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

FINDEV CYBERLETTER

Twelfth 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 twelfth 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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Highlights

HBL makes history by digitally disbursing loans of PKR 1 billion
HBL, one of Pakistan's largest banks, has made history by disbursing personal loans of over PKR 1 billion through its mobile app. This has been achieved within five months of launching this digital service.

Digital bank Revolut's money laundering lapse exposed
One of Britain's most promising technology startups has been accused of violating basic banking rules by failing to block thousands of potentially suspicious transactions on its platform.

Getting Ahead and Getting By: Exploring outcomes of youth livelihoods programs
Getting Ahead and Getting By: Exploring Outcomes of Youth Livelihoods Programs examines factors that influence young people's earning opportunities and well-being.

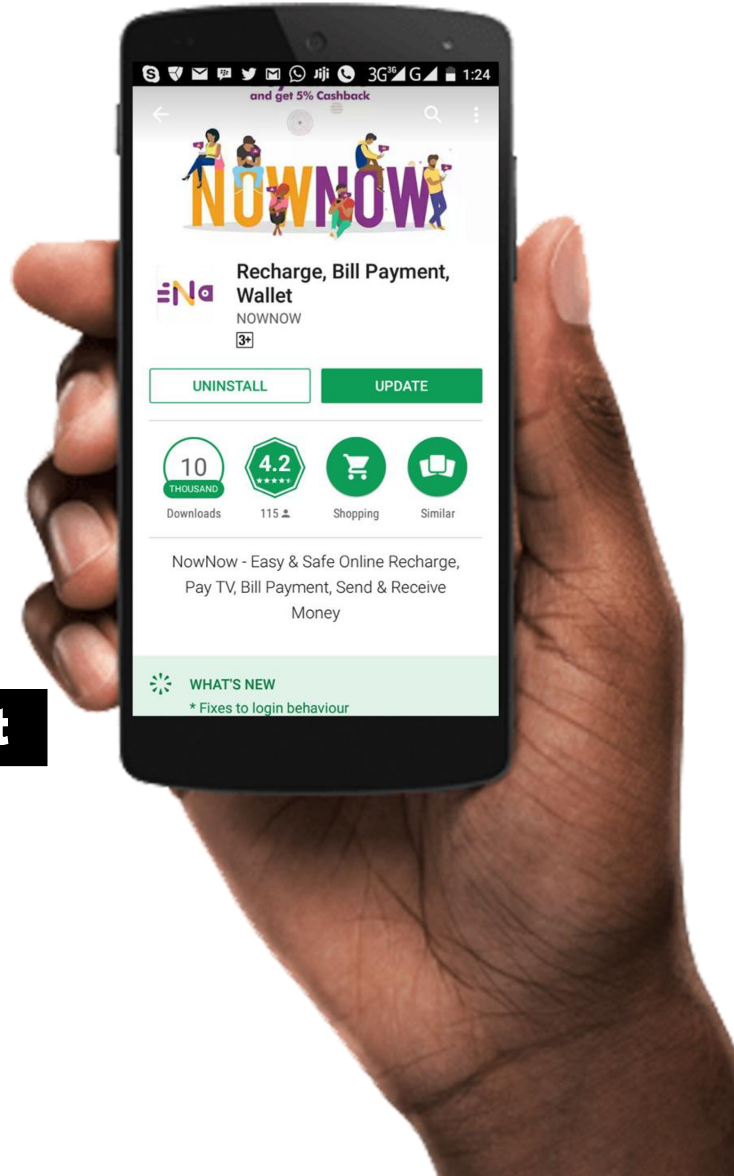
Financial inclusion strategy to create 3m jobs in five years
The government is fully committed to improving the livelihood of Pakistanis through job creation, promoting entrepreneurship and enhancing access to formal financial services in an efficient and affordable manner, emphasized Finance Minister Asad Umar.

Govt introduces regulations for cryptocurrencies
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.

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.



Awakening Africa's Sleeping Giants: The next mobile money revolution*

By Olga Morawczynski

*Source: Published on LinkedIn, dated February 25, 2018
Click here to access full article

Is financial inclusion really impacting the SDGs? This new research approach could offer an answer*

By Liz Larson and Daryl Collins

Leora Klapper shared a blog about how the growing financial access measured in the 2017 Findex might impact the Sustainable Development Goals (SDGs). The article gave several examples of how financial services have enabled better nutrition, education and business opportunities. We would like to build upon her contribution and discuss a measurement framework which is encapsulated in a new UNCDF/BFA Focus Note "Pathways to a Better Life: The Intricate Role of Digital Finance in Reaching the Sustainable Development Goals" and the accompanying interactive graphic.

*Source: Published on Next Billion, dated February 14, 2019
Click here to access full article

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.

HBL makes history by digitally disbursing loans of PKR 1 billion*

*Source: Published on ProPakistani
Click here to access full article

Fintech can bring economies to life*

Worldwide, 1.7 billion people still have no access to bank accounts, insurance, loans or pensions. The World Bank believes that this limits people's economic development.
"Fintech has a key role to play in reducing poverty, creating jobs, increasing gender equality and improving food security," said Peter van Mierlo, CEO of Dutch development bank FMO, in his opening address of the Fintech for Inclusion Global Summit on 8 February 2019, that followed the 2-day CEO Forum.

*Source: Published on FMO Entrepreneurial Development Bank, dated February 15, 2019
Click here to access full article

Digital bank Revolut's sanctions screening issue revealed*

By James Cook

One of Britain's most promising technology startups has been accused of violating basic banking rules by failing to block thousands of potentially suspicious transactions on its platform.

Documents seen by The Telegraph show that for three months last year Revolut switched off an automated system designed to stop dubious money transfers.

As a result, thousands of illegal transactions may have passed through the London-based startup's digital banking system between July and September of 2018.

*Source: Published on The Telegraph, dated February 28, 2019

Click here to access full article

Getting Ahead and Getting By: Exploring Outcomes of Youth Livelihoods Programs examines factors that influence young people’s earning opportunities and well-being. The research is based on the experiences of 130 young people participating in two programs supported by Learn, Earn and Save (LES), a Mastercard Foundation initiative that was established to test models for market-level training and opportunities. Through the initiative, economically-disadvantaged youth from East Africa have received opportunities to:

Learn: Technical and soft skills.

Earn: Access to internships, apprenticeships, job placements, and opportunities to start small businesses.

Save: Access to financial education, savings groups, and loans.

Getting ahead and getting by:

Exploring outcomes of youth livelihoods programs*

*Source: Published on MasterCard Foundation
Click here to access full article

Could e-Commerce bring women's financial inclusion in Bangladesh*

By Pial Islam, Yasmin Bin-Humam

In financial inclusion, we often focus on closing the gender gap in account ownership as a means of empowering women. Yet, as many have pointed out, accounts by themselves do not lead to empowerment. Unless having a financial account comes with a compelling reason to use it, most women will not use their accounts to capture opportunities. Fortunately, even in countries where many women are financially excluded, women's financial behaviors tell us a lot about what use cases may help to empower them. In Bangladesh, there seems to be an opportunity to empower women through e-commerce or an informal variant of e-commerce that is especially popular among women.

*Source: Published on CGAP, dated March 05, 2019
Click here to access full article

The Million Dollar Question*

By Aamir Ibrahim

Almost every investor looking to make social and business impact now considers Pakistan as a priority market. General reports on communicative technologies reveal that Pakistan's progress on developing a robust emerging economy have partly rested on an early adoption of telephony and broadband services. Jazz has grown with Pakistan and our success is seemingly interwoven.
The million-dollar question is: Can Pakistan bridge the digital divide in time to absorb the large influx of potential youth jobseekers that need the right skillset for the future?

*Source: Published on DAWN, dated March 13, 2019
Click here to access full article

What will the rise of online shopping in Africa mean for jobs?*

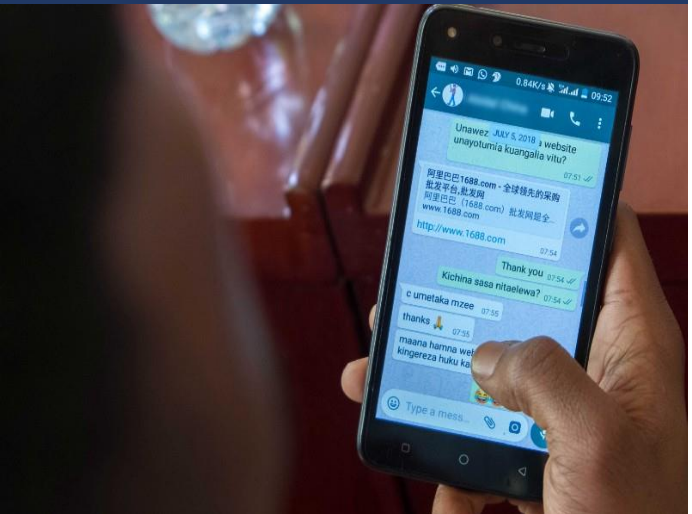
By David Porteous & Amolo Ng'weno

Around the world, the new technologies behind digital commerce have reshaped the physical economy of goods and services, as well as employment.

Digital commerce – or ecommerce, as it’s still commonly known – has not only disrupted entire sectors like retail and travel, it has also undercut policy approaches to areas such as cross-border taxation.

In this way, digital commerce is truly a double-edged sword. The question for policymakers in Africa is whether they can help wield it as a positive force for employment, as the phenomenon advances across their region.

*Source: Published on World Economic Forum dated February 19, 2019
Click here to access full article



Digital Platforms: Creating “Servant” Economies or a Step Toward Empowerment?*

By David Porteous & Amolo Ng'weno

Almost every investor looking to make social and business impact now considers Pakistan as a priority market. General reports on communicative technologies reveal that Pakistan’s progress on developing a robust emerging economy have partly rested on an early adoption of telephony and broadband services. Jazz has grown with Pakistan and our success is seemingly interwoven.

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*Source: Published on Medium, dated April 01, 2019
Click here to access full article

Harnessing the power of agents to drive female inclusion*

By Orla Ryan

How much do mobile operators need to adapt?
The differing needs of women, in low-and middle-income economies, in accessing digital financial services are well documented. A key question is, how can mobile operators adapt existing distribution networks to accommodate women's requirements and will the introduction of female agents drive uptake of financial services by women.
Mobile phone ownership has increased in low-and middle-income countries (LMICs), with 80% of women now owning a mobile, however 197m women are still without mobiles and 313 million fewer women than men use mobile internet.

*Source: Published on GSMA, dated March 29, 2019
Click here to access full article

EXECUTIVE PERSPECTIVE:
For whom the cash tolls*

By Camilo Tellez-Merchan and Daniel Waldron

Congestion is strangling mobility throughout low and middle-income countries. In Manila, road gridlock costs the city $70 million every day. If traffic were eliminated in Cairo, it could raise Egypt's GDP by as much as 3.5%. And a Nigerian transport firm calculated that for every ten years a person lives in Lagos, they will spend three of them in traffic.

By making tolls faster and dynamic, digital payments can help policy-makers reduce congestion and unlock productivity in urban economies.

*Source: Published on Thomson Reuters, dated November 06, 2018
Click here to access full article

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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.

The Initiatives

Financial inclusion strategy to create 3m jobs in five years*

By Correspondent

The government is fully committed to improving the livelihood of Pakistanis through job creation, promoting entrepreneurship and enhancing access to formal financial services in an efficient and affordable manner, emphasized Finance Minister Asad Umar. Chairing the sixth meeting of the National Financial Inclusion Strategy (NFIS) Council on Tuesday, Umar said the government gave priority to NFIS as part of efforts to achieve inclusive economic growth in some areas.

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

Instagram moves into e-commerce with shopping button*

By AFP

Facebook-owned Instagram on Tuesday made a move into potentially lucrative e-commerce by adding an option to buy products shown off in posts by selected brands.

A new "checkout" button for instant purchasing launched in a beta version of the app in the US with a limited number of businesses, according to the popular image-centric messaging service.

*Source: Published on The Express Tribune, dated March 20, 2019
Click here to access full article

The federal government has decided to introduce the Electronic Money Institutions (EMIs) regulations today [Monday] for regulating digital currencies as part of its action plan pertaining to the Financial Action Task Force [FATF].

According to sources in the finance ministry, the regulations have been prepared in order to monitor and regulate digital currency in Pakistan.

In order to introduce regulations, a ceremony will be held at the Islamabad office of the State Bank of Pakistan today which the Federal Minister for Finance Asad Umar will attend as the chief guest while SBP governor Tariq Bajwa, finance secretary Yonus Dhaga and other officials will also be present

Govt introduces regulations for cryptocurrencies*

By Irshad Ansari

*Source: Published on The Express Tribune, dated April 01, 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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Savings & Borrowing Characteristics of Women in Pakistan

On average, **18%** women *borrow* each year in Pakistan

The average load size in 2014-15 stood at PKR 45,000

In terms of reasons for borrowing, the most frequently cited purpose was to 'buy food', followed by 'for life cycle events', and 'for dowry or weddings'

63% reported that they saved in past year & avg. amount stood at PKR 25,000 / annum. While, the use of committee savings remains popular, with 29% saving through this mode

Uptake of insurance remains low among Pakistanis in general, including women, with less than 1% of women reporting the use of any insurance product

The main reason cited by women for not borrowing from formal sector relates to lack of information i.e. not having enough information about products and conditions of loans offered

The biggest change in financial behavior over the past few years seems to come from the uptake of *mobile money* . 5% of women reported using so e sort of digital financial service.

*Source: State of Financial Inclusion of Women in Pakistan – World Bank Group
Click here to access full report

Sizing the Market:

Potential Demand for Formal Financial Services Aiming Women in Pakistan

Potential Demand for Formal Financial Services Aiming Women in Pakistan		
	Current Outreach (In Millions)	Potential Market (In Millions)
Number of Loans	2.26	9.9
Number of Accounts	15.6	90.3
Number of Micro – Insurance Policy Holders	2.1	8.4
Number of Mobile Payment Transactions (Monthly)	6.7	16.0

Growth Drivers for Credit

Short-term Drivers:

- Low interest-rate regime
- Digital Credit
- Expand scope of credit bureaus
- Effective Marketing
- Finding of Growth

Long-term Drivers:

- Islamic Finance
- Growth of women-owned SMEs
- Client Protection

Growth Drivers for Saving

Short-term Drivers:

- Increasing Uptake of m-wallets
- Deposit Insurance
- Partnership to tap rural Markets
- Conversion of savings locked in prize bonds
- Retail Investments & Saving plans by Assets Manager

Long-term Drivers:

- Islamic Finance
- Growth of women-owned SMEs
- Client Protection

*Source: State of Financial Inclusion of Women in Pakistan – World Bank Group

Click here to access full report

Non-Bank Financial Sector

Snap-Shot of Non-Bank Financial Sector (2016)			
	No of Entities	Total Assets (In PKR Millions)	Assets as % of Total Sector Assets
Mutual Funds	1752	546,222	59.06
Asset Management Companies	23	37,334	4.04
Portfolio Management Assets	0	139,229	15.05
Real Estate Investment Trusts	1	27,165	2.94
Investment Finance Companies	10	76,855	8.31
Leasing Companies	8	42,262	4.57
Modarabas	25	36,538	3.95
Pension Funds	17	19,317	2.09
Total	256	924,922	100

In recent years, SECP has shown interest in expanding penetration of services beyond conventional market segments. The financial institutions SECP oversees are more diverse and offer scope for innovation and growth into markets that have hitherto been ignored in terms of women's inclusion.

To this end, it promulgated micro-insurance regulations in 2014, expanded its ambit to regulate non-bank MFIs in early 2016, and in June 2015 also launched a three-year Investors' Education Program aimed at the public-at-large.

*Source: State of Financial Inclusion of Women in Pakistan – World Bank Group
Click here to access full report

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