



MICROFINANCE

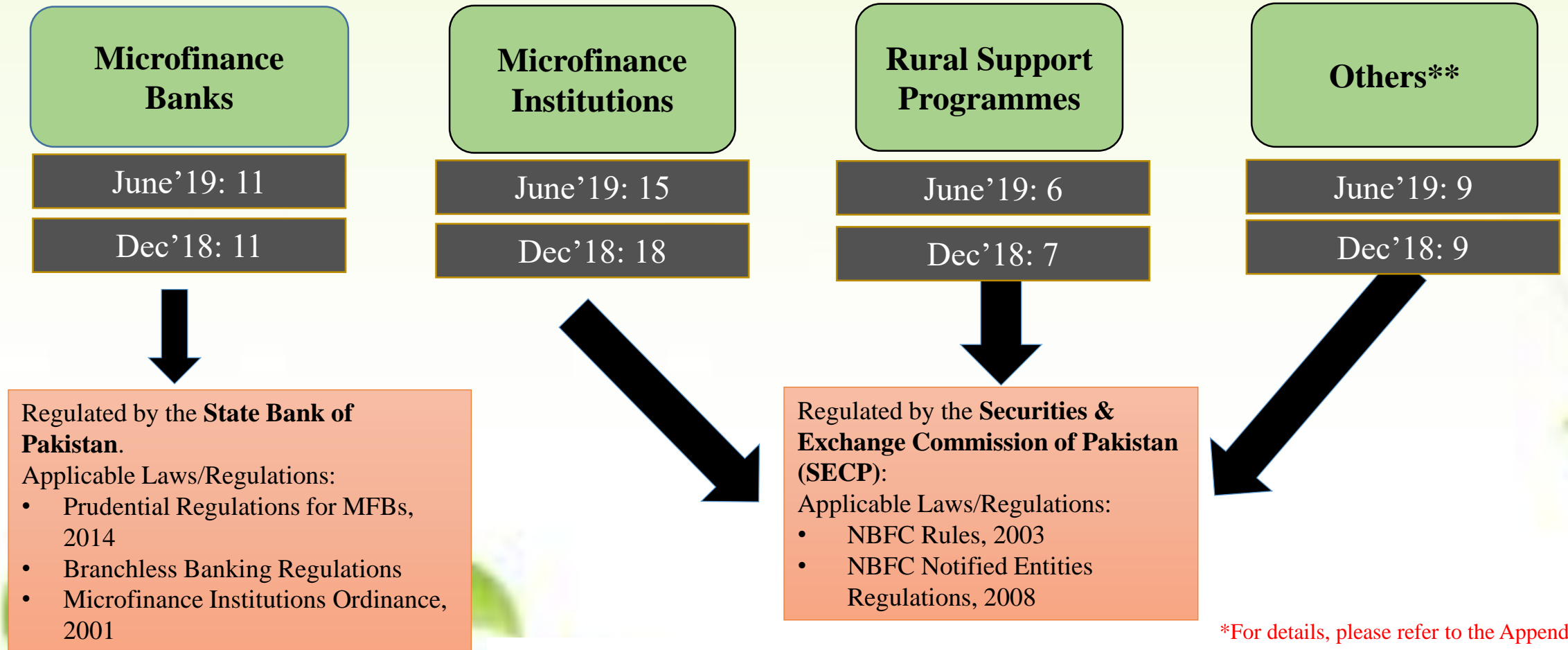


September 2019

MICROFINANCE PROVIDERS

Microfinance providers (MFPs) : Institutions offering financial services to low income and underprivileged populations, with a goal of financial inclusion and poverty alleviation in the society.

MFPs in Pakistan*



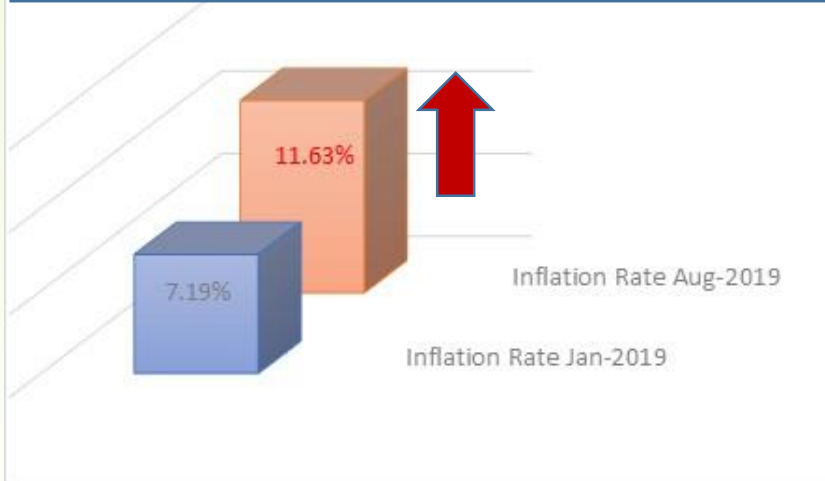
*For details, please refer to the Appendix sheet

**Others include organizations that are not primarily involved in microfinance activities.

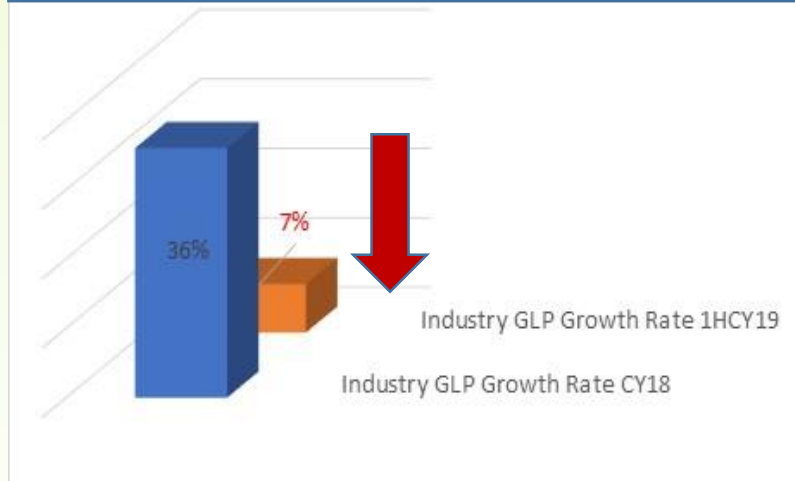
MICROFINANCE

What's Happening

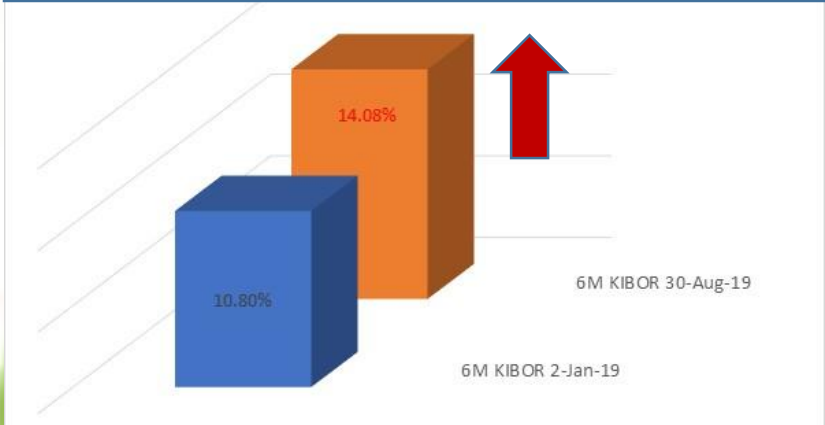
Inflation



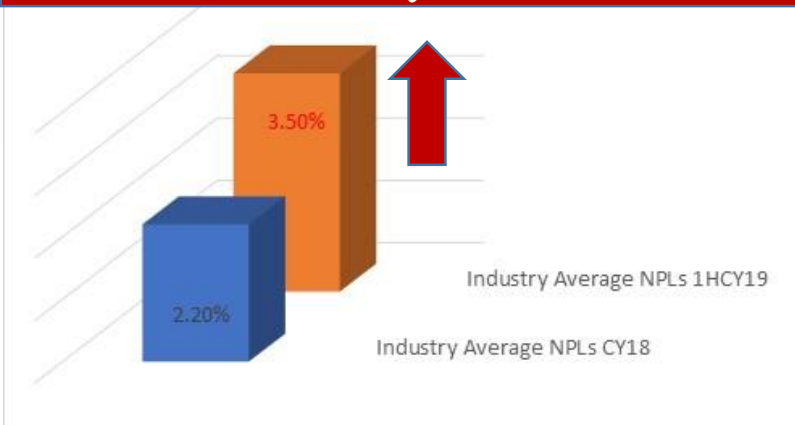
Industry GLP Growth Rate



KIBOR (6Months)



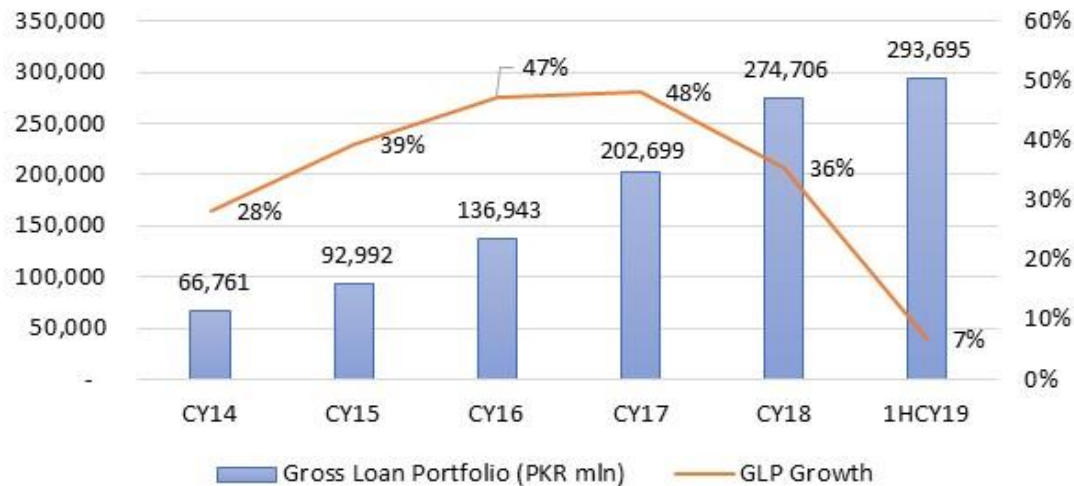
Industry NPLs



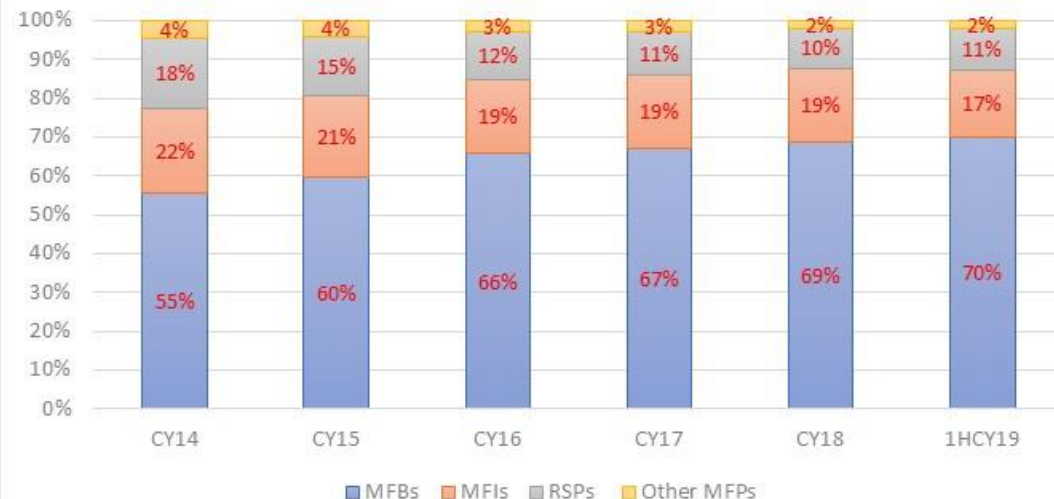
- As inflation and KIBOR rates have risen during the current period, alongside slowdown in economic activity, this has impacted the disposable income of the microfinance borrowers. Resultantly, a two-fold affect is observed on the Industry:
 - ❖ Drop in GLP Growth
 - ❖ Reduced Credit Quality

MICROFINANCE | ADVANCES

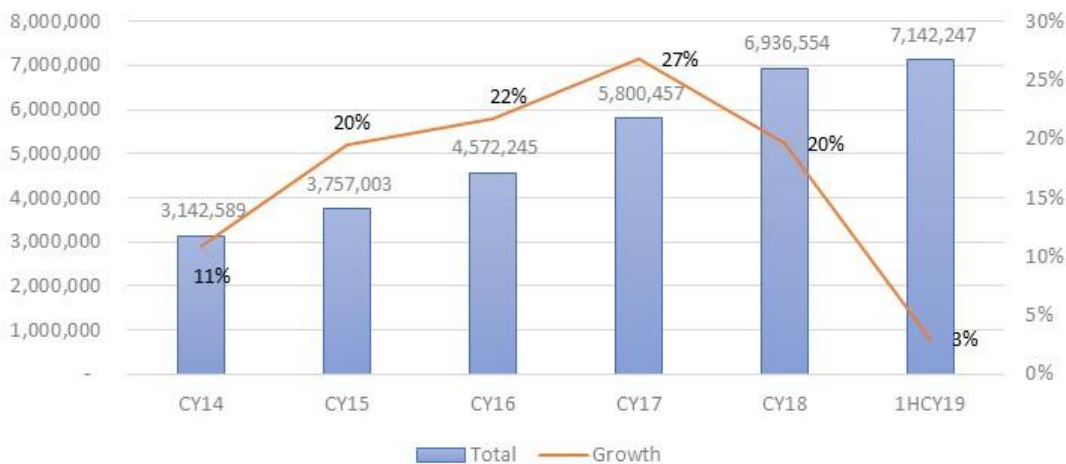
Gross Loan Portfolio | Total Industry



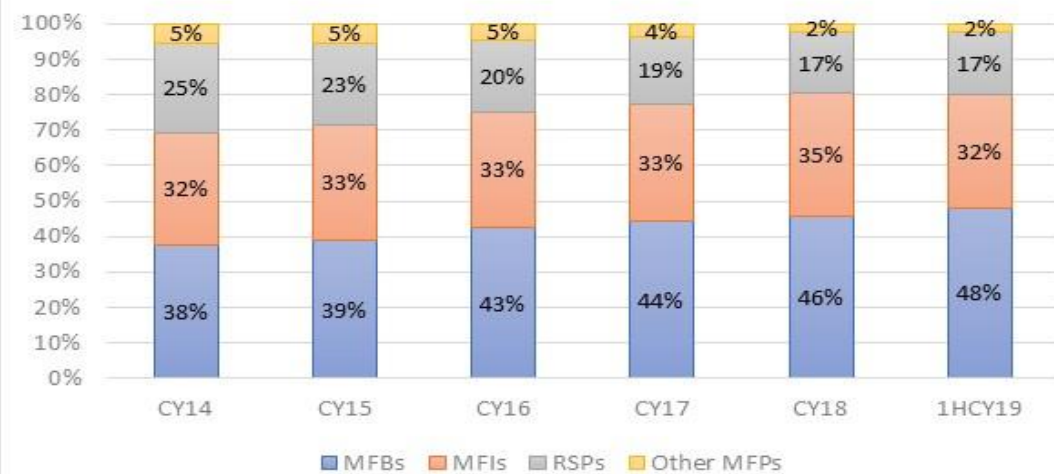
GLP | Segment Wise



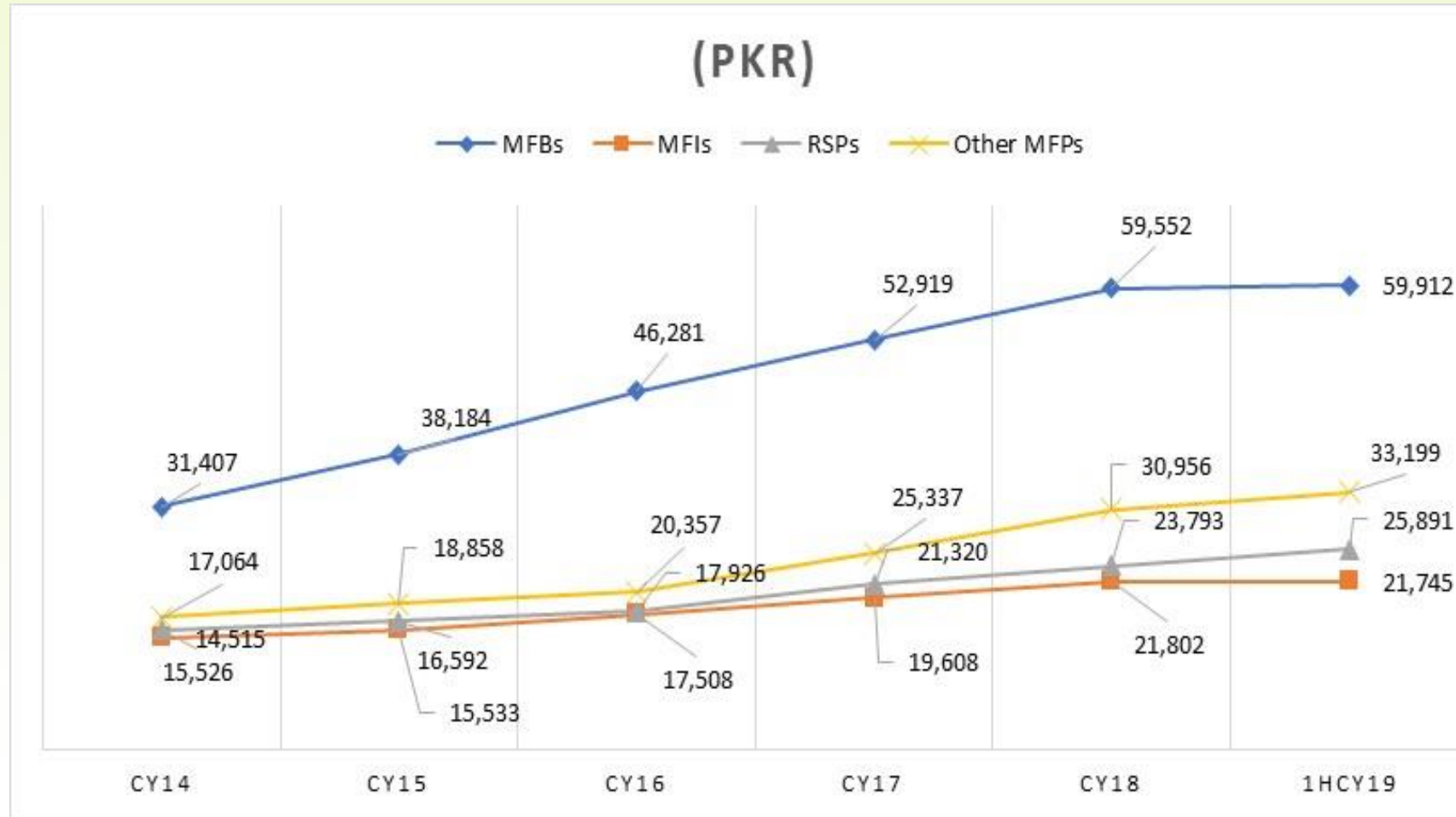
Active Borrowers | Total Industry



Active Borrowers | Segment Wise



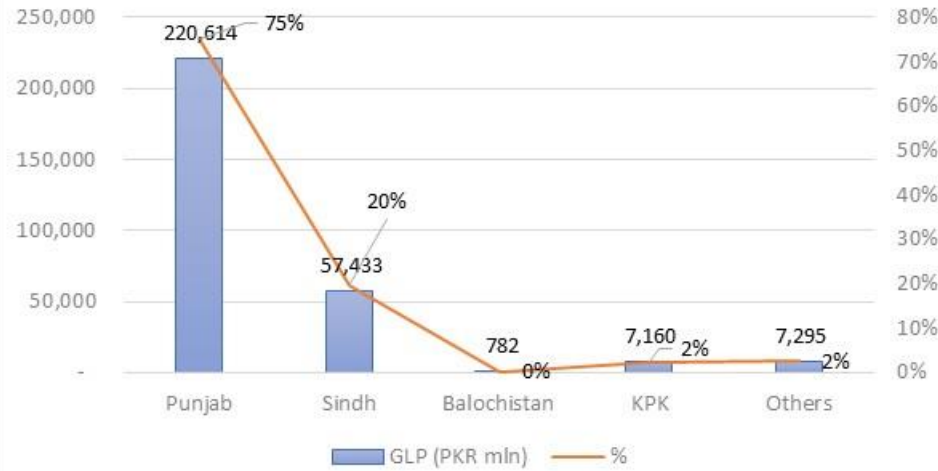
AVERAGE LOAN SIZE



- MFBs continue to have the largest loan size in the sector.
- Average Loan Size remained relatively stable for Microfinance Banks and Institutions in 1HCY19, while RSPs and other MFPs showed growth on a comparative scale.

INDUSTRY | GEOGRAPHICAL PENETRATION

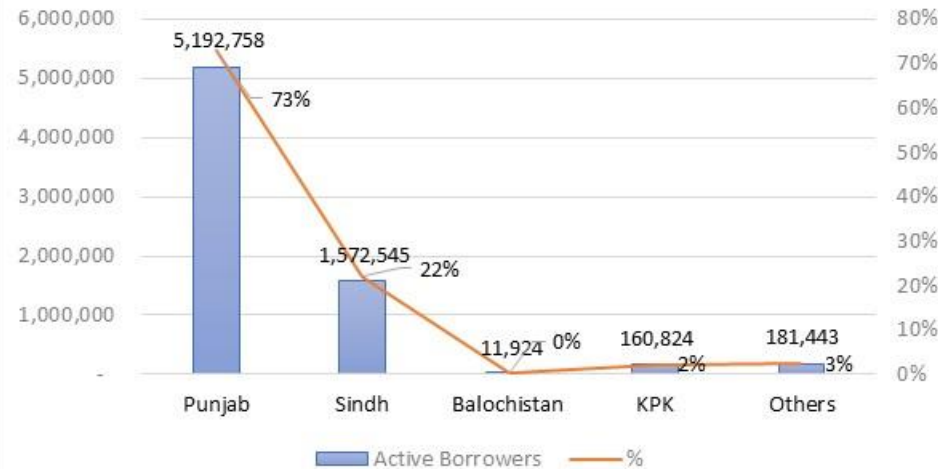
Province Wise GLP



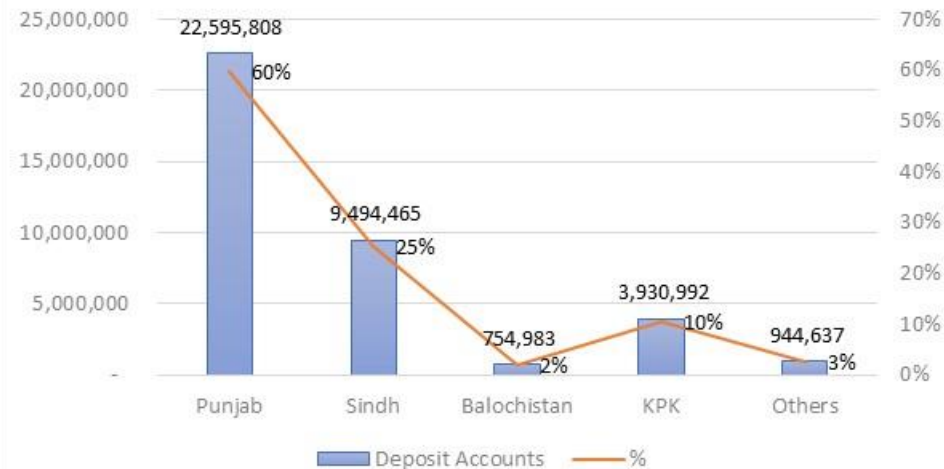
Province Wise Deposits



Province Wise Active Borrowers



Province Wise Depositors



- Geographically, Punjab brags the highest share of of the Microfinance Market, because of its agricultural dominance. Following Punjab, Sindh is also a relatively penetrated market for the segment.
- Unlike advances, deposit book majorly clusters in the urban areas of Punjab, particularly on Islamabad and Lahore side. Branchless deposits are also one of the reasons for deposit base inclination towards the urban areas of the country.
- Others include Azad Jammu and Kashmir, Gilgit Baltistan and FATA.

MICROFINANCE BANKS

(MFBs)



MFBS | SNAPSHOT

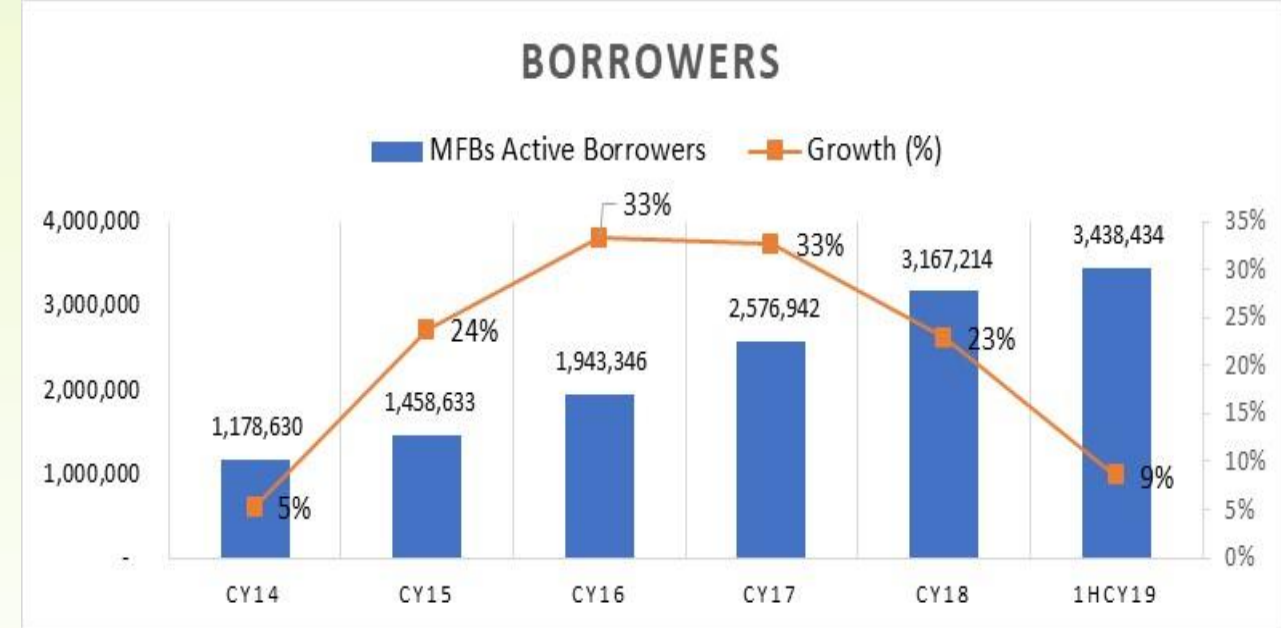
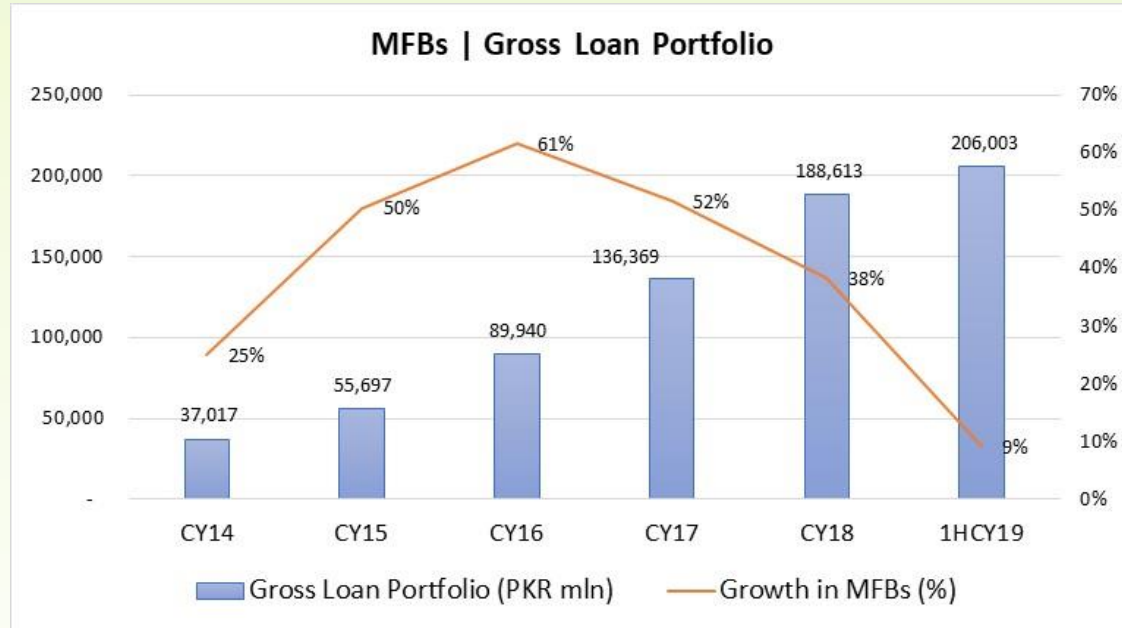
MICROFINANCE BANKS				
Outreach	June-19	Dec-18	Dec-17	Dec-16
Total MFBS	11	11	11	11
Number of Branches	1,369	1,116	945	806
Growth (YoY)	23%	18%	17%	26%
Loan Portfolio				
Active Borrowers	3,438,434	3,167,214	2,576,942	1,943,346
Growth YoY	9%	23%	33%	33%
Gross Loan Portfolio (PKR mln)	206,003	188,613	136,369	89,940
Growth (YoY)	9%	38%	52%	61%
Average Loan Size (PKR)	59,912	59,552	52,919	46,281
Portfolio at risk (> 30days)	4.4%	2.7%	1.8%	1.7%
Funding				
Number of deposit accounts	34,515,172	32,009,797	27,828,168	20,123,818
Growth (YoY)	8%	15%	38%	89%
Value of deposits (PKR mln)	248,503	238,667	185,646	120,089
Growth (YoY)	4%	29%	55%	90%
Average deposit size (PKR)	7,199.82	7,456	6,671	5,968

- Total number of districts covered as at End-June'19 was 137 (End-Dec'18: 135).
- Average deposit size remained low due to growing branchless deposit accounts which bear a lower ticket size than conventional deposit.
- Growth in GLP slowed down during 1HCY19 in relation to the past years.

MFBs | UNIVERSE

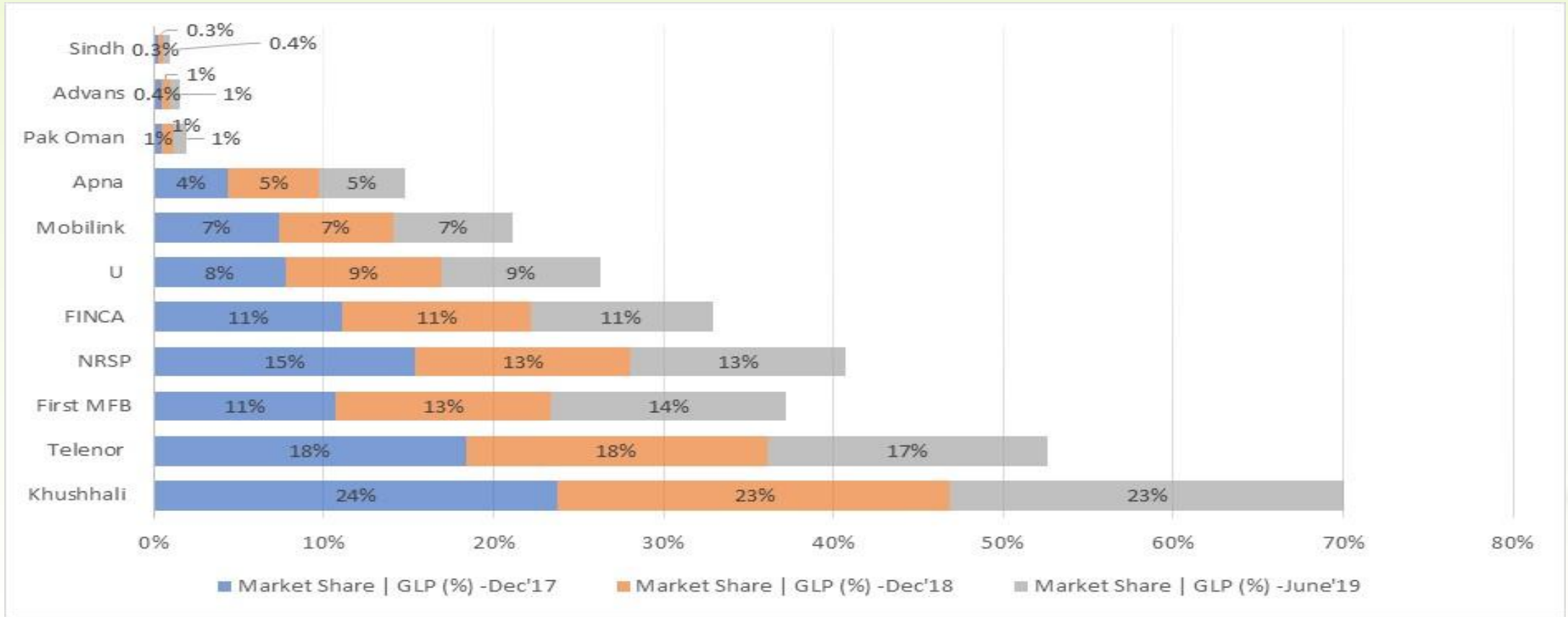
Sr. #	Bank	Operational Licence	Year of Commencement of Operations	Major Sponsors As at End-June '19	Outlook	Rating Agency	Last Rating Update	
1	Telenor Microfinance Bank Limited	Nationwide	Sep-05	Telenor Pakistan B.V: 66% AliPay (Hong Kong) Holding Limited: 34%	Stable	PACRA	A+/A1	Apr-19
					Stable	VIS	A+/A1	Apr-19
2	The First Microfinance Bank Limited	Nationwide	Jan-02	HBL: 51% Agha Khan Agency for Microfinance: 21% Agha Khan RSP: 11%	Stable	VIS	A+/A1	Mar-19
3	Khushhali Microfinance Bank Limited	Nationwide	Aug-00	UBL: 30% Incofin: 25% responsAbility Management Co. S.A: 20%	Stable	VIS	A+/A1	Apr-19
4	Mobilink Microfinance Bank Limited	Nationwide	May-12	GTH S.A.E:100%	Positive	PACRA	A/A1	Apr-19
5	NRSP Microfinance Bank Limited	Nationwide	Mar-11	NRSP: 52% IFC:16% KfW:16%	Negative	PACRA	A/A1	Apr-19
					Stable	VIS	A/A1	Apr-19
6	FINCA Microfinance Bank Limited	Nationwide	Jan-13	FINCA International: 86% Kashf Holding: 5% IFC: 5%	Stable	PACRA	A/A1	Apr-19
					Stable	VIS	A/A1	Apr-19
7	U Microfinance Bank Limited	Nationwide	Jan-12	PTCL: 100%	Upgrade	VIS	A/A1	Jan-19
8	Pak Oman Microfinance Bank Limited	Nationwide	May-06	LOLC Pvt Ltd.: 50% Govt. of Oman: 33% Pak Oman Inv Co. Ltd: 17%	Stable	VIS	A-/A2	Apr-19
9	Sindh Microfinance Bank Limited	Provincial	May-16	Sindh Bank: 100%	Stable	PACRA	A-/A2	Apr-19
10	Apna Microfinance Bank Limited	Nationwide	Jan-05	United Insurance Co.: 44% United Track System:26%	Stable	PACRA	BBB+/A3	Apr-19
11	Advans Microfinance Bank Limited	Provincial	Nov-12	Advans SA SICAR:75% FMO: 25%	Stable	VIS	BBB+/A3	Apr-19

MFBs | LOAN PORTFOLIO



- Historically, MFBs advances have witnessed a volatile yet high rate of growth.
- Mostly agri-linked bullet loans are more susceptible to default risk.
- Growth during 2019 remained relatively slow in contrast to the previous years on account of slow economic growth and rising inflation rates.

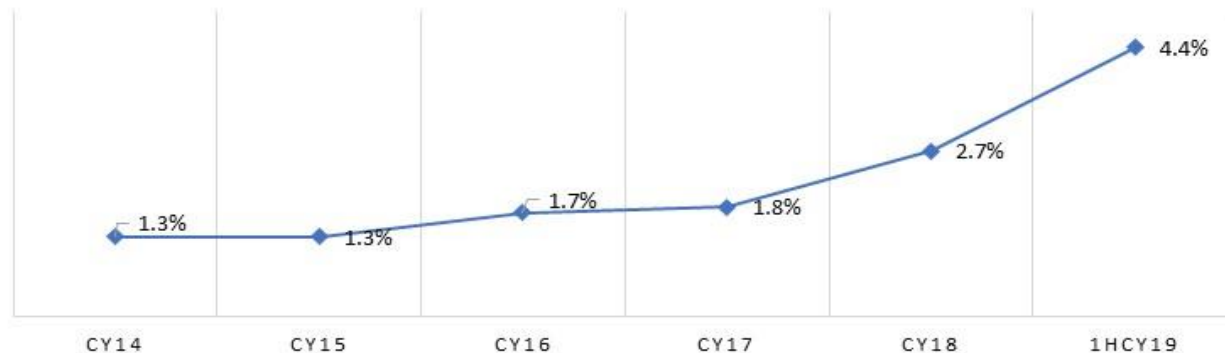
MFBS | MARKET SHARE | GLP



- Market positioning remained largely stable in 1HCY19, with Khushhali MFB taking the lead in terms of GLP.
- Top 5 MFBS accounted for ~77% of the total MFBS Loan portfolio as at End-June'19.

MFBs | CREDIT QUALITY

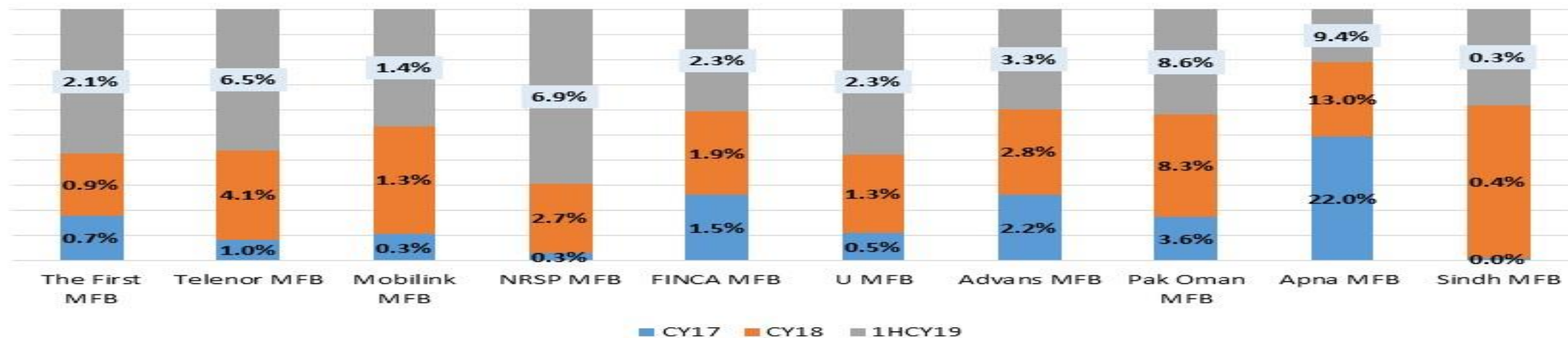
PAR > 30 DAYS (%)



- Overall Industry PAR increased to ~4.4% in 1HCY19 (~2.7% Dec'18) with MFBs being the biggest victim of the situation.
- The problem majorly emerged on bullet loans, particularly relating to agricultural credit, wherein unfavorable weather conditions coupled with declining purchasing power of the farmers played a big role.
- Industry wide write-offs also inflated to a sizable quantum during the period.

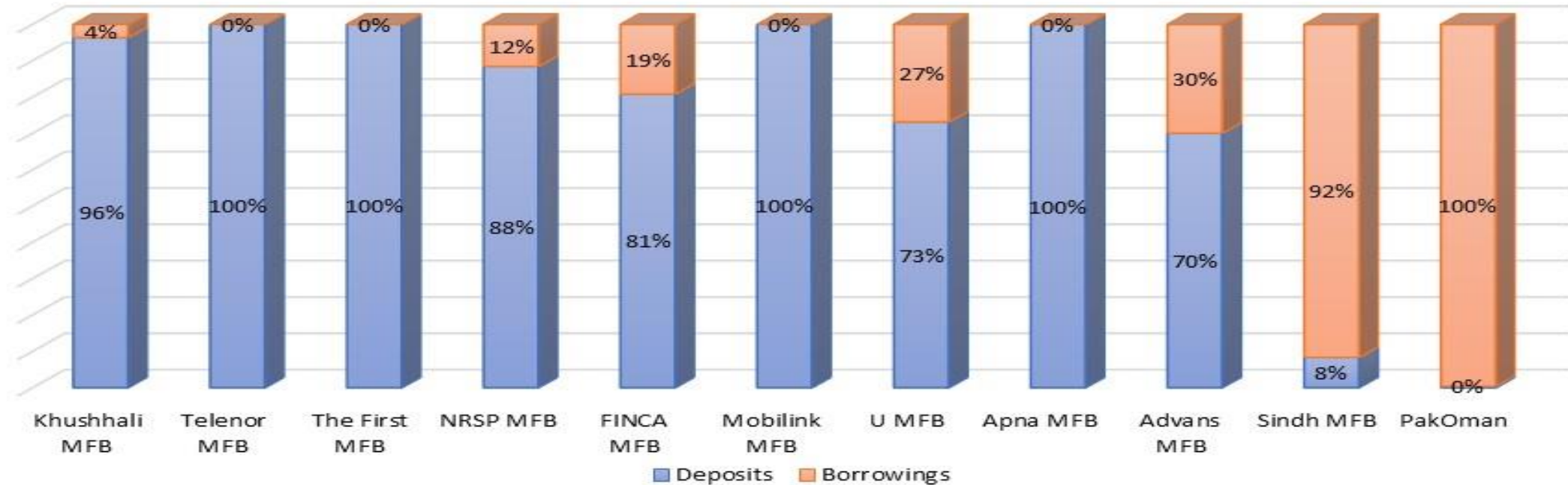
BANK WISE NPLs RATIO

Bank Wise Infection Ratio



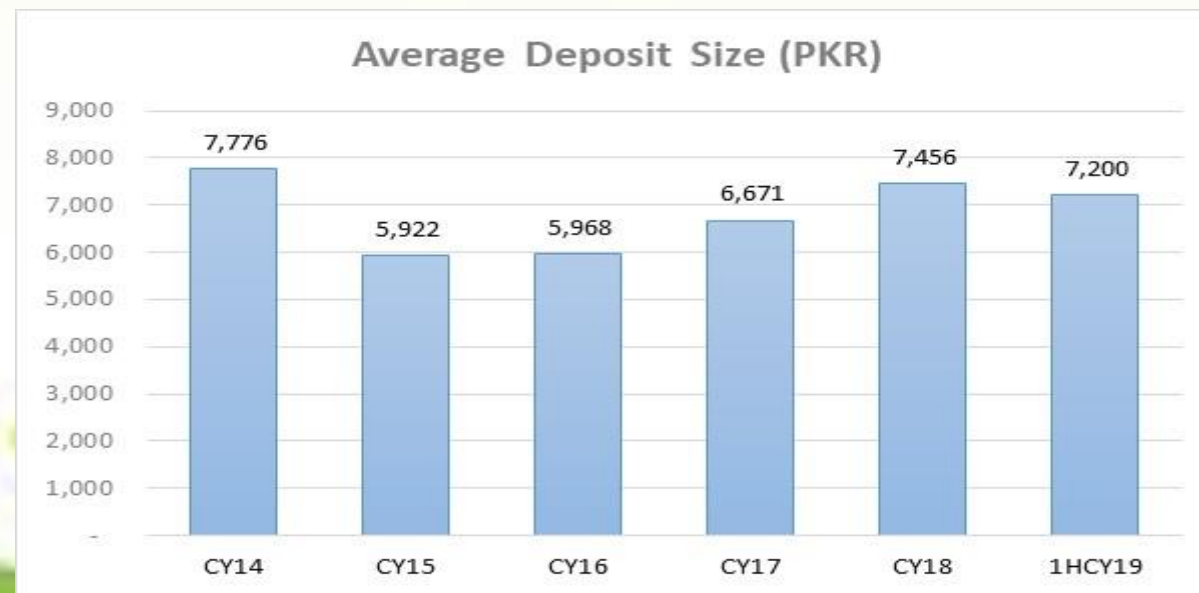
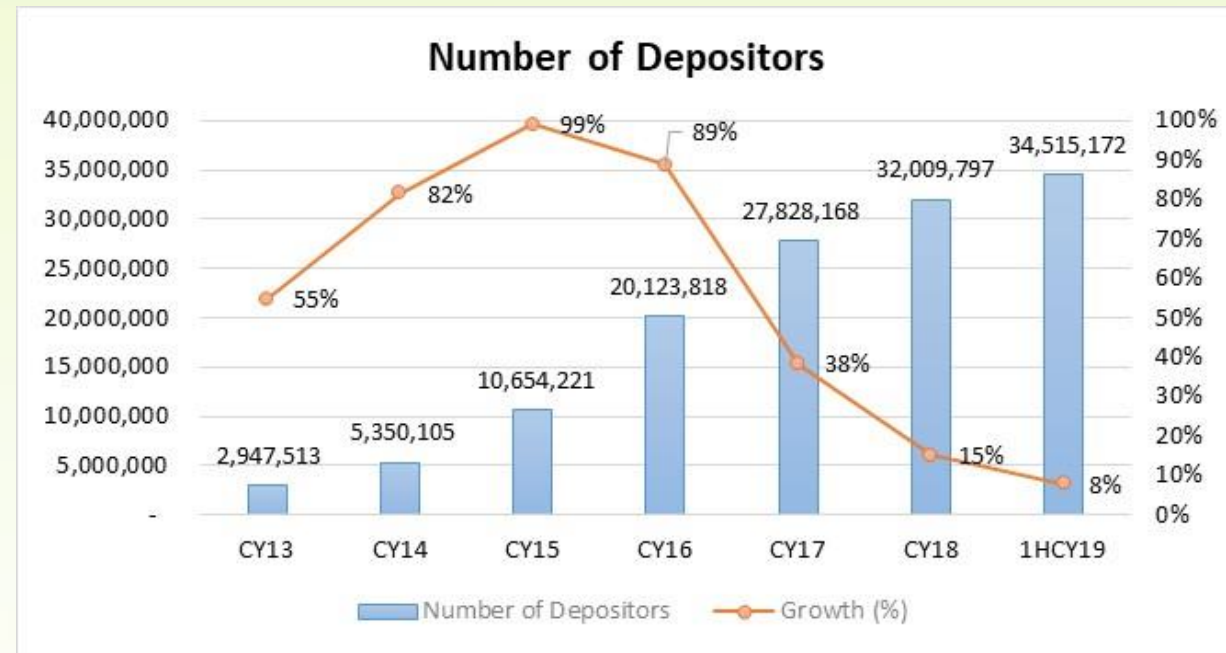
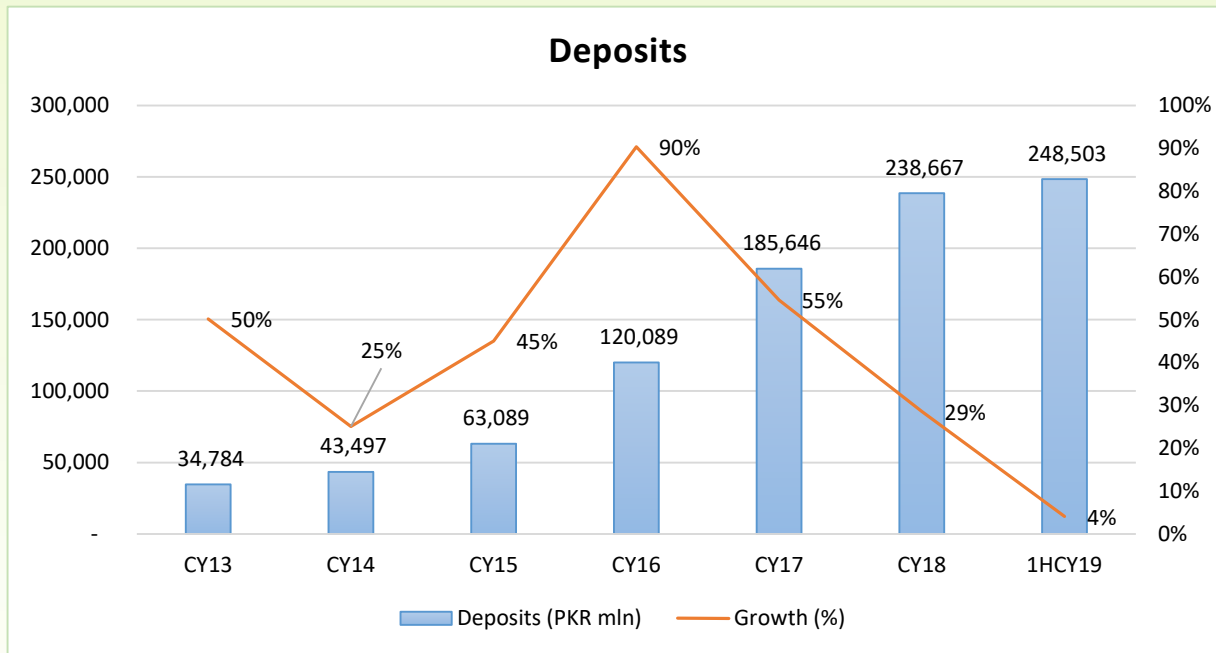
MFBS | FUNDING MIX

DEPOSITS AND BORROWINGS (%) - JUNE'19



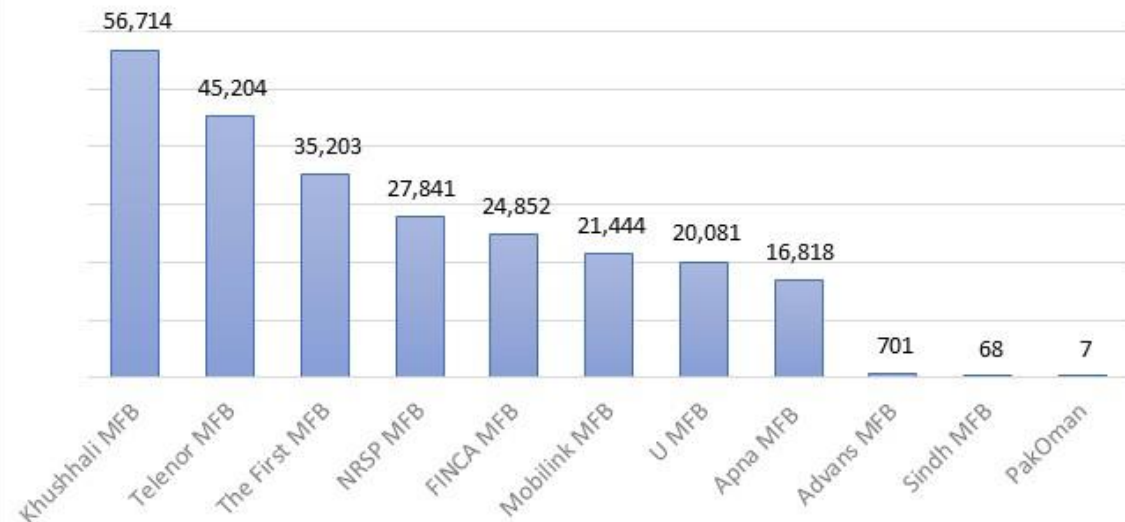
- Only State Bank Licensed Microfinance Banks are allowed to mobilize deposits from public.
- As of June'19, the Microfinance banks' funding mix comprised ~92% deposits and 8% borrowings (End-Dec'18: ~93% deposits and ~7% borrowings).
- MFBs Average ADR ranges between 75% - 85%.
- Other Microfinance Institutions rely on borrowings as the main source of their funding.
- During 1HCY19, in line with the subdued growth of the industry, deposit growth also tumbled to ~4% in comparison to promising growths in the previous periods.

MFBS | DEPOSITS

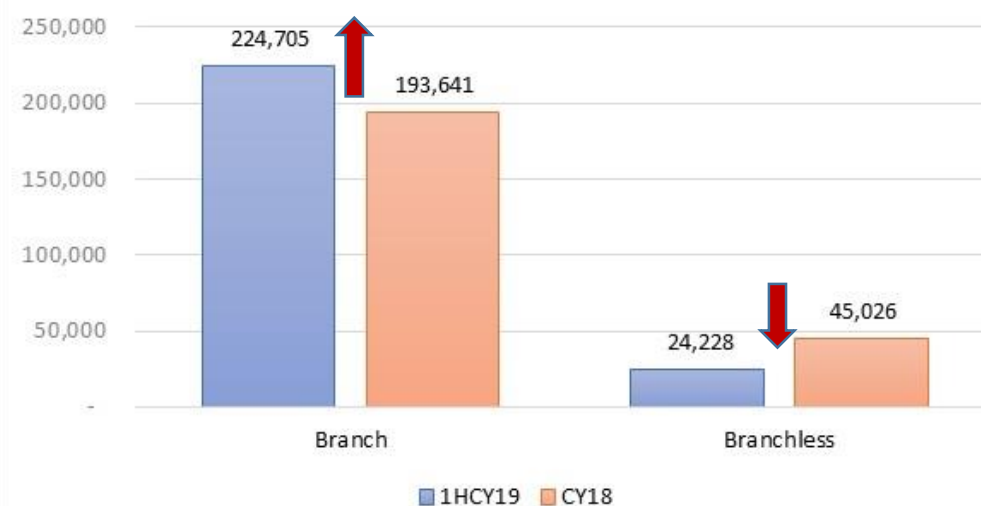


MFBs | DEPOSITS (CONT.)

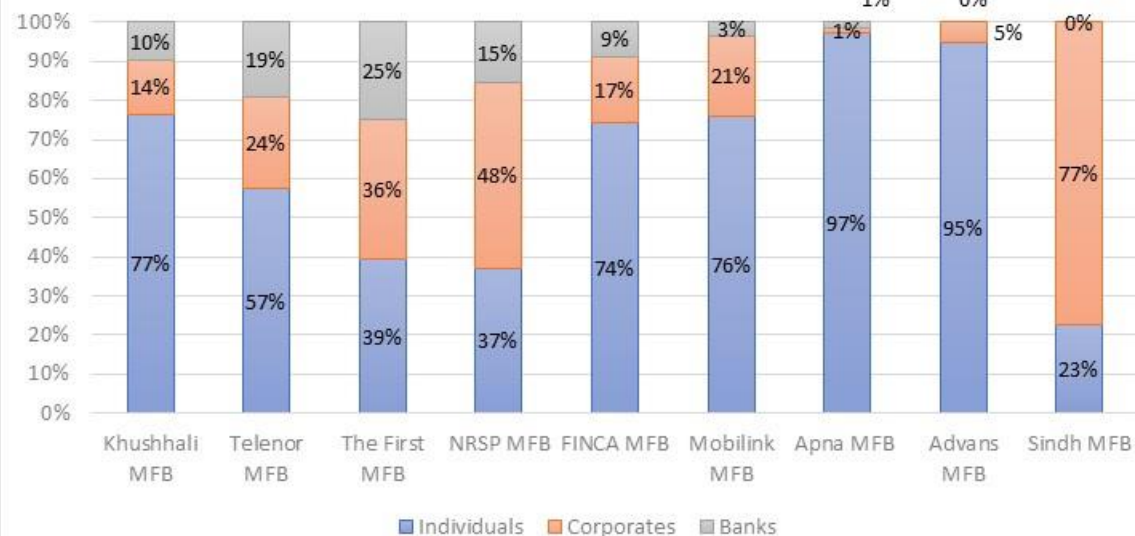
MFBs | Deposits (PKR mln)



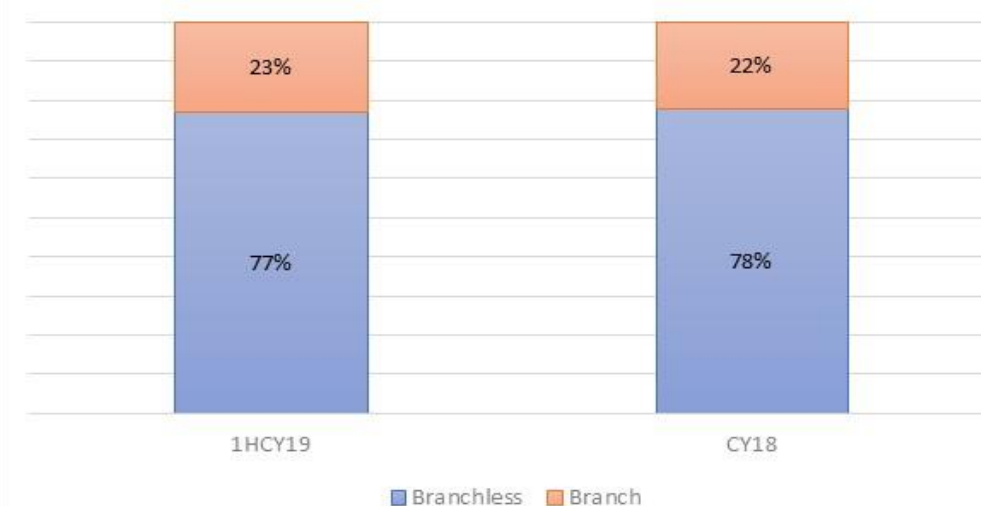
Deposit Mix | Branch & Branchless (PKR mln)



Deposit Mix | Customer Type | End-June'19



Deposit Accounts | Type



MFBS | BRANCHLESS BANKING

Branchless Banking players in the Sector include:

Telenor Microfinance Bank



Mobilink Microfinance Bank



U Microfinance Bank



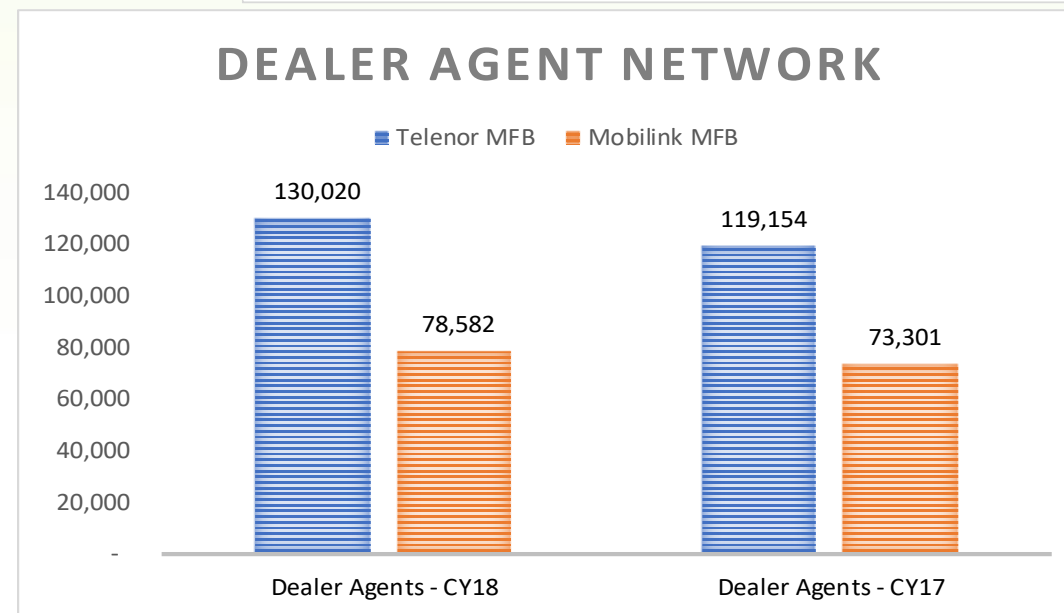
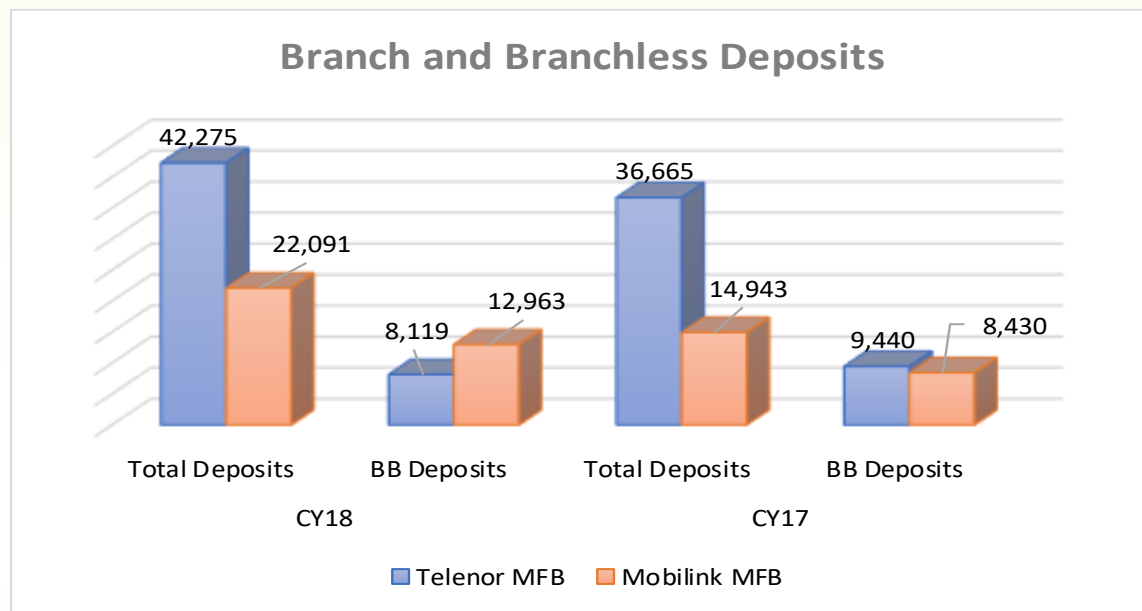
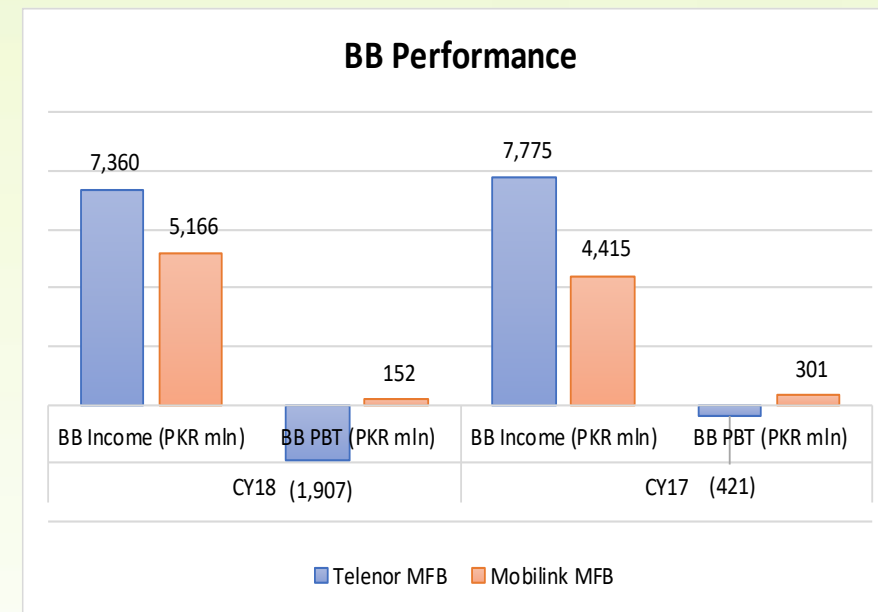
FINCA Microfinance Bank



Telenor, Mobilink and U MFB emerged into the digital banking domain through support of their affiliate telecom operators. Their respective digital brand names are EasyPaisha, JazzCash and Upaisa. FINCA MFB is a new emerging bank in the branchless banking paradigm with its digital product - SIMSIM.

MFBS | BRANCHLESS BANKING*

- Branchless Banking (BB) - is the future of the MFBS Sector. With the backbone of their affiliate telcos, Telenor and Mobilink MFB are rapidly advancing into the digital banking segment, with major developments underway.
- BB is broadly categorized into Over-the Counter (OTC) and Mobile Wallets Transactional modality. OTC – the traditional mode of BB services is a means of transactions involving dealer agents.
- BB players are now shifting their focus from OTC to M-wallet accounts, that includes both USSD code accounts and application accounts.
- The tables pertain to the performance and Deposit Accounts position of the two major BB players – Telenor and Mobilink:



*Information on this sheet will be updated on the completion of full year.

Source: Financial Statements & PACRA In-house research

APPENDIX | MFI, RSPs AND OTHERS

S.No	Microfinance Institutions	1HCY19	CY18
1	AGAHE Pakistan	✓	✓
2	Akhuwat	✓	✓
3	ASA Pakistan	✓	✓
4	BRAC Pakistan		✓
5	CSC Empowerment & Inclusion Programme	✓	✓
6	DAMEN Support Programme	✓	✓
7	FFO Microfinance Company	✓	✓
8	Islamic Relief Pakistan		✓
9	JWS Pakistan	✓	✓
10	Kashf Foundation	✓	✓
11	Micro Options Support Programme	✓	✓
12	MOJAZ Support Programme	✓	✓
13	Naymet Trust		✓
14	Orangi Pilot Project	✓	✓
15	Saaya Microfinance Company	✓	✓
16	SAFCO Support Foundation	✓	✓
17	Soon Valley Development Programme	✓	✓
18	Wasil Foundation	✓	✓
		15	18

S.No	Rural Support Programmes	1HCY19	CY18
1	Al-Mehran Rural Development Organization		✓
2	Ghazi Barotha Taraqati Idara	✓	✓
3	National Rural Support Programme	✓	✓
4	Punjab Rural Support Programme	✓	✓
5	Sarhad Rural Support Programme	✓	✓
6	Sindh Rural Support Programme	✓	✓
7	Thardeep Microfinance Foundation	✓	✓
		6	7

S.No	Other MFPs	1HCY19	CY18
1	Badbaan Development Community Microfinance Company	✓	✓
2	OPD Support Programme	✓	✓
3	ORIX Leasing Pakistan Limited	✓	✓
4	Rural Community Development Programmes	✓	✓
5	SAATH Microfinance Foundation Pakistan	✓	✓
6	Shadab Rural Development Organization	✓	✓
7	Shah Sachal Sami Foundation	✓	✓
8	Support With Working Solutions	✓	✓
9	Villagers Development Organization	✓	✓
		9	9

*Shaded Institutions refer to those MFPs whose numbers are not reported or received by PMN for 1HCY19.

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3. **SBP's Branchless Banking NewsLetter**
4. **PACRA In-house Research**

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