



BANK SUPERVISION

MICROFINANCE QUARTERLY INDUSTRY REPORT

AS AT

30 JUNE 2022

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1. EXECUTIVE SUMMARY

- 1.1. During the review period, the microfinance industry registered significant improvement in total loan portfolio, total assets, aggregate equity and net profit as microfinance business operations returned to normalcy post the Covid-19 pandemic.
- 1.2. The sectors' aggregate capitalization levels recorded an increase of 118.25% up from \$6.63 billion as at 31 March 2022 to \$14.470 billion as at 30 June 2022. The increase in equity was largely attributed to injection of additional capital by shareholders of some microfinance institutions and capitalization of retained earnings in a bid to comply with the minimum capital requirements.
- 1.3. All deposit-taking microfinance institutions (DTMFIs) were not compliant with the new minimum capital requirements of ZW\$ equivalent to US\$5 million effective 31 December 2022. Measures are underway to bolster the institutions' capital levels.
- 1.4. The aggregate net profit for the sector for the six months ended 30 June 2022 was \$4.93 billion representing a 376.50% increase from \$1.03 billion for comparative period in 2021. During the period under review, the sector's operational self-sufficiency (OSS) ratio was 202.50% against the international benchmark of 100%, signifying the sector's capacity to be self-sustainable.
- 1.5. The industry's aggregate loan portfolio increased from \$8.95 billion, over the review period, to \$15.86 billion, representing a 77.21% increase in the loan portfolio. The portfolio quality over the quarter marginally improved as reflected by the PaR (>30 days) ratio of 10.39%, down from 10.71%, against the international benchmark of 5%.
- 1.6. As at 30 June 2022, the top 20 microfinance institutions accounted for \$12.25 billion (77.24%) of the total sector loan portfolio of \$15.86 billion compared to 85.41% achieved in the previous quarter.
- 1.7. The microfinance sector's lending portfolio was skewed towards the productive sector, with loans to the productive sector accounting for 65.83% of the total loan portfolio of \$15.86 billion as at 30 June 2022.
- 1.8. Total deposits in the deposit-taking microfinance sub-sector decreased by 34.79% from ZW\$2.13 billion as at 31 March 2022 to \$1.37 billion as at 30 June 2022. The average prudential liquidity ratio increased from 215.83% as at 31 March 2022 to 236.47% as at 30 June 2022 reflective of the general conservative approach to lending in the sector as

evidenced by the excess liquidity in the subsector which could have been deployed in the core business of lending to generate income.

2. ARCHITECTURE OF THE MICROFINANCE INDUSTRY

- 2.1. As at 30 June 2022, there were 199 registered microfinance institutions comprising 191 credit-only microfinance institutions and 8 deposit-taking microfinance institutions (DTMFIs).

Table 1: Number of Microfinance Institutions in Zimbabwe: June 2021- June 2022

Type of Institution	Jun 2021	Sept 2021	Dec 2021	Mar 2022	Jun 2022
Credit-only Microfinance Institutions	176	168	162	179	191
Deposit-taking Microfinance Institutions	8	8	8	8	8
Total	184	176	170	187	199

- 2.2. A total of 29 credit-only microfinance institutions were licensed between December 2021 and June 2022.

3. PERFORMANCE OF THE MICROFINANCE INDUSTRY

- 3.1. During the quarter ended 30 June 2022, the microfinance industry registered significant improvement in total loan portfolio, total assets, aggregate equity and net profit.
- 3.2. The key performance indicators for the microfinance sector for the period under review are shown in Table 2.

Table 2: Microfinance Industry Selected Key Performance Indicators

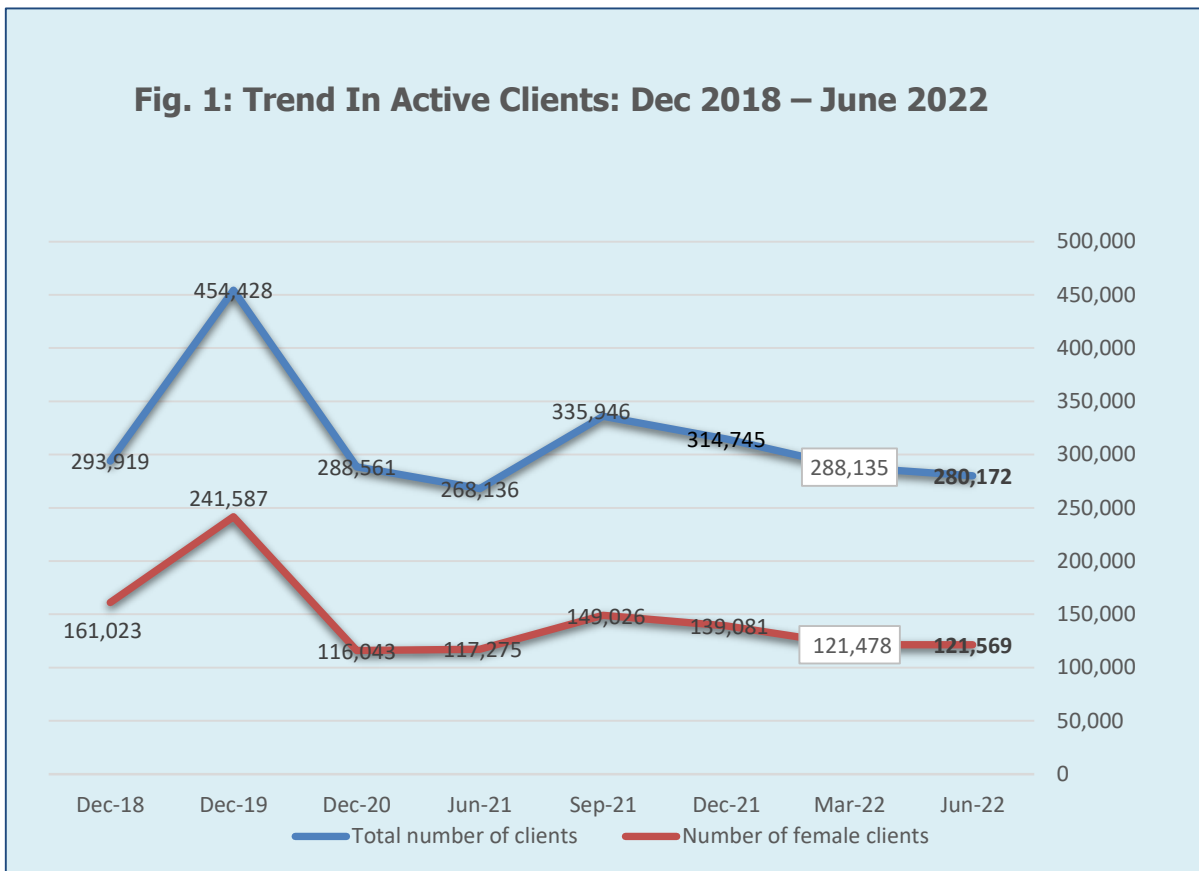
Indicator	June 2021	Sept-2021	Dec-2021	Mar- 2022	June 2022
Total Loans (\$m)	3,968.57	5,867.82	7,153.70	8,954.57	15,858.74
Total Assets (\$m)	6,810.38	9,357.41	11,533.34	16,178.19	28,660.76
Total Equity (\$m)	3,332.30	4,000.37	5,008.80	6,629.51	14,470.66
Net Profit (\$m)	1,033.77	1,175.06	1,715.67	2,103.12	4,925.87
Average Operational Self-Sufficiency (OSS)	187.22%	171.69%	168.63%	220.75%	202.50%
Total Deposits (DTMFIs) (\$m)	442.98	698.55	908.50	2,125.65	1,372,24
Portfolio at Risk (PaR>30 days) *	8.57%	11.48%	10.15%	10.71%	10.39%
Number of Outstanding Loans	319,843	361,773	318,007	274,204	317,482
Number of Active Loan Clients	268,136	335,946	307,655	288,135	280,172
Number of Female Borrowers	117,275	149,012	147,505	121,478	121,569
Loans to Female Borrowers (\$m)	1,664.38	2,467.30	2,296.32	3,019.63	5,300.79
Number of Branches	724	837	1,007	900	974

* **Portfolio at Risk [30] days**-The value of all loans outstanding that have one or more instalments of principal past due more than [30] days. This includes the entire unpaid principal balance, including both the past due and future instalments, but not accrued interest. It also includes loans that have been restructured or rescheduled.

Microfinance Outreach...

- 3.3. The microfinance sector recorded an 8.22% growth in branch network, from 900 as at 31 March 2022 to 974 as at 30 June 2022.
- 3.4. The total number of active loan clients in the sector decreased by 2.76% from 288,135 as at 31 March 2022 to 280,172 during the period under review.
- 3.5. The decline in active loan clients is attributable to the negative effects of COVID-19 pandemic, which caused many small to medium enterprises businesses including vendors who are the main clients for the sector, most of whom are still struggling to revive operations.

3.6. Figure 1 shows the trend in active loan clients since December 2018.



3.7. Female borrowers of 121,569 as at 30 June 2022, remained largely the same over the review period, while the value of loans to female borrowers registered a significant increase of 75.54% during the period under review to \$5.30 billion, up from \$3.01 billion as at 31 March 2022, which is reflective of the hyperinflationary environment in which the institutions operate.

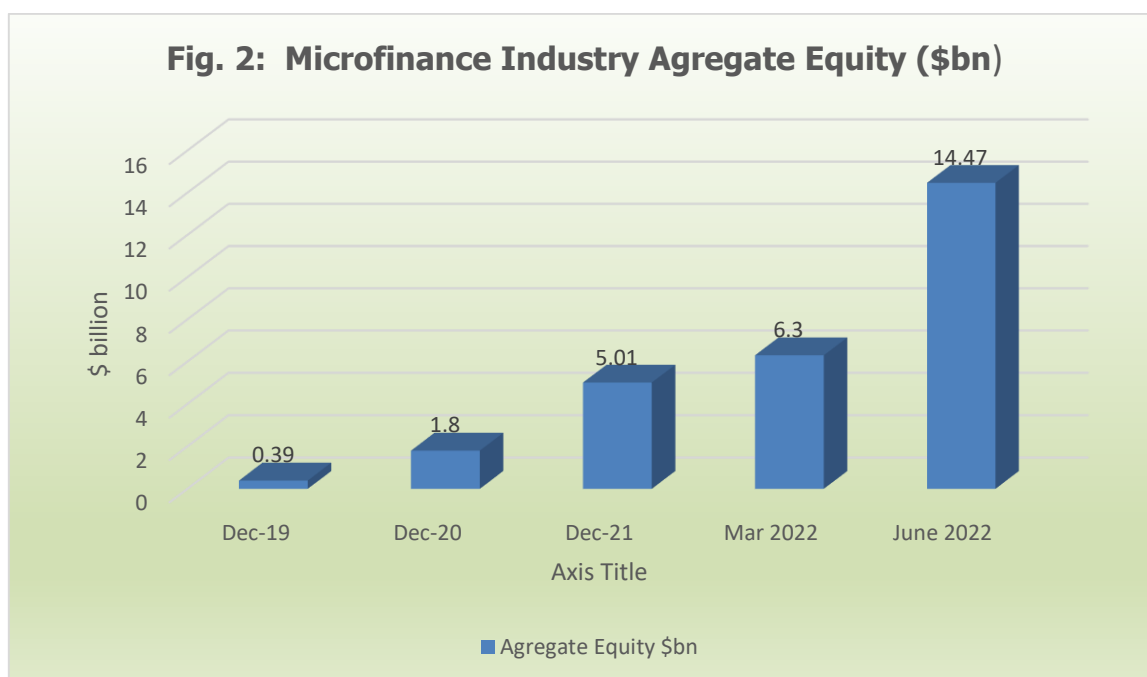
Capital and Funding

3.8. The sectors' aggregate total equity registered a 118.25% increase over the quarter from \$6.63 billion as at 31 March 2022, to \$14.470 billion as at 30 June 2022. The increase in equity was largely attributed to injection of additional capital by shareholders of some microfinance institutions and capitalization of retained earnings in a bid to comply with the minimum capital requirements.

3.9. As at 30 June 2022, 34 credit-only microfinance institutions were not compliant with the minimum capital requirements of ZW\$ equivalent to US\$25,000, effective 31 December

2021. Exchange rate developments had significantly impacted on the balance sheet of microfinance institutions. Seven (7) operating deposit-taking microfinance institutions were not compliant with the minimum capital requirements of ZW\$ equivalent to US\$5 million. The DTMFs were given up to 31 December 2022 to comply with the new capital requirements.

3.10. The trend in industry capitalisation for the period December 2019 to June 2022 is shown in Figure 2.



Capital and Funding for Credit-Only Microfinance Institutions (COMFIs)

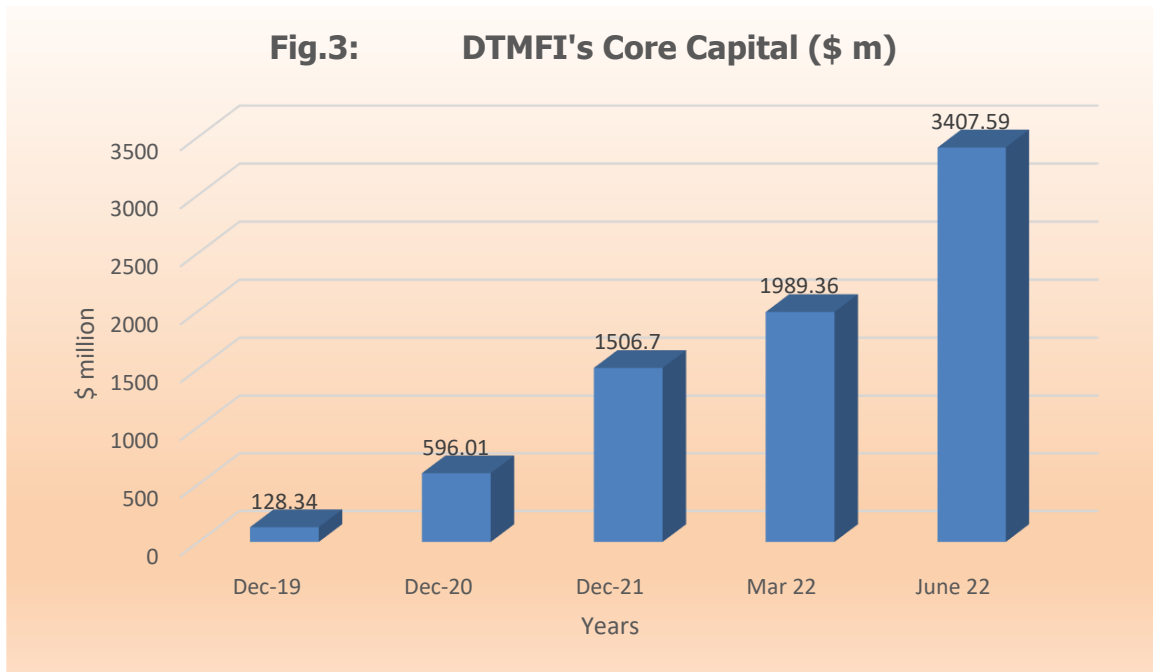
3.11. The aggregate total equity for the subsector increased over the review period from \$3.99 billion as at 31 March 2022, to \$7.48 billion as at 30 June 2022 representing an 87.46% increase in equity in the credit-only microfinance institutions subsector. The growth was attributed to injection of additional capital and capitalisation of retained earnings.

3.12. During the period under review, a total of thirty-four (34) credit-only microfinance institutions were not compliant to the minimum capital requirement of ZW\$ equivalent to US\$25,000 by 31 December 2021, in comparison with thirty-eight (38) institutions in the previous quarter.

- 3.13. The institutions which were non-compliant with the minimum required capital of ZW\$ equivalent to US\$25,000 are in the process of regularizing their capital positions.
- 3.14. The key performance indicators for the COMFIs are shown in **Annexure 1 – Key Performance Indicators for Credit-only Microfinance Institutions.**

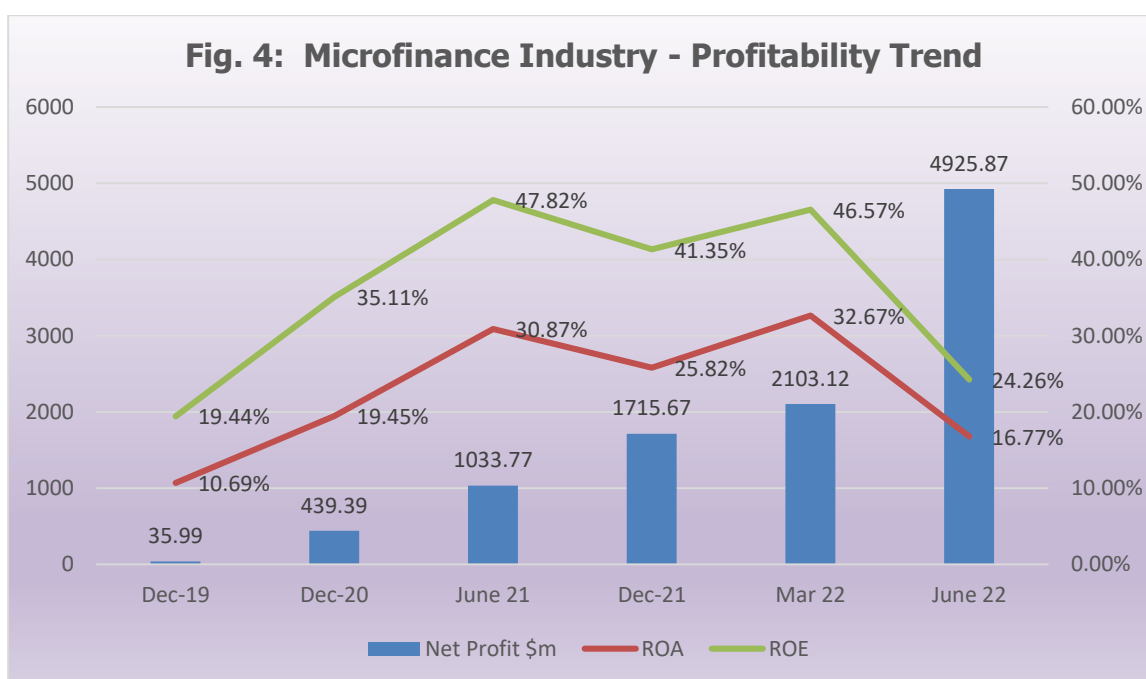
Capital and Funding for Deposit-Taking Microfinance Institutions (DTMFIs)

- 3.15. The DTMFI sub-sector’s aggregate core capital registered a 70.85% increase, from \$1.99 billion as at 31 March 2022 to \$3.41 billion as at 30 June 2022. The increase in capitalization was attributed to organic growth, additional capital injection by shareholders of some institutions and commencement of business by an additional player in the subsector.
- 3.16. As at 30 June 2022, all DTMFIs were not compliant with the new minimum capital requirements of ZW\$ equivalent to US\$5 million effective 31 December 2022. The Reserve Bank continues to monitor the sector’s capital levels through quarterly capitalisation updates.
- 3.17. The trend in the DTMFI sub-sector’s core capital levels for the period March 2020 to June 2022 is shown in the graph below:



Profitability

- 3.18. The microfinance industry registered a 378.64% increase in aggregate sector net profit of \$4.93 billion for period ended 30 June 2022, compared to \$1.03 billion for the comparative period in 2021, largely driven by adoption of digital and electronic banking services which facilitated a reduction in operating costs and growth in loan portfolio.
- 3.19. During the period under review, the sector's operational self-sufficiency (OSS) ratio declined marginally from 220.75% in March 2022, to 202.50% in June 2022, against the international benchmark of 100%, but the sector remained self-sustainable.
- 3.20. Figure 4 below indicates the trend in profitability indicators for the microfinance industry.



- 3.21. The return on assets and return on equity ratios for the industry declined from 32.67% and 46.57% for period ended 31 March 2022, to 16.77% and 24.26% for period ended 30 June 2022, respectively, largely due to significant increases in industry's total assets and aggregate equity.

Profitability for Credit-Only Microfinance (COMFIs) Sub-Sector

- 3.22. The credit-only microfinance sub-sector recorded an increase in aggregate net profit from \$1.11 billion for the half year ending 30 June 2021, to \$2.66 billion for period ended

30 June 2022. A total of eighteen COMFIs recorded losses during the period under review.

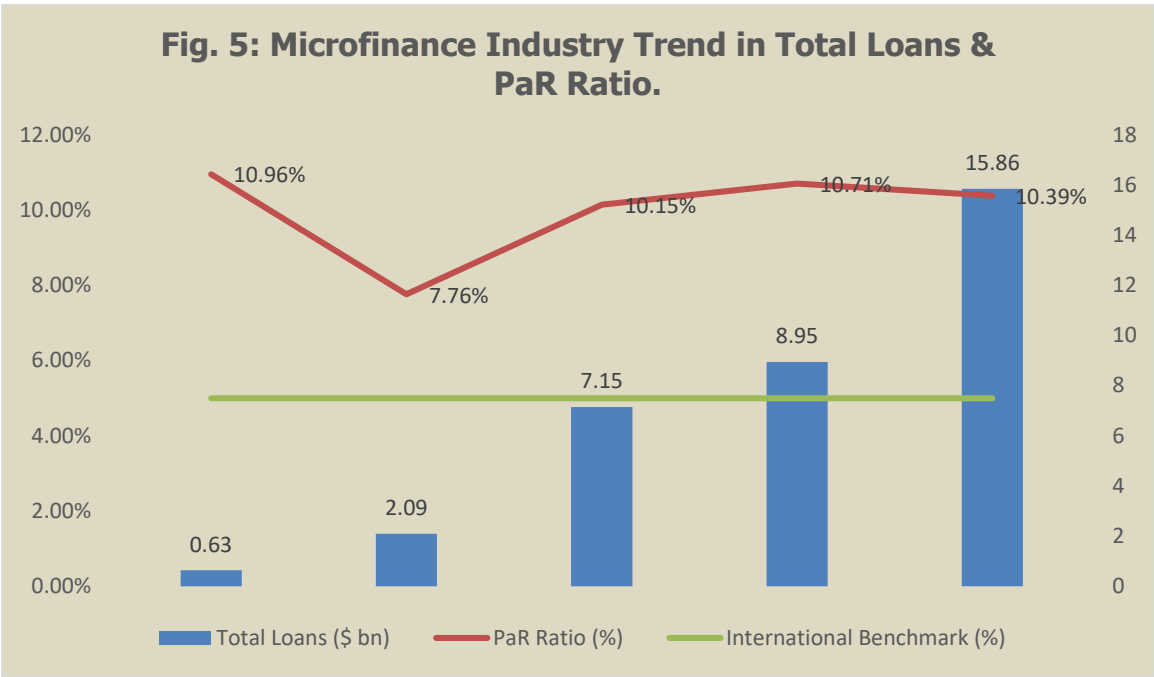
- 3.23. The credit-only microfinance institutions subsector was considered operationally self-sustainable with an average OSS ratio of 206.0% for period ended 30 June 2022, up from 195.68% recorded in the comparative period in 2021, representing a 40.52% improvement over the review period, against the international benchmark of 100%.

Profitability of the Deposit-taking Microfinance Institutions

- 3.24. During the period under review, the DTMFI subsector recorded an improvement in the aggregate net profit of \$1.13 billion, up from an aggregate loss of \$69.72 million in the comparative period in 2021. The profits were largely driven by revaluation gains on investment assets which include investment properties and financial assets denominated in foreign currency.
- 3.25. Although the sector recorded an aggregated profit, some DTMFIs continued to post losses due to lack of critical mass in terms of funding and deposit base to generate any meaningful business.
- 3.26. The sub-sector's average operational self-sufficiency ratio, return on assets (ROA) and return on equity (ROE) ratios improved from 86.52%, -4.77% and -5.63% for period ended 30 June 2021, to 336.65%, 12.22% and 22.02% in 2022, respectively.

Microfinance Industry Lending and Portfolio Quality

- 3.27. As at 30 June 2022, the industry's aggregate loan portfolio was \$15.86 billion reflecting a 77.21% increase from \$8.95 billion achieved in the previous quarter. The average loan size per borrower increased by 51.94% from \$37,252.34 to \$56,603.51 reflecting the impact of inflationary pressures on the value of loans needed by borrowers.
- 3.28. As at 30 June 2022, the top 20 microfinance institutions with total loans of \$12.24 billion contributed 77.17% of the industry's total loan portfolio of \$15.86 billion.
- 3.29. Figure 5 shows the trend in aggregate loans and level of portfolio at risk ratio from 2019 to June 2022.



3.30. The portfolio quality over the quarter marginally improved as reflected by the PaR (>30 days) ratio of 10.39%, down from 10.71%, against the international benchmark of 5%.

Credit-Only Microfinance Lending and Portfolio Quality

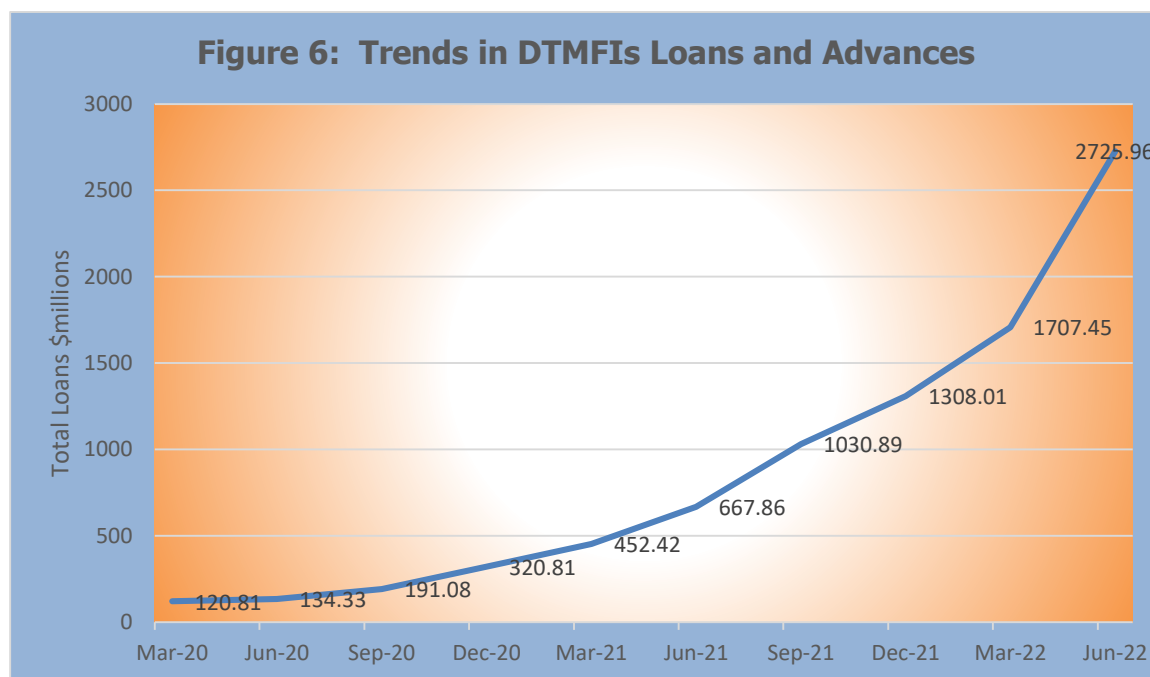
3.31. During the quarter under review, COMFIs registered an increase in the loan book reaching \$13.13 billion, up from \$7.25 billion as at 31 March 2022. The subsector accounted for 82.84% of the entire microfinance industry aggregate loan portfolio of \$15.86 billion as at 30 June 2022. The increase was largely due to increased demand for loans by households to smoothen consumption needs on the back of inflationary pressure on the prices of goods and services.

3.32. The subsector’s portfolio quality improved marginally as reflected by the PaR (>30 days) ratio of 9.85% as at 30 June 2022, down from 10.00% as at 31 March 2022, against the internationally accepted benchmark of 5%.

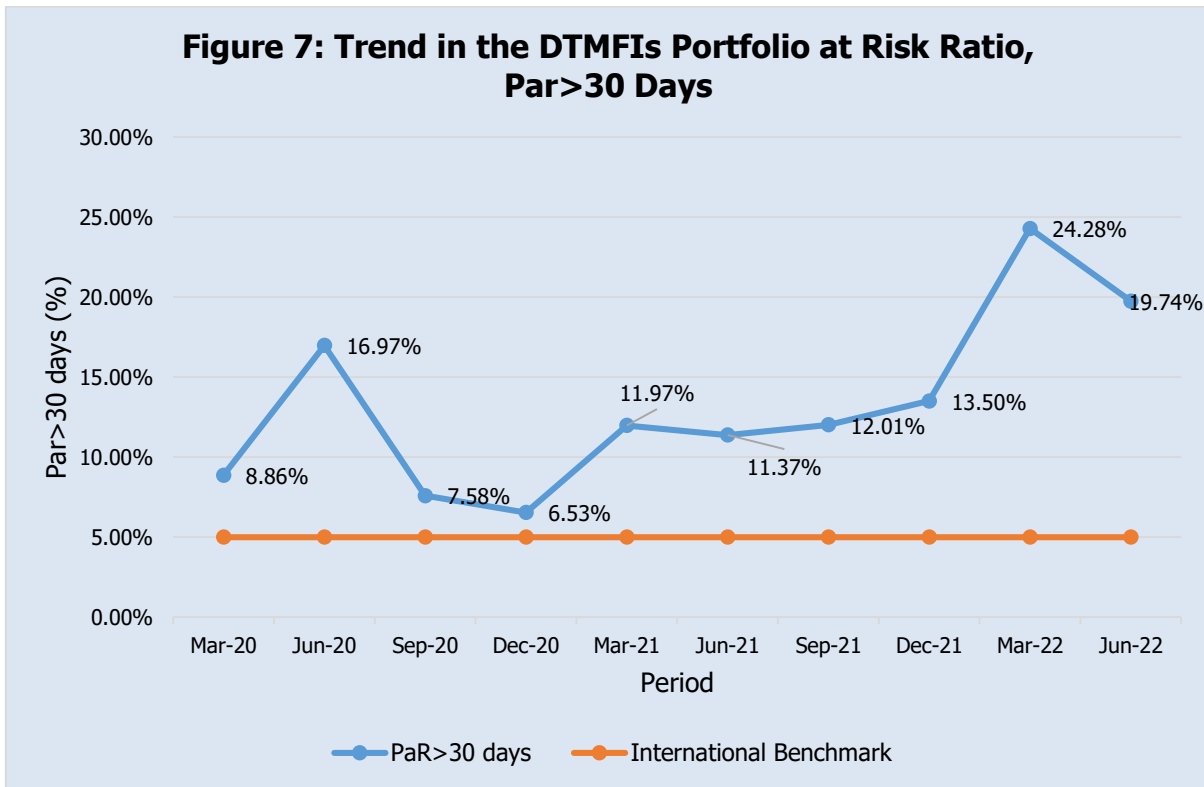
3.33. The top twenty (20) credit-only microfinance institutions’ contribution towards the industry loan book amounted to \$9.72 (74.03%) of the subsector’s loan book of \$13.13 billion, reflecting an industry with opportunities for consolidation.

Deposit-taking Microfinance Sub-Sector Lending

- 3.34. Loans and advances in the DTMFIs sub-sector increased by 55.56% from \$1.71 billion as at 31 March 2022 to \$2.73 billion as at 30 June 2022 accounting for 6.31% of the total microfinance industry loan portfolio of \$15.86 billion.
- 3.35. Figure 6 shows the trend in the total DTMFI sector loans and advances from March 2020 to June 2022.

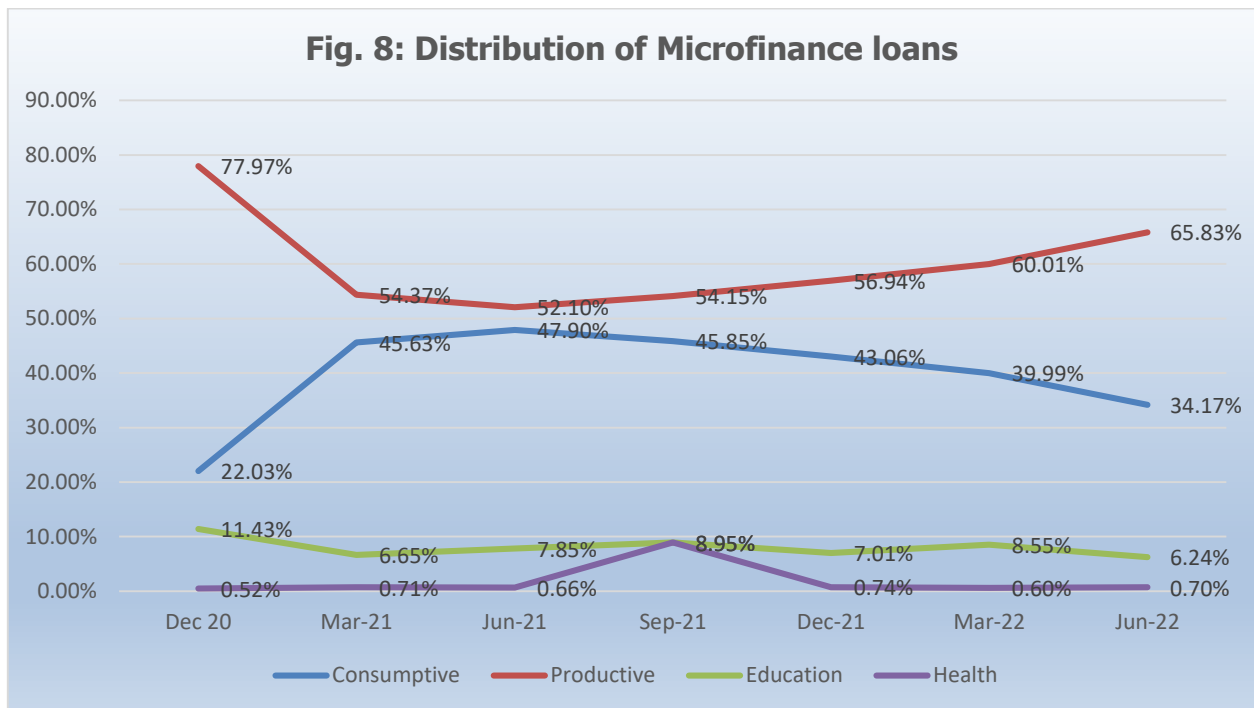


- 3.36. Portfolio quality in the subsector marginally improved as reflected by the decline in the Portfolio at Risk (PaR) ratio (>30 days) from 24.28% as at 31 March 2022 to 19.74% as at 30 June 2022 against the international threshold of 5%. The graph in Figure 7 shows the trend in the Portfolio at Risk (PaR) ratio (>30 days).



Distribution of Loans & Advances

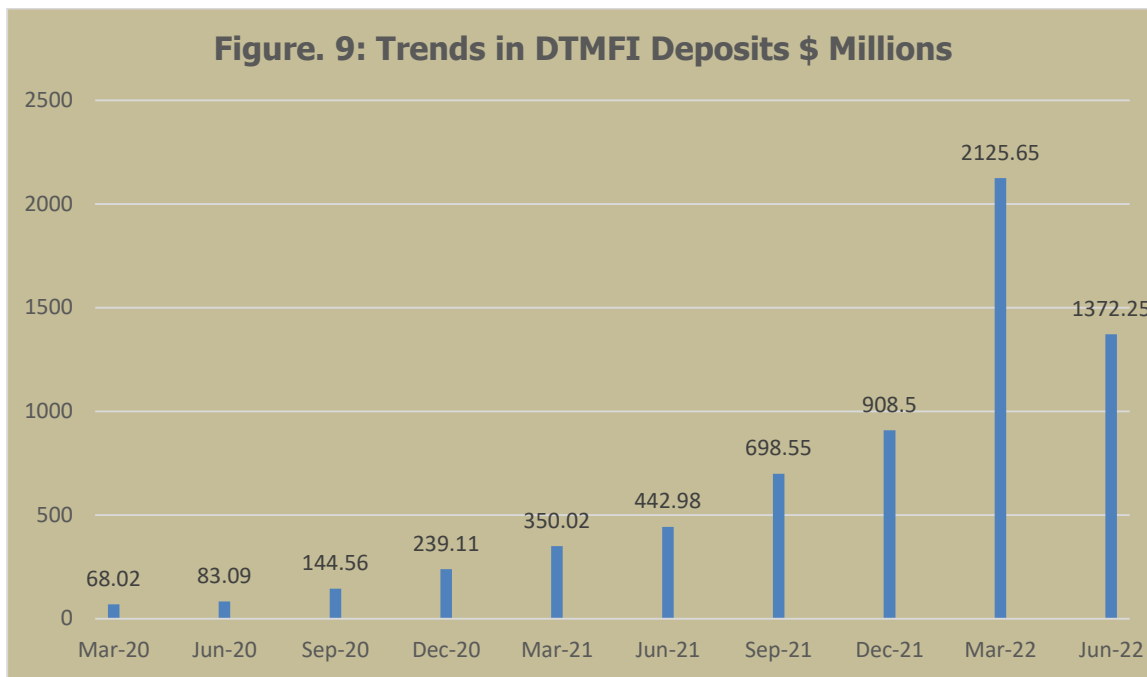
- 3.37. The microfinance sector's lending portfolio was skewed towards the productive sector, with loans to the productive sector accounting for 65.83% of the total loan portfolio of \$15.86 billion as at 30 June 2022. Consumptive loans amounted to \$5.42 billion out of the total loan portfolio, representing a marginal decrease in the proportion of consumptive loans to total loan book, from 39.99% to 34.17%, respectively.
- 3.38. Figure 8 indicates the distribution of loans in the microfinance sector as at 30 June 2022.



- 3.39. As at 30 June 2022, the total loans for educational purposes significantly increased by 29.26% to \$990.14 million as at 30 June 2022 from \$765.98 million as at 31 March 2022.
- 3.40. The proportion of loans to the health sector increased from \$54.61 million reported as at 31 March 2022, to \$110.34 million as at 30 June 2022.

Deposits Mobilisation...

- 3.41. Total deposits decreased by 34.79% from ZW\$2.13 billion as at 31 March 2022 to \$1.37 billion as at 30 June 2022 largely driven by an 80.39% decrease in deposits at one of the microfinance banks, emanating from high foreign currency deposit withdrawals.
- 3.42. The trend in deposits from March 2020 to 30 June 2022 is shown in Figure 9.



3.43. The subsector’s average prudential liquidity ratio increased from 215.83% as at 31 March 2022 to 236.47% as at 30 June 2022 against a prudential minimum threshold of 30%. The high prudential liquidity ratio is reflective of the sub-sector’s conservative approach to lending and the resultant excess liquidity in the subsector which could have been deployed in the core business of loans to generate more income.

4. FINANCIAL INCLUSION

4.1. The level of financial inclusion continued on a positive trajectory during the quarter under review as reflected by increases in the key financial inclusion indicators discussed hereunder.

Financial Inclusion Indicators

- 4.2. As at 30 June 2022, total loans to MSMEs and the youth significantly increased from ZW\$13.93 billion and ZW\$8.13 billion to ZW\$34.02 billion and ZW\$12.72 billion, respectively, representing a 144.26% and 56.36% improvement.
- 4.3. Total value of loans to women of ZW\$42.97 billion as at 30 June 2022 represents a 144.26% increase over the quarter from ZW\$13.93 billion reported as at 31 March 2022.
- 4.4. The proportion of loans to MSMEs to total banking sector loans increased from 4.63% as at 31 March 2022, to 5.54% as at 30 June 2022, while loans to women as a proportion

of total banking sector loans also rose from 5.42% to 7.00% over the same period. Average loans to youth accounted for only 2.07% of the total banking sector loans.

4.5. The table below summarises the trend in the movement of the financial inclusion indicators during the review period.

Table 3: Financial Inclusion Indicators

Indicator	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Number of Loans to MSMEs	24,129	24,681	35,224	35,224	22,657	37,590
Nominal Value of loans to MSMEs (ZW\$ Million)	3,967.00	5,511.15	7,164.95	10,280.92	13,928.18	34,021.15
Inflation-adjusted - Value of loans to MSMEs (ZW\$ Million)	1,164.88	2,667.03	4,727.78	6,395.99	8,064.96	11,668.66
Average loans to MSMEs as % of total bank loans	3.79	3.85	3.89	3.9	4.63	5.54
Number of Loans to Women	514,492	486,672	523,550	173,810	178,897	189,861
Nominal Value of Loans to Women (ZW\$ Million)	5,039	6,716.62	11,905.96	14,666.06	16,296.10	42,972.89
Inflation-adjusted Value of Loans to Women (ZW\$ Million)	1,479.67	3,250.40	7,856.13	9,124.09	9,436.07	14,738.95
Average loans to women as a % of total bank loans	4.82	4.69	6.47	5.57	5.42	7.00
Number of Loans to Youth	68,452	72,924	77,446	75,188	77,864	85,562
Nominal Value of Loans to Youth (ZW\$ Million)	2,719	3,825.46	5,488.16	6,249.97	8,132.97	12,717.06
Inflation-adjusted Value of Loans to Youth (ZW\$ Million)	798.41	1,851.27	3,621.35	3,888.25	4,709.31	4,361.73
Average loans to the youth as a % of total bank loans	2.6	2.67	2.98	2.37	2.7	2.07
Total number of Active Bank Accounts (Million)	9.06	7.17	6.69	8.17	7.76	6.95

Number of Low Cost Bank Accounts (Million)	5.82	4.41	4.45	4.78	4.83	4.22
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- 4.6. The number of active bank accounts registered a 10.44% decline over the quarter from 7.76 million as at 31 March 2022, to 6.95 million as at 30 June 2022. The decrease is mainly attributable to withdrawal and/or closure of branches in some service centres across the country by some banking institutions as part of the branch rationalisation process to contain costs.
- 4.7. The number of low cost accounts also registered a marginal decrease to 4.22 million as at 30 June 2022, down from 4.83 million reported as at 31 March 2022.
- 4.8. Digital financial services continue to drive the expansion of financial inclusion to marginalised communities, including remote areas of the country. Internet banking subscribers increased by 4.83% from 595,939 as at 31 March 2022 to 624,706 as at 30 June 2022, while mobile banking agents marginally increased to 52,983 from 52,719 over the same period, as depicted in **Annexure 3: Access Points and Devices as at 30 June 2022.**

Progress in the Development of the National Financial Inclusion Strategy II

- 4.9. The drafting of the National Financial Inclusion Strategy II 2022-2026 (NFIS II) has reached the final stages, after incorporating results from FinScope MSME and Consumer Surveys and key learning points from peer learning visits to Tanzania and Zambia.

END OF REPORT

Annexure 1: Credit-Only Microfinance Institutions, Key Performance Indicators

Indicator	June-21	Sept 2021	Dec-2021	Mar-22	June 2022
Number of Licensed COMFIs	176	168	162	179	191
Total Loans (\$m)	3,366.96	4,836.88	6,049.62	7,247.18	13,131.21
Total Assets (\$m)	4,566.87	6,264.61	7,984.15	9,649.81	17,341.11
Total Equity (\$m)	2,147.29	2,618.99	3,289.26	3,997.03	7,481.20
Net Profit (\$m)	1,106.18	1,268.47	1,686.18	2,291.67	2,659.32
Average Operational Self-Sufficiency (OSS)	195.68	236.86	214.24%	228.85%	206.00%
Portfolio at Risk (PaR>30 days)*	8.47	11.46	9.74%	10%	9.85%
Number of Active Loan Clients	228,087	244,475	256,459	226,933	221,753
Number of Outstanding Loans	278,953	269,574	287,492	243,851	254,336
Number of Branches	641	813	1,030	872	949
Number of Women Clients	100,379	108,180	112,275	96,859	96,677
Value of Loans to Women (\$m)	1,562.00	1,963.57	2,395.72	2,653.28	4,703.78

Annexure 2: Deposit-Taking Microfinance Institutions, Key Performance Indicators

Key Indicators	June-21	Sept -21	Dec - 21	Mar-22	June-22
Total Assets (\$m)	2,445.61	3,092.74	4,050.07	6,523.38	9,244.75
Total Loans & Advances (\$m)	667.86	1,030.89	1,308.01	1,707.45	2,725.96
Core Capital (\$m)	1,079.21	1,171.64	1,506.70	1,989.36	3,407.59
Net Capital Base (\$m)	1,369.58	1,476.86	1,956.97	2,574.72	5,132.20
Total Deposits (\$m)	442.98	698.55	908.50	2,126.65	1,372.24
Net Profit (\$m)	(69.72)	(46.97)	29.49	(188.55)	1,130.01
Average OSS ratio	86.52%	95.32%	100.97%	72.21%	133.06%
Average Return on Assets	-4.77%	-4.98%	-7.38%	(6.44%)	(10.78%)
Average Return on Equity	(-5.63%)	(-4.16%)	(-7.00%)	(18.54%)	33.97%
Average Prudential Liquidity Ratio	174.57%	119.51%	101.32%	215.83%	141.80%
Portfolio at risk Ratio (> 30 days)	11.37%	12.01%	13.50%	24.28%	19.74%

Annexure 3: Access Points and Devices

PAYMENT SYSTEMS ACCESS POINTS					
	Quarter ending June 2021	Quarter ending September 2021	Quarter ending December 2021	Quarter ending March 2022	Quarter ending June 2022
Mobile Banking Agents	52,326	52,456	52,588	52,719	52,983
ATMs	456	410	410	401	401
POS	128,771	136,669	138,210	130,492	134,051
PAYMENT SYSTEMS ACCESS DEVICES					
Debit Cards	6,430,419	6,210,432	6,352,240	6,090,898	6,491,778
Credit Cards	15,217	13,229	13,812	13,309	13,976
Prepaid Cards	129,509	142,157	145,614	141,635	121,188
Mobile Banking Subscribers	3,949,341	4,052,994	4,129,470	7,122,895	6,964,193
Internet Banking Subscribers	499,789	615,139	607,246	595,939	624,706