May Edition

FINDEV CYBERLETTER

EDITOR'S **NOTE**

Welcome to Gallup Pakistan's FinDev Cyberletter. The principal purpose of this Cyberletter is to inform its readers of the latest developments in the financial industry across the globe, particularly in the realms of Financial Inclusion and Digital Financial Services (DFS), where efforts are being undertaken by both private and government sectors. This is the sixth monthly issue of the FinDev Cyberletter series. Each issue of the FinDev Cyberletter will focus on a particular theme within the broader area of financial inclusion and related topics. This newsletter is divided into three main sections. The sections are:

1) News Roundup – this section will cover the latest happenings in the financial services industry in Pakistan.

2) Initiatives – Constant work is being undertaken by experts, governments and research organizations in order to enhance the understanding of, and to find solutions to the challenges encountered within the financial services industry. This section will aim to cover some of these research initiatives, both locally and internationally.

3) Data Visualizations & Statistical Figures - Research backed by data not only increases its credibility but also helps paint an accurate picture of the situation at hand. This section will contain graphical representations of data on various relevant topics.

A diligent effort has been made to ensure that the content extracted from external sources has been cited and given due credit. In some cases, excerpts from the original articles have been extracted. To access the original articles, please click on the link provided at the end of each article. In case of any errors or omissions, we would like to apologize and would be eager to rectify the changes at the earliest. For feedback, comments or questions feel free to write to us at caf@gallup.com.pk.

Warm Regards,
The Gallup Pakistan Financial Inclusion Team
Led by Bilal I Gilani (Executive Director, Gallup Pakistan)

TABLE **OF CONTENTS**

HIGHLIGHTS

Mobile-Wallet Fast and Secure Best for Home Remittances

Banks in partnership with telcos have introduced new, or tag the existing, M-wallets for home remittances

Pakistan and its Financial Inclusion Target

It aims to provide financing access to around 50% of the adult population by 2020

Alibaba moves to attract Pakistani exporters towards B2B portal

Chinese ecommerce giant Alibaba Group geared up efforts to get Pakistan's exporters listed on its multination business-to-business electronic portal

Fintech: partner, build, or buy?

Stuck? Here are 3 key questions to ask

Are you really a digital bank? (just shake it off)

It is a bank built with a vision to reach out to customers through a digital foundation.

Financial Inclusion on the Rise, But Gaps Remain, Global Findex Database Shows

Financial inclusion is on the rise globally, accelerated by mobile phones and the internet, but gains have been uneven across countries.

Gender Gap in Bank Account Ownership Hasn't Shifted in Seven Years

The third edition of the World Bank's Global Findex has shown no worldwide progress on women's financial inclusion, despite strong gains in India.

Scandinavians Are Done With Cash

Fewer than 10 percent of Norwegians are still using paper currency or coins

What does the Global Findex have in common with the Olympics?

For those of us in the financial inclusion world, the release of the Global Findex is like the Olympics, the Oscars, and the World Cup all rolled into one.

Cryptocurrencies have been rejected and adopted as legal tender

Cryptocurrencies, a form of virtual currency, have become increasingly popular over the past several years and recently surging

Barclays and Paypal announce tie-up as banks mull big tech threat

British bank Barclays and digital payments firm PayPal have announced a partnership that will see them explore ways to combine their services for customers

Unprecedented Opportunities' For Reaching The Unbanked

Heads-up fintech entrepreneurs focused on financial inclusion

Gains in Financial Inclusion, Gains for a Sustainable World

With access to a financial account, people no longer need to rely on and transact solely in cash, or use their mattresses as savings cabinets.

NEWS **ROUNDUP**

This section covers the latest happenings from the financial services industry in Pakistan.

MOBILE-**WALLET**

FAST AND SECURE
BEST FOR HOME REMITTANCES*

Home remittances are a major source of income for families of expatriate Pakistanis and contribute significantly in country's economic activities. Moreover, these are a vital source of foreign exchange for the country. To accelerate the flow of home remittances through banking channels and facilitate expatriates with a reliable, swift and cost effective conduit to transfer money to Pakistan, SBP has launched an M-Wallet Scheme for promotion of Home Remittances (see Circular to banks). These M-wallets are specifically called Branchless Banking Home Remittance Accounts (BB-HRA). Under the scheme, banks in partnership with telcos have introduced new, or tag the existing, M-wallets for home remittances. Users of these M-wallets will be able to receive home remittances in their accounts and use them when needed to withdraw cash or transfer funds, make purchases or pay bills. Every US dollar equivalent of money received in these accounts will also be provided with an airtime of one rupee equivalent in their mobile phones.

*Source: Published on Sbp.org (Click here for details)

PAKISTAN AND ITS FINANCIAL **INCLUSION TARGET***

KARACHI: Pakistan is in the process of establishing a robust financial system. While the road is lengthy – it aims to provide financing access to around 50% of the adult population by 2020 – the journey has begun.

For this purpose, the State Bank of Pakistan (SBP) launched a drive in 2015 to connect at least 50% adult population with banks under the National Financial Inclusion Strategy (NFIS) 2020.

The strategy has so far provided 23% of the adult population access to formal financing services compared to 12% in 2008. Despite the much needed growth, which came after innovative mobile banking solutions launched in recent years, the pace of progress for connecting the targeted number of people in a population size of over 200 million in the set timeframe remains doubtful.

Karandaaz Pakistan – a not-for-profit financial services company – is one among many playing its part in the support of achieving the national goal.

*Source: Published on Tribune, dated April 21, 2018 (Click here for details)

ALIBABA MOVES TO ATTRACT PAKISTANI **EXPORTERS TOWARDS B2B PORTAL***

KARACHI: Chinese ecommerce giant Alibaba Group geared up efforts to get Pakistan's exporters listed on its multination business-to-business electronic portal, the company's senior executive said on Monday, after the firm expressed its intention to acquire a Norwegian telco's financial subsidiary in the country.

Alibaba.com's Country Manager Jason Jia said the group has launched Pakistan pavilion on the website to showcase indigenous product listings following the Trade Development Authority of Pakistan and Alibaba Group signed a pact to improve the country's ecommerce and boost exporters' business last year.

"We want to work together to introduce Pakistani products to the world markets," Jia said, addressing a roadshow for Karachi-based businessmen who constitute a negligible portion of the platform's registered suppliers.

*Source: Published on The News, dated March 27, 2018 (Click here for details)

FINTECH:
PARTNER, BUILD, OR BUY?*

STUCK? HERE ARE THREE KEY QUESTIONS TO ASK!

It’s hard to walk the hallways of banking these days without hearing the buzz about exploring partnerships with fintechs.

“Fintech” covers many things, but is often used to refer to nonbank firms that leverage cutting-edge technology to deliver financial services directly to consumers and businesses. In that sense, banks initially viewed fintechs as competition, as they compete for lending, personal finance, payments, and other consumer services.

But that view has evolved, as banks increasingly realize that the pace of technological change and customer expectations demands the advanced capabilities of fintechs, while fintechs need established bank customer bases.
In addition, there are some fintech companies—Mirador being one example—that work only through financial institutions.

*Source: Published on Banking Exchange, dated March 19, 2018 (Click here for details)

ARE YOU REALLY A DIGITAL BANK?
(JUST SHAKE IT OFF)*

WHAT IS A DIGITAL BANK?

Everyone has their own definition, but here's mine: *It is a bank built with a vision to reach out to customers through a digital foundation. It is built specifically to offer the customer the service of their choice through the access of their choice. It believes wholeheartedly that, in order to do that, the bank has to be designed and created from the ground-up with a digital core infrastructure. The digital core is a consistent enterprise wide, cleansed data store that is accessible internally and externally through a strata of access layers and consistently with a single view of the customer.*

HOW CAN YOU TELL IF A BANK IS REALLY A DIGITAL BANK OR JUST ASPIRING TO BE ONE?

Aha! This is the nub of my question above and this is where I diverge from all mainstream commentary, as I really hate the way most talk about digital banking these days. They don't get it. They talk about digital banking, but I can see they don't get it. This is why I throw rocks at them, and say that it is just showrooming with their jazz hands and innovation theatre. I'm sorry, but it's true.

*Source: Published on The Finanser (Click here for details)

FINANCIAL INCLUSION ON THE RISE, BUT GAPS REMAIN, **GLOBAL FINDEX DATABASE SHOWS***

WASHINGTON, April 19, 2018—Financial inclusion is on the rise globally, accelerated by mobile phones and the internet, but gains have been uneven across countries. A new World Bank report on the use of financial services also finds that men remain more likely than women to have an account.

Globally, 69 percent of adults – 3.8 billion people – now have an account at a bank or mobile money provider, a crucial step in escaping poverty. This is up from 62 percent in 2014 and just 51 percent in 2011. From 2014 to 2017, 515 million adults obtained an account, and 1.2 billion have done so since 2011, according to the Global Findex database. While in some economies account ownership has surged, progress has been slower elsewhere, often held back by large disparities between men and women and between the rich and poor.

The gap between men and women in developing economies remains unchanged since 2011, at 9 percentage points. The Global Findex, a wide-ranging data set on how people in 144 economies use financial services, was produced by the World Bank with funding from the Bill & Melinda Gates Foundation and in collaboration with Gallup, Inc. There has been a significant increase in the use of mobile phones and the internet to conduct financial transactions. Between 2014 and 2017, this has contributed to a rise in the share of account owners sending or receiving payments digitally from 67 percent to 76 percent globally, and in the developing world from 57 percent to 70 percent.

*Source: Published on Worldbank.org, dated April 19, 2018 (Click here for details)

GENDER GAP IN BANK ACCOUNT OWNERSHIP **HASN'T SHIFTED IN SEVEN YEARS***

The third edition of the World Bank's Global Findex has shown no worldwide progress on women's financial inclusion, despite strong gains in India.

WOMEN ARE STILL less likely than men to have bank accounts, despite an extra 1.2 billion people joining financial institutions over the past seven years, a new report from the World Bank has found.

Worldwide, 72 percent of men have an account compared to 65 percent of women – a gap of seven percentage points that has persisted since the organization first began collecting data on financial inclusion in 2011. The gender gap in developing countries is 9 percentage points, also unchanged over the past seven years. Today there are 980 million women globally who do not have an account.

The report polled 150,000 people in 144 countries in collaboration with Gallup, and was funded by the Bill & Melinda Gates Foundation. The results will come as a disappointment for many working in financial inclusion.

Efforts to get more women signed up for accounts have increased in recent years as development agencies and governments alike turn to financial products as a tool for poverty alleviation.

*Source: Published on News Deeply, dated April 19, 2018 (Click here for details)

SCANDINAVIANS ARE **DONE WITH CASH***

Fewer than 10 percent of Norwegians are still using paper currency or coins, which could completely disappear in a decade, according to the local authorities.

Jon Nicolaisen, the deputy governor of Norway's central bank, has said Norwegian society has become cashless, and that this is very much a present reality rather than a future dream.

"By approximation, I would argue that the present is cashless," he said at the City Week conference at London's Guildhall in a discussion on the future of paper currency, chaired by the Bank of England's chief cashier.

"According to our latest numbers, we have less than 3 percent of broad money in cash. Less than 10 percent of the number of transactions, including buying coffees, are in cash," he said.
Norway's chief banker added that the phenomenon has nothing to do with the Bank of Norway's policy, it's just the wish of the people. "We have no wish to eliminate cash. It is the public itself that chooses other means of payment," he said.

Cashlessness is on the rise globally, as more and more people are abandoning paper money. Scandinavia and neighboring Finland have been the leaders in this area.

*Source: Published on RT news, dated May 1, 2018 (Click here for details)

WHAT DOES THE GLOBAL FINDEX HAVE IN COMMON **WITH THE OLYMPICS?***

For those of us in the financial inclusion world, the release of the Global Findex is like the Olympics, the Oscars, and the World Cup all rolled into one. The data are compiled every three years, providing us with critical information that will guide business decisions, government policies and strategic choices until the next release. To give you a sense of the anticipation surrounding yesterday's release of the 2017 data: the World Bank website crashed due to excessive demand for access to the database.

The number of women who have a bank account has gone up 7% in 2014 to 65 percent. Some countries have made particularly strong progress, most notably India (increasing from 35% in 2011 to 80% in 2017). India has also made extraordinary progress on reducing the gender gap from nearly 20% in 2014 to 6% in 2017.

*Source: Published on Women's World Banking, dated April 23, 2018 (Click here for details)

CRYPTOCURRENCIES HAVE BEEN REJECTED AND **ADOPTED AS LEGAL TENDER***

Cryptocurrencies, a form of virtual currency, have become increasingly popular over the past several years and recently surging. Governments worldwide have begun to craft regulation to address this issue and virtual payment mechanisms. One primary issue is whether cryptocurrencies should qualify as legal tender, a recognized method of payment.

Pursuant to a study conducted by a working group analyzing the process and potential risks, the Central Bank of Nigeria (CBN) recently proclaimed that cryptocurrencies will not be considered legal tender within the country.

In an alternative perspective, the Marshall Islands recently adopted a cryptocurrency called "Sovereign" or SOV as its official currency, The country's lawmakers envision that "SOV will one day be used by residents for everything from paying taxes to buying groceries." Furthermore, the Marshall Islands will have an Initial Currency Offering (ICO) and issue 24 million SOVs, half of which will go to the government with the other half going to their Israeli partner, Neema.

*Source: Published on DFS Observatory, dated March 22, 2018 (Click here for details)

BARCLAYS AND PAYPAL ANNOUNCE TIE-UP AS BANKS MULL **BIG TECH THREAT***

LONDON (Reuters) - British bank Barclays (BARC.L) and digital payments firm PayPal (PYPL.O) have announced a partnership that will see them explore ways to combine their services for customers, Barclays said on Thursday.

The pair aim to allow Barclays customers in the United States and Britain to use their PayPal accounts on the bank's online and mobile phone-based platforms while Barclays products will be used in PayPal accounts.

The move comes amid mounting concerns from bank industry executives that big technology companies such as Amazon (AMZN.O) and Apple (AAPL.O) in the U.S. or China's Alibaba (BABA.K) could come to dominate the $1.8 trillion global payments industry.

With their ever-expanding customer bases and nimbler platforms, the tech companies could supplant the banks as the face of an industry that accounts for 34 percent of all banking revenues, according to consultancy McKinsey.

*Source: Published on Reuters, dated April 26, 2018 (Click here for details)

'UNPRECEDENTED OPPORTUNITIES' FOR **REACHING THE UNBANKED***

Heads-up fintech entrepreneurs focused on financial inclusion: We're seeing a big increase in the number of adults globally with an account at a financial institution or through a mobile money service. But many people are still being left out of the system, and that's especially true for women in developing countries. Plus there remains a significant gap between the rich and the poor.

At the same time, in countries like India, where the government has been making a big push to boost financial inclusion through such innovations as biometric identification cards, the gender and economic class gaps have narrowed.

That's according to the most recent Global Findex report, which has been published every three years since 2011 by the World Bank. Based on a data set on how adults save, borrow, make payments and manage risk, funding is from the Bill & Melinda Gates Foundation, with the data collected in partnership with Gallup.

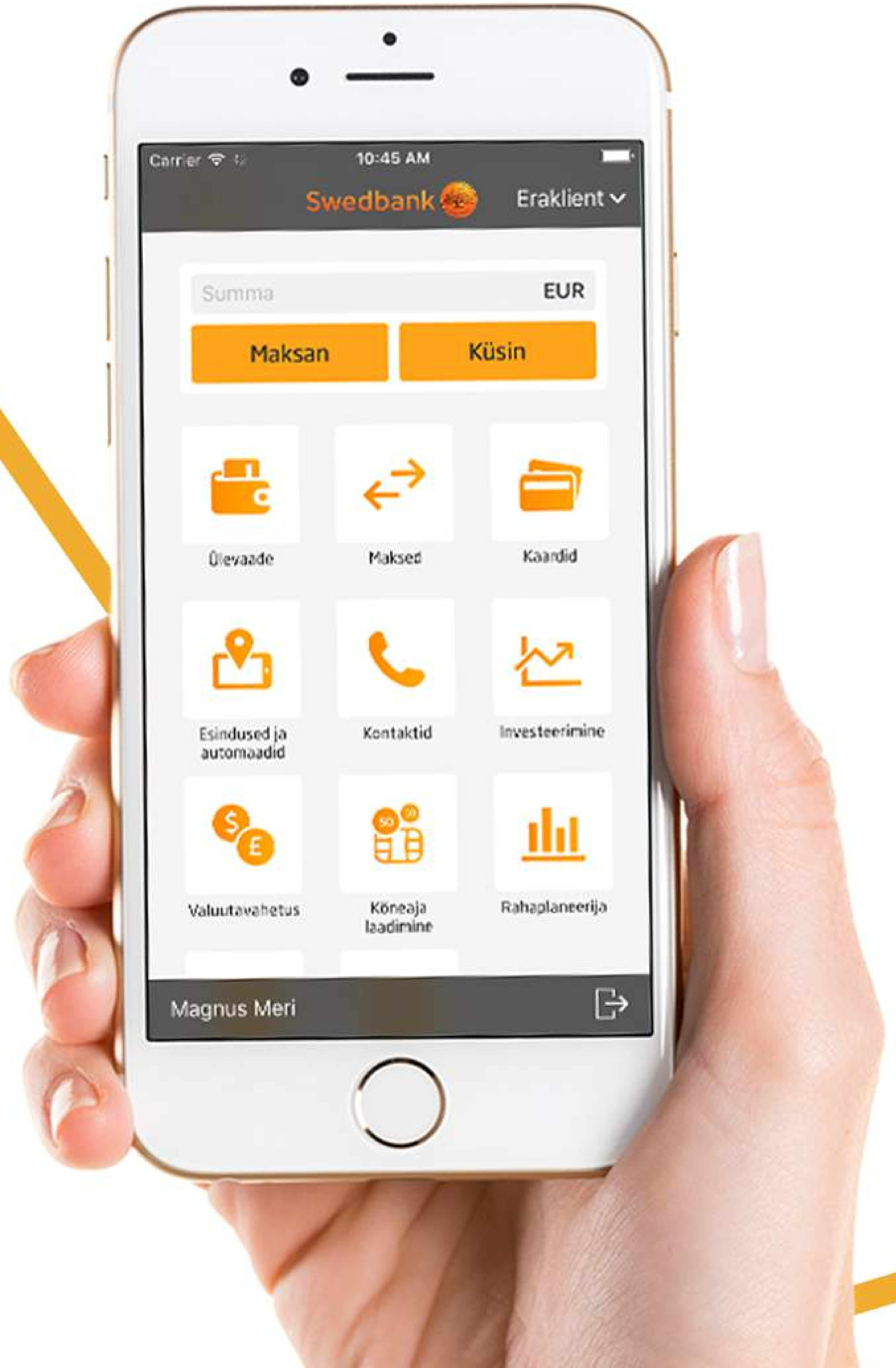
*Source: Published on Forbes, dated April 28, 2018 (Click here for details)

GAINS IN FINANCIAL INCLUSION, GAINS FOR A **SUSTAINABLE WORLD***

Financial inclusion may sound like an esoteric concept, but its meaning is more than real for the 1.2 billion people who have gotten access to a financial account since 2011, including more than half a billion people in the last three years.

With access to a financial account, people no longer need to rely on and transact solely in cash, or use their mattresses as savings cabinets. Financial access connects people into the formal financial system, making day-to-day living easier and allowing them to build assets, mitigate shocks related to emergencies, illness, or injury, and make productive investments.

In 2011 the World Bank Group launched Global Findex, a database which tracks financial inclusion efforts around the world. Its third edition was just released in April 2018.



*Source: Published on The World Bank, dated May 18, 2018 (Click here for details)

THE **INITIATIVES**

Constant work is being undertaken by experts and research organizations to enhance the understanding and find solutions to challenges encountered within the financial services industry. This section covers some of these research findings.

DIGITAL KP
#KPgoesTech

HOW ONE PROVINCE IN PAKISTAN IS LOOKING TO **DIGITAL JOBS FOR ITS YOUTH***

Pakistan's Khyber Pakhtunkhwa province, or KP, has not always been recognized as a digital economy. Sharing a border with Afghanistan, the province experienced a period of instability and militancy over several decades that saw outmigration and the decline of private industries. Since then, the province has shown rapid economic growth, advancements in security, improvements in basic health and education, and a renewed sense of optimism.

Today, around half of the province's population of 30.5 million is under the age of 30, necessitating rapid growth and job creation. In 2014, the Government of Khyber Pakhtunkhwa partnered with the World Bank to develop a strategy for job creation centered on leveraging the digital economy to address youth unemployment.

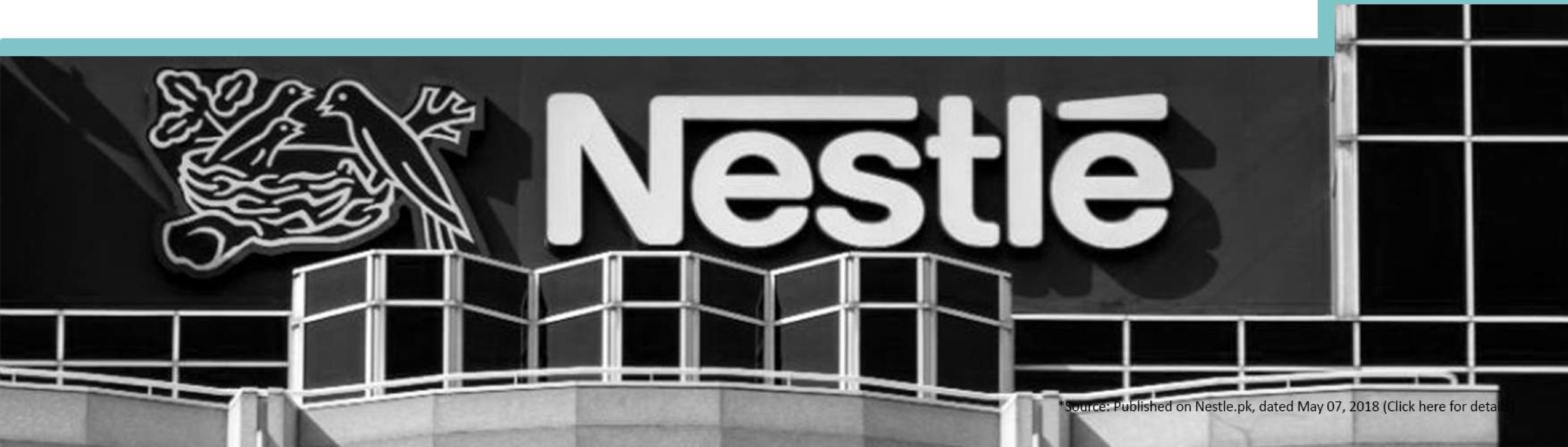
Fast forward to 2018, and the province of Khyber Pakhtunkhwa has launched a comprehensive digital strategy, called "Digital KP", that outlines a program on digital development, with a core objective to promote youth inclusion in the digital economy. Within this broader digital strategy is a strong focus on promoting job creation for youth.

*Source: Published on WorldBank.org, dated March 03, 2018 (Click here for details)

EMPOWERING WOMEN AGRIPRENEURS WITH **DIGITAL FINANCIAL SERVICES***

In collaboration with Telenor Bank (previously known as Tameer Bank) and Habib Bank Limited, Nestlé Pakistan has registered more than 7,000 small dairy farmers and has disbursed more than PKR 131 million in milk payments via mobile wallets. Nestlé Pakistan is committed to social and economic equity for the dairy farming community, with a focus on empowering women in rural areas. This enables the setting up of profitable and sustainable micro-businesses. Further capacity building is encouraged through training and non-formal education through our milk collection and dairy development team.

In line with the Sustainable Development Goals (SDGs), we have developed a number of initiatives that promote training and professional development for women along our supply chain. We recognize that women face real challenges in the developing world, including access to financial resources, knowledge and training. Nestlé Pakistan's different training programs generates further income for small farmers and employment for both rural men and women. We believe diversity in our business and throughout our supply chain.



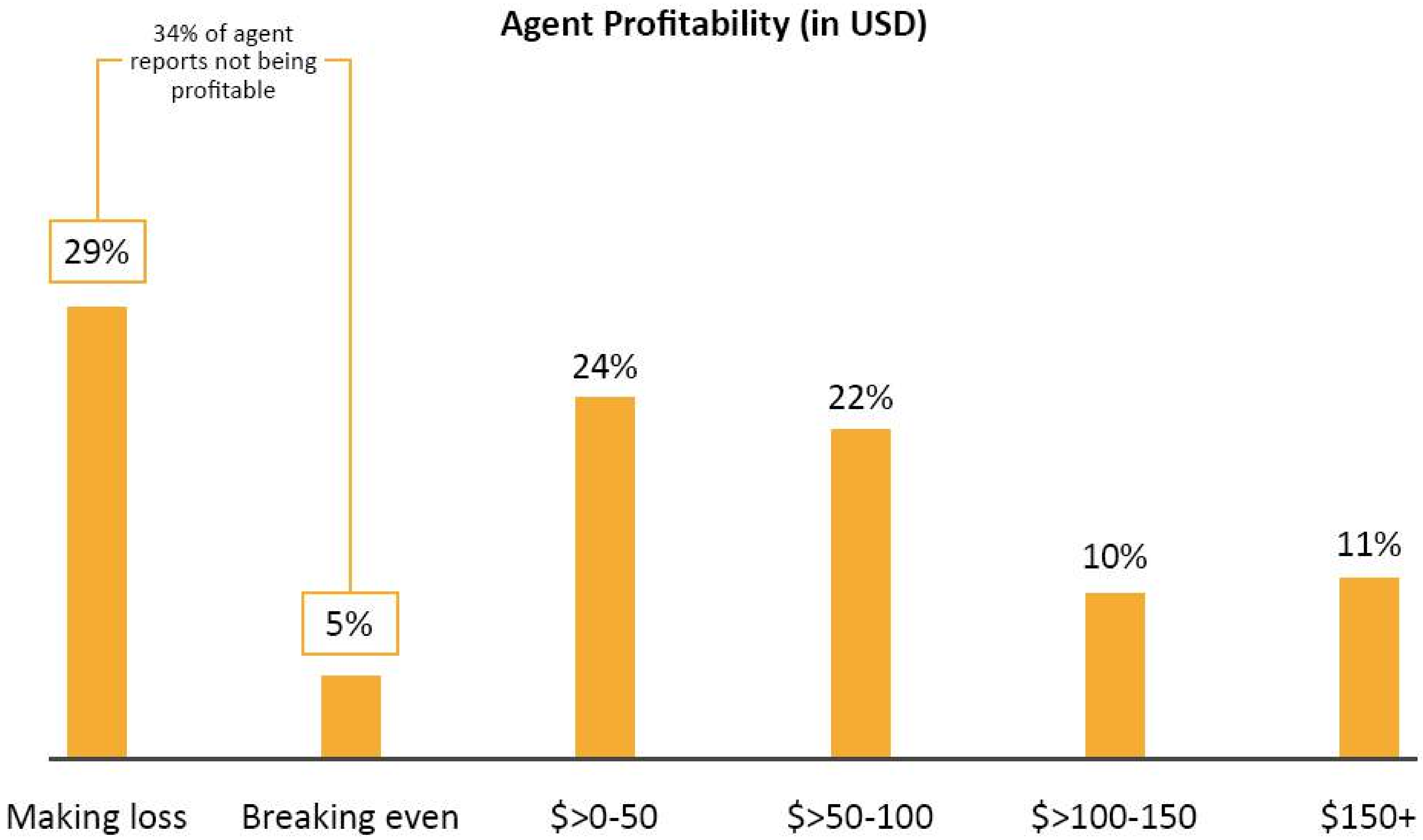
*Source: Published on Nestle.pk, dated May 07, 2018 (Click here for details)

DATA VISUALIZATION
& STATISTICAL FIGURES

Research backed by concrete data not only increases its credibility but also helps paint an accurate picture of a particular situation. This section contains graphical representations on various topics.

THE AGENT PROFITABILITY CONUNDRUM IN INDIA –
TIME FOR DIFFERENTIATED AGENTS?*

In India, about half of the agents, who are the main channel for providing financial services to poor earn less than US$ 2 per day, which is lower than the UN defined poverty line. This is especially significant since half of the agents in India are dedicated, meaning that the agency business is their only source of income.



*Source: Published on MicroSave, in May 07, 2018 (Click here for details)

THE VALUE OF FINANCIAL SERVICES IN THE LIVES OF THE POOR - **WHAT WORKS AND WHY?***

The roughly **2.5 billion** people in the world who live on less than **$2 a day** are not destined to remain in a state of chronic poverty.

Between 10 and 30 percent

of the world's poorest households manage to escape poverty every few years.

Typically this is done by finding steady employment or through entrepreneurial activities such as growing a business or improving agricultural harvests.

Roughly an equal number

of households slip below the poverty line during that same time period.

Health-related emergencies are the most common cause, but there are many more: crop failures, livestock deaths, farming-equipment breakdowns, and even wedding expenses.

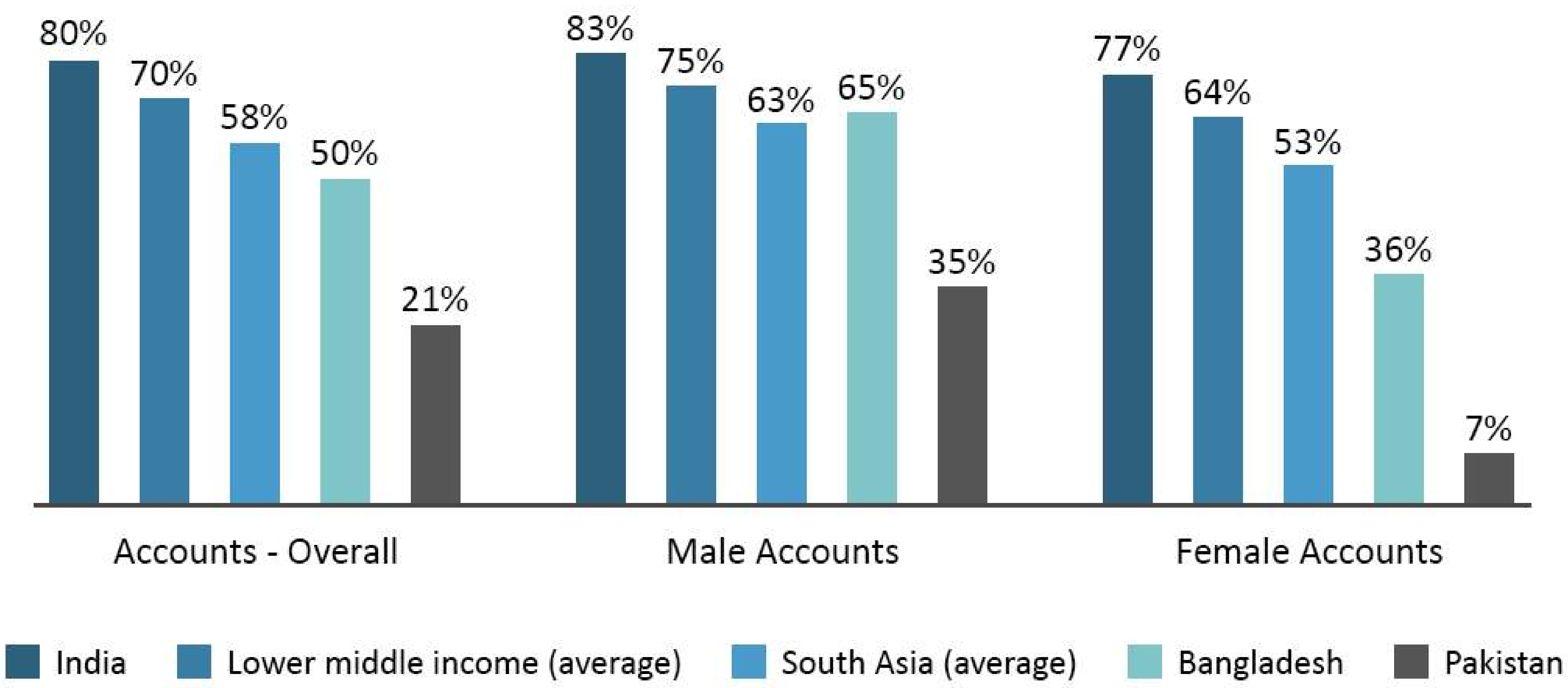
In many situations, financial tools such as personal savings, insurance, credit, or cash transfers from family and friends are important buffers against crippling setbacks. However, key market failures, such as imperfect information, behavioral biases, high transaction costs, property property rights which are not enforceable, and lack of competition, create wedges that inhibit the delivery of traditional financial services. The volatile income and subsistence status of the poor also exacerbate the nature and welfare implications of these market failures. Digital financial platforms offer many promising opportunities to dramatically improve both products and the market environment, but require care and a nuanced understanding of the market failures that currently plague poor families.

*Source: Published on NBER (Click here for details)

FINDEX FINDS **PAKISTAN LAGGING***

It is encouraging that account ownership in Pakistan – which, by definition includes accounts opened with financial institutions such as commercial banks, microfinance institutions and post offices, as well as mobile money accounts – had increased to 21 percent of adult population in 2017, up from 10 percent in 2011. But that still leaves about 100 million Pakistani adults unbanked. Besides, this density is significantly low compared to the averages of South Asia and the economic grouping of lower-middle-income countries that Pakistan belongs to.

Account Ownership *(adults, age 15+)*



*Source: Published in BR Research Newsletter, April 24, 2018 (Click here for details)

CONTACT **US**

www.gallup.com.pk/

/GallupPak

@GallupPak

caf@gallup.com.pk