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## **State Bank gains international recognition for its regulatory role in microfinance and branchless banking**

The State Bank of Pakistan (SBP) has gained international recognition for its regulatory role in microfinance and branchless banking by creating an enabling environment for their development in Pakistan. The world-renowned newspaper, Financial Times and the World Bank have praised SBP for its innovative approaches in expanding the access to financial services for the unbanked and underserved population of the country.

An article published in Financial Times on November 06 says: 'Pakistan has one of the best regulatory environments in the world for microfinance and one of the fastest-growing microfinance sectors, with 3 million borrowers. It is also one of the most innovative places in the world for mobile banking services, partly due to the State Bank of Pakistan's moves to encourage the market'.

The Consultative Group to Assist the Poor (CGAP) of the World Bank in its recent publication has also highlighted Pakistan as the fastest growing branchless banking market in the world and a laboratory of innovation.

SBP has been playing a leading role while working closely with the industry through various policy and strategic initiatives to transform the financial market into an equitable system of efficient market-based financial services to the hitherto excluded poor and marginalized segments of the society. It may be mentioned here that the SBP has moved beyond its traditional role for modernizing the market infrastructure and improving risk management framework for microfinance industry. In particular, SBP has invested substantially for establishing microfinance-specific Credit Bureau, launching nation-wide Financial Literacy Program, carrying out various market surveys and studies, transforming Microfinance Banks (MFBs), and channeling Rs. 6 billion commercial funding for MFBs through credit enhancement

mechanism for lending to new borrowers. The central bank is also supporting capacity building and innovations through smart subsidies for microfinance players and larger financial services providers under the DFID-funded Financial Inclusion Program (FIP).

As a result of these efforts of SBP, ten microfinance banks are now operating in the country. The MFBs have also strengthened their capital base through capital injection, and are now well-capitalized. All MFBs are privately owned by local and international investors including banks, development agencies, investment funds, mobile network operators, and large domestic Microfinance Institutions (MFIs). This diversity of ownership and approaches depicts confidence in policy consistency and viability of microfinance sector.

With the commencement of business by Waseela MFB (sponsored by M/s Orascom / Mobilink), now three large scale branchless banking deployments are operating in the country. The retail network of banking and microfinance has also risen overwhelmingly through agents and mobile phone channels. The agent network now exceeds 30,000 and is currently processing almost 10 million transactions each month, and the growth continues apace. It may be pointed out here that the success of branchless banking is only 'a beginning' of a new retail banking revolution in the country. The SBP has also been continuously working on multiple models to accommodate interest of diverse players. This approach has already facilitated a number of leading banks and telecoms which have now entered or entering in the space of branchless banking. These developments fuel the expectation that transformational branchless banking (BB) models would prove a game-changer in improving access to finance in Pakistan.

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