

**Inaugural Address By**

**Deputy Governor SBP**

**“Digital Financial Services and Financial Inclusion in SAARC Countries” under  
SAARCFINANCE Forum from March 19 to March 21, 2018 at (NIBAF),  
Islamabad.**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Distinguished guests, Ladies & Gentlemen

Assalam-o-Alaikum & Good Morning

I feel privileged to launch this seminar on “Digital Financial Services and Financial Inclusion in SAARC Countries”. Let me first pay my greetings to our esteemed guests from SAARC countries. I am glad to welcome you to Pakistan. I would also like to extend my compliments to the State Bank of Pakistan and NIBAF to organize this seminar.

**Ladies and Gentlemen,**

We must appreciate the fact that SAARC countries have been playing a positive role in uplifting the living standards of poor people. Every country is working hard to bring about reduction in the incidence of poverty and improve the human development indicators. No doubt, there are a lot of challenges ahead but I am sure that we will achieve progress and prosperity in our region through the political will, institutional strengthening, national determinations and collective action.

We all know that there is a strong nexus of financial sector development and economic growth. In recent years, the debate has been revolving around the notion of financial “exclusion” as a barrier to economic development and the

need to build inclusive financial system. Financial inclusion is emerging as a new paradigm of economic growth that plays major role in driving away the poverty from the country. It refers to delivery of financial services to under privileged and unbanked people at an affordable terms and conditions.

Financial inclusion is important priority of all countries in terms of economic growth and progress of society. It is an enabling mechanism to reduce the gap between the rich and the poor. In the current scenario, financial institutions are the robust pillars of progress, economic growth and development of the economy.

Today, the financial sector reforms that aim to inculcate financial inclusion are increasingly at the core of the agenda for policy makers and agencies at the global level. According to a World Bank Group Report, 64 percent of adults in developing countries are unbanked. This number is only 17 percent in advanced countries.

**Ladies and Gentlemen,**

Let me now share Pakistan's experience in addressing financial inclusion. In Pakistan, financial inclusion has been a high priority in our national agenda for many decades. Since the establishment of State Bank, there has been a conscious policy to have an extensive commercial banking branch network across the country, to ensure the outreach, in particular, to cover the non-urban areas. However, despite our concerted and continued efforts, Pakistan has still to go a long way to achieve satisfactory level of financial inclusion.

The persistence of financial exclusion, in the face of long-standing efforts to promote inclusion, points to the need for developing a comprehensive National Financial Inclusion Strategy (NFIS). I am happy to report that this

strategy was adopted by SBP in 2015 and came at a particular moment when new technology and rapid expansion of branchless banking offered unprecedented opportunities to transform financial inclusion in Pakistan. This strategy is guiding efforts to promote financial inclusion over the coming five years (2015-2020). It includes targets and objectives that will be monitored closely, and it is intended to be a living document that can be adjusted to become more ambitious as required.

**Ladies and Gentlemen,**

The SBP, being the regulator of the banking sector, has been playing an effective role in providing an enabling regulatory environment for commercial banks to leverage the full potential of technology, mobile networks and other delivery channels for provisions of financial services to all segments of population. SBP also strives to work with regional friends in the promotion of these products to offer consumers with an alternative means of banking and payment services in a cost effective, low risk and efficient manner. No doubt, the benefits to the economy as a whole are enormous because these products target the niche market.

The changes the world has seen in digital technology in recent years have been vast, and almost every industry across the globe is grappling with how best to adapt to enable greater efficiency and improved customer experience. Digital financial services have also been a phenomenal success and have put Pakistan at the global center stage of financial inclusion and innovation. Digital Financial Services are best suited to customers' needs at a cost both affordable to customers and sustainable for providers. Digital finance also has an important role to play for small businesses. It not only provides them with access to

financing but also to electronic payment systems, secure financial products and a chance to build a financial history.

**Ladies and Gentlemen,**

SBP will continue to play its role in promoting a stable, conducive and enabling environment for financial innovation to thrive. SBP is open to work with different stakeholders of mobile and branchless banking industry, including financial institutions, different regulators, private sector, application developers and telcos to provide an enabling environment for the creation of Digital financial services ecosystem in the country.

I hope that this forum will help us understand the various issues relating to Digital financial services ecosystem. I believe that SAARC countries have an active role to play in promoting financial inclusion among the member countries. While challenges do exist, none of them are insurmountable, even though some may require a combination of time, investment, and innovative problem solving approaches. Digital financial services are already in the market place which can be adopted to connect the unbanked segment of our population to financial services enabling them to improve their standards of living and economic well being.

Central Banks and Governments alone cannot determine whether digital financial services can transform the lives of millions of people of the region. I hold a firm belief that by working together, we can actually enable our people to elevate themselves out of poverty by putting financial opportunities in their hands. This would however require willingness, time, expertise and strategic investment by all the stakeholders.

Thank you all for being part of this forum. I look forward to your productive participation during the entire event.

Thank you ladies and gentlemen for listening.