MIX Microfinance World: Sub-Saharan Africa Microfinance Analysis and Benchmarking Report 2010

CGAP

miX Microfinance Information eXchange

A report from Microfinance Information Exchange (MIX) and Consultative Group to Assist the Poor (CGAP)

April 2011

Introduction

Along with the good news coming out of sub-Saharan Africa (SSA), there is optimism that the next development success stories will come from that region. Evidence to bolster this optimism comes from growth rates that are projected at 5.1 and 5.4 percent in 2011 and 2012, respectively, after a 6 percent dip in 2008 due to the financial crisis.[1] Strengthened macroeconomic stability and increased private capital flows are other positive indicators.

There is also good news on the access to finance front. Worldwide, the global cellular market is growing the fastest in SSA, with more than 65 percent of the population living within reach of wireless voice networks. Kenya is the shining example globally for how this technology can be leveraged to offer financial services at greater scale and lower cost. Investor interest is increasing, albeit from a low base, and is spurring the growth of new institutions. Policy makers are engaged and making reforms to improve the rules and regulations for markets. More institutions are for-profit, paving the way for more efficiency, sufficient capital for scale, and innovations. Uptake of deposit services is broad, even greater than that for credit services.

Yet, serious challenges persist and threaten this positive momentum. Many of these challenges are not new. Operating expenses remain among the highest in the world. Returns are falling. Portfolio quality has been stubbornly poor, and, in some markets, it has gotten worse over the course of the year. Supervision is very weak. And the successes remain far too concentrated in certain markets and specific institutions, with overall penetration still very slow and progress toward reaching scale sluggish.

This report analyzes the state of microfinance in 2009 throughout SSA.[2] It starts with an overview of the market with an examination of supply side issues, the policy environment, and cross-border funding flows. The final section hones in on retail financial service providers, focusing on growth trends, financial performance, and funding structure.

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Market Overview

A. Scope of Financial Services Offerings

Great institutional diversity

SSA has a great diversity of financial service providers that serve poor and low-income people. While there

1 http://siteresources.worldbank.org/INTGEP2010/Resources/GEP2010Summer2010-SSAAnnex.pdf

2 See Data and Data Preparation on page 19.

Table 1 Borrowers and depositors, by subregion and charter type (thousands)

	Central		Eastern		Southern		West		TOTAL	
	Borrowers	Depositors	Borrowers	Depositors	Borrowers	Depositors	Borrowers	Depositors	Borrowers	Depositors
Bank	10	109	955	6,506	903	1,801	127	722	1,892	9,139
Credit Union/Cooperative	188	685	16	205	50	248	610	3,917	865	5,056
NBFI	108	154	3,161	4,671	70	57	184	773	3,522	5,654
NGO	68	85	386	424	98	65	835	1,159	1,388	1,732
TOTAL	**374**	**1,033**	**4,519**	**11,806**	**1,121**	**2,171**	**1,757**	**6,571**	**7,771**	**21,582**

are many nonbank financial intermediaries (NBFIs), nongovernmental organizations (NGOs), and credit unions/financial cooperatives, banks serve one quarter of total borrowers and 40 percent of depositors in SSA, despite accounting for only 8 percent of financial institutions reporting to MIX.[3]

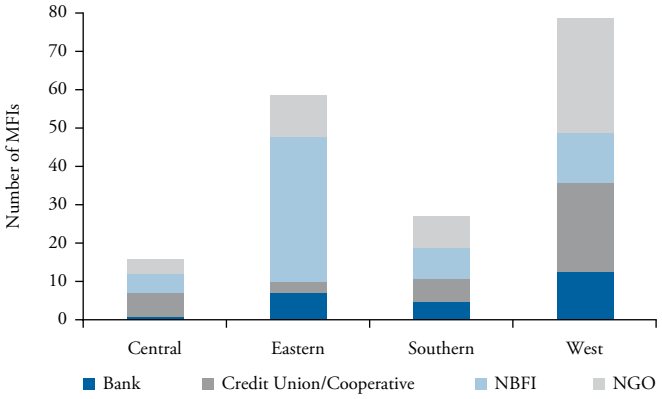
The institutional differences across subregions are, in part, explained by the specificities of the microfinance laws governing them. The first microfinance law (from 1993 to 2007), called "loi Parmec", for the eight countries of the West African Economic and Monetary Union (WAEMU), authorized licenses for credit unions and financial cooperatives only.[4] Consequently, many microfinance providers in the subregion were compelled to select this legal form. Moreover, the first providers were created by the French and Canadian cooperative movements.

With the revised Parmec law of 2007 and the entry of new technical service providers and investors, the situation in West Africa will likely be more diverse in a few years. The new law encourages the creation of, or transformation into, for-profit companies.

Commercial microfinance is taking hold

The market structure across SSA has been changing over the past few years. Though there are still more nonprofit financial service providers than for-profit providers, the landscape is clearly evolving. Fifty-seven percent of new institutions, the majority of which are NBFIs, are

Figure 1 Number of financial service providers by institutional type, by subregion, 2009



for-profit, compared to 43 percent for young and mature financial service providers. Despite being fewer in number, for-profit providers accounted for over 70 percent of the total gross loan portfolio and 71 percent of total deposits in SSA in 2009, with banks alone accounting for 53 percent of loan portfolio and 60 percent of deposits. Banks are experiencing the fastest growth in outreach to borrowers, with an increase of 25 percent from 2008 to 2009. Banks also experienced a 38 percent increase in number of depositors, a growth second only to NBFIs' 46 percent growth in the same. Credit unions/financial cooperatives and NBFIs accounted for 20 percent of gross loan portfolio, and 25 percent and 10 percent of deposits, respectively.

Large-scale providers play an important role in delivery of financial services

One-third of financial service providers in SSA have reached large scale, that is, they have gross loan portfolios of more than US$8 million. In 2009 these large-scale providers reached over 85 percent of all SSA borrowers and

3 MIX has typically had better reporting coverage from institutions whose primary mission is microfinance, rather than from commercial banks. The outreach of banks is thus likely understated in the MIX data.

4 Under the Parmec law, other financial service providers, such as associations and NGOs, were required to sign a five-year, renewable agreement with the ministries of finance of their respective countries.

Box 1. Greenfield Microfinance Institutions

One of the emerging trends in retail finance in Africa is the mushrooming of greenfield microfinance institutions (MFIs). Greenfield MFIs are built from scratch. In most cases, an international holding company or network drafts the business plan, applies for the legal agreements, and provides equity finance and technical assistance. Most of the greenfields in SSA were created between 2007 and 2009 by holding companies, such as ProCredit, Advans, Access, and MicroCred, and international networks, such as Opportunity Transformations International. The holding company usually has a majority stake and mobilizes resources from other investors and donors, such EIB, FMO, IFC, and KfW. At the end of 2009, CGAP identified more than 22 greenfields, in 12 countries.* Fourteen of these greenfields reported 218,000 clients to MIX as of December 2009.

Operational and management capacity in the new microfinance banks are built from the ground up. In most instances, significant technical assistance is provided, including a management team staffed by expatriates. Over time, local staff are trained to take over virtually all functions of the new banks. Investors expect breakeven levels to be reached within 18–36 months of operation, depending on the specific characteristics of individual markets. Most greenfield models first target urban microentrepreneurs, which in part explains the fairly short timeframe for breaking even.

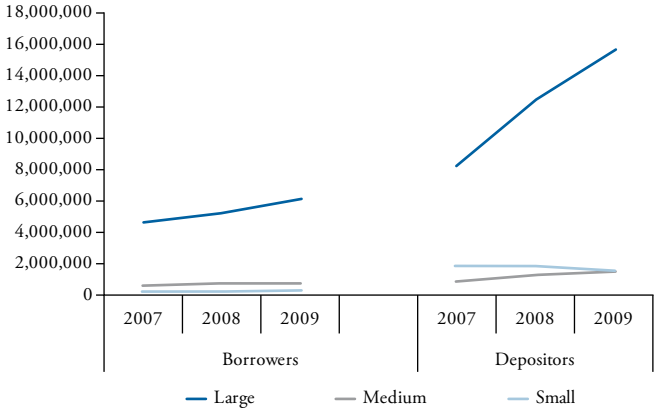
In markets where no viable microfinance providers operate or the offer of financial services is dominated by a particular business model, greenfield institutions can jumpstart the development of a wider range of financial services and set the benchmark for performance.

Some issues to watch as greenfields mature include whether they will manage their growth responsibly (many have aggressive outreach projections that thrill shareholders but may not be sustainable), the extent to which they will extend their services in the harder-to-serve markets away from urban city centers, and whether they are able to successfully transfer knowledge and decision making to local management.

As one more option in the landscape of institutions that seek to offer poor and low-income households—and often small and medium businesses—a range of quality financial services, the advent of this new business model is welcome.

* http://www.cgap.org/gm/document-1.9.45543/Summary_of_Key_Messages_CGAP_Africa_Session_Nairobi_Final.pdf

Figure 2 Borrowers and depositors, by scale of financial service provider, 2007–2009



depositors. This percentage is higher than in East Asia and the Pacific (EAP) and Latin America and the Caribbean (LAC) and about the same as Eastern Europe and Central Asia (ECA). Only the Middle East and North Africa (MENA) and South Asia have a greater percentage of large-scale providers. Of these large institutions, 38 percent are in West Africa (half of which are credit unions/cooperatives) and 38 percent are in East Africa (mostly banks or NBFIs). In the eight WAEMU countries, this trend will become more pronounced because the revised 2007 microfinance law calls for the consolidation of small providers.

Savings leads credit

Depositors in SSA outnumber borrowers three to one, with 21.6 million depositors and 7.8 million borrowers. The number of depositors has almost doubled in the past three years. SSA is one of three regions in the world where depositors outnumber borrowers; this is partly explained by the historical weight of cooperatives in providing financial services in the region. The volume of deposits at US$5.2 billion is also greater than the gross loan portfolio of US$4.7 billion.

All institutional types in SSA offer voluntary savings products—all banks and cooperatives, 54 percent of NBFIs, and 29 percent of NGOs provide savings accounts. It is not surprising that the offer of voluntary savings is lower for NBFIs and NGOs as regulations in many markets expressly restrict them from mobilizing deposits, and they have traditionally followed a credit-driven model. With 9.1 million depositors, banks serve over 40 percent of SSA's savers, followed by NBFIs and credit union/financial cooperatives with 5.7 and 5.1 million depositors, respectively.

Most loans are classified either as microenterprise or household loans and have terms of less than one year. For NBFIs and NGOs, microenterprise loans represent 88 percent and 95 percent, respectively, of total loans. Banks and cooperatives have a broader client base of small enterprises and households, and thus consumption loans play a larger role in their portfolios. Cooperatives, for example, often have a deliberate strategy of targeting salaried workers and civil servants to diversify risk and increase revenues. Microenterprise loans account for a smaller percentage of total loans for cooperatives as development and growth of small enterprises may not be the goal of these salaried workers. Consumption loans, on the other hand, are a larger portion of total loans at cooperatives, as these may go toward easing typical daily expenses of salaried workers, for example.

Wholesale commercial loans are larger size loans distributed by more formal financial institutions. Although they account for only a small percentage of total loans across SSA, they account for nearly 15 percent of the loan portfolio due to their larger amounts.

Financial intermediation—good for clients, good for institutions

Savings products are not only important for poor and low-income people, they are also a critical funding source for financial service providers in SSA. The ability to intermediate deposits can enable financial service providers to reduce their total cost of funding, as well as decrease their dependence on often unpredictable cross-border sources of funding. Net gains can even be realized despite higher operating and regulatory compliance costs. Seventy-three percent of institutions have a high level of financial intermediation (FI), with savings over assets of more than 20 percent; only 7 percent do not intermediate at all. High FI providers are three times larger than low FI providers, which are, in turn, three times larger than non-FI providers.

B. Overall Policy Context

Microfinance, or financial inclusion more broadly, remained high on the agenda of many governments in SSA. Indeed, in December 2009, African ministers of economy and finance discussed a plan for advancing microfinance sectors in Africa and recommended that African Union member states[5] consider the adoption of the following minimum set of policies:

- Adopt the Key Principles for Microfinance[6]
- Focus on the three complementary roles of fostering an enabling policy and regulatory environment for microfinance that balances increased access for poor people, financial stability, and consumer protection
- Create the momentum for continental, regional, and subregional financial capability programs
- Support new technologies to promote access
- Promote the development of national identification systems
- Promote standards and benchmarks
- Support research, training, and capacity building.

This high-level recognition of the importance of financial inclusion is matched at the country level where microfinance is often part of the national dialogue on development and poverty reduction. Some countries, such as Senegal and Benin, even have ministries of microfinance.[7]

Legislation or regulations that explicitly cover microfinance is in place in all but three countries.[8] A new

5 African Union: www.au.int. The African Union has 53 member states, see http://www.au.int/en/member_states/countryprofiles.

6 http://www.cgap.org/p/site/c/template.rc/1.9.2747/.

7 Supervision of microfinance in the West African Economic and Monetary Union (UEMOA) countries is under the Central Bank of the West African Monetary Union (BCEAO)/Ministry of Finance, but in Senegal and Benin there is a specific Ministry of Microfinance in charge of promoting the industry.

8 The exceptions are Eritrea, Swaziland, and Seychelles.

era of consolidation, review, and incorporation of new developments and emerging topics, such as branchless banking and consumer protection, is starting among policy makers and governments across SSA.

There are many opportunities to leverage this heightened government interest into interventions that help the sustainable development of financial inclusion. For example, governments play a role in putting into place critical infrastructure for financial services for poor people. Examples include credit bureaus and unique identifiers. Governments can also balance their traditional rule maker role as both "enabler" (permissive regulation) and "risk mitigator" (prudential and market conduct regulation).

But, government attention is not without risks. When politics rather than policy prevail, government interventions, especially in the delivery of credit, can be damaging to the sustainable delivery of financial services.

Strong financial inclusion mandates[9]

The main role of the central bank or financial regulator is to ensure the stability of the financial system, focusing on regulation and supervision for the soundness and safety of deposit-taking financial institutions. With many governments embracing financial inclusion as part of their development strategies, some regulators are also getting involved in *promoting* access to financial services. Nowhere in the world is this truer than in SSA.

Financial Access 2010 (CGAP/World Bank Group)[10] explored the extent to which central banks across the world have financial inclusion mandates. Almost all financial regulators in SSA have a strategy document for financial inclusion.[11] Not surprisingly, regulators with a financial inclusion strategy are more likely to have many financial inclusion topics—consumer protection, financial literacy, regulation of microfinance, savings promotion, *small and medium enterprise (SME) finance* promotion, and rural finance promotion—under their purview. Practice on the ground, however, confirms that strategies in and of themselves are not sufficient. Ambitious national strategies in several markets have failed to deliver on the high expectations they set.[12]

In SSA, the financial regulator most frequently is responsible for regulating microfinance and consumer protection. Regulators in 88 percent of the countries in the region are responsible for regulating microfinance, while 81 percent are also responsible for consumer protection—a higher percentage than in any other region except for South Asia.

After EAP and South Asia, SSA carried out the most financial inclusion reforms in 2009. Examples include the following:

- Liberia has established quantitative restrictions limiting loan sizes with respect to borrowers' income.
- Zimbabwe has encouraged banks to increase their lending to the SME sector.

Emergence of a second generation of microfinance legislation and regulations

All but three countries in SSA have legislation or regulations in place for microfinance. These can be categorized broadly between specialized microfinance laws and microfinance falling explicitly under broader banking or NBFI legislation. A wave of revisions of legislation and regulations occurred during the past year:

- The Central Bank of the West African Monetary Union (BCEAO) was one of the early regulators to revise the microfinance law in 2007 in an effort to strengthen licensing requirements, supervision, and reporting standards. The revised law also brought about a shift of regulation of microfinance by activity, rather than by institutional type, paving the way for limited liability companies. In 2009, parliaments of three countries—Burkina Faso, Guinea-Bissau, and Senegal—adopted the revised microfinance law. Although the political processes in each country are different and often slow, it is expected that all

9 This section draws heavily on the CGAP/World Bank Group *Financial Access 2010* (http://www.cgap.org/p/site/c/template.rc/1.9.47743/).

10 For more information on the survey methodology, go to http://www.cgap.org/p/site/c/template.rc/1.26.11672/.

11 The exceptions are South Africa, Mauritius, Cape Verde, Swaziland, and Botswana.

12 Read more about national microfinance strategies in CGAP Brief "National Microfinance Strategies (2009) at http://www.cgap.org/p/site/c/template.rc/1.9.4349/.

eight countries will eventually complete the process for full adoption of the revised law.

- The Bank of the Republic of Burundi launched a process to revise its 2006 microfinance decree. Some of the changes sought by the regulator, in the process that is still underway, are to broaden options for new institutional types, such as limited liability companies; to address the full range of financial services, not just credit and savings; and to incorporate requirements on disclosure and participation on credit bureaus, the so-called centrale d'échange d'information.
- The National Bank of Rwanda enacted regulation N. 02.2009 in May 2009 on the organization of microfinance activities. This regulation abrogated prior provisions regulating microfinance activities and savings and credit cooperatives separately, bringing responsibility for all microfinance activities, regardless of institutional type, under the Financial Stability Department. As a result, savings and credit cooperatives (Umurenge), like MFIs, are now regulated by the central bank.
- The Banque Centrale du Congo of the Democratic Republic of Congo (DRC) drafted a new regulation on microfinance and new accounting framework. The new regulation sought to simplify the 2005 instructions by creating two categories of microfinance providers—microfinance enterprises (all types of legal status) that cannot mobilize savings from the public and microfinance corporations (limited liability companies) that are authorized to mobilize deposits from the public. Associations would not be authorized to provide microfinance services. This new draft law also defines a complete framework for consumer protection (e.g., providers must offer loans adapted to clients' reimbursement capacity and disclose costs and terms of products).
- Uganda, Tanzania, and Kenya began the process of revising their microfinance laws and regulation to reign in the nascent credit-only institutions.

A major second generation regulatory topic is branchless banking policy. With branchless banking operations taking off across SSA, policy makers are demonstrating a keen interest in relevant regulatory issues, such as the use of agents, anti-money laundering and countering the financing of terrorism, electronic money (e-money) issuance, payment systems, etc. Many countries are considering revisions to existing e-money guidelines/regulations or the introduction of new regulations that specifically take into account the development of mobile banking and use of agents. Nigeria was the one country in SSA with a regulatory development in branchless banking in 2009: the Nigerian Mobile Payments Regulatory Framework was adopted in June 2009.

In the coming year, there will likely be a surge in new or revised regulations around technology-driven financial services as regulators fill regulatory vacuums or adjust guidelines or regulations drafted well before there was any significant market activity. The "wait and see" and "license, watch, and learn" approaches adopted by several central banks before rushing to regulate has been positive for the development of mobile banking across the region.

Consumer protection: Basic requirements are on the books, but enforcement mechanisms are weak[13]

The memory of the financial crisis and the current reality of institutional bankruptcies and deteriorating portfolio quality contribute to the increased interest in consumer protection and financial literacy across SSA. Basic consumer protection requirements have been implemented in many SSA countries. An effective financial consumer protection framework covers three broad dimensions:

1. It protects consumers against unfair or deceptive practices by financial service providers.
2. It improves transparency through disclosure requirements about prices, terms, and conditions of financial services.
3. It establishes recourse mechanisms to address complaints and resolve disputes.

13 This section draws heavily on *Financial Access 2010* (CGAP/The World Bank), see http://www.cgap.org/p/site/c/template.rc/1.9.47743/.

Eighty-four percent of countries have laws and regulations addressing at least some aspects of financial consumer protection around fair treatment or restriction of unfair selling practices. On average, countries in SSA require the least disclosure on account opening compared to other regions. Half the countries in SSA require financial institutions to implement procedures for resolving customer complaints, and only 43 percent have at least one dispute resolution mechanism.

In a creative effort to tackle consumer protection head on, in 2009, Senegal created an "observatoire de la qualité des services financiers." This structure, under the Ministry of Finance, is a consultative body that regroups the central bank, ministry of finance, national microfinance association, bank association, consumer association, and representatives of major financial service providers. Its mandate is to (*i*) monitor the quality of financial services offered, (*ii*) inform the public on financial services, (*iii*) develop regular publications on financial services, (*iv*) disseminate good practices, (*v*) offer recommendations on improving financial services, and (*iv*) put in place dispute resolution mechanisms (i.e., ombudsman function).

Insufficient supervision capacity remains preoccupying

Regulation is only as good as the supervision that follows. Unfortunately, supervision capacity continues to lag in SSA. In WAEMU, the revised 2007 law sought to make improvements by shifting the supervision of all microfinance providers with outstanding loan or deposit portfolios greater than US$4 million to the central bank (BCEAO), while small and medium-sized providers remain under the supervision of the ministries of finance. Yet the additional resources, know-how, and tools did not necessarily follow.

As new domains of policy relevant for financial inclusion become more prominent (branchless banking, consumer protection, etc.), the need for supervisory capacity will only increase. With regard to consumer protection, for example, the institutional structures to enforce legislative requirements are very weak. About two-thirds of financial regulators who reported that they were responsible for some aspect of financial consumer protection have a dedicated unit to work on these issues. However, of the range of monitoring actions available to regulators—mystery shopping, consumer interviews, complaints statistics, complaints hotline, monitoring of Web sites/ads, and onsite inspection—onsite inspection is the only compliance monitoring mechanism that exists in a majority of countries. Of the enforcement actions regulators can take—requiring refunds of excess charges, issuing public notices of violations, withdrawing licenses to operate, withdrawing misleading ads, imposing fines/penalties, and issuing warnings to financial institutions—issuing warnings is the only enforcement action that is taken by regulators in more than half the countries.

That supervision capacity is under stress is demonstrated by the large number of financial service providers under government administration.

Looming regulatory issues

Seventeen of the 48 countries in SSA have interest rate caps.[14] The good news is that there have been no new ceilings imposed since the previous year. But in markets with interest rate caps, there is often a gap between the reality of the cost structure of financial service providers and the level at which the ceiling is set. Also, the threat of ceilings being imposed in new markets is real, and national microfinance associations, investors, and other key stakeholders must remain vigilant.

In addition, in many markets the tax regime for microfinance providers remains unclear, unfair, or both. For example, fiscal advantages may be offered to one charter type, such as cooperatives, but not to other institutional types. In many markets, treatment is not based on the nature of a provider's activities and on its client segment, but rather on its status as for-profit or not.

C. Cross-Border Funding Flows

Over 150 funders participated in CGAP's 2010 surveys on microfinance funding. These funders include the leading bilateral and multilateral agencies, DFIs, and foundations, as well as microfinance investment intermediaries

14 The 17 countries include the eight countries in WAEMU, plus Ghana, Guinea, Eritrea, Mauritania, Namibia, Nigeria, Sudan, South Africa, and Zimbabwe.

Box 2. MFIs under "Temporary" Government Administration: A Growing Phenomenon in West and Central Africa

From some microfinance providers, poor portfolio quality, substandard performance, and governance crises are not just temporary glitches. When these problems persist, supervisors sometimes need to take the strong—and often costly—stance of placing institutions under their administration. Though dramatic, such action is meant to first and foremost protect clients' deposits and the overall stability of the sector. It also provides an alternative to outright failure. Indeed, the idea is for the supervisor to help address the challenges faced by the institution, either by directly controlling the institution and taking over the general conduct of its business or by assigning an agency to the task. Typically, the board and top management are also replaced in the process.

Unfortunately, an increasing number of microfinance providers in West and Central Africa are being placed under government administration. As of June 2010, BCEAO, the regional central bank for West Africa, reported that 13 microfinance providers in the eight countries of WAEMU were under government administration. The same phenomenon is happening in Central Africa, with three providers affected in Cameroon at the end of 2009 and even more institutions in critical situations and compelled to submit recovery plans to the regulator.

More research on the causes leading to such crises and possible exit strategies out of government administration are needed. But, the following observations already can be made:

- The MFIs under government administration are not the small ones. In several cases, they are among the top five largest providers in the country. In the case of Côte d'Ivoire, the second largest provider, RCMEC, is in the same unfortunate situation. In Niger, MCPEC has been under government administration for a decade.
- By nature, the government takeover of an institution is not meant to be permanent, yet clear exit strategies are rarely defined. Over time, the expectation is that institutions either recover or should be liquidated. Loss of public trust only intensifies with time. Recovery requires a strong technical plan and government-appointed management with a track record in running financial institutions that serve poor and low-income people. Liquidation requires strong political will and, possibly, government funds to meet obligations to savers. So, in some cases, the path of least resistance is to allow institutions to linger in this status.

Moving forward, the challenge for supervisory authorities is to identify early warning systems, put in place preventive measures, and act quickly and decisively when problems arise. The number of failed, yet officially operational, financial service providers is even greater than the number of those formally under government administration. An equally urgent challenge is to develop exit strategies for institutions under government administration.

(MIIs).[15] They are categorized as public or private, based on the source of funding. Public funders include bi- and multilateral agencies and DFIs; private funders include foundations and institutional and retail investors.

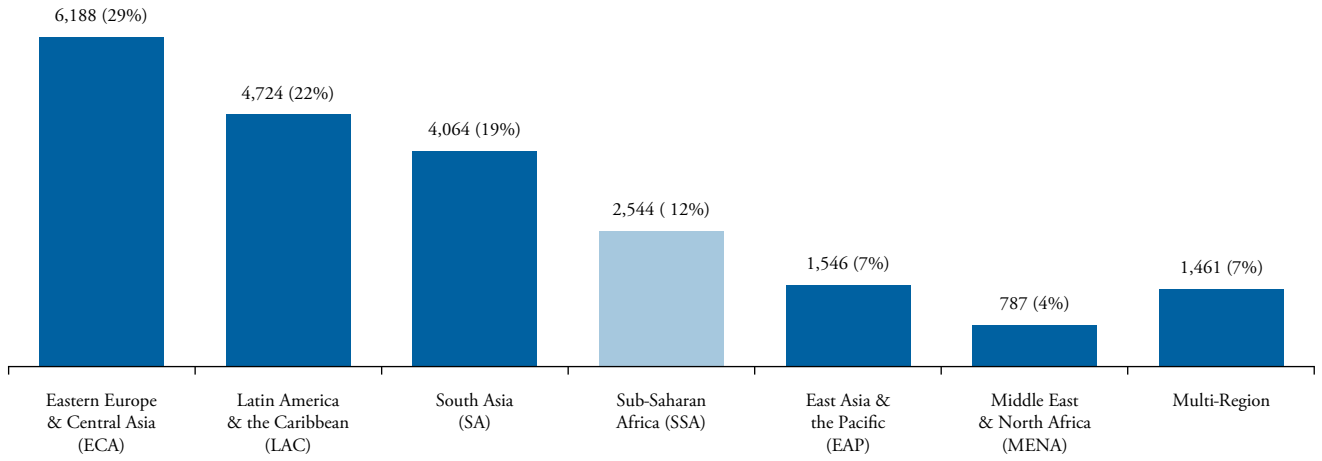
Commitments growing faster than other regions

As of December 2009, funders had about US$2.5 billion committed to microfinance in SSA, representing a significant increase of 22 percent from the previous year, which is greater than the 17 percent global average growth. Only ECA and LAC had comparable growth rates in 2009.

Of all the regions, SSA has the greatest number of active cross-border funders, including 49 public funders and 40 MIIs. Commitments to the region represented 12 percent of total global cross-border funding for microfinance. The high number of funders contrasted with the relatively lower levels of committed funds reflects the limited absorptive capacity of some African microfinance markets and lower gross national income per capita compared to countries in Latin America and Eastern Europe, for example.

15 MIIs are investment entities that have microfinance as one of their core investment objectives and mandates. MIIs can provide debt, equity, or guarantees (directly or indirectly) to microfinance service providers. The three main types of MIIs are microfinance investment vehicles (MIVs), holding companies, and other MIIs (e.g., peer-to-peer lending platforms).

Figure 3 Commitments, by region (as of December 2009)



Public cross-border funding dominates, but private funding is growing rapidly

Public cross-border funders provided 75 percent of total commitments to the region, representing US$1.9 billion. However, private funders' commitments to SSA grew by 63 percent in 2009, almost double their average worldwide growth, while public funder growth for SSA was 13 percent (compared to 12 percent globally).

The growth in private cross-border funding was driven by individual and institutional investors—mostly channeled through MIIs—as well as foundations and NGOs, such as the Bill & Melinda Gates Foundation, Mastercard Foundation, and Oxfam Novib. In absolute terms, foundations and individual/institutional investors contributed almost equally to growth in private funding.

Among public funders, DFIs contributed the most to growth as they increased their commitments by 51 percent from the previous year. This continues a trend of DFIs reaching new markets in SSA. From 2007 to 2008, DFIs' commitments had already increased by 31 percent. In 2009, AECID and AFD Proparco drove much of the growth. In contrast, commitments from bilateral and multilateral agencies decreased compared to 2008, by -4 and -1 percent, respectively, with the multilaterals' negative growth strongly influenced by the African Development Bank's (AfDB) declining portfolio.

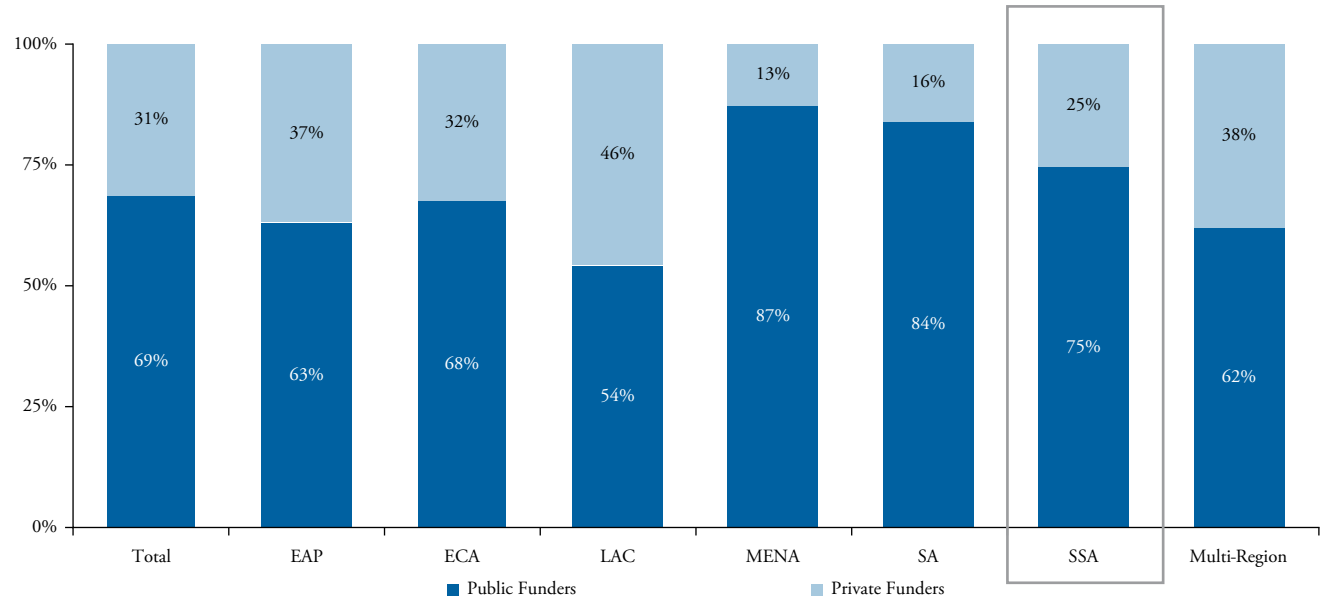
Nonetheless, two of the five largest cross-border funders remain the multilateral agencies IFAD and AfDB. IFAD is by far the largest funder, representing 11 percent of total commitments to the region. For the first time, the Bill & Melinda Gates Foundation joined the top five funder list, with 5 percent of total commitments, joining AFD Proparco (6 percent) and the European Commission (5 percent). The top five MIIs in terms of commitments in SSA are Oikocredit, Grameen Credit Agricole Microfinance, Opportunity Transformation Investments, Advans, and Dexia Microcredit Fund.

Grants and debt are main instruments, but equity is on the rise

SSA is the only region where grants are used as widely as debt. Committed grants amounted to close to US$1 billion, which represents 38 percent of commitments, compared to less than 15 percent globally. For investments made directly to retail institutions or via governments, grants are the main instrument at 52 percent, with debt following at 37 percent. Given concerns with the health of several MFIs in the region, including poor portfolio quality and governance challenges, the hope is that well-designed grant funds can help solidify a fragile sector. However, the injudicious use of grants can also create distortions and render providers complacent.

Direct debt financing of financial service providers' loan portfolios decreased by 23 percent, although much of this decrease was due to the reduction of the direct loan portfolio of one large funder in the region.

Figure 4 Commitments, by type of funder (as of December 2009)



Number of respondents: 61 and CGAP estimates based on 90 MIVs.

Equity from cross-border funders is on the rise with US$82 million in commitments in 2009, representing 6 percent of direct investments mostly from DFIs and an estimated 20 percent of commitments made by MIIs. More than half of the cross-border direct equity investments are going to affiliates of international networks (Procredit, Advans, MicroCred, and ACCION) and are concentrated in four countries: Congo DRC, Kenya, Mozambique, and South Africa. From 2008 to 2009, direct equity investments grew by more than 95 percent. Though cross-border equity is increasing, an analysis of the funding structure of retail providers shows that the overall increase in equity for financial service providers was actually spurred by retained earnings.

Capacity building—a priority for SSA

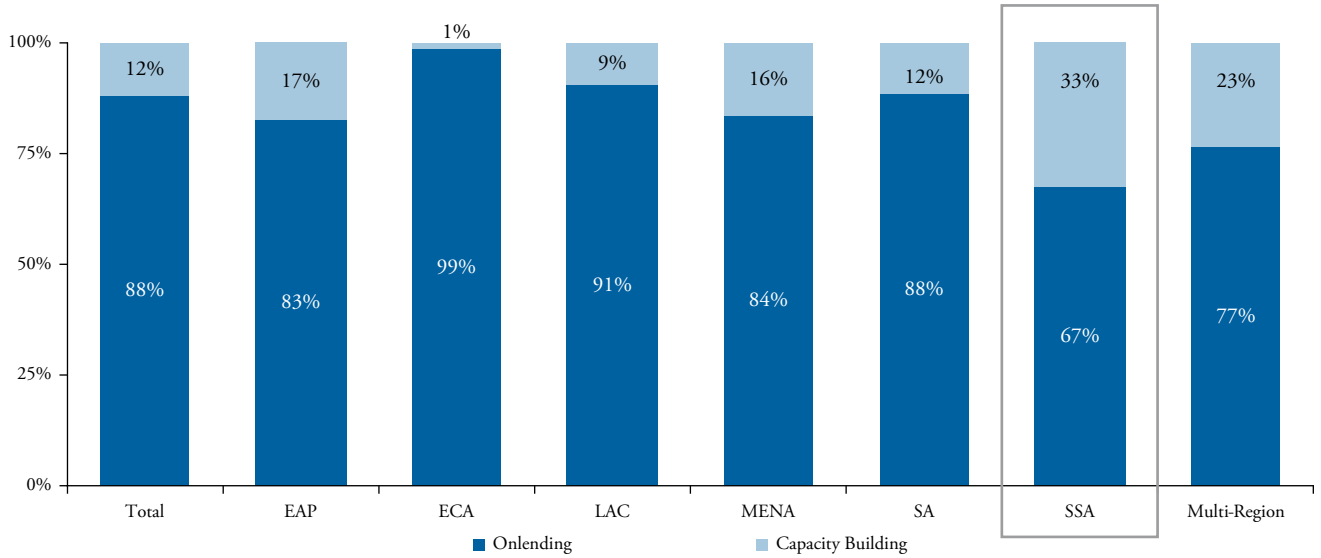
Around 67 percent of cross-border commitments to SSA are used to refinance retail financial service providers, directly or indirectly, compared to 88 percent globally. This relatively lower share of refinancing is linked to the importance of deposits as a source of funding for African financial service providers (see Funding Structure section). Around 30 percent, which represents a 13 percent increase from the previous year, was committed to capacity building as grants. No other region has such a high percentage of capacity-building funds relative to on-lending. The main providers of capacity-building funds to SSA are IFAD, AfDB, AFD Proparco, the Bill & Melinda Gates Foundation, and the European Commission. Indeed, SSA accounted for one-third of the US$2.3 billion committed to capacity-building globally. Twenty-eight percent of capacity-building funds were for market infrastructure and policy.

Geographic concentration persists

For the second year in a row, the same eight countries received 40 percent of total cross-border funds committed to SSA. They are, in order of funding committed, Ethiopia, Kenya, Uganda, Mozambique, Mali, Tanzania, Nigeria, and Ghana. Commitments are growing particularly fast in Ethiopia, Kenya, and Burkina Faso. In contrast, commitments decreased in Madagascar, likely due to the political crisis; in Benin, likely because of the microfinance crisis with strong government intervention; and other markets, like Chad, Ghana, Malawi, and Rwanda.

The concentration of cross-border funding in a few countries is reflected in the funding structure of the financial service providers in these markets.

Figure 5 Commitments, by purpose (as of December 2009)



Number of respondents: 58 and CGAP estimates based on 90 MIVs

Table 2 Commitments, by country (as of December 2009)

	Commitments as of December 2009	2008/2009 Growth in Commitments
Angola	2 to 50 mln	→
Benin	2 to 50 mln	↓
Burkina Faso	2 to 50 mln	↑↑
Burundi	2 to 50 mln	↑
Cameroon	2 to 50 mln	→
Cape Verde	2 to 50 mln	→
Central African Republic	0 to 2 mln	→
Chad	2 to 50 mln	↓
Comoros	2 to 50 mln	↑
Congo, DRC	2 to 50 mln	→
Congo, Rep.	2 to 50 mln	→
Cote d'Ivoire	2 to 50 mln	→
Ethiopia	100 to 300	↑↑
Gabon	0 to 2 mln	→
Gambia	2 to 50 mln	↑
Ghana	50 to 100	↓
Guinea	2 to 50 mln	→
Kenya	100 to 300	↑↑
Lesotho	2 to 50 mln	→
Liberia	2 to 50 mln	→
Madagascar	50 to 100	↓

	Commitments as of December 2009	2008/2009 Growth in Commitments
Malawi	0 to 50 mln	↓
Mali	50 to 100	↑
Mauritania	2 to 50 mln	→
Mozambique	100 to 300	→
Namibia	2 to 50 mln	→
Niger	2 to 50 mln	→
Nigeria	50 to 100	→
Rwanda	2 to 50 mln	↓
São Tomé and Principe	0 to 2 mln	→
Senegal	50 to 100	↑
Sierra Leone	2 to 50 mln	→
Somalia	0 to 50 mln	→
South Africa	2 to 50 mln	↑
Sudan	2 to 50 mln	↑
Swaziland	2 to 50 mln	↑
Tanzania	50 to 100 mln	↑
Togo	2 to 50 mln	→
Uganda	100 to 300	→
Zambia	2 to 50 mln	→
Zimbabwe	2 to 50 mln	→

Focus on Retail Providers

A. Growth Trends

- Growth is concentrated among large-scale providers, institutional types, subregions, and countries
- Stable growth in number of borrowers, decreasing growth of loan portfolio
- Slowing growth in number of depositors, increasing growth of savings portfolio

SSA experienced the most stable growth in number of borrowers of all regions over 2007–2009. The 2008–

Figure 6 Borrower growth global, 2008–2009

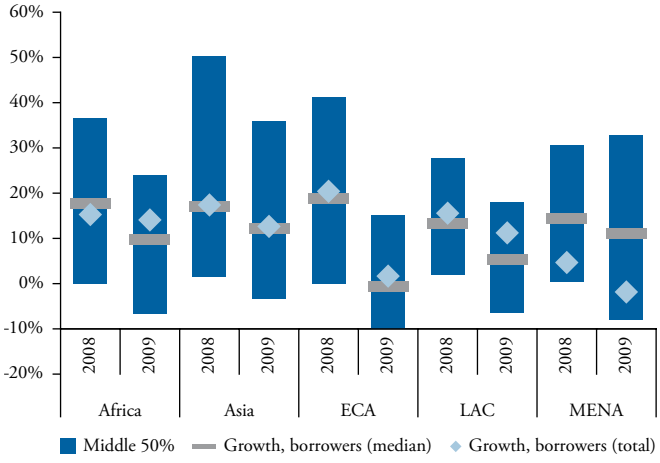
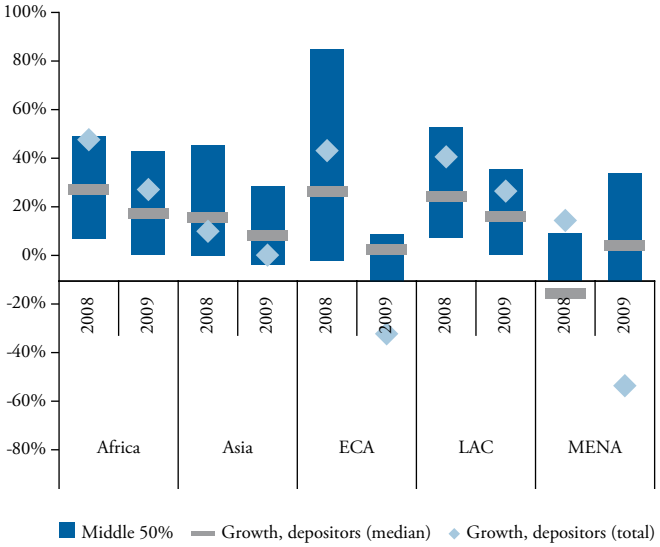


Figure 7 Depositor growth global, 2008–2009



2009 number of borrowers growth rate was on par with 2007–2008 (14 percent compared to 15 percent) and higher than the 11 percent average across all other regions. Several factors help explain this positive trend for SSA, including many countries' relative isolation from the volatile swings in cross-border investment following the financial crisis. While all regions experienced a slowed growth in number of depositors, SSA and LAC maintained number of depositor growth of over 20 percent during a year when some regions actually experienced a contraction in number of depositors, once again highlighting SSA's commitment to and focus on deposit taking.

A few large players drive growth, keeping overall growth rates stable

Stable growth in the number of borrowers in SSA was driven by a 17 percent increase in the number of borrowers in large financial service providers (those with more than 30,000 clients). Eleven financial service providers, a majority of which are in East Africa, had absolute growth of over 20,000 borrowers. The fastest growth is happening with NBFIs and banks; banks were the charter type to witness the most rapid growth in number of borrowers. For NBFIs, the largest share of growth was in Kenya and Ethiopia, where more than 375,000 new borrowers were reached in 2009.

The fast growth of a few large players contrasted with slower growth experienced by many institutions. Even among NBFIs, nearly one-third of providers experienced a contraction in number of borrowers. The trend was more pronounced among credit unions/financial cooperatives—40 percent of them experienced a contraction in number

Table 3 Fastest growing financial service providers (borrower growth)

Rank	Financial service provider	Country	Charter	2009 borrowers	Absolute growth	Percentage growth
1	Equity Bank	Kenya	Bank	715,969	173,720	32%
2	Capitec Bank	South africa	Bank	801,809	163,193	26%
3	KWFT	Kenya	NBFI	334,188	126,178	61%
4	OCSSCO	Ethiopia	NBFI	458,762	94,178	26%
5	SEAP	Nigeria	NGO	116,808	71,087	155%
6	OMO	Ethiopia	NBFI	280,232	61,628	28%
7	SMEP	Kenya	NBFI	85,678	49,029	134%
8	BRAC—UGA	Uganda	NGO	103,489	40,880	65%
9	Camccul	Cameroon	Credit union	66,153	27,457	71%
10	DECSI	Ethiopia	NBFI	488,922	24,300	5%
11	BRAC—TZA	Tanzania	NGO	89,818	20,316	29%

of borrowers. Among NGOs, nearly half experienced a contraction in number of borrowers. As with other charter types, a few NGOs were the exception and experienced large growth: SEAP in Nigeria had the largest growth of all NGOs at more than 70,000 borrowers, followed by two well-funded, large NGOs (BRAC replications in Uganda and Tanzania)—a positive signal for an increasing trend of strong practitioners from other countries expanding into new markets.[16]

The growth rates of medium-scale financial service providers (10,000–30,000 clients) remained stable, dropping to 9 percent in 2009. However, among small providers (fewer than 10,000 clients) growth rates for number of borrowers declined. From 2007 to 2008 they had a growth rate for number of borrowers of 11 percent, but from 2008 to 2009 this dropped by 30 percent. This contraction suggests that smaller providers did not have the wherewithal to survive the difficult financial and economic challenges of 2009 or perhaps that they serve a different client segment that was more affected by the economic crisis.

A handful of countries experience vigorous growth rates in number of borrowers

The most vigorous growth rates in number of borrowers were concentrated in five markets (Cameroon, Kenya, Nigeria, South Africa, and Uganda), each of which saw growth rates of over 20 percent, with Kenya in the lead at 36 percent. The high rate of growth of number of borrowers in Kenya from 2008 to 2009 may be explained by improvements in the macroeconomic environment and increases in productivity. After a period of rapid growth, Nigeria's growth rate stabilized at 20 percent. Even as one large provider more than doubled in size, most others leveled off.

However, some markets, including Ghana, Tanzania, and Mali, contracted. In Tanzania, all but two providers actually saw positive growth, but the two that had decreases in number of borrowers together decreased by 34 percent. In Mali, almost all financial service providers had negative growth rates, with a drop of 16 percent in total. For example, two institutions in the country faced extreme difficulties (see Box 2) resulting in a decrease in funding from local commercial banks and reducing their ability to grow and extend new loans.

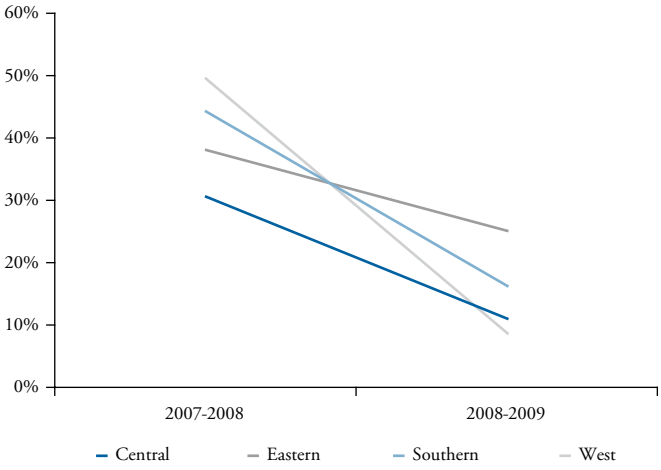
Loan portfolio growth slowing overall, with exception of a few large-scale providers

As with growth in number of borrowers, large-scale providers continued to have the highest growth rates in loan volumes, at 27 percent. Overall, however, loan portfolio growth slowed in all subregions and was at 24 percent in 2008–2009, compared to 29 percent in the previous period. Medium-scale providers experienced a contraction in loan portfolio, down nearly 50 percent from 2008 to -26 percent. Small-scale providers had positive growth in loan portfolio in 2009, but with little overall impact as they cover less than 2 percent of the total loan portfolio in SSA. Loan portfolio growth in southern Africa almost came to a halt.

While growth in depositors has been around 25 percent per year from 2005 to 2007, 2008 saw a jump to nearly double that, followed by a slowdown in growth to 20 percent in 2009. Even with this slowdown, the growth rate is nonetheless larger than that of depositors in all other regions, reinforcing the resilience of deposit mobilization in SSA.

All types and sizes of financial service providers experienced a slowdown in depositor growth rates. The decrease in

Figure 8 Growth rate of depositors slowing down…



16 BRAC has replicated its experience from Bangladesh in Liberia, Kenya, Sierra Leone, Sudan, Tanzania, and Uganda and is planning to expand to five other countries. In just 18 months of operations in Africa, BRAC managed to reach nearly 600,000 people and deliver US$19 million in microloans.

depositor growth rates was most acute in West Africa at 41 percent and driven mostly by cooperatives. The decrease in Central Africa, also primarily in cooperatives, was 20 percent. A significant slowdown in depositor growth at one large bank, Capitec Bank in South Africa, contributed to the 28 percent decrease in the subregion. The decrease in East Africa was less dramatic at 13 percent, where some large banks and NBFIs maintained high levels of depositor growth. The four markets with depositor growth rates over 20 percent include Kenya, Nigeria, and Uganda, which also had high borrower growth rates as described earlier, plus Cote d'Ivoire.

…yet growth in savings portfolio is increasing

While the growth in the number of depositors slowed down in 2008–2009, the growth in deposit volume increased across all subregions from 18 percent in 2007–2008 to 27 percent in 2008–2009. This trend points to the trust depositors have in financial service providers in spite of the troubling news about the health of some microfinance providers. Even in Madagascar, a country that suffered from double economic and political crises, deposit growth remains positive. The increasing deposit volumes are also good news at a time when commercial banks are reducing their refinancing to microfinance in some markets.

B. Financial Performance

- Falling returns
- Steady rise in portfolio at risk raises red flags
- Operating expenses remain the highest in the world
- Financial expenses are among the lowest globally, thanks in part to a strong deposit base
- Low levels of financial intermediation correlate with poor performance

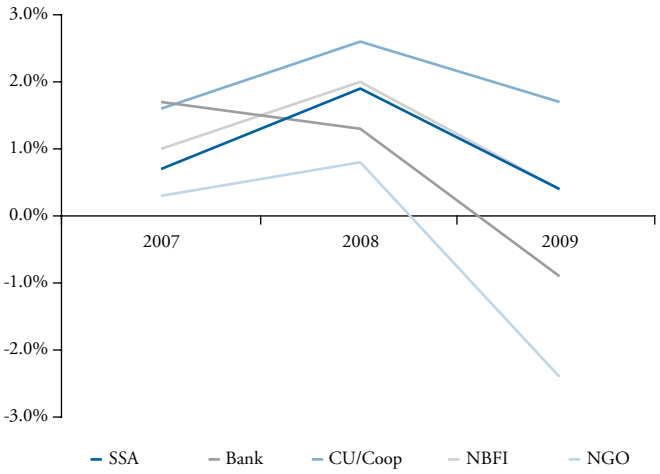
Falling returns are a step backward

In 2009, the median MFI in SSA did not cover its costs with revenues. This is a reversal of progress as the median provider in SSA reached full operational self-sufficiency in 2007. Overall returns decreased, as revenues dropped from 27 percent to 24 percent in 2009, while expenses remained high. East Africa and southern Africa experienced the greatest decrease in returns. Both had a negative return on assets (RoA) in 2009, down three percentage points from 2008 figures.

Poor RoA. The drop in revenues affected all types of providers in 2009, and returns fell—a sharp difference from 2008 when all institutional types saw an increase in revenue and overall RoA was 1.9 percent. Banks and NGOs saw the largest decrease in RoA in 2009, dropping to -0.9 percent and -2.4 percent, respectively. Banks were the most integrated into formal, global financial markets, and they thus were the most exposed to the financial crisis. Additionally, banks saw a large decrease in productivity as cost per borrower increased substantially at the same time as an important increase in risk. While banks experienced rapid growth in 2009, they were not able to manage this growth to high performance standards. NBFIs and especially credit unions fared the best. Although they experienced slight decreases in returns, they were the most profitable type of financial service provider. Overall, credit unions have the most stable efficiency and productivity trends.

High operating expenses. SSA continued to have by far the highest expenses worldwide due to operating expenses of 19 percent, compared to the global levels of 14 percent. High operating expenses are due to high staff expenses common in markets where skilled labor is scarce, high transaction costs of reaching rural areas, and high costs of managing savings. Additionally, the consistently high and increasing risk may lead to high operating costs as staff spend additional time following up on outstanding loans.

Figure 9 Return on assets trends, by charter



Box 3. The Social Dimension of African Providers

In the past two years, 34 MFIs, from 21 countries[a] in SSA covering close to 2.3 million borrowers, have reported social performance[b] information to MIX. A majority of financial service providers reporting were NGOs (12), cooperatives (11), and NBFIs (9). One rural bank and one bank also reported.

Data collected reveal that these financial service providers are becoming aware of the importance of social performance management as a complement to financial performance management at double-bottom-line institutions. Social performance is increasingly integrated into strategic planning processes. Nevertheless, social indicators are not yet systematically tracked, and the implementation of policies related to staff training on social performance and consumer protection are at a more incipient phase compared to providers reporting on social performance from other regions.

Highlights of social performance findings from the 34 MFIs include the following:

- **Mission.** All MFIs cited poverty *alleviation* as their main development goal. However, only a quarter of them were able to report on poverty statistics, most of them using household income/expenditure as assessment tools. Half of the clients of the providers that reported were below the $1 per day poverty line.
- **Women's empowerment.** Empowering women was also an important objective for many of the MFIs. This **translated into female clients representing 60 percent of total borrowers for the reporting institutions. A majority** of MFIs reporting (76 percent) offer some type of women's empowerment services, such as business training for women, women's rights education, and counseling for female victims of violence. Women, however, are not well represented in the management of the institutions. Only 20 percent of the board and 15 percent of top management are composed of women.
- **Incentives.** Incentives linked to social performance are not common, though about half of the MFIs rewarded staff on the basis of portfolio quality. A similar percentage of the MFIs also reported offering some kind of training on client protection issues, such as acceptable payment collection practices and prevention of over-indebtedness.

More than 50 institutions in SSA have endorsed the Client Protection Principles (CPPs). The next challenge will be implementation. Only 12 percent of financial service providers reported having all practices and policies in place to implement the CPPs. This is relatively less than in other regions of the world with more mature microfinance markets, but the trend and intent is positive.

a To learn more about African MFIs reporting social performance data, visit http://www.mixmarket.org/social-performance-data.

b According to the Social Performance Task Force (http://sptf.info/), social performance, or the social bottom line, is about making an organization's social mission a reality. This may include serving larger numbers of poor and excluded people, improving the quality and appropriateness of financial services, creating benefits for clients, and improving social responsibility of an MFI.

Low financial expenses. In contrast to operating expenses, financial expenses are some of the lowest globally. SSA's median financial expense ratio in 2009 was 2.8 percent compared with the global median of 5 percent. Two factors contribute to this trend: the predominance of deposits as a source of funding and the widespread availability of concessional loans with interest rates lower than market rates for a relatively large portion of financial service providers in SSA.

Risk continues to rise for the third consecutive year, but more slowly

The health of the microfinance sector in several markets is cause for concern. For the third year, portfolio-at-risk (PAR) increased. SSA continued to have the highest risk of all regions globally and is the only region with PAR greater than 30 days over 5 percent. To make matters worse, SSA has lower risk coverage levels

Figure 10 Global risk trends

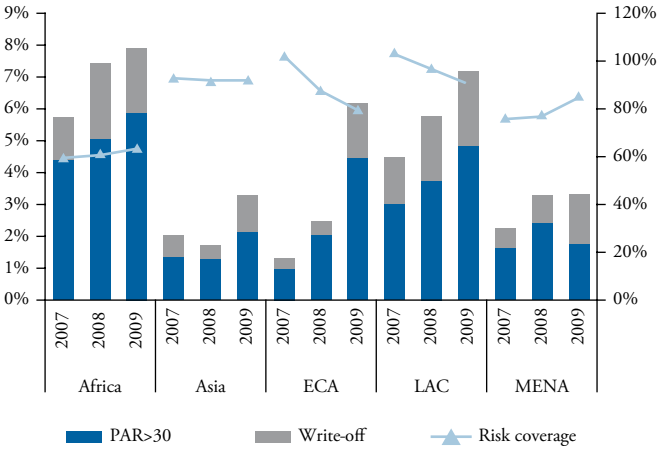


Figure 12 Risk trends, by subregion

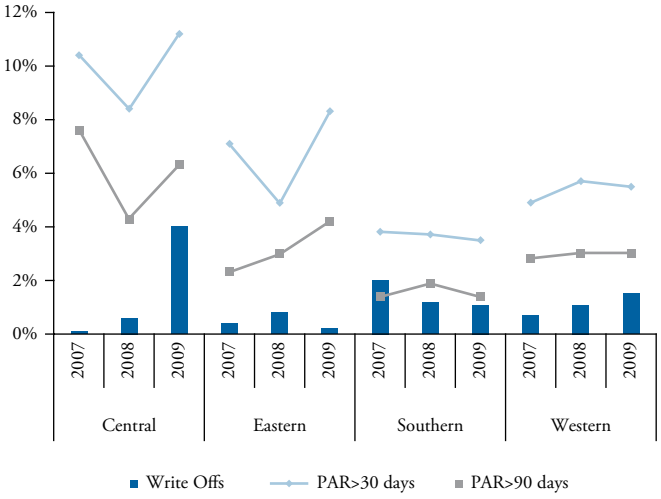


Figure 11 Risk trends, by charter

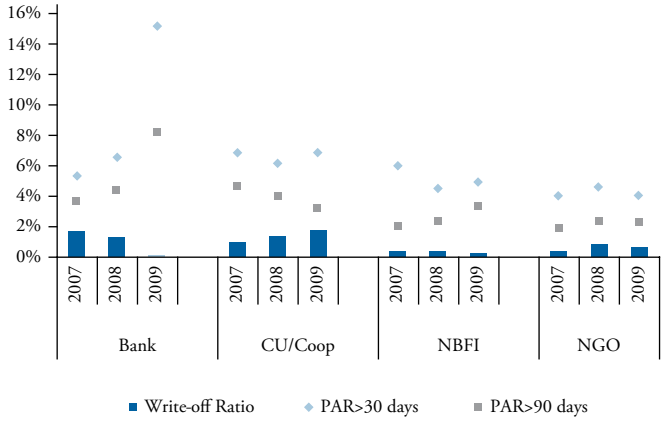
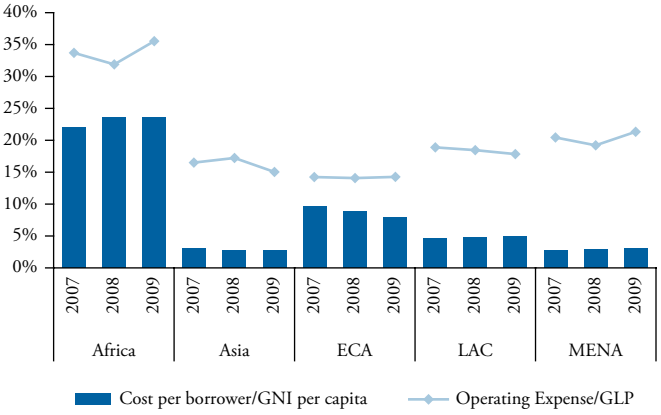


Figure 13 Global efficiency and operating expenses trends



than all other regions, with provisioning not adequately covering current delinquent portfolios. Moreover, a good number of financial service providers have poor reporting and control systems, increasing the likelihood that the PAR numbers cited are actually underestimated.

In 2009, banks registered a significant decrease in portfolio quality: PAR greater than 30 days increased from 6 percent in 2008 to 15 percent in 2009, while PAR at 90 days increased from 4 percent to 8 percent. PAR is also quite high among providers that are not financial intermediaries—PAR greater than 30 days is 10.4 percent, and write-off ratios are at 3.4 percent.

In this risky environment, the fact that microfinance providers rarely are part of existing credit bureaus or credit registries is concerning. Though 26 countries in SSA have public credit registries and 13 have private credit bureaus, microfinance providers participate in only six countries: Burundi, Mozambique, Rwanda, South Africa, Tanzania, and Uganda.

Productivity and efficiency is decreasing

NGOs have by far the lowest cost per borrower and, overall, the highest productivity and efficiency ratios. This high productivity and low cost per borrower may be linked to a prevalence of the village banking methodology among NGOs. Banks saw a notable decrease in productivity as cost per

borrower increased substantially in 2009 by 57 percent, likely linked to a large increase in risk. Credit unions and financial cooperatives enjoy the most stable efficiency and productivity trends with the lowest increase in cost per borrowers.

C. Funding Structure

Deposits remain the largest source of funding, keeping financial expenses low

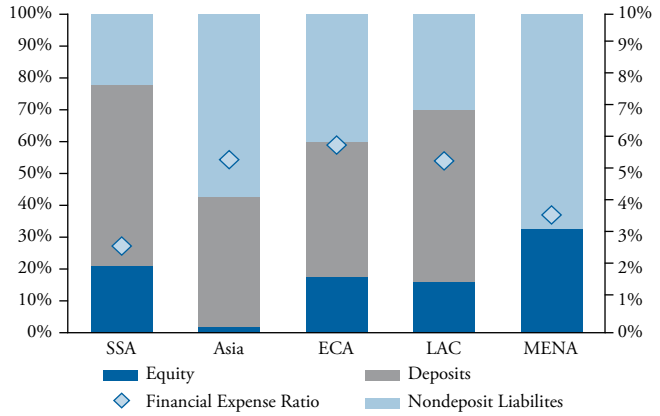
Deposits are the largest source of funding for financial service providers in SSA. Even with the slowdown in depositor growth, deposits as a percentage of the overall funding structure of providers remained stable in 2009 at nearly 60 percent. In no other region do deposits account for such a significant portion of funding. This focus on deposits is one factor that contributes to SSA having the lowest financial expense ratio of all regions globally at 2.8 percent.

The institutional types with deposits as the lion's share of funding structure have the lowest financial expense ratios. Credit unions/financial cooperatives have the lowest financial expense ratio of all charter types in SSA at just 1.3 percent. NBFIs and NGOs, many of which cannot legally mobilize deposits, have the highest financial expense ratios at 3.6 and 3.7 percent, respectively.

Foreign sources of nondeposit liabilities outstrip local sources and are cheaper

Nondeposit liabilities (NDLs) and equity are the two other sources of funding for financial service providers.

Figure 14 Funding structure, by region



Borrowings account for just over 20 percent of funding, while equity accounts for just under 20 percent.

Sixty-nine percent of NDLs were from cross-border sources in 2009. Cross-border NDLs carried lower interest rates than local NDLs at a 4.6 percent weighted average interest rate compared to 5.7 percent. The average tenor of both cross-border and local borrowings is 30 months. Overall, the weighted average interest rates of loans in SSA are similar to other regions, though the maturity of the loans is somewhat shorter than the global average, perhaps due to the higher perceived risk of the region. The fact that foreign sources appear cheaper than local sources is mainly driven by the nature of the institution providing the lending. Locally, NDLs are provided by commercial banks, while cross-border NDLs originate from NGOs and foundations.

Financial institutions and funds are a major source of borrowings, but they are concentrated

Borrowings come from a variety of sources. Financial institutions (commercial banks, cooperatives, and public banks) and MIIs (including fixed income, holding companies, NGO/foundation fund, etc.) together accounted for nearly 70 percent of NDLs. Both of these lender types contributed more funding to financial service providers in SSA in 2009 than in 2008, especially the MIIs, which increased funding by over 65 percent. However, NDLs from both financial institutions and MIIs were highly concentrated in two countries. Nearly 40 percent of all financial institution funding went to Kenya, while over 40 percent of NGO/foundation funding went to Mali.

Lending from government sources (both cross-border and local funding) remained stable across the two years.

Table 4 Five countries with largest NDLs (USD amounts), with local/cross-border breakout

Country	Local NDL (USD mil)	Cross-border NDL (USD mil)	Total NDL (USD mil)
Kenya	57	175	232
Mali	20	122	141
Benin	35	21	56
Uganda	11	44	56
Ethiopia	45	9	54

Looking Ahead

Imagine a scale with opportunities on one side and risks on the other. In which direction would the outlook for microfinance in SSA tip?

The risks on the horizon are significant:

- Out-of-control PAR
- Governance challenges
- Divergence among large, solid institutions and the many small ones that are inefficient and hard to supervise
- Insufficient management capacity

The opportunities, however, are also compelling:

- Significant interest from donors to focus on capacity-building
- New investors coming in
- Growing number of depositors
- Innovative technology-enabled financial services beyond Kenya
- Improvement on consumer protection

How the scale tips depends on how governments, institutions, and funders leverage the opportunities and take serious steps to tackle head on and transparently challenges that are known to all actors.

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Acknowledgments

The authors thank Djibril Mbengue, Moses Ochieng, Micol Pistelli, and Corinne Riquet for providing content and reviewing the report. We also thank Barbara Gahwiler for her analysis on the cross-border funding section. We extend our appreciation to Scott Gaul and Christine Poursat for providing detailed and comprehensive reviews of the report. Finally, we are grateful to Antonique Koning and Blaine Stephens for their guidance, encouragement, and valuable inputs.

Data and Data Preparation

Four data sets are drawn on to present the analysis of the microfinance sector in this report:

- **CGAP 2009 Microfinance Funder Survey data:** Conducted annually, this survey provides market intelligence to the industry on the microfinance portfolio of leading donors and investors.
- MIX data set for 181 MFIs in 2009 and a balanced panel data set of 79 MFIs for 2007–2009. These institutions were selected based on their ability to provide transparent, detailed reporting. The report analyzes this sample to review trends in outreach and scale and in financial performance. For benchmarking purposes, MIX collects and prepares MFI financial and outreach data according to international microfinance reporting standards. Raw data are collected from the MFI, inputted into standard reporting formats, and cross-checked 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 Funding Structure Database for 2009:** Eighty-three MFIs provided detailed information on their individual borrowings, including source, original currency, beginning and maturity date, and interest rate of the loan. While each MFI's information is confidential, MIX creates aggregate analysis on the types of lenders, cost, and maturity of retail debt in SSA.
- **MIX social performance data collection:** The report assesses the various aspects of social performance management as reported by 34 MFIs from SSA to MIX in 2008 and 2009. It provides a framework for analyzing the current state of social performance practice in the region, based on the social performance indicators selected by the Social Performance Task Force and highlights current challenges in data collection and reporting.

Annex I: Benchmarks

Sub-Saharan Africa Benchmark Tables

	Africa	Central	Eastern	Southern	Western	Non FI	Low FI	High FI	Small	Medium
INSTITUTIONAL CHARACTERISTICS										
Number of MFIs	153	18	43	24	68	12	32	109	71	37
Age	11	13	11	10	12	8	10	12	9	12
Total Assets	8,189,126	12,767,059	10,743,089	4,803,972	6,354,586	1,854,893	4,202,707	9,032,628	2,478,592	8,746,860
Offices	12	12	15	12	12	5	7	17	7	13
Personnel	122	161	210	159	108	29	81	166	52	159
FINANCING STRUCTURE										
Capital/Asset Ratio	24.2%	16.0%	23.2%	36.8%	23.1%	46.2%	46.1%	19.9%	29.1%	28.1%
Debt to Equity	2.41	4.00	3.14	1.12	2.15	1.17	0.99	2.96	1.25	2.56
Deposits to Loans	55.5%	154.8%	48.6%	30.5%	59.5%	0.0%	21.2%	80.7%	45.6%	59.2%
Deposits to Total Assets	37.1%	72.0%	33.0%	17.9%	40.9%	0.0%	12.3%	49.3%	28.3%	37.6%
Portfolio to Assets	63.1%	45.6%	69.6%	62.8%	63.8%	75.1%	66.1%	62.0%	62.8%	61.2%
OUTREACH INDICATORS										
Number of Active Borrowers	11,079	10,554	18,560	8,116	10,201	3,585	9,053	14,513	3,530	15,888
Percent of Women Borrowers	62.0%	42.8%	56.0%	61.8%	70.2%	62.9%	75.1%	52.4%	60.8%	57.1%
Number of Loans Outstanding	11,478	10,554	17,358	8,544	10,899	3,752	9,053	14,765	3,530	16,354
Gross Loan Portfolio	4,467,193	4,750,407	6,428,499	2,459,966	4,274,389	1,381,194	1,993,986	6,428,499	1,489,165	4,980,547
Average Loan Balance per Borrower	412	754	369	479	432	434	180	477	534	297
Average Loan Balance per Borrower/GNI per Capita	59.4%	76.5%	47.0%	57.7%	60.1%	50.5%	32.9%	68.5%	66.3%	46.4%
Average Outstanding Balance	388	754	318	415	432	423	180	421	506	297
Average Outstanding Balance/GNI per Capita	57.9%	76.5%	45.5%	59.7%	57.5%	50.5%	32.9%	67.5%	61.9%	46.4%
Number of Voluntary Depositors	30,833	30,338	42,683	12,000	29,790	0	13,812	43,655	9,032	31,263
Number of Voluntary Deposit Accounts	30,680	30,338	41,710	11,074	29,925	0	13,812	45,062	9,134	31,263
Voluntary Deposits	2,700,076	7,237,868	2,895,451	1,040,527	2,613,391	0	450,906	5,519,417	894,902	3,140,963
Average Deposit Balance per Depositor	101	354	74	83	109	0	37	122	108	68
Average Deposit Balance per Depositor/GNI per Capita	15.0%	42.5%	14.0%	10.0%	15.0%	0	5.0%	20.0%	15.0%	14.0%
Average Deposit Account Balance	94	346	64	75	108	0	30	116	108	63
Average Deposit Account Balance/GNI per Capita	15.0%	39.5%	13.0%	11.0%	15.0%	0	5.0%	19.5%	15.0%	13.0%
MACROECONOMIC INDICATORS										
GNI per Capita	639	1,095	547	444	639	639	593	639	639	639
GDP Growth Rate	3.8%	1.6%	5.0%	4.3%	3.8%	4.5%	4.4%	3.5%	3.8%	4.0%
Deposit Rate	5.3%	3.8%	6.7%	10.6%	3.5%	10.7%	7.9%	5.3%	6.7%	5.3%
Inflation Rate	9.0%	5.5%	12.0%	8.4%	4.0%	13.1%	9.7%	8.4%	9.0%	9.0%
Financial Depth	25.5%	20.5%	23.5%	22.3%	33.7%	28.9%	23.9%	25.5%	25.5%	25.5%
OVERALL FINANCIAL PERFORMANCE										
Return on Assets	-0.2%	-0.2%	-0.3%	-0.4%	-0.1%	-8.2%	0.1%	0.4%	-3.2%	-1.4%
Return on Equity	2.3%	4.4%	2.7%	-1.6%	3.0%	-18.4%	1.3%	4.5%	-4.4%	-4.1%
Operational Self-Sufficiency	100.4%	98.0%	101.8%	98.0%	102.2%	87.6%	93.0%	102.3%	85.8%	98.5%
Financial Self-Sufficiency	98.8%	94.2%	99.1%	97.6%	100.1%	85.8%	88.1%	101.6%	86.0%	98.5%
REVENUES										
Financial Revenue/Assets	21.8%	13.1%	23.7%	32.3%	18.4%	31.8%	36.7%	19.1%	23.7%	21.6%
Profit Margin	-2.9%	-6.2%	-0.9%	-2.4%	-4.7%	-16.5%	-13.5%	0.4%	-17.1%	-1.6%
Yield on Gross Portfolio (nominal)	30.4%	25.1%	32.3%	49.0%	24.0%	52.1%	53.5%	26.2%	36.6%	30.4%
Yield on Gross Portfolio (real)	22.1%	13.7%	18.1%	43.6%	21.6%	27.8%	40.0%	18.2%	23.8%	23.1%
EXPENSES										
Total Expense/Assets	24.0%	13.9%	25.6%	38.9%	19.6%	37.4%	42.8%	19.6%	29.5%	23.7%
Financial Expense/Assets	2.7%	1.9%	3.4%	2.5%	2.6%	4.8%	2.4%	2.8%	2.3%	2.6%
Provision for Loan Impairment/Assets	1.4%	1.1%	1.3%	2.0%	1.1%	2.8%	2.3%	1.1%	2.1%	1.4%
Operating Expense/Assets	18.1%	10.6%	20.2%	25.3%	15.9%	26.6%	33.5%	15.4%	19.5%	17.8%
Personnel Expense/Assets	8.4%	4.2%	11.4%	15.9%	6.2%	12.0%	15.6%	6.9%	9.3%	7.9%
Administrative Expense/Assets	9.7%	6.1%	9.7%	11.8%	8.4%	16.7%	17.3%	8.3%	11.1%	11.6%
Adjustment Expense/Assets	2.6%	4.6%	2.7%	3.0%	1.8%	3.5%	4.0%	2.0%	2.9%	3.2%
EFFICIENCY										
Operating Expense/Loan Portfolio	30.1%	29.3%	30.4%	50.0%	26.1%	44.6%	56.5%	25.4%	40.9%	30.5%
Personnel Expense/Loan Portfolio	13.8%	12.8%	15.4%	23.5%	11.5%	15.2%	27.0%	12.0%	16.0%	14.1%
Average Salary/GNI per Capita	918%	491%	1326%	1213%	804%	923%	1415%	894%	882%	895%
Cost per Borrower	137	150	149	182	103	82	143	141	177	134
Cost per Loan	132	130	143	170	105	86	137	131	177	134
PRODUCTIVITY										
Borrowers per Staff Member	93	81	102	71	97	93	104	84	61	104
Loan per Staff Member	99	81	106	67	109	97	104	89	65	104
Borrowers per Loan Officer	234	232	215	170	326	250	219	245	165	235
Loans per Loan Officer	248	232	222	172	326	250	219	283	172	258
Voluntary Depositors per Staff Member	254	240	267	104	280	0	120	308	156	276
Deposit Accounts per Staff Member	257	240	277	104	306	0	120	312	163	283
Personnel Allocation Ratio	43.6%	41.9%	47.2%	49.9%	36.7%	51.5%	51.5%	36.9%	40.6%	46.1%
RISK AND LIQUIDITY										
Portfolio at Risk> 30 Days	5.9%	7.5%	8.3%	3.9%	5.9%	11.8%	4.9%	5.8%	9.4%	4.7%
Portfolio at Risk> 90 Days	3.1%	3.5%	4.1%	2.2%	3.0%	3.6%	3.1%	3.1%	3.8%	2.3%
Write-off Ratio	1.4%	2.9%	0.6%	1.6%	1.6%	2.8%	2.3%	1.2%	1.7%	1.3%
Loan Loss Rate	0.8%	1.8%	0.1%	1.4%	1.0%	2.1%	2.1%	0.8%	1.0%	1.0%
Risk Coverage Ratio	55.6%	61.2%	65.0%	90.0%	47.3%	63.0%	88.3%	51.8%	56.8%	59.1%
Non-earning Liquid Assets as a % of Total Assets	17.1%	46.9%	18.3%	19.0%	14.4%	7.9%	17.0%	18.7%	15.9%	16.4%

	Large	Bank	Credit Union	NBFI	NGO	Rural Bank	New	Young	Mature
INSTITUTIONAL CHARACTERISTICS									
Number of MFIs	45	16	38	50	46	3	28	26	99
Age	14	12	13	9	11	14	3	7	13
Total Assets	45,049,090	55,195,401	8,581,116	8,332,792	4,468,197	-	3,916,670	3,374,890	10,743,089
Offices	42	15	40	10	10	7	7	7	20
Personnel	466	368	163	118	91	133	64	82	191
FINANCING STRUCTURE									
Capital/Asset Ratio	18.2%	17.7%	19.0%	26.6%	30.6%	16.6%	32.5%	27.0%	22.1%
Debt to Equity	3.67	4.67	2.87	2.19	1.68	5.02	1.12	2.43	2.81
Deposits to Loans	62.3%	82.2%	118.4%	43.1%	29.1%	177.4%	34.3%	58.5%	61.5%
Deposits to Total Assets	44.8%	58.9%	64.4%	28.7%	18.8%	77.3%	20.9%	28.2%	44.7%
Portfolio to Assets	64.3%	56.0%	56.1%	69.3%	67.2%	46.7%	66.2%	65.3%	62.6%
OUTREACH INDICATORS									
Number of Active Borrowers	59,961	15,638	6,840	11,817	11,607	10,475	5,160	10,030	16,121
Percent of Women Borrowers	62.5%	55.9%	36.8%	62.0%	79.7%	34.4%	68.9%	57.4%	56.4%
Number of Loans Outstanding	61,536	13,590	7,749	11,817	12,430	10,475	5,831	9,786	16,354
Gross Loan Portfolio	30,156,457	30,109,671	3,968,681	5,564,206	2,018,315	6,762,392	2,247,777	2,077,922	6,428,499
Average Loan Balance per Borrower	378	918	893	415	169	646	294	497	469
Average Loan Balance per Borrower/GNI per Capita	48.4%	157.9%	142.6%	47.6%	31.1%	101.1%	32.4%	71.4%	61.4%
Average Outstanding Balance	326	765	782	400	169	646	294	358	410
Average Outstanding Balance/GNI per Capita	47.9%	142.7%	133.6%	46.5%	29.8%	101.1%	32.4%	78.1%	58.4%
Number of Voluntary Depositors	165,690	124,414	39,422	30,732	19,455	110,047	16,627	24,741	43,465
Number of Voluntary Deposit Accounts	165,979	109,183	41,125	30,732	19,947	110,047	18,442	23,459	46,007
Voluntary Deposits	22,576,640	41,154,191	5,039,512	2,031,001	785,412	10,458,885	519,938	891,148	3,661,254
Average Deposit Balance per Depositor	114	196	155	75	48	99	56	109	111
Average Deposit Balance per Depositor/GNI per Capita	17.5%	25.0%	25.5%	11.0%	9.0%	15.5%	9.0%	14.0%	19.0%
Average Deposit Account Balance	107	163	144	74	50	99	52	101	111
Average Deposit Account Balance/GNI per Capita	16.0%	25.0%	25.0%	10.0%	8.0%	15.5%	7.5%	14.5%	17.0%
MACROECONOMIC INDICATORS									
GNI per Capita	639	509	641	639	639	639	639	544	639
GDP Growth Rate	3.8%	4.2%	2.4%	3.9%	4.1%	4.5%	4.0%	4.1%	3.7%
Deposit Rate	5.3%	9.9%	3.5%	6.0%	7.9%	11.3%	8.2%	6.7%	5.3%
Inflation Rate	8.5%	12.0%	3.4%	10.5%	10.8%	19.3%	10.4%	10.4%	8.5%
Financial Depth	28.6%	32.4%	24.1%	23.7%	30.4%	34.3%	28.0%	23.7%	25.5%
OVERALL FINANCIAL PERFORMANCE									
Return on Assets	1.1%	-0.7%	0.7%	0.4%	-3.2%	5.0%	-7.9%	0.4%	0.6%
Return on Equity	8.9%	-2.2%	7.6%	1.7%	-5.4%	32.5%	-13.4%	1.8%	4.6%
Operational Self-Sufficiency	108.3%	94.6%	103.4%	100.4%	97.6%	131.8%	67.8%	100.4%	104.1%
Financial Self-Sufficiency	107.2%	95.6%	102.3%	98.5%	95.7%	131.8%	67.8%	99.6%	102.9%
REVENUES									
Financial Revenue/Assets	21.3%	24.7%	15.3%	27.3%	28.2%	21.8%	27.3%	36.9%	18.8%
Profit Margin	6.7%	-4.7%	-3.4%	-1.6%	-4.5%	24.1%	-47.5%	-0.4%	2.2%
Yield on Gross Portfolio (nominal)	24.6%	40.6%	21.6%	36.6%	45.5%	27.8%	45.3%	49.0%	24.5%
Yield on Gross Portfolio (real)	18.2%	25.8%	17.8%	23.2%	26.2%	7.2%	34.2%	27.8%	17.6%
EXPENSES									
Total Expense/Assets	18.8%	25.4%	15.0%	31.0%	31.7%	16.3%	38.6%	37.5%	17.9%
Financial Expense/Assets	2.9%	2.0%	1.3%	3.6%	3.7%	3.1%	3.1%	2.6%	2.7%
Provision for Loan Impairment/Assets	1.1%	1.8%	0.9%	1.4%	1.9%	0.7%	2.4%	1.4%	1.1%
Operating Expense/Assets	15.1%	18.8%	12.1%	25.4%	26.4%	12.6%	32.5%	30.7%	14.2%
Personnel Expense/Assets	7.3%	9.0%	5.0%	10.4%	13.6%	0.0%	13.1%	15.2%	6.2%
Administrative Expense/Assets	7.4%	9.9%	6.5%	12.5%	12.2%	12.6%	12.8%	12.9%	8.1%
Adjustment Expense/Assets	1.7%	3.9%	1.3%	2.9%	3.5%	-	2.9%	3.9%	2.2%
EFFICIENCY									
Operating Expense/Loan Portfolio	22.4%	36.4%	21.8%	37.6%	38.5%	23.4%	59.0%	42.3%	25.1%
Personnel Expense/Loan Portfolio	11.7%	15.7%	8.8%	15.9%	18.5%	0.0%	26.6%	16.7%	11.8%
Average Salary/GNI per Capita	1009%	1636%	781%	1091%	918%	0%	950%	1221%	878%
Cost per Borrower	111	364	151	174	78	172	114	174	131
Cost per Loan	102	285	146	166	78	167	114	162	126
PRODUCTIVITY									
Borrowers per Staff Member	149	64	48	96	141	79	68	100	97
Loan per Staff Member	149	52	53	99	141	79	68	99	102
Borrowers per Loan Officer	399	220	250	213	283	544	146	232	283
Loans per Loan Officer	444	221	300	222	284	544	158	227	293
Voluntary Depositors per Staff Member	317	276	347	230	136	703	138	255	284
Deposit Accounts per Staff Member	408	240	383	256	146	703	147	257	297
Personnel Allocation Ratio	45.2%	36.7%	24.1%	47.7%	52.4%	8.7%	47.6%	47.2%	40.6%
RISK AND LIQUIDITY									
Portfolio at Risk> 30 Days	5.0%	7.3%	8.8%	5.1%	4.2%	12.4%	7.4%	5.2%	6.1%
Portfolio at Risk> 90 Days	3.1%	4.5%	4.0%	3.3%	2.0%	11.7%	3.0%	2.8%	3.4%
Write-off Ratio	1.0%	0.7%	2.0%	1.3%	0.5%	-	0.7%	1.6%	1.4%
Loan Loss Rate	0.2%	0.0%	1.5%	0.9%	0.4%	0.0%	0.7%	1.5%	0.8%
Risk Coverage Ratio	49.2%	62.2%	40.8%	63.0%	72.5%	-	72.9%	77.7%	49.5%
Non-earning Liquid Assets as a % of Total Assets	18.3%	21.6%	22.2%	17.7%	13.7%	32.9%	15.9%	20.7%	17.0%

Sub-Saharan Africa Microfinance Analysis and Benchmarking Report 2010

This publication was jointly produced by

Consultative Group to Assist the Poor (CGAP)

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