



STATE BANK OF PAKISTAN



**Second Quarterly Report on
Retail E-Payments and Paper Based instruments
October –December, FY10**

Payment Systems Department
(Planning & Development Division)

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EXECUTIVE SUMMARY:

Electronic /Mobile Payments - Alternative Payment Channels:

During Qtr-2, the volume and value of E-Payments transactions in the country reached at 46.4 million and Rs. 4.1 trillion respectively showing an increase of 0.2 percent in numbers and 6.1 percent increase in value as compared to 4.0 percent increase in numbers and 0.3 percent increase in value in the previous quarter.

E- Payments (Cash Based – Online Banking & ATM):**Real time Online Banking (RTOB):**

During Qtr-2, the volume and value of online banking transactions in the country reached at 14.2 million and Rs. 3.9 trillion respectively showing an increase of 8.8 percent in numbers and 6.4 percent increase in value as compared to 4.5 percent decline in numbers and 0.4 percent decrease in value in the previous quarter.

ATM Transactions:

During Qtr-2, the volume and value of ATM transactions in the country reached at 27.3 million and Rs. 210.7 billion respectively showing a decline of 2.2 percent in numbers and 0.5 percent decrease in value as compared to 10.5 percent increase in numbers and 12.0 percent increase in value in the previous quarter. The slight decrease in volume and value of transactions is adjustment of more than 10 percent growth recorded in the preceding two quarters.

E-Payments (Virtual / Plastic Money):**POS Transactions:**

During Qtr-2, the volume and value of POS transactions in the country were recorded at 3.9 million and Rs. 18.4 billion respectively showing a decline of 11.8 percent in numbers and 20.25 percent decrease in value as compared to 5.3 percent decrease in numbers and 1.75 percent decrease in value in the previous quarter.

Internet Payments Transactions:

During Qtr-2, the volume and value of internet transactions in the country were recorded at 0.7 million and Rs. 38.3 billion respectively showing an increase of 17.1 percent in numbers and 37.4 percent increase in value as compared to 2.1 percent decrease in numbers and 25.4 percent increase in value in the previous quarter. The significant rise in value of transactions is because of bulk payments to parent companies by franchises of telenor, Nadra etc through internet. It also reflected the increased confidence level on internet channel, due to which it is now being used for large value transactions.

Mobile Payments Transactions:

During Qtr-2, the volume and value of mobile transactions in the country were recorded at 77,543 and Rs. 381 million respectively compared to 54,009 volume and Rs. 152 million value of transaction reported in previous quarter.

Payments through Call Centre / IVR

During Qtr-2, the volume and value of call centre / IVR transactions in the country were recorded at 0.3 million and Rs. 1.7 billion respectively showing a decrease of 7.7 percent in numbers and 19.4 percent decrease in value as compared to 1.1 percent decrease in numbers and 14.9 percent increase in value in the previous quarter.

Debit Cards Transactions:

During Qtr-2, the volume and value of debit cards transactions were reported at 29.98 million and Rs. 235.25 billion respectively showing an increase of 3.7 percent in numbers and 9.7 percent increase in value as compared to 3.0 percent increase in numbers and 2.2 percent increase in value in the previous quarter.

Credit Cards Transactions:

During Qtr-2, the volume and value of credit cards transactions were reported to be 3.8 million and Rs. 17.0 billion respectively showing a decrease of 10.0 percent in numbers and 8.7 percent decrease in value as compared to 6.9 percent decrease in numbers and 2.6 percent decrease in value in the previous quarter.

E-Payments Infrastructure:

The total quantity of ATM machines during Qtr-2 reached at 4,217 registering a growth of 4.0 percent as compared to 1.4 percent increase in the previous quarter. The volume of Real Time Online Branches (RTOB) during Qtr-2 reached at 6,587 and recorded a growth of 7.6 percent as compared to 1.3 percent increase recorded in the previous quarter. The total quantity of POS terminal reached 50,920 showing a decrease of 1.5 percent in number as compared to 4.0 percent increase in previous quarter.

The quantity of cards (debit / credit /ATM only) in circulation during Qtr-2 reached at 9.95 million which shows an increase of 6.8 percent compared to 4.3 percent increase in the previous quarter. Here the quantity of credit cards has decreased by 0.8 percent to 1.6 million as compared to 1.1 percent decrease in the previous quarter. Debit cards have increased by 9.5 percent as compared to 7.9 percent increase in previous quarter and stood at 7.6 million. ATM only cards have decreased by 1.4 percent to 0.77 million as compared to 11.6 percent increase in previous quarter.

Paper Based Payments:

During Qtr-2, the volume and value of paper based transactions in the country reached at 84.9 million and Rs. 33.8 trillion respectively showing an increase of 2.1 percent in numbers and 2.1 percent decrease in value as compared to 2.8 percent decrease in numbers and 4.3 percent increase in value in the previous quarter.

Total Retail Payments:

During Qtr-2, the volume and value of total retail payment transactions in the country reached at 131.3 million and Rs. 37.95 trillion respectively showing an increase of 1.4 percent in number and 1.3 percent decrease in value as compared to 0.4 percent decrease in numbers and 3.9 percent increase in value in the previous quarter.

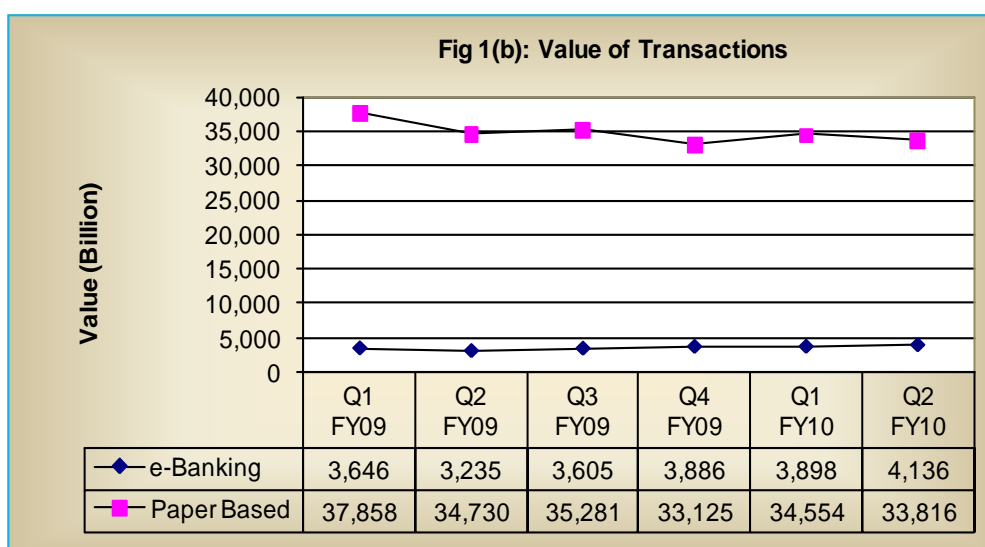
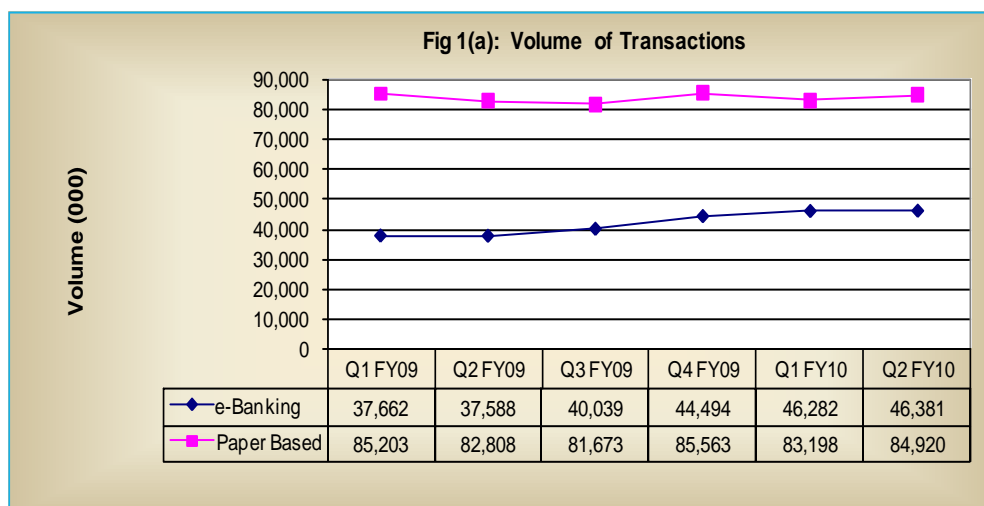
Transformation:

The use of electronic channels has been showing a consistent growth as during Qtr-2, the contribution of electronic transactions recorded 35.3 percent share in numbers compared to 35.7 percent share recorded during previous quarter. In terms of value, the electronic channels' share was recorded 10.9 percent against 10.1 percent share recorded for the previous quarter.

1. E-Payments & Paper Based Payments:

E-payment systems are money transmission / delivery mechanism. These systems are cash based and virtual payments. During Qtr-2 FY10 the volume of total electronic & Paper Based Payments registered an increase of 1.4 percent against 0.4 percent decrease in the previous quarter and value of total retail payment transactions registered a decrease of 1.3 percent against 3.9 percent increase in the previous quarter.

The trend of paper and electronic based transactions and value since Qtr-1 FY09 is given in the **Fig. 1a & 1b** below:

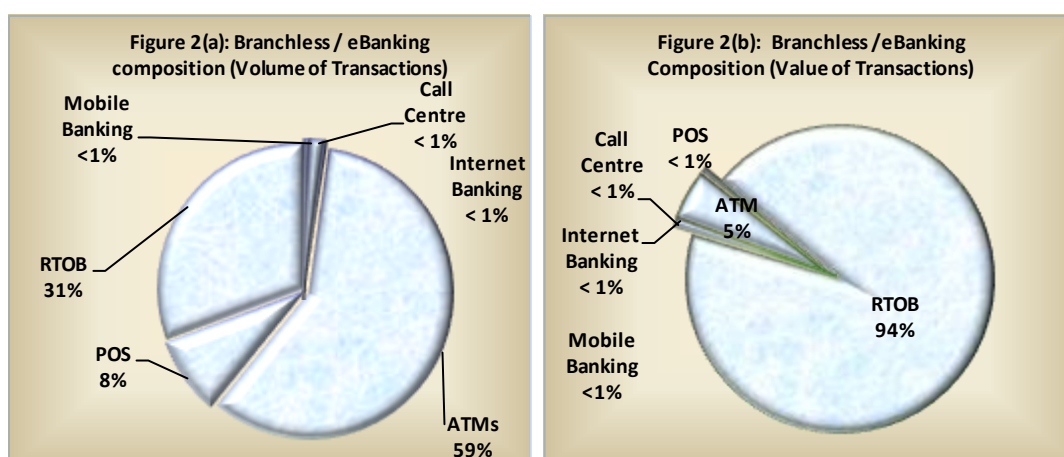


2. The Retail Payments through E-Payment Systems:

In terms of volume, the E-Payments have recorded 46.4 million transactions showing 0.2 percent increase against an increase of 4.0 percent recorded in the previous quarter. In terms of value, it reached Rs. 4.1 trillion showing increase of 6.1 percent against 0.3 percent increase recorded in the previous quarter (**Fig. 1a & 1b**).

2.1 E-Payments Composition:

ATMs are commonly used for frequent but small value cash withdrawals; therefore, its share in total number of electronic transactions was recorded to be the highest i.e. 59 percent. During Qtr-2 the average amount of ATM transactions¹ was recorded at Rs. 7, 730 compared to Rs. 7,593 recorded during previous quarter. In terms of volume, the share of Real Time Online Banking (RTOB) and POS in the total E-Payments was 31 percent and 8 percent respectively. Call Centre, Internet Payments and Mobile Payments however had comparatively low share in the total E-Payments (**Fig.2a**). In terms of value, the RTOB contribution was 94 percent, since this channel is mostly used for B2B transactions. ATM transactions contributed 5 percent in the value of transactions. The share in value of POS, Internet, Mobile and Call Center Payments is very small (**Fig. 2b**).



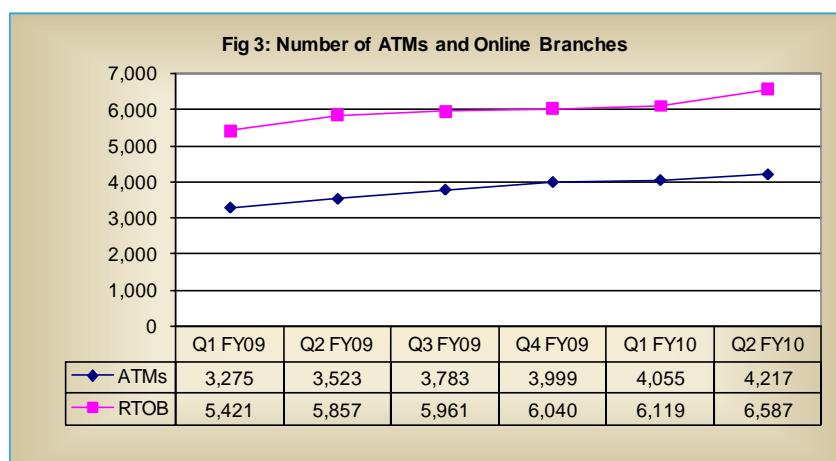
3. E-Payments Infrastructure in Pakistan:

3.1 Online Branch Network and Automated Teller Machines (ATMs):

During Qtr-2, banks have increased their online Branch network from 6,119 to 6,587 showing a growth of 7.6 percent as compared to 1.3 percent increase recorded in previous quarter.

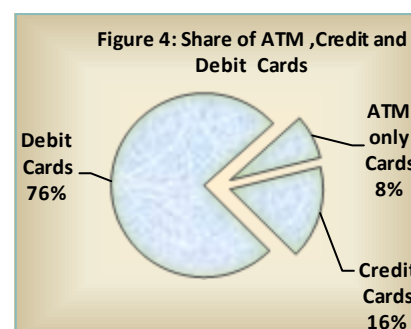
The share of online branches in the total branch network has increased from 68.8 percent to 71.9 percent. Similarly, during Qtr-2, banks have added 162 new ATMs in their network, bringing the total number of ATMs in the country to 4,217 thus reflecting a growth of 4.0 percent as compared to 1.4 percent growth recorded in the last quarter (**Fig. 3**).

¹ The average amount of ATM Transactions = Total Amount / Total number of transactions. Here the total number of ATM transactions include cash withdrawal, cash deposit, IBFT, utility bills payment, and deposit of Payment instruments



3.2 Number of Cards (Credit/Debit/ATM):

As of December, 2009, the total number of cards in circulation has been recorded at 9.95 million as compared to 9.3 million cards recorded in the previous quarter showing a growth of 6.8 percent (Fig. 4).



3.2.1 Credit Cards:

The total number of credit cards decreased from 1.645 million to 1.632 million in Qtr-2 showing a decrease of 0.8 percent compared to 1.1 percent decrease recorded in the previous quarter. Quantity of Islamic credit cards has recorded 1,934.

3.2.2 Debit Cards:

Total number of debit cards has increased from 6.9 million to 7.56 million in Qtr-2 showing a growth of 9.5 percent compared to 7.9 percent increase recorded in the previous quarter.

3.2.3 ATM Only Cards:

During Qtr-2, the total number of ATM only cards in circulation recorded at 0.768 million against 0.779 million cards reported during last quarter showing a decrease of 1.4 percent compared to 11.6 percent decrease recorded in the previous quarter.

3.2.4 Smart Cards:

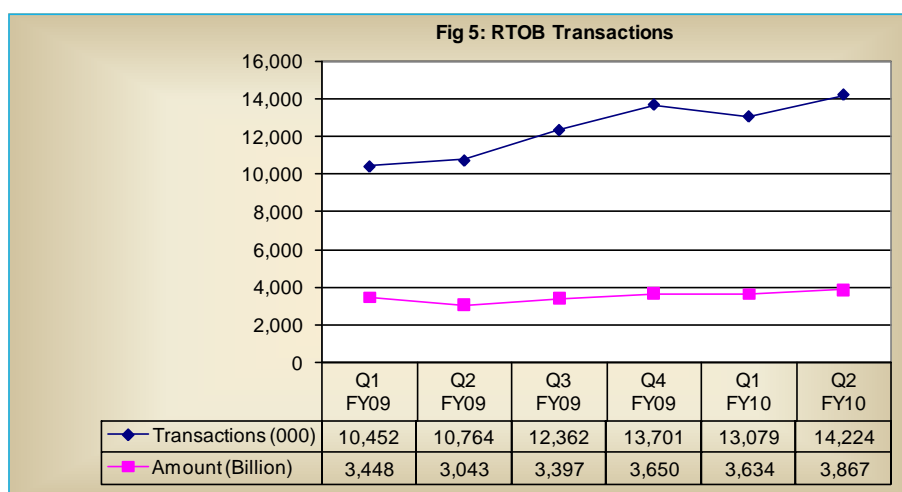
Smart cards are chip based card with enhanced memory and security features. Out of 9.95 million cards, 0.447 million or 4.5 percent are chip based cards. During Qtr-2, however, the total quantity of chip based cards increased by 2.2 percent.

4. E-Payments (Cash Based -Online Banking & ATM Transactions):

4.1 Real Time Online Banking (RTOB) Transactions:

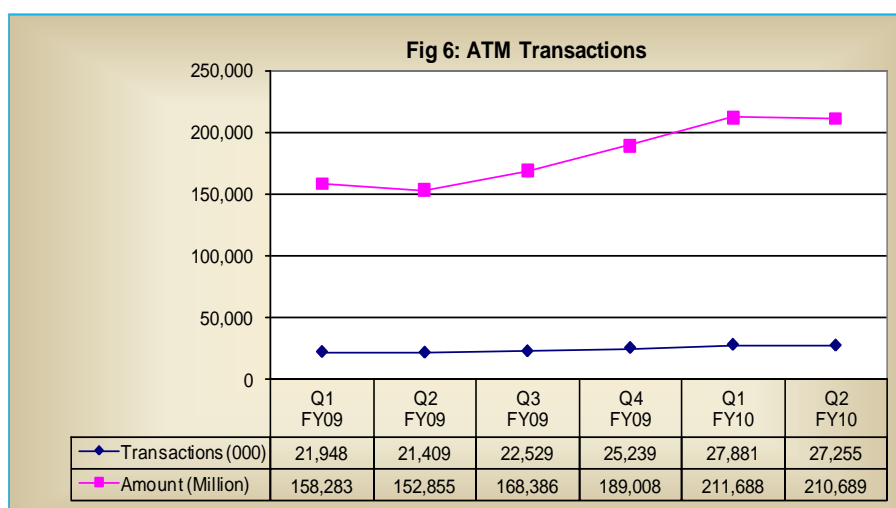
During Qtr-2, the total number of RTOB transactions increased by 8.8 percent as compared to 4.5 percent decrease recorded previous quarter. In terms of value, the amount increased by 6.4 percent as compared to 0.4 percent decrease in the previous quarter. Banks use RTOB channel for conducting various transactions which in fact constitute 94 percent of total E-payments transactions value in the country.

(Fig. 5):



4.2 Transactions through ATMs:

ATM transactions during the Qtr-2 registered a decrease of 2.2 percent as compared to 10.5 percent increase in the previous quarter. The amount of ATM transactions decreased by 0.5 percent as compared to 12.0 percent increase in the previous quarter. Apart from cash withdrawal, ATMs are also used for inter/intra bank funds transfer, cash deposits, payment of utility bills etc. In Pakistan, on average, 70 transactions were executed per day per ATM. The amount of average transaction is Rs. 7,730/- (Fig. 6).



4.2.1 Fund Transfers:

During Qtr-2, fund transfers transactions that were made through ATMs, were recorded at 0.642 million showing an increase of 7.9 percent as compared to 2.3 percent decrease recorded in the previous quarter. The value of such fund transfers was Rs. 28.5 billion depicting an increase of 17.4 percent compared to 12.4 percent decrease recorded in the previous quarter. Fund transfers through ATMs mostly include intra-bank transfers and a small portion of inter-bank fund transfers.

4.2.2 Cash Deposits:

Quite a few banks are providing the facility of cash deposit through ATMs. The mechanism for cash deposit is either through single/bunch note acceptor or envelope based. During Qtr-2 only 6,581 transactions of cash deposit through ATMs were reported showing an increase of 6.5 percent compared to 6.7 percent increase recorded in the previous quarter. In terms of value, the amount decreased from 69.53 to 67.45 million for the current quarter showing a decrease of 3.0 percent compared to 10.9 percent increase recorded in previous quarter.

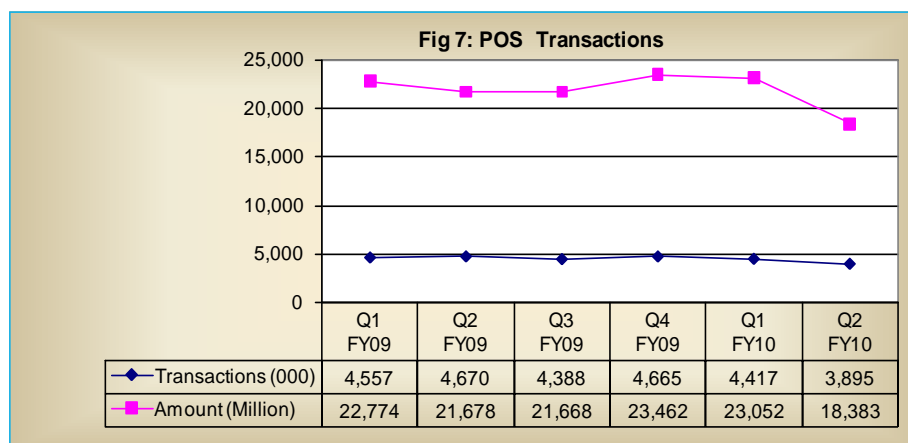
4.2.3 Utility Bills Payment:

During Qtr-2, the utility bills payment transactions through ATMs reported 31,596 transactions showing an increase of 8.3 percent compared to 51 percent increase recorded in the previous quarter. In value terms, the banks reported Rs. 43.05 million as compared to 54.2 million recorded previous quarter showing 20.6 percent decrease compared to 54.9 percent increase in the previous quarter.

5. E-Payments (Virtual / Plastic Money):

5.1 POS (Point of Sale) Transactions:

The total number of POS machines/terminals has reached at 50,920 placed across the country on different merchant locations as compared to 51,685 machines recorded last quarter which shows a decrease of 1.5 percent. The number of POS transactions reached 3.9 million showing a decrease of 11.8 percent as compared to 5.3 percent decrease recorded in the previous quarter. The amount of such transactions reached Rs. 18.4 billion registering a decrease of 20.2 percent as compared to 1.7 percent decrease in the previous quarter (**Fig. 7**). The obvious reason is decrease in number of credit cards, which are mostly used on POS.



5.2 Payments through Call Centre:

Payments through Call Centre/Interactive Voice Response (IVR) are also included in the E-Payment channels. The number of transactions through such channels reported by the banks for Qtr-2 FY 10 were 0.254 million involving an amount of Rs. 1.69 billion. This shows a decrease by 7.7 percent in volume and 19.4 percent decrease in value compared to 1.1 percent decrease in volume and 14.9 percent increase in value recorded in the previous quarter.

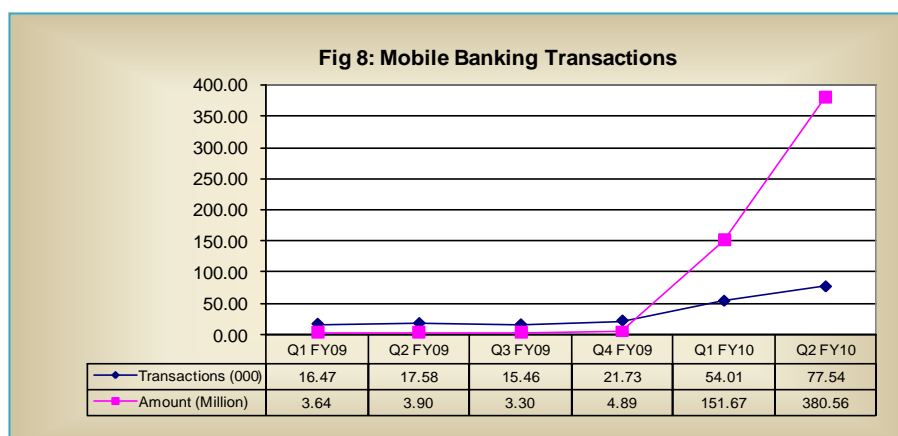
5.3 Payments through Internet:

Internet Payments includes payments and electronic fund transfers (EFT). The fund transfers, however, are presently limited to intra bank account to account funds transfer except for a bank which offers interbank funds transfer facility through internet. During Qtr-2 FY 10, banks reported 0.676 million transactions involving an amount of Rs. 38.3 billion, this shows an increase of 17.1 percent in numbers and 37.4 percent increase in amount compared to a decrease of 2.1 percent in numbers and an increase of 25.4 percent in amount recorded in the previous quarter.

5.4 Payments through Mobile:

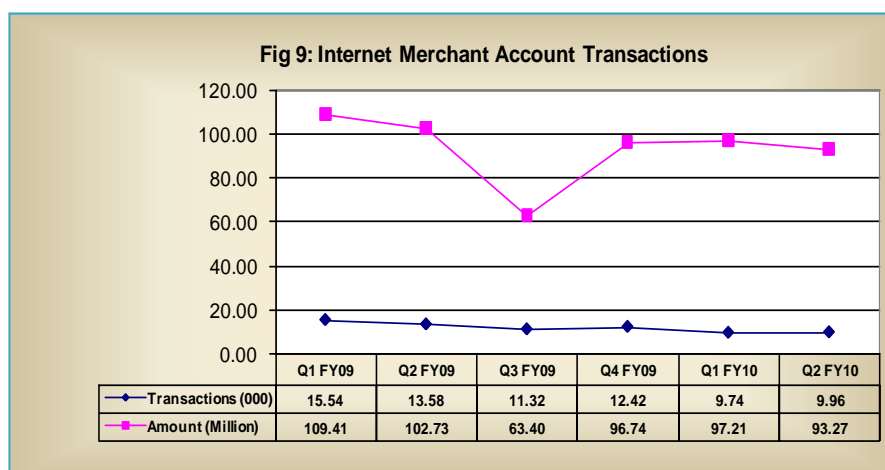
There are a few banks which offer transactions through mobile. These transactions include payment through mobile (other than utility bills payment), utility bills payment, intra customer account fund transfers and inter customer account fund transfers.

The number of transactions reported was 77,543 for the current quarter compared to 54,009 transactions reported for the previous quarter. In terms of value of transactions it was reported at Rs. 381 million compared to Rs. 152 Million recorded in the previous quarter. As of December 2009 six Commercial Banks were offering mobile Banking facility and out of Rs 381.0 million value of transaction Rs. 364.6 million belonged to intra customer account fund transfer transactions through mobile. (Fig. 8).



5.5 Internet Merchant Payments:

Transactions done through internet merchant account are part of Internet Merchant (IM) Payments. There were a total of 20 internet merchant accounts in Qtr-2 FY10. Mostly service sector/NGOs are IM account holders. The number as well as amount of transactions done through internet merchant accounts is not consistent as transactions done are of seasonal nature and covers activities like air fares, college fee payments etc. This quarter registered an increase of 2.3 percent in number against 21.6 percent decrease in the previous quarter. In terms of value, there was a decrease of 4.1 percent against 0.5 percent increase recorded for the previous quarter (Fig. 9).



6. Cross Border Transactions through E-Payments:

Cross border transactions include only those transactions which were executed using either an ATM / POS machine or Internet. ATM transactions include cash withdrawal through ATMs; the inflow of such transactions has increased by 14 percent compared to 16 percent increase in the previous quarter whereas out flow increased by 21 percent compared to 9 percent increase in the previous quarter. The POS transactions include purchases of goods and services by the customers. The inflow of POS transactions increased by 9 percent compared to 9 percent decrease in the previous quarter while the outflow decreased by 4 percent compared to 2 percent increase in the previous quarter. The internet transactions include the purchase of goods and services using foreign/local internet merchants. The inflow of internet transactions increased by 7 percent compared to 5 percent increase in the previous quarter whereas the out flow increased by 21 percent compared to 1 percent decrease in the previous quarter. The foreign merchants include names like eBay, Amazon, Google etc. Internet transactions also include payment of fee for foreign universities and online courses like ACCA, CIMA etc.

The Comparison of cross border transactions, showing in-flow and out-flow of money through E-Payments, is given in Table 1:

Table 1: Comparison of Cross Border Payment Transactions

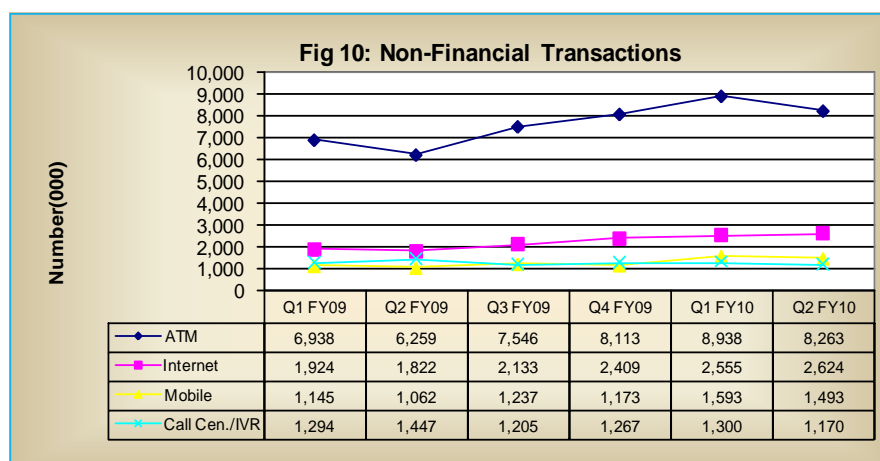
(Rs. In Millions)

Means of Transaction	Inflow of Money (Inward remittance)		Outflow of Money (Outward remittance)		Net	
	Q1 FY 10	Q2 FY 10	Q1 FY 10	Q2 FY 10	Q1 FY 10	Q2 FY 10
ATM	2,949	3,365	(491)	(594)	2,458	2,771
POS	4,300	4,680	(3,210)	(3,096)	1,090	1,585
INTERNET	70	75	(329)	(399)	(259)	(324)
Total	7,320	8,120	(4,031)	(4,088)	3,289	4,032

The above table indicates that the volume of cross border e-banking transactions (net inflow) increased by 22.6 percent as compared to a decrease of 3.2 percent reported in the previous quarter.

7. Non-financial E-Banking Activities:

Channels of E-Banking are also used for non-financial transactions like the balance inquiry, account statements, etc. The total number of non-financial transactions reported during the quarter was 13.55 million against 14.39 million recorded in the previous quarter as shown in **Fig. 10**.



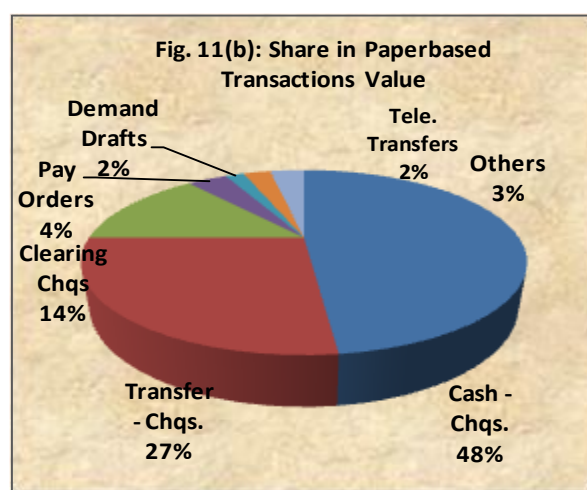
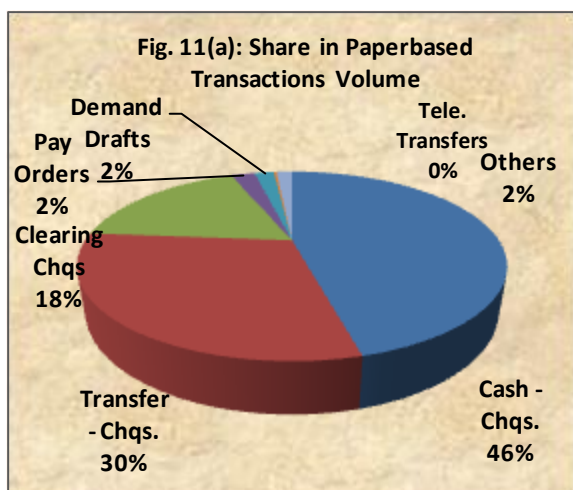
8. The Retail Payments through Paper Based Instruments:

Paper based instrument during Qtr-2 FY09 witnessed an increase of 2.1 percent in numbers compared with 2.8 percent decrease in the previous quarter (**Fig. 1a**). The value of transactions decreased by 2.1 percent against 4.3 percent increase recorded during previous quarter (**Fig. 1b**).

Table 2: Paper Based Instruments

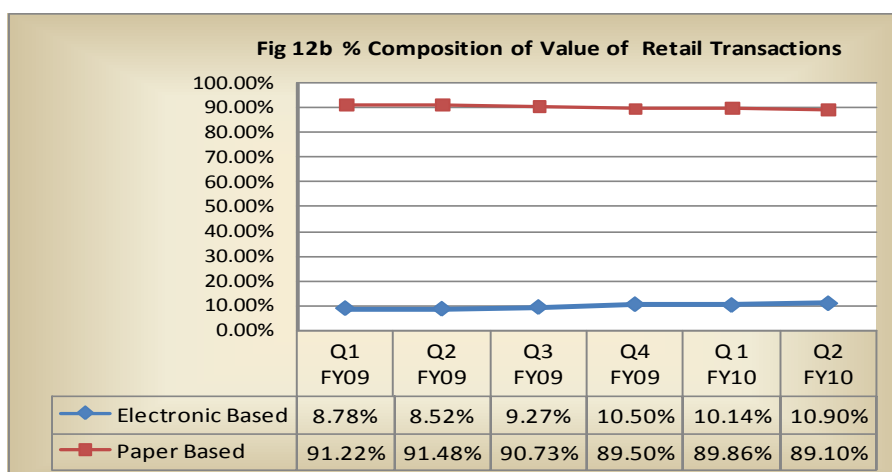
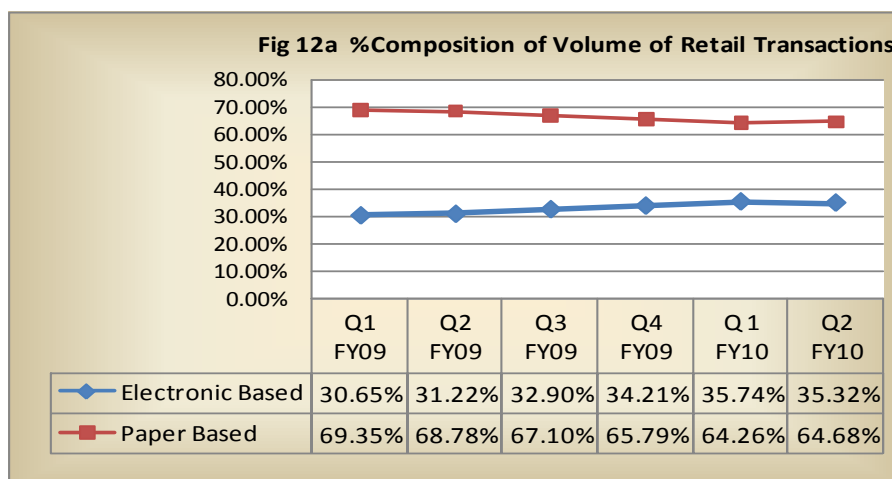
Instruments	Qtr 2 FY 10		Qtr 1 FY10	
	Number (million)	Amount Rs. (trillion)	Number (million)	Amount Rs. (trillion)
Cash – Cheques	39.0	16.3	39.0	17.0
Transfer - Cheques	25.7	9.1	24.5	8.8
Clearing - Cheques	15.0	4.7	14.6	5.3
Pay Orders	2.0	1.2	2.0	1.2
Demand Drafts	1.6	0.6	1.6	0.5
Tele. Transfers	0.2	0.9	0.2	0.8
Others	1.3	1.1	1.2	1.0
TOTAL	84.9	33.8	83.2	34.6

While looking at the composition of the paper based instruments, the cheques (such as cash, clearing, transfer) carry a major share i.e. 94 percent in volume and 89 percent in value. Here the cash cheques have been the most widely used paper based instrument with 46 percent share in volume and 48 percent share in value. The respective percentage share of all instruments is shown in the **Fig. 11a & 11b**.



9. Transition to E-Payments

During the last six quarters the transition from manual (paper based) banking to E-Payments has been gradual, yet consistent, in terms of both volume and value of transactions. The composition (in percentage) of electronic transaction reported 35.3 percent of the total number of transactions as compared to 35.7 percent recorded in the previous quarter. In terms of value, the same recorded to 10.9 percent as compared to 10.1 percent recorded in the previous quarter (**Fig 12a & 12b**).



10. List of Acronyms:

ATM	Auto Teller Machine
I B	Internet Banking
CC	Call Center
POS	Point of Sales
RTOB	Real Time Online Branches
E-Banking	Electronic Banking
m-Banking	Mobile Banking
IMA	Internet Merchant Account
IVR	Interactive Voice Response
M B	Mobile Banking

Note: The discrepancy in figures may occur because of rounding off data.
The data used in the report is provisional and subject to verification.