

STATE BANK'S CONFERENCE ON "BRANCHLESS BANKING – GOVERNMENT TO PERSON (G2P) PAYMENTS"

Let me start by thanking Mr. Shahid Hafiz Kardar Governor State Bank and his team for organizing this Conference and for providing me the opportunity to share with you my views on this very interesting and much needed theme of "Branchless Banking – Government To Person (G2p) Payments" Here, I would also like to commend the support and assistance the Department for International Development (DFID) of the United Kingdom in helping State Bank in developing the design and implementation of this very useful conference.

I would also like to commend the presenters for presenting very interesting and informative talks. Attending this session has surely made me more aware of the various issues related with the branchless banking. I hope that this conference and the coming workshop would enhance both theoretical and practical understanding of the participants regarding various policy level as well as implementation related issues associated with the delivery of financial payments to our people.

Technology is considered to be a lever for development. The modern technology has a wide potential in all aspects of societal development. For developing countries like Pakistan, it is a must and useful tool for overall change and economic growth.

It has been proven that new and modern technologies when efficiently and purposefully implemented can be important tool for greater efficiency in the provision of public services. Technology has the potential of being a major instrument for achieving "Good Governance".

Ladies & gentlemen present government is not only focusing to provide assistance and opportunities to marginalized and under-privileged sections of society but we are also determined to do that in most efficient and transparent manner.

BISP is undoubtedly the largest and most transparent safety net programme in Pakistan which is making welfare payments to the largest number of beneficiaries, more than 4 million families, who were so far not part of any formal or informal financial system.

Thus BISP has also taken the lead in promoting “financial inclusiveness” of the most neglected segments of our society.

I feel great pride in sharing with you that BISP has always been a pioneer when it comes to employing technology based solutions in its operations. First such step for BISP has been the introduction of alternate payment instruments to transfer benefits to its beneficiaries.

In fact, it would not be wrong if I say that BISP has revolutionized the concept of delivery mechanism in Pakistan by establishing free Smart Card and phone 2 Phone banking services for the poorest of the poor beneficiaries.

Traditionally, such automated and technology based services are only available to the affluent and the privileged segments of society; BISP has, however, by making these services (mobile phone banking and smart cards) accessible to the poor has not only given a new meaning to the G2P (Government to People) payments but has also taken the lead in promoting financial inclusiveness.

Let me share with you that like any innovation in a traditional society it was not easy. We were never short of critics who tried to discourage us at every step. I very clearly remember that when we were about to launch Smart Card our critics were very much vocal in expressing their reservations. They use to say that those poor and illiterate people who cannot even read their name how can they used these automated smart cards? But it was the sheer confidence of the President and the Prime Minister of Pakistan that gave us the courage to go on with the project.

In April 2010, we launched the initiative of making payments to beneficiaries through Benazir Smart Cards in four pilot districts (Mianwali, Mirpurkhas, Multan and Sanghar). And today by the grace of Almighty and sheer hard work of our team, over 177,000 Benazir Smart Cards have been distributed and an amount of approximately Rs. 1.43 billion has been disbursed to beneficiaries through these Smart Cards.

I feel immense pleasure to share that we are working closely with State Bank of Pakistan (SBP) for scaling up the Benazir Smart Card to 23 more districts across the country. SBP has accepted the proposal and a meeting of all the banks will be convened in the near future.

BISP is also the leading G2P payment agency of the Government of Pakistan in terms of welfare payments to the poorest of the poor. Its adoption of technology based solutions for efficient and timely payments to its beneficiaries is aimed at providing all beneficiaries with a choice of payment options in the long term.

Encouraged by our first experience of Smart Card and in order to make payments more free from human involvement, BISP starting looking for more technology based alternate payment options. It was in December 2010 that BISP launched Mobile Phone Banking in 4 pilot districts (Larkana, Layyah, Battagram and Barkhan). BISP started this initiative in collaboration with private sector banks and telecom companies. Mobile phone sets and SIMs used for the purpose is a gift from BISP to its beneficiary families and are being distributed free of cost enabling the poor women to receive their payments promptly and without any fear of extortion.

So far, over 50,000 mobile phones have been distributed in Larkana and Layyah and approximately Rs. 200 million have been disbursed through these mobile phones. We are planning to operationalised mobile phone banking in Barkhan and Battagram by the end of this month.

It is gratifying to note that other Banks have also shown their interest to partner BISP in the implementation of Mobile Banking in other districts as well. BISP has accepted their offers and soon Mobile Banking for BISP beneficiaries will be started in district Rawalpindi/Islamabad, Poonch (AJK) and Ghanche (G-B).

Apart from transparency and efficiency introduction of such technology based systems have many other benefits. Talking of possibilities and opportunities, by bringing the poorest of the poor of society in the financial system, BISP is gradually developing a sense of savings in this segment of society. Moreover, this endeavour will also serve to nourish the culture of documented economy.

BISP intends to bring in a system where the alternate payment instruments can also be used for making transactions vis-à-vis discounted commodities at selected stores etc. Payment of utility bills through the payment instruments (smart card/phone) is also being looked into.

As I already shared with you that in a society like ours there are hurdles and problems in introducing technology based systems. Capacity related issues like illiteracy, lack of awareness amongst the beneficiaries is a major challenge in the implementation of a comprehensive financial inclusive system.

Deficient infrastructure and limited technical capacity (network coverage, branchless banking permits) of the relevant stakeholders is also a major challenge which delays implementation.

Training and creating awareness amongst BISP's beneficiaries is another challenge and in this area BISP would welcome national and international expertise.

But even in the presence of all these challenges present Government is determined to provide maximum technology based services to its people. We strongly hope that BISP's experiences,

coupled with the excellent global lessons presented today, will enable the Government of Pakistan to promote more efficient system of welfare payments for the poor.

Let me assure you that BISP would be more than happy to join hands with international partners, private sector service providers and the State Bank of Pakistan to foster financial inclusiveness and G2P payments. We are very keen to learn from your experiences to make our systems more transparent, efficient and reliable.

In the end I would like to wish every success to the deliberations on Day 2 of the Conference and thank the State Bank of Pakistan for the timely conduct of this Conference.