



Payment Systems Review

October - December, 2018 (Quarter-2, FY19)

Payment Systems Department

Payment Systems Review for 2nd Quarter-FY19 (October - December, 2018)

Banking through digital channels has been gaining increasing popularity in the country in recent years. These channels are alternatives for faster delivery of banking services to a wide range of customers.

Pakistan Real Time Interbank Settlement Mechanism (PRISM)¹ is the Large Value Payment System. It enables the transfer and settlement of high value interbank funds and improves the overall efficiency of the large value payment system. In addition to PRISM, there are various e-Banking channels like Real time online Branches (RTOBs), ATMs, POS, Internet Banking, Mobile Phone Banking, Call Centers/IVR Banking and ecommerce facilitating retail value payments. These e-Banking Channels are the major source of retail e-Payments in Pakistan.

A brief summary of comparative position is as under:

Table-1: Comparative Summary of Payment Systems

(Volume in Million and Value in Rs. Trillion)

Payment Systems	Quarter 1 – FY19		Quarter 2 – FY19 ^{p2}	
			<i>(Quarter under review)</i>	
	Volume	Value	Volume	Value
PRISM	0.6	97.4	0.7	98.3
e-Banking	202.0	12.3	217.0	14.7
Paperbased	114.1	35.7	120.7	36.5

The volume of country's total Payment³ transactions grew by 7.0% compared to previous quarter with an increase of 2.9% in the value of transactions. The volume of PRISM transactions increased by 7.4% with an increase of 0.9% in value of transactions. The volume of retail e-Banking transactions witnessed a growth of 7.7% with a nominal growth in value by 0.4% whereas paper-based payments showed substantial growth of 5.25% by volume and 2.2% by value.

Payment Systems Infrastructure

1. Commercial Banks in Pakistan are expanding their infrastructure for supporting e-Payments due to SBP's enabling policies. As on quarter-end October-December, 2018 there are 15,464 bank branches reported by banks, out of which 91 are overseas branches. All branches, except 27, are providing online banking services to their customers. There are 14,361 ATMs and 49,261 POS machines in the country. In addition to these, banks are also providing Internet, Mobile and Call Center Banking facilities.

¹ Real time Gross Settlement system (RTGS)

² P is used for provisional

³ PRISM, e-Banking and Paper based

Payment Systems Transactions

2. PRISM has 45 Direct Participants, which include Commercial Banks, Microfinance Banks, Development Finance Institutions and Central Depository Company (CDC)⁴. During the quarter under review, PRISM processed 668.1 thousands transactions of value Rs.98.3 trillion. These transactions showed a quarterly growth of 7.4% and 0.9% in volume and value of transactions respectively, compared to the previous quarter. In addition to Inter-participants funds transfer, PRISM also facilitates customers through customers' transfers' facility which has the largest share of 84.3% in the total volume of PRISM transactions whereas the government securities transfers' facility has the largest share of 69.3% in value of transactions. The customers' transfer transactions includes 182.6 thousands transactions of value Rs.107.7 billion of home remittances delivered through PRISM system across beneficiaries accounts.
3. During the quarter under review, e-Banking channels i.e. RTOBs, ATM, POS, Mobile Phone, Internet and Call Centers Banking as well as e-Commerce altogether processed 217 million transactions of value Rs.14.7 trillion. In the total e-Banking transactions, RTOBs has the highest share i.e. 84.4% in value of transactions whereas, the highest share w.r.t. the volume i.e. 60.5% goes to transactions processed by ATMs.

The channel-wise summary of these transactions is as under:-

- i. During the quarter under review, 414 more branches were added in RTOBs reaching a total number of 15,326. RTOBs processed 47.1 million transactions of value Rs.12.4 trillion during the said period.
- ii. Commercial banks deployed 213 ATMs by quarter-end, reaching the total number of ATMs in the country to 14,361. This showed a quarterly increase in ATM by 1.5%. During the quarter, ATMs processed 131.4 million transactions valuing Rs.1.6 trillion. Despite the availability of other financial services, still ATMs are mostly used for cash withdrawals in the country. In total ATMs transactions, cash withdrawals from ATMs has the highest share of 94.9% in volume with 88.5% share as value. The average ticket size of ATMs transaction is Rs.11,293.
- iii. In Pakistan, 28 Banks are offering Internet Banking service and there are 3.3 million Internet Banking users registered with banks. During the quarter under review, 10.2 million transactions of value Rs.444.2 billion were processed through Internet Banking. The volume and value have seen a substantial increase with an increase of 13.3% in volume and 20.2% in value.
- iv. In total, 21 banks are providing Mobile Phone Banking facility to their customers' with the number of register Mobile Phone Banking users 3.9 million. These users processed 8.5

⁴ <http://cdcpakistan.com/>

million transactions of value Rs.159.9 billion using Mobile Phone Banking Apps. These transactions depicted a quarterly growth of 18.0% and 18.4% both in volume and value of transactions respectively. The number of registered mobile banking users has shown an increase of 8.2% from previous quarter.

- v. Further, in total, 22 banks are providing banking services through call center/IVR with registered user-base of 27.9 million. During the quarter under review, 72.2 thousand transactions amounting to Rs.2.4 billion were processed by Call Centers/ IVR Banking. Although the registered customer base is high, however, the transactional volume and value in comparison to Internet and Mobile banking transactions does suggest that customers are not inclined to use banking services through call center/IVR on a routine basis. This is also substantiated from the fact that transactional volume has decreased by 1.6%
 - vi. As on quarter-end, the number of e-Commerce Merchants registered with banks reached to 1,186. These merchants processed 1.5 million transactions valuing Rs.7.0 billion during the quarter under review. The volume of eCommerce transactions showed a quarterly increase of 9.3% compared to the previous quarter. The average ticket size for ecommerce transactions being processed through domestic acquiring is Rs.4,778.
4. As on 31st December, 2018, the total number of payment cards issued in Pakistan has reached to 41.7 million. In the total number of reported cards, the number of Debit Cards is 23.3 million (55.9%), proprietary ATMs Cards is 8.8 million (21.1%), Credit Cards 1.5 million (3.7%), Pre-Paid cards is 0.2 million (0.6%) and Social Welfare Cards is 7.8 million (18.8%). During the quarter under review, 150.9 million transactions of valuing Rs.1.7 trillion were processed by these Cards, of which transactions processed by Debit Cards has the highest share of 82.2% in volume and 86.5% in value of transactions.
5. During the quarter under review, 120.7 million transactions of value Rs.36.5 trillion were processed through Branch banking and paper-based instruments. These transactions showed a quarterly growth of 5.8% in volume of transactions and an increase of 2.1% in value of truncations compared to previous quarter.

The Statistical Data of Payment Systems is appended on following pages.

Table-2: Payment Systems in Pakistan – Snapshot

Details as on 31 st December, 2018	
Total Population ⁵	207.77 Million
Currency in Circulation ⁶	Rs.4.7 trillion
Number of Banks' Accounts ⁷	53,111,547

Payment Systems Infrastructure as on 31 st December,2018	
Number of Banks (Branches)	45(15,464)
Commercial/ Specialized Banks (Branches)	14,320
Microfinance (Branches)	1,144
Number of Real Time Online Branches (RTOBs)	15,346
Number of banks having ATM machines	33
Number of banks having POS machines	9
Number of banks providing Internet Banking services	28
Number of Banks providing Mobile Phone Banking services	21
Number of Banks providing Call Center Banking services	22
Total Number of PRISM System Participants	45
Total number of ATMs Interoperable Switches	1
Total number of Cash Deposits Machines (CDMs)	51

⁵ <http://www.pbscensus.gov.pk/> (from the provisional census report of 2017)

⁶ As on end December, 2018 Monthly Statistical Bulletin, SBP publication

⁷ As on June, 2018 is used from Monthly Statistical Bulletin, SBP publication

Table-3: Payment Systems Infrastructure – Comparison

(Actual Numbers)

Number of:	Quarter-2 FY18	Quarter-3 FY18	Quarter-4 FY18	Quarter-1 FY19	Quarter-2 FY19 ^p
Commercial Banks	33	33	34	34	34
Microfinance Banks (MFBs)	11	11	11	11	11
Development Finance	8	8	8	8	8
PRISM Participants	41	43	43	45	45
Banks	31	32	32	33	33
MFBs	2	2	2	3	3
DFIs	7	8	8	8	8
Non-Bank	1	1	1	1	1
All Banks/ MFBs Branches	14,749	14,836	14,970	15,053	15,464
Real time Online Branches (RTOBs)	14,610	14,696	14,850	14,932	15,346
ATMs	13,409	13,835	14,019	14,148	14,361
On-site	10,478	10,602	11,366	11,489	11,661
Off-Site	2,207	2,357	2,648	2,654	2,695
Mobile	4	4	5	5	5
POS Machines	54,490	49,929	53,511	53,269	49,261
Internet Banking Users	2,347,026	2,781,004	3,113,728	3,422,670	3,362,229
Mobile Phone Banking Users	2,484,044	2,712,344	3,385,889	3,643,692	3,943,241
Call Centers/ IVR Banking Users	22,840,210	23,940,609	26,484,765	27,171,282	27,967,811
E-Commerce Merchants Registered with Banks	571	812	1,094	1,242	1,186

Table-4: Composition of Payment Cards

(Actual Numbers)

Number of:	Quarter-2 FY18	Quarter-3 FY18	Quarter-4 FY18	Quarter-1 FY19	Quarter-2 FY19 ^p
Debit Cards	19,847,969	20,984,868	21,712,069	22,475,259	23,303,422
ATMs only Cards	8,385,281	8,528,797	8,586,819	8,722,621	8,805,431
Social Welfare Cards	9,500,938	8,897,960	8,932,140	8,948,923	7,847,513
Credit Cards	1,374,073	1,423,768	1,453,867	1,483,730	1,522,366
Pre-Paid Cards	253,144	236,018	234,098	234,814	229,680
Total	39,361,405	40,071,411	40,918,993	41,865,347	41,708,412

Table-5: Payment Systems Transactions – Summary

(Volume in Million & Value in Billion-PKR)

Transaction Type	Quarter-2 FY18		Quarter-3 FY18		Quarter-4 FY18		Quarter-1 FY19		Quarter-2 FY19 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
PRISM System	0.4	93,625.4	0.4	90,082.7	0.5	89,259.8	0.6	97,400.3	0.7	98,322.2
E-Banking	186.9	11,691.2	196.2	11,945.5	201.5	14,659.4	202.0	12,344.2	217.0	14,723.6
RTOB	41.9	9,875.4	43.8	9,969.5	42.8	12,543.3	40.9	10,252.6	47.1	12,427.5
ATM	115.3	1,351.9	121.6	1,447.2	125.9	1,520.3	127.1	1,500.5	131.4	1,593.0
POS	16.4	73.4	15.8	76.7	16.1	81.0	16.6	78.7	18.2	89.8
Internet Banking	7.4	292.7	8.4	332.8	8.9	376.4	9.0	369.5	10.2	444.2
Mobile Phone Banking	5.0	91.7	5.9	112.8	6.8	131.4	7.2	135.0	8.5	159.9
Call Centers/ IVR Banking	0.1	2.3	0.1	2.1	0.1	2.0	0.1	2.2	0.1	2.4
E-Commerce	0.8	4.4	0.8	4.4	0.9	5.1	1.2	5.7	1.5	7.0
Paper-Based	117.6	40,276.0	118.1	38,776.1	112.0	33,928.4	114.1	35,770.5	120.7	36,539.0
Total	304.9	145,592.6	314.7	140,804.3	314.0	137,847.6	316.8	145,515.0	337.7	149,584.7

Table-6: PRISM Transactions

(Volume in thousand & value in Trillion-PKR)

Transaction Type	Quarter-2		Quarter-3		Quarter-4		Quarter-1		Quarter-2	
	FY18		FY18		FY18		FY19		FY19 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Government Securities	16.1	69.1	15.0	62.9	16.7	61.5	14.7	68.6	16.5	68.2
Inter-Bank Fund Transfers	58.5	15.0	56.94	17.57	62.0	16.6	60.3	18.6	72.1	18.3
3rd Party Customer Transfers	328.3	6.0	359.0	6.0	379.0	7.2	532.7	6.8	563.3	8.0
NIFT Clearing Settlement	15.5	3.5	15.53	3.55	15.9	4.0	14.1	3.5	16.3	3.8
Total	418.3	93.6	446.5	90.1	473.6	89.3	621.8	97.4	668.1	98.3

Table-7: Real-Time Online Branches (RTOBs) Transactions

(Volume in Million & Value in Billion-PKR)

Transaction Type	Quarter-2		Quarter-3		Quarter-4		Quarter-1		Quarter-2	
	FY18		FY18		FY18		FY19		FY19 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cash Deposits	19.5	1,930.6	20.0	2,029.0	18.9	2,120.9	17.9	1,945.5	21.8	2,306.3
Cash Withdrawals	8.7	738.4	9.2	778.2	8.6	744.4	8.8	791.0	9.8	874.8
Intra-Bank Funds Transfers	13.7	7,206.4	14.5	7,162.3	15.3	9,678.1	14.2	7,516.0	15.5	9,246.4
Total	41.9	9,875.4	43.8	9,969.5	42.8	12,534.3	40.9	10,252.6	47.1	12,427.5

Table-8: ATM Transactions

(Volume in Million & Value in Billion-PKR)

Transaction Type	Quarter-2		Quarter-3		Quarter-4		Quarter-1		Quarter-2	
	FY18		FY18		FY18		FY19		FY19 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cash withdrawals	109.3	1,174.5	115.3	1,261.5	119.6	1,332.5	121.0	1,328.6	124.8	1,409.4
Intra-Bank	2.4	72.8	2.5	79.9	2.2	86.6	2.3	72.4	2.2	86.4
Inter-Bank Funds Transfers	2.0	99.4	2.0	100.2	2.3	92.2	1.8	90.3	2.1	86.7
Utilities Bill Payments	1.5	3.0	1.6	2.3	1.7	4.0	1.8	6.2	2.1	5.3
Cash/Instrument Deposits	0.1	2.1	0.1	3.2	0.1	4.8	0.1	2.9	0.1	5.0
Total	115.3	1,351.8	121.6	1,447.2	125.9	1,520.2	127.1	1,500.4	131.4	1,593.0

Table-9: Internet Banking Transactions

(Volume in Million & Value in Billion-PKR)

Transaction Type	Quarter-2		Quarter-3		Quarter-4		Quarter-1		Quarter-2	
	FY18		FY18		FY18		FY19		FY19 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Intra-Bank Fund Transfers	1.8	74.7	2.1	87.9	2.2	102.1	2.2	96.4	2.5	118.9
Inter-Bank	2.4	105.1	2.6	124.7	2.9	143.1	2.9	139.1	3.4	181.1
Utilities Bill Payments	2.6	6.2	3.0	7.7	3.0	9.0	3.3	12.1	3.4	15.0
Misc. Payment Through Internet	0.6	106.7	0.7	112.4	0.7	122.2	0.7	121.9	0.8	129.3
Total	7.4	292.7	8.4	332.8	8.9	376.4	9.0	369.5	10.2	444.2

Table-10: Mobile Phone Banking Transactions

(Volume in Million & Value in Billion-PKR)

Transaction Type	Quarter-2		Quarter-3		Quarter-4		Quarter-1		Quarter-2	
	FY18		FY18		FY18		FY19		FY19 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Intra-Bank Fund Transfers	1.3	41.6	1.6	51.4	1.8	59.3	1.9	59.8	2.3	72.0
Inter-Bank	1.1	44.2	1.4	54.8	1.6	63.4	1.6	64.8	1.9	77.0
Utilities Bill Payments	2.3	2.2	2.7	2.3	3.1	3.5	3.5	5.0	3.9	4.3
Misc. Payment Through Mobile	0.2	3.8	0.2	4.4	0.3	5.1	0.3	5.4	0.4	6.7
Total	5.0	91.7	5.9	112.8	6.8	131.4	7.2	135.0	8.5	159.9

Table-11: Call Center/ IVR Banking Transactions

(Volume in Thousands & Value in Billion-PKR)

Transactions Type	Quarter-2		Quarter-3		Quarter-4		Quarter-1		Quarter-2	
	FY18		FY18		FY18		FY19		FY19 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Intra-Bank Fund Transfers	7.7	0.2	6.1	0.2	5.8	0.1	6.0	0.2	6.1	0.2
Inter-Bank Funds Transfers	0.4	0.0	0.4	0.0	0.4	0.0	0.3	0.0	0.2	0.0
Utilities Bill Payments	21.1	0.1	17.4	0.2	19.4	0.3	23.9	0.4	18.0	0.3
Misc. Payment Through Call	48.1	1.9	44.2	1.7	43.0	1.6	43.8	1.6	47.9	1.9
Total	77.4	2.3	68.0	2.1	68.5	2.0	74.0	2.2	72.2	2.4

Table-12: ATM Transactions - By Payment Cards

(Volume in Million & Value in Billion-PKR)

Transaction Type	Quarter-2		Quarter-3		Quarter-4		Quarter-1		Quarter-2	
	FY18		FY18		FY18		FY19		FY19 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
ATMs only Cards	15.3	154.8	16.0	168.2	16.4	172.2	16.6	171.8	16.7	169.3
Debit Cards	98.5	1,189.5	103.8	1,328.7	105.1	1,331.7	105.7	1313.4	112.1	1,410.3
Credit Cards	0.1	0.6	0.7	3.5	0.0	0.5	0.0	0.5	0.0	0.5
Pre-Paid Cards	0.1	1.0	0.2	1.2	0.3	1.5	0.2	1.1	0.2	1.0
Social Welfare Cards	1.0	4.5	1.8	7.8	2.5	11.4	2.1	8.5	1.8	10.3
Total	115.1	1,350.4	122.5	1,509.4	124.3	1,517.2	124.7	1495.3	130.9	1,591.4

Table-13: POS Transactions - By Payment Cards

(Volume in Million & Value in Billion-PKR)

Transaction Type	Quarter-2		Quarter-3		Quarter-4		Quarter-1		Quarter-2	
	FY18		FY18		FY18		FY19		FY19 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
ATMs only Cards	0.2	2.7	0.2	2.9	0.2	3.3	0.2	3.2	0.1	2.4
Debit Cards	8.3	32.6	9.3	36.6	9.8	37.7	10.4	40.8	11.9	46.2
Credit Cards	7.1	39.7	7.5	41.5	7.9	43.5	8.4	47.0	7.8	43.7
Pre-Paid Cards	0	0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1
Social Welfare Cards	0.4	1.5	0.1	0.3	0.3	1.1	0.3	1.3	0.2	0.8
Total	15.9	76.5	17.1	81.4	18.2	85.7	19.4	92.3	20.0	93.0

Table-14: E-Commerce Transactions by Cards

(Volume in Million & Value in Billion-PKR)

Transaction Type	Quarter-2		Quarter-3		Quarter-4		Quarter-1		Quarter-2	
	FY18		FY18		FY18		FY19		FY19 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Debit Cards	0.6	3.5	1.0	4.5	0.8	3.9	0.9	4.1	0.9	3.7
Credit Cards	0.8	5.3	0.9	6.2	1.2	7.6	1.1	7.2	1.4	8.2
Pre-Paid Cards	0.1	0.3	0.1	0.3	0.1	0.3	0.1	0.2	0.1	0.3
Total	1.5	9.1	2.0	11.0	2.1	11.8	2.2	11.6	2.4	12.3

Key Initiatives by State Bank of Pakistan to promote Payment Systems

1) PSD Circular No. 9

State Bank of Pakistan (SBP) has advised banks and microfinance banks (MFBs) to beef up the cybersecurity measures for their digital payment infrastructure, products and services in order to safeguard banks/MFBs against cyber breaches and increase customer confidence in digital products. SBP has strictly advised the banks/microfinance banks to comply with various instructions issued on the subject of cybersecurity from time to time. SBP has mandated the banks to immediately carryout internal and external 3rd party assessments of their payment systems including but not limited to Card Systems, RTGS, SWIFT, Internet/mobile banking and Agent-based/Branchless Banking etc. SBP has also mandated the banks to start sending free transactional alerts on mobile devices for all digital transactions, so that the customer may be able to track their transaction record on the go, in order to give more control to the customers on their accounts.

SBP by the instructions issued to all the Banks expect that this will lead to stronger controls across the industry, which will not only help in creating a sense of security among the general public but also build confidence for the development of a more robust and stronger payment systems landscape in Pakistan.

2) PayPak

PayPak is a local payment card scheme designed to route transactions locally through 1Link's secure network. This local routing ensures that the details of your cards remain within Pakistan and cost a lot less as compared to International Payment Schemes.

As of today nearly all Banks/MFBs have signed up for PayPak and 20 banks have started issuing PayPak cards to their customers. With nearly 1.5 million cards in circulation the acceptance of PayPak cards is second to none. These cards are accepted on all ATMs and POS terminals in Pakistan.

Going forward 1Link plans on enabling the card for e-commerce development for which is expected to be completed later this year.

Acronyms

ATM	Auto Teller Machine
CDM	Cash Deposits Machine
CNP	Card not Present
IVR	Interactive Voice Response
MFB	Microfinance Bank
NIFT	National Institutional Facilitation Technologies (Pvt.) Ltd
OTC	Over the Counter
PRISM	Pakistan Real-time Interbank Settlement Mechanism
PSD	Payment Systems Department
RTGS	Real-Time Gross Settlement System
RTOB	Real-time online Branches

The number of Banks, Branches, ATMs, POS, Registered Users and Payment Card figures wherever mentioned in this Review are the position as on end Quarter basis whereas the volume and value of transactions are during the quarter figure. The data of ATMs, POS is reported by the Acquirers whereas Card-wise data of the same channels is reported by the Issuers, due to this difference may exist. P is used for provisional.

Disclaimer

In this Review, the statistics and statistical analysis are based on the data received from Commercial and Microfinance Banks. Although a great deal of care has been taken to ensure publication of correct information and data; This Review is being published for the purpose of information and analysis of stakeholders. Further, there may be minor differences due to rounding-off numbers.

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