



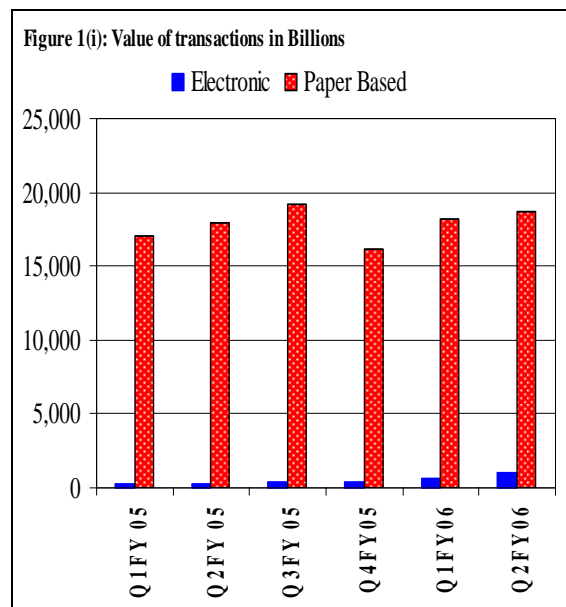
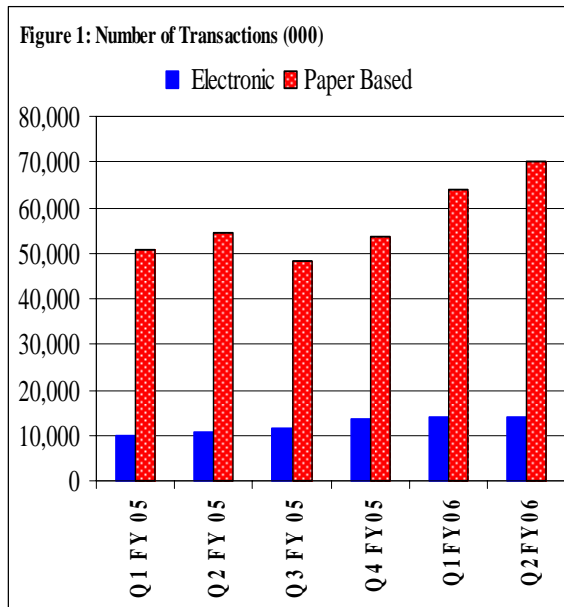
PAYMENT SYSTEMS DEPARTMENT

2nd Quarter Report of

(October – December) FY2005-06.

1. RETAIL PAYMENT SYSTEMS OF PAKISTAN

During the second quarter retail payment transactions (paper based and electronic), registered a growth of 5.05% in numbers, while value of transactions increased by 4.91 % over 1st quarter. **Figure -1 and 1(i).**



1.1 Paper Based

Quarterly growth on the basis of previous quarter showed growth in numbers at the rate of 5.45% and growth in value of transactions by 2.98%, while the growth rate was 23.46 % and 12.20 % in case of number of transactions and amount respectively in the previous quarter.



1.2 Electronic Banking

Electronic Transactions has posted growth of 3.05% in numbers of transactions and the amount showed a growth of 66.20 % during the current quarter. The main contributor to growth in the value is Real time on line funds transfer by online bank branches which posted 73% 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 B2B through online branch network.

Variables	Q1 FY 05	Q2 FY 05	Q3 FY 05	Q4 FY05	Q1FY06	Q2FY06
Electronic	10,021	10,571	11,467	13,474	13,928	13,955
Paper Based	50,642	54,257	48,078	53,446	63,727	70,077
%age Composition						
Electronic	17%	16%	19%	20%	18%	17%
Paper Based	83%	84%	81%	80%	82%	83%

Variables	Q1FY 05	Q2FY 05	Q3FY 05	Q4FY05	Q1FY06	Q2FY06
Electronic Based	226	299	350	404	577	959
Paper Based	17,029	17,959	19,165	16,210	18,187	18,729
%age Composition						
Electronic	1%	2%	2%	2%	3%	5%
Paper Based	99%	98%	98%	98%	97%	95%



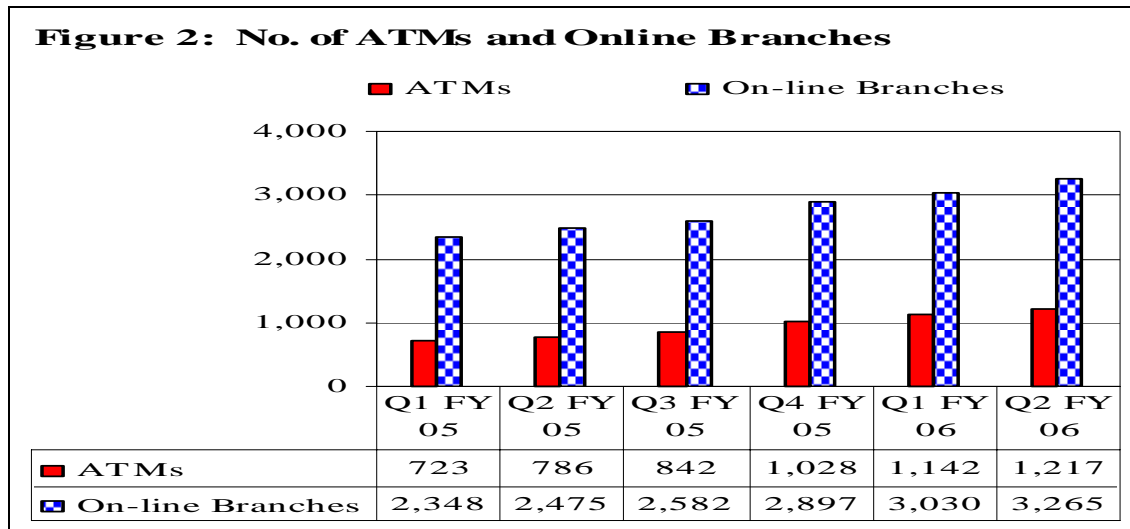
2. ELECTRONIC -BANKING IN PAKISTAN

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 235 new branches into online network. The coverage of online branches as a percentage of total branches has also increased from 41% of the previous quarter to 45% in the current quarter. As such the total number of online branch network reached at 3,265 out of total branch network of 7,245 reported by the banks.(Bank-wise detail attached at annexure I).

Similarly during the Q2 of FY 2005-06 banks have added 75 new ATMs in their network, bringing the total at 1,217 registering a growth of 6.6 % as compared to 11% in the last quarter. As such 189 new machines were added in the first half of the current financial year as compared to 110 new machines added during the same period last year, as shown in

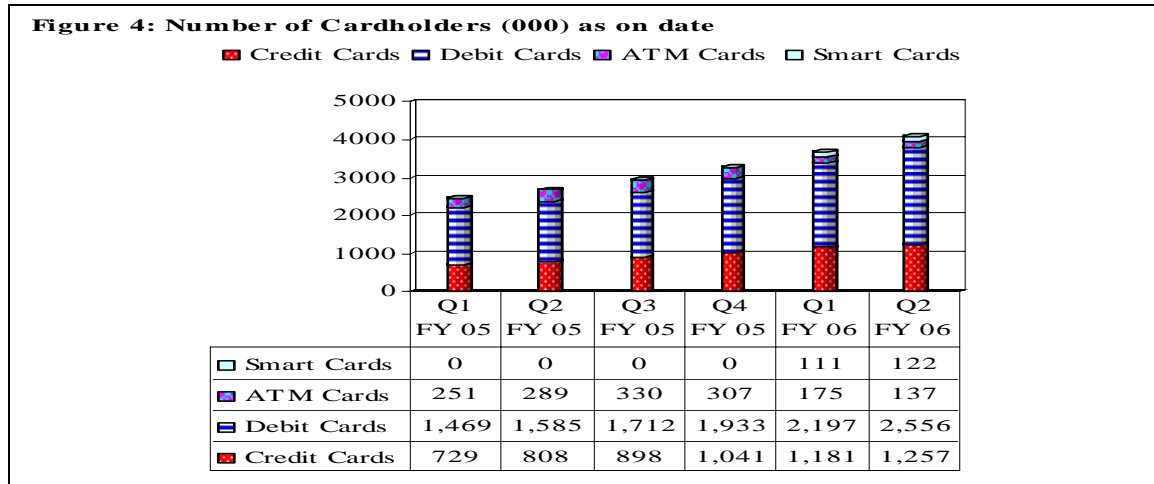
Figure -2.





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

At the end of Q2 of the current financial year number of credit, debit, smart and ATM cardholders increased from 3.664 million to 4.072 million showing growth rate of 11 % as compared to 8% during the previous quarter, as shown in **Figure -4**.



2.2.1 Credit cards:

Total number of credit cards reached to 1.257 millions from 1.181 million registered a growth of 6% as compared to 13% in the preceding quarter.

2.2.2 Debit Cards:

Total number of debit cards increased from the previous quarter figure of 2.197 million to 2.556 million in the current quarter, showing a growth rate of 16% as compared to 14% growth rate in the preceding quarter.

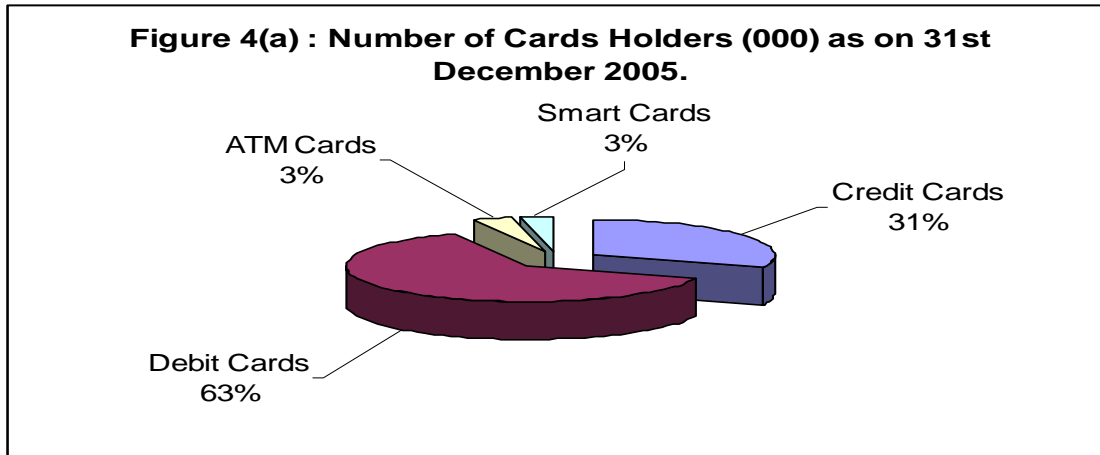
2.2.3 ATM Cards:

Total no of ATM cards is 0.137 million in the current quarter as compare to 0.175 million of the previous quarter showing the decline of 21% and it is because of convergence of ATM Card into debit or SMART cards.



2.2.4 Smart Cards (New Variable):

SMART Cards which offer high level of security, has reached to 0.122 million at the end of Q2 as compared to 0.111 million at the end of the last quarter, showing the growth of 10% over the last quarter.



3. VOLUME ON E-BANKING CHANNELS

3.1 Real Time Online Banking Transactions:

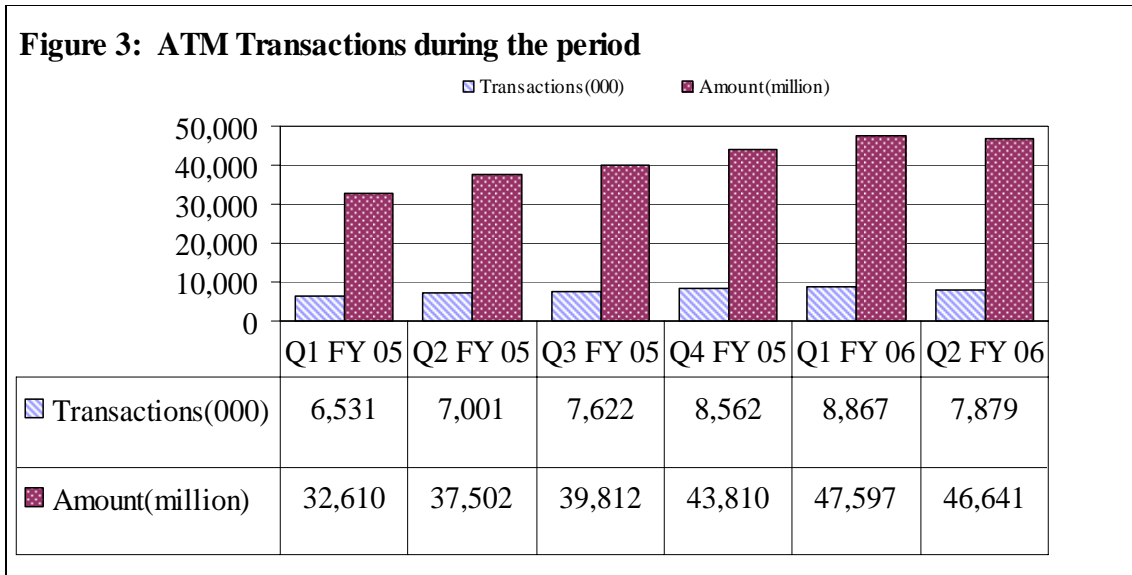
During Q2 number of transactions increased from 2.848 million to 3.475 million, showing growth transactions 22% and the amount by 73% over the last quarter, as against 1st quarter's growth of 24% and 11% respectively.

3.2 Transactions through ATMs:

ATMs transactions during the Q2 recorded at 7.878 million valuing at Rs.46.641 billion as compared to the figure of 8.866 million valuing at Rs.47.397 billion during last quarter. The number of transactions on ATMs showed decline of 11.14% and the amount decreased by 1.60% as against growth of 23% and 38% respectively in the previous quarter. The decline in ATMs operations was because of the decline in the number of ATM transactions operation of



a bank having network of 234 ATMs and investigations are under process to find out the technical or business reasons for it. 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. As shown in **Figure 3**.



3.2.1 Funds Transfers:

During Q2, 55 thousand transactions valuing Rs.372.17 million of intra bank account-to-account funds transfer were executed using ATMs against 31 thousand transactions valuing 278.72 million in last quarter as such registered a growth of about 77% and amount by 34%. Last quarter growth remained at 149% in terms of transactions and 35% in value. The funds transfer would get momentum once the facility of inter-bank is available with the Mnet and 1Link.



3.2.2 Cash Deposits (New Variable):

Only two banks are providing the facility of cash deposit through 66 ATMs, the mechanism for cash deposit is envelope based and cash is not directly fed into the machine. During Q2 only 3,163 transactions were reported in this category as compared to 2,330 transactions during the Q1 of the current financial year showed the growth of 35% from the previous quarter.

3.2.3 Utility Bills Payment (New Variable):

Utility Bills payment through ATM was also provided by only two banks and reported 6,870 numbers of transactions involving an amount of Rs.15.40 million during the Q2 as compared to 6,430 transactions involving an amount Rs.9.410 million during the Q1 of the same financial year as such registered growth of 7% in numbers and 63.66% in amount.

3.2.4 Average Size:

A total number of 92,646 transactions per day were executed on ATM during current quarter as compared 95,100 transactions per day in previous quarter. As such the day per ATM transaction stands at 72 where as amount per day per ATM remained at about same figure i.e. 0.426 million.

3.3 POS (Point of Sale) Transactions

As the number of Debit Cards increasing the use of POS transaction will increase because both the Debit and Credit card can operate on POS. The number of transactions was 2.367 million valuing at Rs.6.637 billion as compared to 2.133 million valuing Rs. 5.136 billion registering growth of 11% in number of transactions and 29% in terms of value.



3.4 Call Centre Banking (New Variable):

Banking through Call Centre is also one of the Electronic Banking Channel and number of transactions reported during the Q2 was 0.132 million involving the amount of 1.750 billion as compared to 0.156 million transactions involving an amount of 1.744 billion in Q1.

3.5 Internet Banking (New Variable):

Internet Banking was getting momentum and during Q2 number of transactions was 0.094 million and the amount involved was 4.321 billion as compared to 0.059 million number of transactions involving an amount of 3.635 billion in Q1 of the same financial year showed the growth of 59.32% in numbers and 18.87% 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 dealing in card based transactions in which foreign exchange is involved and according to the data provided by the bank for the Q2 are as follow:

(Rs. in Million)

Means of Transaction	Inflow of Money (Inward remittance)		Outflow of Money (Outward remittance)		Net	
	Q1Fy2005-06	Q2Fy2005-06	Q1Fy2005-06	Q2Fy2005-06	Q1Fy2005-06	Q2Fy2005-06
ATM	1,489	911	(1,149)	(209)	340	702
POS	1,474	1,382	(1,451)	(1,276)	23	106
INTERNET	0.00	9	(83)	(128)	(83)	(119)
Total	2,963	2,302	(2,683)	(1,613)	280	689

The volume of Cross border e-banking transactions decreased during this quarter as compared to previous quarter. However, the net inflow of remittances growth rate is 146% 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 124.991 million as compared to 69.557 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 56%. Similarly, the share of Online Banking, POS, Call Centre and Internet Banking in the total E-Banking business was 25%, 17%, 1% and 1% respectively. However, in terms of amount, the contribution of online banking is 94%, since this channel is used for B2B transactions (Figure. 2(a) & 2(b)).

