

SBP to launch £10 million Financial Innovation Challenge Fund soon: Yaseen Anwar

The Deputy Governor, State Bank of Pakistan, Mr. Yaseen Anwar has disclosed that the central bank will soon launch a 10 million UK pound Financial Innovation Challenge Fund to spur innovations in the financial services products and delivery channels in the country.

Speaking at the inaugural ceremony of NRSP Microfinance Bank Limited (NRSP MFB) in Bahawalpur today, he said that SBP has also launched Improving Access to Financial Services Fund (IAFSF), for improving financial literacy amongst existing and potential microfinance clientele which will enhance their capability to access and make productive use of financial resources. 'A nationwide Financial Literacy Program will be launched shortly in various districts on a pilot basis,' he added.

Mr. Yaseen Anwar said the State Bank of Pakistan will continue to encourage mainstreaming of microfinance into formal banking system to achieve financial inclusion in a sustainable manner. 'SBP believes that in the long run institutional development is the most critical factor for sustainable growth of microfinance in the country,' he added.

SBP Deputy Governor said that the setting up of NRSP MFB was a result of successful transformation of National Rural Support Program (NRSP) into microfinance bank. "At SBP, we look forward to the success and positive outcomes of this transformation," he said.

He however, emphasized that the 'transformation' of any microfinance institution into a microfinance bank is not a one-time move. "It's a long term and rigorous process in which the organizational behaviours have to be constantly modified to a new environment characterized by competitiveness and regulatory compliance," he said and added that with this transformation, the NRSP will now be exposed to new set of challenges which will have consequences for the financial, operational, and strategic risks.

Mr. Yaseen Anwar said that since NRSP holds a market share of almost 22%, its commencement of business will result in a substantial increase in the market share of regulated microfinance banks within the overall microfinance sector. Besides micro-credit, this transformation will also lead to the provision of other important financial services (such as deposits, remittances etc.) in the rural areas of our country, he added.

"We foresee NRSP Microfinance Bank operating successfully in all the districts of Pakistan in near future. I believe that NRSP experience will act as a change agent which will facilitate the transformation of other larger MFIs into formal banking system," he added.

He said that the State Bank has taken a number of policy and program initiatives to promote microfinance in the country. "To facilitate the microfinance industry's growth on a sustainable basis, SBP maintains fine balance in regulating the sector and allowing space for innovation and experimentation," he added.

SBP Deputy Governor said that SBP collaborated with Pakistan Microfinance Network in launching a pilot test of Lahore-based Credit Information Bureau (CIB) for the microfinance sector. Pakistan is the first country in South Asia to have MF-specific CIB, he said and added that this initiative will improve the credit assessment capabilities of microfinance players and also reduce the over indebtedness of poor clients.

He said the Microfinance Credit Guarantee Facility, launched with 10 million UK pound, has been able to mobilize private capital from commercial banks to provide Rs. 2 billion for the microfinance sector that will improve outreach considerably. He said the Institutional Strengthening Fund, worth 10 million UK pound, also set up at SBP since Dec 2008, aims at strengthening institutional & human resource capacity of microfinance banks and institutions. "So far, grants of Rs.400 million have been approved for 8 microfinance providers in respect of 10 major projects which are aimed at addressing institutional strengthening needs of key players," he added.

Mr. Yaseen Anwar said that Pakistan has earned a global recognition for improvements in microfinance in a number of areas as a result of initiatives taken by the central bank and the contribution made by the industry and other stakeholders. "The Economist Intelligence Unit (EIU) of the Economist magazine has ranked Pakistan at the top in microfinance regulations," he said and added that the EIU report has come at the right time validating SBP's approach to microfinance development.

He said that the existing branchless banking deployments with over 12,000 agents have already surpassed the bank branches network of 10,000 in Pakistan. 'This is indicative of the fact that the bricks & mortar approach to promoting financial inclusion is not very useful,' he added.
