



**MICROCRED ZIMBABWE INAUGURATION &
OFFICIAL LAUNCH**

OFFICIAL REMARKS

BY

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THE DEPUTY GOVERNOR**

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Salutation

- Hon. Minister of Finance and Economic Development, Hon. P.A. Chinamasa
- Microcred Board Chairman, Mr. R. Dieudonne;
- Representatives of shareholders of Microcred here present;
- Microcred Group Representative; Ms. I. Levard;
- AfricInvest Representative; Khaleb Ben Jilan;
- Microcred Zimbabwe Acting Chief Executive Officer, Mr. L. Borerwe;
- Invited Guests;
- Ladies and gentlemen.

1. It is indeed an honour and a privilege for me to be invited to witness such a momentous occasion of the **Inauguration of Microcred Zimbabwe (Pvt.) Limited.**
2. I understand that earlier in the day, Microcred Zimbabwe officially launched and opened its flagship Harare City Branch to enable the low income and marginalised to access the much needed financial products and services.
3. Ladies and Gentlemen, this development demonstrates Microcred Group and AfricInvest's commitment to partner with the Reserve Bank in making financial inclusion a reality to the low income and marginalised groups in Zimbabwe.
4. I would like to take this opportunity to congratulate the shareholders, the board and management of Microcred Zimbabwe Limited for this important milestone in launching Microcred Zimbabwe and demonstrating a keen interest in engendering the financial inclusion agenda.

Challenges in Building an Inclusive Financial System...

5. Allow me to reflect on some of the challenges that the Reserve Bank has faced in pursuit of building an inclusive financial system that is supportive of inclusive economic growth and development.
6. The 2014 FinScope Consumer Survey results revealed that 23% of Zimbabweans are still financially excluded, and that financial exclusion is more pronounced among special groups such as MSMEs,

women, youth, rural population and the small scale agricultural farmers.

7. The FinScope MSME Survey conducted in 2012 revealed that only 14% of these MSMEs have bank accounts, and yet the MSME sector employs 5.7 million people and has an estimated turnover of \$7.4 billion.
8. The bureaucratic loan application procedures, high costs of opening and maintain bank accounts, and the stringent collateral requirements have contributed to the financial exclusion of the low income and vulnerable groups such as women, the youth and the MSMEs.
9. These challenges have been compounded by supply-side and regulatory barriers including poor financial infrastructure, absence of coordinated national policies and strategies on financial inclusion as well as weak consumer protection laws.
10. While the microfinance institutions have been making efforts to fill in the gap left by the formal banking institutions, the microfinance sector continues to face challenges that have militated against its full potential in contributing to the financial inclusion agenda.
11. One of the main challenges to the development of a viable sustainable microfinance sector is lack of adequate, affordable and sustainable funding, which in turn translates into high interest charges in the sector.

12. The coming on board of Microcred and AfricInvest has opened doors to the much needed foreign investment into the microfinance sector in Zimbabwe, which in turn will facilitate the empowerment of the previously marginalised groups.
13. Honourable Minister, the benefits of financial inclusion are strongly rooted in the empowerment of the marginalised, and by empowering individuals and families to cultivate economic opportunities, microfinance has proved to be a powerful agent for strong and inclusive growth.

The National Financial Inclusion Strategy...

14. Financial inclusion is increasingly being recognised as a key driver of economic development, particularly in developing countries. In this regard, Zimbabwe has embraced financial inclusion and initiated deliberate programs to provide structured guidance for successful implementation of the financial inclusion agenda.
15. In this regard, the Reserve Bank of Zimbabwe spearheaded the development of the country's National Financial Inclusion Strategy which was launched by the Honourable Minister Chinamasa, on 11 March 2016.
16. The overarching goals of the Strategy are to increase the overall level of access to affordable and appropriate formal financial services within the country from 69% recorded in 2014 to at least 90% by 2020

and to increase the proportion of banked adults from 30% in 2014 to at least 60% by 2020.

Importance of Microfinance in Financial Inclusion...

17. Honourable Minister, microfinance both locally and globally has played a critical role in empowering the marginalised groups, particularly the women, the MSMEs and the youth through provision of micro financial services that are tailored to the customer needs.
18. Microfinance, by virtue of its ability to reach out to the remote, hard-to-reach areas with innovative financial products and services, has been a key catalyst in the financial inclusion agenda.
19. Cognisant of the importance of microfinance institutions in empowering the low income and marginalised, microfinance has been identified as one of the key pillars in the Zimbabwe National Financial Inclusion Strategy.
20. As part of the implementation of the National Financial Inclusion Strategy, a Microfinance Thematic Working Group has been set up whose main objectives is to explore the development of innovative micro-finance products that leverage on technology in order to increase microfinance outreach at affordable lending rates.
21. In addition, the thematic working group will also explore linkages with banks to extend outreach of banking services through agency banking.

22. The Reserve Bank will continue to work towards creation of an environment conducive to the development and growth of a viable and sustainable microfinance sector which will meaningfully contribute to the upliftment of the lives of the low income and marginalised groups.
23. The Microfinance Act which was gazetted in 2013, provide for the **registration of deposit-taking microfinance institutions** which are expected to enhance provision of financial services to the low income groups and the MSME sector.

Financial Inclusion Initiatives...

24. The Reserve Bank has established a **credit registry** which will assist microfinance institutions in credit risk management. The high default rates currently obtaining in our market are expected to decline once the public registry is fully operational.
25. Further, the establishment of a **collateral registry** which is currently underway, is expected to enhance access to microfinance services by the low income groups using movable property as collateral. We may be aware that treatment of moveable assets by microfinance institutions has been one of the major issues militating against public confidence in the microfinance sector, where a lender would keep the borrower's assets. With a collateral registry a lender needs to know that the movable assets are registered rather than taking possession.

26. The Reserve Bank has also approved the **agent banking** model to increase proximity of financial products and services to clients, especially in rural areas. It is important to note that a number of microfinance institutions are now operating as agents of banking institutions in providing a wider array of financial services to the low income and marginalized.
27. It is also our expectation that microfinance institutions will continuously adapt to technological advancements and embrace new delivery channels such as **digital finance** in order to improve their service delivery.
28. In addition to the development of the Financial Literacy Framework, the Reserve Bank is **collaborating with institutions of higher learning for the development of programs** and modules that facilitate financial education of the low income and marginalised groups.
29. Zimbabwe is predominantly an agro-based economy and to date funding to the small scale rural farmers has been limited. The Reserve Bank has partnered with some stakeholders to introduce **the value-chain financing model**. It is pleasing to note that Microcred is already supporting the small scale farmers including dairy projects.

Conclusion...

30. As Reserve Bank, we applaud Microcred for the inaugural opening of their flagship Harare City Branch. It is our sincere hope that

Microcred Zimbabwe will consider opening branches in rural areas to tap into the vast potential these places possess. This will not only improve financial inclusion but will also provide you with new customers.

31. In conclusion, allow me to congratulate the Shareholders, the Board and Senior Management of Microcred for demonstrating their commitment to poverty reduction through provision of a broader array of financial products and services.
32. We wish you success as you pursue the **vision and quest towards delivery of a broader and richer microfinance proposition** that will drive financial inclusion in Zimbabwe.

I Thank You