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

FINDEV CYBERLETTER

Fifteenth 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 Fifteenth 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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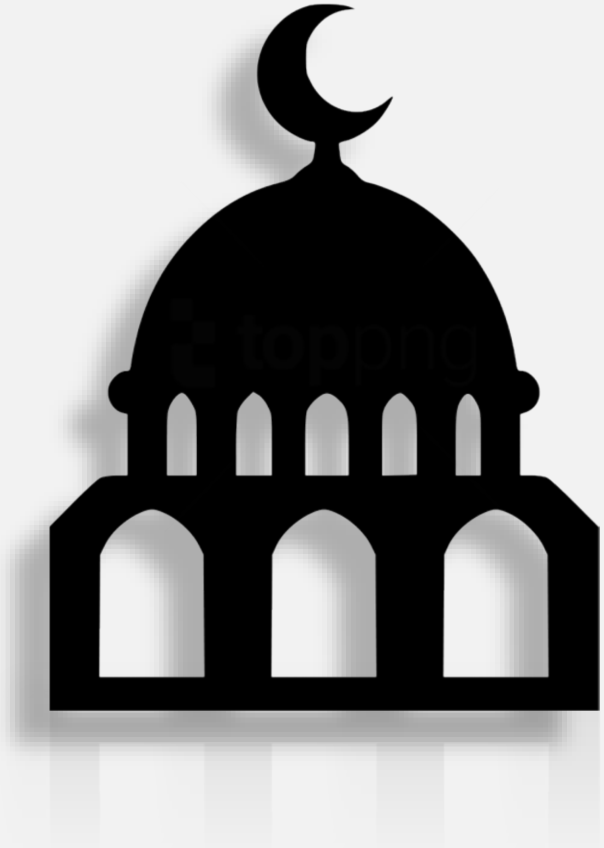
  As populations age and birth rates decline in many parts of the world, digital solutions have an important role to play in ensuring financial well-being for older adults.

- **Over 17 organizations come together with Jazz to discuss digitization trends and opportunities in Pakistan**
  As a recognized thought leader in the area, Jazz recently conducted a 'Digital Opportunities' round-table conference with industry leaders and media personnel belonging to over 17 different organizations.

- **‘S PAISA’ quick money transfer service launched in AJK**
  Special Communications Organization has launched ‘S PAISA’ quick money transfer service in AJK to facilitate the people seeking quick transfer and receipt of the money to and from their aspirant destinations.

News Roundup

This section covers the latest happenings from the financial services across the globe.



Fintech, Islamic Finance gain momentum*

Fintech and Islamic Finance are the globally emerging phenomenon is not only restricted to Middle East or Muslim countries rather it has captivated its roots all over the world.

The built-in features of sustainability and best alternative financial solution make this phenomenon prominent and attracts the attention of professionals and researchers. Keeping in view the importance, Ahmad Alagbari Chartered Accountants (AAACA) have entered into a Memorandum of Understanding (MOU) with Skyline University college (SUC) Sharjah.

*Source: Published on Gulf Today, dated July 12, 2019
Click to here access full article

As populations age and birth rates decline in many parts of the world, digital solutions have an important role to play in ensuring financial well-being for older adults. Globally, the number of people aged 60 years or over has more than doubled since 1980, and the share of older adults is projected to double again by 2050.

The Role of Digital Financial Inclusion in Preparing for Older Age and Retirement*

*Source: Published on Better Than Cash, dated July 8, 2019
Click to here access full article

Moving Beyond Credit: Why Savings Should Take Center Stage in Digital Financial Inclusion*

By Buhle Goslar

Digital financial services (DFS) have become the leading driver of inclusion for the unbanked around the world, particularly in developing countries. What makes this possible is not only innovation in products and technology but regulation. A complex set of rules underlies the ability of ordinary people to access financial services conveniently and safely through a few simple steps at the point of service – usually a mobile phone or a shop. For this to happen, legislators and central bankers must ensure that regulations in such areas as banking, payments, consumer protection, and anti-money laundering fit together to form an enabling framework.

*Source: Published on Next Billion, dated June 24, 2019
Click to here access full article

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The built-in features of sustainability and best alternative financial solution make this phenomenon prominent and attracts the attention of professionals and researchers. Keeping in view the importance, Ahmad Alagbari Chartered Accountants (AAACA) have entered into a Memorandum of Understanding (MOU) with Skyline University college (SUC) Sharjah.

Islamic FinTech: More Virtual Than Reality?*

By Umer Suleman

*Source: Published on Islam21c, dated July 17, 2019
Click to here access full article

Apply Now: Help USAID Understand the Role of DFS in Healthcare*

By Wayan Vota

About 100 million people are still being pushed into "extreme poverty" (living on $ 1.90 or less a day) because they have to pay for healthcare. Over 800 million people (almost 12 percent of the world's population) spent at least 10 percent of their household income to pay for healthcare.
Financial protection is achieved when direct payments made to obtain health services do not expose people to financial hardship and do not threaten living standards.

*Source: Published on ICTworks, dated July 22, 2019
Click to here access full article

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.

As a recognized thought leader in the area, Jazz recently conducted a 'Digital Opportunities' round-table conference with industry leaders and media personnel belonging to over 17 different organizations.

The conference discussed the digital ecosystem of Pakistan; it placed special emphasis on identifying opportunities for entrepreneurs tailored to local needs, sustainable entrepreneurship and digitization of existing businesses.

Over 17 organizations come together with Jazz to discuss digitization trends and opportunities in Pakistan*

*Source: Published on DAWN News, dated July 17, 2019
Click to here access full article

‘S PAISA’ quick money transfer service launched in AJK*

Special Communications Organization has launched ‘S PAISA’ quick money transfer service in AJK to facilitate the people seeking quick transfer and receipt of the money to and from their aspirant destinations.

*Source: Published on Radio Pakistan, dated July 17, 2019
Click to here access full article

How fintech is setting Southeast Asia's SMEs free*

By Benedict Carandang

Around 1.7 billion people globally are still unbanked – either having no proper savings or access to credit - according to the 2017 Global Findex Database. In Southeast Asia, only 27% of adults have formal bank accounts and only 33% of businesses have access to proper financing. While the region has been growing exponentially for the past few decades, financial inclusion in the region remains poor.

*Source: Published on World Economic Forum, dated June 13, 2019
Click to [here](#) 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.

FINANCIAL INCLUSION INDICATORS*

FINANCIAL INCLUSION INDICATORS			(Rupees in Billion)
Indicators	**Jun'15**	**Jun'18**	**Annual % Growth**
No. of Deposits (Million)	41.7	53.1	27.3
No. of Branchless Banking (Million)	10.8	39.2	262.9
No. of ATMs	9,597	14,019	46.1
No. of POS Machines	41,183	53,511	29.9
No. of Bank Branches	11,937	16,066	34.6

The initiatives taken under National Financial Inclusion Strategy have resulted in considerable growth in different financial inclusion indicators.

According to World Bank Group – Global Findex Report 2017 showed that account holder in Pakistan have grown from **13%** to **21%** of the adult population over a period of two years

*Source: Annual Performance Review – State Bank of Pakistan FY 2017-2018
Click here to access full report

BRANCHLESS BANKING INDICATORS*

FINANCIAL INCLUSION INDICATORS			(In Rupees)
Indicators	**FY17**	**FY18***	**Annual % Growth**
Number of Agents	402,710	405,531	0.70
Number of Accounts	27,312,964	39,235,924	43.65
Deposits (In Million)	15,423	15,335	-0.57
Number of Transactions (in '000')	551,543	748,605	35.73
Value of Transactions (In Million)	2,427,823	3,181,043	31.02
Average Size of Transaction	4,402	4,249	-3.48
Average Number of Transactions per Day	1,511,077	2,050,971	35.73

During FY18, the number of accounts witnessed an impressive growth of **43.6%** to reach 39.2 million from 27.3 million.

The agent network grew to 405,531 shared agents, to act as financial points of presence in the vicinity of customers

*Source: Annual Performance Review – State Bank of Pakistan FY 2017-2018
Click here to access full report

LANDSCAPE OF MERCHANT PAYMENTS

Challenges Seen by Stakeholders for the Development of Ecosystem*

- Lack of Awareness about DFS
- Lack of Awareness of cost of cash
- Less customer demand

Awareness & Education

- Too much documentation required
- Fear of taxes due to documentation of sales
- Have to pay "FED" for POS

Regulations & Taxation

- Cost of machine is high for small merchant MDR acts as a hurdle
- MDR stops acquirer to enter the business
- Variation of MDR leads to multiple POS machines

Cost

Currently, Cash is Universal amongst the merchants in Pakistan with **95%** exclusive usage of cash to receive payments

The incidence of usage of DFS is low at present with only **5%** merchants using any of the digital solutions

Digital solutions are used in addition to cash; Exclusive usage of DFS is not found

*Source: Landscape of Merchant Payments – Karandaaz Pakistan, 2019
Click here to access full report

LANDSCAPE OF MERCHANT PAYMENTS

Pain points with using Cash

46%

- Hassle of bank deposits
- Delayed payment by customers dealing in credit

30%

- No proof of payment

82%

- Theft
- Fake notes/ Fraud
- Wrong payment during rush
- Workers might steak

35%

- Handling of smaller notes
- Problems with change

24%

- Record Keeping

*Source: Landscape of Merchant Payments – Karandaaz Pakistan, 2019
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