

# Payment Systems Review October-December, 2013

2<sup>nd</sup> Quarter FY14



**EXECUTIVE SUMMARY ..... 4**

**1. INTRODUCTION ..... 5**

**2. LARGE VALUE PAYMENT SYSTEMS ..... 8**

**3. RETAIL PAYMENT SYSTEMS ..... 9**

    3.1 ATMS.....9

    3.2 REAL TIME ONLINE BANKING (RTOB) .....10

    3.3 POINT OF SALE (POS).....11

    3.4 INTERNET BANKING .....11

    3.5 MOBILE BANKING .....12

    3.6 CALL CENTER BANKING.....13

    3.7 PLASTIC CARDS COMPOSITION .....14

    3.8 CONCLUSION .....14

**PAYMENT SYSTEMS IN PAKISTAN AT A GLANCE ..... 15**

**Disclaimer**

The figures and statistical analysis are based on the data reported by the banking industry. Although great care has been taken to ensure the publication of authentic information, State Bank of Pakistan does not take the responsibility for errors and omissions in the statistics. The data for the quarter under consideration is provisional.

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### Executive Summary

This report aims to review recent developments in the area of large and retail payment systems in Pakistan while focusing October to December quarter of FY2013-14. During the quarter under review, Pakistan Real-time Interbank Settlement Mechanism (PRISM), the large value payment system of the country processed 141,667 payments worth over Rs. 35 trillion. This showed an increase of 8.2% and 15% in Volume and Value respectively compared to the previous quarter.

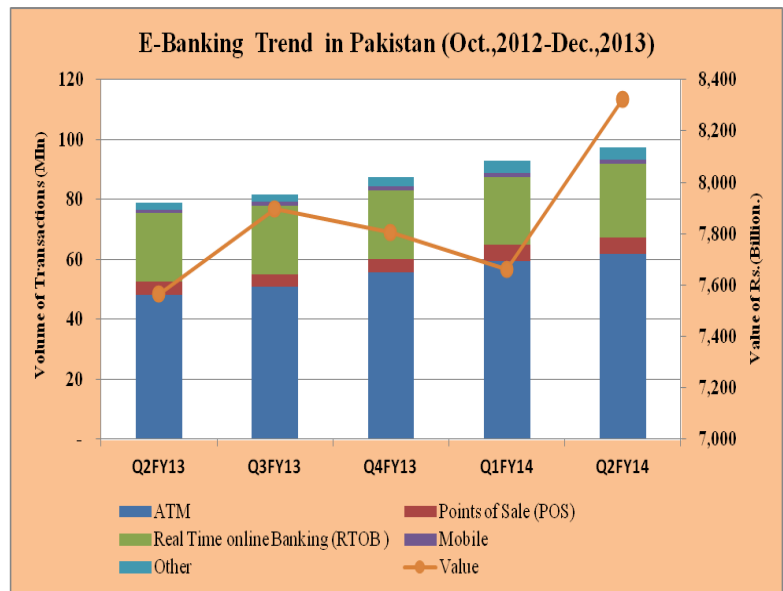
The e-Banking transactions in Pakistan have grown considerably over the years. The number of transactions done via ATMs reached over 61.7 million in the second quarter (October to December) of FY2013-14. The number of ATMs in the country has reached 7,684 for the quarter ended December, 2013, showing an increase of 10.2% from previous quarter. As on 31<sup>st</sup> December 2013, for every 100,000 people, there are 4.2 ATMs in the country and during that period, Rs. 635 billion were transacted using this channel. The number of online branches is 10,596 which accounts for around 95% of the total bank branches in the country; around 24.5 million transactions amounting to Rs. 7.48 trillion were performed via this channel during the second quarter (October-December) of FY2013-14. As on 31<sup>st</sup> December 2013, there are around 18.3 Point of Sale (POS) machines for every 100,000 people in the country. Mobile Banking transactions grew by 61.6% and the Value transacted increased by 170.7% compared with the same period last year. Presently, there are around 1.5 million registered users of Mobile Banking in the country.

The number of Plastic cards (*Debit, Credit and ATM Only Cards*) reached 22.38 million showing a decline of 4.2% compared with the previous quarter, but a growth of 8.0% compared with the same period last year. The Credit cards showed a significant drop of 11.4% compared to the last quarter. In contribution of plastic cards, debit cards have the highest share of 89.6%.

**1. Introduction**

In Pakistan, although transactions using paper based instruments are more prevalent, the use of electronic instruments is gradually increasing and show the potential to take over Volume as well as Value of paper based transactions in future. The electronic transactions, in addition to a number of other factors, are significantly dependent on their accessibility via alternate delivery channels (ADCs). The rise in electronic transactions, despite hindrances of ADCs like inappropriate infrastructure, limited accessibility and random availability due to power and connectivity issues imply that electronic channels have huge potential to serve the masses especially when they are dispersed across diverse geographical locations, as is the case in Pakistan.

The high value (low volume) payments in Pakistan are facilitated by SBP owned and operated PRISM System that includes Interbank Fund Transfer, Retail Check Clearing and Securities Settlement. The retail payments, significant in terms of volume include payments through check clearing, interoperable switches and electronic Alternate Delivery Channels (ADCs). Among electronic



ADCs, ATMs and RTOBs have contributed significantly in terms of number and amount of transactions respectively. Moreover, the ATM infrastructure has also increased by 710 ATMs due to SBP regulation that requires banks to have a one to one branch to ATM ratio.

The Volume and Value of overall e-Banking transactions grew by 5.1% and 8.7% respectively to the last quarter and by 22.7% and 10% when compared with the same period of the last year.

Further, during the quarter under review, in the composition of total e-Banking transactions, ATM has the highest share of 63.3% in Volume and 7.6% share in Value of transactions. RTOB

has the highest share of 89.9% in Value with 25.2% share in Volume of transactions. The remaining portion of transactions, in terms of Volume, is captured by POS (5.9%), Internet (4%), Call Center (0.2%) and Mobile Banking (1.5%) respectively.

This quarterly report is compiled based upon the statistics received from the commercial banks. The report analyses the transactional trend of paper based as well as electronic modes of payments while providing SBP and the banking industry an opportunity to streamline its monitoring and oversight activities for payment and settlement systems.

**Table.1: Composition of e-Banking Transactions**

(Number in Thousands &amp; Amount in Million Rupees)

Channels	Q2 FY13		Q1 FY14		Q2 FY14	
	No.	Amount	No.	Amount	No.	Amount
ATM	48,561	474,890	59,416	590,914	61,671	635,370
Points of Sale (POS)	4,548	22,063	5,365	27,006	5,708	29,211
Real Time Online Banking (RTOB )	23,065	6,947,708	22,735	6,870,137	24,540	7,480,974
Mobile Phone Banking	910	5,624	1,372	14,050	1,470	15,223
Call Centre (IVR) Banking	158	2,046	166	2,374	167	2,290
Internet Banking	2,209	118,236	3,714	157,020	3,926	161,332
<b>Total</b>	<b>79,451</b>	<b>7,570,567</b>	<b>92,768</b>	<b>7,661,501</b>	<b>97,482</b>	<b>8,324,400</b>

Although the number of transactions executed through e-Banking channels has exceeded the number of transactions executed through paper based instruments, the value of paper based transactions remains much higher as compared to the value of e-Banking transactions. During the current quarter, around 94.3 % in Volume and 84.1% in Value of transactions relating to paper based instruments were carried out through cheques. Total paper based transactions showed an increase of 6.8% in Volume and 4.3% in Value of transactions when compared with the previous quarter.

**Table.2: Composition of Paper Based Payments-Instrument wise**

(Number in Thousand &amp; Amount in Billion Rupees)

Instruments	Q2 FY13		Q1 FY14		Q2 FY14	
	No.	Amount	No.	Amount	No.	Amount
Cheques*	88,209	22,217	82,074	22,636	87,731	23,660
Pay Orders	2,027	1,377	2,071	1,479	2,075	1,464
Demand Drafts	1,936	710	1,649	715	1,680	781
Telegraphic Transfers	400	588	391	662	444	710
Mail Transfers	251	412	225	538	234	600
Dividend Warrants	273	19	93	17	205	38
Direct Debit	623	1,245	629	914	654	866
Others**	32	2	23	1	22	2
<b>Total:</b>	<b>93,751</b>	<b>26,570</b>	<b>87,155</b>	<b>26,962</b>	<b>93,045</b>	<b>28,121</b>

\*Includes cash withdrawals, Transfers, Clearing and refund cheques.

\*\* Includes coupons and refund vouchers.

## 2. Large Value Payment Systems

Pakistan Real-time Interbank Settlement Mechanism (PRISM) which is Large Value Payment System has shown a mixed trend of transactions settlement over the last five quarters.

During the current quarter, total transactions settled in PRISM showed an increase of 8.2% in Volume and 15% in Value of transactions compared to same quarter of the previous year.

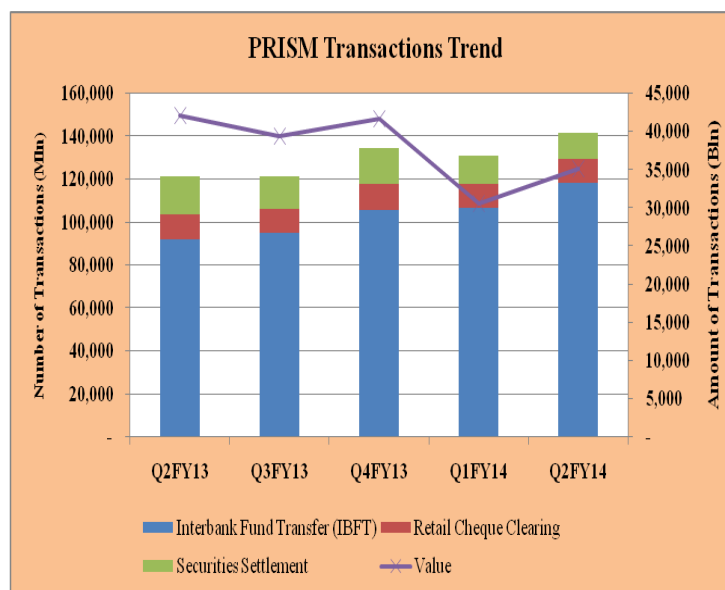


Table 3 also shows that 44.7% of the amount settled via PRISM composed of Interbank Settlements (Rs. 15.7 trillion), 8.9% was composed of Retail Cheque Clearing settlement by the clearing house (Rs. 3.1 trillion) and 46.5% was composed of settlement of interbank government securities trade (Rs. 16.3 trillion). Similarly, the composition of Volume of high Value transactions is 118,660 (83.8%) Interbank Fund Transfers, 11,018 (7.8%) retail cheques clearings and 11,989 (8.5%) securities settlements.

In terms of composition of PRISM transactions, the share of Interbank Funds Transfer (IBFT) increased by 2.0% in Volume and 3.6 % in Value compared with the previous quarter.

**Table.3: PRISM Quarterly Transactions**

(Amount in Billion Rupees)

Transactions Type	Q2 FY13		Q1 FY14		Q2 FY14	
	No.	Amount	No.	Amount	No.	Amount
Interbank Funds Transfer	92,123	10,717	107,078	12,564	118,660	15,711
Retails Cheques Clearing	11,449	3,208	11,135	3,010	11,018	3,119
Securities Settlements	18,091	28,209	12,759	15,002	11,989	16,342
<b>Total:</b>	<b>121,663</b>	<b>42,134</b>	<b>130,972</b>	<b>30,576</b>	<b>141,667</b>	<b>35,172</b>

The share of Securities Settlement decreased by 1.3% in Volume and 2.6 % in Value respectively in comparison with the previous quarter, whereas, the share of Retail Cheques Clearing decreased by 0.7% in Volume and 1% in Value.

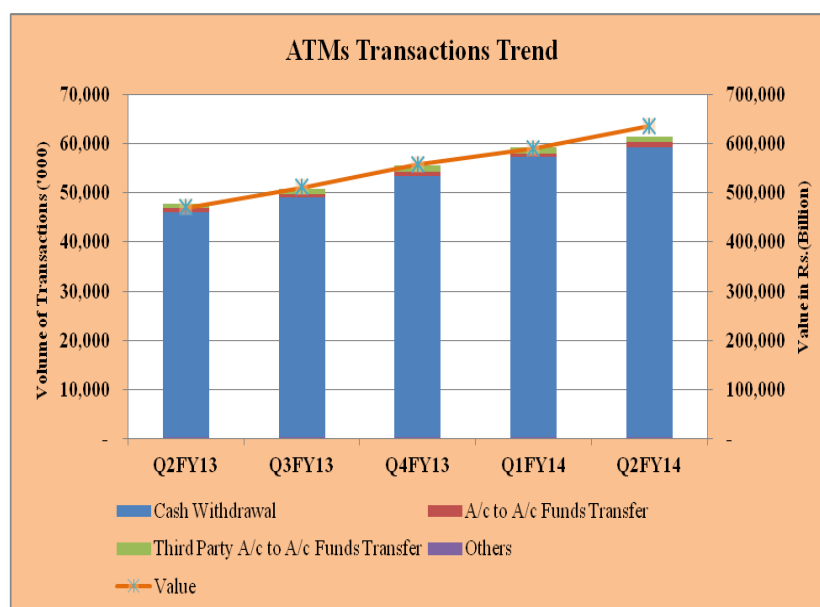


### 3. Retail Payment Systems

The retail payment infrastructure in Pakistan consists of online branches, ATMs, POS, Internet Banking, Mobile Banking and Call Centers. Amongst these retail ADC channels, ATMs and online branches contribute significant number and amount of transactions due to their accessibility and convenience for the users.

#### 3.1 ATMs

ATM has become the most convenient delivery and acceptable e-Banking channel enabling the customers to have access to their deposits and other multiple services without visiting the bank branches. By the end of quarter under review 30 commercial banks have installed their own interoperable ATMs.



During the current quarter, 710 ATMs were added to the network (*growth rate of 10.2% compared to the previous quarter*) bringing the total number of ATMs to 7,684. ATMs remained the preferred channel for cash withdrawals accounting for 81.6% of the total amount transacted via this mode. Moreover, 3<sup>rd</sup> Party Account to Account Fund Transfer contributed 9.7% followed by Account to Account Fund Transfer which contributed 8.6% among transactions performed via ATM. The total amount transacted via ATMs increased by 7.5% compared to the previous quarter and by 33.8% when compared with the second quarter of the last fiscal year (Table 4).

**Table.4: Composition of ATM Transactions**

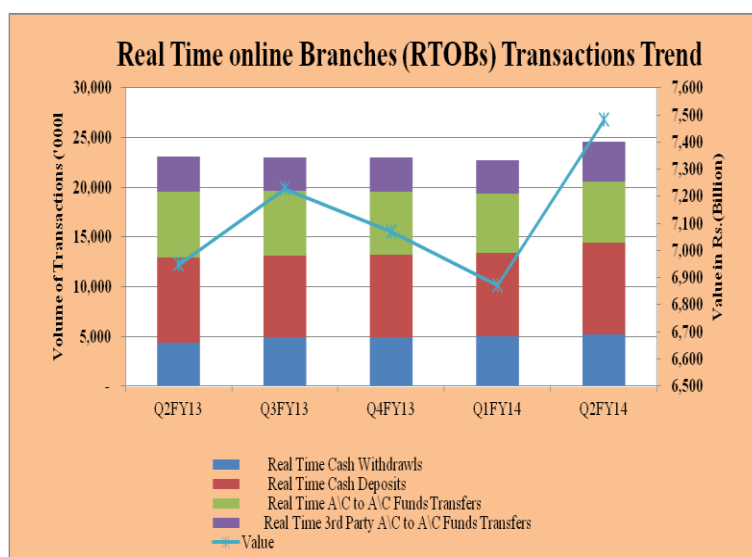
(Number in Thousands &amp; Amount in Million Rupees)

Transaction Type	Q2 FY13		Q1 FY14		Q2 FY14	
	No.	Amount	No.	Amount	No.	Amount
Cash Withdrawal	46,649	386,320	57,260	491,335	59,263	518,604
Cash Deposit	3	27	3	30	3	27
Deposit of Payment Instrument	*	2	*	1	*	1
Utility Bills Payment	89	243	131	416	153	386
A/c to A/c Funds Transfer	778	37,082	836	40,851	1,051	54,633
Third Party A/c to A/c Funds Transfer	1,042	51,215	1,186	58,280	1,202	61,720
<b>Total:</b>	<b>48,561</b>	<b>474,889</b>	<b>59,416</b>	<b>590,913</b>	<b>61,672</b>	<b>635,371</b>

\* Number and amount rounded to thousand

### 3.2 Real Time Online Banking (RTOB)

Out of the existing 11,149 bank branches, 95% (10,596 branches) are providing Real Time Online Banking (RTOB) services. In terms of amount, 89.9% of e-Banking transactions are conducted via RTOB transfers. In RTOB, Account to Account Fund Transfer contributed 58.9% followed by 25.8% for 3<sup>rd</sup> Party Account to Account Fund Transfer.

**Table.5: Composition of RTOB Transactions**

(Number in Thousands &amp; Amount in Million Rupees)

Transactions Type	Q2 FY13		Q1 FY14		Q2 FY14	
	No.	Amount	No.	Amount	No.	Amount
Real Time Cash Withdrawals	4,371	366,734	4,996	443,887	5,232	476,480
Real Time Cash Deposits	8,516	676,922	8,352	636,705	9,220	669,222
Real Time A\C to A\C Funds Transfers	6,686	4,667,282	5,978	4,702,090	6,100	4,404,654
Real Time 3rd Party A\C to A\C Funds Transfers	3,491	1,236,770	3,410	1,087,454	3,989	1,930,619
<b>Total:</b>	<b>23,064</b>	<b>6,947,708</b>	<b>22,736</b>	<b>6,870,136</b>	<b>24,541</b>	<b>7,480,975</b>

RTOB transactions of current quarter showed a slight increase by 7.9% in number and 8.9% in amount of transactions compared to the previous quarter.

### 3.3 Point of Sale (POS)

During the quarter under review, the net number of POS machines reached at 33,734 showing a decrease of 15 machines. However, both the Volume and Value of transactions increased by around 25.5% and 32.4% respectively compared with same quarter of previous year and by 6.4% and 8.2% respectively for the current quarter.

**Table.6: Point of Sale (POS) Number and Transactions Trend**

(Number in Thousands & Amount in Million Rupees)

Period	Number of POS	Number	Amount
October-December, 2012	34,724	4,548	22,063
January-March, 2013	33,189	4,047	21,351
April-June, 2013	33,748	4,948	24,639
July-September, 2013	33,749	5,365	27,006
October-December, 2013	33,734	5,708	29,211

### 3.4 Internet Banking

Consumers can avail a variety of financial services through Internet Banking such as Utility Bill Payment, Account to Account Funds Transfer, Third Party Account to Account Fund Transfer and Account Information. Since December 2013, 24 banks are offering Internet Banking services that constitute a Volume share of 4% of total e-Banking transactions. During the quarter under review, 3.9 million transactions amounting to over Rs.161 billion were conducted by 1.37 million registered internet banking users. This showed a growth of 5.7% in Volume and 2.7% in Value of transactions compared to the previous quarter. Table 7 also shows that around 53% of the transactions done through Internet Banking comprised of funds transfer where 47% pertain to bill payment transactions.

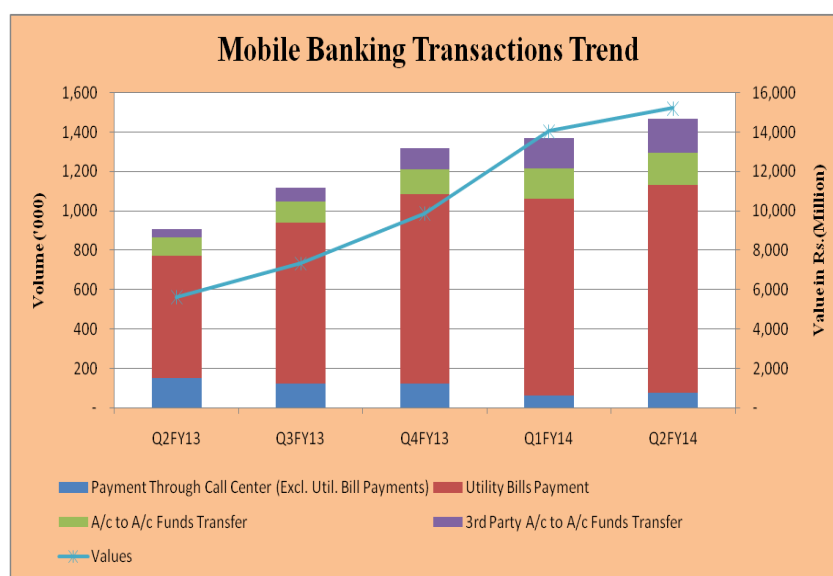
**Table.7: Composition of Internet Banking Transactions**

(Number in Thousands &amp; Amount in Million Rupees)

Transactions Type	Q2 FY13		Q1 FY14		Q2 FY14	
	No.	Amount	No.	Amount	No.	Amount
Payment Through Internet (Excl. Util. Bill Payments)	344	54,785	461	71,847	489	73,668
Utility Bills Payment	621	2,005	759	2,602	732	2,380
A/c to A/c Funds Transfer	553	28,659	1,207	41,031	1,337	41,850
3rd Party A/c to A/c Funds Transfer	690	32,788	1,287	41,540	1,368	43,435
<b>Total:</b>	<b>2,208</b>	<b>118,237</b>	<b>3,714</b>	<b>157,020</b>	<b>3,926</b>	<b>161,333</b>

### 3.5 Mobile Banking

As on 31<sup>st</sup> December 2013, thirteen banks are using this channel to provide financial services to over 1.5 million registered Mobile Phone users who are availing Mobile Phone Banking services. Mobile Phone Banking transactions have shown an upward trend during the last five quarters,



with an increase of 62% and 171% increase in Volume and Value of transactions respectively compared to the same period last year. Moreover, it also shows an increase of 7.1% and 8.3% in Volume and Value respectively from the previous quarter. The Volume of Mobile Banking transactions grew by 7.1% compared to the previous quarter and contributed 1.5% in total Volume of e-Banking transactions. Moreover, their Value grew by 8.3% compared to the previous quarter. During the current quarter, 88% of the Mobile Phone Banking Transactions comprised of Funds Transfers while 12% pertained to the bills payments.

**Table.8: Composition of Mobile Banking Transactions**

(Number in Thousands &amp; Amount in Million Rupees)

Transactions Type	Q2 FY13		Q1 FY14		Q2 FY14	
	No.	Amount	No.	Amount	No.	Amount
Payment Through Mobile (Excl. Util. Bill Payments)	148	137	59	232	75	232
Utility Bills Payment	623	811	1,003	1,654	1,055	1,484
A/c to A/c Funds Transfer	95	2,910	155	5,475	166	5,760
3rd Party A/c to A/c Funds Transfer	43	1,767	155	6,689	174	7,746
<b>Total:</b>	<b>909</b>	<b>5,625</b>	<b>1,372</b>	<b>14,050</b>	<b>1,470</b>	<b>15,222</b>

### 3.6 Call Center Banking

As on 31<sup>st</sup> December 2013, 22 banks are offering Call Center banking facility to facilitate customers for bill payment and account to account fund transfer. There are around 12.4 million registered Call Center users. The transactions through Call Centers grew by 5.8% and 11.9% in Value and Volume respectively compared to the same quarter of last year.

As compared to previous quarter, the Call Center transactions Volume grew by a mere 0.7% and the Value decreased by 3.5%. The composition of Call Center Banking showed that A/C to A/C Fund Transfer has the highest share in Value of transactions (53%).

**Table.9: Composition of Call Centers Transactions**

(Number in Thousands &amp; Amount in Million Rupees)

Transactions Type	Q2 FY13		Q1 FY14		Q2 FY14	
	No.	Amount	No.	Amount	No.	Amount
Payment Through Call Center (Excl. Util. Bill Payments)	51	588	55	648	58	625
Utility Bills Payment	83	340	84	473	80	364
A/c to A/c Funds Transfer	22	1,038	26	1,167	27	1,209
3rd Party A/c to A/c Funds Transfer	2	80	2	86	2	93
<b>Total:</b>	<b>158</b>	<b>2,046</b>	<b>167</b>	<b>2,374</b>	<b>167</b>	<b>2,291</b>

### 3.7 Plastic Cards Composition

The total number of cards showed 8.0% growth compared to the same period of previous year. However, it depicts a decline of 4.2 % compared with the previous quarter.

In the composition of plastic cards, debit cards have the highest percentage share of over 89% followed by credit cards with 6% and ATMs Only cards with 4.5% share.

**Table.10: Plastic Cards Composition Trend**

Cards Category	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14
ATM Only Cards	873,833	919,626	961,603	987,311	996,161
Credit Cards	1,271,174	1,270,775	1,087,772	1,508,340	1,335,976
Debit Cards	18,571,520	19,575,418	20,267,433	20,871,586	20,048,084
<b>Total:</b>	<b>20,716,527</b>	<b>21,765,819</b>	<b>22,316,808</b>	<b>23,367,237</b>	<b>22,380,221</b>

### 3.8 Conclusion

Despite positive growth, e-Banking is still in its nascent stage in the country in relation with the population and the capacity it has to serve the masses. There is a strong need to develop the payments infrastructure and the allied legal and regulatory framework in the country. Thus, significant investment in infrastructure is required to be made by the financial industry not only to serve the existing customers but also to take into its ambit the unbanked and the underserved. Although, banks are enhancing their services through the installation of efficient electronic delivery channels but further efforts are required to make accessible financial services. State Bank of Pakistan is encouraging the adoption of payment services by masses by encouraging banks and payment service providers to invest strategically in information technology and payments infrastructure with the core objective of providing efficient and less expensive banking services to them. It is hoped that continued progress and development of electronic payment systems along with an enabling regulatory framework will ultimately add to the economic development of Pakistan.

**Payment Systems in Pakistan at a Glance**  
Brief Synopsis as on 31<sup>st</sup> December, 2013

<b>Sr. No.</b>	<b>Description</b>	<b>Number</b>
	<b>Financial Institutions</b>	
1	Number of Commercial Banks	38
2	Number of Microfinance Banks	10
3	Number of Development Financial Institutions	8
	<b>Banks' Categorization</b>	
4	Number of Public Sector Banks	5
5	Number of Local Private Banks	22
6	Number of Foreign Banks	7
7	Number of Specialized Banks	4
8	Number of PRISM's Direct Participants	45
	<b>Infrastructure</b>	
9	Number of Online Branches	10,596
10	Number of Manual Branches	553
11	Number of ATMs	7,684
12	Number of Interoperable Switches	2
13	Number of Banks Managing POS	6
14	Number of Point of Sale (POS) Machines	33,734
	<b>Banks' Services</b>	
15	Number of Banks Providing Internet Banking	24
16	Number of Banks Providing Mobile Banking	13
17	Number of Banks Providing Call Center Banking	22
18	Number of Banks issuing Credit Cards	12
19	Number of Banks issuing Debit Cards	25
20	Number of Banks issuing Prepaid Cards	7
21	Number of Banks having ATMs	30
	<b>Per 100,000 Statistics*</b>	
22	Number of online Branches per 100,000 Population	5.7
23	Number of ATMs per 100,000 Population	4.2
24	Number of POS per 100,000 Population	18.3

\* Population value equal to 184.35 million taken from SBP Annual Report FY13.