



Payment Systems Review

October - December, 2019 (Quarter-2, FY20)

Payment Systems Department

Payment Systems Review for 2nd Quarter-FY20 (October - December, 2019)

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 as also evident from the figures stated below:

The large-value payment system of Pakistan i.e. PRISM owned and operated by SBP, enables the transfer and settlement of high value interbank funds and improves the overall efficiency of the large value payment system. On retail payment side, there are various e-Banking channels like Real Time Online Branches (RTOBs), ATMs, POS, Internet Banking, Mobile Phone Banking, Call Centers/IVR Banking and e-Commerce that facilitate retail value payments.

A brief summary of comparative position of Payment Systems is as under:

Table-1: Comparative Summary of Payment Systems

(Volume in Million and Value in Rs. Trillion)

Payment Systems	Quarter 1 – FY20		Quarter 2– FY20 ¹ (Quarter under review)		Percentage Change	
	Volume	Value	Volume	Value	Volume	Value
PRISM	0.6	111.2	0.6	97.0	9.9	(12.7)
e-Banking	224.3	15.6	239.2	17.6	6.6	12.9
Paperbased	115.4	33.6	121.5	35.1	5.3	4.4
Total	340.3	160.4	361.3	149.7	6.2	(6.6)

The volume of country's total Payment² transactions observed an increase of 6.2% compared to previous quarter, however, shown a decrease of 6.6% in the value of transactions. The volume of PRISM increased from 585 thousand in the previous quarter to 643 thousand in the quarter under review, which accounts for an increase by 9.9%. However a decrease of 12.7% in value of transactions was observed, compared with the previous quarter. The decrease in the PRISM transaction value is the major contributor triggering the decrease in overall value of the National Payment Systems, mainly due to decrease in the value of securities transactions being settled in PRISM. Furthermore, the overall use of digital channels increased substantially as e-Banking transactions witnessed an increase of 6.6% in volume and 12.9% in value.

Payment Systems Infrastructure

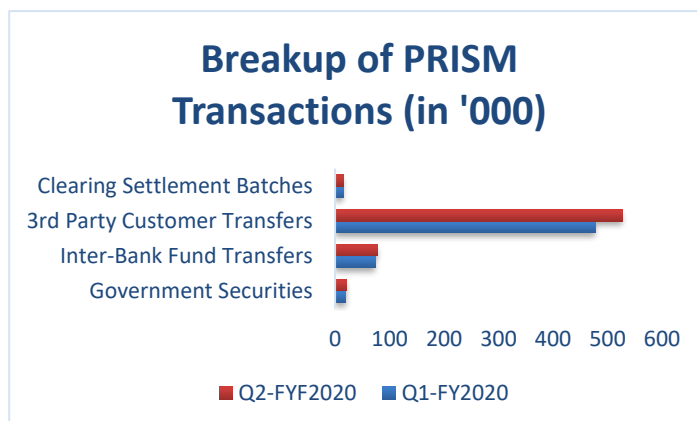
1. Commercial Banks in Pakistan are expanding their infrastructure for supporting e-Payments due to SBP's enabling policies. As on quarter-end Oct-Dec, 2019; there are 16,076 bank branches reported by the Banks/MFBs, out of which 113 are overseas branches. All branches, except 33, are providing online banking services to their customers. There are 15,252 ATMs and 47,567 POS machines in the country. Along with these services, banks are also providing Internet, Mobile and Call Center Banking facilities to their customers.

¹P is used for provisional

²PRISM, e-Banking and Paper based

Payment Systems Transactions

2. PRISM has 50 Direct Participants, which include Commercial Banks, Microfinance Banks, Development Finance Institutions and Central Depository Company (CDC)³. During the quarter under review, PRISM processed 643 thousands transactions valuing Rs.97.0 trillion. These transactions showed a quarterly increase of 9.9%, however decreased



by 12.7% in terms of value. In addition to the inter-participants funds transfer, PRISM also facilitates customers through customers' transfers' facility which has the largest share of 82.0% in the total volume of PRISM transactions whereas the government securities transfers' facility has the largest share of 64.8% in value of transactions. The customers' transfer transactions include 192 thousands transactions having value Rs.135.6 billion of home remittances delivered through PRISM system across beneficiaries accounts. It may be noted that, home remittance transactions are also credited to beneficiary accounts through the Banks' Inter-bank fund transfers facility.

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 239.2 million transactions of value Rs.17.6 trillion. In the total e-Banking transactions, RTOBs has the highest share i.e. 83.6% in value of transactions whereas, the highest share w.r.t. the volume i.e. 56.7% were processed by ATMs.

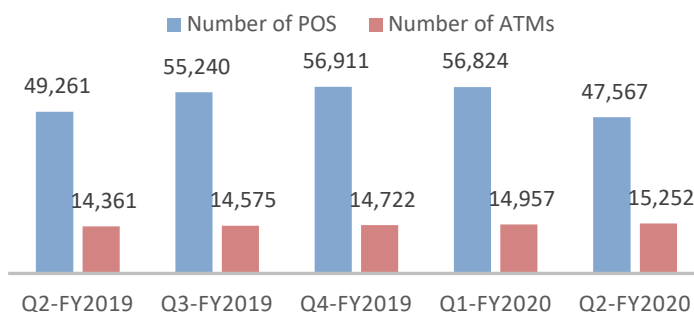
The channel-wise summary of these transactions is as under:-

- i. During the quarter under review, RTOB branches showed an increase of 479 branches reaching a total number to 15,930, which is a substantial increase from last quarter. RTOBs processed 48.9 million transactions of value Rs.14.7 trillion during Q2FY20. Both volume and value have seen an increase (6.8% and 12.6% respectively) as compared to previous quarter. The increase can be due to the annual closing of calendar year. Further, when compared to the same period last year, i.e Oct-Dec 2018, both volume and value of RTOB transactions have increased in Q2FY20 by 3.9% and 18.5% respectively.

³<http://cdcpakistan.com/>

- ii. During Q2FY20, Banks/MFBs deployed 295 new ATMs, reaching the total number of ATMs in the country at quarter-end to 15,252 from 14,957 in the preceding quarter-end showing a growth of 2.0%. During the quarter, ATMs processed 135.7 million transactions valuing Rs.1.6 trillion. Despite the

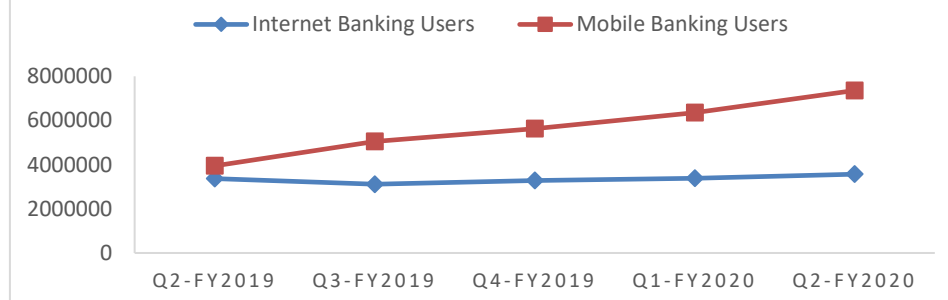
Number of POS vs Number of ATMs



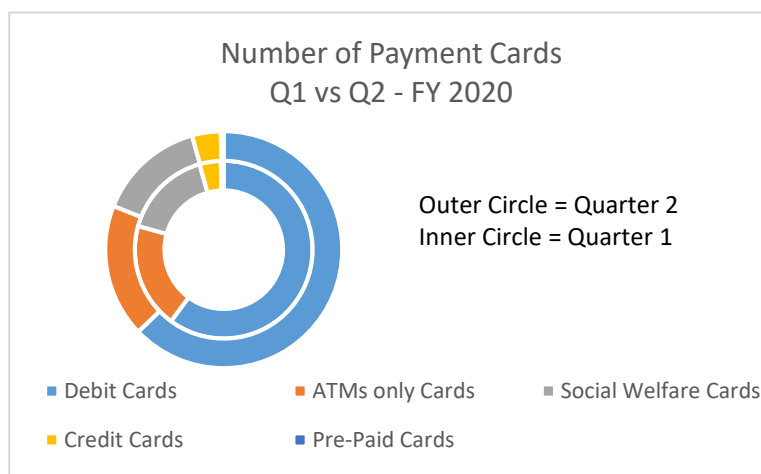
availability of other banking facilities on ATM, still ATMs are mostly used for cash withdrawals in the country as is evident from the fact that in total ATMs transactions, cash withdrawals from ATMs has the highest share of 96.2% in volume with 90.4% share in value. The average ticket size of ATM transactions increased to Rs.12,224 in the current quarter compared to Rs.12,035 in the preceding quarter.

- iii. Further, during the period Q2FY20, the number of POS decreased substantially from 56,824 to 47,567, which accounts for a decrease of 16.3% in POS access points. This is because one of the POS Acquiring bank removed around 10,000 POS from the industry due to their inactivity for a very long period. This didn't result in a negative impact because, in current quarter, POS transactions increased from 18.9 million to 20.5 million in volume and increased from Rs.92.3 billion to Rs.107.5 billion, marking an increase of 8.5% in volume and 16.5% in value respectively.
- iv. In Pakistan, 27 Banks are offering Internet Banking service with the registered users network of 3.5 million, which is an increase of 5%, compared with the number of internet banking users in the previous quarter. During the quarter under review, 13.3 million transactions of value Rs.736 billion were processed through Internet Banking, which has showing an increase of 8.8% in volume and 28.1% in value from the preceding quarter.

INTERNET BANKING VS MOBILE BANKING USERS



- v. In total, 27 banks are providing Mobile Phone Banking facility to their customers' with the number of registered Mobile Phone Banking users of 7.3 million, which is an increase of 15.8% from last Quarter. When compared with the same period last year, the increase in the number of mobile banking users has been 87%, which is quite promising. These users processed 17.8 million transactions of value Rs.382.5 billion using Mobile Phone Banking Apps, exhibiting an increase of 17.1% in volume and an increase of 31.1% in value, from the preceding quarter.
 - vi. Further, in total, 23 banks are providing banking services through call center/IVR with registered user-base of 31.5 million. During the quarter under review, 49.2 thousand transactions amounting to Rs.2.1 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 still not much inclined to use banking services through call center/IVR on a routine basis as substantiated from the fact that transactional volume through call center/IVR has decreased by 10.3% during Q2FY20.
 - vii. As on quarter-end, the number of e-Commerce Merchants registered with banks reached to 1,481. These merchants processed 2.9 million transactions valuing Rs.10.2 billion during the quarter under review. The average ticket size for e-commerce transactions being processed through domestic acquiring is Rs.3,488, compared to Rs.3,682 in the preceding quarter. One of the important things to highlight is the continuously growing popularity for e-commerce, as compared to the previous quarter, that's why, e-commerce acquirers processed 32.8% more transactions with a value increase of 25.9%. This shows a promising trend, when compared to the same period last year. There has been almost double growth in the number of e-commerce transactions i.e. an increase of 93.3% in the volume of transactions, while 45.7% increase in value.
4. As on December 31, 2019, the total number of payment cards issued in Pakistan slightly decreased to 42.0 million from 42.2 from last quarter. This decrease is mainly due to social welfare cards & ATM only cards seeing a decline in the previous few quarters. However, on the flip side, the number of debit cards have increased from 25.2 million to 26.4 million during the quarter under review. This shows a positive trend as the Banks/MFBs have rapidly issuing EMV Chip and Pin compliant cards, in light of SBP's instructions issued vide PSD Circular No. 5 of 2016 & PSD Circular No. 9 of 2018. The breakup of card issuance showed that the number of Debit Cards is 26.4 million (62.8%), proprietary ATM Cards is 7.6 million (18.2%), Credit Cards 1.6 million (3.9%), Pre-Paid cards is 0.2 million (0.4%) and Social



Welfare Cards is 6.1 million (14.7%). During the quarter under review, 164.0 million transactions of value Rs.1.8 trillion were processed by these Cards, of which transactions processed by Debit Cards has the highest share of 81.8% in volume and 85.9% in value of transactions.

5. During the quarter under review, 121.5 million transactions of value Rs.35.1 trillion were processed through Branch banking and paper-based instruments with 5.3% growth by volume, and an increase of 4.4% by value.

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

Table-2: Payment Systems in Pakistan – Snapshot

Details as on December 31, 2019	
Total Population ⁴	204.65 million
Currency in Circulation ⁵ (in million PKR)	5,534,529
Number of Banks' Accounts ⁶	54,731,001

Payment Systems Infrastructure as on December 31, 2019	
Number of Banks (Branches)	44(16,076)
Commercial/ Specialized Banks Branches	14,803
Microfinance (Branches)	1,273
Number of Real Time Online Branches (RTOBs)	15,930
Number of banks having ATM machines	34
Number of banks having open-looped POS machines	5
Number of banks having closed-looped POS machines	4
Number of banks providing Internet Banking services	27
Number of Banks providing Mobile Phone Banking services	27
Number of Banks providing Call Center Banking services	23
Total Number of PRISM System Participants	50
Total number of ATMs Interoperable Switches	1
Total number of Cash & Cheque Deposits Machines (CDMs)	83
Total number of Cash Deposits Machines with Cash Withdrawal facility	14
Multipurpose ATMs (With Cash & Cheque Deposit & Cash Withdrawal)	35

⁴http://www.pbs.gov.pk/sites/default/files//tables/Table-4_0.pdf (position as of June 30, 2019)

⁵ As on end December, 2019 Monthly Statistical Bulletin, SBP publication

⁶ As on June, 2019 is used from Monthly Statistical Bulletin, SBP publication

Table-3: Payment Systems Infrastructure– Comparison

(Actual Numbers)

Number of:	Quarter-2 FY19	Quarter-3 FY19	Quarter-4 FY19	Quarter-1 FY20	Quarter-2 FY20 ^P
Commercial Banks	34	34	34	34	33
MFBs	11	11	11	11	11
DFIs	8	8	8	8	8
PRISM Participants	45	45	45	48	50
Banks	33	33	33	33	34
MFBs	3	3	3	5	6
DFIs	8	8	8	9	9
Non-Bank	1	1	1	1	1
All Banks/ MFBs Branches	15,464	15,549	15,598	15,575	16,076
RTOB Branches	15,346	15,408	15,481	15,451	15,930
Manual Branches	27	27	28	34	33
Overseas Branches	91	114	89	90	113
ATMs	14,361	14,575	14,722	14,957	15,252
On-site	11,661	11,878	11,990	12,200	12,446
Off-Site	2,695	2,692	2,727	2,752	2,802
Mobile	5	5	5	5	4
POS Machines	49,261	55,240	56,911	56,824	47,567
Internet Banking Users	3,362,229	3,113,399	3,278,611	3,388,772	3,567,266
Mobile Phone Banking Users	3,943,241	5,045,263	5,626,137	6,354,992	7,358,548
Call Centers/ IVR Banking	27,967,811	30,853,027	29,748,743	30,294,703	31,563,235
E-Commerce Merchants Registered with Banks	1,186	1,398	1,307	1,410	1,481

Table-4: Composition of Payment Cards

(Actual Numbers)

Number of:	Quarter-2 FY19	Quarter-3 FY19	Quarter-4 FY19	Quarter-1 FY20	Quarter-2 FY20 ^P
Debit Cards	23,303,422	23,972,022	24,831,777	25,282,706	26,440,418
ATMs only Cards	8,805,431	8,692,010	8,485,391	8,072,487	7,650,190
Social Welfare Cards	7,847,513	7,777,839	7,103,294	6,867,357	6,180,044
Credit Cards	1,522,366	1,555,508	1,589,120	1,619,343	1,643,903
Pre-Paid Cards	229,680	227,487	228,417	225,261	168,188
Total	41,708,412	42,224,866	42,237,999	42,202,113	42,082,743

Table-5: Payment Systems Transactions–Summary

(Volume in Million & Value in Billion-PKR)

Transaction Type	Quarter-2 FY19		Quarter-3 FY19		Quarter-4 FY19		Quarter-1 FY20		Quarter-2 FY20 ^P	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
PRISM System	0.7	98,322.2	0.6	107,099.9	0.6	95,346.4	0.6	111,170.5	0.6	97,020.8
E-Banking	217.0	14,723.6	217.7	14,810.1	233.0	16,942.8	224.3	15,615.1	239.2	17,628.6
RTOB	47.1	12,427.5	46.9	12,472.0	52.5	14,278.6	45.8	13,083.0	48.9	14,731.6
ATM	131.4	1,593.0	130.5	1,606.5	134.3	1,699.4	129.9	1,563.4	135.7	1,658.7
POS	18.2	89.8	18.3	90.0	19.2	107.7	18.9	92.3	20.5	107.5
Internet Banking	10.2	444.2	8.6	362.3	11.9	546.2	12.2	574.4	13.3	736.0
Mobile Phone Banking	8.5	159.9	11.9	271.3	13.4	300.7	15.2	291.8	17.8	382.5
Call Centers/ IVR Banking	0.1	2.4	0.1	2.3	0.1	2.4	0.1	2.1	0.1	2.1
E-Commerce	1.5	7.0	1.3	5.7	1.7	7.7	2.2	8.1	2.9	10.2
Paper-Based	120.7	36,539.0	117.2	35,421.2	113.4	38,123.3	115.4	33,616.3	121.5	35,097.2
Total	337.7	149,584.7	335.4	157,331.2	347.0	150,412.5	340.3	160,401.9	361.3	149,746.6

Table-6: PRISM Transactions

(Volume in thousand & value in Trillion-PKR)

Transaction Type	Quarter-2		Quarter-3		Quarter-4		Quarter-1		Quarter-2	
	FY19		FY19		FY19		FY20		FY20 ^P	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Government Securities	16.5	68.2	15.8	73.9	15.3	64.2	19.9	77.6	21.3	62.9
Inter-Bank Fund Transfers	72.1	18.3	69.8	21.9	69.8	17.5	73.5	21.1	78.3	20.8
3rd Party Customer Transfers	563.3	8.0	497.8	7.8	497.4	8.8	477.4	8.9	527.7	9.4
Ancillary Clearing Settlement	16.3	3.8	15.6	3.5	15.2	4.9	14.6	3.6	15.9	4.0
Total	668.1	98.3	599.0	107.1	597.8	95.3	585.4	111.2	643.2	97.0

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	
	FY19		FY19		FY19		FY20		FY20 ^P	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cash Deposits	21.8	2,306.3	21.8	2,341.5	27.5	3,197.5	21.2	2,490.3	24.5	3,118.6
Cash Withdrawals	9.8	874.8	9.5	898.1	9.0	995.5	8.9	1,061.6	10.0	1,234.2
Intra-Bank Funds Transfers	15.5	9,246.4	15.6	9,232.4	16.0	10,085.6	15.7	9,531.1	14.5	10,378.8
Total	47.1	12,427.5	46.9	12,472.0	52.5	14,278.6	45.8	13,083.0	48.9	14,731.6

Table-8: ATM Transactions

(Volume in Million & Value in Billion-PKR)

Transaction Type	Quarter-2 FY19		Quarter-3 FY19		Quarter-4 FY19		Quarter-1 FY20		Quarter-2 FY20 ^P	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Cash withdrawals	124.8	1,409.4	124.5	1,434.5	128.3	1,496.5	124.6	1,419.1	130.6	1,499.2
Intra-Bank Fund Transfer	2.2	86.4	2.2	76.0	2.0	105.2	1.7	56.7	1.8	62.8
Inter-Bank Fund Transfers	2.1	86.7	1.8	87.4	1.7	84.6	1.5	74.2	1.7	85.5
Utilities Bill Payments	2.1	5.3	1.9	3.2	2.1	5.8	2.0	7.3	1.5	5.0
Cash/Instrument Deposits	0.1	5.0	0.1	5.2	0.1	7.2	0.1	5.9	0.1	6.1
Total	131.4	1,593.0	130.5	1,606.4	134.3	1,699.4	129.9	1,563.4	135.7	1,658.7

Table-9: Internet Banking Transactions

(Volume in Million & Value in Billion-PKR)

Transaction Type	Quarter-2 FY19		Quarter-3 FY19		Quarter-4 FY19		Quarter-1 FY20		Quarter-2 FY20 ^P	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Intra-Bank Fund Transfers	2.5	118.9	2.1	94.5	2.5	127.7	4.8	218.8	5.3	302.0
Inter-Bank Fund Transfers	3.4	181.1	3.1	159.8	5.5	287.4	3.5	180.8	4.1	249.3
Utilities Bill Payments	3.4	15.0	2.8	15.0	3.1	21.6	3.1	27.1	3.0	30.6
Misc. Payment Through Internet Banking	0.8	129.3	0.7	92.9	0.8	109.5	0.8	147.6	0.8	154.1
Total	10.2	444.2	8.6	362.3	11.9	546.2	12.2	574.4	13.3	736.0

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	
	FY19		FY19		FY19		FY20		FY20 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Intra-Bank Fund Transfers	2.3	72.0	3.2	110.3	3.6	122.7	4.0	122.2	4.9	167.9
Inter-Bank Fund Transfers	1.9	77.0	2.7	111.3	2.9	114.1	3.4	117.2	4.3	154.9
Utilities Bill Payments	3.9	4.3	5.3	4.7	6.1	6.6	6.7	10.9	7.4	8.8
Misc. Payment Through Mobile Phone Banking	0.4	6.7	0.7	45.0	0.8	57.3	1.1	41.6	1.2	50.9
Total	8.5	159.9	11.9	271.3	13.4	300.7	15.2	291.8	17.8	382.5

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	
	FY19		FY19		FY19		FY20		FY20 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Intra-Bank Fund Transfers	6.1	0.2	5.6	0.2	5.5	0.2	4.8	0.2	5.4	0.3
Inter-Bank Funds Transfers	0.2	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3	0.0
Utilities Bill Payments	18.0	0.3	14.0	0.2	13.4	0.2	9.0	0.2	6.2	0.1
Misc. Payment Through Call	47.9	1.9	46.2	1.9	44.4	1.9	40.8	1.7	37.3	1.6
Total	72.2	2.4	66.0	2.3	63.5	2.4	54.9	2.1	49.2	2.1

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	
	FY19		FY19		FY19		FY20		FY20 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
ATMs only Cards	16.7	169.3	16.9	176.0	15.7	198.2	14.4	150.5	13.0	141.3
Debit Cards	112.1	1,410.3	109.9	1,401.9	113.3	1,456.4	110.7	1,376.3	121.3	1,507.4
Credit Cards	0.0	0.5	0.0	0.5	0.0	0.6	0.1	0.7	0.1	0.8
Pre-Paid Cards	0.2	1.0	0.1	0.9	0.1	0.9	0.1	0.8	0.1	0.7
Social Welfare Cards	1.8	10.3	1.6	8.8	1.2	7.2	1.2	5.4	0.3	1.2
Total	130.9	1,591.4	128.6	1,588.0	130.5	1,663.3	126.4	1,533.6	134.8	1,651.3

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	
	FY19		FY19		FY19		FY20		FY20 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
ATMs only Cards	0.1	2.4	0.1	1.7	0.1	2.1	0.0	0.5	0.0	0.3
Debit Cards	11.9	46.2	12.2	46.8	13.3	51.5	12.5	47.7	13.9	56.4
Credit Cards	7.8	43.7	7.7	43.6	8.5	48.9	8.7	49.8	9.8	56.8
Pre-Paid Cards	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social Welfare Cards	0.2	0.8	0.3	1.0	0.1	0.2	0.0	0.1	0.0	0.1
Total	20.0	93.0	20.3	93.1	22.0	102.8	21.3	98.0	23.8	113.7

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	
	FY19		FY19		FY19		FY20		FY20 ^p	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Debit Cards	0.9	3.7	1.1	3.8	1.3	4.5	2.3	7.1	3.0	9.5
Credit Cards	1.4	8.2	1.4	8.5	1.5	10.2	1.7	10.5	2.3	13.3
Pre-Paid Cards	0.1	0.3	0.1	0.3	0.1	0.2	0.1	0.1	0.1	0.2
Total	2.4	12.3	2.5	12.5	2.9	14.9	4.0	17.6	5.4	23.0

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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