Microfinance Information eXchange

Benchmarking African Microfinance 2005

A report from the Microfinance Information eXchange, Inc. November 2006

In Brief

In 2005, the microfinance sector in sub-Saharan Africa continues to serve some of the most vulnerable and unbanked populations in the world. Clients across the region greatly value both credit and deposit services and African microfinance institutions (MFIs) are determined to meet their needs. Savings form an integral part of the financial services African MFIs offer, and while growth has been slow in credit outreach, deposit mobilization has expanded almost twofold between 2004 and 2005.

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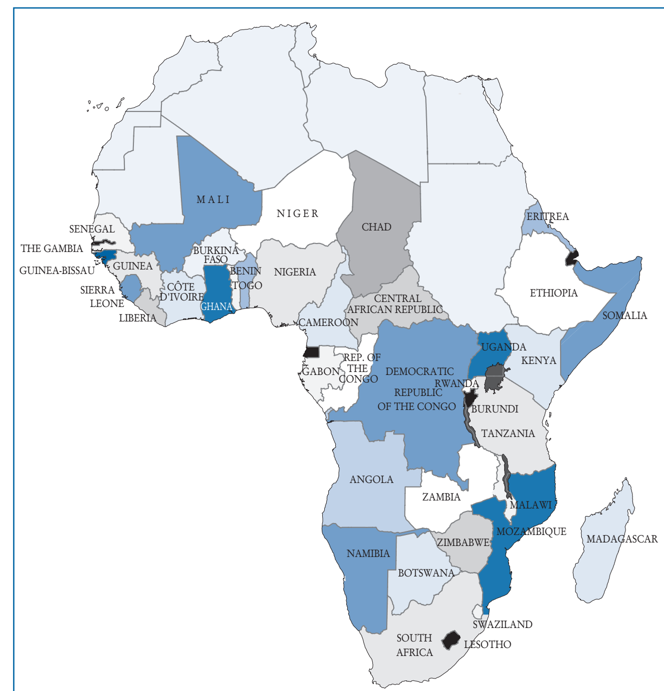
Yet despite these accomplishments and more so than in any other region, African MFIs face significant challenges in pursuing their activities including high operating costs, unfavorable macroeconomic factors, increasing competition and little access to commercial funds. African MFIs are gradually surmounting these hurdles in order to offer an array of services to an increasingly demanding clientele.

The Microfinance Information Exchange, Inc. addresses these issues in this year's report *Benchmarking African Microfinance 2005*. The study looks at 71 institutions across 23 countries, the largest sample of MFIs in Africa to date to participate in MIX's international



benchmarks. This report offers a rich, in-depth analysis of the performance of African microfinance sector and explores microfinance in the region through one primary lens: financial intermediation. Indeed, institutions which operate on a full intermediation basis (using client deposits for on-lending) are performing differently – and often better in outreach and profitability terms – than their credit-only counterparts. This report uses a number of peer groups which allow for a more fine-grained analysis of the sector along criteria such as scale, sub-region, institutional charter and sustainability.

Analysis

Scale and Outreach

In 2005, the sample of African institutions in this study together reaches over 3.1 million borrowers with a total outstanding loan portfolio of US$964 million while serving approximately 4.1 million voluntary savers and managing US$707 million in deposits. This reflects the distinctive nature of microfinance in Africa: no other region in the world has institutions handling on average more, or even as many, savers as borrowers. The industry in Africa is unique in the sense that deposit-mobilization forms an integral part of any outreach and financial performance analysis of MFIs in the region.

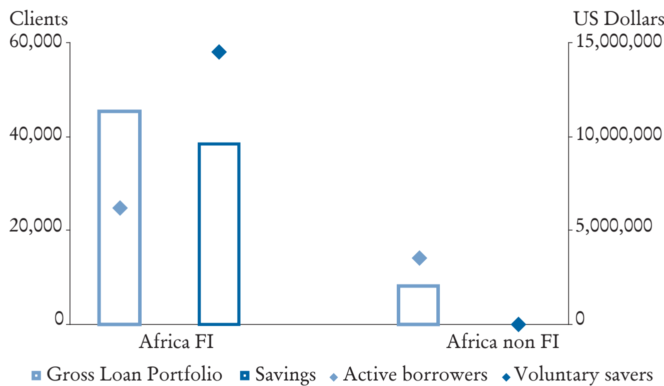
Historically, microfinance in Africa has developed in different stages across the sub-regions. Financial intermediaries such as cooperatives, rural and postal savings banks (not present in this sample) pioneered the industry in the 1970s, especially in West and East Africa, by meeting rural and urban populations' needs for savings services. In the '80s and '90s, the sector saw a number of donor-supported credit-only non governmental organizations (NGOs) appear, develop and sometimes even transform into new types of non bank financial institutions (NBFIs) by the end of the decade. To some extent, the nature of microfinance services is regional in Africa, dominated by credit cooperatives in West Africa, NBFIs in East Africa and a majority of NGOs and some downscaling banks in Southern Africa.

With a median age of eight years, the microfinance sector in Africa is middle-aged compared to its peers in other regions - younger than the mature MFIs of the Latin American or Asian sectors, but more experienced than the fledgling institutions in the Arab states or in Eastern Europe and Central Asia. Within Africa, cooperatives have a median age of 18 years and illustrate their long-established activities with more expanded operations than any other institutional type (70 offices per institution). This sample also reflects the recent growth of young start-up banks in Southern and Central Africa, driven in part by ProCredit, FINCA and other internationally supported institutions. The gradually stabilizing political and economic environments, the thriving informal sectors in African markets and the resulting strong demand for credit are driving the creation of new institutions across the continent.

While MFIs around the globe display extraordinary expansion rates, growth of microcredit portfolios in Africa has been slow, with the overall region losing two percent of its loan clients between 2004 and 2005. What explains this sluggish growth? In East Africa, for example, Ethiopian institutions grew by a third due to increased access to subsidized financing, low competition and high efficiency levels. Yet, this regional growth was offset by Ugandan MFIs, which saw many of the big players lose borrowers as they underwent transformation, cleaned up their portfolios in compliance with central bank regulation and began to focus on individual lending. Similarly, in West Africa, some institutions are struggling to recover their loans and have even started pulling back from lending activities.

Despite slow credit growth, African MFIs outshine other regions in their ability to expand their savings services. Savings outreach grew by 150 percent from 2004 to 2005, resulting in total volume of savings per MFI of US$474,000. Poor clients value both lending and deposit services, and the demand for these services is being met by cooperatives in West Africa and increasingly by a small class of recently created or transformed banks and NBFIs in East Africa. Both cooperatives and banks have similar volumes of deposits, but it is the cooperative structure which draws the greater client numbers who demand security and liquidity in saving services in urban and rural areas alike. Interestingly, while African MFIs as a whole saw their loan client base deplete over 2004-2005, financial intermediaries used their savings clientele as a springboard to expand credit services as depicted in ***Figure 1***. The largest MFIs in Africa, of which nine tenths offer savings

Figure 1 Outreach by financial intermediation in Africa



Legend: FI – Financial Intermediation
Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Results are peer group medians.

services, attracted 30 percent more borrowers in 2005 and now reach three to six times more loan clients than their medium- and small-sized counterparts. Growth was also high (25 percent) among financially self-sufficient (FSS) institutions, the majority of which offer savings and whose sound operations enable them to reach more borrowers than unprofitable MFIs: the typical FSS MFI reaches three times as many loan clients and ten times more savers than the typical non-FSS MFI.

Compared to credit clients elsewhere in the world, borrowers in Africa benefit from a fairly small average loan balance of US$230 per borrower. However, low income levels in Africa mean this balance represents 90 percent of GNI per capita, the highest loan balance in the world in relative terms – US$230 in sub-Saharan Africa goes further than in any other global region. NGOs in Africa reach deeper down-market, remaining true to their mission of serving the poor and offering loans of less than US$150 – a balance which has dropped since 2004. Conversely, financial intermediaries, specifically cooperatives, reach a higher-end loan clientele (usually salaried workers), while handling savings balances that are typically three to five times smaller than the credit balances they offer. The industry may actually see average loan balances rise as more African institutions – and an increasing number in our sample – start offering SME loans, a distinct market currently dominated by banks or if financial intermediaries continue to dominate the lending market with their high balance loans.

Financing Structure

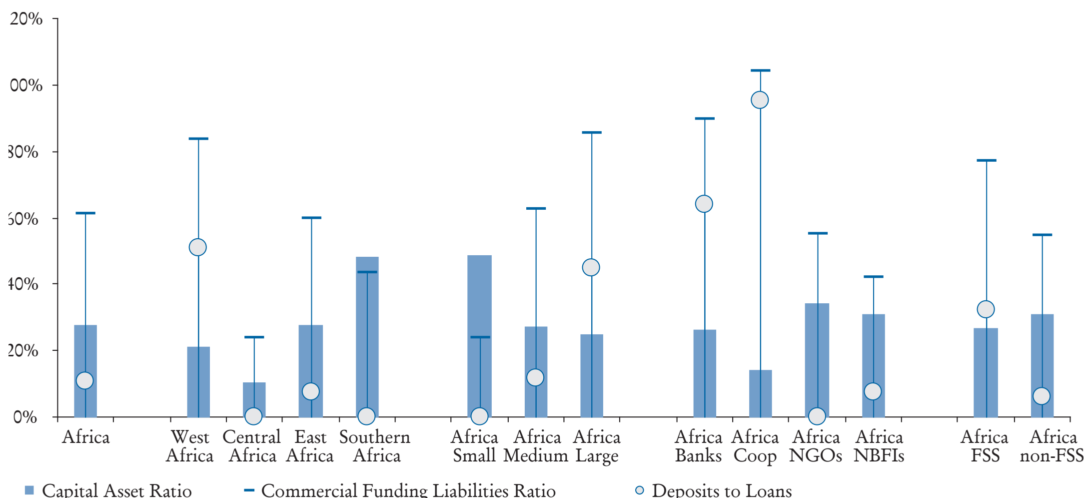
Two distinct funding strategies are predominant in Africa: accessing local debt financing and reliance on equity in the form of donations. For institutions operating on a full intermediation basis, over 100 percent of their funds for on-lending stem from commercially priced liabilities, principally from customer deposits. The rapid expansion of savings services along with the relatively recent interest of investors in the region caused funding structures to change at an unprecedented speed: while African banks are only half as leveraged as their global counterparts, these banks saw their debt/equity ratio double from 2004 to 2005 (excluding some start-up institutions). Cooperatives in Africa fund almost the entirety of their portfolio (95 percent) with customer deposits as illustrated in ***Figure 2***. All forms of funding are however still geared towards large profitable MFIs that have earned the trust of investors: large MFIs leverage US$3.1 in debt for every dollar in equity, compared to US$2.1 and US$1 for medium and small MFIs respectively.

On the other side of the financing spectrum lie donor subsidies which play a crucial role in bolstering the majority of NGOs and other microfinance programs prohibited from accepting client deposits. While some NGOs are increasingly accessing commercial debt contracted through banks or facilitated by international donor guarantees, most have not yet proven themselves in the eyes of local debt markets and on the whole rely on capital to fund over a third of their assets. Similarly, small start-up MFIs rely on donated equity as they strive to attain better financial management and can expect to start building relations with local investors and possibly access client savings. The recently created class of Ugandan NBFIs is now taking advantage of the law permitting MFIs to transform into deposit-taking institutions to move away from donor funding and finance their operations through low-cost client savings.

Profitability, Efficiency and Productivity

On the whole, MFIs in Africa are unprofitable and fare poorly compared to other regions of the world, generating 2.2 percent in losses after adjustments. While, overall, the sector is operationally self-sufficient, standard adjustments significantly sap the bottom line in accounting for high inflation and provisioning which raise financial and

Figure 2 Modes of financing across Africa

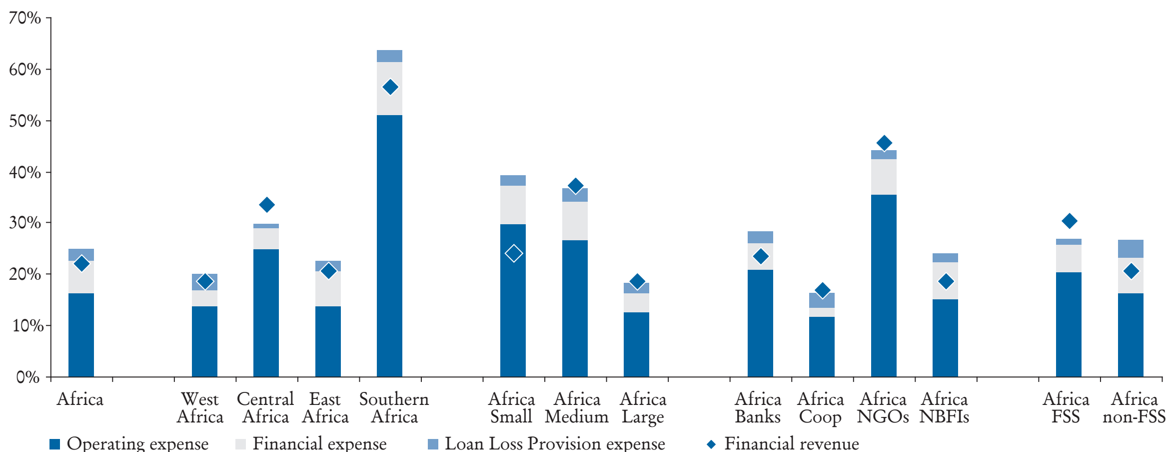


Legend: NGOs – Non-Governmental Organizations; NBFIs - Non Bank Financial Institutions; FSS - Financially Self-Sufficient
Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Results are peer group medians.

provisioning expenses respectively. Although African MFIs have seen a slight improvement in returns over 2004-2005, they still grapple with high cost environments in trying to break even, displaying FSS levels 15 percentage points below the global median. Profitability is a challenge in Africa and few institutions – one third only – attain the sought-after key to sustainability. Interestingly, those who are profitable – at levels not comparable with other FSS MFIs around the world, display higher costs and accordingly higher revenues than their unprofitable African peers, as ***Figure 3*** illustrates. Although these profitable institutions reach more borrowers on the whole, positive returns are obtained for many through higher interest rates, which may come at the financial expense of the client.

High operating costs drain profits from African MFIs, more so than in any other region in the world. Institutions suffer from the prohibitively expensive operating environments of African economies, in which weak infrastructure combined with predominantly rural markets and high labor costs all contribute to high expenses. Yet, institutions operating as financial

Figure 3 Breakdown of return on assets



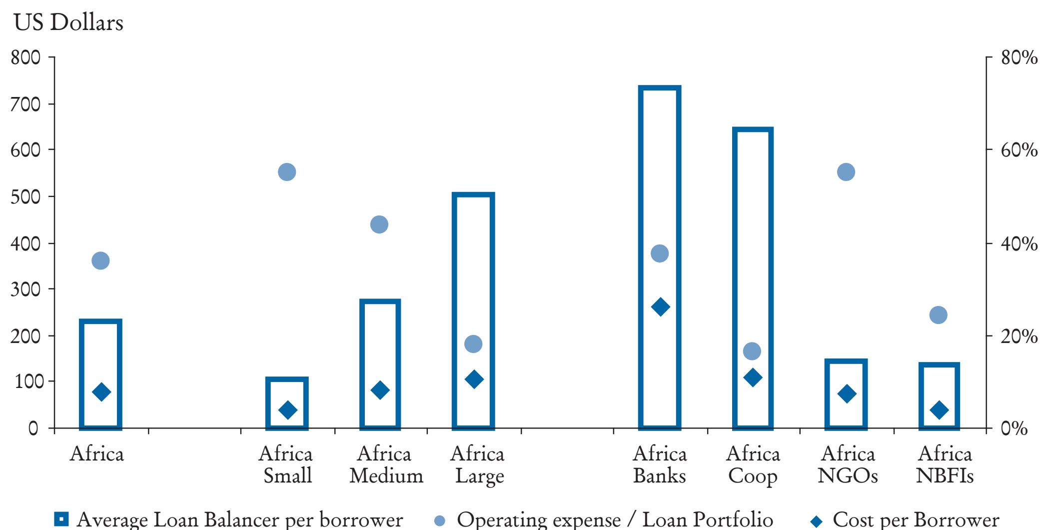
Legend: NGOs – Non-Governmental Organizations; NBFIs - Non Bank Financial Institutions; FSS - Financially Self-Sufficient
Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Results are peer group medians.

intermediaries rather than specializing in lending-only activities have successfully used their methodologies to generate substantial economies of scale. Cooperatives have long been able to manage costs and they now display the lowest expenses in all categories, provisioning excepted. The cooperatives sampled in this report are generally of the federation-type which translates into an extensive network of well established and efficient branches in their respective markets. Cooperatives also benefit from low personnel costs thanks to a governance system relying on uncompensated elected members who serve on credit committees and in other important operative positions. Most importantly, financial expenses remain at record-low levels (less than two percent of assets in 2005), since many cooperatives, although savings-led, offer low interest rate deposits to their clients and benefit immensely from this cheap source of funding. In spite of these dramatically low expense structures, cooperatives as a whole are unable to break even. Indeed, West African cooperatives are subject to interest caps (of 27 percent) preventing them from earning sufficient revenues to cover their expenses. Should the regulatory law be more flexible, cooperatives could offer strategically priced products which would allow them to cover their below-global-norm costs.

Non governmental organizations, on the other hand, suffer most from the expensive operating environments. NGOs in Africa penetrate the remote areas where human and infrastructure costs are high and as a result spend two to three times more on personnel and administrative costs than any other types of institutions. The investment in personnel pays off as NGO staff proves to be the most productive across institutional types, with 145 borrowers per staff member in 2005. However, these high costs are not only limited to NGOs, as the difficult operating environment in Africa cuts across institutional types. Banks and credit unions both have operating expenses above global norms, with expenses twice as high for African banks.

The cost of doing business in Africa along with high costs related to the employment and retention of qualified personnel impacts heavily on efficiency. African MFIs lag far behind global norms in terms of efficiency. In 2005, the typical African MFI spent US$0.35 for every dollar outstanding, while an MFI in the second least efficient region (Asia) spent no more than US$0.23. Indeed, the average salary for MFI staff in Africa is 13 times GNI per capita, over twice as much as in Eastern Europe and Central Asia where costs of living are higher. Within Africa, NGOs, again, are particularly inefficient and to remain true to their mission of reaching poorer clients, they offer low average balances (54 percent of GNI per capita) which are more costly to manage. As a result, NGOs spend half of the amount of the loan on administering it, as illustrated in ***Figure 4***.

Figure 4 Efficiency and loan size, by scale and institutional type



Legend: NGOs – Non-Governmental Organizations; NBFIs - Non Bank Financial Institutions
Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Results are peer group medians.

Not only are operating costs prohibitive, but financial expenses are also high for NGOs, especially in Southern Africa which includes a number of high-inflation economies. Throughout the region, high inflation levels are associated with high financial expenses as price increases push MFIs to charge high interest rates in an attempt to keep their capital base from eroding. Financial expenses are higher in Africa than in any other region except Latin America. High inflation across Africa also cuts into revenue streams as the nominal yield on gross loan portfolio – the highest of all global regions – drops 13 points to a real yield of only 19.8 percent.

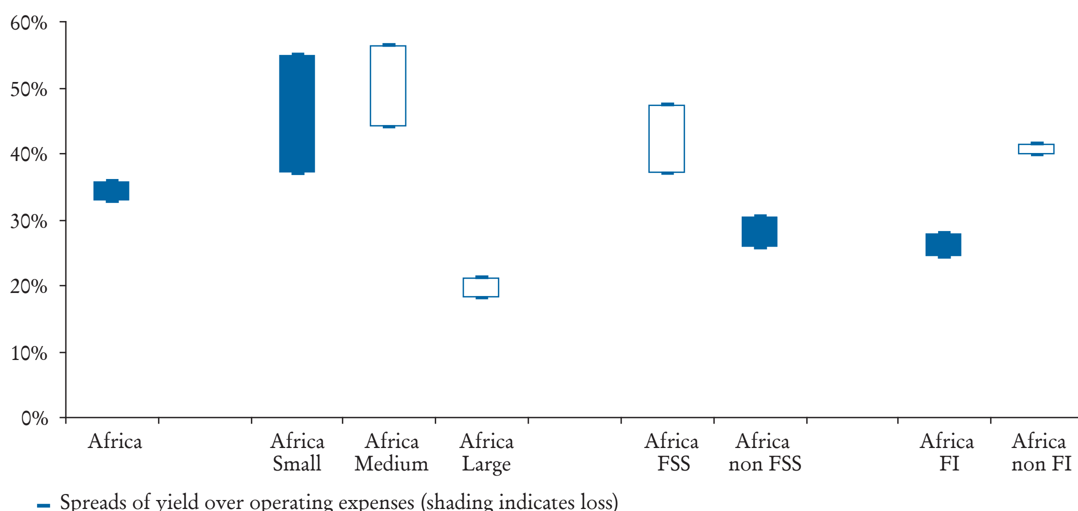
The high cost of funds may also be due to a gap in supply and demand for financing – the limited supply of commercial financing by local banks in Africa remains scarce and expensive. These loans are usually provided only at high interest rates and with relatively short terms in order to minimize risk. Financial expenses have increased 20 percent between 2004 and 2005, and it is expected that costs will plateau when broader financial sectors in Africa stabilize, allowing inflation levels to drop and funding supply to match funding demand.

African institutions also fare poorly in maximizing potential returns through good asset allocation, assigning only two thirds of their assets to the loan portfolio. Despite the expectation that asset allocation levels should be higher at non-intermediary institutions (that do not need to hold reserves for deposits), there is little difference in loan portfolio to assets ratios for financial intermediaries and non-intermediaries. African MFIs hold high levels of cash-on-hand most probably for rural operations. Loan portfolio allocation ratios are especially low at African banks, where just over half of total assets are placed in microcredit loan portfolios.

Better managed institutions are able to grow in size by increasing returns and are thus more likely to be profitable. This postulation is validated by the large MFI peer group which displays much lower financial, loan loss and operating expenses than its medium and small scale peers. As large MFIs expand the scale of their operations and achieve high productivity, they are able to serve clients at just one third of the cost incurred by their small scale counterpart (US$0.18 for every dollar lent), and thus pass on these efficiency gains to loan clients in the form of lower interest rates, as depicted in ***Figure 5***. From 2004 to 2005, the real yield dropped by almost half, down to 13.7 percent for Large African institutions. This bodes well for institutions in high growth stages and their clients.

To minimize their transaction costs, African MFIs offer group loans using solidarity groups or village bank methodologies, boosting their levels of productivity and reducing cost per

Figure 5 Comparison of Yields and Costs on the Loan Portfolio



Legend: FSS - Financially Self-Sufficient; FI – Financial Intermediation
Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Results are peer group medians.

borrower to US$78, US$30 less than the global norm in 2005. Still, in recent years, institutions have seen their productivity stagnate due to the increasing number of individual loan products they offer their clients. Efficiency and productivity should also be analyzed in light of services offered: the indicators in this report do not segregate or compare financial and operating costs relative to savings activities on a separate basis, which would most certainly raise African MFIs' ranking to better levels. For example, on the productivity side, MFIs in Africa outshine their global peers, by serving over 180 voluntary savers per staff member, while managing half as many more borrowers.

Portfolio Quality

Indicators for portfolio quality, which determine institutions' future revenues as well as their ability to increase outreach, are weak across the board for MFIs in sub-Saharan Africa. The high levels of portfolio at risk over 30 and 90 days (4.6 and 2.0 percent of loan portfolio respectively and illustrated in ***Figure 6***) indicate that African institutions struggle in effectively managing their most important assets. Delinquent loans arise through a weak credit culture with possible roots in two main factors: inappropriate product design and ineffective recovery mechanisms on the part of staff. A number of MFIs are moving towards individual loans and in the process may have underestimated the importance of appropriately designing the product for this new clientele. In parallel, the high work load of loan officers hinders their ability to follow-up with individual clients.

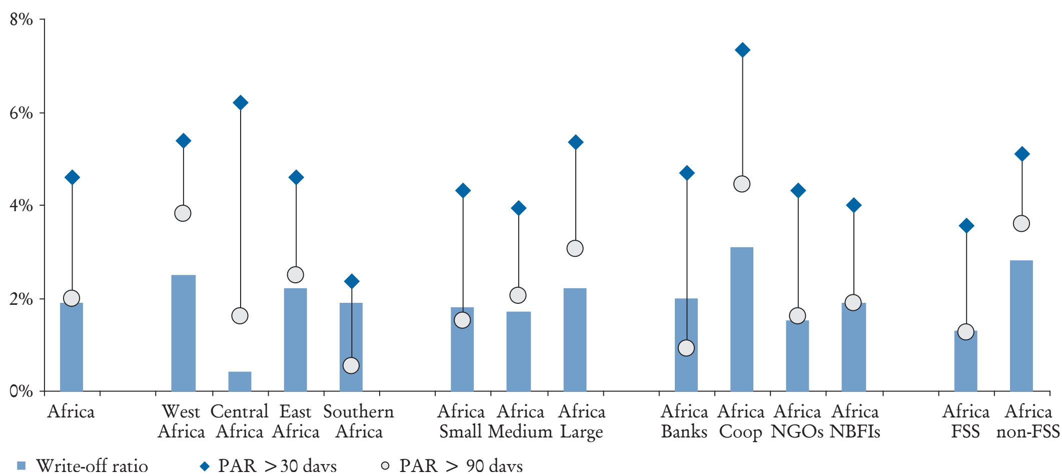
Portfolio quality has deteriorated since 2004, particularly past 90 days. This is especially a concern for cooperatives which, by the Parmec law, are required to track delinquent loans only after three months. As overdue loans age, they are harder to recover from clients and adversely affect an institution's credit culture. While MFIs may spend much energy on loan enforcement, good loan disbursement decisions would be more effective and less costly on financial and human resources.

Profitable MFIs have made strides to improve the quality of their portfolio over 2004-2005. FSS institutions hold healthier portfolios than their unsustainable peers, recognizing that deteriorating portfolio quality affects revenues and risk coverage and increases provisioning expenses.

Conclusion

Microfinance in Africa, in its myriad of shapes and forms, continues to meet the needs of an increasing number of unbanked farmers, traders and micro-entrepreneurs. The 71 institutions of this sample operate in diverse environments across the continent; still, the Africa 2005 benchmarks draw notable trends for the sector as a whole. African MFIs offer savings as a core financial service for clients and use

Figure 6 Portfolio at Risk >30 and >90 days and Write-off ratio



Legend: NGOs – Non-Governmental Organizations; NBFIs - Non Bank Financial Institutions; FSS - Financially Self-Sufficient; PAR – Portfolio at Risk

Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Results are peer group medians.

it as an important source of funds for lending. While the difficult environment and its resulting high expenses affect all institutions, MFIs which engage in full intermediation fare better financially than those specializing in lending only and tend to grow when they are able to expand their resource base through deposit collection. MFIs who do not offer savings, like NGOs, suffer most from the prohibitive operating costs as they operate in rural environments and remain true to serving the poorer markets of Africa. NGOs and small MFIs continue to rely on donor subsidies to fund their activities but can expect to move towards commercial funding, which has yet to penetrate the African market beyond the greenfield banks and transforming MFIs. Portfolio quality has declined across institution types and effective measures to avoid and counter non-performing loans are essential, especially for cooperatives who display the highest client delinquency.

Still, MFIs continue their path towards serving some of the most vulnerable populations in the world. The industry has grown and will continue to grow thanks to better access to equity, commercial funds and deposits from clients. Competition will push institutions to set deposit and lending rates to an appropriate profit-making spread, even as they use technology to expand product diversity and drive the industry to increased levels of efficiency and productivity.

Anne-Lucie Lafourcade, Analyst, Africa

Data and Data Preparation

For benchmarking purposes, MIX collects and prepares MFI financial and outreach data according to international microfinance reporting standards as applied in the *MicroBanking Bulletin*. Raw data are collected from the MFI, inputted into standard reporting formats and crosschecked with audited financial statements, ratings and other third party due diligence reports, as available. Performance results are then adjusted, using industry standard adjustments, to eliminate subsidy, guarantee minimal provisioning for risk and reflect the impact of inflation on institutional performance. This process increases comparability of performance results across institutions.

MIX would like to thank all institutions participating in the industry Benchmarks and extends its gratitude to the Association of Ethiopian Microfinance institutions (AEMFI) for facilitating data collection for Ethiopian institutions.

Africa MFI Participants	
2005 Benchmarks (71 MFIs) **2004 – 2005 Trend Lines (50 MFIs)** names in italics	*ACEP (Sénégal), ACSI (Ethiopia), ADCSI (Ethiopia), Akiba (Tanzania), AVFS (Ethiopia), Buusaa Gonofa (Ethiopia),* Capitec Bank (South Africa), CAPPED (Congo), CCA (Cameroon), CDS (Cameroon), *Centenary Bank (Uganda), CETZAM (Zambia), CML (Uganda), CMS (Senegal), CRG (Guinea), DECSI (Ethiopia), Equity Bank (Kenya), Eshet (Ethiopia), Faulu – UGA (Uganda), FCC (Mozambique), FDM (Mozambique), FECECAM (Benin),* Finance Salone (Sierra Leone), FINCA – DRC (Democratic Republic of Congo), *FINCA – MWI (Malawi), FINCA – TZA (Tanzania), FINCA – UGA (Uganda),* FINCA – ZAM (Zambia), FUCEC (Togo), *Gasha (Ethiopia),* Jemeni (Mali), *Kafo Jiginew (Mali),* Kondo Jigima (Mali), *K-Rep Bank (Kenya),* KWFT (Kenya), LAPO (Nigeria), MDSL (Kenya), *MED-Net (Uganda), Meklit (Ethiopia), Metemamen (Ethiopia),* MicroKing (Zimbabwe), NovoBanco – ANG (Angola), NovoBanco – MOZ (Mozambique), *Nyèsigiso (Mali), OCSSC (Ethiopia),* OI-SASL (Ghana), *OMO (Ethiopia), PADME (Benin), PAMECAS (Senegal), PAPME (Benin), PEACE (Ethiopia), PRIDE – TZA (Tanzania),* ProCredit – GHA (Ghana), *RCPB (Burkina Faso), SAT (Ghana),* SEAP (Nigeria), *SEDA (Tanzania),* SEF – TZA (Tanzania), *SEF – ZAF (South Africa), SFPI (Ethiopia), Sidama (Ethiopia),* SMEP (Kenya), *SOCREMO (Mozambique), Tchuma (Mozambique), UML (Uganda), Urwego (Rwanda), U-Trust (Uganda), Vital Finance (Benin), WAGES (Togo), Wasasa (Ethiopia), Wisdom (Ethiopia).*

Peer Groups	Definition	Description
Charter Type	Africa Bank (9 MFIs)	African MFIs with Bank charter type
	Africa Cooperative (10 MFIs)	African MFIs with Credit Union / Cooperative charter type
	Africa NBFI (33 MFIs)	African MFIs with Non-Bank Financial Intermediary charter type
	Africa NGO (19 MFIs)	African MFIs with Non-Governmental Organization charter type
Sustainability	Africa FSS (24 MFIs)	African MFIs with FSS > 0%
	Africa Non FSS (47 MFIs)	African MFIs with FSS < 0%
Scale	Africa Small (23 MFIs)	African MFIs with GLP < US$ 2 million
	Africa Medium (24 MFIs)	African MFIs with GLP between US$ 2 and US$ 8 million
	Africa Large (24 MFIs)	African MFIs with GLP > US$ 8 million
Regions	West Africa (19 MFIs)	African MFIs from Benin, Burkina Faso, Ghana, Guinea, Mali, Senegal, Sierra Leone, Togo
	Central Africa (7 MFIs)	African MFIs from Cameroon, Congo, Congo (Democratic Republic), Nigeria, Rwanda
	East Africa (33 MFIs)	African MFIs from Ethiopia, Kenya, Tanzania, Uganda
	Southern Africa (12 MFIs)	African MFIs from Angola, Malawi, Mozambique, South Africa, Zambia, Zimbabwe

Indicator Definitions

INSTITUTIONAL CHARACTERISTICS

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

FINANCING STRUCTURE

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

OUTREACH INDICATORS

Indicator	Definition
Number of Active Borrowers	Number of borrowers with loans outstanding, adjusted for standardized write-offs
Percent of Women Borrowers	Number of active women borrowers/ Adjusted Number of Active Borrowers
Number of Loans Outstanding	Number of loans outstanding, adjusted for standardized write-offs
Gross Loan Portfolio	Gross Loan Portfolio, adjusted for standardized write-offs
Average Loan Balance per Borrower	Adjusted Gross Loan Portfolio/ Adjusted Number of Active Borrowers
Average Loan Balance per Borrower/ GNI per Capita	Adjusted Average Loan Balance per Borrower/ GNI per Capita
Average Outstanding Balance	Adjusted Gross Loan Portfolio/ Adjusted Number of Loans Outstanding
Average Outstanding Balance/ GNI per Capita	Adjusted Average Outstanding Balance/ GNI per Capita
Number of Voluntary Savers	Number of savers with voluntary savings demand deposit and time deposit accounts
Number of Voluntary Savings Accounts	Number of voluntary savings demand deposit and time deposit accounts
Voluntary Savings	Total value of voluntary savings demand deposit and time deposit accounts
Average Savings Balance per Saver	Voluntary Savings/ Number of Voluntary Savers
Average Savings Account Balance	Voluntary Savings/ Number of Voluntary Savings Accounts

MACROECONOMIC INDICATORS

Indicator	Definition
GNI per Capita	US Dollars
GDP Growth Rate	Annual Average
Deposit Rate	%
Inflation Rate	%
Financial Depth	M3/ GDP

OVERALL FINANCIAL PERFORMANCE

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

REVENUES

Indicator	Definition
Financial Revenue Ratio	Adjusted Financial Revenue/ Adjusted Average Total Assets
Profit Margin	Adjusted Net Operating Income/ Adjusted Financial Revenue
Yield on Gross Portfolio (nominal)	Adjusted Financial Revenue from Loan Portfolio/ Adjusted Average Gross Loan Portfolio
Yield on Gross Portfolio (real)	(Adjusted Yield on Gross Portfolio (nominal) - Inflation Rate)/ (1 + Inflation Rate)

EXPENSES

Indicator	Definition
Total Expense Ratio	Adjusted (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)/ Adjusted Average Total Assets
Financial Expense Ratio	Adjusted Financial Expense/ Adjusted Average Total Assets
Loan Loss Provision Expense Ratio	Adjusted Net Loan Loss Provision Expense/ Adjusted Average Total Assets
Operating Expense Ratio	Adjusted Operating Expense/ Adjusted Average Total Assets
Personnel Expense Ratio	Adjusted Personnel Expense/ Adjusted Average Total Assets
Administrative Expense Ratio	Adjusted Administrative Expense/ Adjusted Average Total Assets
Adjustment Expense Ratio	(Adjusted Net Operating Income - Unadjusted Net Operating Income)/ Adjusted Average Total Assets

EFFICIENCY

Indicator	Definition
Operating Expense/ Loan Portfolio	Adjusted Operating Expense/ Adjusted Average Gross Loan Portfolio
Personnel Expense/ Loan Portfolio	Adjusted Personnel Expense/ Adjusted Average Gross Loan Portfolio
Average Salary/ GNI per Capita	Adjusted Average Personnel Expense/ GNI per capita
Cost per Borrower	Adjusted Operating Expense/ Adjusted Average Number of Active Borrowers
Cost per Loan	Adjusted Operating Expense/ Adjusted Average Number of Loans

PRODUCTIVITY

Indicator	Definition
Borrowers per Staff Member	Adjusted Number of Active Borrowers/ Number of Personnel
Loans per Staff Member	Adjusted Number of Loans Outstanding/ Number of Personnel
Borrowers per Loan Officer	Adjusted Number of Active Borrowers/ Number of Loan Officers
Loans per Loan Officer	Adjusted Number of Loans Outstanding/ Number of Loan Officers
Voluntary Savers per Staff Member	Number of Voluntary Savers/ Number of Personnel
Savings Accounts per Staff Member	Number of Saving Accounts/ Number of Personnel
Personnel Allocation Ratio	Number of Loan Officers/ Number of Personnel

RISK AND LIQUIDITY

Indicator	Definition
Portfolio at Risk > 30 Days	Outstanding balance, loans overdue> 30 Days/ Adjusted Gross Loan Portfolio
Portfolio at Risk > 90 Days	Outstanding balance, loans overdue> 90 Days/ Adjusted Gross Loan Portfolio
Write-off Ratio	Value of loans written-off/ Adjusted Average Gross Loan Portfolio
Loan Loss Rate	Adjusted Write-offs, net of recoveries/ Adjusted Average Gross Loan Portfolio
Risk Coverage	Adjusted Loan Loss Reserve/ PAR > 30 Days
Non-earning Liquid Assets as % Total Assets	Adjusted Cash and banks/ Adjusted Total Assets
Current Ratio	Short Term Assets/ Short Term Liabilities

Africa

INSTITUTIONAL CHARACTERISTICS	Africa	Regions (Africa)				Sustainability (Africa)	
		West Africa	Central Africa	East Africa	Southern Africa	FSS	Non-FSS
Number of MFIs	71	19	7	33	12	24	47
Age	8	12	8	8	7	8	8
Total Assets	7,966,240	15,901,075	4,276,349	7,794,994	2,782,858	15,117,670	4,919,949
Offices	15	31	15	12	8	25	12
Personnel	134	209	97	128	102	285	103
FINANCING STRUCTURE							
Capital/ Asset Ratio	27.4%	21.1%	10.1%	27.6%	48.2%	26.5%	31.0%
Commercial Funding Liabilities Ratio	61.2%	83.5%	23.6%	59.8%	43.6%	76.9%	54.6%
Debt/ Equity Ratio	2.2	2.9	1.4	2.6	1.1	2.8	1.7
Deposits to Loans	10.9%	51.0%	0.0%	7.6%	0.0%	32.3%	6.3%
Deposits to Total Assets	8.6%	42.2%	0.0%	5.2%	0.0%	23.2%	4.8%
Gross Loan Portfolio/ Total Assets	65.9%	66.2%	54.7%	66.2%	66.1%	64.6%	66.2%
OUTREACH INDICATORS							
Number of Active Borrowers	16,922	24,863	11,292	19,846	7,786	38,358	13,728
Percent of Women Borrowers	57.4%	53.3%	83.0%	54.4%	59.2%	53.4%	60.0%
Number of Loans Outstanding	15,423	24,863	11,292	17,052	6,377	43,087	13,723
Gross Loan Portfolio	4,846,189	11,618,654	1,006,967	4,491,245	2,359,871	11,953,804	3,387,110
Average Loan Balance per Borrower	230	637	89	144	208	300	181
Average Loan Balance per Borrower/ GNI per Capita	90.1%	140.8%	39.2%	97.8%	58.9%	110.8%	82.7%
Average Outstanding Balance	174	694	89	137	169	182	164
Average Outstanding Balance/ GNI per Capita	86.3%	161.2%	71.9%	92.1%	61.3%	133.3%	81.8%
Number of Voluntary Savers	7,334	34,550	0	5,242	0	39,951	3,071
Number of Voluntary Savings Accounts	6,288	25,576	0	5,242	0	46,584	2,469
Voluntary Savings	473,806	4,539,808	0	160,789	0	3,793,566	73,626
Average Savings Balance per Saver	109	115	447	74	247	117	106
Average Savings Account Balance	106	116	451	68	245	101	109
MACROECONOMIC INDICATORS							
GNI per Capita	330	380	390	270	350	345	330
GDP Growth Rate	5.7%	3.0%	4.0%	6.3%	6.3%	5.5%	5.7%
Deposit Rate	4.9%	3.5%	4.9%	4.7%	8.4%	5.0%	4.7%
Inflation Rate	10.3%	6.4%	9.4%	10.3%	13.1%	8.6%	11.6%
Financial Depth	27.8%	30.8%	18.6%	41.5%	27.8%	25.5%	30.8%
OVERALL FINANCIAL PERFORMANCE							
Return on Assets	-2.2%	-1.3%	0.3%	-2.5%	-15.0%	1.6%	-6.2%
Return on Equity	-5.2%	-4.0%	14.4%	-9.6%	-34.4%	8.9%	-16.0%
Operational Self-Sufficiency	104.4%	107.4%	118.4%	108.9%	90.4%	120.3%	98.8%
Financial Self-Sufficiency	90.4%	94.5%	101.8%	88.3%	78.3%	109.9%	78.1%
REVENUES							
Financial Revenue Ratio	22.1%	18.6%	33.7%	20.7%	56.6%	30.5%	20.6%
Profit Margin	-10.6%	-5.8%	1.8%	-13.3%	-29.2%	9.0%	-28.1%
Yield on Gross Portfolio (nominal)	32.8%	22.5%	50.5%	26.0%	81.2%	47.3%	25.6%
Yield on Gross Portfolio (real)	19.8%	16.4%	37.5%	12.9%	55.1%	34.5%	16.4%
EXPENSES							
Total Expense Ratio	25.2%	22.8%	34.7%	22.9%	72.2%	27.3%	25.2%
Financial Expense Ratio	6.4%	2.9%	4.2%	6.9%	10.3%	5.7%	6.9%
Loan Loss Provision Expense Ratio	2.1%	3.3%	0.8%	2.2%	2.3%	1.1%	3.4%
Operating Expense Ratio	16.4%	13.9%	24.9%	13.7%	51.0%	20.3%	16.4%
Personnel Expense Ratio	8.3%	5.4%	9.2%	7.3%	26.2%	9.6%	7.3%
Administrative Expense Ratio	8.7%	8.3%	13.5%	7.2%	25.6%	8.7%	8.7%
Adjustment Expense Ratio	3.2%	2.3%	1.1%	4.0%	3.8%	1.6%	4.7%
EFFICIENCY							
Operating Expense/ Loan Portfolio	35.8%	17.4%	55.0%	25.8%	86.2%	36.9%	30.4%
Personnel Expense/ Loan Portfolio	15.9%	7.8%	17.6%	13.1%	39.2%	17.3%	13.3%
Average Salary/ GNI per Capita	13.5	12.2	6.0	16.2	22.5	16.9	12.1
Cost per Borrower	78	104	55	54	211	83	76
Cost per Loan	77	110	55	22	204	79	76
PRODUCTIVITY							
Borrowers per Staff Member	133	139	148	145	90	146	131
Loans per Staff Member	136	145	148	145	91	150	130
Borrowers per Loan Officer	254	241	220	319	160	276	246
Loans per Loan Officer	254	205	220	319	157	306	243
Voluntary Savers per Staff Member	181	364	207	143	176	213	142
Savings Accounts per Staff Member	181	233	216	147	208	208	116
Personnel Allocation Ratio	50.5%	43.8%	50.5%	49.4%	60.0%	55.2%	48.7%
RISK AND LIQUIDITY							
Portfolio at Risk > 30 Days	4.6%	5.4%	6.2%	4.6%	2.4%	3.6%	5.1%
Portfolio at Risk > 90 Days	2.0%	3.8%	1.6%	2.5%	0.6%	1.3%	3.6%
Write-off Ratio	1.9%	2.5%	0.4%	2.2%	1.9%	1.3%	2.8%
Loan Loss Rate	1.9%	2.4%	0.4%	2.2%	1.8%	1.3%	2.2%
Risk Coverage	0.7	0.5	0.7	0.7	1.0	0.6	0.7
Non-earning Liquid Assets as % Total Assets	14.3%	9.3%	26.1%	14.6%	14.5%	9.9%	15.8%

INSTITUTIONAL CHARACTERISTICS	Large	Scale (Africa) Medium	Small	Banks	Charter (Africa) Cooperatives	NGOs	NBFIs
Number of MFIs	24	24	23	9	10	19	33
Age	12	8	6	8	18	11	7
Total Assets	40,279,904	7,925,696	1,548,195	30,848,100	35,732,120	4,751,062	3,591,648
Offices	47	15	9	26	70	10	12
Personnel	360	145	65	268	299	103	104
FINANCING STRUCTURE							
Capital/ Asset Ratio	24.6%	27.3%	48.4%	26.1%	14.2%	34.3%	31.0%
Commercial Funding Liabilities Ratio	85.7%	62.7%	23.6%	89.6%	104.2%	54.9%	41.9%
Debt/ Equity Ratio	3.1	2.1	1.0	2.8	4.8	1.9	2.1
Deposits to Loans	57.2%	15.3%	0.0%	64.2%	95.3%	0.0%	7.6%
Deposits to Total Assets	44.8%	11.6%	0.0%	47.3%	58.5%	0.0%	5.2%
Gross Loan Portfolio/ Total Assets	70.0%	64.9%	63.9%	55.3%	66.7%	66.5%	66.2%
OUTREACH INDICATORS							
Number of Active Borrowers	60,356	19,897	9,821	57,742	34,457	14,919	13,728
Percent of Women Borrowers	40.6%	66.4%	64.2%	51.9%	24.4%	81.6%	54.2%
Number of Loans Outstanding	57,742	20,002	9,969	36,665	38,506	15,261	14,037
Gross Loan Portfolio	29,519,280	4,798,293	899,376	15,279,270	27,650,432	3,089,791	3,085,360
Average Loan Balance per Borrower	502	274	104	735	645	144	137
Average Loan Balance per Borrower/ GNI per Capita	162.2%	88.2%	65.8%	207.3%	165.8%	53.5%	92.1%
Average Outstanding Balance	735	181	106	778	932	144	128
Average Outstanding Balance/ GNI per Capita	169.8%	86.2%	68.9%	267.8%	189.4%	55.0%	87.6%
Number of Voluntary Savers	167,990	4,207	0	32,346	186,295	0	9,858
Number of Voluntary Savings Accounts	175,821	3,172	0	207,371	177,143	0	7,334
Voluntary Savings	15,325,368	750,976	0	15,404,256	16,288,760	0	160,789
Average Savings Balance per Saver	121	111	14	235	112	151	79
Average Savings Account Balance	117	106	14	231	114	254	74
MACROECONOMIC INDICATORS							
GNI per Capita	360	370	200	460	370	380	200
GDP Growth Rate	3.4%	5.2%	7.8%	5.7%	2.9%	4.7%	5.7%
Deposit Rate	3.5%	8.6%	4.7%	8.4%	3.5%	4.9%	4.9%
Inflation Rate	7.5%	9.5%	11.6%	10.3%	6.4%	8.6%	11.6%
Financial Depth	30.8%	25.5%	41.3%	27.8%	30.8%	24.4%	41.5%
OVERALL FINANCIAL PERFORMANCE							
Return on Assets	0.9%	-1.5%	-10.2%	-1.2%	-1.0%	-1.9%	-4.2%
Return on Equity	4.8%	-3.9%	-29.9%	-3.2%	10.3%	-7.6%	-10.2%
Operational Self-Sufficiency	116.6%	106.3%	81.1%	110.3%	105.2%	100.8%	103.6%
Financial Self-Sufficiency	104.9%	96.7%	69.9%	99.2%	95.0%	93.3%	83.4%
REVENUES							
Financial Revenue Ratio	18.6%	37.3%	24.1%	23.4%	17.0%	45.7%	18.6%
Profit Margin	4.7%	-3.5%	-43.1%	-0.9%	-5.3%	-7.2%	-19.9%
Yield on Gross Portfolio (nominal)	21.1%	56.2%	36.9%	44.9%	19.1%	62.5%	26.8%
Yield on Gross Portfolio (real)	13.7%	41.6%	13.6%	27.1%	12.0%	42.6%	13.6%
EXPENSES							
Total Expense Ratio	20.1%	38.5%	34.7%	34.8%	18.4%	44.3%	25.2%
Financial Expense Ratio	3.9%	7.4%	7.7%	5.1%	1.6%	7.1%	7.2%
Loan Loss Provision Expense Ratio	1.8%	2.6%	1.8%	2.4%	3.0%	1.7%	1.8%
Operating Expense Ratio	12.6%	26.6%	29.7%	21.0%	11.8%	35.5%	15.1%
Personnel Expense Ratio	5.4%	12.4%	9.5%	8.5%	4.5%	17.1%	8.5%
Administrative Expense Ratio	7.0%	13.3%	15.3%	13.0%	8.2%	16.5%	7.4%
Adjustment Expense Ratio	2.1%	3.0%	6.0%	2.7%	1.4%	2.1%	4.6%
EFFICIENCY							
Operating Expense/ Loan Portfolio	18.1%	43.9%	55.0%	37.5%	16.5%	55.0%	24.3%
Personnel Expense/ Loan Portfolio	7.2%	19.6%	22.2%	17.8%	6.0%	23.7%	13.3%
Average Salary/ GNI per Capita	12.9	15.9	12.0	22.6	10.1	14.4	12.3
Cost per Borrower	107	82	40	263	110	76	37
Cost per Loan	104	79	40	301	124	78	22
PRODUCTIVITY							
Borrowers per Staff Member	135	144	131	72	108	145	140
Loans per Staff Member	131	145	132	63	107	146	142
Borrowers per Loan Officer	273	254	254	162	188	245	283
Loans per Loan Officer	205	254	264	139	178	268	290
Voluntary Savers per Staff Member	389	157	116	176	524	25	147
Savings Accounts per Staff Member	364	143	142	218	432	53	143
Personnel Allocation Ratio	51.3%	56.8%	48.7%	51.4%	47.5%	51.5%	49.4%
RISK AND LIQUIDITY							
Portfolio at Risk > 30 Days	5.4%	4.0%	4.3%	4.7%	7.4%	4.3%	4.0%
Portfolio at Risk > 90 Days	3.1%	2.1%	1.5%	0.9%	4.5%	1.6%	1.9%
Write-off Ratio	2.2%	1.7%	1.8%	2.0%	3.1%	1.5%	1.9%
Loan Loss Rate	2.2%	1.6%	1.3%	1.8%	2.6%	1.4%	1.9%
Risk Coverage	0.5	0.7	0.8	0.9	0.5	0.7	0.7
Non-earning Liquid Assets as % Total Assets	9.9%	14.2%	20.3%	9.3%	13.9%	11.1%	16.6%

MIX 2005 Benchmarks

This publication is part of a series of regional industry benchmarking reports presented by the Microfinance Information Exchange, Inc. (MIX):

- Benchmarking African Microfinance 2005
- Benchmarking Asian Microfinance 2005
- Benchmarking Arab Microfinance 2005
- Benchmarking Latin American Microfinance 2005
- Benchmarking Microfinance in Eastern Europe and Central Asia 2005

The five regional 2005 performance reports are based on the 2005 benchmark data, collected from 446 microfinance institutions from 78 countries, located in Sub-Saharan Africa, Asia, Eastern Europe and Central Asia, Latin America and the Caribbean, as well as the Middle East and North Africa. The series represents the most methodologically consistent and in-depth reports on the performance of microfinance providers produced to date.

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