



Safar Ali Mohaqeq supports his family of six with the earnings of his shop which was financed by Murabaha facility of a MISFA partner MFI.

THE MICROFINANCE SECTOR HITS AFN 2 BILLION PORTFOLIO IN A YEAR

The MISFA partner microfinance institutions have disbursed a total of 2 billion Afghanis to more than 20,000 clients since September 2022 when the Murabaha product was approved by the authorities. Upon the political developments of August 2021, the microfinance institutions stopped disbursing microfinance loans for a year leading to significant income and financial loss to the institutions. From mid-August 2021 onwards, the MFIs continued the recovery of the outstanding principal amount and waived the due interest receivable from the clients. Transformation to Sharia-compliant institutions and review of the Sharia-compliant products were the pre-requisite of resuming the financial services. MISFA and its partner institutions took concrete steps in terms of transforming into Sharia-compliance and developed Sharia-compliant products, trained the staff, customized the MIS and established Sharia Governance frameworks.

MISFA managed to get the Murabaha and Mudarabah products approved by the authorities which enabled the MFIs to receive funding capital from MISFA and immediately start disbursing Sharia-compliant financial services to the MSMEs across the country.

As of end September 2023 and a year from the resumption of the financial services, the MFIs has made remarkable progress in terms of growing their Sharia-compliant portfolio and improving their financial health. The current Sharia-compliant portfolio has an excellent quality with a Zero PAR rate and 100% repayment. OXUS is expected to become operationally sustainable by end 2023 and Muthahid will get to breakeven point by mid-2024.

The performance of the MFIs and the quality of the portfolio assures the viability of the microfinance institutions and enunciate that the microfinance sector in Afghanistan will boom again.

SECTOR UPDATE AS OF END SEPTEMBER 2023:



63,097
ACTIVE FINANCING CLIENTS



22,218
ISLAMIC FINANCING CLIENTS



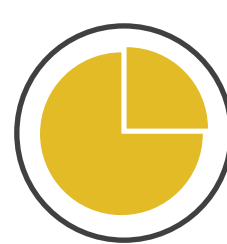
37%
WOMEN CLIENTS



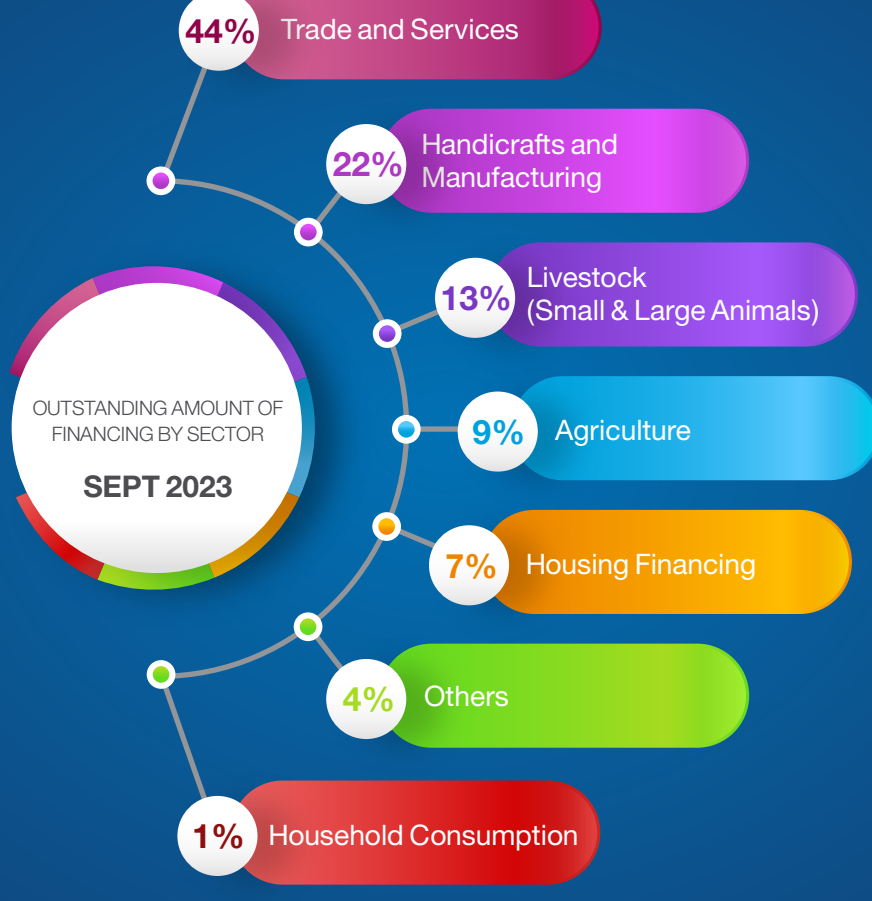
AFN 1.97 billion
CUMULATIVE ISLAMIC FINANCING



AFN 53,897
OUTSTANDING FINANCE PER CLIENT



AFN 3.4 BILLION
GROSS OUTSTANDING PORTFOLIO



MISFA SIGNS NEW MUDARABAH AGREEMENT WITH MUTAHID

MISFA signed a Mudarabah agreement with Muthahid-DFI under which MISFA would provide AFN 100 million as Mudarabah capital to Muthahid DFI which will be financing the MSMEs across the country under its Murabaha financing scheme.

The cumulative Sharia-compliant financing of Muthahid stands at AFN 181.1 million for 3,916 clients with Zero Portfolio at Risk (PAR).

The approval of 100 million Afghanis to Muthahid by MISFA's Board of Directors was to ensure that the institution does not face any liquidity issue while the exact amount of Mudarabah capital will further increase following the finalization of Muthahid's 3-years business plan. Muthahid is expected to raise its disbursement rate significantly in 2024 and reach to breakeven point by mid-2024 with an outstanding Sharia-compliant portfolio of over 500 million Afghanis.

Muthahid is a key player in the microfinance market of Afghanistan which has been financing the micro and small enterprises at grass root level with its lower financing ticket sizes.

Mudarabah is a Sharia-compliant partnership where MISFA "Rabb-ul-Mal" provides fund to the MFIs (Mudarib) for investing in profitable avenues, which in case of MFIs is obviously financing the MSMEs through Murabaha and other Islamic financing products. The risk and reward of the pool are shared as per the rules of Mudarabah.

MISFA DONATES AFN 1 MILLION TO THE VICTIMS OF EARTHQUAKE IN HERAT



<https://www.thenewhumanitarian.org/news-feature/2023/10/16/week-earthquakes-brings-death-grief-and-trauma-afghanistans-herat>

As part of its Corporate Social Responsibility (CSR), MISFA donated AFN 1 million to those affected by the earthquakes in Herat. The donation of MISFA was handed over to Afghan Red Crescent Society (ARCS) officials which would later be distributed to the needy ones in the earthquake affected areas. A 6.3 magnitude earthquake struck the Zindajan district of Herat which caused severe consequences including thousands of casualties' majority of them women and children and complete destruction of houses in a dozen of villages. The main shock was followed by several other aftershocks and a couple of high magnitude ones which led to displacements of citizens in Herat.

MISFA regularly takes part in distribution of humanitarian assistance to the victims of natural and man-made disasters, city cleaning campaigns and other initiatives which the communities are in need of.

CLIENT SUCCESS STORY



The client who found the microfinance door open after few knocks

Originally from Maidan Wardak, Fatima Sharifii, a 22 years old married woman lives in Kabul outskirts. She weaves carpets with the support of two other female members of the family to contribute in the income of her 11 members family along with her husband who is a tailor.

Fatima was informed about the financial services of the MFIs through her mother-in-law who was a client of FMFB-A before.

Fatima used to frequently visit a branch of FMFB-A in Kot-e-Sangi area of Kabul to know if the institution has resumed its microfinance services. Following the regime change in August 2021, the MFIs had to stop the microfinance services for a year and only continue the recovery of the principal outstanding loan amounts and waive the outstanding interest on the loans. The MFIs resumed offering Sharia-complaint financing on the fourth quarter of 2022 following the approval of Murabaha and Mudarabah products by the relevant authorities and completion of the transformation including product development, staff training and management, and information system customization.

Fortunately, Fatima was delighted with to hear that FMFB-A has commenced its Sharia-compliant financing, a service which Fatima was a desperately in need of. Fatima was provided with the raw material of her choice under the Murabaha financing facility of FMFB-A. She managed to start her Carpet weaving business and complete weaving her first carpet and earn a significant profit.

Even though, the market is slump and the businesses are not profitable as before but Fatima has not lost hope and has bigger dreams for herself and the family. She is planning to purchase more raw materials and weave carpets and expand the business so that she can hire more females who are the breadwinner of their families.

As per Fatima "before the murabaha financing, it was only my husband earning an income which we could only afford the basic needs of the family, however; after receiving the financing, now we can spend on home equipment. we have purchased a refrigerator and a sewing machine. I have also started putting some money aside as saving for our future".

Fatima is eager to complete the repayments and apply for a larger amount, which could help her expand the business and hire more people.

This is MISFA's quarterly newsletter. MISFA is a Limited Liability Company (LLC) established in 2003 as a vehicle through which the Afghan government and international donors could channel technical assistance and funding to build and strengthen Afghanistan's microfinance sector.

Microfinance Investment Support Facility for Afghanistan

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