Pakistan Microfinance Investment Company Limited

PMIC Connect

January 2024

In This Issue

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PMIC
Pakistan Microfinance Investment Company Limited

Portfolio Highlights

PKR 27.8
(Billion)
LOAN PORTFOLIO

730,000
TOTAL CLIENTS

85
NUMBER OF DISTRICTS

26
TOTAL BORROWERS

87%
WOMEN CLIENTS

37%
YOUTH CLIENTS

63%
RURAL

PKR 3.94 **(Billion)**
LOAN PORTFOLIO DEPLOYMENT IN EXTREME POVERTY ZONES

32,918
RENEWABLE ENERGY - UNITS SOLD

720
LIVESTOCK INSURED

1
(Million)+
CUMULATIVE JOBS SUPPORTED BY MICROINANCE LENDING OPERATIONS

PKR 111
(Billion)
INCREMENTAL REVENUE GENERATION BY PMIC FINANCE MICRO ENTERPRISES

PMIC News Bites

Portfolio Management Department

ADB DELEGATION VISIT TO PMIC

A delegation from the Asian Development Bank (ADB) recently visited the Pakistan Microfinance Investment Company (PMIC) to engage in discussions about the upcoming implementation of a pioneering project focused on women's inclusive finance. Led by Mr. Andrew C. McCartney, Mr. Rainer Hartel, and Mr. Malik Azhar Nadeem, the delegation received a warm welcome from the PMIC management. The meeting served as a platform for an in-depth exploration of the microfinance sector, providing the ADB representatives with insights into the intricacies of the industry, as well as PMIC borrowers.

A significant portion of the meeting was dedicated to exploring potential challenges that may arise during the implementation phase of the women-inclusive finance project. Both parties actively engaged in constructive dialogue, brainstorming, and exchanging ideas to identify viable solutions that would ensure the smooth execution of the project. This collaborative effort reflects a commitment to overcoming challenges and serving the microfinance sector.

Sector Development Department Projects

PRIME PROGRAM

The PMIC PRIME team has developed a product note, encompassing details regarding the subsidy design, financial projections, and the underlying policies and procedures that will govern the rollout of the subsidy scheme. Furthermore, the PRIME team has crafted Terms of Reference (ToRs) for the procurement of a firm responsible for creating a web-based platform. This platform is intended to track solar system installations and furnish comprehensive reporting to stakeholders. Additionally, ToRs have been formulated for the engagement of an Independent Verification Agency (IVA), tasked with verifying and ensuring that installations adhere to the quality standards approved under the PRIME program.

PMIC is currently in the process of contracting a firm to develop a blueprint model, inclusive of a manual and training videos. This endeavor aims to equip installers and suppliers with the best practices for installing solar solutions. The anticipated timeline for engaging these firms is February 2024, marking the commencement of their work under the subsidy scheme. A training manual is also being developed to impart knowledge about the PRIME program, the subsidy scheme, and techniques to enhance the selling skills of the credit staff of Microfinance Providers (MFPs). The MFPs have continued to deploy financing under the PRIME program.

EDUCATION FINANCE

The Education Finance Program is a collaboration between PMIC and Opportunity International. This initiative particularly emphasizes the ongoing Education Quality Program. This program is strategically designed to extend financial support to 150 Low-Cost Private Schools (LCPS) in Southern Punjab. The primary objectives include elevating the standard of education, fostering an increase in student enrollment, and catalyzing advancements in school management, instructional leadership, and pedagogical practiccomprehensive training initiatives.

The program's implementation partners are, RCDP, AGAHE Pakistan, and Taleem Finance Company. This collaborative effort underscores a shared commitment to not only uplift the educational landscape in Southern Punjab but also to instigate a positive transformation by creating an environment conducive to improved learning outcomes and comprehensive school development.

On June 2023 the three-year education quality program started and a total of 163 schools have been onboarded. The introductory seminars cluster leadership meetings and the School Leadership Professional Development (SLPD1) Plan was completed. SLPD2 will be completed on February 5th, 2024. The training is facilitated by the education specialists hired by Opportunity International.

ELECTRONIC WAREHOUSE FINANCING

A pilot initiative facilitated through EWRF, has been implemented in Okara and Hafizabad districts, focusing on maize and rice crops in partnership with Naymat Collateral Management Company-NCMC and GrowTech. In this collaboration, PMIC has gained access to NCMC's dashboard, enabling the retrieval of electronic warehouse receipts (EWRs) and subsequent financing. This process is initiated when farmers link their EWRs to PMIC's financing terms on NCMC's portal. Notably, PMIC has successfully financed a total of 7 million electronic warehouse receipts for both maize and rice crops. Four cycles of EWR financing for maize have been successfully concluded, clients have paid their dues against the EWRs financed from PMIC.

CHALLENGE FUND ROUND-II

Qarar is currently in the process of developing a credit scoring model tailored for the microfinance sector as part of PMIC's Challenge Fund-Round-II. The Quarter 2 report presented by Qarar highlights remarkable accomplishments, surpassing the predefined targets. The PMIC team has conveyed their contentment with the progress made in the second quarter and has offered insights and recommendations for the upcoming quarters.

To implement a pilot initiative within CF Round II, Qarar is developing an expert-based scoring model to undergo back-testing using the data received from MFPs. The data science team at Qarar is actively engaged in developing an expert scoring model, which will be housed at DataCheck. During the pilot phase, Qarar will execute pilot testing for existing customer application data from Microfinance Providers (MFPs) to observe the outcomes and predictions generated by the pilot model. After this evaluation, the results will undergo backtesting, leading to refinements in the expert model as deemed necessary.

PMIC Participation in Thought Leadership Workshop: Women in Finance (NBMFC) Thought Leaders Workshop

On January 24, 2024, a joint workshop was organized by the Security and Exchange Commission of Pakistan (SECP) and the Asian Development Bank (ADB) on Women in Finance Thought Leadership. Its main objective was to find concrete and quantifiable solutions to the challenges faced by the NBFC sector, to close the gender finance gap, and how ADB's program could be strengthened through policy, demand, and supply side suggestions from the practitioners.

Mr. Yasir Ashfaq, CEO-PMIC was one of the distinguished panelists at the 'Women in Finance Thought Leaders Workshop.' He focused on the growth impediments for the sector and highlighted the need for liquidity for MFPs, directed lending by banks, more institutions to increase outreach, and the inability of NBMFIs to raise deposits from members.

PMIC HOSTED DINNER

On January 24, 2024, PMIC hosted a dinner. The delegates of ADB, SECP, MFPs, commercial banks, and other practitioners from the microfinance sector were invited to the dinner at Tollington, Avari Hotel, Lahore.

ADB TEAM INTERACTION

PMIC leadership facilitated a meeting between the ADB delegates and representatives from various banks, engaging in discussions regarding the banks' willingness to lend to Microfinance Providers (MFPs). The dialogue focused on exploring the potential impact of guarantees in instilling confidence among banks to extend financial support to both medium and small Microfinance Institutions (MFIs).

Client Success Story

From Threads to Solar Lights: Rabia Waseem's Inspiring Story!

Rabia Waseem is a 32-year-old client of CIEP. Rabia resides in Kair Khurd Village, Baidian Road, Lahore, with her husband, who works as a plumber, and their two children.

Under the guidance of the credit officer, Sadaqat Ali, Rabia initially availed a loan to initiate a small home-based business focused on 'Video Game' sales. Simultaneously, she engaged in embroidery work to contribute to the family income. Over time, Rabia's embroidery venture expanded, prompting her to seek additional funding for business growth. Recognizing the importance of market knowledge and marketing skills, she aimed to enhance the profitability of her products.

Driven by a vision to promote her skills and empower other women in her village, Rabia obtained a loan of Rs. 150,000. This capital infusion enabled her to venture into the production of fancy and wedding dresses through embroidery. Acquiring machines and essential materials like beads, pearls, and threads, Rabia not only expanded her business but also initiated classes to teach hand and machine embroidery to local girls and women.

Despite the success, Rabia encountered challenges due to electricity shortages affecting her productivity. Attending a session on 'Solar Products' conducted by Ms. Noureen Faisal at the Bhatta Chock Branch, Lahore, during a branch meeting, Rabia gained insights into the use and benefits of solar lights. Promptly acquiring a solar light, this strategic move significantly improved her work efficiency during power outages, allowing her to continue embroidery work seamlessly. As a result, Rabia's monthly earnings have surged to approximately Rs. 15,000, showcasing the transformative impact of strategic financial decisions and sustainable solutions on her entrepreneurial journey.

People & Culture

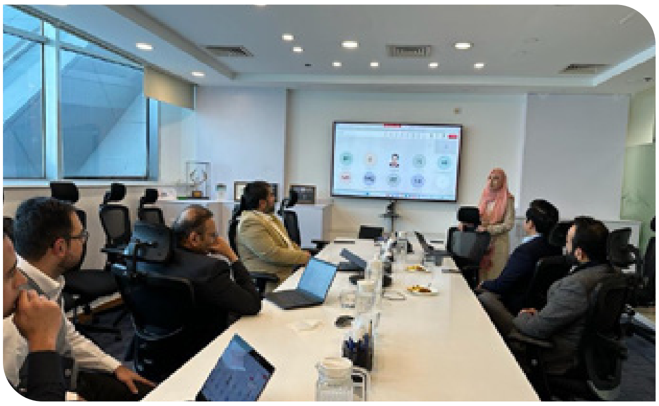
HR and Admin Activities

PMIC BOOK CLUB

At PMIC, we inaugurated the Book Club with its first gathering on January 3, 2024, hosted in the cafeteria. The premier meeting of the Book Club saw enthusiastic participants engaging in lively discussions about their current reads, exchanging experiences, and offering recommendations for compelling literary selections. Attendees not only shared insights into their ongoing literary journeys but also provided valuable suggestions for future reading endeavors. The collaborative atmosphere and the diverse range of books discussed contributed to the success of the meeting.

IGI INFORMATIVE SESSION

Our office recently hosted an informative session conducted by a representative from IGI Insurance, where they provided comprehensive information about the updated IPD package implemented by PMIC. The presentation covered all the new additions to the package, addressing any queries or concerns raised by employees. The IGI insurance representative diligently explained the details of the revised package, ensuring that everyone in attendance gained a clear understanding. In summary, the session was effective in communicating the details of the updated insurance package, leaving employees well-informed and reassured.



BIRTHDAYS

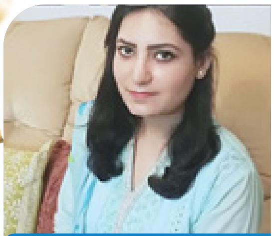
We wish you a very Happy Birthday!


Afia Khan


Salman Iftikhar


Abid Mehmood


Muhammad Qaiser


Marya Ahmed


Umair Masih

EMPLOYEE CONTRIBUTION

Microfinance Sector in Pakistan: Learning Before and After Covid-19


Asghar Memon
Head of Portfolio Management Department

The Covid-19 pandemic has significantly impacted the microfinance sector in Pakistan .

This overview aims to summarize the pre- and post-Covid scenarios, analyzing key trends and lessons learned.

Before Covid-19 (Until 2020):

1. Industry Composition: MFBs constituted 67%, while NBMFIs accounted for the remaining 33% of the portfolio.
2. Growth Rates: Overall growth was approximately 30%-40%, with NBMFIs growth a little lower as compared to MFBs at over 30%.
3. Loan Characteristics: 70% of loans were bullet loans, with over 80% in MFBs and 10% in NBMFIs.
4. Average Loan Size: The average loan disbursed was approx. Rs. 80,000, with MFBs at Rs. 140,000 and NBMFIs at around Rs. 50,000.
5. Rural Presence: 50% of clients were in rural areas, with 30% from MFBs and 60% from NBMFIs.

Impact of Covid-19 (From Feb 2020 Onwards):

1. Challenges Faced during this period Covid-19 (From Feb 2020 onwards):

- The growth trajectory of the sector was curtailed, impacting the origination of new loans. This resulted in an income downturn, while operational expenses continued at their pre-pandemic levels.

- Regulator & Government intervention played a vital role in allowing client payment for deferments.
- Loans stuck, especially during the initial 2-3 months of the first lockdown. Credit officers from MFBs approached clients for repayments in August-September 2020, leveraging the regulator's announcement to defer loans for one to two years. Conversely, credit officers from NBMFIs maintained continuous engagement, monthly assessing clients and initially allowing 1-3 months deferments, which were subsequently extended based on the individual client's situation.
- Moreover, NBMFIs primarily relied on Equal Monthly Installments (EMIs), with installments averaging Rs. 5,000 per month for over 80% of their clients. In contrast, the majority of MFB clients had to repay their full loan amounts, averaging Rs. 140,000, by August 2020, reflecting the seasonal nature of these loans.
- MFBs also faced challenges in semi/urban areas where they have around 30% of the loans. While over 60% of the NBMFI loans were in rural areas where the impact was much lower.

Assumptions:
- Institutions expected extended periods of profit from delayed repayments, but even the principal amount stuck.
- Anticipation of Government support to provide profit margins on deferred portfolios didn't materialize.
- Fast growth anticipated a quick resolution, but the prolonged impact was unexpected.

Results (2021-2023):
1. MFBs: 10%-15% of loans are still stuck under deferred or rescheduled titles, with the majority written off. Fast growth, larger loans, and bullet loans resulting in delayed contact with clients contributed to loan sticking.
2. NBMFIs: Zero loans in the deferred or rescheduled category. A few of the NBMFIs have a COVID-19 stuck portfolio but reflected in their PAR reports.

Long-term Impact and Learning:
- Despite the challenges, there remains a substantial demand for microfinance loans, emphasizing the sector's relevance and importance. However, recognizing the demand, steady growth is crucial.
- Close client contact is paramount, and is critical for loan management, even if you are digitally connected.
- Tailoring products to client needs and repayment capacity is essential, considering any unforeseen challenges. The geographic mix shall also be considered, as it plays a balancing approach during any unforeseen matters.

Conclusion:
The microfinance sector faces challenges post-Covid-19, emphasizing the importance of strategic growth, client engagement, and adaptable product offerings.

EMPLOYEE CONTRIBUTION

Escalating Information Security Threats in the Financial Sector: A Growing Concern

Zeeshan Khan Shahid
Chief Technology

Introduction:
In an era dominated by technological advancements, the financial sector is at the forefront of innovation, incorporating digital solutions to enhance efficiency and convenience. However, this digital transformation comes with a significant downside – an increased susceptibility to information security threats. The financial sector, comprising banks, investment firms, and fintech companies, faces a growing and evolving landscape of cyber threats that pose severe risks to the confidentiality, integrity, and availability of sensitive financial information. Let's

explore the rising information security threats in the financial sector and discuss the potential consequences of these threats.

Sophisticated Cyber Attacks:

As technology advances, so do the capabilities of cybercriminals. Advanced Persistent Threats (APTs), ransomware attacks, and sophisticated phishing schemes have become more prevalent in the financial sector. APTs, often state-sponsored, can persistently infiltrate financial institutions, compromising networks and exfiltrating sensitive data over an extended period.

Insider Threats:

Insider threats, whether intentional or unintentional, continue to be a significant concern for the financial sector. Employees with access to sensitive data may become unintentional vectors for cyberattacks, falling victim to phishing attempts or inadvertently exposing critical information. On the other hand, malicious insiders may intentionally compromise systems for personal gain or revenge.

Third-Party Risks:

Financial institutions often rely on third-party vendors for various services, increasing the attack surface for potential cyber threats. Cybercriminals may exploit vulnerabilities in third-party systems to gain unauthorized access to financial data. It is essential for financial organizations to conduct thorough due diligence when selecting and managing third-party vendors.

Data Breaches and Identity Theft:

The financial sector stores vast amounts of sensitive customer information, including personal and financial data. Data breaches can lead to the exposure of this information, resulting in identity theft and financial fraud. The reputational damage from a data breach can be severe, eroding customer trust and confidence.

Regulatory Compliance Challenges:

The financial sector is subject to strict regulatory requirements to safeguard customer data and maintain the integrity of financial transactions. Meeting these compliance standards can be challenging, especially as cyber threats evolve. Non-compliance not only exposes financial institutions to legal repercussions but also increases the likelihood of successful cyber-attacks.

Emerging Technologies and Vulnerabilities:

The adoption of emerging technologies, such as blockchain, artificial intelligence, and the Internet of Things (IoT), introduces new opportunities but also new vulnerabilities. Financial institutions must carefully assess and address the security implications of integrating these technologies into their operations.

Lack of Cybersecurity Awareness:

Despite the increasing sophistication of cyber threats, human error remains a significant factor in successful cyber-attacks. Inadequate cybersecurity awareness among employees can lead to unintentional compromise of systems through actions like clicking on malicious links or falling prey to social engineering tactics.

Conclusion:

The financial sector is navigating a precarious landscape of escalating information security threats, driven by technological advancements and the increasing sophistication of cybercriminals. As financial institutions continue to embrace digital innovation, it is imperative that they prioritize robust cybersecurity measures, including employee training, regular security assessments, and collaboration with cybersecurity experts. Failure to address these evolving threats may not only result in financial losses but also jeopardize the trust and confidence of customers, stakeholders, and regulatory authorities. The financial sector must remain vigilant, proactive, and adaptive to the ever-changing cybersecurity landscape to safeguard the integrity of the global financial system.

EMPLOYEE CONTRIBUTION

The Crucial Role of Operations in Microfinance: Building Sustainable Financial Inclusion

Muhammad Qaiser
Assistant Manager
Administration

Introduction

Microfinance has emerged as a powerful tool for promoting financial inclusion and empowering individuals in economically vulnerable communities. At the heart of successful microfinance institutions (MFIs) lies a well-structured and efficient operations framework. Operations play a pivotal role in ensuring the sustainability, scalability, and impact of microfinance initiatives, making them an integral component of the broader strategy for financial inclusion.

Client Outreach and Acquisition:

Operations are fundamental in designing and implementing strategies for client outreach and acquisition. From .establishing contact points in remote areas to streamlining the onboarding process, operational efficiency directly influences an MFI's ability to reach unbanked and underserved populations. A seamless client acquisition process is essential for building trust and encouraging participation in financial services.

Risk Management:

Microfinance operations involve assessing and managing various risks, including credit risk, operational risk, and fraud. Implementing robust risk management practices ensures the financial health of the institution and safeguards the interests of both the MFI and its clients. This requires effective monitoring, evaluation, and continuous improvement of operational processes.

Financial Product Development:

Operations teams play a crucial role in developing tailored financial products that meet the diverse needs of microfinance clients. This involves understanding the economic activities of the target communities, designing appropriate loan structures, and implementing flexible repayment schedules. Operational insights are vital for creating products that are both financially viable and socially impactful.

Technology Integration:

In the digital age, the successful integration of technology is essential for the efficiency and scalability of microfinance operations. From mobile banking platforms to automated loan processing systems, technology streamlines processes, reduces costs, and enhances the speed of service delivery. Operations teams are instrumental in selecting, implementing, and optimizing these technological solutions.

Continuous monitoring and evaluation of operations are vital for assessing the impact of microfinance interventions. Operations teams must establish key performance indicators (KPIs) and metrics to track the effectiveness of financial products, client satisfaction, and overall institutional performance. Regular assessments enable timely adjustments and improvements to enhance the sustainability of microfinance initiatives.

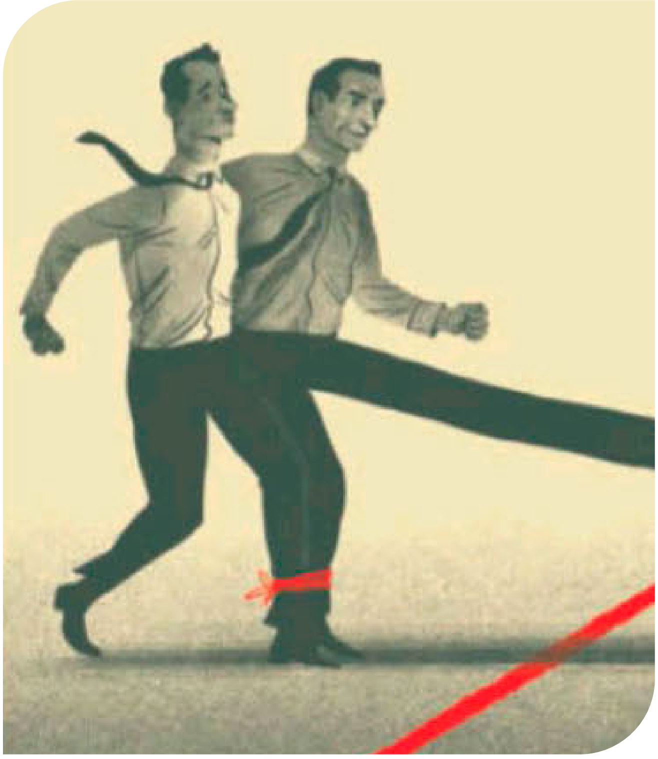
Compliance and Regulation:
Microfinance operations must comply with regulatory requirements and industry standards. Operations teams are responsible for staying abreast of changes in regulations, ensuring compliance, and fostering a culture of ethical and responsible lending. This not only protects the institution but also contributes to the overall stability of the microfinance sector.

Conclusion:
In the realm of microfinance, effective operations management is not just a supporting function but a strategic imperative. A well-structured and efficiently managed operations framework enables MFIs to navigate challenges, seize opportunities, and fulfill their mission of promoting financial inclusion. As the microfinance landscape continues to evolve, the importance of operations in driving sustainable growth and positive social impact cannot be overstated. By investing in robust operational processes, microfinance institutions pave the way for a more inclusive and resilient financial ecosystem.

Read of the Month

How Managers Should Balance Competition and Cooperation

The jest of the article is that the modern business landscape thrives on competition and cooperation, evident in market dynamics and internal organizational structures. However, striking a balance between these elements poses a managerial challenge. While competition drives performance and effort, it can lead to unintended consequences such as stress and reduced creativity. A delicate approach is needed, as explicit competition tends to backfire, especially when individuals feel threatened. On the other hand, specific rivalries can be motivating, fostering better performance. The key lies in a restrained approach to encouraging competition, balancing individual incentives with group goals, and ensuring fair performance measures. This nuanced perspective acknowledges the inherent competitiveness within organizations while cautioning against an excessive and counterproductive promotion of rivalry.



The full-length article can be found at the following link:

Happy Reading!
Zarak Jamal Khan.

https://bitly.ws/3b8UB