

## BANKING FOR ALL

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For the past two decades, the banking sector has chosen a new service channel based on the progress of information technology—internet respond to the changes in customer preferences and needs, increasing competition from non-banks, changes in demographic and social trends, and government deregulations of the financial service sector. In the search for sustainable competitive advantages in the technological financial service industry, banks have acknowledged the value to differentiate themselves from other financial institutions through new service distribution channels.

In addition, customer's transaction and communication abilities have been improved by the developments of information technology. Information technology enabled electronic channels to perform many banking functions that would traditionally be carried out over the counter. The rise of Electronic Payments media such as debit and credit cards has caused the value of paid fall. The use of paper cheques has been supplemented step-by step with e-cheques allowing banks to have more storage capacity, reduce costs, and improve Furthermore customer services.

A more recent e-banking development is branchless banking and mobile banking system. A mobile is almost always with the customer. As such it can be used over a vast geographical area. The customer does not have to visit the bank ATM or a branch to avail of the bank's services. Through branchless banking, funds worth billions of rupees have been transferred from person –to –person, account-to-account, account-to-person, person –to-account and government –to-people.

Branchless banking opens up great opportunities for bank to tap into the un-exploited potential by bringing the un-banked segment of society into the financial system. As in all over the world financial sector was experiencing a dynamic transition led by the Increasing uptake of branchless banking solutions and this was the new frontier and the only affordable solution for the financial inclusion. This new banking help increase customer satisfaction ratio due to its innovative "anywhere, anytime" services customized for individual preferences and the current geographical location of the customer provide value-added to the customer.

In the case of Pakistan branchless banking is the future of country's financial sector and for this State Bank of Pakistan (SBP) prepared regulatory framework for branchless banking more flexible to broaden the scope of financial services in line with its financial inclusion strategy. Since March 2008, SBP had been in the forefront for introducing a compact regulatory framework for branchless banking.

Branchless or mobile banking in Pakistan is still at its infancy, however, the results have been encouraging and people have begin to believe that their banking needs could be fulfilled via a nearby general store or the mobile balance-load shop or a petrol pump or neighborhood grocery store. Five years average shows that 36 per cent of the transactions were routed through electronic channels depicting a 23 percent average yearly

growth as compared to two percent average growth in paper based transactions. Bills payments and mobile top-ups remained the dominating activity with 50 percent share in total numbers, followed by person to person (over the counter) fund transfers with share of 36 percent.

Earlier, opening a bank account process in time taking and limits the full potential of banking to extend microcredit and bring banking to the large number of unbanked customers in Pakistan. However, this new service open a way for everyone like in the case of opening an account in UBL Omni, customers across the country can now open a UBL Omni bank account at any UBL Omni Shop of their choice close to their homes or to their workplace by using their CNIC No and mobile phone No. which would become their bank account No. The service itself is quite economic for the 'unbanked' population.

Most importantly, UBL Omni does not have restricted timings like bank would normally have. You can make use of the service even later at night, as long as your nearby Omni Shop is open. UBL Omni's minimum charges and now the availability of the ATM card, has added to the benefits and brought the unbanked population at par with the rest of the population that uses the regaled UBL Omni to win the GSMA Global mobile Award 2012 for "Best Use of Mobile in Emergency or Humanitarian Situations". Access to payment facilities is a major enabler for achieving universal access to finance. Once customer has the capability to easily pay and receive money to and from anyone, his/her range of financial possibilities expands.

Tremendous business potential exists for branchless banking in the country which allows financial institutions and other commercial Players to offer alternative economical financial services outside bank premises.

Branchless Banking is helping in reaching out to the low income. Unbanked people. As brick and mortar retail network of the entire financial industry of Pakistan stands at 11,000 outlets after 65 years while branchless banking retail agents' network has grown beyond 32,000 agents in a short span of years.

\*In a population of 180 million, mobile phone subscribers are almost 120 million while banking accounts stand at 32 million whereas the number of borrowers is only 5.7 million which indicates that there exists a large 'financially excluded' market. Bringing this un served market in to the formal financial system is the key objective for socio-economic development of our country; financial institution can explore this potential through introducing more branchless banking system.

\*Over 80 percent of the population has no access to banking facilities in the country. Branchless banking is a tool that caters to the banking needs of the vast unbanked community, courtesy the mobile phone networking which has penetrated to almost 60 per cent of the population of the country.

\*Microfinance banks and institutions have a key role to play in creating economic opportunities for the poorest sections of society by broadening their out-reach. Like Benazir Income support program introduced a branchless banking system.

\*There are hundred million mobile phone users in a country in which barely half the population is literate, is evidence enough that even such disadvantaged sections are adept at using this technology. Therefore, it would only be the poverty and limitation of our imagination to provide products and services that would be the constraints, given the versatility of technology and the rapid shrinking of costs of information and communication technology.

Cost of setting up of a conventional banking branch was 76 times higher than using third party agents to bring the un-banking into the financial system while using mobile phones halves costs further.

Research indicates that the number of footfalls at a bank's branch has fallen drastically after the installation of ATMs. As such with mobile services, a bank will need to hire even less employees as people will no longer need to visit bank branches apart from certain occasions.

\*With Pakistani telecom operators working on offering services like money transaction over a mobile, it may soon be possible for a bank to offer phone based credit systems. This will make credit cards redundant and also aid in checking credit card fraud apart from offering enhanced customer convenience. The use of mobile technologies is thus a win – win proposition for both the banks and the bank's customers.

\*Moreover, branchless banking can play a vital role in payment of pensions, salaries and tax collection services and other government to person (G2P) programs.

Branchless banking offers an opportunity to dramatically slash transactions costs and expand geographic coverage of formal financial services. Offering relevant, compelling products will be essential to trigger demand through these new channels.