

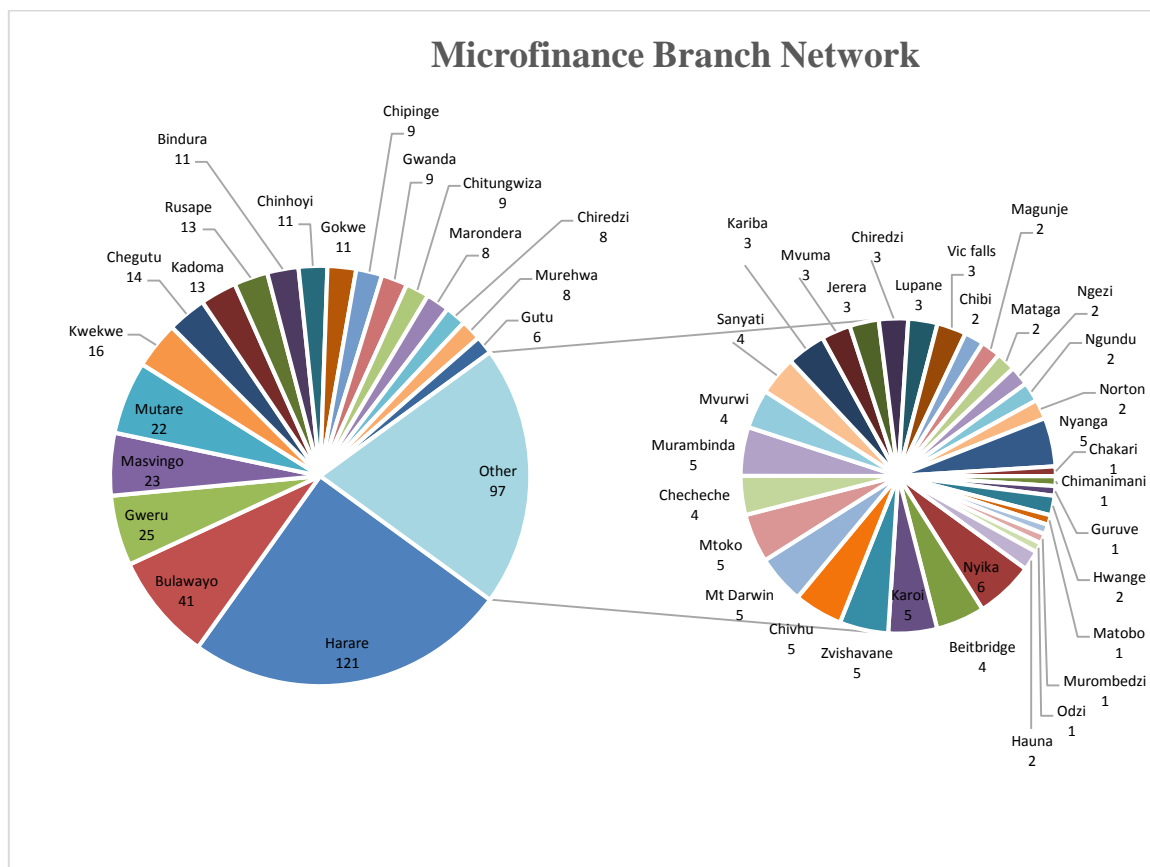


MICROFINANCE INDUSTRY REPORT FOR
THE QUARTER ENDED
30 SEPTEMBER 2015



1. Architecture of the Microfinance Industry

- 1.1. The number of registered microfinance institutions (MFIs) increased from 147 as at 30 June 2015 to 155 as at 30 September 2015.
- 1.2. The Reserve Bank has to date issued three deposit taking microfinance institution (DTMFIs) licences. The three licensed DTMFIs are currently finalizing preparations for the pre-opening inspections by the Reserve Bank, before commencement of business.
- 1.3. About 34.10% of microfinance branches are located in Harare and Bulawayo as indicated in the pie chart below.



2. Performance of the Microfinance Sector

- 2.1. The sector recorded an increase in total loans from \$162.20 million as at 30 June 2015 to \$173.31 million as at 30 September 2015. The sector's total

loans of \$173.31 million constituted 4.15% of total banking sector loans¹ of \$4.17 billion as at 30 September 2015, a decline from 4.41% in the last quarter.

- 2.2. There is generally a high demand for microfinance services by both micro, small and medium enterprises (MSMEs) and individuals.
- 2.3. The microfinance sector is highly concentrated with top twenty microfinance institutions contributing 89.12% or \$154.45 million of the sector's total loans. The largest microfinance institution with a loan book of \$32.04 million, commanded a market share of 18.49% as at 30 September 2015.
- 2.4. The table below shows the trend in key performance indicators for the microfinance institutions.

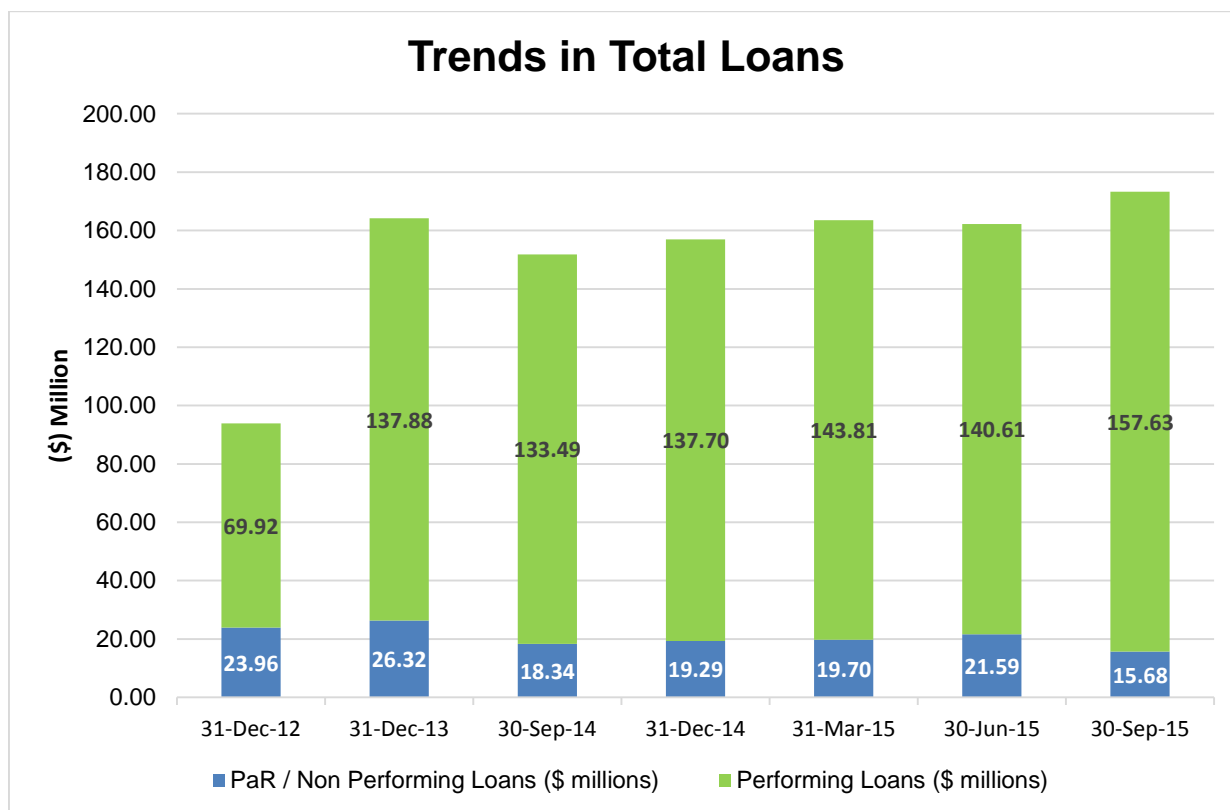
Key Performance Indicators

| | Sep 14 | Dec 14 | Mar 15 | Jun 15 | Sep 15 |
|---------------------------------|----------|----------|----------|----------|----------|
| Number of licensed institutions | 135 | 147 | 143 | 147 | 155 |
| Total loans (million) | \$151.83 | \$156.99 | \$163.53 | \$162.20 | \$173.31 |
| Total Assets (million) | \$210.11 | \$202.71 | \$202.58 | \$208.76 | \$207.74 |
| Portfolio at Risk (PaR>30days)* | 12.08% | 11.29% | 12.05% | 13.31% | 9.05% |
| Number of Clients | 220,357 | 205,282 | 189,028 | 224,300 | 198,371 |
| Number of Loans | 257,542 | 257,542 | 195,641 | 281,547 | 224,055 |
| Number of Branches | 482 | 473 | 499 | 495 | 475 |

*** Portfolio at Risk [30] days-**The value of all loans outstanding that have one or more installments of principal past due more than [30] days. This includes the entire unpaid principal balance, including both the past due and future installments, but not accrued interest. It also includes loans that have been restructured or rescheduled.

¹ Total banking sector loans is comprised of loans issued by both banking institutions and microfinance institutions.

- 2.5. Year on year portfolio quality, as measured by the Portfolio at Risk (PaR>30 days) has been on a downward trend from December 2012, reflecting moderate credit risk in the microfinance sector. However, the current PaR>30 days of 9.05% is still above the international benchmark of 5%.
- 2.6. The trend in the level and performance of total loans is indicated in table below.



- 2.7. The improved portfolio quality is attributable to improvement in credit assessments, general adherence to the seven Core Client Protection Principles and enhanced regulatory oversight.

3. Outreach and Financial Inclusion

- 3.1. In the quarter ended 30 September 2015, the microfinance sector served 198,371 clients through 475 branches, as compared to 224,300 clients served in 495 branches during the previous quarter.
- 3.2. MFIs are urged to develop innovative financial products and services and

take advantage of the high mobile phone penetration rate in order to continue to increase their outreach.

- 3.3. The Reserve Bank and other stakeholders recognise the importance of microfinance in engendering the financial inclusion cause. In this regard there are continuous efforts to implement initiatives that promote the development of the microfinance industry in Zimbabwe.
- 3.4. The Reserve Bank is developing a guideline on agent banking, which will provide a framework for the participation of MFIs in branchless banking and bring financial services to the target markets particularly the rural areas.
- 3.5. The Reserve Bank is spearheading the drafting of a National Financial Inclusion Strategy in which microfinance is expected to play a critical role in provision of financial services, particularly to the MSMEs and low income households.

4. Distribution of Loans as at 30 September 2015

- 4.1. Lending to productive sector constituted 53.73% of total loans as at 30 September 2015 as indicated in the table below.

| Type of Lending | Dec 2013 | Jun 2014 | Dec 2014 | Mar 2015 | Jun 2015 | Sep 2015 |
|-------------------------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|
| Consumption (% of total lending) | \$116.40m (70.89%) | \$119.09m (67.99%) | \$83.55m (53.30%) | \$88.10m (53.88%) | \$89.39m (55.36%) | \$80.19m (46.27%) |
| Productive (% of total lending) | \$47.80m (29.11%) | \$58.65m (33.00%) | \$73.44m (46.70%) | \$75.41m (46.12%) | \$72.09m (44.64%) | \$93.12 m (53.73%) |
| Total | \$164.20m | \$177.76m | \$156.99m | \$163.51m | \$162.20m | \$173.31m |

- 4.2. Lending to the productive sector has been on an upward trend since December 2013. The reorientation of portfolios towards productive lending was as a result of the growth in MSME activities and growing interest by MFIs to support farmers for the current cropping season.

Compliance with Regulatory Requirements and Best Practices

- 4.3. There has been a notable improvement in the level of MFIs' compliance with regulatory requirements over the review period. However, the Reserve Bank continues to receive complaints from members of the public in respect of the following:
- a) inadequate disclosure of terms and conditions on loan granting;
 - b) high interest rates and high transaction charges; and
 - c) disposal of pledged collateral without securing court orders.
- 4.4. Microfinance institutions are required to conduct adequate pre-lending assessments to reduce incidences of over-indebted customers who may present challenges.
- 4.5. On its part the Reserve Bank is also developing a consumer protection guideline and has embarked on consumer awareness programs with the view to promote recognition of consumer rights, greater transparency, ensuring robust grievance redress mechanisms and fostering consumer confidence and trust in the financial sector.
- 4.6. Out of a total of 155 registered microfinance institutions, 38 did not submit their quarterly returns. Non-complying institutions will be penalised and their licences will not be renewed.

END OF REPORT