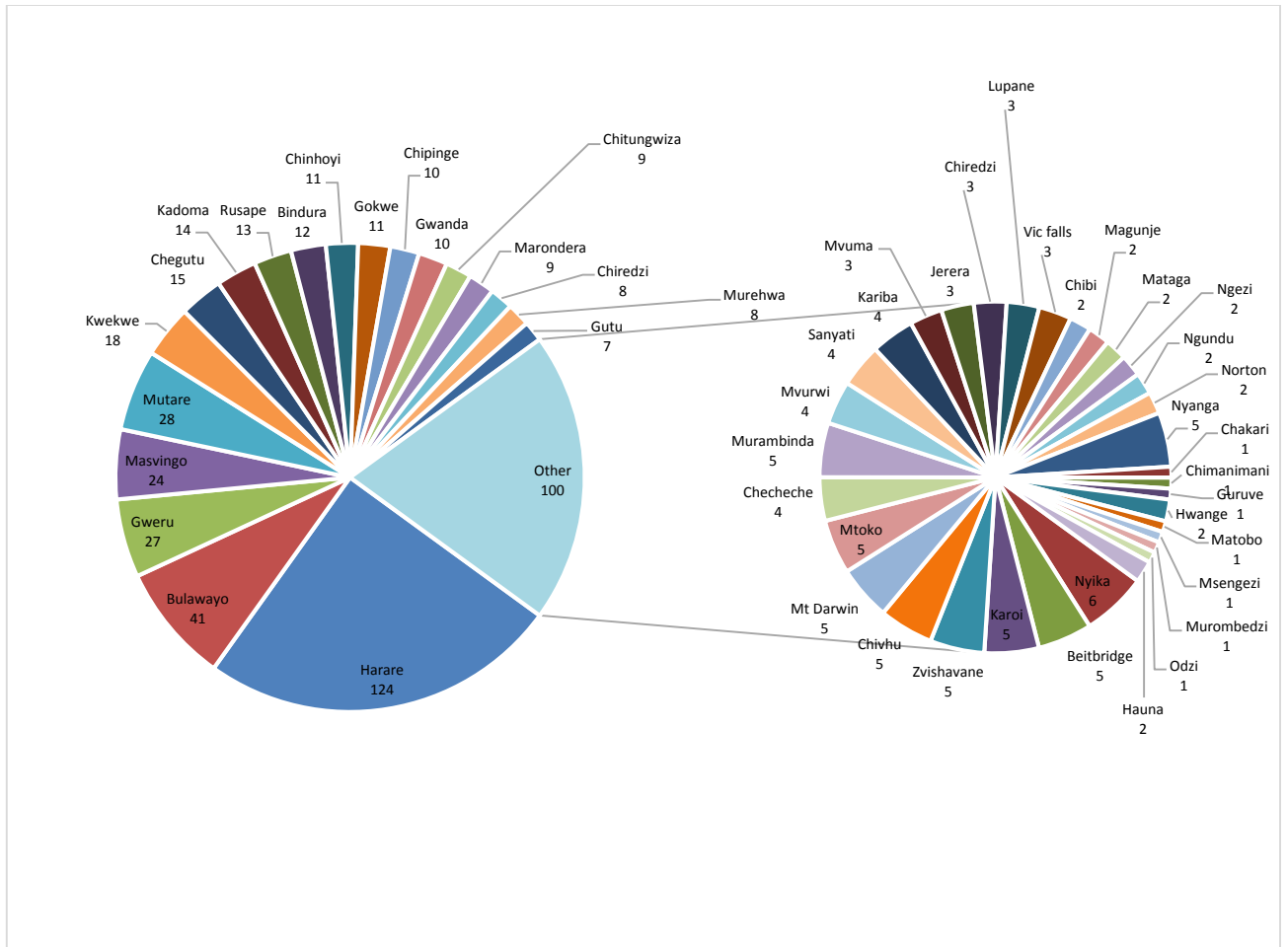




**MICROFINANCE INDUSTRY REPORT FOR THE QUARTER  
ENDED 31 MARCH 2015**

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

- 1.1. The microfinance sector plays a significant role in promoting financial inclusion, self-sufficiency and economic development particularly among the low income groups and small to medium enterprises. The sector recorded an increase in aggregate loans from \$156.99 million as at 31 December 2014 to \$163.51 million as at 31 March 2015. The sector is currently serving 189,028 clients through 499 branches countrywide.
- 1.2. The number of registered microfinance institutions (MFIs) decreased from 147 as at 31 December 2014 to 143 as at 31 March 2015 as some institutions failed to renew their operating licences. The number of microfinance institutions include a deposit taking microfinance institution which was granted a licence in January 2015.
- 1.3. Despite the decrease in the number of operating MFIs, the number of MFI branches increased from 473 as at 31 December 2014 to 499 as at 31 March 2015. Nine (9) MFIs had branches of between 17 and 51 across the country.
- 1.4. The pie chart below depicts the distribution of MFI branches as at 31 March 2015:



## 2. Performance of the Microfinance Sector

- 2.1. The sector recorded an increase in total loans from \$156.99 million as at 31 December 2014 to \$163.51 million as at 31 March 2015, despite the decrease in the total number of licensed MFIs, number of clients and number of loan accounts. The growth in total loans is largely attributable to increased lending to existing customers with less focus on new clients by the MFIs as a way of managing delinquency levels in their portfolios.
- 2.2. A total of 20 microfinance institutions with a loan book of at least \$1 million controlled 86.43% of the microfinance sector in terms of total loans. The largest microfinance institution with a loan book of \$30.28 million,

commanded a market share of 18.52% as at 31 March 2015

- 2.3. The table below shows key performance indicators for the microfinance institutions.

### Key Performance Indicators for Microfinance Sector

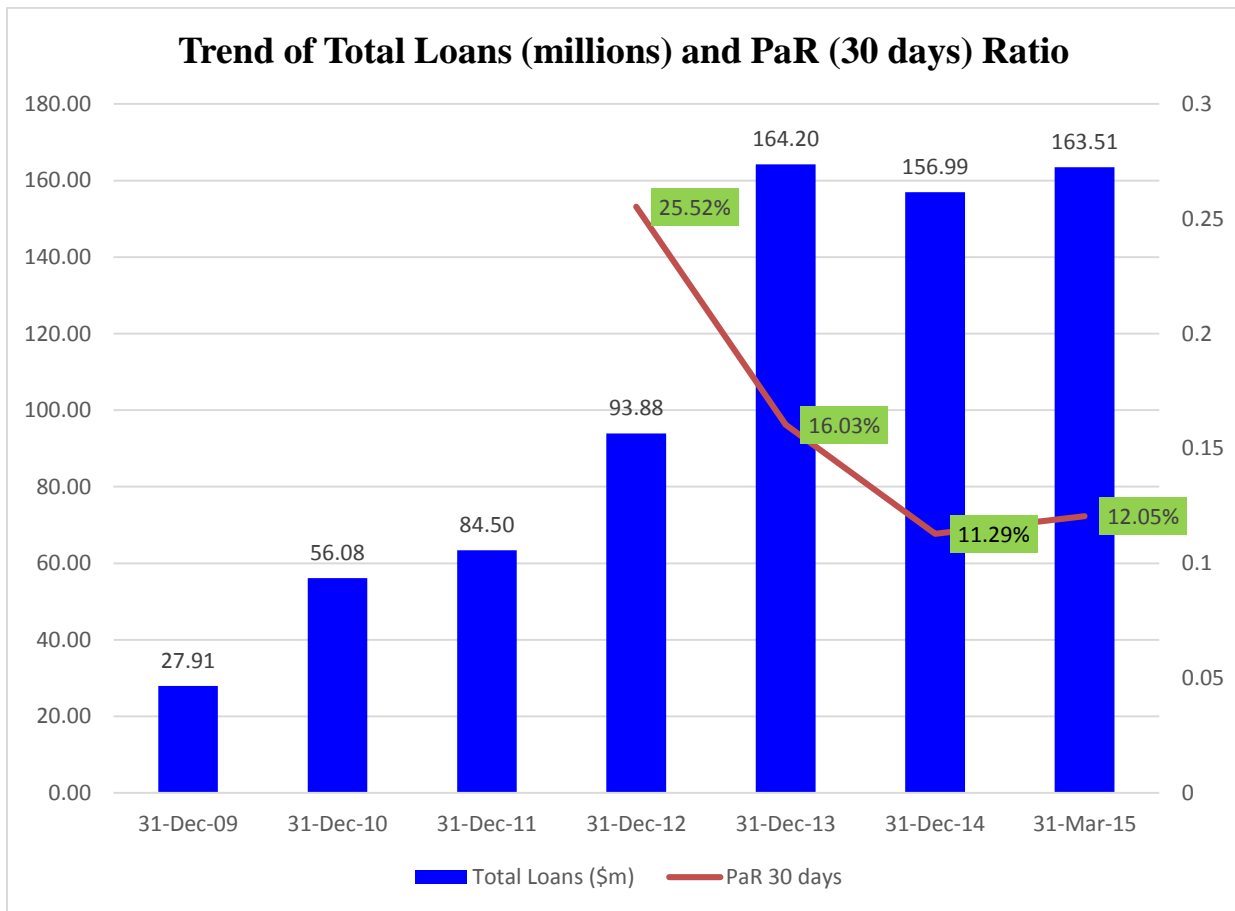
	31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Mar 2015
<b>No. of Licensed Institutions</b>	95	114	146	150	143	147	143
<b>No. of MFIs which submitted Returns</b>	43	60	72	95	106	116	119
<b>Total Loans</b>	\$27.91 million	\$56.08 million	\$63.43 million	\$93.88 million	\$164.20 million	\$156.99 million	\$163.51 Million
<b>Total Assets</b>	\$63.47 million	\$100.53 million	\$98.71 million	\$116.03 million	\$185.73 million	\$202.71 million	\$202.58 million
<b>Portfolio at Risk (PaR&gt; 30 days)*</b>	N/A	N/A	N/A	25.52%	16.03%	11.29%	12.05%
<b>No. of Clients</b>	N/A	48,507	58,325	96,749	150,188	205,282	189,028
<b>No. of Loan Accounts</b>	N/A	63,525	81,972	245,847	162,221	257,542	195,641
<b>No. of Branches</b>	118	204	228	281	334	473	499

\* **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.

- 2.4. The growth of the microfinance sector continues to be hampered by funding challenges largely attributed to the general market illiquidity and high cost of funding. High level of delinquency levels in the sector has forced some microfinance institutions to scale down their lending activities and at times cease operations.
- 2.5. There has been a general decline in the level of interest rates charged by microfinance institutions with some microfinance charging as low as 3% per month. The major funding sources for the microfinance sector include

international funding partners such as Germany Technical Co-operation (GTZ), International Labour Organisation (ILO), DANIDA and Food and Agriculture Organisation (FAO).

2.6. Portfolio quality, as measured by the Portfolio at Risk (PaR) (30 days) has generally stabilised. However, for the quarter ended 31 March 2015, there is a marginal increase as indicated below.



2.7. The noted improvement in the PaR ratio from 2012 to 2014 is largely due to enhanced credit analysis in the industry.

### 3. Distribution of Loans as at 31 March 2015...

3.1. The microfinance loan portfolio is largely comprised of consumptive and

productive loans. Consumption lending, which predominantly comprises salary based loans, constituted 53.88% of total loans as at 31 March 2015. However, it is noted that there has been gradual increase in productive sector lending over the past two years. The distribution of loans is indicated in the table below.

Type of Lending	Dec 2013	March 2014	June 2014	Sept 2014	Dec 2014	Mar 2015
Consumption (% of total lending)	\$116.40m (70.89%)	\$121.08m (71.22%)	\$119.09m (67.99%)	\$82.24m (54.17%)	\$83.55m (53.30%)	\$88.10m (53.88%)
Productive (% of total lending)	\$47.80m (29.11%)	\$48.92m (28.98%)	\$58.65m (33.00%)	\$69.58m (45.83%)	\$73.44m (46.70%)	\$75.41m (46.12%)
<b>Total</b>	<b>\$164.20m</b>	<b>\$170.00m</b>	<b>\$177.76m</b>	<b>\$151.83m</b>	<b>\$156.99m</b>	<b>\$163.51m</b>

#### **4. Compliance with Regulatory Requirements**

- 4.1. There has been a notable 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. The Reserve Bank, however, continues to receive complaints from members of the public relating to inadequate disclosure of terms and conditions of loans granted by some MFIs and high interest rates and charges.
- 4.3. Microfinance institutions are required to comply with the internationally accepted microfinance core client protection principles as enshrined in the Microfinance Act [Chapter 24:29].