MICROFINANCE QUARTERLY
INDUSTRY REPORT
AS AT
31 MARCH 2023

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1. EXECUTIVE SUMMARY

1.1. The microfinance sector continues to contribute to economic empowerment of the low-income groups and improvement of livelihoods through provision of a wider array of micro financial products.

1.2. The performance of the microfinance industry registered growth underpinned by the gradual recovery in the level of business and an increased aggregate demand for loans by the micro, small to medium enterprises (MSMEs). Total loan portfolio, total assets, aggregate equity and aggregate net profit improved during the quarter under review.

1.3. As at 31 March 2023, the sector's aggregate equity of $45.26 billion represented a 26.01% increase over the quarter from $35.91 billion as at 31 December 2022. The increase was mainly attributable to organic growth and injection of additional capital by shareholders of some microfinance institutions in a bid to comply with minimum capital requirements.

1.4. Core capital for deposit-taking microfinance institutions (DTMFIs) increased by 35.12% from US$12.70 billion as at 31 December 2022 to US$17.16 billion. Only two (2) out of the seven (7) operating DTMFIs were compliant with the minimum capital requirements of ZW$ equivalent of US$5 million. The DTMFIs are pursuing a number of initiatives to bolster their capital positions.

1.5. Aggregate net profit for the year ended 31 March 2023 increased by 506.19% to $12.73 billion, up from $2.10 billion in the comparative period in 2022. The increase in profitability was mainly driven by growth in interest income supported by 40.10% growth in loan portfolio, as well as cost containment measures including adoption of digital financial services.

1.6. The industry's aggregate loan portfolio increased by 40.10% from $46.01 billion to $64.46 billion during the quarter under review. Portfolio quality over the quarter marginally improved as reflected by a decrease in Portfolio-at Risk (PaR) (>30 days) ratio, from 10.95% to 9.37%, against the international benchmark of 5%.

1.7. The top 20 microfinance institutions contributed $51.22 billion representing 79.46% of the total loan portfolio of $64.46 billion compared to 76.78% recorded in the previous quarter.

1.8. Total deposits for DTMFIs increased by 53.77% from $6.23 billion as at 31 December 2022 to $9.58 billion as at 31 March 2023. The growth in deposits was mainly driven by an increase in foreign currency deposits from US$6.75 million as at 31 December 2022 to US$9.08 million.

2. ARCHITECTURE OF THE MICROFINANCE INDUSTRY

2.1. As at 31 March 2023, there were 214 registered microfinance institutions comprising 206 credit-only microfinance institutions and 8 deposit-taking microfinance institutions (DTMFIs). Table 1 shows the trend in the architecture of the microfinance industry.

Table 1: Number of Microfinance Institutions in Zimbabwe, March 2022 – March 2023

Type of Institution	Mar 2022	Jun 2022	Sept 2022	Dec 2022	Mar 2023
Credit-only Microfinance Institutions	179	191	188	198	206
Deposit-taking Microfinance Institutions	8	8	8	8	8
Total	**187**	**199**	**196**	**206**	**214**

2.2. A total of eight (8) credit-only microfinance institutions were issued with perpetual licences during the quarter ended 31 March 2023.

3. PERFORMANCE OF THE MICROFINANCE INDUSTRY

3.1. The microfinance sector registered a notable growth in total loan portfolio, total assets, aggregate equity and aggregate net profit. This was partly attributable to additional funding in some microfinance institutions to meet the minimum capital requirement and growth in foreign currency denominated loans.

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 Mar 2022 to Mar 2023

Indicator	Mar 2022	June 2022	Sept 2022	Dec 2022	Mar 2023
Total Loans ($bn)	8.95	15.86	31.81	46.01	64.46
Total Assets ($bn)	16.18	28.66	54.81	82.13	124.16
Total Equity ($bn)	6.63	14.47	22.36	35.91	45.26
Net Profit ($bn)	2.10	4.93	9.70	12.10	12.73
Total Deposits ($bn)	2.13	1.37	3.40	6.31	9.58
Average Operational Self-Sufficiency (OSS)	220.75%	202.50%	210.18%	167.51%	183.52%
Portfolio at Risk (PaR>30 days) *	10.71%	10.39%	9.99%	10.95%	9.37%
Number of Outstanding Loans	274,204	317,482	264,691	306,366	302,634
Number of Active Loan Clients	288,135	280,172	285,634	328,678	286,792
Number of Female Borrowers	121,478	121,569	124,216	145,788	131,351
Loans to Female Borrowers ($bn)	3.02	5.30	10.96	28.70	22.65
Number of Branches	900	974	936	1,264	849

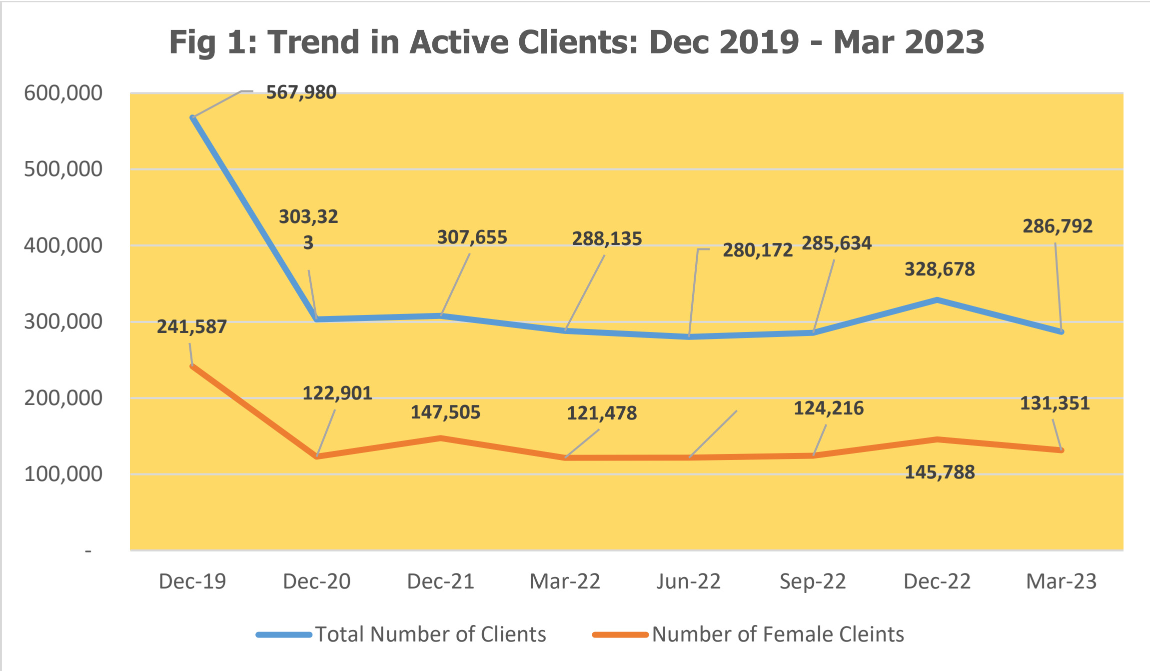
** **Portfolio at Risk [30] days**-The value of all loans outstanding that have one or more instalments of principal past due more than [30] days. This includes the entire unpaid principal balance, including both the past due and future instalments, but not accrued interest. It also includes loans that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

Microfinance Outreach…

3.3. The microfinance sector recorded a 32.83% decrease in branch network, to 849 for quarter ended 31 March 2023, down from 1,264 as at 31 December 2022. The decrease in branch network is largely attributed to cost rationalisation measures, which included closure and amalgamation of branches on the backdrop of increased adoption of online and mobile based delivery channels by most microfinance institutions.

3.4. Active loan clients in the sector decreased by 12.74%, to 286,792 as at 31 March 2023 from 328,678 in the previous quarter.

3.5. Figure 1 shows the trend in active loan clients from December 2019 to March 2023.



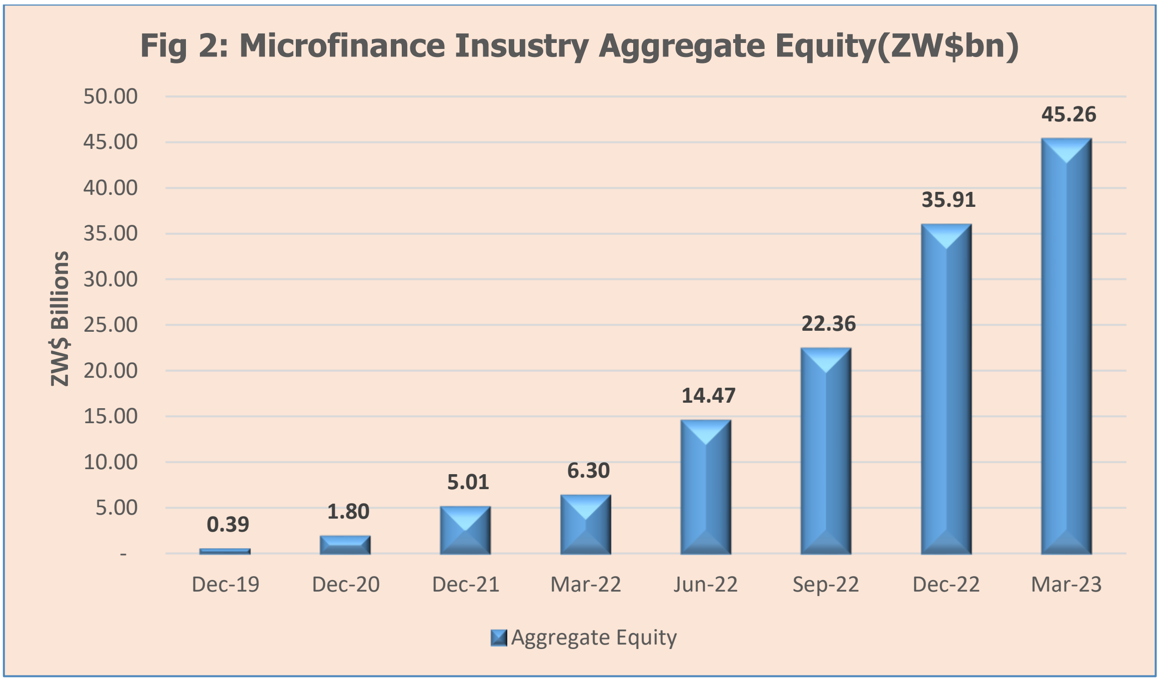
3.6. As at 31 March 2023, female borrowers accessed a total of $22.65 billion, which accounted for 35.14% of the total microfinance industry loans of $64.46 billion. Total loans to female borrowers of $22.65 billion represented a 21.08% decrease from $28.70 billion as at 31 December 2022. The total number of female borrowers decreased to 131,351 as at 31 March 2023, down from 145,788 served during the previous quarter. During the period under review, the average loan size to women borrowers decreased by 12.39% to $172,461 from $196 861 reflecting a reduction in the borrowing appetite among the women.

Capital and Funding…

3.7. The microfinance industry recorded an aggregate equity of $45.26 billion as at 31 March 2023, representing an increase of 26.04% from $35.91 billion as at 31 December 2022. The growth was largely attributed to organic growth, and injection of additional capital by shareholders of some microfinance institutions, in order to comply with minimum capital requirements.

3.8. Compliance with the minimum capital requirements by non-compliant deposit-taking microfinance institutions was extended to 31 December 2023, to allow for completion of the recapitalisation initiatives currently underway. The Bank continues to monitor progress towards compliance with both minimum capital requirements and economic capital to facilitate underwriting of more meaningful business.

3.9. The trend in microfinance industry's aggregate equity for the period December 2019 to March 2023 is shown in Figure 2.



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

3.10. The credit-only microfinance sub-sector registered a 31.23% increase in total equity from $18.51 billion as at 31 December 2022, to $24.29 billion, largely driven by organic growth through revaluation of foreign currency denominated assets.

3.11. Compliance level with minimum capital requirements improved over the quarter as 43 COMFIs were non-compliant with the minimum capital requirement of ZW$ equivalent of USD25,000 as at 31 March 2023 compared to 49 non-compliant COMFIs during the previous quarter.

3.12. The key performance indicators for the COMFIs are shown in **Annexure 1 – Key Performance Indicators for Credit-only Microfinance Institutions**.

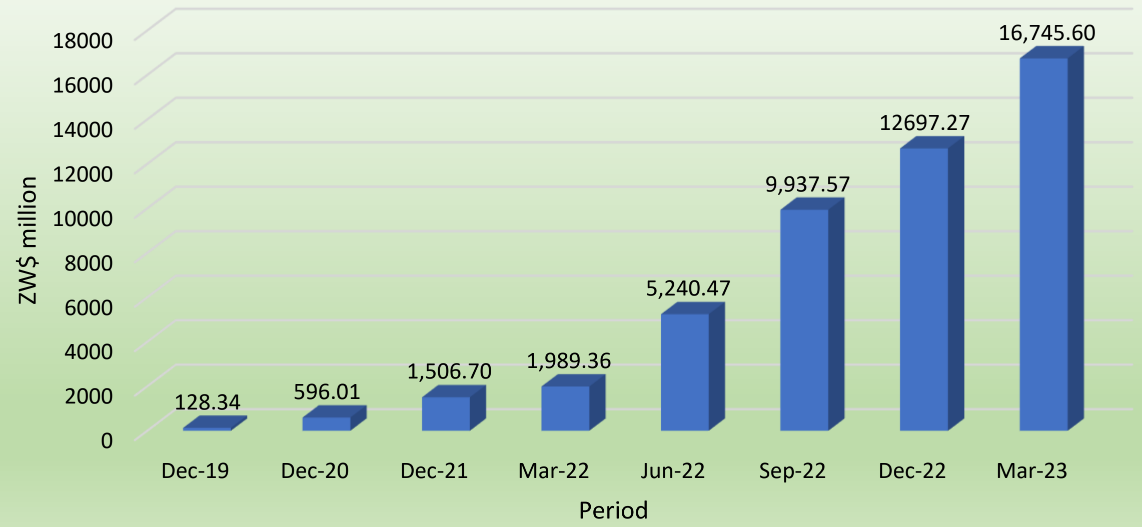
Capital and Funding for Deposit-Taking Microfinance Institutions (DTMFIs)

3.13. During the quarter under review, the DTMFI sub-sector's aggregate core capital registered a 35.12% increase, to $17.16 billion from $12.70 billion as at 31 December 2022. The increase in capitalization was largely attributed to injection of additional capital by some DTMFIs as well as organic growth mainly as a result of revaluation gains on investment property and foreign currency denominated assets.

3.14. Only two (2) out of the seven(7) operating DTMFIs were compliant with the new minimum capital requirements of ZW$ equivalent to US$5 million. Institutions were at various stages of implementing capital raising initiatives, which included rights issues, private placements and engagement of potential investors.

3.15. The trend in the DTMFI sub-sector's core capital levels for the period December 2019 to March 2023 is shown in Figure 3 below.

Fig.3: DTMFI's Core Capital (ZW$m)

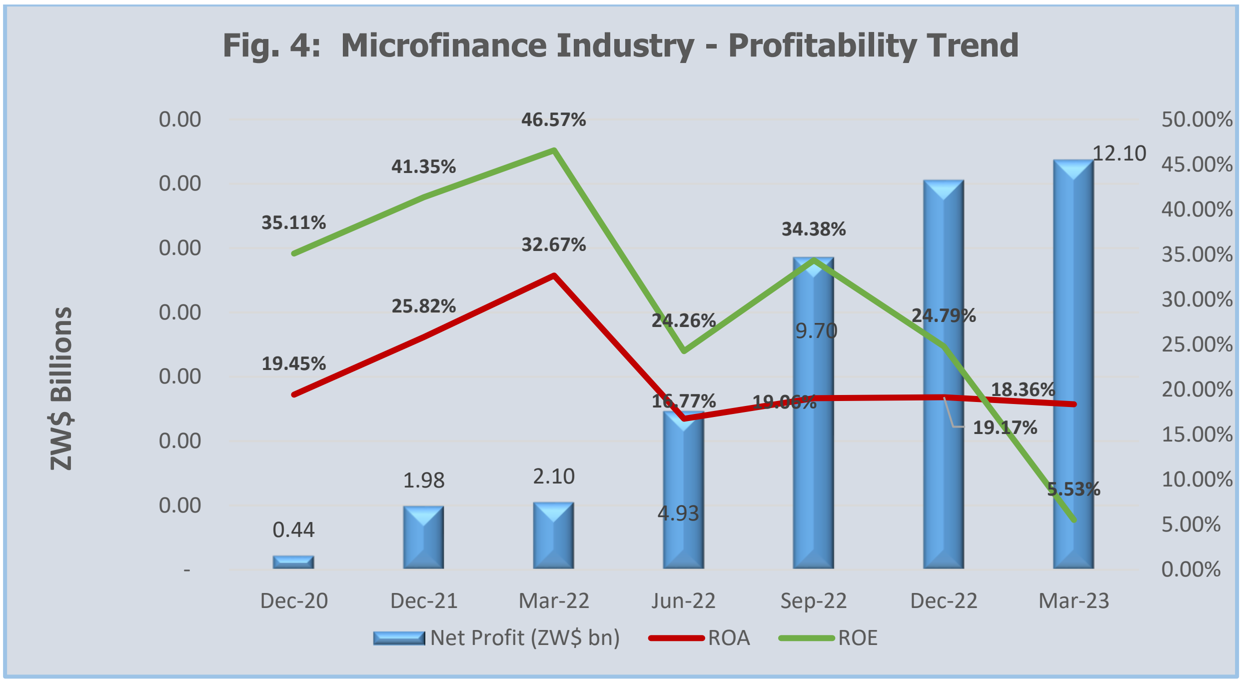


Profitability…

3.16. The microfinance industry's aggregate net profit for the quarter ended 31 March 2023 of $12.73 billion represented a 506.19% increase in profitability over the year from $2.10 billion recorded in the comparative period in 2022. The increase in profitability was mainly driven by interest income supported by 40.01% growth in loan portfolio, as well as cost containment measures by most microfinance institutions including adoption of digital financial services.

3.17. The sector's operational self-sufficiency (OSS) ratio increased to 183.52% in March 2023 from 167.95% as at 31 December 2022 against the minimum acceptable threshold of 100%, reflecting the microfinance industry's overall positive sustainability and viability condition. The microfinance industry continues to sharpen their institutional capabilities in order to achieve operational self-sufficiency.

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



3.19. Profitability margin for the industry decreased during the period under review, as indicated by a decrease in return on assets (ROA) ratio from 19.17% to 18.36% during the period ended 31 March 2023, while the return on equity (ROE) ratio decreased from 46.57% to 5.53% over the same period.

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

3.20. The total net profit recorded in the credit-only microfinance sub-sector increased to $7.67 billion for the quarter ended 31 March 2023 in comparison to $1.67 billion achieved during the same period last year. A total of 24 COMFIs registered losses during the period under review. The institutions are exploring revenue enhancement and cost cutting initiatives.

3.21. The credit-only microfinance sub-sector continues to be operationally self-sufficient as reflected by the OSS ratio of 186.39% as at 31 March 2023, up from 166.48% in the previous review period, the international benchmark of 100%.

Profitability of the Deposit-taking Microfinance Institutions

3.22. The DTMFI subsector recorded a significant improvement in the aggregate net income from a loss of $188.55 million for the quarter ended 31 March

2022 to a profit of $1.82 billion for the first quarter of 2023. The profits were largely driven by revaluation gains on investment properties and financial assets denominated in foreign currency. The lack of critical mass in underwriting business has heightened income generation risk at some of the institutions in the sub-sector as reflected by operating losses by some DTMFIs during the quarter.

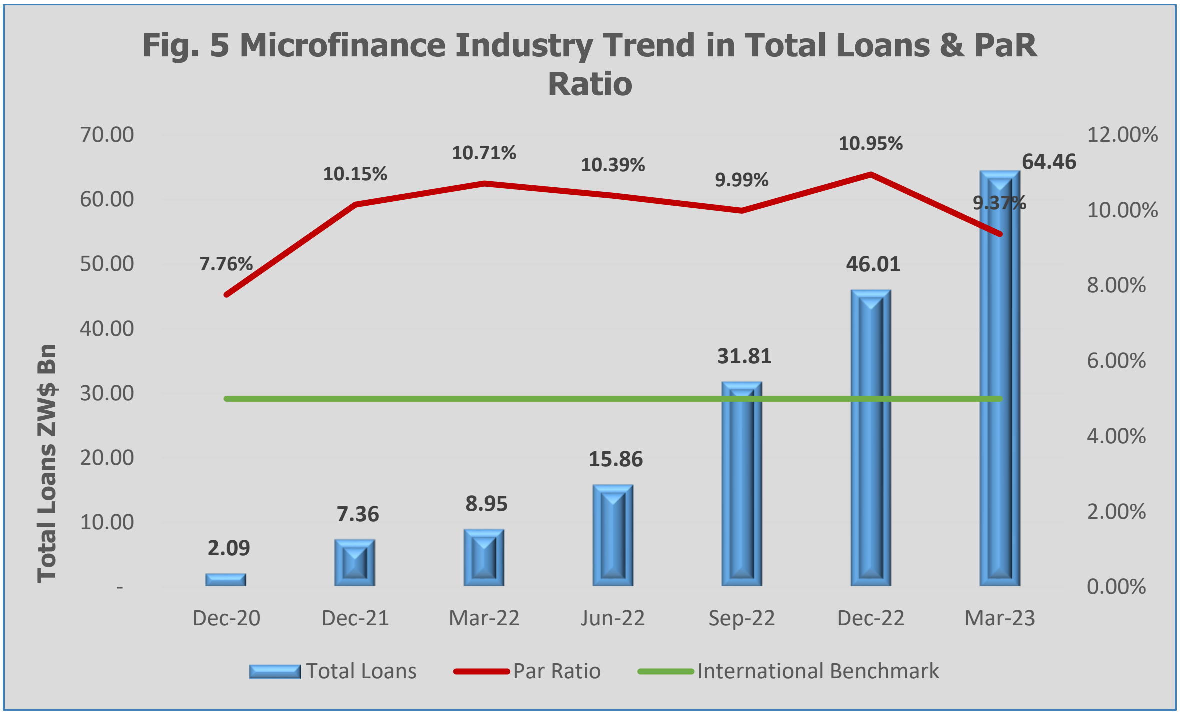
3.23. The sub-sector registered a decline in the operational self-sufficiency as reflected by the OSS ratio of 118.28% for period ended 31 March 2023, down from 187.29% recorded in previous quarter. The ratio is however above the internationally recommended level of 100%

Microfinance Industry Lending and Portfolio Quality…

3.24. Total loans amounted to $64.46 billion as at 31 March 2023, up from $46.01 billion as at 31 December 2022. The average loan size per borrower registered a 60.56% increase over the review period from $139,985.34 as at 31 December 2022, to $224,766.37 largely reflective of the inflationary pressures within the operating environment.

3.25. The top 20 microfinance institutions continued to dominate the industry contributing $51.22 billion representing 79.46% of the total loan portfolio of $64.46 billion as at 31 March 2023. In the previous quarter, the top twenty microfinance institutions accounted for 76.78% of the total loan portfolio.

3.26. Figure 5 shows the trend in aggregate loans and level of portfolio at risk ratio from Dec 2020 to March 2023.



3.27. There was a marginal improvement in the portfolio quality over the quarter as reflected by a decrease in PaR (>30 days) ratio to 9.37% as at 31 March 2023, down from 10.95%, against the international benchmark of 5%. The sector continues to enhance credit risk management practices amid the constraints in the operating environment.

Credit-Only Microfinance Lending and Portfolio Quality

3.28. The credit-only microfinance sub-sector's loan book of $54.64 billion accounted for 84.77% of the total microfinance industry loan portfolio of $64.46 billion as at 31 March 2023 and represented a marginal (0.18%) increase from the previous quarter.

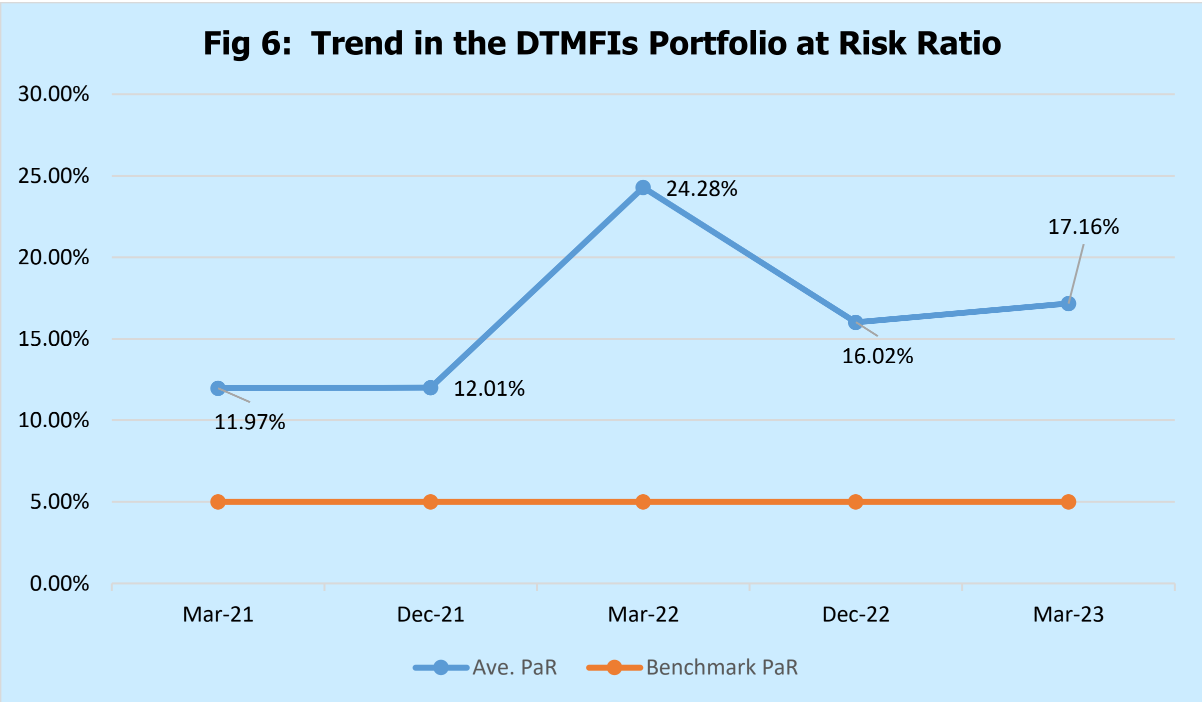
3.29. The COMFI subsector registered an improvement in portfolio quality as reflected by a decrease in the PaR (>30 days) ratio to 8.96% as at 31 March 2023, down from 10.99% as at 31 December 2022, against the internationally accepted benchmark of 5%.

3.30. The top twenty credit-only microfinance institutions with an aggregate loan portfolio of $44.61 billion contributed for 81.63% of the total subsector loan book as at 31 March 2023. The average loan size per borrower in the credit-only microfinance sub-sector increased to $195,619.40 as at 31 March 2023 from $156,807.00 as at 31 December 2022, reflective of inflationary pressures in the operating environment during the same period.

Deposit-taking Microfinance Sub-Sector Lending

3.31. The DTMFI sub-sector recorded a 36.32% increase in aggregate loans and advances from $7.21 billion as at 31 December 2022 to $9.82 billion as at 31 March 2023 and accounted for 15.23% of the total microfinance industry loan portfolio of $64.46 billion. The loan book remains significantly small to facilitate sustainable income generation for the sub-sector from microfinance core business.

3.32. Figure 6 below shows the trend in the total DTMFI sector loans and advances from March 2021 to March 2023.

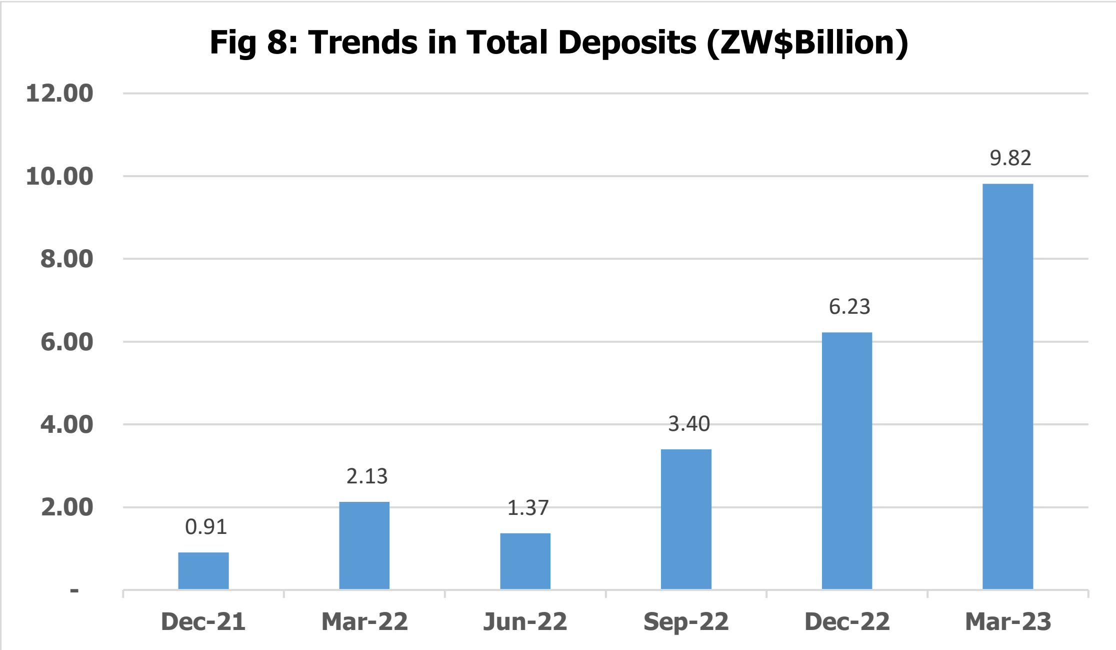


3.33. Portfolio quality in the subsector deteriorated as reflected by the increase in the Portfolio at Risk (PaR) ratio (>30 days) of 17.16%, up from 16.02% as at 31 December 2022, against the international benchmark of 5%.

Deposits Mobilization…

3.34. The sub-sector recorded a 53.77% increase in total deposits from $6.23 billion as at 31 December 2022, to $9.58 billion as at 31 March 2023. The increase was largely attributed to an increase in foreign currency deposits, which accounted for 88.10% of total sub-sector deposits.

3.35. The trend in deposits from March 2021 to March 2023 is shown in Figure 8.



3.36. The subsector's average prudential liquidity ratio increased from 189.52% as at 31 December 2022 to 195.47% against a prudential minimum threshold of 30%.

4. FINANCIAL INCLUSION

4.1. Following the launch of the National Financial Inclusion Strategy II (NFIS II) on 31 October 2022, the Bank embarked on a number of initiatives to facilitate implementation of the NFIS II. The initiatives include development of the NFIS II implementation plan to provide a roadmap on the implementation of NFIS II, and the Monitoring and Evaluation Framework to monitor progress on the implementation and provide for financial inclusion policy interventions during the implementation of the same.

Global Money Week Celebrations…

4.2. The 11th edition of the Global Money Week (GMW) celebrations were held from 20-26 March 2023, under the theme **"Plan your money, plant your future".**

4.3. The official launch of the GMW celebrations was held on 21 March 2023 with the CEO Financial Education Round Table for banks, insurance and pensions operators, as well as capital market operators, while CEO Round Table for microfinance institutions was held on 23 March 2023 at the Reserve Bank Sports Club. The main objective of the CEO Round Table meetings was to deliberate and explore ways of enhancing the financial health of young people.

4.4. The Reserve Bank, in collaboration with the Insurance and Pensions Commission (IPEC), the Securities and Exchange Commission of Zimbabwe (SECZ), the Postal and Telecommunication Regulatory Authority of Zimbabwe (POTRAZ) and financial service providers, participated in the 2023 GMW celebrations from 6 March to 31 March 2023 in four provinces, namely: Matabeleland North, Matabeleland South, Mashonaland Central, and Harare with physical outreach of over 9,000 learners in the provinces. GMW activities included exhibitions by financial sector players, seminars at universities, and GMW on-line quiz.

4.5. The remaining six (6) provinces will be covered through financial literacy programs throughout the year.

Financial Inclusion Indicators…

4.6. Value of loans in real terms, availed to MSMEs, Women and Youth increased from ZW$14.46 billion, ZW$14.50 billion and ZW$10.95 billion as at 31 December 2022, to ZW$39.77 billion, ZW$44.80 billion and ZW$29.65 billion as at 31 March 2023, respectively, on the back of USD lending by both banking and microfinance institutions.

4.7. The proportion of microfinance loans to these marginalised segments remains subdued as reflected by the proportion of loans to MSMEs, Women and Youth of 3.87%, 4.36% and 2.88% of total banking sector loans as at 31 March 2023.

4.8. Table 3 below shows the trend in the movement of the financial inclusion indicators during the review period.

Table 3: Financial Inclusion Indicators

Indicator	Mar-22	Jun-22	Sept-22	Dec 22	March 23
Number of Loans to MSMEs	22,657	37,590	13,461	24,987	25,162
Nominal Value of loans to MSMEs (ZW$ Billion)	13.93	34.02	39.91	49.71	74.60
Inflation-adjusted - Value of loans to MSMEs (ZW$ Billion)	8.06	11.67	10.49	14.46	39.77
Average loans to MSMEs as % of total bank loans	4.63	5.54	4.33	4.15	3.87
Number of Loans to Women	178,897	189,861	188,815	177,671	165,459
Nominal Value of Loans to Women (ZW$ Billion)	16.30	42.97	43.86	49.85	84.04
Indicator	**Mar-22**	**Jun-22**	**Sept-22**	**Dec 22**	**March 23**
Inflation-adjusted Value of Loans to Women (ZW$ Billion)	9.44	14.74	11.53	14.50	44.80
Average loans to women as a % of total bank loans	5.42	7.00	4.76	4.16	4.36
Number of Loans to Youth	77,864	85,562	66,432	65,098	71,429
Nominal Value of Loans to Youth (ZW$ Billion)	8.13	12.72	18.63	37.63	55.62
Inflation-adjusted Value of Loans to Youth (ZW$ Billion)	4.71	4.36	4.90	10.95	29.65
Average loans to the youth as a % of total bank loans	2.7	2.07	2.02	3.14	2.88
Total number of Active Bank Accounts (Million)	7.76	6.95	8.31	7.36	7.23

Indicator	Mar-22	Jun-22	Sept-22	Dec 22	March 23
Number of Low Cost Bank Accounts (Million)	4.83	4.22	3.69	4.35	3.34

4.9. The number of active bank accounts decreased marginally by 1.77% from 7.36 million as at 31 December 2022, to 7.23 million as at 31 March 2023, while low cost accounts declined by 23.22% from 4.35 million to 3.34 million during the review period.

4.10. The use of digital platforms improved marginally over the review period, as indicated by an increase in mobile banking merchants from 53,514 as at 31 December 2022, to 53,781. However, the number of mobile banking subscribers declined by 9.47% from 7.74 million to 7.10 million over the same period.

4.11. The changes in the use of the various access points and devices for the quarter ended 31 March 2023 are shown in the table below.

Table 4: Access Points and Devices as at 31 March 2023

	Quarter ending December 2021	Quarter ending March 2022	Quarter ending June 2022	Quarter ending September 2022	Quarter ending December 2022	Quarter ending March 2023
Mobile Banking Merchants	52,588	52,719	52,983	53,248	53,514	53,781
ATMs	410	401	401	405	410	412
POS	138,210	130,492	134,051	135,346	135,198	133,205
PAYMENT SYSTEMS ACCESS DEVICES						
Debit Cards	6,352,240	6,090,898	6,491,778	5,455,222	5,559,944	5,892,135
Credit Cards	13,812	13,309	13,976	14,989	15,623	15,764
Prepaid Cards	145,614	141,635	121,188	128,390	133,119	132,684
Mobile Banking Subscribers	4,129,470	7,122,895	6,964,193	7,761,222	7,840,317	7,097,833

Internet Banking Subscribers	607,246	595,939	624,706	629,308	628,478	626,313

4.12. The Bank will continue encouraging microfinance institutions to adopt digital platforms in order to increase their outreach, reduce transaction costs and become more efficient.

END OF REPORT

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

Indicator	Mar-22	June 2022	Sept 2022	Dec 2022	Mar 2023
Number of Licensed COMFIs	179	191	188	198	206
Total Loans ($bn)	7.25	13.13	26.63	38.92	54.64
Total Assets ($bn)	9.65	17.34	33.11	51.30	77.99
Total Equity ($bn)	4.00	7.48	10.26	18.51	24.29
Net Profit ($bn)	2.29	2.66	3.66	12.10	7.67
Average Operational Self-Sufficiency (OSS)	228.85%	206.00%	205.97%	166.48%	186.39%
Portfolio at Risk (PaR>30 days)*	10%	9.85%	9.47%	10.99%	8.96%
Number of Active Loan Clients	226,933	221,753	199,537	348,225	230,387
Number of Outstanding Loans	243,851	254,336	235,715	284,928	279,330
Number of Branches	872	949	910	1,264	812
Number of Women Clients	96,859	96,677	88,253	110.440	105,771
Value of Loans to Women ($bn)	2.65	4.70	10.58	26.75	20.93

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

Key Indicators	Mar-22	June-22	Sept - 22	Dec 2022	Mar-2023
Total Assets ($bn)	6.52	9.24	21.69	29.49	45.59
Total Loans & Advances ($bn)	1.71	2.73	5.18	7.21	9.82
Core Capital ($bn)	1.99	3.41	9.94	12.70	16.75
Net Capital Base ($bn)	2.57	5.13	11.10	15.53	21.62
Total Deposits ($bn)	2.13	1.37	3.40	6.23	9.58
Net Profit ($bn)	(0.19)	1.13	6.04	6.53	5.06
Average OSS ratio	72.21%	133.06%	284.88%	187.29%	128.17%
Average Return on Assets	(6.44%)	(10.78%)	27.84%	(3.54%)	0.27%
Average Return on Equity	(18.54%)	33.97%	54.43%	28.53%	8.32%
Average Prudential Liquidity Ratio	215.83%	141.80%	126.02%	189.52%	195.47%
Portfolio at risk Ratio (> 30 days)	24.28%	19.74%	19.36%	16.02%	9.01%