

UC Irvine

Final Reports

Title

Reflections on the “Financial Inclusion of the Poor,” Workshop in Karachi (Part One):
Decolonizing Financial Inclusion (IMTFI Blog - Conference Report)

Permalink

<https://escholarship.org/uc/item/0sf6k03v>

Journal

IMTFI Final Reports

Authors

Baig, Noman
Kustin, Bridget

Publication Date

2017-11-06

Copyright Information

This work is made available under the terms of a Creative Commons Attribution-NonCommercial License, available at <https://creativecommons.org/licenses/by-nc/4.0/>

Peer reviewed



IMTFI
INSTITUTE FOR MONEY, TECHNOLOGY
& FINANCIAL INCLUSION

Monday, November 6, 2017

Reflections on the “Financial Inclusion of the Poor,” workshop in Karachi (Part One): Decolonizing Financial Inclusion

In IMTFI's PERSPECTIVES blog series, IMTFI's International Board members and affiliated researchers take on the definition of financial inclusion. This series aims to foster an open dialogue on issues around money, technology, and financial inclusion for the world's poor. Individual contributions reflect contributors' own reflections on recent events based on their research and areas of expertise. The topic of financial inclusion will conclude with a capstone white paper by IMTFI titled ["Mobile Money: The First Decade."](#)

By Noman Baig, Habib University and Bridget Kustin, Saïd Business School, University of Oxford

On April 8, 2017 the Institute for Money, Technology and Financial Inclusion co-sponsored the workshop, [“Financial Inclusion of the Poor,”](#) at Habib University in Karachi, Pakistan. In the landscape of talks, conferences, and seminars concerning economic or financial inclusion, this workshop was notable for three political and ethical reasons.



Dr. Noman Baig - Opening Remarks

First, IMTFI's co-sponsor, Habib University, is Pakistan's first liberal arts institution.

Innovation, research, and development requires not just the STEM excellence fostered by polytechnics and traditional universities, but also the ability to think creatively across disciplines — the hallmark of a liberal arts education. The main questions addressed by the workshop's speakers illustrate that financial inclusion isn't just a tech or regulatory issue, but requires engagement with the complexity of human behavior: How are new financial instruments such as mobile banking and branchless banking being deployed in poor communities? How are state regulations and surveillance programs affecting channels of capital flows? How are financial inclusion programs addressing basic income inequality issues?

“financial inclusion isn't just a tech or regulatory issue, but requires engagement with the complexity of human behavior.”

Human behavior and the practices and beliefs of different communities—what anthropologists study as “culture”—easily resist comprehension, much less

prediction, through models, algorithms, or randomized control trials. Habib University is an exciting setting when considering how Pakistan can cultivate the next generation of social scientists able to design research methodologies suitable to the multi-disciplinary questions of financial inclusion. Equally critical is innovation and entrepreneurialism that can lead to new products, systems, and platforms uniquely responsive to the needs of Pakistan's incredibly diverse population. An insidious effect of this neoliberal “marketization” of development is that entrepreneurialism and self-reliance become

Popular Posts



Informal Credit Associations in Lucknow, India

Consumer Finance Research: Global Approaches and Methods - Taking On Debt (Part 1)
Perspectives from across the Social Sciences



Lessons from the Field: M-Shwari and the Jua Kali in Kenya



Female Financial Literacy: Gender in Mobile Money and Financial Practices



Drama in the payments infrastructure and saturation in financial education: Discussing new avenues of research around financial inclusion in Colombia

Blog Archive

- ▶ [2023](#) (1)
- ▶ [2022](#) (4)
- ▶ [2021](#) (14)
- ▶ [2020](#) (25)
- ▶ [2019](#) (20)
- ▶ [2018](#) (14)
- ▶ [2017](#) (54)
- ▶ [2016](#) (51)
- ▶ [2015](#) (84)
- ▶ [2014](#) (46)
- ▶ [2013](#) (49)
- ▶ [2012](#) (27)
- ▶ [2011](#) (26)

valorized as ideal and preferred traits of the poor or precarious, such that those who do not become entrepreneurs and might struggle with self-reliance are recast as simply lazy, unwilling, or otherwise “responsible” for their poverty.



Session 1: Digitization and Money (14:10) - Hasan, Sikander, Shahid, Kustin (L to R)

The distinction to make about the need for Habib University and other Pakistani institutions to cultivate entrepreneurialism and innovation in the fintech sector is because of the money, influence, and power that's at stake. Workshop speaker Talha Legari of Monet, a payments processing solutions provider, noted that only 23% of Pakistani adults have a bank account, and only 3% save money in a formal financial institution. In other words, the population is particularly under-banked, especially compared to regional neighbors. Western telecommunications companies, payments and money transfer platforms, and fintech services already have the business plans in place to reap tremendous profits as millions inevitably take up formal digital financial services, whether it's in mobile money services, remittance platforms, or branchless banking. This quite rightly makes “financial inclusion” in its current incarnation a controversial proposition to champion: foreign corporations, many legally required to increase shareholder value every quarter, quite easily have profit orientations at odds with more comprehensive, holistic local needs of poverty alleviation and development. This is not to say that corporations cannot meaningfully benefit the communities in which they work, or engage in “social business” – many do. The point here is about value extraction: With innovation and entrepreneurship, much of the wealth that Pakistan stands to generate through financial inclusion services could be kept within Pakistan, providing a much-needed boost to the GDP. According to Samar Hasan:

“Financial inclusion is a state, or a situation, in which everybody, every individual and institution, has access to financial services and products at an affordable rate, and they should be delivered in a responsible manner.”

Financial inclusion is important because there are 2 billion people on Earth who do not have access to financial services. “It exposes them to vulnerability and risk,” Hasan argued. That is why the need for a regulatory framework for mitigating the risk of scaling financial inclusion was also emphasized. For instance, if retailers agents use illegal ways of doubling commissions, then the authorities must blacklist the agents.

Cultivation and support of a robust Pakistani fintech/financial inclusion sector thus becomes an issue of political, economic, and ethical importance. It's also indisputable that the poor would benefit immeasurably from the convenience, security, and lower costs of money handling/management that financial inclusion services make possible.

How can both international and Pakistani fintech/financial inclusion industries proceed to ensure that new zones of exploitation and insecurity are not created?

This workshop introduced participants to innovation currently taking place. Ali Abbas Sikander, founder of groundbreaking Tameer Microfinance Bank and current director of Paysys Labs, a technology platform provider for digital payment systems, presented an overview of challenges and opportunities in Pakistan's financial inclusion sector spanning Sikander's experience over the past 25 years. Particularly crucial, he argued, are point-of-sale interfaces, agent networks, support for Pakistani entrepreneurs, and the interoperability of emerging systems. He also noted that keeping money circulating within digital networks for multiple transactions should be a primary goal; the costs of financial inclusion become high once money “exits” the digital economy and gets transformed into cash – this refers to the importance of the financial “ecosystem” that the Bill & Melinda Gates Foundation's [Financial Services for the Poor program](#) is working to support. “In Pakistan, formal things become informal really quickly if you do not have total control over it,” said Sikander. He stressed having control over infrastructure, which keeps ongoing processes in line with social change.

According to Sikander, “In Pakistan, the entire financial inclusion program is run by the agent network.” Running such a network means loosening control of, for instance,

“...the cost of putting the cash in and the cost of getting the cash out makes the entire project of financial inclusion very expensive.”

100,000 agents. “The bulk of the revenue goes to the agents,” Sikander stressed. In his view, fintech companies such as Monet, Paysys Lab, and Finja, as technological platforms, can bring together banks and

telecommunication companies in order to offer direct services to customers. According to Sikander, “What would be really interesting is that once the cash comes into the system, it should not just be cashed out immediately ... because the cost of putting the cash in and the cost of getting the cash out makes the entire project of financial inclusion very expensive.” The money must stay in the system for financial inclusion to work effectively. If cash is pulled out immediately, then it does not circulate fully in the circuit, and hence does not benefit every individual plugged into the loop. The longer it stays in the system, the greater value it will accrue.

Speaker Qasif Shahid of Finja, a technology company developing such interoperable digital ecosystems, focused on the tremendous prospects for mobile banking, mobile money, and digital transfer services to significantly drive down the high costs of managing physical cash—points also central to financial inclusion initiatives across the globe. But Shahid connected these to Pakistan’s specific challenges: If digital commerce is free and entrepreneurialism among the general population (and not just the elite) is nurtured, he argued, then corruption will lessen, transparency will increase, and GDP and quality of life will improve. Shahid was particularly optimistic about technologically driven social change, which he called “disruptive transformation” – changing the behavior of millions of people over a quick span of time. “When hundreds of millions of people reinvent their relationship with money, which means they pay differently, they save differently, they invest differently, they protect differently, then that is when the disruptive transformation has happened,” said Qasif. For instance, on the issue of demonetization in India, which sparked scintillating conversations between the speaker and the participants, Shahid thinks this kind of transformation was needed, but it should not have been done as it was by the Modi government in India.

As CEO of a fintech company, Qasif particularly emphasized the need of reducing cash and paper-based transactions in order for the country and the population to prosper and progress. According to Shahid, “If we leave the things the way they are, then it will take Pakistan at least 10 years to become a cash-lite country.” Demonetization, however, can bring disruptive transformation that can reinvent the relationship between people and money. In his view, digital commerce has to be “free, frictionless, and real-time” in order to become a productive force in society. For instance, in Pakistan, only 4% of people consume credit because of the large number of people who are not part of the formal banking structure. This can change when we use mobile wallets, but it is only possible with demonetization.

Second, a workshop about financial inclusion in Pakistan was actually in Pakistan, and nearly all participants and attendees were Pakistani.

In this setting, Pakistanis are not reduced to data points, or archetypes, or anonymous randomized control trial subjects. Instead, they determined the course of the conversations. Again, in the landscape of financial inclusion meetings this is more unusual than it might seem. But when almost everyone in attendance has enduring connections to a place and its people, conversations assume longer time horizons; the past is invoked to assess the present, and assessment of possible futures becomes personal and urgent.



Session II: Branchless Banking - Kustin, Leghari, Siddiqui, Khan (L to R)

IMTFI is unique in the financial inclusion space because building the capacity of researchers and institutions outside of the West is central to its existence. IMTFI has funded over 147 projects in 47 countries, conducted by over 187 researchers, more than 70% of whom are from developing countries. IMTFI's goal in partnering with Habib University is to further shift the locus of financial inclusion knowledge production to the

countries that are the subjects of financial inclusion work (although, as [new research from Lisa Servon](#) makes abundantly clear, the exclusion of the wealthy United States from financial inclusion initiatives should change, given the predominance of “alternative,” non-bank, and exploitative financial services catering to exponentially rising numbers of poor and precarious Americans).

“One unique valence of financial inclusion conversations in Pakistan is a strong interest in Islamic finance.”

One unique valence of financial inclusion conversations in Pakistan, for example, is a strong interest in Islamic finance. At the workshop, Ahmed Ali Siddiqui, Senior Executive Vice President

of Pakistan's premier Islamic financial institution, Meezan Bank (and one of Karachi's most renowned experts on Islamic finance and banking), provided an overview of Pakistan's unique growth potential in the Islamic finance sector. Challenges to uptake include low client literacy, uneven access to appropriate documentation (even Pakistan's national identity card), gender discrimination, and the requirements of local religious beliefs and ideologies. According to Siddiqui, Islamic banking aims to fulfill the “social and ethical needs of the customers.” This makes Islamic banking more popular than conventional banking among the large majority of people, Siddiqui claims. According to Siddiqui, the number of microsavers has jumped from 16 million to 23 million in the fourth quarter of 2016. The credit goes to mobile company JazzCash, which has added around 5 million mobile wallets to the system. Everyday 100,000 mobile wallets are being added, compared to the slow growth rate of new accounts in the conventional banking system. In short, Siddiqui's presentation focused on finance with Islamic ethical and moral values that frees transactions from the curse of interest/usury. He cherished the fact that some people do not even step inside of a bank's premises in Turkey where interest is permitted.

Related to this, Bridget Kustin's presentation complicated any straightforward notion of client “financial literacy.” In contrast to some of the fintech presenters, she explained that anthropological methods demonstrated how [client accounting practices and ways of understanding the “Islam” of Islamic microfinance](#) are not necessarily shared or even understood by the institutional provider.

Read on to [Part Two - Workshop Reflections](#)

Bridget Kustin is an international board member of IMTFI and Postdoctoral Research Fellow, Saïd Business School, University of Oxford

Noman Baig is also an international board member of IMTFI and Assistant Professor in the School of Arts, Humanities and Social Sciences at Habib University, Karachi.

--

Links to videos

Session I: Digitization and Mobile Money

Bridget Kustin (Moderator, Saïd Business School, University of Oxford); Samar Hasan, Karandaaz; Qasif Shahid, Finja; Ali Sikander, Paysys Labs

Session II: Branchless Banking

Sohaib Khan (Moderator, Columbia University); Ahmed Ali Siddiqui, Meezan Bank; Talha Leghari, Monet; Bridget Kustin, Saïd Business School, University of Oxford

Session III: Financial Inclusion

Dr. Hafeez Jamali (Moderator); Fawad Abdul Kader, Zain Khalid Bhatti, Bank Alfalah; Shoukat Bizinjo, State Bank of Pakistan; Muhammad Imaduddin, State Bank of Pakistan

Keynote: Journey of Money, A walk through history of finance from 20000 years onwards

Dr. Asma Ibrahim, Director, State Bank of Pakistan Money Museum & Art Gallery

Posted by IMTFI at 7:11 AM



No comments:

Post a Comment

To leave a comment, click the button below to sign in with Google.

SIGN IN WITH GOOGLE

[Newer Post](#)

[Home](#)

[Older Post](#)

Subscribe to: [Post Comments \(Atom\)](#)