

Expanding Frontiers of Financial Access in Pakistan — Closing Remarks
Sixtieth Anniversary of the State Bank of Pakistan

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By

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1. Distinguished guests, today's conference has afforded us an opportunity to contemplate ways of "Expanding Frontiers of Financial Access in Pakistan". Development finance is not just a poverty reduction tool, but given Pakistan's socio-economic conditions, it is a commercially viable sector and an opportunity missed thus far. Moreover, the key to commercial success of inclusion is high volumes and low margins. However, it is clear from the discussion today that we must view the prism of challenges and opportunities of financial inclusion from varying angles and come up with a comprehensive set of policy, regulatory and implementation measures. In fact, these prescriptions cannot be static and must evolve to tackle generations of problems as we do in traditional banking.
2. As we have observed today, a common thread of principles serves as the foundation of promoting inclusion. First, inclusion is an undertaking not of a few institutions but of a diverse range of players that are able to forge partnerships across sectors to enable access. With this gathering today we hope that some of those conversations begin to formulate or are already taking place. Second, the drive for inclusion must not target credit only, rather ought to promote alternative products such as savings and insurance, which are the main financial drivers of poverty reduction. Third, as historically witnessed in Pakistan and other countries, institutions that have time bound support from the public sector are likely to fare better than their counterparts who are supported without a clear strategy for public players. Hence, the State Bank will act to curb market failure rather than take the place of private sector institutions. Finally, principles of best

practice dictate that development finance will flourish with an extensive understanding of final consumers in mind and their response to product offerings. With this mode of understanding, the financial market in Pakistan can expand to cater not only to the corporate sector, which has limits for growth, but go down-market and expand.

3. Specific challenges and opportunities have presented themselves in front of us in different industries. I am proud that conference participants concur that the target for microfinance borrowers for three million clients by 2010 will be met. However, it is absolutely critical that growth is backed by sustainable and strong institutions for us to ensure long-term availability of microfinance in Pakistan. While SBP is taking concrete steps for development of the sector in Pakistan through regulations and credit guarantees and smart subsidies, market players must especially play a strong role, particularly, in laying the groundwork for strengthening human resource capacities through training programs and appropriate market based incentives. There is also great potential for unleashing the benefits of technology after the introduction of appropriate policy framework through branchless banking in the microfinance sector and beyond.
4. In conclusion, country experience indicates that development finance, while challenging is not an impossible undertaking. SBP is working to create the right incentives for a dynamic, robust and inclusive financial sector in Pakistan.
5. With this, I would like to say that I am really pleased to have you celebrate the sixtieth anniversary of the State Bank of Pakistan and share your perspectives on access to finance for all. Thank you!