



PMIC Connect

December 2023



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CEO's Message

HAPPY NEW YEAR
2024

In this post pandemic era, each passing year presents escalating challenges, both in our professional and personal lives. Many of us grapple with the independent demands of our work and home life, attempting to strike a balance between official responsibilities, family well-being, and personal happiness—a continuous struggle.

While I could delve deeper into the demands of life, we all face, I won't further comment on the challenges, you undoubtedly understand well. Instead, I want to focus on fostering hope and making an investment in yourself.

In these trying times, optimism becomes not just a choice but a compulsion. If you believe in the righteousness of your actions and the positive impact it has on the lives of others around you, my message to you is to never lose hope, even in the most adverse conditions. Remarkable achievements arise from a combination of hope, passion, and hard work.



The second aspect I encourage you to invest in during the year 2024 is your mind, body, and soul.

Nurture your mind with valuable knowledge, spend time reading, and consider reducing your time on social media. Recent research indicates that excessive social media exposure leads to heightened feelings of inadequacy, dissatisfaction, and isolation.

To bring joy and vitality to your soul, invest time with friends and loved ones. Strengthen your relationships with those who radiate positive energy and sincerity. Immerse yourself in music, literature, and spirituality.

Lastly, maintain your physical fitness through regular exercise. What you build today will benefit you throughout your life, especially in the marginal decade.

We produced satisfactory results in 2023 under challenging circumstances and envision positive growth in 2024. The Asian Development Bank and the World Bank are poised to launch sizeable projects, contributing significantly to sectoral and PMIC advancement.

Evolution is a necessity for survival. Therefore, we are in the process of finalizing our new strategy, a pivotal step after seven years of operations. This strategy aligns with our overarching vision and mission of improving the lives of those at the bottom of the pyramid.

In conclusion, I extend my heartfelt best wishes to you and your families for a wonderful year ahead, filled with hope, resilience, and prosperity.

Yasir Ashfaq
Chief Executive Officer

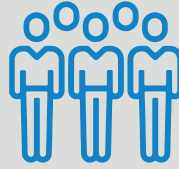


Portfolio Highlights



PKR 27.5
(Billion)

LOAN PORTFOLIO



730,000

TOTAL CLIENTS



85

NUMBER OF DISTRICTS



26

TOTAL BORROWERS



87%

WOMEN CLIENTS



37%

YOUTH CLIENTS



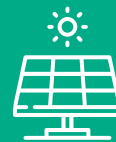
63%

RURAL



PKR 3.7 (Billion)+

LOAN PORTFOLIO
DEPLOYMENT IN
EXTREME POVERTY ZONES



33,000

RENEWABLE ENERGY -
UNITS SOLD



720

LIVESTOCK INSURED



1

(Million)+

CUMULATIVE JOBS
SUPPORTED BY MICROINANCE
LENDING OPERATIONS



PKR 110
(Billion)

INCREMENTAL REVENUE
GENERATION BY PMIC
FINANCE MICRO ENTERPRISES

PMIC News Bites



Portfolio Management Department

PPAF AND PMIC DELEGATION VISITED RCDP BRANCH CLIENTS IN SAHIWAL

December 21, 2023, PMIC delegation including Chairman, CEO, Head of Portfolio, Head of Sector Development and head of Legal and Procurement, joined by the PPAF delegation, acting CEO, and senior officials undertook a field visit to the RCDP branch in Sahiwal District. The team engaged with more than 20 clients predominantly women, spanning diverse sectors such as livestock, trade and agriculture.

Client interactions revealed widespread satisfaction with the products and services offered by RCDP as, loan has improved their livelihood, contributed to their business expansion, children education and nutrition, overall improving the clients social status. Moreover, a notable majority of clients expressed a desire for larger loan sizes, attributing this need to the impact of high inflation. Additionally, clients shared that in response to inflationary effects they are passing on the impacts to their clients.



PPAF AND PMIC DELEGATION MEET WITH THE CEOS OF PMIC BORROWERS IN LAHORE

PMIC convened a meeting with eight borrowers on December 22, 2023 in Lahore. The delegation from PMIC, led by the Chairman, CEO, Head of Portfolio, and Head of Sector Development, was joined by representatives from PPAF, including the Chairman, acting CEO, and senior officials. The meeting aimed to address challenges, discuss future initiatives, foster collaboration, explore untapped markets, and assess costs to borrowers. Updates were provided on the impact of the current economic situation on microfinance clients and their institutions, portfolio health, growth plans, and expectations from PMIC for support.

Key discussions included the exploration of untapped areas through collaborations with small institutions via grant-based initiatives. It was proposed that existing MFIs could expand operations in these areas. However, the consensus emphasized the necessity for grant elements and risk-sharing products when venturing into untapped or challenging areas. The meeting underscored the significance of agriculture, considering it as a backbone, and highlighted PMIC's commitment to playing a pivotal role in developing relevant products.



SUPERVISION & MONITORING VISITS TO VARIOUS BORROWERS IN LAHORE

The PMD team paid visits to six microfinance providers viz KF, CEIP, TFCL, FINCA MFB, DSP and MSP, based in Lahore and Narowal districts. The team met end-clients of the borrowers to understand their concerns and identify any areas of improvement. A total of 40 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. Despite this satisfaction, clients faced challenges in their income structures and cash flows due to elevated levels of inflation. They expressed reservations about increasing markup rates and requested an increase in the loan size, as many had taken loans from multiple microfinance providers to meet their needs.

The PMD team also held meetings with the senior management of the organizations to discuss ongoing operations, business expansion plans, and prevalent challenges. Discussions at the Head Offices focused on areas such as efficient liquidity management, capital adequacy, tax implications in absence of exemption certificate, strengthening controls at the field level, improving operational efficiency, enhancing portfolio quality, and ensuring regulatory compliance.

Additionally, the PMIC team introduced the borrowers to PMIC's Islamic Operations and Shariah-compliant products during these discussions.



EXPLORING NEW PROSPECTIVE BORROWERS

In line with the initiative to expand PMIC's business operations and diversify its borrower base, the PMD team held a meeting with Mr. Naweed Sharif, CEO of Smart Finance Limited, in Lahore. Smart Finance Limited (SFCL) has recently obtained a license from the SECP to operate as a Non-Banking Financial Services company, specifically focusing on "Invoice Discounting" business in Pakistan. With a portfolio exceeding Rs. 50 million, Smart Finance has positioned itself as a Supply Chain Finance Partner to large Local Corporates (LLC). The company supports SME Suppliers, fostering a mutually beneficial relationship between LLCs and their suppliers. Following this meeting, the CEO of Smart Finance visited PMIC for further discussions on potential partnership avenues.



ISLAMIC FINANCE PRODUCT

Following the approval of the Islamic Products and Policy Framework, the interview process for Shariah Advisors has been concluded. The selection of a potential Shariah Advisor for PMIC Islamic Operations is currently in the finalization stage. Once the potential advisor is onboarded, and regulatory clearance is obtained from the SECP, these Islamic products will be made accessible to borrowers and lenders.

Sector Development Department

PRIME

PMIC and KfW signed the agreements for the Euro 5 Million subsidy scheme. KfW had also agreed to a 90:10 (KfW:PMIC) reimbursement ratio for the operational expenses to be incurred for the rollout of the subsidy scheme (initially it was 70:30). The PRIME team is currently designing the policies and procedures based on which the subsidy scheme will be rolled out. PMIC will also be hiring 2 firms, one for designing a monitoring software database, while the second firm will be hired as an Independent Verification Agent – IVA, which will conduct check for each installed solar system, to ensure that it is in line with the quality assurance framework of PRIME program. ToRs are being developed and an RFP will be advertised to seek bids from interested firms during first week of January 2024. The MFPs continued to deploy financing under the PRIME program and progress numbers are provided in table below.

EDUCATION FINANCE

Education Finance Program is a collaboration between PMIC and Opportunity International. Under the Education Finance, the Education Quality Program is going on 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.

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 Professional Development (SLPD) Plan was prepared and the school leaders are supported with their School Development Plan (SDP). SLPD1 training for budgeting for a school year training have been completed across all target cities. The training is facilitated by the education specialists hired by Opportunity Internationals.



CHALLENGE FUND ROUND-II

The round two of challenge fund was awarded to Qarar Pakistan. Qarar is designing a credit scoring model for the microfinance sector under PMIC's Challenge Fund-Round-II. Qarar presented report for Quarter 2 have marked outstanding achievements against the set targets. PMIC team has expressed its satisfaction on the progress during the second quarter and has also made suggestion on the way forward for 3rd and subsequent quarters.

ELECTRONIC WAREHOUSE RECEIPT FINANCING

A pilot under EWRP is deployed in district Okara and Hafizabad for maize and rice crops in collaboration with Naymat Collateral Management Company-NCMC, and GrowTech. PMIC has undertaken access to NCMC's dashboard for accessing the electronic warehouse receipts issued and financing the same once the farmer tags the EWR to PMIC's financing terms on NCMC's portal. PMIC successfully financed 7 electronic warehouse receipts for both maize and rice crops.

VISIT BY PAKISTAN POVERTY ALLEVIATION FUND (PPAF) TEAM TO SMALL FARMERS AT SAHIWAL

A delegation from the Pakistan Poverty Alleviation Fund-PPAF, visited farmers of Sahiwal region. PMIC team brief them about the agriculture interventions designed for small farmers through its strategic collaboration with GrowTech and targeted intervention in the agriculture sector, exploring the synergy of financial services and advisory support to bolster agricultural productivity.

The delegation interacted with the local farmers and alternate agri input suppliers to assess the outcome of Agri interventions made and the financial benefits gained by the small farmers. The farmers shared their inspiring stories with the delegation and how PMIC helped them increase their incomes. The discernible impact includes a decrease in the utilization of inputs and water, a substantial increase in yield, and the generation of additional disposable income, thereby enhancing overall livelihoods.



VISIT BY SOUTH ASIA PARTNERSHIP PAKISTAN TEAM TO PROGRESSIVE FARMERS AT KHANEWAL

A delegation from the South Asia Partnership Pakistan – SAP - PK, visited farmers of Khanewal region. The team interacted with farmers from the region using technology, advisory establish market linkages, create an online marketplace, and facilitate access to convenient financial solutions under the collaboration of PMIC and GrowTech.

The visiting team appreciated PMIC's supportive engagement with farmers, coupled with integration into the agricultural value chain, is contributing to the cultivation of a promising future for agriculture, positioning it as a beacon of hope and prosperity in the sector. ground realities and assessing the effectiveness of the interventions.

The strategic collaboration with GrowTech suggests a focus on technological solutions and modern agricultural practices to enhance productivity. It's particularly encouraging that the delegation took the initiative to visit the farmers and directly interact with them. This hands-on approach helps in understanding the ground realities and assessing the effectiveness of the interventions.



MEETING WITH BRITISH COUNCIL

Sector Development Department (SDD) and the British Council deputy country director meet at PMIC to discuss the possibility of working together. Particularly to strategize expanding educational programs, focusing on bolstering women's digital literacy. Discussions centered on innovative methods to empower women through tailored digital education, aiming to bridge the gender gap and enhance socioeconomic opportunities for women in our society. SDD team member attended BHC conference in Lahore.

Client Success Story



From Threads to Triumph: Nida's Inspiring Journey of Resilience, Entrepreneurship, and Empowerment

In Waseem Abad, District Bahawalpur, resides Nida Bilal, a resilient 28-year-old woman and a divorced mother raising her 5-year-old son in her parent's home. Despite facing challenging circumstances, Nida refused to let them define her. Motivated by her deep desire to provide a good life for her family, she harnessed her exceptional skills in embroidery.

Determined to turn her dreams into reality, Nida took a courageous step and sought assistance from PMIC's client, Agahe Pakistan. Through their microfinance program, she secured a loan of Rs.65,000. With this support, Nida initiated her embroidery business, emphasizing her goal of ensuring a quality education for her son.

With the loan approved, Nida wasted no time and efficiently utilized the funds to acquire the necessary embroidery tools. As her business flourished, she managed her finances wisely, ensuring timely repayment of the loan. Nida's monthly income of 25,000-30,000 allowed her to not only meet their basic needs but also save for her son's education. Witnessing her son flourish academically and socially in a nearby private school, Nida's hard work and determination paid off.

Beyond her success, Nida became a beacon of empowerment in her community. She started mentoring other women, sharing her knowledge and inspiring self-sufficiency. Nida's journey, fueled by perseverance and supported by Agahe Pakistan, exemplifies the transformative impact of determination and community assistance, proving that dreams can indeed become a reality.



People & Culture



HR and Admin Activities

TOWNHALL MEETING AND TEAM LUNCH

Following the Board meeting, a town hall meeting was held after a team lunch. During the gathering, we commemorated the inauguration of our new cafeteria and celebrated birthdays, as well as bid farewell to two esteemed employees, Kiran (Assistant Manager Administration) and Mashalle Minallah (Assistant Manager Finance). The CEO and management announced that all decisions made during the board meeting had been approved. This encompassed the revision of car allowances, an increase in OPD and IPD limits, and the addition of a festive bonus. The management expressed gratitude to the team for their hard work over the past year.

EMPLOYEE APPRECIATION

The CEO acknowledged and commended the remarkable dedication of the employees and support staff, presenting them with certificates of appreciation in recognition of their outstanding efforts.





FAREWELL

Mashall Minalleh (Assistant Manager Finance and Accounts Department) and Kiran (Assistant Manager - Administration) resigned from PMIC. The team bid farewell to their beloved colleagues for their contribution and hard work put in for PMIC.



SNEAK PEEK ON NEW HIRES

Faizan-ul-Haq Siddiqui

Assistant Manager - Portfolio Management Department

Favorite food: Pizza

Someone I would like to meet: Charles Leclerc

What is on my bucket list: Watch the Budapest Grand Prix



BOOK CLUB

PMIC's youth initiated a Book Club, aiming to uphold the rich tradition of reading and foster intellectual discourse. The club serves as a platform for engaging discussions, nurturing a culture of thoughtful exploration and knowledge exchange through literature.

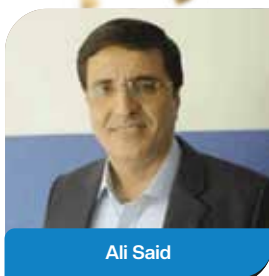
NEW YEAR'S HIKE AND BRUNCH AT CEO'S RESIDENCE

The PMIC team concluded 2023 with camaraderie, embarking on a hike at Trail 7 and enjoying a celebratory New Year's brunch at the CEO's residence, fostering a friendly and memorable conclusion to the year.



BIRTHDAYS

We wish you a very Happy Birthday!



EMPLOYEE CONTRIBUTION



Marzia
Assistant Manager
Sector Development

Driving Inclusion: The Transformative Role of Microfinance in the Digital Economy

In the dynamic landscape of today's digital economy, the synergy between microfinance and digital innovation stands as a powerful driver of financial inclusion and economic growth. Recent studies illuminate the transformative impact of combining microfinance with digital tools, reshaping opportunities and livelihoods for millions worldwide.

Microfinance, rooted in providing financial services to the unbanked or underbanked, has undergone a remarkable evolution with the infusion of digital technology. According to a recent report by the World Bank, approximately 1.7 billion adults remain unbanked globally, highlighting the persistent gap in financial access. However, the integration of digital channels has proven instrumental in addressing this disparity. A study by the Consultative Group to Assist the Poor (CGAP) revealed that digital financial services have the potential to reach 1.6 billion new customers in emerging economies, significantly advancing financial inclusion efforts.

The convergence of microfinance and digital platforms has spurred a new wave of entrepreneurial opportunities. Empirical data from the Global Microscope on Financial Inclusion reported a substantial increase in microfinance loan disbursements facilitated through digital channels, with a 36% year-on-year growth in mobile-based transactions in developing regions. This surge in digital microloans has empowered countless individuals to kickstart small businesses, demonstrating a direct correlation between access to digital finance and entrepreneurial growth.

Furthermore, the digital transformation of microfinance has not only enhanced accessibility but also driven financial sustainability. Studies conducted by the International Finance Corporation (IFC) emphasize that leveraging digital platforms has reduced transaction costs by up to 80%, making financial services more affordable and scalable. This cost-effectiveness has been pivotal in reaching marginalized communities in remote areas, with over 1.2 billion mobile money accounts recorded globally, as per recent data from GSMA. Despite these advancements, challenges persist. According to the Global Findex Database, digital literacy and awareness remain barriers to widespread adoption, with approximately 43% of adults in low and middle-income economies lacking basic digital skills. Additionally, cybersecurity concerns continue to be a focal point, urging the need for robust regulatory frameworks and secure digital infrastructure.

The symbiotic relationship between microfinance and the digital economy signals a transformative paradigm shift in fostering financial inclusion and economic growth. As we navigate this transformative landscape, evidence underscores the critical need for continued investment in digital literacy initiatives and secure financial infrastructure. Concluding the read leaving you with the question of, how in this pursuit of a digitally inclusive future through microfinance, we can collectively overcome the barriers of digital literacy and cybersecurity to ensure equitable access and secure financial empowerment for all?



Read of the Month

This month's pick for the "read of the month" is the latest edition of the Microfinance Index Report. This annual initiative, now in its 2023 edition, has evolved into a comprehensive resource, encompassing 114 microfinance institutions and reaching out to over 84 million customers worldwide, capturing the essence of their experiences through more than 1 million unique data points.

Microfinance Index report tends to answer the global questions that remain unanswered in the Microfinance world.

- **Realizing Potential:** Where is the potential of microfinance being realized?
- **Institutional Impact:** Which institutions, and through what practices, are generating the most profound social outcomes for clients?
- **Measuring Impact:** How can we identify institutions making the most significant difference for clients?
- **Enhancing Transparency:** What methods can we employ to compare outcomes between institutions, promoting transparency and maximizing well-being for clients?

Major Takeaways:

This edition, based on interviews with over 32,000 borrowers across 32 countries in Asia, Africa, and Latin America, offers a compelling exploration of the impact of microfinance on some of the world's most marginalized communities. Key insights include:

- **Empowering Women:** 83% of women surveyed express that microfinance borrowing has enhanced their confidence, with two-thirds acknowledging its role in enabling independent financial decisions.
- **Limited Alternatives:** Globally, half of the respondents highlighted a lack of alternatives to their microfinance lender.
- **Widening Access:** Microfinance institutions are instrumental in broadening access to essential services such as healthcare, savings, and business support, resulting in improved individual, business, and household incomes.
- **Strength in Numbers:** Borrowing collectively enhances financial resilience, with 81% of respondents borrowing together feeling capable of covering unforeseen expenses.
- **Challenges and Coping:** While microfinance proves transformative, challenges persist, with 22% of respondents admitting to cutting back on food to meet loan payments, and 27% perceiving their loans as a "burden."

The 2023 Microfinance Index Report can be accessed at the following link:

<https://bitly.ws/38iL8>

Happy Reading & Happy New Year!

Authored by Zarak Jamal