

Karandaaz Digital Financial Services Pilot to Scale – Use Cases for Mobile Account Projects Terms of Reference (ToRs)

All applications will be submitted through email at programofficesdfs@karandaaz.com.pk

Overview:

Karandaaz Digital Financial Services (DFS) private sector engagement unit has formalized its strategy for 2020-2024 under which there will be multiple categories of programs run to support DFS industry of Pakistan in building models and solutions for the financial inclusion of the unbanked and underbanked population. In addition to empowering those who do not have an account, the review states that the underbanked population should be targeted with pilots that introduce financial deepening to such segments.

Private sector engagements are divided in two major domains: DFS Industry Engagements and Fintech Ecosystem Interventions. DFS Industry Engagements comprise of two categories: “Pilot to Scale” projects and “Digital Experiments”. Karandaaz Pakistan is accepting proposals under this pilot to scale category, details of which are given below.

Purpose of the Document

This document describes in detail the category “Use Cases on Mobile Account” under the private sector engagements vertical. It shall be used to take a direction on creation of projects that may support the financial services industry that fall under this category.

Introduction to Pilot to Scale Category

Karandaaz Pakistan aims to partner with different private sector entities to build on the “Pilot to Scale” category with a refined approach to adapt pilots focusing on the uptake, adoption and subsequent scalability of digital financial services. The idea behind this category is to test pilots around digitizing financial services for viability in Pakistani market and scale the successful ones in partnership with the DFS private sector players and disseminate learnings for wider use. The pilot to scale category is further distributed into three main types of domains:

1. Digital Payments
2. Sectoral Lens: Digitization of Payments in Value Chains
3. Identification of product white spaces in DFS – Creation of new financial use-cases on digital channels

The above three categories have emerged as focus areas based on the learnings from the past interventions undertaken by DFS department with the private industry from 2016 to 2019 and also based on the white spaces in the market. The objective of focusing on these categories is to broaden the horizon of Karandaaz interventions and include all major efforts (in addition to the payments only) that are a pre-requisite to digital payments in different industries and value chains.

Pilot to Scale Category

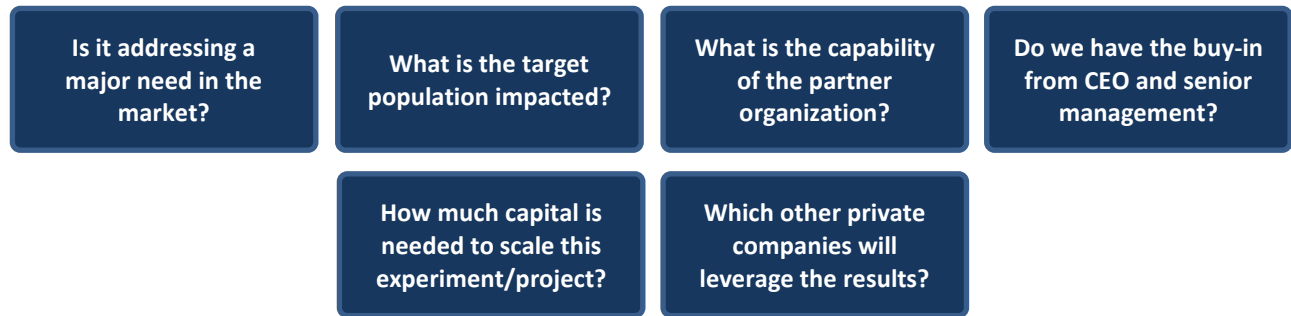
Digital Payments

Digitizing Payments
in Value Chains

Creation of new
financial use-cases
on digital channels

The following matrices shall be used to conduct a quick scalability assessment for shortlisting of the Pilot to Scale based projects.

Scalability Assessment Matrices for *Pilot to Scale* Project



Introduction to Identification of product white spaces in DFS – Creation of new use-cases on mobile account

Deepening the digital financial use-cases and widening the reach is crucial for both accelerating financial inclusion and for the equitable distribution of financial services, given the present stage of development of the country. Adoption of various financial services allows for financial deepening and Karandaaz aims to do this by the identification of product white spaces in DFS, via the creation of new use-cases on digital channels. Research suggests that projects enabling financial deepening in terms of the increased usage of digital accounts shows a positive relationship between adoption of DFS and increased financial inclusion.

Karandaaz aims to take initiative and combat the challenges being faced, to create new, unconventional use-cases on digital channels to increase financial inclusion and financial deepening. In order to untap the complete potential of digital financial services and increase adoption and usage, the following focus area has been identified.

- **Value Perception of Digital and Financial Services**

Despite increased uptake of digital channels for DFS in the last 12 years in Pakistan, research and data shows that the users have low value perception of a digital financial services. Therefore, identifying and communicating a compelling value proposition to consumers is fundamental to increase the uptake of DFS use-cases on digital channels. Understanding the nuances of how consumers of different segments earn, save, and spend their money can help providers develop a relevant value proposition for each segment which may well be different to one another. We believe that in order to increase the uptake of DFS the next key use cases that should be focused upon after payments are “Savings” and “Insurance”. Creating a value proposition that resonates with the end users under these two categories will be a crucial steps towards broadening and normalizing the every day usage of digital financial services and products.

Karandaaz Objectives for the Project

Under this workstream, different projects with private sector will be created and developed to achieve the purpose stated above. The objective is to:

1. Increase the product portfolio of mobile wallets specifically with insurance and savings products
2. Re-invent existing un-conventional digital financial services for these two categories

Karandaaz team has structured the types of use-case in the text below, applicants may take an indication from the list of the type of the projects that may be included in the program. Applicants are encouraged to apply if they have an idea that belongs to this category and may not be given in the text below:

1. Savings

- a. Term deposits- Digital offering of term deposits
- b. Periodic Return Programs- Digital roll out of periodic return programs
- c. ROSCAs- Test different digital ROSCA implementation models

2. Insurance - Improve adoption of insurance programs through digital financial services (Health, Life, Asset & Travel)

Pre-requisites for applying:

- Private Sector Institutions who can apply include – Commercial Banks, Branchless Banks, PSO/PSPs, Fintech, non-banking financial institutions and entities that primarily focus on the excluded segments of the market
- Opening of a digital mobile/bank account for end users is mandatory, the partner must have the ability to open digital accounts or have a formal partnership in place with a financial entity licensed to open digital wallets of customer.
- The proposal must demonstrate a link to financial inclusion/usage of digital financial services/adoption of digital payments and should address some of impact areas given below:
 - Potential for Innovation in digital financial services space especially on Women’s financial Inclusion
 - The proposal must clearly highlight the gap it’s addressing along with quantifiable impact numbers demonstrating link to financial inclusion
- Applicant should be willing to run required analysis & share trends with Karandaaz that would present a holistic view of the impact pre-& post project execution
- Share insights on the resulting trends during & after the project execution
- The proposal must highlight partner’s ability and willingness to execute projects with the objective of financial inclusion for excluded segments.

Proposal Format:

A power point presentation (not more than 12 slides) covering the points mentioned above and:

1. Partner Overview

- a. Company introduction
- b. Current base
- c. Core team
- d. Regulatory standing (licenses etc.)

2. Project Background

- a. Use case category (savings/insurance)
- b. Identification of the market gap
- c. Problem statement
- d. Current landscape of Pakistan (use case specific)

3. Project Overview

- a. Hypothesis/big idea
- b. Rationale
- c. Objective
- d. Project Scope and Design (solution overview along with timelines)

- e. Project targets (outputs, outcomes and impact)

4. Support required from Karandaaz

- a. Grant required in PKR
- b. Project Budget (cost allocation as per scope)
- c. Entity’s own contribution in PKR to the project budget

Information about Grant Amount and Utilization

Grant Amount?	
<i>Based on the project, the scope it covers and the impact that can be capitalized through pilot to scale, Karandaaz anticipates to remain flexible and is open for proposals.</i>	
Grant Utilization	Out of Scope
<ul style="list-style-type: none"> • Identification of consumer adoption strategy for a use-case • Digitizing information flow to enable a use-case • Incentives for adoption in a pilot • Technical development in the systems and products • Development of a solution • Testing new use cases • Testing multiple consumer interfaces • On-ground activation for adoption 	<ul style="list-style-type: none"> • Activities outside regulatory ambit • Long-term consumer or channel incentives • Expense on capital expenditure more than \$5,000 • Expense on resources not working directly on the project

**Above information is just for direction; this document must not be used as definitive guideline*