



KARANDAAZ PAKISTAN

Case Study on

Oraan: Innovating Financial Inclusion with Accountability and Transparency



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The views expressed in this document are those of the authors and do not necessarily reflect the views and policies of Karandaaz Pakistan or the donors who have funded the study.

1. INTRODUCTION

1.1 Introduction to the Organization

Halima Iqbal, an experienced investment banker, returned to Pakistan from Canada in 2017 following a successful tenure at First Derivatives (a global capital markets consulting firm). Her return brought her face to face with the stark realities hindering women's access to financial services in the country, illustrated by her own struggle to open a simple bank account as a woman without an independent source of income at that time. Comparing her experiences with those of her male counterparts, Halima recognized the formidable barriers women faced in securing financial services in Pakistan. Motivated by this disparity, she embarked on a journey to uncover the root causes, leading to a startling revelation: approximately 41% (23% women and 18% men) of Pakistan's population relied on informal savings committees for financial management, equivalent to nearly 100 million individuals. This glaring gap in formal financial inclusion inspired Halima to establish OraanTech (Pvt) Ltd. (Oraan) in August 2018, alongside a team of five members who shared her passion for addressing financial inequality. The company's vision is to promote financial inclusion for female members of society by introducing innovative financial solutions.

In 2018, Oraan officially registered with the Securities and Exchange Commission of Pakistan (SECP), laying the foundation for its future endeavours. During its early stages, Oraan relied on funding from angel investors, with Halima assuming the role of Chief Executive Officer (CEO) in 2019. A detailed shareholders agreement was put in place to formalize the investor – investee relationship.

During 2018-2019 the company conducted extensive research on committee operations, management approaches, urban-rural disparities, and customer profiling. This research resulted in a pilot product launch of a digital ledger/book-keeping solution tailored for committee managers operating in the informal market. This product didn't prove to be successful primarily because of lack of interest from traditional committee managers and little penetration of technological infrastructure at that time. Despite an initial setback with this product, Oraan persisted, securing a small grant in 2019 to bolster its existing equity and continue its operations. Oraan's strength lies in their self-belief, agile mindset and ability and willingness to pivot the business model to align with customer needs and requirements. This grant, devoid of specific constraints, enabled Oraan to evolve its business model, eventually culminating in the development of the "Oraan Committees" platform, a ground-breaking solution aimed at revolutionizing financial inclusion for women in Pakistan.

Oraan's shift from a digital ledger to a Rotating Savings and Credit Association (ROSCA) product stemmed from several valuable learnings gleaned from their initial product launch. The informal committee managers demonstrated a lack of interest in the digital ledger solution, primarily due to their comfort with traditional, informal ROSCA arrangements and limited technological adoption at the time. Recognizing the gap and the unmet need in the market for a formal structured committee product, Oraan pivoted their strategy towards a ROSCA product ("Oraan Committees" platform) that resonated better with market behaviours and expectations. This shift not only addressed the needs of the existing ROSCA arrangements but also capitalized on the widespread reliance on ROSCAs in the country.

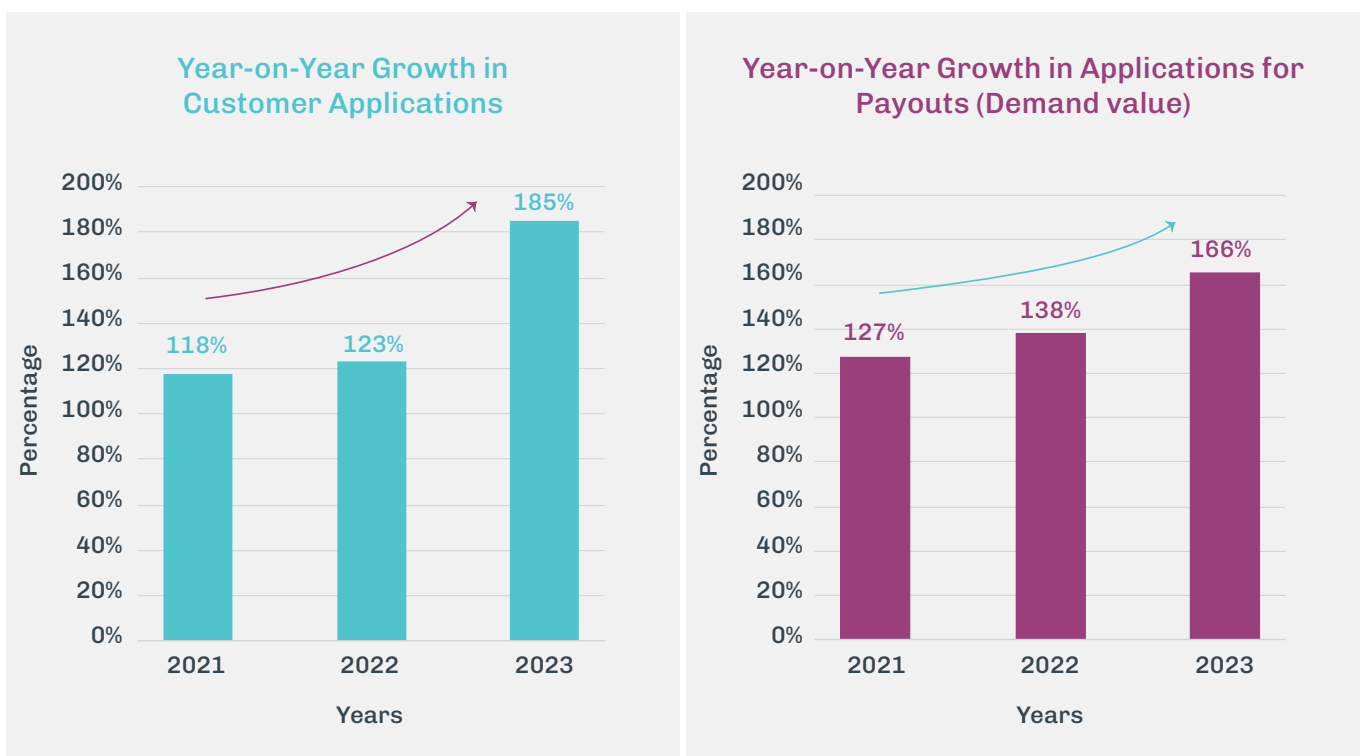
1.2 Oraan's Growth Journey

Oraan's flagship product, the "Oraan Committee", emerged as a digital savings subscriptions' platform where Oraan served as facilitator and agent, ensuring easy and timely collections and payments to committee members through an App, addressing the biggest pain point in the existing informal committees. Oraan Committee is a unique product which modernizes the concept of traditional committees into a digital subscriptions' platform. All one needs to do is download the application, sign up for a free account, complete their profile, and select a committee aligned with their financial objectives.



Members are matched based on their financial goals, preferences, and the duration of the committee they choose to join. The duration of the committee is set at either 5 or 10 months. Members engage in a rotational structured savings scheme, contributing fixed amounts monthly, with one member receiving the entire pooled amount each cycle until every member has benefited. Members are allowed to choose their preferred payout months from the available options. The management fees for selecting the payout in earlier months are higher compared to the charges for choosing the later months, keeping in view the time and efforts required by Oraan to manage such committees. This adaptability ensures that individuals can align their monetary commitments with their unique circumstances. What sets Oraan apart is its flexibility; subject to eligibility, members can engage in multiple committees concurrently enabling them to pursue various financial aspirations simultaneously.

As customer interest surged, Oraan expanded its team, engaged external consultants, and pursued an SECP Non-Banking Finance Company (NBFC) license to diversify into lending products. By the end of 2023, Oraan experienced exponential growth, as can be seen in the information presented below¹:

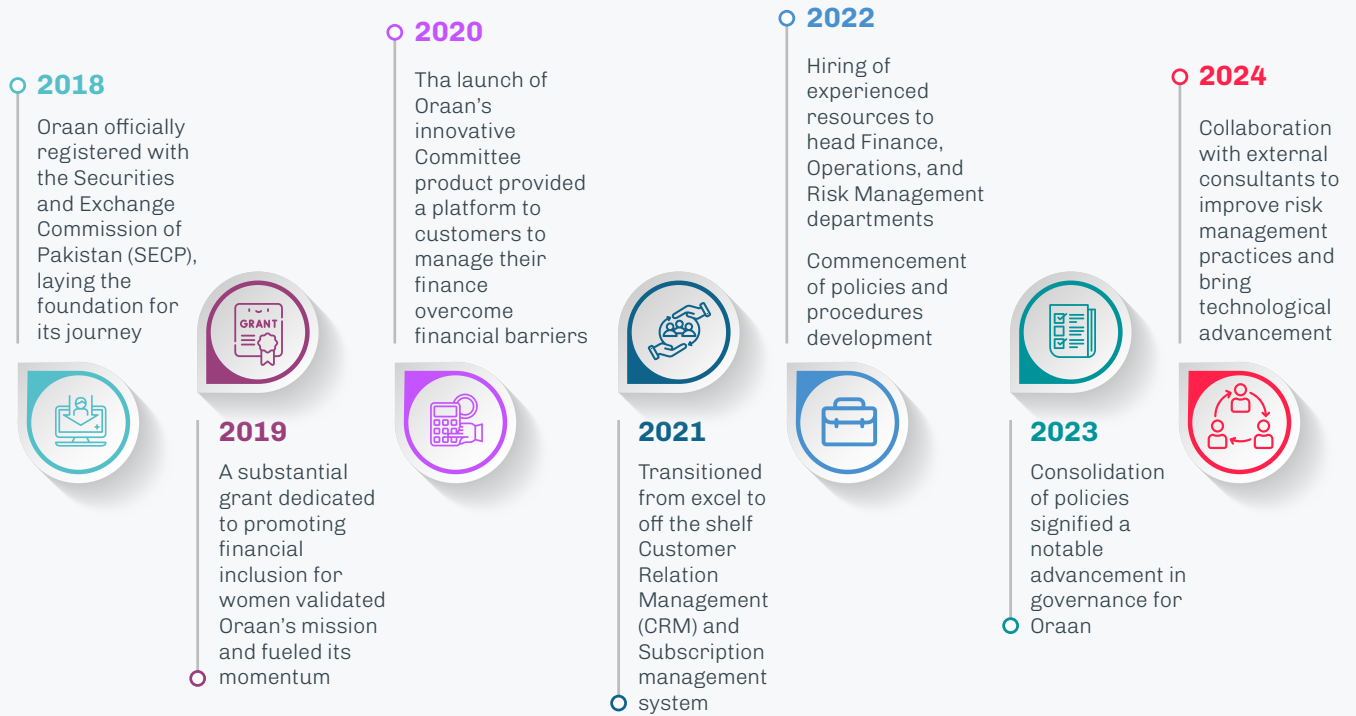


The rigorous approval process, guided by Oraan's risk management practices and defined policies, ensures that only suitable applicants meeting the predetermined standards are approved, demonstrating company's due diligence and prudence in mitigating risks and upholding operational integrity. But the question is – what were the building blocks to Oraan's success? What were the key governance practices that its leadership put in place, to help the company achieve accelerated growth in a sustainable and stable environment?

¹ Year on Year Growth in Customer Applications reflect the percentage growth of applications submitted by customers and Year on Year Growth in applications for Payouts (Demand value) reflects yearly percentage growth of payout amounts requested by participants through their applications.



The diagram below summarises some of the key growth and corporate governance milestones in Oraan's journey:



2. ADOPTION OF CORPORATE GOVERNANCE PRACTICES TO OVERCOME BUSINESS CHALLENGES

Growing Pains

Like any other growing business, Oraan's rapid expansion brought with it some strategic and operational challenges:

- The boost in market response and customer interest initially resulted in more applications than Oraan had the capacity to process in a timely manner, leading to delayed responses to customers.
- Surge in customer queries, the download of Oraan's mobile application by potential customers, and profiles being created by customers, indicated 'hot leads' which required dedicated attention by sales and customer services personnel to convert them into actual paid customers. But the sheer volumes and Oraan's limited team strength at that point in time became a challenge.
- The increase in business inevitably led to the diversification of the risks that Oraan was exposed to:
 - **Credit risk:** The influx of committee applications translated into a larger pool of committee participants, enhancing Oraan's credit risk exposure. Additionally, the diversified demographics within these committees required implementation of effective credit risk management practices to address the diversification amongst the customers.
 - **Reputational risk:** One of the primary areas of focus of queries received from potential customers was the Shariah compliance aspect of the product. Responses by un-informed and in-experienced personnel could potentially result in the spread of misinformation and could damage the reputation so carefully built up by Halima and her team.
 - **Operational risk:** increase in volumes statistically leads to an increase in operational errors and the potential for manipulation and fraud, necessitating the presence of a robust system of internal controls and checks and balances.
- And over-arching all of the above, this rapid expansion also required a strong mechanism at the top level for monitoring and strategic decision-making which could not be possible without the availability of relevant data points and MIS reporting – in effect, governance and oversight.

The timely addressing of these challenges was critical for Oraan to grow in a stable environment while exploiting its product's market potential and securing its growing customer base.

In this respect, here are several pivotal corporate governance initiatives that significantly contributed to the remarkable growth and success of the company.

2.1 Diverse Board Composition

Oraan's leadership drove its transition from informal structures to a diverse formal board of directors, fostering effective risk management and decision-making processes, and measurement and accountability mechanisms. Oraan's evolution from informal structures to a diverse board of directors, comprising seasoned investors and industry experts, underscored a strategic governance practice.



The board's clear buy-in in the vision and mission of the organization and contribution through quarterly meetings served as pillars for navigating risks and opportunities, aligning actions with Oraan's strategic goals. The board and management maintained an open relationship, with discussions focused on strategic initiatives such as experimenting and pivoting the business model as per customer needs, customer pricing mechanism, governance structures and Shariah compliance, which were received as guidance by the management rather than interference. Halima was not afraid to reach out for advice to her Board in sticky situations, treating them more as advisors than monitors.

“ *There is nothing wrong with asking for help. You have to realise that if you don't ask for help at the right time, you will be in bigger trouble.* ”

Halima Iqbal, CEO

This collaborative approach, facilitated by knowledgeable and experienced board members, played a pivotal role in steering Oraan towards its goals.

“ *I think the current board that we have – without them, we would not be at the place we are now.* ”

Halima Iqbal, CEO

2.2 Formalization of Critical Policies and Procedures

In response to increasing transaction volumes, operational challenges and to maintain a high level of customer experience, Oraan prioritized the formalization of critical policies and standard operating procedures (SOPs). This move aimed to ensure clarity, consistency, and operational efficiency across the organization, enhancing governance structures and mitigating potential risks. The formalization process required the appointment of individuals well-versed in FinTech, operations, risk management and reporting. For example, the appointment of VP – Finance & Operations Farrukh Amlani brought invaluable expertise in financial stewardship, contributing to Oraan's operational excellence.

Throughout its journey, Oraan has meticulously enhanced its policies and procedures. Initially, these were setup as informal documentation of recording the steps being followed. Over time these turned into formal and detailed documents taking into account global best practices and learnings from Oraan's own business and the resulting data.

Some of the key policies and procedures include underwriting policy, people guide, customer experience SOPs, finance policy, operations and recovery manual. These documents are reviewed and updated at frequent intervals to ensure they provide the desired checks and controls while acting as enablers for the business.

As opposed to the conventional approach of small business owners, Halima was very clear on the value brought in by defined and documented SOPs as well as the VP Finance & Operations, Farrukh Amlani was also very pragmatic about the approach to developing SOPs:



“ Development of SOPs should not be counted as a cost. They are an investment in your business. ”

Halima Iqbal, CEO

“ Documenting SOPs does not mean spending excessive amounts of time. As a starting point, just get your core team to write down what they do.... ”

Farrukh Amlani, VP Finance & Operations

2.3 Transparent Communication

Halima's unwavering commitment to transparency with all stakeholders has been instrumental in driving the remarkable success of Oraan. The culture of transparency has transcended across the organization all the way up to the board, with Halima once claiming:

“ We have a very open relationship with our Board. Any problems that come up are immediately communicated to the Board and whoever is available will jump in to help. ”

Halima Iqbal, CEO

This emphasis on transparency resulted in comprehensive reporting mechanisms for senior management and the board. Despite the absence of a legal obligation, Halima ensured the regular provision of monthly reports to the board of directors, offering comprehensive insights into both financial and non-financial performance metrics.

Quarterly assessments delved deeper into financial metrics, reiterating P&L statements, subscription and fee data, customer segmentation, and committee receivables. Additionally, during quarterly reviews, a comprehensive report is compiled for submission to the Board of Directors (BOD).

Annually, reporting scope expanded further to include all the aforementioned details, alongside a thorough review of unpaid amounts and corresponding ratios, assessment of personnel performance, updates on marketing strategies and growth initiatives, as well as any adjustments in pricing strategies. Financial statements are audited by external auditors, ensuring financial transparency and compliance with regulatory standards. This commitment to transparent communication not only built trust with stakeholders but also facilitated proactive risk management and strategic decision-making and helped Oraan's preparedness to apply for the NBFC license as well as built confidence in potential investors or grantors.

Building trust with prospective and existing customers was paramount to the committees' management model. Oraan achieved this by prioritizing transparency with customers from the outset. Oraan proactively disclosed its management fee on their website and mobile application. This commitment to transparency not only fostered trust with customers but also effectively differentiated Oraan with the market.



The importance of Oraan's relationship of trust with its clients was further highlighted when people outside Oraan's customer-base who were participating in committees in the informal market fell victim to a fraud when the committee manager defaulted on payments. The victims of the fraud took to social media gaining major publicity wherein the risks of informal committees were brought to the forefront. This incident also helped highlight the advantages of formal committee managers like Oraan who guarantee timely pay-outs, which Oraan's loyal clientele were quick to point out.

This is further bolstered by the VP Finance & Operations when he spoke about the confidence that customers have in Oraan to fulfil its commitment to them:

“ There is not even a single case where a customer would complain that he has not received his pay-out on time. ”

Farrukh Amlani, VP Finance & Operations

2.4 Investing in People

Halima pays great importance to having a Human Resource strategy in place, and the need to attract and retain talent. In her own words.

“ Institutions are not built alone; you need an army... ”

Halima Iqbal, CEO

The focus on high-quality products and experiences, along with formalizing governance structures, processes, and controls, necessitated the presence of a strong experienced team. This team needed to believe in the vision, mission, and core values of the organization and appreciate the move towards more effective governance. From an initial team of around 10-15 individuals in 2021, Oraan had expanded its workforce significantly, boasting a robust team of 70 dedicated professionals by end of 2023.

Recognizing the importance of a skilled and engaged workforce, Oraan implemented strategies to enhance employee wellbeing and engagement for organizational success. These initiatives included reviewing candidates' work history and background to ensure alignment with the company's values, actively seeking input and feedback from employees when designing and implementing policies – a practice integral to collaborative policymaking to foster ownership and engagement, defining a clear vision, mission, and core values to guide employees, and conducting regular employee satisfaction surveys to gauge morale and engagement levels. Oraan's policies on diversity and inclusiveness, and zero-tolerance for discrimination have also helped foster a positive and safe work environment for its employees. By investing in its people, Oraan cultivated a cohesive and dedicated team capable of driving the company forward and adapting to evolving challenges.

Oraan's commitment to operational excellence included the development of Key Performance Indicators (KPIs) to drive organizational efficiency. These metrics provided a structured framework for measuring progress towards strategic objectives, enabling proactive decision-making and continuous improvement.



The company's relationship with its employees can be demonstrated through Job Descriptions (JDs) developed for each position. While holding its employees accountable to their KPIs, Oraan also reciprocates by giving employees the opportunity to provide 360-degree feedback on its leadership, helping them to feel heard, and in turn, motivated, therefore contributing to retention of employees.

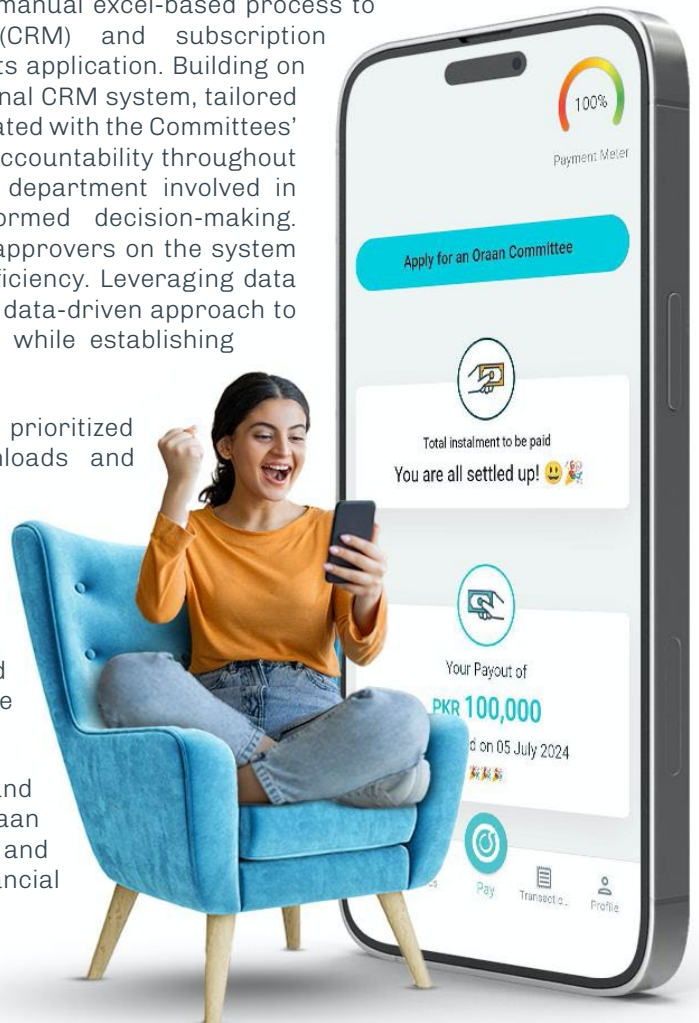
2.2 Business Strategy - Customer Centricity, Stakeholder Engagement and Accountability

The focus on employee wellbeing and a shared vision for impact was necessary to support the customer centric approach that the company believes in strongly. This commitment was evident with the CEO herself taking a hands-on approach to address customer needs and concerns. Actively engaging with customers, she personally interacted with them and handled complaints through a dedicated WhatsApp group in the initial phase of the company. Moreover, Oraan ensured that customers had a plethora of communication channels at their disposal, ranging from Instagram and Facebook to email and landline, providing multiple avenues to provide feedback or raise complaints. Oraan established feedback loops to actively gather and analyze customer feedback. They utilized surveys, feedback forms, and social media listening to better understand customer needs and preferences better and modified their product and business model around these needs.

In 2021, Oraan embraced innovation by shifting from a manual excel-based process to off-the-shelf Customer Relationship Management (CRM) and subscription management systems, which were then integrated with its application. Building on this momentum, in 2022, the company developed its internal CRM system, tailored to its unique requirements. This system seamlessly integrated with the Committees' application, generating audit logs for transparency and accountability throughout the customer journey. Access was provided to every department involved in customer service, promoting collaboration and informed decision-making. Pre-defined delegation of authority through designated approvers on the system streamlined approval processes, optimizing workflow efficiency. Leveraging data accumulated over the past three years, Oraan adopted a data-driven approach to risk assessment, tailoring services to customer needs while establishing exposure limits per individual or group.

In another step towards good business practices, Oraan prioritized regular data reviews to assess metrics like downloads and application volumes. By optimizing sales funnel performance i.e., understanding how potential customers move through various stages in the sales process from downloading the application to subscribing to a committee, strategies were implemented to maximize conversion rates and enhance the customer experience. This involved converting leads into subscribers and minimizing drop-offs through a comprehensive understanding of the sales funnel.

By fostering a customer centric approach, technology, and open communication & feedback mechanisms, Oraan strengthened its relationships with stakeholders and positioned itself as a reliable and accountable financial services provider.



2.6 Risk Management

With its expanding business, Oraan needed to put in place appropriate controls to manage its risk exposure:

Liquidity Risk management: The upswing in applications necessitated a keen focus on maintaining balanced flow of payouts and installment receipts to manage entity's liquidity. This was addressed by putting in place a cash flow monitoring and forecasting process run by the Finance team.

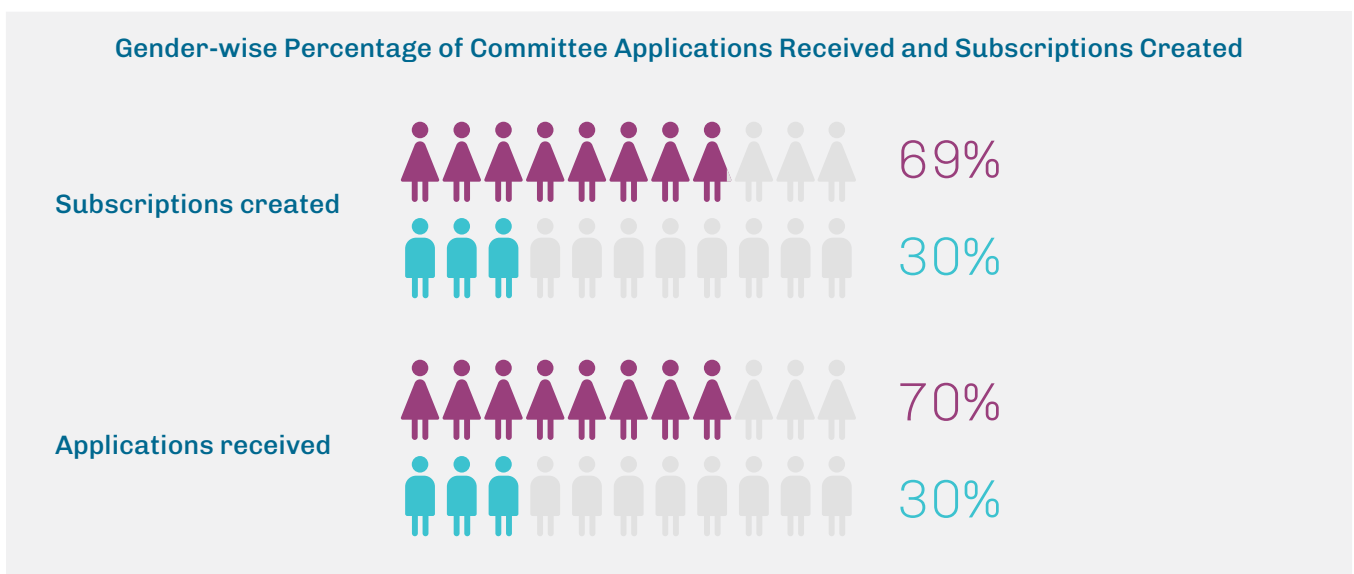
Credit Risk Management: In its pursuit of comprehensive risk management, Oraan collaborated with a third-party vendor for a risk scoring model. By engaging external experts, Oraan was able to better evaluate customer creditworthiness through use of relevant data metrics and mitigate its credit risk. An in-house resource experienced in credit risk management was also on-boarded to help make the process more robust. Also, a designated team for follow-up and recovery of committee contributions was put in place to minimize the impact on the company of late / unpaid customer contributions to the committees.

Reputational Risk: The upsurge in inquiries pertaining to Shariah compliance led to an increased focus on reputational risk management.

2.7 Strategic Goals for ESG

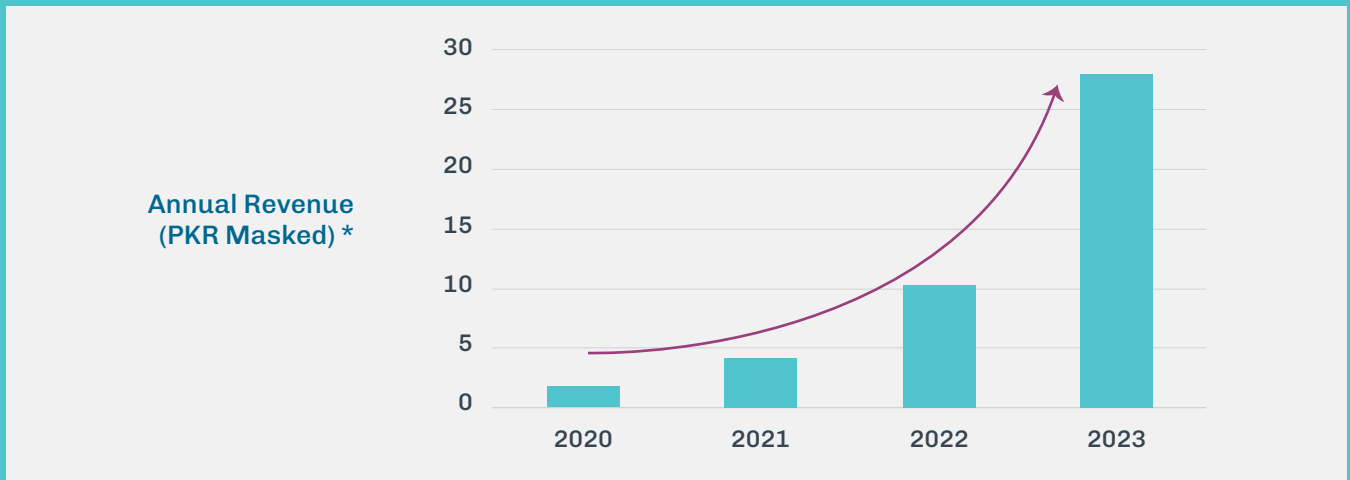
Oraan has made a significant impact on the lives of its customers and the wider community through its initiatives:

- It increased access to financial services, thereby empowering a significant number of women to participate in economic activities and obtain financial independence. The following graph depicts gender wise percentage of applications received and subscriptions created with respect to the committee product:
- It has also fostered a culture of savings among women, with its tailored solutions enabling them to work towards their financial objectives.
- With its substantial educational resources, Oraan has provided these women with the financial knowledge they need to make informed decisions.
- Through its platform, Oraan has built a supportive community, promoting solidarity and empowerment amongst women.



3. IMPACT ON BUSINESS GROWTH

Oraan's journey of Corporate Governance has been a gradual one in which the company adopted various principles and practices over time. Formal adoption of practices started out in 2021, with increasing focus on such initiatives in 2022 and established practices in 2023. "These included not only formal BOD reporting and monitoring packs, internal control and risk management processes, streamlined talent acquisition and performance evaluation practices, but also training and investment in personnel, particularly the customer services team. The impact of these practices on the company's business growth can be clearly seen in its year-on-year revenue growth trajectory illustrated below:



* Note: The Revenue numbers have been masked for confidentiality reasons.



4. THE WAY FORWARD

Halima contemplated the effectiveness of Oraan's corporate governance practices and sought strategies to measure their impact. Despite the challenges, she recognized the long-term benefits of implementing robust governance evaluation mechanisms, emphasizing the compounding benefits of good governance for organizational resilience and transparency. Through continued investment in governance initiatives and a commitment to transparency and accountability, OraanTech aimed to enhance its operational efficiency, mitigate risks, and drive sustainable growth in the pursuit of financial inclusion and empowerment.

Based on education expenses being the most prevalent purpose of engaging in Oraan Committees, Oraan has also introduced a pilot of the Study Now Pay Later (SNPL) program aimed at empowering students to pursue their educational goals without being hindered by immediate financial obligations. This well-structured, user-friendly program allows students to concentrate on their education now and address the payment later. After students enroll in partner institutions, Oraan swiftly establishes contact to facilitate the financial process

Along with benefiting students, the program also provides advantages to universities. It widens the scope for increasing student enrollment by offering a feasible financial solution. It also aims to enhance the educational diversity by bridging the gap between education and different socio-economic backgrounds. All transactions under the program are in accordance with Sharia principles, thus endorsing its religious compliance. As Oraan continues its journey, it envisions a future where financial barriers are no longer obstacles for students aspiring for better education.



5. ANNEXURE A – MAPPING OF CORPORATE GOVERNANCE PRACTICES ADOPTED BY ORAAN WITH THE LEADING CORPORATE GOVERNANCE FRAMEWORKS

The table below presents key corporate governance practices adopted by Oraan mapped with the principles from leading corporate governance frameworks along with the outcomes of implementing each principle:

Corporate Governance Principles	Key initiatives	How it helped OraanTech
Pillar: Culture and Commitment to good Governance		
<p>Principle: Vision, mission, and core values of the company are developed and communicated to all stakeholders and updated from time to time</p>	<p>Defined and communicated vision, mission, and core values:</p> <p>Defining and communicating vision, mission and core values of the entity contributed to a shared understanding of goals amongst stakeholders, guided decision making, and helped in attracting talent that thrives in OraanTech's environment</p>	<ul style="list-style-type: none"> Helped Oraan navigate risks and opportunities, aligning decisions with strategic goals Provided a sense of direction to the employees at OraanTech. In addition to simply hiring based on skills and qualifications, prioritizing alignment with core values during the recruitment process ensures a better cultural fit within the organization, contributing to higher levels of commitment, engagement, and job satisfaction This is important for SMEs as it helps in decision making and goal setting
<p>Principle: Key Policy and Procedures are in place and formally documented</p>	<p>Formalization of Policies and Procedures:</p> <p>OraanTech devised key policies and procedures and formally documented them to provide guidance to its employees. The formalization of critical policies and procedures emerged as a cornerstone of OraanTech's governance overhaul</p>	<ul style="list-style-type: none"> Streamlining the processes helped OraanTech manage increasing transaction volumes, operational challenges and to maintain a high level of customer experience. This move ensured clarity, consistency, and operational efficiency across the organization, enhancing governance structures, and mitigating potential risks This is important for SMEs in Pakistan, where operational challenges and risk management are key concerns for sustainable growth



Corporate Governance Principles	Key initiatives	How it helped Khaadi
<p>Principle: Responsibilities and authorities for key management positions are developed in the form of clear job descriptions</p>	<p>Defined and documented job descriptions:</p> <p>In order to recruit the most suitable candidates for each position and to later evaluate their performance, OraanTech defined and documented job descriptions for all key positions</p>	<ul style="list-style-type: none"> Formalization of job descriptions provided clarity to employees understand their roles and responsibilities at OraanTech It enabled OraanTech to attract suitable candidates and evaluate their performance effectively Job descriptions are vital for SMEs as they offer clarity on roles, aid in recruitment and create alignment with the overall organizational goals
<p>Principle: Owner/Leader provides entrepreneurial strategic leadership and delegates work to managers/specialists empowering people, mentoring and coaching them to develop the organization's human resources</p> <p>Principle: The HR function is a strategic partner developing effective sourcing and retention strategies, compensation plans, performance management systems, and professional development programs</p>	<p>Investing in People:</p> <p>OraanTech's implemented strategic focus on talent acquisition and retention. OraanTech hired experienced resources with expertise in finance, operations, and risk management</p>	<ul style="list-style-type: none"> OraanTech's focus on investing in people and fostering a positive work environment helped in attracting and retaining skilled professionals Helped in formalizing the policies & procedures of Oraan, streamlining the processes leading to higher customer conversion rates, increase in Oraan's responsiveness and operational efficiencies Brought invaluable expertise in financial stewardship, contributing to OraanTech's operational excellence Better risk management practices to assess the creditworthiness of customers, resulting in the identification and filtration of high-risk borrowers, reducing the chances of financial losses for Oraan This is significant for SMEs in Pakistan facing challenges in talent retention and skill shortages

Pillar: Decision Making and Strategic Oversight

Principle: Effective and efficient Board procedures are established (enough time for discussion, focused agendas, prior circulation of briefing papers and approval of meeting minutes)

Diverse Board Composition:

OraanTech's made a strategic shift towards a diverse board of directors, which served as a turning point in its governance structure

- Enabled OraanTech to take strategic decisions more effectively, considering various perspectives and industry insights
- By incorporating varied expertise and perspectives, the company bolstered decision-making agility and risk management capabilities



Corporate Governance Principles	Key initiatives	How it helped Khaadi
		<ul style="list-style-type: none"> This help overcome the challenge of limited decision-making capacity often faced by SMEs in Pakistan
<p>Principle: The company's strategy, results and long-term goals are reviewed on an annual basis</p>	<p>Customer-Centric Approach and Stakeholder Engagement:</p> <p>OraanTech applied a customer-centric ethos and proactive stakeholder engagement initiatives. It used a traditional financing method, known well to the customers, and innovatively transformed it</p>	<ul style="list-style-type: none"> By prioritizing customer needs and feedback, OraanTech tailored its business strategy by aligning products and services to meet market demands effectively The approach propelled its market differentiation and growth trajectory SMEs in Pakistan can benefit from this approach to overcome challenges related to customer satisfaction, market competition, and product innovation
<p>Principle: Collaborative approach to decision making is followed in the form of management committees and external experts</p>	<p>Engaging external consultants:</p> <p>OraanTech leveraged the expertise of external consultants to obtain support in technological advancements and assistance in development of credit risk models</p>	<ul style="list-style-type: none"> Enabled Oraan to make more well-informed and holistic decisions that considered broader implications across the organization. Helped Oraan to better evaluate customer creditworthiness through use of relevant data metrics and mitigate its credit risk. This approach in SMEs is essential as it helps align decisions with strategic objectives while tapping into diverse expert perspectives
<p>Principle: Key performance indicators are used as an effective performance evaluation and motivation tool for key management and technical staff</p>	<p>Key Performance Indicators and 360-degree feedback:</p> <p>OraanTech devised KPIs and introduced a 360-degree feedback mechanism. This was a significant step towards employee empowerment</p>	<ul style="list-style-type: none"> Enabled Oraan to measure its progress towards achievement of its strategic objectives Made employees feel heard, in turn, motivated therefore contributing to the retention of employees SMEs in Pakistan face great labour turnover due to lack of motivation and low employee morale, such policies help in effective performance evaluation, workforce retention and build an overall healthy work culture



Corporate Governance Principles	Key initiatives	How it helped Khaadi
<p>Principle: Disclose information related to environmental-impact hazards, health and safety, social and labor issues and impact on local communities, and their regulatory compliance and liability</p>	<p>Transparent Communication:</p> <p>OraanTech's commitment to transparent communication can be observed through its open channels of communication, regular reporting mechanisms, and robust accountability practices</p>	<ul style="list-style-type: none"> • Provided comprehensive insights into both financial and non-financial performance metrics of Oraan • Oraan built trust with stakeholders • It also facilitated proactive risk management and strategic decision-making as well as build confidence in potential investors or grantors of OraanTech • For SMEs in Pakistan, establishing trust is essential in overcoming challenges related to market credibility, competition, and attracting investments
<p>Principle: Prepare financial statements in accordance with recognized accounting standards</p>	<p>Audited Financial Statements:</p> <p>OraanTech prioritizes transparency which is why it started undergoing annual audits of their financial statements on regular basis</p>	<ul style="list-style-type: none"> • Served as a commitment to transparent communication to build trust with the current investors and Board of OraanTech • Instilled confidence in OraanTech's potential investors and grantors by providing assurance regarding the reliability and transparency of the company's financial information • These also facilitated proactive risk management and strategic decision-making • This is important for all SMEs as it enhances the credibility with stakeholders facilitating access to finance

Pillar: Risk Management and Internal Controls

Principle: An appropriate internal controls system is in place to identify and manage risks to the company's operational, reporting and compliance objectives e.g., authorization controls, segregation of duties, physical controls, monitoring reports etc

Risk Management:

OraanTech enacted proactive approach to risk management, encompassing liquidity, credit, and reputational risks to fortify its resilience in the face of uncertainty. It has implemented robust controls, involved external expertise engagement, and comprehensive risk assessments

- OraanTech's proactive risk management practices helped anticipate and address potential risks, ensuring business continuity and resilience
- This is crucial for SMEs in Pakistan facing challenges such as economic volatility, regulatory changes, and market uncertainties



Corporate Governance Principles	Key initiatives	How it helped Khaadi
<p>Principle: An appropriate internal controls system is in place to identify and manage risks to the company's operational, reporting and compliance objectives e.g., authorization controls, segregation of duties, physical controls, monitoring reports etc</p>	<p>Systems:</p> <p>OraanTech transitioned from manual excel sheets towards leveraging systems and adopted systems for CRM and subscription management, enhancing operational efficiencies</p>	<ul style="list-style-type: none"> • The implemented CRM system specifically tailored to Oraan's needs helped in generating audit logs for transparency and accountability throughout the customer journey • It promoted collaboration and informed decision making within Oraan • It streamlined approval processes, optimizing workflow efficiency • Enabled Oraan to adopt a data-driven approach to risk assessment, tailoring services to customer needs while establishing exposure limits per individual or group • Implementing internal control systems are crucial for all SMEs as they help manage risks, enhance efficiency, and streamline operations of an organization

Pillar: Ownership

Principle: Provisions for resolving potential disputes included in the shareholder agreements and other company documents have been clearly documented

Formalization of a shareholders' agreement:

As OraanTech grew bigger it transitioned from an informal to a formal shareholders agreement stating the role of shareholders in the organization

- It helped OraanTech establish clear expectations among shareholders regarding their rights, responsibilities, and obligations, reducing the likelihood of misunderstandings amongst shareholders or disputes in the future
- This is crucial for all SMEs as it helps in conflict resolution and provides clarity regarding shareholder's role in an organization





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About Karandaaz

Karandaaz Pakistan is a not-for-profit public company limited by guarantee set up under Section 42 of the Companies Act, 2017. Karandaaz was established in 2014 with seed funding from UK Government's Foreign Commonwealth and Development Office and the Bill & Melinda Gates Foundation. Karandaaz Pakistan is an impact investment platform that drives sustainable economic growth and strengthens financial and social protection systems for inclusion. Its main area of focus is to address challenges faced by SMEs and unbanked individuals¹ in Pakistan with respect to access to finance to foster economic growth and prosperity for Pakistan.



Karandaaz Capital

This vertical provides wholesale structured credit and equity-linked direct growth capital investments in micro, small and mid-size enterprises that have the potential to contribute to sustainable growth, and employment generation in Pakistan.



Karandaaz Digital

This vertical focuses on expanding the access to digital financial services in Pakistan by working across the ecosystem with all stakeholders in the following work areas: digital public infrastructure, payment systems, policy and regulation, seeding innovation, experimentation and solutions development, and scale and outreach.



Karandaaz Innovation

This vertical provides risk capital and technical assistance to support innovative solutions aimed at financial inclusion and entrepreneurship especially in marginalized sectors. A key component of the work includes providing business development support and growth capital to women led businesses and green ventures to facilitate their expansion and scale up.



Karandaaz Research & Insights


This vertical supports the company's core financial inclusion goal by developing and disseminating evidence-based insights and solutions to influence markets and the financial ecosystem.

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