Pakistan Fintech Network

Pakistan Fintech Forum II - Building a Better Tomorrow: The Road to Pakistan Fintech 2030

Introduction

The year 2023 has brought with it a web of uncertainties, stemming from the lingering impact of COVID-19 on the global economy to inflationary pressures and volatile financial markets. While Fintech has transcended boundaries, becoming a global force that touches every aspect of our lives, there is a long way to go. There is a limitless potential of fintech in reshaping industries, mitigating risks, and driving innovation. It is important now to ask how fintech is empowering businesses and individuals across the globe and in Pakistan.

Fintech has the transformative potential to empower individuals and businesses across the globe while fostering financial inclusion and economic growth. Emphasis must be placed on ways to formulate strategies that foster innovation, inclusivity, while maintaining and enhancing stability in financial systems.

Looking back, we reflect on where fintech in Pakistan was, understanding its initial strides and challenges. At present, we find ourselves at a juncture where fintech has demonstrated its transformative potential, contributing to financial inclusion and economic growth. The collaboration between fintech industry players and the SBP initiatives has played a pivotal role in this journey, fostering an environment that encourages innovation while ensuring the stability of financial systems.

However, the journey is far from over. As we envisage the path towards Pakistan Fintech 2030, it is our responsibility to scrutinize the strategies that will further propel the industry forward. There is a need for stakeholders to deliberate on formulating strategies that prioritize innovation, inclusivity, and resilience. By examining the successes and challenges of the past, we can chart a course that not only embraces the limitless potential of fintech but also addresses the specific needs of Pakistan's economic landscape.

It is important to assess where we have been, understand where we stand, and collectively define the roadmap for the future. This paper is an attempt to delve into important topics and issues and to explore how fintech can continue to empower businesses and individuals in Pakistan, ensuring a robust, inclusive, and innovative financial ecosystem on the journey to Pakistan Fintech 2030.

Redefining Risk in a Changing Landscape

The evolving risk landscape, including climate risk, cyber risk, and geopolitical uncertainty, poses both challenges and opportunities for the fintech industry. The nature of businesses is shifting and the fintech sector can seize these challenges as opportunities for innovative risk management solutions.

The forum aims to serve as a pivotal platform for thought leaders, innovators, and stakeholders in the fintech ecosystem to convene, share insights, and chart a course towards a more inclusive, resilient, and sustainable financial landscape.

Emerging Fintech Ecosystem

Pakistan's Fintech industry has made significant strides in recent years. Startups, traditional financial institutions, and government initiatives have collectively contributed to the development of a nascent but promising Fintech ecosystem. There are several opportunities and challenges that can be observed. For example,

Digital Banks and Payment systems: Digital payments have gained traction with the increasing adoption of mobile wallets, payment gateways, and digital banking services. The State Bank of Pakistan (SBP) has played a pivotal role in regulating and fostering this growth. Digital banks have the ability to provide a simpler and more convenient medium for the masses to access financial services. The future for Pakistani banks in the global digital landscape is promising. Last year, State Bank of Pakistan (SBP) launched the licensing and regulatory framework for setting up digital banks in Pakistan as a separate and distinct category in the banking business.

On January 13th, 2023 the central bank issued no objection certificates (NOC) to five applicants for establishing digital banks. The digital payment transactions in Pakistan have increased in part due to the measures taken by the SBP that created incentives for customers, growth in digital payment infrastructure as well as emergence of new payment aggregators have also been a contributing factor in this increase. Covid-19 has prompted a strong shift in behavior of bank customers towards digital banking in Pakistan.

Digital banking provides numerous benefits but the key challenges from the IT perspective will be to be able to identify, build, and deliver new services for customers, ensure flexibility in establishing partnerships through seamless integration, or leveraging cloud services while keeping business and IT architectures governed properly. This should allow for addressing the upcoming transformational drivers, in particular:

- The consolidation of the banking sector, which may speed up with the outbreak of the financial crisis.
- New market expectations, which are additionally fueled by emerging fin-techs.
- Digitalization of sales channels, including the implementation of ‘digital branch’ solutions
- Ensuring high levels of trust in financial institutions through scalable and uninterrupted services, which will support the shift to digital currencies.

On the other hand, the digital transformation of traditional banking is associated with a lot of challenges: new customer expectations and changed behavior, legacy technology, lack of skills and talent, and new regulations. But the biggest challenge is the growing competition, with tech giants that are advancing into the field of contextual banking. Some challenges which a digital-only bank would face in Pakistan include firstly, the lack of financial literacy and although things have improved recently, there is still a lot of ground to cover. Secondly, significant adoption issues of these platforms, and lack of trust in virtual businesses still hinders growth. Thirdly, digital transactions don’t offer any clear benefits to customers as compared to cash, and hence customers still prefer to use cash. Lastly, it is no secret that most of the people in Pakistan still want to evade

documentation and taxation. Digital banks if they truly want to address the needs of the masses must develop innovative savings products. They need to understand how Pakistanis save, and currently putting money in a bank account is not the most popular mode of savings. A digital bank must have the customer lens as its principal lens. Lending Solutions: Fintech lending platforms have begun offering accessible and convenient lending solutions to consumers and small businesses. Peer-to-peer lending and digital lending apps have gained popularity.

Financial Inclusion: Fintech has a unique potential to play a pivotal role in advancing financial inclusion in Pakistan. Focus is needed on advancing digital banking and payment services so that they can reach the unbanked and underbanked populations, promoting economic growth.

Regulatory Framework: The SBP has taken a proactive approach to regulate Fintech, ensuring consumer protection and financial stability. Regtech is an indispensable component for risk mitigation and regulatory compliance in the ever-changing fintech industry. Fintechs in Pakistan must embrace technological solutions to ensure they adhere to the evolving regulatory landscape. Collaboration between fintech firms and regulators is essential to address challenges and harness opportunities and enhancing Regtech. The introduction of Regulatory Sandbox and Electronic Money Institutions (EMIs) regulations has been a significant step. Adaptation is necessary in the evolving landscape by creating an enabling environment for fintech innovation while ensuring consumer protection and financial stability.

The question that needs to be asked is what is to be expected and planned for in the next decade to come. For Example, a few important areas may include;

i. **Enhanced Collaboration:** Foster closer collaboration between Fintech startups, traditional banks, and regulatory bodies. Promote partnerships that leverage each other's strengths to drive innovation and customer-centric solutions.
ii. **Digital ID Infrastructure:** Develop a robust digital identification system that facilitates customer onboarding and due diligence processes,

making it easier for Fintech companies to verify customer identities and mitigate fraud.

iii. **Cybersecurity and Data Privacy:** Invest in state-of-the-art cybersecurity measures and ensure compliance with international data privacy standards. A secure environment is crucial to building trust among users.

iv. **Financial Literacy Initiatives:** Implement educational programs and campaigns to enhance financial literacy among the masses, empowering them to make informed decisions and use Fintech services effectively.

v. **Regulatory Clarity:** Continue refining and evolving regulatory frameworks to accommodate Fintech innovations while ensuring compliance and consumer protection. Regular consultations with industry stakeholders are vital.

vi. **Open Banking:** Encourage the adoption of open banking standards, enabling secure data sharing among financial institutions and Fintech firms. This will drive product innovation and enhance competition.

vii. **Infrastructure Development:** Invest in a robust digital infrastructure, including high-speed internet connectivity and reliable mobile networks, to ensure seamless access to Fintech services, especially in rural areas.

viii. **Risk Management:** Strengthen risk management practices within Fintech firms to ensure long-term sustainability. Implement advanced credit scoring models and risk assessment tools to maintain healthy portfolios.

ix. **International Expansion:** Support Fintech startups in expanding their services beyond Pakistan's borders. Facilitate partnerships with international players to drive cross-border payments and remittances.

x. **Ecosystem Support:** Establish Fintech-focused incubators, accelerators, and funding mechanisms to nurture and support startups. Encourage research and development in emerging technologies like blockchain and AI.

The Fintech industry in Pakistan has immense potential for growth and innovation. With the right strategies and a collaborative approach, Pakistan can build a thriving Fintech ecosystem that contributes to financial inclusion, economic development, and global competitiveness.

Amidst the global upheaval, Pakistan's fintech industry has emerged as a dynamic and promising player. There are unique challenges and opportunities within the Pakistani context:

- **Regulatory Improvements:** Recent regulatory improvements in Pakistan have significantly influenced the fintech landscape. This paper will discuss updates on these changes and their impact on fostering innovation, such as the State Bank of Pakistan's (SBP) issuance of Digital Banking licenses to five banks. This development marks a pivotal moment in the evolution of Pakistan's financial sector, and experts will delve into its implications and future prospects.
- **Financial Inclusion:** Financial inclusion is an important for Pakistan. With a substantial unbanked population, there is a tremendous opportunity for fintech to bridge this gap. Strategies and initiatives must be explored that can enhance access to financial services for underserved communities.
- **Cybersecurity and Data Privacy:** The increasing reliance on digital financial services highlights the critical importance of cybersecurity and data privacy. PFF-II will facilitate conversations around best practices, risk mitigation, and regulatory frameworks to ensure the safety and security of financial transactions.
- **Collaboration:** Collaboration between traditional financial institutions and fintech innovators is essential for the industry's growth. It is important to value successful partnerships and explore avenues for further collaboration, such as fintech-powered products offered by established banks.
- **Digital Payments and Wallets:** The rise of digital payments and mobile wallets is transforming the way Pakistan transacts. Challenges and opportunities presented by these innovations need to be identified and strategies discussed for widespread adoption.
- **Blockchain and Cryptocurrencies:** The landscape of blockchain technology and cryptocurrencies is evolving in Pakistan, insights into regulatory

considerations, potential use cases, and the role of digital assets in the financial ecosystem are of high importance.

- Other critical issues such as gender diversity in fintech, digital-only banking, insurtech, and the role of fintech in serving an expanding underserved market underscore the importance in promoting a more equitable and accessible financial ecosystem in Pakistan.

Future-Forward Finance: Commercial Banks & Financial Institutions Role in Digital Journey, here onwards

Pakistan's financial sector is at a critical juncture. With only 21% of the population having access to bank accounts, there is a significant gap in financial inclusion. The need of the hour is for digital banks and hybrid models to bridge this gap, leveraging the strengths of commercial banks, fintech companies, and microfinance institutions.

Integration of digitalization in banking and finance is progressing rapidly and digital financial services are changing the way in which banks are operating. Commercial banks have a role to play not only in the traditional functions of safeguarding deposits and facilitating transactions but also in leveraging technology to offer innovative solutions that cater to the growing demands of a digital economy.

It can be argued that commercial banks have an indispensable role to play in shaping and advancing digital financial services. By committing to security, trust, innovation, and financial inclusion, commercial banks can position themselves as key drivers of the ongoing digital transformation within the financial industry. As technology continues to evolve, the role of commercial banks in the digital realm is to become even more crucial in fostering a resilient and inclusive financial ecosystem.

The digital era demands that banks adapt to changing consumer preferences and technological advancements. Similarly for Pakistan, it is necessary to understand the evolving role that commercial banks can play in the Pakistani financial system.

For example, being custodians of trust, it is particularly important to ensure they maintain their security and reliability in the digital realm. Furthermore, commercial banks are embracing technologies such as mobile banking apps, online platforms, and digital wallets. It is important to consider whether the pace and scale at which this digital transformation is taking place enough to create an impact.

Another factor to consider for Pakistan is the role of commercial banks in the digital space is in promoting financial inclusion. Digital financial services provide a gateway for individuals without access to traditional banking, enabling them to participate in the formal financial sector. Through mobile banking and other digital channels, commercial banks can reach remote and unbanked areas, fostering economic development. Several segments constitute Pakistan's digitally underserved population. These include salaried individuals, for example, Millennials and Gen Z entering the workforce and building their wealth. They represent a substantial market with unmet financial needs. Another segment is that of Merchants; Small and medium-sized enterprises (SMEs) require better access to financial services to grow and contribute to the economy. Another important segment is of Women, where only 13% of women have access to financial services, highlighting a critical area for improvement.

Digital Banking is a potential solution, and for digital banks to become a solution to the issues mentioned above they need to establish trust, particularly among salaried individuals and merchants. Leveraging established distribution networks and focusing on customer-centric services can help in this regard.

It is also necessary for banks to adopt technology quickly. In the case of Gen Z, with its high technology adoption rate, presents a prime opportunity for digital banks to introduce innovative financial solutions. Having a strategic approach and targeting specific population segments can also provide results. For example, for Gen Z and millennials the focus can be on digital literacy and tailored financial products to meet the unique needs of these tech-savvy generations. For women, the industry can work to develop gender-centric financial inclusion strategies to address the specific barriers women face in accessing financial services.

Considering Pakistan's population, where there is a majority of individuals who do not have their banking needs being met due to lack of collateral, or digital financial literacy, it may not be prudent to provide a completely digital solution. Hybrid banking models that combine digital and physical banking services can enhance customer relationships and improve loan recovery rates, especially in regions where digital-only solutions may not be sufficient. Furthermore, automation and process improvements can reduce operational costs, making it viable to serve lower-margin segments effectively.

Another way forward for the industry is to develop innovative financial products that cater to the needs of different segments, such as microloans for SMEs, savings accounts for women, and investment products for young professionals. The usage of non-traditional data sources to assess creditworthiness, enabling financial services for those without formal documentation can also help improve financial inclusion.

The Pakistani Fintech industry also needs to build a collaborative ecosystem. The fintech industry and its players must encourage collaboration between commercial banks, fintech companies, and microfinance institutions to build a robust financial ecosystem. Commercial banks are considered as key players in driving innovation within the financial services sector. There is a lot of scope for innovative partnerships that can be formed where banks collaborate with fintech companies to integrate cutting-edge technologies such as artificial intelligence, blockchain, and data analytics into their operations. These partnerships can enable banks to offer novel products and services, enhancing efficiency and meeting the evolving needs of their customers. For such an ecosystem to establish itself, regulatory support is key. This way public-private partnerships can further drive innovation and financial inclusion.

There are some cases that can be considered as success stories for Pakistan;

- EasyPaisa: They have expanded financial services to millions of previously underserved customers through innovative digital solutions and partnerships with traditional banks.

- Microfinance Initiatives: Microfinance institutions have successfully provided credit to the bottom of the pyramid, demonstrating the importance of hybrid models in financial inclusion.

- Bank of Punjab (BOP): BOP's strategy of pioneering digital and government-to-business (G2B) payments highlights the potential for commercial banks to lead in financial innovation and inclusion.

Fintech companies like Jazz Cash and EasyPaisa have made significant strides in financial inclusion by digitizing customer experiences and expanding outreach. The collaboration between commercial banks, fintech, and microfinance institutions is essential to leverage each other's strengths and expand financial services efficiently.

Breaking Barriers with Fintech: Making Waves Across Every Aspect in Pakistan

The Fintech industry has permeated diverse sectors, transforming the way we access and manage financial services. Fintech, with its inclusive nature, has the ability to empower every individual and has application across various domains. The continued development and support of fintech in Pakistan are crucial for driving economic growth and financial inclusion. By addressing regulatory challenges, fostering innovation, and promoting collaboration among stakeholders, Pakistan can harness the full potential of fintech to transform its financial landscape and ensure that more individuals and businesses have access to the financial services they need.

The regulatory framework in Pakistan is evolving to support the growth of the fintech ecosystem, with significant initiatives like Raast, merchant onboarding regulations, and revised EMI regulations paving the way. The State Bank of Pakistan (SBP) has been instrumental in this transformation, starting with the introduction of branchless banking in 2007. Collaborative efforts with the Pakistan Telecommunication Authority (PTA) led to the establishment of payment gateways and the implementation of PSO PSP regulations in 2014. The launch of EMI regulations in 2019 resulted in the creation of over 2 million wallets and numerous seamless transactions, with the 2023 regulations further refining these measures and introducing QR payments to enhance Raast, Pakistan's instant payment system.

The role of SBP extends beyond regulation to stabilizing the financial system and fostering the growth of payment acceptance infrastructure. Despite challenges like the COVID-19 pandemic and import restrictions, SBP has been dynamic in its approach. However, sustainable business growth in the fintech sector also requires collaborative efforts involving revenue authorities and legislative support.

Innovations in fintech are crucial for addressing untapped markets such as agriculture and SMEs. Digitizing agricultural outputs, collateralizing Agri-receipts, and ensuring timely payments and inputs for farmers are vital steps towards financial inclusion in these sectors. Artificial intelligence (AI) holds significant potential in fintech, particularly in customer facilitation, fraud detection, and hyper personalization, which can greatly enhance the quality of financial services.

Effective distribution of financial services requires collaboration between tech companies and licensed institutions. The adoption of open APIs and the concept of fintech as a service are essential for future growth. Pilot initiatives by the central bank, including open APIs and technical sandboxing with IFC, are paving the way for greater collaboration within the fintech ecosystem.

Long-term aspirations for the fintech industry include addressing barriers to financial inclusion and access, leveraging initiatives like Raast, and exploring the

potential of short-term lending for merchants. Digitizing merchants is key to integrating them into the formal economy, with incentives needed to encourage registration and tax compliance.

The buy-now-pay-later (BNPL) model presents a promising avenue for improving financial inclusion in Pakistan. AI-based technology plays a crucial role in managing digital lending and building credit histories for individuals lacking access to formal banking, thus facilitating their transition to the formal financial system.

Regulatory challenges persist, underscoring the critical role of the government in supporting financial inclusion initiatives. Strategies and frameworks issued by the central bank, such as the National Financial Inclusion Strategy (2015) and the National Payment System Strategy, aim to promote digital financial services. However, greater involvement from both central and provincial governments is necessary to drive digital transformation and enhance financial inclusion across the country.

In recent years, the fintech industry in Pakistan has seen significant growth. The implementation of Raast, the country's instant payment system, has facilitated over 40 million transactions, with more than 25 million unique users benefitting from this initiative. The central bank's efforts have led to the digitization of over 30,000 merchants, a number that continues to grow as more businesses are integrated into the formal economy. Additionally, over 3 million transactions are processed daily through various fintech platforms, showcasing the increasing reliance on digital financial services in Pakistan.

The potential of AI in fintech is further demonstrated by the use of machine learning algorithms to analyze transactional data, enabling financial institutions to offer personalized services and detect fraudulent activities more effectively. With over 50% of the population still unbanked, the fintech sector has a substantial opportunity to bridge the financial inclusion gap by leveraging advanced technologies and regulatory support.

Inclusive Finance and Beyond- The Biggest Challenges in Fintech

Inclusive finance is the cornerstone of Fintech's potential to uplift communities and drive economic growth. Fintech can bridge the gap between the unbanked and traditional financial services, paving the way for a more inclusive financial ecosystem. There is a need to explore strategies to reach underserved populations, enhance financial literacy, and ensure that Fintech services truly benefit all. By addressing these challenges, Pakistan can harness the full power of Fintech to promote financial inclusion and economic development. Critical challenges exist in achieving inclusive finance through Fintech in Pakistan, strategies are needed to bridge the gap between the unbanked and traditional financial services, boost financial literacy, and promote widespread financial inclusion for economic development.

The fintech sector in Pakistan is navigating a complex landscape of regulatory challenges, financial inclusion goals, and technological advancements. By fostering innovation through a supportive regulatory environment, enhancing financial literacy, leveraging comprehensive data, and developing inclusive financial products, the industry can achieve significant progress in addressing the diverse needs of the population.

Regulation plays a key role in in the growth and sustainability of every industry. The landscape of fintech regulation and innovation is rapidly evolving, particularly in response to the challenges and opportunities presented by the COVID-19 pandemic. In 2020, Pakistan's fintech sector experienced significant growth, partly due to a less regulated environment. However, this lack of regulation led to some market integrity issues, prompting the need for a more structured framework to protect consumers and maintain market stability. Drawing lessons from global examples like the UAE, where BNPL startups initially operated without strict licensing but now face regulatory frameworks, Pakistan has adopted a similar approach. The country now offers a regulatory sandbox open throughout the year,

allowing fintech companies to test new business models in a controlled environment, promoting innovation while ensuring consumer safety. This approach can encourage innovation while safeguarding consumer interests, thus promoting a balanced and sustainable fintech ecosystem.

The role of HR in enhancing financial literacy within organizations is another key topic. HR departments can facilitate partnerships with third-party service providers to offer financial education and investment opportunities to employees. This approach not only helps employees make informed financial decisions but also aligns with regulatory requirements regarding data privacy and security.

Data plays a critical role in the fintech sector, influencing lending decisions and financial inclusion. In Pakistan, the credit bureau's extensive data repository, which includes information on 26 million borrowers and 1.8 billion transactions, is instrumental in developing accurate credit scores and risk assessments. This statistic alone helps highlight the potential for data-driven decision-making in lending. By exploring the use of alternative data sources, such as telecom data, can be used to enhance credit assessments for customers. This initiative can help include more individuals in the financial system who do not traditionally fall within the usual credit evaluation frameworks.

The financial inclusion of women remains a significant challenge. In Pakistan, only 7% of women have bank accounts, and merely 20% own mobile phones. Addressing this issue requires more than just superficial interventions like offering free banking services. A multifaceted strategy is needed, one that includes tailored financial products that align with women's business aspirations and addresses broader social inclusion challenges.

The future of digital lending in Pakistan hinges on the quality of available data. Reliable and comprehensive data is essential for making swift and accurate lending decisions. The country's credit bureaus are working towards improving data quality and coverage, which will enable digital lenders to better assess creditworthiness and manage risks. As the fintech sector continues to evolve, maintaining a balance

between innovation, regulatory compliance, and consumer protection will be crucial for sustainable growth.

Furthermore, in an era where customer expectations and technological advancements continually shape the financial industry, there is a critical need to optimize the customer experience.

Collaboration – Bridging Fintechs and Digital Banks

Collaboration between Fintech startups and traditional banks is vital for driving innovation and customer-centric solutions. Collaboration can lead to transformative products and services that enhance the customer experience. Digital banks, with their agility and innovation, can find common ground with established financial institutions, exploring avenues for cooperation as Pakistan's financial landscape evolves.

Fintech companies, particularly those in lending operating as Non-Banking Financial Companies (NBFCs), differ from traditional banking models primarily in the breadth and width of services they can offer. Digital banks are subject to stringent regulatory compliance, capital requirements, and risk management protocols. In contrast, fintechs often focus on two main areas: lending and payments. The regulatory landscape for fintechs is less rigorous, which allows them to operate at a lower cost.

Collaboration between digital banks and fintechs can leverage each other's strengths for consumer convenience. Digital banks, with their substantial capital and regulatory compliance infrastructure, can provide liquidity and regulatory adherence. Fintechs, on the other hand, excel in customer acquisition and customization due to their agile operations and lower compliance burdens. This symbiotic relationship allows digital banks to offer tailored financial products through fintech channels, optimizing capital deployment and compliance while expanding customer reach.

Role of Fintech in Digital Wallet Operations

In the context of converting cash to digital, fintechs play a crucial role. We must recognize that the primary competition is not among the fintech players but against cash. Collaboration is key, with initiatives such as "wallet as a service" allowing fintechs to utilize digital wallet capabilities without needing to develop the infrastructure themselves. Partnerships with fintechs for services like disbursement and collection are already in place, enhancing operational efficiency.

Fintechs can provide specialized services such as earned wage access through collaboration, combining their technological prowess with the scale and credit scoring capabilities of established players. This partnership approach extends to leveraging extensive QR Merchant networks to facilitate digital transactions in underbanked regions, promoting financial inclusion.

Fintech's Contribution to Customer Acquisition and Financial Literacy

Fintechs significantly impact customer acquisition and financial literacy by focusing on specific use cases and customer journeys. Each fintech entity, whether in e-money, Insurtech, Agri-fintech, or early wage access, invests heavily in educating users about their products. This deep engagement leads to a financially literate and digitally savvy user base, which can later be transitioned to more sophisticated financial products offered by commercial and digital banks.

Fintechs can also take on initial compliance and Know Your Customer (KYC) requirements, enabling the onboarding of individuals who might be excluded from traditional banking due to lack of formal documentation. By providing a mobile wallet account and building user profiles based on transaction history, fintechs can create a bridge for users to eventually access more comprehensive banking services without compromising regulatory standards.

Collaboration in the Insurance Sector

The low penetration of health, life, and asset insurance in developing markets like Pakistan highlights the critical need for collaboration between fintechs and banks. Fintech platforms can be pivotal in connecting insurance providers with consumers. They can address trust issues prevalent in the industry by representing the client's interests rather than the insurance companies. This client-first approach can help build trust and increases accessibility to insurance products.

Fintechs can also play a vital role in educating consumers about the benefits of insurance, addressing misconceptions, and simplifying the claims process. By providing an accessible platform and leveraging digital payment solutions, fintechs can help in creating a safety net that protects individuals from financial hardships due to unforeseen events.

Data Utilization and Customer-Centric Strategies

Data is a powerful tool for creating value propositions in fintech and digital banking collaborations. A strategic approach to customer acquisition focuses on short-term customer satisfaction rather than mere growth metrics. The objective is to create loyal customers who will advocate for the service, thus driving organic growth.

In the short term, strategies should aim at delivering exceptional customer experiences, ensuring that the first million customers are not just numbers but satisfied users who promote the service. Medium and long-term strategies involve building robust open APIs and offering banking as a service, allowing fintechs to create products on the bank's platform. This approach ensures a diversified customer base and enhances innovation through collaborative efforts.

It can be said that the future of fintech and digital banking lies in leveraging each other's strengths through strategic collaboration. By combining fintech agility and customer-centric approaches with the capital and regulatory compliance of digital banks, the industry can create innovative, inclusive financial solutions that cater to a broader audience.