GALLUP PAKISTAN
Affiliated with Gallup International
Pakistan's Foremost Social Research Lab

FINDEV CYBERLETTER

Ninth Edition

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 ninth 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)

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2017 Global Findex revealed only modest growth in financial inclusion since 2014, with 21 percent of adults having accounts.

China’s ‘Belt and Road’, e-commerce to redefine shipping lines

The face of global shipping may be altered and seaborne trade flows and patterns redefined in the wake of new factors such as digitalisation, e-commerce and the China’s ‘Belt and Road’ initiative which are increasingly unfolding.

SBP to Regulate Fintech, E-Money & EMIs

In order to achieve financial inclusion through different services, State Bank of Pakistan has planned to regulate fintech and companies dealing with electronic money or Electronic Money Institutions (EMIs) throughout the country.

Tech Talk: An online saviour for your money

Which one of us doesn’t like discounts? Who would say no to a juicy beef burger for half its price? Not me, at least. This is what SavYour is offering: all the possible exclusive discounts in one place.

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News Roundup

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

Pakistan's E-Commerce Market Nearly Doubles to Rs. 40b*

BY USMAN HANIF

Pakistan's e-commerce market almost doubled in fiscal year 2017-18 as digitalisation paved the way for the services sector to increase its contribution to the gross domestic product (GDP) from 52% to 60%, according to the State Bank of Pakistan (SBP).

E-commerce is booming in the country due to relatively larger penetration of internet, which is further making it easier to do business by lowering the cost of transaction. The business-to-consumer (B2C) side of e-commerce is growing rapidly whereas large-scale investment in the business-to-business (B2B) category is under way.

Sales of local and international e-commerce merchants reached Rs40.1 billion in FY18 compared with Rs20.7 billion in FY17, an encouraging growth of 93.7%. Market estimates put the share of postpaid cash-on-delivery (COD) settlements at around 80-90% of the total volume and about 60% of the total value of e-commerce in Pakistan. It suggests that the total e-commerce activity in FY17 and FY18 may have touched Rs51.8 billion and Rs99.3 billion respectively, the report added.

Digitalisation of services is helping businessmen set up easier business systems.

*Source: Published in Express Tribune, dated October 28, 2018

Pakistan Enigma: Why Is Financial Inclusion Happening So Slowly?*

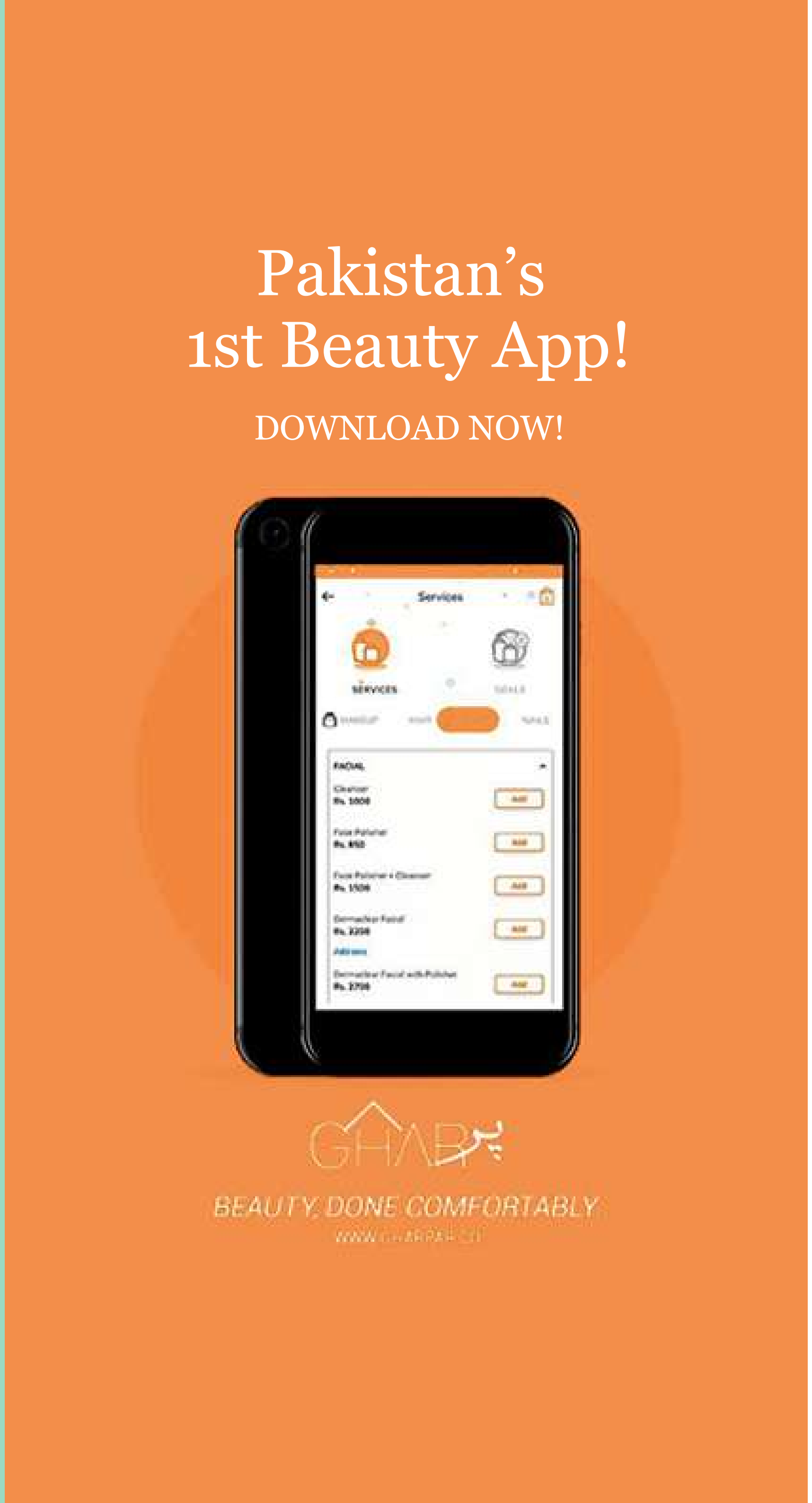
BY STEPHEN RASMUSSEN

It is easy to see why expectations were so high. Pakistan adopted financial inclusion as a national priority well before many other countries did. Support of the microfinance sector dates to the 1990s, and in 2001 the government began to allow the creation of microfinance banks. In 2008, Pakistan became one of the first countries to adopt branchless banking regulations, which paved the way for digital financial services. This support intensified in 2015, when the national financial inclusion strategy was approved. Despite these advantages, the percentage of adults with accounts rose just 8 percentage points from 2014 to 2017, bringing the total to 21 percent. InterMedia's 2018 Financial Inclusion Insights Survey corroborates the Findex numbers. Some observers have pointed to the Pakistani public's mistrust of banks and other formal institutions as a reason for Pakistan's slower-than-expected progress. The Gallup World Poll 2017 offers some support for this idea, showing that more than a third of adults in Pakistan do not trust financial institutions. If it is true that trust is low, improving financial inclusion in the short term may be more difficult than previously thought. Pakistan faces many financial inclusion challenges, but other countries have experienced strong growth in financial inclusion through sound approaches that are well documented. Pakistan need not reinvent the wheel.

*Source: Published in CGAP, dated October 30, 2018

How Pakistan can diversify, digitally?*

BY MILES MCKENNA



GharPar is just one of many startups that are taking advantage of Pakistan's rising comparative advantage in technology. And a 'tech boom' could help to reenergize and diversify the country's economy.

Pakistan's primary exports—textiles, leather, and rice—have stagnated over the last decade. Rising oil prices, relatively high minimum wages in key sectors and a lack of innovation have eroded the country's competitiveness in the global value chains that move these products around the world. Yet, ICT services exports have been rising steadily since 2007. Many multinational IT firms, including Cisco, S&P Global, and Mentor Graphics – have already opened offices across the country, relying on Pakistani talent to deliver IT services to global markets. The industry is targeting $10 billion in exports by 2025, which would be 400% growth from 2017.

As the world's 6th most populous country, Pakistan is also an attractive market for global e-commerce and a petri dish for young Pakistani tech entrepreneurs. Many of these entrepreneurs are trying to find marketable solutions to local problems—like GharPar—focusing on social impact and helping to drive social change.

*Source: Published on World Bank website, dated November 05, 2018

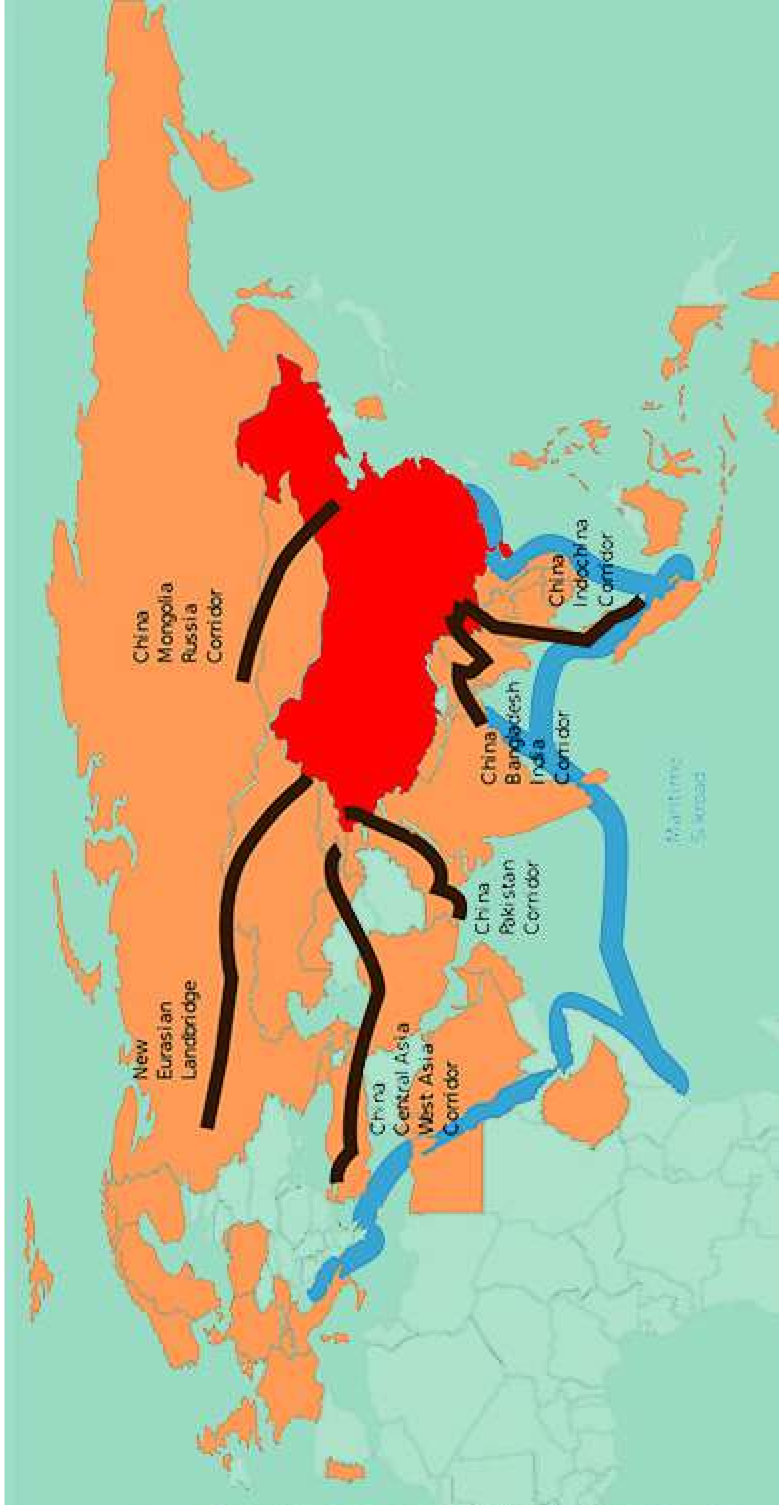
The Initiatives

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.

China's 'Belt and Road', E-Commerce to Redefine Shipping Lines*

BY NEWSPAPER REPORTER

UNCTAD projections are pointing to continued growth in world seaborne trade, which hinges on continued growth in GDP. At the same time, upside and downside risks to the outlook are manifold and include rising trade tensions on the downside and digitalisation on the upside. At a time of growing concerns over the rise of protectionist sentiments, barrier to trade and trade disputes that may result in far-reaching detrimental impacts for the global economy and trade should be avoided to the extent possible, suggests the report. According to the report, relevant regulatory authorities, maritime transport analysts, as well as development entities such as UNCTAD need to regularly monitor market concentration trends in liner shipping and assess potential implications in terms of market power, freight rates, surcharges and other costs to shippers and trade. Governments, in collaboration with the shipping industry, the private sector, and the trade and business community need to build digital preparedness and promote greater uptake of relevant technologies. This will require, among others, providing an enabling legal and regulatory framework and supporting training and initiatives to build knowledge and upgrade skills. All stakeholders, including governments, need to work together and support the development of transportation and supply chain infrastructure and services tailored for e-commerce.



*Source: Published in DAWN, October 7, 2018

SBP to Regulate Fintech, E-Money & EMIs*

BY ABDUL REHMAN

In order to achieve financial inclusion through different services, State Bank of Pakistan has planned to regulate fintech and companies dealing with electronic money or Electronic Money Institutions (EMIs) throughout the country. An entity that wants to become an EMI shall hold an initial capital of Rs. 200 million. Existing PSOs/PSPs that intend to become an EMI and undertake e-money business shall hold an additional capital of Rs. 100 million.
These innovative payment instruments have been instrumental in promoting cashless payments like merchant checkouts, e-commerce, transportation and toll payments etcThe central bank issued a draft Regulations for Electronic Money Institutions . It invited potential stakeholders and companies for suggestions, comments and input for further improvement in the regulations and the system.

*Source: Published on ProPakistani, dated October 6, 2018

Tech Talk: An online savior for your money*

BY MUTAHER KHAN

A Pakistani commercial bankIt's a discount-publishing app — based out of Karachi — that displays a bunch of exclusive deals for users. All you have to do is sign up, find yourself a deal, go to the vendor and show them your phone who will then enter a four-digit pin and just like that, you have availed the discount. Currently the app is offering discounts in nine different categories, ranging from spas and salons to even clinics and hospitals. But food is their prime focus, as evident by regular notifications and offers. "Once we have enough data there, we will aggressively pursue other areas well," the company's CEO Saad Gadit says.

SavYour was the brainchild of two Iqra University students, who started it as a simple yearly discount card, with a number of vouchers. But back in February last year, Disrupt Ventures — a Pakistani venture capital — acquired it. And since then, the entire business has been completely overhauled: card was phased out and replaced by an app, while the yearly subscription model has been abandoned altogether.

*Source: Published in DAWN, dated November 04, 2018

Data Visualization & Statistical Figures

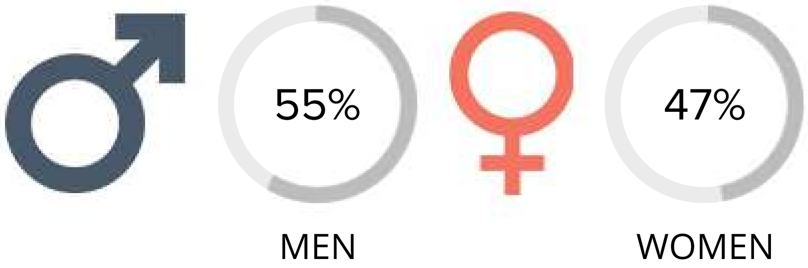
Research backed by concrete data not only increases its credibility but also helps paint an accurate picture of a particular situation. This section contains graphical representations on various topics.

Who are the Unbanked?*

The Global Findex shows gaps in financial inclusion across demographics, with women, the poor, youth and rural residents at the greatest disadvantage.

GENDER

Have an account at a formal financial institution:



AGE

Worldwide, those aged 15-24 are

33%

less likely to have an account.

40%

less likely to have saved formally.

(compared to those aged 25-65)

EDUCATION

In developing countries, adults with a tertiary education are more than twice as likely to have a formal account as those with a primary education or less.

INCOME

Richest 20% --> Poorest 20%

3x

more as likely.

In developing economies, the richest 20% of adults in a country are more than 3x as likely to save in a formal financial institution as the poorest 20% of adults.

RESIDENCE

Have a formal, in low income economies.

Urban Residents

35%

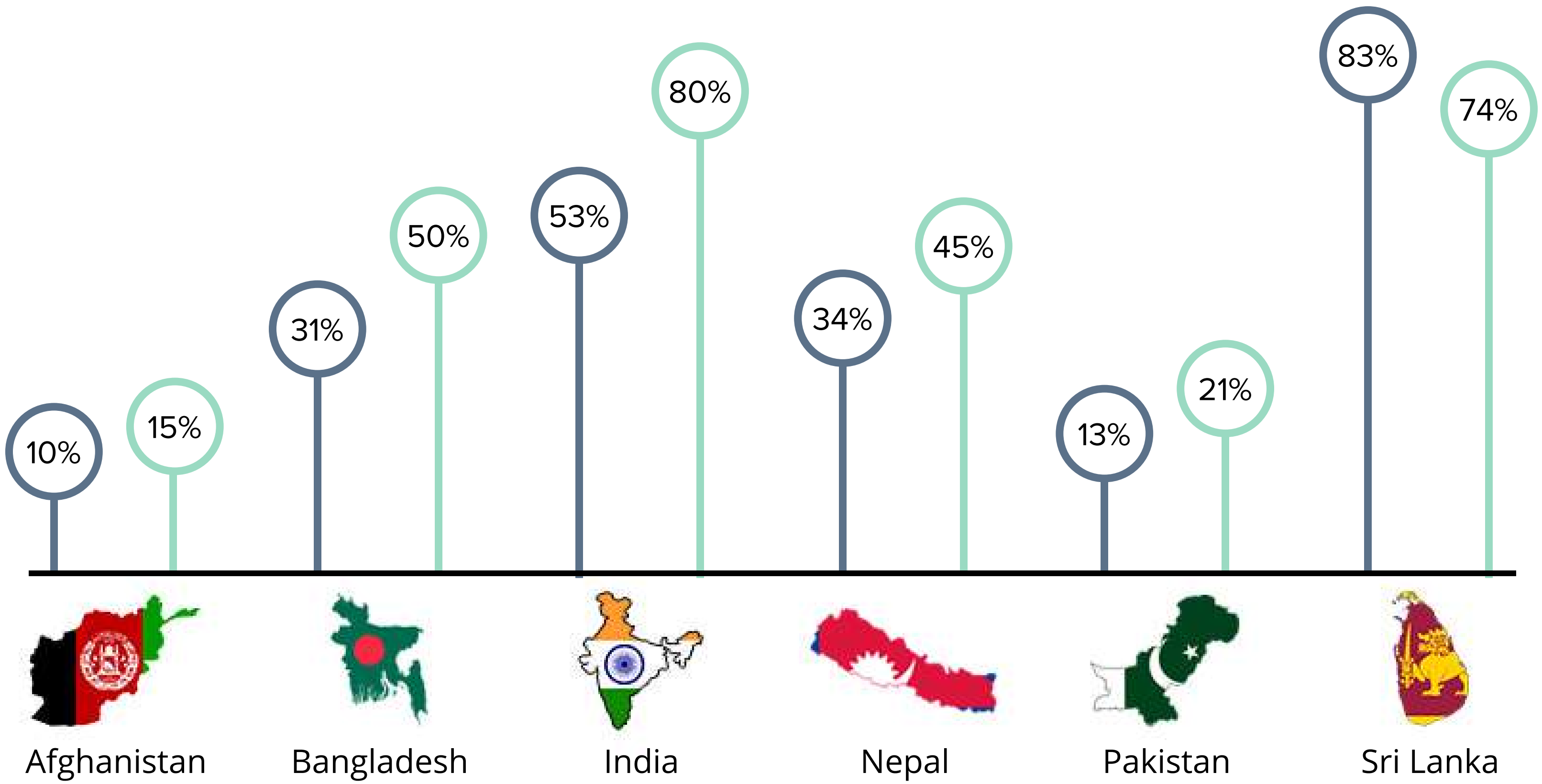
Rural Residents

22%

*Source: Published The World Bank

Account Ownership

PERCENTAGE OF ADULTS WITH ACCOUNTS



*Source: Published The World Bank

Contact Us

www.gallup.com.pk/

/GallupPak

@GallupPak

caf@gallup.com.pk