AMFIU

# MICROFINANCE SECTOR PERFORMANCE REPORT

## QUARTERLY REPORT JULY – SEPTEMBER 2024

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# 1. INTRODUCTION

AMFIU on a quarterly basis collects data through the Perfomance Monitoring Tool from member and non-member MDIs, MFIs, SACCOs and some commercial banks whose major focus is on microfinance. The tool supports financial institutions analyze their performances and gives guidance on which decisions can best be adopted for the smooth running of their businesses.

In addition, the tool can consolidate the average performance of financial institutions in relation to the key performance indicators in comparison with the industry standards. This report highlights the performance of the microfinance sector of Q3 2024.

## 2. PORTFOLIO OUTREACH AND VOLUNTARY SAVINGS

| Category of Financial Instn | Outstanding Portfolio | No of Borrowers | Female Borrowers | % of Rural Borrowers | Voluntary Savings |
|---|---|---|---|---|---|
| Banks & Credit Instn. | 1,276,428,184,724 | 384,119 | 56.00% | 60% | 824,231,783,733 |
| MDIs | 325,170,214,528 | 103,461 | 39.00% | 64.17% | 164,590,401,223 |
| MFIs | 334,330,673,071 | 464,238 | 76.00% | 69.20% | 0 |
| SACCOs | 718,852,985,879 | 224,494 | 40.00% | 68.60% | 324,754,810,845 |
| *Total* | 2,654,782,058,202 | 1,176,312 | 52.75% | 65.49% | 1,313,576,995,801 |

***In Q3, eighty-four (84) financial institutions were able to submit data to AMFIU using the performance monitoring tool (PMT). These registered an outstanding loan portfolio of UGX. 2.6 trillion with 1.1million borrowers, 53% of these being women.***

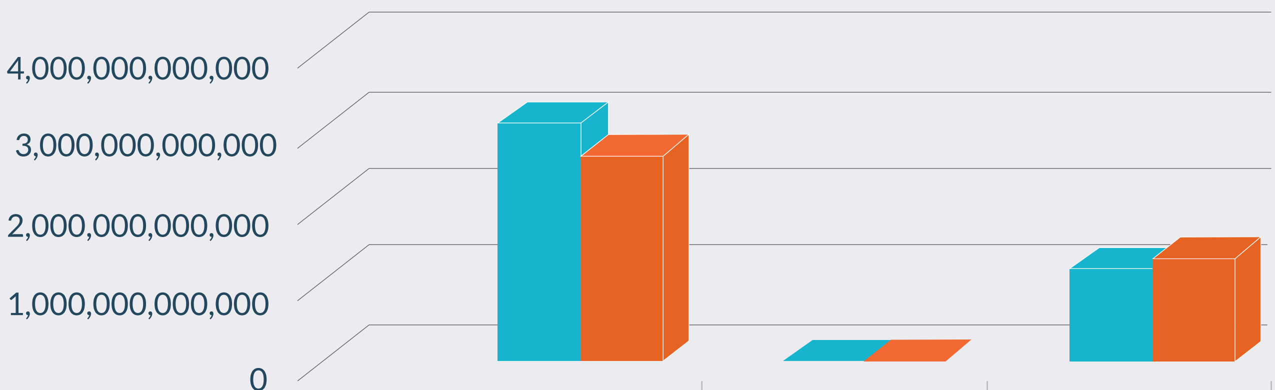
## Percentage of Portfolio in Agriculture

| Category of FI | % of Portfolio in Agriculture |
|---|---|
| MDIs | 17.30% |
| MFIs | 36.06% |
| SACCOs | 38.91% |

## 2.1 COMPARISON BETWEEN Q2 AND Q3

Compared to last quarter the percentage of rural borrowers increased from 58.25% to 65.49% with voluntary savings increasing to 1.313 billion Ugx compared to 1.190 trillion Ugx in the last quarter 2. There was a registered decline in the outstanding loan portfolio from 3.067 trillion to 2.654 trillion whereas the percentage of female borrowers dropped from 54.09% in quarter 2 to 52.75%.

### Q2 vs Q3 Perfomance trend




| | Outstanding Portfolio | % of Female borrowers | Voluntary Savings |
|---|---|---|---|
| Quarter 2 | 3,067,318,237,498 | 54.10% | 1,190,698,324,690 |
| Quarter 3 | 2,654,782,058,202 | 52.75% | 1,313,576,995,801 |

Quarter 2 Quarter 3

# 3. KEY PERFOMANCE INDICATORS.

The section below indicates the average performance of the three categories of financial institutions i.e. MFIs, MDIs and SACCOs in line with the key performance indicators compared to the industry standards. These have been categorized into productivity and efficiency, profitability, capital, portfolio quality and liquidity ratios.

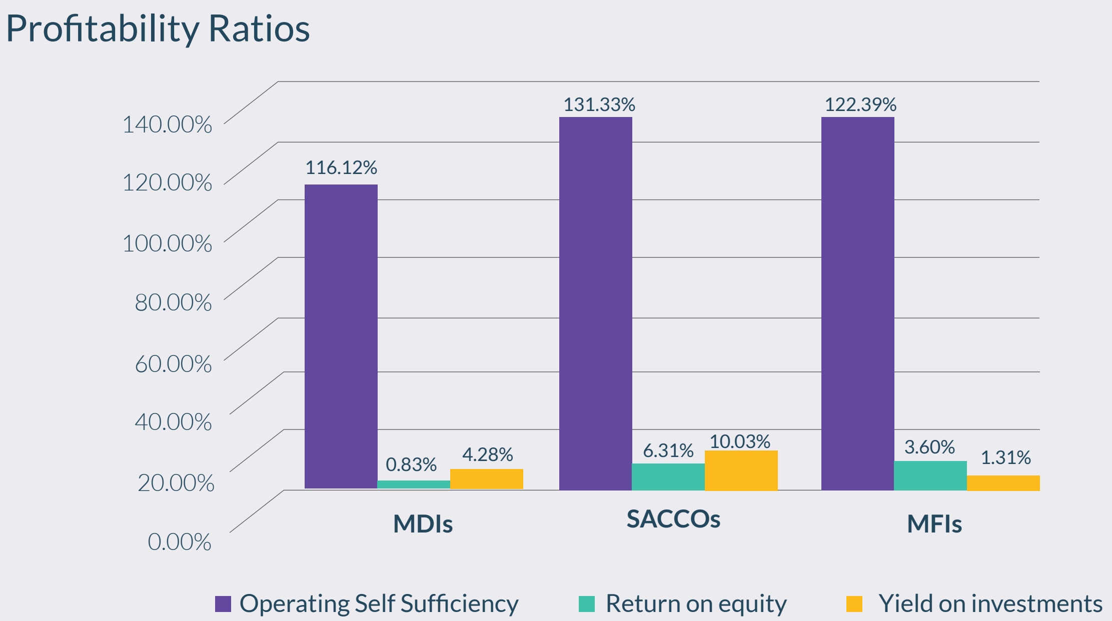
## 3.1 PROFITABILITY RATIOS.

Profitability ratios indicate how a financial institution has been able to generate revenue from the assets it has to remain effective and create more space for growth. In most cases if portfolio quality is poor and efficiency is very low, definitely profitability will be affected. Ratios that have been analyzed here include operating self-sufficiency, return on equity and yield on investments.

### 3.1.1 OPERATING SELF SUFFICIENCY, RETURN ON EQUITY, YIELD ON INVESTMENTS.

- **A** Operating self-sufficiency measures the institution's ability to meet its costs using internally generated income.
- **B** Return on equity measures how well a company uses the capital invested in it by its shareholders to generate profits.
- **C** Yield on investments measures the income generated by a company from its investments.

The graph below indicates the performance of the three ratios in comparison with MDIs, MFIs and SACCOs.



- All institutions achieved OSS above 100% an indicator of good performance as compared with the industry benchmark of 100% and above i.e. 116.12% for MDIs, 131.33% for SACCOs and 122.39% for MFIs.
- MDIs registered a return on equity of 0.83%, 6.31% for SACCOs and 3.60% for MFIs.
- MDIs achieved a yield on investments of 4.28%, 10.03% for SACCOs and 1.31% for MFIs.

## 3.2 CAPITAL RATIOS

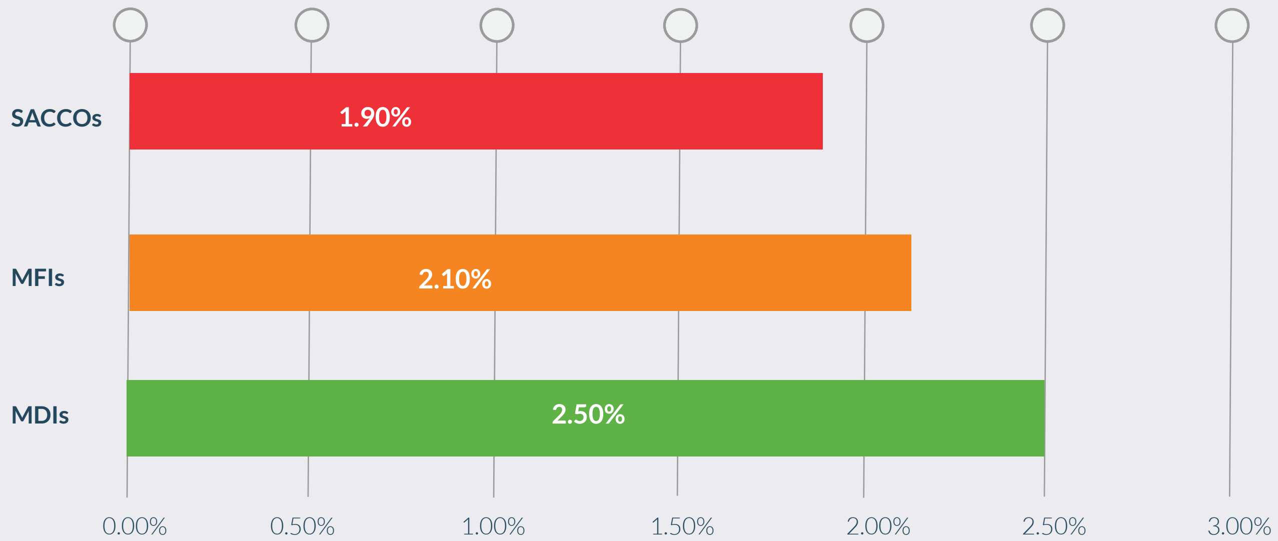
Capital ratios are important for financial institutions as they indicate its ability or inability to absorb losses. Under this category the debt to equity ratio as well as the capital adequacy ratio have been analyzed as shown below.

### 3.2.1 DEBT TO EQUITY RATIO, CAPITAL ADEQUACY RATIO

A. The debt to equity ratio compares a company's liabilities to its equity. In other words how much of a company's operations are managed by debt compared to equity. The lower the ratio, the better.

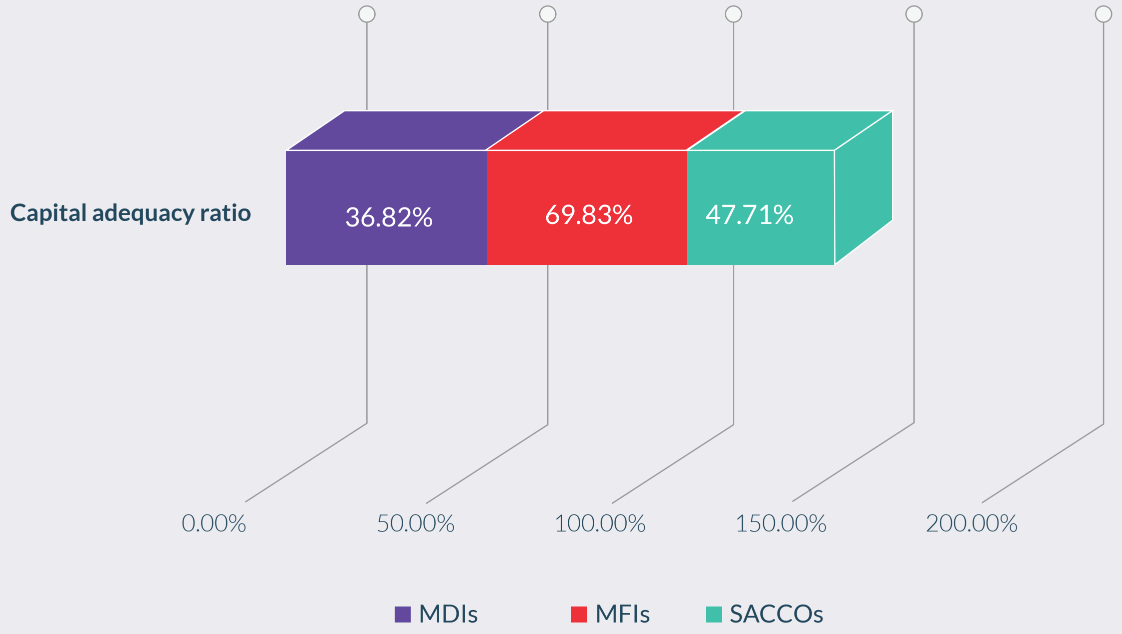
B. The Capital Adequacy ratio reflects the ability of a company to settle its liabilities and also manage the risks associated including credit risks and others. The graphs below reflects the debt to equity ratio as well as the capital adequacy ratio for MDIs, MFIs and SACCOs at the end of Q3.

**Debt to Equity ratio**




***At the end of Q3, the reporting MDIs had a debt to equity ratio of 2.5%, MFIs with 2.1% and SACCOs with 1.9%. Compared to the industry standard, MDIs are recommended to have a debt to equity ratio of 4 to 6 times, MFIs at a ratio of 2:1 or 3:1 and SACCOs at a ratio of 1:1, MFIs and MDIs were within the recommended standard apart from SACCOs who were slightly above by 0.9%.***

## Capital adequacy ratio




MDIs scored a capital adequacy ratio of **36.82%**, MFIs **69.83%** and SACCOs with **47.71%.** For MFIs and SACCOs it is recommended to have a capital adequacy ratio of **>50%** and **>30%** respectively.

## 3.3 PORTFOLIO QUALITY RATIOS

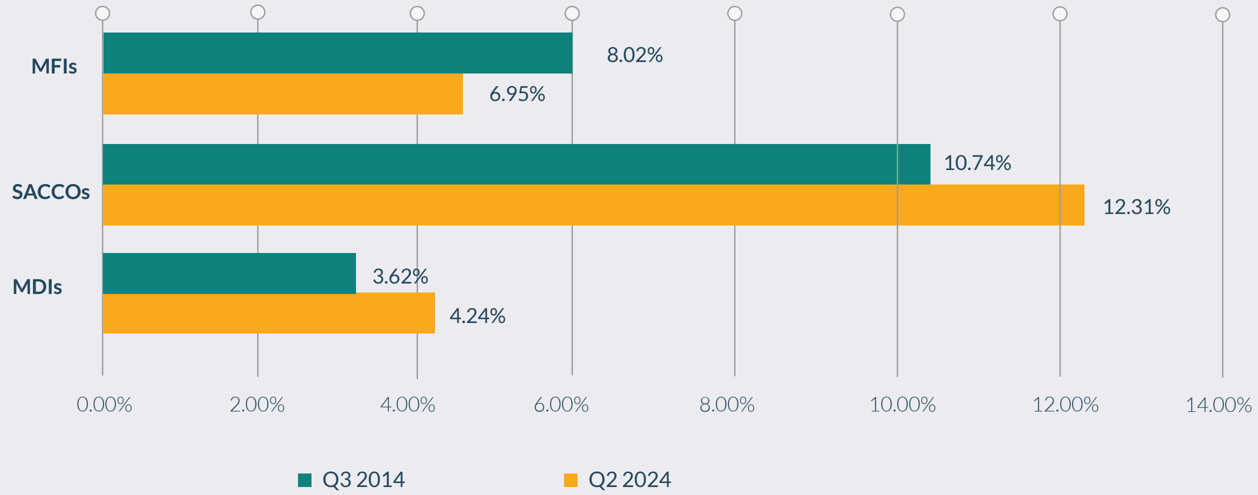
Portfolio quality ratios are used to evaluate the performance and risks associated with the investment portfolio. Portfolio quality is a crucial area for analysis since the largest source of risk of a financial institution resides around its portfolio.

Ratios that have been analyzed here include PAR>30days, Loan loss reserve ratio, Risk coverage ratio and portfolio as a percentage of assets.

### 3.3.1 PORTFOLIO AT RISK> 30 DAYS

*PAR>30 days indicates the balance of loans outstanding with a payment passed due of more than 30 days. A micro enterprise loan is typically considered to be at risk if its repayment is more than 30 days late. MDIs, MFIs and SACCOs are recommended to have a PAR>30 days of <3%. At the end of Q3, MDIs scored 3.62%, 10.74% by SACCOs and MFIs at 8.02% as shown in the graph below.*

## PAR>30 days Q2 vs Q3

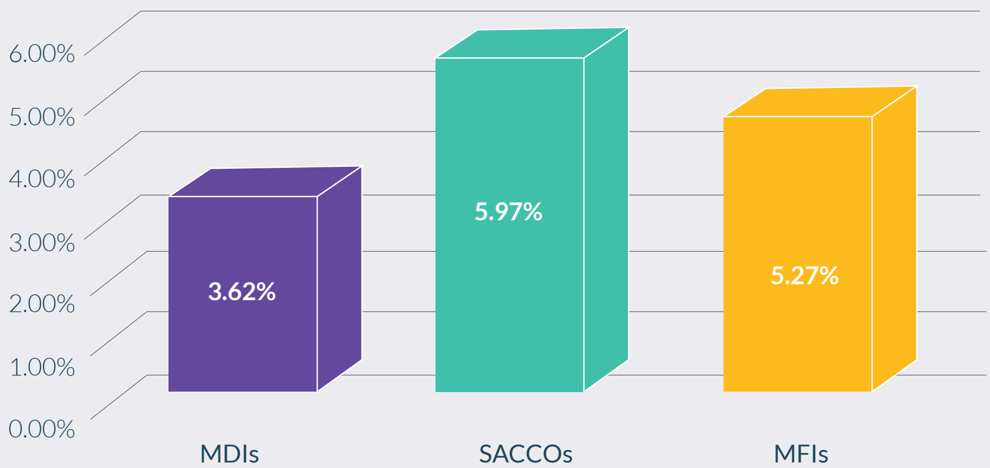



*Compared to Q2, there was a great improvement in PAR>30 where MDIs scored 3.62%, SACCOs with 10.74% apart from MFIs whose PAR >30 days instead increased to 8.02% from 6.95%*

## 3.3.2 LOAN LOSS RESERVE RATIO

Loan loss reserve ratio indicates that portion of portfolio that is put aside to cater for the anticipated losses. At the end of Q3, MDIs scored a loan loss reserve ratio of 3.62%, SACCOs scored 5.9% and MFIs with 5.27%.

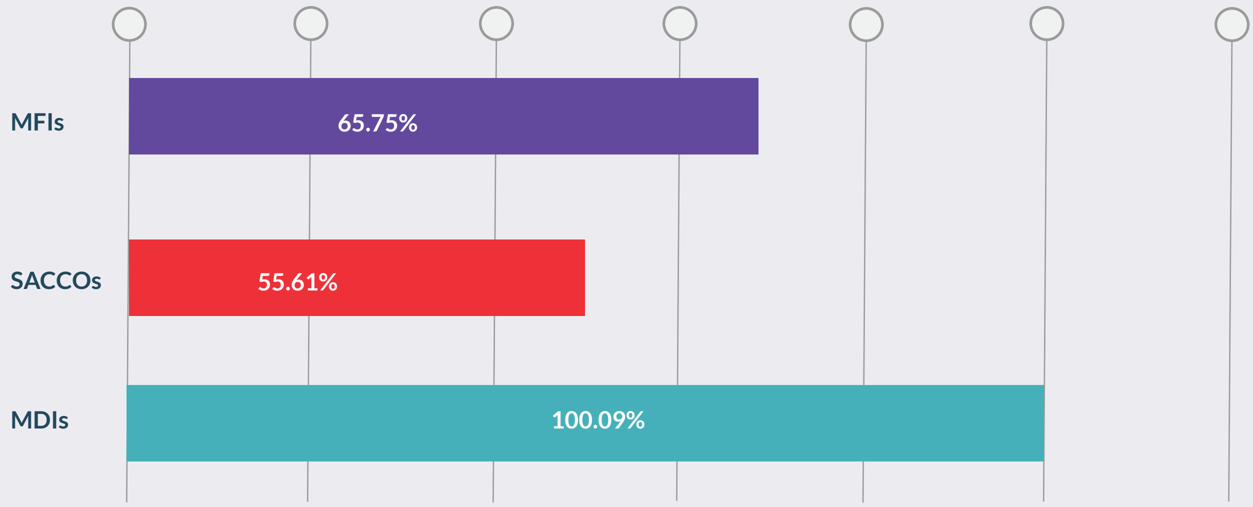
## Loan Loss Reserve ratio




## 3.3.3 RISK COVERAGE RATIO

The risk coverage shows how much of the portfolio at risk is covered by the institution's loan loss reserve. It gives an indication of how prepared the financial institution is when it comes to worst times. It is healthy for MDIs to have a risk coverage ratio of >100%, SACCOs and MFIs above 120%. At the end of Q3 MDIs scored 100.09%, SACCOs at 55.61% and MFIs at 65.75%.

## Risk Coverage Ratio




## 3.3.4 PORTFOLIO AS A PERCENTAGE OF ASSETS

For any financial institution portfolio is the major asset since it is the main driver of business. At the end of Q3 MDIs had on average portfolio as a percentage of assets at 45.17%, SACCOs at 69.3% and MFIs at 77.25%.

## Portfolio as a percentage of assets

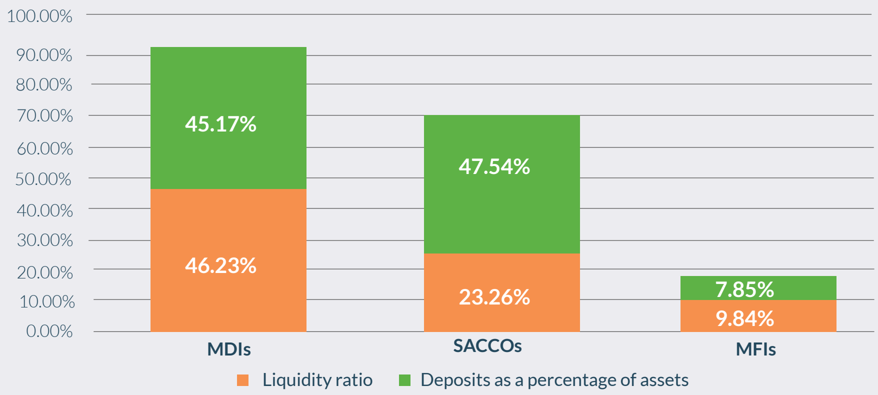

## 3.4 LIQUIDITY RATIOS

The liquidity ratio and deposits as percentage of assets have been analyzed here.

## 3.4.1 LIQUIDITY RATIO

It is important for a financial institution to ensure there is enough liquidity to be able to meet obligations of disbursing to its borrowers, repaying loans to its creditors among others. Liquidity can also have an impact on profitability where liquid funds are invested.

## Liquidity Ratios




***At the end of Q3 MDIs scored a liquidity ratio of 46.23%, SACCOs at 23.26% and MFIs with 9.84%. In comparison to the standard MDIs are recommended to have a ratio >20%, SACCOs at 30% and MFIs at 15%. It is SACCOs and MFIs that were not able to perform compared to the standard.***

### 3.4.2 DEPOSITS AS A PERCENTAGE OF ASSETS.

This ratio indicates what percentage of the total institutional assets are held as short and long term deposits . At the end of Q3 MDIs had 45.17 % of their assets as deposits, SACCOs had 47.54% of their assets as deposits whereas MFIs had 7.85% of their assets in deposits.

### EFFICIENCY AND PRODUCTIVITY RATIOS

Efficiency and productivity ratios are performance measures that show how well a financial institution is streamlining its operations and assess its self whether it is delivering service at the lowest cost.

### 3.5.1 AVERAGE OUTSTANDING PORTFOLIO PER LOAN OFFICER, AVERAGE NUMBER OF ACTIVE CLIENTS PER LOAN OFFICER.

The Average outstanding portfolio per loan officer and the Average number of active clients per loan officer are some of the ratios that assess the productivity of loan officers in a financial institution.

| Efficiency and productivity Ratios | MDIs | SACCOs | MFIs |
|---|---|---|---|
| Average Loan portfolio Outstanding per LO | 622,931,445 | 717,955,924 | 155,707,173 |
| Average number of active loan clients per LO | 198 | 296 | 135 |

- *At the end of Q3 the average outstanding loan portfolio per loan officer was higher in SACCOs compared to other financial categories with 717,955,924, MDIs with 622,931,445 and MFIs with 155,707,173.*

- *The Average number of active loan clients per loan officer was still bigger in SACCOs with 296, MDIs with 198 and MFIs with 135.*

## 4. ENVIRONMENT, SOCIAL AND GOVERNANCE

ESG reporting is a way companies are able to disclose information on how their practices affect the environment, how they deal with social responsibility as well as corporate governance. It is no longer a choice by financial institutions to be ESG compliant but a responsibility of to all stakeholders.

AMFIU through the Perfomance Monitoring Tool has been able to collect ESG data based on the indicators that were included in the tool and these have been categorized under nine aspects of Awareness raising and training, green loan portfolio and outreach, carbon foot print, energy, water, persons with disabilities, youth and refugees. Below is a summary obtained from the reporting institutions.

## 4.1 AWARENESS RAISING AND TESTING

Under this category financial institutions report on how many customers and staff including board members have been trained in ESG. It is quite important to train both staff and clients on ESG for them to appreciate its purpose to be able to put it into practice and as well report on it . Based on the results of Q3, only 0.75% of customers , 64% of staff and 82% of board members were trained.

| Awareness raising and training | Q3 |
| --- | --- |
| Percentage of customers trained on Environment/Green Finance | 0.75% |
| Percentage of staff trained on Environment/Green Finance | 64% |
| Percentage of board members trained on Environment/Green Finance | 82% |

## 4.2 GREEN LOAN PORTFOLIO AND OUTREACH.

Green loan products can range from a variety of taxonomies categorized under mitigation, adaptation and bio diversity. According to the Q3 report, 13 green loan products were being offered making an outstanding of 0.19% of the entire portfolio registering a PAR>30 days of 4%. No loans were rejected due to high environment risk.

| Green loan portfolio and outreach | Q3 |
|---|---|
| Number of green loan products offered | 13 |
| Number of green loans disbursed | 1,052 |
| Number of outstanding green loans | 1,204 |
| Value of green loans disbursed | 6,494,840,311 |
| Percentage of outstanding green loans | 6.00% |
| PAR for Green loans (30days) | 4% |

## 4.4 CARBON FOOT PRINT

In regards to carbon foot print, no institution was able to measure their carbon foot print, perhaps this seems to be a new concept to them and they need to be sensitized on how to measure it. 970 paper reams were used in quarter 3 whereas there was a reduction in paper consumption to 70 reams of paper compared to 97.7 of the previous quarter.

| Carbon Foot print | Q3 |
|---|---|
| Number of paper reams used in a quarter | 970 |
| Percentage reduction in paper consumption at your headquarters and branches | 70 |

## 4.5 WASH INDICATORS

| WASH indicators | Q3 |
| --- | --- |
| Number of third party beneficiaries reached under WASH | 329,612 |
| Value of outstanding Portfolio under WASH | 34,279,889,857 |
| Number of Water Loans | 14,206 |

## 4.6 PERSONS WITH DISABILITY INDICATORS

Financial inclusion for persons with disabilities (PWD) is a critical aspect of ensuring equal access to economic opportunities and empowering individuals to fully participate in society. It refers to the ability of people with disabilities to have access to affordable and appropriate financial services, e.g. credit, savings among others. From Q3 results, it indicated that customers with difficulty seeing even if wearing glasses were more compared to customers with other disabilities with 815. Portfolio under persons with disabilities constituted only 0.5% of the total portfolio with 180M.

| | |
| --- | --- |
| Total number of customers who have difficulty Seeing even if wearing glasses. | 815 |
| Number of female customers who have difficulty Seeing even if wearing glasses. | 163 |
| Total number of customers who have difficulty Walking or climbing steps. | 250 |
| Number of female customers who have difficulty walking or climbing. | 150 |
| Percentage increase in the number of customers with disability | 0.5 |
| Total portfolio with customers that have disability | 180,000,000 |
| Loan portfolio with female customers that have disability | 72,000,000 |
| Percentage portfolio of customers with disabilities over total portfolio. | 0.5 |
| Total saving with customers that have disability | 105,000,000 |
| Loan portfolio with female customers that have disability. | 72,000,000 |

## 4.7 YOUTH INDICATORS

At the end of Q3, a total of 21,724 youths were served by the institutions that reported 5.8% of these being women. Youth constituted 45% of the total portfolio . Extending financial services to youth enables them to make sound financial decisions, build assets and participate in formal economy. It also improves their financial literacy as well as developing responsible money management habits.

| Youth | Q3 |
| --- | --- |
| Number of youth customers | 21,724 |
| Number of female youths served | 1,269 |
| Percentage of youth customers over total customers | 45.20% |
| Percentage increase in number of youth customers | 3% |

## 4.8 REFUGEES

A number of financial institutions are going into the refugee financing space by extending financial services including credit, savings and payment services among others. Despite their vulnerability, a number of them have proven high capability to pay the loans extended to them attracting more institutions to support them. At the end of Q3 financial institutions supported 8,629 refugees, 52% of these being female.

| Refugees | Q3 |
| --- | --- |
| Number of refugee customers | 8,629 |
| Number of female refugees served. | 4,469 |
| Percentage of refugee customers over total customers | 5% |
| Total loan portfolio with refugee customers | 1,760,119,855 |
| Loan portfolio with female refugee customers | 732,994,169 |

# 5. REPORTING INSTITUTIONS

We wish to applaud the financial institutions below for their commitment is submitting reports to AMFIU through the Perfomance Monitoring Tool which enables us to compile the quarterly narrative reports. We call upon other financial institutions to also share their reports and more so utilize the tool to guide them in making informed decisions basing on the performance analysis done by the tool for the growth of their institutions.

| | |
|---|---|
| 1 | ADVANCE SMART MICROFINANCE LTD |
| 2 | ASA MICROFINANCE (U) LTD |
| 3 | BAGEZZA SACCO LTD |
| 4 | BULADDE FINANCIAL SERVICES |
| 5 | BUNYARUGURU DEVELOPMENT SACCO |
| 6 | BURERE PEOPLES SACCO |
| 7 | BUSIU SACCO |
| 8 | BUTUURO PEOPLES SACCO LTD |
| 9 | BUYANJA SACCO |
| 10 | JUSTA MICRO CREDIT LTD |
| 11 | CBS PEWOSA NSINDIKA NJAKE EYETEREKERA |
| 12 | CELEBRATE HOPE SACCO |
| 13 | CHAHI TEACHERS COOPERATIVE SOCIETY LTD |
| 14 | COMMUNITY FUND |
| 15 | DARWEN CREDIT LTD |
| 16 | DESTINY MICROFINANCE LIMITED |
| 17 | DEVELOPMENT MICROFINANCE LIMITED |
| 18 | DIVINE MICROFINANCE LIMITED |
| 19 | EAST AFRICAN PREMIER INVESTMENTS LTD |
| 20 | EBO SACCO |
| 21 | ECLOF UGANDA |
| 22 | ELEGLANCE FINANCE |
| 23 | ENCOT MFI |
| 24 | GLORY SACCO |
| 25 | GOLDMINE FINANCE LIMITED |

| | |
|---|---|
| 26 | HAKASHENYI SACCO |
| 27 | HOFOKAM |
| 28 | IGARA BUHWEJU TEA FARMERS SACCO |
| 29 | IRYARUVUMBA DEVELOPMENT SACCO |
| 30 | CENTENARY BANK |
| 31 | OPPORTUNITY BANK |
| 32 | KARIBU MICROFINANCE |
| 33 | KASAANA SACCO |
| 34 | KASHONGI SACCO |
| 35 | KATI MICROFINANCE |
| 36 | KIFFI SACCO LTD |
| 37 | KIGARAMA FARMERS SACCO |
| 38 | KIGARAMA PEOPLES SACCO |
| 39 | KIHANGA MPARO SACCO |
| 40 | KIJURA SACCO |
| 41 | KINONI COOPERATIVE SAVINGS AND CREDIT SOCIETY |
| 42 | WASHINDI SAVINGS AND CREDIT COOPERATIVE SOCIETY LTD |
| 43 | Y-SAVE MULTIPURPOSE COOPERATIVE SOCIETY LTD8 |
| 44 | KINONI COOPERATIVE SAVINGS AND CREDIT SOCIETY |
| 45 | KOBOKO UNITED SACCO |
| 46 | KOLPING MICROFINANCE |
| 47 | KYAMUHUNGA SACCO |
| 48 | LWENGO MICRO FINANCE C/S LTD |
| 49 | LYAMUJUNGU COOPERATIVE FINANCIAL SERVICES LTD |
| 50 | MAMIDECOT |
| 51 | MARANATHA FINANCIAL SERVICES |
| 52 | MATEETE SACCO |
| 53 | MCDT SACCO |
| 54 | MT. OTCE METU SACCO |
| 55 | MUHAME SACCO |

| | |
|---|---|
| 56 | MUNTUYERA SACCO |
| 57 | MUSHANGA SACCO |
| 58 | MWIZI SACCO |
| 59 | NAZIGO SACCO |
| 60 | NGORA SACCO |
| 61 | NILE MICROFINANCE |
| 62 | NYAKAYOJO SACCO |
| 63 | NYAKIBALE DEVELOPMENT SACCO |
| 64 | NYARAVUR FARMERS |
| 65 | NZURI TRUST |
| 66 | PRIDE MICROFINANCE MDI( LTD) |
| 67 | REAL PEOPLE FINANCIAL SERVICES |
| 68 | RUBABO PEOPLES' SACCO |
| 69 | RUFI MICROFINANCE |
| 70 | RUHIIRA MILLENIUM SACCO LTD |
| 71 | RUKIGA SACCO |
| 72 | RUKUNGIRI CHRIST THE KING CHURCH COMMUNITY SACCO LTD |
| 73 | RUKUNGIRI DISTRICT EMPLOYEES SACCO |
| 74 | RUSCA SACCO |
| 75 | RUSHERE SACCO |
| 76 | RWANYAMAHEMBE SACCO |
| 77 | BRAC BANK LIMITED |
| 78 | SAO ZIROBWE SACCO |
| 79 | SHUUKU SACCO |
| 80 | TUJIJENGE UGANDA LTD |
| 81 | UGAFODE MICROFINANCE (MDI) |
| 82 | UMOJA MICROFINANCE SMC LTD |
| 83 | VISIONFUND UGANDA |
| 84 | WAKISO SELFHELP SACCO |