



# Securities and Exchange Commission of Pakistan

## Press Release

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### **Need to connect microfinance sector with capital markets emphasized**

ISLAMABAD, December 6: It is vital to connect the microfinance sector with capital the markets to enable the sector to meet it growth trajectory and to support government's vision of creating jobs and expanding financial inclusion and by consequence alleviate poverty, Aamir Khan, Executive Director, SECP, said while addressing the Microfinance Conference 2018, here on Thursday.

The conference, with the theme of "Accelerating Financial Inclusion through Microfinance", was jointly organized by the Pakistan Microfinance Network and UK's Department of International Development (DFID). Public sector representatives, microfinance entrepreneurs and professionals were there to compare notes on key issues and future policy initiatives.

Being a UN member, Pakistan has committed to achieving the sustainable development goals, including the goal of poverty eradication, said Mr. Khan. The microfinance, financial inclusion and poverty alleviation go hand in hand, but the right to ongoing access to credit must be earned through good credit behavior and this is where financial prudence and regulatory oversight permeate, he added.

The SECP is committed to improving access to finance for the poor people and micro businesses. In this connection, Aamir said, the SECP initiated regulatory oversight of these entities in 2015 after amendments to the NBFC regulatory framework. Since then, both PMN and PMIC have been the SECP's dependable partners in its endeavors to focus on financial inclusion.

Through PMIC's financial support as a responsible wholesale lender as well as PMN's role as a communication conduit between the SECP and its members, 26 entities have now been licensed to carry out microfinance activities. Today, he informed participants, these 26 NBMFCs have over 3.2 million borrowers representing almost 50% market share, being serviced through over 2,500 branches.

He said that the microfinance has recorded a very solid growth in recent years, but if the sector wishes to achieve the ambitious growth levels it has set for itself, then it needs to tap into private capital by establishing a deep and wide relationship with the capital market. Hence, the steps to connect microfinance with capital markets would need to be taken at the earliest. He assured that audience that the SECP would fully support the initiatives to help build the bridge between microfinance and debt capital market

Secondly, he said, the sector needs to accelerate the pace of digitization. Disbursements, collections, distribution of cross-selling products, accounting systems, records, risk management and reporting, all need to be digitized on an end-to-end basis. This transformation is vital for the longevity of the sector, as it will expand outreach, reduce costs and improve efficiency. The SECP for its part is already working on creating favorable regime for fintech and technology based distribution channels.

Moreover, the sector needs to more aggressively push products other than loans, such as insurance solutions, agricultural inputs and even information. Accordingly, the sector also needs to focus on the

NIC Building, 63 Jinnah Avenue,  
Islamabad, Pakistan

PABX: +92-51-9207091-4 Fax: +92-51-9218592, 9204915, Email: [webmaster@secp.gov.pk](mailto:webmaster@secp.gov.pk), Website: [www.secp.gov.pk](http://www.secp.gov.pk)



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alternative product suite with the same vigor with which it has pursued credit-based products, he added.

The SECP Executive Director said that the sector needs to expand and reach out to a much larger canvas, and that requires trained manpower in all areas of financial intermediation. There is a need to train more professionals to not only serve the existing client base but also to create comprehensive value propositions, improve delivery and manage operational and business risks.

He also highlighted the industry needs to develop a more deep research base, that relies on efficient data gathering and analytics capability. The growth and servicing of the sector in small agricultural communities, rural crafts and subsistence supporting ventures requires a strong analytical and research capability.

Aamir assured the microfinance institutions of SECP's full commitment to play a positive and catalytic role in ensuring the growth of the sector as much as it is to the protection of the consumers. He also said that the SECP is open to ideas, suggestions and deliberation.