MOBILE BANKING: A POTENTIAL CATALYST FOR FINANCIAL INCLUSION AND GROWTH IN PAKISTAN

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13TH INTERNATIONAL CONFERENCE ON MANAGEMENT OF THE PAKISTAN'S ECONOMY
IGNITING TECHNOLOGY LED GROWTH IN PAKISTAN
29TH – 30TH MARCH 2017

Motivation came through this conference

First paper in the series of three envisaged

First attempt to trace and compile the history of MB in Pakistan

We study various models of MB in Pakistan

How industry is evolving

What kind of ecosystem is needed to utilize its full potential (Policy Recommendations)

GRATITUDE

Dr. Shahid Amjad Chaudhry, Rector LSE

Dr. Naved Hamid, Director CREB

Dr. Azam Chaudhry, Dean Faculty of Economics

Mr. Behzad Ali Ahmad (Sr. Joint Director, Statistics and DWH, SBP)

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IN THE PRETEXT OF TECHNOLOGY LED GROWTH

FINANCIAL INCLUSION

Credit Facilities

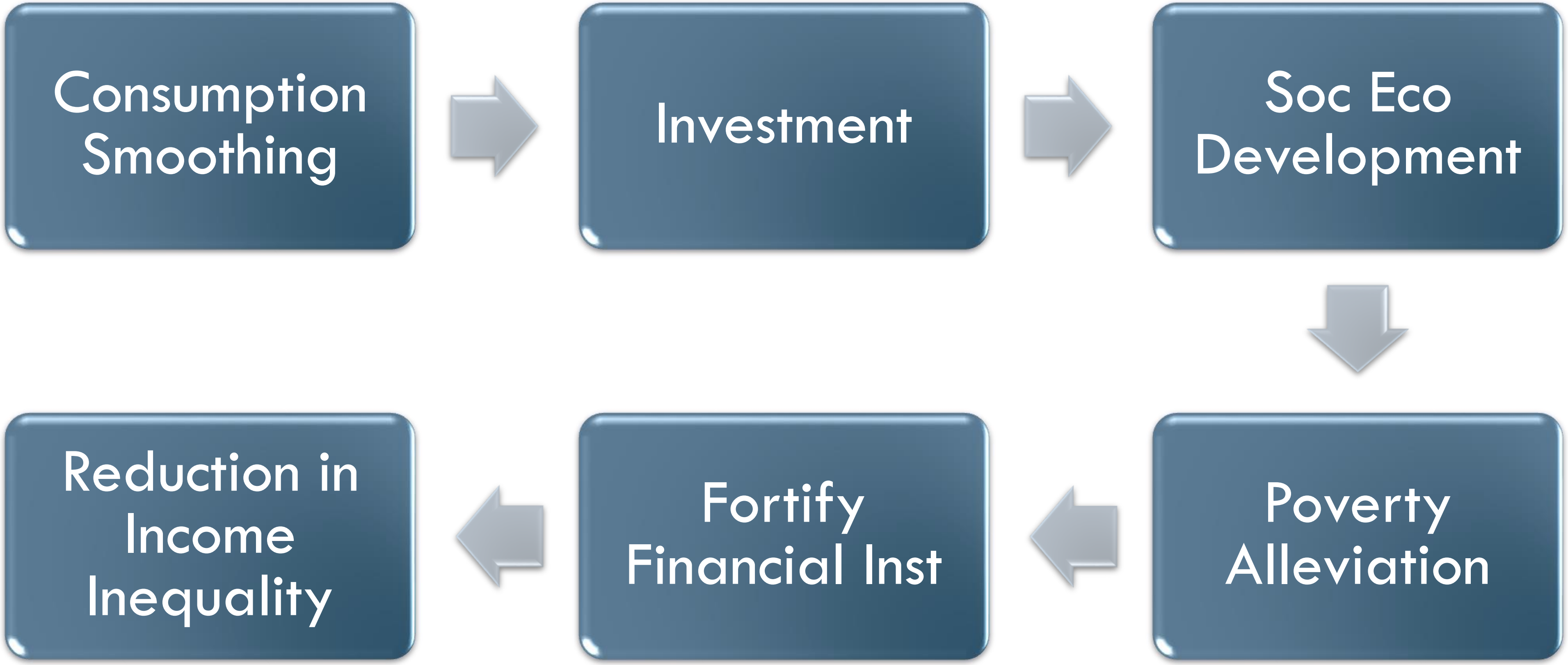
Savings

Bank Accounts

Insurance Services

Payment Transfer

FI STRENGTHENS SAVINGS-INVESTMENT CHANNEL



CURRENT STATE OF FINANCIAL INCLUSION

No Bank Account: Half of the world's **adult** population, approximately **2.5 billion**

Pakistan: Lowest Rank in South Asia (**13%** Adults have Bank Account)

Srilanka (83%)
India (53%)
Nepal (34%)
Bhutan (34%)
Bangla Desh (31%)

Sub Saharan Africa (34%)
Latin America (51%)
Developing Nations (51%)

MOBILE BANKING- FINANCIAL INCLUSION-TRANSFORMATION OF ECONOMIES

Role of Mobile Phones

Digital Wallet

Fund Transfer

Loan repayments and receipt

Utility bill payments

Savings etc

MOBILE BANKING- FINANCIAL INCLUSION- TRANSFORMATION OF ECONOMIES

Diffusion around the world – amazing speed – disruptive power

- M- Money Applications popularity in Asia, Africa and Latin America
- M-Pesa in Kenya enabling individuals as well as firms

BENEFITS

Transactions without having to visit the Branch

Increased efficiency – time saving – eradication of space limitations

Substitute of Bank Branch and ATM Network

People in distant areas can gain access to formal financial services

Cost savings for bank's management while running branch

MOBILE BANKING: LINKS WITH GROWTH

Direct links through Various channels

- Increased output growth and employment creation
- Better firm productivity
- Improved Capital Accumulation
- Reduced Transaction Costs
- And of course better functioning of market and financial inclusion

MOBILE BANKING IN PAKISTAN – REGULATORY VIEW

Termed by SBP as BB

Bank-Led Model with Ultimate Accountability irrespective of other partners regulatory stakes

Bank and Agent relationship through JV is allowed

BB CHANNELS

OTC

- Most widely used
- Retailer based
- Work Under Super Agent (Telco)

M-Wallet

- Reduced reliance of Retailers (commission, commitment)
- Tremendous opportunities but slow paced

EVOLUTION OF MB IN PAKISTAN

2006: CGAP's Branchless Banking Diagnostic Assessment and Seminars by SBP and ADB

2007: SBP's Policy paper and draft for BB Guidelines

2008: BB Regulations issued by SBP

2009: Easy Paisa and MCB Mobile Unveiled

2010: UBL Launched Omni

2011: G2P Conference, Revised BB Reg, Smart Card for G2P payments (BISP, EOBI), Waseela MF Bank by Orascom

EVOLUTION OF MB IN PAKISTAN

2012: Timepay, Mobicash, Insurance and Saving Schemes by Easypaisa

2013: HBL Express with NADRA, U-Paisa (90 thousand Agents), Breeze by SCB, Mobile Paisa by Warid and Bank Alfalah

2014: BOP and Zong, IBFT using 1 link by Easypaisa, Gold Committee and Sahulat Bazaar with ARY and most importantly SERP (stipend to girls), Int. Remmit, Ufone and NBP for PM Youth B Loans, Mobicash to expand Bait ul Mal Child sup prog

EVOLUTION OF MB IN PAKISTAN

2015: implementation of the agent-biometric infrastructure at agent locations,

National Financial Inclusion Strategy launched

Straight2Bank Wallet mobile application for Corp(EzPe-SCB)

Payment of passport fess through Mobicash Mobile wallets

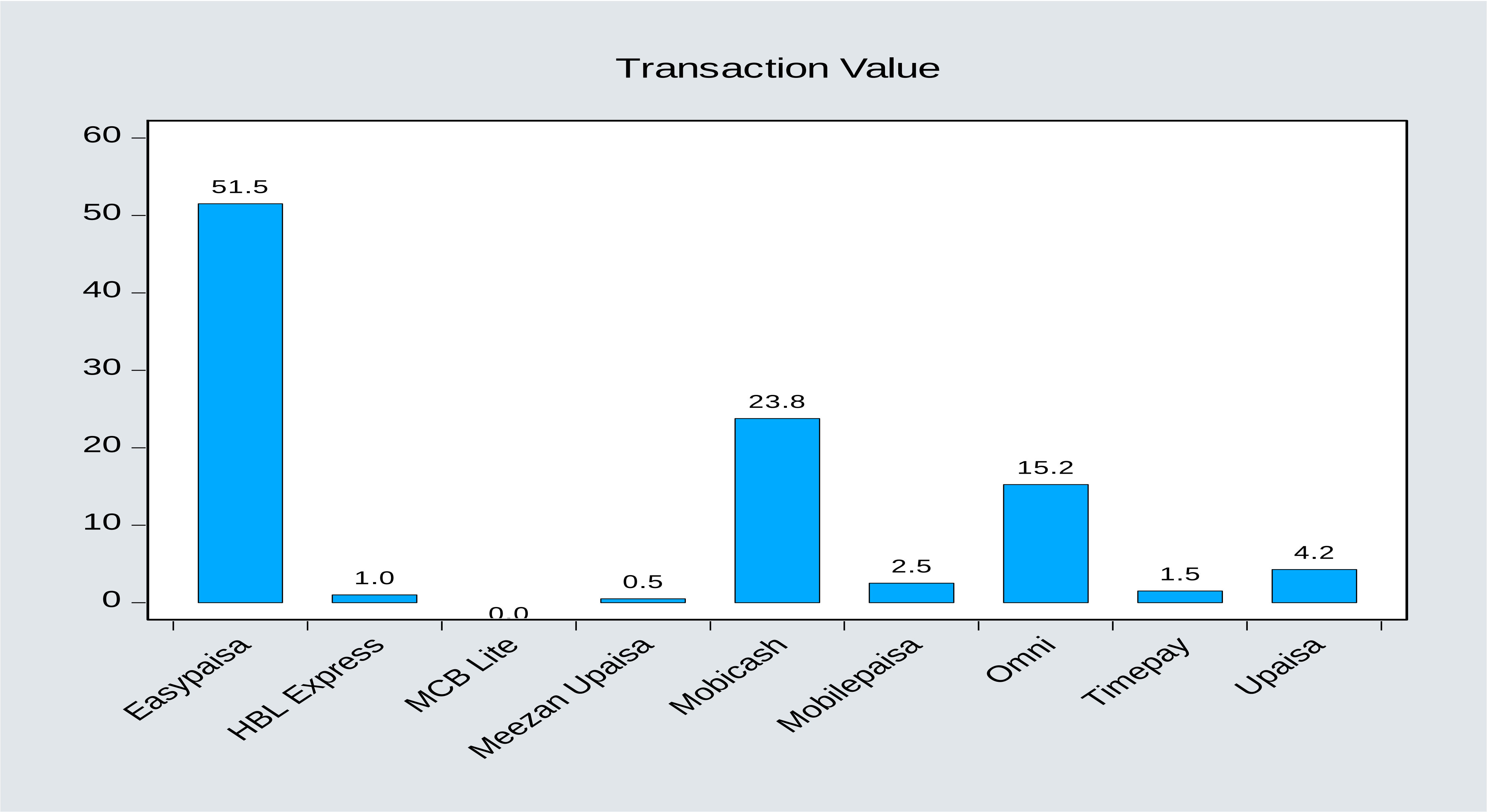
Islamic Branchless Banking launched

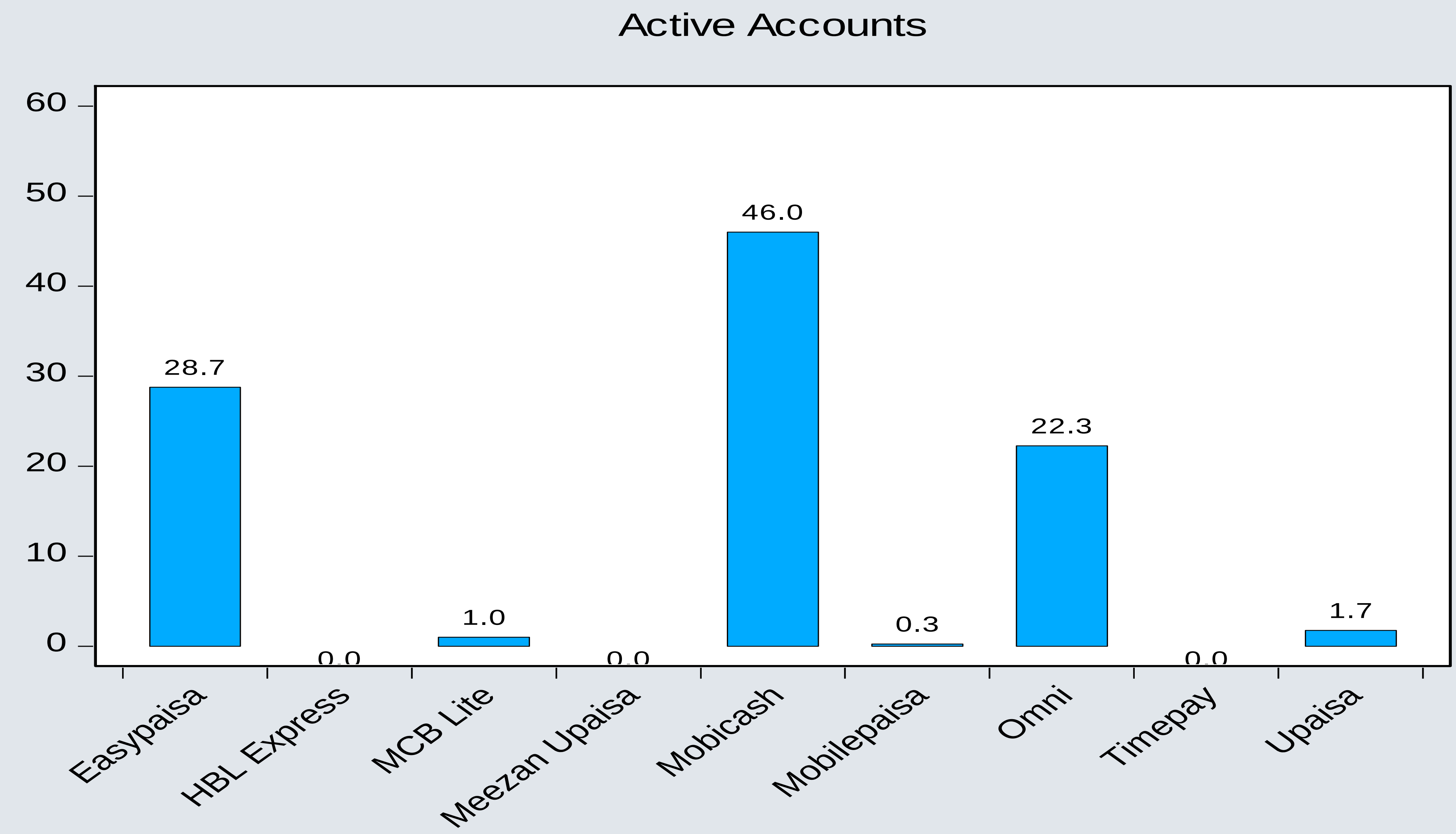
Warid acquired by Mobilink

2016: PayPak by ABL, Entry of Meezan Bank

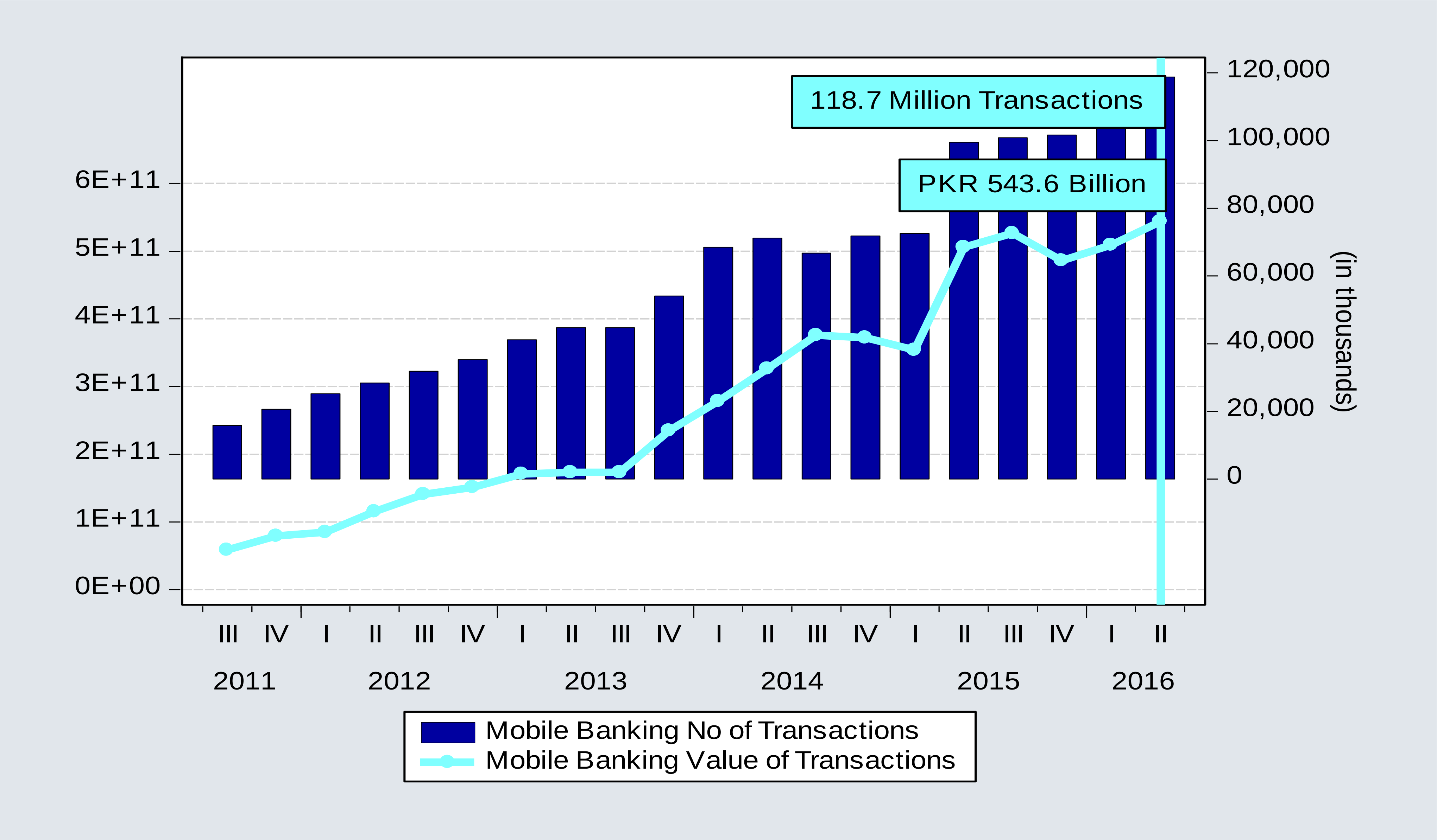
INDUSTRY PLAYERS

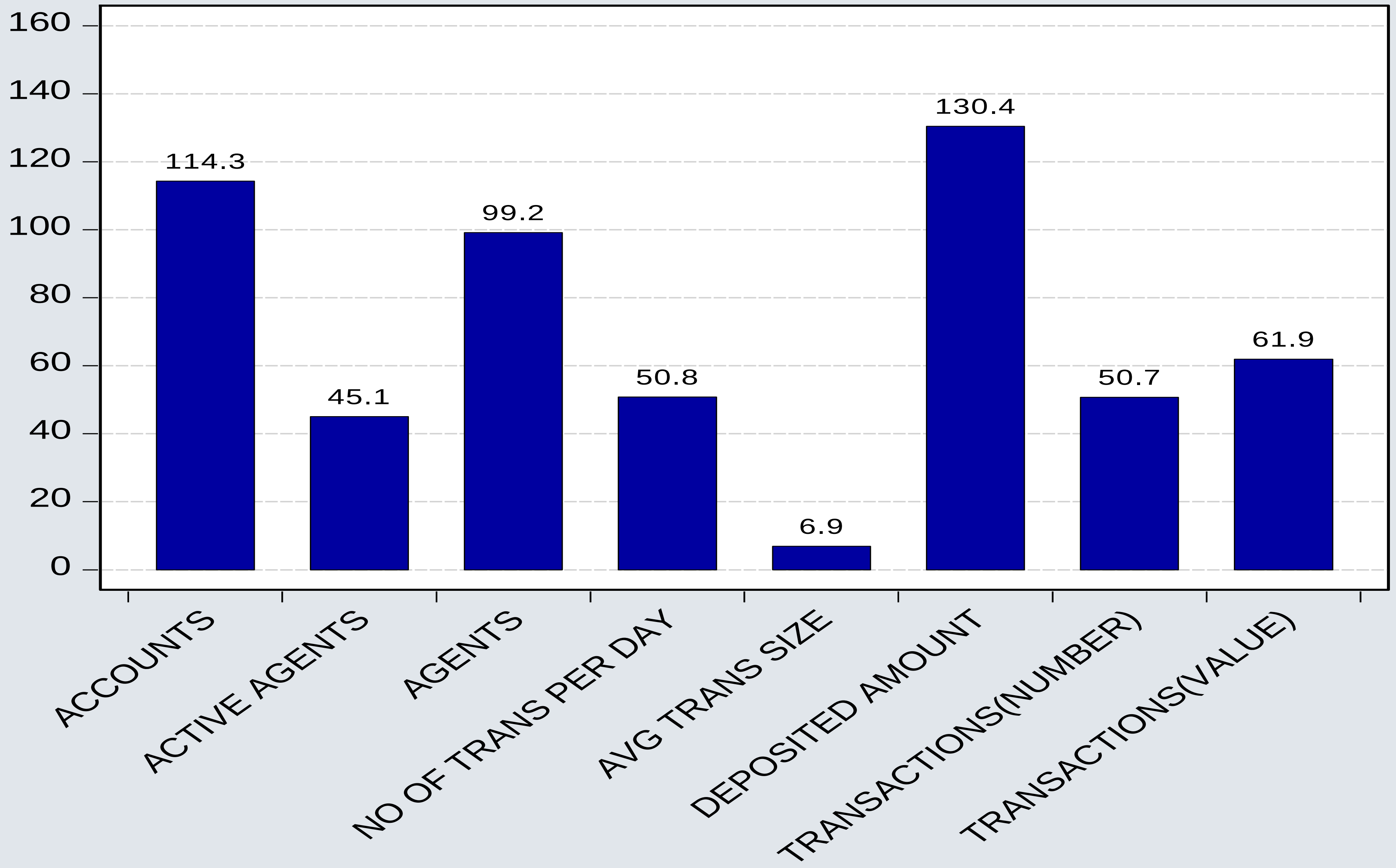
Easypaisa	Omni	Timepey	Mobicash	HBL Express	UPaisa	Mobile Paisa	MCB Lite
2009	2010	2012	2012	2013	2013	2013	2014
Tameer Bank, Telenor	UBL, Ufone-Zong	AKBL, Zong	Waseela, Mobilink	HBL, Warid	UMicrofinance Bank, Ufone	BAFL, Warid	MCB, Application


Transaction Value
60
50
40
30
20
10
0
51.5
1.0
0.0
0.5
23.8
2.5
15.2
1.5
4.2
Easypaisa
HBL Express
MCB Lite
Meezan Upaisa
Mobicash
Mobilepaisa
Omni
Timepay
Upaisa

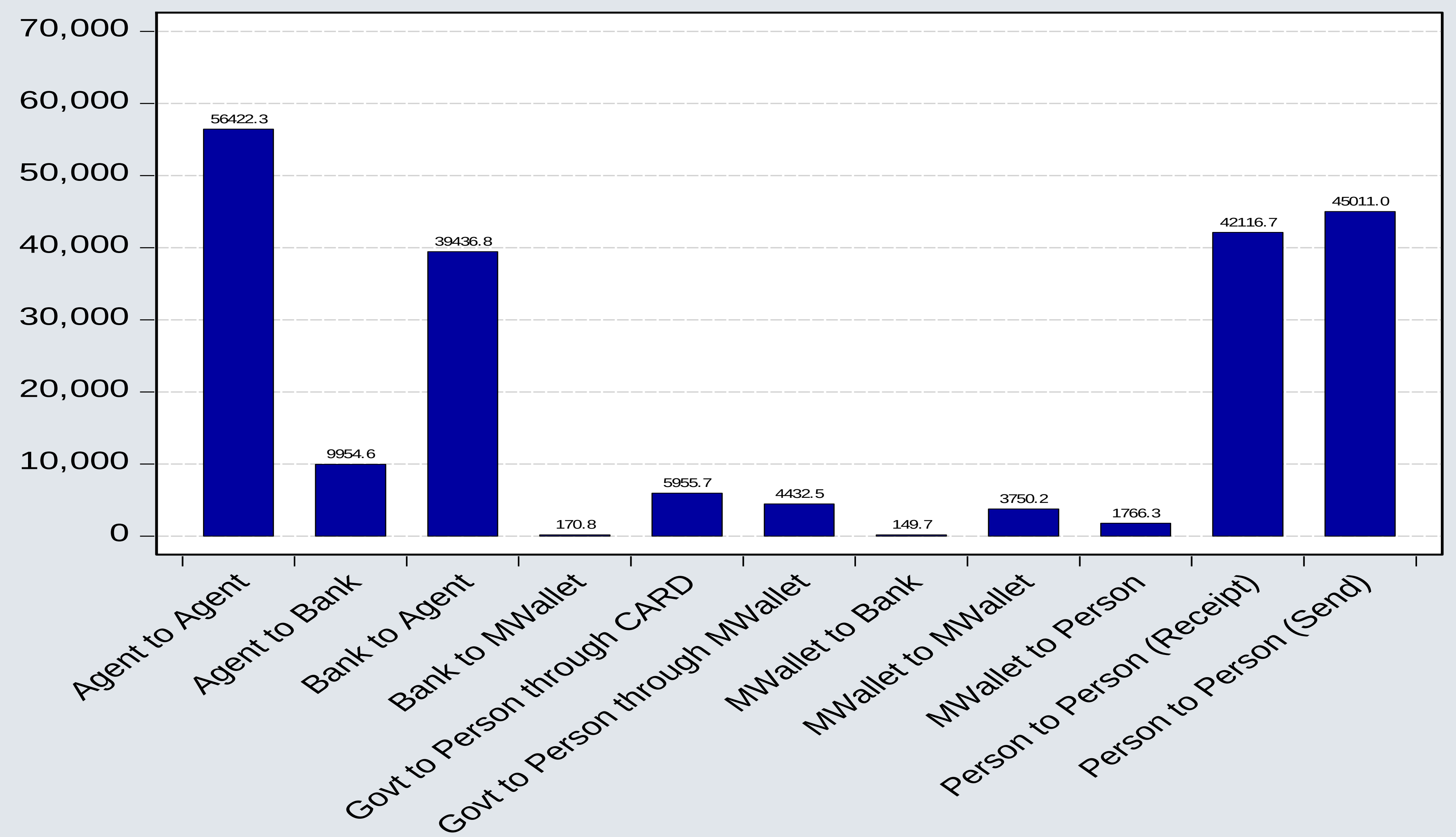

Active Accounts
60
50
40
30
20
10
0
28.7
0.0
1.0
0.0
46.0
0.3
22.3
0.0
1.7
Easypaisa
HBL Express
MCB Lite
Meezan Upaisa
Mobicash
Mobilepaisa
Omni
Timepay
Upaisa

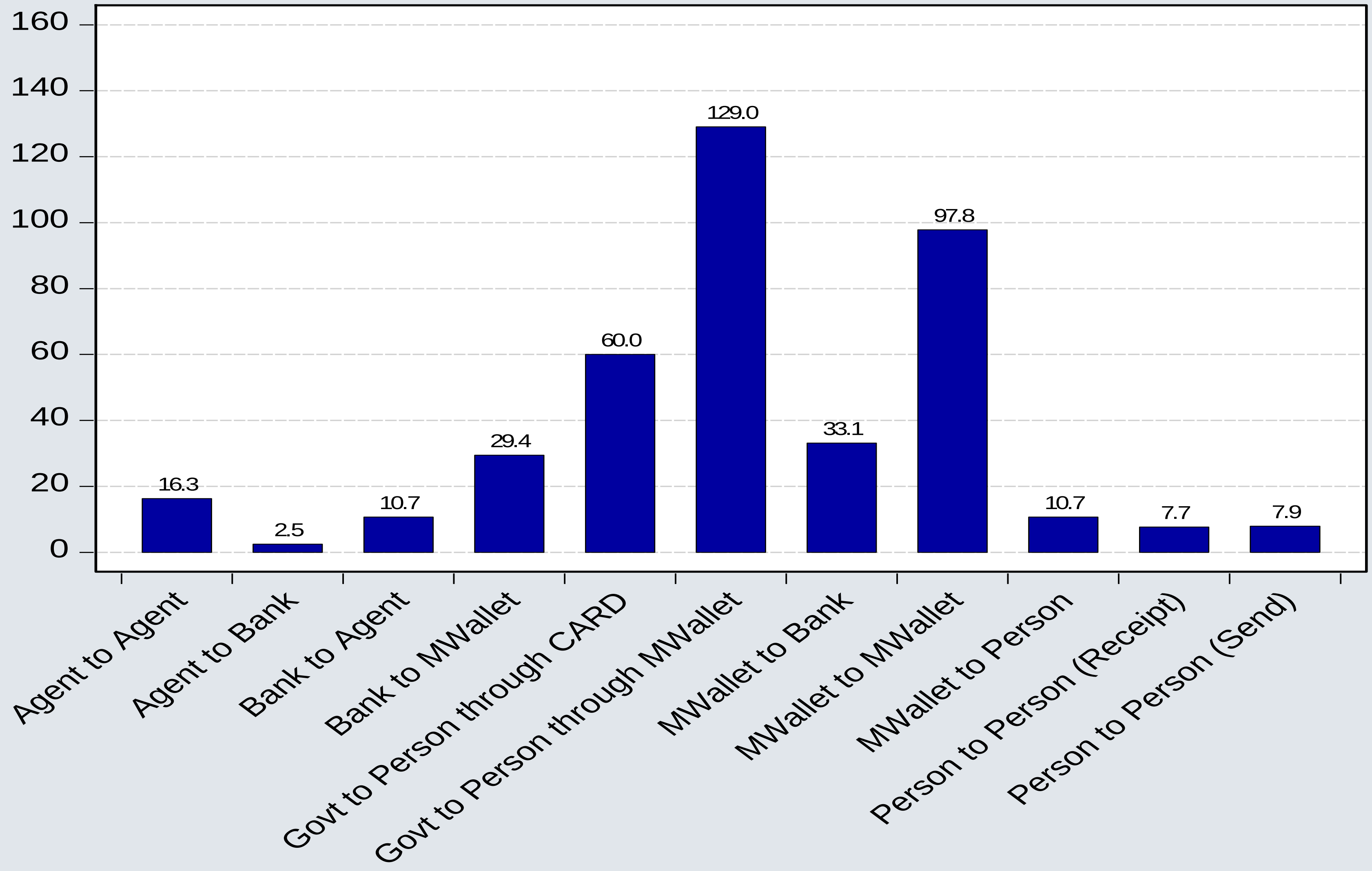
HOW BIG IS THE MARKET



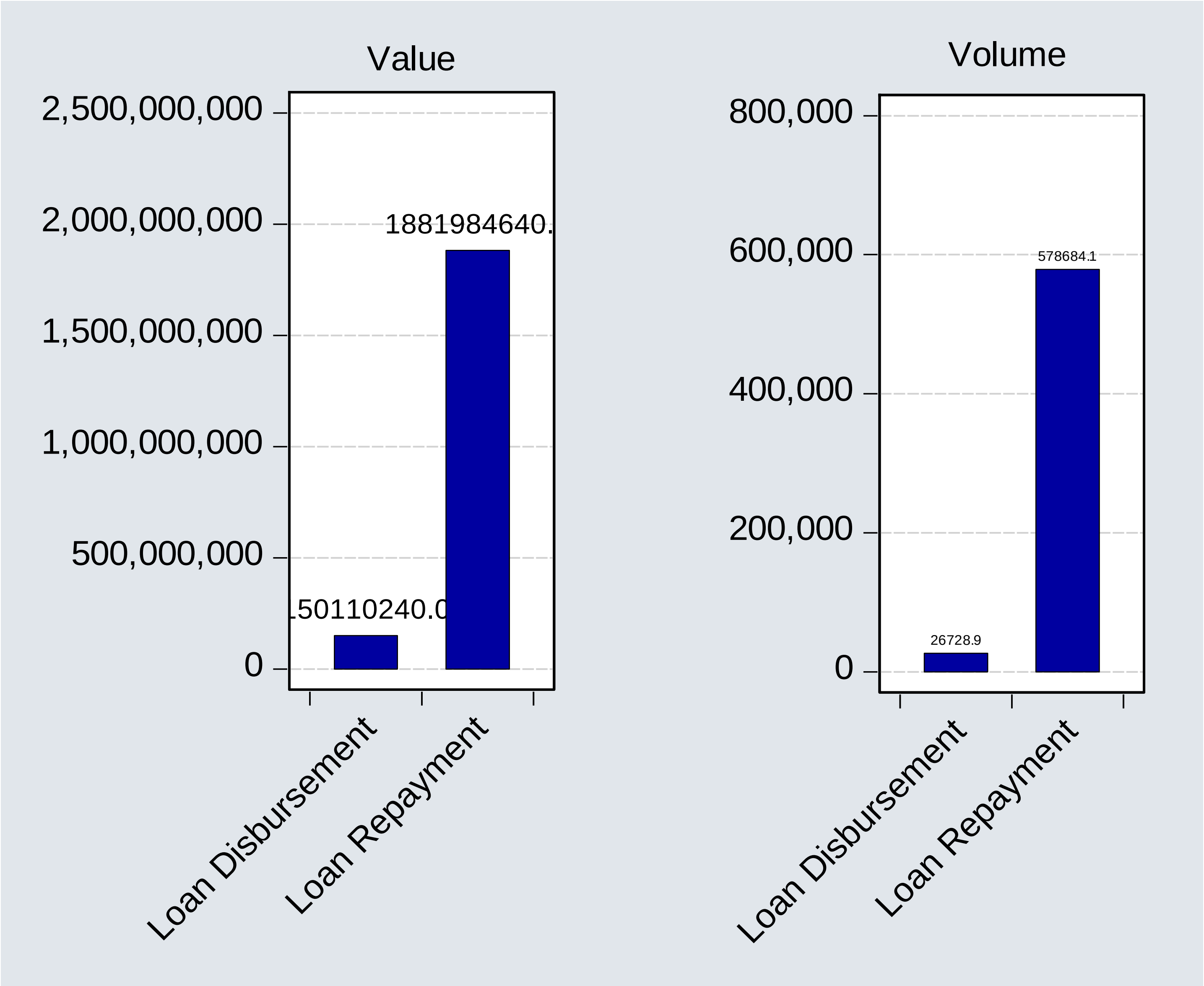


160
140
120
100
80
60
40
20
0
114.3
45.1
99.2
50.8
6.9
130.4
50.7
61.9
ACCOUNTS
ACTIVE AGENTS
AGENTS
NO OF TRANS PER DAY
AVG TRANS SIZE
DEPOSITED AMOUNT
TRANSACTIONS(NUMBER)
TRANSACTIONS(VALUE)


70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
56422.3
9954.6
39436.8
170.8
5955.7
4432.5
149.7
3750.2
1766.3
42116.7
45011.0
Agent to Agent
Agent to Bank
Bank to Agent
Bank to MWallet
Govt to Person through CARD
Govt to Person through MWallet
MWallet to Bank
MWallet to MWallet
MWallet to Person
Person to Person (Receipt)
Person to Person (Send)



160
140
120
100
80
60
40
20
0
16.3
2.5
10.7
29.4
60.0
129.0
33.1
97.8
10.7
7.7
7.9
Agent to Agent
Agent to Bank
Bank to Agent
Bank to MWallet
Govt to Person through CARD
Govt to Person through MWallet
MWallet to Bank
MWallet to MWallet
MWallet to Person
Person to Person (Receipt)
Person to Person (Send)



Value
2,500,000,000
2,000,000,000
1,500,000,000
1,000,000,000
500,000,000
0
1881984640.
150110240.0
Loan Disbursement
Loan Repayment
Volume
800,000
600,000
400,000
200,000
0
578684.1
26728.9
Loan Disbursement
Loan Repayment

WHAT KIND OF ECOSYSTEM IS NEEDED? POLICY RECOMMENDATIONS

Need to remove frictions in regulatory and financial structure

Permissibility of limited number of models which are bank led

- Industry is dominated by Telcos (Agents, Technology)

Innovation

- Current focus is on payment solution that too partially. Tap GtoP (BISP and EOBI)

WHAT KIND OF ECOSYSTEM IS NEEDED?

Low penetration in Loan Disbursement

Gender gap (int 7%, PK 11%)

Saving Culture (Lowest)

Diffusion and Awareness of Insurance (only 1%)

MOBILE BANKING HELPED ME CONVERTING **"CAKE INTO CASH"**! FATIMA TANVEER

"Sugar n Spice" a home baking venture

Payment transfer through Easypaisa

Support the idea of Women Entrepreneurship

Simple business model and its execution

Reduce Gender gap

Foster inclusive growth by bringing 50% of our population

Sustainable economic growth by encouraging SMEs

THANK YOU FOR YOUR PATIENCE
Q & A