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SBP Deputy Governor calls for building inclusive and stable financial sector in Pakistan

The Deputy Governor, State Bank of Pakistan, Kazi Abdul Muktadir has advised the consumer associations, trade bodies, Banking Ombudsman, financial & legal functionaries, banks and Competition Commission to join hands in eradicating financial consumer malpractices for building an inclusive and stable financial sector in Pakistan.

Delivering his key note address on ‘Financial Inclusion, Consumer Awareness and Protection’ at the 4th Conference on Financial Services and Consumers at a local hotel in Karachi, he regrettably pointed out that financial sector in Pakistan remains restricted in its outreach as the majority of population remains either excluded or informally served. ‘This limited access is reflected in the total number of bank accounts, presently around 32 million, and the total number of borrowers, which is only 5.7 million,’ he added. This high level of financial exclusion is largely attributed to two major factors, i) lack of appropriate product offering by financial service providers and ii) lack of public awareness about availability of financial services and products, he said.

Mr. Abdul Muktadir said that SBP is cognizant of high financial exclusion in the country and committed to tackling the associated challenges in a sustainable manner. He outlined the multi-pronged financial inclusion strategy of SBP as under:

- Introduction of Basic Banking Account (BBA), requiring commercial banks operating in Pakistan to provide basic banking facilities to the low income people of the country. A BBA can be opened with a minimum deposit of Rs1, 000 carrying no fee, no limit of minimum balance and offering full ATM facility.
- Introduction of the Annual Branch Licensing Policy which requires commercial banks with 100 branches or more to open at least 20% of their branches outside big cities and set up branches in Tehsil Headquarters where no branch of any bank exists.
- A world class regulatory framework to enable commercial microfinance and branchless banking in Pakistan.
- A national microfinance strategy

SBP with the assistance of UK Department for International Development (DFID) and other donors launched programs to increase access to finance in the country, he said, adding that the DFID-funded Financial Inclusion Program (FIP) aims to address financial exclusion through a variety of interventions.

Mr. Abdul Muktadir pointed out that FIP interventions largely focus on addressing market failures and industry bottlenecks, while addressing issues of fair treatment of clients and consumer protection.

FIP is supporting the establishment of a separate national level Credit Information Bureau for microfinance clients, he said, adding that FIP is also supporting Pakistan Microfinance Network (PMN) to introduce the Transparent Pricing Initiative in Pakistan. ‘This initiative will make the prices for the microfinance market available for the first time in history,’ SBP Deputy Governor added.

SBP Deputy Governor said that FIP is also supporting strengthening consumer protection under the industry-led SMART campaign that is seeking to improve client protection mechanism in the microfinance sector.

The first-ever Nationwide Financial Literacy Program (NFLP) launched in January 2012 intends to create awareness about basic financial concepts such as budgeting, savings, investments, debt management, financial products, branchless banking and rights and obligations of consumers etc., he said, adding that the pilot phase of the program has been concluded successfully by targeting about 50,000 beneficiaries in various provinces, regions and districts with emphasis on low income strata and its effectiveness is currently being evaluated. 'Following a third party independent assessment, the program will be scaled up to the national level in its next phase,' SBP Deputy Governor added.

Mr. Abdul Muktadir said that due to lack of a Financial Consumer Protection legal framework at the National level, SBP has been promoting financial consumer protection in the industry through regulatory initiatives on the basis of its powers under the BCO, 1962. These include: issuance of Prudential Regulations for Consumer Financing; fixation of minimum rate of return on deposits; issuance of guidelines for internal controls for cheque payments; issuance of guidelines on sale of third party products; issuance of operational guidelines for credit card business in Pakistan; issuance of operational guidelines on ATMs; issuance of guidelines on collection of utility bills and issuance of guidelines on priority to senior citizen and pension disbursement through Banks.

'I believe that financial consumer protection could be best achieved if the financial service providers develop and adopt more responsible business practices, encompassing their entire product value chain,' SBP Deputy Governor said.
