Mobilink Microfinance Bank Ltd.
Mera Fone Mera Bank

9 Point Agenda For Financial Inclusion 2.0

October 2022

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Foreword

On behalf of Mobilink Microfinance Bank Limited, Pakistan's largest digital bank and a provider of financial services across the country since 2012, we are pleased to present the "9 Point Agenda for Financial Inclusion 2.0". While trying to build back better after the lingering impacts of the COVID-19 pandemic, the government is additionally faced with present challenges in the form of global economic shocks arising from global conflicts, soaring inflation rates, and a catastrophic bout of flooding which has devastated vast swathes of land and livelihoods of millions of citizens.

Nevertheless, despite these constraints, the pace of digital development has rapidly succeeded in recent years, particularly in the wake of the COVID-19 pandemic, with the development of conducive regulations and issuance of licenses such as the digital bank license in 2022, the introduction of the RAAST digital payment platform, and the Digital Pakistan Policy of 2021. As a result, these advances have created a unique opportunity for providers of digital financial services, be the traditional models or Fintech, to capture the large size of the youth demographic, in addition to individuals who have previously been at the fringes of the financial system, via being underserved and unbanked, to join the fold.

Given the development of the digital ecosystem in Pakistan from its nascent stage to taking off to new heights via the growth of infrastructure and conducive regulatory policies, the time is ripe for a digital revolution to transform the country and drive it towards new heights of progress. As Pakistan reaped the rewards of physical technology through ushering in a decade of progress in the 1960s, so too can it capitalize on the recent expansion of fourth-generation technology such as Artificial Intelligence, Machine Learning, Big Data, Blockchain, and Cloud to deliver massive and unprecedented levels of socio-economic progress. Indeed, the use of these forms of technology enables the creation of unique yet revolutionary business models which can reach and benefit the masses and, in so doing, drive efforts toward promoting greater financial inclusion.

Furthermore, the use of digital technology by both the private and public sectors can have reverberating impacts in terms of advancing Pakistan's global competitiveness in the global supply chain. The government, and all public institutions, must pivot their operations towards a primarily digital model while improving outcomes for the private sector through an increased focus and emphasis on the development of the Financial, IT, Telecom, and Technology sectors. This can be done by introducing more robust and comprehensive Ease of Doing Business measures, removing the ban on crypto-currencies and regulating the market more effectively, effectively protecting Intellectual Property Rights, and promoting both digital and financial literacy nationwide.
Consequently, the recommendations in this report are geared toward both the private sector and public institutions, with a view towards implementing positive and forward-looking change in the fields of Microfinance, SME Finance, Agricultural Finance, and Digital Financial Services. It is only through taking a detailed and holistic stock of current practices and limitations, while acknowledging and appreciating the developments which have already been made, that we can go forward in a manner that brings the most positive change for the whole country.

We would thus like to recognize and thank our team, partners, and consultants who have contributed to researching and creating this set of recommendations for 2022. In particular, we would like to extend our appreciation to our core team members Sardar Mohammad Abubakr - Chief Finance & Digital Officer, Sundas Kazmi - Manager of Strategy & Partnerships, Taimoor Farid - Head of Strategy & Usama Habib – AM Transformation & Partnerships, for their tireless efforts and support in the creation of this "9 Point Agenda for Financial Inclusion 2.0".

President & CEO Message

The onslaught of unprecedented monsoon rains and the consequent flash floods have perpetrated one of the most significant humanitarian crises that Pakistan has experienced in the recent past.

The destruction of critical infrastructure calls for immediate rejuvenation of the economy through swift, creative and impactful solutions centered around financially empowering individuals and institutions.

The microfinance sector has always been essential in uplifting the most financially vulnerable segments of society; lower-income strata, women, minorities, etc.

This impact can be notably enhanced by implementating digitally innovative processes which form the core of our operations at Mobilink Microfinance Bank. With the current post-disaster recovery ecosystem, it is more pertinent than ever for financial service providers to focus on empowering the SME and housing sectors which are ripe with untapped potential yet remain greatly underserved.

Ghazanfar Azzam
President & CEO

Chief Finance & Digital Officer Message

Financial inclusion does not focus on enabling a targeted segment but encompasses the larger consumer set with its diverse and varying needs served equitably across all avenues.

The vision of a financially empowered Pakistan requires facilitating the masses by fostering financial independence and prosperity on every level through essential literacy and digital financial tools, which are accessible to the underserved segments through several financial players, including Mobilink Microfinance Bank.

Financial inclusion is a significant undertaking that requires unfettered devotion and consistent effort to help catalyze the nation's economic growth and sustainably empower its citizens to build a better, brighter future for all.

A considerable element of this goal is gender diversity and equity. We must not only serve those who seek prosperity but knock on every door and explain why growth is no longer an option. Our women, minorities, and PWDs all must be a part of this journey if we want to reach our destination.

Sardar Mohammad Abubakr
Chief Finance & Digital Officer

List of Abbreviations

Abbreviation	Definition
CAGR	Compound Annual Growth Rate
DFI	Development Finance Institution
ERDF	European Regional Development Fund
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICT	Information and Communication Technology
MFB	Microfinance Bank
MFI	Microfinance Institution
MFS	Mobile Financial Services
MMBL	Mobilink Microfinance Bank Limited
MMO	Mobile Money Operator
MNO	Mobile Network Operator
NA	National Assembly
NBFI/NBFC	Non-banking Financial Institution/ Non- banking Finance Company
NFIS	National Financial Inclusion Strategy
NGO	Non-Governmental Organization
NRP	Non Resident Pakistani
ROSCA	Rotating Savings and Credit Association
SBP	State Bank of Pakistan
SECP	Securities and Exchange Commission of Pakistan
SME	Small & Medium-sized Enterprises

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Mobilink Microfinance Bank Limited

Mobilink Microfinance Bank Limited (MMBL) is Pakistan's largest digital bank and has been providing financial services across the country since 2012.

With a hybrid organizational model that combines traditional microfinance with mobile/digital banking technologies, the bank now operates with over 100 branches, approximately 2,000 employees, and a USSD (GSM) based digital channel offering savings, Micro, Small and Medium Enterprise (MSME) loans, small housing loans, commercial vehicle loans, international remittances (collection of utility bills and loan installments) through mobile wallets, insurance, Government to People (G2P), Business to Business (B2B) & Business to People (B2P) payments; thus, playing a leading role in the promotion of financial inclusion across the nation.

MMBL's game plan aims to take banking away from the confines of limited brick and mortar structures to usher in the age of cell phone banking through branchless banking, digital banking, and micro-financial services offering simple, innovative, and value-added products and services to the people of Pakistan; consequently, making a significant contribution towards banking the unbanked through digital channels.

Awards & Achievements

2018-19

'Bank of The Unbanked'
Institute of Bankers Pakistan
2018-2019

2021

Best Retail Bank 2021
Retail Banker International
Asia Trailblazer Awards

2021

Diversity & Inclusion Leader Award 2021
The Professionals Network

2021

Gender Diversity at Workplace Award 2021
The CFA Society

2022

Best Retail Bank Pakistan
Winner 2022

2022

Excellence in Client on-Boarding
Highly Commended
2022

Executive Summary

Executive Summary

Technical advancements are creating new modes of delivering financial services to individuals. With just over 66 million registered bank accounts in Pakistan, and a rate of mobile phone penetration of over 88% as of 2022, there is a considerable opportunity for digital financial services to step in and serve the unbanked segment of the population. However, fully realizing the benefits of digital financial services in Pakistan requires a transformation of both the public and private sectors via the comprehensive adoption of IT technologies, practical employee training, and changes to regulations, to name a few.

Indeed, in the wake of the devastating impact of catastrophic flooding, the economic impact and rising food insecurity resulting from the global conflicts, and the lingering effects of the COVID-19 pandemic, the necessity for Pakistan to fully embrace digital transformation on a sustainable basis have become ever more dire. This is evidenced by the fact that the SBP, in a recent press release, has estimated USD 20 billion worth of damages resulting from the floods, which is expected to prevent the country from reaching its 5% GDP target and to hover inflation around 20%.

Mobilink Microfinance Bank Limited (MMBL) has developed a set of high-level recommendations with the intention of highlighting key challenges, exploring opportunities in multiple sectors, and providing recommendations in specific areas to draw focus toward creating impactful change. MMBL is Pakistan's largest Digital Bank, with over 39 million registered and 15 million active digital wallets. The Bank currently operates with over 100 branches and 2000+ employees and offers savings, insurance, payments, and lending services with a collective goal of promoting financial inclusion across the nation.

The second iteration of MMBL's "9 Point Agenda for Financial Inclusion 2.0" elaborates on the challenges and opportunities facing the country with regard to Diversity & Inclusion, Microfinance, SME Finance, Housing Finance, Agriculture Finance, Digital Lending, Payments, Savings, and Insurance. As a result, this report elucidates key recommendations to both the private sector and public institutions, with corresponding case studies to further strengthen our claims.

We hope that the recommendations in the "9 Point Agenda for Financial Inclusion 2.0" not only be implemented but also spark a conducive discussion amongst key stakeholders in the aforementioned industries and promote a conversation on how we can collectively come together to address common and pressing issues. It is to be noted that the ultimate aim and underlying theme of these recommendations pertain to promoting financial inclusion in the country and driving further progress through the development of digital technologies.

With regard to diversity and inclusion, it is to be noted that 49% of our nation's population is comprised of women, yet only 7% of this segment is formally incorporated in the financial sector. Enabling and including women in the formal financial and business space would exponentially drive the country's economic growth and development while simultaneously reducing the income gender gap, reducing poverty, and improving Pakistan's achievement of the Sustainable Development Goals.

Consequently, direct efforts to engage our female population and the development of women-centric opportunities, products, services, and policies for our women startups and businesses are opportunities that must not be ignored. Dedicated and sustainable upskilling and training initiatives will significantly impact upgrading this segment into a major contributor to economic uplift.

As a result, we recommend banks and financial institutions conduct stakeholder consultations with women to develop effective women-centric products and services, incorporate Corporate Social Responsibility schemes to enable women to build their leadership capabilities and human capital, and use marketing and advertising messages to challenge traditional gender roles surrounding women's financial empowerment.

The Microfinance sector experienced several setbacks in 2020-21, due to the impact of the COVID-19 pandemic. However, the industry recovered and continued on a growth trajectory as of 2022. With most of the population still remaining unbanked, the industry can do with much needed intervention and innovation on-ground and at the regulatory level. The Microfinance sector is fully capable of stepping up to the challenge of economic empowerment of the masses and evolution of the industry is the way forward. **Going digital is the way forward,** not just to optimize costs but also streamline customer journeys and interactions at the grassroot level.

With growing demand for enterprise financing, **Microfinance banks** (MFBs) can play their part if given **much needed capital requirement relaxations coupled with enhanced loan size limits.** Growth for MFBs can also be more efficiently funded if MFBs gain access to new sources of deposits such as the Roshan Digital Accounts ecosystem and also potentially being able to manage deposits for Electronic Money Institutions (EMIs). We further recommend that banks should invest in training and capacity building of employees, set-up dedicated 'Digital' functions and adopt technology-based solutions to offer new services and optimize operating costs and, in the wake of the devastating floods, reschedule loans for impacted individuals on a case-by-case basis as encouraged by SBP.

Our economy is greatly supported by **small-medium enterprises** (SMEs) given their contribution to **40% of our GDP and 80% of labour force employment.** However, SME financing has shown a gradual decline over the past few years, mainly due to the aversion of larger players from catering to this sector, resulting from a lack of adequate formal data for making credit decisions. The revival of the economy, especially given the current economic situation of rising inflation and energy costs, rests largely on the SME sector **and addressing issues of data points through centralized data collection registries, digital lending, credit scoring, and financial incentives** such as further tax holidays to attract SMEs to become part of the formal financial ecosystem, are essential to tackle current issues.

Similarly, we recommend that banks and digital players should **invest in building capacity, training staff, and development of technology solutions** to complement and support the SME sector. The time is now to **declare a 'small-medium emergency' on SME financing,** particularly given the catastrophic impact of the 2022 monsoon floods, which will create an increased demand for SME financing. Combined efforts on these fronts will create a shift that will greatly serve small medium enterprises and in turn, our economy on a large scale.

Housing in Pakistan remains a concern with the housing gap continuing to increase, particularly in light of the floods, which have left 33 million individuals homeless. The housing sector has undergone significant reform with The Naya Pakistan Housing Scheme and similar initiatives taken by the Government and banks alike in recent years. Low-cost affordable housing for the masses is of utmost importance and reforms in housing finance practices are necessary to complement these efforts.

Tedious documentation, legal procedures, and processes need to become more streamlined and property registration and ownership records must be digitized nationwide to overcome the many hurdles and challenges faced by potential buyers and financiers alike. Consequently, we recommend that financial institutions should **introduce 'green' energy-efficient mortgages** in order to promote sustainability, the creation of a single land allotment authority with a digitized registration portal for the attainment of property documents, and the introduction of amendments to the Markup Subsidy Scheme.

Agriculture constitutes Pakistan's second largest sector, accounting for about **20 % of the GDP as of 2022.** However, the **catastrophic floods** experienced country-wide in September 2022, which **damaged 80-90% of crops in Pakistan,** including key export items such as rice, wheat, and cotton, and **wiped out nearly 800,000 hectares of farmland,** is expected to moderate agricultural performances in 2023. While the **SBP introduced the Agricultural Credit Scoring Model in 2021** to measure the performance of banks in dispersing agricultural loans and Amendments in Prudential Regulations for Agriculture Financing in September 2022, key pain points in the industry still need to be addressed. Towards that aim, we recommend introducing a National Farmer Registry, a **National Land Records Authority, a Land Leasing Framework, and Microfinance Banks to extend fresh financing in flood-affected areas.**

Digital financial services and fintechs taking over as 'the new normal continues to drive uptake of digital channels for carrying out daily transactions and payments. However, payments seem to lead the way in digital finance, while lending, saving, and insurance remain areas in need of focus and development to bring adoption to scale. We recommend that **the advancement in digital lending use cases, tagging nano credit to actual utilization, experimenting with peer-to-peer lending, adoption of nationwide QR-based transactions, and creation of open banking platforms** must be given priority. This space could also greatly benefit from the **centralization of customer data points which are mandatory for lending and banking services.** Creating ease in customer onboarding and evaluation while enhancing value propositions based on real needs will have a significant impact on achieving our collective vision of a digital Pakistan.

Overview

Overview of Financial Services in Pakistan

Improved COVID conditions via the government's efforts to conduct vigorous vaccination drives in FY21, alongside conducive fiscal measures such as tax cuts in particular sectors, increased federal and provincial spending, and the introduction of supportive regulations have contributed to economic growth and an accommodative policy environment in Pakistan between 2021-2022. Indeed, the launching of the SBP's new licensing and regulatory framework for digital banks and the SECP's proposal for launching digital asset management companies in 2022 proves a crucial step towards digitizing the banking, payments, and financial services sector in the country and, in so doing, contribute towards financial inclusion.

This is merely the latest in a series of conducive initiatives from the SBP towards digitalizing financial services in Pakistan, including providing direction on the digital on-boarding of customers, the Roshan Digital Account, Electronic Money Institutes licenses, Asaan Digital Accounts, and the RAAST Instant Payment System. The latter, in particular, reflects Pakistan's first instant payment system enabling "end-to-end digital payments among individuals, businesses and government entities simultaneously," therefore driving more significant levels of financial inclusion. However, uptake of this initiative needs to improve as the current share of digital payments in Pakistan rests at a paltry 0.2%, compared to other emerging economies, which stand between 1.5% to 7%, according to the World Bank.

The use of internet/mobile banking services increased by 4% QoQ during Q1 2022 and reached a total of 11.3 million users who utilized their smartphones to transfer funds, pay utility bills and carry out retail purchases, thereby facilitating its increased adoption and use cases. The Government of Pakistan has also developed a comprehensive digital policy guideline emphasizing its ambitions to improve its citizens' quality of life and economic well-being by ensuring the availability of accessible, affordable, reliable, universal, and high-quality digital services. The Digital Pakistan Policy 2021 highlighted policy recommendations in the field of E-Governance, E-Commerce, and E-Banking, enabling cross-sector socio-economic development and will contribute to the achievement of sustainable development goals.

These developments in the provision of financial technology services are complemented by regulatory and policy frameworks such as the Cloud First Policy and Data Protection Bill 2022 and the development of a Special Technology Zones Authority which aims to revolutionize Pakistan's financial landscape and position it as one of the foremost markets for digital finance and technology in South Asia. Alongside policy frameworks, there is also an urgent need for a National Digital Execution Plan and a potential public-private task force that will ensure the implementation of policy frameworks and the goals set jointly by the public and private sectors.

To improve gender equality and adhere to the National Financial Inclusion Strategy of 2015, the SBP also introduced its "Banking on Equality" policy in 2021, aiming to increase gender diversity in financial institutions and access points, deliver women-centric products, create women's champions, deliver on gender-disaggregated data and increase buy-in from multiple stakeholders. On the private sector end, the 2022 Pakistan Venture Investment Report from Magnitt highlights that Pakistan has one of the highest rates of participation of international investors across varying emerging markets, as noted by the fact that 78% of investor funding in Pakistani-based startups was sourced internationally in 2021. The cumulative funding in Pakistan is expected to cross the 500 million mark in 2022.

However, despite these developments, recent economic shocks and challenges have led the Asian Development Bank to forecast a slowdown in economic growth to 3.5% in FY2023. This prediction was based on the recent economic shocks the country has been facing via increased inflation rates, which increased from 10.9% in May 2021 to 24.9% in June 2022, a deficit in the balance of payments Q3 2022, with private sector credit demand remaining low and banking sector developments experiencing a 2% decrease in comparison to 2019. Indeed, in the face of external shocks resulting from the devastating nationwide floods, global energy insecurity, and the impacts of global conflicts, the rupee has devalued by 30% against the dollar. This is coupled with a rise in unemployment and political instability, thereby leading Moody's, Fitch, and S&P Global to downgrade the country's long-term rating from stable to negative in the face of its deteriorating economic condition.

The success of digital financial services in promoting greater financial inclusion is primarily dependent on the development of an extensive infrastructural network supporting various services. Although Pakistan's smartphone penetration rate remains one of the highest in the South Asian region, it remains one of the weakest countries regarding the ICT adoption sub-index in the Global Competitiveness Index for 2019[1]. Additionally, while mobile connections account for around 96% of total broadband connections in Pakistan, less than half the country has access to broadband services. Similarly, Pakistan is ranked 90th out of 120 countries on the Inclusive Internet Index 2021, faring much lower than its regional neighbors, such as India, Sri Lanka, and Bangladesh.

Pakistan is also ranked extremely low within the Global Connectivity Index due to its insufficient investment in IT, telecom, and internet bandwidth. Since the COVID-19 pandemic has facilitated increased internet usage (growing 54% in 2021) through the Government's active encouragement of the use of digital payment channels, it is notable that only 1/4th of rural Pakistanis (comprising 60% of the entire population) are able to access internet services, thereby preventing Pakistan from fully harnessing the benefits of digital financial services and their contribution towards financial inclusion[2]. While the National Financial Inclusion Strategy of the SBP had set a financial inclusion target of 50% by 2020, it is lamentable that as of 2021, only 14% of Pakistani citizens remain financially included within the system[3].

The financial services sector also continues to face various supply and demand-related challenges. On the supply side, despite recent developments, the regulatory framework is still deficient and ambiguous and precludes structured engagement between regulators and fintech firms. The absence of a formal credit scoring model prevents the public and private sectors from tapping into the informal sector. At the same time, fintech firms cannot deliver on the disruptiveness their model promises due to their competing in narrow product areas or niche markets.

It is important to note that the recipients and consumers of such services are also integral contributors to the uptake of these services. With only 60% of Pakistanis being considered literate and 56% of the population not knowing how to use the internet, a considerable demand-side gap inhibits citizens from fully utilizing the benefits of digital services. Cultural barriers and the lack of content in locally relevant regional languages are additional barriers to digital inclusivity and consumer readiness.

Furthermore, while consumer protection laws exist at the federal and provincial levels of Government (by the Electronic Transactions Ordinance 2002), there is a lack of awareness amongst consumers about the rights available to them when conducting online transactions, thereby leading to a perception of weak consumer protection laws in Pakistan. Although the National Financial Inclusion Strategy of 2015 launched a financial literacy initiative to address this issue, it is integral to improve financial literacy, particularly in rural areas, through the development of further training and vocational programs, which will increase the uptake of digital financial services in Pakistan.

Consequently, on the demand side, there is a limited understanding by customers of product offerings and a lack of trust in digital financial offerings. This may also result from experiences such as third-party financial losses experienced by customers of SadaPay, who have not been able to obtain official financial statements in 2022, and the revoking of TAG Innovation's EMI license amidst internal troubles in the same year. Furthermore, the high penetration of conventional and informal financial intermediaries creates a lowered demand for digital financial services.

About 90% of Pakistan's businesses are small and medium enterprises (SMEs). The economic benefits that digital access and growth could provide to these segments through a revamped Fintech landscape would be remarkable. Limitations to a Digital Pakistan exist; financial inclusion and a thriving ecosystem will inevitably require cooperation from every part of the system, from internet access to quality education and a friendly regulatory environment. Simultaneously, opportunities for new players to enter the market are ideal. With a rapidly digitizing and largely untapped population, of which 60% is under 30 years old, Pakistan is ripe for a Fintech transformation.

1 The Global Competitiveness Report 2019
2 https://tribune.com.pk/story/2278669/pakistan-embraces-digitalisation-2020
3 8 Data at a Glance 2021, Financial Inclusion

Diversity and Inclusion

Diversity and Inclusion

Whilst the confluence of a digital national identification system and increasing smartphone penetration has created an enabling environment for the adoption of Digital Financial Services in Pakistan, the rate of financial inclusion is nevertheless nascent when compared to regional counterparts. Presently, 79% of Pakistanis lack access to a formal financial account, in which women have a majority share, and it is estimated that the gender gap in access to formal financial services will increase to 32% by 2030, despite the goals set by the government's National Financial Inclusion Strategy.

While the country could stand to increase its GDP by 30% if women contributed equally to the economy, there is a lack of financial capacity and empowerment coupled with challenges of ownership of assets and technology, such as mobile phones, financial literacy, and overall access to digital services, particularly in the case of women in rural areas. Women in rural Pakistan also have limited or no direct sources of income and often do not have access to financial decision-making. Furthermore, on the private sector end, despite recent developments in data capabilities, less than 40% of financial service providers in Pakistan include sex-disaggregated data in their regular automated reporting.

Pakistan's dismal position in the Gender Gap Index for Economic Participation and Opportunity (2021) is further evidenced by the imbalance of 7% women compared to over 20% men who have formally incorporated in the financial sector.[4] Pakistan, as per the Global Gender Gap Report 2021 ranks a very dismal 153 out of 156 countries with regards to economic participation and opportunity. It is also notable that merely 51% of women own a mobile phone, and only 55% of women in Pakistan understand basic financial terms (such as a bank, bank account, pension, interest, and committees), which drops to a meager 18% for more complicated financial terms like insurance, insurance premium, shares, stock exchange, investment and exchange rate, and only 6% of women own mobile money accounts in 2022.

According to the Mobile Gender Gap Report (2021), only 19% of women use mobile internet in comparison to 37% of men. While this deficit can be attributed to a variety of factors, this document primarily addresses the lack of incentivization & access for females to enter the financial sector. From a gender perspective, the lack of reliable and tailored financial products and services for women, in addition to the onerous requirements of high collateral and the presence of male guarantors, inhibits women from accessing finance. Nevertheless, this report notes the consistent strides made by the government and private entities toward promoting greater gender inclusion. The government has reformed existing policies and introduced a gender focus on initiatives such as digitized government subsidy programs, which has led to a quadrupling of women's account ownership since 2008 from 4% to 18% in 2020. Furthermore, the SBPs' 'Banking on Equality' Policy has helped to promote women's financial inclusion by setting out short-, medium- and long-term targets for financial institutions, with a focus on emphasizing the collection and analysis of sex-disaggregated data.

Dedicated to the precepts of inclusion and diversity, MMBL has been the forerunner of gender inclusivity through its Women Inspirational Network (WIN) program which incentivizes the participation of women through internal and external upskilling of entrepreneurs alongside financial literacy campaigns. MMBL is cognizant that economic and social growth and development are dependent upon the financial inclusion of women, particularly in a country such as Pakistan, where women constitute 49% of the total population. Under its flagship WIN initiative, MMBL aims to design women-centric products to address the specific financing needs of women and allow them to overcome the barriers restricting their access to finance.

Accordingly, MMBL has recently launched low-cost 4G handsets for its customers, particularly female entrepreneurs, with the aim of driving participation in the digital economy among marginalized groups in the Pakistani population. These handsets come pre-loaded with the bank's digital banking application, which will enable women to easily make money transfers and use a variety of financial services. Furthermore, MMBL has partnered with key stakeholders across different industries to collaborate on projects aimed at upskilling female entrepreneurs by arranging training workshops, financial and digital literacy programs, and targeted awareness campaigns. Accordingly, the following recommendations simultaneously enable the synergy between financial institutions and women.

4 https://propakistani.pk/2020/02/04/just-over-20-of-pakistanis-have-banks-accounts-

Recommendations

Linked to Private Sector

1. Banks and Financial Institutions are encouraged to conduct stakeholder consultations with women to develop effective women-centric products and services.

- The main reason behind the lack of profitability on such services has been the lack of customer centricity in design thinking and customer hypothesis testing.
- Focus groups should include women of diverse ages, classes, ethnicities, and income levels, and focus should be given to gender-specific affordability analysis.

2. Banks and Financial Institutions are encouraged to incorporate Corporate Social Responsibility schemes to enable women to build their leadership capabilities and human capital.

- Banks and Financial Institutions can contribute to a broader change in social norms by leveraging philanthropy programs to enable women to build their economic assets and receive financial education.

3. Banks and Financial Institutions are encouraged to use marketing and advertising messages to challenge traditional gender roles surrounding women's financial empowerment.

- Such marketing strategies should be presented in both English and Urdu in order to reach a wider audience, thus leading to long-term societal shifts and also focus on the well-established benefits of diversity.

4. Banks and Financial Institutions are encouraged to measure and publicly report on their progress with regard to complying with the SBP's Banking on Equality Policy.

- Greater transparency with regard to compliance will not only motivate FIs to improve their implementation and compliance with existing policies but will also provide an impetus for competing for FIs to improve their performance.

Linked to Regulatory Interventions

5. Inclusion of MFIs & NBFCs within CGS for Women Entrepreneurs.

- The Credit Guarantee Scheme for Women Entrepreneurs should be considered for revision so as to include Microfinance Institutions and NBFCs within its framework.
- The risk coverage should be extended to 80%, and a Rs. 5 million financing limit should be allowed.

6. Accelerated implementation of policies to develop gendered financial services and products.

- Accelerated implementation of the SBP's Banking on Equality Policy pertaining to the use of disaggregated data by banks and financial institutions to develop financial products suited to women.

7. Policies to decrease collateral and promote female guarantors.

- Enable the acceptance of unconventional and moveable collateral, e.g., other jewelry, receivables, and accumulated savings.
- Increase the limit on non-collateralized loans to Rs. 500,000.
- Mandate the acceptance of female guarantors for loans.

8 Improve the collection and access of sex-aggregated data.

- Incentivize companies to build gender targets into management key performance indicators.
- Provide technical advice on the collection of detailed and anonymous gender data.
- Regularly publish reports in order to enable easier access to SBP data for financial service providers.

Case Studies

Credit Guarantee Fund Trust for Micro and Small Enterprises, India[5]

In 2000, India launched the above-mentioned scheme in order to provide collateral-free credit to the MSME sector, with special relaxation for women entrepreneurs by increasing their guarantee rate to 80%. Recently, the Small Industries Development Bank of India has additionally launched an online portal, 'Udaan' for SMEs, whereby they can avail of collateral-free loans from member lending institutions under a provisional guarantee certificate. As of December 2020, this scheme has approved 67,171 loans for women entrepreneurs for an amount of INR 3.36 million.

Corporate Social Responsibility, Nigeria[6]

As per the UN Sustainable Development Goals, Women Empowerment Principles, and Nigerian Sustainable Banking Principles, eight banks in Nigeria are empowering women at different levels of engagement, such as by providing vocational skills training, developing their human capacity, creating online communities which offer advice and information pertinent to women, and assisting women who were interested in working in banks by realizing their potential and being a part of decision making within the banks themselves. Accordingly, both women as employees and external stakeholders were targeted and helped them to simultaneously increase the perception and prestige of the banks concerned while assisting women to feel more closely identified with the institution.

Investing in Women Code, United Kingdom[7]

In 2018, the United Kingdom Treasury commissioned NatWest to lead an independent review of women's entrepreneurship in the UK, which proposed eight initiatives, including promoting greater transparency in the UK funding allocation through a new Investing in Women Code. As a result, this code was signed by over 100 institutions and released its first report in April 2021. The code instituted a commonly agreed set of data on all-female-led, male-led, and mixed-gender-led businesses, which signatories provide to relevant industry associations, which in turn review and pass on to the UK Treasury.

Bank of Tanzania Financial Education Framework, Tanzania[8]

In 2014, the Bank of Tanzania identified that almost 60% of those without financial education in Tanzania were women, of which 34.1% were in rural and 24.8 % were in urban areas. It attributed the lower levels of financial literacy among women to low enrollment rate and high drop-out rate in schools resulting from socio-cultural factors including early marriage and poverty. Consequently, when the Bank launched its Financial Education Framework (FEF) in February 2016, it identified rural and urban women as specific target segments, and provided a detailed strategy to reach each stakeholder. The framework is organized around overcoming inclusion barriers – which span supply side, demand side, structural, and regulatory – through actions in several key priority areas such as proximity, robust electronic platforms, robust information, and easy client on-boarding

5 https://www.google.com/search?client=safari&rls=en&q-Cred-it+Guarantee+Fund+Trust+for+Micro+and+Small+Enterprises,+India&ie=UTF-8&oe=UTF-8
6 https://theconversation.com/how-nigerian-banks-empower-women-through-corporate-social-responsibility-156699
7 https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Pakistan.pdf
8 https://www.afi-global.org/sites/default/files/publications/2017-03/GuidelineNote-27%20FIS-Gender%20and%20FIS.pdf

Women Inspirational Network (WIN)

Women Inspirational Network (WIN)

Female financial inclusion is a crucial aspect towards the achievement of the United Nations Sustainable Development Goals. The inclusion of women into the formal financial system could bring a multitude of benefits, ranging from increasing national consumption, increasing saving and investment rates and additionally facilitating new business opportunities. Through empowering women to better manage their financial resources and providing them autonomy over their financial decisions, women are thus able to reduce the vulnerabilities in their households and businesses thereby leading to sustained development and social inclusion. This is particularly pertinent in the wake of COVID-19, which has amplified the financial and economic inequalities faced by women and further excluding them from the financial mainstream. Accordingly, Mobilink Microfinance Bank is cognizant of the significance of women's contribution to economic growth and sustainable development, particularly in Pakistan where 49% of the population comprises of women. As such, the economic participation of women is necessary in order to push the wheel of progress.

MMBL is dedicated towards promoting the financial empowerment of women, and intends to play this part to maximum effect through the fostering of female financial inclusion whilst enabling individuals to become successful entrepreneurs and business leaders. As such, MMBL has initiated its Women Inspirational Network (WIN) initiative, which aims to empower women through a set of powerful, purpose-driven actions. Accordingly, MMBL is committed towards designing female-centric products in order to address the specific financing needs of women and to enable them to overcome the barriers which restrict their access to finance. In tandem with these aims, MMBL has designed a number of inclusive initiatives intended to increase rural women's access to banking facilities and branches, and engage freely in dialogue and information exchange. This step is intended to improve their financial literacy, whilst enabling them to avail financial services.

MMBL is consequently partnering with key stakeholders across various industries in order to collaborate on projects which aim to upskill female entrepreneurs through the provision of robust training workshops, financial and digital literacy programs and targeted awareness raising campaigns. It also regularly engages with government intermediaries and state regulators in policy dialogues, and will actively participate in government-led initiatives geared towards woman empowerment. This includes the State Bank of Pakistan's draft policy on 'Reducing the Gender Gap in Financial Inclusion', whose agenda and aims align directly with MMBL's own mission. As such, the WIN program's key initiatives are to promote of financial literacy among women, offer action-oriented diversity and inclusion initiatives and to create a sustainable positive impact on society.

Towards the achievement of these desired outcomes, WIN will accordingly employ a number of diverse methods and platforms including but not limited to the provision of gender sensitivity trainings, targeted actions towards cultivating institutional diversity, strategic communication practices, and visibility on mainstream digital channels. Furthermore, a key strategic focus of the program is the formation and nurturing of advantageous partnerships. Through these partnerships MMBL aims to provide mass upskilling and trainings in education, healthcare, entrepreneurship, mentorship, incubation and technology domains. Through the WIN program, MMBL additionally envisions a nation where men and women stand together and prosper through equal opportunities in order to drive the national agenda for economic growth. Whether employed, entrepreneurs or homemakers, every woman, from rural or urban regions, can turn to WIN at MMBL for financial empowerment and inclusion.

In Light, There is Power: The Story of A Woman Who Revitalized Her Life While Protecting the Planet

Kaneez Mai embodies not just the spirit of resilience and perseverance but the courage to break cultural norms and stand out as a champion of change in the community. In the small village of Kot Addu, Muzaffargarh, renewable energy is hardly something its population is concerned about. The people of this humble community are absorbed in the daily grind to put food on the table and earn a comfortable living. In these circumstances, it takes real initiative and drive to search for and understand the short-term and long-term significance of solar power as a key source to bolster agricultural production. Kaneez used what resources she had to learn all that she could about solar power.

Per a recent study conducted by World Bank, Pakistan has immense potential for solar power and by utilizing merely 0.071% of the area that can be used to generate it, the entire country's demand for electricity can effectively be met. The prolonged and intense summers in the country make solar power a truly viable alternative energy source to meet the growing electrical disparities among various socio-economic strata. Having experienced most of these firsthand in the form of regular load-shedding and power outages, Kaneez Mai was more motivated than ever to design a long-term, cost-effective and sustainable agricultural model to earn her livelihood.

Pakistan's economy relies significantly on its well-integrated agriculture sector which contributes approximately 25% to the overall GDP. A major portion of the population is employed in the agrarian segment, the current gender distribution being 30% and 67% for males and females respectively. With the digital revolution encapsulating all of the developing world, our agricultural practices are undergoing a steady digitalization as well. Innovative technological solutions are paving the way for more and more involvement and employment in this vastly essential industry. Not only that but technology is also seamlessly penetrating previously unserved markets through optimized solutions for vendor management, raw material acquisition, digital loans and payment services.

This is where MMBL comes in. As one of the leading digital financial institutions in the country, MMBL has an established and well-oiled operational mandate for promoting financial inclusion through digitally optimal solutions that are strategically catered to serve the underserved. Kaneez Mai, driven by her dream to earn a sustainable livelihood, came across the seamless nature of MMBL's loan facilities and approached the bank for some capital to expand her agricultural venture. She owned 3 acres of land which could not be cultivated due to limited agriculture resources. Through the digitally powered services that require minimal paperwork, Kaneez was able to receive her loaned amount, PKR 700,000, in no time.

With the loaned amount in her hands, Kaneez intelligently opted for a solar-powered pump which eventually helped increase her future savings and aided her loan repayment since she was able to cut significant costs by not paying regularly for fossil fuel-powered electricity generators and extensive electrical bills. Through her smart use of the loan, Kaneez Mai is now able to support her 5 children, 4 daughters and 1 son, and provide a comfortable life for them with her renewed income.

It is estimated that 90% of all Pakistani farmers are classified as subsistence farmers, signifying their limited to no access to sufficient financing which leads to an overall lessened investment in agricultural technology designed to aid their operations and enhance their produce. MMBL has been a champion of the underserved segments of the Pakistani population for well over 9 years and Kaneez Mai's adoption of our customer-centric services is among many similar stories that have resulted in dreams being realized and lives being transformed for the better.

Since its inception, MMBL has devoted its policies, services and products to address the sustainable development goals of 2030 and promote digitization, innovation and financial inclusion for a nationwide socio-economic uplift that is driven by the desire to serve the underserved.

On a mission to empower women to adopt bold ideas and strive for their dreams, MMBL, under its flagship Women Inspirational Network (WIN) program, has a wide majority of female borrowers just like Kaneez Mai, who have utilized their entrepreneurial prowess to inch closer to their dreams.

Nurturing the dreams of Micro-entrepreneurs through Microfinancing

With rising inflation and the high costs of living, making ends meet on minimum monthly wage is extremely challenging for an ordinary citizen of Pakistan. Such was the case with Rashida, a mother of four from Gojra Tehsil, Toba Tek Singh District, who was facing sustenance challenges before seeking financial assistance from Mobilink Microfinance Bank (MMBL), the largest digital bank in Pakistan.

Even before the COVID-19 pandemic spread like wildfire all across Pakistan including Gojra, her family was engulfed in indigence, surrounded by the inability to live and afford a comfortable life. “Like millions of others, my husband also lost his job amidst the pandemic. He was the sole breadwinner for us and supported a family of six. We barely had enough money to cope with the expenses and the financial hole kept growing after my husband was laid off,” explained Rashida.

Losing a job can be emotionally ravaging not just for the employee but for the whole family, who depend on the earner for their daily sustenance. Low-income families are always the first ones to bear the brunt of a financial crisis. “We struggled to pay the rent and send our children to school. We could also see that the financial instability was leading to anxiety and depression. Families like us also struggle to gain formal access to finance, owing to limited existing resources, which results in a lack of upfront cash or capital needed to start a small business or expand an existing micro-enterprise", added Rashida.

“Akin to all other parents, we also desired for our children to get quality formal education but lack of steady income constrained us from sending them to school. Seeing how helpless my family felt, I decided to step up and with the help of my husband, designed a business proposal to set up a small clothing business. I chose to venture into the clothing business because I had prior experience in selling clothes. My husband enthusiastically participated and supported me every step of the way. When the plan was complete, we looked into options that could provide us with enough capital to start the business and push it into execution,” she added.

One day, her neighbor came across MMBL's Karobar Loan, strategically designed to meet the working capital requirements of micro-enterprises and small women-owned businesses. Upon receiving this information, Rashida immediately decided to approach the Bank's team at the Gojra branch to learn more about the financial assistance. “After we met with MMBL’s team, my husband and I decided to apply for the loan. Soon after our application was accepted, we received a loan of PKR 100,000 which we used to set up the business in our home, and used our business knowledge to sustain it, while turning it into a viable income source,” she shared.

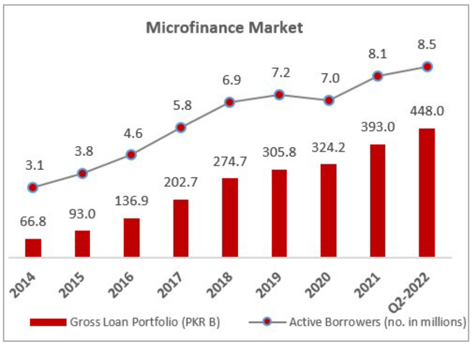
Once the clothing business started to run smoothly, Rashida decided to apply for the second cycle, amounting to PKR 100,000 again, to expand her business operations and acquire more customers. "With time, the financial constraints reduced which allowed our family to improve our living conditions. MMBL’s financial assistance enabled us to get back on our feet and not only empowered us to gain access to regular income but also allowed us to send our children to a private school,” said Rashida. “I took the initiative to train other women living in our vicinity free of charge so that they too could benefit from this opportunity and be enabled to earn a steady income,” she added. Rashida is currently in her third loan cycle with an amount of PKR 60,000, which she is successfully repaying in easy and flexible installments.

As an industry leader, MMBL focuses on uplifting the underbanked and unbanked segments of society by serving the financial needs of individuals and micro-entrepreneurs. MMBL, with its diverse portfolio, strives to play a leading role in revolutionizing the digital banking ecosystem of Pakistan and is committed to making the country more inclusive, both digitally and financially. Every product and service offered by the Bank is carefully curated to fulfill the financial needs of its borrowers, enabling them to stand on their own. Stories like Rashidas' are a testament to the fact that nothing is impossible with a will to succeed in place, and this world can be turned into a better place if we all start empowering others, helping people out of dependence to financial independence and stability.

Microfinance

Microfinance

The advent of branchless banking has enabled Pakistan's microfinance industry to grow exponentially to become one of South Asia's most vibrant and dynamic markets. The prudential regulations developed by the SBP and the SECP have led to Pakistan being ranked as having one of the top three regulatory mechanisms in the world, as per the Economist Intelligence Unit. The industry has experienced rapid growth in the past decade, with the number of borrowers actively growing from 3.1 million in 2014 to 8.5 million in Q2 2022 with a 433%+ increase in the gross loan portfolio to PKR 417 billion within the same timeframe.



The number of active borrowers experienced an 8% increase on a YoY basis from FY21 and a 10.5% increase in the number of loans disbursed when compared to Q1 of 2022. Consequently, loan sizes have decreased from PKR 28,292 to PKR 25,629, with a considerable decrease of 9.4%. However, it is promising to note a decrease in early loan delinquencies to 4.34% in Q1 2022, though the continuity of this trend may be called into question given the devastating impacts of the monsoon floods. Nevertheless, it is heartening to see that the total microfinance clientele has increased from 65% to 70% in Q2 2022. Moreover, the State Bank of Pakistan has mandated regulatory relief to the microfinance sector by encouraging MFBs to reschedule/ restructure loans, the extension of fresh financing facilities, settlement of claims under the Insurance Scheme and increasing the allowed exposure of MFBs against the security of gold to 60% of total GLP for a period of two years.

However, despite catering to the most underserved population in Pakistan, MFBs are exceedingly challenged by cost determinants such as funding and operational costs, which are considerably higher when compared to conventional banking. As the clients of MFBs tend to have a lower-income level, these supply-side costs, in addition to further expenses stemming from the extensive infrastructure development growth strategy of multiple MFBs, lead them to become dependent on external support for funds and prevent them from adopting a fully sustainable business model. This could be assuaged by shifting to a digital-first approach.

This is further compounded by liquidity challenges faced by MFBs since access to external finance through the Micro Credit Guarantee Facility is expected to be fully utilized in the future, and the Pakistan Poverty Alleviation Fund is already drying up. Meeting these operational costs and managing the high default risk of financially weaker clients prevents MFBs from increasing business profits and effectively serving the unbanked population[9]. Furthermore, whereas larger banks are less likely to lend to SMEs, MFBs are particularly disincentivized from financing the SME sector due to limitations in ticket sizes. Even though the SBP increased the maximum loan size from PKR 1 million to PKR 3 million for enterprise loans in 2020, this amount pales in comparison to the PKR 25-200 million allowed for SME lending by commercial banks.

With the hesitancy of commercial banks to lend to SMEs due to a lack of credit information or the lack of repayment capacity assessments, most SMEs are unable to access the necessary finance that MFBs are willing to provide. With the experience of assessing SME repayment capacities and clean lending based on cash-flow analysis, MFBs are naturally aligned to finance and promote SMEs; however, the PKR 3 million limitations allow MFBs to finance only micro-enterprises as opposed to even small businesses. The Roshan Digital Account represents a considerable achievement by the SBP to encourage NRPs to invest in Pakistan; however, the exclusion of MFBs from this segment prevents them from deriving the potential benefits that this initiative has achieved. Furthermore, the SBP's AC&MFD Circular No. 02 of 2022 is beneficial to the industry, as it extended the provisioning criteria for microenterprise and housing loans, thereby aiding the liquidity of banks – which is sorely needed at a time when flood-affected individuals will require greater access to microfinance services. Therefore, the opportunity for creating diversified products and accessing various fields of investment presents an opening for MFBs to pursue a more sustainable business model whilst positively impacting financial inclusion.

Furthermore, 45% of microfinance borrowers are women, and 65% of microfinance borrowers reside in rural areas.[10] Simultaneously, microfinance deposits have been growing at an average rate of 41.5% per year. As of 2022, there are currently 47 Microfinance Providers, of which 11 are microfinance banks, with the rest being microfinance institutions present in over 135 districts within Pakistan.

9 https://www.google.com/search?client=safari&rls=en&q=Cred-it+Guarantee+Fund+Trust+for+Micro+and+Small+Enterprises, +India&ie=UTF-8&oe=UTF-8
10 https://theconversation.com/how-nigerian-banks-empower-women-through-corporate-social-responsibility-156699

Recommendations

Linked to Private Sector

1. Banks should set up dedicated 'Digital' functions and adopt technology-based solutions to offer new services and optimize operating costs.
- Invest in digital solutions to improve customer journeys, processing times, and overall customer experience.
- Reduce operating costs to pass on savings to customers regarding better financing rates.
2. Invest in training and capacity building of employees.
- Keep up to date on new market trends, best practices, and technologies to improve overall organization performance.
- Ensure optimal quality of service and facilitation across all layers, both internal and customer-facing.
3. In the wake of the devastating floods, reschedule loans for impacted individuals on a case-by-case basis.

Linked to Regulatory Interventions

4. Motivate digitization of all services in order to decrease operational costs.
- Introduce a consolidated technology portal in order to process, monitor, and efficiently manage microcredit programs through real-time monitoring.
- Increase transaction limits for digital accounts.
- Make due diligence for specific accounts easier by exempting clients from signing a contract
- Accelerate the transition towards technology and cashless-based models of documentation.
5. Relax prudential norms on minimum paid-up capital for small, non-systemic regulation institutions.
- Extend the deadline for MFBs to comply with higher minimum capital requirements.
6. Introducing specific recommendations for MFBs which meets pre-defined performance criteria:
- Enhancement of loan size limits to beyond PKR 3 million in order to cater to the underserved SME sector.
- Allow MFBs to operate within the Roshan Digital Accounts ecosystem.
- Allow MFBs to take and manage EMI deposits.

Case Studies

Microfinance Capacity Building Initiative, Credit Suisse[11]

Through its Microfinance Capacity-Building Initiative, Credit Suisse trained over 13,000 microfinance industry staff in 2014 and, in so doing, improved financial services for over 2.3 million individuals. The initiative delivered on providing strong and innovative employee engagement through leadership development programs, improving employee attraction, retention, and morale, and improving expertise sharing. Accordingly, the initiative helped to create new innovative partnerships with clients, employees, and partners.

Digital Musoni Services and Musoni Microfinance, Kenya[12]

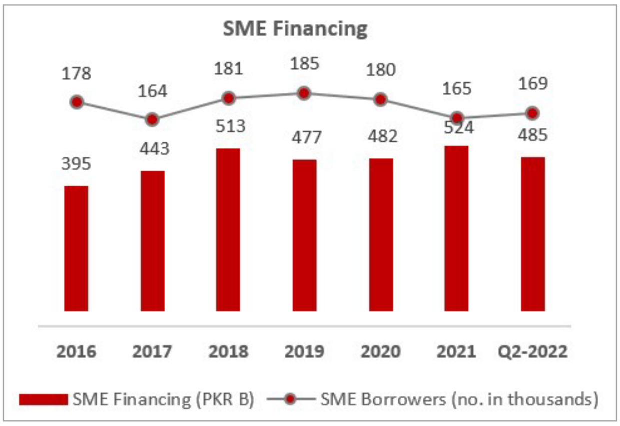
Musoni Services is a microfinance software provider that provides affordable cloud-based banking to over 100 microfinance institutions in 13 countries. In 2009, Musoni set up the first cashless Microfinance Institution (MFI) in the world, using mobile payments for all transactions. Since then, Musoni Kenya has disbursed close to 50,000 loans to micro-entrepreneurs with a total value of $12m. This was done by utilizing a mobile application on tablets instead of paper forms. Accordingly, its app facilitated client onboarding, loan creation, business appraisals, and report viewing, improving loan officers' productivity by 68 percent. In 2017, Musoni additionally developed a USSD menu for customers to access balance inquiries, loan applications, and customer referrals. Musoni's solution is integrated with the Credit Reference Bureau and relies on credit scoring for automated loan decisions based on digital data collected from clients over the last four years.

11 https://businessfightspoverty.org/credit-suisse-microfinance-capacity-building-initiative/
12 https://www.afiglobal.org/sites/default/files/publications/201808/AFI_AfPI_Special%20Report_AW_digital.pdf

SME

SME Finance

With 90% of enterprises in Pakistan being classified as SMEs, these institutions represent a vast untapped market for digital financial service providers – particularly given their 40% contribution to the overall GDP of Pakistan. Estimated at over 5 million SMEs, the sector employs 80% of the country's labor force. However, despite this considerable financial potential, private sector credit in this space has remained considerably low within the past decade, thinning to 6.3% from 27% between FY07-22. As of December 2016, SME loans in Pakistan were capped at a dismal 1.3% of GDP. The rate of SME credit is considerably low when compared to the regional average of 18.7%, comprising India, Sri Lanka, and Bangladesh. While the total outstanding SME financing in 2013 was about PKR 284 billion, it increased to PKR 524 billion in December 2021. The recovery of SMEs is hampered by the nature of loans provided, the majority of which are short-term in nature and, as of September 2021, represented 64% of the total SME credit portfolio.[13]



Whilst SME financing crossed the milestone of PKR 500 billion for the first time in 2018, and those numbers have declined to about PKR 444 billion in Q1 2021. This negative growth in SME financing has resulted from the challenges posed by COVID-19, which has adversely affected SMEs due to the unavailability of labor, shortage of raw materials, and transportation restrictions. This is despite the fact that FinTechs such as Dastgyr, Retailo and Bazaar are servicing kiryana stores and have brought some improvement to their businesses. Furthermore, the devastating impact of the monsoon floods in 2022 have additionally impacted SMEs, particularly in the textiles,leather, and foods sectors, by damaging and foods sectors, by damaging their physical infrastructure and product stocks. Therefore, there will be considerable demand for SME financing in the future.

The dismal state of SME financing in Pakistan, evidenced by the fact that SME sector credit accounted for only 5.75% of private sector financing in June 2022, and catered to only 168,750 out of more than 5 million SMEs nationwide, can be attributed to various supply and demand side factors. On the supply side, the dearth of centralized data points on SMEs presents a considerable challenge. Although the Credit Information Bureau maintains a database of existing individuals and businesses applying for SME loans, there is considerable scope for an expansion of the data set, which is necessary particularly for Fintechs entering the domain of SME lending and investment. Currently, there is a notable information gap between borrowers and lenders due to weak documentation and unreliable provision of financial reports.

The government's upcoming efforts to develop policies favorable to SMEs in relation to the simplification of rules, regulations, and tax regimes, providing SME quotas in public procurement, and the simplification of the SECP's procedures provide a step in the right direction towards facilitating the financing of SMEs.[14] Whilst the NA passed the 'Secured Transactions' law in 2016 in order to establish the development of a collateral registry for SMEs, the SECP's secured transaction registry is a private platform that charges fees for individual data collection. Paying collective fees for obtaining information on various SMEs thus presents a considerable expense for financial and non-financial institutions, thereby disincentivizing further investment in SMEs. On the demand side, the dearth of trust in the public sector, alongside potential financial scrutiny, serves as a considerable disincentive for SMEs to enter the formal financial sector.

Additionally, the requirement of banks for the immovable property as collateral until 2020, alongside high default rates at 33%, presented a considerable hurdle for SMEs to access financial services. In most cases, SMEs do not own but instead rent properties which limits their abilities to meet the collateral requirements from banks. The requirement for collateral poses another significant challenge for technology companies, which typically cite intellectual properties as their main asset, which remains unacceptable as a substitute for collateral by financial institutions. The SBP, in August 2021, announced the 'SME Asaan Finance' (SAAF) refinance and credit guarantee facility, which intends to tackle these challenges and open the path for 'clean' lending to SMEs and will play a major role in the uplift of the overall SME sector. Simultaneously, efforts must be made by private sector players in order to equip SMEs with the necessary tools, technology, and financing to boost business productivity and ultimately revive the economy. While the government's SME Policy of 2021 provides some great recommendations for improving access to SME finance, further recommendations are needed, particularly in the following areas:

13 https://www.poverty-action.org/study/asset-based-finance-microenterprises-pakistan
14 https://www.sbp.org.pk/acd/2014/C6.htm

Recommendations

Linked to Private Sector

1. Adopt a 'research-based' and 'data-driven' approach towards SME customers.

- Conduct in-depth and ongoing research into the evolving needs of SMEs in particular sectors and geographies.
- Use research to design and offer solutions for SMEs which address real on-ground challenges for specific sectors.

2. Development of affordable technology solutions for SMEs.

- Technology companies and service providers should invest in developing tools and solutions which will assist SMEs in various sectors to optimize and improve operations, business management, and production, i.e., manufacturing, farming, etc.

3. Capacity Building & Training of SMEs.

- Dedicated programs on business management, financial management and others specific to the area of business to improve individual entities and overall sector performance.
- Enhanced literacy and training campaigns to improve awareness of products, services and technologies available to the SME sector.

Linked to Regulatory Interventions

4. Set up a 'minimum financing' portfolio target for banks and MFBs towards SMEs.
5. SBP should review case studies of SME-centric organizational failures in Pakistan and explore whether such organizations can be revisited and relaunched.
6. Establishment of a central registry enabling the collection of data points for SMEs.

- Whilst private and public credit bureaus exist alongside other databases such as NADRA and the Secured Transaction Registry, the data ought to be collated into a single platform and converted into a public good in order to increase its efficiency and uptake by financial institutions.
- Creation of data points by promoting the use of QR codes and the digitization of financial records.

7. Banks and MFBs should be enabled to connect with the cloud lending system of fintech for credit decisions in lieu of setting up individual credit infrastructures.
8. Establish a 3-5-year tax holiday for SMEs in order to incentivize their incorporation into the formal financial ecosystem whilst lowering the regulatory compliance for SMEs.
9. Start a national campaign for financial literacy training and awareness, especially for women.

Case Studies

Credit Risk Database, Japan[15]

With the objective of countering information asymmetry regarding SMEs, Japan developed a credit risk database that provides an infrastructure to facilitate improved credit ratings for SMEs. Representing the largest database in Japan, data points were initially accumulated by obtaining nationwide financial statements and default information from all credit guarantee schemes, which were then added as members of a single credit risk database association. The database works as a non-profit operated by membership fees whereby, after receiving necessary data inputs, the CRD is able to build scoring models calculating the credit risk of SMEs whilst maintaining the quality of scoring models through periodic validations. Members can additionally access other services, such as management consulting support systems, consulting services, sample data services, and statistical information services. The data is kept anonymous, which enables the creation of a high-quality database.

SME's Go Global Programme, Malaysia[16]

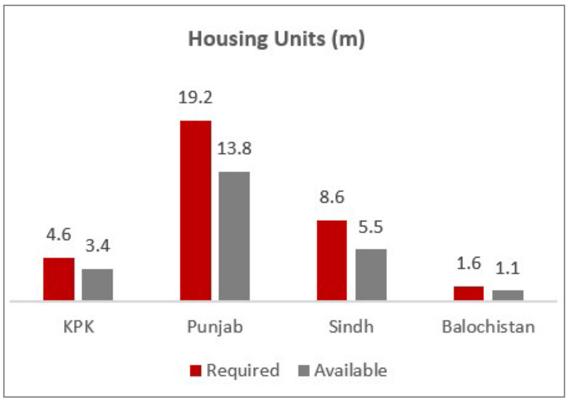
Malaysian SMEs reflect the backbone of the national economy and constitute 97.2% of overall businesses, and account for 38.2% of the country's GDP. The SME Corporation of Malaysia introduced an initiative that seeks to promote the internationalization of local SMEs, particularly those in high-growth industries, in order to inculcate their expansion into global markets. Accordingly, this program was targeted toward export-ready companies and existing exporting companies which have the potential to explore new markets. The project's eligibility criteria noted that companies should have at least 60% Malaysian equity, should have been in business for at least 3 years, should have a minimum 3-star SCORE rating which is valid at the time of application and make at least RM 3 million in annual revenue.

15 https://www.adb.org/publications/establishment-credit-risk-database-evaluate-creditworthiness-smes
16 https://www.smecorp.gov.my/index.php/en/programmes1/2015-12-21-10-06-32/smes-go-global-programme

Housing Finance

Housing Finance

Though housing finance contributes 10% towards India's GDP, in Pakistan, the contribution of this sub-sector lags behind at a mere 0.5%, despite demand for new homes averaging at around 700,000 units/year. With Pakistan expected to become the world's sixth most populous country in 2050, alongside rates of rural-to-urban migration, the demand-supply gap makes the number of existing houses not only unattainable but also unaffordable. In light of the recent floods whereby 33 million individuals have now been made homeless, the situation has become even more dire, as the country, already facing a shortage of 10 million housing units, now faces an additional housing deficit of 1 million housing units.



Compared to 24% in India, nearly half of Pakistani urban dwellers live in informal settlements with a density of 3.5 persons per room, compared to the developed world standard of 1.1 persons per room. However, despite the existing demand for housing, the combined volume of outstanding housing finance was only PKR 106.8 billion in 2021 (approximately only 2% of private sector credit), a rate existing in conjunction with a physical deficiency of 10 million units. Indeed, the current mortgage-to-GDP ratio is 0.3% in Pakistan compared to the average of 3.4% in South Asia. With informal lending catering to up to 10% of housing transactions, it is clear that considerable regulatory reform is needed in order to protect consumers and promote financial inclusion. Furthermore, while the Sindh government has collaborated with the World Bank to finance a PKR 110 billion project to construct houses in flood affected regions, more policies are needed that address the issue of housing finance.

A major hindrance to housing finance in Pakistan pertains to issues related to the documentation and registration of property documents for mortgages. Inefficiencies and costs in obtaining these records provide a disincentive for borrowers to access credit through formal means. Property title management and land administrative procedures are particularly difficult in cases where land titles themselves are insecure as a result of property exchanging hands multiple times. In addition, a lack of standardized processes and digitization of relevant land and revenue records prove to be cumbersome, and duplications and errors often emerge as a result of the manual maintenance of records. The considerable diversity in the number of institutions and registration processes that mortgagees are required to visit presents significant challenges.

The SBP's Markup Subsidy for Housing Finance (2020) presented a step in the right direction for easing access to credit for individual and SME borrowers. However, there are other challenges affecting the housing finance segment which are important to address. The loan tenure of 10-20 years itself is low, as it precludes lower installment payments, thereby decreasing the affordability of loans and installments. Owing to security requirements, though necessary given the tenuous law and order situation in various districts, it is important to note that in some cases, mortgaging is not possible within certain districts/sub-districts. This serves to exclude low-income borrowers from accessing housing finance. Finally, the Maximum Price Housing Unit section conflicts with the prior Housing Finance Prudential Regulations as in Tier 1 cities, purchasing 3-5 Marla plots, even in poorer localities, costs between PKR 1.7-2.0 million (with prices expected to rise further in 2021). Accordingly, this prevents them from scaling and providing more finance to the segment of the population that truly needs it.

Recommendations

Linked to Private Sector

1. Financial institutions should improve their customer offering for lower-income individuals.

- Products and services in the housing finance department are not tailored specifically to the lower income individuals, and as such financial institutions should deliver more customized solutions.

2. Financial institutions should introduce 'green' energy-efficient mortgages in order to promote sustainability.

- Financial institutions should offer better interest rates or additional capital to house buyers in return for a commitment to energy-saving renovation work.

Linked to Regulatory Interventions

3. Creation of a single land allotment authority with a digitized registration portal for the attainment of property documents.

- Ensure the end-to-end computerization of land records with the ability to search and register sale deeds within any sub-registries regardless of jurisdiction.
- Enable online uploads and regulatory verifications for submissions with real-time feedback as documents are being provided.
- Leverage e-stamp papers and electronic signatures for witnessing and execution of forms.
- Digital recording of Legal Title Transfers and marking of liens with Sub-Registrars.

4. Introducing amendments to the Markup Subsidy Scheme:

- The Maximum Price Housing Unit law should not apply retroactively. Families fulfilling the definition of low-income households (total asset ownership below threshold) seeking construction or renovation financing on plots or existing properties they may have purchased or inherited well before the introduction of the low-cost housing scheme should be allowed to be financed under the scheme.
- Proposed Eligibility Criteria:

a. Applicants with plots of land/houses in different locations from their current place of residence should be eligible to qualify.

b. Co-applicants, as partners or guarantors (non-immediate blood relations) who are already owners of a plot or home, should qualify for clubbed income assessment.

c. Existing Ownership should be allowed where financing is sought for extension or structural renovation.

d. Should include financing for Purchasing Existing Houses falling within tiered (T1, T2, T3) unit pricing and financing thresholds defined by the markup subsidy program.

- The Size of the Housing Unit should allow a deviation of 10-15% where the applicant fulfills other criteria.
- Maximum Price of Housing Unit: It is essential to allow for a 15%-20% deviation approval (allowing for up to 65% of financing to be used for plot purchase) so long as all other criteria are fulfilled for the maximum price.
- Alternative mechanisms to create security interest should be allowed under the scheme where mortgaging is not possible within certain districts/sub-districts identified collectively (e.g., un-regularized 'Kachi Abadi' areas).

5. The Pakistan Mortgage Refinance Company can and should provide financial deepening and liquidity for financial institutions which finance housing. The PMRC should do this to provide liquidity in the housing market.

Case Studies

Barclays Green Mortgage, United Kingdom[17]

In 2018, Barclays Bank launched the first ever 'green' mortgage in the United Kingdom, which allows customers buying energy-efficient new homes directly from builders or developers to obtain lower interest rates on certain fixed-rate mortgages. So long as the property is bought with the intention of occupancy, it does not matter if the individual is a first-time buyer or is moving homes. The eligibility for this scheme is dependent on the customer having either an Energy Performance Certificate rating or a Predicted Energy Assessment of an A or B standard. Such a mortgage enables individuals to save between GBP 750 to 150,000 on a mortgage for over five years, compared to typical mortgages. Barclays also introduced a Green Buy-to-Let Mortgage in 2022, enabling savings of GBP 1250 for a mortgage value of GBP 250,000 over a fixed five-year term or GBP 500 on a GBP 250,000 mortgage over a 2-year fixed term.

Financiera Independencia, Mexico[18]

The federal government, second-tier housing Bank SHF' and Financiera Independencia (a Mexican MFI) collaborated on subsidies for housing finance. Awarded a USD 80 million line of credit by SHF, the FI introduced the CrediConstruye in 2007, which within a year of its operation, disbursed USD 32.7 million in loans to 20,000 clients. It stipulated that borrowing households should be of 'low income' of approximately USD 600 per month, whereby loans provided would be used for home improvement. SHF accordingly provided the FI funds through Mexican subsidies such as USD 400 per household under the Esta Es Su Casa program. The latter program was developed as a subsidy funded by CONAVI enabling MFIs to receive subsidies for home improvement, purchase, or construction. The subsidy allowed for the down payment of loans or for increasing the purchasing power of the borrower. The eligibility criteria for this subsidy stipulated borrowers establish saving accounts of at least 4% of the project value, thereby encouraging the large unbanked sector to become banked.

17 https://good-with-money.com/2022/05/12/what-you-need-to-know-about-barclays-green-home-mortgages/
18 https://www.findep.mx/documentos/anuales/2019ia_en.pdf

Agriculture Finance

Agriculture Finance

Categorized as Pakistan's second largest sector, agriculture accounted for about 20 % of the GDP as of 2022. Despite the fact that agricultural output increased by 4.4% in FY22, the catastrophic floods experienced country-wide in September 2022, especially in agricultural areas, are expected to moderate agricultural performances in 2023 and, in doing so, aggravate food insecurity. Extreme flooding has damaged 80-90% of crops in Pakistan, including key export items such as rice, wheat, and cotton, and wiped out nearly 800,000 hectares of farmland. This is particularly pertinent, as the sector provides a livelihood for 43.5% of the rural population, which accounts for 62% of Pakistan's total population.

The distressed state of the sector stems from dwindling crop yields, the slow rate of agriculture-centered technological innovation, and the inefficient disbursal of agricultural credit. With regards to the latter, it is estimated that the formal financial sector is only able to meet 50% of the total credit requirements of the agricultural sector, with the latter being financed through informal sources such as friends and relatives, commission agents, and village shopkeepers, which may charge exorbitant interest rates of up to 60% per annum. Zarai Taraqiati Bank Limited, Pakistan's only specialized agriculture financial institution, has steadily declined loan disbursement in recent years and rarely extends loans to farmers to buy key agricultural machinery such as tractors, threshers, etc.

Accordingly, the lack of adequate financing prevents small-scale farmers from adopting technological innovations to drive agricultural productivity. Whilst 2019-20 saw a 3.5% increase in the amount of credit disbursal by banks, and banks in 2022 dispersed around PKR 1059 billion between July-April FY22, there was a 1.4% decline in disbursements in the previous year, thereby necessitating further policy improvements within the sector.

It is to be noted that the SBP has taken steps to improve access to agricultural finance, such as by introducing the Agricultural Credit Scoring Model to measure the performance of banks in dispersing agricultural loans. Furthermore, on September 12, 2022, the SBP introduced Amendments in Prudential Regulations for Agriculture Financing by stipulating that the maximum limit of unsecured/clean financing for agriculture has been enhanced from PKR 1 million to PKR 5 million.

One of the primary pain points with regard to accessing agricultural credit in Pakistan pertains to the hesitancy and bias on the part of formal financial institutions towards lending to small-scale farmers. With the absence of digitized data regarding credit histories, access to collateral, and ownership of land for farmers, the process of disbursing credit to farmers is a time-consuming and costly affair for both financial institutions and farmers. Farmers are required to pay fees to asset evaluators, alongside spending money on transportation and lodging if the financial institution is far from their residence. In addition, incremental fees are charged for obtaining certification, formal credit agreement documents, and insurance, on top of the interest paid on loans. Furthermore, whilst the government's initiative to introduce the Kamyab Pakistan Programme provided much-needed relief in the form of microcredit to farmers, the scaling down of its services prevents farmers from accessing the quantity they need to promote financial inclusion.

With 90% of farmers being categorized as subsistence farmers, the inability of farmers to access sufficient credit prevents their ability to invest in agricultural technology to increase yield and productivity. This issue is further compounded by inefficient land record digitization mechanisms and the absence of land leasing frameworks. Whilst the digitization of land records has taken place in Punjab through the implementation of the Land Records Management and Information System; there is still a need for a national registry. The diminished income security resulting from tenuous land contracts results in decreased investments, compounded by rising property prices which further exclude small and marginal farmers who are unable to purchase new plots of land.

Recommendations

Linked to Private Sector

1. Financial Institutions must embrace Agri-tech and create Agri-tech partnerships for the next wave of agri-financing.
- Adopt partnerships with agri-tech companies which provide farmers with new-age solutions in crop storage, crop monitoring and testing, warehousing & logistics, weather monitoring services, etc.
- Improved services for agri-producers will help in lowering risks associated with financing the agri sector.
2. Invest in research and development in agri farming and cultivation technologies and methods.
- Improve existing methods by incorporating the latest technologies, practices, and equipment to enhance agri productivity and outputs.
- Improved solutions and technologies should be made widely available and on affordable financing terms.

Linked to Regulatory Interventions

3. Introduction of a National Farmer Registry whereby through entering one's CNIC details, banks and financial institutions can access information regarding a farmer's collateral and land records.
4. Introduction of a National Land Records Authority.
- Creation of digital GPS-tagged land boundaries, which guarantees digital records in a 'demat' form.
- Open APIs for fintech companies.
- Mandate relevant departments such as the Agricultural Development Unit in the Ministry of Agriculture and Provincial governments to share relevant data with fintech companies.
5. Establish a Land Leasing Framework stipulating all leasing agreements to be made formal and for farmers cultivating on leased lands to be provided farm credit and issued loan eligibility cards.
6. Introduce a national waiver on interest on agricultural loans and reschedule loan repayment in installments through a two-year deferral.

Case Studies

Land Leasing Framework, Ethiopia[19]

Whilst Ethiopia has one of the lowest per capita income levels in the world and low rates of urbanization. To address this issue and to increase decentralization, it instituted the concept of land leasing in 1993, which has hitherto since been revised and updated in 2001 and 2011, whereby each municipality has economic rights to income derived from land leasing, which provides a source of revenue for those municipalities. Accordingly, municipalities do not charge a full upfront payment for the land lease amount but instead allow payments in installments. Currently, the government has also attempted to improve the leasehold tenure system by addressing the modality of land transfer by introducing auctions and modified allotments, which allow lease payments as the only means of transfers.

Electronic Land Register, Germany[20]

In the absence of a nationwide land registry, the electronic land registry (Grundbuch) is maintained by the local court in German counties. Accordingly, each property is registered and updated by the clerk or solicitor during the transfer of property constituted by the sale contract. The registry enables consultants to check the name of the owner of the property, which additionally provides information about the current assets of the property, including details regarding debts, mortgage deeds, or land rent. It also contains information with regards to the right of way, pre-emptive right conditions, pre-notifications in the land register, and a right of pledge in order to facilitate lending from banks. Consulting the land registry is free of charge, whereas there is a EUR 10 and EUR 20 charge, respectively, for obtaining excerpts and/or a certified copy. In addition, charges are applied for electronic access to the registry.

19 https://documents1.worldbank.org/curated/pt/133061468142165168/pdf/wps4043.pdf
20 https://schmidt-export.com/extracts-foreign-land-registers/land-register-extracts-germany

Digital Finance

Digital Lending

Globally, funding to digital lending players increased by 220% in 2021 to USD 20.5 billion in the wake of increased uptake of digital financial services resulting from COVID-19-related lockdowns. However, despite the presence of a considerable population size of over 220 million people, the rate of formal credit penetration is considerably low in Pakistan. Whilst the number of registered bank accounts has increased to 66.13 million as of June 2022, the inactivity of such accounts in relation to lending can be attributed to the prevalence of the informal sector as a source of credit for individuals and SMEs. There is high demand for credit amongst borrowers, thus implying bottlenecks on the supply side.

However, there is insufficient incentivization for commercial banks to lend to perceived 'high-risk' borrowers, stemming from the absence of credible credit history, leading to the creation of loans with high-interest rates. Restrictive regulations, such as the disallowance of crowdfunding in Pakistan as mandated by the SECP, have additionally prevented the development of peer-to-peer lending platforms. Whilst the recent introduction of a regulatory sandbox for crowdfunding presents a promising step in the right direction, it is unclear whether the previous rules by the SECP still apply. Existing FinTech companies in this space do not exclusively offer lending products. Most of the digital lending in Pakistan is consumption-based, with Fintech startups providing liquidity and credit for the consumption needs of customers. However, new FinTechs are being incorporated into B2B e-commerce or Agri-Tech apps with Buy-Now-Pay-Later offerings.

Another key issue relates to the absence of credit histories of individuals, which creates a considerable hurdle in creating credit profiles that banks can use as a basis for lending. The formal credit to the private sector in Pakistan is among the lowest in emerging and developing markets, standing at 17.4% of the GDP over the last decade in comparison to India (97%), Nepal (59.4%), and Bangladesh (44.1%). Unfortunately, credit bureaus in Pakistan cover only consumer loans and not corporate, and their usefulness is questionable as banks seldom pass on extensive customer information to credit bureaus such as age literacy, education, family structure, etc. On the one hand, a lack of information about existing and potential clients acts as a disincentive for banks to lend to consumers; however, on the supply side, the staff also deals with issues such as low educational levels and skill development and a lack of transparency. Furthermore, the absence of a national credit scoring model similar to one existing in developed countries such as the U.S. and Canada prevents banks from being fully incentivized to disburse loans.

The high penetration rate of the informal lending sector suggests a considerable untapped market for digital lending services, which, if incorporated, could lead to considerable growth within the formal economy and contribute significantly towards financial inclusion. However, in order to effectively tap into this market, NBFIs and fintech companies require an amalgamation of easily accessible data points of customers in order to develop powerful learning algorithms to create tailored loan products whilst simultaneously serving as proxies for traditional credit histories. It is promising to see the steps taken by the SBP to incentivize digital lending, such as by offering licenses for digital banks. Since the inception of this initiative, the SBP has received over 20 applications and is looking to issue 5-7 licenses in the first round. Doing so will improve financial inclusion outcomes and serve the unserved and underserved population.

Commercial banks, telecommunication companies, and utility companies possess a goldmine of data. However, the lack of a centralized data repository through credit bureaus increases information asymmetries for digital lenders whilst additionally increasing their operational and time costs. As a result, digital financial services remain in a silo, excluded from attaining this significant infrastructure and potential scale. Furthermore, the absence of regulations with regard to open banking, nano-lending, and peer-to-peer lending precludes the development of the digital lending sector.

Recommendations

Linked to Private Sector

1. Transitioning from consumption-based digital lending to economically productive digital lending to SMEs and MSMEs.
2. Nano credit products need to be tagged to utilization.

- This will also enable better development of consumer behavior trends as financing can be tagged to specific needs and purchasing activities.
- Nano credit can be linked to economic activity instead of just consumption.

3. Islamic Nano-credit.

- An Islamic equivalent of existing nano-credit solutions would have higher rates of adoption and would appeal to a much wider segment of the rural population.

4. Nano credit and payments for utility services.

- Utility services in the country need to be upgraded to support nano purchases and nano payments.
- Introduce 'pay as you go and/or 'prepaid' options in utility services.

5. Develop more robust Credit Scoring Models.

- More robust and advanced credit scoring models will benefit financial services providers in addressing the issue of high default rates.

Linked to Regulatory Interventions

6. Centralized access to data sources, including telco data, banking transaction data, utility payment data, e-commerce data, and others, with customer consent.

- Data repository firms can be created, and licensed by the regulator, to gather data and share it with Financial Institutions with customer consent.
- Centralized fraud list with communal freezing of accounts to be created to prevent fraud, including identity theft. Support is to be provided by local authorities on persecuting fraudsters to maintain system integrity and mitigate credit risk.

7. Regulations for nano-loans and peer-to-peer lending to be introduced.

- With most nano-loans being of short tenures, classification parameters within regulations should be altered to match the nature of the loans. Furthermore, peer-to-peer platforms should be required to submit regular reports on their loan activities and financial performances alongside keeping their investor funds separate from daily operations. The SBP should regularly update its checklist in order to block illegal platforms and prevent the misuse of data and malpractices.

8. Introduce licensing and regulations for credit scoring companies.

- To promote digital lending, there needs to be an enhancement in credit scoring solutions and technologies.
- Create a licensing framework for credit scoring companies that extend credit scoring on which financial services products are based.

9. Create a national credit scoring model

- Establish a fund to pilot and use a credit scoring model, which can also contribute to financial literacy
- Track individual financial information, including debt and payment history, the total number of accounts, credit balances, credit limits, and delinquencies.

Case Studies

Credit Scoring Model, Canada [21]

Canada has a similar credit scoring system to the U.S., where it uses the credit bureaus EquiFax and TransUnion to determine individual credit scores. It does so by determining an individual's payment history, any delinquencies, credit balances, credit limits, credit history, credit mix, the total number of accounts, and recently opened accounts or applications. Canadian scores go from 300 to 900, with the higher credit score being the most positive. Individuals can access their credit scores online for free, and it is updated monthly. Having a good credit score enables individuals to have a better chance when applying for credit (such as getting a mortgage, car loan, credit card, etc.). Furthermore, individuals are offered more competitive interest rates and are able to qualify for higher credit limits or bigger loans. Conversely, individuals with low credit scores may be at the risk of facing possible refusals by cell phone providers, potential employers, and landlords.

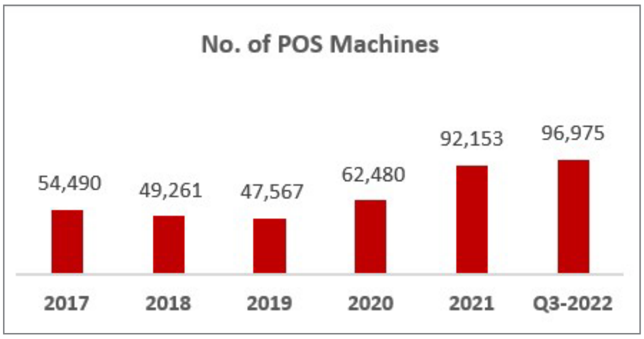
Peer-to-Peer Lending Regulations, Thailand [22]

With the objective of encouraging greater investment in sectors such as robotics and technology, the Bank of Thailand announced its first set of peer-to-peer regulations in April 2019 as an amendment to the Credit Information Business Act. Whilst the peer-to-peer lending ecosystem is in its nascent stages in Thailand, the resulting regulations stipulate that such platforms must not be financial institutions, must be private or public companies, and have a paid-in capital of at least THB 5 million. Defining peer-to-peer lending as "lending between a lender and a borrower via the electronic system or network" such as applications and websites, further regulatory guidelines by the Securities and Exchange Commission highlighted that such platforms must have a proper business plan and that crowdfunding activities must occur on an approved portal in order to protect applicants and ensure legal compliance. Accordingly, peer-to-peer startups and SMEs were enabled to raise a maximum of THB 20 million (USD 650,000) from retail investors in the first 12 months and THB 40 million (USD 1.3 million) for equity and debt for the duration of the entire project. On the other hand, venture capital funds and private equity trusts do not have any investment limits.

21 https://creditcardgenius.ca/blog/credit-score-canada
22 https://www.conventuslaw.com/report/first-peer-to-peer-lending-regulation-issued-by/

Payments

Despite the considerable scope of payment services in Pakistan, alongside a steady increase in transactions in previous years, digital banking is a nascent industry dominated by P2P transfers, data, and purchases. The absence of a conducive ecosystem can be attributed to a lack of sufficient incentivization for service providers in the form of licenses and tax cuts, alongside insecurity and unreliability in accessing customer data. Indeed, POS uptake in Pakistan has been slow for the last decade, with total POS terminals amounting to merely 96,975 as of June 2022. On the consumer end, low-income customers are excluded from the digital financial ecosystem due to the 2.5% merchant fee on card transactions, fees for mandatory NADRA identity verification, and the inability to make online payments through debit cards due to bank restrvictions.



The introduction of Raast serves as a promising step for the development of a digital ecosystem built on the platform of interoperability. Raast is Pakistan's first peer-to-peer digital payment system, which connects governmental bodies to the platform to facilitate payment of social programs, and which is intended to promote digitalization and financial inclusion in the country. As of 2022, over 10 million customers have signed up to the platform, leading to an aggregated value of person-to-person transactions of PKR 36 billion, and the Central Directorate of National Savings has additionally integrated into the platform. FinTech companies such as SadaPay have also emerged in this space, providing free financial services to customers and generating further financial inclusion. While this will have a positive impact in the long run by promoting financial inclusion and increasing efficiencies, unfortunately, in the short term, cash is still king. At present, currency in circulation increased from 10% in 2016 to more than 18% in 2022.

The government, the regulator, and the SBP have taken steps to improve the card payment infrastructure in Pakistan, for instance, through capping the interchange fee on Debt/Prepaid cards at 0.5%, allowing banks to charge a 0.1% transaction fee, and reducing the sales tax for businesses making payments through digital means from 17% to 16.9%. These are good government interventions to promote the uptake of digital payments in Pakistan. However, the transaction fees of credit cards are still quite high, and oil marketing countries have now started stifling card payments at petrol stations, with the number of card transactions at PSO declining from 145 million in August 31, 2022 to 60 million on September 1, 2022. This is a significant blow for digital payments.

Furthermore, whilst the SBP's directive to waive the IBFT fees in 2020 was a necessary step towards tackling the COVID-19 pandemic, tackling COVID-19, the scheme posed a considerable threat to the profitability of banks and financial entities. In the absence of its reinstatement, mobile wallet businesses expected a net loss of PKR 2 billion in 2021. Additionally, the waiver creates an anomaly in the payments system through agent arbitrage, whilst a further elimination of agent commissions can be expected to adversely affect consumers through increased charges or eventually cause agents to shut down their branchless banking services.

The absence of a centralized KYC platform for all payment players is another key issue affecting the uptake of payment services as, in spite of NADRA's considerable identification database, the absence of digital identifiers through multiple API's decreases the efficiency of financial institutions through slower onboarding.

Finally, whilst COVID-19 has increased the adoption of use cases in digital payments, Pakistan still remains a predominantly cash-based society, averaging PKR 199 trillion of total payment transaction volume in 2020, due to the perceived insecurity of a digital payment ecosystem and the absence of mobile payments acceptance in a retail context.27 The low adoption of mobile wallets, alongside a lack of traction in the most popular use cases, prevents the revolution of the digital financial landscape, such as through incorporating household expenditures amongst use-case scenarios which could enable 1/3rd of monthly household expenditures averaging at 66% of total expenditure being targeted by digital payment services.

Recommendations

Linked to Private Sector

1. Incentivize Digital Payments on the retail end.

- Banks and other players offering POS machines should bundle additional benefits for retailers, such as reducing financing costs on loans, better profit rates on collection accounts, and even threshold-based rewards for the volume of digital payments handled.

2. Adoption of 'unified QR codes.'

- The SBP has recently launched unified QR codes for payments. Banks and payment service providers should actively adopt and promote the uptake and use of these within their networks and create rewards for their customers to use digital payments.

3. Effectively implement DDoS, intrusion, threat malware detection tools, and multi-factor authentication (MFA) in digital payment systems.
4. Digitize private sector wage payments to bring unbanked adults into the formal financial system.

Linked to Regulatory Interventions

5. Maintain IBFT fees at appropriate levels to protect service providers.

- The IBFT fees should be maintained at a level that allows operators to cover costs.

6. Facilitate increased use cases for mass adoption through curated supply-side strategies, such as promoting the use of QR codes and contactless payment solutions across all payment providers.

- Provide tax incentives to promote payments using credit/debit cards and electronic cash receipts in B2C transactions. For instance, enable tax incentives for wage and salary earners to claim tax deductions for eligible purchases made using electronically traceable payments upon year-end income tax settlements.
- Introduce a 5-year tax holiday for 'Kiryana' stores conducting digital transactions through QR codes.

7. Develop a plan to introduce stronger and up-to-date cyber security infrastructure

Case Studies

Wage Digitization, Bangladesh[23]

The Mastercard Center for Inclusive Growth has partnered with BSR's HERproject since 2018 to deliver the HERfinance Digital Wages program to implement and scale up wage digitization efforts in Bangladesh, Cambodia, and Egypt. In Bangladesh, this program led to a 21% increase in workers saving regularly and a 19% increase in women reporting increased confidence in weathering financial shocks. The program also found that by providing wage payments digitally, female garment workers in Bangladesh are more likely to transfer funds digitally and use digital payment platforms. The benefits of digital wage payments, beyond promoting the use of digital payment platforms, include driving long-term financial inclusion and creating a financial individualized financial record for individuals.

Reduced Merchant Discount Rate, India[24]

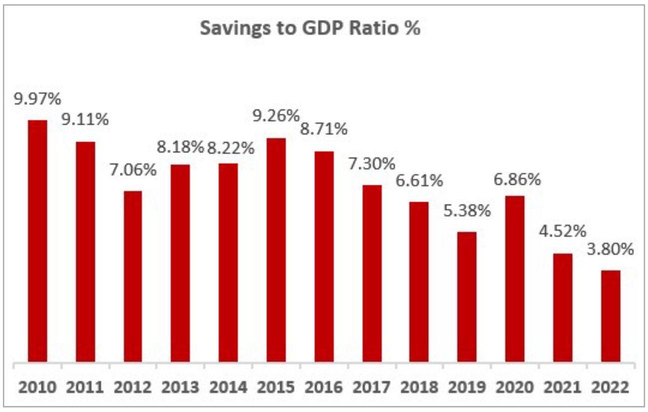
The Reserve Bank of India reduced the Merchant Discount Rate for debit card transactions and prescribed a separate cap for small and large merchants based on their annual turnover in 2017. This was instituted in an effort to encourage merchants to accept an online mode of payments, especially transactions across the RuPay network. Accordingly, the fee for merchants with a turnover up to INR 20 lakh was capped at 0.4% for transactions via PoS terminals or online and 0.3% for QR code-based card acceptance infrastructure. Furthermore, a 0.9% cap was instituted of INR 20 lakh for physical PoS and online transactions, with a 0.8% cap for code-based transactions.

23 https://www.bsr.org/reports/BSR-Mastercard-Digitizing-for-Inclusion.pdf
24 https://www.thehindu.com/business/Economy/rbi-reduces-merchant-discount-rates-for-debit-cards/article21284463.ece

Savings

Pakistan's inflation has reached record levels in 2022, climbing to 45.5% YoY, mirroring a 200% increase in the rates of food such as onions and tomatoes and rising fuel prices. 54.6% of Pakistan's rural population is already multi-dimensionally poor, having dealt with the ravaging and lingering impacts of the COVID-19 pandemic and the confluence of rising inflation and devastating monsoon floods precipitating a cost-of-living crisis. These inflationary pressures are not only felt in Pakistan but are mirrored across the world, resulting in reduced household purchasing power. This is particularly acute in Pakistan, especially given the fluctuations in the foreign exchange rate and the State Bank's decision to maintain the monetary policy at a 15% rate. As a result, individuals and communities are pushed to the brink and forced to tap into their savings in order to survive.

Pakistan's formal financial sector serves only 1/4th of adults, as confirmed by a Gallup survey commissioned by the SBP, which indicates that 64% of Pakistani respondents save in the informal sector, such as through ROSCAs, gold, or livestock. It is notable that according to a World Bank survey in 2017, only 33% of adults reported any form of saving activities. Worryingly, this number has been decreasing in recent years as fewer households are saving a proportion of their incomes as resulting from deteriorating macroeconomic conditions and evidenced by the fall in household savings rates to 9.2% in 2019 from 13.5% in 2012.



Individuals and SMEs thereby remain relatively excluded from the formal financial sector and are therefore unable to avail the resulting benefits. ROSCAs, in particular, are highly prevalent forms of liquidity earning in Pakistan and serve as an opportunity for digital financial institutions to assist in transforming the unbanked, particularly women, into the banked segment and creating a credit history. More than half of ROSCA users own a mobile phone, according to an FII survey, and 31% of ROSCA users are able to send and receive text messages. Currently, this potential remains untapped within Pakistan, pushing it further behind regional competitors such as India, which has institutionalized anddigitized informal savings systems to further financial inclusion. Accordingly, individuals are disinclined from participating in formal savings, as the rate of savings instruments in multiple banks tends to be lower than inflation, thereby causing the individual to incur negative interest rates. As in the case of digital payments, the absence of a centralized KYC system for banks and wallet holders simultaneously creates inefficiencies and a lack of transparency in the collection of data for savings. Finally, despite an increasing trend in fractional ownership through saving via gold and livestock, there is currently a lack of regulations surrounding crowdfunding.

Reaching a peak of 20.6% of GDP in 2003, Pakistan's gross saving rates have been considerably declining ever since – plummeting towards 3.8% in 2022.30 This has resulted in a considerable savings-investment gap via the current account deficit, thereby leading to a dependence on foreign inflows through remittances and under FDI.

Furthermore, an estimated 4.1% of Pakistanis – i.e., 9 million individuals – have invested in cryptocurrencies, despite the fact that the State Bank, through a circular in 2018, refrained all institutions from processing, promoting, trading, holding, and investing in virtual currencies. Following on its heels, the SECP additionally issued a notification in 2020 extending these restrictions to all companies and limited liability partnerships in Pakistan. Nevertheless, the cumulative ownership of cryptocurrencies by Pakistanis amounts to USD 20 billion – which is twice that held in reserves by the SBP, and Pakistan ranks 3rd in the Global Crypto Adoption Index 2020-2021, right behind Vietnam and India. Additionally, growth in cryptocurrencies has expanded by 711% from 2020 to 2021, with many individuals coming to invest in cryptocurrencies for the purposes of saving.

This has led to various risks, the most significant being that of a crypto scam in 2021, which led to 37,000 individuals, mainly from middle-class households in Faisalabad, being defrauded and losing their life savings to the amount of USD 100 million. It is thus clear that the SBP's ban on cryptocurrencies has not achieved its intended aim and that some form of regulation for cryptocurrencies is needed.

Recommendations

Linked to Private Sector

1. Islamic Savings accounts on wallets.

- Mobile wallet and digital account providers should introduce Islamic savings options. These will be accepted more widely among the masses as compared to conventional offerings.

2. Introduce KYC as a Service.

- Start-ups or established companies can set up KYC as a Service, which will conduct counterparty due diligence on entities related to savings and enrich data available to customers.

Linked to Regulatory Interventions

3. Introduce regulations for chit-funding.

- Institute a PKR 50,000 minimum requirement with at least 10% of profits being transferred to a reserve fund.
- Institutionalize and digitize ROSCAs, thereby allowing individuals to connect with commercial banks to make periodic ROSCA payments, with the risk of default being borne by banks. It is essential to ensure an interface that is accessible to low-literate and illiterate users alike through audio and graphical guidance and voice-based designs. This mechanism provides the added benefit of creating a credit history for individuals by recording their financial transactions.

4. Introduce a centralized e-KYC platform built on an API solution.

- Standardized hardware and software should be deployed for e-KYC services across multiple delivery channels whilst simultaneously creating a set of standardized rules of engagement for all players. This can be implemented as a phase-wise approach coupled with dedicated training and certification programs for agents.
- An e-KYC solution should be piloted and adopted for the application of legal entities in addition to individuals, allowing for upfront and continuing risk assessment and profiling.

5. Introduce regulations for cryptocurrencies.

- Develop a comprehensive legislative framework based on research on blockchain technology in order to target regulatory loopholes.
- SBP and policymakers should collaborate with crypto enthusiasts and experts to develop a structured crypto ecosystem.
- Introduce and incorporate anti-money laundering protocols into cryptocurrencies.

Case Studies

KYC As a Service, Refinitiv[25]

Formerly Thomson Reuters, Refinitiv has introduced KYC as a Service as a unique and cost-effective method to verify identities, and unwrap and screen entities. It benefits financial service providers by providing them with the necessary information that they need to conduct counterparty due diligence on other entities with the intention of establishing or maintaining relationships between businesses and savings customers. Such a service may contribute to financial inclusion goals by improving risk profiling and management of financial service providers.

Chit Fund Regulations, India[26]

Introduced in 1982, the Chit Funds Act in India regulates and incorporates chit funds into the formal financial sector. These funds are particularly important in India, whereby approximately 10,000 chit funds handle over INR 300 million annually.33 Accordingly, INR 100,000 is required as a minimum balance, alongside 10% of profits being held in a reserve fund. States are enabled to appoint a Registrar concerning dispute settlement, whose decision can be subject to appeals. Chit fund managers are required to deposit the entire value of the chit fund with the registrar in order to promote transparency. Amendments within the Act require that the drawing of chits must be recorded on video and requires state governments to designate a competent authority to ensure the repayment of deposits in the case of defaults.

25 https://www.cgap.org/sites/default/files/publications/2019_08_28_Working_Paper_Beyond_KYC_Utilities_0.pdf
26 https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.1072.6654&rep=rep1&type=pdf

Insurance

Pakistan ranks 85th in the world and third-lowest in South Asia in terms of insurance penetration, averaging at 0.91% of the GDP, compared to its regional peers such as India, Bangladesh, and Sri Lanka, whose insurance penetration rates respectively rank 3.2%, 0.9%, and 1.2%. While the sector experienced a 7% growth on a YoY basis from PKR 656 billion (FY20) to PKR 703 billion (FY21), its gross premiums simultaneously increased by 21.72% in comparison to FY20, to PKR 432 billion in December 2021. Industry veterans noted that "premiums are in distress", as, in the first half of 2022, TPL Insurance wrote gross premiums of PKR 1.8 billion, upwards of 31.7% in comparison to 2021. This distress resulted from back-to-back global calamities, including the lingering effects of the COVID-19 pandemic, the global conflicts and their impact on energy prices, and climate-induced disasters. The state of Pakistan's insurance industry is reflective of the global outlook of reinsurance companies such as Hannover Re, Swiss Re, and Munich Re, which have dealt with considerable losses and, consequently, reduced their capacities.

The rate of total insurance coverage in Pakistan is estimated at 7%, with only 2% of insurance accounts based on general premiums, compared to the 40% average of developed markets. The low rate of insurance penetration stems from an absence of awareness and literacy regarding the benefits of insurance, alongside religious concerns. On the supply side, insurance companies additionally do not tailor their products according to specific consumers, which, in addition to bottlenecks in the claim process, prevents the adoption of insurance packages in the general, domestic travel, livestock, and phone industry. Furthermore, the recent uncertain economic condition with reference to rising interest rates, tightening of monetary policies, the ongoing political turmoil, and the nationwide monsoon flooding are also likely to adversely affect the industry in Q4 2022 and FY2023.

One of the biggest pain points of the insurance industry in Pakistan relates to the lengthy documentation approval and reporting process, which leads to slower onboarding of customers. Additionally, the absence of comprehensive regulations for digital insurance impedes consumer penetration for general and life insurance. Nevertheless, the industry is revolutionizing due to digital advances enabling insurance providers to create more personalized products and improve their operational efficiencies. Indeed, the SECP's new registration regime, as of August 2022, for digital-only insurers and dedicated micro-insurers promotes further digitalization and customer convenience. Furthermore, while the SECP's new regulations (August 2022) have decreased the minimum capital requirement to PKR 100 million for non-life for digital-only businesses and PKR 80 million for non-life for micro-insurance, greater regulation is still needed to further decrease the minimum capital requirements for life insurance of digital-only business and micro-insurance, which stand at PKR 250 million and PKR 150 million respectively. In any case, whilst this new regulation presents a step in the right direction, enabling regulations are needed to facilitate these developments and improve financial inclusion. This is particularly important given the risk of cyber threats associated with the use of digital channels.

Digital developments are increasingly outpacing previous regulations and thus require amendments in existing regulations to account for the proliferation of innovative products and market players. Additionally, there is a considerable barrier to entry for low-end providers through the high capital requirements of PKR 700 million for life insurance and PKR 500 million for non-life insurance service providers. Whilst the majority of existing insurance providers are funded by foreign investors, the high capital requirement prevents the development of insurance services by locally funded and developed providers. Finally, the requirement of Takaful companies to be public limited, alongside a separate license and paid-up capital of PKR 500 million, disincentivizes the development of companies desiring to take limited exposure, thereby contributing to low insurance penetration rates.

Recommendations

Linked to Private Sector

1. Insurance providers should increase engagement with customers.

- In addition to collecting premiums, insurance providers should increase their engagement by giving back to their customers, such as through loyalty deals and cash backs.

2. Insurance providers should develop need-based products for their customers.

- Products are not tailored to specific customers. Insurance providers should invest in research and development in order to develop products catered to different segments of the population and not on short-term return on investments.

3. Insurance providers should change their business models to be digital-ready.

- Consumer appetites for digital touchpoints and efficient processing made possible through such digital platforms are growing, and in the wake of the 2022 floods, insurance providers should ensure their business models are fully digitally-equipped.
- Utilize technology to model, manage and provide tailored and customer-centric solutions in order to drive traction and tap into new demographics.
- Use data analytics to identify new customer segments, increase personalization and improve underwriting.

Linked to Regulatory Interventions

4. Introduce specific regulations for digital insurance.

- The digital insurance license should be a subset of existing insurance licenses and should come under the Insurance Ordinance, 2001. This should include a single license for all insurance with per-risk limits for each category. The license should also enable conventional and Takaful windows.
- Product offerings by Digital Insurance Companies can be different, i.e., sums insured, as the risks insured and claims assessments demand different know-how and are of diverse complexities. Hence, digital insurers should have defined product parameters for both general and life products.
- Digital Insurers should own and operate solely digital distribution channels and should not use any conventional channels involving agents, banks, or brokers so that the value of policyholders is kept intact.

5. The minimum capital requirement should be less than PKR 150 million, especially for life digital-only businesses and microinsurance.

- SECP had developed Microinsurance Regulations, which stipulated a paid-up capital according to the geographical spread of the entity (PKR 50 million for a single province, PKR 200 million for all provinces). The same paid-up capital regime should be applied to digital Takaful/Insurers.

6. Takaful.

- The establishment of Private Limited Companies also needs to be encouraged, as such a step will encourage more players to enter this market. The condition to maintain certain statutory reserves with the SBP may be maintained. Furthermore, the conditions for obtaining a license under the Insurance Ordinance and authorization under Takaful Rules need to be reduced.
- Conditions for a license under the Insurance Ordinance and authorization under Takaful Rules need to be reduced.
- Minimum Solvency margin requirement needs to be reduced.

Case Studies

Digital Insurance Industry, India[27]

A large number of digital platforms in relation to the insurance industry have emerged in recent years in India, including Policybazaar, Digit, and Acko. These InsurTech companies crossed the USD 1 billion mark in 2021, as total funding in Indian Insurtech rose from USD 10 million in 2016 to USD 800 million in 2021. Insurance penetration went up in India from 3.76% in FY20 to 4.2% in FY21 resulting from a variety of factors, but most importantly from the acceleration of direct-to-customer digital sales for simpler products, AI-enabled agent lifecycle management, and Omni-orchestration. The use of data analytics also enabled improved personalization of services and products, assisted InsurTech companies in identifying new segments, and improved underwriting mechanisms.

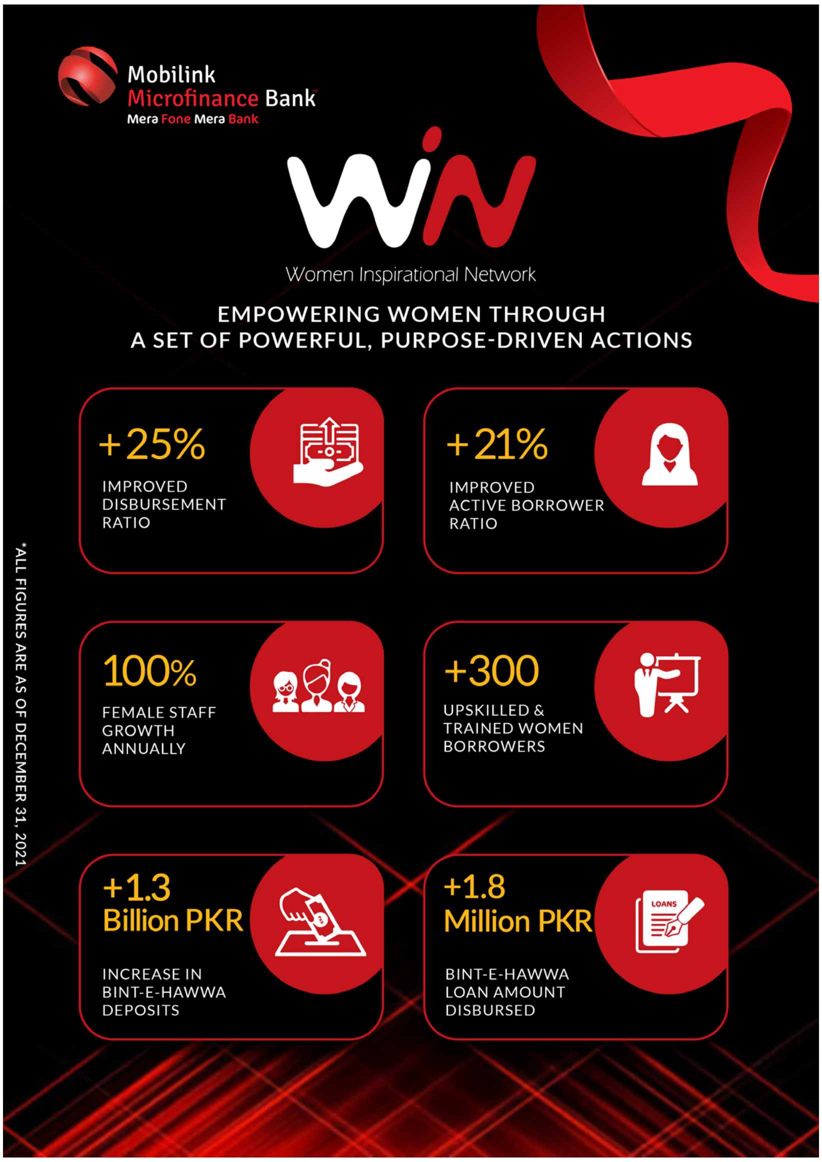
Takaful Industry, Malaysia[28]

In addition to leading the Takaful industry in the South-East Asian region, Malaysia is also a leading regulator for Takaful insurance, with its guidelines covering AML, financial reporting, and capital adequacy. Forecasted to account for 40% of the banking sector by 2020, there are currently 15 Takaful operators licensed by the Bank Negara Malaysia. The positive growth of the industry is facilitated by a regulatory infrastructure, including the Takaful Operational Framework, the Risk-Based Capital for Takaful, and the Islamic Financial Services Act 2013, alongside tax incentives. The underwritten aim of such regulations is to manage the allocation of risk and also to require the availability of sufficient resources to manage such risks. Accordingly, the 2013 Act requires operators to separate capital requirements for general and family businesses, of which the minimum capital requirement is RM 200 million, enabling a stronger business focus. Additionally, operators are required to maintain capital-adequacy levels in line with their operational risk profiles.

27 https://www.swissre.com/dam/jcr:4500fe30-7d7b-4bc7-b217-085d7d87a35b/swiss-re-institute-sigma-4-2022.pdf
28 https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&c d=&cad=rja&uact=8&ved=2ahUKEwjetpbAsu_yAhUL3IUKHde5Da0QFnoE CAcQAQ&url=https%3A%2F%2 core.ac.uk%2Fdownload%2Fpdf%2F300364964.pdf&usg=AOvVaw0qIxSSlbBsEz-Zxn75p5_2

Women Inspirational Network (WIN)

Under its flagship Women Inspirational Network initiative, Mobilink Microfinance Bank conducted a Design Thinking Workshop in collaboration with Google Developer Groups at the National Incubation Center in Islamabad, earlier this year.



Sardar Mohammad Abubakr, CFDO
Usman Tahir, Strategy Head
Sundas Kazmi, Manager Transformation & Partnerships
Taimoor Farid, Head Business Planning & Analysis
Mohammad Ali Ibrahim, Executive Manager Corporate Communications with Google Developer Group Islamabad team at design thinking workshop dated 10 July 2021.

DOST
Powered by MMBL

Dost
دوست

DOST – Powered by MMBL

Mobilink Microfinance Bank successfully launched the ultimate digital financial services application early in the second half of 2021. The app is equipped with a state-of-the-art user interface design and enhanced security features, both of which allow consumers to experience truly seamless and holistic banking.

DOST goes beyond what typical banking applications offer by facilitating loan applications, loan status, and disbursal all through one channel. These features come in addition to the usual Inter Bank Fund Transfers (IBFTs), utility bill payments, and other online transaction services that make up most customers' needs.

MMBL provides the most effective financing solutions for Merchants/Tajirs to sustain their business with fast, flexible, and affordable solutions without paperwork through the Dost Tajir app.

Dost Muhafiz is an e-health care service aimed at providing the best medical/insurance services to our MMBL customers featuring a range of certified doctors from across the country.

Dost Kissan is a collaboration with Bakhabar Kissan that provides IVR crop advisory, livestock, and flood warnings to empower farmers across the country.

The addresses of the branches of the Bank are as follows:

Sr. No	Branch Name	Address
1	Islamabad Head Office F-8	Plot No 3-A/2, Kaghan Road, F-8 Markaz, Islamabad.
2	Islamabad F-8	14-O, Atiq Plaza, Near Total Petrol Pump, F-8 Markaz, Islamabad.
3	Abbottabad	Jahanzeb plaza, Near ZTBL and Save Mart, Opposite Shell Pump, Mansehra road, Mandian, Abbottabad.
4	Swabi	Shop No. 1, fazal dad khan Market,Mardan road near Meezan Bank swabi.
5	Khushab	Plot No 198, Block No14, Main Bazar Jauharabad, District Khushab.
6	Peshawar	Tilla Mansion, Near WAPDA labour Colony Krishan Pura Main GT Road Peshawar.
7	Haripur	Shop No. 7-8, Naeem khan Market GT Road, Opposite Total Petrol Pump, Haripur.
8	Mardan	S&B Tower, Hall No. 01, Ground Floor, Malakand road, College chowk, Mardan.
9	Lahore- DHA	Plot No. 37-A, Khyban e Iqbal Block XX(Commercial), Phase 3, D.H.A Lahore.
10	Lodhran	Opposite Shell Petrol Pump Near Jalalpur Mor Multan Road, Lodhran.
11	Sialkot	M.A. Heights, Ground Floor, Defence Road, Near Sublime Chowk, Opposite WAPDA Office, Sialkot.
12	Sahiwal	Plot No. 515-B, Office No. G-3, Ground Floor, Saeed Center Farid Road, Sahiwal.
13	Sargodha	5, Zahoor Plaza, Noori Gate, Sargodha.
14	Pakpattan	Opposite Govt. Fazilka High School, college Road, Pakpattan.
15	Faisalabad	P-7 Santpura,Main Allama Iqbal Road Opposite GC University, Faisalabad.
16	Bhakkar	Plot No. 12/13, Ward No. 12/6 Near Nasir Hospital, Mandi Town Bhakkar.
17	Multan	Plot No. 3626-AB, Azmat Wasti Road, Chowk Sadu Hassam, Multan.
18	Layyah	Shop No. 2, Karim Market, Near Gilani Manzil Chowk Azam Road Layyah
19	Liaquatpur	Plot No 7 Ghalla Mandi Raod,Tehsil Liaqat Pur District Rahim Yar Khan.
20	Rahim Yar khan	Bin Hakim Plaza, Shahi Road, City Pul, Behind Zam Zam Store, Rahim Yar Khan.
21	Chishtian	Plot No. 13-14, E Block, Jamia Bazar Opposite PTCL Franchise Near Stylo Shoes Chishtian District Bahawalnagar.
22	Toba Tek Singh	Shop No. 240 & 241, Mal Godown Road, Grain Market, Toba Tek Singh.
23	Jhang	Building No.93, Near Girls College Chowk, Gojra Road, Jhang Sadar.
24	Kehror Pecca	Shop No. 1 & 2, Duniapur Road, Tehsil Kehror Pecca, District Lodhran.
25	Khanpur	Shop No. 1, 2 & 3, Bypass Road, Opposite Attock Petrol Pump, (Daewoo Terminal) Khanpur, District Rahim Yar Khan.
26	Chowk Azam	Shop No. 1, 2 & 3, Opposite Bank of Punjab, MM Fatehpur Road, Chowk Azam.
27	Shujabad	Shop No. 1, Opposite Munawara Masjid, Jalalpur Road, Tehsil Shujabad, District Multan.
28	Duniapur	Main Hall, Tariq Iron Plaza, Dokota Road, Duniyapur, District Lodhran.
29	Ahmedpur East	Shop No. 1,2 & 3, Dera Nawab Road, Abasian Chowk, Ahmedpur East, Tehsil Ahmedpur Dist Bahawalpur.
30	Darya Khan	Shop No.3, Hashmi Chowk Opposite GPO, Main GT Road, Tehsil Darya Khan, District Bhakkar.
31	Jalalpur Pirwala	Arain Plaza, Opposite Allied Bank, Permit Road, Tehsil Jalal Pur Pirwala, District Multan.
32	Chota Sahiwal	Vinni House, Main Jhang-Sargodha Road, Tehsil Chota Sahiwal District Sargodha.

Sr. No	Branch Name	Address
33	Hyderabad	Survey no. 41/187/1, Jamia Masjid Road, Saddar Cantonment, Hyderabad.
34	Hala	Plot No. 1403, Opposite Sarwari College, Dargah Road, New Hala.
35	Daherki	Plot No. 446 shop No. 02 Near EFU Office, main GT Road, Daherki.
36	Pannu Aqil	Plot No. 435, Baiji Road, Pannu Aqil.
37	Ranipur	Shop No. 1 & 2, Behind Al.Shifa Medical Center Near Askari Bank Main National Highway, Ranipur, District Khair Pur.
38	Karachi-DHA	Plot No. 40D, 24th Commercial Street, Phase II Ext, DHA, Karachi.
39	Burewala	Shop No. 1, Al-Ramay industries Multan Road, Tehsil Burewala, District Vehari.
40	Fort Abbas	Shop No. 3 & 4, Grain Market, Zia Shaheed Road, Fort Abbas, District Bahawalnagar.
41	Kot Addu	Shop No. 476, Ward No. 11, Main G.T Road Kot Addu, District Muzaffargarh.
42	Mian Channu	Shop No. 3 & 4 Batalvi Plaza, Near Ghallani Plaza, Shaheed Road, Tehsil Mian Channu, District Khanewal.
43	Mandi Bahauddin	Main Hall, Al Kausar Plaza, Punjab Cerntre, Near Cheema chowk, Phalia Road, Mandi Bahauddin.
44	Sadiqabad	Near KLP Fanoos, Nishtar Chowk Cinema Road, Tehsil Sadiq Abad District Rahim Yar Khan.
45	Haroonabad	Plot No 738, Block C, Main Bangla Road, Haroonabad.
46	Hasilpur	Near Khushhali Bank, Rasool Abad Colony, Bahawalpur Road, Tehsil Hasilpur District Bahawalpur.
47	Gojra	Opposite Side ZTBL, Near Rana Chowk, Pensra Road, Gojra.
48	Mankera	Gohar Wala Chowk, Near Highway Rest House, Jhang Bhakkar Road, Mankera.
49	Karor Lal Esan	Shop No. 1, Near NADRA Office, Station Chowk Fateh Pur Road, Tehsil Karoor Lal Esan.
50	Arif Wala	Main Muhammadi Chowk, Opposite FINCA Microfinance Bank, Arifwala.
51	Bhalwal	Block No. 04, Post Office Road, Opposite Tehsil Court, Bhalwal District Sargodha.
52	Minchanabad	Plot number 150, Circular Road Minchinabad District Bahawalnagar.
53	Basirpur	Shop No 1 & 2 opposite Govt Degree college for Women, Tehsil Depalpur, Haveli Road,Basirpur, District Okara.
54	Chowk Sarwar Shaheed	Bilmuqabil Ghala Mandi Gate No. 2, Near ZTBL, Multan Road, Chowk Sarwar Shaheed, Tehsil Kot Addu District Muzaffargarh.
55	Muzaffargarh	Purani Chungi No. 2, Jhang Road Tehsil & District Muzaffargarh.
56	Pasrur	Hall No. 1, Faisal Colony, Mashriki, Near PSO Pump, Narowal Bypass, Sialkot Road Pasrur.
57	Chiniot	Shop No. 7, 8, Main Faisalabad Road, Sagheer Town Chiniot.
58	Shorkot	Ghani Building, Jhang Road, Near Bus Stand, Shorkot City District Jhang.
59	Larkana	Plot no. 72 Old Anaj Mandi, Shaikh Mohallah, near Haji Dhani Bux oil mill, Bank Square Road Larkana.
60	Qambar	Old bus Stand, Main Mangan Road Qamber.
61	Muzaffarabad	Ghulam Rasool Plaza, Near Combined Military Hospital Muzaffrabad AJ&K.
62	Narowal	Yousaf Hall, Circular Road, Near Civil Hospital Jassar Bypass, Narowal.
63	Jandanwala	Al Karam Plaza, Kalma Chowk, Sargodha road, Nawan Jandan wala Tehsil Jandanwala, Distt Bhakkar.

Sr. No	Branch Name	Address
64	Alipur	Shop No. 1.2.3 Rana Building, Near Rashid Minhas School, Bahawal Cannal by Pass Road, Ali Pur Distt. Muzaffargarh.
65	Shahkot	Main Nankana Sahib Road, Opposite Government Elementary school No 3, Shahkot, Distt Nankana.
66	Samundri	Al Iqbal Center, Main Faisalabad Road, Mohallah Muhammad Pura, Near GO petrol Pump, Samundri, Distt Faisalabad.
67	Pindi Bhattian	Ali Shopping Complex, Main Hafiz Abad Road, Pindi Bhattian, Distt Hafizabad.
68	Dipalpur	Mughal Arcade, Shop No.1, 2, 3, Main Kasur Road, Near Bus Stand, Tehsil Dipalpur District, Okara.
69	Phalia	Arfat Plaza,Opposite PTCL Exchange, Main Gujrat & Sargodha Road, Phalia, Distt Mandi Bahauddin.
70	Shahdadkot	Sheikh Mansion, Near Peer Sajawal Shah, Shahdad Kot.
71	Talagang	Malik Bashir Market, Oppesite PEPSI Agency, Near Dra Autos, Main Mianwali Road, Talagang, Distt Chakwal.
72	Naseerabad	Indus Plaza,Main Hall, Main Road, Naseerabad, Distt Larkana.
73	Chakdara	Samad Plaza, University Road, Hajiabad, Chakdara, Distt Lower Dir.
74	Moro	Memom Plaza, Shop No. 1-4, Near Saim Bachat Bazar, Dadu Road, Moro, District Nosheroferoz.
75	Quetta	Hall No. 2, Agha Chambers, Chuharmal Road of M.A. Jinnah Road, Quetta.
76	Haveli Lakha	Plot No.I-P-65, Pak Pattan Road, Haveli Lakhha, Tehsil Depalpur, Distt Okara.
77	Khairpur Tamewali	Khewat No. 127/119,khatooni No.274 to 279, Main Highway Hasilpur/Bahwalpur Road, Near New General Bus stand,Khairpur Tamewali, Tehsil Khairpur Tamewali, Distt Bahawalpur.
78	Gujranwala	Ground Floor, Baig Tower, Mohallah Badhia Nagar, Opposite General Bus Stand, GT Road Gujranwala.
79	Islamabad I-8	Plot No I-J Bazar No 3, Near potohar Metro Station, Mughal Market, 9th Avenue, sector I-8/1, Islamabad.
80	Jhelum	Azan Plaza,Ground floor, Machine Mohalla, No. 3,Old GT Road Jhelum.
81	Gulistan-e-Johar Karachi	Plot No. A-1, Survay no. 11/8, Rahat Arcade, Gulistan-e-Johar, Karachi.
82	Rawat Islamabad	Khasra No 1543, Kulsum Plaza, Opposite Chamber More, Main G.T. Road Rawat, Islamabad.
83	Piplan	Near Alkarim Hospital, Mandi town, Liaqatabad, Piplan, Tehsil Piplan Distt Mianwali.
84	Muridke	Shop No.1 Bahauddin Arcade, Main GT Road, Muridke, Tehsil Muridke, District Lahore.
85	Mingora Swat	Hall No. 01 Ground Floor, Opposite Jalil International Hospital , GT Road, Rahimabad, Mingora, Distt Swat.
86	Dera Ismail Khan	Al Hameed Mall, Near Besakhi Ground, Opposite Divisional Food Office, South Circular Road, Dera Ismail Khan.
87	Timergarah	Shop No. 1, Jan Plaza, By-Pass Road, Opposite Deen Petrol Pump, Timergara, District Lower Dir.

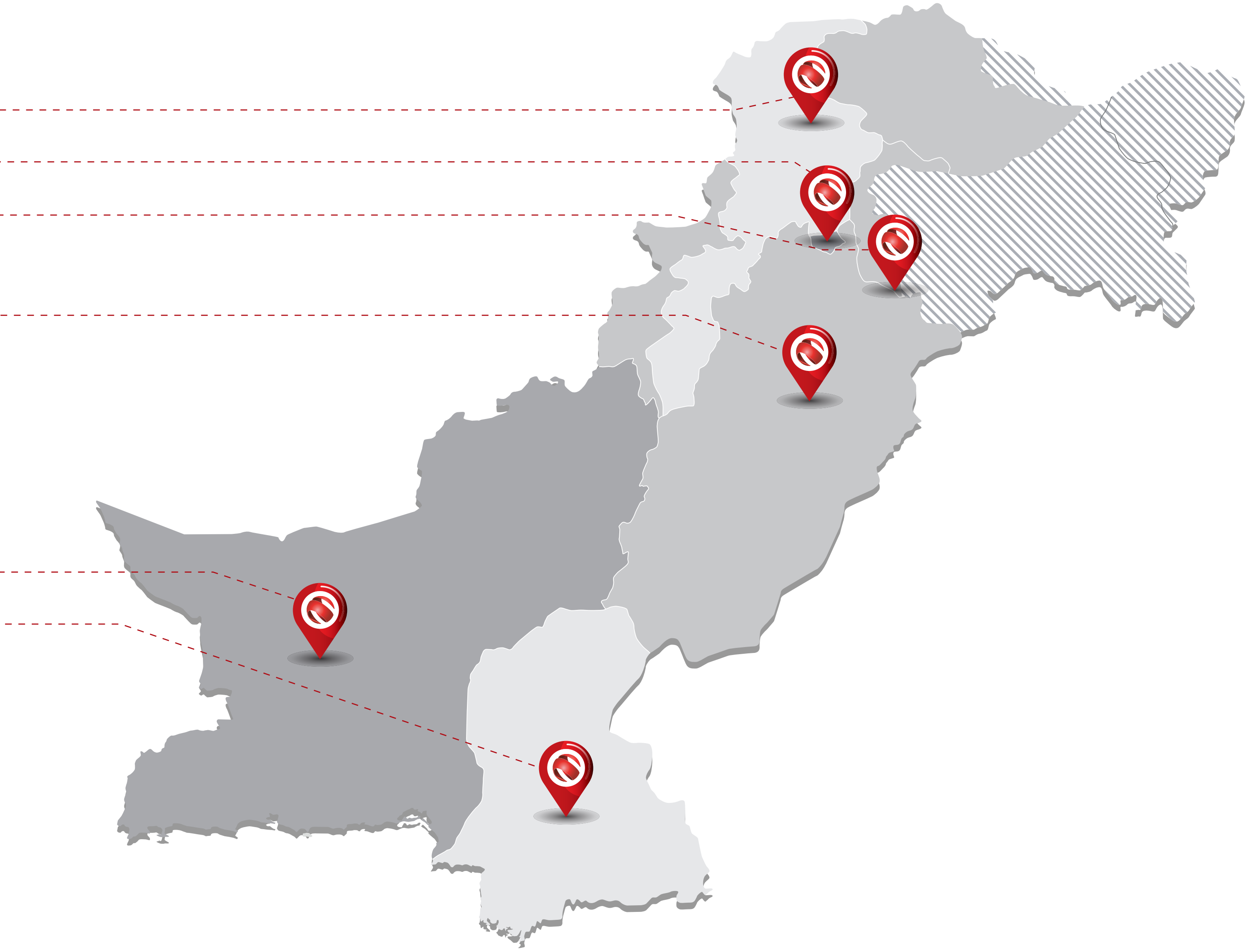
Sr. No	Branch Name	Address
88	Pir Mahal	Khewat No. 3, Khatoni No. 12-13 Shahnawaz Plaza, Kamalia road, by pass, Pir Mahal, Tehsil Pir Mahal Distt Toba Tek Singh.
89	Jaranwala	Khasra No. 24/18/1, Khewat No. 2265, Khatooni No. 3531, Square No. 4, Faisalabad road, Near Chattha Hospital, Jaranwala, Tehsil Jaranwala, Distt Faisalabad.
90	Jatoi	Shop No.1 Dawood Wali Plaza, Rampur Road Jatoi, Tehsil Jatoi, District Muzaffargarh.
91	Gujrat	Khasra No 1098/599, 1293/1099, Khewat No 91, Khatooni No 118, Mohallah Allah Lok Colony,GT Road, Gujrat.
92	Bahawalpur	Gulberg Road, Opposite Chase Value Center, Bahawalpur.
93	Hafizabad	Qilat No. 27, Khewat No. 504, Khatooni No. 1440-1465, Khasra No. 82/25461, Opposite NADRA office, Gujranwala Road, Hafizabad.
94	Chunian	Khasra No. 3311/4, khewat No. 20, Khatoni No. 564,Changa Manga Raod, Chunian, Distt Kasur.
95	Bahawalnagar	Waheed Arshad Chowk, Main Raod,1-A, Jinnah Colony, Bahawalnagar.
96	Mansehra	Khewat No. 590-1167, Khatoni No. 1138-612, Ammar Arcade, Ghulam Ghous Hazarvi Road, Mansehra.
97	Sheikhupura	Lahore raod, Near National Floor Mill, Tehsil & Distt Sheikhupura.
98	Sukkur	Khasra No. 33/5 C, Khatooni No. 33/5 C 1, Memon Plaza, work shop raod, Tehsil & Distt Sukkur.
99	Wazirabad	Khewat No. 394, Khatoni No. 727, Shadman Town, Naseer Colony, Main GT Road, Wazirabad 4 Main GT road Wazirabad, Distt Gujranwala.
100	Nowshera	Hall No. 01, Sanam Plaza Mardan/Noshera Raod Tehsil & Distt Nowshera.
101	Dina	Hajra Plaza Mangla Road Dina, Tehsil Dina Distt Jhelum opposite APNA Bank, Dina.
102	Mozang- lahore	5-56 Commercial Area, Mazang Chungi, Ferozepur Road, Lahore.
103	Pind Dadan Khan	Opposite Katcheri, Main Jhelum Road, Pind Dadan Khan.
104	Hassanabdal	Ali Aksar Plaza, Opposite Hassan Medical Complex Main GT Road, Near Main Bus Stand Hassanabdal.
105	18-Hazari	Bhakkar Road Near Nadra Office, Tehsil 18-Hazari, District Jhang.
106	Tando Allah Yar	Main Mirpur khas Road Tando Allah Yar.
107	Gulzar-e-Quaid Rawalpindi	Executive Arcade St# 01, New Gulzar-e-Quaid, service road west, Mangral Town koral chowk, Expressway,Rawalpindi.

Regional Presence

Business Footprint

- Khyber Pakhtunkhwa 11
- Federal 03
- Azad Jammu & Kashmir 01
- Punjab 76
- Balochistan 01
- Sindh 15

Total branches 107



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