MOBILE BANKING: A POTENTIAL CATALYST FOR FINANCIAL INCLUSION AND GROWTH IN PAKISTAN

Syed Kumail Abbas Rizvi
Associate Professor at Lahore School of Economics

Bushra Naqvi
Assistant Professor at SDSB, LUMS

Fatima Tanveer
Research Associate at CREB, Lahore School of Economics
13th International Conference on Management of the Pakistan’s Economy
Igniting Technology Led Growth in Pakistan
29th – 30th March 2017

Motivation came through this conference
First paper in the series of three envisaged
First attempt to trace and compile the history of MB in Pakistan
We study various models of MB in Pakistan
How industry is evolving
What kind of ecosystem is needed to utilize its full potential (Policy Recommendations)
GRATITUDE

Dr. Shahid Amjad Chaudhry, Rector LSE
Dr. Naved Hamid, Director CREB
Dr. Azam Chaudhry, Dean Faculty of Economics
Mr. Behzad Ali Ahmad (Sr. Joint Director, Statistics and DWH, SBP)
Co Authors (Dr. Bushra Naqvi, LUMS, Ms. Fatima Tanveer, LSE)
Team of Research Associates (Ms. Sadia Tabassum, LSE, Ms. Huzaifa Akhtar, LUMS, LSE)
IN THE PRETEXT OF TECHNOLOGY LED GROWTH

Mobile Banking ➔ Financial Inclusion ➔ Economic Growth
FINANCIAL INCLUSION

- Credit Facilities
- Savings
- Bank Accounts
- Insurance Services
- Payment Transfer
FI STRENGTHENS SAVINGS-INVESTMENT CHANNEL

Consumption Smoothing → Investment → Soc Eco Development → Poverty Alleviation

Reduction in Income Inequality ← Fortify Financial Inst ← Soc Eco Development
CURRENT STATE OF FINANCIAL INCLUSION

No Bank Account: Half of the world’s adult population, approximately 2.5 billion

Pakistan: Lowest Rank in South Asia (13% Adults have Bank Account)

Srilanka (83%)  Sub Saharan Africa (34%)
India (53%) Latin America (51%)
Nepal (34%) Developing Nations (51%)
Bhutan (34%)
Bangla Desh (31%)
MOBILE BANKING - FINANCIAL INCLUSION - TRANSFORMATION OF ECONOMIES

Role of Mobile Phones
Digital Wallet
Fund Transfer
Loan repayments and receipt
Utility bill payments
Savings etc
MOBILE BANKING- FINANCIAL INCLUSION- TRANSFORMATION OF ECONOMIES

Diffusion around the world – amazing speed – disruptive power

- M- Money Applications popularity in Asia, Africa and Latin America
- M-Pesa in Kenya enabling individuals as well as firms
BENEFITS

Transactions without having to visit the Branch
Increased efficiency – time saving – eradication of space limitations
Substitute of Bank Branch and ATM Network
People in distant areas can gain access to formal financial services
Cost savings for bank’s management while running branch
MOBILE BANKING: LINKS WITH GROWTH

Direct links through Various channels
  Increased output growth and employment creation
  Better firm productivity
  Improved Capital Accumulation
  Reduced Transaction Costs
  And of course better functioning of market and financial inclusion
MOBILE BANKING IN PAKISTAN — REGULATORY VIEW

Termed by SBP as BB

Bank-Led Model with Ultimate Accountability irrespective of other partners regulatory stakes

Bank and Agent relationship through JV is allowed
**BB CHANNELS**

**OTC**

Most widely used
Retailer based
Work Under Super Agent (Telco)

**M-Wallet**

Reduced reliance of Retailers (commission, commitment)
Tremendous opportunities but slow paced
EVOLUTION OF MB IN PAKISTAN

2006: CGAP’s Branchless Banking Diagnostic Assessment and Seminars by SBP and ADB
2007: SBP’s Policy paper and draft for BB Guidelines
2008: BB Regulations issued by SBP
2009: Easy Paisa and MCB Mobile Unveiled
2010: UBL Launched Omni
2011: G2P Conference, Revised BB Reg, Smart Card for G2P payments (BISP, EOBI), Waseela MF Bank by Orascom
EVOLUTION OF MB IN PAKISTAN

2012: Timepay, Mobicash, Insurance and Saving Schemes by Easypaisa

2013: HBL Express with NADRA, U-Paisa (90 thousand Agents), Breeze by SCB, Mobile Paisa by Warid and Bank Alfalah

2014: BOP and Zong, IBFT using 1 link by Easypaisa, Gold Committee and Sahulat Bazaar with ARY and most importantly SERP (stipend to girls), Int. Remmit, Ufone and NBP for PM Youth B Loans, Mobicash to expand Bait ul Mal Child sup prog
EVOLUTION OF MB IN PAKISTAN

2015: implementation of the agent-biometric infrastructure at agent locations, National Financial Inclusion Strategy launched, Straight2Bank Wallet mobile application for Corp(EzPe-SCB), Payment of passport fees through Mobicash Mobile wallets, Islamic Branchless Banking launched, Warid acquired by Mobilink

2016: PayPak by ABL, Entry of Meezan Bank
# Industry Players

<table>
<thead>
<tr>
<th>Easypaisa</th>
<th>Omni</th>
<th>Timepay</th>
<th>Mobicash</th>
<th>HBL Express</th>
<th>UPaisa</th>
<th>Mobile Paisa</th>
<th>MCB Lite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tameer Bank,</td>
<td>UBL,</td>
<td>AKBL,</td>
<td>Wasee</td>
<td>HBL,</td>
<td>UMicrofinance</td>
<td>BAFL,</td>
<td>MCB,</td>
</tr>
<tr>
<td>Ufone-Zong</td>
<td>Zong</td>
<td>la,</td>
<td>Warid</td>
<td>nance</td>
<td>Warid</td>
<td>Applications</td>
<td></td>
</tr>
<tr>
<td>Telenor Zong</td>
<td></td>
<td>Mobili</td>
<td>Bank,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>nk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Active Accounts

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easypaisa</td>
<td>28.7%</td>
</tr>
<tr>
<td>HBL Express</td>
<td>0.0%</td>
</tr>
<tr>
<td>MCB Lite</td>
<td>1.0%</td>
</tr>
<tr>
<td>Meezan Upaisa</td>
<td>0.0%</td>
</tr>
<tr>
<td>Mobicash</td>
<td>46.0%</td>
</tr>
<tr>
<td>Mobilepaisa</td>
<td>0.3%</td>
</tr>
<tr>
<td>Omni</td>
<td>22.3%</td>
</tr>
<tr>
<td>Timepay</td>
<td>0.0%</td>
</tr>
<tr>
<td>Upaisa</td>
<td>1.7%</td>
</tr>
</tbody>
</table>
HOW BIG IS THE MARKET

- Mobile Banking No of Transactions
- Mobile Banking Value of Transactions

- PKR 543.6 Billion
- 118.7 Million Transactions

- 2011: 2.18 Million Transactions, PKR 5.6 Billion
- 2012: 3.58 Million Transactions, PKR 8.7 Billion
- 2013: 4.83 Million Transactions, PKR 11.6 Billion
- 2014: 6.83 Million Transactions, PKR 13.9 Billion
- 2015: 10.3 Million Transactions, PKR 17.4 Billion
- 2016: 11.87 Million Transactions, PKR 21.9 Billion

*Note: Mobile banking transactions are increasing over the years.*
WHAT KIND OF ECOSYSTEM IS NEEDED? POLICY RECOMMENDATIONS

Need to remove frictions in regulatory and financial structure

Permissibility of limited number of models which are bank led
  ▪ Industry is dominated by Telcos (Agents, Technology)

Innovation
  ▪ Current focus is on payment solution that too partially. Tap GtoP (BISP and EOBI)
WHAT KIND OF ECOSYSTEM IS NEEDED?

Low penetration in Loan Disbursement
Gender gap (int 7%, PK 11%)
Saving Culture (Lowest)
Diffusion and Awareness of Insurance (only 1%)
MOBILE BANKING HELPED ME CONVERTING “CAKE INTO CASH”! FATIMA TANVEER

“Sugar n Spice” a home baking venture
Payment transfer through Easypaisa
Support the idea of Women Entrepreneurship
Simple business model and its execution
Reduce Gender gap
Foster inclusive growth by bringing 50% of our population
Sustainable economic growth by encouraging SMEs
THANK YOU FOR YOUR PATIENCE
Q & A