

Commenting on the book, Neelam Hussain stated that the book reminded her of the gap between the stories we tell ourselves and how they occur in reality. It reminds us that even though we claim that ours is an egalitarian society but its soil is much older than that, and this is reflected in our behavior patterns. The caste system is embedded in our psyche whether we accept it or not and it comes out in government policies and structures as well. The identity of low-caste Christians was constructed as untouchables. It is important to ask ourselves about these constructed notions and reflect on how it has been internalized in our behaviors.

Dr. Asad Ur Rehman also shared his insights on the book by stating that the book explicitly describes how identities could be a baggage and how this baggage can haunt us on an individual as well as the communal level. Patras' book highlights how the concept of labor is undermined in Pakistan especially in the case of lower caste members of society. He remarked that the discussion on a communal level is also pivotal to cater to the victimization experienced by the Christian community at the hands of the majority populace.

Mohsin Termezy, a digital banking evangelist, founder of Finclude, co-founder of Dastak, and author of a sector landscape study titled *Fintech Ecosystem of Pakistan*, was invited by the CPPG to deliver a talk on “**Financial Inclusion: Public Policy for Open Data Driven Solutions**” on April 12, 2023.

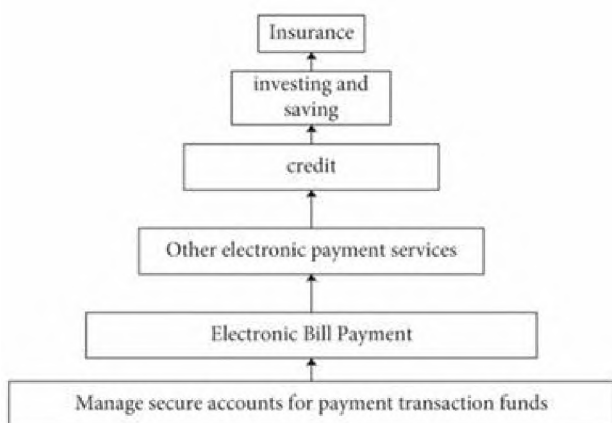


Termezy initiated the talk by defining the term financial inclusion, which means providing fair access to financial services to different economic strata of society so that they can access, utilize, and consume financial services in a sustainable and responsible way. He shared that out of 180 million smartphone users, only 30 million people have access to financial services. The highest penetration is in Islamabad and Gilgit-Baltistan, owing to high literacy rates of these regions, while male registrations are more than double that of females.

He pointed out that in examining the hierarchy of financial needs, it was essential to understand the progressive nature of individual's financial goals and responsibilities. At the foundational level, the primary need is to establish a secure and dedicated account for the purpose of storing one's financial resources. This marks the initial step towards financial stability as it involves moving funds from informal and often insecure locations, like under the pillow or mattress, to a safe, secure, and convenient financial repository. This facilitates the ability to manage and grow those funds for future use or investment. Once a secure financial account is established, the next tier of financial needs involves the consumption of these funds to cover essential expenses, such as utility bills. This stage addresses the immediate financial obligations of an individual or a household.

Moving up the hierarchy, the third tier introduces electronic payments as a pivotal element. This includes transactions related to e-commerce purchases and educational fees. The adoption of electronic payment methods signifies a transition towards more convenient and efficient financial interactions, aligning with the evolving digital landscape. Beyond immediate expenses and electronic transactions, the subsequent stage centers on the need to access credit or borrow money. This financial capacity is crucial for various purposes, including the creation of new capital avenues, wealth generation, employment opportunities, and the development of infrastructure. The next stage in this hierarchy emphasizes the importance of savings and investments. By this point, individuals have not only secured their funds, covered essential expenses, and accessed credit but are now actively seeking ways to grow their wealth. Savings are the foundation of this growth, allowing individuals to set aside a portion of their income for future financial security.

Finally, at the top of the financial services pyramid, insurance plays a significant role in the financial needs' hierarchy. As individuals accumulate wealth and assets, safeguarding these resources becomes paramount. Insurance provides protection against unexpected events that could otherwise jeopardize financial well-being. Assessing the current provision of financial services, he stated that about 30 percent of the entire population has been able to secure accounts at the base of the pyramid, while only 3 percent have insurance.



Source: Yuan, Feng. (2022)

Termezy then focused on the underlying infrastructure. Talking about the Internet in today's world, he argued in favor of Fin-internet, a financially enabled internet that helps people to create wealth for themselves. Further sharing the journey of the fin part of the internet, he explained the evolution of digital banking from traditional brick-and-mortar banking. The progression has been in alternate channels, starting from the teller to ATMs, call centers, web, mobile, and social sites. It began with connecting banks to telecom operators. The journey of 'telcos with banks' started from airtime. It began with charging phones through a scratch card, later shifting to transfer mode. Telcos had this pseudo currency called airtime that enabled people to buy goods through additional airtime. However, policymakers decided that they could not allow telecoms to form a new money format that may enable money laundering and increase the money supply. It was thus pertinent to keep airtime and money in separate boxes, which contributed to the creation of a novel concept called a wallet. Through wallets, phone balance and money balance could be kept separate. This further revolutionized the system of branchless banking, where agents were created. It helped in serving the biggest need through which money could easily be sent to remote areas.

Sharing the evolution from payment to purpose-based banking, he discussed how billing became the first value proposition through the Easy Paisa wallet, and it became easier to provide payroll through wallets. Further, the introduction of international remittances made it easy to send money to relatives. This entire process was followed by the creation of cards, e-commerce, ATMs, savings, microfinance, and now health cards. Gradually, the boundaries between telcos and banks started to blur, and the system gradually moved from payment to transaction banking. Now, the system also records the purpose and story behind each transaction, which helps in predicting future transactions. We have now moved from basic payments to purpose-based or purpose-remembering payments. Another feature of new-age banking, alongside transactions and purpose-based payments, is connectivity. The State Bank of Pakistan has issued digital bank licenses to telecommunication companies enabling them to provide internet and infrastructure

in aid to the completion of transactions. Hence, these companies can provide transactions, purpose, and connectivity all at the same time. This new-age bank acts like a marketplace like Uber and Careem, where multiple buyers and sellers are connected.

While this transformation and digitalization of financial services is revolutionary and promising, Termezy shared his skepticism towards the situation of financial inclusion in Pakistan. One-third of cash is out of the State Bank's system, instead residing in informal destinations like under mattresses or in prize bonds. Further, with the rise of crypto and digital currency, financial inclusion has become increasingly challenging, where regulatory bodies are trying to cover cash discrepancies to eliminate potential money laundering rather than ensuring the financial inclusion of the masses.

In conclusion, Termezy stressed the need to create a link between banks, fintech, and academia. He argued that academia must help in carrying out research related to payment methods, value proposition, acquisition of customers, and work on bringing use-case studies so that the persisting knowledge gaps within the digital banking industry could be filled. Moreover, innovation labs should be created where social experiments are carried out. He shared the story of his organization, Dastak, which is working along the same lines, acting as an alternate channel in carrying out experiments through innovation labs.

The talk was followed by a lively Q&A session with the participants. In answering a question on how to harness micro-savings of individuals at the base of the economic pyramid, Termezy shed light on Pakistan's relatively low savings levels due to the presence of potential alternative avenues such as savings committees or asset-based savings. However, there hasn't been significant progress in transforming these avenues. Prize bonds, once a popular savings instrument, are not issued now, indicating a shift towards digital options, with cryptocurrencies also making their presence felt. Additionally, the idea of demonetization as a strategy to reach a larger population was discussed, taking inspiration from India's successful mass digitization of payments. However, Termezy also

highlighted the need to consider the drawbacks of this approach.

In the context of global efforts to promote financial inclusion, Termezy provided examples from around the world. Nigeria stands out with its direct integration of ID cards with Mastercard, effectively creating a digital wallet. Iran, too, has made strides in building a robust payment infrastructure and reaching more individuals as the government incentivizes citizens to open bank accounts by offering coupons tied to the purchase of a certain amount of oil.

Regarding a question on data protection, Termezy emphasized the complexity of this issue, calling for solutions on three fronts. First, consumer-consent-driven data infrastructure must be secure. Second, robust legislation must be in place to protect this data. Lastly, banking apps need to be compliant with both data infrastructure and legislation. He noted that Pakistan's government has been actively addressing the legislative aspect of data protection. Nevertheless, challenges remain, particularly related to data infrastructure security and app compliance. It's worth noting that data protection is a global challenge, and effective deterrence mechanisms are essential to address it.