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CEO's Message

Greetings!

The first quarter of 2021 has brought with it an opportunity to renew our commitment to the mission of fostering economic growth and creating jobs through the financial inclusion of unbanked individuals and unserved enterprises. We are proud, that our endeavors of the past six years have begun to reap dividends and the models of innovation that Karandaaz has set up for the formal financial and digital financial services sectors demonstrate that commercial and social returns are not mutually exclusive.

In this quarter, we launched a new phase of the Design Thinking as a Service Program that will support digital financial service providers through grants so they can engage expert design thinkers to ensure that their solutions have a wider uptake and stickiness. Through our Pilot to Scale Program, our partner Haball embarked on a very innovative ecosystem disruption by the digitization of a whole value chain from corporate to the retail level customer. We are excited to also learn how this pilot will offer better visibility of the financial health of involved SMEs and encourage formal lending institutions to give them growth financing based on the data from this digitized micro-environment.

Raast – Pakistan's instant payment system went live this year for which Karandaaz provided financial and technical assistance to the State Bank of Pakistan. The initial use case was a Bulk transfer from the Central Depository Company of Pakistan to 16 banks. So far approximately 2000 transactions have been processed successfully worth PKR 30mn. Moving forward, 19 additional banks, as well as government entities like Accountant General Pakistan Revenues, National Savings, and Ehsaas/BISP, are in the process of being onboarded. The pandemic has also made us utilize new avenues of outreach and we held many webinars during this quarter to share insights on the current status of SME financing, digital financial services, and gender mainstreaming in the economy. In case you haven't been following, you can find recordings of these webinars on our social media platforms.

In this quarter, Karandaaz also launched its state-of-the-art online data portal with aggregated data on financial services and selected socioeconomic indicators for the country. I am hopeful that the ability of this portal to generate bespoke dashboards with filtering and layering capability will help policymakers; researchers and academia; financial and digital technology players from the private sector; media and reporters make more informed decisions and accurate reporting. I urge you all to explore the portal and share your feedback as it will help us further improve the functionalities and user experience of the portal.

I wish you all a safe and prosperous 2021.

Ali Sarfraz
CEO, Karandaaz Pakistan

Newsflash

► Karandaaz Providing Grants to Engage Design Experts for Digital Financial Service Providers

Karandaaz Design Thinking as a Service Program has been subsidizing design thinking services since last year for digital financial service providers that offer products through mobile and web-based platforms. This year Karandaaz is again offering an opportunity for entities that have an existing mobile or web-based platform of their product or service or intend to develop one, to apply for matching grants from Karandaaz for contracting design thinking services. For this, Karandaaz has formed a panel of top-of-the-line design thinking service providers and is subsidizing their services for the applicants through matching grants.

Financial products can be complex and may appear more daunting for a majority of the population when presented digitally. Hence a majority of the population, especially in an economy with low literacy levels and even more inadequate financial literacy, are unable to benefit from them. This limitation results in lower understanding, lack of trust, lesser adoption, and the potential of such products to impact financial inclusion remains untapped. This year Karandaaz has further fine-tuned the program and increased the matching grant amount to up to PKR. 1 Million.

The design agencies that Karandaaz has included in the panel are Ideate Innovation, Designist, and Systems Limited, all with a proven track record of solving design problems for renowned organizations through the use of best international practices of human-centered design. For each applicant, the most appropriate design thinking service provider from the panel will be selected on cost and quality-based criteria. The last date to apply under this program is April 18, 2021. Interested entities can apply online at bit.ly/design_Karandaaz

Ali Sarfraz, CEO Karandaaz while talking about the significance of Design Thinking as a Service Program said,

“Incorporating human centered design in digital financial products can lower the complexity, break barriers, and improve customer understanding, trust, and adoption of such offerings. Many upcoming digital financial service providers are unable to engage expert design thinkers while developing solutions due to the paucity of resources and resultantly miss out on critical insights, skills, and knowledge of international best practices. Lower adoption of such products means segments of the population that can be brought in to the folds of formal financial systems through digital technology, miss out on this opportunity. We are confident that the subsidy offered by Karandaaz will bridge this gap and improve the efficacy of homegrown solutions.”

Rehan Akhtar, Chief Digital Officer, Karandaaz said,

“Interested entities that are operating in the financial services space or are leveraging financial services e.g. payments for their products or services and are passionate about making it easier for their customers to understand and better engage with digital payments may also apply under this Design Thinking as a Service Program. We are hopeful that more players from the digital financial industry will take this opportunity to get expert design thinkers to help them develop intuitive and human-centered designs that may attract more customers that previously only relied on conventional financial systems or remained financially excluded.”



Ali Farid Khwaja, Chairman KASB, one of the companies to have availed this opportunity last year, said,

“The grant from Karandaaz has been extremely helpful in getting us new insights into the customer preferences and behaviors through a human-centered approach to design. It led us to completely re-strategize and change our approach to our product K Funds, a savings and investment platform. The focused design recommended by the design agency that was on Karandaaz panel of expert firms was refreshing and helped us in identifying the customers’ pain points and defining an experience journey based on intuitive design.”

According to the World Bank Global Findex Survey 2017, Pakistan is one of the few countries where the digital gender gap has increased. Under Design Thinking as a Service Program, Karandaaz has kept an exclusive category for women-centric ideas and encourage the digital financial service providers to implement product and service designs that particularly improve the adoption and retention of women customers.

► Karandaaz and Haball to run a Pilot to Scale Supply Chain Payments Project

Karandaaz Pakistan, under its Pilot to Scale Program has partnered with Haball, a B2B financial technology company, to run a project that proves the significance of digitizing all supply nodes in the retail value chain for higher acceptance of digital payments. Under this particular grant, Haball, in collaboration with a corporate entity and branchless banking wallet provider will digitize an entire value chain enabling distributors and their retailers to order and make payments digitally from manufacturers to end-consumers. The hypothesis for this pilot project is that the acceptability of digital payments increases if supply chain players from manufacturer to distributor and retailer and to the end consumer are all using digital payment platforms. For the purposes of the pilot, Haball will create an ecosystem where payments are made digitally from corporate to retailer level and vice versa. Since retailers will be enabled with digital wallets for making value chain payments, this, in turn, will help them receive payments digitally as well, and the end-consumers will also be able to make digital payments for everyday household items.



The pilot is expected to prove that while the paper-based payment instruments bring with them a host of problems, including manual reconciliation, which is prone to errors and delays and can be taxing for downstream retailers and merchants, enabling retailers to digitally accept payments is not possible with singular efforts of microfinance institutions and telcos. In order to increase the uptake, a holistic institutional approach involving multiple parties is needed to make sure that all the nodes are streamlined.

Ali Sarfraz, CEO Karandaaz Pakistan said,

“Karandaaz is currently running multiple programs to support the digital financial services sector of Pakistan and build models and solutions for the financial inclusion of the unbanked and underbanked population. In addition to empowering those who do not have an account, we have specific programs that target the underbanked population with pilots that introduce financial deepening to such segments. Karandaaz Pilot to Scale projects in partnership with different private sector entities are supporting the overall digital financial services ecosystem in the country by making it possible to test innovative ideas for viability in the Pakistani market and scale the successful ones and disseminate learnings for wider use. I am happy to note that under this project, Haball is taking a top-down approach and its partner corporate will mandate the uptake of digital payments for the whole supply chain. Such a solution can have a far-reaching impact. The SMEs involved in the value chain will be able to have easier access to finance as lending institutions will have a better view of the businesses’ existing financial position. This also means that these formal lending institutions can offer customized loan and lending products for each individual business in any supply chain.”

Rehan Akhtar, Chief Digital Officer of Karandaaz Pakistan said,

“ The categories for Pilot to Scale projects have emerged based on the learnings from the past interventions undertaken by Karandaaz in partnership with the private industry from 2016 to 2019 and the white spaces in the market. The value chains in focus under this pilot to scale grant project are from agriculture, retail, and manufacturing sectors and the private sector institutions including banking and non-banking financial institutions, FMCGs, logistics companies, fintechs, B2B service providers, value chain aggregators, and platforms, etc. can apply for grants under this program. The objective of focusing on these categories is to broaden the horizon of Karandaaz interventions and include all major efforts, in addition to payments. ”

Speaking about the significance of this grant, Omer Bin Ahsan, CEO Haball said,

“ Partnership with Karandaaz is to achieve mutual goals that are financial inclusion and promotion of digital payments by integrating tightly into each value chain. We are also leveraging our partnership with Karandaaz to involve relevant financial institutions to integrate with the value chain directly. This shall enable frictionless supply chain payments under this pilot and enhance the digital payment canvas. Haball Pvt. Ltd. is a B2B financial technology company focused on eliminating manual order processing, reconciliation, and paper-based payment methods that bloat up the cost of doing business. ”

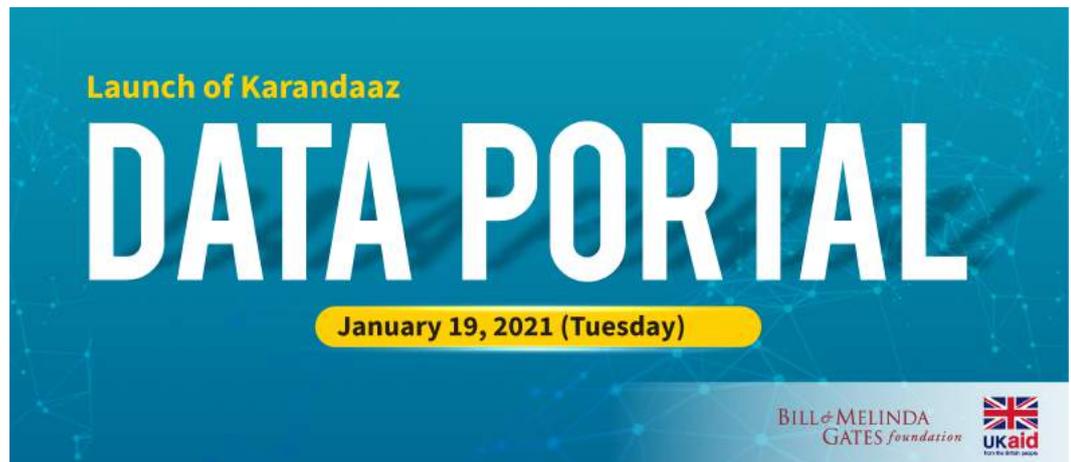
Women's transition into financial inclusion is often held back by the psychological barriers they face that may include hesitation in attending training events due to the unequal gender ratio at the training centers or the absence of a local support system in the form of female change agents. Haball has planned to employ women brand ambassadors as part of the on-ground activation in the targeted locations. This on-ground team will conduct training sessions for women on how to use the existing technology for making payments, gathered data on which use-cases can facilitate uptake of digital payments amongst women, and encourage customers including women to open mobile wallets and transact with retailers digitally.

According to the State bank of Pakistan's Quarter-3, FY19 Report, Real-Time Online Branches (RTOBs) had the highest share in the value of transactions, roughly 82.2% - 236.1 million transactions of value PKR 17.5 trillion. This channel is mostly used for value-chain payments and has only decreased by 10% in the last 13 years.

Karandaaz Pakistan is currently accepting new proposals under this Pilot to Scale Program in the categories of digital payments, digitizing payments in value chains, and use-cases of digital channels. Entities that already have a play in the value chain, have a focus on innovative solutions for digitizing payments either in down-stream part or up-stream part or both and commit to using learnings from this pilot to scale their operations can apply for grants under this program.

► Karandaaz Launches Data Portal on Pakistan's Financial Indicators

Karandaaz Pakistan has launched a state-of-the-art online data portal with aggregated data on financial services and selected socioeconomic indicators for the country. The data on the portal covers segments such as demographics, national economic data, agriculture finance, financial access, and behaviors of individuals, banking infrastructure and transactions, micro, agri, and SME financing, housing finance, non-bank financial institutions (NBFIs), mobile money, and telecommunications statistics. The portal is interactive, intuitive, visually appealing and easy to navigate. It also offers the capability to generate bespoke data dashboards and has filtering and layering functionality.



A webinar to highlight the various features of the data portal and the significance of credible and easy-to-access financial data for decision-makers was recently held by Karandaaz. Drawing on publicly available information from reputable sources, the breadth of information contained in the portal will expand over time with the addition of new data categories and metrics accompanied by continuous backend upgrades. The portal can be accessed at <https://karandaaz.com.pk/karandaazportal/>

Talking about the significance of credible data for policymakers, the Chairperson of Karandaaz Pakistan Dr. Shamshad Akhtar said,

“ Good-quality and open and easy access to statistics and data is critical for Pakistan's sound policy making and project design. As we come out of the shadows of the pandemic, digital connectivity to, among others, deepen financial inclusion have emerged to be sustainable solution to reduce poverty and rejuvenate the economy. Pre-COVID gaps in financial inclusion have been glaring. KRN has been working with the Government, regulator and all stakeholders to realize the vision of the National Financial Inclusion Strategy and meet the targets of enhancing financial inclusion across gender and geography. KRN has supported the development of core infrastructure of the digital financial inclusion including technology and payment solutions. These endeavors are reinforced by KRN initiatives to institutionalize vehicles to finance micro and small businesses and institute supportive credit enhancement. Within this context, timely and reliable statistics and data portal will play a critical role in the design of futuristic policies and monitoring of ground progress. Devising strategies that can lead the country towards sustained financial progress. Policymakers, development partners, corporates, researchers and academia, and entrepreneurs, all have a need for statistics on the financial sector for identifying trends, learning from successes, ascertaining gaps, and mapping a necessary course of action in order to make interventions that can reap the best dividends for the economy. Informed decisions backed by metrics, facts, and figures are the best decisions and that is precisely why we at Karandaaz felt that a sophisticated data portal where information is available for sound decision making is critical. ”

Sima Kamil, Deputy Governor State Bank of Pakistan said,

“ As a regulator of the financial sector of any country, the central bank's reliance on credible data for making policies that are likely to trigger growth and progress are fundamental. Although there is a lot of data available out there, there is a definite need for a consolidated source that is perceived as unbiased, credible, and pro-growth. We hope that this data portal that has been developed by Karandaaz will serve as a credible resource for government agencies, the financial sector, industry associations, and development agencies to gather invaluable insights and evidence on the most important indicators for planning and policymaking. I look forward to engaging with Karandaaz on further enriching the portal as a go-to resource on financial inclusion. ”

Annabel Gerry, Head of Development of UK's Foreign, Commonwealth, and Development Office (FCDO) in Pakistan said,

“ Good, reliable and easy-to-understand data is essential for measuring impact and formulation of evidence based policies. I congratulate Karandaaz on setting up such a comprehensive and visually appealing SME data portal which will fill an important information gap in Pakistan. I am hopeful a wider set of actors in the market, including financial institutions, businesses, regulators and senior policy makers, would find it useful for better understanding SMEs in Pakistan. ”

Ali Sarfraz, CEO Karandaaz said,

“ The importance of data to make informed decision making identify effective public and private actions, set goals and targets, monitor progress, and evaluate impacts cannot be stressed enough. We have endeavored that Karandaaz data portal offers a host of macro, financial and sectoral statistics in a user-friendly interface that can also be customized by the users. We have painstakingly collected the most credible information in order to ensure that users have confidence in the quality and integrity of the data and the information we present is of practical utility. Therefore, in addition to developing a one-stop aggregator tool, in the future, Karandaaz aims to continue adding more information in the portal and add features that allow users to generate more nuanced learnings and insights. ”

Karandaaz data portal has used the most up-to-date technology for data storage and visual representation and enables modular access to information for users to easily sort through different indicator categories and the flexibility to download data option in formats such as excel and .csv. The portal also offers the feature of search through keywords and is browser agnostic to ensure that all users can easily reach the information they are looking for, benefit from it, and download it for future use in the format of their choice using visualization tools such as line, bar, and pie charts. The portal also offer the option of layering different indicators across each other for a meaningful analysis.

During the webinar a panel discussion to highlight the various features of Karandaaz data portal and the significance of data-driven decision making especially in the context of financial policy planning in a developing economy such as Pakistan was also held. The panel discussion was moderated by Ms. Mehr Shah, Director Knowledge Management and Communications at Karandaaz and the participants of the panel discussion included Ms. Raeda Latif, Head of Marketing and Business Development at Pakistan Stock Exchange; Mr. Blaine Stephens, Advisor on Inclusive Finance; and Dr. Syed Zahoor Hassan, Professor and Former VC of LUMS.



Research Showcase

► Equity Crowdfunding: A Funding Alternative for Pakistani Start-ups and MSMEs

The term 'crowdfunding' corresponds to the idea of soliciting small amounts of funding from an expanded pool of eligible investors, often including the general public. This funding methodology involves greater use of technology – the project/idea that needs to be funded is publicised over a digital platform, tapping a wide and diverse range of qualifying internet users to gain financial support.

Over the last decade, advances in technology and the concept of a 'shared economy' that emerged in the aftermath of the 2008 financial crisis have revolutionised the global financial landscape, largely to address difficulties faced by entrepreneurs, early-stage enterprises, and micro, small and medium enterprises (MSMEs) in raising growth capital.



► Karandaaz Gender Assessment Toolkit

Organizations can no longer afford to be blind to the contribution of women in their business models, whether as employees or as consumers. By being more cognizant of the needs of their female employees, organizations can better position themselves as Employer of choice, thereby helping them attract the best talent. This in turn ensures that the organization can benefit from higher productivity and creativity brought about through having a diverse workforce.

By being more responsive to the needs of their women clients and by being more deliberate in their targeting of women consumers, organizations can effectively position themselves as Brand of choice for women. This allows them to capture an additional slice of the market and earn higher revenues from an untapped or under-tapped consumer segment.



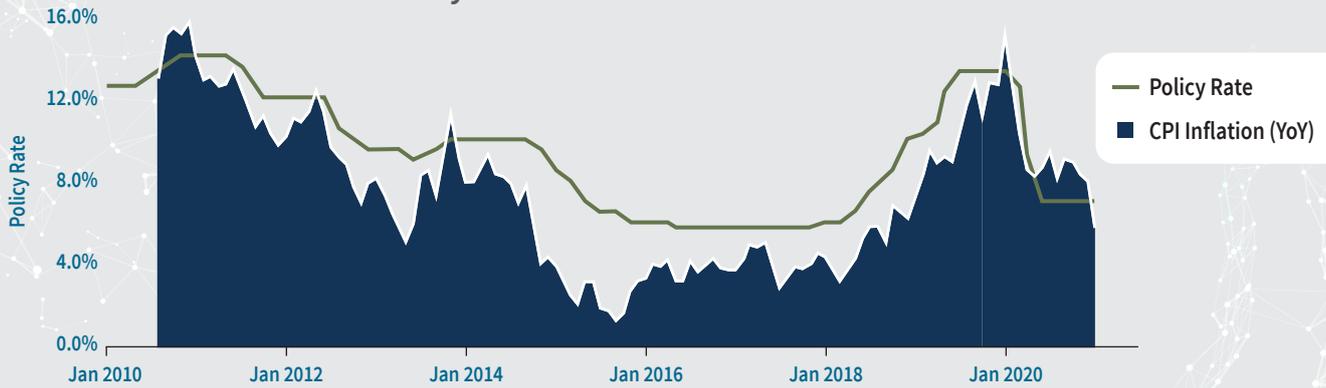
KARANDAAZ DATA PORTAL

Literacy Rate Among Pakistani Women



Note Periods where data is not available at source may appear as gap on the chart. Source : Economic Survey of Pakistan

Policy Rate Vs CPI Inflation of Pakistan

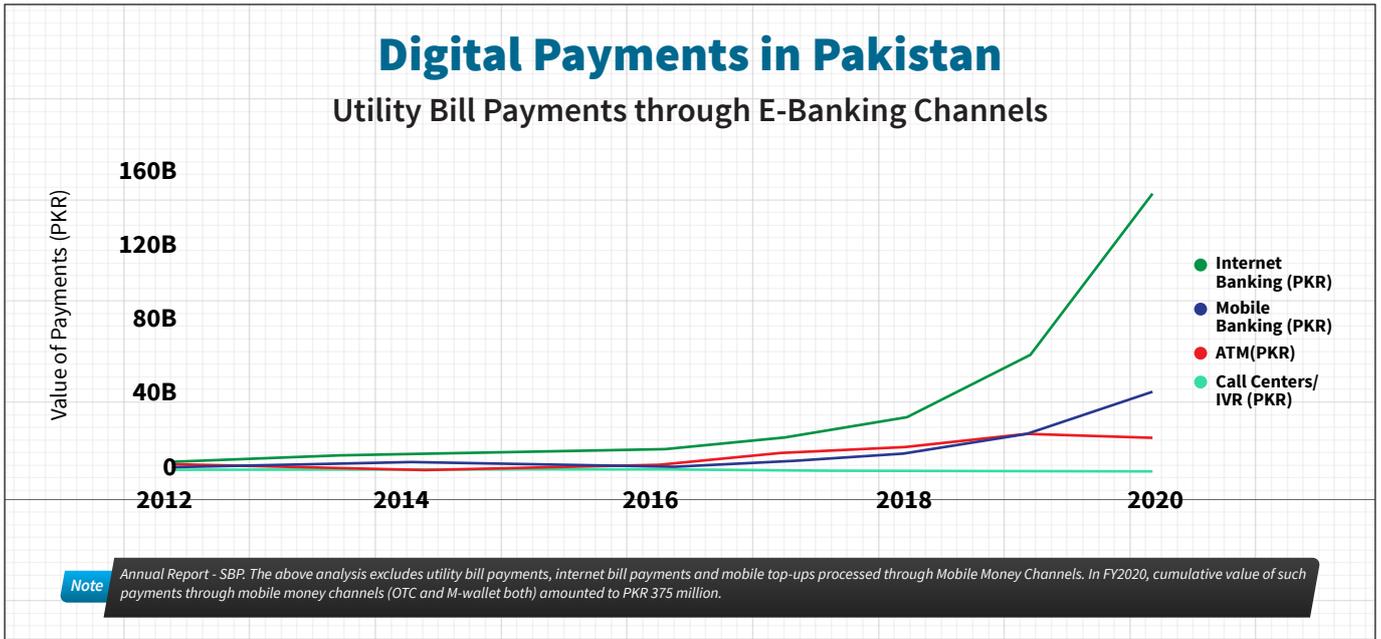


Note The CPI Inflation base year was changed in Oct 2019. Source - State Bank of Pakistan

Snapshot of Outstanding SME Credit Portfolio



Source: State Bank of Pakistan



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About Karandaaz

KARANDAAZ PAKISTAN is a Section 42 company established in August 2014 and focuses on fostering economic growth and creating jobs through financial inclusion of unbanked individuals and unserved enterprises, with a special focus on women and youth. The company has four verticals:



Karandaaz Capital

Provides wholesale structured credit and equity-linked direct capital investments to micro, small and mid-size enterprises (MSMEs) that demonstrate compelling prospects for sustainable business growth and employment generation in Pakistan.

Karandaaz Digital

Focuses on expanding the poor's access to digital financial services in Pakistan by working across the ecosystem with all stakeholders.



Karandaaz Innovation

Manages the Innovation Challenge Fund and Women Entrepreneurship Challenge, providing risk capital and grants to partners with the aim to generate innovative solutions in areas of financial inclusion and entrepreneurship.

Knowledge Management and Communications

Supports the company's core financial inclusion goal by developing and disseminating evidence based insights and solutions.



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