that loan officers did not have to recruit the client or repeat their initial analysis. The survey showed that microlenders made few, if any, changes in the subsequent loan screening and processing stages, and none in the loan disbursement and repayment stages between new and repeat borrowers. As a result, it appears that microlenders are not taking full advantage of the opportunities to reduce unit loan costs for repeat borrowers.

Chart 1



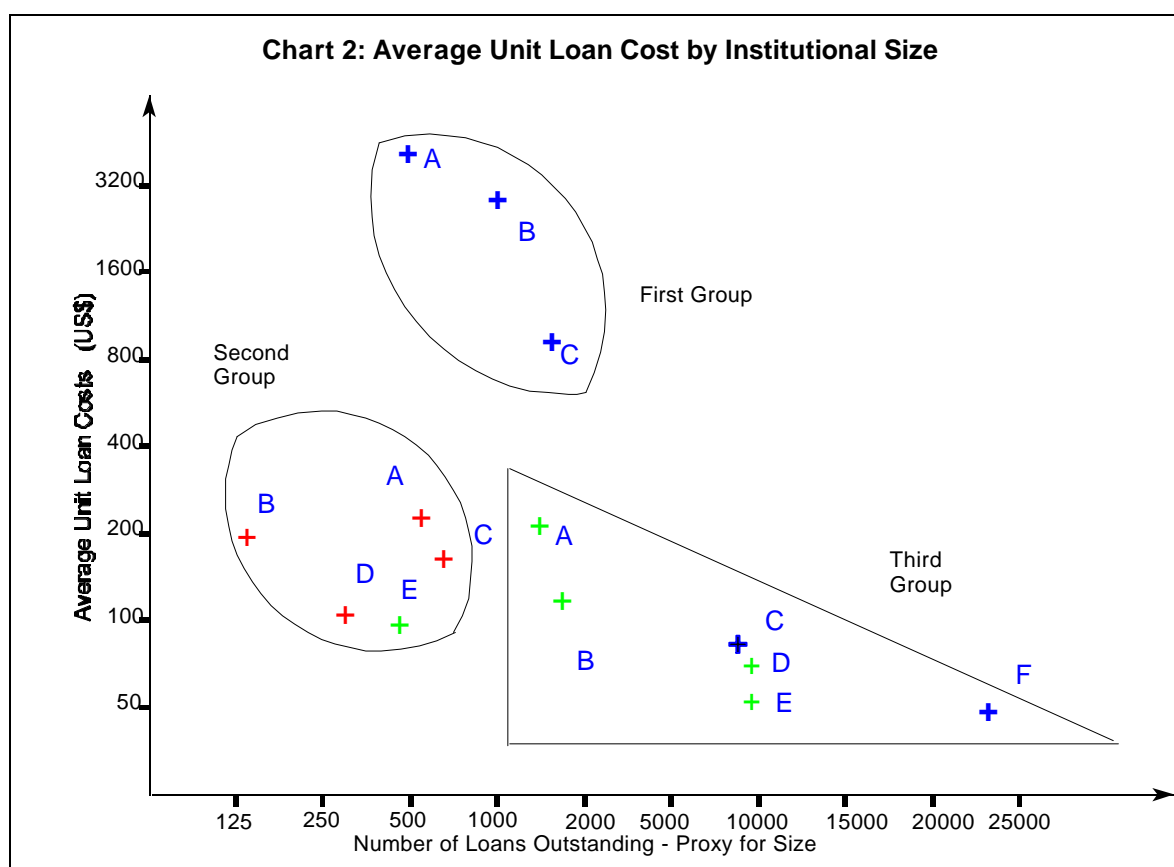
B. Economies of Scale

It is expected that per unit costs will decline as the number of outstanding loans increases. This research provides evidence to support this hypothesis. When unit loan costs are compared to the number of outstanding loans, it provides a first insight into existence of economies of scale. As demonstrated in Chart 2, this analysis shows that, in general, the higher the number of outstanding loans, the lower the unit loan costs.

Economies of scale appear to begin between 1,000 and 2,000 loans and improve steadily until 10,000 loans. Group III institutions, the largest in the sample, represented within the triangle, incur the lowest unit loan costs. The institutions C, D, E, and F have between 8,000 and 23,000 outstanding loans. This corresponds to unit costs between \$55 and \$83. In contrast, institutions A and B have far fewer loans (approximately 1,500) and significantly higher unit costs. MFIs in Group I and II all incur costs above \$100 and they have less than 2,000 outstanding loans.

The results indicate that large-scale operations are conducive to lower unit costs. The more loans an institution makes, the more completely it can use the excess capacity of large, fixed investments such as software and office facilities. Scale also allows good management to create opportunities for a more efficient organization and utilization of human and capital resources, which lowers the unit costs.

Large-scale lenders with 10,000 loans can reduce costs to as low as \$50 per loan for first time borrowers. After a certain size is reached, the reduction in unit loan costs appears to become insignificant, although this finding is only based on one observation. At 23,000 loans, the unit costs of Institution F are only \$5 less than Institution E at 10,000 loans.



C. Cost Tradeoffs in the Lending Process

An examination of the costs by each phase in the lending process reveals tradeoffs. The costs of default, for example, are inversely correlated with the costs of client selection. This is particularly evident when comparing the three most efficient institutions, D, E and F of Group III. As shown in Table 3, Institution D spends \$25 per loan on client screening compared with just \$5 for E and F. This investment in client selection, however, appears to result in lower arrears and default costs.

Since this methodology measures per unit costs, the question of whether this is a worthwhile investment depends on the volumes of clients that become delinquent and default. For example, hypothetically, Institutions's D and E both issue 1,000 loans, and 10 percent go into arrears and 5 percent default. In this case, the lower costs that

Institution D achieves in arrears and default are not sufficient to offset the high screening costs relative to Institution E:

$$D: (25 \times 1,000) + (17 \times 100) + (3 \times 50) = 26,850$$

$$E: (5 \times 1,000) + (26 \times 100) + (32 \times 50) = 9,200$$

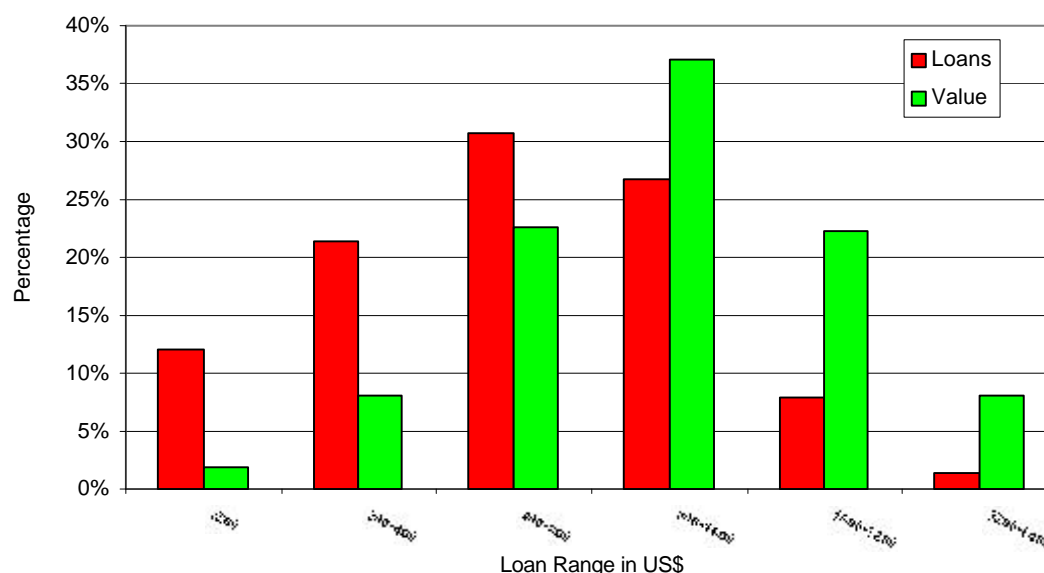
A cost tradeoff also occurs in other phases of the lending process. One MFI, for example, chose to save loan-processing costs by not legally registering the loan against the property pledged as a guarantee. Instead, borrowers sign standard loan agreements allowing the foreclosure to be executed if the borrower was declared in default. As a result, the institution avoids the registration costs and time involved in the 95 percent of the cases where default does not occur.

D. Cross Subsidization and Unit Costs

Most profitable microfinance institutions have large broad-based portfolios, which combine large and small loans. The revenue from large loans cross-subsidizes the costs of the small loans. Chart 3 shows the distribution of costs and revenues for Institution F of Group III based on loan sizes. This chart estimates the degree of cross subsidy between large and small loans by calculating the percentage of the number of loans (costs) and comparing it to the percentage of the value of loans

Table 3: Tradeoff between Client Screening and Portfolio Quality in per Unit Costs (US\$)

Institution	Screening	Arrears	Default	Total
D	25	17	3	45
E	5	26	32	63
F	5	22	51	78

Chart 3: Distribution of Costs and Revenue by Loan Size for Institution F (Group III)

(revenues) by intervals of loan size. The difference is the index of cross subsidy. In this example, loans above \$800 are subsidizing loans below this amount. This simple analysis is possible because unit loan costs are largely independent of the loan size and because most institutions do not vary their effective interest rates by loan size.

Conclusion

We proposed an effective methodology to measure unit costs that estimates the cost at each step of the lending process. The methodology permits comparisons between institutions and within an institution to analyze modifications of procedures to reduce costs. Measuring unit loan costs also identifies the differences in cost between the loan procedures applied to new, risky borrowers and repeat, lower-risk borrowers.

Based on this analysis, we conclude that one of the most important means of reducing unit loan costs is to increase the number of loans made, up to a point (i.e. around 10,000 loans). It is unlikely that small MFIs, processing less than several thousand loans per year, can bring their unit loan costs below \$100. Consequently, they are unlikely to be profitable unless they make a large proportion of larger loans.

A second strategy for reducing per unit costs is to find means of streamlining the lending process, including repayment procedures, for low-risk repeat borrowers. This needs to be measured carefully since many of the institutions in this study thought that they were achieving greater cost savings with repeat borrowers than they actually were.

William Gheen is a Senior Evaluator at the Inter-American Development Bank; Diego Jaramillo and Nathalie Pazmino work for Ayala Consulting of Quito, Ecuador. Copies of an illustrative methodology and additional data are available from Ayala Consulting: ayalacon@uio.satnet.net.

Do Asian MFIs Access Funds from Commercial Banks?

Ruth Goodwin-Groen

One of the challenges for growing microfinance institutions (MFIs) is to source sufficient capital to fund their expanding loan portfolios. As the microfinance industry matures, there is an increasing expectation that MFIs should move away from donors and fund their growth by accessing private capital, either by borrowing from commercial banks or by mobilizing retail deposits. This expectation is based on the assumption that private capital is the only source large enough to satisfy the enormous demand for microcredit, particularly in Asia where the vast majority of the world's poor reside.

Despite the scale of some Asian MFIs, their market share of the potential demand for microfinance is small. Of the 200 million target poor households in the region, less than five percent presently have access to financial services. If Bangladesh is excluded, the percentage falls to less than one percent of the target group (Getubig et al. 1997). There is not enough donor money to serve this huge market for microfinance. Leaving aside the issue of mobilizing retail deposits, this raises the question: can microfinance institutions borrow from commercial banks to fund their portfolio growth?

Evidence from Latin America has shown that many MFIs have borrowed from commercial banks, first with the support of guarantee funds and later based on their track record (Drake and Otero, 1992). In 1997, the Foundation for Development Cooperation (FDC) conducted a survey for the Australian Agency for International Development to determine (among other issues) whether Asian commercial banks were starting to lend to microfinance institutions.³ One key finding of this study is that few commercial banks in the Asia-Pacific region are lending to MFIs. Where these relationships do exist, they result primarily from government mandates rather than for business reasons. This article highlights some examples of relationships between banks and MFIs, summarizes the obstacles that prevent banks from lending to MFIs, and suggests ways for MFIs to make themselves more attractive bank clients.

³ Foundation for Development Cooperation, *The Role of Commercial Banks in Microfinance: Asia-Pacific Region*, Brisbane, 1998, pp. xiv + 82. Available from FDC for \$28 or £15 (fax 61 7 3236 4696; email: fdc@ozemail.com.au). The empirical research for this study comprised in-depth interviews with over 40 bankers in 22 commercial banks in India, the Philippines and Australia, and also drew on meetings with 17 other banks in Bangladesh, Nepal, Pakistan, Sri Lanka, Indonesia, Malaysia and Thailand in 1997.

Existing Access

The vast majority of MFIs in the Asia-Pacific region are not accessing commercial bank financing. In 1994–95, less than two percent of microloans outstanding came from commercial bank sources (Getubig et al, 1997).⁴ The FDC research analyzed the relationship between commercial banks and microfinance institutions in nine Asian countries. A few examples from the Philippines, India and Pakistan are presented below.

The Philippines

Of the more than 500 microlending NGOs in the Philippines in 1997, only one MFI consistently met the strict lending criteria of leading commercial banks, which include:

- A track record of profits and sound financial management for at least three years
- High-quality assets so that receivables can be assigned to the bank
- Excellent management
- A high-quality board, well known to the bank.

Other Philippine commercial banks had lent to strong MFIs that had not yet reached profitability, but were moving towards it. To meet their underwriting requirements, the banks imposed additional conditions. For example, Solid Bank required an MFI's board members to guarantee the loan and required the MFI to give them post-dated cheques for the loan payments. The United Coconut Planters Bank asked another MFI to provide letters of commitment from donors to show that it had the cash flow to repay the loan, and secured the loan by taking the MFI's office building as collateral.

Recognizing that most MFIs cannot meet commercial banks' stringent requirements, the Bank of the Philippine Islands (BPI) took advantage of Philippine tax laws to provide soft loans up to \$153,000 to MFIs through its BPI Foundation. If the MFIs perform well, they will then graduate to the

⁴ This is lower than the 15 percent commercial funding sources found by the Sustainable Banking with the Poor project (World Bank 1997). The reason for this difference is that the World Bank study included Bank Rakyat Indonesia and Bank of Agriculture and Agricultural Cooperatives (Thailand), which dwarf all the other programs and have no subsidized funding.

commercial bank. After experience with soft loans BPI hopes that MFIs will have the track record and the scale to meet the requirements for commercial loans.

India

Established by the Reserve Bank of India in 1982 as the apex body for rural credit, NABARD (the National Bank for Agriculture and Rural Development) has an active program for linking banks with NGOs and self-help groups. It has issued detailed guidelines to banks on how to facilitate such linkages. NABARD's program is innovative, but in the Indian context the scale is small, with only \$4.5 million disbursed in the six-year period 1992 to 1998. One of the largest loans under this scheme was for \$167,000 made by Vijaya Bank to an NGO with which it has had a longstanding relationship.

Pakistan

The Department of Women's Development provided a grant of \$1.4 million to a state-owned commercial bank, First Women Bank, to establish a lending program for women entrepreneurs in 1993. As a result, First Women Bank lends to MFIs, groups and individuals (often with the help of non-financial intermediaries). Under the program, the bank has lent to five NGOs that on-lend to women. These were not profitable NGOs, but rather ones that managed their costs well and wanted to develop this strategic partnership with First Women Bank.

Obstacles to Access

The obstacles preventing Asian MFIs from accessing commercial bank loans parallel the obstacles faced by entrepreneurs. From the banker's perspective, the costs and risks of lending to MFIs are not significantly better than lending to the entrepreneurs directly. Even though many of these perceptions may not be based on the actual performance of MFIs, according to the bankers interviewed for this research, they are real obstacles.

Costs

Commercial banks believe it is expensive to lend to MFIs for two main reasons. First, banks have difficulty measuring the cost of making loans. A bank's costs are usually computed by transaction, not by loan product. So banks think their costs are the same whether the loan is \$30,000 or \$3 million. Branch managers are typically assessed on branch profitability, so they choose the most profitable use of their money, i.e. larger loans. If banks measured the cost of each loan product, they might conclude

that lending to MFIs with low default rates could be more profitable than other small business loans.

Second, most banks do not have appropriate credit products for MFIs. Because of the borrower's ownership structure and the loan purpose, banks cannot lend to microfinance NGOs with the same methodology as their corporate clients. Yet, it is unreasonable to expect banks to invest in developing an appropriate product for MFIs when banks presume that it is not a profitable market. While commercial banks may work with MFIs for public relations reasons, they do not want to spend the resources necessary to learn how to lend to them.

High Risk

Banking experience has shown that unsecured loans, loans to rural areas, and small business loans are fundamentally risky. This perception is understandable given that Asian banks regularly write off 10 to 30 percent of their small business loan portfolios. Since banks do not understand microcredit methodologies, they are apprehensive about lending to organizations that serve the low-end of the market.

The perception is compounded by the fact that microfinance NGOs do not have owners and the bulk of their assets are tied up in their loan portfolio. If an MFI goes bankrupt, the creditors could not hold anyone accountable. The institution's loans have little value to the bank unless the MFI is operating. Furthermore, some banks are suspicious of NGOs because of their social agendas and in some cases histories of inefficiency and misappropriation.

Banks are reluctant to lend to MFIs that do not have the capacity to absorb, manage, and disburse large amounts of commercially priced funds. The financial management capability of most MFIs needs to improve significantly before banks will consider them appropriate customers. Unless banks have the confidence that an MFI has the financial management to repay the loan, they will not lend.

Lending to MFIs that work in the agriculture sector is considered even more risky because of the likelihood of natural disasters. For example, the Philippines averages 23 typhoons per year so that, even with the Philippine Crop Insurance Program, many commercial banks are unwilling to risk agriculture lending. The destructive annual floods that strike Bangladesh have a similar effect.

According to several banks across the region, the high risk of lending to MFIs cannot be offset by loan guarantees. Loan guarantees work when there is a

fundamentally good business that needs some additional security. Because most banks see microfinance as fundamentally risky, they are not interested even with a loan guarantee.

Improving Access

Fortunately for MFIs, these obstacles are not insurmountable. This research identified several ways that the Asian microfinance industry can make itself attractive to commercial banks, many of which MFIs are already actively pursuing.

Focus on Profitability

While it is recognized that MFIs need to become profitable, few in the region have achieved this objective. Profitability is necessary if MFIs want to meet the demand for microfinance in the long run.

Establish Performance Standards and Transparent Reporting

If the microfinance industry establishes performance standards and publishes transparent results, it will address two obstacles. First, it will create an incentive for MFIs to improve their financial management by benchmarking their performance against others. Second, it can reduce the costs for banks to serve the MFI market by doing some of the assessment for them. By providing an independent assessment of individual institutions relative to the local industry, a rating system would reduce the demand on banks to learn about the microfinance industry.

Cross-fertilization between Banks and MFIs

To reduce the barriers between banks and MFIs, it is worth exploring ways to exchange staff members, either by seconding bankers to work in an MFI or by having MFI managers work at a bank. This will help address the capacity challenges faced by MFIs and will educate bankers about the real risks of microlending. An MFI can also achieve this education objective by inviting commercial bankers to sit on its board. Once bankers understand its operations, they are more likely to consider lending to the MFI.

Establish a Credible Institutional Structure

One of the fundamental obstacles to borrowing from commercial banks is the limitation of the NGO structure, which is the predominant model in Asia. Microfinance institutions may need to consider alternative structures that establish accountability with investors, creditors and clients. This may mean integrating themselves into the financial system or working with authorities to create a new and appropriate structure.

Conclusion

Few Asian MFIs are currently borrowing from commercial banks. While there are many obstacles to accessing commercial bank funds for the majority of MFIs, the good news is that it is possible to overcome such obstacles. MFIs can establish a path to profitability and can engage with the banking sector to show that lending to MFIs makes good business sense.

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Effective Governance and Performance Benchmarking

Maria Otero

Effective corporate governance and reliable industry information are closely linked in the microfinance industry for a number of reasons.

First, when MFIs increase their assets, directors must challenge the capacity of management to maintain high standards of performance. Second, very careful oversight is required for MFIs that are becoming regulated financial institutions, particularly if the institution mobilizes retail deposits. Third, increasingly competitive markets squeeze financial margins and require vigilant monitoring of operational efficiency, profitability, portfolio quality, market share, and client retention. Fourth, as MFIs shift to commercial sources of capital, only effective governance can provide the level of accountability required by investors and lenders. Finally, the grand accomplishment of microfinance—to provide unsecured loans to poor people—implies that MFIs lack the “fallback” of other lending institutions.

The convergence of these five factors encouraged ACCION International, Calmeadow and the MicroFinance Network to co-host a conference on effective governance in October 1998. More than 150 people attended the conference from 36 countries, most of whom are executive directors or board members of microfinance institutions. One of the purposes of the conference was to draw on the wisdom and experience of the conference participants to draft governance guidelines under which they would be willing to operate.

Through the process of negotiating practical guidelines to enhance the board's ability to fulfill its fiduciary and oversight responsibilities, one issue came up repeatedly. There is a critical need for transparent reporting, industry standards, and an opportunity for boards to benchmark the performance of their institution against that of other, similar organizations. Although oversight is not the only responsibility of the board, many directors identified it as the area that required the most work.

There are three elements of information analysis for the purposes of providing effective oversight. The first step is a transparent reporting framework. Which indicators are measured and how often they are reported can make significant differences in the board's ability to oversee the institution's performance. Boards that are developing a reporting framework should consider referencing the CGAP publication on management information systems, which provides sample formats.

The second element is third party verification of the information. Many MFIs rely on auditors to perform this task, however the auditors' lack of familiarity with microfinance suggests that directors should not rely too heavily on a clean audit as a statement of financial performance of the institution. Within the ACCION network, we conduct CAMEL assessments of our affiliates, and this serves as a valuable financial performance, management and governance tool. The PEARLS assessment used by WOCCU with its credit unions serves a similar function.

The third element is to understand the institution's performance in the context of the broader microfinance industry. This is a role played by the *MicroBanking Bulletin* project. The *Bulletin* provides customized reports that allow a board to compare its performance with a peer group of similar MFIs. If directors notice that their institution's productivity ratios or its return on assets lag behind that of their peers, they can use this information to set performance targets for the following year. Additionally, it enables the board to determine if the quality of information on which the institution bases its analysis is complete and reliable.

These elements speak to the enormous responsibility that boards of MFIs assume. Their fiduciary oversight is not limited to institutional solvency. Insolvency would end or seriously impair access to financial services for clients who have few other options, and would create a greater risk for them if their savings were lost. The insolvency of a well-known MFI would also reverberate throughout microfinance and have damaging consequences for the entire field. It is the responsibility of governance to distill an

improved understanding of the three elements of financial reporting listed here, to demand them of management, and to incorporate them effectively into their governance practices.

Maria Otero is the Executive Vice President of ACCION International and the Chair of the MicroFinance Network Steering Committee.

Recent Publications relevant to Microfinance Governance

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BULLETIN CASE STUDY

Compartamos, Mexico

Compartamos, an MFI serving poor rural women in Mexico, has achieved sustainability while granting average loans of less than \$70. After five years of dynamic growth, today Compartamos is one of the largest MFIs in Latin America in terms of active borrowers. With more than 43,000 clients, its outreach rivals that of PRODEM and Caja Los Andes in Bolivia, and of MiBanco in Peru.

Compartamos was founded in 1991, as a pilot project run by Gente Nueva, a large Mexican NGO. Gente Nueva's other programs included food-for-work, health clinics and a social change program for Mexican youth. The management of Gente Nueva immediately saw the potential for microfinance to have great impact on Mexico's rural poor. They also recognized that, unlike their other activities, a microfinance project could become self-financing. In 1995, the microfinance activity was separated organizationally and in accounting terms from Gente Nueva's other activities.

Management at Compartamos believes that the only way of attaining massive outreach is to be profitable.

As a result, they set interest rates at a level sufficient to cover costs, and have moved aggressively to scale up Compartamos' operations. The program became fully financially self-sufficient in 1997.

Outreach and Growth

Compartamos' record of growth during 1995-98 shows the organization's commitment to achieving massive scale. The program almost tripled the number of active borrowers, and its loan portfolio outstanding quadrupled in the same period, as shown in Table 1.

Table 1: Growth of Outreach, Compartamos 1995-98

	Total Loan Portfolio		No. Active Borrowers	
	total (\$)	growth (%)	total (#)	growth (%)
1995	552,008	na	17,500	na
1996	1,457,679	164	26,716	53
1997	2,146,764	47	32,254	21
1998	2,879,518	34	43,401	35

Table 2: Comparison of Compartamos with Peer Group, Characteristics and Scale

		Compartamos (December 31, 1998)	Peer Group: Medium Latin America, Low-End	All Latin America
CHARACTERISTICS OF MFI				
Age	years	8	7	9
No. Branches	number	17	8	10
No. Employees	number	219	56	86
Capital / Assets	total capital / total assets (%)	90.4	62.2	50.0
INDICATORS OF SCALE				
No. Active Borrowers	number	43,401	8,163	9,528
Average Loan Balance	total loan portfolio / no. active borrowers	66	299	493
Average Loan Balance / GNP per capita	%	1.8	12.1	32.3
Total Loan Portfolio	US Dollars	2,879,518	1,934,539	3,784,580

Table 3: Sustainability and Returns on Assets, Compartamos vs. Peer Group

		Compartamos (December 31, 1998)	Peer Group: Medium Latin America, Low-End	All Latin America
OVERALL FINANCIAL PERFORMANCE				
Adjusted Return on Assets	adjusted net operating income / avg. total assets (%)	15.7	-4.4	-1.5
Operational Self-Sufficiency	operating income / operating expense (%)	144	106	120
Financial Self-Sufficiency	adjusted operating income / adjusted operating expense (%)	122	89	99

The *MicroBanking Bulletin* classifies MFIs in peer groups on the basis of region, size and target group. On the basis of its loan portfolio, which stood at approximately \$2,900,000 as of December 1998, Compartamos is considered a medium-sized program serving a low-end target market.

Compartamos is an outlier even in terms of its low-end peer group. Its average loan balance is extremely small in absolute terms (\$66), at less than one-fourth the average of its peer group (\$299). As Mexico is a relatively high-income country, this contrast is even sharper when the average loan balance is considered in relation to GNP per capita (1.8 percent vs. 12.1 percent of GNP per capita).

Compartamos' depth of outreach, as measured by these indicators, represents both a great accomplishment and a challenge to be overcome. To give such small loans in Mexico, a high-income and high-cost country, presents certain difficulties for an MFI that wishes to reach sustainability.

Sustainability

Compartamos showed impressive financial results in 1998. After fully adjusting for the effects of inflation and subsidy, it generated a return on assets of 15.7 percent. This return is high both in comparison to Compartamos' peer group and to the average of all Latin American programs. (Table 3)

The program has not accessed commercial sources of funding, and relies almost exclusively on its own capital to fund its portfolio. Under Mexico's legal system, non-profit organizations are not permitted to borrow from commercial banks. Since Compartamos funds its portfolio through its own equity, its results are strongly affected by adjustments for the effect of inflation. This is evident in the gap between its ratio for operational self-sufficiency and for financial self-sufficiency (144 percent vs. 122 percent), shown in Table 3. However, due to the high nominal cost of funds in

Mexico, the cost of funds would be even higher if Compartamos was accessing commercial funds.

Table 4 demonstrates that Compartamos' strong financial performance since 1997 is driven primarily by increases in the operating income ratio. While operating expenses actually increased as a share of total assets in 1998, this is more than offset by continuing increases in the operating income ratio. As a result, Compartamos' return on assets grew throughout the period 1996-98.

Primarily due to its very small average loan size, Compartamos' expenses have remained large in

Table 4: Operating Income and Expense with ROA, Compartamos 1996-98

	Operating Income / Avg. Total Assets (Asset Utilization) (%)	Operating Expense / Avg. Total Assets (%)	Adjusted Return on Assets (%)
1996	52	66	(14)
1997	72	62	10
1998	87	71	16

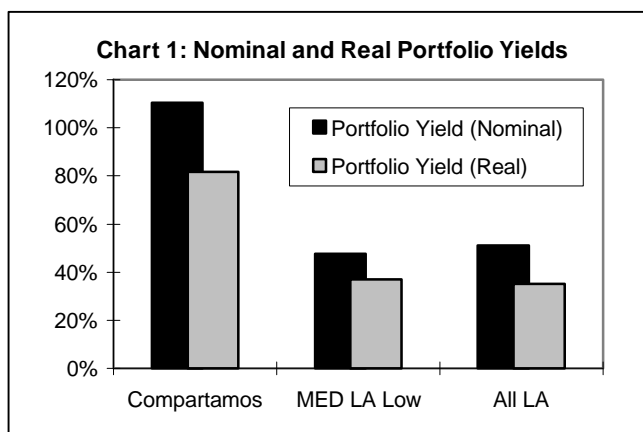
relation to assets and portfolio. The institution hired more skilled staff and raised salaries in 1998, in preparation for its transformation to a formal financial institution. As Compartamos continues to grow, management expects that its expense ratios will decline. In the meantime, the interest rate policy is the most important factor behind Compartamos' profitability.

Interest Rate Policy

Compartamos has a strong commitment to reaching scale by building a sustainable institution, and this has meant taking the decision to pass its high costs on to clients. In 1995, in the aftermath of the "Tequila effect" financial crisis with inflation running at 35 percent, the management team raised monthly nominal interest rates from approximately 3 percent to 5 percent. While in general Mexican interest rates

have decreased through 1997 and 1998, Compartamos has kept its rates at the same level.

The organization's interest rates are high in comparison to similar programs in Latin America. Compartamos' portfolio yield in 1998 was 110 percent in nominal terms, more than double the average of its peer group. Portfolio yields in nominal and in real terms are shown in Chart 1, in comparison to the peer group and to the average of



all Latin American programs.

The decision to price Compartamos' loans to cover its full costs has allowed the institution to build its equity for future growth. According to management, although rates are high, the demand from Compartamos' clients has not been affected. Record growth in numbers of clients indicates that the poor are prepared to pay for access to these services. To date, Compartamos has not faced significant competition from other lenders in any of its branches. The alternative for many of its clients is to visit the moneylender, where interest rates are much higher.

Compartamos' interest rate structure has not changed since 1995. However, its yield has increased substantially because of improvements in portfolio quality. To scale up its operations, it has implemented a new management information system. As its ability to track portfolio quality improved, Compartamos could detect repayment problems earlier and bring down short-term delinquency. Its loan funds rotate more rapidly, and as a result, its earnings on assets improved substantially. Table 5 shows the changes in portfolio quality and in portfolio yield, as the gap closed between the effective interest rate Compartamos charges its clients and its actual earnings.

Table 5: Portfolio Yield and Quality, Compartamos 1996-98

	Portfolio Yield (nominal) (%)	Portfolio at Risk > 30 days (%)	Portfolio at Risk > 90 days (%)
1996	81.9	na	na
1997	97.7	6.6	2.3
1998	110.5	3.4	0.8

Productivity

Administrative costs remain high for Compartamos, both in comparison to its peer group and to other Latin American programs. Table 6 shows total administrative and salary expenses as a share of average portfolio. At 74 percent of average portfolio, Compartamos' administrative expenses are close to double the average of other low-end programs in Latin America.

Compartamos' costs are high in relation to portfolio, but in absolute terms a different picture emerges. Costs per client (administrative expenses divided by the average number of clients) were just \$45 in 1998, almost half the average of its peer group (\$86). The institution's expenses are high only in comparison to its small average loan balance, which reflects the costs of giving extremely small loans in a high cost country.

To improve its administrative cost ratio, Compartamos has focused on increasing productivity and reaching scale. Its management recognizes that this is its most important challenge. While high interest rates have allowed the organization to cover costs and to build its equity base, management is aware that this is possible only because it operates in a monopoly environment.

The program's salary structure is lower than similar MFIs. As shown in Table 6, its average salary expenses were slightly higher than per capita income in Mexico (1.1 times GNP per capita). Compared to the average of its peer group (3.6 times GNP per capita), this is a great cost advantage. The average for all Latin American programs is even higher, at 4.8 times GNP per capita.

Compartamos outperforms its peer group on productivity. As shown in Table 6, it achieved an average of 198 borrowers per staff member, while the average for its peer group was 160. Across Latin America, the overall average was 119 clients per employee. Compartamos uses a village banking type methodology in which borrowers play an active role in approving loan decisions. As a result, loan

Table 6: Operating Efficiency, Compartamos And Peer Group

		Compartamos (December 31, 1998)	Peer Group: Medium Latin America, Low-End	All Latin America
OPERATING INCOME & EXPENSES				
Asset Utilization	total operating income / avg. total assets (%)	86.8	37.3	38.5
Operating Expense	total operating expenses / avg. total assets (%)	71.1	43.6	41.7
PORTFOLIO MANAGEMENT & PRODUCTIVITY				
Administrative Expense	total admin. expense / avg. loan portfolio (%)	74.1	40.9	35.0
Salary Expense	salary expense / avg. loan portfolio (%)	39.3	26.4	21.3
Average Loan Balance / GNP per capita	%	1.8	12.1	32.3
Salary Structure	average staff salary / GNP per capita (X)	1.1	3.6	4.9
Physical Productivity of Staff	no. active borrowers / no. employees	198	160	119

officers can handle a larger caseload. As of December 1998, its loan officers attended an average of 330 clients.

However, neither Compartamos' strong productivity nor its low salary structure is sufficient to compensate its small average loan size. Although it has kept its costs down, they are still substantial in proportion to the outstanding loan portfolio.

The management team at Compartamos recognizes the challenge they have set themselves. The program's average loan balance has increased slowly over the last four years, from \$37 in 1995 to \$66 as of December 1998. Growth in average balances has been slow partly because of large increases of new borrowers. In Compartamos' village banking methodology, loan sizes are driven by borrowers' demand, and this has not grown as quickly as anticipated. Working with poor rural women at this level, it is not easy to increase loan size significantly without stretching clients' repayment capacity.

Continued increases in productivity are likely to bring costs down over time. From 1996-98, Compartamos has averaged 43 percent annual growth in staff. As new loan officers become more experienced, their productivity is likely to increase further.

Small increases in average loan balances and improvements in productivity will allow Compartamos to bring its costs down in relation to average portfolio. However, while serving this target market, it is unlikely that Compartamos will achieve administrative efficiency on par with international

best practice. On the basis of business planning exercises, Compartamos' management team believes that they will be able to bring their costs down to approximately 45 percent of average portfolio on the village banking product. At current salary levels, achieving this target would imply increasing staff productivity to 260 clients per employee. Even so, expenses of 45 percent of average portfolio are far above the standard set by other institutions in Latin America, where several leading programs have achieved administrative expense ratios of 12 to 15 percent.

Partly for this reason, Compartamos recently launched a new loan product. Using a solidarity group methodology designed with technical assistance from ACCION International, Compartamos is offering larger loans to urban microentrepreneurs in Mexico City. The primary motivation for entering this urban market is related to its mission. Management realized that, with 75 percent of Mexico's population living in urban areas, the organization could not have a large impact on national poverty while only serving the rural market. Since this product has potential to operate with significantly lower costs, a positive side effect is that it will allow Compartamos to reduce its overall level of expenses. (See box on paperless loan processing technology)

Funding Strategy

In 1999, Compartamos will become a regulated financial institution. It expects to receive its license to operate as a finance company, which will allow it

to leverage its strong equity position. Formalization will give Compartamos access to funds on the inter-bank market and permit it to issue commercial paper.

Management sees this as an important step for reaching the organization's objectives. Mexico is a huge country with a potential market of millions of microenterprises. As a finance company, Compartamos will operate in a framework that is understood by financial markets and investors, and can access funds to satisfy the demand for its services.

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This case study was prepared by Jennifer McDonald of the Bulletin's editorial staff. The MicroBanking Bulletin expresses its appreciation to the management of Compartamos for permission to publish this data.

Paperless Loan Processing Technology

Chuck Waterfield

The use of handheld computers to streamline operations and reduce expenses, long a dream of some programs, may become a reality thanks to the introduction of the Palm Pilot. The Palm Pilot is small enough to fit in a shirt pocket, but can carry two years' worth of data for up to 500 clients. The Palm Pilot costs only \$150 and can run for 2 months on a pair of AAA batteries.

In 1998, Compartamos, in a joint project with ACCION, began designing what may be the world's first paperless microloan processing system for its new solidarity group loan product. Compartamos is a promising testing ground because its staff has a high comfort level with technology. Although still in its early stages of application, results seem positive.

While in the field, loan officers enter all client information directly into the Palm Pilot—including socioeconomic data, financial statements from their businesses, loan amounts and terms, and conversations notes.

The software provides the following features:

- *Improved service:* Clients benefit from quicker loan processing time, and loan officers can give immediate answers to clients' questions, such as up-to-date loan balances.
- *Improved loan analysis:* The software eliminates math errors, and takes advantage of credit scoring and statistical comparisons.
- *Improved loan officer productivity:* The technology speeds up loan analysis. The software also reminds loan officers about required visits, helping them to improve their time management. The elimination of the paper application also simplifies the procedures; loan officers input all data directly in the Pilot, which is then transferred into the MIS via modem.

- *Additional useful features:* Staff can carry all policy manuals for quick reference; inter-office memos and email can be downloaded daily; and mapping software is available.

In addition, the software tracks the loan officer's time management by registering all client contacts made by the loan officer, including the date, beginning and end time, and purpose of the visit. The contact list can be referenced at any time to review all visits and discussions with a given client.

The software running on the Palm Pilot does not replace the institution's existing MIS, but works in conjunction with it. Data is synchronized between the main MIS and each loan officer's Pilot on a daily basis. Should the loan officer lose her pilot, data loss is limited to a maximum of one day, as all previous data is backed up in the main MIS. The Pilot software does not replace the lending methodology, but automates it. Thus the software needs to be customized for each institution to reflect every detail of its lending methodology and to synchronize the data with the institution's main MIS.

It is important to note that this technology is still in its "pilot" stage. Time will tell whether a paperless approach to microlending can significantly improve operating efficiencies.

Chuck Waterfield (waterfield@csi.com) can provide additional information on Palm Pilot applications.

BULLETIN HIGHLIGHTS AND TABLES

Setting up the Peer Groups

Diversity is one of the greatest assets of the microfinance industry. New innovations in product development help push the frontier of finance all over the world. However, diversity also presents a challenge as managers and industry observers try to compare the results of one MFI to another.

In the past, MFIs benchmarked themselves against a few high-profile industry leaders. This provided a guide to let program managers know if they were headed in the right direction, but it did not allow MFIs to compare themselves to other programs at a similar stage of development, using a similar methodology, and serving a similar market.

The *MicroBanking Bulletin* addresses this problem with its peer group framework. Peer groups are sets of programs that have similar characteristics—similar enough that their managers find utility in comparing their results with those of other organizations in their peer group. We form peer groups based on three indicators:

1. **Region:** With regulatory environments, interest rate policies, and macroeconomic conditions varying widely around the world, microfinance differs by region.
2. **Scale:** Microfinance institutions change and develop as the scale of their operations grows. The *MicroBanking Bulletin* classifies MFIs as small, medium or large according to the size of their portfolio, so that MFIs are compared with others at a similar stage of growth and outreach.
3. **Target Market:** The *Bulletin* classifies

institutions into three categories—low-end, broad, and high-end—according to the range of clients that they serve. This is measured by a combination of their average outstanding loan per client and its relationship to GNP per capita. Village banking programs tend fall into a low-end target group.

This issue of the *MicroBanking Bulletin* includes an expanded number of peer groups to accommodate more specific regional representation. We eliminated two Worldwide peer groups from the previous issue and replaced them with regional groupings: Middle East/North Africa (MENA), Asia Pacific, and Eastern Europe peer groups. These regional peer groups are less homogeneous in relation to their target market and size characteristics, but are a better fit overall.

The quantitative criteria we use to determine each institution's peer group is summarized in the table below. Admittedly, the assigning of programs to peer groups is still more of an art than a science. Although the new peer groups are smaller on average, we expect that the number of programs in these groups will increase in future issues of the *Bulletin* and that they will become more homogeneous.

Peer Group Criteria

1. Region	Latin America	Asia	Africa	Middle East / North Africa	Eastern Europe
2. Scale	Small		Medium		Large
Total Loan Portfolio	< US\$1,000,000		US\$1,000,000 - 7,999,999		>= US\$ 8,000,000
3. Target Market	Low-End		Broad		High-End
Average Loan Balance / GNP per capita	< 20% OR Avg. Loan Balance < US\$150		20% - 149%		> 150%

A Guide to the Peer Groups

PEER GROUP	N	DATA QUALITY RATING† (No. of MFIs with each Rating)			MEMBERS OF PEER GROUPS
		AAA	A	B	
Large Latin American <i>Target: Broad</i>	10	10	0	0	BancoSol, Los Andes, Calpiá, CM Arequipa, PRODEM, FIE, MiBanco, Génesis, Finamérica, FWWB Cali
Medium Latin American <i>Target: Broad</i>	12	7	2	3	ProEmpresa, FAMA, FED, FUNADEH, ADOPEM, FMM Popayán, ACTUAR, BPE, CHISPA, ACODEP, FUPACODES, CMM Medellín
Medium Latin American <i>Target: Low-End</i>	12	4	4	4	PROPESA, Liberación, Compartamos, ProMujer, FINCA Honduras, Emprender, CAM, Sartawi, CEAPE/PE, IFOCC, FINCA Costa Rica, CARE Guatemala.
Small Latin American <i>Target: Low-End</i>	7	1	3	3	FINCA Nicaragua, CONTIGO, FINCA Peru, AGAPE, FINCA Mexico, Los Emprendedores, FINCA Ecuador.
Large Asia <i>Target: All</i>	5	5	0	0	BAAC, BRI, BRAC, Bank Dagang, ASA
Asia-Pacific <i>Size: All Target: Low-End/Broad</i>	4	1	2	1	ACLEDA, TSPI, RSPI, HUBLAG
South Asia <i>Size: Small/Medium Target: Low-End</i>	6	0	4	2	AKRSP, SEEDS, FWWB India, TBF, SHARE, CDS
African <i>Size: All Target: Low-End</i>	13	5	5	3	FECECAM, Zambuko, VITA/Pride, Co-op Bank, FINCA Uganda, UWFT, PRIDE Tz, SAT, MC2, WAGES, RFF, FOCCAS, FINCA Malawi
MENA <i>Size: All Target: Low-End/Broad</i>	6	2	1	3	ABA, UNRWA, Al Amana, FINCA Kyrgyzstan, Al Majmoua, Save Jordan
Eastern Europe <i>Size: Small/Medium Target: Broad/High-End</i>	5	0	1	4	Fundusz Mikro, NOA, Moznosti, Inicjatywa Mikro, Nachala
High-End <i>Size: All Region: Worldwide</i>	6	1	5	0	BanADEMI, Agrocapital, ACEP, CERUDEB, FEFAD, Network Leasing
TOTAL	86	36	27	23	

† The *MicroBanking Bulletin* uses the following ratings system to classify information received from MFIs:

AAA The information is backed by an in-depth financial analysis carried out by an independent entity

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

B The MBB questionnaire or audited financial statements without additional documentation

Bulletin Highlights

Robert Peck Christen

This section presents observations based on comparisons of peer group performance and offers guidance on the relationships between financial indicators found in the statistical tables that follow. Besides the observations noted here, there are other interesting differences between peer groups. However, the number of MFIs in several groups is quite low, and the variance of the data—i.e., the dispersion around the mean value for each peer group—is relatively high. Consequently, one should exercise caution in extrapolating performance standards from this data set.

Key Findings

- *The bulk of MFIs in this database have total assets between \$500,000 and \$5,000,000, average outstanding balances for clients equal to about 35% of GNP per capita, serve women as the substantial majority of their clients, have fewer than 100 employees, and operate as NGOs. Most institutions are several years old and have 5,000 to 20,000 active borrowers.*
- *Almost half (40) of the 86 participating MFIs are financially self-sufficient (profitable in real terms after adjustments). Of the others, 25 are achieving above 65% financial self-sufficiency.*
- *The two broad-based Latin American peer groups have adjusted returns on assets (ARO) over 4%, which are attractive on commercial terms.*
- *More than twenty MFIs have an adjusted return on assets of at least 3.0%.*
- *The age and size of the institution is strongly correlated with ARO.*
- *Salaries make up about 60 percent of total administrative expenses for most MFIs.*
- *In most regions, interest rates are set at a level to cover cash costs. The ideas of compensating for the erosion of capital due to inflation and not passing subsidies on to clients have not taken hold.*

Interpreting the Peer Groups

Before examining the results for any specific peer group, it is useful to review the relationship between the selection criteria. Figure 1 presents scatter plots of each peer group member according to the average loan balance as a percent of GNP per

capita (target market) and their outstanding loan portfolio (scale). The scatter plot gives a quick image of the extent to which the peer group consists of institutions of similar scale serving similar markets.

The peer groups are most narrowly defined in Latin America where market and scale criteria are not combined, as they are in other regions. The small programs that reach low-end clients concentrate in the bottom left-hand corner of the scatter plot, while medium sized, low-end programs occupy the space above them. The medium sized programs that reach a broad spectrum of clients are immediately to the right, and the large, broad programs above that. The classification boundaries are somewhat arbitrary, as a relatively large number of programs group closely together. Still, the scatter plots show integrity of the peer grouping in Latin America.

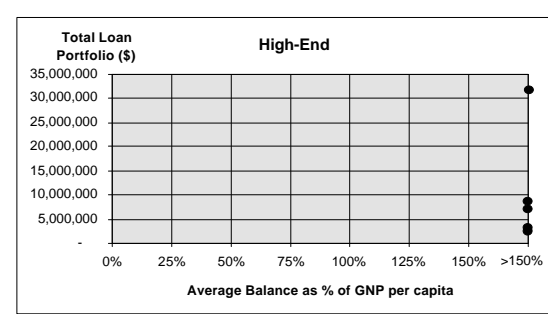
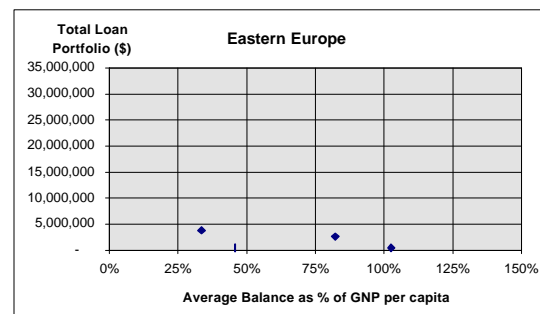
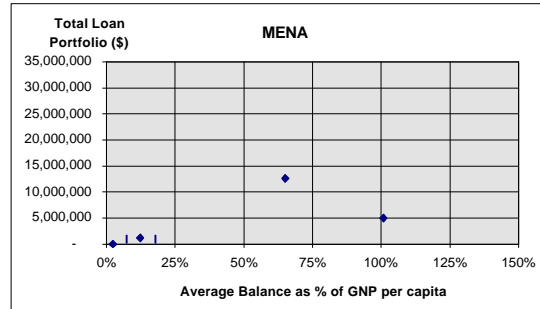
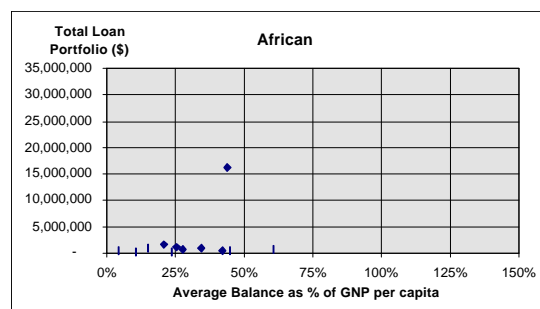
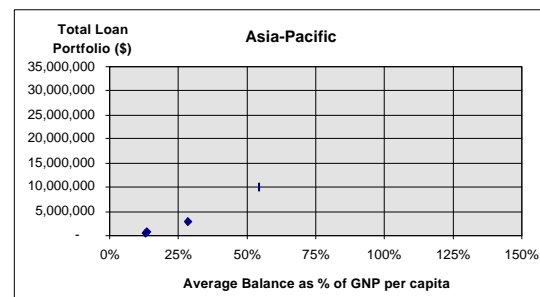
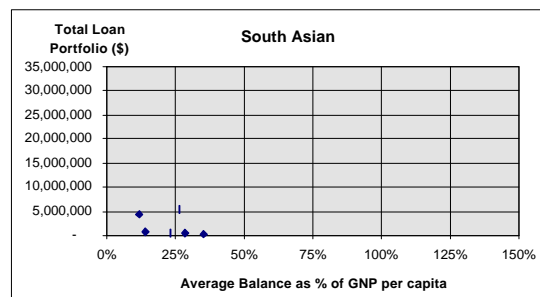
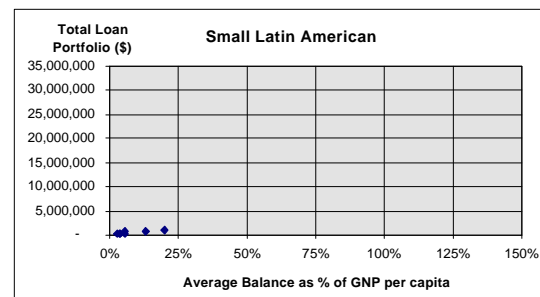
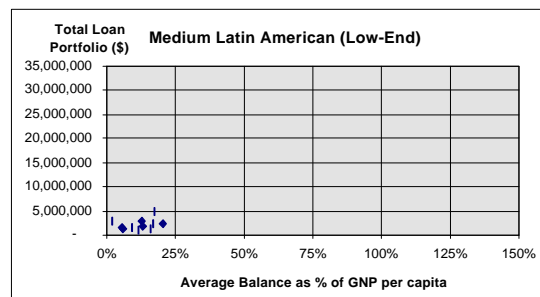
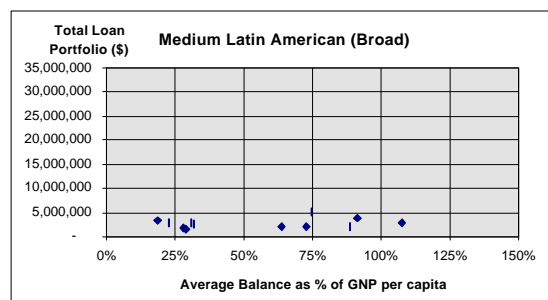
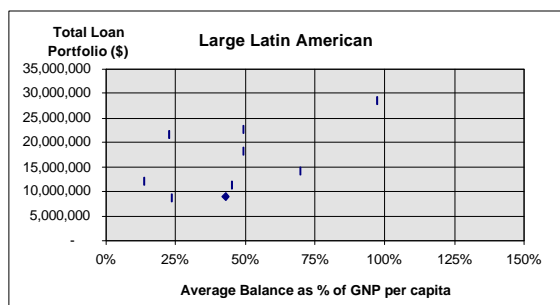
Other peer groups also display basic integrity. The Worldwide high-end programs are all located to the far right, substantially separated from the others. The sub-Saharan Africa peer group has great homogeneity. All 12 programs serve low-end clients and all, except one, are small.⁵ That one exception is an outlier in terms of scale, but operationally it fits best in this group. The South Asian group consists of small and medium sized programs that reach both low-end and broad clients. Nevertheless, the medium sized programs are not particularly big, and the broad-based programs do not have particularly large loan sizes, so the group holds together well. The Large Asian MFIs are so big that they can only be represented in the scatter plots with a change in the scale of the y-axis, as shown in Figure 1A.

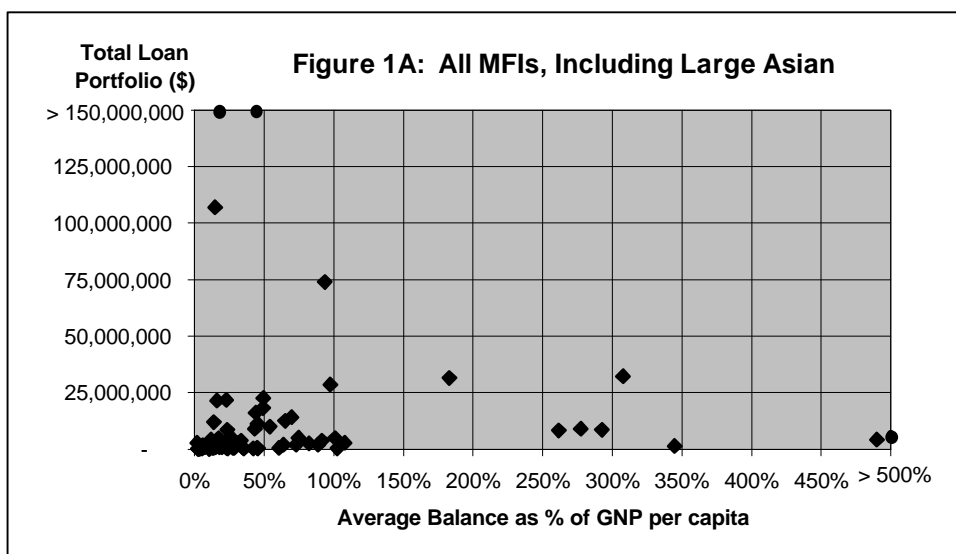
The Asia-Pacific, Eastern Europe and MENA groups show less homogeneity. They are somewhat bipolar in structure as they combine very small programs targeting low-end clients with substantially larger programs that reach a broader market. In Asia-Pacific and MENA, larger programs are as much as ten times bigger than the smaller ones. In MENA and Eastern Europe, the loan sizes of the broadly based programs are at least 10 times higher than those of the low-end programs. These basic and

⁵ The *Bulletin* uses two criteria to establish the low-end target markets: average outstanding balance per client is less than 20 percent of GNP per capita or less than \$150. Although the scatter plot shows several programs in the African peer group above 20 percent, they are all below \$150.

important differences necessitate care in interpreting their data.

Figure 1. Scatter plots of 10 peer groups, Scale and Depth of Outreach (excluding Large Asian)





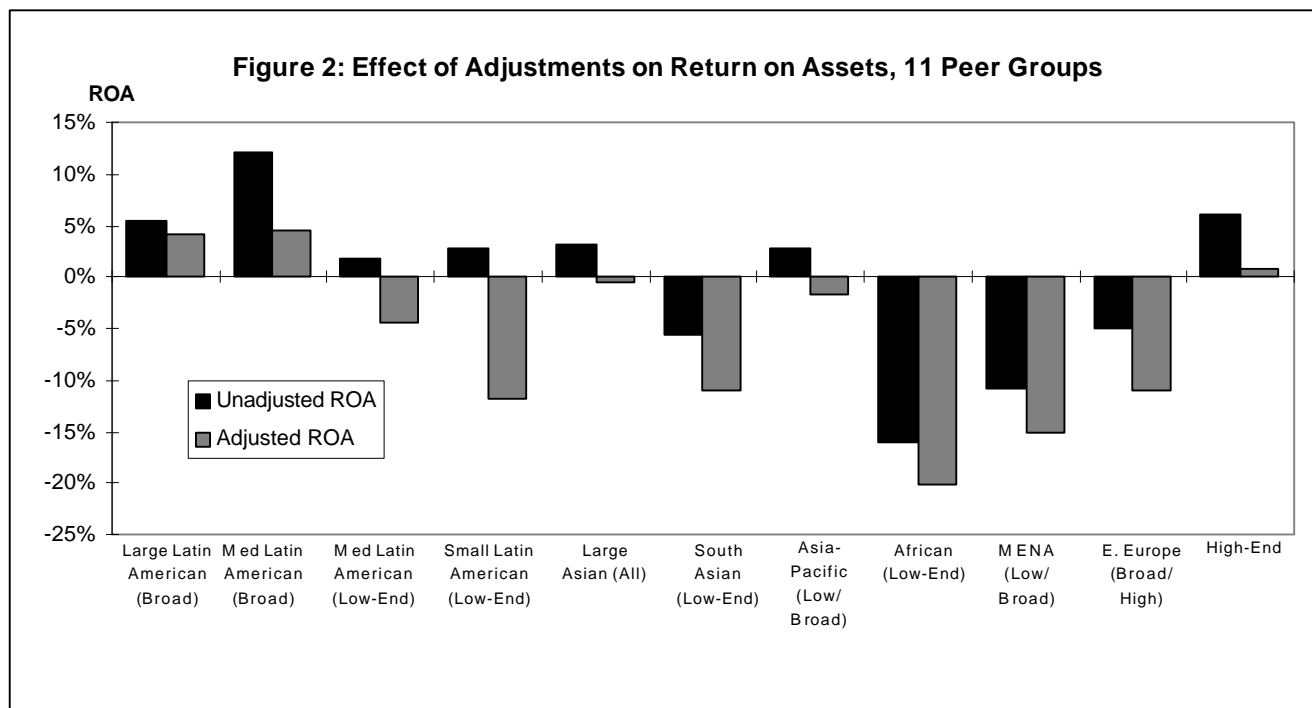
Financial Returns

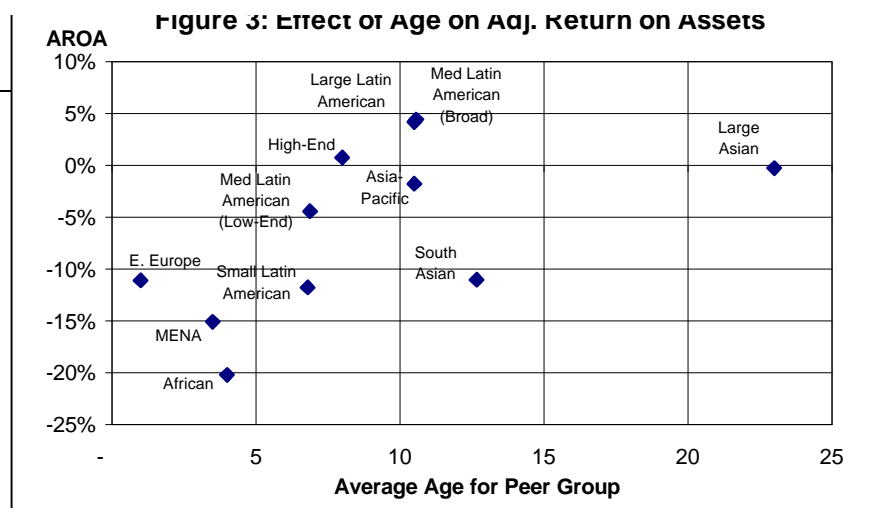
The *Bulletin* measures overall financial performance in two primary ways: a) financial self-sufficiency and b) returns on assets. Financial self-sufficiency measures the degree to which MFIs cover all of their direct and imputed costs. Return on assets and return on equity measure profits in relation to the volume of the financial activity (assets) or the investment (equity). In both frameworks, the *Bulletin* includes additional costs in the financial statements to adjust for subsidies, the effect of inflation on an organization's

equity base, and to standardize accounting policies for expensing bad debts.

The impact of these adjustments on each peer group varies greatly. Figure 2 shows that the adjustments generated negative AROAs for many organizations that had nominal profits on their audited financial statements. Without adjustments, 7 of 11 peer groups showed positive returns on assets. After adjustments, only the nominal positive returns of the Large Latin American group remained basically untouched. The strong unadjusted returns of the Medium Latin American (Broad) and High-End dropped considerably, yet remained positive; the adjusted returns of the other operationally self-sufficient peer groups fell below zero; and the four groups that already had negative returns worsened somewhat.

Three of eleven peer groups are financially self-sufficient under our reasonably rigorous definition, although two other groups, Large Asian (97 percent) and Asia-Pacific (95 percent), almost qualify. The two broad based Latin American peer groups had AROAs that would be attractive on commercial terms (over 4 percent). Twenty of the 86 MFIs that participated in this edition of the *Bulletin* had an adjusted return on assets of 3.0 percent or





BULLETIN HIGHLIGHTS AND TABLES

better, with the best performer achieving an 18.7 percent return.

Figure 2 shows that peer groups serving low-end clients have negative AROAs while those serving a broad range or high-end clients tend to be more profitable. This appears to suggest a trade-off between the target market and financial sustainability. A closer examination of the data

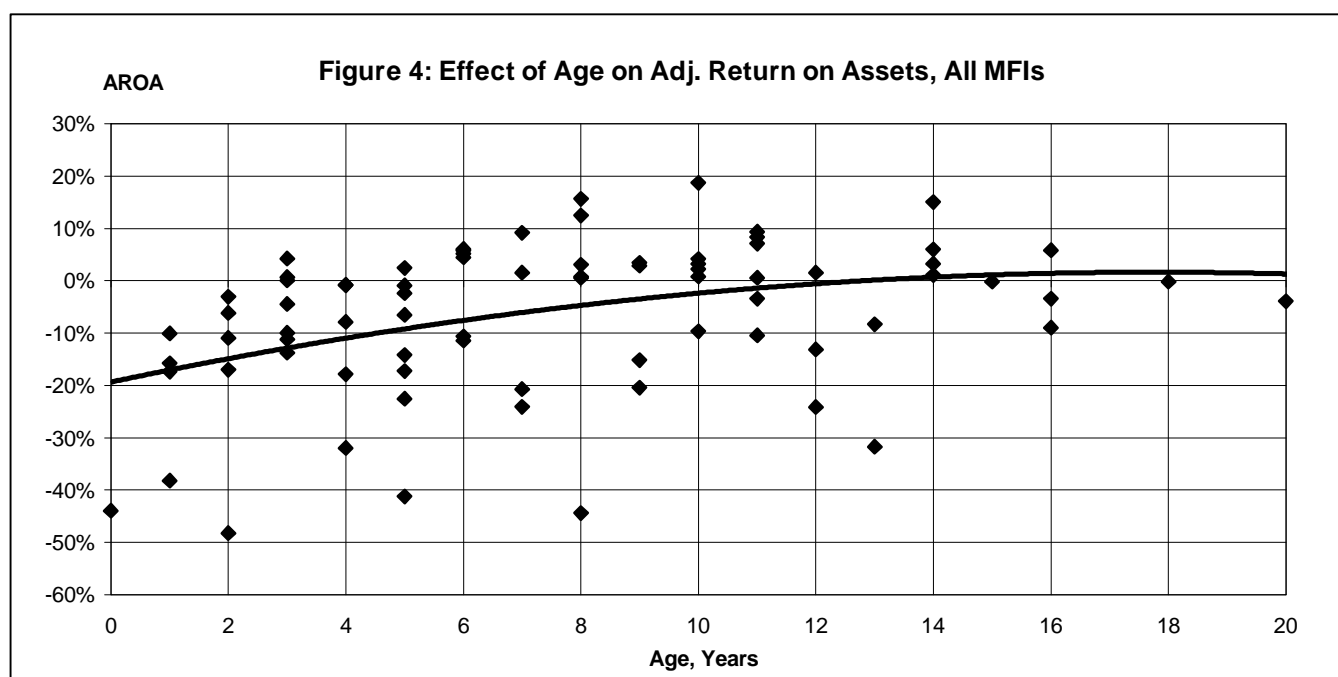
indicates an alternative explanation. While there are significant differences in AROA between institutions that use different lending methodologies, operate in different regions, and serve different markets, these factors may not be as important as the age of the institution.

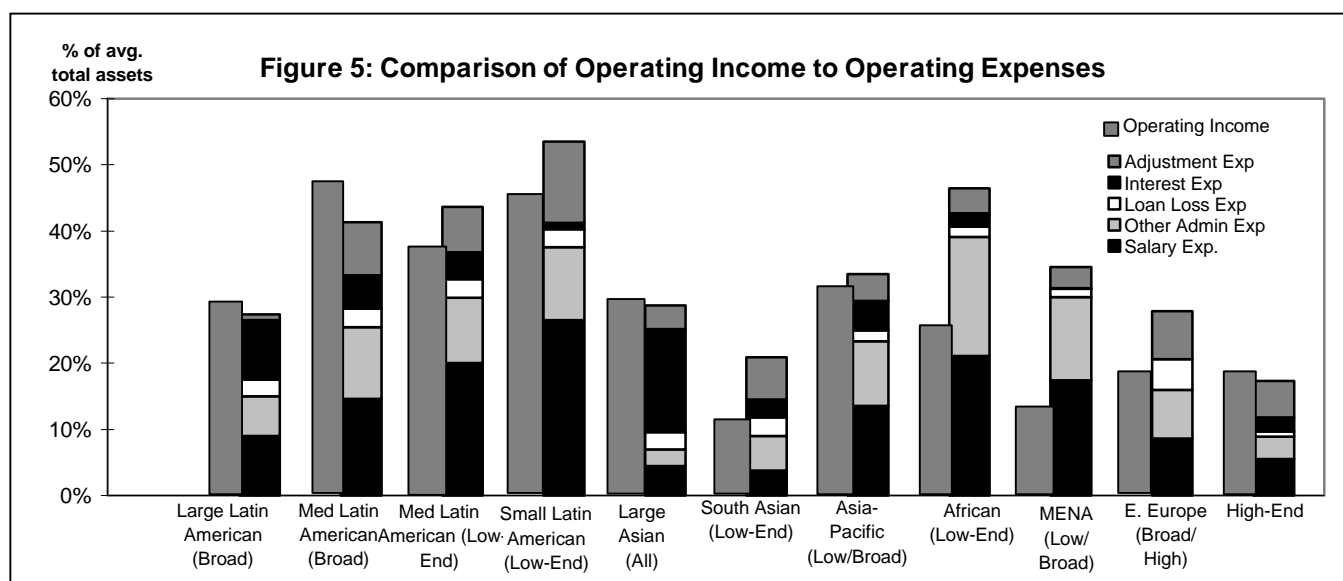
Figure 3 indicates the position of the peer groups with respect to their adjusted return on assets and average age. This correlation between age and AROA is reinforced in Figure 4, which shows a scatter plot of all institutions along the same axes. In fact, the 13 programs considered 'new' by the *Bulletin* had an average AROA of -14.4 percent, while young programs had an average of -8.3 percent. Consolidated programs lost -1.1 percent on average.

The size of the institution is the only other characteristic that is as strongly related to adjusted returns on assets as age. Large programs generated 1.9 percent AROA, while medium programs lost -4.5 percent, and small programs lost -15.2 percent of the average value of their assets. Generally, scale and age are related. Programs in Asia seem to take longer to reach viability; all three Asian peer groups are to the right of all other peer groups on Figure 3.

Interest Rates and Returns

Figure 5 shows operating income and the different categories of expenses as a percentage of average total assets. Operating expenses are highlighted by type, the bottom being salary expense, followed upwards by other administrative costs, the loan loss provision expense, interest expense, and finally the adjustment 'expense' calculated by the *Bulletin*. All but the adjustment expenses are costs that appear on audited financial





statements.

This comparison shows that 9 of the 11 peer groups charge interest rates on average that cover their administrative expenses. Yet only 2 charge interest rates that are high enough to generate a substantial profit after adjustments. Another 3 essentially maintain the value of their equity after adjustments. The other 4 peer groups fail to compensate for the cost of inflation or they pass on to their clients the subsidies they receive.

This suggests that, in most regions, interest rates are set at levels that allow institutions to cover cash costs. The economic concepts of compensating for the erosion of capital due to inflation or 'capitalizing' on operating subsidies by not passing them on to clients through lower interest rates have failed to take hold. Since many Latin American countries have had numerous cycles of high inflation, this may explain why Latin American MFIs lead the way in setting appropriate and sustainable interest rates.

Figure 5 shows that, in most cases, interest rates would not have to be raised very high to achieve this goal. In 5 peer groups, increases of 10 percent or less would make programs fully sustainable. In most regions, MFIs can look to a neighbor that charges higher interest rates, is fully sustainable, and has high repayment rates. Virtually all peer groups have at least one fully sustainable (or very close to sustainable) program. Moreover, in most countries one finds commercially available consumer finance at rates that microfinance organizations would need to charge to be financially self-sufficient.

Operating Expenses and Returns

Figure 5 also reveals interesting similarities and differences in the structure of operating costs across the peer groups. This comparison shows that the proportion between salary and other administrative expenses is relatively constant. Salaries make up about 60 percent of total administrative expenses.

The six peer groups of small/medium, low-end/broad programs in Latin America, Asia-Pacific, Africa and MENA all incur salary expenses between 14 and 26 percent of total assets. This is an interesting finding. In prior editions of the *Bulletin*, Latin American programs had considerably higher cost operations than MFIs in other regions. However, as more programs from other parts of the world began participating in the *Bulletin*, the trends became clearer. In many regions, programs look quite similar to their Latin American cousins. Relatively newer programs in Asia-Pacific, Sub-Saharan Africa, and MENA have a similar cost structure to their precursors in the Americas. This should not come as a surprise—their credit methodology is often adapted from these earlier experiences.

In other regions, this is less true. Salary expense is appreciably lower in South Asian and Large Asian programs, mostly as a function of the local labor market, the design of the programs, and in some cases, their

Figure 6: Salary Burden by Peer Group

PEER GROUP	SALARY STRUCTURE (a) avg staff salary / GNP per capita (X)	AVG LOAN BALANCE (b) avg loan balance / GNP per capita (%)	PHYSICAL PRODUCTIVITY OF STAFF (c) active clients / number of staff	SALARY BURDEN a / (b x c) (%)
Fully Sustainable MFIs (Group of 40)	5.4	46.2	114	10.3
Large Latin American	6.4	49.6	147	8.8
Med. Latin American (Broad)	5.7	52.4	79	13.8
Med. Latin American (Low-End)	3.6	12.1	160	18.6
Small Latin American	2.1	6.2	118	28.7
Large Asian	2.2	29.7	208	4.0
Asia-Pacific	6.2	27.2	103	22.0
South Asian	2.4	22.8	375	2.8
African	10.5	29.1	141	25.6
MENA	2.7	25.5	79	13.4
Eastern Europe	3.8	76.7	45	11.0
High-End	9.1	330.3	43	6.4

enormous scale. In the High-end and Eastern Europe peer groups, salary expense is somewhat lower due to the relatively large size of average loans.

Productivity Indicators and Salary Expense

The salary burden of an MFI is the ratio of staff costs to total loan portfolio (or total assets if preferred). This ratio consists of three components that managers can adjust to change the level of their salary burden. These three productivity variables are: a) average staff salary (including benefits and staff costs paid off payroll), b) average outstanding loan balance, and c) the number of clients per staff member (note: total staff are measured here, not clients per loan officer). For meaningful comparisons between countries, the two dollar values are related to GNP per capita. The salary burden equation is as follows:

$$\frac{\text{Average staff salary / GNP per capita}}{\text{Average outstanding balance per client / GNP per capita} \times \text{Average number of clients per staff member}}$$

increases. Conversely if either of the two productivity variables in the denominator increases, all others remaining constant, the salary burden decreases.

Figure 6 shows how the different peer groups achieve their productivity levels compared to the Group of 40 sustainable programs.⁶ The Large Asian programs approximately double the productivity of the Group of 40 in number of clients per employee (208 vs. 114) and average salary per GNP per capita (2.2x vs. 5.4x), while they have almost half of the average loan balance (29 percent vs. 46 percent). Thus the salary burden for the Large Asian group is 4.0 percent, less than half of the Group of 40 (10.3 percent).

The High-End peer group adopts the opposite manner of reaching sustainable productivity levels. This group makes very large loans compared to the others (in both dollar and relative terms); its loans are six times greater than the Group of 40 average. While it pays double the relative salaries (possibly due to the greater analytical requirements of their lending techniques) and has less than half the number of clients per staff member (43 vs. 114), these lower productivity variables do not completely offset the huge productivity represented by the average loan balance.

Small Latin American Low-End programs have the highest salary burden of any peer at 28.7 percent, indicating low productivity. Figure 6 shows that the average loan balance for the Small Latin American group is less than one fifth of the Group of 40. This would have to be compensated by the other two productivity variables. However, the number of clients per staff member is the about the same as the Group of 40, and the lower salary structure (2.1x vs. 5.4x) does not sufficiently compensate for the low average loan balance.

Generally, Low-End programs in less poor countries have difficulty offsetting their very low loan size through either lower salaries or increased number of clients per staff member. Only programs in Asia are successfully serving the very poor, with low staff salaries, and higher than average clients per staff member. Herein lies the

⁶ The salary burden ratio presented in Figure 6 differs from the salary expense indicator presented in Table 6 below because the salary burden uses *total* portfolio whereas the salary expense indicator uses the *average* outstanding portfolio.

challenge for programs that wish to serve very poor clients, but have not yet found a means to compensate for low loan sizes with other productivity variables.

Index of Ratios and Tables

RATIO	DEFINITION	TABLE
OUTREACH AND INSTITUTIONAL INDICATORS		
TOTAL ASSETS	US dollars	1
NUMBER BRANCH OFFICES	number	1
NUMBER STAFF	number	1
AGE OF INSTITUTION	years	1
NO. OF ACTIVE CLIENTS	number	2
PERCENT LOAN CLIENTS WOMEN	percentage	2
MACROECONOMIC INDICATORS		
GNP per capita	US dollars	7
GDP GROWTH RATE	annual average, 1990-97	7
INFLATION RATE	percent	7
DEPOSIT RATE	percent	7
FINANCIAL DEEPENING	M3 / GDP, percent	7
PROFITABILITY		
UNADJUSTED RETURN ON ASSETS	net operating income / avg total assets	3
ADJUSTED RETURN ON ASSETS	adjusted net operating income / avg total assets	3
ADJUSTED RETURN ON EQUITY	adjusted net operating income / avg equity	3
OPERATIONAL SELF-SUFFICIENCY	operating income / operating expense	3
FINANCIAL SELF-SUFFICIENCY	adjusted operating income / adjusted operating expense	3
PROFIT MARGIN	adjusted net operating income / operating income	4
INCOME & EXPENSES		
ASSET UTILIZATION	operating income / avg total assets	4
OPERATING EXPENSE	adjusted operating expense / avg total assets	5
INTEREST MARGIN	adjusted net interest margin / avg total assets	4
INTEREST EXPENSE	interest expense / avg total assets	5
ADJUSTMENT EXPENSE	adjustment expense / avg total assets	5
LOAN LOSS PROVISION EXPENSE	loan loss provision expense / avg total assets	5
SALARY EXPENSE - ASSETS	staff expense / avg total assets	5
SALARY EXPENSE - PORTFOLIO	staff expense / avg loan portfolio	6
OTHER ADMIN EXPENSE - ASSETS	other administrative expenses / avg total assets	5
TOTAL ADMIN EXPENSE	total administrative expense / avg loan portfolio	6
PORTFOLIO YIELD	total interest and fee income from portfolio / avg loan portfolio	4
REAL INTEREST YIELD	(portfolio yield - inflation rate) / (1+inflation rate)	4
SALARY STRUCTURE	avg staff salary / GNP per capita	6
PHYSICAL PRODUCTIVITY OF STAFF	no. of loan clients per staff member	6
PORTFOLIO INDICATORS		
PORTFOLIO AT RISK > 90 DAYS	outstanding balance loans overdue > 90 days / avg loan portfolio	6
TOTAL LOAN PORTFOLIO	US dollars	2
AVG LOAN BALANCE	total loan portfolio / active clients (US dollars)	2
AVG LOAN BALANCE / GNP per capita	percentage	2, 6
CAPITAL & LIABILITY STRUCTURE		
"MARKET" BASED FUNDING	all liabilities with "market" price / avg loan portfolio	1
CAPITAL / ASSETS	avg total equity / avg total assets	1

TABLE 1: INSTITUTIONAL CHARACTERISTICS

		AGE	TOTAL ASSETS	BRANCH OFFICES	STAFF	CAPITAL / ASSETS	"MARKET" BASED FUNDING
		(years)	(US\$)	(No.)	(No.)	total capital / total assets (%)	all liabilities with "market" price / avg loan portfolio (%)
PEER GROUP							
ALL MFIs	avg	8	6,004,828	11	90	57.7	45.4
	stdv	3	6,946,172	7	66	0.26	0.36
	N	63	68	61	68	68	44
Fully Sustainable MFIs	avg	9	10,868,601	13	132	45.4*	45.9
	stdv	3	10,202,644	10	77	0.22	0.38
	N	30	32	31	32	32	30
Large Latin American	avg	11*	21,325,895	20	188	23.9*	96.1*
<i>Target: Broad</i>							
BancoSol, Los Andes, Calpia, CM Arequipa, PRODEM, FIE, MiBanco, Genesis, Finamérica, FWWB Cali	stdv	2	7,270,241	12	48	0.10	0.12
	N	6	8	8	8	8	8
Medium Latin American	avg	11*	3,602,010	9	72	50.9	21.7*
<i>Target: Broad</i>							
ProEmpresa, FAMA, FED, FUNADEH, ADOPEM, FMM Popayán, ACTUAR, BPE, CHISPA, ACODEP, FUPACODE, CMM Medellín	stdv	1	1,123,039	3	26	0.14	0.21
	N	7	8	8	8	8	8
Medium Latin American	avg	7	2,496,981	8	56	62.2	27.1
<i>Target: Low-End</i>							
PROPESA, Liberación, Compartamos, ProMujer, FINCA Honduras, Emprender, CAM, Sartawi, CEAPE/PE, IFOCC, FINCA Costa Rica, CARE Guatemala	stdv	2	763,048	3	31	0.27	0.28
	N	8	8	8	8	8	5
Small Latin American	avg	7	886,832	3	36	73.2	-
<i>Target: Low-End</i>							
FINCA Nicaragua, CONTIGO, FINCA Peru, AGAPE, FINCA Mexico, Los Emprendedores, FINCA Ecuador	stdv	1	334,434	1	6	0.21	--
	N	5	5	4	5	5	--
Large Asian	avg	24	829,124,368	885	7,951	15.1*	130.7
<i>Target: All</i>							
BAAC, BRI, BRAC, Bank Dagang, ASA	stdv	6	1,239,567,488	500	4,693	0.13	1.15
	N	2	3	3	3	3	3
Asia-Pacific	avg	11	4,589,354	16	150	54.1	27.1
<i>Size: All Target: Low-End/Broad</i>							
ACLEDA, TSPI, RSPI, HUBLAG	stdv	5	5,334,058	12	113	0.14	0.26
	N	4	4	4	4	4	4
South Asian	avg	13*	2,155,079	7	58	82.3	--
<i>Size: Small/Medium Target: Low-End</i>							
AKRSP, SEEDS, FWWB India, TBF, SHARE, CDS	stdv	1	2,118,237	6	50	0.20	-
	N	3	4	3	4	4	--
African	avg	4*	1,612,029	7	56	60.3	126.3
<i>Size: All Target: Low-End</i>							
FECECAM, Zambuko, VITA/Pride, Co-op Bank, FINCA Uganda, UWFT, PRIDE Tz, SAT, MC2, WAGES, RFF, FOCCAS, FINCA Malawi	stdv	1	744,589	3	19	0.23	1.35
	N	8	8	7	8	8	3
MENA Middle-East/North Africa	avg	4*	4,424,017	8	86	97.9*	--
<i>Size: All Target: Low-End/Broad</i>							
ABA, UNRWA, Al Amana, FINCA Kyrgyzstan, Al Majmoua, Save Jordan	stdv	1	4,323,754	6	42	0.02	--
	N	4	4	4	4	4	--
Eastern Europe	avg	--	1,536,459	4	14*	97.5	--
<i>Size: Small/Medium Target: Broad/High-End</i>							
Fundusz Mikro, NOA, Moznosti, Inicjatywa Mikro, Nachala	stdv	--	1,015,320	1	4	0.03	--
	N	--	3	3	3	3	--
High-End	avg	8	11,774,463	8	99	39.1	27.8
<i>Size: All Region: Worldwide</i>							
BanADEMI, Agrocapital, ACEP, CERUDEB, FEFAD, Network Leasing	stdv	4	4,469,971	3	78	0.23	0.17
	N	2	4	3	4	4	4

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. The exception is the Asia-Pacific group, for which the entire sample is included since the group is small. Group means significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*). Complete tables including additional cuts by age, size, target group, methodology, and region are available at www.calmeadow.com.

TABLE 2: OUTREACH INDICATORS

		WOMEN LOAN CLIENTS	AVG. LOAN BALANCE	LOAN AS % OF GNP	NO. OF ACTIVE CLIENTS	TOTAL LOAN PORTFOLIO
PEER GROUP		(%)	Total loan portfolio / # active clients (US\$)	(%)	(No.)	(US\$)
ALL MFIs	avg	64.6	465	36.1	10,122	3,957,741
	stdv	0.19	418	0.26	9,157	4,631,243
	N	49	66	66	66	68
Fully Sustainable MFIs	avg	65.3	509	46.2	15,632	8,144,127
	stdv	0.17	333	0.38	14,187	8,292,449
	N	24	32	32	32	32
Large Latin American <i>Target: Broad</i> BancoSol, Los Andes, CALPIA, CM Arequipa, PRODEM, FIE, MiBanco, Genesis, Finamérica, FWWB Cali	avg	61.4	714	49.6	27,420	17,222,317
	stdv	0.07	183	0.23	8,550	6,735,455
	N	5	8	8	8	8
Medium Latin American <i>Target: Broad</i> ProEmpresa, FAMA, FED, FUNADEH, ADOPEM, FMM Popayán, ACTUAR, BPE, CHISPA, ACODEP, FUPACODE, CMM Medellín	avg	58.4	533	52.4	5,462	2,525,971
	stdv	0.11	181	0.25	1,858	526,343
	N	7	8	8	8	8
Medium Latin American <i>Target: Low-End</i> PROPESA, Liberación, Compartamos, ProMujer, FINCA Honduras, Emprender, CAM, Sartawi, CEAPE/PE, IF OCC, FINCA Costa Rica, CARE Guatemala	avg	69.1	299*	12.1*	8,163	1,934,539
	stdv	0.23	186	0.04	4,639	519,991
	N	7	7	7	7	8
Small Latin American <i>Target: Low-End</i> FINCA Nicaragua, CONTIGO, FINCA Peru, AGAPE, FINCA Mexico, Los Emprendedores, FINCA Ecuador	avg	84.3	112*	6.2*	3,812	518,625
	stdv	0.17	24	0.04	1,210	261,152
	N	4	5	5	5	5
Large Asian <i>Target: All</i> BAAC, BRI, BRAC, Bank Dagang, ASA	avg	--	589	29.7*	1,749,311	247,944,394
	stdv	--	763	0.17	864,155	293,475,747
	N	--	3	3	3	3
Asia-Pacific <i>Size: All Target: Low-End/Broad</i> ACLEDA, TSPI, RSPI, HUBLAG	avg	82.7*	205*	27.2*	19,574	3,531,998
	stdv	0.07	90	0.19	28,499	4,477,320
	N	4	4	4	4	4
South Asian <i>Size: Small/Medium Target: Low-End</i> AKRSP, SEEDS, FWWB India, TBF, SHARE, CDS	avg	71.0	102*	22.8*	19,247	1,577,653
	stdv	0.16	17	0.06	18,184	1,810,079
	N	2	4	4	4	4
African <i>Size: All Target: Low-End</i> FECECAM, Zambuko, VITA/Pride, Co-op Bank, FINCA Uganda, UWFT, PRIDE Tz, SAT, MC2, WAGES, RFF, FOCCAS, FINCA Malawi	avg	81.2	119*	29.1*	7,374	690,027
	stdv	0.13	27	0.10	2,814	215,370
	N	5	8	8	8	9
MENA Middle-East/North Africa <i>Size: All Target: Low-End/Broad</i> ABA, UNRWA, Al Amana, FINCA Kyrgyzstan, Al Majmoua, Save Jordan	avg	65.8	315	25.5*	6,170	1,968,597
	stdv	0.21	317	0.27	3,579	1,980,890
	N	3	4	4	4	4
Eastern Europe <i>Size: Small/Medium Target: Broad/High-End</i> Fundusz Mikro, NOA, Moznosti, Inicjatywa Mikro, Nachala	avg	34.5*	2,057	76.7	513	1,492,346
	stdv	0.04	1129	0.29	229	1,064,536
	N	2	3	3	3	3
High-End <i>Size: All Region: World-wide</i> BanADEMI, Agrocapital, ACEP, CERUDEB, FEFAD, Network Leasing	avg	30.0*	2,383*	330.3*	5,155	7,602,636
	stdv	0	665	1.07	3,584	2,174,723
	N	2	4	4	4	4

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. The exception is the Asia-Pacific group, for which the entire sample is included since the group is small. Group means significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*). Complete tables including additional data by age, size, target group, methodology, and region are available at www.calmeadow.com.

TABLE 3: OVERALL FINANCIAL PERFORMANCE

PEER GROUP		UNADJ. RETURNS ON ASSETS	ADJ. RETURNS ON ASSETS	ADJ. RETURNS ON EQUITY	OPERATIONAL SELF SUFFICIENCY	FINANCIAL SELF SUFFICIENCY
		net operating income / avg. total assets (%)	adj.net operating income / avg. total assets (%)	adj.net operating income/avg. equity (%)	operating income / operating expense (%)	adj. operating income / operating expense (%)
ALL MFIs	avg	-0.3	-5.6	-9.8	101.8	85.1
	stdv	0.08	0.09	0.18	0.28	0.23
	N	68	68	68	68	68
Fully Sustainable MFIs	avg	8.4*	3.3*	10.7*	133.3*	110.9*
	stdv	0.04	0.03	0.11	0.18	0.09
	N	32	32	32	32	32
Large Latin American	avg	5.5*	4.2*	19.8*	120.5*	115.8*
<i>Target: Broad</i>						
BancoSol, Los Andes, Calpia, CM Arequipa, PRODEM, FIE, MiBanco, Genesis, Finamérica, FWWB Cali	stdv	0.03	0.02	0.12	0.08	0.05
	N	8	8	8	8	8
Medium Latin American	avg	12.1*	4.4*	9.8*	140.8*	111.9*
<i>Target: Broad</i>						
ProEmpresa, FAMA, FED, FUNADEH, ADOPEM, FMM Popayán, ACTUAR, BPE, CHISPA, ACOPEP, FUPACODE, CMM Medellín	stdv	0.06	0.05	0.12	0.23	0.14
	N	8	8	8	8	8
Medium Latin American	avg	1.7	-4.4	-8.9	105.7	89.5
<i>Target: Low-End</i>						
PROPESA, Liberación, Compartamos, ProMujer, FINCA Honduras, Emprender, CAM, Sartawi, CEAPE/PE, IFOCC, FINCA Costa Rica, CARE Guatemala	stdv	0.04	0.05	0.12	0.13	0.12
	N	8	8	8	8	8
Small Latin American	avg	2.7	-11.8	-20.1	110.3	81.7
<i>Target: Low-End</i>						
FINCA Nicaragua, CONTIGO, FINCA Peru, AGAPE, FINCA Mexico, Los Emprendedores, FINCA Ecuador	stdv	0.07	0.09	0.17	0.19	0.13
	N	5	5	5	5	5
Large Asian	avg	3.2	-0.5*	-15.2	108.9	96.5
<i>Target: All</i>						
BAAC, BRI, BRAC, Bank Dagang, ASA	stdv	0.03	0.02	0.27	0.14	0.10
	N	3	3	3	3	3
Asia-Pacific	avg	2.5	-1.6	-2.9	108.9	95.3
<i>Size: All Target: Low-End/Broad</i>						
ACLEDA, TSPI, RSPI, HUBLAG	stdv	0.06	0.05	0.10	0.22	0.16
	N	4	4	4	4	4
South Asian	avg	-5.5	-11.1	-15.8	75.3	48.5*
<i>Size: Small/Medium Target: Low-End</i>						
AKRSP, SEEDS, FWWB India, TBF, SHARE, CDS	stdv	0.06	0.03	0.08	0.30	0.10
	N	4	4	4	4	4
African	avg	-16.1*	-20.2*	-35.5*	62.2*	57.2*
<i>Size: All Target: Low-End</i>						
FECECAM, Zambuko, VITA/Pride, Co-op Bank, FINCA Uganda, UWFT, PRIDE Tz, SAT, MC2, WAGES, RFF, FOCCAS, FINCA Malawi	stdv	0.11	0.11	0.18	0.15	0.14
	N	9	9	9	9	9
MENA Middle-East/North Africa	avg	-10.8	-15.1	-14.9	66.5	56.1
<i>Size: All Target: Low-End/Broad</i>						
ABA, UNRWA, Al Amana, FINCA Kyrgyzstan, Al Majmoua, Save Jordan	stdv	0.18	0.18	0.18	0.38	0.37
	N	4	4	4	4	4
Eastern Europe	avg	-5.1	-11.1	-11.4	74.9*	60.6*
<i>Size: Small/Medium Target: Broad/High-End</i>						
Fundusz Mikro, NOA, Moznosti, Inicjatywa Mikro, Nachala	stdv	0.01	0.05	0.06	0.11	0.04
	N	3	3	3	3	3
High-End	avg	6.1*	0.8*	3.2*	150.2*	103.1*
<i>Size: All Region: World-wide</i>						
BanADEMI, Agrocapital, ACEP, CERUDEB, FEFAD, Network Leasing	stdv	0.03	0.01	0.06	0.31	0.04
	N	4	4	4	4	4

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. The exception is the Asia-Pacific group, for which the entire sample is included since the group is small. Group means significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*). Complete tables including additional data by age, size, target group, methodology, and region are available at www.calmeadow.com.

TABLE 4: OPERATING INCOME

PEER GROUP		ASSET UTILIZATION	PROFIT MARGIN	NET INTEREST MARGIN	PORTFOLIO YIELD	REAL INTEREST YIELD
		operating income / avg. total assets (%)	adj. net operating income / operating income (%)	adj. net margin / avg. total assets (%)	interest income from portfolio / avg. loan portfolio (%)	Portfolio yield – inflation rate / (1+inflation rate) (%)
ALL MFIs	avg	29.9	-27.5	19.1	41.6	27.5
	stdv	0.12	0.40	0.09	0.16	0.14
	N	68	68	68	68	68
Fully Sustainable MFIs	avg	37.9*	9.3*	25.9*	48.7	34.3
	stdv	0.11	0.07	0.09	0.15	0.12
	N	32	32	32	32	32
Large Latin American	avg	29.5	13.4*	20.6	36.8*	25.8
<i>Target: Broad</i>						
BancoSol, Los Andes, CALPIA, CM Arequipa, PRODEM, FIE, MiBanco, Genesis, Finamérica, FWWB Cali	stdv	0.04	0.04	0.03	0.06	0.06
	N	8	8	8	8	8
Medium Latin American	avg	48.2*	9.5*	30.2*	62.6*	39.1*
<i>Target: Broad</i>						
ProEmpresa, FAMA, FED, FUNADEH, ADOPEM, FMM Popayán, ACTUAR, BPE, CHISPA, ACODEP, FUPACODE, CMM Medellín	stdv	0.06	0.11	0.09	0.13	0.09
	N	8	8	8	8	8
Medium Latin American	avg	37.3	-13.8*	27.1	47.6	37.1
<i>Target: Low-End</i>						
PROPESA, Liberación, Compartamos, ProMujer, FINCA Honduras, Empringer, CAM, Sartawi, CEAPE/PE, IFOCC, FINCA Costa Rica, CARE Guatemala	stdv	0.13	0.17	0.11	0.12	0.13
	N	8	8	8	8	8
Small Latin American	avg	45.5*	-24.8	30.1*	70.9*	43.7*
<i>Target: Low-End</i>						
FINCA Nicaragua, CONTIGO, FINCA Peru, AGAPE, FINCA Mexico, Los Emprendedores, FINCA Ecuador	stdv	0.05	0.18	0.05	0.11	0.11
	N	5	5	5	5	5
Large Asian	avg	30.7	-4.4*	9.9	26.5*	5.4
<i>Target: All</i>						
BAAC, BRI, BRAC, Bank Dagang, ASA	stdv	0.10	0.11	0.07	0.01	0.14
	N	3	3	3	3	3
Asia-Pacific	avg	32.3	-7.7*	23.8	43.9	32.6
<i>Size: All Target: Low-End/Broad</i>						
ACLEDA, TSPI, RSPI, HUBLAG	stdv	0.08	0.22	0.07	0.08	0.05
	N	4	4	4	4	4
South Asian	avg	10.9*	-113.2*	2.8*	13.5*	3.9*
<i>Size: Small/Medium Target: Low-end</i>						
AKRSP, SEEDS, FWWB India, TBF, SHARE, CDS	stdv	0.03	0.47	0.02	0.04	0.02
	N	4	4	4	4	4
African	avg	24.9	-87.6	16.8	48.2	33.4
<i>Size: All Target: Low-End</i>						
FECECAM, Zambuko, VITA/Pride, Co-op Bank, FINCA Uganda, UWFT, PRIDE Tz, SAT, MC2, WAGES, RFF, FOCCAS, FINCA Malawi	stdv	0.09	0.64	0.07	0.15	0.18
	N	9	9	9	9	9
MENA Middle-East/North Africa	avg	13.1*	-142.2	9.3*	29.2*	23.3
<i>Size: All Target: Low-End/Broad</i>						
ABA, UNRWA, Al Amana, FINCA Kyrgyzstan, Al Majmoua, Save Jordan	stdv	0.04	1.35	0.05	0.09	0.09
	N	4	4	4	4	4
Eastern Europe	avg	18.6*	-65.7	8.6*	22.6*	6.8*
<i>Size: Small/Medium Target: Broad/High-End</i>						
Fundusz Mikro, NOA, Moznosti, Inicjatywa Mikro, Nachala	stdv	0.02	0.12	0.03	0.04	0.07
	N	3	3	3	3	3
High-End	avg	19.3*	2.9*	10.4*	25.1*	15.6*
<i>Size: All Region: World-wide</i>						
BanADEMI, Agrocapital, ACEP, CERUDEB, FEFAD, Network Leasing	stdv	0.02	0.04	0.04	0.04	0.05
	N	4	4	4	4	4

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. The exception is the Asia-Pacific group, for which the entire sample is included since the group is small. Group means significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*). Complete tables including additional data by age, size, target group, methodology, and region are available at www.calmeadow.com.

TABLE 5: OPERATING EXPENSES AS PERCENTAGE OF TOTAL ASSETS

PEER GROUP		OPERATING EXPENSE	INTEREST EXPENSE	ADJUSTMENT EXPENSE	LOAN LOSS PROVISION EXPENSE	SALARY EXPENSE	OTHER ADMIN. EXPENSE
		adj. operating exp. / avg. total assets (%)	interest exp. / avg. total assets (%)	adjustment exp. / avg. total assets (%)	provision exp. / avg. total assets (%)	staff exp. / avg. total assets (%)	other admin. exp / avg total assets (%)
ALL MFIs	avg	37.8	3.7	5.4	2.3	13.9	9.3
	stdv	0.13	0.03	0.04	0.01	0.07	0.05
	N	68	63	68	67	68	68
Fully Sustainable MFIs	avg	34.8	4.8	5.0	2.2*	12.2	7.6*
	stdv	0.11	0.03	0.04	0.01	0.06	0.03
	N	32	32	32	32	32	32
Large Latin American	avg	27.8*	8.6*	0.9*	2.5	9.1*	6.0*
<i>Target: Broad</i>							
BancoSol, Los Andes, Calpia, CM Arequipa,	stdv	0.06	0.04	0.01	0.01	0.02	0.01
PRODEM, FIE, MiBanco, Genesis,	N	8	8	8	8	8	8
Finamérica, FWWB Cali							
Medium Latin American	avg	46.1*	5.3	8.1	2.8	14.7	10.8
<i>Target: Broad</i>							
ProEmpresa, FAMA, FED, FUNADEH,	stdv	0.06	0.04	0.03	0.01	0.05	0.03
ADOPEM, FMM Popayán, ACTUAR, BPE,	N	8	8	8	8	8	8
CHISPA, ACOPEP, FUPACODE, CMM							
Medellín							
Medium Latin American	avg	43.6	3.9	6.9	2.8	20.1	9.9
<i>Target: Low-End</i>							
PROPESA, Liberación, Compartamos, ProMujer,	stdv	0.11	0.02	0.03	0.01	0.06	0.03
FINCA Honduras, Emprender, CAM, Sartawi,	N	8	8	8	8	8	8
CEAPE/PE, IFOCC, FINCA Costa Rica, CARE							
Guatemala							
Small Latin American	avg	55.9*	1.1*	12.3*	2.7	26.6*	10.9
<i>Target: Low-End</i>							
FINCA Nicaragua, CONTIGO, FINCA Peru,	stdv	0.10	0.01	0.05	0.02	0.05	0.03
AGAPE, FINCA Mexico, Los Emprendedores,	N	5	3	5	5	5	5
FINCA Ecuador							
Large Asian	avg	31.2	15.6	3.2*	2.6	4.1*	2.3*
<i>Target: All</i>							
BAAC, BRI, BRAC, Bank Dagang, ASA	stdv	0.09	0.10	0.01	0.02	0.03	0.01
	N	3	3	3	3	3	3
Asia-Pacific	avg	33.6	4.4	4.1	1.7*	13.6	9.7
<i>Size: All Target: Low-End/Broad</i>							
ACLEDA, TSPI, RSPI, HUBLAG	stdv	0.06	0.02	0.03	0.01	0.03	0.03
	N	4	4	4	4	4	4
South Asian	avg	21.8*	2.7*	6.4	2.8	3.8*	5.2*
<i>Size: Small/Medium Target: Low-End</i>							
AKRSP, SEEDS, FWWB India, TBF,	stdv	0.05	0.0	0.02	0.03	0.01	0.01
SHARE, CDS	N	4	2	4	4	4	4
African	avg	50.2	2.1*	3.9*	1.5*	21.1*	18.0*
<i>Size: All Target: Low-End</i>							
FECECAM, Zambuko, VITA/Pride, Co-op Bank,	stdv	0.19	0.02	0.02	0.01	0.08	0.07
FINCA Uganda, UWFT, PRIDE Tz, SAT, MC2,	N	9	9	9	9	9	9
WAGES, RFF, FOCCAS, FINCA Malawi							
MENA Middle-East/North Africa	avg	38.5	0.1*	3.2*	1.2*	17.4	12.6
<i>Size: All Target: Low-End/Broad</i>							
ABA, UNRWA, Al Amana, FINCA	stdv	0.2	0.0	0.01	0.01	0.11	0.09
Kyrgyzstan, Al Majmoua, Save Jordan	N	4	3	4	4	4	4
Eastern Europe	avg	29.6	--	7.2	4.6	8.6	7.4
<i>Size: Small/Medium Target: Broad/High-End</i>							
Fundusz Mikro, NOA, Moznosti, Inicjatywa	stdv	0.08	--	0.05	0.02	0.04	0.02
Mikro, Nachala	N	3	--	3	3	3	3
High-End	avg	20.7*	2.1*	5.5	0.8*	5.5*	3.4*
<i>Size: All Region: World-Wide</i>							
BanADEMI, Agrocapital, ACEP, CERUDEB,	stdv	0.04	0.02	0.04	0.01	0.02	0.01
FEFAD, Network Leasing	N	4	4	4	4	4	4

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. The exception is the Asia-Pacific group, for which the entire sample is included since the group is small. Group means significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*). Complete tables including additional data by age, size, target group, methodology, and region are available at www.calmeadow.com.

TABLE 6: PORTFOLIO MANAGEMENT

PEER GROUP		ADMIN EXPENSE	SALARY EXPENSE	PORTFOLIO AT RISK	AVG LOAN BALANCE/ GNP PER CAPITA	SALARY STRUC- TURE	PHYSICAL PRODUCTIVITY OF STAFF
		total admin. exp / avg loan portfolio (%)	staff exp / avg loan portfolio (%)	outstanding balance overdue > 90 days / avg loan portfolio (%)	avg loan balance / gnp per capita (%)	avg staff salary / GNP per capita (%)	active clients / number of staff (%)
ALL MFIs	avg	36.7	21.5	2.7	36.1	4.9	114
	stdv	0.19	0.12	0.02	0.26	2.84	50
	N	68	68	48	66	68	66
Fully Sustainable MFIs	avg	27.9*	16.8*	2.1	46.2	5.4	116
	stdv	0.12	0.08	0.01	0.38	2.84	48
	N	32	32	23	32	32	32
Large Latin American	avg	19.2*	11.5*	1.2	49.6	6.4	147
<i>Target: Broad</i>							
BancoSol, Los Andes, Calpia, CM Arequipa,	stdv	0.06	0.04	0.01	0.23	2.58	38
PRODEM, FIE, MiBanco, Genesis,	N	8	8	8	8	8	8
Finamérica, FWWB Cali							
Medium Latin American	Avg	37.1	20.4	3.7	52.4	5.7	79*
<i>Target: Broad</i>							
ProEmpresa, FAMA, FED, FUNADEH,	stdv	0.08	0.06	0.01	0.25	2.04	15
ADOPEM, FMM Popayán, ACTUAR, BPE,	N	8	8	7	8	8	8
CHISPA, ACODEP, FUPACODE, CMM							
Medellín							
Medium Latin American	avg	40.9	26.4	2.9	12.1*	3.6*	160
<i>Target: Low-End</i>							
PROPESA, Liberación, Compartamos, ProMujer,	stdv	0.10	0.06	0.02	0.04	1.28	53
FINCA Honduras, Emprender, CAM, Sartawi,	N	8	8	7	7	8	7
CEAPE/PE, IFOCC, FINCA Costa Rica, CARE							
Guatemala							
Small Latin American	avg	61.7	41.6*	--	6.2*	2.1*	118
<i>Target: Low-End</i>							
FINCA Nicaragua, CONTIGO, FINCA Peru,	stdv	0.21	0.12	--	0.04	0.38	40
AGAPE, FINCA Mexico, Los Emprendedores,	N	5	5	--	5	5	5
FINCA Ecuador							
Large Asian	avg	10.4*	6.5*	--	29.7*	2.2*	208
<i>Target: All</i>							
BAAC, BRI, BRAC, Bank Dagang, ASA	stdv	0.04	0.04	--	0.17	0.47	130
	N	3	3	--	3	3	3
Asia-Pacific	avg	32.4*	18.9*	3.3	27.2*	6.2	103
<i>Size: All Target: Low-End/Broad</i>							
ACLEDA, TSPI, RSPI, HUBLAG	stdv	0.05	0.02	0.02	0.19	9.07	86
	N	4	4	4	4	4	4
South Asian	avg	14.8*	5.9*	11.5	22.8*	2.4*	375
<i>Size: Small/Medium Target: Low-End</i>							
AKRSP, SEEDS, FWWB India, TBF,	stdv	0.04	0.02	0.14	0.06	0.78	374
SHARE, CDS	N	4	4	2	4	4	4
African	avg	82.1*	45.1*	2.4	29.1*	10.5*	141
<i>Size: All Target: Low-End</i>							
FECECAM, Zambuko, VITA/Pride, Co-op Bank,	stdv	0.31	0.17	0.02	0.10	4.82	30
FINCA Uganda, UWFT, PRIDE Tz, SAT, MC2,	N	9	9	4	8	9	8
WAGES, RFF, FOCCAS, FINCA Malawi							
MENA Middle-East/North Africa	avg	62.8	37.8	0.9	25.5*	2.7*	79*
<i>Size: All Target: Low-End/Broad</i>							
ABA, UNRWA, Al Amana, FINCA	stdv	0.29	0.17	0.01	0.27	0.90	6
Kyrgyzstan, Al Majmoua, Save Jordan	N	4	4	2	4	4	4
Eastern Europe	avg	30.8	18.1	1.2	76.7	3.8	45*
<i>Size: Small/Medium Target: Broad/High-End</i>							
Fundusz Mikro, NOA, Moznosti, Inicjatywa	stdv	0.17	0.11	0.01	0.29	1.34	24
Mikro, Nachala	N	3	3	3	3	3	3
High-End	avg	11.8*	7.3*	1.6	330.3*	9.1	43*
<i>Size: All Region: World-wide</i>							
BanADEMI, Agrocapital, ACEP, CERUDEB,	stdv	0.04	0.01	0.0	1.07	3.93	20
FEFAD, Network Leasing	N	4	4	3	4	4	4

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. The exception is the Asia-Pacific group, for which the entire sample is included since the group is small. Group means significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*). Complete tables including additional data by age, size, target group, methodology, and region are available at www.calmeadow.com.

TABLE 7: MACROECONOMIC INDICATORS

		GNP PER CAPITA	GDP GROWTH RATE, ANNUAL AVG. 1990-97	INFLATION RATE	DEPOSIT RATE	FINANCIAL DEEPENING (M3/GDP)
PEER GROUP		(US\$)	(%)	(%)	(%)	(%)
ALL MFIs	avg	1,381	4.4	10.3	15.1	36.1
	stdv	891	0.01	0.05	0.05	0.10
	N	68	63	66	63	64
Fully Sustainable MFIs	avg	1,229*	4.2	10.1	15.5	37.2
	stdv	634	0.01	0.05	0.06	0.09
	N	30	29	32	29	31
Large Latin American <i>Target: Broad</i> BancoSol, Los Andes, Calpia, CM Arequipa, PRODEM, FIE, MiBanco, Genesis, Finamérica, FWWB Cali	avg	1,938	4.8	8.9	15.2	36.3
	stdv	295	0.01	0.04	0.04	0.07
	N	4	3	8	8	4
Medium Latin American <i>Target: Broad</i> ProEmpresa, FAMA, FED, FUNADEH, ADOPEM, FMM Popayán, ACTUAR, BPE, CHISPA, ACODEP, FUPACODE, CMM Medellín	avg	1,661	4.1	14.2	20.5	34.9
	stdv	470	0.00	0.05	0.07	0.05
	N	7	7	8	8	7
Medium Latin American <i>Target: Low-End</i> PROPESA, Liberación, Compartamos, ProMujer, FINCA Honduras, Emprender, CAM, Sartawi, CEAPE/PE, IFOCC, FINCA Costa Rica, CARE Guatemala	avg	2,566	4.6	8.9	15.1	34.6
	stdv	1,326	0.01	0.03	0.03	0.07
	N	7	8	8	8	8
Small Latin American <i>Target: Low-End</i> FINCA Nicaragua, CONTIGO, FINCA Peru, AGAPE, FINCA Mexico, Los Emprendedores, FINCA Ecuador	avg	2,746*	4.5	17.7	20.7	35.5
	stdv	934	0.01	0.11	0.08	0.05
	N	5	4	5	5	5
Large Asian <i>Target: All</i> BAAC, BRI, BRAC, Bank Dagang, ASA	avg	1,110	--	--	--	55.6
	stdv	--	--	--	--	0.00
	N	2	--	--	--	2
Asia-Pacific <i>Size: All Target: Low-End/Broad</i> ACLEDA, TSPI, RSPI, HUBLAG	avg	975*	3.9	8.5	10.1*	47.1
	stdv	450	0.01	0.05	0.02	0.24
	N	4	4	4	4	4
South Asian <i>Size: Small/Medium Target: Low-End</i> AKRSP, SEEDS, FWWB India, TBF, SHARE, CDS	avg	--	--	9.9*	12.0*	47.2*
	stdv	--	--	0.01	0.0	0.01
	N	--	--	2	2	3
African <i>Size: All Target: Low-End</i> FECECAM, Zambuko, VITA/Pride, Co-op Bank, FINCA Uganda, UWFT, PRIDE Tz, SAT, MC2, WAGES, RFF, FOCCAS, FINCA Malawi	avg	399*	3.4	9.6	13.3*	19.0*
	stdv	109	0.01	0.06	0.02	0.05
	N	9	7	9	8	6
MENA Middle-East/North Africa <i>Size: All Target: Low-End/Broad</i> ABA, UNRWA, Al Amana, FINCA Kyrgyzstan, Al Majmoua, Save Jordan	avg	1,503	4.1	6.9*	12.6	86.9
	stdv	332	0.02	0.03	0.03	0.07
	N	4	3	4	3	2
Eastern Europe <i>Size: Small/Medium Target: Broad/High-End</i> Fundusz Mikro, NOA, Moznosti, Inicjatywa Mikro, Nachala	avg	2,783	-0.9*	16.8*	--	35.0
	stdv	1,397	0.0	0.02	--	0.0
	N	3	2	3	--	2
High-End <i>Size: All Region: World-wide</i> BanADEMI, Agrocapital, ACEP, CERUDEB, FEFAD, Network Leasing	avg	658*	3.9	7.3	16.8	35.5
	stdv	162	0.01	0.04	0.01	0.15
	N	4	4	4	2	4

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. The exception is the Asia-Pacific group, for which the entire sample is included since the group is small. Group means significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*). Complete tables including additional cuts by age, size, target group, methodology, and region are available at www.calmeadow.com.

APPENDICES

Appendix I: Notes to Statistical Section

The microfinance industry includes several thousand organizations offering microcredit and other financial services to low-income communities. Almost all of these organizations are concerned with poverty alleviation, but few of them are fundamentally committed to long-term financial sustainability and exponential growth. Most MFIs would *like* to be large and sustainable; but it is a smaller group that understands the full price of such sustainability and is willing and able to pay it. MFIs without this profound commitment to sustainability may often be doing excellent work, but they do not represent the cutting edge of the microfinance industry.

Although we do not have specific eligibility criteria at this stage, the *Bulletin* tries to report on MFIs that display a strong orientation toward reaching micro-clients with financially sustainable services. The eighty-six institutions that appear in this issue represent a large proportion of the world's leading microfinance institutions. They have provided us with data generally by completing a detailed questionnaire and in most cases by providing additional information.⁷ All participating MFIs receive a customized report comparing their results with those of the peer groups.

Data Quality Issues

The *Bulletin* classifies the information we receive from participants according to the degree to which we have independent verification of its reliability. Triple-A-rated information is that which has been independently generated through a detailed financial analysis by an independent third party, such as a CAMEL evaluation, a CGAP appraisal or an assessment by PSIC's MicroRate. Single-A-rated information is backed by accompanying documentation, such as audited financial statements, annual reports, and independent program evaluations, that provide a reasonable degree of confidence that we have the information required for our adjustments. B-rated information is from MFIs that have limited themselves to

completing our questionnaire. These ratings signify confidence levels for information reliability, not for the financial performance of the MFIs.

The criteria used in constructing the Statistical Tables have an important bearing on the reader's understanding and interpretation of the information. Given the nature and origin of the data, Calmeadow, the Editorial Board, nor CGAP can accept responsibility for the underlying validity of the results presented, or for consequences resulting from their use. We employ a system to make tentative distinctions as to the quality of data presented to us and only include information for which we have a reasonable level of comfort. However, we cannot exclude the possibility of a program misrepresenting its results.

The most delicate areas of potential misrepresentation, deliberate or otherwise, are (1) unreported subsidies and (2) misrepresented loan portfolio quality. There can also be inaccuracies in reporting the costs of financial services in multipurpose institutions that provide non-financial services, in part because of difficulties in assigning overhead costs.⁸ These risks are highest for younger institutions, and for institutions with a past record of optimistic disclosure. If we have grounds for caution about the reliability of an MFI's disclosure, we will not include its information in the peer groups unless it has been externally validated by a third-party field visit. Over time, we hope to compare self-reported data from more participating MFIs with data from independent field visits; this process will enrich our understanding of the reliability of self-reported data.

Adjustments to Financial Data

The *MicroBanking Bulletin* adjusts the financial performance data it receives to ensure comparable results. Each participating organization's financial statements are converted to the standard chart of accounts used by the *Bulletin*. This chart of

⁷ Note that in some cases we have relied on secondary source information. Sources for all institutions are detailed in Appendix II.

⁸ In 1998, CGAP published a manual by Brigit Helms on cost allocation for multi-service MFIs. It is available both in hard copy and on CGAP's web site.

accounts is simpler than that used by most MFIs, so the conversion consists mainly of consolidation into fewer, more general accounts. Then we apply three adjustments to produce a homogeneous treatment of the effect of a) inflation, b) subsidies, and c) loan loss provisioning and write-off. In the statistical tables the reader can compare adjusted and unadjusted results.

Inflation

The *Bulletin* adjusts for the effect of inflation by multiplying the prior year-end equity balance by the current-year inflation rate⁹ to determine the decrease in real value of equity. This is considered a cost of funds, which increases operating costs. Fixed asset accounts, on the other hand, are revalued upward by the current year's inflation rate, which results in inflation adjustment income, offsetting to some degree the expense generated by adjusting equity.¹⁰ On the balance sheet, this inflation adjustment results in a reordering of equity accounts: profits are redistributed between real profit and the nominal profits required to maintain the real value of equity.

MFIs that borrow from banks or mobilize savings have an actual interest expense, which generates an operating cost. In comparison, similar MFIs that lend only their equity have no interest expense and therefore have lower operating costs. If an MFI wishes to focus on sustainability, it must increase the size of its equity in nominal terms to continue to make the same value of loans in real (inflation-adjusted) terms. Inflation causes the value of tangible items to increase over time, so that a borrower needs a larger loan to purchase them. Employees' salaries go up with inflation, so the average loan balance and portfolio must increase to compensate. Therefore, a program that funds its loans with its equity must maintain the real value of that equity, and pass along the cost of doing so to the client. This implies an interest rate that includes the inflation-adjustment expense as a cost of funds, even if this cost is not actually paid to anyone outside the institution.

Some countries with high or volatile levels of inflation require businesses to use inflation based accounting on their audited financial statements. We use this same technique in the *Bulletin*. Of course, we understand that in countries where high

or volatile inflation is a new experience, MFIs may find it difficult to pass on the full cost of this inflation to clients. We are not recommending policy; rather, we are trying to provide a common analytical framework that compares real financial performance meaningfully.

Subsidies

We adjust participating organizations' financial statements for the effect of subsidies by representing the program as it would look on an unsubsidized basis. We do not intend to suggest whether MFIs should or should not be subsidized. Rather, this adjustment permits the *Bulletin* to see how each MFI would look without subsidies for comparative purposes. Most of the participating MFIs indicate a desire to grow beyond the limitations imposed by scarce subsidized funding. The subsidy adjustment permits an MFI to judge whether it is on track toward such an outcome. A focus on sustainable expansion suggests that one ought to use subsidies to enhance financial returns. The subsidy adjustment simply indicates whether the subsidy is being passed on to the client through lower interest rates or whether it is building the MFI's capital base for further expansion.

The *Bulletin* adjusts for three types of subsidies: (1) a cost-of-funds subsidy from loans at below-market rates, (2) current-year cash donations to fund portfolio and cover expenses, and (3) in-kind subsidies, such as rent-free office space or the services of personnel who is not paid by the MFI and thus not reflected on its income statement. Additionally, for multipurpose institutions, the *MicroBanking Bulletin* attempts to isolate the performance of the financial services program, adjusting out the effect of any cross subsidization.

The cost-of-funds adjustment reflects the impact of soft loans on the financial performance of the institution. The *Bulletin* calculates the difference between what the MFI actually paid in interest on its subsidized liabilities and the deposit rate for each country.¹¹ This difference represents the value of the subsidy, which we treat as an additional

⁹ Inflation data are taken from line 64x of the International Financial Statistics, International Monetary Fund, various years.

¹⁰ In fact, an institution that holds fixed assets equal to its equity avoids the cost of inflation that affects MFIs who hold much of their equity in financial form.

¹¹ Data for shadow interest rates taken from line 60I of the International Financial Statistics, IMF, various years. The deposit rate is used because it is a published benchmark in most countries. Sound arguments can be made for use of different shadow rates. NGOs that wish to borrow from banks would face interest significantly higher than the deposit rate. A licensed MFI, on the other hand, might mobilize savings at a lower financial cost than the deposit rate, but reserve requirements and administrative costs would drive up the actual cost of such liabilities. More precise details of these adjustments can be obtained by contacting the *Bulletin*.

financial expense. We apply this subsidy to those loans to the MFI that are priced at less than 75 percent of prevailing market rates. The decreased profit is offset by generating an "accumulated subsidy adjustment" account on the balance sheet.

If the MFI passes on the interest rate subsidy to its clients through a lower final rate of interest, this adjustment may result in an operating loss. If the MFI does not pass on this subsidy, but instead uses it to increase its equity base, the adjustment indicates the amount of the institution's profits that were attributable to the subsidy rather than operations.

Loan Loss Provisioning

Finally, we apply standardized policies for loan loss provisioning and write-off. MFIs vary tremendously in accounting for loan delinquency. Some count the entire loan balance as overdue the day a payment is missed. Others do not consider a loan delinquent until its full term has expired. Some MFIs write off bad debt within one year of the initial delinquency, while others never write off bad loans, thus carrying forward a hard-core default that they have little chance of ever recovering.

Financial Statement Adjustments and their Effects

Adjustment	Effect on Financial Statements	Type of Institution Most Affected by Adjustment
Inflation adjustment of equity	Increases financial expense accounts on profit and loss statement, to some degree offset by inflation income account for revaluation of fixed assets. Generates inflation adjustment account in equity section of balance sheet with net balance of inflation adjustments.	NGOs funded more by equity than by liabilities will be hard hit, especially in high-inflation countries.
Reclassification of certain long term liabilities into equity, and subsequent inflation adjustment	Decreases concessionary loan account and increases equity account; increases inflation adjustment on profit and loss statement and balance sheet.	NGOs that have long-term low-interest "loans" from international agencies that function more as donations than loans.
Subsidy adjustment - Interest savings on subsidized liabilities involving at least a 20% discount in relation to market based loans to the same institution or, in the absence of such loans, the deposit rate	Increases financial expense on profit and loss statement. Generates subsidy adjustment account on balance sheet.	Banks or NGOs that use large lines of credit from governments or international agencies at highly subsidized rates.
Subsidy adjustment - current-year cash donations to cover operating expenses	Reduces operating income on profit and loss statement (if the MFI records donations as operating income). Generates subsidy adjustment account on balance sheet.	NGOs during their start-up phase. This adjustment is relatively less important for mature institutions included in this edition.
Subsidy adjustment - in kind donation of goods or services (e.g., line staff paid for by technical assistance providers)	Increases expense on profit and loss statement, generates subsidy adjustment account on balance sheet.	NGOs during their start-up phase. Less important for mature institutions included in this edition.
Loan loss provision and write-off adjustment - applying policies which may be more aggressive than the MFI employs on its own books	Increase loan loss provision expense on profit and loss statement. On balance sheet, increase loan loss reserve and/or write-offs, which are implemented by equal reductions in loan loss reserve and portfolio.	MFIs that allow bad loans to accumulate within their portfolio. While this is a common problem, its effect on leading institutions is minimal because their loan losses are low, even after adjustment.

We classify as “at risk” any loan with a payment over 90 days late. We provision 50 percent of the outstanding balance for loans between 90 and 180 days late, and 100 percent for loans over 180 days late. Wherever we have adequate information, we adjust to assure that all loans are fully written off within one year of their becoming delinquent.¹² In most cases, these adjustments are not very precise. Nevertheless, most participating MFIs have high-quality loan portfolios, so loan loss provision expense is not an important contributor to their overall cost structure. If we felt that a program did not fairly represent its general level of delinquency, and we were unable to adjust it accordingly, we would simply exclude it from the peer group.

Statistical Issues

In this issue of the *Bulletin*, we report the means and standard deviations of the performance indicators for each peer group. At this stage, peer groups are still quite small and the observations in each peer group show a significant level of variance. Outliers distort the results of some of the peer group averages. Consequently, the reader should be cautious about the interpretive power of these data. Over time, we will be in a better position to generate deeper and more sophisticated types of analysis of the data at our disposal, and will have a higher degree of comfort with the statistical significance of the differences between the means of the distinct peer groups.

To ensure that the averages reported represent the group as accurately as possible, we have excluded some observations on each indicator. The averages are calculated on the basis of the values between the 10th and the 90th percentiles for each group.¹³ In other words, for each indicator we rank the MFIs in the group and eliminate from the calculation values that fall in the top and bottom deciles. In most cases, this eliminates the institution with the highest and the lowest score on each indicator from the calculation. However, in some cases several MFIs are excluded from the calculation. For this reason, we have reported the sample size for each group and indicator on the tables. Where the sample size is reduced to N=1, we have not reported the result so as to maintain confidentiality. This method helps to prevent the

effect of outliers from dominating group results, and minimizes the size of standard deviations.

We have carried out a number of statistical tests to determine the impact of outliers where they exist, and to quantify the results in terms how well they represent the peer groups. Where large differences exist between the means of different peer groups or groups sorted by selection criteria, we have verified their statistical significance using t-tests. These tests compare the mean of the group to the mean of all MFIs in the sample, taking into account factors like the number of observations and the dispersion of the sample. The test statistic is then compared to a standard critical level (using 5 percent as the confidence level) to decide whether the difference between the group and the sample as a whole is statistically significant. In other words, they allow us to decide whether the difference we see is robust, by considering it in the context of how cohesive and how large the group is.

¹² We apply these provisioning and write-off policies for ease of use and uniformity. We do not recommend that all MFIs use exactly the same policies.

¹³ Methodology inspired by that detailed in *A User's Guide for the Uniform Bank Performance Report*, Federal Financial Institutions Council, March 1995.

Appendix II: Description of Participating MFIs

ACRONYM	FULL NAME, LOCATION	DATE OF INFORMATION	DATA QUALITY RATING	DESCRIPTION OF MICROFINANCE PROGRAM
ABA	Alexandria Business Association Alexandria, Egypt	12/98	AAA	ABA provides credit to small and microenterprises using an individual lending methodology. It is an NGO founded in 1988 and based primarily in urban areas. The credit program began in 1990. <i>Source:</i> MBB Questionnaire 1997, 1998; Audited Financial Statements 1997, 1998; T. Dichter, "Egypt: Alexandria Business Association - ABA", Case Studies in Microfinance, Sustainable Banking with the Poor, World Bank, 1997.
ACEP	Agence de Crédit pour l'Entreprise Privée Senegal	12/97	A	ACEP began as an NGO in a provincial town in 1987 and has expanded to operate in other urban areas in Senegal. It has converted to a credit union. <i>Source:</i> MBB Questionnaire 1997, partial Audited Financial Statements 1996, MFN network data.
ACLEDA	Association of Cambodian Local Economic Development Agencies, Cambodia	12/98	AAA	ACLEDA was started in 1993 as an NGO. It provides small and micro loans to enterprises and trains entrepreneurs in small business management. Both group and individual loans are made. <i>Source:</i> MBB Questionnaire 1997, 1998; Audited Financial Statements 1994-98; CGAP, "ACLEDA, An Appraisal for CGAP", March 1996; David Luccock, "Transformation Project Study of ACLEDA as a Licensed Financial Institution", UNDP/ILO, August 1997; Dr. Hendrik Prins, "Technical Assistance Rural Credit Review: Cambodia", Asian Development Bank, December 1996; Dr. Hendrik Prins, "ACLEDA Transformation Study", UNDP/ILO May 1997; Catholic Relief Services, "CRS Loan Capital Financing to ACLEDA, Draft Report", June 1997; Heather Clark, "Feasibility Study: Rural Finance in Cambodia", USAID September 1998; Lars Johansson, "Appraisal of ACLEDA Credit Programme, the Association of Cambodian Local Economic Development Agencies", SWEDMAR May 1996; Stefan Harpe and Barbara Calvin, "ACLEDA, Cambodia: Past Performance, Projected Performance and Readiness to Transform into a Regulated Financial Institution", Calmeadow. Jan.1998.
ACODEP	Asociación de Consultores para el Desarrollo de la Pequeña, Mediana y Microempresa Nicaragua	12/97	A	Founded in 1989, ACODEP serves small and microenterprises primarily in Managua and other urban areas of Nicaragua. It is currently negotiating a voluntary supervision agreement with the Superintendent of Banks in Nicaragua. <i>Source:</i> MBB Questionnaire 1997, Audited Financial Statements 1995-97.
ACTUAR	Corporación Acción por el Tolima - ACTUAR Famiempresas Colombia	12/98	AAA	ACTUAR Tolima was founded in 1986. It is an NGO offering loans to microenterprises in Tolima and surrounding areas, and is affiliated with ACCION International and Cooperativa Emprender in Colombia. <i>Source:</i> MBB Questionnaire 1996, 1998; Audited Financial Statements 1994-98; Cooperativa Emprender, Informe MiniCAMEL, December 1998.
ADOPEM	Asociación Dominicana para el Desarrollo de la Mujer Dominican Republic	12/96	B	ADOPEM, an affiliate of Women's World Banking, is an NGO dedicated to credit for women microentrepreneurs. It has been in operation since 1982. <i>Source:</i> MBB Questionnaire 1996.
AGAPE	Asociación General para Asesorar Pequeñas Empresas Colombia	12/98	A	Founded in 1975, AGAPE operates principally in Barranquilla, offering microcredit through a mixture of methodologies including village banking, solidarity groups and individual loans. It is an affiliate of Opportunity International. <i>Source:</i> MBB Questionnaire 1997-8, Audited Financial Statements 1997-8; Calvin Miller, "AGAPE Trust Bank Project Evaluation", May 1997.
Agrocap	Fundación Agrocapital Bolivia	12/96	A	Fundación Agrocapital focuses its services on agriculture and agro-industry, working mainly in rural and small urban areas of Bolivia. It is an NGO founded in 1992, and offers a mixture of microloans and longer-term mortgage loans. <i>Source:</i> MBB Questionnaire 1996, Audited Financial Statements 1996, S. Eid, 1996, "Cálculo de la autosustentabilidad en instituciones dedicadas a las microfinanzas", USAID/Bolivia.
AKRSP	Aga Khan Rural Support Programme Pakistan	12/96	A	AKRSP is a multipurpose NGO that works in the "Roof of the World" region of northern Pakistan. Its credit program began in 1983, offering credit through its network of village organizations. <i>Source:</i> MBB Questionnaire 1995-96, Audited Financial Statements 1995-96.

ACRONYM	FULL NAME, LOCATION	DATE OF INFORMATION	DATA QUALITY RATING	DESCRIPTION OF MICROFINANCE PROGRAM
Al Majmoua	Lebanese Association for Development -- Al Majmoua Lebanon	12/98	A	Al Majmoua is a Lebanese NGO offering village banking-type services in both urban and rural areas. The program began operations in 1994 as a project of Save the Children. Ownership was transferred to the Lebanese institution in 1998. <i>Source:</i> MBB Questionnaire, 1996, 1998; Audited Financial Statements 1998.
Al Amana	Association Al Amana Morocco	12/98	AAA	Al Amana offers solidarity group loans through a wide network of branches in urban areas of Morocco. Founded in 1997, it is an affiliate of VITA. <i>Source:</i> MBB Questionnaire 1998; USAID, "Institutional Assessment of VITA / Association Al Amana", December 1997; VITA, Performance Report to USAID, March 1999; Al Amana, "Etude d'impact et de marché", January 1999.
ASA	Association for Social Advancement Bangladesh	12/98	AAA	ASA is an NGO that offers credit services to the rural poor in Bangladesh. The majority of its clients are landless women. It was founded in 1978 and shifted from an earlier, integrated development strategy to its current focus on financial services in the early 1990s. It uses a village level group lending methodology. <i>Source:</i> MBB Questionnaire 1994-96, 1998, Audited Statements 1992-95, Provisional Financial Statements 1996; T. Berthold and J. Ledgerwood, "ASA Financial Services", Dhaka, ASA, July 1996.
BAAC	Bank for Agriculture and Agricultural Cooperatives Thailand	12/96	AAA	BAAC is a government-owned agricultural bank that lends to small farmers and farmers' cooperatives. Founded in 1966, its outreach in rural areas of Thailand is now estimated to cover more than 80% of farm families. <i>Source:</i> Annual Reports 1995, 1996; J. Yaron, "Successful Rural Financial Institutions", World Bank Discussion Papers N° 150, 1992; J. Yaron, "BAAC: A Successful Agricultural Bank", draft 1996; Bank of Thailand, Economic Research Department, External Monetary Indicators; Muraki, Webster and Yaron, "The Thai BAAC: Outreach and Sustainability through 1996", April 1998.
BanADEMI	Banco de Desarrollo ADEMI, S.A. Dominican Republic	12/98	AAA	Banco ADEMI is a formal financial institution, which began operations in 1998. The bank is the successor to the NGO, ADEMI, which was involved in microcredit since 1982. <i>Source:</i> MBB Questionnaire 1998; Audited Financial Statements 1998; M. Benjamin and J. Ledgerwood, "The Association for the Development of Microenterprises (ADEMI): 'Democratizing Credit' in the Dominican Republic", Sustainable Banking with the Poor, The World Bank, January 1998; ADEMI Memoria Anual, various years; ADEMI Memoria Trimestral, various years.
BancoSol	Banco Solidario Bolivia	12/98	AAA	BancoSol is a licensed commercial bank devoted to microfinance, offering microenterprise credit and passbook savings. Its credit program focuses on group loans, and it operates primarily in urban areas of Bolivia. It grew out of the earlier work of the NGO PRODEM and was spun off as a bank in 1992. It is an affiliate of ACCION International. <i>Source:</i> MBB Questionnaire 1996, 1998; Memorias anuales 1996, 1997; Audited Financial Statements 1996-98; ACCION, CAMEL Report, 1996; Ratings Agency for Microlenders, Report, PSIC March 1998.
Banco PeqEmp	Banco de la Pequeña Empresa, S.A. Dominican Republic	12/98	AAA	Banco de la Pequeña Empresa was created to serve both microenterprises and small businesses, and has just completed its first year of operations. It is a formal financial sector institution, and holds a license to operate as a development bank. It is an affiliate of ACCION International. <i>Source:</i> MBB Questionnaire 1997-98; Audited Financial Statements 1996-98; Ratings Agency for Microlenders, Report, PSIC, October 1998.
Bank Dagang	Bank Dagang Bali Indonesia	12/98	AAA	Bank Dagang is a private commercial bank that offers savings and credit facilities to primarily low-income clients in Bali. It was founded in 1970. <i>Source:</i> MBB Questionnaire 1998; Marguerite Robinson, "Where the Microfinance Revolution Began: The Bank Dagang Bali, 1970-96", chapter of forthcoming book 1999.
BRAC	Bangladesh Rural Advancement Committee, Bangladesh	12/98	AAA	BRAC is an NGO started in 1972. It is the second largest NGO in Bangladesh and provides both financial and non-financial services primarily in rural areas. The financial services include provision of microloans and mobilization of savings. <i>Source:</i> MBB questionnaire 1998; Audited financial statements 1996-97, 1997-98. Brian Kelley and Lynn Pikholtz, "1997 Financial Review BRAC RDP/RCP Program" Shorebank Advisory Services, December 1997.
BRI	Bank Rakyat Indonesia, Unit Desa System Indonesia	12/98	AAA	BRI is a government-owned bank oriented towards rural areas, which has operated since 1897. The Unit Desa system is an extensive network of small banking units, which function as profit centers and provides individual loans and savings services. The system has existed in its current form since 1984. <i>Source:</i> MBB Questionnaire 1996, 1998; S. Charitonenko Church, R. Patten, J. Yaron, "Case Studies in Microfinance - Long Version: Indonesia, Bank Rakyat Indonesia - Unit Desa 1970-96", Sustainable Banking with the Poor, World Bank, March 1998.

ACRONYM	FULL NAME, LOCATION	DATE OF INFORMATION	DATA QUALITY RATING	DESCRIPTION OF MICROFINANCE PROGRAM
Calpiá	Financiera Calpiá, S.A. El Salvador	12/98	AAA	Financiera Calpiá began as an NGO, AMPES, and was converted into a finance company in 1995. It offers individual loans to microenterprises and small businesses and has started to mobilize savings. It operates mainly in urban areas, although 25% of its portfolio is now in rural areas. <i>Source:</i> MBB Questionnaire 1996; Audited Financial Statements 1997-98; Memoria de Labores 1995, 1996, 1997, 1998; C. Gonzalez Vega et al. <i>Microfinanzas en El Salvador: Lecciones y Perspectivas</i> , Vol. 1 & 2, San Salvador: Fundación Ungo, 1996; PSIC, Rating Agency for Microfinance Institutions Report, March 1998.
CAM	Centro de Apoyo a la Microempresa El Salvador	12/98	B	FINCA's affiliate in El Salvador, the CAM was founded in 1990 and is one of FINCA's largest affiliates serving over 16,000 clients in all 15 geographic <i>departamentos</i> in El Salvador. <i>Source:</i> Network information from FINCA International; Audited Financial Statements 1996-98.
CARE Guatemala	CARE Guatemala, Village Banking Program Guatemala	06/96	A	CARE's village banking program in Guatemala was modeled on the FINCA approach, and was founded in 1989. <i>Source:</i> MBB Questionnaire 1996; J. Paxton, "GUATEMALA: CARE Village Banks Project", Case Studies in Microfinance, Sustainable Banking with the Poor, The World Bank, October 1997.
CDS	Community Development Society India	12/97	B	CDS offers microcredit and non-financial services in the Nagpur region of India. It was founded in 1985 and is an affiliate of Opportunity International. <i>Source:</i> MBB Questionnaire 1997.
CEAPE/PE	Centro de Apoio aos Pequenos Empreendimentos Pernambuco, Brazil	12/97	AAA	CEAPE Pernambuco is an urban-based microenterprise credit program. A member of the FENAPE network in Brazil, and of ACCION International, it was founded in 1992. <i>Source:</i> MBB Questionnaire 1997; Annual Report 1997; ACCION CAMEL Report, November 1997.
CERUDEB	Centenary Rural Development Bank, Uganda	12/98	A	CERUDEB was founded as a trust company in 1983, and obtained its banking license in 1992. It received technical assistance from IPC from 1993-98, and its current shareholders are the Uganda Catholic Secretariat, the Catholic Dioceses of Uganda, Hivos-Triodos Fonc and SIDI. CERUDEB provides credit and savings services in Kampala and Uganda's district towns. <i>Source:</i> PRESTO Center for Microfinance Questionnaire 1998; Audited Financial Statements 1996-98; IPC Institution Fact Sheet, June 1997.
CHISPA	Fundación Chispa Nicaragua	06/98	AAA	Founded in 1991, CHISPA works primarily in urban areas of Nicaragua. It is affiliated with the Mennonite Economic Development Association (MEDA). <i>Source:</i> MBB Questionnaire 1997-8; Audited Financial Statements 1997-98; Rating Agency for Microlenders Report, PSIC, June 1998.
CM Arequipa	Cajas Municipales de Arequipa Peru	12/97	AAA	The municipal savings and credit banks of Peru are owned by city governments. Arequipa is one of the largest and most successful banks of the national network, and offers pawn and microenterprise loans as well as savings products. <i>Source:</i> Consolidated financial statements 1996-97; PSIC, Rating Agency for Microfinance Institutions Report, April 1998.
CMM/Med	Corporación Mundial de la Mujer Medellín Medellín, Colombia	12/96	B	CMM Medellín is affiliated to the Women's World Banking network, and operates in Medellín and surrounding areas. It was founded in 1985 and lends to both men and women. <i>Source:</i> MBB Questionnaire 1996.
COMPART	Asociación Programa Compartamos, I.A.P. Mexico	12/98	AAA	Compartamos is the lending arm of Gente Nueva, a Mexican NGO that was founded in 1985. The program uses a village banking methodology focusing on women, in rural and semi-urban areas of Mexico. It began lending in 1990. <i>Source:</i> MBB Questionnaire 1996, 1998, Audited Financial Statements 1996-98; CGAP "Appraisal of Compartamos", Feb. 1996; ACCION, CAMEL Report, December 1997.
CONTIGO	Fundación CONTIGO Chile	12/96	A	CONTIGO began lending operations in 1989, and offers credit services to microentrepreneurs in communities in the south of Santiago de Chile. <i>Source:</i> MBB Questionnaire 1996; Memoria anual 1993, 1996; Consolidated Financial Statements 1996.
COOP Bank	The Co-operative Bank, Ltd. Uganda	12/98	A	The Co-op Bank initiated its microfinance program in 1997, offering primarily group-based loans in Kampala and Uganda's district towns. It also has a strong savings mobilization component, with both voluntary savings accounts and compulsory accounts linked to loans. <i>Source:</i> PRESTO Center for Microfinance Questionnaire 1998 (for microfinance operations); Audited Financial Statements 1997-98 (for Co-op Bank's operations).
Emprender	Emprender Buenos Aires, Argentina	04/96	AAA	Emprender, founded in 1992, is an ACCION affiliate that offers microenterprise credit in urban areas of Argentina. The majority of its lending is to solidarity groups. <i>Source:</i> MBB Questionnaire 1995-96; ACCION Camel, September 1996.

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FAMA	Fundación de Apoyo a la Microempresa Nicaragua	12/98	AAA	FAMA operates mainly in urban areas of Nicaragua, providing microenterprise credit. It was founded in 1991 and is affiliated with ACCION. <i>Source:</i> MBB Questionnaire 1996, 1998; Audited Financial Statements 1992-98; Rating Agency for Microlenders Report, PSIC, July 1998; ACCION, CAMEL Report, October 1996.
FECECAM	Fédération des caisses d'épargne et de crédit agricole mutuel Benin	1995	AAA	FECECAM is a credit union network offering loans and deposit services to farmers, traders and self-employed workers. The network was rehabilitated in 1987 and since then has achieved significant scale in rural areas of Benin. <i>Source:</i> C. Fruman, "Benin: FECECAM (Fédération des caisses d'épargne et de crédit agricole mutuel)", Case Studies in Microfinance, Sustainable Banking with the Poor, The World Bank, June 1997; C. Fruman, "La FECECAM-Benin: La réhabilitation réussie du réseau des caisses d'épargne et de crédit agricole mutuel", Sustainable Banking with the Poor, The World Bank, April 1997.
FED	Fundación Ecuatoriana de Desarrollo Ecuador	12/98	AAA	Founded over 30 years ago, FED has an extensive branch network throughout Ecuador. It is an affiliate of Acción Internacional. <i>Source:</i> MBB Questionnaire 1996, 1998; Audited Financial Statements 1994-96, 1998; Rating Agency for Microlenders Report, PSIC, March 1998; ACCION, CAMEL Report, March 1996.
FEFAD	Foundation for Enterprise Finance and Development Albania	12/98	A	Operating mainly in urban areas of Albania, FEFAD offers small business loans. It was founded in 1995 as an initiative of the Albanian and German governments, and receives technical assistance from IPC. <i>Source:</i> MBB Questionnaire 1997-8, Audited Financial Statements 1996-98.
FIE	FFP - Fomento a Iniciativas Económicas, S.A. Bolivia	12/98	AAA	FFP - FIE is a for-profit financial institution offering individual loans to microenterprises in urban areas of Bolivia. It began lending in 1988 as an NGO, and began operating as a "Private Financial Fund" in 1998 under regulation by the Bolivian Superintendency of Banks. <i>Source:</i> MBB Questionnaire 1996, 1998; Audited Financial Statements 1998; PSIC Rating Agency for Microlenders, Report March 1998; Memoria anual 1996; "Centro de Fomento a Iniciativas Económicas: Programa de Crédito" Abril 1997; FIE S.A., "Informe de Actividades", January 1999.
Finamérica	Financiera América, S.A. Colombia	12/97	AAA	Finamérica is a regulated finance company operating in Bogotá and surrounding areas. Its predecessors were the NGO Actuar Bogotá, founded in 1988, and the financiera Finansol. It is an affiliate of ACCION International. <i>Source:</i> MBB Questionnaire 1997, Audited Financial Statements 1994-96; ACCION CAMEL Report, April 1998.
FINCA CR	FINCA Costa Rica Costa Rica	12/95	A	FINCA Costa Rica, founded in 1984, is one of the earliest programs developed using the FINCA village banking methodology. It serves both men and women, and targets its loans to the rural population. It is no longer an affiliate of FINCA International. <i>Source:</i> C. González-Vega, et al., <i>Financing Rural Micro-enterprises: Finca Costa Rica</i> , 1996, Academia de Centroamérica, San José; J. Paxton, "Insights from a Unique Approach to village banking", Sustainable Banking with the Poor, The World Bank, February 1998.
FINCA EC	FINCA Ecuador	12/98	B	FINCA Ecuador was founded in 1994, and provides village banking services to low-income families in three regions of the country: Pichincha, Guayas, and Imbabura. <i>Source:</i> Network information from FINCA International 1995-98.
FINCA HO	FINCA Honduras	12/98	B	FINCA Honduras is one of the largest FINCA affiliates in terms of portfolio size. It was founded in 1989 and operates in 13 of the 18 <i>departamentos</i> of Honduras. <i>Source:</i> Network information from FINCA International; Audited Financial Statements 1995-96
FINCA KY	FINCA Kyrgyzstan	12/98	B	Founded in 1995, FINCA Kyrgyzstan is operating in five of the six oblasts of Kyrgyzstan and offers both village banking and individual loan products to 10,000 clients. <i>Source:</i> Network information from FINCA International, 1996-98; IMF Staff Country Reports N° 98/8 Kyrgyz Republic: Recent Economic Developments, January 1998; Sharon Holt, "Kyrgyz Peoples' Initiative Fund, Technical Report: The Micro-Finance Component", June 1997.
FINCA MA	FINCA Malawi	12/98	AAA	FINCA Malawi works with women in the country's southern region, and has been in operation since 1994. <i>Source:</i> Network information from FINCA International, 1997-98; Deborah Miller, Barry Lennon, "Final Evaluation: FINCA's Women's Village Banking Project, Blantyre Malawi", March 1997; Audited Financial Statements 1996-98.
FINCA MX	FINCA México	12/98	B	FINCA Mexico currently operates village banking groups in the state of Morelos. It was founded in 1989. <i>Source:</i> Network information from FINCA International, 1995-98; Audited Financial Statements 1996-97.
FINCA NI	FINCA Nicaragua	06/98	AAA	FINCA's Nicaraguan affiliate began lending in 1992, and has since expanded to have branch offices in several urban areas in Nicaragua. <i>Source:</i> Network information from FINCA International, 1995-98; Audited Financial Statements 1997-98; Rating Agency for Microlenders Report, PSIC, September 1998.

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FINCA PE	FINCA Perú	12/98	B	FINCA Peru is primarily based in urban areas, offering microenterprise credit to borrowers in Lima, Ayacucho and Huancavelica. It was founded in 1993. <i>Source:</i> Network information from FINCA International 1995-98.
FINCA UG	FINCA Uganda	12/98	AAA	One of FINCA's largest programs, FINCA Uganda has been in operation since 1992. The program offers village banking services to over 16,000 women in Kampala, Jinja and Lira. <i>Source:</i> Network information from FINCA International 1995-98; PRESTO Center for Microfinance Questionnaire 1998; USAID, "Mid-Term Evaluation of FINCA / Uganda", February 1997; Audited Financial Statements, 1996-97.
FMM Pop	Fundación Mundo Mujer Popayán, Popayán, Colombia	12/96	A	FMM Popayán is a Women's World Banking affiliate working in the state of Cauca in Colombia. It began lending to microenterprises in 1985. <i>Source:</i> MBB Questionnaire, 1993-1996, Audited Financial Statements 1993-1996, C. Bolaños B., Análisis y Evaluación a la Situación Financiera y al Resultado de las Operaciones. 31/12/96.
FOCCAS	Foundation for Credit and Community Assistance, Uganda	12/98	B	FOCCAS operates a village banking-style program in Uganda's district towns and villages. It is based on a credit with education model, offering education sessions on health and nutrition as well as microenterprise development. <i>Source:</i> PRESTO Center for Microfinance Questionnaire 1998.
FUNADEH	Fundación Nacional para el Desarrollo de Honduras Honduras	12/97	AAA	FUNADEH works with small and microenterprises in urban areas of Honduras. It is an affiliate of Acción International and was founded in 1985. <i>Source:</i> MBB Questionnaire 1996-97, Audited Financial Statements 1995-97; ACCION CAMEL Report, September 1997.
Fundusz Mikro	Fundusz Mikro Poland	09/97	B	Fundusz Mikro began operations in 1995, and now lends to microentrepreneurs across Poland through an extensive branch network. It is a member of the MicroFinance Network. <i>Source:</i> Annual Report 1997; 1997 Member Survey information, MicroFinance Network; Conference Report, Annual Working Conference of Microlending Institutions in CEE and the NIS, Warsaw, January 20-23, 1998.
FUPACODES	Fundación Paraguaya de Cooperación y Desarrollo Paraguay	12/95	AAA	FUPACODES, affiliated with ACCION, lends to microenterprises in Asunción and surrounding areas. It was founded in 1985 and uses both group and individual loans. <i>Source:</i> MBB Questionnaire, 1995; Consolidated Financial Statements 1994-95; ACCION CAMEL Report May 1996.
FWWB Cali	Fundación Women's World Banking Cali, Cali, Colombia	12/98	AAA	FWWB Cali, also an affiliate of Women's World Banking, began lending in 1982. It makes individual loans to urban microenterprises in Cali. <i>Source:</i> MBB Questionnaire 1995; Provisional Financial Statements 95-98, Audited Financial Statements 94-95, Consolidated Financial Statements 1993-98; Ratings Agency for Microlenders, Report, PSIC December 1998.
FWWB India	Friends of WWB, India	03/98	A	FWWB India lends to rural women through savings and credit groups. It was founded in 1982. <i>Source:</i> MBB Questionnaire 1998; Audited financial statements 1996-97; 1997-98.
Genesis	Genesis Empresarial Guatemala	12/97	AAA	Génesis is an NGO based in urban areas of Guatemala, and lends to microenterprises. It is affiliated with ACCION International and has been lending since 1988. <i>Source:</i> MBB Questionnaire 1995; Ratings Agency for Microlenders, Report, PSIC December 1997; ACCION, CAMEL Report, June 1998.
HUBLAG	HUBLAG Development Finance Programme Philippines	12/97	A	The Hublag Development Finance Programme is the microlending arm of the Gerry Roxas Foundation. It lends to microenterprises with both individual and group lending methodologies, and began operations in 1987. <i>Source:</i> MBB Questionnaire 1997, Audited Financial Statements 1995-97.
IFOCC	Instituto de Fomento a la Comercialización Campesina Cuzco, Peru	12/97	AAA	Founded in 1991, IFOCC operates primarily in rural areas in the province of Cuzco, Peru. <i>Source:</i> MBB Questionnaire 1995, 1996; Audited Financial Statements 1995-96; IPC, "Informe de Misión de Evaluación Interina", June 1994; Y. Cruz and A. López, "El Programa de Crédito del IFOCC: En Busca de una Alternativa de Financiamiento Rural", IFOCC, September 1996; W. Espinoza S., "Informe de Consultoría al IFOCC en Aspectos Financieros-Crediticios y Organizacionales de Constitución EDPYME", July 1997; G. Morón P., "Informe Técnico: Evaluación de la Sostenibilidad Financiera del IFOCC", February 1998; M. Alvarez Mayorca y J. Alvarado Guerrero, "Evaluación del Programa de Crédito del IFOCC", Microfinanzas Consultores, February 1995.
Inicjatywa Mikro	Inicjatywa Mikro Poland	12/97	A	Inicjatywa Mikro lends to microenterprises mainly in urban areas of Poland. It is affiliated with Opportunity International. <i>Source:</i> MBB Questionnaire 1997; Audited Financial Statements 1997.

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Liberación	Cooperativa Liberación Chile	12/96	A	The Cooperativa Liberación is a credit union dedicated to microenterprises. It offers individual loans and savings services to its members, primarily in Santiago, Chile. It was founded in 1986. <i>Source:</i> MBB Questionnaire 1996 data, Audited Financial Statements 1994-96.
Los Andes	Caja de Ahorros y Créditos Los Andes Bolivia	12/98	AAA	Caja Los Andes grew out of ProCrédito, a relatively young NGO that began lending operations in 1992. It was converted to a special finance company in 1995. Los Andes operates in urban and some rural areas in Bolivia, providing both individual loans and savings services. <i>Source:</i> MBB Questionnaire 1995, 1996, 1998, Annual Report 1995; Audited Financial Statements 1997-98; Ratings Agency for Microlenders, Report, PSIC June 1998.
Los Emprendedores	Fundación Los Emprendedores, I.A.P. Mexico	12/96	A	Fundación Los Emprendedores and its sister institution, CAME (Centro de Apoyo a la Microempresa), operate two microlending programs in Mexico City. While CAME works with village banks, Los Emprendedores uses an individual lending methodology and larger loan sizes. Both portfolios are analyzed here. <i>Source:</i> MBB Questionnaire 1995, 1996, Audited Financial Statements 1995-96.
MC ²	Réseau des Mutuelles Communaires de Croissance Cameroon	06/97	B	The MC ² are part of a lending program sponsored in partnership between CCEI Bank of Cameroon and the Appropriate Development for Africa Foundation (ADAF). Both microloans and savings services are offered to members of savings and credit groups. The program was founded in 1992. <i>Source:</i> MBB Questionnaire 1996-97; Consolidated Statements 1995-97; "Cameroon: Statistical Appendix", IMF Country Study 98/17, March 1998.
MiBanco	Banco de la Microempresa Lima, Peru	12/98	AAA	MiBanco is a commercial microfinance bank offering microenterprise credit in Lima, and is affiliated with ACCION International. Formerly operated as an NGO under the name Acción Comunitaria del Perú, the institution was transformed into a bank in 1998. <i>Source:</i> MBB Questionnaire 1996-8; Audited Financial Statements 1996-98; Annual Report 1995; ACCION, CAMEL Report, October 1996; Ratings Agency for Microlenders Report, PSIC, July 1998.
Moznosti	Moznosti Macedonia	12/97	B	Moznosti, an affiliate of Opportunity International, began lending in 1996. It operates both in urban and rural areas of Macedonia, and lends to microenterprises and small businesses. <i>Source:</i> MBB Questionnaire 1997; Russell Webster, "Mid-Term Evaluation of Opportunity International 'Moznosti' Microfinance Facility in Macedonia", Sept. 1997.
Nachala	Nachala, Bulgaria	12/98	B	Nachala, an affiliate of Opportunity International, converted into a cooperative in 1998. It operates both in urban and rural areas and makes individual loans to microenterprises and small businesses for working capital. <i>Source:</i> MBB Questionnaire 1998.
Network Leasing	Network Leasing Corporation, Ltd. Pakistan	06/98	A	Network Leasing is a private financial company, run for profit, which offers financial services to microentrepreneurs. It uses leasing, a methodology considered compatible with Islamic law, which forbids borrowing on interest. <i>Source:</i> MBB Questionnaire 1998; Annual Reports with audited financial statements 1997-98.
NOA	NOA, Croatia	06/98	B	NOA, an affiliate of Opportunity International, was started in 1997 to provide individual and group loans to self employed persons in agriculture and small businesses. <i>Source:</i> MBB Questionnaire 1998.
PRIDE Tz	Promotion of Rural Initiatives and Development Enterprises Tanzania	12/96	A	PRIDE offers microcredit in urban and semi-urban areas of Tanzania. It was founded in 1993. <i>Source:</i> MBB Questionnaire 1996, Audited Financial Statements 1996.
PRODEM	Fundación para la Promoción y Desarrollo de la Microempresa Bolivia	12/97	AAA	PRODEM began in 1986 as an NGO offering group loans to urban microenterprises, and was the precursor to BancoSol. When its urban portfolio was passed to BancoSol in 1992, it began to develop a new clientele in rural and urban areas in Bolivia. <i>Source:</i> MBB Questionnaire 1994-97; Audited Financial Statements 1996-97; ACCION, CAMEL Report, June 1996; PRODEM, "Twelve Years Promoting and Developing the Microenterprise Sector", 1998.
ProEmpresa	EDPYME ProEmpresa (ex IDESI) Perú	12/96	B	ProEmpresa, formerly the IDESI network, recently received its license to operate as a formal financial institution in Peru. <i>Source:</i> MBB Questionnaire 1995-96; IDESI report to the Superintendency of Banks 1997.
ProMujer	ProMujer Bolivia	12/97	A	ProMujer Bolivia was founded in 1991, to provide training and credit to predominantly women clients. It is one of two ProMujer affiliates, and is a member of the SEEP network. <i>Source:</i> MBB Questionnaire 1996-97; Audited Financial Statements 1996-97.

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PROPESA	Corporación de Promoción para la Pequeña Empresa, Chile	12/96	B	PROPESA is an ACCION affiliated NGO, offering microenterprise credit since 1988. It operates primarily in Santiago, Chile. <i>Source:</i> MBB Questionnaire 1996.
RFF	Rural Finance Facility, South Africa	03/98	AAA	RFF is a non-profit organization offering microcredit in rural areas of South Africa. The institution also operates a separate housing loan program for salaried employees. RFF's microcredit program was established in 1993. <i>Source:</i> MBB Questionnaire 1997-98; Audited Financial Statements 1996-98; Ebony Consulting International, "Evaluation of the Rural Finance Facility Micro and Small Enterprise Finance Division", November 1997; CGAP, "Appraisal of Rural Finance Facility South Africa", August 1996.
RSPI	Rangtay Sa Pagrang-ay, Inc. Philippines	12/98	A	RSPI, an Opportunity International partner, lends primarily to self-help groups in the Cordillera and Iloco regions of the Philippines. <i>Source:</i> MBB Questionnaire 1998, Anniversary Reports, 1987-94, 1987-97; Audited Financial Statements 1998.
Sartawi	Servicio Financiero Rural, Fundación Sartawi Bolivia	12/96	B	Fundación Sartawi offers group credit to producers and other microenterprises in rural areas of Bolivia. The credit program has operated in its current form since 1990. <i>Source:</i> MBB Questionnaire 1996.
SAT	Sinapi Aba Trust Ghana	12/97	A	The Sinapi Aba Trust is a member of Opportunity International, and offers individual and group loans both in rural and urban areas of Ghana. It was founded in 1995. <i>Source:</i> MBB Questionnaire 1995-97; Audited Financial Statements 1995-97; Centre for Human Organizational Resource Development, "Transformation Research: An Assessment of the Impact of Microenterprise Financing on Clients", October 1997.
SAVE Jordan	Save the Children Jordan Field Office Jordan	12/96	B	Now managed by the Jordanian Women's Development Society, the former Save the Children village banking program in Jordan was founded in 1994. It focuses primarily on women, many of whom are Palestinians from squatter communities. <i>Source:</i> MBB Questionnaire 1995-96.
SEEDS	Sarvodaya Economic Enterprises, Sri Lanka	03/98	A	SEEDS was established in 1987 to provide loans for employment creation and increasing standard of living, to mobilize deposits through compulsory and voluntary savings programs and to provide life and natural disaster insurances. <i>Source:</i> MBB Questionnaire 1998; audited financial statements for 1995-96, 1996-97, and 1997-98.
SHARE	Society for Helping Awakening Rural poor through Education India	03/96	A	SHARE lends to women in rural areas of Andhra Pradesh in India. It is a member of the CASHPOR network. <i>Source:</i> MBB Questionnaire 1995-96. Audited Financial Statements 1994-96; Consolidated Financial Statements April -December 1997; CGAP Appraisal of Microfinance Institutions Formats 1993-96; Monthly Project Statements, various.
TBF	The Bridge Foundation India	1997	B	Based in Bangalore, India, The Bridge Foundation lends primarily to rural women through self-help groups. It was founded in 1984 and is affiliated with Opportunity International. <i>Source:</i> MBB Questionnaire 1997, Annual Report 1997.
TSPI	TSPI Development Corporation Philippines	06/97	A	TSPI operates in urban and semi-urban areas of the Philippines, offering group loans to microenterprises. It was founded in 1981 and is affiliated to the Opportunity Network, the MicroFinance Network and CASHPOR, among others. <i>Source:</i> MBB Questionnaire fiscal years 1996-97; 1995-96, Annual Reports 96-97, 95-96 and 94-95; Audited Financial Statements 1995-96, 1996-97; Calmeadow, "TSPI Operational Review", 1995; Marantha Trust, "Microenterprise Development Programmes in the Philippines", National Centre for Development Studies, January 1993; Sustainable Banking with the Poor, The World Bank "TSPI: A Case Study", October 1997.
UNRWA	United Nations Relief Works Agency Gaza	06/96	B	The Income Generation Programme of UNRWA lends to microenterprises and small businesses in Gaza. It began operations in 1991. <i>Source:</i> MBB Questionnaire 1995-96.
UWFT	Uganda Women's Finance Trust Uganda	12/98	A	Uganda Women's Finance Trust offers solidarity group and individual loans to women in Kampala and district towns of Uganda. It is an affiliate of Women's World Banking. <i>Source:</i> PRESTO Center for Microfinance Questionnaire, 1998; Audited Financial Statements, 1998.
VITAPRIDE	VITA - PRIDE Republic of Guinea	12/96	B	VITA-PRIDE works primarily in urban and semi-urban areas of Guinea, and was founded in 1991. <i>Source:</i> MBB Questionnaire 1997.

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WAGES	Women and Associations for Gain both Economic and Social Togo	06/97	A	WAGES serves women in Lomé and surrounding areas, working with borrowers' associations in a village-banking type methodology. It was founded in 1994. <i>Source:</i> MBB Questionnaire 1996-97, CARE Togo Audited Financial Statements 1994-97, Annual Report March 1997; IMF Country Studies 98/21, Togo: Selected Issues.
Zambuko	Zambuko Trust Plc. Zimbabwe	08/97	AAA	Zambuko Trust is a partner organization of Opportunity International. It works in Harare and in the provinces, in both urban and semi-urban areas. It began operations in 1990. <i>Source:</i> MBB Questionnaire 1996-97, Audited Financial Statements 1995-96, M. Malhotra and P. Fidler, "Case Studies in Microfinance. Zimbabwe, Zambuko Trust". Sustainable Banking with the Poor, The World Bank, April 1997; Star Group, "Needs Assessment for Zambuko Trust: Business Assessment and Growth Strategy," June 1997; Ruth Goodwin-Groen, "Mid-Term Review of the AusAID Zambuko Microenterprise Development Project in Zimbabwe: Report and Recommendations", May 1997.

Note: Sources for macroeconomic country data are the IMF, *International Financial Statistics* and the World Bank, *World Development Indicators*, unless otherwise indicated.