PN-ABF-392

GUATEMALA REPORT

Bureau for Private Enterprise
U.S. Agency for International Development

Prepared by: *S. Eveleth*

Sponsored by: *Financial Markets Project*
Project Number: 940-2005
Prime Contractor: Arthur Young

June, 1986

Arthur Young
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

DESCRIPTION OF THE FINANCIAL SECTOR

I. The Institutions

1. The Monetary Board (Junta Monetaria)
The Monetary Board sets the monetary and fiscal policies of the country. Specifically, the board is responsible for:
   a. enforcing the general policies of the Central Bank and guaranteeing the Central Bank debts;
   b. approving, modifying and interpreting Central Bank regulations;
   c. approving the Central Bank's annual budget;
   d. setting and publishing the discount rate;
   e. setting the maximum lending rates;
   f. controlling credit availability;
   g. coordinating the policies of the parapublic financial institutions with the monetary and fiscal policies of the country.

2. The Bank Superintendent
The Bank Superintendent supervises all financial institutions in the system. The Superintendent ensures that:
   a. banks meet reserve, liquidity and capital requirements;
   b. asset and liability portfolios adhere to certain standards;
   c. reporting procedures are met; and
   d. banking system information is published

3. Commercial Banks
The commercial lending activities of banks are primarily limited to short term working capital loans well secured by collateral and/or guarantees. By short term we mean loans with tenors of under one year. Private banks usually form part of a larger industrial/commercial group. The major source of loanable funds are domestic commercial and individual deposits. There is only a modest interbank market which deals primarily in repurchase agreements secured by FHA mortgage bonds and notes. There are fourteen domestic private commercial banks, two foreign banks, one mixed (private/state) bank and three state-controlled banks.

4. Finance Companies (financieras)
Finance Companies in Guatemala have many of the characteristics of investment banks. The tenor of their lending tends to be medium to long term. Their sources of funds are the sale of security type instruments (CDs and Bonds). There are five finance companies, four private and one state owned. Commercial banks may participate in finance companies with investments not to exceed 20% of the bank's capital. Only two banks have direct holdings in financieras.

5. Non-Banking Financial Institutions

a. General Bonded Warehouses. Bonded warehouses offer certificates of deposits and issue collateralized bonds backed by good in storage. these instruments are negotiable and form an underpinning to trade credit. Commercial banks can invest up to 10% of the banks capital in bonded warehouses. Interlocking board and management are permitted between banks and bonded warehouses. There are ten private bonded warehouses and one state owned. All warehouses are associated with a specific bank.

b. Insurance companies. There are thirteen insurance companies, twelve domestic and one foreign. Insurance company investment programs are approved annually by the Monetary Board. By law 40% of a companies technical reserves must be invested in government securities.

c. Institute for the promotion of Secured Mortgages(FHA) FHA is a decentralized, state-controlled entity which deals in discounting loans collateralized by mortgages. FHA securities are classified as government securities for bank accounting and regulatory purposes. The financing of construction by banks is backed by FHA securities.

d.Parastatal Financial Institutions

1. The National Housing Bank. A commercial bank envolved in financing construction and housing

2.The National Bank for the Development of Agriculture. A commercial/development bank engaged in financing agricultural projects.

3. The National Finance Corporation. A development bank.

e. Other Financial Institutions

a. Cooperatives - The cooperative system has a pyramid structure. Cooperatives of the same type belong to the same structure. The National Institute of Cooperatives (INACOP) is a decentralized and autonomous government entity which supervises and regulates the industry. It also provides technical assistance and administrative support for the movement. The major source of funding for the cooperatives has been subsidized credit extended by the government. Member deposits are also a source of deposits. The credit extended to members is dependent on the nature of te proposes project. Credit is extended for short, medium and long term at rates which compare favorably with the banking system.

b.The "Centavo" Foundation. This foundation assists in the financing of development projects by extending subsidized credits in the rural section of the country. Its major source of funding are international donors

c. The Institute for the development of Municipalities. The institute lends to municipalities for infrastructure projects. Its source of funds is the government.

d. PVOs. While PVOs are known to exist the extent and impact of their activities are conjectural.

e. Informal market. An informal market is known to exist both at the level of established brokers and in the "street market place". The size and activities of these markets have not been quantified.

f. Pension funds. Private pension funds are reported to be to small to worry about. The government pension funds invest in government securities.

II. THE MARKET PLACE

A. Competition - While the infrastructure is in place to support an effective and efficient Financial Market none exists primarily because of the absence of true competition. Competition is absent not only between institutions in a given sector of the market but between sectors. The reasons are both structural as well as legislated. If one were to briefly characterise the Guatemalan market one would describe it something like this; **a market where investors have no serious investment alternatives than to invest in bank deposits and financial institutions have no serious incentives to make commercial loans.** (Only roughly 30% of total banking sector assets are devoted to commercial, industrial and personal loans.)

Impediments to competition:

a. Interest rates on both loans and deposits are set by the monetary authority.

b. Interest rates on bank deposits are income tax free making them the preferred financial investment.

c. There are no institutional investors to either compete for depositor funds or bid up returns on the investable funds of institutions or corporations.

d. Interest rates on government securities are artificially low making them of interest only to investors who have considerations other than rates of return.

e. Rates of return to banks on some investments are greater than are rates of return on loans. Examples are FHA Mortgage bonds (Since they are exculudeC from calculating capital requirements) and paper issued by Bonded Warehouses also excluded from capital requirement calculations.

f. The interlocking nature of some economic enterprises is such that a bank associated with a particular group has for its raison d'etre the funding of the activities of that group and its owners. There is only minimal incentive to compete in the market place for loans since the bank's profits probably do not add materially to the profits of the group as a whole.

g. Legislation defines markets. An example are the limitations for deposit taking and lending placed on cooperatives.

h. Legislation actively discourages the expansion of financial and capital markets. Two examples are the taxation of dividends and interest on corporate bonds while exempting from taxation the interest on bank accounts and government securities as well as the limitation placed on dividends of 20% of *invested capital.*

B. Products. The absence of competition limits the variety of financial products offered. Any number of examples could be cite'but two will suffice; one, insurance companies are traditionally holders of long term funds and, in normal circumstances, are able to lend (invest) these funds also at term. However, in Guatemala insurance companies must invest 40% of their technical reserves in government bonds and the monetary board must approve the rest of the investment strategy. Consequently, one of the traditional sources of construction financing does not exist. Two, absent a developed inter-bank money market there is no efficient way to maximize returns on short term investaible funds particularly since interest rates are managed by the government. (An interesting study, if one could figure out how to do it, would be to see if there was a correlation between short term investable funds seeking maximum return and flight capital. I suspect there is a very direct correlation).

C. Level of Institutional competence. The removal of the above constraints would probably result in very little change in the market place since, with out motivation and assistance, it would be difficult for organizations to behave differently than in a ways they have been accustomed to. Again, two examples can be illustrative; Banks have traditionally lent against solid collateral and unquestioned guarantees. If the environment were to change so that it became in the self interest of banks to increase their loan portfolios and at the same time competition for loans was stimulated leading to a relaxation of traditional standards, disaster would not be far off. The reason being that banks do not have the skills to adopt more flexible and liberal lending policies nor do the personnel possess skills in cash flow analysis, statement analysis and the other basic skills needed to exercise sound credit judgment. Secondly, it is reported that the portfolios of the cooperatives are full of bad and uncollectable loans. If this is so, one shudders at the possibility of liberalizing regulations to allow them to compete for all classes of loans in the market. Again lending and management personnel are in bad need of training and systems and audit procedures are primitive.

INFORMATION GAPS. A question which has not received adequate attention is why the Financieras, with their more liberal regulatory requirements have not become more of a market force. Is it because they are run by traditional main line bankers? Or is it that since banks are one of their principal sources of funding, to compete too strongly with the banks would not be politic?

The portfolios of the Cooperatives are reported to be in bad shape. Details of these porfolios should be examined so that remedial action can be taken to return these institutions to health. (A useful AID project might be to provide a "Capital Guarantee Fund" designed to encourage the write off or write

down of bad debts[with out impairing the capital base of the cooperatives.)
Statistical material is dated and should be revised to get a better picture of the market. There does not appear to be any statistical information on the activities of cooperatives and many other non bank financial institutions. This information is probably available from government sources and should be obtained.

More information is required concerning the effectiveness of regulatory oversight. Particularly with regards to concentration of loans from economic groups and concentration of deposits from economic groups. Enforcing reasonable concentration regulations would do a lot to increase competition between banks.

<u>STRATEGY</u> Any strategy that has for it's objectives:

a. Increasing the availability of credit to small and medium borrowers.

b. Developing the availability of medium and long term funding for commercial entities

c. Providing investors/depositors with realistic risk/reward incentives:

Should have the following primary characteristics:

a. It should result in heightened competition between;

1. Financial market sectors
2. Institutions within a given sector
3. Financial instruments available to the borrowing and investing public.

b. All sectors of the financial market should be flexible and responsive to the needs of the market place.

c. All financial institutions should be stand alone entities without the need for government subsidies or support from a larger "parent" groups.

d. The creation and development of institutional investors should be encouraged and they should be encouraged to be players in the market.

<u>Action steps for implementing this strategy</u>

a. Policy dialogue with the government with the following objectives:

1. Removing government intervention in the setting of interest rates on deposit and loan instruments. Credit availability can be managed through the management of the rediscount rate and reserve requirements.

2. Assuring that special conditions for "special" deposit and loan instruments do not distort the market. This point may not be self evident so a theoretical example may be useful. A government may, for praise worthy reasons, decide that loans of a special character, say agricultural loans, should be supported. Consequently, it guarantees these loans. The result would be to turn argicultural loans into government obligations and thereby commading the highest credit rating. The market for this type of loan would be

distorted, interest rates pushed down as demand went up and a cocomitant reduction in availability of credit for other sectors of the economy. In the case of Guatemala, FHA bonds disintermediate credit from the commercial sector to the housing sector since it is more advantageous for banks to purchase these bonds than to make loans.

3. Provide Infrastructure support in the form of training and technical support. The objective would be to encourage a flexible and imaginative system. Support should be sector specific. That is specialise training and technical assistance should be provided to banks, insurance companies, financieras, and cooperatives so as to make their activities in their markets more effective.

4. Encourage the development of institutional investors that invest their own and client funds on the risk reward principal. This encouragement could take the form of technical support to financieras for the establishment of mutual funds, assistance to insurance companies in designing investment programs, encourage the development of private pension funds. Significant legislative activity would be need for these initiatives. It is also probable that there would be direct opposition from the banking community since in the short run they could fear loss of cheap deposits.

DEVELOPMENT OF DATA BASE

A. Approaches, work plan and scope of work for establishing priorities for studies of policies and new financial mechanisms

Purpose: To assist USAID and other donor agencies in deciding on the level of assistance needed and the priority in which assistance should be given in order to strengthen the Guatemalan financial markets.

Scope of work: Review and determine the short, medium and long term financing requirements of the various sectors ie., commercial, industrial, small business and individuals.

Methodology: 1. To the extent information is available, review the balance sheets of a representative set of institutions from the above group to determine how much the lack of financing is hindering the growth or operation of the institution.

2. Interview representative executives in the above sectors to determine what they feel their need are. These interviews should stress that any easing of access to additional funds would be at market rates. Needs should, to extent possible, be quantified as to requirements for short, medium and long term loan funds and equity or quasi equity funds.

3. Based on the above develop a proforma needs profile.

4. With the needs profile as a working document, hold discussions with representative members of the

financial community to identify mechanism and/or institutions which could satisfy the needs.

5. Using the needs profile and results of discussions with bankers and using items B and C below as reference documents determine which structural changes and/or legal changes would result in the greatest benefit to the greatest number in the shortest period of time

6. Based on the above develop a strategy action plan.

Expected Results: An action plan which places in priority order those structural and/legal and/or legislative changes that must take place in order to strengthen, diversify and foster the financial markets in Guatemala.

Estimated Budget; 10 man weeks (2 consultants) of which 8 would be in the field. The study would probably require 2 visits by each consultant to Guatemala.

Review, Approval and Audit process: Consultants will provide detailed lists of individuals interviewed, balance sheets analyse etc. in order to assure AID that no useful sources of information were omitted. Review and approval will be based on review and approval by the USAID mission in Guatemala

B. Approache, work plan and scope of work for <u>developing a catalogue</u> of the laws and policies which govern the financial markets, stressing factors which inhibit development of new financial instruments.

Purpose: To provide a legal, legislative, regulatory data base governing the operations of the financial markets in Guatemala. This data base will serve two purposes:

1. To facilitate the determination of what changes can be effected within the system as it exists

2. To serve as the basis of comprehensive policy dialogues with the Government of Guatemala

Scope of work: Catalogue existing laws, legislation and regulations that cover:

1. Deposit taking activities by various financial institutions

2. The extention of credit by the various financial institutions

3. The investment and management of funds for and on behalf of third parties

4. The limitations that are placed on the creation of new financial instruments or that limit the flexibility of existing ones.

Methodology: Under the general direction of a consultant employ local specialized lawyers (probably 2) and accountants (1) to review and compile existing laws and regulations and place in the format dictated by the consultant.

Expected Results: A resource to be used by USAID, other donors, and consultants in the course of policy dialogues and when studying means of effecting change within the financial system.

Estimated Budget: 6 man weeks of local input and 2 man weeks of consultant input. One possibly two trips for the consultant to Guatemala each with a duration of 3/4 days.

Review, approval, Audit process. To determine that all relevant material has been covered reports should be viewed by the Central bank and SuperintendentoL banks. Approval will be by the USAID-Guatemala mission once ageement has been reached with the consultant that the material is complete and in the format prescribed.

C. Approaches, work plan and scope of work to catalogue existing studies and identifying the best data and analytical base on which future studies could be built.

Purpose: To provide USAID with a data base designed to avoid a duplication of effort when undertaking future studies and recommend a structure/format for future studies.

Scope of Work: Review all existing reports on the financial markets in Guatemala and produce a summary report and suggested format for future reports.

Methodology: Using AID, the World Bank and the IDB as primary sources and agencies of the Government of Guatemala as secondary sources obtain all studies relating to financial markets prepared since 1980.

Review these reports and prepare a detailed summary report.

Prepare recommended format for future studies. Standardize analytical presentations and information.

Expected Results: A historical data base and market description which should minimize the research and preperation time in preparing future reports. Analytical data should be in such a format as to making updating relatively easy.

Estimated Budget: This will largely depend on the ease of availability of information and reports. Once all information is to hand a summary report could be prepared in about 6 to 8 weeks. Assuming USAID can obtain any reports that are available locally no in field time would be necessary for this project unless AID wants a personal presentation.

Review, Approval, Audit process: Review and approval will be by AID-Guatemala and be based on the report adhering to the requirements stated above.

ILLUSTRATIVE STUDIES

I. Review of competitive forces within the banking sector

Purpose: To determine the degree of competition that exists between banks for the market segments in which they compete.

To determine what new products or services could be developed by the banking system, under present legislation and system orientation to make the banking system a more effective financial intermediary.

To determine what legislative and/or regulatory change would be necessary to improve competition between banks and make them able to increase the number and types of products offered, thereby making them more effective financial intermediaries.

Scope of work: Based on statistical analysis of data available from, the Central Bank, Superintendent of Banks and published bank balance sheets, determine historical trends (if any) between different bank products and between banks.

Based on interviews with bankers, and bank customers, determine the competitive forces currently at work in the market.

Based on interviews with bankers and bank customers determine competitive and/or product changes which would be welcomed by the market.

Prepare a report delineating the above and making recommendations for change, including a methodology for change.

Determine what technical support that might be needed by the banks to effect change.

Methodology: 1. Determine from existing legislation and regulations the flexibility banks have in setting landing and deposit rates with specific data on tenor and amount limits.

2. Based on balance sheet analysis and/or Central Bank-Superintendent of Banks information determine the liquidity within the banking system.

3. Based on balance sheet analysis and/ or Central Bank-Superintendent of Banks information determine maturity schedules of invested funds(loans and investments) and borrowed funds(deposits). The purpose of this analysis is to:

a. Determine how aggressive or conservative banks are being in lending policies with regards to maturity management, ie., matching vs. mismatching.

b. Determine what kind of instruments would be needed to encourage banks to lengthen loan portfolio maturities

4. Review marketing material produced by banks as well as published advertizing copy to get a feel for the aggressivness banks use to generate loan and deposit business.

5. Based on information from the Central Bank and/or The Superintendent of Banks obtain concentration information on banks both as regards to loans and deposits.(Concentration is the amount<% of total> that a bank lends to an economic group or borrows[takes deposits from] an economic group. High degrees of concentration are not only dangerous but are indicators of how beholden a bank is to an economic unit). If this information cannot be obtained from the authorities then conversations with knowledgeable business men could provide a reasonable proxy.

6. Based on conversations with the Central Bank and Superintendent of Banks, bankers and business men obtain a feel for the portfolio quality of the banking system. It is possible that the Central Bank and Superintendent of Banks will have statistical information. Typically this information would be:

a. Information on capatilizatio[of interest

b. Information on number and $ amount of past due and extended loans.

c. Information on write-off policies and procedures.

7. Based on conversations with bankers determine:

a. What new products they would like to introduce and why.

b. What regulatory and legislative changes they would encourage and why.

c. Their policies for and ability to make small and medium size loans.

d. Their abilities to analyze credits based on financial and economic data rather than on the value of collateral and guarantees.

8. Based on interviews with business men not affiliated with banks, determine what new policies, practices or products would encourage flexibility and competitiveness in the system.

9. Analyze the above and:

a. Draw conclusions.

b. Make recommendations.

c. Provide an action plan for;

1. immediately achievable items.

2. Structural changes than can be made with no regulatory or legislative changes.

3. Items requiring regulatory and legislative changes.

d. Provide estimates of technical and training support requirements.

Expected results: A report which provides an action plan for change, including priorities, within the banking sector.

Estimated Budget: Assuming that most statistical information is available and that IBM-PC or compatible with Lotus 1-2-3 or Symphony programs are accessible, a minimum of 6 to 8 man weeks in two visits to Guatemala would be required for this project.

Review, Approval and Audit process: The report and it's conclusions should be reviewed by selected Guatemalan bankers and government official to make sure that "subjective" data was not overlooked. Final approval of the report should be with the Aid Mission-Guatemala. The Audit process should include the number and type of initiatives that were instituted as a result of this study and a compilation of results which would include, law changes, new products introduced by the system, changes in competitive postures between institutions. An estimate of effect on market broadening and penetration and an analysis of interest rate trends would also provide insight as to the real value of this study and follow-on initiatives.

II. Review of the Cooperative Sector

Purpose: To determine if the the cooperative sector is or can be made into a viable and useful sector of the financial markets.

To determine what policy or legal changes would be required to make cooperatives effective, efficient and profitable intermediaries for small and medium savers and borrowers. (For example, it is conceivable that a recommendation could be made to turn cooperatives into saving and loan associations with broader market focuses.)

Scope of Work: Review portfolio conditions of cooperatives, recommend action for strengthening (including loan write off as appropriate) and amount and timing of capital infusions that may appear to be necessary.

Review requirements for technical assistance in deposit generation and management, lending policies and procedures, and audit processes.

Review marketing strategies.

Prepare reports (overview and detailed) concerning the above and make recommendations for change.

Methodology: 1. Working with regulators and executives from the sector determine the objectives and future status of this sector of the financial market. Part of this discussion should include the advisability of structural changes.

2. Working with regulators and based on whatever statistical information is available, determine the strengths and weakness in the sector. Including:

a. Portfolio quality.
b. Funding sources and opportunities
c.Marketing strategies for deposit gathering and loan granting.
d. Processes for loan granting, disbursement and collection
e. Efficiency and effectiveness of operating and audit procedures.
f. Training requirements.

4. Prepare a report recommending an action plan to make the cooperative sector a viable and active financial intermediary for small and depositors and borrowers. This report would include:
a. Recommended structural changes.
b. An action plan for training and technical assistance in the sector.
c. Recommended legislative and regulatory changes, including regulatory oversight procedures

Expected results: An action plan for strengthening this sector of the financial market so as to be able to compete head on with the banking sector and provide financial services for the small and medium user of deposit and credit services. (For example a credit scoring process might be recommended as an efficient and effective means of delivering credit products to the small and medium borrower.)

If successful, the strengthening of this sector will also result in increased competition in the financial markets and all the side benefits that this condition would produce.

Estimated budget: It is difficult to estimate how much this study would cost since the cost depends on how easily accessible information is. A minimum of 10 man weeks including data gathering, data analysis, preparation of report and recommendations would not be overly conservative. It would take a minimum of three trips to Guatemala to gather data, check results of analysis and discuss conclusions and recommendations.

Review, approval and Audit process: A review of substance should be made with industry and supervisory bodies to assure that there are no errors of commission or omission. Recommendations should be approved by AID-Guatemala then referred to the proper authorities for discussion/action. An audit of the effectiveness of the study, if implemented would be seen through heightened competition between financial sectors, an increase of market share by the cooperatives, strong portfolios and profitablity. (If the banks holler "unfair" then the program was a success!)

III. Examination of the Financiera Sector

Purpose: To determine why the the financieras have not been more successful in becoming providers of medium and long term loanable funds to eligible business enterprises and to determine why financieras have not been more active in promoting investment activities.

Scope of work: Examine on an individual basis the sources and uses of funds of the financieras.

Examine source of management personnel and management policies for lending, investing, acquiring funds.

Review the legislation governing the activities of financieras, particularly as it limits the scope of their activities.

Review investment environment, including an examination of tax and investment law and policy, to determine principal investment stimulants and deterrents.

Methodology: 1. Review current legislation and regulations to determine if they are consistent with the stated objectives for this financial sector.

2. Analyze 5 years of sources and uses of funds to determine if the sector has followed policies consistent with stated objectives.

3.Determine the extent to which sector actions are at variance with stated objectives.

4. Determine, through analysis, conversations with, banking, financiera and commercial sector executives the reasons why the sector has failed to perform as expected.

5. Draw conclusions and prepare an action plan for change.

Expected results: A report document that can be used as a talking paper to stimulate the growth and competitivness of Financieras.

Budget: Given the small number of units in the system this project could be competed in 3 to 5 weeks and in two trips to Guatemala. Availability of an IBM-PC or compatible with Lotus 1-2-3 or Symphony programs would be required.

Review, approval and Audit process: Initial review should be with senior banking and financiera executives and with appropriate government officials regarding proposed changes in legislation. Approval will be by USAID-Guatemala. Usefullness of any follow on action recommended will be measured by the growth of this financial sector and it's competitiveness with other sectors.

IV. Other suggested studies

a. The informal financial market. Primary objectives would be to determine it's size, the products offered and the pricing of products.

b. Opportunities for development of institutional investors. Institutional investor will be the first major players in financial markets and will provide the magnet to attract small and medium investors.

c. The potential role for pension funds in the financial markets. Pension funds can be major players in financial markets. Two avenues need to be explored:

1. Widening the investment horizons for government funds.

2. Providing more stimulus for private plans.

d. Desirability of encouraging the development of money markets. This would bring more flexibility to the market and could encourage industrial and commercial concerns to become more important and active players.

e. Studies of legislative and regulatory impediments should fall out of industry and sector studies. To study them alone is probably not useful, since to make the point they must relate to the realities of the market place and industry. Frequently government action is a result of market failure.

f. Studies of instruments per se are not recommended since instruments are normally the result of a market need. The mere creation of an instrument does not suggest that it is needed nor that it's introduction will be successful.

NOTE: IT SHOULD BE NOTED THAT MUCH OF THE INFORMATION DEVELOPED IN GENERATING DATA BASE INFORMATION CAN BE USED FOR ACTION PLANS, IF THE ILLUSTRATIVE STUDIES ARE UNDERTAKEN AS PROJECTS. IT IS THEREFORE RECOMMENDED THAT THE SAME CONSULTANT WITH THE SAME TEAM MEMBERS BE USED THROUGHOUT THIS PROJECT AS WELL AS FOLLOW-ON IMPLEMENTING PROJECTS.

GUATEMALA
+++++++++++++++++

LIABILITIES

Liabilities and Assets of the Financial Institutions
of Guatemala
March/December, 1985
(Thousands of US$)

Type of Institution	Type of Liability: Demand Deposit	Interbank Borrowing	Gov't Deposit	Discount & Rediscount	Other Gov't Credit & Advances	Other Types of Deposits	CD's	Savings Accounts	Time Deposits	Securities	Loans from Foreign Financial Institutions	Other Liabilities (3)	Capital and Reserves	TOTAL
Commercial Banks	166,498 207,422			1,382 1,001	22,375 16,735			510,562 508,900	90,463 88,598	16,344 17,151	2,716 1,896	122,037 79,844	69,341 70,566	1,001,717 992,113
Finance Companies		15,709 13,898			20,620 19,615					57,175 61,129	80,415 70,742	47,507 45,624	15,277 9,685	236,702 222,693
State-owned Banks (1)	16,643 18,997				2,582 1,667			48,538 53,752	12,693 11,367	9,328 7,834	12,431 10,899	40,965 34,003	22,348 21,627	165,528 160,147
Other Banking Institutions														
Credit Unions and Cooperatives														
Institutional Investors (2)												25,139 20,960	112,909 100,209	138,049 121,169

(1) State-owned banks include the National Mortgage Credit, the National Agricultural Development Bank, and the National Housing Bank.

(2) This includes only Trust Funds.

(3) Other liabilities include unidentified callable liabilities.

GUATEMALA
+++++++++++++++++
LIABILITIES

Liabilities and Assets of the Financial Institutions
of Guatemala
March/December, 1985

Type of Institutio	Demand Deposit	Interbank Borrowing	Gov't Deposit	Discount & Rediscount	Other Gov't Credit & Advances	Other Types of Deposits	CD's	Savings Accounts	Time Deposits	Securities	Loans from Foreign Financial Institutions	Other Liabilities (3)	Capital and Reserves	TOTAL
	Type of Liability													
Commercial Banks	16.62% 20.91%			0.14% 0.10%	2.23% 1.69%			50.97% 51.29%	9.03% 8.93%	1.63% 1.73%	0.27% 0.19%	12.18% 8.05%	6.92% 7.11%	100.00% 100.00%
Finance Companies		6.64% 6.24%			8.71% 8.81%					24.16% 28.35%	33.97% 31.77%	20.07% 20.49%	6.45% 4.35%	100.00% 100.00%
State-owned Banks	10.05% 11.86%				1.56% 1.04%			29.32% 33.56%	7.67% 7.10%	5.64% 4.89%	7.51% 6.81%	24.75% 21.23%	13.50% 13.50%	100.00% 100.00%
Other Banking Institutions														
Credit Unions and Cooperatives														
Institutional Investors (2)												18.21% 17.30%	81.79% 82.70%	100.00% 100.00%

(1) State-owned banks include the National Mortgage Credit, the National Agricultural Development Bank, and the National Housing Bank.

2) This includes only Trust Funds.

3) Other liabilities include unidentified callable liabilities.

6

GUATEMALA
++++++++++++++++
ASSETS

Liabilities and Assets of the Financial Institutions
of Guatemala
March/December, 1985
(Thousands of US$)

Type of Asset

Type of Institution	Vault Cash	Central Bank Deposits	Other Liquid Assets	Interbank Lending (3)	Loans (Both Private and Gov't)	Government Securities	Foreign Investment (4)	Other Securities	Other Investments	Mortgage Instruments	Other Assets	Fixed Assets	TOTAL
Commercial Banks	10,515 15,908	103,033 172,624	23,585 17,177	51,023 25,009	555,441 529,793	29,587 40,541	6,079 3,037	44,382 44,259	3,618 4,654	60,366 54,739	109,745 80,437	4,769 3,934	1,002,142 * 992,113
Finance Companies	8 7	965 993	1,275 1,260	8,147 19,375	150,182 128,178	815 871	17 13	13,062 11,445	21,585 14,408	648 320	38,980 50,905	1,017 859	236,702 228,635
State-owned Banks (1)	1,403 2,242	9,169 11,705	4,247 3,395	2,577 1,089	70,249 63,613	4,708 10,999	230 43	1,626 3,478	40,649 33,411	6,077 7,181	22,887 21,498	1,705 1,492	165,578 160,147
Other Banking Institutions													
Credit Unions and Cooperatives													
Institutional Investors (2)				10,521 12,120	83,678 70,400			2,184 2,581	2,761 3,127	3,570 3,263	29,062 25,216	6,276 4,559	138,051 * 121,169

(1) State-owned banks include the National Mortgage Credit, the National Agricultural Development Bank, and the National Housing Bank.

(2) This includes only Trust Funds.

(3) Includes deposits made in foreign banks.

(4) Includes foreign securities and other FX denominated paper.

* The summation of all individual items was greater than the total published.

Financial Instruments originating from bonded warehouses activities:

Certificates of Deposits
176,794 (March)
146,896 (December)

Secured Bonds
106,264 (March)
97,364 (December)

****

ASSETS

Liabilities and Assets of the Financial Institutions
of Guatemala
March/December, 1985

Type of Instituti \ Type of Asset	Vault Cash	Central Bank Deposits	Other Liquid Assets	Interbank Lending (3)	Loans (Both Privat and Gov't)	Governmen Securitie	Foreign Investment (4)	Other Securities	Other Inve	Mortgage Instruments	Other Assets	Fixed Assets	TOTAL
Commercial Banks	1.05% 1.60%	10.28% 17.40%	2.35% 1.73%	5.09% 2.52%	55.43% 53.40%	2.95% 4.09%	0.61% 0.31%	4.43% 4.46%	0.36% 0.47%	6.02% 5.52%	10.95% 8.11%	0.48% 0.40%	100.00% 100.00%
Finance Companies	.00% .00%	0.41% 0.43%	0.54% 0.55%	3.44% 8.47%	63.45% 56.06%	0.34% 0.38%	0.01% 0.01%	5.52% 5.01%	9.12% 6.30%	0.27% 0.14%	16.47% 22.26%	0.43% 0.38%	100.00% 100.00%
State-owned Banks	0.85% 1.40%	5.54% 7.31%	2.57% 2.12%	1.56% 0.66%	42.44% 39.72%	2.84% 6.87%	0.14% 0.03%	0.98% 2.17%	24.56% 20.86%	3.67% 4.48%	13.83% 13.42%	1.03% 0.93%	100.00% 100.00%
Other Banking Institutions													
Credit Unions and Cooperatives													
Institutional Investors (2)				7.62% 10.00%	60.61% 58.10%			1.58% 2.13%	2.00% 2.58%	2.59% 2.69%	21.05% 20.73%	4.55% 3.76%	100.00% 100.00%

(1) State-owned banks include the National Mortgage Credit, the National Agricultural Development Bank, and the National Housing Bank.

* The summation of all individual items was greater than the total published.

(2) This includes only Trust Funds.

(3) Includes deposits made in foreign banks.

(4) Includes foreign securities and other FX denominated paper.

of Guatemala
1984
(Thousands of US$)

ASSETS

Types of Assets

Type of Institution	Deposits in Banks	Loans	Government Securities	Foreign Investment	Other Investments	Mortgage Instruments	Other Assets	Fixed Assets	TOTAL
Insurance Companies	13,878	19,323	23,851	14	721	2,507	2,387	6,564	69,246
Guarantee Companies	1,758	214	2,581	0	57	368	61	951	5,990
Credit Unions and Cooperatives									31,497

Assets of Other Financial Institutions & Institutional Investors
of Guatemala
1984

ASSETS

Types of Assets

Type of Institution	Deposits in Banks	Loans	Government Securities	Foreign Investment	Other Investments	Mortgage Instruments	Other Assets	Fixed Assets	TOTAL
Insurance Companies	20.04%	27.91%	34.44%	0.02%	1.04%	3.62%	3.45%	9.48%	100.00%
Guarantee Companies	29.35%	3.57%	43.09%	0.00%	0.95%	6.14%	1.02%	15.88%	100.00%
Credit Unions and Cooperatives									

CREDIT DISTRIBUTION BY ECONOMIC SECTOR AND TYPE OF FINANCIAL INSTITUTION in Guatemala 1985

(Thousands of US$)

Type of Institution	Agriculture	Mining	Manufacturing	Energy	Construction	Commerce	Transp./Services/ /Communications	Consumer	Other	TOTAL
Commercial Banks	50,908	478	129,292	1,745	15,723	93,413	19,418	14,477	32,392	357,847
Finance Companies	4,336	340	10,835			652	2,271	0	77	18,512
State-owned Banks (1)	4,058	4	3,200		4,164	2,606	1,329	1,879	4,171	21,412
Other Banking Institutions										
Credit Unions and Cooperatives										
Institutional Investors (2)	26,282	18	3,700	7	11,044	501	2,841	22,748	6,794	73,936

(1) State-owned banks include the National Mortgage Credit, the National Agricultural Development Bank, and the National Housing Bank.

(2) This includes only Trust Funds.

CREDIT DISTRIBUTION BY ECONOMIC SECTOR AND TYPE OF FINANCIAL INSTITUTION
in Guatemala
1985

Type of Institution	Agriculture	Mining	Manufacturing	Energy	Construction	Commerce	Transp./Services/ /Communications	Consumer	Other	TOTAL
Commercial Banks	14.23%	0.13%	36.13%	0.49%	4.39%	26.10%	5.43%	4.05%	9.05%	100.00%
Finance Companies	23.42%	1.84%	58.53%			3.52%	12.27%	0.00%	0.42%	100.00%
State-owned Banks (1)	18.95%	0.02%	14.94%		19.45%	12.17%	6.21%	8.78%	19.48%	100.00%
Other Banking Institutions										
Credit Unions and Cooperatives										
Institutional Investors (2)	35.55%	0.02%	5.00%	0.01%	14.94%	0.68%	3.84%	30.77%	9.19%	100.00%

(1) State-owned banks include the National Mortgage Credit, the National Agricultural Development Bank, and the National Housing Bank.

(2) This includes only Trust Funds.