GALLUP PAKISTAN
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Fin Dev Cyberletter

EIGHTH 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 eights issue of the FinDev Cyberletter series. This newsletter is divided into two 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.

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)

Contents

Highlights

The Importance of Efficient Payment Mechanisms for Social Safety Nets - The Beneficiary Perspective

A study conducted by Karandaaz analyzes the preference of benei ciaries of the Benazir Income Support Programme for BVS based cash withdrawal.

India eyes single regulator for e-commerce sector: document

India is considering a single regulator and legislation to address all e-commerce-related issues in the country, in a bid to remove the legal fragmentation currently governing the sector.

Human Bankers Are Losing to Robots as Nordea Sets a New Standard

As per the CEO of another prominent Nordic bank, "whatever can be automated will be automated."

Private bank claims opening first account on transgender person's CNIC

Manzoor, the transgender person in question, further said that she will urge other community members to follow suit and open an account, so they can keep their earnings safe.

News Roundup

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

Financial Inclusion*

BY ANUM MALKANI

Poor households maintain complex financial portfolios, managing several different informal channels of saving, borrowing and lending. This makes intuitive sense when we think about the minimum wage of Rs15,000 per month; how do families survive on this income and manage to keep food on the table and a roof above their heads, while also managing ad hoc expenditures for weddings, funerals, religious occasions, emergencies and so on. At any given time, a household may have several active informal channels of lending and borrowing in the form of money or goods (a loan from a family member, advance wages or vegetables from the local grocer), as well as savings (assets, cash stored in the home or savings clubs aka 'committees'). That the poor somehow manage to sustain their households on below subsistence incomes with little access to basic financial services, non-existent public services and inadequate employment opportunities is a testament to the fact that they have to be resourceful and innovative in running their financial lives. Financial inclusion, which has recently begun to be highlighted as a development priority, is key to reducing poverty and inequality. As in many other sectors, digital technologies are now filling in the gap - democratising financial services and exploring new business models that are compatible with the needs of underserved populations.

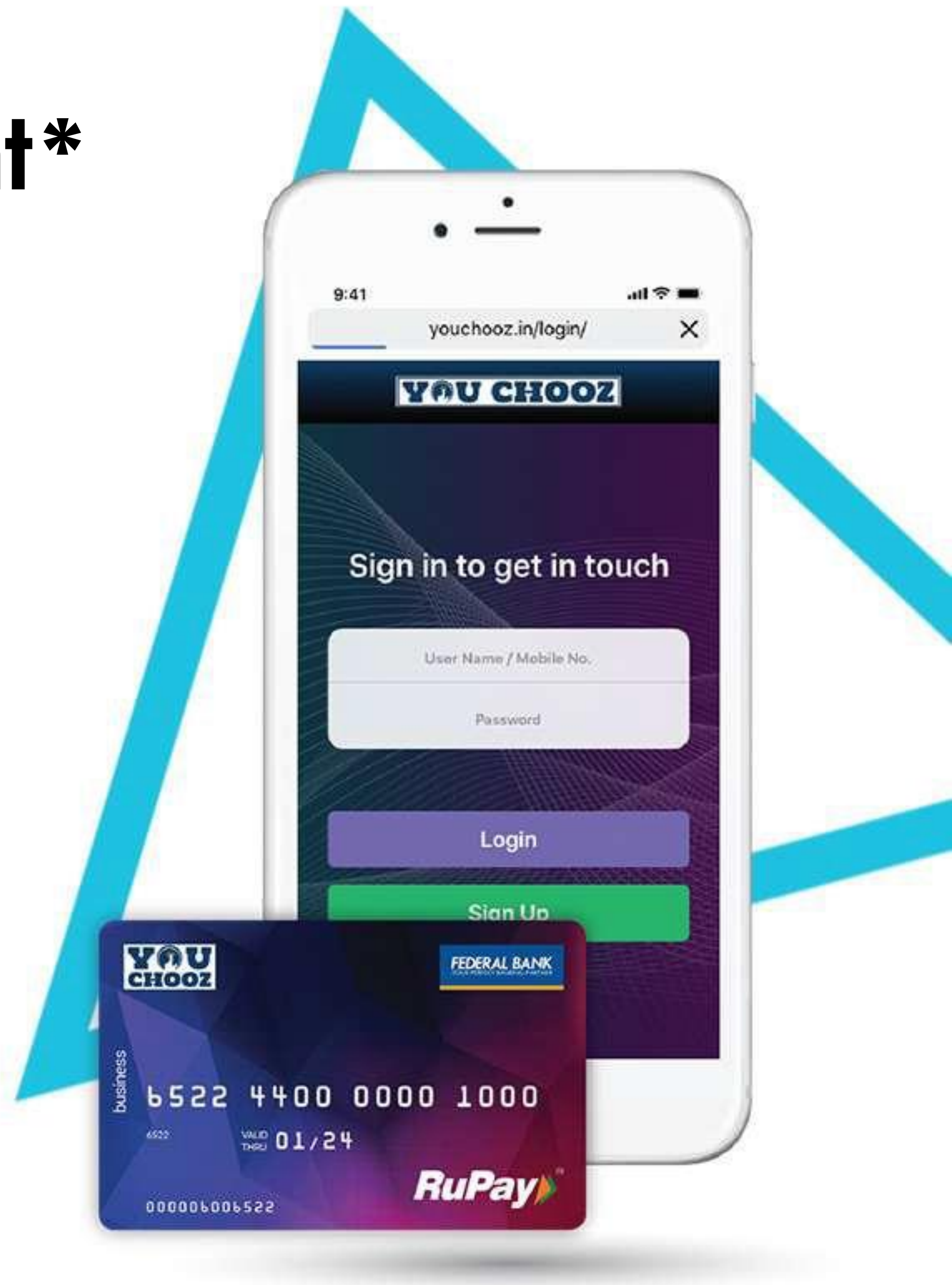
*Source: Published in DAWN, dated July 29, 2018

India Eyes Single Regulator for E-commerce Sector: Document*

BY REUTERS

India is considering a single regulator and legislation to address all e-commerce-related issues in the country, in a bid to remove the legal fragmentation currently governing the sector, according to a draft policy document seen by Reuters. Some of the measures suggested in the Draft National Policy Framework include local data storage, mandating the use of home-grown card payment network RuPay for online transactions and enhancing the participation of micro, small and medium enterprises in online retail. India will also take steps to develop capacity for storing data and incentivise its domestic storage, the document said, adding that the e-commerce industry could be given time to "adjust before localization becomes mandatory".

"The government would have access to data stored in India for national security and public policy objectives subject to rules related to privacy, consent etc," the draft policy said. India's anti-trust regulator will consider changing thresholds so that mergers and acquisitions in the e-commerce sector that potentially distort competition are compulsorily examined, it said. Flipkart, currently in the process of being acquired by US retail giant Walmart, Amazon's local unit and Snapdeal, backed by Japan's SoftBank, are among India's key e-commerce firms.



*Source: Published on GEO TV, dated July 30, 2018

The Importance of Efficient Payment Mechanisms for Social Safety Nets - The Beneficiary Perspective*

BY TAIMOOR ALI AND MURIUM HADI

A recent study commissioned by Karandaaz Pakistan to study the BVS (Biometric Verification System) cash withdrawal mechanism has unveiled insightful learnings from the perspective of the beneficiary. The study points to the beneficiaries' clear preference for BVS based cash withdrawal process as opposed to BDC. The most important reason cited for the same was the receipt of cash by the women themselves, since biometric verification is predicated on the physical presence of the woman to affix her thumb impression. Interestingly enough, the women were also highly appreciative of the 'social' aspect involved in BVS payment mechanism; women travel together in groups to get to agent shops. For them it is a social occasion which affords them the opportunity to exchange news, conduct other activities such as mobile uploads, buy groceries, and generally have a little time to themselves away from their daily routines. It can be discerned that BVS payment mechanism has managed to certainly and definitively, break through the cultural barrier of access for, and by women, given the mandatory requirement of physical presence of the beneficiary. It not only ensures proof of life but confirms to a high degree of certainty that the hand receiving the cash grant is identified to be that of the 'right' woman, thereby contributing to her agency. Having said the above, increasing a BISP beneficiary's agency may not quite constitute her 'independence'.

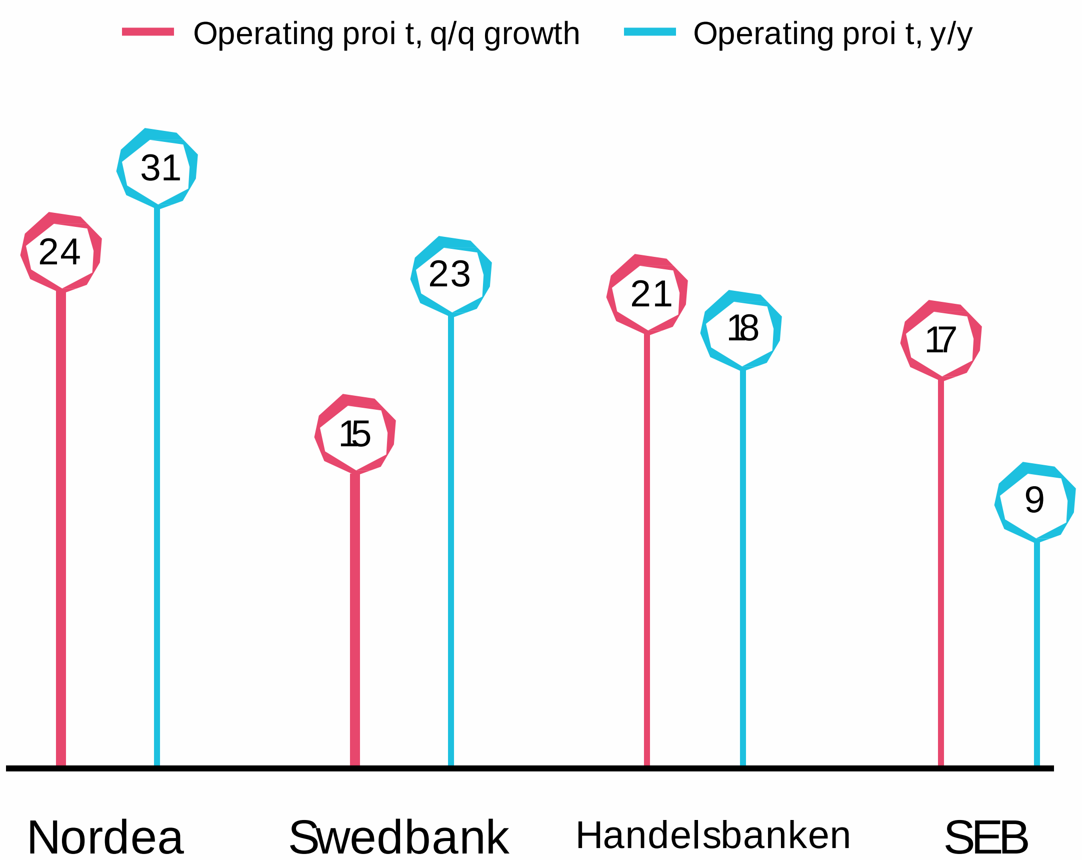
*Source: Published on Karandaaz, dated April 12, 2018

Human Bankers Are Losing to Robots as Nordea Sets a New Standard*

BY NIKLAAS MAGNUSSON

Nordea Bank AB, whose Chief Executive Ofi cer Casper von Koskull says his industry might only have half its current human workforce a decade from now, is cutting 6,000 of those jobs. Von Koskull says the adjustment is the only way to stay competitive in the future, with automation and robots taking over from people in everything from asset management to answering calls from retail clients.

While many in the i nance industry have struggled to digest that message, the latest set of bank results in Sweden suggests that executives in one of the planet's most technologically advanced corners are drawing inspiration from Nordea. At SEB AB, CEO Johan Torgeby now says that "whatever can be automated will be automated."



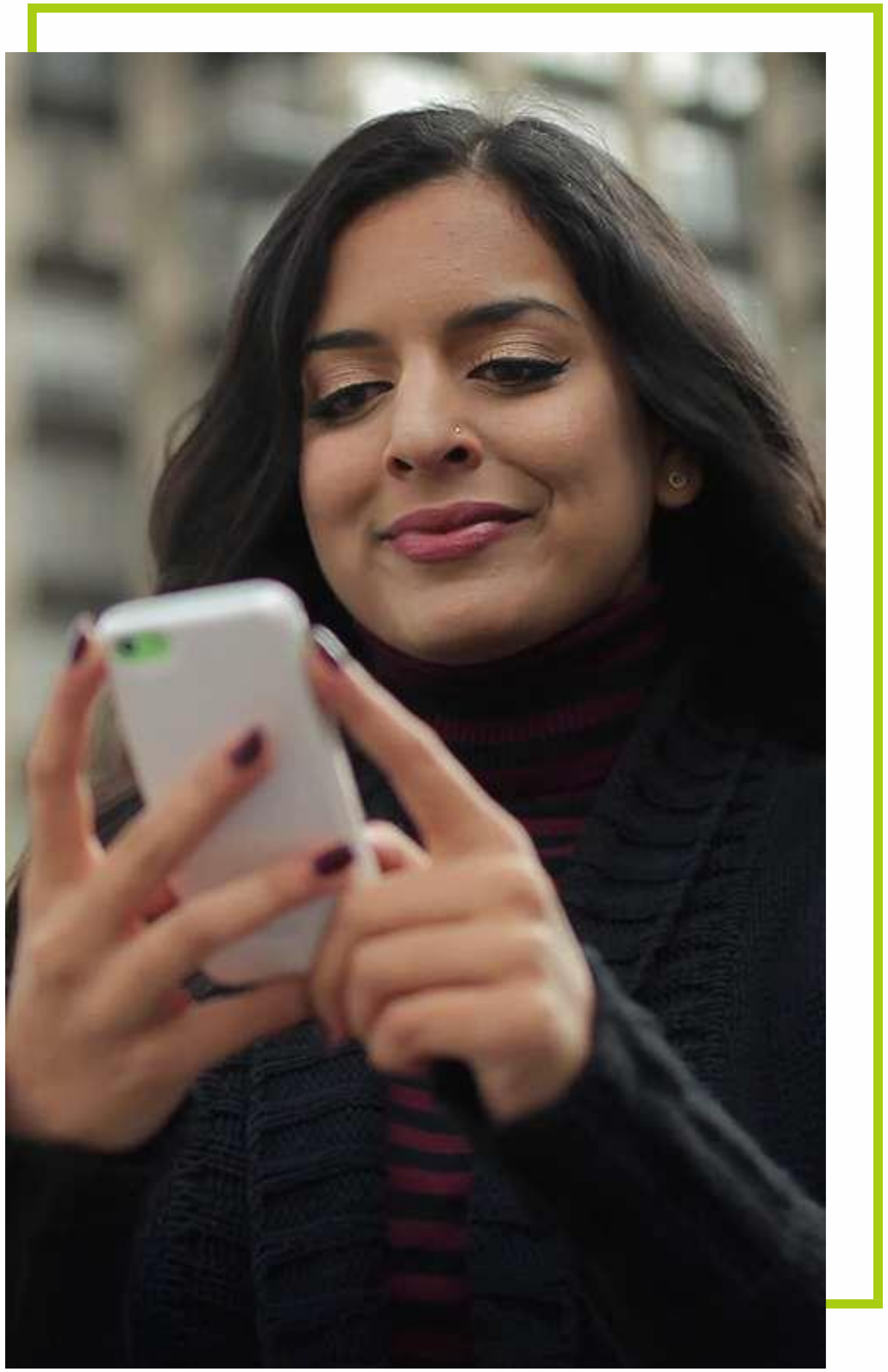
*Source: Published on Bloomberg, dated July 29, 2018

India Moves Toward Universal Financial Inclusion*

BY ANAND RAMAN

The 2017 Global Findex shows that India has significantly improved financial inclusion over the past four years. According to Findex, 53 percent of adults had accounts in 2014. By 2017, that number had jumped to 80 percent - a remarkable addition of 300 million accounts in just a few years.

Importantly, traditionally excluded groups shared in these gains. Women saw a 30 percent increase in account ownership, and the poorest households saw a 40 percent increase. Intermedia's 2018 Financial Inclusion Insights (FII) survey corroborates these findings. Yet both surveys show that challenges remain, especially on use.



*Source: Published on CGAP, dated August 30, 2018

Digital Finance for the Real Economy: Water*

BY DANIEL WALDRON AND ALEXANDER SOTIROU

In the water sector, 2.1 billion people do not have safely managed access to our most important resource. Water is many things: scarce, essential, expensive, heavy. If people are going to pay for it, then it needs to be even more things: clean, safe, close, and affordable. Water has always frustrated economic models. People will pay, but not too much; free alternatives abound, but you get what you pay for. Governments know that their people need water today, and so have historically been willing to mandate low prices and subsidize loss-making utilities. For these reasons, scalable for-profit businesses are hard, if not impossible, to run in the water sector. The capital costs of treating, pumping, and distributing water are too high, and the margins are kept too low. But in place of profit we do have progress: 2.6 billion people have gained access to an improved water source since 1990.

Blended finance arrangements are emerging every year that mitigate risks and unlock revenue, bringing private capital into a sector where it is sorely needed. And as shown in this presentation, efficient, customer-centric providers are using digital finance to expand access and provide better service:

- Digitizing collections creates cost savings for water service providers equivalent to 5- 20 percent of revenue.

- Pay-as-you-go water (digital payments linked with prepaid smart meters) helps to eliminate arrears and expand access.

- Digital credit can help households finance water connections.

*Source: Published on CGAP, dated August 30, 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.

Two Pakistani Firms Look to Establish Payment Gateway System*

BY USMAN HANIF

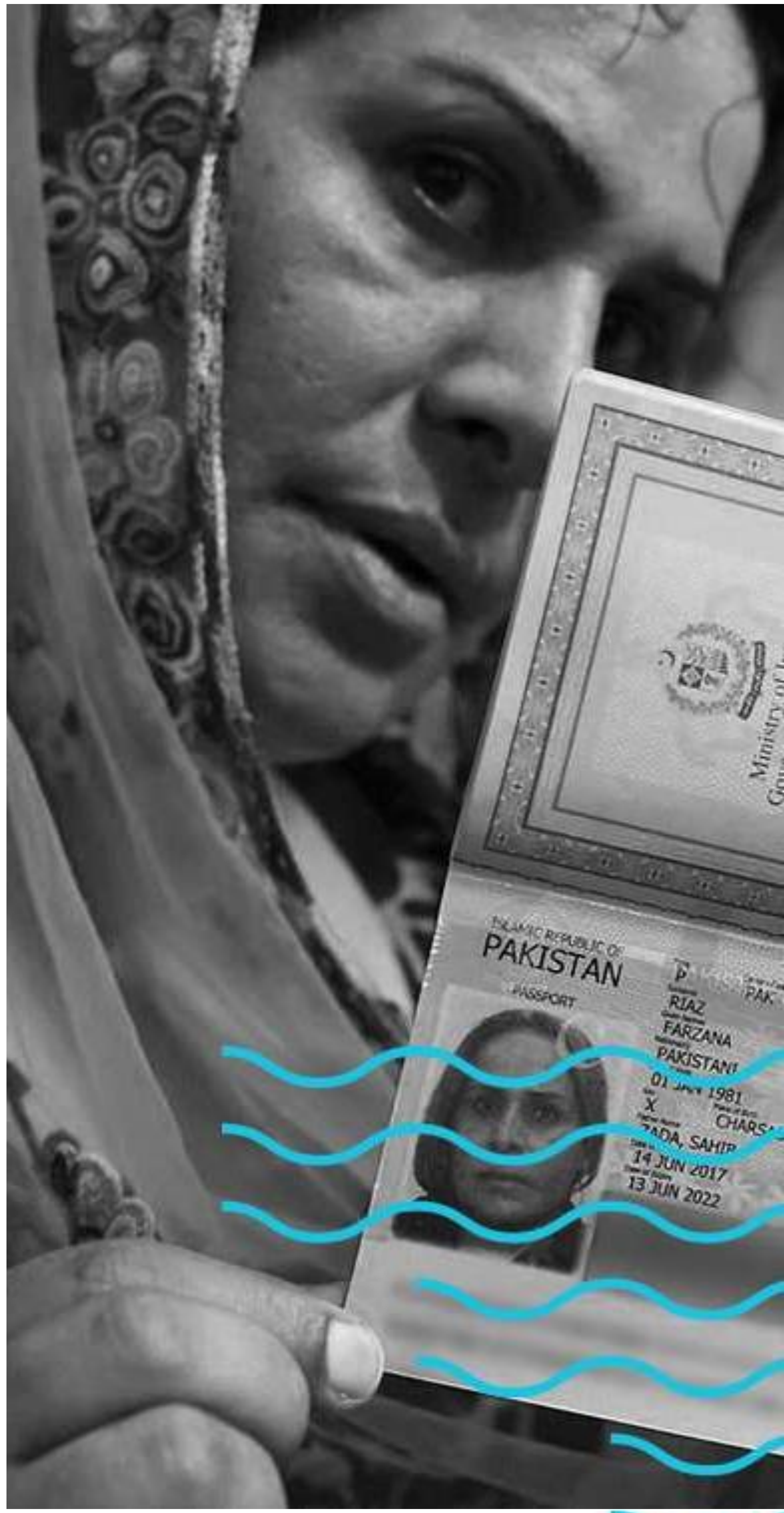
Two technology firms in Pakistan have joined hands to establish a local online payment gateway system to take a share in the growing e-commerce market. Avanza Group and Premier Systems announced to invest over $5 million in the gateway, which will connect individuals with merchants and banks. The companies will set up the joint venture as Avanza Premier Payment Services (APPS). The size of Pakistan's e-commerce market is estimated to be $1billion, which should be $30-$40 billion in a country with a population of 207 million, said Mahmood Kapurwala, CEO of Avanza Group, which partnered with NCR, Avaya, Microsoft, and IBM. APPS claims to be the first fintech in the country to obtain payment system provider (PSP) and payment system operator (PSO) licences from the State Bank of Pakistan (SBP).

*Source: Published on Tribune, dated August 9, 2018

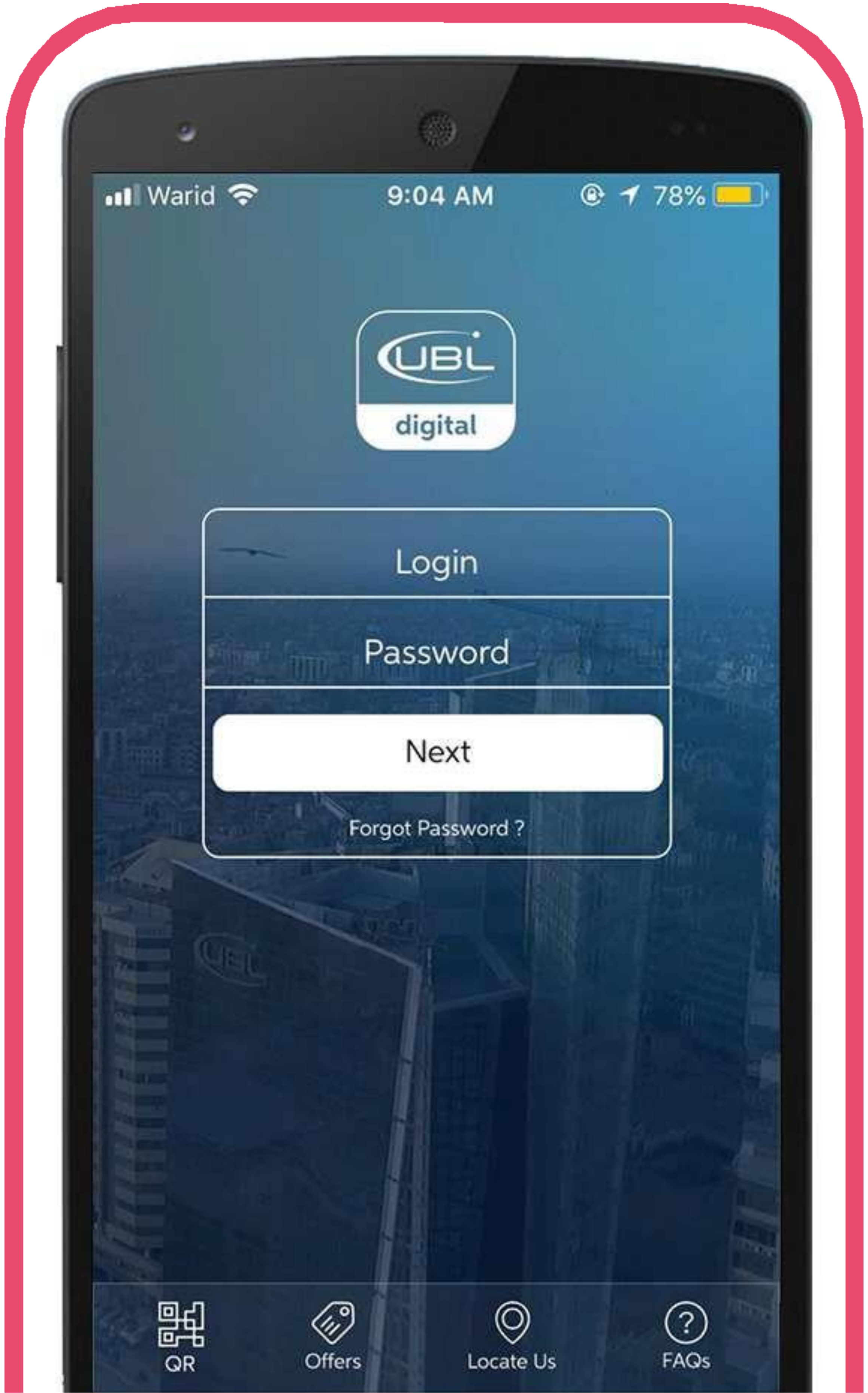
Private Bank Claims Opening First Account on Transgender Person's CNIC*

BY ALI IMRAN SYED

A Pakistani commercial bank said Tuesday that it had opened an account for a transgender citizen on an identity card identifying them as the third sex. A spokesperson for the First Women's bank said their branch in Multan opened a "Zindagi Asaan" account for Manzoor on her computerised National Identity Card (CNIC). The spokesman further said that the bank will open more accounts for the transgender community members. While speaking to Geo News, Manzoor said: "For us, keeping our money safe was a big concern. We have even lost our hard-earned money. It is not possible to carry money and we even left it behind at our quarters at times. When I came to First Woman Bank and spoke to them, they paid heed to me and opened an account." Manzoor further said that she is quite happy over opening of the bank account and will use it for saving money. Transgender person Manzoor further said that she will urge other community members to follow suit and open an account, so they can keep their earnings safe. Back in 2009, Pakistan became one of the i rst countries in the world which gave legal recognition to a third gender. The move allowed the members of the transgender community to obtain identity cards.



*Source: Published on GEO TV, dated August 7, 2018



UBL Take Their App to a New Level*

BY SADIA KAMRAN

"In the next three years, an estimated 22.25 million people are expected to enter an age bracket that will make them eligible to become banking customers and this represents a huge market potential," says Sharjeel Shahid, Group Executive, Digital Banking, UBL.

To this end, UBL is pursuing a digital transformation strategy and the launch of the app is the first of several initiatives the bank will be rolling out to transform banking in Pakistan. In its broader scope, the initiative is a part of the Fintech transformation of UBL, whereby the bank is introducing user-friendly financial products and services based on modern technology. Included in the new features is the use of AR technology, facial ID recognition and the QR payment facility to allow cashless transactions simply by scanning a QR code. The bank expects a few challenges in increasing the penetration of the app, with lack of awareness topping the list, mainly because customers are usually anxious that their funds might be misused; a general fear that has left 87% of the Pakistani adult population without an account in a formal financial institution.

*Source: Published on DAWN, dated July-August, 2018

With Increasing Pie, Another E-commerce Platform Kicks Off in Pakistan*

BY AZIFA AYAZ

Pakistan's expanding e-commerce market has prompted yet another launch with Ezbuy becoming the latest addition in the online market space.

While experts suggests the size of the e-commerce market is hovering around the $1-billion mark, co-founder and CEO of Ezbuy, Kamran Shaukat, has taken a rather conservative approach. However, he still says Pakistan remains a goldmine when it comes to the e-commerce segment with growth steadily increasing.
"Pakistan is a goldmine when it comes to the e-commerce space," Shaukat told The Express Tribune. "We are a $170 billion retail market of which 0.2% is e-commerce and this (share) is doubling each year."

With payments gateways and on-demand services registering well with a bulging population, Pakistan remains on course for increasing growth in the online market segment.

Ezbuy is looking to tap the market, offering Chinese goods as well as fruits grown in Pakistan. Moreover, its access to Alibaba's delivery system and technology will enable it to reach a wider consumer base, believes the company."Ezbuy will start with China products, which account for almost 70% of e-commerce produced globally and then expand to sourcing from the US and Korea."

*Source: Published on Tribune, dated September 02, 2018

A One Stop Shop for All Your Bills*

BY MUTAHER KHAN

ConnectPay is an online bill presentment system that simply fetches your invoices in a digital format straight on your online banking portal and lets you pay directly. All you have to do is access your bank's website/app/ATM or any other alternative delivery channel, add ConnectPay as the biller, enter your invoice ID (provided by the biller) and they will automatically show you an e-bill which can be directly paid from there. Once that is done, ConnectPay will update the biller that the payment has been successfully completed.

Needless to say, this works only with partner banks and organisations - a network ConnectPay is trying to grow fast. Within a month of soft launch, their solution is live on Meezan Bank and Bank of Punjab while 14 corporate clients are already on board. To expand on that front, the company is brokering partnerships with local players in Lahore and Islamabad. Chief Executive Asif Hassan's primary focus is on the business-to-business segment where he feels there is a huge need for such a solution. Most companies with wide distribution networks depend on outdated paper invoices and ConnectPay wants to digitise exactly that.

*Source: Published on DAWN, dated September 30, 2018

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