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SBP Deputy Governor emphasizes the need for strengthening Corporate Governance in Microfinance sector

Mr. Saeed Ahmad, Deputy Governor State Bank of Pakistan, while speaking at the launching ceremony of Microfinance Corporate Governance Training Program at a local hotel in Karachi, said that microfinance sector has witnessed remarkable growth during past few years. He said that the growth and development of Pakistan's microfinance sector was attributable to the visionary leadership and ownership at the highest level at the SBP.

He reminisced that the journey started in 2000 to promote access to finance by creating a new class of banks dedicated to provision of financial services to the poor and low-income segments of our society. He said that the same vision has been consistently pursued by successive leaderships at SBP. The legal and regulatory framework of Pakistani microfinance was built on the strong foundations and strategic direction by State Bank's leadership which is internationally acclaimed today.

He said that building on this strong leadership legacy, the current SBP leadership was deeply committed to take the agenda of 'access to finance' to the next level. Mr. Ahmad said that strengthening of governance structures of microfinance providers was critical to achieving scale and institutional development by addressing key challenges. He added that the sector had become complex and diversified, seeing new types of players such as telecom companies, insurance companies and commercial banks entering the market.

According to the Deputy Governor the landscape in terms of funding for the sector was also changing and the ability of institutions to access commercial funds was increasingly gaining importance. He said that the core objectives of a strong corporate governance structure should

be on enhancing transparency; increasing oversight and strengthening controls while achieving sustainability and growth for greater financial inclusion.

He said that in promoting sound corporate governance practices and fair competition in the microfinance sector, SBP had taken major policy steps. These include strengthening legal framework for microfinance by effecting appropriate amendments; fixing responsibility of Board of Directors for oversight of strategy and operations; SBP's prior approval which is required for CEO/Directors under fit & proper criteria; specialized supervision system for MFBs including Annual Onsite examination and Quarterly offsite surveillance enforcement mechanism.

He said that despite all these measures, a strong governance system could not be built if ownership was lacking on part of investors or management. Therefore, the corporate governance training program has been launched today by SBP in collaboration with the microfinance industry and Hikmah Consulting under umbrella of Financial Inclusion Program (FIP) with the funding assistance of the UK Aid."

He concluded by saying that SBP would continue to play its strategic role for the development of the microfinance sector in Pakistan.

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