

Kazi Abdul Muktedir: Branchless banking in Pakistan

Speech by Mr Kazi Abdul Muktedir, Deputy Governor of the State Bank of Pakistan, at the Karachi Press Club, Karachi, 9 October 2012.

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Ladies and Gentlemen!

Assalam o Alaikum!

Let me first thank the organizers for inviting me to share my thoughts with the distinguished guests at the opening of ATM being installed by Summit Bank at the Karachi Press Club. It is an opportune moment for me to be here amongst an august gathering of Writers and Journalists. I would like to place on record my appreciation to the important role played by the members of the Karachi Press Club in the struggle for freedom of expression in the country. Karachi Press Club and the media have always tried to uphold their professional integrity, strength and commitment despite facing a lot of challenges. Their untiring effort to provide latest news and write ups and opinions on current issues is the prime responsibility of Journalists and in my experience the thirst of media somehow always seems to be unquenched and remains unfulfilled. This in turn has contributed to information explosion and mass awareness that is one of the basis of active democracy.

Ladies and Gentlemen!

As press is the part of service sector, banking is also a service provider of financial produces. Banking thrives on standards and service rendered by it. Standard and consumer protection have to be regulated in order to ensure quality.

As banks operate on commercial considerations; their branch expansion has traditionally been skewed towards big cities and commercial centers. Therefore, SBP under its Branch Licensing Policy has made it compulsory for banks to open at least 20% of their new branches in rural localities and under-served areas. These regulatory measures are bearing fruit and branch penetration in rural areas has started to improve.

State Bank of Pakistan as a supervisor and regulator of the banking industry, is trying to make banking services available at the door step of the people. Promoting access to banking services is the corner stone of State Bank of Pakistan's policy framework. As opening of physical branches, entails substantial costs and is time consuming, SBP has always been encouraging adoption of alternate delivery channels for providing financial services to clients by the banks.

Access to Branch banking is limited by time. The availability of Automated Teller Machines (ATMs) is a convenient and efficient tool to access accounts by clients for cash withdrawals and other related services on a 24 hour 7 day basis. In developed countries, there are three ATMS against one bank branch; however, being a developing economy, the availability of ATMs in Pakistan is low. Presently we have only 5600 ATMs across Pakistan, just about one ATM against two bank branches. Therefore, there was a strong need for the Central Bank to come up with some policy initiative to improve this position. As such, SBP has recently issued policy instructions to all banks binding them to expand their ATM network in a phased manner so as to achieve a target level of one ATM for each bank branch. Once this target is achieved, we have plans to gradually raise the bar so as to come close to the international levels.

Ladies and Gentlemen, the banking industry of Pakistan has tremendous growth potential and can deliver a lot more than what it is delivering right now. The driving force behind the efficiency and dynamism of the banking business today is the use of technology. The significance of e-banking and e-commerce cannot be overemphasized because of the

fact that both have brought about remarkable changes in the ways people think and do their banking business today.

The outcome of e-banking in Pakistan will be gradual but the trends towards adoption of information technology are quite encouraging. Transformation from traditional banking modes to modern ways of banking is taking place at a fast pace. A number of alternate delivery channels for provision of banking services like ATMs, Credit Cards, POS (Point of Sale) terminals, Internet Banking, Debit Cards already exist in our country to benefit the masses. Currently, 93% of the total bank branches are offering Real-Time Online services.

Ladies and Gentlemen, we are now leveraging the mobile phone technology and agents network, that has resulted in the development of branchless banking to a higher tier of accessibility and resource utilization. Branchless Banking is now helping in reaching out to the low income groups and unbanked people through more than 30,000 access points across the country. Following trends are noteworthy:

- Nearly 30 million transactions worth Rs.115 billion have been processed through branchless banking during the fourth quarter of last fiscal year.
- The average daily transactions have been reported to be 315,178.
- Total number of branchless banking accounts have also increased to over 1.7 million.

According to the World Bank's Consultative Group to Assist the Poor (CGAP), Pakistan is the fastest growing branchless banking market in the world. The banking architecture for such services is being developed in a robust manner in collaboration with the telco industry that is not only helping its growth but also ensuring quality of services and connectivity.

While we seek to encourage the introduction of innovative instruments for payments, we are also mindful of the need to ensure that high levels of service standards that are required to be maintained for safety, security and cost effectiveness with adequate levels for protection of consumers' interests.

In conclusion, let me re-emphasize on the need for an efficient and thriving banking system that guarantees superior services with enhanced access with higher returns to the stakeholders and also create both forward and backward linkages with the rest of the economy. As a financial regulator, State Bank is open to provide an enabling regulatory environment to all financial institutions for advancing and promoting financial inclusion in the country. Providing people with access to finance is a challenging task, not just for the central bank but for all the stakeholders. I believe that with the concerted efforts of all, we will be able to achieve the desired goal of "*Banking for All*".

With the opening of ATM at the Karachi Press Club, I am sure all members would be facilitated with access to banking from within the Club's premises. My best wishes to you all.

Thank you.