

An Asset for an International Investor: The Colombian MFIs

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Abstract

The present paper aims to contribute to the framework of knowledge on Colombian system of microcredit, taking as perspective an investor who collects on international market through the issue of bonds in order to finance microfinance institutions in Colombia. In this way we want to show how microcredit can be fed by international markets who see this form of investment as an opportunity to raise yields. To realize this there is a financial system with high specialization on microcredit institution and the need for funding by the institutions themselves. The paper analyzes the system of microcredit as a whole and then moves onto the observation and consequent determination of economic and financial variables of Microfinance Institutions (MFIs).

Keywords: microfinance institution, carry trade, microcredit system, international investor

1. Introduction

Among the Latin American countries, Colombia has a micro-financial system very consolidated, in fact, a large number of NGOs offer microcredit, but there are also banks and regulated institutions. The study shows that the rates charged on microcredit are higher than interest rates on other financial products: the main explanations are due to the high risk implicit in the activity of micro-credit, high cost of finance and the high operating costs associated with the microcredit and the need to overcome the lack of funding sources which are low-cost deposits. With regard to Colombia, microcredit is not particularly risky, and the level of bad loans is not significantly higher than that of other financial products. To demonstrate this, after a survey of literature review, we estimated the potential investment that it represents for an international investor. In particular, methodologically, we have carry out an analysis of the financial structure for each Microcredit Institutions, reconstructing the values of loans, deposits and equity capital and calculating the following indicators:

- ❖ Net requirement of the loans portfolio= Credits – Deposits – Equity
- ❖ Net requirement ratio = (Loans – Deposits – Equity) / Loans

These indicators allow to identify those potential companies where international investor could direct its activity.

2. Literature Review

The microfinance market in the countries of Latin America is one of the oldest and most developed (Miller, 2003), covering a very important role within the financial sector. Although it is characterized by a myriad of institutions different in size and performance, it still has common features. The MFIs may be defined as a group of organizations that have found innovative and new methodologies to overcome a number of problems related to loan (Vanroose, 2008), financial development, in fact, in developing countries, has been pursued, also through an intense process of liberalization and globalization of commercial banking services (Hanson, 2003; Cull & Martinez Peria, 2010). Increasingly, microcredit has been regarded as an extremely useful tool to provide access to credit to every section of the population traditionally discriminated by ordinary banks. Economists have theoretically justified the granting of the loan by microcredit institutions in relation also to the high rates charged (Besley & Coate, 1995; Stiglitz, 1990; Varian, 1990). Part of the literature argues that Latin American MFIs are more trade-oriented than their colleagues in Africa and Asia (Lapenu & Zeller, 2001; Ramirez, 2004; Vanroose & Armendáriz, 2009). It is also interesting the point of view of Bateman (2013) who believes that microfinance is contributing in some way to the de-industrialization of the country in South America. Janda et al. (2014) instead lead an analysis designed to determine an approach to the setting of interest rates by the institutions of micro

finance. Essentially they attempt to tie the rate with different macroeconomic variables. The microcredit also plays a major role in Colombia, a country in which micro, small and medium enterprises have great impact on the employment situation (Chamorro-Narvaez, 2012). Considering the growing development, a new field of investigation can be found, a field that is aimed at mutual funds and their strategies. Given the high rates charged by microfinance institutions, an investment in such companies by specialized funds could be attractive for two mainly reasons: low correlation of micro finance institutions with the trend in global capital markets, and therefore good diversification opportunities (Krausset et al., 2009); carry trade practice is treated also by Nucera et al. (2013). They highlight the use of this technique by hedge funds in order to generate extra return. In this paper we will focus on this issue, analyzing the Colombian situation. The carry trade is a very topical theme in the scientific literature, Galati et al. (2012) argue that in an economic environment, in which interest rate differentials have been a driving force of the movement in exchange rates during recent years, the possible settlement of open positions could adversely affect financial stability. Plantinet et al. (2011) support a similar argument, which defines carry trade as an important element in the financial stability.

3. The Analysis of Microcredit System

The Colombian financial system is represented by two main banking institutions that have public nature:

- *BANCOLDEX* (C RADE Bank of Foreign of Colombia), that is the development bank in the system. It guides the productivity of the entrepreneurship toward the innovation, modernization and internationalization.
- *Banco de la República* (Banc in the Republic of Colombia), which is the Central Bank of Colombia, with powers of supervision over the country's financial system.

The private sector of lending to businesses and to households consists mainly of commercial banks and microfinance and leasing institutions, with asset portfolios that are distributed, as we can see in the following table, according to the total of enterprises that belong to the private sector of lending.

Table 1. Distribution of ordinary activities of credit and microcredit

Private lending sector	June-2013		June-2014		Annual real growth rate
	Billions of pesos	%	Billions of pesos	%	
<i>Portfolio</i>	140,32	89,42%	152,58	97,23%	8,74
Commercial	132,4	84,37%	143,82	91,65%	8,62
Microcredit	7,91	5,04%	8,76	5,58%	10,73
<i>Financial Leasing</i>	15,91	10,14%	16,48	10,50%	3,55
Commercial	15,91	10,14%	16,47	10,50%	3,57
Microcredit	0,01	0,01%	0	0,00%	-38,47
<i>Securities</i>	0,69	0,44%	0,8	0,51%	16,19
<i>Total</i>	156,92	100%	169,86	100%	8,25

Source: Ourelaboration on Banco de la República data.

About the ownership of financial products by customers, in the third quarter of 2014 there are 23,239,287 customers that have one financial product at least, an increase compared to the same period last year, in which the holders of financial products amounted to 21,791,836. Compared to the total population, therefore, the index of "banked" estimated for the third quarter of 2014 amounted to 72.6%, against 69.3% a year earlier. In particular, the number of people who have at least a financial product is shown below, also according to the type of product that they possess. It is also represented the growth in the years for each type of product.

Table 2. Number of people with at least a financial product and growth in September 2013-2014 and June 2014-September 2014

	Number of people with financial products				Growth	
	2011	2012	2013	2014	sept 13-sept 14	June 14-sept 14
Saving account	18,022,079	19,299,813	20,096,322	21,622,624	7.6%	2.8%
Bank account	1,438,659	1,498,835	1,528,229	1,540,834	0.8%	0.8%
Consumption	4,243,059	4,851,998	4,997,868	5,471,422	9.5%	2.4%
Loan	716,739	761,130	820,592	873,878	6.5%	1.4%
Microcredit	1,484,261	1,677,273	1,762,437	1,834,924	4.1%	4.8%
Credit card	5,499,377	5,908,598	6,494,279	7,006,889	7.9%	2.3%
Electronic filing		455,145	1,763,118	2,089,875	18.5%	2.7%

Source: Our elaborate on Asobancaria-CIFIN data.

The same situation is also reported for the companies that own at least one banking product. It is also showed the growth of companies that own each type of product in the periods September 2013-September 2014 and June 2014-September 2014.

Table 3. Number of firms with at least one financial product and growth in September 201-2014 and June 2014-September 2014

	Number of enterprises with financial products				Growth	
	2011	2012	2013	2014	sept 13-sept 14	June 14-sept 14
Saving account	311,382	317,559	383,396	415,661	8.4%	0.7%
Bank account	310,828	307,517	307,517	366,666	19.2%	0.7%
Commercial	148,102	163,644	180,765	186,070	2.9%	2.0%
Consumption	65,042	66,332	72,577	73,968	1.9%	-0.7%
Microcredit	8,323	8,863	6,496	7,866	21.1%	5.2%
Credit card	68,583	69,522	77,049	83,238	8.0%	1.1%

Source: Our elaboration on Asobancaria-CIFIN data.

Regarding micro-enterprises, 51.7% asked mainly microcredit loans, 24.8% called for trade receivables, 15.3% asked for consumer credit and 8.2% asked for other types of loans (8.2%), including credits for the purchase of a vehicle or loans for house purchase. In addition, the percentages for the different types of amounts required by microenterprises are distributed as follows for economic sectors:

Table 4. Structure of the type of credit required by the micro-economic sectors of commerce, industry and services (2014)

Sector	Type of Credit (%)				
	Microcredit	Consumer Credit	Commercial credit	Other	Total
Business	50.8	14.6	27.9	6.7	100%
Services	55.4	16.8	19.9	7.9	100%
Industry	51.6	18.9	23.6	5.9	100%

Source: Our elaboration on DANE data.

The companies that operate in the market of credit belong to four different categories: banks, cooperative banks,

non-governmental organizations (NGOs) and non-banking financial institutions matrix (NBF). The categories in which are divided the Colombian credit institutions (banks, cooperative banks, finance companies, NGOs) are each regulated by different rules. Banks are subject to the supervision of the *Superintendencia Financiera Colombiana (SFC)*. In particular, this institution oversees both on the banks and on some co-operative institutions, in order to protect the savings of the undifferentiated public, to preserve the integrity of the financial system and the interests of individuals and institutions. In addition to the ordinary laws that govern other cooperatives, for the cooperatives of savings and credit (*Cooperativas de ahorro y crédito-CAC*) there are special laws and decrees. From an organizational standpoint, the CAC in Colombia are independent institutions, as in most Latin American countries, while in some of them (for example, Bolivia, Chile and Panama) cooperative institutions are integrated into a Ministry as Districts. In other countries (Brazil, Mexico and Peru) CAC do not exist. In Colombia there is an institute dedicated to security of the cooperatives. It does not matter what activity the cooperatives perform. This institute performs the same functions of the *Superintendencia Financiera* on banks and it is represented by *Supersolidaria (SES)*, which monitors on cooperatives that are not covered by the supervision of the *Superintendencia Financiera*.

The NGOs are now unregulated corporation and therefore they are not supervised by *Superintendencia Financiera* and they are included within the so-called “third sector”, that is complementary to the first two traditional sectors, that are private sector with profit goals and public sector. NGOs are in the form of foundations, cooperatives, associations and non-profit corporations, whose social objective is to foster the development of the whole community. These institutions, more and more numerous in Colombia and in general in Latin America, play a very important role: in fact, they offer micro-loans to the most disadvantaged part of the population that cannot call on banks (*unbanked population*). The unbanked population is mostly represented by rural population that works in agriculture. So the interest rates charged by these companies are often very high, even higher than bank rates. This is due to two main reasons: the first is that clients of microcredit NGOs offer no guarantees, but the loans are assigned evaluating the temper of the person, the second is that the banks have special tax breaks that are not designed for this type of institutions (the application of 19% VAT on interest rate).

Although NGOs are not supervised by the *SFC*, but some years ago a regulatory process with the aim of promoting transparency of the same NGOs started. For this purpose it has been established many associative networks in which NGOs can converge, which include, for example, the *Red de ONG por la Transparencia*, the *Federación de Antioqueña NGOs* and the *Confederación Colombiana de NGOs*, which are intended to promote the development of the most disadvantaged areas of the country and decrease of the poverty rate. The various institutions are present in the country, through subsidiaries and branches, according to the distribution shown in the table below, in which institutions are divided by their position. Institutions may be present in city or rural areas.

Table 5. Distribution of various types of credit institutions in rural and urban areas (2013)

	Physical coverage by type of institution									
	Banks		Financing companies		Cooperative		NGOs		Total	
	Branches	Agencies	Branches	Agencies	Branches	Agencies	Branches	Agencies	Branches	Agencies
City	7,868	1,328	732	29	34	377	1,315	308	9,949	2,042
Rural	37,132	4,070	3,413	628	10	570	813	292	41,368	5,560
<i>Total</i>	<i>45,000</i>	<i>5,398</i>	<i>4,145</i>	<i>657</i>	<i>44</i>	<i>947</i>	<i>2,128</i>	<i>600</i>	<i>51,317</i>	<i>7,602</i>

Source: Our elaboration on DANE data.

The highest concentration is in the capital of Colombia, Bogota, where there is 37% of the total, and in a few other districts, including Antioquia with 10.4%, Valle del Cauca, also with 10.4%, Santander with 6%, Cundinamarca, and Atlántico with 5.4% and 5.1%.

The contact points per 10,000 inhabitants per department are located throughout the area with roughly the same distribution of the contact points just analyzed, with some differences. In particular, the department with the highest number of points of contact for 10,000 inhabitants is Bogotá with 34 contact points, followed by Santander with 21, both Casanare and Risaralda with 19, Valle del Cauca, Meta, Cundinamarca, and Atlántico with 16 and then all other with a smaller number of contact points per 10,000 inhabitants.

According to the division of institutions that provide microcredit services, we have the distribution of the portfolio of credit to microenterprise for each category of institution. The microenterprise credit coincides with microcredit, because microfinance is considered as the total of financial services oriented to the development of small economy, especially micro-enterprises. In particular, in the following table we show the participation of entities supervised by the *Superintendencia Financiera*, the participation of NGOs and the participation of cooperatives supervised by the *Superintendencia de la Economía Solidaria*, which contribute to the portfolio of microcredit respectively 73.78%, 18.57 % and 7.65%.

Table 6. Microcredit portfolio by type of institution (December 2014)

Credit Portfolio for Microenterprise (In thousands of pesos)		Participation (%)	
Type of institution supervised by Superfinanciera	Agricultural Banks	5,183,718	56.63%
	Other banks	3,382,630	36.95%
	Financial companies	465,166	5.08%
	Cooperative	119,614	1.31%
	Leasing of Microcredit	3,131	0.03%
Microcredit of Superfinanciera (with Cooperative Financial and Leasing)		9,154,259	73.78%
NGO		2,304,392	18.57%
Cooperative of Supersolidaria		949,453	7.65%
<i>Total Portfolio of Microcredit</i>		<i>12,408,103</i>	<i>100.00%</i>

Source: Our elaboration Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, Confecoop, Consejo Superior de la Microempresa.

4. Geographical Distribution of Credit Products

We analyzed the geographical distribution of the credit for each District in the years 2012 and 2013 and the related percentage change, and also the partition of credit for products type in the same years. The values are sorted from largest to smallest considering the size of the gross portfolio of districts. It can be seen that the highest concentration of loans of each type is located in Bogota, the Capital District (45.3% of the total gross portfolio in Colombia in 2013), followed by Valle del Cauca, Atlántico and Santander. In the charts we report only the top twenty districts, as recorded by the most significant results.

Table 7. Distribution of the Portfolio gross and credit products for the department (2012-2013) and percentage Δ

Districts	Gross portfolio (in millions of pesos)			Microcredit (in millions of pesos)			Ordinary credit and leasing (in millions of pesos)		
	2012	2013	Δ %	2012	2013	Δ %	2012	2013	Δ %
<i>Bogotá D.C.</i>	109,097,945	124,400,309	14.03%	783,081	844,084	7.79%	69,924,936	78,920,234	12.86%
<i>Valle del Cauca</i>	21,516,274	24,671,808	14.67%	537,173	573,915	6.84%	13,763,391	15,733,177	14.31%
<i>Atlántico</i>	15,722,538	15,897,409	1.11%	1,163,468	1,176,408	1.11%	10,628,435	10,746,648	1.11%
<i>Santander</i>	9,812,288	11,510,776	17.31%	432,706	532,338	23.03%	5,589,176	6,600,828	18.10%
<i>Bolívar</i>	4,881,122	5,581,612	14.35%	134,185	171,358	27.70%	2,852,130	3,193,363	11.96%
<i>Cundinamarca</i>	3,885,811	4,819,904	24.04%	553,594	644,739	16.46%	1,142,619	1,390,774	21.72%
<i>Tolima</i>	3,688,975	4,237,916	14.88%	333,027	382,839	14.96%	1,592,596	1,841,823	15.65%
<i>Risaralda</i>	3,422,760	4,019,430	17.43%	108,801	119,215	9.57%	1,680,185	2,032,356	20.96%
<i>Huila</i>	2,883,421	3,268,786	13.36%	456,396	528,975	15.90%	1,094,492	1,222,140	11.66%
<i>Meta</i>	2,882,416	3,315,360	15.02%	189,113	237,133	25.39%	1,297,306	1,484,933	14.46%
<i>Caldas</i>	2,822,138	3,225,954	14.31%	170,437	195,486	14.70%	1,320,910	1,597,780	20.96%

<i>Norte de Santander</i>	2,648,650	3,003,941	13.41%	228,298	261,728	14.64%	945,646	1,054,816	11.54%
<i>Córdoba</i>	2,189,168	2,577,495	17.74%	189,584	240,091	26.64%	1,013,190	1,112,444	9.80%
<i>Boyacá</i>	2,164,630	2,551,215	17.86%	0	0	0.00%	839,241	993,630	18.40%
<i>Nariño</i>	2,016,506	2,344,282	16.25%	468,422	551,587	17.75%	600,448	715,217	19.11%
<i>Magdalena</i>	1,798,327	2,125,682	18.20%	190,623	225,322	18.20%	708,541	837,519	18.20%
<i>Cesar</i>	1,623,531	1,875,329	15.51%	154,274	175,441	13.72%	575,046	642,180	11.67%
<i>Quindío</i>	1,283,807	1,472,179	14.67%	68,386	74,705	9.24%	464,940	543,477	16.89%
<i>Cauca</i>	1,145,962	1,423,620	24.23%	186,957	256,571	37.24%	350,446	423,911	20.96%
<i>Casanare</i>	921,905	1,147,067	24.42%	85,397	109,496	28.22%	356,681	448,615	25.77%
<i>Sucre</i>	905,888	1,043,300	15.17%	98,141	120,204	22.48%	340,501	385,408	13.19%
<i>Caquetá</i>	665,325	754,481	13.40%	132,491	162,102	22.35%	211,660	221,332	4.57%
<i>La Guajira</i>	592,560	684,238	15.47%	61,302	67,231	9.67%	141,224	163,665	15.89%
<i>Arauca</i>	352,420	410,385	16.45%	61,723	71,204	15.36%	108,703	130,880	20.40%
<i>Putumayo</i>	298,221	350,157	17.42%	88,434	111,962	26.61%	52,919	62,980	19.01%
<i>Chocó</i>	259,258	300,016	15.72%	26,625	39,577	48.65%	47,745	50,021	4.77%
<i>San Andrés Y Providencia</i>	240,284	270,270	12.48%	2,235	3,020	35.12%	127,949	138,916	8.57%
<i>Amazonas</i>	98,417	118,522	20.43%	1,406	1,821	29.52%	22,186	28,608	28.95%
<i>Guaviare</i>	75,382	84,331	11.87%	17,588	20,962	19.18%	25,322	24,987	-1.32%
<i>Vichada</i>	56,479	61,693	9.23%	8,645	9,831	13.72%	13,083	12,924	-1.22%
<i>Antioquia</i>	46,487	52,192	12.27%	697	818	17.36%	33,681	37,485	11.29%
<i>Guainia</i>	2,405	2,959	23.04%	1,181	1,923	62.83%	924	777	-15.91%
<i>Vaupés</i>	1,688	2,656	57.35%	711	1,512	112.66%	535	638	19.25%
<i>Other</i>	42,084,000	47,060,421	-	192,709	450,549	-	35,180,021	38,389,754	-
Total National	242,086,987	274,665,695	13.46%	7,127,809	8,364,148	17.35%	153,046,808	171,184,240	11.85%

As shown Microcredit follows only partially a geographical distribution similar to distribution of other products and total gross portfolio. The distribution for department is the following:

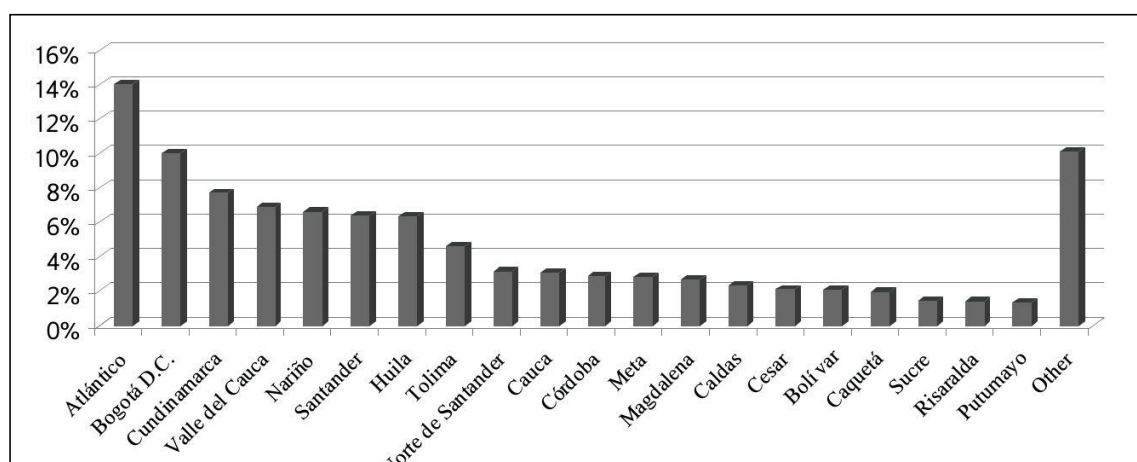


Figure 1. Distribution of the Portfolio of the department for microcredit (in%)

Source: Our elaboration on DANE data, Superintendencia Financiera de Colombia, the Superintendencia de Economía Solidaria.

The districts in which microcredit is better developed, as can be seen from the chart, are Atlántico, Bogota, Cundinamarca and Valle del Cauca and, therefore, the situation reflects the geographic concentration of the portfolio gross. As regard the composition of the gross portfolio, it follows the distribution of Microcredit with Bogotá at 45.29%, Valle del Cauca 8.98%, Atlántico 5.79% and Santander with 4.19%.

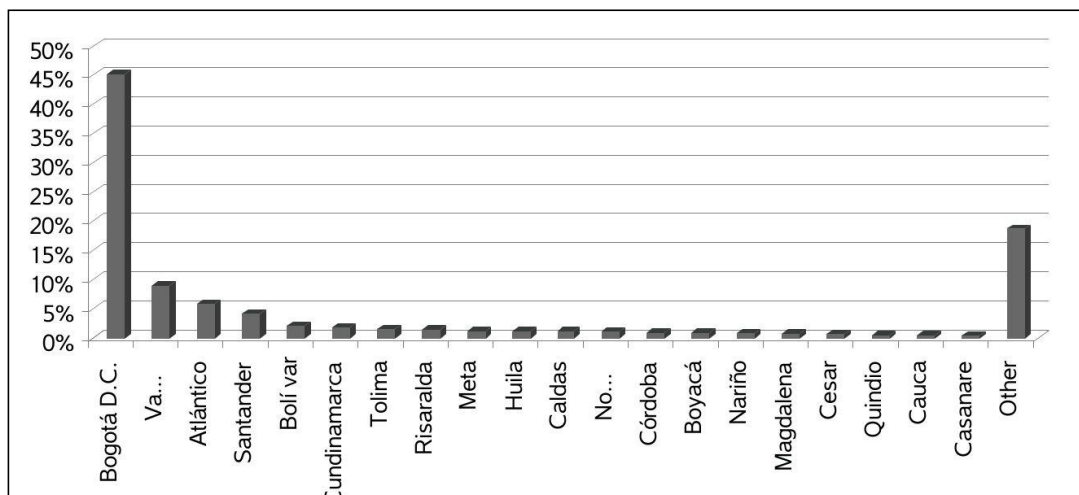


Figure 2. Composition of the gross portfolio of main districts (2013)

Source: our elaboration on data DANE, Superintendencia Financiera de Colombia, the Superintendencia de Economía Solidaria.

About the portfolio of credit for house purchase, the districts where it is most developed are Bogotá with 50.8%, Valle del Cauca with 11.5%, with 7.8% and Atlántico Tolima with 4.09%.

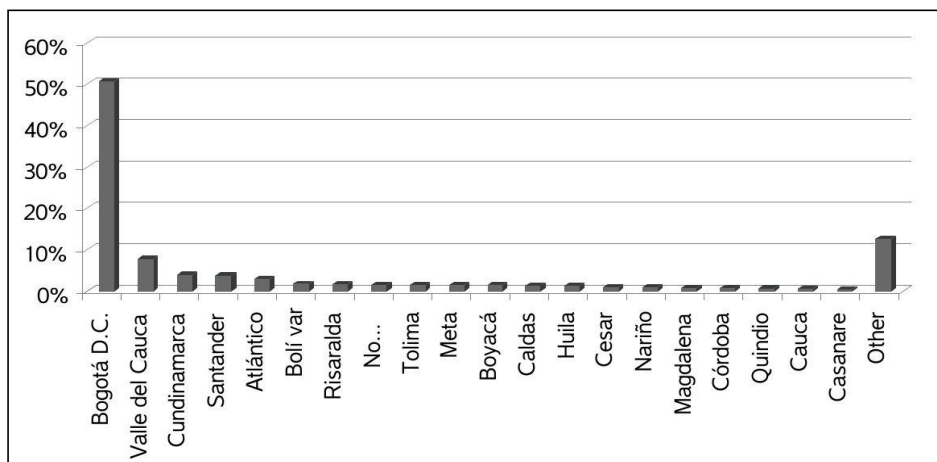


Figure 3. Composition of the portfolio of credit for the purchase of housing the main districts (2013)

Sources: DANE, Superintendencia Financiera de Colombia, the Superintendencia de Economía Solidaria.

The portfolio of consumer credit and leasing, also follows the same trend of the portfolio of credit for house purchase and, therefore, is more developed in the districts of Bogotá with 45%, Valle del Cauca, with 13.7%, with 9.2% Atlántico and Bolívar with 4.09%.

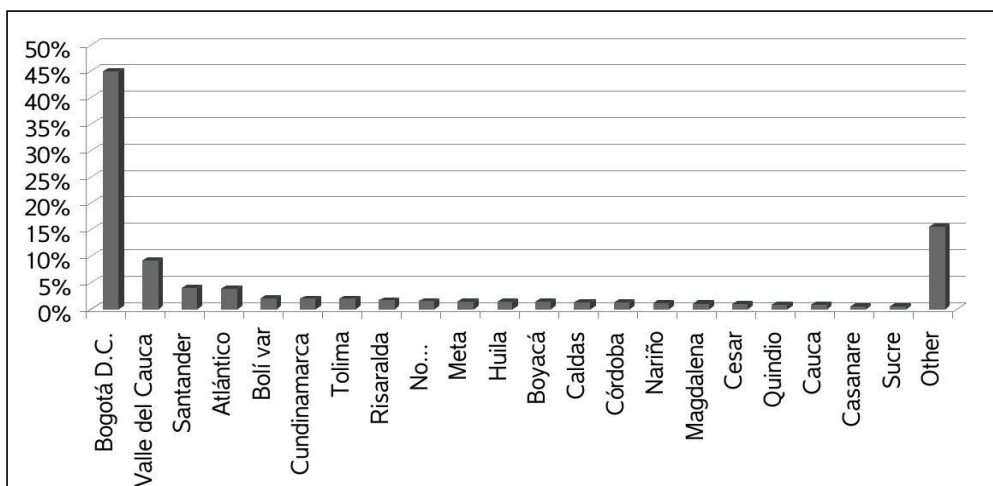


Figure 4. Composition of the portfolio of credit and leasing of consumption of main districts (2013)

Sources: DANE, Superintendencia Financiera de Colombia, the Superintendencia de Economía Solidaria.

Furthermore, concerning the portfolio of the credit and leasing ordinary, it also faithfully follows the distribution of the portfolio of the credit for the purchase of house and the consumer credit and leasing and, consequently, is more developed in the district of Bogota with 46%, Valle del Cauca with 22.43%, Atlántico with 9.2% and Santander with 6.3%.

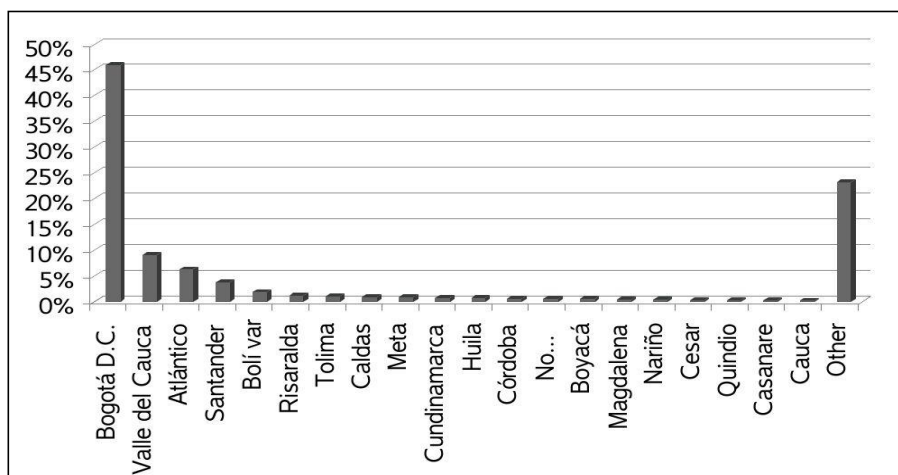


Figure 5. Composition of the portfolio of credit and ordinary leasing main districts (2013)

Sources: DANE, Superintendencia Financiera de Colombia, the Superintendencia de Economía Solidaria.

So the portfolio of microcredit has a more homogenous distribution than other portfolios. The main reason of these differences in the distribution of the portfolio is the fact that microcredit is offered mainly to rural areas of the various districts, while the traditional credit is aimed mostly to urban areas of the country. The second reason, closely related to the first, is that while the traditional lines of credit are aimed at the population and at richest enterprises, microcredit is mostly offered to those persons who have higher difficulty to repay the sums borrowed at higher interest rates.

5. The Analysis of Microcredit Institutions

Following the classification of banks, cooperatives, NGOs and NBFIs and ordering them according to an increasing scale of the loan portfolio, the companies analyzed are distinct considering the following variables: the loan portfolio in dollars, number of customers, customer credit in dollars, value of the deposits and the value of the equity, interest rate on microcredit, loss rate of the loan portfolio, the risk portfolio for delays that go from

30 to 90 days, hedge rate.

In addition, for the same companies financial needs was estimated on the basis of residual ratio:

$$\diamond \text{ Net requirement of the loans portfolio} = \text{Credits} - \text{Deposits} - \text{Equity}$$

$$\diamond \text{ Net requirement ratio} = (\text{Loans} - \text{Deposits} - \text{Equity}) / \text{Loans}$$

Table 8. Entities operating in the field of microfinance (1)

Microfinance Financial Institutions	Loan portfolio (USD)	Customers	Loan for customer (USD)	Deposits (USD)	Equity (USD)	Net requirement of the loan portfolio (USD)	Index of net requirement(%)
FiMSA	249,000	1,000	249	0	298,800	-49,800	-20.00%
FASE	332,394	790	421	0	590,169	-257,775	-77.55%
Ecofin	387,799	446	870	0	235,468	152,331	39.28%
OLC	674,292	1,437	469	0	594,753	79,539	11.80%
AVANSAR	721,579	448	1,611	0	847,610	-126,031	-17.47%
AGAPE	965,505	6,789	142	0	1,016,876	-51,371	-5.32%
Producir	999,475	1,206	829	0	941,626	57,849	5.79%
OILA	1,319,101	6,416	206	0	264,796	1,054,305	79.93%
FUNDESCAT	2,491,929	1,587	1,570	0	1,262,533	1,229,396	49.34%
COOTREGUA	2,740,646	1,194	2,295	1,263,911	1,398,451	78,284	2.86%
COOSERFIN	3,292,071	1,212	2,716	0	434,387	2,857,684	86.81%
FUNDESAN	3,372,577	2,990	1,128	0	1,156,917	2,215,660	65.70%
Alcaravan	3,171,161	2,422	1,521	0	4,953,727	-1,782,566	-56.21%
FUNDESMAG	2,319,618	1,406	2,807	0	1,691,595	628,023	27.07%
Coomultagro	5,035,951	1,769	2,847	2,994,340	1,539,462	502,149	9.97%
COMERCIACOOP	5,386,696	7,079	761	3,853,095	1,661,949	-128,348	-2.38%
ActuarQuindio	6,298,594	3,535	1,782	0	1,745,813	4,552,781	72.28%
FMSD	5,986,058	5,211	1,220	0	167,686,926	-161,700,868	-2701.29%
ActuarTolima	6,545,160	9,090	720	0	4,512,111	2,033,049	31.06%
Actuar Caldas	6,853,241	5,365	1,399	0	3,114,619	3,738,622	54.55%
COFINCAFE	18,389,830	16,226	1,154	15,784,553	5,510,745	-2,905,468	-15.80%

Source: Ourelaboration on MixMarket, website of entities, Banco de la República, Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria.

Table 9. Entities operating in the field of microfinance (2)

Microfinance Financial Institutions	Interest rate on Microcredit (COP)	Loss rate of the portfolio	Portfolio risk> 30 days	Portfolio risk> 90 days	Rate hedging of risk
FiMSA	—	—	—	—	—
FASE	—	7.01%	16.47%	7.69%	—
Ecofin	—	8.10%	7.54%	2.59%	115.87%
OLC	—	14.50%	6.37%	4.12%	81.25%
AVANSAR	—	2.97%	14.61%	8.56%	20.15%
AGAPE	—	8.51%	6.68%	4.99%	54.89%
Producir	—	—	16.38%	9.58%	63.48%
OILA	—	7.59%	6.09%	3.30%	87.03%

FUNDESCAT	39.12%	—	1.44%	0.85%	151.39%
COOTREGUA	—	—	—	—	—
COOSERFIN	—	—	—	—	—
FUNDESAN	18.27%	0.08%	3.99%	0.68%	0.87%
Alcaravan	42.70%	2.29%	2.91%	2.32%	42.32%
FUNDESMAG	26.28%	—	3.84%	—	—
Coomultagro	21.60%	1.16%	2.25%	1.42%	87.42%
COMERCIACOOP	25.75%	0.18%	4.32%	3.63%	100.42%
ActuarQuindio	39.60%	1.30%	1.88%	0.97%	100.00%
FMSD	36.00%	-0.29%	14.07%	8.21%	97.95%
ActuarTolima	51.41%	2.26%	5.45%	3.21%	116.83%
Actuar Caldas	31.30%	0.76%	6.87%	3.42%	114.45%
COFINCAFE	—	—	—	—	—

Table 10. Entities operating in the field of microfinance (3)

Microfinance Financial Institutions	Loan portfolio (USD)	Customers	Loan per customer (USD)	Deposits (USD)	Equity (USD)	Net requirement of the loan portfolio (USD)	Index of net requirement (%)
Fundación Amanecer	21,566,227	11,020	1,957	0	9,510,460	12,055,767	55.90%
OI Colombia	26,196,037	—	—	13,146,286	5,181,702	7,868,049	30.04%
Microempresas de Colombia	28,579,288	19,992	1,430	5,864,174	7,346,722	15,368,392	53.77%
AYF	47,689,413	11,812	4,037	—	—	—	—
Cooperativa Microempresas de Colombia	52,393,133	29,094	1,801	6,786,807	8,774,082	36,832,244	70.30%
Interactuar	54,050,000	32,247	1,818	0	30,570,000	23,480,000	43.44%
CMM Bogotá	58,925,299	72,275	815	0	8,314,281	50,611,018	85.89%
Contactar	61,023,548	72,383	878	0	15,613,263	45,410,285	74.41%
CMM Medellín	68,196,713	66,377	1,027	0	8,644,727	59,551,986	87.32%
Crezcamos	64,675,411	69,378	1,029	0	18,256,425	46,418,986	71.77%
ProCredit - COL	92,937,959	—	—	84,370,297	19,675,832	-11,108,170	-11.95%
FinAmérica	257,979,717	94,805	2,721	254,666,129	41,918,084	-38,604,496	-14.96%
Confiar	262,267,617	48,350	5,424	200,053,457	42,652,916	19,561,244	7.46%
Fundación Delamujer	307,324,746	352,529	777	0	116,939,258	190,385,488	61.95%
Banco WWB	386,017,640	206,405	1,870	104,485,939	216,955,854	64,575,847	16.73%
Comultrasan	402,653,414	93,689	4,298	273,187,032	136,906,228	-7,439,846	-1.85%
Fundación Mundo Mujer	483,712,815	531,240	869	0	312,942,849	170,769,966	35.30%
Bancamía	495,054,792	365,389	1,355	182,795,911	150,567,908	161,690,973	32.66%
Banco Caja Social	539,026,922	675,370	798	4,333,207,631	671,984,482	-4,466,165,191	-828.56%
Fomentamos	702,952,613	—	—	0	27,840,824	675,111,789	96.04%
B. Colombia Microfin.	9,301,778,541	—	—	—	—	—	—

Source: Our elaboration on MixMarket, websites of entities, Banco de la República, Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria.

Table 11. Entities operating in the field of microfinance (4)

Microfinance Financial Institutions	Interest rate on Microcredit (COP)	Loss rate of the portfolio	Portfolio risk > 30 days	Portfolio risk > 90 days	Rate hedging of risk
Fundación Amanecer	—	3.52%	3.92%	1.95%	150.96%
OI Colombia	52.21%	—	—	—	—
Microempresas de Colombia	31.20%	—	4.05%	—	—
AYF	—	—	—	—	—
Cooperativa Microempresas de Colombia	36.07%	2.85%	2.06%	1.39%	88.11%
Interactuar	31.24%	0.00%	8.55%	6.53%	84.07%
CMM Bogotá	—	0.40%	1.98%	1.40%	124.60%
Contactar	35.75%	0.69%	1.80%	1.41%	132.32%
CMM Medellín	—	0.81%	1.78%	1.57%	124.17%
Crezcamos	40.33%	1.79%	3.01%	1.56%	118.23%
ProCredit - COL	39.02%	—	—	—	—
FinAmérica	47.00%	4.18%	10.67%	8.22%	75.52%
Confiar	32.75%	0.74%	3.83%	2.28%	131.02%
Fundación Delamujer	37.30%	2.93%	4.40%	2.72%	104.00%
Banco WWB	45.90%	2.54%	7.70%	6.59%	100.99%
Comultrasan	—	1.08%	3.44%	2.24%	221.98%
Fundación MundoMujer	—	1.78%	2.45%	1.58%	104.00%
Bancamía	37.55%	5.39%	6.28%	4.32%	82.12%
Banco Caja Social	34.83%	10.26%	6.10%	3.91%	82.56%
Fomentamos	40.50%	1.82%	0.52%	0.27%	427.23%
Bancolombia Microfinanzas	38.60%	—	—	—	—

The most important thing is that on average the interest rates on microcredit are 2.5 times bigger than the interest rates on ordinary loans. In fact on average the interest rate on loans of micro credit is 29.87%, compared with an average interest rate on ordinary credit equal to 11.96%.

6. Conclusion

In conclusion, according to the analyzed variables, it can be said that the framework of Microcredit represent a founding opportunity for micro-enterprises in Colombia and an investment opportunity for investors who collect funds on the international market, and use them in Microcredit sector. The high interest rates on microcredit in Colombia guarantee adequate profit margins even when such investors borrow money at higher rates than rates that are usually present in international market. In fact we have to highlight that the Microcredit is a high risk investment which presupposes expected return more considerable.

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