

In Brief

Asian microfinance stands at the leading edge of the industry's global drive to expand financial sector inclusion. According to the 2005 global survey of 446 microfinance institutions (MFIs) conducted by the Microfinance Information Exchange, Inc. (MIX), Asian institutions managed over 4 billion dollars in loans and served an impressive 22.5 million borrowers. While Asian institutions included here represent less than one fourth of the total global data set, they serve over two thirds of the total borrowers. Four colossal microfinance institutions take the limelight with an average outreach of four million borrowers each. These Asian giants – Grameen Bank, ASA, BRAC and BRI – stand unrivaled in scale of service.

Wide disparities in operating environments limit overarching conclusions on the performance of the sector, but as more institutions commit themselves to financial transparency,

common threads begin to emerge. This year's sample of 101 Asian institutions in the *MicroBanking Bulletin* (MBB) presents the richest data set as yet compiled on the sector and begins to weave a tapestry of the sector's performance, providing unprecedented insight into the opportunities and challenges facing Asian microfinance today.

Access to a large pool of external funds has proved a double-edged sword for Asian institutions, fueling their rapidly growing portfolios, while requiring specific strategies for maintaining profits. In response to drastically different operating environments, institutions pursue two separate courses as they vie for profitability, with some boosting revenues and others minimizing costs, all the while remaining focused on the lower segment of the microfinance market.

By examining regional performance through the global lens and exploring trends across the sector, Benchmarking Asian Microfinance 2005 bring to light the particularities of Asian microfinance in 2005.

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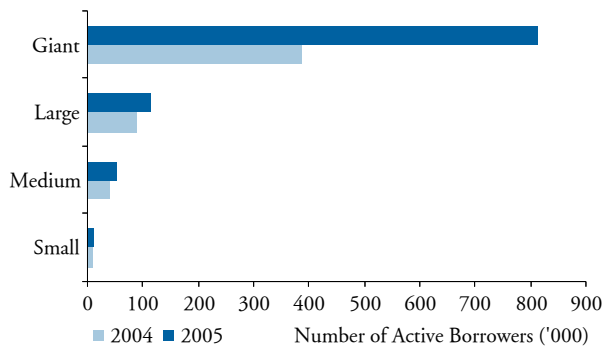
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Analysis

Scale and Outreach

This year's class of Asian MBB participants covers 10 million more clients than in 2004 – testament to both rapid growth among existing participants and the spread of financial transparency to an increasing number of institutions. Excluding borrowers added by new entrants, large and giant scale MFIs accounted for over 80 percent of growth in outreach. Leveraging their immense structures, these institutions expanded their ranks by 2.3 million borrowers over the course of the year and set themselves further apart from their peers, as *Figure 1* clearly illustrates.

Figure 1 Growth in active borrowers by scale



Source: Microfinance Information Exchange, Inc., 2004-05 Benchmarks. Results are peer group medians and draw from panel data for MFIs in both years' data sets.

While remarkable, these results should be tempered in light of widely acknowledged client overlap in hotly contested markets. Product rigidity within some Asian markets pushes clients to take simultaneous loans from multiple MFIs to meet their credit needs, artificially inflating outreach measures. Without market-wide infrastructure for tracking clients and in the absence of credit bureaus, Asia's true outreach eludes analysis.

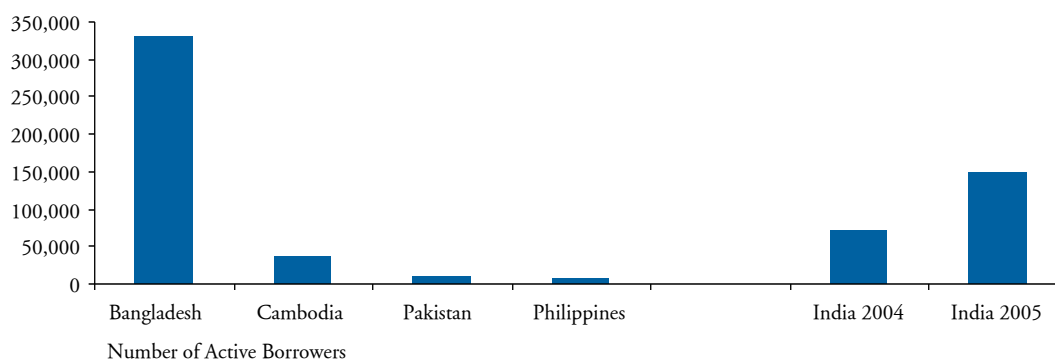
Regional figures mask considerable differences across countries. Median outreach ranges from under 10,000 borrowers in the Philippines to a whopping 330,000 in Bangladesh. The latter holds the largest concentration of large scale microfinance service providers, though India is fast on its heels, as *Figure 2* indicates. While all other markets in the region are host to at least one large scale institution,

none of them concentrates large MFIs like Bangladesh and, increasingly, India. The latter's transforming class of non-bank finance companies is growing at an exceptional rate, averaging over 100 percent growth over the year and driving median outreach for the country past the 100,000 mark, all while remaining resolutely focused on a core client group of poor women.

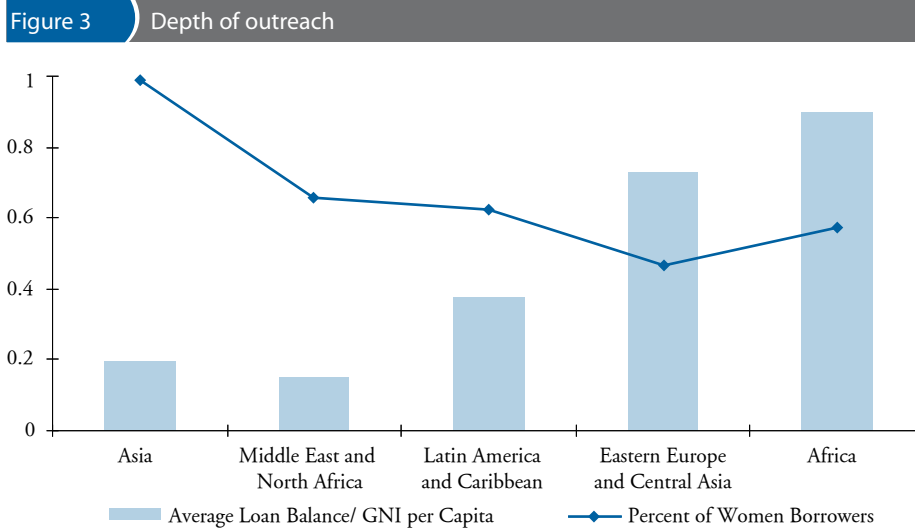
The proliferation of Grameen replicators lies at the heart of the region's tremendous expansion, together with the self help group revolution that is bringing financial services to poor and excluded clients at a lightning-fast rate. Diversification of services, however, has generally failed to keep pace with developments in outreach. Except for India, where institutions have begun to experiment with microinsurance, and the Philippines, where rural banks mobilize significant deposits from the public, Asian microfinance providers maintain the most single-minded focus on microcredit.

Yet with this single service, Asian microfinance targets some of the most vulnerable populations in the world and attains unparalleled depth of outreach. On the whole, the region's portfolio consists of tiny loans held almost exclusively in the hands of women. At just 115 dollars, the average loan balance managed by Asian MFIs is the lowest among all regions and amounts to barely one fifth of local income. With the exception of Cambodia, where institutions offer loans of various amounts and serve different market segments, average loan balances stay below one fourth of local income. As shown in *Figure 3*, Asia's depth of outreach is only matched by the Arab sector, where solidarity groups also dominate.

Figure 2 Outreach by country



Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. All observations are medians. India observations draw from panel data for MFIs in 2004-05 Benchmarks.



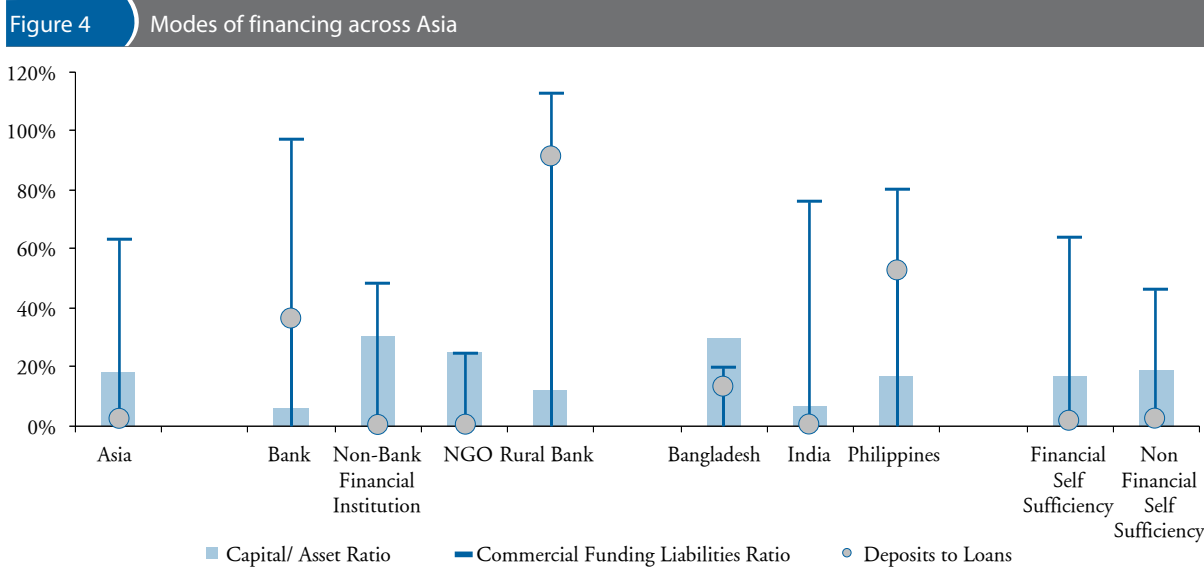
Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. All observations are medians.

Financing Structure

Over the course of the year, Asian microfinance drew heavily on external funds to fuel its expansion. Savings mobilization across East Asia and easy access to borrowings in other markets leveraged institutional capital four times, surpassing global norms and topping all other sectors. While still funding a significant share of its portfolio from subsidized sources, Asian microfinance presents one of the strongest mixes of commercial funding and matches global norms of just under two thirds of the portfolio. *Figure 4* shows that as Philippine and Indian MFIs dominate the

commercialization wave, regulated institutions across the region are unhampered by country funding patterns and attract the bulk of debt financing.

Within Asia, India and the Philippines lead in leverage. Philippine rural banks source over 100 percent of their funds for on-lending from commercially priced debt, principally raised from customer deposits. Indian MFIs, on the other hand, secure enormous quantities of debt in borrowings as they are prohibited from mobilizing savings. Growing investor confidence, combined with central bank directives



Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Results are peer group medians.

on priority sector lending, has led to a surge of commercial funds for microfinance in the country. On- and off-balance sheet financing – through servicing arrangements with banks – makes Indian microfinance providers some of the most highly leveraged institutions globally; at the end of 2005, they serviced 12 times as much debt as capital.

Across the region, registered entities concentrate the wealth of commercial funding. Though they vary in levels of funding, Asian banks and rural banks finance the majority of their portfolios with commercial debt – 97 percent for the former and over 100 percent for the latter. Facing fewer legal constraints than other types of institutions, these two groups mobilized significant customer deposits as part of this financing. Indeed, banks drew on customer deposits for one third of their loan portfolio while rural banks mobilized almost the totality of disbursed funds in savings. While non-bank finance institutions generally lack access to public deposits, they are quickly following suit on the commercialization front, raising access to commercial debt by 34 percent between 2004 and 2005 to just under half of the portfolio at the close of the year.

Only NGOs lag in access to commercial markets as they continue to rely on soft funds from public entities. Yet even this group has grown more leveraged and commercialized. 2005 marked a watershed year in commercialization for the Bangladeshi market, composed almost entirely of NGOs. While remaining heavily dependent on compulsory savings and soft loans from the apex body PKSF, the sector

has begun to experiment with voluntary savings services and is increasingly turning to commercial banks for funds, boosting commercial financing by over 40 percent since 2004 to one fifth of the portfolio in 2005.

As institutions increasingly dip into capital markets for their financing, building a strong capital base becomes all the more important to ensure that they are able to meet their debt obligations without cutting back operations. But with generally slim returns, many Asian institutions fail to build up institutional capital and are leveraged well beyond international capital adequacy standards. This is especially true among banks and Indian non bank finance companies. While this level of leverage may sound alarms in the formal financial sector, the presence of soft loans and government intervention in the microfinance industry, coupled with access to off-balance sheet financing, may mean that the real level of risk is somewhat mitigated. Nonetheless, the region's high reliance on debt raises financial costs and trims profits.

Profitability

With the average asset base yielding just 0.7 percent in losses, Asian microfinance is on the verge of breaking even. MFIs across the region ended 2005 largely at or near profitability, as indicated by *Figure 5*. Half of the institutions in the sample are financially self-sufficient, while another quarter covers at least four fifths of costs on an adjusted basis. While overall cost and revenue indicators for Asian MFIs are broadly similar to other regions, Asia's

Figure 5 Distribution of Adjusted Return on Assets



Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Observations are for individual MFIs and represent the 10th through 90th percentiles. Dark lines indicate placement of country median within the regional distribution.

comparatively greater dependence on external debt—subsidized and commercial—brings a higher blended cost of funds that strips much of its profitability.

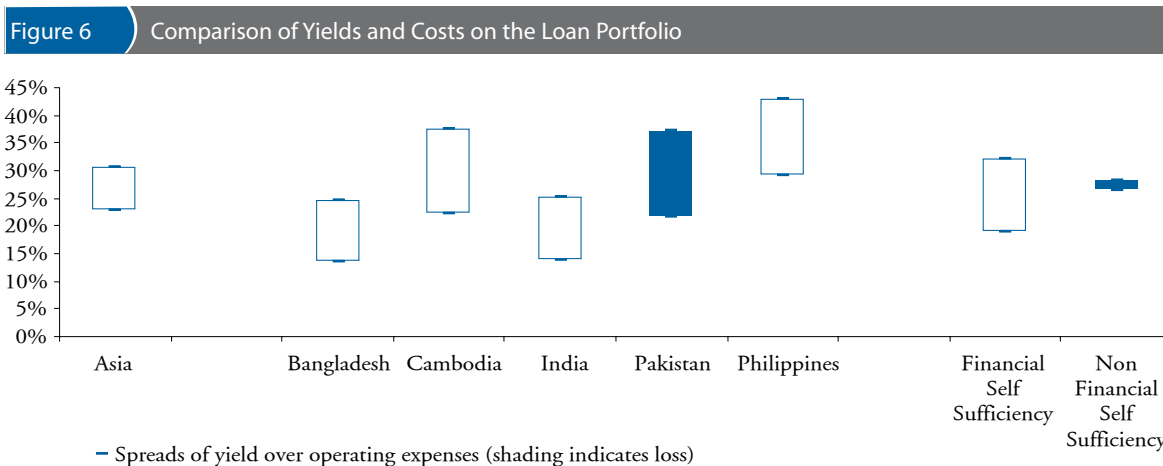
In the quest for profits, Asian MFIs align themselves along one of two competing strategies. As South Asian institutions rein in costs to offset their slender yields, East Asian MFIs set higher prices to overcome more costly operating environments. At 20 percent of assets, South Asian MFIs incurred just two thirds of total expenses faced by their East Asian peers and were able to charge half as much on their loans, generating lower revenue streams that nonetheless brought them within one percent of profitability. While East Asia’s high cost, high yield track proved slightly more successful, returns across the sub-region were still precarious and, at 0.2 percent, have yet to be solidified.

As *Figure 6* illustrates, Bangladesh and India are prime examples of the low cost, low yield strategy that characterizes South Asia, while Cambodia and the Philippines reflect the high yield strategy that is prevalent across East Asia. All four sectors generate sufficient yields to cover the direct costs of managing their portfolios. Dense markets like India and Bangladesh show clear advantages over more dispersed markets in Cambodia or the Philippines. Median costs per dollar outstanding hover below 15 percent for the denser markets, reflecting both higher productivity and lower labor costs. As a result, Indian and Bangladeshi MFIs charge a median 25 percent or less on their loan portfolio, while Cambodian and Philippine institutions need between 35 and 45 percent

to cover operating costs. The Philippine market shows an interesting bifurcation, with NGOs clearly set on high cost, high yield curves but banks lying somewhere in the middle between the two strategies. In the end, both groups show similar average performance.

Pakistan offers a different picture, with trailing revenues driving down returns and many of its service providers at the lower end of the regional returns spectrum. Local institutions offer some of the most costly services of any market, both per dollar outstanding and per client served. A concentration of young and start-up MFIs in the country accentuates the cost structure as institutions build staff capacity and learn to optimize the use of resources. While improving operational efficiencies will help boost MFIs towards positive returns, they are unlikely to clear the profitability hurdle without adjusting their interest rate structure. At 22 percent, portfolio yields are among the lowest of any region and cannot cover operating costs, let alone financial and provisioning expenses. Currently, lack of management buy-in to setting higher prices presents the principal obstacle to sustainability. Pakistani MFIs will have to renounce the prevalent view of microfinance as a charitable activity and recognize the importance of charging cost-recovery rates to maintain operations and ensure that clients have access to reliable financial services.

Markets across the globe show an inextricable link between sustainability and outreach, and Asia is no exception to this trend. Well managed, profitable MFIs across the region generally enjoy greater access to debt markets than their loss-making peers and are able to



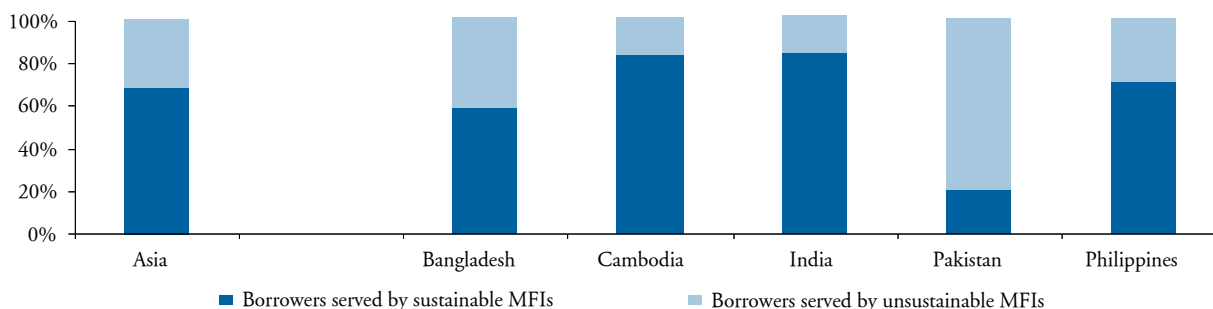
Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Results are peer group medians.

quickly and efficiently channel these funds into their loan portfolios, extending services to increasingly more borrowers. Institutions that broke the profitability barrier in 2004 boosted their median outreach by 28 percent to over 60,000 borrowers – four times as many as those reached by their unsustainable peers. *Figure 7* indicates that with the exception of Pakistan, the majority of borrowers in MIX’s sample and across Asia had access to sustainable financial services. Defying global trends, two unsustainable Pakistani institutions ranked among the ten fastest-growing MFIs within the region, indicating that some funders may be turning a blind eye to operating losses in order to boost immediate outreach. The evidence to date clearly demonstrates that building long-lasting, inclusive financial systems for the poor, gains most from profitable institutions that will be able to maintain quality service and continue to push the outreach envelope even when donor funds dry out.

As profitability boosts outreach, institutional scale feeds back into profits through greater efficiency and superior staff productivity, creating a virtuous circle that continuously fuels outreach. *Figure 8* vividly depicts the marked gains in efficiency realized by Asian MFIs that cross the threshold of two million dollars in assets. The cost of managing one dollar in loans drops from 38 to just 22 cents, suggesting that the very tiny service providers do not have the scale to reach clients profitably. Gains in efficiency taper off after the eight million dollar mark but take off again at the next level. MFI giants in Asia with over 15 million dollars in loans continue to reap the benefits of economies of scale and spend one third as much as their large counterparts per client reached.

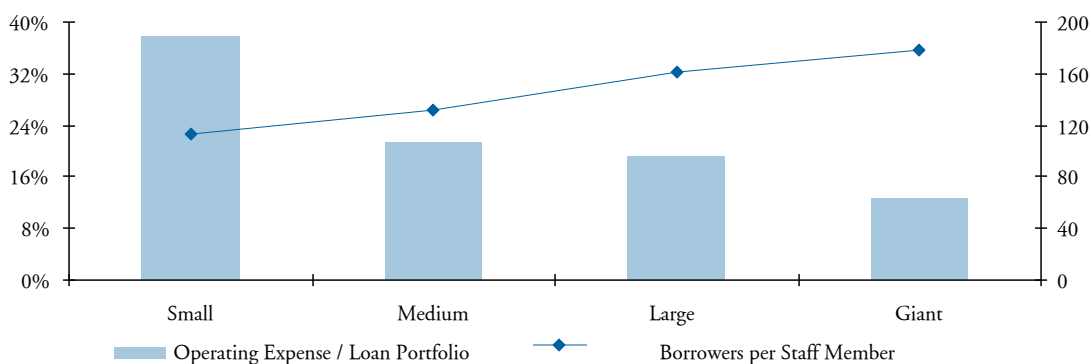
The gains from scale appear to be largest for banks and NGO microfinance providers. As NGOs increase in scale, expenses drop significantly and provide a much needed

Figure 7 Sustainability and Outreach



Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Results are aggregates.

Figure 8 Efficiency and Productivity by Scale



Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Results are peer group medians.

break that drives many of these institutions across the profitability threshold. As *Figure 9* illustrates, NGOs within the region trump all other groups with their high operating costs. These MFIs spend one third more than non bank finance institutions on their operations and two thirds more than rural banks. The exceptionally low loan balances that make up their portfolios prove costly to manage, incurring 29 cents in operating expenses for every dollar lent. Boosting scale emerges as a natural solution for attaining efficiency gains and improving NGO financial performance.

Clients also benefit from efficiency gains in the form of lower interest rates. Portfolio yields plummet by twenty percentage points as MFIs grow their portfolios from small to large scale. Despite declining revenues, returns increase with scale as large institutions maintain excellent portfolio quality and invest a higher share of assets in their lending activities. As Indian non bank finance institutions rapidly scaled up outreach, the sector witnessed the largest decline in interest rates, with yields on the portfolio dropping by three percentage points – from 31 to 28 percent. Rates among Pakistani MFIs, on the other hand, showed a slight increase, improving the outlook for sustainability within the sector.

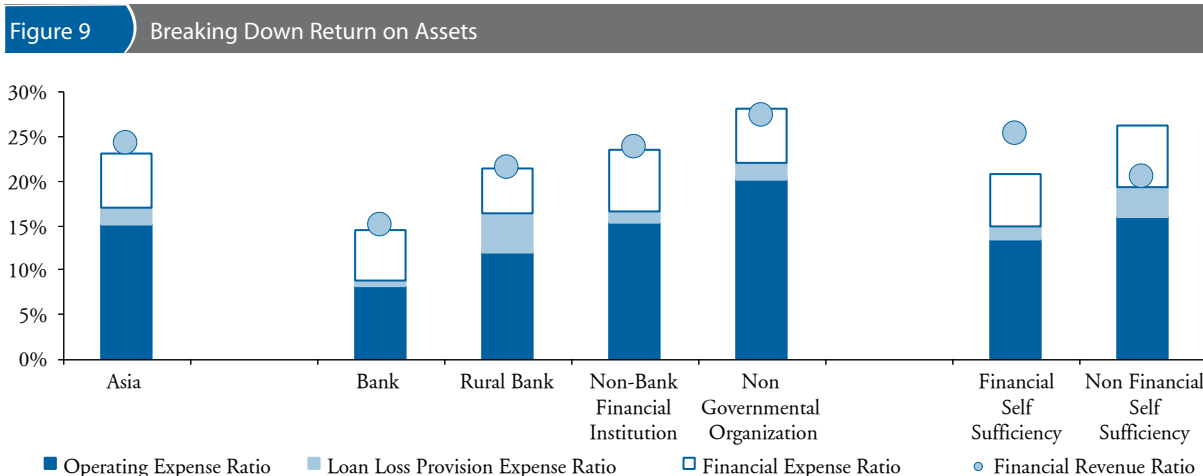
Conclusion

Asia’s achievements in outreach are dazzling by all accounts, and while a large fraction of the population remains excluded from financial services, the region is well positioned to

rapidly expand outreach to these under-served groups. As more institutions begin disclosing standard performance data, the sector provides an increasing number of examples – spanning almost every market – of MFIs that are attaining great scale and breaking the profitability barrier, through world-class efficiency and appropriate product pricing. Vigorous growth among these institutions extends sustainable services to an increasing number of clients and brings them ever-closer to financial integration.

But profitability has yet to fully make its mark on the region as certain markets are still subject to cultural and political taboos around interest rates, dampening MFI growth and limiting potential outreach. Growing evidence suggests that new technology and innovation in delivery mechanisms, combined with increasing competition, are most likely to push down ultimate prices to clients – without sacrificing outreach. Both within countries and across the region, institutions differ in their degree of self-conception as development programs or financial institutions broadening access for underserved populations. In many cases there is a perceived tradeoff between the measures necessary for financial sustainability and outreach. By looking at standardized performance data from a wide range of institutions, we can better begin to analyze the impact of institutional structure, country environment and other factors on the success of microfinance institutions.

Scott Gaul, Analyst, East Asia and the Pacific
Blaine Stephens, Director of Analysis
Hind Tazi, Analyst, South Asia



Source: Microfinance Information Exchange, Inc., 2005 Benchmarks. Results are peer group medians.

Data and Data Preparation

For benchmarking purposes, MIX collects and prepares MFI financial and outreach data according to international microfinance reporting standards as applied in the *MicroBanking Bulletin*. Raw data are collected from the MFI, inputted into standard reporting formats and crosschecked with audited financial statements, ratings and other third party due diligence reports, as available. Performance results are then adjusted, using industry standard adjustments, to eliminate subsidy, guarantee minimal provisioning for

risk and reflect the impact of inflation on institutional performance. This process increases comparability of performance results across institutions.

MIX thanks all institutions participating in the 2005 industry benchmarks and extends its gratitude to the following partners for facilitating data collection: Centre for Micro Finance in Nepal, Pakistan Microfinance Network, Microfinance Council of the Philippines, Inc, and the Microenterprise Access to Banking Services program in the Philippines.

Asia MFI Participants

2005 Benchmarks (101 MFIs)

2004-2005 Balanced Panel Data (52 MFIs) *names in italics*

ABS-CBN (Philippines), *ACLEDA* (Cambodia), *AMK* (Cambodia), *AMRET* (Cambodia), ARMP (Afghanistan), *ASA* (Bangladesh), *Asasah* (Pakistan), *ASHI* (Philippines), *Bandhan* (India), *Bank of Khyber* (Pakistan), *BASIX - Samruddhi* (India), BISWA (India), *BRAC* (Bangladesh), *BRAC - AFG* (Afghanistan), *BRI* (Indonesia), BSS (India), *BURO* (Bangladesh), *CARD NGO* (Philippines), *CARD RB* (Philippines), Cashpor MC (India), CBB (Nepal), *CCT* (Philippines), *CEB* (Cambodia), *CEP* (Vietnam), *CEVI* (Philippines), *CMEDFI* (Philippines), *CREDIT* (Cambodia), *DAMEN* (Pakistan), DD Bank (Nepal), *ECLOF - PHL* (Philippines), ESAF (India), *FCBFI* (Philippines), *FICO* (Philippines), First Valley Bank (Philippines), *FMFB - AFG* (Afghanistan), *FMFB - PAK* (Pakistan), *G7 Bank* (Philippines), Ganesha (Indonesia), Grama Vidyalyal (India), Grameen Bank (Bangladesh), *Grameen Koota* (India), Green Bank (Philippines), *HKL* (Cambodia), IASC (India), *IDF* (Bangladesh), JCF (Bangladesh), *JVOFI* (Philippines), *Kasagana-Ka* (Philippines), *Kashf* (Pakistan), Kazama Grameen (Philippines), *Khushhali* (Pakistan), *KMBI* (Philippines), MEDF (Philippines), MGBB (Nepal), Milamdec (Philippines), *Nirdhan* (Nepal), NMFB (Pakistan), *Norfil Foundation, Inc.* (Philippines), *NWTF* (Philippines), *OMB* (Philippines), *PALFSI* (Philippines), Parwaz (Afghanistan), PGBB (Nepal), PMDF (Philippines), *Prasac* (Cambodia), RB Bukidnon (Philippines), *RB Cantilan* (Philippines), RB Century (Philippines), RB Cotabato (Philippines), RB Digos (Philippines), *RB Kabayan* (Philippines), RB Lebak (Philippines), RB Libon (Philippines), RB Mabitac (Philippines), RB Mabuhay (Philippines), RB Mallig (Philippines), RB Oroquieta (Philippines), RB Santo Tomas (Philippines), RB Solano (Philippines), *RB Talisayan* (Philippines), RB Valiant (Philippines), *RB Victorias* (Philippines), RBMO (Philippines), RDRS (Bangladesh), Rozgar (Pakistan), Sabaragamuwa (Sri Lanka), *SAFWCO* (Pakistan), Sarvodaya (India), SEEDS (Sri Lanka), *SHARE* (India), *SKS* (India), *Spandana* (India), *SPBD* (Samoa), *Sungi* (Pakistan), TMSS (Bangladesh), *TPC* (Cambodia), *TSKI* (Philippines), *TSPI* (Philippines), VEF (Philippines), *VFC* (Cambodia), *VWS* (India)

Peer Groups	Definition	Description
Charter Type	Asia Bank (8 MFIs)	Asia MFIs with Bank charter type
	Asia Rural Bank (27 MFIs)	Asia MFIs with Rural Bank charter type
	Asia NBF1 (18 MFIs)	Asia MFIs with Non Bank Financial Intermediary charter type
FSS	Asia NGO (47 MFIs)	Asia MFIs with Non Governmental Organization charter type
	Asia FSS (51 MFIs)	Asia MFIs with Financial Self-sufficiency ratio > 100%
Scale	Asia Non FSS (50 MFIs)	Asia MFIs with Financial Self-sufficiency ratio < 100%
	Asia Small (30 MFIs)	Asia MFIs with Loan Portfolio < USD 2 million
	Asia Medium (40 MFIs)	Asia MFIs with Loan Portfolio > USD 2 and < USD 8 million
	Asia Large (14 MFIs)	Asia MFIs with Loan Portfolio > USD 8 and < USD 15 million
	Asia Giant (17 MFIs)	Asia MFIs with Gross Loan Portfolio > USD 15 million
Countries	Bangladesh (8 MFIs)	Asia MFIs from Bangladesh
	Cambodia (9 MFIs)	Asia MFIs from Cambodia
	India (14 MFIs)	Asia MFIs from India
	Pakistan (10 MFIs)	Asia MFIs from Pakistan
	Philippines (45 MFIs)	Asia MFIs from Philippines

Indicator Definitions

INSTITUTIONAL CHARACTERISTICS

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

FINANCING STRUCTURE

Capital/ Asset Ratio	Adjusted Total Equity/ Adjusted Total Assets
Commercial Funding Liabilities Ratio	All liabilities with "market" price/ Adjusted Gross Loan Portfolio
Debt/ Equity Ratio	Adjusted Total Liabilities/ Adjusted Total Equity
Deposits to Loans	Voluntary Savings/ Adjusted Gross Loan Portfolio
Deposits to Total Assets	Voluntary Savings/ Adjusted Total Assets
Gross Loan Portfolio/ Total Assets	Adjusted Gross Loan Portfolio/ Adjusted Total Assets

OUTREACH INDICATORS

Number of Active Borrowers	Number of borrowers with loans outstanding, adjusted for standardized write-offs
Percent of Women Borrowers	Number of active women borrowers/ Adjusted Number of Active Borrowers
Number of Loans Outstanding	Number of loans outstanding, adjusted for standardized write-offs
Gross Loan Portfolio	Gross Loan Portfolio, adjusted for standardized write-offs
Average Loan Balance per Borrower	Adjusted Gross Loan Portfolio/ Adjusted Number of Active Borrowers
Average Loan Balance per Borrower/ GNI per Capita	Adjusted Average Loan Balance per Borrower/ GNI per Capita
Average Outstanding Balance	Adjusted Gross Loan Portfolio/ Adjusted Number of Loans Outstanding
Average Outstanding Balance/ GNI per Capita	Adjusted Average Outstanding Balance/ GNI per Capita
Number of Voluntary Savers	Number of savers with voluntary savings demand deposit and time deposit accounts
Number of Voluntary Savings Accounts	Number of voluntary savings demand deposit and time deposit accounts
Voluntary Savings	Total value of voluntary savings demand deposit and time deposit accounts
Average Savings Balance per Saver	Voluntary Savings/ Number of Voluntary Savers
Average Savings Account Balance	Voluntary Savings/ Number of Voluntary Savings Accounts

MACROECONOMIC INDICATORS

GNI per Capita	US Dollars
GDP Growth Rate	Annual Average
Deposit Rate	%
Inflation Rate	%
Financial Depth	M3/ GDP

OVERALL FINANCIAL PERFORMANCE

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

REVENUES

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

EXPENSES

Total Expense Ratio	Adjusted (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)/ Adjusted Average Total Assets
Financial Expense Ratio	Adjusted Financial Expense/ Adjusted Average Total Assets
Loan Loss Provision Expense Ratio	Adjusted Net Loan Loss Provision Expense/ Adjusted Average Total Assets
Operating Expense Ratio	Adjusted Operating Expense/ Adjusted Average Total Assets
Personnel Expense Ratio	Adjusted Personnel Expense/ Adjusted Average Total Assets
Administrative Expense Ratio	Adjusted Administrative Expense/ Adjusted Average Total Assets
Adjustment Expense Ratio	(Adjusted Net Operating Income - Unadjusted Net Operating Income)/ Adjusted Average Total Assets

EFFICIENCY

Operating Expense/ Loan Portfolio	Adjusted Operating Expense/ Adjusted Average Gross Loan Portfolio
Personnel Expense/ Loan Portfolio	Adjusted Personnel Expense/ Adjusted Average Gross Loan Portfolio
Average Salary/ GNI per Capita	Adjusted Average Personnel Expense/ GNI per capita
Cost per Borrower	Adjusted Operating Expense/ Adjusted Average Number of Active Borrowers
Cost per Loan	Adjusted Operating Expense/ Adjusted Average Number of Loans

PRODUCTIVITY

Borrowers per Staff Member	Adjusted Number of Active Borrowers/ Number of Personnel
Loans per Staff Member	Adjusted Number of Loans Outstanding/ Number of Personnel
Borrowers per Loan Officer	Adjusted Number of Active Borrowers/ Number of Loan Officers
Loans per Loan Officer	Adjusted Number of Loans Outstanding/ Number of Loan Officers
Voluntary Savers per Staff Member	Number of Voluntary Savers/ Number of Personnel
Savings Accounts per Staff Member	Number of Saving Accounts/ Number of Personnel
Personnel Allocation Ratio	Number of Loan Officers/ Number of Personnel

RISK AND LIQUIDITY

Portfolio at Risk > 30 Days	Outstanding balance, loans overdue > 30 Days/ Adjusted Gross Loan Portfolio
Portfolio at Risk > 90 Days	Outstanding balance, loans overdue > 90 Days/ Adjusted Gross Loan Portfolio
Write-off Ratio	Value of loans written-off/ Adjusted Average Gross Loan Portfolio
Loan Loss Rate	Adjusted Write-offs, net of recoveries/ Adjusted Average Gross Loan Portfolio
Risk Coverage	Adjusted Loan Loss Reserve/ PAR > 30 Days
Non-earning Liquid Assets as % Total Assets	Adjusted Cash and banks/ Adjusted Total Assets
Current Ratio	Short Term Assets/ Short Term Liabilities

Asia

	Asia	Bank	Charter Type NBFI	NGO	Rural Bank	Country Bangladesh	Cambodia
INSTITUTIONAL CHARACTERISTICS							
Number of MFIs	101	8	18	47	27	8	9
Age	11	11	10	9	32	16	10
Total Assets	6,579,511	31,720,370	13,292,508	4,361,128	4,939,946	30,551,444	5,114,353
Offices	15	47	38	24	6	248	15
Personnel	174	283	384	148	83	2,198	191
FINANCING STRUCTURE							
Capital/ Asset Ratio	18.6%	5.8%	30.6%	25.1%	12.5%	29.6%	59.7%
Commercial Funding Liabilities Ratio	62.9%	96.9%	48.1%	24.7%	112.5%	19.7%	28.7%
Debt/ Equity Ratio	4.0	4.2	2.3	2.3	7.0	2.4	0.7
Deposits to Loans	1.8%	35.6%	0.0%	0.0%	90.9%	12.8%	0.7%
Deposits to Total Assets	1.2%	22.1%	0.0%	0.0%	64.9%	10.5%	0.6%
Gross Loan Portfolio/ Total Assets	67.6%	63.9%	81.5%	67.4%	65.9%	82.8%	86.5%
OUTREACH INDICATORS							
Number of Active Borrowers	18,487	95,002	83,163	18,487	8,224	330,168	36,221
Percent of Women Borrowers	99.0%	56.4%	84.3%	99.9%	97.9%	99.9%	83.0%
Number of Loans Outstanding	19,299	97,333	83,163	24,902	9,188	337,281	36,221
Gross Loan Portfolio	3,961,878	17,917,742	9,757,248	3,653,529	2,883,019	24,033,276	4,426,465
Average Loan Balance per Borrower	115	314	135	83	373	71	136
Average Loan Balance per Borrower/ GNP per Capita	19.4%	52.3%	27.0%	11.1%	42.0%	16.3%	42.5%
Average Outstanding Balance	112	311	135	74	373	70	136
Average Outstanding Balance / GNP per Capita	20.3%	50.4%	27.0%	11.3%	40.8%	16.0%	42.5%
Number of Voluntary Savers	1,430	360	0	0	16,908	56,683	145
Number of Voluntary Savings Accounts	1,686	51,024	0	0	17,146	56,683	145
Voluntary Savings	66,180	14,502,938	0	0	2,744,445	2,867,636	25,536
Average Savings Balance per Saver	92	358	240	12	192	18	232
Average Savings Account Balance	100	356	240	11	189	14	466
MACROECONOMIC INDICATORS							
GNP per Capita	620	520	600	620	1,170	440	320
GDP Growth Rate	6.2%	6.0%	6.4%	6.2%	6.2%	5.5%	6.0%
Deposit Rate	5.6%	6.0%	5.8%	5.8%	5.6%	8.1%	1.9%
Inflation Rate	7.6%	8.4%	5.7%	7.6%	7.6%	7.0%	5.7%
Financial Depth	55.5%	43.5%	50.3%	55.5%	55.5%	42.1%	23.6%
OVERALL FINANCIAL PERFORMANCE							
Return on Assets	-0.7%	-1.0%	-3.1%	0.6%	-0.9%	2.6%	2.6%
Return on Equity	-1.4%	-3.9%	-6.4%	7.0%	-6.8%	10.6%	5.6%
Operational Self-Sufficiency	109.9%	102.7%	106.7%	109.1%	116.6%	131.2%	126.1%
Financial Self-Sufficiency	100.6%	97.5%	91.5%	104.3%	96.4%	113.5%	115.2%
REVENUES							
Financial Revenue Ratio	24.1%	14.9%	23.6%	27.2%	21.4%	21.1%	30.3%
Profit Margin	0.6%	-2.7%	-9.8%	4.1%	-3.7%	11.5%	13.2%
Yield on Gross Portfolio (nominal)	30.7%	24.1%	26.5%	35.9%	26.5%	24.8%	37.6%
Yield on Gross Portfolio (real)	21.9%	13.2%	21.3%	26.0%	17.5%	16.6%	30.2%
EXPENSES							
Total Expense Ratio	25.6%	18.3%	24.3%	28.9%	21.8%	18.6%	26.3%
Financial Expense Ratio	6.1%	5.8%	7.0%	6.1%	5.1%	6.3%	5.2%
Loan Loss Provision Expense Ratio	1.8%	0.7%	1.3%	1.9%	4.5%	0.8%	0.3%
Operating Expense Ratio	15.1%	8.1%	15.4%	20.1%	11.9%	10.6%	18.6%
Personnel Expense Ratio	7.6%	4.5%	8.0%	10.4%	5.2%	7.5%	11.4%
Administrative Expense Ratio	7.3%	3.6%	6.5%	8.7%	7.1%	3.7%	8.4%
Adjustment Expense Ratio	2.2%	1.5%	3.1%	2.1%	4.0%	2.7%	2.8%
EFFICIENCY							
Operating Expense/ Loan Portfolio	22.8%	13.1%	22.9%	29.0%	17.8%	13.5%	22.2%
Personnel Expense/ Loan Portfolio	11.9%	8.7%	13.9%	15.8%	8.3%	9.1%	13.2%
Average Salary/ GNP per Capita	2.8	4.9	5.8	2.4	3.0	2.6	9.2
Cost per Borrower	38	31	28	27	68	9	38
Cost per Loan	31	31	28	22	68	9	38
PRODUCTIVITY							
Borrowers per Staff Member	142	170	161	147	97	204	133
Loans per Staff Member	141	176	160	169	94	201	133
Borrowers per Loan Officer	222	265	222	227	151	262	209
Loans per Loan Officer	224	265	239	231	189	285	209
Voluntary Savers per Staff Member	127	107	15	89	186	106	2
Savings Accounts per Staff Member	137	128	15	117	216	106	4
Personnel Allocation Ratio	64.4%	59.5%	64.8%	68.8%	59.3%	70.4%	63.4%
RISK AND LIQUIDITY							
Portfolio at Risk > 30 Days	2.8%	2.6%	0.9%	2.4%	7.5%	1.2%	0.6%
Portfolio at Risk > 90 Days	1.2%	1.5%	0.4%	0.7%	5.6%	0.5%	0.2%
Write-off Ratio	2.4%	2.8%	1.6%	1.6%	3.2%	1.5%	0.5%
Loan Loss Rate	2.1%	1.6%	1.5%	1.2%	3.2%	1.1%	0.2%
Risk Coverage	0.8	0.5	0.8	0.9	0.7	3.0	3.9
Non-earning Liquid Assets as a % of Total Assets	10.9%	1.7%	3.2%	10.9%	16.0%	4.9%	4.1%
Current Ratio	1.903	0	0	0	0	0	0

	India	Country Pakistan	Philippines	Asia Small	Scale Asia Medium	Asia Large	Asia Giant
INSTITUTIONAL CHARACTERISTICS							
Number of MFIs	14	10	45	30	40	14	17
Age	9	7	19	9	12	12	15
Total Assets	11,396,488	2,532,416	3,967,838	1,346,788	6,297,509	13,351,643	49,041,572
Offices	47	16	6	6	12	51	117
Personnel	555	89	108	54	177	574	1,504
FINANCING STRUCTURE							
Capital/ Asset Ratio	6.9%	38.9%	17.1%	21.6%	12.7%	28.8%	14.0%
Commercial Funding Liabilities Ratio	75.8%	26.9%	79.0%	48.8%	91.4%	26.8%	59.9%
Debt/ Equity Ratio	12.0	1.1	4.3	3.0	4.8	2.5	6.1
Deposits to Loans	0.0%	0.4%	52.5%	1.9%	1.8%	0.0%	19.9%
Deposits to Total Assets	0.0%	0.3%	34.6%	1.2%	1.3%	0.0%	15.5%
Gross Loan Portfolio/ Total Assets	81.5%	41.6%	65.8%	64.1%	67.7%	81.8%	80.5%
OUTREACH INDICATORS							
Number of Active Borrowers	101,158	10,696	8,858	6,380	23,221	105,666	204,341
Percent of Women Borrowers	100.0%	33.1%	98.7%	100.0%	96.9%	99.6%	86.9%
Number of Loans Outstanding	115,740	10,696	8,553	5,931	22,323	116,075	227,172
Gross Loan Portfolio	8,337,637	1,684,216	2,558,787	672,480	3,895,899	10,785,238	32,145,168
Average Loan Balance per Borrower	97	159	201	105	204	94	142
Average Loan Balance per Borrower/ GNP per Capita	15.6%	26.6%	17.1%	10.5%	34.5%	16.1%	19.1%
Average Outstanding Balance	91	144	201	99	170	93	139
Average Outstanding Balance / GNP per Capita	14.7%	24.1%	17.1%	11.5%	36.3%	16.1%	18.6%
Number of Voluntary Savers	0	602	7,282	1,155	3,624	0	31,284
Number of Voluntary Savings Accounts	0	602	7,665	1,220	4,349	0	68,280
Voluntary Savings	0	20,735	719,907	24,781	85,030	0	7,016,271
Average Savings Balance per Saver		53	187	53	192	146	40
Average Savings Account Balance		53	189	53	191	146	92
MACROECONOMIC INDICATORS							
GNP per Capita	620	600	1,170	1,170	620	620	620
GDP Growth Rate	6.9%	6.4%	6.2%	6.2%	6.2%	6.3%	6.0%
Deposit Rate	6.0%	5.8%	5.6%	5.6%	5.6%	5.9%	6.0%
Inflation Rate	4.3%	9.1%	7.6%	7.6%	7.6%	7.3%	7.0%
Financial Depth	66.1%	50.3%	55.5%	55.5%	55.5%	55.5%	51.2%
OVERALL FINANCIAL PERFORMANCE							
Return on Assets	0.9%	-9.0%	-0.8%	-5.3%	-0.8%	2.5%	-0.3%
Return on Equity	35.8%	-21.6%	-3.5%	-10.5%	-1.1%	6.9%	-1.4%
Operational Self-Sufficiency	107.0%	70.9%	114.1%	98.6%	107.1%	133.7%	119.5%
Financial Self-Sufficiency	104.7%	53.7%	97.6%	83.7%	98.2%	111.7%	103.8%
REVENUES							
Financial Revenue Ratio	20.9%	11.2%	31.6%	29.9%	23.1%	20.8%	22.1%
Profit Margin	4.5%	-86.8%	-2.5%	-19.5%	-1.9%	10.5%	3.7%
Yield on Gross Portfolio (nominal)	25.1%	21.7%	42.8%	45.2%	30.9%	25.4%	25.2%
Yield on Gross Portfolio (real)	20.0%	11.6%	32.7%	34.8%	20.3%	18.1%	20.0%
EXPENSES							
Total Expense Ratio	22.9%	26.4%	31.0%	32.6%	25.9%	22.8%	19.4%
Financial Expense Ratio	7.0%	6.9%	5.6%	5.6%	5.9%	6.4%	6.7%
Loan Loss Provision Expense Ratio	1.9%	1.7%	3.9%	3.3%	2.5%	1.1%	1.7%
Operating Expense Ratio	10.1%	12.2%	20.1%	21.8%	13.8%	14.6%	9.4%
Personnel Expense Ratio	5.0%	6.7%	10.5%	12.4%	7.0%	7.0%	5.0%
Administrative Expense Ratio	4.9%	5.7%	9.1%	9.6%	7.3%	6.9%	3.8%
Adjustment Expense Ratio	0.2%	5.0%	2.8%	2.5%	2.6%	2.3%	1.4%
EFFICIENCY							
Operating Expense/ Loan Portfolio	13.9%	37.2%	29.0%	37.9%	21.4%	19.3%	12.8%
Personnel Expense/ Loan Portfolio	7.0%	21.9%	14.8%	21.8%	10.4%	10.0%	7.5%
Average Salary/ GNP per Capita	2.5	4.8	2.4	2.3	3.0	3.1	2.9
Cost per Borrower	15	48	56	41	43	21	14
Cost per Loan	11	48	58	41	41	21	12
PRODUCTIVITY							
Borrowers per Staff Member	217	111	114	113	132	161	178
Loans per Staff Member	257	99	111	109	136	175	182
Borrowers per Loan Officer	252	186	183	178	211	226	238
Loans per Loan Officer	312	186	189	178	220	230	284
Voluntary Savers per Staff Member		74	174	107	117	90	175
Savings Accounts per Staff Member		74	174	107	122	90	257
Personnel Allocation Ratio	78.4%	59.5%	63.3%	64.6%	63.8%	63.9%	66.1%
RISK AND LIQUIDITY							
Portfolio at Risk > 30 Days	0.7%	2.9%	6.9%	3.9%	3.0%	0.5%	2.4%
Portfolio at Risk > 90 Days	0.2%	1.2%	3.7%	2.2%	1.5%	0.1%	0.9%
Write-off Ratio	2.0%	2.1%	3.9%	3.9%	2.6%	0.8%	2.3%
Loan Loss Rate	1.9%	2.1%	3.5%	3.9%	2.2%	0.8%	2.0%
Risk Coverage	1.5	0.8	0.7	0.7	1.0	1.7	0.7
Non-earning Liquid Assets as a % of Total Assets	6.7%	1.9%	15.8%	15.9%	11.4%	8.0%	5.2%
Current Ratio	0		0	2.26	10.953	1.829	1.903

Benchmarking Microfinance 2005

This publication is part of a series of regional industry benchmarking reports presented by the Microfinance Information Exchange, Inc. (MIX):

- Benchmarking African Microfinance 2005
- Benchmarking Asian Microfinance 2005
- Benchmarking Arab Microfinance 2005
- Benchmarking Latin American Microfinance 2005
- Benchmarking Microfinance in Eastern Europe and Central Asia 2005

The five regional 2005 performance reports are based on the 2005 benchmark data, collected from 446 microfinance institutions from 78 countries, located in Sub-Saharan Africa, Asia, Eastern Europe and Central Asia, Latin America and the Caribbean, as well as the Middle East and North Africa. The series represents the most methodologically consistent and in-depth reports on the performance of microfinance providers produced to date.

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1901 Pennsylvania Avenue NW - Suite 307
Washington, DC - 20006, USA
Tel +1 202 659 9094, Fax +1 202 659 9095
Email: info@themix.org
www.themix.org

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