Association of Microfinance Institutions in Rwanda

AMIR

Member Performance Report

2018

Introduction

The Financial Services sector is the backbone of economic development and poverty reduction in Rwanda. Access to financial services was identified as one of the top priorities in key thematic areas of the first National Strategy for Transformation (NST1), and the country has committed to:

- **Develop Rwanda into a financial services center**: developing specialized skills and establishing incentive mechanisms to attract investors in the financial sector.
- **Increase value of payment transactions done electronically as percentage of GDP from 26.9% (2017) to 80% by 2024**: automation of Umurenge SACCOs, sensitizing the population to increase uptake of electronic and digital financial services.
- **Bring financial services closer to people:** increase the percentage of adult Rwandans financially included at 100% by 2024 (from 89% in 2017).
- **Develop the capital market and increase dynamism** in line with the ten-year capital market master plan.
- **Operationalize long-term savings scheme and pension for all** Rwandans.

The microfinance sector is one of the major players that contribute to achieving objectives and targets defined in the NST1. Therefore, it is important to monitor the sector achievements to learn from the past, improve future interventions and make microfinance a better instrument for poverty reduction in Rwanda.

This report is a fourth in a series of sector performance reports produced by the Association of Microfinance Institutions in Rwanda (AMIR). For the sake of confidentiality, data were anonymized. This will help investors and any stakeholders interested to access data, which is not available otherwise. Data herein are as at December 31, 2017.

What is AMIR?

The Association of Microfinance Institutions in Rwanda (AMIR) is an umbrella organisation that brings together practitioners in a platform that aims to energize the microfinance sector in the country. Consisting of 343 members to date, AMIR boasts a very convincing representation of the Rwandan microfinance sector (78% of microfinance institutions, drawn from different legal statuses are members, which represent more than 97% of market share-both in terms of total assets and number of clients).

Created in 2007, AMIR is the only umbrella organization for microfinance institutions in Rwanda that seeks to build a flourishing microfinance sector in the country through different thematic areas of intervention, such as Advocacy and Information, Research and Development, Responsible Finance (including consumer protection and education), and Performance Monitoring and Capacity Building. AMIR's mission is to offer diversified services to microfinance institutions to enable them to work professionally and contribute to poverty reduction in a sustainable manner. AMIR's vision is to become a strong and efficient organization that contributes to the development of the microfinance industry through the promotion of transparent management systems in MFIs, and innovative and market-led financial services and products.

The purpose of the report

The report discusses a selected number of indicators, as at December 31, 2017, in order to meet following objectives[1]:

- Provide to members and other stakeholders in the microfinance sector of Rwanda a reference for benchmarking, in order to guide their monitoring and evaluation initiatives, as well as their decision-making;

- Increase transparency in the sector, and provide customers and other stakeholders with reliable information on the performance of the sector in general;

- Increase visibility among local and international stakeholders, with a view to highlight challenges and opportunities and raise interest (from potential donors and capacity builders) for further collaborations in addressing gaps identified, and tapping into strengths to further the professionalization of the microfinance industry in Rwanda;

- Provide a basis for dialogue and advocacy with decision-makers, including regulators, supervisory bodies, and research institutes.

Methodology

The report is based on desk review of existing information collected from 155 AMIR member institutions[2]. Submission of reports is on voluntary basis. Some members were skeptical about sharing their data, but we hope that the number of institutions seeing the benefits of industry transparency will continue to increase.

Target audience

This report targets a wide audience including managers of microfinance institutions in Rwanda (AMIR members and non-members), as well as external stakeholders such as donors, investors, researchers, and technical assistance providers. Ultimately, the report is meant to provide additional useful information to customers (e.g. owners of member-based microfinance institutions) that will help them to assess the performance of their respective institutions and be able to compare it to that of the sector in general. The report is also intended to provide regulatory and supervisory bodies with a third-party perspective on the performance of the Rwandan microfinance sector that can complement their own views and perspective.

1. Sector Overview

The microfinance sector in Rwanda is strong of 470 institutions, including 19 limited liability companies, and 451 savings and credit cooperatives (416 Umurenge SACCOs, and 35 non-Umurenge SACCOs). The following table provides the performance of the sector in general, as at December 2017:

1 Those who need generic information on the financial sector can refer to the quarterly reports produced by BNR. Those reports present historic information on the sector, and analyses trends in selected indicators and ratios, such as NPL, CAR, ROE, RoA, and liquidity.

2 This is a 107% increase from 2016, and it shows that AMIR members are increasingly seeing the value of industry transparency.

Table 1: *Key industry indicators (as at December 31, 2017)*

Indicator	Performance
Number of MFIs	470
Total Assets (FRW billion)	244.3
Loans (FRW billion)	132.1
Deposits (FRW billion)	124.1
Equity (FRW billion)	87.5
Net Profit (FRW billion)	2.4
CAR (%)	35.8
NPLs/Gross Loans (%)	8.2
ROA (%)	1
ROE (%)	2.9
Liquidity ratio (%)	102

Source: BNR, Monetary Policy and Financial Stability Statement, 6 March 2018

The results provided in this report includes 155 MFIs, i.e., 33% of the sector, consisting of 10 limited companies (53% of all limited companies), 133 Umurenge SACCOs (32% of all Umurenge SACCOs) and 12 non-Umurenge SACCOs (34% of all non-Umurenge SACCOs).

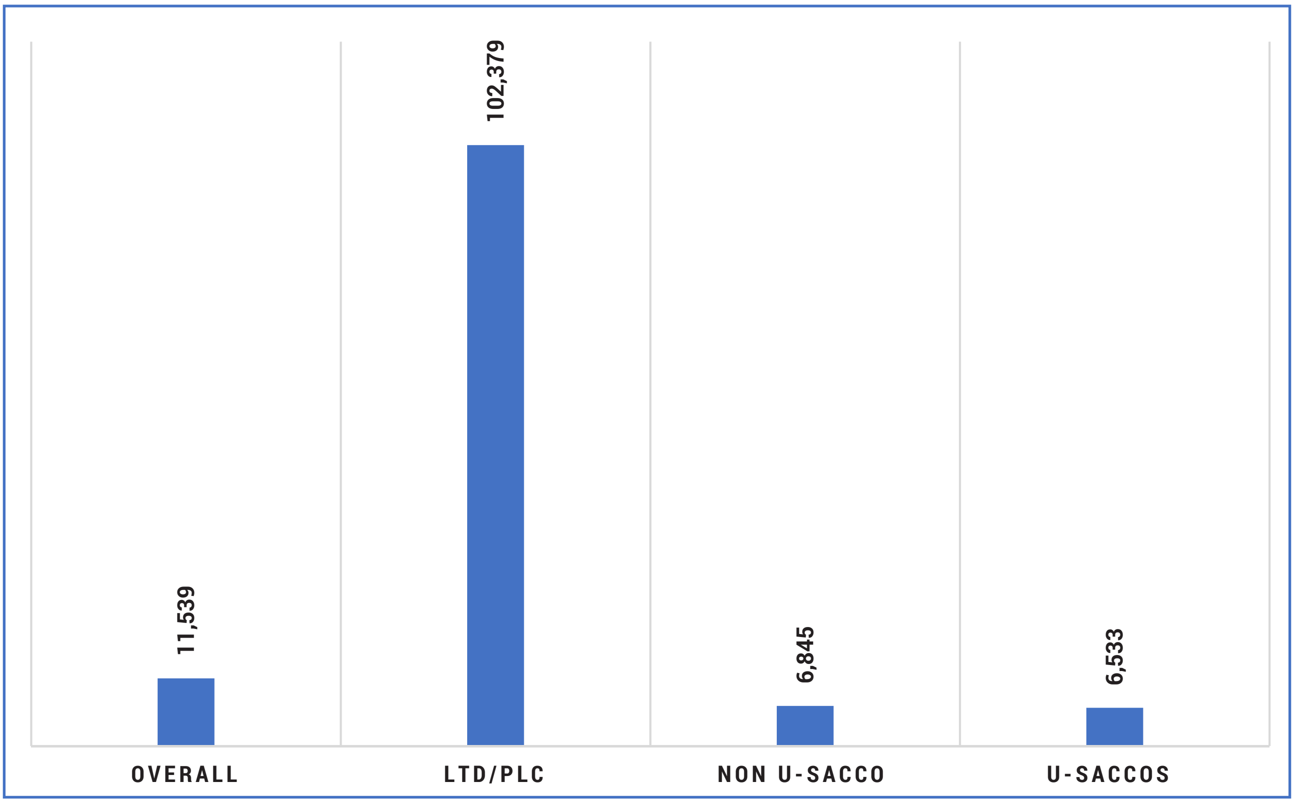
2. Performance of Surveyed AMIR Members

2.1. Outreach

Institutions that were surveyed (as at December 31, 2017) had a total of 1,780,583 clients including 522,643 female clients (29%). Only 112,261 of those clients, or 6%, are active borrowers, of which 26% are women.

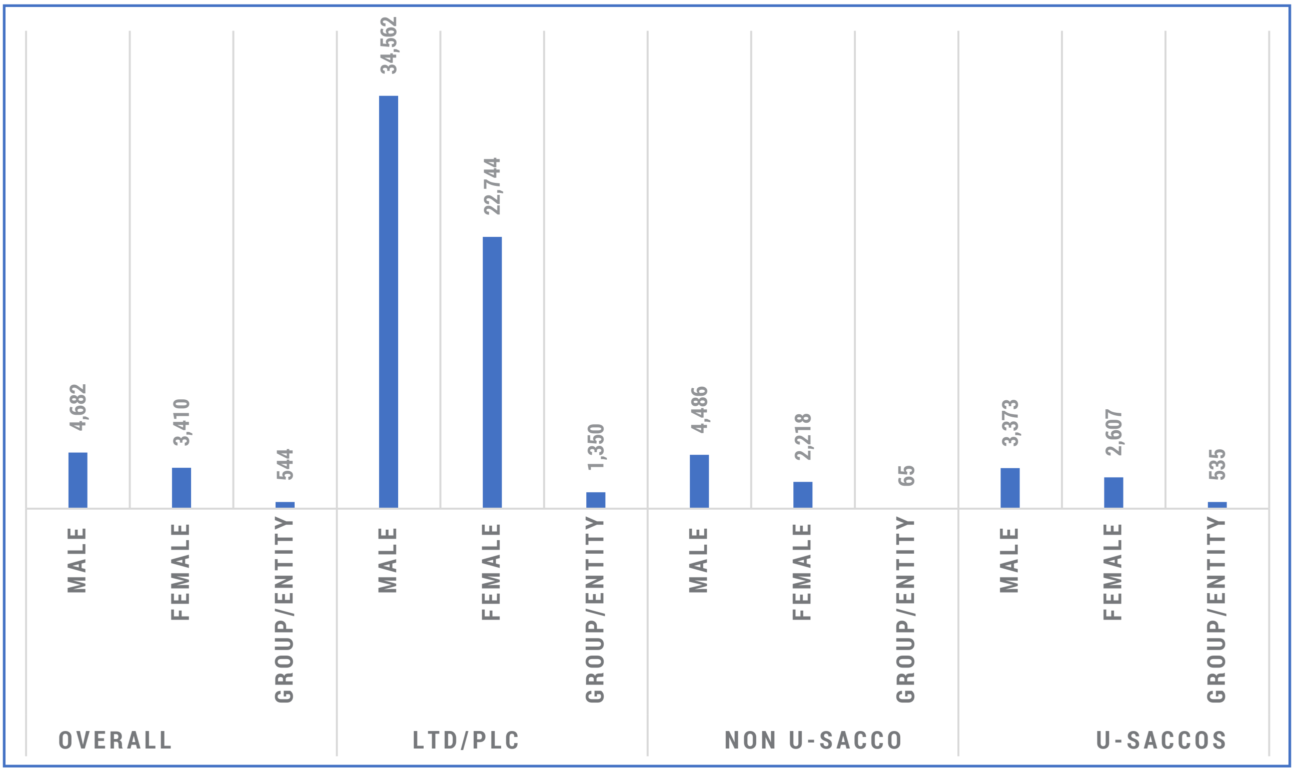
The average savings deposit is FRW 30,292 while the average loan size is FRW 451,601. Those amounts vary according to the institutional type: limited companies tend to lend higher amount than SACCOs. Similarly, clients tend to deposit higher amounts in limited companies than in SACCOs.

Figure 1: *Average number of clients per type of institution (December 31, 2017; n=155)*



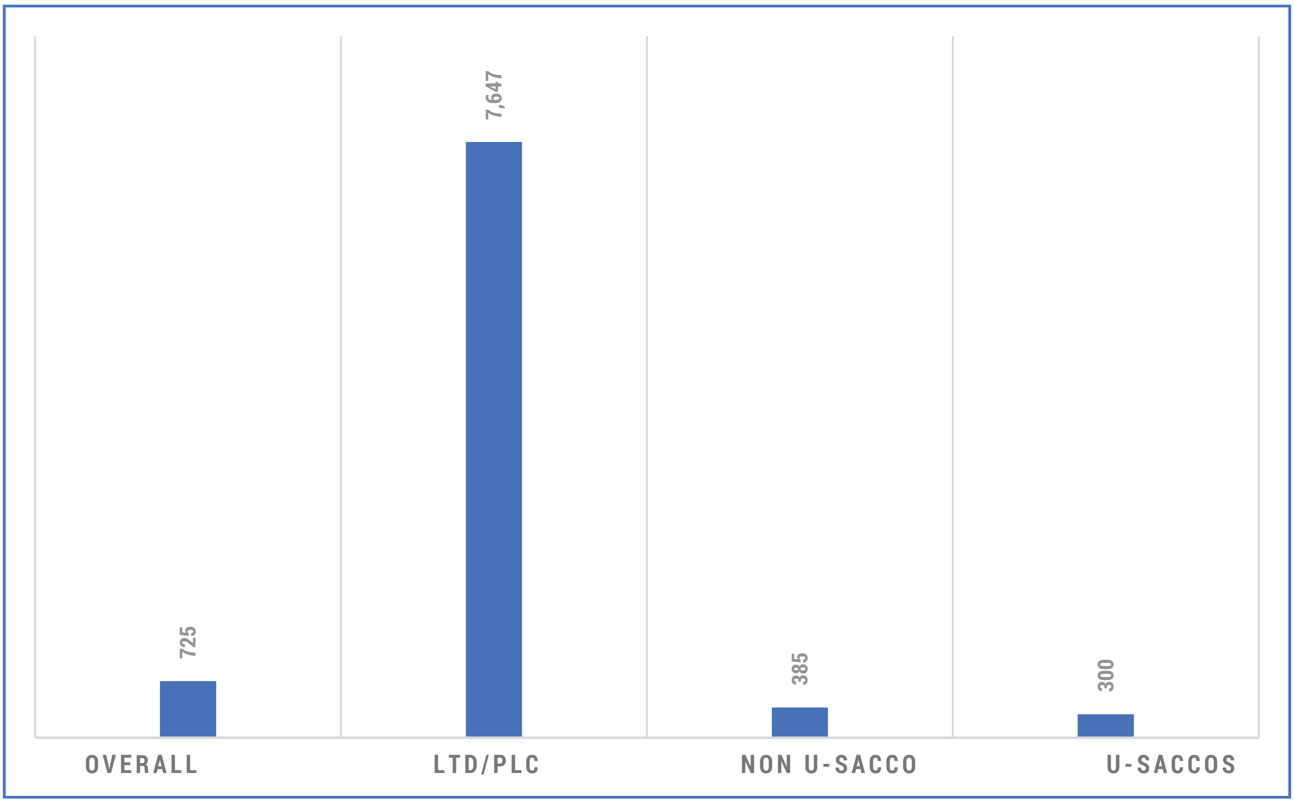
Source: Financial reports from AMIR members

Figure 2: *Average number of clients per type of institution, per gender (December 31, 2017; n=155)*



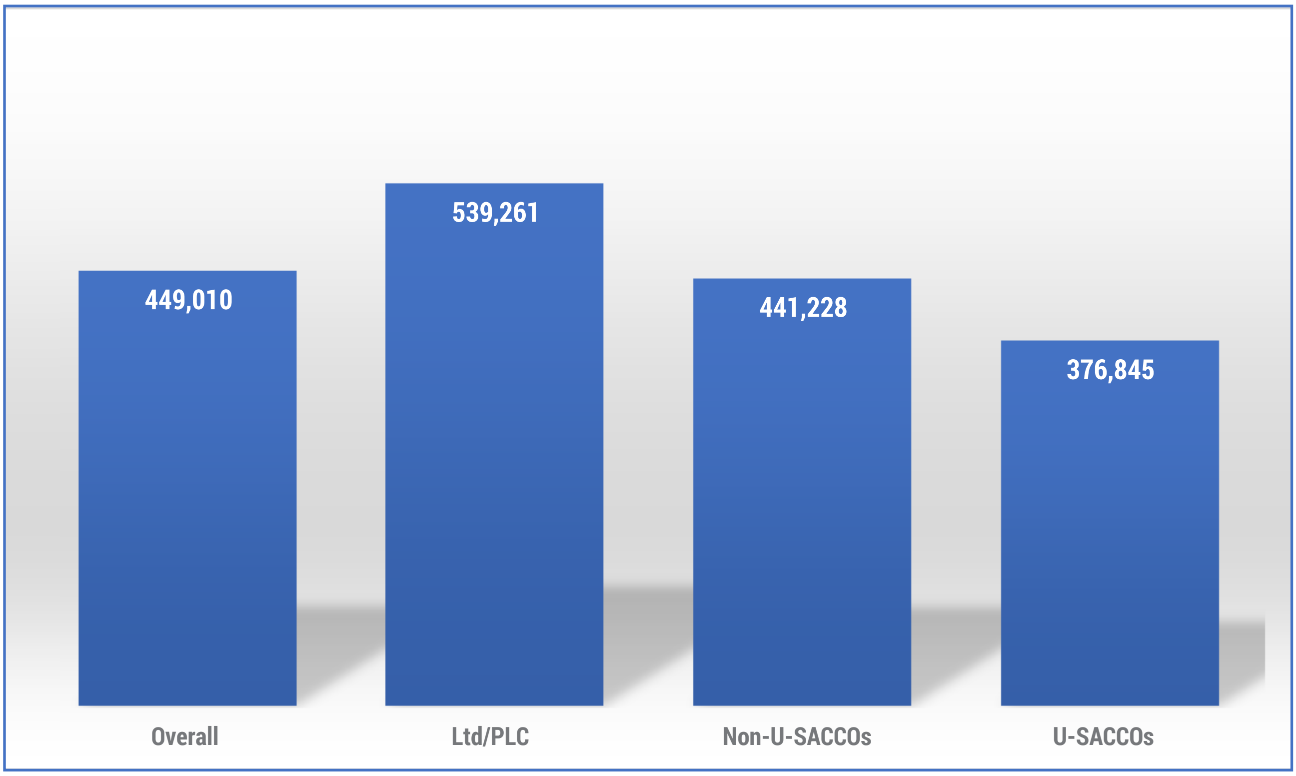
Source: Financial reports from AMIR members.

Figure 3: *Average number of active borrowers per institution (December 31, 2017; n=155)*



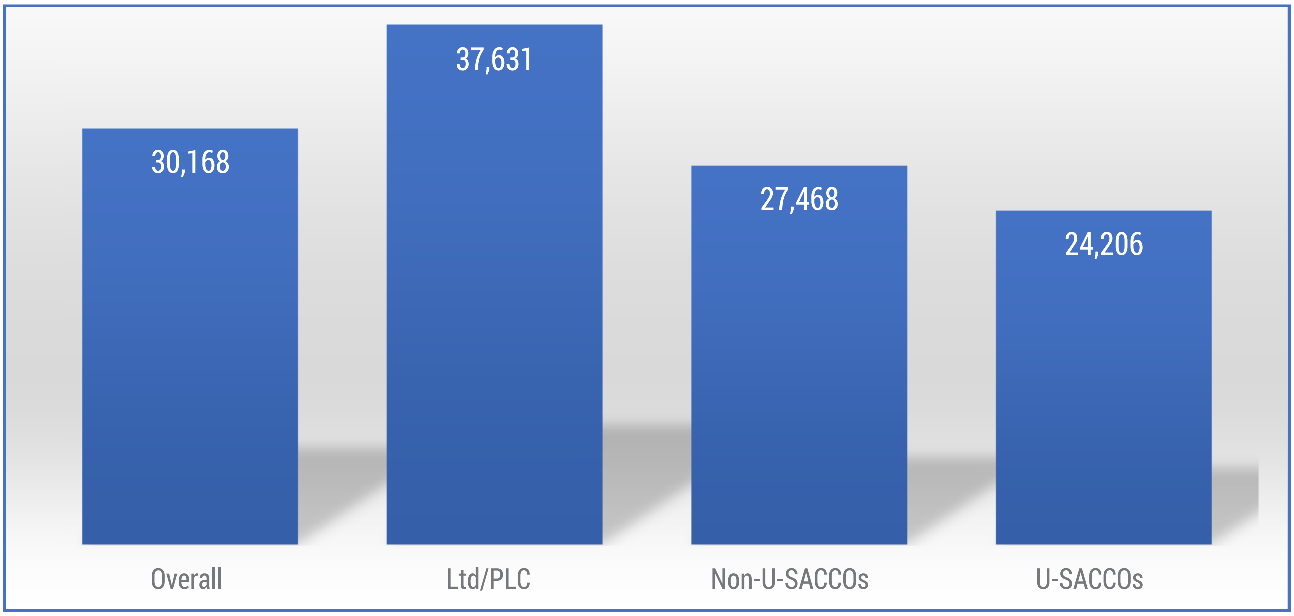
Source: AMIR data

Figure 4: *Average active loan per type of institution, in FRW (December 31, 2017; n=155)*



Source: Financial reports from AMIR members

Figure 5: *Average outstanding deposit balance per type of institution, in FRW (December 31, 2017; n=155)*

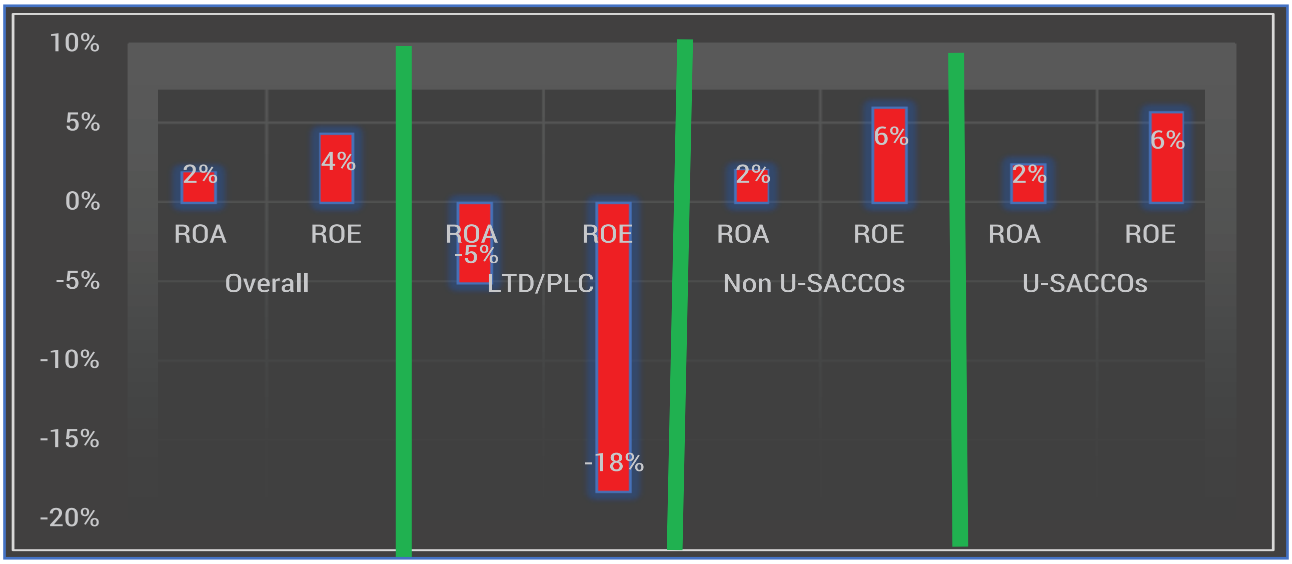


Source: Financial reports from AMIR members.

2.2. Profitability

Profitability was negative overall, and institutions with negative profits are found across all the categories: 12 out of 133 Umurenge SACCOs (9%); 4 out of 12 non-Umurenge SACCOs (33%); and 3 out of 10 limited companies (30%) reported a negative net profit (a loss). This survey did not investigate the reasons for such a performance. The BNR reports that the industry profits dropped from FRW 9.8 billion in December 2016 to FRW 2.4 billion, in December 2017, "on account of increased provisions"[3].

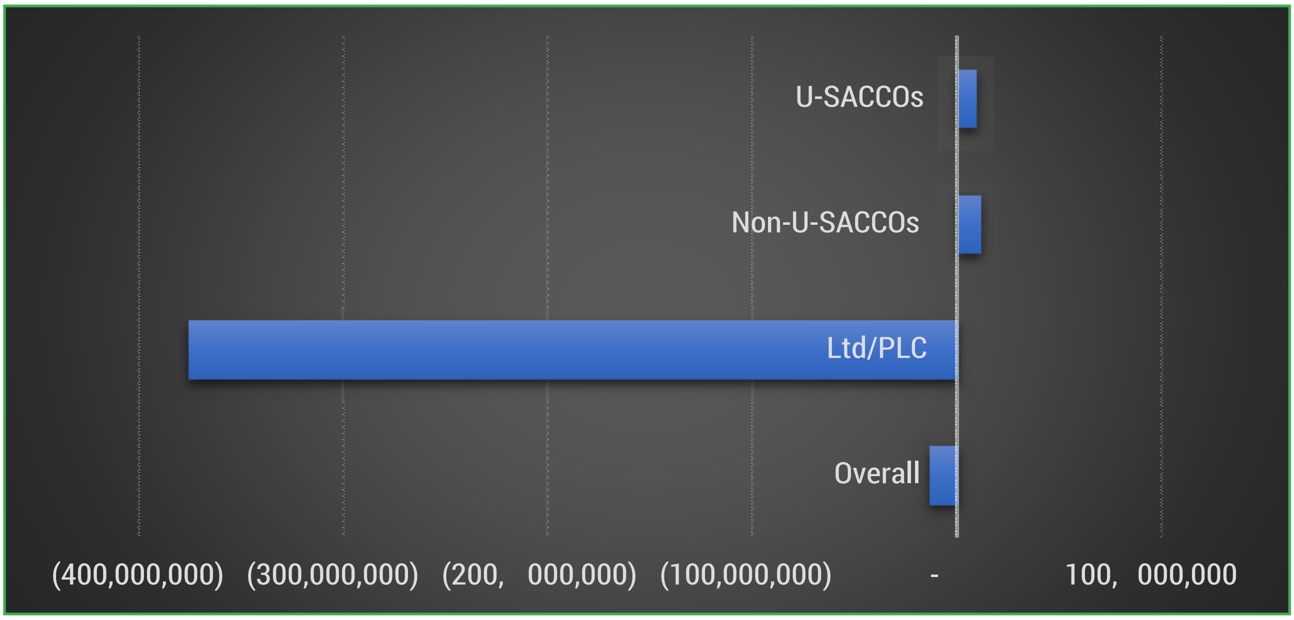
Figure 6: *Average ROA and ROE per type of institution (December 31, 2017; n=155)*



Source: Financial reports from AMIR members.

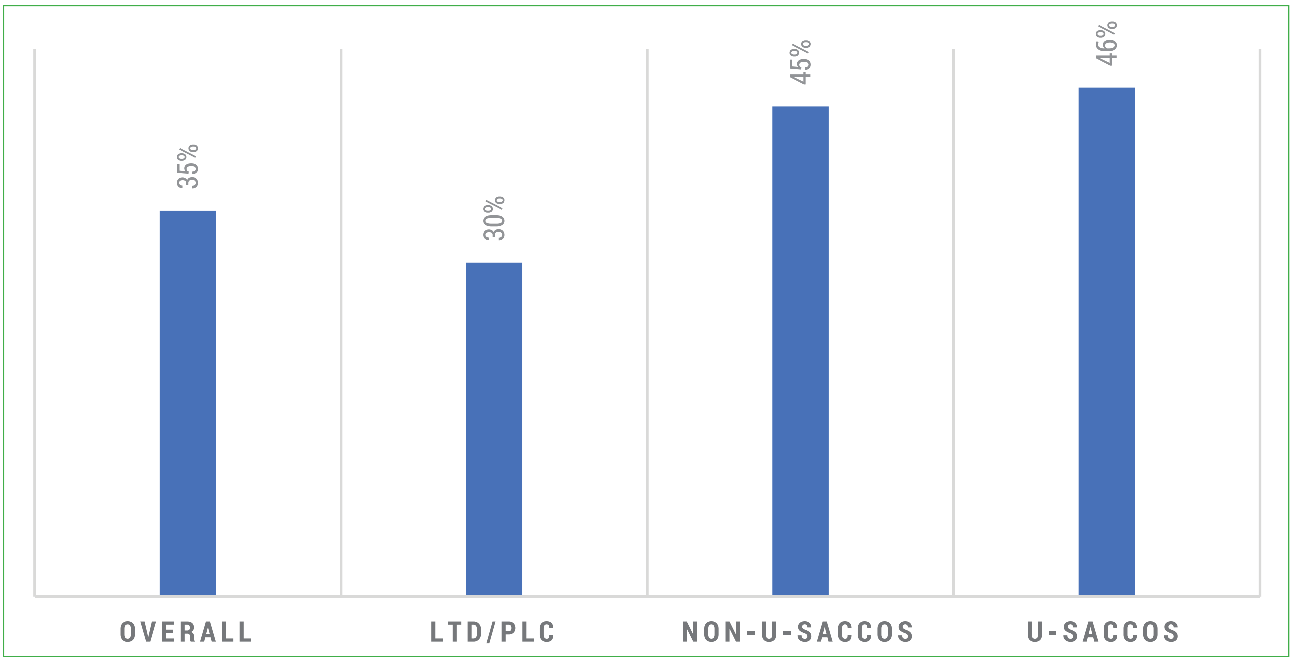
[3] Among AMIR members, one limited company made huge loss in the period ending on December 31, 2017, to the extent that if it is taken out of the sample, the overall average profit per institution becomes positive (FRW 9,308,684)

Figure 7: *Average profit per type of institution, in FRW (December 31, 2017; n=155)*



Source: Financial reports from AMIR members.

Figure 8: *Average portfolio Yield (%) per type of institution (December 31, 2017; n=155)*

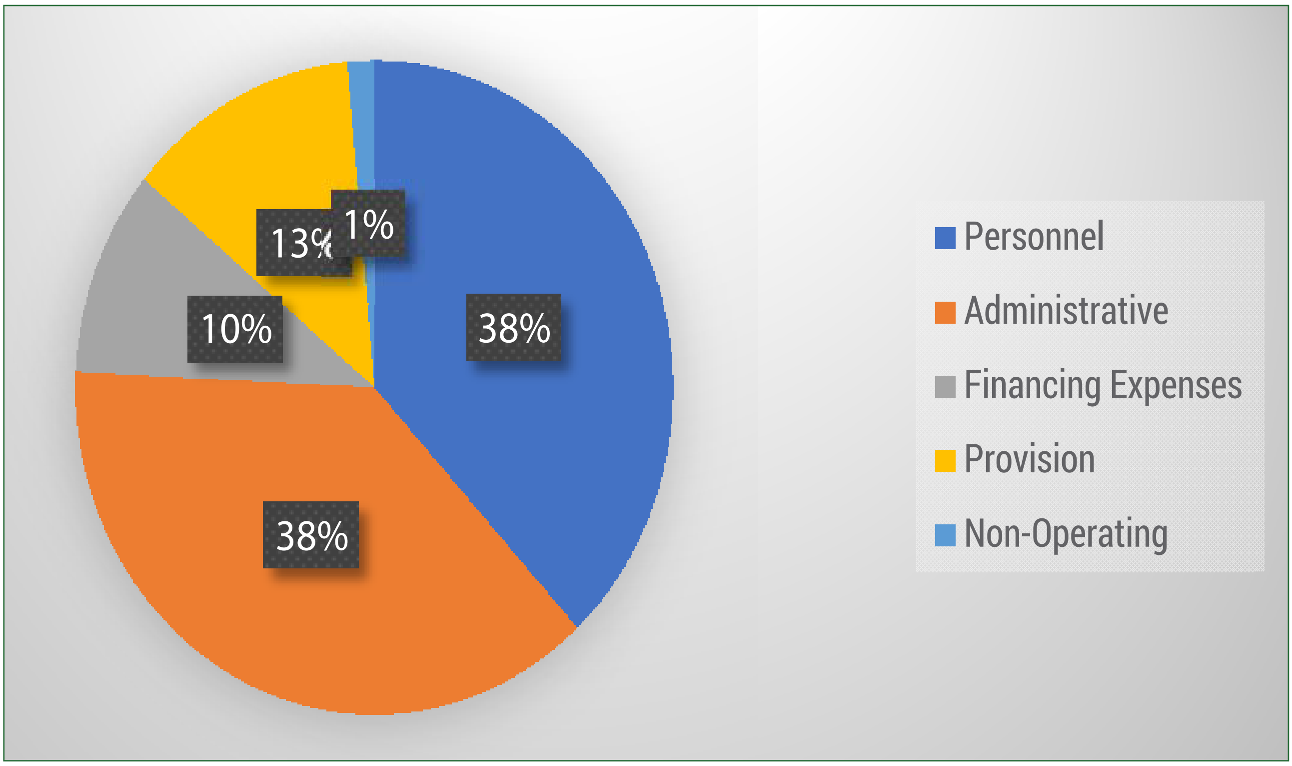


Source: Financial reports from AMIR members.

2.3. Efficiency and Productivity

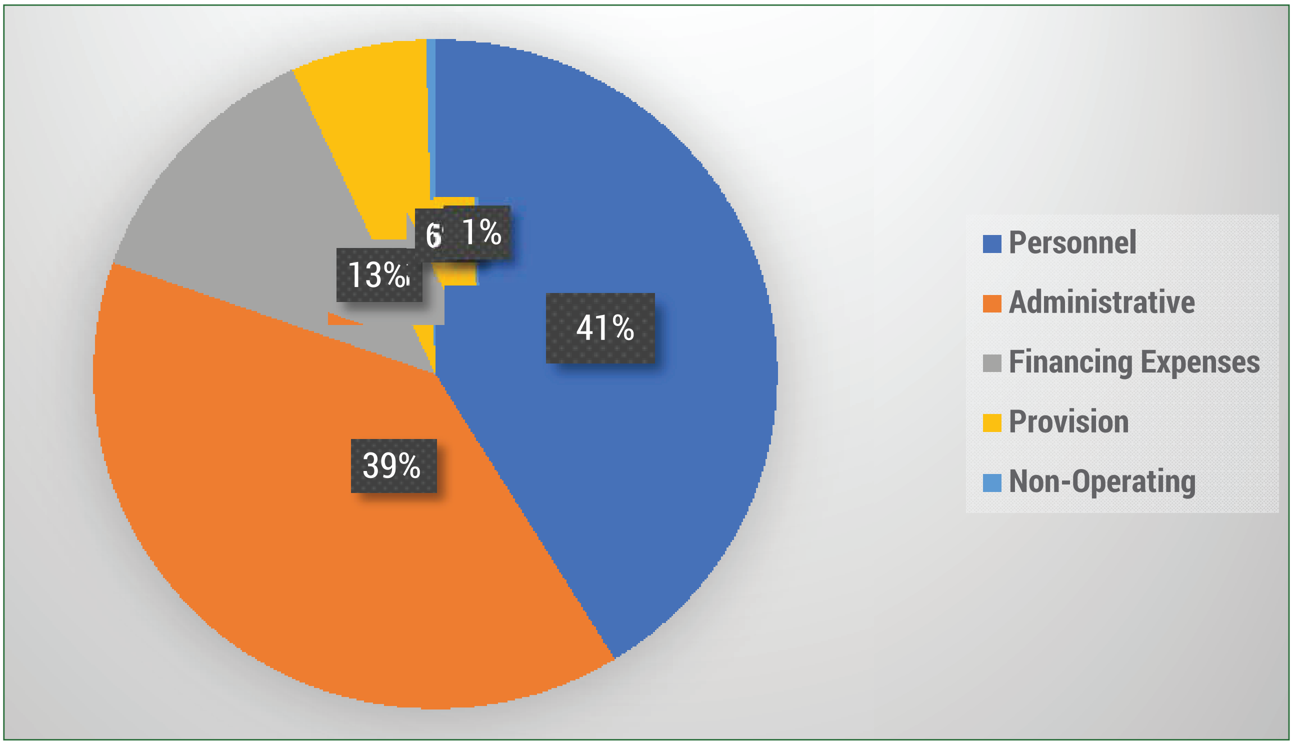
The overall efficiency can be improved, but Umurenge SACCOs have the weakest efficiency ratios: for example, for each FRW1 of operating income, Umurenge SACCOs spend almost 50 cents (50%) on operating costs, while non-Umurenge SACCOs spend only 31%.

Figure 9: *Break up of average expenses, all types of institution (December 31, 2017; n=155)*



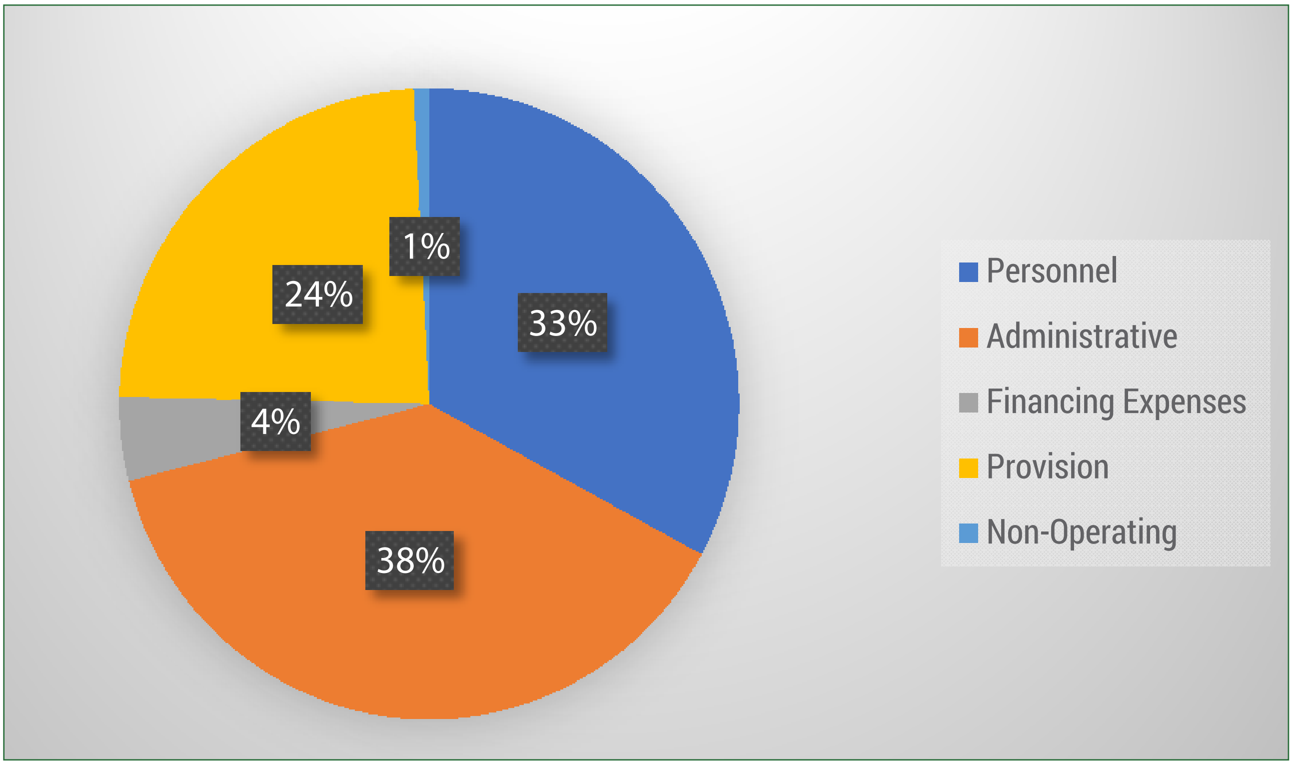
Source: Financial reports from AMIR members.

Figure 10: *Break up of average expenses for limited companies, (December 31, 2017; n=10)*



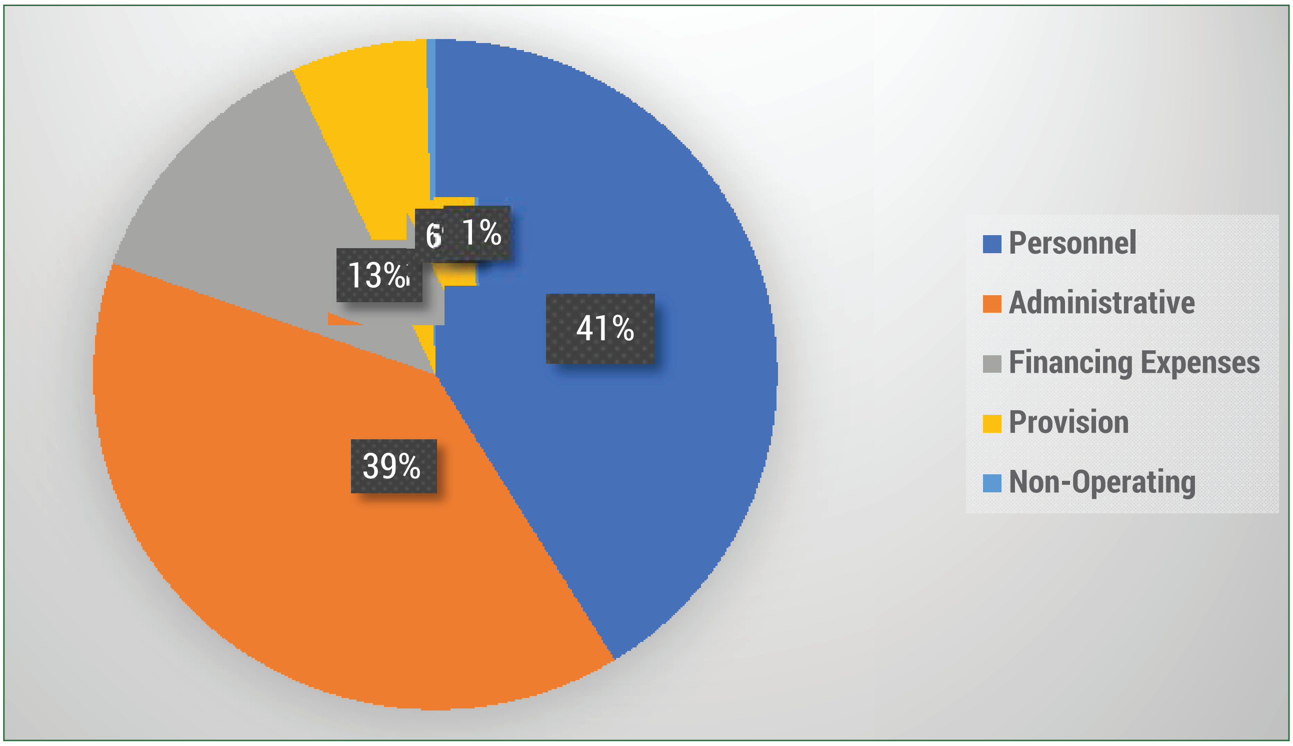
Source: Financial reports from AMIR

Figure 11: *Break up of average expenses for non-Umurenge SACCOs, (December 31, 2017; n=12)*



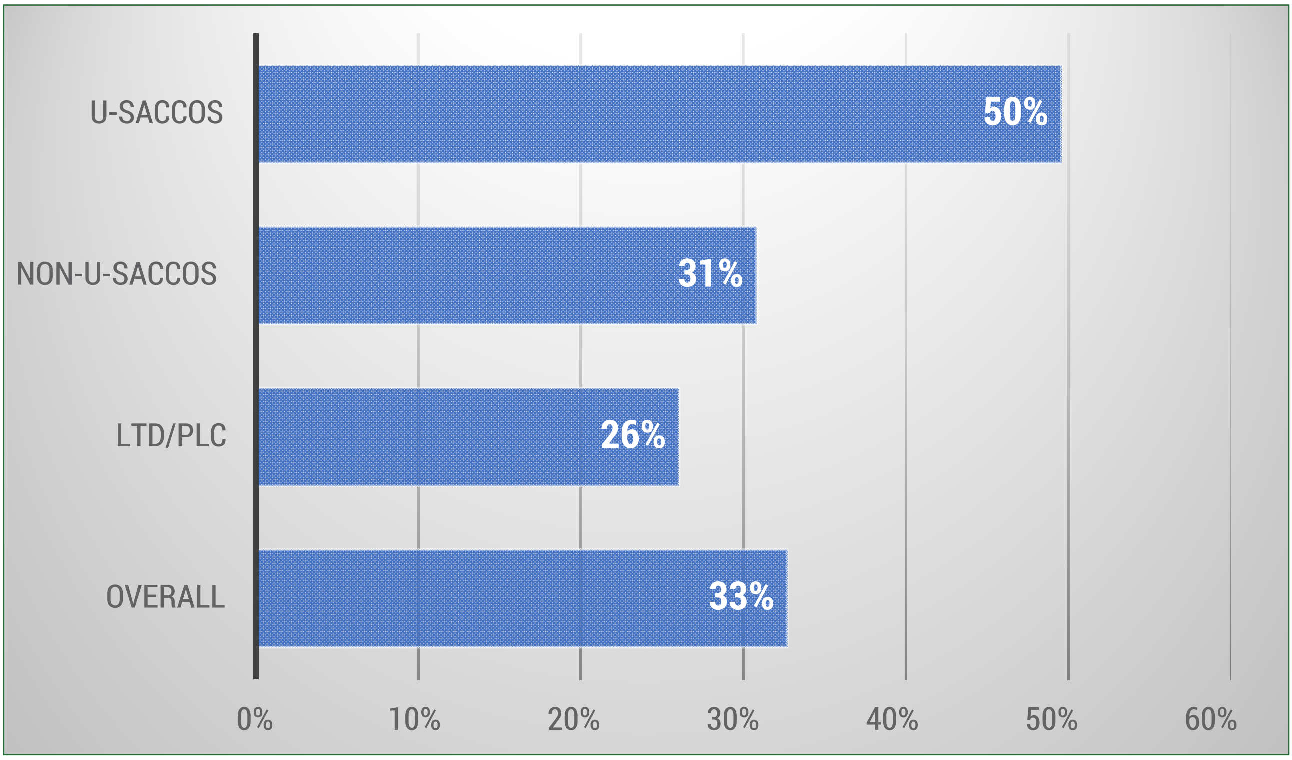
Source: Financial reports from AMIR

Figure 12: *Break up of average expenses for Umurenge SACCOs, (December 31, 2017; n=133)*



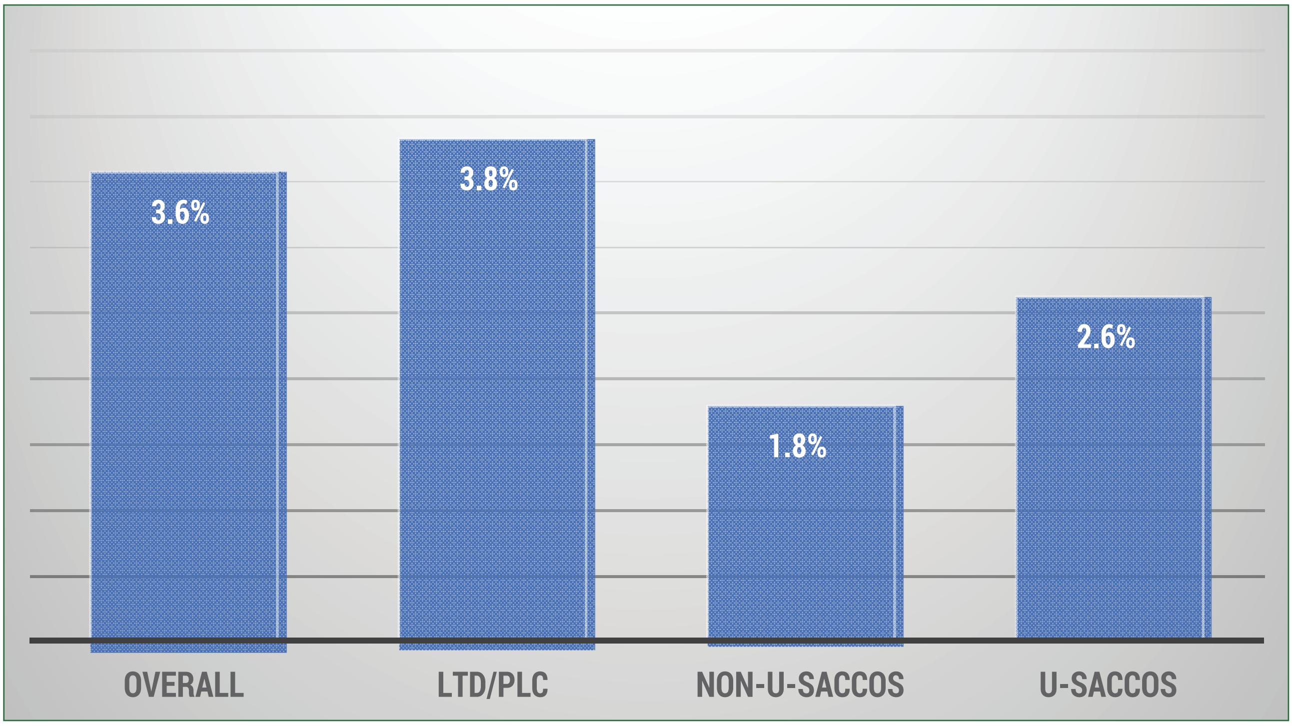
Source: Financial reports from AMIR

Figure 13: *Average cost to income ratio per type of institution (December 31, 2017; n=155)*



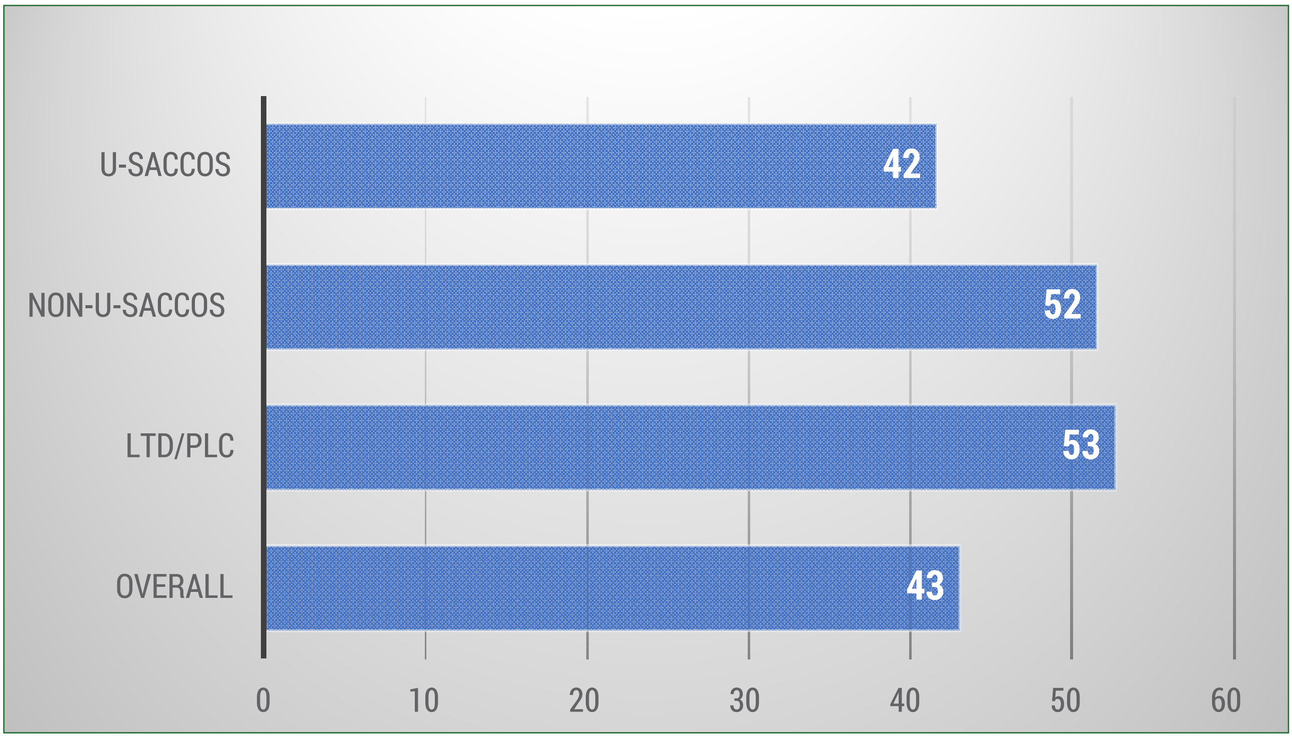
Source: Financial reports from AMIR

Figure 14: *Average cost of funds per type of institution (December 31, 2017; n=155)*



Source: Financial reports from AMIR

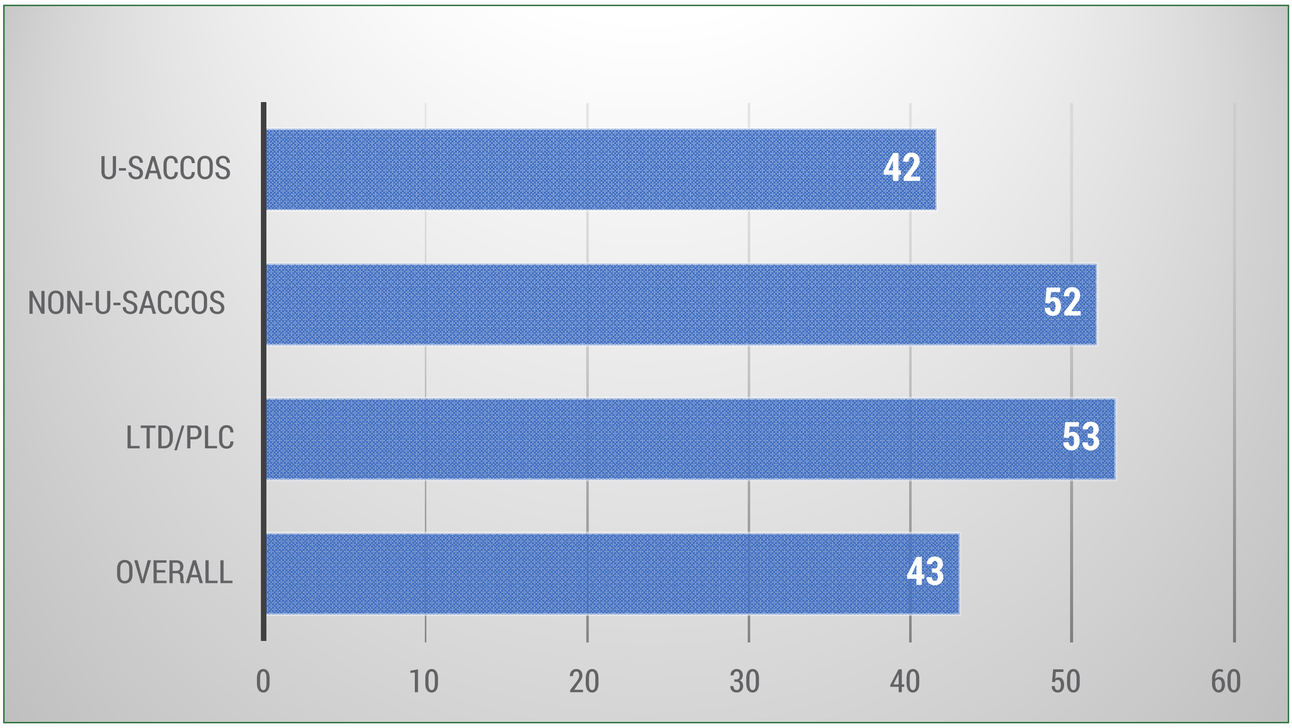
Figure 15: *Average number of active borrowers per staff per type of institution (December 31, 2017; n=155)*



Source: Financial reports from AMIR

2.4. Portfolio quality

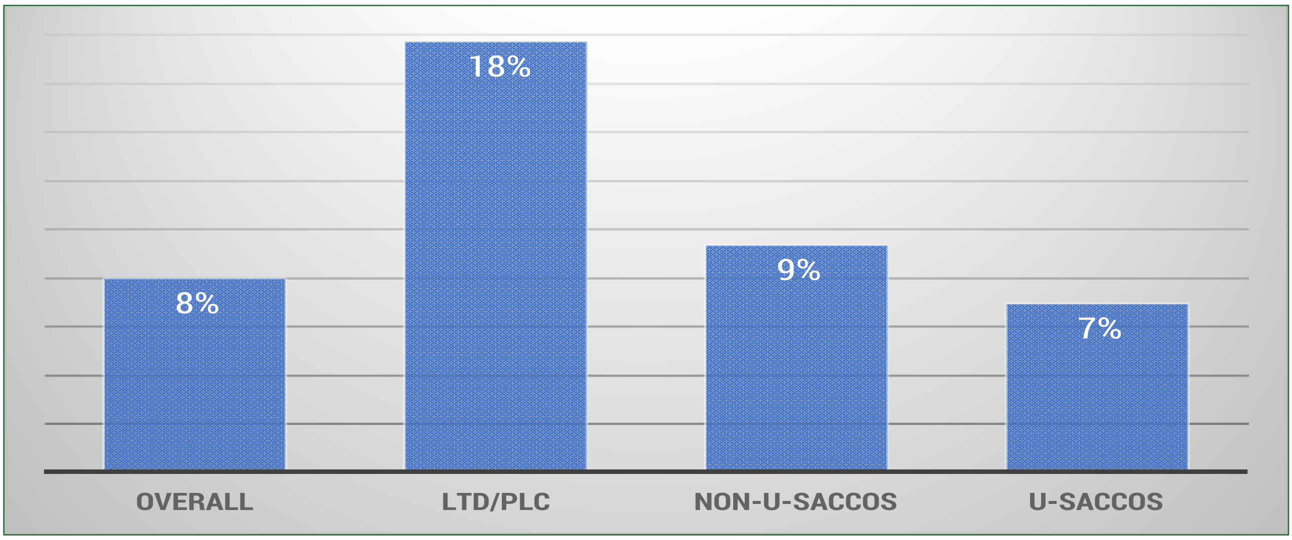
Figure 16: *Average NPL ratio per institution (December 31, 2017; n=155)*



Source: Financial reports from AMIR

The central bank (BNR) recommend a threshold of 5% for NPL. Therefore, all types of institutions are beyond accepted limit of NPL ratio. In addition, the regulation requires that any institution beyond 10% of NPL should stop lending activities and focus on loan collection (article 61, BNR regulation n° 02/2009 on the organization of microfinance activity). If applied to the letter, this would further jeopardize AMIR members profitability. AMIR needs to devise strategies to help members overcome this challenge.

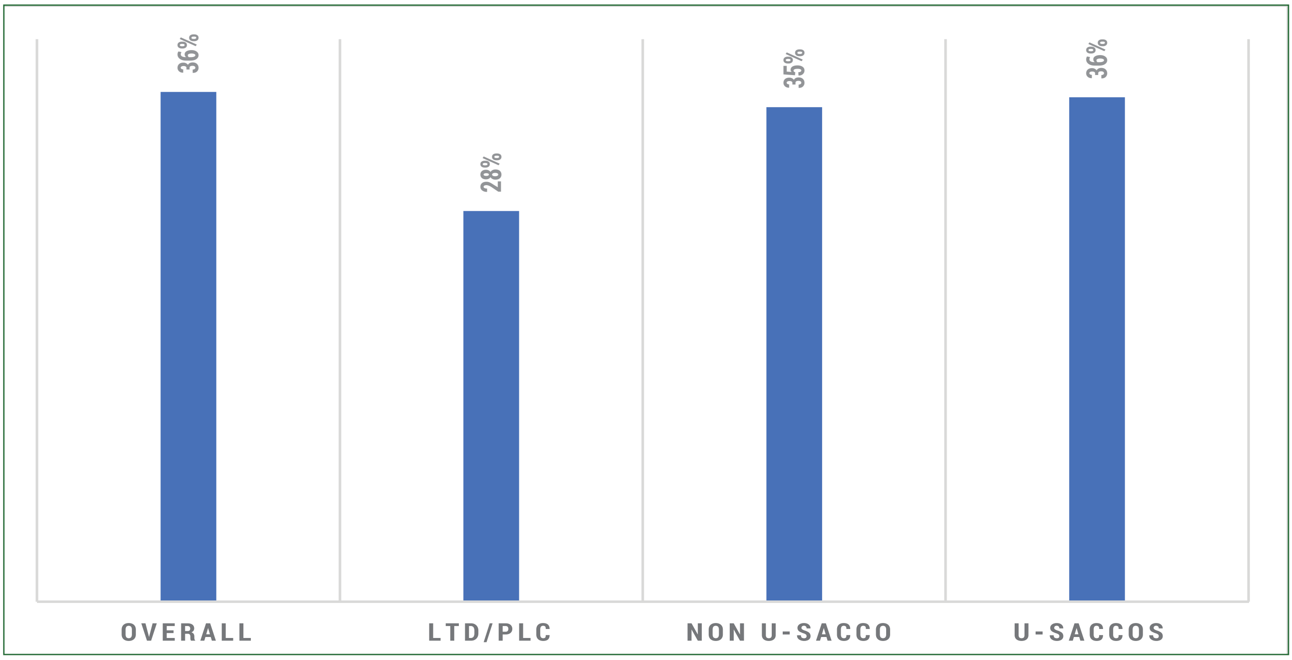
Figure 17: *Average Write-Off ratio per type of institution (December 31, 2017; n=155)*



Source: Financial reports from AMIR

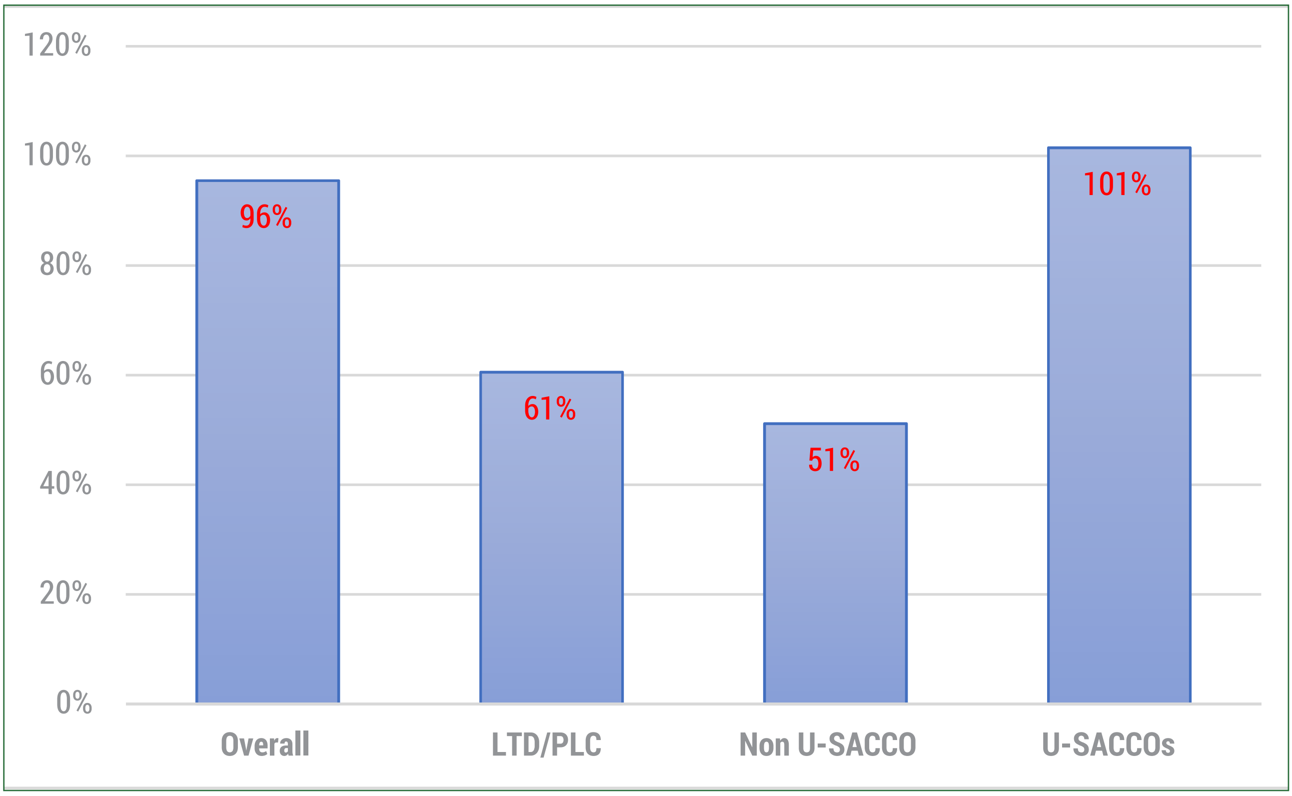
2.5. Financial Management

Figure 18: *Average Capital Adequacy Ratio (December 31, 2017; n=155)*



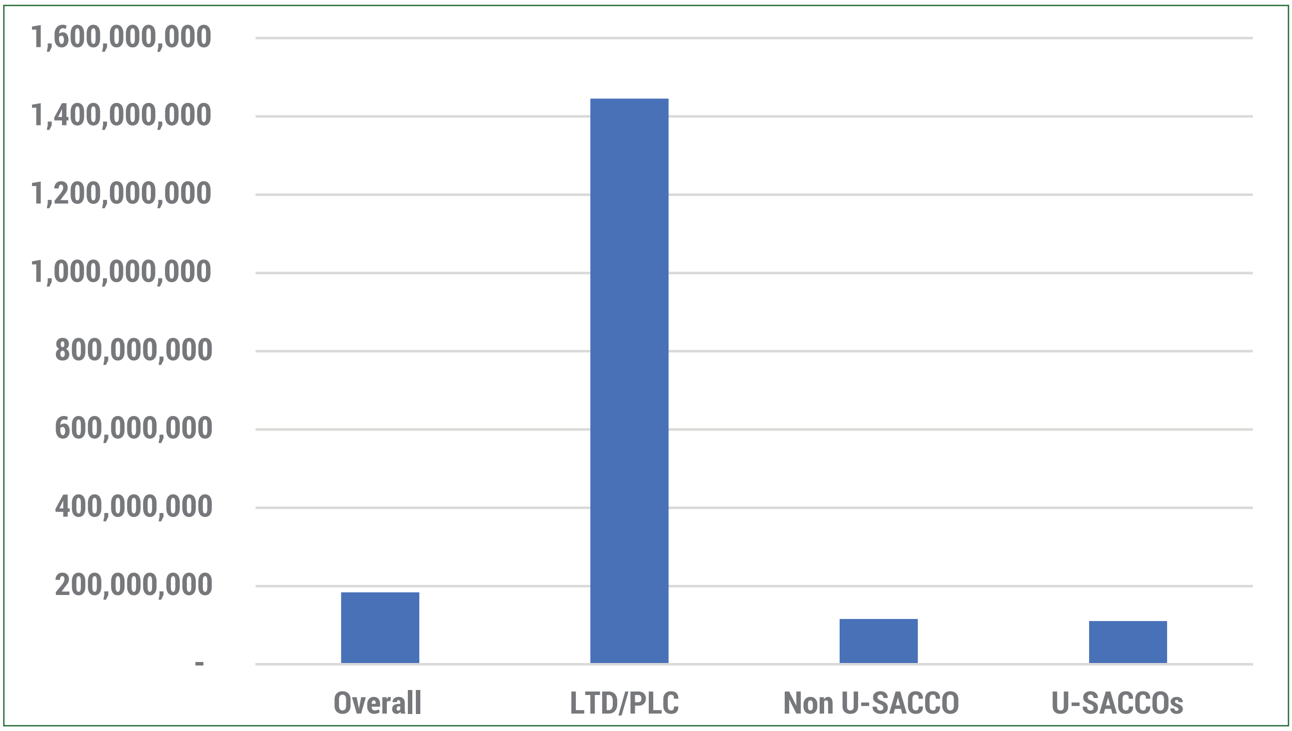
Source: Financial reports from AMIR

Figure 19: *Average Liquidity Ratio (December 31, 2017; n=155)*



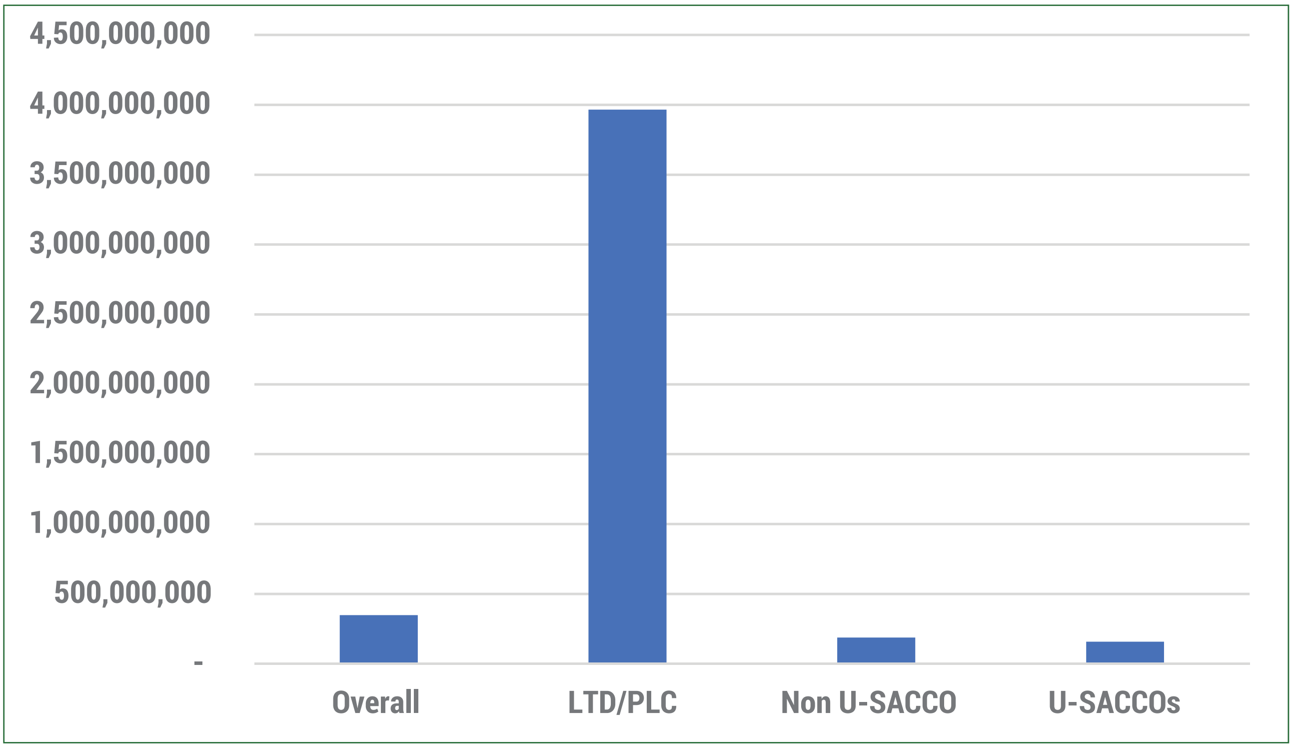
Source: Financial reports from AMIR

Figure 20: *Average Equity in FRW (December 31, 2017; n=155)*



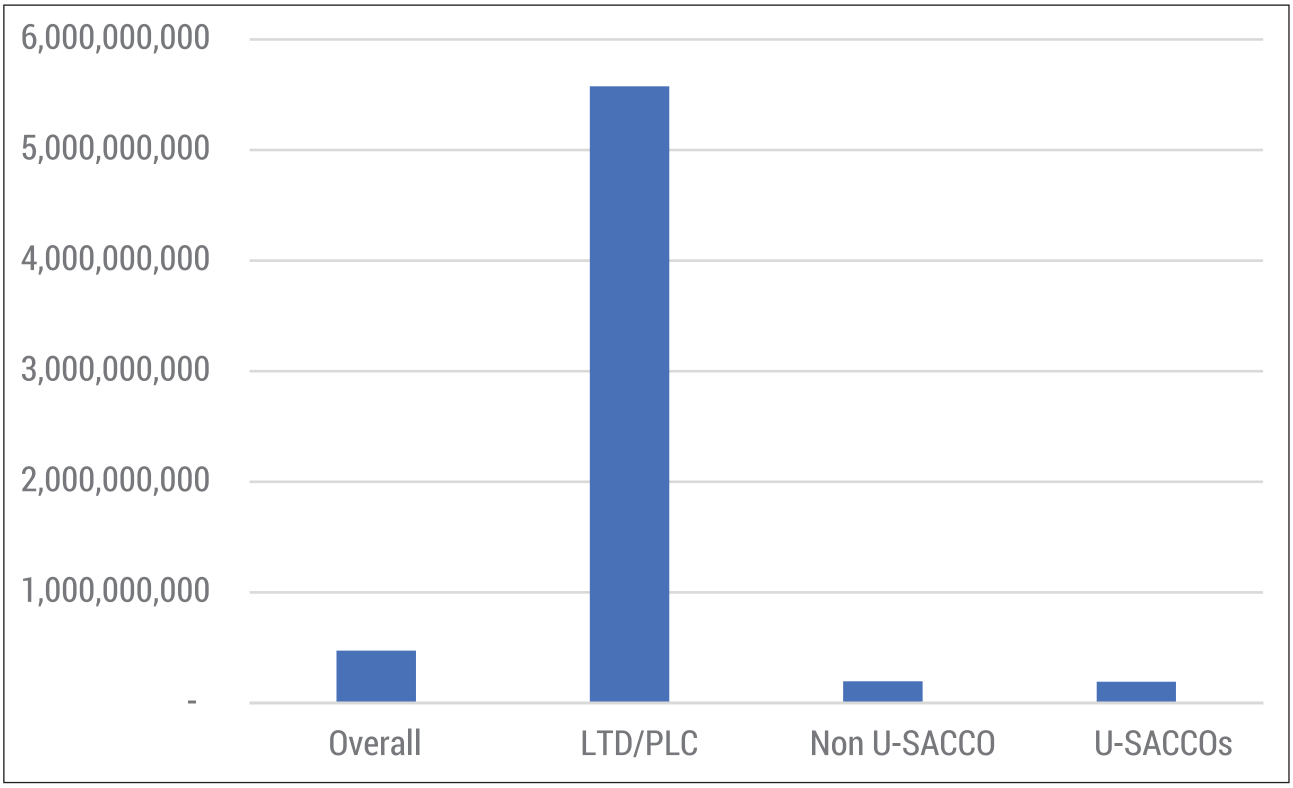
Source: Financial reports from AMIR

Figure 21: *Average Deposits in FRW (December 31, 2017; n=155)*



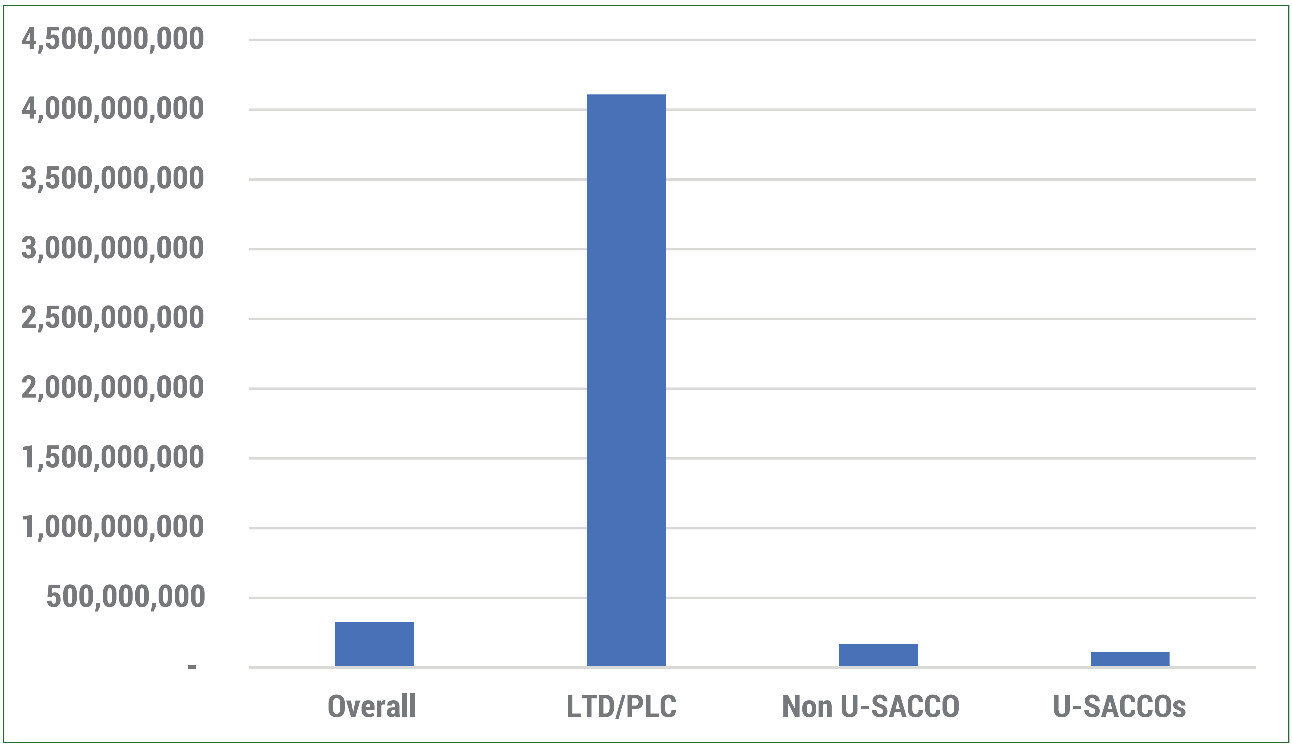
Source: Financial reports from AMIR

Figure 22: *Average liabilities in FRW (December 31, 2017; n=155)*



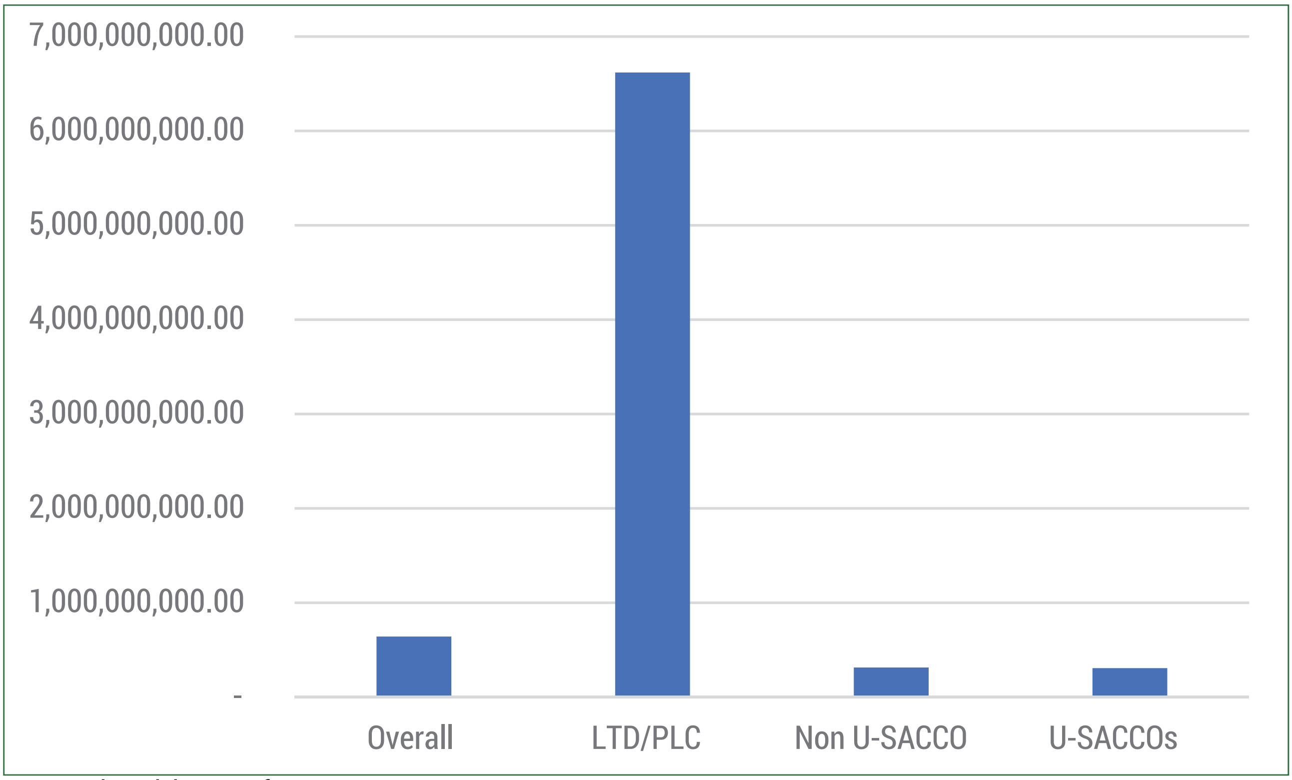
Source: Financial reports from AMIR

Figure 23: *Average Gross Loan Outstanding in FRW (December 31, 2017; n=155)*



Source: Financial reports from AMIR

Figure 24: *Average Assets in FRW (December 31, 2017; n=155)*



Source: Financial reports from AMIR

3. Risk and Challenges

The biggest challenge is to increase profitability in the industry. This indicator may be affected by several strategic decisions, including:

- Improving productivity
- Minimizing provisions and other costs related to non-performing loans (write-offs and recovery costs)
- Increasing loan sizes (through improved savings mobilization, and product review to focus on shorter term loans)

There is also a need to improve on liquidity management for Umurenge SACCOs.

Performance per MFI category

Indicator	Overall (N=155)	Limited Companies (n=10)	Umurenge SACCOs (n=133)	Non-Umurenge SACCOs (n=12)
Total Assets (average)	639,741,054	6,643,283,911	305,833,439	312,634,280
Total Equity (average)	474,587,385	1,495,338,436	110,564,789	116,028,019
Outstanding Loan Portfolio (average)	325,523,751	4,123,908,293	112,889,649	169,872,923
Total deposits (average savings balance)	348,101,515	3,852,610,174	158,140,550	188,013,078
Total clients (including groups)	1,780,583	925,035	855,851	82,138
Female clients	522,643	182,800	341,530	26,611
Active borrowers	112,261	69,440	39,243	4,620
Female borrowers	29,392	14,275	12,405	1,682
Total employees	2,144	509	13,609	91
Personnel productivity	43	53	29	52
Average Savings per client	30,291	37,631	24,206	27,468
Average Loan/borrower	451,601	539,261	376,845	441,228

Source: Financial reports from AMIR

Association of Microfinance Institutions in Rwanda
Gasabo – Kacyiru – Kibaza
KG 513 ST-13
P.O.Box: 6526 Kigali – Rwanda