FINDEV CYBERLETTER

44TH EDITION

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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 44th issue of the FinDev Cyberletter series (For June 2023). 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 and around the world.
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 sources have been extracted. To access the original sources, 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)

HIGHLIGHTS

SBP ISSUES REVISED REGULATIONS FOR EMIS

THE UPDATED REGULATIONS NOW ALLOW EMIS TO OFFER THEIR CUSTOMERS, INCLUDING MINORS AND FREELANCERS, INCREASED MONTHLY WALLET LIMITS ALONG WITH OFFERING NEW PAYMENT SERVICES

FINJA SECURES SECP'S APPROVAL FOR PAKISTAN'S FIRST P2P INVESTMENT PLATFORM

PAKISTAN'S NEEM SEES $1MN INVESTMENT FROM DNI GROUP

THE FUNDS WILL BE USED TO FURTHER DEVELOP NEEM'S BANKING-AS-A-SERVICE TECHNOLOGY AND PLATFORM AND ACQUIRE TALENT

PARIS CLIMATE SUMMIT GIVES FRESH IMPETUS TO DEVELOPMENT BANK REFORM

A CLIMATE FINANCE GOAL THAT WORKS FOR DEVELOPING COUNTRIES

THIS GOAL WILL REPLACE THE CLIMATE FINANCE COMMITMENT SET IN 2009, WHICH AIMED TO MOBILIZE $100 BILLION PER YEAR FOR DEVELOPING COUNTRIES BY 2020

BOLSTERING WOMEN'S CLIMATE RESILIENCE AND ADAPTATION THROUGH FINANCIAL SERVICES (CGAP WORKING PAPER)

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NEWS ROUNDUP

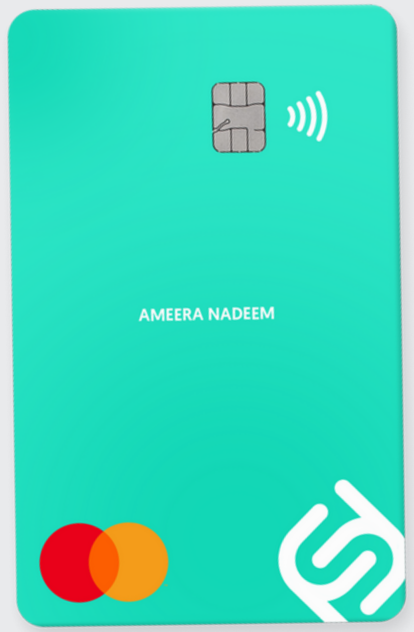
THIS SECTION COVERS THE LATEST HAPPENINGS FROM THE REALM OF FINANCIAL INCLUSION AND DIGITAL FINANCIAL SERVICES ACROSS THE GLOBE

SBP issues revised regulations for EMIs (Electronic Money Institutions)

KARACHI: The State Bank of Pakistan (SBP) on Wednesday issued revised regulations for electronic money institutions (EMIs) for enhancing outreach and scope of the innovative fintech-enabled payment companies.

The updated regulations now allow EMIs to offer their customers, including minors and freelancers, increased monthly wallet limits along with offering new payment services such as Payments Aggregation, Bill/Invoice Aggregation, Payment Initiation, Account Information, Escrow Services for domestic e-commerce transactions, Services via APIs to financial institutions (FIs), Fintechs and Third-Party Service Provider (TPSPs) and Inward cross border remittances to their customers...

As of March 2023, these EMIs have opened close to 1.6 million e-money wallets with a total outstanding e-money of Rs. 2 billion, the SBP spokesperson informed adding that the revised regulations were in line with SBPs vision of encouraging non-banking fintech companies entry into the payments space to promote digitisation in the financial sector and accelerate level of outreach of EMI operations for achieving the objective of boosting adoption of digital financial services.



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SBP Spokesperson hoped that

the revised regulations would attract more fintech companies from Pakistan and across the globe to enter into the EMI business in the country and provide innovative, affordable and improved payment services thus increasing digital financial inclusion in Pakistan.

Source: Published by www.dawn.com June 22, 2023. Click here to access full article

Photo credits: finja.pk

Finja Secures SECP's Approval for Pakistan's First P2P Investment Platform

Leading digital NBFC, Finja, has achieved a significant milestone with the granting of a commercial license by the Securities and Exchange Commission of Pakistan (SECP) to operate the country's inaugural P2P investment platform compliant with Shariah principles. This achievement follows rigorous testing within a regulatory sandbox framework.

2P investment platforms have gained traction as successful alternatives, directly connecting borrowers and investors while bypassing traditional banking channels. With attractive returns and easier access to capital, these platforms foster economic opportunities and streamline transactions through technology-driven processes.

As a digital NBFC, Finja has facilitated over Rs. 10 billion in financing through 200,000 loans disbursed to 25,000 SMEs across 35 cities. By forging partnerships with distributors, FMCG principals, agritech platforms, logistics companies, and more, Finja has created a robust supply chain-led financing ecosystem.

Kamran A. Zuberi, CEO of Finja Lending Services, stated,

> *This opens up a brand new opportunity for corporates and businesses to invest their excess capital for generating excellent returns over short terms while spurring economic activity by creating working capital lines for SMEs in the country.*

Source: Published by www.macropakistani.com June 19, 2023. Click here to access full article

Photo credits: pkeasyloan.com

EasyLoan: Revolutionizing Financial Inclusion in Pakistan's Loan Market

Instances of scams and unauthorized access to personal data have posed threats to financial security, leading to concerns among customers. However, amidst these challenges, one of the leading financial technology companies in the Pakistani market, Sarmaya Micro Finance Pvt Ltd, is dedicated to expanding microfinance operations nationwide.

The company Introduced EasyLoan, an innovative digital platform that aims to provide accessible and secure financial services while restoring trust in the digital loan market.

EasyLoan is a revolutionary digital lending platform. It provides individuals with a hassle-free and convenient way to access personal loans. The flexibility of EasyLoan's loan options empowers individuals to choose the amount that best suits their financial needs, while competitive interest rates make it an affordable financing option.

Moreover, EasyLoan, prioritizes data security and implements robust measures to safeguard customer information, ensuring privacy and instilling trust in the platform. Overall, this financial product provides a convenient, fast, flexible, affordable, and secure solution for borrowers.

Sarmaya Microfinance CEO Habibur Rahman said

> *Digital lending, unlike the traditional form of credit lending, was more inclusive in nature, and it would cover individuals and businesses, especially small and medium-sized enterprises (SMEs), that do not have a credit history or were deemed to have low creditworthiness*

Source: Published by propakistani.pk June 20, 2023. Click here to access full article

SMEDA marks World MSME Day: ‘SME development ultimate solution of economic challenges’

LAHORE: Federal Minister for Industries and Production Makhdoom Syed Murtaza Mehmood, while addressing the World MSME Day celebration ceremony organized by the Small and Medium Enterprises Development Authority (SMEDA)... said that SME development is the ultimate solution of the economic challenges to be faced by the country, and the government is committed to create an ecosystem of conducive policies and facilities for rapid growth of SMEs.

Federal Minister Industries acknowledged SMEDA services for development of the SMEs... Now, SMEs should be provided with a single window where they should have access to all facilities under one roof... government is undertaking a concerted effort to promote industrialization, innovation, enterprise development and export growth.

CEO SMEDA informed that a powerful alliance is being forged with esteemed organizations that share SMEDA vision for SME development... formalized by signing of groundbreaking MOUs with the Federal Tax Ombudsman (FTO), Urban Unit Government of Punjab, Punjab Small Industries Corporation (PSIC), Punjab Information Technology Board (PITB), Government of Gilgit-Baltistan, and Musaliha International Center for Arbitration and Dispute Resolution (MICADR)

Photo credits: dawn.com (AP)

Makhdoom Syed Murtaza Mehmood, Federal Minister Industries, said that

” *Our vision for SME development is to provide an enabling business and investment environment with ease of tax and regulatory compliance, and easy sustainable access to credit*

Source: Published by www.brecorder.com June 28, 2023. Click here to access full article

Pakistan's Neem sees $1mn investment from DNI Group

Photo credits: brecorder.com

Ross Venter, CEO of DNI's technology arm Digital Ecosystems, said

> *Neem's goal of providing financial wellness to the Pakistani market aligns with DNI's own objectives around empowering people and enhancing financial and digital inclusion*

South Africa-based DNI Group has invested $1 million in Pakistani startup Neem as part of a strategic partnership, with the aim of "fostering innovation and growth in the embedded finance space" and "transforming the financial landscape in Pakistan".
across key areas including product, partnerships, compliance and product marketing, company co-founder Vladimira Briestenska told Business Recorder.
In a statement, Neem said the collaboration with DNI "represents a strong signal for the embedded finance industry," which integrates financial services like lending, payment processing or insurance into nonfinancial businesses' infrastructures without the need to redirect to traditional financial institutions.

The statement added that despite the macro-climate around the world, Pakistan's digital ecosystem keeps growing, and it is committed to building financial resilience and economic prosperity for people within Pakistan and beyond.

The development comes amid dwindling startup funding in Pakistan, which took another hit in April when not a single deal was closed for the first time in three years.

Source: Published by www.brecorder.com June 26, 2023. Click here to access full article

INITIATIVES

CONSTANT WORK IS BEING UNDERTAKEN BY EXPERTS, GOVERNMENTS, AND RESEARCH ORGANIZATIONS TO ENHANCE UNDERSTANDING AND FIND SOLUTIONS TO CHALLENGES ENCOUNTERED WITHIN THE FINANCIAL SERVICES INDUSTRY. THIS SECTION COVERS SOME OF THESE RESEARCH FINDINGS

Analysis: Paris climate summit gives fresh impetus to development bank reform

NOTE: The Paris Finance Summit 2023, comprised of around 40 industry leaders and a few statesmen from around the globe, took place June 22-23 in Paris, France (Source: REUTERS)

Photo credits: REUTERS

Avinash Persaud, Aide to Barbados Leader:

It's a roadmap for genuine change. What's emerged here is a real ... understanding of the scale and pace of what is required.

Teresa Anderson, Global Lead on Climate Justice for ActionAid International

Unfortunately, the Paris Summit has not provided the breakthrough needed to find the funding for our planet's survival

The Summit for a New Global Financing Pact saw French President Macron host around 40 leaders, many from the Global South, to debate changes to multilateral finance institutions in the face of climate change and other development challenges.

Much of the discussion centred on the key requests of developing nations, framed through the "Bridgetown Initiative" led by Barbados leader Mia Mottley, and her adviser Avinash Persaud said he was pleased with the outcome of the talks.

"It's a roadmap for genuine change," he told Reuters on the sidelines of the talks. "What's emerged here is a real ... understanding of the scale and pace of what is required."

Among the highlights were confirmation that the richer world will likely hit a long-overdue target of providing $100 billion annually in climate finance to poorer countries, a long-delayed debt deal for Zambia, and a package to boost Senegal's renewable energy capacity. The World Bank and others also said they would start adding clauses to lending terms that allow vulnerable states to suspend debt repayments when natural disaster strikes. Yet it was the wording of the final statement from attendees and subtle changes in the tone of discussions behind the scenes that gave hope... the document acknowledged the potential need for richer countries to provide fresh money to multilateral development institutions like the World Bank.

The summit, held against a backdrop of criticism that the world is moving far too slowly to address climate change, was a success in that it delivered a roadmap requiring specific actions by specific dates, some observers said.

Source: Published by www.reuters.com June 23, 2023. Click here to access full article

World Bank Group Intensifies Focus on Private Sector, Launches Effort to Scale Investment in Emerging Markets

The World Bank Group today launched the Private Sector Investment Lab, a concrete step in a broader effort to develop, and rapidly scale, solutions that address the barriers preventing private sector investment in emerging markets.

The Lab's work will include an emphasis on scaling transition finance, with an initial sectoral focus on renewable energy and energy infrastructure. It will build on the World Bank's current work to address existing barriers and ensure a bias towards ideas that can be implemented quickly.

The core group will be charged with utilizing new approaches and recommendations that support the World Bank's capital mobilization at the scale needed. This includes ideas for improved financing structures, ways to better align the World Bank Group with the needs and speed of private finance mobilization, approaches to balancing and allocating risks across investors, and new partnerships, as well as other areas where there is an opportunity to better catalyze private investment.

Photo credits: Wikimedia Commons

Ajay Banga, World Bank Group President:

> *For years, the World Bank Group, governments, and other multilateral institutions have tried... to mobilize meaningful private investment in emerging markets. Given the urgency and scale of our intertwined challenges, we must try a new approach – and the World Bank Group has a central role to play in this effort by using its resources, convening power, and knowledge to catalyze private capital more effectively."*

Source: Published by www.worldbank.org June 22, 2023. Click here to access full article

Photo credits: afdb.org

African Development Bank head says MDBs should leverage IMF Special Drawing Rights to fight climate change and push SDGs

The head of the African Development Bank, Dr. Akinwumi Adesina on Thursday once again underscored the case for multilateral development banks (MDBs)to be allowed to leverage International Monetary Fund Special Drawing Rights. With an increased allocation, MDBs could crowd in much-needed resources for developing nations to fight climate change and fast-track the UN Sustainable Development Goals, he argued.

The African Development Bank and the Inter-American Development Bank have been championing the re-channeling of Special Drawing Rights (SDRs) issued by the International Monetary Fund to multilateral development banks. With the re-allocation, the African Development Bank can provide greater financing to regional and national development banks across Africa, as part of the Finance in Common, to accelerate achievement of the 2030 UN Sustainable Development Goals.

Adesina announced that the proposal which the African Development Bank is working on with the IMF would be complementary to the Fund's efforts. He thanked the IMF for its support in the push.

Dr. Akinwumi Adesina, African Development Bank chief added:

> *It's a great thing to have a common framework. It's way too slow and it treats only a small number of countries. We need to have a more coordinated approach.*

Source: Published by www.afdb.org June 23, 2023. Click here to access full article

A climate finance goal that works for developing countries

New Collective Quantified Goal for climate finance (Bonn): This goal will replace the climate finance commitment set in 2009, which aimed to mobilize $100 billion per year for developing countries by 2020. The $100 billion commitment, which in any case has not been met, will expire in 2025.

Four priorities for climate finance

UNCTAD outlined four priorities at an event entitled "Options for Scaling Climate Finance" co-hosted with the German development agency GIZ and The Energy and Resources Institute at the Bonn Conference on 6 June.

1. The first and most urgent priority is debt distress: 0% of low-income countries are in, or on the edge of, debt distress and are spending an estimated five times more on debt servicing than on climate adaptation every year, undermining future resilience and growth prospects
2. A second priority should be to consider innovative ways to deploy the IMF's Special Drawing Rights (SDRs) to maximize their climate and development impact while retaining their benefits as a conditionality-free, debt-free source of liquidity.

Photo credits: Shutterstock/Sk Hasan Ali

3. Thirdly, a source of additional financing is the global network of hundreds of government-backed development banks
4. The fourth consideration is how to mobilize private finance towards climate goals. As well as using incentives, there needs to be discipline in the form of regulatory measures to drive productive investment and alignment of private finance flows with the Paris Agreement.

As UN Secretary-General António Guterres said in response to the North American wildfires,

> *we're running out of time to make peace with nature, but we cannot give up*

Source: Published by www.unctad.org June 14, 2023. Click here to access full article

Bolstering Women's Climate Resilience and Adaptation through Financial Services (CGAP Working Paper)

> *The World Bank 2021 Global Findex Database finds that 20 percent of women in low-income countries own accounts at financial institutions compared to 28 percent of men – and women also find it more difficult to access money in an emergency. The lower levels of account ownership among women constrain their ability to build resilience and to adapt. Given that climate change already exacerbates the inequalities faced by women and girls, and many of the financially excluded or underserved women live in highly climate vulnerable countries, there is a compounding of negative effects for women.*

Women, especially those in low-income countries, are faced with higher risk, greater vulnerability, and fewer tools to cope with the impacts of climate change. Financial services can empower women to manage climate risks and build resilience.

The international development community needs a better understanding of the intersection of gender inequalities, the differential impact of climate change on men and women, and the role of financial services for women. CGAP has identified four areas for further exploration:

1. Offering better solutions for knock-on effects
2. Bridging physical and digital solutions
3. Designing financial services for women
4. Ensuring that payments reach women

This working paper illustrates how women are differently impacted by climate change and how financial services can play a better role in strengthening their autonomous adaptive capacities to climate change. This is explored through illustrative examples of gendered impact when women face climate shocks and stresses that affect health, agricultural livelihoods, and women-owned businesses.

Source: Published by www.cgap.org June 2023. Click here to access full article

DATA VISUALIZATIONS

Overall Registered Financial Users

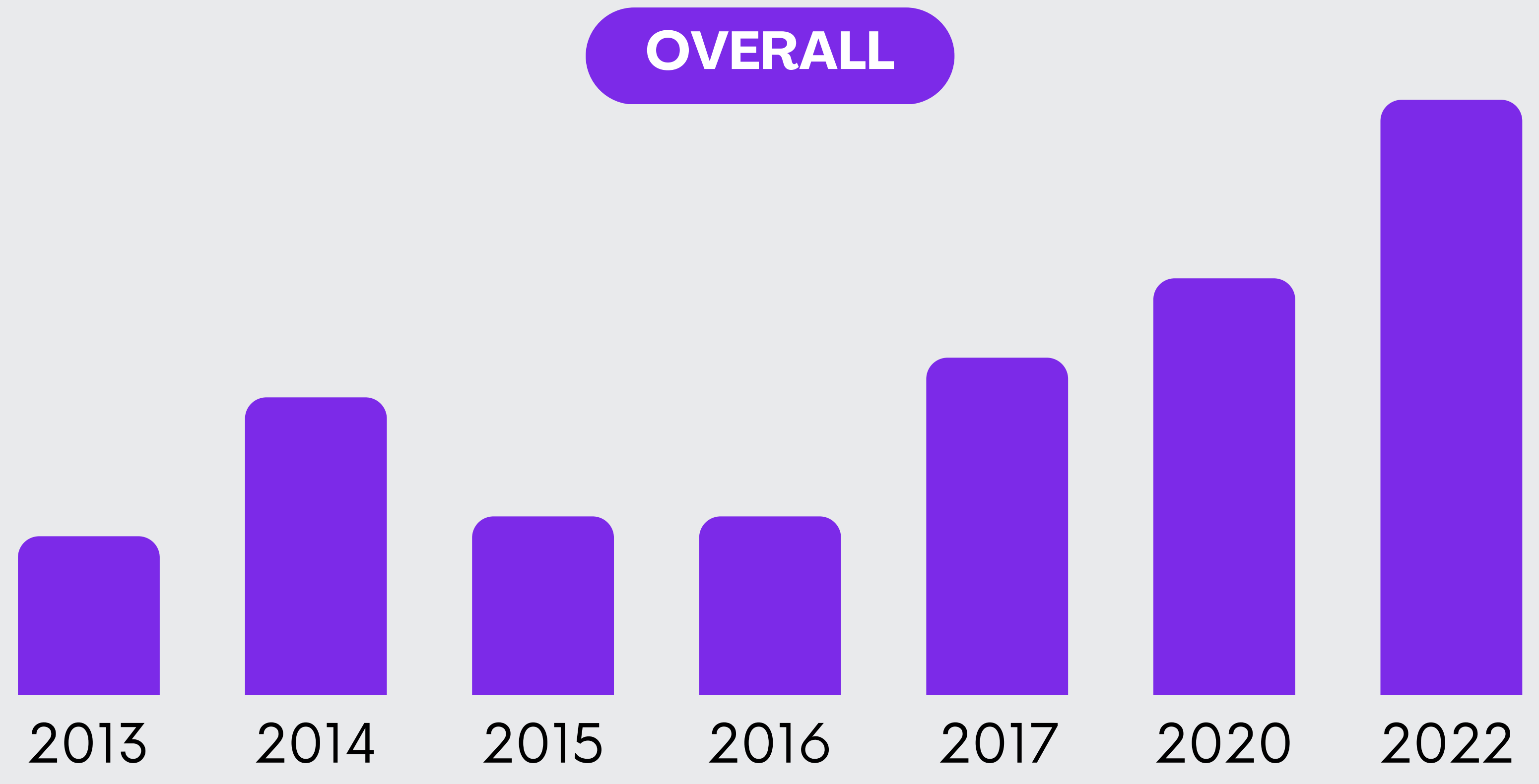
A measure of financial inclusion

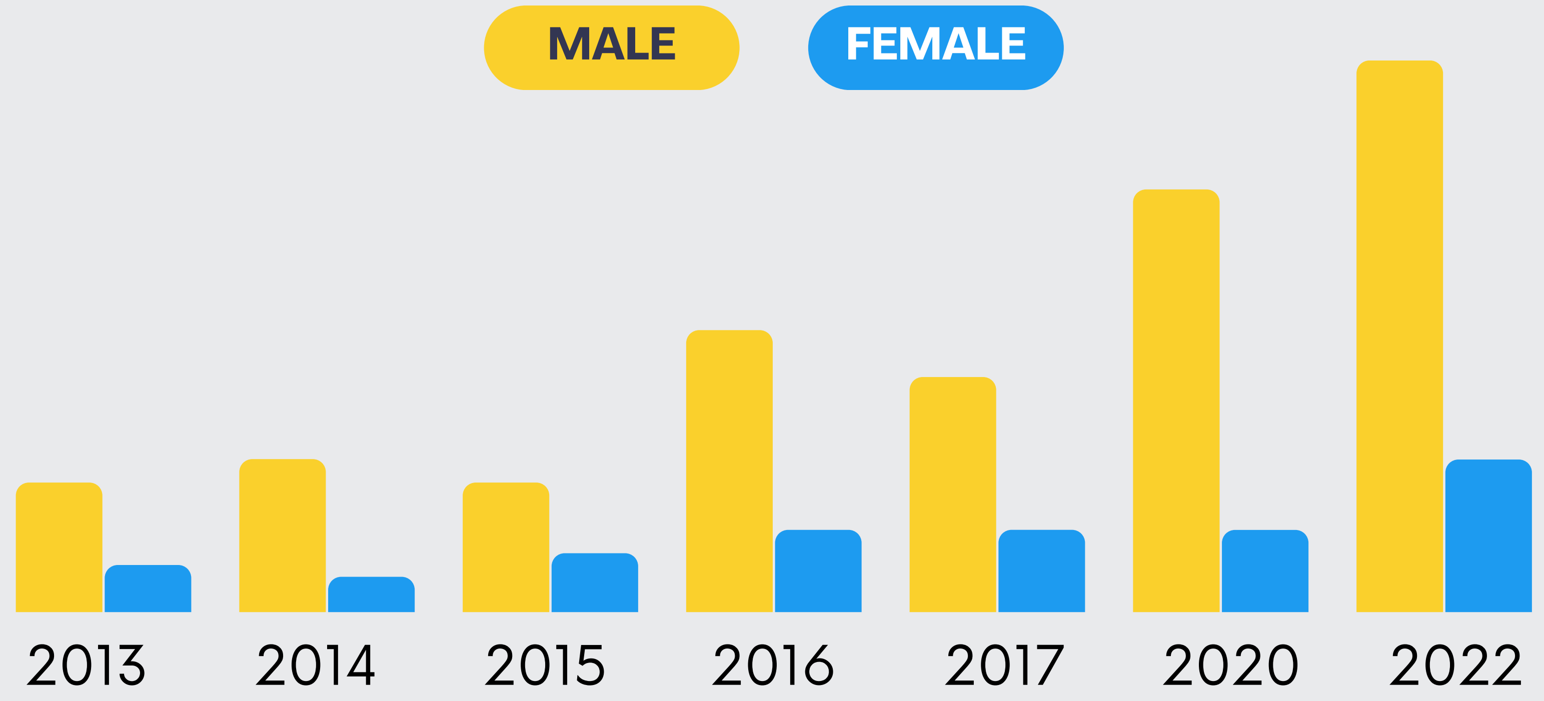
Financial inclusion, in terms of the number of users registered, has broadly increased in Pakistan over the last decade. Only 8% of Pakistanis were registered users of financial services in 2013; by 2020 that proportion had increased to 30%.

Despite the significant increase, this means that the overall penetration of financial services among the population is still very low.

The low financial inclusion becomes even more prominent when this indicator is disaggregated by gender - the proportion of women registered as financial users has risen between 4% to 13% in the last decade. The proportion of male users has increased more steeply from 11% to 47%. This would indicate that whatever policies have been implemented in the last 10 years have been relatively unsuccessful in brining women into the net of financial users.

Financial inclusion is measured as the percentage of adults (age 15+) who report having at least one account in their name with an institution that provides a full suite of financial services and comes under some form of government regulation. This estimate includes banks, NBFIs and mobile money.





Data from: karandaaz.com.pk; Overall Users here, Male Users here, and Female Users here

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