



Zimbabwe Association of Microfinance Institutions
"creating sustainable microfinance"

**QUARTERLY PERFORMANCE REPORT OF THE MICROFINANCE
SECTOR**

As at 31 March 2018

ZAMFI CREDIT ONLY MFI MEMBERS

PERFORMANCE HIGHLIGHTS: A SNAPSHOT

Below is a snapshot annual performance of the sector in terms of key ratios:

Table 1.0: Key Highlights

Performance Indicator	December 2016	December 2017	March 2018	Quarterly comparison (Dec2017 -Mar2018)
<u>Outreach</u>				
Total loan portfolio	\$83.3 million	\$98.7 million	\$115.6 million	Improved
Total loans disbursed	\$166.0 million	\$56.00 million	\$59.4 million	Improved
<u>Profitability</u>				
Operational Self Sufficiency	156.7%	151.6%	113%	Decreased & cause for concern
Cost to Income ratio	63.9%	65.9%	88%	Decreased & cause for concern
Return on Equity	49.6%	41.9%	5%	Decreased
<u>Portfolio Quality</u>				
Portfolio At Risk	10.3%	7.9%	8.7%	Deteriorated but stable
<u>Efficiency and Productivity</u>				
Operational Expense Ratio	44.6%	28.5%	15%	Marked Improvement
Cost per Borrower	\$221.94	\$162.40	\$123.00	Recommended trend

MICROFINANCE OUTREACH AND MARKET COMPETITIVE ANALYSIS

Outreach

Microfinance outreach for the quarter ending March 2018 was \$115.6 million for credit only MFIs that are members to ZAMFI, an increase by 17.1% from the outreach figures reported in December 2017 of \$98.7 million. In spite of the increase, the number of active borrowers has decreased from 173 348 clients to 165 450, an indication that MFIs have increased their average loan per person. The figure of average loan per person was reported as \$682.00, up from \$572.00 recorded in December 2017. This ratio is a measure of the depth of outreach and indicates the extent to which MFIs are reaching out to the poor clients.

Table 2.0: Loan Outreach

MFIs Loans	December 2017	March 2018	Quarterly Increase (Dec 2017 - March 2018)
Value of loans outstanding	\$98.7 million	\$115.6 million	\$16.9 million (17.1%)
active borrowers	173 348	165 450	7898 (4.5%)

Globally, the MFI loan outreach is reported to be +/- \$102 billion with Africa alone accounting for \$8.7 billion. Our local figures of \$115.6million represent 1.32%. There is need to grow substantial our outreach figures through massive injection of funds for on lending into the industry using both equity and debt options available in the market. The appetite for credit to engage in income generating projects is still high and needs to be exploited. Mergers and acquisitions are other options for consideration among smaller MFIs to create fairly large MFIs that combine human, technology and capital resources together. The option was well articulated during the 2018 Winter School held last month through a presentation by BDO Chartered Accountants.

While it was unanimously observed and agreed that it is challenge for MFIs to merge into one entity, it is fairly easy for an acquisition to take place since it results in one MFI being bought by the other, with the latter ceasing to exist entirely.

As the country is currently riding on the now famous economic mantra ***“Zimbabwe is open for business”***, it therefore presents a huge opportunity for MFIs to seek access for more international capital, new technology and innovation, so as to increase their lending capacity.

TOP 20 Outreach Analyses

The 20 largest MFIs among ZAMFI members are as indicated in table 3.0 below as at 31 March 2018 in comparison with same figures for December 2017:

Table 3.0: Top 20 MFIs

MFI RANK March 2018	Value of Loan Book (\$)	MFI RANK Dec- 2017	Value of Loan Book (\$)
1	\$28.2million	1	\$28.7 million
2	\$23.6 million	2	\$21.1 million
3	\$15.1 million	3	\$6.7 million
4	\$6.6 million	4	\$4.4 million
5	\$5.8 million	5	\$3.8 million
6	\$5.2 million	6	\$3.8 million
7	\$3.5 million	7	\$3.3 million
8	\$3.0 million	8	\$3.2 million
9	\$2.7 million	9	\$2.9 million
10	\$2.2 million	10	\$2.9 million
11	\$2.1 million	11	\$2.2 million
12	\$2.0 million	12	\$1.8 million
13	\$1.1 million	13	\$1.7 million
14	\$1.0 million	14	\$1.1 million
15	\$1.0 million	15	\$1.1 million
16	\$0.92million	16	\$1.1 million
17	\$0.65 million	17	\$0.9 million
18	\$0.63 million	18	\$0.6 million
19	\$0.58 million	19	\$0.5 million
20	\$0.41 million	20	\$0.5 million

PROFITABILITY AND FINANCIAL SUSTAINABILITY

The credit-only microfinance sector registered a net profit of \$2.7 million for the three months period, compared with \$5.5 million recorded the previous year during the same period. However it should be noted that the results analyzed individually indicate that at least +/-17 MFIs have reported losses during the three months period, owing to the current harsh economic environment. A combination of cost cutting measures, adoption of cutting edge technology, remodeling of business delivery channels and products are among some of the measures which should be adopted by MFIs to remain profitable..

Overall the sector reported profitability ratios that are indicating early signs of financial distress within the sector such OSS of 113%, Yield to portfolio ratio of 20% and return on equity of 5%.

Table 4.0: Trend of OSS

Indicator	March 2017	Dec 2017	March 2018
OSS	137%	151.6%	113%
Yield of Portfolio	19%	61%	20%
Return on Equity	15%	41%	5%

PORTFOLIO QUALITY

Portfolio at risk over 30 day (PAR >30days) marginally increased to 8.72% as at 31 March compared with 7.9% in December 2017. This could be a reflection of challenges related to collection being experienced by some MFIs in the industry. Below is a report on top 15 good and poor performers with respect to PAR Ratio as at 31 March 2018:

Table 5.0 : TOP 15 GOOD PERFORMING MFIs ON PAR RATIO

MFI Ranking	Portfolio at Risk
1	1%
2	2%
3	2%
4	2%
5	2%
6	3%
7	3%
8	4%
9	4%
10	5%
11	6%
12	7%
13	8%
14	9%
15	10%

Table 6.0 : TOP 15 STRUGGLING MFIs ON PAR RATIO

No.	Portfolio at Risk
1	78%
2	74%
3	55%
4	42%
5	38%
6	37%
8	35%
9	35%
10	34%
11	28%
12	26%
13	26%
14	24%
15	20%

EFFICIENCY AND PRODUCTIVITY

The operational expense ratio reflects what is spent or incurred by the MFIs in the industry in terms of administrative expense for every dollar disbursed.

The industry operational expense ratio improved substantially from \$28.5 to \$15.00 per \$100.00 of loan disbursed. Cost cutting measures are directly responsible for the improvement in efficiency, though a lot still needs to be done in order to reduce the ratio to a single digit if MFIs are to sustainably run their business.

2018 ZAMFI CEO PROFESSIONAL WINTER SCHOOL

During the 2nd quarter, ZAMFI in partnership with the Zimbabwe Microfinance Fund hosted a very successful and well attended Winter School on 17-19 May 2018 at Troutbeck Resort, Nyanga with 99 participants attending the event

The following are some of the resolutions that came out of that event:

1. MFIs to sustainably increase productive lending by supporting growth sectors such as, inter alia, agribusiness, education, health, SME financing and energy
2. MFIs to consider seizing opportunities in renewable energy sector especially for supporting rural microfinance
3. MFIs to consider moving into micro-insurance and use mobile banking as a key to service delivery
4. MFIs urged to continue engaging MNOs to improve on outreach through digital technology
5. MFIs to strengthen best practices and principles around corporate governance to augment their survival and sustainability over a long term period horizon.
6. MFIs to seriously consider mergers and acquisitions as a growth strategy for their institutions.

7. MFIs to walk to talk with respect to compliance with client protection principles.
8. MFIs to consider offering training in business and technical skills to youth prior to granting them loans for income generating projects
9. The Zimbabwe Microfinance Fund and the Reserve Bank of Zimbabwe to review conditions of the Microfinance Revolving Funding Facility so as to increase its uptake by microfinance Institutions.
10. MFIs to consider supporting saving groups with loans already on mobile platforms.