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## **Tremendous potential exists for branchless banking: Salim Raza**

Syed Salim Raza, Governor State Bank of Pakistan has said that tremendous business potential exists for branchless banking in the country which allows financial institutions and other commercial players to offer alternate and economical financial services outside the bank premises.

Speaking at the inauguration of branchless banking product 'Easy Paisa' - a joint effort of Tameer Microfinance Bank and Telenor Pakistan - at a local hotel in Karachi this afternoon, Mr. Raza said that the State Bank has always encouraged innovation and provided enabling regulatory environment in order to drive the banks to increase their outreach. "As a regulator, we are concerned about the un-banked masses of our country that do not have banking facilities," he said and added that branchless banking is a milestone to substantially increase the financial services outreach to the un-banked communities.

He said the banks have started to show interest in branchless banking and SBP has given regulatory approval to three banks to carryout branchless banking business. Six banks have been given approvals to offer cell-phone base banking services to their existing customer base as an alternate delivery medium, he said and added that there are many other banks in initial discussions with SBP on their proposals to start branchless banking.

SBP Governor said that developing an inclusive financial sector is a top policy priority area for the State Bank. He said that in the recent past, complete transformation of the banking industry, supported by privatization and restructuring and market-oriented policies, has resulted in broadening, deepening and diversifying financial services. "Yet, financial penetration remains quite low – with only 26 million depositors, 7 million borrowers, and over 20,000 people per bank branch in Pakistan," he said and added that a significant majority are unable to access even the simplest financial services, meaning that they pay more to manage their money, find it harder to plan for the future and cope with financial pressures, and are more vulnerable to financial distress and over-indebtedness.

He said in this context, leveraging technology and finding innovative products and delivery channels, such as mobile phone banking, is the best way to increase

financial outreach. The mobile phones and other branchless banking models have changed the lives of people in many countries around the World, such as Philippines and Kenya.

Mr. Raza said that usage of mobile phones has increased many fold in Pakistan within a couple of years and over 90 million SIMs have been issued in the country. Within a short span of around 15 years the mobile phone industry has gained landmark success by providing cheapest call rates, increased outreach and a number of value added services, he added. This provides immense opportunities to our banking system which caters to 26 million bank accounts through a network of 9358 branches, sub-branches booths etc.

“Therefore, synergic opportunities exist for banks and mobile operators to join hands and start working on each other’s strengths. I am sure the branchless banking is one such business where there is a win-win situation for both the bank and mobile network operator,” SBP Governor added.

Mr. Raza said this is the time the financial institutions need to move away from their inertia and their traditional business offerings so as to adopt continuous innovation as a building block of their business. The adoption of innovative ways of doing business by financial institutions not only gives rise to positive externalities but it also helps in improving the timeliness and quality of data, smoothens out markets functioning thereby resulting into a resilient and a strong financial system, he added.

SBP Governor said that to broaden the scope of access to financial services by exploiting information technology, the SBP has introduced Regulations on Branchless banking. The branchless banking is a recent innovation which is expected to shift and change the mindset from traditional branch banking to a new way of banking, he added. “I would like to reiterate that only innovative approaches and models hold the key to long-term development of financial services industry in Pakistan,” he said.

He said in the last few years, SBP has consistently been following a regulatory approach which promotes broadening of financial services to a larger population. Moreover, SBP is playing a developmental role by managing donor and government-funded programs. I would urge the innovative institutions to share their experiences with other players. He appreciated the joint efforts of Tameer and Telenor for being the first to launch the business of Branchless banking and to bring in this ground-breaking product into the Pakistani market.

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