Pakistan Microfinance Review 2020

Annual State of the Industry Report

Pakistan Microfinance Network
Achieving Together

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Highlights

YEAR	2020	2019	2018	2017	2016
Active Borrowers (in Millions)	**7.0**	7.4	6.7	5.5	4.2
Gross Loan Portfolio (PKR Billions)	**319**	302	256	196	132
Active Women Borrowers (in Millions)	**3.4**	3.8	3.5	2.7	23
Branches	**3,722**	3,802	4,102	3,533	2,367
Total Staff	**44,573**	46,163	42,048	36,053	29,413
Total Assets (PKR Billions)	**617**	493	427	330	225
Deposits (PKR Billions)	**373**	266	239	186	118
Total Debt (PKR Billions)	**117**	105	90	74	55
Total Revenue (PKR Billions)	**111**	111	89	66	42
Operational Self Sufficiency OSS (percentage)	**100**	97	119	125	127
Financial Self Sufficiency FSS (percentage)	**99**	95	109	122	124
PAR > 30 (percentage)	**3.2**	3.9	1.6	0.5	1.2

Acronyms & Abbreviation

AC & MFD	Agriculture and Microfinance Division
ADB	Asian Development Bank
Advans	Advans Pakistan Microfinance Bank Ltd.
AMFB	Apna Microfinance Bank Ltd.
AML	Anti-Money Laundering
AMRDO	Al-Mehran Rural Development Organization
BPS	Basis Points
CAR	Capital Adequacy Ratio
CDD	Customer Due Diligence
CGAP	Consultative Group to Assist the Poor
CGL	Credit Guarantee Limits
CIB	Credit Information Bureau
CNIC	Computerized National Identity Card
CPC	Consumer Protection Code
CPI	Consumer Price Index
CPP	Client Protection Principles
DFI	Development Financial institute
DFID	Department for International Development, UK
DPC	Deposit Protection Corporation
DPF	Depositor's Protection Fund
ESM	Environment and Social Management
EUR	Euro
FATF	Financial Action Task Force
FINCA	FINCA Microfinance Bank Ltd.
FIP	Financial Inclusion Program
FMFB	The First Microfinance Bank Ltd.
FSS	Financial Self Sufficiency
FY	Financial Year
G2P	Government to Person
GBP	Great Britain Pound
GDP	Gross Domestic Product
GLP	Gross Loan Portfolio
GNI	Gross National Income
GoP	Government of Pakistan
IAFSF	Improving Access to Financial Services Fund
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
JWS	Jinnah Welfare Society
KBL	Khushhali Microfinance Bank Ltd.
KF	Kashf Foundation
KIBOR	Karachi Inter-Bank Offer Rate
KP	Khyber Pakhtunkhwa
KYC	Know Your Customer
LCPS	Low-Cost Private Schools
MCGF	Microfinance Credit Guarantee Facility
MCR	Minimum Capital Requirement
MENA	Middle East and North Africa
MFB	Microfinance Bank
MFCG	Microfinance Consultative Group
MF-CIB	Microfinance Credit Information Bureau
MFI	Microfinance Institution
MFP	Microfinance Providers
MFT	Microfinance Transparency
MIS	Management Information System
MIV	Microfinance Investment Vehicle
MIX	Microfinance Information Exchange
MMFB	Mobilink Microfinance Bank Ltd.
MO	Micro-Options
MSME	Micro, Small and Medium Enterprises
NADRA	National Database and Registration Authority
NBMFC	Non-Bank Microfinance Company
NFIS	National Financial Inclusion Strategy
NFLP	National Financial Literacy Program
NGO	Non-Governmental Organization
NPLs	Non-Performing Loans
NRSP	National Rural Support Programme
NRSP-B	NRSP Bank Ltd.
OPD	Organization for Participatory Development
OSS	Operational Self Sufficiency
P2G	Person to Government
P2P	Person to Person
PAR	Portfolio at Risk
PBA	Pakistan Bankers Association
PBS	Pakistan Bureau of Statistics
PKR	Pakistan Rupee
PMIC	Pakistan Microfinance Investment Company
PMN	Pakistan Microfinance Network
PO	Partner Organization
POMFB	Pak-Oman Microfinance Bank Ltd.
PPAF	Pakistan Poverty Alleviation Fund
PRISM	Programme for Increasing Sustainable Microfinance
PRSP	Punjab Rural Support Programme
PTA	Pakistan Telecommunication Authority
RCDP	Rural Community Development Programmes
ROA	Return on Assets
ROE	Return on Equity
RSP	Rural Support Programme
SBP	State Bank of Pakistan
SC	The Smart Campaign
SECP	Securities and Exchange Commission of Pakistan
SME	Small and Medium Enterprise
SMFB	Sindh Microfinance Bank Ltd.
SPTF	Social Performance Task Force
SRDO	Shadab Rural Development Organization
SRSO	Sindh Rural Support Organization
SRSP	Sarhad Rural Support Programme
SSSF	Shah Sachal Sami Foundation
SVDP	Soon Valley Development Program
TMF	Thardeep Microfinance Foundation
TMFB	Telenor Microfinance Bank Ltd.
Ubank	U Microfinance Bank Ltd.
UBL	United Bank Limited
USD	United States Dollar
USSPM	Universal Standards for Social Performance Management
VDO	Village Development Organization
WPI	Wholesale Price Index

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The Year In Review

The year 2020 was challenging for the economy and the microfinance industry due to the prevailing Global Health Crisis caused by the COVID-19 Pandemic, which tested the entire economy and the country.

The year began with the looming shadow of COVID-19. With the first Covid case reported in the country by the end of quarter 1 of the year followed by widespread closure of businesses due to lockdowns and the restrictions filled the industry with uncertainty about the future. Moreover, operations of the MFPs were severely restricted, and there were instances that they were closed. Field operations were severely curtailed keeping in view the safety and well-being of both the staff and the clients.

Policy makers and regulators were cognizant to the situation of the industry with a cut of 625 bps in the policy rate and number of regulatory changes were made to facilitate the banking fraternity particularly MFPs and their clients. Moreover, players were allowed to defer and reschedule loans of the clients facing problem in repaying their loans due to business closure. In turn, MFPs were given the choice to defer/reschedule loans due to financial institutions including PMIC and commercial banks. Salary wages scheme was also made available to NBMFCs. Implementation of accounting laws like IFRS 9 was delayed in order to facilitate the sector. These steps allowed MFPs to whether the crisis.

Despite the adversity, several steps were taken on the funding side including setting up of guarantee fund and social impact funds. A few players raised Tier 2 capital and issued bonds.

Macro-Economy & The Microfinance Industry

The economy suffered a major setback during the Financial Year (FY) 20 as economic growth plunged from 1.9 percent in FY 19 to negative 0.4 percent against a target of 4.0 percent during the year under review (Table 1). The disruption in the manufacturing, retail, transport, and trade sectors affected real GDP growth severely as the year marked the first time the economy of the country had contracted since 1968. Inflation also increased substantially from 6.8 percent in FY 2019 to 10.7 percent, while Monetary Policy Committee (MPC) reduced the policy rate by 625 bps in a roughly 3-month time period in order to contain the stress on the financial and private sector, as profitability weakened and the need for additional liquidity emerged. On the Fiscal front, revenues from taxes were affected as economic activity suffered. Consequently, the primary surplus accumulated during the first three quarters of the FY, turned into a deficit as the country fell short of achieving the target set in the FY20 budget. However, it is noteworthy that the full-year primary deficit during the year was only half the level seen last year. Most importantly, the COVID relief measures and initiatives rolled out by the SBP were instrumental in ensuring business continuity and income security.[1]

Table 1: Selected Macroeconomic Indicators[2]

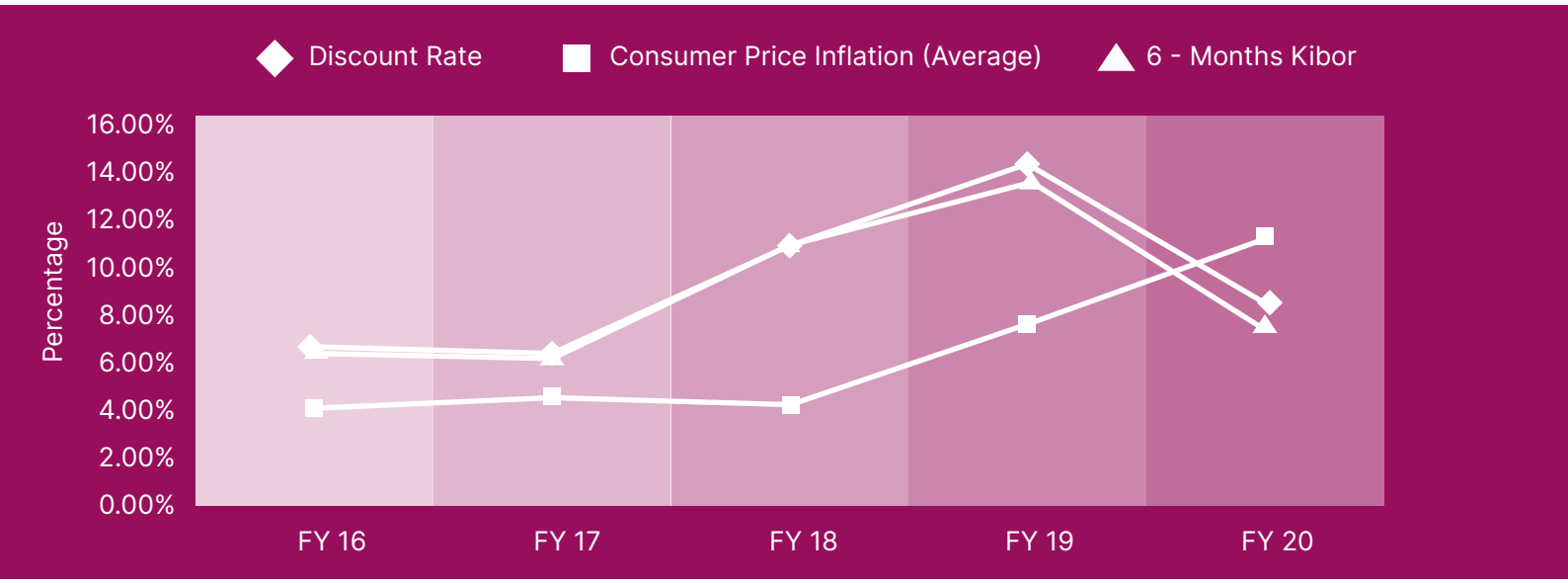
Macroeconomic Idicators	FY 18	FY 19	FY 20	
			TARGET	ACTUAL
	PERCENT OF GROWTH			
Real GDP	**5.5**	**1.9**	**4.0**	**-0.4**
- Agriculture	4.0	0.6	3.5	2.7
- Industry	4.6	-2.3	2.3	-2.6
- Services	6.3	3.8	4.8	-0.6
Private Sector Credit	**14.9**	**11.6**	**NA**	**2.9**
National Consumer Price Index	**4.7**	**6.8**	**5 to 7**	**10.7**
Exports	**13.7**	**-1.1**	**6.2**	**-6.8**
Imports	**14.9**	**-9.9**	**0.8**	**-18.6**
Exchange Rate	**-13.7**	**-24.1**	**NA**	**-4.8**
	PERCENT OF GDP			
Current Account Balance	**-6.1**	**-4.8**	**-3.0**	**-1.1**
Primary Balance	**-2.2**	**-3.6**	**-0.9**	**-1.8**
Fiscal Balance	**-6.5**	**-9.1**	**-7.5**	**-8.1**
Gross Public Debt	**72.1**	**86.1**	**NA**	**87.2**

Source: State Of Pakistan's Economy 2020

1. Annual Report 2019-2020: The State of Pakistan's Economy – The State Bank of Pakistan (SBP)
2. Annual Report 2019-2020: The State of Pakistan's Economy – SBP

The policymakers and regulators had anticipated a 3.5 percent growth in agriculture, 2.3 percent in industry and 4.8 percent in the services sector for FY 20 but all primary sectors failed to perform per expectation in the wake of the Global Health Crisis. For the past few years, the key contributor to the growth in GDP remained the services sector. However, services contracted to negative 0.6 during FY 20 due to the shrinkage in service delivery in major sectors amidst COVID-19. Similarly, industrial output plunged to negative 2.6 percent by the end of FY 20. The agriculture sector remained unscathed by the shock of the pandemic as it managed to depict a paltry growth of 2.7 percent during the year. This was primarily due to the fact that major crops for the year had already been harvested but the risks associated with repayment had begun emerging by the second half of the year.

Exhibit 1.1: Historic Trend In Macroeconomic Indicators



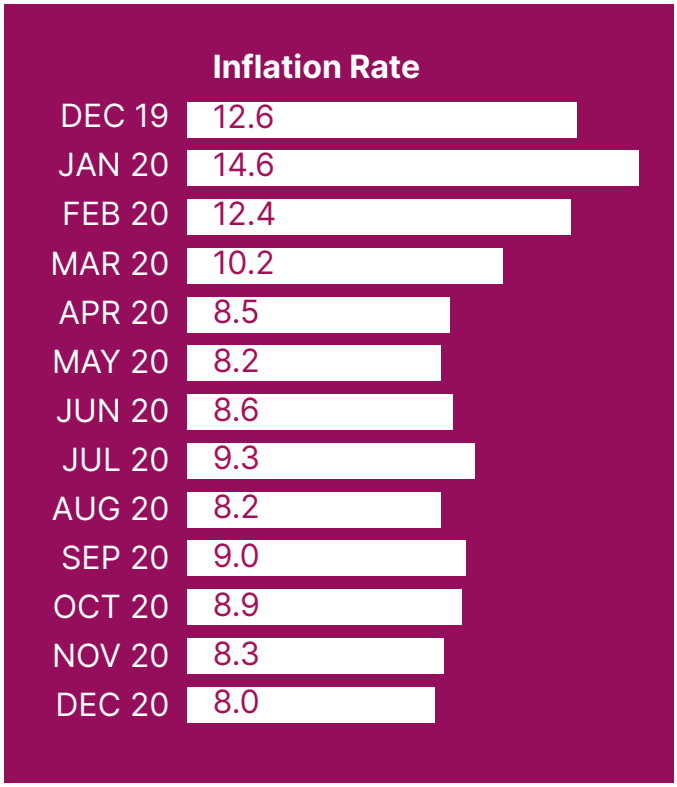
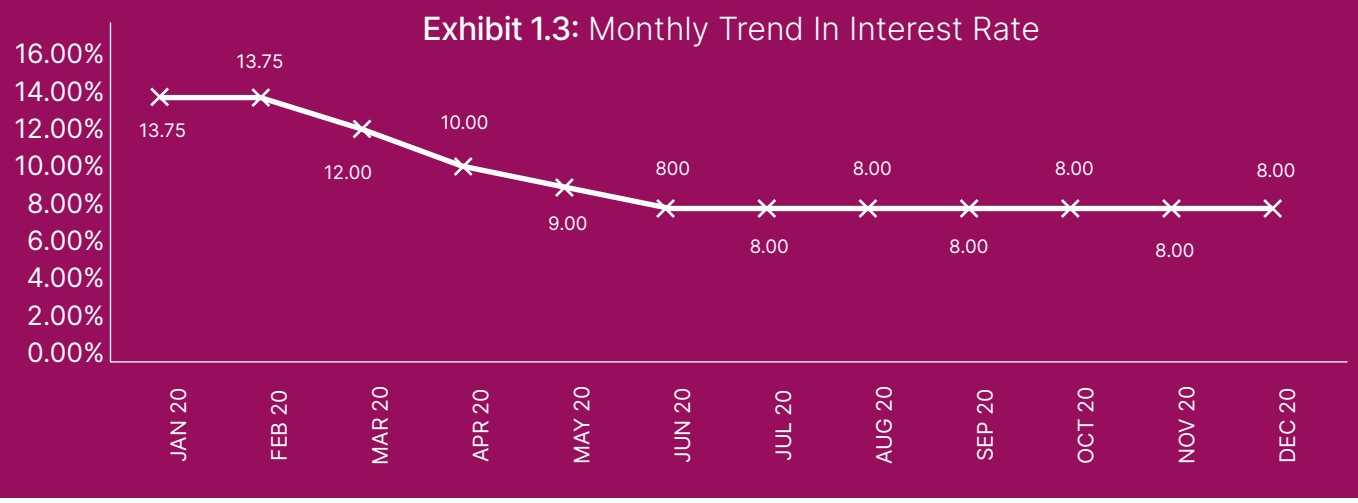


Exhibit 1.2: Monthly Trend In Inflation Rate

The beginning of the year also witnessed the highest inflation recorded in 12 years as the inflation rate, measured by the Consumer Price Index (CPI), stood at 14.60 percent compared to 12.60 percent in December 2019 (Figure 1.2). This was primarily driven by higher food prices, particularly essential commodities such as Wheat and Flour, Pulses, Sugar, Gur, and edible oil. The limited economic activity due to the virus outbreak and resultant lockdowns subsequently eased inflation while the government made efforts to contain the prices of food commodities. By December 2020, inflation had declined to 8.0 percent.

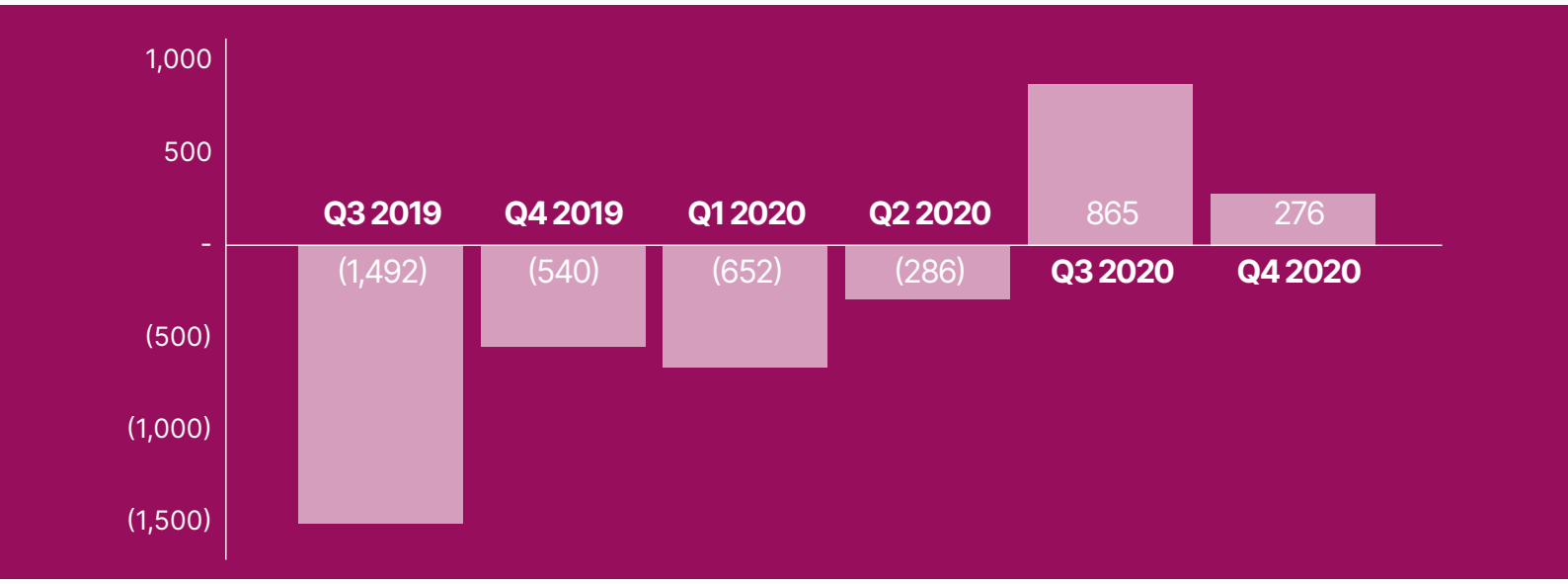
The SBP continued to maintain its policy rate of 13.25 percent for the first few months in order to contain the effects of high inflation. However, the outbreak of the Coronavirus nationally forced the Central Bank to cut the policy rate from 13.25 percent to 7 percent in less than a 100 days (Figure 1.3). The ethos behind the reduction in the policy rate was the result of the projections of the International Monetary Fund (IMF) which suggested that Pakistan's economy would contract by 1.5 percent during the year due to the health crisis. The decrease in the interest rate would reduce the damage to the economy by eventually encouraging public spending, while also allowing for financing opportunities viable for businesses that would otherwise have been priced out due to high interest rates and weakened profitability. The SBP also introduced unprecedented relief measures that enabled businesses and entities to improve their liquidity and financing challenges. These included a moratoria (the deferment of principal repayments) across the board, subsidized financing for firms to pay salaries to their employees in order to minimize loss of income and redundancy, relaxations in operational criteria for export-related refinance schemes, and concessionary refinance facilities for investment projects and hospitals. The initiatives introduced by the Central Bank proved pivotal in managing the crisis and it is estimated that the liquidity impact from these relief measures was equivalent to 4.0 percent of GDP.



However, the severity of the contraction in the economy was not as bad as predicted by the World Bank and IMF. Due to the success of the pandemic containment measures during the first wave, the economy was predicted to experience a V-shaped recovery by the second half of the calendar year. The updated projections indicated that growth was subject to better performance expected in the agriculture sector, improvement in the services sector and a modest increase in industrial output.

The FY saw improvements in the Current Account of the country as the fiscal deficit fell by 78 percent despite plummeting economic activity which significantly hindered tax revenue growth during the first half of the year. The year witnessed the deficit improve to USD 2.966 billion as compared to USD 13.434 billion in the previous fiscal year, whereas the current account remained in surplus for five consecutive months from July 2020 onwards. The Central Bank accredited this advancement to an improved trade balance and sustainable inflows in remittances. This improvement in the current account in tandem with greater financial inflows also led to the increase in the SBP's reserves to highest they've been in the last three years.

Exhibit 1.4: Trend In Current Account Balance (USD Millions)



The effects of the challenging macroeconomic conditions also affected the Microfinance Industry significantly, which was evident in the outreach indicators. In terms of Micro-Credit, the number of active borrowers had declined from 7.25 million clients to 7 million clients by the end of the 2020 calendar year, while the Gross Loan Portfolio (GLP) improved from PKR 305 billion to PKR 324 billion, a growth of 6 percent, during the year. Micro-Insurance also experienced a decline as the number of policy holders depleted from 8.5 million to 7.3 million, while the sum insured decreased by 8 percent to close at PKR 244 billion by the end of the calendar year 2020. Micro-Savings were the only silver lining throughout this period as they remained immune to the effects of the pandemic. By the end of the year, Active Savers stood at 64 million clients, an increase of 35 percent compared to December 2019, while the total savings grew by 40 percent worth over PKR 374 billion. Despite the impediments set forth from the first and second waves of the pandemic, the indicators for the last quarter of 2020 depicted that the microfinance sector had reclaimed its previous growth trajectory (Table 1.2).

Table 1.2: Growth In Microfinance Outreach[3]

Outreach Indicators	Micro-credit		Micro-savings		Micro-insurance	
	Active Borrowers	Value	Active Borrowers	Value	Policy Holders	Sum Insured
		(PKR Million)		(PKR Million)		(PKR Million)
Q4 2019	7,249,943	305,753	47,642,271	267,591	8,479,576	266,748
Q1 2020	7,298,902	308,557	49,306,197	263,626	8,383,333	264,869
Q2 2020	6,885,117	299,948	52,887,148	293,892	7,716,487	242,513
Q3 2020	6,856,135	309,498	58,580,993	321,567	6,959,553	199,820
Q4 2020	7,005,885	324,155	64,112,657	374,362	7,324,379	244,650

3. MicroWatch, A quarterly update on microfinance outreach in Pakistan (Multiple Issues) – Pakistan Microfinance Network

From the perspective of microfinance providers and financial institutions, the measures taken to contain the spread of the virus, hindered business operations. Social distancing, working remotely, and periodic lockdowns, created uncertainty for lenders and borrowers alike to meet their financial obligations. It was revealed that the middle class and the bottom of the pyramid were the most vulnerable groups as household income declined and the MSME segment remained out of work for a considerable period. This led to heightened concerns around the continuity of business processes which have direct touchpoints with the customers. Moreover, the inability of clients to repay their financial obligations, caused liquidity challenges across the board, especially in the case of non-deposit taking institutions. The NBMFCs, in the absence of a lender of last resort, remained more vulnerable to fluctuations in liquidity level. In addition, these entities also faced uncertainty about their own credit lines from domestic banks due to an increase in perceived risk associated with the microfinance sector. The announcement of debt relief measures and a one-year moratorium by the regulators for individuals and businesses provided some respite to financial institutions. The national apex, PMIC, followed suite by deferring repayments due from borrowers for up to one year which enabled international investors and local commercial institutes to follow in their lead.

Significant pressure on financial performance was also observed as costs and provisions for loan losses rose and revenues fell short. While the moratorium helped in managing provision expenses, increased credit risk and lower recoveries posed the threat of significantly impacting the Capital Adequacy Ratios (CAR) of financial institutions. This compounded the previously observed credit concerns of institutions exponentially, such as over-indebtedness and limited data availability from Credit Information Bureaus (CIBs).

Lastly, with Covid-19 as the trigger, the Central Bank also tried to push for increased reliance on digital channels by Financial Service Providers and encouraged online payments. It took measures like mandating banks to waive all charges for customers using IBFT services and advising them to enable digital collection of all challans/invoice-based payments such as tuition fees. This led to a surge of 90.4 percent in IBFT volume post-lockdown. While the number of daily IBFT transactions was averaging around 188,000 during the pre-lockdown period, it jumped to around 357,000 and hit the peak of almost 700,000 towards the end of May. The year also experienced increased reliance on digital channels by Financial Service Providers (FSPs) for communication and business continuity. While this wasn't an obstacle for larger, more developed financial institutions, smaller and remote entities faced significant challenges as the pressure on technology infrastructure and resources increased.

Policy & Regulatory Environment

Deferment/Rescheduling of Loan Portfolio

Amidst the deployment of COVID-19 measures during the year, both the regulators, the SBP and the SECP also announced regulatory relief for all microfinance providers towards the end of March 2020[4]. This Debt Relief Scheme aimed to preserve the solvency of the borrowers and enabled them to combat the temporary economic disruptions. These measures allowed flexibility in regulatory reporting and compliance and encouraged these entities to defer borrowers' obligations to repay loan principal by one year (upon request from clients), while continuing to collect interest/mark-up payments. Furthermore, the deferment or rescheduling would not affect the credit history of the borrower and would not be reported as restructuring in the Credit Information Bureau.

The Central Bank made the announcement via a Circular titled: "Regulatory Relief to Dampen the Effects of COVID-19", issued on the 26th of March 2020 . The SECP followed suit by releasing their policy four days later titled: "Relaxation to Lending NBFCs including NBMFCs"[5]. By June 2020, the validity of the Deferment of Principal amount facility for the sector was extended until September 30, 2020 and shortly after, the SBP had expanded the scope of their relief package for MFBs and their clients. As of April 2021, the SBP reported that over 1.7 million applications for deferment and rescheduling have been received by Microfinance clients with a 98.9 percent acceptance rate worth over PKR 121 billion in terms of Gross Loan Portfolio[6]. Pursuant to the regulatory relaxations by the SECP, around 2 million microfinance borrowers availed the deferment/rescheduling of their loans. The total loans rescheduled were over PKR 39 billion, as per data reported by NBMFCs as of October 31, 2020. Requests of only 1,347 applicants were declined, reflecting an acceptance rate of 99.99 %. By the 31st of May 2021, out of the total deferred/rescheduled loans, only PKR 7.2 billion was outstanding including markup/interest of PKR 1.3 billion, while the remainder was reported as recovered by the NBMFCs.

Relaxations in the NBFC Regulations, 2008

Responding to the outbreak of COVID-19 pandemic and the lockdowns, the SECP introduced targeted regulatory reforms and relaxations to facilitate NBMFCs. These included amendments to the NBFC Regulations, 2008 to provide the following relief to NBMFCs in order to enable them to have access to credit lines from their wholesale lender and to strengthen their equity base:

- PMIC, the wholesale lender of NBMFCs, could now extend unsecured finance to NBMFCs up to 10% of its own equity. This initiative would support NBMFCs who could now avail unsecured subordinated loan to strengthen their equity base.
- Allowing wholesale lender an extra allowance of 10% in exposure to a single NBMFC, significantly increasing its capacity to accommodate NBMFCs.
- NBMFC could now take exposure against unsecured debt security or instrument issued by NBMFCs, as per its own internal policy, without any credit rating requirements for such securities.

4. AC&MFD Circular No. 01 of 2020 – SBP
5. Circular No. 9 of 2020 – SECP
6. https://dnb.sbp.org.pk/COVID2/Loans.html

Revision In Prudential Regulations For Microfinance Banks[7]

In August 2020, the Central Bank revised the Prudential Regulations (PRs) for MFBs for the fifth time since they were first introduced. The goal of the amendments in the PRs was to improve the eligibility criteria of borrowers while increasing loan sizes. The amendments also encouraged MFBs to build their Gold backed portfolio by enhancing the portfolio ceiling for lending against gold up to 50 percent of Gross Loan Portfolio and allowing for lending for consumption against this collateral. However, the aggregate loan exposure of a MFB against the security of gold was not to exceed 50 percent of its gross loan portfolio. This relaxation is to expire after one year, after which MFBs will reduce their aggregate loan exposure against the security of gold to 35 percent within a maximum period of 1 year.

Table 1.3 summarizes the revisions set by the SBP in terms of Maximum Loan Sizes and the Eligibility of Borrowers.

Table 1.3: Revision in Maximum Loan Sizes and Eligibility Criteria

Type of Loan	Maximum Loan	Eligibility of Borrowers
General Loans	PKR 350,000	A Poor Person with Annual Income (net of business expenses) up to PKR 1,200,000
Housing Loans	PKR 3,000,000	A Single Borrower with Annual Income (net of business expenses) up to PKR 1,500,000
Microenterprise Loans	PKR 3,000,000	Extended only to a single Project or Business in the name of Micro Entrepreneurs
Consumption Loans secured against Gold	PKR 350,000	Only for Consumption purposes categorized as Domestic Needs/Emergency Loan (to be expired after one year)

In the case of General and Housing Loans, extended measures were also prescribed by the Central Bank in addition to MFBs' usual evaluations of each proposal concerning credit worthiness of the borrowers. These are that the MFBs are to ascertain that the loan installments of the facilities extended by the financial institutions are in line with monthly income and repayment capacity of the borrower i.e. they should not exceed 50 percent of the net disposable income of the prospective borrower. This condition was also applicable on to self-employed Micro-Entrepreneurs.

For Loans to Microenterprises, an MFB could only lend to Microenterprises if it is fully compliant with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) as prescribed by the SBP. Furthermore, the aggregate exposure of an MFB against these type of loans was set at 40 percent of the MFB's total Gross Loan Portfolio. These enhanced loan sizes of up to PKR 1,000,000 and PKR 3,000,000 respectively are only allowed to those MFBs which have graduated from pilot microenterprise lending programs (of up to PKR 500,000 and PKR 1,000,000 respectively) to commercial scale. However, prior to extending microenterprise loans exceeding PKR 500,000 and PKR 1,000,000, MFBs would have to apply to the SBP for approval subject to satisfactory assessment of the capital position and readiness level of the applicant MFB.

7. AC&MFD Circular No. 02 of 2020 – SBP

In cognizance of low-income/collateral deficient profile of microfinance borrowers and their vulnerability towards economic shock consumption loans are not encouraged by the central bank. However, to secure the interest of depositors, consumptions loans are allowed against the collateral of gold. Moreover, to enable microfinance borrowers to meet their life cycle needs during the pandemic consumption financing was permitted against the security of gold 'categorized as Domestic Needs/Emergency Loans' in AC&MFD Circular No. 02 of 2015. Moreover, the aggregate loan exposure of a MFB against the security of Gold was set at 50 percent of its Gross Loan Portfolio. These relaxations were for consumption loans were only permitted for one year from the date of issuance of these instructions after which, MFBs are to reduce their aggregate loan exposure against the security of gold to 35 percent within a maximum period of 1 year.

SBP Rozgar Scheme

In the wake of the Pandemic, the SBP introduced a Refinance Scheme for Payment of Wages & Salaries to the Workers and Employees of Businesses on the 10th of April 2020[8]. The aim of this facility was to prevent layoffs due to the adverse conditions caused by COVID-19 by financing wages and salaries of employees for six months (April 2020-Sep 2020) for businesses. Entities that were not eligible under the scheme included Government entities, public sector enterprises, autonomous bodies and deposit taking financial institutions.

The scheme provided a financing facility for wages and salaries of permanent, contractual, daily wagers as well as outsourced employees of existing as well as new borrowers of financial institutions. The initial duration of this facility was from April 2020 to June 2020. The pricing was such that borrowers had to pay 5 percent p.a., while Borrowers that were on the active taxpayers list under the Income Tax Ordinance, 2001, were eligible for an additional 1 percent subsidy and were charged an interest rate of 4 percent.

Later during the same month, the SBP provided further incentives to the scheme. Financing was allowed against corporate guarantees of companies in value/ supply chain relationship with the borrowers while banks were encouraged to provide loans without any collateral i.e. taking clean exposure of up to PKR 5 million. The markup was also further reduced from 4 percent to 3 percent for businesses which were active taxpayers. Moreover, SMEs were also encouraged to apply for the financing on a simplified loan application form prescribed by SBP for this scheme. Shortly after, the Ministry of Finance and SBP introduced a risk-sharing mechanism to support bank lending to SMEs and small businesses to increase the uptake of the Refinance Facility. The Federal Government had allocated PKR 30 billion under a credit risk sharing facility, with the government to bear 40 percent of the first loss on principal portion of the disbursed portfolio of banks. This scheme was exclusively for collateral deficient SMEs and small corporations with a sales turnover of up to PKR 2 billion. Additionally, the SBP revised the refinance limits to finance 100 percent of wages and salaries of businesses with average 3-month wage bill of up to PKR 500 million, compared to PKR 200 million previously. Similarly, for businesses with 3-month wage bill exceeding PKR 500 million, the regulator was open to financing of up to 75 percent with maximum financing limit of PKR 1 billion. Businesses that had previously availed lower financing due to applicable limits were encouraged to avail additional financing on the basis of revision in the criteria. Finally, by the 30th of June 2020, the SBP had extended the Rozgar Scheme for supporting employment for another 3 months and had widened its scope in collaboration with Government of Pakistan by extending the refinance scheme to non-deposit taking financial institutions.

Deferment in implementation of IFRS 9

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 – 'Financial Instruments'. The standard was to supersede IAS 39 – "Financial Instruments: Recognition and Measurement" and was effective for annual periods beginning on or after 1 January 2018. The Securities and Exchange Commission of Pakistan (SECP) vide SRO 1007(I)/2017 dated 04 October 2017, adopted the standard and declared it effective for annual reporting periods beginning on or after July 01, 2018. However, the application of the standard was deferred on the request of regulated entities amidst capacity challenges faced. The containment measures adopted by the Government during the year affected businesses adversely. Moreover, the prevailing abnormal business circumstances made it further difficult for entities to adopt the standard.

One of the substantial changes from the IAS 39 pertained to impairment testing of financial assets where the old 'Incurred Loss' model is changed with an 'Expected Credit Loss' (ECL) model. Under this methodology, institutions are to assess the 12-month expected credit losses and recognize these in the Profit or Loss Statement as soon as a financial instrument is acquired. Where there is a Significant Increase in Credit Risk (SICR), IFRS 9 requires that lifetime ECLs be assessed and recognized in the financial statements.

The SECP, through SRO 229(I)/2019 dated February 14, 2019, notified that IFRS 9 – Financial Instruments, was applicable for accounting periods ending on or after June 30, 2019. Subsequently, the SBP, vide its circular BPRD Circular No. 04 of 2019 dated October 23, 2019 had deferred the requirements of IFRS 9 with an effective date of implementation of 1st January 2021. The Central Bank also directed to prepare the Performa financials for the year ended December 31, 2019 for assessment of IFRS 9 and directed a parallel run of IFRS 9 in the year 2020 to assess the IFRS 9 outcome. The regulator through SRO 800(I)/2021 dated June 22, 2021, allowed further deferment of IFRS 9 with effective date of June 30, 2022. However, given the adverse economic conditions due to the Global Health Crisis, the SBP on 26th of March 2020 issued BPRD Circular Letter No. 15 of 2020, which extended the timeline of implementation of the standard. The notification stated that the Preparation of IFRS 9 compatible pro forma Financial Statements for year-ended 2019 was revised to August 2020 while a parallel run of IFRS 9 would be applicable for Periods beginning July 1, 2020. The Capital Markets regulator also issued a similar notification, S. R. O. 273 (I)/2020, on the 30th of March 2020 for NBFCs. The notification modified the effective date of applicability of the standard to the reporting period/year ending on or after June 30, 2021, with earlier application permitted.

Considering the difficulties and complexities involved in implementing IFRS-9, the SBP had previously deferred the application of IFRS 9 on the banking sector including MFBs. Additionally, the estimation of ECL demands some precise and complex calculations using extrapolation probability models which is backed by historical data sets. These calculations includes estimation of various variable e.g. calculation of Probability of Default (PDs), Loss Given Default (LGDs), Exposure at Default (EAD) which are few significant dependents for estimating ECL. Furthermore, comprehensive credit risk information must incorporate not only past due information but also all relevant credit information, including forward-looking macroeconomic information of the country and sector. The incorporation of such macroeconomic data proved to be a challenge for the entities to calculate. It is worth noting that most NBMFCs lack such human capital capabilities and rely on spreadsheet and basic information systems for their accounting while having limited data analysis capabilities. The acquisition of such human capital expertise and financial reporting system requires significant investment of time and resources. NBMFCs need suitable time to acquire such resources and technological support to implement IFRS 9.

Secured Transactions Registry

Under the Financial Inclusion Programme's (FIP) digital interventions, the SECP was supported for its Leading Efficiency through Automation Prowess (LEAP) Programme. The aim of the intervention was to strengthen the operations of government organizations and regulators as the Programme enables end-to-end business process automation and digital transformation of the many organizations it regulates. Under this program, the SECP launched a tapestry of digital solutions, which also included the Secured Transactions Registry (STR). On 29th of March 2019, the Government of Pakistan (Finance Division) issued a notification establishing the STR, housed with the SECP in Islamabad. By 30th of April 2020, the STR had become fully operational subsequent to an SRO issued by the regulator.[9]

The Secured Transactions Registry (STR) is an online register established under the Financial Institutions (Secured Transactions) Act, 2016 (STA). The STR is an electronic database where financial institutions can get potential claims recorded against the movable assets of the borrowers. In lending to SMEs and the agriculture sector, immovable assets are either not available or not reliable due to the lack of clean titles. Moreover, the weak implementation of foreclosure laws coupled with the risk averse nature of banks, is an obstacle for SMEs and agriculture borrowers in improving access to finance.

With the STR, a variety of movable assets such as receivables, intellectual property, inventory, agricultural produce and vehicles, etc. can be used to secure a loan. Through the registry, the first lender to register a security interest will have priority on the collateral of the borrower, should the borrower/entity default. Lenders or financial institutes can also search the records of the STR to see whether any other lender/financial institution has already registered a security interest on the asset(s) offered as collateral by a borrower. Almost all business with the Registry is conducted online through its website without any need to visit in person. By the end of December 2020, during its first year of launch, the STR has registered over 60,000 unique number of entities seeking loans against different movable assets.

9. S.R.O. 349 (I)/2020 – The Securities & Exchange Commission of Pakistan (SECP)

Industry Initiatives

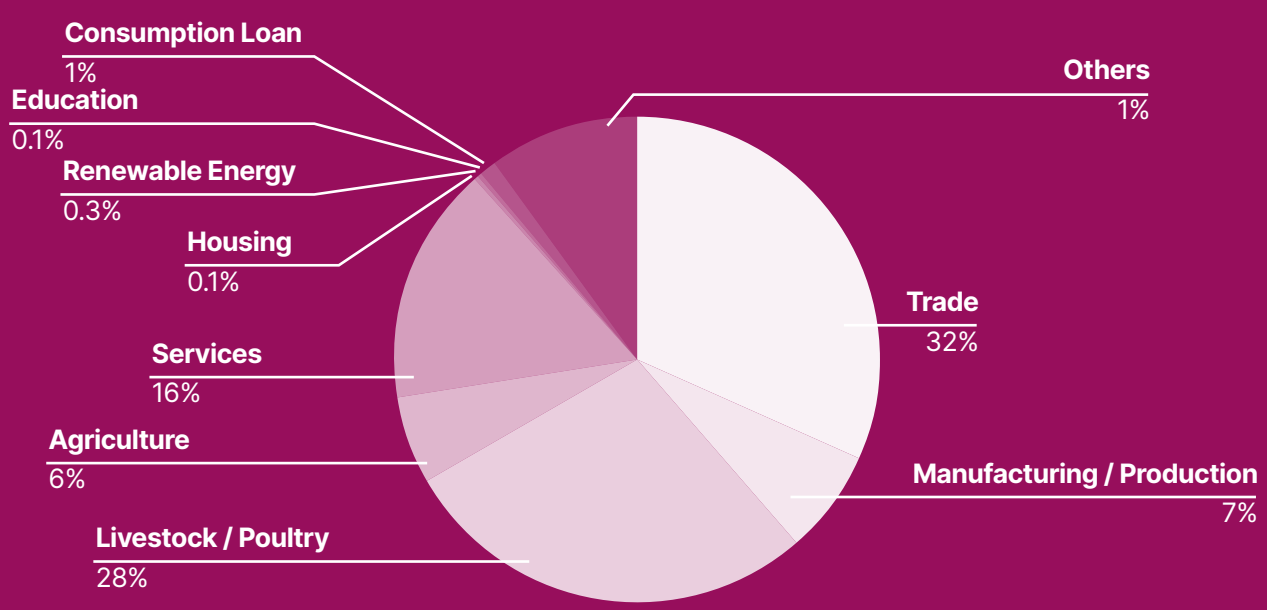
Pakistan Microfinance Investment Company

Business & Outreach Review

Covid-19, the resultant economic and policy level changes had a consequent effect on the Pakistan Microfinance Investment Company's (PMIC's) operational and financial constancy. The company had gross financing exposure with PKR 23.86 billion as of December 31, 2020 with 24 partner financial institutions including three MFBs. The financing portfolio remained at almost the same level at PKR 23.55 billion by the end of the year. The year also saw PMIC raise funds of PKR 8.2 billion from commercial banks during the period. Moreover, the apex lender also successfully completed a drawdown of the first tranche of Euro 5 million of the Subordinated Loan Agreement between PMIC and KfW for PMIC-KfW Renewable Energy project (PRIME). By the end of the year, the company's net income before provision was recorded at PKR 1,054 Million with a Profit of PKR 403 Million.

Disbursements from the apex to borrowing MFPs were utilized to serve more than 750,000 microfinance clients, of which 83 percent were women. 62 percent of the portfolio at the year-end was outstanding in rural areas, in line with PMIC's objective to serve those in marginalized areas and enhance development outcomes. PMIC's model of financing remains true to its vision to enhance employment and income generating opportunities as almost 39 percent of the portfolio was extended for trade/manufacturing and production purposes, with exposures in agriculture and livestock aggregated at 34 percent. Loans to services sector stood at 16 percent at year-end while 1.7 percent of the portfolio was deployed in Education, Renewable Energy, Housing and Consumer loans. Additionally, PMIC aims to use its lending to stimulate digital growth, create access to renewable energy and expand access to formal finance for the underserved, especially women.

Exhibit 1.5: PMIC's Sectoral Distribution



Due to the prevailing uncertainty amidst the global health crisis caused by COVID-19 pandemic, the microfinance industry is expected to focus on cautious growth and recoveries from the deferred portfolios. However, the potential for expansion still remains high especially in low penetrated geographies. In the year to come, PMIC plans on offering both fund and non-fund-based instruments, in addition to its normal menu of financial products, to institutions that are planning for growth and have a positive view on the market developments. The facilities launched by the apex lender would play an important role in leveraging financing for the sector from commercial and capital markets. The establishment of an Institution Development Fund (IDF) to support new market entrants' avail PMIC financing and the launching of a Challenge Fund to support product development, innovation and digitization are steps being planned for 2021 to accelerate financial inclusion in the country.

Developments in the Funding Landscape

Despite the challenges set forth by the Pandemic, some major players in the industry were able to secure financing during the year in the form of Bonds and Tier II capital. These coupled with the facilities launched by the apex lender, PMIC, could prove to be vital in curtailing the funding challenge faced by the industry.

Social Impact Fund (SIF)

Leveraging its expertise in innovative finance, PMIC and the National Investment Trust (NIT) set out to bridge the gap between the microfinance sector and capital markets by developing an innovative financial platform, the Social Impact Fund or SIF. The capital markets regulator i.e. the SECP, facilitated PMIC and NIT in developing the concept of SIF and its launch and later granted approval to NIT for SIF as a notified entity, on August 31, 2021.

SIF was launched as an Open-Ended Collective Investment Scheme under Fixed Income Mutual Fund category. As a listed, rated, perpetual and open-end fixed income mutual fund scheme, the fund is dedicated to finance strategic social initiatives such as women empowerment, agriculture value chains, MSE development, renewable energy etc., through Microfinance providers and generate social & market-based returns for investors. SIF invests into capital market instruments (i.e. rated Term Finance Certificates and Commercial Papers) of high impact Microfinance Institutions and Microfinance Banks. The process of investments entails a rigorous due diligence process based on both social and financial criteria and is designed to be a sustainable platform, offering attractive rates of risk-adjusted returns to investors who are interested in contributing to the development of economically deprived segments of the society. This, in turn, will help the people at the bottom of the pyramid to transition from subsistence to sustainable livelihoods, contributing to development and progress at national level.

Credit Ensure Facility (CEF)

To incentivize commercial funding into the microfinance sector, PMIC launched the Credit Ensure Facility (CEF) in 2020. The facility acts as credit enhancer and provides partial guarantees of up to 50 percent of the loss incurred on outstanding principle of Bank's facility to MFBs and NBMFCs alike.

Tier II Capital Issued

In accordance with PMIC's mission to act as catalyst between commercial lenders and microfinance players, PMIC launched its Financial (Debt) Advisory services for microfinance institutions & banks and made its mark by winning two valuable Financial Advisory mandates for leading Microfinance Banks in a Debt Capital Market dominated by Commercial Banks.

PMIC successfully led the Tier II Term Finance Certificate transaction for Khushhali Microfinance Bank Limited (KBL), which was participated by UBL, MCB and BAFL. This was the largest Tier II transaction (commercial) for any Microfinance Bank in the country.

In addition, PMIC also executed Subordinated Term Loan facility for FINCA Microfinance Bank, which contributed towards Tier II Capital for complying with the Capital Adequacy Ratio (CAR) requirement prescribed by SBP and enabled the Bank to meet financing requirements of over 240,000 underprivileged clients across Pakistan.

The facilities issued by the apex lender to these MFBs amounted to PKR 1.6 billion with the purpose of improving the financial inclusion indicators of the country and to contribute towards the National Financial Inclusion Strategy.

Privately Placed Term Finance Certificates (PPTFCs)

Given the limited exposure of commercial banks to NBMFCs due to the riskiness associated with the sector, other local funding sources apart from PMIC were being sought by Kashf Foundation. While the MFP already had bilateral agreements with foreign debt placement investors, the operational costs associated in the prevailing economic conditions proved servicing these lines challenging.

Towards the end of 2019, Kashf launched TFCs worth PKR 2 billion with the aim of attracting high net worth institutions and individuals. These TFCs were launched at KIBOR + 2.25 percent with a 1-year grace period. By the end of the year 2020, the MFP had been successful in issuing these TFCs to DFIs, insurance companies and commercial banks. The uptake of these certificates comes as no surprise given the A- rating of Kashf Foundation and the already existing bilateral relations with these financing entities.

Impact of Covid-19 on Micro & Small Enterprises (MSEs) – Evidence from PMN's Members

Pakistan Microfinance Network (PMN) launched a research study to assess the impact of COVID-19 on MSEs in order to understand how the coronavirus pandemic has impacted their household incomes, business operations, and how they are coping with the shock and what kind of support is required for their rehabilitation. The data collection for the study was completed in April 2020.

In order to generate a representative sample, PMN partnered with five microfinance providers (MFPs) having a nationwide presence after seeking their willingness to participate in the survey. The participating MFPs represented 41% of the total active borrowers' market as per the Microwatch Quarterly Update December 2019. A simple random sample of clients was taken from the database of each participating MFP after ensuring that the client fell in the loan category of below PKR 1 million. The sample drawn from each MFP was proportional to the relative share of the MFP in the total active borrowers (target population) resulting in a self-weighting sample. A total of 428 telephonic interviews were conducted by the participating MFPs between April 22nd and May 1st, 2020.

Based on the findings of the survey and data analysis, it was concluded that MSEs were facing significant challenges in continuing their business due to reduced consumer demand, declining revenues and limited availability of emergency funds or other support structures in their locations.

Almost 85 percent respondents reported a significant or a somewhat decrease in household income.

In current circumstances, 40 percent clients claimed that they are capable of sustaining themselves for less than a month whereas the proportion of those capable of sustaining themselves for up to 2 months halved (19 percent). Only a small proportion of clients (6 percent) were in a position to sustain themselves for up to 6 months.

82 percent of the respondents reported that their business had been negatively impacted by the coronavirus. Out of those affected, three-fourth cited a decline in market demand as the main reason for decrease in business income; other lesser common reasons included travel restriction for workers, supply chain problems and transportation issues.

Slightly over half of the respondents (55 percent) reported significant delays and disruptions in supply of essential raw materials while 18 percent reported less significant disruptions.

Despite the challenges faced, 77 percent of respondents seemed extremely or somewhat confident that their businesses would recover from the effects of coronavirus pandemic.

Almost two-third respondents were not aware of support available in their locations or did not find it useful in these circumstances. The MFPs may consider improving communication with their clients so that they are able to avail the deferment facility of the principal loan amount.

Almost 58 percent wanted repayment of loans to be delayed whereas only 20 percent wanted the loans to be waived off completely. Despite significant stress on their cash flows, most of the clients were willing to repay their loans and preferred deferment without penalty.

Willingness to use digital channels seemed to be low in this segment of clients. Stakeholders (financial institutions, regulators, donors etc.) interested in increasing the adoption of digital platforms must understand the challenges of this particular segment vis-à-vis technology and connectivity. A deep dive into their preferences and attitudes will enable MFPs to understand this segment better and design strategies to overcome their pain points.

Conclusion

Overall, global health crisis due to Covid 19 can be called the biggest crisis that hit the microfinance sector so far. MFPs witnessed a negative growth after a decade due to the uncertainty. The sector was able to weather the crisis with the help of the regulatory support extended to it. MFPs facilitated their clients by deferring their loans. However, the impact of the health crisis on the country remained less as compared to the region and many other countries around the globe. With no extended lockdowns saw the businesses activity continue. Those MFPs that had embraced digitization performed better than the rest.

Despite challenges a number of policy initiatives were launched including setting up of STR, launch of Social impact fund and Credit Enhancement facility.

As the players plan for post-Covid scenario, it is widely understood that the sector will play an important role in the economic recovery. To grow again, government and regulatory assistance is necessary. Moreover, practitioners need to implement the lessons of the Covid crisis by embracing digitization, putting in place business continuity plans and setting up a disaster risk facility.

Section

02

Financial Performance Review

This section provides a detailed analysis of the financial performance of Pakistan's microfinance industry in 2020. The performance has been assessed on three levels: industry wise, across peer groups and institution wise. The analysis is backed by 88 financial indicators, calculated from the audited financial statements of the reporting organizations. These indicators have been compared across time and regions to develop a reliable and fair assessment of sector.

Detailed financial information is provided in the Annex A-I and A-II of the PMR. Aggregate data has been reproduced for five years, whereas the peer group and institution specific data has been made available only for the year 2020.

A total of 36 MFPs submitted their audited financial statements for PMR 2020 which represent 99 percent of the total microfinance market of the country. For a complete list of reporting organizations refer to Annex B.

Industry players have been categorized into two groups for benchmarking and comparison purposes: Microfinance Banks (MFBs) and Non-Bank Microfinance Companies (NBMFCs). See Box 2.1 for detailed definitions.

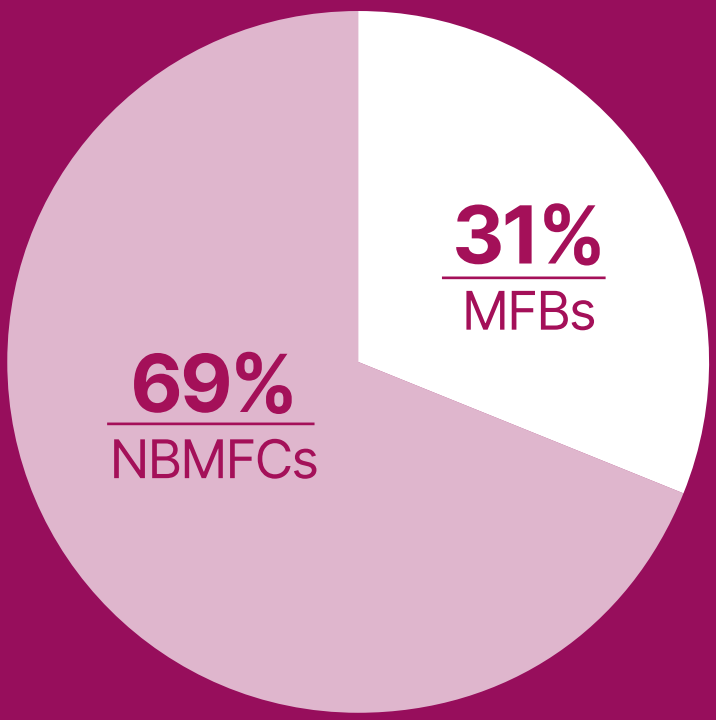
Box 2.1: Peer Groups

Microfinance Bank (MFB): A bank licensed and prudentially regulated by the SBP to exclusively service the microfinance market. The first MFB was established in 2000 under a presidential decree. Since then, 11 MFBs have been licensed under the Microfinance Institutions Ordinance, 2001. MFBs are legally empowered to accept and intermediate deposits from the public.

Non-Bank Microfinance Company (NBMFC): With the introduction of non-bank microfinance regulatory framework by SECP in 2015, the institutions carrying out microfinance services are required to be registered with SECP as NBMFCs. Presently, 25 PMN member entities have obtained the NBMFC license.

The distribution of respondents (number of reporting organizations) by peer group is given in Exhibit 2.1. The MFB peer group comprises of 11 entities while the NBMFCs are represented by 25 entities.

Exhibit 2.1: Distribution of Respondents by Peer Group



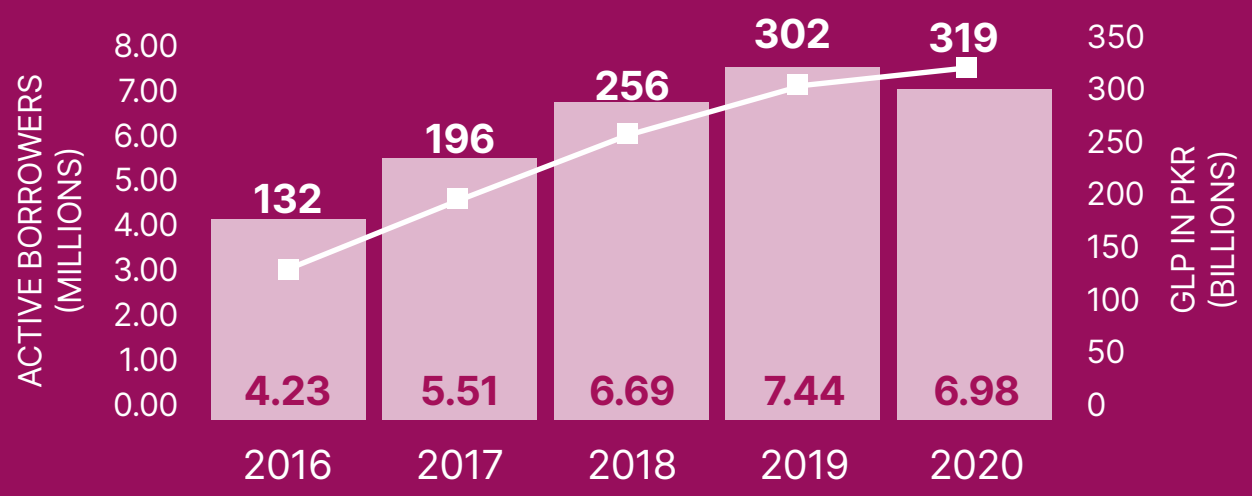
Scale & Outreach

This section focuses on outreach indicators to provide performance analysis of the industry in terms of credit growth and composition, deposit mobilization, depth of outreach and gender.

Breadth

The outreach indicators of the Microfinance Industry depicted growth despite the impact of the Global Health Crisis caused by Covid-19. The Gross Loan Portfolio (GLP) during the year grew from PKR 302 billion in 2019 to PKR 319 by the end of 2020, depicting an increase of 6 percent. However, the number of active borrowers, decreased by 6 percent from 7.44 million in 2019 to 6.98 million in 2020. The decline is the first-time annual outreach has declined since 2009 when the sector was considerably affected due to the extensive level of flood damage and security challenges across the country[10].

Exhibit 2.2: Micro Credit Outreach



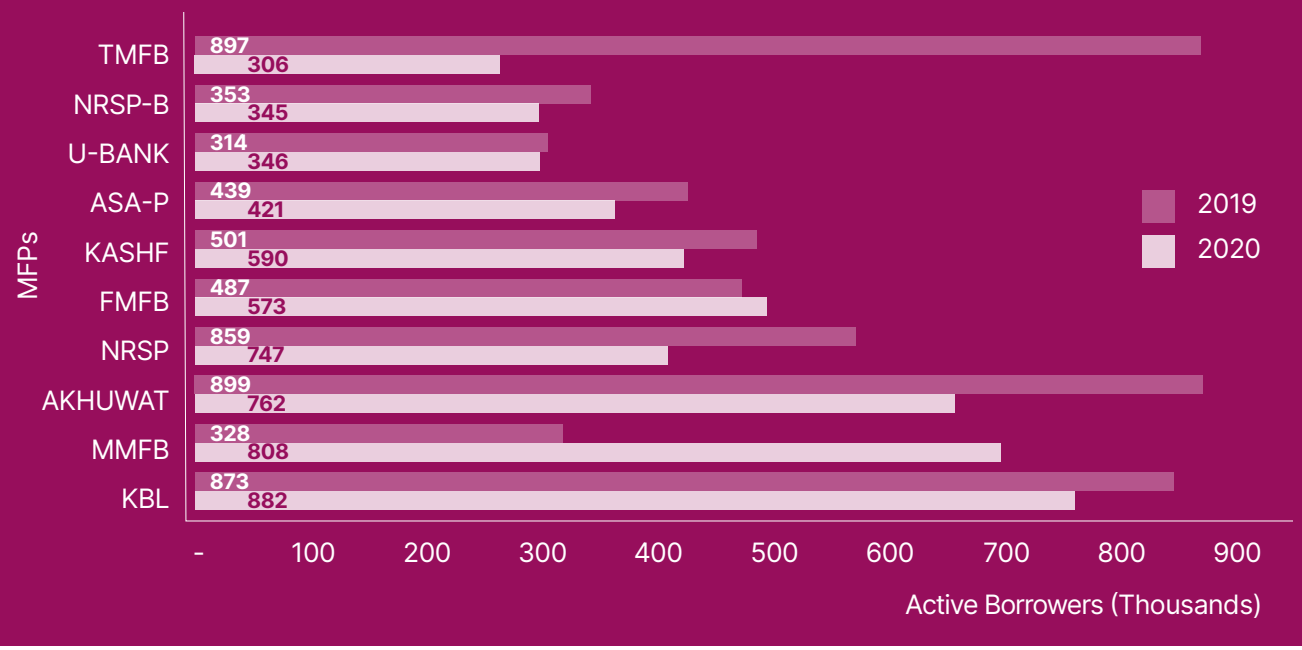
Among the players, entities that contributed the most to the number of active borrowers were led by Mobilink Microfinance Bank (MMFB), which managed to accumulate over 480 thousand clients. This was followed by the First Microfinance Bank (FMFB) and U Microfinance Bank (U-bank) with over 86 and 32 thousand new clients respectively. On the other hand, Telenor Microfinance Bank (TMFB), Akhuwat Islamic Microfinance and National Rural Support Programme (NRSP) saw their clients decline by over 591 thousand, 136 thousand and 112 thousand respectively.

By the end year, the largest MFPs in terms of active borrowers were: KBL (882 thousand), MMFB (over 808,000), Akhuwat (over 762 thousand), NRSP (over 746 thousand) and FMFB (over 572 thousand) (Exhibit 2.3). The outreach figures also indicated that the largest 10 MFPs 81 percent (2019: 80 percent) of the total outreach of the industry, an increase of 1 percent compared to the prior year. The top 5 had a combined outreach of 54 percent of the industry.

10. It is worth mentioning that the outreach figures are different from the ones reported in the MicroWatch. This is because the data compiled for the PMR is based on the respective year ends of PMN members. SECP regulated entities have a year end of June, while SBP regulated entities have a year end of December.

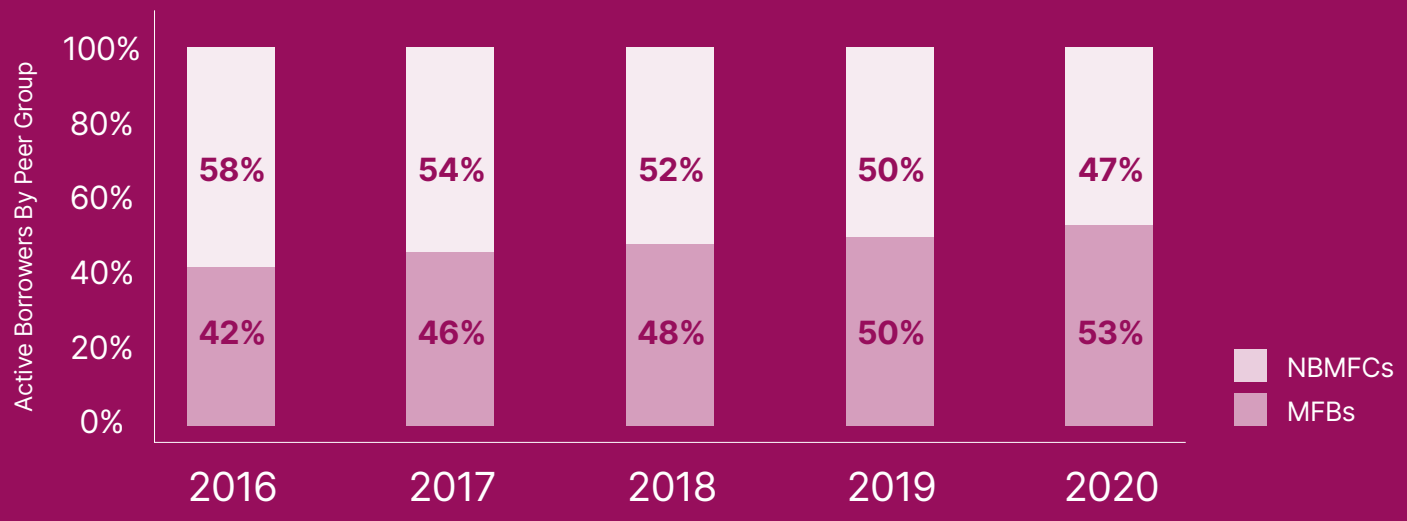
The most noteworthy of changes was the decline in the number of borrowers of TMFB from over 896 thousand clients in 2019 to just over 305 borrowers in 2020. MMFB meanwhile jumped to second place in terms of active borrowers from ninth previously, driven by its nano lending portfolio. While these loans are large in volume, their overall value remains little as the average ticket size for these loans varies between PKR 1,000 – PKR 10,000. Digital nano loans remain in their nascent phase and providers are currently operating under their respective branchless banking licenses conducting pilots[11].

Exhibit 2.3: Top 10 MFPs In Terms Of Active Borrowers



The breakdown of the share of active borrowers by peer groups indicated that the share of MFBs increased by 3 percent to reach 53 percent by the end of the year compared to 50 percent in 2019 (Exhibit 2.4). This can be explained by the fact that while both the peer groups experienced a decline in the total outreach, the decrease in clients of NBMFCs compared to the prior year was 11 percent as opposed to the 1 percent experienced by MFBs.

Exhibit 2.4: Active Borrowers by Peer Group



By the end of 2020, the GLP of the industry stood at PKR 319 billion compared to PKR 302 billion in the prior year. This surge in GLP was driven by MFBs as the peer group managed to amass an additional PKR 19 billion, led by FMFB, MMFB, Ubank and KBL as they accumulated an additional PKR 38 billion. However, the decline in portfolio of TMFB and AMFB of approximately PKR 20 billion offset the consolidated efforts of the peer groups. The GLP of NBMFCs declined from PKR 87 billion in the prior year to PKR 85 billion by the end of the year under review. While a majority of the NBMFCs experienced declines in their loan portfolio, only Akhuwat managed to record a substantial growth of PKR 3.8 billion during the year. Exhibit 2.5 shows the trend in GLP by peer group over the last five years.

Exhibit 2.5: Gross Loan Portfolio by Peer Group

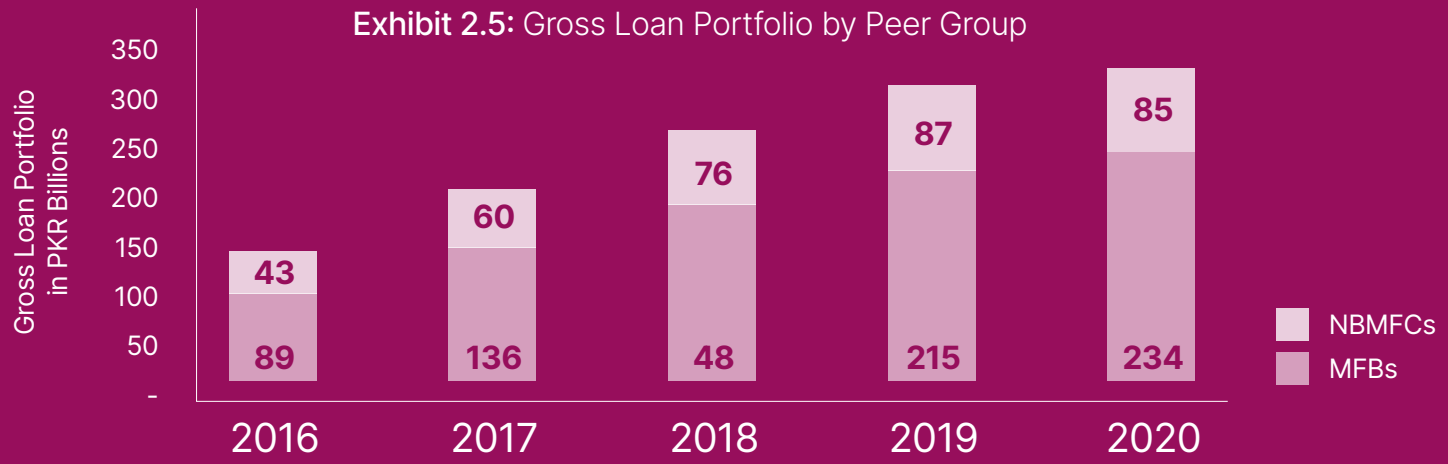
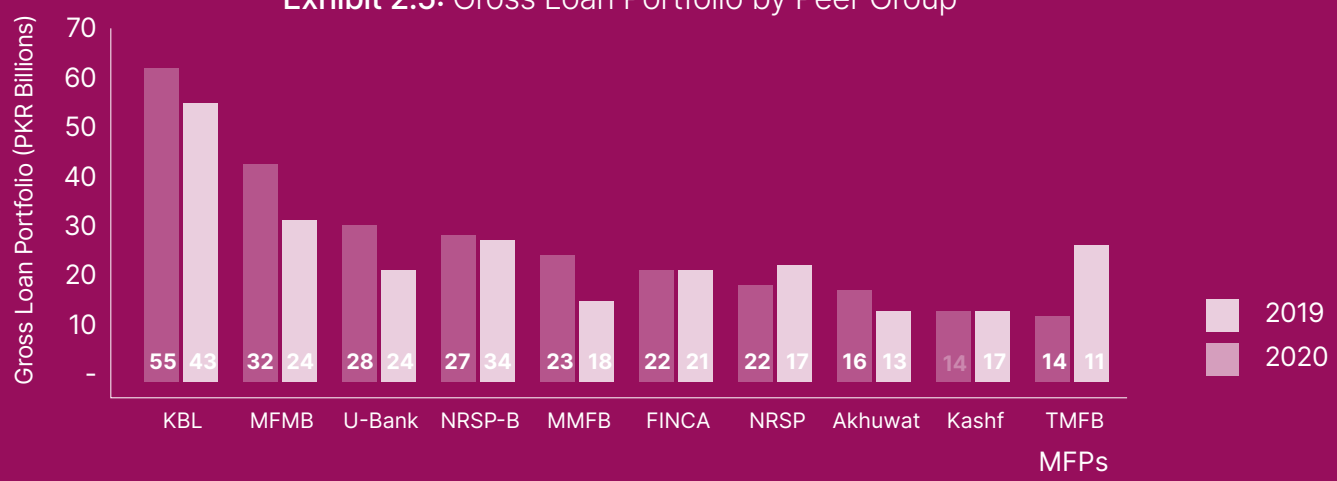


Exhibit 2.6 shows the top 10 largest MFPs based on GLP. It indicates that the top 10 players remained the same as last year as KBL (PKR 62 billion) and FMFB (PKR 43 billion) maintained their positions as the top two largest providers of microcredit. Ubank rose from seventh place previously and replaced NRSP-B as the third largest provider with a portfolio of PKR 31 billion. The portfolio of MMFB also recorded a growth of PKR 9 billion to reach PKR 25 billion which saw its rankings improve from eighth previously to fifth. NRSPs portfolio experienced a decline of PKR 4 billion which dropped its rankings from being the fifth largest provider to seventh. Perhaps the most noticeable decline was observed by TMFB of around PKR 14 billion, which saw the MFB fall to tenth place from fourth previously. It is also noteworthy that the top 10 MFPs represent 87 percent of the total GLP of the industry in 2020, an increase of 3 percent compared to last year.

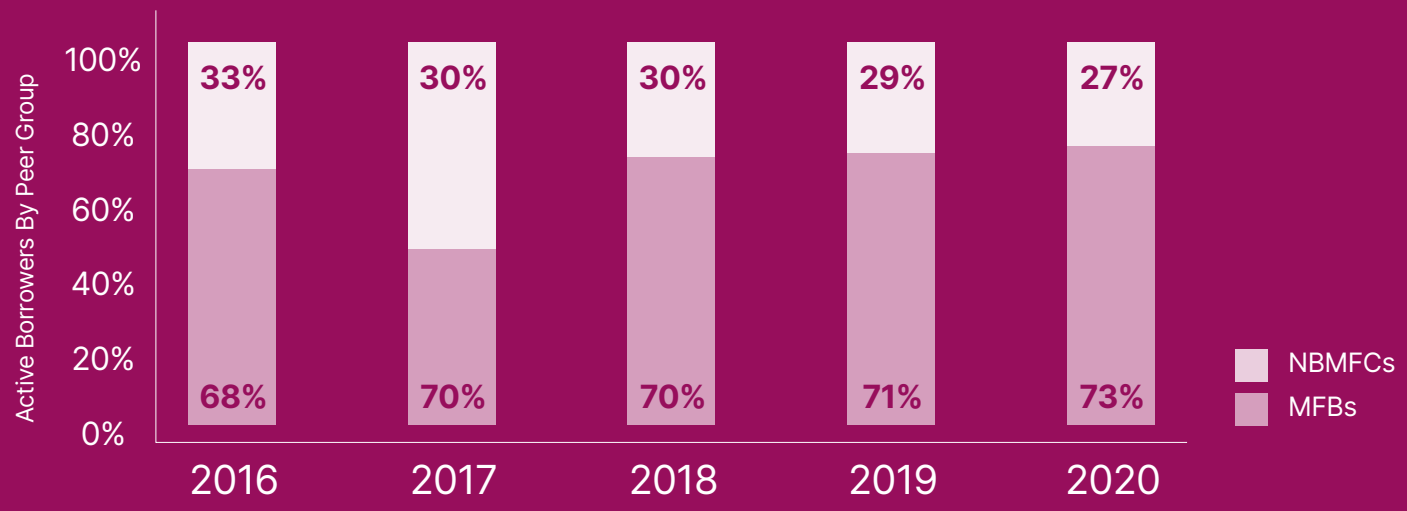
Exhibit 2.5: Gross Loan Portfolio by Peer Group



By the end of the year, MFBs accounted for 73 percent of total GLP compared to 71 percent in the preceding year. Consequently, the share of NBMFCs of the total GLP declined by 2 percent to 27 percent (Exhibit 2.7).

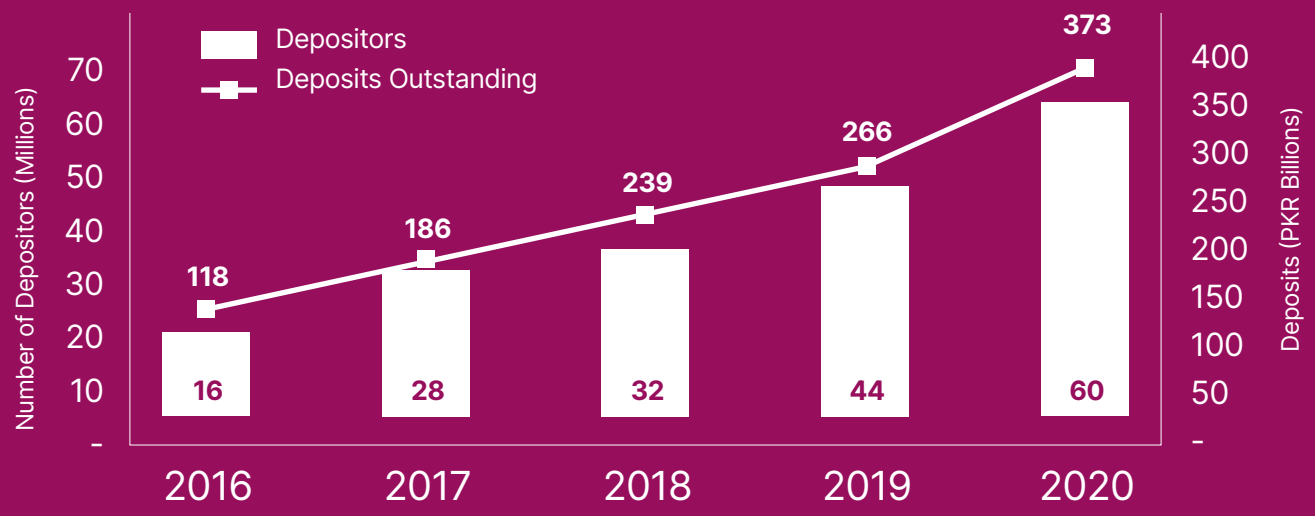
The average loan size of the industry rose from PKR 40,600 to PKR 45,640. MFBs maintain the largest average loan size which increased from PKR 57,781 in 2019 to PKR 63,726 by 2020, while NBMFCs saw their loan size increase from PKR 23,411 to PKR 25,586. This indicates that MFBs have been catering to the upper segment in terms of income of the market while NBMFCs have been successful in tapping into the lower income segment.

Exhibit 2.7: Gross Loan Portfolio by Peer Group



During the year under review, the microsavings experienced remarkable growth as depositors increased by 37 percent, from 44 million in 2019 to over 60 million by the end of 2020. Consequently, the value of deposits grew by 40 percent in the same period, from PKR 266 billion to PKR 373 billion (Exhibit 2.8). It is also worth mentioning that deposits now represent 84 percent of the total liabilities of MFBs as compared to 81 percent in the prior year.

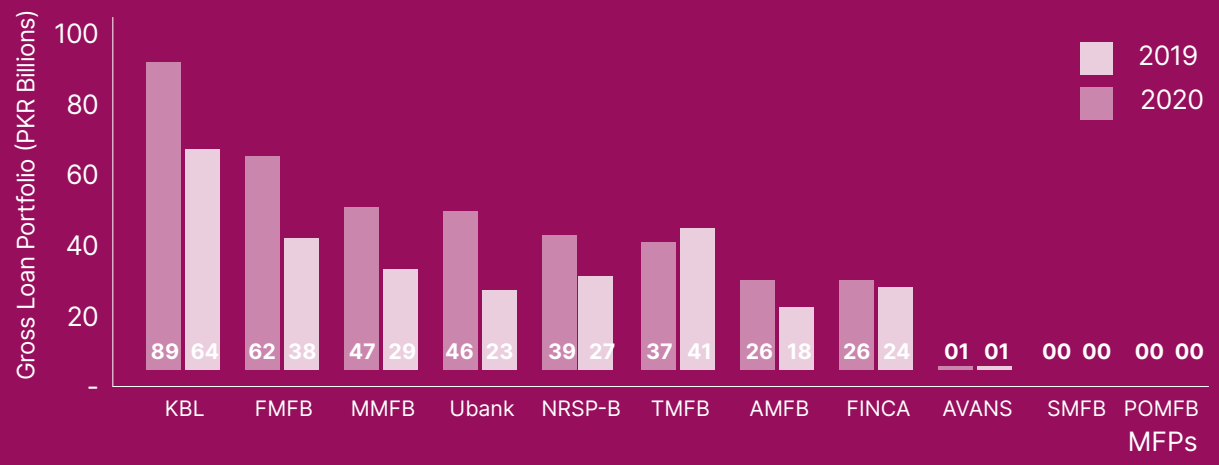
Exhibit 2.8: Number of Depositors and Outstanding Deposits



The growth in the number of depositors was led mainly by MMFB and TMFB which added over 15 million new depositors combined, an increase of over 81 percent compared to the previous year. MMFB and TMFB also remain the largest providers of microsavings in terms of depositors with an outreach of around 29 million and 23 million clients respectively, followed by KBL with 2.5 million depositors.

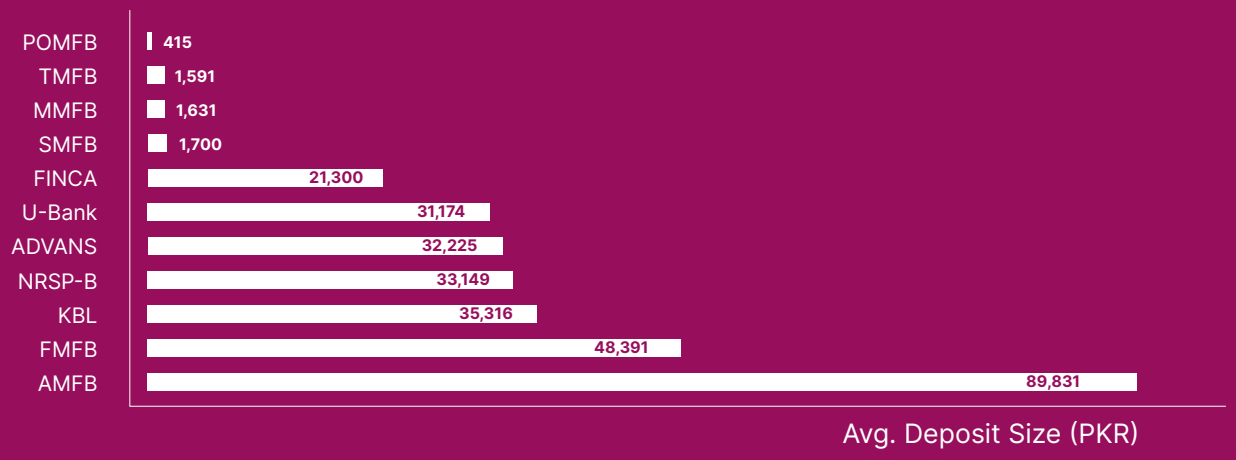
Meanwhile, the growth in deposits was commanded by KBL as it accumulated around PKR 25 billion followed by FMFB and Ubank which contributed over PKR 46 billion combined. KBL maintains the largest deposit base in terms of value of deposits with a portfolio of PKR 89 billion; followed by FMFB and MMFB with deposits worth PKR 62 billion and PKR 47 billion respectively by the end of the year under review (Exhibit 2.9). Ubank jumped from seventh previously to fourth as its deposit base improved remarkably by around PKR 23 billion. The rankings of TMFB declined to sixth from second previously as its deposit base fell by over PKR 4 billion to record PKR 37 billion by the year end.

Exhibit 2.9: Deposits Growth by MFBs



The average deposit size of MFBs improved from PKR 6,049 in 2019 to PKR 6,214, a growth of 3 percent. The low deposit size of the industry is due to the surge in the number of M-Wallets represented by TMFB and MMFB (Exhibit 2.10). AMFB continues to maintain the largest average deposit size amongst the peer group with PKR 89,831 which improved from PKR 46,898 last year. AMFB was followed by FMFB and KBL with deposit sizes of PKR 48,391 and PKR 35,316 respectively.

Exhibit 2.10: Average Deposit Size of MFBs

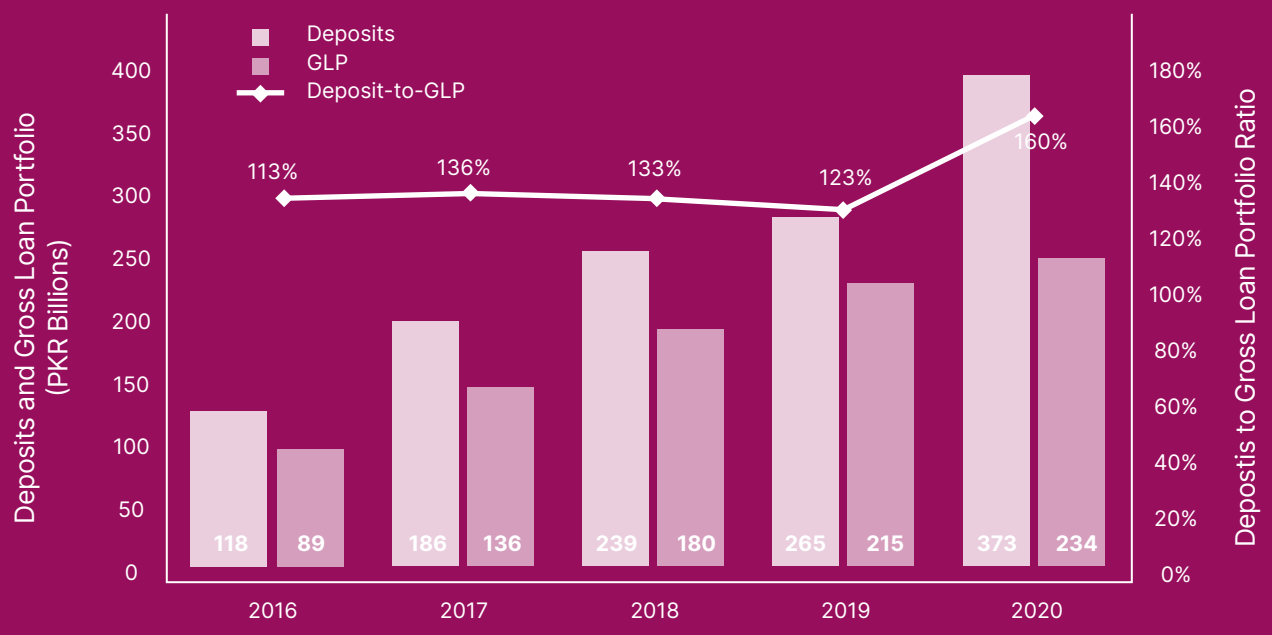


A breakdown of the depositors by type of deposit account depicts the upsurge in M-Wallet accounts, which increased by 16 million or 44 percent in the past year. In comparison, traditional bank accounts increased by only 600 thousand or 5 percent over the same period. Over the past 5 years, traditional bank accounts have increased from 8 million to 12 million, a growth of 50 percent. Whereas, over the same course, M-Wallets increased by 15 million to 52 million, a remarkable growth of 246 percent (Exhibit 2.11). The composition of these M-Wallets is currently divided amongst 4 MFBs i.e. MMFB with a market share of 54 percent, TMFB with 43 percent, Ubank with 2 percent and Finca with just 1 percent. The increase in their usage has been reinforced due to the provision of value-added services by these digital providers, such as Debit Cards for cash withdrawal, Utility Bills payments, Funds Transfer Facilities and Home Remittance Services. It is also evident that the digital financial services segment has endured the pandemic year particularly well as along with the increase in the number of depositors, branchless banking activities have seen a surge due to increased lockdowns.

Exhibit 2.11: Depositors by Type of Deposit Account

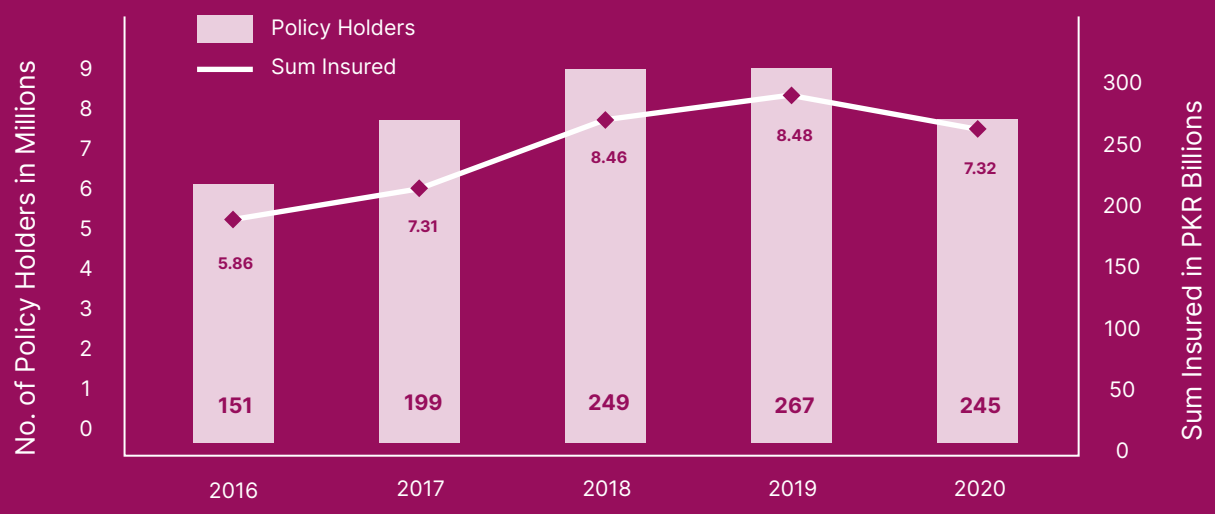
An analysis of the Deposits and GLP of MFBs indicates that the former grew by an extraordinary 41% while the latter increased by a mere 9 percent. As the deposits continue to outgrow the loan portfolio of this peer group, the deposits-to-gross loan portfolio ratio increased from 123 percent in 2019 to 160 percent by the year end (Exhibit 2.12). The ratio signifies the reliance of MFBs on deposits as an affordable source of financing especially during the difficult economic conditions faced during the year. It is also noteworthy that the cost of funds for MFBs declined from 9 percent in 2019 to 7.6 percent by the 2020-year end as Monetary Policy tightened.

Exhibit 2.12: Deposits to Gross Loan Portfolio



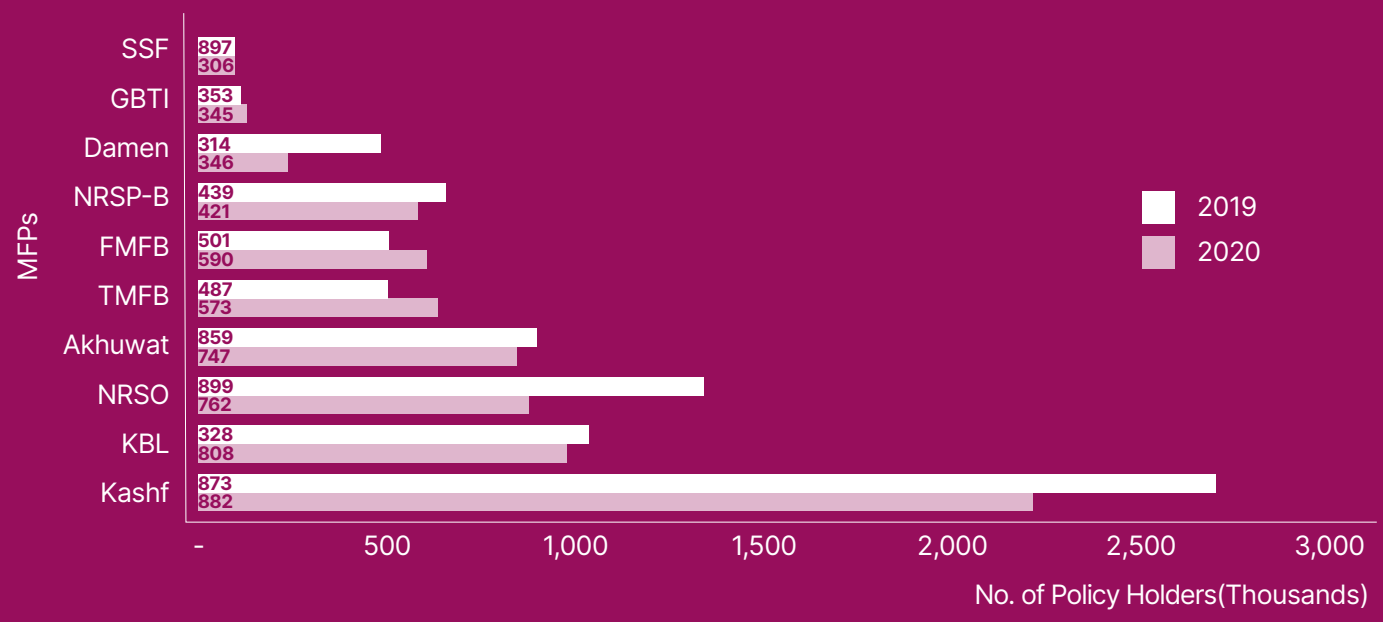
In terms of Microinsurance, Policy holders were recorded at 7.3 million, a decrease of 14 percent compared to the previous year. Accordingly, the sum insured stood at PKR 245 billion, indicating a decrease of 8 percent during the same period (Exhibit 2.13). Among the types of insurance policies, the sector was predominantly divided between Credit Life and Health insurance as their proportion remained unchanged with Credit Life making up 53 percent of total policies while health insurance policies comprising of 47 percent.

Exhibit 2.13: Number of Policy Holders & Sum Insured



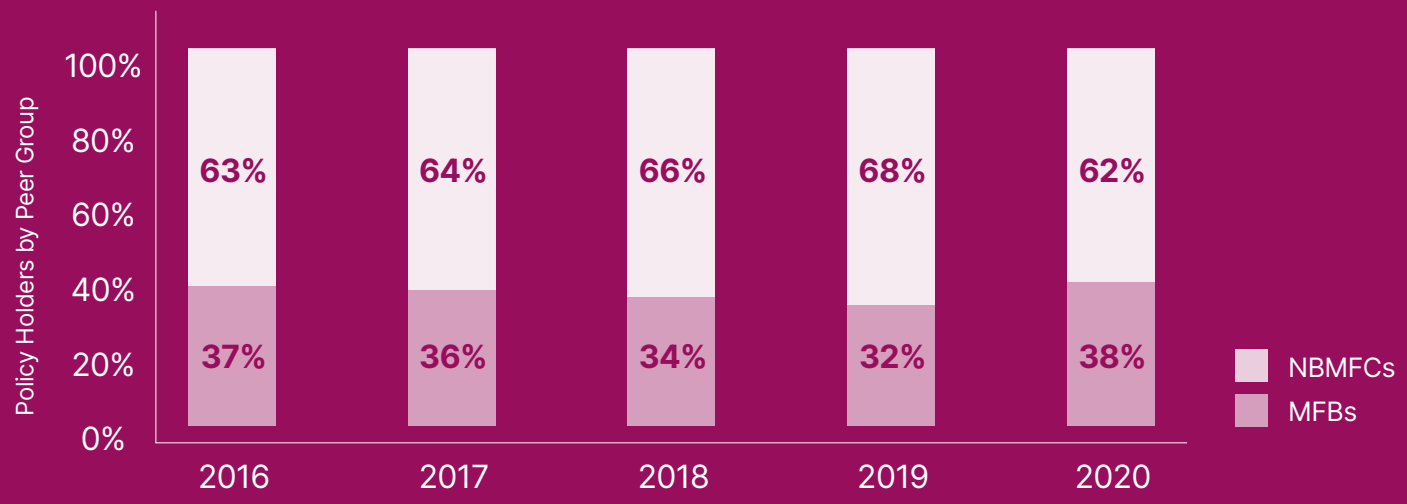
The breakdown of policy holders by MFPs indicated that the ten largest MFPs represented 95 percent of the total policy holders of the industry, whereas the top five represented 73 percent (Exhibit 2.14). By the end of the year, Kashf remained the largest provider of microinsurance with over 2 million policy holders and a market share of 29%, followed by KBL, NRSP, Akhuwat and TMFB, the combined outreach of which totaled to 3.2 million.

Exhibit 2.14: Largest MFPs by Policy Holders



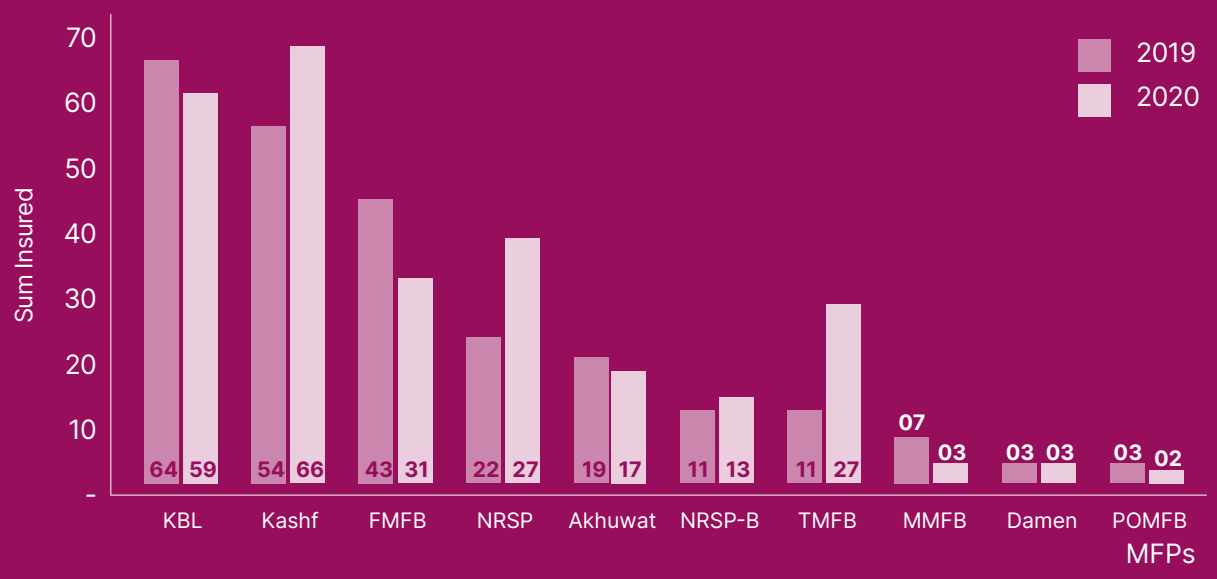
A breakdown of the indicators in terms of peer groups specifies that the decline in microinsurance indicators emerged from a decrease in the numbers of the NBMFC peer group, which contracted by 1.3 million or 22 percent policy holders and experienced their insurance portfolio decline by over PKR 24 billion or 19 percent. In contrast, MFBs managed to amass an additional 97 thousand policy holders and over PKR 2 billion in sum insured to their existing microinsurance portfolio (Exhibit 2.15).

Exhibit 2.15: Policy Holders by Peer Group



At the institution level, it was revealed that KBL outperformed Kashf as the largest provider of microinsurance in terms of sum insured as KBL succeeded in amassing PKR 5 billion to their insurance portfolio to record a total sum insured of PKR 64 billion. In contrast, Kashf's portfolio declined by PKR 11 billion, to bring it to second place. FMFB also overtook NRSP as the third largest provider as it accumulated over PKR 11 billion to bring their portfolio to PKR 43 billion while NRSP's portfolio stood at PKR 22 billion. A deeper analysis indicated that the top 10 largest MFPs in terms of sum insured represented 97 percent of the total industry portfolio, while the top 5 made up 83 percent (Exhibit 2.16).

Exhibit 2.16: Largest MFPs in terms of Sum Insured

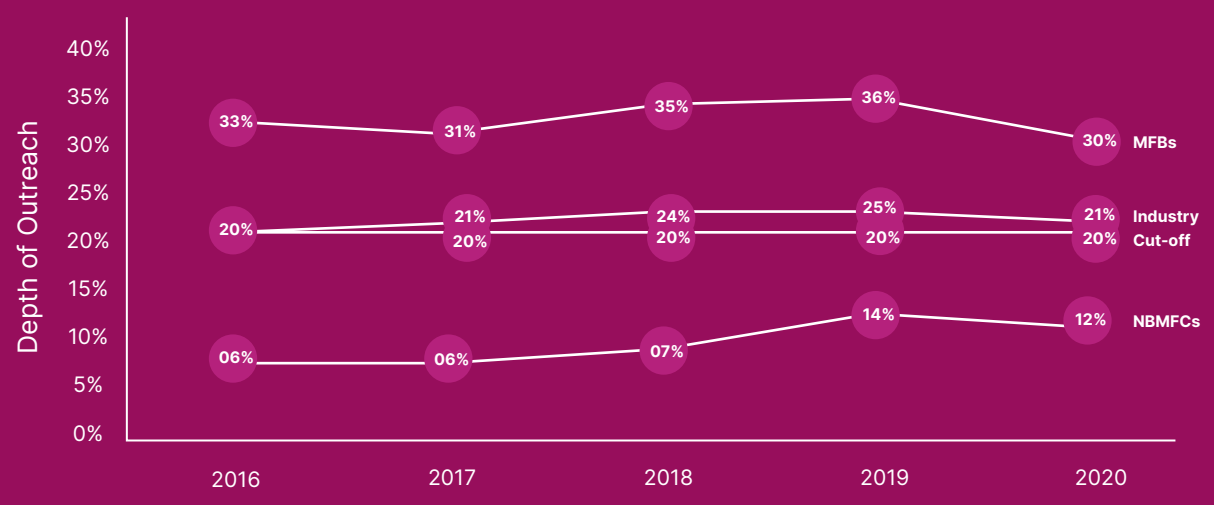


Depth

The depth of outreach is associated with the quality of outreach. Thus, outreach depth concerns the measure of the most underprivileged in a society that have been served. This indicator in microcredit operations is measured by a proxy indicator: average loan balance per borrower in proportion to per capita Gross National Income (GNI). A value below 20 percent is assumed to mean that the MFP is poverty focused.

Based on the observations of the data accumulated from the past 5 years (Exhibit 2.17), it can be deduced that the prevailing ascending phenomenon in the depth of outreach of the industry had finally declined from 25 percent last year to 21 percent in 2020. However, this is still above the 20 percent cut-off point. A deeper analysis at the peer group level reveals that the high ratio is attributable due to the MFBs. During the year, the ratio for MFBs stood at 30%, a decline from 36 percent previously. In contrast, the ratio of NBMFCs decreased by 14 percent to 12 percent, well below the 20 percent cut-off. This is evident of the fact that MFBs tend to attract the high end of the market via larger loan sizes which causes the ratio to rise dramatically. It is also noteworthy that the surge in the number of nano loans by TMFB and MMFB is also another reason for the change in the ratio in case of MFBs. These nano loans are very short-term loans with a maximum ticket size of PKR 10,000 and carry a high interest rate. The increase in the volume of these loans leads to lower overall average loan size, which explains why the ratio dropped in the case of MFBs.

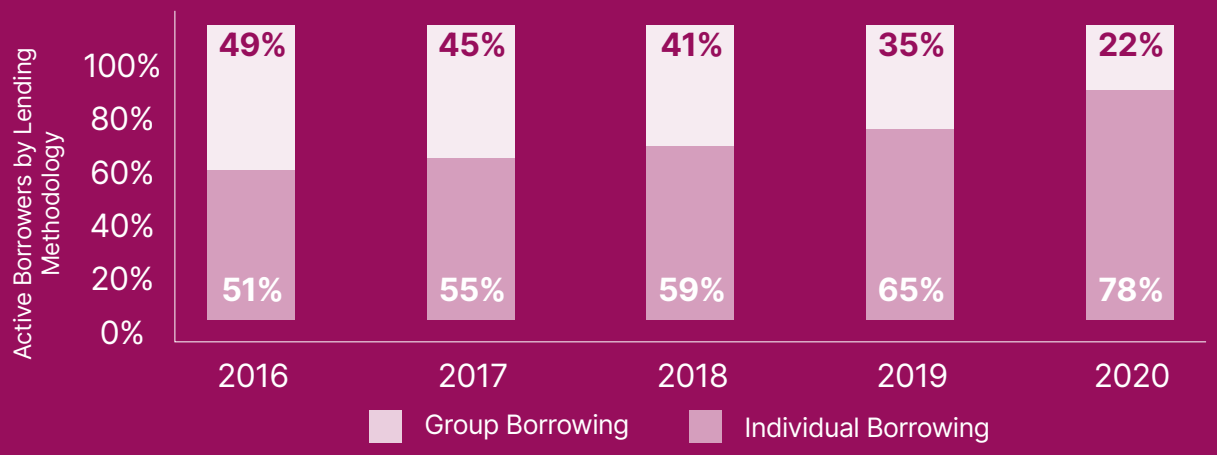
Exhibit 2.17: Depth of Outreach by Peer Group



Lending Methodology

The analysis of the outreach based on Lending Methodology depicts the rising trend in the individual borrowing methodology which has caused group lending to decrease over time (Exhibit 2.18). By 2020, the proportion of individual borrowing had increased to 78 percent compared to 65 percent in the prior year. Consequently, the proportion of group lending declined from 35 percent to 22 percent over the year.

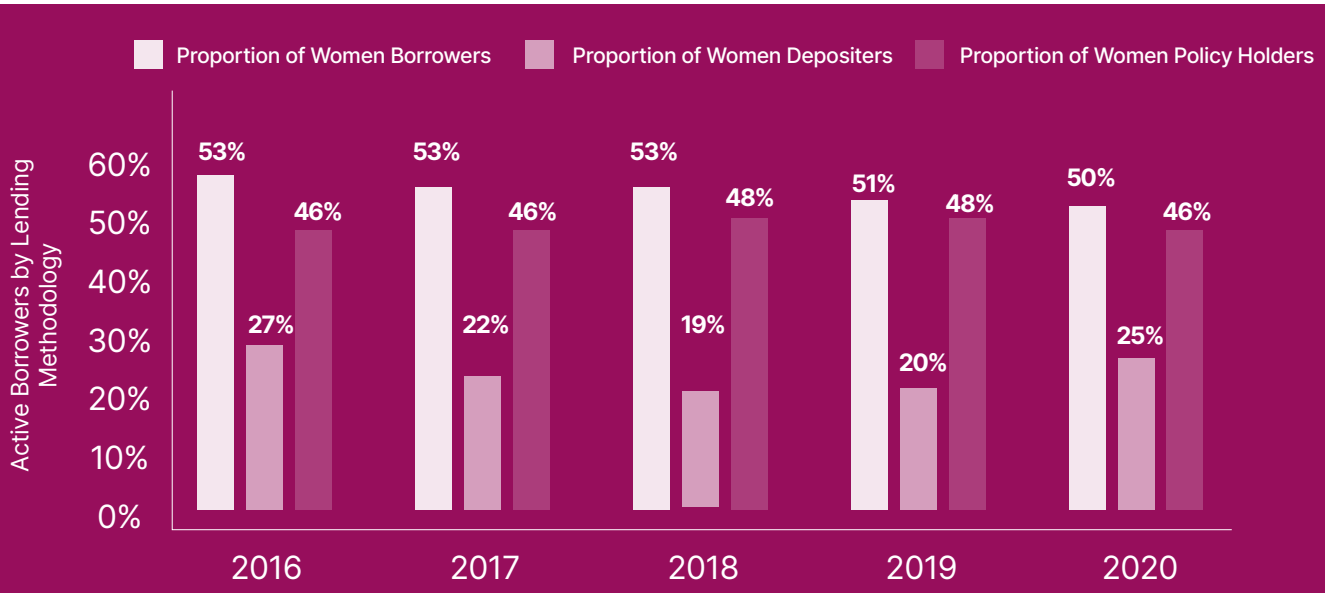
Exhibit 2.18: Trend in Active Borrowers by Lending Methodology



Gender Distribution

Microfinance increasingly target underprivileged women in Pakistan with the expectation that, besides poverty reduction, having access to financial services leads to improved empowerment. Over the years, it has become visible that the industry is gradually moving towards a gender balance. In terms of Microcredit, a gender balance exists as 50 percent of the clientele are women. In terms of Microinsurance, the trend in women policy holders indicated a slight decline, as they fell from 48 percent previously to 46 percent this year. On the Microsavings front, women remain marginalized as they only make up 25 percent of the total depositors (Exhibit 2.19).

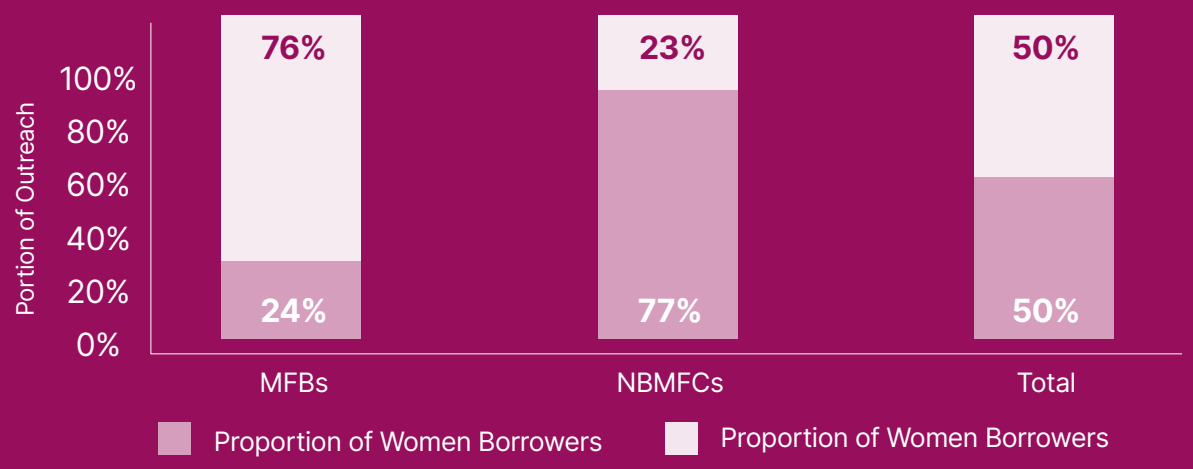
Exhibit 2.19: Outreach to Women – MicroCredit, MicroSavings and MicroInsurance



Gender distribution of credit outreach by peer groups depicts that while the industry maintains a gender balance, NBMFCs continue to target women clients as 77 percent of their total outreach comprises of women. On the contrary, women clients for MFBs stood at 24 percent of total outreach (Exhibit 2.20).

Players with the most women outreach were NRSP, Kashf, ASA, Akhuwat and KBL. These top 5 have a combined outreach of over 2 million women.

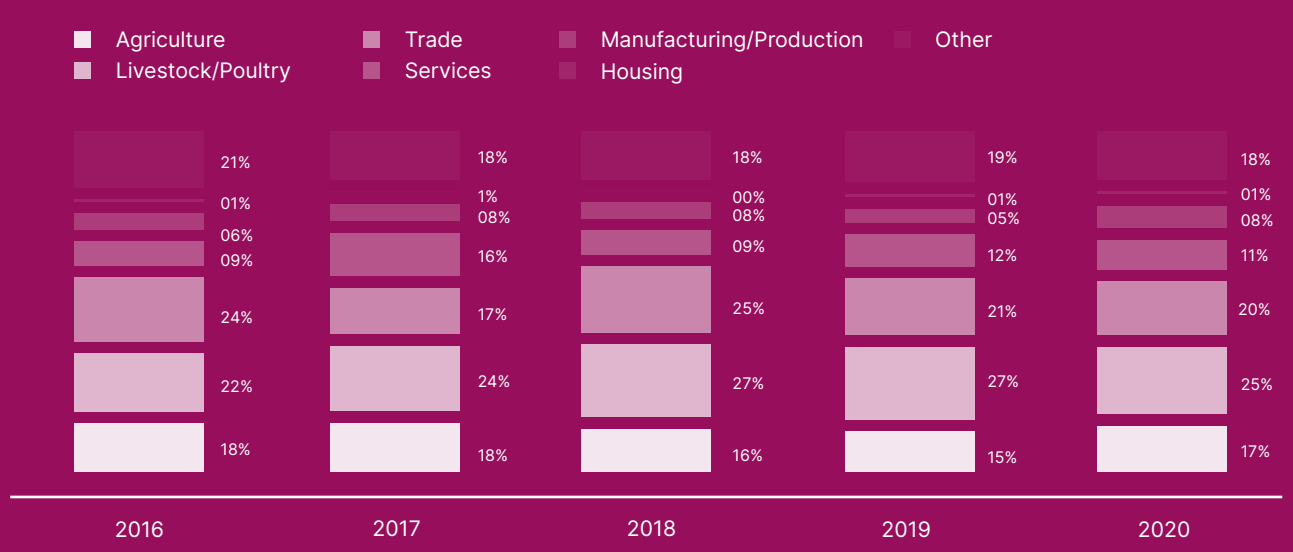
Exhibit 2.20: Gender Distribution of Credit Outreach by Peer Groups



Portfolio Distribution by Sector

Overall, Livestock/Poultry attracted the major portion of active borrowers with 25 percent despite the fact that its share witnessed a decline of 2 percent during 2020 (Exhibit 2.21). This was followed by the Trading sector which makes up 20 percent of the total active borrowers, a decline of 1 percent. Agriculture comprised of 17 percent of total outreach by the end of 2020, compared to 15 percent previously, while Services sector also experienced a decline in its share by 1 percent to bring it to 11 percent. Manufacturing/Production witnessed an increase of 3 percent to record 8 percent of total outreach.

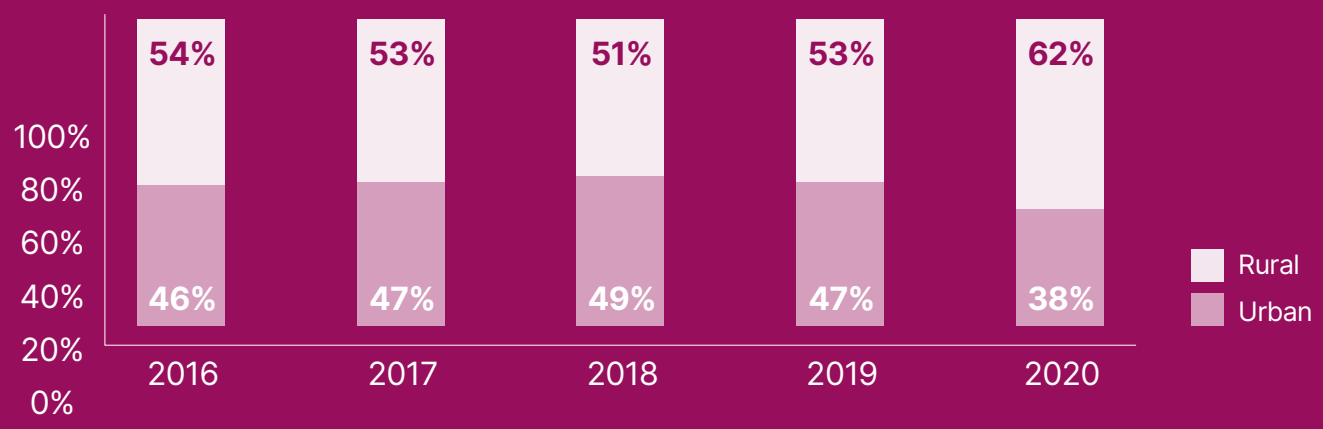
Exhibit 2.21: Distribution of Active Borrowers by Sector



Rural – Urban Lending

The orientation of the sector remains towards Rural borrowers (Exhibit 2.22). During the period under review, the concentration of rural borrowers increased from 53 percent previously to 62 percent, an increase of 9 percent. In contrast Urban borrowers stood at 38 percent of total outreach. Moreover, the majority of borrowers of three largest players – KBL, MMFB and NRSP – remained concentrated in the rural segment of the population.

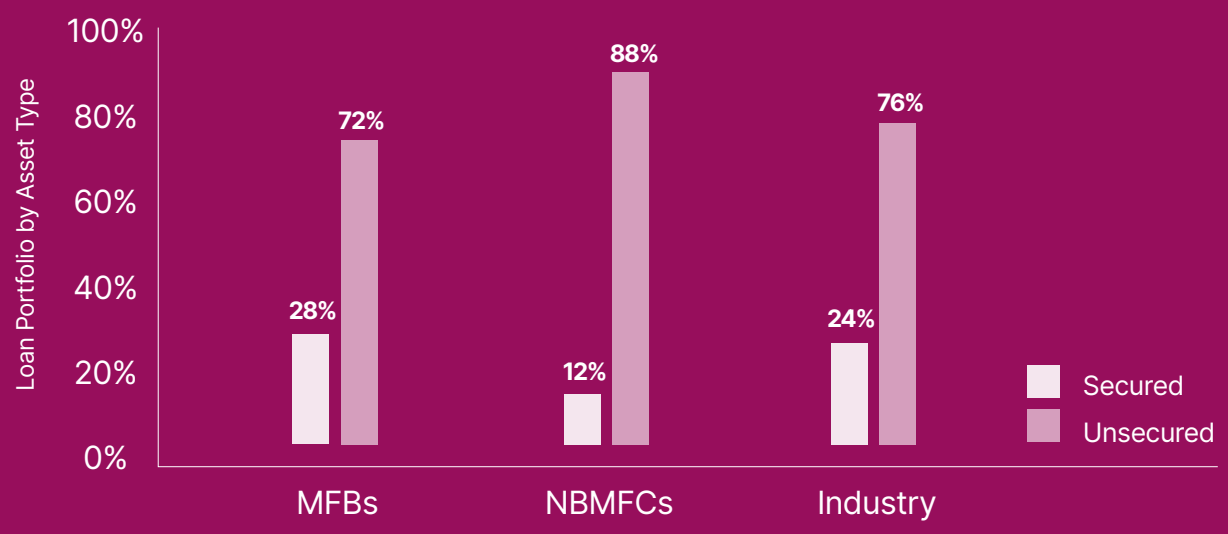
Exhibit 2.22: Distribution of Active borrowers by Urban / Rural areas



Loan Portfolio by Asset Type

In terms of loan portfolio by asset type, the industry is predominantly supported by unsecured financing which constitutes 76 percent of total outreach. In contrast, secured financing contributes to 24 percent of outreach. At the peer group level, only 28 percent of the outreach of MFBs makes up for secured financing, while 12 percent of total outreach of NBMFCs is secured (Exhibit 2.23).

Exhibit 2.23: Loan Portfolio by Asset Type



Financial Structure

Asset Base

The total asset base of the industry registered a remarkable growth of 25 percent in 2020 and stood over PKR 616 billion as compared to PKR 493 billion previously. MFBs accounted for 80 percent of the total asset base, while NBMFCs constituted 20 percent respectively (Exhibit 2.24). The asset base of MFB's increased substantially from PKR 374 billion in 2019 to PKR 495 billion in 2020 thereby posting a growth of 32 percent (Exhibit 2.25). Meanwhile, the NBMFC asset base recording a marginal growth of 2% stood at PKR 122 billion.

Exhibit 2.24: Share of Asset Base by Peer Group

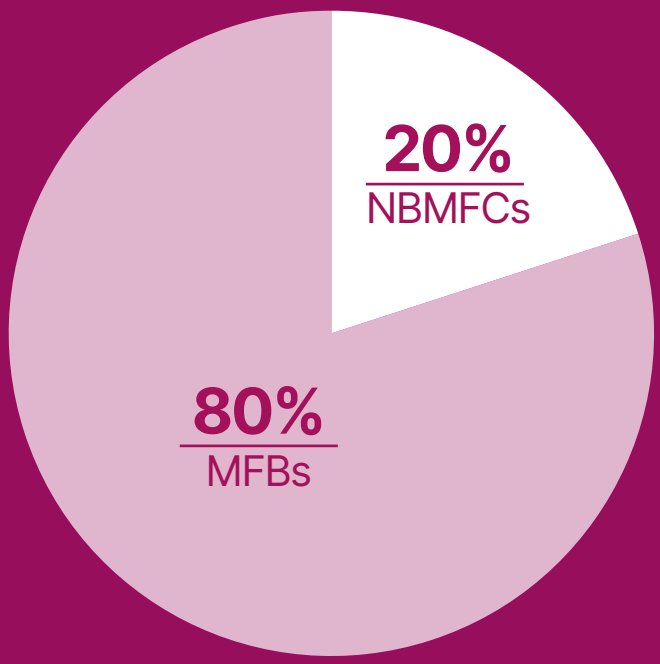
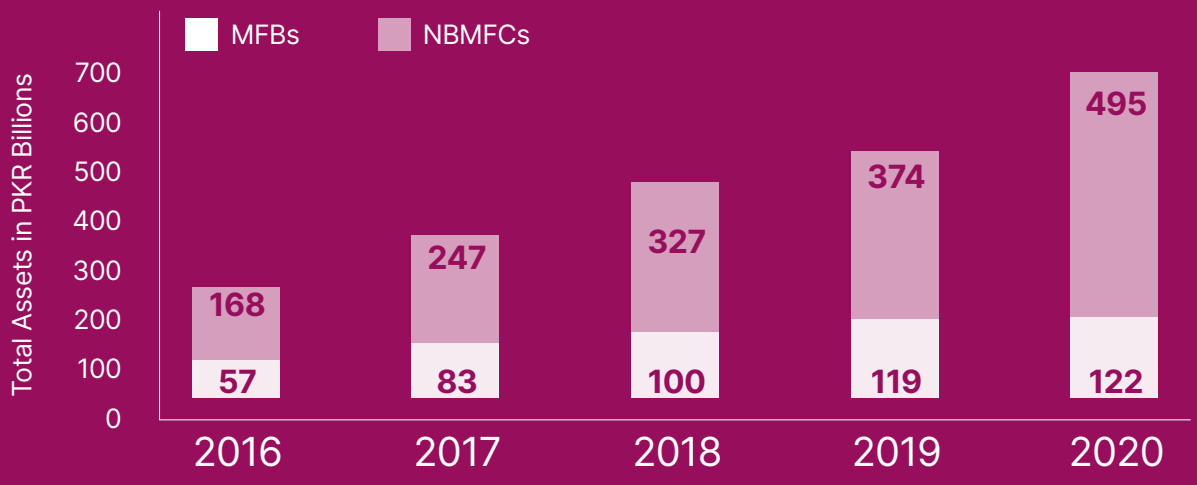
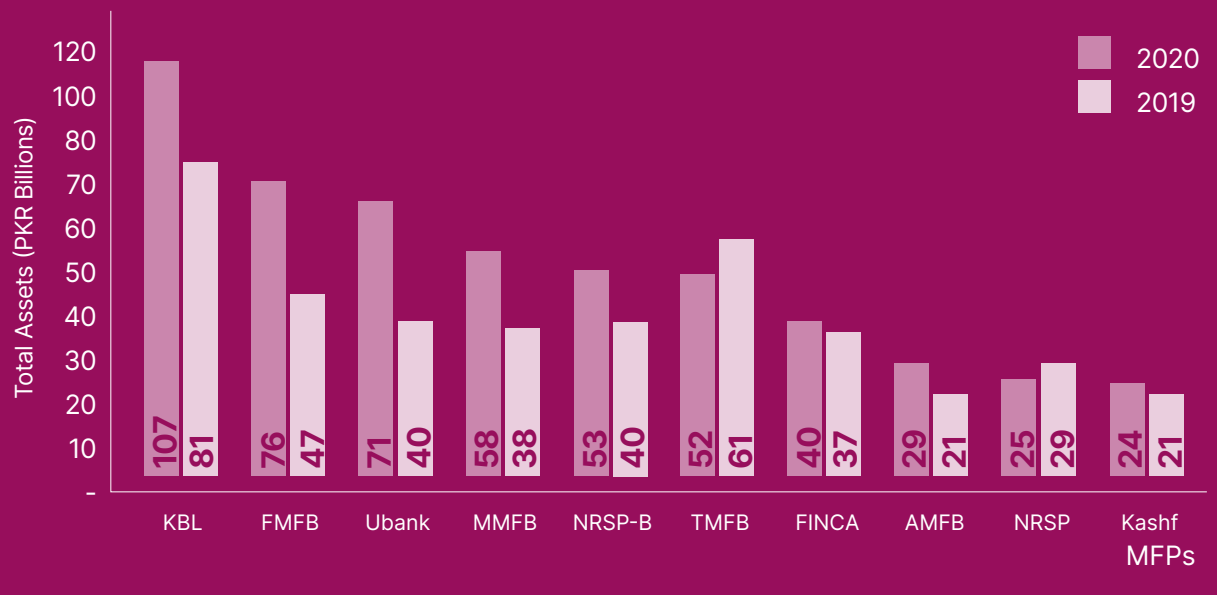


Exhibit 2.25: Total Asset Base of the Industry by peer group



The major contribution to the total asset base of the industry comes from the top 10 largest players which account for 87 percent of the sector's asset base. NRSP and Kashf are the only non-bank players among the 10 largest MFPs, while all others belong to the MFB peer group. Among the players, KBL once again recorded the largest asset base worth PKR 107 billion followed by FMFB with PKR 76 billion and Ubank with PKR 71 billion as shown in Exhibit 2.26. It is noteworthy that TMFB, which maintained the second largest asset base in 2019, fell to sixth place as its total assets declined by PKR 9 billion to reach PKR 52 billion. Among the NBMFCs, NRSP recorded assets of PKR 25 billion, while Kashf reported an asset base of PKR 24 billion, the tenth largest.

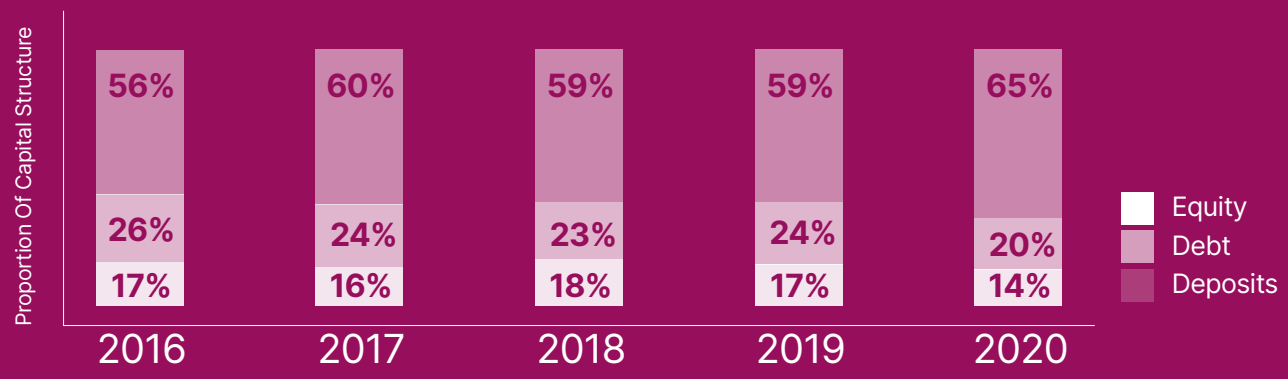
Exhibit 2.26: Total Assets of the ten largest MFPs



Funding Profile

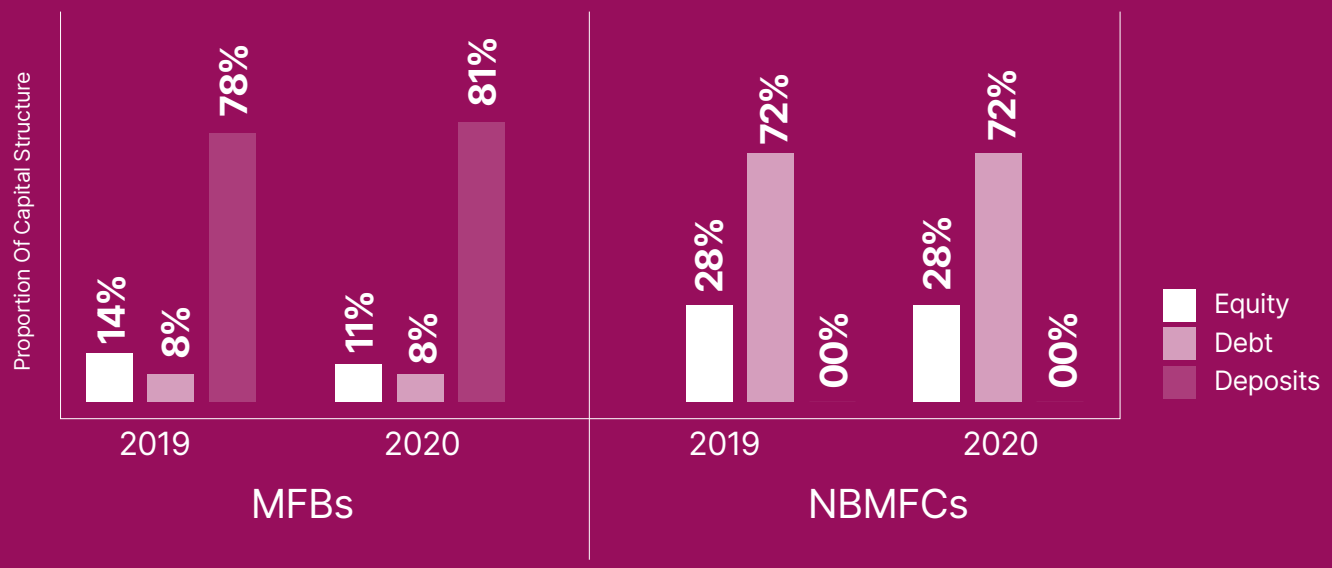
The trend in the Industry Capital Structure portrayed that the share of deposits continues to increase over time. By 2020, 65 percent of the industry's funding needs were being met by deposits as show in Exhibit 2.27. The share ozf the debt among the capital structure was recorded at 20 percent, indicating a decline of 4 percent during the year, while the share of equity also decreased by 3 percent as compared to last year to close at 14 percent during the period under review.

Exhibit 2.27: Industry Capital Structure



A breakdown of the capital structure among peer groups (Exhibit 2.28) represents that MFBs continue to use a combination of deposits, debt, and equity to meet their funding needs. While their proportion of debt remains stable at 8 percent compared to the previous year, the 3 percent growth in the share of deposits has been offset by the decline in the share of equity which stood at 11 percent by the year end. In the case of NBMFCs, their inability to acquire deposits to fund their operations makes them reliant on debt in order to grow. The numbers indicate that the proportion of debt and equity for 2020 remained unchanged for this peer group as debt and equity constituted for about 72 percent and 28 percent respectively. It could be reasoned that the economic challenges set forth by the global health crisis during the year affected the NBMFCs ability to take on additional funding in these challenging times.

Exhibit 2.28: Capital Structure by Peer Group



Profitability & Sustainability

The sector has been adversely affected in terms of Profitability and Asset Quality due to the vulnerability of microfinance clients as they faced major challenges in terms of repayment capacity. Driven by the low economic activity caused due to the pandemic, the industry continued to face credit risk impairment and NPLs continue to rise. During the year, the total revenue for the industry was recorded at PKR 111 billion, the same as last year. However, the loss incurred in the prior year declined from PKR 6 billion to PKR 2 billion. The loss originated from the MFB peer group as they reported a loss of PKR 6 billion compared to a profit of PKR 4 billion reported by NBMFCs. While ten entities reported a loss during the year, the main outlier which caused a decrease in the overall industry profitability was TMFB which incurred a loss of PKR 11 billion compared to PKR 16 billion in 2019, primarily due to a PKR 2.0 billion charge in credit impairment coupled with expenses that were associated with branchless banking customer acquisition, retention and engagement. After eliminating the impact of TMFB from the ratios for the past 2 years, the revenue of the industry stood at PKR 93 billion and PKR 105 billion for the year 2019 and 2020 respectively. Similarly, the ratios indicate a Net Income of PKR 11 billion and PKR 9 billion for the same periods. The following figures indicate the trend in Profitability with and without TMFB (Exhibit 2.29 (a) and 2.29 (b))

Exhibit 2.29 (a): Total Revenue & Net Income

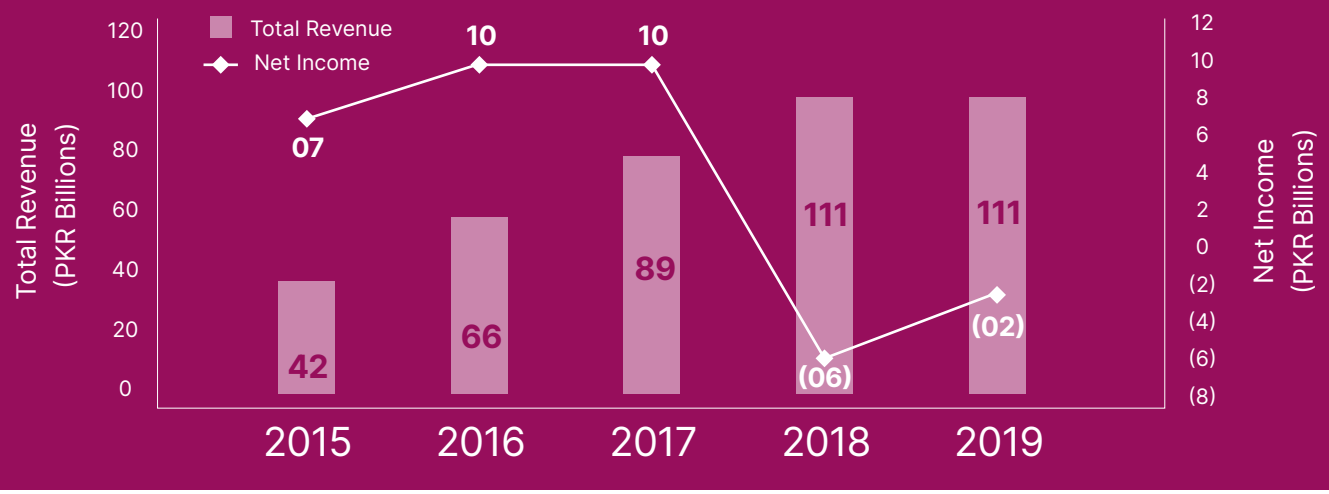
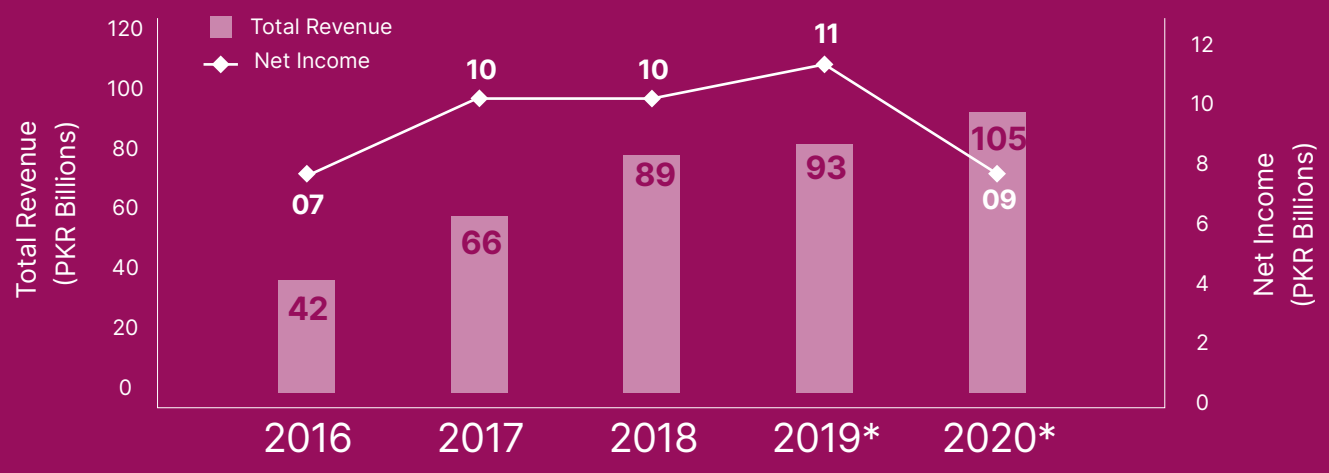


Exhibit 2.29 (b): Total Revenue & Net Income (*Without TMFB)



The improvement in the loss incurred by the industry helped in improved the Adjusted Return on Assets and Adjusted Return on Equity as shown in Exhibit 2.30 (a). The adjusted ROA improved from -1.8 percent to -0.7 percent, while the adjusted ROE improved from -7.4 percent to -5 percent during the year under review. The indicators depict positive ratios and overall improvement in the industry after eliminating the impact of TMFB (Exhibit 2.30 (b)) as the Adjusted ROA stood at 2.0 percent and 1.4 percent for 2019 and 2020 while the adjusted ROE was recorded at 7.9 percent and 9.5 percent respectively.

Exhibit 2.30 (a): Adjusted Return on Assets and Equity

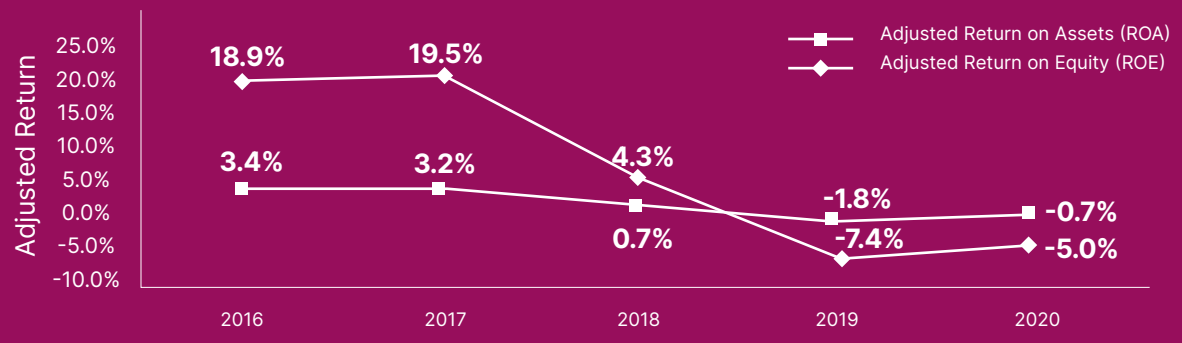
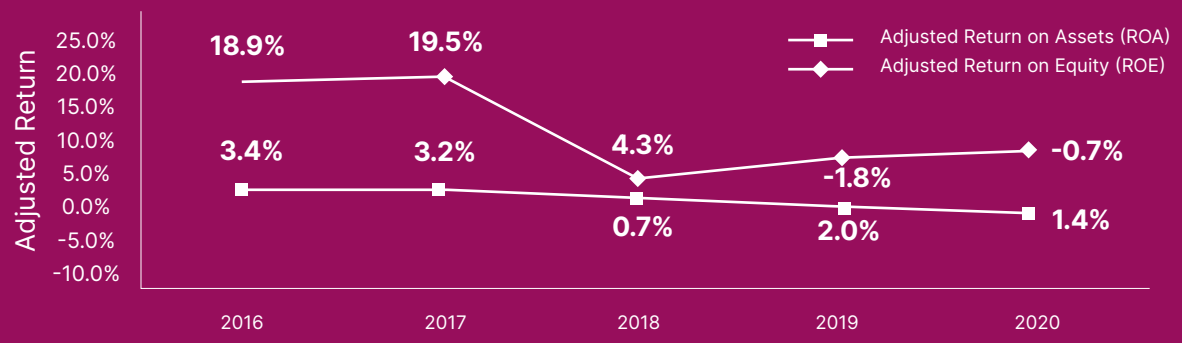


Exhibit 2.30 (b): Adjusted Return on Assets and Equity (*Without TMFB)



A breakdown of the Adjusted ROA and ROE in terms of peer groups indicates that ratios deteriorated slightly for NBMFCs but improved for MFBs, despite the fact that they remained negative (Exhibit 2.31 (a)). In the case of NBMFCs, the adjusted ROA declined from 3.7 percent to 1.7 percent by 2020, while the adjusted ROE dropped from 11.9 percent to 6.8 percent. The primary reason for the weakening of the ratio of NBMFCs were the adverse economic conditions prevailing due to the global health crisis. This plunged the profitability of NBMFCs from PKR 6 billion last year to PKR 4 billion, thereby affecting the ROA and ROE. In contrast, on the MFB front, the adjusted ROA improved from -3.5 percent to -1.4 percent, while the adjusted ROE improved from -15.9 percent to -12.2 percent during the year. The outlier for this ratio remained TMFB as the reduced losses incurred by the institution affected the ratio of the peer group but led to an improvement in the ratios. After ignoring the effects of TMFB (Exhibit 2.31 (b)), the adjusted ROA for MFBs stood at 1.4 percent and 1.3 percent, while the adjusted ROE was recorded at 5.9 percent and 11.4 percent for 2019 and 2020 respectively.

Exhibit 2.31 (a): Adjusted Return on Assets & Return on Equity by Peer Group

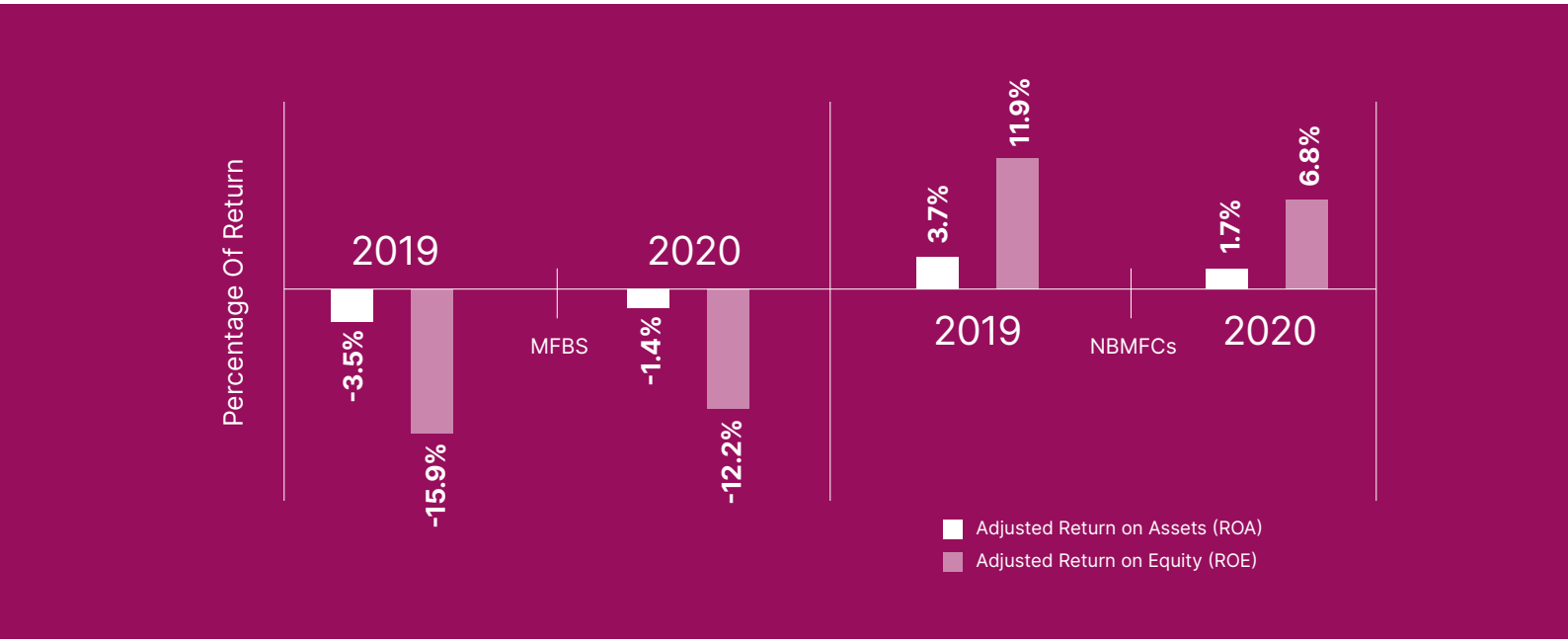
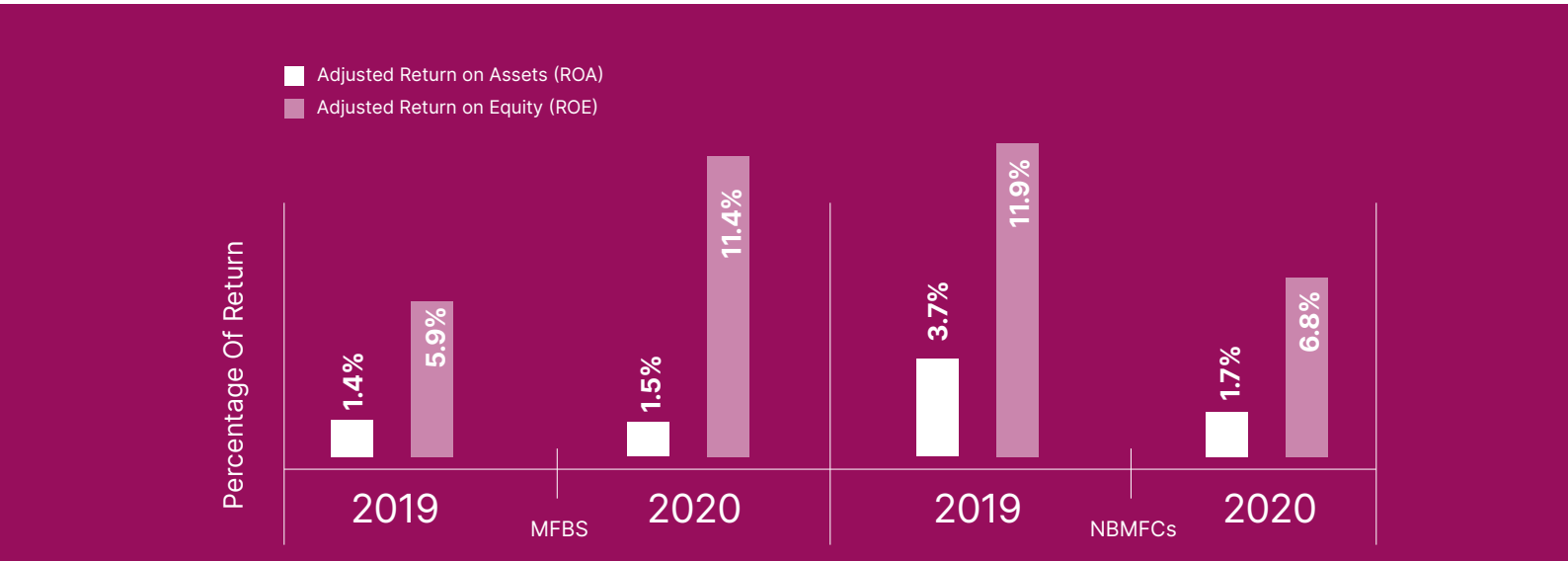


Exhibit 2.31 (b): Adjusted Return on Assets & Return on Equity by Peer Group (*Without TMFB)

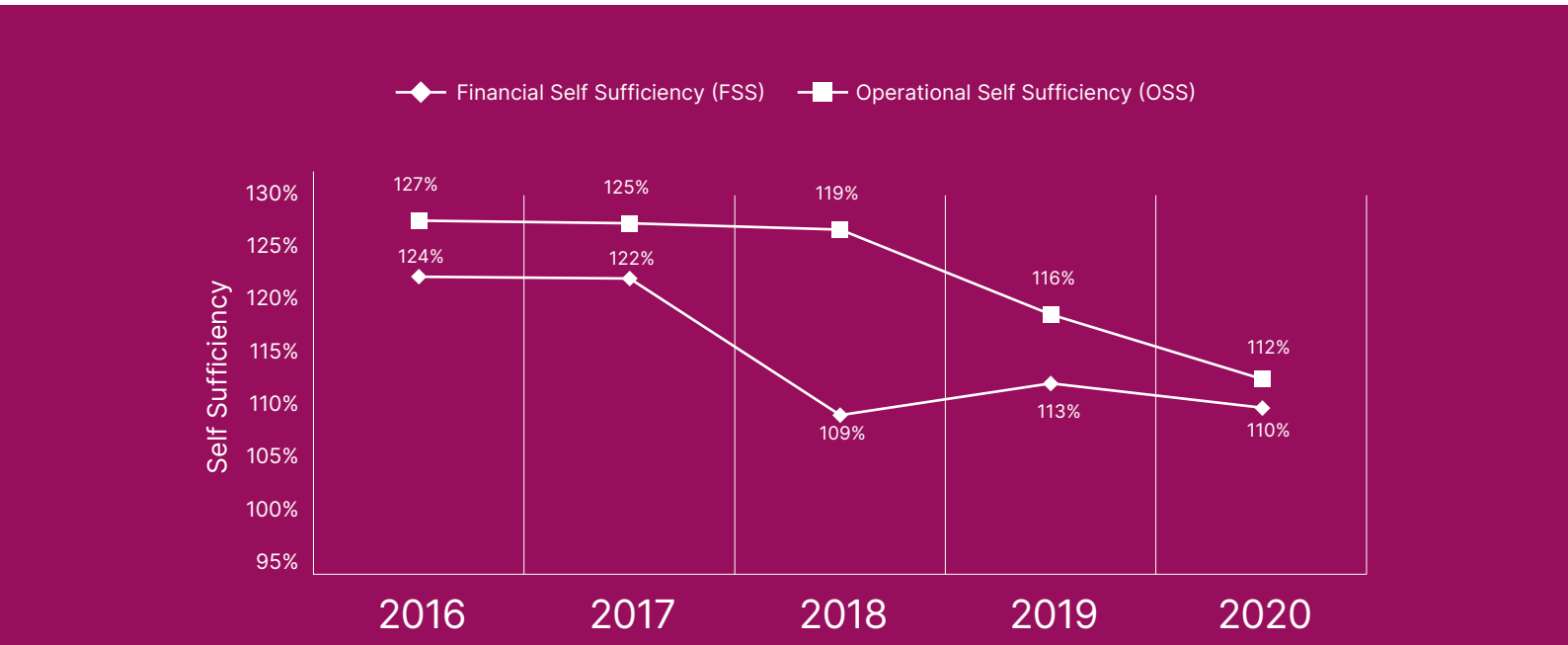


The ratios of Financial Self-Sufficiency (FSS) and Operational Self-Sufficiency (OSS) of the industry also improvements during the year as depicted in Exhibit 2.32 (a). The FSS jumped from 95 percent previously to 99 percent by the end of the year. Similarly, the OSS also grew from 97 percent in the prior year to over 100 percent once again. Upon the elimination of the impact of TMFB on the indicators (Exhibit 2.32 (b)), the ratios depicted a declining trend as the FSS stood at 113 percent and 110 percent in 2019 and 2020, while the OSS dropped to 116 percent and 112 percent over the same periods.

In terms of peer groups, MFBs had an overall OSS of 96.3 percent (110.7 percent without TMFB) while NBMFCs maintained the ratio at 116.2 percent. Similarly, the FSS stood at 96 percent for MFBs (110.2 percent without TMFB) and 109 percent for NBMFCs. It is worth noting that out of the total reporting organizations, 10 MFPs had an OSS and FSS of less than 100 percent compared to just 3 in the prior year. Out of these entities, 3 were MFBs i.e. TMFB, POMFB and Advans, while the remaining 7 were NBMFCs i.e. TMF, PRSP, FFO, Orix, Wasil, OPD and MOSP.

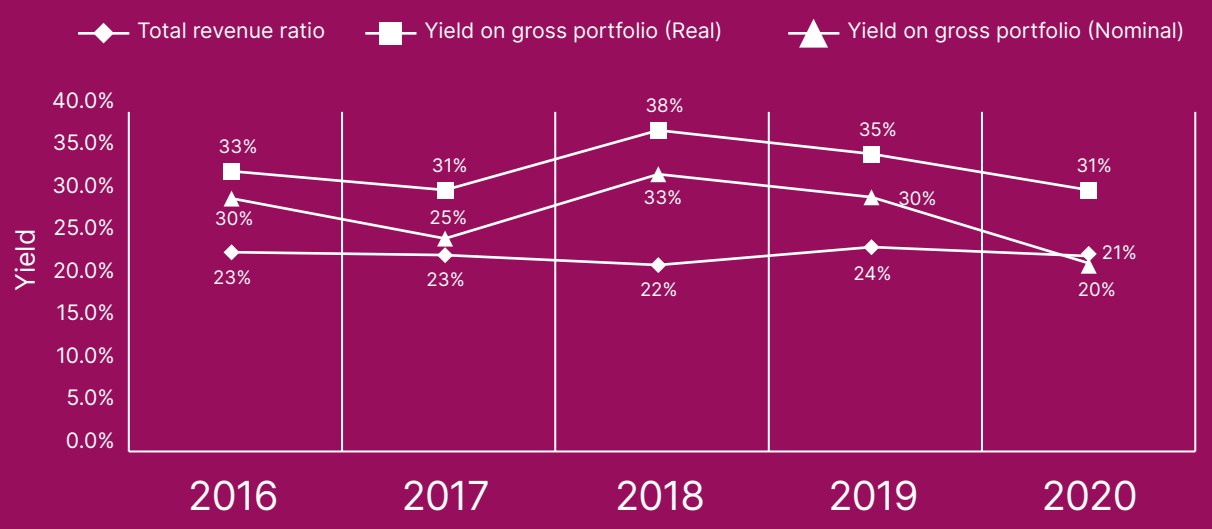
Exhibit 2.32 (a): Financial & Operational Self Sufficiency

Exhibit 2.32 (b): Financial & Operational Self Sufficiency (*Without TMFB)



The total revenue ratio of the industry declined from 24 percent to 20 percent. A peer group analysis indicates that the ratio was recorded at 18.8 percent for MFBs while it stood at 24.9 percent for NBMFCs. The Yields on Portfolio also experienced a decline as well, as the Nominal Yield declined from 35 percent to 31 percent whereas the Real Yield dropped from 30 percent to 21 percent during the period under review (Exhibit 2.33). This is explained by the fact that the decline in revenues from the loan portfolio declined (4 percent) during the year coupled with the increase in the average GLP (9 percent) have had an adverse effect on yields, which plunged further.

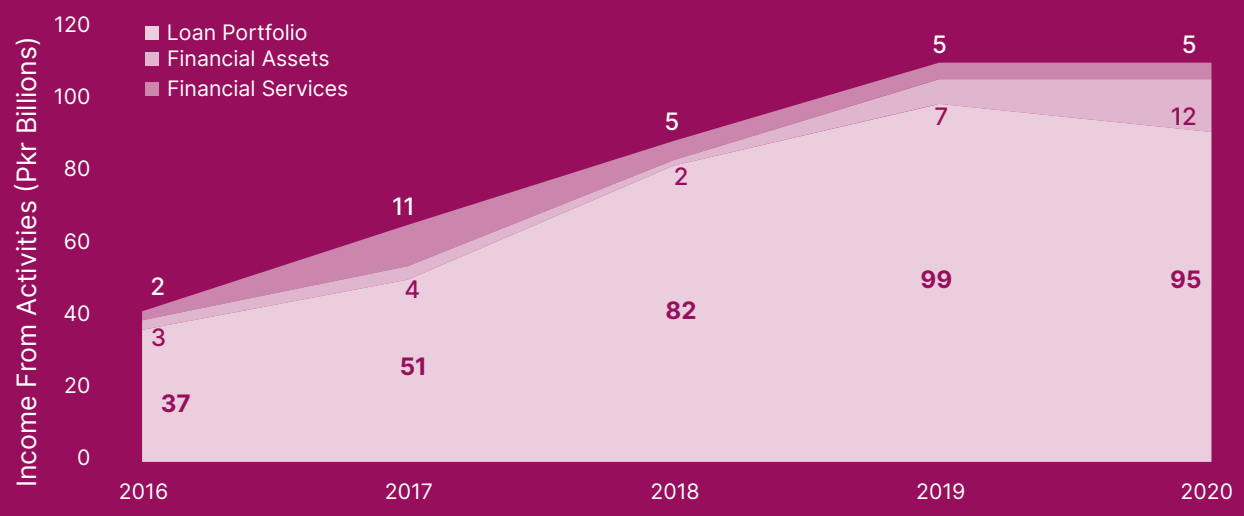
Exhibit 2.33: Trend in Yield on Portfolio



By the end of the year the total revenue of the industry stood at over PKR 111 billion (Exhibit 2.34). Of this figure, 85 percent or PKR 95 billion was attributable to the revenue generated from the loan portfolio, 10 percent or PKR 12 billion was on the back of investments in financial assets and the remainder 5 percent or PKR 5 billion was associated with income from financial services. It is worth noting that the share of revenue generated from the loan portfolio fell from 90 percent previously to 85 percent this year. However, this decrease was compensated with an increase in income generated from financial assets which comprised of 10 percent compared 6 percent previously.

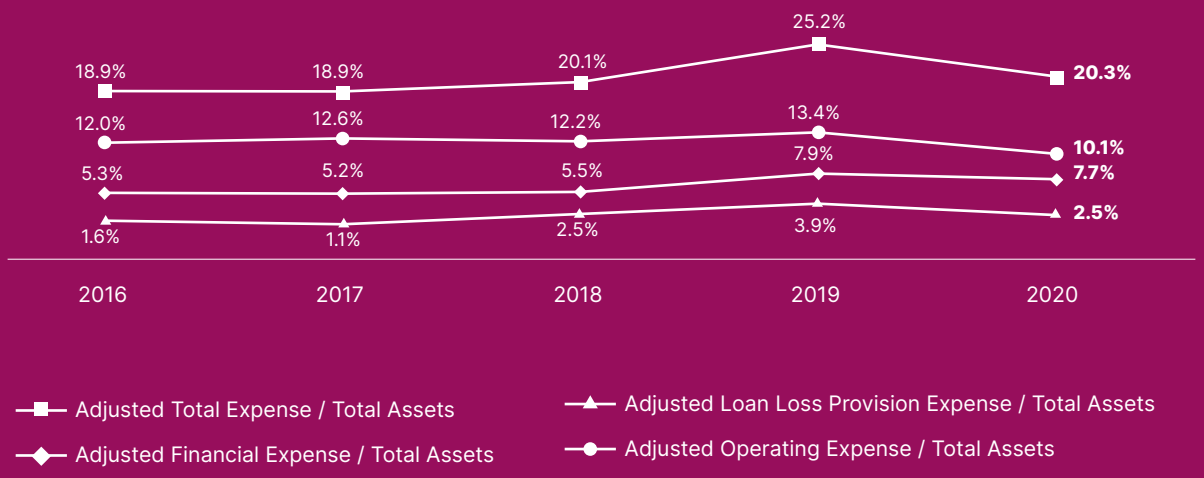
In terms of peer groups, the income from loan portfolio of MFBs decreased from 91 percent previously to 86 percent this year. This was compensated by income generated from financial assets which improved from 7 percent previously to 12 percent. The share of income from financial services and other services remained stagnant at 2 percent. On the NBMFC front, marginal changes were observed, as the income from loan portfolio declined by 2 percent to record 83 percent. This was met with a 1 percent increase in both; income from financial assets which clocked at 5 percent compared to 4 percent previously, and income from other sources which improved from 11 percent to 12 percent during the year under review.

Exhibit 2.34: Revenue Streams



The trend of all key expense ratios as a percentage of total assets of the industry indicated a decrease for the year (Exhibit 2.35). After a steady increase for the past 2 years, the expense to assets ratio declined from 25 percent to 20 percent. A breakdown of the expenses indicates that a decline in all components of total expenses was observed as loan loss provision expense ratio fell to 2.5 percent, the operating expense ratio fell to 10 percent and the financial expense ratio experience a slight drop to 7.7 percent. The adjusted total expense for the industry stood at over PKR 112 billion, a decrease of PKR 2 billion from the prior year. Out of this figure, PKR 56 billion were classified as operating expenses, down from PKR 57 billion in 2019. This was followed by financial expenses of PKR 43 billion, a surprising increase of 18 percent from the previous year, and loan loss expense of PKR 14 billion, down by 23 percent compared to 2019.

Exhibit 2.34: Revenue Streams

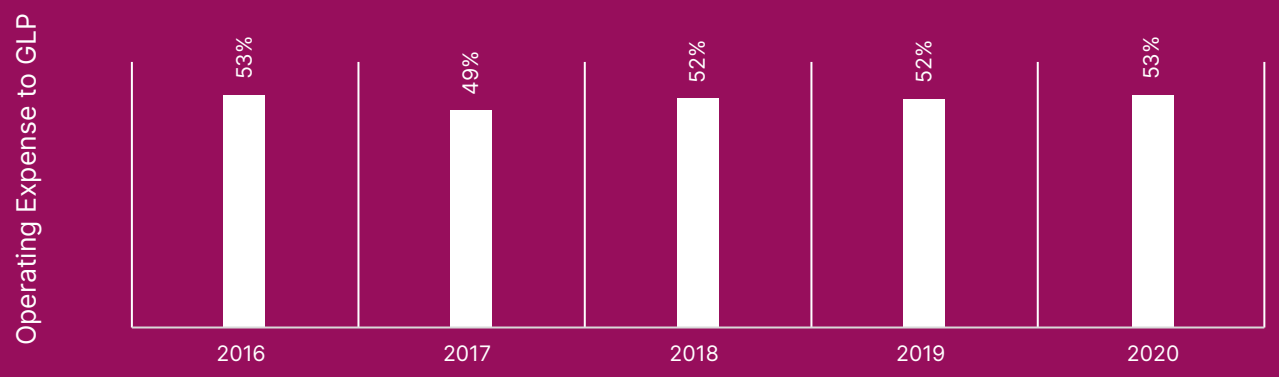


The Operating Expense to GLP declined from 20 percent to 15 percent by 2020 as shown in Exhibit 2.36. By the end of the year the total Operating Expenses stood around PKR 48 billion, compared to PR 57 billion previously. This was primarily driven by the decrease in admin expenses which clocked at PKR 20 billion compared to PKR 31 billion last year, a drop of 35 percent. Therefore, both the components of operating expenses as ratios against GLP declined with personnel expense to GLP decreasing from 9.1 percent to 8.7 percent while the admin expense to GLP decreased from 11.1 percent to 6.6 percent.

Productivity

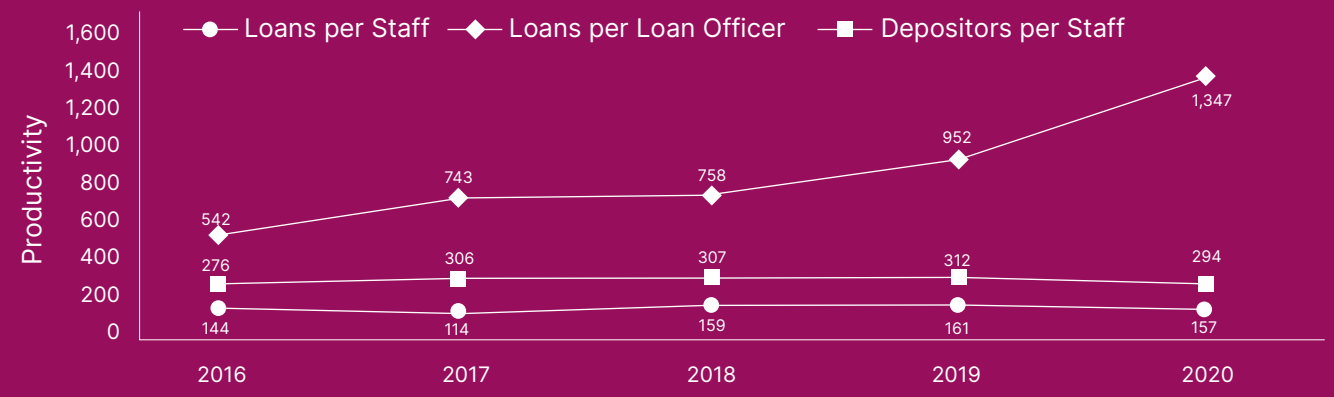
After a steady growth in the number of total staff employed by the industry, the figure finally declined by 3 percent this year to stand at 44,573. Out of this number, 23,756 were loan officer, which is around the same number last year. The Personnel Allocation ratio saw a marginal rise this year when compared with 2019 (Exhibit 2.37). By the end of the year, the ratio for MFBs improved from 44.3 percent to 46.1 percent, whereas it stood at 61.9 percent for NBMFCs.

Exhibit 2.37: Trend in Personnel Allocation Ratio



The productivity indicators over the last few years indicated a general growth, while some indicators represented stability in the ratios (Exhibit 2.38), up till now. The borrowers per staff ratio fell from 161 to 157 by the year end. This also led to a decrease in the borrowers per loan officer from 312 in 2019 to 294 by 2020. In terms of peer groups, the borrowers per staff for MFBs stood at 152 and the loans per loan officer were recorded at 329. In the case of NBMFCs, the loans per staff clocked at 163 and the loans per loan officer were 263. In contrast, on the deposit side, the growth in deposits bore fruit as the number of depositors per staff improved remarkably from 952 to 1,347 by the end of the year under review.

Exhibit 2.38: Staff Productivity



Credit Risk

The Portfolio at Risk > 30 days continues to remain below the 5 percent cut-off despite the adverse economic conditions and decline in credit outreach. The year saw the PAR > 30 days to GLP decline from 3.9 percent previously to 3.2 percent while the PAR > 90 days decreased from 2.6 percent to 2.0 percent. However, a surge in write offs was observed as the write offs to GLP increased from 3.1 percent to 4.6 percent by the end of 2020 (Exhibit 2.39 (a)). Exhibit 2.39 (b) shows the effect on Credit Risk ratios after ignoring the impact of TMFB, which remains an outlier for these ratios as well. It can be observed that the PAR>30 days ratio stood at 2.2 percent and 2.7 percent for 2019 and 2020. Similarly, write offs also declined substantially as the ratio declined 2.4 percent and 2.2 percent for 2019 and 2020, as compared to 3.1 percent and 4.6 percent for the same period with the inclusion of TMFB. The primary reason for the considerable impact of TMFB was the PKR 2.0 billion charge in credit impairment incurred during the period. The year also saw considerable restructuring and deferments of loans at the directions of the regulators given the moratoria due to the global health crisis. It was estimated that a total of PKR 100 billion worth of portfolio of the industry had been deferred or rescheduled during the year.

Exhibit 2.39 (a): Trend in Portfolio at Risk (PAR) and Write offs

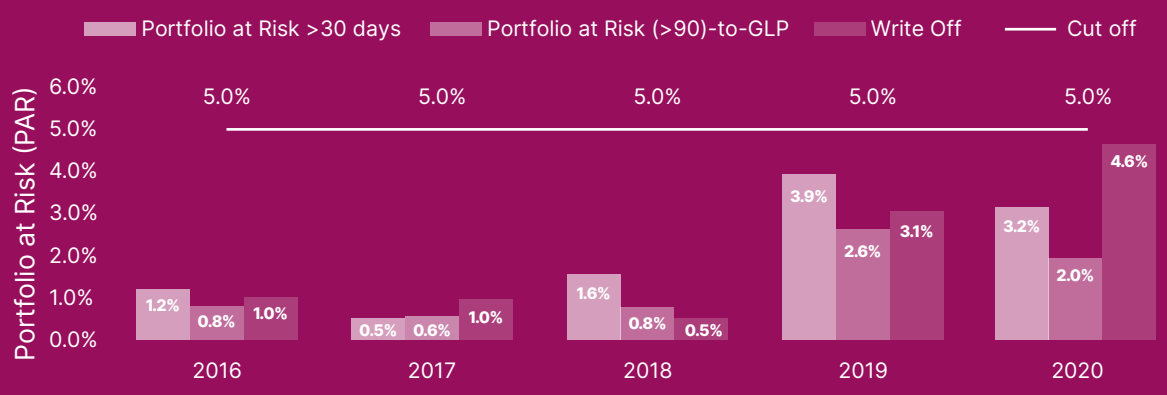
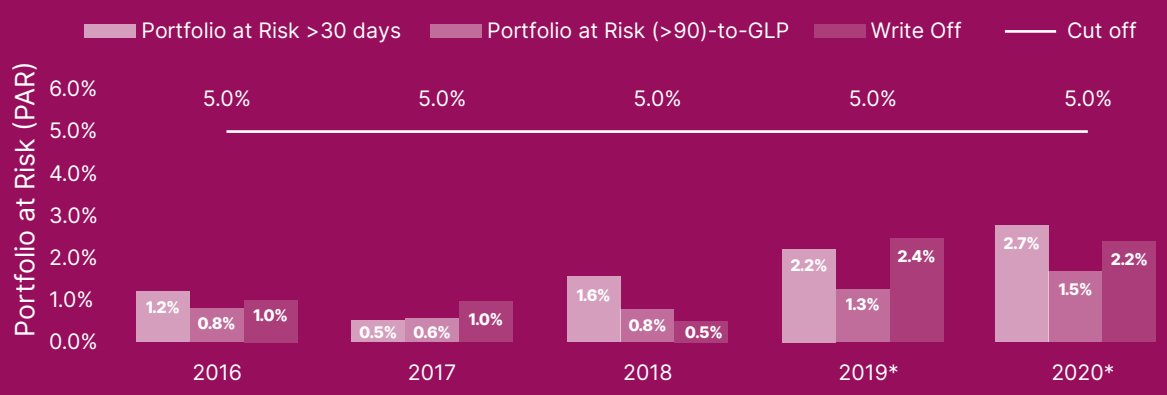


Exhibit 2.39 (b): Trend in Portfolio at Risk (PAR) and Write offs (*Without TMFB)



The decline in the credit risk indicators is derived from the decline in the PAR ratios for 30 days, which can be observed in Exhibit 2.40 (a). A breakdown by peer group indicated that the ratio declined for MFBs from 5.1 percent to 3.4 percent. While for NBMFCs it rose from 1.1 percent to 2.7 percent. In contrast, write offs to GLP increased for both peer groups as it rose sharply from 4.1 percent to 6.1 percent for MFBs and 0.5 percent to 0.9 percent in the case of NBMFCs. After ignoring the effects of TMFB, the PAR ratio declines from 5.1 percent to 2.8 percent in 2019 for MFBs and 3.4 percent to 2.7 percent in 2020. Similarly, write offs decline from 4.1 percent to 3.3 percent in 2019 and from 6.1 to 2.7 percent in 2020.

Exhibit 2.40 (a): Credit Risk by Peer Group

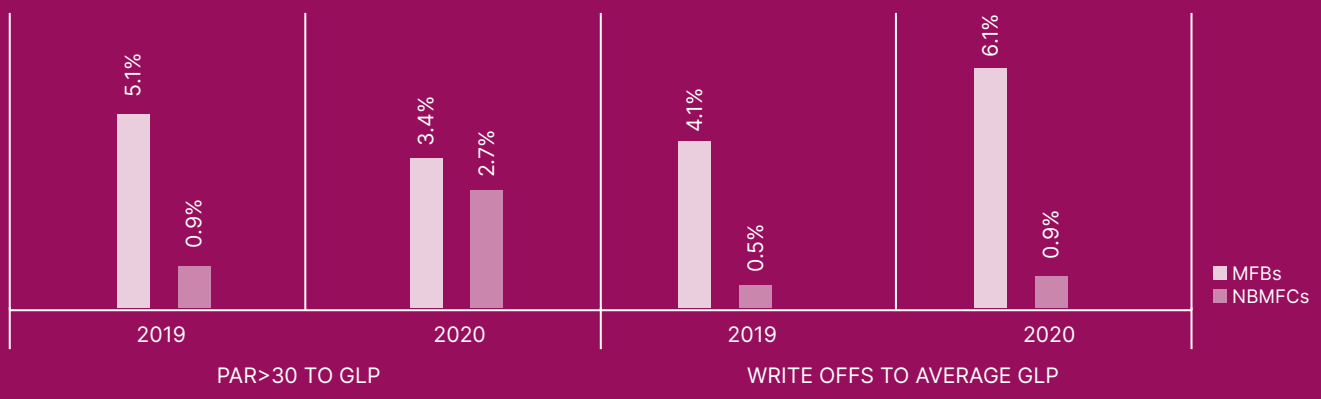
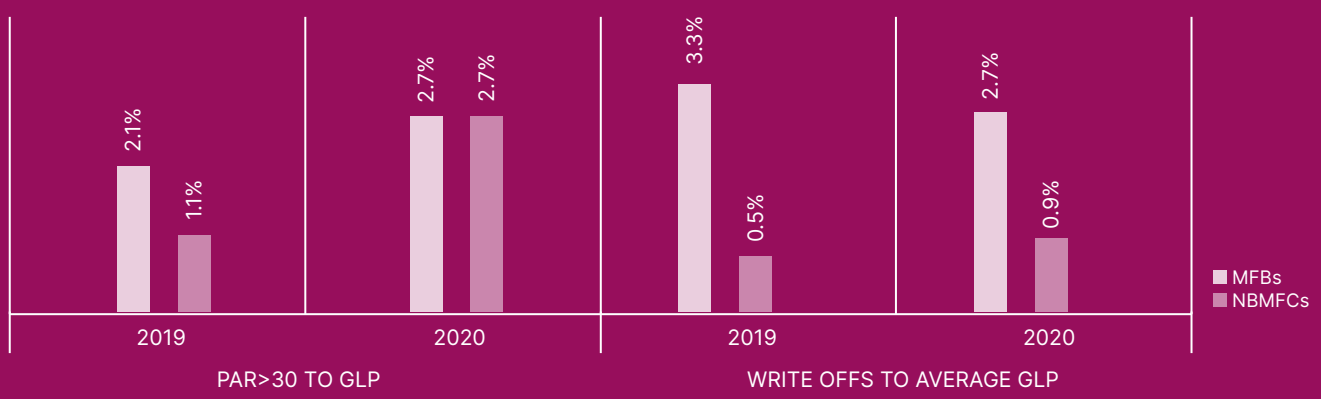


Exhibit 2.40 (b): Credit Risk by Peer Group (*Without TMFB)



Conclusion

The year 2020 was a challenging year for the industry due to the Global Health Crisis. Growth in outreach in the industry was affected by the adverse situation. Despite growing in double digit for nearly a decade the industry saw decline in numbers as active borrowers fell 7.44 million to 6.98 million. This was largely due to the fact that players facilitated their clients by deferring and rescheduling of the loans.

Despite the decrease in active borrowers, the GLP of the industry saw a modest increase backed increasing loan sizes. However, deposits and depositors continued to grow and remained unaffected by the pandemic. Similarly, the asset base of the industry grew by 25 percent though it was skewed in the favor of the MFBs. It was revealed that players were well capitalized including the NBMFCs, while deposits continued to be the main source of funds for MFBs.

Revenues for the industry remained the same as previous year but despite this, the industry remained in red. However, similar to the prior year, this was due to the loss incurred by one entity. The costs ratios continued to decrease along with the yield on portfolio, which also witnessed a decline.

Though the credit risk of the sector remained stable i.e. below the 5 percent benchmark, a substantial chunk of the GLP consisted of deferred and rescheduled loans. It is likely that the risks can increase for the sector once these loans come close to maturity. Profitability, growth and quality of portfolio in the coming year shall be determined by the extent of repayment of these loans.

Section

03

Social Performance Review

The microfinance sector in Pakistan has been dedicated towards improving access to economic opportunities and growth for the marginalized segments of the population. The sector has not deviated from addressing the special needs of its clientele and this includes incorporating Social Performance Management in its processes, operations, and practices with a focus towards stable financial inclusion. Social Performance Management is an indication of how well a microfinance institution meets the social goals outlined in its mission and vision. Thus, social performance is captured through a range of indicators including target market, governance policies, client protection, products and services offered and policies on environmental conservation.

Improving access to financial services is inadequate without considering social and developmental areas of improvement. These areas have been a priority for Microfinance Providers (MFPs) as evidenced by their engagement in a number of social and development initiatives like increasing access to financial services, development of start-up and existing enterprises, poverty alleviation, employment generation, and promoting gender equality. Not only do MFPs buttress the microfinance sector through these initiatives, MFPs use these indicators to assess progress towards achieving their respective social and development goals. Progress of social performance indicators is thus, closely monitored to manage the financial as well as social and development bottom line.

The next section will present an overview of the key social performance indicators used for monitoring by the microfinance sector in Pakistan. In this section, the industry trends across various Social Performance (SP) indicators like social goals, poverty targets, governance & HR, diversity in financial and non-financial service provision, client protection and environmental protection will be analyzed.

Analysis of the Sector's Social Performance Indicators

The Microfinance Information eXchange (MIX), in collaboration with the Social Performance Task Force (SPTF), has developed an annual social performance reporting framework for MFPs. The framework categorizes social performance into five main categories and includes a comprehensive set of indicators on institutions' social goals, target segments, governance and HR practices, financial and non-financial services and environmental safeguard. As self-reported data, the MIX framework allows MFPs to select multiple categories that are applicable to their respective institution. For example, within the 'target population sub-section, an MFP may report to targeting all or none of the following; 'women', 'clients living in the urban area', 'youth and adolescents' and 'clients living in the rural areas' categories if those are applicable to their practices.

At the time of this publication, 31 PMN members have reported their organizational data using the new MIX social performance framework. The PMN members that have reported the data include 10 Microfinance Banks (MFBs) and 21 Non-Bank Microfinance Companies (NBMFCs).

Social Goals

Target Market

The target market defines the type of clientele being served by the MFPs. The social performance reporting framework highlights four main categories in the target market section which are "clients living in rural areas", "clients living in urban areas", "women", and "adolescent and youth".

Having a target market helps the organization channel its overall goal and mission in a focused manner and can help to optimize the use of their limited resources. Providing services that are relevant, client oriented and effective in serving an organization's mission requires a thorough identification of the target market.

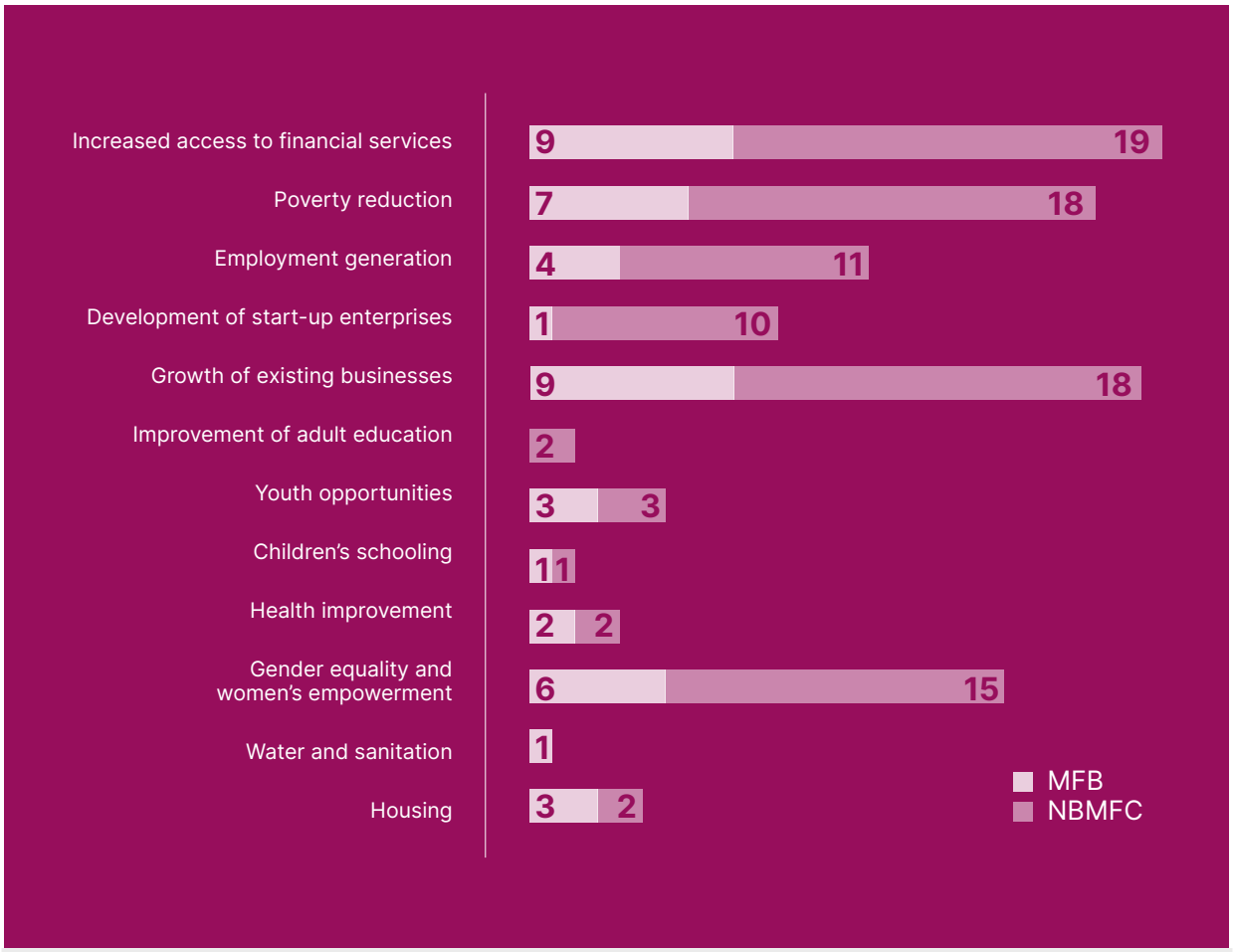
Exhibit 3.1: Target Market for Peer Groups

MFPs target markets by peer group which are highlighted in Exhibit 3.1 Out of 10 reporting MFBs, the majority cited multiple targets, including clients living in rural areas and clients living in urban areas. 8 of the 10 also reported extending services to women. Of the 21 reporting NBMFCs, all of them target clients in rural areas, with a majority targeting client in urban areas and women. Overall, clients are targeted based on gender and location, with a specific preference for women in most cases, with some non-bank MFPs lending exclusively to women. There is 100% coverage of rural areas by all MFPs, 94% outreach to urban areas and 84% outreach to women as a specific target market. Recent data suggests a decrease in focus towards catering to women. This maybe a consequence of Covid-19 temporarily shifting priorities.

Development Goals

The data analysis of MFPs' social performance indicators shows that all MFPs have social development goals at the foundation of their mission. The most common mission statements include a focus on expanding the reach of quality financial services to the lower-income population, contributing to poverty eradication, jumpstarting businesses, and spurring gender equality and empowerment. By focusing on these medium-term goals, the overarching goal is to improve the quality of life of the population, socially and economically. Themes of poverty alleviation, increased access to finance and expansion of economic opportunities are more common elements in non-bank MFPs. Employment generation and encouraging startup enterprises is also seen as a frequently occurring theme as well. The MFPs are seen to have explicitly designed products, services, and procedures to achieve their social goals.

Exhibit 3.2: Development Goals

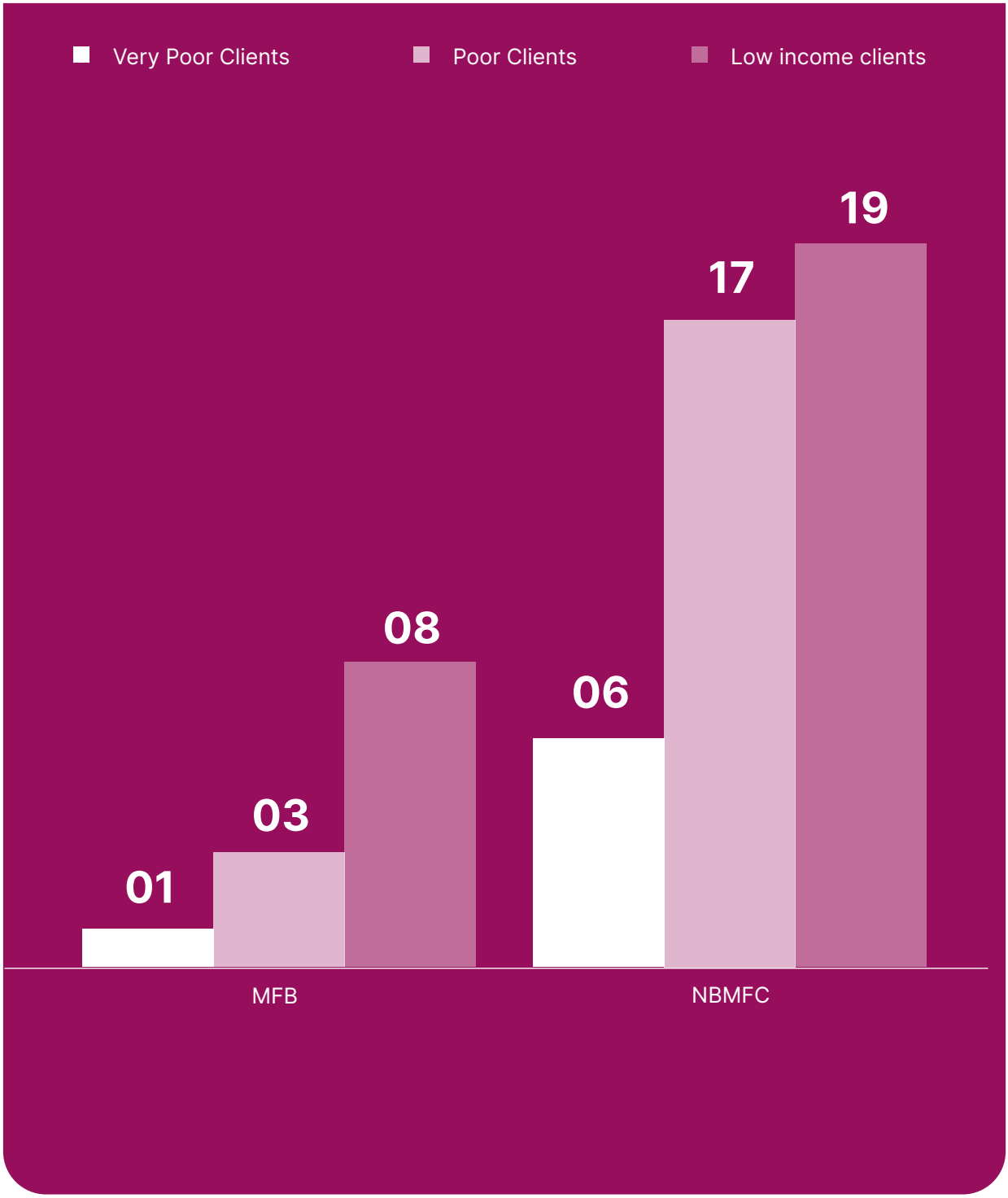


The most common objectives were found out to be increased access to financial services by 28 MFPs closely followed by growth of existing businesses by 27 MFPs. Other commonly cited objectives included poverty reduction (25), gender equality and women's empowerment (21), and employment generation (14). Supporting the development of start-up enterprises is still a priority as 11 MFPs report it as part of their development goals.

Poverty Targeting

Almost all reporting MFPs target more than one segment of the marginalized population. Overall, the most common target market for the sector in terms of income is low-income clients with 27 reporting MFPs citing this as their target market. A smaller number of 20 MFPs is seen to target poor clients, while only 7 MFPs reported targeting very poor clients. A relatively higher number of NBMFCs are seen to lend primarily to very poor and poor income clients compared to MFBs.

Exhibit 3.3: Poverty Targets

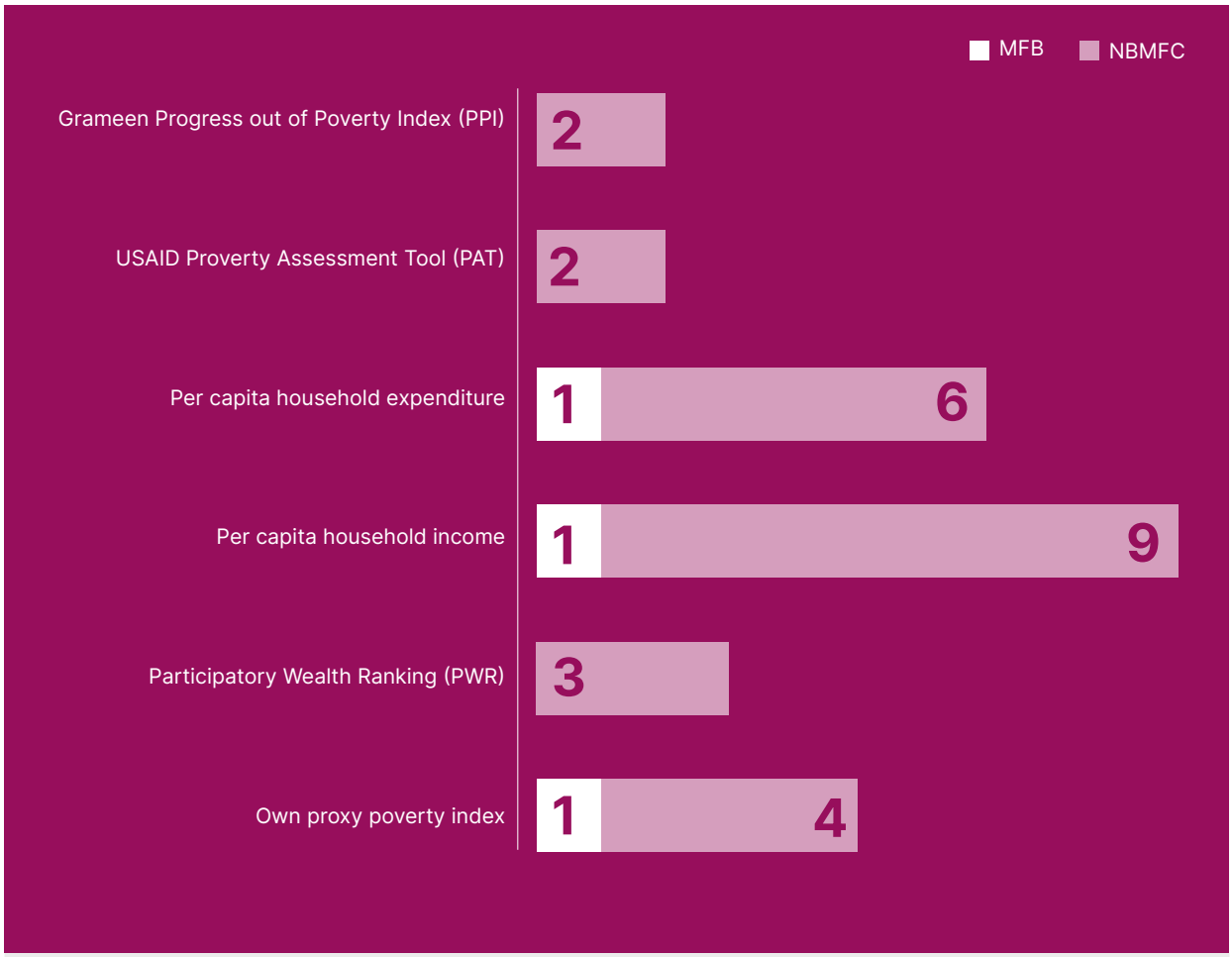


Poverty Measurement Tools

Many MFPs in Pakistan's microfinance sector have established poverty measuring processes in their operations. These tools measure the intensity of poverty within a defined area by using a relevant dimension and indicator, determining a threshold level, and selecting a poverty measure for reporting. Various tools collect economic, social, and/or other types of wellbeing indicators from clients for the purpose of determining and/or tracking these clients' poverty levels.

Assessing and analyzing the poverty level of clients helps guide client targeting, establish baselines of client poverty for subsequent impact evaluations, appraisal of financial services to better suit needs of clients and overall measurement of the program's effectiveness.

Exhibit 3.4: Poverty Assessment Tools Used by MFPs



Some reporting MFPs employ only one method to measure poverty levels while others use multiple assessment tools, as shown in Exhibit 3.4. A higher number of MFPs report use of the per capita household income metric (10), followed by per capita household expenditure (7) and the use of their own proxy poverty index (5). Other infrequent but used measures include Participatory Wealth Ranking, Grameen Progress out of Poverty Index, and the USAID Poverty Assessment Tool.

Governance and HR

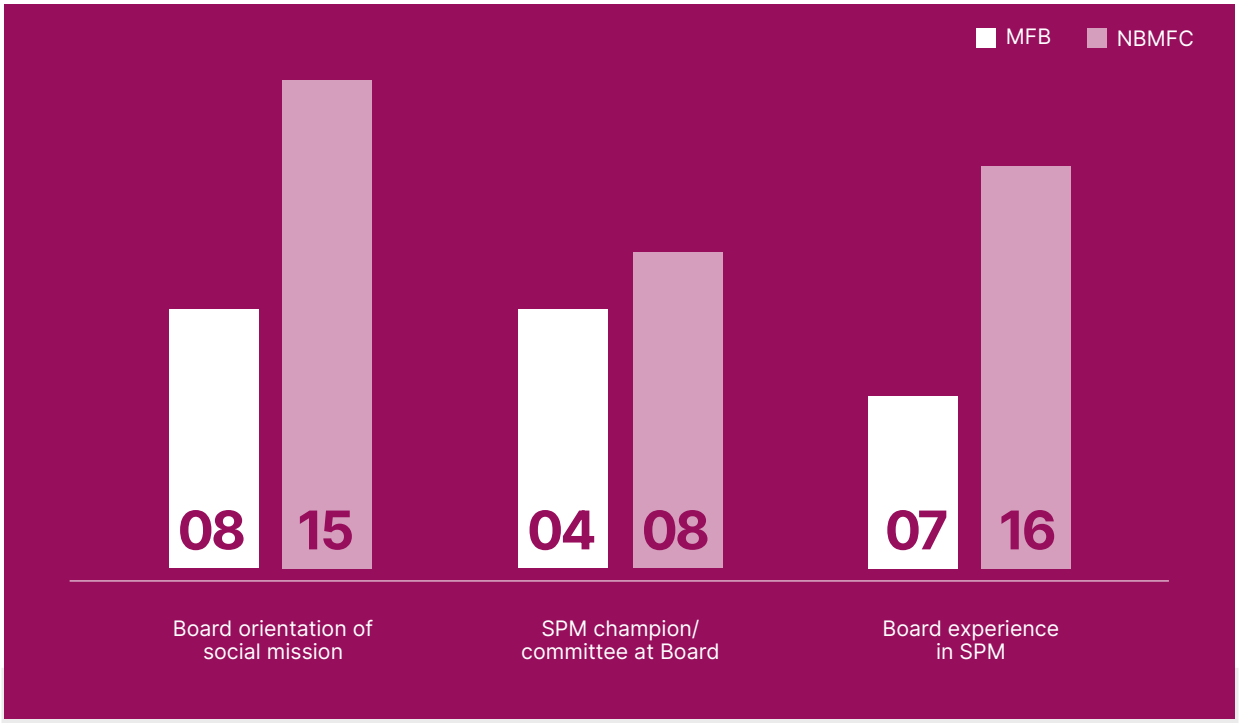
Governance and HR practices are considered imperative to complement the overall social mission of microfinance practitioners. Two standards of the USSPM pertain to Governance and Human Resource (HR) Management, indicating policy design to further the organizations' social goals. The rationale behind incorporating social performance indicators in governance and HR structures is to allow MFPs to gauge commitment to their social development goals at the institutional level.

Board Commitment to Social Performance Management

Ensuring commitment to social goals in the governance structure entails sensitization of board members to the social mission of the MFP, the presence of a Social Performance (SP) champion at the board level and board members with relevant experience in Social Performance Management.

To this end, majority of the reporting institutions have reported conducting board orientation for their respective social missions.

Exhibit 3.5: Board Commitment to Social Performance Management



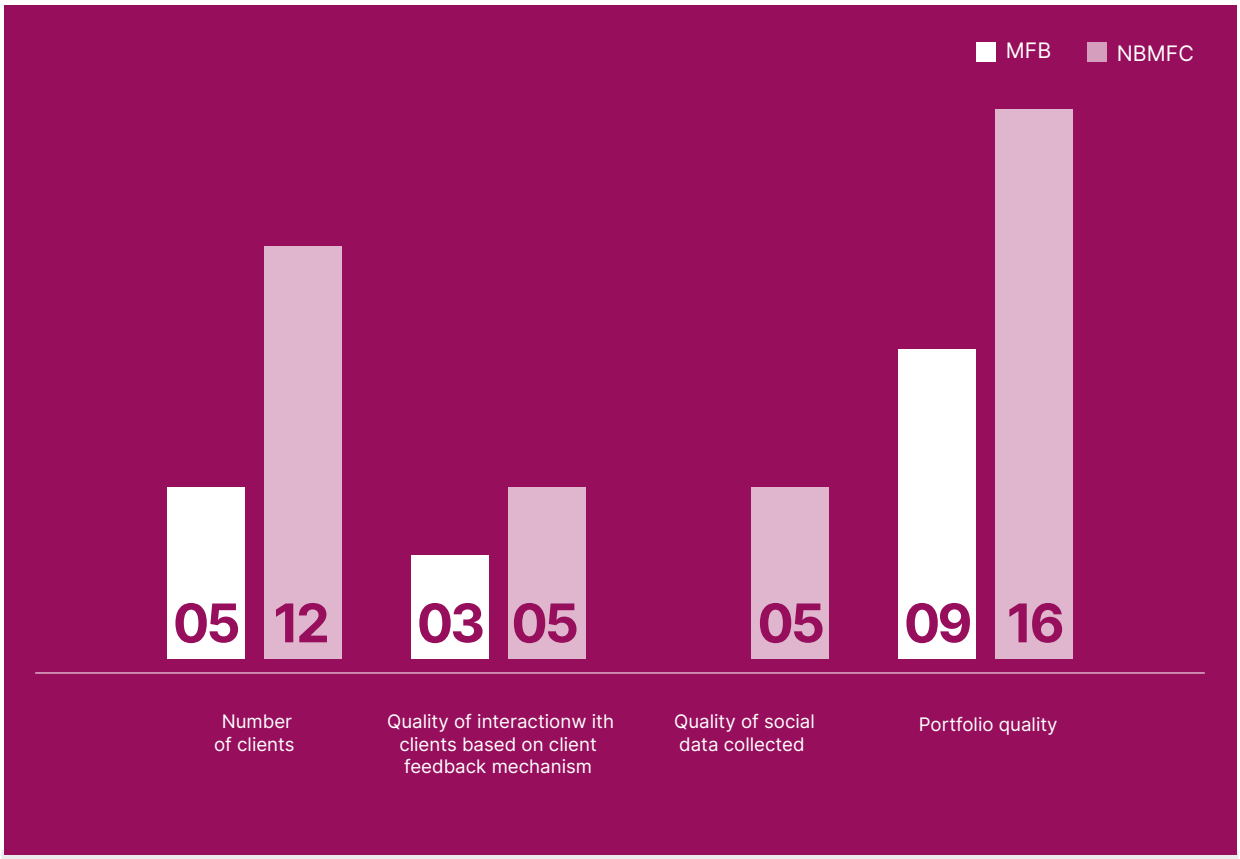
9 of the 10 reporting MFBs said that their board members are oriented on the organization's social mission while 17 out of 21 NBMFCs reported that orientation session is carried out for their board members.

Similarly, 9 out of 10 MFBs reported that they have an SPM champion or a committee at the board level with 11 out of 21 NBMFCs reporting the same. With regards to the experience of board members in SPM, 6 of 10 MFBs and 14 out of 21 NBMFCs reported compliance on this indicator.

HR Practices

With regards to HR practices pertaining to social goals, this assessment tool measures if staff incentives are related to social performance, how number of clients are incentivized and whether HR policies are related to Social Performance. The last section shows the average percentage of female representation at different levels in the microfinance institutions.

Exhibit 3.6: Staff Incentives Related to SPM

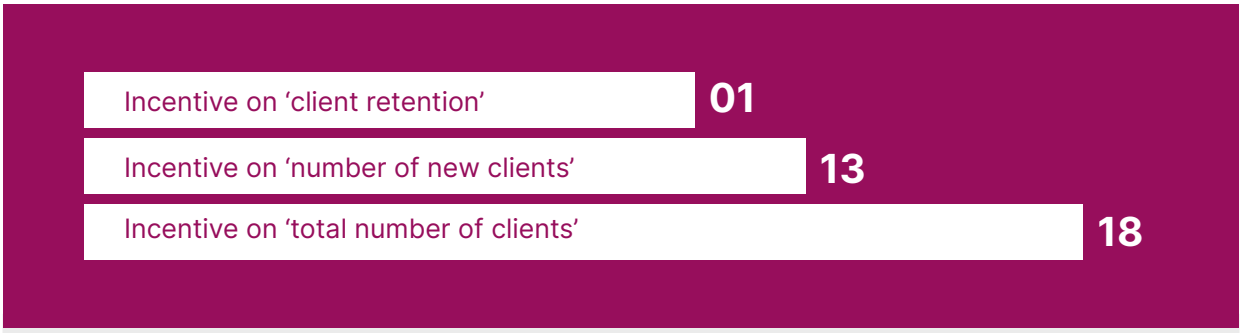


Staff incentives measure the MFPs' adherence to social performance as per the number of clients entertained by the field staff, the quality of interaction with clients based on client feedback mechanisms, quality of social data collected and/or the portfolio quality maintained by field staff.

Amongst the MFB peer group, 5 out 10 MFBs reported that their staff incentive was linked to the number of clients and 9 MFBs reported that their incentive structure was linked to portfolio quality. Only 3 MFBs reported that the quality of interaction of their staff with the clients was also linked to staff incentives while none of the MFBs reported in the affirmative for quality of social data collected for the same.

Amongst the NBMFC peer group, 12 out of 21 NBMFCs reported that their incentive structure was linked to the number of clients while 16 NBMFCs reported that the incentive structure was linked to the portfolio quality.

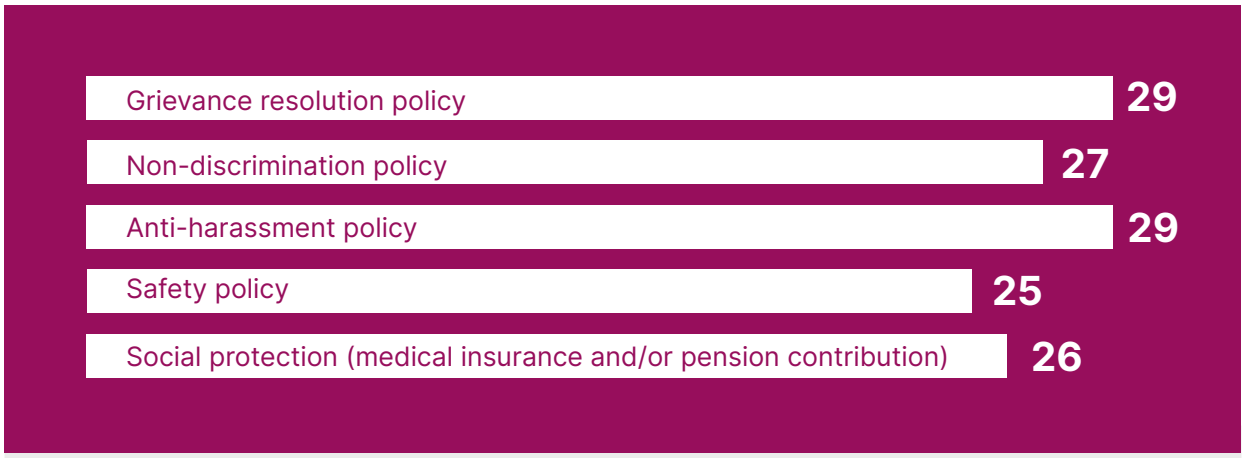
Exhibit 3.7: Methods for Calculating Staff Incentives



The second aspect measures how MFPs reward staff based on metrics of social performance; incentives or bonus systems are tied (in whole or in part) to the number of clients in field officers' portfolios. These can be based on the total number of clients, number of clients meeting specific criteria and/or retaining existing clients.

Exhibit 3.7 shows that all MFPs use a combination of these measures for calculating staff incentives, with the most common being incentives related to "total number of clients" followed by number of new clients and client retention.

Exhibit 3.8: HR Policies Related to Social Performance



The third indicator encompasses the USSPM standards for responsible treatment of employees.

Exhibit 3.8. shows that all reporting MFPs have effective HR policies related to Social Performance with strong reporting on anti-harassment, staff grievance resolution, and non-discrimination. However, social protection seems to have fallen down the priority list compared to last year with only 26 of the MFPs citing having social protection policies in place such as medical insurance, pension contribution etc. Conversely, safety policy seems to have gained in priority compared to last year with 25 of the reporting 31 MFPs cited having any safety mechanism in place.

Exhibit 3.9: Average Percentage of Females in MFPs

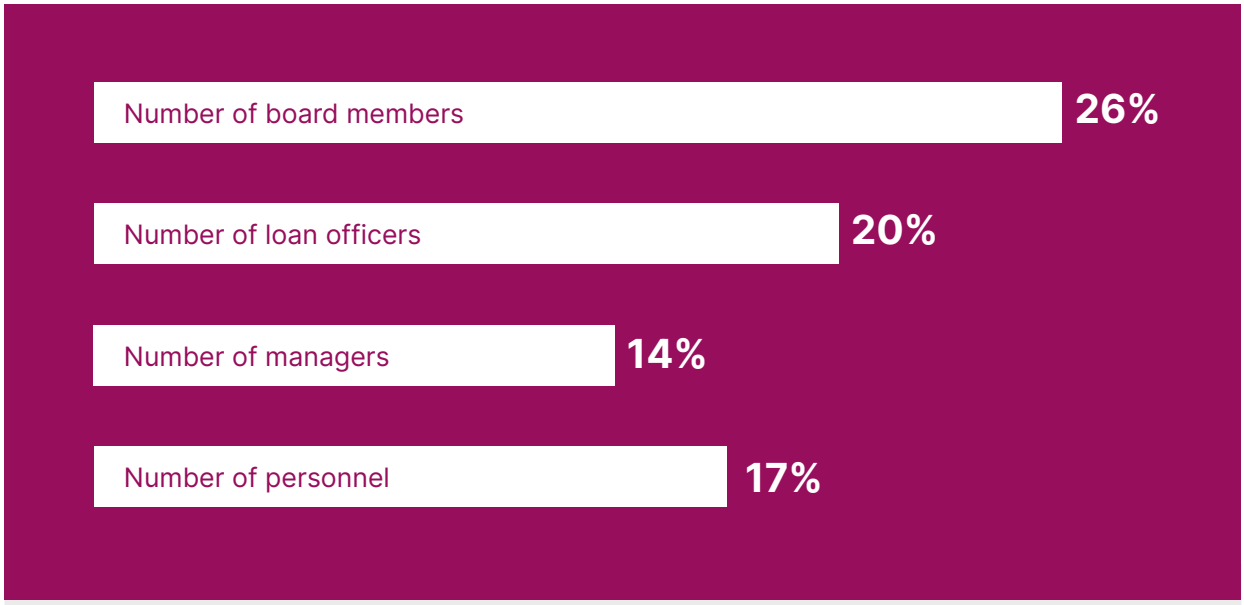


Exhibit 3.9 shows that there are on average 26% females who are board members, 20% females who are loan officers, 14% females who are managers and an overall 17% females form part of the personnel. These numbers have decreased from last year except for the number of managers, which rose by 1%. The data for this section was available for 28 MFPs, but it can be considered a representative sample since it includes all the major players in the industry.

Given that the microfinance industry is largely geared towards women borrowers, the sector itself does not have an adequate representation of women in day-to-day operations and management, even though it fares slightly better at the board level.

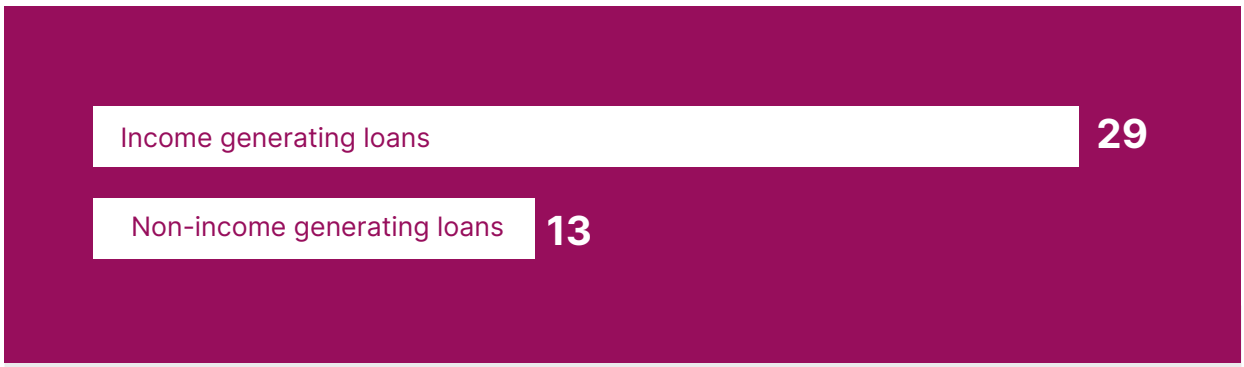
Products and Services: Financial

Microfinance encompasses a range of financial services for the low income and poor households, including savings, insurance and money transfer services along with credit. This section describes the further sub-division of these products to examine the level to which the financial products and services are adapted to serve the client needs.

Credit

All reporting organizations offer microcredit services, for income generating purposes as well as for non-income generating (consumption) purposes.

Exhibit 3.10: Types of Credit Products Offered by MFPs



As Exhibit 3.10 shows, 29 of the reporting MFPs offer income-generating loans, while only 13 MFPs offer non-income generating loans in addition to income-generating ones.

The income generating loans extended by MFPs include microenterprise loans, SME loans, agriculture/livestock loans and express loans. While for the non-income generating loans offered, the main categories include education loans, emergency loans, housing loans and other household consumption loans.

Exhibit 3.11: Credit Offerings by Peer Groups

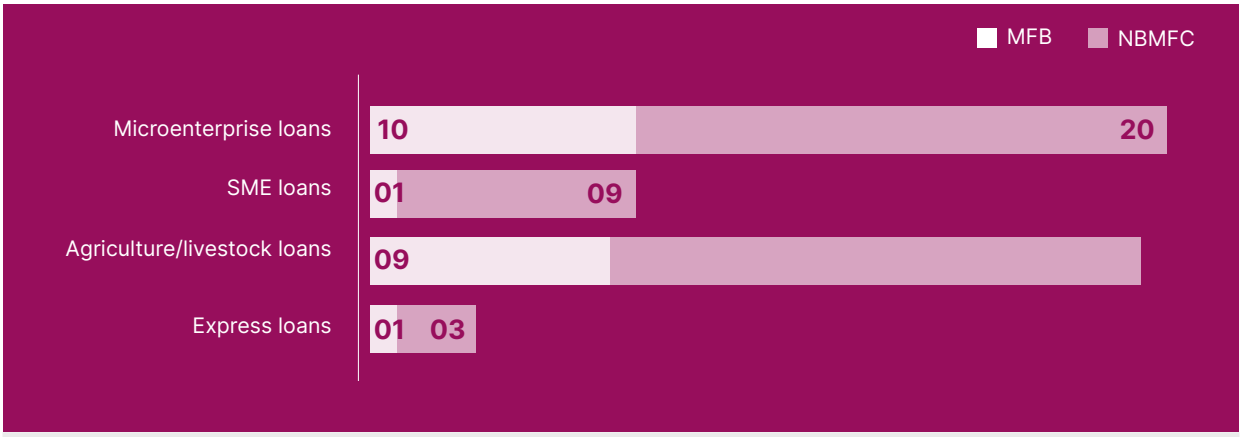


Exhibit 3.11. shows the comparison of MFBs, and NBMFCs with respect to the category of income generating loans offered to their clientele. Almost all reporting MFPs offer microenterprise loans and a majority also extend credit for agriculture/livestock loans while a growing number of MFPs offers SME and express loans.

Deposits

Given the regulatory structure in Pakistan for savings product/deposits, only MFBs can intermediate deposits and hence offer voluntary deposit accounts (both demand deposit accounts and time deposit accounts). Exhibit 3.12 shows that 8 of the 10 reporting MFBs offer either demand or time deposits or both.

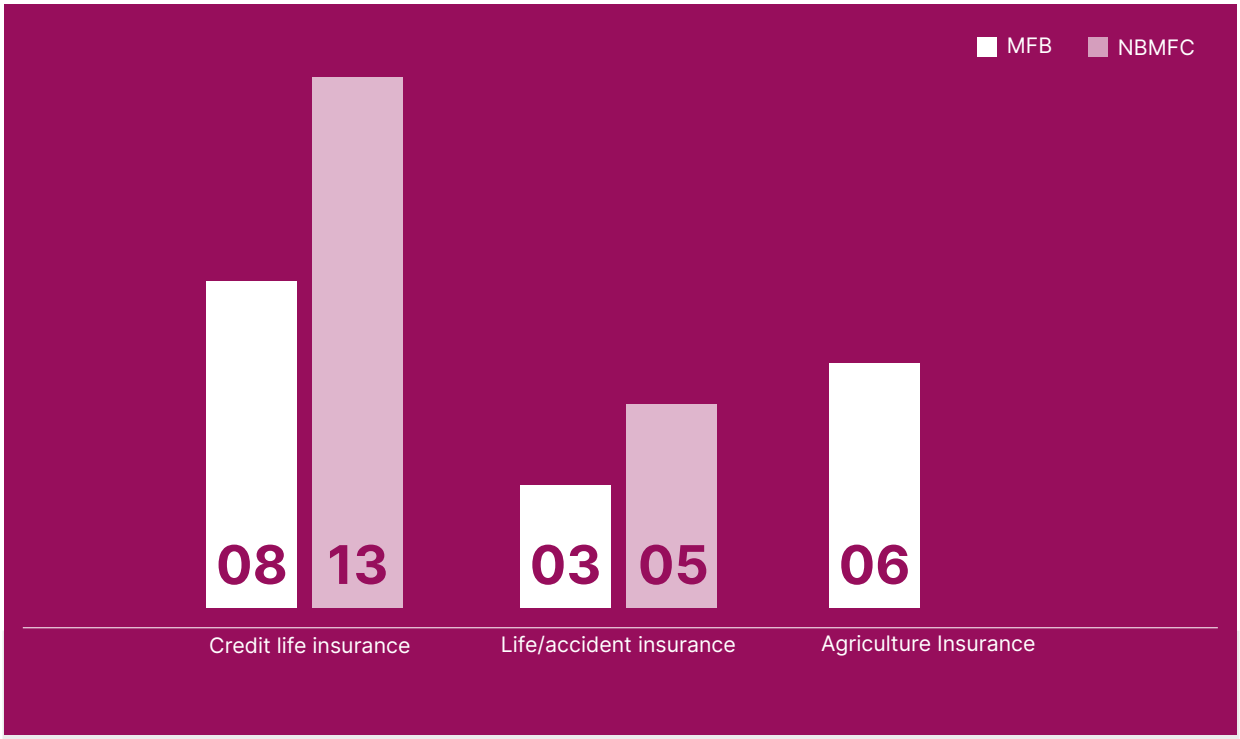
Exhibit 3.12: Savings Products Offering by MFPs

All MFBs, being regulated banks, are allowed to intermediate client deposits, and thus all reporting MFBs can take deposits. Non-bank MFPs can only mobilize deposits.

Insurance

Insurance products are increasingly gaining popularity among clients of the microfinance sector and there is sufficient demand for MFPs to offer these services. Various micro-insurance products are being developed and offered to serve the base of the pyramid. Most of the reporting MFPs offer insurance products to meet their clients' needs and to protect them against the risk of losses.

Exhibit 3.13: Types of Compulsory Insurance



As Exhibit 3.13 shows the most common compulsory insurance product offered by MFPs to its clients is the credit life insurance product, with 21 of 31 MFPs offering it: a number which has increased since last year. Other compulsory insurance products include life/accident insurance and agriculture insurance.

Some MFPs offer voluntary insurance products on a needs-basis to customers through partnerships with insurance providers. While most MFBs offer compulsory insurance, there are a few that offer voluntary insurance products as well.

Exhibit 3.14: Types of Voluntary Insurance

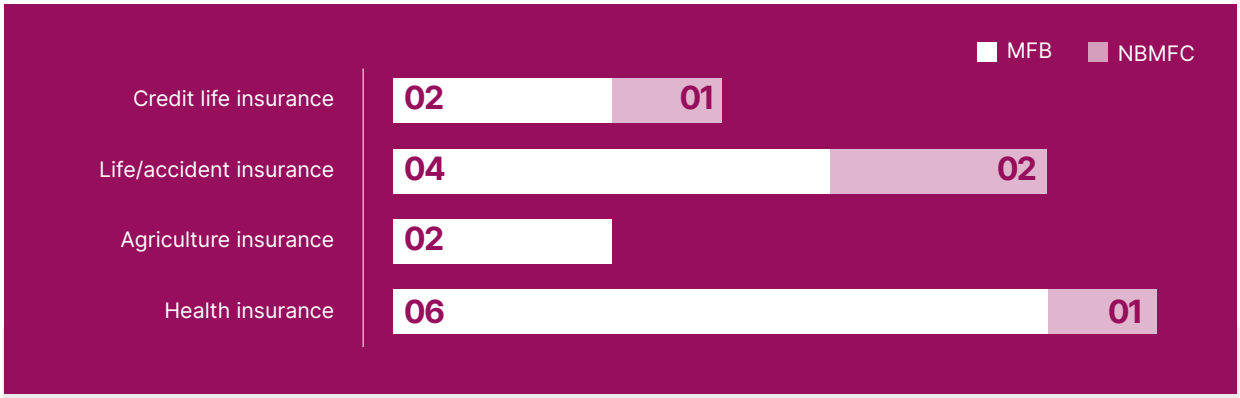
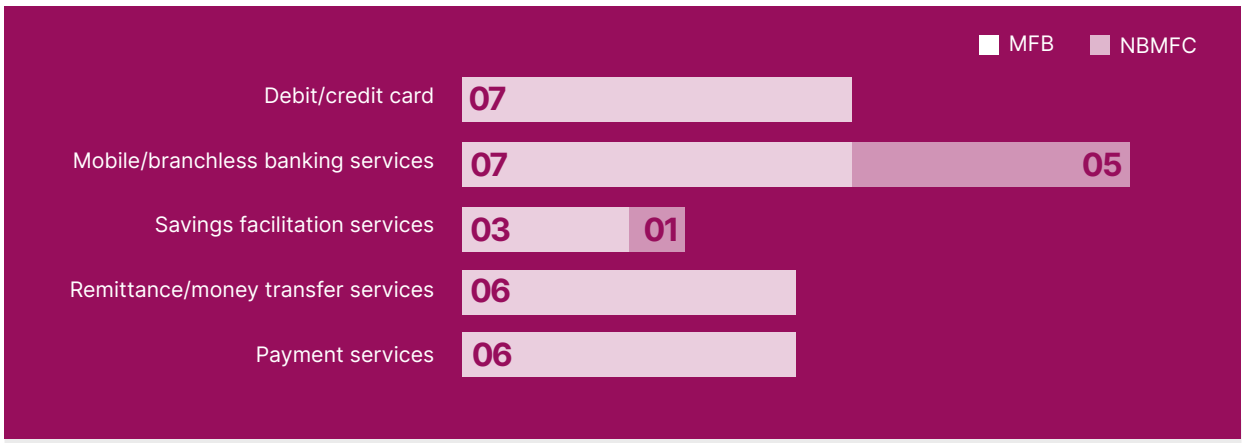


Exhibit 3.14. shows that voluntary insurance products include credit life insurance, life/accident insurance, agriculture insurance and health insurance. Most voluntary insurances are offered by MFBs with only one type of voluntary insurance being offered by NBMFCs: Credit life insurance. Interestingly, the number of MFBs offering voluntary health insurance increased during the FY 2020 which may be attributed to the current pandemic.

Other Financial Services Offered

Other financial services offered by MFPs include provision of debit/credit card, mobile/branchless banking services, savings facilitations services, remittance/money transfer services, payment services, micro-leasing, and scholarship/educational grants. Exhibit 3.15 shows that amongst the MFPs, the main provider of these financial services is the MFB peer group with the most common financial services of debit/credit card, branchless banking, payment, and money transfer services being extended to the clients.

Exhibit 3.15: Types of Financial Services Offered



However, some NBMFCs are also offering clients other services such as, mobile/branchless banking services while some are extending support to clients through savings facilitation.

Products and Services: Non-financial

NBMFCs usually provide non-financial services to their clients, in addition to financial services. These non-financial services are offered by MFPs to build the capacity of their clients to fight poverty and strengthen their livelihoods. These services can include education related to running a business, provision of entrepreneurial skills and women empowerment among others. Non-financial services can be offered by the institution directly or through a partnership.

The range of skills given differs for each institution, depending on their capacity and vision, but the overarching purpose remains helping clients develop additional skills in supporting their enterprises. These can take the form of provision of basic services like health and education or business and/or technical skills trainings. For the purpose of this analysis, these services are grouped into four main categories: enterprise, education, health and women's empowerment.

Contrary to the MFBs having a lead in provision of other financial services, NBMFCs are more active in providing all types of non-financial services in the market; especially those committed to a particular social mission (see Exhibit 3.16.).

Exhibit 3.16: Non-Financial Services Offered

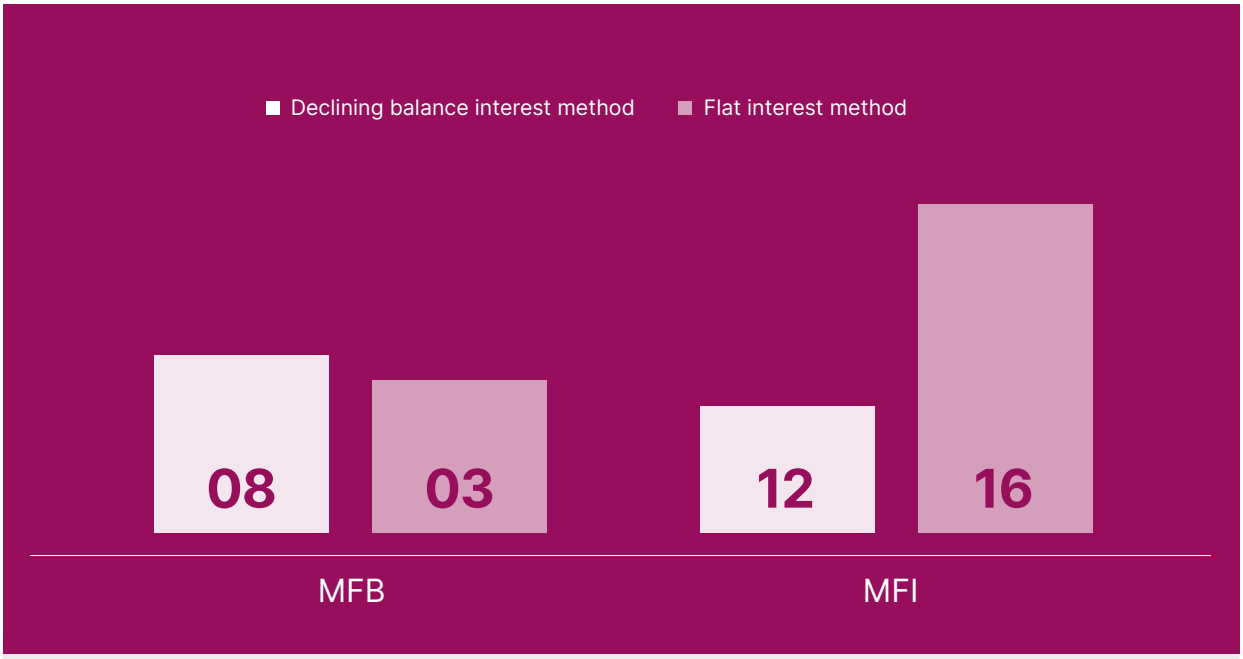
The MFB peer group has primarily concentrated its efforts in provision of education services with a focus on financial literacy education. The most common service provided by NBMFCs includes education and women's empowerment services followed by enterprise and health services. A handful of NBMFCs also offer health services like basic medical and special medical services for women and children.

Transparency of Cost

Ensuring pricing transparency is a primary responsibility of the financial service provider. It is considered an essential requisite for sound consumer protection, social performance, and responsible microfinance. The microfinance sector at large is making efforts to disclose this information to the borrowers in a standardized way which allows comparison and simplifies the process of decision making.

As of 2020, 20 MFPs reported using the declining balance method for calculating interest rates

Exhibit 3.17: Method to State Service Cost by Peer Group



while 19 reported using the flat methodology for interest rate calculation. It is seen that a significant number of MFPs in Pakistan continue to use the flat methodology to communicate prices to clients – where interest rate is communicated on the basis of the stated initial principal amount of the loan irrespective of the payment plan. The number of MFPs offering flat interest rates has decreased somewhat whereas the number of MFPs offering declining balance has increased compared to last year. This shift towards declining balance method is encouraging as the interest calculated through this method is based on the amount of the loan principal which the borrower has not yet repaid thus, reducing the burden of interest payment on borrowers and leading to greater economic empowerment.

All MFBs in Pakistan are required by SBP to disclose the interest cost to the borrower. Exhibit 3.17. shows that 8 MFBs use the declining balance interest method and 3 MFBs use the flat interest method. It is also seen that 12 NBMFCs use the declining balance interest method while 16 NBMFCs use the flat interest method.

Client Protection (CP)

There are seven all-encompassing principles of client protection developed by the SMART Campaign: An international consortium of microfinance stakeholders focusing on pricing transparency, which include the following:

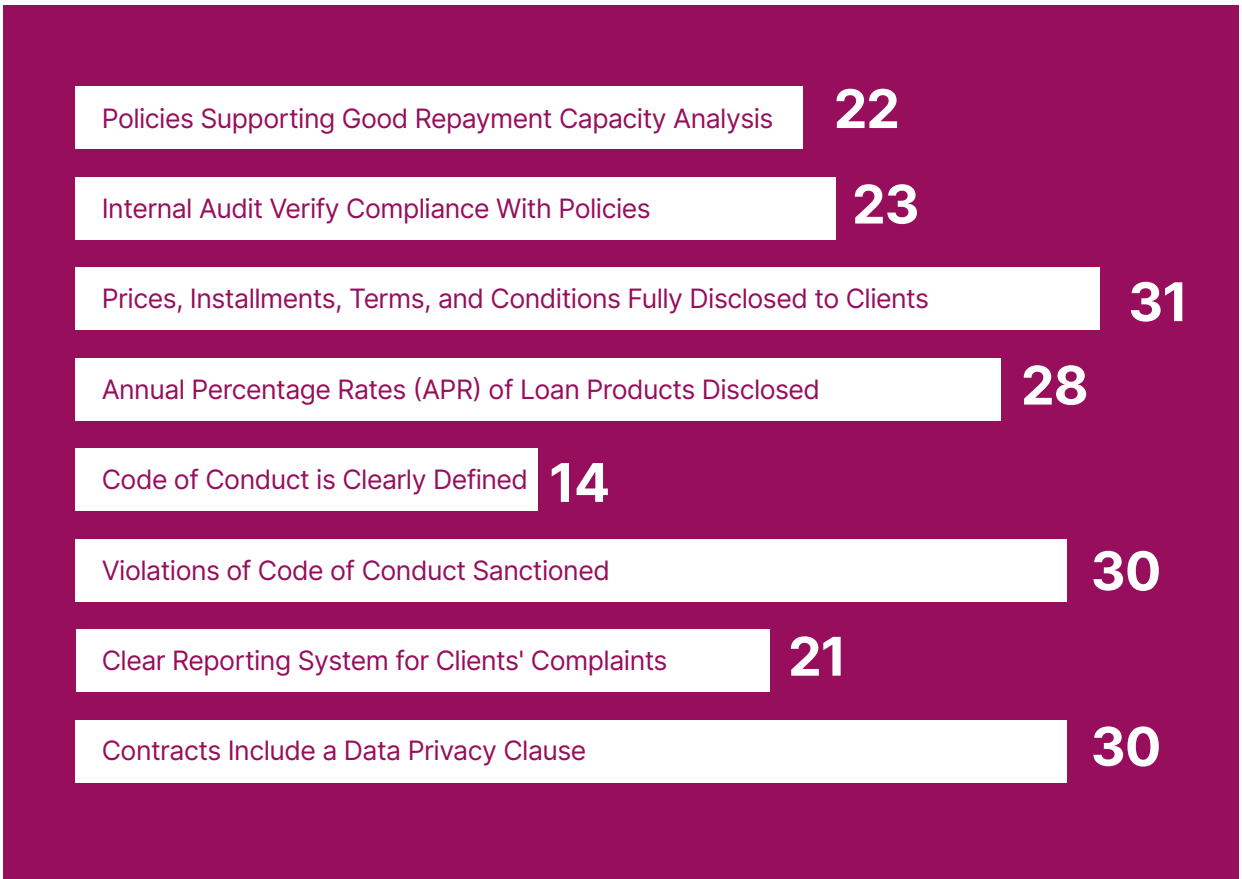
- Appropriate product design and delivery
- Prevention of over-indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment of clients
- Privacy of client data
- Mechanisms for complaint resolution

For analysis of the sector with respect to client protection, the parameters included presence of policies supporting good repayment capacity analysis, internal audit compliance, full pricing terms disclosure, APR disclosure, CP code of conduct violations, clear reporting systems and data privacy clauses.

Overall, the sector shows positive compliance to CP principles, particularly with all reporting MFPs showing compliance on disclosure of prices and APR and contracts including data privacy clauses. Most MFPs also have defined codes of conduct and clear reporting systems for clients' complaints.

Due to the regulatory framework, instituted by State Bank, under which MFBs fall, all reporting banks show full compliance to the basic CP indicators however, Code of Conduct definition needs to be fully defined for many.

Exhibit 3.18: Client Protection Indicators



Environmental Policies

In recent years, the objective of achieving a triple bottom-line by incorporating environmental and social performance management in addition to the financial goals has gained traction; this incorporates meeting a target of environmental and social goals in addition to the financial targets. This assessment looks at indicators which are broadly classified into two main categories, namely the presence of environmental policies and types of environmentally friendly products and/or services offered.

These environmental policies refer to MFPs promoting awareness on environmental impacts, having the necessary tools to evaluate environmental risks of client's activities and products including clauses in loan contracts to ensure mitigation of environmental risks through the clients' businesses and specific loans linked to environmentally friendly products.

Exhibit 3.19: Environmental Policies in Place

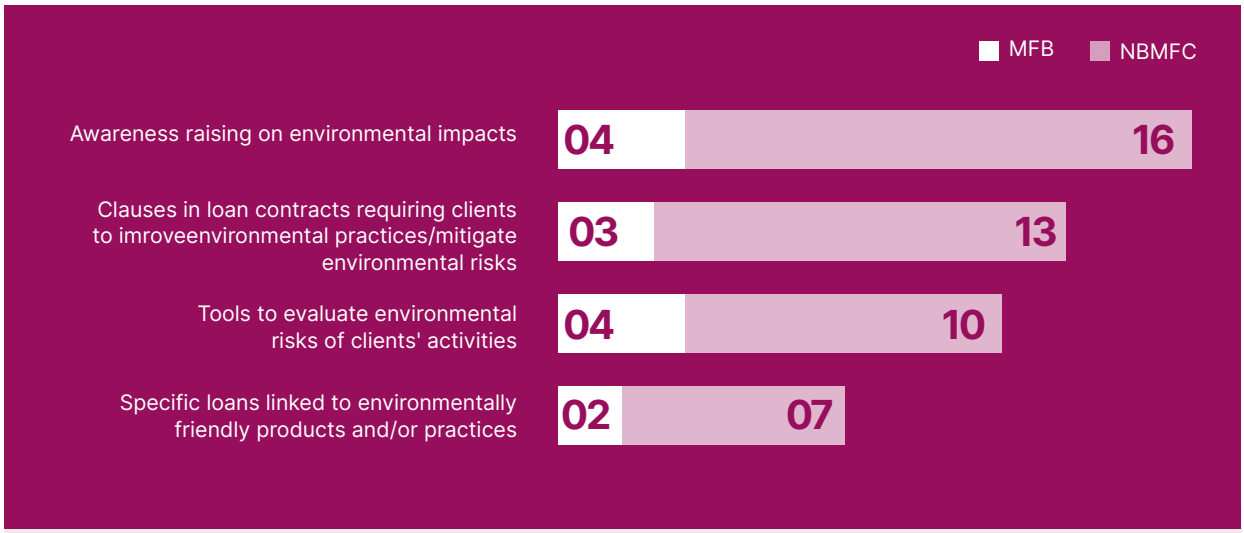


Exhibit 3.19. shows that a significant number of NBMFCs have policies in place to promote environmental protection. The most common area within the domains of environment being addressed by NBMFCs are 'awareness raising on environmental impacts' and requiring clients to improve environmental practices as a total of 16 NBMFCs are working on the former whereas 13 NBMFCs are working on the later.

At sector level, as evident from Exhibit 3.19. there is a growing focus on developing tools to evaluate environmental risks of clients as well as on provision of specific loans linked to environmentally friendly products and/or practices.

Exhibit 3.20: Environmentally Friendly Products/Services Offered

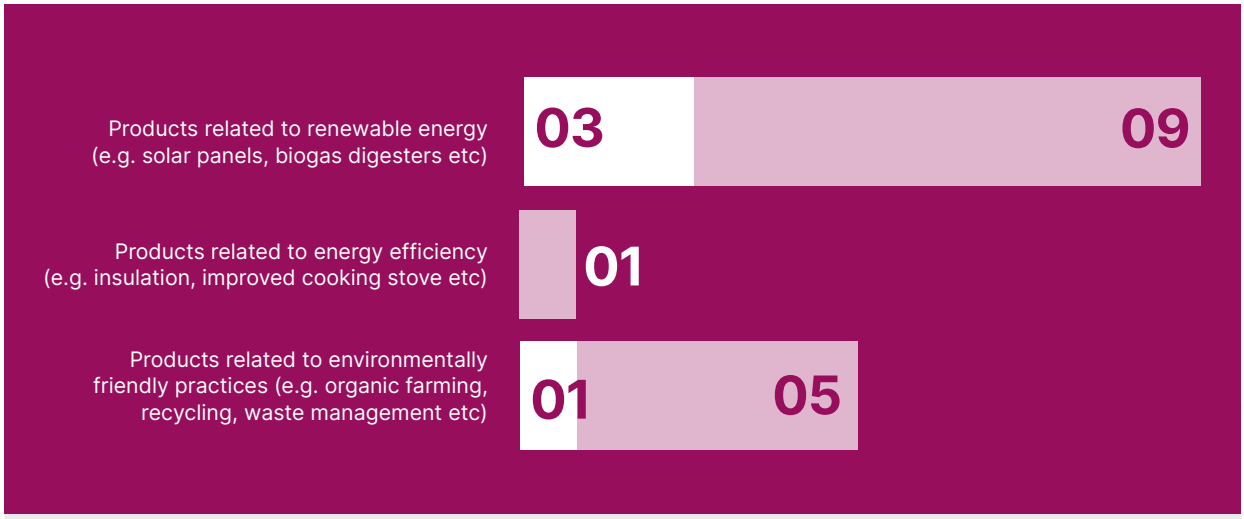


Exhibit 3.20. shows that within the category of providing environmentally friendly loans, the most common loan product being offered relates to renewable energy with a total of 12 MFPs focusing on this aspect. A rising number of MFPs is also focusing on loan products for adopting environmentally friendly practices, however, more focus needs to be given to products related to energy efficiency.

Conclusion

The analysis of the current section shows that there is continued strong commitment towards improving the social performance thus addressing the needs of the various marginalized segments of the society. For most indicators, the sector shows a positive trend especially for board commitment towards social performance management and HR polices. These institutional level indicators hint at regular supervision, reporting and monitoring of social performance indicators at the highest level to ensure compliance in management and operations. There is, however, a need for the sector to pursue an active policy of increasing representation of women at all levels of operations. This would not only increase women employment, but it will strengthen microfinance industry image as an equal employment opportunity sector. Furthermore, it may also lead to better policies and products being introduced that are designed to better fit the needs of women borrowers/clients.

Regarding the target market, microfinance covers a significant portion of the poor and low-income segments in urban and rural areas with some focus on very poor clients as well. Aside for poverty alleviation, improved access to financial services and growth of existing businesses, the sector also actively focuses on women empowerment through specially designed products and services. However, there are certain underrepresented, underserved segments such as the adolescent and youth, transgenders, and persons with disabilities. There is a significant market particularly in the youth cohort to expand to and customizing products and services for these segments could go a long way in meeting the goal of universal financial inclusion.

The sector has the potential to contribute significantly towards providing the lower-income sector with insurance products. There is a need to expand insurance services to cover the wider set of risks that vulnerable clients face, particularly those associated with the agricultural sector, where due to climate change, the vulnerabilities of poor farmers are exacerbated manifold. The recent pandemic, floods and locusts' attacks have particularly impacted the population in the low-income segment thus there is a need for the insurance products that can provide a buffer against such shocks. MFPs can customize and increase the range and volume of insurance products offered to cater to the insurance needs of its clients. Furthermore, MFPs should also raise awareness around the benefits and usage of existing and new insurance products to increase the uptake of insurance products by clients.

To further the outreach of the industry, the microfinance sector should expand operations and target markets to include impact-oriented businesses and social enterprises. Examples of such businesses are low-cost private schools, low-cost housing, renewable-energy projects, agricultural value chains, micro-enterprise lending etc. Not only would this increase outreach, inclusion of such businesses and enterprises would also diversify product mix and positively impact the triple-bottom line goals of the MFPs.

Section

04

The Way Forward

Low-Cost Housing & Microfinance Industry

Pakistan is the sixth most populous country in the world with an estimated population of over 216 million as of 2019 . It is estimated that over the next 20 years, the urban population of the country will grow at 2.3 million per year, living in urban areas between 2030 and 2040, or 360,000 households at 6.3 individuals per household . This increase in population has caused a shortage in overall housing, estimated at 10 million units as of now, of which 2.3 million is attributable to the Urban regions in Punjab alone. The demand for housing is expected to increase by 350,000 units every year, as there is a shortfall in the production of new housing when compared with the rate of household formation and the rate with which existing housing units are becoming obsolete.

Increasing access to housing finance to a larger segment of the population remains an important objective of the central bank, the SBP, which for over a decade has been championing reforms for financial inclusion and has achieved significant milestones. These reforms are inscribed in the National Financial Inclusion Strategy (NFIS), which identifies housing finance as a priority for government interventions to address the country's housing shortage. Both the regulators of the industry, SBP and SECP, have underlying guidelines in their regulations for the financing offered for housing.

The industry has been catering to the housing sector for a while as both MFBs and NBMFCs launched initiatives designed to help poor and low-income clients to improve their homes by offering short to medium-term financing. By offering loans ranging from PKR 10,000 to PKR 500,000 to groups of poor people for structural and non-structural improvements, the industry has gradually grown their housing portfolio to close to PKR 6.5 billion with an active clientele of 86 thousand as of Q4 2020. These loans have been offered at a relatively low interest rate and the borrowers are required to build up equity through savings prior to the release of the loan. The clients are then encouraged to continue to save after disbursement to mitigate any cash flow changes over time. They are also provided a grace period in order to facilitate them in repayments. These housing finance facilities offered have varying features and are both, secured and unsecured, with a prerequisite of personal or social guarantees. With the recent revision in financing limits, this will likely lead to a further surge in the share of housing clients of MFPs.

This presents a potential social business opportunity for microfinance providers to diversify their portfolios especially when the segment has the potential to be high performing. There's also the element of social impact; meeting the critical needs of low-income borrowers seeking to improve their living standards by providing them access to capital for home improvement. However, most providers have been faced with challenges that have made them question catering to this segment.

Cost of Additional Services

One of the challenges faced by these MFPs includes the additional services offered with products in the form of technical assistance to their clients. Institutions typically offer construction assistance, budgeting for the project, and financial education on repaying the loan. These services, whether for housing microfinance or other loan products, are typically offered as an optional but free service. However, there is a significant financial and logistical challenge when providing such assistance when it comes to housing microfinance.

Low Interest Rates of Housing Products

One of the characteristics of a successful housing finance product is the low interest rate at which it is offered and the longer duration it's offered for. The same is also true for housing microfinance products currently being offered in the market. The average interest rate charged by MFPs offering this product varied between 23 to 28 percent compared to the industry average of 35 percent . It's likely that this product proves to be less profitable when compared to other credit products in the market.

Lack of Capital to lend to this segment

For an institution to consider or grow this segment of its portfolio would require a need for further capital. While this may not be a problem for MFBs or larger NBMFCs that use deposits or equity to fund their products, smaller institutes may not be able to cater to this segment.

Illiteracy regarding Land Rights

One of the biggest challenges faced by the borrower is the confusion or lack of knowledge when it comes to land rights. As most of the clientele of this industry has limited literacy, it is challenging for them to secure land rights in the absence of proper documentation, which is a complicated or lengthy process. As a prerequisite for securing a loan, borrowers must usually present the title deed to their land or homes for collateral or guarantee. However, this obstacle can be overcome if institutions accept a breadth of documents demonstrating a person's land rights, including registration certificates, land purchase agreements, municipal use documents, utility bills, and verifications from neighbors.

The handful of practitioners offering housing microfinance have established that these products perform well in their portfolios because these are less risky and the portfolio-at-risk (PAR) ratio on these loans is relatively lower compared to other loans. The expansion of these products to new areas or demographics will also expand its share of the overall portfolio while mitigating risk. Moreover, the addition of innovative products related to housing (such as microinsurance) is also likely to have a positive impact on their portfolios. With the methodology expertise and complementing regulations in place, there is no doubt that housing finance by the industry can be scaled up.

Kamyab Jawan – Youth Empowerment Scheme

The Kamyab Jawan – Youth Empowerment Scheme is an intervention that emanates from the Governments vision to empower the youth. The Prime Minister's 'Kamyab Jawan – Youth Entrepreneurship Scheme' is exclusively for young entrepreneurs and existing businesses between the age group of 21 - 45 years (18 Years for IT sector). It is designed to provide subsidized financing through Commercial, Islamic and SME banks under the guidance and supervision of the State Bank of Pakistan.

Loans provided through Kamyab Jawan Program have a maximum tenor of up to 8 years with a grace period of 1 year and are segregated in three tiers:

- **Tier 1 (T1) loans** fall in the range of **PKR 100,000 up to PKR 1 million**. These carry a markup of 3 percent and require no collateral for loan.
- **Tier 2 (T2) loans** fall in the range of **PKR 1 million up to PKR 10 million**. These carry a markup of 4 percent and require collateral.
- **Tier 3 (T3)** loans range from **PKR 10 million up to PKR 25 million**. These carry a markup of 5 percent and require collateral.

The loans are disbursed to SME beneficiaries across Pakistan, covering; Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan, Gilgit Baltistan and Azad Jammu & Kashmir. The Program aims to provide 25 percent of the aggregate loans to women entrepreneurs.

The Microfinance sector is positioned perfectly to cater to the market segment targeted by the scheme. Some entities have been in operation for over 30 years in the country enjoying an excellent outreach in the low-income segment. Moreover, the sector specializes in reaching out to the marginalized, including women, agriculture and rural clientage, of which the outreach comprises of 50 percent, 40 percent and 62 percent respectively. Due to their nation-wide outreach, the industry can be an excellent platform to extend loans under the Kamyab Jawan Scheme. However, to make this collaboration a success, the following issues and challenges need to be addressed.

Pricing

At present, clients classified under Tier 1 loans of the scheme are being charged 3 percent while bank charges are KIBOR + 4 percent. The difference is being paid as a subsidy by the government. For the MFPs to deliver this product successfully, the pricing would need to be adjusted to cover the high operational and credit risk expenses associated with the industry. The difference arising between the cost to the MFP and pricing offered to the client would need to be paid as a subsidy by the government.

Funding

It is worth noting that the NBMFC peer group are non-deposit taking entities and hence are dependent on commercial banks, DFIs and capital markets for funds. Funding continues to remain a key challenge for this peer group and commercial banks/DFIs are shy on lending to them in absence of tangible collaterals. For the scheme to be successfully deployed by the industry, not only would assistance be required to arrange funding for the NBMFCs but the duration of the funding needs to be of a longer term, given the fact that the maximum tenure of the loans under the scheme can go up to 8 years. Moreover, the funding volume would also need to be higher since the ticket size is much greater than the average loan size of NBMFCs, which currently stands over PKR 27 thousand.

Risk Mitigation

The scheme represents a newer segment for the industry. To encourage MFPs to lend under the scheme and reduce the associated credit risk, a credit guarantee scheme needs to be extended to NBMFCs. The provision of a credit guarantee facility would likely lead to a reduction in pricing charged to the end client while also improving the uptake of the scheme. It is also noteworthy that the Kamyab Jawan Scheme carries a high political risk, considering its being advocated by the current government and the loan tenor would extend beyond the tenure of the government.

Capacity Building

The average loan size of the industry is around PKR 36 thousand at present. The scheme under the Kamyab Jawan Programme start from PKR 100 thousand, which is multiple of the loans currently being offered by this segment. The provision of larger loans under the scheme would require capacity building of the staff of the industry as well in order to administer these loans and for necessary developments in the infrastructure of these entities to take place.

Building on Synergies: Business Correspondent or Business Agent Model

A Business Correspondent or Business Agent Model (BC/BA) has been used with great success to enhance access to finance in the South Asian region with India being a notable example. In 2006, India effectively deployed a Business Correspondent model to improve access to financial services by allowing MFIs, NGOs and later a range of organizations as well as individuals such as retired bankers, teachers, civil servants, micro and small business owners to provide a range of financial services. These included the collection of small value deposit and interest, disbursal of small value credit, recovery of principal etc. on behalf of commercial banks. The Indian version of the model leveraged technology such as point of service handheld devices, mobile phones, biometric scanners, and even micro ATMs to set up a network of agents even in the remotest villages.

A Business Correspondent or Business Agent Model (BC/BA) is particularly used to enhance financial inclusion in a cost effective and practical manner. Under this model, financial institutions work for a larger entity (in this case, a commercial bank) as a business correspondent or as business agents. The NBMFCs, in particular, working as BC/BAs would be authorized to provide a limited range of banking services at locations other than a bank branch/ATM. BC/BAs can be instrumental in promoting financial inclusion in remote areas at a fraction of the cost of setting up a bank branch or ATM thus, providing the opportunity of tremendous cost savings to a commercial bank or partner organization. This model can prove to be vital, especially in order to mitigate the likely impact of the pandemic and to develop a feasible mechanism that enhances financial inclusion.

While BC/BAs can provide a variety of services and functions as demonstrated by the Indian Business Correspondent Model, following are the proposed key functions BC/BAs should offer:

1. Identification of borrowers for loans especially low-cost housing, agriculture loans and loansunder Kamyab Jawan Scheme,
2. Conduct due diligence, and
3. Collect loan repayments

This model aims to have an all-encompassing approach to acquiring borrowers and thus increasing outreach. A phased approach could be developed for a BC/BA model that would be a suitable fit in addressing the needs of the target audience. Moreover, the model will act as a supplementary addition to the current microfinance industry infrastructure.

The collaboration between commercial banks and NBMFCs would result in creating synergies that would benefit not only the banks and the NBMFCs acting as BC/BAs. It would lead to the expansion in overall outreach and enhance access to finance for the unbanked while also improving their financial and economic prospects.

Loan Moratorium and Credit Discipline

Credit discipline is essential for the smooth operations of the credit market. In the context of the microfinance industry, it is important for clients to repay on time in order to maintain a good credit history with their lenders and ensure a continued relationship. However, the delay in repayments and loan waivers has proved to have serious consequences. Not only has it been unfair to regular clients, but the increased tendency has resulted in clients ignoring to service their existing loans and MFP's adopting a more risk averse approach, eventually leading to a decline in lending operations.

At the onset of Covid 19 pandemic in March 2020, both the regulators: the SBP and the SECP announced a series of measures to provide relief to the economy at large. Among the key measures announced by the regulators was a moratorium on loan repayments. This allowed MFPs to defer the loan repayments of their clients for up to a year and also, in the case of NBMFCs, get their own wholesale lines deferred in return. These relief measures were widely announced through various media channels and through MFPs in order to raise awareness amongst existing clients. Moreover, MFPs were directed to extend relief measures to the maximum number of borrowers. The increasing uncertainty due to the Global Health Crisis resulted in a substantial uptake of this option by a considerable number of borrowers. By April 2021, the SBP had estimated that over 1.7 million applications for deferment and rescheduling had been received from microfinance clients exclusively with a 98.9 percent acceptance rate worth over PKR 121 billion in terms of Gross Loan Portfolio .

Although the moratorium facilitated clients and the sector, a negative consequence has been its impact on the credit discipline of clients. Borrowers have exploited this one-time regularity provision to delay, and in some cases, halted repayments despite having the capacity to repay. Evidence suggests that this situation is more acute in the case of bullet loans as compared to installment-based loans. While it is not only unfair to regular clients, but it has also had an adverse effect on borrowers that had defaulted due to uncertain economic circumstances impacting their repayment capacity. Moreover, risk averse lending by MFPs has hindered access to finance to clients dependent on micro-loans to run their businesses.

As microfinance players restart their cautious lending, rising NPL's as a result of losses due to the health crisis and a lack of credit discipline remain among the key challenges being faced by the sector. One approach to meet this challenge would be to differentiate among the defaults reported to credit bureau by flagging them consequentially or intentionally.

Meeting the Funding and Liquidity Need in the Post-Covid Scenario

Funding continues to remain a challenge for the microfinance industry and the situation has been aggravated by Covid. The potential losses arising from the non-repayment of deferred and rescheduled loans as they become due in the first half of the 2021 could adversely impact the capital base of MFPs. A combination of business closures due to the pandemic, job & livelihood losses, economic hardship and intentional defaults can lead to the erosion of capital of financial service providers.

In the case of MFBs, their success in mobilizing deposits is evident as even during the global health crisis, their deposit base continues to grow. The NBMFCs, however, have generally found it difficult to borrow commercially. The absence of a lender of last resort amidst the pandemic has further exacerbated their plight. In order for this peer group to attract additional funding, wholesale guarantees which provide partial risk coverage may be a more suitable approach to facilitate NBMFCs, much similar to the now defunct Microfinance Credit Guarantee Facility (MCGF).

At a time when MFPs are being expected to play a crucial role in the post-COVID economic recovery and in the implementation of the government's flagship scheme like low cost housing and Kamyab Jawan, the industry needs to be strengthened. While regulatory support has been available to the sector throughout the health crisis, there now exists a need for fiscal support. As it stands, a viable solution should be to extend a first loss guarantee scheme which will not only keep the industry capitalized but also allow the practitioners to facilitate their clients who are unable to pay back as result of loss of income or jobs etc. Such measures are crucial at this stage for the industry to grow and play a pivotal role in the governments development agenda. Other options that could be useful include an interest subsidy, a subsidized lending scheme for clients and priority sector lending for the industry.

Availability & Affordability of Data

The technological influx has led to a surge in data on clients and entities, the significance of which cannot be emphasized enough. This data is useful and its impact in the process of development depends greatly on its availability and effective management. While this data is widely available, the primary challenge faced by financial institutions is that it exists in silos and is expensive to access. Institutes such as the digital identity database, NADRA, have a plethora of readily available data of the masses which is being used for revenue generation – which means it can only be accessed if financial institutions are willing to pay for it. Moreover, this information is not as meaningful if it cannot be corroborated with the data from other data abundant sources, such as Mobile Network Operators (MNOs), Credit Information Bureaus, BISP-Ehsaas and Utility Companies. Even if this information becomes accessible, compiling this data from different sources is a tedious exercise due to the approvals, processes and developments needed to utilize it in a meaningful manner. For MFPs, this has led to a significant barrier to financial inclusion as the unavailability of data reduces the capacity of financial institutions to make sound decisions. Moreover, the costs associated with acquiring such information leads to substantially high operational costs.

At the public policy level, data should be readily available for increased economic activity, instead of revenue generation by government departments and other private entities. This is only possible if there is a paradigm shift i.e. the pricing of the data should be minimal, and data should be available to the larger public for informed decision making.

An effective strategy towards this should be the establishment of a "Pakistan Stack" – a model that is being followed by developed countries around the world, including India. The model with several layers of open APIs, consolidated as one single stack, should be designated to perform specific functions. The first step in the development of this stack should be the onboarding of NADRA, as it houses the identities of the population digitally. The stack would have multiple purposes, of which the most useful for the industry would be to aid financial institutions and its clients in simplifying the payments process. Using an interoperable public digital payment system would revolutionize disbursements, repayments, deposits and transfers using a unique identifier (in this case, the CNIC). Moreover, with the access to data of BISP-Ehsaas beneficiaries, CIBs, Utility Bill companies and MNOs through a simple open API, financial institutions would be able to make informed decisions and encourage socially and financially responsible behavior amongst clients. Such a stack would not only support the financial sector but the entire economy by allowing governments, businesses, startups and developers to utilize a unique digital Infrastructure towards a presence-less, paperless, and cashless service delivery.

The FinTech Eco-System

FinTech, a portmanteau for "financial technology", is a broad category that refers to the innovative use of technology in the design and delivery of financial services and products. Its application is classified as Digital Financial Services (DFS) – which caters to numerous business segments in the form of Digital Lending, Digital Savings, InsurTech (Insurance), RegTech (Regulation), Investment Management, Money Transfers, Capital Raising and Digital Payments, just to highlight a few. These developments are made possible by harnessing technologies (using mobile phones), big data and analytics to design products customized to consumer needs and preferences. The proliferation of FinTechs has had a tremendous impact on changing the way companies interact with their clients.

Regulatory Landscape

The digital regulatory landscape is facilitated by key regulators such as the State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP), Pakistan Telecommunication Authority (PTA) and National Database & Registration Authority (NADRA).

In 2007, the SBP issued the Electronic Funds Transfer Act of and in 2008, the Branchless Banking Regulations. This was the beginning of a new era which encouraged the entrance of payment solutions such as EasyPaisa in 2009 and JazzCash in 2012, backed by the country's two leading Telcos (Telenor & Jazz) and Microfinance Banks (at the time Tameer Microfinance Bank and Waseela Microfinance Bank respectively). By 2014, the SBP had introduced the Payment System Operator and Payment Service Provider (PSO/PSP) licenses in order to provide an electronic platform for clearing, processing, routing and switching of electronic transactions. The PSO/PSPs could make agreements with Banks, MFBs, other PSOs and PSPs, Merchants, e-commerce service providers and any other company for the provision of services mandated to the PSO and PSP under the relevant rules. 2015 saw the introduction of the Asaan Account – Guidelines on Low-Risk Bank Accounts with Simplified Due Diligence for Banks & MFBs. The purpose of the Asaan Account was to target common people and was open to all low income unbanked/under-banked masses who faced difficulties in account opening due to stringent requirements or lesser means. After the introduction of the National Financial Inclusion Strategy (NFIS) in 2015, the Fintech space began to grow exponentially as regulations became more accommodating and encouraged investment within the space. The objective of the initial version of the NFIS aimed to incorporate 50 percent of the adult population in the financial system, which was later revised to 65 million. This resulted in new players entering the market in the domain of digital lending, savings, mobile wallets and mobile payments, data aggregators and comparison platforms.

In 2017, the PTA had also issued its Third-Party Service Providers licenses for mobile/branchless banking. The objective of this license was to create harmony amongst the prevailing branchless banking and financial institutions to create an enabling ecosystem by accommodating technical services for channeling, routing, and switching transactions for branchless/mobile banking amongst Authorized Financial Institutions (AFIs), Telco(s) and Third-Party Service Providers (TPSP).

As an increasing number of institutions from the non-banking sectors came up with technologically innovative payment solutions, the central bank in April 2019 developed and implemented a regulatory framework to ensure delivery of payment services in a safe, sound

and cost-effective manner by prescribing the minimum service standards and requirements. These EMI regulations were meant to allow non-banking institutions, now officially classified as Electronic Money Institutions (EMIs), to offer e-money services to customers. Under this framework, EMIs were able to provide digital financial services such as retail payments, prepaid card, wallet services, e-commerce, toll payments etc. to the public. The regulations also authorized EMIs to have their agents in the market.

By 2019, the SECP established a Regulatory Sandbox in accordance with the cohort approach which aimed to help startups pilot new ideas and products. Start-ups with successful pilots were given an approval to begin their commercial operations. This was a proactive initiative by the capital markets regulator which fostered growth, innovation and facilitation of new players in the market.

In 2021, the SBP introduced Raast, Pakistan's first instant payment system that will enable end-to-end digital payments among individuals, businesses and government entities instantaneously. The purpose of this platform will be to settle small-value retail payments in real time. The platform will also feature interoperability within the industry with state-of-the-art security features which will allow cheap and easy access to entities within the financial sector. Put simply, this development would circumvent the need to onboard every financial institution individually, which is a tedious and costly process.

By August 2021, an estimated 130 players had been providing financial services and products by leveraging technology, out of which 42 were FinTech startups and had secured USD 48.3 million in international funding across 26 deals since 2015 .

Wallets and Payments

Since the beginning, the Fintech space in Pakistan had been dominated primarily by wallet and payment service providers, led by Telcos and banks as the landscape was slow to evolve. Regulated under the SBP's Branchless Banking (BB) and the newly introduced Electronic Money Institutions (EMI) Regulations, these represent a significantly cheaper alternative to conventional branch-based banking that allows financial institutions and other commercial players to offer financial services outside traditional bank premises by using delivery channels like retail agents, mobile phone etc. The segment is perhaps the most concentrated in terms of FinTech players with a general national inclination towards digitization of the economy. Moreover, the global health crisis triggered by COVID-19 revealed the potential of digital payments and mobile wallets as people started resorting to digital solutions during lockdowns. It is also noteworthy that the space remains dominated by established Telco-led super apps i.e. EasyPaisa and JazzCash. The surge in this segment was also evident in a comparison of the key BB indicators in the past one year.

Table 4: Key Branchless Banking Indicators

Indicators	Q1 2021	Q1 2020	Change
Number of Agents	509,720	434,192	15%
Number of Active BB Agents	221,525	193,291	13%
Number of Accounts	66,542,098	48,345,517	27%
Number of Active Accounts	42,636,340	27,737,457	35%
Deposits as on Quarter end (PKR millions)	56,442	31,935	43%
Number of Transactions during the quarter	594,373,000	407,258,000	31%
Value of Transactions during the quarter (PKR millions)	1,862,144	1,292,313	31%
Average size of Transactions (PKR)	3,133	3,173	-1%
Average daily Transactions	6,604,143	4,525,085	31%
Average Deposit in accounts (PKR)	848	661	22%

The regulator's (SBP) push in this segment came with the advent of the National Payment Systems Strategy (NPSS). The objective of this strategy was to make recommendations to design a National Payments System complying with international standards and best practices and tailored for the specific circumstances and needs for a safe, efficient and inclusive National Payment Systems in Pakistan . The strategy was based on the international standards and the framework as defined by the CPMI-World Bank for Payment Aspects of Financial Inclusions (PAFI) with the primary objective for improved access to and usage of transaction accounts.

During the health crisis which began in 2020, the segment witnessed a dynamic shift in the overall mobile wallet market consumers shifted from over the counter (OTC) money transfers to mobile wallets. The leading M-Wallet platforms, JazzCash (being used by 30 million clients) and EasyPaisa (with over 9 million monthly active users), both reported substantial growth in uptake and usage. Other notable players in this space include CareemPay, Finja, TAG, Nayapay and Sadapay.

Savings & Investments

The Savings and Investments segment remains underdeveloped and has substantial scope for innovation. Most FinTechs operating in this space are primarily tapping into digitizing wealth and asset management solutions, especially as the Capital Markets Regulator i.e. the SECP, has provided guidelines and mechanism to simplify the digital onboarding of clients in the capital markets and mutual funds space. Clients of these FinTechs can access virtual trading data, invest in stocks, commodities, mutual funds and bonds using these solutions. A few notable entities operating in this space include KTrade, dTrade, Nayapay Arc, Elphinstone and Growpaisa. Some players, such as Oraan, are also digitizing the ROSCA mechanisms and Savings Committees, allowing clients to graduate towards more developed investment platforms while improving their financial literacy.

In September 2020, the SBP introduced the Roshan Digital Account, a major initiative in collaboration with commercial banks operating in Pakistan. The objective of these accounts is to provide innovative banking solutions for Non-Resident Pakistanis (NRPs), including Non-Resident Pakistan Origin Card (POC) holders, seeking to undertake banking, payment and investment activities in Pakistan. The account could be opened digitally and remotely, with only a basic set of information and documents. The account could be opened as early as within 48 hours and is available in both foreign currency and the Pakistani rupee. By July 2021, individuals from 175 countries had opened around 200,000 accounts which had contributed around USD 1,869 million.

Digital Lending

The offering of small loans quickly and remotely using digital is the new trend in developing economies. This is because lending is considered the most encouraging methodology to include masses financially. The major problem that comes to mind with lending money is the likelihood of repayment. With the underprivileged barely interacting with institutions generating the sort of data that could be used for credit scoring the traditional way, an alternative way was established to determine the behavior pattern of borrowers based on digital traces. The use of Smartphones and social media has enabled users to induce large data streams. This not only included the usage of mobile money, which is very limited, but also comprises of calling history, mobile top ups, utility bills payments and mobility. By using this behavioral data, effective predictive models or scoring tools are developed that reduce the risk associated with digital credit. Upon availing the initial loan, the borrowers start developing a credit history which complements the initial scoring model and incentivizes repayment. With the data accumulated from these sources, the large customer base of emerging or existing microfinance providers could be divided into different segments and then assess their respective credit worthiness or the risk profile of each segment. These borrower segments include both individuals and small

businesses with low financial inclusion. Moreover, with the use of technologies such as Predictive Analytics, Big Data and Artificial Intelligence, the payment or repayment history of a borrower could be analyzed up to a certain degree of accuracy. Hence, reliant on existing customer data, institutions or microfinance providers can assess the default rate of not only a single customer but an entire segment and rank them accordingly. Using these technologies, as the machine learns, the limit of the credits/loans as well as its tenure could be reevaluated and tailored. Additionally, financial institutions are required to have an integration with Credit Bureaus to attain the Credit Data of the borrower prior to disbursement.

The advantages of Digital Credit are many. Firstly, Digital credit completely eradicates the geographical distance that was previously a hinderance for availing credit. Secondly, the process of approvals and disbursements is immediate. Thirdly, the transaction costs of availing a credit facility is much lower than conventional approach. Moreover, a new scoring mechanism allows for improved assessment of clients and lastly, all these factors can be used to customize product offerings for clients. In contrast however, how effective a credit management process is to encourage timely repayment varies greatly. Organizations have had to deal with high default rates that forced them to readjust their credit management process.

A few notable entities currently operating in this space include JazzCash, EasyPaisa, Ricult, Finja, Tez Financial Services and Abhi, mostly for the provision of MSME Finance and Micro/Nano Loans. However, there is lack of knowledge regarding digital credit products and their ability to include the poor in the financial system. With the emergence of fresh players and developments happening at a fast pace, what is most important is that providers understand how clients (households & Micro, small and medium enterprises) interact and avail this facility.

Insurance

Insurance or Insurtech can be characterized as utilizing technological innovation for improved customer experience, alternate channels of distribution/delivery, cost-savings, improved efficiency, more effective policy management and personalized products for the customers while leading to improved competition amongst the players. Until recently, it was troublesome for insurers to offer their services to the underprivileged segment. However, with the advancement in technologies, there is an opportunity to make this service available to the underprivileged segment utilizing more sophisticated and technologically evolved business models. With the ease in accessibility of smart phones and the internet via Mobile Network Operators, a whole new distribution network has emerged which implies more clients are effectively reachable. With the use of prepaid services and the development of these improved business models, the underprivileged sector located in remote areas have now become convenient to reach in a cost-efficient manner. For these new models to be successful, strategic alliances and partnerships between players and service providers in the agriculture and financial services sectors is essential to cater to this underprivileged segment and advance financial inclusion while providing them with accessibility to other related financial services.

This space has seen some development as players such as Mawazna, Smartchoice and Easy Insurance, which aggregate policy related data for comparison only. The introduction of SECPs "draft Guidelines for Micro and Digital-only Insurers" aims to decrease the regulatory barriers to entry for new players by decreasing the minimum paid-up capital and improving its solvency regime. These developments would improve growth and activity in this segment in the future.

Challenges faced by FinTechs

Data

The availability of data is a key constraint for FinTechs. Institutes such as the digital identity database, NADRA, have a plethora of readily available data of the masses which, if used appropriately, can improve the capacity of players to make sound decisions.

Interoperability

The lack of interoperability is another issue that providers face. This results in a substantial increase in the players cost of operations and creates inefficiencies in their processes.

Funding Challenge

FinTechs in Pakistan face significant funding challenges, primarily due to the high capital requirements as per relevant regulations. While some players have overcome this barrier by securing funding from international Venture Capitals and accelerators, smaller entities still face this obstacle.

Data Protection & Security

As the proposed business models/products of these FinTechs are innovative or sometimes considered complex, they can lead to increased risks of loss, fraud or misconduct and other harm, including from third-party fraud, especially if the platform is vulnerable. This is aggravated when low digital literacy amongst the masses is taken into consideration.

Financial Inclusion

Despite the support of proactive regulations, the availability of sufficient funding and the appropriate infrastructure in place, this market segment has been unable to address the primary challenge of financial inclusion. This is because players have primarily been only trying to improve the delivery of existing products. In addition, there is a trust deficit which inhibits individuals to adopt digital financial services which when coupled with a lack of user-centric experience during the product development stage is another challenge which hinders uptake.

Conclusion

While there is increased global attention to this segment, the FinTech ecosystem in Pakistan is still at a budding stage, witnessing relatively slow uptake compared to its global peers. However, the country possesses all the elements which can assist in the evolution of the ecosystem at a rapid pace as the potential of FinTechs has now been recognized by financial institutions and service providers. The prevailing health crisis revealed the real potential of Digital Financial Services as the present environment provides an excellent opportunity for FinTechs to operate and ramp up their contribution to the country's GDP growth. National indicators depict a growing trend in Teledensity, which stands at 84 percent, surge in 3G/4G subscribers, the penetration of which stands at 46 percent, and increased broadband subscribers, which represent a penetration of 48 percent . Furthermore, the initiatives by the regulators; the SBP and the SECP, are paving the way for more FinTechs to disrupt the ecosystem and provide innovative solutions.

A1

Annex

Productivity

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of Active Borrowers	1,661,902	2,040,518	2,255,126	2,997,868	3,632,532	4,225,968	5,512,457	6,687,038	7,440,153	6,979,244
Number of Active Loans	1,661,902	2,040,518	2,263,432	2,997,868	3,632,532	4,227,317	5,513,311	6,687,038	7,440,546	6,979,244
Number of Active Depositors	1,332,705	1,730,823	1,897,872	5,675,437	10,661,366	15,937,079	35,844,058	31,869,605	43,962,131	60,024,973
Number of Deposit Accounts	1,332,705	1,730,823	2,707,872	5,675,437	10,661,366	15,937,079	35,939,126	32,020,588	44,359,575	60,897,385
Total Staff	14,202	15,153	15,673	19,227	25,343	29,413	36,705	42,048	46,163	44,573
Total Loan Officers	7,165	7,541	6,892	8,801	9,923	15,342	18,028	21,614	23,870	23,756
			weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.
Borrowers per Staff	117	135	144	156	143	144	150	159	161	157
Loans per Staff	117	135	144	156	143	144	150	159	161	157
Borrowers per Loan Officer	232	271	327	341	366	275	306	309	312	294
Loans per Loan Officer	232	271	328	328	366	276	306	309	312	294
Depositors per Staff	94	114	121	295	421	542	977	758	952	1,347
Deposit Accounts per Staff	94	114	173	295	421	542	979	762	961	1,366
Personnel Allocation Ratio	50.5%	49.8%	44.0%	45.8%	39.2%	52.2%	49.1%	51.4%	51.7%	53.3%

* Includes KF data
** Without KF data

Infrastructure

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets (PKR '000)	48,569,411	61,928,036	81,557,894	105,443,135	145,186,197	225,316,798	330,422,557	426,585,182	493,299,908	616,610,583
Branches (including Head Office)	1,550	1,630	1,606	2,026	2,754	2,430	3,533	4,102	3,802	3,722
Total Staff	14,202	15,153	17,456	21,516	25,560	29,413	36,053	42,048	46,163	44,573
Growth										
Total Assets	35.6%	27.5%	31.7%	29.3%	37.7%	55.2%	46.6%	29.1%	15.6%	25.0%
Branches (including Head Office)	10.3%	5.2%	-1.5%	26.2%	35.9%	-11.8%	45.4%	16.1%	-7.3%	-2.1%
Total Staff	18.3%	6.7%	15.5%	23.3%	18.8%	15.1%	22.6%	16.6%	9.8%	-3.4%

Financing Structure

	2011	2013	2012	2014	2015	2016	2017	2018	2019	2020
Total Assets (PKR '000)	48,569,411	61,928,036	81,557,894	105,443,135	145,186,198	225,316,798	330,422,557	426,238,163	493,299,908	616,610,582
Total Equity (PKR '000)	10,314,307	11,679,373	17,049,706	22,873,920	29,688,776	36,535,925	51,343,541	71,877,730	76,279,119	82,981,940
Total Debt (PKR '000)	38,255,104	25,876,598	26,913,359	34,682,369	38,554,959	54,710,855	74,100,602	90,697,783	105,390,934	117,451,206
Commercial Liabilities (PKR '000)	12,332,456	19,361,179	21,662,200	18,679,724	19,030,672	43,167,480	57,114,700	66,409,350	80,151,898	95,728,276
Deposits (PKR '000)*	13,908,759	20,840,990	32,925,558	42,715,846	60,028,340	118,096,732	185,909,781	238,556,412	264,983,900	373,002,084
Gross Loan Portfolio (PKR '000)	24,854,747	33,877,284	46,613,582	63,531,465	90,296,341	132,003,052	196,013,814	255,714,803	301,908,767	318,533,543
Ratio										
Equity-to-Asset Ratio	21.2%	18.9%	20.9%	21.7%	20.4%	16.2%	15.5%	16.9%	15.5%	13.5%
Commercial Liabilities-to-Total Debt	32.2%	74.8%	80.5%	53.9%	49.4%	78.9%	77.1%	73.2%	76.1%	81.5%
Debt-to-Equity Ratio	3.41	2.22	1.58	1.52	1.30	1.50	1.44	1.26	1.38	1.42
Deposits-to-Gross Loan Portfolio	56.0%	61.5%	70.6%	67.2%	66.5%	89.5%	95.3%	93.3%	87.8%	117.1%
Deposits-to-Total Assets	28.6%	33.7%	40.4%	40.5%	41.3%	52.4%	56.5%	56.0%	53.7%	60.5%
Gross Loan Portfolio-to-Total Assets	51.2%	54.7%	57.2%	60.3%	62.2%	58.6%	59.3%	60.0%	61.2%	51.7%

Outreach

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Active Borrowers	1,661,902	2,040,518	2,392,874	2,997,868	3,632,532	4,225,968	5,512,457	6,687,038	7,440,153	6,979,244
Active Women Borrowers	917,058	1,275,387	1,442,197	1,692,451	2,001,772	2,273,389	2,717,487	3,506,009	3,809,463	3,366,951
Gross Loan Portfolio (PKR '000)	24,854,747	33,877,284	46,613,582	63,531,465	90,100,405	132,003,052	196,013,814	255,714,803	301,908,767	318,533,543
Annual per Capita Income (PKR)***	107,505	118,085	143,808	143,808	153,060	153,060	170,508	162,230	162,230	214,539
Number of Loans Outstanding	1,661,902	2,040,518	2,401,849	2,998,895	3,632,532	4,227,317	5,513,311	6,687,038	7,440,546	6,979,244
Depositors****	1,332,705	1,730,823	2,150,675	5,675,437	10,661,366	15,937,079	35,844,058	31,869,605	43,962,131	60,024,973
Number of Deposit Accounts	1,332,705	1,730,823	2,998,641	5,675,437	10,661,366	15,937,079	35,939,126	32,020,588	44,359,158	60,897,385
Number of Women Depositors	259,104	334,994	837,144	2,503,582	3,009,992	142,784	84,276	4,589,646	8,878,330	13,832,745
Deposits Outstanding	13,908,759	20,840,990	32,925,559	42,715,786	60,028,340	118,096,732	185,909,900	238,556,412	265,937,620	373,002,084
			weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.		
Proportion of Active Women Borrowers (%)	55.2%	62.5%	60.3%	56.5%	55.1%	53.8%	49.3%	52.4%	51.2%	48.2%
Average Loan Balance per Active Borrower (PKR)	14,956	16,602	19,480	21,192	24,804	31,236	35,558	38,240	40,578	45,640
Average Loan Balance per Active Borrower/Per Capita Income	13.9%	14.1%	13.5%	14.7%	16.2%	20.4%	20.9%	23.6%	25.0%	21.3%
Average Outstanding Loan Balance (PKR)	14,956	16,602	19,407	21,185	24,804	31,226	35,553	38,240	40,576	45,640
Average Outstanding Loan Balance / Per Capita Income	13.9%	14.1%	13.5%	14.7%	16.2%	20.4%	20.9%	23.6%	25.0%	21.3%
Proportion of Active Women Depositors (%)	19.4%	19.4%	38.9%	44.11%	28.23%	0.90%	0.24%	14.40%	20.20%	23.04%
Average Saving Balance per Active Depositor (PKR)	10,436	12,041	15,309	7,526	5,630	7,410	5,187	7,485	6,049	6,214
Active Deposit Account Balance (PKR)	10,436	12,041	10,980	7,526	5,630	7,410	5,173	7,450	5,995	6,125

* Includes KF data
** Without KF data
*** Source: http://www.sbp.org.pk/reports/stat_reviews/Bulletin/2012/Feb/EconomicGrowth.pdf
**** Only MFB deposits included

Financial Performance (Figures in PKR '000)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Income from Loan Portfolio	7,998,956	10,040,720	13,542,893	18,581,489	26,007,641	36,582,140	50,540,640	82,133,667	99,240,218	94,778,730
Income from Investments	1,203,306	1,774,610	1,742,975	2,051,547	3,946,607	2,716,932	3,717,490	1,504,694	6,912,061	11,657,364
Income from Other Sources	899,713	816,461	2,093,035	3,707,417	2,919,233	2,471,332	11,467,052	5,385,641	4,560,111	4,714,170
Total Revenue	10,101,975	12,631,792	17,378,903	24,340,453	32,873,481	41,770,404	65,725,182	89,024,002	110,712,390	111,150,246
Less : Financial Expense	2,905,049	3,974,467	4,767,589	5,451,197	6,550,481	8,963,917	14,121,730	20,337,250	34,245,848	41,187,339
Gross Financial Margin	7,196,926	8,657,325	12,611,314	18,889,256	26,323,001	32,806,487	51,603,452	68,686,752	76,466,541	69,962,925
Less: Loan Loss Provision Expense	623,988	643,991	658,812	794,500	1,258,313	2,504,433	2,832,799	5,039,886	17,683,371	13,230,983
Net Financial Margin	6,572,938	8,013,334	11,952,503	18,094,756	25,064,687	30,302,054	48,770,653	63,646,866	58,783,171	56,731,942
Personnel Expense	3,345,284	3,784,676	5,032,342	6,557,709	8,712,495	11,575,971	15,112,625	18,808,167	25,795,245	27,037,328
Admin Expense	2,446,750	2,886,025	3,880,920	5,951,408	7,244,592	9,076,966	19,019,029	29,877,326	31,316,096	20,489,787
Less: Operating Expense	5,792,035	1,342,633	8,913,262	12,509,117	15,957,087	20,652,937	34,131,654	48,685,493	57,111,340	47,527,115
Other Non Operating Expense		257,651	380,993	1,546,240	2,719,173	772,940	1,638,024	821,616	4,659,948	8,212,298
Net Income before Tax	780,903	1,084,982	2,658,248	4,039,399	6,388,427	8,876,178	13,000,975	14,139,757	(2,988,118)	992,529
Provision for Tax	116,314	152,380	503,118	614,684	1,230,787	1,977,555	3,012,831	4,245,214	2,825,637	2,900,649
Net Income/(Loss)	664,589	932,602	2,155,130	3,424,715	5,157,640	6,898,623	9,988,144	9,894,543	(5,813,755)	(1,908,120)
Adjusted Financial Expense on Borrowings	372,524	205,943	181,422	113,553	402,632	491,926	677,186	2,092,594	2,493,406	1,497,881
Inflation Adjustment Expense	(3,073)	870	1,152	916	270	722	6,126	1,703	4,247	3,988
Adjusted Loan Loss Provision Expense	357,688	49,456	18,743	13,625	275,656	321,188	310,174	4,956,922	91,484	489,243
Total Adjustment Expense	727,138	256,270	201,317	128,095	678,559	813,820	993,486	7,051,218	2,589,137	1,991,112
Net Income/(Loss) After Adjustments	(62,549)	676,332	1,953,814	3,296,620	4,479,081	6,084,802	8,994,658	2,843,325	(8,402,893)	(3,899,232)
Average Total Assets	42,282,393	57,182,714	70,192,281	95,494,664	125,951,408	178,064,618	284,188,864	405,382,316	459,745,104	533,386,504
Average Total Equity	8,719,204	11,594,943	14,513,187	20,629,780	29,905,254	32,240,189	46,142,667	65,477,485	113,372,981	78,180,526
Ratio				weighted avg.	weighted avg.	weighted avg.			weighted avg.	weighted avg.
Adjusted Return-on-Assets	(0.1%)	1.2%	3.3%	3.5%	3.6%	3.4%	3.2%	0.7%	-1.8%	-0.7%
Adjusted Return-on-Equity	(0.7%)	5.8%	16.1%	16.0%	15.0%	18.9%	19.5%	4.3%	-7.4%	-5.0%
Operational Self Sufficiency (OSS)	108.4%	109.4%	118.1%	119.9%	124.1%	127.0%	124.7%	118.9%	97.4%	100.9%
Financial Self Sufficiency (FSS)	100.5%	107.0%	116.5%	117.7%	121.0%	123.9%	122.4%	108.7%	95.2%	99.1%

* Includes KF data
** Without KF data

Operating Income (Figures in PKR '000)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue from Loan Portfolio	7,998,956	10,040,720	13,542,893	18,581,489	26,007,641	36,582,140	50,540,640	82,133,667	99,240,218	94,778,730
Total Revenue	10,101,975	12,631,792	17,378,903	24,821,486	32,873,481	41,770,404	65,725,182	89,024,002	110,712,390	111,150,264
Adjusted Net Operating Income / (Loss)	5,252	828,712	2,456,931	3,286,779	4,474,629	6,084,786	9,222,456	2,837,406	(8,373,865)	(3,899,232)
Average Total Assets	42,282,393	57,182,714	70,192,281	95,494,664	125,951,408	178,064,618	284,188,864	405,382,316	459,745,104	553,386,504
Gross Loan Portfolio (Opening Balance)	20,576,342	25,743,757	34,668,730	48,423,008	63,402,462	89,528,314	132,248,995	178,491,865	264,615,272	301,792,012
Gross Loan Portfolio (Closing Balance)	24,854,747	33,877,284	46,105,712	63,531,465	90,283,337	132,003,052	196,013,814	255,714,803	301,908,767	318,533,543
Average Gross Loan Portfolio	22,715,544	29,810,520	40,387,221	55,977,237	76,842,899	110,765,683	164,131,404	217,103,334	283,262,019	310,162,778
Inflation Rate ***	11.20%	10.40%	9.20%	8.20%	3.60%	3.70%	4.57%	3.90%	3.90%	8.00%
Ratio				weighted avg.	weighted avg.	weighted avg.			weighted avg.	weighted avg.
Total Revenue Ratio (Total Revenue-to-Average Total Assets)	23.9%	22.3%	24.8%	26.0%	26.1%	23.5%	23.1%	22.0%	24.1%	20.1%
Adjusted Profit Margin (Adjusted Profit/(Loss)-to-Total Revenue)	0.1%	7.0%	14.1%	13.2%	13.6%	14.6%	14.0%	3.2%	-7.6%	-3.4%
Yield on Gross Portfolio (Nominal)	35.2%	34.2%	33.5%	34.6%	34.6%	33.0%	30.8%	37.8%	35.0%	30.6%
Yield on Gross Portfolio (Real)	21.6%	21.6%	22.3%	24.4%	29.9%	29.8%	25.1%	32.7%	30.0%	20.9%

* Includes KF data
** Without KF data
*** Source: http://www.sbp.org.pk/reports/stat_reviews/Bulletin/2012/Feb/IND.pdf

Operating Expense (Figures in PKR '000)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019
Adjusted Total Expense	10,096,723	11,803,080	14,540,979	20,842,120	27,121,782	33,707,341	53,711,567	81,635,662	115,834,968	112,144,858
Adjusted Financial Expense	3,304,504	4,181,281	4,950,162	5,742,091	6,911,552	9,455,843	14,798,916	22,124,334	36,288,824	42,685,220
Adjusted Loan Loss Provision Expense	1,000,184	693,447	677,555	808,125	1,533,970	2,825,622	3,142,973	10,004,220	17,774,855	13,720,226
Adjusted Operating Expense	5,792,035	6,928,352	8,913,262	14,291,904	18,676,260	21,425,876	35,769,678	49,507,108	61,771,289	55,739,413
Adjustment Expense	775,651	256,270	201,317	453,639	678,579	813,837	993,486	7,058,630	2,589,137	1,991,112
Average Total Assets	42,282,393	57,182,714	70,192,281	95,494,664	125,951,408	178,064,618	284,188,864	405,382,316	459,745,104	553,386,504
Ratios			weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.		weighted avg.	weighted avg.
Adjusted Total Expense-to-Average Total Assets	23.9%	20.6%	20.7%	21.8%	21.5%	18.9%	18.9%	20.1%	25.2%	20.3%
Adjusted Financial Expense-to-Average Total Assets	7.8%	7.3%	7.1%	6.0%	5.5%	5.3%	5.2%	5.5%	7.9%	7.7%
Adjusted Loan Loss Provision Expense-to-Average Total Assets	2.4%	1.2%	1.0%	0.8%	1.2%	1.6%	1.1%	2.5%	3.9%	2.5%
Adjusted Operating Expense-to-Average Total Assets	13.7%	12.1%	12.7%	15.0%	14.8%	12.0%	12.6%	12.2%	13.4%	10.1%
Adjusted Personnel Expense	7.9%	6.6%	7.2%	6.9%	6.9%	6.5%	5.3%	4.6%	5.6%	4.9%
Adjusted Admin Expense	5.8%	5.0%	5.5%	6.2%	5.8%	5.1%	6.7%	7.4%	6.8%	3.7%
Adjustment Expense-to-Average Total Assets	1.8%	0.4%	0.3%	0.5%	0.5%	0.5%	0.3%	1.7%	0.6%	0.4%

* Includes KF data
** Without KF data

Operating Efficiency

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Expense (PKR 000)	5,792,035	6,928,352	8,913,262	12,745,665	15,957,087	20,652,937	34,131,654	48,685,493	57,111,340	47,527,115
Personnel Expense (PKR 000)	3,345,284	3,784,676	5,032,342	6,794,257	8,712,495	11,575,971	15,112,625	18,808,167	25,795,245	27,037,328
Average Gross Loan Portfolio (PKR 000)	22,715,544	29,810,520	40,387,221	55,977,237	76,842,899	110,765,683	164,131,404	217,103,334	283,262,019	310,162,778
Average Number of Active Borrowers	1,661,902	2,040,518	2,350,650	2,997,868	3,632,532	4,225,968	5,512,457	6,687,038	7,440,153	6,979,244
Average Number of Active Loans	1,661,902	2,040,518	2,359,625	2,998,895	3,632,532	4,227,317	5,513,311	6,687,038	7,440,546	6,979,244
			weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.
Adjusted Operating Expense-to-Average Gross Loan Portfolio	25.5%	23.2%	22.1%	22.8%	20.8%	18.6%	20.8%	22.4%	20.2%	15.3%
Adjusted Personnel Expense-to-Average Gross Loan Portfolio	14.7%	12.7%	12.5%	12.1%	11.3%	10.5%	9.2%	8.7%	9.1%	8.7%
Average Salary/Gross Domestic Product per Capita	2.19	2.12	2.00	2.2	2.2	2.6	2.5	2.8	3.4	20.0
Adjusted Cost per Borrower (PKR)	3,485	3,395	3,792	4,252	4,393	4,887	6,192	7,281	7,676	6,810
Adjusted Cost per Loan (PKR)	3,485	3,395	3,777	4,250	4,393	4,886	6,191	7,281	7,676	6,810

* Includes KF data
** Without KF data

Risk (Figures in PKR '000)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Portfolio at Risk > 30 days	793,966	1,232,842	1,157,297	659,418	1,321,207	1,565,459	1,001,736	3,992,741	11,898,097	10,333,191
ortfolio at Risk > 90 days	516,623	1,020,316	932,166	379,637	781,212	1,073,562	1,085,263	1,972,010	7,957,233	6,484,334
Adjusted Loan Loss Reserve	623,988	759,621	708,355	1,189,884	1,468,006	2,814,919	4,202,893	6,266,625	13,416,022	11,775,153
Loan Written Off during Year	592,429	675,835	615,293	1,222,076	917,855	1,147,319	1,581,598	1,091,556	8,671,416	14,285,825
Gross Loan Portfolio	24,854,747	33,877,284	46,105,712	63,531,465	90,081,589	132,003,052	196,013,814	255,714,803	301,908,767	318,533,543
Average Gross Loan Portfolio	22,715,544	29,810,520	40,387,221	55,977,237	76,690,720	110,765,683	164,131,404	217,103,334	283,262,019	310,162,778
			weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.	weighted avg.
Portfolio at Risk (>30)-to-Gross Loan Portfolio	3.2%	3.6%	2.5%	1.0%	1.5%	1.2%	0.5%	1.6%	3.9%	3.2%
Portfolio at Risk (>90)-to-Gross Loan Portfolio	2.1%	3.0%	2.0%	0.6%	0.9%	0.8%	0.6%	0.8%	2.6%	2.0%
Write Off-to-Average Gross Loan Portfolio	2.6%	2.3%	1.5%	2.2%	1.2%	1.0%	1.0%	0.5%	3.1%	4.6%
Risk Coverage Ratio (Adjusted Loan Loss Reserve-to-Portfolio at Risk > 30 days)	78.6%	61.6%	61.2%	180.4%	111.1%	179.8%	419.6%	157.0%	112.8%	114.0%

* Includes KF data
** Without KF data

MFBs

Infrastructure	KBL	FMFB	Ubank	MMFB	NRSP-B	TMFB	FINCA	AMFB	POMFB	Advans	SMFB	Sub
Age of Institution	20	20	9	9	10	16	13	18	15	9	6	
Total Assets (PKR '000)	107,102,874	76,363,087	70,713,402	58,324,647	53,161,161	52,264,948	39,850,881	28,831,387	4,446,319	1,983,839	1,899,240	494,941,785
Total Equity (PKR '000)	10,793,878	6,688,341	5,675,198	5,380,731	5,510,455	5,164,637	5,243,475	2,259,248	2,187,075	552,725	942,751	50,398,513
Total Liabilities (PKR '000)	96,308,996	69,674,746	65,038,204	52,943,916	47,650,706	47,100,311	34,607,406	26,572,140	2,259,244	1,431,114	956,489	444,543,272
Total Branches	236	210	212	101	155	90	131	116	33	14	75	1,373
Total Staff	4,586	3,489	2,695	1,605	3,161	2,592	2,392	2,421	834	216	218	24,209
- of which women	503	525	269	143	69	302	390	219	115	28	4	2,567

NBMFCs

	NRSP	KASHF	Akhuwat	ASA-P	RCDP	TMF	DSP	SAFCO	PRSP	JWS-P	SRSO	CEIP	FFO
Age of Institution	36	24	12	7	22	6	5	11	13	23	17	25	29
Total Assets (PKR '000)	24,684,721	24,479,673	23,679,563	11,826,499	6,931,712	5,743,447	4,114,380	3,524,383	3,299,465	3,095,793	1,971,907	1,878,325	1,190,182
Total Equity (PKR '000)	10,176,307	4,406,992	2,992,150	4,834,563	1,980,922	318,792	1,006,224	747,119	1,815,831	711,117	254,979	1,521,502	132,281
Total Liabilities (PKR '000)	14,508,413	20,072,681	20,687,413	6,991,936	4,950,790	5,424,655	3,108,156	2,777,264	1,483,634	2,384,676	1,716,928	356,823	1,057,901
Total Branches	262	326	724	291	106	85	62	50	61	62	79	29	29
Total Staff	4,670	3,205	3,925	2,056	1,089	772	709	515	554	664	417	322	229
- of which women	778	1,417	103	173	155	84	236	130	100	97	57	96	62

	MOJAZ	Agahe	GBTI	OPRCT	SVDP	ORIX	SSSF	SMC	Wasil	OPD	MOSP	VDO
Age of Institution	12	6	25	7	5	16	16	11	29	3	21	18
Total Assets (PKR '000)	1,151,310	1,003,106	933,486	563,206	493,831	275,942	244,410	218,063	158,619	113,053	59,563	34,158
Total Equity (PKR '000)	207,698	149,269	569,899	212,032	80,206	267,921	74,090	104,090	(63,461)	13,566	38,497	30,841
Total Liabilities (PKR '000)	943,612	853,836	363,587	351,173	413,625	8,021	170,320	113,973	222,081	99,487	21,066	3,317
Total Branches	26	27	42	31	11	16	4	5	11	6	2	2
Total Staff	260	240	163	148	111	93	40	50	60	48	12	12
- of which women	58	34	51	36	3	19	8	3	2	12	6	1

	Subtotal NBMFCs	Total Industry
Age of Institution		
Total Assets (PKR '000)	121,668,797	616,610,582
Total Equity (PKR '000)	32,583,427	82,981,940
Total Liabilities (PKR '000)	89,085,370	533,628,642
Total Branches	2,349	3,722
Total Staff	20,364	44,573
- of which women	3,721	6,288

MFBs

Financing Structure (in PKR '000)	KBL	FMFB	Ubank	MMFB	NRSP-B	TMFB	FINCA	AMFB	POMFB	Advans	SMFB	Sub
Total Assets	107,102,874	76,363,087	70,713,402	58,324,647	53,161,161	52,264,948	39,850,881	28,831,387	4,446,319	1,983,839	1,899,240	494,941,785
Total Equity	10,793,878	6,688,341	5,675,198	5,380,731	5,510,455	5,164,637	5,243,475	2,259,248	2,187,075	552,725	942,751	50,398,513
Total Debt	2,827,708	4,021,434	16,073,351	-	4,068,304	-	5,510,504	3,467	1,982,284	225,000	750,000	35,462,051
- Subsidised Debt*	-	-	-	-	-	-	-	-	-	-	-	-
- Commercial Debt	2,827,708	4,021,434	16,073,351	-	4,068,304	-	5,510,504	3,467	1,982,284	225,000	750,000	35,462,051
Total Deposits	88,649,814	61,726,243	46,104,641	46,810,155	39,284,549	36,963,810	26,082,761	26,178,887	6,701	1,055,183	139,340	373,002,084
Total Liabilities	96,308,996	69,674,746	65,038,204	52,943,916	47,650,706	47,100,311	34,607,406	26,572,140	2,259,244	1,431,114	956,489	444,543,272
Gross Loan Portfolio	62,105,641	43,411,854	31,319,362	25,243,147	29,433,285	12,726,494	21,550,510	3,910,755	2,519,260	1,074,437	559,995	233,854,739
												weighted avg.
Equity-to-Asset Ratio	10.1%	8.8%	8.0%	9.2%	10.4%	9.9%	13.2%	7.8%	49.2%	27.9%	49.6%	10.2%
Commercial Liabilities-to-Total Debt	100.0%	100.0%	100.0%	0.0%	100.0%	0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Debt-to-Equity Ratio	0.3	0.6	2.8	0.0	0.7	0.0	1.1	0.0	0.9	0.4	0.8	0.7
Deposits-to-Gross Loan Portfolio	142.7%	142.2%	147.2%	185.4%	133.5%	290.4%	121.0%	669.4%	0.3%	98.2%	24.9%	159.5%
Deposits-to-Total Assets	82.8%	80.8%	65.2%	80.3%	73.9%	70.7%	65.5%	90.8%	0.2%	53.2%	7.3%	75.4%
Cost of Funds	9.6%	7.2%	7.0%	3.5%	9.1%	7.5%	9.6%	5.3%	9.5%	12.8%	9.0%	7.6%
Gross Loan Portfolio-to-Total Assets	58.0%	56.8%	44.3%	43.3%	55.4%	24.3%	54.1%	13.6%	56.7%	54.2%	29.5%	47.2%

NBMFCs

	NRSP	KASHF	Akhuwat	ASA-P	RCDP	TMF	DSP	SAFCO	PRSP	JWS-P	SRSO	CEIP	FFO
Total Assets	24,684,721	24,479,673	23,679,563	11,826,499	6,931,712	5,743,447	4,114,380	3,524,383	3,299,465	3,095,793	1,971,907	1,878,325	1,190,182
Total Equity	10,176,307	4,406,992	2,992,150	4,834,563	1,980,922	318,792	1,006,224	747,119	1,815,831	711,117	254,979	1,521,502	132,281
Total Debt	14,301,296	17,829,650	20,537,968	6,465,067	3,930,608	4,810,742	2,895,817	2,613,417	135,644	2,170,000	1,650,007	830,776	656,119
- Subsidised Debt*	477,592	26,996	20,537,968	-	87,450	-	-	-	-	-	-	105,776	-
- Commercial Debt	13,823,704	17,802,654	-	6,465,067	3,843,158	4,810,742	2,895,817	2,613,417	135,644	2,170,000	1,650,007	725,000	656,119
Total Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	14,508,413	20,072,681	20,687,413	6,991,936	4,950,790	5,424,655	3,108,156	2,777,264	1,483,634	2,384,676	1,716,928	356,823	1,057,901
Gross Loan Portfolio	19,378,735	13,550,820	17,759,720	10,290,958	4,623,911	3,560,870	3,137,101	2,233,909	1,087,902	1,954,154	1,624,827	1,462,040	768,043
Equity-to-Asset Ratio	41.2%	18.0%	12.6%	40.9%	28.6%	5.6%	24.5%	21.2%	55.0%	23.0%	12.9%	81.0%	11.1%
Commercial Liabilities-to-Total Debt	96.7%	99.8%	0.0%	100.0%	97.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	87.3%	100.0%
Debt-to-Equity Ratio	1.4	4.0	6.9	1.3	2.0	15.1	2.9	3.5	0.1	3.1	6.5	0.5	5.0
Deposits-to-Gross Loan Portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits-to-Total Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Funds	17.9%	14.7%	0.0%	15.5%	17.4%	14.6%	18.6%	12.6%	149.6%	16.7%	12.0%	29.5%	27.6%
Gross Loan Portfolio-to-Total Assets	78.5%	55.4%	75.0%	87.0%	66.7%	62.0%	76.2%	63.4%	33.0%	63.1%	82.4%	77.8%	64.5%

	MOJAZ	Agahe	GBTI	OPRCT	SVDP	ORIX	SSSF	SMC	Wasil	OPD	MOSP	VDO
Total Assets	1,151,310	1,003,106	933,486	563,206	493,831	275,942	244,410	218,063	158,619	113,053	59,563	34,158
Total Equity	207,698	149,269	569,899	212,032	80,206	267,921	74,090	104,090	(63,461)	13,566	38,497	30,841
Total Debt	917,541	836,881	329,556	160,989	395,589	8,021	154,750	87,429	183,663	69,733	15,000	2,891
- Subsidised Debt*	50,000	4,000	57,056	102,000	-	-	16,000	36,429	183,663	27,000	11,000	-
- Commercial Debt	867,541	832,881	272,500	58,989	395,589	8,021	138,750	51,000	-	42,733	4,000	2,891
Total Deposits	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	943,612	853,836	363,587	351,173	413,625	8,021	170,320	113,973	222,081	99,487	21,066	3,317
Gross Loan Portfolio	748,025	622,415	424,815	343,927	328,604	276,346	169,844	122,655	80,050	69,840	30,421	28,873
Equity-to-Asset Ratio	18.0%	14.9%	61.1%	37.6%	16.2%	97.1%	30.3%	47.7%	-40.0%	12.0%	64.6%	90.3%
Commercial Liabilities-to-Total Debt	94.6%	99.5%	82.7%	36.6%	100.0%	100.0%	89.7%	58.3%	0.0%	61.3%	26.7%	100.0%
Debt-to-Equity Ratio	4.4	5.6	0.6	0.8	4.9	0.0	2.1	0.8	-2.9	5.1	0.4	0.1
Deposits-to-Gross Loan Portfolio	-	-	-	-	-	-	-	-	-	-	-	-
Deposits-to-Total Assets	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Funds	12.8%	10.3%	15.7%	25.0%	16.3%	365.2%	16.2%	12.2%	11.6%	14.5%	25.3%	11.5%
Gross Loan Portfolio-to-Total Assets	65.0%	62.0%	45.5%	61.1%	66.5%	100.1%	69.5%	56.2%	50.5%	61.8%	51.1%	84.5%

	Subtotal NBMFCs	Total Industry
Total Assets	121,668,797	616,610,582
Total Equity	32,583,427	82,981,940
Total Debt	81,989,154	117,451,206
- Subsidised Debt*	21,722,930	21,722,930
- Commercial Debt	60,266,224	95,728,276
Total Deposits	-	373,002,084
Total Liabilities	89,085,370	533,628,642
Gross Loan Portfolio	84,678,804	318,533,543
	weighted avg.	weighted avg.
Equity-to-Asset Ratio	26.8%	13.5%
Commercial Liabilities-to-Total Debt	73.5%	81.5%
Debt-to-Equity Ratio	2.52	1.42
Deposits-to-Gross Loan Portfolio	-	117.1%
Deposits-to-Total Assets	-	60.5%
Cost of Funds	12.3%	8.4%
Gross Loan Portfolio-to-Total Assets	69.6%	51.7%

MFBs

Outreach	KBL	FMFB	Ubank	MMFB	NRSP-B	TMFB	FINCA	AMFB	POMFB	Advans	SMFB	Sub
Active Borrowers	881,950	572,635	346,258	808,239	344,607	305,619	224,992	84,397	56,061	8,517	36,410	3,669,685
Active Women Borrowers	280,715	182,392	68,075	161,648	26,548	71,857	22,808	15,988	29,549	439	36,407	896,426
Gross Loan Portfolio (PKR '000)	62,105,641	43,411,854	31,319,362	25,243,147	29,433,285	12,726,494	21,550,510	3,910,755	2,519,260	1,074,437	559,995	233,854,739
Annual per Capita Income (PKR)*	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539
Number of Loans Outstanding	881,950	572,635	346,258	808,239	344,607	305,619	224,992	84,397	56,061	8,517	36,410	3,669,685
Depositors	2,510,159	1,275,562	1,478,934	28,692,283	1,185,102	23,236,070	1,224,549	291,424	16,158	32,744	81,988	60,024,973
Number of Deposit Accounts	2,790,965	1,406,143	1,478,934	28,705,468	1,212,390	23,247,513	1,527,000	396,591	16,575	33,818	81,988	60,897,385
Number of Women Depositors	798,715	458,167	283,641	6,864,979	210,869	4,877,459	170,703	77,693	4,640	3,908	81,971	13,832,745
Deposits Outstanding (PKR '000)	88,649,814	61,726,243	46,104,641	46,810,155	39,284,549	36,963,810	26,082,761	26,178,887	6,701	1,055,183	139,340	373,002,084
												weighted avg.
Proportion of Active Women Borrowers (%)	31.8%	31.9%	19.7%	20.0%	7.7%	23.5%	10.1%	18.9%	52.7%	5.2%	100.0%	24.4%
Average Loan Balance per Active Borrower (PKR)	70,419	75,811	90,451	31,232	85,411	41,642	95,783	46,338	44,938	126,152	15,380	63,726
Average Loan Balance per Active Borrower / per Capita Income	32.8%	35.3%	42.2%	14.6%	39.8%	19.4%	44.6%	21.6%	20.9%	58.8%	7.2%	29.7%
Average Outstanding Loan Balance (PKR)	70,419	75,811	90,451	31,232	85,411	41,642	95,783	46,338	44,938	126,152	15,380	63,726
Average Outstanding Loan Balance / per Capita Income	32.8%	35.3%	42.2%	14.6%	39.8%	19.4%	44.6%	21.6%	20.9%	58.8%	7.2%	29.7%
Proportion of Active Women Depositors (%)	31.8%	35.9%	19.2%	23.9%	17.8%	21.0%	13.9%	26.7%	28.7%	11.9%	100.0%	23.0%
Average Saving Balance per Active Depositor (PKR)	35,316	48,391	31,174	1,631	33,149	1,591	21,300	89,831	415	32,225	1,700	6,214
Active Deposit Account Balance (PKR)	31,763	43,898	31,174	1,631	32,403	1,590	17,081	66,010	404	31,202	1,700	6,125

NBMFCs

	NRSP	KASHF	Akhuwat	ASA-P	RCDP	TMF	DSP	SAFCO	PRSP	JWS-P	SRSO	CEIP	FFO
Active Borrowers	746,514	490,130	762,255	420,776	139,575	127,475	104,881	91,359	58,145	76,284	69,146	38,802	31,880
Active Women Borrowers	609,477	488,864	290,347	413,636	132,042	40,677	104,881	51,166	29,218	73,350	64,410	36,784	31,822
Gross Loan Portfolio (PKR '000)	19,378,735	13,550,820	17,759,720	10,290,958	4,623,911	3,560,870	3,137,101	2,233,909	1,087,902	1,954,154	1,624,827	1,462,040	768,043
Annual per Capita Income (PKR)*	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539
Number of Loans Outstanding	746,514	490,130	762,255	420,776	139,575	127,475	104,881	91,359	58,145	76,284	69,146	38,802	31,880
Depositors	-	-	-	-	-	-	-	-	-	-	-	-	-
Number of Deposit Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-
Number of Women Depositors	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits Outstanding (PKR '000)	-	-	-	-	-	-	-	-	-	-	-	-	-
Proportion of Active Women Borrowers (%)	81.6%	99.7%	38.1%	98.3%	94.6%	31.9%	100.0%	56.0%	50.3%	96.2%	93.2%	94.8%	99.8%
Average Loan Balance per Active Borrower (PKR)	25,959	27,647	23,299	24,457	33,129	27,934	29,911	24,452	18,710	25,617	23,498	37,679	24,092
Average Loan Balance per Active Borrower / per Capita Income	12.1%	12.9%	10.9%	11.4%	15.4%	13.0%	13.9%	11.4%	8.7%	11.9%	11.0%	17.6%	11.2%
Average Outstanding Loan Balance (PKR)	25,959	27,647	23,299	24,457	33,129	27,934	29,911	24,452	18,710	25,617	23,498	37,679	24,092
Average Outstanding Loan Balance / per Capita Income	12.1%	12.9%	10.9%	11.4%	15.4%	13.0%	13.9%	11.4%	8.7%	11.9%	11.0%	17.6%	11.2%
Proportion of Active Women Depositors (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Saving Balance per Active Depositor (PKR)	-	-	-	-	-	-	-	-	-	-	-	-	-
Active Deposit Account Balance (PKR)	-	-	-	-	-	-	-	-	-	-	-	-	-

	MOJAZ	Agahe	GBTI	OPRCT	SVDP	ORIX	SSSF	SMC	Wasil	OPD	MOSP	VDO
Active Borrowers	29,855	28,461	27,211	19,803	12,352	15,219	4,908	5,640	1,963	3,879	1,094	1,952
Active Women Borrowers	13,861	28,006	26,174	7,922	4,091	13,810	3,231	3,366	160	1,754	549	927
Gross Loan Portfolio (PKR '000)	748,025	622,415	424,815	343,927	328,604	276,346	169,844	122,655	80,050	69,840	30,421	28,873
Annual per Capita Income (PKR)*	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539	214,539
Number of Loans Outstanding	29,855	28,461	27,211	19,803	12,352	15,219	4,908	5,640	1,963	3,879	1,094	1,952
Depositors		-	-	-	-	-	-	-	-	-	-	-
Number of Deposit Accounts	-	-	-	-	-	-	-	-	-	-	-	-
Number of Women Depositors		-	-	-	-	-	-	-	-	-	-	-
Deposits Outstanding (PKR '000)	-	-	-	-	-	-	-	-	-	-	-	-
Proportion of Active Women Borrowers (%)	46.4%	98.4%	96.2%	40.0%	33.1%	90.7%	65.8%	59.7%	8.2%	45.2%	50.2%	47.5%
Average Loan Balance per Active Borrower (PKR)	25,055	21,869	15,612	17,367	26,603	18,158	34,606	21,747	40,779	18,005	27,807	14,792
Average Loan Balance per Active Borrower / per Capita Income	11.7%	10.2%	7.3%	8.1%	12.4%	8.5%	16.1%	10.1%	19.0%	8.4%	13.0%	6.9%
Average Outstanding Loan Balance (PKR)	25,055	21,869	15,612	17,367	26,603	18,158	34,606	21,747	40,779	18,005	27,807	14,792
Average Outstanding Loan Balance / per Capita Income	11.7%	10.2%	7.3%	8.1%	12.4%	8.5%	16.1%	10.1%	19.0%	8.4%	13.0%	6.9%
Proportion of Active Women Depositors (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Saving Balance per Active Depositor (PKR)	-	-	-	-	-	-	-	-	-	-	-	-
Active Deposit Account Balance (PKR)	-	-	-	-	-	-	-	-	-	-	-	-

	Subtotal NBMFCs	Total Industry
Active Borrowers	3,309,559	6,979,244
Active Women Borrowers	2,470,525	3,366,951
Gross Loan Portfolio (PKR '000)	84,678,804	318,533,543
Annual per Capita Income (PKR)*	214,539	214,539
Number of Loans Outstanding	3,309,559	6,979,244
Depositors	-	60,024,973
Number of Deposit Accounts	-	60,897,385
Number of Women Depositors	-	13,832,745
Deposits Outstanding (PKR '000)	-	373,002,084
	weighted avg.	weighted avg.
Proportion of Active Women Borrowers (%)	74.6%	48.2%
Average Loan Balance per Active Borrower (PKR)	25,586	45,640
Average Loan Balance per Active Borrower /per Capita Income	12%	21.3%
Average Outstanding Loan Balance (PKR)	25,586	45,640
Average Outstanding Loan Balance /per Capita Income	11.9%	21.3%
Proportion of Active Women Depositors (%)	-	23.04%
Average Saving Balance per Active Depositor (PKR)	-	6,214
Active Deposit Account Balance (PKR)	-	6,125

MFBs

Financial Performance	KBL	FMFB	Ubank	MMFB	NRSP-B	TMFB	FINCA	AMFB	POMFB	Advans	SMFB	Sub
Personnel Expense	3,443,601	2,714,942	2,056,569	1,520,152	1,900,832	2,631,068	1,987,165	1,288,416	422,041	189,987	143,552	18,298,327
Admin Expense	2,593,652	2,442,496	2,209,026	2,785,706	1,213,888	2,283,167	1,773,288	789,490	322,461	206,508	54,732	16,674,415
Less: Operating Expense	6,037,253	5,157,438	4,265,596	4,305,859	3,114,720	4,914,236	3,760,453	2,077,906	744,502	396,495	198,285	34,972,742
Other Non Operating Expense	12,295	1,430	29,558	-	-	7,701,315	63,158	-	-	1,824	-	7,809,579
Net Income before Tax	2,391,798	815,108	1,179,991	744,089	1,144,253	(10,421,582)	1,383,237	57,868	(238,965)	(256,361)	70,125	(3,130,439)
Provision for Tax	652,042	240,509	273,831	237,549	350,818	282,369	478,574	20,649	(59,327)	(1,193)	17,440	2,493,260
Net Income/(Loss)	1,739,756	574,599	906,160	506,541	793,435	(10,703,951)	904,663	37,219	(179,638)	(255,168)	52,684	(5,623,700)
Adjusted Financial Expense on Borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Inflation Adjustment Expense	463	484	(4)	264	213	30	127	76	179	28	67	1,926
Adjusted Loan Loss Provision Expense	-	-	-	300,800	-	-	-	-	-	-	-	300,800
Total Adjustment Expense	463	484	(4)	301,064	213	30	127	76	179	28	67	302,726
Net Income/(Loss) After Adjustments	1,739,293	574,115	906,164	205,477	793,222	(10,703,981)	904,536	37,143	(179,817)	(255,196)	52,618	(5,926,425)
Average Total Assets	94,298,001	61,797,554	55,401,803	48,249,864	46,583,216	56,562,441	38,581,385	24,687,321	4,540,638	1,965,043	1,903,366	434,570,631
Average Total Equity	10,096,264	6,367,887	4,363,031	5,119,988	5,099,044	6,742,488	4,980,891	2,066,787	2,276,179	539,717	916,169	48,568,443
												weighted avg.
Adjusted Return-on-Assets	1.8%	0.9%	1.6%	0.4%	1.7%	-18.9%	2.3%	0.2%	-4.0%	-13.0%	2.8%	-1.4%
Adjusted Return-on-Equity	17.2%	9.0%	20.8%	4.0%	15.6%	-158.8%	18.2%	1.8%	-7.9%	-47.3%	5.7%	-12.2%
Financial Expense Ratio	15.1%	13.4%	13.8%	6.2%	15.1%	25.4%	16.4%	10.8%	9.9%	10.7%	11.2%	13.9%
Operational Self Sufficiency (OSS)	113.5%	107.1%	111.5%	112.1%	113.0%	37.1%	117.4%	101.6%	79.2%	66.6%	124.0%	96.3%
Financial Self Sufficiency (FSS)	113.5%	107.1%	111.5%	106.9%	113.0%	37.1%	117.4%	101.6%	79.2%	66.6%	124.0%	96.0%

NBMFCs

	NRSP	KASHF	Akhuwat	ASA-P	RCDP	TMF	DSP	SAFCO	PRSP	JWS-P	SRSO	CEIP	FFO
Personnel Expense	1,964,101	1,473,472	1,259,189	861,719	570,108	369,582	391,104	202,425	317,844	297,665	198,596	164,177	127,145
Admin Expense	680,534	743,362	386,434	375,542	270,536	160,895	269,222	170,103	151,582	136,155	65,984	72,931	77,555
Less: Operating Expense	2,644,635	2,216,833	1,645,622	1,237,261	840,644	530,477	660,326	372,529	469,426	433,821	264,580	237,108	204,700
Other Non Operating Expense	-	19	75,653	41,250	-	167,653	(1,888)	48,273	-	16,131	-	27,568	2,113
Net Income before Tax	1,218,536	225,179	812,615	1,341,612	453,997	(128,397)	85,909	102,084	(96,517)	32,085	38,415	29,280	(35,012)
Provision for Tax	-	-	-	392,977	-	-	-	-	-	6,592	-	-	-
Net Income/(Loss)	1,218,536	225,179	812,615	948,635	453,997	(128,397)	85,909	102,084	(96,517)	25,492	38,415	29,280	(35,012)
Adjusted Financial Expense on Borrowings	-	-	1,497,881	-	-	-	-	-	-	-	-	-	-
Inflation Adjustment Expense	699	293	169	292	110	28	67	41	145	51	15	23	9
Adjusted Loan Loss Provision Expense	-	-	-	-	39,767	-	-	-	89,656	-	-	-	-
Total Adjustment Expense	699	293	1,498,050	292	39,877	28	67	41	89,801	51	15	23	9
Net Income/(Loss) After Adjustments	1,217,837	224,886	(685,435)	948,344	414,120	(128,425)	85,842	102,042	(186,318)	25,441	38,400	29,257	(35,021)
Average Total Assets	26,673,795	22,678,117	21,422,450	11,450,504	6,322,896	6,041,959	4,243,208	3,447,759	3,624,948	2,910,191	2,046,540	1,694,454	1,098,273
Average Total Equity	9,557,921	4,367,265	2,585,842	4,328,119	1,746,571	381,222	963,270	696,077	1,859,605	699,646	235,771	342,183	148,565
Adjusted Return-on-Assets	4.6%	1.0%	-3.2%	8.3%	6.5%	-2.1%	2.0%	3.0%	-5.1%	0.9%	1.9%	1.7%	-3.2%
Adjusted Return-on-Equity	12.7%	5.1%	-26.5%	21.9%	23.7%	-33.7%	8.9%	14.7%	-10.0%	3.6%	16.3%	8.6%	-23.6%
Financial Expense Ratio	1.1%	19.1%	0.0%	10.0%	15.5%	16.3%	16.2%	16.9%	11.6%	17.5%	11.3%	17.8%	32.3%
Operational Self Sufficiency (OSS)	121.3%	104.0%	145.4%	149.4%	129.1%	92.3%	106.8%	112.7%	85.6%	103.8%	106.8%	105.5%	91.0%
Financial Self Sufficiency (FSS)	121.3%	104.0%	79.1%	149.4%	125.9%	92.3%	106.8%	112.7%	75.6%	103.8%	106.8%	105.5%	91.0%

	MOJAZ	Agahe	GBTI	OPRCT	SVDP	ORIX	SSSF	SMC	Wasil	OPD	MOSP	VDO
Personnel Expense	133,951	89,196	58,366	49,524	45,740	75,655	13,362	11,579	29,553	25,170	6,994	2,781
Admin Expense	34,724	66,974	24,539	25,008	20,412	20,346	34,740	7,848	4,410	7,927	5,125	2,486
Less: Operating Expense	168,674	156,170	82,906	74,532	66,152	96,002	48,102	19,427	33,964	33,096	12,119	5,267
Other Non Operating Expense	-	-	12,302	13,643	-	-	-	-	-	-	-	-
Net Income before Tax	17,078	32,067	39,373	2,920	4,574	(40,796)	7,016	25,640	(33,464)	(4,043)	(7,720)	539
Provision for Tax	-	-	-	-	3,471	-	1,570	2,224	-	-	113	443
Net Income/(Loss)	17,078	32,067	39,373	2,920	1,103	(40,796)	5,446	23,416	(33,464)	(4,043)	(7,833)	96
Adjusted Financial Expense on Borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Inflation Adjustment Expense	14	7	41	16	4	22	4	6	(4)	4	3	2
Adjusted Loan Loss Provision Expense	-	-	-	-	-	44,808	-	3,160	11,052	-	-	-
Total Adjustment Expense	14	7	41	16	4	44,830	4	3,166	11,048	4	3	2
Net Income/(Loss) After Adjustments	17,064	32,060	39,332	2,904	1,099	(85,626)	5,442	20,251	(44,512)	(4,047)	(7,836)	93
Average Total Assets	1,105,166	776,166	1,019,911	579,125	487,159	347,169	248,641	205,872	166,235	112,146	79,311	33,878
Average Total Equity	199,213	133,236	547,611	210,573	79,654	276,692	71,366	92,381	(48,230)	53,321	53,413	30,793
Adjusted Return-on-Assets	1.5%	4.1%	3.9%	0.5%	0.2%	-24.7%	2.2%	9.8%	-26.8%	-3.6%	-9.9%	0.3%
Adjusted Return-on-Equity	8.6%	24.1%	7.2%	1.4%	1.4%	-30.9%	7.6%	21.9%	92.3%	-7.6%	-14.7%	0.3%
Financial Expense Ratio	15.1%	14.6%	12.6%	9.6%	19.2%	8.3%	14.3%	38.0%	23.6%	12.2%	13.5%	1.2%
Operational Self Sufficiency (OSS)	105.7%	113.5%	126.0%	102.1%	103.5%	74.6%	108.9%	178.4%	48.4%	90.7%	53.9%	109.4%
Financial Self Sufficiency (FSS)	105.7%	113.4%	126.0%	102.1%	103.5%	58.4%	108.9%	162.7%	41.4%	90.7%	53.9%	109.4%

	Subtotal NBMFCs	Total Industry
Personnel Expense	8,739,001	27,037,328
Admin Expense	3,815,372	20,489,787
Less: Operating Expense	12,554,373	47,527,115
Other Non Operating Expense	402,718	8,212,298
Net Income before Tax	4,122,969	992,529
Provision for Tax	407,389	2,900,649
Net Income/(Loss)	3,715,579	(1,908,120)
Adjusted Financial Expense on Borrowings	1,497,881	1,497,881
Inflation Adjustment Expense	2,063	3,988
Adjusted Loan Loss Provision Expense	188,443	489,243
Total Adjustment Expense	1,688,386	1,991,112
Net Income/(Loss) After Adjustments	2,027,193	(3,899,232)
Average Total Assets	118,815,873	553,386,504
Average Total Equity	29,612,083	78,180,526
	weighted avg.	weighted avg.
Adjusted Return-on-Assets	1.7%	-0.7%
Adjusted Return-on-Equity	6.8%	-5.0%
Financial Expense Ratio	11.8%	13.3%
Operational Self Sufficiency (OSS)	116.2%	100.9%
Financial Self Sufficiency (FSS)	109.0%	99.1%

MFBs

Operating Income	KBL	FMFB	Ubank	MMFB	NRSP-B	TMFB	FINCA	AMFB	POMFB	Advans	SMFB	Sub
Average Total Assets	94,298,001	61,797,554	55,401,803	48,249,864	46,583,216	56,562,441	38,581,385	24,687,321	4,540,638	1,965,043	1,903,366	434,570,631
Gross Loan Portfolio (Opening Balance)	54,797,823	27,460,565	31,613,750	27,906,857	22,480,016	9,071,890	15,537,781	21,882,307	1,269,591	1,981,993	864,362	214,866,935
Gross Loan Portfolio (Closing Balance)	62,105,641	43,411,854	31,319,362	25,243,147	29,433,285	12,726,494	21,550,510	3,910,755	2,519,260	1,074,437	559,995	233,854,739
Average Gross Loan Portfolio	58,451,732	35,436,210	31,466,556	26,575,002	25,956,650	10,899,192	18,544,146	12,896,531	1,894,425	1,528,215	712,178	224,360,837
Inflation Rate*	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
												weighted avg.
Total Revenue Ratio (Total Revenue-to-Average Total Assets)	21.4%	19.9%	20.6%	14.3%	21.3%	10.9%	24.2%	14.6%	20.1%	26.0%	19.0%	18.8%
Adjusted Profit Margin (Adjusted Profit/(Loss)-to-Total Revenue)	8.6%	4.7%	8.0%	3.0%	8.0%	-173.8%	9.7%	1.0%	-19.7%	-50.0%	14.5%	-7.3%
Yield on Gross Portfolio (Nominal)	31.3%	31.5%	32.4%	20.4%	33.4%	35.5%	45.7%	21.3%	32.8%	30.1%	33.9%	31.3%
Yield on Gross Portfolio (Real)	21.6%	21.7%	22.6%	11.5%	23.5%	25.5%	34.9%	12.3%	23.0%	20.5%	24.0%	21.5%

NBMFCs

	NRSP	KASHF	Akhuwat	ASA-P	RCDP	TMF	DSP	SAFCO	PRSP	JWS-P	SRSO	CEIP	FFO
Average Total Assets	26,673,795	22,678,117	21,422,450	11,450,504	6,322,896	6,041,959	4,243,208	3,447,759	3,624,948	2,910,191	2,046,540	1,694,454	1,098,273
Gross Loan Portfolio (Opening Balance)	23,269,783	13,864,371	13,949,464	9,739,022	4,195,007	5,037,882	3,477,566	1,651,487	2,408,160	2,175,630	1,902,197	1,297,808	352,469
Gross Loan Portfolio (Closing Balance)	19,378,735	13,550,820	17,759,720	10,290,958	4,623,911	3,560,870	3,137,101	2,233,909	1,087,902	1,954,154	1,624,827	1,462,040	768,043
Average Gross Loan Portfolio	21,324,259	13,707,596	15,854,592	10,014,990	4,409,459	4,299,376	3,307,333	1,942,698	1,748,031	2,064,892	1,763,512	1,379,924	560,256
Inflation Rate*	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Total Revenue Ratio (Total Revenue-to-Average Total Assets)	26.0%	25.6%	12.1%	35.4%	31.9%	25.5%	31.8%	26.4%	15.9%	29.8%	29.5%	33.3%	32.1%
Adjusted Profit Margin (Adjusted Profit/(Loss)-to-Total Revenue)	17.5%	3.9%	-26.3%	23.4%	20.5%	-8.3%	6.4%	11.2%	-32.4%	2.9%	6.4%	5.2%	-9.9%
		37.6%	0.9%	39.3%	42.6%								
Yield on Gross Portfolio (Nominal)	31.0%					30.5%	32.5%	42.3%	21.2%	39.0%	27.8%	36.5%	58.0%
Yield on Gross Portfolio (Real)	21.3%	27.4%	-6.6%	29.0%	32.1%	20.8%	22.7%	31.8%	12.2%	28.7%	18.3%	26.4%	46.3%

	MOJAZ	Agahe	GBTI	OPRCT	SVDP	ORIX	SSSF	SMC	Wasil	OPD	MOSP	VDO
Average Total Assets	1,105,166	776,166	1,019,911	579,125	487,159	347,169	248,641	205,872	166,235	112,146	79,311	33,878
Gross Loan Portfolio (Opening Balance)	807,905	565,840	399,651	491,168	344,689	431,229	181,987	106,782	100,181	96,115	51,321	27,361
Gross Loan Portfolio (Closing Balance)	748,025	622,415	424,815	343,927	328,604	276,346	169,844	122,655	80,050	69,840	30,421	28,873
Average Gross Loan Portfolio	777,965	594,128	412,233	417,547	336,647	353,787	175,916	114,718	90,116	82,978	40,871	28,117
Inflation Rate*	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Total Revenue Ratio (Total Revenue-to-Average Total Assets)	28.8%	34.8%	18.7%	24.9%	27.9%	34.6%	34.4%	28.3%	18.9%	35.1%	11.4%	18.5%
Adjusted Profit Margin (Adjusted Profit/(Loss)-to-Total Revenue)	5.4%	11.9%	20.6%	2.0%	0.8%	-71.3%	6.4%	34.7%	-141.7%	-10.3%	-86.8%	1.5%
Yield on Gross Portfolio (Nominal)	38.8%	39.0%	24.9%	31.1%	36.9%	30.7%	37.3%	42.2%	32.7%	46.0%	20.5%	21.2%
Yield on Gross Portfolio (Real)	28.5%	28.7%	15.6%	21.4%	26.8%	21.0%	27.1%	31.6%	22.9%	35.2%	11.6%	12.2%

	Subtotal NBMFCs	Total Industry
Average Total Assets	118,815,873	553,386,504
Gross Loan Portfolio (Opening Balance)	86,925,077	301,792,012
Gross Loan Portfolio (Closing Balance)	84,678,804	318,533,543
Average Gross Loan Portfolio	85,801,940	310,162,778
Inflation Rate*	8.0%	8.0%
	weighted avg.	weighted avg.
Total Revenue Ratio (Total Revenue-to-Average Total Assets)	24.9%	20.1%
Adjusted Profit Margin (Adjusted Profit/(Loss)-to-Total Revenue)	6.8%	-3.5%
Yield on Gross Portfolio (Nominal)	28.7%	30.6%
Yield on Gross Portfolio (Real)	19.2%	20.9%

MFBs

Operating Expense	KBL	FMFB	Ubank	MMFB	NRSP-B	TMFB	FINCA	AMFB	POMFB	Advans	SMFB	Sub
Adjusted Total Expense	17,764,812	11,466,237	10,216,908	6,462,938	8,784,863	16,580,267	7,959,869	3,537,572	1,150,125	766,609	292,018	84,982,217
Adjusted Financial Expense	8,808,739	4,740,019	4,341,888	1,653,824	3,928,775	2,771,116	3,038,759	1,389,267	188,139	163,491	79,617	31,103,633
Adjusted Loan Loss Provision Expense	2,906,525	1,567,350	1,579,866	503,256	1,741,368	1,193,600	1,097,499	70,399	217,483	204,800	14,116	11,096,262
Operating Expense	6,049,548	5,158,868	4,295,154	4,305,859	3,114,720	12,615,551	3,823,610	2,077,906	744,502	398,319	198,285	42,782,322
Adjustment Expense	463	484	(4)	301,064	213	30	127	76	179	28	67	302,726
Average Total Assets	94,298,001	61,797,554	55,401,803	48,249,864	46,583,216	56,562,441	38,581,385	24,687,321	4,540,638	1,965,043	1,903,366	434,570,631
												weighted avg.
Adjusted Total Expense-to-Average Total Assets	18.8%	18.6%	18.4%	13.4%	18.9%	29.3%	20.6%	14.3%	25.3%	39.0%	15.3%	19.6%
Adjusted Financial Expense-to-Average Total Assets	9.3%	7.7%	7.8%	3.4%	8.4%	4.9%	7.9%	5.6%	4.1%	8.3%	4.2%	7.2%
Adjusted Loan Loss Provision Expense-to-Average Total Assets	3.1%	2.5%	2.9%	1.0%	3.7%	2.1%	2.8%	0.3%	4.8%	10.4%	0.7%	2.6%
Adjusted Operating Expense-to-Average Total Assets	6.4%	8.3%	7.8%	8.9%	6.7%	22.3%	9.9%	8.4%	16.4%	20.3%	10.4%	9.8%
Adjusted Personnel Expense	3.7%	4.4%	3.7%	3.2%	4.1%	4.7%	5.2%	5.2%	9.3%	9.7%	7.5%	4.2%
Adjusted Admin Expense	2.8%	4.0%	4.0%	5.8%	2.6%	4.0%	4.6%	3.2%	7.1%	10.5%	2.9%	3.8%
Adjustment Expense-to-Average Total Assets	0.0%	0.0%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%

NBMFCs

	NRSP	KASHF	Akhuwat	ASA-P	RCDP	TMF	DSP	SAFCO	PRSP	JWS-P	SRSO	CEIP	FFO
Adjusted Total Expense	5,729,833	5,580,227	3,287,080	2,713,501	1,601,601	1,668,848	1,265,398	806,510	761,992	834,827	565,236	534,306	387,664
Adjusted Financial Expense	2,554,636	2,622,724	1,497,881	1,002,948	683,552	702,589	537,417	329,198	202,910	361,655	198,710	245,489	180,850
Adjusted Loan Loss Provision Expense	530,562	740,651	67,924	432,042	77,404	268,129	69,542	56,511	89,656	23,221	101,946	24,142	-
Operating Expense	2,644,635	2,216,852	1,721,276	1,278,511	840,644	698,130	658,438	420,801	469,426	449,951	264,580	264,675	206,813
Adjustment Expense	699	293	1,498,050	292	39,877	28	67	41	89,801	51	15	23	9
Average Total Assets	26,673,795	22,678,117	21,422,450	11,450,504	6,322,896	6,041,959	4,243,208	3,447,759	3,624,948	2,910,191	2,046,540	1,694,454	1,098,273
Adjusted Total Expense-to-Average Total Assets	21.5%	24.6%	15.3%	23.7%	25.3%	27.6%	29.8%	23.4%	21.0%	28.7%	27.6%	31.5%	35.3%
Adjusted Financial Expense-to-Average Total Assets	9.6%	11.6%	7.0%	8.8%	10.8%	11.6%	12.7%	9.5%	5.6%	12.4%	9.7%	14.5%	16.5%
Adjusted Loan Loss Provision Expense-to-Average Total Assets	2.0%	3.3%	0.3%	3.8%	1.2%	4.4%	1.6%	1.6%	2.5%	0.8%	5.0%	1.4%	0.0%
Adjusted Operating Expense-to-Average Total Assets	9.9%	9.8%	8.0%	11.2%	13.3%	11.6%	15.5%	12.2%	12.9%	15.5%	12.9%	15.6%	18.8%
Adjusted Personnel Expense	7.4%	6.5%	5.9%	7.5%	9.0%	6.1%	9.2%	5.9%	8.8%	10.2%	9.7%	9.7%	11.6%
Adjusted Admin Expense	2.6%	3.3%	1.8%	3.3%	4.3%	2.7%	6.3%	4.9%	4.2%	4.7%	3.2%	4.3%	7.1%
Adjustment Expense-to-Average Total Assets	0.0%	0.0%	7.0%	0.0%	0.6%	0.0%	0.0%	0.0%	2.5%	0.0%	0.0%	0.0%	0.0%

	MOJAZ	Agahe	GBTI	OPRCT	SVDP	ORIX	SSSF	SMC	Wasil	OPD	MOSP	VDO
Adjusted Total Expense	301,522	238,358	151,287	141,451	131,163	205,686	78,458	35,856	75,932	43,434	16,747	5,724
Adjusted Financial Expense	117,265	86,588	51,888	40,208	64,511	29,296	25,094	10,671	21,280	10,099	3,795	332
Adjusted Loan Loss Provision Expense	15,583	(4,399)	4,190	13,068	499	80,388	5,262	5,758	20,688	238	833	125
Operating Expense	168,674	156,170	95,208	88,175	66,152	96,002	48,102	19,427	33,964	33,096	12,119	5,267
Adjustment Expense	14	7	41	16	4	44,830	4	3,166	11,048	4	3	2
Average Total Assets	1,105,166	776,166	1,019,911	579,125	487,159	347,169	248,641	205,872	166,235	112,146	79,311	33,878
Adjusted Total Expense-to-Average Total Assets	27.3%	30.7%	14.8%	24.4%	26.9%	59.2%	31.6%	17.4%	45.7%	38.7%	21.1%	16.9%
Adjusted Financial Expense-to-Average Total Assets	10.6%	11.2%	5.1%	6.9%	13.2%	8.4%	10.1%	5.2%	12.8%	9.0%	4.8%	1.0%
Adjusted Loan Loss Provision Expense-to-Average Total Assets	1.4%	-0.6%	0.4%	2.3%	0.1%	23.2%	2.1%	2.8%	12.4%	0.2%	1.1%	0.4%
Adjusted Operating Expense-to-Average Total Assets	15.3%	20.1%	9.3%	15.2%	13.6%	27.7%	19.3%	9.4%	20.4%	29.5%	15.3%	15.5%
Adjusted Personnel Expense	12.1%	11.5%	5.7%	8.6%	9.4%	21.8%	5.4%	5.6%	17.8%	22.4%	8.8%	8.2%
Adjusted Admin Expense	3.1%	8.6%	2.4%	4.3%	4.2%	5.9%	14.0%	3.8%	2.7%	7.1%	6.5%	7.3%
Adjustment Expense-to-Average Total Assets	0.0%	0.0%	0.0%	0.0%	0.0%	12.9%	0.0%	1.5%	6.6%	0.0%	0.0%	0.0%

	Subtotal NBMFCs	Total Industry
Adjusted Total Expense	27,162,641	112,144,858
Adjusted Financial Expense	11,581,586	42,685,220
Adjusted Loan Loss Provision Expense	2,623,964	13,720,226
Operating Expense	12,957,091	55,739,413
Adjustment Expense	1,688,386	1,991,112
Average Total Assets	118,815,873	553,386,504
	weighted avg.	weighted avg.
Adjusted Total Expense-to-Average Total Assets	22.9%	20.3%
Adjusted Financial Expense-to-Average Total Assets	9.7%	7.7%
Adjusted Loan Loss Provision Expense-to-Average Total Assets	2.2%	2.5%
Adjusted Operating Expense-to-Average Total Assets	10.9%	10.1%
Adjusted Personnel Expense	7.4%	4.9%
Adjusted Admin Expense	3.2%	3.7%
Adjustment Expense-to-Average Total Assets	1.4%	0.4%

Social Performance Indicators

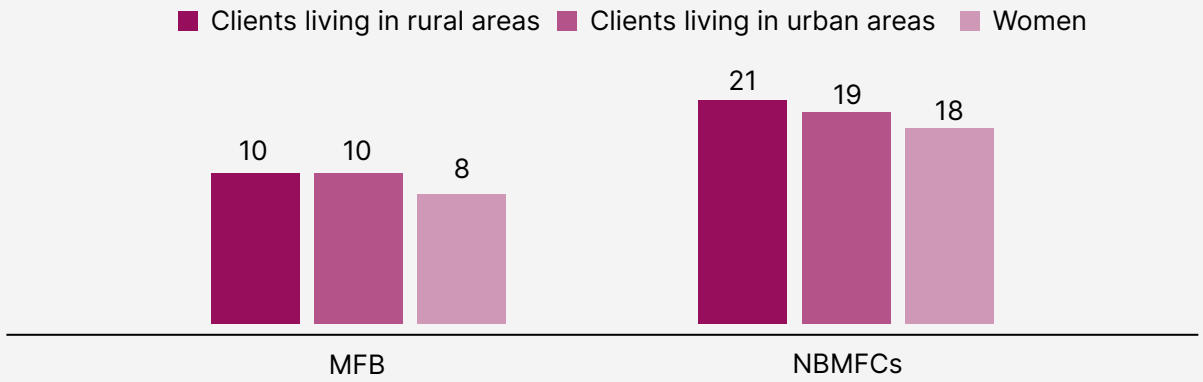
MFBs		KBL	TMFB	FMFBP	POMFB	NRSP Bank	Ubank	APNA Micro-finance	FINCA	ADVANS	MMFB	SMFB
Social Goals												
Target market	Clients living in rural areas	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Clients living in urban areas	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Women		✓	✓	✓	✓	✓	✓	✓		✓	✓
	Adolescents and youth (below 18)											
	None of the above											
Development goals	Increased access to financial services	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
	Poverty reduction	✓			✓	✓	✓	✓	✓		✓	✓
	Employment generation	✓			✓	✓			✓		✓	✓
	Development of start-up enterprises	✓			✓			✓				
	Growth of existing businesses		✓		✓		✓	✓	✓	✓	✓	✓
	Improvement of adult education				✓							
	Youth opportunities											
	Children's schooling		✓				✓				✓	
	Health improvement		✓				✓					
	Gender equality and women's empowerment	✓			✓		✓	✓			✓	✓
	Water and sanitation											
	Housing		✓	✓				✓				
	None of the above											
Poverty level	Very poor clients	✓						✓				
	Poor clients	✓	✓		✓	✓		✓				
	Low income clients		✓		✓	✓	✓	✓	✓	✓	✓	✓
	No specific poverty target			✓			✓					
Does MFP measure poverty	Yes	✓	✓			✓		✓	✓	✓		
	No			✓	✓		✓				✓	✓
	Unknown											
Poverty measurement tool	Grameen Progress out of Poverty Index (PPI)											
	USAID Poverty Assessment Tool (PAT)											
	Per capita household expenditure		✓							✓		
	Per capita household income		✓					✓		✓		
	Participatory Wealth Ranking (PWR)											
	Housing index											
	Food security index											
	Means test											
	Own proxy poverty index		✓						✓			
	None of the above	✓		✓	✓	✓	✓				✓	✓
Governance and HR												
Board orientation of social mission	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓		
	No											
	Unknown											
SPM champion/ committee at Board	Yes	✓		✓		✓				✓		✓
	No		✓		✓		✓	✓	✓		✓	
	Unknown											
Board experience in SPM	Yes	✓	✓	✓		✓	✓		✓	✓	✓	✓
	No				✓			✓				
	Unknown											
Staff incentives related to SP	Number of clients	✓	✓	✓	✓	✓	✓	✓	✓	✓		
	Quality of interaction with clients based on client feedback mechanism						✓		✓			
	Quality of social data collected									✓		
	Portfolio quality	✓		✓	✓	✓	✓	✓	✓	✓	✓	
	None of the above											✓
How number of clients is incentivized	Total number of clients		✓		✓	✓	✓	✓	✓			
	Number of new clients	✓		✓		✓		✓		✓		✓
	Client retention					✓	✓	✓	✓	✓		
	None of the above										✓	
HR policies related to SP	Social protection (medical insurance and/or pension contribution)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Safety policy		✓				✓		✓	✓	✓	✓
	Anti-harassment policy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Non-discrimination policy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Grievance resolution policy	✓	✓		✓	✓	✓		✓	✓	✓	✓
	None of the above											

MFBs

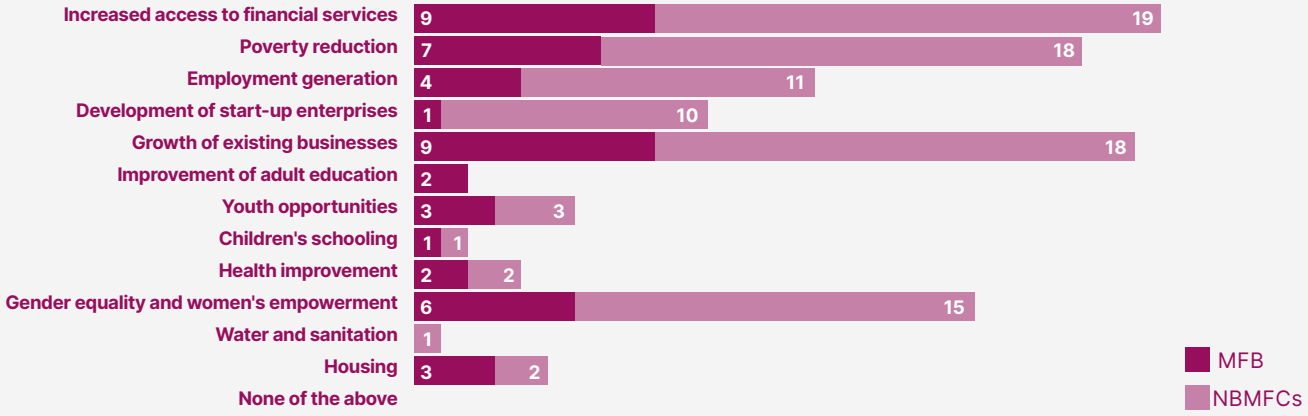
Products and Services		KBL	TMFB	FMFBP	POMFB	NRSP Bank	Ubank	APNA Micro-finance	FINCA	ADVANS	MMFB	SMFB
Types of credit products	Income generating loans Non-income generating loans Does not offer credit products											
Types of income generating loans	Microenterprise loans SME loans Agriculture/livestock loans Express loans None of the above											
Types of non-income generating loans	Education loans Emergency loans Housing loans Other household needs/consumption None of the above											
Types of savings products	Compulsory savings accounts Voluntary savings accounts Does not offer savings accounts											
Types of voluntary savings products	Demand deposit accounts Time deposit accounts None of the above											
Compulory insurance required	Yes No Unknown											
Types of compulory insurance required	Credit life insurance Life/accident insurance Agriculture insurance None of the above											
Voluntary insurance offered	Yes No Unknown											
Types of voluntary insurance offered	Credit life insurance Life/accident insurance Agriculture insurance Health insurance House insurance Workplace insurance None of the above											
Other financial services offered	Yes No Unknown											
Types of other financial services offered	Debit/credit card Mobile/branchless banking services Savings facilitation services Remittance/money transfer services Payment services Microleasing Scholarship/educational grants None of the above											
Enterprise services offered	Yes No Unknown											
Types of enterprise services offered	Enterprise skills development Business development services None of the above											
Women's enpowerment services	Yes No Unknown											
Types of women's empowerment services offered	Leadership training for women Women's rights education/gender issues training Counseling/legal services for female victims of violence None of the above											
Education services offered	Yes No Unknown											
Types of education services offered	Financial literacy education Basic health/nutrition education Child and youth education Occupational health and safety in the workplace education None of the above											
Health services offered	Yes No Unknown											
Types of health services offered	Basic medical services Special medical services for women and children None of the above											

MFBs		KBL	TMFB	FMFBP	POMFB	NRSP Bank	Ubank	APNA Micro-finance	FINCA	ADVANS	MMFB	SMFB
Client Protection												
Do policies support good repayment capacity analysis	Yes No Partially Unknown											
Does internal audit verify compliance with policies	Yes No Partially Unknown											
The institution fully discloses to the clients all prices, installments, terms, and conditions of all financial products, including all charges and fees, associated prices, penalties, linked products, third party fees, and whether these can change over time.	Yes No Partially Unknown											
Do policies support good repayment capacity analysis	Yes No Partially Unknown											
The institution clearly presents to clients the total amount that the client pays for the product, regardless of local regulations (including in the absence of industry-wide requirements).	Yes No Partially Unknown											
Do policies support good repayment capacity analysis	Yes No Partially Unknown											
The institution clearly spells out in a Code of Conduct (i.e., in Code of Conduct, Code of Ethics, Book of Employee Rules) the specific standards of professional conduct that are expected of all employees involved in collections (including third party staff).	Yes No Partially Unknown											
The institution sanctions cases of violations of the Code of Conduct or collections policies (identified by management, internal audit or an efficient complaint mechanism) according to set rules.	Yes No Partially Unknown											
The institution's policies include how to handle complaints. They include how to inform clients about the complaint mechanism. The institution's clients receive a timely response to their issues, within a month of complaint submission.	Declining balance interest method Flat interest method											
Environment												
Environmental policies in place	Awareness raising on environmental impacts Clauses in loan contracts requiring clients to imrove environmental practices/mitigate environmental risks Tools to evaluate environmental risks of clients' activities Specific loans linked to environmentally friendly products and/or practices None of the above											
Types of environmentally friendly products and/or practices offered	Products related to renewable energy (e.g. solar panels, biogas digesters, etc) Products related to energy efficiency (e.g. insulation, improved cooking stove, etc) Products related to environmentally friendly practices (e.g. organic farming, recycling, waste management, etc) None of the above											

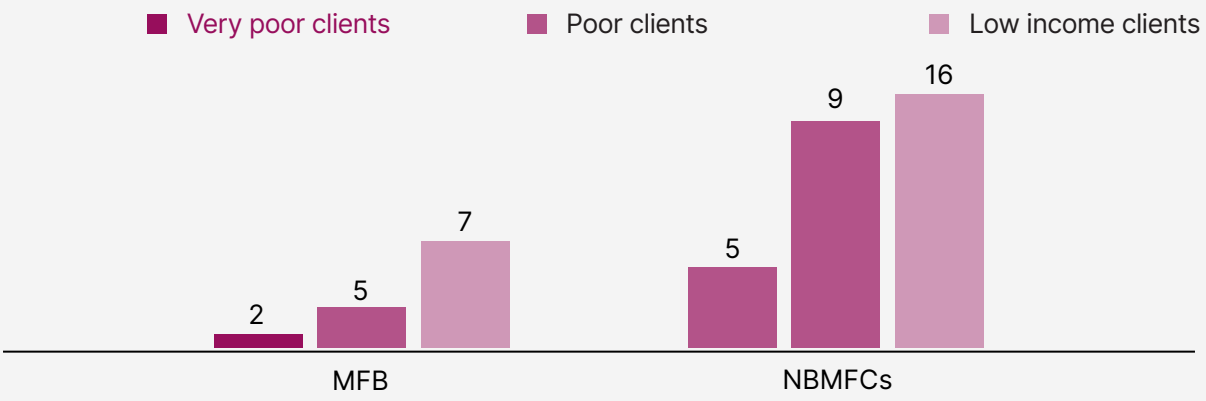
		MFB	NBMFCs
Target market	Clients living in rural areas	10	21
	Clients living in urban areas	10	19
	Women	8	18
	Adolescents and youth (below 18)	1	1
	None of the above	0	0



		MFB	NBMFCs
Development Goals	Increased access to financial services	9	19
	Poverty reduction	7	18
	Employment generation	4	11
	Development of start-up enterprises	1	10
	Growth of existing businesses	9	18
	Improvement of adult education	2	0
	Youth opportunities	3	3
	Children's schooling	1	1
	Health improvement	2	2
	Gender equality and women's empowerment	6	15
	Water and sanitation	0	1
	Housing	3	2
	None of the above	0	0

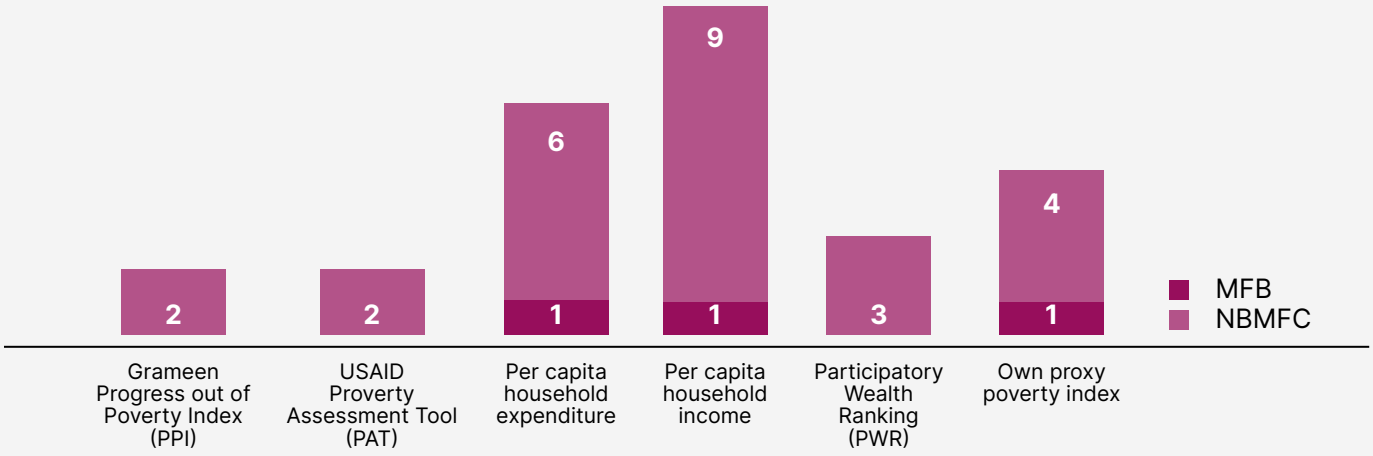


		MFB	NBMFCs
Poverty level	Very poor clients	5	6
	Poor clients	9	17
	Low income clients	16	19
	No specific poverty target	1	0

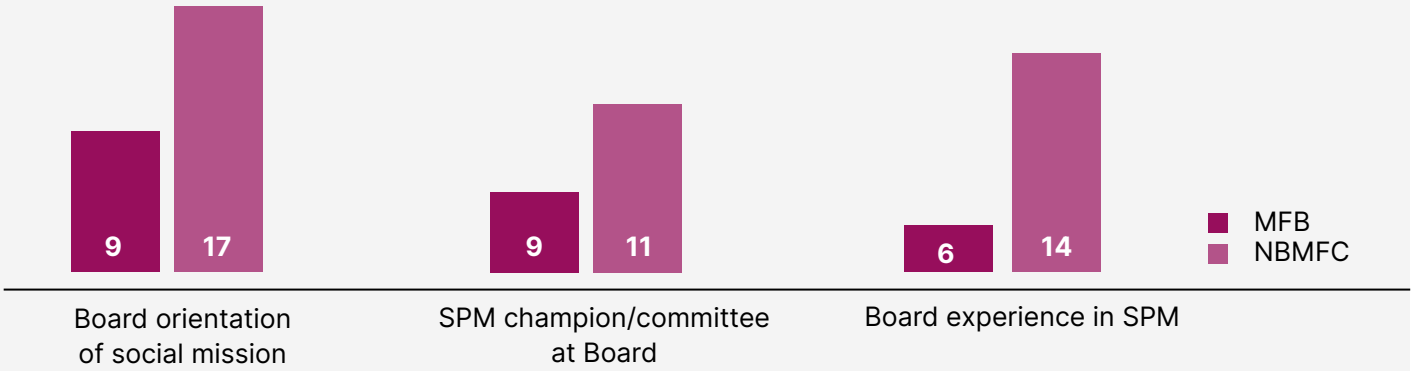


		MFB	NBMFCs
Does MFP measure poverty	Yes	2	17
	No	5	4
	Unknown	5	0

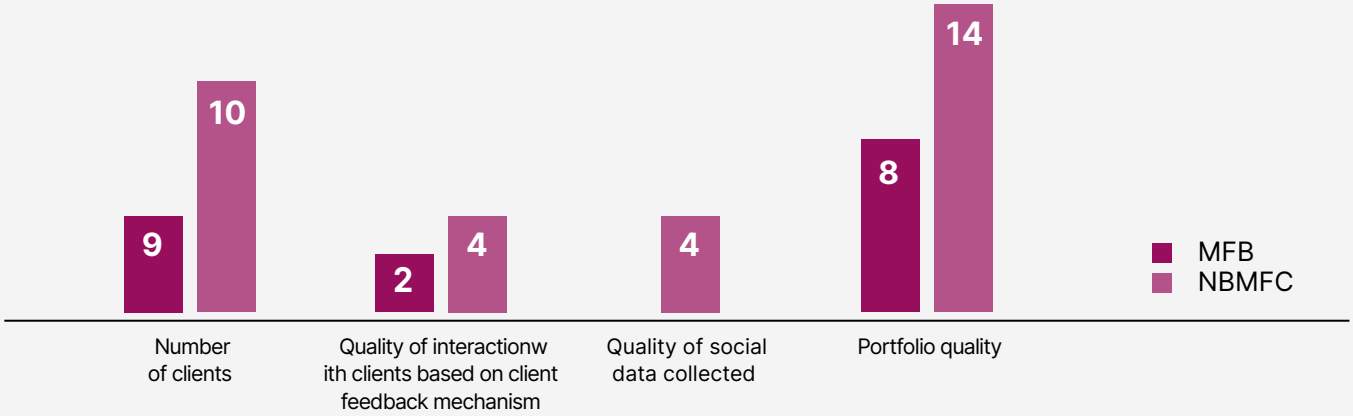
		MFB	NBMFC
Poverty Measurement Tool	Grameen Progress out of Poverty Index (PPI)	0	2
	USAID Poverty Assessment Tool (PAT)	0	2
	Per capita household expenditure	1	6
	Per capita household income	1	9
	Participatory Wealth Ranking (PWR)	0	3
	Housing index	0	0
	Food security index	0	0
	Means test	0	0
	Own proxy poverty index	1	4
	None of the above	8	7



		MFB	MFI	Total
Board Orientation Of Social Mission	Yes No Unknown	9 3 0	17 3 0	26
SPM champion/ committee at Board	Yes No Unknown	9 1 0	11 10 0	20
Board experience in SPM	Yes No Unknown	6 1 3	14 2 1	20



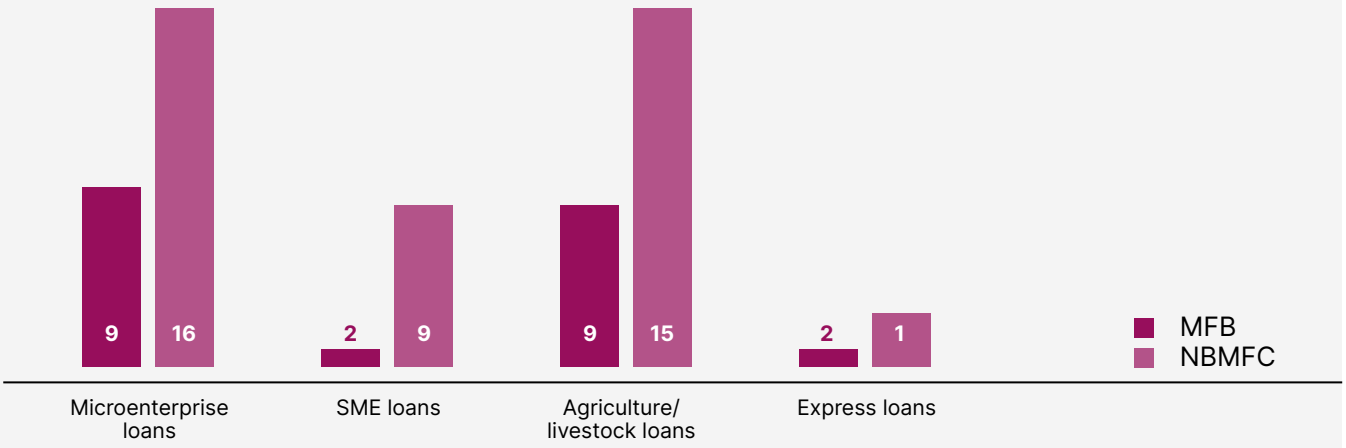
		MFB	NBMFC
Staff incentives related to SP	Number of clients	5	12
	Quality of interaction with clients based on client feedback mechanism	3	5
	Quality of social data collected	0	5
	Portfolio quality	9	16
	None of the above	1	5



		MFB	NBMFC	Total
How number of clients is incentivized	Incentive on "total number of clients"	7	11	18
	Incentive on "number of new clients"	7	6	13
	Incentive on "client retention"	6	5	11
	None of the above	1	7	0

		MFB	NBMFC	Total
Types of credit products	Income generating loans	10	19	29
	Non-income generating loans	7	6	13
	Does not offer credit products	0	1	-

		MFB	NBMFC
Types Of Income Generating Loans	Microenterprise loans	10	20
	SME loans	1	9
	Agriculture/livestock loans	9	20
	Express loans	1	3
	None of the above		



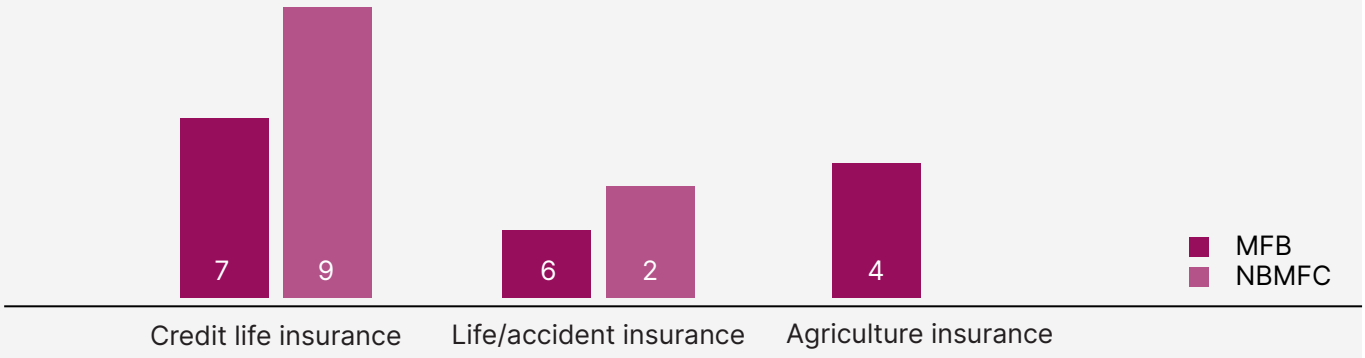
		MFB	NBMFC
Types Of Non-income Generating Loans	Education loans	2	4
	Emergency loans	2	2
	Housing loans	6	4
	Other household needs/consumption	3	7
	None of the above	2	12

		MFB	NBMFC	Total
Types Of Savings Products	Compulsory sacings accounts	0	0	0
	Voluntary savings accounts	9	1	10
	Does not offer savings accounts	1	20	21

		MFB	NBMFC	Total
Types Of Voluntary Savings Products	Compulsory sacings accounts	8	0	8
	Voluntary savings accounts	8	1	9
	Does not offer savings accounts	1	20	21

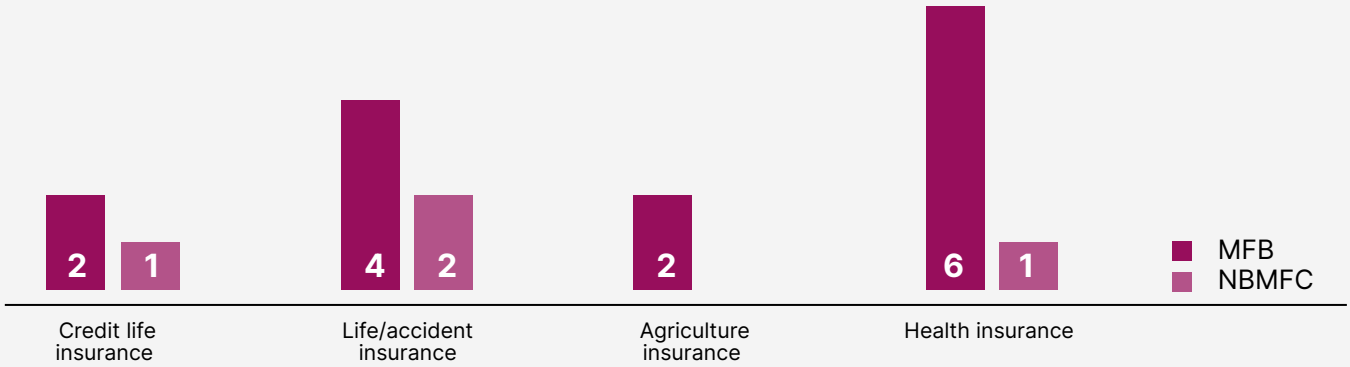
		MFB	NBMFC
Compulory insurance required	Yes	8	21
	No	2	5
	Unknown	0	0

		MFB	NBMFC
Types Of Compulory Insurance Required	Credit life insurance	8	13
	Life/accident insurance	3	5
	Agriculture insurance	6	0
	None of the above	2	5



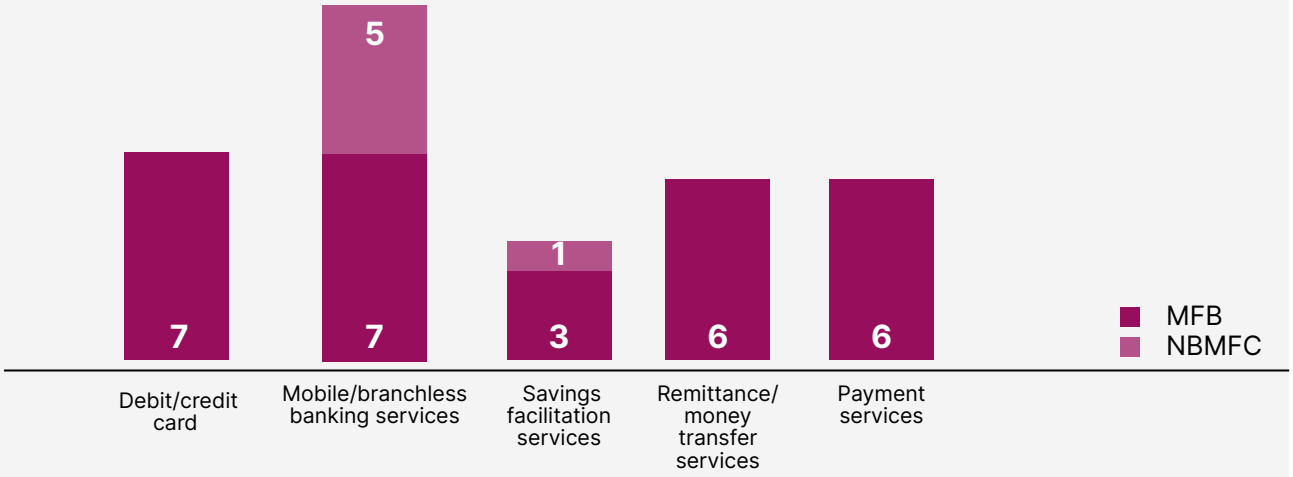
		MFB	NBMFC
Voluntary Insurance Offered	Yes	5	7
	No	4	14
	Unknown		

		MFB	NBMFC
Types Of Voluntary Insurance Offered	Credit life insurance	2	1
	Life/accident insurance	4	2
	Agriculture insurance	2	0
	Health insurance	6	1
	House insurance	0	0
	Workplace insurance	0	1
	None of the above	4	12



		MFB	NBMFC
Other Financial Services Offered	Yes	7	6
	No	3	15
	Unknown	0	0

		MFB	MFI
Types Of Other Financial Services Offered	Debit/credit card	7	0
	Mobile/branchless banking services	7	5
	Savings facilitation services	3	1
	Remittance/money transfer services	6	0
	Payment services	6	0
	Microleasing	0	0
	Scholarship/educational grants	0	0
	None of the above	3	15



		MFB	NBMFC
Enterprise Services Offered	Yes No Unknown	1 9 0	13 8 0

		MFB	NBMFC
Enterprise Services Offered	Yes No Unknown	1 9 0	13 8 0

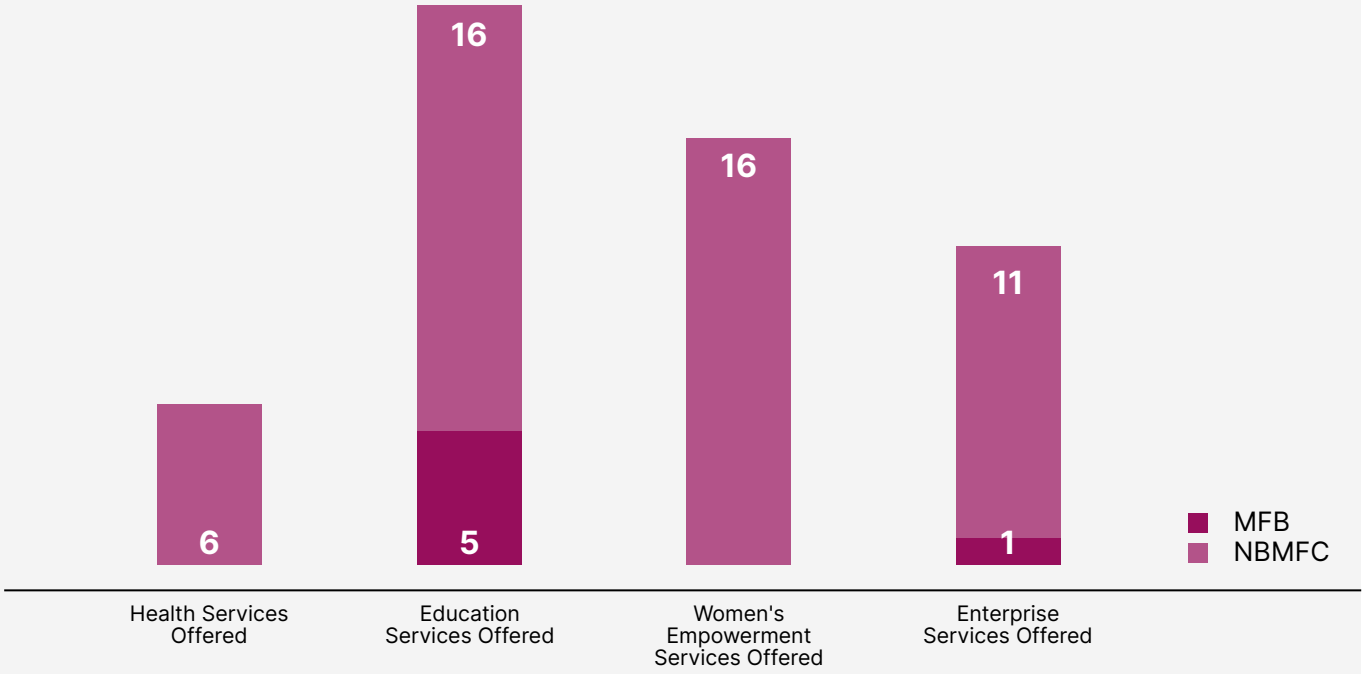
			MFB	NBMFC
Women's empowerment services	Yes No Unknown		0 10 0	16 5 0

			MFB	NBMFC
Types Of Women's Empowerment Services Offered	Leadership training for women		0	16
	Women's rights education/gender issues training		1	5
	Counseling/legal services for female victims of voilence		0	0
	None of the above		9	0

		MFB	NBMFC
Education Services Offered	Yes No Unknown	5 5 0	16 4 0

		MFB	NBMFC
Types Of Education Services Offered	Financial literacy education	5	15
	Basic health/nutrition education	0	8
	Child and youth education	0	6
	Occupational health and safety in the workplace education	0	3
	None of the above	5	6

		MFB	NBMFC
Non Financial Services Offered	Health Services Offered	0	6
	Education Services Offered	5	16
	Women's Empowerment Services Offered	0	16
	Enterprise Services Offered	1	13

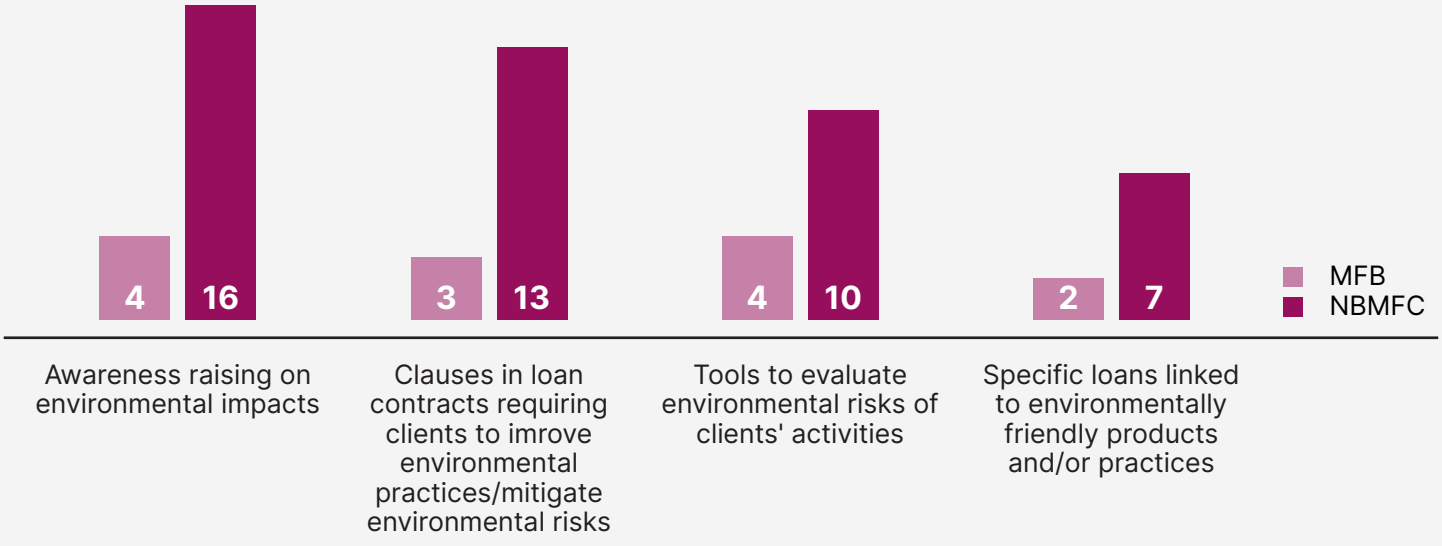


		MFB	NBMFC
Health Services Offered	Yes	0	6
	No	10	14
	Unknown	0	1

		MFB	NBMFC
Types Of Health Services Offered	Basic medical services	0	4
	Special medical services for women and children	0	2
	None of the above	10	15

		MFB	NBMFC	Total
Policies Supporting Good Repayment Capacity Analysis	Yes No Partially Unknown	9 1 0 0	18 0 2 0	27 1 2 0
Policies Supporting Good Repayment Capacity Analysis	Yes No Partially Unknown	9 1 0 0	18 0 3 0	27 1 3 0
Prices, Installments, Terms, and Conditions Fully Disclosed to Clients	Yes No Partially Unknown	10 0 0 0	21 0 0 0	31 0 0 0
Annual Percentage Rates (APR) of Loan Products Disclosed	Yes No Partially Unknown	9 0 1 0	21 0 0 0	30 0 1 0
Code of Conduct is Clearly Defined	Yes No Partially Unknown	7 0 1 0	12 0 1 0	19 0 2 0
Violations of Code of Conduct Sanctioned	Yes No Partially Unknown	10 0 0 0	20 0 1 0	30 0 1 0
Clear Reporting System for Clients' Complaints	Yes No Partially Unknown	10 0 0 0	11 0 0 0	21 0 0 0
Contracts Include a Data Privacy Clause	Yes No Partially Unknown	10 0 0 0	20 0 1 0	30 0 1 0
How interest rate of most representative credit product is stated	Declining balance interest method Flat interest method	8 3	12 16	20 19

		MFB	NBMFC
Environmental policies in place	Awareness raising on environmental impacts	4	16
	Clauses in loan contracts requiring clients to imrove environmental practices/mitigate environmental risks	3	13
	Tools to evaluate environmental risks of clients' activities	4	10
	Specific loans linked to environmentally friendly products and/or practices	2	7
	None of the above	3	3



		MFB	NBMFC
Types Of Environmentally Friendly Products And/or Practices Offered	Products related to renewable energy (e.g. solar panels, biogas digesters etc)	3	9
	Products related to energy efficiency (e.g. insulation, improved cooking stove etc)	0	1
	Products related to environmentally friendly practices (e.g. organic farming, recycling, waste management etc)	1	5
	None of the above	7	9

B

Annex

Sources Of Data

A. Microfinance Banks (MFBs)

A.1. ADVANS Pakistan Microfinance Bank Limited (ADVANS)

- A.F. Ferguson & Co. Chartered Accountants audited the annual accounts of ADVANS for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the State Bank of Pakistan.
- The related party transactions have been properly disclosed in notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (as highlighted in the audited accounts).

A.2. APNA Microfinance Bank Limited (AMFB)

- Ilyaas Saeed & Co. Chartered Accountants audited the annual accounts of AMFB for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the State Bank of Pakistan.
- The related party transactions have been properly disclosed in notes to the financial statements.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.3. FINCA Microfinance Bank Limited (FINCA)

- KPMG Taseer Hadi and Co. audited the annual accounts of FINCA for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the State Bank of Pakistan.
- The related party transactions have been properly disclosed in notes to the financial statements.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.4. The First Microfinance Bank Limited (FMFB)

- A.F. Ferguson & Co., Chartered Accountants audited the annual accounts of FMFB for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the State Bank of Pakistan.
- The related party transactions have been properly disclosed in notes to the financial statements.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.5. Khushhali Microfinance Bank Limited (KBL)

- EY Ford Rhodes audited the annual accounts of KBL for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the State Bank of Pakistan.
- The related party transactions have been properly disclosed in notes to the financial statements.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.6. Mobilink Microfinance Bank Limited (MMFB)

- A.F. Ferguson & Co. audited the annual accounts of MMFB for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the State Bank of Pakistan.
- The related party transactions have been properly disclosed in notes to the financial statements.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.7. National Rural Support Programme Microfinance Bank (NRSP-B)

- A.F. Ferguson & Co., Chartered Accountants audited the annual accounts of NRSP-B for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the State Bank of Pakistan.
- The related party transactions have been properly disclosed in notes to the financial statements.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.8. Pak-Oman Microfinance Bank (POMFB)

- EY Ford Rhodes audited the annual accounts of POMFB for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the State Bank of Pakistan.
- The related party transactions have been properly disclosed in notes to the financial statements.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.9. Sindh Microfinance Bank Limited (SMFB)

- Naveed Zafar Ashfaq Jaffery & Co. audited the annual accounts of SMFB for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the State Bank of Pakistan.
- The related party transactions have been properly disclosed in notes to the financial statements.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.10. Telenor Microfinance Bank Limited (TMFB)

- EY Ford Rhodes audited the annual accounts of TMFB for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the State Bank of Pakistan.
- The related party transactions have been properly disclosed in notes to the financial statements.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The auditors have drawn attention to a material uncertainty in relation to going concern, based on losses incurred by the bank during the prior and this financial year.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

A.11. U Microfinance Bank Limited (Ubank)

- KPMG Taseer Hadi and Co. audited the annual accounts of U-Bank for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the State Bank of Pakistan.
- The related party transactions have been properly disclosed in notes to the financial statements.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B. Non-Bank Microfinance Companies (NBMFCs)

B.1. ASA Pakistan limited (ASA-P)

- EY Ford Rhodes have audited the annual accounts of ASA-P for the year ending at 31st December 2020. The numbers reported in the PMR match these audited accounts.
- ASA-P prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- All necessary adjustments to ASA-P data have been made in order to remove subsidies.
- There is proper disclosure in the balance sheet of the loan portfolio and loan loss provision; expense charged during the year is disclosed in the income statement.
- Related-party transactions have been properly disclosed in notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.2. Agahe Pakistan (Agahe)

- Grant Thornton Anjum Rahman has reviewed the annual accounts of Agahe for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- Agahe prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- All necessary adjustments to Agahe data have been made in order to remove subsidies.
- Related-party transactions have been properly disclosed in notes to the financial statements.
- Grant income has been properly disclosed in financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.3. Akhuwat Islamic Microfinance (Akhuwat)

- Deloitte Yousuf Adil has audited the annual accounts of Akhuwat for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- Akhuwat prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex.

B.4. CSC Empowerment & Inclusion Programme (CEIP)

- Riaz Ahmad & Co. audited the annual accounts of CSC for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- All necessary adjustments to CSC data have been made in order to remove subsidies.
- CSC prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- Grant income has been properly disclosed in financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; portfolio aging; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.5. Damen Support Programme (DSP)

- A.F. Ferguson and Co. audited the annual accounts for DAMEN for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- DAMEN prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; aging on number of loans and value of portfolio (verifiable from audited accounts); number of loans doubtful; number of staff; number of credit officers; and number of branches.

B.6. FFO Support Program (FFO)

- Muniff Ziauddin & Co. audited the annual accounts for FFO for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- All necessary adjustments to FFO data have been made in order to remove subsidies. There is no adjustment on loan loss provisioning expense as FFO is aggressive in its policies.
- FFO prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; aging on number of loans and value of portfolio; number of staff; number of credit officers; and number of branches.

B.7. Ghazi Barotha Taraqiati Idara (GBTI)

- Crowe Hussain Chaudhury & Co. audited the annual accounts for GBTI for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- GBTI prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.

- There is proper disclosure in the balance sheet of the loan portfolio and loan loss provision; expense charged during the year is disclosed in the income statement.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; aging on number of loans and value of portfolio (not verifiable from audited accounts); number of staff; number of credit officers; and number of branches.

B.8. JWS Pakistan (JWS-P)

- Muniff Ziauddin & Co. audited the annual accounts for JWS for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- JWS prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; aging on number of loans and value of portfolio (verifiable from audited accounts); number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.9. Kashf Foundation (Kashf)

- Deloitte Yousuf Adil Chartered Accountants audited the annual accounts for Kashf for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- The financial statements have been presented as per the requirements of the Securities & Exchange Commission of Pakistan.
- All necessary adjustments to KF data have been made in order to remove subsidies.
- Kashf prepares accounts on historical cost basis using the accrual system of accounting.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.10. Mojaz Support Program (MOJAZ)

- BDO Ebrahim & Co. has audited the annual accounts of Mojaz for the year ending at 30st June 2020. The numbers reported in the PMR match these audited accounts.
- MOJAZ prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.11. Micro Options Support Program (MOSP)

- Tariq Abdul Ghani Maqbool & Co. has audited the annual accounts of MOSP for the year ending at 30st June 2020. The numbers reported in the PMR match these audited accounts.
- MOSP prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.12. National Rural Support Programme (NRSP)

- KPMG Taseer Hadi and Co. has audited the annual accounts of NRSP for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts, which were provided to PMN by NRSP.
- NRSP prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.13. OPD Support Program (OPD)

- Grant Thornton Anjum Rahman & Co. has audited the annual accounts of OPD for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- OPD prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.14. Organization for Poverty Reduction & Community Training Program (OPRCT)

- H.A.M.D & Co. has audited the annual accounts of OPRCT for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- OPRCT prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- Related-party transactions have been properly disclosed in notes to the financial statements.

- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.15. Orix Leasing Pakistan Ltd. (Orix)

- Given that Orix's audited accounts do not disclose figures related to its Microfinance Division (MFD), the data reported in the PMR is not verifiable through audited accounts.
- Orix has separate staff and offices for microfinance. Orix's MFD has provided data specific to its microfinance operations.
- Orix prepares its financial statements under the historical cost convention in using accrual system of accounting.
- Adjustments to the data have been made as per the PMN's adjustment policies.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.16. Punjab Rural Support Programme (PRSP)

- EY Ford Rhodes audited the annual accounts for PRSP for the year ending at 30th June 2020.
- All necessary adjustments to PRSP data have been made in order to remove subsidies.
- PRSP prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.17. Rural Community Development Program (RCDP)

- Grant Thornton Anjum Rahman & Co. has audited the annual accounts of RCDP for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- RCDP prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.18. Saaya Microfinance Company (SMC)

- RSM Avais Hyder Liaquat Nauman Chartered Accountants audited the annual accounts for SMC for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- All necessary adjustments to SMC data have been made in order to remove subsidies.
- SMC prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

B.19. SAFCO Support Foundation (SAFCO)

- Deloitte Yousuf Adil audited the annual accounts for SAFCO for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- All necessary adjustments to SAFCO data have been made in order to remove subsidies.
- SAFCO prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

B.20. Shah Sami Sachal Foundation (SSSF)

- Zahid Jamil & Co. has audited the annual accounts of SSSF for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- SSSF prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

B.21. Sindh Rural Support Organisation (SRSO)

- Deloitte Yousuf Adil Chartered Accountants has audited the annual accounts of SRSO for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts, which were provided to PMN by SRSO.
- SRSO prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- Related-party transactions have been properly disclosed in notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

B.22. Soon Valley Development Program (SVDP)

- Kreston Hyder Bhimji and Co. has audited the annual accounts of SVDP for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- SVDP prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.23. Thardeep Microfinance Foundation (TMF)

- BDO Ebrahim & Co. audited the annual accounts for TMF for the year ending at 30th June 2020.
- All necessary adjustments to TMF data have been made in order to remove subsidies.
- TMF prepares its financial statements under the historical cost convention in conformity with accepted accounting practices.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; and number of credit officers.

B.24. Villagers Development Organisation (VDO)

- Crowe Hussain Chaudhury & Co. has audited the annual accounts of VDO for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts.
- VDO prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- Information on grants and grant income has been properly disclosed in the financial statements and notes to the financial statements.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

B.25. Wasil Foundation (Wasil)

- Aamir Salman Rizwan & Co Chartered Accountants. has audited the annual accounts of Wasil for the year ending at 30th June 2020. The numbers reported in the PMR match these audited accounts, which were provided to PMN by Wasil.
- Wasil prepares its financial statements under the historical cost convention, in conformity with accepted accounting practices.
- All necessary adjustments to data have been made in order to remove subsidies.
- The following data has been taken from the organisation's MIS: number of clients disaggregated by region (rural/urban) and by sex; number of staff; number of credit officers; and number of branches (also available in audited accounts).

C

Annex

Adjustments To Financial Data

Rationale

Adjustments to financial statements are made when doing benchmark analysis. They are made for two primary reasons:

-to give an institution a more accurate picture of its financial position by accounting for factors unique to an MFP, including the predominance of below-market-rate funding sources as such factors distort an MFP's on-going performance; and

-to make the data of various MFPs comparable.

Thus, adjustments are made in order to bring organisations operating under varying conditions and with varying levels of subsidy onto a level playing field.

The following adjustments are made to data used for the PMR:

A. Inflation Adjustment

B. Subsidies Adjustment

C. Loan Loss Provisioning

A. Inflation Adjustment

Inflation adjustment adjusts for the effect of inflation on an MFP's equity and non-monetary assets, i.e. fixed assets. Inflation decreases the real value of an MFP's equity. As the monetary value of fixed assets increases, it is possible to track increases in price levels. The net loss (or gain) is considered to be a cost of funds, and results in a decrease (or increase) in net operating income.

Calculation of inflation adjustment

Inflation-adjusted revenue = net fixed assets (prior FY) × average annual inflation rate (current FY)

Inflation-adjusted expense = equity (prior FY) × average annual inflation rate (current FY)

Net Inflation-adjusted expense = (inflation-adjusted revenue) — (inflation-adjusted expense)

B. Subsidies Adjustment

Adjustments for three types of subsidies are made:

B.1 A cost-of-funds subsidy from loans at below-market rates

B.2 Current-year cash donations to fund portfolio and cover expenses

B.3 In-kind subsidies, such as rent-free office space or the services of personnel not paid by the MFP and thus not reflected on its income statement

Additionally, for multipurpose MFPs, an attempt to isolate the performance of the financial services programme is made by removing the effect of any cross-subsidisation. Cash donations flowing through the income statement are accounted for by reclassifying them below net operating income in the income statement. Thus, adjustments for cash donations are not made since these are handled through a direct reclassification in the income statement. This year no MFP has disclosed receipt of any in-kind subsidy.

B.1 Cost-of-funds Subsidy

The cost-of-funds adjustment reflects the impact of soft loans on the financial performance of an MFP. The analyst needs to calculate the difference between what an MFP actually paid in interest on its subsidised liabilities and a shadow market rate for each country. This difference represents the value of the subsidy, considered an additional financial expense. Only funds received as loans that have a finite (1-5 years) term length need to be adjusted. Client deposits are not adjusted. Subordinated debt and other quasi-equity accounts are reclassified as 'other equity' on the balance sheet.

Care is taken in the choice of an appropriate shadow rate, thus PMN has used the KIBOR rate on outstanding loans as reported by the State Bank of Pakistan on its website (12.5%) to make this adjustment.

Steps in calculation of cost-of-funds subsidy adjustment

1. Calculate the average balance for all borrowings. Borrowings do not include deposits or "other liabilities". If an MFI has given an average balance, see if this is more appropriate to use; if not, calculate the average from last year's ending balance.

2. Multiply the average balance by the shadow market rate.

3. Compare with the amount actually paid in interest and fees. If less than "market" rate, impute the difference (market price minus financial expense paid on borrowings) to the cubsidised cost-of-funds adjustment expense.

B.2 Cash Donations

Funds donated to cover operational costs constitute a direct subsidy to an MFP. The value of the subsidy is therefore equal to the amount donated to cover expenses incurred in the period reported. Some donations are provided to cover operating shortfall over a period greater than one year. Only the amount spent in the year is recorded on the income statement as revenue. Any amount still to be used in subsequent years appears as a liability on the balance sheet (deferred revenue). This occurs because theoretically, if an MFP stopped operations in the middle of a multi-year operating grant, it would have to return the unused portion of the grant to the donor. The unused amount is therefore, considered as a liability.

Funds donated to pay for operations should be reported on the income statement separately from the revenue generated by lending and investment activities. This practice is meant for accurately reporting the earned revenue of an MFP. Donated funds are deducted from revenue or net income prior to any financial performance analysis because they do not represent revenue earned from operations.

Note: Costs incurred to obtain donor funds (fundraising costs) should also be separated from operating expenses, because the benefit of receiving the funds is not included.

B.3 In-kind Subsidy

Imputed costs (book value) of donated/loaned-out vehicles, machinery and buildings need to be included in operating expenses. Expatriate staff salaries paid by the donor or parent company, or other technical assistance, need to be accounted for. Here, imputed salaries are used instead of salaries actually received by them, i.e. the salary range that a local hire would get for the same level of workload/position is used.

Note: The analyst must use his/her judgment in deciding whether or not the in-kind donation represents a key input to the ongoing operations of the MFP. An appropriate basis for valuation is important. This could include selecting a percentage of the total cost and attributing it to programme expense. The percentage may be selected on the basis of sales proportion, management input, etc.

Calculation of in-kind subsidy adjustment

Add the in-kind subsidy of a given operating expense account to the unadjusted number for the account.

C. Loan Loss Provisioning

PMN standardises loan loss provisioning for MFPs to a minimum threshold or risk. MFPs vary tremendously in accounting for loan delinquency. Some count the entire loan balance as overdue the day a payment is missed. Others do not consider a loan delinquent until its full term has expired. Some MFPs write off bad debt within one year of the initial delinquency, while others never write off bad loans, thus carrying forward a default that they have little chance of ever recovering.

The analyst applies a standard loan loss provisioning to all MFPs and adjusts where necessary to bring them to the minimum threshold. In some cases, these adjustments may not be precise. Portfolio aging information may only be available on different aging scales.

Steps in calculation of loan loss provisioning adjustment

1. Multiply the PAR age categories by the following reserve factors:

-PAR up to 90 days – no provisioning

-PAR 91-180 days x 0.50

-PAR 181-360 days x 1.00

-Renegotiated loans x 0.50

2. Add the above reserve calculations. If the sum is more than the current reserves, make calculated the reserve the new loan loss reserve. If not, keep the current reserves.

3. Add the unadjusted loan loss provision expense to the difference between the adjusted net loan portfolio and the unadjusted net loan portfolio. This is the adjusted loan loss provision expense.

D

Annex

Terms And Definitions

Age
The number of years an organisation has been functioning as a microfinance provider (MFP).

Active Saving Account Balance
The average balance of savings per account (as opposed to average balance of savings per depositor).

Adjustment Expense
Total adjustment cost related to inflation, subsidized cost of borrowing, loan loss provisioning and in-kind subsidies.

Adjusted Financial Expense Ratio
The adjusted financial expense ratio is calculated by using the standardised ageing-of-portfolio technique. The principle of conservatism is used hence loan loss provision in audited accounts is greater than the amount computed by the analyst.

Adjusted Loan Loss Reserve
Formula = (adjusted financial expense)/(adjusted average total assets)

Adjusted Operating Expense
Also included in operating expense:
- -Imputed cost (book value) of donated/loaned vehicles, machinery and buildings
- -Expatriate staff salaries paid by donor or parent company
- -Other technical assistance paid for with donations

Formula = personal expense+administration expense
Note: Imputed salaries should be used instead of salaries actually received by such persons. Thus, the salary range that a local hire would get for the same level of workload/position should be used. Judgment is used to decide whether or not the in-kind donation represents a key input to the ongoing operations of the MFP.

Adjusted Operating Expense Ratio
Formula = (adjusted operating expense)/(adjusted average total assets)

Adjusted Portfolio at Risk > (30, 60, 90 Days)
Indicates the credit risk of a borrower above the specified number of days (30, 60, 90) past his/her due date for instalment payment.
Formula = (outstanding balance less loans overdue > 30 or 60 or 90 days)/(adjusted gross loan portfolio)

Adjusted Cost per Borrower
Accounts for loan size differentials. Generally the operating expense ratio is lower (more efficient) for institutions with higher loan sizes, ceteris paribus. This indicator discounts the effect of loan size on efficient management of loan portfolio.
Formula = (adjusted operating expense)/(average number of active borrowers)

Adjusted Cost per Loan
Formula = (adjusted operating expense)/(average number of active loans)

Adjusted Financial Expense
Includes actual cost of borrowing and shadow cost of subsidised funding.

Adjusted Financial Expense on Borrowing
The cost-of-funds adjustment reflects the impact of soft loans on the financial performance of the

institution. The analyst calculates the difference between what the MFP actually paid in interest on its subsidised liabilities and what it would have paid at a shadow market rate for each country. This difference represents the value of the subsidy, considered an additional financial expense.

Adjusted Loan Loss Provision Expense Ratio
Formula = (adjusted net loan loss provision expense) / (adjusted average total assets)

Adjusted Loan Loss Provision Expense
Loan loss provision expense is calculated with the standardised ageing-of-portfolio technique. It is, however, ensured that if the actual loan loss provision expense is higher than the adjusted number then the conservatism principle is followed.

Adjusted Operating Expense
Includes actual operational expenses and in-kind subsidy adjustments.

Adjusted Operating Expense Ratio
Indicative of the efficiency of an MFP's loan portfolio.
Formula = (adjusted operating expense)/(average gross loan portfolio)

Adjusted Personnel Expense
Includes actual personnel expenses (salaries and benefits), and in-kind subsidy adjustments.

Adjusted Personnel Expense Ratio
Formula = (adjusted personnel expense)/(average gross loan portfolio)

Adjusted Profit Margin
Formula = (adjusted net operating income)/(adjusted financial revenue)

Adjusted Return on Assets
Formula = (adjusted net operating income, net of taxes)/(average total assets)

Adjusted Return on Equity
Formula = (adjusted net operating income, net of taxes)/(average total equity)

Adjusted Total Expense
Includes all actual and adjusted expenses related to operations, cost of borrowings, loan losses and inflation adjustment.

Adjusted Total Expense Ratio
Formula = (adjusted (financial expense + net loan loss provision expense + operating expense) cost)/(average total assets)

Average Gross Loan Portfolio
Average of opening and closing balance of gross loan portfolio.

Average Loan Balance per Active Borrower
Indicates average loan balance outstanding.

Average Loan Balance per Active Borrower to Per Capita Income
Used to measure depth of outreach. The lower the ratio the more poverty-focused the MFP.

Average Number of Active Borrowers
The average of opening and closing balance of active borrowers.
Formula = (active borrowers (opening balance) + active borrowers (closing balance))/2

Average Number of Active Loans
Average of opening and closing balance of active loans

Average Outstanding Balance
Indicates the average balance of loans outstanding.
Formula = (adjusted gross loan portfolio)/(adjusted number of loans outstanding)

Average Outstanding Balance to Per Capita Income
Measure of depth of outreach. The lower the ratio the more poverty-focused the MFP.
Formula = (average outstanding balance)/(per capita income)

Average Saving Balance per Saver
Indicates average amount of saving balance per saver.

Average Total Assets
Average of opening and closing balance of total assets.

Average Total Equity
Average of opening and closing balance of total equity.

Borrowers per Loan Officer
Measure of loan officer productivity indicating the number of borrowers managed by a loan officer.
Formula = (number of active borrowers)/(number of loan officers)

Borrowers per Staff
Measure of staff productivity, indicating the number of borrowers managed by the staff on average.
Formula = (number of active borrowers)/(number of total personnel)

Commercial Liabilities
The principal balance of all borrowings, including overdraft accounts, for which the organisation pays a nominal rate of interest that may be greater than or equal to the local commercial interest rate.

Commercial Liabilities-to-Gross Loan Portfolio Ratio
Indicates efficiency of an MFP's loan portfolio.
Formula = (all liabilities at "market" price)/(gross loan portfolio)

Deposits
Demand deposits from the general public and members (clients) held with the institution. These deposits are not conditional to accessing a current or future loan from the MFP and include certificates of deposit or other fixed term deposits.

Deposit-to-Gross Loan Portfolio Ratio
Inverse of the advance-to-deposit ratio.
Formula = deposits/(gross loan portfolio)

Deposit-to-Total Asset Ratio
Indicates the percentage of assets financed through deposits.
Formula = deposits/(total assets)

Equity-to-Asset Ratio
This is a simple version of the capital adequacy ratio as it does not take into account risk weighted assets. This ratio indicates the proportion of a company's equity that is accounted for by assets.
Formula = (total equity)/(total assets)

Financial Expense
Total of financial expense on liabilities and deposits.

Financial Revenue
Total revenue from loan portfolio and other financial assets, as well as other financial revenue from financial services.

Financial Revenue from Other Financial Assets
Net gains on other financial assets.

Financial Revenue from Loan Portfolio
Total interest, fees and commission on loan portfolio.

Financial Revenue Ratio
Indicates the efficiency with which an MFP is utilising its assets to earn income from them.
Formula = (financial revenue)/(average total assets)

Financial Self-Sufficiency
Formula = (financial revenue)/(adjusted expenses (financial + net loan loss provision + operating) + inflation adjustment)

Gross Loan Portfolio
The outstanding principal for all outstanding client loans, including current, delinquent and restructured loans. It does not include:
-loans that have been written-off;
-interest receivable; and
-employee loans.
For accounting purposes, the gross loan portfolio is categorised as an asset.

Gross Loan Portfolio-to-Total Asset Ratio
Indicates the efficiency of assets deployed in high yield instruments and core business of an MFP.
Formula = (gross loan portfolio)/(total assets)

Inflation Adjustment Expense
Inflation decreases the real value of an MFP's equity. Fixed assets are considered to track the increase in price levels, and their value is considered increased. The net loss (or gain) treated as a cost of funds is disclosed on the income statement and decreases net operating income.

Inflation Rate[1]
The rate at which prices increase over time, resulting in a fall in the purchasing value of money. This rate is derived from the annualised consumer price index (CPI) as reported by the State Bank of Pakistan.

Liabilities-to-Equity Ratio (Debt-Equity Ratio)
Formula = (total liabilities)/(total equity)

Loan Loss Provision Expense
The sum of loan loss provision expense and recovery on loan loss provision.

Loans per Loan Officer
Formula = (number of active loans)/(number of loan officers)

Loans per Staff
Formula = (number of active loans)/(number of personnel)

Net Adjusted Loan Loss Provision Expense[2]
The sum of loan loss provision expense and recovery on loan loss provision. MFPs vary tremendously in accounting for loan delinquency. Some count the entire loan balance as overdue the day a payment is missed. Others do not consider a loan delinquent until its full term has expired. Some MFPs write off bad debt within one year of the initial delinquency, while others never write off bad loans, thus carrying forward a defaulting loan that they have little chance of ever recovering.

Number of Active Borrowers
Number of borrowers with loans outstanding.

Number of Active Loans
The number of loans that have been neither fully repaid nor written off, and thus are part of the MFP's gross loan portfolio.

Number of Active Women Borrowers
Number of women borrowers with loan amount outstanding.

Number of Active Women Borrowers to total Active Borrowers
Indicates percentage of women borrowers to total active borrowers.

Number of Loans Outstanding
The number of loans outstanding at the end of the reporting period. Depending on the policy of the MFP, one borrower can have two or more loans outstanding; hence, the number of loans could be more than the number of borrowers.

Number of Savers
The number of depositors maintaining voluntary demand deposit and time deposit accounts with an MFP.

Number of Saving Accounts
One depositor can have more than two deposit accounts. Hence, the number of deposit accounts could be more than the number of depositors.

Number of Women Savers
The number of women savers with voluntary demand deposit and time deposit accounts.

Offices
The total number of staffed points of service (POS) and administrative sites (including head office) used to deliver or support the delivery of financial services to microfinance clients.

Operating Expense
Total of personnel expense and administrative expense.

Operational Self-Sufficiency
Formula = (financial revenue)/(financial expense + net loan loss provision expense + operating expense)

Per Capita Income
Average income per person.

Percentage of Women Savers to Total Savers
Indicates the percentage of women in the total saving portfolio.

Personnel
The number of individuals actively employed by an MFP. This number includes contract employees and advisors who dedicate the majority of their time to the organisation, even if they are not on the MFP's roster of employees. This number is expressed as a full-time equivalent, such that an advisor who spends two-thirds of his/her time with the MFP is accounted for as two-thirds of a full-time employee.

Personnel Allocation Ratio
The higher this indicator is, the more lean the head office structure of the organisation. This indicator is used to measure organisational efficiency.

Formula = (loan officers)/(total staff)

Risk Coverage Ratio
Indicates the provision created by an MFP against its credit risk.
Formula = (adjusted loan loss reserve)/(PAR > 30 days)

Saving Outstanding
Total value of demand deposit and time deposit accounts.

Savers per Staff
Formula = (number of savers)/(number of personnel)

Loan Loss Provision Expense
The sum of loan loss provision expense and recovery on loan loss provision.

Loans per Loan Officer
Formula = (Number of Active Loans)/(Total Loan Officers)

Total Assets
Total net asset accounts, i.e. all asset accounts net of any allowance. The one exception to this is the separate disclosure of the gross loan portfolio and loan loss reserve.

Total Equity
Equity represents the worth of an organisation net of what it owes (liabilities). Equity accounts are presented net of distributions, such as dividends.
Formula = total assets-total liabilities

Total Liabilities
Liabilities represent the borrowings of an organisation, i.e. the amount owed. Examples of liabilities include loans and deposits. This number includes both interest-bearing and non-interest-bearing liabilities of an MFP.

Total Number of Loan Officers
The number of staff members who dedicate the majority of their time to direct client contact. Front office staff include more than those typically qualified as credit or loan officers. They may also include tellers, personnel who open and maintain accounts — such as savings accounts — for clients, delinquent loan recovery officers, and others whose primary responsibilities bring them in direct contact with microfinance clients.

Loans Written Off during Year
The value of loans written off during the year.

Write-Off Rate
Formula = (loans written off during the year)/(average gross loan portfolio)

Yield on Gross Portfolio (Nominal)
Indicates the yield on an MFP's loan portfolio and is usually used as a proxy to look at the MFP's (realized) effective interest rate.
Formula = (financial revenue from loan portfolio)/(average gross loan portfolio)

Yield on Gross Portfolio (Real)
The number of depositors maintaining voluntary demand deposit and time deposit accounts with an MFP.
Formula = (yield on gross portfolio (nominal) - inflation rate)/(1 + inflation rate)