

International Strengthening Fund approves Rs 632 million for MFBs/MFIs: Kazi Abdul Muktadir

The Deputy Governor, State Bank of Pakistan (SBP), Mr. Kazi Abdul Muktadir disclosed today that the International Strengthening Fund (ISF) has so far approved Rs. 632 million for 13 microfinance providers including top and middle tier Micro Finance Banks (MFBs) and Micro Finance Institutions (MFIs).

Inaugurating the 6th Pakistan Micro Finance Conference at a local hotel in Karachi, he said that under the ISF arrangements (a UK grant of 10 million British pounds facility), ISF has supported 20 projects for investments in key areas such as human resources (HR), information technology (IT), product development, risk management systems, business plans and branchless banking development. 'The Pakistan Microfinance Network (PMN) was also provided funding support under ISF to conduct research and develop the industry's infrastructure such as the testing of microfinance Credit Information Bureau (CIB) in Lahore and its expansion to the national level,' he added.

He said that the Microfinance Credit Guarantee Facility (MCGF), a 10 million British pound guarantee facility, has so far mobilized commercial funding of Rs.6,325/- million to four microfinance providers for onward lending to around 200,000 new micro borrowers. 'Going forward, the facility will aim to raise commercial debt from non bank sources, diversifying sources of commercial capital for microfinance providers,' Mr. Abdul Muktadir added.

He said the Financial Innovation Challenge Fund (FICF), which is also a 10 million British pound facility, will provide new ways of meeting the larger demand for financial services. He said that the first round of the Fund which was held to promote the "Government to Persons (G2P) Payments" has now been successfully completed by deciding to award Rs. 505 million to six projects being undertaken by the applicant institutions. 'The 2nd FICF Round would be held on *rural financial services* including agricultural finance and broad based financial services projects using telecommunication infrastructure to promote micro payments for people who are not part of financial services', he added.

SBP Deputy Governor observed that it is encouraging that the investors' enthusiasm in microfinance has been on the rise especially in the last couple of years, and one of the major drivers for investors is the opportunity to enter the branchless banking space.

Mr. Abdul Muktadir said that now four branchless banking providers are operating with full range of services. He said that the brick and mortar retail network of the entire financial industry stands at around 11,000 outlets after 65 years whereas within a short span of two and a half years' branchless banking retails agents' network has grown beyond 30,000 agents. With almost 1.8 million mobile banking accounts branchless banking customers conducted more than 28.4 million transactions worth of Rs. 115.3 billion during the quarter ending June 2012, he said, adding that the average size of transaction is Rs 4,065 which shows that the technology is helping 'financial access' of the unbanked.

SBP Deputy Governor said that the Mobile phone banking has emerged as the new market niche for both banks and mobile network Operators and added that the existing growing agent network will rapidly expand to reach all rural and remote geographic locations across the country.

He said the State Bank envisions branchless banking as a great opportunity for safe, faster and efficient provision of financial services to the un-served segments of the society. Mr. Abdul Muktadir, however, observed that despite the early successes in microfinance and branchless banking, the fact remains that financial exclusion is still very high. Currently, microcredit is reaching only 2.3 million borrowers which is less than 10% of a target market that is estimated to be around 30 million, he added.

He noted that this high level of financial exclusion offers enormous opportunities to the microfinance operators in the country to benefit from a favourable market environment, and grow fast while becoming an important participant within the overall financial sector that would serve the millions of underserved and unbanked people.

'MFBs should emphasize on savings mobilization and cost reduction by developing new strategies & infrastructure such as branchless banking. Moreover, lending operations must be extended to different economic and geographic segments. I would like to assure that the regulatory environment and market interventions would continue to support all these developments,' SBP Deputy Governor added.
