

## **Benchmarking Microfinance in Central America 2007**

## **First Ranking of Central American Microfinance Institutions**

**August 2008**

### **In Brief**

The Central American (CA) microfinance institutions (MFIs) showed positive performance in 2007, approaching the performance of the other countries in Latin America (LAC No CA). At the end of 2007, a continuous growth of credit activities is seen, reaching more borrowers, as shown by the annual increase of 23% in borrowers served by institution and an increase of 34% in the loan portfolio for the period 2005 - 2007, ending the year with a total loan portfolio of US\$1,132.0 million for the 75 MFIs that reported their financial information for the period. This growth was not only due to the demand for micro credit, but also to the larger funding available in each country, led by the high participation of fund providing agencies, which totaled a balance owed of US\$686 million, and to a lesser extent to the capacity of some institutions to intermediate deposits from the public (US\$308 million).

The profitability indicators of the institutions grew moderately, approaching the performance of LAC No CA, which tended to decrease in 2007. The growth in profitability was followed by an increase in the levels of efficiency of the MFIs, reflected in the decrease by almost 4 points in operational expenses with respect to the average loan portfolio. Nevertheless, the results in operative efficiency are partly due to the growing average loan per borrower, which did not surpass those presented by the rest of Latin American countries. Within CA countries, Costa Rica and Guatemala stand out, reaching self-sufficiency as the rest of the countries.

An important scenario to take into consideration is illustrated by the Financial Intermediation peer group. For the first time it was segmented according to more differentiating characteristics regarding the capacity to attract deposits, which allow us to observe the development achieved by those institutions that are reaching different levels of

regulation. The data indicate that as MFIs tend towards regulation, operational volumes grow, commercial funding sources increase, the structure of expenses is reduced and profitability stabilizes. However, the greater demands faced force these institutions to diversify their products toward segments with greater purchasing power and more profitable thus reducing its operational level of depth.

The Central American Microfinance Network (REDCAMIF) and the Microfinance Information eXchange (MIX) present the report **"Benchmarking of the Microfinance in Central America 2007,"** an analysis of the development of the industry with the most updated and recent information available. They also present for the first time the **"Ranking of Central American Microfinance Institutions"**, a list of the 10 most outstanding MFIs in seven performance categories.

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## Data and Comparison Scales

The data used in this report was recorded as of 31 December 2007, from a total of 75 MFIs in 6 Central American (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panamá). All the information has been provided voluntarily by the MFIs to the Analytical Unit for Central America created at REDCAMIF (August 2005) with the technical support of the Microfinance Information eXchange (MIX). Data has been collected and analyzed to measure the performance of the microfinance industry in CA compared to the rest of Latin America and the Caribbean, which historically has been handled as a single group.

The information has been standardized and adjusted to inflation, cost-of-funds subsidies, in-kind subsidies and minimum loan loss provisioning, according to the standards of the MIX MicroBanking Bulletin. Peer groups are made up of MFIs that share at least one characteristic. Since the performance of MFIs can be heterogeneous within a peer group, the information always reflects the group's median to reduce the influence of extreme and atypical values.

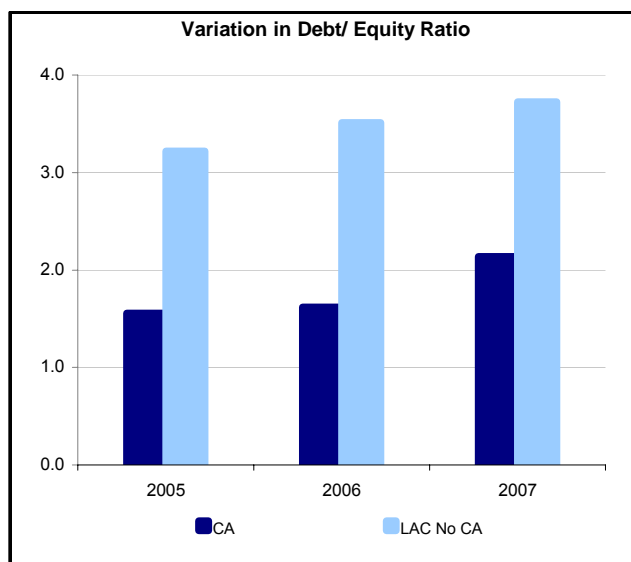
Total MFIs	Countries		Most Transparent MFIs in CA
CA (75 MFIs)	CRI (8 MFIs)	Costa Rica	ACORDE, ADRI, CrediMujer, FIDERPAC, FOMIC, Fundación Mujer, FUNDEBASE, FUNDECOCA.
	SLV (12 MFIs)	El Salvador	ACCOVI, AMC de R.L., Apoyo Integral, ASEI, Asociación Génesis, ENLACE, FADEMYPE, FINCA-SLV, Fundación Campo, FUNSALDE, PADECOMSM, ProCredit – SLV.
	GTM (16 MFIs)	Guatemala	AGUDES, ASDIR, Asociación Raíz, AYNLA, CDRO, CRYSQL, FAFIDESS, FAPE, FIACG, FINCA – GTM, FONDESOL, Friendship Bridge, Fundación MICROS, FUNDEA, FUNDESPE, Génesis Empresarial.
	HND (13 MFIs)	Honduras	ADICH, BanCovelo, BANHCAFE, FAMA OPDF, FINCA – HND, FINSOL, FUNDAHMICRO, FUNED, Hermandad de Honduras OPDF, Microfinanciera Prisma, ODEF OPDF, PILARH OPDF, World Relief – HND.
	NIC (23 MFIs)	Nicaragua	ACODEP, ADIM, AFODENIC, Cáritas Estelí, CEPRODEL, Coop. 20 de Abril, Coop. Avances, Financiera FAMA, FDL, FINCA – NIC, FINDESA, FJ N, FODEM, FUDEMI, Fundación 4i-2000, Fundación León 2000, FUNDENUSE, FUNDEPYME, FUNDESER, PRESTANIC, ProCredit – NIC, PRODESA, ProMujer – NIC.
PAN (3 MFIs)	Panamá	Coop. Juan XXIII, Microserfin, ProCaja.	
Peer Groups	Names and Characteristics		Peer Group Members
Target Market	CA BA: Broad-end (49 MFIs)	Loan Balance per Borrower between 20% and 150% of GNP per capita	ACODEP, ADICH, AFODENIC, AMC de R.L., Apoyo Integral, ASDIR, Asociación Génesis, Asociación Raíz, AYNLA, BANHCAFE, Cáritas Estelí, CDRO, CEPRODEL, Coop. 20 de Abril, Coop. Avance, Coop. Juan XXIII, FADEMYPE, FAFIDESS, Financiera FAMA, FDL, FINCA - HND, FINSOL, FODEM, FOMIC, FUDEMI, Fundación 4i-2000, Fundación CAMPO, Fundación León 2000, FJN, FUNDAHMICRO, FUNDEA, FUNDEBASE, FUNDECOCA, FUNDENUSE, FUNDEPYME, FUNDESER, FUNDESPE, FUNED, FAMA OPDF, Génesis Empresarial, Hermandad de Honduras OPDF, Microfinanciera Prisma, ODEF OPDF, PADECOMSM, PILARH OPDF, PRESTANIC, ProCredit – SLV, PRODESA, World Relief – HND.
	CA BB: Low-end (20 MFIs)	Loan Balance per Borrower less than 20% of GNP per capita	ADIM, AGUDES, ASEI, CrediMujer, CRYSQL, ENLACE, FAPE, FIACG, FIDERPAC, FINCA - GTM, FINCA - NIC, FINCA - SLV, FONDESOL, Friendship Bridge, Fundación MICROS, Fundación Mujer, FUNSALDE, Microserfin, ProCaja, ProMujer – NIC.
Financial Intermediation	CA High FI: (7 MFIs)	Voluntary Savings / Total Assets ≥ 20%	ACCOVI, BanCovelo, Coop. Avance, Coop. Juan XXIII, FINSOL, ProCredit - NIC, ProCredit – SLV.
	CA Low FI: (6 MFIs)	0% < Voluntary Savings / Total Assets < 20%	BANHCAFE, Coop. 20 de Abril, FINDESA, FAMA OPDF, ODEF OPDF, PILARH OPDF.
	CA Non FI (62 MFIs)	Voluntary Savings / Total Assets = 0	ACODEP, ACORDE, ADICH, ADIM, ADRI, AFODENIC, AGUDES, AMC DE R.L., Apoyo Integral, ASDIR, ASEI, Asociación Génesis, Asociación Raíz, AYNLA, Cáritas Estelí, CDRO, CEPRODEL, CrediMujer, CRYSQL, ENLACE, FADEMYPE, FAFIDESS, Financiera FAMA, FAPE, FDL, FIACG, FIDERPAC, FINCA-GTM, FINCA-HND, FINCA-NIC, FINCA-SLV, FJN, FODEM, FOMIC, FONDESOL, Friendship Bridge, FUDEMI, Fundación 4i-2000, Fundación CAMPO, Fundación León 2000, Fundación MICROS, Fundación Mujer, FUNDAHMICRO, FUNDEA, FUNDEBASE, FUNDECOCA, FUNDENUSE, FUNDEPYME, FUNDESER, FUNDESPE, FUNED, FUNSALDE, Génesis Empresarial, Hermandad de Honduras OPDF, Microfinanciera Prisma, Microserfin, PADECOMSM, PRESTANIC, ProCaja, PRODESA, ProMujer-Nic, World Relief- HND.
Lending Methodology	CAVB: (10 MFIs)	Village Banking	ASEI, CRYSQL, FIACG, FINCA-GTM, FINCA-NIC, FINCA-SLV, Friendship Bridge, Fundación Mujer, Génesis Empresarial, ProMujer-NIC
	CA Ind.: (28 MFIs)	Individual	ACCOVI, ACORDE, ADRI, AFODENIC, AMC de R.L., ASDIR, Asociación Génesis, BANHCAFE, CEPRODEL, Coop. 20 de Abril, Coop. Avance, Coop. Juan XXIII, CrediMujer, FIDERPAC, FINDESA, FJN, FOMIC, Fundación CAMPO, FUNDEBASE, FUNDECOCA, Microserfin, PADECOMSM, PILARH OPDF, PRESTANIC, ProCaja, ProCredit-NIC, ProCredit-SLV, PRODESA
	CA Ind. / Sol.: (37 MFIs)	Individual and Solidarity	ACODEP, ADICH, ADIM, AGUDES, Apoyo Integral, Asociación Raíz, AYNLA, BanCovelo, Cáritas Estelí, CDRO, ENLACE, FADEMYPE, FAFIDESS, Financiera FAMA, FAPE, FDL, FINCA-HND, FINSOL, FODEM, FONDESOL, FUDEMI, Fundación 4i-2000, Fundación León 2000, Fundación MICROS, FUNDAHMICRO, FUNDEA, FUNDENUSE, FUNDEPYME, FUNDESER, FUNDESPE, FUNED, FUNSALDE, FAMA OPDF, Hermandad de Honduras OPDF, Microfinanciera Prisma, ODEF OPDF, World Relief - HND

## Access to financial sources in CA grows

The growing trend of Central American (CA) MFIs for financial sources, mainly through fund providers, was reaffirmed in 2007, showing greater growth than in previous years. There was a marked increase of 8.5 percentage points in the commercial funding indicator, which allowed for loan portfolio funding of over 65.0%, managing at the same time to increase leveraging (debt/equity) up to 2.0 times in the majority of the institutions in the Central American sub-region.

However, with respect to the rest of the countries in Latin America (LAC No CA), reaching the levels of commercial funding access they have achieved, is still a challenge for CA MFIs. It should be noted that in spite of the smaller growth of commercial obligations in LAC No CA (5.2 points), the average leveraging was almost 50% larger than CA.

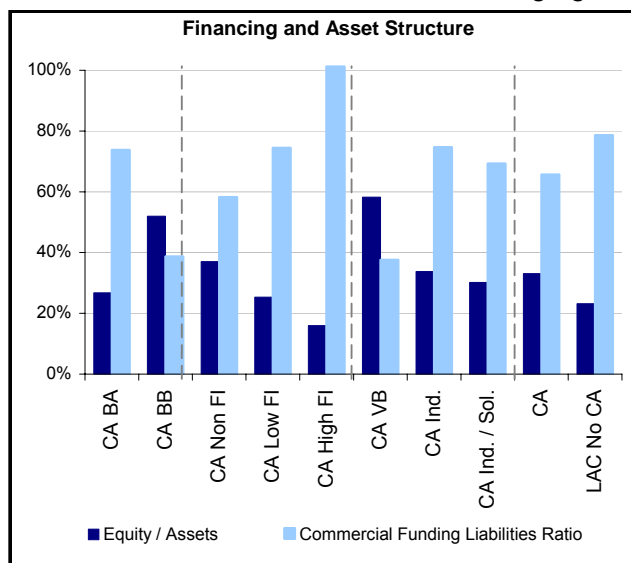
Even though leveraging in Central America was boosted by greater access to fund providers, it was also partly influenced by the capacity of some regulated institutions to attract deposits from the public. Deposit intermediation on these MFIs represented around 30.0% of the total financial liabilities reported by CA MFIs.



### Financial Structure by Peer Groups

The data from the countries that make up the Central American region revealed again the high access of commercial funds openness that led the growth of Nicaraguan MFIs (NIC) during the last years, ending 2007 with a leveraging of 3.4 times and a loan portfolio financed up to 75.6% with funds at commercial rates. Close to them, Honduran institutions showed leveraging and Commercial Obligations ratio of 2.3 times and 69.3% respectively. Honduras is the only country with a regulatory framework of “Organizaciones Privadas de Desarrollo Financiero (OPDF)” which supervise NGOs, potentially placing these MFIs as the future leaders in commercial openness.

Having defined the peer groups for Central America, MFIs with High Financial Intermediation (CA FI High, Deposits / Total Assets  $\geq$  20%) showed a high ratio of commercial funding, financing more than 100% of their gross loan portfolio. The acquired debt financed other assets as well, either for investments or for other requirements such as legal reserve. On the

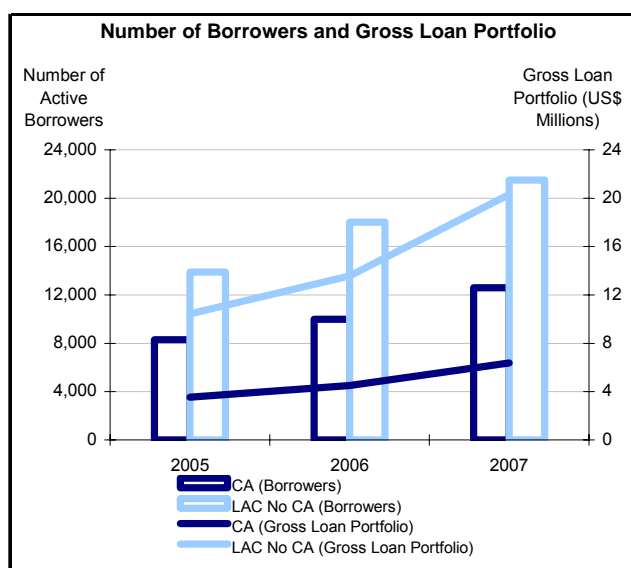


other hand, the group of MFIs with low financial intermediation (CA FI Low, 0% < Deposits / Total Assets < 20%) should be followed closely because this group is made up of regulated institutions in the process of development, representing a reference for those institutions trying to reach a larger volume of operations through regulation schemes. CA FI Low ended 2007 with a median leveraging of 3.0 times and a loan portfolio financed at 11.3% through savings from the public, 40.6 points lower than CA FI High.

When differentiating Central American MFIs by their average credit depth, high depth institutions (CA BB) presented one of the lowest levels of commercial openness within the peer groups identified, similar to that of those institutions which make intensive use of village banking methodologies (CA VB). This similarity is due to the fact that almost 50% of institutions in CA BB used village banking methodologies. In this way, both groups closed 2007 with a loan portfolio financed at 38% with financial liabilities. In previous years this type of institution has shown low access to funding sources, which among other limitations, was due to the fact that the majority of the MFIs were not financially self-sustainable. However, in 2007 this situation was reversed, with most of the institutions achieving levels of self-sufficiency which could improve their risk profile for possible investors in the coming years.

### Growth in scale in CA stands out

Parallel to the increase in funding sources, MFIs experienced an annual growth of 34.0% in their loan portfolios, satisfying the demand of sectors not served by the commercial financial system. In contrast, the outreach in borrowers grew in less proportion (23.3% annual), showing increases in the average balance per borrower managed by MFIs. In this way, the annual growth of 12.8% in the average balance per borrower and the increase in borrowers served placed the median loan portfolio of CA institutions at US\$ 5.8 millions. However, even with the increase in the loan balance per borrower, CA continued showing smaller balances than those of LAC No CA, ending 2007 with totals of US\$ 682 and US\$ 780 per borrower respectively.



The increase in the average loan is a key indicator for institutions in the region due to the fact that: 1) an increase in this indicator could be related to over-indebtedness of the institution's borrowers; 2) it is also related to a change in the segments served by MFIs, segments with higher purchasing power; and 3) reflects the need borrowers have for increasingly larger loans in order to have access to productive or consumer goods, which have become over time more expensive due to the increase in the prices of food and oil worldwide, a situation that has become more acute in the last few years.

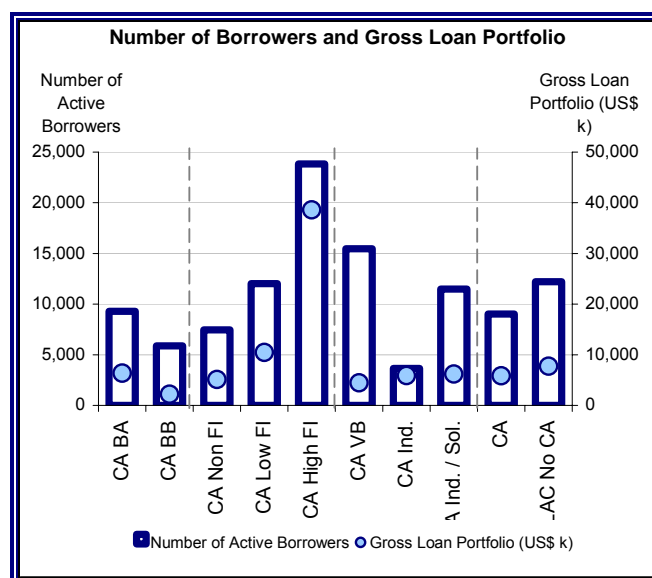
### Scale and Outreach by peer group

NIC continued as one of the largest MFI markets in CA, with a median quantity of borrowers served and an allocated loan portfolio which surpasses in 17.7 times borrowers served and in

5.6 the loan portfolio reached by Central American countries with smaller MFIs in average, as is the case of MFIs from Costa Rica (CRI). In contrast, even though HND presented a median loan portfolio relatively smaller than NIC, with respect to the number of borrowers served they were in similar levels, this due to the greater use of solidarity group methodologies and village banking in HND (62% of the clients served<sup>1</sup>).

On the other hand, MFIs from Guatemala (GTM) were leaders in credit depth, allocating relatively small loans which represented 18% of the country's Gross National Product per Capita. The smaller average loan was explained by the intensive use of group methodologies, with village banks standing out among these institutions which covered 65% of the borrowers served.<sup>2</sup>.

With regards to the number of borrowers served, MFIs with High Financial Intermediation and those using village banking methodologies stand out. CA FI High was made up of mature institutions with a high level of development (taking advantage of their capacity of attracting deposits from the public to grow) and high market presence, which explained the median quantity of 23 thousand borrowers reached by institution. On the other hand, MFIs in CA VB also achieved high borrowers' coverage (15 thousand per institution).



With regards to the Scale reached, measured by the size of the median loan portfolio, CA FI high demonstrated to be the largest peer group in Central America and larger even to the median of the MFIs in LAC No CA. However, the size of this group to a large extent was boosted by the high average loan shown, which was more than US\$ 2,000 per borrower. This placed CA FI high within the groups of institutions with less credit depth.

Institutions identified in the groups CA Low End and CA VB, stood out with greater credit depth, with average balances per borrower representing around 12% the Gross National Product per Capita. The smaller loans allocated and the less profitable segments served limited the growth of these institutions to a certain extent.

<sup>1</sup> Magazine "Microfinanzas en Centroamérica" No 8. REDCAMIF.

<sup>2</sup> Idem

## Profitability gap between CA and the rest of Latin American countries reduced notably

After a marked growth in the median Return on Assets in CA during the period 2005-2006, the growth during 2007 was more moderate, while in the rest of Latin America the trend showed a slight drop in the ROA per institution. As a result, the yield of CA was closer to that of LAC No CA, ending 2007 with a ROA of 1.6% and 1.8% respectively, at the same time the ROE was of 6.1% and 7.3% respectively.

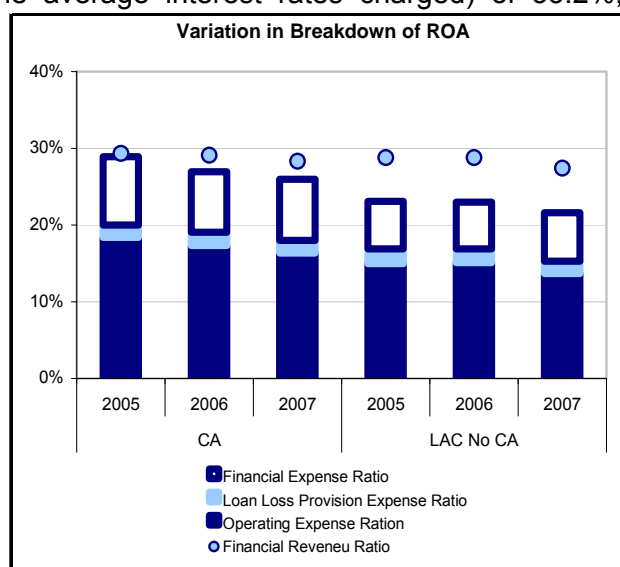
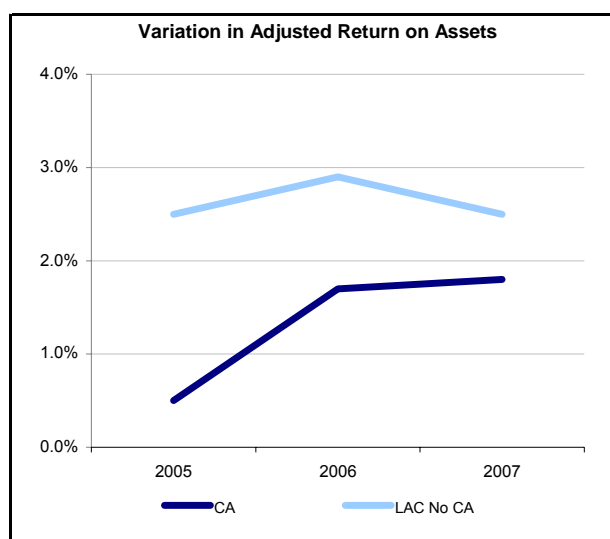
The similarity in profitability was due partly to the effort of CA institutions to control expenses, which was reflected in the 2 point decrease in the indicator for operational expenses. However, at the general level there were no major reductions in total expenses with respect to average assets, and the institutions were unable to transfer more benefits to their borrowers, closing 2007 with a nominal yield on gross loan portfolio (estimated indicator of the average interest rates charged) of 33.2%, slightly higher than the previous year. The combination of less expenses and slight increases in the yield on gross loan portfolio boosted the increase in the ROA of CA.

On the other hand, the rest of the Latin American countries achieved a greater control of expenses, holding their leadership over the CA countries. However, the level of competence has driven institutions to reduce their margins through the continuous adjustment of their interest rates, which showed a nominal yield on gross loan portfolio of 31.1% per institution. This resulted in the fall of the ROA in 2007.

### Yield, Revenues and Expenses by Peer Group

Central American MFIs saw a remarkable effort to achieve self-sufficiency, shown by the positive yield over assets reached in all the countries. MFIs from Costa Rica (CRI) and Guatemala (GTM), which presented negative yield indicators in the past, achieved financial self-sufficiency in 2007, following the trend shown by the rest of the Central American countries.

MFIs in CRI reduced their expenses and their interest rates, resulting in a benefit to their borrowers. Even though historically this country has shown the smallest total expenses, by taking advantage of the high use of individual methodology and the larger size of the allocated loans, they obtained the largest financial expense ratio of the countries in CA. However, at the

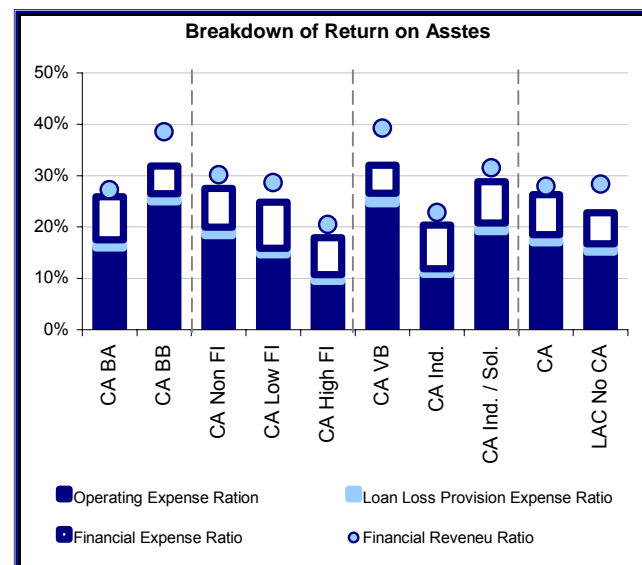
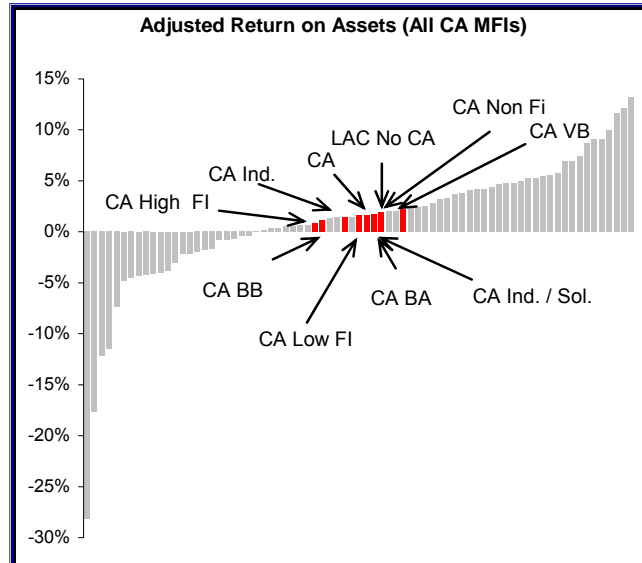


end of 2007 they managed a favorable reduction of this indicator, explained partly by the excess of liquidity in the country's economy, the expectation of reduced inflation and the government's interest in stimulating the economic growth. Costa Rica also presented the lowest financial revenue ratio (21.9%), influenced by the lowest active interest rates in the region.

On the other hand, even though institutions in HND and NIC did not achieve significant variations in their total expenses, they placed themselves among the countries with a higher ROA after CRI, with the three countries indicators of 3.2% for HND, 2.0% for NIC and 1.6% for CRI. For some years NIC showed the highest ROA in CA, however, the lower interest rates with respect to Honduras and the larger size of the institutions resulted in a lower yield for NIC at the end of 2007.

At the peer group level, we also observed that institutions in CA reached positive profitability indicators, including for the first time, those in CA Low End. Although the self-sufficiency achieved was due to the revenue, the MFIs managed to increase their capacity to absorb their expenses through a nominal yield on gross loan portfolio over 45.0%. The higher interest rates in this group are due to the limited competition in the segments served and the small size of the loans. A similar situation occurred within the group of institutions using village banking methodology, which includes some of the smaller sized institutions in CA and has a high credit depth.

From the perspective of MFIs with the capacity of intermediating deposits, there was a clear change in the results shown by the institutions. As MFIs tended towards higher levels of regulation, attracting deposits from the public, a change in their cost structure was observed, with reductions in their total expenses. This allowed them to be more competitive than the other institutions. A primary component of the greater contraction of expenses was the operational expense, which represented 18.4% of the average assets of institutions which do not intermediate deposits to a 9.4% for those institutions with high intermediation.



CA FI High MFIs stood out with the lowest total expense shown in the sub region, even from the average shown in the rest of the countries in Latin America. The lower expenses were due partly to the scale reached by these institutions, the low risk profile achieved which contributed to its growth, the intensive use of individual loans resulting in larger average loans, and the

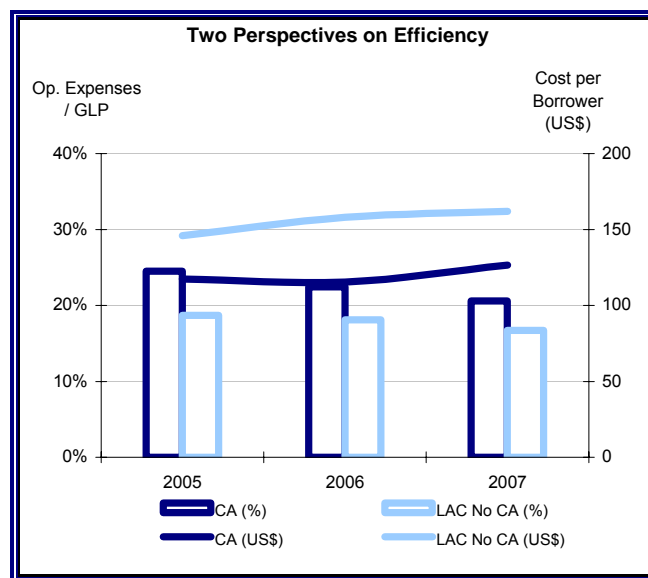
lower financial expenses achieved by their capacity to intermediate deposits from the public. This allowed these MFIs to be more competitive than the rest of the groups, reaching nominal yields on gross loan portfolios close to 25.0%.

On the other hand, as institutions emphasized their products in individual credit methodology, they managed to largely reduce their expenses in relation to the average assets. This is due to expenses of individual loan allocation being more easily absorbed into the base of larger sized loans. However, even with this advantage, institutions making use mainly of individual methodologies were less profitable than those with high expenses, such as those using village banking methodologies, influencing mainly the larger active interest rates of the latter.

### Operating efficiency in CA institutions improves

In the period 2005-2007 some CA institutions opted progressively for individual loan types with increasingly larger sized allocated loan amounts. Even though the average loan per borrower is still not greater than that of LAC No CA, it influenced the decrease in the Operating Efficiency indicator (Operational Expenses / Average Gross Loan Portfolio). In addition, the operating efficiency indicator was complemented by the effort of MFIs in controlling their expenses associated with their credit activities.

In general, the operating efficiency indicator was reduced by almost 4 percentage points during the period mentioned, while the rest of the Latin American countries decreased by 2 points. At the end of 2007, CA institutions achieved a median operating efficiency indicator of 20.6%, only 1.5 points above those of LAC No CA, which ended with indicators of around 19.1%. This is the first time that these indicators are close, showing a continual reduction of the differences in performance of Latin American countries outside of the Central American region versus those in Central America.



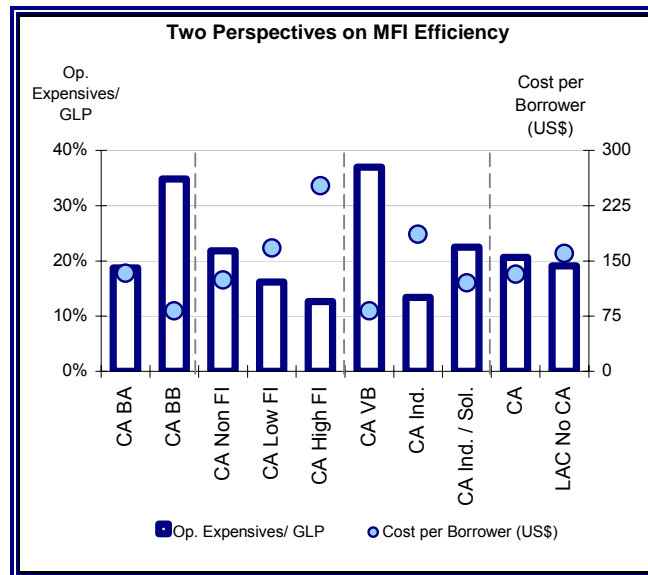
The indicator Cost per Borrower in CA was directly influenced by the growth of the average loan portfolio and the annual reduction of 7.0% in the productivity of the loan officers, which finalized in 192 borrowers per officer. CA MFIs had an average cost in terms of operating expenses of US\$ 132 per borrower served.

Even though the average loan portfolio had an influence on a lower distribution of operational expenses with respect to assets, it also had a negative effect by distributing these operational expenses over a smaller base of borrowers, resulting in mixed efficiency indicators.

**Efficiency and Productivity by Peer Group**

Costa Rica stood out from the rest of the Central American countries with the lowest operating efficiency ratio (9.3%), partly due to the large loan portfolios managed by the staff as a result of the larger sized loans allocated by this country’s MFIs. Their cost per borrower rose, showing the highest cost per borrower (US\$ 202) in the region, higher even than the average in the other countries in Latin America. This is a characteristic result of individual methodology, which does not allow for diluting the cost per borrower more efficiently on the basis of a smaller number of clients reached.

Guatemalan institutions, on the other hand, have shown more balanced indicators for efficiency. Their operating efficiency was among the lowest (21.1%) and at the same time they managed to reach the lowest cost per borrower (US\$ 95), influenced mainly by the use of group methodologies and the level of efficiency they have to reach because of the large competition they face.



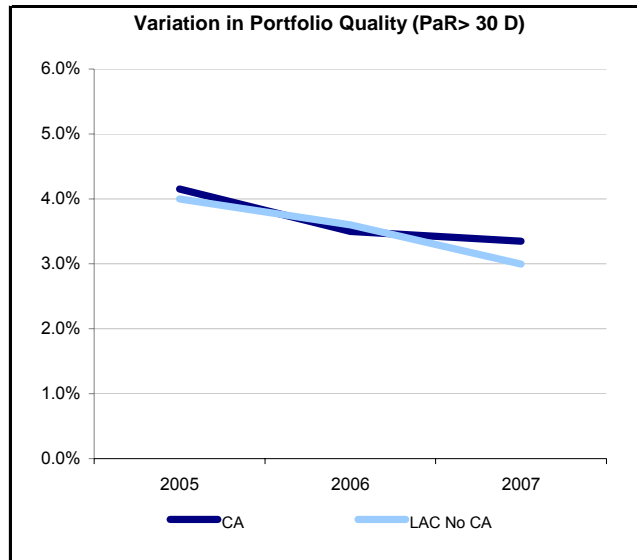
Peer groups in CA showed largely different indicators of efficiency. On the one hand, CA BB and CA VB presented the highest operating expenses with respect to the gross loan portfolio reached, and the lowest cost per borrower. While the situation presented by CA FI High and institutions specializing in the use of individual methodology (CA Ind) was the opposite, with the lowest operating efficiency indicators and the highest cost per borrower.

## Loan portfolio in CA grows with moderate risk levels, similar to the rest of the countries in Latin America

The constant growth of the loan portfolio of MFIs in Central America during the last years was accompanied by a reduction in the risk indicators, reflected mainly in the Portfolio at Risk greater than 30 days (PaR>30).

It should be noted that CA as a whole showed a PaR > 30 days similar to that of LAC No CA (3.3%). However the difference in portfolio quality is due to MFIs in CA having lower write-offs (1.6%) than those reported by MFIs in LAC No CA (1.9%).

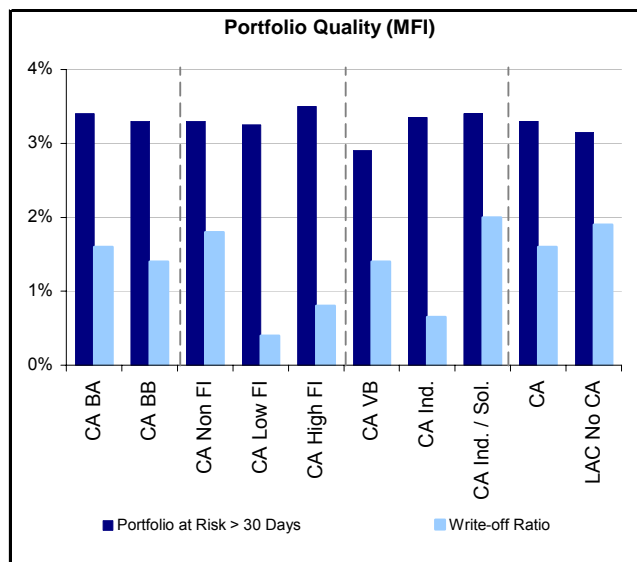
On the other hand, when analyzing the portfolio with higher risk levels, reflected in PaR > 90 days, it was observed that MFIs in CA showed lower indicators than LAC No CA, with 1.6% compared to 1.8% of the total loan portfolio . This partly reflects the effects of the debt collection policy of MFIs in CA.



### Risk by Peer Groups

In general, MFIs from the different Central American countries presented a Portfolio at Risk greater than 30 days close to 3.4% per institution, but it was MFIs in HND which presented the highest indicator (4.1%). However, the practice of write-offs was less frequent in these institutions (0.9% of the average gross loan portfolio), which had a direct influence on their high indicators of portfolio at risk.

A further analysis of the results of CA institutions shows certain uniformity in the portfolio at risk indicators, measured by the PaR greater than 30 days, at around 3.4%. The institutions that stood out were those that widely used village banking methodologies (PaR 30 days of 2.9%): though there are no solid securities supporting the loans, the prestige and good-standing of the beneficiaries with the community intervenes. Considering the write-offs applied, CA FI High stands out with write-offs close to 0.8% of the average gross loan portfolio, 0.7 points less than that of CA VB.



## Conclusions

2007 was a year of much progress for Central American microfinance, which gradually overcame some limitations shown in the past. The MFIs tended to become more specialized in the segments served and quickly responded to the changing needs of their target clients. This allowed for an increase in profitability, while at the same time allowed them to attract larger funds for the region, which was reflected by the constant growth of the loan portfolio. Even though part of this growth was influenced by the increase in the credit per borrower in the majority of the institutions, they still showed a high market depth compared with the indicators of the rest of Latin American countries.

In the past, the continuity of the microfinance institutions depended on their ability to adapt to their environment, cope with competition from different actors, and adapt to the specific needs of their customers. However, now there are macroeconomic factors which can influence the immediate future of MFIs, including the current inflationary crisis, whose effects were already beginning to be felt in 2007 and the impacts of which remain to be seen. The challenges point to the different economic sectors, foreseeing a greater need of interaction between public, private and nongovernmental entities in order to face them.

REDCAMIF and MIX will continue directing efforts to follow the development of the microfinance industry and the changes in its environment, expanding the coverage of the market and providing with the most recent and solid information in Central America.

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## Indicator Definitions and Comparative Benchmarks

### INSTITUTIONAL CHARACTERISTICS

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

### FINANCIAL STRUCTURE

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

### SCALE INDICATORS

Number of Active Borrowers	Number of Borrowers with loans outstanding, adjusted for standardized write-offs
Percent of Women Borrowers	Number of active women borrowers / Number of active borrowers, adjusted
Number of Outstanding Loans	Number of outstanding loans, adjusted for standardized write-offs
Gross Loan Portfolio	Gross loan portfolio, adjusted for standardized write-offs
Average Loan Balance per Borrower	Gross loan portfolio, adjusted / Number of active borrowers, adjusted
Average Loan Balance per Borrower / GNP per Capita	Average Loan Balance per Borrower/ GNP per Capita
Number of Voluntary Deposit Accounts	Number of voluntary deposits and fixed term deposits
Voluntary Deposits	Voluntary deposits and fixed term deposits balance
Average Deposit Balance per Depositor	Voluntary Deposits/ Number of Voluntary Depositors

### MACROECONOMIC INDICATORS

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

### PROFITABILITY AND SUSTAINABILITY

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

### REVENUE

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

### EXPENSE

Total Expense Ratio	(Financial Expense + Net Loan Loss Provision Expense + Operating Expense) adjusted/ Average Total Assets adjusted
Financial Expense Ratio	Financial Expenses adjusted/ Average Total Assets
Loan Loss Provision Expense Ratio	Net Loan Loss Provision Expense adjusted/ Average Total Assets
Operating Ratio	(Operating Expense + in kind donations)/ Average Total Assets adjusted
Personnel Expense Ratio	Personnel Expense / Average Total Assets adjusted
Administrative Expense Ratio	Administrative Expense adjusted/ Average Total Assets Adjusted
Adjustments Expense Ratio	Net Operating Income – Net Operating Income not adjusted/ Average Total Assets adjusted

### EFFICIENCY

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

### PRODUCTIVITY

Borrowers per Staff Members	Number of Active Borrowers adjusted/ Number of Personnel
Borrowers per Loan Officer	Number of Active Borrowers/ Number of Loan Officers
Savings accounts per Staff Members	Number of Savings Accounts/ Number of Personnel
Personnel Distribution Ratio	Number of Loan Officers/ Number of Personnel

### PORTFOLIO QUALITY

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

## COMPARATIVE BENCHMARKS CENTRAL AMERICA - 2007

INSTITUTIONAL CHARACTERISTICS	Target Market		Financial Intermediation			Lending Methodology		
	CA BA	CA BB	CA No FI	CA FI Low	CA FI High	CA VB	CA Ind.	CA Ind./ Sol.
Number of MFIs	49	20	62	6	7	10	28	37
Age	13	14	14	13.5	16	13	13.5	14
Total Assets	7,827,118	2,635,382	5,936,060	11,523,427	50,823,321	5,565,249	9,124,303	7,097,295
Offices	9	5.5	7	17	22	6.5	6.5	8
Personnel	84	42	58	95	268	89.5	40	84
<b>FINANCIAL STRUCTURE</b>								
Capital / Asset Ratio	26.7%	52.0%	37.0%	25.3%	15.9%	58.2%	33.8%	30.2%
Commercial Funding Liabilities Ratio	73.8%	38.8%	58.2%	74.5%	101.2%	37.7%	74.7%	69.3%
Debt / Equity Ratio	2.7	0.9	1.7	3.0	5.3	0.7	2.0	2.3
Deposits to Loans	0.0%	0.0%	0.0%	11.3%	51.9%	0.0%	0.0%	0.0%
Deposits to Total Assets	0.0%	0.0%	0.0%	9.9%	38.3%	0.0%	0.0%	0.0%
Gross Loan Portfolio/ Total Assets	84.8%	80.4%	83.4%	85.5%	75.9%	80.4%	82.0%	85.2%
<b>SCALE INDICATORS</b>								
Number of Active Borrowers	9,287	5,872	7,467	12,025	23,844	15,465	3,663	11,495
Percent of Women Borrowers	60.2%	86.1%	66.4%	57.4%	62.2%	97.5%	49.9%	69.9%
Number of Outstanding Loans	9,287	5,872	7,467	12,063	23,844	15,465	3,743	11,495
Gross Loan Portfolio (US\$)	6,330,677	2,218,854	5,091,556	10,454,197	38,589,900	4,478,584	5,863,566	6,190,676
Average Loan Balance per Borrower (US\$)	740	283	592	1,054	2,182	208	1,220	559
Average Loan Balance per Borrower / GNP per Capita	51.3%	11.5%	37.2%	87.9%	130.4%	13.6%	88.9%	40.6%
Number of Voluntary Deposit Accounts	0	0	0	10,889	32,420	0	0	0
Voluntary Deposits (US\$)	0	0	0	1,175,976	16,978,440	0	0	0
Average Deposit Balance per Depositor	0	0	0	189	489	0	0	0
<b>MACROECONOMIC INDICATORS</b>								
GNP per Capita	1,200	2,640	2,540	1,200	1,200	2,640	2,540	1,200
GIP Growth Rate	3.8%	4.6%	4.6%	6.1%	3.8%	4.6%	3.8%	4.6%
Deposit Rate	6.1%	4.8%	6.1%	7.8%	6.1%	4.8%	6.1%	6.1%
Inflation Rate	6.9%	6.5%	6.9%	6.9%	6.9%	6.5%	9.4%	6.9%
Financial Penetration	38.7%	38.7%	38.7%	59.5%	39.0%	38.7%	39.0%	38.7%
<b>OVERALL FINANCIAL PERFORMANCE</b>								
Return on Assets	1.7%	1.2%	1.8%	1.5%	0.9%	2.1%	1.4%	1.7%
Return on Equity	7.2%	1.7%	4.5%	9.9%	7.2%	5.6%	7.5%	2.1%
Operational Self-Sufficiency	118.8%	119.2%	119.1%	119.4%	113.8%	120.6%	118.3%	117.7%
Financial Self-Sufficiency	107.7%	103.0%	106.4%	109.8%	110.2%	110.3%	110.2%	105.2%
<b>REVENUE</b>								
Financial Revenue Ratio	27.2%	38.5%	30.2%	28.7%	20.5%	39.3%	22.9%	31.5%
Profit Margin	7.2%	2.9%	6.0%	8.9%	9.3%	9.3%	9.3%	4.9%
Yield on Gross Loan Portfolio (nominal)	32.7%	46.0%	34.5%	34.6%	25.2%	46.9%	27.5%	34.5%
Yield on Gross Loan Portfolio (real)	22.1%	34.8%	25.3%	25.8%	15.3%	35.2%	17.1%	25.8%
<b>EXPENSE</b>								
Total Expense Ratio	26.2%	32.1%	28.1%	27.8%	18.1%	32.8%	21.2%	28.4%
Financial Expense Ratio	8.4%	5.4%	7.6%	9.0%	7.2%	5.4%	8.5%	8.0%
Loan Loss Provision Expense Ratio	1.6%	1.6%	1.6%	1.3%	1.3%	2.1%	1.1%	1.7%
Operating Ratio	15.9%	24.9%	18.4%	14.6%	9.4%	24.6%	10.8%	19.1%
Personnel Expense Ratio	8.2%	15.0%	9.6%	7.2%	4.4%	14.3%	5.2%	10.1%
Administrative Expense Ratio	7.0%	12.0%	8.1%	6.5%	5.0%	8.3%	5.8%	9.1%
Adjustments Expense Ratio	2.1%	3.7%	2.8%	1.3%	0.7%	2.7%	2.1%	2.7%
<b>EFFICIENCY</b>								
Operating Expense/ Loan Portfolio	18.7%	34.9%	21.9%	16.2%	12.6%	37.0%	13.4%	22.5%
Cost per Borrower	133	82	124	168	252	82	186	120
Personnel Expense/ Loan Portfolio	10.0%	19.8%	11.7%	8.2%	6.0%	18.5%	6.5%	12.4%
Average Salary/ GNP per Capita	552.3%	300.6%	401.4%	838.2%	552.3%	373.2%	412.5%	471.2%
<b>PRODUCTIVITY</b>								
Borrowers per Staff Members	102	124	114	104	77	168	89	117
Borrowers per Loan Officer	215	195	201	205	130	294	170	218
Savings accounts per Staff Members	0	0	0	93	200	0	0	0
Personnel Distribution Ratio	52.2%	64.8%	55.7%	57.2%	62.9%	62.9%	55.6%	55.6%
<b>PORTFOLIO QUALITY</b>								
Portfolio at Risk > 30 Days	3.4%	3.3%	3.3%	3.3%	3.5%	2.9%	3.4%	3.4%
Portfolio at Risk > 90 Days	1.6%	1.8%	1.8%	1.5%	1.5%	1.3%	1.5%	1.9%
Write-offs Ratio	1.6%	1.4%	1.8%	0.4%	0.8%	1.4%	0.7%	2.0%
Risk Coverage	96.8%	77.7%	88.1%	131.5%	97.7%	76.2%	97.3%	88.8%
Liquid Assets No Prod./ Total Assets	5.2%	10.6%	6.6%	7.4%	3.9%	10.6%	4.6%	6.7%

## COMPARATIVE BENCHMARKS CENTRAL AMERICA - 2007

INSTITUTIONAL CHARACTERISTICS	Countries						
	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	CA	LAC No CA
Number of MFIs	8	12	16	13	23	75	208
Age	18.5	12.5	11.5	14	14	14	12
Total Assets	2,139,563	6,179,614	4,965,304	7,827,118	12,279,839	7,071,151	9,761,397
Offices	1	6	6.5	11	10	8	10
Personnel	10	81.5	39.5	106	102	72	98
<b>FINANCIAL STRUCTURE</b>							
Capital / Asset Ratio	40.2%	45.6%	45.0%	30.2%	22.9%	33.1%	23.2%
Commercial Funding Liabilities Ratio	63.6%	55.2%	43.6%	69.3%	75.6%	65.6%	78.7%
Debt / Equity Ratio	1.5	1.2	1.2	2.3	3.4	2.0	3.0
Deposits to Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deposits to Total Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross Loan Portfolio/ Total Assets	83.7%	79.7%	83.6%	86.1%	81.6%	83.4%	80.6%
<b>SCALE INDICATORS</b>							
Number of Active Borrowers	814	7,529	11,136	14,484	14,480	9,034	12,191
Percent of Women Borrowers	42.7%	72.3%	85.1%	71.1%	57.9%	66.2%	62.9%
Number of Outstanding Loans	1,275	7,991	11,136	14,484	14,480	9,140	12,204
Gross Loan Portfolio (US\$)	1,842,806	5,411,509	3,813,936	6,638,122	10,264,418	5,812,006	7,721,410
Average Loan Balance per Borrower (US\$)	1,954	958	485	559	714	682	780
Average Loan Balance per Borrower / GNP per Capita	39.3%	37.7%	18.4%	46.6%	71.4%	41.2%	26.5%
Number of Voluntary Deposit Accounts	0	0	0	0	0	0	0
Voluntary Deposits (US\$)	0	0	0	0	0	0	0
Average Deposit Balance per Depositor	0	0	0	0	0	0	0
<b>MACROECONOMIC INDICATORS</b>							
GNP per Capita	4,980	2,540	2,640	1,200	1,000	2,540	2,920
GIP Growth Rate	7.9%	3.8%	4.6%	6.1%	3.7%	4.6%	4.8%
Deposit Rate	6.4%	4.4%	4.8%	7.8%	6.1%	6.1%	3.5%
Inflation Rate	9.4%	4.6%	6.5%	6.9%	11.1%	6.9%	4.0%
Financial Penetration	52.4%	39.0%	38.7%	59.5%	38.3%	38.7%	28.3%
<b>OVERALL FINANCIAL PERFORMANCE</b>							
Return on Assets	3.2%	0.7%	0.9%	2.0%	1.6%	1.6%	1.8%
Return on Equity	7.7%	5.1%	2.8%	6.1%	7.9%	6.1%	7.3%
Operational Self-Sufficiency	132.5%	111.6%	122.8%	120.8%	115.4%	118.5%	113.3%
Financial Self-Sufficiency	113.5%	106.8%	105.9%	105.6%	107.7%	107.4%	109.7%
<b>REVENUE</b>							
Financial Revenue Ratio	21.9%	25.0%	28.7%	31.8%	31.8%	27.9%	28.4%
Profit Margin	11.9%	6.3%	5.6%	5.3%	7.2%	6.9%	8.9%
Yield on Gross Loan Portfolio (nominal)	26.1%	32.7%	33.1%	38.3%	34.4%	33.2%	31.1%
Yield on Gross Loan Portfolio (real)	15.3%	26.9%	25.0%	29.3%	20.9%	24.6%	27.4%
<b>EXPENSE</b>							
Total Expense Ratio	20.5%	26.1%	27.7%	29.4%	28.3%	26.8%	25.0%
Financial Expense Ratio	9.6%	5.4%	6.1%	8.4%	9.1%	7.8%	6.0%
Loan Loss Provision Expense Ratio	0.8%	1.4%	2.1%	1.4%	1.9%	1.6%	1.7%
Operating Ratio	7.8%	18.2%	18.3%	17.7%	16.8%	16.9%	15.1%
Personnel Expense Ratio	4.4%	11.9%	9.9%	8.9%	7.4%	8.7%	8.4%
Administrative Expense Ratio	4.6%	6.9%	7.2%	7.1%	8.0%	7.1%	7.3%
Adjustments Expense Ratio	3.9%	2.3%	4.0%	1.9%	2.2%	2.2%	0.6%
<b>EFFICIENCY</b>							
Operating Expense/ Loan Portfolio	9.3%	23.7%	21.1%	22.0%	20.6%	20.6%	19.1%
Cost per Borrower	203	190	95	122	132	132	160
Personnel Expense/ Loan Portfolio	5.1%	15.4%	11.1%	12.6%	8.0%	11.1%	10.1%
Average Salary/ GNP per Capita	192.9%	391.6%	294.3%	745.7%	726.1%	440.3%	363.9%
<b>PRODUCTIVITY</b>							
Borrowers per Staff Members	66	100	152	108	101	107	123
Borrowers per Loan Officer	131	201	214	183	233	198	258
Savings accounts per Staff Members	0	0	0	0	0	0	0
Personnel Distribution Ratio	63.5%	55.4%	60.0%	62.9%	51.4%	56.2%	53.7%
<b>PORTFOLIO QUALITY</b>							
Portfolio at Risk > 30 Days	3.3%	3.9%	3.4%	4.1%	3.1%	3.3%	3.2%
Portfolio at Risk > 90 Days	1.3%	2.1%	1.7%	1.6%	1.8%	1.6%	1.8%
Write-offs Ratio	0.9%	1.4%	1.8%	0.9%	1.7%	1.6%	1.9%
Risk Coverage	40.4%	76.9%	71.5%	107.8%	112.1%	92.4%	99.3%
Liquid Assets No Prod./ Total Assets	3.2%	5.8%	10.8%	5.1%	7.5%	5.8%	6.4%

## COMPARATIVE BENCHMARKS CENTRAL AMERICA - 2007

INSTITUTIONAL CHARACTERISTICS	Age			Outreach		
	CA New	CA Young	CA Mature	CA Large	CA Medium	CA Small
Number of MFIs	2	13	60	9	26	40
Age	2.5	7	15	14	14	13.5
Total Assets	2,876,368	7,296,972	7,010,817	50,171,445	9,792,500	2,268,461
Offices	6	7	8	29	12	4
Personnel	35	84	75	418	122	31
<b>FINANCIAL STRUCTURE</b>						
Capital / Asset Ratio	47.8%	22.9%	33.8%	17.1%	37.0%	36.6%
Commercial Funding Liabilities Ratio	55.3%	62.0%	67.0%	97.1%	68.9%	57.7%
Debt / Equity Ratio	1.2	3.4	2.0	4.9	1.7	1.7
Deposits to Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deposits to Total Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross Loan Portfolio/ Total Assets	81.8%	84.6%	82.4%	80.3%	84.9%	81.7%
<b>SCALE INDICATORS</b>						
Number of Active Borrowers	6,407	12,720	7,002	70,666	15,772	3,022
Percent of Women Borrowers	65.0%	78.9%	63.0%	72.7%	71.8%	60.2%
Number of Outstanding Loans	6,407	13,128	7,660	70,933	16,536	3,163
Gross Loan Portfolio (US\$)	2,123,090	5,634,758	5,939,605	45,043,765	8,306,663	1,622,778
Average Loan Balance per Borrower (US\$)	432	636	704	740	578	674
Average Loan Balance per Borrower / GNP per Capita	29.1%	46.6%	40.9%	73.1%	39.5%	39.5%
Number of Voluntary Deposit Accounts	0	0	0	0	0	0
Voluntary Deposits (US\$)	0	0	0	0	0	0
Average Deposit Balance per Depositor	0	0	0	0	0	0
<b>MACROECONOMIC INDICATORS</b>						
GNP per Capita	1,920	1,200	2,540	1,000	1,200	2,540
GIP Growth Rate	5.4%	4.6%	4.6%	3.7%	4.6%	4.6%
Deposit Rate	6.3%	6.1%	6.1%	6.1%	6.1%	6.1%
Inflation Rate	6.7%	6.9%	6.9%	11.1%	6.9%	6.9%
Financial Penetration	49.1%	38.7%	38.9%	38.3%	38.7%	39.0%
<b>OVERALL FINANCIAL PERFORMANCE</b>						
Return on Assets	3.6%	2.3%	1.5%	1.6%	3.0%	0.5%
Return on Equity	6.5%	9.3%	5.1%	11.4%	9.3%	1.5%
Operational Self-Sufficiency	139.6%	118.8%	116.7%	118.0%	125.7%	114.6%
Financial Self-Sufficiency	117.6%	115.2%	106.7%	110.2%	115.2%	104.9%
<b>REVENUE</b>						
Financial Revenue Ratio	31.4%	30.8%	26.9%	28.7%	31.9%	25.6%
Profit Margin	13.2%	13.2%	6.2%	9.3%	13.2%	4.7%
Yield on Gross Loan Portfolio (nominal)	38.1%	31.4%	33.4%	31.4%	34.8%	32.8%
Yield on Gross Loan Portfolio (real)	29.4%	22.8%	24.7%	18.2%	25.6%	23.8%
<b>EXPENSE</b>						
Total Expense Ratio	26.1%	26.4%	27.4%	24.4%	27.4%	26.8%
Financial Expense Ratio	5.7%	7.2%	8.2%	8.7%	7.8%	7.5%
Loan Loss Provision Expense Ratio	-8.5%	1.5%	1.6%	1.7%	2.0%	1.0%
Operating Ratio	28.9%	16.3%	17.6%	13.7%	15.7%	20.2%
Personnel Expense Ratio	18.4%	8.0%	8.6%	5.8%	8.6%	9.9%
Administrative Expense Ratio	10.5%	7.0%	7.3%	8.4%	6.3%	7.3%
Adjustments Expense Ratio	4.1%	1.1%	2.6%	0.7%	2.1%	3.3%
<b>EFFICIENCY</b>						
Operating Expense/ Loan Portfolio	34.4%	17.1%	21.0%	16.8%	20.1%	24.1%
Cost per Borrower	154	126	133	132	108	144
Personnel Expense/ Loan Portfolio	22.1%	9.4%	11.0%	7.8%	10.5%	12.5%
Average Salary/ GNP per Capita	576.6%	467.5%	412.6%	763.3%	632.3%	377.2%
<b>PRODUCTIVITY</b>						
Borrowers per Staff Members	152	108	106	122	133	92
Borrowers per Loan Officer	230	233	181	333	238	153
Savings accounts per Staff Members	0	0	0	0	0	0
Personnel Distribution Ratio	68.0%	56.9%	55.7%	42.3%	61.2%	57.0%
<b>PORTFOLIO QUALITY</b>						
Portfolio at Risk > 30 Days	2.7%	2.9%	3.5%	2.4%	3.4%	3.7%
Portfolio at Risk > 90 Days	1.4%	1.5%	1.9%	1.5%	1.6%	1.8%
Write-offs Ratio	2.1%	1.4%	1.7%	0.8%	1.8%	1.5%
Risk Coverage	84.3%	90.7%	94.1%	97.7%	92.4%	83.1%
Liquid Assets No Prod./ Total Assets	8.8%	5.8%	6.0%	5.8%	7.2%	5.6%

## COMPARATIVE BENCHMARKS CENTRAL AMERICA - 2007

INSTITUTIONAL CHARACTERISTICS	Financial Self-sufficiency		Type of Credit		
	CA FSS	CA Non FSS	CA Consumer	CA Small Business	CA only Small Business
Number of MFIs	53	22	6	43	24
Age	14	14	16	14	11.5
Total Assets	9,443,889	2,575,635	35,445,188	7,296,972	3,647,291
Offices	9	5	11	9	5
Personnel	84	36	109	92	39
<b>FINANCIAL STRUCTURE</b>					
Capital / Asset Ratio	30.2%	47.0%	17.1%	23.2%	48.6%
Commercial Funding Liabilities Ratio	73.8%	39.3%	85.9%	76.2%	39.9%
Debt / Equity Ratio	2.3	1.1	4.9	3.3	1.1
Deposits to Loans	0.0%	0.0%	11.1%	0.0%	0.0%
Deposits to Total Assets	0.0%	0.0%	8.6%	0.0%	0.0%
Gross Loan Portfolio/ Total Assets	84.6%	80.9%	72.2%	84.0%	84.7%
<b>SCALE INDICATORS</b>					
Number of Active Borrowers	12,484	3,731	13,893	10,776	5,500
Percent of Women Borrowers	62.9%	69.9%	55.8%	66.3%	73.3%
Number of Outstanding Loans	12,484	3,731	14,355	10,776	5,500
Gross Loan Portfolio (US\$)	6,880,115	1,887,939	25,933,059	6,394,674	3,162,251
Average Loan Balance per Borrower (US\$)	731	558	2,222	699	453
Average Loan Balance per Borrower / GNP per Capita	48.5%	28.8%	111.9%	46.6%	19.7%
Number of Voluntary Deposit Accounts	0	0	3,137	0	0
Voluntary Deposits (US\$)	0	0	1,534,153	0	0
Average Deposit Balance per Depositor	0	0	245	0	0
<b>MACROECONOMIC INDICATORS</b>					
GNP per Capita	1,200	2,540	1,000	1,200	2,640
GIP Growth Rate	4.6%	4.6%	3.7%	4.6%	4.6%
Deposit Rate	6.1%	4.8%	6.1%	6.1%	4.8%
Inflation Rate	6.9%	6.5%	11.1%	6.9%	6.5%
Financial Penetration	38.7%	38.9%	38.3%	38.7%	39.0%
<b>OVERALL FINANCIAL PERFORMANCE</b>					
Return on Assets	3.2%	-3.9%	1.3%	1.4%	1.6%
Return on Equity	9.3%	-5.5%	6.9%	7.9%	1.5%
Operational Self-Sufficiency	125.6%	101.9%	114.8%	117.7%	122.8%
Financial Self-Sufficiency	114.7%	87.4%	109.0%	107.4%	106.2%
<b>REVENUE</b>					
Financial Revenue Ratio	30.8%	25.4%	15.4%	27.9%	31.5%
Profit Margin	12.8%	-14.5%	8.2%	6.9%	5.8%
Yield on Gross Loan Portfolio (nominal)	33.2%	33.7%	17.3%	32.7%	42.0%
Yield on Gross Loan Portfolio (real)	22.8%	25.3%	8.5%	23.1%	31.4%
<b>EXPENSE</b>					
Total Expense Ratio	24.2%	31.4%	14.0%	26.5%	29.3%
Financial Expense Ratio	8.4%	6.1%	7.2%	8.6%	5.4%
Loan Loss Provision Expense Ratio	1.5%	2.5%	1.3%	1.7%	1.4%
Operating Ratio	13.8%	21.2%	6.8%	16.3%	22.5%
Personnel Expense Ratio	7.8%	12.0%	3.6%	8.4%	13.4%
Administrative Expense Ratio	6.0%	10.6%	3.3%	7.9%	7.6%
Adjustments Expense Ratio	1.9%	3.6%	1.3%	1.9%	3.2%
<b>EFFICIENCY</b>					
Operating Expense/ Loan Portfolio	17.1%	27.9%	11.0%	20.6%	31.7%
Cost per Borrower	129	144	128	140	99
Personnel Expense/ Loan Portfolio	9.4%	15.0%	5.1%	10.4%	16.0%
Average Salary/ GNP per Capita	440.3%	425.6%	698.6%	457.2%	381.6%
<b>PRODUCTIVITY</b>					
Borrowers per Staff Members	109	96	103	99	131
Borrowers per Loan Officer	227	167	221	183	220
Savings accounts per Staff Members	0	0	48	0	0
Personnel Distribution Ratio	57.1%	54.6%	64.6%	50.0%	60.9%
<b>PORTFOLIO QUALITY</b>					
Portfolio at Risk > 30 Days	3.0%	4.1%	3.3%	3.2%	3.3%
Portfolio at Risk > 90 Days	1.5%	2.5%	1.4%	1.6%	1.7%
Write-offs Ratio	1.4%	2.5%	0.9%	1.6%	1.4%
Risk Coverage	96.8%	73.9%	104.4%	94.1%	84.6%
Liquid Assets No Prod./ Total Assets	5.3%	8.3%	4.3%	5.8%	7.1%

## COMPARATIVE BENCHMARKS CENTRAL AMERICA - 2007

INSTITUTIONAL CHARACTERISTICS	Profit Aim		Scale		
	CA For-Profit	CA Non-Profit	CA Large	CA Medium	CA Small
Number of MFIs	14	61	18	26	31
Age	10.5	14	15	14	13
Total Assets	33,692,942	5,732,009	47,063,760	7,866,057	1,745,093
Offices	23	6	24	9	4
Personnel	204	46	280	99	28
<b>FINANCIAL STRUCTURE</b>					
Capital / Asset Ratio	19.8%	36.3%	18.3%	34.5%	45.4%
Commercial Funding Liabilities Ratio	85.6%	62.0%	85.6%	59.4%	41.4%
Debt / Equity Ratio	4.2	1.8	4.5	1.9	1.2
Deposits to Loans	6.0%	0.0%	0.0%	0.0%	0.0%
Deposits to Total Assets	5.9%	0.0%	0.0%	0.0%	0.0%
Gross Loan Portfolio/ Total Assets	87.4%	82.1%	82.8%	84.9%	78.1%
<b>SCALE INDICATORS</b>					
Number of Active Borrowers	23,164	6,167	24,299	12,806	2,766
Percent of Women Borrowers	71.3%	63.6%	60.5%	65.5%	66.3%
Number of Outstanding Loans	24,299	6,167	24,906	12,806	2,766
Gross Loan Portfolio (US\$)	30,403,335	5,008,768	32,830,582	6,442,204	1,046,720
Average Loan Balance per Borrower (US\$)	1,187	583	1,187	645	497
Average Loan Balance per Borrower / GNP per Capita	82.7%	38.4%	92.6%	44.7%	20.5%
Number of Voluntary Deposit Accounts	1,155	0	0	0	0
Voluntary Deposits (US\$)	600,085	0	0	0	0
Average Deposit Balance per Depositor	123	0	0	0	0
<b>MACROECONOMIC INDICATORS</b>					
GNP per Capita	1,870	2,540	1,200	1,200	2,640
GIP Growth Rate	3.8%	4.6%	3.8%	4.6%	4.6%
Deposit Rate	5.5%	6.1%	6.1%	6.1%	6.1%
Inflation Rate	5.8%	6.9%	8.2%	6.9%	6.9%
Financial Penetration	39.0%	38.7%	38.7%	38.9%	38.7%
<b>OVERALL FINANCIAL PERFORMANCE</b>					
Return on Assets	1.1%	1.9%	1.5%	1.7%	0.5%
Return on Equity	7.5%	5.8%	9.3%	6.0%	0.9%
Operational Self-Sufficiency	115.9%	118.8%	119.5%	116.6%	118.5%
Financial Self-Sufficiency	108.8%	107.3%	110.2%	106.7%	104.5%
<b>REVENUE</b>					
Financial Revenue Ratio	26.9%	29.2%	26.3%	32.4%	26.1%
Profit Margin	8.1%	6.8%	9.3%	6.3%	4.3%
Yield on Gross Loan Portfolio (nominal)	30.6%	34.5%	29.1%	34.8%	38.5%
Yield on Gross Loan Portfolio (real)	21.6%	25.1%	18.0%	23.0%	26.8%
<b>EXPENSE</b>					
Total Expense Ratio	25.0%	27.8%	23.2%	29.6%	27.9%
Financial Expense Ratio	7.9%	7.7%	8.7%	7.3%	6.8%
Loan Loss Provision Expense Ratio	1.3%	1.6%	1.8%	1.5%	1.1%
Operating Ratio	14.2%	18.1%	13.3%	18.1%	20.7%
Personnel Expense Ratio	7.8%	9.6%	5.9%	8.9%	12.3%
Administrative Expense Ratio	7.7%	7.0%	5.9%	8.4%	8.1%
Adjustments Expense Ratio	1.2%	2.6%	1.1%	1.9%	4.0%
<b>EFFICIENCY</b>					
Operating Expense/ Loan Portfolio	16.7%	21.8%	15.8%	21.8%	27.6%
Cost per Borrower	228	122	181	121	132
Personnel Expense/ Loan Portfolio	8.8%	11.5%	7.6%	11.2%	14.7%
Average Salary/ GNP per Capita	492.7%	440.3%	754.5%	564.1%	309.1%
<b>PRODUCTIVITY</b>					
Borrowers per Staff Members	84	115	96	122	96
Borrowers per Loan Officer	176	205	254	230	154
Savings accounts per Staff Members	14	0	0	0	0
Personnel Distribution Ratio	54.5%	56.9%	46.4%	55.0%	61.4%
<b>PORTFOLIO QUALITY</b>					
Portfolio at Risk > 30 Days	3.1%	3.4%	3.5%	3.0%	4.1%
Portfolio at Risk > 90 Days	1.5%	1.8%	1.6%	1.6%	1.9%
Write-offs Ratio	0.7%	1.7%	1.5%	1.6%	1.6%
Risk Coverage	96.8%	89.8%	96.3%	97.2%	74.5%
Liquid Assets No Prod./ Total Assets	4.9%	6.5%	5.5%	5.6%	7.5%

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

### Peer Group Criteria and Information Quality

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

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

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

Page 2 offers a brief description of the Peer Groups, its members and the number and classification of each one of the participating institutions. More detailed information is available on the *MicroBanking Bulletin*.

### Adjustments

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

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

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

## First Ranking of Central American Microfinance Institutions

Following the objectives of the Analytical Unit of REDCAMIF-MIX and fulfilling the commitment of providing MFIs which report their financial information with products of recognized benefits this “First Ranking of Central American Financial Institutions” for the year 2007 has been prepared to complement this year’s Benchmarking Report.

The ranking includes the 10 most outstanding MFIs in the indicators of: i) Outreach; ii) Market Depth; iii) Market Penetration; iv) Profitability; v) Efficiency; vi) Risk; and vii) Deposit Accounts. The indicators which refer to number of borrowers and gross loan portfolio are presented without the generally accepted analytical adjustments, the rest of the indicators are shown with the adjustments made by MIX.

To learn more about institutions not present in this ranking you can visit the website [www.mixmarket.org](http://www.mixmarket.org), on the section “Demand” search option “Central America”. On this site you will be able to access the updated profiles of the 75 MFIs participating in the “Benchmarking Microfinance in Central America 2007” as well as in this first Ranking.

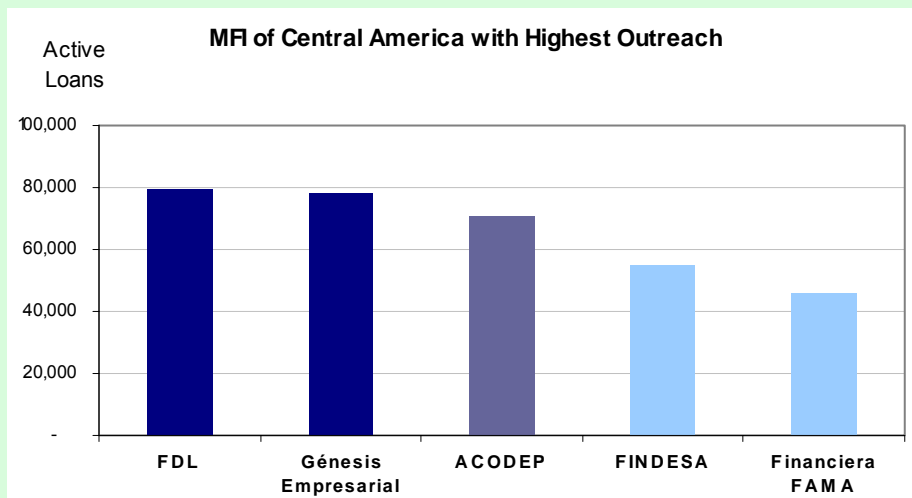
REDCAMIF and MIX are sure that the information presented next will be useful for Central American MFIs to monitor the performance of the most outstanding institutions and in this way increase the level of competence to achieve the highest performances of the region.

# First Ranking of Central American Microfinance Institutions

## Outreach

Top 10 MFI WITH HIGHEST OUTREACH					
Position	MFI	Country	Number of Active Loans	Gross Loan Portfolio (US\$)	Loan Portfolio Composition †
1	FDL	Nicaragua	79,534	53,262,115	MIC
2	Génesis Empresarial	Guatemala	77,941	45,445,497	MIC
3	ACODEP	Nicaragua	70,933	34,292,817	CNS
4	FINDESA	Nicaragua	54,700	125,398,109	CNS
5	Financiera FAMA	Nicaragua	45,578	31,368,386	MIC
6	FINCA - Guatemala	Guatemala	41,100	8,448,931	Only MIC
7	Apoyo Integral	El Salvador	32,779	42,677,285	MIC
8	FINCA - Nicaragua	Nicaragua	26,994	5,079,576	Only MIC
9	ENLACE	El Salvador	26,098	6,489,733	MIC
10	ODEF OPDF	Honduras	25,058	22,327,009	MIC

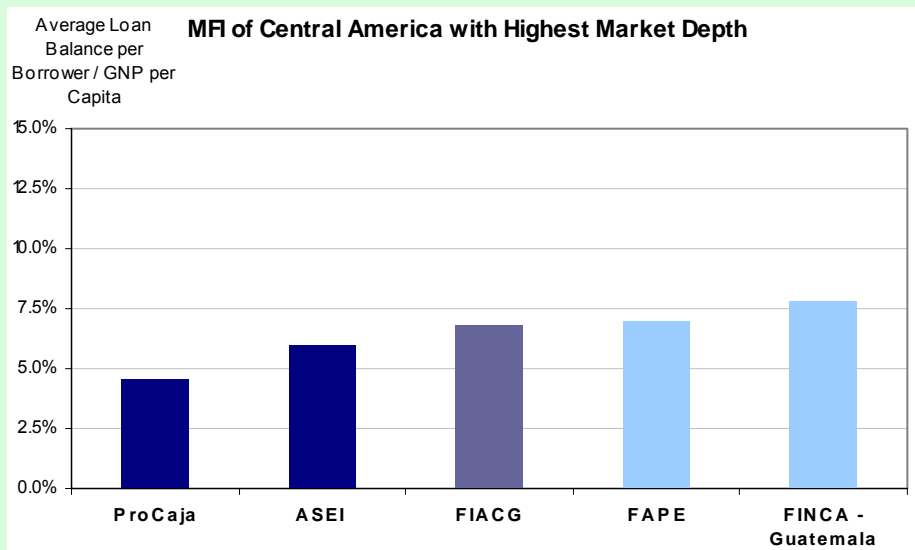
† Loan Portfolio Composition:  
 Only MIC: 100% of Loans to Small Business  
 MIC: Loan to Small Business > 50% Total Loans  
 CNS: Consumer Loans > 50% Total Loans



# First Ranking of Central American Microfinance Institutions

## Market Depth

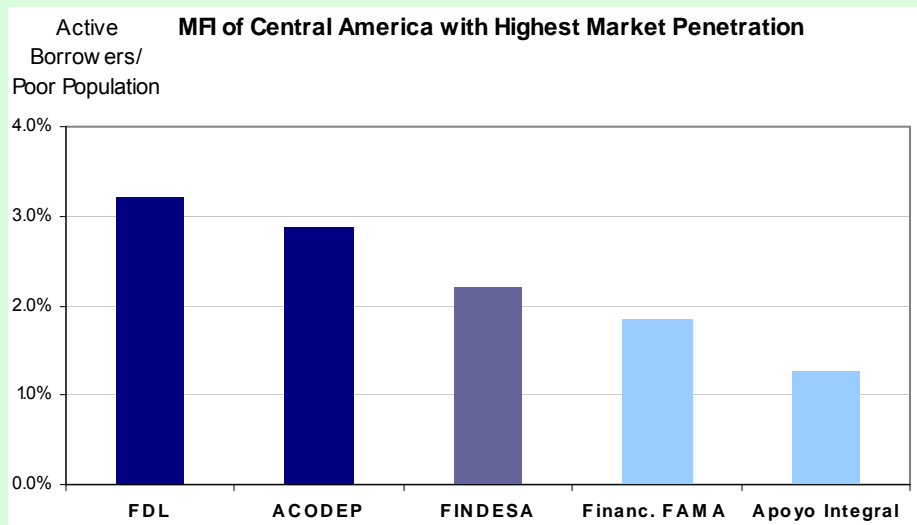
TOP 10 MFI WITH HIGHEST MARKET DEPTH				
Position	MFI	Country	Average Loan Balance per Borrower / GNP per Capita	Average Loan Balance per Loan (US\$)
1	ProCaja	Panamá	4.6%	223
2	ASEI	El Salvador	6.0%	152
3	FIACG	Guatemala	6.8%	178
4	FAPE	Guatemala	7.0%	186
5	FINCA - Guatemala	Guatemala	7.8%	206
6	Friendship Bridge	Guatemala	7.9%	209
7	Fundación MICROS	Guatemala	10.4%	276
8	Fundación Mujer	Costa Rica	10.8%	538
9	AGUDESA	Guatemala	11.3%	299
10	ENLACE	El Salvador	11.4%	249



# First Ranking of Central American Microfinance Institutions

## Market Penetration

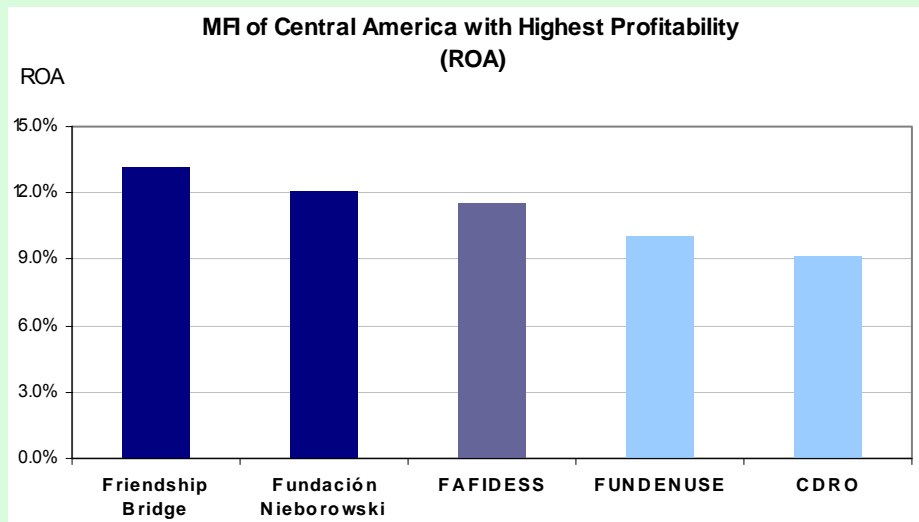
TOP 10 MFI WITH HIGHEST MARKET PENETRATION				
Position	MFI	Country	Active Borrowers /Country's Poor Population	Active Borrowers
1	FDL	Nicaragua	3.2%	79,534
2	ACODEP	Nicaragua	2.9%	70,933
3	FINDESA	Nicaragua	2.2%	54,700
4	Financ. FAMA	Nicaragua	1.8%	45,578
5	Apoyo Integral	El Salvador	1.3%	32,779
6	Génesis Empresarial	Guatemala	1.1%	77,941
7	FINCA - Nicaragua	Nicaragua	1.1%	26,994
8	ENLACE	El Salvador	1.0%	26,098
9	ProMujer - Nicaragua	Nicaragua	1.0%	24,469
10	FUNDESER	Nicaragua	0.8%	19,963



## First Ranking of Central American Microfinance Institutions

### Profitability (ROA)

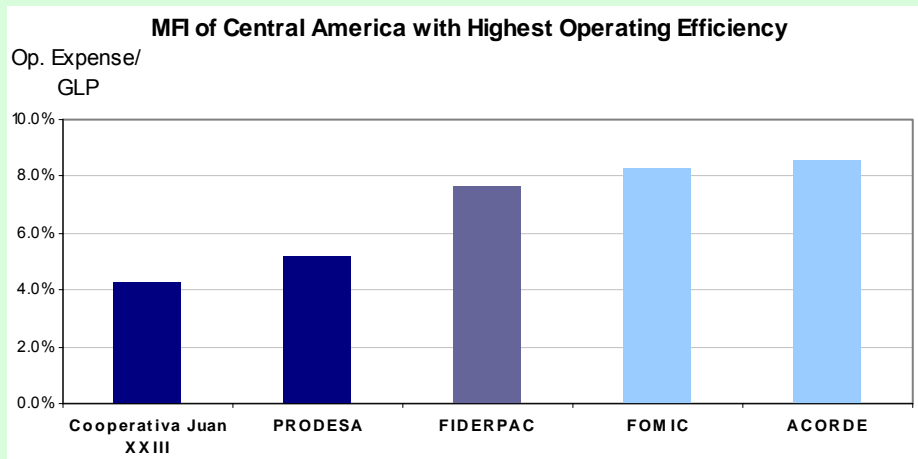
TOP 10 MFI WITH HIGHEST PROFITABILITY				
Position	MFI	Country	Return on Asstes (ROA)	Return on Equity (ROE)
1	Friendship Bridge	Guatemala	13.2%	17.4%
2	Fundación Nieborowski	Nicaragua	12.1%	42.0%
3	FAFIDESS	Guatemala	11.6%	18.1%
4	FUNDENUSE	Nicaragua	10.0%	22.7%
5	CDRO	Guatemala	9.1%	30.0%
6	CRYSOL	Guatemala	9.1%	20.0%
7	FAMA OPDF	Honduras	8.7%	28.6%
8	ASEI	El Salvador	7.4%	9.5%
9	Microfinanciera Prisma	Honduras	6.9%	12.5%
10	FUNDEA	Guatemala	6.9%	10.2%



# First Ranking of Central American Microfinance Institutions

## Operating Efficiency

TOP 10 MFI WITH HIGHEST OPERATING EFFICIENCY				
Position	MFI	Country	Operating Expenses/ Gross Loan Portfolio	Average Loan Balance per Loan (US\$)
1	Cooperativa Juan XXIII	Panamá	4.3%	3,136
2	PRODESA	Nicaragua	5.2%	930
3	FIDERPAC	Costa Rica	7.7%	879
4	FOMIC	Costa Rica	8.3%	2,888
5	ACORDE	Costa Rica	8.6%	8,098
6	CDRO	Guatemala	8.6%	1,944
7	FUNDECOCA	Costa Rica	8.9%	995
8	ACCOVI	El Salvador	9.4%	3,932
9	ADRI	Costa Rica	9.6%	11,240
10	Cooperativa 20 de Abril	Nicaragua	10.9%	1,238

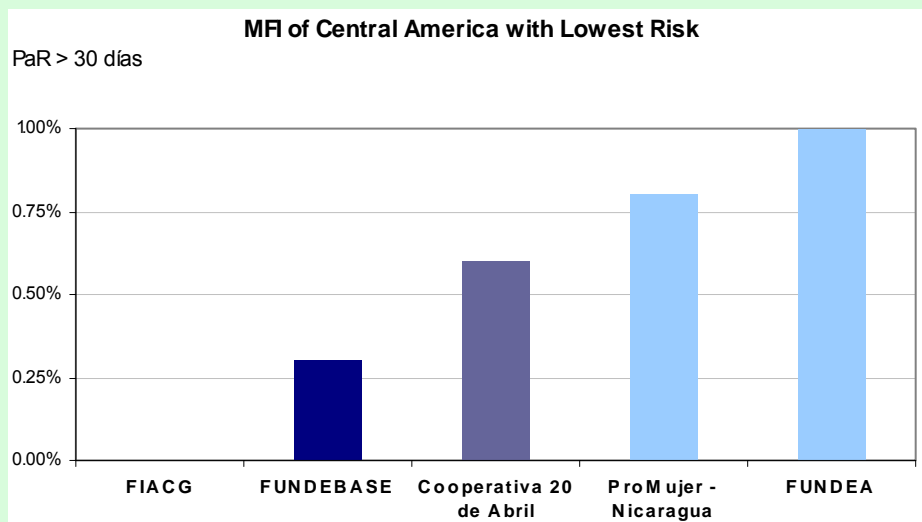


## First Ranking of Central American Microfinance Institutions

### Portfolio at Risk

TOP 10 MFI WITH LOWEST RISK					
Position	MFI	Country	PaR > 30 days	Write-off Ratio †	
1	FIACG	Guatemala	0.0%	0.0%	
2	FUNDEBASE	Costa Rica	0.3%	0.1%	
3	Cooperativa 20 de Abril	Nicaragua	0.6%	0.5%	
4	ProMujer - Nicaragua	Nicaragua	0.8%	1.0%	
5	FUNDEA	Guatemala	1.0%	0.2%	
6	FINSOL	Honduras	1.0%	1.3%	
7	FUNDECOCA	Costa Rica	1.1%	2.0%	
8	CRYSOL	Guatemala	1.2%	1.8%	
9	PILARH OPDF	Honduras	1.5%	0.5%	
10	ENLACE	El Salvador	1.5%	1.0%	

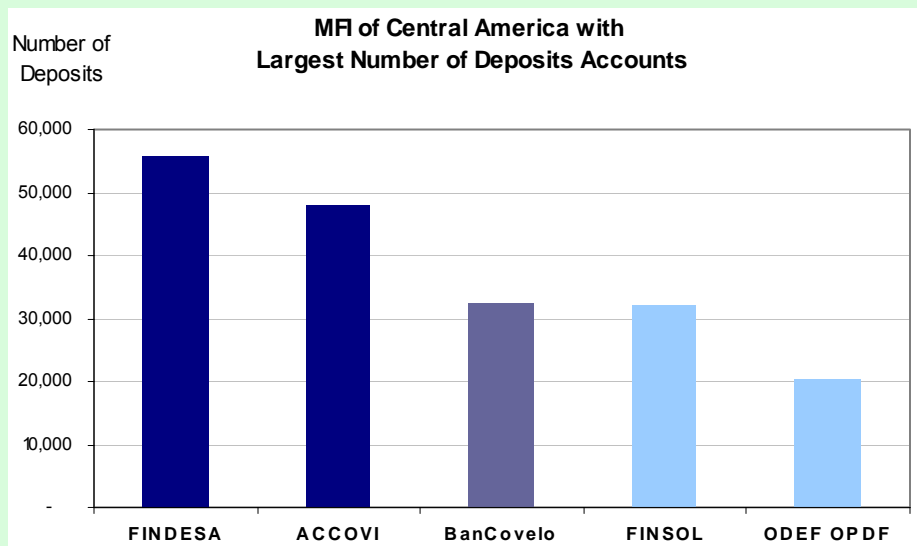
† Must be lower than 3%.



## Primer Ranking de Instituciones Microfinancieras de Centroamérica

### Deposit Accounts

TOP 10 MFI WITH LARGEST NUMBER OF DEPOSITS ACCOUNTS				
Position	MFI	Country	Number of Deposits Accounts	Balance of Voluntary Deposits (US\$)
1	FINDESA	Nicaragua	55,741	27,871,003
2	ACCOVI	El Salvador	47,827	32,543,500
3	BanCovelo	Honduras	32,420	16,978,440
4	FINSOL	Honduras	32,094	7,890,151
5	ODEF OPDF	Honduras	20,435	1,566,417
6	Cooperativa 20 de Abril	Nicaragua	11,316	1,151,782
7	FAMA OPDF	Honduras	10,461	1,099,554
8	Cooperativa Avance	Nicaragua	9,708	3,024,314
9	Cooperativa Juan XXIII	Panamá	6,274	3,068,305



## Analytical Unit REDCAMIF – MIX

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

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



## Red Centroamericana de Microfinanzas (REDCAMIF)

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

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## Microfinance Information eXchange (MIX)

The Microfinance Information Exchange, Inc. (MIX) is the leading provider of business information and data services for the microfinance industry. Dedicated to strengthening the microfinance sector by promoting transparency, MIX provides detailed performance and financial information on microfinance institutions, investors, networks and service providers associated with the industry. MIX does this through a variety of publicly available platforms, including MIX Market ([www.mixmarket.org](http://www.mixmarket.org)) and the MicroBanking Bulletin.

MIX is a non-profit company founded by CGAP (the Consultative Group to Assist the Poor) and sponsored by CGAP, the Citi Foundation, Deutsche Bank Americas Foundation, Omidyar Network, Open Society Institute & the Soros Economic Development Fund, IFAD (International Fund for Agricultural Development), Bill & Melinda Gates Foundation, and others. MIX's Social Performance program is supported by the Michael & Susan Dell Foundation. MIX is a private corporation. Visit [www.themix.org](http://www.themix.org) for more information.

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**REDCAMIF thanks the following institutions for the support given to the Transparency and Benchmarking Program in Central America:**

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