QUARTERLY MICROFINANCE INDUSTRY REPORT

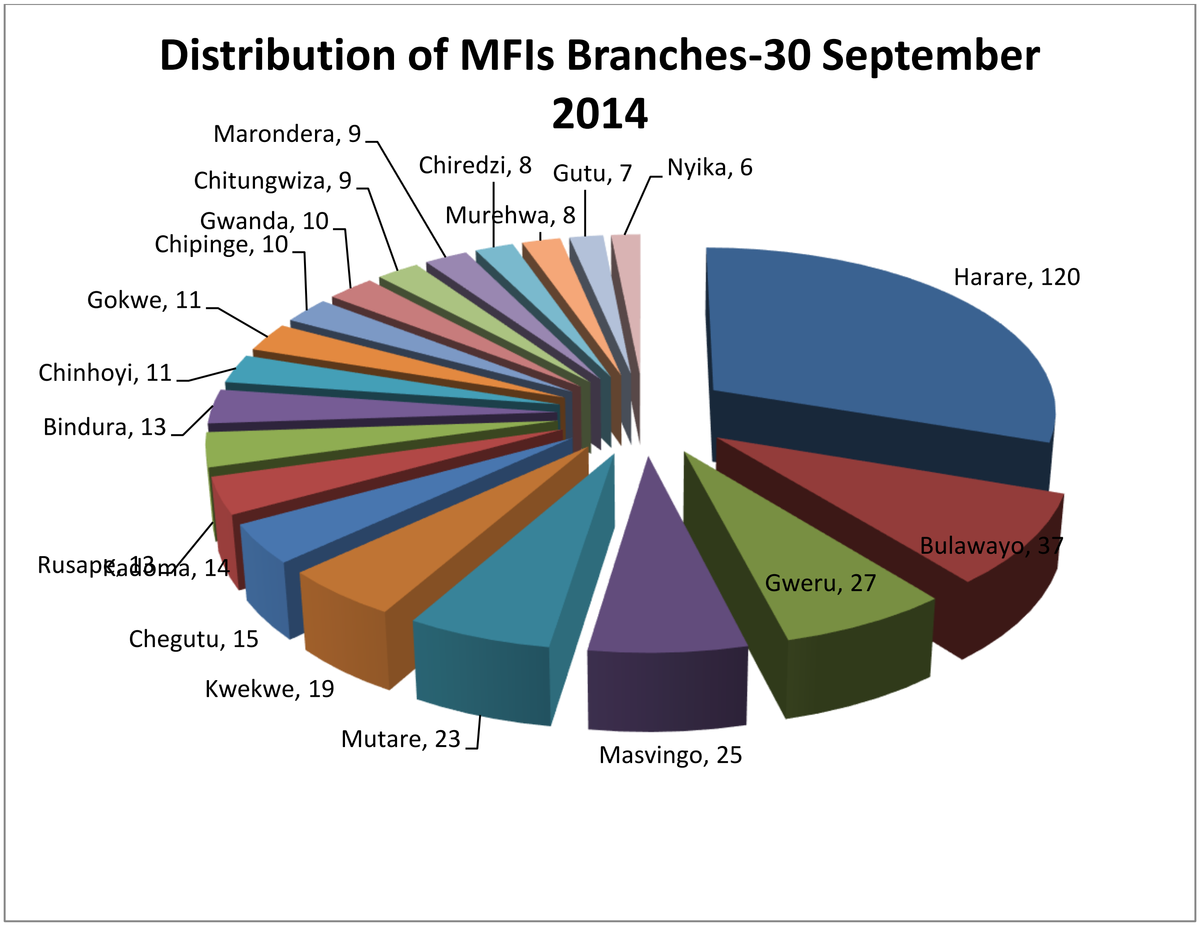
AS AT 30 SEPTEMBER 2014

1. Overview and Architecture of the Microfinance Industry

1.1. As at 30 September 2014, there were 135 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 attributed to high delinquencies in the sector.

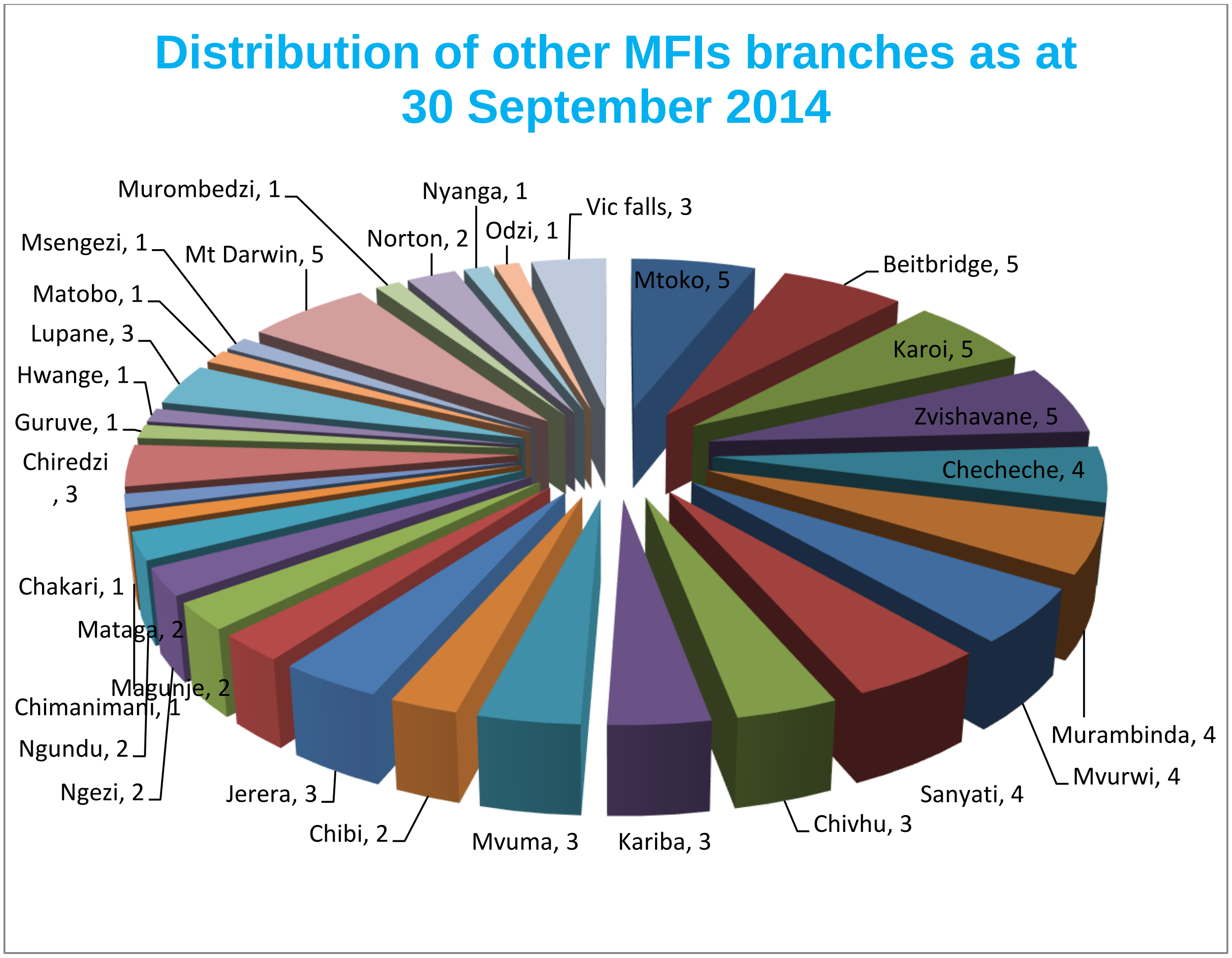
1.2. The microfinance sector continues to play an important role in enhancing financial inclusion levels particularly among the low income groups. Aggregate loans in the sector amounted to $151.83 million as at 30 September 2014, constituting 3.94% of aggregate banking sector loans of $3.86 billion.

1.3. The pie chart below shows distribution of MFI branches as at 30 September 2014 at locations with at least 6 branches.



1.4. The number of MFI branches increased from 347 as at 30 September 2013 to 482 as at 30 September 2014.

1.5. The pie chart below shows other locations with less than six (6) MFI branches.

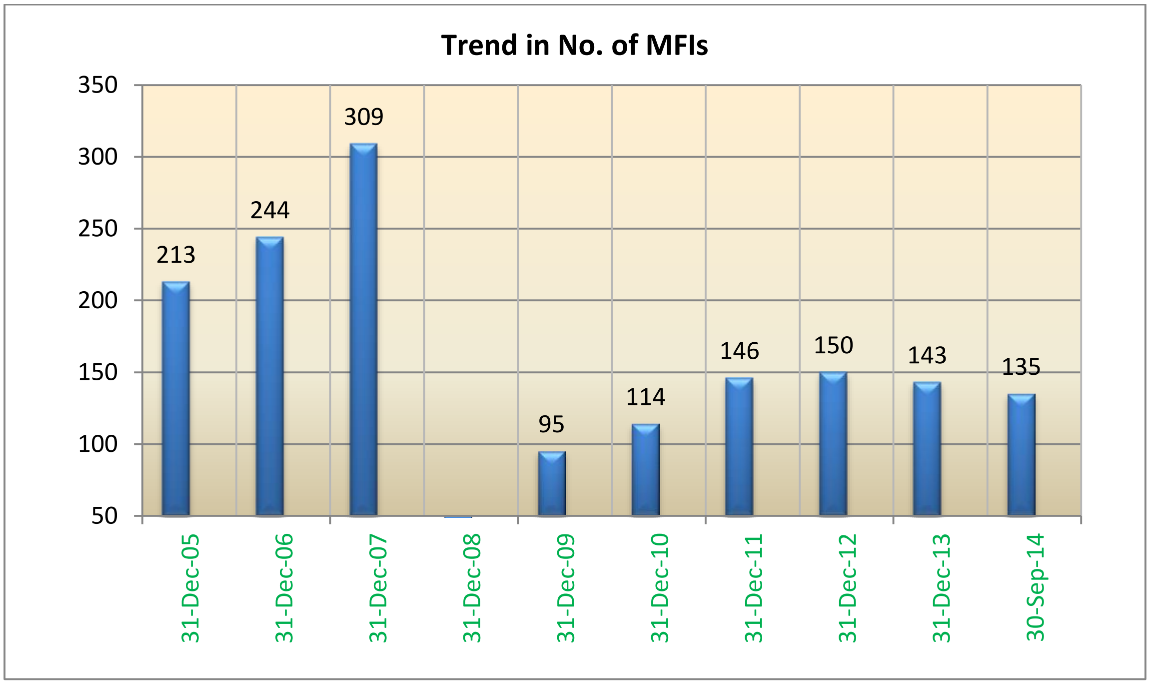


1.6. The pie chart above shows that although most head offices of the MFIs remain located in the main cities and towns, some institutions have branch networks serving communities in some of the remote areas of the country.

Trend in the Number of Licensed MFIs…

1.7. The number of licensed microfinance institutions has grown from 95 in 2009 to 135 as at 30 September 2014. The growth of the sector has been hampered by the absence of affordable long term finance, which has resulted in some MFIs failing to renew their licences upon expiry.

1.8. 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 Sept 2014	30 June 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013	30 Jun 2013
No. of Licensed Institutions	135	130	153	146	156	172
No. of MFIs which submitted Returns	119	111	101	106	105	90
Total Loans	$151.83 million	$177.76 million	$170.00 million	$164.20 million	$164.51 million	$97.01 million
Total Assets	$210.11 million	$214.00 million	$193.87 million	$185.73 million	$206.79 million	$131.96 million
Portfolio at Risk (PaR> 30 days)*	12.08%	14.64%	27.14%	16.03%	21.60%	33.78%
No. of Clients	220,357	190,819	188,990	150,188	157,512	118,515
No. of Loan Accounts	252,565	209,751	208,168	162,221	166.899	130,747
No. of Branches	482	458	405	334	347	334

* **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)

2.2. Total loans decreased from $164.51 million as at 30 September 2013 to $151.83 million as at 30 September 2014. Total assets on the other hand marginally increased from $206.79 million as at 30 September 2013 to $210.11 million as at 30 September 2014. The decline in total loans is largely attributed to a significant reduction in the loan book of one of the large MFIs. Microfinance institutions are facing increasing competition from banking institutions which are also engaging in micro-lending at relatively lower interest rates. Banks are permitted to engage inn microfinance business under the Microfinance Act.

2.3. The top ten microfinance institutions controlled 62.79% while the largest MFI commanded an individual market share of 18.19% in terms of total loans as at 30 September 2014.

2.4. Portfolio quality as measured by the Portfolio at Risk (PaR) (30 days) improved from 21.60% as at 30 September 2013 to 14.64% and 12.09% as at 30 June 2014 and 30 September 2014, respectively. The noted improvement in the PaR is attributable to enhanced credit analysis in the industry in an effort to curtail over-indebtedness of borrowers in line with the requirements of the Microfinance Act gazetted in August 2013. In addition, some 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.

3. Distribution of Loans as at 30 September 2014…

3.1. The microfinance loan portfolio has remained skewed towards consumption at the expense of productive sector funding. Consumption lending which is largely comprised of salary based loans constituted 54.17% of total loans as at 30 September 2014. The distribution of loans is indicated in the table below.

Type of Lending	Sept 2014	June 2014	March 2014	December 2013
Consumption	$82.24m (54.17%)	$119.09m (67.99%)	$121.08m (71.22%)	$116.40 (70.89%)
Developmental/Productive	$69.58m (45.83%)	$58.65m (33.00%)	$48.92m (28.98%)	$47.80 (29.11%)
Total	**$151.83m**	**$177.76m**	**$170.00m**	**$164.20m**

3.2. The efforts of the Reserve Bank in collaboration with ZAMFI in encouraging MFIs to engage in productive lending are bearing positive fruits as witnessed by the steady increase in the proportion of productive lending from 29.11% as at 31 December 2013 to 45.61% of total loans as at 30 September 2014.

3.3. Further, the Reserve Bank acknowledges the efforts of stakeholders including the Zimbabwe Microfinance Wholesale Facility (ZMWF) and Zimbabwe Agricultural Development Trust (ZADT) in providing concessionary funds targeting agribusiness and other productive activities in the country.

4. Compliance with Regulatory Requirements and Best Practice

4.1. The level of compliance with regulatory requirements and best practices continues to improve in the sector. Notwithstanding the improvement, the Reserve Bank continues to receive complaints from members of the public relating to 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 reiterates the need for MFIs to comply with regulatory and supervisory requirements on an ongoing basis, as breaches will attract supervisory action including cancelation of operating licence.