GALLUP
PAKISTAN

FINDEV CYBERLETTER

Eleventh 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 eleventh 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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News Roundup

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

Digital tools in agriculture have strong potential to generate substantial benefits to agribusinesses in emerging markets, addressing inefficiencies these organizations face when sourcing from smallholder farmers. Digitizing agricultural value chains benefits farmers too by offering a pathway to financial inclusion. This document presents the GSMA Value Chain Assessment Tool (VCAT), a framework for analyzing value chains and supporting digital interventions in agriculture, particularly the digitization of agricultural procurement payments.

The GSMA mAgri Value Chain Assessment Tool*

By Panos Loukos

*Source: Published on FinDev Gateway, dated December 2018
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New e-commerce rules jolt Amazon in India as products vanish*

By Reuters

India's revised e-commerce rules caused widespread disruption on Amazon's India website when they kicked in on Friday, forcing the company to take down its key grocery service and remove a wide range of products such as sunglasses and floor cleaners.

The products began to disappear from Amazon India late on Thursday as it began complying with the regulations before a midnight deadline, two sources with direct knowledge of the matter told Reuters.

*Source: Published on The Express Tribune, dated February 04, 2019
Click here to access full article

Country loses $1.5b in absence of online payment systems*

By Usman Hanif

Pakistan has failed to document straight money worth $1.5 billion due to unavailability of online payment systems like PayPal in the country, which can support online money transfers and services, according to the State Bank of Pakistan (SBP).

In 2018, Pakistan's information and communication technology (ICT) exports touched $1 billion. However, these are documented numbers, but the actual figure stands around $2.5 billion, according to the first-quarter State of Pakistan's Economy report for fiscal year 2018-19 released by the SBP.

*Source: Published on The Express Tribune, dated February 06, 2019
Click here to access full article

Fintech firms want to shake up banking*

By Reuters

The US Federal Reserve is wary of giving "fintech" firms such as OnDeck Capital or Kabbage access to the country's financial infrastructure, putting the central bank at odds with other regulators looking to bring them into the fold.

The Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) are exploring granting federal bank-like licenses to tech-driven firms that offer financial services, such as money transfers and lending.

The plan is part of a broader push by President Donald Trump's administration to boost small businesses and promote job growth.

*Source: Published on The Express Tribune, dated January 14, 2019
Click here to access full article

Focus on financial inclusion vital to boost economic activity*

By Rai Nasir Ali Khan/ M Mubashir Ehsan

Pakistan's low standing in terms of financial inclusion has made it important for the key government stakeholders to develop a financial inclusion strategy. The prime minister approved a five-year plan for enhanced National Financial Inclusion Strategy (NFIS) in 2018, which is a great step towards development of the financial inclusion performance.

One of the most important factors of growth for any economic activity has been finance. Financial inclusion acts as a bridge that facilitates fuller participation of the financially excluded sections of the country.

" The NFIS predicts that 25% of adults females will have formal account by 2020 "

*Source: Published on The Express Tribune, dated January 14, 2019

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The word ‘blockchain’ immediately directs people’s minds towards Bitcoin, which implies that the innovation relates solely to cryptocurrencies, thereby completely disregarding the scope of this breakthrough in Pakistan. Blockchain is a unique digital ledger, which has multiple uses, along with the capacity to effectively transform the way people organize, record and authenticate transactions.

With the fundamental model, transforming from a centralized structure (such as trading platforms, exchanges, energy companies) to a decentralized one (such as traders, customers, energy consumers), there would be no need of a central body or a middleman to oversee the system and charge for it. Instead, people themselves would be responsible to maintain the system and take decisions.

Blockchain can transform real estate and education system*

By Shahram Haq

*Source: Published on The Express Tribune, dated January 13, 2019
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Loose money era leaves trail of US corporate debt junkies*

By Reuters

Many US companies that gorged on cheap debt with forgiving terms over the last decade now find themselves shackled by it, spending much of their earnings paying off lenders rather than investing in their businesses or hiring.

As small firms, which together account for half of US employment, begin to feel the squeeze, this could have a chilling effect on hiring, wages and consumption, adding to headwinds from wobbly financial markets and ebbing global growth, economists and corporate finance professionals say.

*Source: Published on DAWN, dated February 06, 2019
Click here to access full article

China tells online financial info providers to keep 'economic order'*

By Reuters

China's cyber watchdog on Wednesday issued new regulations for domestic financial information providers, in an apparent crackdown on online content deemed detrimental to the country's financial stability as the economy slows.

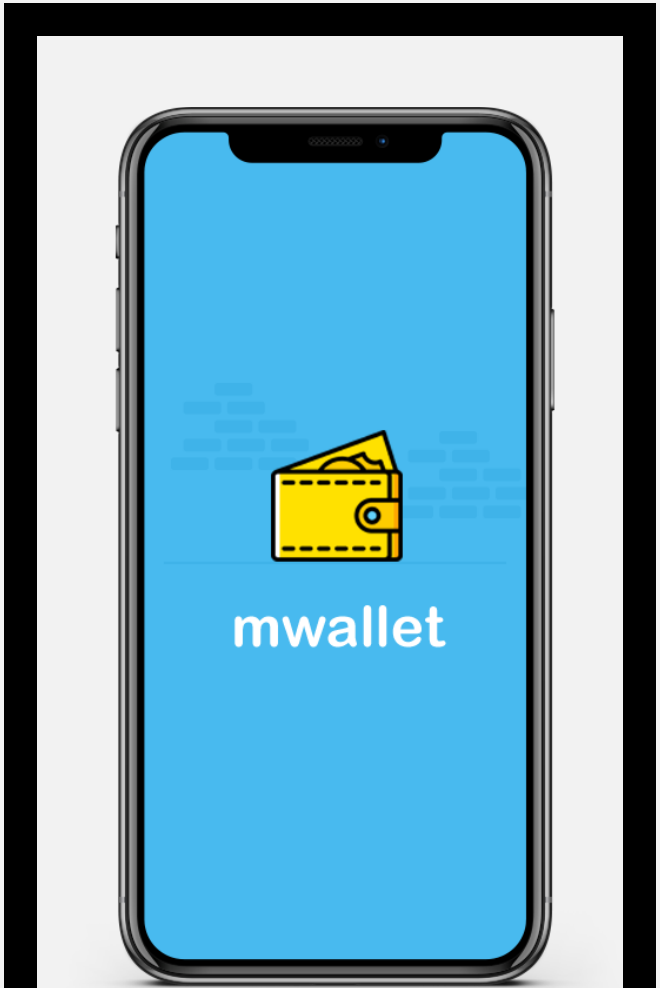
Financial information providers are not allowed to distort Chinese fiscal and monetary policies, disturb economic order or to harm the nation's interests, the Cyberspace Administration of China (CAC) said in a statement on its website.

Service providers being targeted include those involved in financial analysis, financial trading and financial decision-making, but do not include foreign wire services, according to CAC.

*Source: Published on DAWN, dated December 27, 2018
Click here to access full article

Is Universal Financial Inclusion For The Third keep ‘economic order’*

By Thomas Ditcher



Financial Inclusion is the current term for the movement to provide the third world's poor with access to formal financial services such as savings, loans and money transfers. The terminology reflects the latest expansion of what began as the microcredit movement in the late 1970s when it was widely believed that access to credit would lift people out of poverty. Today about 70% of adults worldwide are "banked," in contrast to 40% in the third world.
The World Bank's goal is Universal Financial access by 2020. There is some progress towards this. Just in the last three years the number of unbanked people worldwide has gone from 2.6 billion to 1.7 billion.

“There is a strong link between poverty and lack of access to basic financial services ”

*Source: Published on Forbes dated January 17, 2019
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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.

Pakistan about to embrace location -based services*

By Usman Hanif

Financial Inclusion is the current term for the movement to provide the third world's poor with access to formal financial services such as savings, loans and money transfers. The terminology reflects the latest expansion of what began as the microcredit movement in the late 1970s when it was widely believed that access to credit would lift people out of poverty. Today about 70% of adults worldwide are "banked," in contrast to 40% in the third world.

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India tightens e-commerce rules*

By Reuters

India's revised e-commerce rules caused widespread disruption on Amazon's India website when they kicked in on Friday, forcing the company to take down its key grocery service and remove a wide range of products such as sunglasses and floor cleaners.

The products began to disappear from Amazon India late on Thursday as it began complying with the regulations before a midnight deadline, two sources with direct knowledge of the matter told Reuters.

*Source: Published on The Express Tribune, dated December 27, 2018

Click here to access full article

Pakistan has deployed for the first time the blockchain technology in the banking sector to attract worker remittances from Malaysia, which is a step in the direction defined by the Financial Action Task Force (FATF) to combat terror financing and money laundering.

The technology will not only make financial transactions instant and secure, but will also document each and every step taken by the sender and receiver of remittances. This will help fight the illegal Hawala and Hundi system at the international level.

Pakistan adopts blockchain technology to attract remittances*

By Salman Siddiqui

*Source: Published on The Express Tribune, dated January 09, 2019
Click here to access full article

Data Visualization

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.

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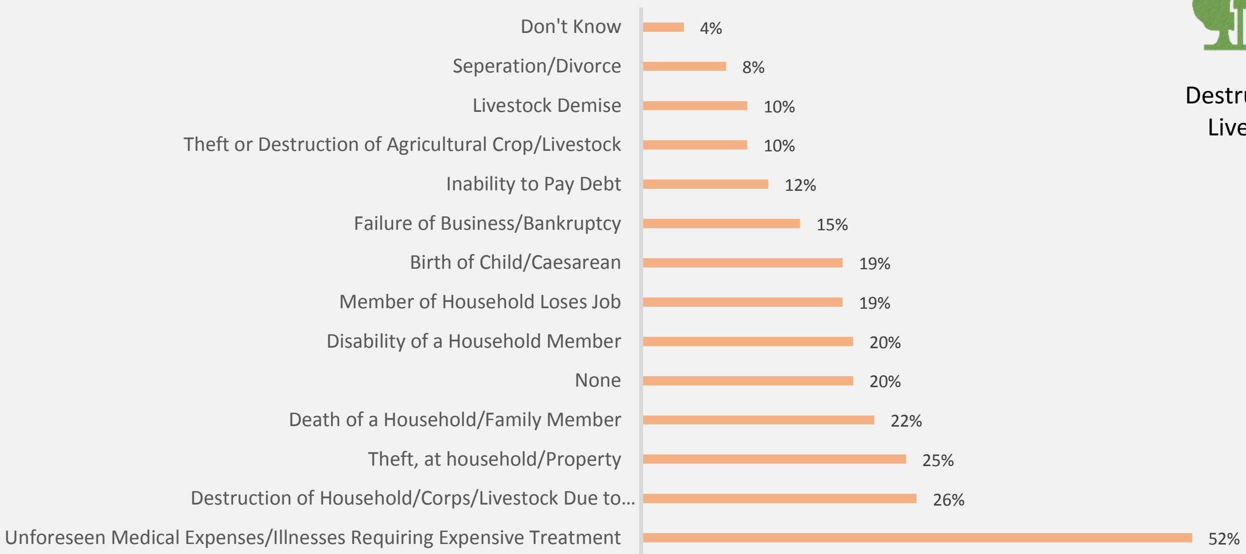
Affiliated with Gallup International
Pakistan's Foremost Social Research Lab

Household Budget

1 in 2 (52%) regard unforeseen illnesses and medical emergencies as the most significant risk to their household budget*



Urban/Rural

8%

27%

Destruction of Agricultural Crops & Livestock is a concern for Rural (27%) respondents.

Gender

12%

5%

Divorce/Separation is a serious concern for women (12%) than men (5%).

*Source: Published on Gallup Pakistan/Access to Finance 2015
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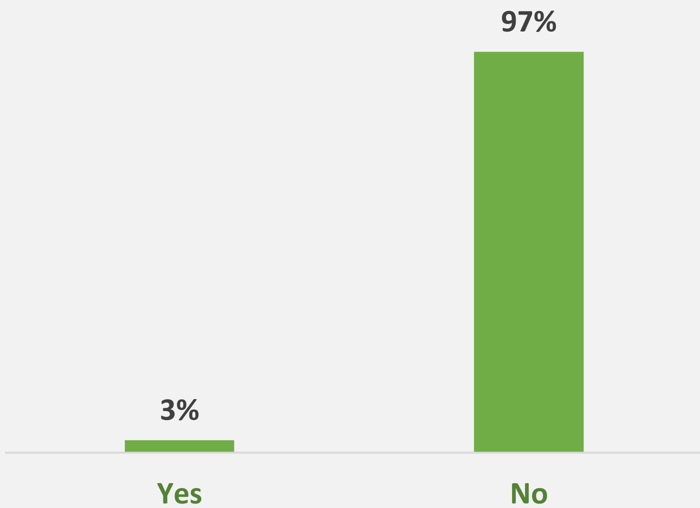
An Approximate 3 Million Adult Pakistanis Claim To Invest In A Prize Bond*

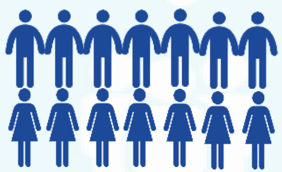


Prize bond is most popular among retired individuals (6%) and housewives (3%), with claiming to have a Prize Bond.

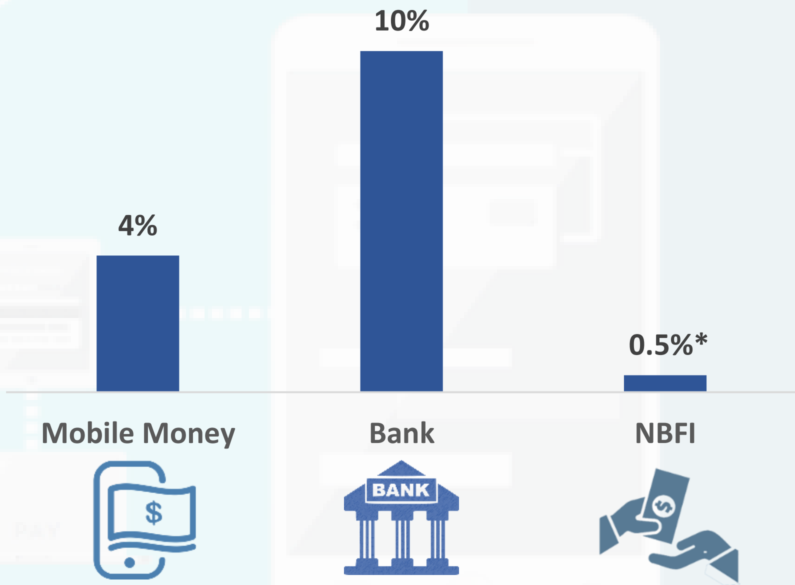
Moreover, the probability to save in Prize Bonds Increases and the level as the level of income increases.

*Source: Published on Gallup Pakistan/Access to Finance 2015
Click here to access full report

Digital Financial Inclusion, By Service Type*



13% of population is financially included via a digitally enabled account



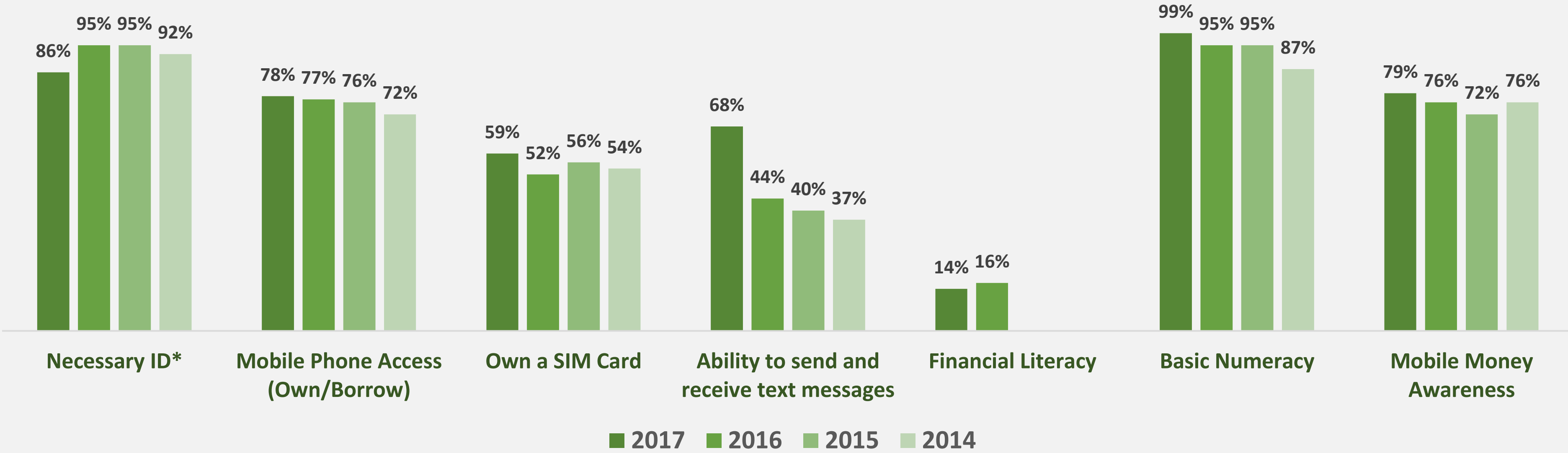
*Fewer than 50 observations

Three quarters of digitally included population (10%) held a bank account with digital features.

Boosting mobile phone ownership could lead to greater digital financial inclusion. As, 40% of adults did not own a phone.

*Source: Intermedia Pakistan FII Tracker Survey, Wave 5 (N=6,000, 15+), September-October 2017
Click here to access full report

Readiness To Adopt Digital Financial Services*

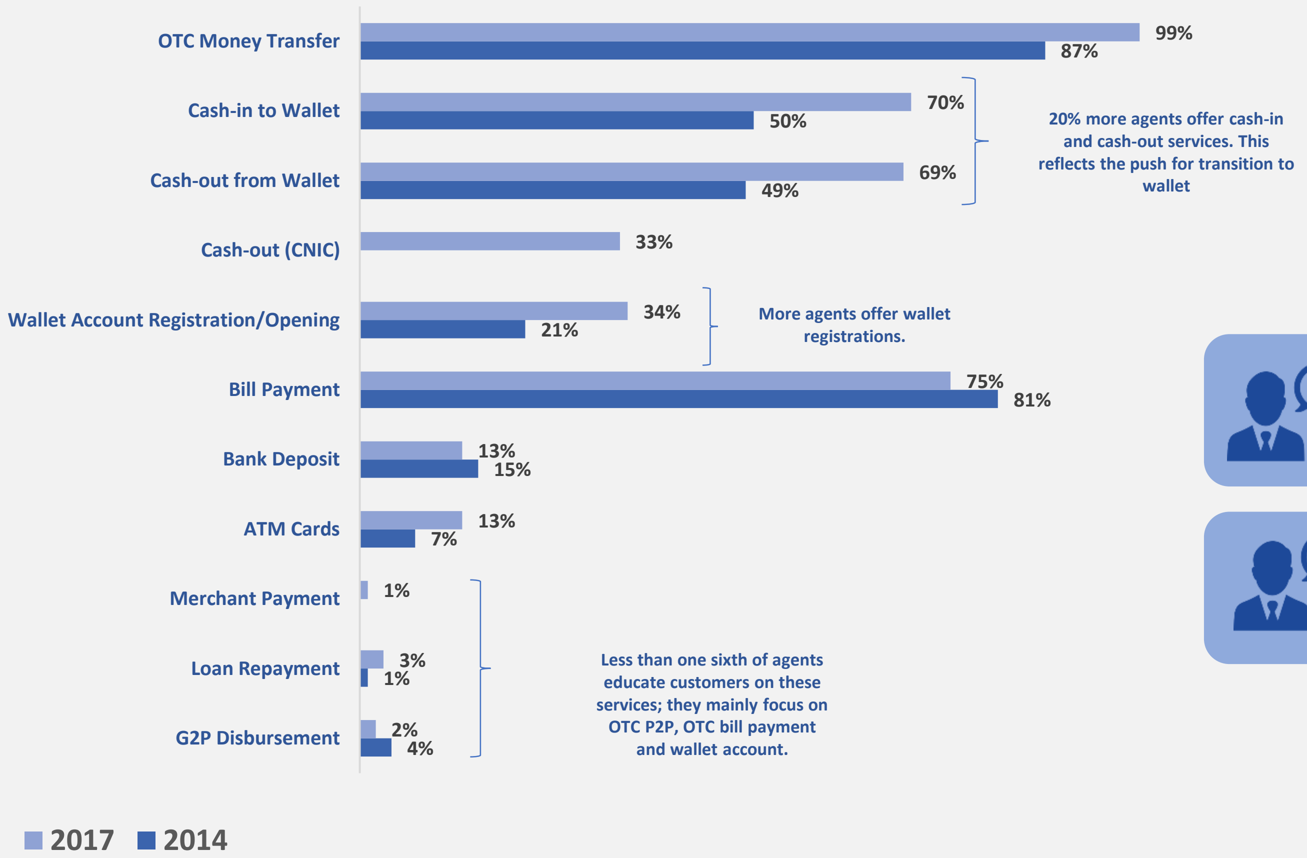


*Requirements for ID changes in 2017, so data may not be comparable to previous years.

*Source: Intermedia Pakistan FII Tracker Survey, Wave 5 (N=6,000, 15+), September-October 2017

Click here to access full report

Services Offered By Mobile Money Agents*



34% of MM agents offer wallet registrations, while another 46% want to offer this service, though they do not have this capability

20% of MM agents did not offer wallet registration and were unwilling to register customers.

*Source: Agent Network Accelerator Research, Karaandaaz, 2017

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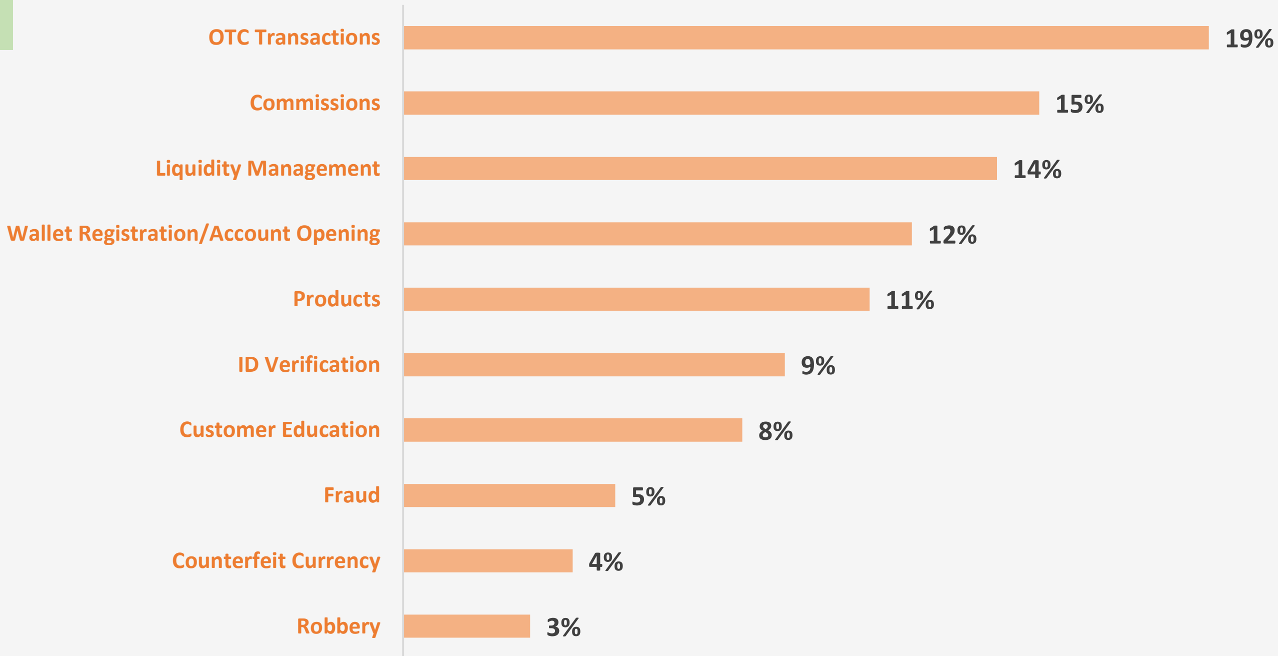
Agents Reporting Having Been Trained On Key Topics*



Over a third (39%), agents did not receive training in the past one year.

19% of agents recall being trained on OTC transactions, while training on security and fraud are least memorable.

Only a small proportion of Pakistani DFS agents were able to recall being trained on the specifics topics emphasized by the regulator.

*Source: Agent Network Accelerator Research, Karaandaaz, 2017
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Contact Us

www.gallup.com.pk/

/GallupPak

@GallupPak

caf@gallup.com.pk