

## **Kazi Abdul Muktedir: Promoting deposit mobilization and financial inclusion in Pakistan**

Speech by Mr Kazi Abdul Muktedir, Deputy Governor of the State Bank of Pakistan, at the launch of Easypaisa Khushaal, Karachi, 16 October 2012.

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Distinguished guests, ladies and gentlemen!

A very good afternoon,

I am delighted to be part of this launching ceremony of Easypaisa Khushaal and I would have to congratulate Tameer Microfinance Bank and its key partner Telenor on designing another innovative product which will go a long way in promoting deposit mobilization and motivating other microfinance sector players to move in this direction.

1. Due to slow progress in deposit mobilization, Microfinance Banks have not yet become fully sustainable in generating substantial internal funding. Such type of innovations in product designing will not only attract small savings to generate internal funding of Microfinance Banks but will also provide savers a feeling of safety and security in terms of insurance embodied with the product. Now the time is only of demand driven innovative products, through which MFBs can easily handle the challenges like scarcity of funding and financial exclusion.
2. Since inception, Government and the State Bank of Pakistan have been supporting the microfinance sector to reach out to the millions of unserved low-income people. This growth is facilitated by several factors, including an enabling policy framework, institutional reforms, technology initiatives, regulatory flexibility, tax incentives and technical support through different programs and projects. State Bank of Pakistan has also issued a Strategic Framework for Sustainable Microfinance in Pakistan which mainly focuses promoting use of alternative delivery channels to enhance financial services to people without access to finance which is recognized as one of the fundamental constraints in achieving sustainable economic growth in many developing countries.
3. SBP has always been encouraging innovations in products and delivery channels in order to promote financial inclusion. For the reason, SBP has also launched a “Financial Innovation Challenge Fund” under its DFID-funded Financial Inclusion Program (FIP) to support innovation in product and delivery channels in microfinance which will give further impetus to branchless banking.
4. With our all assertive efforts, our financial sector is now going through a dynamic transition, led by increasing uptake of technology solutions. This transition can be seen in recent branchless banking data, with a transactional volume of nearly 30 million valuing Rs. 115 billion during a single quarter of April–June, 2012 by only two players. We are delighted that the active players have registered more than 1,447,381 mWallet accounts of previously un-banked and under-banked to operation of the economy.
5. With the entry of new players and scaling-up of the existing institutions the present growth momentum will further build. Our Tele density also highlights the inherent potential for mobile banking in Pakistan. Achievements in the Branchless Banking Services have put Pakistan at the Global Centre Stage of Financial Inclusion and innovation. World Bank’s Consultative Group to Assist the Poor (CGAP), in its recent study has also recognized Pakistan as one of the fastest growing branchless banking market in the World.

6. 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.
7. 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.
8. 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.
9. 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.
10. I would like to acknowledge the efforts of Tameer Bank and Telenor towards financial inclusion and deposit mobilization. It will not only bring economic prosperity but also help alleviate poverty and improve living standards of the people of Pakistan. State Bank of Pakistan looks forward to the success and positive outcomes of Easypaisa Khushaal and expects more innovative products from Tameer Microfinance for promoting deposit mobilization and financial inclusion agenda.