



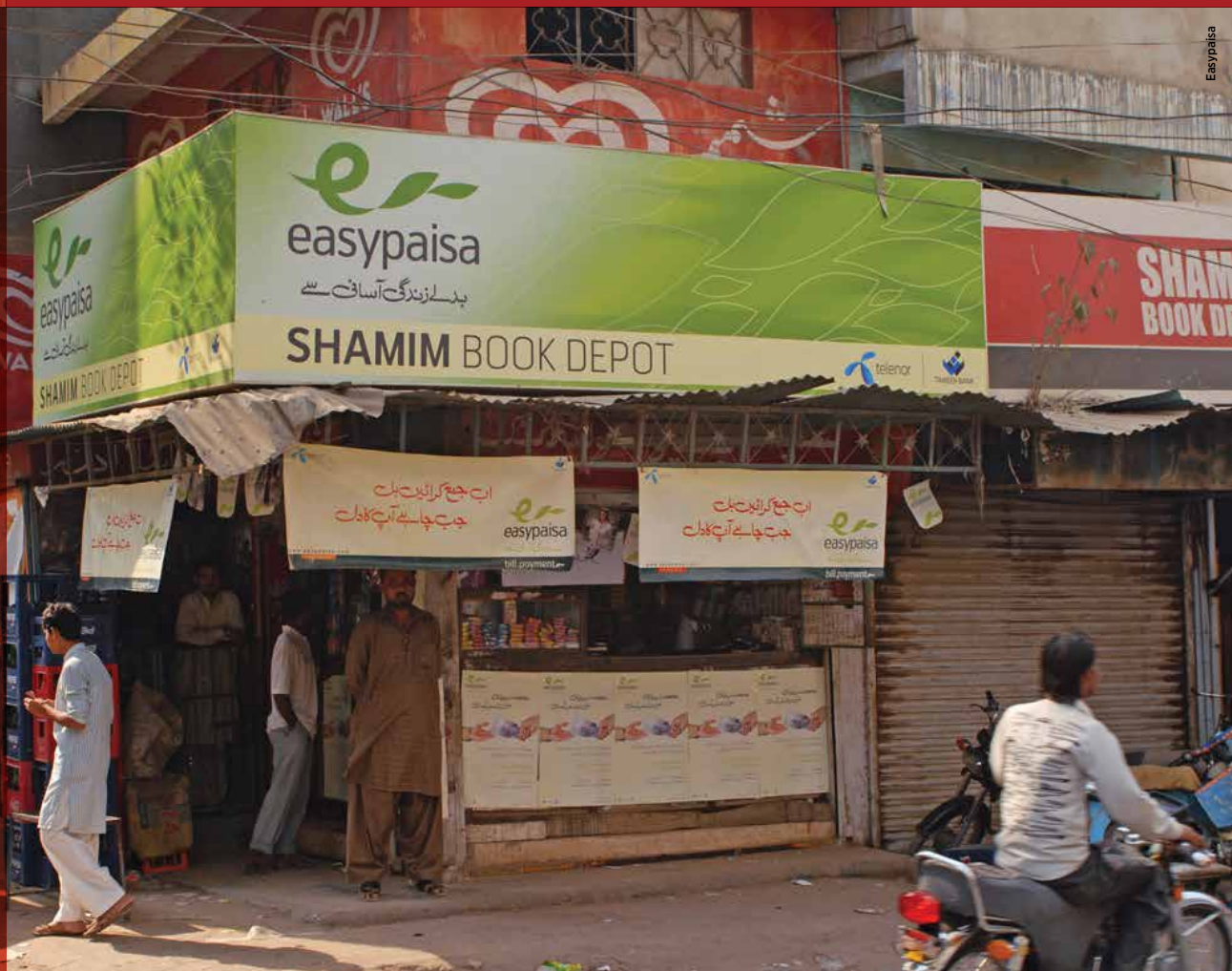
Our Impact

**Transforming
Pakistan's Digital
Finance Landscape**

OCGAP

Easypaisa, a money transfer service, is shorthand in Pakistan for mobile money. It accounts for over half of digital finance transactions in the country and has expanded its product offerings from payments to health and life insurance, savings, and digital credit allowing it to reach a growing number of low-income customers. Globally, Easypaisa is recognized as a model for expanding access to financial services to improve the lives of the poor.

CGAP was one of the key players that helped make this happen. CGAP worked with a struggling microfinance startup model relying on bricks-and-mortar branches, operating in a country without a branchless banking regulatory framework, and helped convert the bank to Easypaisa, one of the best known digital finance brands in the world.



Here's how...

CGAP has long recognized that bricks-and-mortar banking models present a high cost structure for access to finance for the poor. Opening multiple branches in far flung areas is costly for banks, deterring them from expanding into low-income communities where deposits are limited and loan portfolios small and sometimes higher risk. The result is that many poor people are left traveling long and arduous distances to banks, taking them away from productive work and deepening their poverty and financial exclusion. CGAP saw digital finance as a means to leapfrog by offering mobile money and branchless banking that would serve the neediest people directly in their communities.

An opportunity to test this came in Pakistan when Tameer Bank* wanted to revamp its business model. The microfinance bank had begun small-scale operations in late 2005 targeting low-income and poor people in Karachi. Initially it grew rapidly to more than 28,000 clients within 18 months. However, problems quickly emerged with client identification, loan collection, and staff fraud. By early 2007, its nonperforming loan portfolio was doubling in size each month and the default rate spiked to 25%. Alarmed by its fast-eroding asset base, Tameer Bank managers knew they had to act quickly. They realized that the traditional bank model where one branch could serve only 4,000 to 5,000 customers was inefficient for serving the poor, and they began to consider several new approaches, including better use of technology, diversifying product lines, and alternate distribution models.

As Tameer Bank explored its options, it grew interested in digital financial service models in Kenya and the Philippines, which were gaining traction and success. It turned to CGAP for assistance.

“At first, Easypaisa was not available and so a person had to go to the bank which could be far away to transfer money and while going to the bank, people in cars can snatch your money from you, but Easypaisa is near your home and a safer and easier option than a bank.”

— Easypaisa Customer



“There is a huge line for paying bills at the bank and it takes barely five minutes on Easypaisa.”

— Easypaisa Customer

*Renamed Telenor Bank

How CGAP Helped

CGAP's global knowledge and cutting-edge research provided a resource for Tameer Bank to draw upon as it started to rethink its operations. This coincided with CGAP launching a grant facility aimed at providing support for promising organizations willing to test innovative ideas. CGAP made a US\$1.4 million grant to Tameer in 2007 and provided its management with the technical assistance needed to explore technology-based approaches to financial service delivery. The grant also enabled Tameer Bank to fund a branchless banking pilot in Pakistan.

For CGAP, the partnership allowed it to field test the power of a business model based on agents, mobile phones, and wireless technology as a means to accelerate financial inclusion. Tameer Bank's strong management team and willingness to test new ideas made for a good fit. By collaborating with CGAP, Tameer Bank was able to draw on a wider range of CGAP resources including:

- Global knowledge over what works to stimulate financial inclusion, not only in Pakistan but also in other countries.
- Deep understanding of the Pakistani market from CGAP's in-country knowledge and its ability to leverage relationships with policy makers and regulators.
- Industry connections that enable CGAP to act as an honest broker and crowd in potential partners to find solutions for challenges Tameer was facing.

As the bank embraced a strategic shift toward digital finance, Tameer became a more attractive investment candidate. Testing branchless banking with CGAP assistance, Tameer got to know and begin a relationship with Telenor, a Norwegian mobile network operator active in Pakistan, which recapitalized Tameer by buying a 51% stake in 2009 and later fully acquired the bank. With its ready-made network of airtime retailers who could serve as agents, Telenor proved a strong partner for Tameer to accelerate and experiment with a branchless banking business model, reaching customers directly through mobile phones.

Armed with a new business plan, fresh capital and a strategic partner, the stage was set for creating the mobile money platform Easypaisa. Together Tameer and Telenor pooled their resources to launch a product that is revolutionizing digital finance in Pakistan.

Regulatory Framework Reworked

Pakistan had no rules covering mobile agent networks. Its 2008 banking regulation required non-bank providers to partner with a bank before they could start operating commercially, which meant meeting strict capital standards and reporting requirements. While Telenor's injection of funds had solved Tameer's capitalization problems, more had to be done to clear the ground for an innovative form of banking. Here's where CGAP's well-developed relationships with the State Bank of Pakistan came into play. CGAP shared its in-depth country analysis on branchless banking with the central bank, and the State Bank's governor at the time, Dr. Shamshad Akhtar, saw the diagnostic as a launching point to push for a new regulatory framework in 2007 and 2008 to allow for digital financial services and branchless banking more broadly.

“CGAP's global knowledge plus its credibility with regulators were critical to creating the conditions needed for Telenor to acquire Tameer and drive Easypaisa's growth, which has had far reaching socio-economic impact across Pakistan.”

— Tine Wollebekk, Senior Vice President,
Telenor Financial Services

The Results

Easypaisa was launched in 2009, providing a digital finance service across Pakistan through mobile phones and remote agents. Today, it has 7.5 million registered accounts and more than 7 million unique over-the-counter users. Easypaisa channels almost a billion and a half rupees (approximately US\$14 million) per day and serves as the largest branchless banking offering in Pakistan. The structures and procedures developed for its launch have become an industry standard, and more players have ridden the rails of Easypaisa's success to enter the Pakistan market, bringing more services and greater competition. Access to financial services in Pakistan nearly doubled in just seven years, increasing from 12% in 2008 to 23% in 2015 according to the State Bank of Pakistan.

Easypaisa's story continues to inspire regulators and providers in other countries seeking digital solutions to financial inclusion.

By working collaboratively and acting as a knowledge broker and neutral, responsible adviser, CGAP played an important role in fostering change and opening up the marketplace in Pakistan to an innovative form of financial services. It helped bring together the public and private sector to find common ground, enabling Tameer Bank, Telenor and the State Bank of Pakistan to remake the financial landscape in Pakistan and break down barriers to financial inclusion for the poorest people.



Timeline

2005

- Tameer launches a bricks-and-mortar microfinance bank.

2007

- Tameer senior management team recognizes the bank's financial troubles as the default rate spikes to 25% and begins exploring other banking models, including digital services.
- CGAP selects Tameer for its global grant-based program to test digital technology delivery.

2008

- CGAP grant creates momentum for Tameer to enter into serious negotiations with a number of potential distribution partners, including Telenor, a Norwegian mobile network operator active in Pakistan.

2009

- Telenor recapitalizes Tameer by purchasing 51% of shares.
- Telenor's investment paves the way for Tameer to launch Easypaisa.

2015

- Easypaisa holds 64% of all branchless banking accounts in Pakistan, accounts for approximately 50% of both volume and value of total branchless banking transactions, and employs 33% of all active agents in the country (State Bank of Pakistan).

Present

- Easypaisa today accounts for roughly half of all digital finance transactions in Pakistan, is a recognized national brand, and is the point of reference in the market.
- Tameer Bank is renamed Telenor Bank.

CGAP Members



“Tameer was a small vulnerable startup. An early set of innovative ideas and a grant from CGAP gave Tameer the chance to experiment with branchless banking and mobile technology. This prepared us for a new partnership that gave us the know-how to attract Telenor as an anchor investor to create Easypaisa. CGAP bet on Tameer early and the combination of ideas and resources helped Tameer change the landscape of banking in Pakistan.”

— Nadeem Hussain, founder of Tameer Bank



www.cgap.org

www.microfinancegateway.org

About CGAP

The Consultative Group to Assist the Poor (CGAP) is a global partnership of over 30 leading organizations that seek to advance financial inclusion. CGAP develops innovative solutions through practical research and active engagement with financial service providers, policy makers and funders to enable approaches at scale. Housed at the World Bank, CGAP combines a pragmatic approach to responsible market development with an evidence-based advocacy platform to increase access to the financial services the poor need to improve their lives. Our mission is to improve the lives of poor people by spurring innovations and advancing knowledge and solutions that promote responsible, sustainable, inclusive financial markets.