

Championship League: An Overview of 80 leading Latin American Providers of Microfinance¹

By Jared Miller and Renso Martinez

With average Adjusted Return on Assets over 4% and an average Outstanding Loan Balance of less than 1,000 USD, Latin America's 80 leading microfinance institutions are lending small amounts while achieving record profitability. Emerging leaders in almost every category of performance and improved performance of historical participants are the main stories this year. As a group the leading 80 MFIs – representing the pioneers and younger vanguard – shattered multiple performance records.

The combined portfolio of the new and repeat participants topped 4 billion USD, divided among an impressive 4.13 million loans. The MFIs are a diverse group - commercial banks, finance

companies, non-governmental organizations (NGOs), service companies and credit unions - representing the increasing complexity of the markets they work in and the choices of their clients.

Scale

Most Latin American MFIs maintain fewer than 100,000 outstanding loans, but a number of leaders take off after passing the 100,000 loan threshold. The microfinance giants are led by the Mexican institutions Caja Popular Mexicana and Compartamos. Caja Popular Mexicana appears on the lists for the first time this year. It has not always been considered a microfinance powerhouse. However, its Average Outstanding Balance of merely 1,000 USD in the Latin American country with the highest Gross National Income per capita, means that this MFI is certainly working with the smaller end of the market.

Multiple regulated Peruvian MFIs also hold dominant positions in terms of scale. Many of them achieve

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Top 80 MFIs, By Number of Loans Outstanding (2004)

MFI Name	Country	Number of Loans Outstanding	Gross Loan Portfolio (USD)
Caja Popular Mexicana	Mexico	550,619	612,298,668
Compartamos	Mexico	324,442	100,120,604
Caja Social*	Colombia	263,945	500,402,968
Banco del Trabajo	Peru	198,023	276,196,341
Crediamigo*	Brazil	162,868	45,460,786
Banco Solidario	Ecuador	135,855	177,074,828
MiBanco	Peru	113,505	128,516,159
CMAC - Arequipa	Peru	107,009	116,649,939
CMAC - Trujillo	Peru	105,041	103,951,118
WWB - Cali	Colombia	102,274	65,508,838
WWB - Popayán	Colombia	86,816	29,572,249
BancoEstado	Chile	81,204	142,368,412
BANRURAL Programa Microfinanzas*	Guatemala	77,108	117,644,365
BancoSol	Bolivia	71,609	108,424,872
CMAC - Sullana	Peru	71,085	60,573,519
Banco Los Andes ProCredit	Bolivia	68,792	113,550,106
Banco ProCredit - El Salvador*	El Salvador	63,368	121,661,000
PRODEM FFP	Bolivia	56,876	86,387,677
WWB - Bucaramanga	Colombia	55,879	19,601,666

Top 80 MFIs, By Number of Loans Outstanding (2004)

MFI Name	Country	Number of Loans Outstanding	Gross Loan Portfolio (USD)
CRECER	Bolivia	55,617	8,912,589
Banco Santander Banefe*	Chile	54,607	85,570,651
Visión de Finanzas	Paraguay	54,193	29,899,169
Pro Mujer - Bolivia	Bolivia	48,496	7,150,439
Interfisa	Paraguay	48,273	18,167,854
EDPYME Edyficar	Peru	45,138	41,665,447
Banco ProCredit - Nicaragua*	Nicaragua	45,080	52,222,000
FIE FFP	Bolivia	44,956	54,128,824
CMAC - Huancayo	Peru	43,876	49,941,034
FINCA - Ecuador	Ecuador	42,676	13,179,000
Génesis Empresarial	Guatemala	42,492	25,769,553
BanDesarrollo Microempresas	Chile	41,093	39,020,774
ADOPEM	Dominican Republic	39,933	8,973,684
WWB - Bogotá	Colombia	34,554	14,270,674
Credi Fe	Ecuador	34,507	45,051,460
Fundación Mario Santo Domingo*	Colombia	33,839	25,321,379
FAMA	Nicaragua	31,672	16,224,094
FDL	Nicaragua	31,444	19,340,081
Pro Mujer - Peru	Peru	27,282	2,708,599
CMAC - Maynas	Peru	27,158	19,320,180
CMAC - Tacna	Peru	26,741	33,843,509
ACODEP	Nicaragua	26,441	10,177,179
Banco ADEMI	Dominican Republic	25,614	67,209,799
FinComún	Mexico	25,528	14,967,940
FinAmérica	Colombia	24,404	27,623,357
El Comercio	Paraguay	22,962	9,456,025
FINDESA	Nicaragua	22,877	33,033,182
FINCA - Mexico	Mexico	22,374	5,345,989
WWB - Medellín	Colombia	22,245	10,643,388
CMAC - Del Santa	Peru	21,724	16,920,866
FADES	Bolivia	21,405	18,275,430
Banco ProCredit - Ecuador	Ecuador	20,361	43,639,537
Apoyo Integral	El Salvador	18,559	14,154,259
COAC Jardín Azuayo	Ecuador	17,775	24,456,861
EDPYME Confianza	Peru	17,029	13,740,205
Fundación Covelo*	Honduras	16,473	14,681,552
Caja Nor - Peru	Peru	15,529	22,879,878
FINSOL	Honduras	15,400	11,381,474
Fundación Nieborowski	Nicaragua	14,873	10,635,736
Bancafé MIPYME*	Guatemala	14,746	27,424,875
Pro Mujer - Nicaragua	Nicaragua	14,274	1,920,648
BanGente	Venezuela	14,211	12,602,793
EDPYME Crear - Arequipa	Peru	13,697	10,564,291

Top 80 MFIs, By Number of Loans Outstanding (2004)

MFI Name	Country	Number of Loans Outstanding	Gross Loan Portfolio (USD)
ODEF	Honduras	13,310	5,920,218
EDPYME Proempresa	Peru	11,539	9,980,149
FUNED	Honduras	11,253	2,814,378
Fundación Espoir	Ecuador	10,884	2,955,053
Ecofuturo FFP	Bolivia	10,440	14,200,575
CEAPE - Maranhão	Brazil	10,402	2,275,832
PRODESA	Nicaragua	9,923	8,209,748
COOPAC San Martín de Porres	Peru	8,133	8,173,432
D-Miro	Ecuador	7,870	4,496,016
ADRA - Peru	Peru	7,868	1,321,807
Hermandad de Honduras	Honduras	7,405	3,560,747
EDPYME Crear - Tacna	Peru	6,715	6,248,920
FINCA - Peru	Peru	6,609	966,783
COAC San José	Ecuador	6,398	7,650,530
Fundación Paraguaya	Paraguay	6,281	2,633,382
EDAPROSPO	Peru	6,005	1,181,928
MICROSERFIN*	Panama	5,460	5,080,162
Agrocapital	Bolivia	5,111	13,583,669
Totals		4,130,052	USD 4,059,633,704

* Indicates MFIs that submitted only number and volume of microcredit information

leadership positions despite a geographical focus outside of the immense Lima market.

Regulatory status is not necessarily the deciding factor in achieving scale, as the record-breaking Women's World Banking affiliates from Colombia demonstrate. Their achievement is doubly impressive considering the financial hurdles faced by unregulated MFIs that do not capture deposits.

Growth

With more than 10 MFIs increasing their number of borrowers by over 50% over last year and a third of the participating MFIs growing at over 30%, the years of brisk growth look likely to continue.

Growth can be measured in relative or absolute terms. Relative-growth ratios favor institutions that start with a smaller base. Few of the largest institutions grew quickly as a percentage of previous year results. Large institutions, in contrast, almost always grow more quickly in absolute terms and 2004 was no different. The growth in loans of PRODEM FFP was remarkable by any measure. PRODEM's expansion was primarily due to the introduction of the "Relámpago" loan product, averaging merely USD 150.

The participating MFIs added over 600,000 loans and a billion USD to the Gross Loan Portfolio in 2004. Although not all registered top 10 relative growth rates, more than 10 large MFIs increased their loan

Beyond the Numbers

Even the quick organic growth of this year's leaders will leave millions of potential clients underserved for years. In response, innovative institutions are revolutionizing approaches to increase scale through new infrastructure. PRODEM FFP, for example, uses smart ATMs to extend their services past their branch network in Bolivia. CrediFe of Ecuador originates and collects loans using the financial assets and physical infrastructure of Banco del Pichincha.

Perhaps most revolutionary is the approach of some Brazilian banks that now provide basic banking services in tens of thousands of non-traditional locations, such as lottery shops, drug stores, supermarkets and post offices. New points of sales near the homes and businesses of clients, coupled with the advantages of massive low-cost infrastructure, have led to explosive growth of correspondent banking for small scale services. While the range of products offered in these new outlets can be substantially different from that of traditional MFIs, the clientele is often similar, just much, much larger.

Top 10 – Growth in Number of Loans

Name of MFI	Adjusted % Change in Loans	Adjusted Absolute Change in Loans	Adjusted Absolute Change in Gross Loan Portfolio (USD)
PRODEM FFP	123.7%	31,241	24,073,142
FINCA - Mexico	98.7%	11,111	2,483,103
BanGente	88.0%	6,653	6,619,508
COOPAC San Martín de Porres	86.9%	3,781	4,332,316
Banco ProCredit - Ecuador	82.9%	9,231	21,732,537
FinComún	81.7%	11,482	7,136,332
FINCA - Ecuador	58.7%	15,778	5,287,000
EDPYME Confianza	58.2%	6,268	5,711,285
FINDESA	57.6%	8,358	14,735,769
PRODESA	54.2%	3,483	2,655,300

portfolios by more than 10 million USD - an amount larger than the Gross Loan Portfolios of the smallest third of participating MFIs.

Depth of Outreach

Did village banks retain their leading edge in terms of depth of outreach? This year's results suggest just that.

The indicator of Average Loan Balance as a percentage of the Gross National Income (GNI) per capita shows just how much a loan balance is compared to average income of an individual. Lower ratios suggest deeper outreach. FINCA Mexico and Compartamos lead the field with a few Peruvian village banking MFIs close behind. Country-level income also seems to play an important role in determining outreach; small loans appear even smaller in countries with higher GNI per capita. With Average Loan Balances representing single

percentage points of Gross National Income per capita, the outreach of these MFIs is undisputed.

Notably, some of the larger MFIs are also represented. Compartamos leads depth of outreach for large MFIs but other giants are not far behind, just outside of the top 10.

Savings

As a group the Peruvian institutions dominate the microsavings market, taking half of the top positions. The Peruvian regulatory environment allowed municipal savings banks – *Cajas Municipales* – to capture small deposits well before many MFIs in other countries considered transformation into deposit-taking institutions. As the first to market in many regions of Peru, the Peruvian Cajas Municipales steadily increased their deposits over the years.

The gross amount of Voluntary Savings and the relationship of savings to the Gross Loan Portfolio

Top 10 – Greatest Depth

MFI Name	Adjusted Average Loan Balance / GNI per Capita	Adjusted Average Loan Balance (USD)
FINCA - Mexico	3.8%	239
Compartamos	4.6%	99
Pro Mujer - Peru	5.0%	309
FINCA - Peru	6.8%	146
ADRA	7.8%	168
CEAPE - Maranhão	8.1%	219
EDAPROSPO	9.2%	197
FinComún	9.4%	586
ADOPEM	11.1%	229
Fundación Espoir	15.2%	272

Top 10 – Voluntary Savings

MFI Name	Voluntary Savings (USD)	Deposits to Gross Portfolio
Caja Popular Mexicana	722,067,057	120.9%
Banco del Trabajo	201,131,098	73.2%
Banco Solidario	180,761,914	102.1%
CMAC - Arequipa	105,367,666	91.6%
MiBanco	86,022,256	67.6%
BancoSol	80,988,147	74.7%
Banco Los Andes ProCredit	71,084,452	62.7%
CMAC - Trujillo	63,623,430	61.5%
PRODEM FFP	60,882,792	70.8%
CMAC - Huancayo	37,302,147	75.9%

explain just how well an institution captures deposits in the USD terms and how successfully it intermediates deposits into loans, respectively. Caja Popular Mexicana is the clear scale leader with over 700 million USD on deposit, averaging less than 1,000 USD per account. As a group, the top 10 institutions account for more than 80% of the savings mobilized by the analyzed institutions.

The deposit to loan ratio also shows an interesting trend – institutions are beginning to capture more deposits than they are loaning out. Where the product is right, microsavings proves more popular than microlending.

Efficiency

This year's lists have some surprising new information on who leads Latin America in terms of efficiency, and just how efficient Latin American MFIs can become.

The Operating Expense / Average Gross Portfolio ratio shows how much the operation of an MFI costs per average USD in the portfolio. Larger loans, however, can make an MFI appear more efficient when it is

simply lending larger sums. Consequently, MFIs with Average Loan Balances above and below 500 USD are presented separately to highlight the efficiency leaders at the small end of the loan spectrum.

Ecuadorian cooperative Jardín Azuayo and Nicaraguan NGO PRODESA define new boundaries for efficiency both regionally and globally. With Operating Expense / Average Gross Portfolio ratios in the single digits, these MFIs lead an increasingly efficient group and push back the global efficiency frontier. Jardín Azuayo can attribute much of its efficiency to its immensely productive staff. PRODESA, on the other hand, has one of the most productive asset allocations – its Gross Loan Portfolio accounts for 94% of its Total Assets.

The efficiency of the Women's World Banking institutions in Colombia, especially from Cali and Popayán is notable. WWB-Popayán would merit a spot in the lists of MFIs with balances over 500 USD – an impressive achievement considering WWB-Popayán's Average Loan Balance of less than 350 USD.

Top 10 – Most Efficient (Average Loan Balance > USD 500)

MFI Name	Adjusted Average Loan Balance (USD)	Operating Expense / Average Gross Loan Portfolio	Adjusted Loans per Staff Member
COAC Jardín Azuayo	1,371	4.7%	249
PRODESA	828	6.8%	242
COAC San Jose	1,564	8.2%	136
WWB - Cali	641	10.1%	317
Caja Popular Mexicana	1,106	10.6%	206
CMAC - Arequipa	1,075	10.9%	274
FIE FFP	1,195	11.6%	110
CMAC - Huancayo	1,120	11.8%	198
CMAC - Tacna	1,253	12.0%	149
CMAC - Trujillo	984	12.1%	277

Top 10 – Most Efficient (Average Loan Balance < USD 500)

MFI Name	Adjusted Average Loan Balance (USD)	Operating Expense / Average Gross Loan Portfolio	Adjusted Loans per Staff Member
WWB - Popayán	341	12.0%	403
WWB - Medellín	479	17.2%	212
WWB - Bucaramanga	351	18.1%	293
WWB - Bogotá	413	18.3%	222
Interfisa	364	19.5%	155
El Comercio	409	19.6%	148
FINCA - Ecuador	309	21.5%	344
Pro Mujer - Bolivia	147	22.2%	225
ADOPEM	229	23.6%	278
Hermandad de Honduras	481	23.6%	71

Asset Quality

Village banking MFIs retain the lead spots in this year's lists but with increased competition from individual lenders.

Portfolio at Risk over 30 days is a measure of the outstanding balance of loans past due. Considering that the Gross Loan Portfolio represents, on average, over 80% of Total Assets for the MFIs analyzed, maintaining low Portfolio at Risk is paramount in the health of the sector. Yet many village banking MFIs have an unfair advantage over individual lenders; some record late payment of an entire village bank, whose members often cover each other's late payment or default.

Top 10 – Asset Quality

MFI Name	Adjusted Portfolio at Risk > 30 Days
Pro Mujer - Peru	0.0%
ADRA	0.1%
CRECER	0.1%
FINCA - Peru	0.3%
Fundación Espoir	0.3%
Pro Mujer - Nicaragua	0.3%
Banco ProCredit - Ecuador	0.5%
Compartamos	0.6%
WWB - Bucaramanga	0.6%
WWB - Cali	0.8%

Other MFIs are not far behind in terms of portfolio quality. Almost half report Portfolio at Risk over 30 days of 2% or lower, the envy of the rest of the financial sector.

Profitability

The renowned industry leader, Compartamos, and a new addition, FINCA-Mexico, top the list of profitable MFIs. Yet they are only two of a number of Latin American MFIs with Adjusted Returns on Assets (AROA) in the double digits. While many NGOs take top AROA spots, the regulated MFIs register the highest Adjusted Returns on Equity (AROE). Indeed, a third of the participants register AROE of 20% or more.

Both AROA along with Adjusted Return on Equity (AROE) are adjusted for inflation, subsidized liabilities and insufficient provisioning for bad debt. The adjustments normally make an MFI's figures appear lower, but allow for comparisons across countries.

Although Compartamos is larger than most MFIs will ever become, many of the most profitable MFIs are

Top 20 – Most Profitable

MFI Name	Adjusted Return on Assets	Adjusted Return on Equity
Compartamos	16.5%	43.9%
FINCA - Mexico	16.5%	30.4%
ADRA	13.7%	21.3%
D-Miro	13.7%	21.4%
ProMujer - Peru	12.3%	23.0%
Fundación Paraguaya	11.7%	16.0%
ACODEP	9.7%	36.4%
WWB - Popayán	9.5%	16.8%
PRODESA	8.9%	27.2%
El Comercio	8.8%	43.2%
ODEF	8.3%	15.7%
CRECER	8.2%	19.5%
BanGente	7.9%	34.7%
WWB - Cali	7.9%	26.0%
Pro Mujer - Bolivia	6.7%	10.1%
Fundación Espoir	6.3%	18.3%
CMAC - Trujillo	5.9%	39.1%
BanDesarrollo	5.6%	n/a
CMAC - Arequipa	5.6%	33.3%
WWB - Bucaramanga	5.5%	24.4%

small or medium size. Indeed, numerous profitability leaders are not regulated. As a group, profitability leaders come from all parts of Latin America. Over ten different countries are represented in the top 20, giving no country a clear majority.

Conclusion

As these lists expand, the landscape of microfinance supply becomes only clearer: Leading regional MFIs are more efficient and more profitable than before. Yet many have outgrown their original markets. Whether they expand into untapped markets or compete on each other's turf, the next few years will not be easy. Political instability, inflation and client overindebtedness present other vulnerabilities for even the best MFIs. The results of 2005, first available in next year's *Microenterprise Americas*, will demonstrate which MFIs are best responding to the current challenges.

Microfinance Information eXchange and *Microenterprise Americas* thank all of the participants for their active cooperation.

Methodological Note:

All data are presented in USD at 12/31/2004. The analysis is consistent with analytical processes of the MIX's *MicroBanking Bulletin*. All data must be of sufficient quality and detail to stand up to critical scrutiny.

Financial data must be provided along with third-party documents verifying the accounts. All data are reclassified to a standard financial statement presentation and then adjusted using *MicroBanking Bulletin* methodology. Only loan and portfolio information from the first list remain unadjusted. Microfinance programs and institutions within larger entities must also provide reliable allocations of income statement items to be eligible for the subsidiary top 10 lists, as in the case of BanDesarrollo. Otherwise, MFIs that cannot be completely analyzed are only eligible for the lists based on volume and are listed with an asterisk (*).

Following the methodology of the *MicroBanking Bulletin*, the analysis uses a definition of microfinance based on the average size of a

financial product relative to the average national income per person (GNI per capita), with a ceiling for average balances equivalent to USD3,000. This classification does not generally distinguish between the destination or use of the loan, due to the fungible nature of money and the impossibility of rigorously identifying microenterprise credit for all institutions.

Notable exceptions from this list have likely been excluded because they could not or would not provide or substantiate information within the allotted time frame.

For more information on the definitions and methods used, go to www.iadb.org/msm and www.mixmbb.org.