

# Meeting WSIS Targets & Digital Financial Services: The Case of Pakistan

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# Telecom Policy 2015 – Aimed to Achieve WSIS Targets

- ▶ **Affordable BB Services**
  - Fast Track right of way
  - USF to fund BB access in un-served areas
  - Fast Fiber roll out
  
- ▶ **Availability of Spectrum**
  - Immediate auction of spectrum in 2100 & 850 MHZ
  - Spectrum Reframing
  - Spectrum availability for digital Microwaves
  
- ▶ **Suitable Backhaul**
  - Improve access to national On-line Services
  - Diversity of routing
  - Load sharing on international capacity

# Telecom Policy 2015 – Aimed to Achieve WSIS Targets ..... Cont't

- ▶ Competition in Retail BB
  - Framing Sector specific Competition Rules
  - Incumbent obliged to provide last mile infrastructure
  - Availability of Wi-Fi Hot spots
  - Encourage the development of contents

# ICT Data Collection Agencies in Pakistan



Ministry of Information Technology  
& Telecom



Ministry of Planning  
Development & Reform



**PEMRA**  
Pakistan Electronic Media  
Regulatory Authority

- ▶ Market Research Organizations (BMI, Gallup, Ericsson Research Lab, etc)
- ▶ International organizations (ITU, GSMA, World Bank, etc.)

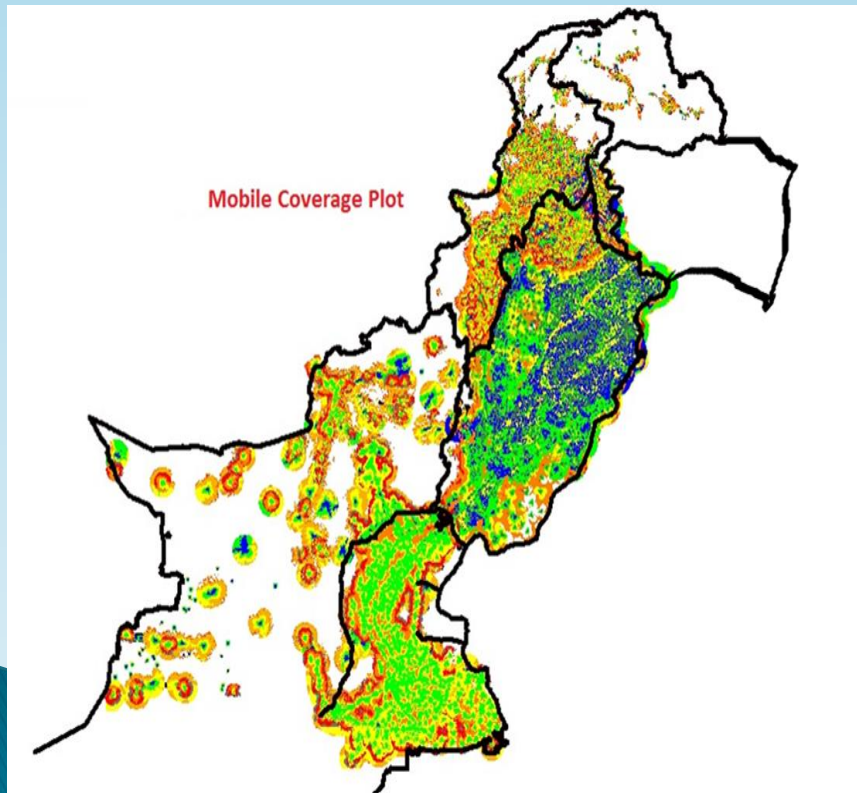
# Household Survey Statistics

- ▶ HH with Computers – 19%
- ▶ HH with Internet access – 24%
  
- ▶ ICT Skills – Who can
  - Copy or moving files – 60%
  - Emails with attachments – 45%
  - Transfer file b/w PCs – 25%
  - Using basic formula – 23%

# Access to Basic Telephony

Wide-spread overage of cellular mobile services in provinces of Pakistan

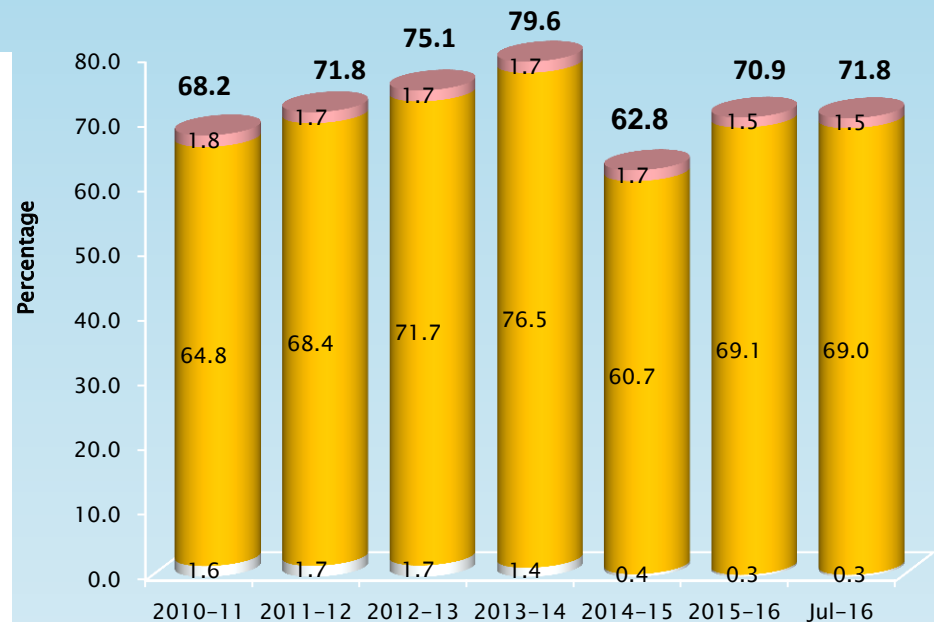
**43% of rural population of the country where 3G and 4G LTE service is available.**



## Teledensity in Pakistan

Fixed Local Loop

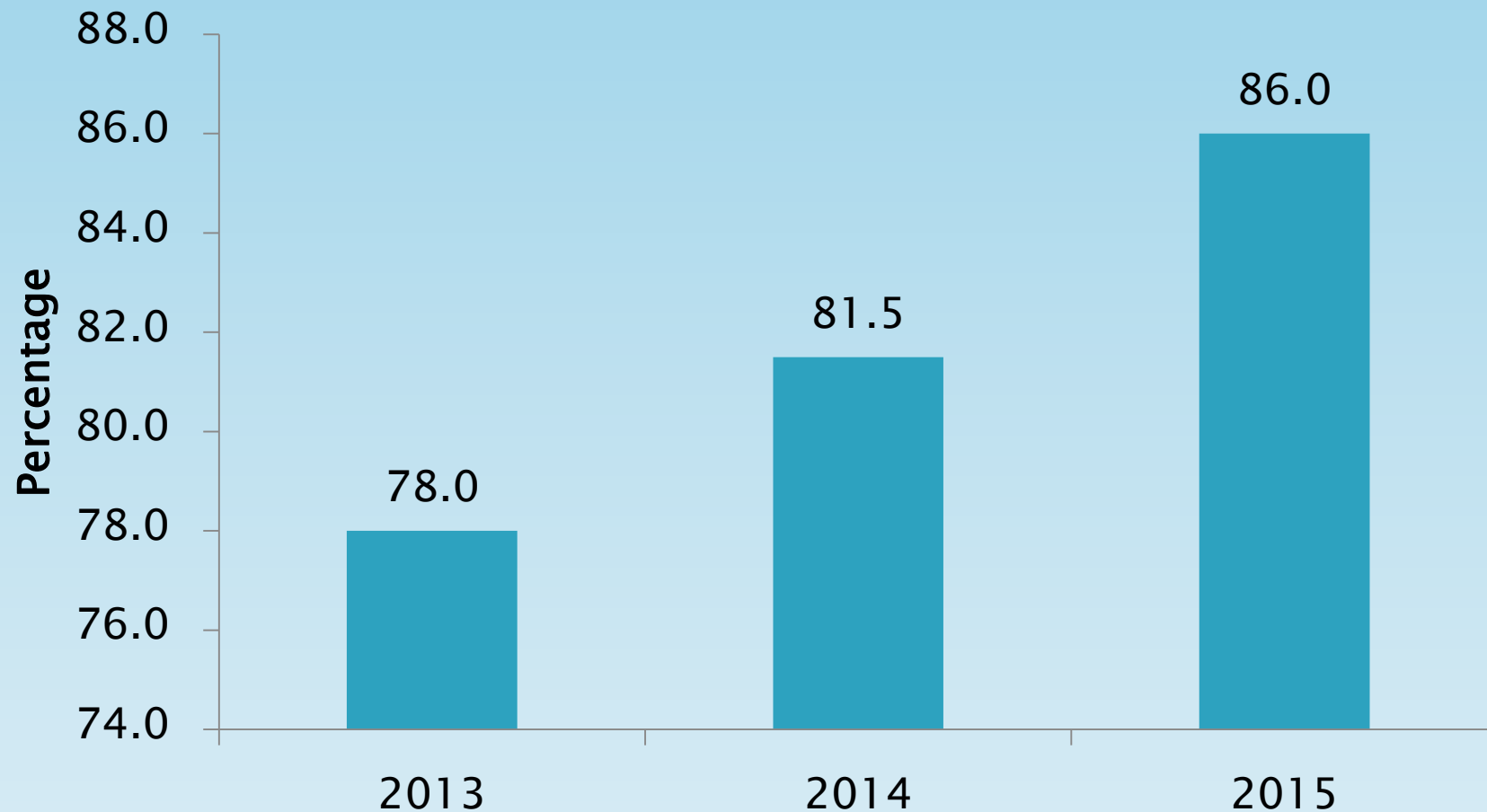
Cellular Mobile



- Most people in Pakistan have access to basic voice telephony, mostly using mobile phones
- Moving into an age where mobile use is about more than circuit switched voice and SMS
- Deployment of Fibre

# Population covered by mobile network (%)

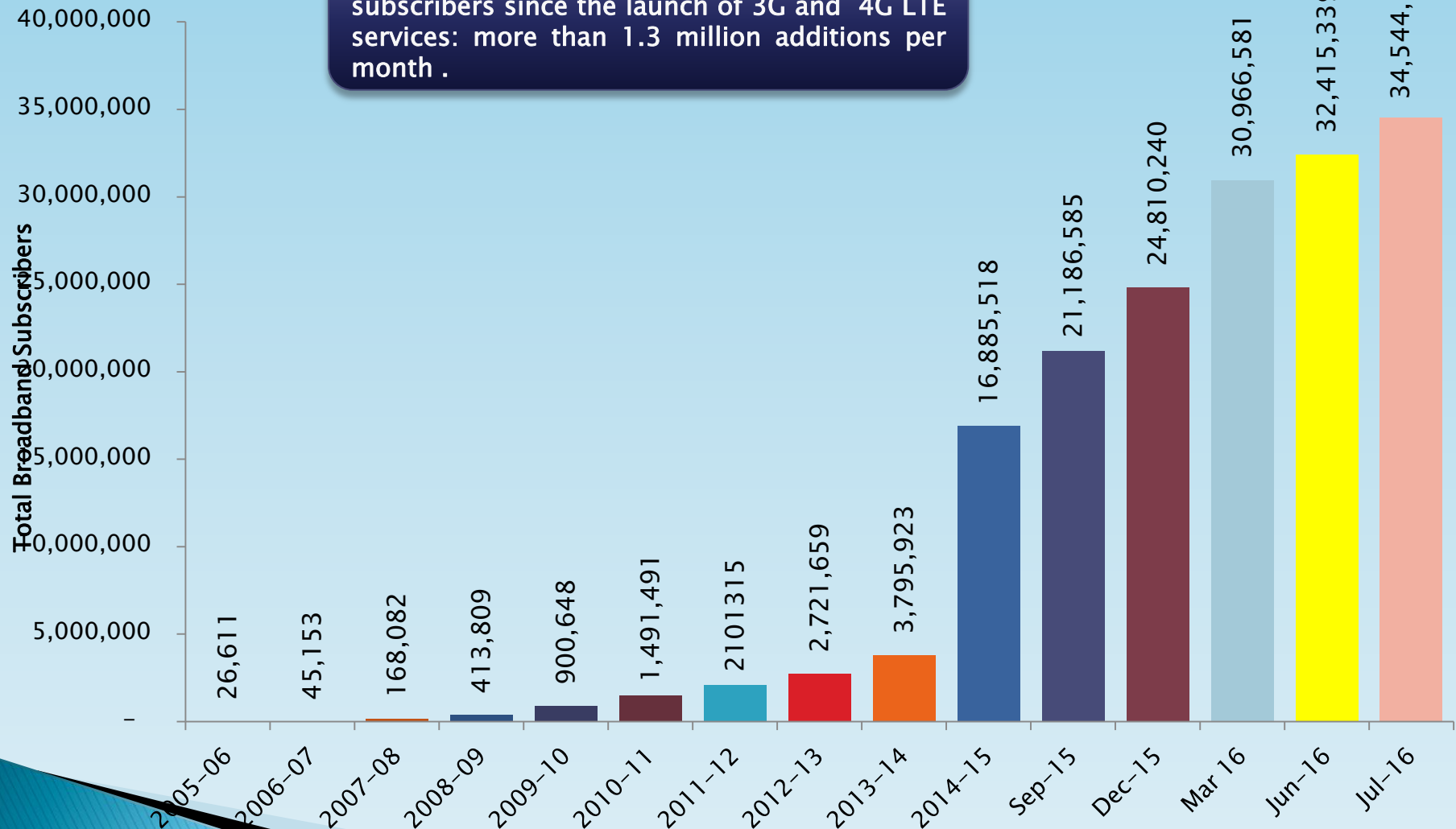
(Rural/Urban)





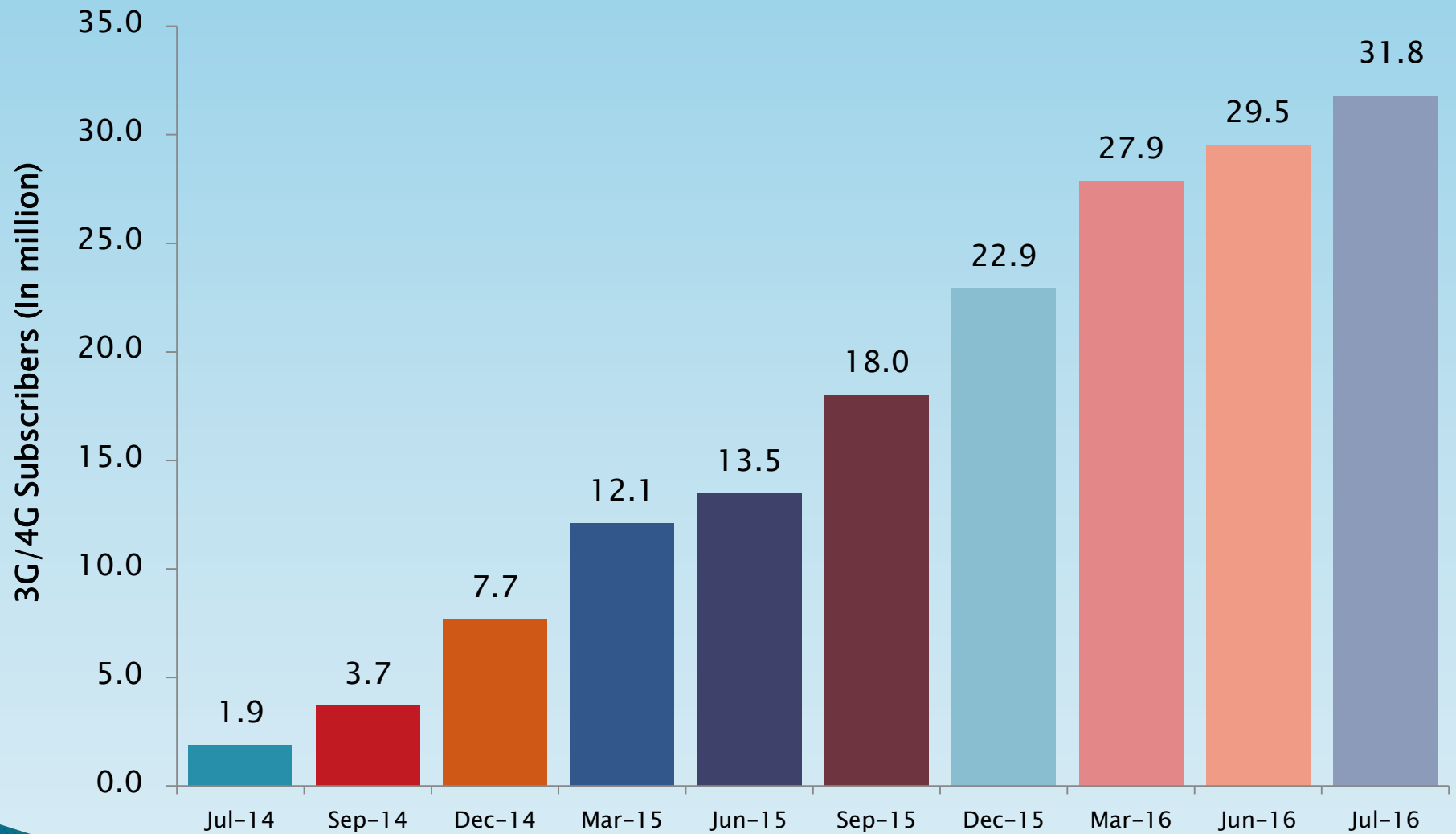
# MBB Growth After Spectrum Auction

Addition of 31.8 million mobile broadband subscribers since the launch of 3G and 4G LTE services: more than 1.3 million additions per month .

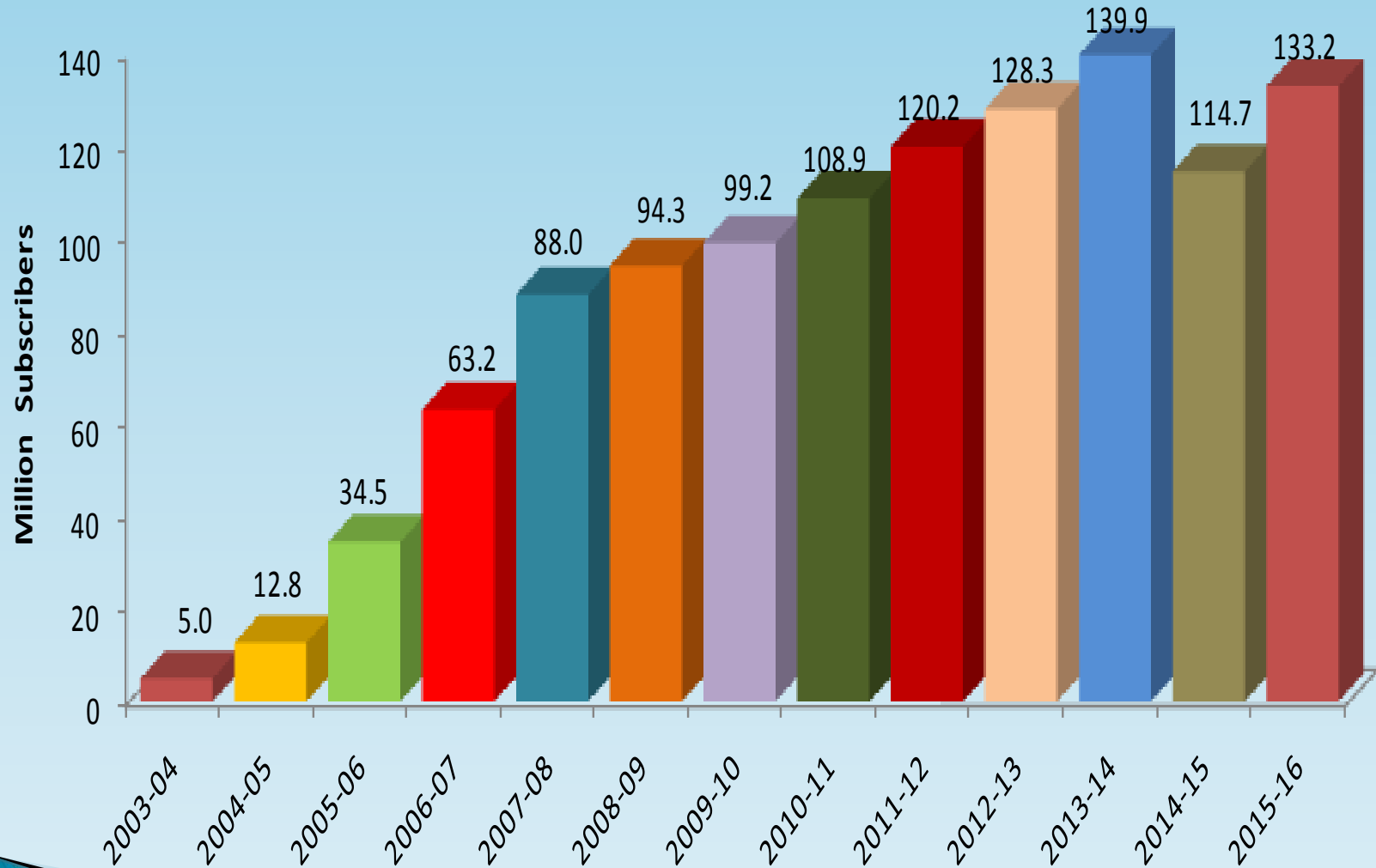




# Growth in MBB subscribers

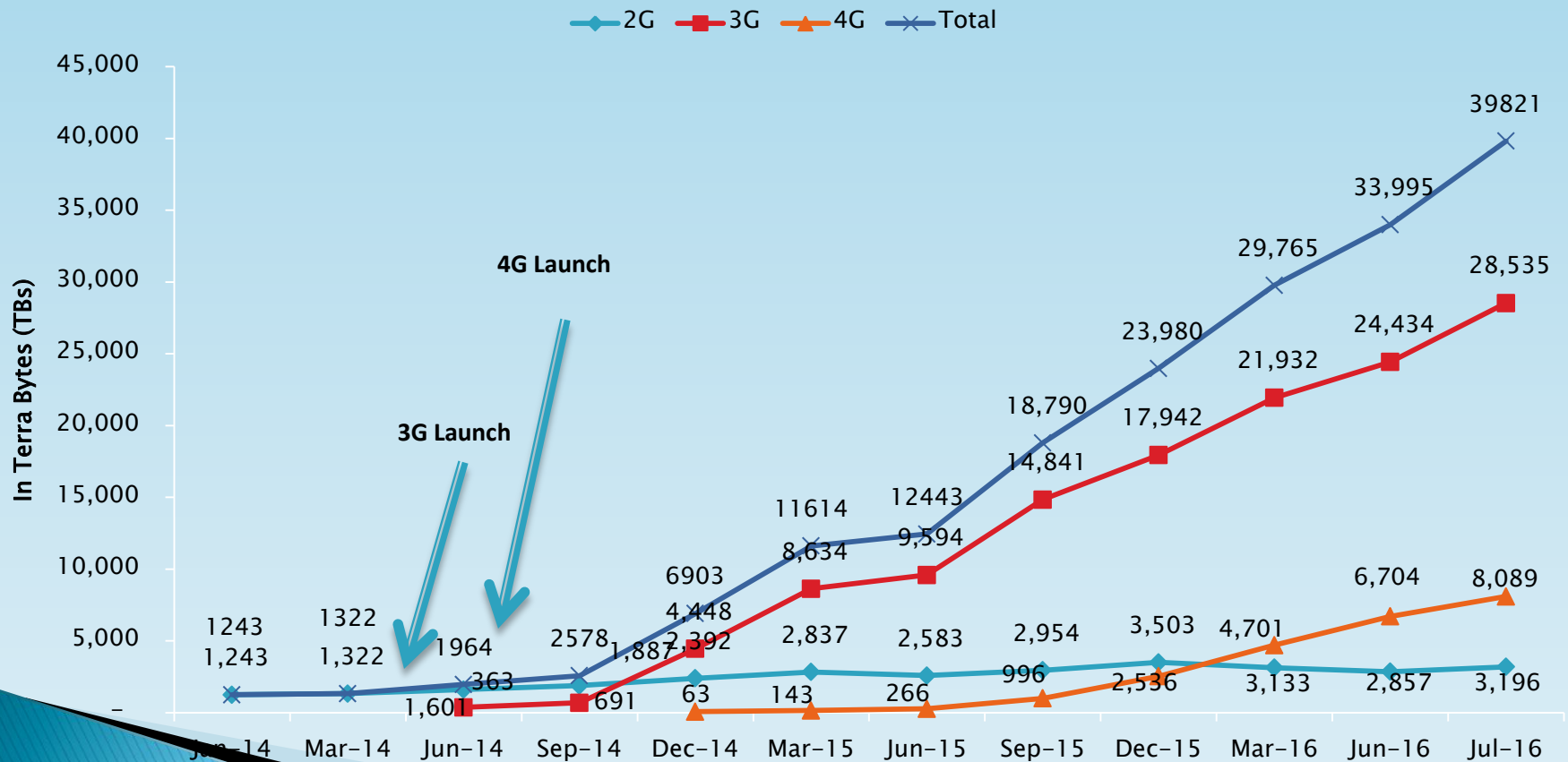


# Cellular Subscribers growth



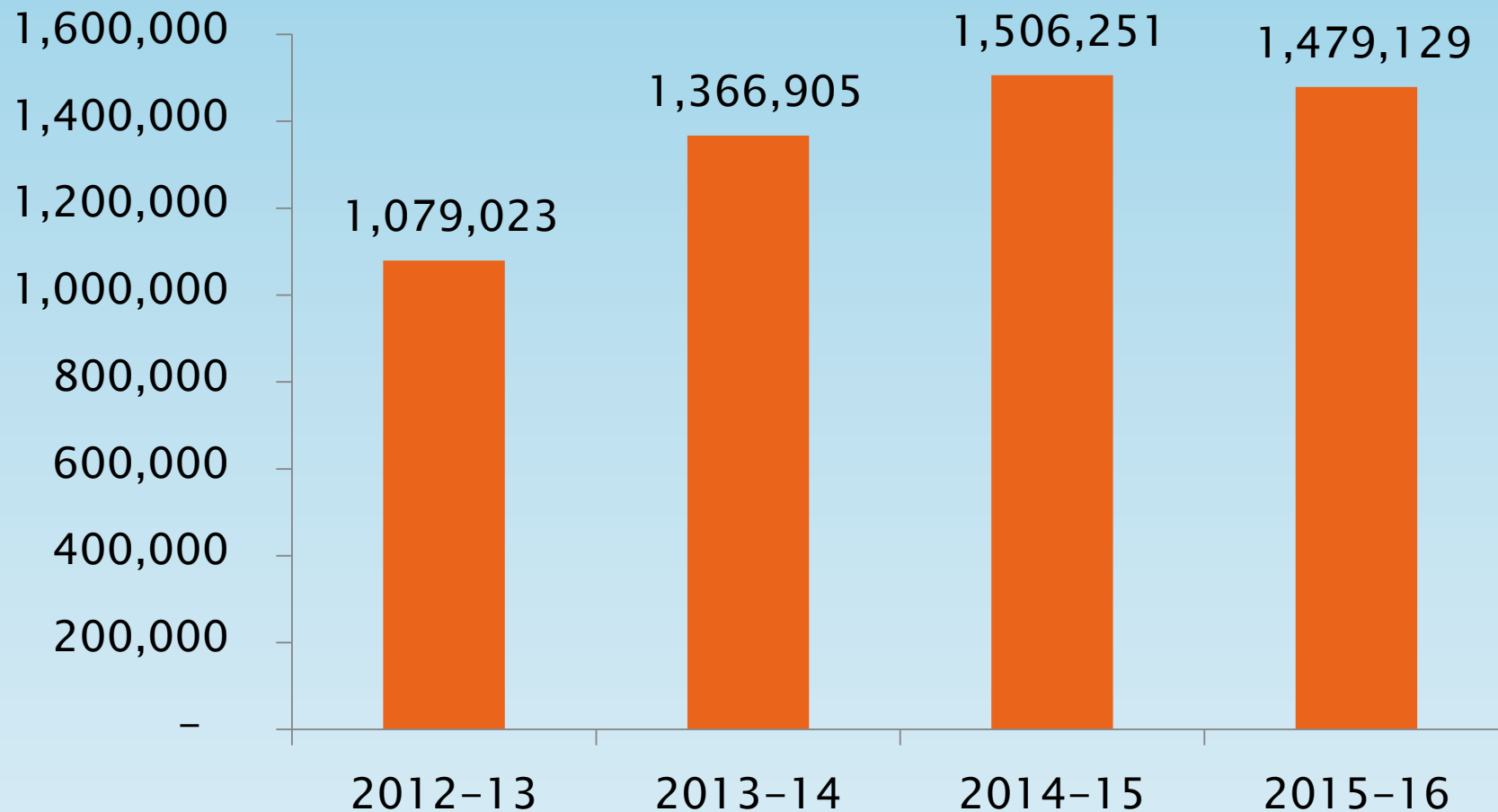
# Extensive Data Usage on 3G Networks

	3G shares %	2G shares %
Voice	3%	87%
Data	97%	13%



## Households with Internet access (urban/rural)

(Fixed-broadband subscriptions)



# Challenges for Expansion of Broadband Connectivity

- ▶ Diffusion of PCs and Internet access devices
- ▶ Very low digital literacy in an otherwise large population
- ▶ Less digitization of the economic activities
- ▶ Local content availability
- ▶ Limited provision of broadband connectivity to public facilities and offices
- ▶ Web Content, applications (“apps”) & services
- ▶ E-Government
- ▶ Law and Regulatory Policy
  - Upgrade of Licensing
  - RF Spectrum
- ▶ Infrastructure policy
  - Common access/competition /subsidy
- ▶ Policy coordination to underwrite ISP demand in education, health, administration
- ▶ Skills and capacity development

# Way Forward

1. Much more ambitious goals – towards e-inclusion across all sectors of the economy
2. Reaching rural areas by commercial companies, especially mobile
3. Common access *and competitive* infrastructure needed
4. Funding – USFs, direct budget/stimulus & PPP's
5. USF is a key financing instrument
6. Competitive tender to build new backbone &/or access infrastructure
7. Stimulate Private Demand in the ICT Sector – e.g., PC initiatives, industry & educational initiatives, local services
8. Can be used effectively for demand side funding – e.g., schools ICT
9. Include both ICT and the use of ICT to achieve wider inclusion objectives.
10. Tax/fiscal incentives to network components & build-out

# **Digital Financial Services: The Case of Pakistan**



# NFIS – Targets

Long term:  
**Universal**  
financial access



2020 Vision:  
**50%** of adults  
with transaction  
account



Currently:  
**16%** of adults  
with bank  
accounts which  
were 12% in  
2008 survey  
(33% increase).



## Access:

- Convenient access points to connect those who are excluded
- **Digital Transactional Accounts**, with scale and viability through digitization of payments, transactions
- Increase percentage of adults living within 5 kilometers of an access point by 2020.
- Widespread acceptance networks and **interoperability**

## Use, Range of Services:

- Diverse Product Ecosystem
- Increased SME lending as % of total lending
- Capacity and incentives to offer diverse range of tailored financial services with adequate oversight
- Consumer awareness and literacy to be able to select and use appropriate financial services

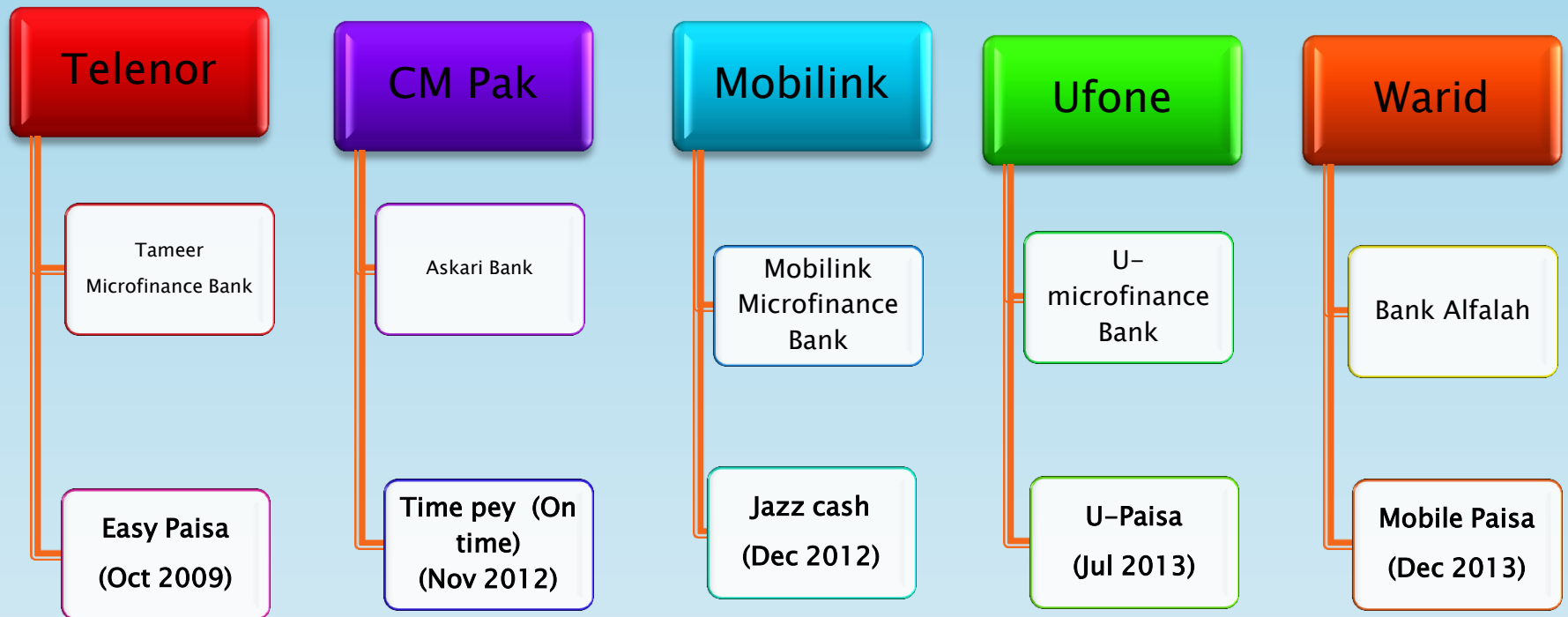
# Regulatory Environment

- ▶ Two Regulators– Central bank and Telecom Regulator Working Together
- ▶ Separate Regulations by Both regulators – Jointly prepared
- ▶ SBP's Branchless Banking Regulations, 2008 (updated 2011)
- ▶ PTA's Regulations for Technical Implementation of Mobile Banking, 2016
- ▶ SBP's Regulations for Mobile Banking Interoperability, 2016

# Interoperability Through Third Party

- ▶ Third Party Service Providers (TPSPs) and financial institutions that offer m-banking services
- Provides detailed mechanism for technical implementation of one-to-one and any-to-any model of m-banking
- Existing models (one to one) will continue with their arrangements without the requirement of separate license
- ▶ A joint PTA and SBP committee to resolve the disputes between the parties, and to protect consumers' interest.
- ▶ Operators and TPSPs shall put in place an effective and comprehensive consumer protection mechanism against risks of fraud, loss of privacy, delays in service provisioning etc. to the consumers.
- ▶ Quarterly Review of market dynamics, regulations and SOPs

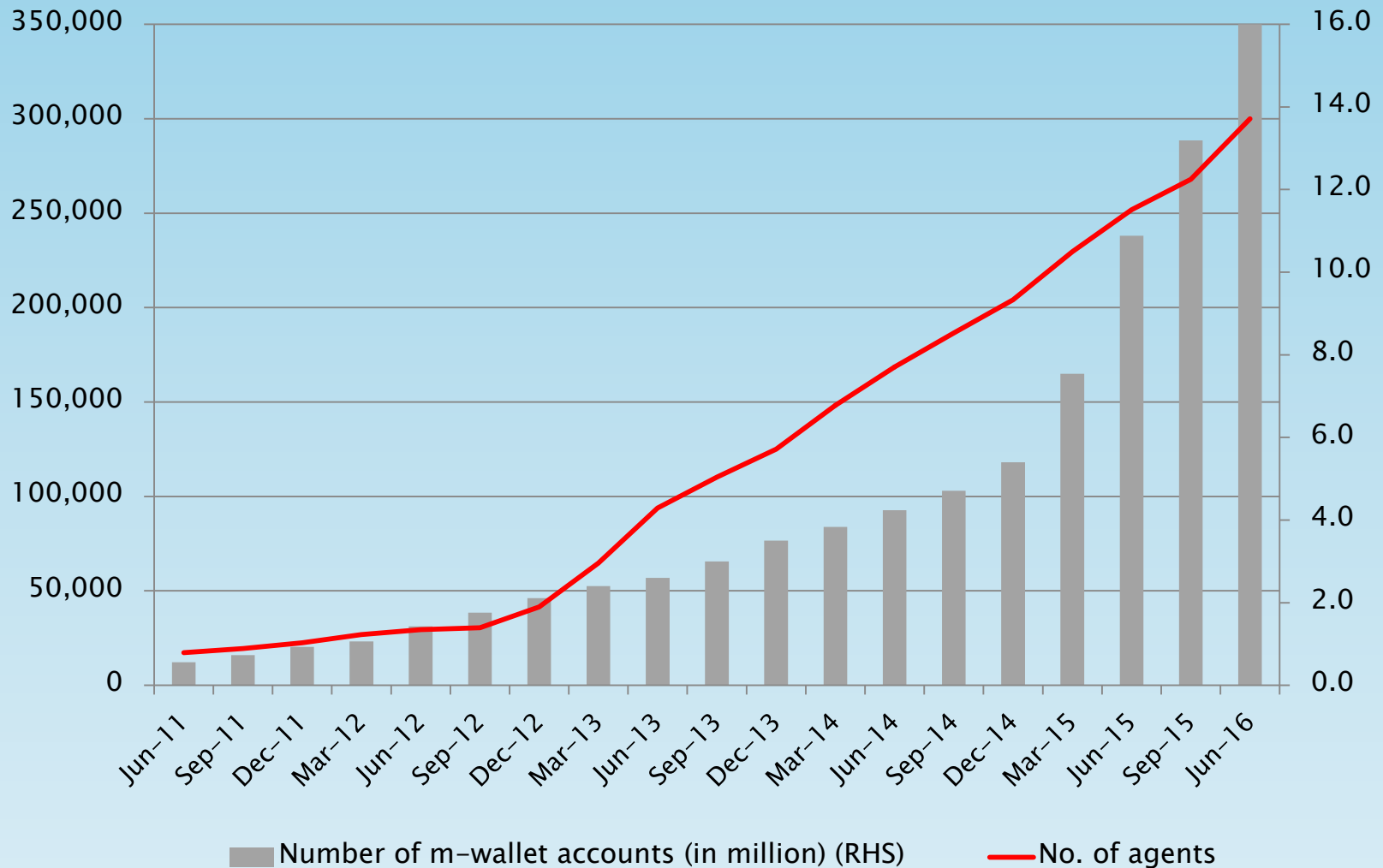
# Competitive M-banking Market– Pakistan



# Mobile Banking Expansion

- ▶ Total mobile banking accounts (m-wallets) – **approx. 16 million** (35% of the **45 million** commercial bank accounts)
- ▶ **375 million annual** m-banking transactions
- ▶ Annual amount transacted through m-banking – **US\$ 19 billion**
- ▶ **300,000** m-banking agents all over Pakistan, which are more than **25** times the total number of bank branches (**12,000**) in Pakistan.

# Growth in m-banking agents and m-wallet accounts



# M-banking Deposits and Transactions

Year	Deposits in m-banking accounts		No. of m-banking transactions		Amount transacted through m-banking accounts	
	(As of end Dec)		(during Jan to Dec)			
	Rs. in million	Growth (%)	In million	Growth (%)	Rs. in million	Growth (%)
2011	550		59.0		209,120	
2012	1,055	92%	120.9	105%	492,282	135%
2013	2,639	150%	191.9	59%	802,496	63%
2014	6,668	153%	278.4	45%	1,352,517	69%
2015	8,827	32%	375.0	35%	1,872,451	38%

Source: State Bank of Pakistan



# Challenges to Mobile Banking Industry in Pakistan

- ▶ Low usage of m-wallet accounts
  - *Active to total m-wallet accounts ratio is only 40%*
- ▶ Mobile Money users are unable to use their electronic money in their daily lives in the same way they use cash – to buy their essential daily items
- ▶ Expensive mobile money transactions (mostly through OTC)
- ▶ Lack of merchant acceptance
- ▶ High taxes (16% sales tax and 15% WHT on the earnings of agents). Govt. has also imposed additional WHT on the transaction amount of non-filer.
- Low Interoperability in payments

**Thank you**