



PMIC
Pakistan Microfinance Investment
Company Limited

Connect

July 2024

Issue #07-2024



In This Issue

Portfolio Highlights

PMIC News Bites

Client Success Story

People & Culture

Read of the Month



Portfolio Highlights



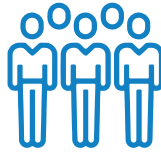
PKR 24.8B
(Billion)

LOAN PORTFOLIO



24

TOTAL BORROWERS



698,068

TOTAL CLIENTS



87%

WOMEN CLIENTS



90

NUMBER OF DISTRICTS



42%

YOUTH CLIENTS



65%

RURAL



830

LIVESTOCK INSURED



PKR 4.22

(Billion)

LOAN PORTFOLIO
DEPLOYMENT IN
EXTREME POVERTY ZONES



1

(Million)+

CUMULATIVE JOBS
SUPPORTED BY MICROFINANCE
LENDING OPERATIONS



34,632

RENEWABLE ENERGY -
UNITS SOLD



PKR 101.7

INCREMENTAL REVENUE
GENERATION BY PMIC
FINANCE MICRO ENTERPRISES



Portfolio Management Department Initiatives

PMIC Islamic Financing Operations

Building on its successful entry into conventional financing, PMIC is now set to expand into Islamic finance. This initiative aims to support the target market through collaboration with both existing and new Microfinance Providers (MFPs). The PMIC board has already approved financing for three borrowers. Additionally, a Shariah Advisor has been appointed, and Shariah-compliant products, along with a comprehensive Policy Framework, have been developed. This framework includes a Profit & Loss Distribution and Pool Management system. Once clearance is obtained from SECP, these products will be made available to both borrowers and lenders.

Induction of New Borrowers

PMD has successfully onboarded two new borrowers, Smart Finance Ltd. and GoldFin Ltd, to its portfolio. The board has approved their credit proposals, and the financing documents are currently being prepared. Additionally, PMD held promising meetings with Neem Exponential and FDO which has shown interest in forming a partnership with PMIC.

PMD is continuously working to onboard new microfinance institutions, as well as banks, to strengthen and scale up the provision of sustainable and responsible access to finance. This initiative aims to support individuals, micro-entrepreneurs, and micro-enterprises in Pakistan, enhancing employment and income opportunities for economically poor and underserved citizens, thereby improving their lives.

Field Visit

In Lahore, the PMD team conducted visits to 3 microfinance providers: FINCA Microfinance Bank Limited, Goldfin Limited & CEIP. The visit to GoldFin Limited, an NTC, was a due diligence visit aimed at understanding their processes and operations.

At FINCA and CEIP, the team engaged with over 45 end clients to understand their concerns and identify areas for improvement. Most clients expressed satisfaction with the products, services, and treatment by field staff. However, they also highlighted challenges due to inflation, particularly the increasing markup rates. Clients requested larger loan sizes, as many currently rely on multiple providers to meet their financial needs.

Additionally, the team especially met with FINCA Microfinance's senior management to discuss the ongoing purchase of FINCA's majority shares, operations, business plan, management changes, expansion plans, and challenges. Key topics included liquidity management, enhancing field-level controls, operational efficiency, portfolio quality, and regulatory compliance.

The insights gained from these interactions will inform future improvements and strategies for both institutions.





Sector Development Department Projects

PRIME

PMIC team continued deployment of the PRIME program. PMIC PRIME team is currently working on Grievance Redressal Mechanism – in collaboration with Project Implementation Consultant (PIC) team, which is expected to be completed by August 2024 (after KfW's approval). Similarly, Environmental and Social Management Framework (ESMS) component – exclusively for the PRIME program – is also being designed. The ESMS component is expected to be finalized during next couple of months. PMIC received no objections from KfW on the ToRs submitted for hiring of an Independent Verification Agent – IVA as well as firms for designing a blue print model (for preaching best practices in installation of solar systems for vendors and MFI's staff) and developing a monitoring software.

Education Quality Program

Education Quality is a three-year training program under the Education Finance Program which is a collaboration between Opportunity Internationals and PMIC. The program implementing partners are Agahe Pakistan, RCDP, and TFCL. The objective of the Education Quality program is to provide quality education training to 150 Low-Cost Private Schools (LCPS) in Southern Punjab. Currently, 159 schools are enrolled in this training program.

During July, the School Leadership Professional Development (SLPD3)'s third module was conducted in Bahawalpur, Multan, Jamalpur, Rajanpur, Vehari, Muredky, Pakpattan, and Nankana. In this training, the school leaders are equipped with school management skills. The training is conducted by Education specialists hired by OI.



Electronic Warehouse receipt Financing

PMIC is moving ahead with its strategic plan to support the agriculture ecosystem, particularly focusing on post-harvest financing through Electronic Warehouse Receipts (EWRs) for small-scale farmers.

The recent outreach efforts by the SDD team indicate a proactive approach toward understanding the needs of farmers and offering them practical financial solutions. By directly involving farmers in discussions about EWR financing, PMIC is ensuring that its services align closely with the realities and challenges faced by those in the agriculture sector.





This month, the payment was received on time against 08 EWRs financed. Additionally, 03 new maize EWRs have been financed this month, and 04 are in the process of initial due diligence. EWR financing not only provides small farmers with crucial financial support but also helps in mitigating risks associated with post-harvest activities. As PMIC continues to expand its outreach and support for EWR financing, it stands to make a meaningful impact on the agricultural landscape, ultimately contributing to the welfare and prosperity of farming communities.

Challenge Fund Round II – Digital Credit Scoring Model

Qarar has introduced a dashboard to Microfinance Providers (MFPs) to evaluate the scoring model for potential new acquisitions. This dashboard enables MFPs to input application details and receive a score along with a risk category. Partner Microfinance Providers (MFPs) are in the process of uploading and populating that database for the credit scoring model developed by Qarar. The data scientist team at Qarar is continuously checking the quality of the data being uploaded and is conducting back testing on the MFPs data to assess the performance of the model and further

Results from the testing and implementation of the initial scorecard are being closely monitored and adjusted to improve the dashboard by incorporating additional fields.



Corporate Finance and Investment Banking

In June 2024, the State Bank of Pakistan allocated funds worth PKR 2.6 billion to PMIC under the Asian Development Bank (ADB) Women Inclusive Finance Program (WIFP). This allocation represents a strong and stable outlook for PMIC by the regulator, as PMIC has consistently benefited from all subsidized schemes implemented by the State Bank, including the World Bank's Regular Line of Credit and Flood & Rain programs. CF&IB successfully initiated relationships with two new Development Financial Institutions (Pakistan Kuwait Investment Company Pvt. Limited and Pak Libya Holding Company Pvt. Limited) to tap into the liquidity available under the WIFP program. This brings the total number of onboarded DFIs with PMIC to three (previously, Saudi Pak Industrial & Agricultural Investment Company Limited had also issued a repayment guarantee favoring the regulator). CF&IB aims to tap into the remaining liquidity under the WIFP within the present quarter by onboarding a fourth DFI (Pak Oman Investment Company Limited, with an indicative offer already signed).

PMIC has successfully completed due diligence for two foreign debt transactions (BlueOrchard and Enabling Qapital) cumulatively amounting to up to USD 27 million (approximately PKR 7,500 million). Covenant tracking and hedging opportunities are being explored prior to availing of these facilities.

PMIC has secured a Loan Portfolio Guaranty Agreement with the United States International Development Finance Corporation (DFC), bolstering financial resilience. In a landmark move for financial stability, PMIC signed an LPGA with DFC worth USD 30 million, with DFC guaranteeing up to 50% (USD 15 million) of potential defaults by PMIC's eligible borrowers. The DFC guaranty is intended to strengthen PMIC's ability to provide liquidity to eligible microfinance institutions for on-lending to MSMEs and women borrowers engaged in the agricultural, livestock management, livestock insurance, and renewable energy sectors in Pakistan. For women sub-borrowers, it also includes the enterprise sector in Pakistan.

This agreement enhances PMIC's financial security and translates to greater financial resilience, allowing it to operate with increased confidence and continue to support its borrowers with vital financial resources. The positive implications extend outward, fostering a more robust financial ecosystem within the region.



Client Success Story



Ms. Farzana Arshad's Inspiring Journey to Empowerment and Success

Ms. Farzana Arshad resides in Feroz Watwan, a town near Sheikhpura district with her husband and their 4 children. Farzana manufactures shoes of different varieties along with her husband and their business has seen sales going as high as 720,000 per month. Their business is also a source of employment for 4 persons.



Availability of finance was a key challenge for them and the services of PMIC's borrower, JWS Pakistan proved to be very helpful. Currently, they are going through the fourth (4th) loan cycle, invested in their shoe manufacturing business. This has gradually helped them to expand their business.

Farzana and her husband are relying on other people for cutting of raw materials and pressing machines. This puts barriers to their production. She now plans to further enhance the production. She has kept a sight on her future business enhancement and growth plans – she with the support of her husband and loans from PMIC's borrowers plans to install a leather cutting & press Machine, building their own shoe brand. This will help Farzana to target more clients outside Feroz Watwan and to engage with some basic marketing activities.

Through their business, Farzana and her husband have been able to meet the wedding expenses of their daughter, improve their savings, and meet the educational expenses of their 2 children.



People and Culture



48th PMIC Board Meeting – Quarter 2, 2024

The 48th Board meeting was held on July 24, 2024, where various proposals were discussed and nearly all were approved. The HR department also revised several policies and developed new ones, which were approved during both the HR Committee (HRC) and the Board of Directors (BOD) meetings.

Internship Program

Welcomed 4 new interns. Providing them with opportunities to learn and gain experience from PMIC staff, enriching their professional development.

Sneak Peek on New Hires

Shayan Khan

1. Favorite food?
My favorite food is sushi.
2. Someone you would like to meet?
I would like to meet Post Malone.
3. What is on your bucket list?
One thing on my bucket list is to visit Australia.



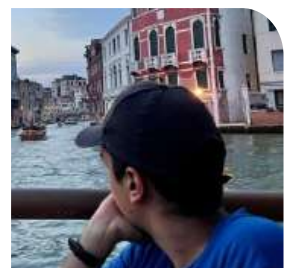
Humna Rehan

1. Favorite food?
A Palestinian dish called Musakhan and Hashbrowns are tied as my favorite food!
2. Someone you would like to meet?
I would love to meet my parents when they were my age, it would be interesting to see what they were like!
3. What is on your bucket list?
One thing on my bucket list is to go to a concert by The Strokes!



Rafi Ramzi

1. What is your favorite food?
Pasta Bolognese.
2. Someone you would like to meet?
Lionel Messi (or, if they can be from the past, Napoleon Bonaparte).
3. What is on your bucket list?
Southern Italy - I love the country and have already been around the north quite a bit.



Birthday Celebrations



Hasan Nawaz

Khushbakht

Muhammad Sulman Tariq

Danish Rehmet



Read of the Month



Effective Communication and good Conversation

This month, the focus is on effective communication and good conversation. Recognizing the importance of clear and meaningful communication in fostering a positive workplace culture and driving organizational success. Effective communication is the backbone of a positive workplace culture. It ensures transparency, builds trust, and enhances collaboration among team members. To further explore this topic, I recommend watching the TED Talk titled "The Importance of Good Conversation – and How to Have it." It offers practical advice on enhancing your conversational skills.

The increasing shift towards digital communication and an increasing need to maintain the quality of communication requires being mindful of clarity and tone in a virtual setting. Forbes article "Mastering The Art Of Communication: 12 Tips For Success In A Digital World" provides actionable tips for navigating digital communication effectively such as preferring video calls when possible, capturing non-verbal cues, setting clear agendas for meetings, and following up with written summaries to ensure the team is on the same page.

Ted talk:

https://www.ted.com/talks/john_o_leary_the_importance_of_good_conversation_and_how_to_have_it?subtitle=en

Forbes Article:

<https://www.forbes.com/sites/bernardmarr/2023/06/08/mastering-the-art-of-communication-12-tips-for-success-in-a-digital-world/?sh=1dbcca832b3e>



Author: Zarak Jamal Khan