

National Financial Inclusion Strategy (NFIS)

Background

Financial Inclusion plays a pivotal role in promoting inclusive economic growth through enhancing livelihoods and enterprise activities. SBP being the apex policy & regulatory body has been striving to promote access to formal financial services for achieving inclusiveness which is a prerequisite for wider distribution of the economic growth across all regions and segments of the population.

In pursuit of this objective, SBP has been driving 'Financial Inclusion' as a strategic goal through a three pronged approach, which covers agile & innovative regulations, development of market information & infrastructure and capacity building of providers & clients.

Current State of Financial Inclusion in Pakistan

Table-1: Access Strand in Pakistan

Percentage of Adult population	A2FS 2015	A2FS 2008
A. Bank Accounts	16%	11%
B. Other formal	7%	1%
Formally Served (A+B)	23%	12%
C. Informally Served	24%	32%
Financially Served (A+B+C)	47%	44%
Financially Excluded	53%	56%

The recent Access to Finance Survey (A2FS) 2015 conducted by M/s Morus Development Finance International Consulting Company together with local partner Gallup Pakistan which indicates that access to formal financial services has increased from 12% in 2008 to 23% in 2015 and adult population with a bank

account has increased from 11% in 2008 to 16% in 2015. Particularly, women's access to financial services has expanded considerably, as 11% now have access to a bank account, compared with merely 4% in 2008.

Adoption of NFIS 2020

In order to address the challenges behind the low level of financial inclusion, Pakistan has developed a broader National Financial Inclusion Strategy (NFIS) in collaboration with the World Bank which was adopted by GoP and launched in May 2015.

The objective of the Strategy is to set national vision for achieving universal financial inclusion in Pakistan. The NFIS lays out the vision, framework, action plan, and target outcomes for financial inclusion.

The implementation of NFIS is focusing on the following actions:

- Facilitate account opening such as Mobile (M)-wallets and easy accounts to expand access and drive scale.
- Increase access points like bank branches, banking agents, ATMs, Point of Sale Machines etc.
- Build capacity of banks to provide easy and need based loan products to small and micro businesses.
- Raising financial awareness of poor people and women.

NFIS implementation progress since its adoption:

The NFIS main achievement is that it has

mainstreamed financial inclusion as a national priority. This has been achieved through NFIS governance mechanism. The NFIS governance bodies have enabled advocacy, ownership and support needed for NFIS implementation from various stakeholders.

- **NFIS Council**, chaired by the Federal Finance Minister, is the apex platform for advocating and securing ownership at the highest level for achieving Pakistan's financial inclusion objectives and vision. The NFIS Council has held 5 meetings and the last meeting was held recently on April 07, 2017 which was also attended by UN Secretary General's Special Advocate (UNSGSA) on Inclusive Finance for Development, Queen Maxima of Netherlands.
- **NFIS Steering Committee**, chaired by SBP Governor, has the overall responsibility of approving the action plans and monitoring the implementation of the Strategy. The Steering Committee has held 4 meetings and the last meeting took place on March 28, 2017 wherein the recommendations particularly on pension and insurance were reviewed.
- **Seven Technical Committees (TCs)** have been working in focus areas for preparing implementation plans and reviewing progress for achieving the NFIS objectives. Around **160 plus members** have been taken onboard including ministries, govt. departments, regulators, associations & networks. The Technical Committees have so far held 26 meetings and conducted focused and concrete deliberations to firm up action plans.
- **Key strategic actions approved by NFIS Council:** NFIS Council approved a number of strategic actions such as:
 - Development of a National Payment Gateway (NPG)
 - Automation of the government collections and disbursements
 - Introduction of a Warehouse Receipt Financing (WHRF) system

- Integration of National Savings Scheme (NSS) with national payments system
- Initiation of new schemes of Prize Bonds

Asaan (Easy) Mobile Account (AMA) Scheme

Recently, the NFIS Council has approved an **Asaan (Easy) Mobile Account (AMA)** scheme under which the digital finance service providers will join an integrated platform, allowing any person with a basic mobile phone to open a digital transaction account swiftly through a Unified Unstructured Supplementary Service Data (USSD) code or String from anywhere, at any time.

The objective of the scheme is to improve accessibility of new customers for account opening, drive usage of digital financial services through increased number of account-to-account transactions across various networks and provide digital access to a range of quality financial services. This will facilitate the poor and marginalized sections of the society towards adopting digital payments and also transform banks to shift their focus from 'Over-the-Counter' (OTC) services to branchless banking (BB) accounts.

Rationalization of NADRA's verification Cost

After substantial concerted efforts by all the stakeholders, NADRA has agreed to provide additional data fields required for necessary KYC requirements irrespective of their volume to all BB providers for opening of BB accounts, under the agreed discounted price structure of Rs. 10/- (as per MOU signed by SBP and NADRA). In this respect, NADRA has updated the services as per the above agreement and advised the banks to test the updated services.

Activities/ actions prioritized by NFIS Steering Committee

NFIS Steering Committee had prioritized a ten point action agenda along with timelines & responsibilities. These were prioritized for implementation in the first phase and shortlisted

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from more than hundred actions which were proposed by various NFIS Technical Committees and Working Groups on the basis of their impact, viability and significance towards achieving NFIS objectives and goals. These include:

- i) Promotion of Digital Transactional Accounts (DTAs)
- ii) Lowering of NADRA's verification and validation cost
- iii) Fostering innovations to develop client centric products and services
- iv) Expansion of ATM Network and connecting Pakistan Post to the National

- payment System
 - v) Adaption of automated Land Record and E-Pass Book
 - vi) Digitizing microfinance by linking the MF industry with digital platforms
 - vii) Developing Credit Scoring Model for Micro & Small Enterprises (MSEs)
 - viii) Creation of Electronic Collateral Registry
 - ix) Development of Shariah Framework for banking & non-banking microfinance institutions
 - x) Developing program for Women Entrepreneurship
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