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Yaseen Anwar asks commercial banks to promote financial inclusion

Mr. Yaseen Anwar, Deputy Governor State Bank of Pakistan has urged the commercial banks to focus on improving access to finance and promote financial inclusion without compromising on the safety and soundness of the overall banking system.

Speaking at the 3rd International Mobile Commerce Conference in Pakistan at a local hotel in Karachi today, he said that as a regulator, the State Bank will always facilitate the banking sector by providing various options to conduct smoothly its operation of financial intermediation.

He said the mobile phone banking that comprises the larger part of branchless banking can be implemented by using one-to-one (one bank having joint venture/agency agreement with one telco/non-bank), one-to-many (one bank with many telcos) business arrangements and many-to-many (many banks with many telcos). “We have given banks the liberty to select a model most suitable for its operational capabilities as well as business considerations,” he added.

Mr. Anwar said the State Bank is also considering the non-bank led/Telco led model of branchless banking. This of course adds a totally new dimension to regulation that extends beyond the direct supervisory role of SBP, he said and added: ‘we may need to establish, as in some countries, a National Payments Council that will include other stakeholders to regulate this rapidly expanding business sector’.

SBP Deputy Governor said that SBP has issued guidelines for branchless banking as part of a broader strategy to create an enabling regulatory environment with the objectives of promoting financial inclusion.

Mr. Anwar said that branchless banking is a significantly cheaper alternative to conventional branch-based banking as it allows banks to offer financial services outside traditional bank premises. “One inherent power of branchless banking is that it can be used to substantially increase the financial services outreach to the un-banked communities and in a broader perspective provides ways and means in the promotion of financial inclusion in the country,” he added.

He said that Pakistan’s financial sector has witnessed the transformation from a paper based nationalized era to a more technology based dynamic sector. As far as e-banking in Pakistan is concerned; the statistics are gradually showing encouraging trends, he said and added that as of December 2009, the number of real time online branches has reached 6700. “We have now around 4400 ATMs and the quantity of cards (debit/credit/ATM) in circulation has reached 10 million,” he said and added that the

transactional volume and value of e-payments during a single quarter of October-December 2009 reached 46.4 million and Rs. 4.1 trillion respectively.

SBP Deputy Governor observed the upward trajectory of this payments volume will represent significant opportunities for those financial institutions that are ahead of the curve in the development of their in house technologies and risk controls. He said that SBP last year launched the RTGS (Real Time Gross Settlement) product. 'As institutional payment volumes increase via RTGS, settlement risk becomes a critical area for each institution to manage. The emphasis on technology and adequate back up arrangements become critical to ensure a failure of any one institution to settle on any given day does not trigger systemic risk. Settlement Risk management criteria are currently being developed by SBP and will be advised in the near future', he added.

However, Mr. Anwar said that each and every business activity or venture, small or large, possesses inherent risks that need to be addressed right from the initial stage. He said branchless banking is no exception, and its associated risks should be carefully identified and addressed. "Our guidelines address the agent related risks, wireless and technology risks, wireless network risks, user awareness risks, data & network security risks etc. We are confident our guidelines cover the ways and means to manage these risks," he added.

He said the State Bank of Pakistan believes in encouraging innovative products and services in the financial sector. "In this global village of ours where the information age has eliminated all geographical boundaries, it behooves us to accelerate the transformation of our technology based products to ensure we face the challenges of the 21st century in a proactive and disciplined manner. We must work together to build the financial services sector consistent with nation building for the betterment of each and every individual in Pakistan," the SBP Deputy Governor concluded.
