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## Mr. Shahid Kardar unveils first round of Financial Innovation Challenge Fund on Government to Person Payments (G2P)

The Governor, State Bank of Pakistan Mr. Shahid H. Kardar today launched GBP 10 million Financial Innovation Challenge Fund (FICF) and unveiled the first round of FICF on Government to Person Payments (G2P). 'Banks, public sector institutions, Microfinance institutions, government agencies, pension funds, and academic institutions are invited to apply to promote G2P payment through bank accounts at branchless banking outlets and also provide other financial services to the G2P payments beneficiaries,' he added.

Delivering his key note address at the 'Branchless Banking: Government to Person Payments (G2P) Conference 2011' and launching of 'Financial Innovation Challenge Fund' at SBP Learning Resource Centre in Karachi, he said that FICF would provide grants to foster innovations and test new markets, lower cost of service delivery, enable systems and procedures to be more efficient and provide new ways of meeting the unmet demand for financial services.

Mr. Kardar said that in Pakistan, Government to Person Payments (G2P) had typically been made at location specific cash payments. 'This system is due to limited options, as recipients lack bank accounts and banks have few accessible branches for cash disbursement, he said and added that with the rise of branchless banking models, there were new technology based payment options, which were convenient, safe, and affordable.

He said that despite recent experiments under the Benazir Income Support Program (BISP), Watan Card and World Food Program, there was room for further experimentation. 'Hence, broader and deeper alliances between government agencies and financial service providers would leverage the existing banking and agent networks to engage in the distribution of G2P payments, these steps will not only make G2P payments easier but, also bring more people under the ambit of the financially served', Mr. Kardar added.

SBP Governor said that the eventual aim of the G2P Payments challenge round was to leverage an enhanced payment mechanism and attract recipients of government payments into the sphere of banking and financial services.

Mr. Kardar also highlighted the key benefits of automating G2P payments and said that this would reduce the time lag in delivery and monetary inefficiencies due to leakages and corruption in the system leading to substantial savings and greater government credibility and allow better targeting of subsidies while leveraging national infrastructure for identification and verification; enhance scope of financial inclusion for banks to build financial services on top of payments through basic store of value accounts. 'Besides, the e-payments also assist small businesses such as grocery stores and agents to create new opportunities in existing business infrastructures and enable small business owners to earn commission for providing an automated service point while the additional service helps attract an increased number of customers,' he said. The outcomes will not just be direct but also indirect because of externalities, whose benefits would be difficult to quantify but should be around 1% of GDP, he added.

He said that SBP had been actively promoting branchless banking as the way forward for financial access to the low income markets. 'Two transformational branchless banking initiatives (Tameer EasyPaisa, UBL Omni) have been launched,' he said and added that these models were

facilitating bill payment, domestic /home remittances, and m-wallets accounts to the financially excluded segments. 'The combined retail network of the two models is currently at 17,000 retail agents and exceeds the branch network of the banking system,' he added.

Mr. Kardar said that the Microfinance Credit Guarantee Facility under the Financial Inclusion Program (FIP) had been successful linking the wholesale (commercial banks) funding market with the microfinance sector. 'The facility has mobilized Rs. 2.3 billion enabling additional 150,000 microfinance loans to new borrowers. Going forward, the facility is expected to raise additional funding of up to 3 billion,' he added.

SBP Governor expressed the hope that this conference would be instrumental in identifying the opportunities, synergies and challenges in automating G2P payments. 'The participation from Consultative Group to Assist the Poor and Bankable Frontier Associates, Bank Oportunidas Columbia and DFID would bring in the needed international expertise and best practices to the table, he added.

It may be pointed out that the deadline for submitting an Expression of Interest (EoI) to benefit from FICF is May 30, 2011. EOIs may be submitted electronically on [ficf@sbp.org.pk](mailto:ficf@sbp.org.pk) or a hard copy can also be sent to Director Agriculture Credit and Microfinance Department, State Bank of Pakistan, Karachi.

The G2P Conference, which is being hosted by the State Bank in collaboration with the UK Aid and World Bank arm, Consultative Group to Assist the Poor (CGAP), has drawn an array of public and private sector speakers and audience including international donors, government agencies, banks, telecoms and solution providers.

The conference was addressed, among others, by Mr. Haroon Sharif of DFID, Mr. David Porteous, Director, Bankable Frontier Associates, Mr. Carlos Moya, Banca De Lass Oportunidades and Mr. Chris Bold of CGAP. The speech of Ms. Farzana Raja, Chairperson, Benazir Income Support Program (BISP) & MNA, who could not attend the conference due to NA session, was read by Mr. Noor Rehman, Director, Payments, BISP.

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