

Branchless banking is the future of financial sector: Shahid Kardar

Mr. Shahid H. Kardar, Governor State Bank of Pakistan has said that branchless banking is the future of the country's financial sector as it opens up great opportunities for banks to tap into the un-exploited potential by bringing the unbanked segment of the society into the financial system.

Speaking as the chief guest at a signing ceremony between United Bank Ltd. and ShoreBank International Ltd. (SBI) to support the UBL's branchless banking initiative (UBL Omni) at a local hotel in Karachi this afternoon, Mr. Kardar said the central bank was willing to make regulatory framework for branchless banking more flexible to broaden the scope of the financial services in line with its Financial Inclusion Strategy.

He said that SBP had been in the fore front in introducing a compact regulatory framework for branchless banking as Pakistan was one of the few countries in the world where branchless banking took off as a result of the Branchless Banking Regulations issued by SBP in March 2008. However, Mr. Kardar said that the central bank was open to ideas and suggestions from the private sector to make this framework more conducive in order to expand the financial outreach in the country.

"Branchless banking has a huge potential to reach the unbanked and underserved segment of the population," he said and added that the branchless banking certainly will help people to take better advantage of the banking facilities at affordable cost. He said that Pakistan's financial sector was experiencing a dynamic transition led by the increasing uptake of branchless banking solutions and this was the new frontier and the only affordable solution for the financial inclusion. He was of the view that it would be outlandish to regard physical establishment of branches i.e. bricks and mortar as the way forward to provide financial services to the poor. 'This transition can be witnessed through a basic comparison of number of bank branches versus branchless banking outlets,' he said and added that existing network of 13,000 branchless banking outlets has already surpassed the total branch network of around 10,000 bank branches in less than two years.

That there are hundred million mobile phone users in a country in which barely half the population is literate, is evidence enough that even such disadvantaged sections are adept at using this technology. Therefore, it will only be the poverty and limitation of our imagination to provide products and services that will be the constraints, given the versatility of technology and the rapid shrinking of the costs of information and communication technology, SBP Governor added.

Mr. Kardar pointed that cost of setting up of a conventional banking branch was 76 times higher than using third party agents to bring the unbanked into the financial system while using mobile phones halves costs further. He stressed upon the commercial banks to focus and devise new branchless banking products as it would not only help them improve their market share but also serve a larger portion of the population living in rural and far-flung areas.

Earlier, speaking on the occasion, Mr. Atif R. Bokhari, President of UBL, said: "With SBI's technical assistance and the strength of UBL Omni, we aim to support the financial inclusion agenda of the SBP by facilitating the conversion of a large number of non-bank-account-holders into regular bank-account holders, and to incorporate them within the fold of documented economy.

Ms. Laurie J. Spengler, President & CEO, SBI, said, "SBI is delighted to be the implementing partner of this project of national importance for Pakistan."
