Microfinance around the world – regional SWOT analysis

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Abstract

The paper focuses on comparison of the functioning of microfinance in various developing regions of the world, as well as on the analysis of the overall functioning, effectiveness, strengths and weaknesses, potential threats and opportunities in the microfinance markets. The conclusion offers several possibilities and insights on how microfinance could be more efficient in financial terms. The paper also presents a brief evaluation of the benefits of microfinance and based on its findings provides a prediction of further development of microfinance.

Keywords: Microfinance; microcredit

JEL Classification: G21

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Abbreviations

ABI	Average number of borrowers per institution
ALS	Average loan size
ASEAN	Association of South East Asian Nations
FSI	Failed States Index
GDP	Gross domestic product
GNI	Gross national income
HIPC	Heavily Indebted Poor Countries
LDC	Least Developed Country
MFI	Microfinance institution
NGO	Non-governmental organization
ROA	Return on Assets
ROE	Return on Equity
SIDS	Small Island Developing States
SWOT	Strengths, Weaknesses, Opportunities and Threats
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USA	United States of America
USD	United States dollar

Introduction

This paper provides a policy oriented analysis of microfinance, its functioning, specific features and particularities. Therefore this analysis intentionally does not use any analytical methods that require knowledge of statistical inference or any advanced statistical methods or mathematically oriented economic modelling.

Aimed to provide a wide comparison between the developing regions, the comparison either of indicators of social impact, efficiency indicators and many more was performed. The goal was not to conduct a detailed cost function analysis, but to explain the causalities and cover most of the specifics of microfinance in developing countries. The contribution of the paper in scientific terms lies in the comparison between all the developing regions in terms of efficiency and market coverage, which is provided in details and based on profound research. Novelty approach combining the SWOT and efficiency analysis is definitely an asset and can be also used as a base step for further research in the domain of microfinance.

Microfinance steps in when the potential client – an individual or an enterprise is not convenient enough for standard lending institutions, being traditionally banks. Not only it has a mission to fill the gap on the credit market, but by fulfillment of this mission it can provide the initial capital for potential entrepreneurs and businesses that otherwise could not get out of the poverty trap only because of lack of collateral. In this way microfinance helps to reduce the poverty and promotes development by simply offering a chance(by granting a loan) to clients, excluded from the reach of traditional banking services for various possible reasons. As Janda and Zetek (2014) state, policy of MFIs interest rates faces not only positive reactions, but also criticism of two types. On one hand, it is believed by the public that interest rates are set too high and do not reflect the basic social goals of microfinance movement. On the other hand, the prevailing opinion is that the amount of interest rates is inefficiently subsidized from public resources and may disadvantage those MFIs who do not receive it.

Throughout the evolution of microfinance, various concepts and priorities were on the forefront of the microfinance movement. While microfinance as an idea was not well known in the world, more subsidies, grants and donnations were necessary to start up the functioning of an MFI in general. Over the decades that followed, microfinance as a concept became more and more recognized as a mean not only to fight poverty, but also as an investment possibility, in other words as a further alternative for capital appreciation. This brief historical overview would suggest that in the state of current awareness of the principles and working of microfinance, there is no need anymore for vast donations, grants or international organizations' aid. Assumption made is unfortunately in contradiction with reality. It can be easily explained by the fact that by assuming the latter, one has to omit missing perfect competition on financial and microfinance markets, market failures, potential risks arising from moral hazard, illiteracy(not only financial) of clientele etc. By a gradual shift of MFIs from the basic social goals to attaining financial sustainability, it puts much more pressure on them from the economical point of view, transforming more and more of them into manifold forms of commercial subjects. Balancing this pressures and not falling into the group of MFIs which charge unacceptably high interests because of economic goals, is the today's and tomorrow's key to a successful fulfillment of the vision of microfinance helping the world to develop. Such balance can only be achieved with participation of socially responsible investors as well as motivated and informed debtors.

Common trend in the microfinance world nowadays is the polarisation of MFIs, while on the one side of the spectrum stand the MFIs that place the economic goals on the pedestal(in other words they concentrate on reaching financial sustainability through lowering costs and/or through raising the revenues), on the opposite side the MFIs focusing on the primary social development goals can be found. Described polarization is a widely used argument that can be heard from detractors of microfinance. From another point of view, it should be used as an incentive to finding the right balance between the financial and social goals of the MFI in question and also in terms of the MFIs governance on a national level.

Careful staff selection process as well as proper training is a necessary condition not only for achievement of economical goals of a MFI, but also for reaching the social goals by providing microfinance services for the clients that a) require these services and at the same time b) are suitable and willing to use the services provided in accordance with the development goals, which excludes the clients using the microcredit as a consumer loan. For such cases, implementation of profound registries administered on a national level would facilitate the process of assessment of a loan application and would in general prevent misuse of microcredit or the situation when a borrower asks for loans simultaneously in more MFIs with the initially bad intentions or inappropriate use of the money received(this can be understood as not for development of a business or self-livelihood usage of a loan granted by the MFI).

Possible improvement in MFIs governance could be also reached by personally engaging staff in the overall economic results of MFI, such as partial remuneration of employees according to the loan repayment ratios of their clients or binding part of their salaries on the total profits growth. In the latter case, profound analysis and appropriate measures should be adopted in order to prevent significant loss of motivation of MFIs' employees caused by exogenous factors that would increase costs and by that way decrease the total profit.

One of the important preconditions for investment decision of foreign or international financial and MF groups looking for new investment opportunities and broadening of their institutional networks is the legal framework and the regulation of MFI in possible candidate countries. Some of the policies adopted by national governments promote further development of MFIs, those can be deregulatory measures in case of over-regulated MF sector or it can be also the opposite, when the regulatory frame offers better protection for the MFIs that are in the earlier phases of their economical development(or of their life cycle – which means that they need an adequate level of protection from the responsible authorities).

What is important for any credit operation including collateral is a proper legislation regarding the land and real estate. In some of the developing countries analyzed, limited or missing land registration systems are observed which leads to uncollectible or hardly collectible claims in case of credit default. Therefore the improvement in the legislative field could strenghten the background for MFIs and national authorities can by establishment and sufficient legislation show their encouragement for potential MFIs and boost the interest of international groups of establishing a MFI branch or a subsidiary in the country concerned.

In case of all financial institutions – banks, but also MFIs, what plays an important role is the proper risk management, which facilitates the risk taking decisions, more specifically the granting of microcredit in case of MFIs. Risk management know-how can be transferred not only through mother-daughter relation canals, but can be shared also on a national or international platforms between MFIs with different levels of development, active in various cultural and political background under different geographical conditions given by geographical coordinates, climate, or other environmental and physical circumstances and changes.

After the financial crisis that struck the world in past years, more and more emphasis is being put on sufficient capital buffer in all institutions dealing with credit, MFIs not excluding. Foreign investors and MF groups looking for new areas where they could spread their activities therefore consider also the national level of compliance with international standards in this domain, such as the Basel accords. The crisis strike however was not the same in all the covered regions. According to Dokulilova, Janda and Zetek (2009), the region of Eastern Europe and Central Asia seems to be most affected by the crisis given to the fact that it caught many countries in the region in a vulnerable position cause by relatively high current account deficits, elevated external debt levels, rapid credit growth and consumption boom financed by foreign borrowing. On the opposite, the less impacted region was the Middle East and North Africa, where many of the economies are growing, rate of unemployment is relatively stable and local banks were not facing liquidity issues (Dokulilova, Janda and Zetek, 2009).

Competition between MFIs is generally considered healthy, due to the fact that it pushes MFIs to either scale down the operating(and other) costs, either to lower the interest rates applied on the loans granted. Another domain that can become a very interesting origin of a comparative advantage is introduction of innovations in providing microfinancial services and in the approach to the clientele. A lot of research has already been done in the domain of microfinance, but most of it was conducted on a regional level, whereas this paper brings the novatory worldwide comparison in a large range and therefore provides a new insight in the subject of microfinance.

1. Methodology

Regions that will be subject to further analysis were chosen according to mixmarket.org data. The comparison will be conducted as following: developing regions of Africa, East Asia and the Pacific, South East Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia will be compared between themselves and then analysed by groups of developing countries with a regard to their characteristics. Subjects to the analysis will be four of the disadvantaged groups such as the Least Developed Countries, Heavily Indebted Poor Countries, Small Island Developing States, Failed States. In the next part of the paper, the main research will be described and results will be explained. The interregional comparison conducted is based on financial indicators and the results are shown on various graphs in order to provide a better understanding of the analysis. Further detailed SWOT analysis is also provided, given the fact that the current situation and future possible opportunities and threats are very important for a domain such as microfinance industry. In each of the parts of the paper, further explication of methods and calculations is provided. All the data was retrieved from the mixmarket.org database and is available on request. For the time series used, the time period that is covered is always pointed out in the graphical representations so the reader can find it easily. More detailed attachments are always stated in the particular parts of the paper and attached at the end of the paper in the annex part.

2. Regions analysis

Africa

In this chapter, Africa will be considered not as a geographical term, but as the group of countries listed in the annex attached at the end of the paper. This categorization follows the data available through mixmarket.org and will be used also in the conclusions and referred to more simply as Africa. States included under the term Africa in this paper are marked green on the map no.1.

Map 1 - Africa

Africa, as the oldest inhabited continent has really specific geographical conditions. Excluding the coastal areas and common mangrove swamps, water is a huge issue in the inlands and it is definitely one of the main difficulty of everyday life in the region. That being said, we do not have to mention how hard it can be to start one's agricultural business without a close water supply. But the analysis of strong and weak sides, opportunities and threats later will be provided in following chapters in more details. Given the position around the equator, region of Africa is exposed to global warming even more than any other region, so the climate is changing and that is another challenge to be faced.

As far as financial systems and in particular banking systems in Africa are concerned, we can observe different levels of development of banking sectors. Usually, the situation in this sector depends heavily on current political situation, but also on inveterate political system of financial control over the state that can be traced back to colonial or even to the precolonial era. Market openness, foreign capital flows, legal conditions and regulatory framework are also between the most important factor when discussing the stage of development of a country's financial sector and the position of financial institutions within the country.

With the total of 262 MFIs currently(2012) operating in Africa, it is the second biggest market in terms of amount of institutions, while in terms of the total number of borrowers, Africa holds the fourth position between the six compared regions, supplying microfinancial services to more than 7,366 million clients. Numbers of MFIs active in the African countries range from 1 in Guinea, Mali, Namibia or Zimbabwe up to 26 active MFIs in Benin. Total gross loan portfolio expressed in USD is also varied across the region, starting from 2,083 million USD provided by MFIs in Zambia, and reaching up to 1,854 billion USD in Kenya and 3,422 billion USD in South Africa. In order to picture the situation more accurately, in this paper, an indicator of average number of borrowers per institution(ABI) and another indicator of average amount stated in USD lent to each borrower that will be referred to as an average loan size(ALS) were constructed and then used for further comparison. According to the ABI indicator, South Africa with 1798,67 borrowers per institution is on the very bottom of the list, followed by Republic of the Congo with the value of 2619 borrowers and Gambia with 2762 borrowers on average. Leading country on the list of African countries sorted by the ABI indicator is Ethiopia(ABI = 109 010,58). Guinea(ABI = 98 421) and Nigeria(ABI = 88 984) are accompanying Ethiopia in the "top three". According to the ALS indicator, the smallest loan amounts are being granted by the MFIs in Malawi(ALS = 84, 14 USD), in Guinea(ALS = 121,18 USD) and in Liberia(ALS = 136,93 USD). On the opposite side stands, maybe surprisingly, South Sudan(ALS = 2 390,16 USD), followed by almost ten times bigger size of average loans being granted in Gambia(ALS = 23 754,46 USD) and with South Africa (ALS = 634 216,34 USD) on top of the list. Such an abysmal difference between the latter mentioned ALS and the second highest one is caused by huge total amount of gross loan portfolio in combination with relatively low number of active borrowers. Described situation has definitely strong background in the South African deeply ingrained system of social, political and financial exclusion of vast amounts of people with indigenous origin, where not everyone is possibly reached by a formal banking system nor by a MFI.

East Asia and Pacific

Countries included under the term of East Asia and Pacific in this paper are listed in the annex attached at the end of the paper and they are marked yellow on the map no.2.

Map 2 – East Asia and Pacific

Taken into account the geographical situation of the countries in East Asia and Pacific covered under this term, we have to consider that climate is milder and more suitable for the basic agricultural activities in general, compared to the previously analysed region. This fact might indicate, that starting a small individual crops raising business should be a bit easier and therefore the results from this point of view could seem better for MFIs operating in East Asia and Pacific than for the ones that operate in Africa.

The potential of Asia as seen in many ASEAN countries during the past decades can also be seen in some of the East Asian and Pacific countries. The situation in banking and in financial sectors in general is also influenced by consequences of the Asian Financial Crisis from 1997, after which most of the governments reacted on the inadequacies in financial systems sharply and adjusted the limits through various reforms. Countries included under the East Asia and Pacific region with the excetptions of Indonesia and China can be classified as countries with harder access to the capital markets, which determines tougher conditions for financial (and also industrial) expansion of the country. Mentioned situation also is a precondition for slower development in microfinancial sector in most of the countries from the East Asia and Pacific region. Different situation is in Indonesia, where aftermath of the crisis led to a wide bank restructuring in 1997, and during next two years to closing down of 48 private national banks, putting 54 banks under the surveillance of Indonesian Bank Restructuring Agency, 13 private national banks being taken over and 7 of them being recapitalized (Pangestu, 2003). Recovery of banking system was one of the key signals for foreign investors from the monetary authorities, and so the development of the financial markets could start sooner and the markets could evolve much quicker compared to the surrounding countries that were still fighting the impacts of the regional Asian Crisis. For explained reasons, we could assume, that the situation on the microfinance market should be superior in comparison with neighboring states. Example of China in the region of the East Asia and Pacific is one of the fastest growing not only in terms of economical growth, but also from the demographical point of view, which gives the base for assumption of growing demand side as far as the financial services are concerned. Increasing extent of untapped microfinancial market attracts MFIs also from abroad to cover the gap as well as it gives the existing financial players the idea of widening their range of services into microfinance.

Amount of 151 MFIs(2012) active in the region of East Asia and Pacific ranks it the penultimate between all the regions. At the same time, according to the total amount of borrowers it holds the third position after South Asia and Latin America regions with over 12,761 million clients being actively served. MFI markets are more consolidated in most countries of the region, with only one MFI covering the market in Fiji, Papua New Guinea, Samoa and Tonga and with two MFIs active in East Timor. On the other hand, there are also bigger markets with more players such as Vietnam with 34 MFIs and People’s Republic of China with 41 active MFIs, where MF has longer and wider tradition. This difference can be also noted after comparison of gross loan portfolio, which varies from 655 523 USD in Fiji up to more than 15 billion in China. As ABI indicator shows, smallest number of borrowers per institution have MFIs in Tonga(ABI = 423), Laos(ABI = 1 711,22) and Papua New Guinea(ABI = 2172), while the MFIs in Cambodia(ABI = 82 933,42), Philippines(ABI = 106 203,5) and Vietnam(ABI = 224 343,6) scored much higher and therefore we can assume that the economies of scale on average are bigger in the mentioned cases. Surprisingly the lowest ALS indicator is observed in Philippines(ALS = 228,94 USD) with quite wide market, followed by smaller-sized Fiji(ALS = 231,8 USD), Samoa(ALS = 362,65 USD) and East Timor(ALS = 447,36 USD). Highest ALS indicator is reached in Indonesia(ALS = 26 784,87 USD) and China(ALS = 27 803,6 USD). The latter findings about ALS in Indonesia and China can be viewed as partial confirmation of what was claimed above, putting the mentioned countries between the most developed in MF in the region of the East Asia and Pacific.

Eastern Europe and Central Asia

Region defined by mixmarket.org as the Eastern Europe and Central Asia covers 11 eastern European countries, 8 central Asian countries, Turkey and Russia. Complete list is attached at the end of the paper and included countries are shown on the map no.3, colored purple. Eastern and south east Europe faces financial issues connected with the past situation, when state owned many of the financial institutions, and it played a huge role in fuctioning of the whole system. That can also explain why in these countries state and it's authorities subsidize and support majority of the NGOs active in microfinance. The situation described does not provide a healthy and competitive environment for MFIs, as we will see below on the numbers of MFIs active in the region. Opening of the emerging markets of economies included in the region is therefore an opportunity for newcoming international groups that are most likely to increase the competition in the field of microfinance and probably also bring and promote the standards of better corporate governance that were already proven valid by other national branches and subsidiaries worldwide.

Central Asia also is not an example of a region, where banking and especially microfinance services have the longest tradition, as it could be stated about regions of Latin America or South Asia. Even though the roots of microfinance are not profoundly grown in the society, there is nowadays a potential space for expansion and further development of microfinance sectors of the countries covered in Eastern Europe and Central Asia region.

Map 3 – Eastern Europe and Central Asia

With 183 active MFIs in total, Eastern Europe and Central Asia takes the third position between the compared regions. One could imagine, that with so many active MFIs, the position of the region would be strong also in terms of number of clients served or in terms of gross loan portfolio. The opposite is true, mentioned number of MFIs serves only something less than 2,22 millions of active borrowers, which is the second smallest amount and the total gross loan portfolio reaches only slightly over 2,219 million USD. The calculation of ABI and ALS indicators also shows the underperformance in the region. Lowest ABI indicator between the European countries was computed for Bulgaria (ABI = 323,78) and Romania (ABI = 487), which is only comparable with the ABI level of Tonga, but this fact can be also given by the position of both countries in Europe and by their not clear status as developing countries. In that case also the possible clientele would be narrower which negatively influences the actual amount of active borrowers. Comparable ABI indicator level was also reported in Uzbekistan (ABI = 585,4). On the top of the list of the countried ranged according to ABI indicator stands Bosnia and Herzegovina (ABI = 23 290,7) between the European states and even higher ABI was reached by Asian countries: Kyrgyzstan (ABI = 26 606,91), Turkey (ABI = 52 271) and by on of the traditional microfinance cradles – Mongolia (ABI = 56 757,67). With higher numbers of borrowers, the ALS indicators tend to place the countries closer to the bottom of the list. In this case, the very last country is Turkey (ALS = 381,22 USD), followed by Kyrgyzstan (ALS = 929 USD) and Bosnia and Herzegovina (ALS = 1 577,61 USD). In general the findings about ALS confirm the situation in examined countries, when usually MFIs provide services for the individual clients or microcredits for really small enterprises, while the most promising force that is located within the small and medium enterprises is left without proper microfinance services available (Buyske, 2007). This credit gap can be viewed as the main opportunity for MFIs to start operating in the region of Eastern Europe and Central Asia, but also as the main weakness of the existing financial systems in the covered states. In addition, observed relatively low ALS values point to the situation, when small loans are provided for individuals and small and medium businesses for high costs. Described state determines relatively higher interest rates that have to be applied in order for MFIs to remain profitable and active in the domain. Closely related working paper prepared by Hartarska, Caudill and Gropper (2006) focuses on the systematic examination of the influence of various factors on the performance of MFIs measured in social but also financial terms. Building upon the research already conducted in the latter mentioned working paper, the second part of the paper extends the data base and compares the obtained results worldwide.

Latin America and The Caribbean

Latin America and The Caribbean region covers altogether 22 states of South and Central America and those located in the Caribbean Sea. Included countries are listed in a table in the annex part at the end of the paper, and they are marked red on the map no.4. Although Asia is identified as one of the largest microfinance regions, as they have the highest number of clients and extensive markets, Latin America holds primacy as having the greatest expertise in the field of microfinance policy (Janda and Zetek, 2013), also thanks to the fact that large grants and soft loans from donors and governments led to the rapid development of MFIs in the region. The success strategy – to provide small loans to women (eventually to poor micro entepreneurs) – along with government grants created great opportunities for various types of MFIs.

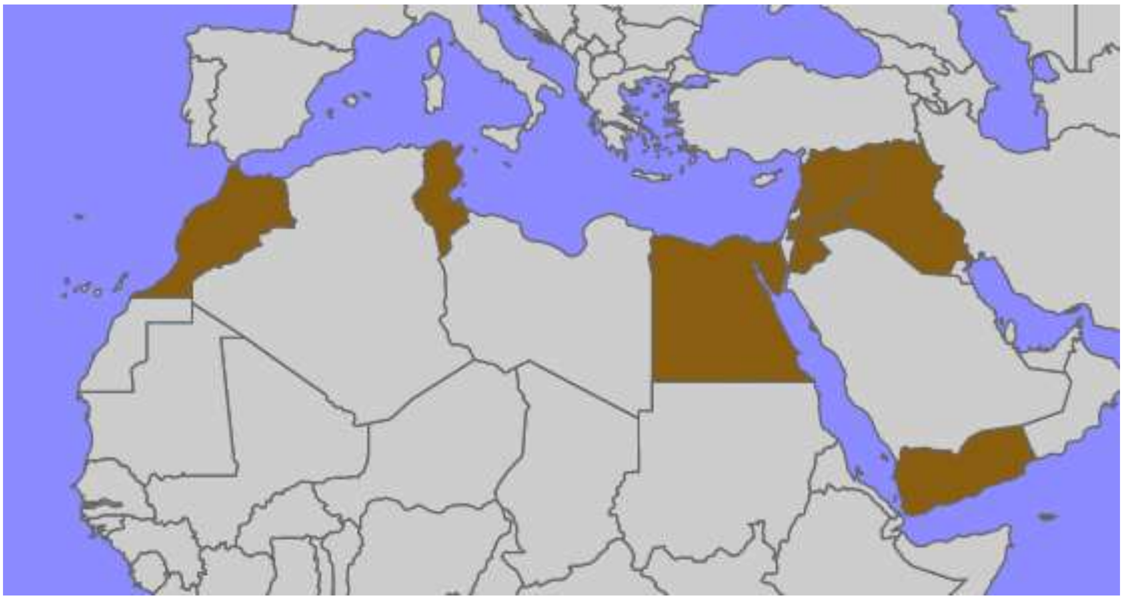
The region includes countries with various attitudes of the leading elites towards microfinance, ranging from hospitable atmosphere provided by Brazil, Chile or Guatemala, *where public and private providers are working together to develop truly hybrid methods that ensure financial sustainability* (Bastiaensen, Bédécarrats, Doligez, 2012), through the approach of the leaders in Ecuador or Bolivia, *where several MFI managers share close relationships with policy makers, which helps to create a common ground* (Bastiaensen, Bédécarrats, Doligez, 2012), to the other side of the palette where for example Nicaragua would stand. As Bédécarrats, Bastiaensen and Doligez mention, *in Nicaragua the tension between microfinance and government owes much to the fact that several MFI managers are former officials of the revolutionary government of the 1980s, that are now distant from the new government of Daniel Ortega*.

Map 4 – Latin America and The Caribbean

Despite the complications given by the impact of left-oriented political parties, that will be further discussed in the SWOT analysis part, most of the countries have overcome the obstacles present after substantial financial market and banking systems collapses followed by debt crisis, and currently the leading region in terms of amount of active MFIs in the world is Latin America and The Caribbean with 362 MFIs servicing altogether over 19,056 millions of clients. As proved by Janda and Zetek (2014), the crisis and the macroeconomic climate in general seems to have a bigger impact on MFIs in this region, especially from the economic growth point of view, degree of corruption and inflation rate. They see the cause in the prevalence of profitable MFIs that are more connected with the market and therefore even their business activities are more predisposed to macroeconomic development. Number of active borrowers is the second biggest in the world, after the leading region of South Asia with more than twice the number of Latin America and The Caribbean. Another number that puts this region on the top of the list is the total gross loan portfolio, which reaches over 34,731 billion USD. In some of the countries included in the region, such as Saint Lucia, Guyana or Trinidad and Tobago, only one MFI is active. On the opposite side, stands Ecuador with 44 active MFIs, Peru with 53 active MFIs and Mexico as another of countries with long tradition in microfinance with 60 active MFIs. ABI indicator varies from the lowest values obtained for Honduras(ABI = 835,3), Costa Rica(ABI = 1313,46), Saint Lucia(ABI = 2145) and Argentina(ABI = 3240), up to the highest values that were reached not only thanks to the high number of active MFIs in Colombia(ABI = 93 756) or Mexico(ABI = 100 974,8), but also on the account of relatively high values of gross loan portfolio, which is the case of Paraguay(ABI = 138 140,2). As far as ALS is concerned, countries of Latin America and The Caribbean scored values going from 500 USD on average in Guatemala, not surprisingly followed by Haiti(ALS = 596,86 USD), by Mexico(ALS = 631,43 USD) and Brazil(ALS = 723,99 USD), and ranging up to ALS of 7 462,85 USD in Chile, 15 556,78 USD in Honduras and with Panama(ALS = 19 856,87 USD) on the top of the list. As it will be analysed in following chapters of the paper, Latin America and the Caribbean is one of the traditional regions with wide spread microfinance systems, but the threats coming mostly from the political situation in some countries can be counterproductive and discouraging for international investors or microfinance groups looking for new possibilities on the world market. Another observation that flows out of the values of ALS calculated for Latin America and the Caribbean is the high level of market saturation, caused for example by multiple borrowing to one client through different MFIs, that usually happens in the areas with presence of many MFIs(urban areas in general). The solution aganist such multiple-indebtedness would be the creation of some kind of register of debtors, where the lenders would collect the data about loans. Second but not less important step would then after the creation of such a register be the implementation into everyday use by the lenders active in the area (this can be applied on the country level, but also in cases of larger countries can be applied on regional level under assumption that the borrowers are not so mobile and would not cross the regional borders in order to outwit the system).

Middle East and North Africa

For the purpose of this paper, the term North Africa will not be used in proper geographical way, as only Morocco, Tunisia and Egypt will be included in the region studied. This is caused by the fact that only aforesaid countries are covered by mixmarket.org data. Another six countries situated in the Middle East area will be covered under a common region of Middle East and North Africa. All included countries are pointed out on the map no.5 colored in brown and they are also listed in the attached table in the annex at the end of the paper.



Map 5 – Middle East and North Africa

According to the fact, that all the countries covered are depending on the situation on oil market (either as oil exporting countries or as oil importing ones), the potential growth and therefore increase of wealth of the country is well connected with the overall situation in the world. Additionaly, what makes the situation even more difficult, the countries covered in the region of Middle East and North Africa are mostly muslim, which is a troublesome ground for women enterpreneurship to flourish. Empowering the women is widely believed to reduce poverty, as they could not only participate in the GDP growth by becoming active in the workfield, but also contribute to the household budgets and give a good example to the children. Unfortunately, the conditions for making the women work possible and accepted in the society are not so optimistic given by far-to-history-reaching social patterns. On the other side, one thing that is very promising for the region development is the fact that populations of studied countries are better and better educated and that allows them to realize the need for change, as it was broadly demonstrated during the so called Arabic Spring. The combination of rich mineral resources and different types of authoritarian regimes does not provide a lot of space for poverty to be reduced. Firstly, the resources in the country are usually owned and quarried and profited from by only a small percentage of the population, which broadens the gap between the poorest and the profiting elite. Widening of the wealth gap and misuse of the profits from national resources can be some of the reasons for lately not rare public discontent, political revolutions and even uprisings or guerrilla activities followed by military take-overs. Secondly, increasing volumes of emissions are being produced in the countries of Middle East and North Africa. Said raise is caused mainly by using extensively the fossil fuels and it worsens environmental conditions in the region (World Bank, 2014). Thirdly, as in the islamic banking charging an interest is unacceptable, it is difficult to place the typical microfinance services on such markets. That also explains the lower amounts of MFIs active in the Middle East and North Africa, compared to other regions. These amounts range from only one MFI in Yemen and Tunisia up to six MFIs in Egypt and Morocco and maximum of seven MFIs in Jordan. Logically, this region is placed last within the list of regions according to the total amount of active MFIs(altogether 33 active MFIs providing microcredit) and also according to the total number of active borrowers(more than 1,912 million clients). With comparably lower numbers of MFIs active in each country, observed results for ABI indicator were on average higher than in other regions. Lowest ABI was reached by Palestine(ABI = 6 543,67), followed by Iraq(ABI = 12 551,2) and Syria(ABI = 15943). On the other hand, Egypt(ABI = 96 532,17), Morocco(ABI = 112 870,3) and Tunisia(ABI = 209 861) reached globally very high ratios of the analysed client per institution indicator. Average credits granted by MFIs in the region were lower compared to the rest of the world, starting from ALS = 170,3 USD in Yemen, ALS = 215 UDS in Egypt and ALS = 413,74 in Tunisia and rising up to ALS = 950,16 USD in Lebanon, ALS = 1063, 81 USD in Palestine and ALS = 1 727,4 USD in Iraq. Current and also expected future situation regarding above described characteristics is based on more factors, two main of them being the unstable political an general security situation in the region and the influence of commonly practiced religion of Islam.

South Asia

Region of South Asia belongs to one of the most traditional ones for microfinance, with long and deep roots in most of the countries included in this region. The list of countries covered under the term of South Asia by mixmarket.org can be found in the end of the paper, and also on the map no.6 where all the included states are marked orange.

Map 6 – South Asia

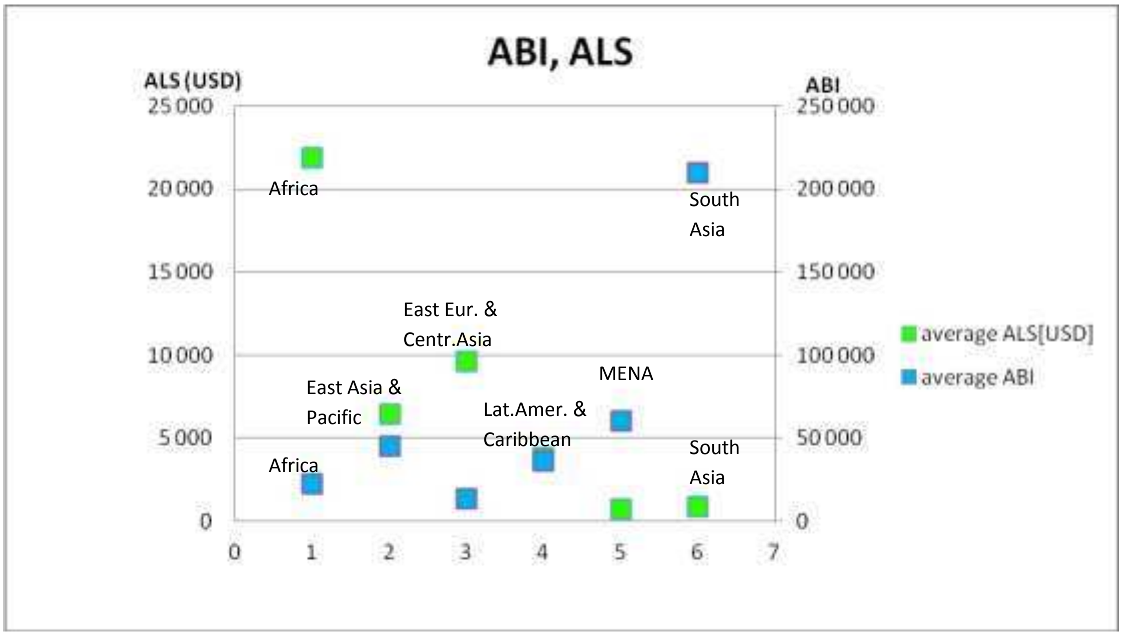
As stated by the World Bank, South Asia *will play an important role in the global development story as it takes its place in the Asian Century. It has the world's largest working-age population, a quarter of the world's middle-class consumers, the largest number of poor and undernourished in the world, and several fragile states of global geopolitical importance. With inclusive growth, South Asia has the potential to change* *global poverty* (World Bank, 2014). South Asian economies typically have large textile industries and are characterized by exporting most of the production, what gives the ground for GDP growth. In most cases such growth does not elevate the hourly wages of the textile factories' workers, so the standard of living of the poor remains most often unchanged. Another typical feature of the states covered in South Asia region is the unexpected weather changes, on account of which the agricultural production can be deeply affected. Problematic situations can vary from droughts in case of meager monsoon rains through hard raining that can destroy part of the production in case it comes during the dry season, up to cyclones with disastrous impact on the production of farmers and companies active in agriculture. Stronger insurance systems provided also for small family businesses and individual farmers would in suchlike situations help to recover the livelihood and restart the income flows. It can also help to keep the food security level high, even with the fast pace of population growth in the region. Apart from reducing the insufficient nutrition risk, another challenge for the countries of South Asia that is connected with the population rise is adequate job places creation, as the potential unemployment would definitely not help to lower the poverty rates in any country.

Total number of 159 active MFIs ranks the region of South Asia the 4th biggest between the regions, while the gross loan portfolio of over 8,215 billion USD puts it on the 3rd place and the total number of borrowers served of more than 48 million brings this region on the top of the list. Given the fact that in South Asia, countries covered are on much different stages of development and tradition in microfinance, numbers of active MFIs in a country varies from one MFI active in Bhutan, 6 MFIs active in Afghanistan, 8 MFIs active in Sri Lanka and rising up to 19 MFIs active in Bangladesh, 22 active MFIs in Nepal and with India on the head with 91 active MFIs. Due to the most MFIs active in urban areas, observations on the ABI indicator reach relatively high values, when the lowest ABI was observed for Afghanistan (ABI = 19 385,83), followed by Sri Lanka (ABI = 23 874,88) and Nepal (ABI = 29 447,82) ranging upwards to the values observed in Pakistan (ABI = 116 381,6), India (ABI = 304 574) and Bangladesh (ABI = 942 164,9). As far as the average loans are concerned, the size is rather smaller thanks to the relatively high numbers of clients served. Smallest ALS indicator values were calculated in Bangladesh (ALS = 160,21 USD), India (ALS = 162,3 USD) and Pakistan (ALS = 197,02 USD). The top of the list according to this indicator is led by Sri Lanka with ALS = 970,76 USD, Afghanistan with ALS = 1 092,85 USD and Bhutan with ALS = 3 338,63 USD. The case of Bangladesh with the average loans reaching approximately one-two hundred dollars, can be a good example of a country, where thanks to small loan and innovative thinking of the poorest, their economic situation can possibly get better. This can be confirmed by the practice of so called „village phone ladies“. According to the Grameen Bank, who succesfully developed such programme in Bangladesh, *the mobile phones not only create a new business opportunity for the poor, but also bring access to information, market, health and other services to the remote rural areas of Bangladesh. This was a major innovation; placing modern cell phones in the hand of the woman from poorest households in remote villages, something that no telecom operator had dared to do in the past. With Grameen Bank financing a Grameen Bank borrower buys a mobile phone to become the Telephone Lady of the village. She provides the telecommunication services to the village while earning profits for herself. By the end of 2009, there were about three hundred sixty four thousand village phone ladies* (Grameen Bank, 2009), covering mostly rural parts of the country and providing at least the basic telecommunication services to the poorest. With such a coverage, ideal innovation for MFIs would be to come up with the safe and easy-to-handle mobile banking so that more and more clients could communicate with the bank via this channel and therefore banks could potentially reach much more customers thanks to the synergic effects of spread of services of the bank combined with the services of the "Telephone Lady".

3. Interregional comparison

Indicators of average numbers of borrowers per institution(ABI) and average loan size(ALS) will be used as two of the comparators in the worldwide comparison of the regions. In order to prevent any misleading calculations, two more ratios will be introduced, adjusting the data for the population numbers of each group of countries. Comparative indicators will be also calculated for each of the specific groups of developing countries listed in the methodology explanatory part of the paper.

On the graph no.1 average ABI and ALS for regions of Africa(1), East Asia and Pacific(2), Eastern Europe and Central Asia(3), Latin America and The Caribbean(4), Middle East and North Africa(5) and South Asia(6) are represented.



Graph 1 – Interregional ALS and ABI indicator comparison

From the very basic graphical analysis, inverse relation between ABI and ALS can be assumed, at least for higher values of the ABI indicator. This theoretical assumption is definitely underpinned by cases of South Asia and of Middle East and North Africa, with considerably higher values of ABI indicator and also substantially lower level of ALS indicator. The table of all the results for average ABI and ALS can be found attached in the end of the paper. Analysis using the combination of ALS and ABI averages suggests that the outreach in average in terms of borrowers served and loan size of loans granted is biggest in the region of South Asia. Such finding is in accordance with the reality, when India (included in the South Asia region) is one of the leading countries and most definitely one of the first pioneer countries in microfinance.

In order to wipe out the differences caused in the comparison by calculating the absolute indicators, the population figures were used to adjust the numbers using two ratios. Firstly, the comparison of the number of active borrowers per one million inhabitants was used and secondly the gross loan portfolio of the active MFIs was adjusted to the population numbers as a gross loan portfolio per inhabitant ratio. Table with all the calculated values can be found attached under Annex 2, Borrowers per 1 million of inhabitants, Gross Loan Portfolio / Inhabitants ratio comparison table. Lowest value of the borrowers/1million inhabitants ratio were reached by the region of Eastern Europe and Central Asia(only 244,48 borrowers/1 million of inhabitants) followed by Africa (294,61 borrowers/1 million of inhabitants). This results confirm that MFIs do not reach so many clients in Africa in comparison with most of the other regions. On the other hand, the calculations for Latin America and the Caribbean (1 551,34 borrowers/1 million of inhabitants) and the one for South Asia (4 158,80 borrowers/1 million of inhabitants) prove that these regions cover much more clients than the other ones, which can be also given by the long-term history and experience in microfinance field in countries included in the regions. The second ratio (gross loan portfolio per inhabitant ratio) used for population-adjusted comparison shows how much money is provided by granting loans from MFIs to clients per inhabitant. The results here speak clearly that the lowest amounts are on inhabitant-counts-based average reached in the region of the Eastern Europe and Central Asia, with only 0,005 USD of gross loan portfolio per inhabitant ratio value. This observation confirms that the mentioned region is still the smallest in terms of market coverage by MFIs. Following value of 4,983 USD of gross loan portfolio per inhabitant ratio calculated for South Asia can be explained not by the low level of MFIs activity, but in general with low ALS indicator(2nd lowest in the comparison between the regions). That being said, the South Asia can be from this point of view considered as a region where microfinance meets its basic goal, to provide really small loans to a huge amount of poor clients. Overleaf stand the regions of East Asia and Pacific (gross loan portfolio per inhabitant ratio of 19,118 USD) where the comparatively (and probably unexpected) higher value is given partly by the smaller population numbers, and the Latin America and the Caribbean with approximately 62,203 USD of gross loan portfolio per inhabitant ratio. Such number is definitely caused also by already mentioned multiple lending problem in countries of Latin America.

In order to be able to compare the groups of countries regarding to their level of development(LDC, HIPC, SIDS, Failed states as groups of disadvantaged countries), averages of ABI, ALS, borrowers/inhabitants ratio and GLP/inhabitants ratio were calculated. All the data used can be found on mixmarket.org and also can be provided in case of interest on demand.

First of the groups of the poorest countries is the Least Developed Countries group, currently including 48 countries, but since only for 31 of them the data regarding MFIs are available, for the purpose of the paper, just the subgroup will be analysed, which is representative enough as it covers 31 states. The main criteria for country's inclusion within the LDC group are the gross national income per capita, Human Assets Index criterion and the Economic Vulnerability index. A developing country can only be included in LDC group in case its population does not exceed 75 million inhabitants (UN DESA: Development Policy and Analysis Division). The results calculated for LDC group will be analysed in comparison with other groups of underdeveloped countries, considering that in the conjunct overview it will be clearer what is the position of microfinance in each of the groups. Countries that are included in the LDC group and for which the data is available in the field of microfinance are marked red on the map no.7.

Map 7 - Least Developed Countries

Second group included in the analysis is the Heavily Indebted Poor Countries group, formed in order to promote debt forgiveness and therefore to help the poorest countries to escape from the debt trap. Currently, 32 countries are already classified as potentially eligible for debt relief, 4 countries are at the precedent stage of decision point whether or not they will become eligible, and 3 countries are at the pre-decision stage of preparations and assessment in order to enter the HIPC group (World Bank, 2012). Data regarding active MFIs in the covered countries are accessible for 31 out of the total 39 countries, meaning that the data set is representative enough for the purposes of the comparative analysis between the impoverished groups of developing countries. Map no. 8 shows the countries where data is available and which belong to the HIPC group.

Map 8 - Heavily Indebted Poor Countries

Small Island Developing States as a group of similar countries faces also a very specific set of challenges that were proven to influence the development of a country. Most typical *sustainable development challenges include small population, limited resources, remoteness, susceptibility to natural disasters, vulnerability to external shocks, excessive dependence on international trade, high transportation and communication costs, disproportionately expensive public administration and infrastructure due to their small size and little to no opportunity to create economies of scale* (UN DESA: Division for Sustainable Development, 2014). As the UNCTAD only publishes the list of SIDS used for analytical purposes including 29 countries (United Nations Conference on Trade and Development, 2013), in the paper the data set for 12 island countries regarding MFIs will be considered as partly representative, given the fact that most of SIDS countries face challenges of the approximately same nature and therefore also the results will be generalized and used in further overall comparison. According to a wider list of SIDS(some of them even non-members of

UN), there are 52 small states divided into 3 regional subgroups belonging to this group (the list is attached in the Annex at the end of the paper), but as already stated, for the analytical purposes only a smaller subgroup will be used as the data is not available for all of the covered states and in most of SIDS microfinance is not yet widely spread.

Category of failed states can be considered as the group of weakest states in the world that do not fulfill the basic characteristic of a working state establishment. Usually there are more key factors that destabilize the situation in a country, such as many ethnic/political/religious groups fighting between them in order to gain power or control over natural resources, huge gap between the poorest majority and the wealthy elites, basic human rights violations and lot more. The Fund for Peace annually calculates the Failed States Index, *based on the twelve primary social, economic and political indicators* divided into subgroups of Social indicators(including indicators of Demographic Pressures, Refugees and Internally displaced persons, Group Grievance indicators, Human Flight and Brain Drain indicators), Economic indicators(made up of Uneven Economic Development indicators and Poverty and Economic Decline indicators), and the third subgroup of Political and Military indicators(composed from State Legitimacy indicators, Public Services indicators, Human Rights and Rule of Law indicators, Security Apparatus indicators, Factionalized Elites indicators and External Intervention indicators). Maximum of 120 points can be achieved and this score represents the highest level of failure in terms of FSI as calculated by The Fund for Peace (2014). Ranking of all the countries can be found in the attachment at the end of the paper. For the purposes of further analysis of the paper, the 75% quartile was used as the limit for the definiton of a Failed State. Using the data for developing countries, the value of the 75%-quartile is 91,0852, henceforth only the countries having scored more than the received value will be considered as Failed States. The list of the countries subject to the further analysis is attached in the Annex and the countries are marked red on the map no.9.

Map 9 - Failed states according to the FSI

The overall comparison between the underdeveloped groups of states is represented in the Table no.1:

Group	Average ABI	Average ALS	Average Borrowers per 1 million inhabitants	Average Gross Loan Portfolio / Inhabitants ratio
LDC	52 963,90	1 489,24	16 060,24	16,81
HIPC	20 296,81	2 020,38	11 758,47	20,68
SIDS	8 177,70	2 505,66	12 266,21	22,33
Failed states	99 879,63	539,30	18 685,66	5,61

Table 1 – Comparison between the disadvantaged countries groups

Highest average number of borrowers are observed in Failed States, and in combination with the lowest average ALS indicator value it is obvious that the coverage of MFIs in these states is the extremely low. Such observation is in accordance with general conditions in Failed States and is confirmed also by the highest value of indicator of average amount of borrowers per 1 million of inhabitants and by the lowest average Gross Loan Portfolio/Inhabitans ratio value. In conclusion, the group of Failed States is also severely underdeveloped in terms of microfinance. The results received are only slightly better for the LDC, that scored second highest values in the average ABI and also in the average borrowers per 1 million inhabitants ratio, meaning that the access of the inhabitants of LDC is the second lowest between the compared groups of countries. The values of the average ALS and average Gross Loan Portfolio/Inhabitans ratio also justify the second worst position between the groups by reaching the second highest values observed. Fairly lower average ABI value was received for the HIPC, which can be also interpreted as the rising scope of MFIs in the included countries. Declared trend is confirmed by the lowest average borrowers per 1 million inhabitants ratio and by the second highest values of the average ALS indicator and of the average Gross Loan Portfolio/Inhabitans ratio.

The coverage of clients reached by active MFIs, simplified in the average ABI indicator is the lowest in the SIDS group, which confirms the actual situation of relatively high extent of coverage and is also given by low population levels in the above-stated group. Except the indicator of average amount of borrowers per 1 million of inhabitants, which scored the second lowest score, all the indicators point to the highest extent of microfinance in the SIDS compared to the other groups of disadvantaged countries.

4. SWOT Analysis

As in every other field, also in microfinance it is important to know the strengths, weaknesses, opportunities and threats that are potentially related to the studied issue.

Previous studies in the field of microfinance partly cover the subject of the SWOT analysis, even though it is not explicitly called as such. The paper will provide the most interesting parts of research already done in the domain (according to the author, it is clear that the paper does not provide enough space for stating all the previous findings). Janda and Zetek (2014) state, that capital markets allow sustainable and profitable MFIs to access a funding source in the form of public offering of its shares or long-term bonds without the need to rely on subsidies or grants. Another benefit of the public offering is according to them the issuer´s ability to approach more investors/creditors in shorter periods of time and the latter could benefit as well from the situation given the fact that the capital markets ensure greater transparency of the issuer compared to a situation of direct credit. The possible opportunity can be then seen in the shift of MFIs' search for funding to the capital markets.

Another view, more precisely on the weakness side of microfinance, is offered by Janda and Svarovska (2012) as they agree that even though the success of the microfinance movement is demonstrated by unexpectedly low default rates on the loans provided, some risks are still present in this matter connected to unexpected unfeasible situations of microclients. As they further explain, despite the fact that microloan is an investment loan and not a consumer one and it is not meant to cover daily financial needs, poor households operating on tight margins often do not distinguish much and some consumer lending is inevitable. In particular, food price fluctuation along with a decline in remittances flows due to unfeasible economic conditions could impair the poors' living conditions to such extent, that they would use the loans mainly for consumption and basic needs and not for their enterpreneurship projects (Janda and Svarovska, 2012). As far as the strengths are concerned, an independence (or slightly negative dependence) of microfinance funds' returns on the performance of global and emerging stock and bond markets was proven and in combination with zero systematic risk of microfinance assets it could positively contribute to a better diversification of broader portfolios, which is definitely and opportunity for the microfinance industry to widen (Janda and Svarovska, 2012).

In the approach of the paper, the SWOT analysis is based on observations from particular countries or regions and generalized for developing countries overall and explained in general, so that it could possibly bring the most also for the microfinance practicioners, and also for the theoretical findings widening.

One of the external factors for MFIs development and spread in the developing countries is the approach of governments. Different levels of poor clients' coverage can be observed in countries(or regions) where the policy instruments are forthcoming towards foreing investors also in terms of microfinance and in those, where the atmosphere is insecure, *governments take positions that are inconsistent with views of some ministers or members of the administration and therefore the system is confusing for microfinance practitioners*[11]. Opportunity that is also observed in terms of market saturation is that the demand is still not met worldwide, so there is the necessary space for eventual institutions that could possibly settle in the area. On the funding side, on one hand there is the possible threat of decreasing donorship in the terms of preference of self-sustainability of MFIs, but on the other hand the possible increasing wealth(for example linked with GDP growth in some of well-developed countries), one could also assume that potential numbers of donors or even better – socially responsible investors would arise.

Growing technological progress in developed countries can be looked at as a promising thing. In general with better technology, MFIs will be able to provide their services cheaper, to cover larger areas and therefore to fulfill the social goal of microfinance by serving more and more poor.

General characteristics of the financial market of the country have influence on microfinance system growth possibilities. Level of market openness, dependance on remittances, inflows of foreign capital and many other attributes of the financial system impact the position of MFIs, on one hand giving them growth opportunities in case of positive evolution, on the other hand intimidating them in case of lack of healthy potential in capital market terms.

Possible weakness of the microfinance in many of the developing countries is the poor banking infrastructure, which is in most cases not suitable for the standard services offered by "western banks". This weakness can be seen as a huge challenge, either to improve the basic banking infrastructure in the developing countries(which is apparently really costly) or to come up with innovative ways how to provide banking services for the poor ones living mostly in rural areas.

Usually crises in financial systems are not a good sign of the conditions on the market. But in some cases(as the Asian Financial Crisis), when the political authorities are not afraid to "clean the air" and close down the unhealthy financial institutions, it can do some good and start up the financial system from the ground again, which is an attractive agent for foreing capital to start flowing in. The weakness from the point of view of the regulatory authorities and the possible threat for potential MFIs planning to install themselves on such a market is the restrictions of the total ownership that is in some cases applied. Such policy does not promote growth in the microfinance and is definitely a protective measure that in this SWOT analysis will be considered as a threat.

Resulting from the past experiences on the financial market, not all the financial institutions were proven to be strong enough as far as the capital structure was concerned. Higher degree of regulation in capital terms(as the newest Basel agreement concerning bank regulations) can be in some cases also applied to MFIs, as they are stepping in place of banks and therefore should fulfill suchlike conditions as banks. Regulatory rules that insist on higher capital levels can be a threat(if they are imposed without further warning/discussion etc.), but also from the point of view of internationally active groups that are already used to meet all the necessary conditions, it is definitely their strength and should be taken into account as such. On the contrary it can be a huge weakness for smaller MFIs that are just in a start-up phase and that are only locally active. Another regulation-associated issue may arise in some regions, where the financing from client deposits prevails and then it is necessary that the MFIs are subordinate to regulation of the central bank or other supervising authority (Janda and Zetek, 2014). In conclusion, most of studies admit the role of regulation of MFIs, particularly because of better management of credit risk, larger transparency and necessity of supervision of administration of the clients' deposits (Janda and Zetek, 2014).

As already discussed within the situation in the Latin America region, political situation and the leading elites have a lot of influence on the overall atmosphere in microfinance(as well as on the whole financial market). Therefore it is logical that frequent changes between the leading political parties, country orientation changes from left to right and opposite, unstable administration and contradictory statements of ministers etc. establish uncertainty and a possible threats for MFIs including the high risk of legal environment changes. Unstable political situation in some cases can bring potentially some funding into the microfinance system. The left-oriented politicians know very well that future potential voters can be recruited between the poorest of the poor, so their obvious steps are leaning towards supporting microfinance either by funding or by lawgiving. Aforementioned political situation would be considered as a short-term opportunity, given the fact that the support for microfinance is purely linked to influence the opinions of the voting public.

Type of the political regime of the country can be a very important advantage but it also can be a threat to the microfinance. Practically, it is the non-authoritarian regimes that tend to be more open towards alternatives in financial intermediation. Seeing a neighbouring country getting results from microfinance schemes improves the attitudes of leading elites and may rise the trust in microfinance. Depicted effect of across-borders spillovers is undeniably a strength and furthermore an opportunity for countries with common scepticism vis-à-vis microfinance.

Government and international agencies supporting microfinance via direct donations and subsidies should be also taken into consideration when discussing the SWOT. Usually it is the weakest MFIs that are eligible to receive these unilateral transfers and the fact that they accept such money puts them in a grateful position regarding the government/subsidizing entities. In case of less reasonable political forces, the described situation can repress the decision making on the level of MFI and that should be definitely looked at as a weakness. Another argument aganist subsidies is the unsustainability of such financing, which is not compliant with the paradigm shift of past decades in microfinance. Subsidies can apart from all the mentioned also lower the interest rates necessary to cover the costs of MFIs. Borrowing at interest rates lower than the usual microfinance rates on the market could be crucial for the borrowers, as they would get used to borrowing for untenably non-competitive rates, and once they will not be able to get such a subsidized credit anymore, they would struggle paying the market interests. In conclusion, offering loans at subsidized lower interest rates then reduces the repayment rates for non-subsidized MFIs and causes problems to the debtors that are used to paying much smaller interest rates.

Lately, the pressure on profit-making was present also in the field of microfinance. More and more MFIs are sacrificing the primordial social goal in exchange for the economical ones, such as higher profits and attractivity for potential private investors. The shift from social to economic priorities can be assessed efficacious from one point of view, but on the other hand, charging higher interest rates just in order to gain more profits is widely considered inconsistent with the primary goals of microfinance and will not help to reduce the poverty. So will not do too harsh competition between MFIs on Latin American or South Asian microfinance markets, as it puts more and more pressure on profit-making and this pressure is usually turned aganist the final customers through elevated interest rates and often also through inaccurate debt recovery practices.

Related to the shift in basic goals of MFIs is the change in their legal form. As more emphasis is put on sustainability, some of the former NGOs would develop into a commercial institutions, but a potential weakness is the unability to meet the regulatory conditions applied to commercial MFIs as they have been working as an NGO for a long time and suddenly they would fall under the line of sight of the regulators.

Deeper relations between MFIs and commercial banks providing typical banking services could be profitable for MFIs by teaching them useful financial intermediary practices that could be applied on poor clients as efficiently as they are applied on regular clientele. This opportunity brings much more than just sales practices, learning from well-regulated subjects such as commercial banks(under assumption that there is an applied regulatory system in the concerned country) provides MFIs knowhow in issues like dealing with non-performing loans, evaluation of current portfolio, fraud avoidance procedures etc. The exchange of practice and information with commercial banks can be useful in another domain, specifically in the potential assessment of credit applicants. According to Janda and Zetek (2014), credit databases are starting to be used in some regions, and those are shared by the MFIs in order to provide better awareness of the debtor payment morale, as it is already common in the commercial banking sectors all around the world. On the opposite side, as shows the research of Dokulilova, Janda and Zetek (2009), the crisis impacts more the MFIs that are more linked into the formal financial system, so in terms of possibility of future crises coming, the less the microfinance and the formal banking sectors will be connected, the better the situation should be for the first mentioned.

Several weaknesses are present on the level of MFIs themselves and most of them are connected with internal operational risk. Damage caused by inexperienced or under-qualified staff could at best be offset by a strong internal control systems, but in majority of MFIs the control mechanisms are very poor, if there are any. Additional inner weakness as well as the country-level issue(viewed as a threat) is corruption, present in many developing countries, their governmental elites, between managing directors of any institutions active in corrupt environments reaching down to the regular staff members of MFIs, granting the micro loans.

Trend of MFIs' switching from group to individual lending is an opportunity, given by the fact that the responsibility is moved from the group to the individual. This promotes the debtors awareness of the case of default and replaces the used "shame" society pressure to pay up for the loan with the reliability and engagement of an individual. To put it another way, group lending could be considered trappy in case an individual being part of the credit group would have to pay up for the possible debts, frauds or another troublesome events of all the other members of the group. The unpleasant experience can in such case discourage the poor from using microfinance also in any other way(not only group credit) and therefore group lending can be though about as a weakness. Also the lack of information about the sector and the fact that investors do not perceive microfinance assets as an independent asset class (Janda and Svarovska, 2012) is one of the weaknesses. In order to persuade traditional investors seeking more than a social impact to get engaged in the microfinance sector, global credit rating of MFIs and microfinance investment vehicles carried out by an independent rating bodies as well as reliable performance indicators would be needed (Janda and Svarovska, 2012).

Immense opportunities can be found in lending to farmers or to poor who would thanks to the microcredit start an agricultural activity. The explanation for considering agricultural credit a great opportunity is simple – not only it can provide the income for the borrower's family, but also such activity produces alimentation for more people who would afterwards buy either the final product(fruit, vegetables, meat etc.) or buy it as an ingredient for the process of further production of an alimentation product. In this way, the social goals could be seen as fulfilled even more than just with the lending point of microfinance. With the shift towards various sectors of economy, it is important to mention the shift towards different kinds of services that bring more opportunities for MFIs to flourish. As Janda and Zetek (2014) mention, apart from the possibility of financing housing or ecological projects, there is a great future in the insurance products as a considerable part of population in developing countries is exposed to the risk of injury or disease that can cause unexpected expenses on drugs or doctor´sappointment as well as they are exposed to more and more common fluctuations of weather and climate, possibly causing even higher expenses or lack of income in case of agricultural producers etc.

More opportunities would arise with unmet demand for loans providing encouragement for the future development of microfinance institutions, assuming that additional capital to expand would be available for lending institutions and also assuming that they would be technically apt to reach new clients (Janda and Svarovska, 2012).

One of the threats, as explained by Dokulilova, Janda and Zetek (2009) is the MFIs that collect deposits not only from poor but also from the regular clientele (in order to assure funding). The problem may arise during the economic downturn, as the non-poor are usually proven to be more sensitive in terms of deposits. As they mention, the loss of confidence and run on deposits in USA and Europe can also lead to same reaction in developing countries, which is definitely a threat for the microfinance industry.

The graphical representation of the SWOT analysis (Table no.2) shows all the combinations of internal/external and positive/negative factors that influence microfinance in general.

	+	-
INTERNAL	Short term cooperation and support from leftist political elites Across-border spillover effect High repayment rates Ability to attract socially responsible investors	Poor banking infrastructure Unsustainability in case of subsidized financing "Raising" borrowers on non-market rates Problems in dealing with non-performing loans Under-developed fraud avoidance Unability to meet the regulatory framework conditions Shortage of qualified/experienced staff Corruption, clientelism
EXTERNAL	Growing demand Growing number of socially responsible investors(potential funding suppliers) Market openness Innovative client approaches Stable non-authoritarian regimes Technological progress Know-how transfer from commercial banks Shift towards individual lending Agricultural loans development	Profit making pressure Decreasing donor funding Regulatory changes Frequent political changes

Table 2 - SWOT Analysis

In the SWOT analysis, for each group of factors, the total wage in sum was put equal to 1, giving different factors wages according to their importance and on the impact they can have on microfinance in general. Afterwards, each of the factor received a score according to the following: strengths and opportunities as positive influences were graded from 1(the lowest score) up to 5(the highest score meaning the biggest strength or opportunity). Analogously, the weaknesses and threats were graded from -1(the lowest level of negative effects on microfinance) to -5(the highest endangering effect of the factor). The scores were calculated for each group and then further analyzed. Table with all the details such as weight and score for each factor is attached in the Annex no.5 and explained below. Overall score for strengths is 4.25, while the total score for weaknesses is -3.85. That being put together makes 0.4 in total for the intrinsic factors, hence the result of the first part of the SWOT analysis is positive and means that the strengths surmount the weaknesses. In the second part, factors classified as opportunities scored a total of 3.45, threats' overall score was -3.4, giving the result of 0.05, which is positive but the low value means that the possible positive and negative influencing factors are almost even or balanced. All the results are made under assumption that we included the most influencing factors. To summarize the SWOT analysis, the sum of scores of internal and external factors leaves us with a total score of 0.45, which cannot be interpreted as very promising, but definitely it is a positive result and the outlook therefore can be subtly optimistic.

5. Efficiency Analysis

Research has been already conducted in the fields of efficiency and profitability, and the results may vary, which is also given by the fact that each of the studies take a different point of view on the issue and also use various indicators to assess the whole situation on the microfinance market. As Janda and Turbat (2013) proved, rural lending and targeting women borrowers seem to have an impact on profitability of MFIs, while the group lending was not proved to be as influencing. As proved by Hartarska, Nadolnyak and Shen(2012), most of the active MFIs do not operate at optimal size and could possibly reach higher efficiency in terms of social(shown by number of clients served) and also financial(shown by volume of loans granted to the clientele) outreach in case they would expand. In the paper, the results of above mentioned research were taken as the basic assumptions, that have been empirically proven on wide-enough data set (statistical verification was carried out on data for MFIs in the region of Eastern Europe and Central Asia – which can be considered as a region that is representative because of diverse nature of countries included in it). Their results show apart from other findings that *microfinance industry as a whole has a large number and proportion of very small organizations that must consolidate or grow if they are to operate at minimum costs* (Hartarska, Nadolnyak, Shen (2012)). In the research, the focus was put on various indicators that speak about the effectiveness, but given the fact that relatively profound analysis was already elaborated by Hartarska, Nadolnyak and Shen(2012), the cost function itself will not be furtherly analysed.

From the business point of view, what is really important to assess the efficiency is the indicators of returns, specifically the return on assets and the return on equity ratios. Analysis of Janda and Svarovska (2012) proved, that returns on investment in microfinance investment funds are nt positively correlated with returns on the market portfolio (the conclusion applies only to Euro denominated funds as the analysis for the funds denominated in US dollars did not bring signficant results), meaning that in order to invest in more socially responsable assets, the investor does not have to pay (in terms of opportunity cost) a higher price, which puts the possible investment in microfinance in a similar position that any other investment, when assessing and managing the risks. Considering MFIs as businesses that should show viable financial results, it is one of the key factors that should be analysed and compared worldwide. After removal of outlying observation of UNRWA – Syria(ROA of -86,33% and ROE of 234,34%, whose results were most likely caused also by upcoming humanitarian crisis and by the overall situation when country is on the verge of disintegration), firstly the simple averages were compared in order to receive a rough outline of the level of returns received over the world. For this part of efficiency analysis, data from mixmarket.org database were used followingly: the ROA and ROE indicators from MFIs were collected on annual basis for year 2013, as the most data was available for this period (the latest available data was chosen in order to provide maximum accuracy compared to the actual situation), and only the MFIs that provided both indicator values were taken into account. The simple average ROA achieved was 1,06%. This value was used as an industry benchmark and the regional results were afterwards compared to it. Regions of South Asia (172 MFIs, simple average ROA of -1,44%), Africa (170 MFIs, simple average ROA of -0,59%) and East Asia and Pacific (130 MFIs, simple average ROA of 0,72%) scored below the international industry benchmark level. On the other hand, developing regions of Latin America and the Caribbean (329 MFIs covered) with simple average ROA of 1,48%, Eastern Europe and Central Asia (154 MFIs covered) with simple average ROA being 3,74% and the region of Middle East and North Africa (29 MFIs observed) with simple average ROA of 8,01% scored above the average. The same procedure was used to establish an international benchmark for simple ROE average, the resulting value received was 8,45%, not surprisingly the lowest value was attained by the region of Africa (simple ROE average being 3,41%), followed by the second region of Latin America and the Caribbean that also scored under the benchmark level with the value of simple ROE average equal to 5,95%. Lowest value between the regions scoring above the benchmark was reached in South Asia (simple ROE average equal to 9,99%), followed by simple ROE average of 11,73% in the East Asia and Pacific, 13,83% in the Eastern Europe and Central Asia region and 14,09% simple ROE average achieved by MFIs in the Middle East and North Africa.

In order to provide more detailed analysis, the weighted averages for ROA and ROE indicators were calculated within the regions and then compared interregionally. Weights used were the numbers of active borrowers as a width pointer of the scope of services provided by each of MFIs with reported return indicators, therefore the observations were reduced to MFIs with stated numbers of active borrowers (127 MFIs in Africa, 126 MFIs in East Asia and Pacific, 133 MFIs in the Eastern Europe and Central Asia, 294 MFIs in Latin America and the Caribbean, 23 MFIs in the Middle East and North Africa and 162 MFIs in South Asia). All the detailed calculations are available upon request. The only region that has reached negative values of the weighted ROA and ROE averages was South Asia with the first mentioned indicator being on average -5,82% and the latter being -62,55%. Such a result was caused by few quite large MFIs (in terms of numbers of active borrowers), whose ROA values went to dozens and ROE values to hundreds on the negative side. In combination with the number of almost 45 million active borrowers in the region, the results speak clearly for the actual situation in the South Asian microfinance market. Apart from South Asia, the lowest value of weighted ROA average was attained in East Asia and Pacific (0,35%), where most of the achieved ROA were really low, given also by the relatively low level of microfinance sector maturity and geographically harder spread of microfinance services. The region scored the lowest (disregarding South Asia region) also in terms of weighted ROE (1,99%). Regions of Africa (weighted ROA average of 3,96%), Latin America and the Caribbean(weighted ROA average of 4,12%) and Eastern Europe and Central Asia (weighted ROA average of 4,16%) achieved values pointing approximately to the value of 4%, which seems like the average ROA that could be potentially achieved by MFIs in general, considering the fact that three of the regions scored closely around such value. The more rhetorical question for further reflection could be if such a value is high enough to speak up for the competitiveness of the industry compared to other financial and non-financial industries. The highest weighted ROA average of 5,61% was calculated for the Middle East and North Africa region, where the median value reached 5,62% and the return on assets as a whole is the most balanced in the set of active MFIs compared to all the other regions. As far as weighted ROE average is concerned, apart from the lowest value scored by South Asia, the lowest positive value was calculated for East Asia and Pacific (weighted ROE average of 1,99%), followed by the Middle East and North Africa with weighted ROE average of 12,39% and by the Latin America and The Caribbean with 14,20%. Highest returns on equity were observed in Africa (weighted ROE average of 20,04%) and Eastern Europe and Central Asia (weighted ROE average of 21,13%). In the attached table no. 3, the scores were assigned according to the order of regions ranked by the results obtained for weighted ROA and ROE indicators, wherein the highest results achieved by the region was awarded with the highest score and afterwards the regions were awarded decreasing amounts of points. The scores for weighted ROA and ROE were added up and compared worldwide to provide an overview which region is the most efficient in terms of rentability.

Region	Score for WROA	Score for WROE	Score SUM	Order
Africa	3	5	8	3.
East Asia and Pacific	2	2	4	4.
Eastern Europe and Central Asia	5	6	11	1.
Latin America and The Caribbean	4	4	8	3.
Middle East and North Africa	6	3	9	2.
South Asia	1	1	2	5.

Table 3 - ROA, ROE score

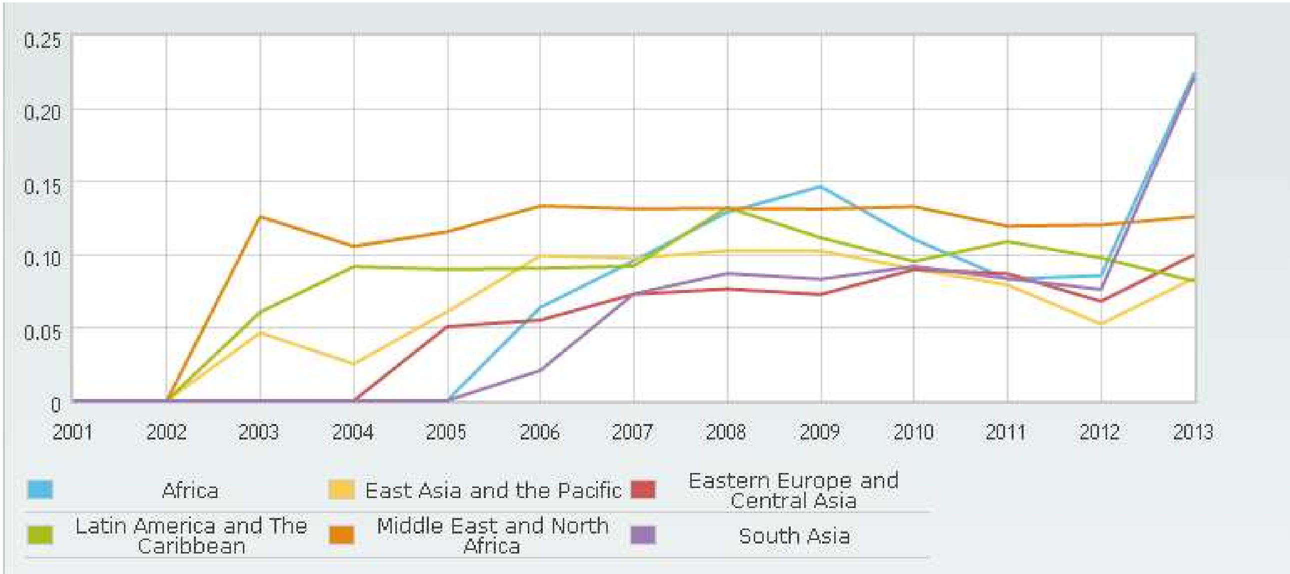
From such a comparison, it is clear that the highest efficiency was attained by the region of Eastern Europe and Central Asia, followed by the Middle East and North Africa region. On the opposite side of the ladder stands South Asia, with lowest scores in both examined return indicators. Such result can be also linked to the percentage of women borrowers, that is comparably higher in the South Asia region than in the Middle East and North Africa, where the amount of women borrowers are several times lower than in South Asia.

Another indicator that was observed is the ratio of gross loan portfolio to total assets. It was included as a percentage also in order to provide an indicator that does not rely on the size of MFI. In Africa, 256 MFIs provided necessary data on annual basis for year 2013. The average gross loan portfolio/total assets ratio was 62,68%, with median value of 64,25%. In the region of East Asia and the Pacific, 140 MFIs were included in this comparison, with average gross loan portfolio/total assets ratio of 80,28% and a median of 82,44%. Eastern Europe and Central Asia region with 176 MFIs that provided necessary data reached the average gross loan portfolio/total assets ratio of 79,72% and median of 81,35%. From the data of 342 MFIs located in latin America and The Caribbean, 81,99% average gross loan portfolio/total assets ratio was calculated, with median equal to 81,2%. The same research was done in the Middle East and North Africa region, where the 29 MFIs reached on average 77,31%

of gross loan portfolio/total assets ratio, median being 78,46%. In the last examined region, South Asia, altogether 169 MFIs were included in the gross loan portfolio/total assets comparison. Average observed in this region was 82,7% and median value was 82,12%. In general the conclusion from this comparison would be that all the regions reach approximately 80% of average gross loan portfolio/total assets ratio, except of the region of Africa, where the average is below 63%, so there is a sign that this region is slightly lagging behind the other ones. The table with the results is attached in the Annex no.6.

Another part of the efficiency analysis is the analysis of the expense side. For purposes of this paper, the mixmarket.org data was used and the expense indicators as median values through the regions worldwide were reported.

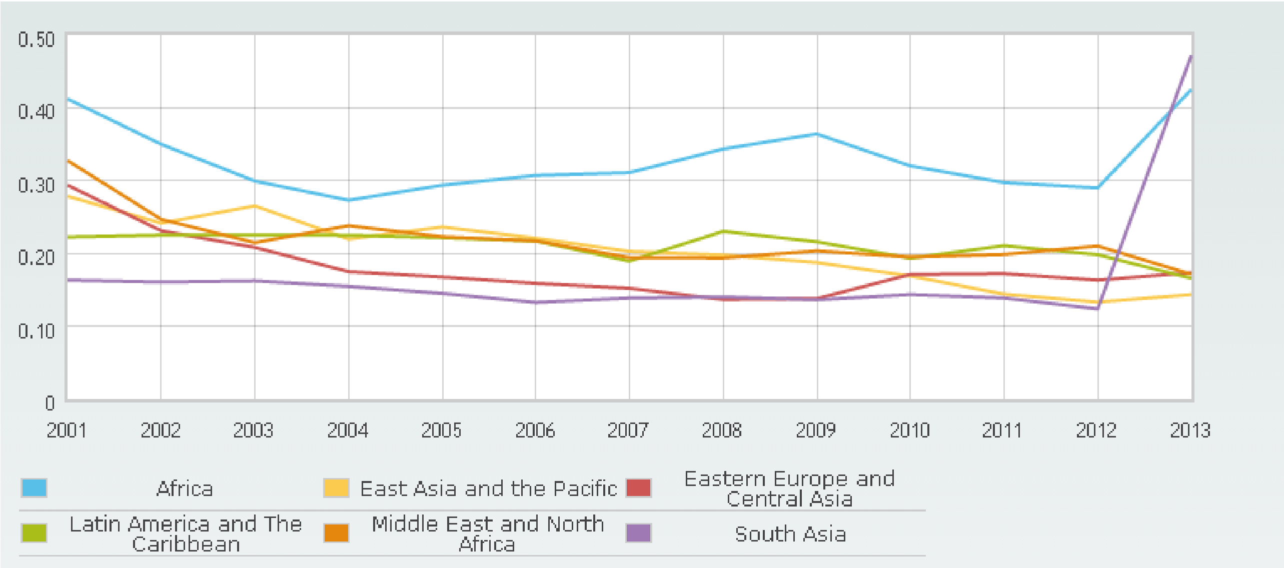
In the graph no.2, the indicator of personnel expense / loan portfolio is presented for each region. Through the reported time period, the highest expenses on



Graph 2 – Personnel expenses/loan portfolio indicator over time

personnel compared to the loan amount was observed in Middle East and North Africa region. On the other hand, regions such as South Asia or Eastern Europe and Central Asia had comparably lower ratio of personnel expenses / loan portfolio. Such situation can be also linked to the average wages ranges that are much different in South/Central Asia and Eastern Europe regarding to the wages in the Middle East, so it does not necessarily mean that the South Asian MFIs operate more efficiently, even though the pointer shows so.

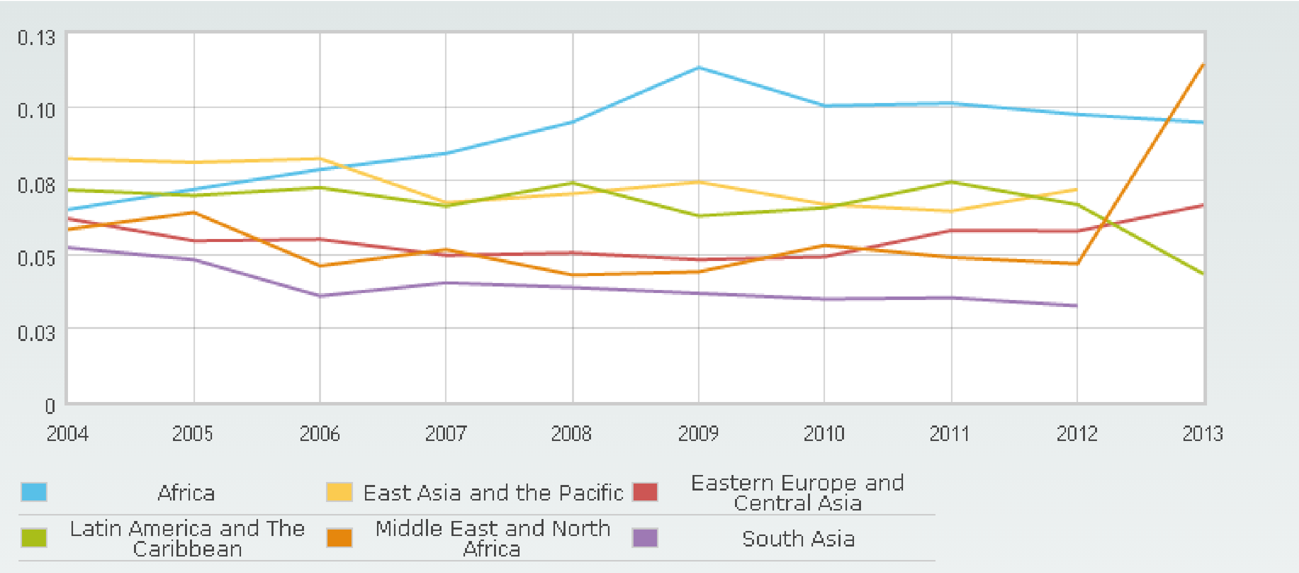
Probably even more important indicator to assess the efficiency of an MFI is the operating costs, that should be comparable all over the world.



Graph 3 – Operating expenses / loan portfolio indicator over time

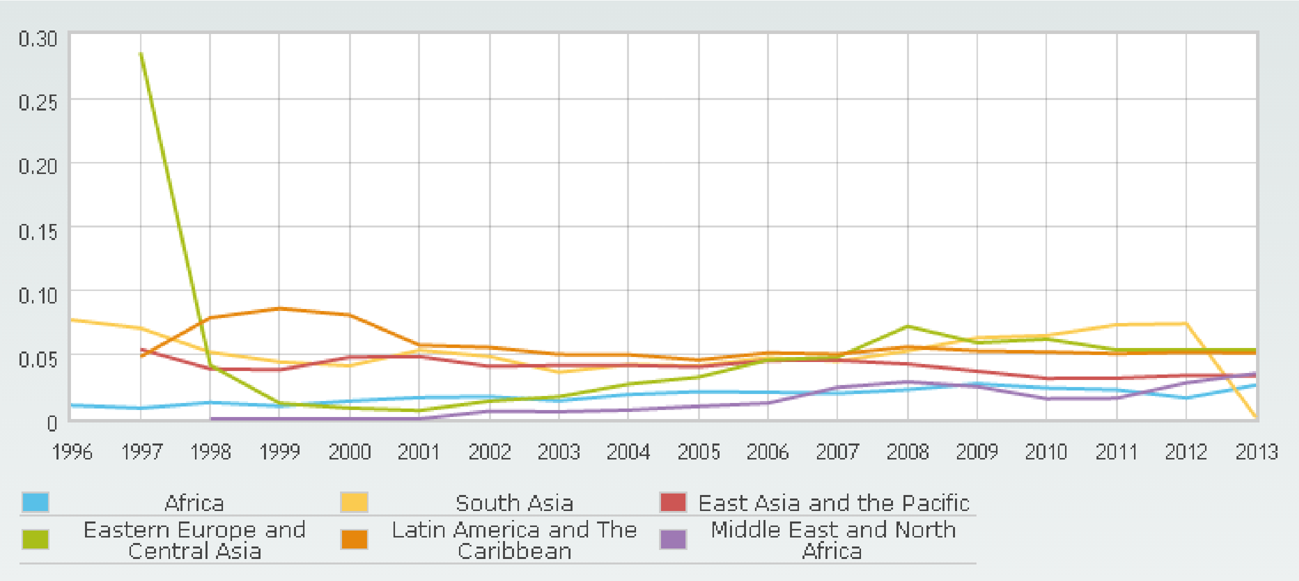
If we look at the operating expenses / loan portfolio ratio (as it is apparent from the graph no. 3), the highest level of efficiency is reported in South Asia, followed by the region of Eastern Europe and Central Asia. On the opposite, African MFIs reach almost twice the operating expenses / loan portfolio compared to the most efficient regions.

Lowest administrative expenses compared to the total assets ratio was observed in the region of South Asia, followed by the Middle East and North Africa, and by Eastern Europe and Central Asia, as seen in the graph no.4). Whereas South Asian MFIs were quite successful in keeping the administrative expenses / assets ratio relatively low, African MFIs' median was increasing up to more than twice the level of the region of South Asia, keeping in mind that in the beginning of the studied period, the levels of the studied indicator were by far much closer than at the end of the year 2012.



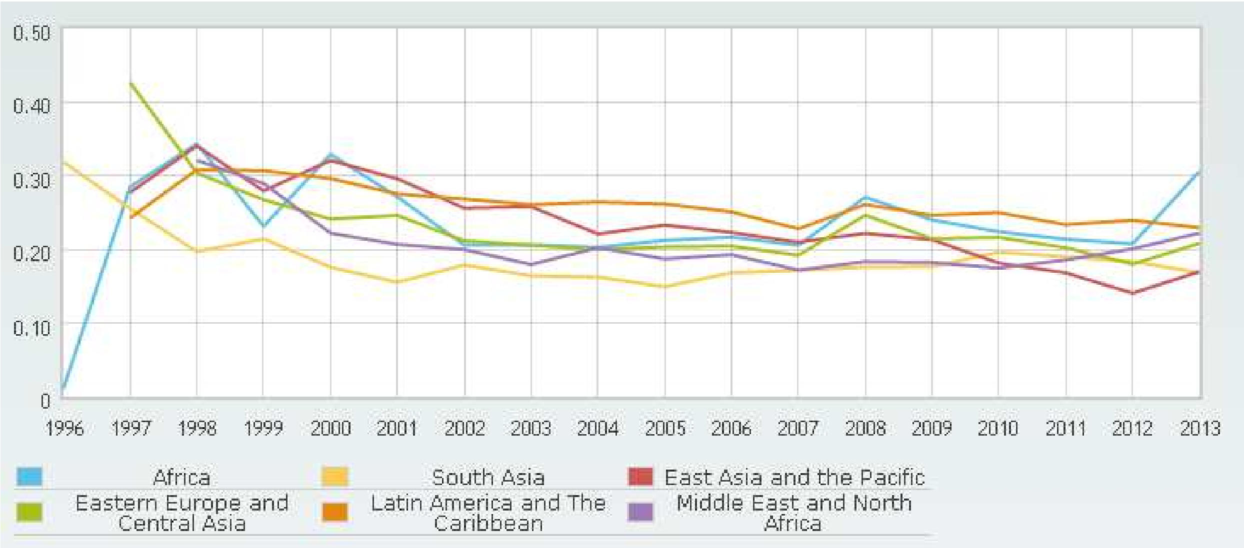
Graph 4 - Administrative expenses / total assets indicator over time

Results that can be surprising at the first sight, but in general are not so difficult to explain, come from the analysis of financial expenses / assets ratio (Graph no. 5).



Graph 5 - Financial expenses / total assets indicator over time

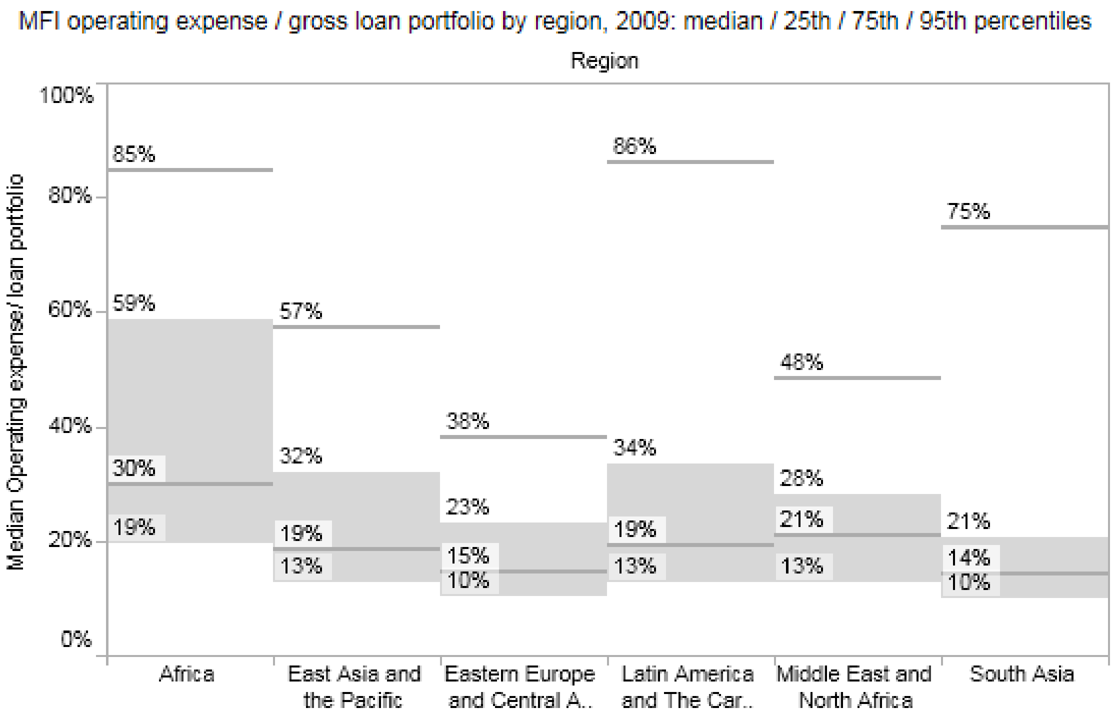
During the covered period, it is clear that above-mentioned expenses were highest in the Middle East and North Africa, followed by the region of Africa. Given the prevailing islamic banking in countries of Middle East and North Africa region, the interest rates and therefore the linked financial expenses are close to zero and therefore comparably lower than the financial expenses in other regions. The second lowest financial expenses were observed in Africa due to incompetitive advantages (in form of lower interest rates), that are widely awarded to African MFIs or MFIs active in the region, in order to provide more accesible funding. To conclude the comparison of the expenses, on the graph no. 6, the ratio of total expenses/total assets is shown.



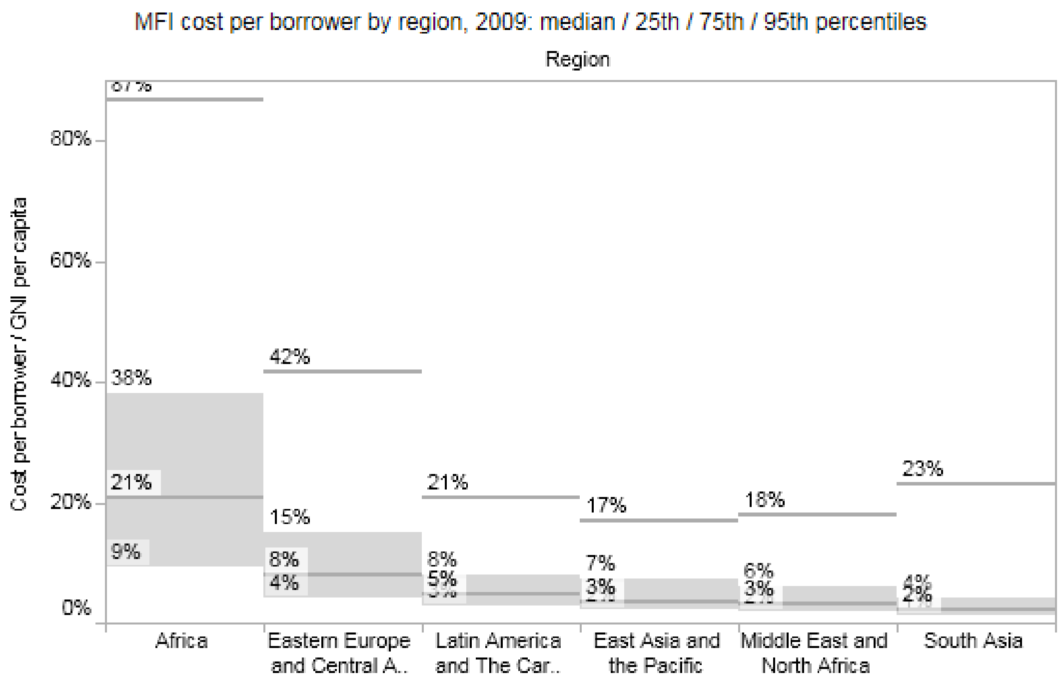
Graph 6 – Total expenses / total assets indicator over time

In the long term, the most efficient region seems to be South Asia, but in general the observed values all tend to be approaching to 0,20 level. From the graph, it is also assumable that the future evolution of the studied values could vary more and therefore the expense side of MFIs efficiency analysis could be the cornerstone of the future research.

The efficiency of MFIs compared by Gonzales (2014) based on the ratio of median operating expenses to the gross loan portfolio shows approximately the same results, with highest values in Africa meaning the lowest efficiency of African MFIs and with South Asian MFIs on the opposite end with lowest value and therefore the highest efficiency level from all the compared regions, as shown on the graph no.7. The results are almost the same also in the case of analysis of the ratio of the cost per borrower to GNI per capita. The ranking of the regions is similar (as observed on the graph no.8), just the region of East Asia and the Pacific reached lower values, which is caused partly by lower cost per borrower and also partly by higher GNI per capita values. For further analysis, more efficiency level comparisons are attached in the annex no.7.



Graph 7



Graph 8

Conclusion

In order to be able to reach better regulatory conditions, contributive legal framework and other important macroeconomic influencing factors, MFIs should on a national level hold an unified position in the interest of less complicated and smoother dialogue between the MFIs and the leading political elites. Common representant who would act in place of all the locally active MFIs and deliver their opinions and attitudes is another great step towards improvement of the situation in microfinance on a national level.

As already discussed in the SWOT analysis, the current political situation in a country is one of the important aspects that play a role in microfinance development. There is a huge opportunity in the field of political dialogue between various partners, ranging from MFIs and the political leaders of the states, through the UN representatives and other significant international bodies' leaders, and in such a dialogue plenty of current weaknesses and threats regarding microfinance could be treated, or at least they could get the necessary attention by being discussed on such a platform.

One of the recently discussed innovations in the field of microfinance is the use of the interest caps, putting the limit to the interest rates charged on microcredit. For most of the experts, such a solution can prevent the profit-making and financial sustainability pressures that widely affect MFIs from impoverishing the already poor. May the described measure have a positive effect on the rates that the poor have to pay to MFIs, it can be also considered an unnatural and undesirable interference that can easily influence the functioning market powers in a negative and harmful way.

As show the results of this paper, the most developed regions in terms of microfinance are South Asia and Latin America and the Caribbean, which can be contributed not only to the wide spread of MFIs in the mentioned regions, but also to the overall approach of inhabitants and governing bodies. In terms of returns (ROA, ROE indicators), the region of Eastern Europe and Central Asia leads the ranking, followed closely by the Middle East and North Africa region, specific by its mostly islamic population and therefore with prevailing islamic banking. In latter specific case it is rather surprising that the return indicators are amongst the highest between the regions, given the combination of really low interest rates charged on microcredit and on the expense side the expenses being on the tail with lowest or second lowest values in most of the types of expenses (personnel, operating, administrative, financial). On the other side stands the region of Africa, with relatively higher costs and expenses and also with almost lowest (except the East Asia and Pacific region) values of return indicators. In general, the conclusion is that the different levels of costs per borrower, return or efficiency indicators point out not only to the cultural and environmental differences, but also to the different stages of the microfinance industry development in each of the regions. Further research can be conducted in the field of life phases of the microfinance industry and how it influences the MFIs‘ efficiency.

So far the assessment of microfinance industry was carried out mostly through two different channels. On one hand, the social impact was studied through numbers of active borrowers (or clients of MFIs in general), on the other side the financial matters as sustainability and efficiency were used to establish the evaluation of the microfinance movement impact on poverty eradication. Further combination of the two mentioned dimensions is necessary for future evaluation because the one without the other cannot provide a truly sustainable microfinance environment. As it is common in every single domain, there are voices that praise microfinance and its impact in the world, but also those who are being critical and argue aganist it. Both sides can be right at some points of the debate, but definitely the impact is obvious when one looks at the time series and having seen the spread of microfinance all over the world, it would not have been possible without a bright idea behind and a good business conduct. It is supposed that the pace of growth of microfinance industry will slowly decrease, given the fact that the markets are getting more and more covered, which with growing demand can only lead to overall growth of the microfinance industry.

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Data source: mixmarket.org
Maps source: http://www.amcharts.com/visited_countries

Annexes

Annex 1 – Lists of countries included in the regions

Africa

Benin
Burkina Faso
Burundi
Cameroon
Congo(Democratic Republic of the Congo)
Congo(Republic of the Congo)
Cote d'Ivoire (Ivory Coast)
Ethiopia
Gambia(The Gambia)

Ghana
Guinea
Chad
Kenya
Liberia
Madagascar
Malawi
Mali
Mozambique
Namibia
Niger
Nigeria
Rwanda
Senegal
Sierra Leone
South Africa
South Sudan
Tanzania
Togo
Uganda
Zambia
Zimbabwe

Eastern Europe and Central Asia

Albania
Armenia
Azerbaijan
Bosnia and Herzegovina
Bulgaria
Georgia
Kazakhstan
Kosovo
Kyrgyzstan
Macedonia
Moldova
Mongolia
Montenegro
Poland
Romania
Russia
Serbia
Tajikistan
Turkey
Ukraine
Uzbekistan

East Asia and Pacific

Cambodia
East Timor
Fiji
China People's Republic of
Indonesia
Laos
Papua New Guinea
Philippines
Samoa
Tonga
Vietnam

Latin America and The Caribbean

Argentina
Bolivia
Brazil
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Guyana
Haiti
Honduras
Chile
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Saint Lucia
Suriname
Trinidad and Tobago

Middle East and North Africa

Egypt
Iraq
Jordan
Lebanon
Morocco
Palestine
Syria
Tunisia
Yemen

South Asia

Afghanistan
Bangladesh
Bhutan
India
Nepal
Pakistan
Sri Lanka

Annex 2 - ABI, ALS worldwide comparison table

Region	ABI(average)	ALS(average)
Africa	22 276,67	21 867,58
East Asia and Pacific	44 925,95	6 448,46
Eastern Europe and Central Asia	13 517,26	9 581,53
Latin America and The Caribbean	36 080,56	3 840,46
Middle East and North Africa	60 252,74	737,49
South Asia	209 878,72	879,17

Annex 3 - Borrowers per 1 million of inhabitants, Gross Loan Portfolio / Inhabitants ratio comparison table

Region	Borrowers per 1 million inhabitants	Gross Loan Portfolio / Inhabitants ratio
Africa	294,61	9,91
East Asia and Pacific	639,52	19,12
Eastern Europe and Central Asia	244,48	0,01
Latin America and The Caribbean	1 551,34	62,20
Middle East and North Africa	995,04	5,35
South Asia	4 158,80	4,98

Annex 4 - SIDS – list of countries divided in regional subgroups (Wikimedia Foundation (2013))

Caribbean	Pacific	Africa, Indian Ocean, Mediterranean and South China Sea (AIMS)
Anguilla[a][b][c]	American Samoa[d][e][c]	Bahrain[a][e]
Antigua and Barbuda	Cook Islands[c]	Cape Verde[e]
Aruba[a][f]	Federated States of Micronesia	Comoros[g]
Bahamas	Fiji	Guinea-Bissau[g][e]
Barbados	French Polynesia[a][b][c]	Maldives[f]
Belize	Guam[d][e][c]	Mauritius
British Virgin Islands[a][b][c]	Kiribati[g]	São Tomé and Príncipe[g][e]
Cuba[e]	Marshall Islands	Seychelles
Dominica	Nauru	Singapore[e]
Dominican Republic[f]	New Caledonia[a][b][c]	
Grenada	Niue[c]	
Guyana	Northern Mariana Islands[a][e][c]	
Haiti[g]	Palau	
Jamaica	Papua New Guinea	
Montserrat[a][c]	Samoa[g]	
Netherlands Antilles[d][f][c]	Solomon Islands[g]	
Puerto Rico[a][f][c]	Timor-Leste[g][a][f]	
Saint Kitts and Nevis	Tonga	
Saint Lucia	Tuvalu[g]	
Saint Vincent and the Grenadines	Vanuatu[g]	
Suriname		
Trinidad and Tobago		
United States Virgin Islands[d][e][c]		

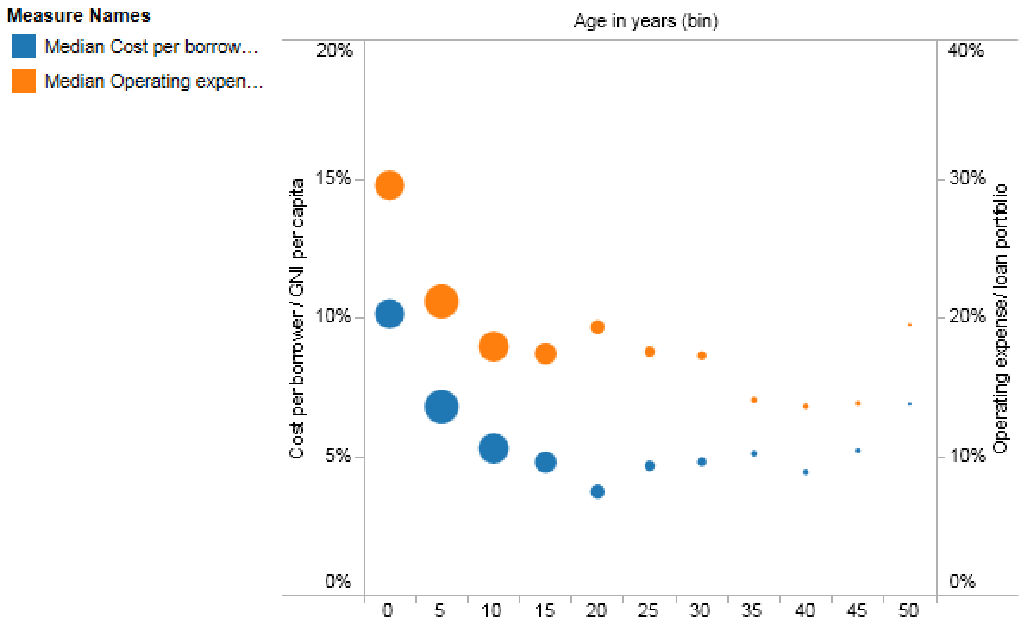
Annex 5 - SWOT Analysis – scores

Strengths	Wage	Score	Total score
Short term cooperation and support from leftist political elites	0,05	3	0,15
Across-border spillover effect	0,2	3	0,6
High repayment rates	0,5	5	2,5
Ability to attract socially responsible investors	0,25	4	1
			4,25
Weaknesses	**Wage**	**Score**	**Total score**
Poor banking infrastructure	0,15	-4	-0,6
Unsustainability in case of subsidized financing	0,1	-2	-0,2
"Raising" borrowers on non-market rates	0,05	-1	-0,05
Problems in dealing with non-performing loans	0,15	-4	-0,6
Under-developed fraud avoidance	0,15	-5	-0,75
Unability to meet the regulatory framework conditions	0,1	-3	-0,3
Shortage of qualified/experienced staff	0,15	-4	-0,6
Corruption, clientelism	0,15	-5	-0,75
			-3,85
Opportunities	**Wage**	**Score**	**Total score**
Growing demand	0,15	4	0,6
Growing number of socially responsible investors	0,15	3	0,45
Market openness	0,05	3	0,15
Innovative client approaches	0,15	4	0,6
Stable non-authoritarian regimes	0,05	2	0,1
Technological progress	0,15	2	0,3
Know-how transfer from commercial banks	0,1	3	0,3
Shift towards individual lending	0,15	5	0,75
Agricultural loans development	0,05	4	0,2
			3,45
Threats	**Wage**	**Score**	**Total score**
Profit making pressure	0,4	-5	-2
Decreasing donor funding	0,2	-1	-0,2
Regulatory changes	0,2	-3	-0,6
Frequent political changes	0,2	-3	-0,6
			-3,4

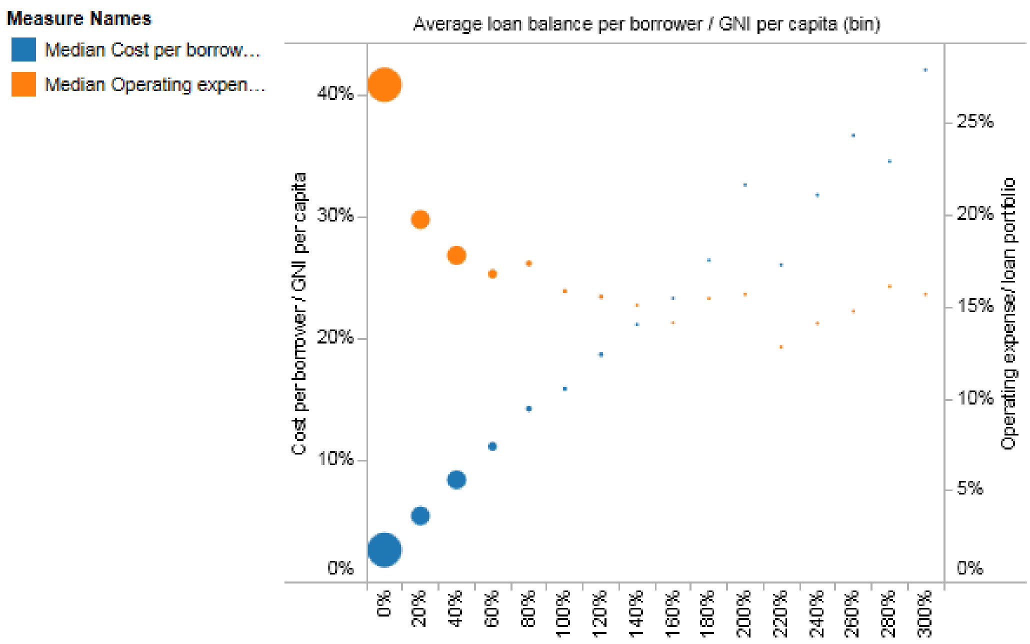
Annex 6 – Gross Loan Portfolio indicators – comparison table

Region	Average Gross Loan Portfolio / Total Assets	Median Gross Loan Portfolio / Total Assets
Africa	62,68%	64,25%
East Asia and Pacific	80,28%	82,44%
Eastern Europe and Central Asia	79,72%	81,35%
Latin America and The Caribbean	81,99%	81,20%
Middle East and North Africa	77,31%	78,46%
South Asia	82,70%	82,12%

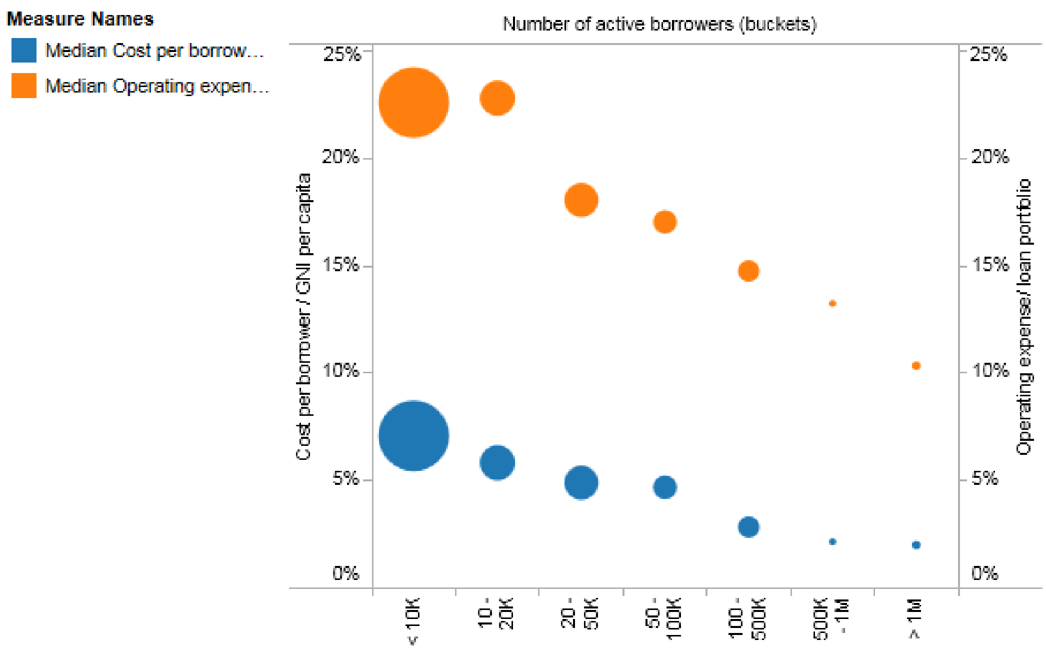
Annex 7 – Efficiency of MFIs by age, loan size and scale through all the regions (region criterion not applied in the graphs)



Efficiency by age



Efficiency by loan size



Efficiency by scale

Annex 8 – Failed States Index

Rank (from highest FSI)	Country	FSI	Rank (from highest FSI)	Country	FSI
1.	Congo Democratic Republic of the	11	37.	Kyrgyzstan	85,67
2.	South Sudan	110,56	38.	Tajikistan	85,24
3.	Chad	10	39.	Papua New Guinea	84,91
4.	Yemen	106,97	40.	Georgia	84,20
5.	Afghanistan	10	41.	Colombia	83,79
6.	Haiti	105,82	42.	Laos	83,66
7.	Zimbabwe	10	43.	Mozambique	82,81
8.	Iraq	103,91	44.	Philippines	82,76
9.	Cote d'Ivoire (Ivory Coast)	10	45.	Madagascar	82,74
10.	Pakistan	102,90	46.	Gambia The	81,76
11.	Guinea	10	47.	Bhutan	81,76
12.	Nigeria	100,70	48.	Senegal	81,43
13.	Kenya	9	49.	Tanzania	81,10
14.	Niger	99,03	50.	China People's Republic of	80,91
15.	Ethiopia	9	51.	Palestine	80,80
16.	Burundi	97,60	52.	Fiji	80,75
17.	Syria	9	53.	Bolivia	80,75
18.	Uganda	96,56	54.	Guatemala	80,73
19.	Liberia	9	55.	Nicaragua	79,23
20.	Cameroon	93,51	56.	Ecuador	78,56
21.	Sri Lanka	9	57.	Honduras	78,29
22.	Bangladesh	92,53	58.	Azerbaijan	78,25
23.	Nepal	9	59.	Indonesia	78,15
24.	East Timor	91,49	60.	Benin	77,93
25.	Sierra Leone	9	61.	India	77,47
26.	Egypt	90,59	62.	Russia	77,11
27.	Burkina Faso	9	63.	Bosnia and Herzegovina	76,53
28.	Congo Republic of the	90,01	64.	Moldova	76,50
29.	Mali	8	65.	Tunisia	76,50
30.	Rwanda	89,33	66.	Turkey	75,89
31.	Malawi	8	67.	Jordan	75,74
32.	Cambodia	87,97	68.	Serbia	74,41
33.	Togo	8	69.	Morocco	74,34
34.	Uzbekistan	86,93	70.	Dominican Republic	73,23
35.	Zambia	8	71.	El Salvador	73,21
36.	Lebanon	86,32	72.	Mexico	73,11
			73.	Vietnam	73,08
			74.	Peru	72,33
			75.	Paraguay	71,83
			76.	Armenia	71,35

77.	Suriname	71,17	88.	Trinidad and Tobago	62,61
78.	Guyana	7[illegible]	89.	Brazil	62,08
79.	Namibia	70,42	90.	Mongolia	57,81
80.	Kazakhstan	6[illegible]	91.	Romania	57,41
81.	Ghana	69,11	92.	Panama	55,80
82.	Samoa	6[illegible]	93.	Bulgaria	55,01
83.	Macedonia	68,04	94.	Montenegro	54,36
84.	South Africa	6[illegible]	95.	Costa Rica	48,73
85.	Ukraine	65,86	96.	Argentina	46,05
86.	Jamaica	6[illegible]	97.	Chile	42,35
87.	Albania	65,22	98.	Poland	40,93