

Quarterly

Issue 11

Branchless Banking Newsletter

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**LEVERAGING TECHNOLOGIES AND PARTNERSHIPS TO PROMOTE
FINANCIAL INCLUSION**



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Branchless Banking Analysis

Branchless Banking Analysis

The current results show acceleration in quarterly growth of branchless banking. During the first quarter of CY 2014, 68.5 million branchless banking (BB) transactions worth Rs. 278.3 billion were carried out across the country showing 27% growth in volume, and 19% growth in value of transactions. In comparison, growth in volume and value of transactions were only 4% and 5% respectively in the last quarter. On average, number of daily transactions crossed 760,000. If this rate continues the market will easily cross 1 million daily transactions during this year. The significant increase in transactions was characterized by bills payments, domestic remittances, and Government to Person (G2P) payments.

The Over the Counter (OTC) transactions maintained 80% share in overall transactional volume similar to previous quarter. Similarly, the share of m-wallet transactions was 14%. Even though the share of m-wallet transactions in overall BB transactions did not increase, new transactional patterns in m-wallets started evolving. Experiencing 27% growth in volume and 51% increase in value, m-wallet transactions were largely fuelled by G2P transactions and cash withdrawals. Salary payment and merchant payments were two other areas which have started to show uptake in m-wallets transactions. Salary payments of Rs.240 million and merchant payments of over Rs158 million were carried out. Though only two providers are currently offering merchant payments, it is anticipated that more providers will move into this area of high potential. Further, issuance of debit cards is also on the rise, indicating increased adoption of m-wallets in future.

BB accounts have reached 3.83 million, showing an increase of 10% over the last quarter. Furthermore, deposits in BB accounts surged to Rs 4.9 billion mainly owing to the deposits in to G2P accounts during the quarter. Clubbed with regular BISP payments, the federal government disbursed the first and second tranche of relief payments for famine-stricken residents of district Thar this quarter. Whenever large G2P disbursements are released in BB accounts, account activity is visibly revived. By the end of quarter, 1.96 million accounts are inactive despite the fact that only less than 1% of 2.1 million G2P accounts showed dormancy.

The agent network grew by 19% reaching 148,324 in number. The agent network is significantly powered by the players' preference to acquire shared agents. During the quarter, the agents' activity improved as share of inactive agents dropped by 3%. Due to the growth in agents, their transactions for maintaining liquidity are also climbing up with the passage of time as well and the agents are becoming more proficient in liquidity management. During the quarter, transactions worth Rs 112.1 billion were carried out for liquidity management, capturing 40% of market value of BB transactions. Compared to the previous quarter, agent liquidity transactions grew by 35% in volume and 9% in value.

The competition is growing with each passing quarter which is signaling towards several developments on the horizon. Two new BB models, MCB Lite and Mobile Paisa, by two leading commercial banks i.e. MCB Bank, and Bank Alfalah respectively, have also entered in the branchless banking market. The impact of the new entrants to the overall growth momentum of the industry depends on how these players gear their strategies towards new products, innovative channels, and dynamic business alliances.

Number and Value of Transactions

During the quarter current quarter, the volume of BB transactions reached 68.5 million (27% increase) whereas value of transactions climbed to Rs. 278.3 billion (19% increase) (**Figure 1**). Waseela, Timepey and, U-paisa showed the highest growth in volume of transactions during the quarter. Yet, in terms of market shares by volume, Tameer remained the leader capturing 55% share, followed by Omni which seized 24% share. Whereas the share of other players collectively accounted for 21% of total volume of transactions during the quarter. At present, with over 760,000 average daily BB transactions being carried out, the impact of new BB providers in the market is strongly visible (Figure 2).

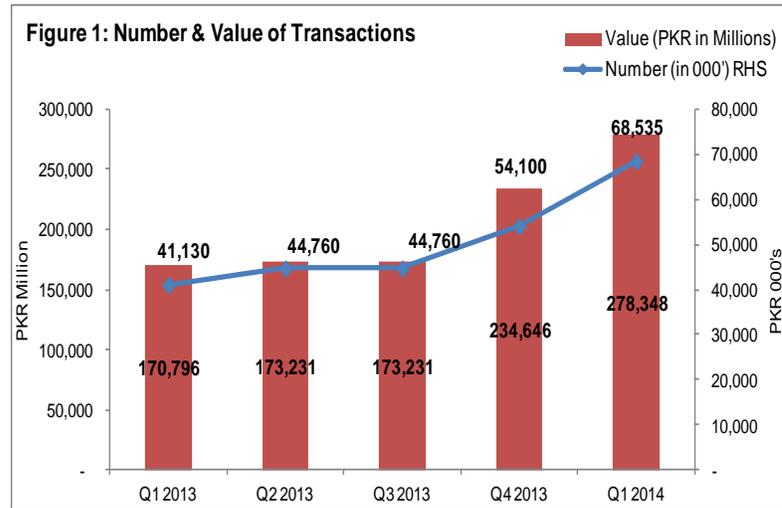
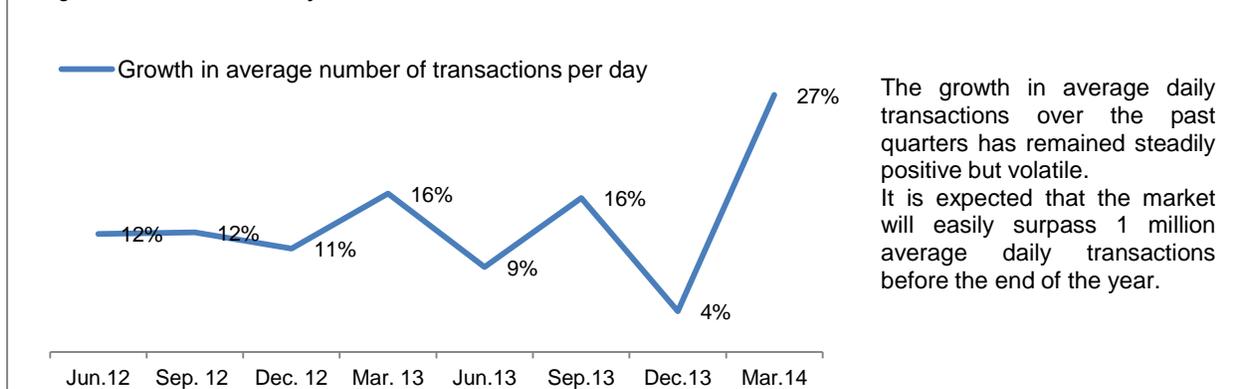
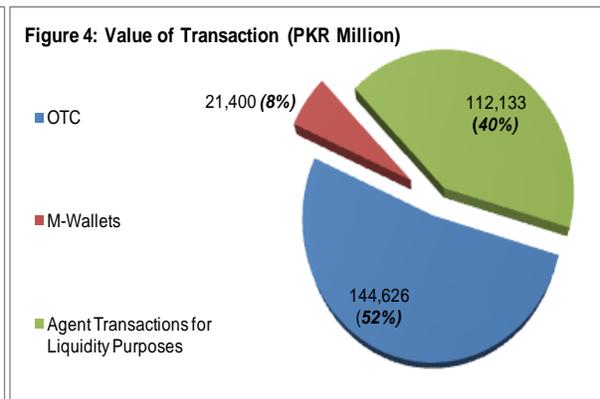
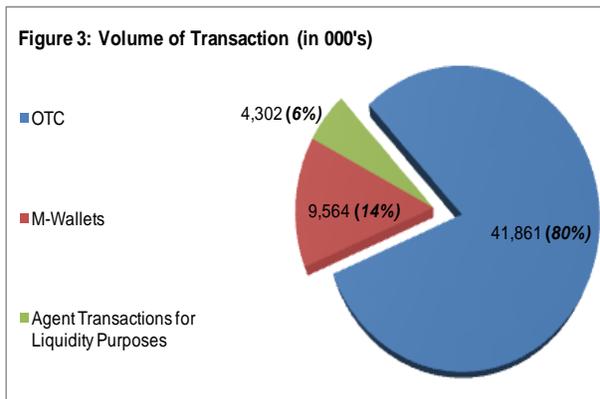


Figure 2 : Growth rate in Daily BB transactions



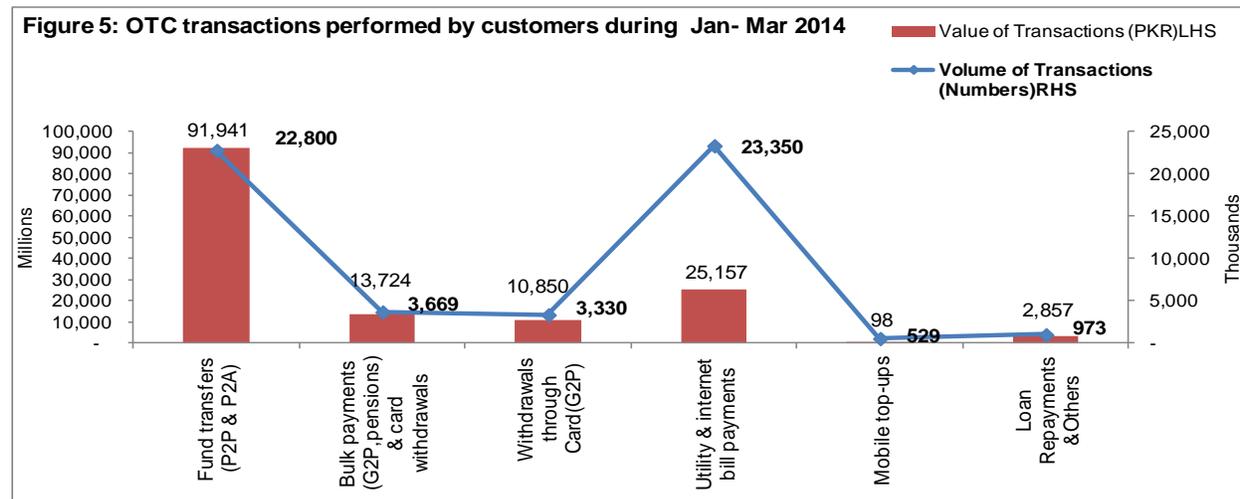
OTC transactions remained customer's preferred mode with an unchanged share of 80% in terms of volume. In terms of value, OTC transactions seized 52% share, 2% higher than 50% achieved during last quarter. Whereas the share of m-wallets has remained at 14% in terms of volume of transactions and marginally increased by 1% in terms of value to seize 8% share this quarter. Furthermore, the share of agent transactions carried out for liquidity purposes remained the same at 6% in terms of volume, and fell to 40% in terms of value (from 44% in previous quarter). These transactions are further analyzed below in the next section.



OTC Transactions

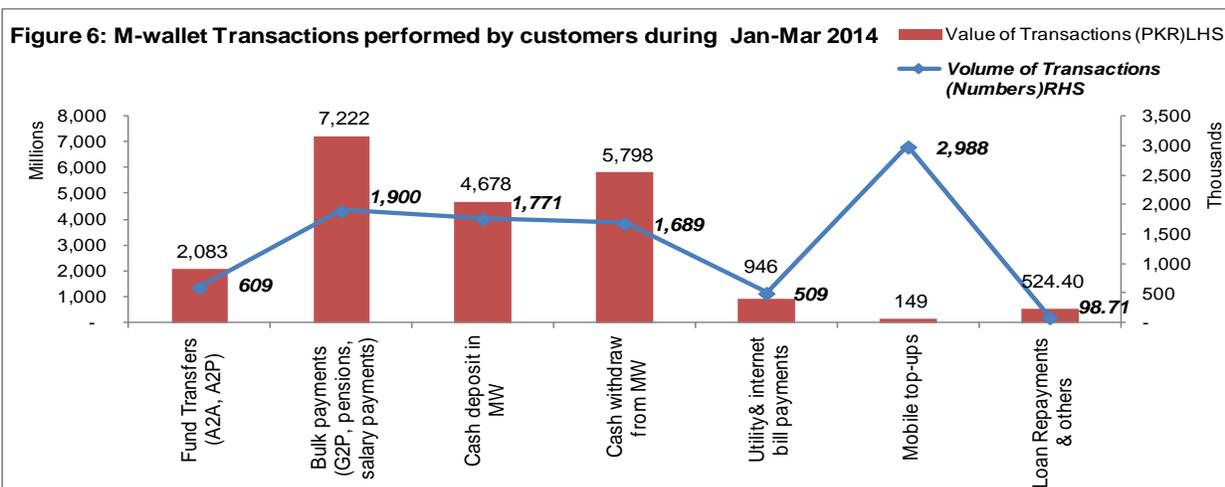
BB Customers carried out more than 54.0 million OTC transactions valuing Rs. 145.0 billion, showing 26% growth in volume and 23% growth in value compared to the previous quarter (**Table 3**). Most of the OTC transactions comprised of bill payments and top-ups (44% share) and fund transfers (42% share) whereas bulk payments and cash withdrawal through G2P cards contributed 7% and 6% each respectively. The highest growth was seen in OTC withdrawals for G2P payments (284%) since G2P disbursements of Rs 15.3 billion were made during the current quarter. In addition to regular G2P payments, the government also released relief payments of Rs 328.5 million for 51,000 BISP beneficiaries in famine-stricken Thar District ¹. (**Figure 5**) Since more relief tranches clubbed with BISP payments are due, over the counter withdrawals are expected to stay high.

The new players are promptly launching bill payment switches to allow customers to pay their utility and other bills through convenient OTC channels. During the quarter, 23.1 million utility bills were paid through agents via OTC, which showed 12% growth compared to last quarter. Though the value of OTC utility bill payments increased to Rs 24.9 billion, it fell by 13% in comparison to last quarter, owing to seasonality. With the arrival of summer season, a surge in value of OTC utility payments is likely to be observed in the coming quarters.



M-wallets Transactions

During the quarter, m-wallet holders carried out 9.56 million transactions, showing 27% growth in volume compared to last quarter. In terms of value, the transactions rose to 21.4 billion, showing a whopping increase



¹ The federal government has recently also released a second tranche of relief of Rs 354 million, distributed among more than 53,000 victims in Thar and UBL bank is the primary partner bank arranging the delivery of payments to affected beneficiaries.

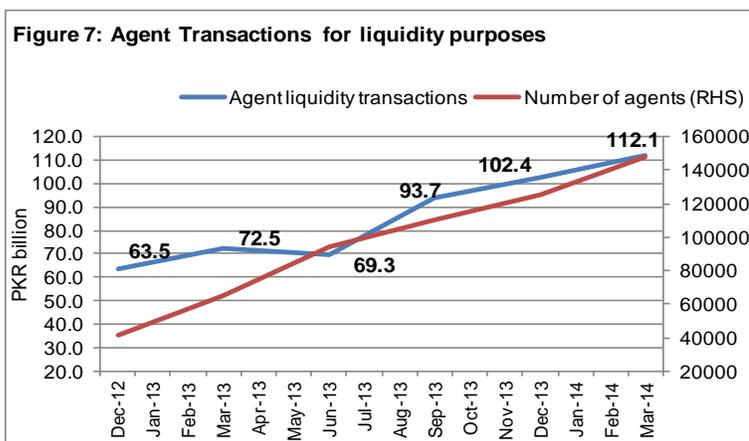
of 51%. Mobile top ups and Bulk payments heavily contributed to the volume of m-wallet transactions with 31% and 20% shares respectively. In terms of value, Bulk (G2P payments), and cash withdrawals seized 34% and 27% share respectively. Value wise, G2P payments via m-wallet, and Cash withdrawals fuelled the growth in m-wallets. **(Figure 6)**

There are two potential areas in m-wallets which caught the limelight in this quarter. Firstly, salary payments which hold the prospects for regular m-wallet usage saw a surge of Rs 240.1 million during the quarter. Currently only two leading BB providers are offering salary payments via m-wallets which saw 49% growth in volume and 51% rise in value during the quarter. Another prominent development observed was a rise in merchant payments. Merchant payments enable m-wallet holders to use their mobile accounts to make payments for purchased products at supported shops and promises new value addition and customer engagement in m-wallets. During the quarter, 20,153 transactions worth Rs158 million were carried out at various POS terminals linked with m-wallets. Currently, only two providers are offering merchant payments and it is hoped that the rest of the providers will quickly follow suit to augment value addition in m-wallets. Further, accelerated merchant payment transaction should also stem from the bottom of the pyramid.

Agent Transactions for Liquidity

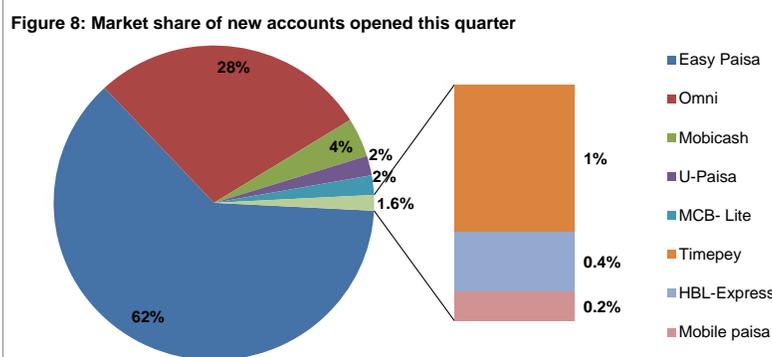
Due to the high influx of BB providers and their on-boarded agents, BB transactions for maintaining liquidity are climbing up **(Figure 7)**. During the quarter, 4.3 million agent liquidity transactions worth Rs 112.1 billion were carried out capturing 40% of value of BB transactions. Compared to the previous quarter, agent liquidity transactions grew by 35% in volume and 9% in value.

In terms of volume, the bulk of agent liquidity transactions were comprised of “L3 to L3 transfers” (48%), and “Agents banking accounts to L3 accounts transfers” (36%). During this quarter, “L3 to L3 transfers” which include franchise to agent transfers, increased by 42% in volume, and 22 % in value. Positive correlation was also observed between transactions in ‘m-wallet to person transfer’ and ‘L3 account to agent banking account’. This implies that those players which saw growth in “m-wallet to person transfers” also saw a sharp rise in “L3 account to agents banking accounts transfers since agents which serve more “Cash out” customers need to be cash rich to prevent denial of BB services. In addition, shared agents who are serving several BB providers and managing respective L3 accounts may also require frequent shifting of L3 account to cash and vice versa to cater to all customers.



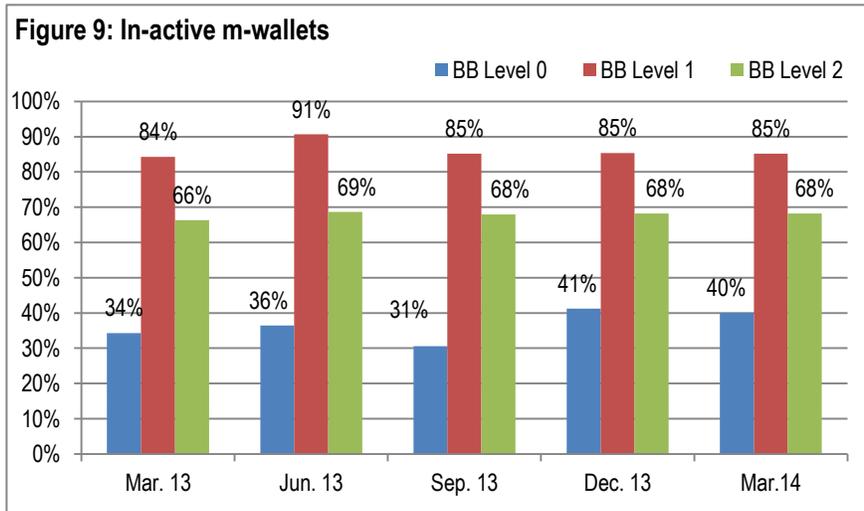
Branchless Banking Account Activity

BB accounts have reached 3.83 million in number, showing an increase of 10% over the quarter. This is lower than 17% growth registered last quarter. Figure 8 shows the market attribution of the 363,743 new BB accounts opened during the quarter by 8 players of the sector. Dormancy is increasing with each quarter. Currently out of the total BB accounts, 1.97 million accounts are inactive (51%). Inactive m-wallets are composed of 54% level 0, 44% level 1, and 1% Level 2 accounts. **Figure 9** show that inactivity within



each level is staying in the same bandwidth, and little effort seems to be focused towards revitalizing their usage.

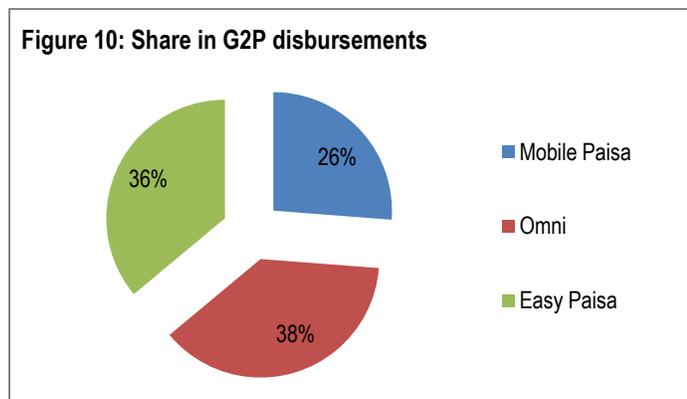
Deposits in BB accounts surged by 86% during this quarter, reaching Rs 4.9 billion in value. Out of total deposits, Rs 2.95 billion is tied with G2P payments whereas Rs 1.96 billion are non G2P related deposits. The highest contribution to total deposits came from Omni and Tameer with Rs 2.85 billion and 1.4 billion respectively. Since accounts receiving regular payments remain relatively shielded from dormancy, it encourages the market participants to channelize unbankeds' steady income streams within m-wallets. Here the role of the government is also vital to expand BB G2P



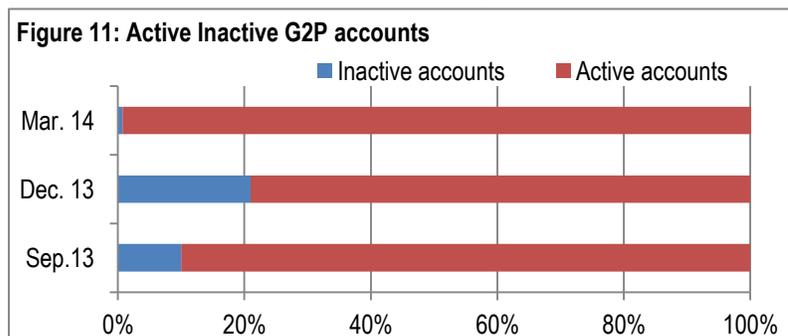
programs for steady adoption of this mode of payments amongst the bottom of the pyramid. It was also encouragingly observed that this quarter saw a surge in debit cards which grew by 81,500 during the period under review. Most players are now offering debit cards to account holders. It is hoped that debit cards in the form of an access channel will provide convenience to the account holders and encourage deposit holding in m-wallets.

G2P Accounts

Branchless banking G2P beneficiaries have increased to 5.6 million by end of the quarter. Out of the total G2P accounts, card based beneficiaries have reached 3.5 million and non card based beneficiaries have climbed to 2.1 million in number. In addition to UBL and Tameer's active G2P portfolio, during the current quarter, Bank Alfalah, with its BB product Mobile Paise has added over 947,000 BISP and Watan card beneficiaries to it. During the quarter Rs 20.8 billion was disbursed via BB channels for G2P beneficiaries, enormously higher than Rs 7.9 billion disbursed in last quarter with the respective providers' shares illustrated in **Figure 10**.



Furthermore, G2P deposits comprised of 80% of Omni's total deposits and 5% of Easy Paise's total deposits. UBL also disbursed relief payments for famine-stricken people of Thar which were reflected in the increased deposit balance. Even though account inactivity was prevalent in all types of BB accounts, however less than 1% of G2P accounts remained inactive during the quarter owing to the large flow of payments. (**Figure 11**)

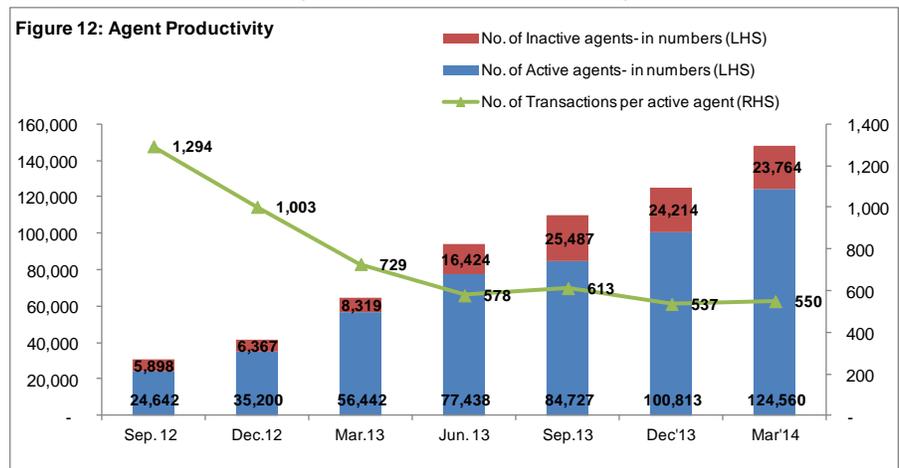


The surge in G2P payments was mostly fuelled by BISP payments (95% share) of Rs 19.6 billion. In addition to regular G2P payments, the government also released relief payments of Rs 328.5

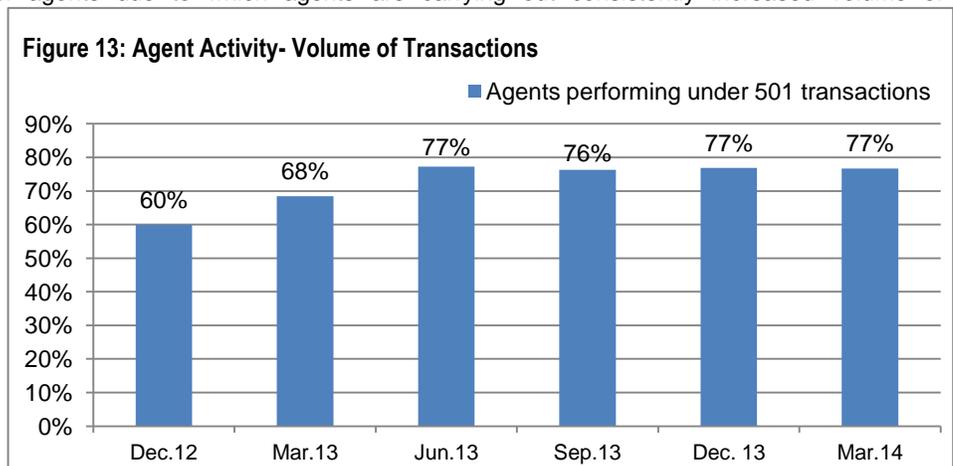
million for 51,000 BISP beneficiaries in famine-stricken Thar District of Sindh, Pakistan. Moreover Employees Old Age Benefits Institutions (EOBI) pensioners payments worth Rs 485 billion were also made through branchless banking. From July 2013 to March 2014, Benazir Income Support Programme (BISP) has disbursed Rs 48.18 billion in cash grants to 5.25 million beneficiaries. The programme has four closely associated and complementary components including Waseela-e- Rozgar (Technical and Vocational Training), Waseela-e-Haq (Microfinance), Waseela-e-Sehat (Life and Health Insurance) and Waseela-e-Taleem (Primary Education). Due to its wide coverage, the government has allocated Rs. 75. billion for BISP in next year's budget hence more G2P payments via BB are expected during the year.

Agent network- Growth and Performance

The number of agent network grew by 19% to 148,324 during the quarter under review. Highest contribution of new agents came from U-paisa with 7,240 agents, followed by Mobicash with 5,051 agents whereas overall, EasyPaisa holds the highest share of agents, at 32%. Active agents grew by 24% during the current quarter compared to 19% during the previous quarter, owed mainly to the increased activity level of U-Paisa and Mobicash's high acquisition of new agents. Nonetheless, against the backdrop of agent sharing practices, the physical access points are not significantly increasing and productivity is not rising in tandem. **(Figure 12)**



Past trends show that the last 4 quarters of BB operations witnessed entry of new players and acceleration in agent on-boarding especially through shared agents. We are now seeing that market players have played an important role in enhancing awareness of agents due to which agents are carrying out consistently increased volume of transactions. Attribution of volume of transactions reveals that 77% of agents are performing under 501 transactions. The ratio, reflecting status quo over the past four quarters, suggests two things. Firstly, the agent network is maturing and automatic classification of performance levels is occurring across the agent spectrum. Secondly, it also implies that operators are aware of the financial and operational strengths of their agents and are continuing to rely on those set patterns (and agents). Though this reflects positively on the development of agent network in lieu of reliable performance for the BB operator, it also calls for improved agent training to fill the gap of vast and persistent performance differentials (77% to 23% ratio) to a well-proportioned ratio of high achieving agents **(Figure 13)**.



Branchless Banking Snapshot

Table 1: Key Indicators

Indicators	Q4 2013	Q1 2014	Quarterly Growth
Number of Agents	125,027	148,324	19%
Number of Active BB Agents	100,813	124,560	24%
Number of Accounts	3,475,458	3,831,868	10%
Deposits as of date (Rs. in millions)	2,639	4,911	86%
Number of transactions during the quarter (No. in '000')	54,100	68,535	27%
Value of transactions during the quarter (Rs. in millions)	234,646	278,348	19%
Average Size of Transaction (in Rs.)	4,337	4,061	-6%
Average number of transaction per day	601,113	761,501	27%

Table 2: Volume and value of different types of transactions

S.#	Type of Transactions	Q4 (Oct-Dec) 2013		Q1 (Jan-Mar) 2014	
		Volume of Transactions (Numbers)	Value of Transactions	Volume of Transactions (Numbers)	Value of Transactions
1	Agents transfers for liquidity				
	Agent account to agent account	1,460,780	37,801,291,938	2,068,785	46,003,315,394
	Agent account to bank account	220,891	7,300,267,611	392,909	11,439,816,785
	Bank account to agent account	1,220,731	40,177,920,129	1,565,842	42,197,471,041
	Cash Deposit in L3 by agents	278,025	17,203,947,072	274,520	12,492,656,717
2	Fund Transfers				
	Fund transfers through M-wallets				
	MW to MW transfers	82,237	21,607,351	71,515	44,280,944
	MW to bank account transfers	6,486	81,634,943	9,713	134,290,970
	Bank account to MW transfers	7,366	57,868,417	17,591	164,922,350
	MW-to-person fund transfers	485,907	1,735,184,951	522,855	1,893,594,080
	Fund transfers through CNIC				
	Person to person sending	9,221,941	38,368,327,888	11,134,371	44,952,956,975
	Person to person receiving	9,703,241	40,187,394,016	11,663,145	46,979,442,559
3	Bulk Payments				
	Government to Person Payments				
	G2P through MW	870,025	3,023,779,137	1,789,049	6,670,001,753
	G2P through card	1,077,965	4,366,790,801	3,635,080	13,549,732,481
	EOBI Pensioners				
	Pension payment through MW	67,065	261,106,645	78,465	310,610,935
	Pension payment through OTC	36,556	218,642,182	33,474	173,943,985
	Salaries payments and Others	22,028	160,119,467	32,861	241,639,970
4	Cash deposit & withdrawal				
	Cash Deposited in MW (including person to MW transfers)	1,525,877	3,873,157,997	1,773,217	4,686,307,994
	Cash Withdraw from MW	1,019,011	3,522,233,616	1,694,942	5,831,896,154
	Cash withdraw through card (G2P)	866,480	2,818,873,100	3,330,385	10,849,732,390
5	Bill Payments & Top ups				
	Utility Bills Payment	21,183,788	29,455,581,313	23,653,820	25,861,565,712
	Internet Bill Payments	180,243	216,662,898	204,689	241,737,086
	Mobile Top-ups	3,342,367	225,285,428	3,516,185	246,708,028
6	Loan				
	Disbursement	197,640	472,646,909	157,407	556,834,322
	Repayment	590,008	1,895,276,824	552,439	1,627,372,702
7	Others				
	Donations	15,004	245,589	11,131	444,111
	Retail Payments	2,171	15,494,084	20,153	158,983,296
	PIA ticketing	42	557,073	14	255,287
	International Home remittance	25,246	695,914,749	24,032	662,946,821
	Account Opening Transactions	63,473	18,074,055	70,436	18,967,220
	Cash collection/payment services	327,575	469,905,999	236,094	355,194,301
	Total	54,100,169	234,645,792,182	68,535,119	278,347,622,360

Note: To describe the nature of transactions, definitions of the terminologies used in above tables are given in Appendix-1

Branchless Banking Snapshot

Table 3: Customers' Transactions Analysis - OTC vs. M-wallets for Q1-2014

Type of Transactions	OTC		M-Wallets	
	Volume of Transactions (Numbers)	Value of Transactions	Volume of Transactions (Numbers)	Value of Transactions
Fund Transfers				
Fund transfers through M-wallets				
MW to MW transfers	-	-	71,515	44,280,944
MW to bank account transfers	-	-	6,284	83,946,835
Bank account to MW transfers	-	-	8,341	61,162,851
MW-to-person fund transfers	-	-	522,855	1,893,594,080
Person to MW fund transfer	2,587	8,522,279	-	-
Fund transfers through CNIC				
Person to person sending	11,134,371	44,952,956,975	-	-
Person to person receiving	11,663,145	46,979,442,559	-	-
Bulk Payments				
Government to Person Payments				
G2P through MW	-	-	1,789,049	6,670,001,753
G2P through card	3,635,080	13,549,732,481	-	-
EOBI Pensioners	-	-	-	-
Pension payment through MW	-	-	78,465	310,610,935
Pension payment through OTC	33,474	173,943,985	-	-
Salaries payments and Others	96	641,642	32,765	240,998,328
Cash deposit & withdrawal				
Cash Deposited in MW (including person to MW transfers)	-	-	1,770,630	4,677,785,715
Cash Withdraw from MW	-	-	1,689,427	5,798,348,718
Cash withdraw through card (G2P)	3,330,385	10,849,732,390	-	-
Bill Payments & Top ups				
Utility Bills Payment	23,150,643	24,922,165,216	502,877	938,854,187
Internet Bill Payments	198,968	235,058,486	5,721	6,678,600
Mobile Top-ups	528,559	98,178,594	2,987,626	148,529,434
Loan				
Disbursement	89,574	193,566,296	67,833	363,268,026
Repayment	552,352	1,627,104,564	87	268,138
Others				
Donations	1,884	313,937	20,309	551,482
Retail Payments	-	-	40,306	317,966,592
PIA ticketing	28	510,574	-	-
International Home remittance	48,060	1,325,861,642	4	32,000
Account Opening Transactions	70,436	18,967,220	-	-
Cash collection/payment services	238,076	353,652,022	1,030	3,203,112
Total	54,677,718	145,290,350,861	9,595,124	21,560,081,729

Note: To describe the nature of transactions, definitions of the terminologies used in above tables are given in Appendix-1

Events

Deputy Governor briefed on the implementation of Bio-Metric Verification for branchless banking

Deputy Governor, Mr. Saeed Ahmad was briefed on the progress of a proposal formulation for the implementation of bio-metric verification for branchless banking accounts and transactions. Mr. Nadeem Hussain, CEO Tameer MFB is leading a sub-committee of SBP-led branchless banking consultative group (BBCG). The sub-committee is working on a bio-metric proposal to reduce bank's cost of KYC verification, improve transactions' security, and increase customers' convenience. Mr. Hussain highlighted that NADRA has been extending support to the sub-committee by reviewing pricing structure of its newly-developed bio-metric application to facilitate the financial inclusion through branchless banking platform.



The Deputy Governor appreciated the efforts of the sub-committee. He also expressed SBP's vision of promoting m-wallets' adoption to promote financial inclusion especially savings' mobilization. He emphasized that the industry needed to review its mobile saving products in line with the needs and preferences of all customer segments including the unbanked. He said that the increased interoperability among the existing players could catalyze the use of digital channels in future for multiple payments such as G2Ps, P2Gs, B2Ps, P2Bs etc.

Endorsing SBP's vision, Mr. Hussain highlighted industry's ongoing m-wallets-related initiatives including use of inter-bank fund transfer (IBFT) to connect m-wallets/OTC channel with core banking accounts, use of PoS gateways to expand payment infrastructure, health insurance offerings, gold-linked products, digital bond concept etc. He also solicited SBP's support to address few industry challenges. The Deputy Governor expressed SBP's commitment and support to industry in the advancement of branchless banking in the country.

Easypaisa wins two awards at the GSMA Global Mobile Awards 2014

Now in the 19th year, the Global Mobile Awards once again showcase the outstanding level of innovation and creative products and services being developed across a diverse and growing industry, worldwide. This year with more than 680 high caliber entries, the competition was stronger than ever. In total more than 175 independent analysts, journalists, academics and subject matter experts throughout the world participated in the judging process, including the chief technology officers of 14 mobile operators. Easypaisa won two awards at the GSMA Global Mobile Awards 2014, held in February in Barcelona, Spain including **Best NFC/Mobile Money Product or Service** and **Best Mobile Product or Service for Women in Emerging Markets** for our BISP/Easypaisa program. It is the first time that Easy Paisa has been recognized at the Global Mobile Awards forum in these categories.



Local News

Bank of Punjab, ZONG and Inov8 join hands for digitizing government flows via Branchless Channel

BOP, Zong and Inov8 have signed an MOU to announce their partnership for digitizing government flows via the branchless channel. This is a first of its kind arrangement wherein service providers with existing market experience are coming together to provide the services which are aimed at poverty alleviation and financial inclusion of the under privileged masses.

There are two areas to focus for BB successful implementation: i) The Technology ii) The Agent Network (distribution side). BoP has entered into an MoU with Zong and Inov8 as both organizations have local market presence, expertise and existing experience which they aim to bring together to build synergies for best service offering. Speaking at the occasion Mr. Naeemuddin Khan said "The Bank of Punjab is pleased to sign MoU with Zong and Inov8 Limited to extend financial services to the grass root level of the population. This initiative will not only bring prosperity to the region but also help the underprivileged to enjoy financial services at their doorstep."

"Mobile financial services has become an important characteristic for the Pakistani consumer and we at Zong look forward to fulfill each of our consumer's needs through our vast portfolio of services. I am honored to enter into this MoU with The Bank of Punjab for getting Pakistan's largest G2P payments program from the Government of Punjab through a competitive and transparent process and we see at it as a forerunner to the e-government implementation in the province of Punjab" Said Mr. Fan Yunjun, Chairman & CEO Zong. Inov8's President and CSO, Bashir A. Sheikh said, "We are proud to be providing our next generation mobile financial services platform and end to end technology to The Bank of Punjab and are grateful to Zong for partnering with us on it, as we believe this initiative will transform the mobile and digital payments landscape in the country and provide the much awaited real growth in digital wallets."

Easypaisa launches Inter Bank Fund Transfer service

Easypaisa , a joint venture of Tameer Microfinance Bank and Telenor Pakistan , has become interoperable with the existing banking infrastructure by launching the Inter Bank Fund Transfer (IBFT) service enabling its customers to transfer funds between a number of Banks via the 1-link switch. Easypaisa brings this innovative service to both its Mobile Account holders and Over-the-Counter (OTC) customers. Easypaisa Mobile Account holders can now move funds from any Bank Account into their Easypaisa Mobile Account and vice versa conveniently and securely, thus overcoming one of the hurdles of getting funds into the branchless banking systems. Once the funds are in the Easypaisa Mobile Account, customers can proceed to use the most convenient and secure bill payment, money transfer or airtime recharge service in the country through the Easypaisa Mobile Account on their mobile phone.

For the OTC service, any customer can walk into any of the Easypaisa shops and deposit cash directly into any Bank Account. With 40,000 Easypaisa shops in more than 750 cities and nearly 6 million unique customers using Easypaisa services each month, banked customers can deposit cash into their Bank Accounts without having to go into their Bank Branches. Customers will only need to approach an Easypaisa shop, provide their CNIC and their bank account number to use this service. This Cash Deposit facility will be available at Easypaisa shops while they are open, often late into the night and even on weekends.

Provincial Government to use branchless banking for scholarships distribution

Sindh Education department inked an agreement with Tameer Bank and Telenor Easy Paisa for distribution of scholarships among 0.45 million girl students of the province. The agreement was signed by Sindh Senior Minister of Education, Nisar Ahmed Khohru, President Tameer Bank, Nadeem Hussain and representative of Telenor. Chief Programme Manager Reform Support Unit Saba Mehmood was also present. Addressing the event, Nisar Khuhru said that an amount of Rs. 1.2 billion was allocated to distribute among 0.45 million girls students of class six to ten for their financial assistance and also to encourage and promote girls' education in the province.

Students from rural areas will get Rs.3500 each while urban students will be given Rs.2500 each, he said and added that distribution of scholarship amount through easy paisa would start in August 2014. He said that the agreement has been inked to make process of money distribution more transparent as there were some complaints that students were not getting total amount through Post office. The minister said a proposal of giving scholarships to primary school girl students was under consideration to enhance the enrollment ratio of schools.

International News

Tunisia: Enda launches “Mobile Banking” in rural areas

Enda inter-arabe has launched the "Mobile Banking," a project funded by the European Union and allowing through mobile phone to conducting remote repayment transactions. In a statement, Enda said a pilot project was launched for the repayment of loans via the phone in June 2013 in Sidi Hassine in Tunis and Elhanya, 50 km from the town of Sidi Bouzid. The number of customers subscribing to the new service has exceeded 1,700 and more than 3,300 repayment operations via mobile phone were made. The next step of the project is to extend this experience to the rest of the priority areas in the various regions.

(Source: http://www.africanmanager.com/site_eng/detail_article.php?art_id=22140)

Ghana: Five Million Subscribers Patronise MTN Mobile Money Per Month

Telecommunications giant, MTN Ghana has announced that more than five million subscribers are transacting businesses through the MTN Mobile Money in a month. Out of that figure, over two million are registered on the platform, officials of the telecom service provider told the Business Chronicle. These figures are higher than the monthly transactions of some of the commercial banks operating in the country. Some industry watchers say that the growth of mobile money services threatens microfinance firms and the banks as well. However, the Senior Commercial Manager of Sales and Distribution at MTN Ghana, Eli Hini argued: "The growth of Mobile Money rather complements the business of microfinance/banks because it provides tools/solutions to enhance their offerings/services". "Customers are now able to receive their loan disbursements into their Mobile Money wallets wherever they are and are able to make loan repayments without visiting the branch", he added. In an effort to bring mobile money services to the doorsteps of subscribers, MTN Ghana's Mr. Hini said his outfit had partnered a number of banks including Access Bank, Agricultural Development Bank (ADB), Cal Bank, Ecobank, Fidelity, GT Bank, Universal Merchant Bank, Stanbic, UBA and Zenith.

This innovation is boosting financial inclusion at all levels of society across the region. Digital technology is fast becoming a part of everyday life in Ghana, Nigeria, Kenya, among others in the Sub-Saharan Africa region. Because of this, operators, governments and an array of enterprises in the region are looking to develop services and products that meet the needs of the growing ICT user base.

(Source: <http://allafrica.com/stories/201406181625.html>)

Interoperability Agreement Signed Between Leading Tanzanian Mobile Money Providers

Over 16 million mobile money customers in Tanzania are now connected to one another thanks to an interoperability agreement announced between mobile network operators (MNOs) Tigo, Airtel, and Zantel. An important act of market cooperation on the continent, the inability (or high cost) for mobile money users to send money to those of different providers has caused industry-wide fragmenting, impeding the utility and uptake of mobile banking services. The newly connected services make up three of Tanzania's four leading MNOs, and their mobile money products – Tigo Pesa, Airtel Money, and EzyPesa – are three of the country's four mobile banking options. The fourth player in the market is Vodacom with its M-Pesa service, the sibling service to the runaway success of the same name in Kenya. Included in the press release announcing the agreement was an expression of support from the three MNOs for a recent statement made by Vodacom in favor of interoperability, with mention that an interoperability linkage to Vodacom would be welcomed.

The market's mobile subscriber breakdown is roughly 35 percent Vodacom, 31 percent Airtel, 31 percent Tigo, and 12 percent Zantel. The mobile money subscriber split is about 53 percent Vodacom M-Pesa, 18 percent Tigo Pesa, and 13 percent Airtel Money, with 16 percent of subscribers using two or more services. Tanzania is one of the fastest growing mobile money markets. The four providers are responsible for 31.8 million registered accounts, 11 million active on a 90-day basis, and 153,369 agents. Tanzania's population is roughly 48.5 million. The frequency and volume of mobile money transactions in the country is growing quickly, with the monthly average at 99 million transactions totaling over 3 trillion TZS (US\$1.8 billion). The new services are expected to take effect by the end of the June 2014.

(Source: <http://cfi-blog.org/2014/06/06/interoperability-agreement-signed-between-leading-tanzanian-mobile-money-providers/#more-15144>)

New retail mobile banking service with Orange Money

Orange and BNP Paribas has opened new retail mobile banking services in Africa with Orange Money. Customers can now transfer money to their Orange Money account directly from their BNP Paribas account, or vice versa. This new service is available in Côte d'Ivoire and will be extended to other countries in which BNP Paribas and Orange Money are present, particularly Senegal. The service allows customers of the BNP Paribas group (BICICI in Côte d'Ivoire) to carry out real-time banking operations without going to their banks, simply by using their Orange Money account. This flexibility in transferring money between bank accounts and mobile accounts will make it easier to use the services already offered by Orange Money, such as payment for goods and services (water, electricity and television bills, etc.) and purchases of airtime credit.

NDIC extends deposit insurance coverage to mobile banking subscribers

The Nigeria Deposit Insurance Corporation (NDIC) is considering extending the deposit insurance coverage to mobile banking subscribers, with each subscriber guaranteed up to the sum of N200,000 for Microfinance Banks (MFBs) and Primary Mortgage Banks (PMBs) and N500,000 for Deposit Money Banks (DMBs) in the event of bank failure, Umaru Ibrahim, managing director/CEO has said. Alternatively, he said if a bank fails, the insured mobile account can be transferred to another sound bank.

(Source: <http://businessdayonline.com/2014/06/ndic-extends-deposit-insurance-coverage-to-mobile-banking-subscribers/>)

Mobile banking frees up a day per year

Using mobile apps saves bank customers 96 million hours and 24 million miles of travelling every year - that's 24 hours and 73 miles each. Customers using online and mobile banking make 12 fewer journeys to the bank every year compared with 20 years ago, analysis by RBS/NatWest of its own customers has found. The banks' customers make, on average, four transactions every month that would have required a visit to their local branch 20 years ago.

By making transactions on their phone, tablet or computer, customers are saving themselves an average six-mile round trip to their bank - or just under 73 miles a year per person, and the banks estimate that saves customers around 24 hours a year. The morning commute is the most popular time for customers to access their accounts online, with more than 167,000 customers using their mobile app between 7am and 8am.

(Source: <http://www.moneywise.co.uk/news/2014-06-05/mobile-banking-frees-day-year>)

Younger Generations Far More Open to Branchless and Alternative Banks, Accenture Survey Finds

Younger bank customers are nearly twice as likely as older customers to consider switching to a branchless bank and to consider banking with major technology players if those companies offered banking services, according to findings of a survey of nearly 4,000 retail bank customers in the United States and Canada appearing in two new reports by Accenture. The survey found that 39percent of customers 18 to 34 years old would consider switching to a branchless bank, compared with 29percent of customers 35 to 55 and 16 percent of customers over 55. According to the survey, overall 72 percent of consumers age 18 to 34 would be "likely" or "very likely" to bank with at least one technology, telecommunications, retail, or shipping/postal company that they do business with if they offered banking services. More than half (55 percent) of consumers age 35 to 54, and 27 percent of those ages 55 and older said the same. "Tomorrow's consumer is coming of age with a very different perception of what a bank could be," said Wayne Busch, managing director of Accenture's North America Banking practice. "Those expectations could become profoundly disruptive to banks if non-bank entrants gain momentum and banks fail to adapt quickly. This will have important implications for the 'digital generation' spanning nearly all age groups."

(Source: <http://www.broadwayworld.com/bwwgeeks/article/Younger-Generations-Far-More-Open-to-Branchless-and-Alternative-Banks-Accenture-Survey-Finds-20140527>)

Special Section

Disruption ahead...

*A future perspective of BB on banking
by Qasif Shahid (Head Digital Banking MCB)*

What mobile phones have done to landlines in this country is exactly what mobile wallets are about to do to bank accounts. Over the next 3 to 5 years, the numbers of mobile wallets will far surpass the good old bank accounts. Why?

Simple. Both landlines and bank accounts are privileges and will remain so. These are services and the infrastructure and the processes that power these services are anchored in the physical world. These utilities largely run on proprietary real world infrastructure such as the wired network, bank branches, ATMs, Point-Of-Sale (POS) networks, exchange-houses and so on. And to top this, the on-boarding and the application processing for these services also unfold within the physical value chain and which means that 'time and space' rules apply. In most cases, actual forms are filled and transported from one location to another and sometimes to different cities before the data is manually put into various systems several hours, days and in certain cases weeks later. The only way to cut through these time consuming, laborious and non-valued processes it seems is through knowing someone on the inside to help push the 'physical file' to the top of the processing heap.

On the other hand, the next generation mobile wallets as they come into mainstream will run on wireless protocols and will not be privileges any more. Think mobile phones of today; all you need is a valid ID card and the mobile phones are yours to have. So technically speaking all you would need is a functional mobile phone backed with an ID card and the mobile wallets will be yours to have. And if designed properly, this will happen without any work being done in the physical value chain almost mimicking the experience of making an e-commerce transaction on your smart phone through feeding in your particulars online.

Extending the same thinking into the near future, it won't be far-fetched to imagine mobile wallets that will be easier to own as opposed to applying for a brand new mobile phone connection in the first place. Why?

Simple. Owning a new mobile connection will still involve evoking parts of the physical value chain to execute. Think the SIM card and in some cases the handset that would need to be purchased as opposed to the wallet that resides in the cloud and is down loaded over the wireless internet in shape of a mobile app.

Let us for a moment step out of the payment space and into what is going on in the rest of the world. Immediately, it becomes apparent that people today are behaving, living and spending their time in radically different ways than what they were doing just fifteen or twenty years ago. We do not visit libraries, consult or print encyclopedias any more. Fact based knowledge and curriculums have little value; it is about how these facts are put into context and concepts which really counts now as the rest we can just "google" in real time. And we GOOGLE many times more than we ever visited libraries or consulted books.

We do not write letters anymore unless we are sending a legal notice to someone. Instead we write emails many times more than we ever thought about writing with pen and paper. Our emails get to the destination instantly as opposed to paper based communication and we expect and almost demand immediate responses to almost everything that we write today.

For most of us, news is now consumed in bit size pieces several times a day and newspapers have long seized to exist as chief sources of real time happenings that we as individuals are interested in. People

today are making more connections with their friends and family in a single day as opposed to what they were earlier making in a year. The point of all of this is to bring to notice how almost everything stands redefined in frequency or consumption as 'change' or 'graduation' is made from the physical value chain to the digital.

This occurs due to dramatic reduction in costs along with the services or the utilities becoming much simpler to operate and going real or near-time all at the same time as this transaction is made from physical to the digital. Have a look at the following equation to better understand the exponential growth impact of this digital transformation as it takes root in whatever it touches and redefines.

$$\begin{array}{c}
 \text{Simplicity} \uparrow + \text{Affordability} \uparrow + \\
 \text{Unconditional Access} \uparrow \\
 = \\
 \text{(Frequency/Consumption)} \text{ Exponential Growth}
 \end{array}$$

One thing however hasn't changed much over the last 50 years: the way people handle and manage money and the way payments are made. The ATM looks the same and performs pretty much the same functions. The POS machine is exactly the same and so much so that even the color of the casing is the same dull gray or black. The plastics have the same DNA and no radical change there either. Now compare this to the radio, TV, Phone or any other device that comes to mind and see how much those have changed in the last 4 or 5 decades to get a perspective of the lack of change in the way people handle money and make payments.

The big question really is that how is it that the banks, the payment gateway associations, POS/ATM manufacturers etc. have managed to stick to the old ways for so long in face of such colossal changes elsewhere?

To understand this phenomenon, one needs to deconstruct the payment dynamic and reduce it to its simplest form: There are two main actors in the payment dynamic the seller or the merchant and the buyer or the customer.

The banks and the payment associations are only the enablers or side actors if you will. In the past and in the present, the side actors were enabling payments by dealing in the physical value chain doing real work in terms of deploying the POS machine and connecting it to the network, managing the pre authorization, settlement, repudiation functions and so on and hence the justification for 3/2 percent Merchant Discount Rate (MDR) charged to the seller or the merchant. The card is produced, personalized, packaged and shipped to the customer and this obviously requires work to be done in the physical value chain and hence the fee levied in shape of annual and other charges to the customer.

Fast forward to the present and the near future; things have changed. Both buyers and sellers own smart phones connected to the wireless internet. POS machines or plastics are not the only options available anymore and the transactions don't have to be delayed anymore either as they will happen in the real or near real time through mobile wallet-to-wallet interactivity with little or no cost to the parties involved.

Savings in MDR and instant credit are not the only benefits that we are talking about here. The big break through is about bringing into reality a completely new connection between the merchants and the customers that was impossible to conceive earlier.

Think of a 'zero-cost' app-to-app or wallet-to-wallet notifications over the internet that the merchant will now be able to send to the potential customer handsets informing them of 50% discount if they bought within the hour or for example till stocks last. Customers will have the option of buying instantly through the mobile wallet sitting at home or while in the store.

A little stretch of imagination and the picture of complete disruption of the retail space (including pre-sales, actual purchases and post sales scenarios) at the hands of smart phones powered by the wireless internet and linked with mobile wallets starts to reveal itself.

Let's examine what's going on in some of the other industries. New age technology companies have made a habit out of disrupting the good old Mobile Network Operators (MNOs). The 20 year old SMS service is already been disrupted by Whatsapp and so many other similar messaging services. Skype and Viber are disrupting the standard and international calls and similar disruptions have become pretty much a norm across several other markets as well. Why?

Simple. These services are distributed digitally in real time and are device and platform agnostic but most of all they are free or have a price point close to zero. How do you compete with such an onslaught if your propositions still partly or wholly deal in the physical value chain? You can't. You simply get disrupted!

There however still remains one little spec of silver lining in the cloud: When the incumbent industry gets inflicted repeatedly with disruption, sometimes the disrupted players develop resilience and get really good at dishing out the similar treatment to cross industry players. So the MNOs after being disrupted repeatedly by the new age technology companies are now getting good at disrupting the retail financial services industry. MNOs are striking back through the combination of agent network and mobile wallets to disintermediate the bank branches and the bank accounts and in certain cases the payment associations as well.

While constructing and designing retail financial products and services, one must always remember that no one wakes up thinking about making payments and having loads of fun just doing that. Instead we think about what we need to accomplish and consume and payments as necessary enablers for doing just that. This would mean that the more payments fade away in the background, the less visible they get, the more effortless handling money becomes; the faster these new behaviors would spread and take root.

Also we need to remember that payments don't unfold in a vacuum. They always unfold in a social context. In case you are thinking about business payments these too have a social backdrop to them. The wallets of the future or at least the ones that would disrupt or attain any meaningful scale will be built and designed on the fundamentals and principles of the social networking platforms. These will be networked-financial services products at their core with going-viral built into their DNA and not as marketing after thought. These services will come without any preconditions and will be platform independent meaning bank, telecom and device agnostic. These wallets will reside in the cloud and will be distributed digitally and initialized or personalized sitting at home.

If someone asked you 20 years ago how many pictures you expect to capture during your next 3 day vacation? Your answer would surely not be 300. What the digital cameras have done to photographs, the well-designed mobile wallets are about to do to payments.

Just as nobody could predict 100s of pictures almost every short vacation taken these days and that too mostly 'selfies' to be shared on sites like Instagram; it is almost futile to attempt to predict just how many payments a day people will be making as mobile payment transformation and the related ecosystems get going. May be 10, may be 20, or maybe 30 a day; who knows, it is anybody's guess. But one thing is for sure; we will be making a lot more of these payments through smart phones as our new payment contraptions compared to what we are making in the physical world today. And let there be no doubt that there will be a lot more of these mobile wallets around to make these payments from.

Buckle up! There appears to be serious payment-disruption brewing just right around the corner to where we have already arrived in this country.

Appendix 1: Definitions of Terminologies

BB Terminology	Definition
Level 0 account (L0)	Basic MW account with low KYC requirements and low transaction limits
Level 1 account (L1)	Entry level MW account with adequate KYC requirements commensurate with transaction limits
Level 2 account (L2)	Top level MW account for individual customers offering all BB facilities and subject to full KYC requirements
Level 3 account (L3)	Account specific for BB agents, third-party service providers, or businesses
M-wallets (MW)	All level 0, level 1, and level 2 BB accounts
BB Accounts	M-wallets plus level 3 accounts (Level 3 mainly represents agents' accounts).
Banking account	Banking account means a regular bank account maintained in bank branch by agents/customers
Active m-wallet account	An m-wallet account will be considered as an active account if: <ul style="list-style-type: none"> - Performed at least 1 transaction during the last 180 days. - Opened during the last 180 days. - Account has not been suspended /closed/ terminated for any reason. - Fully compliant with KYC requirements as per BB Regulations.
Inactive M-wallet account	An m-wallet account which does not qualify the criteria for active accounts will fall in inactive account category. The applications in process of account opening are not counted in inactive accounts.
Active Agent	An agent will be considered as an active agent if: <ul style="list-style-type: none"> - Performed at least 1 transaction during the last 90 days. - Opened during the last 90 days. - Agent has not been suspended /closed/ terminated for any reason. - Fully compliant with KYC as per BB Regulations.
Inactive agent	An agent who does not qualify the criteria for active agents will fall in inactive agents' category. The new take-on agent applications in process are not counted in inactive agents.
Average Size of Transaction (in Rs.)	Value of transactions divided by number of transactions
Average number of transaction per day	Number of transactions during the quarter divided by 90 days
Account to account transfer (MW holders)	Total number of transactions and amount transferred by MW holders. It includes MW to MW transfers, MW to banking account transfers, and banking account to MW transfers.
Account to account transfer (by Agents)	Total to number of transactions and amount transferred by agents for liquidity management purpose. (It includes agent account to agent account transfers, agent account to banking account transfers, banking account to agent account transfers)
MW to person transfer	Number of transactions and amount transfers from MW to person (transfer on customer's computerized national identity card (CNIC)).

Person to person transfer	Number of transactions and amount of money transacted through OTC (transactions from one CNIC to another CNIC).
Bulk Payments	All bulk payments done through BB channel which include wages, pensions, G2P social transfers and welfare payments
G2P payments	Government to person payments which include social transfers and welfare payments
EOBI pensioners	All payments from Employees' Old-age Benefit Institution (EOBI) to pensioners
Salary payments	Salary payments from institutions to its employees
Cash Deposited in a MW account	Cash deposited into MW accounts
Cash Withdrawals from a MW account	Cash withdrawals from MW accounts
Cash withdrawals through card (G2P only)	Cash-out of G2P payment received by Watan /BISP or any other G2P related card holders using BB channel
Other cash collection services	Any other cash collection service such as school fee collection.
Utility Bills Payments	Gas, water, electricity, telephone and any other public utility payment
Loan Disbursement	Loan disbursements through BB channel
Loan Repayment	Loan repayments through BB channel
Donations	Donations collected through BB channel
Merchant payments	Retail payments to authorized merchants to purchase goods/services
Account opening transactions	Limited transactions (as permissible under BB regulations) in m-wallet accounts during account opening / activation process.