



Payment Systems Review

July - December, 2016

Payment Systems Department

PREAMBLE

Payment Systems Review (PSR) is based on quarterly submission of payment systems data submitted by Commercial and Microfinance Banks (MFBs) as required vide PSD Circular No. 03 of 2016 dated March 11, 2016 and Circular letter No. 07 of 2016 dated October 07, 2016 on Master Circular of Payment Systems Data.

In view of evolving new payment instruments, electronic payment channels and payment services, the need for enhanced Payment Systems Oversight has emerged. Accordingly, SBP has revised PSD Master Circular of 2005 dated August 24, 2005 with new reporting requirements and issued PSD Master Circular of 2016 dated March 11, 2016 and Circular letter No. 07 of 2016 dated October 07, 2016. Due to exhaustive changes in payment systems reporting some of the reporting variables were not comparable. To resolve this issue, due to significant revision by one of the Banks in reporting, the data of previous period was revised to make it comparable.

This is an exhaustive coverage of multiple variables relating to payment systems identified after obtaining feedback from internal and external stakeholders and publications of international institutions namely World Bank (WB), Bank for International Settlements (BIS) and other regulatory bodies. The revised reporting template was promulgated with effect from July - September 2016 for data collection from Banks and MFBs. Although this initiative introduced standardized definitions for reporting, however, Financial Institutions (FIs) faced many challenges in understanding the new reporting format. In this regard, industry wide training sessions and one to one discussions with teams of financial institutions were conducted. Now, after a rigorous data cleansing and awareness exercise, Payment Systems Review for first half of Fiscal Year 2016 - 17 has been developed which highlights industry-wide key performance indicators and analysis of payment systems data submitted by FIs.

Key Highlights

Infrastructure

- In Pakistan, there are 32 Banks, 11 Microfinance Banks (MFBs), 2 specialized Banks and 8 Development Finance Institutions (DFIs). Pakistan Real Time Interbank Settlement Mechanism (PRISM), the Real-Time Gross Settlement System (RTGS) of Pakistan, has 41 Direct Participants which includes 32 Banks, 7 DFIs, 1 Microfinance Bank and the Central Depository Company (CDC).
- The nationwide network of bank branches has grown to 14,096 in the period July – December, 2016. Out of these branches 13,926 (98%) operate online.
- ATM network has grown to 12,352 from 11,381 in the previous period. This shows that for every 100,000 adults¹ in Pakistan, there are 9 ATMs.
- Two ATM Switches i.e. ILink and Mnet, and one Automated Clearing House (ACH) i.e. National Institutional Facilitation Technologies (NIFT) for Paper based Payment Instruments are operating as Payment System Operator/ Payment Service Provider (PSO/ PSP).
- POS network showed a growth of 3% during the period July - December, 2016. Their number has increased to 52,062. The POS network showed a ratio of 44.1 POS machines per 100,000 adults.
- Internet Banking is being offered by 23 Banks/ MFBs whereas Mobile Phone Banking and Call Centers/ IVR Banking are being offered by 12 and 16 Banks/ MFBs respectively.
- E-Commerce merchant acquiring is being offered by 8 Banks/ MFBs with 398 registered local e-Commerce merchants.

Payment Instruments

- As of December 31, 2016, 36.2 million payment cards are in circulation. Out of these cards, 48% are Debit Cards, 29% are Social Welfare Cards and 19% are ATMs Only Cards whereas Credit Cards and Pre-Paid Cards contributed a share of 3% and 1% respectively.
- Banks have started issuing PayPak (Pakistan's first Domestic Payment Scheme) cards to their customers which are expected to increase over time.

¹ 195.4 million estimated total population and 60.4% adult population. (Source: Pakistan Economic Survey 2015-16)

- Inter Bank Funds Transfer (IBFT) facility is being offered by 31 Banks out of which 22 Banks/ MFBs also offer it through Internet Banking.
- Banks are also looking into opportunities for application of new payment methods like QR (Quick Response) Code for retail payments.

Payment Transactions

- The volume and value of large value transactions processed through PRISM during July - December, 2016 were 495,343 and Rs. 124.3 trillion respectively. These transactions showed an increase of 1% in volume and 9% in value as compared to the previous period January - June, 2016.
- PRISM system is increasingly being used for large value customers' transfers which increased by 4% in volume and by 8% in value during July - December, 2016 as compared to the previous period.
- During the period July - December, 2016, the volume of e-Banking transactions grew by 5% and value by 3% compared to previous half year. 286.4 million transactions of Rs. 17.3 trillion were processed through e-Banking Channels. The major share in e-Banking transaction volumes was contributed by ATMs which also remained a preferred channel for small value cash withdrawals. Real Time Online Branches (RTOBs)² has the highest share in value of eBanking Transactions.
- Transactions performed through paper-based instruments increased by 34% in volume and decreased by 5% in value.
- During July - December, 2016, an average cash withdrawal transaction conducted through ATM was of Rs. 11,000 approximately.
- Out of the total payment card based transactions, 88% were conducted on ATMs and 11.4% were conducted on POS machines. Only 0.6% was conducted on e-Commerce websites (local/ international).

² Data revised by one of the banks for the period January - June, 2016

Payment Systems Statistics

1.1 Payment Systems at a Glance

As of December 31st, 2016

Sr. No.	Description	Number
Financial Institutions		
1	Commercial Banks	32
2	Microfinance Banks	11
3	Specialized Banks	2
4	Development Financial Institutions	8
Payment Systems Infrastructure		
5	PRISM's Direct Participants	41
6	Online Branches	13,926
7	Manual Branches	170
8	Overseas Branches	123
9	Automated Teller Machines (ATMs)	12,352
10	Interoperable Switches	2
11	Point of Sale (POS) Machines	52,062
Payment Cards		
12	ATMs only/Propriety Cards	6,806,138
13	Debit Cards	17,470,297
14	Credit Cards	1,208,763
15	Pre-Paid Cards	359,064
16	Social Welfare Cards	10,357,706
Total:-		36,201,968
Payment Services by Banks		
17	Number of ATM Acquiring Banks	32
18	Number of POS Machines Acquiring Banks	6
19	Number of Banks providing Internet Banking Facility	23
20	Number of Banks providing Mobile Banking Facility	12
21	Number of Banks providing Call Centers/ IVR Banking Facility	16
22	Number of Credit Cards Issuing Banks	12
23	Number of Debit Cards Issuing Banks	28
24	Number of Social Welfare Cards Issuing Banks	8
25	Number of Proprietary ATM Cards Issuing Banks	18
Per 100,000 Adults Statistics³		
26	Online Branches	10.2
27	ATMs	9.0
28	POS	44.1

³ 195.4 million estimated total population and 60.4% adult population. (Source: Pakistan Economic Survey 2015-16)

1.2 Payment Systems Transactions

(Volume in Million & Value in Billion)

Transactions by Channels	January-June,2016		July-December,2016	
	Volume	Value	Volume	Value
PRISM System	0.5	113,837.7	0.5	124,305.2
Paper based Transactions	167.8	68,839.8	224.7	65,220.0
RTOBs *	62.9	14,134.2	66.6	14,623.2
ATMs	176.1	1,933.4	183.4	2,080.0
POS	20.5	104.8	21.7	114.0
Internet Banking	10.2	475.7	11.7	428.4
Mobile Phone Banking	3.6	62.0	2.5	46.9
Call Centers/IVR Banking	0.4	5.4	0.1	3.4
e-Commerce	-	-	0.5	3.8

* Revised in January-June,2016