

Speech on role of SBP in Promoting Branchless Banking (BB) in the Country

Peshawar – 15th April 2015

Ladies and Gentlemen

Assalam-o-Alaikum and Good Morning!

It is my great pleasure to address you all at today's Seminar on Branchless & Agent Banking organized by SBP BSC Sukkur Office in collaboration with SBP and SBP BSC. I appreciate whole heartedly the commitment and effort demonstrated by all stakeholders involved and believe that your presence in this event shows how vibrant this sector has become. Let me assure you that SBP as a regulator of the banking sector and promoter of sustained economic growth and development is committed to use all possible means to make banking services accessible by all segments of society.

Pakistan has one of the lowest financial penetration levels in the world with 56%¹ of the adult population totally excluded, and another 32%² informally served. We are a country with a population of 180 million living in geographically diverse areas. Our branch network of around 11,551³ is insufficient to serve the millions of unbanked masses. Banks operating in Pakistan are hosting only 37.8 million⁴ accounts whereas number of borrowers is as low as 5.7 million⁵. These statistics indicate that there exists a large financially excluded market, and bringing this un-served market into the formal financial system is our key objective as we believe that this would enrich the socio-economic development of our country. Despite phenomenal spread of banking business in Pakistan, there is still a long way to go to achieve digital financial inclusion.

Given the complexities and challenges of limited financial access in the country, SBP has adopted a multi-pronged and long-term strategy to address financial inclusion through structured policy & regulatory actions, and market-development interventions. Today, our regulatory environment for microfinance and branchless banking is considered one of the best globally⁶. Our branchless banking framework and models have achieved worldwide recognition and remarkable success in a short span of time. To encourage financial institutions to develop alternative delivery channels, SBP introduced

¹ Speech by DG-SBP at "Branchless Banking Commercial Launch – Waseela Microfinance Bank Limited" on November 12, 2012

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³ As of December 2014. Source: Statistics & DWH Department-SBP

⁴ http://www.sbp.org.pk/reports/stat_reviews/Bulletin/2015/Jan/BankingSystem.pdf (Table3.2)

⁵ Inaugural Address by Governor-SBP "Future of Branchless Banking, Payment Systems and Financial Inclusion", December 19, 2012-Avari Hotel, Karachi

⁶ Inaugural Address by Governor-SBP "Future of Branchless Banking, Payment Systems and Financial Inclusion", December 19, 2012-Avari Hotel, Karachi

Branchless Banking Regulations in 2008 which are applicable to all Commercial Banks, Islamic Banks, and Microfinance Banks in Pakistan. These Regulations have actually catalyzed the deployment of a number of branchless banking initiatives which are advancing new frontiers of financial inclusion by greatly extending the distribution of financial services to the marginalized and deprived segments.

Ladies & Gentlemen!

The fast mobile penetration and its continuing strong growth fuels expectations that transformational branchless banking (BB) models would prove a game-changer in improving access to finance in Pakistan. I would like to share some numbers that show the level of take-up of branchless banking services in the country⁷:

- Currently, eight branchless banking deployments are live in the market;
- Up to September 2014, providers' combined network has reached to almost 187,000 agents spread across all Pakistan;
- Total number of branchless banking transactions has shown continuous growth in each successive quarter. Above 66 million transactions worth Rs. 375 billion were performed during the quarter ended September 2014;
- Currently 4.7 million customers hold branchless banking accounts, also known as m-wallets, to avail a host of services including fund transfer, utility bill payment, domestic remittance, mobile top ups, loans repayment and saving account features;
- Branchless banking has played a pivotal role in providing efficient financially inclusive Government to Person (G2P) payments to welfare beneficiaries of Benazir Income Support Program (BISP), Watan Card, and Bayt-ul-mall;

Ladies & Gentlemen!

As is evident, branchless banking has made it possible for banks and mobile operators to use technology as the primary tool for expanding their outreach to the remotest of geographical locations to reach the unbanked and under-served population. However, while we have achieved initial success through accumulating a critical mass of transactions and customers' acquisition in branchless banking, we are by no means complacent. We are focusing our energies to identify gaps and bring solutions to address those gaps. To develop an effective response to overcome early-development challenges and move towards achieving our end-objectives, SBP has taken the following key initiatives:

- SBP has formed the National Branchless Banking Consultative Group which draws representation from branchless banking industry players including banks, mobile operators, and technology service providers.

⁷ SBP Branchless Banking Newsletter, Jul-Sep 2014 (prepared by AC&MFD-SBP)

- Allowed exchange companies to conduct branchless banking activities as agents of authorized financial institutions offering these services under Branchless Banking Regulations issued by SBP;
- Recently, SBP signed an MoU with NADRA (Pakistan's National Identification Authority) at International Branchless Banking Conference in Islamabad on November 17, 2014, according to which, biometric verification cost has been reduced to Rs.10 for each m-wallet account opening at industry level. It is expected that this initiative will lead to accelerated growth of m-wallets in future⁸.
- Since September 2011, SBP has been issuing a quarterly "Branchless Banking Newsletter" to disseminate the key growth indicators/ data, and various developments taking place in the field.

Going forward, much is still needed to be done. While there are enormous opportunities, there are also many "unknowns" relating to competitors, partners, customers, and business rules. Among many uncertainties however, one thing stands certain and that is if the banks and operators want to succeed, they have to assign a strategic priority to branchless banking.

Before I close, I would like to emphasize our broader goal i.e. to provide inclusive financial services to the unbanked and under-banked segments of society. Once again I would like to appreciate the efforts of banking and business community as well as our team at SBP BSC in organizing this event, and trust that it will serve its purpose of creating awareness regarding branchless banking among the participants.

Thank You!

⁸ SBP Branchless Banking Newsletter, Jul-Sep 2014 (prepared by AC&MFD-SBP)