

# Microfinance in El Salvador

**MSBA 5504**

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# Background

- Population: 6,481,102
- 21,041 sq km
- With 310 people per sq km of land area, El Salvador is the most densely-populated country on the mainland of the Americas. Only the Caribbean island nations of the region are more densely populated
- Major languages: Spanish, Nawat
- Smallest country by land area in Central America
- The majority religion of El Salvador is Christianity, followers of which comprise 88.2% of all religious believers in the country
  - Other religions in El Salvador are Islam, folk religions



# Economy



**35%**

lives below the  
poverty line



**40%**

Decrease in the  
poverty rate in El  
salvador from 2007 -  
2019



**11.5%**

Decrease in the  
rate of extreme  
poverty from  
1995 to 2019

# Microfinance in El Salvador

- From 2010 to 2015, the microfinance industry in El Salvador experienced significant growth. According to the World Bank, the number of microfinance institutions operating in the country increased from 15 in 2010 to 21 in 2015. These institutions provided a range of financial services to over 700,000 borrowers, the majority of whom were women.



# Challenges of MFI in El Salvador

- **High interest rates:** which make difficult for borrowers to repay their debts
- **Limited access to capital:** MFI in El Salvador have limited access to capital
- **Lack of regulation:** which can create challenges for borrowers who may not fully understand the terms of their loans or may be subject to predatory lending practices
- **Gender bias:** Women borrowers may face higher interest rates than men and may have limited representation in leadership positions within microfinance institutions
- **Political and economic instability:** This instability can make it difficult for institutions to access funding and can make it harder for borrowers to repay their debts.

# Data Approach

## Data Analysis Process

<b>Data Source</b>	Mix market data
<b>Data Manipulation</b>	Excel was used to clean and standardize our data into a useable format
<b>Regression &amp; Analytics</b>	R used to calculate relationships of coefficients between variables relating to gender
<b>Data Selection</b>	With the coefficients and R squared calculated we then select relevant variables
<b>Visualization</b>	Tableau and R to develop visual representations of data
<b>Insight</b>	What did we learn about the gender dynamics for MFIs in El Salvador?

# Points of Interest 2010-2015

Many microfinance institutions implemented programs specifically designed to support women entrepreneurs and help them grow their businesses.

Some microfinance institutions in El Salvador offered training and education programs to women borrowers, providing them with skills in financial management, entrepreneurship, and marketing.

In El Salvador from 2010 to 2015, microfinance played a significant role in empowering women through access to financial services.

# **Study on Data Set variables**

Coefficients:

	Estimate	Std. Error	t value	Pr(> t )
(Intercept)	0.4450175	0.0268190	16.593	5.10e-16 ***
Percent_of_female_loan_officers	0.4600601	0.0433606	10.610	2.56e-11 ***
Number_of_managers	0.0049688	0.0040956	1.213	0.235
Loan_officers	0.0003899	0.0003148	1.238	0.226
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Signif. codes:	0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1			

Residual standard error: 0.06138 on 28 degrees of freedom

Multiple R-squared: 0.834, Adjusted R-squared: 0.8162

F-statistic: 46.88 on 3 and 28 DF, p-value: 4.822e-11

As can be seen from the summary of the regression there is a significance of % of female loan officers and % of female borrowers

# **Percent of female borrowers & Percent of female loan officers**

Women in El Salvador generally take more loans from female loan officers.

Coefficients:

	Estimate	Std. Error	t value	Pr(> t )
(Intercept)	0.48424	0.01983	24.42	< 2e-16 ***
Percent_of_female_loan_officers	0.47312	0.04343	10.89	5.99e-12 ***
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Signif. codes: 0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1				

Residual standard error: 0.06537 on 30 degrees of freedom

Multiple R-squared: 0.7982, Adjusted R-squared: 0.7915

F-statistic: 118.7 on 1 and 30 DF, p-value: 5.991e-12

As can be seen from the coefficients holding a significant influence on the percent of female borrowers. With a **79%** confidence interval we suspect more female loan officers would encourage a higher percent of female borrowers.



Women were the majority of microfinance borrowers in the country during this period, with some estimates suggesting that up to 70% of borrowers were women.

# What happened in 2012?

In 2012, the government launched a program called "**El Salvador Adelante**," which aimed to promote economic growth and social inclusion through the expansion of microfinance services.

# Insight & Charts

# Revenue Over Time

Programs directed in helping women to improve their businesses, increased their incomes, and gain financial independence.

**\$3,450,163**

Income from Interest

High interest rates charged by some microfinance institutions, made it difficult for borrowers to repay their loans.

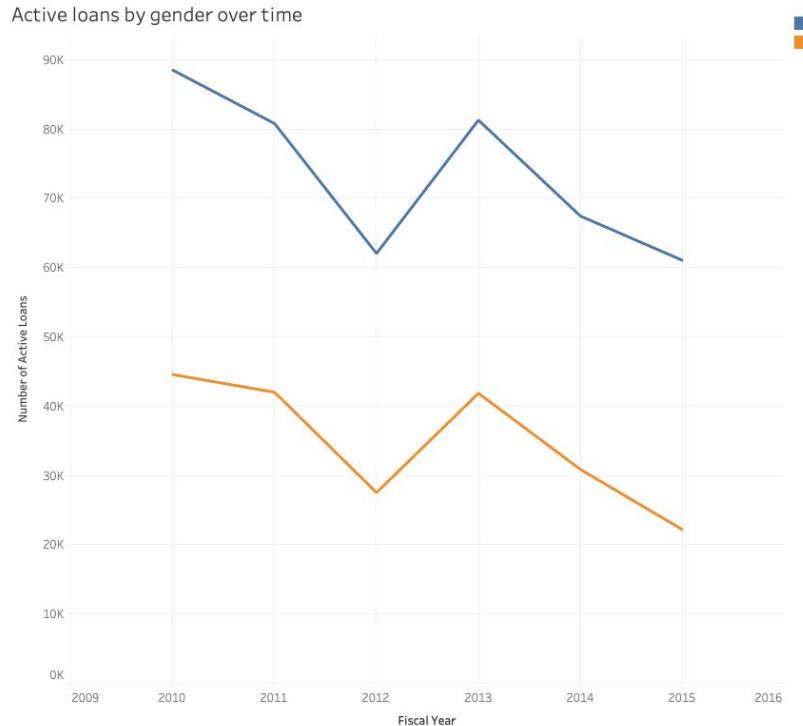


# Active Loans By Gender

Microfinance institutions in El Salvador often provided loans to women without requiring collateral, which can be a major barrier for women entrepreneurs who do not have assets to pledge as security.

This made it easier for women to access credit and start or expand their businesses.

**~38,800**  
More active loans held by  
women



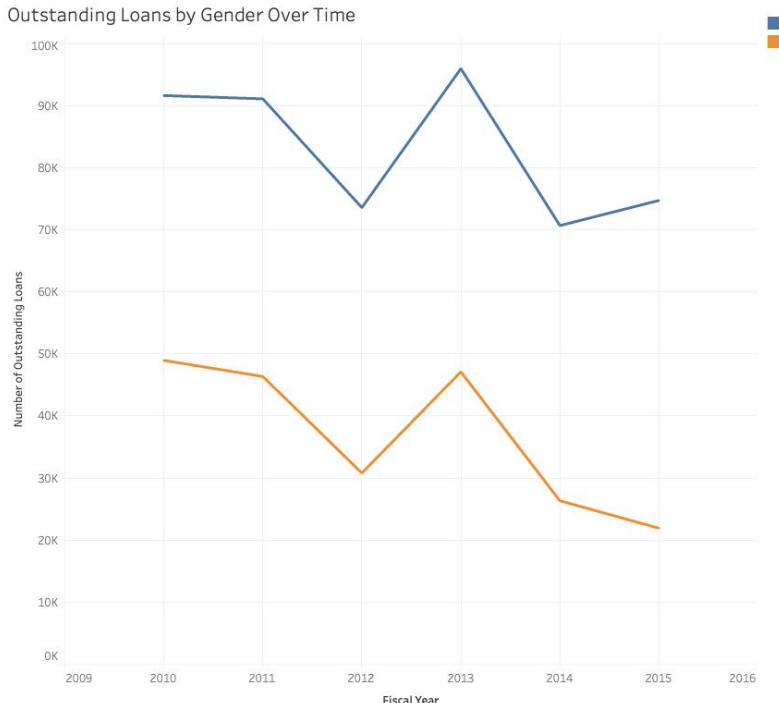
# Outstanding Loans by Gender

## El Salvador Adelante

In 2012 we begin to see the effects of El Salvador Adelante as rates of MFIs increase.

**2010 - 2014**  
Variance in trends  
remains the same

Women borrowers often faced higher interest rates than men, despite being more reliable borrowers.



# Conclusion

Microfinance played an important role in supporting women's entrepreneurship and economic empowerment in El Salvador from 2010 to 2015.