



PAKISTAN BANKS' ASSOCIATION

Monthly E-Newsletter

August 2024



News In-FOCUS

1. Federal Minister for Finance & Revenue visits the PBA Office to Discuss Progress of the Strategic Initiatives in Priority Sectors

Tuesday, July 30, 2024

Federal Minister for Finance & Revenue, Mr. Muhammad Aurangzeb visited PBA and met with the Presidents & CEOs of the banking sector. Chairman - PBA, Zafar Masud provided an update on the progress of initiatives aimed at boosting the three key sectors of Agriculture, Small and Medium Enterprises (SMEs), and Digital & Technology in Pakistan. The discussion underlined the banking sector's commitment to fostering financial inclusion in the country.

In his remarks, the Federal Minister called on the entire sector to contribute to priority areas based on their size, capabilities, and unique strengths. He emphasized a return to fundamentals, urging banks to prioritize lending to farmers and increase cash-flow based lending. He expressed confidence in the banking sector's ability to drive economic growth.

Regarding the digital sector, the Federal Minister advocated for supporting software houses and freelancers. Highlighting IT as a key growth driver, he stressed the importance of leveraging the substantial IT budget. The Minister encouraged banks to collaborate with the government to maximize the impact on the IT sector.

During the session, Chairman - PBA, Zafar Masud, along with the Steering Committee members on these initiatives, including Senior Vice Chairman - PBA, Yousaf Hussain, Vice Chairman - PBA, Ahmed Bozai, and CEO & Secretary General - PBA, Muneer Kamal, gave a comprehensive presentation on the developments in each sector. The proposals were developed in close consultation with the State Bank of Pakistan (SBP) to ensure they effectively address the unique challenges and highlight the opportunities within each sector. (cont. on pg 2)



The Minister commended PBA's Steering Committee and the respective Task Forces for their thorough analysis and valuable recommendations. He highlighted the crucial role of the banking community in driving economic growth. He stressed that the banks need to enhance their efforts in supporting these priority sectors to foster economic development and prosperity.

"The PBA is taking decisive steps to work with the Ministry of Finance and the SBP in implementing these recommendations to enhance the banking sector's contribution to Pakistan's economy." Commented Zafar Masud, Chairman – PBA who virtually joined the meeting from Lahore.

The meeting was attended by Minister of State, Ali Pervaiz Malik, Chairman Federal Board of Revenue (FBR) Amjed Zubair Tiwana, Director to Minister Finance Sheharyar Ahmad, and CEOs of leading banks. Other senior officials from the PBA were also present at the meeting.

2. PBA & SBP take significant steps to grow Agriculture, SME and Digital & Technology sectors of the Banking Industry

Thursday, July 4, 2024

Governor SBP Jameel Ahmad chaired the second Steering Committee meeting on July 4 2024 on the initiatives aimed at boosting the Agriculture, SMEs, and Digital & Technology sectors within the banking industry.

SBP has issued letters to all banks to develop and submit their five year Agriculture and SME finance expansion plans and strategies to significantly grow these portfolios over the next five years. As part of its Vision 2028, SBP aims to increase its outstanding Agri-finance portfolio to Rs 1,000 billion with total disbursements exceeding Rs. 3,000 billion by the end of June 2025. It further envisions to double the SME financing to Rs. 1,100 billion over the next five years with Rs. 100 billion to be added by June end 2025.

The SBP is working closely with PBA to support commercial banks to enhance their lending in both sectors to stimulate entrepreneurship, create jobs, help farmers improve productivity, invest in modern equipment, expand their operations and drive economic development at the grassroots level.

Furthermore, the Central Bank has taken measures to promote digital and technology-driven solutions in the banking sector by encouraging banks to adopt innovative technologies to grow digital payments, and develop digital lending platforms to improve access to financial services for underserved populations and drive efficiency, especially in Agri and SME industries, and above all reduce cash-in-circulation to achieve much-needed reduction in inflation, thus, interest rates. (cont. on pg3)



During the meeting, PBA also highlighted its key initiatives being taken for deepening and broadening of financial services for priority areas including:

1. Development of SME and Agri Environment and Performance Index (SEPI/AEPI) for assessing, improving, and sustaining the performance of both sectors at the back of technology
2. Promotion of Electronic Warehouse Receipt Financing including warehouse accreditation
3. Revitalization of Agricultural Cooperative
4. Set up of escrow services to boost e-commerce
5. Development of virtual prepaid card solution at merchant outlets to encourage digital payments

Governor SBP appreciated the initiatives and emphasized that an active collaboration between PBA and SBP to promote financing to priority sectors is critical for ensuring sustained access of these sectors to financial services as well as fostering inclusive growth.

Zafar Masud, Chairman - PBA stated, **"These measures underscore PBA's commitment to supporting key sectors of the economy and driving sustainable growth in Pakistan. By focusing on Agriculture, SMEs, and Digital & Technology, we aim to create a more inclusive, resilient, and competitive banking industry that serves the needs of all stakeholders."**

3. Recommendations on Priority Sectors Initiatives proposed by PBA

Monday, July 15, 2024

PBA, based on its earlier meeting with Governor SBP and after consulting with the members of the Steering Committee and respective Task Forces on priority sectors, shared a series of recommendations on these sectors with SBP for its review and consideration. The recommendations are as follows:

i. Request for Mandating Acquiring Banks to onboard Merchants and to Accept Payments using POS and QR at their Outlets

SBP to consider mandating specific KPIs for acquiring banks with regards to digital merchant onboarding, particularly with new bank branch licenses. The proposal suggests a new licensed branch to onboard a minimum of 30 merchant acquisitions and should achieve a minimum digital throughput of Rs. 10,000 per annum against each merchant to expand digitisation. PBA has proposed a three-year implementation plan where the acquiring banks can achieve a 1:30 new branch-to-active merchant ratio by 2026.

ii. Request to Mandate Development of Escrow Functionality on Payment Gateways by Acquiring Banks

To enhance consumer protection and trust in digital transactions, PBA has proposed SBP to consider implementing escrow functionality on payment gateways for online acquiring banks. With the expansion of the digital payment landscape in Pakistan, the need for customer satisfaction and protection becomes all the more important, this functionality, therefore, will significantly benefit consumers and merchants alike, creating a safer and a robust digital payment ecosystem in Pakistan.

iii. Request for encouraging Digital Cash Conversion and Payment Card Solutions

To solve the cash payment issue at the retail point of sale, PBA has proposed SBP to encourage member banks to develop instant conversion of physical cash to digital cash. This may involve opening a customer wallet account / Asaan account or payment card. PBA, therefore, has requested SBP to consider its recommendations and take necessary steps towards the adoption of digital cash.



4. PBA participates in the 5th DigiBAP Summit on 'Leveraging Technology to Implement Digital Supply Chain Finance (DSCF) Solutions'

Monday, July 22, 2024



PBA participated in the 5th DigiBAP Summit organised by TerraBiz. Zafar Masud, Chairman – PBA, Muneer Kamal, CEO & SG – PBA and other members of the PBA Executive Committee representing their respective banks were also present at the event.

The theme of the Summit was “Leveraging Technology to Implement Digital Supply Chain Finance (DSCF) Solutions”, which also aligned with SBP’s mandate for the banking industry to extend supply chain financing digitally to the SMEs operating in Pakistan.

Zafar Masud, during his keynote address, highlighted the banking sector’s perspective and its continued support towards the expansion of the DSCF landscape in the country. He underscored the importance of leveraging digital technologies to modernize financial services, enhance regulatory frameworks and support the growth of SMEs.

The Chairman further emphasized that a collaborative approach among all stakeholders is essential for the successful integration of digital solutions, ultimately fostering a more inclusive and efficient financial ecosystem.

The Summit also featured insightful presentations and panel discussions with senior banking and fintech executives on topics related to digital SME lending, strategies for digital supply chain financing, and the future of digital lending in Pakistan. It also addressed the latest trends, challenges, and opportunities in digital SME lending and retail payment digitization (RAAST P2M) while also offering practical solutions for implementing DSCF mandated by the SBP.





Project Updates

1. Update on Electronic Know Your Customer (eKYC) Platform

As of July 31, 2024, four banks have completed their User Acceptance Testing (UAT) testing. Five other banks are at various stages of testing their UAT environment. PBA foresees completion of the UAT sign-off by all nine banks of phase-I by the mid of August that are expected to go live by the end of the month as suggested by the SBP.

2. Pakistan Banking Summit

The new date of the Pakistan Banking Summit will be shared with members in due course.

Meetings Held

July 01 - July 31, 2024

1. Executive Committee Meeting

Executive Committee Meeting

on 26/07/2024 at the PBA Office

2. PBA Sub-Committee Meetings

Accounting & Taxation

on 15/07/24 via Zoom

3. Meetings of the Forums

Fraud Prevention

on 29/07/2024 at the PBA Office

4. Priority Sectors' Task Force Meetings

Task Force Meetings

01/07/24, 02/07/24, 03/07/24, 5/07/24, 25/07/24, 30/07/24

5. Working Groups

eKYC Working Group

02/07/24, 04/07/24, 15/07/24, 29/07/24

6. Meetings with SBP

1. Priority Sector Initiatives

Chaired by Governor SBP on 04/07/24 via Zoom

2. Meeting on eKYC Project

on 05/07/2024 at the SBP

7. Other Meetings

1. Finance Minister's visit to the PBA

on 30/07/24 at the PBA Office

2. PMA team visits PBA

Palestine Monetary Authority (PMA) visit to the PBA on 08/07/24