

## **Ashraf Mahmood Wathra: The importance of financial inclusion in Pakistan**

Speech by Mr Ashraf Mahmood Wathra, as Acting Governor of the State Bank of Pakistan, at the Bank Alfalah Mobile Commerce Conference 2014, Karachi, 13 March 2014.

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Assalam-o-Aalaikum and Good Morning

It is my great pleasure to join you at the international Conference & Exhibition on Mobile Commerce in Pakistan, and share with you some of my thoughts on this important subject. I must congratulate the organizers and sponsors for their efforts in bringing together the stakeholders of mobile banking eco-system at one platform.

Being a regulator of banking sector, SBP believes that financial exclusion is hindering our fellow citizens in availing economic and business opportunities. Today, there are an estimated 2.5 billion adult people worldwide who do not have access to formal financial services. According to World Bank's Global Findex Survey, almost 80 percent of those living within incomes of less than \$2 per day are financially excluded.

Pakistan is a country of over 180 million people living in geographically diverse areas. Our branch network of almost 12,700 is insufficient to serve the millions of unbanked masses. Banks operating in Pakistan are hosting only 35 million customer accounts including 3.5 million accounts opened by branchless banking providers. Despite phenomenal spread of banking business in Pakistan, we have a long way to go to achieve digital financial inclusion in the country.

Given the complexities and challenges of limited financial access in the country, State Bank of Pakistan has adopted a multi-pronged and long-term strategy to address financial exclusion through structured policy & regulatory actions, and market-development interventions. Our program initiatives have been catalysing the market developments and fostering market ecosystem to especially promote innovative ways of doing banking business.

As we all know that people around the world increasingly use technology and communication networks to live, work, socialize and remain informed and entertained through the use of online services via personal devices like PCs, smartphones and computer tablets. Therefore online and other-off-branch modes of doing banking transactions have reduced the hassle of visiting a conventional bank branch to a considerable extent.

**Ladies & Gentlemen**, Pakistan is amongst the pioneers of mobile/branchless banking in the developing world. Our branchless banking framework and models have achieved worldwide recognition and remarkable success in a short span of four and a half years. This could not have been possible without an effective and enabling regulatory regime, dynamic, innovative and always eager banking and telecom industry in the country. I would like to share some numbers that show the level of take-up of branchless banking services in the country. For example:

- Currently, eight branchless banking deployments are live in the market and four more are yet to go live this year.
- Up to December 2013, providers' combined network has reached to almost 125,000 agents spread across all over Pakistan.
- Total number of branchless banking transactions has shown continuous growth in each successive quarter. 54 million transactions worth Rs. 234 billion were performed during the quarter ended December 2013.

- Currently 3.5 million customers hold branchless banking accounts (also known as m-wallets) to avail host of services including fund transfer, utility bill payment, domestic remittance, mobile top ups, loan repayment, and saving account features.
- Branchless banking has played a pivotal role in providing efficient Financially Inclusive Government to Person (G2P) payments to welfare beneficiaries of Benazir Income Support Program (BISP), Watan Card and Bayt-ul-mall.

**Ladies & Gentlemen**, while we have achieved initial success through accumulating a critical mass of transactions and customers' acquisition in branchless banking, we are by no means complacent. We are focusing our energies to identify gaps and bring solutions to address those gaps. SBP is strengthening its regulatory oversight through measures such as regular diagnostic and inspections, compliance forum, and agent monitoring System.

SBP has also formed the National Branchless Banking Consultative Group which draws representation from branchless banking industry players including banks, mobile operators, and technology service providers. This group is actively working on different protocols including agent code of conduct, agent sharing models, interoperability schemes, consumer protection framework etc.

**Ladies & Gentlemen**, it is a matter of great comfort and satisfaction for banking and telecom companies that their respective regulators i.e. SBP and PTA share the vision and are working in close collaboration to provide an enabling regulatory environment for development of mobile / branchless banking services. Keeping in view the importance of interoperability for promotion of branchless / mobile banking, SBP and PTA are working closely in developing a regulatory framework for Third Party Service Provider (TPSP). Eventually, mobile financial services would become interoperable once TPSP regulatory framework is issued.

Going forward, much is still needed to be done. SBP is keen to work with different stakeholders of mobile/branchless banking industry eco-system to provide an enabling environment for the creation of mobile/branchless banking ecosystem in the country.

I trust that the today's deliberations will take stock of the opportunities and challenges offered Branchless Banking and its related products. I also hope that the forum would come up with recommendations on how to harness potential of branchless banking for financial inclusion in Pakistan.

Thank you!