



PMIC

Pakistan Microfinance Investment
Company Limited

IMPACT REPORT 2023



Established in 2016, Pakistan Microfinance Investment Company (PMIC) has been dedicated to advancing access to finance, reducing poverty, and promoting entrepreneurship within the country. This report serves to underscore PMIC's pivotal role alongside its borrowers and the broader microfinance sector in championing responsible and sustainable financial inclusion. Through its initiatives, PMIC aims to catalyse job creation, reduce inequalities and gender disparities, and foster sustainable economic growth. These efforts collectively serve to uplift the lives of individuals at the bottom of the socioeconomic pyramid.

The report delineates PMIC's strategic focus and substantive contributions within the framework of the Sustainable Development Goals (SDGs). By aligning its objectives with the global agenda, PMIC demonstrates its commitment to driving meaningful change on both local and international scales.

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ABOUT PMIC

PMIC's formation was marked as a key milestone of the National Financial Inclusion Strategy 2015 with a focus on improving employment and livelihood opportunities for marginalised segments in the country. PMIC was incorporated in August 2016. It is licensed to carry out Investment Finance activities as a Non-Banking Financial Company (NBFC) under the NBFC Rules 2003 and NBFC Regulations 2008. PMIC ensures access to financial services as a fundamental right for individuals who are currently underserved by the financial system.



WHAT WE WORK TOWARDS & HOW WE DO IT

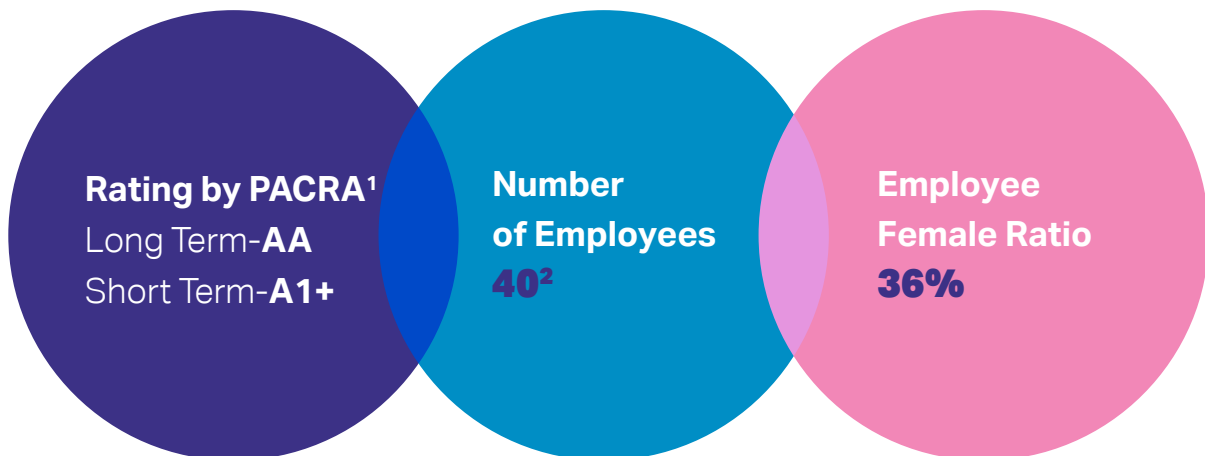
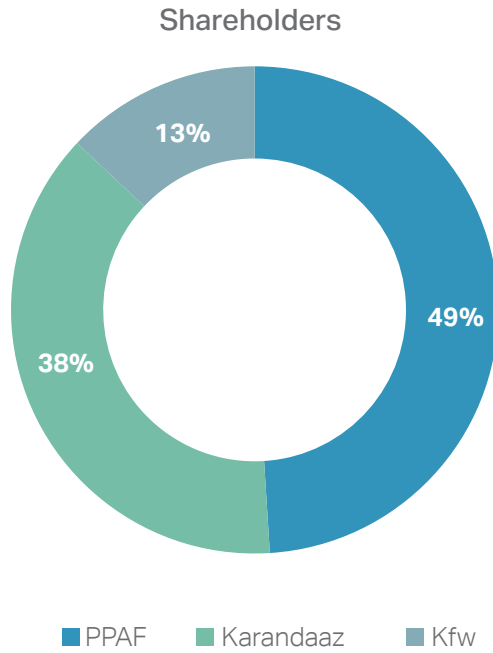
Business Model	Wholesale lender for Microfinance Providers
Products/Services	Senior debt Sub-ordinate debt Credit guarantee Credit enhancement facilities Grants and technical assistance for targeting SDGs Advisory services to MFPs

PMIC adopts a holistic approach to create a systemic impact, extending beyond capital provision. PMIC strives to bridge gaps in the microfinance industry through provision of financial services, capacity building, technical assistance, business support, and knowledge sharing for the sector. With the aim that strengthening the sector, will help stimulate economic activity, increase employment opportunities, reduce inequalities, and combat climate change.



SHAREHOLDERS

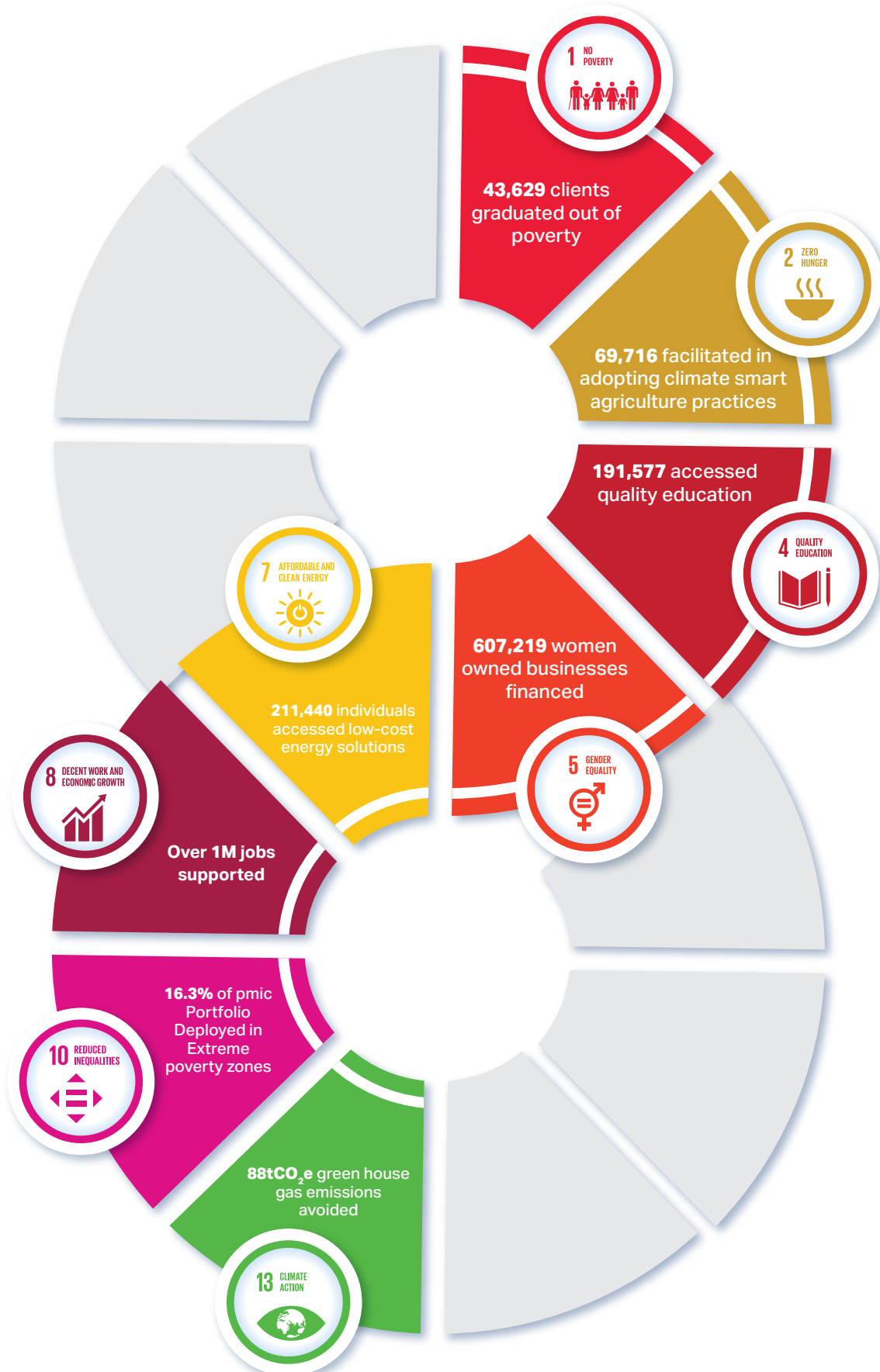
Pakistan Poverty Alleviation Fund (PPAF), Karandaaz Pakistan (KRN) and KfW, a German Development Bank set up PMIC– a partnership driven by passion for progress and a commitment to serving Pakistanis at the bottom of the pyramid.



¹PMIC long-term rating of "AA" and short-term rating of "A 1+" has been maintained since 2018 by the Pakistan Credit Rating Company Limited (PACRA).

²Average number of employees during the year.

2023 IMPACT SNAPSHOT





**PAKISTAN
ECONOMY
AT A GLANCE**

PAKISTAN ECONOMY AT GLANCE

Although growth and social development should go side by side, growth in Pakistan has not contributed to balanced social development in recent decades, primarily due to high levels of population growth. As a result, many of Pakistan's social indicators do not match significant levels of economic growth, averaging 4 per cent per year. This makes the Sustainable Development Goals a key priority for the country.

Pakistan's economy is estimated to have contracted in FY23, after two consecutive years of stellar growth. The rapid growth was unsustainable and thus resulted in financial and macroeconomic imbalances. Overall, real gross domestic product (GDP) is estimated to have declined by 0.6 percent in FY23 after growing by 6.1 percent in FY22 and 5.8 percent in FY21. Market confidence and economic activity declined due to strict import controls, frequent exchange rate interventions, credit downgrades, and soaring interest payments. Notably, the agriculture sector took the biggest hit in 2023 and is still recovering from flood-damaging crops and livestock. Historical boom-bust cycles, coupled with economic challenges like fiscal constraints, exchange rate pressure, mounting current account deficits, inflation, energy sector bottlenecks, and political instability, contributed to a very challenging economic condition in Pakistan.

To address these challenges, a coordinated monetary-fiscal policy approach was rolled out to revive economic activity and stimulate private investment. In 2023, the policy rate reached 22% and remained at that level for the second half of the year to curb inflation. However, domestic political instability, inflationary pressures, and weakened consumer sentiment pose a herculean task for any economic team to achieve sustainable economic growth soon. Comprehensive structural measures are needed to strengthen economic performance, promote inclusive growth, ensure price stability, and rebuild critical infrastructure for long-term sustainability.

Total Population ⁵	250 million (2023)
Human Development Index ⁶	164th out of 193 (2023)
Financial Inclusion ⁷	60% in 2023 (30% in 2022)
Child Mortality (Per 1000 births) ⁸	55.77 in 2023 (declined by 1.95% in 2021)
Maternal Mortality (Per 100,000 births) ⁷	186 in 2021 (declined from 189 in 2019)
Women's economic participation and opportunity ⁹	143rd out of 146 (2023)
Women's Educational Attainment ⁵	138th out of 146 (2023)
Women's Health & Survival ⁵	132nd out of 146 (2023)
Gender Pay Gap ⁸	142nd out of 146 (2023)

³ https://sustainabledevelopment.un.org/content/documents/233812019_06_15_VNR_2019_Pakistan_latest_version.pdf

⁴ Pakistan Bureau of Statistics – Census 2023

⁵ Human Development Report UNDP 2022

⁶ Karandaaz Financial Inclusion Report

⁷ Pakistan Economic Survey 2022-2023

⁸ Global Gender Gap Index Report 2022

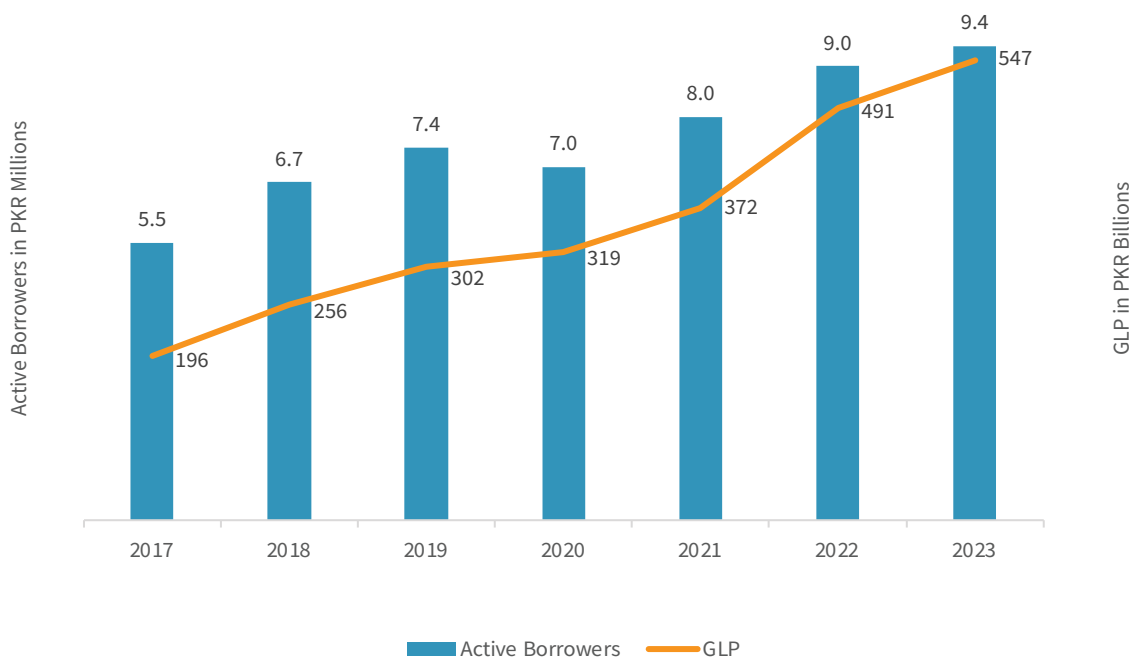
⁹ Pakistan Microfinance Review 2021

MICROFINANCE SECTOR OVERVIEW

The microfinance sector in 2023 saw significant growth despite the challenges faced during the period. This growth can be attributed to the resilience and experience of microfinance providers gained over the last two decades, which quickly adapted to remote operations, constant interaction with the customers, and using digital platforms for disbursement and recovery. Most notably, the sector's portfolio at risk (PAR) has reduced from 5.8% to 3.8%, indicating improved loan recollection and recoveries despite challenges posed by the COVID-19 pandemic and floods.

The microfinance sector continued to attract investors who were pursuing both financial and social returns. Microfinance Credit and Savings statistics at the year-end (Q4 2023) indicated a sustained growth trajectory in the post-flood era, with 9.4 million active borrowers, which is a 3.3 percent increase on a year-on-year basis. Women active borrowers followed an upward trajectory with a 4.9 percent increase. With a minor increase in active borrowers, the Gross Loan Portfolio (GLP) grew by 11.4% on a year-on-year basis, reaching PKR 547 billion, indicating that loan sizes had increased.

An overview of the peer groups shows that the MFBs' portfolio reached PKR 428 billion, whereas NBMFC's portfolio stood at PKR 119 billion. Micro savings indicators showed positive trends, with a 17.2% increase in the saver base to reach 109 million and a 16.1% increase in savings value to PKR 597 billion by Q4 2023. Micro-insurance indicators demonstrated an increase of 6.1% in policyholders to 8.7 million and an increase in the insurance portfolio from PKR 316 billion to PKR 326 billion by Q4 2023.



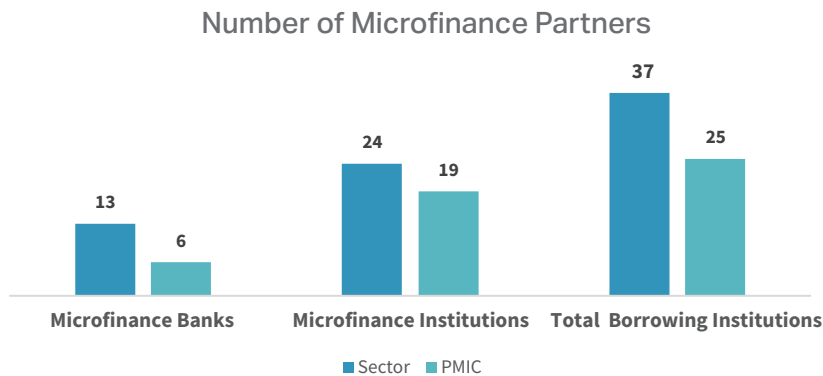


PMIC ensures that its financing is geared towards promoting financial inclusion and is deployed to serve the most vulnerable segments of the society. This is mandated through clauses in the financing agreements with its borrowers. Specific allocations are made for serving women, youth, minorities, transgenders, rural communities, and inclusion of women in both management and Boards of the institutions.

Over the past eight years, PMIC has built a comprehensive mechanism to monitor progress during the lifespan of the investment, conduct analysis, evaluate the expected impact and design new programs accordingly. Diverse and meaningful indicators are used to capture the results, measuring how PMIC activities translate into direct and indirect changes within the lives of the clients and how do they contribute to PMIC's key impact goal: reducing poverty in target regions/ districts and improved living standards through sustainable and inclusive economic growth.

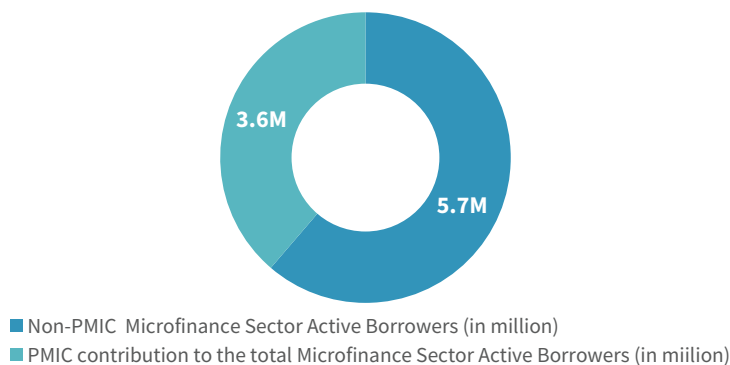
FOOTPRINT IN THE CONTEXT OF PAKISTAN'S MICROFINANCE SECTOR¹⁰

PMIC lends to almost 68% of the microfinance sector in Pakistan, making it an important player within the microfinance ecosystem in Pakistan.



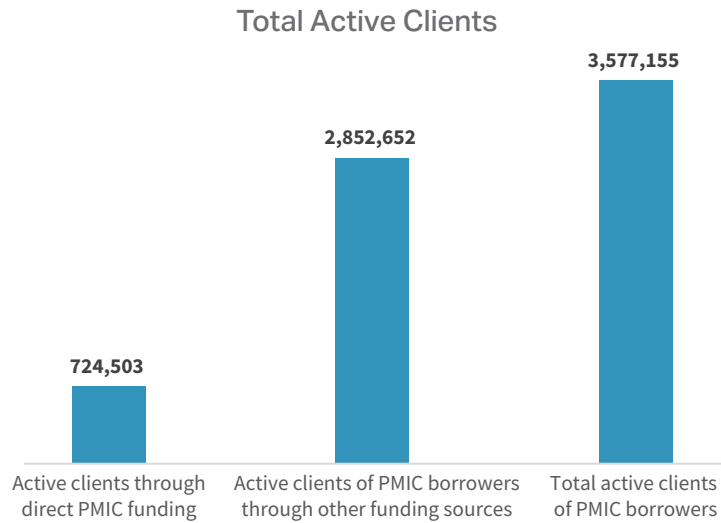
Out of the total 9.3 million active borrowers of the microfinance sector in Pakistan, PMIC funding contributes to 3.6 million (39%) of the total active microfinance sector borrowers in Pakistan.

PMIC's contribution to the total microfinance sector active borrowers

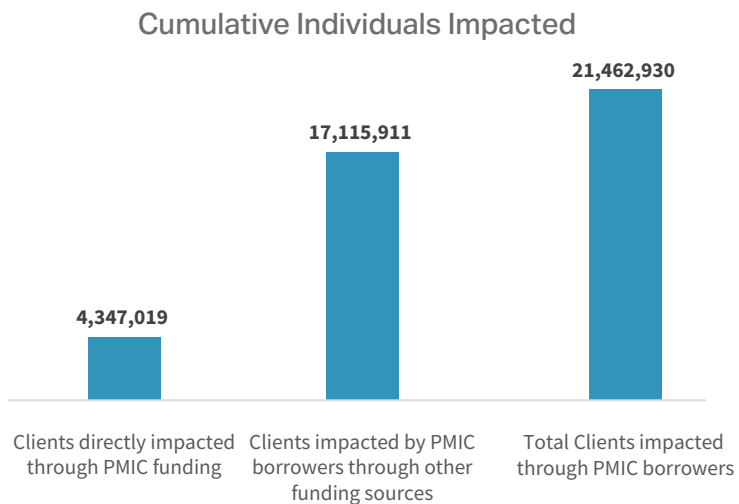


¹⁰ MFIs include RSPs (19 MFIs and 5 RSPs)

PMIC’s outstanding portfolio has resulted in around 3.6 million borrowers accessing financial services, around 724,503 of which are attributed to direct funding made through PMIC’s balance sheet and around 2.9 million are funded by PMIC borrowers through other sources.



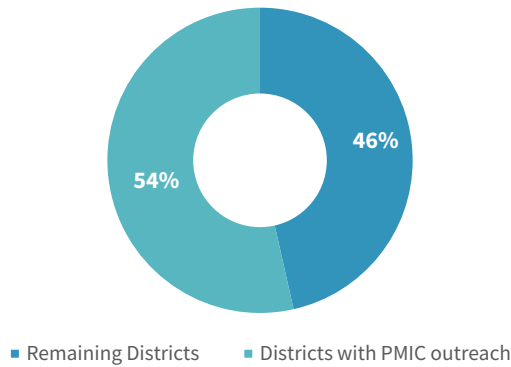
PMIC activities translate into direct and indirect impact at the household level, contributing towards improved livelihoods, reduced gender, social and income inequalities. Estimably, PMIC funding to its borrowers has impacted 21.4 million lives. Around 4.3 million households of which are attributed to direct funding made through PMIC's balance sheet and 17 million households are funded by PMIC borrowers through other sources.



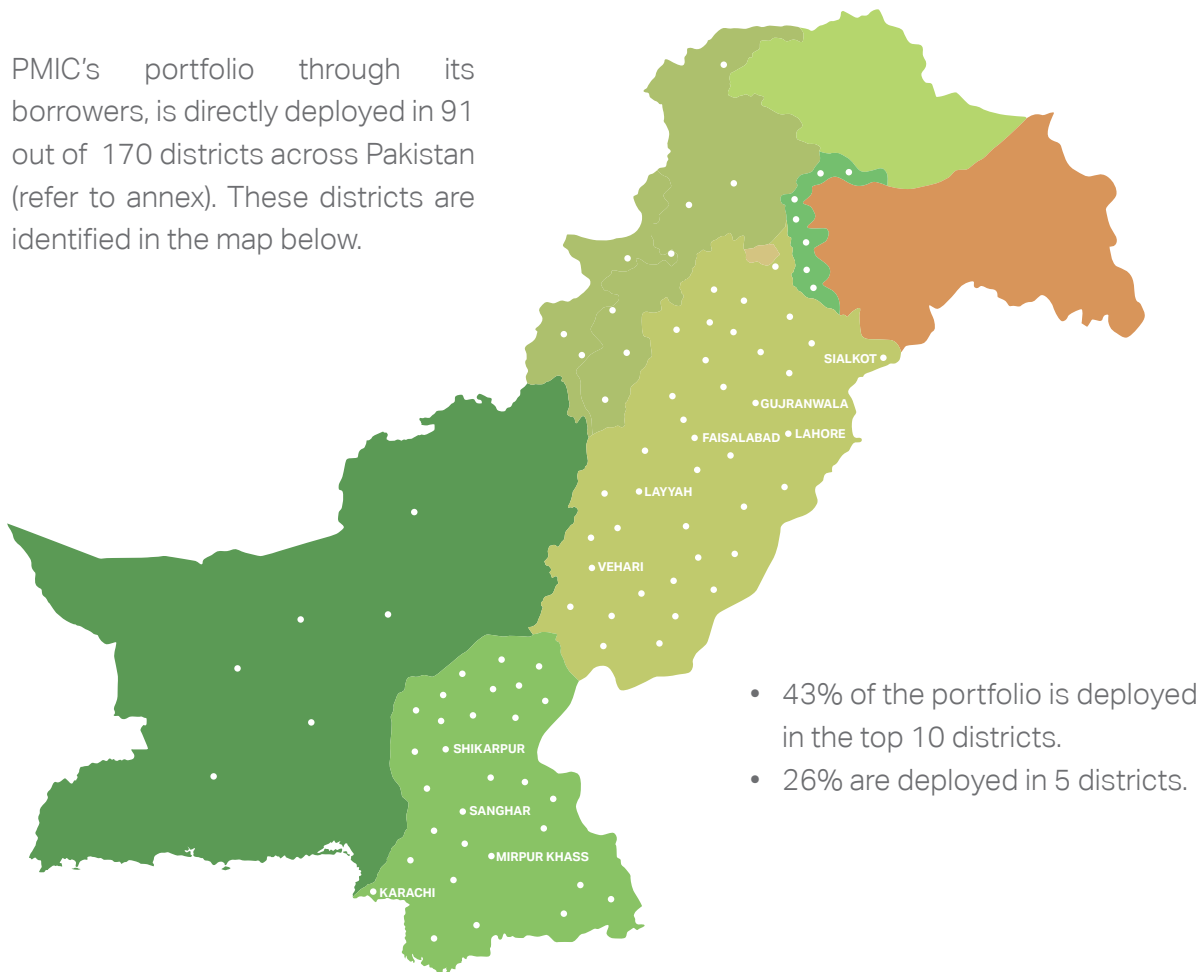
GEOGRAPHIC COVERAGE

Through the extensive outreach of its microfinance partners, PMIC funding provides support and benefits the poor and vulnerable community members in 54% of the total districts across the country.

Percentage of total districts in Pakistan where PMIC portfolio is deployed



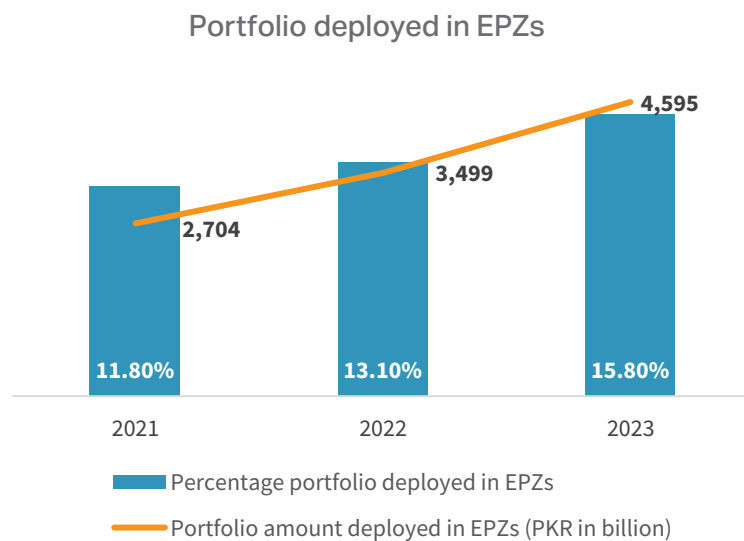
PMIC's portfolio through its borrowers, is directly deployed in 91 out of 170 districts across Pakistan (refer to annex). These districts are identified in the map below.



PORTFOLIO DEPLOYED IN EXTREME POVERTY ZONES

Extreme Poverty Zones (EPZs) are districts in the West and South of the country that experience very high rates of poverty—especially Balochistan, Sindh, KP and Southern Punjab (refer to annex ii for complete list). These are areas prone to natural disasters, have inefficient to no public service delivery, suffer through the resource constraint due to extreme exploitation of natural resources, have significantly low levels of mobility of women having tremendous implications for women's access to education and healthcare opportunities, and wider participation in the social and economic spheres of life.

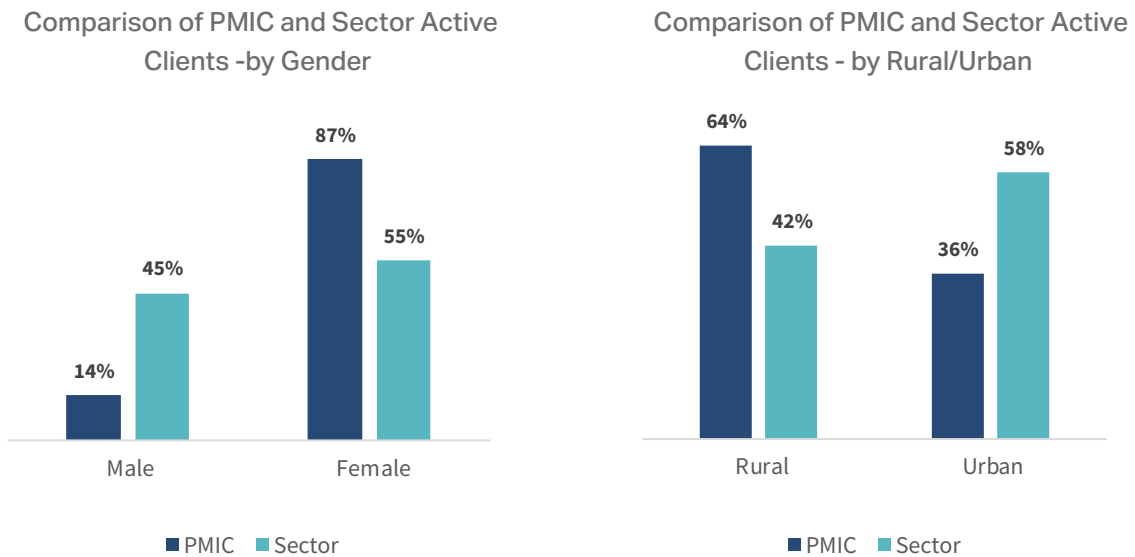
Deployment of funding and enhancing service delivery, access to finance and providing income generation opportunities in the EPZs is critical to address multidimensional aspects of poverty and inequality in the country. PMIC has made significant efforts to increase their funding to the EPZs. As shown in the graph below, PMIC has consistently increased its proportion of total funding deployed in the EPZ from 11.8% in 2021 to 13.1% in 2022 to almost 16% in the year 2023.



PMIC is cognizant of the fact that poverty is disproportionate, and it impacts the vulnerable members of society more severely. Thus, PMIC's strategic focus has remained towards uplifting women and the rural economy to reduce inequality. It is also crucial to note that the social return on investment towards women and the rural economy are much higher as compared to its counterparts for the following two reasons.

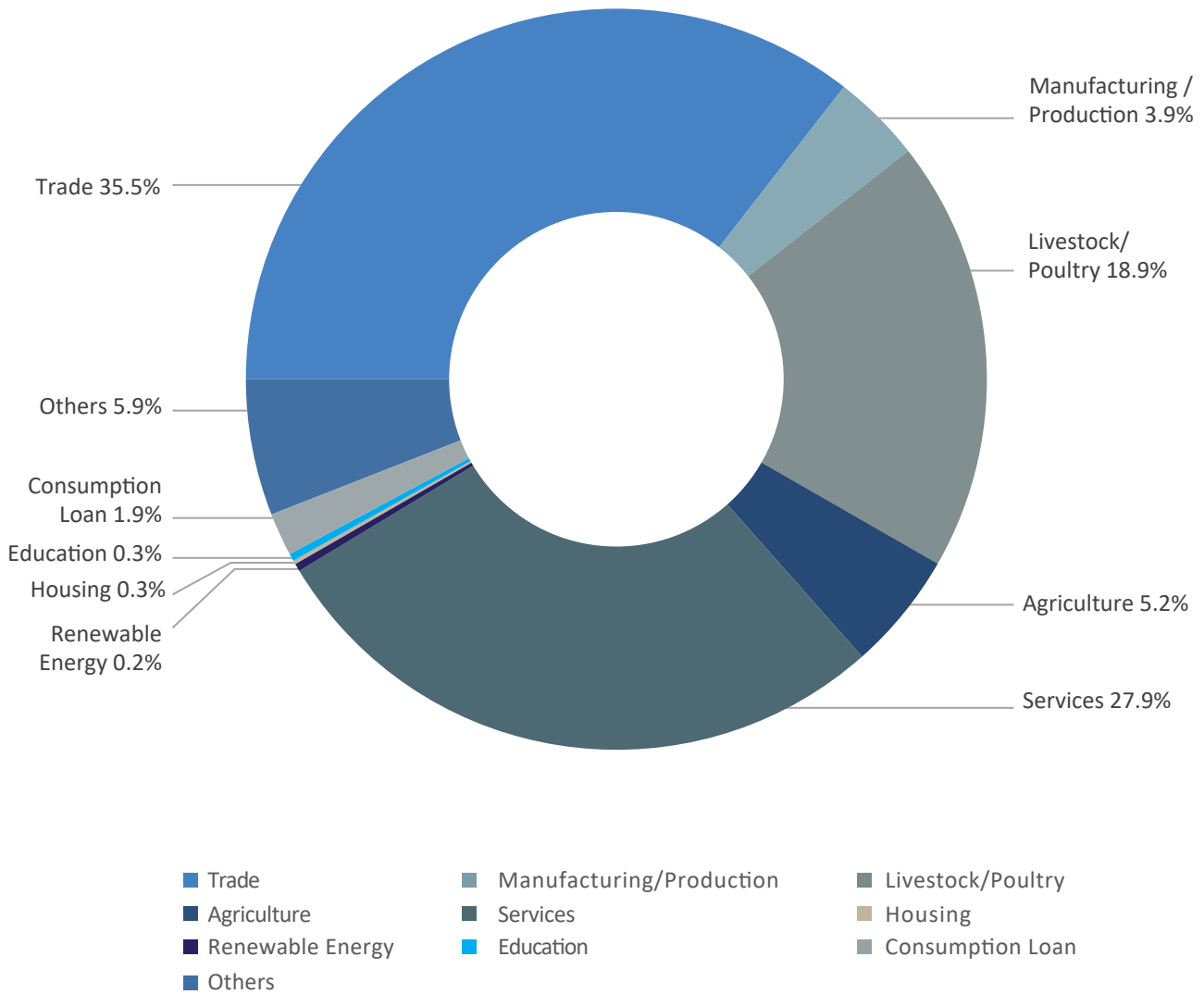
- (i) In Pakistan, rural areas are the backbone of our economy. Providing farmers, small business owners, and entrepreneurs with access to credit, savings, and insurance products will boost productivity, create jobs, and increase incomes, contributing to overall economic development.
- (ii) Women tend to invest a higher portion of their income into their families and communities compared to men. When women have access to financial services, they can better manage household finances, invest in education, healthcare, and nutrition for their families, thereby positively impacting the entire community.

Thus, PMIC's financing directed towards women and in rural areas is much higher as compared to the industry average.¹¹



¹¹<https://pmn.org.pk/wp-content/uploads/2023/06/Microwatch-Issue-67.pdf>

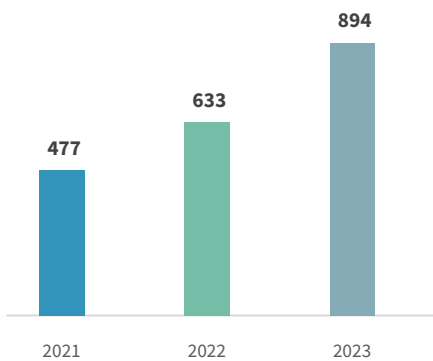
SECTORAL DISTRIBUTION OF OUR PORTFOLIO¹²



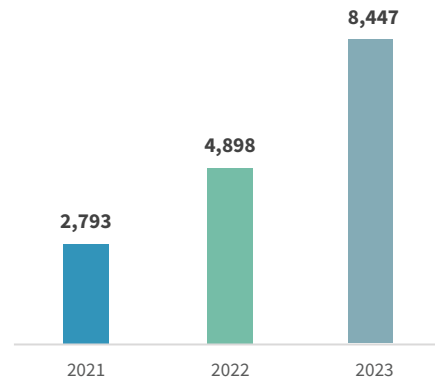
¹² as of December 2023

2023 FINANCIAL PERFORMANCE

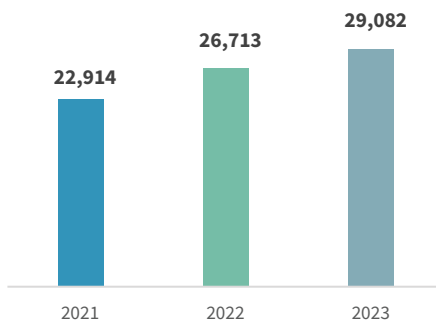
Net Profit (in PKR Millions)



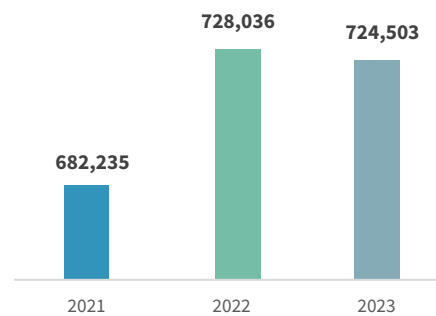
Revenue (in PKR Millions)



OLP (in PKR Billions)



Active Clients



It is crucial to note that although PMIC funding has increased over the years, the number of active clients has declined due to increase in the individual loan sizes to keep up with the clients demands in the high inflation environment.



BEYOND BANKING

HOW PMIC REDEFINES MICROFINANCE LEADERSHIP

At present, PMIC is collaborating with both bi-lateral and multi-lateral agencies including the World Bank, Asian Development Bank, British International Investment (BII), KIVA, International Finance Corporation (IFC), US Agency for International Development and commercial banks to crowd-in financing for the sector.

PMIC offers a diverse range of financial and non-financial products including senior debt, sub-ordinate debt, credit guarantee, credit enhancement facilities, grants, technical assistance, and advisory services to MFPs to attract capital market funds and Tier 2 loans strengthening the capital structures of the institutions.

In 2018, PMIC launched the region's first Social Impact Fund (SIF) in collaboration with commercial banks with a total outlay of PKR 1 billion. The purpose of the facility is to mobilize large scale private sector capital from prospective institution

Around 14 of PMIC borrowers fund more than 50% of their portfolio through PMIC funding while other commercial banks and financiers rely heavily on PMIC's funding to dovetail their own financing lines to the retail entity.

PMIC'S COMMITMENT TO RESPONSIBLE FINANCE

PMIC has played a leadership role in aiding its borrowers to absorb the shocks and negative impact of climate change. Key steps by PMIC to support the ecosystem in the wake of a catastrophe include the following.

Provided rescheduling facility to MFPs to the tune of PKR 17 billion of its portfolio which allowed the institutions to reschedule their loans to clients.

PMIC did not ask for any rescheduling of its borrowing from commercial banks during the COVID crisis giving a positive signal to the lenders about the health and stability of the microfinance sector.

After floods (2022), PMIC deployed Business revival initiative for 1,000 flood affected families.

¹³In addition to assessing the financial health of the institutions, the model will allow assessment of institution's capacity and capability to achieve its social objectives and ability to create impact. This will attract impact investors and development agencies and other social investors towards microfinance in Pakistan and encourage other MFPs to go through a similar exercise.

INNOVATION IN ACTION

In the eight years since its inception, PMIC has paved its way to becoming a key player, pushing innovation in the microfinance sector. PMIC's key contributions include the following:

1

PMIC launched Pakistan's first ever Social Impact Bond (PKR 3.5 billion) – in collaboration with commercial banks to empower women entrepreneurs through provision of access to financial products.

2

PMIC played a key role in enlistment of UBank's PKR 3,500 million PPTFC on Pakistan Stock Exchange – which was the first such instrument in the microfinance industry.

3

As part of its mission to promote socially responsible financial services in Pakistan, PMIC in collaboration with SECP and Pakistan Credit Rating Agency (PACRA) designed country's first Social Impact Rating Instrument.¹³

4

To support Government of Pakistan's increased focus on curbing Anti Money Laundering and Countering Financing of Terrorism (AML & CFT) activities, PMIC organized training of government staff. In addition, PMIC supported its borrowing institutions to adopt strong controls and introduce new measures in countering the AML & CFT practices.

5

PMIC was awarded Pakistan Bankers Association's award for "Best Contribution by a Non-Bank entity" in 2021.



ESM POWERED PROGRESS

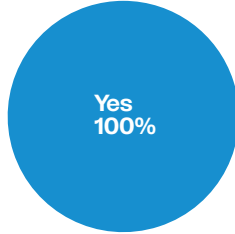
Building upon our commitment to Environmental, Social, and Governance (ESG) excellence, PMIC leverages its ESG framework to drive value creation across the spectrum of Sustainable Development Goals (SDGs). This commitment serves as the cornerstone of our strategic approach, positioning us at the confluence of mitigating investment risks, fostering positive societal impacts, and enhancing customer value. Through disciplined methodology, we meticulously address emerging challenges, forge strategic alliances, and harness the power of technical assistance and capacity-building initiatives. Our proactive engagement strategies aim to catalyse transformative shifts in practices and perceptions within our customer base and, by extension, across broader microfinance sector landscapes.

In our journey towards ESG integration, we place a strong emphasis on identifying and resolving complex dilemmas, advocating for the adoption of sustainable practices through targeted training and stakeholder engagement. This approach not only strengthens our portfolio's resilience but also propels our customers toward heightened ESG compliance, unlocking new avenues for operational improvement and financial accessibility. By championing the upliftment of ESG standards, we not only elevate business operations but also set a precedent for responsible stewardship and industry leadership, thereby contributing to the holistic advancement of Pakistan's microfinance sector and its alignment with global sustainability objectives.

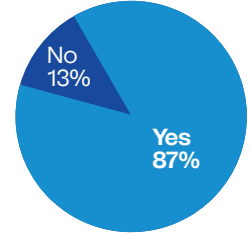
Drawing from the insights garnered through the questionnaire that serves as a tool for assessing and monitoring the progress of the PMIC borrowers on Environmental and Social Management (ESM) Policies and Climate Change, Mitigation and Adaptation practices. These insights will highlight critical gaps in terms of implementation and adoption of ESM policies and standards and aid in streamlining actions and addressing these gaps for the future.

The questionnaire was responded by 16 Micro Finance Partners including 03 MFBs and 13 MFIs

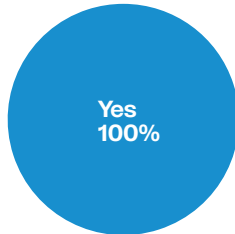
Organisations that have an Environmental and Social Management (ESM) Policy Framework



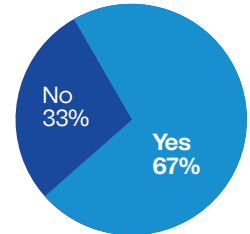
Organisations that monitor/track progress on ESM policies



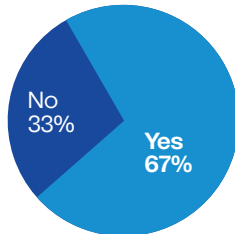
Organisations that are implementing Environmental and Social Management (ESM) policies



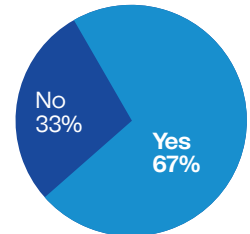
Organisations that have dedicated resources/allocated budget for ESM implementation.



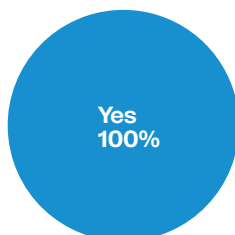
Organisations that have dedicated resources/allocated budget for ESM monitoring



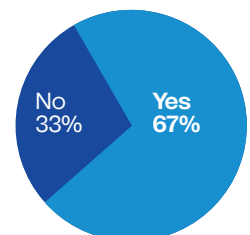
Organisations that have specific (internal/external) initiatives or practices aimed at reducing its carbon footprint.



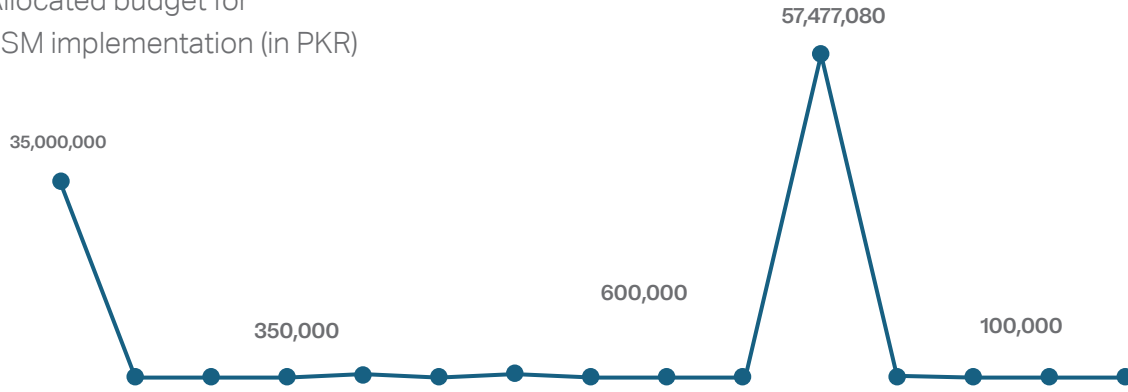
Organisations that have plans to enhance or expand its environmental sustainability efforts in the future.



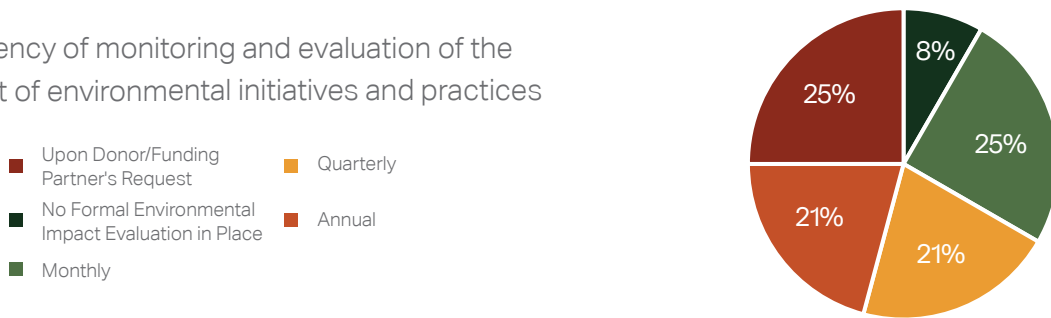
Organisations that offer any financial products or services that contribute to climate resilience, mitigation, and adaptation.



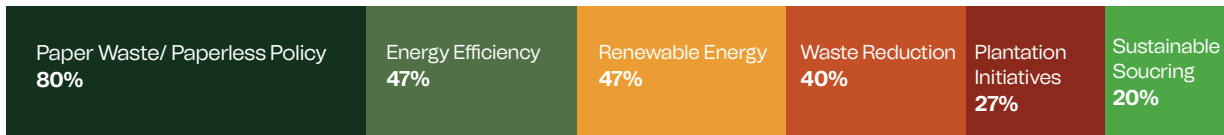
Allocated budget for ESM implementation (in PKR)



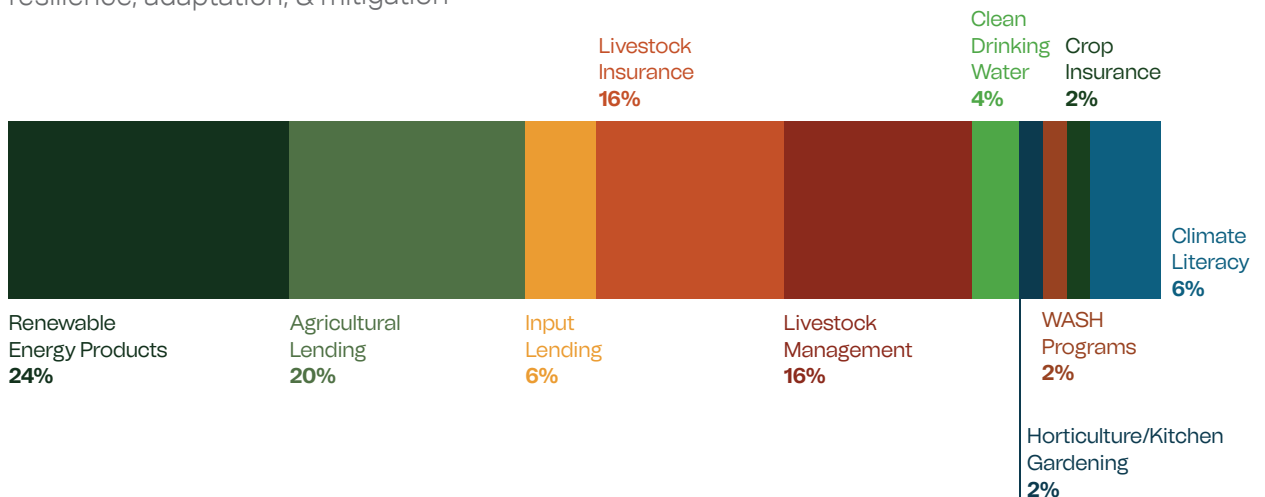
Frequency of monitoring and evaluation of the impact of environmental initiatives and practices



Key climate resilience, adaptation, and mitigation initiatives that are implemented internally:



Financial products or services that contribute to climate resilience, adaptation, & mitigation





**PMIC's
SUSTAINABLE
DEVELOPMENT
IMPACT**

Evaluating the performance of MF Plus projects using SDG indicators ensures alignment with both domestic and international efforts to sustainably reduce poverty. This methodology enables us to stay informed about the latest advancements and keeps us abreast of the new developments taking place in this field.

PMIC contributes to numerous SDGs through its MF Plus initiatives – MF Plus and hence measures its performance against them. PMIC deploys 15% of its after-tax profits under its MF Plus initiatives. These MF Plus initiatives use a blended finance approach combining loans with grants and technical assistance to support the development of product verticals in alignment with the SDGs. At present, PMIC led MF plus programs include the following:

PMIC KFW RENEWABLE ENERGY INITIATIVE THROUGH MICROFINANCE (PRIME)

PRIME is a €15 million KfW-supported program to provide high-quality Solar Solutions for poor and off-grid areas in Pakistan. The 10 years program aims to reach out to more than 75,000 households with access to clean energy and also focuses on building capacity of microfinance providers, catalyze market development and financing of solar products. Partnerships include the Alternative Energy Development Board, solar manufacturers, and microfinance providers. In 2023, PMIC secured a €5 million grant from BMZ and KfW to offset rising solar product prices, passing 93% of the subsidy to clients and microfinance providers. The products offered include a) Solar Systems for domestic users and enterprises (Up-to 5 KWs) and b) Solar irrigation pumps (up to 10 HP).

LIVESTOCK MICRO INSURANCE (TAGMU)

PMIC, in collaboration with Asia Insurance Company (AIC), introduced TAGMU, Pakistan's first digital livestock insurance. Using AI and facial recognition, the app identifies livestock for policy issuance and claim settlement. PMIC and AIC trained over 10,000 credit officers on TAGMU's application. Micro insurance has now been made mandatory for all livestock loans. Around 4,000 small farmers have benefited from the product.

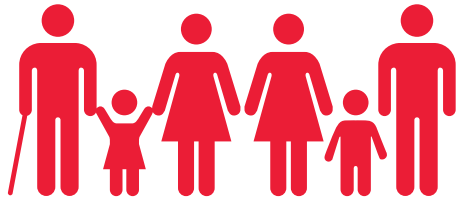
EDUCATION THROUGH MICROFINANCE

The Education Finance initiative provides loans and capacity building to low-cost private schools. Partnering with Opportunity International, PMIC supports school infrastructure and teacher training, build capacity of school owners in efficient and effective school management, curriculum planning, and improving the quality of education resulting in better learning outcomes for students.

INNOVATIVE STORAGE SOLUTION PMIC'S ELECTRONIC WAREHOUSE RECEIPTS (EWR) FOR FARMERS

PMIC has recently initiated this initiative with financing up to 80% of the EWR invoice value and with a cap at PKR 3 million to cater to small farmers. The initiative has been promoted by the State Bank of Pakistan through commercial banks and PMIC is amongst the only two non-bank organizations providing the facility to small farmers. PMIC is currently deploying this initiative in collaboration with Naymat Collateral Management Company – NCMC and GrowTech. Besides the provision of financing, the small farmers are also being provided with other value-added services including advisory on best agriculture practices, weather and markets alerts.

1 NO POVERTY



SDG 1 | No Poverty

In the year 2023, poverty in Pakistan increased by 5 percentage points from 34.2 to 39.4 percent pushing an additional 12.5 million people into poverty, bringing the total number of people living in poverty to 95 million. Besides the challenging macroeconomic environment, record high energy and food prices and the catastrophic impact of 2022 floods in Pakistan, the absence of effective coping mechanisms for the already poor and marginalised is further exacerbating poverty and inequality.

PMIC is committed to tackling SDG 1, which aims to eradicate poverty in all its forms. PMIC's strategy to poverty alleviation is to strengthen the resilience of impoverished and marginalized communities against economic and environmental shocks. By recognizing the interconnectedness of economic, environmental, and social factors, PMIC is better equipped to address the root causes of poverty and promote sustainable development. PMIC ensures this through introducing microinsurance products, providing income diversification opportunities for women in the same households, capacity building and skills enhancement training to facilitate increase in incomes, leveraging technology to promote climate smart agricultural practices thereby empowering individuals, and communities to overcome poverty. Consequently, improving the non-monetary dimensions of poverty such as access to nutritious food, quality education and healthcare, which will have long-term implications for Pakistan's growth.

PMIC's Progress on the SDG

Indicator	Progress 2023
Percentage of PMIC portfolio catering to rural population	64%
PMIC portfolio deployed for poverty alleviation	PKR 77 billion
Percentage of PMIC portfolio deployed in Extreme Poverty Zones (EPZs)	PKR 4.95 billion
Total PMIC portfolio deployed in Extreme Poverty Zones (EPZs)	15.8%
Number of households provided access to finance by PMIC	3,577,155
Number of lives impacted through PMIC funding	22.5 million
Number of clients graduated out of poverty through social safety net programs	43,629
Total Beneficiaries impacted through MF Plus Projects	150,440
Number of PMIC clients with enhanced capacity/skills through training initiatives	648,910
Number of clients supported during COVID-19 and 2022 floods in Pakistan	502 farmers - 12.5 million disbursed (flood -business revival initiative)

UPLIFTING THOUSANDS OF MICRO BUSINESSES

Salma, a determined young woman from a marginalized family in Shahdadpur Taluka, Sindh Province, faced formidable obstacles in pursuing her dream of living a comfortable life. Despite her family's financial constraints, Salma's relentless spirit led her to discover the art of sewing and embroidery, which became her source of income. Through the support of a PMIC partner microfinance organization, Salma obtained a loan of PKR.40,000, enabling her to enhance her business and increase her monthly income from PKR.15,000 to PKR.25,000. After several cycles of loans, -Salma has currently borrowed PKR.80,000. She has continuously expanded her business and recently earned a monthly income of PKR.80,000. Her unwavering determination and hard work not only transformed her own life but also empowered her to provide for family, build a decent house, educate her siblings, and arrange her sister's marriage. The financial support provided by PMIC along with Salma's resilience and determination is a testament to the human spirit and its ability to overcome adversity.

2 ZERO HUNGER



SDG 2 | Zero Hunger

Pakistan ranks 102nd out of 125 countries in the Global Hunger Index (GHI) 2023. It scores 26.6 on the GHI indicating a level of hunger that is serious. The GHI score is based on the values of two of the following four indicators. Around 18.5 % of the population in Pakistan is undernourished, stunting is prevalent among 37.6 % children, wasting is prevalent among 7.1 % children under the age of 5 years and 6.3 % children die before the age of 5 years. Pakistan is experiencing high levels of acute food insecurity. The situation is projected to worsen in 2024 where 11.8 million more people will experience high levels of acute food insecurity due to climate change.

PMIC's initiatives are strategically tailored to address multifaceted challenges inherent in the agri-food sector, with a steadfast focus on empowering smallholder farmers, promoting sustainable food production systems, and fostering resilient agricultural practices. PMICs approach encompasses the holistic financing of businesses spanning the entire agri-food value chain.

PMIC's intervention is marked by a strategic alignment with the core tenets of SDG 2, as underscored by its targeted investments in microfinance and Agri-Tech entities. Through these endeavours, PMIC aims to empower smallholder farmers, enhancing their agricultural yields, mitigating environmental degradation, and fostering sustainable social practices throughout the investment lifecycle. By bridging the chasm of technological and financial disparity, PMIC catalyses a paradigm shift towards inclusive and sustainable agricultural development.

PMIC's Progress on the SDG

Indicator	Progress 2023
PMIC portfolio deployed in the agriculture sector ¹⁴	PKR 6.69 billion
Number of agriculture sector (crop + livestock) loans disbursed	27,096
Number of agriculture sector (crop + livestock) active clients	155,580
Total number of Micro and small farmers supported through crop-based interventions	34,319
Number of micro and small enterprises supported in the agriculture sector	14,237
Number of farmers using microinsurance products	13,449
Number of small holder farmers trained on climate resilient agricultural practices	50,000
Number of farmers supported in using technology to adopt Climate Smart agricultural practices	50,000
Number of farmer household members impacted through the PMIC Challenge Fund	300,000
Percentage increase in yield through PMIC Challenge Fund	15%
Proportion of agricultural area under productive and sustainable agriculture under the PMIC Challenge Fund	35,601 acres

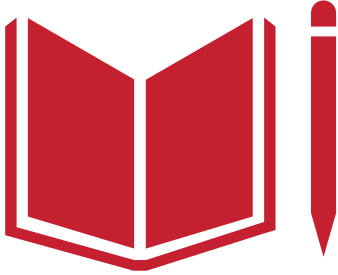
¹⁴ (excluding consumption*)

¹⁵ Data from Growtech Dashboard October 2023.

ENABLING FARMERS TO CREATE PROFITABLE BUSINESSES AT SCALE

Farukh Irshad is a resolute small-hold farmer from Mian Channu whose land holds the promise of sustenance for his family. But in recent years, Farukh faced declining productivity per acre and mounting expenses for fertilizers and irrigation. Struggling to make ends meet, he turned to GrowTech, the winner of PMIC's first challenge fund in Agri Tech. GrowTech is an agricultural service provider and delivers advisory services to the farmers through presence in the field and digital platforms, harnessing satellite, and other technologies to transform farming practices. Farukh gained access to expert guidance, weekly reports on crop health, and real-time insights on his land's fertility, water stress levels, and weather conditions. Armed with this knowledge, he made smarter decisions, optimizing fertilizer usage, conserving water, and maximizing his crop yield. The results were astounding – a 20% increase in wheat production and a reduction of 12% in input utilized. Emboldened by his newfound success, he ventured into a thriving cattle feed business, becoming a beacon of inspiration for fellow farmers. Today, Farukh's story echoes through his village, spreading the message to revolutionize farming and unlock the boundless potential of those who dare to dream big.

4 QUALITY EDUCATION



SDG 4 | Quality Education

Pakistan has the 2nd highest proportion of out of school children globally, representing 44% of the total population in this age group. As many as 22.8 million children of school going age are not enrolled in schools. In addition, the World Bank reports on the poor quality of education in the country. Around 65 percent of children do not achieve the Minimum Proficiency Level at the end of primary school.

PMIC understands the significance of SDG 4, which emphasizes on the importance of inclusive and equitable quality education for all. Focusing on enhancing access to quality education in underserved areas and marginalized communities, supporting the capacity building of educational institutions, and empowering teachers through training and resources.

PMIC, in partnership with Opportunity International (OI), is implementing an Education Finance Project which aims to improve the quality of education at low-cost private schools through training and capacity building of school owners and teachers. These low-cost private schools are also provided tailored financial products to improve infrastructure and facilities for enrolled students.

PMIC's Progress on the SDG

Indicator	Progress 2023
PMIC portfolio deployed in Education	PKR 0.94 million
The number of low-cost schools benefitted through financing for school infrastructure improvement and enhanced education quality	861
Number of trained school owners implementing quality education standards in their schools	861
Total number of students impacted	191,577
Number of female students impacted	108,540

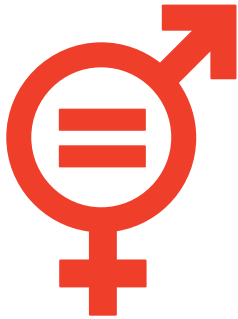


EDUCATION THROUGH MICROFINANCE

In the face of daunting challenges, Afsheen Shahryar, a passionate and determined woman, opened her own school in 2007. Struggling with limited resources and untrained teachers, she discovered the Pathways to Excellence training program offered by PMIC-funded microfinance institution, in collaboration with Opportunity International. Through this transformative program, Afsheen gained the knowledge and skills to create a comprehensive improvement plan for her school.

With unwavering dedication, Afsheen implemented activity-based learning, resulting in increased student engagement and improved academic outcomes. Afsheen's inspiring journey demonstrates the transformative impact of programs like Pathways to Excellence, empowering educators to overcome challenges and make a lasting difference in the lives of their students.

5 GENDER EQUALITY



SDG 5 | Gender Equality

Pakistan ranks 142nd out of 146 countries in the global gender gap report. Not only globally, but Pakistan is also at the bottom among the South Asia Regional Countries.

PMIC ensures that its financing is geared towards promoting inclusion of women. This is mandated through clauses in the financing agreements with its borrowers. At least 50% of PMIC funding must go towards meeting the financial needs for women clients. At the governance level, PMIC requires that 33% of the board members of its borrowers must be women.

PMIC is committed to promoting gender equality, protecting women's rights, and empowering women across its investment. PMIC aims to increase women's participation in the economy through increasing women's control over productive assets and financial resources, supporting women-owned businesses and including women in value chains.

PMIC's Progress on the SDG

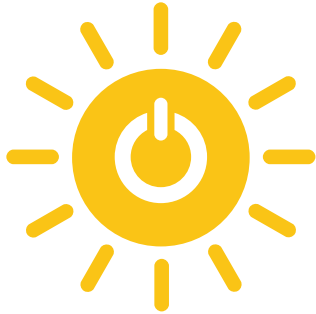
Indicator	Progress 2023
PMIC portfolio deployed with females	PKR 22.4 billion
Percentage of PMIC portfolio catering to female active clients	87%
Percentage of PMIC Portfolio catering to women-owned businesses	79%
Number of Women-owned businesses financed	607,219
Percentage of the young female clients (below the age of 35 years)	28%
Percentage Female in Senior Management	29%
PMIC's female-employee gender ratio	36%

¹⁵ Data from Growtech Dashboard Oct 2023

BUILDING THE ENTREPRENEURIAL ECOSYSTEM

Shameem Akhtar's remarkable journey from humble beginnings to a thriving carpet-making business is a testament to her determination and entrepreneurial spirit. She has been a client of one of the borrowers of PMIC for a long time. With over 30 employees and monthly sales exceeding PKR.500,000, Shameem's success is a result of her unwavering perseverance in the face of challenges. Her work experience, technical expertise, and marketing skills laid the foundation for her business's success, which was further supported by PMIC financial assistance to overcome capital constraints. Today, Shameem's business serves as a beacon of hope, providing job opportunities for women in her community and improving the lives of her own family. She is a true inspiration for aspiring women entrepreneurs, demonstrating that hard work and determination can lead to transformative success.

7 AFFORDABLE AND CLEAN ENERGY



SDG 7 | Affordable and clean energy

As of 2021, 116 million people do not have access to electricity in Pakistan. World Bank Research from 2018 presents the first empirical evidence on the cost of unreliable electricity supply to households in Pakistan. The results show that lack of connectivity and poor reliability may be costing the country at least \$4.5 billion (1.7 percent of gross domestic product) a year.¹⁶

PMIC plays a crucial role in providing market solutions to increase access and a stable energy supply to rural and underserved populations using renewables and alternative energy sources. In Pakistan where electricity access is limited and power outages are the norm, PMIC's investments help bridge the gap and increase access to electricity, thereby improving the quality of life and supporting sustainable economic development.

PMIC actively contributes to SDG 7. Through the PRIME program, PMIC in collaboration with KfW is improving access to energy in underdeveloped areas and extreme poverty zones in Pakistan.

PMIC's Progress on the SDG

Indicator	Progress 2023
PMIC portfolio deployed in renewable energy	PKR 229 million
Number of clients accessing renewable energy	35,240
Number of individuals with improved quality of life due to access to low-cost energy solutions	199,680
Number of districts under Renewable energy initiative	22 districts.
Amount of solar energy produced	364 KW
Finance - avoided Green House Gas ¹⁷	88tCO ₂ e.

¹⁶ <https://www.trade.gov/country-commercial-guides/pakistan-renewable-energy>

¹⁷ Financed avoided Green House Gas is measured in tons of CO₂ equivalent (tCO₂e) which is the functional unit for quantifying the per unit impact of GHG.

INVESTING IN LOCAL PROSPERITY

Based in Qaboola Sharif, District Pakpattan, Shaheen Science Secondary School emerged as a sanctuary of learning for underprivileged children in 2016. With a modest infrastructure of 25 classrooms and 500 students, its purpose was to deliver quality education to those in need. However, the school faced the dual challenges of frequent load-shedding and sweltering summers. Recalling days when stifling heat forced them to send children home, while the high cost of running a generator exacerbated their financial burden. In a bid to alleviate the struggles, Muhammad Azam the school owner, turned to solar energy, securing a loan of PKR.500,000 through one of PMIC's partners. With their investment and the installation of a 5KW solar system, the school now thrives even amidst persistent power outages. The solar panels power all 25 classrooms, ensuring a comfortable learning environment, and have significantly reduced the monthly electricity bill from PKR.20,000 to a mere PKR.5,000. Azam's appreciation for PMIC and Opportunity International resonates, as their support not only transformed his school but also empowered low-cost private schools across Pakistan to continue providing quality education.

8 DECENT WORK AND ECONOMIC GROWTH



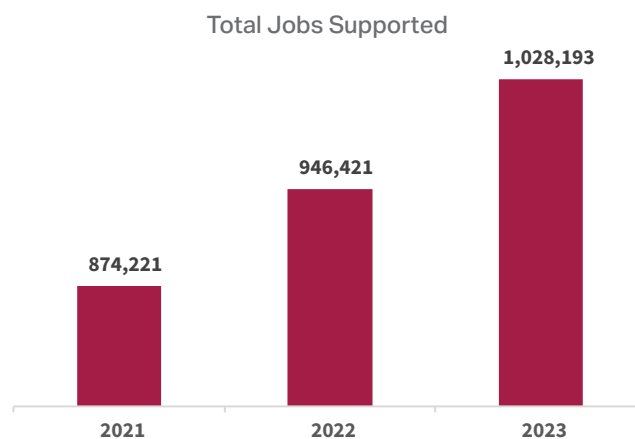
SDG 8 | Decent work and economic growth

The country's employment-to-population ratio is estimated at 47.6 percent. The number of persons unemployed— not working and actively seeking work—is projected to reach 5.6 million (as an upper bound) in 2023.¹⁸

PMIC actively supports entrepreneurs in making an inclusive, productive, resilient, and sustainable local economy through providing access to finance and skills-based trainings. Thus, promoting sustainable economic growth and job creation in line with SDG 8.

PMIC's Progress on the SDG

Indicator	Progress 2023
Total number of jobs supported	1,028,193
Cumulative number of clients supported	847,782
Total number of institutions financed	25
Number of PMIC employees	40
Institutions gross income growth	77%
PMIC percentage increase in net profit	41.2%



Generating over a million jobs significantly impacts the labor market, driving down unemployment rates and stimulating economic growth. It signifies a robust expansion of businesses and industries across the country.

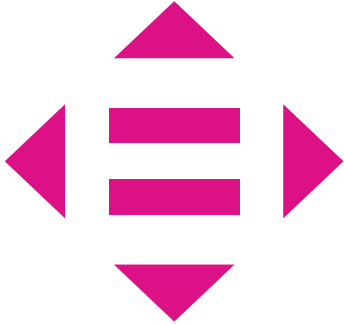
¹⁸ [https://www.ilo.org/media/7296/download#:~:text=At%20an%20estimated%2047.6%20per,\(at%2049.1%20per%20cent\).](https://www.ilo.org/media/7296/download#:~:text=At%20an%20estimated%2047.6%20per,(at%2049.1%20per%20cent).)



BREAKING BARRIERS, EMPOWERING WOMEN: REDUCING INEQUALITIES ONE STEP AT A TIME!

Rubina Bibi is a micro-entrepreneur who defied societal norms to support her family. Rubina faced financial hardships when her husband's business suffered significant losses. Determined to contribute to their household income, Rubina took a leap of faith and started a lunchbox delivery and frozen food business. With the support of the PMIC's gender-centric loan program, Rubina obtained the necessary capital to launch her venture, substantially generating revenue of PKR.50,000 in the first month alone. Rubina diversified her income streams by establishing a successful cloth trading business and continued supplying frozen food items. Rubina's entrepreneurial spirit not only brought financial security to her family but also shattered gender barriers. Her husband, initially sceptical, became her steadfast partner, assisting with deliveries, procurement, and food preparation.

10 REDUCED INEQUALITIES



SDG 10 | Reducing Inequalities

In its pursuit to address inequalities (SDG 10), PMIC actively invests in partners operating in least-developed areas, with a special focus on Extreme Poverty Zones (EPZs). By doing so, PMIC aims to create employment opportunities and increase incomes for individuals in the bottom 40% of the income distribution, facilitating their access to essential goods, services, and income-generating prospects.

PMIC supports businesses that empower smallholder farmers, offer off-grid energy solutions, and are owned by underserved female and young entrepreneurs to bring about transformative change in the society and country. As a wholesale lender (investor), PMIC plays a crucial role by providing capital and serving as a sector developer.



PMIC Progress on the SDG

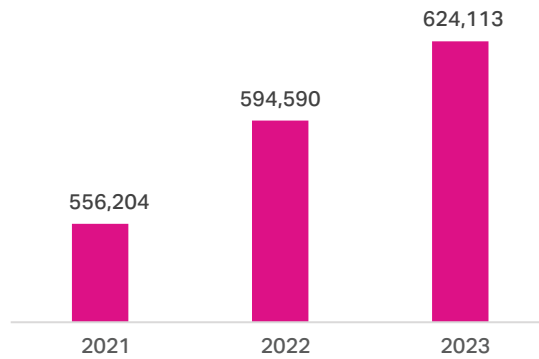
Indicator	Progress 2023
Percentage of PMIC portfolio invested in the agricultural sector (only crops) supporting value chains	5.2%
Percentage of PMIC portfolio catering to livestock & poultry	20%
Percentage of PMIC portfolio deployed in extremely vulnerable areas	16.3%
Total number of individuals impacted	21.6 million
Number of female jobs supported	624,113
Number of youth jobs supported	548,231

SUPPORTING WOMEN ENTREPRENEURS

Recognizing the strong interlinkage between SDG 10 and SDG 5 on gender equality, PMIC continues to increase its gender-lens investments, thereby making a positive impact on both fronts.

PMIC mandates progress on SDG 10 through setting targets in their financing agreements with borrowers for loan disbursements in the rural areas, towards women and youth, as well as female employee ratios and inclusion of women in the governance structures.

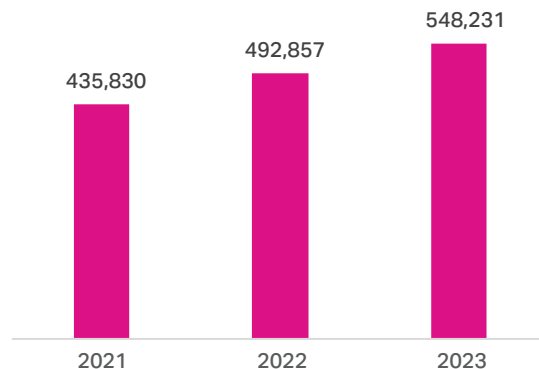
Number of Women Jobs Supported



SUPPORTING YOUTH ENTREPRENEURS

PMIC's focus on youth-led livelihood-sustaining businesses and high-growth enterprises demonstrates the commitment to unlocking the potential of young entrepreneurs. PMIC aims to address the specific needs and challenges faced by youth entrepreneurs through targeted investments, non-financial support, and capacity building. PMIC is empowering young entrepreneurs to succeed and contribute to economic growth.

Number of Youth Jobs Supported



EMPOWERING WOMEN FARMERS: CULTIVATING RESILIENCE, SOWING SUCCESS

Rukhsana. A courageous woman who defied adversity and rekindled hope. With a loan of PKR.200,000 from a PMIC borrower, Rukhsana embraced agriculture to secure her household's livelihood. But when devastating floods struck, her crops were destroyed, and her home lay in ruins. To her rescue PMIC stepped in with a Business Revival Grant Initiative, granting Rukhsana with PKR.300,000 loan. With this assistance, she rebuilt her land, revived her crops, and proved that resilience and timely support can transform devastation into opportunity.

Today Rukhsana's flourishing fields stand as a testament to her unwavering spirit. She not only restored her livelihood but also ignited a beacon of hope for a brighter future. Rukhsana's story serves as an inspiring reminder of the human capacity to overcome challenges, showcasing the resilience of the human spirit to create a prosperous tomorrow.

13 CLIMATE ACTION



SDG 13 | Climate Change

PMIC is committed to accelerate climate action (SDG 13) and the goals of the Paris Agreement. Despite sectoral challenges, PMIC guides its borrowers towards a resilient, low-carbon economy by designing products that support mitigation, adaptation, resilience, and biodiversity, including in agricultural value chains. Key initiatives by PMIC include green investments in renewable energy and agriculture, and financing projects to reduce greenhouse gas emissions.

PMIC's Progress on the SDG

Indicator	Progress 2023
Total PMIC renewable energy financing	PKR 229 million
Number of clients using clean energy through PMIC Renewable energy financing	34,664
Number of clients using modern agriculture practices, and livestock rearing resulting in a reduction in water, fertilizer and pesticide usage, reduction in CO ₂ equivalent emission	50,000
Financed avoided greenhouse gas (GHG) emission	88 tCO ₂ e

The average annual CO₂ emissions for a passenger car can vary, but a common estimate is around 4.6 metric tons of CO₂ per year per car in Pakistan. Therefore, 88 metric tons of CO₂ equivalent would take approximately 19 cars off the road for a year.

Annual Percentage Change in total Green House Gas (GHG) Emissions Avoided



ECO-INNOVATION DRIVING SUCCESS

Tanzeela and Nadeem, committed and passionate entrepreneurs, faced environmental and community challenges with their diesel-powered wheat grinding business. Seeking a sustainable solution, they turned to Agahe Pakistan (PMIC's client) for a loan of Rs. 500,000 to invest in a solar system. With their loan approved, they swiftly transitioned to clean energy, thanks to PMIC's support.

The installation of the solar system revolutionized their business, eliminating harmful emissions and reducing operational costs. The community rejoiced as air quality improved, showcasing the tangible impact of their decision. Tanzeela and Nadeem's commitment to sustainability not only boosted their income but also inspired other businesses to explore eco-friendly options. Inspired by passion, Tanzeela and Nadeem's journey exemplifies the transformative power of clean energy. Their thriving business and harmonious community serve as a testament to the positive change enabled by PMIC's initiatives.

17 PARTNERSHIPS FOR THE GOALS



SDG 17 | Partnership for goals

PMIC places strategic importance on strengthening relationships with its stakeholders to increase impact by pooling resources and collaborating with partners to invest more. PMIC mobilizes and blends funds, builds partnerships, manages programs on behalf of PPAF, KFW, and Karandaaz, and empowers its clients, partners, and employees.

PMIC actively participates in different forums at the policy level with the government, The State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP). PMIC interacts and collaborates with Pakistan Microfinance Network (PMN) to promote microfinance and address any challenges faced by the microfinance sector. PMIC provides frequent briefings to financiers of the sector including local commercial banks, microfinance Investment vehicles, international financial institutions, and other local and foreign investors for the sector's growth.

PMIC forges a strategic alliance with the Male Champions of Change (MCC) Pakistan initiative, cementing its dedication to advancing gender equality and empowering women. PMIC is also an active member of the Global Impact Investing Network (GIIN), Pakistan Fintech Network (PNF), NBF & Modaraba Association of Pakistan, at each forum PMIC highlights the importance of financial inclusion and its role in achieving SDGs. PMIC enhances its efforts to drive economic empowerment and implement financial inclusion initiatives by aligning with influential leaders.

- a. **Male Champions of Change** - PMIC is a member of Male Champions of Change – which is a platform committed to identifying and sharing practical actions that leaders can take to improve gender equality in their organizations and in society.
- b. **Global Impact Investing Network (GIIN)** – PMIC is a member of GIIN, which is the global champion of impact investing, dedicated to increasing its scale and effectiveness around the world.
- c. **Pakistan Microfinance Network (PMN)** – PMIC works closely with PMN to promote international best practices in provision of financial and non-financial services to the underserved clients.
- d. **Pakistan Fintech Network** – PMIC is also member of PFN for supporting and promoting fintech's/startups and financial institutions
- e. **NBFI and Modaraba Association of Pakistan** — PMIC is member of NBFI and Modaraba Association of Pakistan engaged in offering shariah compliant products respectively.

PMIC'S SUCCESSFUL PARTNERSHIPS: CHALLENGE FUND INITIATIVES

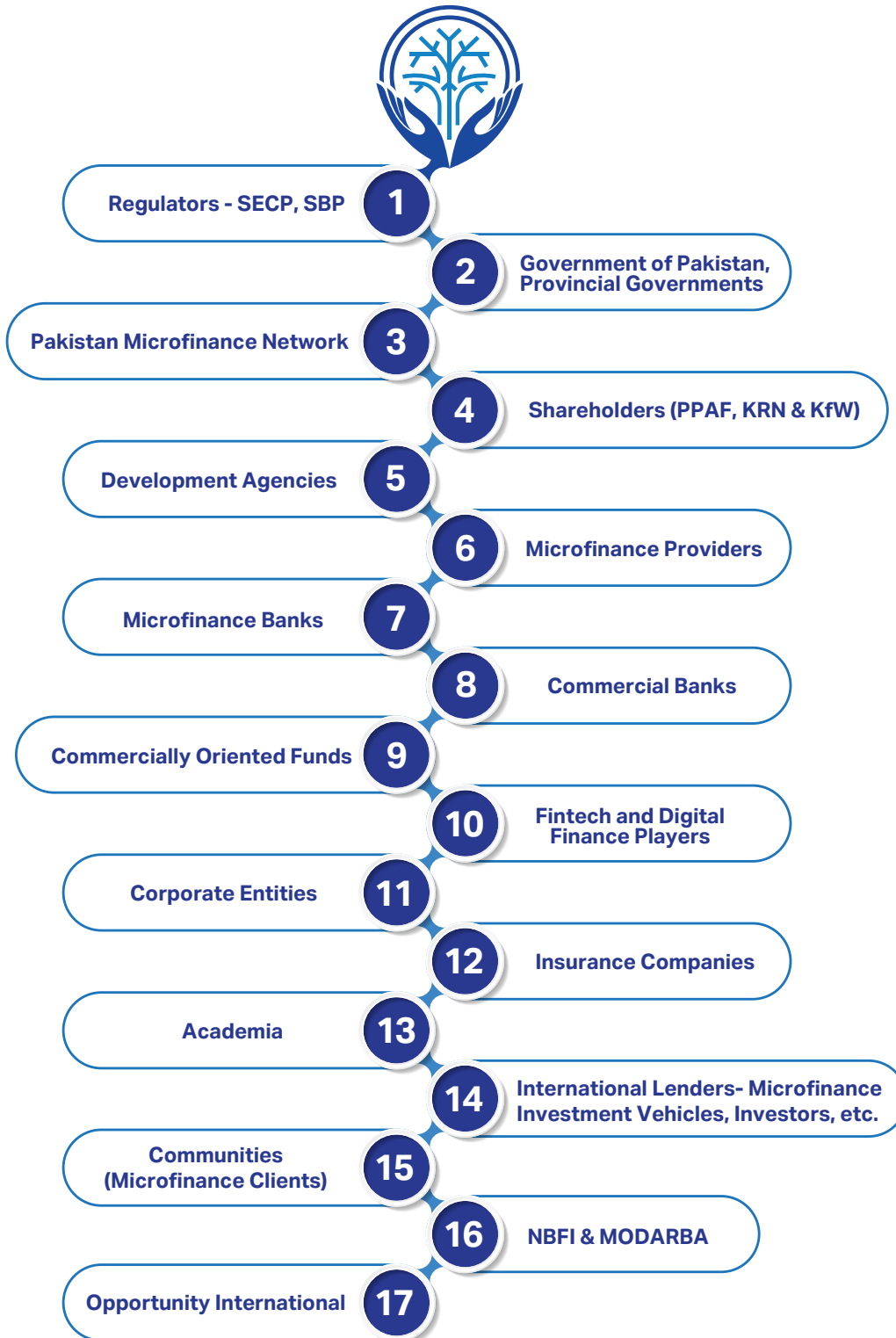
The Challenge Fund, offering Technical Assistance and Grants up to PKR 25 million, was launched to achieve PMIC's triple bottom line mandate and foster innovation in financial inclusion. PMIC has conducted two rounds of the Challenge Fund.

EXPLORING AGRICULTURE TECHNOLOGY FOR SMALL FARMERS

The first round focused on "Accelerating Access to Finance and Increasing Income of Small Farmers," targeting smallholder farmers who constitute 90% of the country's farmers. GrowTech, an agricultural service provider, was awarded the fund to deliver advisory services, inputs, and market links to small farmers through digital platforms and on-ground presence. An outcome assessment showed a 12% reduction in production costs, a 15% yield improvement, and a 25% overall income increase for 2,300 farmers, enhancing farming practices on 23,000 acres.

REVOLUTIONIZING CREDIT SCORING FOR NBMFIS

The second round aimed at developing a "Digital Credit Scoring Model" (DCSM) for the microfinance sector. Qarar International, a subsidiary of the Saudi Credit Bureau "Simah" and a leading decision analytics company, was awarded the fund. Partnering with Data Check and using client-level data from four PMIC borrowers, Qarar is developing a credit scoring model. This model, utilizing data from credit bureaus and MFPs, will enhance credit decision efficiency and be available to the entire sector for adoption.



ANNEX (I) : PMIC GEOGRAPHIC COVERAGE

S.no	District	S.no	District	S.no	District
1	Abbottabad	41	Mirpurkhas	81	Hunza
2	Attock	42	Multan	82	Jacobabad
3	Badin	43	Muzaffargarh	83	Kashmore
4	Bagh	44	Muzaffarabad	84	Kohat
5	Bahawalnagar	45	Nankana Sahib	85	Lower Dir
6	Bahawalpur	46	Narowal	86	Malakand Agency
7	Bhakkar	47	Nowshera	87	Naseerabad
8	Chakwal	48	Noushero Feroz	88	Swat Mangora
9	Charsaddah	49	Nawab Shah	89	Murree
10	Chiniot	50	Okara	90	Talagang
11	Dadu	51	Pakpattan	91	Hub
12	D.G Khan	52	Rahim Yar Khan		
13	Faisalabad	53	Peshawar		
14	Ghotki	54	Rawalpindi		
15	Gujranwala	55	Rajanpur		
16	Gujrat	56	Rawalakot		
17	Hafizabad	57	Sahiwal		
18	Hari Pur	58	Sargodha		
19	Hyderabad	59	Sanghar		
20	Islamabad	60	Shikarpur		
21	Jamshoro	61	Sheikhupura		
22	Jhelum	62	Sialkot		
23	Jhang	63	Sukkur		
24	Kambar Shahdadkot	64	Sujawal		
25	Karachi	65	Swabi		
26	Kasur	66	Tando Allah Yar		
27	Khairpur	67	Tando Mohammad Khan		
28	Khanewal	68	Tharparkar		
29	Khushab	69	Thatta		
30	Kotli	70	Toba Tek Singh		
31	Lahore	71	Umer Kot		
32	Lasbella	72	Vehari		
33	Larkana	73	Bhimber		
34	Layyah	74	Sudhnuti/plandri		
35	Lodhran	75	D.I.Khan		
36	Mansehra	76	Gilgit		
37	Mandi Baha-ud-Din	77	Mirpur		
38	Mardan	78	Buner		
39	Matiari	79	Ghizer		
40	Mianwali	80	Hattian Bala		

■ EPZ 1 / ■ EPZ 2

“

LIGHTING THE PATH TO A RESILIENT FUTURE

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PMIC

Pakistan Microfinance Investment
Company Limited

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