GALLUP PAKISTAN
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FINDEV CYBERLETTER

SIXTEENTH 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 Sixteenth 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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The Future Of Banking: Virtual Banks Chase the Dream in Asia-Pacific
Virtual banking is fanning the competitive flames in Asia-Pacific banking. Newly licensed indigenous digital banks, global digital-only banks, and digitized traditional banks are all vying for their share across the region's lucrative markets.

Rural finance providers: A new segmentation for an expanding market
In a series of blogs, ISF Advisors and the MasterCard Foundation Rural and Agricultural Finance Learning Lab (the Lab) will introduce major concepts and frameworks that will anchor our upcoming State of the Sector report for rural finance.

Global fintech investments nosedive as Chinese fundraising falls sharply
Global investments in fintech firms tumbled 29 per cent in the first half of the year as deal activity in China fell sharply amid an escalating trade war between Washington and Beijing, according to a new report by the consulting firm Accenture.

Govt Finalizes E-Commerce Policy Framework for Online Stores in Pakistan
The second goal is to streamline regulatory framework for e-commerce businesses in Pakistan, to contribute achieving higher export growth through enhanced activities from e-commerce platforms, to promote small e-businesses and create employment opportunities through digital connectivity for empowering youth, especially in remote areas.

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News Roundup

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

UAE is fastest growing e-commerce market in MENA*

By Wam

The UAE is the most advanced e-commerce market in the Middle East and North Africa, MENA, region, according to a joint study by Dubai Economy and digital payment solutions leader, Visa, titled the "UAE eCommerce Landscape".
The study also estimates that e-commerce transactions in the country will hit US$16 billion (AED59 billion) in 2019 and grow 23 percent on an average annually between 2018 and 2022.

***Source: Published on EMIRATES 24|7, dated July 24, 2019**
Click to here access full article

Microfinance growth expected to drive higher financial inclusion*

By Kang Wan Chern

Efforts are being made to raise the rate of financial inclusion in the Myanmar. Under the Myanmar Financial Inclusion Roadmap for 2019 to 2023, authorities are working with the UN Capital Development Fund (UNCDF) to raise the percentage of the population covered by the financial sector to 60 percent from 48pc currently, said Willian Naing, national officer at the UNCDF, during the Microfinance Success Asia event in Yangon on Tuesday.
By 2023, the aim is to increase the percentage of households with access to formal bank accounts to half from a quarter currently.

***Source: Published in Myanmar Times, dated August 09, 2019**
Click to here access full article

The Future Of Banking: Virtual Banks Chase the Dream in Asia-Pacific*

By Gavin Gunning

Virtual banking is fanning the competitive flames in Asia-Pacific banking. Newly licensed indigenous digital banks, global digital-only banks, and digitized traditional banks are all vying for their share across the region's lucrative markets. To date, this development has not caused any noteworthy changes to our outlooks for banking sector country risks across the region. Our current base case is that virtual banking may not lead to rating or outlook changes for Asia-Pacific banks over the next two years. Over a longer time horizon, however, as virtual banking strategies take hold and further disrupt the traditional bank sector, the potential for ratings differentiation is greater.

***Source: Published on S&P Global, dated July 17, 2019**
Click to here access full article

How Fintech Is Eating The World*

By Alex Lazarow

In the early 2000s, people thought of technology as its own industry. There was healthcare, industrials, finance, and… technology. Technology was separate, unique and altogether foreign to the others. It was the domain of innovators that made operating systems like Microsoft and search engines like Google.

Everything has changed. Instead of being viewed as a distinct vertical, today every company is a technology company. Perhaps most aptly, Marc Andreessen captures the current zeitgeist "Software is eating the world".

***Source: Published in Forbes, dated July 31, 2019**
Click to here access full article

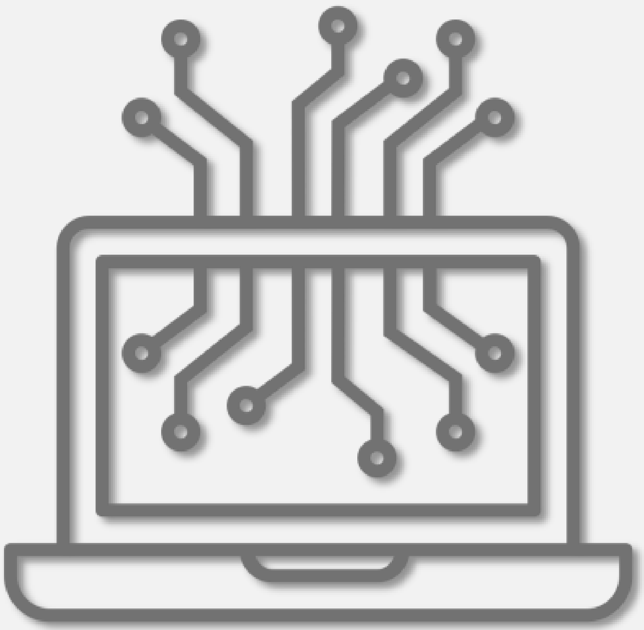
Digitizing Merchant Payments: What Will It Take?*

*Source: Published in CGAP, dated September, 2017
Click to here access full article

Finding the right relevance for digital financial services*

By Ans Khurram

Financial inclusion in Pakistan has long been a thorny issue in terms of economic development. Half of the adult population is still financially excluded as per the latest State Bank of Pakistan's (SBP) Access to Finance Survey 2015. According to the 2017 Global Findex Report by the World Bank, only 21% of the population disposes of an account with a financial institution; the corresponding figure for the rest of South Asia is 68%, indicating that Pakistan has some catching up to do.



*Source: Published in Aurora, dated August, 2019
Click to [here](#) access full article

Rural finance providers: A new segmentation for an expanding market*

By Learning Lab & ISF Advisors

In a series of blogs, ISF Advisors and the MasterCard Foundation Rural and Agricultural Finance Learning Lab (the Lab) will introduce major concepts and frameworks that will anchor our upcoming State of the Sector report for rural finance. Building on the "industry model" developed in our 2016 Inflection Point report, these frameworks aim to bring further clarity and insight to the three layers of the market: Rural clients [1], financial service providers (FSPs), and the capital markets. We hope that by sharing early versions of this thinking we can stimulate debate and discussion across the sector about what is needed to continue to enhance access to rural, agricultural financial services.

***Source: Published in MasterCard Foundation|Rural & Agricultural Finance LEARNING LAB, dated July 5, 2019**
Click to here access full article

Global fintech investments nosedive as Chinese fundraising falls sharply*

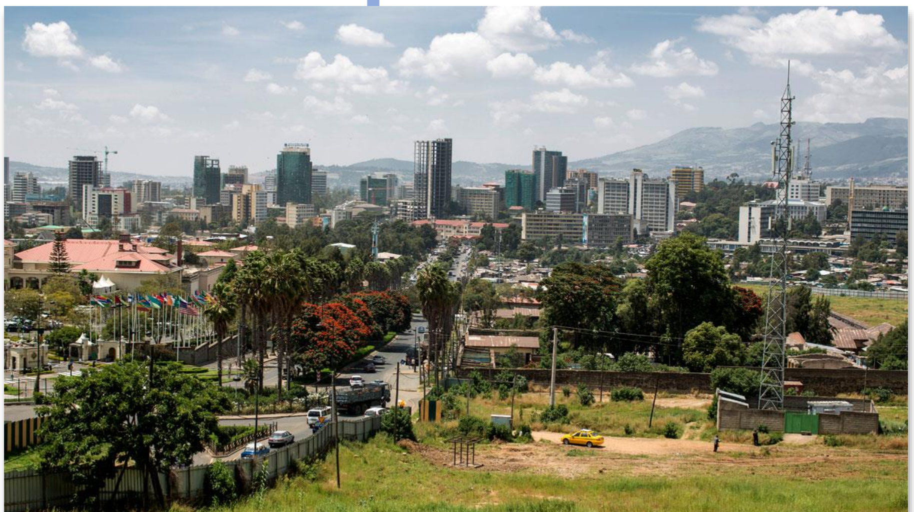
By Chad Bray

Global investments in fintech firms tumbled 29 per cent in the first half of the year as deal activity in China fell sharply amid an escalating trade war between Washington and Beijing, according to a new report by the consulting firm Accenture. The value of financial technology deals worldwide in the six months ended June 30 declined to US$22 billion, compared with US$31.2 billion in the same period a year earlier. The number of deals globally, in contrast, increased 2 per cent to 1,561 in the first half of the year.

***Source: Published in South China Morning Post, dated August, 2019**
Click to here access full article

Here's What Ethiopia Needs to Become Africa's Next Tech Hub*

By Kyle Navis & W. Gyude Moore



Ethiopia has its sights set on becoming Africa's next tech hub, rivalling Nairobi, Lagos, and Cape Town. Prime Minister Abiy Ahmed has enacted progressive policies in business, finance, and telecoms, and for a decade, Ethiopia's economy has averaged 10.3 percent growth driven by industry, construction, and services. That growth has translated into both urban and rural poverty reduction.

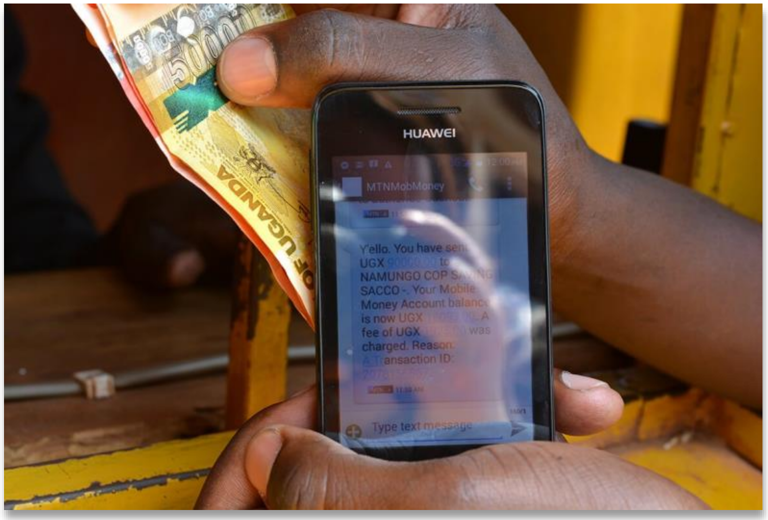
But in its quest for digital supremacy, Ethiopia will need to take steps to create an enabling environment for the digital startup sector, which across Africa is driven in large part by fintech.

***Source: Published on Centre for Global Development, dated August 12, 2019**

Click to here access full article

Mobile money adoption strategies for start-ups in emerging markets*

By Josie Middleton & George Bauer



With more than 866 million registered mobile money accounts globally and $1.3 billion processed daily, mobile money serves as a critical infrastructure for start-ups looking to increase digital payment adoption among their customers.
Inspired by this, the GSMA Ecosystem Accelerator and Mobile for Development Utilities teams hosted an online clinic diving into mobile money adoption strategies specifically for start-ups in Asia Pacific and Africa. Anant Nautiyal, Senior Manager for Inclusive Fintech, and Nika Naghavi, Data and Insights Director, who work in the GSMA Mobile Money programme gave an overview of the mobile money industry as it undergoes crucial technological and organizational transformations.

***Source: Published in GSMA, dated August 20, 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.

Govt Finalizes E-Commerce Policy Framework for Online Stores in Pakistan*

By ProPk Staff

The second goal is to streamline regulatory framework for e-commerce businesses in Pakistan, to contribute achieving higher export growth through enhanced activities from e-commerce platforms, to promote small e-businesses and create employment opportunities through digital connectivity for empowering youth, especially in remote areas.

In the first quarter of the financial year 2017-18, the number of registered e-commerce merchants was 496 which reached 1,094 by year-end and was around 1,242 by the first quarter of 2018-19. E-commerce transactions processed by these merchants are also increasing proportionately.

***Source: Published on ProPakistani, dated July 30, 2019**
Click to here access full article

Nyca Partners raises $210M to invest in fintech startups*

By Kate Clark

Nyca Partners, a firm with investments in financial technology businesses including PayRange, Trellis, Affirm and Acorns, has collected another $210 million for its third venture capital fund. Located in New York, Nyca's debut fund closed on $31 million in 2014. Its second fund, a similarly focused fintech effort, raised $125 million in 2017. Venture capital investment in fintech is poised to reach new heights in 2019, according to PitchBook. So far this year, investors have bet $8.6 billion on U.S.-based fintech upstarts.

***Source: Published in TechCrunch, dated August 3, 2019**
Click to [here] access full article

China’s central bank releases 3-year fintech development plan*

By Nicole Jao

The People’s Bank of China (PBOC) on Thursday released (in Chinese) a three-year plan with the aim to strengthen support for the fintech sector and curb its risks.
Why it matters: The rapidly expanding fintech sector has been outpacing the central government’s capacity to establish a comprehensive legal and regulatory framework, leading to consumer fraud and the quick rise and fall of the peer-to-peer lending segment.

***Source: Published in technode, dated August 23, 2019**
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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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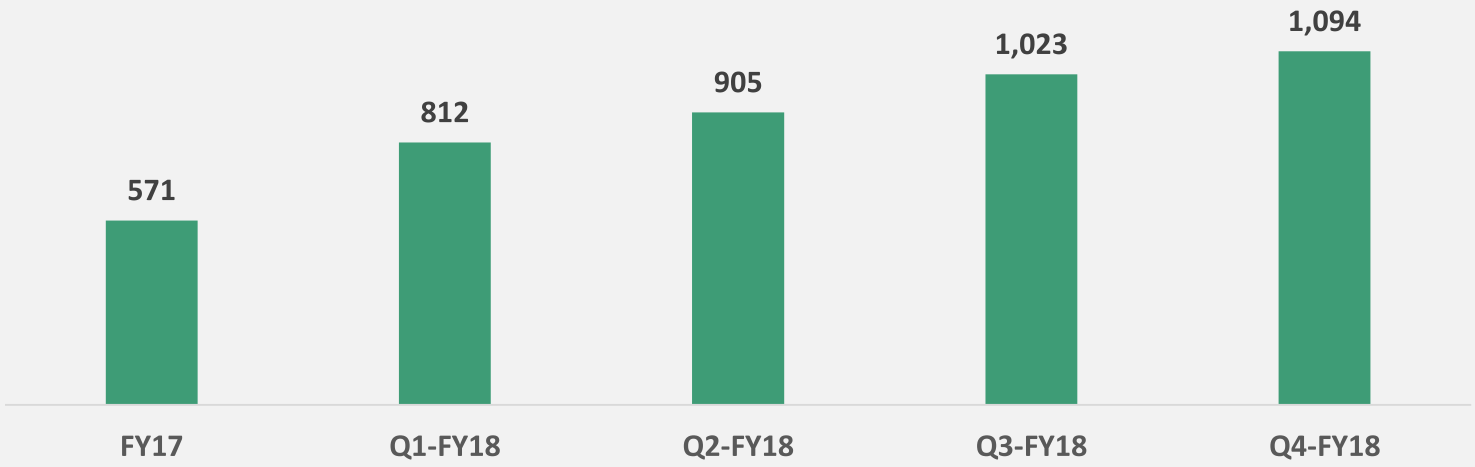
DIGITIZATION OF SERVICES IN PAKISTAN*

Number of E-commerce Merchants Accepting Digital Payments in Pakistan



In FY17, SBP started publishing transactional data for ecommerce separately, in addition to the Point of Sale (POS) figures that were previously being published. The coverage is anticipated to enhance further, as large merchants nationwide are now inclined towards providing online payment options to their customers using e-payment gateways.

***Source: Annual Report 2018– State Bank of Pakistan**
Click here to access full report

LANDSCAPE OF MERCHANT PAYMENTS

Challenges Seen by Stakeholders for the Development of Ecosystem

Acceptability & Products

- Availability & Acceptability of DFS only with few merchant types
- Lack of good DFS products to encourage adoption
- Lack of Incentives for merchants
- Lack of financial inclusion

Infrastructure

- Cost is high for acquiring – need license from Visa/MasterCard
- Digital ecosystem and infrastructure missing to convert cash into digital money
- Cards are not linked to phone

Issuer & Acquirer

- Acquirer to pay major chunk to issuer
- Issuers don't let third-party to enter

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

LANDSCAPE OF MERCHANT PAYMENTS

Barriers Towards DFS

- Low Customer Demand
- Difficult Usage Process
- High Cost
- Merchants Find Use of DFS Expensive

Merchant Payment Category Drivers & Performance of Payments Modes on Those Drivers

- Easy To Use
- Common Mode of Payment
- Covers All Customer Type
- Can Be Used in Emergencies
- Demanded By Vendor
- Mode Through Which Merchants Information Remain Private

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