

# THE FUTURE OF MICROFINANCE: DIGITAL

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The advent of the 21st century fostered increased internet connectivity across the globe, with internet usage gaining momentum every successive year; today it has turned into one of the most powerful and pervasive tools in the science and technological history of mankind. The indispensability of the internet as a communication medium for different utilities received a great boost by the recent pandemic which further accelerated the technological transformation across various sectors and made the 'digital' phenomenon truly omnipresent. The digital era knows no bounds and thus, adapting to the new normal, sooner than later, is the need of the hour for nations and enterprises across the globe.

With the start of the global pandemic, internet consumption grew exponentially during lockdowns as businesses and institutions started shifting to online work models in a bid to continue operations while trying to control the spread of COVID-19 in 2020. Internet usage across Pakistan surged by 15% as soon as the first lockdown was implemented. After that, we have witnessed a remarkable digital revolution in various fields including health, education, banking, telecom, and many more.

Agility and innovative thinking define proactive organizations in the modern digital landscape, and the microfinance sector is no different. The COVID-19 pandemic has accelerated the banking

sector's digital transformation, locally as well as globally, and increased inclination towards digital/mobile transactions, as the physical world came to a complete standstill over the last year and a half. In 2020, internet usage in Pakistan recorded its highest growth to date at a whopping 89% in the last quarter of the year. Government institutions and the State Bank of Pakistan (SBP) have played a pivotal role in actively encouraging and facilitating the use of digital communications and payment channels. The SBP's latest data shows that the total number of branchless banking accounts (also known as mobile wallets, or m-wallets, for short) stood at 62.7 million as of December 2020, grown from 46.1 million accounts at the end of 2019, signifying a notable growth of 36%. At the end of 2020, the number of active m-wallets grew to 59%, with the preceding year ending at 53%.

Moreover, the findings from one of the first digital banking experience surveys in Pakistan-Banking in the Digital Age: Exploring Pakistan's Potential, conducted by A.F. Ferguson & Co. (A member of the PwC Network), re-affirm the increasing customer inclination towards convenience & personalized banking made possible through digitization. The survey highlights that 82% of all consumers visit their physical bank branches once in a few months or only visit them once to open their accounts. Additionally, 67% & 55% of all consumers prefer to use mobile and internet banking

respectively to fulfill their banking needs.

The new five-year National Financial Inclusion Strategy (NFIS) action plan has set new targets to be achieved by 2023, which include increasing the usage of digital payments to achieve 65 million active digital transaction accounts, attain deposits to the GDP ratio of 55%, and serve six million farmers through digital solutions.

In 2020, nearly three in ten adults (29%) reported using a full-service financial institution, compared to 21% of the same in 2017. Access to banks increased from 11% of adults in 2017 to 17% in 2020. These circumstances are conducive to interventions from microfinance institutions through enhanced digital financial services which can sustainably enable over 70% of the population and include them in the financial landscape of Pakistan, and Mobilink Microfinance Bank Limited (MMBL) is one of the frontrunners in aiding this financial empowerment of the masses.

Moreover, access to fast and affordable internet for all will not only help empower the citizens but also boost economic productivity on a national scale. Pakistan is among the top five freelancing countries in the world and has generated a significant calculated amount of \$0.5 billion entirely from freelancing. The country is home to 9% of total freelancers across the globe and this number can grow considerably if internet

accessibility is enhanced to cater to the entire population of Pakistan.

For developing nations such as Pakistan, where women constitute almost half of the population, microfinance institutions have a major role to play in ensuring financial inclusion for all, particularly the underserved ones. UN Women has found that there is a stark contrast between men and women with access to financial institutions and mobile-money-service providers; the ratio is 34.6% for men and 7% for women. Moreover, women in Pakistan are 38% less likely than men to own a mobile phone and 49% less likely to use mobile internet. These metrics highlight the vast untapped potential of Pakistan which can be utilized efficiently

through joint interventions by the microfinance and telecom sectors – both of which can significantly empower the masses through enhanced accessibility and the provision of seamless digital financial solutions – fostering a sustainably digital Pakistan for all and creating this Pakistan is one of the core missions for MMBL.

As a major contributor to holistic economic growth, financial inclusion holds prime importance, particularly in countries like Pakistan where the majority of the population lives below the poverty line and remains unbanked. As the largest digital bank of Pakistan, MMBL is committed to financially empowering these millions of Pakistanis through its expansive digital financial ecosystem, so

that no one is left behind and the masses are sustainably enabled to take charge of their own economic prosperity while contributing to the country's economic growth. MMBL's diverse portfolio of products and services not only serves the customized needs of individual clients seeking finance to start their businesses or facilitate housing constructions but also enables Small and Medium Enterprises (SMEs)/organizations by providing exclusive offerings such as school loan, commercial vehicle loan, tractor loan, SME loan, agriculture loan and women-centric loans such as Bint-e-Hawa, which is aimed at empowering women from all fields and walks of life.

