



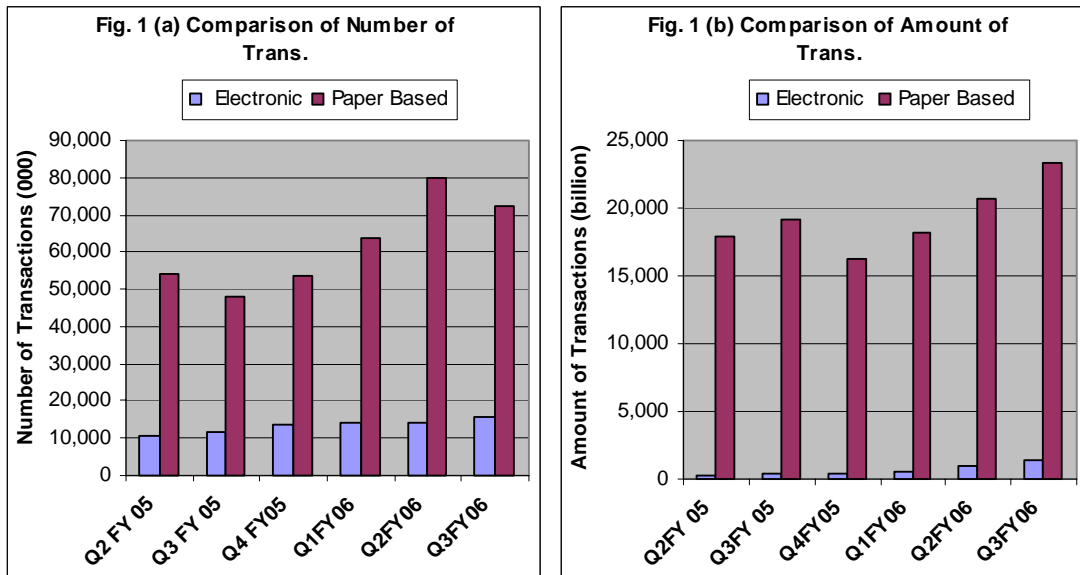
State Bank of Pakistan

PAYMENT SYSTEMS DEPARTMENT

3rd Quarter Report of (January – March) FY2005-06.

1. RETAIL PAYMENT SYSTEMS OF PAKISTAN

During the current quarter, retail payment transactions (paper based and electronic), registered a decline of 7% in numbers, while value of transactions increased by 14% over the previous quarter. The decline in number of retail payment transactions was due to decline in number of paper based transactions. **Figure -1(a) and 1(b).**



1.1 Paper Based

On the basis of previous quarter, this quarter showed a decline in numbers by 10%, while the value of transactions increased by 13%. The main reason of decline was the issuance of cheques for earthquake victims by NBP in Q2. In the previous quarter, the growth rate was 26% in numbers and 14% in amount of transactions.

1.2 Electronic Banking

Electronic transactions have posted growth of 11% in number of transactions and the amount showed a growth of 41% during the current quarter. The main contributor to growth in the

value is ‘Real Time On-line Banking’ (RTOB) by online bank branches which posted 42% increase.

1.3 Transition to E-Banking

During the last six quarters the transition from paper based banking to e-banking has been gradual in terms of number of transactions. However, the value has achieved remarkable growth which has been driven by online branch network.

Number of Transactions (000)

Variables	Q2 FY 05	Q3 FY 05	Q4 FY05	Q1FY06	Q2FY06	Q3FY06
Electronic	10,571	11,467	13,474	13,928	14,004	15,474
Paper Based	54,257	48,078	53,446	63,727	80,030	72,255
% Composition						
Electronic	16%	19%	20%	18%	15%	18%
Paper Based	84%	81%	80%	82%	85%	82%

Amount of Transactions (billion)

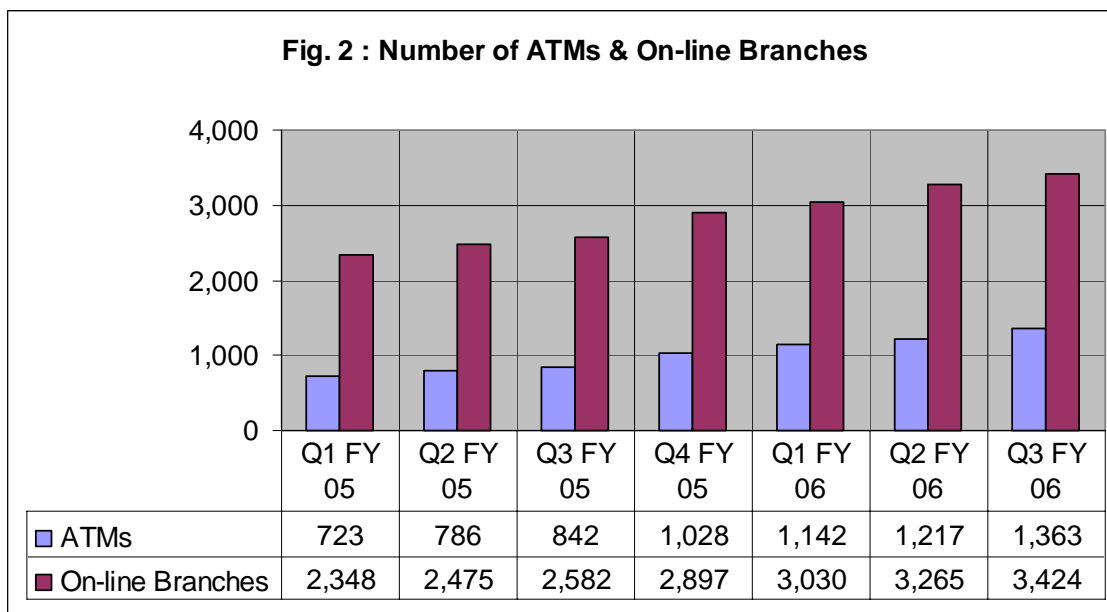
Variables	Q2FY 05	Q3FY 05	Q4FY05	Q1FY06	Q2FY06	Q3FY06
Electronic	299	350	404	577	959	1,347
Paper Based	17,959	19,165	16,210	18,187	20,710	23,363
% Composition						
Electronic	2%	2%	2%	3%	4%	5%
Paper Based	98%	98%	98%	97%	96%	95%

2. ELECTRONIC BANKING IN PAKISTAN

2.1 Online Branch Network & Automated Teller Machines (ATMs):

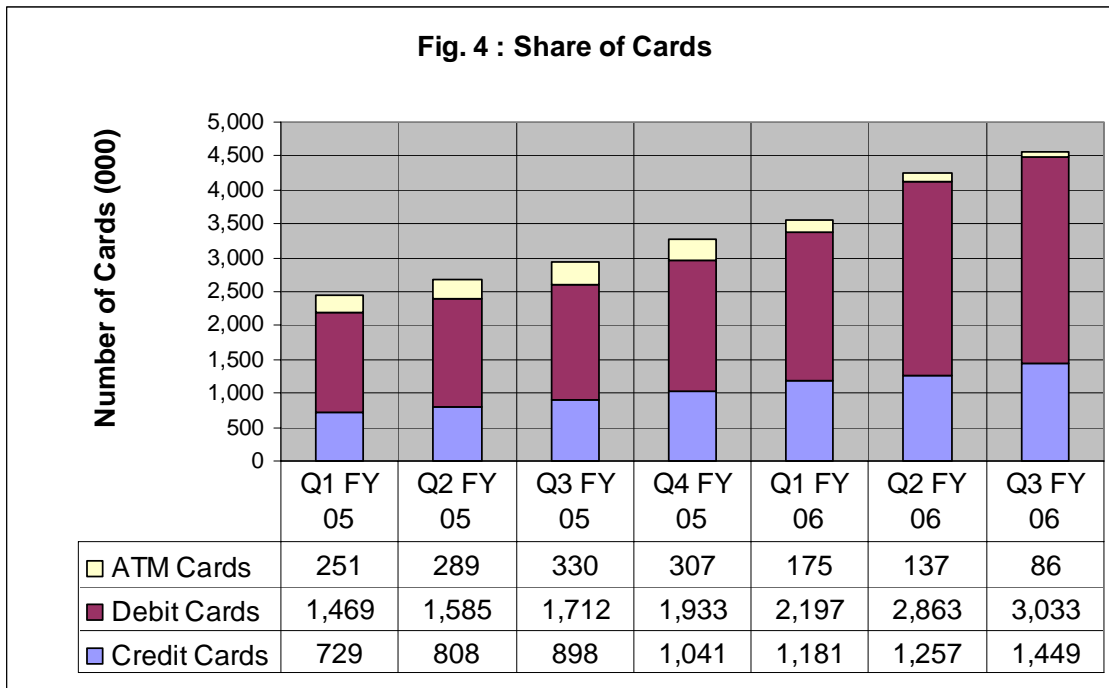
Online branch network is expanding to meet the funds movement needs of the customers. This quarter witnessed the addition of 159 new branches into online network. The coverage of online branches as a percentage of total branches has also increased from 45% in the previous quarter to 47% in the current quarter. As such the total number of online branch network reached at 3,424 out of total branch network of 7,244 reported by the banks.

Similarly during the Q3 of FY 2005-06 banks have added 146 new ATMs in their network, bringing the total at 1,363 registering a growth of 12% as compared to 7% in the last quarter. The growth trend in number of ATMs and On-line Branches can be seen in **Figure 2**.



2.2 Number of (Credit/Debit/ATM) Cardholders:

At the end of Q3 of the current financial year, number of credit, debit and ATM cardholders increased from 4.257 million to 4.568 million showing growth rate of 7% as compared to 20% during the previous quarter, as shown in **Figure 4**.



2.2.1 Credit cards:

Total number of credit cards reached to 1.449 million from 1.257 million registering a growth of 15% as compared to 6% in the preceding quarter.

2.2.2 Debit Cards:

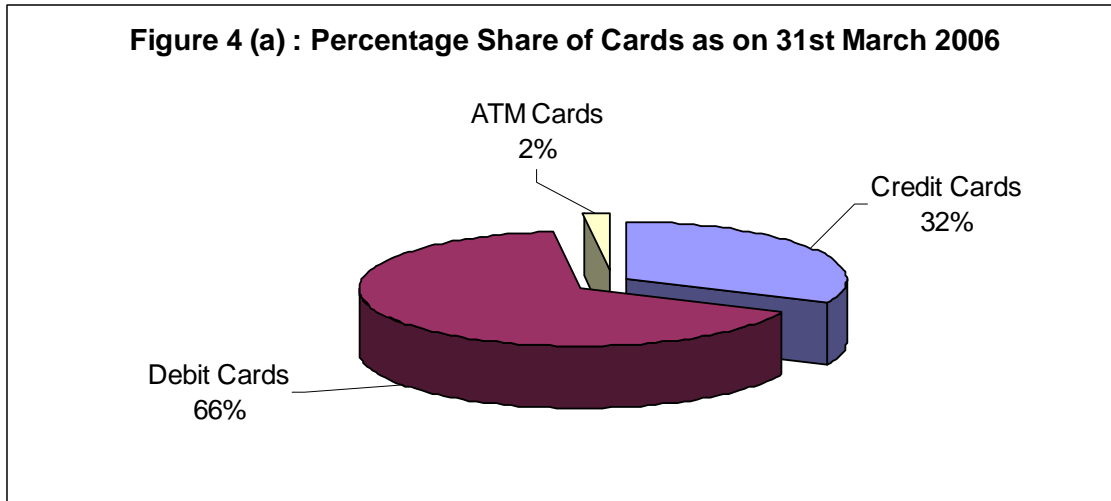
Total number of debit cards increased from the previous quarter figure of 2.863 million to 3.033 million in the current quarter, showing a growth rate of 6% as compared to 30% in the preceding quarter.

2.2.3 ATM Cards:

Total no of ATM cards is 0.086 million in the current quarter as compared to 0.137 million of the previous quarter showing a decline of 38% and it is because of convergence of ATM cards into Debit cards.

2.2.4 Smart Cards:

Smart Cards which offer high level of security, have reached to 0.144 million out of the total 4.568 million cards at the end of Q3, showing a growth of 18% over the previous quarter.



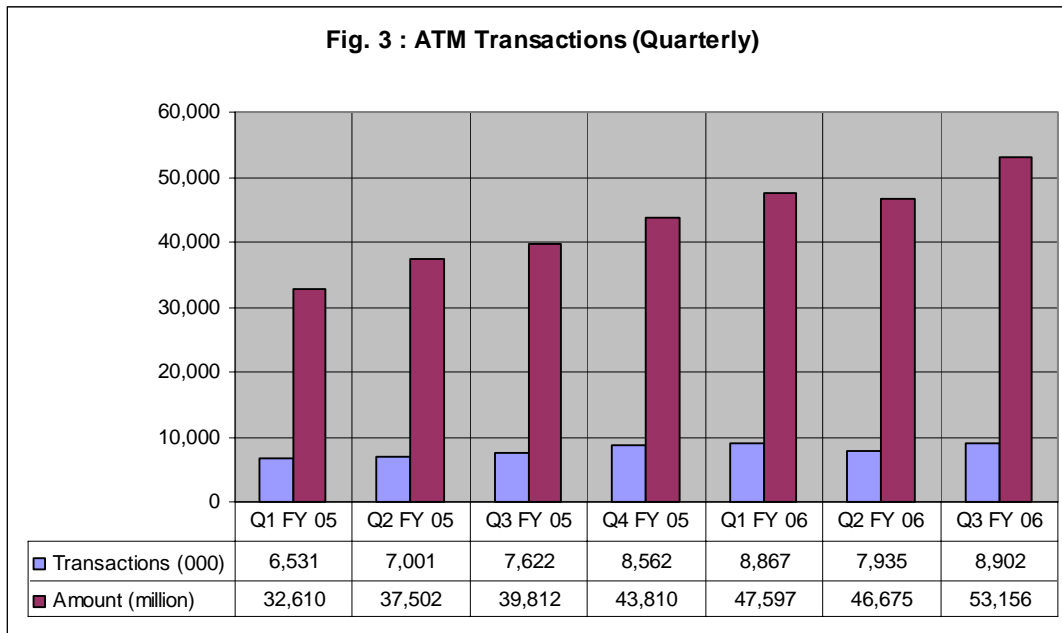
3. VOLUME ON E-BANKING CHANNELS

3.1 Real Time Online Banking Transactions:

During Q3 number of transactions increased from 3.475 million to 3.782 million, showing a growth of 9% and the growth in value (amount) was 42% over the previous quarter, as against 2nd quarter's growth of 22% and 73% respectively.

3.2 Transactions through ATMs:

ATMs transactions during the Q3 recorded at 8.902 million valuing at Rs.53.156 billion as compared to the figure of 7.935 million valuing at Rs.46.675 billion during the previous quarter. The number of transactions on ATMs showed an increase of 12% and the amount increased by 14% as against decline of 11% and 2% respectively in the previous quarter. ATMs were used 99% for cash withdrawal and only 1% for other purposes i.e. Cash Deposited, Payment of Utility bills and Account to Account fund transfers. The trend in ATM usage is shown in **Figure 3**.



3.2.1 Fund Transfers:

During Q3, 16 thousand transactions valuing Rs.455 million of intra bank account-to-account funds transfer were executed using ATMs, against 17 thousand transactions valuing 372 million in the previous quarter. Thus the number of transactions declined by 8%, but the amount increased by 22%. Last quarter showed a decline of 2% in terms of transactions while the value (amount) increased by 34%. 1Link has already launched inter-bank funds transfer facility among its member banks from 1st April 2006. Payment Systems Department is in constant touch with both the switch operators in order to pursue them to introduce as early as possible the inter-bank funds transfer facility across the board among all banks.

3.2.2 Cash Deposits:

Only two banks are providing the facility of cash deposit through 83 ATMs, the mechanism for cash deposit is envelope based and cash is not directly fed into the machine. During Q3 only 2,270 transactions were reported in this category as compared to 3,163 transactions during the previous quarter showing a decline of 28% from the previous quarter.

3.2.3 Utility Bills Payment:

Utility Bills payment through ATM was also provided by only four banks and reported 7,470 transactions involving an amount of Rs.8.42 million during the Q3 as compared to 6,870 transactions involving an amount Rs.8 million during the Q2 of the same financial year, registering growth of 9% in numbers and 6% in amount. Payment Systems Department is also pursuing both the switch operators to introduce Utility Bills payment through ATMs by all the card holders.

3.2.4 Average Size:

A total number of 98,912 transactions per day were executed on ATMs during the current quarter as compared to 92,646 transactions per day in previous quarter. As such per day per ATM transactions stand at 73 where as amount per day per ATM remained at 0.433 million.

3.3 POS (Point of Sale) Transactions

As the number of Debit Cards is increasing, the use of POS transaction is also increasing. The number of transactions was 2.581 million valuing at Rs.7.539 billion as compared to 2.367 million valuing Rs. 6.637 billion registering growth of 9% in number of transactions and 14% in terms of value.

3.4 Call Centre Banking:

Banking through Call Centre is also one of the Electronic Banking Channel and number of transactions reported during the Q3 was 0.102 million involving the amount of 1.175 billion as compared to 0.132 million transactions involving an amount of 1.750 billion in Q2.

3.5 Internet Banking:

Internet Banking was getting momentum and during Q3 number of transactions was 0.106 million and the amount involved was 4.051 billion as compared to 0.094 million number of transactions involving an amount of 4.321 billion in Q2 of the same financial year, showing growth of 12% in numbers, but declined by 6% in amount over the last quarter. The transfer pertains to intra bank account to account transfer only.

3.6 Cross Border Transactions through E-Banking.

At present only eight banks in Pakistan are dealing in card based transactions in which foreign exchange is involved. A summary of the data provided by the bank for the Q3 is as follows:

Cross Border Transactions - Inflow Vs. Outflow (million)

Means of Transaction	Inflow of Money (Inward remittance)		Outflow of Money (Outward remittance)		Net	
	Q2Fy05-06	Q3Fy05-06	Q2Fy05-06	Q3Fy05-06	Q2Fy05-06	Q3Fy05-06
ATM	1,056	1,703	(209)	(386)	847	1,317
POS	1,382	2,560	(1,276)	(1,265)	106	1,295
INTERNET	9	15	(128)	(86)	(119)	(71)
Total	2,447	4,278	(1,613)	(1,737)	834	2,542

The volume of Cross border e-banking transactions increased during this quarter as compared to previous quarter. The net inflow growth rate is 205% over the last quarter.

3.7 Non financial e-banking transactions.

All the channels of e-banking are also used for non financial transactions like the balance query, account statements, etc. the total number of non financial transactions reported during the quarter was 4.169 million as compared to 3.518 million in the previous quarter.

3.8 Contribution of ATMs, POS and Real Time Online Banking in E-Banking Operations.

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 57%. Similarly, the share of Online Banking, POS, Call Centre and Internet Banking in the total E-Banking business was 24%, 17%, 1% and 1% respectively. However, in terms of amount, the contribution of online banking is 95%, since this channel is used for B2B transactions (**Figure. 2(a) & 2(b)**).

