



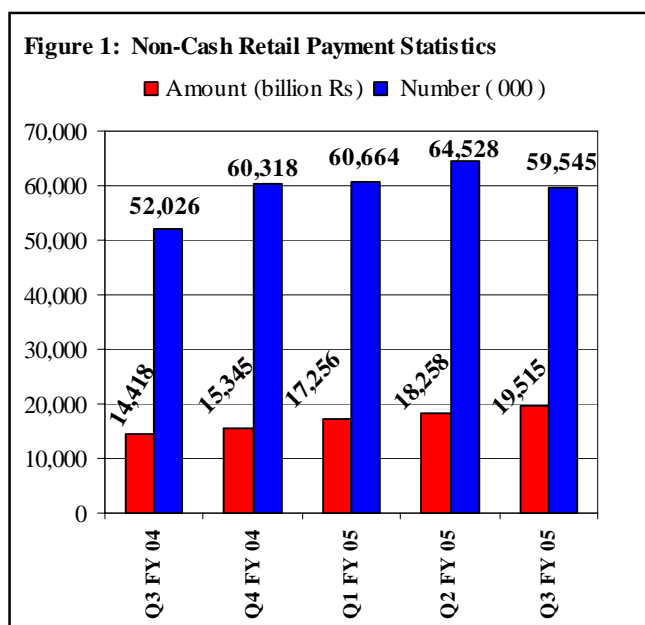
PAYMENT SYSTEMS DEPARTMENT

Payment Systems Report Quarter 3, (Jan-Mar) FY 2005*

1. Retail Payment Systems of Pakistan

The total retail payments during the current quarter, both paper based and electronic has shown growth of 15 percent in

quantum and 35 percent in terms of value over the corresponding period of last year. Although, the total number of retail payment transactions in third quarter of FY05 declined by 7 percent as compared to the second quarter of FY05 which had seen growth of about 6.4 percent over the preceding quarter, however amount



in the current quarter grew by 7 percent over the previous quarter (**Figure 1**). Similarly on average around 0.7 million non-cash payments worth of Rs217 billion were made each day during the current quarter.

* Fiscal year starts from July 1 2004 to June 30 2005.



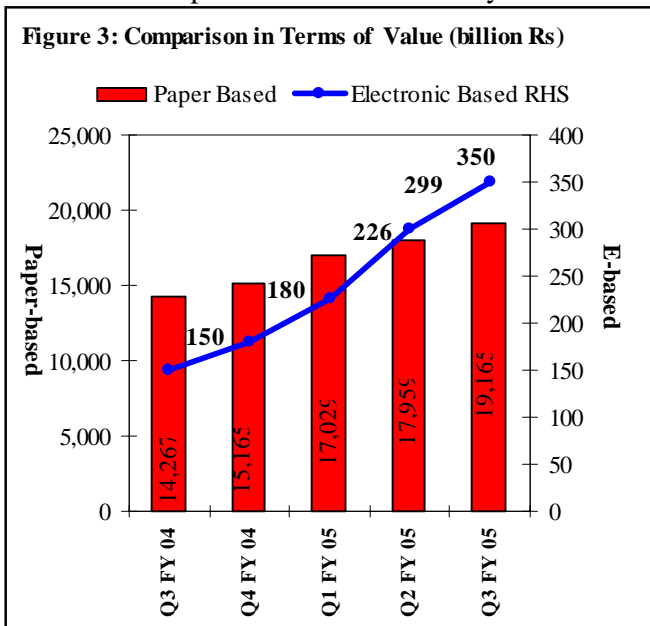
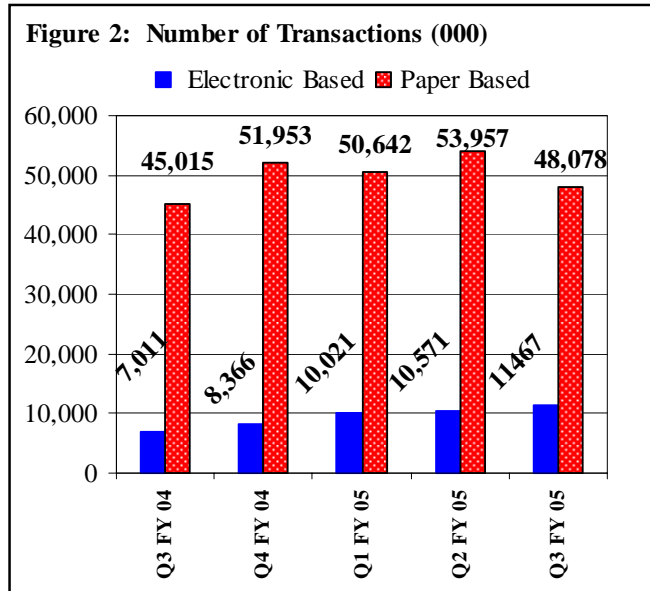
1.1 Contribution of Paper based and Electronic Payments

1.2 The share of number of transactions executed through e-banking reached to 19 percent during the current quarter as compared to 13 percent in third quarter of FY04, of total number of transactions. The contribution in terms of value during this quarter increased from 1.04 percent to 1.8 percent of the total value of the payment system during the last four quarters. Average value per transaction of e-banking is

Rupees thirty thousand as against per transaction of Rupees three hundred ninety nine thousand in paper based system. This reflects that e-banking is mostly used for small consumer to consumer payments or cash transfer from one branch to another by individual accountholders.

While comparing the growth pattern in number of transactions, in the third quarter of FY05 over the same quarter of last year, e-banking has grown by 64 percent, whereas the paper based transactions have grown

by 7 percent during the same period (**Figure 2**). In terms of value, e-transactions during the current quarter of FY05 have grown by 133 percent over the third quarter of fiscal year 2004; whereas paper based transactions have grown by 34 percent (**Figure 3**) during the same period. The rapid growth in the value of electronic transactions indicates that use of e-





banking for high value transactions is gradually picking up which will eventually increase the share of electronic banking.

2. E-BANKING IN PAKISTAN

2.1 Infrastructure

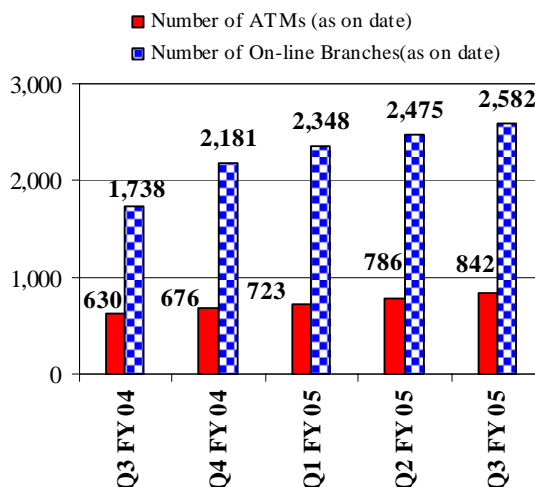
2.1.2 ATMs

Banks have installed 56 new ATMs in the third quarter bringing the total at 842 showing growth rate of 7 percent.

2.1.3 Online Branches

Banks have added 107 new branches into online network during the quarter bringing the total of online branch network to 2582 out of total branch network of 7019 reported by the banks.

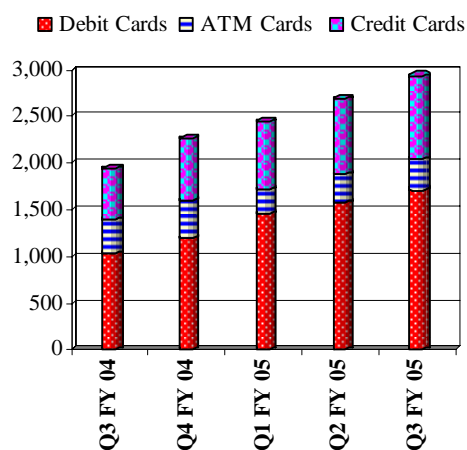
Figure 4: No. of ATMs and Online Branches



2.1.4 Number of (Credit/Debit/Smart) Cardholders

Number of credit, debit and ATM cardholders increased from 2.68 million to 2.94 million during the current quarter (Figure 5), showing growth rate of 10 percent as compared to 8 percent during the previous quarter. Total number of credit card reached to 898,083 in the present quarter showing a growth rate of 11 percent. Similarly number of debit card increased from the previous quarter figure of 1,585 thousand to 1,712 thousand in the current quarter, showing

Figure 5: Cards Number (000) as on date



a growth rate of 8 percent. The ATM cards which can only be used on auto teller machines are now being converted into debit cards. Banks are now introducing EMV chip & 'SMART' cards, which would enhance consumer's confidence in e-commerce.



2.2 Transactions Volume on ATMs

2.2.1 Cash Withdrawals

Number of cash withdrawal transactions on ATMs in the current quarter of FY05, are showing a growth rate of 60 percent over the corresponding quarter of last year, whereas the amount of cash transactions; registered a growth rate of 72 percent (**Figure: 6**). Similarly comparing current quarter with the preceding quarter, both value and volume of transactions has increased in the current quarter of FY05.

Likewise there is a phenomenal increase in, per day, number and amount of transactions during the current quarter (**Table: 1**).

2.2.2 Funds Transfer

Number of funds transfer, intra bank, account to account, via ATMs increased to 12.3 thousand in the present quarter recorded a

growth rate of 120 percent and its value increased from 73.4 million to Rs209 million, thus posting a growth rate of 184 percent during the current quarter over the same period of FY04. Value of funds transfer per transaction increased from 13.19 thousand of 31-03-04 to Rs16.93 thousand during the current quarter.

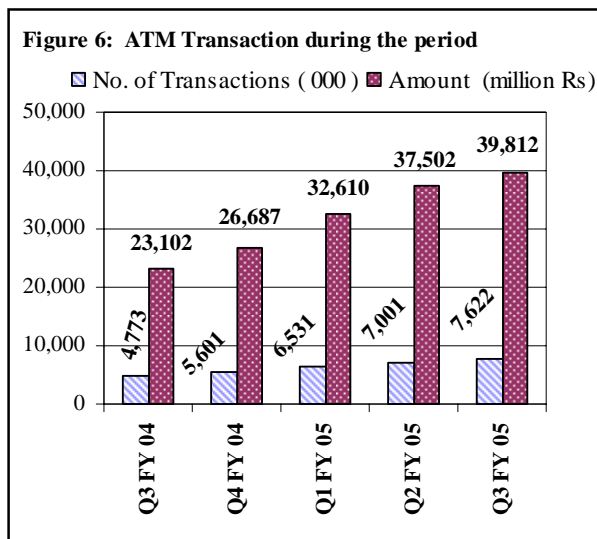


Table:1 Average Number and Amount of ATM Transactions Per Day During Q3 FY05		
Description	31-03 04	31-03 05
No .of Cash Withdrawals	53038	84690
Amount (million Rs)	257	442
No. of Funds Transfer	62	137
Amount (million Rs)	0.82	2.32

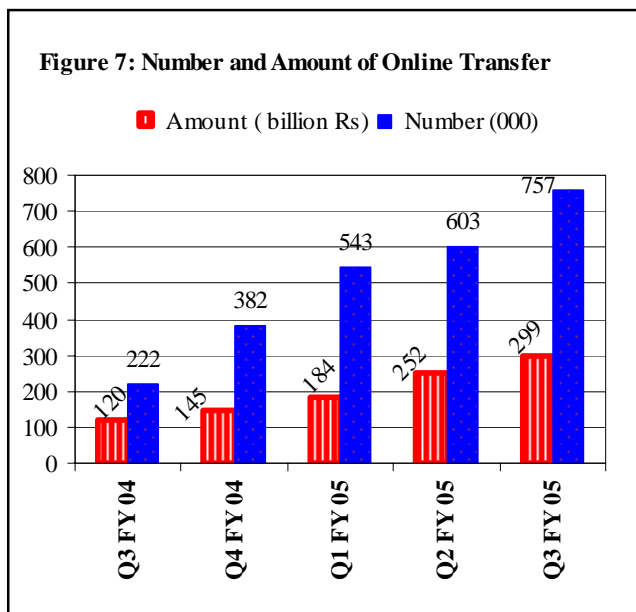


2.3 Online Banking

The growth rate both in number and value posted the figure of 241 and 149 percent respectively during the current quarter over the third quarter of FY04.

However growth on the basis of preceding quarter is 26 percent in number and 19 percent in terms of value (**Figure 7**). Online banking share in the total payment system

reached to 1.27 percent in terms of number, while, in terms of value its contribution reached to 1.53 percent till the current quarter. High growth in the online funds transfer is indicative of the usage of electronic banking facilities by the accountholders.



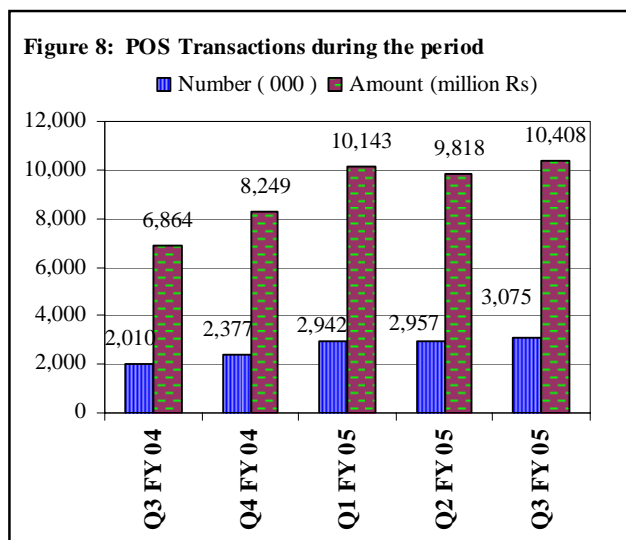


2.4 POS (Point of Sale) Transactions

With the growing popularity of debit cards, beside issue of new cards, the old ATM cards are being converted into debit functions; therefore, POS usage has shown tremendous expansion.

Number of transactions at POS expanded with rate of 53 percent, while value of transactions increased by 52 percent during the current quarter, over the corresponding quarter

of last year (**Figure: 8**). Growth on the basis of preceding quarter is 6 percent in number and 4 percent in value of transactions.



2.5 Contribution of POS, ATMs and Online

ATM is commonly used for cash withdrawal of small value. Therefore, the share of ATMs in the number of transactions out of total number of electronic transactions is highest 66.6 percent, while 11.4 percent in terms of value of total value of e-based transactions (**Table 2**). The use of

POS is gaining momentum and achieved 27 percent share in the total number of e-banking transactions.

Use of POS is more convenient than ATM, however, the number of POS and independent networks are

inhibiting factors for its exponential growth. Business entities are now benefiting from online banking which contributes 86 percent in terms of value of the total value of e-banking. This will grow with the expansion of online banking and integration of back offices with front offices to achieve straight through processing.

Table 2: Percentage Shares Within E-Banking in Terms of Number and Value of Transactions During Q3 FY05		
Description	Number	Value
ATMs	66.6	11.4
POS	26.8	3.0
Online	6.6	85.6



3. E-Banking Oversight

Payment Systems Department has now embarked on bringing the e-banking in Pakistan on International standards and initiated dialogue with commercial banks and ATM SWITCH service providers. As a first step the central bank has successfully managed an agreement between MNet and 1-Link; which provide for the following:

- Development of SLAs (services level agreements), and SOPs (Standard operating Procedures) using benchmarks of an international service provider.
- Development of back-up and disaster recovery (DR) to ensure maximum availability of the Network.
- Dispute resolution mechanism stipulating the standard timeframe.
- Institutionalization of Clearing and Settlement process enabling it for its automation and interfacing with RTGS in future.
- Reporting of system Fraud/Lost data.
- Standardization of system /Interface programs to ensure smooth operation.

These measures would facilitate banks to enhance services level of e-banking.

As a part of strategy, consultative process has been initiated with banks and agreement to implement following standardized process is being facilitated:-

- 1- Daily ATM cash balancing- this will greatly reduce customers claims of cash remained un-disbursed by ATM.
- 2- Standard Timelines for resolution of customer's complains to be implemented by the banks.

As a part of development of e-banking oversight:-

- Guideline for Cardholders Using Credit/Debit/Smart Cards to create awareness among the cardholders to prevent card frauds.
- Master Circular for comprehensive document which would incorporate following besides consolidating all the circulars and circular letters:
 - a. Introduction of new variables to capture data pertaining to internet banking, operational performance, mobile ATMs, offsite ATMs, SMART cards, number of POS, bank-wise position of intra-switch and inter-switch transactions.
 - b. A new chapter of "Definitions & Clarifications" has been added to provide hand on explanations of terminologies used.



- c. ATM cards, which could be used only on ATMs, are still in use and therefore a clear distinction between ATM cards and Debit cards has been made.
- d. Templates on Excel Sheets have been added to facilitate data input by the banks. These templates have been given version so that revisions are easily incorporated in future.
- e. All the circulars and circular letters, having different submission dates have been merged in the “Master Circular” with one submission date.

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