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## **Microfinance-exclusive Credit Information Bureau to reduce risk of multiple borrowing & loan defaults: Yaseen Anwar**

Mr. Yaseen Anwar, Governor, State Bank of Pakistan (SBP) has said that Microfinance-exclusive Credit Information Bureau will help Microfinance Banks (MFBs) and Microfinance Institutions (MFIs) in developing robust risk management system and practices, which in turn reduce the risk of multiple borrowing and loan defaults.

Delivering his key-note address at the national roll-out of Microfinance-exclusive Credit Information Bureau (MF-CIB) at SBP Learning Resource Centre (LRC) Auditorium in Karachi today, he said the MF-CIB will open access to credit for millions of potential poor borrowers and reduce the credit risk cost of the lenders, besides lowering the loan price for the borrowers.

Mr. Anwar pointed out that at present even the credit-worthy borrowers of microfinance institutions face difficulty in accessing larger loans from MFBs or commercial banks due to non-availability of their long history of loans and timely repayments with a microfinance institution. 'The MF-CIB will facilitate in the 'graduation' of such livelihood-based workers into small entrepreneurs,' he added.

He said that this nation-wide MF-CIB will be a major step for both lenders and borrowers with positive impact. 'As the CIB expands its operations across the country, the quality and efficiency of the loan appraisal process will improve significantly, he added.

SBP believes that a policy framework for credit bureaus is essential for their smooth and long-term growth, he said, adding that the Government and SBP have already been working on the development of a legal framework, which will strengthen private CIBs by establishing criteria for licensing, issuing regulations, and creating oversight mechanism. 'All this will result into stakeholders' satisfaction, and, most importantly, it will boost public confidence,' he added.

He said that SBP has played a sterling role in the development of microfinance sector as an alternative to conventional banking to serve the lower end of the market. 'However, there is a global shift from microfinance to inclusive finance, that is, from supporting microfinance initiatives in isolation to building inclusive financial sector,' he added.

Financial inclusion, which is a core component of SBP's financial sector development strategy, will also stimulate economic growth for the country, he said, adding that it envisages transforming the financial market into an equitable system with efficient market-based financial services to the otherwise excluded poor and marginalized population including women and young people.

Mr. Anwar urged upon the CEOs/Presidents of MFBs and MFIs to improve corporate governance, management structures and put in place adequate systems & policies in their respective organizations for ensuring protection of consumer rights. SBP is already in the process of revising regulations to ensure that MFBs follow best standards in these critical areas, he said and added: 'We count on your wisdom and commitment to reach out to millions of financially excluded people.'

SBP Governor pointed out that Pakistan has one of the lowest financial penetration levels in the world with 56% adult population totally excluded, and another 32% informally served. 'Therefore, it is imperative that we all endeavour to bring the unbanked people into the formal banking channels to achieve our collective vision of access to all,' he added.

Highlighting some of the recent developments in the microfinance sector, he said that first and foremost, many of our MFBs have undergone recapitalization and restructuring in the last two years. Resultantly, strong and strategic investors have now entered and are entering in the microfinance sector, he said, adding that secondly, adoption of new technologies and alternative delivery channels such as mobile phone and agent-based banking have radically transformed the distribution channels and retail capacity of the sector. 'Finally, SBP continues to invest in various large-scale initiatives in areas of funding, financial literacy, capacity building, institutional strengthening and innovations,' he added.

SBP encourages that credit growth should be fairly distributed across all economic, social, and geographic segments of the target market. 'The MFBs and MFIs should develop innovative credit methodologies and appropriate risk management policies to maintain growth and quality of loan portfolios,' he added.

He congratulated the Pakistan Microfinance Network (PMN), Pakistan Poverty Alleviation Fund (PPAF), DFID, DataCheck, Microfinance Banks and MFIs, and other stakeholders on the national roll-out of MF-CIB and hoped that this achievement will modernize and strengthen the 'industry infrastructure' of microfinance in Pakistan. SBP encourages the financing to micro enterprises, which have so far been neglected by both the microfinance sector and the commercial banks, he said, adding that SBP has already issued necessary regulations to allow MFBs to extend loans up to Rs. 500,000/- to microenterprises.

Mr. Qazi Azmat Isa, CEO, Pakistan Poverty Alleviation Fund (PPAF), Syed Mohsin Ahmed, CEO, Pakistan Microfinance Network (PMN) and speakers from UK Department for International Development (DFID) and International Finance Corporation (IFC) highlighted the significance of this initiative and congratulated the SBP, PMN and PPAF for achieving an important milestone in developing a robust microfinance sector in Pakistan. Mr Tariq Jan, MD, DataCheck explained the journey towards making the MF-CIB functional. DataCheck, a private credit bureau, has been running the pilot MF-CIB in Lahore and Kasur districts since May 2010 and is implementing the project.

It may be pointed out here that the MF-CIB is a joint initiative of the SBP, PMN and PPAF, with funding support from the DFID under its "Financial Inclusion Program" being managed by the SBP.

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