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# Benchmarking Azerbaijan Microfinance 2006

mix
Microfinance Information eXchange

**A report from the Azerbaijan Micro-finance Association and MIX** **January 2008**

## Introduction

Microfinance is often considered to be one of the most effective and flexible strategies in the fight against poverty, which is consistent with the intended role of microfinance services in Azerbaijan. Microfinance institutions (MFIs) of Azerbaijan have matured and grown in capacity and have become among the most active financial institutions contributing to the economic development of the country.

Although Azerbaijani MFIs are still relatively young, as of September 2007 these institutions had a total outstanding portfolio exceeding 316 million USD with 223,000 active borrowers. The current report illustrates the performance changes in the microfinance sector of Azerbaijan during 2004–2006 for a group of 9 leading MFIs (comprising 90 percent of the non-bank sector) and focuses on the increased efficiency of operations and overall productivity and the expansion of outreach and scale.

MFIs in Azerbaijan have had to adjust to a rapidly changing macroeconomic environment, with high inflation and rising income levels. For many MFIs in the sector, expansion has had to move upward rather than outward—loan balances are increasing faster than outreach. External financing has partially met the demand for credit, but this has been concentrated towards a few larger MFIs. Local financing has been restricted largely to government programs, although several banks have active downscaling programs which compete with MFIs for clients. Access to finance in many rural areas is still limited. There have been noticeable efficiency gains in the sector, although these can partially be attributed to increasing loan balances, and have not led to substantial decreases in the cost of finance for microfinance clients.

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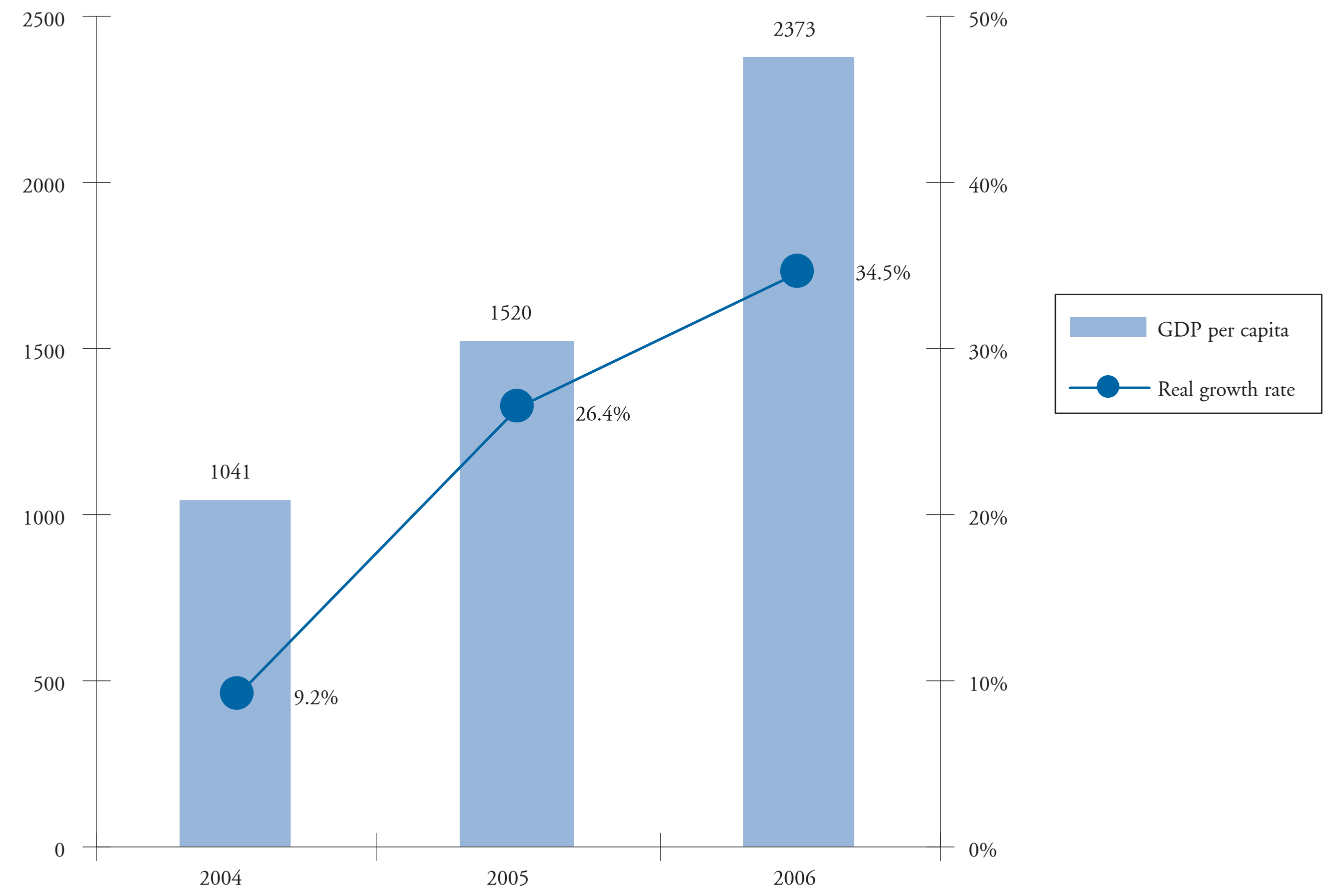
## Macroeconomic Conditions

2006 was a year of considerable progress in the development of economy of the Republic of Azerbaijan. Dynamic macroeconomic development was fostered by a growing flow of foreign-currency income which has also led to the implementation of sizeable social investment programs with state funds. GDP growth was 34.5 percent for 2006.

This report was produced by the Azerbaijan Micro-finance Association and the Microfinance Information eXchange, Inc.

Figure 1 Economic Overview – Azerbaijan 2004–2006




**Source:** National Bank of Azerbaijan and State Statistics Committee

The non-oil sector increased by 11.8 percent indicating that most growth is still driven by oil revenues. As a result, the national currency strengthened in comparison with US dollar in conjuction with the rapid transformation of oil profit to the capitalization of non-oil sectors[1].

As a result, demand for long-term borrowings grew rapidly. Oil revenues were further utilized by banks to proivde credit, often to realize targeted social projects, or to fund the development of infrastructure, for mortgage funds or the agricultural sector. At the same time, the unmet demand for loans by the population encouraged banks and microfinance institutions to attract more funding from international investors.

1 Source: National Bank of Azerbaijan and State Statistics Committee. Growth rates based on local currency figures.

## Legal and Regulatory Framework for Microfinance

Legislation relevant to microfinance regulation in Azerbaijan includes: the *Law of the Republic of Azerbaijan on the National Bank of the Azerbaijan Republic* and the *Law on Banks.* However, the current *Law on Banks* specifically excludes non-bank financial institutions and limits their activity to "cash credit." Like Azerbaijan's commercial banks, the microfinance institutions and credit unions are supervised by the National Bank of Azerbaijan (NBA) after they apply for a Non-Bank Financial Institution license that allows them to issue credit. The registration of microfinance institutions as legal entities is administered by Azerbaijan's Ministry of Justice. There are no minimum capital requirements for forming Non-Bank Credit Organizations (NBCO).

There are four features of legislation that are restrictive for microfinance institutions or credit unions. First, there is no specific legislation or regulation governing these institutions. Second, microfinance organizations are subject to commercial taxation on profits of 22 percent, above local VAT rates. Third, NGOs are not allowed to register as credit organizations; they must register as a commercial entity in order to receive a license from the National Bank. The registration process can last from one to two months, provided that the NBCO is registered under the special register of NBCOs within the Cabinet of Ministers. Without a registration or license, NGOs cannot provide legal banking services. Fourth, MFIs are prohibited from collecting any form of savings according to their licensing regulations.

A new draft law, *On non-bank credit institutions*, remains in Parliament at the time of this report. The law intends to ensure the reliability of non-bank credit organizations and their ability to protect creditors' interests more effectively, and will create new opportunities for establishing and operating NBCOs based on international best practice.

The draft law essentially codifies existing practice concerning supervision and operations and could be deemed a 'light' regulatory framework. The submitted draft law has the following important features:

- No cap on loan size or interest rate
- Deems that micro-finance is inherently a commercial operation, but does allow for non-commercial institutions or operations
- Requires NBCOs to participate in the NBA administered credit registry
- Sets minimum standards for directors and chief accountants
- Requires an independent audit function
- Allows NBCOs to take cash collateral, provided it is held for safekeeping by a bank.

# Ratio Analysis

## Outreach and Scale

The total Gross Loan Portfolio (GLP) of MFIs in Azerbaijan increased by 33 percent in 2006, largely as a result of newly attracted funding. The total amount of external funding stood at 75 million USD at year-end 2006, against a total loan portfolio of over 90 million, an increase from near 30 million of outstanding debt at the end of 2005.

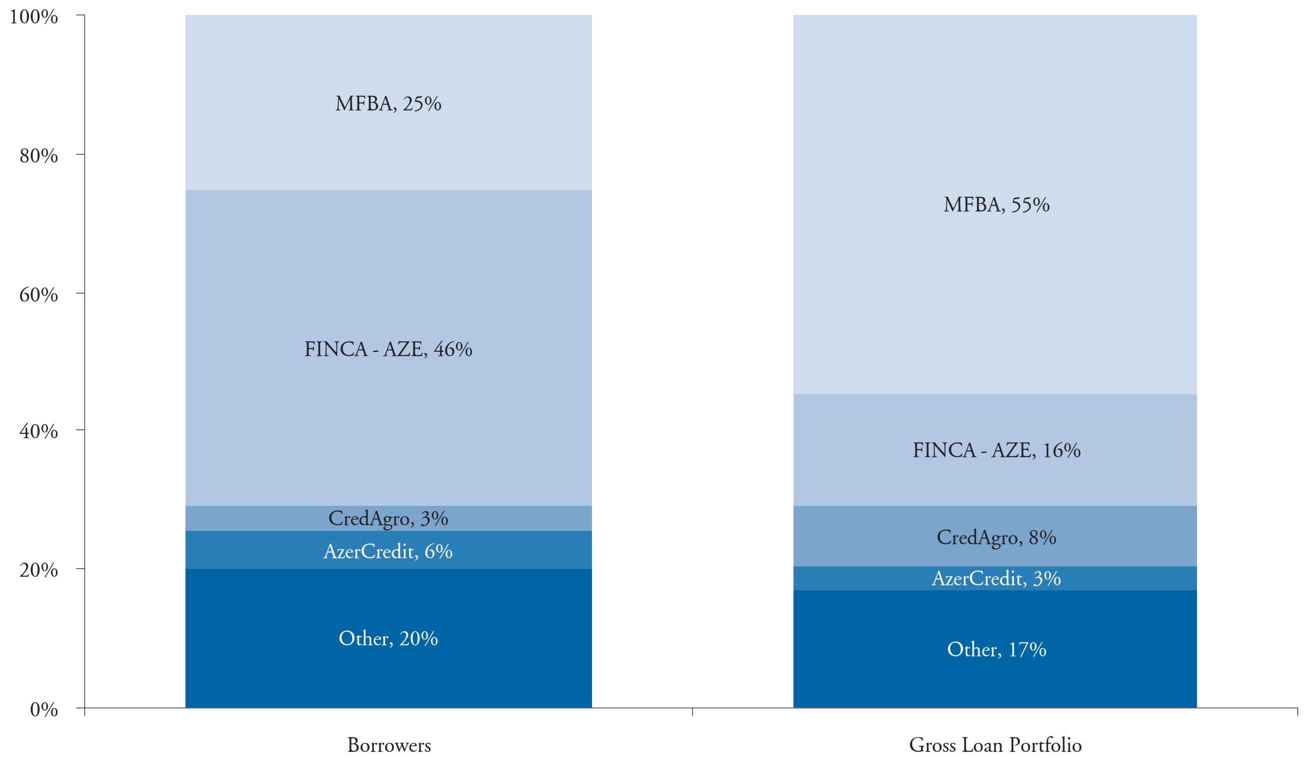
Branches opened in four new regions of the country, as revealed in the AMFA Matrix[2]—FINCA Azerbaijan opened new branches in Agcabedi, Mingechevir and Devechi, while Microfinance Bank of Azerbaijan (MFBA) reported a new branch in Xachmaz. Along with this MFI expansion and their increasing activities in new regions, total personnel increased by 32 percent.

While the total loan portfolio in Azerbaijan during FY 2006 increased by 33 percent, 53 percent of the total portfolio growth for the country is due entirely to the expansion of MFBA, while an additional 26 percent is due to expansion of FINCA Azerbaijan and another 11 percent due to the progress within CredAgro. Consequently, 90 percent of the increase in loan portfolios represents growth within these three MFIs, each of which has been a leader in attracting commercial debt from foreign investors. The total number of borrowers grew by 58 percent compared to previous years, although again, as ***Figure 2*** demonstrates, this is heavily concentrated at a few institutions, with FINCA Azerbaijan explaining 58 percent of the growth, while the remaining 42 percent represents slight movements at MFBA, Viator, Azercredit and AzeriStar. Average loan balances grew from 344 to 561 USD per borrower or from 36 percent to 45 percent of GNI per capital, with most of the increase due to inflation and higher income levels. Comparison with MFIs in Central Asia, as in ***Figure 3***, indicates that MFIs in Azerbaijan had slower expansion of outreach, but more rapid increases in loan balances than their peers in Central Asia.

While the aggregate number of borrowers increased, the median level show a slight decline, largely due to the disproportionate growth at the few leading institutions, as well as due to the demand for larger loan balances, which not all instituions could finance. A reduction of outreach

2 AMFA Matrix is a report presented by AMFA that continuously updates MFI statistical information such as number of clients, number of outstanding loans, size of loans every quarter, etc. To receive a copy please contact: amfa @ amfa.az.

Figure 2 Allocation of Growth in Outreach




**Source:** MIX Market, 2006.

to women continues to highlight the fact that female clients represent an underserved client segment.

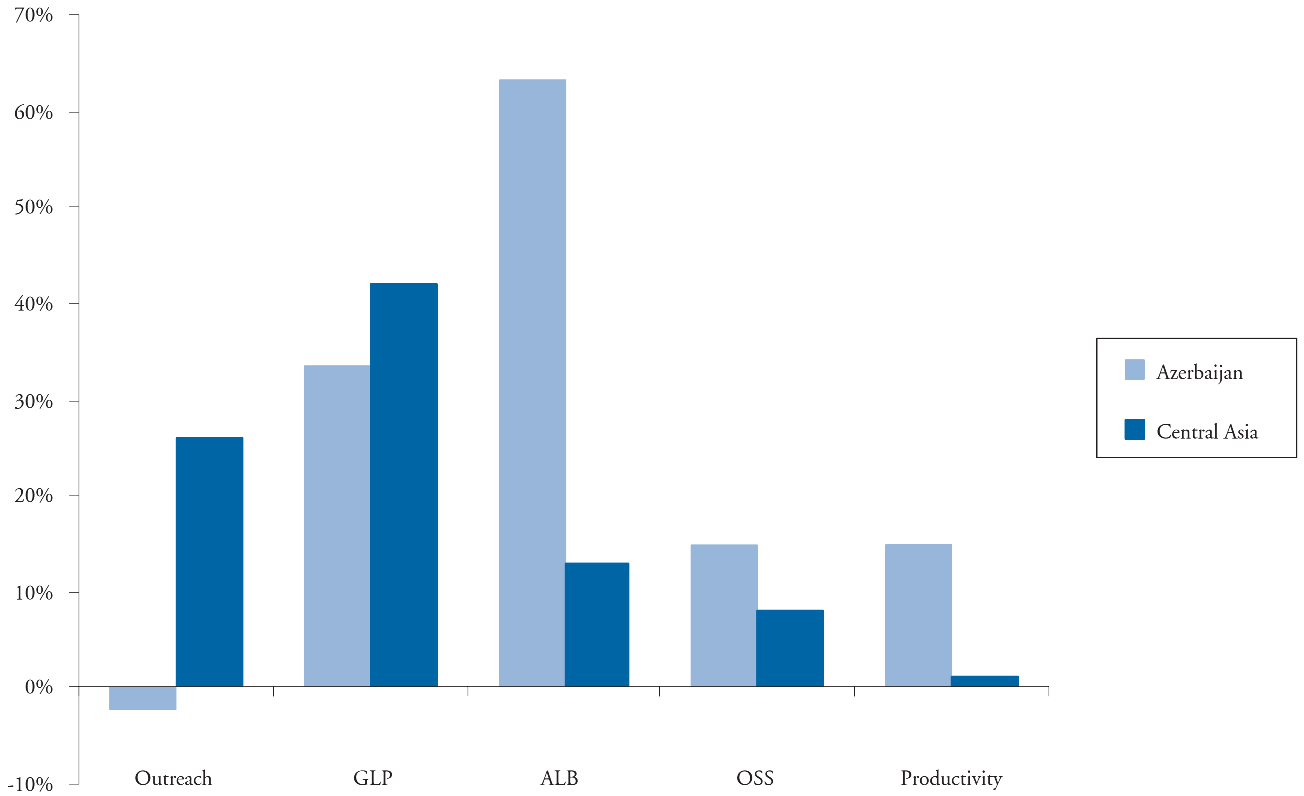
## Financial Structure and Profitability

Azerbaijan MFIs grew increasingly leveraged over the past year, as commercial and non-commercial investment levels increased. The increase of the median debt/equity ratio from 0.4 to 1.6 reflected the trust of international donors and investors in the development of the microfinance sector in Azerbaijan. Overall, at the end of 2006 Azerbaijani MFIs had 73 million USD in debt, with over 95 percent of funds from foreign sources. A similar proportion of funds were received in US dollars. Foreign funds from microfinance investors represented the largest share, followed by development financial institutions and founding NGOs. Domestic funds were largely from the government, focusing on support for Internally Displaced Persons (IDPs) and refugees. The cost of local funds is much higher than foreign funds, with the highest rates from commercial sources. Local commercial banks are not currently in a position to finance MFIs, and MFIs have typically chosen to increase their loan portfolios using international funding because the interest rate on loans among local commercial banks is higher than from abroad, as well as due to the appreciation of the manat against foreign currencies.

Despite increases in the cost and amount of external financing, operational and financial self-sufficiency levels improved by 14.7 percent and 4.4 percent respectively, indicating MFIs' ability to continue operations. The growth of Return on Equity (ROE) ratio by 152 percent and Return on Assets (ROA) by 50 percent corresponds the growing position of MFIs as stable credit institutions. It should be noted that an increase in the yearly inflation rate - from 8 percent in 2005 to 9.8 percent in 2006 was partly reflected in lower adjusted profitability figures.

Increases in the profitability of MFIs in Azerbaijan were in large part due to the widening margin between the

Figure 3 Comparison of year-to-year changes in median indicators between Azerbaijan and Central Asia




Source: MicroBanking Bulletin, 2006. Results are year-on-year change of medians.

effective interest rate on loans and operating expenses. While many MFIs reduced interest rates, many at the same time also increased commission fees which have led to little decline in effective yield levels, with nominal levels near 40 percent and inflation-adjusted yields closer to 29 percent.

## Expenses

A reduction of operating expenses by 14 percent was due mostly to a reduction in administrative expenses, while the limited decrease in personnel expenses shows the increased attraction of more qualified experts to MFIs. Increased staff

Table 1 Characteristics of External Debt for Azerbaijani MFIs

| | Foreign | | | Local | | |
|---|---|---|---|---|---|---|
| **Lender Type** | Outstanding Amt. | Term (months) | Interest Rate | Outstanding Amt. | Term (months) | Interest Rate |
| **Commercial Bank** | | | | 320,010 | 12.00 | 14.78% |
| **DFI** | 23,419,051 | 61.77 | 8.89% | | | |
| **Fund** | 39,968,553 | 41.82 | 9.31% | 219,753 | 24.02 | 11.02% |
| **Government** | | | | 1,339,469 | 55.23 | 10.89% |
| **NGO/Foundation** | 8,233,146 | 32.16 | 8.86% | 130,702 | 4.00 | 14.19% |
| **Grand Total** | 71,620,750 | 48.41 | 9.12% | 2,009,935 | 40.42 | 12.66% |

Source: MicroBanking Bulletin 2006. Terms and interest rates are weighted averages.

capacity is reinforced by an improvement in loan officer productivity by 49 percent. Financial expense levels increased from 8.8 percent to 10.0 percent as external investment and interest levels increased. The increased reserves for overdue loans, due to implementation of international accounting standards, and increased write-offs led to growth of loan loss provision expenses to 1.1 percent at the median. The National Bank of Azerbaijan also encouraged MFIs and credit unions to allocate a minimum of one percent for loan loss reserves, furthering the increased expense. Risk coverage ratios decreased slightly, but were still near to 150 percent of portfolio at risk and median loan loss reserves stood at 1.7 percent of the loan portfolio.

## Conclusions

Although Azerbaijani MFIs made an important contribution to alleviating poverty by helping people help themselves, it is still hard to demonstrate their overall economic impact because MFIs have not invested sufficiently in data collection and impact assessments.

The financial sector in Azerbaijan has become more resilient in recent years to withstand negative shocks, and also better equipped to serve the burgeoning credit needs of the economy. Besides providing consumer finance, microfinance institutions (MFIs) are not only helping to fight poverty and promoting banking to the poor. Despite a visible improvement in the overall financial sector of Azerbaijan in recent years, it needs to be still emphasized that further development is necessary to catch up with other countries in the region with similar economic characteristics. Recent structural changes—for example, development of the financial sector, economic revival, and the relatively stable manat-will make it possible for Azerbaijan to substantially improve its position in relation to other countries with comparable per capita income, which can also support the continued expansion of MFIs and competition to reduce expenses and cost to customers.

*Nigar Pirmamedova, Finance Manager, AMFA*

## Data and Data Preparation

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

Azerbaijan Benchmarking Trends 2006 was produced by MIX and Azerbaijan Micro-finance Association (AMFA), with help from BP partners the Azeri-Chirag-Guneshli, Shahdeniz, Baku-Tbilisi-Ceyhan and South Caucasus Pipeline projects and UNDP Azerbaijan.

| Azerbaijan MFI Participants |
| --- |
| **2006 Benchmarks (11 MFIs)**<br>**2005 – 2006 Balanced Panel Data (8 MFIs) *names in italics*** |
| *Aqroinvest, Azercredit, Azeri Star, CredAgro NBCO,* DAYAQ-Credit, *FINCA – AZE, FinDev, MFBA,* MikroMaliyye Credit, *Normicro, Viator* |

# Indicator Definitions

| | |
|---|---|
| **INSTITUTIONAL CHARACTERISTICS** | |
| Number of MFIs | Sample size of group |
| Age | Years functioning as an MFI |
| Total Assets | Total Assets, adjusted for inflation and standardized loan portfolio provisioning and write-offs |
| Offices | Number, including head office |
| Personnel | Total number of employees |
| **FINANCING STRUCTURE** | |
| Capital/Asset Ratio | Adjusted Total Equity/Adjusted Total Assets |
| Commercial Funding Liabilities Ratio | All liabilities with "market" price/Adjusted Gross Loan Portfolio |
| Debt/Equity Ratio | Adjusted Total Liabilities/Adjusted Total Equity |
| Gross Loan Portfolio/Total Assets | Adjusted Gross Loan Portfolio/Adjusted Total Assets |
| **OUTREACH INDICATORS** | |
| Number of Active Borrowers | Number of borrowers with loans outstanding, adjusted for standardized write-offs |
| Percent of Women Borrowers | Number of active women borrowers/Adjusted Number of Active Borrowers |
| Gross Loan Portfolio | Gross Loan Portfolio, adjusted for standardized write-offs |
| Average Loan Balance per Borrower | Adjusted Gross Loan Portfolio/Adjusted Number of Active Borrowers |
| Average Loan Balance per Borrower/GNI per Capita | Adjusted Average Loan Balance per Borrower/GNI per Capita |
| **OVERALL FINANCIAL PERFORMANCE** | |
| Return on Assets | Adjusted Net Operating Income, and net of taxes/Adjusted Average Total Assets |
| Return on Equity | Adjusted Net Operating Income, and net of taxes/Adjusted Average Total Equity |
| Operational Self-Sufficiency | Financial Revenue/(Financial Expense + Net Loan Loss Provision Expense + Operating Expense) |
| Financial Self-Sufficiency | Adjusted Financial Revenue/Adjusted (Financial Expense + Net Loan Loss Provision Expense + Operating Expense) |
| **REVENUES** | |
| Financial Revenue Ratio | Adjusted Financial Revenue/Adjusted Average Total Assets |
| Profit Margin | Adjusted Net Operating Income/Adjusted Financial Revenue |
| Yield on Gross Portfolio (nominal) | Adjusted Financial Revenue from Loan Portfolio/Adjusted Average Gross Loan Portfolio |
| Yield on Gross Portfolio (real) | (Yield on Gross Portfolio (nominal) - Inflation Rate)/(1 + Inflation Rate) |
| **EXPENSES** | |
| Total Expense Ratio | Adjusted (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)/Adjusted Average Total Assets |
| Financial Expense Ratio | Adjusted Financial Expense/Adjusted Average Total Assets |
| Loan Loss Provision Expense Ratio | Adjusted Net Loan Loss Provision Expense/Adjusted Average Total Assets |
| Operating Expense Ratio | Adjusted Operating Expense/Adjusted Average Total Assets |
| Personnel Expense Ratio | Adjusted Personnel Expense/Adjusted Average Total Assets |
| Administrative Expense Ratio | Adjusted Administrative Expense/Adjusted Average Total Assets |
| Adjustment Expense Ratio | (Adjusted Net Operating Income—Unadjusted Net Operating Income)/Adjusted Average Total Assets |
| **EFFICIENCY** | |
| Operating Expense/Loan Portfolio | Adjusted Operating Expense/Adjusted Average Gross Loan Portfolio |
| Personnel Expense/Loan Portfolio | Adjusted Personnel Expense/Adjusted Average Gross Loan Portfolio |
| Average Salary/GNP per Capita | Adjusted Average Personnel Expense/GNP per capita |
| Cost per Borrower | Adjusted Operating Expense/Adjusted Average Number of Active Borrowers |
| **PRODUCTIVITY** | |
| Borrowers per Staff Member | Adjusted Number of Active Borrowers/Number of Personnel |
| Borrowers per Loan Officer | Adjusted Number of Active Borrowers/Number of Loan Officers |
| Personnel Allocation Ratio | Number of Loan Officers/Number of Personnel |
| **RISK AND LIQUIDITY** | |
| Portfolio at Risk> 30 Days | Outstanding balance, loans overdue >30 Days, adjusted/Adjusted Gross Loan Portfolio |
| Portfolio at Risk> 90 Days | Outstanding balance, loans overdue >90 Days, adjusted/Adjusted Gross Loan Portfolio |
| Write-off Ratio | Adjusted Value of loans written-off/Adjusted Average Gross Loan Portfolio |
| Loan Loss Rate | Adjusted Write-offs, net of recoveries/Adjusted Average Gross Loan Portfolio |
| Risk Coverage | Adjusted Loan Loss Reserve/ PAR >30 Days |
| Non-earning Liquid Assets as a % of Total Assets | Adjusted Cash and banks/Adjusted Total Assets |

# Azerbaijan

| | Azerbaijan (all) | Azerbaijan Trend-2006 | Azerbaijan Trend-2005 | Azerbaijan Trend-2004 | Caucasus non-bank | Central Asia non-bank | Armenia non-bank | Georgia non-bank |
|---|---|---|---|---|---|---|---|---|
| INSTITUTIONAL CHARACTERISTICS | | | | | | | | |
| Number of MFIs | 11 | 9 | 9 | 9 | 22 | 22 | 6 | 6 |
| Age | 6 | 7 | 6 | 5 | 8 | 6 | 7 | 9 |
| Total Assets | 3,369,371 | 3,369,371 | 2,560,433 | 1,905,442 | 3,327,123 | 2,618,556 | 4,904,034 | 3,839,785 |
| Offices | 6 | 6 | 4 | 5 | 6 | 8 | 6 | 7 |
| Personnel | 37 | 70 | 53 | 41 | 36 | 52 | 68 | 50 |
| FINANCING STRUCTURE | | | | | | | | |
| Capital/Asset Ratio | 38.3% | 39.2% | 69.2% | 79.0% | 44.3% | 41.5% | 51.5% | 42.1% |
| Commercial Funding Liabilities Ratio | 9.3% | 9.3% | 4.5% | 0.0% | 22.9% | 35.8% | 27.9% | 45.3% |
| Debt to Equity | 1.6 | 1.6 | 0.4 | 0.3 | 1.3 | 1.5 | 0.9 | 1.5 |
| Deposits to Loans | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Deposits to Total Assets | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Portfolio to Assets | 90.6% | 95.4% | 90.2% | 86.1% | 88.1% | 85.9% | 76.8% | 72.2% |
| OUTREACH INDICATORS | | | | | | | | |
| Number of Active Borrowers | 4,506 | 4,506 | 4,604 | 3,755 | 4,442 | 4,121 | 5,471 | 4,705 |
| Percent of Women Borrowers | 38.2% | 38.2% | 39.3% | 37.2% | 43.7% | 51.3% | 43.4% | 52.7% |
| Number of Loans Outstanding | 4,506 | 4,506 | 4,604 | 3,755 | 4,442 | 4,121 | 5,471 | 4,705 |
| Gross Loan Portfolio | 2,974,696 | 2,974,696 | 2,229,248 | 1,417,104 | 2,948,545 | 2,094,208 | 4,197,424 | 3,153,468 |
| Average Loan Balance per Borrower | 500 | 561 | 344 | 343 | 564 | 488 | 647 | 928 |
| Average Loan Balance per Borrower/GNI per Capita | 40.3% | 45.3% | 36.2% | 36.1% | 43.4% | 106.9% | 44.0% | 70.3% |
| Average Outstanding Balance | 500 | 561 | 344 | 343 | 564 | 488 | 647 | 877 |
| Average Outstanding Balance/GNI per Capita | 40.3% | 45.3% | 36.2% | 36.1% | 43.4% | 102.2% | 44.0% | 66.4% |
| Number of Voluntary Depositors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Number of Voluntary Deposit Accounts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Voluntary Deposits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Average Deposit Balance per Depositor | 4,384 | 4,384 | 460 | 546 | 0 | 22,618 | 0 | 0 |
| Average Deposit Account Balance | 3,991 | 3,991 | 460 | 546 | 0 | 22,618 | 0 | 0 |
| MACROECONOMIC INDICATORS | | | | | | | | |
| GNI per Capita | 1,240 | 1,240 | 950 | 950 | 1,320 | 450 | 1,470 | 1,320 |
| GDP Growth Rate | 26.2% | 26.2% | 11.2% | 11.2% | 14.0% | 7.5% | 14.0% | 9.3% |
| Deposit Rate | 10.6% | 10.6% | 8.5% | 9.2% | 10.6% | 9.1% | 5.8% | 11.4% |
| Inflation Rate | 8.3% | 8.3% | 9.6% | 6.7% | 8.2% | 8.6% | 2.9% | 8.2% |
| Financial Depth | 15.2% | 15.2% | 18.0% | 14.7% | 16.3% | 21.3% | 16.3% | 16.6% |
| OVERALL FINANCIAL PERFORMANCE | | | | | | | | |
| Return on Assets | 2.7% | 2.7% | 1.8% | -4.1% | 3.0% | 5.0% | 6.5% | -0.8% |
| Return on Equity | 6.3% | 6.3% | 2.5% | -5.1% | 6.0% | 11.1% | 20.1% | -1.2% |
| Operational Self-Sufficiency | 138.2% | 138.2% | 120.5% | 129.8% | 137.0% | 138.2% | 175.2% | 115.6% |
| Financial Self-Sufficiency | 118.8% | 118.8% | 113.8% | 84.5% | 118.7% | 120.3% | 153.3% | 101.0% |
| REVENUES | | | | | | | | |
| Financial Revenue/Assets | 33.5% | 37.3% | 37.2% | 29.0% | 34.3% | 38.3% | 37.6% | 32.6% |
| Profit Margin | 15.8% | 15.8% | 12.1% | -18.3% | 15.7% | 16.9% | 33.5% | 0.8% |
| Yield on Gross Portfolio (nominal) | 35.0% | 40.0% | 40.6% | 36.7% | 40.2% | 42.7% | 37.3% | 43.0% |
| Yield on Gross Portfolio (real) | 24.6% | 29.3% | 28.3% | 28.1% | 30.8% | 32.6% | 33.5% | 32.1% |
| EXPENSES | | | | | | | | |
| Total Expense/Assets | 29.9% | 29.9% | 31.7% | 30.5% | 29.9% | 30.5% | 21.8% | 32.7% |
| Financial Expense/Assets | 10.0% | 10.0% | 8.8% | 6.3% | 8.3% | 8.7% | 3.9% | 9.8% |
| Provision for Loan Impairment/Assets | 1.1% | 1.1% | 0.4% | 0.6% | 1.2% | 1.4% | 1.6% | 1.6% |
| Operating Expense/Assets | 16.8% | 19.3% | 22.5% | 22.8% | 18.8% | 19.9% | 17.4% | 20.2% |
| Personnel Expense/Assets | 9.6% | 12.0% | 13.7% | 13.9% | 10.8% | 12.0% | 10.4% | 10.8% |
| Administrative Expense/Assets | 7.3% | 7.3% | 8.8% | 8.9% | 7.6% | 8.1% | 6.3% | 8.9% |
| Adjustment Expense/Assets | 5.3% | 5.3% | 7.1% | 6.3% | 3.7% | 3.8% | 1.7% | 4.6% |
| EFFICIENCY | | | | | | | | |
| Operating Expense/Loan Portfolio | 20.4% | 20.4% | 26.9% | 26.8% | 23.3% | 23.0% | 22.8% | 25.7% |
| Personnel Expense/Loan Portfolio | 11.8% | 12.7% | 15.7% | 18.3% | 13.0% | 13.0% | 14.5% | 14.0% |
| Average Salary/GNI per Capita | 614.2% | 614.2% | 631.9% | 551.0% | 511.8% | 789.3% | 528.6% | 469.2% |
| Cost per Borrower | 96 | 97 | 101 | 108 | 119 | 113 | 142 | 189 |
| Cost per Loan | 96 | 97 | 101 | 108 | 119 | 113 | 142 | 186 |
| PRODUCTIVITY | | | | | | | | |
| Borrowers per Staff Member | 112 | 112 | 98 | 99 | 82 | 69 | 83 | 67 |
| Loans per Staff Member | 112 | 112 | 98 | 99 | 83 | 72 | 84 | 70 |
| Borrowers per Loan Officer | 269 | 269 | 180 | 189 | 200 | 157 | 217 | 159 |
| Loans per Loan Officer | 269 | 269 | 180 | 189 | 213 | 157 | 218 | 159 |
| Voluntary Depositors per Staff Member | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deposit Accounts per Staff Member | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Personnel Allocation Ratio | 41.0% | 41.0% | 38.3% | 60.0% | 40.2% | 45.1% | 43.0% | 38.6% |
| RISK AND LIQUIDITY | | | | | | | | |
| Portfolio at Risk >30 Days | 0.5% | 0.5% | 0.5% | 1.0% | 0.9% | 0.9% | 1.4% | 0.9% |
| Portfolio at Risk >90 Days | 0.2% | 0.2% | 0.3% | 0.7% | 0.6% | 0.4% | 1.1% | 0.5% |
| Write-off Ratio | 0.4% | 0.5% | 0.2% | 0.4% | 0.5% | 0.3% | 2.0% | 0.8% |
| Loan Loss Rate | 0.4% | 0.5% | 0.2% | 0.4% | 0.4% | 0.2% | 1.2% | 0.6% |
| Risk Coverage Ratio | 139.2% | 146.8% | 216.2% | 406.8% | 99.5% | 143.0% | 67.4% | 169.7% |

# Benchmarking Azerbaijan Microfinance 2006

## About AMFA

The Azerbaijan Microfinance Association was established by ten international non-governmental organizations in 2001 to educate and inform the broader community about the importance of microfinance in the country and to serve as a focal point of microfinance for the region. As of October, 2007, AMFA's membership constituted 22 organizations, 7 of which are downscaling commercial banks and 15 non-bank credit organizations.

## AMFA's Objectives:

### 1. Develop Innovative Products and Services

Developing leading edge, demand drive products and services for our members
Focus on revenue generating products and services that promote AMFA's sustainability

### 2. Continuing Education

Ensure members have access to international microfinance expertise
Develop in-house training using local talent
Continuously upgrade and enhance the skill sets of our members

### 3. Industry Expertise

Be recognized as industry experts of the MFIs by governments , MFIs and the financial community
Offer leading edge market research and benchmarking studies that demonstrate AMFA's expertise

For more information, visit www.amfa.az

## About MIX

The Microfinance Information eXchange (MIX) is the leading provider of business information and data services for the microfinance industry. Dedicated to strengthening the microfinance sector by promoting transparency, MIX provides detailed performance and financial information on microfinance institutions, investors, networks and service providers associated with the industry. MIX does this through a variety of publicly available platforms, including MIX Market (www.mixmarket.org) and the MicroBanking Bulletin. To learn more, visit www.themix.org.

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