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Article

Performance of Microfinance Institutions in Afghanistan: A Descriptive Analysis

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Abstract: *Microfinance has been widely used in Afghanistan as a means of combating poverty and promoting revenue growth in the last few years. However, because of the unprecedented COVID-19 epidemic and the fall of governments, microfinance institutions have faced considerable challenges in the last several years. This study examines the performance of microfinance institutions (MFIs) in Afghanistan to identify trends in their outreach and financial performance. The study employs a quantitative research technique using secondary data gathered from yearly reports of targeted MFIs, publications, and databases. In addition to obstacles such as the COVID-19 epidemic and the government's collapse, the First Microfinance Bank and FINCA Microfinance have experienced a decrease in borrowers as a result of financial uncertainty, MUTAHID Microfinance has observed changes driven by the market, and OXUS Microfinance Institution is modifying the number of borrowers depending on demand. Compared to OXUS's aggressive growth initiatives, FMFB and FINCA's conservative methods are shown by the study of loan disbursements. Regardless of these differences, all of the chosen MFIs were consistently present in each province.*

Keywords: Afghanistan, Financial Performance, Microfinance, MFIs, MISFA.

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1. INTRODUCTION

1.1 Microfinance Institutions in Afghanistan

The prominence and influence of Afghanistan's microfinance institutions (MFIs) have increased during the past two decades. In Afghanistan, microfinance organisations have been essential to attempts to reduce poverty and improve rural areas. With multiple institutions offering financial services to countless families, the microfinance industry has seen substantial expansion during the last 20 years. Microfinance has been shown to have favourable effects on employment and income, but its implications for women's empowerment and the reduction of poverty are more challenging (Hemat, 2024). The microfinance sector made tremendous strides forward with the 2003 launch of the Microfinance Investment Support Facility for Afghanistan (MISFA) organisation. MISFA seeks to reduce poverty, promote financial independence, and provide relief by directing and overseeing microfinance institutions (MFIs) in Afghanistan. MISFA is an initiative that seeks to consolidate and reorganise different donor funds into organised and adaptable aid; its principal recipients are Afghanistan's MFIs (Sultani & Chandrashekhar, 2023).

The Afghanistan Microfinance Association (AMA) is the country's national network of development finance institutions (DFIs). It was founded in 2005 by MISFA, microfinance specialists, and other participants, and in 2007, AMA was approved by Afghanistan's Ministry of Justice (AMA, 2023). The banking and non-banking financial sectors make up Afghanistan's financial system. Afghanistan's financial organisations, such as the Central Bank of Afghanistan (DAB), are faced with four major obstacles: a lack of an up-to-date legal and regulatory framework for banking operations; inexperienced executives and technical employees; the absence of any banking operating systems; and weak payments made through communication networks. These limitations severely limit the formal financial sector's capacity to offer the general public, non-governmental organisations, businesses, cross-border and multilateral organisations, and governmental institutions efficient and dependable financial services, particularly both local and global systems of payment (Şahin & Humta, 2023).

As of December 2019, there are a total of nine microfinance institutions operating in Afghanistan, with a total loan portfolio of 9,607,678,446 AFN, and these financial institutions have about 423,357 clients, 150,509 active borrowers, with about 37% of them being women, and 2,670 staff members who have offices throughout the country (Sultani, 2021). These MFIs have played an important role in delivering financial services to marginalised groups, with a particular emphasis on female financial independence and financial inclusion. However, the COVID-19 epidemic has had a tremendous effect on Afghanistan's private educational institutions and MFIs, resulting in financial losses and interruptions to educational activities. Despite these hurdles, the financial success of microfinance institutions is determined by a variety of variables, such as interest rates, institutional features, and market length (Ibrahim et al., 2018).

This study explores the issues and challenges faced by MFIs in Afghanistan to illuminate trends in their outreach and financial performance. The study exclusively investigates four microfinance organisations operating in Afghanistan. A considerable proportion of the microfinance industry in Afghanistan was comprised of these institutions, which were chosen by predetermined standards. The selection of four MFIs was motivated by the need to assess multiple measures of MFI performance and to ensure alignment with the study objectives. The following institutions have been tagged, namely: The First Microfinance Bank (FMFB), Foundation for International Community Assistance (FINCA), MUTAHID Development Finance Institution, and OXUS-Afghanistan.

Given the need to conduct an in-depth examination of the microfinance operations that operate in Afghanistan, it turned out that these MFIs were chosen on the basis of their relevance within the microfinance industry and their ability to offer valuable insights into the performance indicators that were opted for. The wide range of these organisations with respect to dimensions, distribution area, and previous performance makes it possible to conduct such an investigation. Table 1 presents a review of the four companies.

Table 1: Selected Institutions of Microfinance

No	Institutions	Sector	Year of Establishment	Active Clients (2022-23)	GLP – AFN (2022-23)
1	FMFB	Bank	2003	18,083	763,783,387
2	FINCA	MFI	2004	234,405	4,055,277,608
3	Oxus Afghanistan	MFI	2007	16,919	886,086,929
4	MUTAHID	MFI	2011	11,761	390,602,736

Source: (MISFA, 2021-2022)

***First Microfinance Bank-Afghanistan*:** As a part of the Aga Khan Agency for Microfinance (AKAM), which encompasses financial institutions in over fifteen developing nations, the First Microfinance Bank-Afghanistan (FMFB-A) began operations in 2004. In terms of gross loan portfolio (GLP) size, FMFB-A is the market leader with around AFN 4 billion in loans outstanding as of December 2021. There are a total of 234,405 active clients at the bank, including borrowers and depositors (AMA, 2023).

Foundation for International Community Assistance (FINCA)—Afghanistan: FINCA started conducting operations in Afghanistan in 2003, with a focus on supporting women and resettling refugees. FINCA helps those who lack access to funding. FINCA-Afghanistan, followed by MISFA and ARIES, a project supported by USAID with the assistance of FINCA International (its US-based parent firm). A comprehensive range of credit products, including individual and solidarity group loans, is available from FINCA Afghanistan Microfinance Investment Support Facility for Afghanistan, n.d).

Oxus-Afghanistan: Through the assistance of MISFA funds, OXUS launched a microcredit program in Afghanistan in 2007. Currently holding the third-place spot in terms of microfinance portfolio, OXUS Afghanistan has 13 branches operating around the nation. In order to promote the growth of the portfolio, MISFA and OXUS-Afghanistan inked a financial agreement in 2017. This agreement guarantees significant funding for OXUS operations in Afghanistan, both current and future (Sultani & Chandrashekhar, 2023).

MUTAHID Development Finance Institution: The Ministry of Commerce has officially recognized MUTAHID DFI as an independent, completely independent institution that is entitled to use interest income to pay for operating expenses. MUTAHID DFI was created by MISFA in April 2011 by merging six different MFIs, which included MOFAD, MADRAC, PARWAZ, ARIANA, CHF, and WWI.

2. LITERATURE REVIEW

2.1 Challenges Impacting Microfinance Institutions

Several challenges affect the way MFIs operate and their effectiveness. In Tanzania, some of the problems that hinder group lending models include a lack of trust, group dynamics, and operational complexities, leading to conflicts and imbalanced participation (Magambo, 2024). Likewise, governance challenges are also encountered in Bangladesh as it attempts to reconcile between reducing poverty and ensuring that microfinance institutions in the country are on a financially sustainable footing through strategic improvements that would increase MFI performance (Uddin et al., 2024). MFIs' sustainability in China is influenced by factors including operating technology, the external environment, and financial conditions that are critical for economic performance, but less so for operational sustainability (Li et al., 2023). Furthermore, macro- and micro-challenges, including legal barriers and high transaction costs, restrict access to microfinance for the rural population in India (Das, 2023) . Sultani & Chandrashekhar (2023) mainly aimed to provide clarity regarding the difficulties faced by MFIs in Afghanistan. Although this issue set was described using a descriptive and principal component analysis approach, research on this topic yielded nine distinct components. Lots of problems plague microfinance organizations besides this difficulty with technology, inadequate government support, a lack of administrative and skilled staff, and the rise of harmful rivalry across various MFIs are the main challenges.

2.2 The Influence of Exterior Shocks on Microfinance Institutions

External variables, like as regulatory concerns, had a major impact on loan defaults inside MFIs, outweighing other factors such as financial infection and recessions, which were shown to be statistically minimal in a Cameroonian situation (Fotabong, 2016). MFIs in Uganda demonstrate resistance in the face of major shocks such as conflicts and natural catastrophes, suggesting their importance in economic wellness; however, their financial structure remains crucial for stability (Sekabira, 2013). Furthermore, in Pakistan, tactical failures by borrowers were worsened by insufficient enforcement measures, especially amid correlated shocks such as the 2005 earthquake, underscoring MFIs' sensitivity to outside influences (Kurosaki & Khan, 2012). In Bolivia, MFIs' capacity to handle liquidity risk under instability in politics was linked to institutional and subjective benefits, implying that outside factors do not affect all MFIs similarly (Gómez Soto & González-Vega, 2007). Assefa et al. (2013) sought to understand how market competition affects the efficiency of microfinance organisations' operations. This study tested the hypothesis that MFIs' outreach and loan repayment rates were impacted by the amount of competition among them using a Lerner index. Using data from 362 MFIs in 73 nations, the study ran from 1995 to 2008. Microfinance competition has been on the rise for the past decade, says one report. Results from econometric analysis showed that competition among MFIs has a detrimental effect on outreach and repayment rates.

2.3 Performance indicators for Microfinance

Microfinance institutions' (MFIs) performance measures include both financial and social components, indicating their twin aims of revenue and social operation. Portfolio value, funding sources, operating expenditures, and institution size are important financial variables for analysing fiscal viability and outreach success (Green et al., 2023). The impact of microfinance on income and employment in Afghanistan's Bamyan province was studied (Sultani, 2021). FMFB-A is an institution that collaborates with the AMA and the MISFA. The study focuses on this particular set of 220 borrowers. Microfinance significantly contributes to income development and job creation, according to a study that meticulously analyses data obtained before and after FMFB-A loans were granted. Şahin & Humta (2023) looked into microfinance in the banking sector as part of their study, bringing attention to the importance of this form of financing in filling a big funding gap for businesses in developing nations. The International Finance Corporation (IFC) had previously brought this requirement to visibility. In their analysis of the current microfinance literature, Gupta (2018) claims that they shed light on certain important issues. They highlighted the methods employed by Indian banks and MFIs to deal with the scarcity of capital using mechanisms like joint liability groups (JLGs) and self-help groups. Among all microfinance programs, Gupta (2018) regarded SHG-BLP as the most crucial one globally and conducted an analysis examining the growth and effects of MFIs, with a special emphasis on lending portfolios and existing loans, by making extensive use of secondary data from academic journals, NABARD reports, and MFIN reports.

The main purpose of the research by Ashraf et al. (2014) was to identify the variables that caused MFIs across countries with diverse religious and cultural standards to have significantly varied performance metrics. The research included 754 MFIs from 83 different countries in its cross-sectional dataset. It dives into the performance of MFIs by looking at indicators including outreach, loan recovery, profitability, and cumulative financial success. Some of the factors that significantly affect MFI performance include the amount of a country's GDP and the proportion of borrowers who are female. The results demonstrate the progress the microfinance industry has made about religious inclination and offer important insights into loan provisions and default rates across cultural contexts. Research has shown that MFIs can be financially sustainable over the long run, casting doubt on their reputation as change agents (Chary et al., 2014). In terms of portfolio yields, their study found that SML, BSFL, CMC, GVMFL, and GFSPL were among the MFIs that fared better than average. This shows that these institutions were successful financially and socially. Moreover, the effectiveness of microfinance in developing nations like Bangladesh to reduce poverty is becoming increasingly apparent. Ethiopia is one of the least developed countries in the world, and microfinance is a popular tool there to help connect banks with low-income neighbourhoods. The most disadvantaged communities cannot get loans from conventional banks due to their profit-driven policies and stringent lending rules. Poverty, hunger, illiteracy, and health issues can all be effectively addressed with microfinance (Manoharan et al., 2011). How microfinance is being utilised in India to assist the economically and socially marginalised people, as sought by Nasir (2013). Focusing on the Self-Help Groups (SHGs)-Banks Linkage Program, issues with loan distribution methods, insufficient product diversification, client overlap, and high interest rates were detected. These issues demonstrated the lack of cohesion in the microfinance industry. In a more pragmatic vein, the report concluded with recommendations for addressing these and other issues with microfinance in India.

To conclude, studies now being conducted in Afghanistan suggest that microfinance can empower individuals, improve society, and boost the economy. Sultani (2021) stated, microfinance has a positive impact on the empowerment and income of borrowers affiliated with FMFB-A in Bamyan province, and furthermore highlighted that microfinance has a localised effect. MFIs in Afghanistan faced difficulties due to a lack of experience, antiquated technology, insufficient support from the government, and intense competition (Sultani & Chandrashekhar, 2023). There is an opportunity for growth in the microfinance business in Afghanistan; nevertheless, to sustain its current level of success, the microfinance sector must solve structural issues. These contrasting perspectives bring to light the fact that microfinance in Afghanistan is not devoid of difficulties.

2.4 Research Gap

Despite a significant body of literature on microfinance institutions, there is an apparent gap in research on the adaptability of these institutions in conflict-affected and politically volatile places such as Afghanistan. The majority of previous studies have focused on MFIs functioning in more stable circumstances, creating a vacuum in our knowledge of how these institutions operate and keep up activity during crises. This investigation fills that gap by examining the performance of Afghan MFIs throughout one of the most difficult times in recent years, giving vital insights into the durability and adaptation of microfinance in unstable regions.

3. RESEARCH METHODOLOGY

3.1 Data

An approach to investigation that is quantitative and based on the analysis of secondary data is utilised in this study. Within the scope of this investigation, the pertinent data on the outreach of the microfinance institutions, which includes the number of branches, the clients serviced, and the loan amounts issued, were obtained. Furthermore, information on the financial performance of the MFIs, especially the gross loan portfolio, is acquired from the sources provided. Research papers, journals, annual reports of the selected institutions, and statistics from the AMA are some of the numerous sources that were utilised in the process of collecting secondary data. Through the application of descriptive statistics, the secondary data that was gathered is now being evaluated in order to meet the objectives of the study.

3.2 Variables

The study focuses on the following key indicators of MFI performance: Branch Expansion and Geographic Reach, Active Borrowers, Amount of Loans Disbursed, Gross Loan Portfolio, and Gross Loans Outstanding.

4. ANALYSIS AND FINDINGS

4.1 Branch Expansion and Geographic Reach

As shown in Figure 1, FMFB maintained a consistent presence across all 14 provinces from 2018 to 2022, showcasing a stable and widespread outreach strategy. FINCA, while initially present in 11 provinces in 2018, slightly reduced its coverage to 10 provinces by 2021 and continued with the same coverage in 2022. Moreover, the existence of MUTAHID-DFI persisted from 2018 to 2022 in six provinces. There was a consistent presence of OXUS in all ten provinces from 2018 to 2022. The total number of provinces in Afghanistan is 34, which warrants mention.

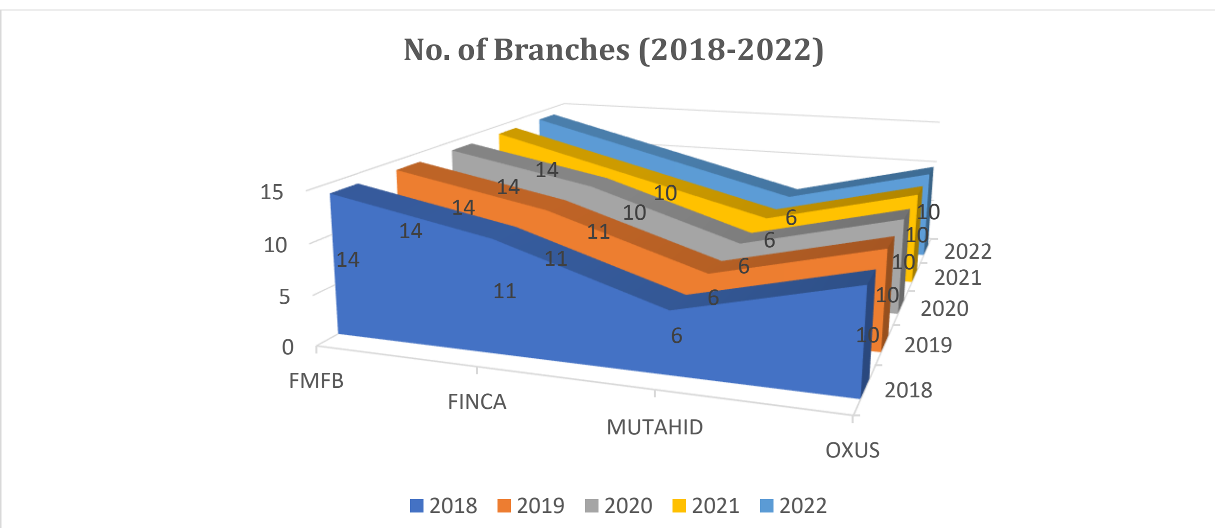

Figure 1: No of Branches
Sources: MISFA, Annual reports, 2022

4.2 Active Borrowers of Selected MFIs

There was extensive progress in customer outreach and borrower interaction by Afghan microfinance institutions in the five years between 2018 and 2022. A large portion of Afghanistan's provinces are served by the extensive financial services networks set up by FMFB, FINCA, MUTAHID, and OXUS-Afghanistan. People from all walks of life and all corners of the country's economic range were active borrowers at the targeted financial institutions. Microfinance banks have the potential to reach a large number of individuals and provide them with individualised support, allowing them to alleviate financial hardship and foster a sense of community among Afghans. To better comprehend each institution's role in Afghanistan's microfinance industry throughout the given period, we have presented a complete study of their activities in Table 2.

Table 2: Active Borrowers in Microfinance Institutions

Years	MFIs			
	FMFB	FINCA	MUTAHID	OXUS
2018-19	63,993	25,158	18,327	19,276
2019-20	63,619	27,815	21,067	24,356
2020-21	53,987	24,681	16,433	20,913
2021-22	51,393	21,202	16,655	23,445
2022-23	36,289	18,083	11,761	16,919
Total	269,281	116,939	84,243	104,909

Source: MISFA, Annual reports, 2022

Table 2 showing changes in the number of active borrowers from MFIs is critical for studying the microfinance sector's development during the selected study period. Figure 2 shows how the number of active borrowers for FINCA Microfinance, FMFB, MUTAHID Microfinance, and OXUS-Afghanistan Microfinance Institutions changes every year. Figure 2 inevitably reveals the ups and downs of active borrowers over this time frame.

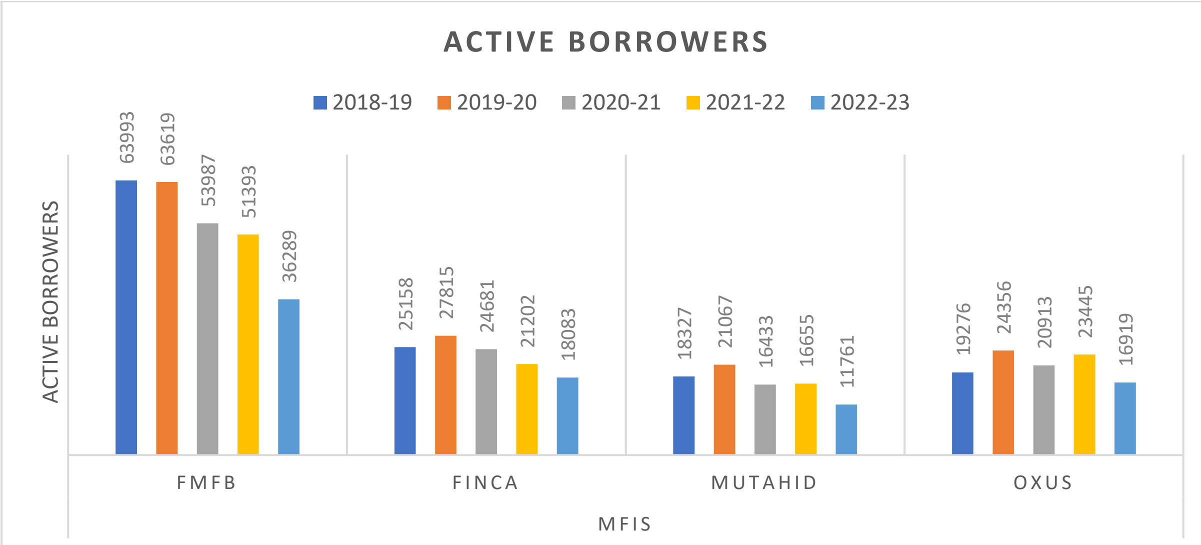

Figure 2: Active Borrowers of Selected Microfinance Institutions (2018-2022)
Source: MISFA, Annual reports, 2022

Figure 2 and Table 2 displayed that the First Microfinance Institutions assisted 269,281 borrowers during the last five years, with an average of 53,856 borrowers. The number of individuals actively seeking loans from FMFB dropped dramatically between 2018 and 2020. This trend continued into the following years, with a low of 36,289 in 2022, indicating that stabilising borrower levels was difficult at this time.

FINCA Microfinance Institution had 116,939 borrowers, or around 23,388 customers each year, over the same time. Over the course of the five-year period, the number of active borrowers declined from 25,158 in 2018 to 18,083 in 2022. The most striking change from 2018 to 2019 is the declining number of borrowers who are actively seeking loans. The difficulties FINCA has had in retaining its customer base are shown by this reduction, which might be attributed to changes in borrower habits or economic worries over this period.

Over the past five years, the number of active borrowers at MUTAHID Development Finance Institution has fluctuated. The following years saw more decline: 2019 (to 21,067) and 2022 (to 11,761). At its peak, MUTAHID-DFI helped 16,849 clients and 84,243 debtors every year. Economic instability or shifts in consumer demand could account for the declining borrower count, making it more difficult to identify active borrowers beyond 2019.

Borrowers from OXUS-Afghanistan Microfinance Company have been on the decline recently. Over its five years of operation, OXUS-Afghanistan supplied 104,909 active borrowers and serviced 20,982 customers each year, including 24,356 borrowers in 2018 and 16,919 in 2019. The next year, there was a significant decrease in the number of loans. Concerns over the COVID-19 pandemic and the subsequent collapse of the government have contributed to the uncertainty of lending markets, which microfinance organisations like

OXUS have had to contend with. The fact that active borrowers may exhibit a great deal of diversity is another illustration.

To conclude, from 2018 to 2022, the number of active borrowers at FINCA Microfinance, FMFB, MUTAHID Microfinance, and OXUS-Afghanistan Microfinance changed at various points. The fact that the population of FMFB dropped from 63,993 to 36,289 suggests that there were issues with data tracking. As a result of economic uncertainties, FINCA's clientele has decreased from 25,158 to 18,083 borrowers. The MUTAHID ranged from 21,067 to 11,761 from 2019 to 2022. The maximum quantity of OXUS recorded in 2019 was 24,356. Market uncertainty likely played a role in the decline to 16,919 in 2022.

4. 3 Loan Disbursement Statistics

The loan distribution data of four major microfinance institutions, FMFB, FINCA Microfinance, MUTAHID Microfinance, and OXUS Afghanistan Microfinance Institutions, are examined in a detailed and sufficient analysis that covers the years 2018-2022. Valuable perspectives on the loan distribution patterns of these banks could be acquired from the demanding collection and visual representation of the complicated financial data via elaborate Table 3 and Figure 3. This era of research takes on further importance in light of the COVID-19 epidemic and the political unrest caused by the fall of governments. During these difficult times, MUTAHID Microfinance, FMFB, FINCA Microfinance, and OXUS-Afghanistan Microfinance all used different financial strategies, which are summarised in Table 3 and Figure 3 that are provided here. Besides, Table 3 examines the total growth rate (TGR) of loan disbursement and the annual average growth rate (AAGR) as important metrics for gauging the cumulative growth percentage (CGR) over a certain time frame. to determine the AAGR and TGR, the following formulas have been utilised:

$$AAGR = \left(\frac{Pn}{P0}\right)^{1/n} - 1 \qquad (1)$$

$$\text{TGR} = \frac{Pn - P0}{P0} \times 100 \qquad (2)$$

Where P_n denotes the amount of loans paid out at the end of the chosen time frame. P_0 denotes the initial quantity of loans distributed at the beginning of the term. n represents the length of the evaluated time frame.

Table 3: Loan Disbursement Statistics

Years	MFIs Disburse Loan Amounts in AFN.			
	FMFB	**FINCA**	**MUTAHID**	**OXUS**
2018-19	50,614,850,121	11,472,492,938	4,051,436,312	6,964,741,664
2019-20	56,047,457,269	13,873,829,709	5,489,111,346	8,786,189,827
2020-21	60,014,766,004	14,673,769,219	5,844,155,618	9,183,010,179

2021-22	63,791,586,309	15,797,394,263	6,454,781,435	9,727,811,154
2022-23	64,611,966,805	16,020,768,368	6,564,529,935	10,637,701,052
AAGR(%)	7.62	8.4	9.4	10.3
TGR(%)	28	40	62	53

Source: AMA, 2018-2022

Before we get into the data, Figure 3 provides an overview of the five-year trend in the payment of loan amounts.

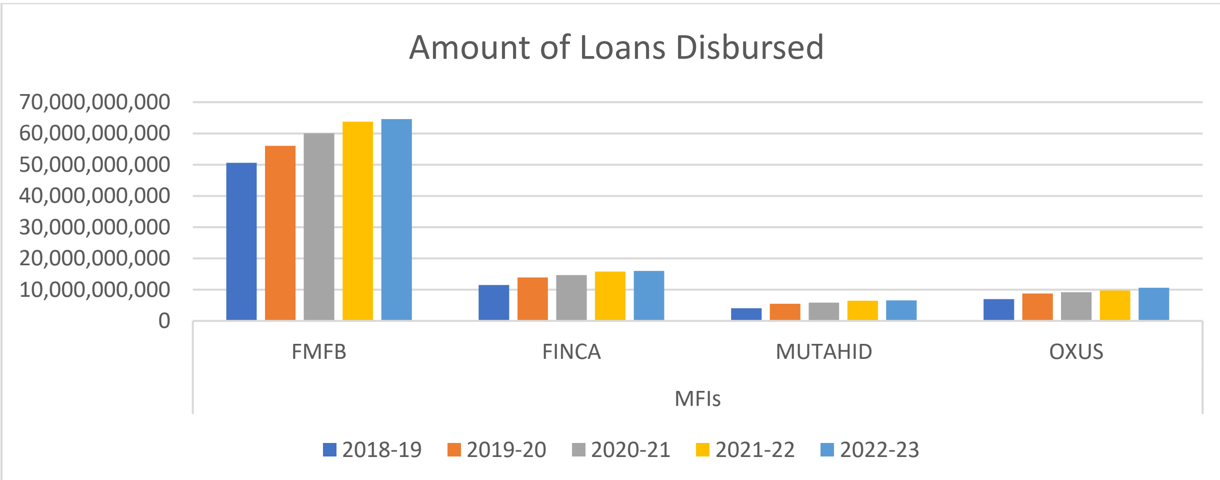

Figure 3: Loan Disbursement across the Selected MFIs
Source: AMA, 2018-2022

It became clear that financial challenges and market changes considerably affected the lending operations of important Afghanistan MFIs from 2018 to 2022, according to the thorough investigation of these institutions. Data from renowned MFIs, including FMFB, FINCA Microfinance, OXUS, and MUTAHID Microfinance, are shown in Table 3 and Figure 3, which support this statement.

Over the five years, FMFB's loan disbursements grew steadily. Loan amounts ranged from 50,614,850,121 AFN in 2018–19 to 64,611,966,805 AFN in 2022–23, with annual increases afterwards. This shows that FMFB's lending operations are always rising, indicating that they can react to market needs and keep their borrower base growing every year. Loans increased annually at FINCA Microfinance Institutions, following a similar trend of expansion. The total loan amount reached 16,020,768,368 AFN in 2022–23, up from 11,472,492,938 AFN in 2018–19. This steady expansion exemplifies FINCA's yearly efforts to broaden its lending operations and serve a more diverse clientele.

The loan payments made by MUTAHID Development Finance Institution throughout the five years demonstrated a variety of tendencies. The total amount of loans disbursed by MUTAHID MFI in 2018–19 was 4,051,436,312 AFN. A substantial jump occurred the following year, with loans reaching 5,489,111,346 AFN in 2019–20. But there was a little decrease to 5,844,155,618 AFN in 2020–21, and then a huge spike to 6,454,781,435 AFN in

2021–22. In 2022–23, loans fell to 6,564,529,935 AFN, reversing the trend from the previous year despite the rise. During the given time frame, OXUS Microfinance Institution's loan disbursements showed a steady increase. Beginning at 6,964,741,664 AFN in 2018–19, OXUS showed a rising trend, reaching 8,786,189,827 AFN in 2019–20 and going on to 9,183,010,179 AFN in 2020–21. The upward trend persisted, with loans reaching 10,637,701,052 AFN in 2022–23 and 9,727,811,154 AFN in 2021–22.

To summarise, FMFB and FINCA both had annual increases in loan disbursements; MUTAHID showed adaptive methods with variations, while OXUS expanded its lending operations steadily and proactively during the given time. The adaptability of microfinance operations to changing market conditions and borrower needs is shown by these patterns.

Additionally, from 2018 to 2022–23, Table 3, displaying loan disbursement statistics, reveals TGR and AAGR for four different MFIs. The AAGR shows the steady annual percentage increase in payouts during the whole timeframe. Among them, FMFB's AAGR was 7.62%, FINCA's was 8.4%, MUTAHID's was 9.4%, and OXUS's was 10.3%. TGR shows how much money has grown in distributions from the beginning to the end. Shockingly, MUTAHID had 62% TGR, followed by OXUS with 53%, FINCA with 40%, and FMFB with 28%. These numbers show the average yearly increase as well as the total growth over the five years, showing how the MFIs expanded at different rates and in total throughout that time.

4. 4 Analysing Loan Portfolio Dynamics

In order to evaluate the soundness of lending institutions' liquidity and managerial decisions, it is necessary to comprehend the microfinance sector's loan portfolio characteristics. Changes in the financial sector and volatility in the markets characterize the years 2018–2022, which are the subject of this investigation. We want to find trends and lessons by looking at the gross loan portfolio and gross loans outstanding of major banks. Not only does this kind of research shed light on the tactics and flexibility of lending institutions, but it also has important consequences for the economy as a whole. This investigation is critical for understanding the resiliency and strategic acumen of microfinance organisations as they oversaw their loan portfolios during a time of heavy economic hardship. All financial assistance, gross loan portfolio, and outstanding statistics shown in Table 4 and Figure 4 provide an in-depth overview of the lending environment during a period characterised by financial instability and changing market circumstances.

Table 4: Gross Loan Portfolio

Years	MFIs' Gross Loan Portfolio Amounts in AFN.			
	FMFB	**FINCA**	**MUTAHID**	**OXUS**
2018-19	5,876,550,205	1,211,970,681	636,318,945	959,506,200
2019-20	6,212,776,488	1,215,195,265	645,364,309	989,435,154
2020-21	4,584,886,936	1,274,111,114	604,553,531	706,602,342

2021-22	4,516,243,800	1,015,922,428	453,596,773	886,086,929
2022-23	2,757,811,343	1,763,783,387	390,602,736	617,696,485
Total	23,948,268,772	6,480,982,875	2,730,436,294	4,159,327,110

Source: AMA, Annual reports

Furthermore, Figure 4 provides a more precise explanation and analysis of the study's data on the changing structure of loan portfolios, which optimises the data's visual representation.

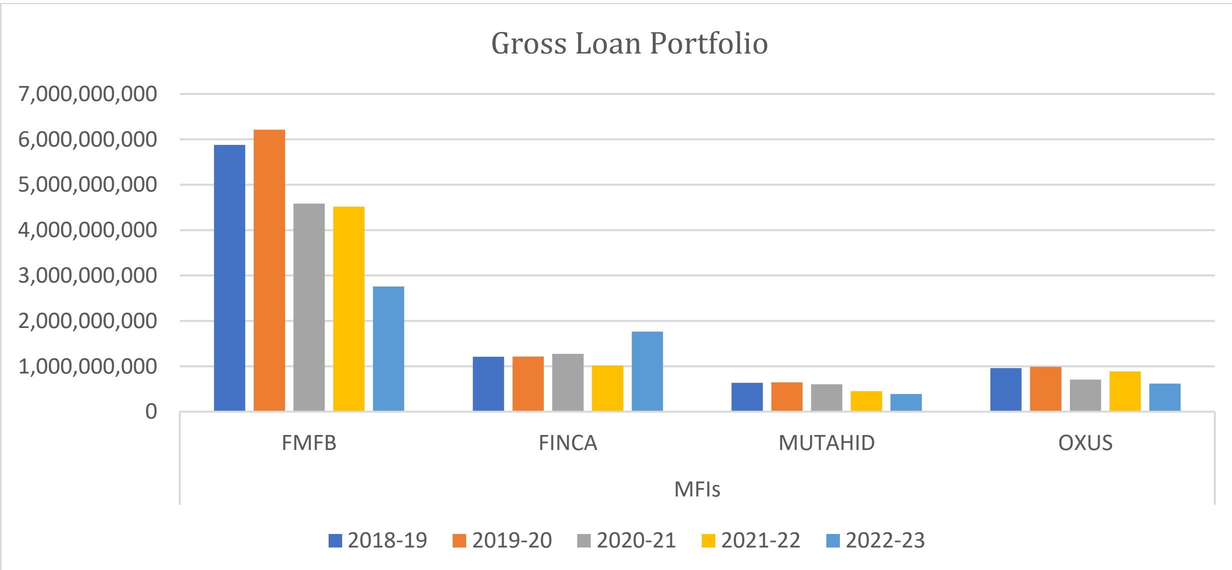

Figure 4: The Gross Loan Portfolio of Selected MFIs
Source: AMA, Annual reports

As shown in both Table 4 and Figure 4 above, **FMFB** experienced fluctuations in its gross loan portfolio over the years. From 5,876,550,205 AFN in 2018–19, it increased to 6,212,776,488 AFN in 2019–20, then notably dropped to 4,584,886,936 AFN in 2020–21 and 4,516,243,800 AFN in 2021–22. However, there was a significant decrease to 2,757,811,343 AFN in 2022–23, resulting in a total portfolio of 23,948,268,772 AFN over the specified period.

FINCA maintained a relatively stable gross loan portfolio, starting at 1,211,970,681 AFN in 2018–19 and hovering around 1.2–1.3 billion AFN until 2021–22. However, in 2022–23, there was a significant increase to 1,763,783,387 AFN, resulting in a total portfolio of 6,480,982,875 AFN over the mentioned years.

MUTAHID's gross loan portfolio fluctuated moderately between 453,596,773 AFN and 645,364,309 AFN until 2021–22. However, there was a substantial decrease to 390,602,736 AFN in 2022–23, totalling 2,730,436,294 AFN over the specified period.

OXUS witnessed fluctuations in its gross loan portfolio, ranging between 706,602,342 AFN and 989,435,154 AFN until 2021–22. The portfolio slightly decreased to 886,086,929 AFN in

2021–22 and notably dropped to 617,696,485 AFN in 2022–23, accumulating to a total of 4,159,327,110 AFN. These trends indicate varied trajectories in each MFI's gross loan portfolios, showcasing fluctuations and potential shifts in their lending strategies or responses to changing market conditions in Afghanistan.

Table 5: Gross Loan Outstanding

Years	MFIs Gross Loan Outstanding Amounts in AFN.			
	FMFB	FINCA	MUTAHID	OXUS
2018-19	4,749,766,709	1,054,900,179	582,983,599	721,662,672
2019-20	4,579,696,517	1,164,627,020	630,105,890	771,206,896
2020-21	3,797,687,059	991,710,003	604,553,531	777,416,424
2021-22	4,584,886,936	861,829,919	453,596,773	722,110,474
2022-23	4,055,277,608	601,376,505	390,602,736	477,172,693
Total	21,767,314,829	4,674,443,626	2,661,842,529	3,469,569,159

Source: MISFA, Annual reports

The visualisation shown in Figure 5 illustrates the total gross loan outstanding of selected MFIs from 2018 to 2022, aimed at enhancing the visualisation of the data.

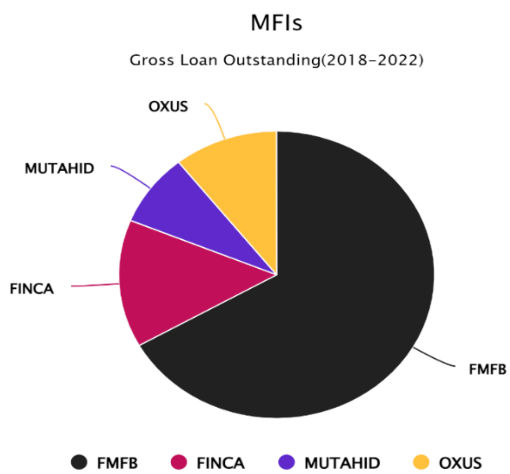

Figure 5: Gross Loan Outstanding
Source: MISFA, Annual reports

As evident from both the Table 5 data and the Figure 5 representation provided above, **FMFB's** gross loan outstanding ranged from 4,749,766,709 AFN to 4,055,277,608 AFN over the years. There were fluctuations, with a decrease in 2019–20, followed by a slight increase in 2020–21. Subsequently, the portfolio remained relatively stable until a decrease in 2022–23. Overall, FMFB's total gross loan outstanding summed up to 21,767,314,829 AFN.

For **FINCA**, the gross loan outstanding started at 1,054,900,179 AFN in 2018–19, increased in 2019–20, and then decreased slightly in 2020–21. There was a significant drop in 2021–22 and another notable decrease in 2022–23. This led to a total gross loan outstanding of 4,674,443,626 AFN over the mentioned period.

MUTAHID's gross loan outstanding experienced fluctuations, beginning at 582,983,599 AFN and peaking in 2019-20 before maintaining a relatively consistent figure until 2021-22. However, there was a substantial decrease in 2022–23, resulting in a total gross loan outstanding of 2,661,842,529 AFN. The gross loan outstanding for **OXUS** ranged from 721,662,672 AFN in 2018–19 to 477,172,693 AFN in 2022–23. The total gross loan outstanding was 3,469,569,159 AFN after a few ups and downs throughout the years. These patterns show that each MFI's gross loan outstanding has changed over time, which might indicate changes in lending tactics, reactions to market forces, or adaptations to Afghanistan's financial condition.

5. DISCUSSION AND CONCLUSION

Microfinance in Afghanistan has endured through a challenging period that runs from 2018 to 2022. The microfinance sector in Afghanistan is controlled by significant organizations such as FMFB, FINCA Microfinance, MUTAHID Microfinance, and OXUS-Afghanistan. By analyzing regional coverage patterns, active borrowers, payment of loans, and loan portfolios, one may gain insight into intricate activities that happen. The effects of the COVID-19 outbreak and the collapse of the government are examples of external factors that contribute to the formation of these dynamics. Other factors include changes in the economy, uncertainty in the market, and foreign difficulties.

The microfinance business in Afghanistan was presented with a substantial number of challenges as a result of the breakout of COVID-19 in March 2020 and the political collapse that occurred in August 2021. MFIs were badly damaged by the economic turmoil, financial failures, and operational limitations that were brought about by these crises. The volatility of the political system caused the sector to experience pressure, which in turn exacerbated the risks to security, particularly in areas that were experiencing conflict. In addition to this, there were restrictions placed on the finances and a decrease in investor confidence. Furthermore, the FINCA microfinance institution ceased its operations during the second quarter of the year 2022, resulting in the institution's total cessation of operations.

As far as geographical areas are concerned, FMFB maintained a constant presence throughout all of the provinces that they targeted, placing a focus on an outreach strategy that was both consistent and wide. Furthermore, the data for FINCA derives from the first quarter of the year, since after that, the organization terminated its activities in Afghanistan. There was a little decline in the presence of FINCA in the provinces at the same time. Because both MUTAHID Development Finance Institution and OXUS-Afghanistan Microfinance Institutions exhibited fluctuations in coverage, these changes were probably with their adaptation methods to meet the ever-evolving requirements of the market.

A number of different patterns were seen in the selected MFIs, as was determined via the active borrower survey. FMFB and FINCA Microfinance are having trouble maintaining their borrower base, as shown by the fact that the number of active borrowers at both of these institutions has decreased. MUTAHID revealed changes, which were a reflection of the dynamics of the market, but OXUS demonstrated flexibility by altering borrower numbers based on demand fluctuations. It is clear from these statistics that external factors have a significant impact on the degree to which borrowers are engaged and retained within an MFI organization.

FMFB and FINCA Microfinance Institution have shown consistent growth throughout the course of the five years, as measured by the amount of money that has been paid out as loans. The fact that they need to meet the requirements of the market and expand their lending activities is shown by this. In contrast to OXUS, which displayed proactive growth in lending, indicating their dynamic responsiveness to the conditions of the market, MUTAHID demonstrated procedures that were adaptable in the face of oscillations on the market. The various courses of action that each MFI has pursued were brought into greater focus via the use of the research on gross loan portfolios and current loans. There were fluctuations in FMFB's lending portfolio, in contrast to FINCA, which was able to keep its loan portfolio largely steady. The loan portfolios of both MUTAHID and OXUS have undergone modification, which may be an indication of potential modifications to lending strategy or responses to evolving market conditions. OXUS exhibited changes, but MUTAHID had very slight fluctuations.

In a brief, the microfinance sector in Afghanistan has attained the ability to adapt in the face of financial uncertainty and hurdles. By effectively overseeing their portfolios, maintaining their planned presence, and resolving issues, institutions demonstrate their commitment to financial inclusion and stability, even in tough circumstances. In order to achieve financial empowerment and long-term growth in Afghanistan's complex and ever-changing environment, these institutions must be able to adapt and think creatively at all times. For these traits to advance in the future, it is crucial to keep using them. It will be crucial to guarantee the industry's future viability and development.

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CONFLICT OF INTEREST

The authors declare no conflicts of interest.

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