Microfinance

2010

AMERICAS: THE TOP 100

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Microfinance Information Exchange (MIX)

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FROM THE MANAGER

The Multilateral Investment Fund and The MIX are delighted to present the 2010 edition of "Microfinance Americas: The Top 100," featuring the best microfinance institutions in Latin America and the Caribbean. The ranking combines multiple measures of microfinance performance (outreach, efficiency, and transparency) utilizing a now well-known and standardized methodology.

This year's ranking is particularly noteworthy. It shows that—even in the wake of an international financial crisis—microfinance in Latin America and the Caribbean continues to excel with growing portfolios and acceptable level of arrears. Of course, quality control happens at a cost: returns on assets of the top 100 institutions have gone down from 2.9 percent in 2008 to 2.2 percent by the end of 2009, due mainly to decreased portfolio incomes and increased reserves. The ranking also shows a marked absence of institutions from Central America primarily because they did not achieve the minimum levels of sustainability required. In addition to the financial crisis, factors such the political standoff in Honduras and the No Payment Movement in Nicaragua have adversely affected microfinance operations in Central America. On funding, there has been an increased reliance on deposits as a major source for microfinance. In fact, deposits account for almost 80 percent of portfolio financing for deposit-mobilizing institutions.

The financial crisis coupled with media attention to microfinance profits and over-indebtedness also underscores the need for continued improvement to the framework for microfinance performance assessment. While there have been great advances in measuring institutional strength, there has been less emphasis on measuring the positive social effects of microfinance. The definition of "social performance" is an obvious first issue that needs to be addressed. To contribute to this end, Microfinance Americas 100 summarizes what the Social Performance Task Force (SPTF), an international working group, is offering to the industry in terms of definitions and standards. In fact, 55 of the top 100 institutions now report on these nascent standards. The MIF is proud to support this data collection exercise and, as you will learn from this edition, advance it. This will surely help to improve overall transparency in microfinance.

I hope you enjoy the 2010 version of Microfinance Americas: the Top 100.

Julie T. Katzman
General Manager
Multilateral Investment Fund

Microfinance AMERICAS: THE TOP 100

By
Renso Martínez, María Cecilia Rondón
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Information eXchange, Inc. (MIX)

2009 was a transitional year for the microfinance industry in Latin America and the Caribbean. Starting in late 2008, the economic downturn and the international financial crisis combined to slow the sustained growth that microfinance institutions (MFIs) had been experiencing for several years. By the end of 2009, this situation had turned around, yielding an overall increase in credit activity. The number of loans increased by 12.1 percent and the total outstanding portfolio rose by 26.1 percent. Both figures are slightly higher than in 2008. Deposits showed a more clearly defined trend toward recovery, with increases of 26.4 percent in total number of active accounts and 30.0 percent in deposits captured, surpassing growth in loan placements. By year end, this group of institutions had accumulated a combined portfolio totaling US$18.948 billion, distributed among more than 15.6 million loans of many different types in 18 of the countries of the LAC region. Of particular note is the fact that the number of microenterprise loans targeting low-income clients grew at a rate of 12.9 percent, eventually reaching 9 million loans, for a total microcredit portfolio totaling US$9.548 billion.

Many MFIs, however, saw the need to reformulate their growth plans, make adjustments to their budgets, strengthen loan underwriting, and focus on recovery. These measures increased operating expenses, which ultimately led to a reduction in returns on assets from 2.9 percent in 2008 to 2.2 percent in 2009. Moreover, despite the increased caution in loan disbursements and the strengthening of loan recovery, portfolios at risk > 30 days continued to increase, from 4.0 percent to 4.9 percent in the same period.

With a view toward disseminating these results, the Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank (IDB) Group, and the Microfinance Information Exchange, Inc. (MIX) present for the seventh consecutive year their annual ranking of the region's main MFIs: "Microfinance Americas: the Top 100." We gathered and analyzed data on a sample of 231 institutions in order to create this report on MFI financial performance in 2009. The sources of the data include auditors, regulatory agencies, microfinance networks, and rating agencies.

Want to learn more?

This report contains only a small portion of the information available on MFIs in Latin America and the Caribbean. For more data. please visit www.mixmarket.org/mfi.

COMPOSITE RANKING

For the second consecutive year, "Microfinance Americas: the Top 100" applies MIX's Global 100 methodology, which is based on performance standards applicable to the microfinance industry. It consists of three pillars—outreach, efficiency and transparency—with percentile averages calculated for each pillar. These three figures are then averaged to obtain the final ranking for each institution. To be eligible, participating institutions must have recovered at least 90 percent of their costs (operational self-sufficiency) in 2009 and demonstrated profitability at least once in the last three years. The ranking methodology measures achievement in a given year towards a series of goals which have some trade-offs. An MFI that rapidly expands coverage one year may do so at the cost of portfolio quality. One that focuses on improving credit risk may incur higher expenses. As such, the results of the index may change from year to year. Indeed, one important characteristic of this year's edition is that some MFIs that appeared in last year's edition are not included in this year's, either because they were unable to submit their information due to the additional information requirements imposed by their lenders or because of a decline in their financial performance, rendering them ineligible to appear in this year's edition.

Major changes can also be seen in some institutions' rankings due to the performance of their financial indicators. For example, a

THE TOP FIVE MFIs

1 **CrediAmigo** (Targeted Productive Credit Program operated by Banco do Nordeste do Brasil) moved up five places to lead the ranking, by virtue of its status as the second-largest microenterprise lender in the entire region. It consolidated its position as the institution with the greatest outreach in its specific market, in addition to being an important model for the use of the group lending methodology.

2 **Ecuador's Fundación para el Desarrollo Integral Espoir** jumped to second place, registering a remarkable advance over the previous year, by virtue of the results it achieved in the efficiency pillar. It effectively applied the community bank methodology, enabling strong portfolio quality (portfolio at risk > 30 days of 1.1 percent) and efficient operations, spreading its per-loan expenditures (US$89) over its entire client base.

3 **Pro Mujer Bolivia** (Programas para la Mujer) figures prominently in third place based on its combined results for the outreach and efficiency pillars (with greater emphasis on the latter). In this year's edition, this MFI stands out as the most successful new entrant in the overall ranking and a member of the top five institutions based on its sustained commitment to information transparency.

4 The next spot in our top five ranking belongs to the Dominican Republic's **Banco ADOPEM**, which successfully increased both its lending and deposit operations. It occupies seventh place in the outreach pillar for providing benefits to 25 percent more borrowers than in the previous year and also because its depositors outnumbered its borrowers, illustrating its outreach in microfinance service provision.

5 Closing out the ranking is the mammoth Colombia's **Banco Caja Social**, which made a remarkable jump in the ranking thanks to its first place finish in the outreach pillar. This institution's enormous outreach contributed to its final rank. The emphasis of Banco Caja Social is on providing consumer credit in the country.

TOP 100 MFIs IN LATIN AMERICA & THE CARIBBEAN

Ranking				Score		2009 Rankings by Each Pillar			
2009	2008	MFI	Country	2009	2008	Outreach	Efficiency	Trans-parency	General Trend †
1	6	CrediAmigo	Brazil	79.97%	79.52%	8	34	1	Only MIC
2	69	Fundación Espoir	Ecuador	79.75%	61.72%	28	8	1	Only MIC
3	107	ProMujer - Bolivia	Bolivia	78.67%	45.33%	17	31	1	MIC
4	11	Banco ADOPEM	República Dominicana	78.48%	76.83%	7	51	1	MIC
5	92	Banco Caja Social	Colombia	77.72%	52.85%	1	109	1	CNS
6	5	PRODEM FFP	Bolivia	77.62%	79.65%	3	71	1	MIC
7	60	Banco ADEMI	República Dominicana	77.47%	64.44%	5	75	1	MIC
8	16	Banco Solidario	Ecuador	77.18%	75.54%	30	21	1	MIC
9	8	CompartamosBanco	Mexico	76.92%	78.37%	6	74	1	MIC
10	26	Banco Los Andes ProCredit	Bolivia	76.76%	73.60%	2	106	1	MIC
11	10	BancoSol	Bolivia	75.70%	76.88%	3	110	1	MIC
12	13	CrediComún	Mexico	75.38%	76.11%	39	32	1	Only MIC
13	9	FONDESOL	Guatemala	75.44%	77.07%	51	22	1	Only MIC
14	79	FODEMI	Ecuador	75.31%	57.50%	45	26	1	Only MIC
15	15	Caja Nuestra Gente	Peru	75.23%	75.95%	16	68	1	MIC
16	84	COAC Mushuc Runa	Ecuador	75.08%	56.22%	36	39	1	MIC
17	1	Credi Fé	Ecuador	74.93%	82.20%	64	13	1	MIC
18	32	Génesis Empresarial	Guatemala	74.73%	72.31%	25	58	1	MIC
19	14	FMM Popayán	Colombia	74.64%	76.04%	22	70	1	MIC
20	n/a	Banco ProCredit - El Salvador	El Salvador	73.82%	n/a	18	91	1	MIC
21	21	CMAC Arequipa	Peru	73.67%	74.39%	14	105	1	MIC
22	4	Banco FINCA	Ecuador	73.47%	79.76%	63	29	1	MIC
23	n/a	COAC Jardín Azuayo	Ecuador	73.53%	n/a	97	7	1	CNS
24	62	Visión Banco	Paraguay	73.47%	64.27%	11	117	1	CNS
25	77	Fassil FFP	Bolivia	73.34%	58.51%	41	49	1	MIC
26	27	ENLACE	El Salvador	72.90%	73.24%	61	35	1	MIC
27	35	Fundación Paraguaya	Paraguay	72.93%	71.27%	20	104	1	Only MIC
28	7	Banco FIE	Bolivia	72.48%	79.09%	29	73	1	MIC
29	43	EDPYME Solidaridad	Peru	71.91%	69.06%	148	2	1	MIC
30	39	COAC San José	Ecuador	71.88%	70.24%	84	24	1	MIC
31	36	CRECER	Bolivia	71.83%	70.99%	34	72	1	Only MIC
32	20	Financiera Edyficar	Peru	71.52%	74.45%	32	87	1	MIC
33	81	FINCA - Mexico	Mexico	71.16%	57.18%	35	86	1	Only MIC
34	61	COOPROGRESO	Ecuador	71.19%	64.32%	47	67	1	MIC
35	30	FMM Bucaramanga	Colombia	70.80%	72.69%	38	89	1	MIC
36	23	PRISMA	Peru	70.66%	74.31%	109	14	1	Only MIC
37	76	ProMujer - Peru	Peru	70.37%	59.41%	56	66	1	Only MIC
38	n/a	Banco ProCredit - Ecuador	Ecuador	70.36%	n/a	46	85	1	MIC
39	17	EcoFuturo FFP	Bolivia	70.37%	75.48%	52	80	1	MIC
40	88	Manuela Ramos	Peru	70.24%	53.83%	112	17	1	Only MIC
41	53	Credicoop	Chile	69.93%	65.69%	140	6	1	Only MIC
42	n/a	CMCP Lima	Peru	69.02%	n/a	37	117	1	CNS
43	19	Crediscotia	Peru	69.03%	75.21%	60	84	1	CNS
44	80	CAME	Mexico	68.95%	57.45%	9	9	123	Only MIC
45	24	AgroCapital	Bolivia	68.86%	74.25%	72	60	1	MIC
46	n/a	CODESARROLLO	Ecuador	68.89%	n/a	80	55	1	MIC
47	2	MiBanco	Peru	68.68%	80.90%	23	145	1	MIC
48	n/a	Interfisa Financiera	Paraguay	68.62%	n/a	10	158	1	CNS
49	33	Financiera Confianza	Peru	68.59%	72.30%	43	116	1	MIC
50	124	Te Creemos	Mexico	68.44%	40.77%	62	95	1	MIC

n/a: Not available.

† By general trend is understood: Only MIC: 100% of loans are toward microenterprise.
MIC: Loans to microenterprise surpass 50% of total loans.
MIC & CNS: Loans to microenterprise and consumer loans surpass 50% of total loans.
CNS: Consumer loans surpass 50% of total loans.

Source: MIX

TOP 100 MFIs IN LATIN AMERICA & THE CARIBBEAN

Ranking 2009	Ranking 2008	MFI	Country	Score 2009	Score 2008	2009 Rankings by Each Pillar: Outreach	Efficiency	Trans-parency	General Trend †
51	3	D-Miro	Ecuador	68.60%	80.56%	99	44	1	Only MIC
52	104	Alternativa Solidaria Chiapas	Mexico	68.33%	46.89%	103	47	1	Only MIC
53	48	CMAC Ica	Peru	68.19%	67.65%	40	123	1	MIC
54	95	Financiera El Comercio	Paraguay	68.18%	50.30%	12	159	1	CNS
55	93	Fortaleza FFP	Bolivia	67.61%	52.67%	79	69	1	MIC
56	57	AMC de R.L.	El Salvador	67.55%	65.13%	74	76	1	MIC
57	28	FinAmérica	Colombia	67.44%	73.04%	65	103	1	MIC
58	101	ODEF Financiera	Honduras	67.48%	48.10%	49	124	1	MIC
59	99	BancoEstado	Chile	67.28%	49.01%	13	11	123	MIC
60	18	WWB Cali	Colombia	66.98%	75.28%	57	120	1	MIC
61	115	EDPYME Raíz	Peru	67.04%	43.23%	44	131	1	MIC
62	127	ProMujer - Mexico	Mexico	67.03%	40.41%	55	5	102	Only MIC
63	46	ADRA - Peru	Peru	66.87%	68.11%	134	27	1	Only MIC
64	120	Contactar	Colombia	66.73%	41.47%	85	81	1	MIC
65	29	BanGente	Venezuela	66.00%	72.84%	89	101	1	MIC
66	42	Apoyo Integral	El Salvador	65.58%	69.16%	76	111	1	MIC
67	51	Interactuar	Colombia	65.51%	66.57%	122	54	1	Only MIC
68	49	EDPYME Proempresa	Peru	65.53%	67.64%	85	106	1	MIC
69	n/a	Caja Depac Poblana	Mexico	65.34%	n/a	129	45	1	CNS
70	145	CEAPE Maranhão	Brazil	65.15%	30.34%	73	119	1	Only MIC
71	105	FONDESURCO	Peru	65.05%	46.19%	102	99	1	Only MIC
72	50	FINCA - Peru	Peru	65.06%	66.82%	117	63	1	Only MIC
73	25	CMAC Sullana	Peru	64.94%	73.64%	53	147	1	MIC
74	141	EDPYME Efectiva	Peru	64.13%	34.68%	150	38	1	CNS
75	44	Fundación CAMPO	El Salvador	63.92%	68.31%	120	79	1	MIC
76	58	EDPYME Alternativa	Peru	64.03%	64.80%	90	122	1	MIC
77	n/a	Cresol Central	Brazil	63.61%	n/a	31	12	140	MIC
78	123	CMAC Paita	Peru	63.16%	41.37%	78	136	1	MIC
79	142	Banco da Familia	Brazil	62.95%	34.50%	138	64	1	MIC & CNS
80	73	CRYSOL	Guatemala	62.92%	60.17%	147	52	1	MIC
81	67	Microserfin	Panamá	62.54%	62.49%	88	138	1	Only MIC
82	106	Diaconia	Bolivia	62.40%	45.57%	87	141	1	MIC
83	54	COOPAC Santo Cristo	Peru	62.25%	65.58%	137	77	1	CNS
84	96	FUNBODEM	Bolivia	62.30%	50.27%	126	97	1	MIC
85	94	Microempresas de Antioquia	Colombia	62.20%	51.15%	155	40	1	MIC
86	n/a	COAC Luz del Valle	Ecuador	62.20%	n/a	156	30	1	CNS
87	83	Emprender	Bolivia	62.02%	56.79%	136	82	1	MIC
88	n/a	MIDE	Peru	61.32%	n/a	152	53	1	Only MIC
89	52	EDPYME Nueva Visión	Peru	61.41%	66.35%	123	114	1	MIC
90	118	FinComún	Mexico	60.67%	42.51%	96	150	1	MIC & CNS
91	133	FAMA OPDF	Honduras	60.37%	39.01%	69	161	1	Only MIC
92	n/a	Crezcamos	Colombia	60.26%	n/a	114	4	140	Only MIC
93	n/a	Instituto Estrela	Brazil	60.05%	n/a	133	1	123	Only MIC
94	n/a	COAC Kullki Wasi	Ecuador	60.20%	n/a	68	42	102	MIC
95	n/a	Real Microcrédito	Brazil	59.83%	n/a	66	16	140	Only MIC
96	108	FRAC	Mexico	59.45%	45.29%	92	28	102	Only MIC
97	85	Asociación Arariwa	Peru	59.43%	55.46%	119	10	102	Only MIC
98	n/a	Coopertiva Fátima	Bolivia	59.32%	n/a	143	115	1	MIC & CNS
99	113	CMAC Cusco	Peru	59.33%	43.56%	21	128	102	MIC
100	119	Conserva	Mexico	59.31%	42.30%	54	37	123	Only MIC

n/a: Not available.

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MIC & CNS: Loans to microenterprise and consumer loans surpass 50% of total loans.
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Source: MIX

reduction in the growth rate of microenterprise loans and an increase in delinquency were key variables that in several cases led to a change in ranking. This was the case with MFIs in Central America, where the number of participants in this year's edition is only half the number appearing in 2009. This volatility underscores the fact that reaching the goals established for the outreach, efficiency, and transparency pillars simultaneously is difficult. For this reason, the ranking seeks to strike a balance among all measures of performance applicable to the microfinance industry. Accordingly, this edition also presents a diverse group of institutions, even among those ranked highest.

The results for the outreach pillar were again key in enabling leading South American MFIs to top the ranking chart, although representative institutions from the Caribbean, such as Banco ADEMI, also moved into the top ten slots. CompartamosBanco, the region's largest microenterprise lender, finished in ningth place, with Banco Los Andes ProCredit closing out the top ten institutions. For the second consecutive year, Guatemala's FONDESOL was Central America's most successful representative by virtue of its results in the efficiency pillar. Latin American MFIs once again reaffirmed their commitment to sharing information with the general public, as 88 MFIs received the highest possible score in the transparency pillar.

SCALE

The scale of loans made to microenterprises offers a first glimpse of performance in the outreach pillar. The region's dedicated microenterprise lenders—those with a clearly identifiable products for the microenterprise sector—are virtually the only MFIs in this category. In addition, in 2009 the most significant activity was recorded by the largest MFIs. In the group of the top 20 institutions, microenterprise lending activity grew significantly, with increases of 17 percent in loans placed and 30 percent in portfolio and only three MFIs reporting decreases in these in-

TOP 20 MFIs BY MICROENTERPRISE PORTFOLIO SIZE

Ranking 2009	Ranking 2008	MFI	Country	Number of Microenterprise Loans Outstanding	Microenterprise Gross Loan Portfolio (US$)	General Trend †
1	1	CompartamosBanco	Mexico	1.488.897	488.502.374	MIC
2	2	CrediAmigo	Brazil	582.158	302.853.100	Only MIC
3	3	MiBanco	Peru	352.631	758.130.450	MIC
4	6	Bancamía	Colombia	301.389	240.713.936	Only MIC
5	4	FMM Popayán	Colombia	281.117	189.784.048	MIC
6	5	WWB Cali	Colombia	200.843	224.795.732	MIC
7	11	Banco Caja Social	Colombia	199.486	318.446.152	CNS
8	12	CAME	Mexico	186.620	35.767.143	Only MIC
9	8	BancoEstado	Chile	181.481	891.548.903	MIC
10	7	FMM Bucaramanga	Colombia	180.125	125.116.870	MIC
11	10	Financiera Edyficar	Peru	165.345	198.828.374	MIC
12	9	Banco Solidario	Ecuador	155.946	188.741.057	MIC
13	13	CMAC Arequipa	Peru	145.959	241.062.954	MIC
14	14	FINCA - Mexico	Mexico	118.419	29.814.585	Only MIC
15	20	Banco ADOPEM	Dominican Republic	111.324	48.233.305	MIC
16	16	PRODEM FFP	Bolivia	110.879	285.480.780	MIC
17	15	BancoSol	Bolivia	107.607	258.690.291	MIC
18	21	ProMujer - Bolivia	Bolivia	104.476	27.967.961	MIC
19	17	CRECER	Bolivia	102.212	46.067.523	Only MIC
20	24	CMAC Piura	Peru	90.938	173.197.931	MIC
Totals for 2008 (217 MFIs)				**8.011.510**	**7.764.919.737**	
Totals for 2009 (217 MFIs)				**8.937.909**	**9.528.579.893**	

† By general trend is understood: Only MIC: 100% of loans are toward microenterprise.
MIC: Loans to microenterprise surpass 50% of total loans.
CNS: Consumer loans surpass 50% of total loans.

Source: MIX

TOP 20 MFIs BY GROWTH RATE

Ranking 2009	Ranking 2008	MFI	Country	% Change in Microenterprise Loans	Absolute Change in Microenterprise Loans	Absolute Change in Microenterprise Gross Loan Portfolio (US$)
1	n/a	Crezkamos Kapital	Mexico	451.5%	20,755	3,666,565
2	n/a	Solución Asea	Mexico	363.5%	32,300	8,151,607
3	5	CrediComún	Mexico	96.0%	12,790	3,635,672
4	8	FONDESURCO	Peru	87.0%	4,584	4,955,096
5	45	Te Creemos	Mexico	83.7%	8,201	2,747,338
6	n/a	Crezcamos	Colombia	75.3%	3,878	3,554,493
7	n/a	COOPAC Los Andes	Peru	65.9%	2,772	3,442,852
8	93	Fassil FFP	Bolivia	63.8%	3,791	12,455,846
9	85	Banco ADEMI	Dominican Republic	61.1%	21,979	7,390,227
10	115	Interfisa Financiera	Paraguay	54.4%	9,578	17,865,791
11	120	CMAC Tacna	Peru	51.8%	10,180	22,369,457
12	35	Contactar	Colombia	46.7%	6,208	4,803,451
13	1	Apoyo Económico	Mexico	44.4%	12,844	7,014,163
14	30	Bancamía	Colombia	43.4%	91,259	77,905,133
15	n/a	COOPAC San Cristóbal	Peru	42.7%	1,575	3,366,788
16	n/a	COAC Ambato	Ecuador	41.8%	1,974	2,259,825
17	n/a	ProMujer - Mexico	Mexico	41.1%	7,030	1,959,386
18	66	COAC San José	Ecuador	40.0%	1,720	1,313,065
19	n/a	CRAC Credinka	Peru	37.4%	2,582	6,509,613
20	n/a	COOPAC Santa Maria	Peru	37.0%	3,074	9,293,291

n/a: Not available.

Source: MIX

WAS INCREASING DELINQUENCY SUCCESSFULLY CONTAINED?

The 2009 edition of **"Microfinance Americas: the Top 100"** listed a series of steps taken by MFIs to contain the increase in delinquency that began in late 2008. Although several of these steps were taken with the specific goal of controlling delinquency, some also focused on reining in burgeoning operating costs and conducting a rigorous review of the budget, with a view toward reducing negative impacts on financial results at the close of the fiscal year.

Additional steps taken by MFIs in 2009 include the following:

- Implementation of early warning systems. As was brought to our attention by Teresa Prada (FMM Bucaramanga), the purpose of such systems is to identify over-indebted clients, including those holding other types of credit. Early warning systems have enabled many MFIs to identify levels of risk in specific microentrepreneurial activities by comparing these clients with previously established control groups.

- Search for new clients, even those with incomes lower than the target level. According to Carlos Herrera (Génesis Empresarial), some MFIs focused on market segments with lower incomes than previously acceptable.

- Clients seeking small loans. Victor Céspedes (PRODEM) observed that when some microentrepreneurs began to note a downswing in their business activities, they requested loans for lower-than-usual amounts, thereby rationalizing their expenditures based on their level of activity.

- Identification of new employees with backgrounds more in line with microfinance activities. The experience of Indira Melgar (ADRA Peru) is that employees should identify more with the social services performed by MFIs and less with the commercial aspects. This would have the added advantage of decreasing staff turnover.

- Changing staff incentives. According to Francisco Galeano (FINCA Honduras), some MFIs now set incentives as a function of portfolio at risk > 1 day (as opposed to > 30 days), with good results, while others have gone so far as to reduce benefits to employees when loans have to be written off.

Have these actions, beginning in some case as early as the preceding period, actually contained the growing levels of delinquency? The results published in **"Microfinance in Latin America and the Caribbean: Trends 2005 – 2009"** indicate that the median of portfolio at dicators. When the sample was expanded to include all 100 top institutions, the results were mixed, with moderate overall gains of 13 percent in loans placed and 23 percent in total portfolio. Although portfolio growth is still less than the annual average growth of 30 percent observed until the onset of the financial crisis, growth did not slow below the rate observed in 2008.

Once again, Mexico's Compartamos-Banco headed up this category, with almost 1.5 million loans placed, nearly three times the level recorded by Brazil's CrediAmigo, the second-place MFI. Together with Peru's MiBanco, these institutions occupy the top three spots, having successfully maintained their rankings for three consecutive years. The most significant new entries in this area were Colombia's Banco Caja Social, Mexico's CAME, the Dominican Republic's Banco ADOPEM and Peru's CMAC Piura. Notably, CMAC Piura was the only MFI in this group with less than 100,000 loans.

GROWTH

Despite the fact that the growth category is characterized by significant variance from one year to the next (only three MFIs have maintained a spot in the top 20 ranking in growth as compared to last year's edition), Mexican institutions continued to stand out for their growth, even in absolute terms. Crezkamos Kapital and Solución Asea were the most successful new entrants, based on their triple-digit rate of growth and their relatively large client base as compared to other MFIs. These examples offer a graphic picture of how the Mexican market continues to show exciting potential for new institutions with sound management to rapidly expand their outreach in number of clients served. By contrast, the credit activity in most Central American MFIs actually shrank in 2009.

The entry of a number of cooperatives specializing in loans to the microenterprise sector, including Peru's COOPAC Los Andes and Ecuador's COAC Ambato, is noteworthy. Others worth mentioning are large institutions such as the Dominican Republic's Banco ADEMI, Peru's CMAC Tacna, and Colombia's Bancamía. Fourteen other MFIs beat the market average growth rate of 12.9 percent.

MARKET PENETRATION

This category refers to the coverage of the

risk > 30 days remained at historic levels of 4 percent. If we extend these results to the MFIs included in this year's ranking, this percentage did not exceed 5 percent. The main consequence of an improved delinquency management, however, was a reduction in return on assets to 2 percent, due to increased operating expenses from factors such as collections management, training, and incentives.

Most of the MFIs consulted agree that it was indeed possible not merely to contain increasing levels of delinquency, but to successfully reduce it in the latter stages of 2009. There were a number of other noteworthy results, including the following:

- As indicated by Mercedes Canalda (Banco ADOPEM), when her institution identifies clients who have suffered significant hardship, the bank provides them with direct assistance in the form of motivational talks, counseling and even emergency loans, all with satisfactory results.

- Óscar Urbieta and Verónica Ayala (Visión Banco) pointed out the importance of client education, primarily on managing debt and preventing over-indebtedness, as well as exceptional training provided to the staff, which helped them maintain high levels of motivation and education.

- Paul Arias (Credi Fé) noted that modifications to loan conditions, specifically shorter repayment intervals and non-refinanceable terms, resulted in a more orderly loan disbursement process.

- Gloria Bustos (Contactar) observed that although a number of institutions managed to meet the goals they had set for the year, several others were forced to make adjustments or revisions to their projections and strategic plans.

As a result, only a few institutions reported a decline in returns combined with an increase in delinquency.

There can be no doubt that excellence in financial results is the product of high profitability combined with low delinquency. In countries characterized by increased competition or market stress, however, as occurred with the financial crisis and certain local circumstances (e.g., over-indebtedness), this optimal combination becomes unfeasible. Nevertheless, Latin America's MFIs have prioritized the second of these two determinants—low levels of delinquency—since this factor will ultimately determine their sustainability in the market, as opposed to achieving a high level of profitability for perhaps only one or two cycles.

TOP 20 MFIs BY MARKET PENETRATION

Ranking 2009	Ranking 2008	MFI	Country	Microenterprise Loans / Poor Population	Microenterprise Loans
1	2	CompartamosBanco	Mexico	7.9%	1,488,897
2	1	BancoEstado	Chile	6.3%	181,481
3	n/a	Banco ProCredit - El Salvador	El Salvador	3.2%	70,311
4	5	Financiera El Comercio	Paraguay	3.0%	38,616
5	9	Banco ADOPEM	Dominican Republic	2.9%	111,324
6	8	Fundación Paraguaya	Paraguay	2.9%	37,354
7	7	Fondo de Desarrollo Local	Nicaragua	2.7%	78,774
8	4	Banco Solidario	Ecuador	2.4%	155,946
9	11	Visión Banco	Paraguay	2.4%	30,525
10	6	MiBanco	Peru	2.3%	352,631
11	19	Interfisa Financiera	Paraguay	2.1%	27,169
12	13	PRODEM FFP	Bolivia	1.7%	110,879
13	12	BancoSol	Bolivia	1.6%	107,607
14	17	ProMujer - Bolivia	Bolivia	1.6%	104,476
15	14	CRECER	Bolivia	1.5%	102,212
16	33	Banco ADEMI	Dominican Republic	1.5%	57,979
17	27	CrediAmigo	Brazil	1.4%	582,158
18	25	Banco Los Andes ProCredit	Bolivia	1.4%	89,352
19	15	Banco FIE	Bolivia	1.3%	84,245
20	18	Apoyo Integral	El Salvador	1.3%	28,209

n/a: Not available.

Source: MIX

low-income population in their own countries that microfinance institutions are able to achieve through their microenterprise loans by expanding the boundaries of financial services to them as well as the lowest income sectors in productive and income-generating activities. The MFIs listed here have generated a significant volume of operations, measured in terms of both outstanding portfolio balances and number of clients served. Such is the case with CompartamosBanco, which tops the ranking by virtue of its strong, sustained growth from 2001 to the present time, followed by Chile's BancoEstado. Both institutions were also at the top of the list in this category in last year's edition.

Of particular note is the extraordinary penetration recorded by the two leading MFIs, which is at least twice as high as that obtained by institutions ranking in third place and lower. Countries such as Paraguay, El Salvador, and Nicaragua—where institutions in this category operate—have a lower absolute percentage of poor people. In total, Bolivia's MFIs achieved an 11.5 percent increase in market penetration. The most noteworthy entrants in this category were the ProCredit affiliates in El Salvador and Bolivia, as well as Banco ADEMI in the Dominican Republic and CrediAmigo in Brazil.

CONSUMER LENDING

Although consumer credit is not explicitly included in the composite ranking, it is interesting to follow recent trends in this category by institutions that do not specialize in this type of lending. The performance recorded in 2009 in this area was more dynamic than that observed in the preceding year, when portfolios decreased by 4 percent. In the wake of the uncertainty created by the financial crisis in late 2008, MFIs restricted consumer lending. In early 2009, however, the panorama became much clearer. Among the top 20 microfinance institutions in this category, consumer lending grew by 15 percent, while overall portfolio increased by 24 percent. Similarly, in the top 100 institutions, loans increased by 14 percent and total portfolio by 21 percent, resulting in an average growth in average outstanding balance of 6 percent.

Mexico's Financiera Independencia held on to its top ranking, followed by two other regional giants, Caja Popular Mexicana and Colombia's Banco Caja Social. Most of the remaining institutions in this category, however, have also remained on this list for the past several editions, now joined by Comultrasan (Colombia) and Caja Metropolitana de Lima (Peru). Nearly half of the MFIs included in this category specialize in microenterprise lending.

DEPOSITS

The vast majority of MFIs that focused on mobilizing deposits increased both the number of active accounts and total account balances. Accordingly, deposits resumed an upward trend in 2009, enjoying 28 percent growth in both number of active accounts and total account balances for the top 20 institutions. For the total sample of 84 MFIs, however, growth was 26 percent in active accounts and 30 percent in total account balances. For MFIs that mobilize deposits, these deposits accounted for almost 80 percent of the financing of their loan portfolios, with 22 percent coming in the form of institutional deposits. In addition, the number of deposit-mobilizing institutions increased from 63 in 2008 to 84 in 2009, with this increase attributable to cooperatives that have been operating for many years in their respective markets.

The top four institutions held on to their rankings from last year. Colombia's Banco Caja Social held the top spot, accounting for almost a quarter of all accounts and a third

TOP 20 MFIs BY CONSUMER PORTFOLIO SIZE

Ranking 2009	Ranking 2008	MFI Name	Country	Number of Consumer Loans Outstanding	Consumer Gross Loan Portfolio (US$)	General Trend †
1	1	Financiera Independencia	Mexico	1,155,210	345,188,684	CNS
2	3	Caja Popular Mexicana	Mexico	1,027,539	1,321,799,788	CNS
3	2	Banco Caja Social	Colombia	926,818	749,106,924	CNS
4	4	Crediscotia	Peru	619,585	371,299,308	CNS
5	5	EDPYME Efectiva	Peru	130,808	35,453,733	CNS
6	9	CompartamosBanco	Mexico	100,004	11,784,227	MIC
7	6	MiBanco	Peru	75,515	53,829,758	MIC
8	7	BancoEstado	Chile	65,163	69,431,311	MIC
9	10	Visión Banco	Paraguay	63,814	50,190,333	CNS
10	11	CMAC Arequipa	Peru	59,191	104,835,508	MIC
11	n/a	Comultrasan	Colombia	58,707	171,248,626	CNS
12	20	Apoyo Económico	Mexico	54,468	28,921,256	CNS
13	23	Banco FIE	Bolivia	53,098	49,287,425	MIC
14	17	Financiera Edyficar	Peru	50,152	42,035,640	MIC
15	18	Financiera El Comercio	Paraguay	44,957	13,476,119	CNS
16	12	CMAC Trujillo	Peru	44,352	75,520,317	MIC
17	14	CMAC Huancayo	Peru	41,788	44,675,020	MIC
18	16	Interfisa Financiera	Paraguay	36,015	18,318,966	CNS
19	15	CMAC Piura	Peru	35,901	37,742,577	MIC
20	n/a	CMCP Lima	Peru	35,669	19,419,895	CNS
Totals for 2008 (111 MFIs)				**4,578,977**	**3,639,817,485**	
Totals for 2009 (111 MFIs)				**5,212,791**	**4,402,749,839**	

TOP 20 MFIs BY DEPOSITS

Ranking 2009	Ranking 2008	MFI	Country	Deposits Accounts	Deposits (US$)	General Trend †
1	1	Banco Caja Social	Colombia	5,729,218	2,869,082,004	CNS
2	2	Caja Popular Mexicana	Mexico	3,514,028	1,449,700,914	CNS
3	3	Crediscotia	Peru	808,340	366,842,215	CNS
4	4	PRODEM FFP	Bolivia	569,829	338,991,459	MIC
5	n/a	COAC La Nacional	Ecuador	527,635	82,500,293	MIC
6	10	BancoEstado	Chile	503,682	425,261,602	MIC
7	4	Banco Los Andes ProCredit	Bolivia	381,416	415,389,164	MIC
8	6	CMAC Arequipa	Peru	340,367	346,762,116	MIC
9	9	BancoSol	Bolivia	333,488	342,864,051	MIC
10	7	Banco FIE	Bolivia	314,989	242,472,168	MIC
11	63	Banco ProCredit - El Salvador	El Salvador	301,135	202,470,700	MIC
12	11	MiBanco	Peru	223,862	849,069,550	MIC
13	7	Banco ProCredit - Nicaragua	Nicaragua	222,371	74,509,518	MIC
14	n/a	Comultrasan	Colombia	215,802	154,480,788	CNS
15	12	Banco ProCredit - Ecuador	Ecuador	202,245	179,393,791	MIC
16	n/a	CMAC Piura	Peru	197,999	383,530,084	MIC
17	n/a	CAME	Mexico	185,623	16,227,791	Only MIC
18	13	CMAC Cusco	Peru	184,863	205,664,273	MIC
19	19	Caja Nuestra Gente	Peru	166,075	149,005,966	MIC
20	n/a	Confiar	Colombia	162,596	108,904,363	CNS
Totals for 2008 (84 MFIs)				**14,376,679**	**9,537,606,293**	
Totals for 2009 (84 MFIs)				**18,167,731**	**12,400,989,369**	

n/a: Not available.

Source: MIX

* Only some MFIs supplied numbers for the volume of active loans and gross portfolio of loans
† By general trend is understood: MIC: Loans to microenterprise surpass 50% of total loans. CNS: Consumer loans surpass 50% of total loans.

For MFIs that mobilize deposits, these deposits accounted for almost 80 percent of the financing of their loan portfolios".

of aggregate account balances. Fifth place in this category went to Ecuador's COAC Nacional, the most successful new entrant, which recorded a low average amount per depositor of US$156. It is also important to highlight that although most MFIs in this category specialize in microenterprise lending, the institutions in the top three positions, which are also the largest ones, have specialized in consumer lending, becoming important downscaled institutions as time went by, which has enabled them to expand their client base.

EFFICIENCY

After dominating this category in 2008, Mexican institutions now share the top tier with Brazilian peers. Although these two countries have high per capita Gross National Incomes (GNI), the cost per loan for most MFIs was less than US$100. Indeed, the institutions occupying the top 20 positions recorded an average reduction in expenditure per loan placed of 9 percent. When extended to the entire sample of the top 100 institutions, cost per loan actually increased by an average of 5 percent, with a concomitant average increase of 20 percent in the average amount of loans oustanding by MFIs.

For the second consecutive year, Mexico's COCDEP occupied first place in this category, followed by a new entrant, Brazil's Instituto Estrela. Mexican and Brazilian MFIs

GROWTH IN CONSUMER LENDING BY MICROFINANCE INSTITUTIONS

An interesting result taken from **"Microfinance In Latin America and the Caribbean: Trends 2005 – 2009"**[1] is the increased growth in consumer credit in 2009 compared to loans made to microenterprises, reversing a preference for microenterprise lending in the years prior to 2008, particularly in countries with the most developed microfinance markets. For example, growth in microenterprise credit in Peru was 25 percent in 2009, as compared to 68 percent for consumer credit for the same period. In Bolivia and Ecuador, consumer credit grew by 38 percent and 31 percent respectively, while microenterprise credit increased by only 19 percent in Bolivia and actually decreased by 4.4 percent in Ecuador.

An initial explanation for these results lies in the fungible nature of money and in the need to understand the "family business" as a discrete economic unit. Problems associated with the information asymmetry arise when the MFI is unaware of the intended use of the loan until disbursement is actually made. This explains why some MFIs opt to lend to microentrepreneurs rather than to microenterprises, in order to secure other sources of family income (salaries, remittances, etc.) for loan repayment. It is complemented by the dynamic observed in some microenterprise activities, such as retail sales (particularly imported goods), tourism, and some services that have been decreased. Consequently, MFIs are relied on for consumer lending due to postponement of investments made by microentrepreneurs.

A second explanation, provided by Óscar Urbieta and Verónica Ayala (Visión Banco, Paraguay) points to increased family demand, particularly for durable goods: once microentrepreneurs achieve growth and stability in their businesses, they are able to focus on household needs. Thus, many MFIs have developed products for the home improvement and construction sectors, and even for home purchase.

A third explanation has its roots in recently implemented easing in monetary policies. To overcome the effects of the financial crisis, central banks in countries such as Colombia, Peru, and the Dominican Republic reduced both their interest rates and reserve requirements, thereby making available to financial institutions increased amounts of local currency resources, including to MFIs with a significant market presence. These MFIs seek out other market niches to invest their excess funds and increase their revenues. This has a corresponding positive effect on their bottom line, as Víctor Céspedes (PRODEM FFP, Bolivia) notes. In some countries, consumer credit is less risky than microenterprise lending.

Still another explanation, according to Guillermo Rondón (Banco ADEMI, Dominican Republic), is that regulations in certain countries impose stricter eligibility criteria on commercial credit than they do on small loans, thereby contributing to an expansion of consumer credit.

Although consumer credit has been increasingly linked to financing made available to customers with relatively stable incomes, consumer credit is the first historic example of what microfinance is all about. The regional sample indicates that in 2006 some 56 percent of all MFIs provided consumer credit, with this percentage increasing to 69 percent in 2009. The problem arises when, in their pursuit of growth, financial institutions offer credit that exceeds the effective payment capacity of their customers. A continuation of this trend of over-indebtedness, particularly in urban markets, will inevitably reinforce the upward trend in delinquency, unless MFIs find or create new markets into which to expand.

[1] This publication can be found in www.micamericas.org (Studies Section) or at http://www.themix.org/publications

TOP 20 MFIs BY EFFICIENCY

Ranking 2009	Ranking 2008	MFI	Country	Cost per Loan / GNI per Capita	Cost per Loan (US$)	Average Loan Balance (US$)
1	1	COCDEP	Mexico	0.5%	41	286
2	n/a	Instituto Estrela	Brazil	0.7%	51	196
3	3	Alternativa Solidaria Chiapas	Mexico	0.8%	67	225
4	4	AMEXTRA	Mexico	0.9%	72	273
5	14	CrediAmigo	Brazil	1.1%	81	520
6	8	Grupo Consultor para la Microempresa	Mexico	1.1%	85	149
7	n/a	Real Microcrédito	Brazil	1.2%	93	576
8	n/a	Proapoyo	Mexico	1.2%	98	169
9	12	ProMujer - Mexico	Mexico	1.2%	100	246
10	71	Credicoop	Chile	1.2%	109	1,230
11	n/a	UCADE Ambato	Ecuador	1.3%	51	287
12	26	MIDE	Peru	1.3%	58	230
13	9	ProMujer - Peru	Peru	1.3%	58	207
14	11	Conserva	Mexico	1.3%	104	235
15	n/a	Cresol Central	Brazil	1.4%	111	2,734
16	19	CompartamosBanco	Mexico	1.4%	112	340
17	10	SemiSol	Mexico	1.4%	112	339
18	32	FODEMI	Ecuador	1.5%	59	439
19	23	Asociación Arariwa	Peru	1.5%	67	327
20	13	FMM Popayán	Colombia	1.5%	68	665

n/a: Not available.

Source: MIX

TOP 20 MFIs BY PORTFOLIO QUALITY

Ranking 2009	Ranking 2008	MFI	Country	Portfolio at Risk > 30 Days	Write-off Ratio*
1	2	ADRA - Peru	Peru	0.0%	0.4%
2	7	COCDEP	Mexico	0.2%	0.1%
3	n/a	COAC La Nacional	Ecuador	0.3%	0.9%
4	17	Crezcamos	Colombia	0.3%	0.3%
5	4	Manuela Ramos	Peru	0.8%	0.0%
6	16	Fassil FFP	Bolivia	0.8%	1.0%
7	12	CRECER	Bolivia	0.9%	0.7%
8	26	AMEXTRA	Mexico	1.1%	0.2%
9	9	Fundación Espoir	Ecuador	1.1%	0.5%
10	20	BancoSol	Bolivia	1.1%	0.5%
11	14	ProMujer - Bolivia	Bolivia	1.1%	2.0%
12	22	Banco FIE	Bolivia	1.3%	0.3%
13	24	PRODEM FFP	Bolivia	1.3%	0.4%
14	15	SemiSol	Mexico	1.3%	0.6%
15	11	FODEMI	Ecuador	1.4%	0.8%
16	122	EDPYME Solidaridad	Peru	1.6%	0.6%
17	n/a	COOPAC Los Andes	Peru	1.7%	0.7%
18	55	Banco ADEMI	Dominican Republic	2.0%	0.4%
19	25	Conserva	Mexico	2.1%	0.4%
20	43	Visión Banco	Paraguay	2.1%	1.0%

n/a: Not available. * The write-off ratio should be less than 3%.

Source: MIX

occupy the top nine positions, followed by Chile's Credicoop, the first MFI to focus on loans to individuals. The entry of Brazil's Cresol Central system of cooperatives is also worthy of mention. This category has always been dominated by institutions employing group credit methodologies, thus confirming their effectiveness in spreading costs over all loans granted to their customers.

ASSET QUALITY

This year, MFI portfolio quality declined compared to the preceding year. 2009 witnessed an increase in portfolio at risk > 30 days throughout the entire region, due primarily to decreased microentrepreneurial economic activity and context-specific developments in certain countries. At the end of 2008, the top 20 institutions showed a portfolio at risk > 30 days of no more than 1 percent, while for 2009 this figure was in excess of 2 percent. This same one percentage point difference was also seen in the top 100 MFIs, with delinquency reaching as high as 6 percent in 2009 and less than 5 percent in 2008.

Although this year, MFIs failed to achieve the exceptional levels of asset quality (zero delinquency and zero write-offs) observed in prior years' editions, the Peruvian affiliate of ADRA led the field in this category, maintaining its ranking among the top positions for the past several years. Although this category was dominated by institutions employing the village banking methodology and focusing on microenterprise loans, this year favored institutions focusing exclusively on credit to individuals. The most successful new entrant in this category was COAC Nacional,

TOP 20 MFIs BY PROFITABILITY

Ranking 2009	2008	MFI	Country	Return on Assets	Return on Equity
1	3	Alternativa Solidaria Chiapas	Mexico	19.1%	33.9%
2	9	COCDEP	Mexico	17.2%	43.1%
3	5	CompartamosBanco	Mexico	17.0%	42.6%
4	7	CEAPE Maranhão	Brazil	15.1%	29.7%
5	n/a	Proapoyo	Mexico	13.5%	15.7%
6	4	Conserva	Mexico	13.4%	27.1%
7	6	ProMujer - Peru	Peru	12.4%	23.8%
8	34	SemiSol	Mexico	12.0%	51.7%
9	44	Micro Crédit National	Haiti	11.5%	42.3%
10	11	CrediAmigo	Brazil	11.5%	36.4%
11	28	Diaconia	Bolivia	10.9%	14.7%
12	17	FMM Popayán	Colombia	10.8%	28.2%
13	12	AMEXTRA	Mexico	10.8%	25.9%
14	15	Contactar	Colombia	10.4%	24.3%
15	14	Banco da Familia	Brazil	10.3%	19.4%
16	21	FINCA - Peru	Peru	9.6%	15.3%
17	8	Financiera Independencia	Mexico	8.8%	30.3%
18	n/a	CEAPE Piauí	Brazil	8.5%	23.3%
19	24	Grupo Consultor para la Microempresa	Mexico	8.1%	15.4%
20	30	FMM Bucaramanga	Colombia	7.3%	27.8%

n/a: Not available. Source: MIX

Ecuador, followed by Crezcamos, Colombia, and FFP Fassil, Bolivia.

PROFITABILITY

This category is included indirectly in the composite ranking and is measured by the amount of profit that an MFI earns on its average loan portfolio. Readers should remember that the composite ranking includes only profitable MFIs to ensure that sustainability is a key criteria, but then ranks that profit inversely as an additional cost to clients, bringing down an MFI's place in the overall efficiency ranking. As a result of the increase in the portfolio at risk, primarily in the first half of 2009, institutions exerted extraordinary efforts to counter the increase in delinquency, ultimately affecting their bottom line. This situation is reflected in the results obtained for this category. Asset profitability fell to almost 7 percent among the top ten MFIs, down from over 20 percent in previous editions. Average asset profitability in this group, however, remained stable at 10.9 percent, while in the extended sample of the 100 top institutions, it fell by 50 basis points, with return on assets registering 4 percent.

Mexican MFIs continued to stand out as attractive options for all types of investors. Alternativa Solidaria Chiapas took the top spot in the ranking for this year, followed by COCDEP, one of the few cases of an MFI successfully combining low operating costs and low at-risk portfolio with high profitability. Among the year's most successful entrants in this group are Haiti's Micro Crédit National and Bolivia's Diaconía, both of which focus on loans to individuals. Notably, some of the MFIs in this category also recorded low levels of at-risk portfolio.

CONCLUSION

Although microfinance institutions continued to narrow their margins in 2009 in order to prevent a greater increase in loan delinquency, many were largely able to grow faster than during the preceding year. Accordingly, the changes in the rankings occupied by MFIs in the various performance categories—particularly the composite ranking—reflect the differences in performance and reaction of the institutions themselves to market dynamics. Naturally, this may be affected by changes in key risk areas, such as over-indebtedness (not only among financial institutions but also in commercial businesses) and political risk, once the uncertainty surrounding the financial crisis has dissipated and the domestic economies have recovered.

The MIX and the MIF wish to thank all of the institutions participating in this year's ranking for sharing their information, as well as for helping to maintain Latin America's reputation as the world's most transparent region. We would also like to thank our readers for following our work from year to year, and we invite you to review next year's results.

ASSESSING THE SOCIAL DIMENSION OF LEADING LATIN AMERICAN MFIs

By Micol Pistelli, The MIX

In 2009, MIX began collecting social performance information based on a set of 22 indicators[2] defined by the Social Performance Task Force (SPTF), an international working group that brings together all industry stakeholders interested in assessing and improving the social performance of microfinance institutions. Latin America has been the region most active in reporting, with 161 MFIs completing MIX's Social Performance Standards Report in the past year and a half. In this year's composite ranking, 55 of the top 100 MFIs reported their social performance information to MIX, demonstrating the commitment of well-performing MFIs to measure and report on their social performance as an integral part of good business practices.

WHAT CAN WE LEARN FROM THIS YEAR'S REPORTS?

Nearly all of the MFIs reporting (90 percent) have **poverty reduction** as a common development goal. The target markets that MFIs choose would indicate that their business practices support this outcome. The majority of MFIs (53 percent), target low-income clients, with the rest targeting poor (33 percent) and very poor (14 percent) clients. Does targeting mean that they reach the poor? In Peru, where seven MFIs in the ranking use the Progress out of Poverty Index™, an average of 31 percent of borrowers is estimated to be below the national poverty line, compared with 44.5 percent of the overall population below the poverty line.

Gender goals are also prominent among Latin America's leading MFIs. Sixty-five percent of respondents pursue **gender equality** as one of their social goals. Indeed, female borrowers are a primary target market for microlending, representing 64 percent of the MFIs' borrowers. In addition to credit, over half of the MFIs offer services aimed at bolstering women's empowerment, such as business skills, leadership training, and education on women's rights. While a social goal for these MFIs' clients, gender equality does not fare as well within the institutions themselves. Women represented an average of 33 percent of MFIs' boards of directors, and a similar proportion among upper and middle management.

Leading Latin American MFIs report paying serious attention to **client protection** issues. In the climate of strong growth in outreach and client cross-indebtedness prevalent before the crisis, over 80 percent of MFIs reported having a loan approval process that evaluates borrower repayment capacity, including over-indebtedness. Client dropout rates, averaging 30 percent for reporting MFIs, are also impacted by client debt levels. When asked to list important factors contributing to client dropout last year, half of the reasons provided related to current levels of client debt or the need to prevent over-indebting clients by disbursing additional loans. This client debt assessment is reinforced by another element of client protection, where MFIs reported implementing productivity targets and incentive systems which reward growth only if portfolio quality is high and do not create biases in favor of lending too much to one client. An equal number of MFIs reported ensuring that prices, terms, and conditions of all financial products are fully disclosed to the client prior to sale. A less prevalent policy on consumer protection relates to the handling of grievances: only 38 percent of MFIs have a mechanism to handle client complaints.

While still in its nascent stage, social performance reporting has already begun to highlight the social goals that MFIs set for themselves and how they achieve them. As MFIs come out of the downturn of the last 18 months with plans for stabilizing and improving their financial position, this new reporting will allow the industry to track how MFIs re-orient or shore up their commitment to their social goals.

[2] For more information, see www.themix.org/standards/sp-reports

GENERAL INFORMATION

Information is presented in United States Dollars (US$) as of December 31, 2009. All figures supplied must be sufficiently detailed and of sufficient quality to hold up to an in-depth examination. Financial information must be delivered along with documents prepared by third parties providing a verification of accounts. All information is reclassified to ensure consistency with the standard presentation of a financial report. Beginning with this year's edition, no adjustments were made to any portion of the information presented. Microfinance programs and institutions operating within larger entities were also required to provide reliable items from their financial reports with regard to the assignment of revenues, in order to be considered for the "top 20" subsidiary lists.

In accordance with the MIX methodology, for the purpose of this analysis microfinance is defined as finance where the average size of the financial product is equal to less than 250 percent of the average per capita Gross National Income (GNI) of the country in which the MFI operates. For comparative purposes, rankings took into account only those institutions that reported having more than 5,000 active loans outstanding. It is possible that this list fails to include some worthy institutions because they were unable to deliver, or failed to deliver, or failed to substantiate the necessary information within the given timeframe. Although some institutions may not be included in the scale ranking because of their size, they do appear in other categories by virtue of their performance. For more information on definitions and methods used, please visit www.iadb.org/micamericas and www.themix.org.

MIX DEFINITIONS OF TYPES OF CREDIT

Microenterprise: Granted to individuals or enterprises—as a rule, directly to small and microenterprises—to finance the production or marketing of goods and services.

Consumer: Granted to individuals to finance the purchase of consumer goods and services with no commercial or entrepreneurial purpose, including loans for home improvement, health, and education.

METHODOLOGY

Composite Ranking

The composite ranking is quantitative (all indicators are quantifiable), simple (easy to reproduce), and goal-oriented (should encourage widely held goals of microfinance). This methodology was developed by MIX and is used in similar products, such as the **MIX Global 100**.

This ranking is based on the percentile ranking of each indicator in the three pillars: *outreach, efficiency,* and *transparency*. This ranking includes MFIs with more than 5,000 active loans, with more than 90 percent of their costs recovered in 2009, and having achieved profitability in at least one year in the 2007-09 period. The results of each indicator are ordered by its percentile on each pillar. A simple average is calculated based on the percentile ranking of the respective indicators. Then, the three averages are averaged again to create an overall percentile ranking. Finally, this last value is ranked to obtain the final results.

Detailed Description of Pillars and their Indicators

1. *Outreach:* This pillar measures the extent to which MFIs expand access to financial services, using the following variables:

- Microenterprise loans. This is a measure of the number of clients reached with credit services, specifically loans destined to microenterprises. This metric favors larger MFIs, as well as MFIs with larger potential markets.
- Growth in microenterprise loans. Measures the pace of service expansion. This metric favors small MFIs starting with small client bases.
- Market penetration. A measure of loan outreach relative to an indicator of potential market. This measure favors small MFIs in the incipient stages of operation or that have a small client base.
- Deposit mobilization. This measure favors MFIs authorized to capture deposits and averages scores in the following two variables:
  - Deposits/loan portfolio. A measure of an MFI's ability to fund loans from client deposits.
  - Deposits accounts/loans. This ratio shows the balance between lending and deposit mobilization.

2. *Efficiency:* This pillar measures the extent to which MFIs reduce costs to clients, indicated by the following variables:

- Cost per loan/GNI per capita. This reflects the cost of serving clients, relative to local income levels. This metric seeks to eliminate cost differences across countries arising from different living standards by taking into account relative costs of serving each loan.
- Profit/loan portfolio. A measure of the size of an MFI's profit margin as a component of yield. For the purpose of this indicator, MFIs with losses for 2009 are scored as having zero profits. This metric favors MFIs with smaller profit margins. This is because an MFI with lower profits and the same level of efficiency as other similar MFIs can offer a lower interest rate to its clients.
- Portfolio quality. An average of scores in the following two variables:
  - Portfolio at risk > 30 days. A measure of ongoing portfolio quality. This metric may favor group-based methodologies with internal accounts or group guarantees or MFIs with aggressive write-off policies.
  - Write-off ratio. A measure of actual loss on portfolio, as recognized by the MFI's policy on portfolio management. This metric favors MFIs with no or very lax write-off policies.

3. *Transparency:* This pillar measures the dissemination of performance results in a standard, comparable manner, indicated by the following variables:

- Annual reporting on MIX Market. A measure of the availability of standard, comparable, publicly available performance results for an MFI. The score is based on the annual results published for an MFI on MIX Market for FY2007, 2008, and 2009.
- Audits on MIX Market. A measure of the ability of MIX or outside analysts to validate the reported financial performance results. Based on the MIX Market diamond score, an MFI gets three points for information presented without audited financial statements, and four points for presenting audits. The score is the average of the FY2008 and 2009 MIX Market profiles.

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