



BANK SUPERVISION

MICROFINANCE QUARTERLY INDUSTRY REPORT

AS AT

30 SEPTEMBER 2022

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1. EXECUTIVE SUMMARY

- 1.1. The microfinance industry has maintained a positive growth trajectory as reflected by key performance indicators for the quarter under review. There were notable improvements in total loan portfolio, total assets, aggregate equity and net profit during the period under review. The performance of the microfinance industry was partly driven by the recovery of business in micro, small to medium enterprises (MSMEs).
- 1.2. The sector's aggregate equity increased by 54.53% to \$22.36 billion as at 30 September 2022, from \$14.47 billion as at 30 June 2022. The increase was mainly attributable to injection of additional capital by shareholders of some microfinance institutions and organic growth in a bid to comply with minimum capital requirements.
- 1.3. Notwithstanding the significant growth in ZW\$ equity, only one deposit-taking microfinance institution complied with the new minimum capital requirement of ZW\$ equivalent to US\$5 million effective 31 December 2022. The Deposit Taking Microfinance Institutions' (DTMFI) aggregate capitalization was at US\$14.13 million as at 30 June 2022 which declined by 2.12% to US\$13.80 million for the period under review. The non-compliant institutions are implementing various measures to bolster their capital levels.
- 1.4. Cumulative retained earnings for the nine months ended 30 September 2022 amounted to \$9.70 billion, representing a 695.25% increase over the comparative period in 2021. The increase was attributable to the growth in interest income underpinned by growth in loan portfolio. The sector's operational self-sufficiency (OSS) ratio was at 210.18%, compared to 202.50% for the previous quarter against the international benchmark of 100%, demonstrating the sector's self-sustainability.
- 1.5. The industry's aggregate loan portfolio maintained an upward trajectory registering a 100.63% increase from \$15.86 billion to \$31.82 billion during the period under review. The portfolio quality over the quarter marginally improved as reflected by the decrease in the PaR (>30 days) ratio, from 10.39% to 9.99%, against the international benchmark of 5%.
- 1.6. The top 20 microfinance institutions continue to dominate the market with a total loan book of \$25.95 billion (81.58%) of the total sector loan portfolio of \$31.81 billion compared to 85.41% recorded in the previous quarter.
- 1.7. DTMFIs' total deposits increased by 148.18% from \$1.37 billion as at 30 June 2022 to

\$3.40 billion as at 30 September 2022 with one DTMFIs accounting for 53.32% of the total deposits. The growth in deposits, which was mainly driven by foreign currency deposits. The sector's prudential liquidity ratio decreased from 236.47% as at 30 June 2022 to 125.51% as at 30 September 2022 reflective of the increased lending in the sector.

2. ARCHITECTURE OF THE MICROFINANCE INDUSTRY

- 2.1. As at 30 September 2022, there were 196 registered microfinance institutions comprising 188 credit-only microfinance institutions and 8 deposit-taking microfinance institutions (DTMFIs).

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

Type of Institution	Sept 2021	Dec 2021	Mar 2022	Jun 2022	Sept 2022
Credit-only Microfinance Institutions	168	162	179	191	188
Deposit-taking Microfinance Institutions	8	8	8	8	8
Total	176	170	187	199	196

- 2.2. A total of 34 credit-only microfinance institutions were licensed between December 2021 and September 2022.

3. PERFORMANCE OF THE MICROFINANCE INDUSTRY

- 3.1. The microfinance industry registered an improvement in its performance during the review period underpinned by the general economic recovery on the back of macroeconomic stabilization measures.
- 3.2. During the quarter ended 30 September 2022, the microfinance industry registered significant improvement in total loan portfolio, total assets, aggregate equity and net profit.
- 3.3. The key performance indicators for the microfinance sector for the period under review are shown in Table 2.

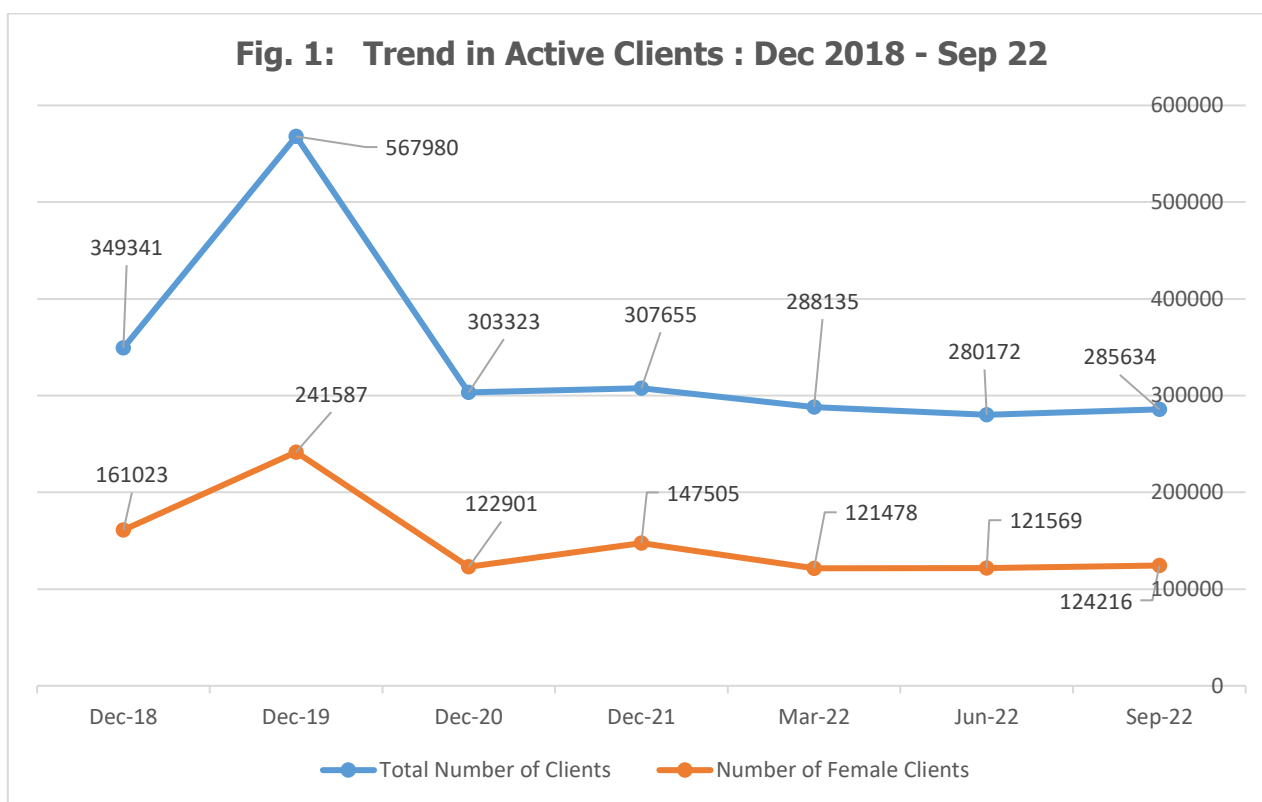
Table 2: Microfinance Industry Selected Key Performance Indicators

Indicator	Sept-2021	Dec-2021	Mar- 2022	June 2022	Sept 2022
Total Loans (\$m)	5,867.82	7,153.70	8,954.57	15,858.74	31,814.69
Total Assets (\$m)	9,357.41	11,533.34	16,178.19	28,660.76	54,808.24
Total Equity (\$m)	4,000.37	5,008.80	6,629.51	14,470.66	22,359.64
Net Profit (\$m)	1,175.06	1,984.88	2,103.12	4,925.87	9,702.34
Total Deposits (\$m)	698.55	908.50	2,125.65	1,372.24	3,397.03
Average Operational Self-Sufficiency (OSS)	171.69%	168.63%	220.75%	202.50%	210.18%
Portfolio at Risk (PaR>30 days) *	11.48%	10.15%	10.71%	10.39%	9.99%
Number of Outstanding Loans	361,773	318,007	274,204	317,482	264,691
Number of Active Loan Clients	335,946	307,655	288,135	280,172	285,634
Number of Female Borrowers	149,012	147,505	121,478	121,569	124,216
Loans to Female Borrowers (\$m)	2,467.30	2,296.32	3,019.63	5,300.79	10,963.55
Number of Branches	837	1,007	900	974	936

* **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...

- 3.4. The microfinance sector registered a decline in the number of branches from 974 as at 30 June 2022 to 936 for the period under review representing a 3.90% decline in branch network. The decrease in branch network is largely attributable to rationalization of the brick and model as institutions continue to embrace technology for service delivery.
- 3.5. During the quarter under review, the sector registered a 1.95% increase in the number of active clients, from 280,172 as at 30 June 2022 to 285,634 as at 30 September 2022.
- 3.6. The increase in active loan clients is attributable to the upscaling of business activities following relaxation of Covid-19 restrictive measures as medium enterprises businesses including vendors sought funding to boost operations.
- 3.7. Figure 1 shows the trend in active loan clients since December 2018.

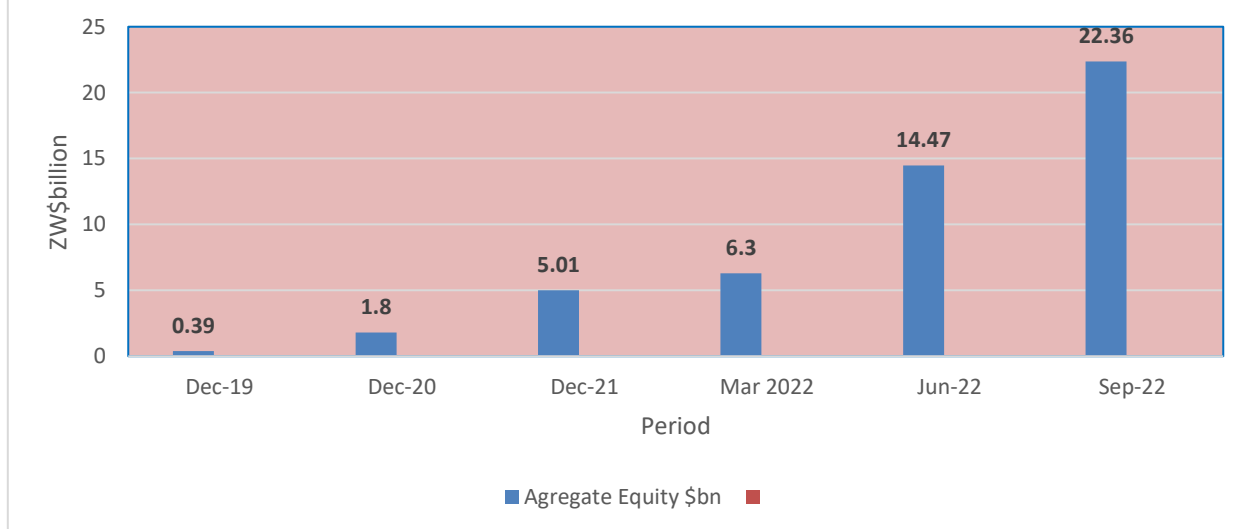


3.8. The number of female borrowers increased by 2.18% from 121,569 as at 30 June 2022, to 124,216 for the review period. The value of loans to female borrowers also registered a significant increase of 106.97% during the same period, from \$5.30 billion to \$10.96 billion. The increase in female related metrics is reflective of the microfinance institutions' women empowerment drive.

Capital and Funding...

- 3.9. The industry's aggregate total equity registered a 54.53% increase during the quarter to \$22.36 billion. The increase in equity was largely attributed to injection of additional capital by shareholders of some microfinance institutions and organic growth in a bid to comply with the minimum capital requirements.
- 3.10. During the period under review one DTMFI was compliant with the minimum capital requirement of ZW\$ equivalent to USD5 million. Institutions are pursuing various capital raising initiatives to comply with the new capital requirements to 31 December 2022.
- 3.11. The trend in industry aggregate equity for the period December 2019 to Sept 2022 is shown in Figure 2.

Fig. 2: Microfinance Industry Agregate Equity (ZW\$bn)



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

- 3.12. The COMFIs sub sector registered a significant increase in aggregate equity of 37.17% during the quarter ended 30 September 2022 to \$10.26 billion from \$7.48 billion during the previous quarter, largely as a result of new capital injections and increase in retained earnings as institutions worked towards complying with the minimum capital requirement of ZW\$ equivalent to USD\$25,000.
- 3.13. As at 30 September 2022, a total of fifty-one (51) credit-only microfinance institutions were not compliant with the minimum capital requirement of ZW\$ equivalent to US\$25,000, in comparison to thirty-four (34) institutions in the previous quarter.
- 3.14. 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.
- 3.15. The key performance indicators for the COMFIs are shown in **Annexure 1 – Key Performance Indicators for Credit-only Microfinance Institutions.**

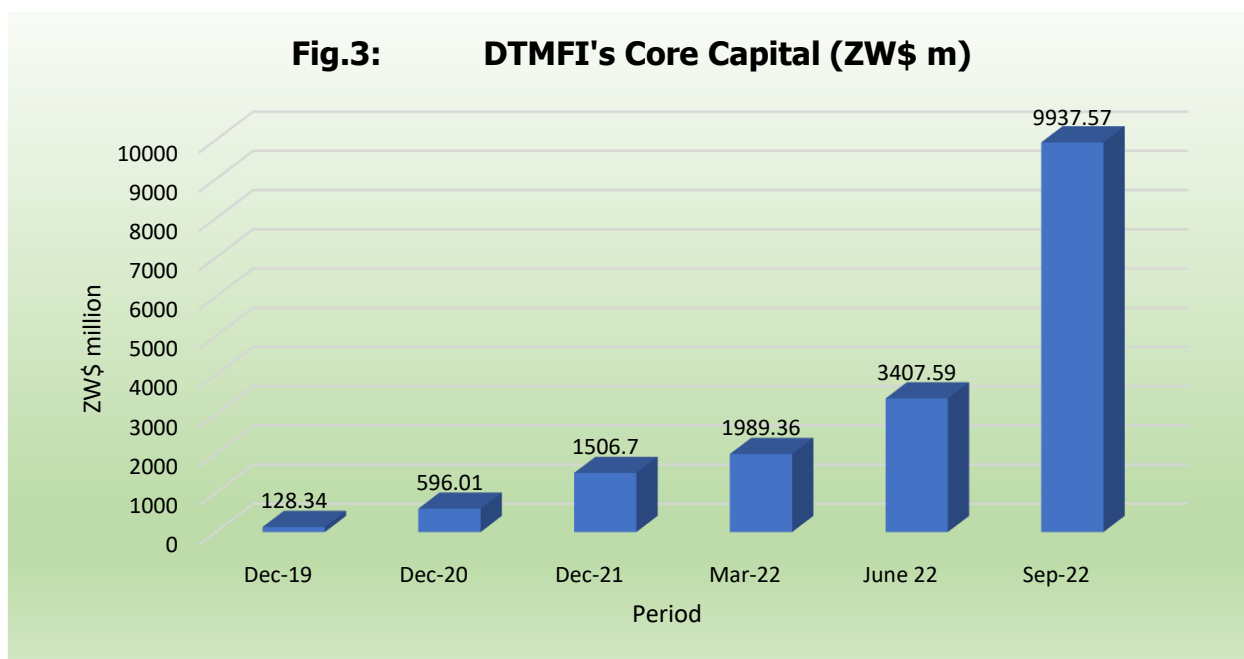
Capital and Funding for Deposit-Taking Microfinance Institutions (DTMFIs)

- 3.16. During the period under review, the DTMFI sub-sector's aggregate core capital registered

a 191.49% increase, from \$3.41 billion as at 30 June 2022 to \$9.94 billion. The increase in capitalization was largely attributed to revaluation gains on investment property and foreign currency as well as organic growth and additional capital injection by shareholders of some institutions.

3.17. However, despite the growth in core capital levels in the sector, only one DTMFI was compliant with the new minimum capital requirements of ZW\$ equivalent to US\$5 million. Other institutions are at various stages in implementing capital raising initiatives.

3.18. The trend in the DTMFI sub-sector’s core capital levels for the period December 2019 to September 2022 is shown in the graph below:

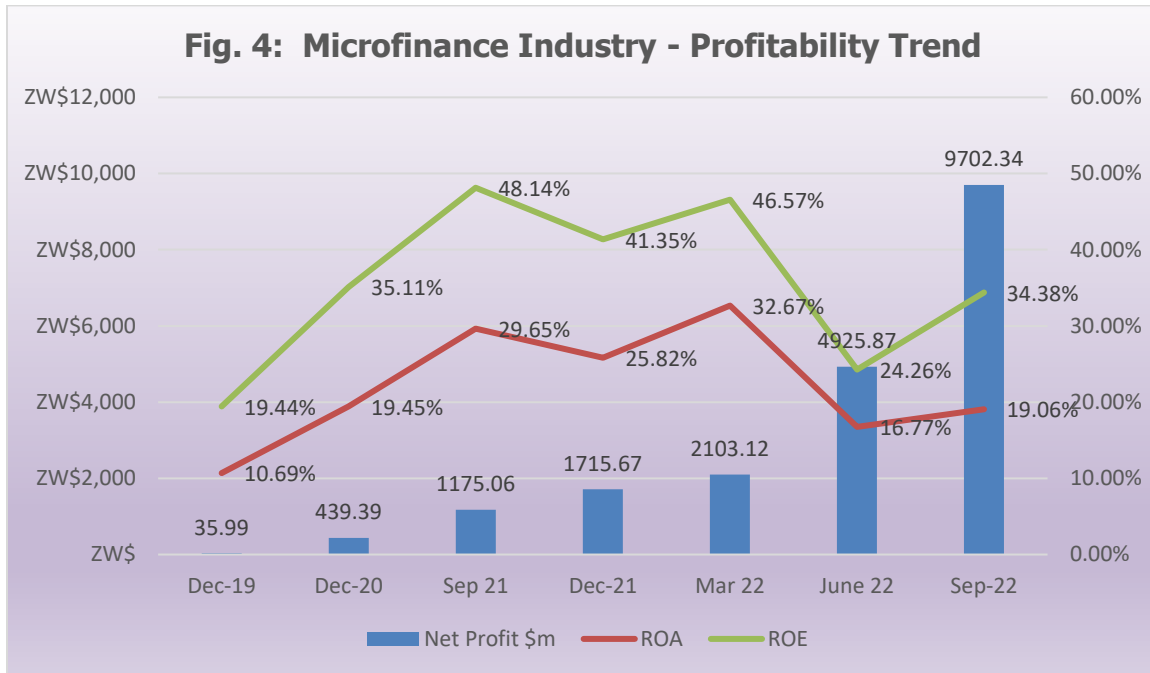


Profitability...

3.19. The industry recorded an increase of 725.69% in net profit to \$9.70 billion from \$1.18 billion during the quarter ended 30 September 2021. The increase was generally driven by interest income, revaluation reserves and application of cost containment measures.

3.20. During the period under review, the sector’s operational self-sufficiency (OSS) ratio improved marginally to 210.18% as at 30 September 2022, from 202.50% in June 2022, against the international benchmark of 100%, indicating self-sustainability of the sector.

3.21. Figure 4 below indicates the trend in profitability indicators for the microfinance industry.



3.22. The return on assets and return on equity ratios for the industry improved to 19.06% and 34.38% as at 30 September 2022, from 16.77% and 24.26% for period ended 30 June 2022, respectively, largely due to significant increases in industry’s total net profit.

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

3.23. The credit-only microfinance sub-sector recorded an increase of 200.03% in aggregate net profit to \$3.66 billion for the nine months ended 30 September 2022 from \$1.22 billion for the corresponding period in 2021. A total of sixteen COMFIs recorded losses during the period under review.

3.24. The credit-only subsector was considered operationally self-sustainable with an average OSS ratio of 205.97% for the period ended 30 September 2022, up from 187.82% recorded in the comparative period in 2021, representing an 18.15 percentage points improvement over the review period, against the international benchmark of 100%.

Profitability of the Deposit-taking Microfinance Institutions

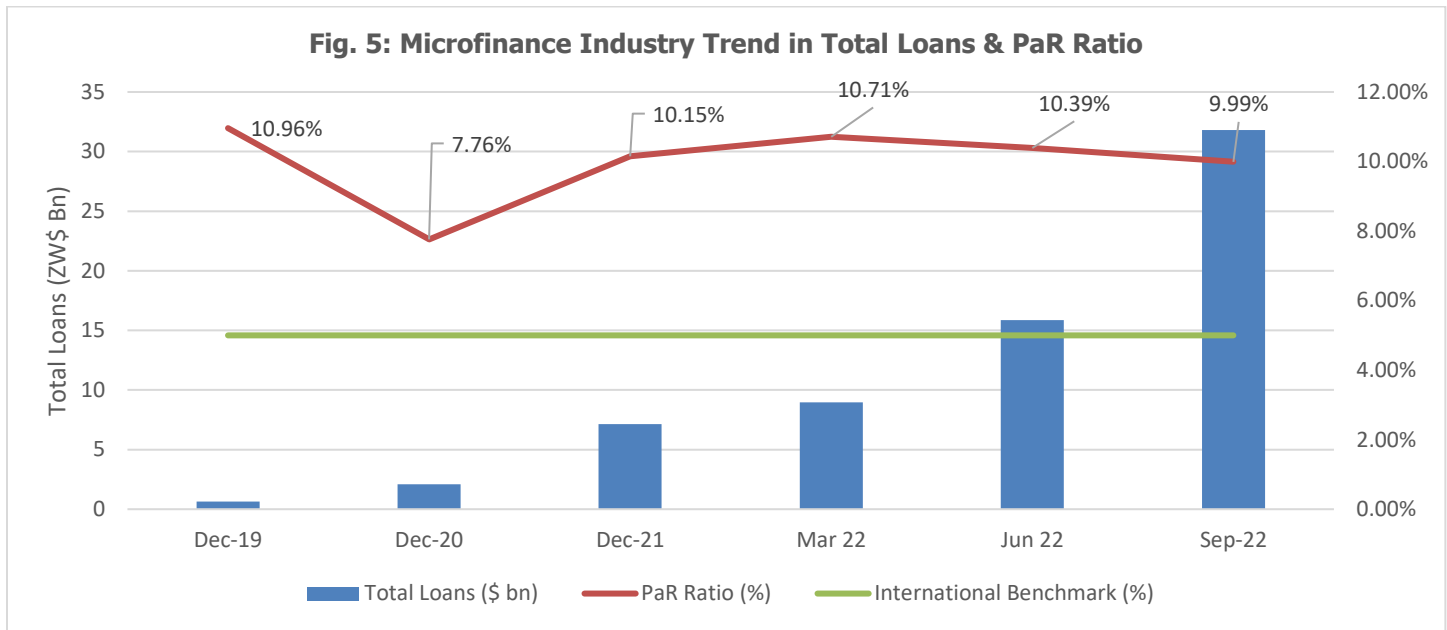
3.25. The DTMFI subsector, recorded an improvement in the aggregate net profit of \$6.04 billion during the period under review, up from an aggregate loss of \$46.97 million

recorded in the comparative period in 2021. The profits were largely driven by revaluation gains on investment assets which included investment properties and financial assets denominated in foreign currency. Notwithstanding, some institutions in the sector continue to post losses due to lack of critical mass in terms of funding and deposit base to generate any viable business.

- 3.26. The sub-sector's average operational self-sufficiency ratio as at 30 September 2021 was 95.32% compared to 284.88% for the quarter under review. The return on assets (ROA) and return on equity (ROE) ratios improved from -4.98%, and -4.16% as at 30 September 2021, to 27.84% and 54.43%, as at 30 September 2022, respectively.

Microfinance Industry Lending and Portfolio Quality

- 3.27. The industry registered significant increase in the aggregate loan portfolio to \$31.81 billion for the quarter under review from \$15.86 billion as 30 June 2022, representing a 100.57% increase. The average loan size per borrower increased by 96.78% to \$111,382.63 from \$56,603.51 owing largely to the need for bigger loans in response to the various new business opportunities that were arising from the relative stability being experienced.
- 3.28. The top 20 microfinance institutions had an aggregate loan book of \$25.95 billion, which constituted 81.58% of the total sector loan portfolio of \$31.81 billion.
- 3.29. Figure 5 shows the trend in aggregate loans and level of portfolio at risk ratio from 2019 to September 2022.



3.30. The portfolio quality over the quarter marginally improved as reflected by the PaR (>30 days) ratio of 9.99%, down from 10.39%, 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 from \$13.13 billion as at 30 June 2022, to \$26.63 billion. The subsector accounted for 83.72% of the entire microfinance industry’s aggregate loan portfolio of \$31.81 billion as at 30 September 2022.

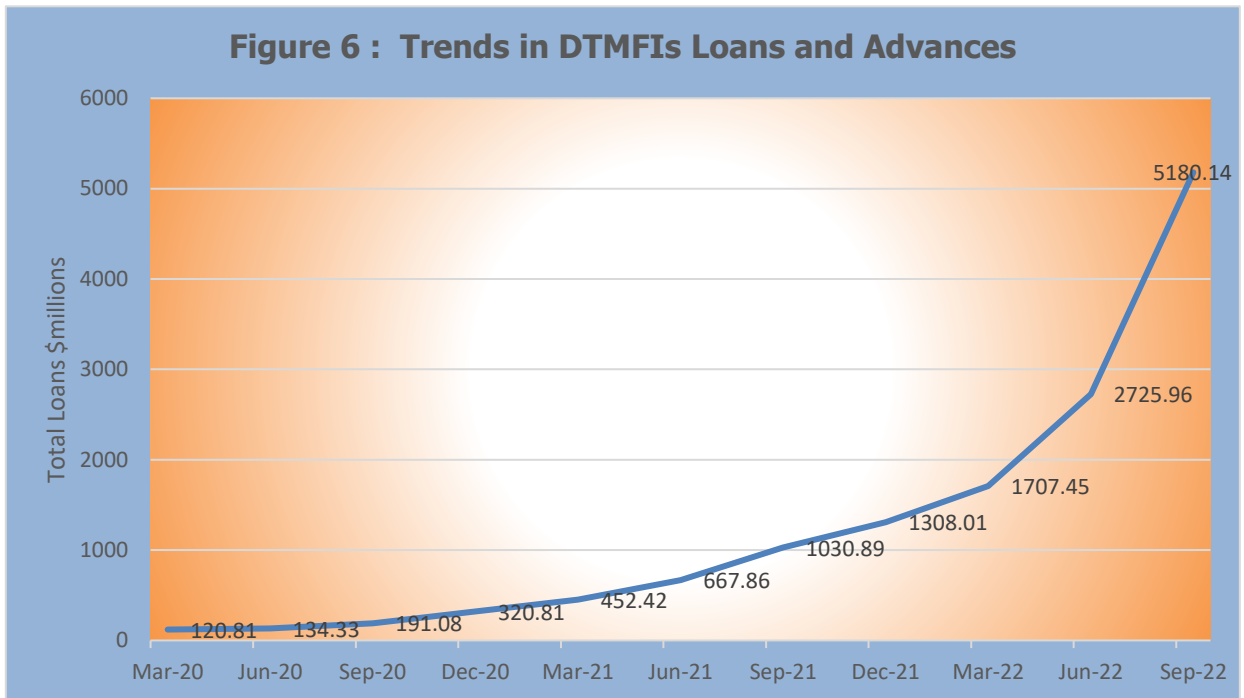
3.32. Portfolio quality as measured by the PaR (>30 days) ratio improved marginally from 9.85% as at 30 June 2022, to 9.47% for the period under review against the internationally accepted benchmark of 5%.

3.33. The top twenty (20) credit-only microfinance institutions’ contribution towards the industry loan book amounted to \$22.13 billion (83.10%) of the subsector’s loan book of \$26.63 billion, reflecting high concentration and opportunities for consolidation.

Deposit-taking Microfinance Sub-Sector Lending

3.34. Aggregate loans and advances in the DTMFIs sub-sector increased during the period under review by 89.74% from \$2.73 billion as at 30 June 2022 to \$5.18 billion, and accounted for 16.44% of the total microfinance industry loan portfolio of \$31.81 billion.

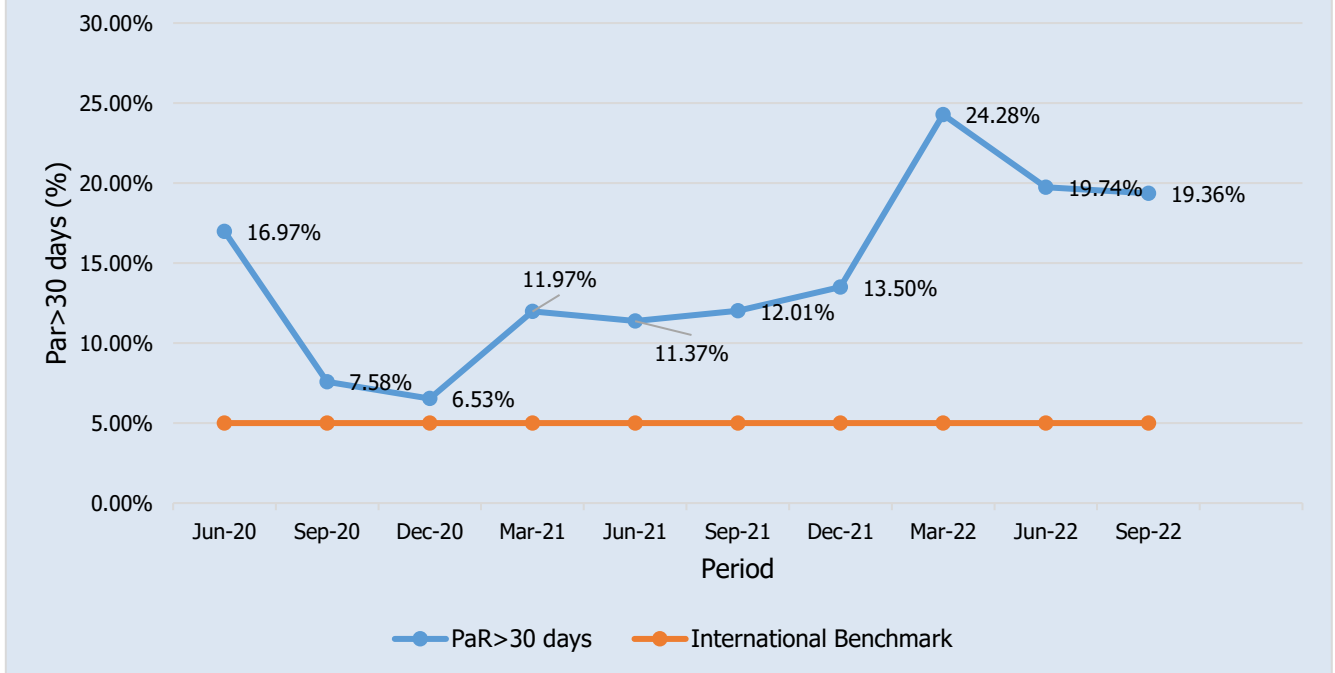
3.35. The figure below shows the trend in the total DTMFI sector loans and advances from March 2020 to September 2022.



3.36. Portfolio quality in the subsector marginally improved as reflected by the decline in the Portfolio at Risk (PaR) ratio (>30 days) from 19.74% as at 30 June 2022 to 19.36% as at 30 September 2022 against the international threshold of 5%.

3.37. The graph in Figure 7 shows the trend in the Portfolio at Risk (PaR) ratio (>30 days).

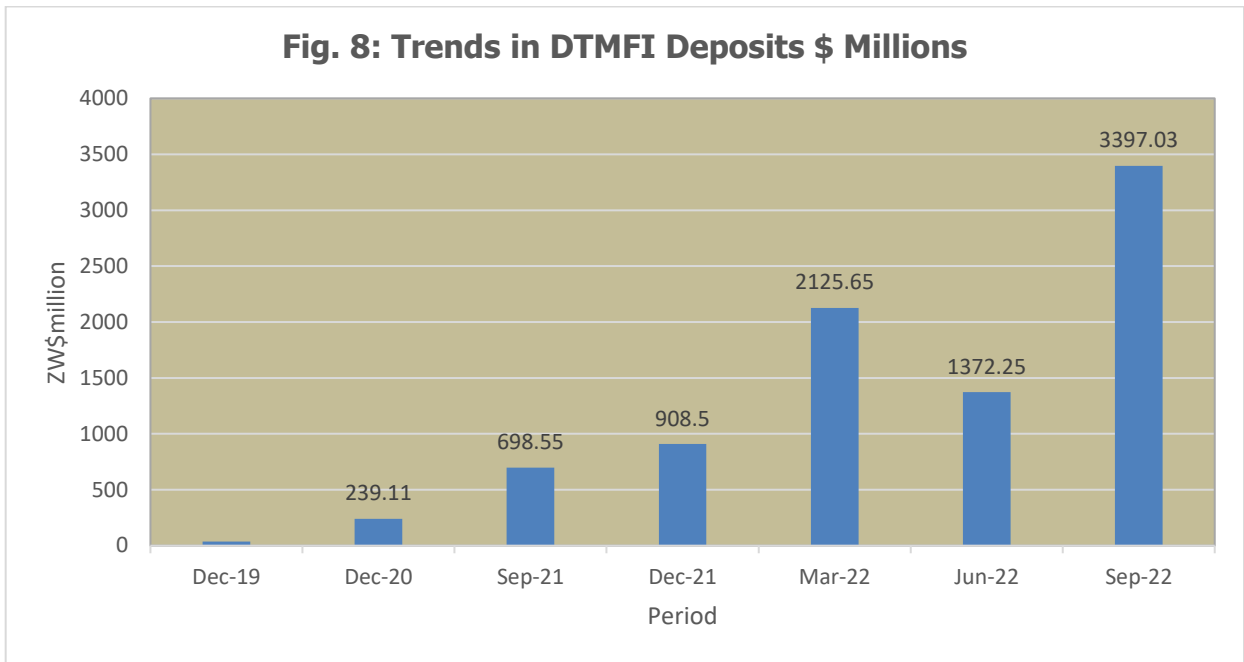
Figure 7: Trend in the DTMFIs Portfolio at Risk Ratio, Par>30 Days



Deposits Mobilization...

3.38. Total deposits increased significantly by 147.45% from \$1.37 billion as at 30 June 2022 to \$3.39 billion as at 30 September 2022. The increase was largely attributed to an increase in foreign currency deposits at one microfinance bank.

3.39. The trend in deposits from December 2019 to 30 September 2022 is shown in Figure 8.



3.40. The subsector’s average prudential liquidity ratio decreased from 236.47% as at 30 June 2022 to 126.02% as at 30 September 2022 against a prudential minimum threshold of 30%. The high prudential liquidity ratio is reflective of capital, which is yet to be deployed to earning assets resulting in the excess liquidity in the subsector.

4. FINANCIAL INCLUSION

- 4.1. The Reserve Bank finalised the development of National Financial Inclusion Strategy II 2022-2026 (NFIS II) and launched it in October 2022. Implementation of the financial inclusion initiatives has commenced.
- 4.2. The table below shows the financial inclusion indicators from September 2021 to September 2022.

Table 3: Financial Inclusion Indicators

Indicator	Sep-21	Dec-21	Mar-22	Jun-22	Sept-22
Number of Loans to MSMEs	35,224	35,224	22,657	37,590	254,555
Nominal Value of loans to MSMEs (ZW\$ Million)	7,164.95	10,280.92	13,928.18	34,021.15	39,909.51
Inflation-adjusted - Value of loans to MSMEs (ZW\$ Million)	4,727.78	6,395.99	8,064.96	11,668.66	10,491.56
Average loans to MSMEs as % of total bank loans	3.89	3.9	4.63	5.54	4.33
Number of Loans to Women	523,550	173,810	178,897	189,861	2,342,449
Nominal Value of Loans to Women (ZW\$ Million)	11,905.96	14,666.06	16,296.10	42,972.89	43,861.11
Inflation-adjusted Value of Loans to Women (ZW\$ Million)	7,856.13	9,124.09	9,436.07	14,738.95	11,530.26
Average loans to women as a % of total bank loans	6.47	5.57	5.42	7.00	4.76
Number of Loans to Youth	77,446	75,188	77,864	85,562	66,432
Nominal Value of Loans to Youth (ZW\$ Million)	5,488.16	6,249.97	8,132.97	12,717.06	18,633.57
Inflation-adjusted Value of Loans to Youth (ZW\$ Million)	3,621.35	3,888.25	4,709.31	4,361.73	4,898.41
Average loans to the youth as a % of total bank loans	2.98	2.37	2.7	2.07	2.02
Total number of Active Bank Accounts (Million)	6.69	8.17	7.76	6.95	8.31
Number of Low Cost Bank Accounts (Million)	4.45	4.78	4.83	4.22	3.69

- 4.3. As at 30 September 2022, value of loans disbursed to the youths increased by 12.30%, from ZW\$4.36 billion as at 30 June 2022 to ZW\$4.90 billion as at 30 September 2022.
- 4.4. The number of active bank accounts increased significantly by 19.57% from 6.95 million as at 30 June 2022, to 8.31 million as at 30 September 2022. Nevertheless, there was a decrease of 12.56% in the number of low cost accounts to 3.69 million as at 30 September 2022 from 4.22 million as at 30 June 2022.
- 4.5. The number of active mobile banking subscribers increased from 6.96 million as at 30 June 2022 to 7.76 million active subscribers as at 30 September 2022, as shown in the table below.

Table 4: Access Points and Devices as at 30 September 2022

PAYMENT SYSTEMS ACCESS POINTS					
	Quarter ending September 2021	Quarter ending December 2021	Quarter ending March 2022	Quarter ending June 2022	Quarter ending September 2022
Mobile Banking Merchants	52,456	52,588	52,719	52,983	53,248
ATMs	410	410	401	401	405
POS	136,669	138,210	130,492	134,051	135,346
PAYMENT SYSTEMS ACCESS DEVICES					
Debit Cards	6,210,432	6,352,240	6,090,898	6,491,778	5,455,222
Credit Cards	13,229	13,812	13,309	13,976	14,989
Prepaid Cards	142,157	145,614	141,635	121,188	128,390
Mobile Banking Subscribers	4,052,994	4,129,470	7,122,895	6,964,193	7,761,222
Internet Banking Subscribers	615,139	607,246	595,939	624,706	629,308

- 4.6. The focus of the National Financial Inclusion Strategy II is to increase usage of formal financial services, banking services and digital financial services by the target segments.

END OF REPORT

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

Indicator	Sept 2021	Dec-2021	Mar-22	June 2022	Sept 2022
Number of Licensed COMFIs	168	162	179	191	188
Total Loans (\$m)	4,836.88	6,049.62	7,247.18	13,131.21	26,634
Total Assets (\$m)	6,264.61	7,984.15	9,649.81	17,341.11	33,113
Total Equity (\$m)	2,618.99	3,289.26	3,997.03	7,481.20	10,261
Net Profit (\$m)	1,268.47	1,686.18	2,291.67	2,659.32	3,663
Average Operational Self-Sufficiency (OSS)	236.86	214.24%	228.85%	206.00%	205.97%
Portfolio at Risk (PaR>30 days)*	11.46	9.74%	10%	9.85%	9.47%
Number of Active Loan Clients	244,475	256,459	226,933	221,753	199,537
Number of Outstanding Loans	269,574	287,492	243,851	254,336	235,715
Number of Branches	813	1,030	872	949	910
Number of Women Clients	108,180	112,275	96,859	96,677	88,253
Value of Loans to Women (\$m)	1,963.57	2,395.72	2,653.28	4,703.78	10,582

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

Key Indicators	Sept -21	Dec - 21	Mar-22	June-22	Sept - 22
Total Assets (\$m)	3,092.74	4,050.07	6,523.38	9,244.75	21,694.71
Total Loans & Advances (\$m)	1,030.89	1,308.01	1,707.45	2,725.96	5,180.14
Core Capital (\$m)	1,171.64	1,506.70	1,989.36	3,407.59	9,937.57
Net Capital Base (\$m)	1,476.86	1,956.97	2,574.72	5,132.20	11,095.29
Total Deposits (\$m)	698.55	908.50	2,126.65	1,372.24	3,397.03
Net Profit (\$m)	(46.97)	29.49	(188.55)	1,130.01	6,039.16
Average OSS ratio	95.32%	100.97%	72.21%	133.06%	284.88%
Average Return on Assets	-4.98%	-7.38%	(6.44%)	(10.78%)	27.84%
Average Return on Equity	(-4.16%)	(-7.00%)	(18.54%)	33.97%	54.43%
Average Prudential Liquidity Ratio	119.51%	101.32%	215.83%	141.80%	126.02%
Portfolio at risk Ratio (> 30 days)	12.01%	13.50%	24.28%	19.74%	19.36%



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