



**Proceedings of ADFIMI-WB-ZTBL Joint Regional Seminar
on**

**FINANCIAL INCLUSION STRATEGIES
IN SOUTH ASIA:
METHODOLOGY AND PERSPECTIVES**

**Marriott Hotel, Islamabad, Pakistan
28 - 29 March, 2017**

Supporting Institutions



ADFIMI-WB-ZTBL Regional Seminar

“Financial Inclusion Strategies in South Asia: Methodology and Perspectives”

Islamabad, Pakistan

28-29
March
2017

Marriott Hotel

Background:

Fighting poverty is the major agenda item of several Development Banks including the World Bank. IDB's motto "providing resources, fighting poverty, restoring dignity" openly declares this objective.

Financial inclusion is considered to be a major instrument in fighting poverty and Micro Finance together with Micro Takaful is considered as a major tool for financial inclusion.

Financial inclusion is an important thrust in development by ensuring that every economic activity, geographical region and segment of society have access to financial services. Financial inclusion would also include the general public having access to financing, financial services, financial redress and financial information.

Initiatives are needed to be continuously undertaken to ensure that individuals and viable businesses have adequate access to financing. In particular, comprehensive mechanisms are needed to ensure small and medium enterprises have continued access to financing. These include establishing institutional arrangements, strengthening financial service providers, developing a microfinance institutional framework, establishing special funds and financing schemes, and improving outreach and awareness.

ADFIMI, by organizing a two-day workshop on "Financial Inclusion Strategies in South Asia: Methodology and Perspectives" jointly with Zarai Taraqiati Bank Limited on 28 – 29 March 2017 at the Marriott Hotel, Islamabad, Pakistan, tries to make a humble contribution to the Financial inclusion process.

Objectives:

This ADFIMI Regional Seminar will review the importance and status of the financial inclusion in the World as well as in South Asia in terms of conventional and Islamic Finance.

The objective of the seminar is to create an awareness of the importance of financial inclusion, to review the state of financial inclusion in South Asia and study the good practices in conventional and Islamic Microfinance and Micro Takaful application in South Asia Region.



Mr. Mehmet Emin Özcan
ADFIMI CHAIRMAN
Vice Chairman of Vakıfbank Turkey



Prof. Dr. Zamir Iqbal,
Head of the World Bank
Global Islamic Finance Development Centre, Istanbul



Mr. Syed Talat Mahmood
PRESIDENT, Zarai Taraqiati Bank Ltd. (ZTBL),
Pakistan



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ORGANIZERS

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Mr. Mehmet Emin Özcan
(ADFIMI CHAIRMAN)
Vice Chairman of VakıfBank Turkey

Mehmet Emin Özcan was born in 1960 in Beytüşşebap. He graduated from Ankara University, Faculty of Political Sciences, Department of Economics and Finance in 1982. Mr. Özcan began his professional career on January 1, 1983 at Türkiye İş Bankası A.Ş. as Assistant Auditor. Subsequently, he assumed various managerial responsibilities at Albaraka Türk Katılım Bankası A.Ş. He was Executive Member of the Board of Directors of Halk Bankası A.Ş. between March 2003 and April 2005. At the same time, he assumed duties as Member of the Board of Directors at DemirHalk Bank/Netherlands, Halk Yatırım Menkul Değerler A.Ş. and Halk Finansal Kiralama A.Ş. He served as Member of the Board of Directors of T.C. Ziraat Bankası A.Ş. in charge of auditing between April 2005 and May 2010. He also assumed duties at various subsidiaries of T.C. Ziraat Bankası A.Ş. (Ziraat Bank Bosnia ddSarajevo, Kazakhstan Ziraat International BankAlmaty, Ziraat Bank International AG- Frankfurt, AzerTürk Bank -Baku) as Chairman/Member of the Board of Directors. He served as Vice Chairman of the Board of Directors of Türkiye Halk Bankası A.Ş. from April 2010 to March 2013. He was also Member of the Board of Directors of Demir-Halk Bank/Rotterdam/ Netherlands. Mr. Özcan became a Member of the Board of Directors of VakıfBank on March 29, 2013 and currently serves as Vice Chairman of the Board of Directors. At the same time, he is a member of the Audit Committee and Credit Committee. He is the Chairman of the Board of Directors of VakıfBank International AG Wien, a subsidiary of VakıfBank. Mr. Özcan is married with three children.



Prof. Dr. Zamir Iqbal
Head of the World Bank
Global Islamic Finance Development
Centre, Istanbul

Lead Financial Sector Specialist at the Finance and Markets Global Practice of the World Bank. He heads the World Bank Global Islamic Finance Development Center in Istanbul. He has more than 25 years of experience of risk management, capital markets, asset management, and financial sector at the World Bank. Islamic finance is his research focus and he has co-authored several articles and books on Islamic finance on the topics of banking risk, financial inclusion, economic development, financial stability, and risk-sharing. His co-edited book, "Economic Development and Islamic Finance" was published by the World Bank in 2013. He earned his Ph. D. in international finance from the George Washington University and serves as Professional faculty at Carey Business School of Johns



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Mr. Syed Talat Mahmood
President, Zarai Taraqiati Bank Ltd. (ZTBL),
Pakistan

Syed Talat Mahmood has over 40 years of diversified Local & International Banking experience in Marketing, Corporate Credit & Finance, Special Assets Management and revival of sick Industrial units. After graduating from Government College Lahore joined UBL as a young manager in 1972 where he rendered his services for 28 years. He remained Head Special Asset Management and Head Operations in U.A.E. before retirement. Afterwards he served in ABN-AMRO / Royal Bank of Scotland, Dubai, UAE/ Abu Dhabi Commercial Bank from 2005 to 2011 as Head Overseas Investment from Pakistan, Head Marketing and Internal Audit. In 2012, he joined as CEO of Punjab Provincial Cooperative Bank Ltd, bringing about profound changes in the way of doing business.

In May 2014, he was appointed as CEO/President Zarai Taraqiati Bank Limited where his headship brought about a paradigm shift in working of this public sector entity. The deposit, recovery and disbursement saw a huge increase. Outreach was further expanded to enhance the financial inclusion of the poor for which the Bank was awarded "Plaque of Merit" by ADFIAP in Vietnam in year 2015 & Bank got the same for Dissemination of Agriculture Technology in year 2016. In same year, ZTBL also received Karlsruhe Development Finance Award, in Germa-



ZTBL

**Schedule of ADFIMI-WB-ZTBL Regional Seminar on
“Financial Inclusion Strategies in South Asia:
Methodology and Perspectives”,
Islamabad, Pakistan, 28-29 March 2017.**

Day 1 (28 March 2017, Tuesday)	
Time	Topics
08:30 – 09.00	<i>Reception and Registration</i>
09.00 – 09.40	<p>Opening and Welcoming Remarks</p> <ul style="list-style-type: none"> • Opening Remarks: <i>Mr. Nuri Birtek, Secretary General, ADFIMI</i> • Opening Remarks: <i>Prof. Dr. Zamir Iqbal, Head of World Bank Global Islamic Finance Development Center</i> • Guest of Honor: <i>Mr. Rashid Zahir, former CEO of Saudi-Pak Holding and former Chairman of ADFIMI</i>
09.40 – 10.15	<ul style="list-style-type: none"> • Keynote Address: <i>Syed Talat Mahmood, President/CEO, Zarai Taraqati Bank Limited, Pakistan</i>
10.15 – 11.30	<p>Overview Session: <u>Sustainable Development Goals and Financial Inclusion</u></p> <p><u>Speakers:</u></p> <ol style="list-style-type: none"> 1. Mr. Mazhar Hussian, Senior Researcher, SESRIC
11.30 – 11.45	<i>Coffee Break</i>
11.45 – 13.00	<p>Session I: <u>Why Financial Inclusion Matters / Significance of Financial Inclusion</u></p> <p><u>Speakers:</u></p> <ol style="list-style-type: none"> 1. Mr. Sarmad Shaikh, World Bank 2. Mr. Imran Ahmed, Additional Director, State Bank of Pakistan
13.00 - 14.15	<i>Luncheon</i>
14.15 – 15.30	<p>Session II: <u>Current State of Financial Inclusion in South Asia</u></p> <p><u>Speaker:</u></p> <p>Prof. Dr. Nasim Shah Shirazi, Lead Economist, IRTI, IDB</p>
15.30 – 15.45	<i>Coffee Break</i>
15.45 – 17.00	<p>Session III: <u>Experience of Micro-Finance in Enhancing Financial Inclusion in South Asia: Case Studies</u></p> <p><u>Speakers:</u></p> <ol style="list-style-type: none"> 1. Pakistan – <i>Mr. Shahid Mustafa, CEO, Pakistan Microfinance Investment Company (PMIC)</i> 2. Bangladesh – <i>Mr. Ezazul Islam, Deputy General Manager, Bangladesh Bank</i>
17.00	<i>Closing of the 1st Day</i>

Day 2 (29 March 2017, Wednesday)	
Time	Topics
08:30 – 09.00	<i>Morning Coffee</i>
09.00 – 09.30	Keynote Address <i>Mr. Zubyr Soomro, Chairman, Pakistan Microfinance Investment Company (PMIC)</i>
09.30 – 10.30	Session IV: <u>Potential Role of Islamic Finance in Financial Inclusion</u> <u>Speaker:</u> <i>Prof. Dr. Zamir Iqbal, World Bank Global Islamic Finance Development Center</i>
10.30 – 11.00	<i>Coffee Break</i>
11.00 – 12.15	Session V: <u>Current State of Islamic Micro Finance in South Asia</u> <u>Speakers:</u> <i>Prof. Dr. Nasim Shah Shirazi, Lead Economist, IRTI, IDB</i> <i>Mr. Ahmed Ali Siddiqui, Senior Executive Vice President/Head of Shariah Department, Meezan Bank, Karachi, Pakistan</i> <i>Dr. Mamunur Rashid, University of Nottingham-Malaysia Campus (on video conference)</i>
12.15 - 14.00	<i>Luncheon</i>
14.00 – 15.15	Session VI: <u>Case Studies & Country Experiences</u> <u>Speakers:</u> 1. Pakistan – <i>Mr. Syed Hussain Haider, Chief Strategic Officer, Akhuwat, Pakistan</i> 2. Afghanistan – <i>Dr. Shafiullah Jan, Institute of Management Sciences, Peshawar, Pakistan</i>
15.15 – 15.30	<i>Coffee Break</i>
15.30 – 16.45	Session VII: <u>Role of Insurance including Takaful in Enhancing Financial Inclusion</u> <u>Speakers:</u> <i>Mr. Fatih Kazan, World Bank Global Islamic Finance Development Center</i> <i>Mr. Pervaiz Ahmed, Takaful Expert / Director, Al- Meezan Investment Management Company Pvt. Limited</i>
16.45 – 17.00	<i>Closing Remarks , End of Event</i>

IRTI

ISLAMIC RESEARCH AND TRAINING INSTITUTE (IRTI)

The Islamic Research and Training Institute (IRTI) is an independent member of the Islamic Development Bank Group, a multilateral development finance institution. IRTI is responsible for leading the development and sustenance of a dynamic and comprehensive Islamic Financial Services Industry that supports socio-economic development in 57 IDB-member countries. The Institute undertakes cutting edge applied and policy research as well as capacity building activities in the field of Islamic economics and finance.

IRTI is active in: Research and Publications; Training, Capacity Building and Policy Dialogue; Advisory and Consulting; Education and Learning Programs; Knowledge Promotion, Dissemination and Encouragement Programs.

IRTI has been shaping the development of Islamic economics and finance since its inception in 1983. IRTI engages with individuals, universities, financial institutions, professional associations, financial sector regulatory organizations, standard setters, and governments to build a better socio-economic future.

IRTI's Contact Details:

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SESRIC

The Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC), was founded as a subsidiary organ of the Organisation of Islamic Cooperation (OIC) in pursuance of Resolution No. 2/8-E adopted by the Eighth Islamic Conference of Foreign Ministers (ICFM), held in Tripoli in May 1977. The Centre started its activities in Ankara on 1 June 1978.

The basic mandate drawn up for SESRIC is threefold: to collate, process and disseminate socio-economic statistics and information on and for the utilisation of the member countries; to study and evaluate the economic and social developments in the member countries to help generate proposals that will initiate and enhance co-operation among them, and to organise training programmes in selected fields geared to the needs of the member countries as well as to the general objectives of the OIC.

Within the framework of its field of specialisation, in the common effort towards the realisation of the noble objectives of the OIC, the Ankara Centre is increasingly solicited to put its accumulated experience and acquired know-how at the service of the Organisation and its member countries as reflected in the ever-expanding scope of activities it carries out.

SESRIC Contact Details:

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Info on Organizers

ADFIMI

Established in 1986, ADFIMI, Association of National Development Finance Institutions in Member Countries of Islamic Development Bank, is an international non-profit association serving around 50 members in 19 countries with headquarters in Istanbul. The main objective of ADFIMI is to establish networking and solidarity among its members and capacity building of its member institutions. In this context, ADFIMI organizes seminars / workshops / conferences for its members in various cities in its region (like Istanbul, Karachi, Kuala Lumpur, Amman, Tehran, Baku, Cairo, Ouagadougou, Asghabat, Beirut, Dakar, Sarajevo, Prishtina, Lome, Dushanbe, Damascus, Khartoum, Dhaka, Girne, Islamabad, Kuwait City, Antalya, Tirana, Kampala, Dubai, Almaty, Maldives, Muscat, Tunis).

ADFIMI aspires to be "a forum for development".

ADFIMI's Contact Details:

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THE WORLD BANK

The World Bank Group plays a key role in the global effort to end extreme poverty and boost shared prosperity. It consists of five institutions: the World Bank, including the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the International Centre for Settlement of Investment Disputes (ICSID). Working together in more than 100 countries, these institutions provide financing, advice, and other solutions that enable countries to address the most urgent challenges of development. For more information, please visit www.worldbank.org, www.miga.org, and ifc.org.

WB's Contact Details:

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ZTBL

Agriculture Development Bank of Pakistan (ADBP), the predecessor of Zarai Taraqiati Bank Limited (ZTBL), was established in 1961 to provide credit to the agriculturists and small cottage industries. ADBP was converted into ZTBL as a public limited company under the Companies Ordinance 1984 in October 2002. The Bank made significant contribution in providing credit to farming community and landless rural poor through its mobile credit delivery mechanism. The Bank emerged as single largest institution in Pakistan for supply of agricultural credit and transfer of agricultural technologies through its 460 branches stretched all over the country.

ZTBL has a historical and proven pivotal role in bringing about green revolution in the country. It has always laid emphasis on dissemination of technology to farmers. It imported various new agriculture machines like combine harvesters and drip sprinklers which were indigenized by local manufactures in the country thereby making it easily available at affordable rates for common farmer. Fruit juices, Dairy Farms, Poultry breeding, fruit bottling plants, dairy farms, embryo transfer technologies, sugar mills and oil mills are some of the areas where financing was undertaken by the Bank. Introduction of milk pasteurization technology, potato chips technology and combine harvesters in the decade of 80's & 90's in the country are some of the historic hallmark contributions of the Bank to the economy.

It serves approximately 0.358 million farm families annually. Its financial products range from the basic credit facility for seeds, fertilizer, tube well, tractor, harvester and other attachments, to the loans for latest technologies of Solar Tube Well, Biogas Units, Covered Horticulture, Hay packing Units, Vegetable/Fruit Dryers and Milk Chillers.

It also concentrated its lending towards the provision of more credit for livestock, dairy farming, poultry farming, fish farming, small go downs for self-storage, cut flower production and camel-rearing. It has also introduced special financing schemes for women, warehouse receipt financing schemes and financing for service providers/crop production companies. During 2016, the Bank disbursed an amount of 92,847 million Rupees and is playing a pivotal role in agriculture development of the country.

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PROCEEDINGS

DAY 1: 28 March 2017

Inaugural Speech by Mr. Nuri Birtek, Secretary General, ADFIMI



In the name of Allah, the most beneficent, the most merciful Syed Talat Mahmood, President ZTBL, Professor Dr. Zamir Iqbal, Head of World Bank Global Islamic Finance Development Center, Mr. Rashid Zahir, Former Chairman of ADFIMI, distinguished guests, distinguished speakers, distinguished participants, ladies and gentlemen....

Assalam o' Alaikum!

I am grateful to Allah Almighty to make me able to be in this beautiful capital of Pakistan, Islamabad. Pakistan has a very distinguished status amongst the Muslim countries.

It has been a long time since ADFIMI organized any meeting in Pakistan despite of the fact that we attempted many times to arrange such meeting but could not make it possible. Having met personally with Syed Talat Mahmood in Doha, Qatar last year on the occasion of ADFIMI's annual forum, I was able to approach him to fulfill my strongest ambition to hold a meeting in Pakistan and I am grateful to him for facilitating in arranging such occasion. I am equally grateful to Professor Muhammad Zamir Iqbal who advised us on the content as well as on speakers for this seminar. He needs no introduction especially to the financial community in Pakistan. He is among the leading economists on Islamic Finance specially related to financial inclusion.

Founded in 1987, ADFIMI stands for Association of Development Finance Institutions in Member Countries of Islamic Development Bank. ADFIMI is an

international non-profit association serving around 50 members in 19 countries with headquarters in Istanbul. The main objective of ADFIMI is to establish networking and solidarity among its members and capacity building of its member institutions. In its 25 years of existence, ADFIMI has trained over 2500 executives and directors from development finance institutions. ADFIMI aspires to be “A Forum for Development”. ADFIMI organized a Joint Training Workshop on ‘Corporate Governance and Internal Audit’ in collaboration with CIBFM and SESRIC, in Brunei Darassalam on 11-13 October 2016. Last year, ADFIMI Development Forum 2016 on Developmental Central Banking: Issues, Prospects and Challenges was organized under the auspices of Qatar Central Bank in Doha, Qatar on 25-26 April 2016. ADFIMI organized a Joint Regional Seminar on “SME DEVELOPMENT” in collaboration with Oman Development Bank held under the patronage of H.E. Dr. Ali bin Masoud Al Sunaidy, Minister of Commerce and Industry in Muscat, Oman, on 13-15 February 2017. ADFIMI also organized CEO Seminar on 'Status and Future of Financial Inclusion in South East Asia' in collaboration with IDB in Jakarta – Indonesia on 17 may, 2016.

The upcoming events of ADFIMI includes IDB-WB-SDGCA-WSF-ADFIMI Joint Panel on “SDG Financing: Enhancing the Role of National and Regional Development Finance Institutions”, in Jeddah, KSA, on 16 May 2017. Presently we have three members from Pakistan and we wish the membership increases in future. Pakistan is very active member of ADFIMI as on an instance the Chairman of ADFIMI was from Pakistan. I hope that this seminar would be a way for Pakistan to be a more active member of ADFIMI in future and I hope that this event will encourage other Pakistani DFIs to become active members of ADFIMI and get benefit of its activities and learn from the experiences of other member institutes.

I would like to express my thanks and appreciation to Mr. Farhat Karim Hashmi, Executive Vice President of ZTBL for organizing and I would also like to thank Miss Abida Razzaq Vice President ZTBL for coordinating the seminar on behalf of Zarai Taraqiati Bank Limited. I am also very grateful to all the distinguished guests and participants for joining this seminar and I hope that this seminar will fulfill your expectations and will provide you experience. Thank you



Opening Remarks by Prof. Dr. Zamir Iqbal, Head of World Bank Global Islamic Finance Development Center

Thank you very much Mr. Hashmi, it's my pleasure to be here. First of all, I would like to thank Zarai Taraqiati Bank and ADFIMI to collaborate with World Bank on this very important topic. As you know that financial inclusion has become very important component of economic development so the World Bank has two Goals. Its first goal is to eradicate poverty from the world and its 2nd Goal is to enhance prosperity. So in order to achieve these goals, financial Inclusion is very important component. I also had the pleasure of working with World Bank and Pakistan, when they were setting up national strategy on financial inclusion in Pakistan. So it was a very pleasant experience in understanding that how much inclusion could contribute to economic development. As far as financial inclusion is concerned, when the head of World Bank came on board, he undertook a new initiative for universal access to finance because he felt that access to finance is a big impediment towards the development and if we are able to provide access to finance to those people who are able to work and become entrepreneur but do not have access to finance. So for him it became a high priority and the World Bank undertook this initiative and the objective was to achieve 100 percent access to finance in some form. It could be either in the form of having a bank account or having access to ATM so the objective is to have access to finance by the year 2020. As I hope that we succeed in that particular objective. Now many people think that inclusion only means giving money to poor or may be accelerated by microfinance. This is not the right approach. But more realization is needed to get access to SMEs which are small medium enterprises and these SMEs have many obstacles, hurdles and impediments in getting finances. Many of these SMEs do not have collateral so nobody is willing to give them finances. Therefore, more and more Research is

indicating that access to finance particularly to SME sector is most important because SMEs are considered as an engine to the growth. If you are able to provide finances to the SME, it can really go long in contribution to economic growth. Now looking at South Asia, inclusion has significant importance. Access to finance has many problems in South Asia. I will discuss these things later in my presentation. Thank you so much for your attention. I look forward to you over the next two days.



I hope that we learn from each other.

Opening Remarks by Mr. Rashid Zahir, Former Chairman, ADFIMI

I am grateful to Mr. Nuri Birttek for inviting me to the inaugural session of the seminar. My association with ADFIMI is long and pleasant. I remember ADFIMI was very good in organizing and planning trainings, seminars and workshops. It has started many study courses for executives in the field of finance. I am glad to see that ADFIMI has come after long way and it has now got experience and has become mature organization. In order to achieve what you want to achieve you have to work hard consistently and honestly. You should promote the interest of your country; you should take care of your attitude. One thing that is most important is that you should have firm belief in your capacity to rise and leave the rest to destiny. I am very thankful to brother Nuri and I wish the guests, participants and sponsor the best. Thank you.

Keynote Address: Syed Talat Mahmood, President/CEO, Zarai Taraqiati Bank Limited, Pakistan



Honorable Chief Guest Mr. Nuri Birtek, the Secretary General of ADFIMI, Honorable Mr. Zamir Iqbal, Head World Bank Turkey, Our esteemed experts/guests from overseas Distinguished CEO, Colleagues, Ladies and Gentlemen

Assalam-O-Alaikum and Good Morning,

I extend very warm welcome to all the participants in today's International Seminar on *Financial Inclusion Strategies in South Asia; Methodology and Perspectives* here in Islamabad. I am particularly grateful to our international speakers who have taken out the time to travel long distance to attend this seminar, and share their knowledge and insights with us on the topic which is crucial for regional developing economies.

I would like to express my special gratitude to our Chief Guest Mr. Rashid Zahir for gracing the occasion and the efforts of Mr. Nuri Birtek for taking this initiative and making this seminar to happen.

Ladies and Gentlemen

Financial inclusion occupies the pivotal place especially for the developing economies as it not only provides the platform for gauging the per capita potential required for its integration to more progressive stages of development in any economy, by broadening the base of financial sector services, but also provides leverage to funds flow through banking channels.

Since early 1990's Pakistan's financial services sector has undergone considerable reforms that have significantly strengthened its soundness, profitability, efficiency and diversity.

Pakistan over a last decade under the leadership of State Bank of Pakistan have achieved significant milestones which include; a series of measures to strengthen the safety and efficiency of payments through establishment of Pakistan Interbank Settlement System (PRISM), adoption of Branchless Banking, the adoption of tiered approach to know your customer (KYC), the launch of nationwide financial literacy program during the year 2012 and work on an inclusion, stability, Integrity and protection (I-SIP) methodology during the year 2014. Government of Pakistan along with State Bank of Pakistan have also sponsored number of guarantee facilities and subsidized lending schemes aimed at encouraging financial inclusion to the underserved. Pakistan's efforts in this regard have been recognized internationally as Pakistan was ranked in the top ten for its enabling environment for financial inclusion in the Global Microscope for the year 2014.

Despite these sustained efforts the level of financial inclusion remains very low in Pakistan. Just 10.3% of Pakistani adults have an account with formal financial institution, well below both the South Asian average of 33% and the average for all lower middle income countries of 41.4%. 51% of adults use neither formal nor informal products while 36% of adults save, only 4% saves with a formal financial institution. Similarly while one third of adults borrow money, only 3% borrow from a formal financial institution.

The use of mobile money is growing rapidly but is still limited to 11% of males and 3% of females. Insurance coverage is estimated at 7% and only an estimated 7% of adults have a formal pension. The financially included are overwhelmingly male (86%) and pre dominantly urban (68%).

The stated vision for financial inclusion in Pakistan States “*Individuals and firms can access and use a range of quality payments, savings, credit and insurance services which meet their needs with dignity and fairness*”

A set of cross cutting conditions – may name as Key Enablers – are required to put in place forming the very foundations for implementing this vision. These key enablers will accordingly be;

1. Public and Private Sector Commitment and Coordination

To;

- Ensure that the critical legal reforms are finalized in timely manner
- Actively foster the opening and use of DTAs (Digitally Transaction Accounts) by shifting its own payments streams, including social payments, payroll and procurement and revenue collection, to electronic platforms
- Ensure that initiatives such as subsidized loans, credit guarantees and saving schemes and direct provision of financial services are only deployed based on a continuous assessment of their effectiveness and only when necessary to address market failures without introducing distortions, competition with or dis-incentives to commercially driven providers.
- Actively support and participate in initiatives to strengthen financial capability and awareness and to improve business skills and capacity of women, MSMEs and small farmers.

2. *Enabling legal and regulatory environment*

To;

- Access the current geographic distribution of financial services access points, identify gaps against demand for services and design regulations accordingly. The mapping could provide important information for private sector investment in geographic expansion and if needed, for the design of policies to encourage investment in less commercially attractive areas.
- Pass and implementation of a secured transactions law and credit bureau law aligned with international best practices.
- Improve legal framework to ensure effectiveness of both judicial and extrajudicial collateral enforcement including mortgage security.
- Reformulate the mandatory and voluntary pension mandates in line with an integrated national pension framework to provide adequate fair and sustainable pension system.

3. *Adequate supervisory and judiciary capacity.*

To;

- Improve institutional capacity, particularly of banking courts, so they can provide timely effective and predictable contract enforcement that balances creditors and debtor's rights.

4. *Financial payments and information and communication technology infrastructure.*

To;

- Expand the scope of private credit bureaus to include positive credit information and alternate financial information such as bill payment history.
- Strengthen payment platforms by better integrating branchless banking, implementing a real time funds transfer system.
- Building up of a fully automated, electronic moveable collateral registry that is easily and remotely accessible and affordable.
- To achieve rapid and substantial expansion in DTA accounts including transfer to farmers.

In addition to above there is further need for launching of awareness and education programs for all age groups of society covering the role and importance of financial services such as digital payments/banking, insurance, different types of credit and other banking and financing services specifically targeting MSMEs, women and small farmers including Islamic finance as well. This is anticipated to help a great deal for capacity building and develop the expertise of service providers in MSMEs and agriculture finance particularly in the use of alternative business models such as value chain finance, contract farming, warehouse receipt finance, program lending, women focused banking and financing services, cash based lending and provision of non-financial supporting services.

Another important area needing further analysis is how to best address the gender gap in access to finance, the barriers faced by each population segment based on different age group.

Knowing which financial tools are priorities for individuals and MSMEs (including small farmers), how such tools would impact their lives and operations and which measures would be most effective to bridge the financial inclusion gap is another wanting area needing immediate addressal.

Distinguished Guests

I hope this seminar has provided us with the opportunity to establish close interaction among the regional economies and will enable us to further explore the opportunities and possibilities for harnessing better prospects and methodologies resulting in development of synergies for financial inclusion, finding common ground, learning from each other's experiences.

Ladies & Gentlemen

I wish you all a pleasant participation in this seminar and hope that this experience will invigorate the spirit of transformation that challenges the conventional beliefs and fosters innovative thinking.

Thank you all the guests and speakers and participants.

Seminar Proceedings

Overview Session: **Sustainable Development Goals and Financial Inclusion**

Speaker:

Mr. Mazhar Hussian, Senior Researcher, SESRIC

Moderator:

Mr. Farhat Karim Hashmi, Executive Vice President, Zarai Taraqati Bank Limited.

The first session was moderated by Mr. Farhat Karim Hashmi, Executive Vice President of ZTBL and convener of the event. The first speaker of the session was **Mr. Mazhar Hussain**, Senior Researcher/ Economist at SESRIC from Ankara, Turkey. His presentation was on “Financial Inclusion in OIC Member Countries”. He said that for most people, having a formal account serves as an entry point into the formal financial sector. A formal account makes it easier to transfer wages, remittances, and government payments. It can also encourage savings and access to credit. However, many people in developing countries, including those in OIC membership, rely on alternatives to formal accounts. Account penetration among the adult population varies greatly across OIC MCs. For 2014, only 2% of adults in Turkmenistan have an account with a financial institution compared to 92% in Iran. On average 67% adults in OIC don’t have account. Moreover, he said that financial inclusion also differs in important ways by individual characteristics such as gender, education level, age, and rural or urban residence. He remarked that responses to Global Findex survey also provide indicative, if not causal, insights into where policy makers in OIC countries can focus on in minimizing, if not eliminating, barriers to financial access. Latest COMCEC report provides a comprehensive analysis of major barriers, institutional arrangements along with a detailed roadmap for tackling financial exclusion across the OIC countries.

This report classifies OIC MCs into three clusters based on their credit penetration (Domestic credit to private sector as % of GDP), wealth per capita (Gross national income per capita) as well as account penetration (Account at a formal financial institution (%age 15+)). He identified the Barriers to Financial inclusion and gave a roadmap to Improve Financial Inclusion like Positioning financial inclusion as part of the local government’s agenda, Increasing financial literacy through government-led programmes, Replacing cash with non-cash

methods, Investing in legal and financial infrastructure, Promoting microfinance to introduce “lending” culture, and Increasing financial capabilities.

Session I: Why Financial Inclusion Matters/ Significance of Financial Inclusion

Speakers:

1. **Mr. Sarmad Shaikh**, World Bank
2. **Mr. Imran Ahmed**, Additional Director, State Bank of Pakistan

Moderator:

Mr. Farhat Karim Hashmi, Executive Vice President, Zarai Taraqiati Bank Limited.

The first speaker of the session was **Mr. Sarmad Sheik**, Financial Sector Specialist at World Bank. His presentation was on the importance of financial inclusion. He said that there is a strong linkage of financial inclusion to Twin Goals (Poverty Reduction and Income Effects). 38-56% increase in productive investment and 37% higher personal expenditures as a result of access to a basic savings account in Kenya, for women informal business owners. Branch expansion into rural unbanked locations in India significantly reduced rural poverty, and is linked to increased savings and credit (1977-1990 Harvard study). He said that Digitization of financial services gives significant cost savings, revenue, and transparency. Moreover, Access to financial services enables consumption smoothing, risk management, investment in education, health, enterprises. Ensuring that everyone has access to a transaction or deposit account is a critical stepping stone for achieving broader universal financial inclusion. 25 priority countries account for 73% of world’s unbanked adults while Pakistan accounts for 5.2% of the world’s unbanked adults. Over 50 countries have set national commitments and targets for financial access/inclusion. Pakistan’s National Financial Inclusion Strategy sets out the national vision and roadmap to accelerate financial inclusion. He concluded his presentation by giving Vision for Financial Inclusion in Pakistan.

The next speaker of the session was **Mr. Imran Ahmad**, Additional Director, State Bank of Pakistan. His presentation was on “Financial Inclusion and SMEs Steps taken by the State Bank”. While explaining National Vision and Targets regarding national financial inclusion strategy, he said that Individuals and firms can access and use a range of quality payments, savings, credit and insurance services which meet their needs with dignity and fairness. He explained the focus areas and coordination structure of the NFIS. He explained the developmental role of SMEs which includes Employment Opportunities (esp. new jobs), SMEs are Labs of Innovation, SMEs are promoters of Entrepreneurship, Mobilizing Domestic Savings, Social Development (Income Distribution and better quality of life),

Regional Development (heterogeneous nature of SMEs in each major region/hub/cluster), Creating an environment in which large firms flourish (forward & backward linkages) and Contributing to export earnings. Mr. Imran said that SBP Vision 2020 recognizes activities around the following Six Strategic Imperatives: Enhance the effectiveness of Monetary Policy, Strengthen the Financial System Stability regime, Improve the Efficiency, Effectiveness and Fairness of the Banking System, Increase Financial Inclusion (MSME, Agriculture, Housing, Islamic, Digital Payments, Pension), Develop modern and Robust Payments System and Strengthen SBP's organizational efficiency and effectiveness. He further elaborated SME Financing Trends, SBP Approach, Steps Taken by SBP and SME Financing Targets Mechanism. He concluded his speech by showing the achievements made through implementation of national financial inclusion strategy.

Session II: Current State of Financial Inclusion in South Asia

Speaker:

Prof. Dr. Nasim Shah Shirazi, Lead Economist, IRTI, IDB

Moderator:

Mr. Muhammad Rashid, Senior Vice President, Zarai Taraqati Bank Limited.

The first speaker of the session II was **Dr. Nasim Shah Shirazi**, Senior Economist, IRTI, Islamic Development Bank Saudi Arabia. His presentation was on "Current State of Financial Inclusion in South Asia". He started his speech by describing the state of financial inclusion in regional countries. According to facts and figures, the most advance country was Sri Lanka as the percentage of formal bank account, mobile account, adult literacy, ATMS (per 100,000 adults) and Commercial Bank Branches (per 100,000 adults) were highest as compared to other South Asian Countries. He said that other dimensions for progress towards financial inclusion include Regulatory Environment, Country Commitment and Adoption of Selected traditional and Digital Financial Services. Mr. Shirazi made a comparison of South Asia with other countries on the basis of parameters that included Internet access & use for payments, Wage Earners & How They Receive Wage Payments, Utility payers and how they make payments, How people send domestic remittances, How People Receive domestic remittance and Use of accounts for digital payments. So, according to reports, high income OECD countries were leading. He concluded his speech by throwing light on the importance of financial inclusion. He said that Literacy is most important for Financial Inclusion. The movement toward digital financial services will accelerate financial inclusion along with Encouraging people for making transaction (receipt & payments) through accounts. Central banks, ministries of finance, ministries of communications, banks, non-bank financial service providers, and mobile network operators have major roles in achieving

greater financial inclusion and should coordinate closely with respect to policy, regulatory, and technological advances.

Session III: Experience of Micro-Finance in Enhancing Financial Inclusion in South Asia: Case Studies

Speakers:

- **Pakistan – Mr. Shahid Mustafa**, CEO, Pakistan Microfinance Investment Company (PMIC)
- **Bangladesh – Mr. Ezazul Islam**, General Manager, Bangladesh Bank

Moderator:

- **Mr. Muhammad Rashid**, Senior Vice President, Zarai Taraqati Bank Limited.

The first speaker of the session III was **Mr. Shahid Mustafa**, Chief Executive Officer, Pakistan Microfinance Investment Company Limited (PMIC). His presentation was on “Financial Inclusion Strategies in South Asia”. He presented the Microfinance sector overview and explained the role of Pakistan Poverty Alleviation Fund (PPAF) in building this sector. He remarked that the next phase of growth in Pakistan’s microfinance sector requires substantial financial and technical support as un-served market of Pakistan is huge and Estimates suggest that it could be as large as 20.5 million borrowers. Then he gave a brief introduction of his Organization i.e. PMIC, its strategic objective and its benefits to Microfinance sector of Pakistan.

The second speaker of the session III was **Mr. Ezazul Islam**, General Manager, Bangladesh Bank. His presentation was on “Experience of Micro-Finance in Enhancing Financial Inclusion in Bangladesh”. He said that Microfinance has emerged an effective tool to enhance financial inclusion to meet SDGs. It remained the most vibrant and effective platform for expanding financial inclusion because vast of poor adult population, microenterprise, landless and marginal farmer are excluded in accessing financial services providing by the formal banking system. Most of the beneficiaries of microfinance sector would have remained financially excluded if there were no microfinance services. Therefore microfinance is considered as primary agent of financial inclusion whereas other financial sectors are mainly secondary agent.

While explaining the status of financial inclusion in Bangladesh, he said that Overall trend indicates that disbursement of microfinance is increasing overtime. Share of microfinance in private sector credit in the financial system is about 16 percent (as

of June 2016). NGO-MFI including Grameen Bank are main driver of Microfinance which constitute about 80 percent share in total volume of microfinance in Bangladesh (as of June 2016). Micro-insurance is one of the important products of financial services for microfinance borrower for financial inclusion.

It is emerging as policy tools to shield microfinance clients from accidents, illness and natural disasters in exchange of premium payment depending on needs, income and level of risk.

He further stated that the objectives of MI are: (a) protecting family from payment pressures in the event of death of borrower and (b) stopping the incremental loan default in the portfolio. Grameen Bank provides both life insurance and loan insurance facilities to their clients. Available data shows that they paid about BDT 316.5 million to 185,354 deceased borrowers from life insurance fund up to January 2017. Loan insurance balance stood at BDT 11.93 billion at the end of January 2017 under loan insurance scheme. Of this fund, about BTD 5.49 billion were paid as recoverable loan interest of 420,899 deceased borrowers. Mr. Ezazul Islam, while explaining the Trend in Islamic Microfinance in Bangladesh, said that presently, eight Islamic Banks operate through 1043 branches in Bangladesh. Three major Islamic banks (IBBL, AIBL and SIBL) are mainly involved in micro-finance operation to outreach poor people who are intentionally excluded from interest based financial services. The products are: Micro-investment, Micro-enterprise Investment, Quard-E-Hasana and Savings. While concluding his speech, he said that although much progress has been achieved in financial inclusion in Bangladesh, a large segment of poor people both in rural and urban areas, including women, are still excluded from financial services, which is a great challenge for policy makers and financial services providers. To meet the challenges, the government and BB have been trying to adopt a broad based enabling environment for inclusive finance framework with domestic stakeholders and development partners.





Day 2 (29 March 2017, Wednesday)

Keynote Address by Mr. Zubyr Soomro, Chairman-Pakistan Microfinance Investment Company (PMIC)



I am delighted to be here with you. As I have mentioned to Dr. Zamir that what I am trying to do is to leave you with thoughts on this overall subject of microfinance and financial inclusion and into the lessons of what Pakistan can do to other countries of the region. Mr. Zamir has asked me that what are the lessons what we can learn from the case study of Pakistan and my immediate reply was that India and Bangladesh are so far ahead of us. The number of borrowers in India and Bangladesh is around 30 million while in case of Pakistan it is around 4 million. But if we look at the rate, Pakistan is growing at a very fast rate. So the question comes in mind that what we can teach them in this case. If u look behind then you will find some reasons and factors that Pakistan has been able to use effectively and the other countries have not yet find them. Those are the lessons that we can pass on. I have two very simple messages to give you over here. One is that if you look at level of investments and saving in the region as a percentage of GDP then the other countries of the region (India, Bangladesh and other emerging markets), typically have the level of investment to GDP over 30%. The average for globally is 24%. Pakistan is at 15 % that is about half as compared to other countries. The second thing you look at is domestic saving.

The domestic saving in India is 30% and china is 49%, Bangladesh is 22% while in case of Pakistan it is only 9%. This tells you about the level of savings in our economy. One indicator that is relevant in relation to microfinance is currency in circulation that how much currency is in circulation vs the money in the formal banking system. In developed countries like UK it is about 2 to 3 % while in case of

most South Asian Countries it is about 11% to 13%. But in Pakistan it is about 33%. So this is the central issue that one third of our deposit is equal to total cash that is not in the system. So you can attract that cash into the system. In the last year, the microfinance institutions were mostly trusts or societies and they were type of legal entities that came under provincial governments where supervision was weaker and standards were weaker. Therefore the capacity could not increase as much. So the SECP in the last year brought some regulations for this sector and they require them to become Non-Bank Finance Company. So these 35 microfinance institutions have become NBFC. State Bank said that there are 4 types of microfinance Banks. The biggest are the national ones, then you have provincial level, then regional level and last one is district level. You can get a micro finance banking licence even at district level. The regulatory environment has been very favourable for this industry and now it is showing growth. There is also one very important advantage that we have. We are having access to the ultra poor people and for them we have two programs; Benazir Income Support Program and Prime Minister Interest Free Loan Scheme. We can encourage micro savings by designing Islamic banking products. These products can encourage saving, help in agriculture financing and financing seasonal crops. These can be offered through existing institutions as well as primary ones. The already existing Microfinance Bank can open windows for Islamic banking products. Financing of Equipment for Agri. and for small businesses for poor people can be done by designing some Musharakah like structure and provide technical assistance to them. Strengthening the small institutions is very important because they are the one that have direct access to the poor people so you have to strengthen them so that they may get banking licence. Monitoring and evaluation is important for financial inclusion as we can track its impact on poverty. So my message essentially is that as a sector of financial inclusion we are poised to make a difference now and we can teach rest of world and we can also learn from them. Thank you.

Session IV: Potential Role of Islamic Finance in Financial Inclusion

Speaker:

Prof. Dr. Zamir Iqbal, World Bank Global Islamic Finance Development Center

Moderator:

Mr. Muhammad Rashid, Senior Vice President, Zarai Taraqati Bank Limited.

The first speaker of the session IV was **Professor Dr. Zamir Iqbal**, Head of World Bank Global Islamic Finance Development Center, Finance & Markets. His presentation was on “Sustainable Development Goals and Financial Inclusion”. He said that countries with a good track record on the Millennium Development Goals have achieved growth, particularly inclusive growth, formulated and implemented good policies and built effective and capable institutions. He emphasized that a combination of these factors almost always guarantees progress on development outcomes. Dr. Zamir Iqbal also stated 17 Proposed Sustainable Development Goals (SDGs) and 169 targets. The 17 Goals and 169 targets will stimulate action over the next fifteen years in areas of critical importance for ending poverty, protecting the planet, and sharing prosperity with all. He said that in order to meet sustainable development goals, better data is needed for monitoring, policy, learning and accountability. While talking about its implementation and finances, Dr. Zamir Iqbal said that effective partnerships can facilitate implementation and finance needs to be substantial, flexible, and efficient.

His 2nd presentation was on “Potential Role of Islamic Finance in Financial Inclusion”. He showed his concern over the fact that out of 73% of the world’s unbanked, 22.2% are Muslim countries. According to Universal Financial Access (UFA) 2020 Goal, adults globally should have access to an account or electronic instrument to store money, send and receive payments as the basic building block to manage their financial lives. He explained the impact of globalization of Islamic Finance and illustrated that the G20 group of major nations has included discussion of Sukuk (Islamic bonds) as an infrastructure financing tool in its annual agenda, a move that could potentially spur the use of project based Sukuk. In addition, Islamic Finance is subject of study under G20 themes of long-term investments and financial inclusion and there is increasing interest in Islamic finance from non-Muslim countries. However, he demonstrated that there are many countries that are financially excluded due to religious reasons but these have little impact on Pakistan and Bangladesh. In general, Muslims are more likely to be excluded from the formal financial due to: lack of collateral to borrow, lack of savings, lack of skills, poverty and social exclusion and absence of Shariah-compliant financial services, i.e. banking, micro-finance, SMEs, Micro-Takaful, etc.

Islamic finance has certain features which give it the potential to effectively support SME financing, and economic growth and development and these features include

Participatory and risk-sharing financing, Emphasis on materiality (asset-based), Real Sector Financing, Entrepreneurship and Notion of Economic and Social Justice.

In his concluding remarks he emphasized that given the rules governing property rights, work, production, exchange, markets, distribution, and redistribution, it is reasonable to conclude that in an Islamic society, absolute poverty could not exist.

Session V: Current State of Islamic Micro Finance in South Asia

Speakers:

Prof. Dr. Nasim Shah Shirazi, Lead Economist, IRTI, IDB

Mr. Ahmed Ali Siddiqui, Senior Executive Vice President/Head of Shariah Department, Meezan Bank, Karachi, Pakistan

Dr. Mamunur Rashid, University of Nottingham-Malaysia Campus (**on video conference**)

Moderator:

Mr. Muhammad Rashid, Senior Vice President, Zarai Taraqati Bank Limited.

The first speaker of the session V was **Mr. Nasim Shah Sherazi**. His presentation was on “Current state of Islamic Microfinance in South Asia”. He presented the case Studies of Pakistan, Bangladesh, India and Maldives on Islamic Microfinance. He said that number of Islamic microfinance initiatives have been undertaken in Pakistan in the recent decade. The number of Islamic MFIs (IMFIs) has grown to 16 as reported by the Islamic Microfinance Network (IMFN) Islamic microfinance constitutes 11.5% share of the total microfinance market. He then elaborated the scope, objectives and criteria for Prime Minister’s Interest Free Loan Scheme. He briefly described the Innovations in Islamic Microfinance brought by *Akhuwat in Pakistan*. He further explained the role of various microfinance institutions in Bangladesh and India.

The second speaker of the session V was **Mr. Ahmed Ali Siddiqui**, Senior Executive Vice President, Product Development, Shariah Compliance & Advisory Services, Meezan Bank Limited. His presentation was on “Current Status - Challenges & Designing Products for Islamic Microfinance”. He shared the objectives, global perspective and success stories of Islamic Banking.

According to IFSB 2016 report, Iran has the major share in Global Islamic Banking Assets. He remarked that Pakistan is an ideal market for microfinance as Pakistan is the seventh most populous country of the world. It’s a country with a population of over 188 million with a 97% Muslim population. According to World Bank estimate, poverty head count ratio is 29.5%, and poses a major challenge to the government of Pakistan. According to estimate, over 100 million individuals require access to financial services & at least 20-25 million households needs micro financial services. As per KAP Survey of SBP, demand for Islamic financial services is very strong at the grass root level. While describing the current state of microfinance in Pakistan, Mr. Siddiqui said that Market is largely dominated by

Conventional MFBs, NGO/MFIs using Interest based financing models and Govt. based Rural Support Programs mostly using Interest based modes. However, the share of Islamic Microfinance Providers is still very low. He further explained Product Development for Islamic Financing and Basic Permissibility & Prohibition regarding to it. He explained different Islamic Modes for Microfinance and their applications. He explained SBP regulations for Islamic Microfinance and concluded his speech by key challenges to success.

The third speaker of the fifth session was **Mr. Mamunur Rashid**, Assistant Professor of Finance, University of Nottingham, Malaysia Campus. His presentation was on “Islamic Microfinance in Bangladesh – going beyond inclusiveness”. He said that according to WB, Universal Financial Access 2020, an effective financial inclusion strategy is a key enabler to reducing poverty and boosting prosperity. He discussed the Instruments and channels of financial inclusion. He presented a contemporary model and explained national enabling environment for financial inclusion framework. He gave the evidence of coverage through banking sector by giving the reference from Bangladesh bank annual report. According to the annual report data, rural credit was 8% in 2009 while it has increased to 9.9% in 2016, rural deposit was 13% in 2009 while it has increased to 19.8% in 2016. Since June 2013 until June 2015, No. of agents offering mobile services grew by 440%, no of total transactions grew by 446% (BB Report on Financial Inclusion). He showed the rapid progress in financial inclusion in Bangladesh through evidences. Mr. Rashid said that Religious barriers, Internationalisation of SMEs, Transformation plan (from SMEs to large), Preparation for K-economy and Natural and political calamities are the challenges for financial inclusion in Bangladesh.

He discussed the objectives of Islamic microfinance in Bangladesh that includes Investment in agricultural, farming and off-farming in rural areas, Finance self-employment and income generating activities of rural Bangladesh, Alleviation of rural poverty, Investment for rural housing, Educational services and safe drinking water, sanitation and Medicare facilities to rural Bangladesh. He then discussed the Performance of Rural Development Scheme launched by Islami Bank Bangladesh Limited. He concluded his speech by discussing the major issues/challenges faced by Bangladesh regarding Islamic microfinance and gave the strategies to solve the issues.

Session VI: Case Studies & Country Experiences

Speakers:

Pakistan – Mr. Syed Hussain Haider, Chief Strategic Officer, Akhuwat, Pakistan

Afghanistan – Dr. Shafiullah Jan, Institute of Management Sciences, Peshawar, Pakistan

Moderator:

Mr. Muhammad Rashid, Senior Vice President, Zarai Taraqati Bank Limited.

The next speaker of the session was **Mr. Syed Hussain Haider**, Chief Strategic Officer, Akhuwat, Pakistan. He presented the “Akhuwat MODEL”. He said that with the rapid commercialization of microfinance movements and the relentless search for ‘profit at the bottom of the pyramid,’ many experts are of the opinion that ‘microfinance has lost its innocence.’ As microfinance falls prey to commercialization, it seems as if the world’s dream of ensuring financial inclusion has become even more distant.

Financial inclusion is inherent in the nature of Islamic finance. However, despite the rapid increase in Islamic finance over the past decade, it still occupies a meager share of the financial market, especially concentrated in the Gulf countries, Iran, and Malaysia. Exploring the potential of Islamic microfinance as a plausible solution to the present challenge of Financial Inclusion becomes increasingly pertinent.

Islamic microfinance is an approach towards Financial Inclusion. Outreach and innovation will not reach scale if we are distanced from *adl, ihsan* and compassion. He said that Akhuwat works on the basis of four principles, the first being the provision of interest-free micro credit to the needy. Secondly, it utilizes religious institutions like the mosque and church for disbursements. The third principle is the reliance on volunteerism and civil society. Akhuwat extensively engages the youth of Pakistan and encourages them to become volunteers for the cause.

The fourth guiding principle and the most unique feature of Akhuwat is the conversion of borrowers into donors. He concluded his speech by giving a positive message to the banking fraternity that Akhuwat is a unique platform for Financial Inclusion and it looks to share its model so that other communities can get out of isolation and become a productive element of the Virtuous Cycle of Micro Entrepreneurship.

The presentation of **Mr. Shafiullah Jan** was on “Financial inclusion in Afghanistan: Challenges and opportunities”. He presented the basic statistics of Afghanistan. The Microfinance Investment Support Facility for Afghanistan (MISFA) is the development finance institute which was established in 2003 through which Afghan Government and international donors could channel technical assistance and funding to build Afghanistan’s microfinance sector. Its Implementation partners are the first Microfinance Bank, Mutahid, OXUS, T-O-M, and FINCA.

Afghanistan Microfinance Association (AMA) of development financial institutions (DFIs) has 14 members.

He showed his concern over slow rebuilding process, Due to which MISFI is only limited to 14 provinces where, MFIs in some form exist in 23 provinces. Security risks have hindered the progress of development where it is required the most. Furthermore, there is also low level of financial inclusion across the country. He presented the state of financial inclusion in Afghanistan and how the Regulation weakness, Expertise mismatch and Lack of awareness have become the major challenges.

Session VII: Role of Insurance including Takaful in Enhancing Financial Inclusion

Speakers:

Mr. Fatih Kazan, World Bank Global Islamic Finance Development Center

Mr. Pervaiz Ahmed, Takaful Expert / Director, Al- Meezan Investment Management Company Pvt. Limited

Moderator:

Mr. Muhammad Rashid, Senior Vice President, Zarai Taraqati Bank Limited.

The first speaker of the session VII was **Mr. Fatih Kazan**, The World Bank Global Islamic Finance Development Center Istanbul, Turkey. The topic of his presentation was “Role of Insurance including Takaful in Enhancing Financial Inclusion”. He explained the 17 Global Goals for Sustainable Development and created a linkage between insurance and sustainable development. He said that at its core, the insurance business model is built on the principle of mutualisation of risk –making it a particularly effective tool for the management of collective problems posed by sustainable development challenges. While explaining Drivers of Financial Inclusion, he said that on the demand side, there can either be barriers to access or usage barriers. On the supply-side, there can either be factors hindering entry by a variety of players into the market, or factors preventing the expansion of current players into the low-income market.

Mr. Fatih Kazan elaborated the Role of Takaful and Micro takaful in Enhancing Financial Inclusion. He explained the essentials of takaful contract and its working by explaining Musharakah and Modarabah models. He further presented the share of top 10 countries that have Takaful assets in which Saudi Arabia was on the top while Pakistan had the lowest position.

The next speaker of the session VI was **Mr. Pervaiz Ahmed**, Takaful Expert / Director, Al- Meezan Investment Management Company Pvt. Limited. His presentation was on “The Role of Insurance/Takaful in Enhancing Financial Inclusion”. He said that Insurance is a risk mitigation mechanism which provides financial protection against a specified loss/damage to life or property. Like other financial instruments, insurance is also a basic requirement for people living

near/below poverty line. Globally there are more than 2.5 billion Adults who do not have access to Insurance products. Insurers in South Asia especially countries with majority Muslim population have very low penetration. While explaining the Challenges Faced by Insurers, he said that in majority Muslim countries there is a huge perception issue in terms of both the concept and process of conventional insurance in terms of its prohibition in Islam. Insurers never viewed this segment as a potential to earn profits. Designing the suitable product and their efficient distribution has been the key challenge. He explained the concept of Financial Inclusion through Takaful and remarked that Takaful has the great opportunity to bridge the gap and tap this largely untapped market. However, Takaful Operators would face the same challenges as conventional insurers in terms of product development and distribution. In his concluding remarks, he said that the Key to Success (Innovation) includes Understanding the Customer Need, Product Development, Affordable, collaborative, relevant and offering value for money , Distribution alliances, Exploiting the technology, Using existing distribution channels of Micro finance institution; banks; mobile phone companies, and other retail outlets.

GROUP PHOTO: DAY 1



GROUP PHOTO: DAY 2



On the eve of the first day of seminar, Syed Talat Mahmood, President ZTBL invited all the honorable guests and speakers including Members of Board of ZTBL for the Dinner at Monal, Islamabad.



Mr. Nuri Birtek, Secretary General-ADFIMI gave a courtesy call on Syed Talat Mahmood, President ZTBL on 28th May, 2017 at Head Office, Zarai Taraqati Bank Limited, Islamabad.



RESUMES OF THE CONTRIBUTORS



Syed Talat Mahmood
President, ZTBL

Syed Talat Mahmood has over 40 years of diversified Local & International Banking experience in Marketing, Corporate Credit & Finance, Special Assets Management and revival of sick Industrial units. After graduating from Government College Lahore joined UBL as a young manager in 1972 where he rendered his services for 28 years. He remained Head Special Asset Management and Head Operations in U.A.E. before retirement. Afterwards he served in ABN-AMRO / Royal Bank of Scotland, Dubai, UAE/ Abu Dhabi Commercial Bank from 2005 to 2011 as Head Overseas Investment from Pakistan, Head Marketing and Internal Audit. In 2012, he joined as CEO of Punjab Provincial Cooperative Bank Ltd, bringing about profound changes in the way of doing business. In May 2014, he was appointed as CEO/President Zarai Taraqiati Bank Limited where his headship brought about a paradigm shift in working of this public sector entity. The deposit, recovery and disbursement saw a huge increase. Outreach was further expanded to enhance the financial inclusion of the poor for which the Bank was awarded "Plaque of Merit" by ADFIAP in Vietnam in year 2015 & Bank got the same for Dissemination of Agriculture Technology in year 2016. In same year, ZTBL also received Karlsruhe Development Finance Award, in Germany.



Mr. Nuri Birtek
Secretary General, ADFIMI

Nuri Birtek, has been the Secretary General of ADFIMI since 2006. Prior to that, he worked for State Planning Organization (SPO) of Turkish Prime Ministry where he was Director of Centre for EU Education and Youth Programmes. During his tenure, Turkey gained accession to the EU Education and Youth Programmes that includes Erasmus Exchange Programme. He served as the Head of Department for Bilateral Economic Relations and Technical Cooperation Department of SPO for many years. He began his career at Etibank, a state owned Mining and Chemicals Bank in 1971. He holds B.Sc (Engineering) from Imperial College, University of London and M.Sc (Engineering) from the University of the Witwatersrand.

LIST OF SPEAKERS AND MODERATORS



Imran Ahmad

Additional Director

State Bank of Pakistan

Imran Ahmad, Additional Director, Infrastructure, Housing and SME Finance Department (IH&SMEFD), State Bank of Pakistan has been working in Development Finance Group (DFG) for a decade. Currently, he is heading SME Finance at IH&SME Finance Department.

Revision in Prudential Regulations for SME Financing, key role in passing of Law for Secured Transactions (Collateral Registry), Introduction of SME Financing Targets for Financial Institutions are few of his most eminent contributions to the SME Finance Sector of the country. Besides, being closely associated with the promotion of SME banking, Mr. Ahmad has conducted various trainings/workshops/seminars for various stakeholders. With his contributions and exposure in the field of SME finance, he is regular trainer in regulatory trainings on SME Finance. Prior to his assignment of promotion of SME Banking, he has worked for promotion and development of Islamic banking in Pakistan. He carries out his work with the support of research analysis. Additionally, he has diversified experience in foreign exchange policy, banking inspection, infrastructure & housing finance. He holds a Master degree in Business Administration.



Dr. Shafiullah Jan

Assistant Professor

Institute of Management Sciences

Dr. Shafiullah Jan is currently serving Institute of Management Sciences as an assistant professor of Islamic Banking and Finance and heading the research chair at Centre for Excellence in Islamic Finance. Dr. Shafiullah is privileged to be educated at different institutions across three continents. Dr. Shafiullah completed his bachelor in

Information Systems with Cooperative Option from Carleton University, Canada, in 2003 and received Phil in International Finance and Economic Policy from the prestigious Adam Smith Business School, University of Glasgow, UK. Further Dr. Shafiullah was awarded a PhD in 2013 from the Premier Centre, Durham Centre for Islamic Economics and Finance (DCIEF), Durham University, England. Dr. Shafiullah has presented and chaired different conferences nationally and internationally. Dr. Shafiullah has more than 13 years of experience in developing and delivering seminars, workshops, lectures and trainings nationally and internationally with special focus on development sector. Dr. Shafiullah is the winner of President Scholarship from Carleton University and HEC_IM Sciences fully funded scholarship for PhD. Dr. Shafiullah main interest lie in Islamic

Political Economy, Islamic Economics, Islamic Banking and Finance, Islamic Microfinance, Justice and Development.



Zamir Iqbal

Head of World Bank Global Islamic Finance Development Center, Finance & Markets

Lead Financial Sector Specialist at the Finance and Markets Global Practice of the World Bank. He heads the World Bank Global Islamic Finance Development Center in Istanbul. He has more than 25 years of experience of risk management, capital markets, and asset management at the World Bank Treasury. Islamic finance

is his research focus and he has co-authored several articles and books on Islamic finance on the topics of banking risk, financial inclusion, economic development, financial stability, and risk-sharing. His co-edited book, "Economic Development and Islamic Finance" was published by the World Bank in 2013. He earned his Ph. D. in international finance from the George Washington University and serves as Professional faculty at Carey Business School of Johns Hopkins University.

FATİH KAZAN



Financial Sector Specialist

World Bank Global Islamic Finance Development Center
Fatih Kazan is a Financial Sector Specialist at the World Bank Global Islamic Finance Development Center in Istanbul. Prior to joining the World Bank, he worked in the Banking Regulation and Supervision Agency (BRSA) as the deputy head of the Enforcement Department III which is responsible for the activities of state-owned banks, branches of foreign deposit banks and Islamic banks in Turkey. He has over twelve years of experience in banking and led several projects in the BRSA on Basel

banking principles, risk management, corporate governance, credit ratings, accounting and auditing standards, and resolution regimes. He holds a bachelor's degree from Ankara University and an MBA from Darden Graduate School of Business at the University of Virginia.



Dr. Nasim Shah Shirazi

Senior Economist, IRTI

Islamic Development Bank Saudi Arabia

Dr. Nasim Shah Shirazi is Senior Economist at Islamic Research and Training Institute (IRTI), Islamic Development Bank. His areas of interest are

Development Economics, Public Finance and Islamic Economics. The focus of his research has been on Development Economics, Public Finance and Islamic Economics. He has number of publications to his credit, including research articles in the national and international journals, books and research reports. Before joining IRTI, IDB, he has been all along working as a University teacher and researcher over a period of last 31 years. He served International Islamic University, Islamabad holding different positions including Dean School of Economics, Director Research, International Institute of Islamic Economics (IIIE), Director General (IIIE), Dean Student Affairs IIUI. He has worked for Allama Iqbal Open University, Islamabad, International Islamic University Malaysia and Suleyman Demirel University, Almaty, Kazakhstan. He also served Pakistan Poverty Alleviation Fund in a consultative capacity.



Mr. Syed Hussain Haider
Chief Strategic Officer

Akhuwaat, Pakistan

Mr. Syed Hussain Haider has been working as a management and legal consultant for the past 16 years with various private and public sector organizations. He has been a management consultant with Government of the Punjab for 13 years and has been extensively involved with re-engineering and restructuring organizational processes in more than 9 Government

Departments. He is an Associate Professor of Management and Law teaching M.Phil, MBA and M.Com students at University of Central Punjab and as Principal Management Consultant developed the Research and Development Centre for University of Central Punjab. He teaches Institutional Development to MS / MPhil classes in Imperial College, Lahore and Strategic Management/Organizational Behavior at Lahore University of Management Sciences. A United Nations University Alumni and an M.Phil in Corporate Governance, Masters in Public Policy, M.B.A, Masters in Political Science, LLB and PGD's in HRM, Labour Laws, Intellectual Property Rights Laws and International Leadership. He has also completed the Social Enterprise Management Program from LUMS. He is engaged in numerous developmental activities and is a Board Member of different NGO's and CSOs along with being the Deputy Counsel General of Pakistan Institute of Human Rights.



Mamunur Rashid

Assistant Professor of Finance

University of Nottingham, Malaysia Campus

Mamunur Rashid joined the University of Nottingham Malaysia Campus in October 2012. He is currently an Assistant Professor of Finance at the Nottingham University Business School Malaysia Campus. He publishes widely on financial services marketing,

behavioral finance, Islamic finance and corporate social responsibility.



Mazhar Hussain

Senior Researcher/ Economist at SESRIC
Ankara, Turkey

Mazhar Hussain, a prolific researcher, has 10 years of international experience in development research, public policy analysis and project management and has professional expertise in cross-cutting socio-economic issues including sustainable development, health and well-being, agriculture and food security, poverty eradication, and environment and climate change. Mazhar Hussain has substantial engagement with external partners and experts from OIC institutions, UN agencies, line ministries and academia. He has technical competence in data and information management.



Sarmad Shaikh

Financial Sector Specialist
World Bank

Sarmad Shaikh is an analyst with the South Asia Financial and Private Sector Development team of the World Bank in Islamabad since September 2012 focusing on financial inclusion, business regulations, state-owned enterprises reform and women entrepreneurship. Sarmad has previously worked in the World Bank's Doing Business team in Washington, DC in early 2012. Prior to joining the World Bank, Sarmad worked for over three years in the private financial sector as an investment banking analyst at Citibank on a number of M&A, project finance and privatization transactions. Sarmad is a Fulbright Scholar, holds a Masters degree in Public Administration from Cornell University, and is currently enrolled in the Chartered Financial Analyst (CFA) program.



Mr. Zubyr Soomro

Chairman
Pakistan Microfinance Investment Company (PMIC)

Mr. Zubyr Soomro is a leading banker of international repute with more than 36 years of senior management experience spread across the Middle East, Africa, Turkey, UK and Pakistan with Citibank. He has also served as Chairman and President of United Bank Limited and successfully restructured the bank for privatization. He is a member of Boards of numerous entities including the State Bank of Pakistan, Grameen Foundation USA, Grameen Jameel UAE, LRBT, Acumen Pakistan, and Aitchison College. Mr. Zubyr Soomro is also a Member of the Economic Advisory Council setup by the government in 2013 to oversee and advise on economic policies/issues. Following his

retirement from Citibank, he established Hikmah Consulting in 2009, a financial services consulting firm focusing on strategy, risk, and capacity building for institutions in the MSME sector, development and delivery of corporate governance programs for boards and senior management of commercial banks and Microfinance Institutions, and senior level sales for Fortune 50 companies around the world. His contribution to the local financial sector and especially his role in the financial sector reforms that he oversaw as the Chairman of the Pakistan Bank Association merited him a Quaid-e-Azam centenary Gold Medal from the Governor of the State Bank of Pakistan. Both the industry and regulator regularly solicit his involvement in various forums and committees. He holds a B.Sc Honors in Economics from the London School of Economics and a Masters in South Asian Studies from the School of Oriental and African studies, London University.



Pervaiz Ahmed

Takaful Expert / Director

Al- Meezan Investment Management Company Pvt. Limited

Mr. P. Ahmed is currently Executive Director at Indus Hospital, Karachi. Before joining Indus Hospital he was working as the Head of Liabilities Product (Wealth Management & Insurance) of Qatar International Islamic Bank (QIIB). He has also worked with Pak Qatar Takaful Limited (PQTL). During his association at PQTL, he launched Pakistan’s first Family Takaful Company and was instrumental in establishing its infrastructure with the state of the art technology in Penta Takaful. He has vast experience of working in the Insurance Industry with leading institutions such as State Life Insurance Corporation of Pakistan, American Life Assurance Company Limited and NJI Life insurance Company Limited. He has also worked with leading consultancy and training firms. Mr. Ahmed did his MBA with major in Finance and Marketing and also holds a Post Graduate Diploma in Islamic Banking and Finance. He is also a fellow member of Life Management Institute and Associate Customer Services of Life Office Management Association (LOMA), USA.



Ahmed Ali Siddiqui

Head Product Development & Shariah Compliance

Meezan Bank, Karachi

Mr. Ahmed Ali Siddiqui holds a Bachelors & Masters degree in Business Administration from Institute of Business Administration (IBA), Karachi with six gold medals. He has over 14 years of Islamic banking experience and is currently working as Executive Vice President & Head, Product Development & Shariah Compliance (PDSC) and leading one of the largest research departments in the Islamic banking world with over 40 dedicated team members. He is also the Secretary for Shariah Supervisory Board at Meezan Bank Limited and is part of the team to advise the Government of Pakistan on structuring and issuance of local currency Sovereign Sukuk of around US \$5 billion dollars. Currently Mr. Siddiqui is also a member of advisory team for Center of Islamic Economics (CIE), Jamia Darululoom Karachi, Senior Vice Chairman of the Standing Committee on Islamic Finance

of Federation of Chamber of Commerce & Industries Pakistan, member of Islamic banking sub-committee of Pakistan Banking Association, Member of Institute of Chartered Accountant of Pakistan Committee for Islamic Accounting Standards and a visiting faculty member of Islamic Finance at IBA Karachi. He has served and is also a member of several task forces at the Central Bank level related to Islamic banking products, Islamic banking regulations, governance framework, Accounting disclosures and Adoption of AAOIFI Shariah Standards. Mr. Siddiqui has been given the additional role to lead the IBA Center for Excellence in Islamic Finance (CEIF) as its founding Director.



Mr. Shahid Mustafa

Chief Executive Officer

Pakistan Microfinance Investment Company Limited (PMIC)

Mr. Shahid Mustafa has over 23 years of experience in corporate, commercial, financial institutions banking and microfinance in numerous senior management roles across multiple geographies. After 12 years of working with Citibank, Mr. Shahid Mustafa setup Tameer Microfinance Bank in Pakistan as one of the founders. At Tameer Bank he managed multiple areas, including Financial Control, Risk, Product, Marketing, Operations, Technology etc. Today, Tameer Bank is the most profitable microfinance banks in Pakistan. At Tameer Bank, Mr. Shahid Mustafa played an instrumental role in the launch of “easy paisa”, a mobile phone / agent driven branchless banking offering. Today easy paisa is the largest branchless banking offering in Pakistan. After Tameer Bank, Mr. Shahid Mustafa took on the role of Head of Commercial Banking at Standard Chartered Bank in Pakistan.

Following a brief foray, back into commercial banking, Mr. Shahid Mustafa decided to go back to the challenge of a startup as well as to revive his association with Microfinance. In 2016, he joined as the founding CEO of Pakistan Microfinance Investment Company.



Ezazul Islam

Deputy General Manager

Bangladesh Bank

Mr. Ezazul Islam works at chief economist unit of Bangladesh bank as a general manager since 2010. Prior to his position, he was research economist at policy analysis unit Bangladesh Bank. He looks after the area of monetary policy sector finance, and economic growth. His current research interest includes monetary transmission mechanism, inclusive finance and economic growth & development. He published many articles on monetary transmission channel, interest rate, basic financial inclusion and growth referred journal. Recently, Dr. Islam prepared draft discussion paper on inclusive finance in the Asia-Pacific Region: trends and approaches for the third international conference on financing for development in Ababa, Ethiopia 13-17, July 2015 organized by ESCAP, and another draft discussion paper on financial inclusion in Asia and the Pacific for the First High-Level

Follow-up Dialogue on Financing for Development in Asia and the Pacific on 30-31 March 2016 in Incheon, Republic of Korea organized by the same. Currently, he is leading a research study on promoting financial inclusion SAARC region as a lead researcher. He earned Ph.D degree on monetary economics.



Farhat Karim Hashmi

Executive Vice President

Zarai Taraqiati Bank Limited

Mr. Farhat Karim Hashmi works at Zarai Taraqiati Bank Limited as Executive Vice President. He has more than 30 years of experience in Training & Development, Field Operations of the Bank, Coordination, Vigilance, and Planning & Research with special expertise in Agricultural Technology. He has done Masters in Public Administration from University of Punjab, Lahore. He holds PGD in Rural Policy & Project Planning from International Institute of Social Studies (ISS) of Erasmus University Rotterdam. He also holds D.A.I.B.P from Institute of Bankers of Pakistan.



Muhammad Rashid

Senior Vice President

Zarai Taraqiati Bank Limited

Mr. Rashid works at Zarai Taraqiati Bank Limited (formerly ADBP) as Senior Vice President. He has about 30 years of experience of monitoring and evaluation of projects, field operation of the Bank and has professional expertise in Planning & Research and compliance. He holds a Masters Degree in Business Administration from Quaid-e-Azam University, Islamabad. He has done M.Sc in National Development and Project Planning from University of Bradford, UK. He also holds D.A.I.B.P from Institute of Bankers of Pakistan.







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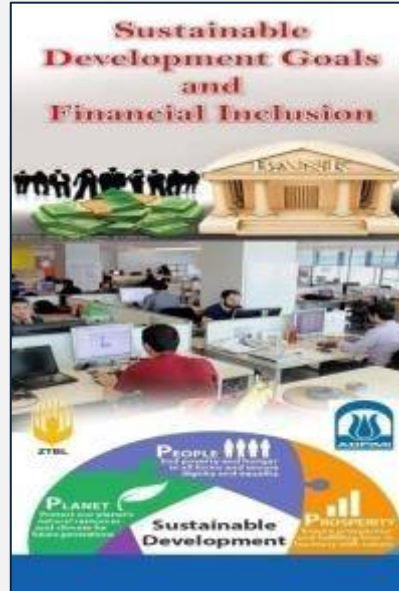


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