

## **Pakistan's new mobile money app aims to modernize financial inclusion**

By Kate Fitzgerald

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The global push to expand financial inclusion takes many paths, based on the challenges—and unique market advantages—in countries where vast portions of the population lack access to modern banking services.

In Pakistan, only 16% of people in a nation of 190 million citizens have a traditional bank account, but a new mobile money app called SimSim is seeing rapid adoption, underscoring how quickly mobile payments can advance when market conditions are ripe.

SimSim, a free app, supports person-to-person payments, utility bill payment and in-store purchases through participating retailers, and since its formal launch in April, the app has seen double-digit growth, according to its backers.

But SimSim has an unusual foundation.



"Technology and data have irrevocably disrupted banks, and the microfinance sector is not immune to these changes," said Andrée Simon, Finca's CEO.

Unlike many mobile money services in emerging nations that relied on partnerships with mobile network operators to gain scale, SimSim is based on a grass-roots operation run by Finca, a Washington, D.C.-based nonprofit that's a licensed microbank in Pakistan, along with other operations around the world.

Finca set up shop in Pakistan in 2013, introducing financial services to entrepreneurs—primarily women—giving them small loans and opportunities to save and exchange funds, but the program's growth was limited by slow, manual processes, said Andrée Simon, Finca's CEO.

The organization began looking to the fintech world for a way to accelerate growth a couple of years ago.

"Technology and data have irrevocably disrupted banks, and the microfinance sector is not immune to these changes," said Simon.

Last year Finca formed a partnership with Finja, an unrelated fintech startup based in Lahore, Pakistan. The teams began working together to create SimSim, which got off the ground last year with 4,500 users in a pilot. In April of this year the concept formally launched, and it now reaches more than 30,000 users, with transaction growth expanding by double digits, according to Finca.

In addition to pairing an established nonprofit operation with new fintech, two key market conditions favored SimSim's launch, according to Tughral Ali, Finca's head of branchless banking.

One factor was the broad, recent expansion in Pakistan of smartphones with 3G and 4G wireless technology capable of supporting a sophisticated mobile money app. The other key element was the success of Pakistan's national identification system, which provides a secure way to enroll the unbanked masses, Ali said.

"Pakistan's government created a powerful database with biometric records of almost all citizens, and required that all (mobile phone) SIMs have biometric verification, thus linking each SIM to a citizen identity in the national database," he said.

User growth is expanding primarily by word of mouth, and hundreds of retailers immediately came aboard to support the app for in-store payments via QR codes, Ali said.

Though SimSim is technically a branchless mobile money app, Finca's physical offices in Pakistan allow the app's users to deposit and withdraw funds for free. Users also may make cash deposits and withdrawals at a partner retail agent for a small fee; Finca has partnerships with 10,000 retail agents who belong to an existing network that operates across Pakistan with separate bank support, Ali said. SimSim users can also buy an ATM card for \$2.50.

SimSim plans to expand its menu of financial services to eventually include traditional credit and insurance, but currently it's working to expand its user base and achieve coverage through 70,000 partner retail outlets and agent locations, according to Ali.

SimSim could be compared to Kenya's M-PESA, which gained rapid scale through its connection to Vodafone's local mobile network operator, Safaricom, but the differences are worth examining, Ali noted.

"Partnering with an MNO can offer immediate scale by leveraging an existing customer base and a retail footprint already operating in the mass market through retailers and franchisees that have established consumer trust," Ali said. "But an MNO is not a bank, and

it tends to lack an organizational understanding of consumers' broader banking needs. By originating SimSim as a banking product we're better positioned to build longer-term relationships with the customer based on their personal financial roadmap."

SimSim isn't the only mobile money service offering handset-based financial services in Pakistan. Easypaisa, operated by Telenor Microfinance Bank, and UBL Omni are two of several other mobile money options in the region.

Each emerging mobile money system faces similar challenges in driving ongoing payments volume, according to David Parker, CEO of U.K.-based Polymath Consulting, who studies mobile payments systems in emerging markets.

"The key to every network-independent wallet is the strength of their load channels, agent network and scale," Parker said. "It's fine to connect consumers to bank accounts, but these systems become cost-effective when funds flow within the ecosystem, and to that end it's all about getting money in and then having enough people you want to pay on the same system."

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## **Kate Fitzgerald**

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## **Comments**