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Increasing use of branchless banking will help promote financial inclusion in Pakistan: Syed Salim Raza

The Governor, State Bank of Pakistan, Syed Salim Raza has observed that the increasing use of branchless banking will help lift the trajectory of financial inclusion in the country.

Delivering his key note address on the 'Need for Alternative Delivery Channels in Promoting Access to Finance' while inaugurating the Pakistan Branchless Banking Conference at SBP Learning Resource Centre in Karachi today, he said the central bank will continue to actively engage with both financial and non-financial players to stimulate the adoption of innovative delivery channels as part of its multi-pronged strategy to expand the frontiers of financial access in Pakistan.

He said that Pakistan's financial sector is experiencing a dynamic transition, led by the increasing uptake of technology solutions. "This transition can be witnessed through recent e-banking data, with the transactional volume of 46.4 million e-payments valuing Rs. 4.1 trillion during a single quarter of October-December 2009," he added.

Mr. Raza further said that these volumes are expected to grow substantially as Pakistan has currently 95 million mobile phone users in comparison to 26 million bank account holders. This situation pinpoints the inherent potential for mobile banking in Pakistan, and the need to leverage technology to promote financial inclusion to the geographic regions — hard to reach by conventional banking channels, he observed.

He said that Pakistan is the first country in South Asia to have issued Branchless Banking Regulations, providing commercial and microfinance banks a supportive regulatory environment for developing partnerships and innovative delivery channels to promote financial inclusion in Pakistan.

SBP Governor said that with an enabling regulatory structure and growing technology sector, Pakistani banks and microfinance players can now utilize international best practices and models to diversify their financial services and develop partnerships for managing special initiatives.

There are almost 4 billion unbanked people in the world, he said and added that the existing outreach in Pakistan is about 12%. Hence, it is in our best interest to develop an inclusive financial system which also provides low income and marginalized communities with increased access to quality financial services, thus allowing them to become a critical component in the country's economic development, he observed.

Stressing the need for vigorous and productive discussions at the conference, the Governor said that he was looking forward 'to have valuable insights and recommendations for our current as well as future branchless banking development initiatives.'

He said the State Bank has provided the necessary regulatory environment which promotes experimentation and uptake of branchless banking. However, he emphasized that the private sector still needs to take necessary steps in this direction. "The providers should set realistic expectations of their time horizons and potential returns," he said and added that those institutions which build their competence to manage potential risks early, will have more robust results.

SBP Governor said as branchless banking channels become increasingly available, the speed at which financial services reach the un-served population, will depend on the actions and decisions of the public and private sectors. "It is our joint responsibility to build a healthy and proactive financial sector in the country," he said.

Referring to three models of Branchless Banking which are in operation in the country, SBP Governor said that under the first model, known as Microfinance Bank's kiosks at retailer's premises, more than 40,000 borrowers have been reached out through 68 offices of Pakistan Post. Under the second model of "Retailers acting as MFB's Agents" which was launched in October 2009, the Tameer Microfinance Bank has opened over 25000 branchless banking customers accounts and the cumulative volume of transactions of Branchless Banking services till the end of March 2010 was over Rs.4 billion with over 1.3 million transactions. 'Going forward, Tameer Microfinance Bank will also introduce foreign inward remittances', he added.

Mr. Raza said that under the third model which is led by commercial banks, the MCB Bank has registered over 60000 customers and transacted over Rs. 1 billion with over 175,000 transactions. UBL is also undertaking branchless banking based on selection of individual agents that will work as 'Direct Agents', the SBP Governor added.

He said that SBP has recently allowed Dubai Islamic Bank to offer branchless banking at convenient public locations like shopping malls, clubs, societies and schools. The branchless banking services will be provided by creating Branchless Banking Desks at these public locations where Dubai Islamic Bank's staff will serve the customers' banking needs, he added.

Mr. Raza said that in addition to these three models, a new model of branchless banking is also emerging which has great potential to expand the frontiers of financial access especially in the far-flung areas of the country. He said that under this new model, a retailer or a Teleco may establish its own microfinance bank.

Few large retail organizations and mobile network operators are currently in the process of establishing their own Microfinance banks to leverage their retail networks and mobile phone technology to extend the distribution of financial services throughout Pakistan, he said and added that at present, State Bank is reviewing their applications for the grant of microfinance bank license.

Mr. Haroon Sharif, Senior Regional Adviser (S Asia) DFID; Dr. Mohammed Yaseen, Chairman, PTA; Mr. Ali Arshad Hakeem, Chairman, NADRA; Mr. Kabir Kumar, Senior Expert, Consultative Group to Assist the Poor (CGAP), World Bank; Mr. Chris Bold, Microfinance Specialist, CGAP, World Bank; Mr. Azhar Hamid, Director General, AGPR and Mr. Steve Rasmussen, CGAP, World Bank also spoke on the occasion.

Mr. Nadeem Hussain, President, Tameer Microfinance Bank Limited; Mr. Abrar Ahmed Mir, Head Branchless and e-Banking, United Bank Limited; Mr. Qasif Shahid, Head, Remote Banking & Business Development, MCB Bank; Mrs. Aniq Afzal Sandhu, Head of M-Commerce, Mobilink Pakistan; Mr. Khalid Awan, Chairman, TCS and Mr. Sikandar Naqi, SEVP, PTCL made presentations on various aspects of branchless banking.

Syed Irfan Ali, Director, Banking Policy and Regulations Department, State Bank of Pakistan, Karachi; Mr. Waqas ul Hasan, DFID Pakistan; Mr. Hussain Tehani, President, First Microfinance Bank Ltd., Mr. Majid Kazmi, JS Bank Ltd. were the Panelists at the one-day conference organized by the State Bank in collaboration with UK Aid.

The conference was attended by 250 participants primarily from the banking sector, mobile operators, technology companies, agent networks, regulators, government and donors.
