



BANK SUPERVISION DIVISION

MICROFINANCE QUARTERLY INDUSTRY REPORT

AS AT

31 DECEMBER 2021

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1. EXECUTIVE SUMMARY

- 1.1. The microfinance industry's performance continued on an upward trajectory in terms of capitalization, portfolio growth, and profitability, as shown by an improvement in the key performance indicators, on the back of increased economic activities and business due to relaxed Covid-19 restrictions in the last quarter of the year.
- 1.2. As at 31 December 2021, aggregate capitalization levels for the microfinance industry increased to \$5.16 billion, up from \$4.21 billion as at 31 December 2020. The increase in capitalisation was largely attributed to organic growth and capital injection by shareholders to comply with the new minimum capital requirements effective 31 December 2021.
- 1.3. The cumulative retained earnings for the year ended 31 December 2021 registered a 390.47% increase to \$1.72 billion, up from \$439.39 million for period ended 31 December 2020, on the back of digital financial services adopted by the majority of microfinance institutions. Adoption of digital financial services facilitated cost containment and improved the breadth and depth of microfinance outreach, as micro, small and medium enterprises easily accessed micro finance products on the digital platforms.
- 1.4. The sector registered an operational self-sufficiency (OSS) ratio of 210.09% for period ended 31 December 2021, up from 111.86% for period ended 31 December 2020, against the international benchmark of 100%. Over the quarter, the industry OSS ratio registered significant improvement from 171.69% as at September 2021.
- 1.5. The sector's loan portfolio recorded a 25.38% growth over the review period from \$5.87 billion as at 30 September 2021, to \$7.36 billion, on the back of increased demand for loans by households and their micro enterprises following relaxation of the Covid-19 restrictions.
- 1.6. The loan portfolio quality improved over the quarter as reflected by the PaR (>30 days) ratio of 9.85% as at 31 December 2021, down from 11.55% in September 2021.
- 1.7. The aggregate deposits for deposit taking microfinance institutions increased by 30.06%, from \$698.55 million as at 30 September 2021, to \$908.50 million as at 31 December 2021, with one deposit taking microfinance institution (DTMFI) accounting for 82.41% of total sector deposits.

2. ARCHITECTURE OF THE MICROFINANCE INDUSTRY

- 2.1. As at 31 December 2021 the total number of registered microfinance institutions was 170, comprising 162 credit-only microfinance institutions and 8 deposit-taking microfinance institutions (DTMFIs).

Table 1: Number of Microfinance Institutions in Zimbabwe- Dec 2020-2021

Type of Institution	Sept 2020	Dec 2020	Mar 2021	June 2021	Sept 2021	Dec 2021
Credit-only Microfinance Institutions	201	190	191	176	168	162
Deposit-taking Microfinance Institutions (DTMFIs)	8	8	8	8	8	8
Total	209	198	199	184	176	170

- 2.2. The total number of registered microfinance institutions declined over the review period, as some microfinance institutions ceased operations due to the negative impact of the Covid-19 pandemic.

3. PERFORMANCE OF THE MICROFINANCE INDUSTRY

- 3.1. During the quarter ended 31 December 2021, the microfinance industry registered significant improvement in performance as reflected by the key performance indicators shown in Table 2.

Table 2: Microfinance Industry Selected Key Performance Indicators

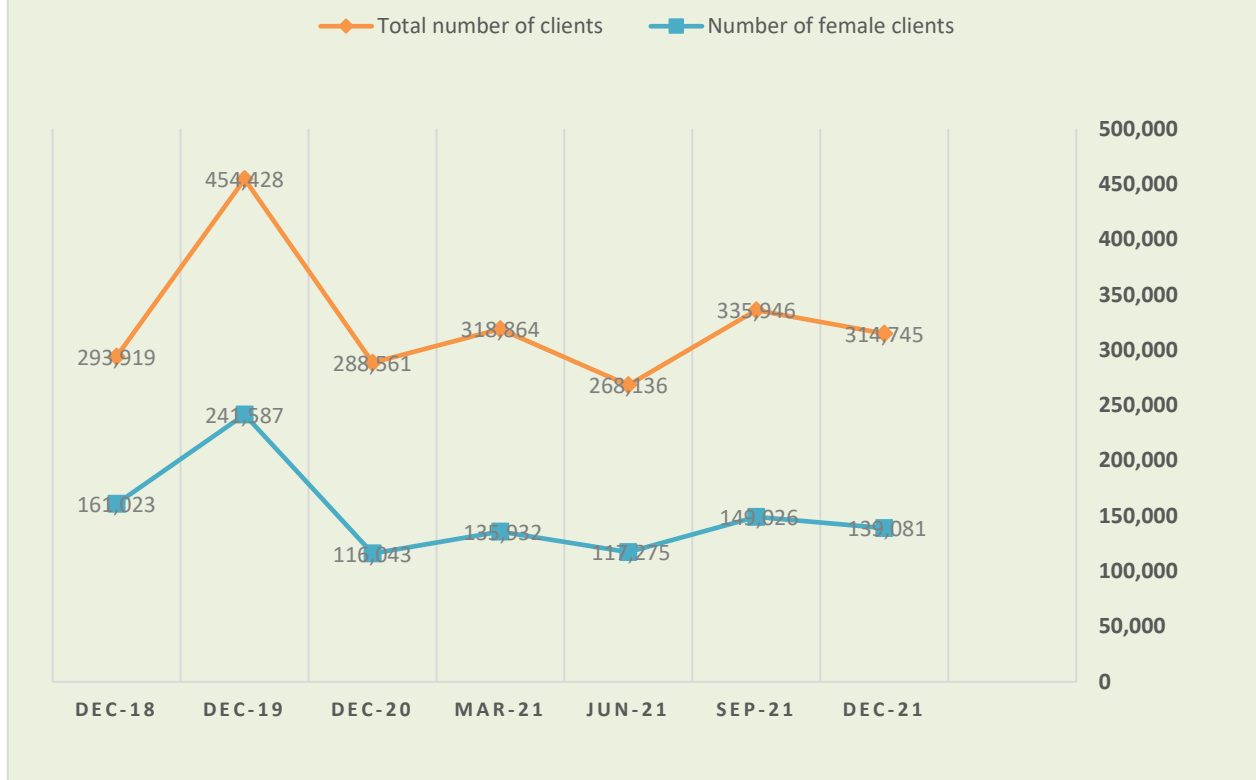
Indicator	Dec-20	Mar-21	June-21	Sept-2021	Dec-2021
Total Loans (\$m)	2,092.25	3,100.56	3,968.57	5,867.82	7,357.63
Total Assets (\$m)	4,209.34	5,542.91	6,810.38	9,357.41	12,034.22
Total Equity (\$m)	1,759.94	2,647.01	3,332.30	4,000.37	5,156.88
Net Profit (\$m)	439.39	596.71	1,033.77	1,221.51	1,715.67
Average Operational Self-Sufficiency (OSS)	111.86%	146.07%	187.22%	171.69%	210.09%
Total Deposits (DTMFIs) (\$m)	239.11	350.02	442.98	698.55	908.50
Portfolio at Risk (PaR>30 days)*	7.76%	10.63%	8.57%	11.55%	9.85%
Number of Outstanding Loans	294,760	343,199	319,843	361,773	321,730
Number of Active Loan Clients	303,323	318,864	268,136	335,946	314,745
Number of Female Borrowers	122,901	135,932	117,275	149,026	139,081
Loans to Female Borrowers (\$m)	678.78	1,188.41	1,664.38	2,467.30	2,629.30
Number of Branches	693	694	724	837	1,054

* **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

- 3.2. The number of active clients decreased by 11.58% from 355,946 as at 30 September 2021, to 314,745 as at 31 December 2021, as reflected in Figure 1 below.

Fig. 1: Trend In Active Clients: Dec 2018 – Dec 2021

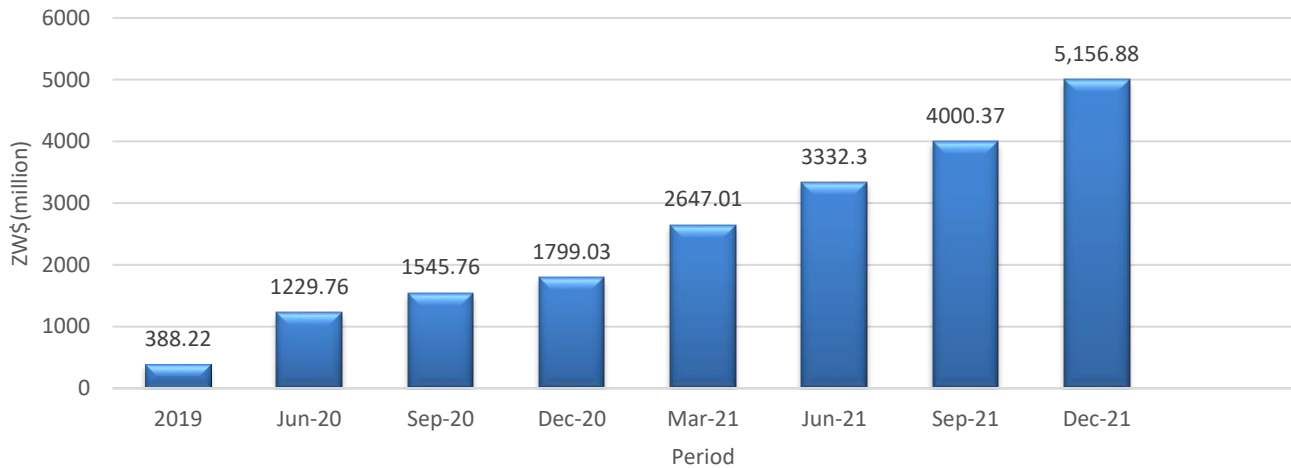


- 3.3. The value of loans to female borrowers registered a 6.57% increase over the quarter to \$2.63 billion as at 31 December 2021, up from \$2.63 billion, while the number of women borrowers accessing funding from microfinance institutions, declined by 6.67% over the same period, from 149,026 to 1139,081.

Capital and Funding

- 3.4. The sector registered a 28.91% growth in aggregate capitalization from \$4.00 billion as at 30 September 2021, to \$5.16 billion, largely driven by organic growth in some institutions and injection of additional capital to meet the new capital requirements of ZW\$ equivalent of USD25,000 for credit-only microfinance institutions and USD5 million for deposit-taking microfinance institutions, effective 31 December 2021.
- 3.5. Figure 2 shows the trend in the aggregate capital position of the microfinance industry for the period December 2019 to December 2021

Fig 2: Trend in Microfinance Industry Capital (ZW\$m), 2019 to Dec 2021



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

3.6. Aggregate capital for the COMFIs sub-sector increased by 25.59% to \$3.29 billion as at 31 December 2021, up from \$2.62 billion as at September 2021, largely due to additional capital injected by shareholders to ensure compliance with the new minimum capital requirements of ZW\$ equivalent to US\$25,000 effective 31 December 2021, as shown in **Annexure 1 – Key Performance Indicators for Credit-only Microfinance Institutions.**

3.7. As at 31 December 2021, a total of 30 credit-only microfinance institutions were non-compliant with the minimum capital requirements of ZW\$ equivalent to US\$25,000. The institutions are pursuing various capital raising initiatives to ensure compliance with the minimum capital requirements.

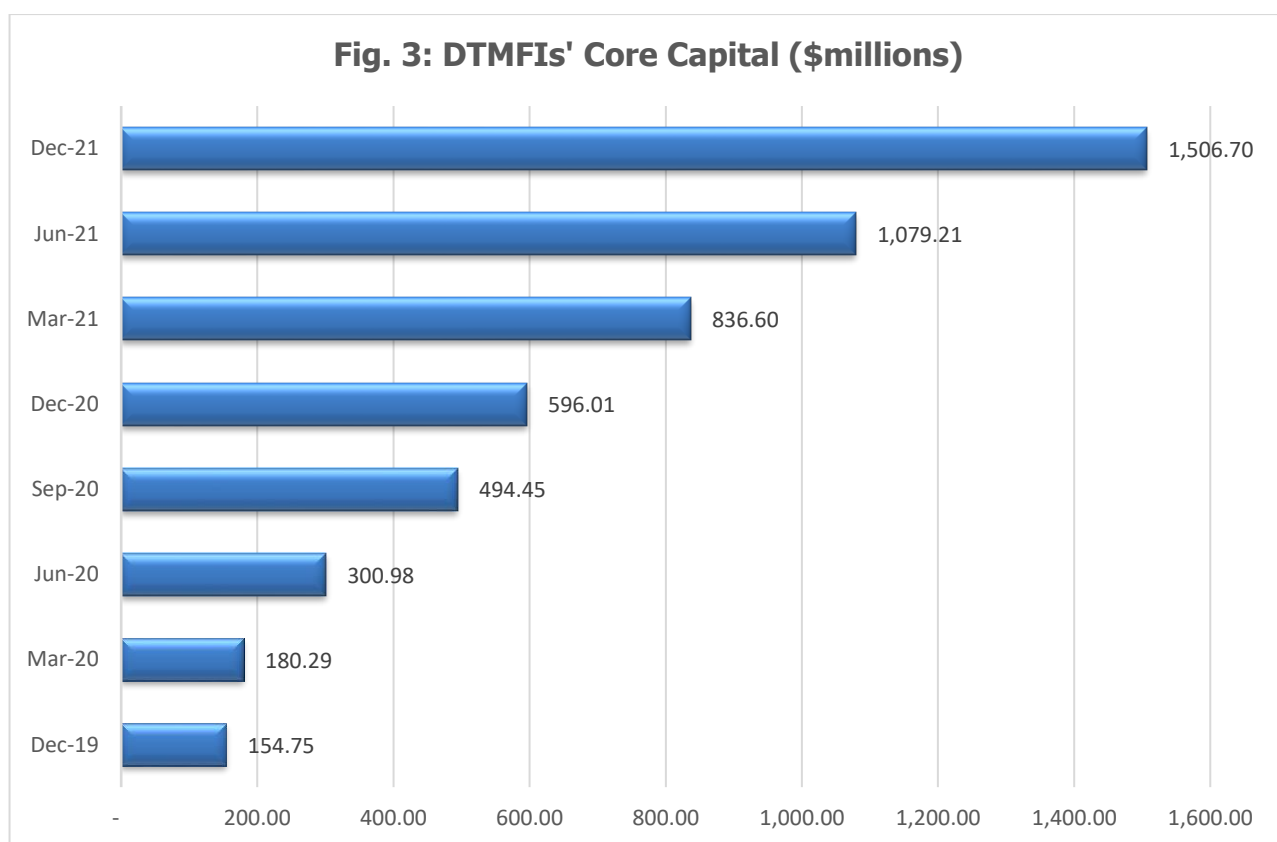
Capital and Funding for Deposit-Taking Microfinance Institutions (DTMFIs)

3.8. The DTMFI sub-sector registered a 28.60% increase in aggregate capitalisation from \$1,17 billion as at 30 September 2021, to \$1,51 billion on the back of organic growth at some of the DTMFIs.

3.9. As at 31 December 2021, none of the DTMFIs was compliant with the new minimum capital requirements of the ZW\$ equivalent to US\$5 million for DTMFIs. Cognisant of the impact of the Covid-19 pandemic on the operations of microfinance clients, which in turn

impacted negatively on the performance of DTMFIs, the compliance date has since been extended to 31 December 2022 on condition that the DTMFIs submit quarterly update on the progress with regards to capitalization.

3.10. The trend in the DTMFI sub-sector core capital levels for the period Dec 2019 to December 2021 is shown in the graph below:

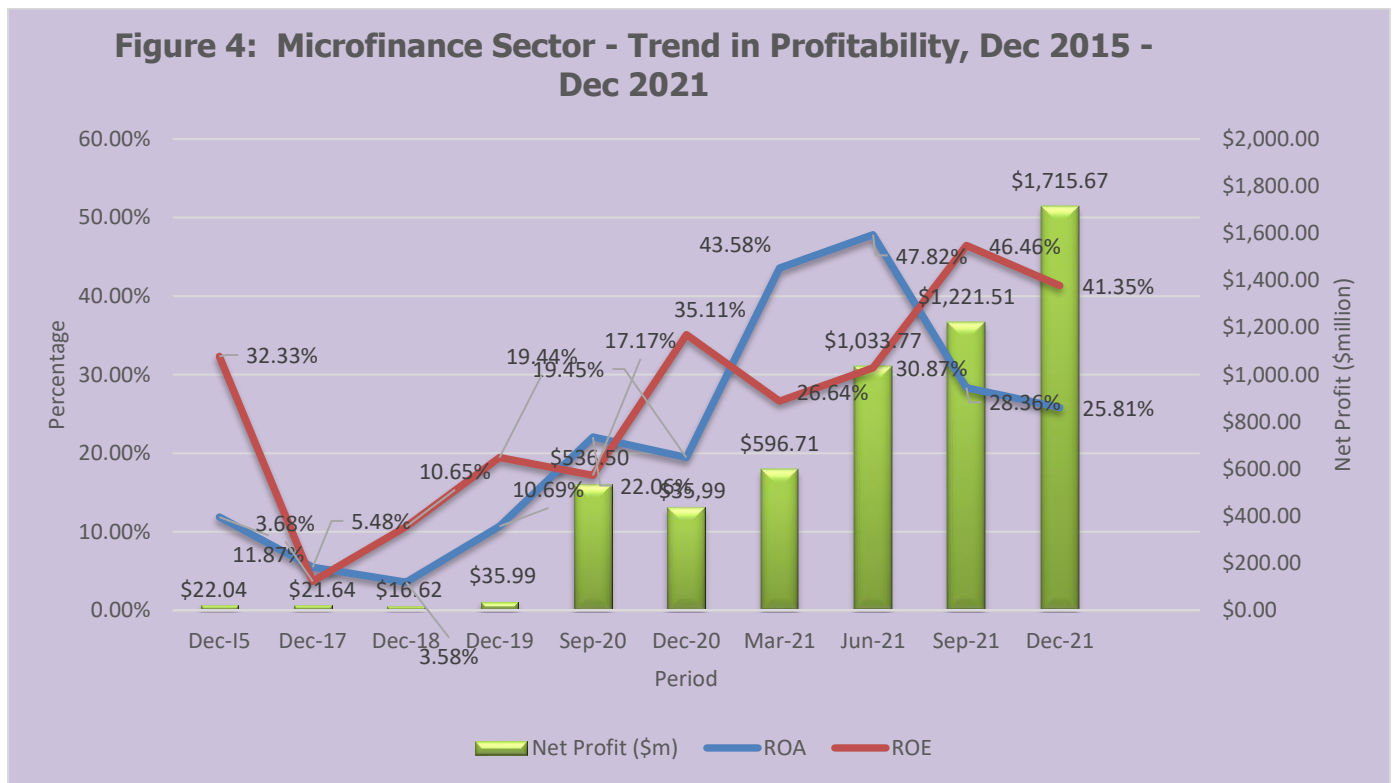


Profitability

3.11. The microfinance industry registered a 290.47% increase in aggregate sector net profit over the year from \$439.39 million for period ended 31 December 2020, to \$1.72 billion, largely driven by adoption of digital and electronic banking services which facilitated a reduction in operating costs.

3.12. During the period under review, the sector's operational self-sufficiency (OSS) ratio improved from 171.69% in September 2021, to 210.09% in December 2021, against the international benchmark of 100%, signifying the sector's capacity to be self-sustainable.

3.13. The trend in profitability indicators for the microfinance industry is indicated in Figure 4.



3.14. Return on assets (ROA) ratio and return on equity (ROE) ratios of 25.82% and 41.35% in December 2021, respectively point to profitable microfinance business over the review period.

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

3.15. The credit-only microfinance sub-sector recorded an increase in aggregate net profit of 433.34% from \$316.15 million for the year ended 30 December 2020, to \$1.67 billion for the year ended 31 December 2021. A total of eight (8) COMFIs recorded operating losses during the year compared to eleven (11) COMFIs in the previous year.

3.16. The operational self-sufficiency (OSS) ratio remained high at 214.24%, up from 120.02% for period ended 31 December 2020, against international benchmark of 100%, pointing to an operationally self-sufficient sector.

Profitability of the Deposit-taking Microfinance Institutions

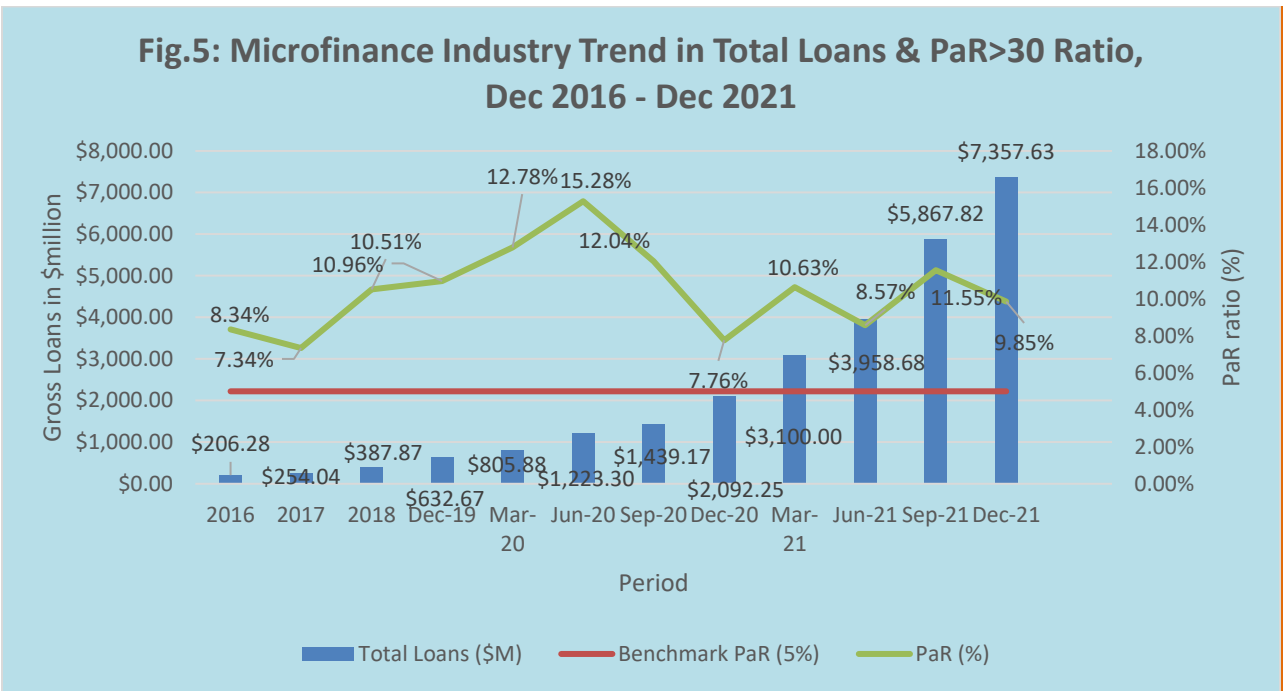
3.17. The DTMFI subsector reported an aggregate profit of \$29.49 million for the year ended 31 December 2021, compared to a profit of \$140.47 million recorded during the comparative period in 2020. The depressed aggregate profits emanated from losses made by three institutions that are yet to build critical mass to cover their operating

costs. These institutions, however, continue to play a critical role in their core financial inclusion mandates of providing access to financial services to the underserved and marginalized segments of the population.

- 3.18. The sub-sector's OSS ratio significantly declined to 100.97% as at 31 December 2021, down from 128.11% as at 31 December 2020.
- 3.19. The earnings performance translated to average return on assets and return on equity ratios of negative 7.00% and 7.38% as at 31 December 2021, compared to 0.88% and 9.74% as at 31 December 2020 respectively.

Microfinance Industry Lending and Portfolio Quality

- 3.20. The microfinance sector registered a 25.38% increase in total loans from \$5.87 billion as at 30 September 2021, to \$7.36 billion as at 31 December 2021, largely driven by increased economic activities following relaxation of the Covid-19 pandemic restrictions.
- 3.21. The average loan size per borrower increased by 33.84% from \$17,466.56 as at 30 September 2021, to \$23,376.48 as at 31 December 2021.
- 3.22. The top 20 microfinance institutions with a total loan portfolio of \$5.94 billion, accounted for 80.73% of the total industry loans amounting to \$7.36 billion as at 31 December 2021, representing 80.73% of the total industry loans.
- 3.23. The trend in aggregate loans and level of portfolio at risk ratio from December 2016 to December 2021 is shown in Figure 5.



3.24. Asset quality in the microfinance industry’s loan portfolio improved over the review period as reflected by an improvement in the Pa Ratio of 9.85% as at 31 December 2021, down from 11.55% recorded in the previous quarter, against the international benchmark of 5%.

Credit-Only Microfinance Sub-Sector Lending and Portfolio Quality

3.25. Total loans for COMFI of \$6.05 billion as at 31 December 2021, represented an 82.20% increase in the value of microfinance loans over the review period, from \$4.84 billion recorded in September 2021. During the period under review the top 20 credit-only microfinance institutions contributed 77.78% of the total sub-sector loans.

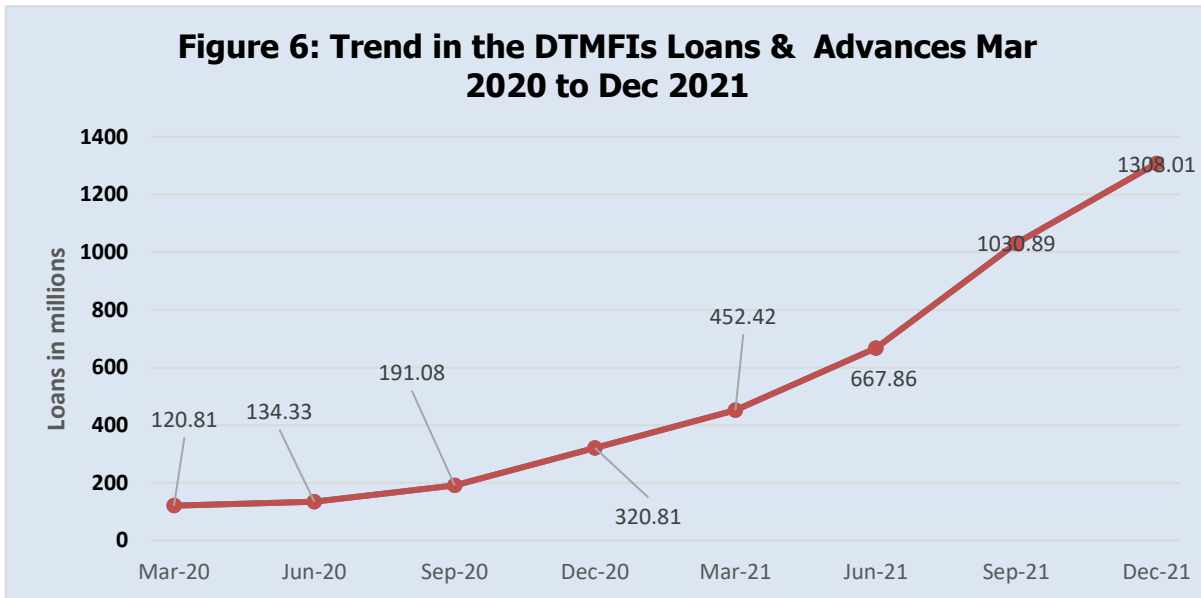
3.26. The average loan size per borrower in the credit-only microfinance sub-sector increased from \$19,784 to \$23,589, representing a 19.23% increase in tandem with average changes in price levels during the quarter under review.

3.27. As at 31 December 2021, asset quality for the credit-only microfinance sub-sector significantly improved in December 2021 as reflected by the PaR ratio of to 9.74% as at 31 December 2021, down from 11.46% registered in September.

Deposit-taking Microfinance Sub-Sector Lending

3.28. The DTMFI subsector recorded a 27.18% increase in loans and advances from \$1.03 billion as at 30 September 2021 to \$1.31 billion as at 31 December 2021.

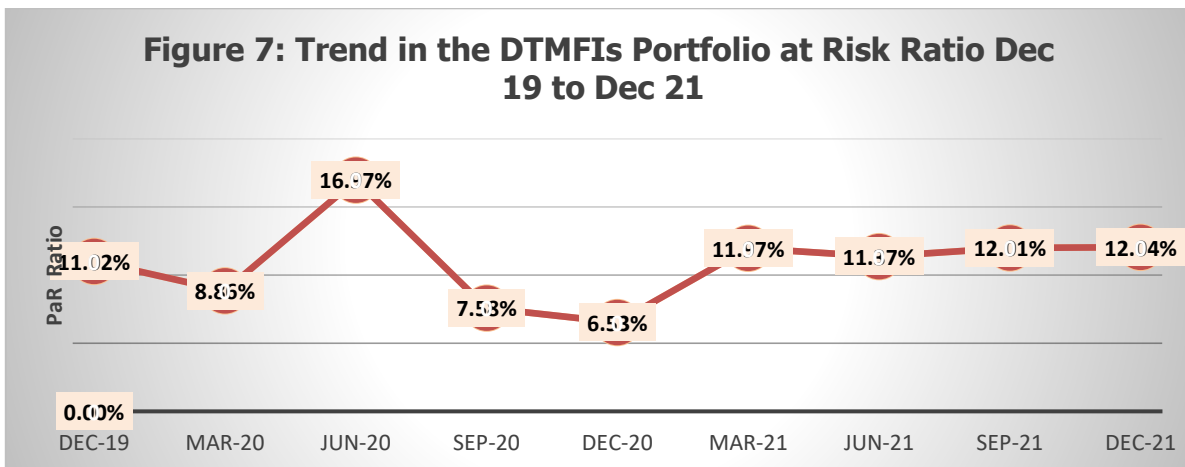
3.29. Figure 5 below shows the trend in the total DTMFI sector loans and advances from March 2020 to December 2021.



3.30. The deposit-taking microfinance subsector’s total loan portfolio of \$1.31 billion, accounted for 22.22% of the total microfinance industry loan portfolio of \$7.36 billion as at 31 December 2021.

3.31. As at 31 December 2021, credit risk in the DTMFI sub-sector remained generally high as reflected by a PaR (>30 days) ratio of 12.04%, a marginal increase from 12.01% in September 2021. The institutions are instituting measures to strengthen their credit risk management practices.

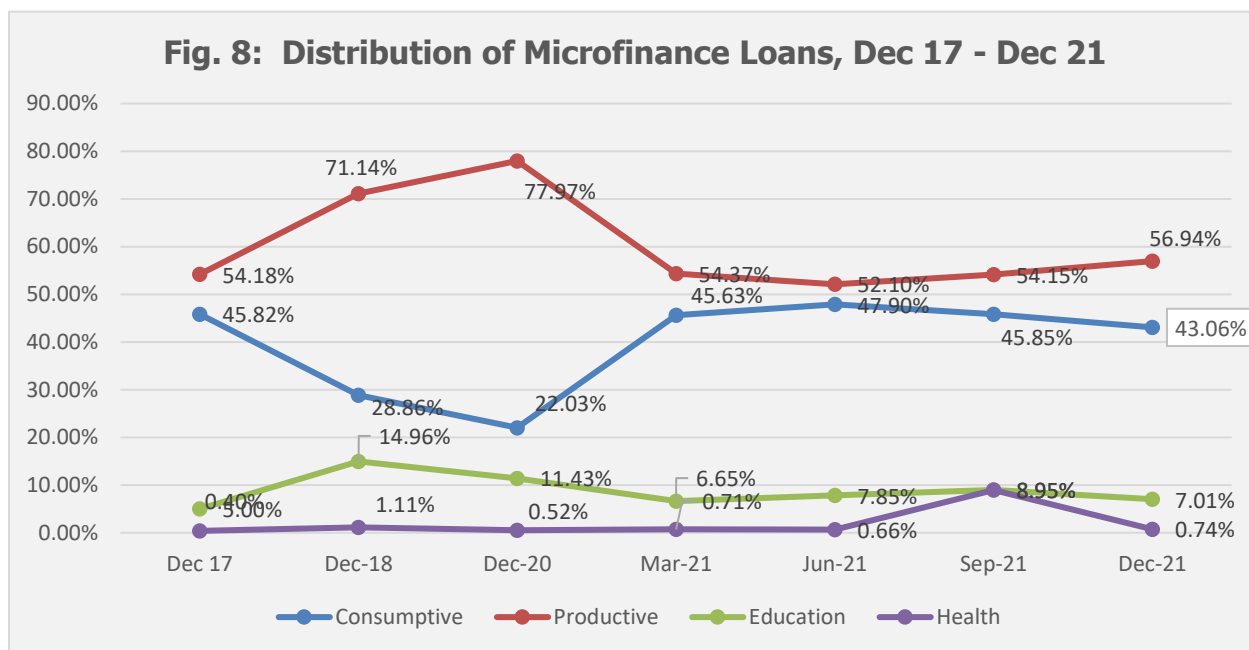
3.32. The graph below shows the trend in the Portfolio at Risk (>30 days) ratio for the DTMFI sub-sector.



Distribution of Loans & Advances

3.33. As at 31 December 2021, the proportion of productive and consumptive lending to total industry portfolio was 56.58% and 43.42% respectively compared to 54.15% and 45.85% respectively recorded in September 2021.

3.34. Figure 6 below indicates the distribution of loans in the microfinance sector as at 31 December 2021.



3.35. As at 31 December 2021, the total loans for educational purposes decreased by 1.80% to \$515.85 million as at 31 December 2021 from \$525.28 million as at 30 September 2021.

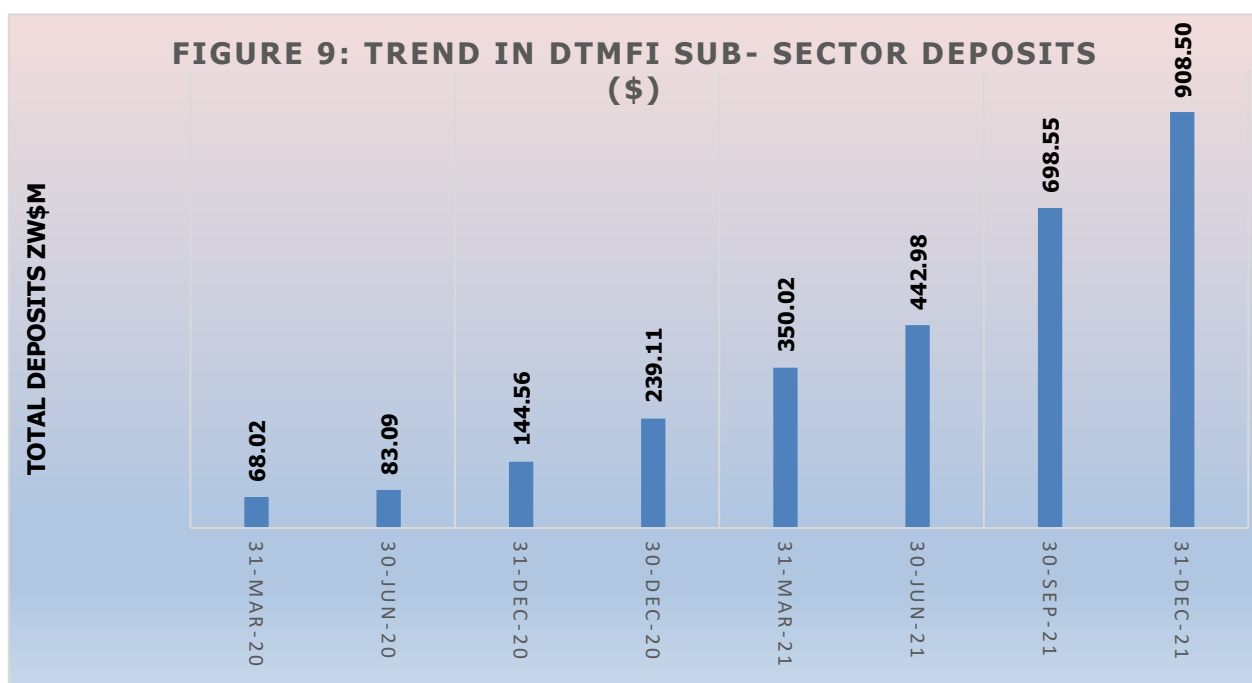
3.36. As at 31 December 2021 total loans for health increased by 26.09% to 54.61 million as at 31 December 2021 from \$43.31 million as at 30 September 2021. The increase in demand was due to the need to finance medical services on the back of the Covid-19 pandemic.

Deposits Mobilisation

3.37. During the quarter under review, total DTMFIs sub-sector deposits increased by 30.06% to \$908.50 million, up from \$698.55 million. During the quarter, the average prudential liquidity ratio declined to 101.32%, down from 119.51% as at 30 September 2021 and remained well above the prudential liquidity requirement of 30%.

3.38. The trend in deposits from March 2020 to 30 December 2021 is shown in the graph

below.



3.39. DTMFIs continued to be constrained in their efforts to mobilise meaningful deposits that will act as a cheaper funding source to support business growth.

4. **OUTLOOK**

4.1. The impact of the Covid-19 pandemic is expected to have been absorbed by end of 2022, and the long-term outlook for the microfinance sector to remain robust in terms of outreach, and profitability, largely driven by digitalization of financial services, and a steady and growing demand for micro financial services by the growing micro and small enterprises sector.

4.2. Developments in the microfinance sector will be anchored through the implementation of the second phase of the National Financial Inclusion Strategy during 2022, which seeks to upscale usage of financial services and products by marginalised segments and facilitate improved livelihoods through sustainable participation in economic activities,

END OF REPORT

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

Indicator	Dec-20	Mar-21	June-21	Sept 2021	Dec-2021
Number of Licensed COMFIs	190	191	176	168	162
Total Loans (\$m)	1,766.16	2,648.14	3,366.96	4,836.88	6,049.62
Total Assets (\$m)	2,649.47	3,540.33	4,566.87	6,264.61	7,984.15
Total Equity (\$m)	976.32	1,519.75	2,147.29	2,618.99	3,289.26
Net Profit (\$m)	316.15	648.00	1,106.18	1,268.47	1,686.18
Average Operational Self-Sufficiency (OSS)	120.02%	142.29%	195.68	236.86	214.24%
Portfolio at Risk (PaR>30 days)*	7.60%	10.57%	8.47	11.46	9.74%
Number of Active Loan Clients	223,020	234,676	228,087	244,475	256,459
Number of Outstanding Loans	274,153	259,612	278,953	269,574	287,492
Number of Branches	661	654	641	813	1,030
Number of Women Clients	89,584	100,794	100,379	108,180	112,275
Value of Loans to Women (\$m)	580.21	1,136.27	1,562.00	1,963.57	2,395.72

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

Key Indicators	Sept- 20	Dec – 20	Mar -21	June-21	Sept -21	Dec - 21
Total Assets (\$m)	1,154.26	1,515.19	2,002.58	2,445.61	3,092.74	4,050.07
Total Loans & Advances (\$m)	191.08	320.87	452.42	667.86	1,030.89	1,308.01
Core Capital (\$m)	494.45	596.01	836.20	1,079.21	1,171.64	1,506.70
Net Capital Base (\$m)	683.95	783.57	1,098.96	1,369.58	1,476.86	1,956.97
Total Deposits (\$m)	144.56	239.11	350.02	442.98	698.55	908.50
Net Profit (\$m)	125.11	140.48	(51.29)	(69.72)	(46.97)	29.49
Average OSS ratio	171.10%	128.11%	72.27%	86.52%	95.32%	100.97%
Average Return on Assets	16.75%	9.27%	-4.78%	-4.77%	-4.98%	-7.38%
Average Return on Equity	7.98%	9.74%	-6.70%	-5.63%	-4.16%	-7.00%
Average Prudential Liquidity Ratio	92.56%	91.73%	194.27%	174.57%	119.51%	101.32%
Portfolio at risk Ratio (> 30 days)	7.58%	6.53%	11.97%	11.37%	12.01%	13.50%

Annexure 3: Access Points and Devices

	Jun 2020	Sept 2020	Dec 2020	Mar 2021	June 2021	Sept 2021	Dec 2021
PAYMENT SYSTEMS ACCESS CHANNELS							
Mobile Banking Agents	73,281	52,065	0	0	0	0	0
ATMs	537	527	532	520	456	410	410
POS	126,696	128,896	125,277	128,803	128,771	136,669	138,210
PAYMENT SYSTEMS ACCESS DEVICES							
Debit Cards	5,837,878	5,989,282	5,675,458	5,977,006	6,430,419	6,210,432	6,352,240
Credit Cards	17,431	16,595	17,093	15,217	15,217	13,229	13,812
Prepaid Cards	120,433	112,154	124,210	143,438	129,509	142,157	145,614
Mobile Money Subscribers	5,307,515	4,261,048	5,201,677	4,638,369	3,949,341	4,052,994	4,129,470
Internet Banking Subscribers	410,724	427,993	447,033	490,679	499,789	615,139	607,246