



**MICROFINANCE INDUSTRY REPORT FOR THE QUARTER**

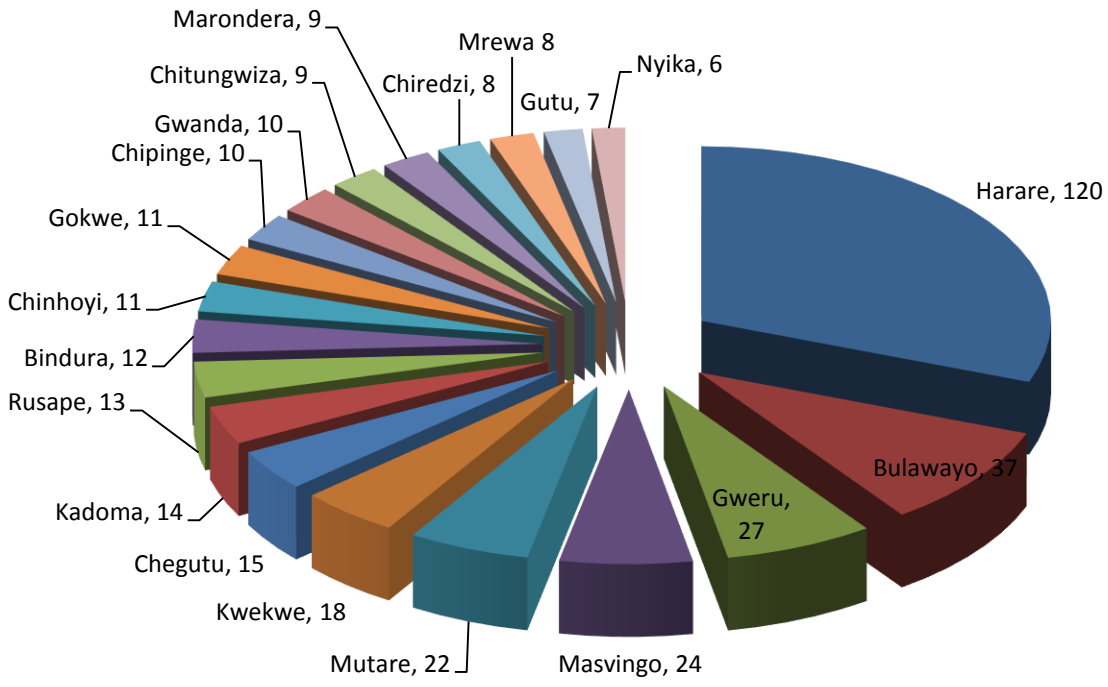
**ENDING**

**31 DECEMBER 2014**

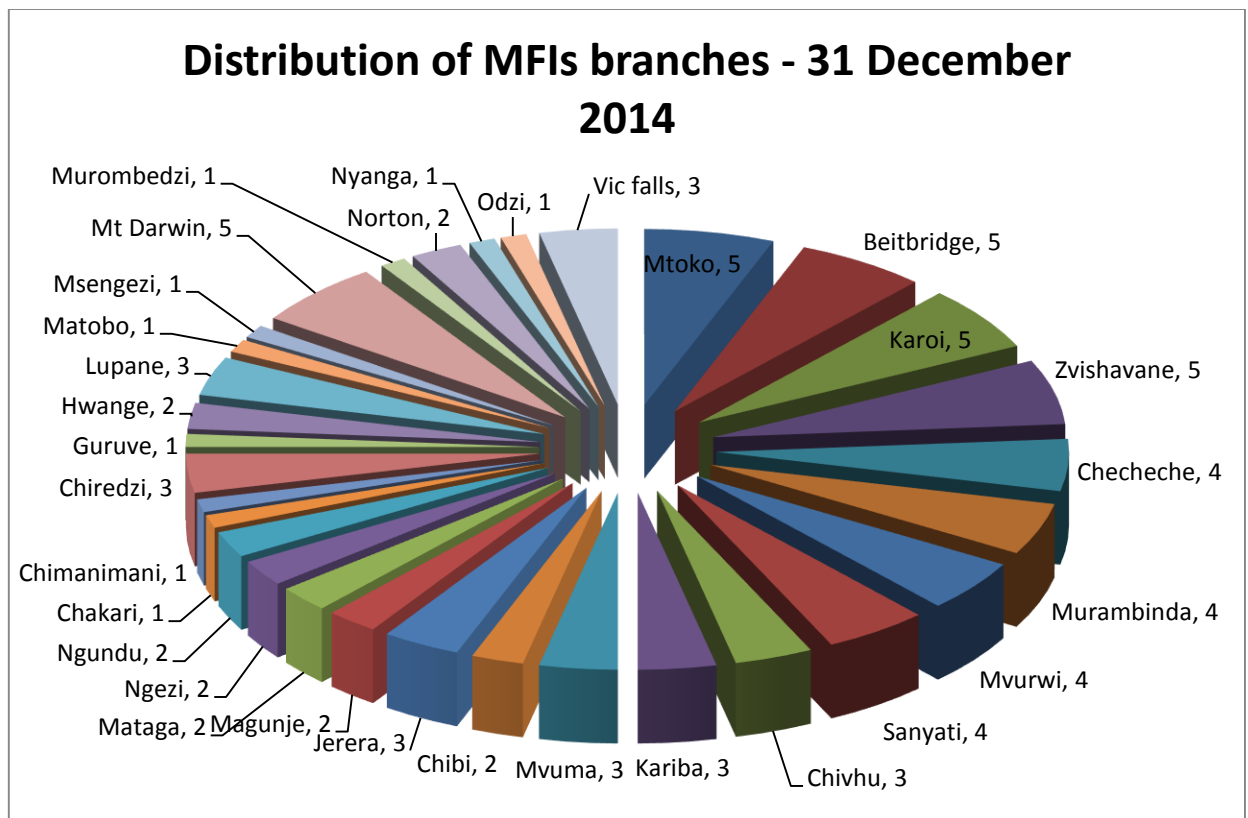
## **1. Overview and Architecture of the Microfinance Industry**

- 1.1. The number of registered microfinance institutions (MFIs) increased from 135 as at 30 September 2014 to 147 as at 31 December 2014.
- 1.2. The microfinance sector continues to play a significant role in promoting financial inclusion, self-sufficiency and economic development particularly among the low income groups. The sector recorded an increase in aggregate loans from \$151.83 million as at 30 September 2014 to \$156.99 million as at 31 December 2014, constituting 3.92% of aggregate banking sector loans of \$4.01 billion.
- 1.3. The pie chart below depicts the distribution of MFI branches as at 31 December 2014 at locations with at least 6 branches.

## Distribution of MFIs Branches -31 December 2014



- 1.4. The number of MFI branches increased from 334 as at 31 December 2013 to 473 as at 31 December 2014.
- 1.5. The pie chart below shows other locations with less than six (6) MFI branches.



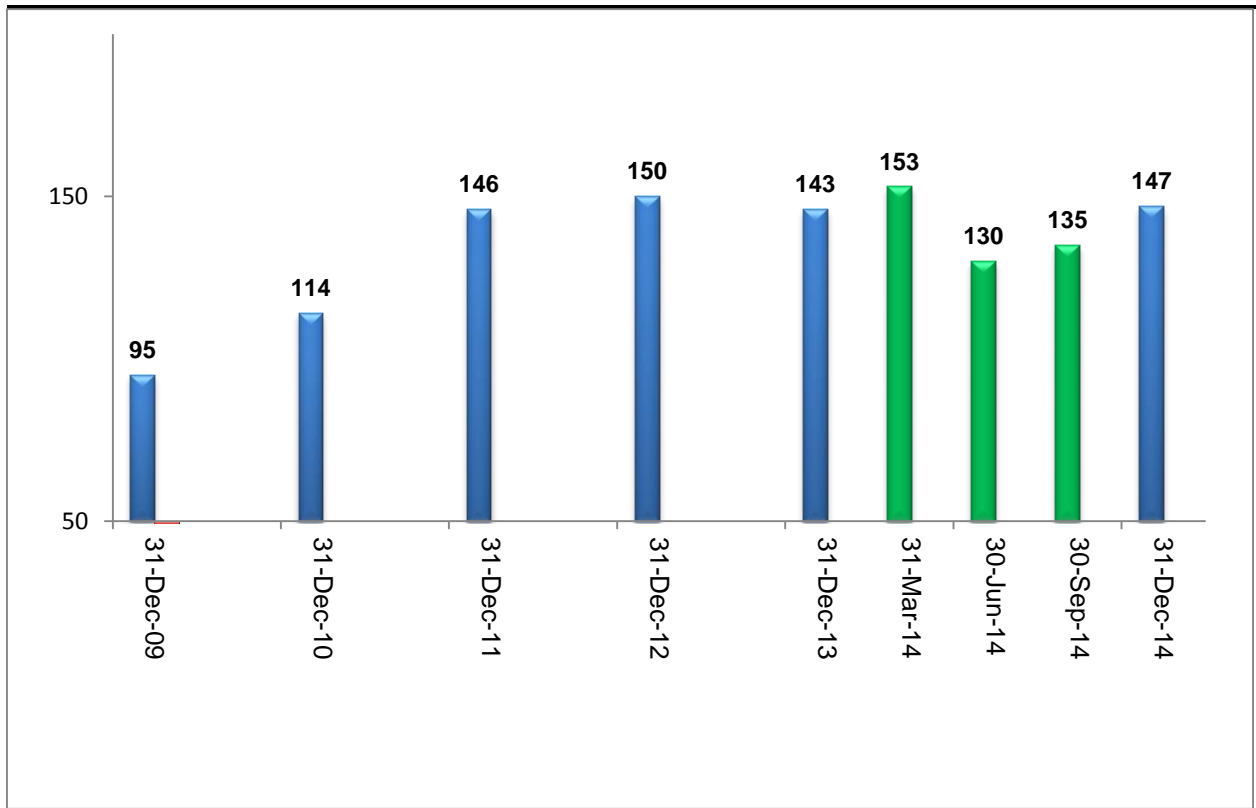
1.6. The majority of MFIs notably have their head offices located in the main cities and towns.

#### **Trend in the Number of Licensed MFIs...**

1.7. The number of licensed microfinance institutions has grown from 95 in 2009 to 147 as at 31 December 2014.

1.8. The growth of the sector continues to be hampered by funding challenges largely attributed to the limited availability of affordable long term finance.

1.9. The table below shows the trend in the number of licensed MFIs since 2009



## 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

	31 Dec 2014	30 Sept 2014	30 June 2014	31 Mar 2014	31 Dec 2013	30 Sep 2013
<b>No. of Licensed Institutions</b>	147	135	130	153	143	156
<b>No. of MFIs which submitted Returns</b>	116	119	111	101	106	105
<b>Total Loans</b>	\$156.99 million	\$151.83 million	\$177.76 million	\$170.00 million	\$164.20 million	\$164.51 million
<b>Total Assets</b>	\$202.71	\$210.11	\$214.00	\$193.87	\$185.73	\$206.79

	<b>31 Dec 2014</b>	<b>30 Sept 2014</b>	<b>30 June 2014</b>	<b>31 Mar 2014</b>	<b>31 Dec 2013</b>	<b>30 Sep 2013</b>
	million	million	million	million	million	million
<b>Portfolio at Risk (PaR &gt; 30 days)*</b>	11.29%	12.08%	14.64%	27.14%	16.03%	21.60%
<b>No. of Clients</b>	205,282	220,357	190,819	188,990	150,188	157,512
<b>No. of Loan Accounts</b>	257,542	252,565	209,751	208,168	162,221	166,899
<b>No. of Branches</b>	473	482	458	405	334	347

**\* 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.

- 2.2. The sector recorded an increase in total loans from \$151.83 million as at 30 September 2014 to \$156.99 million as at 31 December 2014, while total assets, decreased from \$210.11 million as at 30 September 2014 to \$202.71 million as at 31 December 2014. The growth in total loans is largely due to the increase in the number of registered MFIs leading to an increase in the number of loans created over the period.
- 2.3. The reduction in the total number of branches for the sector from 482 as at 30 September 2014 to 473 as at 31 December 2014 is largely attributed to the closure of branches by some MFIs in response to the challenging operating environment.
- 2.4. Competition continues to increase in the sector largely stemming from banking institutions entering the sector which are also able to offer relatively lower interest rates as a result of their more favourable funding capacities. This has resulted in the downward adjustment in the lending rates by some MFIs.
- 2.5. The top ten microfinance institutions controlled 63.20% while the largest

MFI commanded an individual market share of 19.29% in terms of total loans as at 31 December 2014.

- 2.6. Portfolio quality as measured by the Portfolio at Risk (PaR) (30 days) improved marginally during the quarter under review from 12.08% as at 30 September 2014 to 11.29% as at 31 December 2014. This compared favourably with the PaR ratio of 16.03% as at 31 December 2013.
- 2.7. The noted improvement in the PaR is largely due to enhanced credit analysis in the industry where some MFIs are increasingly making use of credit checks that promote rigorous analysis of borrowers to avoid over-indebtedness. This move is consistent with the provisions of the Microfinance Act. The conscious bid to control the level of credit risk in microfinance portfolios has also resulted in portfolio skewness to consumer lending.
- 2.8. Notwithstanding the above efforts, the level of the PaR (11.29%) remains above the international benchmark of 5%, largely reflecting the negative impact of the liquidity challenges that continue to constrain the economy.

### **3. Distribution of Loans as at 31 December 2014...**

- 3.1. The microfinance loan portfolio has remained skewed towards consumption at the expense of productive sector funding. Consumption lending which predominantly comprises salary based loans constituted 53.30% of total loans as at 31 December 2014. The distribution of loans is indicated in the table below.

<b>Type of Lending</b>	<b>Dec 2014</b>	<b>Sept 2014</b>	<b>June 2014</b>	<b>March 2014</b>	<b>Dec 2013</b>
Consumption (% of total lending)	\$83.55m (53.30%)	\$82.24m (54.17%)	\$119.09m (67.99%)	\$121.08m (71.22%)	\$116.40 (70.89%)
Productive (% of total lending)	\$73.44m (46.70%)	\$69.58m (45.83%)	\$58.65m (33.00%)	\$48.92m (28.98%)	\$47.80 (29.11%)
<b>Total</b>	<b>\$156.99m</b>	<b>\$151.83m</b>	<b>\$177.76m</b>	<b>\$170.00m</b>	<b>\$164.20m</b>

3.2. There has been a notable shift towards productive lending as reflected by the steady increase in the proportion of productive lending from 29.11% as at 31 December 2013 to 46.70% of total loans as at 31 December 2014. This is partly attributable to the imposition by some funders, of the requirement to lend for productive purposes.

#### **4. Compliance with Regulatory Requirements and Best Practice**

4.1. The Reserve Bank has noted an improvement in the level of compliance with regulatory requirements including compliance with capital requirements and submission of statutory returns by players in the sector.

4.2. However, the Reserve Bank continues to receive complaints from members of the public relating to inadequate disclosure of terms and conditions of loans. Some of the complaints relate to inadequate disclosure of applicable interest rates, levying of high interest rates, reckless lending by microfinance institutions without due regard for capacity to repay and failure to provide borrowers with a copy of the loan agreement.

4.3. The Reserve Bank will continue with its efforts to raise consumer awareness on the regulatory expectations regarding the activities of microfinance institutions, in addition to taking appropriate supervisory action on non-complying institutions