

## **SBP aims to provide basic banking services to every adult in Pakistan: Yaseen Anwar**

Mr. Yaseen Anwar, Governor, State Bank of Pakistan (SBP) has said the central bank aims to provide basic banking services to every adult and bankable citizen in Pakistan. 'As a large portion of our population has access to mobile phones, we feel that if a workable partnership between the banking and telecom sectors continues, we shall see our dreams come true,' he added.

Delivering his keynote address at the 5<sup>th</sup> International Conference on Mobile Banking in Pakistan at a local hotel in Karachi today, he said that mobile phone subscription has seen an explosive growth in Pakistan – total subscription now reaches to 112 million customers in all income segments of the society, and growth continues rapidly.

He, however, observed that banking accounts are owned by approximately 25 million customers, in a population of 180 million, largely belonging to high income segments while there are about 7 million borrowers. He pointed out that Pakistan has one of the lowest financial penetration levels in the world with 56% of the adult population totally excluded, and another 32% informally served.

Mr. Anwar said that SBP will continue to play its role in promoting an environment which is conducive for financial innovation. 'At the macro level, we will continue to work with the industry and the other regulators to promote a sound, safe, efficient and inclusive mobile commerce ecosystem,' he added.

He said: 'On this front, we are already working closely with Pakistan Telecommunication Authority (PTA) and have also signed a Memorandum of Understanding (MoU) for enabling the Interoperability Framework where all banks and telecom companies can join hands to serve the customers. We are also in the final stages of formulating the regulatory framework for interoperable mobile banking system.'

Interoperable systems are essential to mass adoption of mobile commerce, he said, adding that at present, financial institutions and telecom companies can choose whatever business model suits their needs i.e. One-to-One or One-to-Many. 'Let me assure that all the existing and the prospective One-to-One or One-to-Many arrangements between banks and the Telcos would not be affected with the proposed regulatory framework,' he added.

Mr. Anwar said that SBP is keen to work with different stakeholders including financial institutions, different regulators, private sector, application developers and telecom companies to provide an enabling environment for the creation of mobile commerce ecosystem in the country.

However, the common challenge is to ensure that all banking transactions, irrespective of the technology platform, are cost effective, efficient, and pose the lowest risk for the consumers, he said, adding that this requires close coordination among the stakeholders in the area of regulations especially monitoring, licensing, provision of technological infrastructure and ensuring maximum benefits for consumers.

SBP Governor emphasized that the existing agents network needs to be further capacitated to generate new demand, and to handle and service even larger volumes of transactions to establish the business viability of Branchless Banking operations. 'Going forward, SBP will be initiating actionable research on the supply and demand side in collaboration with the Branchless Banking ecosystem for further development of such services in Pakistan,' he added.

Mr. Anwar said that mobile phone banking is now the new market niche for both banks and Mobile Network Operators (MNOs), and many of them are preparing to enter in this exciting market in a big way. 'In almost 2 years, the branchless banking deployments with 22,500 agents offering low-cost services all over the country, including in the hitherto neglected areas, have surpassed the 10,000 branch network of banks,' he said and added that the fast mobile penetration and its continuing strong growth fuels expectations that transformational branchless banking models would prove a game-changer in improving access to finance in Pakistan.

In the coming days, this channel is expected to continue playing an important role towards the promotion of financial inclusion and the management of Government to Person (G2P) Programs like Salaries Disbursements, Pensions, BISP, Watan Cards, Pakistan Cards and Tax Collections Services, etc, he said and added: 'We are confident that the Branchless Banking deployments can cater to the needs of over 10 million potential beneficiaries of G2P Payments in Pakistan.'

He said that at present, we have two fully functional Branchless Banking deployments with over 22,000 Access Points with a geographic dispersion in over 600 cities across the country. These deployments are serving more than 1 million accountholders and millions of Over-the-Counter customers, he said, adding that so far around 80 million Branchless Banking transactions of Rs.300 billion have been executed in Pakistan.

A number of banks are already in the pilot phase with others approaching SBP to initiate Branchless Banking business, he said and added that one of the largest mobile operators in the country and one of the largest private sector banks are already flexing their muscles to enter into the Branchless Banking arena. 'With the influx of new entrants, I am expecting a surge in the number of Access Points to over 50,000 very soon,' Mr. Anwar added.

SBP Governor said the central bank has played an effective role in providing an enabling regulatory environment for the banks to leverage their full potential of technology, mobile operators' penetration, and other available delivery channels to provide financial services to all segments of the population.

'I strongly believe that where conventional banking has its limitations, the electronic payments and mobile banking products should fill the gap. In particular, the challenge is to extend these services to unbanked or the underserved segments of the population, that mostly reside in far flung rural areas. In this respect, a small retail store in a remote part of the country could serve as an agent to help solve everyday problems of a farmer, who is generally required to travel long distances and incurs high costs for utilizing the necessary financial services, he added.

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