

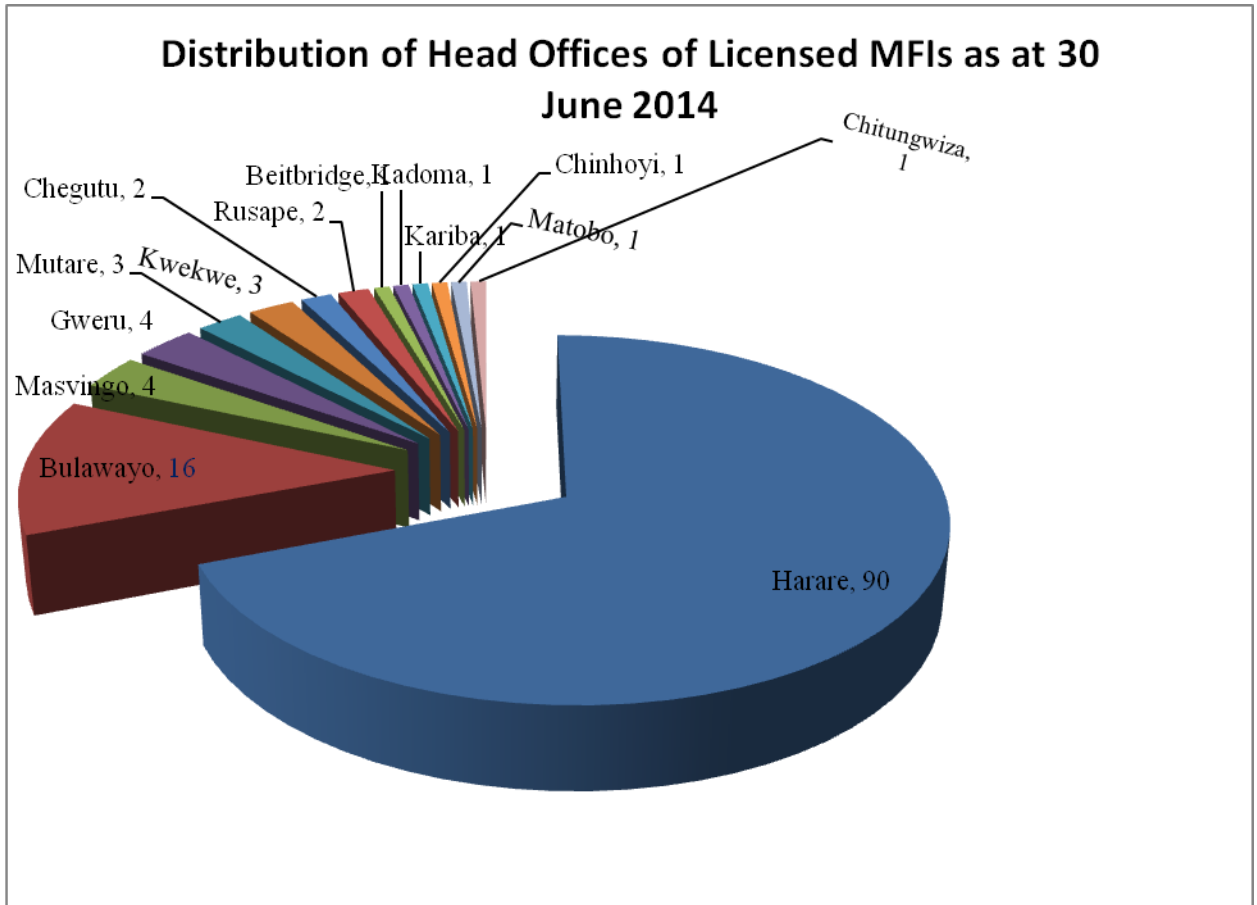


QUARTERLY MICROFINANCE INDUSTRY REPORT

AS AT 30 JUNE 2014

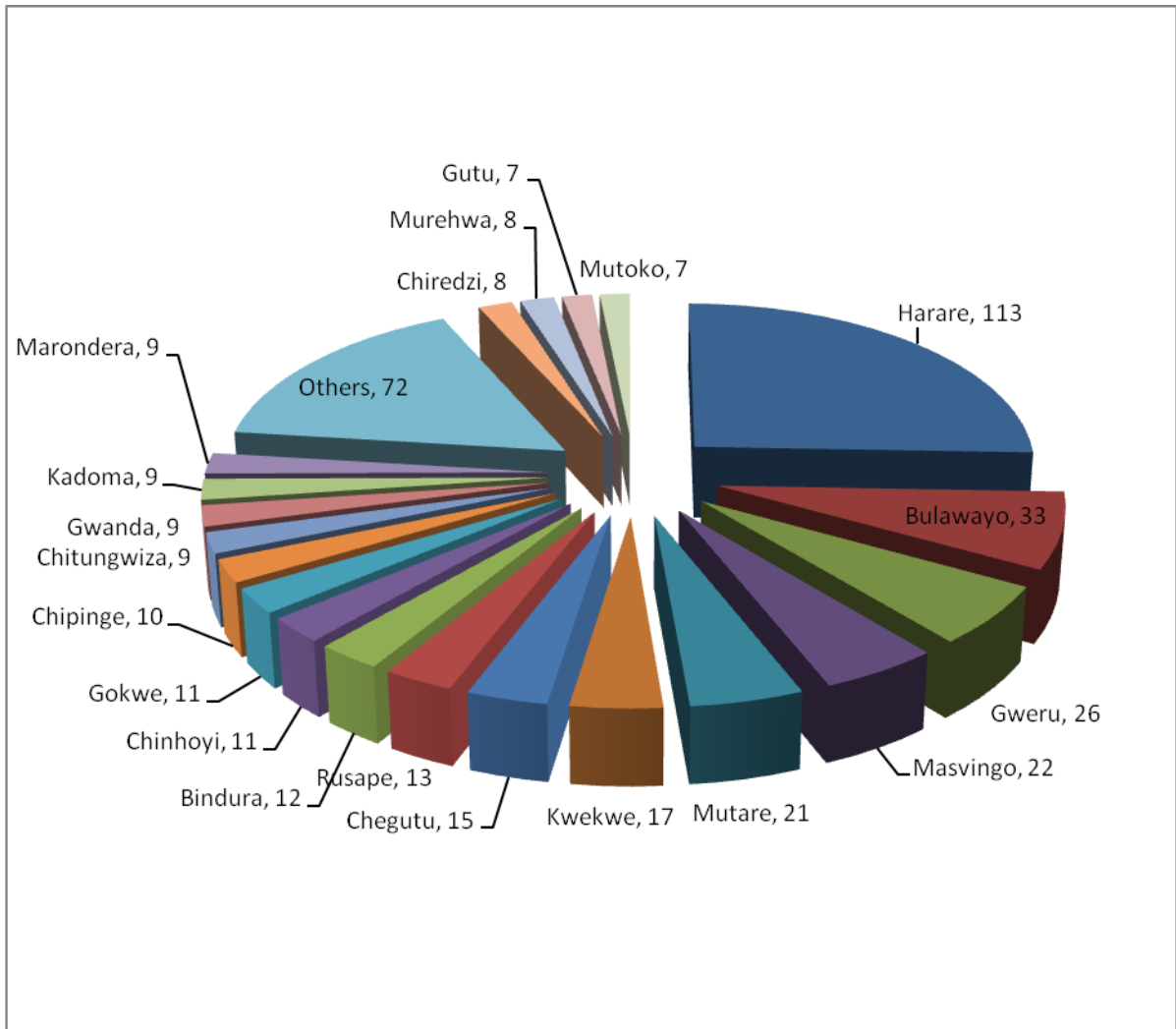
1. Overview and Architecture of the Microfinance Industry

- 1.1. The microfinance sector continues to play a critical role in the provision of finance to households and Micro, Small and Medium Enterprises (MSMEs) in Zimbabwe as part of the broader perspective of building inclusive financial systems.
- 1.2. Total loans increased by 83.24% from \$97.01 million as at 30 June 2013 to \$177.76 million as at 30 June 2014. As at 30 June 2014 total loans in the sector constituted 4.67% of total banking sector loans of \$3.81 billion.
- 1.3. As at 30 June 2014, there were 130 registered microfinance institutions (MFIs) under the supervision of the Reserve Bank. The number of licensed MFIs has been fluctuating as some institutions have not been able to renew their operating licenses due to viability challenges emanating from high levels of delinquent loans.
- 1.4. Microfinance institutions' head offices are concentrated in major urban centres where economic activity is largely concentrated as shown in the pie chart below:



- 1.5. MFIs with head offices in Harare constituted 69% of the total number of licensed MFIs.
- 1.6. The number of MFIs branches increased from 334 as at 30 June 2013 to 442 as at 30 June 2014 reflecting a drive by MFIs to reach out to marginalized areas where communities had no access to formal financial services.

1.7. The pie chart below shows the locations with more than seven (7) MFIs branches.



1.8. The 72 branches under “Others” relate to locations with between one (1) and six (6) branches, and these are shown in the table below.

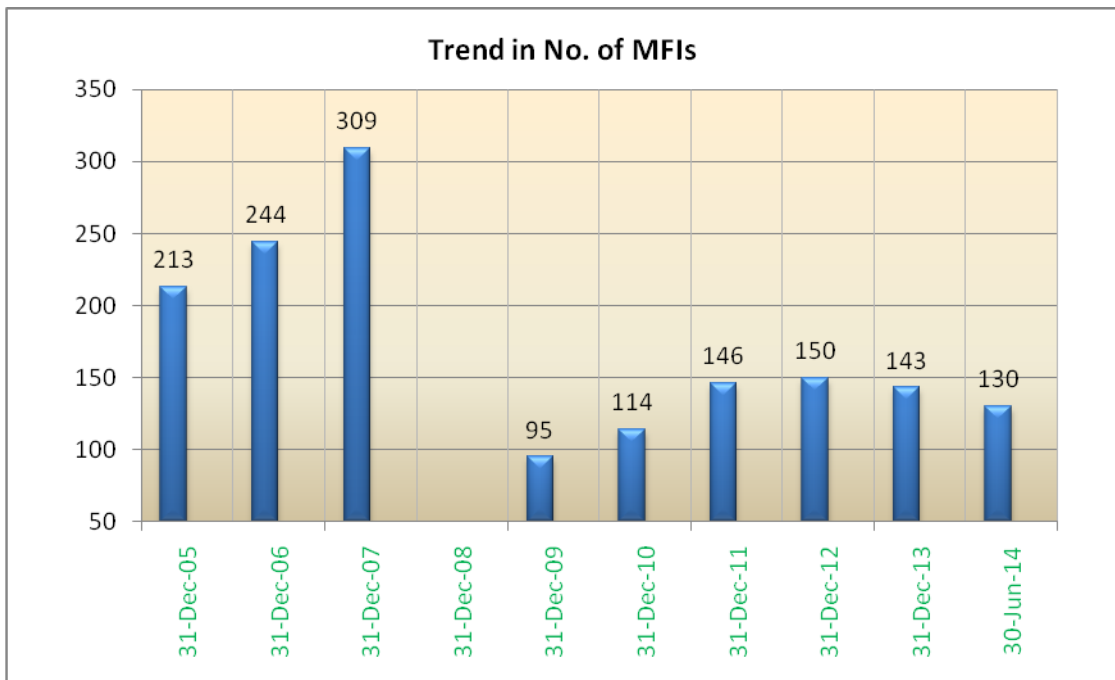
Number of Branches	Location
One	Bikita, Chakari, Chimanimani, Guruve, Hwange, Lupane, Matobo, Msengezi, Mt. Darwin, Murombedzi, Nyanga, Norton, Odzi, Victoria Falls.
Two	Chibi, Jerera, Magunje, Mataga, Ngezi, Ngundu.
Three	Chivhu, Kariba, Mvuma.
Four	Checheche, Murambinda, Mvurwi, Sanyati.
Five	Beitbridge, Karoi, Zvishavane.
Six	Nyika

1.9. The above shows that although most head offices of the MFIs remain located in the main cities and towns, the institutions have branch networks serving communities in some of the remote areas of the country.

Trend in the Number of Licensed MFIs...

1.10. The number of licensed microfinance institutions has grown from 95 in 2009 to 130 as at 30 June 2014. However, the number of licensed MFIs is yet to reach pre-2008 levels of over 200. The growth of the sector has been affected by the absence of affordable long term finance particularly donor and government funding, which has resulted in some MFIs failing to renew their licences upon expiry.

1.11. The table below shows the trend in the number of licensed MFIs since 2005.



2. Performance of the Microfinance Industry

2.1. The table below shows key performance indicators for the microfinance institutions under the supervision of the Reserve Bank.

Key Performance Indicators for Microfinance Sector

	30 June 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
No. of Licensed Institutions	130	153	146	156	172
No. of MFIs which submitted Returns	111	101	106	105	90
Total Loans	\$177.76 million	\$170.00 million	\$164.20 million	\$164.51 million	\$97.01 million
Total Assets	\$214.00 million	\$193.87 million	\$185.73 million	\$206.79 million	\$131.96 million
Portfolio at Risk (PaR > 30 days)¹	14.64%	27.14%	16.03%	21.60%	33.78%
No. of Clients	190,819	188,990	150,188	157,512	118,515
No. of Loan Accounts	209,751	208,168	162,221	166,899	130,747
No. of Branches	442	405	334	347	334

- 2.2. Total loans and total assets increased from \$97.01 million and \$131.96 million as at 30 June 2013 to \$177.76 million and \$214.00 million as at 30 June 2014. The growth in total loans reflects improving levels of funding in the sector particularly from institutional shareholders, development oriented donor funders and off-shore funders.
- 2.3. The growth in total loans is also attributed to the emergence of commercially oriented credit only MFIs which are backed by institutional investors or bank holding companies.
- 2.4. The top ten microfinance institutions controlled 71.40% of the market share in terms of total loans as at 30 June 2014. The largest and second

¹ Portfolio at Risk > [XX] days

The value of all loans outstanding that have one or more installments of principal past due more than [XX] 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. (www.mixmarket.org)

largest MFIs commanded individual market shares of 26.14% and 14.21% in terms of total loans as at 30 June 2014.

- 2.5. Portfolio quality as measured by the Portfolio at Risk (PaR) (30 days) improved during the quarter as reflected by the decline in the PaR (30 days) for the sector from 27.14% as at 31 March 2014 to 14.56% as at 30 June 2014. The improvement is attributed to efforts by the industry to enhance credit analysis in an effort to curtail over-indebtedness among borrowers. A number of MFIs are increasingly making use of credit checks while others are resorting to offering salary based loans whose repayments are based on deductions at source which is considered secure.

3. Distribution of Loans as at 30 June 2014...

- 3.1. The microfinance loan portfolio was skewed towards consumption at the expense of productive sector funding. Consumption lending which is largely comprised of salary based loans constituted 67% of total loans as at 30 June 2014. The distribution of loans is indicated in the table below.

Type of Lending	June 2014	March 2014	December 2013
Consumption	\$119.09m (67.99%)	\$121.08m (71.22%)	\$116.40 (70.89%)
Productive	\$58.65m (33.00%)	\$48.92m (28.98%)	\$47.80 (29.11%)
Total	\$177.76m	\$170.00m	\$164.20m

4. Compliance with Regulatory Requirements and Best Practice

- 4.1. The sector has registered an improvement in compliance with regulatory requirements and best practices. The Reserve Bank, however, continues to receive complaints from members of the public relating to, among other

issues, over-deductions on loans, inadequate disclosure of terms and conditions of loans including interest rates, levying of high interest rates, reckless lending without due regard for capacity to pay and failure to provide borrowers with loan agreements.

- 4.2. The Reserve Bank has also noted with concern some credit only MFIs which continue to illegally mobilize deposits from members of the public which are disguised as debentures or shareholders' loans.
- 4.3. The Reserve Bank reiterates the need for MFIs to comply with regulatory and supervisory requirements on an ongoing basis, as breaches attract supervisory action including cancelation of operating licence.