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# PAKISTAN MICROFINANCE & SME FORUM 2017

11<sup>TH</sup> ANNUAL ASSEMBLY OF MICROFINANCE & SME STAKEHOLDERS

23 November, 2017, Ramada Hotel, Islamabad

**THEME:** Nurturing Entrepreneurship and  
Financial Inclusion to Empower the Masses

## RECOMMENDATIONS



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The 11th Pakistan Microfinance & SME Forum 2017 organized by SHAMROCK Conference International was held in Islamabad on 23rd November, 2017. More than 100 delegates from the government regulatory bodies, including State Bank of Pakistan, Pakistan Microfinance Network, SMEDA, UNISAME, Chamber of Commerce, financial institutions, banks, trade media and electronic media along with print media attended the Day-long conference, which featured some insightful recommendations from the learned speakers.

1. The SME Finance Road Map will serve as a guideline and framework for broader financial inclusion, to empower SMEs especially small-scale entrepreneurs. SBP aims to support financial access to 17% of SMEs with SME Finance, at least 17% of the then private sector credit by 2020. Likewise, by 2020, a target of 50% of adult population having a bank account has also been set under NFIS.
2. In order to impact poverty, the 'Pakistan Microfinance Network' (PMN) has prepared an ambitious plan to raise the number of Microfinance (MF) loan customers from the current 5.4 million to 10 million active loan-borrowers by the year 2020. The PMN is striving to raise the gross loan portfolio to Rs.400 Billion by 2020.
3. The currently prevalent non-digital economy poses several challenges and growth-limitations. These include: Cumbersome analog on-boarding, High Transaction Cost (Monetary, Non-Monetary), Reliance on cash paper-based instruments and Limited scalability inhibits physical distribution networks. Only 16% of Pakistani adults have access to formal bank accounts. To further promote branchless banking, biometric infrastructure is being swiftly installed at agent level to aid real-time account opening at discounted price structure.
4. Digitization of economy promises real financial-inclusion for developing countries like Pakistan, where 70% of the population has limited or no access to affordable microfinance. A large part of Pakistan market, (27 million consumers), are un-served while many others are underserved.
5. New technologies have enabled device-agnostic digital wallets for anyone who has a smartphone. Today, there are 44 million Internet subscribers in Pakistan (42 million 3G/4G users with biometric verified SIMs), so we have a great infrastructure to nurture a digital-economy and branchless-banking.

Hence making Microfinance more accessible and convenient. Over 9 million retailers are already engaged in E-Commerce.

6. SME is an essential but neglected sector in Pakistan which currently contributes over 30% to the GDP and national economy. The Financial, Managerial and Export performance of this sector must be improved to maximize its potential.
7. Quality training Programs and SME-Friendly policies are needed. Limited access to finance, technology and training are the key challenges for SMEs, where business operations and planning are informal and appropriate. All the stakeholders and institutions should facilitate smooth access to low-risk finances and affordable credit for SMEs.
8. Most SMEs fail to provide reliable data. So, in order to evaluate and assess the credit-worthiness of competent small entrepreneurs, a new breed of bankers needs to be trained with a social-development mindset, rather than commercial profitability. So, these new MF bankers will be able to deal more effectively and transparently with SMEs, facilitate their growth and secure the transactions, while offering specialized incentives and schemes for smaller businesses.
9. Agricultural financing must be made more extensive. Banks can create remote 'Credit Hubs' to facilitate SMEs, to encourage entrepreneurship, especially for women. Skill development is needed on a mass scale to strengthen SMEs. There is a need for providing 'Grant support' for business startups. Microfinance industry can derive great benefits from Data-Analytics and machine-learning.
10. The MF industry has shown robust growth and achieved many milestones, in creating a supportive regulatory frame-work and technological infrastructure, but it still has not reached a scale, where it can make a major impact on poverty, GDP or the national economy. It must provide a viable delivery mechanism, while ensuring the availability of funds with lower financing cost.
11. The PMN has plans to achieve 50 million deposit customers by the year 2020, while raising the deposit portfolio to Rs.150 Billion. PMN has also planned to increase the number of Micro-insurance policies to 15 million, by the year 2020. NFIS is designed to enable better access to bank accounts for 50 percent of the adult population and 25 percent of adult females.
12. Another major challenge for the MF industry's growth is the high rate of interest (nearly 35%). PMN has plans to reduce the interest rates down to 25% by the year 2020. But for this, the operational costs must be minimized.

All these growth targets are challenging but achievable, as experts estimate that; currently, there are 30 million eligible MF customers in the country, and by 2020 the market demand will increase to 35 million potential customers.

13. Islamic Mode of finance and Qarz-e-Hasana can be easily incorporated in the Microfinance arena, as it is less exploitative and based on EQUITY creation and sharing, while Profit and Loss is shared in every deal.
14. The innovations in Branchless Banking and “Mobile-Wallet” accounts has revolutionized the MF industry, as currently a million new mobile accounts are being opened every month, even by residents of the remotest areas.
15. Deeper collaborations are needed between Microfinance Institutions (MFIs) and Telecom companies.
16. In the rural areas, loan-sharks and unsafe modes of exploitative private financing should be discouraged and replaced with safe and regulated Micro-credit services. We need more M-banking outlets, equipped to offer 24/7, Over-the-counter services, in real-time, with compliance-trained agents.
17. Microfinance can also help enhance infrastructure for education, health and renewable energy. Solar and wind energy is helping us operate digital financial technologies and devices in the remotest off-grid regions.
18. National Database and Registration Authority (NADRA) is also offering special Identity cards, with a safer Bio-Metric Verification system to enhance Financial Inclusion through the secured cellular eco-system. Credit information is being compiled by the SBP, to centralize the data on the credibility of each customer and his capacity to pay.
19. By reducing the role of Cash transactions, mobile Microfinance facilities can help in documenting the national economy and revolutionize business operations. Micro Insurance and Risk management helps reduce vulnerabilities of the poor and handicapped entrepreneurs; to secure against Health-threats and accidents, Natural calamities, life risk and death, old age and retirement.
20. All the valuable concepts and ideas discussed during the conference can be published for awareness and implementation, throughout the country. It is our nation’s collective responsibility to overcome these challenges and revive the economy.