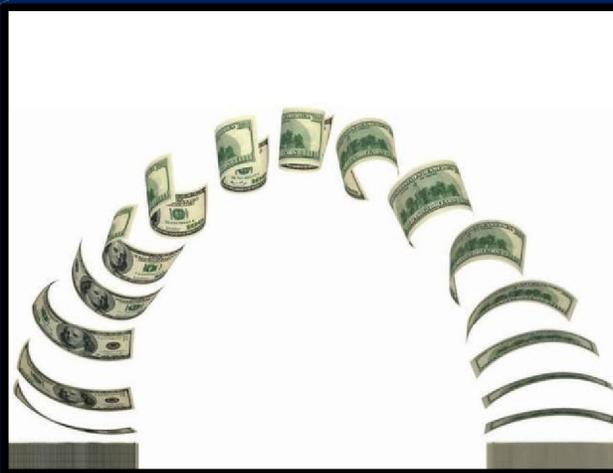




1. BRANCHLESS BANKING: ABOUT 2.1M ACCOUNTS ADDED DURING OCT-DEC QUARTER

By Salman Siddiqui

Published in Express Tribune, June 22, 2016



KARACHI: The branchless banking sector has opened 2.1 million new accounts, increasing the total to 15.3 million in the October-December, 2015, reported the State Bank of Pakistan on Tuesday.

Despite the increase, the value of transactions slipped compared to the previous quarter, added the central bank in its quarterly newsletter on branchless banking (BB).

It said the average size of the transaction declined by 8.4% to Rs4,784 in the under review quarter from Rs5,219 in the previous quarter (Jul-Sep 2015).

A 7.6% decline was observed in the value of BB transactions, which fell to a total of Rs486

billion compared to Rs526.4 billion in the previous quarter.

The average size of transaction remained Rs4,782 which shows that the BB channel is facilitating the low-income segments to meet their financial needs.

The central bank advised industry players to come up with new and innovative products so that the average value of transactions may return to an upward trajectory.

The number of total transactions, however, went up by 0.8% to 101.63 million from 100.86 million in the previous quarter.

The Branchless Banking channel was used for various transactions such as cash deposits and withdrawals, person-to-person transfers, utility bill payment, mobile top-ups and government-to-person (G2P) payments.

The channel continued to serve as the primary channel for government welfare payments, and facilitated G2P disbursements of Rs18.71 billion to 4.71 million beneficiaries during October-December 2015.

In terms of value of G2P disbursements, Benazir Income Support Programme (BISP) remained the major player by disbursing Rs15.4 billion to 3.7 million beneficiaries, followed by Internally Displaced People (IDP) program (Rs2.6 billion to 113,598 beneficiaries) and World food program (Rs337 million to 267,454 beneficiaries).

The central bank said the active-to-total BB accounts ratio rose to 41% in the quarter under review from 39% recorded in the previous quarter. The pattern of this ratio remained the

highest in June-2014 standing at 46%. However, after hitting a historic low of 20% in March-15, a steady rise in the active accounts has been seen in these quarters showing that activity in accounts is reviving.

The National Financial Inclusion Strategy has set a target of ensuring that 50% of the adult population has a transactional account by 2020, up from 16% in 2015. It is important to note that the BB industry projected 10.4 million m-wallets till Dec-15; whereas the actual achievement is 47% above the projections.

2. THE CHALLENGE OF POVERTY

Editorial published in Business Recorder, June 22, 2016

At the launch of the first-ever Multidimensional Poverty Index (MPI) report, compiled with assistance from United Nations Development Programme (UNDP) and Oxford Poverty and Human Development Initiative (OPHI), Minister for Planning, Development and Reforms Professor Ahsan Iqbal stated that reducing MPI was Vision 2025's core objective and inclusive and balanced growth, which benefits all especially the marginalized sections of the population, was the Sharif administration's priority.

The MPI replaces the Human Poverty Index (HPI) developed by Dr Mahbubul Haq and Nobel laureate Amartya Sen in 1990. While the two indices are based on three dimensions notably health, education and living standards, however the difference is that while HPI uses only single indicators for each dimension of

poverty the MPI uses more than one indicator for each dimension totalling 10: (i) health (nutrition and child mortality), (ii) education (years of schooling and school attendance) and (iii) living standards (cooking fuel, toilet, water, electricity, floor and assets). According to the OPHI website "the HPI could not identify specific individuals, households or larger groups of people as jointly deprived. The Global MPI addresses this shortcoming by capturing how many people experience overlapping deprivations (incidence) and how many deprivations they face on average (intensity). The MPI can be broken down by indicator to show how the composition of multidimensional poverty changes for different regions, ethnic groups and so on-with useful implications for policy". And this was rightly highlighted by Professor Ahsan Iqbal who stated that the MPI is a useful instrument to formulate informed policies for targeting, budgeting, resource allocation and inclusion.

Be that as it may, subsequent to the 18th Constitutional Amendment the onus of improving education and health as well as living standards rests largely with the provinces with one major exception notably electricity as its price is not set by the provinces. Or in other words, the taxes levied on electricity by the federal government consisting of a major portion of its annual revenue collections do impact on poverty levels and unfortunately because of the ease of collections by the federal government this is unlikely to be free of tax. If a meaningful attempt has to be made to reduce poverty the high tax on electricity needs to be revisited and that seems unlikely in the wake of the budget 2016-17.



The first-ever MPI indicates that national poverty rates have declined from 55 percent to 39 percent since 2004. The report uploaded on the OPHI website indicates that the year for which data was compiled was from 2011 to 2012 and does not include the years after the PML-N government took over power. Not surprisingly, progress across different regions of Pakistan was uneven with only 9.3 percent in urban areas compared to 54.6 percent in rural areas in multidimensional poverty, a two-thirds of those resident in Federally Administered Tribal Areas as well as 71 percent in Balochistan live in multidimensional poverty, with poverty lowest in Azad Jammu and Kashmir at 25 percent, followed by Punjab at 31 percent, followed by Gilgit-Baltistan and Sindh at 43 percent and Khyber Pakhtunkhwa at 49 percent.

However, some figures gleaned from the OPHI website are very disturbing but which were not focused on during the launch. Those vulnerable to poverty in the four provinces are as follows: Punjab 17.2 percent, KPK 19.1 percent, Sindh 8.3 percent and Balochistan 12.7 percent. Those in severe poverty in Punjab constitute 18.4 percent, KPK at 22.4 percent, in Sindh 32.7 percent and in Balochistan 45.3 percent. And destitute figures are the most disturbing with 15.2 percent in Punjab, 19.4 percent in KPK, Sindh at 30 percent and Balochistan at 41.5 percent. The budgets of the four provinces do focus on clean drinking water, education and health but one would hope that the provincial surplus of 339 billion rupees noted in the federal budget to assist the federal government meet its own deficit targets may not, like in the ongoing year, become an impediment to reducing MPI by the provinces.