

# STATE BANK OF PAKISTAN CONFERENCE

## EXPANDING FRONTIERS OF FINANCIAL ACCESS IN PAKISTAN

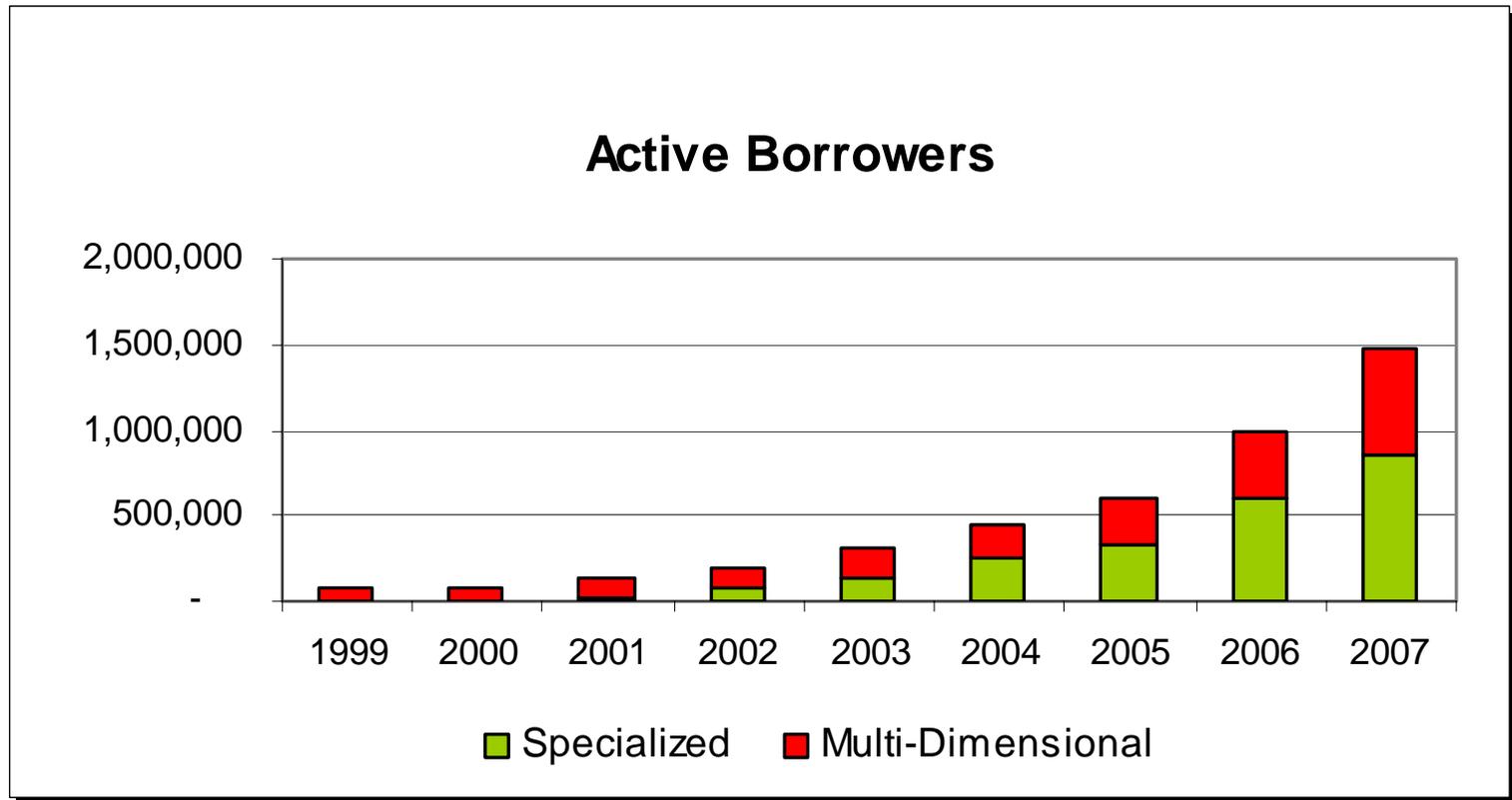
Microfinance Strategy: Toward  
Providing Cost Effective Opportunities

Steve Rasmussen

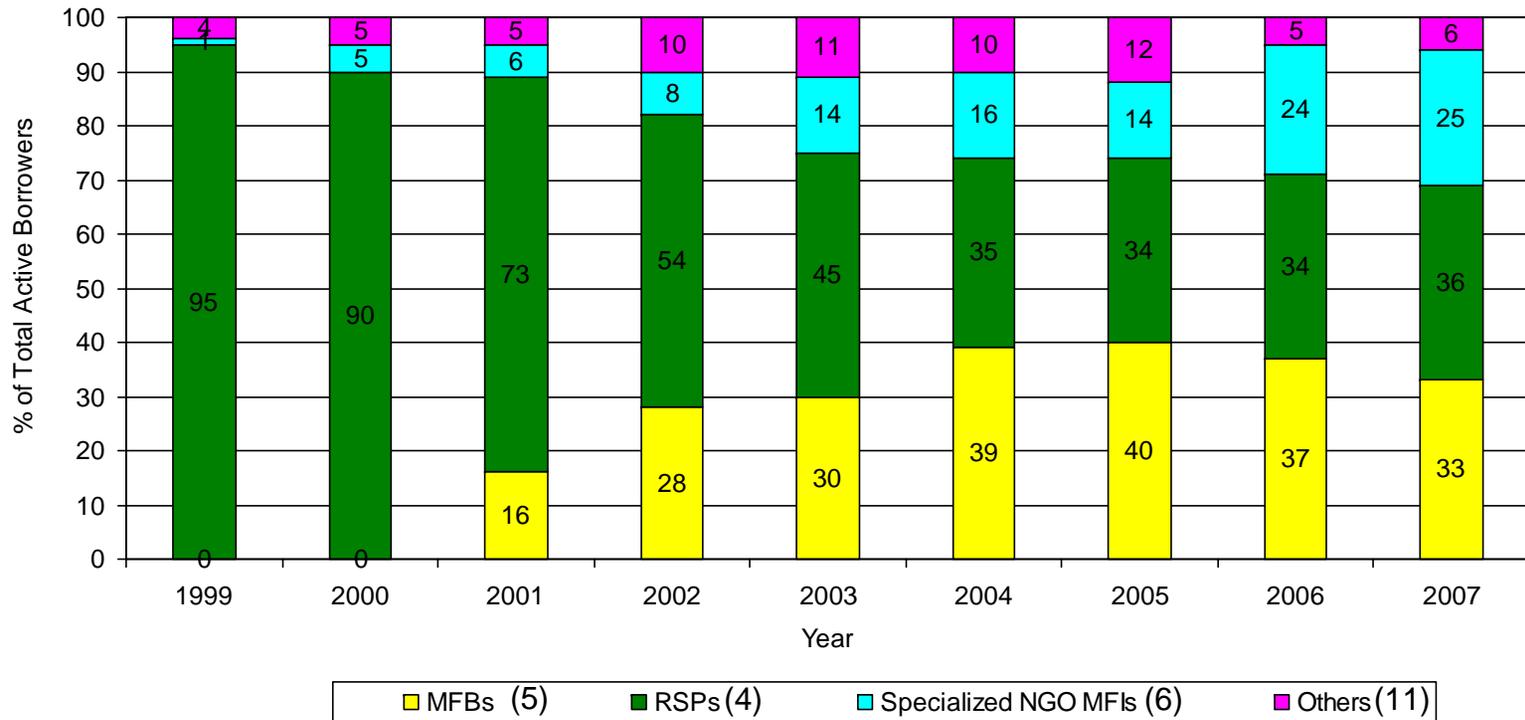
# National Microfinance Strategy

- Where are we today?
  - Credit
  - Savings
  - Insurance
  - Payment Services
  - Policies and Regulations
- Cost Effective Opportunities?

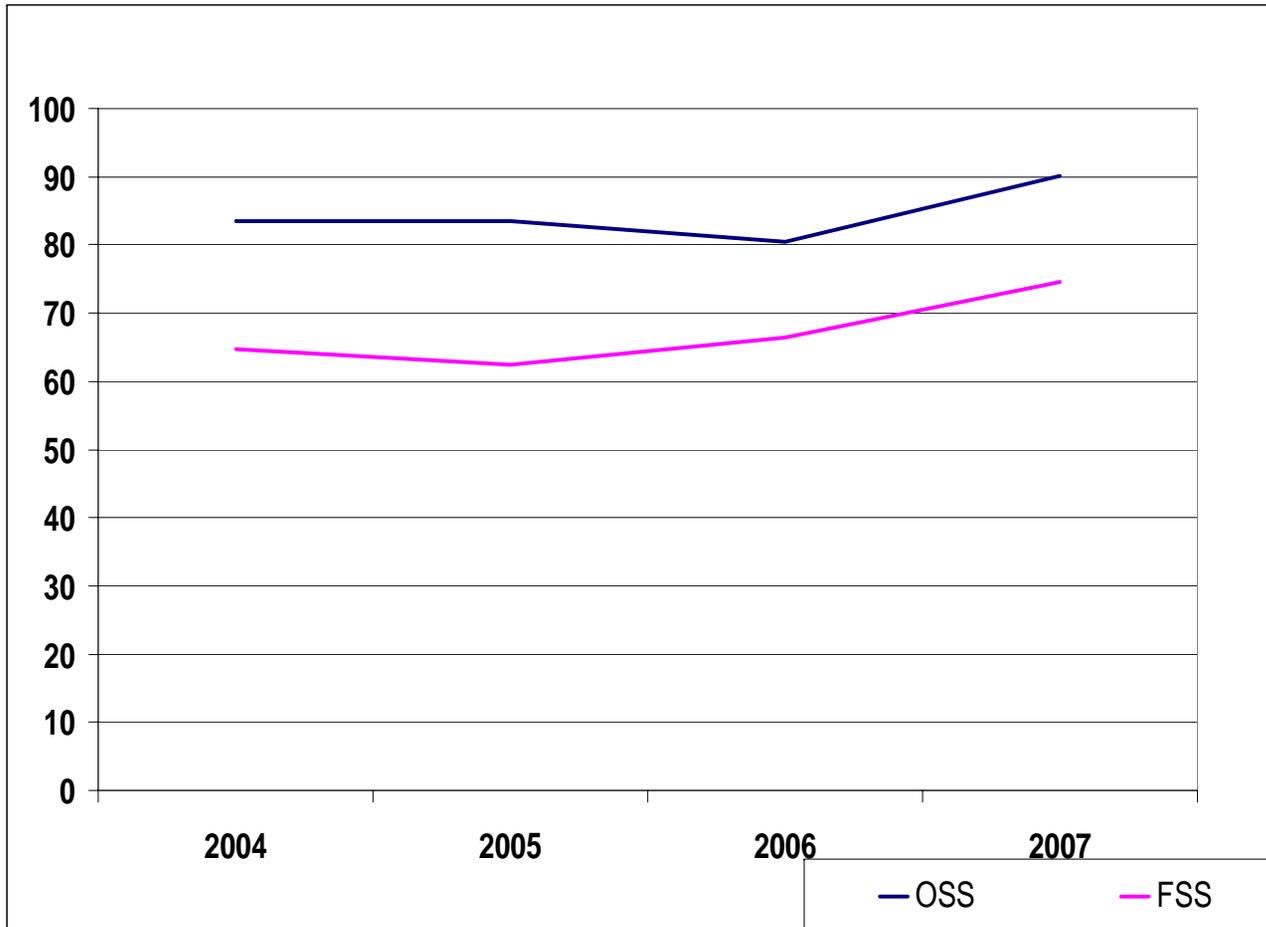
# Credit: Outreach growing faster than any other South Asian country



# Credit: Market share by type of institution



# Credit: Sustainability is improving but still low



## FSS – 2006

**Africa : 91%**

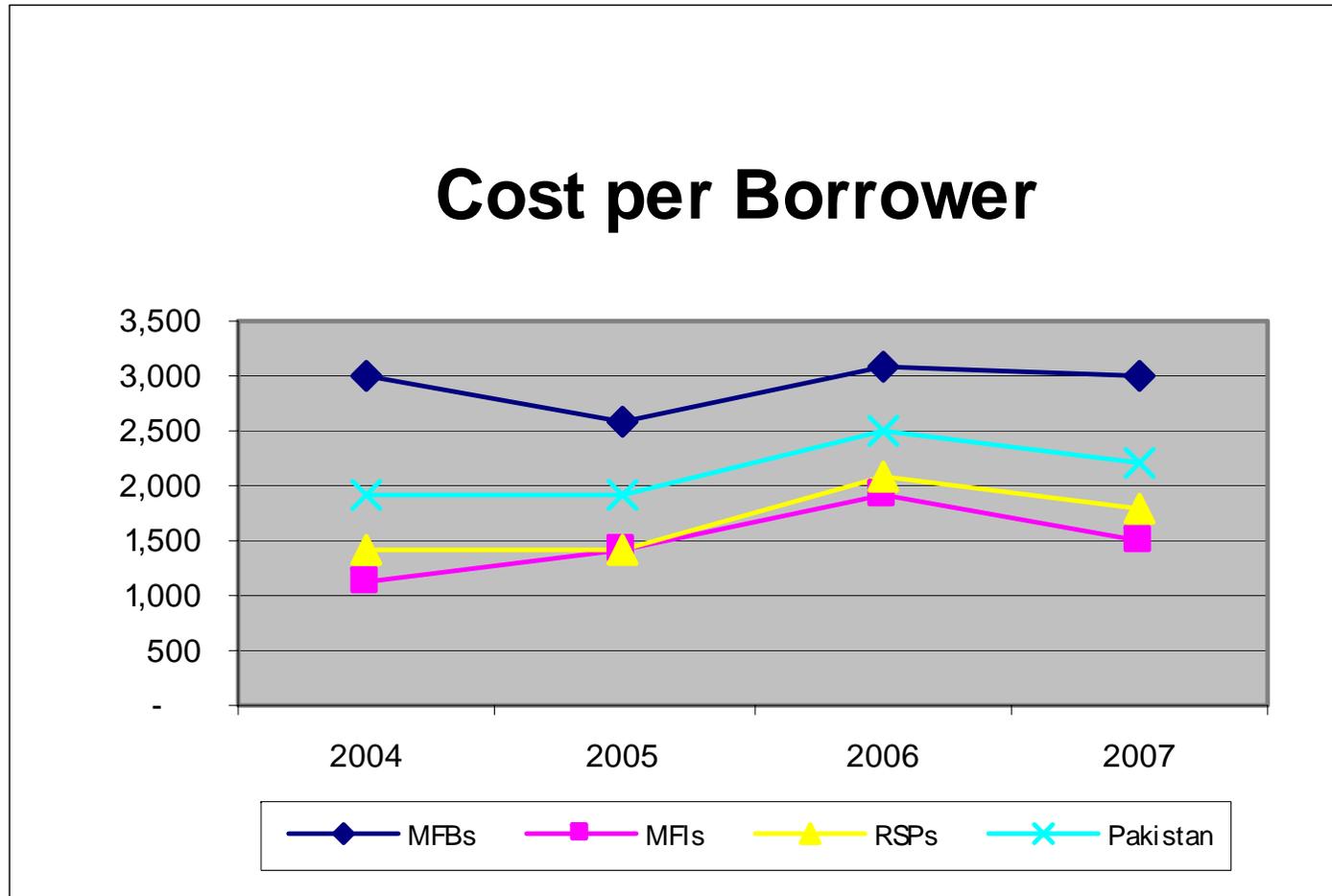
**Asia: 102%**

**Middle East and North Africa: 96%**

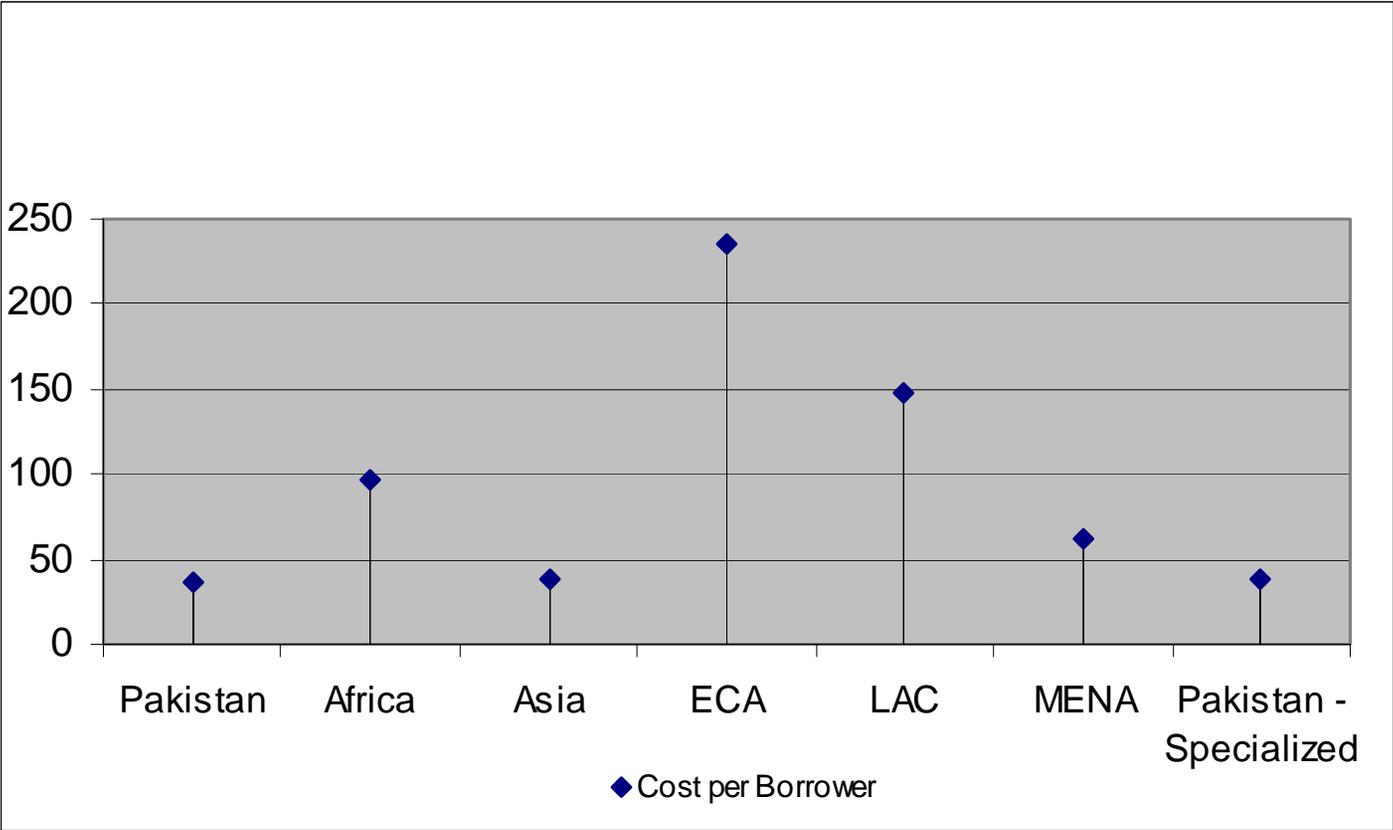
**Latin America and Caribbean: 111%**

**East Europe and Central Asia: 111%**

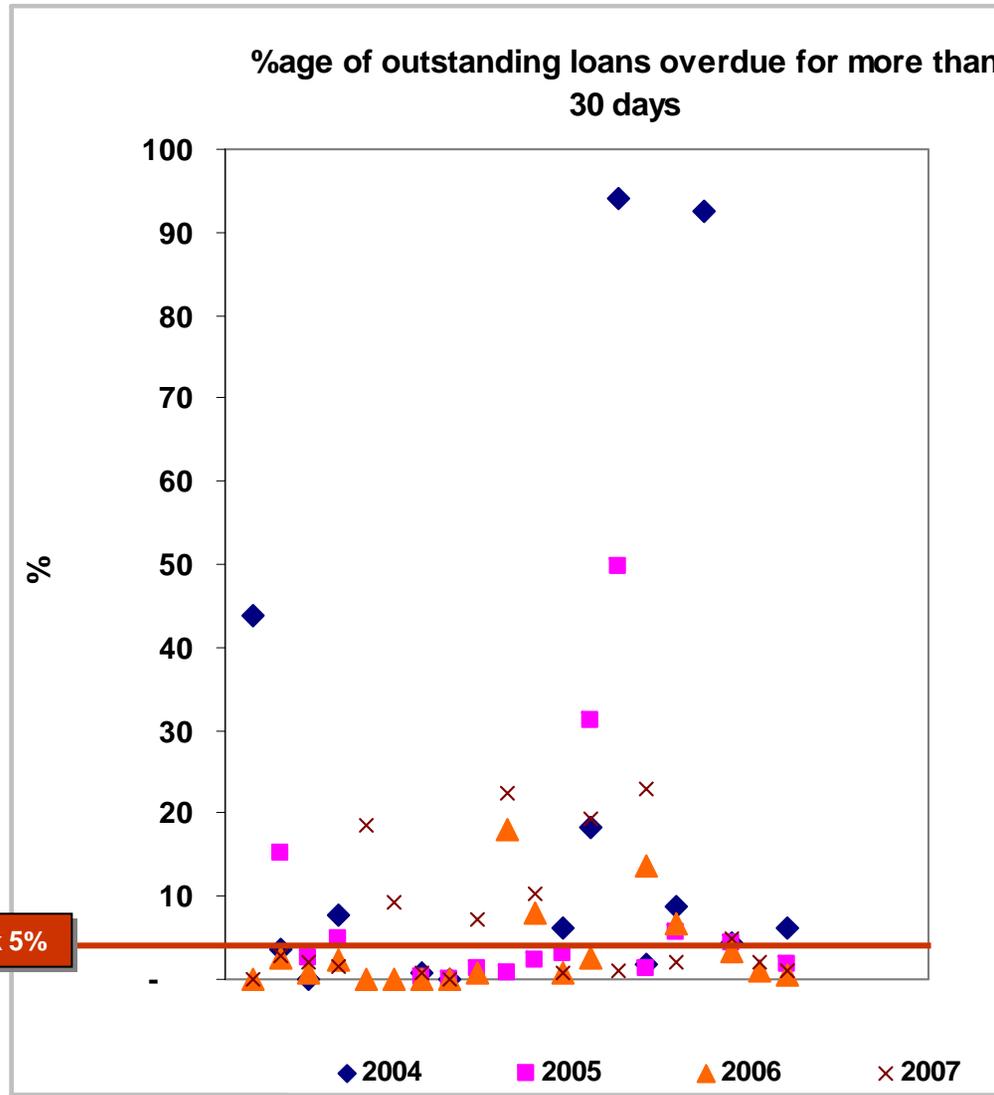
# Credit: Delivery costs have peaked



# Credit: Delivery costs are globally competitive



# Credit: Portfolio at risk remains low



**Asia: 2.1%**

**Africa :5%**

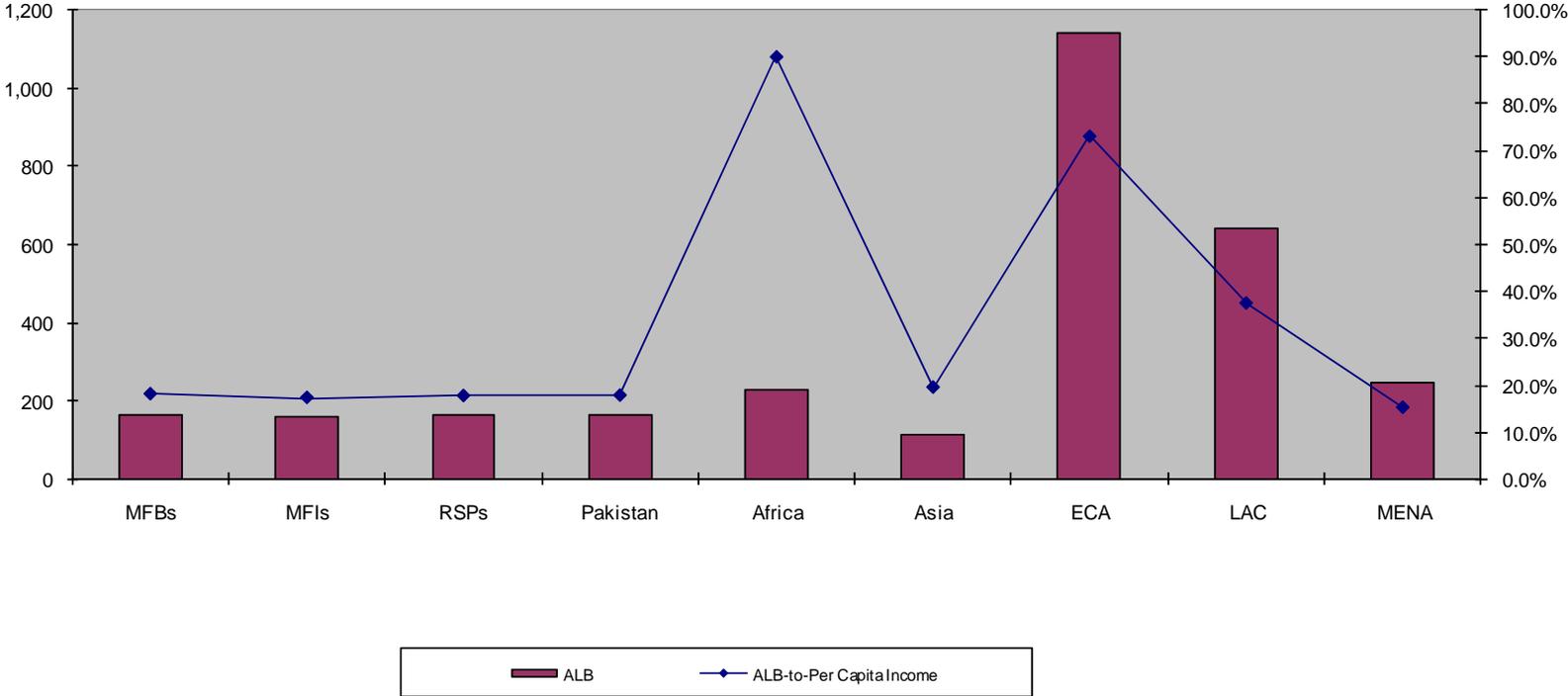
**Middle East & North Africa: 1.4%**

**Latin America & Caribbean: 3.6%**

**East Europe & Central Asia: 1.2%**

# Credit: Sector largely serves poor people

Figure 19: Average Loan Balances

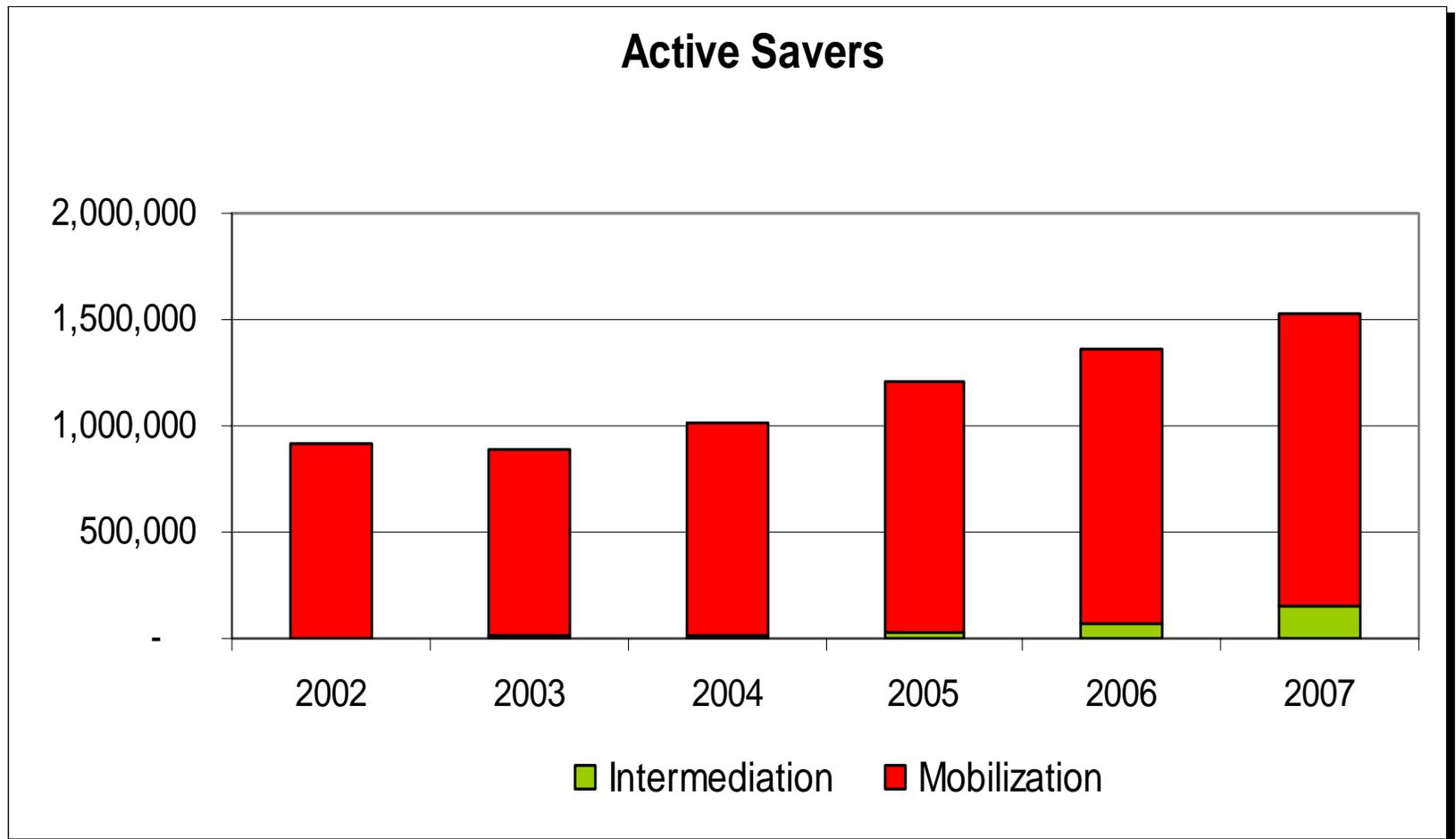


# Credit: Summary

- Good performance over the past three years – will reach 3 million active borrowers by 2010.
- Increasingly led by a few specialized institutions.
- Microfinance banks coming into their own – but still need to improve efficiency.
- Challenges:
  - Macro economic environment.
  - Balance sheet funding.
  - People.

# Savings: Outreach by MFIs limited

(Microfinance is savings led in Bangladesh, Indonesia and most of Africa)



# Savings: Outreach still led by other providers – reaching the poor?

- Post Savings Bank: ~4 million accounts.
- Central Directorate of National Savings: 4+ million accounts.
- State owned financial institutions: ?
- Estimated that these have 70-80% of small value savings accounts.

# Insurance: Some progress

(India and East Africa are emerging leaders)

- Group life offered by several insurance companies and most MFIs.
- Some health insurance schemes – RSPs and AKDN.
- First MicroInsurance Agency Pvt Ltd.
- Large unmet demand for health and crop / livestock insurance.

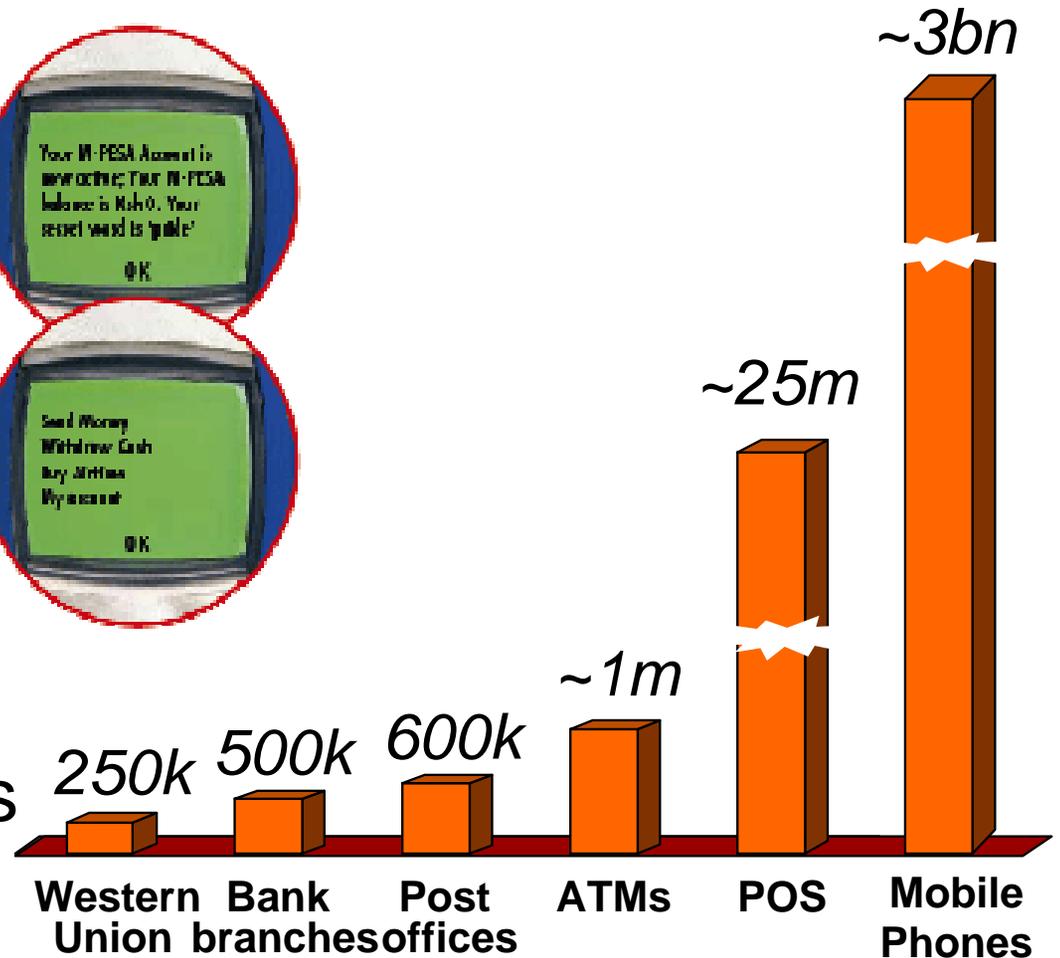
# Payments: Global Potential

Ability to transact REMOTELY

*A transactional terminal nearby*

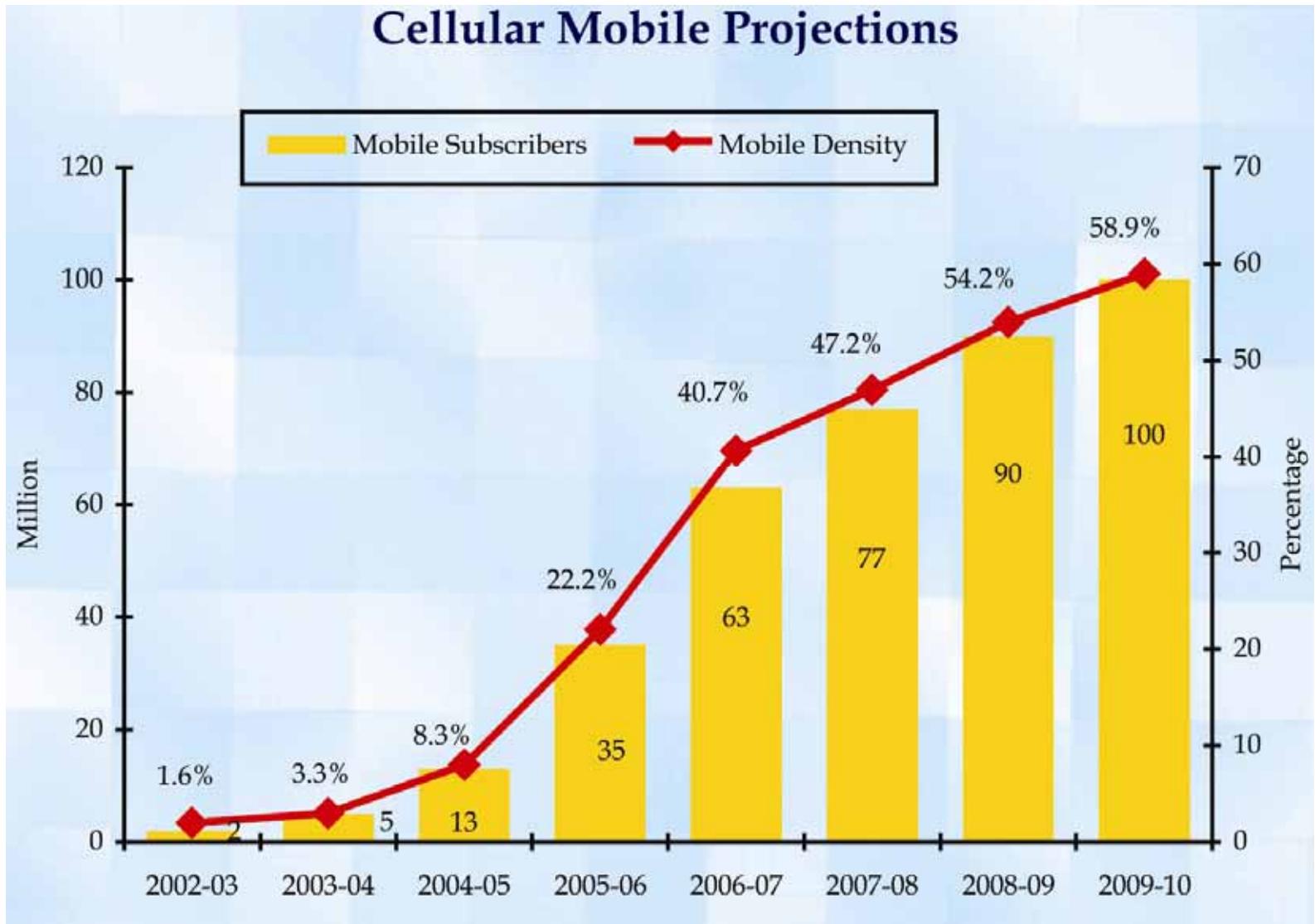


- ✓ Real-time payments
- ✓ Deployed base of devices
- ✓ Ease of use, security



Sources: Western Union website, VISA, World Bank, UPU 2006, GSM Association

# Payments: The opportunity in Pakistan



# Payments: State of play in Pakistan

(Maldives and India also moving ahead)

- Conducive regulation (agents) for financial institutions to take the lead.
- Possible future option to open the door for non banks to offer services if necessary.
- One MFB has a pilot project and other institutions are making plans.
- Needs to go beyond the microfinance sector if it is to make a big impact.

# Policy and Regulation

The best environment in South Asia and amongst the best in the world:

- Supportive policy environment.
- Open dialogue with all stakeholders.
- Attractive microfinance regulation.
- Branchless banking possibilities.

# Cost Effective Opportunities?

- Credit
  - Greater efficiency
  - More diverse product offerings
- Savings
  - More emphasis
- Technology and payment services
  - Reduce transaction costs
  - Reach many more poor people?
  - Banks need to get involved