THE MICROBANKING BULLETIN

Focus on Savings

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

We would like to thank the following institutions for their participation in this issue:

Region	Country	No. of MFIs	Name of Participants
Africa *(21 Participants)*	*Benin*	3	**Finadev**, PADME, Vital Finance
	Ethiopia	1	**ACSI**
	Guinea	2	CRG, PRIDE Finance
	Kenya	2	EBS, K-REP
	Malawi	1	FINCA - MWI
	Mozambique	1	**Tchuma**
	Senegal	1	PAMÉCAS
	South Africa	1	SEF
	Tanzania	3	FINCA - TZA, PRIDE - TZA, SEDA
	Togo	1	WAGES
	Uganda	5	CERUDEB, Faulu - UGA, FINCA - UGA, **UMU**, UWFT
Asia *(22 Participants)*	*Bangladesh*	2	ASA, BURO Tangail
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	India	6	BASIX, GV, IASC, SHARE, SKS, **Spandana**
	Indonesia	1	BRI
	Nepal	1	Nirdhan
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ECA *(22 Participants)*	*Albania*	2	BESA, **PSHM**
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	Chile	2	BanDes, Credicoop
	Colombia	5	Actuar - Tolima, CMM - Medellín, FinAmérica, FMM - Popayán, FWWB - Cali
	Costa Rica	1	ADRI
	Ecuador	2	Banco Solidario, FINCA - ECU
	Guatemala	7	Acredicom, Chuimequená, COOSAJO, Ecosaba, FINCA - GTM, Moyután, Tonantel
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	Honduras	2	**Adelante**, FINSOL
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	Peru	7	CMAC - Arequipa, **CMAC - Sullana**, FINCA - PER, Mibanco, ProEmpresa, **Pro-Mujer - PER**, Solución
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	Lebanon	1	Al Majmoua
	Morocco	2	Al Amana, **Fondep**
	Palestine	1	FATEN

Abbreviations: ECA = Eastern Europe and Central Asia; MENA = Middle East and North Africa.
New *MicroBanking Bulletin* participants are listed in **bold**.

The MicroBanking Bulletin (MBB)

The *MicroBanking Bulletin* is one of the principal outputs of the MIX (Microfinance Information eXchange). The MIX is a non-profit organization that works to support the growth and development of a healthy microfinance sector. The MIX is supported by the Consultative Group to Assist the Poor (CGAP), Citigroup Foundation, Deutsche Bank Americas Foundation, Open Society Institute, Rockdale Foundation and others. To learn more about the MIX, please visit the website at www.themix.org.

MBB Purpose

By collecting financial and portfolio data provided voluntarily by leading microfinance institutions (MFIs), organizing the data by peer groups, and reporting this information, the MIX is building infrastructure that is critical to the development of the microfinance sector. The primary purpose of this database is to help MFI managers and board members understand their performance in comparison to other MFIs. Secondary objectives include establishing industry performance standards, enhancing the transparency of financial reporting, and improving the performance of microfinance institutions.

Benchmarking Services

To achieve these objectives, the MIX provides the following benchmarking services: 1) the *Bulletin* publication; 2) customized financial performance reports; and 3) network services.

MFIs participate in the *MicroBanking Bulletin* on a *quid pro quo* basis. They provide the MIX with information about their financial and portfolio performance, as well as details regarding accounting practices, subsidies, and the structure of their liabilities. Participating MFIs submit substantiating documentation, such as audited financial statements, annual reports, program appraisals, and other materials that help us understand their operations. With this information, we apply adjustments for inflation, subsidies and loan loss provisioning in order to create comparable results. Data are presented in the *Bulletin* anonymously within peer groups. *We do not independently verify the information.*

Neither the MIX nor its funders can accept responsibility for the validity of the information presented or consequences resulting from its use by third parties.

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

The third core service is to work with networks of microfinance institutions (i.e., affiliate, national, regional) and central banks to enhance their ability to collect and manage performance indicators. This service is provided in a variety of ways, including training these networks to collect, adjust and report data at the local level, collecting data on behalf of a network, and providing customized data analysis to compare member institutions to peer groups. This service to networks and regulatory agencies allows us to help a wider range of MFIs improve their financial reporting.

New Participants

Organizations that wish to participate in the *Bulletin* should contact: info@mixmbb.org, Tel 1 202 659 9094, Fax 1 202 659 9095. Currently, the only criterion for participation is the ability to fulfill fairly onerous reporting requirements. We reserve the right to establish minimum performance criteria for participation in the *Bulletin*.

Bulletin Submissions

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

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To learn more about the MIX, please visit the MIX website at www.themix.org.

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From the Editor

Saving services are valued by microfinance customers: they help clients to manage risk, lowering their vulnerability to external shocks. They enable savers to become self-sufficient and expand their businesses.

From an MFI perspective as well, offering savings presents a number of undeniable advantages. The strongest is access to a wide pool of stable, low cost funding, which can reduce dependence on external funding sources and present an opportunity to become self-sufficient. Broadening its product offering can also offer an opportunity for the MFI to attract or retain clients who are looking for good service, safety and convenience. By offering both savings and credit, MFIs can act as true intermediaries.

Although many factors show the benefits of savings services from both the client and the MFI perspective, many MFIs are still reluctant to offer these services. There are indeed a number of challenges in doing so, such as higher costs, new required skills, and regulatory constraints. In addition, a number of key features have to be linked to the savings services in order for them to be valued and used. Some MFIs have found ways to address these challenges and their experience is documented in this issue.

MFIs that successfully mobilize voluntary savings[1], offer a combination of the following:

- *Accessibility*: savings services have to be offered in a way that does not prohibitively increase transaction costs (i.e., nearby branches, quick service, convenient hours);
- *Security*: clients should be confident that their savings are protected at the institution;
- *Liquidity*: clients want access to both liquid and illiquid products that respond to different objectives (i.e., guarding funds for future foreseen expenses, while being able to access them in case of emergency);
- *Returns*: when other criteria are met, returns play an important role in attracting savings clients.

Because savings have still rarely gone beyond the traditional savings delivery methods (i.e., savings banks, credit unions), industry-wide benchmarks on various types of institutions often fail to capture the performance of savings mobilizers. This is a challenge, as institutions that mobilize savings have a different cost and income structure, and often lack comparable information on which to benchmark their performance. This issue opens a discussion that attempts to remedy that dichotomy, and a series of new savings indicators are presented in the *Bulletin* tables.

Contents of This Issue

Focusing an issue of the *Bulletin* on “Savings” has generated widespread interest. This issue addresses key questions around savings mobilization. A few include:

- Why do clients want access to savings?
- What are they looking for in a savings product?
- Why are MFIs interested in expanding their services to include this new product line?
- What challenges do MFIs face when introducing savings?
- How have MFIs coped with some of these challenges?
- How can we measure the performance of savings operations?

In the first article of the **Feature Articles** section, *Madeline Hirschland* starts by providing a framework for thinking about savings: What do savers want most? What challenges have MFIs encountered? Through examples, she shows that many MFIs have found creative ways to address these challenges (i.e., limited management capacity, lack of regulatory framework, and cost issues) so as to offer their clients a wider range of valued services, and offer the MFI a solid base of financing.

This issue also reexamines conventional wisdom about savings, such as the delivery costs of savings mobilization (*Dave Richardson and Ben Reno-Weber*) or the experience of savings mobilization in rural Africa (*Renée Chao-Béroff)*.

[1] As opposed to savings that are linked to lending as collateral against potential default. This issue focuses on flexible savings that respond to clients’ willingness and ability to save in monetary form.

Dave Richardson argues that credit unions are uniquely positioned to offer savings services due to their low cost structure. He challenges the NGO community to reconsider their own costs and why these may be prohibitive. He argues that it is salary structures, and failure to offer a new savings product per se that puts too large a financial burden on the MFI.

Costs are often cited as the main deterrent for MFIs to offer savings. Costs are also very difficult to estimate by product type. In his article, *Ben Reno-Weber* presents the Activity-Based Costing tool, recently developed by the Consultative Group to Assist the Poor (CGAP), and some preliminary results from savings mobilizers that have piloted the tool. In addition to estimating the cost of offering savings, it is also crucial for an MFI to have a better sense of its product margins in general (i.e., between products). Indeed, a detailed look at costs can help determine if, in addition to external factors (such as salaries), there are also some internal factors that contribute to lower efficiency. Some concrete examples show MFIs that were able to restructure their product offering after discovering some big inefficiencies, or low margins.

In her article, *Renée Chao-Béroff* revisits the experience of mobilizing savings in rural West Africa, and argues that development partners still have much to do to support "productive" savings that help the poor build an asset base and rise out of poverty, as opposed to savings to guard against shocks. She argues that as long as savings remain a mandatory condition to have access to credit, their impact will be limited.

In **Talking About Performance Ratios**, Elisabeth Rhyne proposes that the microfinance industry work together to identify the prime indicators to measure the performance of MFIs that mobilize savings. Wherever possible, the proposed indicators were calculated for this issue of the *Bulletin*. They are analyzed in the Highlights and presented in the Tables.

This issue also presents four **Case Studies**. *Mostaq Ahmmed* provides an inside perspective of ASA's client-driven approach to offering savings, as well as the main challenges and some of the lessons.

Through a case study on Equity Building Society (EBS), *Graham Wright* presents and shows a concrete example of how MFIs can develop savings products that are attractive to clients.

Anita Campion and *John Owens* describe the experience of the USAID-funded Microenterprise Access to Banking Services (MABS) project in the Philippines, and how the network of rural banks was able to achieve sustainability while providing financial services to the rural poor.

Then, *Hugues Kamewe* and *Antonique Koning* from the World Savings Banks Institute present the experience of their members and key elements that have enabled the banks to mobilize savings successfully.

Stuart Rutherford presents a **Book Review** of a new SEEP publication, "New Direction in Poverty Finance".

Finally, the *Bulletin* Highlights look at the performance of financial intermediaries vs. non-financial intermediaries. The results are far from robust, as the sample of financial intermediaries is still very small. We hope that the introduction of better indicators that reflect more adequately the performance of MFIs that mobilize savings will encourage them to participate in the future.

In an effort to streamline the data presentation, the format for the statistical tables presented at the end of the issue has been modified, highlighting more selective indicators and facilitating their use in a more user-friendly format. As before, the full tables and indicators are available online, at www.mixmbb.org.

Isabelle Barrès
MIX – Microfinance Information eXchange, Inc.

FEATURE ARTICLES

Serving Small Depositors: Overcoming the Obstacles, Recognizing the Tradeoffs

Madeline Hirschland

Introduction[2]

Mobilizing savings is important. People, particularly poor people, use savings to manage sudden crises, get by during lean times, invest when opportunity strikes, and accumulate lump sums for school and other expected expenses. For microfinance institutions (MFIs), savings provide a relatively stable means to finance the loan portfolio – a key to growth. Savings also fuels growth at the level of communities and the macroeconomy. For many of these reasons, deposit mobilization is thriving among savings banks, cooperatives and self-help groups. So why, for so many institutions that report to this journal, is savings still just barely on the map?

Savings sees less traffic, in part, because of donors. Some donors – and institutions that depend on grant overhead – are not drawn to savings because savings does not enable them to invest large amounts of money. Other donors find credit to be a more compelling way to boost clients out of poverty – not recognizing that savings may be at least as important a service for the extreme poor. Furthermore, in environments saturated with donor-subsidized credit, business-like MFIs can find deposit mobilization unnecessary and unprofitable.[3] In other words, donors and MFIs have little incentive to promote savings.[4]

But even without these disincentives, institutions face numerous other roadblocks to mobilizing deposits. For most unregulated institutions, mobilizing deposits is not legal – nor, in most cases, should it be as appropriate regulations protect the deposits of the poor. Even if it were legal, many MFIs have neither the skills nor the management systems needed for financial intermediation. And even in cases where the MFIs have the legal right, skills and systems, the cost of mobilizing small deposits can seem prohibitive. Regulations, limited management capacity and high perceived costs all block the way.

Nevertheless, some institutions have found ways around these obstacles. The paths they have taken do not always measure up to criteria that savings experts have set out for sound savings services. This article will begin by revisiting these criteria. It will then look at how some institutions have overcome the regulatory, capacity and cost barriers to serving small depositors. In order to do this, many institutions deliver services that make – and compensate for – tradeoffs between the criteria that small depositors value the most. Therefore, in conclusion, the article will suggest how we might modify our expectations in order to ease the way to the "forgotten half".[5]

What Savers Want Most

Access, security, liquidity, returns. Among those concerned with savings mobilization, these criteria have almost become a mantra. Before we consider how institutions can mobilize small deposits, it is worth taking a more nuanced look at how depositors actually value these criteria.

Access: To have value, services must be offered nearby enough, quickly enough and at reasonable enough hours that savers find them worthwhile. The access savers require differs by product. They may be willing to travel for fixed deposits, which involve few transactions and relatively large sums. But for products that involve many small deposits, a service that requires a long walk or a bus fare is no service at all.

Security: Depositors want their savings to be safe. But, security is relative and how safe savings are in the informal sector – the only savings option avail-

[2] This article is adapted from the forthcoming book from Kumarian Press, *Savings Services for the Poor: An Operational Guide* edited by Madeline Hirschland and supported by USAID's Office of Microenterprise Development, Freedom from Hunger, GTZ, and MicroSave-Africa. Many thanks to Larry Moss, Evelyn Polk, and Stuart Rutherford for their valuable feedback.

[3] Because mobilizing deposits can demand significant management capacity and puts the savings of the poor at risk, the fact that grant-dependent NGOs have not rallied to the cause is understandable.

[4] See Dale Adams, "Filling the Deposit Gap in Microfinance", Unpublished paper for "Best Practices in Savings Mobilization" conference, Washington DC, 2002.

[5] Robert C. Vogel, "Savings Mobilization: The Forgotten Half of Rural Finance" in Adams, Graham and Von Pischke, *Undermining Rural Development with Cheap Credit*, 1984.

able to most small depositors – is fiercely debated. A recent study suggests that, at least in Uganda, saving in the informal sector is highly risky. For 99 percent of the households surveyed, the average loss of savings in the informal sector was 22 percent – in a single year.[6] Services that are more secure than the informal alternatives will be attractive to depositors.

Liquidity: In an emergency or when an opportunity presents itself, people want access to funds immediately. However, while they may prefer to draw on savings, a loan can also suffice. For expected expenses such as school fees, depositors want access to their savings at a known point in the future – and not beforehand. For this, depositors prefer an illiquid product that protects savings from day-to-day demands. In short, savers want both liquidity and illiquidity. Though offering both liquid and illiquid products would be ideal, an illiquid product coupled with access to loans can satisfy both objectives.

Returns: If depositors lack other comparable savings options, returns take a distant fourth place to these other criteria. Nevertheless, as expected, depositors appreciate a positive real rate of return. Products that provide one are likely to attract a significantly higher volume of deposits than similar products that do not.[7]

These nuances are important because meeting all the criteria while reaching small depositors is not always possible, as the options below suggest.

Providing Services Legally

For most unregulated institutions, mobilizing deposits from the public is not legal. Indeed, being able to do so is one of the main reasons that MFIs are transformed into regulated institutions. Nevertheless, unregulated institutions are providing or facilitating the provision of deposit services in a number of legal ways.

Promoting self-help groups (SHGs): Like other SHG programs, CARE's Mata Masu Dubara (MMD) program in rural Niger does not manage credit and savings itself. Instead, it organizes, trains and supervises groups to manage their own financial services. Group members save a fixed amount at regular meetings. Although individuals cannot withdraw their savings until the group terminates, the group lends its pooled savings to members on an as-needed basis. The MMD groups disband and reform regularly, but groups in similar programs are ongoing. In either case, the NGO that promotes the groups never touches their deposits.

Partnering with regulated institutions: In Bolivia, the unregulated MFI ProMujer has just started partnering with the regulated MFI Fondo Financiero Privado Fomento a Iniciativas Económicas (FFP FIE). FIE will offer a number of savings products to ProMujer's clients by collecting deposits at the meeting site of ProMujer's village banks. By promoting groups that aggregate small individual deposits into larger ones, NGOs can make it financially feasible for a bank to accept the savings of very small depositors.[8]

Serving only borrowers: In many countries, unregulated institutions that are prohibited from mobilizing deposits from the public are permitted to do so from their borrowers. The Bangladeshi NGO Association for Social Advancement (ASA) and many other unregulated MFIs take advantage of this opportunity. However, offering a liquid service can be difficult for most unregulated institutions because they serve primarily a low-income clientele. For this market, offering a stand-alone passbook service is rarely financially viable. ASA and other MFIs solve this problem by tightly integrating a liquid service into their mandatory one, the costs of which ASA is already covering. (see "Piggybacking services" below).

These solutions are apt for institutions in cases where mobilizing public deposits is not legal. For some institutions though, managing regulations is less of a challenge than managing deposits. These institutions can pursue several additional strategies.

Managing with Limited Capacity

Mobilizing and intermediating liquid savings products is much more demanding than offering credit alone. Liquidity is less predictable. Tight controls are more important and complex. Similarly, managing assets vis-à-vis liabilities, developing adequate information systems, and motivating the high productivity that is essential for viability are also more challenging. Many institutions and groups simply do not have the capacity to intermediate liquid accounts. These organizations may be able to satisfy client demand partially and fund their loan portfolios by offering simpler services. For example:

Illiquid deposits with access to credit: Like many small cooperatives and SHGs, Village Centers in Xinjiang, China couple regular mandatory deposits that are illiquid with access to loans. Because there

[6] Wright and Mutesasira, "Relative Risk to the Savings of Poor People," MicroSave-Africa, 2000.

[7] Alfred Hamadziripi, Virtual Conference: "Savings Operations for Small or Remote Depositors", May 2002.

[8] Personal communication with Sergio Duchen, "Savings Mobilization Project", Bolivia, 2003.

are no withdrawals and members all save the same amount, liquidity management and record keeping are so simple that they can be managed by the Centers' minimally-educated management committees.[9]

Short, matched terms: The "Caisses Villageoises d'Épargne et de Crédit Autogérées" (CVECAs) are village banks that serve sparsely populated areas of rural Mali (see Figure 1).

The CVECAs offer primarily time deposits and loans with terms under one year. The CVECAs only extend loans that have terms shorter than the maturity of the deposits that finance them. By offering only products with short matched terms, the CVECAs simplify liquidity and asset liability management.[10] This is crucial, because the CVECA staff have, at most, a primary school education.

Banking deposits: MFIs can also greatly simplify liquidity management by mobilizing deposits but not lending them. This is challenging financially, however, as it presumes that the MFI has a secure liquid place to invest deposits that will yield a high enough return to cover the financial and administrative costs of mobilizing these funds.

In fact, even for sophisticated MFIs, covering the costs of mobilizing small deposits can be challenging. Yet, the myth that it is impossible has been laid to rest.

Handling Costs

From the Bank Rakyat Indonesia (BRI) to credit unions, institutions have proved that mobilizing small deposits while covering costs is possible (see Figure 1). Furthermore, some savings experts agree that the key is to cross-subsidize small accounts with large ones.[11] Cross-subsidization alone may make it possible to serve potential small depositors who live near a branch – an important achievement. At the same time, to serve small depositors that are further flung, more than cross-subsidization is needed.

In rural areas, even institutions that mobilize large as well small deposits cannot afford to locate branches close to each other. Yet, branches located far enough apart to be financially sustainable simply may not reach the many small depositors for whom travel to the branch is relatively costly or time-consuming. Reaching these depositors requires low-cost delivery systems that bring services closer to places that depositors frequent. MFIs are employing and combining a variety of such systems to great effect. For example:

Simple minimally-staffed offices: Hatton National Bank, a commercial bank in Sri Lanka, avoids the costs of full-fledged branches by serving rural areas with small one or two-person sub-offices.[12] Similarly, small cooperatives organized by CBED[13] serve sparsely populated hill regions in Nepal using part-time staff operating out of one-room offices. Each cooperative provides simple financial services to an average of 140 members – which often represent the bulk of the households in its service area. By relying on a single part-time staff person with ten years of schooling and volunteers with minimal education, the CBED cooperatives – like the CVECAs – are able to recover their full costs. Like the CVECAs, the CBED cooperatives serve areas where large financial institutions cannot afford to operate.

Mobile collection: Rather than establishing and staffing even a small local office, numerous MFIs deploy mobile staff to collect deposits at homes or workplaces, during the meetings of credit groups, or in convenient location such as the village market. Collectors may travel by foot (SafeSave, Bangladesh), bicycle (VYCCU, Nepal) or vehicle (National Bank for Development, Egypt). If, as is often the case, deposits are collected by an individual rather than a team, then the institution usually offers a contractual product because fixed equal payments can make it easier to detect fraud. However, variable payments might be easier to manage securely with hand-held PCs.

"Piggybacking" savings onto other services: By integrating voluntary savings payments into its mandatory product, ASA in Bangladesh offers a voluntary savings service at virtually no additional cost. ASA borrowers must make weekly deposits of US$ 0.17 during group meetings held within 200 meters of their homes. At the moment the 360,000 ASA borrowers make this deposit, they can also

[9] Lloyd Hardy, Virtual Conference: Savings Operations for Small or Remote Depositors, May 2002.

[10] Renée Chao-Béroff, "Caisses Villageoises d'Épargne et de Crédit Autogérées (CVECA), Mali," in *Challenges of Microsavings Mobilization - Concepts and Views from the Field*, ed. Hannig and Wisniwski, Eschborn, GTZ, 1999.

[11] Others call for serving only the poor. Indeed, cross subsidization can pave the way for excluding the poor as commercial incentives mitigate against including them and the moral argument can get lost in the shuffle.

[12] Gallardo, Randhawa and Sacay, "A Commercial Bank's Microfinance Program: The Case of Hatton National Bank in Sri Lanka", Discussion Paper No. 366, World Bank: Washington, DC.

[13] CBED is the Community-Based Economic Development Project of CECI (Canadian Centre for International Studies and Cooperation) in Nepal.

Figure 1: Covering the Costs of Mobilizing Small Deposits: Summary of Some Examples(1)

Institution	Savings Services	Staffing	Cost Information(3)
ASA[14] **(2002)** **Bangladesh** - serves densely populated urban & rural areas - approximately 360,000 hybrid mandatory-voluntary accounts	***Delivery System***: Weekly 1-hour group meetings in immediate neighborhood. Withdrawals > US$ 9 must be made at the branch, up to 8 kilometers away, open 2 hours a day, 6 days a week. ***Products***: Hybrid mandatory-voluntary product: Must deposit at least US$ 0.17 weekly. Can withdraw all but 10% of loan amount. Average account size: US$ 20 (5.7% PC GDP) Approximately US$ 8 of this is voluntary.(2)	***Annual Salaries***(4) (branch only): US$ 520 to US$ 1,655 (144% to 460% of PC GNI). ***Manager***: 12 yrs. school. ***Productivity***: 880 accounts (459 deposit accounts) per credit officer.	Administrative cost ratios (2000):[15] Full cost of all savings products: 8.6%(5). Marginal cost of hybrid: 0%.
VYCCU[16] **(2000)** **Nepal** - serves moderate and sparsely populated rural area - 4,125 deposit accounts	***Delivery System***: Most services require a visit to the office. For lockbox product, collectors pick up deposits monthly. ***Products***: Lockbox: Liquid. US$ 0.40 minimum deposit. Average size US$ 23 (10% of PC GDP). Also current, fixed, mandatory-voluntary, contractual.	***Annual Salaries*** (approximate): US$ 560 to US$ 790 (233% to 329% of PC GNI). ***Manager***: 6 yrs. school. ***Productivity***: 375 deposit accounts per employee.	Administrative cost ratio for lockbox product: 5%.
CVECAs[17] **(1996)** **Mali** - serve sparsely populated rural areas - 3,419 deposit accounts	***Delivery System***: Office in the village, open one day a week for 4 to 10 hours ***Products***: Term deposit (high interest; holds 91% of all deposits) & liquid passbook (no interest). Avg. account size: US$ 102 (38% of PC GDP)	***Annual Salaries***: 33% of annual profits, or US$ 156 (annualized, or 60% of PC GNI) for one day per week of work. ***Manager***: 6 yrs. school. ***Productivity***: about 115 active clients per employee.	Cover all operating costs, financial costs and technical assistance with revenues. Total investment: US$ 140/client.
Kupfuma Inshungu Program[18] **(2002)** **Zimbabwe** - Serves villages in rural Zimbabwe - 14,000 savers	***Delivery System***: Payments made during group meetings in the village. ***Product***: Contractual. Monthly payments. Group sets amounts, start date and maturity. Access to short-term loan during contract period. Average account size: US$ 1 to US$ 3: savings do not accumulate from cycle to cycle.	***Annual Salaries***: Field agent: > US$ 2,300 (from 479% PC GNI). ***Field agent***: at least 14 yrs. school. ***Productivity***: 550 depositors per employee.	Groups become autonomous and fully financially sustainable, but the institution that promotes the groups has no mechanism for covering cost (does not generate any revenue and hence needs to be subsidized). Total investment: US$ 24/client
BRI Units[19] **(2002)** **Indonesia** - Serves moderate to densely populated urban and rural areas - 25.9 m. deposit accounts	***Delivery System***: Offices up to 30 kilometers away, open 5 days a week for 8 hours a day. ***Products***: Liquid passbook, term deposit, current account for legally restricted institutions. Average account size: US$ 100 (or about 15% of PC GDP).	***Annual Salaries*** (unit only): US$ 2,400 to US$ 8,000 (348% to 1,159% of PC GNI) ***Manager***:12 yrs. school. ***Productivity***: 1,300 accounts (1,233 deposit accounts) per employee.	Administrative cost ratio for all savings products (1996): 2.2%.

(1) PC GNI stands for per capita gross national income. Figures are from World Bank tables.
(2) Figure also includes 1.7 million depositors for whom the voluntary payment size is set by the group.
(3) Because these ratios were calculated using different costing techniques, they should be seen as representative. Furthermore, some figures are for individual services that target small or remote depositors while others are for all services combined. The ratios should not be used to compare institutions.
(4) Salaries refer to yearly salaries.
(5) Cost analysis includes two products that were being discontinued.

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14 Data from Md. Azim Hossain and Dr. Mostaq Ahmmed, "ASA at a Glance" and ASA website.

15 Wright, Christen and Matin, *ASA's Culture, Competition and Choice: Introducing Savings Services into a MicroCredit Institution,* Kampala: MicroSave-Africa, 2001. This cost ratio includes a time deposit product and two other products that were in the process of being phased out. The operating costs of ASA branches before and after adding the voluntary service were identical.

16 Interviews with Khem Raj Sapkota and Madhav Poudyal. Costing exercise conducted by the author.

17 Renée Chao-Béroff, "Caisses Villageoises d'Épargne et de Crédit Autogérées (CVECA), Mali," in *Challenges of Microsavings Mobilization - Concepts and Views from the Field*, ed. Hannig and Wisniwski, Eschborn, GTZ, 1999.

18 Allen, Rushwaya, and Koegler, "End of Term Evaluation of Kupfuma Ishungu Rural Microfinance Project (RMFP), Zimbabwe", unpublished CARE report, 2002. Personal communication with Alfred Hamadziripi, May 2003.

19 Zahari Zakaria and "Bank Rakyat Indonesia" Klaus Maurer, in *Challenges of Microsavings Mobilization - Concepts and Views from the Field,* ed. Hannig and Wisniwski, Eschborn, GTZ, 1999.

deposit and withdraw any amount in excess of their mandatory savings. The voluntary and mandatory deposits are recorded as one transaction in passbooks and all other forms. ASA members make ample use of the voluntary service. A study by ASA found that in 2002 those surveyed voluntarily deposited an amount equal to 83 percent of their mandatory payments and withdrew over half the voluntary amount with an average of 3.26 withdrawals per client.[20]

"Piggybacking" services onto other institutions: Union Bank (formerly Workers Bank) serves rural Jamaicans by offering several of its products through the country's 247 post offices. By using the postal buildings, management systems and staff, the bank reduced its administrative costs while providing convenience to over 77,000 depositors.[21]

Promoting groups: Self-help group programs cost very little because the role of the promoting institution is so limited: it does not manage financial services and the groups it promotes quickly become self-reliant. Although the costs of promotion are very low, the promoting institution does not generate operating revenues to cover them. On the other hand, the typical net investment per client of developing sustainable self-help groups may be less than the typical net investment per client of developing a sustainable MFI.[22] In four years, CARE's Kupfuma Inshungu Program in rural Zimbabwe promoted over 2,200 groups that provide 14,000 members with simple sustainable services in their villages at a total investment of about US$ 24 per member. In India, the National Bank for Agriculture and Rural Development (NABARD) facilitated similar services for 7.8 million women in ten years at a cost of US$ 10.50 per member.[23]

Serving groups: AMEXTRA, a Mexican NGO, minimizes its costs by arranging for individual clients to make deposits on behalf of their group. A cashier from each group collects and records members' voluntary and mandatory deposits and loan payments. AMEXTRA staff need not visit the groups regularly and only the group's cashier must make the up-to-an-hour trip to deposit funds at AMEXTRA's office.[24]

Lockboxes: Many rural banks in the Philippines cut their administrative costs sharply while providing customers with maximum convenience through the use of lockboxes, a small locked box that may be made of wood or heavy cardboard with a slot. Money can be deposited through the slot at any time but can only be "withdrawn" with a key held by the MFI. Customers can easily deposit small variable amounts whenever they want at home or in their workplace, but the MFI incurs costs only when it collects the contents of the box or accepts them at its office. By replacing daily collection with a monthly lockbox service, the Rural Bank of Talisayan in the Philippines reduced its monthly transactions per client from 22 to 2. At the same time, the total amount saved increased.[25]

Automated Teller Machines (ATMs): Over time, ATMs can cost less and take less time to set up than branches. In just two years, the Bolivian MFI PRODEM installed 20 ATMs, seven in rural locations, that yielded 22,000 new deposit accounts. PRODEM's ATM users deposit funds in the branch but can withdraw funds at any time from the ATMs and need not be literate. ATMs are still fairly expensive – each of PRODEM's costs about US$ 18,000 initially and about US$ 2,000 a year to maintain, so they must be sited relatively far apart. PRODEM also manages its costs by charging customers an annual fee of US$ 7 and requiring a minimum balance amount of US$ 10 (for a total initial cost/investment of about 1.8 percent of per capita GNI).[26]

Conclusion: Proximity, Trade-offs and Trends

Our mantra calls for a savings landscape saturated with convenient regulated branches open daily with liquid interest-bearing products for all. Not only is this vision far from our stark reality, the options described above also suggest that it is not realistic. Consider the following: relative to deposit mobilization, the BRI unit desas[27] in Indonesia have long set a gold standard for efficiency and market penetration (see Figure 1). With one-room offices and client loads of 1,300 accounts per employee, the unit desa system probably cannot achieve great leaps forward in efficiency that would enable it to cover its

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[20] ASA, unpublished study of 36 groups in 9 urban, semi-urban and rural branches, May 2003.

[21] John Owens, "Savings Mobilization: Formalizing ROSCAs in Jamaica," unpublished paper, 1999.

[22] Allen, Rushwaya, and Koegler, "End of Term Evaluation of Kupfuma Ishungu Rural Microfinance Project (RMFP), Zimbabwe," unpublished CARE report, 2002.

[23] Personal communication with N. Srinivasan and Girija Srinivasan, March, 2003.

[24] Kyle Salyer, Virtual Conference: Savings Operations for Small or Remote Depositors, May 2002.

[25] GTZ, "Marketing for Microfinance Depositories: A Toolkit for Microfinance Institutions", Pact Publications, Washington DC.

[26] Andrew Enever, "Smart Money Goes Bi-lingual", BBC article on-line. Personal communication with Eduardo Bazoberry and Marcelo Mallea Castillo, June 2003; GNI = Gross National Income, World Bank tables.

[27] For a detailed description of BRI's unit desa system, refer to *The Microfinance Revolution, Volume 2: Lessons from Indonesia*, Marguerite Robinson, World Bank, 2002.

costs while sitting its units significantly closer together. Yet, its depositors must travel up to 30 kilometers to transact business at the nearest unit.[28]

Small depositors require services that are delivered close to the places they frequent. As the examples above illustrate, outside of commercial centers, delivery systems that do this typically accept trade-offs between the qualities that depositors care about most: security, liquidity, and convenience. For example:

Security: Only rarely can an institution afford to deploy mobile collectors in teams. Most deploy individuals who both collect cash and record transactions. By assigning these responsibilities to a single person, this type of mobile collection opens the door to fraud and mismanagement. Yet, institutions that deploy individuals to collect deposits have developed numerous controls to manage this risk: rigorous verification of passbooks, bonding of staff, and stamp systems are just a few.

Liquidity: Self-help groups and small local cooperatives often rely on staff or volunteers with little education who do not have the skills to manage liquidity. Therefore, they typically offer illiquid savings services such as compulsory savings, contractual savings, or fixed deposits. They often compensate for the lack of liquidity by offering access to savings or a loan in an emergency.

Convenience: Most institutions that bring savings services close to rural clients do so for limited hours, during a monthly or weekly collection time, a group meeting or weekly office hours. To offset these limited hours, organizations often permit depositors who face an emergency to withdraw savings or obtain a loan by visiting a branch office or by requesting assistance from their group leaders.

As these examples suggest, not only do alternative delivery options accept tradeoffs, they frequently also mitigate them – to the benefit of many of their clients. In fact, many of the options described above adroitly balance convenience, security and liquidity.

If our aim is to serve small depositors, perhaps it is time to recognize that access means proximity, and that, in rural areas, proximity can require tradeoffs with the security, liquidity and flexible services offered by formal sector models. Distance may not impede larger depositors who may have more access to transport and are likely to travel to bank branches anyway. For a large segment of the market, however, bank branches alone cannot provide sufficient proximity to attract small deposits. It is time to look more seriously at how financial institutions can – indeed are – developing alternative delivery systems for the benefit of small depositors.

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She welcomes comments which should be sent to MHirschland@compuserve.com.

[28] Indonesia's high quality roads and transport can make these distances much more traversable than they would be in many other countries. Personal communication with Zakaria Zahari, International Visitors Program, May 2003.

Going to the Barricades for Microsavings Mobilization: A View of the Real Costs from the Trenches

Dave C. Richardson

Over the years, we have been treated to a variety of entertaining debates within our nascent industry. The battle lines have been drawn by the different factions as we have explored the gamut of opinion related to women borrowers vs. men borrowers, group vs. individual lending, subsidy vs. sustainability, and targeting the poorest of the poor vs. opening the doors to other segments of the economic spectrum. We are now in the midst of another tantalizing tango between those who believe that microfinance really means microcredit, and those who espouse the virtues of the "forgotten half of microfinance", namely microsavings, in addition to microcredit. The battle lines previously drawn in the sand have suddenly blurred, as the windstorms of competition have exerted a downward pressure on loan interest rates, and forced MFIs to look closely at their bottom line. It is within this context that I wish to address the feasibility of microsavings as a pillar of microfinance.

Three years ago I wrote an article for the *MicroBanking Bulletin* entitled, "Unorthodox Microfinance: The Seven Doctrines of Success".[29] In that article, I mentioned the doctrine of micro savings as a vital service for the poor. Since that time, I have had the opportunity to visit with many colleagues in the microfinance community about the feasibility of offering microsavings products. There has been a recurring concern voiced by many that it does not make economic sense to offer microsavings services to the poor, particularly since the loan interest rates have fallen and the profit margins have all but disappeared. I have repeatedly heard that in order to engage in microsavings, it would be necessary to enforce a minimum account balance of US$ 500 to be economically feasible. This practice is also common in the commercial banking sector. As recently as last year, the majority of commercial banks of Nicaragua established US$ 500 as the minimum balance needed to establish a savings account. Anything less than this would incur significant service fees.

During the year 2001, I did some preliminary investigation into the savings structure of 85 credit unions in Guatemala, Bolivia, Ecuador, Romania and the Philippines. The stratification of those savings deposits appears in Figure 1:

Figure 1: Stratification of Savings Deposits: 85 Credit Unions (as of December 31, 2000)

Summary of Savings & Shares Mobilization					
Range ($US)	Number of Accounts	%	Volume ($US)	%	Avg.
0-300	2,300,414	94	75,006,221	26	33
301-1000	98,473	4	53,613,432	19	544
>1000	44,365	2	160,325,772	55	3,614
Totals	**2,443,252**	**100**	**288,945,425**	**100**	**118**

Source: World Council of Credit Unions – Project Histories.

I was astounded at the results. Of the 2.4 million savers, 94 percent of them had a savings balance of only US$ 33, way below the US$ 500 figure used by so many people. I wondered, "How could these credit unions provide this service if it was not economically viable"? For the past two years, I have been involved in a "Savings Best Practices" project, financed by USAID. My colleague, Oswaldo Oliva and I were asked to analyze the cost structures of 15 credit unions in Latin America to determine whether or not it was feasible to do microsavings mobilization. During this study, we were able to look carefully at all of the component costs of savings mobilization. We came to the simple conclusion that the feasibility of microsavings mobilization rested on two fundamental variables: operating costs and savings volume.[30] We found that once a credit union achieved a savings volume of US$ 1 million, its savings expense ratio significantly dropped, as is show in Figure 2:

Figure 2: Savings Expense Ratio by Savings Volume (as of December 31, 2001)

Savings Deposit Volume (US$)	Savings Expense Ratio (%)
<1,000,000	8.43
1,000,000 - 5,000,000	3.26
>5,000,000	3.61
Consolidated 15 Credit Unions	**3.65**

Source: "Striking the Balance in Microfinance", p. 174.

[29] See *MicroBanking Bulletin* No.4, February 2000, pp. 3-7.

[30] The entire results of this study can be found in Chapter 5 of the recently published WOCCU book *Striking the Balance in Microfinance: A Practical Guide to Mobilizing Savings.*

The savings expense ratio is an expression of all of the direct and indirect operating expenses related to the deposit-taking function, divided by the average outstanding volume of savings deposits for the year. Contrary to a variety of figures circulating in the industry, the cost of savings mobilization is not exorbitant, if you know how to do it.

A similar relationship applies to the operating expense ratio (defined as the total of all personnel and administrative costs, divided by the total average assets) used to measure institutional efficiency. In a group of 20 Nicaraguan credit unions, the consolidated operating expense ratio at year end, December 31, 2002, was 18.74 percent. The reason for this high cost structure, was that with the exception of one credit union, the average total asset size of the remaining credit unions was only US$ 216,652. Not surprisingly, the one credit union whose asset size was US$ 1.2 million had an operating expense ratio of 9.70 percent. I have seen numerous examples of similar situations. They leave no doubt in my mind as to the indisputable linkage that exists between operating efficiency and the economies of scale of volume.

For those MFI's who wish to mobilize savings, their area of greatest concern is how to reach an optimal volume of savings deposits. Most have mistakenly assumed that the volume will come from their existing clientele, or from other poor savers.

The answer to this question lies in Figure 3, a table of four Guatemalan credit unions that participated in this study:

Figure 3: Data from Four Guatemalan Credit Unions (as of December 31, 2001)

Deposit Size Range (US$)	Number of Savings Accounts	%	Volume of Deposits (US$)	%	Average Savings Account Balance (US$)
<300	103,112	89.0	2,966,672	8.0	29
301 - 1000	6,285	5.4	3,567,178	10.0	568
1,000 - 6,250	5,430	4.7	13,601,235	38.0	2,505
6,251 - 12,500	750	0.6	6,766,009	19.0	9,021
12,501 - 37,500	296	0.3	5,790,712	16.0	19,563
>37,500	45	0.0	2,927,819	8.0	65,063
Grand Total	**115,919**	**100**	**35,619,675**	**100**	**307**

Source: Striking the Balance, p. 176.

As can be clearly seen, the preferred market niche for these credit unions to achieve optimal savings volume in situated in a range of US$ 1,000 – US$ 6,250, the average size being US$ 2,500 or 38 percent of the total volume. This is a very different niche of the market than the traditional poor borrowers of most MFI's. This "upstream" class of savers provided the vital funding for most lending activities of these credit unions. Even though the vast majority of these funding resources came from a wealthier economic strata, a resounding 89 percent of all the numbers of savings accounts were owned by people whose deposit savings balances averaged only US$ 29. This is a distant cry from the magical figure of US$ 500 that others have often suggested. Virtually all the other credit unions that participated in our study had similar structures, leading us to conclude that the only way microsavings services can be offered in a cost-effective way is by capturing the needed volume from other "wealthier" niches of the marketplace.

To further substantiate the feasibility and demand for microsavings products, our study was able to look deeply into the transaction history of these same four credit unions from Guatemala. These credit unions are all large, mature organizations with over 10 years of experience in savings mobilization. The only way we were able to extract this information was through the use of an integrated software program that links together the accounting, loan desk, and teller window transactions. First, we looked at the total number of savings transactions booked at each credit union during the year 2001 (see Figure 4).

Figure 4: Number of Savings Transactions in Four Guatemalan Credit Unions (CUs) (as of December 31, 2001)

	Credit Union 1	Credit Union 2	Credit Union 3	Credit Union 4	Consolidated
Total Transactions (number)	225, 615	223,189	180,094	260,596	889,494
Savings Related Transactions (number)	143,598	137,392	131,489	163,472	575,951
Savings Related Transactions/Total Transactions (%)	63.65	61.56	73.01	62.73	64.75
Savings Expense Ratio (%)	3.81	5.08	3.66	3.64	3.95
Volume of Savings Deposits (US$)	12,090,819	7,336,320	5,648,688	16,436,562	41,512,389

Source: Working papers of David Richardson and Oswaldo Oliva for USAID Savings Best Practices Project.

Next, we were able to sort all savings deposit and withdrawal transactions by size for the entire year of 2001 (see Figure 5). Such information revealed the true demand for microsavings services and showed how poor people used the credit union to manage their daily liquidity.

Figure 5: Savings Transaction Volume in Four Guatemalan Credit Unions during 2001*

Savings Transaction Amount (US$)	Number of Savings Transactions	%	Total Volume of Savings Transactions (US$)	%	Average Transaction (US$)
<100	334,369	70.1	9,414,641	6.3	28
Between 100 - 400	95,253	20.0	22,298,740	14.8	234
Between 400 - 800	20,547	4.3	13,817,770	9.2	672
>800	26,764	5.6	104,856,222	69.7	3,918
Total	**476,933**	**100**	**150,387,373**	**100**	**315**

* Includes deposits and withdrawals.
Source: Striking the Balance p. 178.

Nearly two-thirds (65 percent) of all the transactions booked at these four credit unions were savings-oriented, and of the actual 477,000 deposits and withdrawals, 70 percent were for an average amount of only US$ 28. Furthermore, the impressive volume of micro savings transactions below US$ 100 did not adversely affect the savings expense ratio of these four institutions, which was still only 3.95 percent.[31]

The second key variable associated with feasible microsavings products deals with the appropriate level of operating costs. While the minimum asset size of US$ 1 million is a reliable predictor of operating efficiency, there still may be some institutions whose operating costs are very high, notwithstanding their larger volume. This may be due to several factors, the most commonly mentioned being the costly lending methodologies that are implemented to reach the poor. There may be another culprit however, that is to blame: high salary expenses. In my own experience, I have seen how salaries tend to rise higher than the market when donors are paying the bill. It would be fascinating to do a study to prove this relationship, but for the present, I can only point out some indirect linkages found in the *MicroBanking Bulletin*. I mention this possibility because our study revealed one very important fact about the operating expenses related to savings mobilization: 49 percent of all of the savings-related expenses were directly tied to employee salaries and benefits.

This finding is corroborated by an interesting comparison made in this issue of the *Bulletin* between different charter types of MFIs and their efficiency indicators. I would like to focus on four variables that help to explain the importance of salary expenses: portfolio yield, operating expense ratio, personnel expense ratio and the commercial funding liabilities ratio.[32] These variables for financially self-sufficient MFIs are shown side by side in Figure 6:

[31] For a detailed explanation of the component costs of microsavings mobilization, please read pp. 170-179 of Chapter 5 of *Striking the Balance in Microfinance*.

[32] *MicroBanking Bulletin* No. 9, July 2003, pp. 72, 74 and 75.

Figure 6: Selected Data for Financially Self-Sufficient MFIs

Charter Type	Yield on Gross Portfolio (nominal) (%)	Adjusted Operating Expense Ratio (%)	Adjusted Personnel Expense Ratio (%)	Personnel Expense/ Operating Expense (%)	Commercial Funding Liability Ratio (%)
Banks	43.5	13.6	8.6	58.7	148.0
Credit Unions	24.9	7.1	3.8	54.4	100.3
NGOs	43.0	18.4	11.1	60.4	42.9
Non-Bank Financial Institutions	42.4	17.6	7.6	53.1	89.6

Source: *MicroBanking Bulletin* No. 9, July 2003, Pp. 72, 74 and 75.
All definitions can be found on pages 52 and 53.

The largest single line item that affects the operating expense ratio is the personnel expense, which includes all salary costs and benefits. In Figure 6, the personnel expense ratio shows that personnel expenses have about the same relevance for each type of institution (53.1 to 60.4 percent). Is it coincidental that the lowest yield on gross portfolio (24.9 percent) is provided by the credit unions who also have the lowest operating expense ratio (7.1 percent) and the lowest personnel expense ratio (3.8 percent)? From our study, we know that it is not coincidental. There is a direct linkage between personnel expenses, operating expenses, and the loan interest rate, which must be set at a level to recover all of the institutional operating costs.

In addition, Figure 6 shows another interesting relationship. NGOs have the second highest yield on gross portfolio (43.0 percent), and the highest operating and personnel expense ratios (18.4 percent and 11.1 percent respectively).

Furthermore, these same institutions have the lowest commercial funding ratios (42.9 percent), which means that they have a much greater portion of subsidized liabilities to fund their lending operations. Is this likewise just coincidental? I will defer to others who have a greater command of the numbers for the NGO community.

Figure 7: 2001 Average Annual Salary Profiles of 15 Credit Unions

	Six Large Credit Unions	Four Medium Credit Unions	Five Small Credit Unions
Average Deposit Volume (US$)	9,209,299	2,843,257	269,231
Annual Salary by Position (US$)			
General Manager	26,110	16,459	6,594
Branch Office Manager	8,741	4,776	3,264
Director of Marketing	13,146	None	None
Marketing Technician	4,543	5,263	1,881
Head Cashier	6,827	6,669	5,348
Teller	4,707	3,527	2,754
Chief Accountant	9,724	12,204	3,860
Security Guard	3,989	2,500	1,794

Source: Striking the Balance in Microfinance, p. 180.

Inasmuch as personnel expenses are a significant factor related to the feasibility of offering microsavings products, we spent a considerable amount of time in our study documenting those expenses. Fortunately, we had open access to all the specific payroll and benefit information for each employee in the 15 credit unions (see Figure 7). This enabled us to create a salary profile for each of the key employees involved in savings mobilization. We found that in order to make valid comparisons, the base salary of an employee was not sufficient, given that other employee benefits could represent as much as 60 percent of base salary. By adding up all the benefits, we were able to make an interesting comparison between the total compensation of key employee positions and the average deposit volume of their credit unions. These comparisons are grouped into three separate categories. Large Credit Unions with total deposits greater than US$ 5 million, Medium Credit Unions with total deposits between US$ 1 to 5 million, and Small Credit Unions with total deposits less than US$ 1 million.

At the beginning of this article, I mentioned that three years ago, I wondered how credit unions could offer their members microsavings services (transactions below US$ 100) while other competitors balked. Now that our study is finished, I have no doubts as to how it is done. As mentioned before, it comes down to three important reasons:

1. The principal volume of savings deposit funding does not come from the poorest of the poor. It comes from "upstream" member-clients who save because they want to save. Their savings are not obligatory and can be withdrawn at any moment. They choose to deposit their savings with a credit union that offers safety, liquidity, and yield. Their average savings account balance is between US$ 1,000 and US$ 3,000. These savers provide the critical volume needed to justify the service. **Since the costs of the fixed infrastructure, personnel and marketing are covered by the savings of these higher income savers, the true marginal cost of providing these same services to the poorer members is not prohibitive, even though the poor members frequent the credit union more often than the more well-to-do members.** It is a classic example of the rich and poor helping each other!

2. The salary expenses of credit unions are modest in comparison to other MFIs. Credit Union personnel are not your basic MBA whiz kids who also seem to need plenty of stimulus to move the earth, call down fire from heaven, and walk on water. As Figure 7 depicts, you don't get rich quick working at a credit union, but you get paid a fair wage, and in many communities, it is the best wage available. Best of all, these employees have shown that they can get the job done when the movers and shakers watch from the sidelines! None of the 15 credit unions in our study received operating subsidies of any kind to cover operational expenses. They were all 100 percent financially sustainable.

3. Finally, much has been written about the pitfalls of cooperative governance. In the September, 2000 issue of the *MicroBanking Bulletin*, Elisabeth Rhyne took exception to the doctrine of "self governance" as being a factor of success. She said: "The defenders of participatory forms of action need to choose their battles carefully, searching for areas where collective participation and self-governance are worth going to the barricades for. The credit unions in their fervor may believe that financial services are a prime location for this battle to be fought. I remain agnostic."[33]

Even though many true believers in the importance of savings have serious doubts about self-governance, the grand irony of cooperative self governance is that its voice has been heard loud and clear in credit unions around the world. The message is unmistakably consistent: People need and want micro savings services. **It is because of self governance that credit unions do not limit savings deposit accounts to US$ 500.** Perhaps if more MFI's had stronger participatory forms of governance instead of the typical unilateral decision-makers pushing their own agendas, microsavings would undoubtedly be viewed with the same importance as microcredit. In case you were wondering, I am not agnostic.

Alas, the new battle lines are drawn. Credit Unions have shown that micro-savings mobilization is a financial service that is not only feasible, but in high demand. How can anyone espouse the virtues of microcredit loans below US$ 300 and yet, ignore poor savers who want to deposit and withdraw their meager savings in amounts less than US$ 500? Experience has shown that microsavings mobilization is worth going to the barricades for.

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[33] *MicroBanking Bulletin*, September 2000, p. 17.

Activity-Based Costing and Savings

Ben Reno-Weber

One of the major reasons why savings lags credit in the microfinance field is the fear that savings is too costly. This article will examine the potential for Activity-Based Costing (ABC) to answer several key questions regarding the costs of savings for MFIs.

What is Activity-Based Costing?

Activity-Based Costing traces costs to specific activities undertaken by the MFI, such as opening a savings account or handling cash transactions. Unlike other costing methods, by inserting activities into the costing process, ABC provides richer information because it gives a greater level of detail about how and why costs are incurred (see Figure 1). This information can lead directly to specific adjustments or modifications in an MFI's activities in order to streamline processes and rationalize costs.

Because ABC requires participation at every organizational level, strong buy-in is required from the entire MFI. Experience has shown that time spent up-front speaking with staff, testing drafts, and revising timesheets leads to more accurate results.

During the ABC process, the team first identifies all products offered by the MFI. Then, after consulting with staff members, the team designs an activity sheet listing their core activities, and estimates staff time on each activity. The best results so far come from a combination of daily timesheets taken over a significant period of time, combined with interviews by non-supervisors (who should emphasize that this process will not be used to evaluate staff performance). With time estimates and staff salary levels, the ABC team can calculate staff costs for each activity, which are in turn used to calculate the cost of products. For example, the cost of savings may be made up of the costs of opening/closing an account or making deposits/withdrawals, in addition to a share of the overall administrative costs. Estimating the time spent on each of these activities for savings enables estimating the cost of delivering savings.

Figure 1: Activity-Based Costing Steps vs. Normal Cost Allocation Steps

Any Method	
1. Plan for the costing exercise. Obtaining full team buy-in on all levels is essential for success	
2. Identify products for costing	
Cost Allocation	**ABC Costing**
3. Identify costs to allocate	3. Ascertain core processes and activities in consultation with staff. Some testing and revision may be required to encompass all activities
4. Decide and calculate allocation bases for each type of cost, (including staff time estimates)	4. Conduct staff time estimates for each activity
5. Use allocation bases to distribute costs among products	5. Calculate costs per activity
	6. Assign cost drivers (the determinants of activity volume) and determine unit activity costs
	7. Drive activity costs to products

Source: CGAP Product Costing Tool. www.cgap.org, Helms and Grace.

What Can ABC Tell Us About Savings?

Activity Based Costing can help MFI managers answer several key questions regarding existing savings products. **First**, is a savings product viable? For savings, viability means a product is cheaper than alternate forms of potential funding, after fully accounting for staff time, administration, and a proportional share of the overhead expenses.

For example, the Cooperative Bank of Benguet (CBB) in the Philippines was uncertain about some of their savings products, particularly those targeted at the poor. The management knew that their passbook savings deposit program, which primarily dealt with frequent, small transactions occupied almost half of their staff's time, but it was unclear how the overall costs, particularly including staff time, compared to the income generated. From their Management Information System (MIS) they knew that interest, insurance, and reserves cost them US$ 41,451 per year, just over 5 percent of the US$ 790,677 average outstanding savings. However, they were unclear about how to factor in the cost of staff time.

Through the ABC process, CBB's management was able to determine that while their savings products cost them almost 14 percent of the average savings account balance annually, that amount was significantly cheaper than the closest alternative source of funding, a commercial loan, which would have cost more than 18 percent (see Figure 2).

Figure 2: Cost of Savings Products vs. Local Alternative Source of Funds (%)

Costs*	Passbook Savings	Term Deposits	Alternative Funds
Financial costs	5.0	10.0	13.0
Staff costs	4.2	1.0	0.2
Other administrative costs	5.0	5.0	5.0
Total costs	**14.2**	**15.0**	**18.2**

* Percentage relative to product average outstanding amount.
Source: Cooperative Bank of Benguet.

Recognizing the true costs of their savings products enabled them to make an informed decision, not only to continue to offer the product, but to expand marketing efforts.

Second, what activities contribute to the cost of savings? Activity Based Costing allows an MFI to examine all the individual processes and items that contribute to the overall cost of the product.

Based on this information, an MFI can explore ways to streamline operations, account for hidden costs, and evaluate new methods for lowering costs. In addition, repeated costing exercises can enable to track costs over time.

For example, when SafeSave in Bangladesh implemented the ABC process in 2002, they discovered that their cost of collecting delinquent payments was far higher than expected. They were able to discover that while the Vice Chairman and the General Manager spent an extended amount of time on delinquent loans (55 percent and 35 percent respectively), that figure was significantly lower for field collectors (less than 3 percent). SafeSave instituted a new performance-based pay system and was able to dramatically improve recoveries, which translated into a 20 percent increase in fee revenues.

Third, Activity Based Costing enables institutions to weigh these costs against their institutional priorities. If the objective of mobilizing savings is simply to find an alternative source of funding for credit-based client services, then it only makes sense to collect savings if the product is viable in comparison to other potential sources of funding. However, if there are other institutional objectives, such as client demand or donor pressure, then an accurate picture of costs enables an MFI to make informed decisions.

For example, Swayam Krishi Sangam (SKS) in India discovered that their savings products were not viable. The funds were not leveraged for on-lending, were administratively cumbersome, and had high transaction costs relative to average balances. However, savings are an important service provided by SKS to its clientele, and the management very much wanted to continue them in some form. Activity Based Costing has enabled them to balance pricing for sustainability against the needs of the clients.

The opposite was the case for Sarvodaya Economic Enterprise Development Services (SEEDS) in Sri Lanka. The ABC process demonstrated to them that their savings products were an untapped source of potential funding. Less than one percent of total organizational time was spent doing savings mobilization, despite early indications that savings mobilization is significantly more cost effective than the commercial loans currently on the books. This led to a strategic realignment that emphasized expanding savings as a path for growth.

Assessing the Role of Savings

Savings mobilization has the potential to have a large impact on the world of microfinance. It can reduce the dependence of MFIs on donors, socially responsible investors, and commercial banks. Savings can also serve as a means for an MFI to attract new and poorer clients. However, it is also increasingly clear that the costs of mobilizing savings can outweigh the financial benefits in many circumstances. Activity Based Costing offers a means of evaluating the role of savings within an institution by answering important questions about cost structure, process, and viability, all of which can help an institution make informed decisions.

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Rural Savings Mobilization in West Africa: Guard Against Shocks or Build an Asset Base?

Renée Chao-Béroff

Conventional Wisdom and Realities

Africans have the reputation of being good savers, working to secure their savings by all means, by creating RoSCAs[34] amongst neighbors and when needed by soliciting the expensive services of deposit collectors.

It is commonly thought that the "Coopératives d'Épargne et de Crédit"[35] (COOPECS) have thus mobilized important volumes of savings, much higher than the credit needs of the same population, and are thought to be chronically over-liquid.

Of course, this conventional wisdom has an ounce of truth to it, but seems to be today – after deeper analysis – largely over-rated and decontextualized.

The growing need to secure savings has been more prevalent in towns, where there is increasing insecurity and daily social pressures. This has been the case mostly for micro, small and medium entrepreneurs in the informal sector, who consider banking services as inaccessible, both from a financial and social standpoint. It is indeed this clientele who is targeted by the RoSCAs and deposit collectors. In West Africa, this is essentially an urban phenomenon.

In rural areas, apart from the big commercial towns, there are no deposit collectors in villages located more than 15 kilometers from the cities. The rare RoSCAs that had been introduced by migrants are small (fewer than 10 people), function with very low savings amounts (US$ 1 to 2 per month), are essentially devoted to social ends and often experience difficulties (seasonal interruption, closing in the middle of a cycle due to delinquency of some members, etc.). In livestock rearing and Sahelian zones that are poorly monetarized, the RoSCAs are not even known.

Thus, populations in rural West Africa continue to prefer in-kind savings (silo, livestock) that seem more liquid, cheaper to maintain, and even sometimes more profitable (i.e., in the case of livestock reproduction). The most entrepreneurial people invest their savings as working capital for their business in the dry season, which is quite profitable.

[34] Rotating savings and credit associations.

[35] Savings and credit cooperatives.

In addition, poverty in West Africa is found mostly in rural areas. This is why, after a decade of presence in rural areas (even in high yield areas), the COOPECS have favored migrating to cities and central towns in order to be able to mobilize a higher volume of savings, while eventually sending it back to rural areas through the village banks. The COOPECS of West Africa have not been highly liquid since the mid-90s.

What are the Conditions for Efficient Rural Savings?

Saving-mechanisms in rural areas in West Africa have turned out to be relatively adapted to rural clients, regardless of condition. Transaction costs are almost zero given that these goods can easily be liquidated on site if need be. The risks (i.e., fire, and theft of grain silo, death or theft of livestock) are not higher than the risk of placing their savings in MFIs in town, especially after the bankruptcy of several COOPECS in West Africa that have slighted rural savers.[36] We can say that the traditional solutions are sufficient and relatively efficient in using small savings to guard against shocks.

Nevertheless, these savings mechanisms do not really provide incentives, above and beyond the simple protection from shocks that households experience (i.e., disease, drought, social events). They do not develop the capacity to manage and accumulate wealth and do not favor the progressive development of real economic strategies. It is probably by considering savings as a vehicle to build assets (creation of working capital, investment capacity) that encouraging access to formal rural savings would be more appropriate.

It is often said that savers demand accessible and flexible saving services, and that they are not demanding with regard to returns.[37] The experience of the "Caisses Villageoises d'Épargne et de Crédit Autogérées"[38] (CVECA) in West Africa tends to contradict this claim, as attractive returns (from 5 to 10 percent per year) have enabled a significant portion of savings meant for asset building to be mobilized in non-liquid term deposit accounts ranging

[36] One other risk worth mentioning is the risk of pricing, when clients may be forced to sell an in-kind asset at the time when the price of the asset is low.

[37] Although they are also not indifferent, other things being equal.

[38] Autonomous savings and credit village banks.

from 3 to 12 months rather than in very liquid non-interest-bearing sight deposits. In the liability structure of the CVECA, the portion of sight deposits represents 25 to 35 percent of total deposits, while term deposits represent 65 to75 percent of the total.

To fulfill their goals, savings products whose objectives are to build assets need to provide incentives by duration (term deposits) and by returns (attractive interest rate); they need to have a contractual aspect that requires a certain regularity (savings plan) and help depositors renounce immediate consumption for the benefit of a long term durable good.

Length and regularity represent essential elements of the savings discipline that help rural populations resist social pressure and avoid ordinary waste. They are also basic elements that enable a longer term vision for rural populations who continue to live from season to season and lack the capacity to make longer term plans.

It is clear that in order to be able to offer such savings products, the system needs to have the following components: management and treasury skills, follow-up and management of loans, and an efficient and highly decentralized management information system that will enable these stable savings to be securely provided.

Mobilizing Rural Savings to Reinforce the MFI or to Reinforce the Client?

With time, many MFIs have learned about the positive aspects of mobilizing local savings, including the advantages that foster the sustainability of their institutions.

Local savings play several roles for an MFI:

- Constitute a relatively cheap source of funds;
- Represent a financial guaranty for loans that is easily accessible;
- Reinforce responsibility of the employees;
- Reinforce the repayment discipline of borrowers;
- Contribute undeniably to reinforcing the viability of the MFI and its long-term self-sufficiency;
- Allow the MFIs to serve people who do not want to borrow money.

As a result, MFIs market savings to their clients and entice them, even sometimes require them, to save at their institution.

As long as savings are perceived by clients as a pre-condition to having access to credit, they will abide by it, but the impact will remain limited and the volume mobilized will remain low, considerably below the true capacity.

Experience shows that only savings conceived as a means of client empowerment have an impact on their behavior. Only voluntary savings can reach significant volumes.

In rural areas, where market opportunities are not as frequent and important as in towns, savings can be a low-risk economic means for clients to self- or co-finance their productive projects or microenterprises. This is the approach that MFIs can promote if they are looking for long-term impact. But how many will take that leap, one that can seem counter productive in the short-run for an MFI that is seeking to rapidly increase its loan portfolio?

Rural Savings Mobilization: Lessons

In West Africa, rural populations have developed well adapted saving mechanisms to guard against shocks, ones with which formal financial systems would have a hard time competing.

On the other hand, the reflex of savings accumulation and investment savings to build assets is not yet well developed among rural populations, given the lack of incentive mechanisms and adapted products.

Given that it is demanding and relatively expensive to put these mechanisms and products in place, in whose interest would it be to promote them?

All things considered, this type of savings is the one that would best bring about development, and that the highest performing MFIs should be encouraged to develop and market. In rural areas, savings for productive self-financing has a future, especially as a financing mechanism for agricultural activities.

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TALKING ABOUT PERFORMANCE RATIOS

Towards a Package of Savings Indicators[39]

Elisabeth Rhyne

The Challenge of Measuring Savings Mobilization Performance

As traditionally credit-led microfinance institutions take up the challenge of savings mobilization, it has become increasingly important to be able to measure and compare the performance of savings programs. However, this topic is only beginning to engage the microfinance field, which has made progress incorporating savings into the overall measurement of financial condition and performance of MFIs. We know how to gauge the *general health* of a financial institution, even a savings-based one, using indicators that measure capital adequacy, returns, asset quality, and liquidity. ACCION's CAMEL (Capital, Asset, Management, Efficiency, Liquidity), the World Council of Credit Unions' (WOCCU) PEARLS (Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity, Signs of Growth) and the *Micro-Banking Bulletin* (MBB) all center around such indicators. But when it comes to analyzing the mobilization of savings itself – asking whether an institution is a successful savings mobilizer – we come up short. On such questions the microfinance field barely gets beyond total number and volume of accounts.

The microfinance community has put a great deal of effort into understanding how to measure success in credit. Microfinance professionals the world over can talk easily with each other about the parameters that indicate credit success. The credit indicators of the *Bulletin* embody this industry consensus. The basic package for assessing credit operation performance includes key indicators that measure critical dimensions of performance in three main areas: outreach, efficiency, and risk.

Scale and outreach indicators

- Volume – loan portfolio
- Scale of outreach – number of active borrowers
- Depth of outreach – average loan size, depth

Efficiency and Productivity indicators

- Efficiency – administrative cost ratios
- Physical Productivity – loan officer or staff caseloads
- Revenue generating ability – portfolio yield

Risk indicators

- Portfolio at risk
- Loan loss rate

Note that nearly all of these indicators are specific to credit, although several bear directly on institutional health. Thus, while the difference between measuring credit program effectiveness and measuring institutional health is conceptually clear, in practice the measures overlap. The situation is similar in savings: measures of overall institutional health contribute to but are not sufficient for assessing savings mobilization performance (and vice versa).

The purpose of this article is to launch a discussion regarding indicators for evaluating savings mobilization. The article lays out a framework for selecting indicators, using the same categories of assessment as we use for credit: scale and outreach, efficiency and productivity, and risk. If it were possible for institutions to report on all these indicators, we would have a very good basis for judging savings success. Unfortunately, nearly all the indicators are problematic at present. For example, even as simple an indicator as the number of active savings clients contains numerous hidden issues that need to be clarified before reported numbers can be interpreted. Does the institution eliminate inactive accounts from its reporting? If so, does it use a widely accepted method? Can it report by number of clients or only by number of accounts? More severe difficulties attend the measurement of administrative costs of savings (as distinct from credit), which requires detailed cost studies.

Given the range of issues associated with each indicator, we cannot simply propose a package and expect immediate implementation throughout the

[39] Acknowledgements: The author has benefited greatly from conversations and written exchanges with Marguerite Robinson, Madeline Hirschland, Lynne Curran, Cesar Lopez, Deborah Drake and the staff of the MIX, particularly Isabelle Barrès. These people did not contribute to any errors that may appear in the article.

microfinance field. The process of developing consensus about credit indicators took years, as did the process of building the capacity of MFIs to use the consensus indicators for their own management and in reporting on their performance to outsiders. The *Bulletin* has been a catalyst in this process, building on a substantial body of agreement that preceded it.

With regard to savings, the *Bulletin* is committed to supporting the development of a consensus package of savings indicators over time, and to incorporating such a package into its statistical tables. With this issue it has expanded the amount of savings-related information collected, even while recognizing the importance of working on data quality issues arising from inconsistency in much of the information that will come in response to these new measures. The *Bulletin* will encourage MFIs to improve the uniformity of definition of information reported, and will gradually add new indicators as it becomes feasible to do so, until the package is complete.

Proposed Indicators

The discussion of the merits of various savings indicators is organized in the same three areas addressed in the basic package of credit indicators: scale and outreach, financial and physical efficiency, and risk.

Within each major area, we seek to identify indicators that meet certain criteria:

- Ease of calculation and availability of data
- Emphasis on performance of savings vs. overall institutional health
- Helpful to internal and external stakeholders (i.e. useful for management and for cross-institution comparisons)
- Captures key savings concept – likely to generate consensus

Much of this discussion focuses on the feasibility of incorporating various indicators into standardized reporting, particularly into the *Bulletin*. However, underlying this aim is the broader question of best practices in measurement for the internal management of savings. The proposed indicators are discussed below, one by one.

Defining Financial Intermediation

The *Bulletin* is challenged to accommodate institutions with a wide range of involvement in savings, from small savings programs in credit-led institutions to credit unions to savings banks. The *Bulletin*'s response has been to create the financial intermediary peer group, defined as institutions with at least 20 percent of total assets funded by voluntary savings. While this is a first step, the category still combines institutions ranging from highly credit-led to exclusively savings-led. Over time, the *Bulletin* will need to subdivide the financial intermediary category, using the deposit to assets ratio or a loan to deposit ratio to define subgroups. This subdivision will be especially important to develop a better understanding of the efficiency and risk indicators.

Monitoring of a ratio such as cash and secure investments to deposits could also be relevant for those credit NGOs that take deposits but, lacking a license, do not on-lend them.

Savings Indicators Presented in MBB Tables

Financial Intermediation

1. Deposits to total assets
2. Deposits to loans*

Scale and Outreach

3. Total deposits (voluntary or mandatory)
4. Number of active voluntary savers
5. Average balance per saver

Efficiency and Productivity

6. Voluntary savers per staff member*

Risk

7. Non-earning liquid assets as a percentage of total assets*

* Indicators appearing for the first time in the *Bulletin.*

Scale and Outreach

1. Total deposits. This indicator is the fundamental measure of the scale of savings mobilization and is directly analogous to outstanding loan portfolio. Because the chart of accounts of institutions generally identifies total deposits, it is probably the most readily available and reliable indicator in the whole package. Nevertheless, even this seemingly simple indicator raises important questions. It is important to distinguish – and report separately – several types of deposits, particularly voluntary versus mandatory deposits and savings account deposits versus fixed term deposits. The *Bulletin* questionnaire already requests such breakdowns. It publishes voluntary savings only, eliminating mandatory savings before publishing the data.

The *Bulletin* also asks institutions to separate individual and institutional deposits (having added the latter question in the latest data collection round). More work is needed to determine whether the institutions reporting are actually able – and willing – to make all the above distinctions, and whether the distinction between individual and institutional deposits is meaningful.

2. Number of clients or accounts. The intent of this indicator is to demonstrate the scale of outreach. However, institutions are generally better able to report on the total number of accounts than clients. Moving from accounts to clients involves several adjustments: for inactive accounts, multiple accounts held by the same person, and possibly accounts used solely as mechanisms for servicing loans. Unfortunately, not all institutions may be able to make these distinctions, and even when corrections are done, they may lack consistent treatment across institutions. In the short run, it makes sense for the *Bulletin* to measure active accounts rather than active clients.

As with the above total deposits indicator, the number of accounts indicator should be disaggregated by product (savings, fixed term, mandatory), to effect a direct correspondence between the indicators of number and amount. This is particularly important because of the typical difference in characteristics between savings account and fixed deposit customers.

Another type of disaggregation particularly important for credit institutions launching savings distinguishes true savings clients (with or without loans) from clients who use their savings accounts solely for loan disbursement/repayment transactions. Mibanco in Peru, for example, tracks the percentage of savings clients with and without loans, to see whether its savings products attract new clients.

3. Average account balance (total deposits/number of accounts). As above, this indicator should be broken out savings and fixed term products.

This indicator is directly analogous to average loan balance and has the same advantages and disadvantages. It provides a quick and dirty reference point regarding depth of outreach, and is by far the most readily and widely available number on depth. However, the mean is a poor measure of the distribution of account sizes, and if an institution serves a broad market, the mean reveals little about its outreach at the low end. It is simple to adjust this indicator by GDP per capita (as the *Bulletin* does in creating its Depth indicator), for better international comparisons, but this adjustment only addresses one of the several shortcomings of average account balance.

4. Size distribution of accounts. A much better picture of depth of outreach is possible through a size distribution of accounts – both total savings deposits and number of accounts can be sorted into several size groupings. This information is relevant for an institution's own management as it seeks to strike an effective balance between smaller and larger accounts. For example, Mibanco monitors two size distributions of accounts, one for savings and one for fixed term deposits, using size ranges relevant for each product. The analogous credit indicator is not widely used, despite the fact that it too would reveal a great deal more about depth of outreach than average balances. Issues in promoting the use of this indicator through the *Bulletin* include: deciding on one set of size categories applicable across institutions for international comparisons, the fact that a distribution of sizes takes more publication space than a single number indicator, and the question of whether institutions have the MIS capability to sort accounts in this way. A more general issue is that there may be even less evidence of correlation between savings account size and client income than in case of loan size, for example, since many clients diversify risk by saving in multiple institutions. The *Bulletin* does ask for a breakdown of accounts by size, but does not use this information in published tables.

Efficiency and Productivity

While there are many data quality issues related to scale and outreach, information on these indicators is excellent in comparison to information available on efficiency and productivity. Although a few indicators can be collected fairly easily, few systems exist for collecting some of the most valuable indicators. Institutions must start by conducting their own internal analyses to begin identifying the most useful ways to measure efficiency.

5. Savings expense ratio (operational costs of administering savings/average total deposits). Measuring the efficiency of savings mobilization requires separating the costs of administering savings from the costs of credit administration. While combined efficiency measures are already well-understood for credit-led institutions and figure prominently in the *Bulletin* (various administrative expense ratios), few if any institutions separate the costs of credit administration and savings administration on a regular basis. Such information requires detailed cost studies involving a range of methodologies (e.g., cost allocation, activity based costing) and ample subjective judgment. While savings mobilization costs cannot now become a standard indicator, it is important to understand these costs. Institutions should conduct cost studies to begin developing a base of information about the cost structures associated with different kinds of institutions – and to increase know-how regarding costing exercises. The article in this issue by Ben Reno-Weber provides a methodology, and the article by Dave Richardson is a fine example of such a study. A

longer term research effort that may ultimately culminate in some indicators useful for comparing performance across institutions.

6. Transactions per staff member (or per teller). In assessing the efficiency of credit operations, measures of staff productivity are important supplements to measures of cost, and can be particularly important to management in setting performance targets. Indicators like loan officer caseloads are often essential bases for staff incentive systems. On the savings side, it is important to know how many transactions staff can handle – withdrawals, deposits, inquiries, etc. – in order to ensure that the institution has the capacity to provide good customer service (also factoring out credit-only transactions). For savings, the number of clients or accounts does not always track the number of transactions, but ultimately, it is the transactions that must be managed. The utility of such indicators is broad, from product pricing to cost-benefit analysis of technology purchases. Transactions can also be measured by product or by delivery channel – an approach used in activity-based costing exercises.

Among microfinance institutions, transaction measures are not commonly integrated into routine monitoring. An exception is Bank Rakyat Indonesia (BRI), which has long understood its own transactions volumes and used them as planning targets. This is an area for further research: institutions should begin developing and testing such indicators for their own purposes and sharing the results – or at least the techniques – with others. A costing analysis could aim to produce transaction-based indicators as one of its main outcomes. Again, the Richardson article illustrates the use of such measures, reflecting the credit union experience with transaction monitoring.

7. Savings accounts per staff member. This indicator is easily available, and included in *Bulletin* tables as it is simply constructed from other key data, but in its simplest form, it does not differentiate between savings-focused and credit-focused staff. Because microfinance institutions are so different from each other in the level of focus on savings, cross-institution comparisons are difficult. At present the microfinance field lacks any benchmarks to guide interpretation of specific results. Over the course of a few years of collecting and reporting on this indicator, the *Bulletin* can begin developing benchmarks. Variants of this indicator that may also be useful include volume of savings per staff member and number or volume of savings per savings-focused staff. It will take time before any of these indicators can be used to evaluate performance across institutions, but institutions can monitor these indicators internally to watch trends in their own evolution.

8. Financial cost (interest paid less fees collected as percentage of average total deposits). It is important for a complete package of indicators to contain a measure of the financial cost of savings. The proposed indicator is a much easier (and more relevant) indicator to calculate than real effective interest rate paid to clients, because institutions typically offer a range of interest rates depending on account size and product liquidity. The financial cost indicator is directly analogous to portfolio yield and should generally be readily available both by product and on a consolidated basis. Little is known about whether institutions are able to separate out savings-related transaction fees (such as ATM fees) in order to use them to offset interest paid to clients in calculating this ratio. This indicator alone would not reveal the overall financial cost to the institution, because it does not adjust for the financial cost of reserve requirements that authorities may impose on deposit-taking institutions. An adjusted financial cost indicator could also be useful.

Risk Indicators

The main measurable risk directly involved in savings mobilization is liquidity risk, loosely, the risk that the institution will not have adequate cash on hand to meet depositor requests for withdrawals. While liquidity risk is examined in most analyses of overall institutional health, the topic is included here because of its close linkage to successful savings. Liquidity risk has received very little attention in microfinance to date, because the main liquidity issue for credit institutions involves funding to meet credit demand. As credit demand can be forecast and controlled more easily than demand for deposit withdrawals, liquidity ratios for microfinance programs have typically been quite low and liquidity risk given relatively little attention. With the introduction of savings and savings-based institutions, the perspective on liquidity must be enlarged.

Consensus has not yet formed around appropriate liquidity measures for savings mobilizers in microfinance. Savings-based organizations, such as credit unions, have developed indicators. WOCCU's PEARLS, for example, uses three measures:

9. Liquid assets less short term payables as a percentage of total deposits. This ratio is easy to calculate and available, provided there is clarity on defining liquid assets.

10. Liquidity reserves as a percentage of total savings deposits. The use of this indicator in the *Bulle-*

tin would require development of a clear definition of the liquidity reserve, that is, what types of liabilities form the reserve and how the reserve is managed.

11. Non-earning liquid assets as a percentage of total assets. This indicator, which the *Bulletin* includes, attempts to address the problem of efficient cash management, ensuring that institutions are earning income from as large a portion of their assets as possible. It is not particularly tied to savings performance.

The virtue of the PEARLS indicators is that they are reasonably easy to calculate, provided (a big proviso) that definitional clarity and consistency exist across institutions in their classification of liabilities. However, another point of view is that standardized liquidity ratios are not the best way to measure liquidity risk, because liquidity management is an ongoing process. This is particularly true when considering the importance of maturity matching in addressing liquidity risk. Some argue that the microfinance industry is not ready to establish benchmarks for quantitative liquidity indicators because of the wide differences among institutions. For example, the ACCION CAMEL measures liquidity performance on the basis of the liquidity management structure and process within an institution. Liquidity risk measurement will need further consensus building.

The Process of Developing Indicators

This article issues a challenge to motivate a wide range of players to work on improving measurement of savings performance.

Progress is needed along two tracks. The first track is the development and spread of best practices regarding measurement of savings performance. This track reflects the need of individual institutions to better monitor their own performance. Given the diversity of deposit-taking microfinance institutions, best practices will involve a variety of indicators, some closely tailored to specific institutions (and therefore not suitable for cross-institution reporting). In order to promote the dissemination of best practices, the *Bulletin* is already beginning to contact successful deposit-takers, including credit union networks, savings banks associations and commercial banking associations, to learn more about how they measure savings performance. It is hoped that MFIs involved in savings mobilization will volunteer to test or develop indicators, particularly those associated with efficiency and productivity. The *Bulletin* would be prepared to publish the results of efforts to develop such indicators.

The second track, which of necessity slightly lags behind the first, involves development of a standardized package of indicators used to compare performance across institutions. This package can only contain indicators of widespread relevance and availability. For those indicators where there is a reasonable amount of consensus and data availability, the *Bulletin* is already working to integrate them into its routine data collection effort. During the next year it will assess the viability of the new indicators as data come in from various institutions. Future issues will call attention to the data quality and interpretation questions regarding these indicators. At some point it may make sense to have a more formal consensus-building process focused on defining and agreeing on a full package of indicators, similar to the process that has already occurred around indicators of institutional health and credit.

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CASE STUDIES

Evolution of Savings Products at ASA

Mostaq Ahmmed

Introduction

Association for Social Advancement (ASA) was established in 1978 to serve rural populations in Bangladesh, and more particularly women, who are the worst sufferers and victims of social injustices. ASA has currently over 2.2 million members forming different groups with special emphasis on saving practice and 8,000 employees engaged in disbursing and collecting loans and savings deposits. ASA offers a wide range of services to its clients – including micro credit, small business credit, regular weekly savings, voluntary savings and life insurance – and follows a simple, standardized, low-cost system of organization, management, savings and credit operations.

The Rationale for Offering Savings

Without savings, the poor are more vulnerable to external shocks and rely heavily on moneylenders in times of emergency (i.e., natural disaster, sudden accidents), or have to sell their limited assets. With access to small savings deposit facilities, they would be able to escape the vicious circle of moneylenders and save their assets. Moreover, their accumulated savings would help finance their productive activities. This is why ASA decided to undertake a savings program for its group members, making a drastic change in previous product offerings.

Offering savings has the double effect of helping clients in capital formation, and providing ASA with an opportunity to be self-sufficient by not depending on foreign assistance.

Key objectives of the savings services for clients are to:

- Motivate members to deposit more savings that result from their income generating projects;
- Use savings as a source of capital for income generating projects;
- Use savings to help with family emergencies;
- Introduce door-to-door services;
- Allow clients to accumulate funds.

Savings Products: A Client-Driven Approach

The ASA methodology was developed in the field through a hands-on approach. ASA is proud to be a client-responsive financial institution that revises its financial products depending on the feedback from clients and staff.

ASA found that a large portion of the poor population was interested in having access to savings services, even though the volume of savings was small because of their limited capacity to save. In addition to access, ASA found that these potential clients were interested in having the opportunity to withdraw their savings when they needed them. Having the assurance that they could – if needed – withdraw their savings was therefore an important feature.

Moving Away from Mandatory Savings

ASA started by offering only mandatory savings as a precondition to getting a loan. Nevertheless, it realized that mandatory savings, added to the regular weekly installments for loan payments, were taking a heavy toll on clients. In addition, clients could not use their savings during an emergency. ASA considered all of those issues, and introduced voluntary savings with unlimited withdrawals.

Voluntary Savings with Unlimited Withdrawal

ASA introduced voluntary savings for its members in 1997. They could deposit any amount according to their capability, and were given the option to withdraw funds as needed with no limitations. This resulted in an excessive number of withdrawals, and created an imbalanced position for ASA and serious obstacles to fund management. In addition, the savings programs failed miserably for some practical reasons. The field staff created extra pressure on the members to save more and more, without taking into account their capacity. As a result, the percentage of member dropouts increased drastically, as shown in Figure 1.

Figure 1: Member Dropout from 1998-2002

Year	New Members	Total Members	Member Growth Rate (%)	Drop-outs	Dropout Rate (%)	Net Members
Up to 1997						805,631
1998	783,785	1,589,416	49	466,380	30	1,123,036
1999	831,674	1,954,710	43	775,723	40	1,178,987
2000	348,945	1,527,932	23	322,994	21	1,204,938
2001	634,979	1,839,917	35	260,545	14	1,579,372
2002	920,571	2,499,943	37	363,778	15	2,136,165

Source: ASA MIS Section – 2002.

The data reveals that from 1998 to 1999 the dropout rate increased from 30 percent to 40 percent. After realizing the negative effects of these savings products and discontinuing them, the percentage of dropout started decreasing and stood at 14 percent in 2001.

Mixed Savings: Voluntary and Mandatory

ASA had to take immediate action to respond to increased client dropout and withdrawals. Taking into account field data showing that group members could increase their savings if they were offered flexible products, ASA opted to offer voluntary and locked-in savings simultaneously (unlike most MFIs which do not allow savings withdrawals). This allowed ASA to continue offering liquid products while reducing withdrawals. ASA's savings products are described in Figure 2.

Figure 2: ASA Saving Product

Weekly Saving	6% yearly interest rate. Minimum saving Taka 10 per week for small credit and Taka 20 per week for small business credit (about US$0.18 to US$0.36). Members may withdraw savings at any time as long as they maintain a balance of at least 10% of their loan principal outstanding.
Voluntary Saving	6% yearly interest rate. May deposit any amount above their mandatory weekly savings. Members may withdraw savings at any time as long as they maintain maintaining a balance at least 10% of their loan principal outstanding.
Long Term Saving*	9% yearly interest rate. Members deposit TK. 50 to TK. 500 per month for five years.
Associate Member's Saving*	7% yearly interest rate. Any family member of an ASA borrower may deposit any amount in savings.

* Discontinued.
Source: ASA.

ASA's flexible saving program has been widely accepted, and has had a significant impact in rural areas. This "radical change"[40] has enabled rural communities to enjoy rural banking services at their doorsteps.

ASA's poor beneficiaries use their savings deposits:

- to cope with periodic or seasonal cash flow deficits (i.e., for emergency access);
- to protect their family from adversity;
- to loosen their liquidity constraints;
- to balance cash flow over their life cycle.

Associate and Long-term Savings

ASA tried to offer a variety of saving schemes to group members by introducing associate saving accounts and long-term savings at attractive interest rates. ASA learned that although poor people – especially women – were always willing to save more, their low income level did not enable them to do so. The programs resulted in an increase in the number of accounts because the savings were broken down into several deposits made by different family members, but did not correspond to an overall increase in savings volume.

In addition, members could make deposits only during the group meeting, which was held for less than an hour, and some who could not make it to the meeting were having a hard time keeping the cash in hand until the next meeting. This showed ASA the importance of time flexibility to encourage saving mobilization. For example, most poor people work during the day and receive their earnings in the evening. It is important to consider providing evening service or window service at the office.

ASA finally closed down the associate and long-term savings program due to the unrealistic burden on the clients and its poor results. ASA continues to offer mandatory and voluntary savings that are

[40] "The proposal to introduce open access savings was a significant departure for ASA in great part because it required a radical rethink of the organizational approach and institutional culture", in Wright, Christen and Matin, "ASA's Culture, Competition and Choice: Introducing Savings Services into a MicroCredit Institution", Kampala: MicroSave-Africa, 2001.

accessible, and efficient deposit services that will help poor households better manage their limited financial assets and smooth consumption patterns.

Savings Make Sense from an MFI Perspective

Most of the MFIs of Bangladesh depend on donor funds for capital to operate their micro credit programs. But what will happen if donors withdraw their support? Offering savings represents an important alternative for raising funds and an opportunity to become self-sufficient.

ASA is funded through a variety of sources, including its own funds, member savings, and loans from PKSF and CORDAID. ASA's statistics (see Figure 3) show that the savings program is important because it contributes 26 percent of ASA's total resources.

Figure 3: Distribution of ASA Funding by Source (%)

Source	Source Name	2002	2001	2000	1999	1998	1997
1	PKSF, Bangladesh	28.47	30.70	28.77	29.93	23.71	21.76
2	Bank loan	0.00	0.00	0.00	0.42	0.34	0.52
3	CORDAID, Netherlands	0.66	0.71	0.40	0.51	0.00	0.00
4	Member savings	25.62	23.85	28.92	29.22	36.56	36.91
5	Member insurance	0.79	1.05	1.29	1.71	2.07	2.84
6	Loan loss reserve	4.51	4.10	3.59	2.94	2.10	1.26
7	Emergency fund	6.26	5.67	4.79	3.66	2.77	1.58
8	Others	1.53	2.32	1.73	1.79	2.29	3.97
	Sub-total	**67.85**	**68.40**	**69.48**	**70.20**	**69.84**	**68.84**
9	Capital or equity						
	a. Donation (foreign)	8.31	11.41	14.35	17.31	19.79	21.49
	b. Service Charge	19.71	14.51	10.50	7.98	5.84	4.79
	c. Other Income	4.14	5.69	5.67	4.51	4.52	4.88
	Sub-total	**32.15**	**31.60**	**30.52**	**29.80**	**30.16**	**31.16**
	Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: ASA MIS Section – 2002.

Savings Mobilization Challenges and Lessons

Returns, flexibility and access: To encourage more savings deposits, MFIs need to offer a lucrative interest rate and flexibility in a secure setting. Well-furnished offices with flexible hours can attract people to increase their savings deposits. Branch offices in the rural areas should also be set up to facilitate access. ASA's branch offices are situated 8 to 10 kilometers from the groups they serve.

Delivery Methods: ASA collects both deposits-savings and installments in the same weekly meeting. The savings collection interrupts the credit collection, and given that the credit officer is more concerned about loan collection than voluntary savings, neither of the tasks can be performed effectively. A completely different structure with much more flexibility and options are needed to address this type of problem.

Increasing Growth Capacity: ASA does not expect more savings from poor people as their weekly income – after the mandatory savings of 10 to 20 Taka and the loan repayment – is on average US$ 1 to 2. Therefore, we need to target poor and middle class people to encourage them to deposit more savings. To attract the middle class, MFIs need to make sure that their office environment is appropriate, and need professional staff who will help to increase confidence. They also need to address the fact that, due to their class and cultural conservativeness, these new potential clients may resist sitting and spending time with the poor or hard core poor in the same group meeting. Increased marketing can also convince savers. Although this may represent an opportunity to attract new clients, costs will also surely increase as a result.

Increasing confidence: The structure of the organization needs to be changed to provide a more professional feel and give people the assurance that their funds are secure[41] In addition, MFIs have to face the fact that people's confidence in NGOs diminished after NGOs in Bangladesh were involved in fraud scandals with their clients' deposits.[42]

Future challenges may be experienced by MFIs in Bangladesh due to the lack of an appropriate legal framework, where the Central bank and international organizations have a crucial role to play, and

[41] Which they may not feel with the existing simple office structure of MFIs.

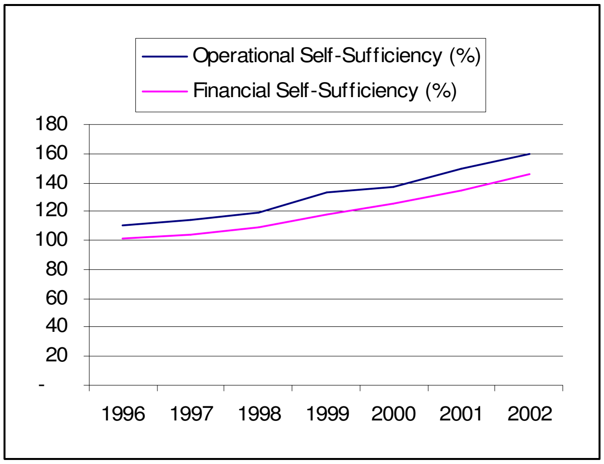
[42] These escaped with huge amount of savings deposits, which damaged the whole market, and took a big toll on people's confidence.

the disincentive from soft sources of funding like PKSF if IDA/WB funds dry up.[43]

Some Results

When an MFI is able to cover all costs from the income it generates from its credit and savings products, the institution becomes sustainable. This requires providing services at the lowest possible cost to clients, while maintaining high quality. Figure 4 shows self-sufficiency results for ASA.

Figure 4: ASA's Self-Sufficiency



Source: ASA.
For definitions, refer to MicroBanking Bulletin No. 9, July 2003, pages 52 and 53.

The financial indicators from 1996 to 2002 show a steady increase in operational and financial self-sufficiency from 110 percent and 102 percent in 1996 to 160 percent and 146 percent in 2002, respectively.

[43] Funds from PKSF are available at a 7 percent interest rate. But the estimated cost of mobilizing savings from members is at least 10 percent (6 percent interest; 4 percent minimum operational cost). For this reason most MFIs are not interested in mobilizing savings from members.

Conclusion

Due to effective measures and client-oriented services, ASA has finally become a renowned and leading micro finance institution. It provides financial service to its clients for their self managed income-generating projects and helps them be self-reliant. ASA's simple and flexible micro finance products were able to attract millions of clients while at the same time enabling it to provide high quality services.

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Designing Savings: Equity Building Society's Jijenge Savings Account

Graham A. N. Wright

Introduction

Throughout time, all around the world, households have saved: as insurance against emergencies, for religious and social obligations, for investment and for future consumption. The importance the poor attach to savings is also demonstrated by the many ingenious (but often costly) ways they find to save.[44] But for a variety of reasons, most informal mechanisms fail to offer financial services to the poor in a convenient, cost-effective and secure manner. As a consequence, when poor households' are provided a safe, easily accessible opportunity to save, their commitment to saving, and the amounts they manage to save are remarkable. Designing savings services to respond to this potential market requires the careful balancing of preferences of the saver and those of the institution. The next section of this paper considers the two perspectives – those of the saver and those of the MicroFinance Institution (MFI).

How People Save: Savings Products and Services from a Saver's Perspective

Balancing Convenience, Risk and Returns

It is clear that most poor people do not have **access** to formal sector banks for reasons that include the:

- Geographic distance from the financial institution;
- Terms and conditions governing the available financial services it offers;
- Disrespectful manner in which the staff treat poor clients;
- Intimidating appearance of the financial institution; and
- Complexity of the paper work and the difficult process necessary to make a transaction.

The poor look for some system to provide the **security** and **accessibility** necessary to save. Acceptable degrees of security are relative, dependent on the available programs, and are never 100 per cent. Almost every poor person has been in, or knows of, a failed Rotating Savings and Credit Association (RoSCA) or crooked deposit collector[45], but the accessibility of a regular opportunity to save in a disciplined manner is what makes RoSCAs and deposit collectors so popular worldwide.

Access is markedly different from **liquidity**, and often considered more important by poor people who have little time to make their transactions. While many authors have stressed that "liquidity is the key to local savings mobilization", it is important to note that in many circumstances the poor have a strong "illiquidity preference". This "illiquidity preference" is in response to the poor's self-imposed desire for structured and committed savings mechanisms that prohibit them from withdrawing in response to trivial needs and allow them to fend off the demands of marauding relatives requesting "loans" or assistance.

With the exception of successful Accumulating Savings and Credit Associations (ASCAs) and auction RoSCAs, the **return** on savings in the informal sector is rarely above zero. Often the poor pay to save through a conveniently accessible system such a deposit collector who visits daily to collect savings.

Managing Liquidity and Duration

All families require funds for different purposes that vary with respect to the amount and the immediacy with which the funds must be made available. Many emergencies or opportunities necessitate instant access to cash. This explains why almost all poor families keep some amount of emergency savings in the home, and why many do prefer highly liquid savings services. The "illiquidity" preference described above means that poor people require both liquid and illiquid services, and those that save often hold multiple accounts. Similarly, poor people often use a strategy of "targeted savings", including some highly illiquid savings, (notably, in the absence of alternatives, MFIs' compulsory savings) to build-up large lump sums of money to purchase significant capital assets such as land and houses.

Compulsory, Locked-In Savings

The poor require little compulsion to save. They simply want a reasonable mechanism to do so and the assurance that they will be able to access those savings. Indeed, there is evidence that compulsory savings, particularly those that are deducted from

[44] Stuart Rutherford, "Savings and the Poor: the Methods, Use and Impact of Savings by the Poor in East Africa", MicroSave-Africa, Kampala, 1999.

[45] Wrigh and Mutesasira, "The Relative Risks to Poor People's Savings", Journal of Small Enterprise Development Vol. 12 No. 3, ITDG, London, UK, 2001.

the loans issued, are simply viewed by clients as part of the cost of the credit. Some clients use these compulsory savings systems to build up useful, long-term lump sums of money. However, it is possible that well designed open access savings accounts and contractual savings agreement schemes could give clients the *option* of setting these funds aside. Furthermore, such systems would not force the clients to leave the MFI, or reduce their ability to access loans, if they liquidate their savings.

Designing Savings Products and Services from an MFI's Perspective

Balancing Convenience and Returns

As seen above, when deciding on the savings services, poor people look for a mix of accessibility, security, liquidity and (ideally but not crucially) returns. The financial institution's perspective is almost the mirror opposite of that of the client. Financial institutions would like to maintain a few branches in densely populated areas to maximise the number of clients per branch and facilitate branch security. They would prefer to limit opening hours to allow the opportunity to keep up with the complex accounting and internal control procedures necessary to run a financial institution effectively, and to facilitate physical security arrangements. They would like to see large deposits made for as long as possible with a minimum of withdrawals so that the transaction and liquidity management costs are kept to a minimum and the funds available for on-lending are maximised. And of course, the profit-maximising goal of a financial institution encourages the extension of as little interest as possible. Nonetheless, there are many MFIs that offer microsavings services on a profitable basis.

Managing the Costs of Small Savings Accounts

One of the chief fears voiced by MFIs revolves around the potential difficulties involved in dealing with the many small transactions often associated with the providing savings services to the poor.[46] While this is indeed likely to be the case, several **important observations** should be made:

- Generally, the majority of the transactions will be deposits. Indeed the poor are often remarkably unwilling to make withdrawals. However they do want to know that they could withdraw;
- Poor people are not always looking for a highly liquid account to use on a regular basis; and
- Savings accounts targeted for medium and long-term preferences are particularly attractive to MFIs in search of capital for on-lending, and appropriately designed products can encourage these.

There are also important and often overlooked, **additional benefits** of offering savings services to the poor. In addition to providing capital for on-lending, savings services can:

- Develop the client base (of borrowers) for the future;
- Obtain information on the clients' abilities to save and (by implication) repay loans;
- Facilitate repayments when clients are unable to meet repayments out of current income; and
- Encourage repayments, as clients want to maintain a good reputation and their access to future services.[47]

There are also many ways of **minimising the costs** of providing savings services, and possibly even deriving a profit from doing so. This can be done directly through carefully structured pricing to encourage savers to maximise deposits and minimise withdrawals. MFIs can elect to pay interest only on accounts with balances above a certain minimum. In view of the clear evidence that poor people are willing to pay for convenient savings services MFIs can charge fees for specific savings services. In order to reduce withdrawals, MFIs could limit the number of withdrawals per period, set minimum withdrawal amounts, require notice to withdraw or charge for withdrawals made. In addition to the pricing structure, the MFI can reduce costs through its organisational approaches and work methods. Finally, it is important that MFIs offering savings services seek up-market, higher-value savers to spread the costs and make the service cost-effective to run.

Synthesis and Conclusions

Two different strategies are pursued by outside agencies (be they development or private sector) and by poor people themselves as they seek to design and deliver financial services. The former tend to use a strategy of "permanence and growth" and look to create sustainable institutions that deliver financial services to an ever-increasing number of clients – such as MFIs, banks, and co-operatives. By contrast, poor people generally use a strategy of "replication and multiplication" and look to create

[46] Schmidt and Zeitinger, "Critical issues in Small and Microbusiness Finance", IPC, Frankfurt, Germany, 1994.

[47] Graham A.N. Wright, *MicroFinance Systems: Designing Quality Financial Services for the Poor*, Zed Books, London and New York, and University Press Limited, Dhaka, 2000.

many small self-contained, often self-liquidating, schemes – such as RoSCAs and Christmas clubs.[48]

Permanence and growth institutions tend to encourage the long-term build-up of funds through relatively slow, but steady, saving, and are therefore extremely well suited for addressing longer-term savings preferences. On the other hand, replication and multiplication schemes tend to encourage the rapid accumulation and disbursement of funds and are therefore better suited to meeting shorter-term preferences. There is increasing evidence that providing client-responsive financial services can both serve poor people while maintaining or in fact improving the sustainability and profitability of the MFIs.

There are no magic formulas for designing appropriate savings products for poor people: it requires market research and careful, systematic product development. But the rewards for the MFIs that undertake these exercises in terms of profits and client loyalty can be remarkable, and well worth the investment.

An Example: Equity Building Society's Jijenge[49] Savings Account

Equity Building Society is developing the *Jijenge* savings account – a contractual savings product with an emergency loan facility attached. The client defines the length of the contract and the periodicity of the deposits (weekly or monthly). A premium interest rate is offered to those who take out longer-term contracts but there are quite significant penalties for premature withdrawals from the account. Finally, all *Jijenge* savings account holders have guaranteed, immediate access to an emergency loan of 90 percent of the value of the amount in their *Jijenge* savings account on demand.

As well as providing a disciplined way to save (in the same way that RoSCAs and ASCAs do), this product allows its clients to meet their "illiquidity" preference and protect their savings against the demands of petty spending or marauding relatives. The account is already proving extremely popular with existing and new clients alike.

The *Jijenge* savings account provides Equity Building Society's clients a financial product that helps them with their financial planning objectives. As a product of extensive market research and constant customer interaction, the *Jijenge* savings account is clearly satisfying customers with many *Jijenge* accountholders particularly pleased with:

- The disciplined saving;
- Freedom to set terms;
- Automatic access to loans; and
- No operational charges.

The *Jijenge* savings account has provided customers with the opportunity to actively involve Equity Building Society in their financial planning thus building on its "Listening, Caring Financial Partner" image. The first contractual savings product in the lower-income market segment, the *Jijenge* savings account is a strong starting point for future cross-selling opportunities.

The *Jijenge* savings account is Equity Building Society's first branded product offering and communicates aspirations that can be personalized by customers as the organization helps them (in the words of the product tagline) to *Realize Your Dreams!* This is a significant product differentiation in the market helping Equity Building Society move beyond the generic savings account to developing a product with unique selling attributes.

For Equity Building Society, the *Jijenge* savings account offers a stable deposit base from which to lend as well as supplementary income from the emergency loans and premature withdrawal fees. In addition, the product is allowing Equity Building Society to attract new clients into its banking halls.

Figure 1: Jijenge Savings Account Monthly Performance Data for Four Pilot Branches

	Number of Accounts					
	(1)	**(2)**	**(3)**	**(4)**	**Target**	**Total**
Aug. '02	27	255	7	134	100	423
Sep. '02	16	104	119	74	100	313
Oct. '02	6	80	48	52	100	186
Nov. '02	2	34	27	49	100	112
Dec. '02	2	20	13	19	100	54
Jan. '03	17	56	23	32	100	128
Feb. '03	74	143	122	167	100	506
Mar. '03	12	89	28	65	100	194
Total	**156**	**781**	**387**	**592**	**800**	**1,916**

Source: Equity Building Society, pilot test review.
Note: The four pilot test branches are: (1) Corporate; (2) Four Ways; (3) Thika; (4) Tom Mboya.

During the eight months of the pilot-test (to March 2003) nearly 2,000 *Jijenge* savings accounts were opened, despite limited marketing activities within the four pilot-test branches. This activity was confined to a few posters, some leaflets and selling at a

[48] Stuart Rutherford, *The Poor and Their Money*, Oxford University Press, Delhi, India, 2000.

[49] The translation for "Jijenge" is "Realize your dreams".

dedicated enquiries desk for two out of the eight months. No additional marketing activities took place outside the branches. The monthly variation in opening of accounts depends on the availability of a customer service officer to explain the details of the product and "close" the sale.

In the 8 months to March 2003 the *Jijenge* savings account has mobilized KShs11.9 million (US$ 928,200) in deposits from the four branches. On an annualized basis and assuming that the *Jijenge* savings account had been rolled out in all the EBS branches, *Jijenge* alone would have contributed up to 11 percent of the growth in EBS customer deposits, based on December 2002 figures. Clearly when a full-fledged marketing campaign is initiated, the up-take of the product is likely to be very significant.

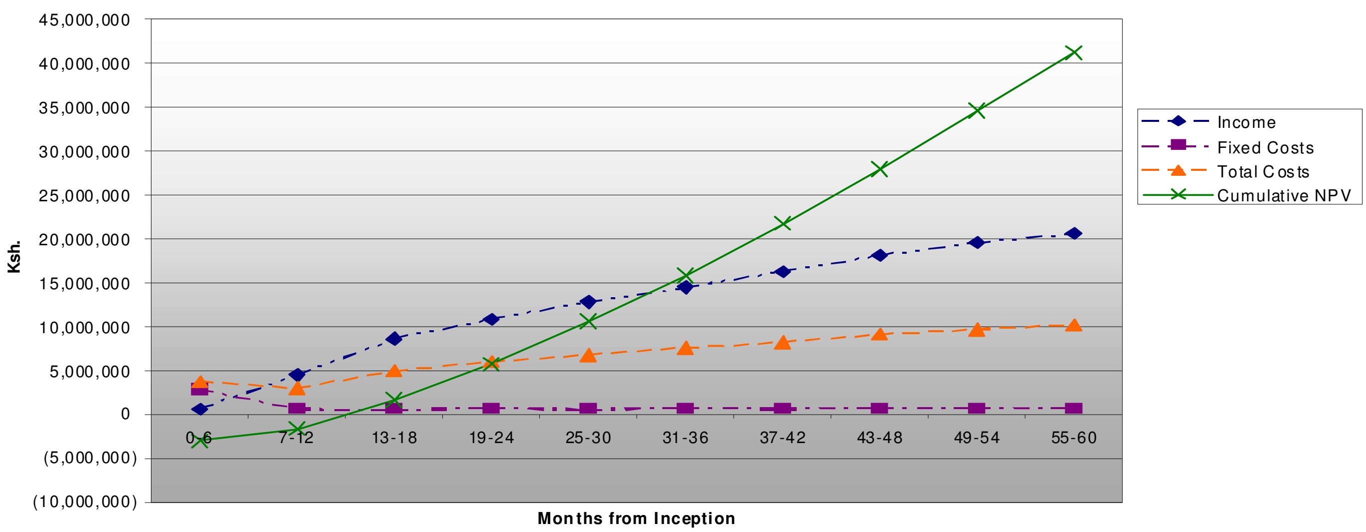
One of Equity Building Society's key corporate objectives was to develop a product that would provide a new class of 'term deposits'. This has been achieved, as all *Jijenge* savings accounts are for a fixed period (minimum 1 year) and can be renewed for up to 5 years. This is a significant achievement and reduces the funding mismatch risk of Equity Building Society's balance sheet.

On the basis of the results to date, the product development team has developed projections for the *Jijenge* savings account's income, costs and cumulative net present value (see Figure 2). Clearly if these are realized, the *Jijenge* savings account is going to be a very valuable addition to the product range of Equity Building Society.

Equity Building Society's management attribute the success of the account to the following:

1. Detailed market research to understand the target market;
2. Careful costing/pricing;
3. Extensive pilot-testing of the product and related marketing materials etc. prior to roll-out; and
4. Well designed, client-responsive and benefit-focused marketing efforts.

Figure 2: Projections on EBS Income, Costs, and Cumulative Net Present Value (NPV)



As James Mwangi, Chief Operations Officer of Equity Building Society notes, "Equity Building Society has applied the market-led approach to product development, from A-Z. Equity has successfully confirmed that the earlier, quicker "wins" achieved through using the same approach to refine its existing products, had indeed come about because of the methodology."

Each of these key success factors were built on extensive use of MicroSave-Africa toolkits namely:

1. "Market Research for MicroFinance";
2. "Costing and Pricing of Financial Services";
3. "Designing, Implementing and Monitoring Pilot-Tests"; and
4. "Product Marketing Strategy".

These toolkits are available on the MicroSave-Africa website www.MicroSave-Africa.com under the Toolkits section.

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MABS: A Sustainable Approach to Rural Microfinance

Anita Campion and John Owens

Introduction

The Microenterprise Access to Banking Services (MABS) program[50] in the Philippines is breaking new ground by demonstrating that commercial microfinance providers can profitably serve the rural poor. Since this USAID-designed program started over four years ago, MABS participating banks had disbursed approximately US$ 37 million[51] to more than 70,000 microentrepreneurs as of December 2002. The MABS program has worked with 37 banks having a network of 102 rural bank branches[52] in the Philippines to help them profitably serve the microenterprise sector not only by transferring knowledge, but by converting rural bankers into true believers in microfinance best practices and building their long-term capacity to successfully apply them. By creating systematic processes for introducing microfinance to rural banks, MABS has facilitated the easy and rapid expansion of microfinance in the Philippines.

The Impetus for MABS

Since microfinance institutions have demonstrated the profit potential of targeting the microenterprise sector, more and more commercial financial institutions have been entering the microfinance market. At the same time, not many MFIs have been successful at reaching rural markets. The MABS program has identified a method of enticing traditional financial institutions to enter the microfinance market – and stay!

Banks Entering the Microfinance Market

In many countries, "downscalers"[53] often enter the microfinance market with limited information about target clients and lack of knowledge of microfinance best practices. As a result, few have profitable microfinance portfolios. In fact, many have exited the market as quickly as they entered.[54] Often these downscalers did not understand or adhere to microfinance best practices. Given that their microfinance portfolios were small compared to their traditional lines, they rarely paid the attention needed to develop a successful microfinance business. Several consumer lenders in Bolivia, for example, decided to enter the microfinance market in the late 1990s. However, they applied consumer lending models to microenterprise lending, based on the entrepreneur's reported salary rather than a thorough assessment of the enterprise and family cashflow. As a result, over-indebtedness and defaults ensued and caused many of the consumer lenders to lose money and retract from the market.[55]

There have been few examples of MFIs achieving success both in terms of profits and outreach. However, many of these MFI successes have targeted primarily urban areas. Few profitable MFIs have made a significant impact in rural microenterprise markets, especially in savings mobilization. While rural banks in the Philippines are also present in urban areas, they have a substantial presence in rural areas.

Rural Banks in the Philippines

The Philippines has had a legal and regulatory framework suitable for the operation of small, regulated banks for some time. The Rural Banking Act of 1952 paved the way for the establishment of rural banks to serve small farmers, cooperatives and small merchants in the countryside. The Act also allowed duly established cooperatives to organize rural banks and/or subscribe to the shares of stock of any rural bank.[56]

As part of their efforts to spur agricultural production, Government of the Philippines (GOP) policies in the 1970s encouraged rural banks to expand by offering subsidies and targeted lending programs. As with many agricultural lending programs[57] in the past, these programs distorted the market, leading to misallocated funds and high delinquencies. By the end of 1983, 70 rural banks had ceased opera-

[50] The Microenterprise Access to Banking Services (MABS) program is implemented by the Rural Bankers Association of the Philippines with oversight provided by the Mindanao Economic Development Council (MEDCo) and the U.S. Agency for International Development (USAID). Technical assistance in the implementation of the MABS program is provided by Chemonics International, Inc.

[51] In the article, annual amounts in pesos are converted to US$ using the average exchange rate for the month of December. The source used is the Philippine Central Bank or "Bangko Sentral ng Pilipinas" – BSP.

[52] Bank branches include head offices of the 37 MABS Participating Banks.

[53] Downscalers are financial institutions that begin to target lower income clients in addition to their traditional higher income clients.

[54] Liza Valenzuela, "Getting the Recipe Right: The Experiences and Challenges of Commercial Bank Downscalers", Working Draft, p.1., October 2001.

[55] Elisabeth Rhyne, *Mainstreaming Microfinance*, pp. 141-144, 2001.

[56] Agabin and Daly, "An Alternative Approach to Rural Financial Intermediation: The Philippine Experience", p. II-6, 1996.

[57] Klein, Meyer, Hannig, Burnett and Fiebig, "Better Practices in Agricultural Lending", pp. 1-4, 1999.

tions. However, rehabilitation programs and the GOP's commitment to allowing the rural banks to compete freely in the market reversed the negative trends. By 1992, the rural banking system reported positive real growth in assets, capital and net loans, with 787 rural banks reaching 463,000 borrowers.[58]

There are now 781 rural and cooperative rural banks in the Philippines with more than 1,900 branches.[59] Collectively, they cover over 85 percent of the municipalities and cities of the Philippines. These banks are culturally and geographically close to the potential clients that comprise the microenterprise sector; however, until recently, most rural banks required collateral that made it difficult for microentrepreneurs to obtain credit.

Given that lack of access to financial services was identified as a constraint to economic growth in the Philippines, USAID decided to design a project to accelerate national economic transformation by encouraging the Philippine rural banking sector to significantly expand the access of microenterprises to savings and lending services.

The MABS Approach

Because MABS works with rural banks that have owners who invest their own equity funds, MABS' participating banks have stronger governance structures than most microfinance institutions (MFIs). In addition to superior governance, the rural banks have the benefit of already being regulated financial institutions, legally authorized to mobilize savings deposits. Since they do not require donor funds for lending, the MABS program focuses on capacity building rather than capital subsidies.

In 1998, the MABS program began to assist rural banks in the Philippines to develop the capability to profitably provide financial services to microenterprises. A systematic method for transferring microfinance best practices knowledge and product development to rural bankers was developed through a comprehensive technical assistance and training package known as *The MABS Approach*.

The MABS Approach includes intensive one-on-one technical assistance, workshops, seminars, in-bank coaching, and exposure and training visits to participant banks. Each bank is assigned a technical advisor who makes sure that the training and technical assistance are delivered properly and efficiently. In addition, each participant bank receives focused attention and support, which includes the following from MABS:

- Institutional Assessment
- Senior Management Orientation
- Market Survey
- Product Development/Enhancement
- MIS Enhancement
- Business Planning
- On-the-Job Training (including sessions on cashflow lending and zero tolerance of delinquency)
- Development of In-House Training Capacity

MABS' work with client banks yields the following results: development or enhancement of microfinance products, practices and procedures that follow best practice principles; implementation of a profitable microfinance line of business; and strengthened capacity not only to manage the microfinance operation, but to continually expand it. The general pattern of the MABS approach is to build up and then phase out the technical assistance and training. Some examples of MABS areas of focus follow:

Product Development/Enhancement

Poor people's lack of access to savings services is especially unfortunate. Without access to savings accounts, many poor people, especially the rural poor, have no convenient or safe place to store their savings. MABS plays an important role in this area by developing rural banks' capacities to conduct market research and design new products, including savings that serve low-income people. The total number of microdepositors in the MABS participating banks as of December 2002 stood at 477,976 with PhP538.2 million (US$ 10 million) in outstanding micro deposits.[60] Box 1 shows an example of a savings product developed under MABS: the "Ganansya Box".

MIS Development

MABS developed a banking software program, Rural Banker 2000 or RB2000, which is easily adaptable to the product mix of any rural bank, including microfinance services. RB2000 consists of basic banking modules for 1) deposit management, 2) loan management, and 3) general ledger accounting. The system also includes support modules for 1) financial product design, 2) cash dispensing and ATM interface, 3) assessing charges, fees and taxes, and 4) general ledger interface. MABS is

[58] Agabin and Daly, "An Alternative Approach to Rural Financial Intermediation: The Philippine Experience", p. II-6, 1996.

[59] Branches include head offices. Source: BSP Department of Rural Banks, July 2002.

[60] Micro deposits are defined as deposits below PhP15,000 (US$ 273). These are the smallest accounts tracked by the Philippine Central Bank (BSP).

working with three private service providers who install RB2000 into rural banks.

Box 1: The "Ganansya Box" – Reducing Savings Transaction Costs

The age-old concept of the "piggy bank" is now used to encourage people to build up their savings on a regular basis and capture these savings in their local bank.

Indeed, the many services offered by several MABS participating banks include savings boxes called "Ganansya Box" or "Profit Box". This simple but unique approach to offering small savings reduced the high transaction costs of daily and weekly pick-up savings account services. These boxes have a small lock, and the key is kept by the bank tellers. When the client comes in with his/her "Ganansya Box" the bank teller opens the lock and deposits the funds to the client's account.

Microsavings: What we can learn from Informal Savings Schemes, Owens and Wisniwski, 1999

In addition, MABS nurtures the expanded use of the credit bureau by rural banks, which was started in 2001 to minimize the negative effects of increased competition, such as client over indebtedness and defaults. Following best practices, MABS has helped to integrate the rural banks' microenterprise loan clients into an existing national credit bureau, by creating an e-mail encryption program that allows rural banks to share and receive information electronically at a low cost.[61] The database contains negative data, including information on past delinquencies. MABS will expand this system to track positive credit information, such as information on indebtedness, and help to link more rural banks to the credit bureau through public relations campaigns to rural bank federations and training on how to install the system.

Development of In-House Training Capacity

In order to develop local capacity to continue the MABS technical assistance efforts after the phase-out of the USAID-financed technical assistance contractor, MABS is working closely with the Rural Bankers Association of the Philippines (RBAP) and training local consultants. Trained local consultants will continue to provide microfinance technical assistance and training to interested rural banks after the project ends. A heavy emphasis is placed on developing the rural banks' ability to conduct market research and to develop products that are responsive to microenterprises. A combination of classroom training and one-on-one technical assistance is offered on the following topics: cashflow-based lending, enforcing zero-tolerance toward delinquency, internal control and fraud prevention and financial management for microfinance operations. In addition to helping rural banks develop the capacity to profitably expand their loan and deposit portfolios to microenterprises, some have found that their traditional operations are also benefiting from the MABS' best practice principles, as described by a rural banker in Box 2.

Box 2: A Rural Banker's Testimonial to the MABS Approach

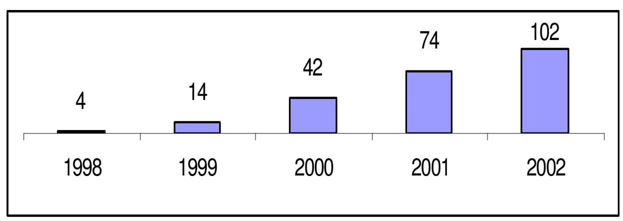
"Our traditional loans were no longer as successful. We had already taken an interest in microfinance and had done group lending as part of our social commitment. But MABS has more appeal to commercial clients and we were looking for alternative products. With the continual presence of MABS consultants, we were able to incorporate microfinance into our bank and have now seen MABS best practices influence our other operations as well."

– Tess Ganzon, Bangko Kabayan, Batangas

Results

The systematic approach of the MABS program has had a significant impact, allowing it to expand from its four original participating bank branches, as demand for MABS' services increased, to serving 102 rural bank branches in just four years.

Figure 1: Number of Participating Units (Branches)



Source: MABS.

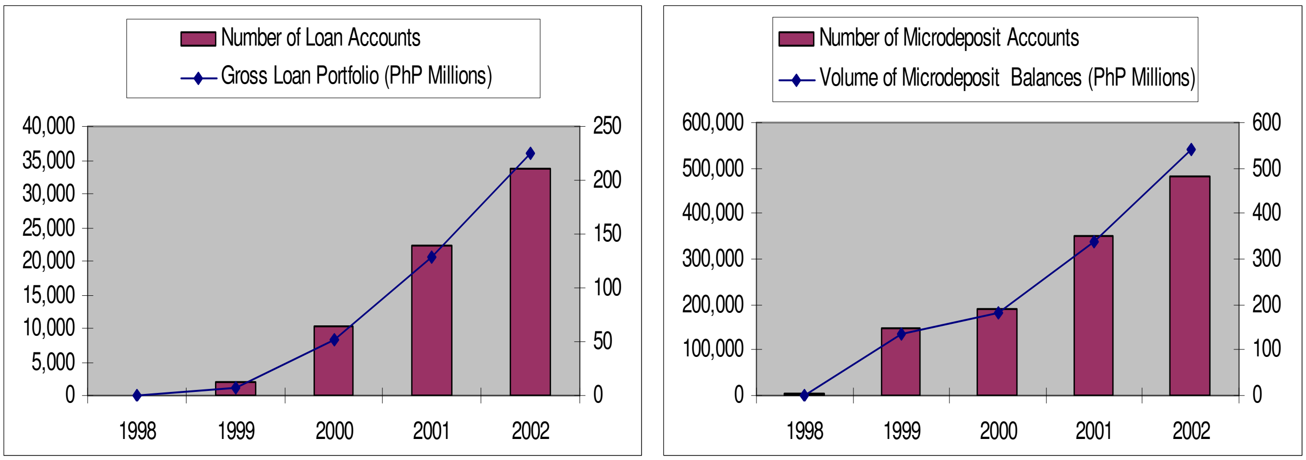
The MABS Approach has been highly successful in terms of economic and social impact. At first many rural bankers were skeptical and doubted whether microfinance could be a profitable venture. However, as the program gained credibility and a few rural banks began to demonstrate the profit potential, many other rural bankers became interested in microfinance and demand for MABS' services increased.

[61] Campion and Valenzuela, "Credit Bureaus: A Necessity for Microfinance?", p.22, 2001.

Economic Impact

Since the MABS program started four years ago, its participating banks have disbursed over US$ 37 million to more than 70,000 microentrepreneurs. As of December 2002, participating banks had 33,587 active loan clients, with a total outstanding loan portfolio of PhP 224.8 million (US$ 4 million). Micro deposit balances have increased to 541 million (US$ 10 million) (see Figure 2). Total microdepositors served by the participating banks have increased to more than 482,000. The steep inclines demonstrated in the charts in Figure 2 indicate the continued growth of the MABS program among rural banks and their expansion of micro savings and lending services. All 20 of the initial participating banks' microfinance units in Mindanao were profitable within twelve months of starting their microlending operations.

Figure 2: MABS Participating Banks' Micro Loans and Micro Deposits(*) (1998 to 2002)



Source: MABS Participating Banks.

(*)The maximum principal amount of microenterprise loans (also called micro loans) does not exceed PhP150,000 (US$ 2,730). Micro deposits are defined as deposits below PhP15,000 (US$ 273).

Social Impact

In terms of social impact, MABS participating banks predominantly serve female microentrepreneurs (85 percent, compared to 71 percent on average for the Asian MFIs participating in this *Bulletin*). In an impact study conducted last year, almost half of all clients reported that their business income had increased over the last 12 months.[62] With an average loan balance of participating banks' microfinance portfolios of only US$ 125[63] during December 2002, the MABS program has continued to demonstrate that commercial MFIs can serve the rural poor, in terms of both savings and lending, and make a profit in the process.

Conclusion

The MABS program acts as a demonstration model for future international development efforts to address rural poverty. By working with local institutions and employing best practice principles, MABS has proven that microfinance can be sustainable while serving the rural poor. In fact, MABS participant banks' profitability has increased interest in microfinance among commercial bankers in the Philippines, attracting more and more financial providers to the microfinance sector. In other words, having the proper commercial incentives in place is leading to expanded outreach to the poor, thereby serving an important social objective.

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[62] Agabin, Cornejo, Padua and Capeding, "A Survey of Microenterprise Clients of MABS Participating Banks," pp. i-ii, USAID, September 2001.

[63] This corresponds to a Depth (Average Loan Balance per Borrower/ GNP per Capita) of 12.9 percent, compared to 35.9 percent on average for all Asian MFIs participating in this issue of the *Bulletin*.

The Experience of Savings Banks

Hugues Kamewe and Antonique Koning

Introduction

While savings mobilization may have been the forgotten half of microfinance, it is increasingly receiving attention from microfinance practitioners and policy makers. Savings provide an important financial safety net for poorer households in cases of emergency. It also plays a critical role in financing productive activities and can foster microenterprises. At the macroeconomic level, savings can trigger sustained economic growth. Evidence also shows that the accumulation of savings helps to create a domestic capital base that makes economies less dependent on foreign capital and more resistant to capital market fluctuations.

Not only does the mobilization of savings offer opportunities for economic and social development, there is also sufficient proof that poor people in economically less developed countries attach high importance to savings. There is a large demand for a variety of savings services among low-income people. Studies have proven that they are capable of accumulating resources and the amounts they manage to save are remarkable.[64] This also appears from the vast amount of savings that is kept outside the banking system and gathered by informal savings practices like hoarding, livestock, money guards, rotating savings and credit associations, etc. These informal savings systems are generally indivisible, quasi-illiquid and high-risk. The challenge consists in bringing more of these savings into the formal banking circuit so that they can be transformed into credit, loans and productive investments.

The World Savings Banks Institute (WBSI) has for long advocated the importance of the mobilization of domestic resources and recognized the potential for development and the reduction of poverty that arises from it.[65] Savings banks' experiences confirm the huge demand for savings services.[66]

[64] "Developing Deposit Services for the Poor: Preliminary Guidance for Donors", revised draft, CGAP (Consultative Group to Assist the Poor), April 2002; Savings Policy Statement, SUM/UNDP-UNCDF, June 1998.

[65] The WSBI is a worldwide association with members in 89 countries. The mission of the World Savings Banks Institute is to influence the standing, development and strength of all member banks, so that they are perceived both domestically and internationally as integral to the financial community, and operate as proficient, efficient banking institutions. See also: www.savings-banks.com.

[66] Non-bank deposits for all WSBI members totaled US$ 4.1 trillion as of January 1, 2002.

Savings banks have traditionally focused on savings mobilization as core business and most of them only developed other retail banking services, including credit, at a later stage. Some are in fact still limited to providing savings services only. This distinguishes savings banks from many other institutions providing microfinance, which are more credit driven.

The WSBI represents more than 1,150 savings banks and socially committed retail banks.[67] They differ across the world depending for instance on their origins or ownership structure. Some are private banks, others public: there are for instance postal savings banks, savings banks owned by municipalities and financial institutions with a co-operative ownership structure or banks owned by foundations. WSBI members also vary a great deal in size. Despite this diversity, they share a common business philosophy. Their principal clients are individuals, households, microenterprises, small and medium enterprises (SMEs) and local authorities. Savings banks maintain, by statutory obligation or in practice, the principle of providing a "universal service", allowing all strata of the population to have access to financial services. For this they operate large distribution networks, committed to using mobilized resources to invest in the national and local economy.

What Can We Learn From Savings Banks?

In several countries savings banks have proven to be instrumental in setting a vigorous savings mobilization policy. A combination of factors like proximity, accessibility, attractive products and services and safety has proven a key to their success in mobilizing savings deposits.

Proximity

Proximity is one of the savings banks' greatest assets that reflects their distinctive market approach and distinguishes them within the banking sector. Savings banks typically have large distribution networks that allow them to provide services to clients nation-wide. More importantly, the commitment to a strong physical presence and a balanced distribution of their retail network between rural and structurally weak urban areas, put savings banks in a favorable position to reach out to poor classes. It

[67] The WSBI has 104 members, which are both individual banks and bank federations/associations. Collectively, they represent the 1,150 banks mentioned here. More details on membership criteria are available on WSBI's website.

contrasts with the over-concentration in urban and more prosperous centers of other banks.

On the African continent, postal savings banks are in many countries the only vehicle for integrating the formal financial system in remote communities. In many cases, the retail network of postal savings banks is by far larger than that of all other banks together. For instance, the *Kenya Post Office Savings Bank (KPOSB)* operates a retail network of 500 outlets compared to approximately 370 branches for all commercial banks. While roughly 80 percent of the latter branches are located in main cities, only 45 of all outlets operated by the KPOSB are located within the capital. In Asia, where financial systems have experienced an impressive development over the past two decades, savings banks also distinguish themselves with a strong physical presence. The *Government Savings Bank (GSB)* in Thailand manages the second largest network with 548 branches, just behind the *Bank of Agriculture and Agricultural Cooperatives*, which counts 629 branches. More obvious is the case of India where mainstream banks manage 67,000 branches altogether, while the postal savings system operates 154,000 branches nationwide, of which 137,000 are in rural areas.[68] In Latin America, *Banco del Estado* in Chile for instance is present in almost a third of all "communes" in the country, more than any other financial institution. More than one third of *Banco del Estado*'s 304 branches are located in remote areas and it operates 74 mobile branches to further deepen its retail network.

Figure 1: Branch Network and ATMs of Savings Banks (as of 01/01/2002)[69]

Savings Bank	Country	Branches	ATMs
Banco del Estado	Chile	378	768
Banco Caja Social	Colombia	122	133
National Bank for Development	Egypt	66	0
National Savings Organization (NSO)	India	154,000	0
Kenya Post Office Savings Bank	Kenya	486	0
Tanzania Postal Bank	Tanzania	136	0
Government Savings Bank	Thailand	585	281
Total	**World**	**201,136**	**132,499**

Source: World Savings Banks Institute (WSBI).

[68] Geetha Nagarajan, "Going Postal to Deliver Financial Services to Microclients", Newsletter, Regional and Sustainable Development Department, Asian Development Bank, vol. 4 (1), pp. 5-8, 2003.

Accessibility

Unlike other banks, which might require an excessive minimum amount for opening and holding a saving account (that in some cases exceeds the per capita income of the country) and charge relatively high bank fees for maintaining such an account, savings banks have low entry barriers for their savings services. Although conditions for holding a savings account vary across savings banks, their practices are invariably more inclusive.

For instance, in Benin and Burkina-Faso, postal savings banks allow people to open and maintain passbooks with only CFAF 1,000 (less than US$ 1.8). The structure of ordinary savings accounts shows that the balance does not exceed CFAF 10,000 (US$ 18) for 62 percent of the total number of accounts in Benin and 36 percent in Burkina-Faso. In Asian emerging economies, savings banks have built on technology solutions to show a remarkable capability in capturing small deposits, while overcoming underlying operational inefficiencies. To open and maintain a savings account requires only RM 1.00 (US$ 0.27) at *Bank Simpanan Nasional* in Malaysia.

How savings banks are able to survive holding such small accounts is a key question. A crucial element to address this issue is a good diversification of accounts and clients. The benefits derived from larger accounts are in general used to subsidize costly small accounts. In addition, larger accounts are often stable funds collected from contractual savings schemes. When there are no restrictions, savings banks can invest these funds in high-earning investments. Savings banks have adopted price structures that reflect the cost of transactions for smaller accounts, charging small fees for regular transactions above a certain number of operations. Selling other financial services and products to clients who save also generates additional income. In the particular case of postal savings banks, making use of the postal facilities (staff, infrastructure, functions, etc.) allows them to minimize their costs. Investment in technology has also been instrumental for controlling costs for the administration of very small accounts, like for instance in Malaysia and Thailand.

In addition to low financial barriers, an open and personalized bank-customer relation contributes to making savings banks more accessible. The decentralized structure and local roots of savings banks enable them to adapt to local circumstances and be "close" to the people.

Attractive Products and Services

Apart from the convenience offered by their network and low entry barriers, savings banks also respond to the savings patterns of low-income savers through the type of savings products and services they offer. Progressively savings banks have designed and commercialized a well-adapted and segmented range of deposit products to cope with their clients' preferences.

These products are a mix of various conditions related to liquidity, return, minimum requirements and transaction costs to make them client-friendly and easy to manage for the institution. On one end, passbooks combine low minimum balance and low return with full liquidity, while on the other end, pension schemes allow long-term accumulation of capital and mix illiquidity with high return. In between, other products can be found in savings banks, such as "Save as you earn", like the SAYE product of the KPOSB, "Savings certificates" and "Fixed deposits". Many savings banks have developed special products for targeting niche markets like youth and institutions (NGOs, women groups, schools). Examples of this can be found in Senegal where the "rural savings account" was created for grassroots organizations and women's groups. The National Savings Bank of Sri Lanka introduced special savings accounts for children called Punchi Hapan (0 to 7 years), Hapan (7 to 16 years) and for youngsters up to 30, Ithuru Mithuru; all designed with special features and promotional campaigns to target these groups. Savings related to future investments in housing or education have also had a lot of success in savings banks around the world. Sometimes incentives are used in the commercialization of savings products to reward additional increases in deposits, such as a bonus for reaching certain limits within a period of time. In the Peruvian savings banks for example this premium can be given in the form of a lottery ticket, with which the saver can win small domestic appliances.

Sometimes incentives are used in the commercialization of savings products and services to reward additional increases in deposits. The savings banks' experience also shows that providing additional financial services to peoples' savings, such as life insurance, transfer and payment services, encourages people to save.

Safety of Deposits

One of the principal concerns of savers is the safety of their deposits. This has partly to do with having an appropriate secure physical infrastructure, which savings banks in general do. But just as important is the formal character of savings banks, which contrasts to some of the informal savings systems mentioned earlier. In some cases also the explicit or implicit relation with the government provides a sense of security. The state guarantee of deposits protects people's savings. In addition, most savings banks are, like any other financial intermediary, subject to regulations enforcing financial discipline and are properly supervised. The postal savings banks are maybe an exception to this rule, as in most countries they fall under the Ministry that is in charge of postal services.

Current and Future Challenges of Savings Banks Around the World

Good Corporate Governance

Although the governance of an institution is often linked with its ownership structure, the latter is not the prime-determining factor in whether or not a bank is successful. Experience from savings banks teaches us that good corporate governance is much more instrumental. Institutional integrity and proficiency, crucial elements of good corporate governance, are key to a well functioning bank.

Institutional integrity implies that banks ideally have an independent legal and management structure. This is not the case everywhere and often political interference is a matter of concern. Since savings mobilization is largely based on confidence, transparency about the operations of the bank is also essential. It goes without saying that, for an institution to be efficient, a sound financial management is fundamental. Internal and external control mechanisms need to be effective. This is why regulation and supervision of savings banks are so important. Preferably all financial intermediaries should be properly regulated and supervised by the relevant authorities.

Sustainability

Another major challenge for savings banks, as for all financial intermediaries reaching out to the poorest, is sustainability. To serve a large number of customers, process high volumes of low value transactions and maintain a large physical presence results in high operational costs. At the same time fair returns are expected by savers.

Achieving financial sustainability depends on the capacity of savings banks to achieve high levels of efficiency. The challenge is to maintain operational costs under control while raising the income base without compromising the social mandate of the bank. On the cost side, this implies the implementation of appropriate measures to control costs and streamline internal processes. It also involves good pricing of savings products, which requires thorough market research. Investments in technologies should be weighed against the savings that can be made and additional benefits to clients.

On the revenue side, a diversification of products and services can contribute to achieving financial sustainability. Experiences from savings banks in introducing more sophisticated savings schemes have shown some positive results. Contractual savings schemes, which provide more stable funds, can help to generate significant revenues from investments. In addition, they can attract large accounts, which appropriately charged can cross-subsidize small accounts.

Most savings banks create revenue from other services, including money transfer and marketing insurance policies. Capitalizing on this experience, savings banks can be instrumental in offering a variety of services to microfinance institutions (MFIs). They can be cost-effective solutions for securing and transferring MFIs funds, as well as offering payment facilities in areas where other banks do not reach.

Optimal Investment of Mobilized Resources

A large number of savings banks are offering retail lending services, including housing finance, as part of their core business. They have built considerable experience in these areas over the years and are successful. *Banco Caja Social* in Colombia and the *Municipal Savings Banks in Peru* are examples of institutions with a strong reputation in microfinance. Apart from the investment of mobilized resources in local and regional economic activities, these institutions contribute a part of their profit to community development projects.

Figure 2: Savings Mobilization by a Selection of Savings Banks (as of 01/01/2002)

Savings Bank	Country	Savings Accounts(1) (number)	Non-Bank Deposits(2) (US$ million)	Return on Assets (%)	Operating Income/ Average Assets (%)	Operating Cost/ Average Assets (%)	Savings Accounts/ Staff (%)
Banco del Estado	Chile	11,052,000	2,726.00	0.64	4.86	3.59	1,503
Banco Caja Social	Colombia	1,100,000	432.11	2.96	18.85	14.29	430
National Bank for Development	Egypt	n.a.	1,268.70	0.91	2.23	1.31	n.a.
Kenya Post Office Savings Bank	Kenya	1,650,000	100.33	0.56	17.88	17.31	1,243
Tanzania Postal Bank	Tanzania	1,000,000	45.21	2.17	13.90	11.74	2,421
Government Savings Bank	Thailand	27,450,000	11,048.45	1.98	3.21	1.16	2,877

Source: World Savings Banks Institute (WSBI). For a full list of members, go to www. savings-banks.com.
(1) Approximate; (2) All deposits received except for deposits that are placed by other banks – includes both mandatory and voluntary savings, although mandatory savings are minimal.

Wherever savings banks have close ties with national governments, their role in economic development is often downplayed. In Africa and Asia several of these savings banks are restricted in their investment policy and have either to entrust their deposits with the national Treasuries or to support fiscal policies by investing in government securities. Savings banks that have been granted some autonomy are generally still constrained to invest their surplus preferably in public sector securities.

The removal of legislative constraints has allowed an increasing number of savings banks to move with caution into lending. A successful case has been that of the *Government Savings Bank* (GSB) in Thailand. Twenty years ago, government securities represented 94 percent of the bank's investment portfolio. Today, GSB offers a range of reciprocal savings-credit facilities (i.e., personal loan, educational loan, corporate loan, social loan, housing loan) and government securities have fallen below 50 percent of the bank' investment portfolio. Likewise, some former post office savings banks have been scaled-up and successfully converted into national (postal) savings banks (i.e., Malaysia, Sri Lanka and Tanzania) allowed to diversify in other business. For instance, *Bank Simpanan Nasional* in Malaysia has diversified in public and private companies securities/loans, stocks and shares, and government securities represent only 30 percent of the bank investment portfolio. Other savings banks have been transformed into fully-fledged retail banks allowed to provide credit services (i.e., Cape Verde and Mali).

Although a large number of savings banks are not yet suitable for retail lending – and should not be advised to undertake this business unless they achieve necessary reforms – this does not preclude them and policy makers from thinking about possible alternatives to the government for investing their resources. Furthermore, savings banks may find ethical and lucrative opportunities in the microfinance sector. This industry remains heavily subsidized in Asia, where most often MFIs rely on government and central banks discount credit lines, and in Africa with the importance of donor funding of their operations. The ongoing institution building process in the microfinance industry may offer a real opportunity for savings banks to channel part of their resources to sound and promising MFIs for on-lending to their clients.

Another approach to encourage an optimal investment of savings banks' deposits can be to team them up with public or private rural finance institutions. The traditional view may also suggest to develop housing finance operations where savings banks in Western Europe and US have shown an impressive concentration of their business.

Conclusion

The role of savings banks is undisputable for the large and cost-effective distribution of basic savings services in developing and emerging economies. As solid financial intermediaries operating in the formal sector they merit the public confidence that allows them to mobilize resources massively. The trend for savings banks is to become more instrumental in supporting capital base formation at national level. The efficacy of savings banks in reducing financial exclusion in their economies can be further improved by the removal of specific legal and institutional constraints on their operations and by addressing governance issues. Finally, savings banks will have to cope with the challenges associated with globalization while preserving their distinctive identity as local institutions committed to the society they operate in.

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BOOK REVIEW

New Directions in Poverty Finance

Craig Churchill, Madeline Hirschland, Judith Painter
Published by SEEP (The Small Enterprise Education and Promotion Network), Washington DC, 2002
Hardcopy: US$ 35.
Orders can be placed through the from the SEEP Bookstore at www.seepnetwork.org.

Here's a book whose modest presentation does not prepare you for the wealth of useful information and insights inside. My copy of *New Directions in Poverty Finance*[70] came while I was preparing a short series of lectures on microfinance. I needed to check some facts about Village Banking's origins and evolution. I found in the Preface six pages of tables and diagrams and prose that crisply, if somewhat dryly, summarized almost two decades of Village Banking experience. It was just what I needed, and I found myself reading on.

I realized that my view of Village Banking was outdated. The original Village Banking Institutions (VBIs) believed they should play only a promotional role in microfinance, supporting groups of women with loan capital for just as long as it took to build up enough mandatory savings for the group to turn itself into an independent self-managed mutually-owned institution at the village level. I knew from conversations with village banking institutions in the field that much of this was changing – that many VBIs now aim to retail financial services on a lasting basis to poor people. But I now learn from this book that at a meeting in late 2000, village banking institutions from around the world, reflecting on what they still had in common after years of intense and successful learning on the job, had redefined their work in terms of its principles rather than its practices. To record the outcome of that discussion, and to set down guidelines for turning the principles back into good practice, they commissioned this book.

What hasn't changed is their mission – their particularly profound commitment to tackling poverty – which continues to give Village Banking its special character. The five new principles are selected for their relevance to this mission. They are: *deep outreach* – the need to reach deep down into poverty so as to serve the very poor; *large scale* – reaching the very poor not in their hundreds but in their hundreds of thousands; *sustainability* – covering costs so that the very poor receive continuing reliable service; *client focus* – ensuring that services respond to real demand from the poor; and a '*culture of innovation'* – keeping up the pressure to look for ever better ways of serving the poor.

You can see why I read on. These aren't just the principles of Village Banking, they are important principles that underlie all microfinance. The book turns out to be a highly practical, very readable, well-referenced but gratifyingly brief survey of key issues in contemporary microfinance. It is broad enough to serve as an introduction for newcomers to microfinance, yet, with its well-chosen case-studies and its treatment of up-to-the-minute debates like savings mobilization and micro-insurance, rich enough to stimulate specialists.

Each chapter presents the choices facing practitioners as they consider how to go about their work, beginning in Chapter 1 with perhaps the most fundamental choice they must make: what type of institution can best serve their mission? How well can formal, semi-formal and informal organizations meet the five principles?

Chapter 2 tackles scale. How do you get from 10,000 to 100,000 clients? Four keys to growth are examined: 1) adopting a relentless institution-wide drive towards scale; 2) reengineering operations; 3) developing the capacity of the back office to support aggressive growth; and 4) adopting fast growth strategies.

There are many tools that can help poverty-focused MFIs achieve their objectives. Chapter 3, entitled "Organizational Development" discusses the use of two of these: institutional culture and human resource management. It describes how an MFI might turn its preferred values, attitudes and behaviors into institutional habits. It also suggests methods to manage human resources that promote staff loyalty and maximize productivity, while providing valued services to the very poor.

In Chapter 4, the focus shifts from the institution to the customer. It discusses three questions: 1) are we serving who we want to serve? 2) are customers benefiting from our services? and 3) what can we do to serve them better? This of course raises

[70] Churchill, Hirschland and Painter, published by SEEP (The Small Enterprise Education and Promotion Network), Washington DC, 2002.

some of the most contentious issues in modern microfinance – poverty targeting and impact assessment. Although the authors, here as elsewhere in the book, are more interested in expanding the readers' understanding of the choices available than making those choices for them, they are not frightened of coming to conclusions. Active targeting will be needed to ensure that the very poor are reached. Market research is a must. And they recommend continuous 'impact monitoring' as a practical alternative to elaborate and costly impact studies.

The second half of the book focuses on products. Individual chapters on loans, savings, micro-insurance and non-financial services follow an introductory discussion (in Chapter 5) of how product ideas are conceived and how they get turned into pilots and finally into institution-wide product lines.

The chapter exemplifies the book's strengths. In just fifteen pages it uses plain English to blend diagrams, case studies, check-lists and tables into a value-packed introduction to a complex matter – and then provides an excellent bibliography of resources for follow-up.

Get this book – you'll enjoy reading it. Keep it on your desk – it's full of useful references. Don't lend it to others, for you may not get it back. Tell them to buy their own.

Review prepared by Stuart Rutherford. Stuart Rutherford is an independent writer, practitioner, and teacher of microfinance. He is especially interested in the financial behavior of poor and very poor people, an interest which is reflected in his book, "The Poor and Their Money", and in the products and methods of the MFI he founded, SafeSave. He can be reached at SafeSave@aol.com. For more on SafeSave please visit www.safesave.org.

BULLETIN HIGHLIGHTS

Bulletin Highlights

Blaine Stephens

The *Bulletin* has organized the 124 microfinance institutions (MFIs) participating in this issue into 17 peer groups. With the notable exceptions of the Latin American Credit Unions and the Worldwide Small Business classifications, this issue of the *Bulletin* has returned to the use of three basic variables in peer group formation: region, scale of operations and target market, where applicable. Similarities in scale and target market have also induced the *Bulletin* to consider Eastern European and Central Asian MFIs together in new ECA peer groups.

Key findings from analysis of participating MFIs include:

- *Bulletin* participants, on average, have achieved financial self-sufficiency. They cover all costs of operations, including the cost of adjustments for subsidy, inflation and standardized loan loss provisioning. More importantly, these FSS MFIs are diverse. This level of financial self-sufficiency holds largely across methodologies, scale of operations, regions, institutional types, age, and target markets.

- These FSS MFIs attain greater outreach than the average MFI. They serve 50 percent more borrowers and nearly twice as many savers. While reaching greater breadth, FSS MFIs also achieve similar depth of outreach with average outstanding loan and savings balances per customer similar to those of the average MFI.

- While the average MFI shows a positive return on assets (0.1 percent AROA), strategies for achieving these returns vary significantly by target market. Among FSS MFIs, those carrying much smaller average loan balances compensate for their slightly higher total expenses through higher interest rates. Conversely, MFIs targeting a broader market segment achieve profitability through lower cost structures.

- Institutions classified as financial intermediaries by the *Bulletin* tend to be larger and older than credit-led MFIs. Their microfinance operations are, on average, 12 years old, compared with eight years for other institutions. At over US$ 16 million, their gross loan portfolio is nearly 5 times that of other MFIs. Financial intermediaries likewise serve twice as many loan clients as do credit-led institutions.

Performance of Savings Mobilizers

This issue of the *Bulletin* Highlights considers the institutional performance of MFIs through the lens of financial intermediation. This section will seek to explore some of the arguments drawn out by authors contributing to this issue in their discussion of savings mobilization and its impact on costs and sustainability.

Figure 1: Financial Intermediaries by Characteristic

Characteristics		FI MFIs (#)	Non-FI MFIs (#)	Total
Age	New	6	15	21
	Young	4	32	36
	Mature	27	40	67
Scale of operations	Large	18	17	35
	Medium	16	49	65
	Small	3	21	24
Methodology	Individual	25	28	53
	Solidarity Groups	11	40	51
	Village Banks	1	19	20
Target Market	Low-end	9	40	49
	Broad	20	41	61
	High-end	5	3	8
	Small Business	3	3	6
Region	Africa	8	13	21
	Asia	6	16	22
	ECA	1	21	22
	LA	22	28	50
	MENA	0	9	9
Level of Country Income	Lower/Middle Income	34	76	110
	Upper Income	3	11	14
Charter Type*	Banks	10	2	12
	Credit Unions/ Coops.	16	4	20
	NGOs	2	60	62
	Non-Banks	9	20	29
Non-Profit / For-Profit Status*	Non-Profit	19	72	91
	For-Profit	18	14	32

Source: *MicroBanking Bulletin* no. 9 data.
* Data for CARD is consolidated for CARD NGO and CARD Bank.

In order to identify and analyze MFIs that mobilize savings, the *Bulletin* uses a proxy measure of financial intermediation. For the purposes of *Bulletin* analysis, institutions that fund more than 20 percent of their assets with voluntary savings are considered financial intermediaries (FI). Those that do not are classified as credit-led (Non-FI), even if they do mobilize some minimal savings. These terms do not suggest standard definitions of financial intermediation for microfinance, but rather offer categories that have proven meaningful in the analysis of *Bulletin*-participating MFIs. All further references to financial intermediaries or savings mobilizers in this article are based on this analytical distinction.

The FI and Non-FI institutions participating in the *Bulletin* represent a diverse body of MFIs. Figure 1 shows this diversity across a number of characteristics. FI institutions are represented across every single characteristic peer group, with the exception of the Middle East and North Africa region. As this breakout demonstrates, the average financial intermediary participating in the *Bulletin* will likely be a larger and more mature institution, serving a broad loan clientele with individual loan products as a bank or credit union. The inclusion of a large number of Latin American credit unions makes it more likely that such MFIs are also located in Latin America.

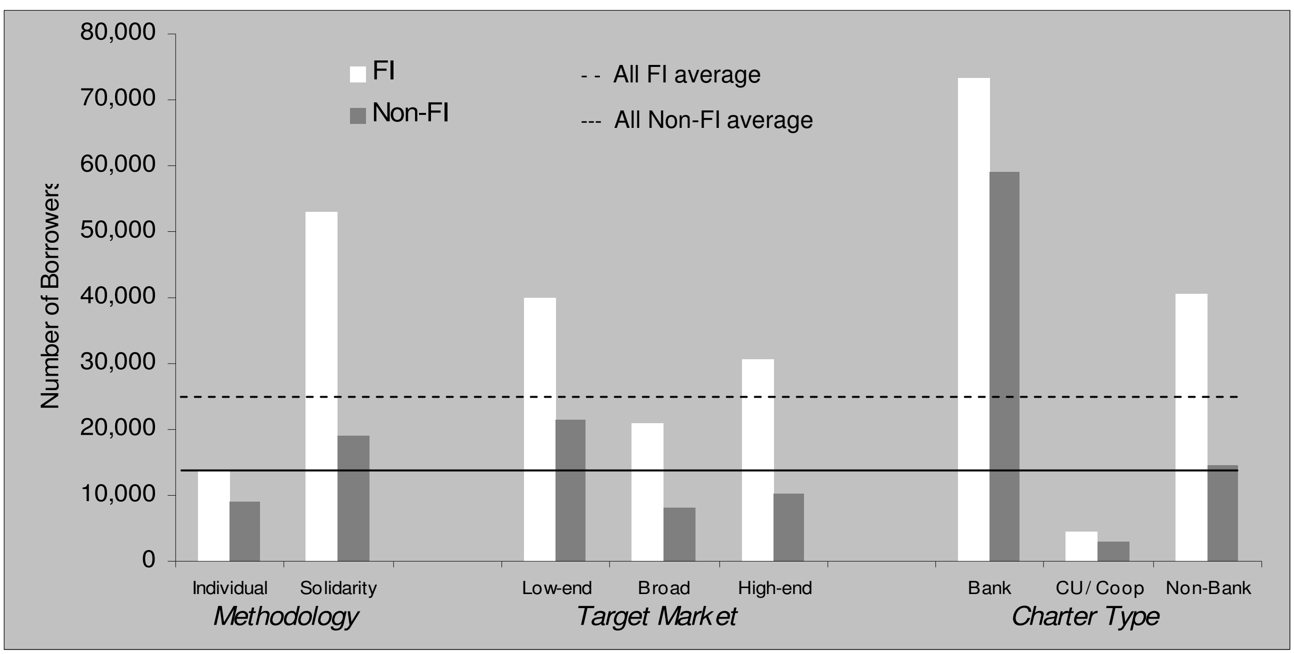
Outreach

Institutions classified as financial intermediaries by the *Bulletin* tend to be larger, as Figure 1 indicates. The reader can already intuit that these financial intermediaries, because of their larger relative voluntary savings, reach a greater number of savers than do Non-FI MFIs. It should also be noted that they also serve more borrowers – nearly 25,000, or almost twice the number served by Non-FI MFIs.

Greater breadth of outreach by FI MFIs, moreover, is not limited to large scale MFIs. As Figure 2 shows, MFIs that intermediate a significant portion of voluntary savings relative to their asset base also reach more borrowers irrespective of lending methodology, target market or institutional charter type.

The types of human resource and operational arrangements that Madeline Hirschland describes in her article on savings mobilization would seem to support this finding. Institutions that intermediate savings successfully have put in place solid delivery channels that allow them to manage capacity in order to deliver the product. Once in place, it would seem that these systems increase capacity for outreach to clients on the whole, with both savings and credit products.

Figure 2: Outreach by Intermediation and Characteristic



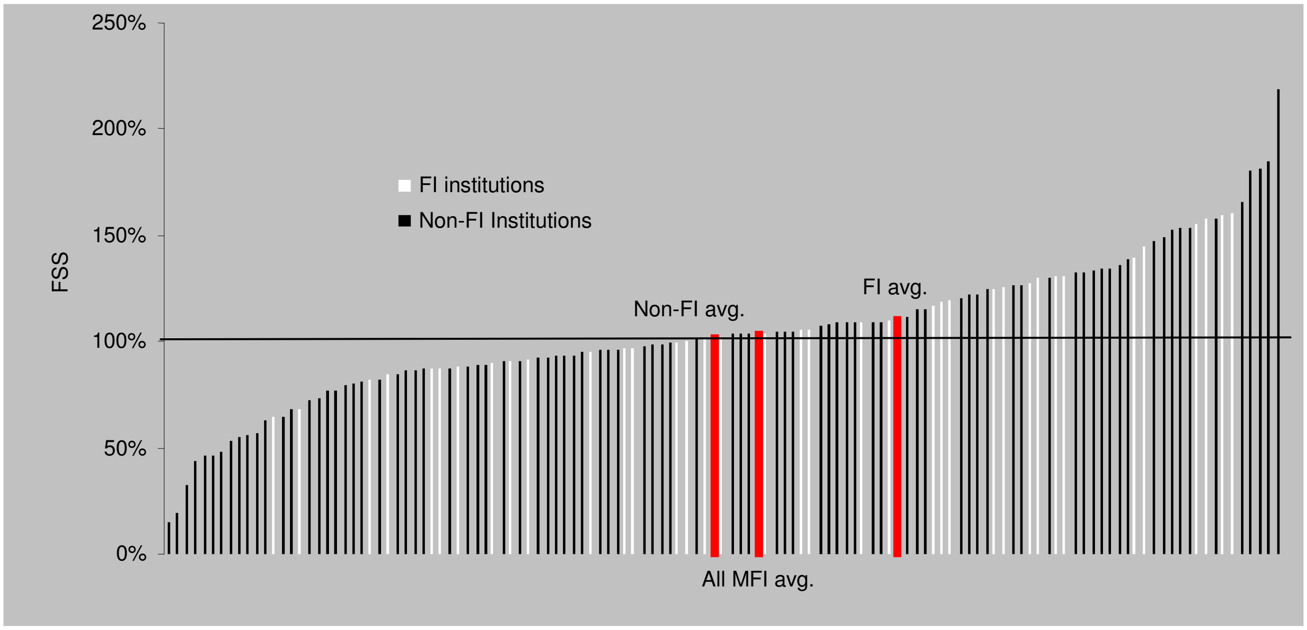
Source: *MicroBanking Bulletin* no. 9 data.
Notes: Data are calculated by dropping the top and bottom observations for each group; Due to small sample sizes, one group has been dropped from each characteristic group.

Financial Performance

The average MFI in the *Bulletin* has achieved financial self-sufficiency, covering 104 percent of its costs, including adjustments for inflation, subsidy and standardized loan loss provisioning. This average is composed of MFIs at various levels of financial sustainability.

As Figure 3 shows, FI and Non-FI institutions can be found across this general sustainability distribution. Both FI and Non-FI institutions have achieved, on average, financial self-sufficiency. Given their respective concentrations across the sustainability distribution, however, FI MFIs demonstrate a higher average FSS (111 percent) than do Non-FI MFIs (102 percent).

Figure 3: The Distribution of Financial Intermediaries (FI) Across Financial Self-Sufficiency



Source: *MicroBanking Bulletin* no. 9 data.
Notes: Data represent observations for all participating MFIs; Averages are calculated by dropping the top and bottom observations for each group.

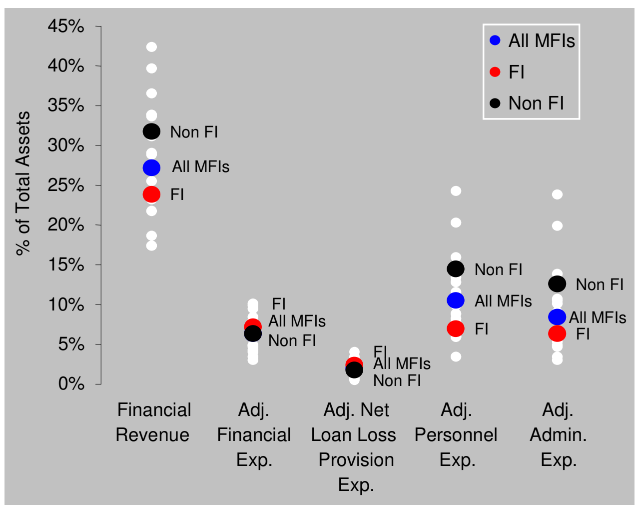
Cost Recovery Varies with Financial Intermediation

Important differences exist between the ways in which FI and Non-FI institutions achieve their financial self-sufficiency. As Figure 4 demonstrates, MFIs that intermediate between savings and credit earn less financial revenue than either the average *Bulletin* participant or Non-FI institutions. Indeed, their earnings fall in the lowest third of the distribution across *Bulletin* peer groups. To achieve the levels of sustainability that they do, FI institutions spend less on their relative operating expenses than either the *Bulletin* average or Non-FI institutions.

For both operational expenses (personnel and administrative), Figure 4 shows that most peer groups have expenses in the range of 5 to 15 percent of their average total assets. Within this range, savings mobilizers have relative cost structures that fall at the bottom of the peer group distributions, with an average of 6.8 percent for personnel expense and 6.3 percent for administrative expense.

Those institutions that tend to be credit-driven, on the other hand, have expense structures that fall at the top of those same ranges. These results would suggest that financial intermediaries have achieved better operational cost control.

Figure 4: Income and Costs Across Levels of Financial Intermediation



Source: *MicroBanking Bulletin* no. 9 data.
Note: Data points represent peer groups averages and are calculated by dropping the top and bottom observations.

It is worth noting, as well, similar levels of adjusted financial expense for both FI and Non-FI institutions stem from different sources. For savings mobilizers, this expense represents interest paid to depositors on their savings accounts. Credit-led institutions, however, incur more costs from adjustments made for inflation and subsidized debt.

FI Status Impacts Cost Recovery by Region

The observations on the impact of FI status on the average MFI hold constant across regions, when looking at MFIs in Africa, Asia and Latin America.

In general, it would seem that FI MFIs, even when divided by region, display similar income and expense structures. FI MFIs across regions generate returns higher than either the regional average or the Non-FI MFIs in the region. Likewise, these institutions have lower average operating costs in proportion to their total assets.

Figure 5 breaks out performance indicators by regional average, and further subdivides them between savings mobilizers and other. In this breakout, **African** MFIs display the widest range within income and cost factors of the three regions. Conclusions from earlier *Bulletin* Highlights on the role of scale in increased institutional sustainability hold true with African savings mobilizers.

Figure 5: Income and Cost Structures by Region and Financial Intermediary (FI) Status (%)

	Adjusted Return on Assets	Adjusted Financial Revenue Ratio	Adjusted Financial Expense Ratio	Adjusted Loan Loss Provision Expense Ratio	Adjusted Personnel Expense Ratio	Adjusted Administrative Expense Ratio
All	0.1	27.1	6.2	1.8	10.5	8.4
Africa	-1.9	31.2	4.7	1.1	15.3	14.5
FI	-1.0	19.9	3.3	1.1	8.4	7.6
Non-FI	-5.0	38.2	5.7	1.1	19.5	18.8
Asia	2.1	24.0	6.7	1.3	8.4	5.3
FI	6.9	24.8	8.2	1.4	4.9	3.5
Non-FI	-0.8	23.7	6.2	1.5	9.7	7.1
Latin America	-0.1	31.7	8.8	2.7	10.0	8.4
FI	0.9	24.7	8.3	2.7	6.6	6.3
Non-FI	-2.3	37.2	9.3	2.8	13.4	14.7

Source: *MicroBanking Bulletin* no. 9 data.
Notes: Data are calculated by dropping the top and bottom observations; Due to low sample sizes, the ECA and MENA regions have not been included for comparison; All definitions can be found on pages 52 and 53.

These institutions manage, on average, an asset base over five times the size of that held by credit-led institutions. FI MFIs, likewise, perform better than Non-FI institutions, earning -1.0 percent AROA, compared with -5.0 percent for credit-led African MFIs. Higher average personnel and administrative costs prevent African MFIs from earning a positive return, and these costs prove even higher for Non-FI MFIs. In this relatively high labor cost environment, African savings mobilizers show a significantly tighter cost structure, on both operating and financial expenses. Indeed, these cost levels are lower than those of the average *Bulletin* participant. Given the slightly higher number of borrowers served per staff member (198 for FI African MFIs vs. 180 for all African MFIs) this would indicate that African financial intermediaries have better leveraged their existing human resources. With their low level of revenues, these FI MFIs could arguably increase their earnings to achieve sustainability, while still charging less than their peers.

Asian MFIs earn the highest level of returns of the three regions, irrespective of the level of financial intermediation. Despite their range of returns on assets, the FI breakdown of Asian MFIs shows that these institutions earn the same on their asset base, whether or not they mobilize savings, and that these earnings are less than the *Bulletin* average. Given this same income structure, then, varying cost structures drive the difference in returns. While Asian personnel and administrative costs are lower across the board, differences still exist between financial intermediaries and others. Consistent with the general observation on FI institutions, Asian savings mobilizers pay less in personnel and administrative costs than other Asian MFIs. Indeed, Asian FI institutions have operating expenses at the very bottom of the range observed among all *Bulletin* participants (see Fig. 4). Unlike their African peers, Asian financial intermediaries achieve these economies through lower overall salary levels per person, rather than through leveraging human resources. The average salary per person is 3.1 times GNP per capita for savings mobilizers, compared with 4.6 for the average Asian MFI.

Most MFIs in **Latin America** earn or are close to earning positive returns on their assets. These institutions, regardless of whether or not they intermediate savings, carry higher level of adjusted financial expense than do their African or Asian peers. This stems in part from the region's inflation levels, the highest average level of the three regions. Latin American savings mobilizers distinguish themselves from the Non-FI institutions in a manner similar to that of their African and Asian peers. In general, their personnel and administrative costs are significantly lower than either the regional average or the average for non-financial intermediaries. Unlike their African peers, however, Latin American savings mobilizers do not achieve their lower personnel costs through leverage, at least in terms of credit product delivery. They serve 98 borrowers per staff member, compared with the regional average of 128 borrowers. Rather, these institutions maintain lower personnel costs as a percentage of total assets through higher average loan balances, nearly twice those of the regional average.

Measuring performance in savings services

The preceding analysis looks at the institutional health of financial intermediaries using general indicators, that is, measures of performance that are agnostic to the whether the MFI is savings- or credit-led. As analytical tools, these indicators enable the reader to compare institutions and assess how financial intermediaries differ from other institutions in their performance.

To begin to analyze savings mobilization within MFIs, rather than the general health of savings mobilizers, the *Bulletin* collects a number indicators related to scale and outreach, productivity and risk indicators. Figure 6 lists those indicators currently used to assess scale, outreach and productivity, and compares them across region and institutional charter type.

African and Asian financial intermediaries serve far more depositors than do their Latin American counterparts. This result stems, in part, from the predominance of small credit unions in the Latin American sample. This observation is still noteworthy given that these averages do not include outlier institutions, those institutions whose results place them in the top or bottom peer group observations. Hence, the significantly larger Asian financial intermediaries do not unduly influence this average.

Moreover, both African and Asian MFIs mobilizing savings demonstrate much higher productivity in reaching these larger populations of savings clients; they serve more savers with each staff member. While Asian MFIs serve over four times as many savers per employees as do their Latin American peers, they handle much smaller average savings accounts.

Figure 6: Outreach and Productivity of Financial Intermediaries

	Number of Voluntary Savers	Avg. Savings Balance per Saver (US$)	Voluntary Savers per Staff Member
All	3,345	269	34
Region			
Africa FIs	66,703	132	328
Asia FIs	46,084	77	529
LA FIs	6,465	741	118
Charter Type			
Bank FIs	49,776	582	92
CU/ Coop. FIs	13,852	428	343
Non-Bank FIs	16,715	393	87

Source: *MicroBanking Bulletin* no. 9 data.
Notes: Data are calculated by dropping the top and bottom observations; Due to low sample sizes, the ECA and MENA regions, as well as NGOs, have not been included for comparison.

One must qualify these observations on outreach with a comment on the measurement of savers. While the *Bulletin* asks participants to distinguish between savers and savings accounts, not all information systems make both these data sets available. A count of savings accounts would increase what the *Bulletin* reports as savers, increasing relative productivity measures, and decreasing the observed average savings balance.

On the institutional front, banks serve the largest population of savers, three times more than either cooperatives, or various non-banks. While reaching fewer savers, credit unions serve over three times as many savers per employee than do other institutional types. It is worth noting that, on the whole, no institutional type reaches a lower average savings balance than the average for all MFIs (including FI and Non-FI institutions). These results point more importantly to the underlying problem with this indicator as a measure of depth of outreach, as highlighted by both Elisabeth Rhyne and David Richardson. Only a size distribution of accounts would highlight the different populations reached with savings products.

Notwithstanding the informational and data collection challenges highlighted by Rhyne in her article on savings indicators, the figures in Figure 6 begin to paint a portrait of the outreach and performance of savings mobilizers. As the *Bulletin* expands its data collection, where feasible, to capture information necessary for other savings indicators this space will analyze and discuss new findings and trends on the performance of savings mobilizing institutions.

BULLETIN TABLES

Index of Tables

These are summary tables only. More details are available on MIX website at www.mixmbb.org.

Index of Terms and Indicators*

TERMS	DEFINITION	
Total Assets	All assets, net of all contra asset accounts	
Total Assets, adjusted	Total Assets, adjusted for inflation and standardized loan portfolio provisioning and write-offs	
Gross Loan Portfolio	Outstanding principal balance of all outstanding loans	
Gross Loan Portfolio, adjusted	Gross Loan Portfolio, adjusted for standardized write-offs	
Voluntary Savings	Total value of passbook and time deposit accounts	
Total Liabilities	All liability accounts representing everything that the MFI owes to others	
Total Liabilities, adjusted	Total Liabilities	
Total Equity	Total Assets less Total Liabilities	
Total Equity, adjusted	Total Equity, adjusted for the impact of total adjustments on Net Operating Income	
Administrative Expense	Depreciation + office supplies + rent and utilities + transportation + other administrative expenses	
Administrative Expense, adjusted	Administrative Expense, adjusted for in-kind donations for administrative expenses other than personnel	
Personnel Expense	All personnel expense, including staff salaries, bonuses, and benefits	
Personnel Expense, adjusted	Personnel Expense, adjusted for in-kind donations for personnel	
Operating Expense	Personnel Expense + Administrative Expense	
Operating Expense, adjusted	Operating Expense, adjusted for in-kind donations	
Financial Revenue from Loan Portfolio	Financial revenue from loan portfolio	
Financial Revenue from Loan Portfolio, adjusted	Financial Revenue from Loan Portfolio, net of accrued interest	
Financial Revenue	Financial Revenue from Loan Portfolio and investments + Other revenue from financial services	
Financial Revenue, adjusted	Financial Revenue, net of accrued interest	
Financial Expense	Interest and fee expense on funding liabilities + Other financial expense	
Financial Expense, adjusted	Financial Expense, adjusted for inflation and subsidized cost of funds expenses	
Net Financial Income, adjusted	Financial Revenue, adjusted - Financial Expense, adjusted	
Net Loan Loss Provision Expense	Loans loss provision expense, net of recoveries on write-offs	
Net Loan Loss Provision Expense, adjusted	Net Loan Loss Provision Expense, adjusted for standardized loan loss provisioning	
Net Operating Income	Financial Revenue - (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)	
Net Operating Income, adjusted	Financial Revenue, adjusted - (Financial Expense + Net Loan Loss Provision Expense + Operating Expense), adjusted	
INDICATORS	***DEFINITION***	
INSTITUTIONAL CHARACTERISTICS		
Age	Years functioning as an MFI	(years)
Total Assets	Total Assets, adjusted for inflation and standardized loan portfolio provisioning and write-offs	(US $)
Offices	Number, including head office	(number)
Personnel	Total number of employees	(number)
FINANCING STRUCTURE		
Capital/ Asset Ratio	Total Equity, adjusted/ Total Assets, adjusted	(%)
Commercial Funding Liabilities Ratio	All liabilities with "market" price/ Average Gross Loan Portfolio	(%)
Debt/ Equity Ratio	Total Liabilities, adjusted/ Total Equity, adjusted	(x)
Deposits to Loans	Voluntary Savings/ Gross Loan Portfolio, adjusted	(%)
Deposits to Total Assets	Voluntary Savings/ Total Assets, adjusted	(%)
Gross Loan Portfolio/ Total Assets	Gross Loan Portfolio, adjusted/ Total Assets, adjusted	(%)

*More details on definitions of terms and ratios can be found in MicroBanking Bulletin Issue No. 8, “Standardization”.

Index of Terms and Indicators (continued)

OUTREACH INDICATORS		
Number of Active Borrowers	Number of borrowers with loans outstanding	(number)
Percent of Women Borrowers	Number of active women borrowers/ Number of Active Borrowers	(%)
Gross Loan Portfolio	Gross Loan Portfolio, adjusted for standardized write-offs	(US $)
Average Loan Balance per Borrower	Gross Loan Portfolio/ Number of Active Borrowers	(US $)
Average Loan Balance per Borrower/ GNP per Capita	Average Loan Balance per Borrower/ GNP per Capita	(%)
Number of Voluntary Savers	Number of savers with passbook and time deposit accounts	(number)
Voluntary Savings	Total value of passbook and time deposit accounts	(US $)
Average Savings Balance per Saver	Voluntary Savings/ Number of Voluntary Savers	(US $)
OVERALL FINANCIAL PERFORMANCE		
Adjusted Return on Assets	Net Operating Income, adjusted and net of taxes/ Average Total Assets	(%)
Adjusted Return on Equity	Net Operating Income, adjusted and net of taxes/ Average Total Equity	(%)
Operational Self-Sufficiency	Financial Revenue/ (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)	(%)
Financial Self-Sufficiency	Financial Revenue, adjusted/ (Financial Expense + Net Loan Loss Provision Expense + Operating Expense), adjusted	(%)
OPERATING INCOME		
Adjusted Financial Revenue Ratio	Financial Revenue, adjusted/ Average Total Assets	(%)
Adjusted Profit Margin	Net Operating Income, adjusted/ Financial Revenue, adjusted	(%)
Yield on Gross Portfolio (nominal)	Financial Revenue from Loan Portfolio/ Average Gross Loan Portfolio	(%)
Yield on Gross Portfolio (real)	(Yield on Gross Portfolio (nominal) - Inflation Rate)/ (1 + Inflation Rate)	(%)
OPERATING EXPENSE		
Adjusted Total Expense Ratio	(Financial Expense + Net Loan Loss Provision Expense + Operating Expense), adjusted/ Average Total Assets	(%)
Adjusted Financial Expense Ratio	Financial Expense, adjusted/ Average Total Assets	(%)
Adjusted Loan Loss Provision Expense Ratio	Net Loan Loss Provision Expense, adjusted/ Average Total Assets	(%)
Adjusted Personnel Expense Ratio	Personnel Expense, adjusted/ Average Total Assets	(%)
Adjusted Administrative Expense Ratio	Administrative Expense, adjusted/ Average Total Assets	(%)
Adjusted Operating Expense Ratio	Operating Expense, adjusted/ Average Total Assets	(%)
Adjustment Expense Ratio	Net inflation and subsidized cost-of-funds adjustment expense/ Average Total Assets	(%)
EFFICIENCY		
Operating Expense/ Loan Portfolio	Operating Expense, adjusted/ Average Gross Loan Portfolio	(%)
Personnel Expense/ Loan Portfolio	Personnel Expense, adjusted/ Average Gross Loan Portfolio	(%)
Average Salary/ GNP per Capita	Average Personnel Expense, adjusted/ GNP per capita	(x)
Adjusted Cost per Borrower	Operating Expense, adjusted/ Average Number of Active Borrowers	(%)
PRODUCTIVITY		
Borrowers per Staff Member	Number of Active Borrowers/ Number of personnel	(number)
Borrowers per Loan Officer	Number of Active Borrowers/ Number of loan officers	(number)
Voluntary Savers per Staff Member	Number of Voluntary Savers/ Number of personnel	(number)
Personnel Allocation Ratio	Number of Loan Officers/ Number of personnel	(%)
RISK AND LIQUIDITY		
Portfolio at Risk> 30 Days	Outstanding balance, loans overdue> 30 Days/ Gross Loan Portfolio, adjusted	(%)
Portfolio at Risk> 90 Days	Outstanding balance, loans overdue> 90 Days/ Gross Loan Portfolio, adjusted	(%)
Risk Coverage	Loan loss reserve, adjusted/ PAR > 30 Days	(x)
Non-earning Liquid Assets as a % of Total Assets	Cash and banks/ Total Assets, adjusted	(%)

An Introduction to the Peer Groups and Tables

Setting up the Peer Groups

The *MicroBanking Bulletin* is designed to create performance benchmarks against which managers and directors of microfinance institutions can compare their own performance with others. Since the microfinance industry consists of a range of institutions and operating environments, some with very different characteristics, an MFI should be compared to similar institutions for the reference points to be useful.

The *MicroBanking Bulletin* addresses this issue with its peer group framework. Peer groups are sets of programs that have similar characteristics—similar enough that their managers find utility in comparing their results with those of other organizations in their peer group. The *Bulletin* forms peer groups based on three main indicators shown in Figure 1: 1) **region**; 2) **scale of operations**; and 3) **target market**.

Since regions demonstrate different growth patterns, however, we have regionalized the scale criterion by raising the bar in some areas and lowering it in others. The *Bulletin* also has a category based solely on target market: Small Business. This category has a depth indicator (average outstanding loan size / GNP per capita) that exceeds 250 percent.

Besides these three primary indicators, the *Bulletin* has also applied a secondary criterion to further homogenize the peer groups.

All Latin American **credit unions** are grouped together. Since these organizations are savings-driven (unlike most MFIs, which are credit-driven), they have a unique cost structure that makes comparison with other MFIs less useful.

Peer Group Composition

The members of each peer group are listed in Figure 2 on the following page, and more detailed information about each institution can be found in Appendix II on page 81.

Data Quality and Statistical Issues

Since the *Bulletin* relies primarily on self-reported data, we grade the quality of the information based on the degree to which we have independent verification of its reliability. The data quality grade is NOT a rating of the institution's performance. In the statistical tables that follow, the averages for each peer group are calculated by dropping the maximum and minimum values for each indicator. For the entire sample of MFIs, the top and bottom deciles were excluded. For more details on both Data Quality and Statistical Issues, see Appendix I on page 77.

Figure 1: Primary Peer Group Criteria

<table>
<tr><th>Region</th><th>Scale of Operations*
Gross Loan Portfolio (US$)</th><th>Target Market
Average Loan Balance per Borrower/ GNP per Capita</th></tr>
<tr><td>Africa
Asia
ECA
MENA</td><td>Large: > 8 million
Medium: 2 million to 8 million
Small: < 2 million</td><td rowspan="2">Low-end: < 20% OR Avg. Loan Balance per Borrower ≤ US$150
Broad: 20% to 149%
High-end: 150 to 249%
Small Business: ≥ 250%</td></tr>
<tr><td>Latin America</td><td>Large: > 15 million
Medium: 4 million to 15 million
Small: < 4 million</td></tr>
</table>

*Criteria for classification of scale of operations vary by region. See corresponding group of regions.
Abbreviations: ECA = Eastern Europe and Central Asia; MENA = Middle East and North Africa.

Figure 2: A Guide to the Peer Groups

PEER GROUP	N	Data Quality Grade† (No. of MFIs)			PARTICIPATING INSTITUTIONS[1]
		***	**	*	
1. Africa Large *Size*: Large; *Target*: All *Country Income Level*: LI	6	1	3	2	***ACSI***, CERUDEB, EBS, K-REP, PADME, PAMÉCAS
2. Africa Medium *Size*: Medium; *Target*: All *Country Income Level*: LI	8	0	6	2	CRG, ***Finadev***, FINCA - UGA, PRIDE - TZA, PRIDE Finance, ***UMU,*** UWFT, Vital Finance
3. Africa Small *Size:* Small; *Target*: All	7	0	7	0	Faulu - UGA, FINCA - MWI, FINCA - TZA, SEDA, SEF, ***Tchuma***, WAGES
4. MENA *Size*: All; *Target*: Low-end/ Broad *FI Status*: Non-FI	9	1	6	2	ABA, Al Amana, Al Majmoua, ***DBACD,*** FATEN, ***Fondep***, ***JMCC***, MFW, RADE
5. LA Credit Unions *Size*: Small/ Medium; *Target*: Broad *Country Income Level*: UI; *FI Status*: FI	11	0	2	9	Acredicom, Chuimequená, COOSAJO, Ecosaba, F. Gainza, **FinComun**, Inca, Moyután, Quilla, SJPU, Tonantel
6. LA Large *Size:* Large; *Target*: All	12	0	11	1	Banco Solidario, BanDes, BancoSol, Caja de Los Andes, CMAC - Arequipa, ***CMAC - Sullana***, Compartamos, FIE, FinAmérica, FWWB - Cali, Mibanco, Solución
7. LA Medium *Size:* Medium; *Target*: Low-End/Broad	8	2	6	0	ACODEP, CMM - Medellín, CRECER, FAMA, FINSOL, FMM - Popayán, ProEmpresa, ProMujer - BOL
8. LA Small Broad *Size*: Small; *Target*: Broad *Status*: Non-FI	8	1	5	2	***ACME***, Actuar - Tolima, ADRI, ***BluSol***, ***FHAF***, PortoSol, FINCA - ECU, ***Sogesol***
9. LA Small Low *Size*: Small; *Target*: Low-end	10	0	7	3	5 de Mayo, ***Adelante***, BanGente, Credicoop, FINCA - GTM, FINCA - HTI, FINCA - PER, **ProMujer - PER**, Vivacred, ***Visão Mundial***
10. Asia Large *Size*: Large; *Target*: Low-end/ Broad *Country Income Level*: LI	4	0	1	3	ACLEDA, ASA, BRI, FICCO
11. Asia Medium *Size*: Medium; *Target*: Low-end/Broad *Country Income Level*: LI	7	3	3	1	BASIX, BURO Tangail, CARD, EMT, Nirdhan, SHARE, TSPI
12. Asia Small Low *Size*: Small; *Target*: Low-end *Country Income Level*: LI; *FI Status*: Non-FI	5	2	3	0	AKRSP, GV, KASHF, ***SKS, Spandana***
13. Asia Small Broad *Size*: Small; *Target*: Broad *Country Income Level*: LI	5	0	2	3	BCS, Hattha, IASC, PMPC, USPD
14. ECA Large *Size*: Large; *Target:* Broad/ High-end *FI Status*: Non-FI	5	1	3	1	BESA, EKI, FM, Mikrofin, Partner
15. ECA Medium *Size*: Medium; *Target:* Broad *FI Status*: Non-FI	9	0	5	4	Constanta, FINCA - KGZ, KEP, MI-BOSPO, NOA, Prizma, ***PSHM***, Sunrise, XAC
16. ECA Small *Country Income Level*: LI; *FI Status*: Non-FI	6	1	2	3	***AgroInvest***, FINCA - AZE, Kamurj, KCLF, **Mikra BiH**, ***Women for Women***
17. Worldwide Small Business *Size*: Large/Medium; *Target:* Small Business *Country Income Level*: LI; *FI Status*: Non-FI	4	2	1	1	***ACF***, AgroCapital, ***BTF***, NLC
All MFIs	124	14	73	37	

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

- *** The information is supported by an in-depth financial analysis conducted by an independent entity in the last three years
- ** The MBB questionnaire plus audited financial statements, annual reports and other independent evaluations
- * The MBB questionnaire or audited financial statements without additional documentation

Abbreviations: ECA = Eastern Europe and Central Asia; MBB = *MicroBanking Bulletin*; MENA = Middle East and North Africa; LA = Latin America; UI = Upper Income countries; LI = Lower and Middle Income countries; FI Status = Status of Financial Intermediation; FI = Financial Intermediary; Non-FI = Non-Financial Intermediary.

[1]The institutions in ***italics and bold*** are new to the *Bulletin*. A short description of all institutions can be found in Appendix II.

Peer Group Tables

PEER GROUPS		INSTITUTIONAL CHARACTERISTICS: Age	Total Assets	Offices	Personnel	FINANCING STRUCTURE: Capital/ Asset Ratio	Commercial Funding Liabilities Ratio	Debt/ Equity Ratio	Deposits to Loans	Deposits to Total Assets	Gross Loan Portfolio/ Total Assets
		(years)	(US $)	(number)	(number)	(%)	(%)	(x)	(%)	(%)	(%)
All MFIs (n = 124)		**8**	**7,931,000**	**19**	**120**	**42.7**	**44.1**	**1.9**	**15.3**	**12.3**	**70.9**
FSS MFIs (n = 66)		**10**	**14,482,358***	**17**	**174**	**40.4**	**76***	**2.5**	**21.9**	**16.4**	**73.1**
1. Africa Large	n	6	6*	4	4*	6	6*	6*	6*	6*	6
	avg	9	28,905,898*	27	278*	25	114.8*	4.5*	95.1*	45.2*	59.6
	std	2	17,365,708*	2	184*	16.1	105.1*	3*	87.7*	32.7*	15.9
2. Africa Medium	n	8	8	6	8	8	8	8	6	6	8
	avg	9	5,306,753	39	145	47.6	41.4	1.4	9.8	6	70.8
	std	6	1,323,384	37	74	20.1	36.4	0.9	16.7	9.3	12.3
3. Africa Small	n	7	7	5*	7	7	7	5	5	5	7
	avg	7	1,775,840	139*	88	57.4	39.2	0.7	5.2	3.3	63.3
	std	2	572,551	291*	37	25.6	36.8	0.7	11	7	7.8
4. Asia Large	n	4	4*	4*	4*	4	4*	4*	4*	4*	4
	avg	13	847,705,038*	1,377*	7,423*	36.5	131.4*	4.7*	72.8*	39.5*	72.5
	std	10	1,560,460,254*	1,989*	9,806*	21.3	174.5*	6.9*	84.6*	32.5*	21
5. Asia Medium	n	7	7	7*	7*	7	7	5	5	5	7
	avg	11	6,921,126	51*	411*	34.6	70.3	1.3	3.1	2.3	71.9
	std	5	2,101,271	32*	262*	20.7	42.3	0.7	4.5	3.5	11.6
6. Asia Small Broad	n	5	5	3	5	5	5*	5	5	5	5
	avg	4	1,080,124	3	33	36.6	95.7*	2.5	46.8	35.3	80.4
	std	2	397,225	3	28	17.3	55.7*	2.3	43	32.2	10.6
7. Asia Small Low end	n	5	3	5	5	5	3	3	5	3	5
	avg	8	2,193,441	16	99	44.2	26.4	0.6	1.4	0.5	50.1
	std	6	1,201,382	10	68	38.5	23.8	0.6	1.3	0.2	33.5
8. ECA Large	n	5	5	5	5	5	3	5	5	5	5*
	avg	5	11,149,406	21	76	42	1.2	2.4	0	0	95.7*
	std	1	1,289,718	10	17	32.3	2.1	2.1	0	0	2.5*
9. ECA Medium	n	9	9	7	7	9	7	7	7	7	9
	avg	5	5,223,780	12	80	60.9	16.7	1	0.9	0.8	77.5
	std	2	2,166,388	8	69	34.5	18.3	1.1	2.3	2.1	11.8
10. ECA Small	n	6	6	4	6	6	4	4	6	6	6
	avg	3	1,871,945	7	48	70.9	4.1	0.4	0	0	64.5
	std	1	615,848	5	27	24.8	8.2	0.3	0	0	23.4
11. LA Credit Unions	n	11*	11	8	7	11	11*	11*	11*	11*	11
	avg	20*	10,232,592	3	37	23.6	134.9*	4.1*	116.9*	68.1*	63.4
	std	12*	7,025,320	2	32	8.8	51.2*	2.8*	44.6*	10.1*	16.7
12. LA Large	n	12	12*	11	12*	12*	12*	10*	12*	12*	12
	avg	12	65,088,153*	24	454*	17.4*	95.5*	5.6*	53*	40.3*	78.4
	std	4	44,656,570*	11	386*	9.6*	25.9*	2.3*	36.4*	25.5*	9.2
13. LA Medium	n	8	8	7	8	8	8	8	6	6	8
	avg	12	8,548,190	17	118	43.8	71.8	1.7	3.7	3.1	78
	std	5	2,578,087	10	36	17.4	42.7	1.4	9	7.7	11.8
14. LA Small Broad	n	8	8	6	8	8	6	6	8	8	8
	avg	9	2,552,830	5	40	42.4	18.3	1.5	0	0	72.8
	std	7	1,393,588	1	21	18.5	24	0.9	0	0	9.9
15. LA Small Low end	n	8	10	8	10	10	8	10	8	8	10*
	avg	6	1,894,792	19	43	54.9	9.8	1.2	2	1.5	54.8*
	std	5	1,712,518	39	33	25.4	20.2	1	5.6	4.4	11.9*
16. MENA	n	9	7	7	7	9*	7	7*	9	9	9
	avg	6	6,477,341	12	117	71.4*	23.9	0.4*	0	0	59.4
	std	3	5,570,945	7	104	19.4*	28.1	0.2*	0	0	29.4
17. WW Small Business	n	4	4	4	4	4	4	4	4	4	4
	avg	6	8,785,580	6	52	58.4	36.5	1	0	0	71.6
	std	3	8,127,934	4	25	29.1	41.2	0.8	0	0	10.7

Data on voluntary savers is missing from some MFIs, preventing us from publishing certain savings indicators, as denoted by "n/a".
For details on Peer Group criteria and definitions, refer to pages 54 and 55; For details on indicators definitions, refer to page 52; n= number of observations; avg= average; std= standard deviation.
For "All MFIs", averages are calculated on the basis of the values between the 2nd and 9th deciles; For "FSS" and other groups, averages are calculated by dropping the top and bottom observations.
FSS averages different from average for all MFIs at 1% significance level are marked with an asterisk (*).

Peer Group Tables

PEER GROUPS		Number of Active Borrowers	Percent of Women Borrowers	Gross Loan Portfolio	Average Loan Balance per Borrower	Average Loan Balance per Borrower/ GNP per Capita	Number of Voluntary Savers	Voluntary Savings	Average Savings Balance per Saver	GNP per Capita	GDP Growth Rate	Deposit Rate	Inflation Rate	Financial Depth
		OUTREACH INDICATORS								MACROECONOMIC INDICATORS				
		(number)	(%)	(US $)	(US $)	(%)	(number)	(US $)	(US $)	(US $)	(%)	(%)	(%)	(%)
All MFIs (n = 124)		**15,553**	**62.9**	**5,347,516**	**532**	**54.3**	**3,345**	**1,197,175**	**269**	**1,031**	**3.8**	**4.7**	**7.4**	**40.7**
FSS MFIs (n = 66)		**22,841**	**61.9**	**10,154,579***	**621**	**66.4**	**6,019**	**3,282,583***	**258**	**1,210**	**4**	**4.1**	**7.1**	**46.1**
1. Africa Large	n	4	5	6*	6	6*	4*	4*	4	6	6	6	6	6
	avg	30,341	48.2	15,368,816*	423	121*	82,052*	11,823,261*	131	317	4	1.7	4.6	33.9
	std	7,587	24.2	4,671,744*	307	65.1*	63,396*	9,989,882*	46	125	1.9	1	1	11.3
2. Africa Medium	n	8	8	8	8	8	5	6	3	8	8*	6	8	8
	avg	29,935	75.3	3,769,006	191	57.5	5,170	330,436	60	329	5.2*	3	5.5	19.2
	std	22,821	17.2	1,238,693	140	37.5	7,404	531,510	86	57	1.8*	3.4	1.7	7.7
3. Africa Small	n	7	6	7	7	7	4	5	n/a	5	7	5	7	7
	avg	13,602	83.7	1,131,362	102	37.8	826	73,431	n/a	260	3.9	7.9	10	26
	std	5,295	17.4	399,744	54	27.3	1,653	158,892	n/a	28	2	5.7	9.3	11.1
4. Asia Large	n	4*	4	4*	4	4	4*	4*	4	4	4	4	4	4
	avg	1,281,925*	64.4	379,784,710*	394	69.1	7,615,404*	663,811,657*	132	593	4.3	6	8.7	44.2
	std	1,492,187*	33.3	645,062,410*	274	42.3	13,800,155*	1,308,432,265*	122	351	0.7	4.2	5.3	22.1
5. Asia Medium	n	7*	7	7	7	7	4*	5	3	7	7	7	7	7
	avg	58,734*	84.7	4,995,063	97	20.3	22,542*	182,586	12	559	4.6	3.1	7.8	50.3
	std	25,460*	29.4	1,811,536	47	10.2	28,730*	340,606	8	346	1.1	2	3.4	18.2
6. Asia Small Broad	n	5	5	5	5	5	5	5	4	5	5	5	5	5
	avg	2,927	52	859,039	340	56.6	4,390	321,127	60	776	4.1	5	8.2	54.9
	std	2,098	30.1	311,676	118	38.1	3,926	304266	30	381	1.2	1.5	3.5	21.8
7. Asia Small Low end	n	5	5	5	5	5	3	5	4	5	5	5	5	5
	avg	14,266	85.6	956,472	75	17	4,801	10,691	3	444	5.1	3.2	10.1	54.6
	std	8,059	32.2	579,827	43	10.4	6,126	9,916	2	22	1.3	0.9	3	5.6
8. ECA Large	n	5	5	5	5*	5*	3	5	n/a	5	2	5	5	2
	avg	7,133	39.5	10,670,240	1,584*	113.2*	0	0	n/a	1,828	4	2.7	6.8	54.8
	std	2,115	11.7	1,292,883	419*	55.9*	0	0	n/a	1,320	0.9	2.6	3.3	16.7
9. ECA Medium	n	9	8	9	7	9	n/a	7	n/a	9	4*	9	9	5
	avg	8,075	57.5	3,865,741	739	77.3	n/a	26,679	n/a	1,338	-3.9*	3.1	6.2	36.1
	std	6,653	30.1	1,026,088	400	31.7	n/a	70,586	n/a	1,269	6.5*	2.5	3.7	27
10. ECA Small	n	6	6	6	6	6	4	6	n/a	6	4*	4	6	3
	avg	3,843	83.3	1,175,688	354	35	0	0	n/a	998	1.1*	3.3	7.6	14.4
	std	1,424	20.4	528,534	198	17.8	0	0	n/a	336	6*	1.8	2.3	2.2
11. LA Credit Unions	n	11*	9	11	11*	11*	11*	11*	11*	11	11	11	11	11
	avg	3,640*	44.4	5,872,594	1,898*	153.4	11,859*	6,974,285*	585*	1,714	4	7.7	7.7	39
	std	2,849*	8.3	3,810,208	875*	110	7,190*	4,736,482*	202*	1,169	0.3	2.6	2	13.6
12. LA Large	n	12*	10	12*	12*	12	10	10*	4*	12*	12	12	12	12
	avg	55,323*	58.2	49,917,134*	959*	73.8	5,255	29,021,318*	1036*	2,084*	4	4.7	6.5	38.5
	std	26,805*	16	31,694,088*	480*	65.3	10,627	26,764,564*	955*	1,327*	1.3	4.4	2.6	11.4
13. LA Medium	n	8	8	8	8	8	n/a	6	n/a	8	8	8	8	8
	avg	22,627	72.1	6,736,901	385	45.1	n/a	250,980	n/a	1,186	3.6	5.2	8.9	49.8
	std	12,581	17.3	2,588,886	240	37.4	n/a	614,774	n/a	662	0.6	3.2	3	15.8
14. LA Small Broad	n	6	7	8	6	8	8	8	n/a	8	6*	8*	8	8
	avg	3,164	61.1	1,831,058	606	54.1	0	0	n/a	1,790	-0.3*	9*	11.2	34.1
	std	1,770	28.5	943,193	461	33.3	0	0	n/a	1,406	4.5*	2*	4.6	3.9
15. LA Small Low end	n	10	10	10*	10	10*	n/a	8	n/a	10*	8	10	10*	10
	avg	4,282	73.3	1,052,708*	267	9.2*	n/a	54,522	n/a	2,735*	3.4	6.3	11.7*	33.9
	std	2,695	27.8	1,000,829*	205	3.6*	n/a	154,211	n/a	1,600*	1.1	3.7	8.1*	10.5
16. MENA	n	7	9	7	7	7	9	9	n/a	9	8	9	9	8*
	avg	13,463	68.1	3,339,454	286	15.8	0	0	n/a	1,757	4.3	2.6	6.5	110.3*
	std	12,440	29.2	3,647,057	154	4.3	0	0	n/a	871	1.3	1.4	3.2	42.4*
17. WW Small Business	n	4	4	4	4*	4*	4	4	n/a	4	4*	4	4	4
	avg	2,130	39.1	5,900,582	2,719*	438.8*	0	0	n/a	750	-0.1*	4.7	6.6	33.4
	std	1,659	14.5	5,305,911	922*	157.1*	0	0	n/a	496	4.6*	3.6	2	22.6

Data on voluntary savers is missing from some MFIs, preventing us from publishing certain savings indicators, as denoted by "n/a".

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FSS averages different from average for all MFIs at 1% significance level are marked with an asterisk (*).

Peer Group Tables

PEER GROUPS		OVERALL FINANCIAL PERFORMANCE: Adjusted Return on Assets	Adjusted Return on Equity	Operational Self-Sufficiency	Financial Self-Sufficiency	OPERATING INCOME: Adjusted Financial Revenue Ratio	Adjusted Profit Margin	Yield on Gross Portfolio (nominal)	Yield on Gross Portfolio (real)
		(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
All MFIs (n = 124)		**0.1**	**2.3**	**115**	**104**	**27.1**	**0.3**	**39.8**	**33.6**
FSS MFIs (n = 66)		**5.7***	**14.6***	**140***	**128***	**30.2**	**19.4***	**39.9**	**34.6**
1. Africa Large	n	6	6	6	6	6	6	6	6
	avg	3.7	14.1	148	133	18.6	21.5	31.9	29.8
	std	3.3	11	33	30	3.5	16.5	11.3	12.2
2. Africa Medium	n	6	6	8	8	8	6	8	8
	avg	-2.3	-4	103	95	31	-9.1	46.1	42
	std	4.1	8.1	21	22	17.6	16.8	26.2	28.7
3. Africa Small	n	5*	5*	7	7	7	5*	7*	7*
	avg	-12.3*	-24.8*	85	78	42.4	-31.9*	69.1*	54.4*
	std	15.1*	25.4*	21	22	16.8	32*	32.2*	26.7*
4. Asia Large	n	4	4*	4	4	4	4	4	4
	avg	4.5	31.6*	147	130	23.2	18.9	41.4	32.9
	std	5.2	44.2*	45	36	5.5	19.2	27.7	21.1
5. Asia Medium	n	5	5	7	7	7	5	7	7
	avg	0.2	1	111	100	28.8	-1.9	37.3	33.3
	std	4.2	11	10	18	11	15.9	12.6	13.2
6. Asia Small Broad	n	3	5*	5	5	5	5	5	5
	avg	6.7	18.3*	148	135	26.7	22	34.7	28.2
	std	5	16.4*	39	32	8.1	20.7	9.5	9.3
7. Asia Small Low end	n	3	3	3	5	5	3*	5	5
	avg	-4.9	14.7	106	104	17.4	-33.3*	33	29
	std	12.8	26.1	62	81	5.5	71.5*	16.1	16.5
8. ECA Large	n	3	3	5	5	5	3	5	5
	avg	2.2	14.1	134	115	25.4	8.8	25.6	22.4
	std	4.6	14.8	23	27	2.7	17	2.9	5.5
9. ECA Medium	n	7	7	9	9	9	7	9	9
	avg	3.4	6.9	121	110	33.7	5.9	44.8	40.5
	std	8.5	13.5	31	38	17.1	23.1	22.3	21.6
10. ECA Small	n	4	4	6	6	6	4	6	6
	avg	-4	-5.5	110	93	29	-15.5	50.2	42.2
	std	5.1	5.7	35	32	8.8	22	22.5	28.6
11. LA Credit Unions	n	9	9	11	11	11	9	11	9*
	avg	-0.5	-1.2	108	96	17.3	-4.9	27.4	12.7*
	std	1.1	5.3	10	8	4.8	6.8	19.6	3.5*
12. LA Large	n	10*	10*	12	12	12	12*	12	12
	avg	5.3*	27.7*	129	127	39.6	19*	40.2	34.3
	std	3*	13*	19	21	35.8	14.6*	15	16.7
13. LA Medium	n	6	6	8	8	8	6	8	8
	avg	3.6	9	128	123	33.7	14.5	45.2	38.3
	std	3.2	9.3	28	28	5.1	10.7	10.9	11.3
14. LA Small Broad	n	6	6	8	8	8	6	8	8
	avg	-2.9	-9.1	103	90	33.5	-10.7	43.9	32.2
	std	4.2	13.2	27	24	11.9	16.1	13.4	13.1
15. LA Small Low end	n	8*	8*	10*	10*	10	8*	10*	10*
	avg	-12.8*	-25.2*	79*	72*	36.4	-40.9*	65.3*	55.6*
	std	10.7*	17.4*	29*	28*	11.3	35*	20.6*	18.9*
16. MENA	n	7	7	9	9	9	7	9	9
	avg	0.6	0.4	113	101	21.6	4.3	39.8	36.3
	std	3	3.9	36	31	11.8	13.5	17.3	17
17. WW Small Business	n	4	4	4	4	4	4	4	4
	avg	1.1	-1.3	128	108	23.2	1.2	30.2	24.5
	std	7.9	12	28	33	9.7	26	9.5	10

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OPERATING EXPENSE

PEER GROUPS		*Adjusted Total Expense Ratio*	*Adjusted Financial Expense Ratio*	*Adjusted Loan Loss Provision Expense Ratio*	*Adjusted Personnel Expense Ratio*	*Adjusted Administrative Expense Ratio*	*Adjusted Operating Expense Ratio*	*Adjustment Expense Ratio*
		(%)	(%)	(%)	(%)	(%)	(%)	(%)
All MFIs (n = 124)		**27.7**	**6.2**	**1.8**	**10.5**	**8.4**	**19.1**	**1.8**
FSS MFIs (n = 66)		**23.7**	**6.2**	**1.4**	**8.7**	**6.2***	**15.8**	**1.3***
1. Africa Large	n	6	6	6	6	6	6	4
	avg	14.4	2.9	1	5.8	4.8	10.6	0.5
	std	2.9	1.9	0.7	1.4	2.4	3.7	0.4
2. Africa Medium	n	8	8	6	8	8*	8	6
	avg	33.3	4.2	0.7	14.6	13.7*	28.3	1.3
	std	17.5	1.9	0.5	9.5	7.3*	16.5	1.5
3. Africa Small	n	7*	7	5	7*	7*	7*	7*
	avg	58.4*	7	2.8	24.2*	23.8*	48*	4.2*
	std	28.5*	3.7	3.1	9.4*	17.5*	23.6*	4*
4. Asia Large	n	4	4	4	4	4	4	4
	avg	18.5	8	1.4	5.7	3.4	9.1	1.6
	std	5.8	4	0.9	3.3	4.2	7.3	0.8
5. Asia Medium	n	7	7	5	7	7	7	7
	avg	27.9	5.9	1.3	11.4	8.9	20.3	0.7
	std	11	2.3	1.3	6	7.1	12.6	0.7
6. Asia Small Broad	n	5	5	3	5	5	5	5
	avg	21	7.6	2	5.8	4.5	10.3	1.4
	std	9.9	1.4	1.4	4.7	2.4	6.9	0.6
7. Asia Small Low end	n	5	5	3	3	3	3	5
	avg	31.7	5.9	0.4	6.6	6.7	13.3	2.3
	std	30.5	4.7	0.4	2.8	5.1	7.7	1.5
8. ECA Large	n	5	5	5	5	5	5	5
	avg	22.4	4.7	2.5	8.9	6.4	15.2	3.2
	std	4.2	1.7	2.2	1.8	1.1	2.4	2
9. ECA Medium	n	9	9	9	9	9	9	9
	avg	30.9	3.9	2	12.6	12.4	25	1.9
	std	10.1	1.7	1.4	6.1	6.9	9.4	1.6
10. ECA Small	n	6	6	4	6	6	6	6*
	avg	32.2	4.9	1.2	15.9	10.4	26.3	4.2*
	std	6.4	3.2	0.9	4	5.6	8.4	3.3*
11. LA Credit Unions	n	11	11	11	10	9*	11	11
	avg	18.3	8.4	1.8	3.3	2.9*	8	1.9
	std	5.7	2.3	1.4	0.7	0.5*	6.4	1.8
12. LA Large	n	12	12	12*	10	10	12	10
	avg	29.9	9.3	3.2*	8.2	5.9	17.4	0.7
	std	21.3	5.1	2.4*	3.2	1.4	15.4	0.6
13. LA Medium	n	8	8	8	8	8	8	6
	avg	28.6	7	1.9	9.9	9.9	19.8	1.6
	std	7.8	4.9	1	3.1	4.3	6	1.2
14. LA Small Broad	n	8	8	8	8	8	8	8*
	avg	36.9	10	3	13.2	10.7	23.9	4.4*
	std	7.2	5.2	3	6.1	5.5	9.9	3.2*
15. LA Small Low end	n	10*	10*	10*	8	10*	10*	10*
	avg	61.6*	9.8*	3.4*	20.3	19.7*	48.4*	4.4*
	std	43.1*	4.4*	3.3*	6.1	14.8*	44.4*	4*
16. MENA	n	9	9	9	9	7	9	9
	avg	22	3.3	1	10.7	5.3	17.7	1.8
	std	10.8	1.6	1	4.9	2.5	10.9	1.4
17. WW Small Business	n	4	4	4*	4	4	4	4
	avg	22.1	4.8	3.9*	7.7	5.7	13.4	1.5
	std	8.8	2.9	3.3*	6.6	3.3	9.6	1.5

Data on voluntary savers is missing from some MFIs, preventing us from publishing certain savings indicators, as denoted by "n/a".
For details on Peer Group criteria and definitions, refer to pages 54 and 55; For details on indicators definitions, refer to page 52; n= number of observations; avg= average; std= standard deviation.
For "All MFIs", averages are calculated on the basis of the values between the 2nd and 9th deciles; For "FSS" and other groups, averages are calculated by dropping the top and bottom observations.
FSS averages different from average for all MFIs at 1% significance level are marked with an asterisk (*).

Peer Group Tables

		EFFICIENCY				PRODUCTIVITY				RISK AND LIQUIDITY			
PEER GROUPS		*Operating Expense/ Loan Portfolio*	*Personnel Expense/ Loan Portfolio*	*Average Salary/ GNP per Capita*	*Adjusted Cost per Borrower*	*Borrowers per Staff Member*	*Borrowers per Loan Officer*	*Voluntary Savers per Staff Member*	*Personnel Allocation Ratio*	*Portfolio at Risk> 30 Days*	*Portfolio at Risk> 90 Days*	*Risk Coverage*	*Non-earning Liquid Assets as a % of Total Assets*
		(%)	(%)	(x)	(%)	(number)	(number)	(number)	(%)	(%)	(%)	(x)	(%)
All MFIs (n = 124)		**29.4**	**16.1**	**6.7**	**142**	**121**	**284**	**34**	**48.3**	**2.8**	**1.5**	**1.3**	**8.6**
FSS MFIs (n = 66)		**22.2***	**12.9**	**7.5**	**123**	**132**	**359**	**63**	**45**	**2.5**	**1.5**	**1.5**	**6**
1. Africa Large	n	6	6	6*	4	6	6	4*	6	4	4	6	6
	avg	21.4	11.3	17.1*	69	138	447	324*	34.4	2.1	1.4	0.7	7.6
	std	15.4	6.6	7.9*	56	64	230	325*	18.3	0.8	0.6	0.4	4.6
2. Africa Medium	n	8	8	8*	6	8*	8	5	8	8	8	6	8
	avg	43.3	22.3	13.8*	50	214*	423	28	49.4	2.1	1.4	0.9	12.2
	std	25.6	14.6	6.1*	18	102*	140	41	10.4	1.6	1.4	0.2	3.7
3. Africa Small	n	7*	7*	7*	7	7	7	4	7	7	5	7	7*
	avg	83*	41.2*	15*	63	177	334	26	54.3	4.6	1	1.1	22.4*
	std	51.5*	20.4*	6.8*	24	103	228	52	7.8	4.6	0.4	0.7	11*
4. Asia Large	n	4	4	4	4	4	4	4*	4	4	4	4*	4
	avg	15.5	10.1	6.7	43	158	415	522*	39.1	5.1	2.2	7.1*	3.8
	std	9.5	5.4	4.6	27	74	122	566*	17.2	6.3	2.7	12.8*	3.1
5. Asia Medium	n	7	7	7	7	7	7	5	7*	5	5	5	7
	avg	26.6	15.2	4.4	23	167	265	94	64.6*	2	1.6	1	10.5
	std	14	7	4.1	11	90	158	87	7.6*	1.9	1.7	0.5	10
6. Asia Small Broad	n	5	5	3	5	5	4*	3*	4	5	3	5	3
	avg	13.6	7.6	2.3	35	114	820*	175*	28.4	5.6	2.6	0.8	2.3
	std	7.8	5.5	0.8	14	67	791*	150*	21.9	4.9	2.4	0.3	2.4
7. Asia Small Low end	n	5*	5	5	5	5	5	3	5	3	3	3	5*
	avg	53.9*	24.1	3.4	30	172	279	35	61.1	0.8	0.2	0.9	18.7*
	std	45.5*	17	2.9	30	109	145	45	11.1	0.7	0.3	0.2	17.3*
8. ECA Large	n	5	5	5	5	5	5	3	5	3	3	3*	3
	avg	16.4	9.6	7.6	229	93	151	0	62.7	0.6	0.4	7.4*	3.2
	std	3.1	2.3	2.6	43	11	37	0	8.1	0.5	0.6	1.3*	1.2
9. ECA Medium	n	9	9	9	9	9	9	n/a	9	8	7*	7*	9
	avg	34.2	17.2	8.5	260	100	198	n/a	51.3	1.5	0.2*	2.5*	12.3
	std	13.6	8.4	4.8	201	52	112	n/a	11.1	1.5	0.2*	1.8*	8.9
10. ECA Small	n	6*	6*	6	5	6	6	4	6	4	4	4	6*
	avg	51.3*	29.6*	6.4	112	103	239	0	44.8	0.5	0.3	1.1	21.4*
	std	40.7*	18.4*	2.4	29	54	158	0	6.2	0.6	0.5	0.6	17.5*
11. LA Credit Unions	n	9*	10*	7	2	8	2	8*	2	9	9	8	11*
	avg	10.1*	5.3*	6.4	310	63	268	266*	29.5	4.7	2.1	0.9	1.7*
	std	2.5*	1.7*	3.1	253	15	196	97*	15.2	3.4	1.5	0.9	1.7*
12. LA Large	n	12	10	10	8	12	12	10	12	12	12	12	12
	avg	18.1	10.3	6.3	149	150	385	24	41.6	4.4	2.6	1.6	4.9
	std	8	4.5	3.1	58	62	186	46	10.7	2.4	1.8	1	3.7
13. LA Medium	n	8	8	8	5	8	6	n/a	6	8	6	6	8
	avg	27	13.8	7.7	95	190	552	n/a	41.1	3.4	1.6	1.2	4.7
	std	7.5	5.1	5.9	55	88	330	n/a	13.6	2.8	1.4	0.3	3.7
14. LA Small Broad	n	8	8	8	7	8	8	8	8	6	6	8	6
	avg	34.4	19	5.9	282	91	266	0	40.8	4.4	2.1	1.1	7.7
	std	17	9.1	3.2	226	64	215	0	18	2.4	0.8	0.8	7.9
15. LA Small Low end	n	10*	8*	10	8	10	10	n/a	10	8	8	7	10*
	avg	98.2*	42.3*	3.8	199	141	298	n/a	44.4	5.1	1.6	1	20.3*
	std	90.8*	22.6*	3.4	143	129	218	n/a	10.1	5.5	2.4	0.6	15.3*
16. MENA	n	9	9	9	9	9	9	9	9	7	7	7*	7
	avg	38.4	24.7	3	115	133	213	0	58.2	1.4	0.5	2.8*	13.7
	std	30.8	22.1	2	115	122	168	0	11.7	2.1	0.8	2.7*	12.1
17. WW Small Business	n	4	4	4	3*	4	4	4	4	4	4	3*	4
	avg	18	10.4	9.9	432*	35	100	0	41.5	2.3	1.6	4.9*	7.5
	std	12.3	8.6	4.7	437*	18	67	0	18.4	3.2	2.2	5.9*	4.8

Data on voluntary savers is missing from some MFIs, preventing us from publishing certain savings indicators, as denoted by "n/a".
For details on Peer Group criteria and definitions, refer to pages 54 and 55; For details on indicators definitions, refer to page 52; n= number of observations; avg= average; std= standard deviation.
For "All MFIs", averages are calculated on the basis of the values between the 2nd and 9th deciles; For "FSS" and other groups, averages are calculated by dropping the top and bottom observations.
FSS averages different from average for all MFIs at 1% significance level are marked with an asterisk (*).

An Introduction to the Additional Groups and Tables

The tables in this section provide data on selected performance indicators for groups of institutions from the entire database for this Issue (n=124) (pages 67 to 71) and for the financially self-sufficient institutions (n=66) (pages 72 to 76). The following eight characteristics are considered for the classification of data:

1) **Age**: The *Bulletin* classifies MFIs into three categories (new, young, and mature) based on the difference between the year they started their microfinance operations and the year for which the institutions have submitted data.

2) **Scale of Operations**: MFIs are classified as small, medium and large according to the size of their loan portfolio within their regional context to facilitate comparisons of institutions with similar outreach.

3) **Lending Methodology**: Performance may vary by the way the institution delivers loan products. The *Bulletin* classifies MFIs based on the *primary* methodology used, determined by the number and volume of loans outstanding.

4) **Target Market**: The *Bulletin* classifies MFIs into three categories—low-end, broad, and high-end—according to the range of clients they serve based on average outstanding loan size in relation to GNP per capita (i.e., depth).

5) **Region**: Geographic regions—Africa, Asia, Eastern Europe and Central Asia (ECA), Latin America, and Middle East and North Africa (MENA)—are used to capture regional effects.

6) **Level of Country Income**: This classification is based on the level of country GNP per capita.

7) **Level of Retail Financial Intermediation**: This classification is based on the ratio of total voluntary passbook and time deposits to total assets. It indicates the MFI's ability to mobilize savings and fund its portfolio through deposits.

8) **Charter Type**: The charter under which the MFIs are registered is used to classify the MFIs as banks, credit unions/cooperatives, NGOs, and non bank financial institutions.

9) **Profit Status**: MFIs are classified as non-profit and for-profit institutions.

The quantitative criteria used to categorize these characteristics are summarized in Figure 1. The entire sample of institutions that fall into these categories is located in Figure 2 (pages 62 to 66). Confidentiality limits the publication of names of financially self-sufficient MFIs included in the database. These Additional Analysis Tables provide another means of creating performance benchmarks besides the peer groups. Three of these characteristics—region, scale of operations and target market—are also factors determining peer group composition. The purpose of the Additional Analysis Tables is to look at these characteristics singularly, rather than within the context of peer groups. As with the peer groups, the data are calculated by dropping the top and bottom observations to avoid the effect of outliers.

Figure 1: Additional Tables Criteria

Age of the MFI	New: Young: Mature:	1 to 3 years 4 to 7 years over 7 years	
Scale of Operations (Gross Loan Portfolio, in US$)	Large:	Africa, Asia, ECA, MENA: Latin America:	> 8 million > 15 million
	Medium:	Africa, Asia, ECA, MENA: Latin America:	2 million to 8 million 4 million to 15 million
	Small:	Africa, Asia, ECA, MENA: Latin America:	< 800,000 < 1 million
Lending Methodology	Individual: Solidarity Group: Village Banking:	1 borrower groups of 3 to 9 borrowers groups of ≥ 10 borrowers	
Target Market (*Depth = Average Loan Balance per Borrower/ GNP per Capita)	Low-end: Broad: High-end Small Business:	depth* < 20% OR average loan size < US$150 depth* between 20% and 149% depth* between 150% and 249% depth* ≥ 250%	
Level of Country Income	Lower and Middle Income Upper Income	GNP per capita < 3,000 US$ GNP per capita ≥ 3,000 US$	
Level of Retail Financial Intermediation	Financial Intermediary: Other:	passbook and time deposits ≥ 20 % of total assets passbook and time deposits < 20 % of total assets	

Abbreviations: ECA = Eastern Europe and Central Asia; MENA = Middle East and North Africa.

Figure 2: Composition of Additional Tables[#]

Age							
New	5 de Mayo	BanGente	FICCO	IASC	KEP	ProMujer - PER	Sogesol
(1 to 3 years)	Adelante	BCS	Finadev	JMCC	Mikra BiH	PSHM	Tchuma
	AgroInvest	BTF	FINSOL	Kamurj	PMPC	SKS	USPD
Young	ACF	BluSol	FINCA - HTI	Partner	PortoSol	Sunrise	
(4 to 7 years)	ACME	Constanta	FINCA - TZA	MFW	Prizma	UMU	
	ACSI	DBACD	FM	MI-BOSPO	RADE	Vital Finance	
	Al Amana	EKI	Fondep	Mikrofin	SEDA	Vivacred	
	BASIX	FINCA - AZE	Kashf	NOA	SOLUCION	Women for Women	
	BESA	FINCA - GTM	KCLF	PAMÉCAS	Spandana	XAC	
Mature	ABA	Banco Solidario	CMAC - Sullana	F. Gainza	FINCA - PER	Moyután	SHARE
(over 7 years)	ACLEDA	BancoSol	CMM - Medellín	FAMA	FINCA - UGA	Nirdhan	SJPU
	ACODEP	BanDes	Compartamos	FATEN	FinComun	NLC	TONANTEL
	Acredicom	BRI	COOSAJO	Faulu - UGA	FMM - Popayán	PADME	TSPI
	Actuar - Tolima	BURO Tangail	CRECER	FHAF	FWWB - Cali	PRIDE - TZA	UWFT
	ADRI	Caja Los Andes	Credicoop	FIE	GV	PRIDE Finance	Visão Mundial
	AgroCapital	CARD	CRG	FinAmérica	Hattha	ProEmpresa	WAGES
	AKRSP	CERUDEB	EBS	FINCA - ECU	Inca	ProMujer - BOL	
	Al Majmoua	Chuimequená	Ecosaba	FINCA - KGZ	K-REP	Quilla	
	ASA	CMAC - Arequipa	EMT	FINCA - MWI	Mibanco	SEF	
Scale of Operations							
Large	ABA	BancoSol	Caja Los Andes	COOSAJO	FinAmérica	Mibanco	SOLUCION
	ACLEDA	Banco Solidario	CERUDEB	EBS	FM	Mikrofin	
	ACSI	BanDes	CMAC - Arequipa	EKI	FWWB - Cali	NLC	
	Al Amana	BESA	CMAC - Sullana	FICCO	K-REP	PADME	
	ASA	BRI	Compartamos	FIE	Partner	PAMÉCAS	
Medium	ACODEP	Chuimequená	EMT	FINSOL	NOA	Quilla	Vital Finance
	Acredicom	CMM - Medellín	FAMA	FMM - Popayán	PRIDE - TZA	SHARE	XAC
	AgroCapital	Constanta	F. Gainza	Inca	PRIDE Finance	Sunrise	
	Al Majmoua	CRECER	Finadev	KEP	Prizma	TONANTEL	
	BASIX	CRG	FINCA - KGZ	MFW	ProEmpresa	TSPI	
	BURO Tangail	DBACD	FINCA - UGA	MI-BOSPO	ProMujer - BOL	UMU	
	CARD	Ecosaba	FinComun	Nirdhan	PSHM	UWFT	
Small	5 de Mayo	AKRSP	Faulu - UGA	FINCA - PER	Kamurj	ProMujer - PER	Spandana
	ACF	BTF	FHAF	FINCA - TZA	Kashf	RADE	Tchuma
	ACME	BanGente	FINCA - AZE	Fondep	KCLF	SEDA	USPD
	Actuar - Tolima	BCS	FINCA - ECU	GV	Mikra BiH	SEF	Visão Mundial
	Adelante	BluSol	FINCA - GTM	Hattha	Moyután	SJPU	Vivacred
	ADRI	Credicoop	FINCA - HTI	IASC	PMPC	SKS	WAGES
	AgroInvest	FATEN	FINCA - MWI	JMCC	PortoSol	Sogesol	Women for Women

[#] See page 61 for details on criteria. The criteria for classification of scale of operations vary by region.

Figure 2: Composition of Additional Tables (continued)[#]

Lending Methodology							
Individual	ABA	BanDes	Chuimequená	Ecosaba	Inca	PortoSol	Tchuma
	ACF	BanGente	CMAC - Arequipa	F. Gainza	JMCC	ProEmpresa	TONANTEL
	ACME	BCS	CMAC - Sullana	FICCO	Partner	PSHM	USPD
	ACODEP	BluSol	CMM - Medellín	FIE	Moyután	Quilla	Vivacred
	Acredicom	BRI	COOSAJO	FinComun	NLC	SJPU	XAC
	ADRI	BTF	Credicoop	FMM - Popayán	NOA	Sogesol	
	AgroCapital	Caja Los Andes	DBACD	FWWB - Cali	PADME	SOLUCION	
	AgroInvest	CERUDEB	EBS	Hattha	PMPC	sunrise	
Solidarity	5 de Mayo	Banco Solidario	EMT	FM	K-REP	PRIDE Finance	Visão Mundial
Groups	ACLEDA	BASIX	FAMA	Fondep	Mibanco	Prizma	Vital Finance
	ACSI	BESA	FATEN	GV	MI-BOSPO	SEF	Women for Women
	Actuar - Tolima	BURO Tangail	Faulu - UGA	IASC	Mikra BiH	SHARE	
	Adelante	CARD	FHAF	Kamurj	Mikrofin	Spandana	
	Al Amana	Constanta	Finadev	Kashf	Nirdhan	TSPI	
	ASA	CRG	FinAmérica	KCLF	PAMÉCAS	UMU	
	BancoSol	EKI	FINSOL	KEP	PRIDE - TZA	UWFT	
Village	AKRSP	CRECER	FINCA - GTM	FINCA - MWI	FINCA - UGA	ProMujer - PER	SKS
Banking	Al Majmoua	FINCA - AZE	FINCA - HTI	FINCA - PER	MFW	RADE	WAGES
	Compartamos	FINCA - ECU	FINCA - KGZ	FINCA - TZA	ProMujer - BOL	SEDA	
Target Market							
Low-end	5 de Mayo	BanDes	CRECER	FINCA - GTM	FMM - Popayán	PRIDE - TZA	SKS
	ACSI	BanGente	Credicoop	FINCA - HTI	Fondep	ProMujer - BOL	Spandana
	Adelante	BURO Tangail	CRG	FINCA - MWI	FWWB - Cali	ProMujer - PER	TSPI
	AKRSP	CARD	DBACD	FINCA - PER	GV	RADE	UWFT
	Al Amana	CERUDEB	EMT	FINCA - TZA	Kashf	SEDA	Visão Mundial
	Al Majmoua	CMM - Medellín	FATEN	FINCA - UGA	MFW	SEF	Vivacred
	ASA	Compartamos	FINCA - AZE	FinComun	Nirdhan	SHARE	WAGES
Broad	ABA	BCS	EKI	FINCA - KGZ	K-REP	PortoSol	Tchuma
	ACLEDA	BluSol	FAMA	FINSOL	Partner	PRIDE Finance	TONANTEL
	ACME	BRI	Faulu - UGA	FM	Mibanco	Prizma	UMU
	ACODEP	Caja Los Andes	FHAF	Hattha	MI-BOSPO	ProEmpresa	USPD
	Acredicom	CMAC - Arequipa	FICCO	IASC	Mikra BiH	PSHM	Vital Finance
	Actuar - Tolima	CMAC - Sullana	FIE	JMCC	Mikrofin	SJPU	Women for Women
	ADRI	Constanta	Finadev	Kamurj	Moyután	Sogesol	XAC
	AgroInvest	COOSAJO	FinAmérica	KCLF	NOA	SOLUCION	
	BASIX	Ecosaba	FINCA - ECU	KEP	PMPC	Sunrise	
High-End	ACF	BESA	PADME				
	Banco Soli-dario	Chuimequená	PAMÉCAS				
	BancoSol	EBS					
Small	AgroCapital	Inca					
Business	BTF	NLC					
	F. Gainza	Quilla					

[#] See page 61 for details on criteria.

Figure 2: Composition of Additional Tables (continued)#

Region							
Africa	ACSI	Faulu - UGA	FINCA - UGA	PRIDE - TZA	Tchuma	WAGES	
	CERUDEB	Finadev	K-REP	PRIDE Finance	UMU		
	CRG	FINCA - MWI	PADME	SEDA	UWFT		
	EBS	FINCA - TZA	PAMÉCAS	SEF	Vital Finance		
Asia	ACLEDA	BCS	EMT	IASC	PMPC	TSPI	
	AKRSP	BRI	FICCO	Kashf	SHARE	USPD	
	ASA	BURO Tangail	GV	Nirdhan	SKS		
	BASIX	CARD	Hattha	NLC	Spandana		
ECA	ACF	Constanta	FM	Partner	NOA	Women for Women	
	AgroInvest	EKI	Kamurj	MI-BOSPO	Prizma	XAC	
	BESA	FINCA - AZE	KCLF	Mikra BiH	PSHM		
	BTF	FINCA - KGZ	KEP	Mikrofin	Sunrise		
Latin America	5 de Mayo	Banco Solidario	CMAC - Sullana	FAMA	FinComun	ProEmpresa	Visão Mundial
	ACME	BancoSol	CMM - Medellín	FHAF	FINSOL	ProMujer - BOL	Vivacred
	ACODEP	BanDes	Compartamos	FIE	FMM - Popayán	ProMujer - PER	
	Acredicom	BanGente	COOSAJO	FinAmérica	FWWB - Cali	Quilla	
	Actuar - Tolima	BluSol	CRECER	FINCA - ECU	Inca	SJPU	
	Adelante	Caja Los Andes	Credicoop	FINCA - GTM	Mibanco	Sogesol	
	ADRI	Chuimequená	Ecosaba	FINCA - HTI	Moyután	SOLUCION	
	AgroCapital	CMAC - Arequipa	F. Gainza	FINCA - PER	PortoSol	TONANTEL	
MENA	ABA	Al Majmoua	FATEN	JMCC	RADE		
	Al Amana	DBACD	Fondep	MFW			
Level of Country Income							
Lower & Middle Income (LI)	ABA	BASIX	CRG	FINCA - ECU	JMCC	PAMÉCAS	Sogesol
	ACF	BCS	DBACD	FINCA - GTM	Kamurj	PMPC	SOLUCION
	ACLEDA	BESA	EBS	FINCA - HTI	Kashf	PRIDE - TZA	Spandana
	ACME	BRI	Ecosaba	FINCA - KGZ	KCLF	PRIDE Finance	Sunrise
	ACODEP	BURO Tangail	EKI	FINCA - MWI	KEP	Prizma	Tchuma
	Acredicom	BTF	EMT	FINCA - PER	K-REP	ProEmpresa	TONANTEL
	ACSI	Caja Los Andes	F. Gainza	FINCA - TZA	Partner	ProMujer - BOL	TSPI
	Actuar - Tolima	CARD	FAMA	FINCA - UGA	MFW	ProMujer - PER	UMU
	Adelante	CERUDEB	FATEN	FINSOL	Mibanco	PSHM	USPD
	AgroCapital	Chuimequená	Faulu - UGA	FMM - Popayán	MI-BOSPO	Quilla	UWFT
	AgroInvest	CMAC - Arequipa	FHAF	Fondep	Mikra BiH	RADE	Vital Finance
	AKRSP	CMAC - Sullana	FICCO	FWWB - Cali	Mikrofin	SEDA	WAGES
	Al Amana	CMM - Medellín	FIE	GV	Moyután	SEF	Women for Women
	ASA	Constanta	Finadev	Hattha	Nirdhan	SHARE	XAC
	Banco Solidario	COOSAJO	FinAmérica	IASC	NLC	SJPU	
	BancoSol	CRECER	FINCA - AZE	Inca	PADME	SKS	
Upper Income (UI)	5 de Mayo	Al Majmoua	BanGente	Compartamos	FinComun	NOA	Visão Mundial
	ADRI	BanDes	BluSol	Credicoop	FM	PortoSol	Vivacred

See page 61 for details on criteria.
Abbreviations: ECA = Eastern Europe and Central Asia; MENA = Middle East and North Africa.

Figure 2: Composition of Additional Tables (continued)[#]

Level of Retail Financial Intermediation							
Financial Intermediary	Acredicom	BCS	CMAC - Arequipa	FICCO	K-REP	SJPU	XAC
	ACSI	BRI	COOSAJO	FIE	Mibanco	SOLUCION	
	Banco Solidario	BURO Tangail	CRG	FinAmérica	Moyután	TONANTEL	
	BancoSol	Caja Los Andes	EBS	FinComun	PAMÉCAS	USPD	
	BanDes	CERUDEB	Ecosaba	FINSOL	PMPC	UWFT	
	BanGente	Chuimequená	F. Gainza	Inca	Quilla	WAGES	
Other	5 de Mayo	Al Majmoua	DBACD	FINCA - MWI	Kashf	PRIDE - TZA	Spandana
	ABA	ASA	EKI	FINCA - PER	KCLF	PRIDE Finance	Sunrise
	ACF	BASIX	EMT	FINCA - TZA	KEP	Prizma	Tchuma
	ACLEDA	BESA	FAMA	FINCA - UGA	Partner	ProEmpresa	TSPI
	ACME	BluSol	FATEN	FM	MFW	ProMujer - BOL	UMU
	ACODEP	BTF	Faulu - UGA	FMM - Popayán	MI-BOSPO	ProMujer - PER	Visão Mundial
	Actuar - Tolima	CARD	FHAF	Fondep	Mikra BiH	PSHM	Vital Finance
	Adelante	CMAC - Sullana	Finadev	FWWB - Cali	Mikrofin	RADE	Vivacred
	ADRI	CMM - Medellín	FINCA - AZE	GV	Nirdhan	SEDA	Women for Women
	AgroCapital	Compartamos	FINCA - ECU	Hattha	NLC	SEF	
	AgroInvest	Constanta	FINCA - GTM	IASC	NOA	SHARE	
	AKRSP	CRECER	FINCA - HTI	JMCC	PADME	SKS	
	Al Amana	Credicoop	FINCA - KGZ	Kamurj	PortoSol	Sogesol	
Charter[##]							
Banks	ACLEDA	Banco Solidario	BanDes	BRI	K-REP	Nirdhan	
	ACSI	BancoSol	BanGente	CERUDEB	Mibanco	XAC	
Credit Unions/ Cooperatives	Acredicom	COOSAJO	F. Gainza	Inca	PAMÉCAS	Quilla	TONANTEL
	BCS	Credicoop	FICCO	Moyután	PMPC	SJPU	USPD
	Chuimequená	Ecosaba	FinComun	NOA	PSHM	Tchuma	
NGOs	5 de Mayo	Al Amana	DBACD	FINCA - MWI	Kamurj	PRIDE Finance	Sunrise
	ABA	Al Majmoua	EKI	FINCA - PER	Kashf	Prizma	TSPI
	ACME	ASA	FAMA	FINCA - TZA	KEP	ProMujer - BOL	UMU
	Actuar - Tolima	BESA	Faulu - UGA	FINCA - UGA	Partner	ProMujer - PER	Visão Mundial
	Adelante	BluSol	FHAF	FMM - Popayán	MI-BOSPO	RADE	Vital Finance
	ADRI	BURO Tangail	FINCA - ECU	Fondep	Mikrofin	SEDA	Vivacred
	AgroCapital	CMM - Medellín	FINCA - GTM	FWWB - Cali	PADME	SEF	WAGES
	AgroInvest	Constanta	FINCA - HTI	GV	PortoSol	SKS	Women for Women
	AKRSP	CRECER	FINCA - KGZ	JMCC	PRIDE - TZA	Spandana	
Non-Banks[###]	ACF	CMAC - Arequipa	EMT	FINCA - AZE	KCLF	SHARE	
	ACODEP	CMAC - Sullana	FATEN	FINSOL	MFW	Sogesol	
	BASIX	Compartamos	FIE	FM	Mikra BiH	SOLUCION	
	BTF	CRG	Finadev	Hattha	NLC	UWFT	
	Caja Los Andes	EBS	FinAmérica	IASC	ProEmpresa		

[#] Data for CARD is consolidated for CARD NGO and CARD Bank.
[##] See page 61 for details on criteria.
[###] Includes private limited companies, 'financieras', and non-bank financial intermediaries (NBFIs).

Figure 2: Composition of Additional Tables (continued)#

Profit Status##							
Non-Profit	5 de Mayo	Al Majmoua	CRECER	FINCA - HTI	Kamurj	PMPC	SKS
	ABA	ASA	Credicoop	FINCA - KGZ	Kashf	PortoSol	Spandana
	ACF	BCS	DBACD	FINCA - MWI	KCLF	PRIDE - TZA	Sunrise
	ACME	BESA	Ecosaba	FINCA - PER	KEP	PRIDE Finance	TONANTEL
	ACODEP	BluSol	EKI	FINCA - TZA	Partner	Prizma	TSPI
	Acredicom	BURO Tangail	F. Gainza	FINCA - UGA	MFW	ProMujer - BOL	UMU
	Actuar - Tolima	BTF	FAMA	FMM - Popayán	MI-BOSPO	ProMujer - PER	USPD
	Adelante	Chuimequená	FATEN	Fondep	Mikra BiH	PSHM	UWFT
	ADRI	CMAC - Arequipa	FHAF	FWWB - Cali	Mikrofin	Quilla	Visão Mundial
	AgroCapital	CMAC - Sullana	FICCO	GV	Moyután	RADE	Vital Finance
	AgroInvest	CMM - Medellín	FINCA - AZE	IASC	Nirdhan	SEDA	Vivacred
	AKRSP	Constanta	FINCA - ECU	Inca	PADME	SEF	WAGES
	Al Amana	COOSAJO	FINCA - GTM	JMCC	PAMÉCAS	SJPU	Women for Women
For-Profit	ACLEDA	BanGente	Compartamos	FIE	FM	NOA	Tchuma
	ACSI	BASIX	CRG	Finadev	Hattha	ProEmpresa	XAC
	Banco Solidario	BRI	EBS	FinAmérica	K-REP	SHARE	
	BancoSol	Caja Los Andes	EMT	FinComun	Mibanco	Sogesol	
	BanDes	CERUDEB	Faulu - UGA	FINSOL	NLC	SOLUCION	

See page 61 for details on criteria.
Data for CARD is consolidated for CARD NGO and CARD Bank.

Additional Tables for All MFIs - Average Performance

		INSTITUTIONAL CHARACTERISTICS				FINANCING STRUCTURE					
	ALL MFIs BY CRITERIA	*Age*	*Total Assets*	*Offices*	*Personnel*	*Capital/ Asset Ratio*	*Commercial Funding Liabilities Ratio*	*Debt/ Equity Ratio*	*Deposits to Loans*	*Deposits to Total Assets*	*Gross Loan Portfolio/ Total Assets*
		(years)	(US $)	(number)	(number)	(%)	(%)	(x)	(%)	(%)	(%)
All MFIs (n=124)		**8**	**7,931,000**	**19**	**120**	**42.7**	**44.1**	**1.9**	**15.3**	**12.3**	**70.9**
FSS MFIs (n=66)		**10**	**14,482,358***	**17**	**174**	**40.4**	**76***	**2.5**	**21.9**	**16.4**	**73.1**
AGE	New	3	2,940,171	5	51	58.2	31.1	0.9	11.7	8.3	72.0
	Young	5	5,365,125	24	87	47.3	24.0	1.6	2.2	1.6	71.2
	Mature	14	13,775,257	26	180	38.3	79.1	2.4	26.3	18.7	67.4
SCALE	Large	10	34,958,208	26	312	32.8	83.3	3.4	34.6	24.8	74.8
	Medium	10	5,222,004	17	93	46.6	43.3	1.5	11.6	7.8	69.9
	Small	5	1,394,625	17	49	54.7	24.0	1.1	3.4	2.6	59.6
METHODO-LOGY	Individual	11	11,116,038	11	94	35.2	89.2	2.8	36.5	25.0	69.5
	Solidarity Groups	9	7,335,805	23	165	46.1	45.8	1.5	7.3	5.1	71.7
	Village Banks	7	3,077,991	200	85	64.5	10.8	0.6	0.0	0.0	61.5
TARGET MARKET	Low-end	9	5,535,978	53	144	48.4	31.5	1.3	4.3	3.0	62.1
	Broad	8	8,533,457	12	93	43.4	49.0	2.1	18.8	14.2	74.4
	High-end	8	32,360,578	16	224	26.6	86.4	4.2	67.4	39.9	70.2
	Small Business	19	8,547,498	4	44	43.1	67.4	2.3	45.1	35.6	75.1
REGION	Africa	8	7,734,962	72	141	44.4	42.6	2.0	17.1	11.0	65.1
	Asia	9	7,224,607	38	252	37.6	65.8	1.6	15.1	11.6	68.4
	ECA	4	5,341,523	13	74	60.1	9.0	1.1	0.0	0.0	78.1
	LA	12	11,700,878	12	100	35.3	71.8	2.7	28.7	20.8	69.3
	MENA	6	6,477,341	12	117	71.4	23.9	0.4	0.0	0.0	59.4
COUNTRY INCOME	Lower/ Middle Income	9	8,094,315	22	125	44.8	45.9	1.8	16.1	11.8	69.8
	Upper Income	9	6,702,840	11	74	40.2	30.4	3.4	9.1	5.7	65.3
INTERME-DIATION	Financial Intermediary	12	23,808,144	17	233	24.7	118.8	4.2	89.7	54.2	67.3
	Other	8	5,082,758	20	91	52.6	25.3	1.1	0.3	0.2	70.1
CHARTER	Banks	10	54,685,221	51	543	19.2	138.7	5.6	79.6	43.4	64.0
	Credit Unions/ Coops.	13	7,693,199	5	57	32.2	102.9	3.4	84.3	52.0	68.5
	NGOs	8	4,728,574	22	85	54.0	19.6	1.0	0.1	0.0	69.7
	Non-Banks	8	11,360,378	21	137	42.8	65.6	2.9	12.4	9.5	70.7
PROFIT STATUS	Non-Profit	9	5,168,260	16	81	49.5	33.8	1.3	8.9	6.6	68.8
	For-Profit	9	25,575,496	30	292	29.8	100.3	4.3	35.5	29.1	70.3

For details on criteria, refer to page 61; For details on indicators definitions, refer to page 52. More detailed statistics are also available on MIX website at www.mixmbb.org.
Data on voluntary savers is missing from some MFIs, preventing us from publishing certain savings indicators, as denoted by "n/a".
For "All MFIs", averages are calculated on the basis of the values between the 2nd and 9th deciles.
For "FSS" and other groups, averages are calculated by dropping the top and bottom observations.
FSS averages different from average for all MFIs at 1% significance level are marked with an asterisk (*).

Additional Tables for All MFIs - Average Performance

	ALL MFIs BY CRITERIA	OUTREACH INDICATORS								MACROECONOMIC INDICATORS				
		Number of Active Borrowers	*Percent of Women Borrowers*	*Gross Loan Portfolio*	*Average Loan Balance per Borrower*	*Average Loan Balance per Borrower/ GNP per Capita*	*Number of Voluntary Savers*	*Voluntary Savings*	*Average Savings Balance per Saver*	*GNP per Capita*	*GDP Growth Rate*	*Deposit Rate*	*Inflation Rate*	*Financial Depth*
		(number)	(%)	(US $)	(US $)	(%)	(number)	(US $)	(US $)	(US $)	(%)	(%)	(%)	(%)
All MFIs (n=124)		**15,553**	**62.9**	**5,347,516**	**532**	**54.3**	**3,345**	**1,197,175**	**269**	**1,031**	**3.8**	**4.7**	**7.4**	**40.7**
FSS MFIs (n=66)		**22,841**	**61.9**	**10,154,579***	**621**	**66.4**	**6,019**	**3,282,583***	**258**	**1,210**	**4**	**4.1**	**7.1**	**46.1**
AGE	New	4,749	61.4	1,761,939	527	53.5	881	166,606	59	984	3.3	6.7	9.7	48.8
AGE	Young	9,700	65.0	3,958,819	546	59.2	1,025	203,391	362	1,309	2.3	3.7	7.4	44.2
AGE	Mature	25,534	66.0	9,087,253	597	59.2	6,691	3,321,915	354	1,315	3.9	5.3	7.7	41.0
SCALE	Large	38,439	52.7	25,589,455	1,013	91.5	18,317	11,439,823	408	1,376	4.0	4.2	6.7	43.6
SCALE	Medium	12,246	64.3	3,405,345	501	49.9	1,945	424,632	300	1,285	3.7	5.0	7.8	42.9
SCALE	Small	5,344	81.7	655,893	204	23.1	1,135	22,621	33	1,274	2.4	6.5	10.0	42.6
METHODOLOGY	Individual	10,433	45.9	7,114,793	1,223	84.7	4,623	2,991,043	521	1,627	3.2	6.0	8.3	43.8
METHODOLOGY	Solidarity Groups	24,689	73.0	5,481,242	343	56.6	6,080	795,602	58	1,019	3.9	4.1	7.3	39.7
METHODOLOGY	Village Banks	13,801	88.6	1,801,223	149	20.2	0	0	n/a	892	3.5	4.1	8.1	47.5
TARGET MARKET	Low-end	24,108	78.3	3,447,287	182	17.6	5,940	204,132	68	1,279	3.7	4.6	8.4	45.7
TARGET MARKET	Broad	10,646	57.0	5,975,710	690	71.1	2,774	1,696,198	478	1,251	3.3	5.2	7.7	40.9
TARGET MARKET	High-end	18,336	56.0	23,012,520	1,711	184.4	19,709	17,723,060	320	910	3.2	6.0	6.0	37.6
TARGET MARKET	Small Business	2,161	40.6	6,042,533	2,710	406.3	3,465	2,010,319	586	743	3.9	6.8	8.3	47.4
REGION	Africa	21,974	70.8	5,273,209	228	69.1	27,082	1,308,311	105	309	4.4	3.1	6.8	25.7
REGION	Asia	32,915	71.2	4,912,373	195	35.9	18,374	815,659	39	582	4.5	4.0	8.5	51.2
REGION	ECA	6,040	59.5	4,454,067	926	79.7	0	0	n/a	1,310	-0.9	2.8	6.6	30.1
REGION	LA	13,755	61.3	8,559,291	816	57.4	2,422	3,184,896	741	1,919	3.0	6.5	9.0	39.1
REGION	MENA	13,463	68.1	3,339,454	286	15.8	0	0	n/a	1,757	4.3	2.6	6.5	110.3
COUNTRY INCOME	Lower/ Middle Income	16,772	67.0	5,443,102	490	58.5	3,731	1,372,454	265	952	3.8	5.1	7.5	42.5
COUNTRY INCOME	Upper Income	6,459	48.6	4,641,012	1,055	26.5	1,124	598,656	339	4,115	3.8	5.2	11.2	35.7
INTERMEDIATION	Financial Intermediary	24,948	49.2	16,402,905	1,005	98.0	19,048	12,941,320	367	1,316	3.8	5.8	8.2	40.3
INTERMEDIATION	Other	13,192	71.2	3,626,354	399	43.5	441	5,662	48	1,306	3.4	4.8	7.8	44.4
CHARTER	Banks	70,444	50.0	38,580,469	594	80.8	44,747	29,085,482	474	1,041	4.0	5.5	8.6	37.1
CHARTER	Credit Unions/ Coops.	4,135	43.9	4,699,708	1,526	116.4	13,078	4,019,181	428	1,694	3.9	6.9	7.6	46.4
CHARTER	NGOs	13,001	73.6	3,379,053	335	36.1	372	795	9	1,250	3.7	4.2	8.3	45.2
CHARTER	Non-Banks	21,547	65.3	8,119,443	560	61.8	3,847	2,382,885	2,096	1,193	3.2	3.7	7.0	38.2
PROFIT STATUS	Non-Profit	10,455	68.8	3,523,579	511	49.2	2,268	373,581	249	1,260	3.8	5.2	7.9	45.3
PROFIT STATUS	For-Profit	36,251	52.8	18,328,175	570	70.2	13,129	9,461,955	401	1,162	3.7	4.8	7.9	36.7

For details on criteria, refer to page 61; For details on indicators definitions, refer to page 52. More detailed statistics are also available on MIX website at www.mixmbb.org.
Data on voluntary savers is missing from some MFIs, preventing us from publishing certain savings indicators, as denoted by "n/a".
For "All MFIs", averages are calculated on the basis of the values between the 2nd and 9th deciles.
For "FSS" and other groups, averages are calculated by dropping the top and bottom observations.
FSS averages different from average for all MFIs at 1% significance level are marked with an asterisk (*).

Additional Tables for All MFIs - Average Performance

		OVERALL FINANCIAL PERFORMANCE				OPERATING INCOME			
	ALL MFIs BY CRITERIA	*Adjusted Return on Assets*	*Adjusted Return on Equity*	*Operational Self-Sufficiency*	*Financial Self-Sufficiency*	*Adjusted Financial Revenue Ratio*	*Adjusted Profit Margin*	*Yield on Gross Portfolio (nominal)*	*Yield on Gross Portfolio (real)*
		(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
All MFIs (n=124)		**0.1**	**2.3**	**115**	**104**	**27.1**	**0.3**	**39.8**	**33.6**
FSS MFIs (n=66)		**5.7***	**14.6***	**140***	**128***	**30.2**	**19.4***	**39.9**	**34.6**
AGE	New	-3.8	-6.5	108	95	27.8	-16.0	41.2	32.5
	Young	0.4	2.0	119	105	30.2	1.4	46.2	40.9
	Mature	0.7	4.7	118	107	29.2	2.2	40.9	34.1
SCALE	Large	3.9	15.7	137	125	27.9	16.4	34.1	28.8
	Medium	-0.8	-0.8	113	100	29.8	-3.6	42.9	36.4
	Small	-9.5	-15.2	99	88	29.9	-34.8	53.7	44.3
METHODO-LOGY	Individual	1.4	6.1	123	111	26.3	5.7	38.1	30.5
	Solidarity Groups	-0.9	0.7	111	100	27.6	-4.6	39.7	34.3
	Village Banks	-5.6	-12.0	110	96	41.6	-19.5	62.1	54.2
TARGET MARKET	Low-end	-3.7	-6.7	108	97	33.6	-15.8	52.7	46.0
	Broad	1.3	5.6	121	109	27.9	5.9	38.0	31.4
	High-end	0.7	6.7	135	116	20.8	5.2	28.7	21.5
	Small Business	0.1	1.7	121	108	18.5	0.7	23.7	16.0
REGION	Africa	-1.9	-3.1	110	100	31.2	-6.3	49.7	42.7
	Asia	2.1	10.3	134	115	24.0	7.6	35.6	30.4
	ECA	1.1	3.7	123	107	30.3	2.0	41.3	36.1
	LA	-0.1	1.1	110	102	31.7	-0.8	43.6	35.1
	MENA	0.6	0.4	113	101	21.6	4.3	39.8	36.3
COUNTRY INCOME	Lower/ Middle Income	0.5	3.2	118	106	28.0	1.7	41.7	35.0
	Upper Income	-2.7	-4.9	105	96	39.1	-9.9	49.2	41.8
INTERME-DIATION	Financial Intermediary	1.4	8.1	121	111	23.7	6.4	35.5	28.4
	Other	-0.9	-0.5	115	102	31.6	-4.4	45.5	38.9
CHARTER	Banks	1.5	16.6	117	110	26.5	7.6	42.8	35.3
	Credit Unions/ Coops.	0.3	2.4	121	106	20.4	1.5	29.7	21.5
	NGOs	-0.6	0.1	118	104	31.6	-3.6	46.9	39.9
	Non-Banks	-0.9	0.8	111	103	31.5	-2.9	42.0	37.1
PROFIT STATUS	Non-Profit	-0.3	0.5	118	104	28.4	-2.1	42.5	35.7
	For-Profit	0.4	6.3	113	106	31.8	3.7	42.5	36.1

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For "FSS" and other groups, averages are calculated by dropping the top and bottom observations.
FSS averages different from average for all MFIs at 1% significance level are marked with an asterisk (*).

Additional Tables for All MFIs - Average Performance

OPERATING EXPENSE

	ALL MFIs BY CRITERIA	Adjusted Total Expense Ratio	Adjusted Financial Expense Ratio	Adjusted Loan Loss Provision Expense Ratio	Adjusted Personnel Expense Ratio	Adjusted Administrative Expense Ratio	Adjusted Operating Expense Ratio	Adjustment Expense Ratio
		(%)	(%)	(%)	(%)	(%)	(%)	(%)
All MFIs (n=124)		**27.7**	**6.2**	**1.8**	**10.5**	**8.4**	**19.1**	**1.8**
FSS MFIs (n=66)		**23.7**	**6.2**	**1.4**	**8.7**	**6.2***	**15.8**	**1.3***
AGE	New	40.2	5.8	1.8	13.1	11.2	24.2	2.1
	Young	30.3	6.0	1.5	12.1	10.4	22.5	2.8
	Mature	28.8	7.1	1.9	10.3	7.4	19.4	1.5
SCALE	Large	22.1	6.6	2.1	7.0	5.2	13.4	1.3
	Medium	30.6	6.2	1.8	11.8	10.7	22.3	1.7
	Small	45.9	7.5	1.8	16.3	13.1	29.8	3.7
METHODO-LOGY	Individual	25.0	7.6	2.2	8.2	7.1	15.1	1.6
	Solidarity Groups	31.3	5.4	1.9	11.5	10.2	19.9	1.9
	Village Banks	48.0	6.4	2.2	18.5	21.3	38.9	1.9
TARGET MARKET	Low-end	40.8	6.9	1.4	17.1	15.6	31.9	1.9
	Broad	26.3	6.4	2.1	9.8	8.0	17.8	1.8
	High-end	19.8	6.7	2.0	6.8	5.2	11.1	1.9
	Small Business	16.8	5.7	3.5	4.0	3.6	7.6	1.1
REGION	Africa	36.3	4.7	1.1	15.3	14.5	29.8	1.7
	Asia	24.8	6.7	1.3	8.4	5.3	12.5	1.4
	ECA	29.1	4.4	2.1	12.6	10.1	22.6	2.9
	LA	34.4	8.8	2.7	10.0	8.4	18.4	2.0
	MENA	22.0	3.3	1.0	10.7	5.3	17.7	1.8
COUNTRY INCOME	Lower/ Middle Income	30.2	6.1	1.6	10.2	8.0	22.0	1.7
	Upper Income	38.8	10.1	3.2	13.0	11.2	25.6	3.5
INTERME-DIATION	Financial Intermediary	22.1	7.1	2.2	6.8	6.3	12.7	1.1
	Other	35.0	6.3	1.7	14.3	12.4	26.6	2.3
CHARTER	Banks	24.4	6.9	1.9	9.0	6.9	15.1	0.7
	Credit Unions/ Coops.	20.7	7.2	2.0	5.7	4.0	11.5	1.9
	NGOs	36.3	6.4	1.5	15.5	12.5	28.0	2.6
	Non-Banks	30.4	6.4	2.2	10.3	8.9	21.3	1.3
PROFIT STATUS	Non-Profit	31.8	6.4	1.6	11.0	8.2	23.3	2.2
	For-Profit	29.6	7.0	2.2	9.9	8.9	20.0	1.0

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Additional Tables for All MFIs - Average Performance

		EFFICIENCY				PRODUCTIVITY				RISK AND LIQUIDITY			
	ALL MFIs BY CRITERIA	*Operating Expense/ Loan Portfolio*	*Personnel Expense/ Loan Portfolio*	*Average Salary/ GNP per Capita*	*Adjusted Cost per Borrower*	*Borrowers per Staff Member*	*Borrowers per Loan Officer*	*Voluntary Savers per Staff Member*	*Personnel Allocation Ratio*	*Portfolio at Risk> 30 Days*	*Portfolio at Risk> 90 Days*	*Risk Coverage*	*Non-earning Liquid Assets as a % of Total Assets*
		(%)	(%)	(x)	(%)	(number)	(number)	(number)	(%)	(%)	(%)	(x)	(%)
All MFIs (n=124)		**29.4**	**16.1**	**6.7**	**142**	**121**	**284**	**34**	**48.3**	**2.8**	**1.5**	**1.3**	**8.6**
FSS MFIs (n=66)		**22.2***	**12.9**	**7.5**	**123**	**132**	**359**	**63**	**45**	**2.5**	**1.5**	**1.5**	**6**
AGE	New	40.0	20.3	5.8	176	109	237	33	42.8	2.6	1.5	1.0	12.0
	Young	38.4	20.2	6.6	132	133	250	5	54.2	1.7	0.5	2.2	13.0
	Mature	31.1	17.0	8.6	83	144	368	63	44.8	3.5	1.8	1.2	7.0
SCALE	Large	17.2	9.7	8.8	128	139	352	74	44.9	3.4	1.7	2.0	4.8
	Medium	34.0	17.7	7.6	115	134	288	28	49.7	2.8	1.5	1.3	10.6
	Small	75.3	35.2	5.4	101	129	302	31	45.6	3.4	1.0	1.0	21.0
METHODO-LOGY	Individual	23.5	12.4	7.0	225	99	276	82	39.9	4.5	2.3	1.2	4.4
	Solidarity Groups	30.3	17.3	7.7	107	147	301	22	50.8	2.0	1.0	1.5	8.7
	Village Banks	67.2	33.6	8.6	71	185	348	0	53.9	1.9	0.7	3.3	23.8
TARGET MARKET	Low-end	59.2	26.9	5.4	74	176	325	26	53.4	2.3	0.7	1.5	13.4
	Broad	25.1	13.9	7.6	160	112	328	32	44.3	3.3	1.8	1.3	6.9
	High-end	15.7	9.5	12.4	166	100	391	106	36.2	3.9	2.3	0.7	5.3
	Small Business	10.1	5.4	9.4	182	54	123	145	36.6	2.8	2.3	2.1	4.1
REGION	Africa	50.3	25.5	15.1	75	180	400	132	46.8	2.6	1.3	1.0	14.3
	Asia	21.7	14.0	4.6	35	149	307	127	51.7	2.5	1.3	0.9	7.2
	ECA	34.0	18.6	7.7	249	92	186	0	51.2	1.1	0.4	3.6	13.1
	LA	27.3	14.7	6.1	195	128	353	28	41.0	4.9	2.0	1.2	5.4
	MENA	38.4	24.7	3.0	115	133	213	0	58.2	1.4	0.5	2.8	13.7
COUNTRY INCOME	Lower/ Middle Income	28.3	15.6	8.1	92	141	345	44	47.9	2.6	1.2	1.5	8.8
	Upper Income	42.3	24.0	2.6	337	83	192	6	44.6	6.2	2.5	1.1	7.4
INTERME-DIATION	Financial Intermediary	21.0	10.6	8.0	134	122	438	177	37.7	5.2	3.0	1.0	4.3
	Other	35.6	19.6	7.3	112	139	290	2	50.6	2.1	0.8	1.8	11.3
CHARTER	Banks	25.5	15.1	9.9	137	123	313	91	42.1	4.0	2.5	1.2	7.6
	Credit Unions/ Coops.	14.1	5.9	5.7	173	77	346	298	31.0	5.2	2.4	1.0	2.1
	NGOs	36.9	20.5	7.6	102	154	310	4	51.0	1.8	0.7	2.2	13.0
	Non-Banks	34.5	18.8	7.7	125	130	316	17	47.5	3.8	1.9	1.2	9.2
PROFIT STATUS	Non-Profit	30.7	17.2	7.0	106	136	336	35	47.6	2.4	1.0	1.6	9.5
	For-Profit	29.1	14.9	9.3	152	129	300	50	46.9	4.6	2.4	1.2	8.1

For details on criteria, refer to page 61; For details on indicators definitions, refer to page 52. More detailed statistics are also available on MIX website at www.mixmbb.org.
Data on voluntary savers is missing from some MFIs, preventing us from publishing certain savings indicators, as denoted by "n/a".
For "All MFIs", averages are calculated on the basis of the values between the 2nd and 9th deciles.
For "FSS" and other groups, averages are calculated by dropping the top and bottom observations.
FSS averages different from average for all MFIs at 1% significance level are marked with an asterisk (*).

Additional Tables for Financially Self-Sufficient (FSS) MFIs - Average Performance

	FSS MFIs BY CRITERIA	INSTITUTIONAL CHARACTERISTICS Age	Total Assets	Offices	Personnel	FINANCING STRUCTURE Capital/ Asset Ratio	Commercial Funding Liabilities Ratio	Debt/ Equity Ratio	Deposits to Loans	Deposits to Total Assets	Gross Loan Portfolio/ Total Assets
		(years)	(US $)	(number)	(number)	(%)	(%)	(x)	(%)	(%)	(%)
All MFIs (n=124)		**8**	**7,931,000**	**19**	**120**	**42.7**	**44.1**	**1.9**	**15.3**	**12.3**	**70.9**
FSS MFIs (n=66)		**10**	**14,482,358***	**17**	**174**	**40.4**	**76***	**2.5**	**21.9**	**16.4**	**73.1**
AGE	New	3	2,389,245	6	51	53.2	58.4	1.1	26.1	20.0	77.1
AGE	Young	10	7,164,021	25	175	75.7	36.8	0.3	0.0	0.0	58.1
AGE	Mature	15	23,135,095	26	280	35.1	94.3	3.0	28.8	21.5	69.4
SCALE	Large	11	44,089,810	29	364	31.2	89.3	3.6	37.1	25.3	74.4
SCALE	Medium	11	6,033,322	16	103	47.0	65.7	1.8	11.3	8.5	71.8
SCALE	Small	4	1,165,422	4	36	48.4	67.8	1.7	25.3	19.1	73.3
METHODO-LOGY	Individual	12	17,120,605	11	132	32.6	99.8	3.3	41.2	28.6	71.7
METHODO-LOGY	Solidarity Groups	9	18,888,339	27	274	42.6	56.7	2.1	13.2	10.0	78.1
METHODO-LOGY	Village Banks	10	7,164,021	25	175	75.7	36.8	0.3	0.0	0.0	58.1
TARGET MARKET	Low-end	12	15,603,057	35	296	47.5	74.5	1.9	5.2	4.2	69.1
TARGET MARKET	Broad	9	11,698,283	14	140	39.3	65.9	2.4	22.1	16.9	75.7
TARGET MARKET	High-end	8	65,440,571	25	298	22.4	108.9	5.4	90.1	51.9	65.4
TARGET MARKET	Small Business	18	7,489,039	3	41	42.5	76.5	2.7	49.5	37.9	74.8
REGION	Africa	8	20,499,699	18	193	30.9	107.7	3.1	58.6	30.6	62.0
REGION	Asia	10	20,586,621	111	840	36.8	97.6	2.4	26.9	20.7	72.3
REGION	ECA	5	5,746,901	12	73	55.6	5.1	1.4	0.0	0.0	81.5
REGION	LA	15	26,698,495	16	191	31.9	88.5	3.4	36.4	27.5	75.3
REGION	MENA	6	13,531,483	14	227	74.3	55.2	0.4	0.0	0.0	61.6
COUNTRY INCOME	Lower/ Middle Income	10	14,354,375	17	170	42.0	77.1	2.3	22.9	17.1	72.6
COUNTRY INCOME	Upper Income	12	16,082,147	22	175	16.9	58.9	30.8	8.8	6.9	81.3
INTERME-DIATION	Financial Intermediary	12	35,354,538	17	286	23.4	122.4	4.4	92.0	57.2	70.5
INTERME-DIATION	Other	9	8,574,557	15	128	50.2	49.5	1.5	0.8	0.7	74.6
CHARTER	Banks	12	80,822,935	38	568	19.8	148.0	7.2	89.9	49.2	67.5
CHARTER	Credit Unions/ Coops.	11	6,625,454	3	29	26.3	100.3	3.8	89.3	58.9	71.2
CHARTER	NGOs	10	7,651,050	17	120	54.5	42.9	1.3	0.5	0.5	73.9
CHARTER	Non-Banks	8	23,735,174	21	220	33.4	89.6	3.8	23.7	18.6	75.6
PROFIT STATUS	Non-Profit	10	7,693,018	13	101	48.4	59.8	1.9	15.6	11.4	73.5
PROFIT STATUS	For-Profit	10	41,574,274	31	369	21.8	116.4	5.1	43.7	35.3	71.9

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For "All MFIs", averages are calculated on the basis of the values between the 2nd and 9th deciles.
For "FSS" and other groups, averages are calculated by dropping the top and bottom observations.
FSS averages different from average for all MFIs at 1% significance level are marked with an asterisk (*).

Additional Tables for Financially Self-Sufficient (FSS) MFIs - Average Performance

	FSS MFIs BY CRITERIA	OUTREACH INDICATORS								MACROECONOMIC INDICATORS				
		Number of Active Borrowers	*Percent of Women Borrowers*	*Gross Loan Portfolio*	*Average Loan Balance per Borrower*	*Average Loan Balance per Borrower/ GNP per Capita*	*Number of Voluntary Savers*	*Voluntary Savings*	*Average Savings Balance per Saver*	*GNP per Capita*	*GDP Growth Rate*	*Deposit Rate*	*Inflation Rate*	*Financial Depth*
		(number)	(%)	(US $)	(US $)	(%)	(number)	(US $)	(US $)	(US $)	(%)	(%)	(%)	(%)
All MFIs (n=124)		**15,553**	**62.9**	**5,347,516**	**532**	**54.3**	**3,345**	**1,197,175**	**269**	**1,031**	**3.8**	**4.7**	**7.4**	**40.7**
FSS MFIs (n=66)		**22,841**	**61.9**	**10,154,579***	**621**	**66.4**	**6,019**	**3,282,583***	**258**	**1,210**	**4**	**4.1**	**7.1**	**46.1**
AGE	New	4,340	58.2	1,909,042	632	57.3	2,600	344,824	70	939	3.2	4.4	9.1	57.9
AGE	Young	18,236	83.3	3,167,102	188	17.4	0	0	n/a	1,278	3.9	3.8	6.2	48.0
AGE	Mature	33,514	61.5	16,108,048	595	67.4	15,676	6,463,406	405	1,266	3.7	4.8	7.4	41.8
SCALE	Large	44,557	55.8	31,906,064	810	85.5	32,199	15,289,209	347	1,302	4.0	3.7	6.3	43.6
SCALE	Medium	11,134	64.1	4,007,517	669	59.2	2,283	502,509	356	1,211	3.3	4.3	7.4	47.3
SCALE	Small	4,485	73.3	813,350	270	40.1	3,900	155,802	45	889	3.1	4.6	9.1	50.0
METHODOLOGY	Individual	16,582	44.3	11,337,583	937	82.6	6,953	5,306,076	406	1,485	3.5	4.6	7.3	48.7
METHODOLOGY	Solidarity Groups	34,423	75.7	15,377,298	544	75.0	11,257	3,649,122	55	749	3.6	3.5	6.9	41.0
METHODOLOGY	Village Banks	18,236	83.3	3,167,102	188	17.4	0	0	n/a	1,278	3.9	3.8	6.2	48.0
TARGET MARKET	Low-end	43,739	76.8	9,844,004	188	15.7	35,321	1,519,351	103	1,501	4.4	4.0	7.5	51.8
TARGET MARKET	Broad	14,211	57.0	8,819,324	689	74.0	4,439	2,450,466	344	1,212	3.5	3.7	7.1	44.7
TARGET MARKET	High-end	34,927	63.4	36,321,282	1,076	176.6	35,364	32,526,326	120	604	3.2	5.7	5.5	37.3
TARGET MARKET	Small Business	2,017	38.1	5,151,293	2,557	449.0	3,830	2,366,847	619	645	1.9	5.6	7.7	43.1
REGION	Africa	21,813	60.1	10,698,044	398	109.9	49,998	6,845,184	86	340	4.8	1.4	4.8	27.6
REGION	Asia	183,171	67.0	16,516,359	277	44.8	186,289	2,400,078	61	681	4.3	4.7	8.9	54.4
REGION	ECA	7,292	64.7	4,958,016	923	81.0	0	0	n/a	1,248	-2.2	1.7	5.8	21.9
REGION	LA	31,010	59.9	20,752,873	900	72.1	2,961	9,657,713	809	1,702	3.3	6.0	7.7	41.4
REGION	MENA	19,097	53.2	6,805,918	278	29.0	0	0	n/a	1,548	4.3	2.4	6.4	99.4
COUNTRY INCOME	Lower/ Middle Income	22,335	62.5	10,000,554	706	66.4	8,128	3,421,251	251	1,000	3.9	4.0	7.3	46.3
COUNTRY INCOME	Upper Income	31,140	54.1	12,079,898	2,732	64.2	3,091	1,341,232	n/a	4,480	4.0	4.5	5.5	42.9
INTERMEDIATION	Financial Intermediary	30,013	46.9	25,746,774	994	105.3	26,824	20,088,390	396	1,161	4.0	5.5	7.9	46.1
INTERMEDIATION	Other	18,895	70.2	6,095,385	479	54.9	1,376	33,705	69	1,239	3.4	3.2	6.7	46.1
CHARTER	Banks	62,061	47.0	57,718,800	758	93.0	59,386	45,092,136	338	857	4.4	4.8	6.5	37.2
CHARTER	Credit Unions/ Coops.	3,586	42.3	4,318,154	1,573	124.2	12,366	3,999,357	356	1,399	3.4	6.6	7.7	52.8
CHARTER	NGOs	17,754	69.7	5,583,524	402	54.9	1,222	16,834	10	1,059	3.5	3.4	7.0	44.8
CHARTER	Non-Banks	30,808	67.3	17,973,100	861	110.4	5,998	8,486,391	974	1,390	4.1	2.9	7.4	46.8
PROFIT STATUS	Non-Profit	14,128	64.5	5,360,805	568	59.9	4,303	869,024	252	1,112	3.3	4.1	7.2	48.0
PROFIT STATUS	For-Profit	42,893	53.1	30,832,628	803	84.2	33,324	18,623,929	525	1,114	4.1	3.4	6.8	41.1

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Additional Tables for Financially Self-Sufficient (FSS) MFIs - Average Performance

		OVERALL FINANCIAL PERFORMANCE				OPERATING INCOME			
	FSS MFIs BY CRITERIA	*Adjusted Return on Assets*	*Adjusted Return on Equity*	*Operational Self-Sufficiency*	*Financial Self-Sufficiency*	*Adjusted Financial Revenue Ratio*	*Adjusted Profit Margin*	*Yield on Gross Portfolio (nominal)*	*Yield on Gross Portfolio (real)*
		(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
All MFIs (n=124)		**0.1**	**2.3**	**115**	**104**	**27.1**	**0.3**	**39.8**	**33.6**
FSS MFIs (n=66)		**5.7***	**14.6***	**140***	**128***	**30.2**	**19.4***	**39.9**	**34.6**
AGE	New	5.8	11.2	146	130	28.3	20.4	37.8	32.2
	Young	12.6	14.3	182	149	56.7	29.3	62.6	57.1
	Mature	4.0	14.0	139	128	30.7	18.7	39.9	33.8
SCALE	Large	6.3	21.8	142	134	30.0	23.2	36.8	32.0
	Medium	3.6	9.1	134	121	29.9	14.5	41.3	35.7
	Small	7.2	19.9	152	137	32.2	24.6	45.8	39.9
METHODO-LOGY	Individual	5.1	16.6	137	127	25.5	19.1	36.0	30.2
	Solidarity Groups	5.0	13.2	133	124	30.6	17.7	40.1	35.6
	Village Banks	12.6	14.3	182	149	56.7	29.3	62.6	57.1
TARGET MARKET	Low-end	7.7	16.6	153	136	36.8	23.5	46.4	40.9
	Broad	4.2	14.0	134	124	29.6	17.7	39.8	34.9
	High-end	4.1	19.9	146	135	20.3	22.9	30.1	23.3
	Small Business	3.7	6.2	128	118	19.7	13.2	24.2	17.9
REGION	Africa	4.0	14.5	140	131	23.9	21.4	38.4	36.8
	Asia	5.5	16.9	158	136	25.0	22.5	35.1	28.9
	ECA	8.6	16.5	144	132	34.9	22.4	44.4	41.9
	LA	4.4	16.0	128	122	34.7	16.3	40.9	33.4
	MENA	3.8	4.6	137	120	21.9	15.8	41.0	37.8
COUNTRY INCOME	Lower/ Middle Income	5.4	16.3	141	128	28.4	19.5	39.6	34.4
	Upper Income	9.9	88.1	130	127	59.0	18.4	45.2	38.8
INTERME-DIATION	Financial Intermediary	4.0	18.6	132	124	24.1	17.3	34.6	27.8
	Other	6.7	14.0	144	131	33.8	20.6	43.0	38.5
CHARTER	Banks	4.0	32.3	124	121	26.6	16.4	43.5	36.7
	Credit Unions/ Coops.	3.0	10.4	137	122	18.8	14.1	24.9	17.3
	NGOs	7.2	14.6	151	135	32.2	23.0	43.0	38.5
	Non-Banks	4.1	17.9	129	124	36.4	17.8	42.4	38.5
PROFIT STATUS	Non-Profit	6.3	15.0	148	132	28.7	21.5	39.0	33.8
	For-Profit	2.8	16.4	122	119	33.9	14.9	42.0	36.7

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Additional Tables for Financially Self-Sufficient (FSS) MFIs - Average Performance

OPERATING EXPENSE

	FSS MFIs BY CRITERIA	Adjusted Total Expense Ratio	Adjusted Financial Expense Ratio	Adjusted Loan Loss Provision Expense Ratio	Adjusted Personnel Expense Ratio	Adjusted Administrative Expense Ratio	Adjusted Operating Expense Ratio	Adjustment Expense Ratio
		(%)	(%)	(%)	(%)	(%)	(%)	(%)
All MFIs (n=124)		**27.7**	**6.2**	**1.8**	**10.5**	**8.4**	**19.1**	**1.8**
FSS MFIs (n=66)		**23.7**	**6.2**	**1.4**	**8.7**	**6.2***	**15.8**	**1.3***
AGE	New	22.0	5.8	2.2	7.9	6.1	14.0	1.9
AGE	Young	39.5	4.1	0.7	15.5	10.4	30.7	2.1
AGE	Mature	24.1	7.1	1.3	8.1	5.8	15.2	1.1
SCALE	Large	22.2	6.4	1.6	7.3	5.3	14.1	1.0
SCALE	Medium	24.8	5.7	1.3	9.8	7.8	17.6	1.5
SCALE	Small	24.5	7.5	1.4	7.5	5.4	14.9	1.9
METHODOLOGY	Individual	20.0	7.1	1.7	6.3	5.0	11.3	1.3
METHODOLOGY	Solidarity Groups	24.9	4.7	1.4	10.8	8.0	18.4	1.0
METHODOLOGY	Village Banks	39.5	4.1	0.7	15.5	10.4	30.7	2.1
TARGET MARKET	Low-end	27.3	7.0	0.9	10.1	6.5	19.0	1.8
TARGET MARKET	Broad	23.8	5.9	1.8	9.0	7.0	16.1	1.1
TARGET MARKET	High-end	16.0	5.3	1.2	5.4	4.5	8.8	0.5
TARGET MARKET	Small Business	16.0	6.1	2.9	3.5	3.5	7.1	1.1
REGION	Africa	19.5	2.8	0.9	8.1	7.7	15.8	0.3
REGION	Asia	19.1	7.4	1.1	6.2	4.5	10.6	1.4
REGION	ECA	25.9	3.2	1.5	12.6	8.2	20.8	1.7
REGION	LA	27.6	8.6	2.5	8.4	6.6	16.6	1.4
REGION	MENA	18.2	3.0	0.6	9.9	4.8	14.7	1.6
COUNTRY INCOME	Lower/ Middle Income	22.5	5.8	1.3	8.8	6.4	15.1	1.2
COUNTRY INCOME	Upper Income	42.2	12.6	3.0	7.1	21.3	26.6	1.7
INTERMEDIATION	Financial Intermediary	19.5	6.7	1.9	6.2	5.0	10.9	0.9
INTERMEDIATION	Other	26.1	5.9	1.2	10.2	7.3	18.5	1.5
CHARTER	Banks	22.0	6.6	1.4	8.6	6.1	13.6	0.6
CHARTER	Credit Unions/ Coops.	15.3	6.7	1.5	3.8	3.3	7.1	1.2
CHARTER	NGOs	24.9	5.2	1.0	11.1	7.3	18.4	1.7
CHARTER	Non-Banks	28.2	7.8	2.8	7.6	7.2	17.6	1.0
PROFIT STATUS	Non-Profit	22.1	5.6	1.2	8.9	6.1	15.0	1.6
PROFIT STATUS	For-Profit	27.3	7.6	2.3	8.3	6.7	17.4	0.5

For details on criteria, refer to page 61; For details on indicators definitions, refer to page 52. More detailed statistics are also available on MIX website at www.mixmbb.org.
Data on voluntary savers is missing from some MFIs, preventing us from publishing certain savings indicators, as denoted by "n/a".
For "All MFIs", averages are calculated on the basis of the values between the 2nd and 9th deciles.
For "FSS" and other groups, averages are calculated by dropping the top and bottom observations.
FSS averages different from average for all MFIs at 1% significance level are marked with an asterisk (*).

Additional Tables for Financially Self-Sufficient (FSS) MFIs - Average Performance

		EFFICIENCY				PRODUCTIVITY				RISK AND LIQUIDITY			
	FSS MFIs BY CRITERIA	*Operating Expense/ Loan Portfolio*	*Personnel Expense/ Loan Portfolio*	*Average Salary/ GNP per Capita*	*Adjusted Cost per Borrower*	*Borrowers per Staff Member*	*Borrowers per Loan Officer*	*Voluntary Savers per Staff Member*	*Personnel Allocation Ratio*	*Portfolio at Risk> 30 Days*	*Portfolio at Risk> 90 Days*	*Risk Coverage*	*Non-earning Liquid Assets as a % of Total Assets*
		(%)	(%)	(x)	(%)	(number)	(number)	(number)	(%)	(%)	(%)	(x)	(%)
All MFIs (n=124)		**29.4**	**16.1**	**6.7**	**142**	**121**	**284**	**34**	**48.3**	**2.8**	**1.5**	**1.3**	**8.6**
FSS MFIs (n=66)		**22.2***	**12.9**	**7.5**	**123**	**132**	**359**	**63**	**45**	**2.5**	**1.5**	**1.5**	**6**
AGE	New	19.4	11.3	4.3	108	94	303	111	33.8	5.1	2.5	1.0	6.8
	Young	41.6	27.9	7.7	72	153	286	0	52.1	1.6	0.5	2.0	20.4
	Mature	21.5	12.3	8.5	85	142	383	75	42.8	2.8	1.6	1.5	5.4
SCALE	Large	18.0	10.3	9.2	120	148	379	104	43.6	2.8	1.7	2.0	4.6
	Medium	25.9	14.6	7.0	116	116	243	38	49.7	2.4	1.0	1.7	7.7
	Small	22.8	11.3	3.6	36	138	676	163	33.9	3.4	1.7	0.9	10.5
METHODO-LOGY	Individual	17.0	9.6	6.9	168	120	422	112	39.5	3.9	2.2	1.3	4.2
	Solidarity Groups	24.6	14.6	8.6	89	136	309	35	47.9	1.8	1.1	2.0	9.3
	Village Banks	41.6	27.9	7.7	72	153	286	0	52.1	1.6	0.5	2.0	20.4
TARGET MARKET	Low-end	27.7	16.9	3.3	40	185	346	74	54.7	1.3	0.6	4.0	8.5
	Broad	22.0	12.5	7.9	144	117	358	49	43.1	3.0	1.8	1.5	5.8
	High-end	13.8	8.4	14.4	132	121	519	212	26.1	5.1	3.9	0.7	5.3
	Small Business	8.9	4.5	8.4	182	56	89	182	42.8	2.6	1.9	2.1	4.7
REGION	Africa	27.8	14.1	17.2	113	141	438	254	35.1	1.7	0.9	0.9	9.0
	Asia	16.0	9.4	4.0	36	148	465	212	47.1	2.4	1.3	1.0	5.3
	ECA	27.3	16.6	9.0	197	100	194	0	52.4	1.3	0.5	3.5	9.0
	LA	20.7	11.7	6.5	171	140	398	37	39.0	3.7	2.1	1.5	4.5
	MENA	27.0	18.1	3.2	58	112	175	0	60.8	0.6	0.5	4.1	5.8
COUNTRY INCOME	Lower/ Middle Income	22.2	13.1	7.7	105	134	367	74	45.0	2.4	1.4	1.6	6.1
	Upper Income	21.2	9.0	2.4	430	111	249	17	44.7	3.2	1.7	1.9	4.1
INTERME-DIATION	Financial Intermediary	16.9	9.5	8.7	118	116	482	232	33.6	4.9	3.2	1.1	3.8
	Other	25.2	14.8	6.9	100	141	300	8	50.3	1.5	0.7	2.3	8.1
CHARTER	Banks	23.4	14.6	12.9	142	128	369	117	37.3	3.6	2.0	1.0	4.7
	Credit Unions/ Coops.	10.4	5.6	5.5	134	95	676	379	26.3	4.8	2.3	0.9	1.8
	NGOs	25.9	15.7	7.4	96	151	318	10	50.3	1.5	0.9	2.2	7.7
	Non-Banks	22.2	11.6	6.7	126	118	312	25	44.8	4.0	2.8	1.6	9.0
PROFIT STATUS	Non-Profit	21.7	13.0	6.5	90	139	380	64	45.4	2.1	1.2	1.9	6.7
	For-Profit	23.1	12.6	10.4	161	115	319	107	43.1	4.0	2.6	1.3	5.4

For details on criteria, refer to page 61; For details on indicators definitions, refer to page 52. More detailed statistics are also available on MIX website at www.mixmbb.org.
Data on voluntary savers is missing from some MFIs, preventing us from publishing certain savings indicators, as denoted by "n/a".
For "All MFIs", averages are calculated on the basis of the values between the 2nd and 9th deciles.
For "FSS" and other groups, averages are calculated by dropping the top and bottom observations.
FSS averages different from average for all MFIs at 1% significance level are marked with an asterisk (*).

APPENDICES

Appendix I: Notes to Adjustments and Statistical Issues

The MicroBanking Standards Project, of which *The MicroBanking Bulletin* is a major output, is open to all MFIs that are willing to disclose financial data that meet a simple quality test. Participating MFIs typically have three characteristics: 1) they are willing to be transparent by submitting their performance data to an independent agency; 2) they display a strong social orientation by providing financial services to low-income persons; and 3) they are able to answer all the questions needed for our analysis.

The one hundred and twenty-four institutions that provided data for this issue represent a large proportion of the world's leading microfinance institutions. They have provided data generally by completing a detailed questionnaire, supplemented in most cases by additional information. All participating MFIs receive a customized report comparing their results with those of the peer groups.

Data Quality Issues

The *Bulletin* has modified its data quality grade to avoid confusion with ratings, as the data quality grade does not reflect the level of risk or performance, but the degree to which we have independent verification of its reliability. Three-star information (***) has been independently generated through a detailed financial analysis by an independent third party, such as a CAMEL evaluation, a CGAP appraisal, or assessments by reputable rating agencies. Two-star information (**) is backed by accompanying documentation, such as audited financial statements, annual reports, and independent program evaluations that provide a reasonable degree of confidence for our adjustments. One-star information (*) is from MFIs that have limited themselves to completing our questionnaire. These grades signify confidence levels on the reliability of the information; they are NOT intended as a rating of the financial performance of the MFIs.

The criteria used in constructing the statistical tables are important for understanding and interpreting the information presented. Given the voluntary nature and origin of the data, the *Bulletin* staff, Editorial Board and funders cannot accept responsibility for the validity of the results presented, or for consequences resulting from their use. We employ a system to make tentative distinctions about the quality of data presented to us and include only information for which we have a reasonable level of comfort. However, we cannot exclude the possibility of misrepresented self-reported results.

The most delicate areas of potential distortions are: (1) unreported subsidies and (2) misrepresented loan portfolio quality. There can also be inaccuracies in reporting the costs of financial services in multipurpose institutions that also provide non-financial services, in part because of difficulties in assigning overhead costs. These risks are highest for younger institutions, and for institutions with a record of optimistic statement of results. If we have grounds for caution about the reliability of an MFI's disclosure, we will not include its information in a peer group unless it has been externally validated by a third party in which we have confidence.

Adjustments to Financial Data

The *Bulletin* adjusts the financial data it receives to ensure comparable results. The financial statements of each organization are converted to the standard chart of accounts used by the *Bulletin*. This chart of accounts is simpler than that used by most MFIs, so the conversion consists mainly of consolidation into fewer, more general accounts. Then three adjustments are applied to produce a common treatment for the effect of: a) inflation, b) subsidies, and c) loan loss provisioning and write-off. In the statistical tables the reader can compare adjusted and unadjusted results.

Inflation

The *Bulletin* reports the net effect of inflation by calculating increases in expenses and incomes due to inflation. Inflation causes a decrease in the real value of equity. This "cost of funds" is obtained by multiplying the prior year-end equity balance by the current-year inflation rate.[71] 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.[72] On the

[71] Inflation data are obtained from line 64x of the International Financial Statistics, International Monetary Fund, various years.

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

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 is an operating cost. In comparison, similar MFIs that lend only their equity have no interest expense and therefore have lower operating costs. If an MFI focuses on sustainability and the maintenance of its capital/asset ratio, it must increase the size of its equity in nominal terms to continue to make the same value of loans in real (inflation-adjusted) terms. Inflation increases the cost of tangible items over time, so that a borrower needs more money to purchase them. MFIs that want to maintain their support to clients must therefore offer larger loans. Employees' salaries go up with inflation, so the average loan balance and portfolio must increase to compensate, assuming no increase in interest margin. Therefore, a program that funds its loans with its equity must maintain the real value of that equity, and pass along the cost of doing so to the client. This expectation implies MFIs should "pay" interest rates that include the inflation-adjustment expense as a cost of funds, even if this cost is not actually paid to anyone outside the institution.

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

Subsidies

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

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

The cost-of-funds adjustment reflects the impact of soft loans on the financial performance of the institution. The *Bulletin* calculates the difference between what the MFI actually paid in interest on its subsidized liabilities and the deposit rate for each country.[73] This difference represents the value of the subsidy, which we treat as an additional financial expense. We apply this subsidy to those loans to the MFI that are priced at less than 75 percent of prevailing market (deposit) rates. The decreased profit is offset by generating an "accumulated subsidy adjustment" account on the balance sheet.

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

Loan Loss Provisioning

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

We classify as "at risk" any loan with a payment over 90 days late. We provision 50 percent of the

[73] Data for shadow interest rates are obtained from line 60l of the International Financial Statistics, IMF, various years. The deposit rate is used because it is a published benchmark in most countries. Sound arguments can be made for use of different shadow interest 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.

outstanding balance for loans between 90 and 180 days late, and 100 percent for loans over 180 days late. Wherever we have adequate information, we adjust to assure that all loans are fully written off within one year of their becoming delinquent. (Note: 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.) 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.

Financial Statement Adjustments and their Effects

Adjustment	Effect on Financial Statements	Type of Institution Most Affected by Adjustment
Inflation adjustment of equity (minus net fixed assets)	Increases financial expense accounts on income statement, to some degree offset by inflation income account for revaluation of fixed assets. Generates a reserve in the balance sheet's equity account, reflecting that portion of the MFI's retained earnings that has been consumed by the effects of inflation. Decreases profitability and "real" retained earnings.	MFIs funded more by equity than by liabilities will be hardest hit, especially in high-inflation countries.
Reclassification of certain long term liabilities into equity, and subsequent inflation adjustment	Decreases concessionary loan account and increases equity account; increases inflation adjustment on profit and loss statement and balance sheet.	NGOs that have long-term low-interest "loans" from international agencies that function more as donations than loans.
Subsidized cost of funds adjustment	Increases financial expense on income statement to the extent that the MFI's liabilities carry a below-market rate of interest.[74] Decreases net income and increases subsidy adjustment account on balance sheet.	MFIs with heavily subsidized loans (i.e., 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). Increases subsidy adjustment account on balance sheet.	NGOs during their start-up phase. This adjustment is relatively less important for mature institutions.
In-kind subsidy adjustment (e.g., donation of goods or services: line staff paid for by technical assistance providers)	Increases administrative expense on income statement to the extent that the MFI is receiving subsidized or donated goods or services. Decreases net income, increases subsidy adjustment account on balance sheet.	MFIs using goods or services for which they are not paying a market-based cost (i.e., MFIs during their start-up phase).
Loan loss reserve and provision expense adjustment	Usually increases loan loss provision expense on income statement and loan loss reserve on balance sheet.	MFIs that have unrealistic loan loss provisioning policies.
Write-off adjustment	On balance sheet, reduces gross loan portfolio and loan loss reserve by an equal amount, so that neither net loan portfolio nor the income statement is affected. Improves (lowers) portfolio-at-risk ratio.	MFIs that do not write off non-performing loans aggressively enough.
Reversal of interest income accrued on non-performing loans	Reduces interest income and net profit on the income statement, and equity on the balance sheet.	MFIs that continue accruing income on delinquent loans past the point where collection becomes unlikely, or that fail to reverse previously accrued income on such loans.

[74] For the *Bulletin*, subsidized liabilities are liabilities that involve at least a 25 percent discount in relation to a market-based proxy rate. For consistency, the *Bulletin* uses the deposit rate (line 60l of the International Monetary Fund Statistics).

Statistical Issues

The *Bulletin* reports the means and standard deviations of the performance indicators for each peer group. At this stage, peer groups are still small and the observations in each peer group show a high variation. Outliers distort the results of some of the peer group averages. Consequently, the reader should be cautious about the interpretive power of these data. Over time, as more MFIs provide data, we will be in a better position to generate deeper and more sophisticated types of analyses and will have a higher degree of comfort with the statistical significance of the differences between the means of the distinct peer groups.

To ensure that the averages reported represent the group as accurately as possible, we have excluded outliers for each of the indicators. Statistics for the category *All MFIs* were calculated by deleting observations in the first and last deciles for each indicator. In other words, the values between the 11th and 90th percentiles were used for the analysis. For the *FSS sample* and *peer group,* for each indicator we rank the MFIs in the group and eliminate the top and bottom values and use the remaining observations to calculate the averages. In most cases, this exclusion eliminates two observations for each peer group: the institution with the highest and the lowest value on each indicator. In cases where indicators contain observations with tied values for highest and lowest values, more than two observations are deleted. This method helps to prevent outliers from dominating group results, and smoothes the data by minimizing data dispersion. Where the sample size is reduced to less than 3 institutions, we have not reported the result in order to maintain confidentiality.

We have carried out statistical tests to determine the impact of outliers where they exist, and to quantify the results in terms of 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 one percent as the significance 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.

Appendix II: Description of Participating MFIs

ACRONYM	NAME	DATE	COUNTRY	DATA QUALITY GRADE	DESCRIPTION
5 de Mayo	Fondo 5 de Mayo	Dec-01	Mexico	**	Fondo Cinco de Mayo provides credit to solidarity groups in urban and peri-urban areas of Puebla, Mexico. It is a member of COPAME.
ABA	Alexandria Business Association	Dec-02	Egypt	*	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.
ACF	Asian Credit Fund	Dec-02	Kazakhstan	*	ACF was founded in 1997 as an affiliate of Mercy Corps International. It is currently a non-bank financial institution that provides loans to microentrepreneurs and SMEs in urban and rural areas.
ACLEDA	ACLEDA Bank Ltd.	Dec-02	Cambodia	**	ACLEDA was started in 1993 as an NGO offering credit services. Since its transformation into a specialized bank in 2000, ACLEDA Bank Limited now offers credit, savings, transfer and cash management services in both rural and urban settings.
ACME	Association Pour la Cooperation avec la Micro Enterprise	Jun-02	Haiti	***	ACME is a non-profit organization founded in 1997 to provide financial services to entrepreneurs in the informal sector. It serves an urban market with a variety of individual loan products.
ACODEP	Asociación de Consultores para el Desarrollo de la Pequeña, Mediana y Microempresa	Dec-02	Nicaragua	**	Founded in 1989, ACODEP serves small and microenterprises primarily in Managua and other urban areas of Nicaragua. ACODEP is a member of Katalysis and ASOMIF networks.
Acredicom	Acredicom	Dec-01	Guatemala	*	Acredicom is a Guatemalan credit union. It is a member of the FENACOAC system and participates in WOCCU's technical assistance program. It offers loans and savings services to its members.
ACSI	Amhara Savings and Credit Institution	Dec-02	Ethiopia	*	ACSI offers savings, credit, fund transfer services and pension fund management to rural populations in the Amhara region of Ethiopia. It began operations in 1996.
Actuar - Tolima	Corporación Acción por el Tolima	Dec-01	Colombia	**	Actuar - Tolima was founded in 1986. It is an NGO offering loans to microenterprises in Tolima and surrounding areas.
Adelante	Fundación Adelante	Dec-02	Honduras	*	Fundación Adelante offers solidarity group loans to female microentrepreneurs in rural areas. Fundación Adelante is part of the international Grameen Bank Replicator program.
ADRI	Asociación para el Desarrollo Rural Integrado	Dec-02	Costa Rica	**	ADRI is an NGO offering loans to small and microenterprises in Costa Rica. Founded in 1986, it also offers training and business development services to its clients.
AgroCapital	Fundación AgroCapital	Dec-02	Bolivia	**	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 microloans and longer-term mortgage loans.
AgroInvest	AgroInvest Foundation	Dec-01	Montenegro	*	AgroInvest began operations as a World Vision affiliate in 1999. It serves rural areas and makes individual loans to clients involved in agriculture.
AKRSP	Aga Khan Rural Support Programme	Dec-01	Pakistan	**	AKRSP is a multi-service NGO that works in the "Roof of the World" region of northern Pakistan. Its credit program began in 1983, offering loans through its network of village organizations.
Al Amana	Association Al Amana	Dec-02	Morocco	***	Al Amana offers solidarity group and individual loans through a wide network of branches in urban areas of Morocco. It began operations in 1997.

ACRONYM	NAME	DATE	COUNTRY	DATA QUALITY GRADE	DESCRIPTION
Al Majmoua	Lebanese Association for Development – Al Majmoua	Dec-01	Lebanon	**	Al Majmoua is a Lebanese NGO, offering village banking-type services in both urban and rural areas. The program began operations in 1994 as a project of Save the Children. Ownership was transferred to the Lebanese institution in 1998.
ASA	Association for Social Advancement	Dec-02	Bangladesh	*	ASA is an NGO that offers credit services to the rural poor in Bangladesh. The majority of its clients are landless women. It was founded in 1978 and shifted from an integrated development strategy to its current focus on financial services in the early 1990s. It uses a village level group lending methodology.
BanDes	Banco del Desarrollo	Dec-02	Chile	*	Banco de Desarrollo began its microfinance program in 1986. It offers credit and savings to in addition to other financial services in locations throughout Chile.
Banco Solidario	Banco Solidario	Dec-02	Ecuador	**	Banco Solidario of Ecuador was founded in 1995 and is an affiliate of ACCION International. Banco Solidario offers both credit and savings services to microentrepreneurs. It also administers a pawn-lending product.
BancoSol	BancoSol	Dec-02	Bolivia	**	BancoSol is a licensed commercial bank devoted to microfinance. It offers multiple credit and savings products in urban areas of Bolivia. BancoSol is an affiliate of ACCION International.
BanGente	BanGente	Dec-02	Venezuela	**	BanGente, opened in February 1999, is the first commercial bank serving small and microenterprises in Venezuela. It was established through a strategic alliance among Banco del Caribe, three Venezuelan NGOs (Fundación Eugenio Mendoza, Grupo Social CESAP, and Fundación Vivienda Popular) and ACCION International.
BASIX	Bharatiya Samruddhi Finance Ltd.	Mar-02	India	***	BASIX was set up as a non-bank in 1996 to provide financial services to the rural poor, to promote self-employment, and to provide technical assistance to clients and rural financial institutions.
BCS	Bansalan Cooperative Society	Dec-01	Philippines	*	BCS is a credit union founded in 1967. Its microfinance activities began in 1998, and it currently participates in WOCCU's technical assistance program. It offers both credit and voluntary savings services to members.
BESA	BESA Foundation	Dec-02	Albania	**	BESA was started in 1988 as a non-profit organization. It now makes group loans to micro and small entrepreneurs in large and secondary cities of Albania.
BluSol	Instituição de Crédito Comunitário BluSol	Dec-01	Brazil	*	BluSol is an NGO affiliated with the city government of Blumenau in the state of Santa Catarina. It offers multiple loan products. BluSol participates in the BNDES Institutional Development Program.
BRI	Bank Rakyat Indonesia, Unit Desa System	Dec-02	Indonesia	*	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 provide individual loans and savings services. The system has existed in its current form since 1983.
BTF	Bai Tushum Foundation	Aug-02	Kyrgyzstan	***	Bai Tushum was established as an NGO in 2000. It uses an individual lending methodology to provide credit services to farmers, livestock breeders and other micro, small and medium entrepreneurs.
BURO Tangail	BURO Tangail	Dec-02	Bangladesh	**	BURO Tangail provides flexible voluntary savings, microloans and insurance services since 1990. It is an NGO.
Caja Los Andes	Caja Los Andes Fondo Financiero Privado	Dec-01	Bolivia	**	Caja Los Andes grew out of ProCrédito, an NGO that began lending operations in 1992. It was converted to a finance company in 1995. Caja Los Andes operates in urban and some rural areas in Bolivia, providing individual loans and savings services.

ACRONYM	NAME	DATE	COUNTRY	DATA QUALITY GRADE	DESCRIPTION OF MICROFINANCE PROGRAM
CARD	Center for Agriculture and Rural Development	Dec-01	Philippines	*	CARD started as an NGO in 1986 and is now partially transformed into a rural bank. It is an affiliate of CASHPOR and Women's World Banking. It makes loans and collects deposits.
CERUDEB	Centenary Rural Development Bank	Dec-02	Uganda	**	CERUDEB was founded as a trust company in 1983, and obtained its banking license in 1993. CERUDEB now operates as a commercial bank providing credit and savings services in Kampala and Uganda's district towns.
Chuimequená	Cooperativa San Miguel Chuimequená	Dec-02	Guatemala	*	Cooperativa San Miguel de Chuimequená is a Guatemalan credit union. It is a member of the FENACOAC system and participates in WOCCU's technical assistance program. It offers loans and savings services to its members.
CMAC - Arequipa	Cajas Municipal de Ahorro y Crédito de Arequipa	Dec-02	Peru	**	The municipal savings and credit banks of Peru are owned by city governments. CMAC - Arequipa is one of the largest of the national network, and offers pawn and microenterprise loans as well as savings products.
CMAC - Sullana	Cajas Municipal de Ahorro y Crédito de Sullana	Dec-02	Peru	**	The municipal savings and credit banks of Peru are owned by city governments. CMAC - Sullana is a decentralized institution based in northern Peru and offers pawn and microenterprise loans as well as savings products.
CMM - Medellín	Corporación Mundial de la Mujer - Medellín	Dec-02	Colombia	**	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.
Compartamos	Financiera Compartamos S.A. de C.V. SFOL	Dec-01	Mexico	**	Financiera Compartamos S.A. de C.V. SFOL began operations in 1990 as the lending arm of Gente Nueva, a Mexican NGO. It converted into a regulated financial institution in 2001. It uses multiple lending methodologies and is an affiliate of ACCION International.
Constanta	Constanta Foundation	Dec-02	Georgia	**	CONSTANTA was established in 1997 with a grant from UNHCR/Save the Children as a local NGO to provide group loans to poor self-employed women.
COOSAJO	Cooperativa San José Obrero	Dec-02	Guatemala	*	Cooperativa San José Obrero is a member of the FENACOAC credit union federation, and participated in WOCCU's technical assistance program in Guatemala. It offers loans and savings services to its members.
CRECER	CRECER	Dec-02	Bolivia	***	CRECER is an NGO working primarily in rural areas of Bolivia. It participates in Freedom from Hunger's "Credit with Education" program, using a village banking methodology.
Credicoop	Cooperative de Ahorro y Crédito Liberación	Dec-02	Chile	**	Formed in 1986, Credicoop now offers multiple savings and credit products. It principally serves clients in urban areas in Santiago and other cities in Chile.
CRG	Crédit Rural de Guinée	Dec-01	Guinea	***	CRG was founded in 1998 with the assistance of IRAM, at the request of the Guinean Ministry of Rural Development. It serves rural clients with group and solidarity loans as well as savings.
DBACD	Dahkalya Businessmen's Association for Community Development	Dec-02	Egypt	**	DBACD began work in 1995 and started its microfinance operations in 1998. It provides lending services and technical assistance to small and microenterprises.
EBS	Equity Building Society	Dec-02	Kenya	**	EBS was established as a building society in 1984 and began its microfinance operations in 1994. It offers savings and credit services to clients at branches in the Central and Nairobi provinces of Kenya, as well as through mobile banks operating in rural areas.

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Ecosaba	Ecosaba	Dec-02	Guatemala	*	Ecosaba is a member of the FENACOAC credit union federation, and participated in WOCCU's technical assistance program in Guatemala. It offers loans and savings services to its members.
EKI	EKI	Sep-02	Bosnia and Herzego-vina	**	Founded in 1996 as an affiliate of World Vision, EKI is now an independent Microcredit Organization providing individual and group loans to self-employed small and microentrepreneurs.
EMT	Ennathian Moulethan Tchonnebat	Dec-01	Cambodia	***	EMT was founded in 1991 as a rural credit project run by the French agency, GRET. It is in the process of transformation to an independent Institution, and operates in rural areas in the south of Cambodia. It offers individual and solidarity group loans.
F. Gainza	Cooperativa Monseñor Félix Gainza	Dec-02	Bolivia	*	Cooperativa Monseñor Félix Gainza is a credit union founded in 1968. It participates in WOCCU's technical assistance program and offers both credit and voluntary savings services to members.
FAMA	Fundación para el Apoyo a la Microempresa	Dec-02	Nicaragua	**	FAMA operates mainly in urban areas of Nicaragua, providing microenterprise credit and training. It was founded in 1991 and is affiliated with ACCION International.
FATEN	Palestine for Credit and Development	Dec-02	Palestine	**	FATEN was initiated as a Save the Children affiliate in 1995 and spun-off as an independent NGO in 1999. It provides microcredit to poor women entrepreneurs using a group lending methodology.
Faulu - UGA	Faulu Uganda	Dec-02	Uganda	**	Founded in 1995 as an affiliate of Food for the Hungry International, Faulu Uganda provides group based credit and voluntary deposit services to small and microentrepreneurs in urban and semi-urban areas.
FHAF	Fonds Haïtien d'Aide à la Femme	Sep-02	Haiti	*	FHAF has offered credit services to Haitian women entrepreneurs for over 20 years. It is an affiliate of Women's World Banking.
FICCO	First Community Cooperative	Dec-01	Philippines	*	FICCO is a credit union founded in 1954. Its microfinance activities began in 1999, and it currently participates in WOCCU's technical assistance program. It offers both credit and voluntary savings services to members.
FIE	FFP - Fomento a Iniciativas Económicas	Dec-02	Bolivia	**	FFP - FIE is a for-profit financial institution offering individual loans to microenterprises in urban areas of Bolivia. It began lending in 1988 as an NGO, and began operating as a "Private Financial Fund" in 1998 under regulation by the Superintendence of Banks.
Finadev	Finadev S.A.	Dec-02	Benin	**	Finadev was established in 2000 as a financial intermediary devoted to the provision of microfinance services. It is associated with Financial Bank of Benin.
FinAmérica	Financiera América	Dec-02	Colombia	**	FinAmérica is a regulated finance company operating in Bogotá and surrounding areas. It offers multiple credit methodologies in addition to savings. FinAmérica is an affiliate of ACCION International.
FINCA - AZE	FINCA - Azerbaijan	Aug-02	Azerbaijan	**	Started in 1998, FINCA - Azerbaijan makes small loans to microentrepreneurs using village banking technology.
FINCA - ECU	FINCA - Ecuador	Dec-02	Ecuador	**	FINCA - Ecuador was founded in 1994 and provides village banking services to low-income families in three regions: Pichincha, Guayas, and Imbabura.
FINCA - GTM	FINCA - Guatemala	Dec-02	Guatemala	**	Founded in 1998 as a FINCA affiliate, FINCA - Guatemala provides loans using village banking methodology to microentrepreneurs.
FINCA - HTI	FINCA - Haiti	Dec-02	Haiti	**	Founded in 1998 as a FINCA affiliate, FINCA - Haiti provides loans using village banking methodology to

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					microentrepreneurs.
FINCA - KGZ	FINCA - Kyrgyzstan	Aug-02	Kyrgyzstan	**	Founded in 1995, FINCA - Kyrgyzstan is operating in five of the six oblasts of Kyrgyzstan and offers both village banking and individual loan products to its clients.
FINCA - MWI	FINCA - Malawi	Aug-02	Malawi	**	FINCA - Malawi works with women in the country's southern region, and has been in operation since 1994.
FINCA - PER	FINCA - Peru	Dec-02	Peru	**	FINCA - Peru is an NGO that predominantly serves female entrepreneurs in Ayacucho, Lima and Huancavelica. It uses village banking, solidarity group and individual loan methodologies. FINCA - Peru is also a member of the COPEME network.
FINCA - TZA	FINCA - Tanzania	Aug-02	Tanzania	**	FINCA - Tanzania was formed in 1998 as an affiliate of FINCA International. It provides loans through village banks.
FINCA - UGA	FINCA - Uganda	Aug-02	Uganda	**	One of FINCA's largest programs, FINCA - Uganda has been in operation since 1992. The program offers village banking services to women in Kampala, Jinja and Lira.
FinComun	Servicios Financieros Comunitarios	Dec-02	Mexico	**	FinComun was created in 1994 as an initiative of Fundación Juan Diego. It offers both savings and credit products to microentrepreneurs in poor neighborhoods of Mexico City.
FINSOL	Financiera Solidaria	Dec-02	Honduras	**	FINSOL began operations in 1999 after the NGO FUNADEH transferred its portfolio to the newly formed institution. Finsol offers loan and savings products to small and microenterprises in urban areas of Honduras. It is an affiliate of ACCION International.
FM	Fundusz Mikro	Sep-01	Poland	*	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.
FMM - Popayán	Fundación Mundo Mujer - Popayán	Dec-02	Colombia	**	FMM - Popayán is a Women's World Banking affiliate working in urban and rural areas of Cauca in Colombia. FMM - Popayán began lending to microenterprises in 1985.
FWWB - Cali	Fundación Women's World Banking - Cali	Dec-02	Colombia	**	WWB - Cali, an affiliate of Women's World Banking, began lending in 1982. It offers individual loans to male and female microentrepreneurs in Cali.
Fondep	Fondep Micro-crédit	Dec-02	Morocco	**	Fondep started its microlending program in 1997 under the auspices of a multiservice development program. In 2000 it created a separate NGO dedicated to offering lending services in Morocco's rural zones.
GV	Grama Vidiyal	Mar-02	India	***	Grama Vidiyal was started as a NGO in 1993 as a branch of the parent NGO called Activists for Social Alternatives in India to provide microfinance in rural areas. It is affiliated with CASHPOR and Grameen Bank in Bangladesh.
Hattha	Hattha Kakesekar, Ltd.	Dec-02	Cambodia	**	Hattha Kakesekar was founded in 1996 as an NGO and transformed into a licensed MFI in 2001. The MFI offers commercial loans and agricultural credit to entrepreneurs in urban and rural areas in the North-Western and central parts of Cambodia.

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IASC	International Association for Savings and Credit	Mar-02	India	**	IASC is a non-profit organization founded in 1998. It offers loans for housing and microenterprise development, as well as insurance, to clients in rural India.
Inca	Cooperativa Inca Huasi	Dec-02	Bolivia	*	Cooperativa Inca Huasi is a credit union founded in 1978. It participates in WOCCU's technical assistance program and offers both credit and voluntary savings services to members.
JMCC	Jordan Micro Credit Company	Dec-02	Jordan	**	JMCC was established as a non-profit company in 1999, under the auspices of the Noor al-Hussein Foundation, for providing microloans to Jordanian microentrepreneurs.
Kamurj	MDF Kamurj	Dec-02	Armenia	***	MDF Kamurj was founded in 2000 as the merger of two separate microfinance programs run by Save the Children and Catholic Relief Services. It offers group loans to women in predominantly rural areas of Armenia.
Kashf	Kashf Foundation	Jun-02	Pakistan	**	Kashf is an NGO founded in 1996 to provide microcredit to low income women entrepreneurs in rural and urban areas. It is an affiliate of ASA, Bangladesh.
KCLF	Kazakstan Community Loan Fund	Dec-02	Kazakstan	*	The NGO KCLF was founded in 1997 with the support of ACDI/VOCA and as an affiliate of Mercy Corps. It uses group methodology to make loans to microentrepreneurs in large and secondary cities.
KEP	ICMC Kosovo Enterprise Program	Dec-01	Kosovo	*	KEP was founded in 1999 and offers group and individual loan products, as well as business development services, to economically active but vulnerable populations in Kosovo.
K-REP	K-REP Bank	Dec-02	Kenya	**	K-REP was founded in 1984. It provides funds to NGOs for on-lending to microenterprises and expanded to work on USAID's Private Enterprise Development Project in 1987. In 1997, K-REP Bank Limited was formed as a subsidiary of K-REP Group and became the first commercial bank in Kenya to directly target low-income clients.
MFW	Microfund for Women	Dec-02	Jordan	**	MFW was established in October 1999 to take over the lending program managed by the Jordanian Women's Development Society, a Jordanian NGO that spun off from Save the Children in 1996. It is now a private, non-profit company devoted to providing poor women microentrepreneurs with sustainable financial services though group, individual and seasonal loan products.
Mibanco	Banco de la Microempresa	Dec-02	Peru	**	Mibanco is a commercial microfinance bank offering savings and credit products to microentrepreneurs. Formerly the NGO Acción Comunitaria del Perú, Mibanco was transformed into a bank in 1998. It is an affiliate of ACCION International.
MI-BOSPO	MI-BOSPO	Dec-02	Bosnia and Herzegovina	*	MI-BOSPO was started as a program of BOSPO in 1996, and became an independent NGO in 2000 to provide microcredit to solidarity groups of low-income women entrepreneurs in secondary cities of Tuzla.
Mikra BiH	Mikra BiH	Dec-01	Bosnia and Herzegovina	**	Mikra BiH was founded in 1997 as an affiliate of Catholic Relief Services and transformed into an independent Microcredit Organization in 2001. It offers loans to women in urban and rural areas using both village banking and solidarity group methodologies.
Mikrofin	Mikrofin	Dec-02	Bosnia and Herzegovina	**	Mikrofin started operations in 1997 as an affiliate of CARE International, and is now an independent institution. It provides individual and group loans to microentrepreneurs in semi-urban areas.

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Moyután	Cooperativa Moyután	Dec-02	Guatemala	*	Cooperativa Moyután is a member of the FENACOAC credit union federation, and participates in WOCCU's technical assistance program in Guatemala. It offers loans and savings services to its members.
Nirdhan	Nirdhan Utthan Bank	Jul-02	Nepal	**	Nirdhan is an NGO founded in 1991. It is a Grameen replicator providing credit and deposit services to the poor. Both compulsory and voluntary deposits services are offered. The NGO was transformed into Nirdhan Utthan Bank Limited in July 1999. It is a member of the CASHPOR network.
NLC	Network Leasing Corporation, Ltd.	Jun-02	Pakistan	***	NLC is a private for-profit financial company that offers financial services to small and microentrepreneurs. It uses a leasing methodology considered compatible with Islamic law, which forbids interest on borrowing.
NOA	NOA	Dec-02	Croatia	**	NOA was started in 1997 as an affiliate of Opportunity International. It is now a for-profit financial intermediary providing individual and group loans to self employed persons in agriculture and small business.
PADME	Association pour la Promotion et l'Appui au Développement des MicroEntreprises	Dec-02	Benin	***	PADME is an NGO working in urban and peri-urban areas of Benin. It offers loans to small and microenter-prises, and was created by the Government of Benin with funding from the World Bank in 1993. It began a transformation from a pilot project to a private NGO microfinance institution in 1996.
PAMÉCAS	Programme d'Appui aux Mutuelles d'Epargne et de Crédit au Sénégal	Dec-02	Senegal	*	PAMÉCAS was established as a credit union in 1996. It offers a wide range of savings and credit services, primarily to women, using individual, solidarity and village banking products in urban and peri-urban Senegal.
Partner	Partner	Dec-02	Bosnia and Herzego-vina	***	Partner is an NGO that began operations in 1997 as an affiliate of Mercy Corps International. It provides indi-vidual credit to microenterprises in areas affected by war.
PMPC	Panabo Multi-Purpose Cooperative	Dec-01	Philippines	*	PMPC is a credit union founded in 1965. Its microfi-nance activities began in 1998, and it currently partici-pates in WOCCU's technical assistance program. It offers both credit and voluntary savings services to members.
PortoSol	Institução de Crédito Comunitário PortoSol	Dec-01	Brazil	*	PortoSol is an NGO operating in Porto Alegre in Brazil. It was founded in 1996 and offers individual loans to microentrepreneurs. PortoSol participates in the BNDES Institutional Development Program.
PRIDE Finance	PRIDE Finance	Dec-02	Guinea	*	PRIDE Finance was started in 1992 with funding from USAID. It offers group and individual loans to clients in urban and peri-urban areas of Guinea and receives ongoing technical assistance from VITA.
PRIDE - TZA	Promotion of Rural Initiatives and Development Enter-prises - Tanzania	Dec-01	Tanzania	**	PRIDE - Tanzania offers financial services to clients in urban and semi-urban areas of Tanzania. It was founded in 1993.
Prizma	Prizma	Dec-02	Bosnia and Herzego-vina	**	Prizma was founded in 1997 by the international NGO ICMC to support poor and low-income women formed into solidarity groups in small towns and rural areas. Prizma now uses individual and group methodologies to help women address basic needs, shelter, and liveli-hoods.
ProEmpresa	EDPYME ProEmpresa	Dec-02	Peru	**	EDPYME ProEmpresa was born out of the NGO IDESI in 1998. As a regulated financial institution, it offers individual loans to small entrepreneurs, predominantly in large and small urban areas.

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ProMujer - BOL	Programas para la Mujer - Bolivia	Dec-02	Bolivia	**	ProMujer - Bolivia was founded in 1990. It provides training and credit and facilitates savings for its predominantly female clients. ProMujer - Bolivia is a member of the ProMujer network.
ProMujer - PER	Programas para la Mujer - Peru	Dec-01	Peru	**	Founded in 1999, ProMujer - Peru provides credit and other services for female entrepreneurs. It primarily uses a village banking methodology. ProMujer - Peru is a member of the ProMujer network.
PSHM	Partneri Shqiptar Ne Mikrokredi	Aug-02	Albania	*	PSHM was founded in 1998 as an affiliate of Opportunity International and with funding from USAID. It offers both individual and group loans to microentrepreneurs in rural and urban areas.
Quilla	Cooperativa Quillacollo	Dec-02	Bolivia	*	Quillacollo is a credit union founded in 1962. It participates in WOCCU's technical assistance program and offers both credit and voluntary savings services to members.
RADE	Regional Association for the Development of Enterprises	Dec-02	Egypt	*	The microfinance activities of the NGO RADE started in 1998. RADE is an affiliate of Catholic Relief Services in Egypt. It offers village banking loans to women in rural areas.
SEDA	Small Enterprise Development Agency	Sep-02	Tanzania	**	SEDA was started in 1996 as an affiliate of World Vision to provide financial services to women using a village banking methodology in mostly urban areas of Tanzania.
SEF	Small Enterprise Foundation	Jun-02	South Africa	**	SEF is an NGO working in the Northern Province of South Africa. It uses a Grameen methodology to provide loans to rural women, and was founded in 1991.
SHARE	SHARE Microfin Ltd	Mar-02	India	***	SHARE lends to women in rural areas of Andhra Pradesh in India. It is a member of the CASHPOR network and was founded in 1989.
SJPU	Cooperative San Jose de Punata	Dec-02	Bolivia	*	Cooperative San Jose de Punata is a credit union founded in 1964. It participates in WOCCU's technical assistance program and offers both credit and voluntary savings services to members.
SKS	Swayam Krishi Sangam	Mar-02	India	**	Founded in 1997, SKS uses an adapted Grameen Bank approach to offer lending and savings services to poor, rural women in Andhra Pradesh in India.
Sogesol	Société Générale Haitïenne de Solidarité	Sep-02	Haiti	**	Sogesol provides retail financial services to urban microentrepreneurs on behalf of Sogebank. It is an affiliate of ACCION International.
Solución	Solución - Financiera de Crédito del Perú	Dec-02	Peru	**	Solución is a finance company founded in 1996. It offers consumer loans, individual loans, credit cards and savings products to small entrepreneurs, through a network of branches in urban areas of Peru.
Spandana	Spandana	Mar-02	India	***	Established as a multi-service development program in 1992, Spandana has focused on offering credit and savings services, as well as insurance, to poor women since 1997.
Sunrise	Sunrise Sarajevo	Dec-02	Bosnia and Herzegovina	*	SUNRISE is an NGO founded in 1997 to provide individual credit to start-up and established micro enterprises.
Tchuma	Tchuma Cooperativa de Crédito e Poupança	Dec-02	Mozambique	**	Created as a pilot project in 1996, Tchuma is a credit and savings institution that was officially launched in 1998. It offers loans to individuals and solidarity groups. Tchuma is an affiliate of ACCION International
Tonantel	Cooperativa Tonantel	Dec-02	Guatemala	*	Cooperativa Tonantel is a member of the FENACOAC credit union federation, and participated in WOCCU's technical assistance program in Guatemala. It offers loans and savings services to its members.

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TSPI	TSPI Development Corporation	Jun-02	Philippines	**	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.
UMU	Uganda Microfinance Union	Dec-02	Uganda	**	UMU began operations in 1997. It is a company limited by guarantee that provides both savings and credit services, and is in the process of transformation into a regulated financial intermediary. UMU is an affiliate of ACCION International.
USPD	United Sugarcane Planters of Davao MPC	Dec-01	Philippines	*	USPD is a credit union founded in 1996. Its microfinance activities began in 1999, and it currently participates in WOCCU's technical assistance program. It offers both credit and voluntary savings services to members.
UWFT	Uganda Women's Finance Trust	Dec-02	Uganda	**	UWFT was founded as a non-profit institution in 1984. It currently offers savings and loans to women microentrepreneurs.
Visão Mundial	Visão Mundial	Dec-01	Brazil	*	Visão Mundial is an NGO affiliated with World Vision international. It offers individual and solidarity group loans small entrepreneurs in urban and rural areas. Visão Mundial participates in the BNDES Institutional Development Program.
Vital Finance	Vital Finance	Dec-02	Benin	*	Vital Finance was founded in 1998 as an NGO offering individual and solidarity group loans to small and microentrepreneurs in Benin's rural areas.
Vivacred	Vivacred	Dec-01	Brazil	*	VIVACRED is an NGO operating in Rio de Janeiro. It offers individual loans to microentrepreneurs, and was founded in 1997. Vivacred participates in the BNDES Institutional Development Program.
WAGES	Women and Associations for Gain both Economic and Social	Dec-02	Togo	**	WAGES serves women in Lomé and surrounding areas, working with borrowers' associations using a village-banking methodology. It was founded in 1994.
Women for Women	Women for Women	Dec-01	Bosnia and Herzegovina	*	Women for Women is an NGO founded in 1997 to provide group loans to women entrepreneurs in rural areas and small towns.
XAC	XacBank	Dec-02	Mongolia	**	XAC's microfinance program was started as a non-bank financial institution in 1998 with funding from the UNDP-Microstart program and transformed into a Bank in 2001. It provides a variety of loan products and savings services to clients throughout the country.