FINDEV CYBERLETTER

EIGHTEENTH EDITION

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

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 Eighteenth 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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A GUIDE TO WHAT’S HAPPENING IN THE FINTECH REVOLUTION
For the past decade fintech startups have offered new ways to help people handle money. As startups face more competition from tech giants and deep-pocketed banks, investors are turning their attention to fintech in new markets. Mobile phones are transforming finance.

HOW THREE FINTECH STARTUPS ARE DISRUPTING RETIREMENT PLANNING, BLENDING HUMAN AND TECH
The past decade saw the emergence of a number of digital investing solutions, such as Robinhood, Wealthfront, Betterment, Acorns, and a slew of others, all aiming to democratize access to investment products through low-cost, digital-only solutions.

JUST USABLE OR HIGHLY SUITABLE?
Given the pace of technology, there is increased focus on information communication technology (ICT). Several incubators have sprung up across Pakistan, aimed at developing products that can streamline routine tasks through digital platforms.

EPAY PUNJAB APP LAUNCHED TO FACILITATE THE EASE OF DOING BUSINESS
Provincial Finance Ministry of Punjab has launched the ePay Punjab App to facilitate the business to government and public to government transactions. The app is launched in collaboration with the central bank and Punjab Information Technology Board (PITB).

NEWS ROUNDUP

This section covers the latest happenings from the realm of financial inclusion and digital financial services across the globe.

INFORMAL PAYMENTS COST GOVERNMENTS HUNDREDS OF BILLIONS IN REVENUE EACH YEAR*

BENJAMIN FRANKLIN once declared: “Nothing is certain but death and taxes.” Scrub the taxes. Otherwise legal purchases of goods and services, which are deliberately concealed from public authorities, and on which taxes are not paid, make up perhaps one-third of the global economy. The largest under-the-table economies (relative to the above-board bits) are in sub-Saharan Africa and Central Asia. But nowhere is immune. Because of their opaque nature, it is hard to put an exact figure on shadow economies. Researchers arrive at estimates by conducting surveys of the public, or by spotting discrepancies in macroeconomic data, such as the difference between national income and national expenditures.

***Source: Published in The Economist, September 30,2019**
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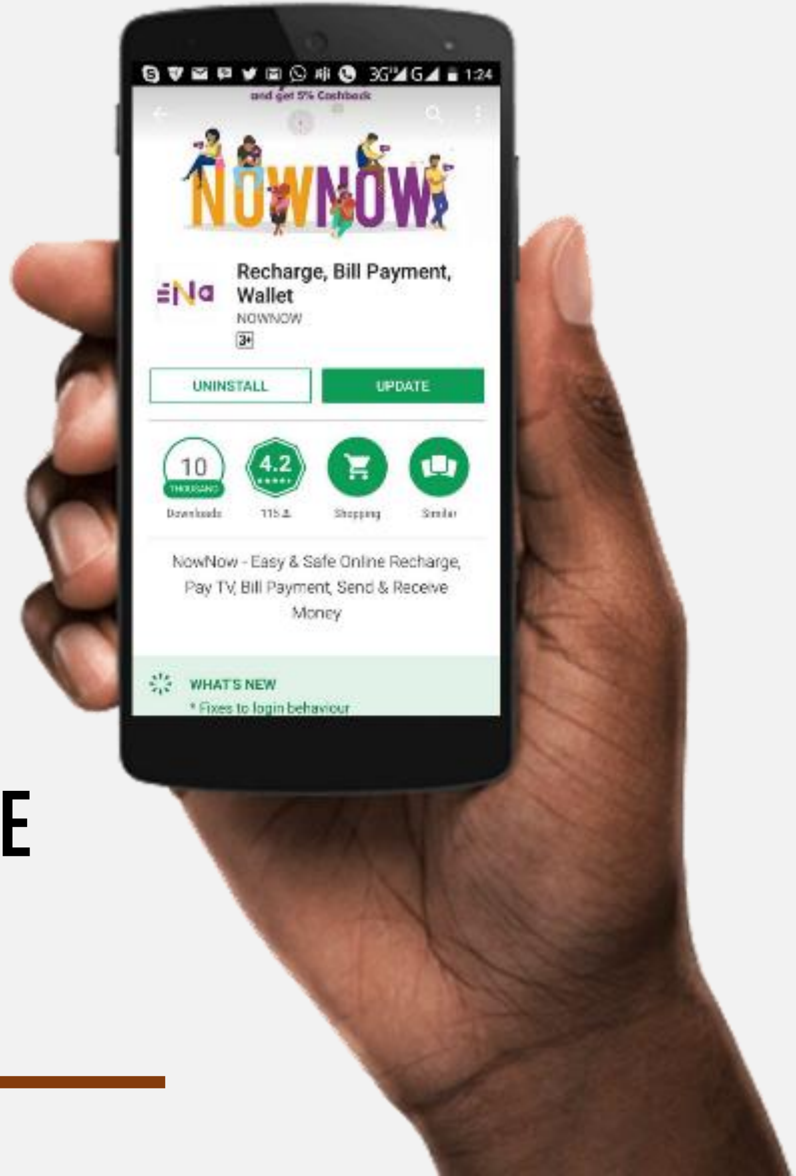
WOMEN'S WORLD BANKING ANNOUNCES FINALISTS FOR INAUGURAL MAKING FINANCE WORK FOR WOMEN FINTECH INNOVATION CHALLENGE*

Media Release

New York — Women's World Banking announced the four finalists of its inaugural Making Finance Work for Women FinTech Innovation Challenge today. The finalists, chosen from more than 80 applications, represent FinTech solutions designed to support low-income women's economic security and prosperity. The finalists include Aflore from Colombia; Bloom Impact from Ghana; Frontier Markets Consulting from India; and Pula Advisors from Kenya.

***Source: Published in Women's World Banking, dated September 19, 2019**
Click to [here] access full article

*Source: Published in mastercard foundation, dated October 01, 2019
Click to here access full article



In the coming weeks, FiDA will publish a blog series on various insights derived from an analysis of the latest EGM update. These will include a review of the new impact insights at the product level—digital savings, credit, payments, and transfers—in addition to a review of the insights on micro-entrepreneurs and small businesses. These reviews offer a taste of the analyses made possible using the EGM, but they're the tip of the iceberg.

The driver for developing the EGM was to encourage a continuous dialogue on impact. In the last 12 or so months, there appears to have been an uptick in these impact conversations.

INCHING CLOSER TO UNDERSTANDING THE DIGITAL FINANCE IMPACT QUESTION*

By Niamh Barry

THE RISE OF THE FINANCIAL MACHINES*

The job of capital markets is to process information so that, Savings flow to the best projects and firms. That makes high finance sound simple; in reality it is dynamic and intoxicating. It reflects a changing world.
Today's markets, for instance, are grappling with a trade war and low interest rates. But it also reflects changes within finance, which constantly reinvents itself in a perpetual struggle to gain a competitive edge. As our Briefing reports, the latest revolution is in full swing. Machines are taking control of investing—not just the humdrum buying and selling of securities, but also the commanding heights of monitoring the economy and allocating capital.

***Source: Published on The Economist , Dated October 3, 2019**
Click to here access full article

A GUIDE TO WHAT'S HAPPENING IN

By Julie Verhage

For the past decade fintech startups have offered new ways to help people handle money. As startups face more competition from tech giants and deep-pocketed banks, investors are turning their attention to fintech in new markets. Mobile phones are transforming finance. While most Bloomberg Markets readers have a mobile phone and a bank account—and perhaps a bank app on their phone—millions of people around the world have the phone but no bank. These underbanked markets, led by countries in Asia and Africa, have inspired fintech innovation that's leapfrogging the technology available in the developed world.

*** Source: Published Bloomberg, dated October 09, 2019**
Click to [here](#) access full article

*Source: Published in Forbes, dated October 20, 2019
Click to here access full article

HOW THREE FINTECH STARTUPS ARE DISRUPTING RETIREMENT PLANNING, BLENDING HUMAN AND TECH*

By Camilo Maldonado

The past decade saw the emergence of a number of digital investing solutions, such as Robinhood, Wealthfront, Betterment, Acorns, and a slew of others, all aiming to democratize access to investment products through low-cost, digital-only solutions. These FinTechs offer easy onboarding processes, low minimum investment requirements, lower fees, and user-friendly interfaces. However, the next phase of wealth management disruption is taking a different approach. Three new FinTech innovators are taking the best of what new technology has to offer but building it, hybrid style, into exciting new solutions that offer the best of both worlds – Ellevest, Harness Wealth, and Facet Wealth.

A RISING FINTECH MOMENTUM: WHY IS IT DISRUPTIVE?*

By Alfonso Garcia Mora

The Financial Sector Advisory Center (FinSAC) co-hosted a Conference on Fintech in Vienna. It brought together regulators, supervisors, donors, standard-setting bodies, and private sector representatives to gain a deeper understanding on some of the more pertinent fintech themes of concern to many developing countries.

The world of finance, for many economies, is rapidly shifting – compounded by high stakes relating to debt, demand for jobs, and gender inequality – which is representing a big challenge for the general public, policy makers and the private sector.

***Source: Published in WORLDBANK, dated May 30, 2019**
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JUST USABLE OR HIGHLY SUITABLE?*

By Ans Khurram

Given the pace of technology, there is increased focus on information communication technology (ICT). Several incubators have sprung up across Pakistan, aimed at developing products that can streamline routine tasks through digital platforms. Apart from social media, applications like Careem and Foodpanda have penetrated into the daily routine of many people in urban Pakistan. As a result, terms such as ‘user-centred design’ and ‘human-computer interaction’ (HCI) have become new buzzwords. User-centred design aims to ensure that the service focuses on what users need before balancing it with technical and business requirements.

*** Source: Published in AURORA, issue Sep-Oct, 2019**
Click to [here](#) access full article

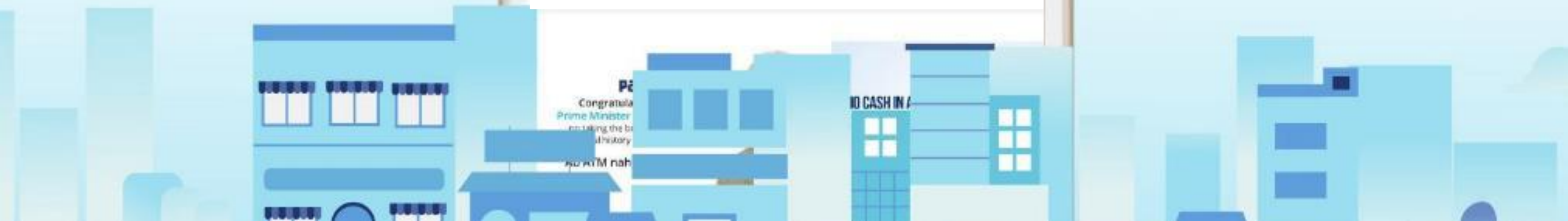
*Source: Published in Forbes, dated October 27, 2019
Click to here access full article

GLOBALIZING FINTECH IN ACTION: A DISCUSSION WITH HARINDER TAKHAR OF PAYTM*

By Alex Lazarow

Fintech used to be a local game. Increasingly, fintechs are taking a global stance. In my recent op-ed, I covered some of the drivers of this phenomenon, including an evolution towards regulatory openness, the rise of fintech enablers and a shift towards a more global outlook.

To dig deeper into this growing trend, I sat down with founders of leading fintechs who have successfully navigated multi-market expansions. The first in the series was with David Vélez, Founder and CEO of Nubank, an emerging markets financial services provider. Today, I sat down with Harinder Takhar, the CEO of Paytm Labs Inc., and former CEO of Paytm India.



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.

EPAY PUNJAB APP LAUNCHED TO FACILITATE THE EASE OF DOING BUSINESS*

By Noshin Bashir

Provincial Finance Ministry of Punjab has launched the ePay Punjab App to facilitate the business to government and public to government transactions. The app is launched in collaboration with the central bank and Punjab Information Technology Board (PITB).

The app facilitates the online payment of taxes in just a single click. It enables the users to pay their token tax, sales tax on services, business registration fees, and property tax. Some other taxes that can be paid via the new app are motor vehicle registration, infrastructure development tax, cotton fee, fard fee, e-stamping, and transfer of motor vehicle tax

***Source: Published in Blog.Siasat, dated October 07, 2019**

Click to here access full article

NAYAPAY GETS SBP IN-PRINCIPLE APPROVAL TO OPERATE AS EMI*

By Correspondent

The State Bank of Pakistan issued an in-principal approval to NayaPay Pvt Ltd to operate as an Electronic Money Institution (EMI) in the country.In a statement issued on Monday said NayaPay will enable local citizens to open e-money accounts and make ‘hassle-free’ digital payments.

According to NayaPay, the in-principle approval allows the company to initiate a pilot phase of transactions in a controlled environment under the supervision of the central bank “to seek approval for the commercial launch of its services”.

***Source: Published in The Express Tribune, dated September 30, 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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BORROWING BEHAVIORS & PREFERENCES AMONG WOMEN ENTREPRENUERS*

Financial Control in formal borrowing

- Contrary to mainstream research in Pakistan, almost all our respondents had borrowed from an MFI for the sake of their own businesses, and in some cases to help their children start their businesses
- Repayments were solely made by these women, unless the loans were for the children, in which case, the children were making the repayments.
- For seasonal businesses, the repayments of loans was supported by the children

Need for privacy

- Women express hiding not just ROSCAs, but informal loans from husbands as well, as these are liabilities
- However, women successfully fulfil these commitments
- without the assistance of their husbands
- • Women prefer to keep their loans, formal or informal, private, from their friends and relatives. However, the current formal loan application procedures do not allow for such privacy.

Preference for Interest-free instruments

- There is a strong preference for interest-free instruments, for both economic (extra installments) and religious reasons
- However, in the case of formal loans, when there is no other option, economic motivations tend to outweigh the religious motivations
- However, in the case of insurance, one respondent pulled out her investments once she discovered the interest-based nature. However, she lost their premium due to fraud by the middle-man

***Source: Determining the Financial System Needs of Micro Entrepreneur Women – Karandaaz Pakistan, 2019**

Click here to access full report

DRIVERS FOR USING MFS*

71%

CONVENIENCE
- Payments without mobility
- Easy to use
- No bank account needed

64%

BENEFITS TO BUSINESS
- Increase customers traffic
- Builds positive repute
- Grow business

52%

CUSTOMER DEMAND
- Customer demand
- Convenient for customer

35%

QUICK & FAST
- Instant settlement
- Instant reconciliation

34%

SECURITY

31%

NO TIME BOUND

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

PAIN POINTS WITH MFS*

48% INCONVENIENT
- Lengthy Process
- Time taking

81% SERVICE GLITCHES
- Network issues
- Service not available
- Mobile hangs
- Double payments

33% COST
- High Charges

43% LACK OF CASH FOR URGENT EXPENSES

16% VENDOR PROBLEM
- Vendor prefer cash
- Vendors give discount on cash

17% HASSLE
- Deal with more than one bank
- No instant settlement

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