

THE MICROBANKING BULLETIN

A PUBLICATION OF THE MICROFINANCE PROGRAM

at the

ECONOMICS INSTITUTE, BOULDER, COLORADO

ISSUE No. 2
JULY, 1998

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

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NUMBER STAFF	number	1, 2
AGE OF INSTITUTION	years	1, 2
NO. OF ACTIVE CLIENTS	number	3, 4
PERCENT LOAN CLIENTS WOMEN	percentage	3, 4
MACROECONOMIC INDICATORS		
GNP per capita	US dollars	5, 6
GDP GROWTH RATE	annual average, 1990-96	5, 6
INFLATION RATE	percent	5, 6
DEPOSIT RATE	percent	5, 6
FINANCIAL DEEPENING	M3 / GDP, percent	5, 6
PROFITABILITY		
UNADJUSTED RETURN ON ASSETS	net operating income / avg total assets	7, 8
ADJUSTED RETURN ON ASSETS	adjusted net operating income / avg total assets	7, 8
ADJUSTED RETURN ON EQUITY	adjusted net operating income / avg equity	7, 8
OPERATIONAL SELF-SUFFICIENCY	operating income / operating expense	7, 8
FINANCIAL SELF-SUFFICIENCY	adjusted operating income / adjusted operating expense	7, 8
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SALARY EXPENSE - PORTFOLIO	staff expense / avg loan portfolio	13, 14
OTHER ADMIN EXPENSE - ASSETS	other administrative expenses / avg total assets	11, 12
TOTAL ADMIN EXPENSE	total administrative expense / avg loan portfolio	13, 14
PORTFOLIO YIELD	total interest and fee income from portfolio / avg loan portfolio	9, 10
REAL INTEREST YIELD	portfolio yield - inflation rate	9, 10
SALARY STRUCTURE	avg staff salary / GNP per capita	13, 14
PHYSICAL PRODUCTIVITY OF STAFF	no. of loan clients per staff member	13, 14
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CAPITAL / ASSETS	avg total equity / avg total assets	1, 2

Note to the Reader

As a forum for those interested in the sustainability of organizations that provide financial services to the world's poor, this second issue of the MicroBanking Bulletin incorporates several important contributions on timely topics and a greatly enhanced data base, with the results of 72 MFIs from around the world.

The debate continues over the relationship between financial sustainability of microfinance organizations and their potential for outreach. Many feel that no matter how poor the target group, MFIs that serve this group must become financially sustainable as a pre-condition to attaining large-scale outreach.

On the other hand, some feel that microcredit to the very poor can serve as an important poverty alleviation and empowerment strategy. They feel that these poor may not be able to pay the relatively high costs of reaching them with financial services, and that subsidy should be provided for a substantial time while programs go to scale. They feel it is wrong to pass the relatively high costs of offering financial services on to the target group

In the "Yin and Yang of Microfinance: Reaching the Poor and Sustainability," Elisabeth Rhyne explores this debate and suggests more appropriate terms for future discussions, terms that clarify the key issues involved and move us beyond the relatively simplistic stereotypes that have predominated up to this point.

Internet news-groups are buzzing with speculation about the impact the Asian crisis has had on microfinance organizations. How has the crisis impacted micro-enterprises and the credit programs that serve their needs? Has delinquency gone up? Have average loan balances decreased in real terms, diminishing MFI financial viability? Have small savers taken their deposits out of the financial system and put them back into tangible assets? These questions beg for empirical answers.

Paul McGuire reports on a survey done by the Foundation for Development Cooperation of 23 MFIs, commercial banks, national policy institutes, and researchers in South and Southeast Asian on the effects of the crisis on their activities. In his report, "The Asian Financial Crisis – Some Implications for Microfinance," many of these questions are addressed by key players in markets most affected by the crisis.

This year, 1998, saw the passing of one of the most important forces in the field of microfinance – Sugianto, the Managing Director of Bank Rakyat Indonesia's Unit *Desa* system. Sugianto was the person primarily responsible for the transformation of its unit *desas* (local bank units) from a loss-ridden channeling agent for the government's subsidized credit programs to the world's largest system of fully sustainable microfinance. Marguerite S. Robinson, who worked closely with Sugianto through many years, has contributed a tribute to this important microbanking pioneer.

This second issue of the MicroBanking Bulletin incorporates financial results from 72 MFIs from around the world. These 72 programs represent a broadening and deepening of the Bulletin's database of financial results from leading microfinance institutions the world over. In the spirit of representing more accurately the actual performance of the microfinance industry, for this edition we have waived the requirement that all programs have achieved at least 75 percent financial self-sufficiency to be included.

The bulk of the new additions in this issue are smaller or newer MFIs. Most of these new additions focus their services on the poorer end of the micro sector as indicated by the formation of four new "low end" peer groups. Also, several programs that serve the upper end of the target group also sent in their data as indicated by the creation of the "Worldwide – High" peer group.

Programs included in this second issue would certainly constitute the majority of financially sustainable microfinance institutions operating in the field today if we exclude microfinance divisions of commercial banks which do not report to the MicroBanking Bulletin. While the number of fully financially sustainable institutions included in the Bulletin rose from 21 to 34 from the first to the second issue, the number of others rose from 7 to 38. We are very pleased with this increased participation and feel that each of the institutions included in this edition represents the stronger programs of its type around the world.

The Editor

The Yin and Yang of Microfinance: Reaching the Poor and Sustainability

Elisabeth Rhyne

In microfinance today the split continues between those in the "poverty" camp and those in the "sustainability" camp. A frank examination of the premises beneath each set of views can reduce the level of miscommunication. Perhaps the debate can gradually become a source of creative tension that helps drive the field forward. In that spirit this article attempts to sort through the thicket of issues, from the point of view of someone who is avowedly in the sustainability camp, but with strong sympathies for the poverty camp.

Let us begin by noting that **everyone involved in microfinance shares a basic goal: to provide credit and savings services to thousands or millions of poor people in a sustainable way.** Everyone wants to reach the poor, and everyone believes sustainability is important. This is not an either-or debate. It is about degrees of emphasis and what happens when trade-offs appear. This commonality of aims should remind us all to debate with civility, avoiding unsubstantiated claims or criticisms.

The Mathematician's View

If microfinance were simply a mathematics problem, it would be a problem of dual maximization. There would be two objectives -- to reach the very poor and to achieve financial viability. Unfortunately, in mathematics there is no single solution to a problem of dual maximization. One objective or the other must be treated as a constraint, while the other is maximized. The mathematician derives a curve that traces the trade-off between the objectives. At every point on the curve, more of A means less of B. The choice of the best point on the curve depends on how much one values A versus B. However, *inside* the curve, both A and B can be increased until the curve is reached. In economics, this curve would be called the production possibility frontier.

In microfinance we need to know how close we are to the frontier. If we are near it, then there is a direct trade-off between reaching the poor and sustainability. If not, it should be possible to increase both outreach and sustainability. Bob Christen, Bob Vogel and I attempted to examine whether a direct trade-off exists in our 1995 study, "Maximizing Outreach", based on analysis of the performance of 11 leading microfinance institutions. The Microbanking Bulletin is compiling similar data for a great many more institutions. In 1995 we found microfinance programs that were sustainable at every level of clientele. More importantly, we found that for well-performing institutions there was no correlation between the poverty level of clients (as

measured imperfectly by loan size) and the financial viability of the institution. Undoubtedly it is more challenging to serve people with very small loans or to reach remote rural clients. However, **even in relatively unfavorable settings these institutions had developed service delivery methods so tailored to their clientele and so efficient that clients could afford to pay the full cost of the services, making the institutions financially viable.**

In other words, one of the fundamental poverty/sustainability questions is whether services can be delivered at a cost that is affordable to clients. Answering this question requires looking carefully at the cost structures and delivery methodologies of microfinance institutions, especially those claiming that their outreach to the very poor is the reason they are not becoming fully sustainable. Such institutions bear the burden of proving that they are as efficient and low-cost in their operations as it is technically possible to be. If they are not efficient, their subsidies support those inefficient operations, and concern for the poor, however earnest, can also become an excuse to avoid difficult improvements. For example, it may eventually turn out that some of the methodologies in use today prove to be more expensive than necessary, particularly methods that rely on highly educated, highly paid front line employees. Similarly, the cost of a strategy of serving exclusively the very poor can be contrasted empirically against the cost of serving the same clients through a broad-based program. If the poverty/sustainability debate drives us to analyze such relationships closely, it will have motivated a drive to improve methodology.

In order for the debate to play this progressive role, however, institutions must be willing to provide full and accurate financial data. The database project presented in the Microbanking Bulletin will gradually document exactly where the frontier is for various types of microfinance programs. It is in the interests of all types of microfinance programs, not just profitable ones, to contribute to the effort to delineate the frontier, so that we know as much as possible about the best ways to reach the poor.

Once it is evident that a program is using the most efficient methods possible, the question turns to affordability for clients. The Maximizing Outreach study found that the most financially viable programs differed from their less viable peers in their willingness to set interest rates at levels that would fully recover costs. These programs chose to be financially viable, while other programs that held interest rates down chose to

remain subsidy dependent. Although they may not have admitted it, these programs were subsidizing interest rates to clients.

For myself, the realization that pricing was such a direct determinant of viability led to other clarifications. **It became clear that the poverty/sustainability debate is ultimately about whether to subsidize interest rates.** Those who let go of sustainability in the name of reaching the poor are saying, in effect, that the poor cannot fully pay for their borrowing. If the poverty/sustainability debate were discussed in this way, it would be much more transparent. It would move away from the question of being “for the poor” or “against the poor” to the question of whether or not the poor need subsidized interest. And this question is one with an important empirical component. It is possible to determine whether clients can afford to pay full cost interest rates by charging such rates and seeing whether client demand decreases. Little or no documentation of microfinance programs reports that increasing interest rates has significantly altered client demand for their loan products.

Complementarity between Outreach and Sustainability

The image of constrained maximization captures only a portion of the relationship between poverty and sustainability in microfinance. As a mathematical concept, it leaves out the social, political, and moral dimensions that motivate us. A different kind of image pictures poverty and sustainability as the yin and yang of microfinance. They are two sides of a whole, each incomplete without the other. This view emphasizes that reaching the poor and sustainability are in large measure complementary, and particularly that sustainability serves outreach. Only by achieving a high degree of sustainability have microfinance programs gained access to the funding they need over time to serve significant numbers of their poverty-level clients. This image reveals that **there is in fact only one objective -- outreach. Sustainability is but the means to achieve it.** Sustainability is in no way an end in itself; it is only valued for what it brings to the clients of microfinance. This is a point on which the “poverty camp” frequently misstates the motives of the “sustainability camp.” It would do wonders for the state of the debate if the poverty camp more readily acknowledged that the sustainability camp valued sustainability only as a tool.

However, at this point some underlying difference in perspective surface about the role of government, donors and the private sector. **The sustainability camp views the private sector as the future home of microfinance, while those in the poverty camp seem**

wary of allowing that future to be dominated by commercial, for-profit operators. They foresee donor and government involvement in microfinance for an extended period of time. Faced with a choice between donors, governments and the private sector, they seem more comfortable keeping microfinance attached to donors and governments, perhaps because they trust donors and governments to have some ongoing concern with the poor. They also fear that for-profit operators will ignore the poorest clients.

In contrast, the sustainability group argues that any future which continues dependence on donors and governments is a future in which few microfinance clients will be served. Donors and governments, both notably prone to fads, are unlikely to continue subsidizing microfinance indefinitely and are not generous enough to do so on a major scale. This group believes that the only way to assure access by the poor to financial services is to ensure that the private sector finds it profitable to provide such services. Only the private sector has plenty of resources and will stick with a moneymaking activity even if it is not in fashion.

There is no obvious way to resolve this difference (except to observe the future as it unfolds). The predilection for one side or the other is too fundamentally a matter of political outlook. It is an irony, however, that advocates in the poverty camp do not seem to like donors any more than those in the other camp, even though they are more willing to depend on them.

Valuing the Poor and the Poorest

Finally, we come to what may be the crux of the divide. Buried in the question of whether poverty outreach and sustainability are complementary or not are complex attitudes about the value of assisting various types of people. These attitudes suggest that it is more valuable to assist a poorer person than a less poor person. **Those in the poverty camp feel strongly that it is important to reach the poorest possible people. Many in the sustainability camp are more interested in opening access to the full spectrum of the poor who lack access to financial services; although most do include the poorest in that spectrum.**

The mathematician would approach this problem by assigning weights to individuals, with larger weights going to poorer people. In this way, a program might get one point for serving a moderately poor person, two for a very poor person, and three for a severely poor person. In such a system, a program serving a great number of moderately poor people would earn more points than one serving a few severely poor people, though the scale of weights could be shifted to produce

the reverse outcome. In fact, the focus of many people in the sustainability camp on *scale* of outreach, as opposed to *depth* of outreach, reveals a weighting system in which the difference in weights between the two ends of the spectrum is not great. Thus, they often argue that mixed programs which can become large and sustainable are preferable to small, exclusively focused programs.¹

If the heart of the debate is ultimately a difference in value weights assigned to the very poor vis a vis the middle poor, it is important to look closely at why the poverty camp assigns such high weights. People in the sustainability camp have tended to dismiss the moral and political elements, because they come from a more economic and quantitative tradition. **Part of the reason for the high weight on the poorest is, of course, straightforwardly moral and humanitarian.** We believe or observe that the poorest people suffer much more than the moderately poor, particularly people who are poor enough to be chronically hungry. Helping someone who is absolutely poor contributes more to alleviation of human suffering. This reason for the weighting is widely shared.

Another reason for the weighting is political. It reflects the centuries-old struggle for dominance between the poorest and those who have climbed to the next rung, which is still being played out in many countries. The slightly better off -- *kulaks* in Russia are the classic example because they were the fodder for early Marxist analyses of this pattern -- gain control at the very local level, diverting resources to themselves, and excluding the poorest. A similar pattern appears in the treatment of women. **Thus, those in the poverty camp fear that unless they focus exclusively on the poorest and on women, the benefits of microfinance will be hijacked by the slightly better off, particularly men.**

A final reason for the weighting has been mentioned before, namely the concern that only if the focus is on the poorest will the poorest be served. This concern arises from observation of the "creaming" phenomenon in a wide variety of social programs around the world, in which people with the least difficult problems are served while the harder cases are abandoned. At least this third reason is open to empirical analysis.

Unfortunately, however, the field has made little progress on the empirical front. We still know very little about the poverty level of clients in various microfinance programs, and we still rely on loan size as the only readily available proxy for client poverty level. An additional important voice from

outside microfinance argues that the very poorest people are not reached by even the most poverty-oriented microcredit programs, and that credit is not an appropriate service for people on the margins of survival. This, too, is an important critique, and it deserves to be examined empirically.

New Year's Resolutions

The poverty/sustainability debate will not disappear, and both sides should be glad of that, as it keeps us from complacency. However, after working through the reasons behind the debate, we can perhaps agree on some future ways of debating and on some future areas that we need to examine.

- First, let us all agree to be open and civil in the debate, so that what we say is aimed at resolving or understanding differences rather than inflaming them.
- Let's ensure that programs push hard against the service delivery frontier before arguing that their clients are too poor for a sustainable program.
- Let's document more carefully whether the poorest clients are willing and able to pay cost recovery levels of interest.
- Let microfinance institutions of all types commit themselves to providing complete and accurate information on their financial performance, particularly so that more can be known about sustainability among programs serving the poorest.
- Let's document the levels of poverty of the poorest clients of large, mixed programs and of programs offered by for-profit institutions.
- Let's learn more about the levels of poverty of microfinance clients generally.
- Let the poverty camp acknowledge that the fundamental objective of the sustainability camp is reaching the poor.
- Let the sustainability camp acknowledge the validity of the social and political motivations that shape the views of the poverty camp.
- Let's use the differences among us to energize the microfinance field.

Elisabeth Rhyne has consulted on microenterprise development and financial sector reform around the world. She is the former Director of the Office of Microenterprise Development in the Global Bureau of USAID, and has published numerous books and articles relating to the microfinance field.

¹ This sets aside the additional argument that such programs actually reach more of the very poor, an argument open to empirical validation.

The Asian Financial Crisis - Some Implications for Microfinance

Paul B. McGuire

Introduction and summary

Since mid 1997, a number of countries in East Asia have been hit by a severe economic and financial crisis. The causes of the crisis are complex and differ among countries. However, common factors include overvalued exchange rates, structural weaknesses in the financial sector and excessive short-term borrowing. The crisis started in Thailand, and spread quickly to Malaysia and South Korea. Initially Indonesia appeared to have stronger macroeconomic fundamentals than these three countries, but has actually been the hardest hit, with a massive depreciation in the *rupiah*, sharp increases in inflation and interest rates, and the economy expected to contract by 10 per cent in 1998. Indonesia, Thailand and to a lesser extent Malaysia are not expected to resume rapid growth in the short term. The Philippines has also been affected, but not as badly as the other countries.

The crisis has a number of potential implications for microfinance. Economic recession has led to fewer opportunities for employment in the formal sector of the economy, forcing more and more people into the informal sector. Combined with higher poverty, this increases the number of potential microfinance borrowers. At the same time, the profitability of microenterprises has fallen, reflecting increased competition among microentrepreneurs and reduced demand for their output. Recession also means fewer government resources for poverty alleviation programs. Moreover, the crisis largely reflected, and in turn has contributed to, weaknesses in financial institutions and systems. This too has direct and indirect implications for microfinance.

To obtain a better understanding of these and other issues, the Banking with the Poor (BWTP) Network instigated a survey of the impact of the crisis on microfinance in the region.² The survey focused on five main areas: general economic conditions; the demand for microfinance; program operations and sustainability; the availability of resources (which affects the supply of microfinance); and the policy and regulatory environment.³

² The BWTP Network is a network of some 35 microfinance institutions (MFIs), commercial banks and national policy institutions from nine countries in South and Southeast Asia. The Foundation for Development Cooperation provides the secretariat for the network.

³ The survey was sent to selected MFIs, commercial banks, national policy institutions and researchers. While the overall number of respondents was quite small (23) they included many of

The survey was mainly designed to elicit qualitative responses rather than rigorous, quantifiable data. Moreover, the crisis is still unfolding, and many of the effects are yet to emerge. Hence the findings are tentative and preliminary. Nevertheless, they provide an early indication of some of the effects of the crisis, and are likely to be useful to microfinance practitioners, policy-makers and other organizations as they grapple with the crisis and develop responses to it.

Key findings are as follows:

- The countries in Asia with the greatest concentrations of poverty have so far been little affected by the crisis. The two countries with large numbers of people in absolute poverty that have been most affected are Indonesia and the Philippines.
- Programs focusing solely on the poor appear to have withstood the crisis better than programs not specifically targeted to the poor.
- In general, microfinance appears to have suffered most where it is linked into the formal financial system and has therefore been caught up in the crises affecting financial systems. But there are some important exceptions to this.
- There have been a number of policy reactions to the crisis which have had unintended adverse consequences for microfinance and should be reviewed.

Indonesia

All respondents agreed that the number of people living in poverty has increased substantially. At the same time, there is evidence of a reduction in the outreach of microfinance. In Indonesia, most micro financial services are provided by the *unit desa* system of Bank Rakyat Indonesia (BRI), a large state-owned commercial bank, and by a myriad of rural banks operating at the local level. Rural banks in Indonesia can establish with a modest minimum capital requirement, and the formal financial system has much greater outreach among the poor than in other countries in Asia. By contrast, there is only a small number of specialist MFIs.

The BRI *unit desa* appear to have withstood the crisis quite well and even expanded their operations. The number of savers increased sharply from 16.99 million

the key players, especially in the four Southeast Asian countries most affected by the crisis.

in June 1997 to 19.13 million in March 1998, apparently reflecting a 'flight to quality'. The *rupiah* volume of savings increased by 42 per cent over the period. The number of borrowers increased more modestly from 2.55 million to 2.61 million, while the *rupiah* volume of loans increased by 7 per cent.

On the other hand, it was reported that the rural banks and specialist MFIs have reduced their outreach considerably. Rural banks in particular appear to be facing an extremely difficult situation. One respondent commented that many rural banks will now only provide loans to established customers with good records, and are tightening up on collateral requirements.

Evidence on repayment rates is mixed:

- Repayment rates for the PHBK program ('project linking banks and self-help groups'), a **major** microfinance program operated by Bank Indonesia, have been relatively stable. The monthly on-time repayment rate for January 1998 was 96.6 per cent, slightly higher than the 96.0 per cent recorded in June 1997.
- The BRI *unit desa* have also maintained a very good repayment rate. The repayment rate was reported at 97.80 per cent in March 1998, compared to 97.82 per cent in June 1997.
- A rural bank reported a decline in repayment performance. The proportion of loans outstanding that were more than 30 days in arrears increased from 14.6 per cent in March 1997 to 18.9 per cent by March 1998.
- A leading MFI, Bina Swadaya, reported that repayment rates had dropped sharply since the onset of the crisis. In seven branches for which data are available, between 20 and 70 per cent of borrowers are in arrears.

Operational and financing costs have also increased significantly. Some, but not all, programs have increased interest rates:

- The BRI *unit desa* have increased interest rates payable on rural savings by between 4 and 5 percentage points per annum, and have increased interest rates on medium loans from 1.5 per cent flat to 2 per cent flat per month. Interest rates on small loans have remained at 2 per cent flat per month.
- It was reported that most rural banks have not increased their lending rates. On the other hand, the one rural bank responding to the survey increased interest rates on both deposits and loans by around 1 percentage point per month.
- Bina Swadaya has increased lending rates by between 0.5 and 0.75 percentage points per month.

The crisis has reduced the resources available for microfinance in a number of ways. Most importantly, it has led to a marked decline in public confidence in the banking system. Moreover, in January 1998 the Government announced that it would provide a full guarantee to all depositors and creditors of commercial banks. This guarantee does not so far extend to the rural banks, which are much more likely to serve poor clients in rural areas. It was reported that this has encouraged depositors to withdraw their savings from rural banks and deposit them with commercial banks (including the BRI *unit desa*, as noted above). The Soeharto Government had announced a thorough review of central bank and banking laws, to be completed by end September 1998. It is understood that one measure under consideration was to increase the minimum capital requirement for rural banks. One respondent noted that such a policy could force the closure or amalgamation of many rural banks.

There is also some evidence that banks are less willing to establish linkages with MFIs and self-help groups (SHGs). One respondent suggested that banks are still willing to participate in the PHBK program for linking banks and SHGs, but are giving priority to their internal problems. A leading MFI commented that private banks are less willing to establish linkages with MFIs, but that banks owned by regional governments are still willing to do so. Some respondents also reported that there had been some change in the focus of government microfinance programs, with programs based on concessional interest rates being favoured over more market-oriented programs.

Philippines

The microfinance sector in the Philippines is dominated by specialist MFIs, but there are also some MFIs licensed as banks.

TSPI Development Corporation (TSPI), a prominent MFI, commented that it has received enquiries from a few local companies in relation to staff who are being retrenched, and also more than the usual number of enquiries from individuals. At the same time, there has been an increase in the number of borrowers dropping out or not taking repeat loans. However, these changes relate more to its small business programs rather than to its microfinance program.

The People's Finance and Credit Corporation (PCFC), a second tier institution which on-lends to retail MFIs, commented that its disbursements have decreased since the crisis. Some retail MFIs have got behind in their repayments to PCFC and have been suspended

from the program. Others, particularly rural banks, have adopted a more cautious approach to lending because they are concerned about runs by depositors. Interestingly, PCFC has found that those retail MFIs using the Grameen methodology have been less affected than other MFIs. It suggested that the poorest clients served by the Grameen replicators have maintained their demand for credit, while the small business borrowers served by the other MFIs have reduced their demand.

PCFC commented that many retail MFIs have suffered from declining repayment rates, especially those lending to small business clients rather than the hard core poor. TSPI commented that it has also experienced a deterioration in repayment rates. It has increased interest rates from 2.5 per cent flat per month to 3.0 per cent per month because of the increased cost of funds, and has tightened up loan monitoring. There has also been increased demand from clients for business training.

TSPI commented that the cost of borrowing has increased significantly. Interest rates on their loans from commercial banks have increased from a pre-crisis average of around 15 per cent to around 27 per cent. Commercial banks and government financial institutions have also become stricter in their collateral requirements. Some have reduced their lines of credit, and it is likely to be much more difficult to negotiate new lines of credit. On the other hand PCFC now has more resources than before. Its supply of funds has been largely unaffected by the crisis, but there has been reduced demand for its funds.

There are also moves to increase the minimum capital requirements for banks, which are currently quite liberal. The central bank is increasing the minimum capital for most types of banks by around 60 per cent between December 1997 and December 2000.

Malaysia and Thailand

In Malaysia there is only a handful of institutions involved in microfinance. By far the largest is Amanah Ikhtiar Malaysia (AIM), which has been heavily supported by government and related agencies. AIM experienced an 8.3 per cent reduction in the number of new members between the March quarter 1997 and the March quarter 1998, but it commented that this reflects operational factors rather than demand.

AIM commented that some borrowers have been experiencing difficulties in their businesses. Moreover, some microenterprises operated by women borrowers have moved from being a secondary source of family income to the only source, as other

family members have lost their jobs. AIM has experienced some increase in defaults but repayment rates are still very high, with the on-time repayment rate in March 1998 reported at 99.4 per cent. AIM has recently introduced a number of changes to its program including higher interest rates and higher loan sizes, but these predate the crisis.

Even before the crisis the Government was committed to supporting AIM as an effective tool for poverty reduction, and in March 1998 it announced that it would allocate additional funds to AIM. On the other hand, the crisis has made it more difficult for AIM to attract concessional funds from the commercial banks. Prior to the crisis, AIM was negotiating a bank loan at an interest rate of 1 per cent, but the bank has withdrawn from negotiations.

The survey was unable to uncover much information about the impact of the crisis in Thailand, where microfinance is dominated by small community organizations funded under various government programs. However, Small Enterprise Development Company, a large MFI operating in the rural areas, commented that there are more people wishing to join the program as jobless villagers return from Bangkok. The crisis has not affected drop-out rates or repayment rates, but the volume of savings has declined.

South Asia

Respondents from Bangladesh, India, Nepal, Pakistan and Sri Lanka reported that the financial crisis in East Asia has not yet had any significant effects on microfinance. However, a number pointed to potential dangers that could give rise to increased poverty over the medium term:

- The large currency depreciations in East Asia are reducing the competitiveness of manufacturing operations in South Asia.
- Higher unemployment in East Asia is resulting in the repatriation of guest workers, leading to reduced foreign remittances and excess labour supply.
- The crisis is giving rise to a more cautious attitude on the part of bankers and regulators. This may further reduce the willingness of banks to establish linkages with MFIs, and of regulators to permit the establishment of small regulated banks.

Conclusions

It is too early to estimate the full effects of the current financial crisis in East Asia on microfinance. The crisis is still unfolding, and many of the effects are yet to be felt. And even where they are already being felt, few hard data are available and much of the evidence is qualitative and impressionistic. Nevertheless, the survey provides a number of tentative conclusions that may be of benefit to practitioners and policy-makers in the region.⁴

- South Asia, with an estimated 440 million people living in absolute poverty in 1995, has so far been little affected by the crisis. Of the countries most affected, only two had large numbers of people in absolute poverty in 1995 - Indonesia (22 million) and the Philippines (25 million).
- The crisis has caused significant problems for the microfinance sector, particularly in Indonesia and the Philippines, with declines in the number of clients and repayment rates, and fewer resources available for microfinance. A tentative finding is that the crisis seems to have had a greater effect on institutions serving small business clients than on specialist MFIs serving the poor.
- Microfinance appears to have suffered most where it is integrated into the formal financial system, and has therefore been caught up in the crises affecting financial systems more generally.

This does not imply that microfinance should not become more integrated into the formal financial system. Linking microfinance with the financial system is critical if microfinance is to reach large numbers of poor people on a sustainable basis, but it is clear that much greater attitudinal change is needed within the formal financial system about the scope for commercial engagement with microfinance. It is instructive that the BRI *unit desa* in Indonesia, which focus on small and micro financial services, have withstood the crisis much better than financial institutions dealing with supposedly less risky clients.

It is also apparent that there have been a number of policy reactions to the crisis which have had unintended adverse consequences for microfinance and should be reviewed:

- In Indonesia, the Government has guaranteed the

deposits of commercial banks but not rural banks, prompting depositors to move their savings from the rural banks to the commercial banks, which are much less likely to provide micro financial services to poor clients.

- In the Philippines the Government is increasing the minimum capital requirements for small banks, and it is understood similar measures are being considered in Indonesia. Higher minimum capital requirements will make it much harder to establish small banks operating at the local level.⁵
- There are some suggestions that in Indonesia the crisis has led the Government to favour subsidized microfinance programs over more market-oriented ones, undermining sustainability.

Hence in responding to the financial crisis, microfinance has not been a major priority. Policy makers have taken a number of steps that are counter-productive to the establishment of a strong and sustainable microfinance sector. It is therefore important that policy makers pay greater attention to the implications for microfinance when developing policies for financial sector reform and poverty alleviation.

Paul McGuire is program officer at the Foundation for Development Cooperation, Brisbane, Australia. The Foundation is an independent, non-profit policy research organisation whose aim is to strengthen international cooperation and development, especially in the Asia-Pacific region. In carrying out this mandate, it conducts policy-oriented research, undertakes campaigns of advocacy, and encourages policy dialogue.

⁴ As noted previously, these conclusions are tentative and preliminary, and are intended to stimulate discussion rather than to provide definite answers. I would be very grateful if interested parties could send suggestions, comments and data to the Foundation for Development Cooperation, PO Box 10445 Adelaide Street, Brisbane QLD 4000, Australia. Tel: (61 7) 3236 4633, Fax: (61 7) 3236 4696, Email: fdc@ozemail.com.au

⁵ Indonesia and the Philippines have been unique in Asia in permitting the establishment of small banks in the local level, which are much more likely than larger banks to reach poor clients. See McGuire, Paul B, Conroy, John D & Thapa, Ganesh B, *Getting the Framework Right: Policy and regulation for microfinance in Asia* (Foundation for Development Cooperation, Brisbane: 1998).

Sugianto, 1939-1998
Marguerite S. Robinson



Sugianto, the Managing Director of Bank Rakyat Indonesia's Unit *Desa* or Microbanking Division, was the person primarily responsible for the transformation of its unit *desas* (local bank units) from a loss-ridden channeling agent for the government's subsidized credit programs to the world's largest system of fully sustainable microfinance. Present at the birth of BRI's commercial microbanking system in 1983, he nurtured its growth and managed its development until his untimely death in 1998.

An internationally known leader in the field of microbanking, Sugianto had a broad knowledge of the field and a deep understanding of the ways in which commercial finance can serve as a powerful tool for the social and economic development of the working poor. Under his guidance, BRI provided microfinance on a nationwide scale, helping the poor to expand and diversify their enterprises, to improve their incomes, and to increase their self confidence. A life-long banker, Sugianto understood that the long-term viability of large-scale microfinance must be based on institutional profitability. With his management of its Microbanking Division, BRI became the first bank in the world to reach millions of poor clients profitably, without continuing subsidy.

In 1965, after finishing his education, Sugianto joined BRI, a large state-owned commercial bank. He came up through the BRI system, and in 1984 he and BRI's President-Director managed the unit *desa* transition from a subsidized micro-credit program to a system of financial intermediation for lower-income people. In 1986 Sugianto became a BRI Managing Director, responsible for its microbanking system and its 3600 unit *desas*.

In 1983, the year before BRI's transition, the unit banks lent out \$25.8 million (in current US dollars) in 563,023 subsidized loans to rice farmers, the units' main activity; arrears were about 26 percent. The units had \$30 million in savings. In 1983, the units had large losses and a high administrative subsidy. In contrast, at the end of 1997 after 14 years of Sugianto's management, the unit *desas* had \$968 million in 2.6 million outstanding loans; arrears were 2.2 percent. Savings in 18.3 million accounts were \$1.9 billion. The system has been profitable every year since 1986, and subsidy-free since 1987. In 1997 Return on Assets for the unit *desa* system was 4.7 percent. This record was achieved despite the 1997 economic and financial crisis in Indonesia, the worst in three decades.

Like many Indonesians, Sugianto had only one name. It is said in Indonesia that children with one name are taught that they must lead their lives in such a way that when their name is used, everyone will know who is meant. A quiet and modest man, Sugianto combined knowledge, leadership, courage, and commitment in a way that benefited BRI, microfinance institutions around the world, and millions of poor people. In international microfinance, everyone knows the Sugianto who was the pioneering spirit behind the growth of microbanking.

He was not only a banker, a development expert, and a consummate manager, he was also a scholar and a teacher. He read extensively on many subjects, including history, banking, agriculture, and sociology. The design and implementation of the unit *desas*' products and services were informed both by his knowledge of the dynamics of local financial markets and by his understanding of Indonesian history. Always he emphasized trust, commitment, knowledge of the market, simplicity, transparency, accountability, service, scale, and sustainability.

Under Sugianto's direction, the Microbanking Division staff do not train their clients; they learn from them. This enables BRI to provide credit and savings services that are closely matched to the demand of lower-income clients. Sugianto spent much of his time in the field, meeting staff and customers and traveling from unit to unit throughout the country. I was privileged to travel with him on many occasions. On these field trips (on which working days lasted from 7 am until at least 11 p.m.), he both taught the unit staff and learned from them. Since he wanted to ensure that all units were fully committed to BRI's new approach to microfinance, his travels took him literally

all around the world's fourth most populous country. I accompanied him on a visit to a unit in Central Sulawesi soon after he became Managing Director. We traveled eight hours by jeep, much of it through thick forest; as we approached our destination, we were met by a full band which escorted us to the unit *desa*, playing all the way. The unit manager explained that his unit had been in existence for over a decade, but that no one from BRI's Head Office had ever come there before; such an event surely deserved a triumphal welcome!

Sugianto knew microbanking from the bottom up; he also knew it from the top down. He understood early that microbanking is a fundamentally different business from standard commercial banking. He knew that products, pricing, management, staff, training, supervision, accounting, reporting, information systems, etc. must be specially designed in order for the institution to reach large numbers of poor clients profitably. He consistently foresaw the various problems that threatened the unit *desa* system when its microbanking activities were misunderstood by bankers, government officials, or bank regulators, and he worked tirelessly to prevent or mitigate such difficulties. Sugianto knew how to make bank policy that would produce desired results, he knew how to design and implement incentives that would motivate staff, and he knew the types of training that were needed to produce knowledgeable and committed staff. Under his direction, the unit *desa* system developed what is widely regarded as the best in-house microbanking staff training system in the world. He consistently supported research, using the findings to improve the units. He also had the rare quality of learning from mistakes and then correcting them.

Despite the fact that BRI has not publicized its achievements in the international arena, word spread during the 1990s about the successes of its unit *desa* system. Hundreds of visitors from around the world now visit BRI each year to learn from its microbanking experience. Sugianto welcomed visitors and explained to them how and why BRI's microbanking system had developed. As an astute and experienced expert in microfinance, he never suggested replication of the unit *desas*; instead he advised selective adaptation, encouraging visitors to take home whatever lessons were appropriate for their own environments - which many did.

Sugianto once said to me, "Only someone who loves microfinance can succeed in it." As a major driving force behind the development of large-scale sustainable microfinance, he did both. He has left a legacy that is an Indonesian national treasure and an international resource.

Marguerite S. Robinson is an Institute Fellow at the Harvard Institute for International Development. She has advised on microbanking in Indonesia since 1979 and has worked both for the Indonesian Ministry of Finance and for BRI. A social anthropologist, she serves as a policy advisor on microfinance to many banks and governments.

Highlights

This “highlights” section presents observations from the tables in the statistical section that follows, and offers some guidance on the logic of the financial indicators and the relationships among them.

Some of the key findings include:

- *The fully financially self-sufficient peer groups generate return on assets well above that earned by commercial banks in developing countries.*
- *The fully financially self-sufficient peer groups generate return on equity below that normally earned by commercial banks in developing countries – due to their very low levels of leverage.*
- *Regional differences in cost structures and interest policy are stark: Latin American MFIs reach profitability on the back of high interest rates, Asian programs through low-cost operations.*
- *Many of the non-profitable peer groups are composed of young and unconsolidated programs that have yet to reach scale.*
- *Reaching scale is closely linked to the ability to diversify funding sources.*
- *Since smaller MFIs continue to fund their portfolios out of equity, inflation and subsidy adjustments have a large impact on their financial results.*

This second issue of the MicroBanking Bulletin incorporates financial results from 72 MFIs from around the world. These 72 programs represent a broadening and deepening of the Bulletin’s data base of financial results from leading microfinance institutions the world over. **In the spirit of representing more accurately the actual performance of the microfinance industry, in this edition we have waived the requirement that all programs have achieved at least 75 percent financial self-sufficiency to be included.**

In fact, while the number of fully financially sustainable institutions included in the Bulletin rose from 21 to 34 from the first to the second issue, the number of others rose from 7 to 38. This means that many weaker programs have been included in this edition, lowering the overall performance levels reported in the first edition. On the other hand, by waiving the requirement that programs have attained a certain level of financial self-sufficiency, we have been able to build peer groups in regions and among types of programs that otherwise would have been excluded.

A quick review of the programs included in each of the peer groups will reveal, nevertheless, that they are leading institutions of their type in their region. To

minimize the effect of programs that vastly under- or over-perform their peers, for each reported variable the top decile and bottom decile values have been eliminated. Generally this implies excluding two values for each indicator. For example, if a peer group has 8 members, for each variable the top and bottom value is eliminated, and the average value for that variable is based on the remaining 6 values.

Peer groups have been reorganized in this second edition of the MicroBanking Bulletin. While in the first edition, the 28 participating MFIs were classified into 6 peer groups, in this edition the 72 organizations form 10 peer groups. Not only was the number of peer groups expanded, but the criteria for organizing peer groups were also modified.

Originally, peer groups were selected on the basis of region, the type of institution (micro-credit, village level, banking intermediary), and the income level of the country of origin. In this second edition, while maintaining the regional criterion, the other criteria have been changed to better reflect those characteristics that determine operating structures and scale economies: the size of the MFI and the poverty level of clients. MFIs with more than 8 million dollars in loans are considered as large, while those with less than 1 million are considered as small. Clearly, scale economies are realized in microfinance operations as programs reach certain sizes.

Many microcredit institutions are highly concerned about the poverty level of the clients they attract. For the purposes of the Bulletin, we use the average loan balance as an indicator of both the absolute and relative poverty of clients. This indicator has some limitations. First, in those programs with a wide range of clients, the average balance may be skewed considerably by a few larger clients. In these cases the median loan would provide us with a far truer measure of the poverty level of most clients. This information is not generally available from most MFIs.

In other cases, even programs in the same country and serving the same client group may have differing average loan balances due to the different lending methodology used, or to the average time a client has been moving up the incremental lending curve. Programs with a more mature client base may well have a considerably larger average loan balance than a young program reaching essentially the same type of client. The proportion of a program’s clients who fall along different places in the incremental lending curve determine the growth rate of a program. High growth programs, no matter how old, may have a depressed

average loan balance compared to a mature program that reaches the same target group.

Nevertheless, there are important differences among programs that target different sectors of microclients. For the purposes of the Bulletin, programs that focus on the low-end of the target market meet one of two criteria. Either they have average loan balances of less than 150 dollars, a measure of the absolute poverty level of clients; or they have average loan balance equal to less than 20% of GNP per capita, a measure of relative poverty. Most of the programs that qualify as “Low-end” MFIs in fact qualify on the basis of both criteria. The average loan balance runs around 100 dollars, while the relative loan balance runs between 11-20% for most of the low-end peer groups.

On the other end of the poverty spectrum, we classify as “High-end” those programs whose average loan balance is equal to more than 120% of GNP per capita. Most programs qualifying as “high-end” in fact have average loans equal to more than two times GNP per capita, as the average for the group is 3.4x.

A sizable number of MFIs have both absolute and relative loan balances whose averages fall between the “Low-end “ and the “High-end” peer groups. We identify these as “broadly based” peer groups, rather than “medium” because they tend to reach a broader spectrum of the poor, rather than focusing on one of the extremes. They reach many very poor clients, and many of the higher end clients. Thus, their overall average falls somewhere in the middle.

This is an important distinction when interpreting their financial results. In fact, “broadly based” groups could best be understood on the basis of a comparison of the median and average loan balance, or some other analysis that revealed their true portfolio composition. Most microfinance institutions, over time, will tend toward a broadly based target group as its older clients mature, move up the incremental lending curve, and their businesses grow. This does not necessarily mean that they are less focused on the very same poor they started out serving. In addition to the observations noted in the remainder of this highlights section, the reader will certainly find other interesting differences among peer groups. However, the number of MFIs in each peer group is relatively low, and the variance of the data – that is, the dispersion around the mean value for each peer group – remains relatively high. Thus, the reader should exercise great caution in extrapolating performance standards from this limited data set.

Another reason for caution is that sometimes relationships appear that are really proxies for other relationships that have not been well measured. In this

edition – the “Low-end” peer groups perform more poorly than the “broadly based” peer groups in terms of financial self-sufficiency. This would seem to support the argument that programs that focus on the very poor should not be held to the same sustainability standard.

In fact, most of the programs that perform less well in financial terms are young and small, in addition to serving the “Low-end” of their target group. They are less mature programs at the beginning of their life cycle. This fact is captured in Table 5 of this section. More importantly, many of the poverty-focused programs may also demonstrate a management vision that is less concerned with profitability than that of “broadly based” programs. We cannot measure “vision” directly using financial analysis. However, in Table 7 we show the cost structure of different peer groups, which reveals some insights into this issue. It shows that the total administrative expense for many of the non-sustainable peer groups is quite a bit higher than for the sustainable ones, and that in other cases, the net interest margin is comparatively low for the non-sustainable programs.

In the case of those programs that charge low net interest margins, readers must decide for themselves whether the evidence supports the hypothesis that the poor cannot pay the necessary interest rates to cover a reasonable level of administrative costs, which these programs mostly seem to have.

In the case of those programs with particularly high administrative expenses, readers must decide for themselves whether the evidence supports the hypothesis that reaching the poor is necessarily a very costly proposition and that programs should not charge these costs during the time required to go to scale.

Ultimately the relationships among the many variables that affect financial sustainability can best be determined through regression analysis and other statistical testing. These types of analysis require a deeper database and will form part of later editions of the MicroBanking Bulletin.

This ‘Highlights Sections’ has been written to assist the reader in understanding the information presented in the “Statistical Section” and to draw out some of the basic relationships therein. To facilitate cross-references, the source table from the statistical section is listed for each of the financial indicators in this highlights section.

Peer Group Selection

As previously stated, peer groups were re-organized around three variables: the region, the relative poverty level of clients as measured by average loan balance, and the size of programs. Table 1 clearly shows the fundamental differences among the 72 MFIs as revealed by the selection criteria in these 10 cohorts of microfinance institutions.

Large programs tend to reach a broader target group, reflected in larger relative and absolute average loan balances. On the other hand, smaller programs tend to reach the Low-end of the target population. However, there are exceptions to this, as three members of the All Large Asian peer group are also considered to be poverty focused using our definition of target groups.

This orientation is seen in the average loan size, with that of small programs averaging around \$100 while large programs tend towards loan sizes of several hundred dollars. High end programs, which attend to clients who border on being considered small enterprises, have average loan balances of around \$3,000.

Table 1 also draws out the enormous range in the average loan balance in relation to GNP per capita among these MFIs. For low-end programs this indicator runs on average less than 30%, while the average for the broad target-group programs ranges between 30 and 60%. The high-end programs average 360%, 6 to 12 times that of the broad target group and almost 20 times that of the low-end programs.

It is interesting to note that neither the average loan balance, nor the average loan balance in relation to GNP per capita, varies significantly between the overall cohort of 72 programs and the financially self-sufficient cohort of 34 programs. This supports the earlier findings reported in the "Maximizing Outreach" paper that there is not necessarily a trade-off between depth of outreach and reaching full financial sustainability (Christen, Rhyne, and Vogel - 1995).

Table 1: Target Group

Source: Reference Table	#	Total loan portfolio (US\$)	Avg Loan Balance (US\$)	Avg Loan Balance / GNP per Capita (%)
		3	3	3, 13
All MFIs N = 72	avg stdv	3,144,970 3,238,194	415 355	34.3 24.8
Financially Self - Sufficient MFIs N = 34	avg stdv	5,963,745 5,442,277	428 212	39.3 24.1
Broadly-based Peer Groups				
All Large Asian N = 5	avg stdv	597,146,451 986,317,676	290 356	27.2 19.3
Large, Broadly Based Latin American N = 8	avg stdv	12,695,578 5,812,847	636 186	55.7 17.1
Large/Medium, Broadly Based, Worldwide N = 5	avg stdv	5,975,852 2,824,586	821 333	61.8 24.7
Medium Broadly Based Latin American N = 11	avg stdv	2,523,429 615,945	414 101	33.4 13.1
High End Peer Groups				
All High End Worldwide N = 7	avg stdv	3,648,081 2,974,357	2,971 1,017	358.7 130.8
Low End Peer Groups				
Medium Low End Latin American N = 10	avg stdv	1,717,273 518,913	340 290	11.7 4.9
Small Medium Low End South Asian N = 5	avg stdv	554,270 209,661	84 42	19.7 8.0
Small Medium Low End African N = 8	avg stdv	597,392 254,971	120 36	36.6 15.1
Small Low End Latin American N = 7	avg stdv	476,437 290,736	124 42	7.0 3.7
Small Low End Worldwide N = 6	avg stdv	378,720 101,619	120 45	10.6 3.3

MFI Financial Self - Sufficiency

Traditionally in the microfinance industry, we have measured sustainability in terms of “self-sufficiency”. Self-sufficiency indicators are essentially cost recovery measures, which compare income to expenses. The lowest hurdle, “operational self-sufficiency”, measures the degree to which cash operating income covers cash expense. Institutions that cannot cover these costs require periodic injections of outside funds just in order to keep running.

Financial self-sufficiency is a term used to compare operating income and total expenses. In total expenses we include the cost of maintaining the value of equity, and adjustments that fully account for subsidies received and the appropriate write-offs for non-recoverable loans.⁶

Table 2 demonstrates that only three peer groups can be considered to be fully financially self-sufficient (>100%). Four additional groups are at least close to being operationally self-sufficient, but fall considerably short of reaching full financial self-sufficiency. The remaining three peer groups are still subsidy dependent, in that their operational income does not yet cover direct operating expenses.

Stated differently, programs from four of the peer groups would show nominal profits on their annual audited financial statements while three would be close to break even and the remaining three would not. Of the four nominally profitable peer groups, only three would remain so once the subsidies they receive on their cost of funds are eliminated, the erosion in the value of their equity due to inflation is expensed, and an adequate provision for non-recoverable loans is applied.

Table 2: Financial Self-Sufficiency

		Operational Self- Sufficiency (%)	Financial Self- Sufficiency (%)
Source: Reference Table			
	#	7	7
All MFIs	avg	105.1	84.0
N = 72	stdv	28.4	24.0
Financially Self- Sufficient MFIs	avg	139.3	112.5
N = 34	stdv	26.1	12.5
Financially Self-Sufficient Peer Groups			
Medium Broadly Based Latin American	avg	145.7	115.1
N = 11	stdv	14.5	10.5
Large Broadly Based Latin American	avg	135.1	116.0
N = 8	stdv	37.5	18.5
All Large Asian	avg	129.5	117.9
N = 5	stdv	17.9	10.5
Operationally Self-Sufficient Peer Groups			
Large/Medium Broadly Based Worldwide	avg	96.5	71.9
N = 5	stdv	20.5	13.1
All High End Worldwide	avg	120.5	75.7
N = 7	stdv	29.3	21.2
Medium Low End Latin American	avg	99.1	82.8
N = 10	stdv	10.9	11.3
Small Low End Latin American	avg	95.9	72.7
N = 7	stdv	16.7	12.4
Subsidy Dependent Peer Groups			
Small/Medium Low End South Asian	avg	63.5	35.5
N = 5	stdv	45.4	12.0
Small Low End Rest of World	avg	76.5	62.3
N = 6	stdv	25.4	25.8
Small/Medium Low End African	avg	61.5	54.3
N = 8	stdv	15.3	14.7

⁶ These issues are covered at length in the “Notes to the Statistical Section”.

Returns to Microfinance

Commercial banking enterprises do not use self-sufficiency to measure their overall financial performance. This cost recovery indicator is rooted in the donor-and-beneficiary mentality. It responds to the primary concern of whether or not the beneficiary institution will continue to need fresh donor funds to continue operating.

Commercial banking organizations, by contrast, are more concerned with profits in comparison with their investment. Consequently, they rely more on profitability indicators such as Return on Equity and Return on Assets. The former (ROE) measures profits in relation to the equity owners have invested. The latter (ROA) measures profits in relation to the size of the business.

The MBB adjusts financial results of participants, in order to permit us to understand an MFI as if it operated on a commercial basis. The effects of subsidies, inflation, and possibly unrealistic loan loss recognition are fully taken into account. The intention of these adjustments is not to imply that all MFIs should be run as commercial enterprises. Rather, it is necessary to allow a meaningful comparison of the financial performance of MFIs operating under very different circumstances.

Table 3 gives the unadjusted and adjusted returns on assets and equity for all ten peer groups. It is clear that three peer groups are not only able to cover their costs, but actually generate a sizable adjusted Return on Assets ranging from 3-6%. In developing countries, most large commercial banks would be quite content with returns on assets of between 1-2%.

The Return on Equity for these same "profitable peer groups", while ranging between 12-13%, would be considered low by commercial banks who have many alternative attractive investments. These relatively low Returns on Equity are the result of the low levels of leverage characterizing most MFIs.

After adjustments to financial statements, the remaining seven "unprofitable" peer groups show significantly negative returns on both assets and equity. The negative Returns on Equity range from (-6%) to (-34%).

Table 3: Returns To Microfinance

		Unadj. ROA (%)	Adj. ROA (%)	Unadj. ROE (%)	Adj. ROE (%)
Source: Reference Table	#	7	7	N/A	7
All MFIs	avg	0.4	-5.9	3.7	-8.5
N = 72	stdv	7.9	8.9	16.8	17.2
Financially Self - Sufficient MFIs	avg	8.5	3.7	21.3	9.3
N = 34	stdv	4.6	3.9	9.5	9.9
Profitable Peer Groups					
Medium Broadly Based Latin American	avg	12.7	6.3	29.1	13.5
N = 11	stdv	4.1	3.4	5.7	6.7
Large Broadly Based Latin American	avg	7.0	4.2	20.0	12.4
N = 8	stdv	6.0	4.2	10.4	10.4
All Large Asian	avg	5.1	2.9	18.6	12.6
N = 5	stdv	4.0	2.7	19.7	18.2
Unprofitable Peer Groups					
Large/Medium Broadly Based Worldwide	avg	-2.9	-4.4	-4.6	-9.6
N = 5	stdv	3.2	1.5	4.2	6.6
All High End Worldwide	avg	3.5	-5.6	5.7	-6.2
N = 7	stdv	5.0	5.4	6.9	5.9
Medium Low End Latin American	avg	-0.3	-8.3	-2.2	-18.3
N = 11	stdv	5.3	4.6	16.3	15.7
Small/Medium Low End South Asian	avg	-12.7	-20.6	-1.1	-10.5
N = 5	stdv	17.0	17.3	5.5	2.5
Small Low End Worldwide	avg	-7.4	-15.2	-7.7	-16.3
N = 6	stdv	7.1	9.0	7.3	8.8
Small Low End Latin American	avg	-2.8	-16.7	-12.3	-34.4
N = 7	stdv	8.6	10.0	31.7	34.9
Small/Medium Low End African	avg	-16.0	-23.1	-21.6	-29.9
N = 8	stdv	12.0	17.2	12.5	16.7

The Evolution of Returns in MFIs

The low-end peer groups are considerably younger than the broadly based cohorts, with the exception of the Small/Medium Low End South Asian peer group. The broad-based peer groups range between 8 and 10 years while the low-end peer groups range between 3 and 10 years. Clearly, the low-end programs are generally far less consolidated than their broadly based counterparts.

Their relative youth would suggest lower levels of cost coverage and ultimately of financial viability, as Table 4 indicates. Table 4 also highlights that older programs have been better able to leverage their equity (capital) in relation to their total assets. The older, larger, and more profitable programs have an equity base equal to between 25-35% of their total assets, while the younger peer groups finance close to 80% of their assets with capital.

This also implies that the younger programs will be more affected by the types of adjustments done by the MicroBanking Bulletin, especially with respect to the effects of the inflation adjustment. Most of these programs are struggling to reach operational self-sufficiency and have not yet assimilated the importance of charging the interest rates required to maintain the value of their equity base, and sustain themselves over time.

Table 4: Age, Returns on Assets, and the Capital / Assets Ratio

Source: Reference Table	#	Age (Years)	Adjusted ROA (%)	Capital / Assets Ratio (%)
		1	7	1
All MFIs	avg	8	-5.9	58.2
N = 72	stdv	3	8.9	24.8
Financially Self-Sufficient	avg	9	3.7	45.7
N = 34	stdv	2	3.9	17.1
Consolidated MFI Peer Groups				
All Large Asian	avg	20	2.9	23.8
N = 5	stdv	9	2.7	19.8
Large Broadly Based Latin American	avg	9	4.2	34.6
N = 8	stdv	2	4.2	13.5
Medium Broadly Based Latin American	avg	10	6.3	38.5
N = 11	stdv	2	3.4	9.0
Maturing MFI Peer Groups				
Small/Medium Low End South Asian	avg	13	-20.6	79.4
N = 5	stdv	1	17.3	35.2
Large/Medium Broadly Based Worldwide	avg	8	-4.4	71.8
N = 5	stdv	5	1.5	23.9
Medium Low End Latin American	avg	7	-8.3	53.5
N = 10	stdv	2	4.6	28.5
Small Low End Latin American	avg	6	-16.7	62.2
N = 7	stdv	2	10.0	18.6
Small Low End Worldwide	avg	N/A	-15.2	85.0
N = 6	stdv	N/A	9.0	16.9
New MFI Peer Groups				
All High End Worldwide	avg	4	-5.6	77.4
N = 7	stdv	4	5.4	11.9
Small/Medium Low End African	avg	3	-23.1	78.1
N = 8	stdv	0	17.2	20.2

Interest and Adjustment Expenses for MFIs

For commercial institutions, financial expenses comprise all of the financial costs of operations, including interest expenses and other expenses such as the cost of inflation or exchange depreciation. For the purposes of the MicroBanking Bulletin, we follow a similar concept. Table 5 shows the breakout of financial expenses into 'interest expense' actually paid on liabilities, and 'adjustment expense' which includes adjustments practiced by the MicroBanking Bulletin or the programs themselves to take into account inflation and subsidies. The adjusted interest expense is simply the sum of these two indicators.⁷

On Table 5 we can see the relationship between the interest and adjustment expense. For larger programs, interest expense is greater than adjustment expense. This is because larger programs tend to use more borrowed funds, and thus generate an important interest expense. For smaller programs, the opposite is true. They tend to fund their portfolios out of equity, generating little or no interest expense. Therefore, they are subject mostly to the adjustment expense.

For example, consider the four Latin American peer groups. The Large Broadly Based group has an interest expense of 7% and an adjustment expense of 2%, while the Small Low End peer group has an interest expense of 1% and an adjustment expense of 11%. The two Medium peer groups show a more even distribution with between 4-5% interest expense and 7-9% adjustment expense.

From this table it should be clear that without adjustments, equity funded MFIs have a distinct cost advantage in relation to leveraged microbanking institutions in terms of nominal profitability. They have interest expense equal to 1 or 2 percent, compared to the 7 percent for the intermediaries. Simply put, if a MFI is 100% operationally self sufficient and its loan portfolio is equal to its equity base, then it would need to increase its interest rates on loans by the amount of the adjustment expense to compensate for the loss of value due to inflation.

Table 5: Peer Groups, By Interest And Adjustment Expense

Source: Reference Table	#	Interest Expense / Total Assets (%)	Adjustment. Expense / Total Assets (%)	Adjusted Interest Expense / Total Assets (%) (sum)
All MFIs	avg	3.5	6.3	9.8
N = 72	stdv	2.7	3.4	
Financially Self-Sufficient MFIs	avg	4.7	5.1	9.8
N = 34	stdv	2.7	2.9	
Highly Leveraged Peer Groups				
All Large Asian	avg	7.3	1.0	8.3
N = 5	stdv	3.2	0.6	
Large Broadly Based Latin American	avg	7.0	2.1	9.1
N = 8	stdv	2.2	1.8	
Moderately Leveraged Peer Groups				
Large/Medium Broadly Based Worldwide	avg	3.9	2.7	6.6
N = 5	stdv	0.8	1.1	
Medium Broadly Based Latin American	avg	5.4	9.0	14.4
N = 11	stdv	2.4	4.3	
Medium Low End Latin American	avg	3.8	7.6	11.4
N = 10	stdv	3.6	3.2	
Equity Based Peer Groups				
All High End Worldwide	avg	1.2	8.6	9.8
N = 7	stdv	0.9	3.9	
Small/Medium Low End South Asian	avg	N/A	6.9	N/A
N = 5	stdv	N/A	1.6	
Small Low End Worldwide	avg	N/A	5.0	N/A
N = 6	stdv	N/A	3.0	
Small Low End Latin American	avg	0.6	11.0	11.6
N = 7	stdv	0.6	3.7	
Small/Medium Low End African	avg	1.5	6.1	7.6
N = 8	stdv	1.3	3.1	

⁷ Note that the net interest margin can be derived by subtracting the adjusted interest expense from the total interest income.

Sources of Profitability in Microfinance

While age and scale may certainly account for some of the different results attained by the various peer groups, financial indicators that represent management vision about profitability are more important. The key to sustainability in microfinance is to charge an interest rate that is high enough to cover interest and adjustment expense, loan losses and administrative costs. Secondly, MFIs must operate efficiently enough that “reasonable” interest rates can be charged to cover these costs.

Table 6 shows the relationships between loan loss provision expense, total administrative costs, net interest margin and adjusted return on assets. The Net Interest Margin expresses the difference between interest expense and interest income, as a percent of total assets. As such, it represents the initial income that is available to cover loan losses, administrative costs, and profit. We use Net Interest Margin (NIM) in this table rather than effective interest rate because it allows us to eliminate the effect of local interest rates and the effects of the different funding structures utilized by MFIs. It is perhaps the most direct measure of the importance management places on reaching full financial self-sustainability.

Looking at Table 6, we see that sustainable Latin American peer groups obtain relatively high NIMs (25%) to cover their relatively high administrative expenses (20%) and generate a profit after subtracting loan losses (2%). Sustainable Large Asian programs obtain a much lower NIM (12%) but are also far more efficient (7%).

The remaining peer groups in Table 6 are not sustainable. These fall into two groups, those that do not charge sufficient interest and those that are not profitable due to their low level of efficiency.

The first group (“Non-Sustainable Peer Groups, Low Interest Rates”) fails to charge an adequate interest rate to cover even their moderate levels of administrative costs. The second group (“Non-Sustainable Peer Groups, Low Efficiency”) charges interest rates high enough to generate a significant NIM. Nevertheless, it is not adequate to cover the relatively high administrative costs ranging from 30-42% of total assets. Their challenge is to improve efficiency, not necessarily to charge higher interest rates. It must be remembered that most of the MFIs in these peer groups are relatively young and small, and have not yet achieved scale economies.

Table 6: Structure Of Direct Costs

Source: Reference Table	#	Net Interest Margin / Total Assets (%)	Loan Loss Provision Expense / Total Assets (%)	Total Admin Expense / Total Assets (%)	Adjusted ROA (%)
	9	11	N/A	7	
Latin American Sustainable Peer Groups					
All MFIs	avg	17.4	1.9	22.6	-5.9
N = 72	stdv	9.1	1.6	11.7	8.9
Financially Self-Sufficient MFIs	avg	24.8	1.6	19.2	3.7
N = 34	stdv	8.1	1.0	7.1	3.9
Medium Broadly Based Latin American					
N = 11	avg	27.3	1.7	21.5	6.3
	stdv	7.2	0.7	6.1	3.4
Large Broadly Based Latin American					
N = 8	avg	22.0	2.4	19.1	4.2
	stdv	6.0	1.9	4.6	4.2
Asian Sustainable Peer Group					
All Large Asian	avg	12.4	0.5	7.2	2.9
N = 5	stdv	1.7	0.5	2.1	2.7
Non-Sustainable Peer Groups					
Low Interest Rates					
Large/Medium Broadly Based Worldwide	avg	3.5	0.5	8.4	-4.4
N = 5	stdv	0.8	0.1	1.6	1.5
All High End Worldwide	avg	8.9	1.9	10.8	-5.6
N = 7	stdv	5.6	1.4	3.3	5.4
Small/Medium Low End South Asian	avg	1.3	3.2	7.6	-20.6
N = 5	stdv	0.2	4.0	1.8	17.3
Non-Sustainable Peer Groups					
Low Efficiency					
Medium Low End Latin American	avg	22.8	3.5	30.2	-8.3
N = 10	stdv	11.3	1.8	11.8	4.6
Small Low End Worldwide	avg	15.6	1.7	31.9	-15.2
N = 6	stdv	9.5	1.0	12.4	9.0
Small Low End Latin American	avg	25.5	0.8	36.5	-16.7
N = 7	stdv	4.0	0.9	8.1	10.0
Small/Medium Low End African	avg	15.6	3.0	41.8	-23.1
N = 8	stdv	8.0	3.2	13.7	17.2

Cost Structure and Productivity in MFIs

The salary burden in an MFI is the ratio of staff costs to total loan portfolio. This ratio can be broken into component parts that we can compare to other programs to generate productivity parameters. An important component of this ratio is the number of loans per staff member. The other key indicators are the average staff salary (and benefits) and the average loan balance. Together, these three productivity variables combine to set the overall level of staff expense or “burden”.

In the MicroBanking Bulletin we relate both the average salary and the average loan balance to GNP per capita as a way of generating measures of these in relation to the local economy. This facilitates comparisons across countries with different levels of absolute wages or loan sizes. Table 7 shows the formula for the mathematical relationships among these productivity variables in the first row.⁸

We can see that very wide regional differences exist among the peer groups. African programs pay the highest wages in relation to their local economies. This coupled with low average loans per staff (122), leads to one of the highest salary burdens. All Large Asian programs are at the other end of the spectrum, with very low relative wages and loans per staff (111), giving rise to the one of the lowest salary burdens. Small/Medium Low End South Asian MFIs pay the same relative wages as Large Asian programs, but achieve a far higher level of loans per staff member (471), which further reduces their salary burden.

The high-end programs pay average relative salaries, and their staff achieve very low productivity (38), but this is compensated by extremely high average loan balances to generate one of the lowest salary burdens. With the notable exception of low-end Asian programs, the other low-end peer groups have relatively high salary burdens. Although most pay relatively low salaries (2x), and have mid-range productivity (72-149), the average balance of their loans is very small, ranging from 7-12% of GNP per capita.

This table highlights the fact that broad target group programs pay their staff relatively better than their low-end counterparts. While productivity is similar between the two groups, the much lower average loan balance of the latter group leads to an overall high salary burden, despite paying relatively lower wages.

Table 7: Key Financial Productivity Variables

		Salary Expense / Portfolio (%)	Avg Salary / GNP per Capita (X)	Avg Loan Balance / GNP per capita (%)	No. Loans / Staff (No.)
$D = (A / (B * C))$		D	A	B	C
Source: Reference Table	#	N/A	13	3, 13	13
All MFIs	avg	17.0	4.6	34.3	108
N = 72	stdv	9.3	2.7	24.8	48
Financially Self Sufficient MFIs	avg	13.7	5.4	39.3	108
N = 34	stdv	5.3	3.1	24.1	37
Small/Medium Low End South Asian	avg	4.7	2.3	19.7	471
N = 5	stdv	2.4	0.4	8.0	406
All High End Worldwide	avg	6.5	6.9	358.7	38
N = 7	stdv	2.7	1.9	130.9	21
All Large Asian	avg	7.2	1.9	27.2	111
N = 5	stdv	2.7	1.4	19.3	48
Large/Medium Broadly Based Worldwide	avg	10.0	4.7	61.8	71
N = 5	stdv	4.6	0.9	24.7	8
Large Broadly Based Latin American	avg	12.9	8.1	55.7	130
N = 8	stdv	4.8	3.2	17.1	34
Medium Broadly Based Latin American	avg	15.8	5.1	33.4	96
N = 11	stdv	5.6	2.7	13.1	8
Medium Low End Latin American	avg	22.9	3.6	11.7	160
N = 10	stdv	9.3	1.6	4.9	72
Small/Medium Low End African	avg	26.5	11.0	36.7	122
N = 8	stdv	12.5	8.0	15.1	37
Small Low End Worldwide	avg	26.6	1.6	10.6	72
N = 6	stdv	14.6	0.3	3.4	6
Small Low End Latin American	avg	34.3	1.7	7.0	96
N = 7	stdv	13.7	0.3	3.7	34

⁸ This identity does not work precisely because the top and bottom 10% have been excluded for each indicator when generating the averages. See full details in the “Notes to the Statistical Section”.

GUIDE TO PEER GROUPS

PEER GROUP	N	DATA QUALITY RATING	MEMBERS OF PEER GROUPS
Large Broadly Based Latin American	8	A	ACP 96, ADEMI 96, BancoSol 96, CALPIA 96, FIE 96, Finamerica 97, LosAndes 96, PRODEM 96
Medium Broadly Based Latin American	11	A	ACODEP 97, ACTUAR 96, ADOPEM 96, CHISPA 97, CMM Med 96, FAMA 96, FED 96, FMM Pop 96, FUPACODES 95, FWWB Cali 95, GENESIS 95
Medium Low End Latin American	10	B	Emprender 95, CAM 97, CARE Guatemala 96, COMPART 96, Liberacion 96, FINCA CR 95, FINCA HO 97, IF OCC 97, PROPESA 96, Sartawi 96
Small Low End Latin American	7	B	AGAPE 97, CONTIGO 96, FINCA EC 97, FINCA MX 97, FINCA NI 97, FINCA PE 97, LosEmp 96
All Large Asian	5	AAA	ASA 96, BAAC 96, BKD 93, BRI 96, LPD 93
Small/Medium Low End South Asian	5	B	AKRSP 96, CDS 97, FWWB India 97, SHARE 95, TBF 97
Small/Medium Low End African	8	A	FINCA MA 97, FINCA UG 97, MC ² 97, PRIDE 96, SAT 96, VITA Pride 96, WAGES 97, Zambuko 97
Large/Medium Broadly Based Worldwide	5	A	ABA 96, FECECAM 95, Fund Mikro 97, TSPI 95, UNRWA 96
Small Low End Worldwide	6	B	FINCA KY 97, HUBLAG 97, IM 97, RSPI 97, SAVE Jordan 96, SAVE Lebanon 96
All High End Worldwide	7	A	ACEP 97, AgroCapital 96, Banco Peq. Emp. 97, FEFAD 97, FUNADEH 97, Moznosti 97, NLC 97
TOTAL	72	A	

GUIDE TO CRITERIA

CRITERIA	N	DATA QUALITY RATING	MEMBERS OF GROUPS
AGE			
New (1 - 2 years)	17	B	Emprender 95, AgroCapital 96, Banco Peq. Emp. 97, FEFAD 97, FINCA EC 97, FINCA KY 97, FINCA MA 97, Fund Mikro 97, IM 97, Moznosti 97, NLC 97, PRIDE 96, SAT 96, SAVE Jordan 96, SAVE Lebanon 96, SHARE 95, WAGES 97
Young (3 - 6 years)	15	A	ABA 96, BancoSol 96, CHISPA 97, COMPART 96, FAMA 96, FINCA NI 97, FINCA PE 97, FINCA UG 97, IF OCC 97, LosAndes 96, MC ² 97, Sartawi 96, UNRWA 96, VITAPride 96, Zambuko 97
Consolidated (> 7 years)	40	A	ACEP 97, ACODEP 97, ACP 96, ACTUAR 96, ADEMI 96, ADOPEM 96, AGAPE 97, AKRSP 96, ASA 96, BAAC 96, BKD 93, BRI 96, CALPIA 96, CAM 97, CARE Guatemala 96, CDS 97, CMM Med 96, CONTIGO 96, Liberacion 96, FECECAM 95, FED 96, FIE 96, Finamerica 97, FINCA CR 95, FINCA HO 97, FINCA MX 97, FMM Pop 96, FUNADEH 97, FUPACODES 95, FWWB Cali 95, FWWB India 97, GENESIS 95, HUBLAG 97, LosEmp96, LPD 93, PRODEM 96, PROPESA 96, RSPI 97, TBF 97, TSPI 95
SIZE			
Large (Portfolio > \$8m)	17	A	ABA 96, ACEP 97, ACP 96, ADEMI 96, AgroCap 96, ASA 96, BAAC 96, BancoSol 96, BKD 93, BRI 96, CALPIA 96, FECECAM 95, FIE 96, Finamerica 97, LosAndes 96, LPD 93, PRODEM 96
Medium (Portfolio \$1m - \$8m)	31	A	ACODEP 97, ACTUAR 96, ADOPEM 96, Emprender 95, AKRSP 96, Banco Peq. Emp. 97, CAM 97, CARE Guatemala 96, CHISPA 97, CMM Med 96, COMPART 96, Liberacion 96, FAMA 96, FED 96, FINCA CR 95, FINCA HO 97, FMM Pop 96, FUNADEH 97, Fund Mikro 97, FUPACODES 95, FWWB Cali 95, GENESIS 95, IF OCC 97, Moznosti 97, NLC 97, PROPESA 96, Sartawi 96, TSPI 95, UNRWA 96, VITA Pride 96, Zambuko 97

GUIDE TO CRITERIA (continued)

CRITERIA		N	DATA QUALITY RATING	MEMBERS OF GROUPS
SIZE (continued)	Small (Portfolio < \$1m)	24	B	AGAPE 97, CDS 97, CONTIGO 96, FEFAD 97, FINCA EC 97, FINCA KY 97, FINCA MA 97, FINCA MX 97, FINCA NI 97, FINCA PE 97, FINCA UG 97, FWWB India 97, HUBLAG 97, IM 97, LosEmp 96, MC ² 97, PRIDE 96, RSPI 97, SAT 96, SAVE Jordan 96, SAVE Lebanon 96, SHARE 95, TBF 97, WAGES 97
TARGET GROUP	Low End (Avg Loan Balance < \$150 OR Loan as % of GNP per capita < 20%)	37	A	ACP 96, Emprender 95, AGAPE 97, AKRSP 96, ASA 96, BKD 93, CARE Guatemala 96, CDS 97, COMPART 96, CONTIGO 96, Liberación 96, FINCA CR 95, FINCA EC 97, FINCA HO 97, FINCA KY 97, FINCA MA 97, FINCA MX 97, FINCA NI 97, FINCA PE 97, FINCA UG 97, FWWB India 97, HUBLAG 97, IFOCC 97, LosEmp 96, LPD 93, MC ² 97, PRIDE 96, PROPESA 96, RSPI 97, Sartawi 96, SAVE Jordan 96, SAVE Lebanon 96, SHARE 95, TBF 97, VITAPride 96, WAGES 97
	Broad (Loan as % of GNP per capita 20 - 85%)	28	A	ABA 96, ACODEP 97, ACTUAR 96, ADEMI 96, ADOPEM 96, BAAC 96, BancoSol 96, BRI 96, CALPIA 96, CHISPA 97, CMM Med 96, FAMA 96, FECECAM 95, FED 96, FIE 96, Finamerica 97, FMM Pop 96, Fund Mikro 97, FUPACODES 95, FWWB Cali 95, Genesis 95, IM 97, LosAndes 96, PRODEM 96, SAT 96, TSPI 95, Zambuko 97, UNRWA 96
	High End (Loan as % of GNP per capita > 120%)	7	A	ACEP 97, Agrocapital 96, Banco Peq. Emp. 97, FEFAD 97, FUNADEH 97, Moznosti 97, NLC 97
METHOD- OLOGY	Individual	30	A	ABA 96, ACEP 97, ACODEP 97, ADEMI 97, Agrocapital 96, BAAC 96, Banco Peq. Emp. 97, BKD 93, BRI 96, CALPIA 96, CDS 97, CMM Med 96, Liberación 96, FECECAM 95, FED 96, FEFAD 97, FIE 96, Finamerica 97, FMM Pop 96, FUNADEH 97, FWWB Cali 95, HUBLAG 97, IM 97, LosAndes 96, LPD 93, Moznosti 97, NLC 97, PROPESA 96, SAT 96, Zambuko 97
	Solidarity Groups (groups of 3-5 borrowers)	20	A	ACP 96, ACTUAR 96, ADOPEM 96, Emprender 95, BancoSol 96, CHISPA 97, CONTIGO 96, FAMA 96, Fund Mikro 97, FUPACODES 95, Genesis 95, IFOCC 97, PRIDE 96, PRODEM 96, RSPI 97, SHARE 95, TSPI 95, UNRWA 96, VITAPride 96, Sartawi 96
	Village Banks (groups of > 5 borrowers)	22	B	AGAPE 97, AKRSP 96, ASA 96, CAM 97, CARE Guatemala 96, COMPART 96, FINCA CR 95, FINCA EC 97, FINCA HO 97, FINCA KY 97, FINCA MA 97, FINCA MX 97, FINCA NI 97, FINCA PE 97, FINCA UG 97, FWWB India 97, LosEmp 96, MC ² 97, SAVE Jordan 96, SAVE Lebanon 96, TBF 97, WAGES 97
REGION	Latin America and Caribbean	39	A	ACODEP 97, ACP 96, ACTUAR 96, ADEMI 96, ADOPEM 96, Emprender 96, AGAPE 97, Agrocapital 96, BancoSol 96, Banco Peq. Emp 97, CALPIA 96, CAM 97, CARE Guatemala 96, CHISPA 97, CMM Med 96, COMPART 96, CONTIGO 96, Liberación 96, FAMA 96, FED 96, FIE 96, Finamerica 97, FINCA CR 95, FINCA EC 97, FINCA HO 97, FINCA MX 97, FINCA NI 97, FINCA PE 97, FMM Pop 96, FUNADEH 97, FUPACODES 95, FWWB Cali 95, Genesis 95, IFOCC 97, LosAndes 96, LosEmp 96, PRODEM 96, PROPESA 96, Sartawi 96
	Sub-Saharan Africa	10	A	ACEP 97, FECECAM 95, FINCA MA 97, FINCA UG 97, MC ² 97, PRIDE 96, SAT 96, VITAPride 96, WAGES 97, Zambuko 97
	N. Africa, Middle East and Eastern Europe	8	B	ABA 96, FEFAD 97, Fund Mikro 97, IM 97, Moznosti 97, SAVE Jordan 96, SAVE Lebanon 96, UNRWA 96
	Asia (South and Southeast)	15	A	AKRSP 96, ASA 96, BAAC 96, BKD 93, BRI 96, CDS 97, FINCA KY 97, FWWB India 97, HUBLAG 97, LPD 93, NLC 97, RSPI 97, SHARE 95, TBF 97, TSPI 95

TABLE 1: INSTITUTIONAL CHARACTERISTICS

PEER GROUP		AGE	TOTAL ASSETS	BRANCH OFFICES	STAFF	CAPITAL / ASSETS	"MARKET" BASED FUNDING
		(years)	(US\$)	(No.)	(No.)	total capital / total assets (%)	all liabilities with "market" price / avg loan portfolio (%)
ALL MFIs	avg	8	4,657,583	9	72	58.2	36.2
	stdv	3	4,853,505	8	45	24.8	31.6
	N	53	56	51	56	56	36
Fully Sustainable MFIs	avg	9	7,999,981	14	116	45.7	37.3
	stdv	2	7,216,428	11	90	17.1	31.7
	N	25	26	22	26	26	26
Large Broadly Based Latin American	avg	9	16,328,473	18	163	*34.6	68.5
	stdv	2	8,089,437	9	46	13.5	29.3
	N	5	6	6	6	6	6
Medium Broadly Based Latin American	avg	10	3,521,295	9	*76	*38.5	*15.5
	stdv	2	753,845	7	36	9.0	17.4
	N	7	7	8	7	7	7
Medium Low End Latin American	avg	7	2,352,319	7	*61	53.5	34.1
	stdv	2	945,969	3	39	28.5	24.2
	N	8	8	7	8	8	5
Small Low End Latin American	avg	6	820,014	*3	*32	62.2	----
	stdv	2	340,351	1	9	18.6	----
	N	5	5	3	5	5	----
All Large Asian	avg	20	1,216,891,469	1,999	11,439	23.8	79.3
	stdv	9	2,030,106,420	1,719	5,807	19.8	57.0
	N	3	3	3	3	3	3
Small/Medium Low End South Asian	avg	*13	988,432	3	*24	79.4	----
	stdv	1	474,913	1	1	35.2	----
	N	3	3	2	3	3	----
Small/Medium Low End African	avg	*3	1,306,665	6	*56	78.1	----
	stdv	0	728,573	6	26	20.2	----
	N	3	6	5	6	6	----
Large/Medium Broadly Based Worldwide	avg	8	16,917,402	14	120	71.8	71.7
	stdv	5	5,346,529	8	58	23.9	33.0
	N	3	3	3	3	3	2
Small Low End Worldwide	avg	-	718,355	6	37	*85.0	----
	stdv	-	179,200	4	17	16.9	----
	N	-	4	4	4	4	----
All High End Worldwide	avg	4	4,628,897	6	*44	77.4	*12.7
	stdv	4	3,254,272	1	20	11.9	5.8
	N	5	5	2	5	5	4

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 2: INSTITUTIONAL CHARACTERISTICS

CRITERIA			AGE	TOTAL ASSETS	BRANCH OFFICES	STAFF	CAPITAL / ASSETS	"MARKET" BASED FUNDING
			(years)	(US\$)	(No.)	(No.)	total capital / total assets (%)	all liabilities with "market" price / avg loan portfolio (%)
AGE	New (1 - 2 years)	avg	*2	1,332,487	4	*33	*81.0	19.0
		stdv	0	1,191,706	3	12	18.5	11.7
		N	8	13	12	12	13	3
	Young (3 - 6 years)	avg	*5	3,973,183	11	*84	64.1	53.2
		stdv	0	4,006,385	4	32	27.0	43.9
		N	7	11	8	11	11	7
	Consolidated (> 7 years)	avg	*11	7,278,985	31	201	*47.1	35.6
		stdv	2	8,030,040	95	612	19.7	31.6
		N	32	32	27	32	32	26
SIZE	Large (Portfolio > \$8m)	avg	11	27,263,525	234	1,835	*37.6	67.9
		stdv	4	18,812,389	429	3,787	19.9	38.8
		N	12	13	12	13	13	13
	Medium (Portfolio \$1m - \$8m)	avg	8	3,299,603	8	*68	59.8	23.8
		stdv	3	1,234,408	4	31	23.9	22.9
		N	23	23	20	23	23	18
	Small (Portfolio < \$1m)	avg	*6	813,375	4	*33	*71.0	15.2
		stdv	3	290,625	2	13	22.8	21.0
		N	14	18	16	18	18	2
TARGET GROUP	Low End (Avg Loan Balance < \$150 OR Loan as % of GNP per capita < 20%)	avg	7	1,751,515	6	*52	64.9	27.5
		stdv	3	1,352,938	4	32	25.2	19.9
		N	29	29	24	29	29	11
	Broad (Loan as % of GNP per capita 20 - 85%)	avg	8	11,231,525	15	115	*43.7	49.3
		stdv	3	11,886,957	11	64	21.6	40.2
		N	21	22	21	22	22	21
	High End (Loan as % of GNP per capita > 120%)	avg	4	4,628,897	6	44	*77.4	12.7
		stdv	4	3,254,272	1	20	11.9	5.8
		N	5	5	2	5	5	4
METHOD- OLOGY	Individual	avg	8	10,235,652	46	295	48.2	47.4
		stdv	4	11,985,318	144	986	23.6	39.9
		N	24	24	20	24	24	22
	Solidarity Groups (groups of 3-5 borrowers)	avg	7	4,931,864	11	*80	51.3	36.0
		stdv	3	4,389,104	9	42	25.3	22.9
		N	15	15	14	15	15	11
	Village Banks (groups of > 5 borrowers)	avg	7	1,233,317	4	*44	*75.2	*5.2
		stdv	3	622,127	3	25	18.2	6.9
		N	16	16	12	16	16	2
REGION	Latin America and Caribbean	avg	8	4,444,097	8	*74	50.1	31.5
		stdv	3	3,682,930	5	42	21.8	29.8
		N	31	31	27	31	31	26
	Sub-Saharan Africa	avg	*5	2,580,741	9	*66	69.7	151.3
		stdv	3	3,081,237	8	30	26.8	179.3
		N	8	8	6	8	8	3
	N. Africa, Middle East and Eastern Europe	avg	*3	5,777,578	5	*41	*91.7	----
		stdv	1	7,724,015	4	28	17.6	----
		N	6	6	6	6	6	----
	Asia (South and Southeast)	avg	*13	12,216,525	289	2,021	53.8	43.4
		stdv	3	19,250,080	489	4,128	27.4	34.6
		N	10	11	9	11	11	7

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 3: OUTREACH INDICATORS

PEER GROUP		PERCENT WOMEN LOAN CLIENTS (%)	AVG LOAN BALANCE (US\$)	AVG LOAN BALANCE / GNP PER CAPITA (%)	NO. ACTIVE LOAN CLIENTS (No.)	TOTAL LOAN PORTFOLIO OUTSTANDING (US\$)
ALL MFIs	av	64.6	415	34.3	9,035	3,144,970
	stdv	18.9	355	24.8	8,463	3,238,194
	N	45	56	56	56	56
Fully Sustainable MFIs	avg	60.5	428	39.3	12,926	5,963,745
	stdv	16.8	212	24.1	13,829	5,442,277
	N	25	26	26	26	26
Large Broadly Based Latin American	avg	60.6	636	55.7	20,450	12,695,578
	stdv	8.3	186	17.1	6,058	5,812,847
	N	5	6	6	6	6
Medium Broadly Based Latin American	avg	66.1	414	*33.4	6,699	2,523,429
	stdv	6.3	101	13.1	1,106	615,945
	N	8	7	7	7	7
Medium Low End Latin American	avg	64.9	340	*11.7	8,484	1,717,273
	stdv	25.1	290	4.9	5,281	518,913
	N	5	7	7	7	8
Small Low End Latin American	avg	84.8	*124	*7.0	2,785	476,437
	stdv	17.1	42	3.7	1,156	290,736
	N	4	5	5	5	5
All Large Asian	avg	45.0	290	27.2	1,303,862	597,146,451
	stdv	7.1	356	19.3	1,044,119	986,317,676
	N	2	3	3	3	3
Small/Medium Low End South Asian	avg	----	*84	*19.7	10,056	554,270
	stdv	----	42	8.0	7,638	209,661
	N	----	3	3	3	3
Small/Medium Low End African	avg	78.6	*120	36.6	6,606	597,392
	stdv	12.7	36	15.1	2,331	254,971
	N	5	5	5	5	6
Large/Medium Broadly Based Worldwide	avg	44.7	821	61.8	8,148	5,975,852
	stdv	17.9	333	24.7	4,142	2,824,586
	N	2	3	3	3	3
Small Low End Worldwide	avg	82.0	*120	*10.6	2,687	378,720
	stdv	9.9	45	3.3	984	101,619
	N	2	4	4	4	4
All High End Worldwide	avg	*34.0	*2,971	*358.7	1,891	3,648,081
	stdv	5.7	1,017	130.8	1,763	2,974,357
	N	2	5	5	5	5

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 4: OUTREACH INDICATORS

CRITERIA			PERCENT WOMEN LOAN CLIENTS (%)	AVG LOAN BALANCE (US\$)	AVG LOAN BALANCE / GNP PER CAPITA (%)	NO. ACTIVE LOAN CLIENTS (No.)	TOTAL LOAN PORTFOLIO OUTSTANDING (US\$)
AGE	New (1 - 2 years)	avg	59.7	1,012	97.0	2,534	908,886
		stdv	22.4	1,290	136.4	1,738	1,000,877
		N	6	13	13	13	13
	Young (3 - 6 years)	avg	70.7	301	44.1	9,921	2,367,449
		stdv	18.9	194	27.2	5,652	2,530,881
		N	10	9	9	9	11
	Consolidated (> 7 years)	avg	63.4	*374	*27.1	16,557	5,285,492
		stdv	16.7	241	16.3	26,131	5,459,134
		N	27	32	32	32	32
SIZE	Large (Portfolio > \$8m)	avg	*51.5	676	54.6	141,086	17,867,150
		stdv	12.2	427	24.7	268,093	11,638,569
		N	10	13	13	13	13
	Medium (Portfolio \$1m - \$8m)	avg	60.7	533	37.6	6,789	2,343,752
		stdv	17.2	412	29.1	3,451	878,263
		N	21	24	24	24	23
	Small (Portfolio < \$1m)	avg	*81.0	*115	*17.3	3,598	428,254
		stdv	14.4	45	11.8	2,015	148,391
		N	11	17	17	17	18
TARGET GROUP	Low End (Avg Loan Balance < \$150 OR Loan as % of GNP per capita < 20%)	avg	74.4	*133	*13.4	7,953	1,209,127
		stdv	19.6	89	6.4	6,900	1,254,758
		N	19	27	27	27	29
	Broad (Loan as % of GNP per capita 20 - 85%)	avg	60.1	564	47.9	12,282	6,465,148
		stdv	12.6	239	18.1	10,168	5,648,210
		N	19	22	22	22	22
High End (Loan as % of GNP per capita > 120%)	avg	*34.0	*2,971	*358.7	1,891	3,648,081	
	stdv	5.7	1,017	130.8	1,763	2,974,357	
	N	2	5	5	5	5	
METHOD- OLOGY	Individual	avg	*53.3	842	76.2	15,226	6,634,829
		stdv	14.0	725	78.7	29,440	6,252,577
		N	17	24	24	24	24
	Solidarity Groups (groups of 3-5 borrowers)	avg	58.6	451	35.0	7,252	2,976,027
		stdv	12.4	234	20.0	6,167	2,277,875
		N	15	15	15	15	15
Village Banks (groups of > 5 borrowers)	avg	*92.3	*94	*11.4	7,833	712,676	
	stdv	6.8	30	6.8	5,110	422,182	
	N	9	15	15	15	16	
REGION	Latin America and Caribbean	avg	66.3	435	*30.8	8,193	3,315,789
		stdv	16.2	237	23.0	5,299	2,872,192
		N	26	30	30	30	31
	Sub-Saharan Africa	avg	70.5	*139	41.1	7,175	1,751,465
		stdv	22.9	45	15.3	2,783	2,843,419
		N	6	7	7	7	8
	N. Africa, Middle East and Eastern Europe	avg	43.1	1,431	116.8	2,170	1,887,480
		stdv	12.9	1,300	163.0	1,913	1,999,726
N		3	6	6	6	6	
Asia (South and Southeast)	avg	63.8	*197	*24.0	151,529	8,097,652	
	stdv	25.2	219	15.0	293,458	11,360,254	
	N	9	11	11	11	11	

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 5: MACROECONOMIC INDICATORS

PEER GROUP		GNP PER CAPITA (US\$)	GDP GROWTH RATE, ANNUAL AVG 1990-96 (%)	INFLATION RATE (%)	DEPOSIT RATE (%)	FINANCIAL DEEPENING (M3 / GDP) (%)
ALL MFIs	avg	1,244	4.2	11.9	16.2	43.1
	stdv	703	1.1	5.0	4.5	15.3
	N	55	47	56	50	50
Fully Sustainable MFIs	avg	1,094	4.1	11.4	16.1	38.8
	stdv	426	1.0	4.3	3.8	7.3
	N	21	23	26	22	24
Large Broadly Based Latin American	avg	1,813	5.0	12.5	17.6	36.6
	stdv	287	0.7	1.6	2.5	8.8
	N	3	3	6	6	3
Medium Broadly Based Latin American	avg	1,608	4.0	15.1	23.2	39.5
	stdv	213	0.7	4.8	9.2	8.2
	N	5	5	7	8	5
Medium Low End Latin American	avg	2,803	4.6	11.8	16.2	34.5
	stdv	1,525	1.0	6.8	4.6	8.2
	N	8	7	8	8	8
Small Low End Latin American	avg	2,680	4.0	17.7	18.5	37.6
	stdv	963	1.7	8.9	5.7	2.7
	N	5	4	5	5	5
All Large Asian	avg	*947	*7.7	*6.9	13.1	----
	stdv	115	0.0	1.5	2.4	----
	N	3	3	2	3	----
Small/Medium Low End South Asian	avg	*380	----	----	----	----
	stdv	0	----	----	----	----
	N	3	----	----	----	----
Small/Medium Low End African	avg	*383	2.3	11.1	12.9	*18.0
	stdv	164	2.0	7.9	4.5	6.1
	N	6	5	6	6	6
Large/Medium Broadly Based Worldwide	avg	1,256	----	11.3	12.5	----
	stdv	576	----	3.2	2.8	----
	N	3	----	3	2	----
Small Low End Worldwide	avg	1,485	5.4	9.8	*12.0	*69.7
	stdv	397	3.1	5.3	3.1	19.0
	N	4	2	3	3	3
All High End Worldwide	avg	*748	3.4	14.3	20.2	38.3
	stdv	126	1.2	5.1	1.5	9.4
	N	5	4	5	2	4

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 6: MACROECONOMIC INDICATORS

CRITERIA			GNP PER CAPITA (US\$)	GDP GROWTH RATE, ANNUAL AVG 1990-96 (%)	INFLATION RATE (%)	DEPOSIT RATE (%)	FINANCIAL DEEPPENING (M3 / GDP) (%)
AGE	New (1 - 2 years)	avg	*938	4.0	14.7	16.1	36.3
		stdv	589	1.0	7.5	5.0	11.0
		N	12	10	13	10	11
	Young (3 - 6 years)	avg	*896	3.0	*10.5	*14.3	34.9
		stdv	421	0.9	2.4	2.3	13.0
		N	8	9	11	9	10
	Consolidated (> 7 years)	avg	1,499	4.7	11.9	16.4	39.9
		stdv	659	1.2	5.3	4.6	6.6
		N	29	29	31	26	28
SIZE	Large (Portfolio > \$8m)	avg	1,061	4.4	*10.3	*13.9	41.6
		stdv	457	0.8	3.1	1.5	8.8
		N	13	11	13	7	11
	Medium (Portfolio \$1m - \$8m)	avg	1,574	4.2	13.3	16.8	36.8
		stdv	716	0.7	5.0	4.3	6.0
		N	22	18	23	19	21
	Small (Portfolio < \$1m)	avg	1,156	3.9	12.8	14.3	37.6
		stdv	873	1.6	7.6	4.5	11.3
		N	17	15	17	17	16
TARGET GROUP	Low End (Avg Loan Balance < \$150 OR Loan as % of GNP per capita < 20%)	avg	1,470	4.9	*10.3	*13.8	36.1
		stdv	1,061	1.5	5.3	3.4	10.2
		N	28	26	29	27	26
	Broad (Loan as % of GNP per capita 20 - 85%)	avg	1,434	4.0	13.5	19.0	41.6
		stdv	535	0.6	4.3	6.2	5.7
		N	20	15	22	20	18
	High End (Loan as % of GNP per capita > 120%)	avg	748	3.4	14.3	20.2	38.3
		stdv	126	1.2	5.1	1.5	9.4
		N	5	4	5	2	4
METHOD- OLOGY	Individual	avg	1,260	4.4	12.9	18.3	41.5
		stdv	655	1.3	5.3	6.0	7.5
		N	23	21	24	20	20
	Solidarity Groups (groups of 3-5 borrowers)	avg	1,463	4.1	10.2	14.9	37.0
		stdv	841	0.9	3.2	2.7	9.2
		N	15	10	15	14	12
	Village Banks (groups of > 5 borrowers)	avg	1,275	4.4	12.3	13.7	34.9
		stdv	796	1.3	6.8	5.6	7.5
		N	15	13	16	15	14
REGION	Latin America and Caribbean	avg	1,790	4.2	13.7	18.0	36.4
		stdv	852	0.7	5.1	4.7	5.4
		N	31	24	31	29	27
	Sub-Saharan Africa	avg	*405	2.5	10.7	12.9	*19.2
		stdv	154	1.9	7.2	4.5	5.7
		N	8	7	8	6	8
	N. Africa, Middle East and Eastern Europe	avg	1,440	4.4	12.7	15.8	75.3
		stdv	561	2.1	4.9	3.6	20.3
		N	5	4	6	5	3
Asia (South and Southeast)	avg	*657	*5.2	*8.5	*11.2	*50.0	
	stdv	291	0.7	1.4	0.9	1.4	
	N	10	7	10	7	5	

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 7: OVERALL FINANCIAL PERFORMANCE

PEER GROUP		UNADJ.	ADJ.	ADJ.	OPERATIONAL	FINANCIAL
		RETURN ON ASSETS	RETURN ON ASSETS	RETURN ON EQUITY	SELF- SUFFICIENCY	SELF- SUFFICIENCY
		net operating income / avg total assets (%)	adj net operating income / avg total assets (%)	adj net operating income / avg equity (%)	operating income / operating expense (%)	adj operating income / operating expense (%)
ALL MFIs	avg	0.4	-5.9	-8.5	105.1	83.0
	stdv	7.9	8.9	17.2	28.4	23.0
	N	56	56	56	56	56
Fully Sustainable MFIs	avg	8.5	3.7	9.3	139.3	112.5
	stdv	4.6	3.9	9.9	26.1	12.5
	N	26	26	26	26	26
Large Broadly Based Latin American	avg	*7.0	*4.2	12.4	135.1	*116.0
	stdv	6.0	4.2	10.4	37.5	18.5
	N	6	6	6	6	6
Medium Broadly Based Latin American	avg	*12.7	*6.3	13.5	*145.7	*115.1
	stdv	4.1	3.4	6.5	14.5	10.5
	N	7	7	7	7	7
Medium Low End Latin American	avg	-0.3	-8.3	-18.3	99.1	82.8
	stdv	5.3	4.6	15.7	10.9	11.3
	N	8	8	8	8	8
Small Low End Latin American	avg	-2.8	-16.7	-34.4	95.9	72.7
	stdv	8.6	10.0	34.9	16.7	12.4
	N	35	5	5	5	5
All Large Asian	avg	*5.1	*2.9	12.6	129.5	*117.9
	stdv	4.0	2.7	18.2	17.9	10.5
	N	3	3	3	3	3
Small/Medium Low End South Asian	avg	-12.7	-20.6	-10.5	63.5	*35.5
	stdv	17.0	17.3	2.5	45.4	12.0
	N	3	3	3	3	3
Small/Medium Low End African	avg	*-16.0	-23.1	-29.9	*61.5	*54.3
	stdv	12.0	17.2	16.7	15.3	14.7
	N	6	6	6	6	6
Large/Medium Broadly Based Worldwide	avg	-2.9	-4.4	-9.6	96.5	71.9
	stdv	3.2	1.5	6.6	20.5	13.1
	N	3	3	3	3	3
Small Low End Worldwide	avg	-7.4	-15.2	-16.3	76.5	62.3
	stdv	7.1	9.0	8.8	25.4	25.8
	N	4	4	4	4	4
All High End Worldwide	avg	3.5	-5.6	-6.2	120.5	75.7
	stdv	5.0	5.4	5.9	29.3	21.2
	N	5	5	5	5	5

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 8: OVERALL FINANCIAL PERFORMANCE

CRITERIA			UNADJ.	ADJ.	ADJ.	OPERATIONAL	FINANCIAL
			RETURN ON ASSETS	RETURN ON ASSETS	RETURN ON EQUITY	SELF-SUFFICIENCY	SELF-SUFFICIENCY
			net operating income / avg total assets (%)	adj net operating income / avg total assets (%)	adj net operating income / avg equity (%)	operating income / operating expense (%)	adj operating income / operating expense (%)
AGE	New (1 - 2 years)	avg	*-9.1	*-18.4	-21.2	*79.1	*56.0
		stdv	9.9	12.3	14.5	25.4	15.5
		N	13	13	13	13	13
	Young (3 - 6 years)	avg	0.5	-6.0	-6.8	98.3	84.2
		stdv	5.5	6.7	9.3	20.6	16.5
		N	11	11	11	11	11
	Consolidated (> 7 years)	avg	*4.3	*-1.1	-2.4	*123.3	*98.0
		stdv	7.0	7.8	20.6	34.5	25.0
		N	32	32	32	32	32
SIZE	Large (Portfolio > \$8m)	avg	*5.3	*-2.6	5.5	*133.7	*110.9
		stdv	4.5	3.9	19.2	34.2	21.8
		N	13	13	13	13	13
	Medium (Portfolio \$1m - \$8m)	avg	*3.5	-3.6	-4.7	114.0	88.8
		stdv	6.6	6.4	11.5	22.7	17.8
		N	23	23	23	23	23
	Small (Portfolio < \$1m)	avg	*-8.1	*-17.5	-21.3	*78.5	*59.8
		stdv	10.1	11.9	14.1	25.2	18.6
		N	18	18	18	18	18
TARGET GROUP	Low End (Avg Loan Bal. < \$150 OR Loan as % of GNP per capita < 20%)	avg	-4.9	-12.4	-16.2	*88.0	*71.7
		stdv	10.7	11.6	15.4	26.9	23.5
		N	29	29	29	29	29
	Broad (Loan as % of GNP per capita 20 - 85%)	avg	*5.1	*0.5	1.2	121.6	*99.8
		stdv	7.1	7.3	19.2	29.2	21.9
		N	22	22	22	22	22
	High End (Loan as % of GNP per capita > 120%)	avg	3.5	-5.6	-6.2	120.5	75.7
		stdv	5.0	5.4	5.9	29.3	21.2
		N	5	5	5	5	5
METHOD- OLOGY	Individual	avg	*3.5	-2.1	-5.0	120.1	91.8
		stdv	5.9	7.0	18.7	35.5	24.9
		N	24	24	24	24	24
	Solidarity Groups (groups of 3-5 borrowers)	avg	-0.3	-5.0	-3.0	103.2	89.2
		stdv	14.3	14.9	31.1	36.6	32.2
		N	15	15	15	15	15
	Village Banks (groups of > 5 borrowers)	avg	-3.6	-12.4	-17.4	*90.5	*69.0
		stdv	6.7	7.9	10.1	22.7	16.6
		N	16	16	16	16	16
REGION	Latin America and Caribbean	avg	*5.3	*-2.3	-2.8	120.2	*95.9
		stdv	6.9	8.6	17.5	27.5	20.6
		N	31	31	31	31	31
	Sub-Saharan Africa	avg	-12.0	-18.1	-28.5	*69.1	*61.3
		stdv	12.7	17.2	18.1	21.2	20.0
		N	8	8	8	8	8
	N. Africa, Middle East and Eastern Europe	avg	-6.0	-14.4	-17.6	78.7	*48.0
		stdv	5.7	5.9	9.3	31.8	15.9
		N	6	6	6	6	6
	Asia (South and Southeast)	avg	-0.2	-4.2	-2.0	104.2	83.4
		stdv	5.0	6.6	14.3	25.7	26.1
		N	11	11	11	11	11

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 9: OPERATING INCOME

PEER GROUP		ASSET UTILIZATION	PROFIT MARGIN	NET INTEREST MARGIN	PORTFOLIO YIELD	REAL INTEREST YIELD
		operating income/ avg total assets	adj net operating income / operating income	adj. net interest margin / avg total assets	total interest income from portfolio / avg loan portfolio	portfolio yield - inflation rate
		(%)	(%)	(%)	(%)	(%)
ALL MFIs	avg	29.0	-30.0	17.4	39.1	26.6
	stdv	12.3	42.6	9.1	15.5	13.8
	N	56	56	56	56	56
Fully Sustainable MFIs	avg	37.6	10.1	24.8	46.1	33.9
	stdv	11.5	10.4	8.1	15.3	13.3
	N	26	26	26	26	26
Large Broadly Based Latin American	avg	31.6	*12.2	22.0	38.3	25.9
	stdv	6.1	12.8	6.0	6.0	8.4
	N	6	6	6	6	6
Medium Broadly Based Latin American	avg	*49.7	*14.6	*27.3	*60.3	44.5
	stdv	6.0	7.9	7.2	20.1	18.3
	N	7	7	7	7	7
Medium Low End Latin American	avg	34.9	*-23.2	22.8	42.9	31.2
	stdv	11.6	15.2	11.3	13.4	15.9
	N	8	8	8	8	8
Small Low End Latin American	avg	*41.0	-41.8	*25.5	*67.8	*49.3
	stdv	7.6	25.8	4.0	17.1	9.9
	N	5	5	5	5	5
All Large Asian	avg	*21.7	*12.6	*12.4	*28.2	*21.0
	stdv	2.8	11.6	1.7	3.7	1.5
	N	3	3	3	3	3
Small/Medium Low End South Asian	avg	*8.9	-206.5	*1.3	*10.2	*2.4
	stdv	1.3	110.9	0.2	1.0	1.0
	N	3	3	3	3	3
Small/Medium Low End African	avg	27.1	-100.2	15.6	40.6	25.1
	stdv	11.8	74.9	8.0	16.0	12.0
	N	6	6	6	6	6
Large/Medium Broadly Based Worldwide	avg	*10.2	-41.4	*3.5	*27.1	*14.3
	stdv	2.4	23.2	0.8	2.6	6.7
	N	3	3	3	3	3
Small Low End Worldwide	avg	23.7	-86.8	15.9	35.7	27.6
	stdev	10.0	89.8	10.9	5.5	9.5
	N	4	4	4	4	4
All High End Worldwide	avg	*16.5	-37.0	*8.9	*20.7	*9.0
	stdv	1.8	32.8	5.6	3.0	8.2
	N	5	5	5	5	5

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 10: OPERATING INCOME

CRITERIA		ASSET UTILIZATION		PROFIT MARGIN		NET INTEREST MARGIN		PORTFOLIO YIELD		REAL INTEREST YIELD	
		operating income/ avg total assets		adj net operating income / operating income		adj. net interest margin / avg total assets		total interest income from portfolio / avg loan portfolio		portfolio yield - inflation rate	
			(%)		(%)		(%)		(%)		(%)
AGE	New (1 - 2 years)	avg	22.1		-95.7		*10.8		36.1		22.4
		stdv	13.0		76.2		8.7		18.6		16.1
		N	13		13		13		13		13
	Young (3 - 6 years)	avg	28.9		*-23.0		20.1		37.6		26.4
		stdv	9.8		24.4		8.5		11.4		12.0
		N	11		11		11		11		11
	Consolidated (> 7 years)	avg	32.0		*-10.1		19.3		40.9		28.4
		stdv	12.1		33.6		8.7		16.8		13.8
		N	32		32		32		32		32
SIZE	Large (Portfolio > \$8m)	avg	*23.7		*5.7		*14.2		*31.6		*21.4
		stdv	6.5		21.9		6.1		6.8		6.7
		N	13		13		13		13		13
	Medium (Portfolio \$1m - \$8m)	avg	34.7		*-16.9		20.9		41.3		27.6
		stdv	13.1		26.1		9.1		15.1		14.0
		N	23		23		23		23		23
	Small (Portfolio < \$1m)	avg	25.9		-87.5		15.5		42.5		29.7
		stdv	12.4		74.4		10.1		20.4		16.6
		N	18		18		18		18		18
TARGET GROUP	Low End (Avg Loan Balance < \$150 OR Loan as % of GNP per capita < 20%)	avg	28.3		-62.6		18.2		41.3		30.4
		stdv	12.6		77.1		10.4		18.8		15.9
		N	29		29		29		29		29
	Broad (Loan as % of GNP per capita 20 - 85%)	avg	33.5		*-5.4		18.9		41.4		26.9
		stdv	12.4		29.6		8.4		14.4		12.1
		N	22		22		22		22		22
	High End (Loan as % of GNP per capita > 120%)	avg	*16.5		-37.0		*8.9		*20.7		* 9.0
		stdv	6.2		32.8		5.6		3.0		8.2
		N	8		5		5		5		5
METHOD- OLOGY	Individual	avg	27.1		*-16.9		15.0		34.6		*21.6
		stdv	10.5		34.8		7.3		11.4		10.4
		N	24		24		24		24		24
	Solidarity Groups (groups of 3-5 borrowers)	avg	34.5		-41.8		24.2		40.8		30.4
		stdv	16.8		97.0		14.3		15.8		16.7
		N	15		15		15		15		15
	Village Banks (groups of > 5 borrowers)	avg	29.1		-56.0		18.1		45.3		32.6
		stdv	14.9		50.6		11.5		22.9		18.5
		N	16		16		16		16		16
REGION	Latin America and Caribbean	avg	*39.0		*-8.7		*24.9		*50.7		*35.9
		stdv	10.9		25.3		8.3		18.4		14.2
		N	31		31		31		31		31
	Sub-Saharan Africa	avg	23.6		-82.2		14.2		36.0		22.2
		stdv	12.2		72.6		8.1		16.1		11.5
		N	8		8		8		8		8
	N. Africa, Middle East and Eastern Europe	avg	11.7		-134.5		*3.7		*24.2		*9.4
		stdv	3.1		94.7		3.5		5.2		10.1
		N	6		6		6		6		6
	Asia (South and Southeast)	avg	*18.5		-36.4		*9.7		*23.7		*16.0
		stdv	7.1		59.3		6.4		10.0		10.3
		N	11		11		11		11		11

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 11: OPERATING EXPENSE AS PERCENTAGE OF TOTAL ASSETS

PEER GROUP		OPERATING EXPENSE	INTEREST EXPENSE	ADJUSTMENT EXPENSE	LOAN LOSS PROVISION EXPENSE	SALARY EXPENSE	OTHER ADMIN. EXPENSE
		adj. operating exp / avg total assets (%)	interest exp / avg total assets (%)	adjustment exp / avg total assets (%)	provision exp / avg total assets (%)	staff exp / avg total assets (%)	other admin. exp / avg total assets (%)
ALL MFIs	avg	37.4	3.5	6.3	1.9	13.1	8.9
	stdv	13.4	2.7	3.4	1.6	6.6	4.6
	N	56	50	56	56	56	56
Fully Sustainable MFIs	avg	33.9	4.7	5.1	1.6	11.6	7.6
	stdv	10.7	2.7	2.9	1.0	4.9	2.8
	N	26	26	26	26	26	26
Large Broadly Based Latin American	avg	31.7	*7.0	*2.1	2.4	*10.9	8.1
	stdv	8.8	2.2	1.8	1.9	1.8	3.0
	N	6	6	6	6	6	6
Medium Broadly Based Latin American	avg	*45.8	5.4	9.0	1.7	12.9	9.2
	stdv	5.4	2.4	4.3	0.7	5.3	2.1
	N	7	7	7	7	7	7
Medium Low End Latin American	avg	45.6	3.8	7.6	3.5	18.5	10.4
	stdv	11.7	3.6	3.2	1.8	6.6	4.7
	N	8	8	8	8	8	8
Small Low End Latin American	avg	*55.9	*0.6	*11.0	*0.8	*23.5	13.0
	stdv	11.6	0.6	3.7	0.9	4.5	3.7
	N	5	4	5	5	5	5
All Large Asian	avg	*18.4	7.3	*1.0	*0.5	*4.6	*2.4
	stdv	1.6	3.2	0.6	0.5	1.8	0.2
	N	3	3	3	3	3	3
Small/Medium Low End South Asian	avg	28.9	----	6.9	3.2	*3.4	*4.2
	stdv	18.9	----	1.6	4.0	0.5	1.5
	N	3	----	3	3	3	3
Small/Medium Low End African	avg	56.7	*1.5	6.1	3.0	21.7	19.6
	stdv	21.6	1.3	3.1	3.2	7.5	9.3
	N	6	6	6	5	6	6
Large/Medium Broadly Based Worldwide	avg	*17.3	3.9	*2.7	*0.5	*4.9	*3.6
	stdv	5.7	0.8	1.1	0.1	2.7	1.3
	N	3	3	3	3	3	3
Small Low End Worldwide	avg	40.9	----	5.0	1.7	16.5	15.3
	stdv	10.1	----	3.0	1.0	5.3	7.5
	N	4	----	4	3	4	4
All High End Worldwide	avg	*24.0	*1.2	8.6	1.9	*5.6	*5.2
	stdv	3.1	0.9	3.9	1.4	1.8	0.8
	N	5	5	5	5	5	5

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 12: OPERATING EXPENSE AS PERCENTAGE OF TOTAL ASSETS

CRITERIA			OPERATING	INTEREST	ADJUSTMENT	LOAN LOSS	SALARY	OTHER
			EXPENSE	EXPENSE	EXPENSE	PROVISION	EXPENSE	ADMIN.
			adj. operating	interest exp	adjustment exp	provision exp	staff exp	other admin.
			exp / avg total	/ avg total	/ avg total	/ avg total	/ avg total	exp / avg total
			assets	assets	assets	assets	assets	assets
			(%)	(%)	(%)	(%)	(%)	(%)
AGE	New (1 - 2 years)	avg	45.1	2.6	8.1	1.6	16.5	14.3
		stdv	21.0	2.0	3.9	2.4	9.2	8.9
		N	13	8	13	11	13	13
	Young (3 - 6 years)	avg	37.7	*1.9	5.9	*1.4	16.6	10.4
		stdv	11.4	2.4	2.4	1.0	6.1	5.1
		N	11	11	11	10	11	11
	Consolidated (> 7 years)	avg	35.3	4.4	5.8	2.5	*11.0	*7.3
		stdv	13.0	3.0	3.6	1.8	5.6	3.2
		N	32	3.1	32	32	32	32
SIZE	Large (Portfolio > \$8m)	avg	*22.1	5.7	*2.2	*1.2	*7.2	*4.8
		stdv	6.7	3.1	1.9	1.1	3.3	2.6
		N	13	13	13	13	13	13
	Medium (Portfolio \$1m - \$8m)	avg	40.1	3.8	7.4	2.5	13.6	8.6
		stdv	11.6	2.8	2.7	1.6	6.1	3.0
		N	23	23	23	23	23	23
	Small (Portfolio < \$1m)	avg	45.8	*1.2	7.9	1.8	17.3	13.5
		stdv	14.2	1.0	3.4	1.9	7.3	6.9
		N	18	11	18	15	18	18
TARGET GROUP	Low End (Avg Loan Balance < \$150 OR Loan as % of GNP per capita < 20%)	avg	43.1	*2.2	6.7	2.1	17.3	11.5
		stdv	14.5	2.0	2.8	1.8	7.3	6.2
		N	29	22	29	26	29	29
	Broad (Loan as % of GNP per capita 20 - 85%)	avg	34.5	*6.0	5.4	1.9	10.4	7.6
		stdv	12.2	3.1	4.7	1.5	4.5	3.1
		N	22	22	22	22	22	22
	High End (Loan as % of GNP per capita > 120%)	avg	*24.0	*1.2	8.6	1.9	*5.6	*5.2
		stdv	3.1	0.9	3.9	1.4	1.8	0.8
		N	5	5	5	5	5	5
METHOD- OLOGY	Individual	avg	*29.7	4.8	6.1	2.4	*8.3	*6.5
		stdv	10.3	2.7	5.0	1.9	4.1	2.7
		N	24	23	24	24	24	24
	Solidarity Groups (groups of 3-5 borrowers)	avg	41.0	3.7	5.5	2.4	16.5	10.8
		stdv	14.7	3.2	2.7	2.2	7.3	5.4
		N	15	15	15	14	15	15
	Village Banks (groups of > 5 borrowers)	avg	45.5	*1.4	7.7	*1.1	18.1	12.0
		stdv	13.0	1.5	2.5	0.8	7.0	6.0
		N	16	10	16	15	16	16
REGION	Latin America and Caribbean	avg	42.4	4.1	7.8	2.2	15.5	9.5
		stdv	11.1	3.2	4.2	1.6	6.1	3.2
		N	31	31	31	31	31	31
	Sub-Saharan Africa	avg	45.4	*1.6	4.9	2.4	17.1	15.8
		stdv	27.8	1.3	3.4	2.8	10.7	10.6
		N	8	8	8	7	8	8
	N. Africa, Middle East and Eastern Europe	avg	*27.3	*0.8	6.7	1.6	*8.4	*6.0
		stdv	7.7	1.9	4.3	1.5	4.9	3.3
		N	6	6	6	6	6	6
	Asia (South and Southeast)	avg	*24.4	3.7	*4.4	*1.3	*6.4	*5.0
		stdv	10.4	1.9	2.3	1.2	3.8	3.7
		N	11	9	11	10	11	11

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been included in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 13: PORTFOLIO MANAGEMENT

PEER GROUP		ADMIN. EXPENSE	SALARY EXPENSE	PORTFOLIO AT RISK	AVG LOAN BALANCE / GNP per capita	SALARY STRUCTURE	PHYSICAL PRODUCTIVITY OF STAFF
		total admin. exp / avg loan portfolio	staff exp / avg loan portfolio	outstanding balance overdue > 90 days / avg loan portfolio	avg loan balance / GNP per capita	avg staff salary / GNP per capita	active clients / number of staff
		(%)	(%)	(%)	(%)	(X)	(No.)
ALL MFIs	avg	36.6	21.1	3.3	34.3	4.6	108
	stdv	19.8	11.6	2.5	24.8	2.7	48
	N	56	56	37	56	56	56
Fully Sustainable MFIs	avg	27.0	15.9	2.6	39.3	5.4	108
	stdv	10.9	6.7	1.4	24.1	3.1	37
	N	26	26	17	26	26	26
Large Broadly Based Latin American	avg	*26.2	*15.3	*2.0	55.7	8.1	130
	stdv	8.6	4.7	1.1	17.1	3.2	34
	N	6	6	4	6	6	6
Medium Broadly Based Latin American	avg	32.2	17.9	3.6	*33.4	5.1	*96
	stdv	13.0	7.7	1.7	13.1	2.6	8
	N	7	7	5	7	7	7
Medium Low End Latin American	avg	42.2	26.3	3.2	*11.7	*3.6	160
	stdv	16.2	9.5	1.7	4.9	1.6	72
	N	8	8	6	7	8	7
Small Low End Latin American	avg	69.3	45.8	----	*7.0	*1.7	96
	stdv	26.6	18.4	----	3.7	0.3	34
	N	5	5	----	5	5	5
All Large Asian	avg	*12.4	*8.0	----	27.2	*1.9	111
	stdv	3.0	2.9	----	19.3	1.4	48
	N	3	3	----	3	3	3
Small/Medium Low End South Asian	avg	*12.0	*5.2	11.5	*19.7	*2.3	471
	stdv	5.9	2.2	13.9	8.0	0.4	406
	N	3	3	2	3	3	3
Small/Medium Low End African	avg	*68.7	*35.3	----	36.6	11.0	122
	stdv	23.0	7.7	----	15.1	8.0	37
	N	6	6	----	5	6	5
Large/Medium Broadly Based Worldwide	avg	*25.9	*13.1	----	61.8	4.7	*71
	stdv	3.2	4.9	----	24.7	0.9	8
	N	3	3	----	3	3	3
Small Low End Worldwide	avg	79.9	39.0	----	*10.6	*1.6	*72
	stdv	54.4	25.3	----	3.4	0.3	6
	N	4	4	----	4	4	4
All High End Worldwide	avg	*16.9	*9.2	*1.9	*358.7	6.9	*38
	stdv	7.9	5.5	1.6	130.9	1.9	21
	N	5	5	5	5	5	5

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

TABLE 14: PORTFOLIO MANAGEMENT

CRITERIA			ADMIN. EXPENSE	SALARY EXPENSE	PORTFOLIO AT RISK	AVG LOAN BALANCE / GNP per capita	SALARY STRUCTURE	PHYSICAL PRODUCTIVITY OF STAFF
			total admin exp / avg loan portfolio (%)	staff exp / avg loan portfolio (%)	outstanding balance overdue > 90 days / avg loan portfolio (%)	avg loan balance / GNP per capita (%)	avg staff salary / GNP per capita (X)	active clients / number of staff (No.)
AGE	New (1 - 2 years)	avg	65.6	34.0	*1.7	97.0	6.1	73
		stdv	39.4	18.5	1.8	136.4	5.7	25
		N	13	13	9	13	13	13
	Young (3 - 6 years)	avg	43.4	25.5	*2.2	44.1	7.2	123
		stdv	18.7	10.8	1.9	27.2	4.0	44
		N	11	11	6	9	11	9
	Consolidated (> 7 years)	avg	*27.2	*15.6	4.1	*27.1	*3.7	121
		stdv	12.1	7.6	2.3	16.3	1.9	63
		N	32	32	20	32	32	32
SIZE	Large (Portfolio > \$8m)	avg	*18.0	*10.3	*1.9	54.6	6.2	117
		stdv	7.5	4.1	1.3	24.7	3.3	37
		N	13	13	9	13	13	13
	Medium (Portfolio \$1m - \$8m)	avg	35.0	21.0	3.0	37.6	4.8	106
		stdv	13.3	8.7	1.6	29.1	1.7	55
		N	23	23	16	24	23	24
	Small (Portfolio < \$1m)	avg	*62.5	34.2	4.6	*17.3	*2.8	101
		stdv	32.4	18.6	3.4	11.8	2.3	39
		N	18	18	8	17	18	17
TARGET GROUP	Low End (Avg Loan Bal. < \$150 OR Loan as % of GNP per capita < 20%)	avg	49.8	29.5	3.8	*13.4	*3.3	125
		stdv	26.8	15.7	2.8	6.4	2.3	56
		N	29	29	15	27	29	27
	Broad (Loan as % of GNP per capita 20 - 85%)	avg	*29.4	*16.5	3.0	47.9	5.6	105
		stdv	12.2	7.8	2.3	18.1	2.8	37
		N	22	22	15	22	22	22
	High End (Loan as % of GNP per capita > 120%)	avg	*16.2	*9.2	1.9	*358.7	6.9	*38
		stdv	7.9	5.5	1.6	130.9	1.9	21
		N	5	5	5	5	5	85
METHOD OLOGY	Individual	avg	*23.7	*12.7	3.1	76.2	4.5	*85
		stdv	10.6	6.3	1.9	78.7	2.4	39
		N	24	24	18	24	24	24
	Solidarity Groups (groups of 3-5 borrowers)	avg	42.3	26.2	4.1	35.0	5.8	*92
		stdv	19.1	11.5	3.3	20.0	3.5	24
		N	15	15	8	15	15	15
	Village Banks (groups of > 5 borrowers)	avg	56.0	33.6	2.8	*11.4	*3.3	167
		stdv	27.8	17.6	2.0	6.8	2.2	80
		N	16	16	6	15	16	15
REGION	Latin America and Caribbean	avg	37.8	23.0	3.1	*30.8	5.2	114
		stdv	15.2	10.2	1.9	23.0	3.2	43
		N	31	31	21	30	31	30
	Sub-Saharan Africa	avg	58.9	28.6	*0.4	41.1	10.2	119
		stdv	26.6	14.0	0.3	15.3	6.9	39
		N	8	8	2	7	8	7
	N. Africa, Middle East and Eastern Europe	avg	47.3	25.5	3.1	116.8	*3.3	*57
		stdv	51.3	24.5	4.0	163.0	2.0	21
		N	6	6	5	6	6	6
	Asia (South and Southeast)	avg	*17.2	*9.6	6.6	*24.0	*2.5	142
		stdv	9.8	5.4	7.2	15.0	1.05	117
		N	11	11	7	11	11	11

Note: Standard deviations and sample sizes appear below the peer group averages. The top and bottom deciles for each indicator have been excluded in calculating the averages; for this reason group sample sizes vary across indicators. Group means which are significantly different from the mean of all MFIs at the 5% confidence level are marked with an asterisk (*).

APPENDIX I: NOTES TO STATISTICAL SECTION

Selection criteria for inclusion in reported peer groups

The microfinance industry embraces several thousand organizations offering microcredit and other financial services to poor clients. Almost all of these organizations are concerned with poverty alleviation, but relatively few of them are fundamentally committed to long-term financial sustainability and exponential growth. Most MFIs would *like* to be large and sustainable; but it is a much smaller group which understands the full price of such sustainability and is willing and able to pay it. MFIs without this profound commitment to sustainability may often be doing excellent work, but they do not represent the cutting edge of the microfinance industry. We have tried to focus our reported database on MFIs which display a strong orientation toward reaching micro-clients with financially sustainable services. Thus, we have targeted about 175 of the leading microfinance institutions around the world for participation in this effort. The seventy-two institutions which appear here generally are those which have responded to our request for information by filling out a detailed questionnaire and providing additional information.⁹ All participating MFIs will receive individualized feedback comparing their results with those of the peer groups.

Data Quality Issues

The MBB classifies the information we receive from participants according to the degree to which we have independent verification of its reliability. Triple-A-rated information is that which has been independently generated through a CAMEL-type evaluation by a reliable entity. Single-A-rated information is backed by accompanying documentation, such as audited financial statements, annual reports, and independent program evaluations, that provide a reasonable degree of confidence that we have the information required for our adjustments. B-rated information is from MFIs that have limited themselves to completing our questionnaire. These ratings signify confidence levels for information reliability, not for the financial performance of the MFIs. Data quality ratings for peer groups are averaged by assigning a value of 5 to AAA ratings, 3 to A ratings, and 1 to B ratings. Over time we hope to test the extent to which differences in these ratings correspond to differences in the actual validity of the information provided.

⁹ Note that in some cases we have relied on secondary source information. Sources for all institutions are detailed in Appendix II.

The following paragraphs detail the criteria used in constructing the Statistical Section; they have an important bearing on the reader's understanding and interpretation of the information presented. Given the nature and origin of the data presented, neither the Economics Institute, nor the Editorial Staff, nor the Advisory and Review Panel, nor CGAP can accept responsibility for the underlying validity of the results presented, or for consequences resulting from their use. We employ a system, described above, to make tentative distinctions as to the quality of data presented to us, and in this bulletin we have tried to include only that information for which a reasonable level of comfort exists. However, we can not exclude the possibility of a program misrepresenting its results.

The most delicate areas in terms of potential misrepresentation, deliberate or otherwise, are (1) unreported subsidies and (2) misrepresented loan portfolio quality. Also, there can be inaccuracies in reporting the costs of financial services in multipurpose institutions that provide non-financial services, in part because of difficulties in assigning overhead costs.¹⁰ These risks are highest for younger institutions, and for institutions with a past record of overoptimistic disclosure. If we have particular grounds for caution about the reliability of an MFIs disclosure, we will not include its information in the peer groups unless it has been externally validated by a third-party field visit. Over time, we hope to be able to compare self-reported data from more participating MFIs with data from independent field visits (such as CAMEL evaluations); this process will enrich our understanding of the reliability of self-reported data.

Adjustments to Financial Data

The MicroBanking Bulletin adjusts the financial performance data it receives in order to ensure comparable results. Upon receipt, a participating organization's financial statements are converted to the standard chart of accounts used by the MBB. This chart of accounts is simpler than that used by most MFIs, so the conversion consists mainly of consolidation into fewer, more general, accounts. Subsequently, we apply three adjustments, to produce a homogeneous treatment of the effect of inflation, subsidies, and loan loss provisioning and

¹⁰ In 1998, CGAP is publishing a manual by Brigit Helms on cost allocation for multi-service MFIs. It will be available both in hard copy and on CGAP's web site.

write-off. In the statistical tables the reader can compare adjusted and unadjusted results.

First, we adjust for the effect of inflation, beginning with multiplying the prior year-end equity balance by the current-year inflation rate¹¹, to find the decrease in real value of equity due to inflation. This is considered a cost of funds, which increases operating costs and decreases operating profits. Fixed asset accounts, on the other hand, are revalued upward by the current year's inflation rate, which results in inflation adjustment income, offsetting to some degree the expense generated by adjusting equity.¹² On the balance sheet, this inflation adjustment results in a reordering of equity accounts: profits are redistributed between real profit and the nominal profits required to maintain the real value of equity.

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

Some countries with high or volatile levels of inflation require businesses to use inflation based accounting on their audited financial statements. We use this same technique in the MBB. Of course, we understand that in countries where high or volatile inflation is a new experience, MFIs may find it difficult to pass on the full cost of this inflation to clients. We are not recommending policy here; rather, we are trying to provide a common analytical framework that compares real financial performance meaningfully.

¹¹ Inflation data taken from line 64x of the International Financial Statistics, International Monetary Fund, various years.

¹² In fact, an institution that holds fixed assets equal to its equity avoids the cost of inflation that affects MFIs who hold much of their equity in financial form.

Second, we adjust participating organizations' financial statements for the effect of subsidies, by taking these out of operating "profits" in order to show the program as it would look on an unsubsidized basis. Again, we do not intend to suggest whether MFIs should or should not be subsidized. Rather, this adjustment permits us to see how each MFI would look when it reaches a point where its portfolio is funded predominantly from commercial sources. Most of the participating MFIs indicate a desire to grow well beyond the limitations imposed by scarce subsidized funding. The subsidy adjustment employed here permits an MFI to judge whether it is on track toward such an outcome. A focus on sustainable expansion would suggest that one ought to make use of subsidies to enhance financial returns. The subsidy adjustment simply indicates whether the subsidy is being passed on to the client through lower interest rates or whether it is building the MFI's capital base for further expansion of its outreach.

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

The cost-of-funds adjustment reflects the impact of soft loans on the financial performance of the institution, is similar to the inflation adjustment. We calculate the difference between what the MFI actually paid in interest on its subsidized liabilities and the deposit rate for each country.¹³ This difference represents the value of the subsidy, which we treat as an additional financial expense, increasing costs, and decreasing profit. We apply this subsidy to those loans to the MFI that are priced at less than 75 percent of prevailing market rates.

¹³ Data for shadow interest rates taken from line 601 of the International Financial Statistics, IMF, various years. The deposit rate is used because it is an easy-to-determine, published benchmark in most countries. Sound arguments can be made for use of different shadow rates. NGOs that wish to borrow from banks would face interest significantly higher than the deposit rate. A licensed MFI, on the other hand, might mobilize savings at a lower financial cost than the deposit rate, but reserve requirements and administrative costs would drive up the actual cost of such liabilities. More precise details of these adjustments can be obtained by contacting the MBB.

The decreased profit is offset by generating an "accumulated subsidy adjustment" account on the balance sheet.

FINANCIAL STATEMENT ADJUSTMENTS AND THEIR EFFECTS

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

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

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

We classify as "at risk" any loan with a payment over 90 days late. We provision 50% of the outstanding balance for loans between 90 and 180 days late, and 100% for loans over 180 days late. Wherever we have adequate information, we adjust to assure that

all loans are fully written off within one year of their becoming delinquent.¹⁴ In most cases, these adjustments are not very precise. Nevertheless, most participating MFIs have high-quality loan portfolios, so loan loss provision expense is not an important contributor to their overall cost structure. If we felt that a program did not fairly represent its general level of delinquency, and we were unable to adjust it accordingly, we would simply exclude it from the peer group.

Statistical issues

In this edition of the MBB we report the means and standard deviations of the performance indicators for each peer group. At this stage, peer groups are still quite small, and the observations in each peer group show a significant level of variance. Some of the peer group averages are affected by outliers which distort the results. Consequently, the reader should

¹⁴ We apply these provisioning and write-off policies for ease of use and uniformity. We do not recommend that all MFIs use exactly the same policies.

be forewarned about some limits on the interpretive power of these data. Over time, we will be in a better position to generate deeper and more sophisticated types of analysis of the data at our disposal, and will have a higher degree of comfort with the statistical significance of the differences between the means of the distinct peer groups.

In order to ensure that the averages reported represent the group as accurately as possible, we have excluded some observations on each indicator. The averages are calculated on the basis of the values in between the 10th and the 90th percentiles for each group.¹⁵ In other words, for each indicator we rank the MFIs in the group and eliminate from the calculation values that fall in the top and bottom 10%. In most cases, this eliminates the institution with the highest and the lowest score on each indicator from the calculation. However, in other cases several MFIs are excluded from the calculation. For this reason, we have reported the sample size for each group and indicator on the tables. Where the sample size is reduced to N=1, we have not reported the result so as to maintain confidentiality. This method helps to prevent the effect of outliers from dominating group results, and minimizes the size of standard deviations.

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

¹⁵ Methodology inspired by that detailed in *A User's Guide for the Uniform Bank Performance Report*, Federal Financial Institutions Council, March 1995.

APPENDIX II. GLOSSARY AND MFI DESCRIPTION

ACRONYM	FULL NAME, LOCATION	DATE OF INFORMATION	DATA QUALITY RATING	DESCRIPTION OF MICROFINANCE PROGRAM
ABA	Alexandria Business Association Alexandria, Egypt	12/96	AAA	ABA provides credit to small and microenterprises, using an individual lending methodology. It is an NGO founded in 1988 and based primarily in urban areas. The credit program began in 1990. <i>Source:</i> MBB Questionnaire 1996 data, Audited Financial Statements 1994-96; T. Dichter, "Egypt: Alexandria Business Association - ABA", Case Studies in Microfinance, Sustainable Banking with the Poor, World Bank, 1997.
ACEP	Agence de Crédit pour l'Entreprise Privée Senegal	12/97	A	ACEP began as an NGO in a provincial town in 1987 and has expanded to operate in other urban areas in Senegal. It has converted to a credit union. <i>Source:</i> MBB Questionnaire 1997, partial Audited Financial Statements 1996, MFN network data.
ACODEP	Asociación de Consultores para el Desarrollo de la Pequeña, Mediana y Microempresa Nicaragua	12/97	A	Founded in 1989, ACODEP serves small and microenterprises primarily in Managua and other urban areas of Nicaragua. It is currently negotiating a voluntary supervision agreement with the Superintendent of Banks in Nicaragua. <i>Source:</i> MBB Questionnaire 1997, Audited Financial Statements 1995-97.
ACP	Acción Comunitaria del Perú Lima, Peru	12/96	B	ACP is an NGO offering microenterprise credit in Lima, Peru and is affiliated with ACCION International. Its credit program began in 1984 and it is currently being converted to a microfinance bank, MIBANCO. <i>Source:</i> MBB Questionnaire 1996, Annual Report 1995.
ACTUAR	Corporación Acción por el Tolima - ACTUAR Famiempresas Colombia	1996	A	ACTUAR Tolima was founded in 1986. It is an NGO offering loans to microenterprises in Tolima and surrounding areas, and is affiliated with Acción International and Cooperativa Emprender in Colombia. <i>Source:</i> MBB Questionnaire 1996, Audited Financial Statements 1994-96.
ADEMI	Asociación para el Desarrollo de Microempresas, Inc. Dominican Republic	12/96	AAA	ADEMI is an NGO involved in microcredit since 1982. It recently received approval to establish a formal financial institution, Banco ADEMI. Initially, the bank will handle the upper range of ADEMI's portfolio, incorporating the lower end microloans over time. <i>Source:</i> M. Benjamin and J. Ledgerwood, "The Association for the Development of Microenterprises (ADEMI): 'Democratizing Credit' in the Dominican Republic", Sustainable Banking with the Poor, The World Bank, January 1998; ADEMI Memoria Anual, various years; ADEMI Memoria Trimestral, various years.
ADOPEM	Asociación Dominicana para el Desarrollo de la Mujer Dominican Republic	12/96	B	ADOPEM, an affiliate of Women's World Banking, is an NGO dedicated to credit for women microentrepreneurs. It has been in operation since 1982. <i>Source:</i> MBB Questionnaire 1996.
AGAPE	Asociación General para Asesorar Pequeñas Empresas Colombia	12/97	A	Founded in 1975, AGAPE operates principally in Barranquilla, offering microcredit through a mixture of methodologies including village banking, solidarity groups and individual loans. It is an affiliate of Opportunity International. <i>Source:</i> MBB Questionnaire 1997, Audited Financial Statements 1997; Calvin Miller, "AGAPE Trust Bank Project Evaluation", May 1997.
Agrocap	Fundación Agrocapital Bolivia	12/96	A	Fundación Agrocapital focuses its services on agriculture and agro-industry, working mainly in rural and small urban areas of Bolivia. It is an NGO founded in 1992, and offers a mixture of microloans and longer term mortgage loans. <i>Source:</i> MBB Questionnaire 1996, Audited Financial Statements 1996, S. Eid, 1996, "Cálculo de la autosustentabilidad en instituciones dedicadas a las microfinanzas", USAID/Bolivia.
AKRSP	Aga Khan Rural Support Programme Pakistan	12/96	A	AKRSP is a multi-function NGO which works in the "Roof of the World" region of northern Pakistan. Its credit program began in 1983, offering credit through its network of village organizations. <i>Source:</i> MBB Questionnaire 1995-96, Audited Financial Statements 1995-96.
ASA	Association for Social Advancement Bangladesh	12/96	AAA	ASA is an NGO which offers credit services to the rural poor in Bangladesh. The majority of its clients are landless women. It was founded in 1978 and shifted from an earlier, integrated development strategy to its current focus on financial services in the early 1990s. It uses a village level group lending methodology. <i>Source:</i> MBB Questionnaire 1994-96, Audited Statements 1992-95, Provisional Financial Statements 1996; T. Berthold and J. Ledgerwood, "ASA Financial Services", Dhaka, ASA, July 1996.

ACRONYM	FULL NAME, LOCATION	DATE OF INFORMATION	DATA QUALITY RATING	DESCRIPTION OF MICROFINANCE PROGRAM
BAAC	Bank for Agriculture and Agricultural Cooperatives Thailand	12/96	AAA	BAAC is a government-owned agricultural bank which lends to small farmers and farmers' cooperatives. Founded in 1966, its outreach in rural areas of Thailand is now estimated to cover more than 80% of farm families. <i>Source:</i> Annual Reports 1995, 1996; J. Yaron, "Successful Rural Financial Institutions", World Bank Discussion Papers N° 150, 1992; J. Yaron, "BAAC: A Successful Agricultural Bank", draft 1996; Bank of Thailand, Economic Research Department, External Monetary Indicators.
BancoSol	Banco Solidario Bolivia	12/96	AAA	BancoSol is a licensed commercial bank devoted to microfinance, offering microenterprise credit and passbook savings. Its credit program focuses on group loans, and it operates in urban areas of Bolivia. It grew out of the earlier work of the NGO PRODEM and was spun off as a bank in 1992. It is an affiliate of ACCION International. <i>Source:</i> MBB Questionnaire 1996; Memoria anual 1996; Ratings Agency for Microlenders, Report, PSIC March 1998.
Banco PeqEmp	Banco de la Pequeña Empresa, S.A. Dominican Republic	12/97	A	Banco de la Pequeña Empresa was created to serve both microenterprises and small businesses, and has just completed its first year of operations. It is a formal financial sector institution, and holds a license to operate as a development bank. It is an affiliate of Acción International. <i>Source:</i> MBB Questionnaire 1997, Audited Financial Statements 1996-97.
BKDs	Badan Kredit Desa Indonesia	12/93	AAA	The BKD is a system of small banks in towns throughout Indonesia that emerged during the Dutch colonial period, beginning operations in 1940. The banks are under the supervision of BRI and offer individual loans and savings services. <i>Source:</i> Consolidated Financial Statements, BRI, 1989-93; R. Christen, E. Rhyne, R. Vogel and C. McKean, "Maximizing the Outreach of Microenterprise Finance: An Analysis of Successful Microfinance Programs", Washington: USAID, 1995.
BRI	Bank Rakyat Indonesia, Unit Desa System Indonesia	12/96	B	BRI is a government-owned bank oriented towards rural areas, which has operated since 1897. The Unit Desa system is an extensive network of small banking units, which function as profit centers and provides individual loans and savings services. The system has existed in its current form since 1984. <i>Source:</i> MBB Questionnaire 1996.
Calpiá	Financiera Calpiá, S.A. El Salvador	12/96	AAA	Financiera Calpiá began as an ONG, AMPES, and was converted into a finance company in 1995. It offers individual loans to microenterprises and small businesses, has started to mobilize savings, and operates mainly in urban areas, although it has 25% of its portfolio in rural areas. <i>Source:</i> MBB Questionnaire 1996; Memoria de Labores 1995, 1996, 1997; C. Gonzalez Vega et al. <i>Microfinanzas en El Salvador: Lecciones y Perspectivas, Vol. 1 & 2</i> , San Salvador: Fundación Ungo, 1996.
CAM	Centro de Apoyo a la Microempresa El Salvador	12/97	B	CAM is the largest affiliate of FINCA International. It uses the village banking methodology and was founded in 1990. <i>Source:</i> Network information from FINCA International.
CARE Guatemala	CARE Guatemala, Village Banking Program Guatemala	06/96	A	CARE's village banking program in Guatemala was modelled on the FINCA approach, and was founded in 1989. <i>Source:</i> MBB Questionnaire 1996; J. Paxton, "GUATEMALA: CARE Village Banks Project", Case Studies in Microfinance, Sustainable Banking with the Poor, The World Bank, October 1997.
CDS	Community Development Society India	12/97	B	CDS offers microcredit and non-financial services in the Nagpur region of India. It was founded in 1985 and is an affiliate of Opportunity International. <i>Source:</i> MBB Questionnaire 1997.
CHISPA	Fundación Chispa Nicaragua	1997	B	Founded in 1991, CHISPA works primarily in urban areas of Nicaragua. It is affiliated with the Mennonite Economic Development Association (MEDA). <i>Source:</i> MBB Questionnaire 1997.
CMM/Med	Corporación Mundial de la Mujer Medellín Medellín, Colombia	12/96	B	CMM Medellín is affiliated to the Women's World Banking network, and operates in Medellín and surrounding areas. It was founded in 1985 and lends to both men and women. <i>Source:</i> MBB Questionnaire 1996.

ACRONYM	FULL NAME, LOCATION	DATE OF INFORMATION	DATA QUALITY RATING	DESCRIPTION OF MICROFINANCE PROGRAM
COMPART	Asociación Programa Compartamos, I.A.P. Mexico	12/96	A	Compartamos is the lending arm of Gente Nueva, a Mexican NGO which was founded in 1985. The program uses a village banking methodology focusing on women, in rural and semi-urban areas of Mexico. It began lending in 1990. <i>Source:</i> MBB Questionnaire 1996 data, Audited Financial Statements 1996, 1997.
CONTIGO	Fundación CONTIGO Chile	12/96	A	CONTIGO began lending operations in 1989, and offers credit services to microentrepreneurs in communities in the south of Santiago de Chile. <i>Source:</i> MBB Questionnaire 1996; Memoria anual 1993, 1996; Consolidated Financial Statements 1996.
Emprender	Emprender Buenos Aires, Argentina	04/96	B	Emprender, founded in 1992, is an ACCION affiliate which offers microenterprise credit in urban areas of Argentina. The majority of its lending is to solidarity groups. <i>Source:</i> MBB Questionnaire 1995-96.
FAMA	Fundación de Apoyo a la Microempresa Nicaragua	12/96	A	FAMA operates mainly in urban areas of Nicaragua, providing microenterprise credit. It was founded in 1991 and is affiliated with ACCION. <i>Source:</i> MBB Questionnaire 1996, Audited Financial Statements 1992-96.
FECECAM	Fédération des caisses d'épargne et de crédit agricole mutuel Benin	1995	AAA	FECECAM is a credit union network offering loans and deposit services to farmers, traders and self-employed workers. The network was rehabilitated in 1987 and since then has achieved significant scale in rural areas of Benin. <i>Source:</i> C. Fruman, "Benin: FECECAM (Fédération des caisses d'épargne et de crédit agricole mutuel)", Case Studies in Microfinance, Sustainable Banking with the Poor, The World Bank, June 1997; C. Fruman, "La FECECAM-Benin: La réhabilitation réussie du réseau des caisses d'épargne et de crédit agricole mutuel", Sustainable Banking with the Poor, The World Bank, April 1997.
FED	Fundación Ecuatoriana de Desarrollo Ecuador	12/96	AAA	Founded over 30 years ago, FED has an extensive branch network throughout Ecuador. It is an affiliate of Acción Internacional. <i>Source:</i> MBB Questionnaire 1996; Audited Financial Statements 1994-96; Rating Agency for Microlenders Report, PSIC, June 1997.
FEFAD	Foundation for Enterprise Finance and Development Albania	12/97	A	Operating mainly in urban areas of Albania, FEFAD offers small business loans. It was founded in 1995 as an initiative of the Albanian and German governments. <i>Source:</i> MBB Questionnaire 1997, Audited Financial Statements 1997.
FIE	Centro de Fomento a Iniciativas Económicas Bolivia	12/96	A	Centro FIE is an NGO offering individual loans to microenterprises in urban areas of Bolivia. It began lending in 1988, and has recently received its license as a special finance company, regulated by the Bolivian Superintendent of Banks. <i>Source:</i> MBB Questionnaire 1996; "Centro de Fomento a Iniciativas Económicas: Programa de Crédito". Abril 1997; Memoria anual 1996.
Finamérica	Financiera América, S.A. Colombia	12/97	A	Finamerica is a regulated finance company operating in Bogotá and surrounding areas. Its predecessors were the NGO Actuar Bogotá, founded in 1988, and the financiera Finansol. It is an affiliate of Acción Internacional. <i>Source:</i> MBB Questionnaire 1997, Audited Financial Statements 1994-96.
FINCA CR	FINCA Costa Rica Costa Rica	12/95	A	FINCA Costa Rica, founded in 1984, is one of the earliest programs developed using the FINCA village banking methodology. It serves both men and women, and targets its loans to the rural population. It is no longer an affiliate of FINCA International. <i>Source:</i> C. González-Vega, et al., <i>Financing Rural Micro-enterprises: Finca Costa Rica</i> , 1996, Academia de Centroamérica, San José; J. Paxton, "Insights from a Unique Approach to village banking", Sustainable Banking with the Poor, The World Bank, February 1998.
FINCA EC	FINCA Ecuador	12/97	B	FINCA Ecuador was founded in 1994, and among the FINCA network has the greatest outreach in terms of numbers of clients. <i>Source:</i> Network information from FINCA International.
FINCA HO	FINCA Honduras	12/97	B	FINCA Honduras is one of the largest FINCA affiliates, measured by portfolio size. It serves microentrepreneurs through a national network of branch offices, and was founded in 1989. <i>Source:</i> Network information from FINCA International.

ACRONYM	FULL NAME, LOCATION	DATE OF INFORMATION	DATA QUALITY RATING	DESCRIPTION OF MICROFINANCE PROGRAM
FINCA KY	FINCA Kyrgyzstan	12/97	B	Founded in 1995, FINCA Kyrgyzstan is one of the youngest FINCA affiliates. <i>Source:</i> Network information from FINCA International, 1996-97; IMF Staff Country Reports N° 98/8 Kyrgyz Republic: Recent Economic Developments, January 1998.
FINCA MA	FINCA Malawi	12/97	B	FINCA Malawi works with women in the country's southern region, and has been in operation since 1994. <i>Source:</i> Network information from FINCA International, 1997.
FINCA MX	FINCA México	12/97	B	FINCA Mexico operates in Cuautla, Tijuana and Bajío, reaching women borrowers through the village-banking methodology. It was founded in 1989. <i>Source:</i> Network information from FINCA International, 1995-97.
FINCA NI	FINCA Nicaragua	12/97	B	FINCA's Nicaraguan affiliate began lending in 1992, and has since expanded to have branch offices in several urban areas in Nicaragua. <i>Source:</i> Network information from FINCA International, 1995-97.
FINCA PE	FINCA Perú	12/97	B	FINCA Peru is primarily based in urban areas, offering microenterprise credit to borrowers in Lima, Ayacucho and Huancavelica. It was founded in 1993. <i>Source:</i> Network information from FINCA International 1995-97.
FINCA UG	FINCA Uganda	12/97	B	One of FINCA's fastest growing programs, FINCA Uganda has been in operation since 1992. <i>Source:</i> Network information from FINCA International 1995-97.
FMM Pop	Fundación Mundo Mujer Popayán Popayán, Colombia	12/96	A	FMM Popayán is a Women's World Banking affiliate working in the state of Cauca in Colombia. It began lending to microenterprises in 1985. <i>Source:</i> MBB Questionnaire, 1993-1996, Audited Financial Statements 1993-1996, C. Bolaños B., Análisis y Evaluación a la Situación Financiera y al Resultado de las Operaciones. 31/12/96.
FUNADEH	Fundación Nacional para el Desarrollo de Honduras Honduras	12/97	A	FUNADEH works with small and microenterprises in urban areas of Honduras. It is an affiliate of Acción International and was founded in 1985. <i>Source:</i> MBB Questionnaire 1996-97, Audited Financial Statements 1995-97.
Fund Mikro	Fundusz Mikro Poland	09/97	B	Fundusz Mikro began operations in 1995, and now lends to microentrepreneurs across Poland through an extensive branch network. It is a member of the MicroFinance Network. <i>Source:</i> Annual Report 1997; 1997 Member Survey information, MicroFinance Network; Conference Report, Annual Working Conference of Microlending Institutions in CEE and the NIS, Warsaw, January 20-23, 1998.
FUPACODES	Fundación Paraguaya de Cooperación y Desarrollo Asunción, Paraguay	12/95	B	FUPACODES, affiliated with ACCION, lends to microenterprises in Asunción and surrounding areas. It was founded in 1985 and uses both group and individual loans. <i>Source:</i> MBB Questionnaire, 1995; Consolidated Financial Statements 1994-95.
FWWB Cali	Fundación Women's World Banking Cali Cali, Colombia	12/95	AAA	FWWB Cali, also an affiliate of Women's World Banking, began lending in 1982. It makes individual loans to urban microenterprises in Cali. <i>Source:</i> MBB Questionnaire 1995; Provisional Financial Statements 95-96, Audited Financial Statements 94-95, Consolidated Financial Statements 1993-97; Ratings Agency for Microlenders, Report, PSIC February 1998.
FWWB India	Friends of WWB, India	03/97	B	FWWB India lends to rural women through savings and credit groups. It was founded in 1982. <i>Source:</i> MBB Questionnaire 1996-97, Consolidated financial statements 1995-97.
Genesis	Genesis Empresarial Guatemala	12/95	B	GENESIS is an NGO based in urban areas of Guatemala, and lending to microenterprises. It is affiliated with ACCION International and has been lending since 1988. <i>Source:</i> MBB Questionnaire 1995.
HUBLAG	HUBLAG Development Finance Programme Philippines	12/97	A	The Hublag Development Finance Programme is the microlending arm of the Gerry Roxas Foundation. It lends to microenterprises with both individual and group lending methodologies, and began operations in 1987. <i>Source:</i> MBB Questionnaire 1997, Audited Financial Statements 1995-97.

APPENDICES

ACRONYM	FULL NAME, LOCATION	DATE OF INFORMATION	DATA QUALITY RATING	DESCRIPTION OF MICROFINANCE PROGRAM
IFOCC	Instituto de Fomento a la Comercialización Campesina Cuzco, Peru	12/97	AAA	Founded in 1991, IFOCC operates primarily in rural areas in the province of Cuzco, Peru. <i>Source:</i> MBB Questionnaire 1995, 1996; Audited Financial Statements 1995-96; IPC, "Informe de Misión de Evaluación Interina", June 1994; Y. Cruz and A. López, "El Programa de Crédito del IFOCC: En Busca de una Alternativa de Financiamiento Rural", IFOCC, September 1996; W. Espinoza S., "Informe de Consultoría al IFOCC en Aspectos Financieros-Crediticios y Organizacionales de Constitución EDPYME", July 1997; G. Morón P., "Informe Técnico: Evaluación de la Sostenibilidad Financiera del IFOCC", February 1998; M. Alvarez Mayorca y J. Alvarado Guerrero, "Evaluación del Programa de Crédito del IFOCC", Microfinanzas Consultores, February 1995.
IM	Iniciativa Mikro Poland	12/97	B	Iniciativa Mikro lends to microenterprises mainly in urban areas of Poland. It is affiliated with Opportunity International. <i>Source:</i> MBB Questionnaire 1997.
Liberación	Cooperativa Liberación Chile	12/96	A	The Cooperativa Liberación is a credit union dedicated to microenterprises. It offers individual loans and savings services to its members, primarily in Santiago, Chile. It was founded in 1986. <i>Source:</i> MBB Questionnaire 1996 data, Audited Financial Statements 1994-96.
Los Andes	Caja de Ahorros y Créditos Los Andes Bolivia	12/96	AAA	Caja Los Andes grew out of ProCrédito, a relatively young NGO which began lending operations in 1992. It was converted to a special finance company in 1995. Los Andes operates in urban and some rural areas in Bolivia, providing both individual loans and savings services. <i>Source:</i> MBB Questionnaire 1995-96, Annual Report 1995; Ratings Agency for Microlenders, Report, PSIC March 1998.
LOSEMP	Fundación Los Emprendedores, I.A.P. Mexico	12/96	A	Fundación Los Emprendedores and its sister institution, CAME (Centro de Apoyo a la Microempresa), operate two microlending programs in Mexico City. While CAME works with village banks, Los Emprendedores uses an individual lending methodology and larger loan sizes. Both portfolios are analyzed here. <i>Source:</i> MBB Questionnaire 1995, 1996, Audited Financial Statements 1995-96.
LPD	Lembaga Perkreditan Desa Bali, Indonesia	12/93	AAA	LPD, operating in Bali, is a network of village-owned institutions supervised by the provincial government. LPD institutions are managed by traditional Balian village councils. The system was founded in 1984. <i>Source:</i> Consolidated Financial Statements, 1989-93, Peter Robinson, "The Village Banks of Bali", Development Alternatives, Inc. 1992; R. Christen, E. Rhyne, R. Vogel, and C. McKean, "Maximizing the Outreach of Microenterprise Finance: An Analysis of Successful Microfinance Programs", Washington; USAID, 1995.
MC2	Réseau des Mutuelles Communataires de Croissance Cameroon	06/97	B	The MC ² are part of a lending program sponsored in partnership between CCEI Bank of Cameroon and the Appropriate Development for Africa Foundation (ADAF). Both microloans and savings services are offered to members of savings and credit groups. The program was founded in 1992. <i>Source:</i> MBB Questionnaire 1996-97; Consolidated Statements 1995-97; "Cameroon: Statistical Appendix", IMF Country Study 98/17, March 1998.
Moznosti	Moznosti Macedonia	12/97	B	Moznosti, an affiliate of Opportunity International, began lending in 1996. It operates both in urban and rural areas of Macedonia, and lends to microenterprises and small businesses. <i>Source:</i> MBB Questionnaire 1997; Russell Webster, "Mid-Term Evaluation of Opportunity International 'Moznosti' Microfinance Facility in Macedonia", Sept. 1997.
NLC	Network Leasing Corporation, Ltd. Pakistan	06/97	A	Network Leasing is a private financial company, run for profit, which offers financial services to microentrepreneurs. It uses leasing, a methodology considered compatible with Islamic law, which forbids borrowing on interest. <i>Source:</i> MBB Questionnaire 1997; Annual Reports 1995-97.
PRIDE	Promotion of Rural Initiatives and Development Enterprises Tanzania	12/96	A	PRIDE offers microcredit in urban and semi-urban areas of Tanzania. It was founded in 1993. <i>Source:</i> MBB Questionnaire 1996, Audited Financial Statements 1996,
PRODEM	Fundación para la Promoción y Desarrollo de la Microempresa Bolivia	12/97	A	PRODEM began in 1986 as an NGO offering group loans to urban microenterprises, and was the precursor to BancoSol. When its urban portfolio was passed to BancoSol in 1992, it began to develop a new clientele in rural and urban areas in Bolivia. <i>Source:</i> MBB Questionnaire 1994-96, Audited Financial Statements 1996-97.

ACRONYM	FULL NAME, LOCATION	DATE OF INFORMATION	DATA QUALITY RATING	DESCRIPTION OF MICROFINANCE PROGRAM
PROPESA	Corporación de Promoción para la Pequeña Empresa, Chile	12/96	B	PROPESA is an ACCION affiliated NGO, offering microenterprise credit since 1988. It operates primarily in Santiago, Chile. <i>Source:</i> MBB Questionnaire 1996.
RSPI	Rangtay Sa Pagrang-ay, Inc. Philippines	12/97	A	RSPI, an Opportunity International partner, lends primarily to self-help groups in the Cordillera and Iloco regions of the Philippines. <i>Source:</i> MBB Questionnaire 1997, Audited Financial Statements 1994-97, Anniversary Reports, 1987-94, 1987-97.
Sartawi	Servicio Financiero Rural, Fundación Sartawi Bolivia	12/96	B	Fundación Sartawi offers group credit to producers and other microenterprises in rural areas of Bolivia. The credit program has operated in its current form since 1990. <i>Source:</i> MBB Questionnaire 1996.
SAT	Sinapi Aba Trust Ghana	12/96	A	The Sinapi Aba Trust is a member of Opportunity International, and offers individual and group loans both in rural and urban areas of Ghana. It was founded in 1995. <i>Source:</i> MBB Questionnaire 1995-96; Audited Financial Statements 1995-96.
SAVE Jordan	Save the Children Jordan Field Office Jordan	12/96	B	Save the Children's village banking program in Jordan focuses primarily on women, many of whom are Palestinians from squatter communities. It was founded in 1994. <i>Source:</i> MBB Questionnaire 1995-96.
SAVE Lebanon	Save the Children Lebanon GGLS Lebanon	12/96	B	The Lebanon GGLS program of Save the Children is a village banking-type program, founded in 1994. It works in both urban and rural areas. <i>Source:</i> MBB Questionnaire, 1996.
SHARE	Society for Helping Awakening Rural poor through Education India	03/96	A	SHARE lends to women in rural areas of Andhra Pradesh in India. It is a member of the CASHPOR network. <i>Source:</i> MBB Questionnaire 1995-96. Audited Financial Statements 1994-96; Consolidated Financial Statements April -December 1997; CGAP Appraisal of Microfinance Institutions Formats 1993-96; Monthly Project Statements, various.
TBF	The Bridge Foundation India	1997	B	Based in Bangalore, India, The Bridge Foundation lends primarily to rural women through self-help groups. It was founded in 1984 and is affiliated with Opportunity International. <i>Source:</i> MBB Questionnaire 1997, Annual Report 1997.
TSPI	TSPI Development Corporation Philippines	06/96	A	TSPI operates in urban and semi-urban areas of the Philippines, offering group loans to microenterprises. It was founded in 1981 and is affiliated to the Opportunity Network, the MicroFinance Network and CASHPOR, among others. <i>Source:</i> MBB Questionnaire fiscal years 1995-96; 1994-95, Annual Reports 95-96 and 94-95, Audited Financial Statements 1995-96; Calmeadow, "TSPI Operational Review", 1995; Marantha Trust, "Microenterprise Development Programmes in the Philippines", National Centre for Development Studies, January 1993.
UNRWA	United Nations Relief Works Agency Gaza	06/96	B	The Income Generation Programme of UNRWA lends to microenterprises and small businesses in Gaza. It began operations in 1991. <i>Source:</i> MBB Questionnaire 1995-96.
VITAPRIDE	VITA - PRIDE Republic of Guinea	12/96	B	PRIDE works primarily in urban and semi-urban areas of Guinea, and was founded in 1991. <i>Source:</i> MBB Questionnaire 1997.
WAGES	Women and Associations for Gain both Economic and Social Togo	06/97	A	WAGES serves women in Lomé and surrounding areas, working with borrowers' associations in a village-banking type methodology. It was founded in 1994. <i>Source:</i> MBB Questionnaire 1996-97, CARE Togo Audited Financial Statements 1994-97, Annual Report March 1997; IMF Country Studies 98/21, Togo: Selected Issues.
Zambuko	Zambuko Trust Plc. Zimbabwe	08/97	AAA	Zambuko Trust is a partner organization of Opportunity International. It works in Harare and in the provinces, in both urban and semi-urban areas. It began operations in 1990. <i>Source:</i> MBB Questionnaire 1996-97, Audited Financial Statements 1995-96, M. Malhotra and P. Fidler, "Case Studies in Microfinance. Zimbabwe, Zambuko Trust". Sustainable Banking with the Poor, The World Bank, April 1997; Star Group, "Needs Assessment for Zambuko Trust: Business Assessment and Growth Strategy," June 1997; Ruth Goodwin-Groen, "Mid-Term Review of the AusAID Zambuko Microenterprise Development Project in Zimbabwe: Report and Recommendations", May 1997.

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

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Project Office:

Fco. Javier Krugger 91, Linderos, Chile

Casilla 299, Buin, Chile (mail address)

Phone: 56 2 821 2360

Fax: 56 2 821 4016

e-mail: fnreview@microbanking.cl

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1005 12th Street

Boulder, Colorado

80302 USA

Phone: (303) 938 2500

Fax: (303) 492 3003

e-mail: econinst@stripe.colorado.edu

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CGAP Secretariat

The World Bank

1818 H Street NW

Washington, DC 20433

Phone: (202) 473 9594

Fax: (202) 522-3744

e-mail: cproject@worldbank.org