

December 19, 2012

SBP Governor, Mr Yaseen Anwar stresses upon banks, mobile network operators to promote Branchless Banking

The Governor, State Bank of Pakistan (SBP), Mr. Yaseen Anwar has stressed upon the banks and mobile network operators (MNOs) to promote branchless banking for the benefit of the unbanked and underserved people of the country.

‘If the banks and mobile network operators want to succeed, they have to assign a strategic priority to branchless banking’, he said while inaugurating a one-day workshop on ‘Future of Branchless Banking, Payment Systems and Financial Inclusion’ which was jointly organized by SBP, Pakistan Telecommunication Authority (PTA) and Consultative Group to Assist the Poor (CGAP) of the World Bank at a local hotel in Karachi today.

He emphasized that the Boards and Chief Executives of banks and MNOs must have ownership of branchless banking and added that this will help to bring commitment, attention, and support from every level of the organizations to this innovative, exciting and challenging service.

Mr. Anwar said that SBP has taken several policy and developmental initiatives to promote financial inclusion in the country. ‘Today, our regulatory environment for microfinance and branchless banking is considered one of the best globally’, he added.

‘As a result of SBP regulations on “Branchless Banking”, we have seen emergence of four mobile banking deployments which are not only advancing new frontiers for financial inclusion but also pushing the expansion in the payment ecosystem of the country’, he said, adding that these providers are investing heavily in hiring, training, and branding their agents, thus contributing to the development of a new layer of distribution network for serving largely unbanked market.

SBP Governor said that mobile phone subscribers are almost 120 million, while banking accounts stand at 32 million whereas the number of borrowers is only 5.7 million which indicates that there exists a large ‘financially-excluded’ market ‘Bringing this un-served market into the formal financial system is our key objective as we believe that this would enrich the socio-economic development of our country’, he added.

He pointed out that the brick and mortar retail network of the entire financial industry of Pakistan stands at around 11,000 outlets after 65 years while the branchless banking retail agents’ network has grown beyond 32,000 agents in a short span of 3 years.

With almost 1.8 million mobile banking accounts, the branchless banking customers conducted almost 32 million transactions worth Rs. 140 billion during the quarter ending September 2012,

he said, adding that the average size of each transaction is Rs 4,065 which shows that technology is helping 'financial access' of the unbanked population of the country.

Mr. Anwar said that 90% of total bank branches are currently processing real time online banking services across the country. 'One million internet banking users, 1.8 million mobile phone banking users, and more than 10 million call center users are enjoying virtual banking', he added.

Stressing the urgent need for modernizing and expanding the payment system infrastructure segments, Mr. Anwar disclosed that a proposal is under consideration at SBP for the preparation of Payment Systems Strategic Road Map for the next Five Years.

He emphasized upon the mobile network operators to come up with creative marketing strategies, and financial literacy schemes that provide basic learning and educative experience to their customers.

SBP Governor observed that a robust payment infrastructure is critical for the long-term development of mobile phone banking. 'Banks and mobile network operators (MNOs) have to develop partnerships to expand the agent network, leverage communication bearer channels, develop client acquisition strategies, and build a robust risk management framework', he added.

Mr. Anwar said the last five years average shows that 36% of the transactions were routed through electronic channels depicting a 23% average yearly growth as compared to 2% average growth in paper based transactions. Although, these statistics show an increasing trend, which is still insignificant for a country of 180 million inhabitants with a high currency in circulation of Rs. 1.9 trillion, he said, adding that this high currency in circulation is due to the fact that majority of our population is disconnected from the banking system, and is heavily reliant on cash-based transactions.