



External Relations Department

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Wathra sees microfinance trajectory achieving vision of ‘financial inclusion for all’

Governor State Bank of Pakistan Ashraf Mahmood Wathra has said that with strong commitment of the Government, SBP’s strategic vision, sound legal and regulatory foundations, robust market infrastructure, technological and institutional innovations, and private sector dynamism, the trajectory of microfinance is set for achieving the long term vision of “financial inclusion for all” in Pakistan.

He was addressing the second International Conference on Economics and Finance in Kathmandu, Nepal titled **‘Promoting Equitable Economic Growth through Inclusive Finance’** held by the Nepal Rastra Bank.

Sharing his thoughts on the need for promoting equitable economic growth among South Asian countries, the SBP Governor described in detail his vision on promoting inclusive economic growth in Pakistan through financial inclusion. Wathra highlighted the fact that the global financial crisis has pushed most of the emerging economies into difficult economic challenges in recent history. He stressed that globalization has increased the need for regional economic and financial cooperation among South Asian countries due to the cross border interdependencies and taking advantage of the emerging opportunities.

Elaborating further, he said that the dwindling export earnings and receding foreign capital inflows translated into foreign exchange market pressures. Therefore, added the Governor, ‘most of us were challenged while we endeavored to stabilize our foreign exchange markets due to weakening of exports earnings.’

He hoped that the common challenges faced by the South Asian countries would strengthen regional cooperation to help our nations sustain and contain future down side risks transmitting from advanced economies.

Referring to the strong fundamentals to the advantage of South Asian countries, Wathra recalled that the region is home to around 1.7 billion people, with the youth in majority, thereby giving positive population dynamics for both to grow fast and greater headroom in terms of debt carrying capacity to continue economic expansion.

Sharing SBP’s experience in promoting an inclusive financial sector in Pakistan Wathra asserted that Pakistan has kept pace with the changing global trends in policy and practice, and the State Bank of Pakistan’s role has been pivotal in steering the sector with a strategic vision and pursuing a systemic approach in developing the microfinance sector on sound footings.



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‘Pakistan was the first country in South Asia to have issued a Microfinance Law (Microfinance Institutions Ordinance 2001) which paved the way for creation of second tier banks catering to the needs of low income segments of the society which were excluded from the mainstream commercial banks,’ he averred.

Governor added that SBP introduced specialized microfinance policy and regulatory framework pioneering global best practices. These regulations and supervisory mechanism strengthened the enabling environment helping MFBs develop viable business models to realize sustainable growth in microfinance. ‘The success of microfinance regulations and market development in Pakistan is widely acknowledged by the international community,’ he recalled adding, ‘Our microfinance regulatory framework was ranked No. 1 in the world by the Economist Intelligence Unit (EIU) of the Economist Magazine in its reports in 2010 and 2011, and third best in its annual reports for 2012 and 2013.

Wathra disclosed that the SBP strengthened the regulatory framework with enhanced focus on financial stability as the sector evolved; ‘State Bank revised the Minimum Capital Requirement (MCR) for Microfinance Banks (MFBs) in 2011 while allowing the existing MFBs to raise the prescribed minimum paid-up capital in a phased manner over the next three years,’ he elaborated.

Wathra said that SBP’s branchless banking (BB) regulations issued in 2008 help catalyzed important branchless banking deployments in the country and resultantly the retail network of microfinance expanded overwhelmingly through agents and mobile phone channels. He revealed that since 2008 the sector is catering to more than 3.24 million borrowers (as of Sep 2014) out of which MFBs’ share is 1.155 million. Depositors have grown to 5.734 million in Dec 2014, with average yearly growth of 69%.

It may be recalled here that Pakistan is experiencing phenomenal growth in the number of branchless banking transactions which have been undertaken at thousands of small shops situated in the streets and local markets across the country to serve common people at convenient time. Wathra divulged that the average monthly volume of such transactions is estimated to be around 24 million. Average size of these transactions is only Rs.5000 which shows that technological solutions are helping to reach out the millions of previously financially excluded segments of our society.

In the end he underscored the importance of beginning the process towards financial cooperation and integration, which is a longer term goal by engaging more actively in research and discussions, in order to arrive at a long-term vision of regional financial cooperation that the South Asian countries can share, and to increase their understanding of that vision.