PAKISTAN MICROFINANCE INVESTMENT COMPANY LIMITED.

ANNUAL IMPACT REPORT
2020

AUGUST
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ANNUAL IMPACT REPORT 2020

ABBREVIATIONS

• Compound Annual Growth Rate	CAGR
• Gross Loan Portfolio	GLP
• Microfinance	MF
• Microfinance Bank	MFB
• Microfinance Provider	MFP
• Non-Bank Microfinance Institution	NBFMI
• Non-government Organizations	NGOS
• Outstanding Loan Portfolio	OLP
• Pakistan Microfinance Investment Company	PMIC
• State Bank of Pakistan	SBP
• Sustainable Development Goals	SDGs
• Securities and Exchange Commission of Pakistan	SECP

1. ABOUT MICROFINANCE

Microfinance (MF) is defined as the provision of financial services to low-income individuals who would otherwise have no access to conventional financing. Its purpose is to provide people living at or close to the poverty line with the opportunity to improve their lives by increasing their incomes, building assets and reducing their vulnerability to external shocks. Microfinance has also been recognized as an integral tool in advancing financial inclusion.

Financial inclusion implies individuals and businesses having access to useful and affordable financial products and services that meet their needs while being delivered in a responsible and sustainable way. The setting up of PMIC as the wholesale financier of Microfinance Providers (MFPs), a microfinance sector developer and an ecosystem enabler has been identified as a major milestone in furthering the aim to achieve greater financial inclusion in Pakistan.

2. THE MICROFINANCE SECTOR

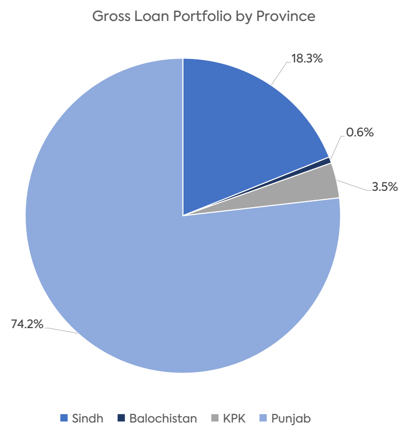
The MF sector of Pakistan sector has 35 licensed institutions, broadly categorized into two segments; MF Banks (MFBs), who are authorized deposit takers and Non-Bank MF Institutions (NBMFIs) – at first unregulated NGOs, but now licensed and regulated though not authorized to take deposits. MFBs hold almost 70% of the MF market share, have larger individual loan sizes and most operate nationwide. NBMFIs are usually focused on rural markets, have mostly female clientele and are dependent on funding from development lenders, such as PMIC.

At sector level, the proportion of male borrowers is 50% (Percentage) whereas their share in Gross Loan Portfolio (GLP) is much higher at 67%; indicating that on average, males get larger loans than females. This is also a reflection of the target market of various microfinance providers; in the case of NBMFIs, the target group is females; the average loan size of NBMFIs is greater than that of MFBs for Q4 2020 (Rs. 45k vs. Rs. 33k). An extension of this market segmentation is the rural/urban divide; almost 62% of the clientele is from rural markets which is a key area of focus for NBMFIs.

For the last 5 years, the sector featured 13.3% and 28.4% Compound Annual Growth Rates (CAGRs) for active clients and GLP respectively. A higher CAGR of GLP than that of active clients indicates that the average loan size outstanding has increased overtime from Rs. 35,649 in 2015 to Rs. 36,174 in 2020 indicating a 1.5% increase. However, this increase is rationalized when adjusted for inflation which takes the December 2020 average loan size to around Rs. 33,000 in real terms. This is because the COVID-19 pandemic led to institutions decreasing the size and number of their loans to manage default risk.

2.1 PENETRATION

At 7m active borrowers, penetration levels have increased considerably over time to about 34.2% as per PMN reported data for December 2020. Moreover, KPK and Baluchistan continue to have low penetration levels of 3.4% and 7.9%, respectively, while high penetration is characterized by Punjab (38%) and Sindh (51.3%). A snapshot of the provincial distribution of sector portfolio also corroborates the penetration trends.



3. ABOUT PMIC

Pakistan Microfinance Investment Company Limited (PMIC) is an Investment Finance Company licensed under the Non-Banking Financial Companies Regulations with the Securities and Exchange Commission of Pakistan. PMIC has been setup by Pakistan Poverty Alleviation Fund (PPAF), the UK Department for International Development (DFID) through Karandaaz Pakistan, and the German Development Bank (KFW). As an apex institution for the microfinance sector, PMIC has been set up to meet the liquidity needs of the sector. In addition to this, PMIC undertakes interventions targeted towards expanding the variety of products and services offered by microfinance providers for improved financial inclusion. This translates into higher economic benefits for poor and marginalized groups in Pakistan while also empowering women.

PMIC's strategy identifies certain over-arching themes which guide the financing activities undertaken by the company:

- **Offering Women focused products**
- **Offering Youth / Livelihood linked products**
- **Creating digital pathways**
- **Enhancing revenue generating capacity**

To convert these strategic themes to outcomes PMIC has developed three core workstreams. The impact of PMIC in realizing its strategic themes is measured separately for each specific workstream which are as follows:

FINANCING AND INVESTING SOLUTIONS

That have a positive social and economic impact for microfinance clients and for the ecosystem. PMIC's wholesale lending business currently serves 24 borrowing institutions (21 NBMFIs and 3 MFBs) amounting to PKR 22.7 billion as of May 2021.

MICROFINANCE PLUS PRODUCTS

which focus on integrating financial investments with innovation, value creation, risk mitigation and capacity enhancement for the borrowers. Microfinance Plus interventions are designed holistically to consider the effect on the entire ecosystem i.e. The market, the institutions and the microfinance clients. Through research, results-based strategies and the ability to leverage partnerships to hone synergies, PMIC can broaden its scale and use blended finance to make sustainable changes in the lives of the marginalized segments of the market.

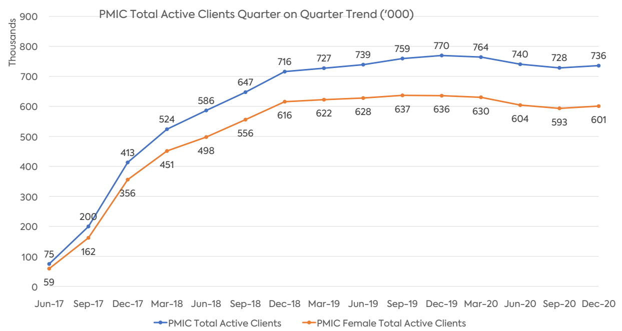
AN ECO-SYSTEM ENABLER

As an eco-system enabler, PMIC is geared to facilitate partnerships between various stakeholders for the benefit of the end clients, in addition to its role to take up policy advocacy and to document impact evidence.

4. FINANCING AND INVESTMENT SOLUTIONS

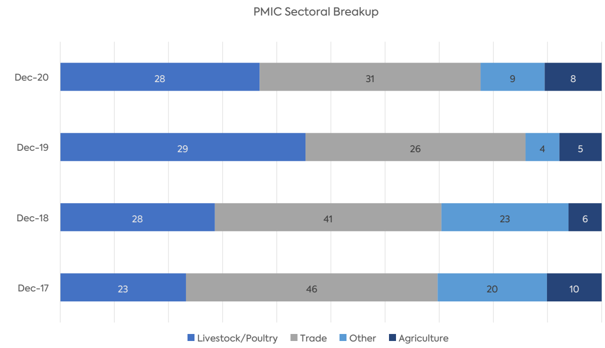
4.1
CLIENT OUTREACH

Starting from the first quarter in March 2017 PMIC's total active clients have increased on a quarter-by-quarter basis, (with a CAGR of 54%) notwithstanding the quarters of March, June and September 2020 respectively where active clients decreased due to the COVID 19 pandemic. The number of total active borrowers in Pakistan in the MF sector as of 31 December 2020 were approximately 7,005,885 borrowers taking PMIC's share to 10.5%. Historically, female end-clients have accounted for a major portion of PMIC's portfolio, as shown below. As at December 2020, the percentage of female clients stood at 82%; historically as well, female clients attributable to PMIC's financing have made up more than 80% of the total clientele. Youth have represented around 45% of clients in PMIC's portfolio.



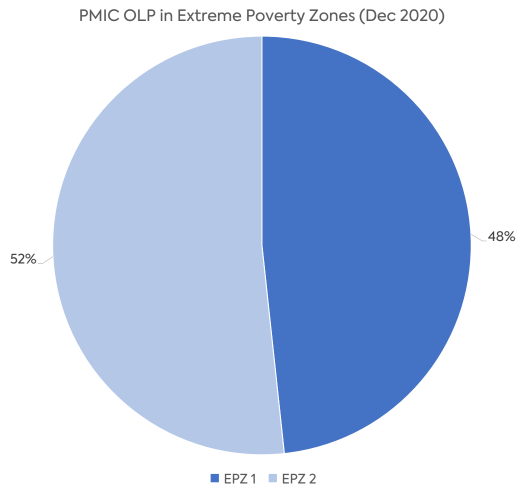
4.2
PMIC PORTFOLIO SECTORIAL ALLOCATION

PMIC has kept its portfolio breakup fairly consistent with that of the sector with only a slight positive difference in the share of Agriculture. Livestock and Trade have been the dominant sectors making up approximately 59% of PMIC's overall portfolio.

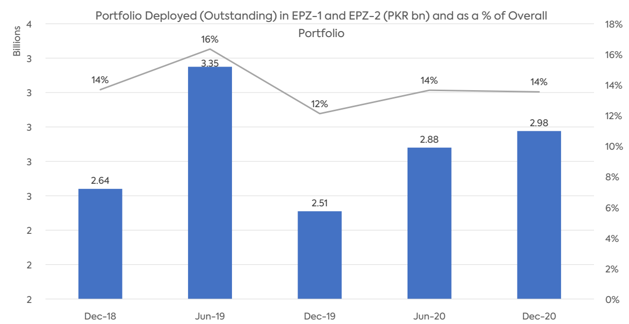


4.3
DEPLOYMENT IN EXTREME POVERTY ZONES

Districts in Pakistan are ranked in terms of the Poverty Headcount Ratio – this is defined as the number of people below the poverty line as a proportion of the total population. Districts falling in EPZ-1 (Extreme Poverty Zone-1) belong to the 5th quintile in the ranking i.e. the bottom 20% of the ranked districts. Districts falling in EPZ-2 belong to the 4th quintile – the 20% of the ranked districts above the 5th quintile districts. From the figure below we can see that PMIC's Outstanding Loan Portfolio (OLP) in EPZ's is evenly distributed with EPZ-2 having slightly more funding.

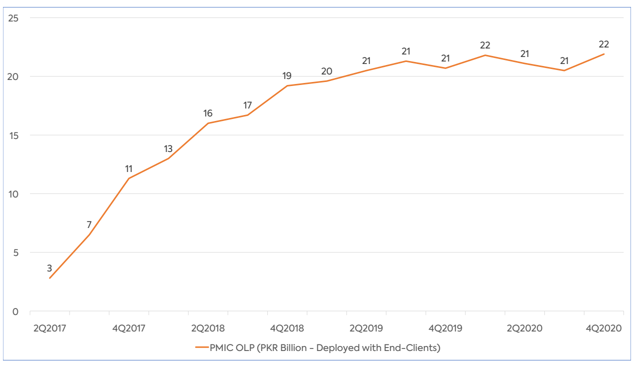


In the figure below, we can see that PMIC's outstanding portfolio position in these regions reached a peak in June 2019 at PKR 3.35 billion. Funding experienced a decrease in the following quarters though it has bounced back despite COVID-19's impact. The share of deployment out of total portfolio has also remained consistent.



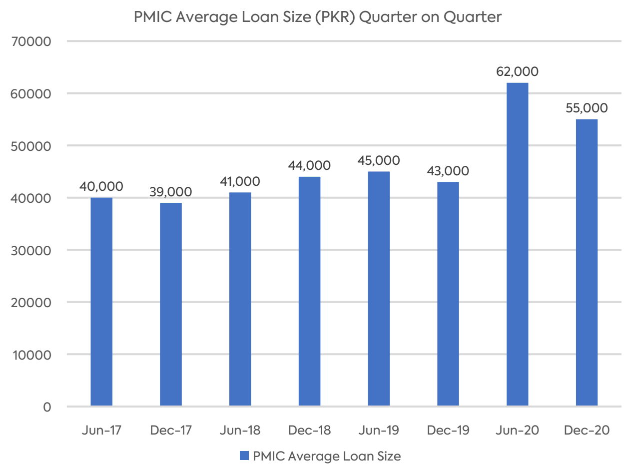
4.4
MFPS AND END-CLIENTS

The CAGR for PMIC's OLP (from MFPs) and OLP (from end-clients) since inception is 158% and 96% respectively over the period of Q2-2017 to Q2-2020 The decrease in deployment over the recent quarters can be attributed to institutions trying to maintain liquidity rather than growth in 2020 due to COVID 19, thereby, keeping disbursements low. However, with the resumption of disbursements after Q2-2020, the gap has started to narrow.



4.5
AVERAGE LOAN DISBURSED SIZE

A policy focus has also been to increase the loan size for microfinance clients in the sector. The rationale behind this policy is to gradually uplift clients from small loans to larger loans which should enhance their business growth. The loan size attributable to PMIC's financing has steadily increased quarter on quarter. PMIC has been pushing for greater loan sizes, however, the realization of this goal been slow due to sub-optimal risk controls among NBMFIs thereby limiting their ability to roll out larger loans. As of December 2020, the average loan size of PMIC stood at approximately PKR 55,000. Due to COVID-19 fewer clients were served in 2020 which is reflected in the increased average loan size. It should be noted that there is a need for greater financing for clients. Larger loans will enable clients to increase their wealth and the size of their businesses, leading to more job creation and economic empowerment.



4.6
REVENUE GENERATION & JOBS SUPPORTED

The Microfinance and Enterprise Growth study was commissioned in 2018 to illustrate the additionality of microfinance by assessing whether microenterprises affect job creation and to determine the growth of business for the borrower.

Some of the key findings from this study are presented below.

I. Revenue multiplier: amount of incremental revenue generated per Rs. 1 million in loan was estimated at 4.1 times.

II. On average, a microenterprise directly supports 2.6 fulltime jobs and created 0.15 additional full-time equivalent jobs over one year.

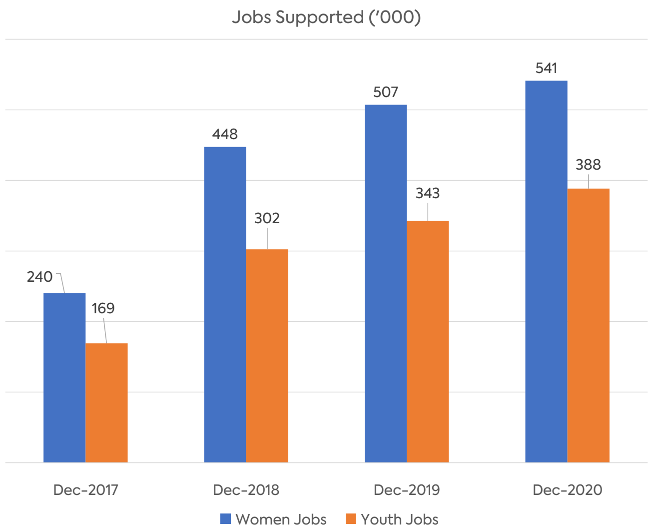
III. Jobs multiplier: number of jobs supported per Rs. 1 million in loan were estimated at 29.3.

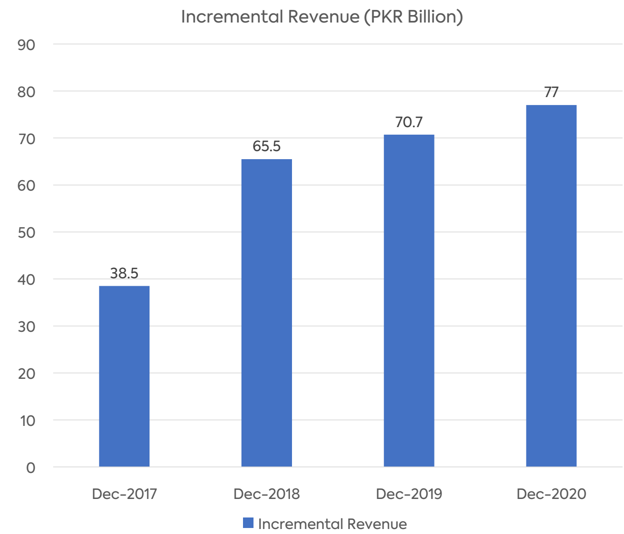
IV. Overall, 40% of employees within the sampled survey were women while 45% were youth i.e. in the 20-34-year age group.

Using the same methodology as this study, the revenue generated and the jobs supported were estimated for PMIC from inception. This follows the concept that for revenue and jobs, multipliers established in the study could be utilized to extrapolate incremental revenue and jobs supported attributable to PMIC's funding.

In December 2020, PKR 77 billion of incremental revenue and 805,382 jobs supported were created through PMIC's funds.

The detailed methodology to establish these estimates are presented in Annexure 1.





From the figures above, we can see that both the number of jobs supported and theincremental revenue accounted for by PMIC's end-clients have increased year-on-year with revenue and jobs supported increasing at a rate of 26% and 31% respectively. Growth slowed down in 2019 because of slow growth in portfolio.

5. MICROFINANCE PLUS PRODUCTS

5.1 MICROFINANCE PLUS INITIATIVES

As a sector-level stakeholder involved in uplifting and strengthening the microfinance market of the country, PMIC aims to develop the market by enhancing the capacities of both end-clients and their financier MFPs. PMIC seeks to achieve these goals through various MF Plus interventions that are elaborated below along with the baseline data captured in December 2019 under impact assessments for three of the six initiatives. While baseline data was successfully captured, end-line could not be performed in 2020 as COVID rendered the field inaccessible.

5.1.1 LIVESTOCK PRODUCTIVITY ENHANCEMENT

The LPEI project includes trainings on best practices in livestock management for herders. The trainings are intended to help farmers build quality and cost-effective animal sheds, improve the feed of animals, treat livestock related diseases etc. The project also attempts to establish backward and forward linkages for farmers to provide them with better access to the market. As of 2020, PKR 12.5 million has been disbursed for this project with approximately 20,040 clients reached.

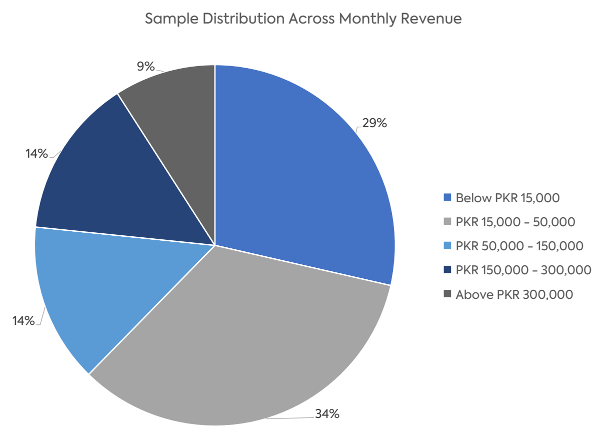
5.1.2 EDI DEVELOPMENT TRAINING & LARGER LOANS

The EDI intervention is designed to benefit the micro and small entrepreneurs of Pakistan. This intervention includes providing microcredit loans along with trainings for clients on business development, skill enhancement and financial literacy. The core objective is to support employment and enhance revenue of the beneficiary enterprises. PMIC, in collaboration with its borrowers, also attempts to establish backward and forward linkages of end-clients to make it easier for them to sell their wares and have access to better quality inputs at discounted prices. As of December 2020, PKR 23.4 million in grants have been disbursed reaching 11,597 clients.

5.1.2.1 FINDINGS FROM THE BASELINE SURVEY OF EDI

A sample of 100 microfinance borrowers were surveyed uniformly distributed across the three districts of Sheikhupura, Badin and Muzaffargarh.

As per baseline data, the beneficiaries were supporting 93 additional jobs across the three districts which implies 1.93 jobs supported per enterprise on average. Monthly revenue generated ranged from less than PKR 15,000 to more than PKR 300,000 which is considerably wide. However, enterprises were quite uniformly distributed within this range as shown in the pie chart.



5.1.3 CROP PRODUCTIVITY ENHANCEMENT INITIATIVE

This project involves profiling farmers, the formulation of farmer groups and specialized trainings for farmers on the latest farming techniques, all of which are aimed at improving crop cultivation practices and eventually, productivity enhancement. Backward linkages are established with relevant input suppliers to ensure delivery of inputs at competitive prices. Similarly, forward linkages are also developed which can help farmers get better prices for their produce. So far in 2020, PKR 8 million worth of grants have been disbursed reaching approximately 10,599 end clients.

5.1.4 EDUCATION THROUGH MICROFINANCE (EMF)

With 22.84 million out of school children (OOSC) between the age of five and sixteen in Pakistan, the state of elementary education is worrisome . Moreover, girls comprise 49% of all OOSC . In order to play a role in alleviating this situation in the country, PMIC developed a MF Plus initiative which features support for MFPs in developing an education lending portfolio with a dedicated school improvement loan product. The aim is to design a needs-based product considering the demand for these loans in MFPs' areas of operation. Project objectives include:

i. Increased access to education

ii. Increased female enrolment

iii. Increased Jobs supported

iv. Improved learning environment

In addition to this, the technical assistance component includes capacity building for school entrepreneurs and teaching staff. This project has had PKR 5.1 million disbursed as of 2020 whilst reaching 698 clients.

5.1.4.1 FINDINGS FROM THE BASELINE EMF

99 low-cost private schools consisted of the survey sample. Schools were located in the districts of Lahore, Gujranwala and Faisalabad and were distributed across multiple loan cycles: 51 in first (LC1), 17 in second (LC2), and 31 in third and fourth loan cycles (LC3 and LC4).

Overall, 81% of schools reported an increase in enrolment in their schools in the last 3 years. Within LC1, 69% of schools observed an increase in enrolment whereas above 85% of schools in the LC2 and LC3 loan category reported an increase in enrolment in the last 3 years. As to gender parity, 42% of the schools had more than 50% females enrolled.

Additionally, on average, a school had 8.5 fulltime and 1.2 part-time teaching and non-teaching staff delivering services. In other words, around 842 full-time and 116 part-time individuals were employed by 99 schools.

Provided that enrollment demand is being capped by infrastructural limitations, greater financing in this sector carries the promise of provision of education to the masses. At the same time, greater enrollment would give way to more hiring of staff, thus enhancing employment generation.

5.1.5 PMIC-KFW RENEWABLE ENERGY INITIATIVE

Access to energy is seen as a key contributor to reducing poverty, improving the health of women and children and facilitating education. PMIC has partnered with KfW (German Development Bank) for solar energy-specific financing to provide credit lines and technical assistance to MFPs and support them in adopting solar energy product financing as a part of their product portfolio. The loans and grants are used to provide Solar Home Solutions (SHS) to off-grid populations in Punjab and Sindh, build capacity of microfinance providers, catalyze quality production and distribution of solar products, and develop robust marketing and awareness campaigns around the usage of SHS. As of December 2020, PKR 9.5 million in grants has been disbursed under this project reaching approximately 13,124 beneficiaries.

5.1.6 MICROINSURANCE

Microinsurance (MI) is the protection of beneficiaries against risks of specific perils to their assets or loans in exchange for regular premium payments. In 2019, PMIC initiated implementation of the Livestock MI project with Thardeep Microfinance Foundation for 1,000 clients by engaging Alfalah Insurance Company Limited to deploy the product.

5.1.7 GRADUATION OUT OF POVERTY

PMIC believes it is important to link beneficiaries of government led social safety and concessionary loan programs (i.e. Benazir Income Support Program (BISP), Prime Minister's Interest Free Loan (PMIFL)) with its borrowers to facilitate the graduation of beneficiaries towards plain microfinance and microfinance plus services. The underlying aim is to fast track the socio-economic progress of these beneficiaries by facilitating their access to unsubsidized finance. More specifically, project objectives are:

i. Improvement on Poverty Scorecard

ii. Access to sustainable sources of livelihood

It is important to mention here that most of the beneficiaries of these social safety programs are women, who form the core focus group for PMIC. As of December 2020, more than 11,000 clients previously utilizing subsidized funding had been graduated to microfinance.

5.1.7.1 FINDINGS FROM THE BASELINE

Graduation Out Of Poverty: 108 clients were surveyed under the Graduation Out of Poverty initiative. These clients were randomly selected from Muzaffargarh (50), Tharparkar (18) and Nankana Sahib (40).
Improvement in business activity, largely due to microfinance, was cited as one of the major reasons for improved quality of life. 66% of respondents deemed the quality of their life as adequate while 8% perceived it as more than adequate. Across dimensions of quality of life i.e., health, education and food, 54.7%, 49.1% and 60.4% reported that the respective dimension was a "little better" or "far better" than before.

5.2 MF PLUS OUTREACH SUMMARY

A total of PKR 58.5 million has been utilized by PMIC by December 2020, dedicated to various MF Plus projects, reaching out to more than 56,000 end-clients. Grant and outreach break-up vis-à-vis each project is presented below.

NAME OF INTERVENTION	GRANTS DISBURSED AGAINST EXECUTED AGREEMENTS 2020 (PKR MILLION)	ACTUAL CLIENTS REACHED 2020
CPEI	8.0	10,599
LVC	12.5	20,040
EDI	23.4	11,597
EMF	5.1	698
PRIME	9.5	13,124
MI	0.0	-
TOTAL	58.5	56,058

6. FINANCING INITIATIVES

6.1 SUBORDINATED DEBT

Tier 2 debt is designated as the second or supplementary layer of a bank's capital and is composed of items such as revaluation reserves, hybrid instruments, and subordinated debt. The facility contributes towards additional capital adequacy requirements along with balance sheet expansion in terms of liquidity for the MFPs, which further enhances an institution's ability to meet financing requirements of end-clients.

In addition, owing to regulatory requirement of maintaining Capital Adequacy Ratio, MFBs require subordinated debt, which is recognized as equity by the SBP. This need of an MFB becomes more acute for plans for growth. Realizing the need of the market, PMIC in 2019 introduced the facility of subordinated debt for potential borrowers.

During 2020, PMIC successfully led its first advisory mandate to arrange PKR 1.4 billion rated, unsecured, subordinated, privately placed Term Finance Certificates for Khushhali Microfinance Bank from Debt Capital Market to contribute towards its Tier II/regulatory capital. PMIC contributed PKR 800 million in this arrangement. PMIC also advanced its first ever PKR 800 million long-term subordinated loan to FINCA to support its regulatory and portfolio expansion requirements. These transactions are a continuation of PMIC's efforts to launch new innovative financial products in line with the needs of sector stakeholders with the overarching aim to meet unmet demand for financial services. It is also pertinent to highlight the support provided by the Securities and Exchange Commission of Pakistan (SECP); whose role was integral in bringing these transactions to completion.

6.2 CREDIT ENSURE

PMIC introduced its Credit Enhancement Facility (CEF) in 2020 which envisaged to act as an enabler for MF players with the eventual purpose of equipping the MFIs to make inroads into the Debt Capital Market and independently negotiate and structure bilateral credit facilities with banks. For the MF sector, PMIC's CEF facility will create a multiplier effect enabling MFPs to leverage PMIC exposure and generate more funding from commercial lenders. This model works because commercial banks tend to gain confidence in those MFIs which are PMIC's borrowers, especially because PMIC has also carried out its own due diligence of the prospective borrower. Furthermore, having PMIC as the funder mitigates risk of such MFIs for commercial banks.

7. THE YEAR OF COVID

7.1 COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 as a pandemic. Given that countries were going in lockdown, including Pakistan, there were global economic repercussions in addition to a health emergency. In relation to Pakistan, GDP expected growth was placed at 3% (SBP), 2.6% (ADB) and 1.1% (IMF) for FY2020. Independent economists placed it at 1-1.25%. It was feared that COVID-19's economic disruption may double the number of people under the poverty line from 50-60m to 125m. In the wake of the pandemic, PMIC has engaged with various stakeholders to come up with solutions for problems that have arisen due to this pandemic.

7.1.1
SECP: THE AREAS OF EMPHASIS

PMIC regularly engaged with the SECP, as the primary regulator of NBMFIs, which comprise the predominant portion of PMIC's portfolio. Important areas of emphasis with the SECP have been:

i. Encouraging the SECP to play a role in the operatialization of branches of NBMFIs

ii. Relaxation in classification criteria similar to what has been proposed by SBP

iii. Facilitation in rescheduling of exposures, depending on the liquidity position of clients

iv. Creation of liquidity reserve fund for NBMFIs

v. Greater coordination with SBP on policy related matters and coordinated action for the microfinance sector at large.

7.1.2
ENGAGEMENT WITH END-CLIENTS

PMIC has always emphasized direct interactions with end-clients to keep the team closely abreast of the ground-level conditions. However, amidst the lockdown, this posed a new challenge. PMIC was quick enough to design and roll out a Business Continuity Plan in March 2020, which included Standard Operating Procedures (SOPs) for field visits.

7.1.3
ENGAGEMENT WITH MFPS

Economic crunch resulting from the lockdowns and deferments by MFIs would have translated to liquidity issues for the players. In the wake of this, PMIC helped its clients through:

i. Regular engagement with clients to understand their liquidity needs and the challenges they were facing in the field

ii. Handholding from a liquidity management perspective, particularly for the smaller institutions, so that they would be able to strategize better and position themselves to emerge out of this crisis

iii. Sharing best practices for field operations with MFPs such as those emerging out of the Ebola crisis in Liberia and Sierra Leone.

7.1.4
SBP: ADVOCACY FOR CUSHIONING THE SHOCKS

PMIC engaged with the central bank via the MF Consultative Group Forum regarding the crisis. There PMIC emphasized the need for a liquidity reserve fund for NBMFIs, greater coordination between SECP and SBP on policy related matters, execution and enhancing the limit for funding under the Financial Inclusion and Infrastructure Program (FIIP), particularly for MFIs. Moreover, PMIC also requested SBP to relax the requirement of provision of guarantee from commercial banks for PMIC to avail additional funding under the FIIP facility; in addition to the PKR 1.7 billion funding utilized under the FIIP program last year by PMIC, another PKR 1 billion was offered by SBP.

7.1.5
PORTFOLIO DEFERMENT

On 31st March, 2020 the Securities and Exchange Commission of Pakistan (SECP) allowed all lending Non-Bank Finance Companies (NBFCs) including NBMFIs to defer repayment of principal loans by their borrowers for up to one year. This was done to facilitate those who had been adversely affected due to COVID-19. PMIC borrowers availed this facility and rescheduling requests from 17 of its borrowers (out of 24) were promptly processed. PMIC was able to defer PKR 16.2 billion of portfolio for four quarters for all the requesting MFPs. This provided them with sufficient breathing space to manage their portfolios and liquidity positions.

ANNEXURE 1

MONTH/YEAR	PROVINCE	DISTRICT	POVERTY LEVEL	OLP PMIC
December 2020	Balochistan	Lasbella	Extreme Poverty Zone-2	5,211,157
December 2020	KPK	Peshawar	Extreme Poverty Zone-2	34,228,119
December 2020	Punjab	D.G. Khan	Extreme Poverty Zone-2	110,498,498
December 2020	KPK	D.I. Khan	Extreme Poverty Zone-2	6,377,177
December 2020	Punjab	Rajanpur	Extreme Poverty Zone-2	214,292,134
December 2020	Sindh	Badin	Extreme Poverty Zone-1	399,497,599
December 2020	Sindh	Mirpurkhas	Extreme Poverty Zone-2	378,190,182
December 2020	Sindh	NawabShah/Shaheed Benazirabad	Extreme Poverty Zone-2	735,399,012
December 2020	Sindh	Shikarpur	Extreme Poverty Zone-2	9,619,822
December 2020	Sindh	Sujawal	Extreme Poverty Zone-1	38,713,777
December 2020	Sindh	Tando Mohammad Khan	Extreme Poverty Zone-2	45,189,143
December 2020	Sindh	Tharparkar	Extreme Poverty Zone-1	316,787,271
December 2020	Sindh	Thatta	Extreme Poverty Zone-1	72,632,227
December 2020	Sindh	Umerkot	Extreme Poverty Zone-1	609,806,379

ANNEXURE 2

MICROFINANCE AND ENTERPRISE GROWTH STUDY METHODOLOGY NOTE:

For the Microfinance and Enterprise Growth study data was collected through a survey of 125 microenterprises during October – November 2018. The borrowers were picked with parameters to mirror the overall distribution of the sector. A questionnaire was designed to capture key financial information as well as changes in the revenue and employment profile of the enterprise over the time period of one loan cycle. The study's purpose was to estimate the growth of a micro enterprise over one loan cycle using employment and revenue indicators.

Using the information on loan amounts, a 'revenue multiplier' was calculated. This multiplier represented the amount of incremental revenue generated per PKR 1.0 million in loans in microfinance. The multiplier was estimated to be 4.1x for the overall sample. Jobs in a microenterprise were analyzed through 'head count' indicators as well as 'number of hours worked', considering full-time employment supported (defined as at least 20 hours of paid work per week), part-time employment as well as seasonal employment. It was found that on average, a microenterprise in this sample created 0.15 additional full-time equivalent jobs over one year. This data was used to calculate a 'jobs multiplier', i.e. number of jobs supported per PKR 1.0 million in loans in microfinance. This was estimated to be 29.3x i.e. 29.3 FTE jobs supported per PKR 1.0 million in loans to microenterprises.

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