



PMIC Connect

October 2023



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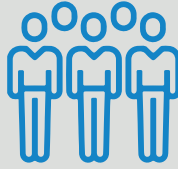


Portfolio Highlights



PKR 28.33
(Billion)

LOAN PORTFOLIO



793,129

TOTAL CLIENTS



90

NUMBER OF DISTRICTS



26

TOTAL BORROWERS



86%

WOMEN CLIENTS



37%

YOUTH CLIENTS



64%

RURAL



PKR 3.727 (Billion)

LOAN PORTFOLIO
DEPLOYMENT IN
EXTREME POVERTY ZONES



32,114

RENEWABLE ENERGY -
UNITS SOLD



720

LIVESTOCK INSURED



1,028,193

CUMULATIVE JOBS
SUPPORTED BY MICROINANCE
LENDING OPERATIONS



PKR 109.9
(Billion)

INCREMENTAL REVENUE
GENERATION BY PMIC
FINANCE MICRO ENTERPRISES

PMIC News Bites



PORTFOLIO MANAGEMENT DEPARTMENT

FIELD VISIT TO INTERIOR SINDH

A hard-hitting field visit to interior Sindh was embarked. The purpose of the visit was to gain firsthand knowledge and insights into the local market, understand the needs and preferences of the customers through their valuable feedback, and identify potential areas of growth. The team paid visits to Hyderabad, Tando Allahyar, Tando Jam, Kotri, Nawabshah and its adjacent areas of two borrowers i.e., SMCL and SSSF. A total of 57 clients were visited comprising various sectors i.e., livestock, trade, handicraft, and agriculture etc. Upon their feedback, it was examined that the clients have continued passing on the inflationary effect to their end consumers to maintain profitable margins.

However, the clients complained about the slight decrease in sales rooted through inflation coupled with escalated pricing by the lending institutions. The discussion with senior management of SSSF was concluded upon the guidelines presented regarding improving the portfolio quality, managing operational cost and governance procedures efficiently. The discussion with SMCL was concluded based on the feedback from the field, business plan and the guidelines for regulation and operations in terms of for-profit entity. Furthermore, the team paid a visit to TMF Head Office and a meeting with its senior management was commenced where the focal point of discussion remained at improving borrower's portfolio quality backed through well-planned operations.

FIELD VISIT TO KARACHI

The PMD team paid visits to three microfinance providers SMFB, UMCL and ASA, based in Karachi. The team met end-clients of the borrowers to understand their concerns and identify any areas of improvement. A total of 44 clients were visited. It was observed that most clients were satisfied with the products and services offered by the borrowers and the treatment by the field staff. Due to the elevated levels of inflation, clients faced difficulties in their income structures and cashflows and expressed their reservations regarding the increasing markup rates.

The clients also requested for an increase in the loan size as most of the clients had taken loans from multiple microfinance providers to meet their needs. The team had meetings with the senior management of the organizations to discuss their ongoing operations, business expansion plans, and prevalent challenges. During discussions in the Head Offices, with the senior management of borrowers visited, important areas under discussion were efficient liquidity management, strengthening controls particularly at field level, improving operational efficiency, improving portfolio quality and ensuring regulatory compliance.

ISLAMIC FINANCE PRODUCT

The Board of Directors at PMIC has recently granted final approval for the Shariah-compliant products and Policy Framework during its meeting held this month. In light of this development, PMIC is currently in the process of recruiting a Sharia Advisor. The policies, once reviewed and endorsed by the Sharia Advisor, will be submitted to the Securities and Exchange Commission of Pakistan (SECP) for regulatory clearance to ensure compliance. This significant step is expected to pave the way for borrowers and lenders to access these Shariah-compliant products in the near future.

INAUGURATION OF SMCL'S FIRST ISLAMIC MICROFINANCE BRANCH

SAFCO Microfinance Company Limited (SMCL) has lately been progressing in innovation and advancement. It carries the honor of being the first microfinance institution to convert from not-for-profit to for-profit entity. Now it is delightful to share the successful inauguration of SMCL's first Islamic microfinance branch. SAFCO has been stepping into Islamic Finance with financing facility and Shariah Advisory services of Meezan Bank Limited and the financing facility is guaranteed by Pakistan Microfinance Investment Company (PMIC) as its first Islamic guarantee product. The event was graced by the presence of Meezan Bank and PMIC, who were honored to be a part of this momentous occasion.

This new branch signifies a key step towards enhancing financial accessibility for clients, particularly those seeking Islamic microfinance solutions. SMCL's commitment to Shariah-compliant financial services will undoubtedly open new doors of opportunities for individuals and businesses looking to access much-needed financial resources while adhering to Islamic principles. The initiative will foster a positive impact on the valued clients, fostering financial inclusivity in the community.



SECTOR DEVELOPMENT DEPARTMENT PROJECTS

PRIME PROGRAM

PMIC PRIME team has completed the review of the quality assurance framework, in collaboration with Project Implementation Consultant. A number of revisions have been made to the quality assurance framework including the pre-qualification process of suppliers, addition of blueprint models for installers of suppliers, addition of Earthing protection as part of all solar systems. The revised quality assurance framework will be presented to KfW for further discussion and approval during November 2023. PMIC and KfW continued their negotiations around the finalization of the agreements for the subsidy scheme. Moreover, the the half yearly progress report have also been submitted to KfW for review.

EDUCATION FINANCE

PMIC's collaboration with Opportunity International for Education Finance program, aiming to provide financing to 150 Low-Cost Private Schools (LCPS) in Southern Punjab to improve the education quality, increase student enrolment, and to support improvement in school management, instructional leadership, teaching and learning through training programs. The program implementing partner with PMIC are, RCDP, AGAHE Pakistan and Taleem Finance Company and are providing financing to these schools for improving infrastructure and making available necessary facilities for children.

Under the education finance program, the three-year education quality program started in June 2023 and a total of 163 schools have been onboarded. The introductory seminars and cluster leadership meetings have been completed, The School Leadership development Plan(SLPD) have been prepared and the school leaders are supported with their School Development Plan (SDP). The training is facilitated by the education specialists hired by Opportunity International.



ELECTRONIC WAREHOUSE FINANCING

PMIC has developed a strategy to delve into the agriculture eco-system and has already started to take retail level exposure in the post-harvest "Electronic Warehouse Receipt Financing" for small farmers. State bank of Pakistan, Naymat Collateral Management Company (NMC), GrowTech and commercial banks organized a farmer convention in Hafizabad for rice farmers.

PMIC's participation in the event along with GrowTech team will provide the opportunity to attract small farmers from the region for EWR financing using PMIC as a lender from the NMC's portal.

CHALLENGE FUND ROUND-II

The round two of challenge fund was awarded to Qarar Pakistan. They designed a credit scoring model for the microfinance sector under PMIC's Challenge Fund-Round-II. Qarar presented report for Quarter 1 have marked outstanding achievements against the set targets (read the detail from Connect Issue #09).

PMIC team has expressed its satisfaction on the progress during the first quarter and has also made suggestion on the way forward for 2nd and subsequent quarters.

CONFERENCES

PMIC, as one of the sponsors of the Annual Microfinance Conference 7 organized by Pakistan Microfinance Network, played a significant role. The conference revolved around the theme of "Advancing Sustainable and Inclusive Finance." Mr. Naved A. Khan, the Chairman of PMIC, delivered a keynote address on the first day, and the CEO participated as a panelist in a prominent Grand debate concerning the future of microfinance.

Additionally, both Mr. Naved A. Khan and Mr. Yasir Ashfaq, the Chairman and CEO of PMIC, took part in the Global Impact Investing Conference held in October in Copenhagen, Denmark. They also attended the FMO conference in Amsterdam focusing on the Future of Microfinance, where they had the opportunity to connect with influential networks and engage in highly productive discussions related to the sector's future.



RESEARCH DEPARTMENT INITIATIVES

Outcomes Assessment Report of the 'Accelerating Access to Finance and Increasing the Income of Small Farmers' Project

Research department conducted the outcomes assessment of the Challenge Fund winner "Growtech". This assessment was conducted in the last week of August and the report was finalized in September. In October, the outcomes assessment report was presented to the board.

In Pakistan, the agricultural sector contributes 24% of the country's GDP and is central to the overall economic growth, food security, employment generation and poverty alleviation. The agriculture sector employs 37.54% of the national labour force and over 65% of the rural population is directly or indirectly dependent on agriculture for their livelihood. Pakistan Institute of Development Economics (2020) recently reported a 40% yield gap between the average and progressive farmer.

To empower small farmers and create a transformative impact on the agriculture sector in Pakistan, PMIC launched the 'Accelerating Access to Finance and Increasing the Income of Small Farmers' project achieving its triple bottom line mandate, that is, to create an economic, social, and environmental impact through blended finance products. The aim of this project was to benefit small farmers with financial and complimentary non-financial services that resulted in lower input costs increased crop yield and, consequently, higher incomes for the farmers.

In this outcomes assessment report, PMIC explores the tangible improvements brought about by this project, with a special focus on social and economic outcomes. The report discusses the broader implications of the findings and explores potential collaboration opportunities in the ever-evolving agricultural landscape of Pakistan.

You can find the outcome assessment report on the following link:

<https://www.pmic.pk/publications>

Blogs by Research Interns

The Research Department is pleased to feature blogs written by research interns in PMIC Connect. These blogs offer insights into the field trip experiences of our interns. They share their observations and reflections on the project and the outcomes. These blogs provide a genuine account of their experiences and the value of hands-on learning. Blogs are published on 'Humsup' which is an online blogging platform.

Unveiling Bahawalpur: A Journey of Discovery and Reflection authored by Fizza Batool revolves around the themes of Agriculture and climate change; Financial access & exploitation; and Access to essential services.

Empowering Sindh's Farmers: A Journey of Transformation authored by Muhammad Hayat focuses on Agricultural transformation, Women empowerment and challenges in the agricultural sector.

Blogs can be assessed through the following link:

<https://pmic.pk/blogs/>



Client Success Story

Empowering Resilience: Tahira's Journey from Adversity to Entrepreneurial Triumph

In the face of adversity, Tahira's husband encountered a substantial setback in his business, leading to its collapse and leaving him without employment. To overcome this challenging situation, Tahira took the initiative to support her family by entering the workforce. However, she lacked formal education and financial resources to establish her own business, and also failed to secure a loan from conventional sources.

Upon learning about CSC's Women Empowerment Program through a neighbor, Tahira seized the opportunity and successfully secured a loan. This financial assistance enabled her to establish a thriving business. As her entrepreneurial venture stabilized, Tahira's husband joined forces to contribute to the business's success. Currently, Tahira's five children, ranging from fifteen to twenty-four years old, are pursuing their education, made possible through the income generated by her business.

Tahira's enterprise has not only become a source of family sustenance but also a platform for the employment of four to five women working from home. The collaborative efforts of Tahira and her husband extend to managing marketing, operations, and supply, exemplifying a resilient journey of empowerment and economic stability.



People & Culture



HR AND ADMIN ACTIVITIES

TOWNHALL MEETING

During our recent all-staff town hall meeting, our CEO provided us with invaluable insights and updates on the outcomes of the board meetings conducted earlier this month. With transparency and enthusiasm, he delved into the progress of various projects and initiatives that are currently underway, shedding light on the policies that have received approval from the board. Our CEO highlighted the company's current standing and its trajectory, emphasizing our commitment to launching numerous new initiatives. Moreover, he reassured us that, even in these challenging times, our dedication to our employees remains unwavering, particularly in the area of Compensation and Benefits. We are actively working to provide our team with the most competitive and comprehensive compensation packages.

In addition to the informative updates and valuable insights, our all-staff townhall meeting was not just about business matters. We also took the opportunity to celebrate birthdays, fostering a sense of camaraderie and unity within our team. To enhance networking and strengthen our bonds, we shared a delightful team lunch, creating an atmosphere of shared moments and good company that goes beyond the confines of our usual work routines.



BIRTHDAYS

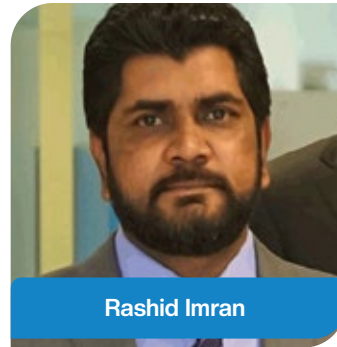
We wish you a very Happy Birthday!



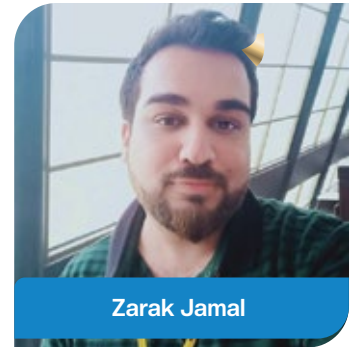
Irfan Shah



Muhammad Faheem Khalid



Rashid Imran



Zarak Jamal

EMPLOYEE CONTRIBUTIONS

ADVANCING GENDER EQUITY IN ORGANIZATIONS: A PATH TO INCLUSIVE SUCCESS



Contributed by:
Muhammad Qaiser

Introduction

Gender equity in organizations is a critical issue that goes beyond diversity and inclusion efforts. It speaks to the fundamental principle of fairness and the recognition that all individuals, regardless of their gender, should have equal opportunities, treatment, and representation in the workplace. While substantial progress has been made in recent years, there is still work to be done to achieve true gender equity in organizations. This article explores the importance of gender equity, its benefits, challenges, and practical steps that can be taken to advance this essential cause.

The Importance of Gender Equity

- 1. Social Responsibility:** Gender equity is a fundamental human right. Organizations have a moral responsibility to ensure that all employees are treated fairly, irrespective of their gender.
- 2. Economic Benefits:** A diverse and equitable workforce is not just a social imperative; it is also a business imperative. Research consistently shows that gender-diverse companies are more innovative, profitable, and competitive.
- 3. Talent Attraction and Retention:** Organizations that prioritize gender equity are more likely to attract a wider pool of talent. Employees are more likely to stay in a workplace where they are treated with respect and have equal opportunities for career advancement.

Challenges to Achieving Gender Equity

- 1. Unconscious Bias:** Many individuals hold unconscious biases that can influence decision-making processes, leading to unequal treatment and opportunities.
- 2. Stereotypes and Cultural Norms:** Gender stereotypes and societal norms can limit the career choices and opportunities of women in the workplace.
- 3. Work-Life Balance:** Balancing work and personal life, especially for women, can be challenging. Employers need to support flexible work arrangements to accommodate the diverse needs of their workforce.

Practical Steps for Advancing Gender Equity

- 1. Leadership Commitment:** Gender equity initiatives should start at the top. Leaders need to commit to the cause, set an example, and hold themselves accountable for progress.
- 2. Equal Pay:** Organizations should regularly review their pay structures to ensure that employees are paid fairly for their work, regardless of gender.
- 3. Diversity and Inclusion Training:** Offering training programs to educate employees on unconscious bias and diversity and inclusion can help create a more equitable workplace.
- 4. Mentorship and Sponsorship Programs:** Encouraging mentorship and sponsorship for underrepresented employees can help them advance in their careers.
- 5. Flexible Work Policies:** Organizations should offer flexible work arrangements that accommodate the needs of employees, promoting a work-life balance for all.
- 6. Diversity in Leadership:** Strive for gender diversity at all levels of leadership, including the board of directors, to create role models and decision-makers who reflect gender equity.
- 7. Measurement and Accountability:** Regularly measure progress and hold leaders accountable for achieving gender equity goals.

Conclusion

Gender equity in organizations is a multifaceted goal that requires continuous effort and commitment. Achieving gender equity not only benefits individuals but also strengthens organizations by promoting innovation, fostering a more inclusive and supportive workplace culture, and attracting and retaining top talent. By recognizing the importance of gender equity, acknowledging the challenges, and taking practical steps to advance this cause, organizations can play a crucial role in shaping a fair and inclusive future for all.

LET'S PONDER



Contributed by:
Yasir Masud

Salaried and Savings!

Saving money from your salary and investing it wisely are two important skills that can help you achieve your financial goals. Whether you want to buy a house, start a business, or retire comfortably, you need to have a plan for your money. Here are some tips on how to save money from your salary and how to best invest it in Pakistan for your future.

How to Save Money from Your Salary

The first step to saving money from your salary is to set a budget. A budget is a plan that shows how much income you have and how much you spend on different categories, such as rent, food, utilities, entertainment, etc. A budget can help you track your spending habits and identify areas where you can cut costs. You can use a budgeting app, a spreadsheet, or a notebook to create and monitor your budget.

Next, you need to pay off any high-interest debt that you have, such as credit cards, personal loans, or car loans. High-interest debt can quickly accumulate and eat into your savings, so it's important to pay it off as soon as possible. You can use the debt snowball method, which involves paying off the smallest debt first and then moving on to the next one, or the debt avalanche method, which involves paying off the highest interest debt first and then moving on to the next one.

Another tip to save money from your salary is to automate your savings. This means setting up a direct deposit or a standing order from your salary account to your savings account or investment account every month. By automating your savings, you can ensure that a portion of your salary goes directly into savings without you having to think about it. You can also use apps that round up your purchases and transfer the difference to your savings account.

Finally, you need to have an emergency fund. An emergency fund is a savings account that is specifically for unexpected expenses, such as medical bills, car repairs, or job loss. Having an emergency fund can help you avoid going into debt or dipping into your long-term savings when an emergency arises. You should aim to have at least three to six months' worth of living expenses in your emergency fund.

How to Best Invest Your Money in Pakistan

Once you have saved enough money from your salary (and other sources), you need to invest it wisely to make it grow over time. Investing means putting your money into assets that can generate income or appreciate in value, such as stocks, bonds, real estate, gold, etc. Investing can help you beat inflation, build wealth, and move towards achieving your financial goals.

However, investing also comes with risks. You need to be aware of the potential returns and losses of different investment options and choose the ones that suit your risk appetite and time horizon. You also need to diversify your portfolio by investing in different asset classes and sectors to reduce your exposure to market fluctuations.

Some of the best investment opportunities in Pakistan are:

- **Real estate:** Real estate is one of the most popular and lucrative investment options in Pakistan. You can buy property, such as land, houses, apartments, or commercial buildings, and sell them later when their prices increase. You can also earn rental income from your property or develop it into a business venture.
- **Stocks:** Stocks are shares of ownership in a company that are traded on the stock market. You can buy stocks of companies that you believe will perform well in the future and sell them when their prices rise. You can also earn dividends from some stocks, which are regular payments made by the company to its shareholders.
- **Mutual funds:** Mutual funds are pooled investments that are managed by professional fund managers. They invest in a variety of securities, such as stocks, bonds, commodities, etc., according to a specific objective and strategy. You can buy units of mutual funds that match your risk profile and investment goals and benefit from the expertise and diversification of the fund managers.
- **Gold:** Gold is a precious metal that is considered a safe haven asset in times of economic uncertainty or political instability. Gold tends to retain its value or increase in value when other assets decline. You can buy physical gold in the form of bars, coins, or jewelry, or digital gold through online platforms or apps.
- **Bonds and/or Term Deposits at Banks:** Bonds are debt instruments that are issued by governments or corporations to raise funds. They pay a fixed rate of interest periodically and return the principal amount at maturity. Bonds are generally less risky than stocks but also offer lower returns. You can buy government bonds through the National Savings Scheme or corporate bonds perhaps through the Pakistan Stock Exchange. You can also block your money for a time period at a high rate (as high as 23.5% p.a. these days) by placing them in Term Savings Deposits with Microfinance, Islamic or Commercial Banks.
- Another option is to take out a Life Assurance Policy which essentially works as a forced saving offsetting inflation to an extent and in case of death can provide relief from the sudden financial hardships that families can face.

Conclusion

Saving money from your salary and investing it wisely is important. You need to set a budget, pay off high-interest debt, automate your savings (if so inclined), and have an emergency fund to save money from your salary. You also need to be aware of the potential returns and risks of different investment options and choose the ones that suit your risk appetite and time horizon. By following these tips, you can make the most of your money and work towards securing your future.



Read of the Month

CLIMATE FINANCE AND SUSTAINABLE AGRICULTURE: NURTURING RESILIENCE IN PAKISTAN

Policymakers, economists, and practitioners worldwide are looking at a radical alternative to globalisation – “Homeland Economics”. Globalisation which took place in the 1990s, motivated by the belief in the power of markets, led the government to loosen controls on travel, investment, and trade. Globalization’s benefits translated into reducing poverty and inequality and were accompanied by growing political freedom worldwide.

The financial crisis of 2007-09 demonstrated the dangers of free-flowing capital markets – Brexit and the China-America trade war slowed down globalization. Gone is the notion that economic integration would lead to political integration – pushing the world’s biggest economies to look the other way. Homeland economics or global resilience is taking shape – The crucial idea is to reduce risks to an economy which are presented by vagaries of markets, unpredictable shocks such as pandemics, or actions of geopolitical (China-American trade war, Russian-Ukraine conflict), or generative AI- (which poses threads to workers) and Energy crisis.

The Special Report on World Economy published in “The Economist” titled “Redividing the world” argues that there is a profound shift in global economic policy tilting towards Homeland economics and swaying away from industrial policy and protectionism. Governments globally, particularly strong economies; are implementing more than ten times as many policies as they were each year in 2010-15 and political leadership of these economies are planning a lot more in coming years – to achieve dominance in renewable energy, electric transport, and generative AI. It is going to be the biggest policy shift in a generation. Globalization has positive effects on the world’s poor. The opening of the global markets caused the fastest decline in global poverty ever. Trade agreements were often predicted on poor countries agreeing to improve labour and environmental standards. Deterioration of globalization bone a larger impact on third-world countries in terms of increasing inequality and decreasing prospects for economic and political stability.

The section of the report on inequality titled “Missing the point” is worth a read and can be accessed through the following link:

<https://bitly.ws/Z3ZK>

