



Non-Banking Finance Companies (NBFCs)

Research Team

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Non-Banking Finance Companies

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Non-Banking Finance Companies

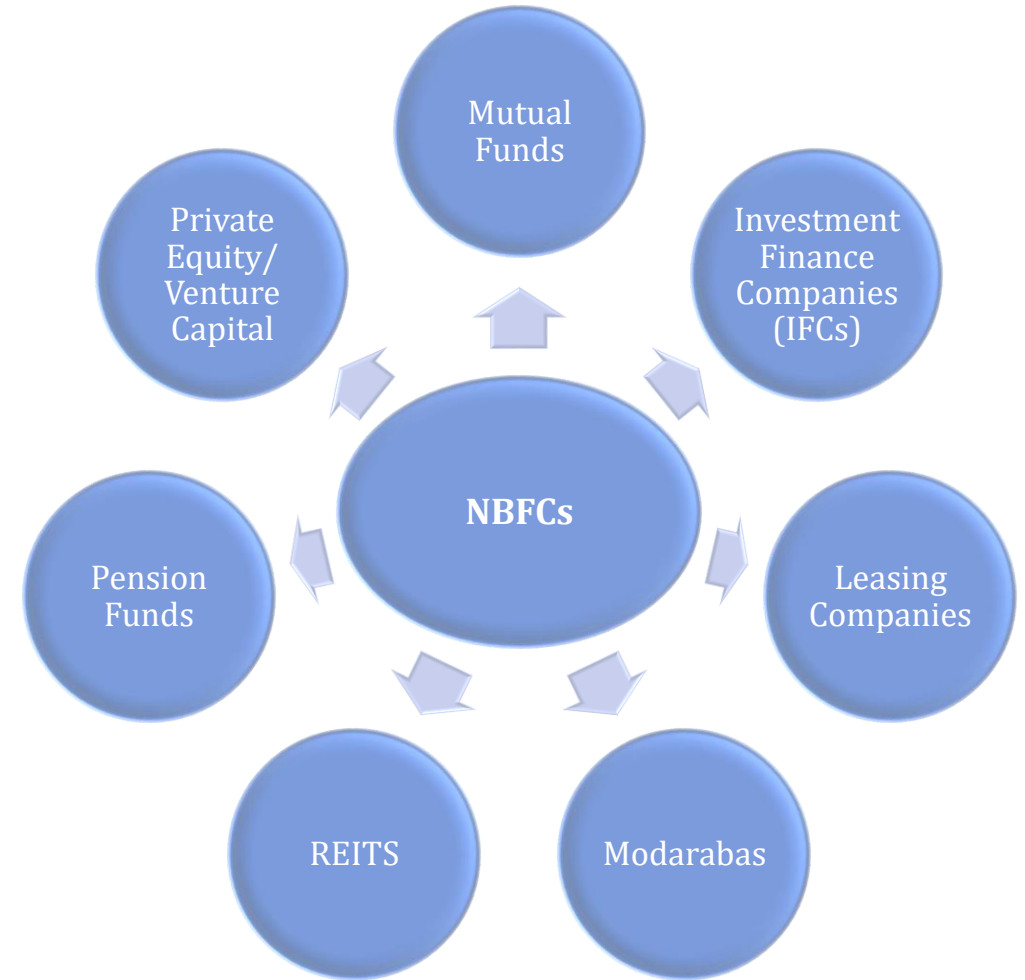
Introduction

Non-Banking Financial Companies (NBFCs), also known as Non-bank Financial Institutions (NBFCs) are financial institutions that offer various banking services but do not have a banking license.

Generally, these institutions are not allowed to take traditional demand deposits—readily available funds, such as those in checking or savings accounts—from the public. This limitation keeps them outside the scope of conventional oversight from federal and state financial regulators.

The sector mainly comprises the following -

- Mutual Funds
- Investment Finance Companies (IFCs)
- Pension Funds
- Insurance Companies
- Other Financial Intermediaries (OFIs) - OFIs include all financial intermediaries that are not central banks, banks, public financial institutions, or financial auxiliaries. They mainly include investment funds, captive financial institutions and money lenders, central counterparties, broker-dealers, trust companies, Fintech and structured finance vehicles.



Non-Banking Finance Companies

Global | Overview

- NBFCs play an increasingly important role in providing financing to the real economy, as well as in managing the savings of households and corporate entities.
- In CY23, the value of total global financial assets increased by ~5.5% YoY to USD~470.4trn. This was largely attributed to the NBFCs sector, where total financial assets rose by ~8.5% YoY, while banks experienced a YoY increase of ~3.3% in their financial assets.
- In CY23, global financial assets included NBFCs (USD~222.8trn), Banks (USD~188.7trn), Central Banks (USD~37.5trn) and Public Financial Institutions (USD~21.4trn).
- The key reason for this, in turn, includes the slowing of rising policy rates, which normalized market expectations in CY23 compared to CY22, hence the rise in asset valuation and investor inflows into investment funds.

Global Assets NBFCs sub-sectors (CY23)	Share (%)	Size (USD trn)
Other Investment Funds*	28%	62.6
Pension Funds (PFs)	19%	42.5
Insurance Corporations (ICs)	17%	38.2
Captive Financial Institutions and Money Lenders (CFIMLs)	11%	25.3
Broker-Dealers (BDs)	6%	12.8
Money Market Funds (MMFs)	5%	10.8
Hedge Funds (HFs)	4%	8.5
Finance Companies	3%	7.5
Structured Finance Vehicles (SFVs)	3%	6.4
Trust Companies	2%	4.2
Real Estate Investment Trusts (REITs)	1%	3.3
Central Counterparties (CCPs)	0%	0.7
Total NBFCs	100.0%	222.8

*Note: Total financial sector assets might differ by USD~10.0trn owing to ambiguous segment classification of NBFCs in source document. *Other than Mutual and Hedge funds*

Non-Banking Finance Companies

Local Macro Economic Indicators | Annual

Monetary Sector	FY15	FY16	FY17	FY18	FY19	5-Year Avg	FY20	FY21	FY22	FY23	FY24	5-Year Avg	8MFY24	8MFY25
Avg. Inflation Rate (%)	4.5%	2.9%	4.2%	3.9%	7.3%	4.6%	10.7%	8.9%	11.4%	29.4%	23.8%	18.8%	28.0%	5.9%
Avg. KIBOR (%)	8.9%	6.5%	6.1%	6.4%	10.4%	7.7%	12.0%	7.4%	10.8%	18.3%	21.9%	14.1%	22.2%	14.9%
Monetary Policy Rate (period-end)	6.5%	5.8%	5.8%	6.5%	12.3%	7.4%	7.0%	7.0%	13.8%	22.0%	20.5%	14.1%	22.0%	12.0%
Avg. PKRV (%)	8.7%	6.3%	6.0%	6.3%	10.2%	7.5%	11.8%	7.3%	10.7%	18.1%	21.7%	13.9%	22.0%	14.6%
Avg. Exchange Rate (USD/PKR)	101.5	104.4	104.8	110.1	136.5	111.4	158.4	160.5	191.9	247.7	283.2	208.3	285.5	278.5
External Sector	FY15	FY16	FY17	FY18	FY19	5-Year Avg	FY20	FY21	FY22	FY23	FY24	5-Year Avg	8MFY24	8MFY25
<i>USD mln</i>														
Current Account Balance	-2,815	-4,961	-12,270	-19,195	-13,434	-10,535	-2,970	-1,852	-17,481	-3,276	-1,695	-5,455	-1,730	691
Exports	24,090	21,972	22,003	24,768	24,257	23,418	22,536	25,630	31,792	27,735	30,677	27,674	25,507	27,279
Imports	41,357	41,118	48,001	55,671	51,869	47,603	43,645	53,785	80,177	55,198	54,798	57,521	41,296	46,034
Trade Balance	-17,267	-19,146	-25,998	-30,903	-27,612	-24,185	-21,109	-28,155	-48,385	-27,463	-24,121	-29,847	-15,789	-18,755
FX Reserves	18,699	23,099	21,403	16,384	14,482	18,813	18,886	24,398	15,537	9,160	13,996	16,395	9,193	12,513

Note: Trade data includes Goods and Services; FX Reserves are SBP Gross Reserves.

Non-Banking Finance Companies

Local Macro Economic Indicators | Monthly

Monetary Sector	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Avg. Inflation (%) (Headline CPI)	28.3%	23.1%	20.7%	17.3%	11.8%	12.6%	11.1%	9.6%	6.9%	7.2%	4.9%	4.1%	2.4%	1.5%	0.7%
Avg. KIBOR (%)	21.0%	21.5%	21.5%	21.6%	21.3%	20.4%	19.9%	18.6%	17.0%	14.5%	13.4%	12.3%	11.9%	11.8%	11.9%
Monetary Policy Rate (%) (period-end)	22.0%	22.0%	22.0%	22.0%	22.0%	20.5%	19.5%	19.5%	17.5%	17.5%	15.0%	13.0%	12.0%	12.0%	12%
Avg. PKRV (%)	20.9%	21.3%	21.2%	21.3%	21.2%	20.4%	19.6%	18.2%	16.6%	14.1%	13.1%	12.0%	11.7%	11.7%	11.8%
Avg. Exchange Rate (USD/PKR)	280.5	279.3	278.7	278.2	278.3	278.4	278.4	278.6	278.2	277.7	277.9	278.2	278.8	279.4	280.1
External Sector	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
<i>(USD mln)</i>															
Current Account Balance	-303	71	434	491	-248	-313	-246	29	86	349	684	582	-399	-97	1,195
Exports	2,791	2,583	2,572	2,351	2,389	2,558	2,307	2,762	2,839	2,982	2,833	2,919	3,684	3,302	3,512
Imports	4,771	4,306	4,873	4,846	4,948	4,964	4,278	4,509	4,671	4,567	4,518	5,393	6,467	6,036	5,919
Trade Balance	-1,980	-1,723	-2,301	-2,495	-2,559	-2,406	-1,971	-1,747	-1,832	-1,585	-1,685	-2,474	-2,783	-2,734	-2,407
FX Reserves	12,594	12,448	12,760	13,750	13,650	13,996	13,967	14,147	15,401	15,467	16,133	15,927	12,666	12,513	11,903

Note: Trade data includes Goods and Services; FX Reserves are SBP Gross Reserves.

Source: SBP

Non-Banking Finance Companies

Local | Overview

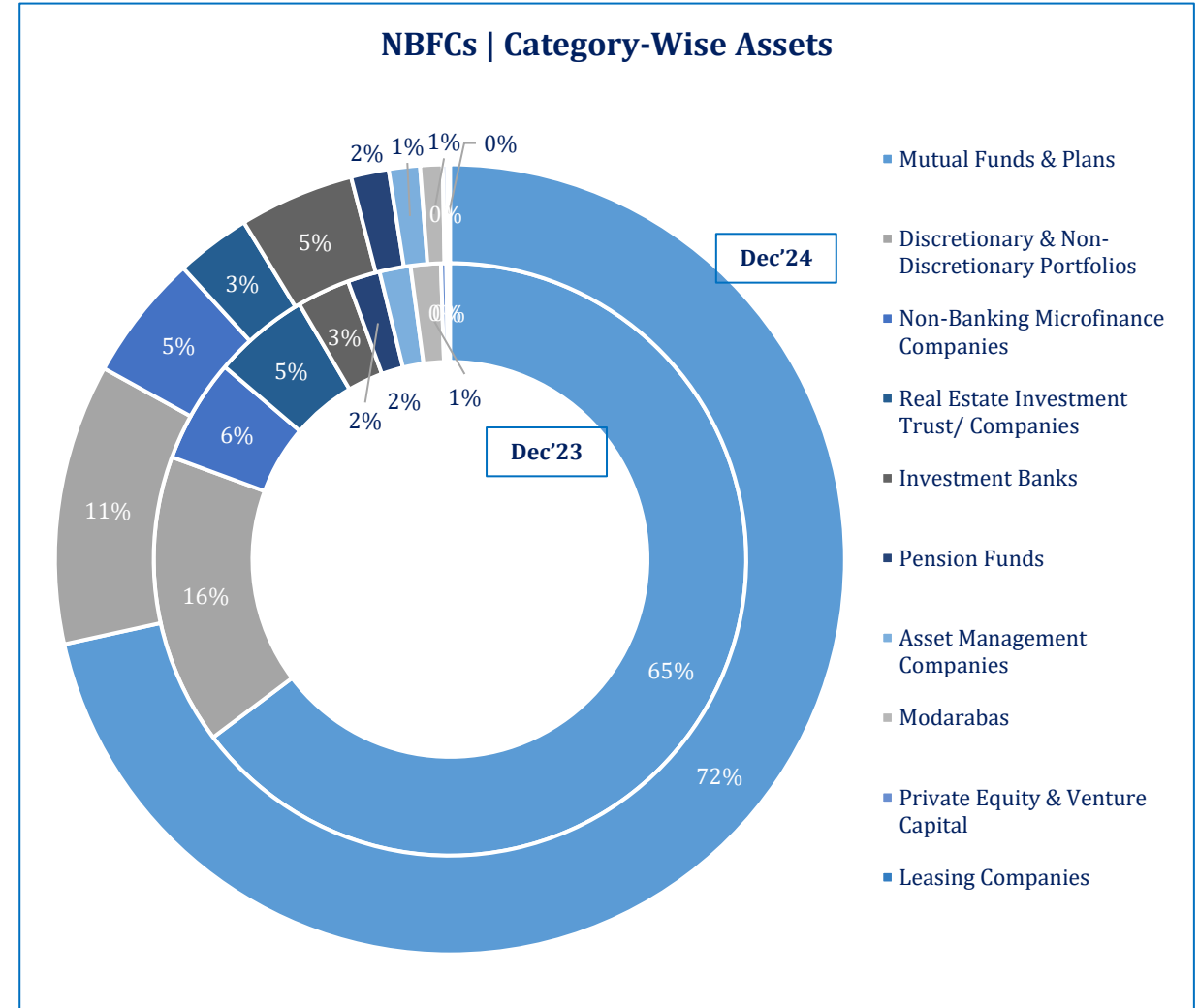
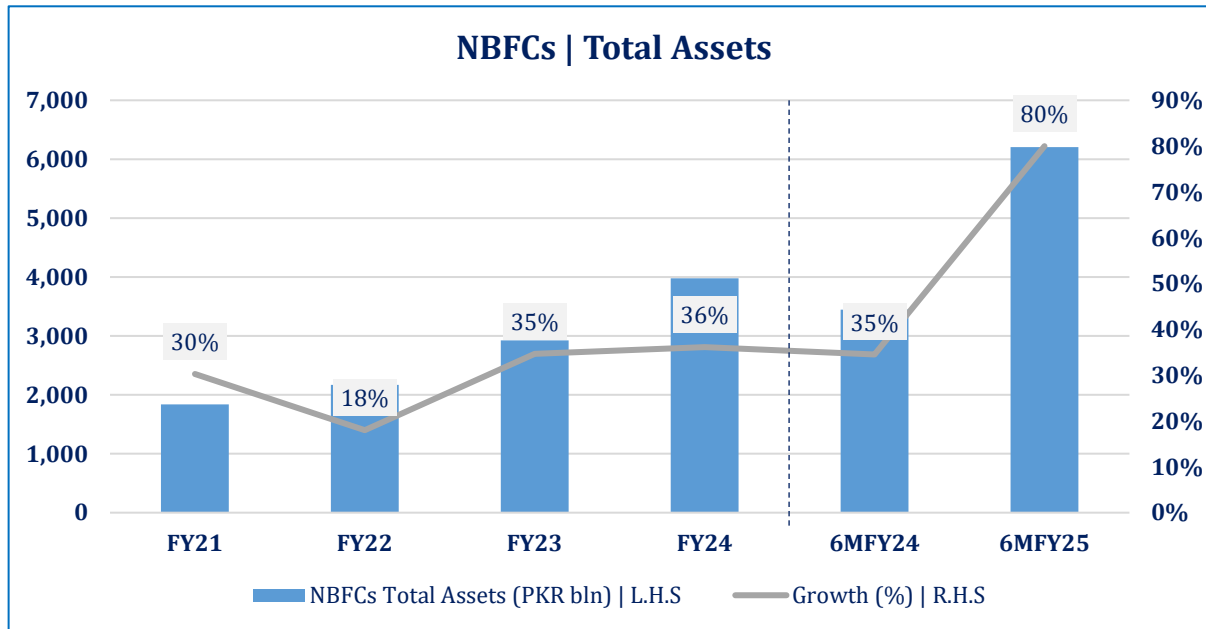
- In FY24, Pakistan's GDP (nominal) stood at PKR~105.6trn, increasing, in real terms, by ~2.5% YoY (FY23: ~0.2% YoY decline). Industrial activities in FY24 held ~21.3% share in the GDP, while manufacturing activities made up ~13.9% of the value addition.
- In 2QFY25, Pakistan's economy grew by ~1.7% YoY (SPLY: ~2.5% YoY), in real terms. During the period, Agriculture sector grew by ~1.1% YoY (SPLY: ~5.8% YoY), while the Industrial sector posted a negative growth of ~0.2% YoY (SPLY: ~-1.8% YoY). On the other hand, the Services sector grew by ~2.6% YoY (SPLY: ~1.3% YoY).

Sector-wise Total Assets (PKR bln)	FY22	FY23	FY24	6MFY24	6MFY25	NBFCs Sectoral Breakdown	No. of Licensed Entities Dec'23	No. of Licensed Entities Dec'24
Mutual Funds & Plans	1,281	1,676	2,708	2,232	4,439	Mutual Funds & Plans	345	403
Discretionary & Non-Discretionary Portfolios	356	477	576	547	712	Real Estate Investment Trust/ Companies	39	47
Non-Banking Microfinance Companies	163	184	197	195	321	Pension Funds	24	45
Real Estate Investment Trusts/ Companies	106	286	175	181	190	Non-Banking Microfinance Companies	39	39
Investment Finance Companies (IFCs)	91	129	116	100	292	Investment Finance Companies (IFCs)	29	38
Pension Funds	42	50	76	61	96	Asset Management Companies	29	28
Asset Management Companies	53	52	65	58	79	Modarabas	27	20
Modarabas	61	53	50	57	57	Private Equity & Venture Capital	20	7
Private Equity & Venture Capital	11	9	8	10	11	Leasing Companies	5	4
Leasing Companies	6	6	7	7	7	Discretionary & Non-Discretionary Portfolios	0	0
Total	2,170	2,922	3,978	3,447	6,204	Total	557	631

Non-Banking Finance Companies

Local | Total Assets

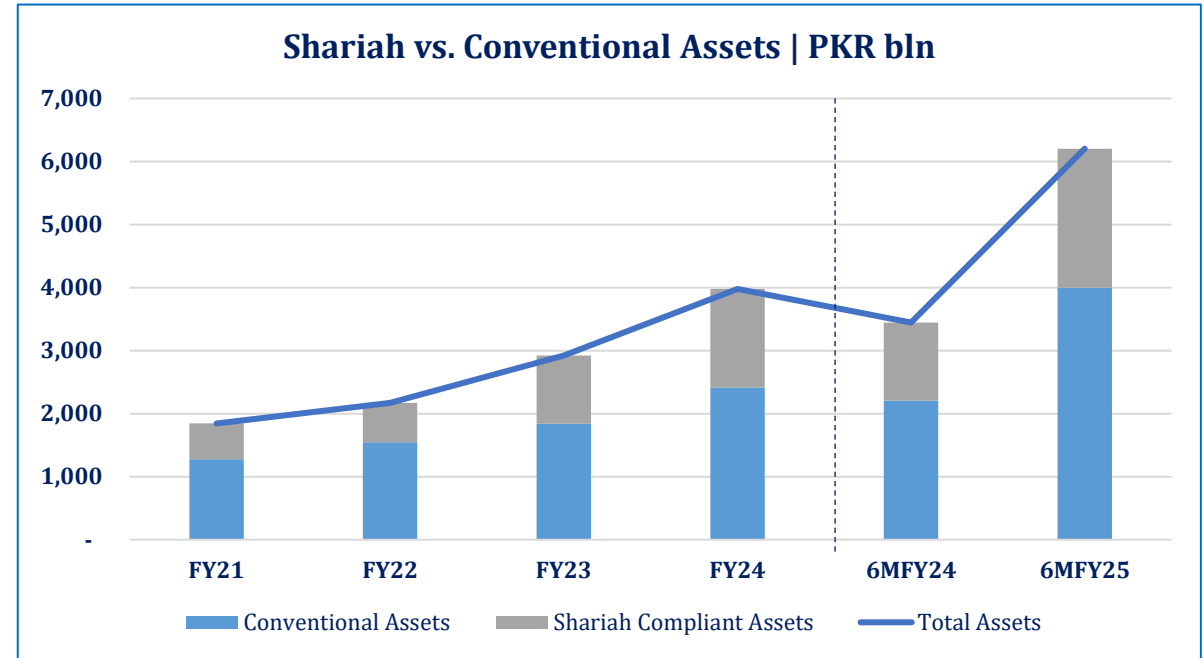
- Total assets of NBFCs have grown from PKR~1,839bln in FY21 to PKR~6,204bln as at End-Dec'24, representing a CAGR of ~39.0%.
- As at End-Dec'24, mutual funds & plans had the highest share of ~72.0% while Modarabas held a share of ~1.0% in total assets of NBFCs. Individually, mutual fund assets posted ~63.9% growth as of End-Dec'24 compared with FY24.
- Moreover, as of End-Dec'24, total advances by banks (including foreign, private, public and specialized banks) to NBFCs were recorded at PKR~1.8trn (SPLY: PKR~289.0bln; End-Jun'24: PKR~254.0bln).



Non-Banking Finance Companies

Total Assets | Shariah-Compliant vs. Conventional

Asset Types (PKR bln)	FY21	FY22	FY23	FY24	6MFY24	6MFY25
Conventional	1,276	1,545	1,844	2,414	2,204	4,001
Shariah-Compliant	568	626	1,078	1,564	1,243	2,203
Total Assets	1,844	2,171	2,922	3,978	3,447	6,204
Conventional (%)	69%	71%	63%	61%	64%	65%
Shariah-Compliant (%)	31%	29%	37%	39%	36%	35%



- The share of Shariah-compliant assets has remained at an average of ~34.0% over the last ~5 years (FY20-24) while the rest has comprised conventional assets.
- As of End-Dec'24, the share distribution of Conventional assets and Shariah-compliant assets stood at ~65.0% and ~35.0%, while the compound annual growth rate between FY21 and End-Dec'24 was recorded at ~26.0% and ~31.0%, respectively.
- In CY24, Mutual Funds accounted for ~71.5% of NBFCs' total asset base (SPLY: ~64.7%). Money market funds posted ~77.7% growth of during the year (SPLY: ~23.2%) and continued to dominate the mutual funds' asset mix.

Non-Banking Finance Companies

Segment-wise Assets

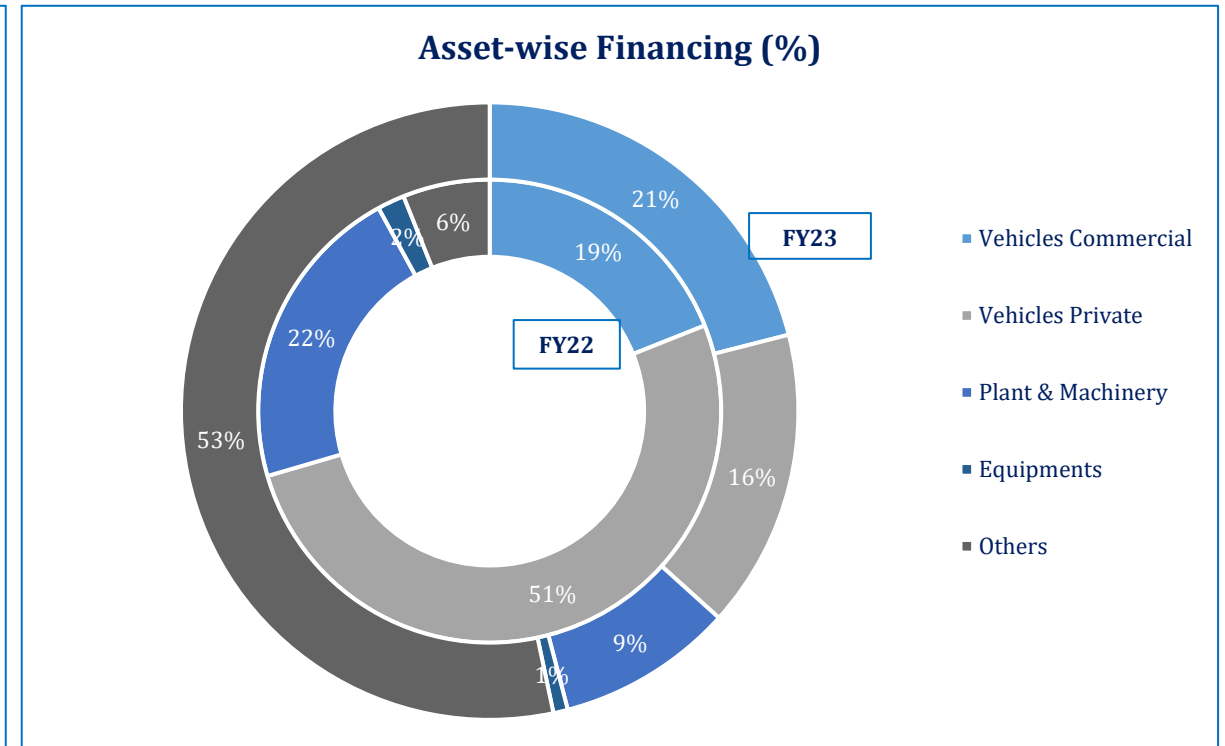
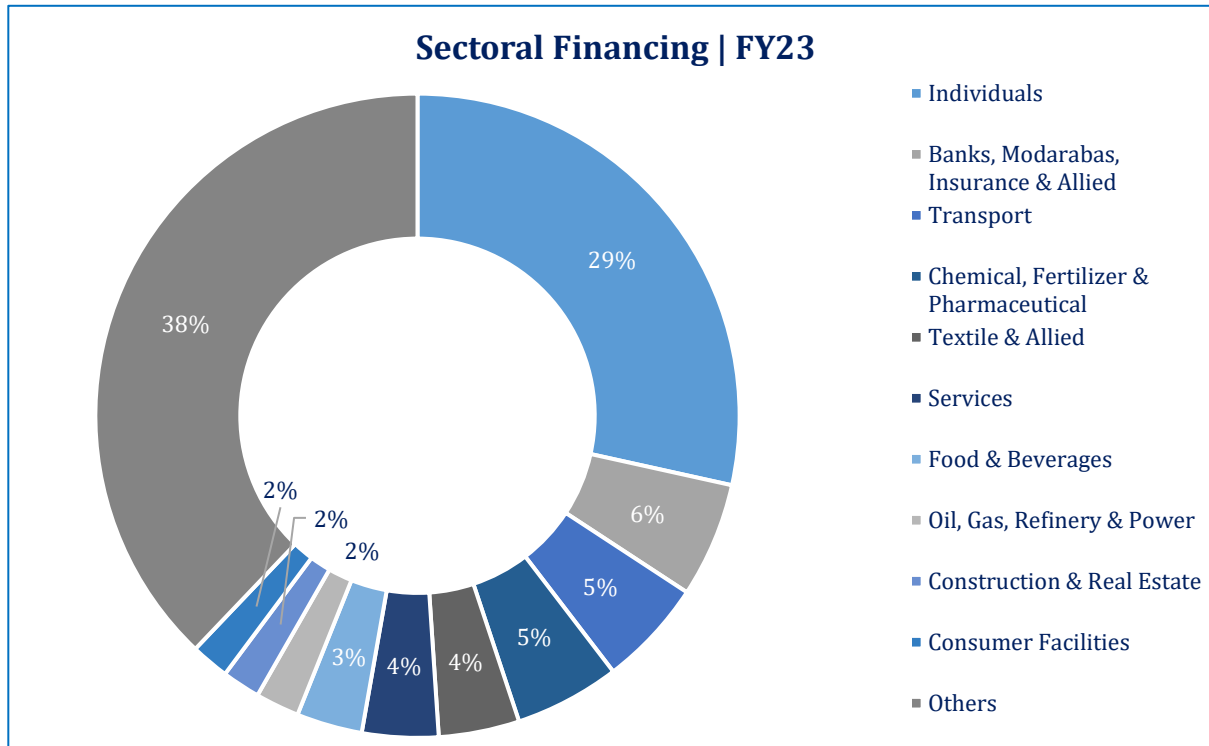
Type	FY23			FY24			Dec'23			Dec'24		
	No of Entities	Assets (PKR bln)	Assets Share	No of Entities	Assets (PKR bln)	Assets Share	No of Entities	Assets (PKR bln)	Assets Share	No of Entities	Assets (PKR bln)	Assets Share
NBFCs	40	184	6.3%	39	196	4.9%	39	195	5.6%	39	321	5.3%
Investment Finance Companies	28	129	4.4%	36	116	2.9%	29	100	2.9%	38	292	4.7%
Modarabas	27	53	1.8%	19	50	1.2%	27	57	1.6%	20	57	0.9%
Leasing Companies	5	6	0.2%	5	7	0.2%	5	7	0.2%	4	7	0.1%
Lending Institutions Sub-Total	100	372	12.7%	99	368	9.2%	100	358	10.3%	101	677	11.0%
Mutual Funds	340	1,676	57.4%	371	2,708	68.1%	345	2,232	64.7%	403	4,439	71.5%
Discretionary & Non-Discretionary Portfolios	0	477	16.3%	0	576	14.5%	0	547	15.9%	0	712	11.5%
Real Estate Management Cos/Trusts	37	286	9.8%	43	175	4.4%	39	181	5.3%	47	190	3.0%
Pension Funds	24	50	1.7%	45	76	1.9%	24	61	1.8%	45	96	1.5%
Asset Management Companies	29	52	1.8%	29	65	1.6%	29	58	1.7%	28	79	1.3%
Private Equity	18	9	0.3%	20	9	0.2%	20	10	0.3%	20	11	0.2%
Fund Management Institutions Sub-Total	448	2,550	87.3%	508	3,609	90.7%	457	3,089	89.7%	543	5,527	89.0%
NBFCs Total	548	2,922	100%	607	3,977	100%	557	3,447	100	644	6,204	100%

Note: NBFCs for Non-Banking Finance Institutions.

Non-Banking Finance Companies

Financing | Asset & Sector-wise

- The NBFCs sector is essential for the economic development of the country. In Pakistan, there are more than ~5.2mln small and medium enterprises (SMEs). SMEs' contribution to GDP is estimated at ~40.0% while that to exports is estimated at ~25.0%.
- SMEs rely largely on financing by NBFCs. The asset and sector-wise lending of NBFCs during FY23 is depicted below.



Note: Latest available data.

Non-Banking Finance Companies

Market Share | Asset Management Companies

(Open-End, VPS, EPF & ETFs) PKR bln						
Sr.	Asset Management Company	Jun'23	Dec'23	Jun'24	Dec'24	
		Assets Under Management				Market Share
1	Al-Meezan Investment Management Limited	303	410	453	655	15.4%
2	NBP Fund Management Limited	238	268	302	497	11.7%
3	HBL Asset Management Limited	159	204	190	422	10.0%
4	MCB Investment Management Limited	153	164	195	458	10.8%
5	UBL Fund Managers Limited	153	194	138	413	9.7%
6	Alfalah Investment Management Limited	102	149	202	329	7.9%
7	ABL Asset Management Limited	113	170	183	322	7.6%
8	Al Habib Asset Management Limited	64	122	134	298	7.0%
9	Faysal Asset Management Limited	98	134	146	244	5.8%
10	National Investment Trust Limited	86	113	128	196	4.6%
11	Atlas Asset Management Limited	53	71	82	113	2.7%
12	JS Investment Limited	36	65	65	93	2.2%
13	Lakson Investments Limited	31	45	46	76	1.8%
14	Pak Qatar Asset Management Company Limited	11	21	29	59	1.4%
15	AWT Investment Management Limited	7	14	27	52	1.2%
16	AKD Investment Management Limited	6	8	8	10	0.2%
17	Pak Oman Asset Management	6	5	4	2	0.0%
18	786 Investments Limited	1	1	1	1	0.0%
19	First Capital Investments Limited	0.1	0.1	0.1	0.2	0.0%
20	Pak Qatar Family Takaful Limited	0	0.1	0	0	0.0%
21	Interloop Asset Management Limited	-	0.1	-	-	0.0%
Total		1,622	2,158	2,333	4,241	100%

Note: Lucky Investments Ltd. launched Lucky Islamic Money Market Fund in Apr'25 and raised PKR~50.0bln during the IPO.

Non-Banking Finance Companies

Asset Management Companies | Net Sales

- The Money Market category experienced the highest level of sales, followed by the Shariah-compliant money market category, with these accounting for ~30.7% and ~25.7%, respectively, of total sales.
- Overall, total sales of asset management companies stood at PKR~5,863bln during CY24, while redemptions during the year clocked in at PKR~5,148bln. Resultantly, net sales of AMCs amounted to PKR~715.0bln during CY24, up ~56.0% YoY, reflecting increased investor participation due to improved economic and political conditions.

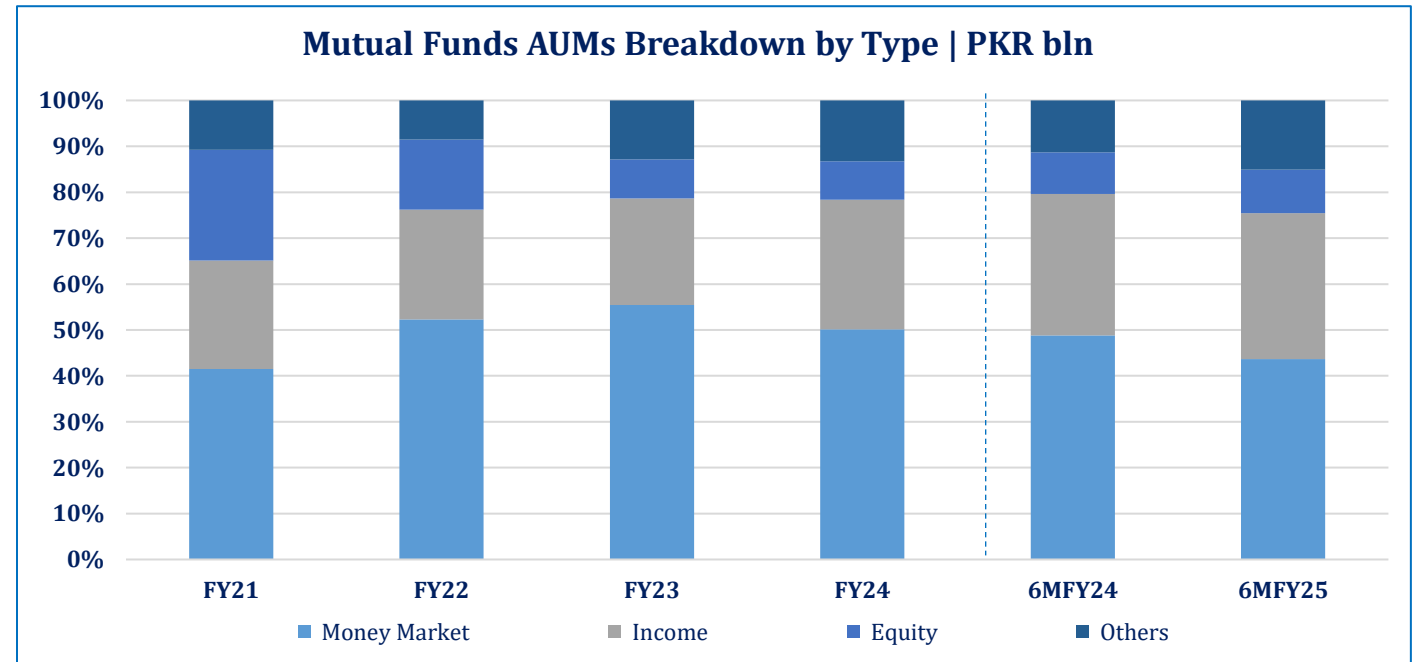
Net Sales Open-End Mutual Funds (PKR bln)	CY22			CY23			CY24		
	Sales	Redemptions	Net Sales	Sales	Redemptions	Net Sales	Sales	Redemptions	Net Sales
Money Market	2,123	2,003	121	2,192	2,174	18	1,798	1,683	115
Shariah-Compliant Money Market	1,041	867	174	1,629	1,529	100	1,507	1,379	128
Shariah-Compliant Income	310	255	55	726	564	162	1,022	823	199
Income Scheme	520	465	55	719	650	69	744	625	119
Other	225	184	41	604	463	141	682	487	135
Shariah-Compliant Equity	48	60	-12	45	63	-18	81	79	2
Equity	21	41	-20	20	41	-21	47	48	-1
Voluntary Pension Funds	25	23	2.4	34	30	4	42	24	18
Exchange Traded Funds	0	0	0	0	0	0	-	-	-
Employee Pension Fund	-	-	-	0	-	0	-	-	-
Total	4,313	3,898	415	5,972	5,514	458	5,863	5,148	715

Non-Banking Finance Companies

Mutual Funds | Overview

- A mutual fund is a type of financial vehicle that pools the money of investors with common financial goals. The funds are invested in securities such as stocks, bonds, money market instruments, etc., to meet predefined investment objectives.
- As of End-Dec'24, mutual funds held the highest share of ~71.5% in overall NBFCs assets, amounting to PKR~4,439bln. These recorded a CAGR of ~47.4% between FY20 and End-Dec'24 while the total number of Mutual Funds & Plans has increased from ~309 to ~403 during this period.
- The share of fixed income securities in total invested assets of mutual funds has increased from ~24.0% in FY21 to ~32.0% as of End-Dec'24.
- As of End-Dec'24, ~44.0% of the total assets were invested in short-term money market instruments (SPLY: ~49.0%). Meanwhile, ~9.0% of the assets were invested in equity market funds (SPLY: ~9.0%).

Description	FY20	FY21	FY22	FY23	FY24	6MFY24	6MFY25
Total AUMs (PKR bln)	802	1,087	1,281	1,676	2,708	2,232	4,439
YoY Growth	39%	36%	18%	31%	61.6%	33%	98.8%
Mutual Funds & Plans (No.)	309	282	290	340	371	345	403



Non-Banking Finance Companies

Mutual Funds | Account-wise Investment Breakdown

- The number of active investor accounts having greater than zero balance, as of End-Dec'24, recorded at ~691,113, representing ~54.7% of total investor accounts.
- Meanwhile, the number of investor accounts having zero balance as of End-Dec'24 stood at ~571,848. The total number of investor accounts therefore, as of End-Dec'24, was recorded at ~1,262,961.
- The number of investor accounts is different from the number of investors in the mutual funds sector, i.e. if Investor A opens 3 accounts with 3 different AMCs, the same shall be reported as 3 investor accounts instead of one.

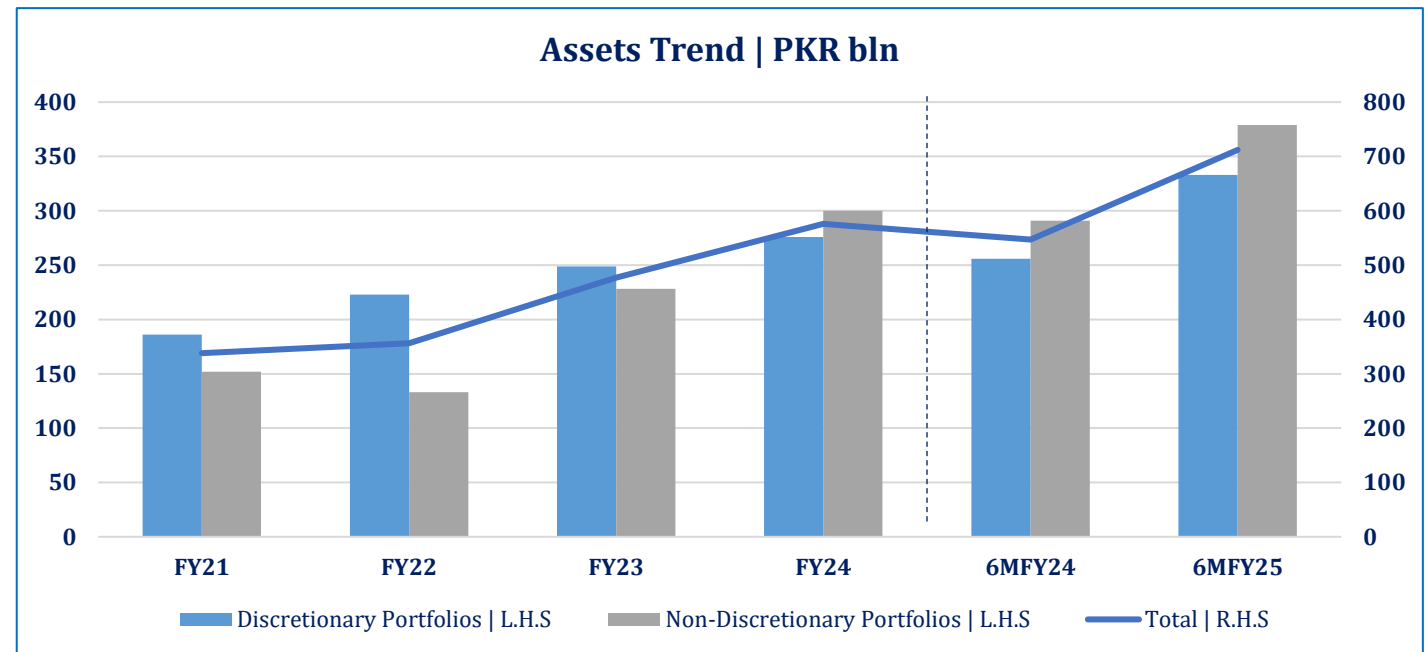
Description	No. of Active Investor Accounts as at Dec'24	Value of Investments as at Dec'24 PKR bln	% of Total Investment Value
Resident			
Individuals	673,284	1,632	37%
Other Corporates	6,217	1,972	45%
Retirement Funds	3,065	331	8%
Insurance Companies	454	181	4%
Trusts/NGOs etc.	1,354	104	2%
Associated Banks/DFIs & AMCs	92	88	2%
Other Banks/DFIs	160	19	0%
Funds of Funds	50	21	0%
Other Financial Institutions	137	16	0%
Foreign			
Individuals	6,287	16.15	0%
Non-Individuals	13	0.35	0%
Total	691,113	4,383	100%

Non-Banking Finance Companies

Discretionary/Non-Discretionary Portfolios

- Under discretionary portfolios, the portfolio manager individually and independently manages the funds and securities of each client in accordance with the needs of the clients.
- Under non-discretionary portfolios, the portfolio manager manages the funds in accordance with the directions of the client.
- These portfolios cumulatively held the second-highest weight, i.e., ~11.5% in the NBFCs sector with total assets under management amounting to PKR~712.0bln as at End-Dec'24.

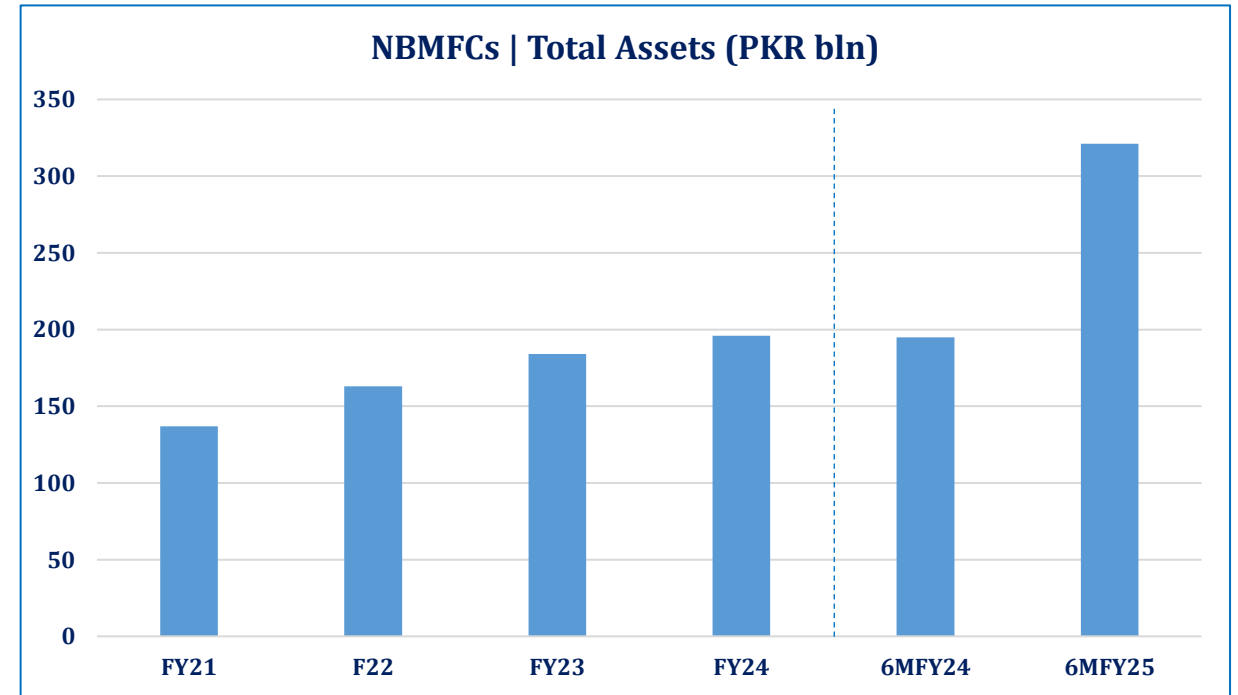
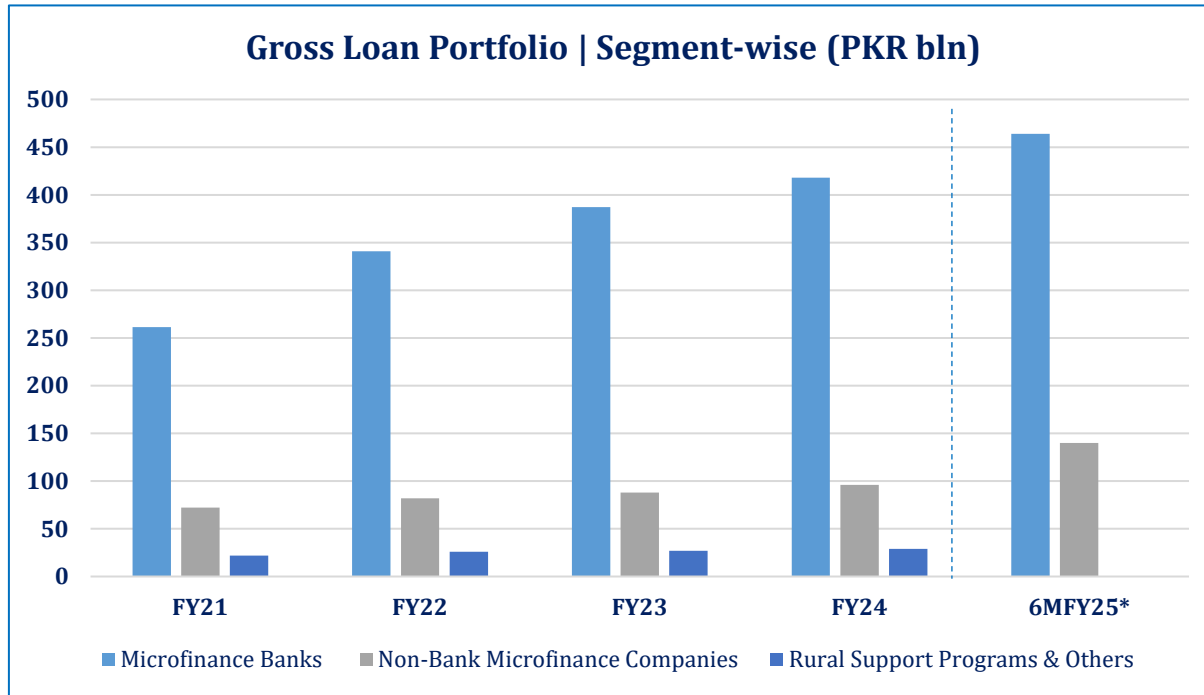
Assets (PKR bln)	FY20	FY21	FY22	FY23	FY24	6MFY24	6MFY25
Discretionary Portfolios	136	186	223	249	276	256	333
Non-Discretionary Portfolios	92	152	133	228	300	291	379
Total	229	338	356	477	576	547	712



Non-Banking Finance Companies

Microfinance | Gross Loan Portfolio

- Non-Bank Microfinance Companies (NBMFCs) hold the third-highest weight by assets in the NBFCs sector, contributing ~5.2% to the sector's total assets as at End-6MFY25. In the period under review, there are ~39 licensed NBMFCs providing services in the country, having assets worth PKR~321.3bln.
- As of End-Dec'24 lending by Microfinance Banks (MFBs) stood at PKR~464.0bln (SPLY: PKR~408.0bln), making up ~77.0% of the segment's total GLP. On the other hand, the Gross Loan Portfolio (GLP) of NBMFCs was recorded at PKR~140.0bln as at End-Dec'24, making up ~23.0% of the segment's total GLP.

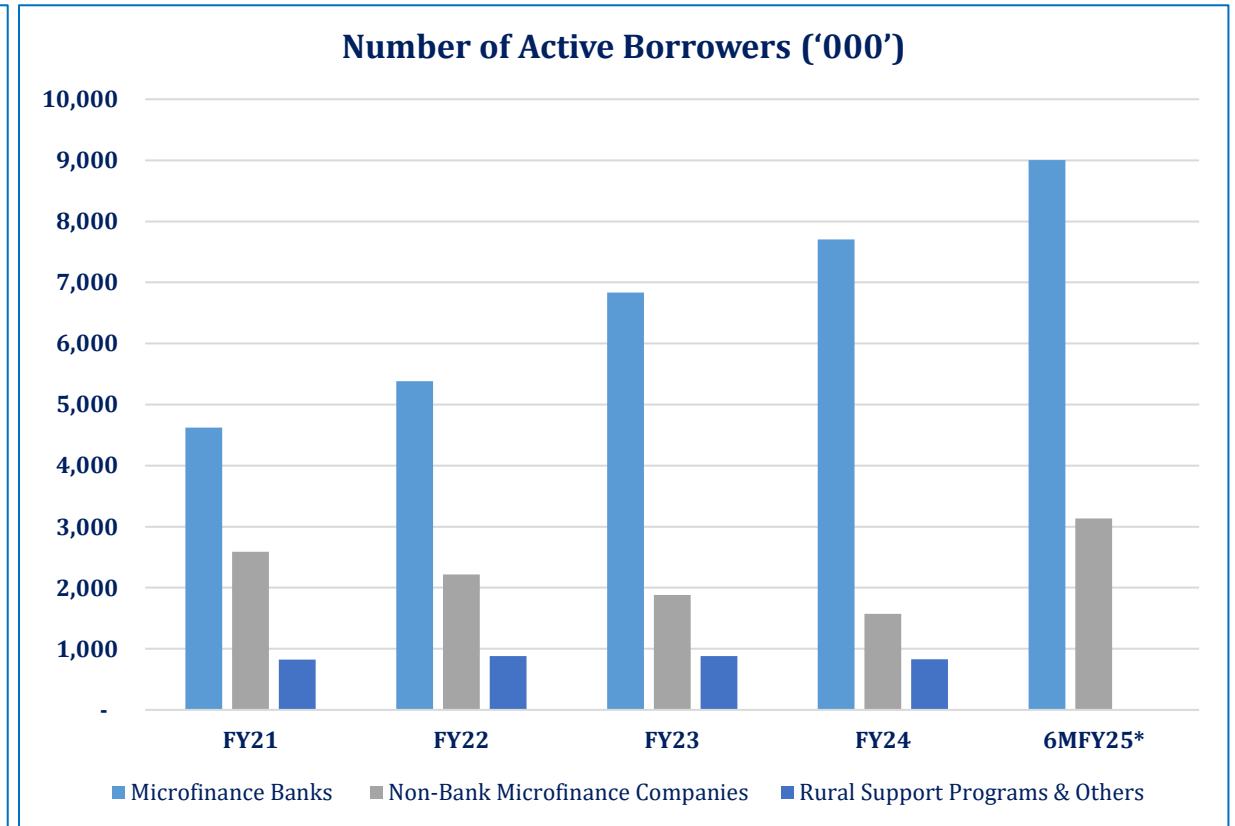
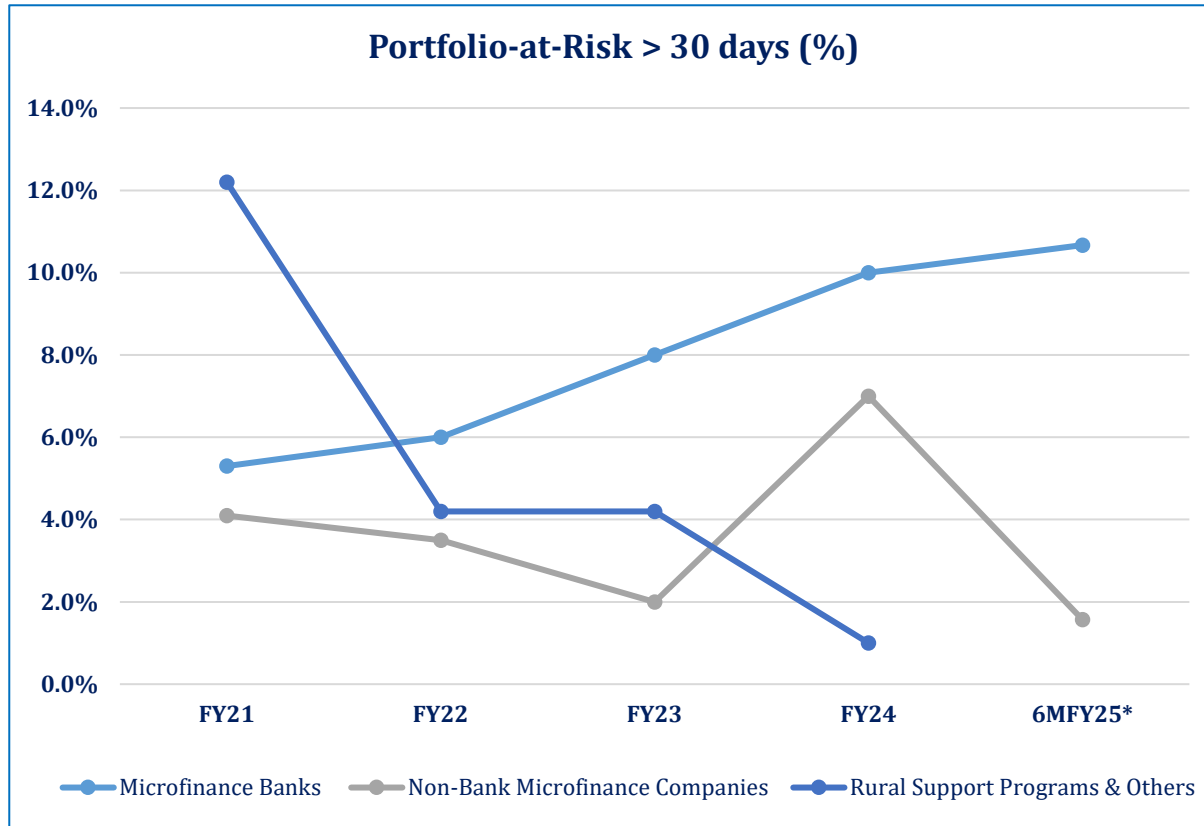


*Non-Bank Microfinance Companies data includes RSPs.

Non-Banking Finance Companies

Microfinance | Borrowers & Portfolio-at-Risk

- The number of borrowers of MFBs increased from ~4.6mln in FY21 to ~9.0mln at End-Dec'24. Meanwhile, the Portfolio-at-Risk (PAR) of MFBs has increased from ~5.3% in FY21 to ~10.7% as at End-Dec'24. In FY24, MFBs' NPLs rose ~44.9% to PKR~43,726mln (SPLY: PKR~30,180mln). The increasing PAR reflects the deteriorating financial health of segment players and lower profitability.

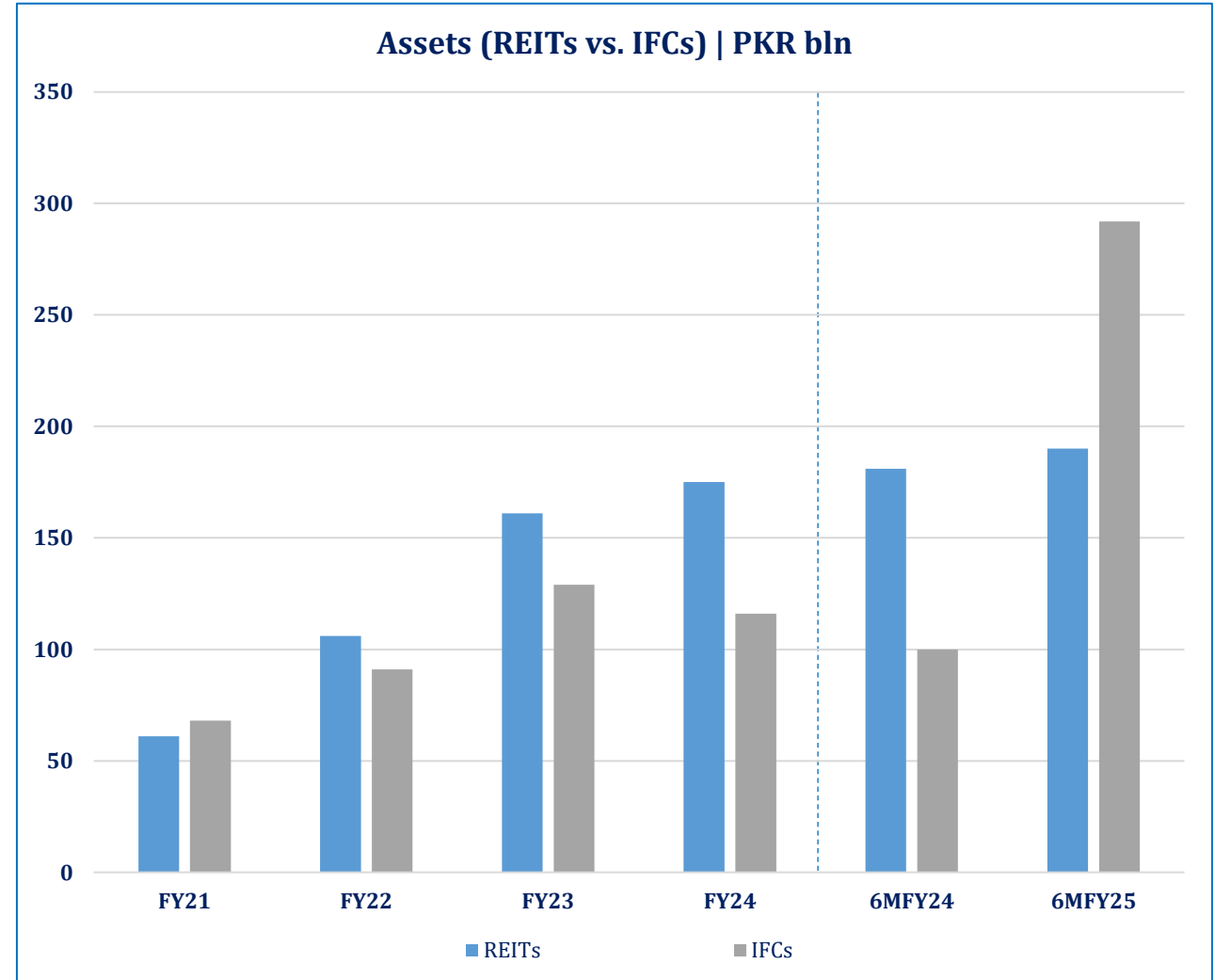


*Non-Bank Microfinance Companies data includes RSPs.

Non-Banking Finance Companies

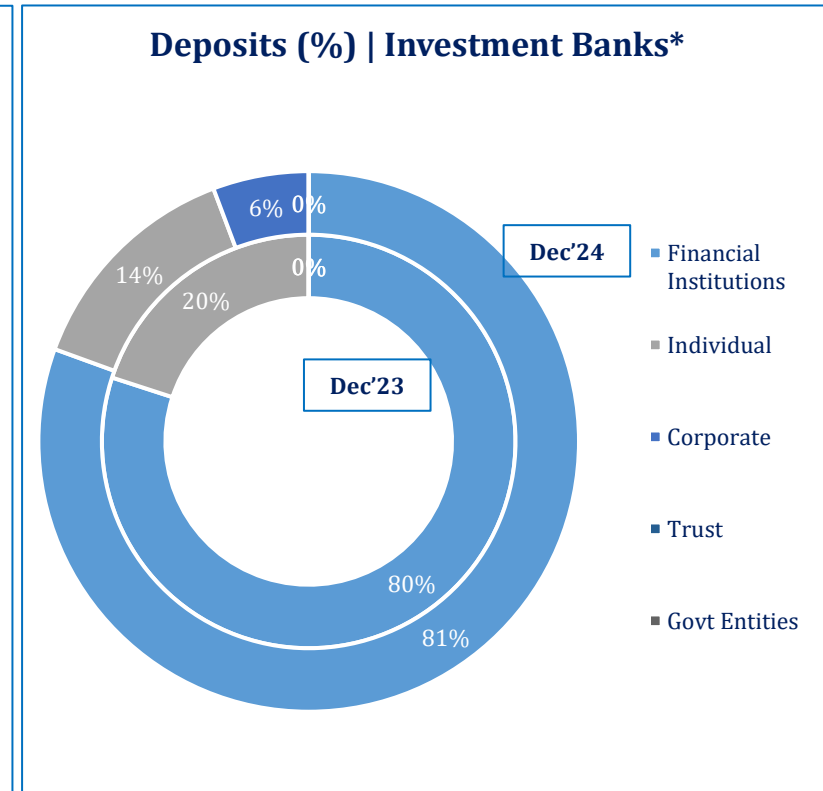
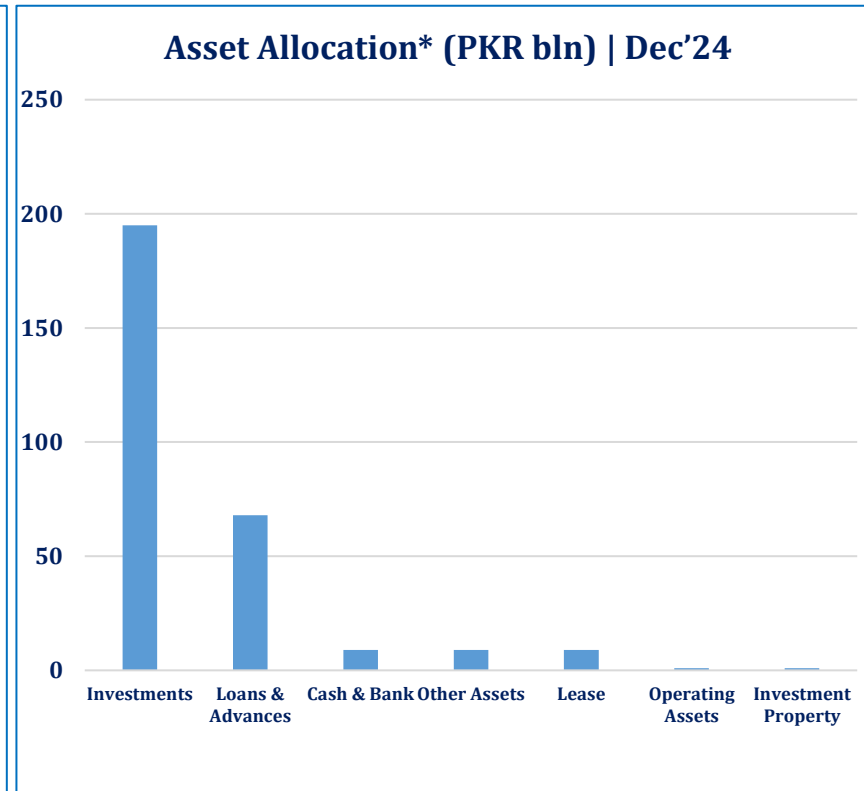
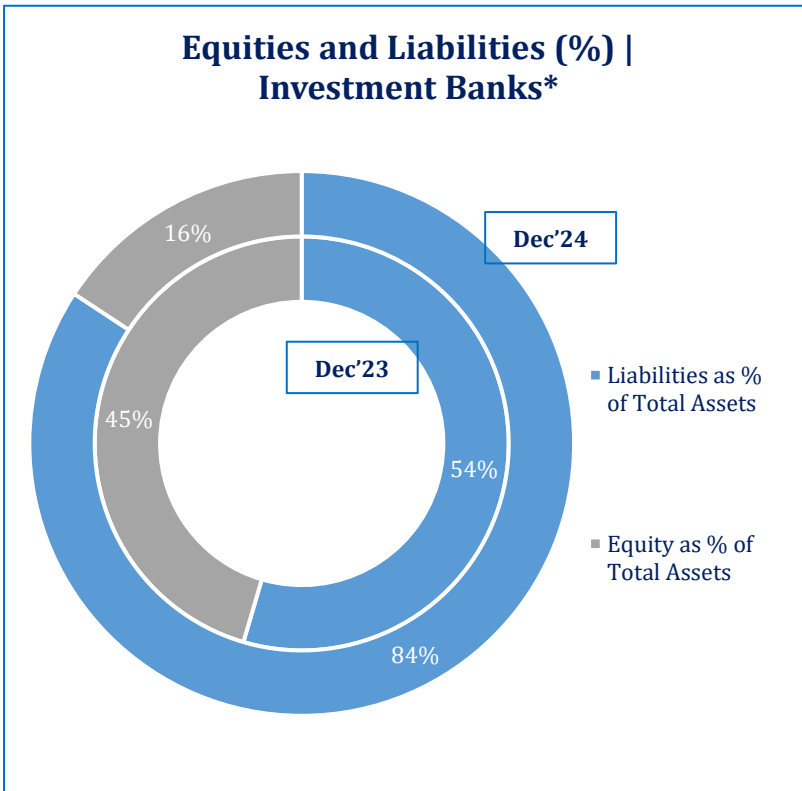
REITs vs. IFCs | Overview

- Real Estate Investment Companies/Trusts and Investment Finance Companies (IFCs) held ~3.0% and ~4.7% share, respectively, in the total assets of the NBFCs sector as of End-Dec'24.
- There are ~31 real estate management companies, ~16 real estate trusts (scheme), and ~38 Investment Finance Companies (IFCs) as of End-Dec'24.
- The collective asset base of all Investment Finance Companies (IFCs) was recorded at PKR~292.0bln as of End-Dec'24 (SPLY: PKR~100.0bln).
- The proportion of Real Estate Investment Companies/ Trusts' assets has notably risen in NBFCs assets since FY21 when it stood at PKR~61.0bln to PKR~190.0bln as of End-Dec'24. This can be attributed to the advantages of liquidity and diversification over traditional real estate investments.



Non-Banking Finance Companies

IFCs | Asset Break-up and Financial Position



- IFCs' asset base registered a significant increase of ~192.0% as of End-Dec'24. Most of the new funds were directed towards the investment portfolio, which surged to PKR~195.0bln (End-Dec'23: PKR~17.0bln).

Note: Equity and liabilities do not include deficit/surplus on revaluation of fixed assets.

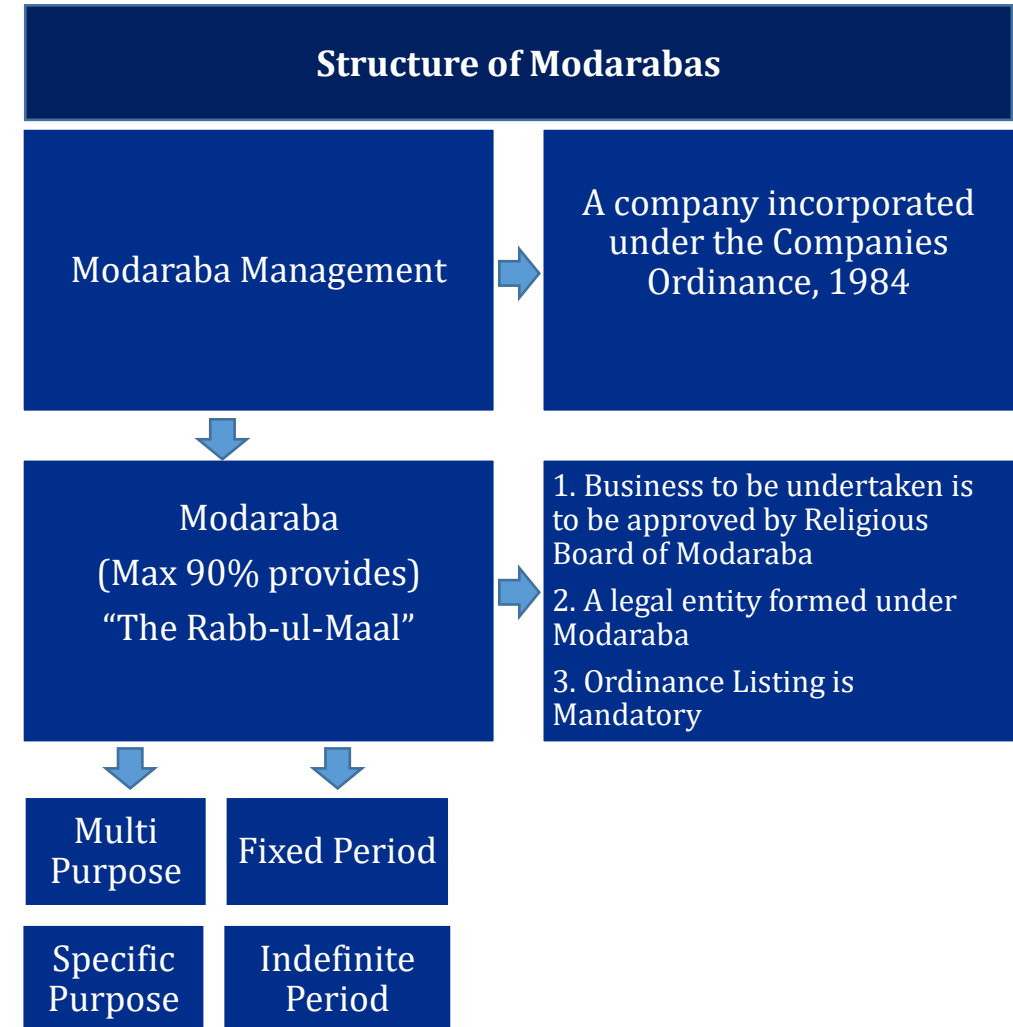
Non-Banking Finance Companies

Modarabas | Overview

A Modaraba is one of the prime modes of Islamic Financial System. In Pakistan, Modarabas operate under a unique model with the following features:

- Modarabas are allowed to offer any financial product or conduct any business provided it is Shariah compliant and approved by the Religious Board. Modarabas can invest in stock markets, trading of halal commodities, project financing activities etc.
- Modarabas can raise funds in the form of Certificates of Modaraba and Certificate of Musharaka. Modarabas can also issue Sukuk and Musharaka-based Term Finance Certificates (TFCs) which are the debt instrument issued by corporate sector to meet a part of their long-term financing needs.
- Modaraba certificates required to be listed on the stock exchange for trading purpose.

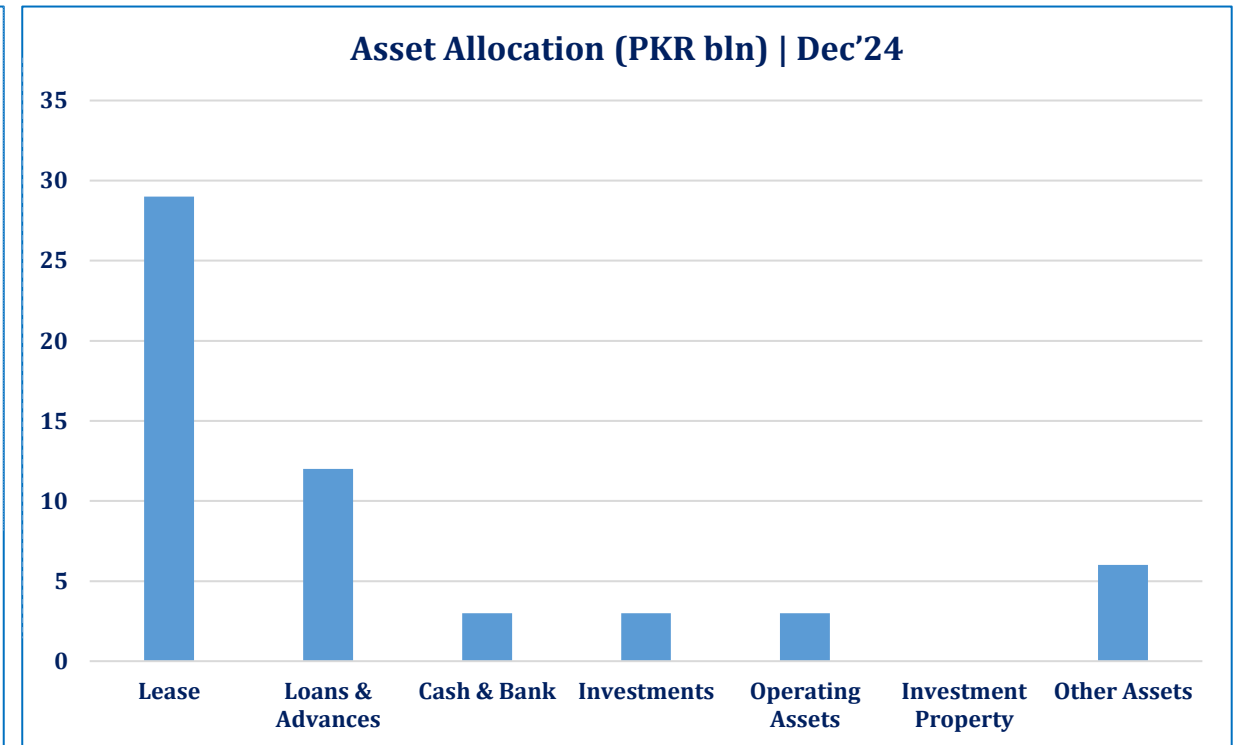
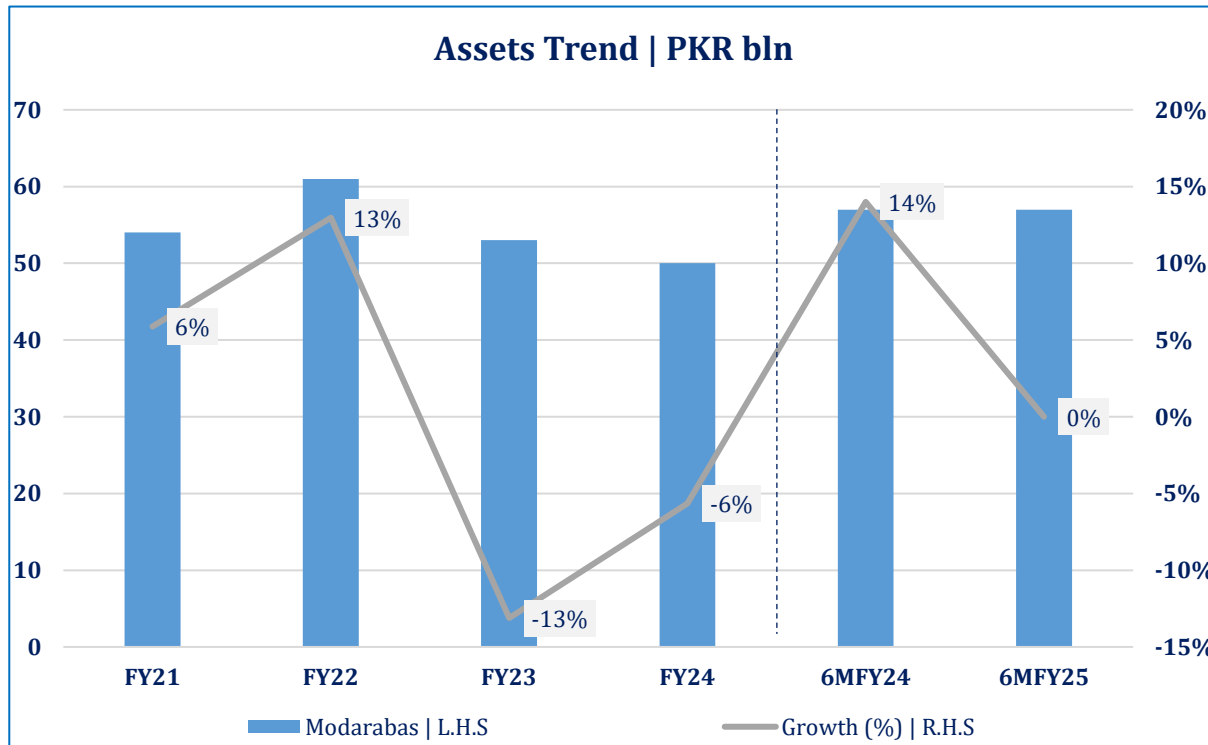
In multi-purpose Modarabas, transactions are based on Ijarah, Musharaka, Diminishing Musharaka, Murabaha, Musawama, Salam and Istisna, whereas specific purpose Modarabas are designed to handle nominated projects.



Non-Banking Finance Companies

Modarabas | Assets

- As of End-Dec'24, 20 Modarabas are operating within the country. The total assets of Modarabas have marginally increased from PKR~56.1bln as of End-Dec'23 to PKR~56.8bln as of End-Dec'24, while having a share of ~0.9% in terms of assets in total NBFCs.
- As of End-Dec'24, ~50.8% of the total assets were allocated in leasing, while ~21.0% of the loans are tied up in loans and advances.



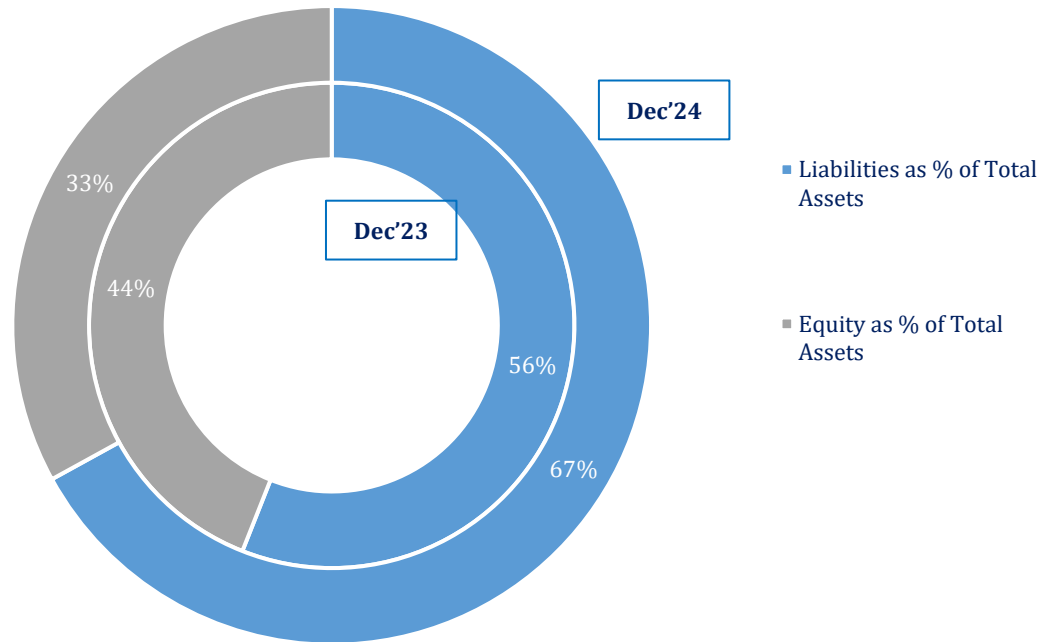
*2 Modarabas are not included here due to non-filing of SCRS returns. **Note:** Equity and liabilities do not include deficit/ surplus on revaluation of fixed assets.

Non-Banking Finance Companies

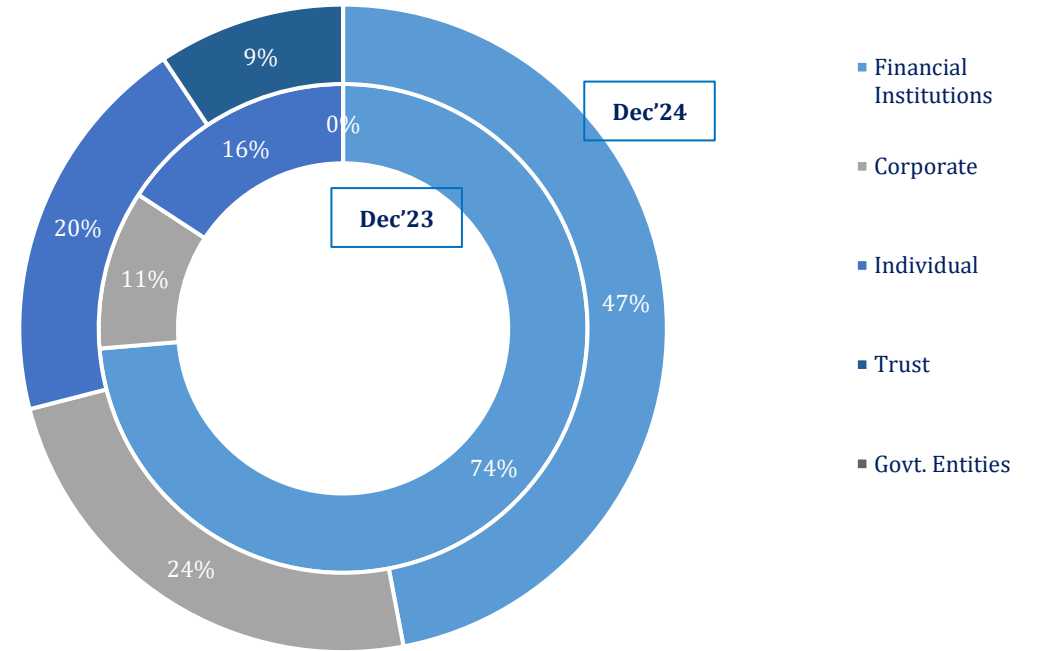
Modarabas | Assets

- As of Dec'24, financial institutions held the highest share in the deposits of Modarabas (~47.0%) however this share has significantly reduced compared to the same period last year (~74.0%).

Modarabas | Equity & Liabilities (%)



Deposits (%) | Modarabas (PKR bln)

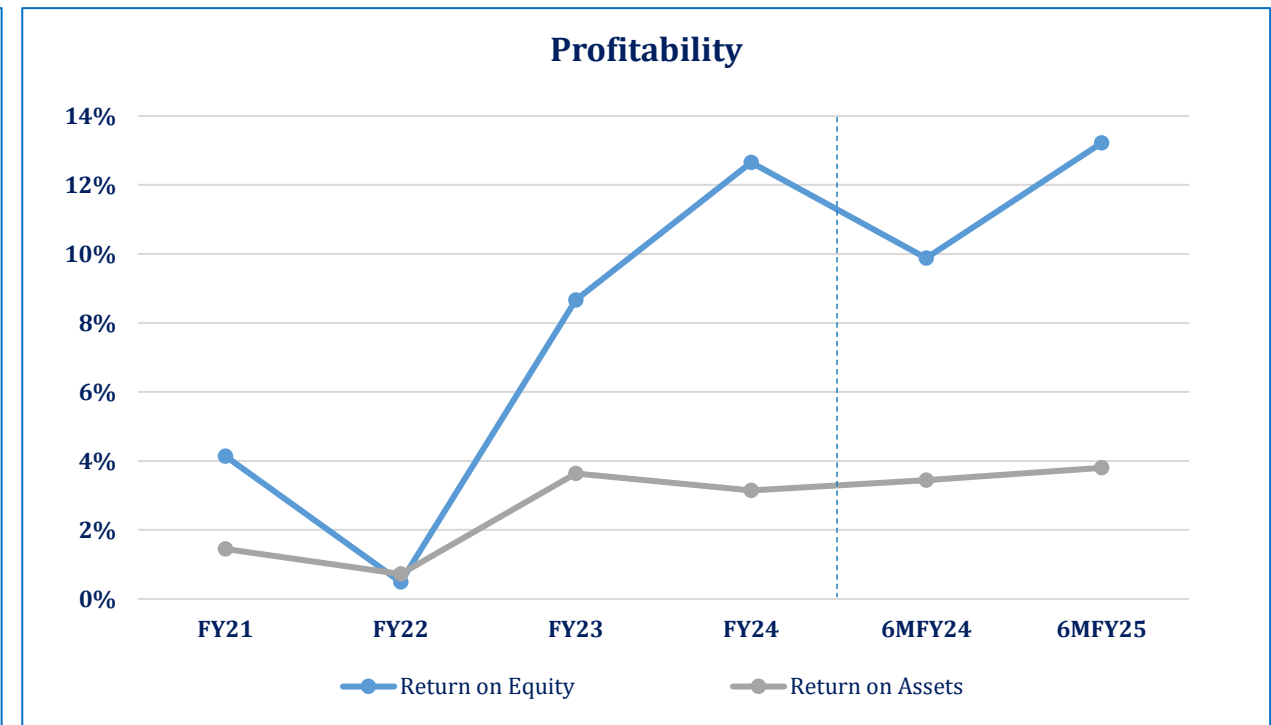
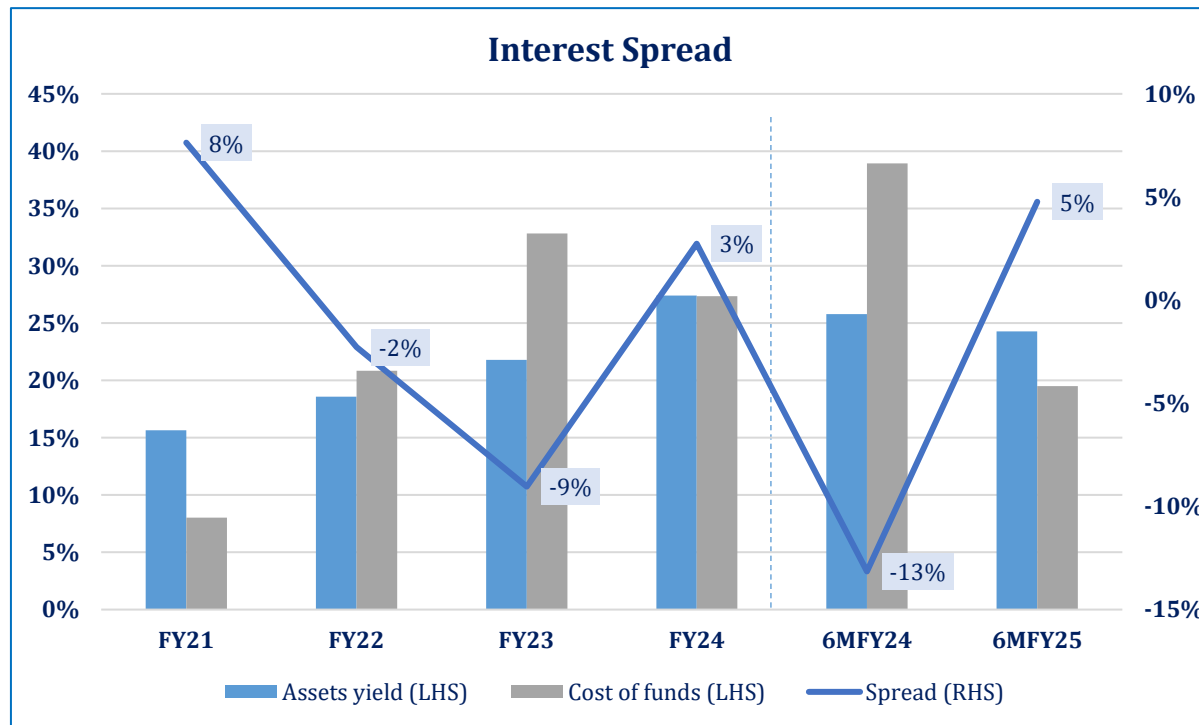


*2 Modarabas s are not included here due to non filing of SCRS returns. **Note:** Equity and liabilities do not include deficit / surplus on revaluation of fixed assets.

Non-Banking Finance Companies

Modarabas | Profitability

- The interest spread improved due to a reduction in the cost of funds as of End-Dec'24, primarily due to reduction in cost of funds. This came mainly on the back of ~750 bps reduction in policy rate during Jun'24-Dec'24, as well as lower borrowing across a few segment players. Going forward, with the policy rate revised further down to ~11.0% in Apr'25, cost of funds is likely to maintain this momentum.
- The interest spread was recorded at ~3.0% in FY24 and ~8.0% as at End-Dec'24 (SPLY: ~-9%; ~-13.%, respectively). In FY24, Return on Equity and Return on Assets stood at ~13.0% and ~3.0% (SPLY: ~9.0% and ~4.0%, respectively).



Non-Banking Finance Companies

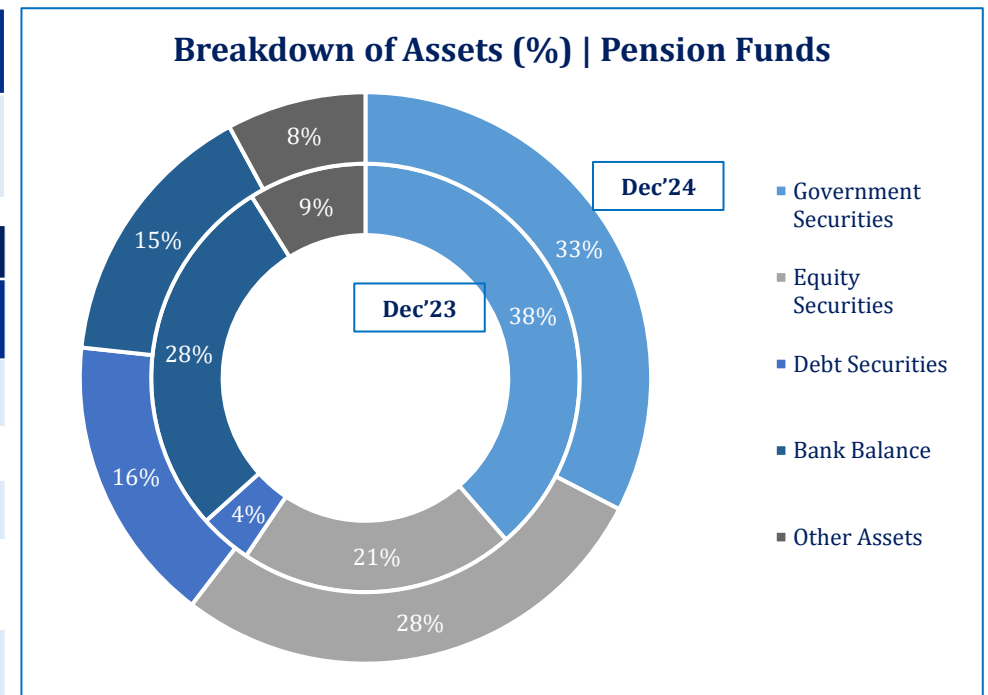
Pension Funds | Overview

- Pension Funds held ~1.5% share of total NBFCs assets during 6MFY25 with an asset base of PKR~96.0bln recorded as at End-Dec'24 (SPLY: PKR~61.0bln). On average (FY21-6MFY25), ~65.0% of the total pension funds comprised Shariah-compliant, while ~35% consists of conventional funds.
- During 6MFY25, ~33.0% of pension funds were invested in Government Securities, while ~28.0% and ~16.0% were invested in Debt and Equity Securities. This surge comes after SECP in CY24 launched the Employer Pension Funds scheme, allowing employers in both public and private sectors to establish fully-funded, defined contribution pension plans for their employees.

Pension Funds	FY21	FY22	FY23	FY24	6MFY24	6MFY25
Total Assets (PKR bln)	40	42	50	76	61	96

Shariah-compliant vs. Conventional Pension Funds | PKR bln

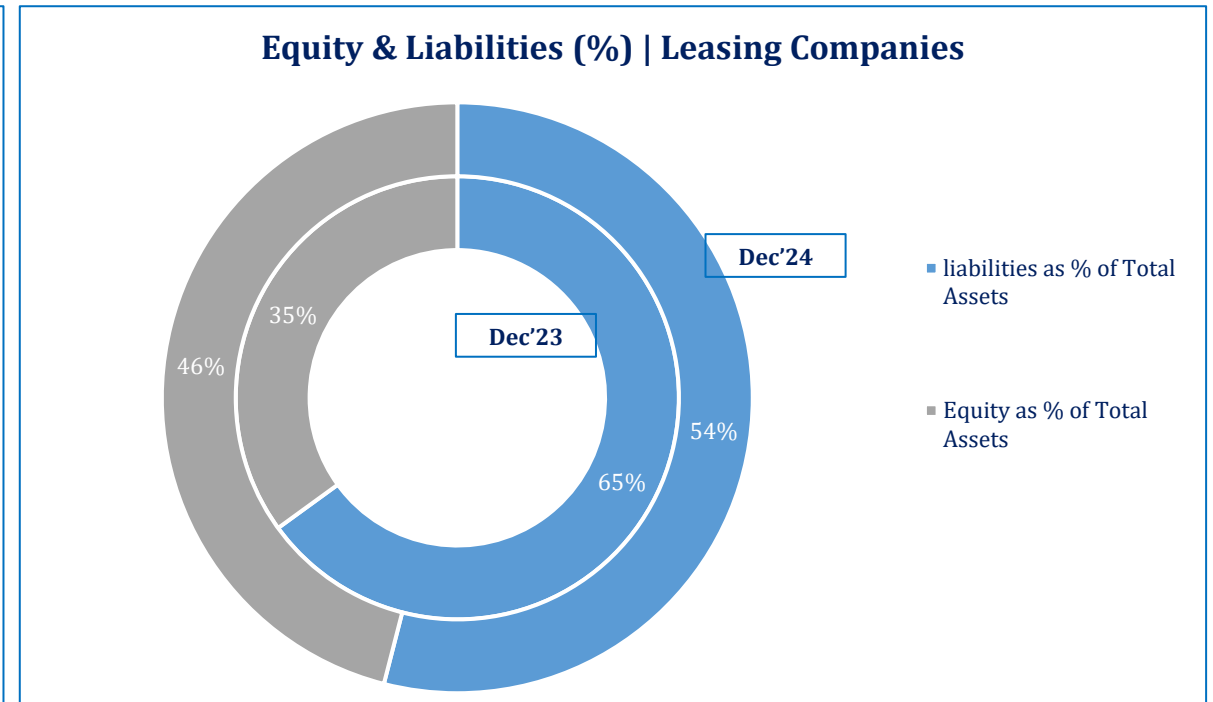
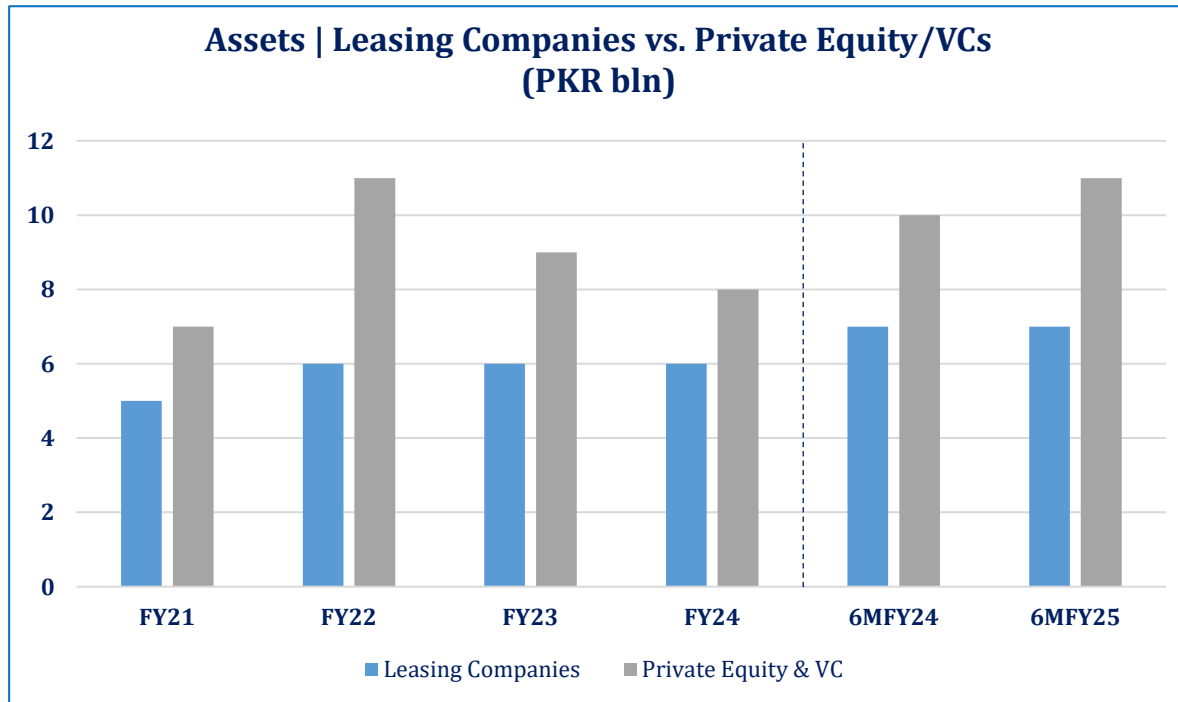
Pension Funds	FY21	FY22	FY23	FY24	6MFY24	6MFY25
Shariah-Compliant	26	27	33	49	39	63
Conventional	14	15	18	27	22	33
Total Assets	40	42	50	76	61	96
Shariah-Compliant (%)	65%	65%	65%	65%	64%	65%
Conventional (%)	35%	35%	35%	35%	36%	35%



Non-Banking Finance Companies

Leasing Companies & Private Equity | Overview

- Leasing Companies and Private Equity/ Venture Capital Funds (VCs) collectively accounted for ~0.3% share in NBFCs total assets as of End-Dec'24 (SPLY: ~0.5%). Moreover, these held PKR~7.0bln and PKR~11.0bln worth of assets, respectively, as of End-Dec'24.
- There are ~4 leasing companies and ~7 Private Equity/ VC funds currently operating in the country. Total assets of Private Equity/Venture Capital Funds have increased by ~10.0% YoY from PKR~10.0bln as of End-Dec'23 to PKR~11.0bln as of End-Dec'24 (FY24: PKR~8.0bln). On the other hand, total assets of Leasing companies have increased by ~3.7% YoY from PKR~6.5bln as of End-Dec'23 to PKR~6.7bln as of End-Dec'24 (FY24: PKR~6.5bln).



Non-Banking Finance Companies

Regulatory Framework

The Sector Structure of local NBFCs, as per SECP, is divided into two clusters:

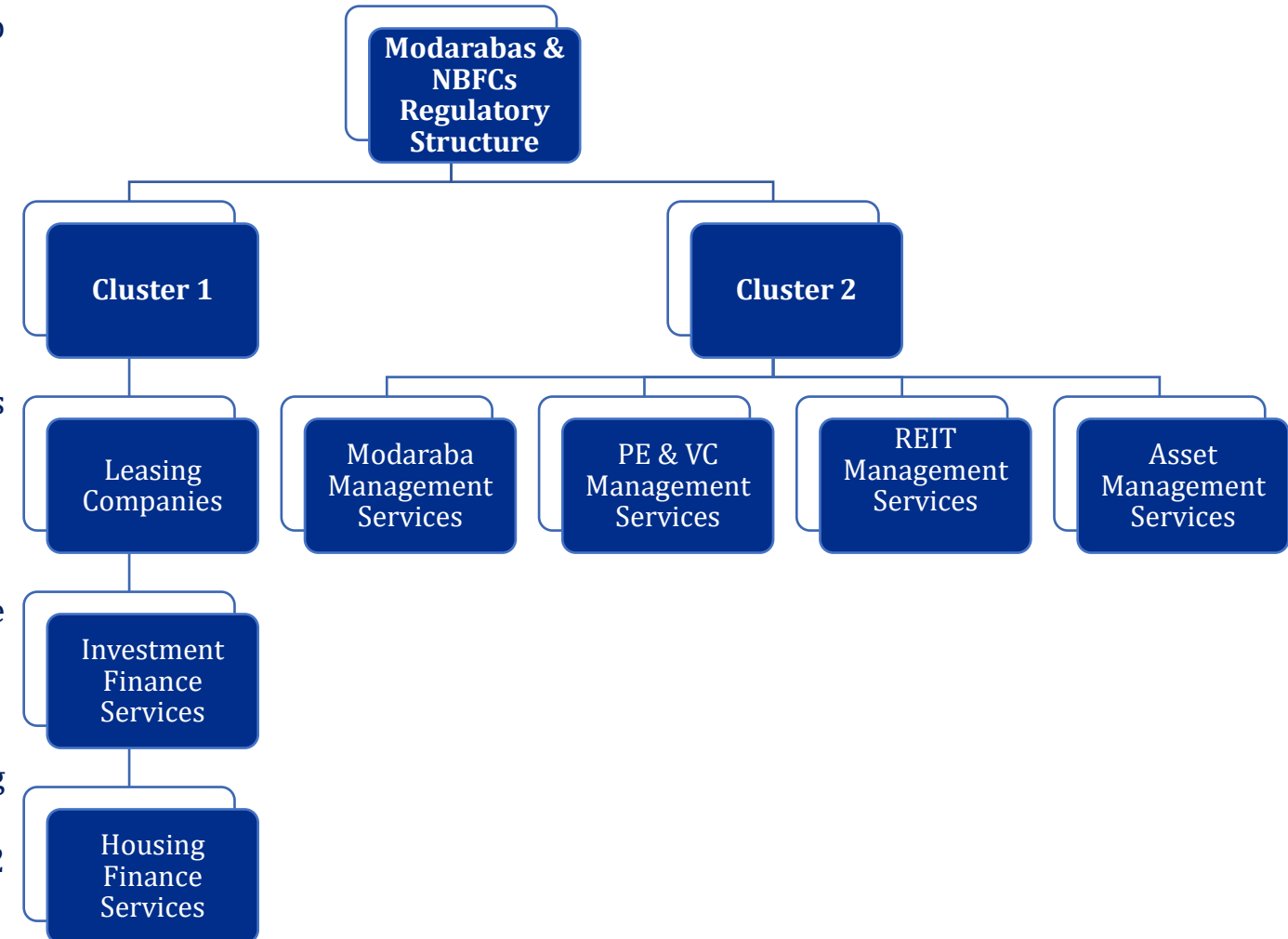
- Cluster 1 is for non-banking financial services.
- Cluster 2 is for fund management services.

Following are the relevant laws pertaining to NBFCs:

- The Companies Ordinance, 1984 (282A- 282K)
- The Non-Banking Finance Companies and Notified Entities Regulations, 2008
- The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003

Modarabas are subject to laws and regulations promulgated in the following:

- Modarabas Ordinance, 1980
- Prudential Regulations for Risk Management and Conducting day to day Affairs
- Shariah Compliance and Shariah Audit Mechanism 2012 (SCSAM)



Non-Banking Finance Companies

Taxation

Mutual Funds

- The income of mutual funds is exempt from Income Tax, if not less than 90% of the income of the year, as reduced by capital gains is distributed amongst the unit holders as dividend or bonus units. Capital gain is exempt if units are held for more than 6 years.
- A mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax at the rates as follows: (i) For individuals and association of persons, (a) stock funds: ~15%, (b) other funds: ~15%; (ii) For Companies, (a) stock funds: ~15%, (b) other funds: ~25%.
- The rate of tax on dividend for mutual funds is ~15%, however, provided that the rate of tax on dividend received from mutual funds deriving ~50% or more income from profit on debt shall be ~25%.

Investment in Stocks | Individuals

- According to Section 62 of the Income Tax Ordinance, 2001, a “resident” tax payer other than a company, was initially entitled to tax credit on investment in new shares offered to public by a public company listed on a stock exchange in Pakistan. However, said section was omitted as per Finance Act 2022 and is no longer applicable.
- As per Section 37A of the Income Tax Ordinance 2001, the rate of tax on disposal of securities acquired on or after Jul 01, 2024 is 15% for persons appearing on the Active Taxpayers’ List (ATL) on the date of acquisition/ disposal of securities, provided also that for individuals and association of person not appearing on the ATL, the rate of tax shall not be less than 15% in any case. Holding period is no longer a factor for determination of said taxation.

Non-Banking Finance Companies

Capital Gain Tax on Redemption

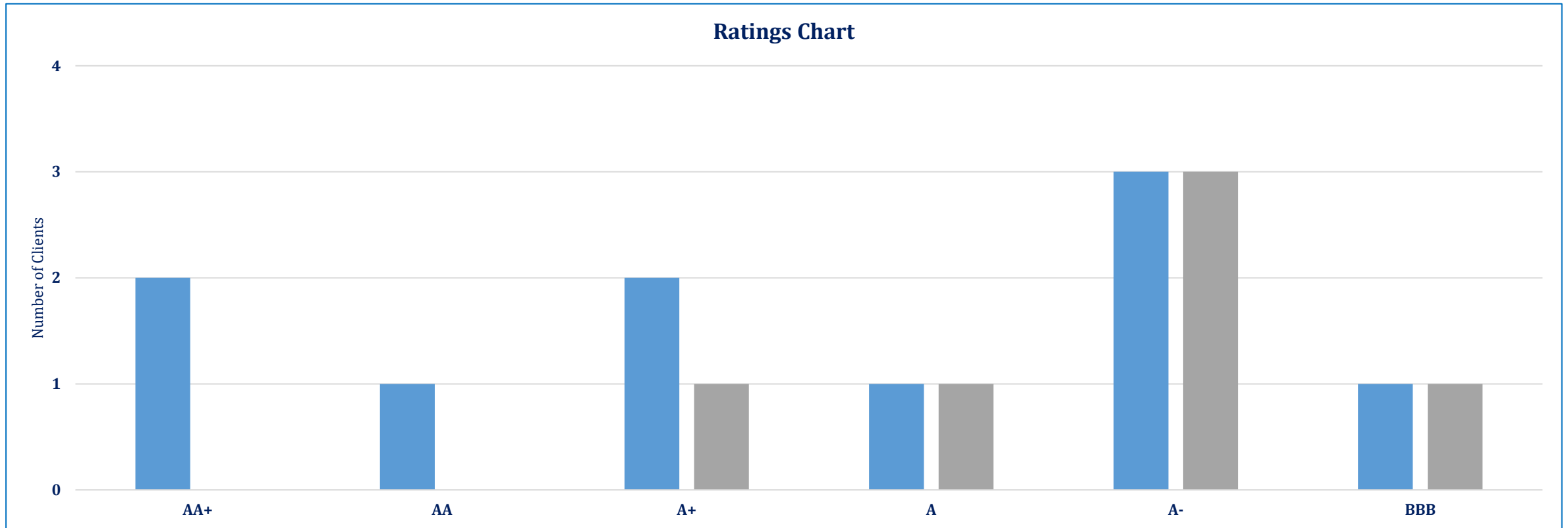
The CGT rates for FY25 are as follows:

Particulars	Investors appearing in the Active Tax Payers' List	Investors not appearing in the Active Tax Payers' List
Stock Funds: For individuals, association of persons and corporates	15.00%	15.00%
Other Funds: For Individuals	15.00%	15.00%
Other Funds: For Corporate	25.00%	25.00%
Where the holding period of Security or Fund is more than six years	0.00%	0.00%

Non-Banking Finance Companies

Rating Curve

- PACRA rates ~10 entities in the NBFCs sector with a long-term rating bandwidth ranging from BBB to AA+. ~2 debt instruments with a rating of AA+ AA- are also rated by PACRA in the NBFCs sector.



Note: Rating Chart for Entities include both Modarabas and NBFCs.

Non-Banking Finance Companies

SWOT Analysis

- Organized Sector with listed players
- Major share in lending to SMEs
- Offers smaller investors access to professionally managed and diversified portfolios
- Large variety of fund and investor who can make choices according to their specific objectives

Strengths

- Slow growth rates
- High management fees
- Lack of awareness for potential investors and borrowers
- Low financial inclusion

Weaknesses

- Mainstream banks have the might to take away business
- Market Risks e.g. interest rate risk
- Asset quality deterioration for small lenders in times of crisis

Threats

- Ample room for growth
- Introduction of new products, such as Exchange Traded Funds
- Digital applications
- Advance-to-Deposit Ratio (ADR) of over 50% requirement for Commercial Banks

Opportunities

Non-Banking Finance Companies

Outlook: Stable

NBFCs

- In CY24, Pakistan's improved macroeconomic and financial environment supported the growth of NBFCs, allowing them to expand their footprint within a banking-dominated financial system. NBFCs contributed by offering a range of financial services that complemented traditional banking. The sector's asset share in the country's financial system rose from ~5.8% in CY23 to ~8.9% in CY24.
- With headline inflation easing from ~28.3% as of Jan'24 to ~0.7% as of Mar'25, the central bank reduced interest rates from ~22.0% as of Jan'24 to ~11.0% as of Apr'25, resulting in lower borrowing costs, particularly benefiting lending-based NBFCs. Additionally, policy changes related to banks' Advance-to-Deposit Ratio (ADR) taxes created a more favorable climate for NBFCs. The sector's total assets grew significantly by ~36.0% YoY in FY24 (SPLY: ~34.6%) and ~56.0% by End-Dec'24 compared with End-Jun'24. End-Dec'24, in turn, was led by strong performances across Investment Finance Companies (IFCs) (~151.7%), Mutual Funds (~63.9%) and NBMFCs (~62.9%) compared with End-Jun'24. Moreover, as of End-Dec'24, total advances by banks to NBFIs were recorded at PKR~1.8trn (SPLY: PKR~289.0bln; End-Jun'24: PKR~254.0bln).

Mutual Funds & Modarabas

- Mutual funds witnessed a remarkable growth, growing ~62.0% in FY24 (FY23: ~31.0%) and ~63.9% as of End-Dec'24 in terms of AUMs. As a result, their share in the total asset base of NBFCs rose to ~72.0% as of End-Dec'24 (SPLY: ~65.0%) while the growth was widespread across categories; the largest volume increases came from conventional money market and Islamic income funds. A significant portion of this expansion occurred towards the end of the year, largely driven by the ADR-related tax policy, which prompted a notable shift of funds from the banking sector to NBFCs.
- The Modaraba segment showed only slight asset growth of ~5.6% in FY24 (FY23: -13.0%). However, as of End-Dec'24, their advances portfolio registered a notable rise of ~46.0%, compared with End-Jun'24, supported mainly by the easing interest rate environment.

Leasing Companies

- The leasing sector continued to show subdued performance, consistent with past trends, with its asset base rising slightly from PKR~6.0bln in FY23 to PKR~7.0bln as of End-Dec'24.
- Going ahead, the performance of the NBFCs sector will largely be dependent on the overall economic outlook, the effectiveness of ongoing stabilization efforts, progress under the IMF program, and domestic political stability. In addition, global geopolitical tensions, particularly their impact on commodity prices may also play a role. These factors will shape key macroeconomic indicators like interest rates and exchange rates, ultimately influencing investor sentiment and the strategic direction for sector players.

Non-Banking Finance Companies

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- State Bank of Pakistan (SBP)
- Federal Board of Revenue (FBR)
- PACRA Database

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