



## **STATE BANK OF PAKISTAN**



### **Third Quarterly Report on Retail E-Payments and Paper Based instruments January –March, FY10**

Payment Systems Department  
(Planning & Development Division)

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**EXECUTIVE SUMMARY:**

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**Electronic /Mobile Payments - Alternative Payment Channels:**

During Qtr-3, the volume and value of E-Payments transactions in the country reached at 50.3 million and Rs. 4.5 trillion respectively showing an increase of 8.4 percent in numbers and 8.2 percent increase in value as compared to 0.2 percent increase in numbers and 6.1 percent increase in value in the previous quarter.

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

During Qtr-3, the volume and value of online banking transactions in the country reached at 15.9 million and Rs. 4.2 trillion respectively showing an increase of 12.1 percent in numbers and 8.2 percent increase in value as compared to 8.8 percent increase in numbers and 6.4 percent increase in value in the previous quarter.

**ATM Transactions:**

During Qtr-3, the volume and value of ATM transactions in the country reached at 29.4 million and Rs. 232.6 billion respectively showing an increase of 7.9 percent in numbers and 10.4 percent increase in value as compared to 2.2 percent decrease in numbers and 0.5 percent decline in value in the previous quarter.

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

During Qtr-3, the volume and value of POS transactions in the country were recorded at 3.7 million and Rs. 17.2 billion respectively showing a decline of 5.1 percent in numbers and 6.2 percent decrease in value as compared to 11.8 percent decrease in numbers and 20.25 percent decrease in value in the previous quarter. The main reason behind this is decrease in number of credit cards by 1.6 percent in the current quarter.

**Internet Payments Transactions:**

During Qtr-3, the volume and value of internet transactions in the country were recorded at 0.89 million and Rs. 39.95 billion respectively showing an increase of 31.2 percent in numbers and 4.4 percent increase in value as compared to 17.1 percent increase in numbers and 37.4 percent increase in value in the previous quarter.

## Mobile Payments Transactions:

During Qtr -3, the volume and value of mobile transactions in the country were recorded at 99,558 and Rs. 594 million respectively compared to 77,543 volume and Rs. 381 million value of transaction reported in previous quarter.

## Payments through Call Centre / IVR

During Qtr-3, the volume and value of call centre / IVR transactions in the country were recorded at 0.25 million and Rs. 1.6 billion respectively showing a decrease of 3.0 percent in numbers and 4.6 percent decrease in value as compared to 7.7 percent decrease in numbers and 19.4 percent decrease in value in the previous quarter.

## Debit Cards Transactions:

During Qtr-3, the volume and value of debit cards transactions were reported at 32.75 million and Rs. 256.95 billion respectively showing an increase of 9.2 percent both in numbers and value of transaction as compared to 3.7 percent increase in numbers and 9.7 percent increase in value in the previous quarter.

## Credit Cards Transactions:

During Qtr-3, the volume and value of credit cards transactions were reported to be 3.6 million and Rs. 16.35 billion respectively showing a decrease of 3.9 percent in numbers and 4.0 percent decrease in value as compared to 10 percent decrease in numbers and 8.7 percent decrease in value in the previous quarter.

## E-Payments Infrastructure:

The total quantity of ATM machines during Qtr-3 reached at 4,375 registering a growth of 3.7 percent as compared to 4.0 percent increase in the previous quarter. The volume of Real Time Online Branches (RTOB) during Qtr-3 reached at 6,634 and recorded a growth of 0.7 percent as compared to 7.6 percent increase recorded in the previous quarter. The total quantity of POS terminal reached 51,577 showing an increase of 1.3 percent in number as compared to 1.5 percent decrease in previous quarter.

The quantity of cards (debit / credit /ATM only) in circulation during Qtr-3 reached at 10.45 million which shows an increase of 4.9 percent compared to 6.8 percent increase in the previous quarter. Here the quantity of credit cards has decreased by 1.6 percent to 1.6 million as compared to 0.8 percent decrease in the previous quarter. Debit cards have increased by 7.0 percent as compared to 9.5 percent increase in previous quarter and stood at 8.1 million. ATM only cards have decreased by 1.8 percent to 0.75 million as compared to 1.4 percent decrease in previous quarter.

## Paper Based Payments:

During Qtr-3, the volume and value of paper based transactions in the country reached at 82.9 million and Rs. 34.9 trillion respectively showing a decrease of 2.4 percent in numbers and 3.1 percent increase in value as compared to 2.1 percent increase in numbers and 2.1 percent decrease in value in the previous quarter.

## **Total Retail Payments:**

During Qtr-3, the volume and value of total retail payment transactions in the country reached at 133.2 million and Rs. 39.36 trillion respectively showing an increase of 1.4 percent in number and 3.7 percent increase in value as compared to 1.4 percent increase in numbers and 1.3 percent decrease in value in the previous quarter.

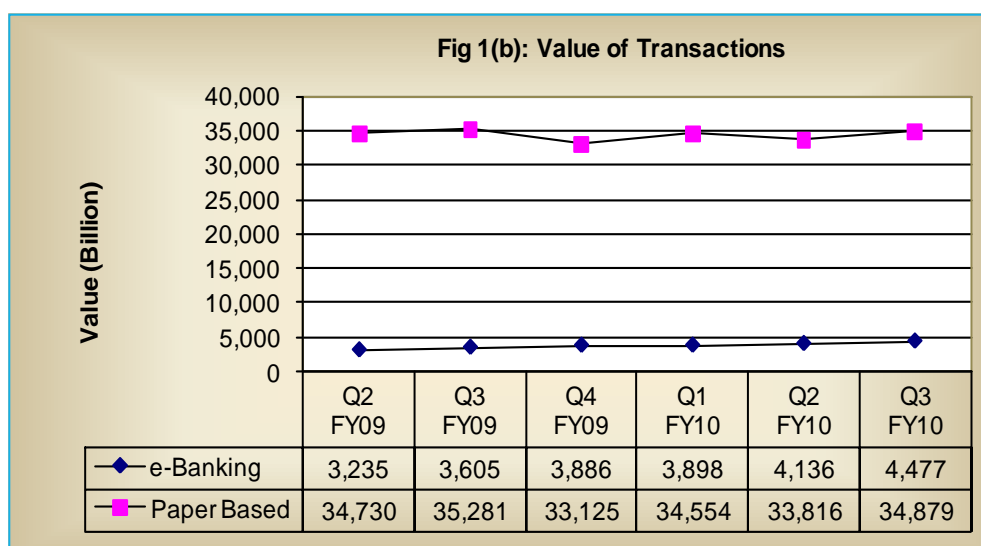
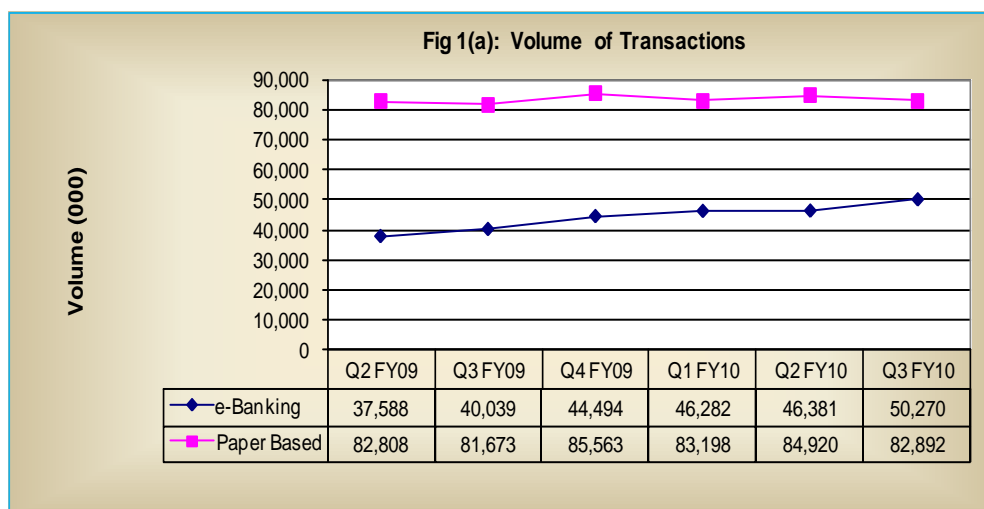
## **Transformation:**

The use of electronic channels has been showing a consistent growth as during Qtr-3, the contribution of electronic transactions recorded 37.75 percent share in numbers compared to 35.3 percent share recorded during previous quarter. In terms of value, the electronic channels' share was recorded 11.38 percent against 10.9 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-3 FY10 the volume of total electronic & Paper Based Payments registered an increase of same 1.4 percent as recorded in the previous quarter and value of total retail payment transactions registered an increase of 3.7 percent against 1.3 percent decrease in the previous quarter.

The trend of paper and electronic based transactions and value since Qtr-2 FY09 is given in the **Fig. 1a & 1b** below:

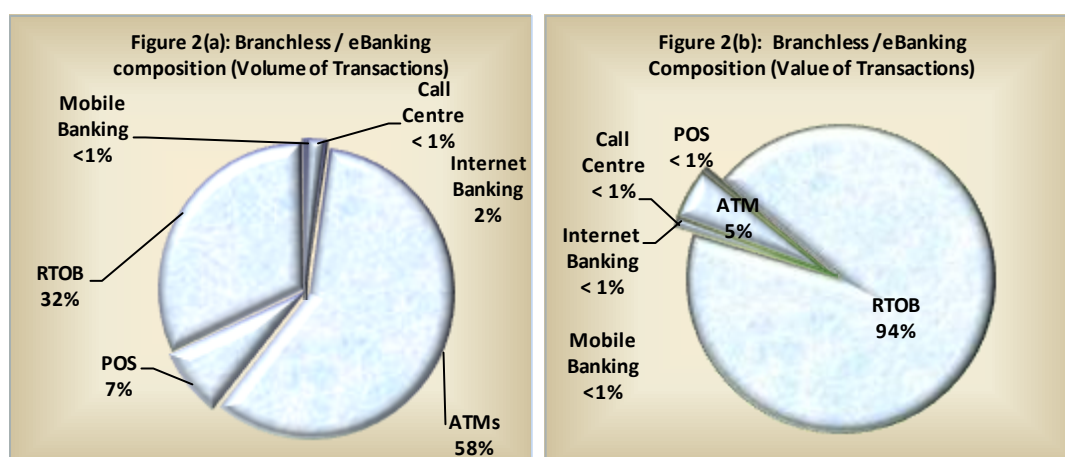


## 2. The Retail Payments through E-Payment Systems:

In terms of volume, the E-Payments have recorded 50.3 million transactions showing 8.4 percent increase against an increase of 0.2 percent recorded in the previous quarter. In terms of value, it reached Rs. 4.5 trillion showing increase of 8.2 percent against 6.1 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. 58 percent. During Qtr-3 the average amount of ATM transactions<sup>1</sup> was recorded at Rs. 7,913 compared to Rs. 7,730 recorded during previous quarter. In terms of volume, the share of Real Time Online Banking (RTOB) and POS in the total E-Payments was 32 percent and 7 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:

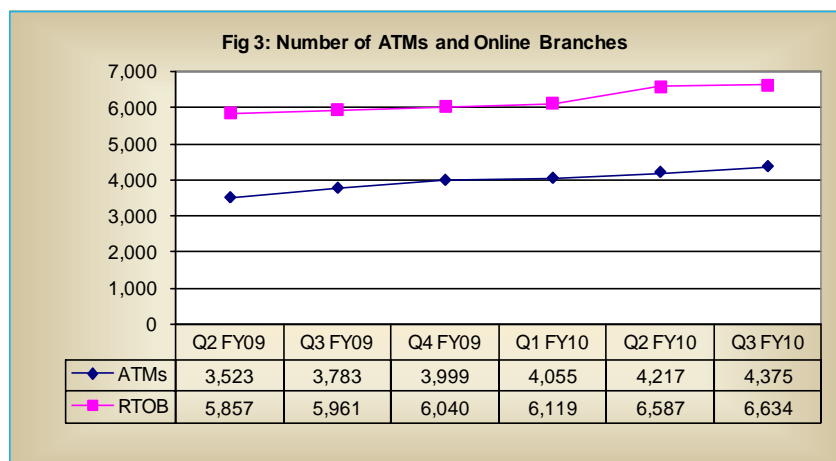
### 3.1 Online Branch Network and Automated Teller Machines (ATMs):

During Qtr-3, banks have increased their online Branch network from 6,587 to 6,634 showing a growth of 0.7 percent as compared to 7.6 percent increase recorded in previous quarter.

The share of online branches in the total branch network has increased from 71.9 percent to 72.4 percent. Similarly, during Qtr-3, banks have added 158 new ATMs in their network, bringing the total number of ATMs in the country to 4,375 thus reflecting a growth of 3.7 percent as compared to 4.0 percent growth recorded in the last quarter (**Fig. 3**).

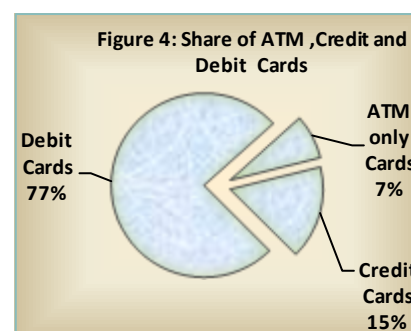
<sup>1</sup> The average amount of ATM Transactions = Total Amount / Total number of transactions. Here the total number of ATM transactions include cash withdrawal, cash deposit, IBFT, utility bills payment, and deposit of Payment instruments





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

As of March, 2010, the total number of cards in circulation has been recorded at 10.45 million as compared to 9.95 million cards recorded in the previous quarter showing a growth of 4.9 percent (Fig. 4).



#### 3.2.1 Credit Cards:

The total number of credit cards decreased from 1.63 million to 1.61 million in Qtr-3 showing a decrease of 1.6 percent compared to 0.8 percent decrease recorded in the previous quarter. Quantity of Islamic credit cards has recorded 1,542.

#### 3.2.2 Debit Cards:

Total number of debit cards has increased from 7.56 million to 8.09 million in Qtr-3 showing a growth of 7.0 percent compared to 9.5 percent increase recorded in the previous quarter.

#### 3.2.3 ATM Only Cards:

During Qtr-3, the total number of ATM only cards in circulation recorded at 0.754 million against 0.768 million cards reported during last quarter showing a decrease of 1.8 percent compared to 1.4 percent decrease recorded in the previous quarter.

#### 3.2.4 Smart Cards:

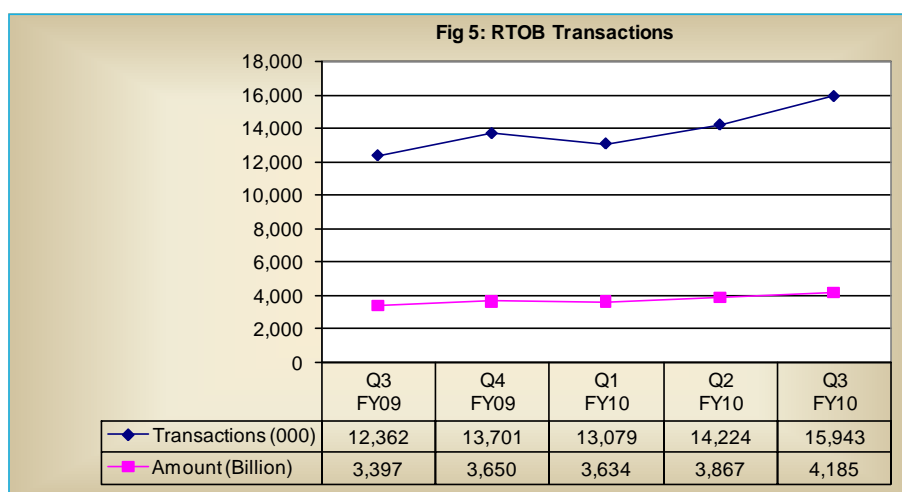
Smart cards are chip based card with enhanced memory and security features. Out of 10.45 million cards, 0.454 million or 4.4 percent are chip based cards. During Qtr-3, however, the total quantity of chip based cards increased by 1.7 percent.

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

### 4.1 Real Time Online Banking (RTOB) Transactions:

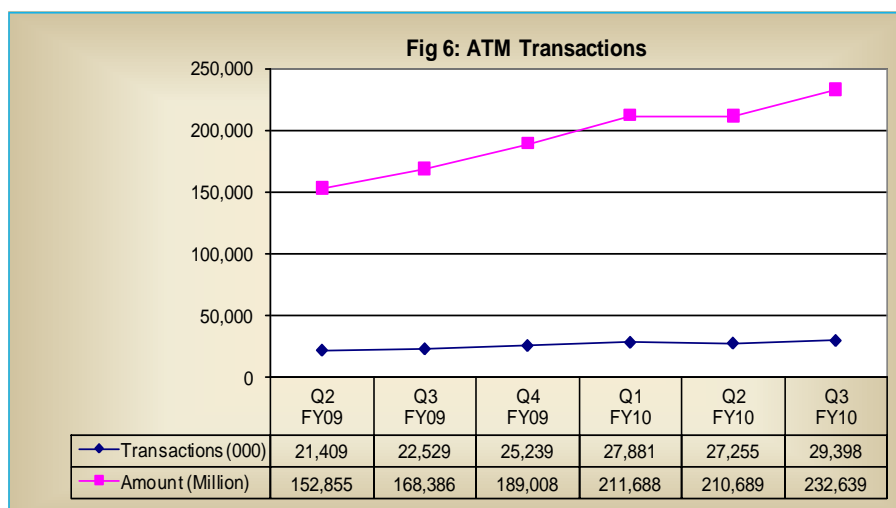
During Qtr-3, the total number of RTOB transactions increased by 12.1 percent as compared to 8.8 percent increase recorded previous quarter. In terms of value, the amount increased by 8.2 percent as compared to 6.4 percent increase in the previous quarter. Banks use RTOB channel for conducting various 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-3 registered an increase of 7.9 percent as compared to 2.2 percent decrease in the previous quarter. The amount of ATM transactions increased by 10.4 percent as compared to 0.5 percent decrease 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, 75 transactions were executed per day per ATM. The amount of average transaction is Rs. 7,913/- (Fig. 6).



#### 4.2.1 Fund Transfers:

During Qtr-3, fund transfers transactions that were made through ATMs, were recorded at 0.742 million showing an increase of 15.5 percent as compared to 7.9 percent increase recorded in the previous quarter. The value of such fund transfers was Rs. 33.7 billion depicting an increase of 18 percent compared to 17.4 percent increase 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-3 only 7,883 transactions of cash deposit through ATMs were reported showing an increase of 19.8 percent compared to 6.5 percent increase recorded in the previous quarter. In terms of value, the amount decreased from 67.45 to 67.33 million for the current quarter showing a decrease of 0.2 percent compared to 3.0 percent decrease recorded in previous quarter.

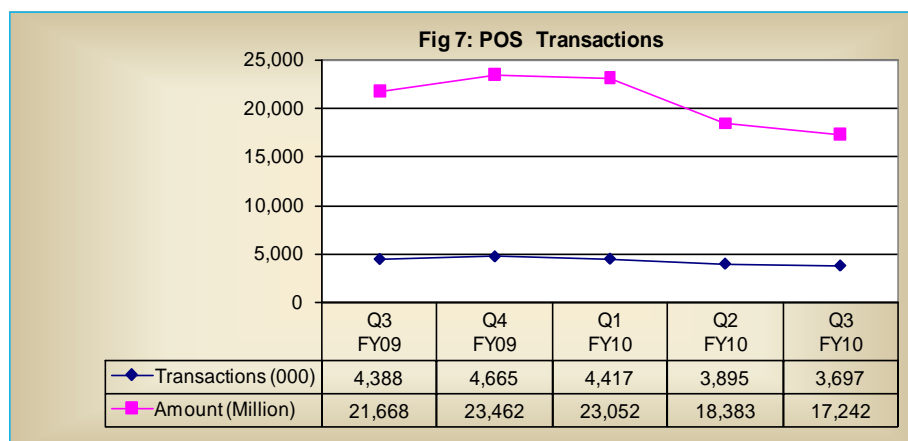
#### 4.2.3 Utility Bills Payment:

During Qtr-3, the utility bills payment transactions through ATMs reported 36,951 transactions showing an increase of 16.9 percent compared to 8.3 percent increase recorded in the previous quarter. In value terms, the banks reported Rs. 42.92 million as compared to 43.05 million recorded previous quarter showing 0.3 percent decrease compared to 20.6 percent decrease 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 51,577 placed across the country on different merchant locations as compared to 50,920 machines recorded last quarter which shows an increase of 1.3 percent. The number of POS transactions reached 3.7 million showing a decrease of 5.1 percent as compared to 11.8 percent decrease recorded in the previous quarter. The amount of such transactions reached Rs. 17.2 billion registering a decrease of 6.2 percent as compared to 20.25 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-3 FY 10 were 0.246 million involving an amount of Rs. 1.6 billion. This shows a decrease by 3.0 percent in volume and 4.6 percent decrease in value compared to 7.7 percent decrease in volume and 19.4 percent decrease in value recorded in the previous quarter.

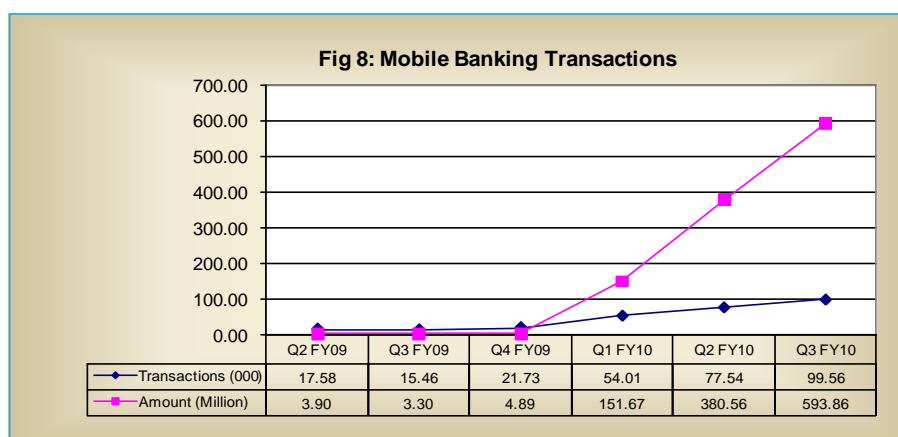
## 5.3 Payments through Internet:

Internet Payments includes payments and electronic fund transfers (EFT). During Qtr-3 FY 10, banks reported 0.886 million transactions involving an amount of Rs. 39.95 billion, this shows an increase of 31.2 percent in numbers and 4.4 percent increase in amount compared to an increase of 17.1 percent in numbers and an increase of 37.4 percent in amount recorded in the previous quarter.

## 5.4 Payments through Mobile:

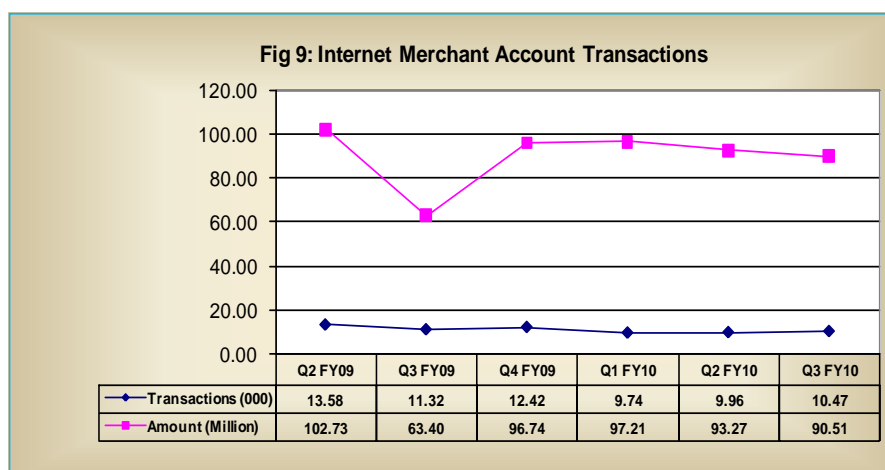
There are a few banks which offer transactions through mobile. These transactions include payment through mobile (other than utility bills payment), utility bills payment, intra customer account fund transfers and inter customer account fund transfers.

The number of transactions reported was 99,558 for the current quarter compared to 77,543 transactions reported for the previous quarter. In terms of value of transactions it was reported at Rs. 594 million compared to Rs. 381 Million recorded in the previous quarter. **(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-3 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 5.1 percent in number against 2.3 percent increase in the previous quarter. In terms of value, there was a decrease of 3.0 percent against 4.1 percent decrease 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 8 percent compared to 14 percent increase in the previous quarter whereas out flow decreased by 8 percent compared to 21 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 4 percent compared to 33 percent decrease in the previous quarter while the outflow decreased by 5 percent compared to 1 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 6 percent compared to 7 percent increase in the previous quarter where as the out flow increased by 3 percent compared to 21 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**

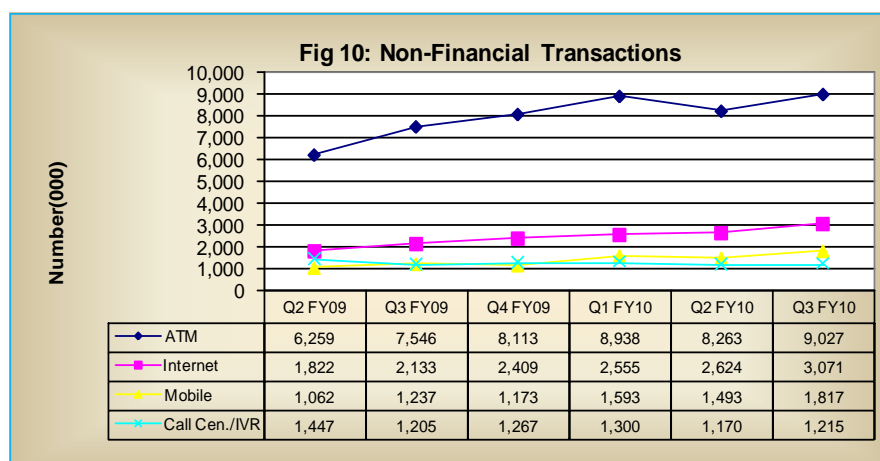
(Rs. In Millions)

Means of Transaction	Inflow of Money (Inward remittance)		Outflow of Money (Outward remittance)		Net	
	Q2 FY 10	Q3 FY 10	Q2 FY 10	Q3 FY 10	Q2 FY 10	Q3 FY 10
ATM	3,365	3,641	(594)	(546)	2,771	3,095
POS	2,896	3,011	(3,242)	(3,079)	(347)	(68)
INTERNET	75	80	(399)	(411)	(324)	(332)
<b>Total</b>	<b>6,336</b>	<b>6,731</b>	<b>(4,235)</b>	<b>(4,036)</b>	<b>2,100</b>	<b>2,696</b>

The above table indicates that the volume of cross border e-banking transactions (net inflow) increased by 28.4 percent as compared to a decrease of 36.2 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 15.13 million against 13.55 million recorded in the previous quarter as shown in **Fig. 10**.



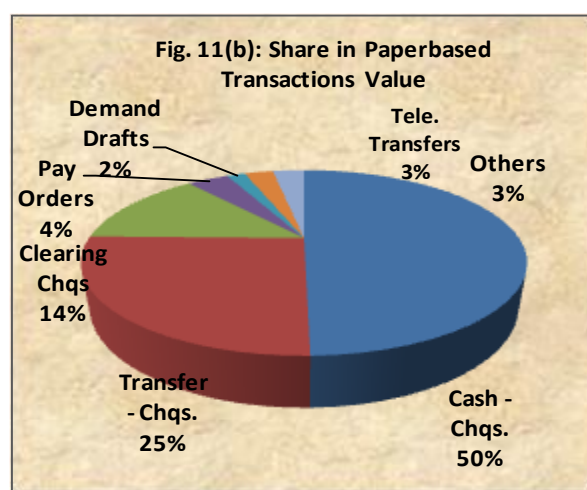
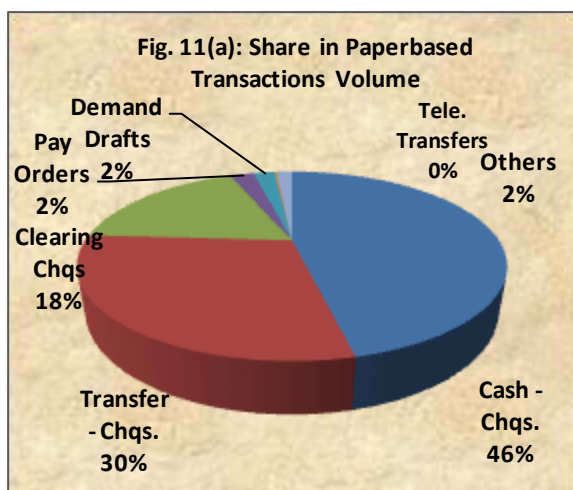
## 8. The Retail Payments through Paper Based Instruments:

Paper based instrument during Qtr-3 FY 10 witnessed a decrease of 2.4 percent in numbers compared with 2.1 percent increase in the previous quarter (**Fig. 1a**). The value of transactions increased by 3.1 percent against 2.1 percent decrease recorded during previous quarter (**Fig. 1b**).

**Table 2: Paper Based Instruments**

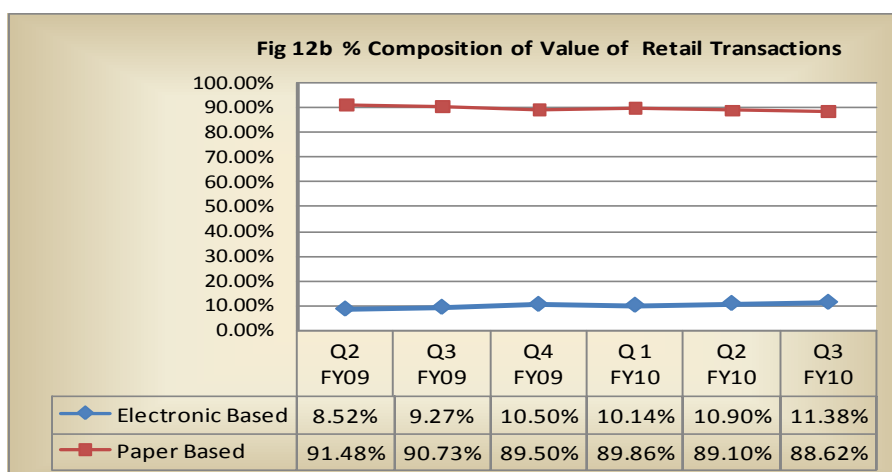
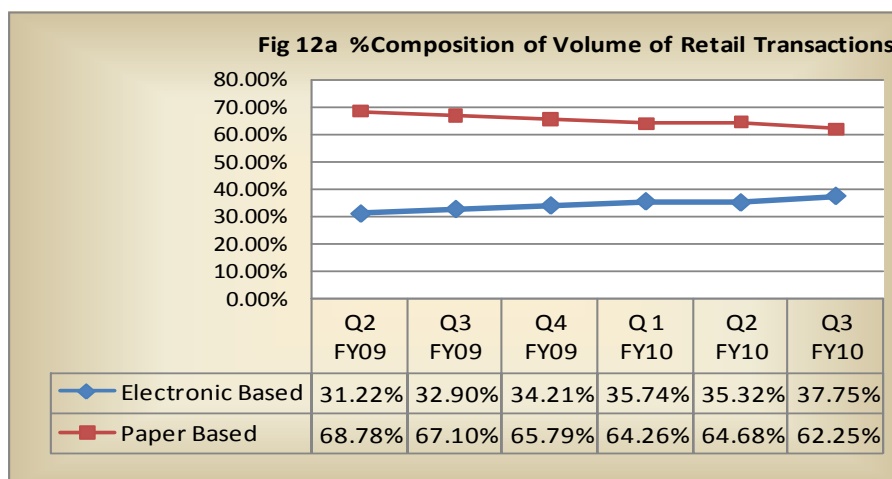
Instruments	Qtr 3 FY 10		Qtr 2 FY10	
	Number (million)	Amount Rs. (trillion)	Number (million)	Amount Rs. (trillion)
Cash – Cheques	38.4	17.3	39.0	16.3
Transfer - Cheques	24.5	8.9	25.7	9.1
Clearing - Cheques	14.8	4.7	15.0	4.7
Pay Orders	2.0	1.3	2.0	1.2
Demand Drafts	1.7	0.6	1.6	0.6
Tele. Transfers	0.2	0.9	0.2	0.9
Others	1.3	1.0	1.3	1.1
<b>TOTAL</b>	<b>82.9</b>	<b>34.9</b>	<b>84.9</b>	<b>33.8</b>

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 50 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 37.75 percent of the total number of transactions as compared to 35.3 percent recorded in the previous quarter. In terms of value, the same recorded to 11.38 percent as compared to 10.9 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.