



**Zimbabwe Association of Microfinance Institutions**  
"creating sustainable microfinance"

**PERFORMANCE REPORT OF THE MICROFINANCE SECTOR**

*as at 30 SEPTEMBER 2020*

**MICROFINANCE ZAMFI MEMBERS ONLY**

## EXECUTIVE SUMMARY

- The performance indicators of the credit only microfinance sector\*\* is gradually improving on a quarter to quarter comparison in key areas of profitability and portfolio quality as summarized below:

**Table 1.0: Financial Indicators**

<b>Financial Indicator</b>	<b>June 2020</b>	<b>Sept 2020</b>	<b>International Benchmarks</b>	<b>*Level of Performance</b>
PAR> 30 days	19.50%	15.36%	<b>5%</b>	<b>Weak but improving</b>
Risk Coverage Ratio	31.54%	40.68 %	<b>80% -100%</b>	<b>Weak and improving</b>
Portfolio Yield	56.4%	79.0%	<b>20%-30%</b>	<b>Acceptable</b>
Loan Portfolio/Asset	63%	54%	<b>80%</b>	<b>Acceptable</b>
Debt/Equity	1.4	1.3	<b>3.2</b>	<b>Strong</b>
Cost of Funds	7.5%	9.5%	<b>n/a</b>	<b>Acceptable</b>
OSS	147.8%	142.2%	<b>100%</b>	<b>Strong</b>
Return on Asset	10.6%	10.9%	<b>1%-2%</b>	<b>Strong</b>
Return on Equity	30.3%	31.3%	<b>5%-7%</b>	<b>Strong</b>

\*\* Out of the 6 registered DTMFIs ( also known as MFBs) only 2 are submitting figures to ZAMFI but another 2 can come on stream anytime. With the addition of these anticipated 2, we can start reporting on the DTMFIs.

## OVERVIEW OF OUTREACH PERFORMANCE

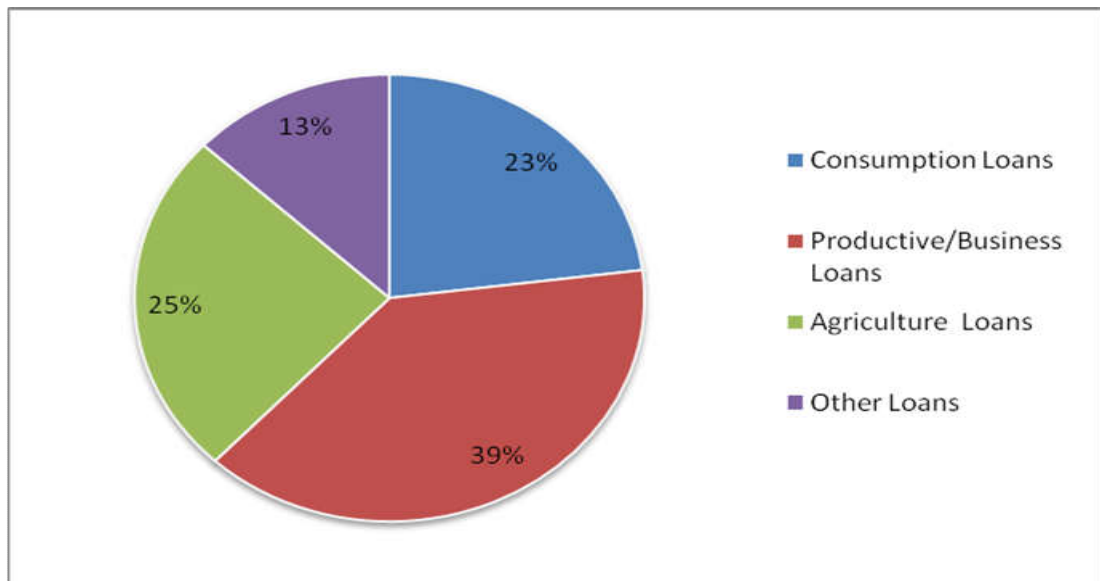
### Loans and Advances

2. The general results for the current quarter ending 30 September 2020 reflect a sector which is gradually coming out of economic challenges with renewed optimism and hope for the future. Outstanding loans amounted to ZWL\$651.1 million, up from ZWL\$565.7 million reported in June 2020, an increase by ZWL\$85.4 million (15.1%). This increase could be attributed to resumption of business by the majority of MFI clients especially in areas that had been severely affected by lockdown rules.
3. During the lockdown period, sectors such as mining, agriculture and food processing industries appeared to be less affected, an indication of them being good sectors for MFIs to focus on in their lending strategy. The other sector for support are products earmarked for exports such as horticulture which is reported to be doing well in the United Kingdom(UK) and the European Union(EU) markets and supermarkets.
4. While mining is generally perceived to be a risky business, there is a huge financing gap especially for artisanal and small miners who are reported to be contributing more than 60% of gold production to Fidelity Printers and Refinery every year.
5. In terms of clientele, the total clients served by credit only MFIs amounted to 156 037, with women clients representing 41% of the total figure. Financial inclusion in general among the marginalized clients remains largely constrained by a number of factors such as perceived high risk associated with the majority

of the MFI clients and lack of identification by MFIs clients of profitable business opportunities to be financed by microfinance institutions.

6. Loans by credit only microfinance institutions to productive sectors of the economy which include agriculture constituted 64% of total loans as at 30 September 2020, as shown in the figure below:

**Figure 1: Sectoral Distribution of Loans as at 30 Sep 2020**

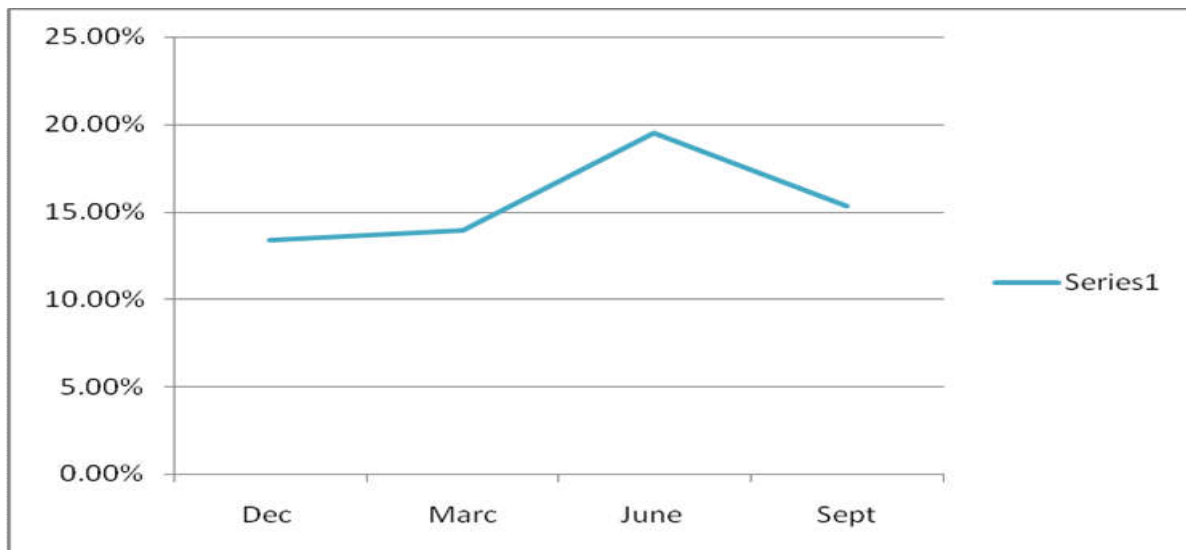


## QUALITY OF PORTFOLIO

### Portfolio Quality

7. The quality of the loan portfolio is gradually beginning to improve since the advent of the Covid-19 pandemic, as reflected by a decline in Portfolio at Risk ratio from 19.5% as at 30 June 2020, to 15.36% as at 30 September 2020.

**Figure 2: Trend in PAR Ratio**



8. This is largely attributed to the resumption of normal business and reduced business risk due to price and exchange rate stability which has been achieved during the quarterly period.
9. The introduction of the foreign exchange auction in June 2020 has been credited with the achievement of exchange rate stability which, according to monetary authorities was fueling inflation and the general instability of prices across the country before June 2020.
10. According to the latest official government reports, the exchange rate has since stabilized around US\$1: ZWL\$81 throughout the month of July to November 2020.
11. This has tremendously worked to restore the local currency with its normal and expected functional roles such as the medium of exchange, unit of account and store of value.

12. The restoration of the fundamental roles of money are critical for the resumption of significant and real lending in local currency to individual and business by the microfinance institution, including the banks.

## PROFITABILITY AND SUSTAINABILITY PERFORMANCE

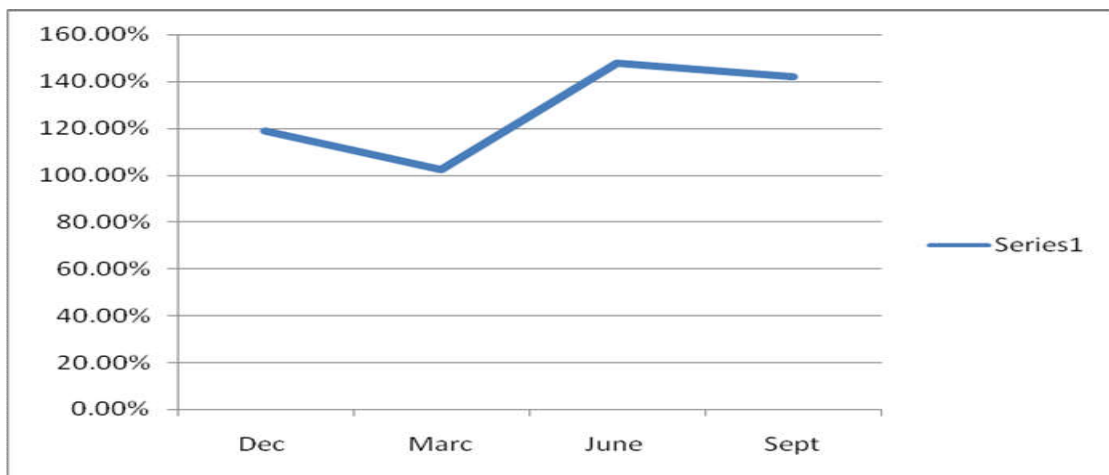
### Profitability

13. The majority of small and medium sized MFIs have continued to declare profits while some of the large MFIs have reported losses, chiefly emanating from high operational cost against low income revenues .

14. Overallly the sector reported total income financial income amounting to ZWL\$442.7 million against operational expenses of ZWL\$311.2 million as at 30 September 2020, leading to a net profit of ZWL\$131.5 million and Operation Self Sufficiency ratio of 142.2%

15. This is a significant increase in comparison to net profit of ZWL\$94.5million reported as at 30 June 2020.

**Figure 3: Trend in Operational Self Sufficiency Ratio**



## RANKING STATUS OF CREDIT ONLY MICROFINANCE

16. Below is the market ranking of the top 20 large credit only MFIs for the past three quarters:

**Table 2.0: Market Rankings**

MFI RANK	Sept 2020- Total Loan Book	June 2020- Total Loan Book	Mar 2020- Total Loan Book
1	\$211.6m	\$247.3m	\$223.4 m
2	\$112.5m	\$47.4m	\$45.9 m
3	\$55.2m	\$46.9m	\$44.2 m
4	\$38.5m	\$38.2m	\$23.9 m
5	\$34.3m	\$28.2m	\$22.5 m
6	\$25.6m	\$25.4m	\$15.9 m
7	\$20.6m	\$18.5m	\$11.8m
8	\$19.9m	\$15.9m	\$11.2 m
9	\$18.7m	\$12.4 m	\$9.2m
10	\$16.7m	\$9.4 m	\$8.0m
11	\$11.7m	\$8.0m	\$7.6 m
12	\$7.5m	\$7.3m	\$6.5m
13	\$6.9m	\$5.8m	\$4.3 m
14	\$6.2m	\$4.6m	\$4.2 m
15	\$5.7m	\$3.2m	\$3.7m
16	\$5.5m	\$2.8m	\$3.4m
17	\$4.6m	\$2.7m	\$3.1m
18	\$4.5m	\$2.6m	\$2.4m
19	\$3.6m	\$2.4m	\$2.0m
20	\$3.5m	\$2.2m	\$1.5 m

## Conclusion

17. In conclusion, the prospects for growth, profitability and sustainability for the microfinance is gradually being restored especially after a high level of exchange rate stability was achieved during the June to September quarterly period including the general pricing of goods and services.
18. Business and individuals are now able to plan for their expenditures and decide on extra amounts for borrowing from financial institutions.
19. Government on its part has since laid down short and long term policies in the form of 2021 National Budget and the National Development Strategy 1(NDS1) with clearly identified top priorities of government for the next five(5) years.
20. The onus is now on microfinance players to decide on areas of financing support for the attainment of government goals and aspirations for its citizens across the country.