



Zimbabwe Association of Microfinance Institutions
"creating sustainable microfinance"

**QUARTERLY PERFORMANCE REPORT OF THE MICROFINANCE
SECTOR**

as at 30 September 2017

ZAMFI CREDIT ONLY MFI MEMBERS

PERFORMANCE HIGHLIGHTS: A SNAPSHOT

The quarterly performance indicates an industry that has recorded substantial improvements in key areas of outreach, profitability, sustainability and portfolio quality. This is largely due to the rebound of lending activities, increased revenue streams as well as managed costs through the use of technology to improve efficiency and productivity. Below is a snapshot performance of the sector in terms of key ratios:

Table 1.0: Key Highlights

Performance Indicator	31 March 2017	30 June 2017	30 September 2017	Quarterly comparison (June-Sept)
<u>Outreach</u>				
Total loan portfolio	\$96.2 million	\$99.4m	\$106.1m	Improved
Total loans disbursed	\$44.2 million	\$45.8m	\$50.7m	Improved
<u>Profitability</u>				
Net Profit	\$5.5 million	\$8.8 m	\$15.4m	Improved
Operational Self Sufficiency	137.7%	139.3%	153.4%	Commendable Improvement
<u>Portfolio Quality</u>				
Portfolio At Risk	9.5%	8.2%	7.79 %	Commendable Improvement

MICROFINANCE OUTREACH AND MARKET COMPETITIVE ANALYSIS

Outreach: Loan Outreach

According to the central bank statistics, the microfinance sector currently represents 6% of the total loan book in the financial sector. While the sector has performed dismally during the first six months of the year, it is now showing signs of recovery as indicated by the growth in client loans during the quarter June-to-September 2017. Quarterly loan disbursements have gone up by **9.6%** (\$4.9m) during quarter June-to- Sept 2017, compared to **3.6%** (\$1.6m) for the previous quarter period of March-to-June 2017. The value of loans outstanding amounted to \$106.1million as at 30 September 2017 and has substantially increased by 6.3% as indicated below:

Table 2.0: Loan Outreach

MFIs Loans	Mar 2017	June 2017	Sept 2017	Quarterly Increase (March to June)	Quarterly Increase (June to Sept)
Quarterly loan disbursements	\$44.2m	\$45.8 m	\$50.7m	\$1.6m (3.6%)	\$4.9m (9.6%)
Value of loans outstanding	\$96.2m	\$99.4m	\$106.1	\$3.2m (3.3%)	\$6.7m (6.3%)

The prospects for an increase in the up-take of loans from the microfinance sector is largely expected to increase during the last quarter period of the year, owing to the current positive perception with respect to the incoming new government. As focus is now being shifted towards growing the economy, creation of jobs and re-engagement with the international investors' community, the MFIs are therefore expected to re-launch themselves towards playing a more prominent role in giving out loans in support of income generating projects across the country.

Outreach: Client and Female Clients

As microfinance institution are largely associated with giving more access of loans to female clients, it is pleasing to note that at least 40% of the active clients in the sector are made up of female clients as indicated below :

Table 3.0: Client and Female Clients

Clients	March 2017	June 2017	September 2017
Active Clients	161 089	169 113	175 678
Female Clients	68 597	69 508	74 559
% of Female Clients	42.2%	40.8%	42.3%

The above ratio is expected to increase in subsequent quarters as MFIs take advantage of accessing funds specifically targeted at women borrowers from the recently unveiled women empowerment facility from central bank amounting to \$15.0 million.

TOP 20 Outreach Analyses

The 20 largest MFIs among ZAMFI members are as indicated in table 3.0 below as at 30 September 2017:

MFI RANK	Value of Loan Book (\$)	Market Share %
1	\$31.1m	29.3%
2	\$20.0m	18.8%
3	\$12.5m	11.7%
4	\$6.2m	5.8%
5	\$4.1m	3.8%
6	\$3.8m	3.5%
7	\$3.2m	3.0%
8	\$3.1m	2.9%
9	\$2.9m	2.7%
10	\$2.3m	2.2%
11	\$2.1m	2.0%
12	\$1.7m	1.6%
13	\$1.6m	1.5%
14	\$1.0m	0.9%
15	\$0.9m	0.8%
16	\$0.8m	0.7%
17	\$0.8m	0.7%
18	\$0.7m	0.6%
19	\$0.6m	0.5%
20	\$0.5m	0.4%

*NB in the absence of RBZ figures for all loans of MFIs including deposit taking, the market shares % have been worked out using only total loans for Credit-Only MFIs which amounted to \$106.1 million as at 30 September 2017.

PROFITABILITY AND FINANCIAL SUSTAINABILITY

Net profit for the sector has substantially increased by 75 % from \$8.8 million to \$15.4million as shown in table below:

Profitability Indicators	Last Quarter (June-2017)	Current Quarter (Sep-2017)	% Difference
Total Income	\$31.0m	\$44.2m	↑ 42.5%
Total Cost	\$22.2m	\$28.8m	↑ 29.7%
Net Profit	\$8.8m	\$15.4m	↑ 75.0%
OSS Ratio	139.6	153.4	↑ 13.8%
Return on Equity	27.7%	40.2%	↑ 12.5%

In spite of the increase in total cost by 29.7%, the strong increase from total income of 42.5% has resulted in the sector achieving overall increase in profitability. This growth was largely being fueled by the introduction of new products by many MFIs such as business loans, assets finance and mortgage loans.

Operational self sufficiency (OSS) ratio has improved to 153.4 % from 139.6% of last quarter as MFIs continue to grow their revenues streams, while efficiently managing costs through the use of cutting-edge technology.

The overall good trend in profitability is expected to remain strong and in the positive direction as MFIs continue to raise more funds towards boosting their lending capacity.

In addition, the Microfinance Fund amounting to \$10 million, recently announced by the Reserve Bank of Zimbabwe for Zimbabwe Microfinance Fund, shall be an alternative source of funding for MFIs with bankable projects from their clients.

PORTFOLIO QUALITY

The table below shows the development of key indicators from last quarter (June 2017) to the current quarter (September 2017). The quarter -on-quarter (QoQ) difference is shown in the last column, with increases in orange colour and decrease in green colour.

Portfolio Indicators	Last Quarter (June-2017)	Current Quarter (Sep-2017)	% Difference
Value of Total Loans	\$99.4m	\$106.1m	↑ 6.7%
PAR >30 DAYS	8.25%	7.79%	↓ 0.46%
Value of loans at risk 1- to 30 Days	\$8.5m	\$7.6m	↓ 10,5%
Value of loans at risk 30Days +	\$8.3m	\$8.2m	↓ 1.2%
Total Loans at Risk	\$16.8m	\$15.8m	↓ 5.9%

The total loan portfolio has increased from \$99.4 million to \$106.1 million, representing an uptake of microfinance loans by 6.7%. The main indicator of portfolio at risk i.e. PAR >30 DAYS, has remained fairly stable, decreasing by 0.46 percentage points, from 8.25% to 7.79%. However it is pleasing to note that the overall loans at risk {Value of loans at risk 1-to 30 Days + Value of loans at risk

30Days} has significantly reduced from \$16.8 million to \$15.8 million, representing a reduction by 5.9% during the quarter.

NEW MACROECONOMIC POLICIES AND MICROFINANCE

Based on the new current developments in the country as well as economic speeches by the new incoming government, ZAMFI has identified a few policies which might have an impact, positive or otherwise. Whilst not exhaustive, the following could be explored:

An Economy anchored on agriculture

It is undoubted that agriculture is the mainstay of our economy with strong and enduring capacity to lift many people out of poverty, especially in rural communities. Growth in agriculture is 11 times more effective in reducing poverty than growth in any other sector in our country (***According to a recent article by former secretary general of United Nations Kofi Annan***) It is then the sector which MFIs may begin to strategically position themselves to play a critical role of providing loans and advances to small holder farmers across our country, sustainably

An investment-led economic recovery

An investment –lead economic recovery from both domestic and foreign direct investments has worked well in many countries, principally in countries such as Japan, China and South Korea in their economic revival. MFIs may have to be ready to welcome international capital as part of their funding sources and earmark these funds towards increasing lending capacity. While some banks may now re-focus their lending towards trade and corporate finance, MFIs are likely to remain the main source of small loans for supporting income generating projects

A Market Economy

This is an economy where price determination is largely left to principles of demand and supply for all goods and services including financial products and instruments. As government has announced this to be the guiding principle for enterprise and financial markets development, it should then give hope and aspirations to MFIs, that the interest rate ceiling policy, put in place last year, may be repealed in future. However it should be noted that the new system of open interest determination in microfinance sector may result in more competition

and huge inflows of funds into the sector, leading to further reduction in interest rates, even beyond the current threshold of 10% interest per annum. The only viable strategic option for MFIs to pursue now and well into the future is to increase capital for on-lending to clients.

An open economy to international capital

It is without doubt that such a policy shift from the past policy of being a closed and isolated country from the rest of the world shall encourage direct foreign investments especially into the anticipated special economic zones. Foreign companies are likely to flood the country to build new industries and factories which will employ local educated workforce. MFIs shall benefit in downstream effects of opening up of new clients in the form of gainfully employed workforce in other industries apart from entirely focusing on civil servants. While it may be too early to do so, MFIs may begin to plan ahead in opening branches in areas/regions that are earmarked for special economic zones. The new positive attitude towards an open economy being adopted by government shall bear the country fruitful results in more competition, higher efficiency and productivity, innovation, better ideas, better growth across all sectors including banks & microfinance. Above all it shall result in better living standards for all as well as great progress in innovation, technology and national development. .

