

QUARTERLY  
**Branchless  
Banking**  
Issue 20  
NEWSLETTER

Apr-Jun 2016



Leveraging Technologies and Partnerships  
to Promote Financial Inclusion

• Analysis	01
• Player-wise market share	08
• Snapshot	09
• Events	11
• International News	14
• Appendix	18



**STATE BANK OF PAKISTAN**

Agricultural Credit and Microfinance Department

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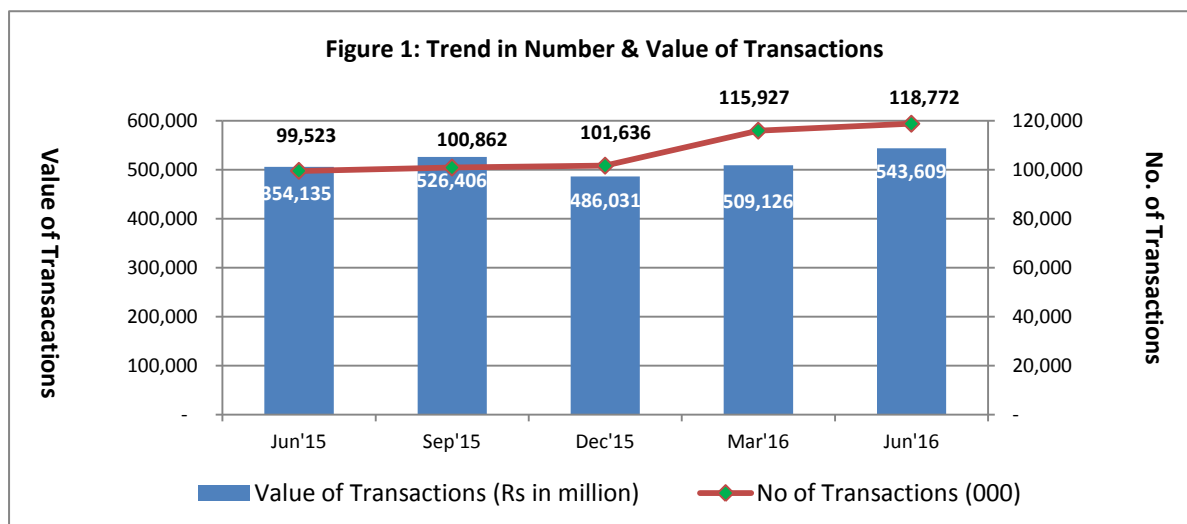
URL: <http://www.sbp.org.pk/publications/acd/branchless.htm>

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## Branchless Banking Analysis

### Executive Summary

Branchless Banking (BB) industry experienced an improvement in number of key indicators during the quarter Apr-June 2016. Total deposits, average deposits per account and total number of accounts witnessed a significant increase of 26%, 18% and 6% respectively, compared to previous quarter. Like-wise, both number of BB transactions and their value have also increased during the quarter.



Currently, nine BB providers are operating in the market, with a mix of innovative models and technologies forging new collaborations for product diversifications and competitive strategies exhibited by new and experienced operators.

During the current quarter, BB transactions grew to 118.8 million valuing Rs. 543.6 billion, which is 2.5% higher in volume and 6.8% higher in value in comparison to the previous quarter. The number of BB accounts have been recovering from a marginal dip in the quarter Jan-Mar 2016, which have risen to 14.6 million (6.6%) during current quarter.

Considering the fact that National Financial Inclusion Strategy (NFIS) sets the target of 50% account ownership for the adult population and 25% for total adult women population by 2020, the players need to develop strategic plans, tailor-made product offerings and awareness campaigns, to achieve goals of NFIS. The BB players need to enhance outreach of digital financial services in the financially underserved and hard to reach areas where brick and mortar are not feasible for banks. The table 3 exhibits, share of BB accounts in GB, AJK and Balochistan.

Total number of agents of the BB industry grew by 1.6% during the quarter, reaching 346,716 by the end of Jun 2016. The share of agents in the market is dominated by Easypaisa (30%), Jazzcash (18%) and Upaisa (13%). HBL Express, Timepay and Mobilepaisa need to put more efforts for utilizing their agent network for promoting BB activities.

## Branchless Banking Analysis

**Table 1: BB Key Indicators**

Indicators	Jan-Mar 2016	Apr-Jun 2016	Quarterly Growth
Number of Agents	341,403	346,716	1.6%
Number of Active BB Agents	240,220	236,874	-1.4%
Number of Accounts	13,673,442	14,576,387	6.6%
Deposits as of date (Rs. in millions )	10,885	13,734	26.2%
Number of transactions during the quarter (No. in '000')	115,927	118,772	2.5%
Value of transactions during the quarter (Rs. in millions)	509,126	543,609	6.8%
Average Size of transaction (in Rs.)	4,392	4,577	4.2%
Average number of transaction per day	1,288,083	1,319,684	2.5%
Average deposits in Accounts	796	942	18.4%

### BB transactions exhibit growth, both in volume and value

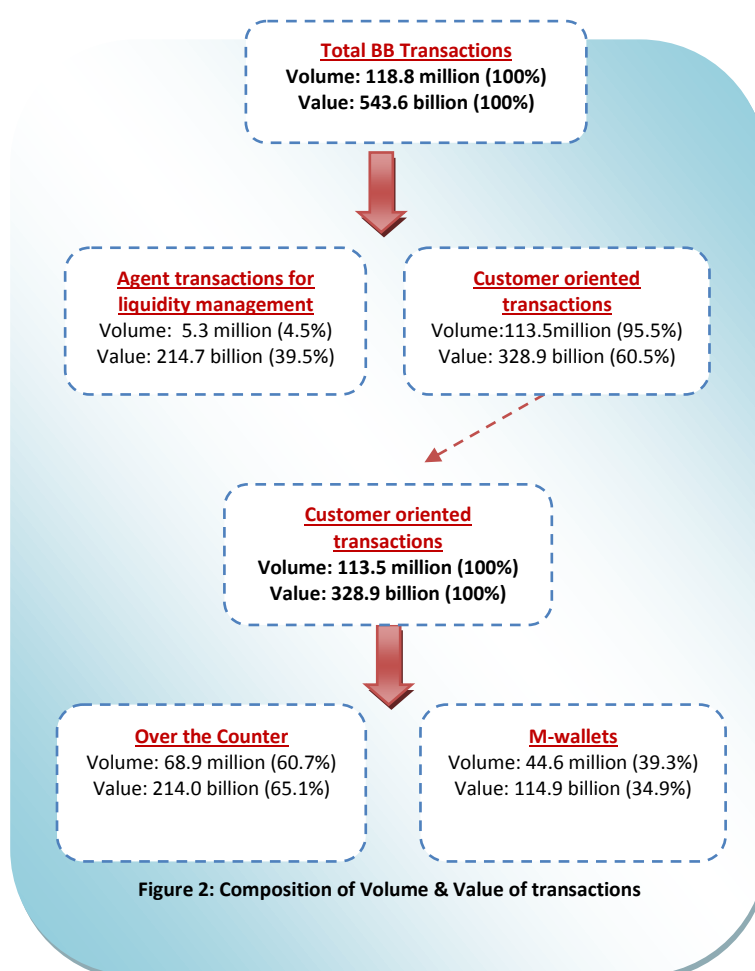
The BB transactions witnessed a satisfactory growth; both in volume and value, reaching to 118.8 million (in volume) and Rs. 543.6 billion (in value), showing an increase of 2.5% and 6.8%, respectively over the previous quarter.

Figure 2 illustrates break down of BB transactions into agent transactions for liquidity management and customer oriented transactions which stood at 5.3 million (4.5%) and 113.5 million (95.5%), respectively.

The customer oriented transactions are further segregated into OTC and m-wallet transactions which remained at 68.9 million and 44.6 million in volume, enjoying a share of 60.7% and 39.3%, respectively. A continuous shift from OTC to m-wallet transactions has been witnessed, as the ratio improved to 60:40 from a 70:30 in Q2-CY15 due to improved product offering.

### Consistent surge in the value of BB transactions

A positive growth of 6.8% was observed in the value of BB transactions, which increased to Rs. 543.6 billion from the previous quarter's Rs. 509.1 billion, mainly due to 23% increase in cash deposit/withdrawal, 19% increase in mobile top ups and 10% increase in m-wallet to m-wallet fund transfers. The value of customer oriented transactions remained at 328.9 billion with a share of



## Branchless Banking Analysis

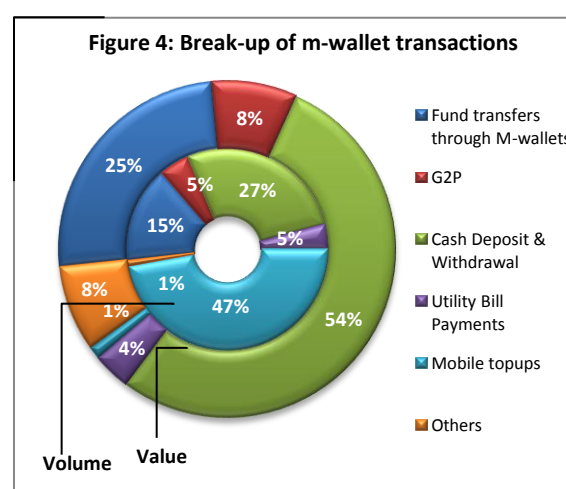
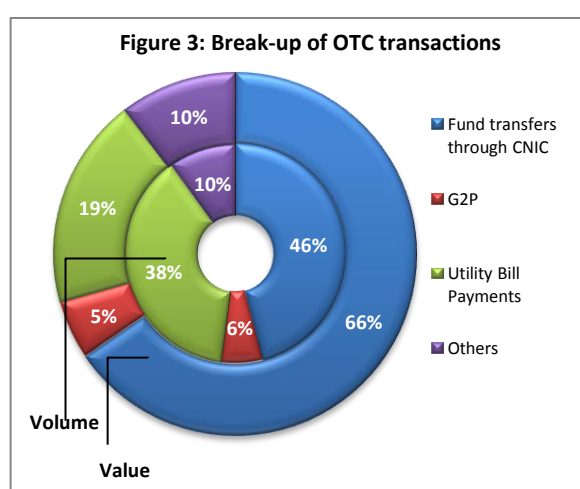
60.5% in total value of transactions, while, the value of agent transactions stood at 214.7 billion with a share of 39.5%.

### Customer-oriented transactions increase in volume and value

The customer oriented transactions (which are comprised of OTC & m-wallet transactions and exclude agent transactions for liquidity purpose), witnessed a sizeable increase of 3.0 million in volume and Rs. 20.1 billion in value, during Q2-CY16.

The increase in value was mainly attributed to enhanced activity of Rs. 6.6 billion in cash withdrawals by customers, Rs. 5.2 billion in fund transfers, Rs. 4.7 billion in bills payment and Rs. 2.5 billion in wallet to wallet transfers.

The volume in customer oriented transactions slightly increased to 113.5 million from 110.4 million during current quarter. Overall increase of customer oriented transactions was broad based, where 3.4 million came from mobile top ups, 2.6 million from G2P through m-wallet and 1 million from m-wallet to m-wallet fund transfers.



The share of OTC transactions in overall number and value of customer transactions remained high. The OTC transactions in the current quarter were almost the same in absolute terms compared with previous quarter; however the ratio of OTC transactions in over all customers' transactions decreased by 1.6% compared to last quarter.

As Figure 3 illustrates above, the breakup of OTC transactions shows that fund transfer through CNIC and utility bill payments are dominant in terms of both number and value of transactions. Figure 4 illustrates the breakup of m-wallet transactions which is mainly used for cash deposit & withdrawal, fund transfers through m-wallets, G2P and utility bill payments valuing at Rs. 61.5 billion, Rs. 28.9 billion, Rs. 9.5 billion and Rs. 4.2 billion, respectively.

During the quarter, m-wallet account holders carried out 44.6 million transactions, increasing from 41.6 million transactions in the previous quarter, showing 7.2% growth in volume. In terms of value, the amount rose to Rs.114.9 billion, showing a healthy growth of 12.4%. The consistent growth in m-wallet transactions is an encouraging sign that m-wallets are being adopted by the masses for financial services.



## Branchless Banking Analysis

### Shifting from OTC to m-wallet channel continues in customer-oriented transactions

The m-wallets to OTC ratio, which is the ratio between number of m-wallet & OTC transactions, increased to 39% from 38% in the previous quarter. This means that out of every 100 customer oriented transactions, 39 are made through m-wallets and the remaining are through the OTC channel. It was observed that m-wallet transactions increased by 3 million while OTC transactions increased by a slight 0.1 million during the quarter.

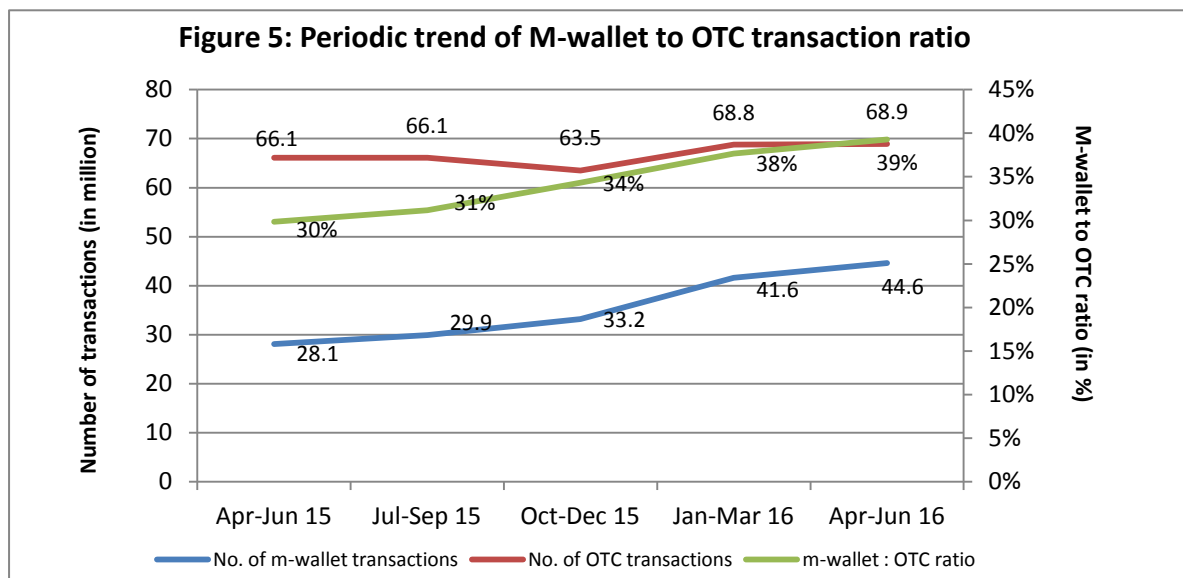
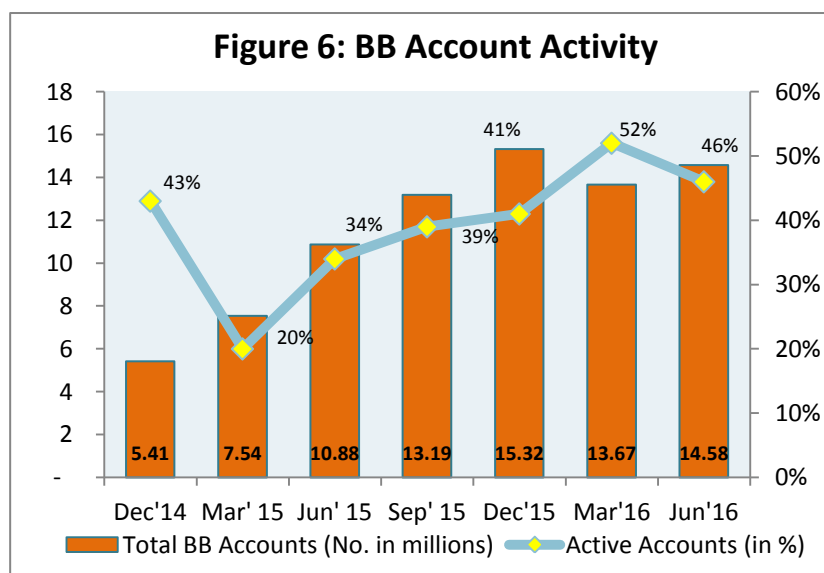


Figure 5 illustrates, overwhelming growth in m-wallet and OTC transactions between the period Apr-Jun 15 and Apr-Jun 16. It is evident that OTC transactions have grown from 66.1 to 68.9 million (4.2%) whereas m-wallet transactions have moved encouragingly from 28.1 to 46.6 million (58.7%) during the same period.

### BB Accounts witnessing growth despite closure of inactive accounts during Previous Quarter

During the quarter under review, 0.9 million new accounts were opened, taking the total number of BB accounts to 14.6 million. BB accounts are gradually being accepted and have shown growth of 93% since Mar-15 to Jun-16, as depicted in Figure 6.

The activity in BB accounts showed consistent growth since Q1-CY15, however, 6% decline was observed in Q2-CY16 (Figure 6). All BB players should create value added services



## Branchless Banking Analysis

in their products offering and promote these product & services through awareness programs so that customers can understand the benefits of digital financial services.

**Table 2: Player-wise Comparison - Total vs Active Accounts**

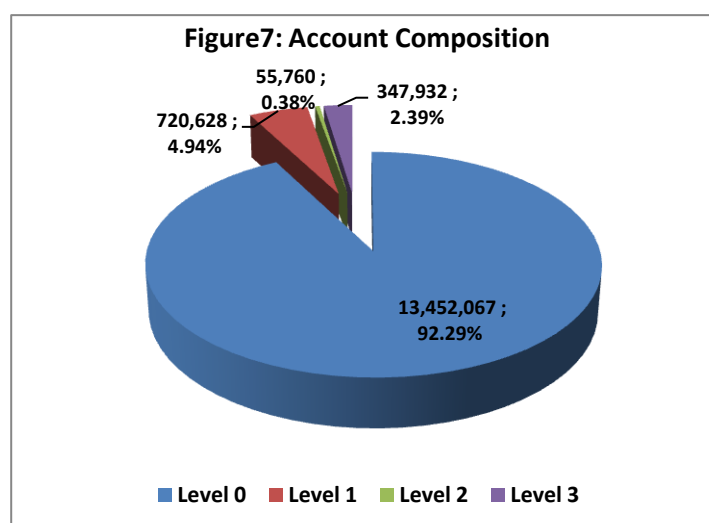
BB Player	% in Total BB Accounts	% in Active BB Accounts
<b>Easypaisa</b>	49%	39%
<b>Jazzcash</b>	33%	36%
<b>Omni</b>	15%	21%
<b>Others</b>	3%	4%

The BB market is competitive and the players are reaching out to more customers each quarter. Out of the 0.9 million accounts opened during the Q2-CY16, Jazzcash and Omni have market share of 95% and 4%, respectively. The player-wise ranking in accounts did not see any change as compared to the previous quarter, as Easypaisa remained the top contributor with 7.1 million accounts, followed by Jazzcash and Omni with 4.8 million and 2.2 million accounts, respectively.

Figure 7 illustrates the distribution of different levels of BB accounts. The majority of the BB accounts comprise of Level-0 accounts i.e. 92.3%. This is followed by Level-1, Level-3 and Level-2 accounts with shares of 4.9%, 2.4% and 0.4%, respectively. The continuous rise in opening of level-0 accounts demonstrates that the financially excluded segments of the population are getting access from formal financial service providers.

### Only 3 out of 9 players actively pursue mobile accounts

The BB players need to develop comprehensive strategies to increase their total and active BB accounts portfolio. Table 2 shows a comparison among the three big BB providers in terms of overall and active accounts. Easypaisa, being the industry leader in total accounts portfolio, repositioned its previous ranking in active BB accounts also; whereas Jazzcash and UBL Omni have maintained as second and third number player in total and active BB accounts during the quarter under review.



Out of 14.6 million BB accounts, 14.1 million (96%) accounts were held by these three players, similarly, 92% of BB transactions were also carried out by the same players. In order to harness the untapped opportunities and capture due share in the market, remaining players need to put more efforts.

### BB players need to diversify geographic concentration

The BB players need to diversify their digital financial services in the underserved and hard to reach areas where brick and mortar are not feasible for banks. The table 3 shows, total share of BB accounts in GB, AJK and Balochistan are 0.4%, 1.8% & 3.1% respectively whereas 0.9%, 1.7% and 2.5% of total deposits have been maintained in these three regions.

## Branchless Banking Analysis

**Table 3: Province-Wise BB Deposits & Accounts**

Name of Province/Region	Number of BB Accounts	Amount of Deposits
AJK	268,786	226,711,385
Balochistan	447,286	345,700,332
GB	60,618	124,732,229
KPK	2,591,359	2,403,873,526
Punjab	8,278,145	7,890,349,480
Sindh	2,930,193	2,743,132,761
<b>Total</b>	<b>14,576,387</b>	<b>13,734,499,713</b>

### Gender-mix of BB accounts portrays a dismal share of women

Out of the total 14.6 million mobile accounts, only 2 million accounts are of women which represent only 14% of accounts. Considering the fact that the National Financial Inclusion Strategy has set a target of 25% of total adult women population to have bank accounts by 2020, the industry must take initiatives, through tailor-made product offerings and awareness campaigns, to include women segment into the financial realm.

### Status of G2P portfolio

A total of Rs. 21.99 billion were disbursed among 5.21 million beneficiaries during the quarter. BISP remained the major contributor by disbursing Rs. 18.3 billion to 3.7 million beneficiaries, whereas Rs. 2.75 billion were disbursed to 106,375 beneficiaries on account of internally displaced persons payments.

**Table 4: Break-up of G2P Disbursements**

Program	Beneficiaries	Amount disbursed during the Quarter
BISP	3,778,476	18,279,587,150
World Food Program	-	-
IDP Payments	106,375	2,753,382,162
Others	1,328,706	95,9397,501
<b>Total</b>	<b>5,213,557</b>	<b>21,992,366,813</b>

### BB deposits show a significant increase

BB deposits stood at Rs. 13.7 billion during the quarter witnessing a healthy and significant growth of 26.8% from Rs. 10.9 billion as compared to previous quarter. The average deposits per account also significantly increased to Rs. 942 from Rs. 796 during the same period. The 92% of deposits were contributed by Level 0 accounts, majority of deposits were being raised by customers having low level of KYC requirements and transaction limits and 5% of deposits were generated from Level 1 account holders.

Easypaisa and Omni have a market share of 77% in overall BB deposits, while Easypaisa and Jazzcash have 82% in the overall BB accounts of the industry. Considerable effort is required from all players to tap into the potential customers and venturing in other market segments for raising deposits.

**Table 5: Average Deposits in BB Accounts**

Account type	Jan-Mar 16 Rs.	Apr-Jun 16 Rs.
BB Level 0	677	819
BB Level 1	635	967
BB Level 2	2,619	3,494
BB Level 3 (Agents)	5,315	5,251
<b>Average BB Deposits</b>	<b>796</b>	<b>942</b>



## Branchless Banking Analysis

### Agent Network- Growth and Performance

Total number of agents grew by 1.6%, reaching 346,716 by the end of Apr-Jun 2016. The share of agents in the market is dominated by Easy Paisa (30%), Jazzcash (18%) and Upaisa by (13%). All players need to activate the existing agents' infrastructure for promoting BB transactions including opening of new accounts, transfer of funds and raising deposits. HBL Express, Timepay and Mobilepaisa need to put more efforts for utilizing their agent network for BB activities.

### BB providers improved monitoring of Agents

As the agent network is growing consistently, BB players have also improved their risk management processes and monitoring systems to control the agent related activities posing reputational & operational risks to BB operations. In this regard, BB players have suspended/penalized 2,205 agents out of 346,716, during the quarter. BB players are required to improve their agent take on procedures, monitoring & compliance mechanism in line with BPRD Circular No. 06 of 2016 on Framework for Branchless Banking Agent Acquisition and Management. The responsible agents have a pivotal role to achieve broader objectives of financial inclusion in the country.

### Agent activity decreased slightly

The number of active agents rationalized to 236,874 during current quarter from 240,220 compared to previous quarter. The agent activity ratio was 68% during the quarter under review, implying that 32% of agents remained inactive during the quarter Apr-Jun 2016. The major reason for this deceleration is that, agents of Omni, Meezan and Upaisa reduced their activity during the quarter.

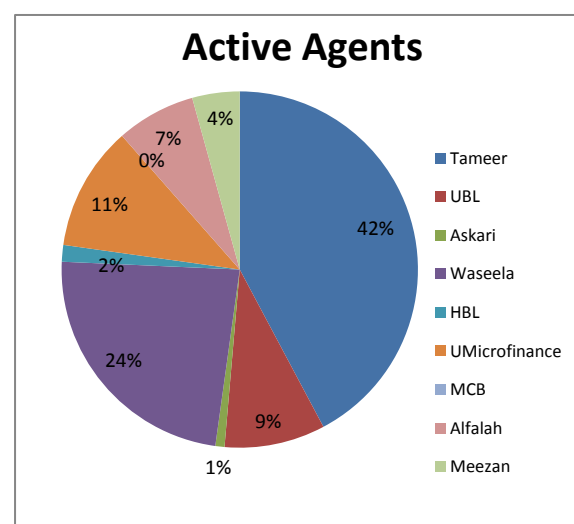
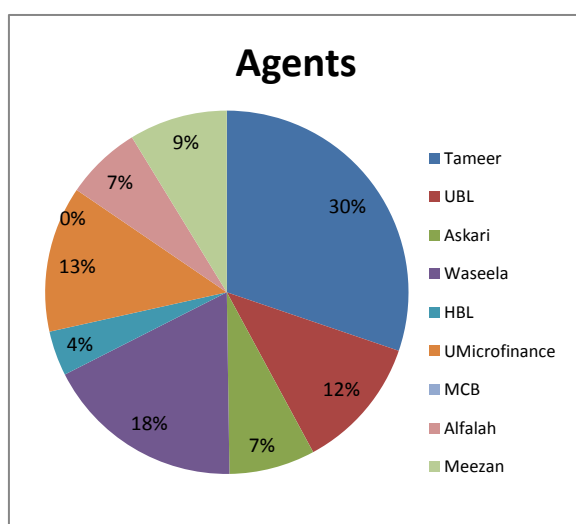
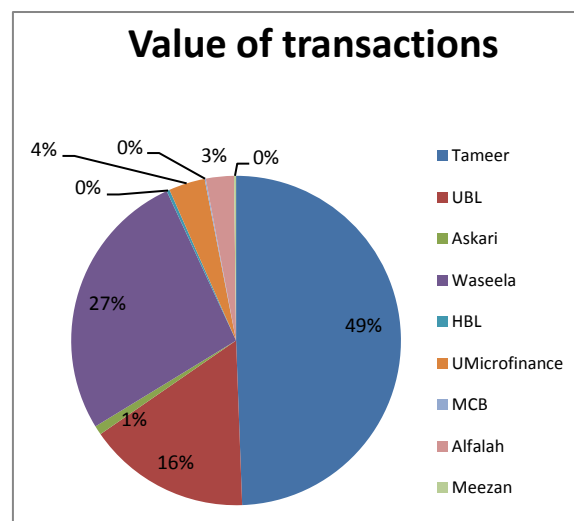
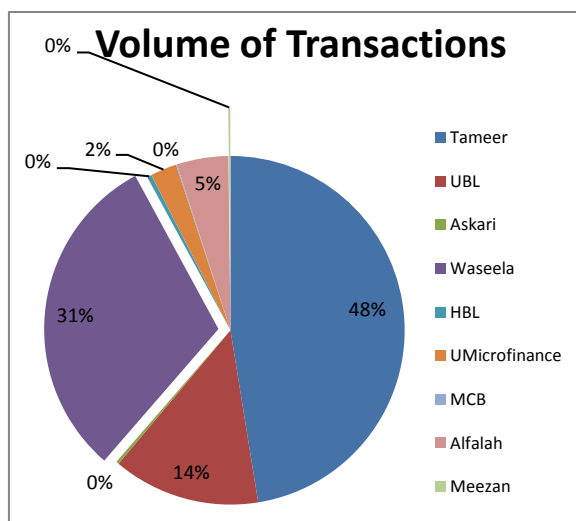
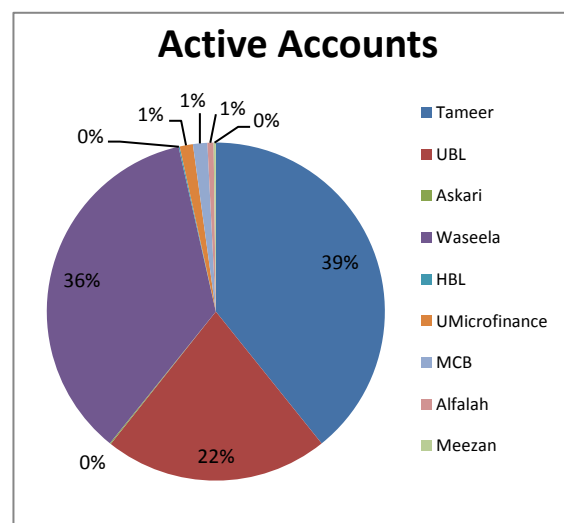
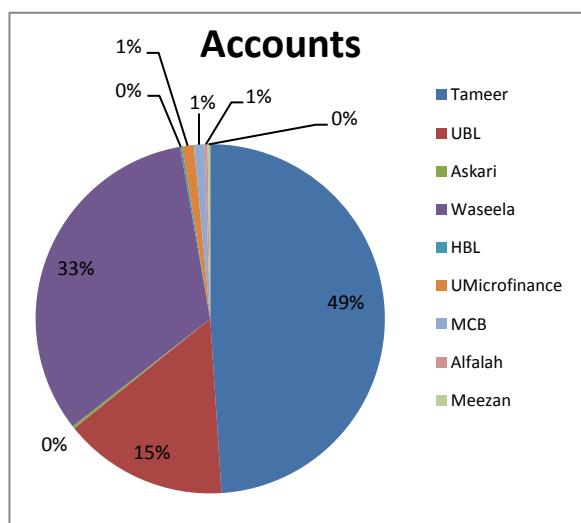
**Table 6: Agent locations with account opening capability**

	Jan-Mar 2016	Apr-Jun 2016
Easypaisa	25.6%	23.2%
Omni	100.0%	100.0%
Timepey	4.5%	4.5%
Jazzcash	54.0%	52.9%
HBL Express	86.2%	86.7%
Upaisa	2.7%	2.8%
Mobilepaisa	1.5%	1.5%
Meezan Upaisa	-	-
<b>Total</b>	<b>33.3%</b>	<b>32.6%</b>

Table 6 shows the capability of agents to open BB accounts, the account opening capability of BB players slightly decreased from 33.3% in the previous quarter to 32.6% during the quarter Apr-Jun 2016. The BB players can open mobile-wallet accounts with low and adequate know-your-customer requirements at agent locations across the country to facilitate the underserved and unserved population.

## Player-wise market share

This section presents the market share of each player in the categories mentioned below:



## Branchless Banking Snapshot

**Table 7: Volume & Value of different types of transactions**

S.#	Type of Transactions	Jan-Mar 2016		Apr-Jun 2016	
		Volume of Transactions (Numbers)	Value of Transaction	Volume of Transactions (Numbers)	Value of Transactions
<b>1</b>	<b>Agent transfers for liquidity</b>				
	Agent account to agent account	4,604,916	111,860,756,716	4,452,485	114,515,758,738
	Agent account to bank account	151,464	7,440,749,821	118,277	7,112,364,466
	Bank account to agent account	407,800	68,699,356,132	410,660	78,407,704,809
	Cash Deposit in L3 by agents	315,301	12,276,098,720	310,563	14,591,438,229
<b>2</b>	<b>Fund Transfers</b>				
	a. <i>Fund transfers through M-wallets</i>				
	MW to MW transfers	4,508,360	19,577,565,291	4,974,073	22,055,157,350
	MW to bank account transfers	74,783	534,898,489	94,977	697,416,493
	Bank account to MW transfers	31,575	528,395,940	34,105	675,261,546
	MW-to-person fund transfers	1,098,805	4,058,679,170	1,765,994	5,474,136,946
	b. <i>Fund transfers through CNIC</i>	-	-	-	-
	Person to person sending	15,749,156	66,951,620,064	15,306,716	69,658,757,154
	Person to person receiving	17,265,518	72,177,755,164	16,341,339	70,473,044,949
<b>3</b>	<b>Bulk Payments</b>				
	a. <i>Government to Person Payments</i>				
	G2P through MW	4,902,822	7,968,054,312	2,067,922	8,189,838,677
	G2P through card	2,676,601	10,785,115,840	4,214,200	11,050,878,950
	b. <i>EOBI Pensioners</i>				
	Pension payment through MW				
	Pension payment through OTC				
	Salaries payments and Others	54,221	805,704,517	97,932	1,297,729,854
<b>4</b>	<b>Cash deposit &amp; withdrawal</b>				
	Cash Deposited in MW (including person to MW transfers)	7,085,532	34,980,511,052	7,157,026	36,875,593,581
	Cash Withdraw from MW	4,158,113	21,991,571,302	5,059,041	25,716,978,530
	Cash withdraw through card (G2P)	1,960,412	9,142,272,047	4,555,634	12,045,747,392
<b>5</b>	<b>Bill payments &amp; Top-ups</b>				
	Utility Bills Payment	29,819,203	40,136,563,910	28,036,801	44,835,605,863
	Internet Bill Payments	206,079	299,210,045	200,414	309,408,235
	Mobile Top-ups	18,486,743	1,202,128,652	21,843,585	1,464,420,017
<b>6</b>	<b>Loan</b>				
	Disbursement	1,149	7,422,416	1,495	9,395,212
	Repayment	1,106,219	4,484,130,639	887,461	4,772,175,156
<b>7</b>	<b>Others</b>				
	Donations	33,898	16,537,359	4,526	21,412,855
	Retail Payments	199,782	315,862,135	140,064	332,107,754
	International Home remittance	17,500	520,002,780	19,657	599,888,328
	Account Opening Transactions	99,492	15,482,057	30,617	6,422,173
	Cash collection/payment services	514,660	4,293,012,860	276,172	3,165,855,157
	IBFT	397,328	8,056,145,281	369,810	9,254,056,098
	<b>Total</b>	<b>115,927,432</b>	<b>509,125,602,711</b>	<b>118,771,546</b>	<b>543,608,554,512</b>

## Branchless Banking Snapshot

**Table 8: Customer Transaction Analysis - OTC vs. M-wallets**

Type of Transactions	OTC		M-Wallets	
	Volume of Transactions (Numbers)	Value of Transactions	Volume of Transactions (Numbers)	Value of Transactions
<b>Fund Transfers</b>				
<b>Fund transfers through M-wallets</b>				
MW to MW transfers	-	-	4,974,073	22,055,157,350
MW to bank account transfers	-	-	94,977	697,416,493
Bank account to MW transfers	-	-	34,105	675,261,546
MW-to-person fund transfers	-	-	1,765,994	5,474,136,946
Person to MW fund transfer	15,692	1,020,093,042	-	-
<b>Fund transfers through CNIC</b>				
Person to person sending	15,306,716	69,658,757,154	-	-
Person to person receiving	16,341,339	70,473,044,949	-	-
<b>Bulk Payments</b>				
<b>Government to Person Payments</b>				
G2P through MW			2,067,922	8,189,838,677
G2P through card	4,214,200	11,050,878,950	-	-
<b>EOBI Pensioners</b>				
Pension payment through MW				
Pension payment through OTC				
Salary payment and Others	-	-	97,932	1,297,729,854
<b>Cash deposit &amp; withdrawal</b>				
Cash Deposited in MW (excluding person to MW transfers)	-	-	7,141,334	35,855,500,539
Cash Withdrawal from MW	-	-	5,059,041	25,716,978,530
Cash withdrawal through card (G2P)	4,555,634	12,045,747,392	-	-
<b>Bill Payments &amp; Top ups</b>				
Utility Bills Payment	26,209,889	40,631,112,551	1,826,912	4,204,493,312
Internet Bill Payments	180,207	286,852,609	20,207	22,555,626
Mobile Top-ups	746,450	117,239,353	21,097,135	1,347,180,664
<b>Loan</b>				
Disbursement	1,495	9,395,212	-	-
Repayment	879,013	4,723,921,982	8,448	48,253,174
<b>Others</b>				
Donations	269	1,219,200	4,257	20,193,655
Retail Payments	96,139	226,365,523	43,925	105,742,231
International Home remittance	19,257	592,422,139	400	7,466,189
Account Opening Transactions	30,617	6,422,173	-	-
Cash collection/payment services	275,844	3,165,703,628	328	151,529
IBFT	-	-	369,810	9,254,056,098
<b>Total</b>	<b>68,872,761</b>	<b>214,009,175,857</b>	<b>44,606,800</b>	<b>114,972,112,413</b>

## Events

### Seminar by Dunya Media Group on Digital Financial Services

The first “Dunya Digital Financial Services Seminar – with perspective of SBP Vision - 2020” was held on September 28, 2016 at Pearl Continental Hotel, Karachi. The event was attended by the Deputy Governor, SBP, Mr. Saeed Ahmad, Chairman PTA, Dr. Ismail Shah, Executive Director SBP Syed Samar Hasnain, Mr. Nadeem Hussain (Chairman & Founder Digital Planet N-Group), Mr. Atif Bajwa, (President & CEO, Bank Alfalah), SBP officials and large number of bankers and IT experts.

Addressing the audience as the key note speaker, Deputy Governor, SBP, Mr. Saeed Ahmad highlighted the challenges being faced and the role of SBP in promoting Digital Financial Services (DFS).



He elaborated that Financial Inclusion plays a pivotal role in promoting inclusive economic growth through enhancing livelihoods and enterprise activities. The DFS or branchless banking (BB) can boost the convenience and outreach of affordable financial services, particularly to the underserved demographics, in a highly cost-efficient manner. The robust banking infrastructure coupled with an enabling policy regime led by State Bank has created the right conditions for the advancement of financial inclusion through Digital Financial Services.

He said that SBP has envisioned a National Financial Inclusion Strategy which identifies the gaps leading to persistent financial exclusion and sets out the national vision and roadmap to accelerate financial inclusion. It sets clear national targets and drivers to significantly increase the access and use of financial services in the next 5 years. Our main goal is to increase the number of adults having bank accounts from current 16% to 50% by 2020, and lead us on the road to achieve the long term vision of universal financial access.



Chairman PTA gave an overall view of digital landscape of the country. He told that broadband subscription is increasing, as of August 2016 there were 35 million broadband subscribers, of which 32 million were mobile broad band subscribers. Pakistan Telecommunication Authority is providing 3G and 4G services in the rural areas with improved frequency. The chairman PTA also elaborated that smart phones have now become personal computers and the smart phones are increasing exponentially that is why PTA is more focusing on updation and upgradation of technology with the



## Events

rapidly changing IT environment Mr. Nadeem Hussain, Chairman & Founder N-Planet said that role of SBP and PTA are equally important and significant for the digitization of the economy. He said that, digitization will have a positive effect on the growth of the economy. However, he showed his concern as private sector doesn't want to go for optical fiber. He further suggested that Govt. should play its role to increase the coverage of broad band.

In addition, technology and banking experts gave their ideas on increasing digital financial services in various sessions and also gave answers to questions of the audience. The chief guest and key speakers thanked the audience and the sponsors for their support and guidance.

### **The 10th Annual Microfinance Assembly “Transform Lives, Innovate for the Poor”**

The 10th Annual Pakistan Microfinance Assembly was held on 4th October 2016 at Marriot Hotel, Karachi. The theme of the conference was “Transform Lives, Innovate for the Poor”. The conference was held to generate innovative ideas that can help the underprivileged with developing businesses and increase entrepreneurship in Pakistan. A key focus of the event was how to increase financial inclusion and come up with solutions that can help in creating necessary changes in Pakistan's economic environment to empower people from all of society.



The Conference was organized by Shamrock Conferences International, in collaboration with Brac Pakistan, Mobilink Microfinance Bank Limited and Khushhali Bank Limited. During the Conference, Microfinance Recognition Awards were also given to 30 institutions for their outstanding contributions towards improving the lives of the poor which included the microfinance banks and Non bank microfinance institutions. The Conference was attended by Deputy Governor, SBP Mr. Saeed Ahmad, Executive Director, SBP Syed Samar Hasnain, Dr. Muhammad Amjad Founder and Chairman Ahuwat Foundation, Mr. Zubyr Soomro Chairman Pakistan Microfinance Investment Company (PMIC), Mr. Noor Ahmed, SBP, Syed Mohsin Ahmed CEO of Pakistan Microfinance Network, Chairman SHAMROCK Conferences International and other distinguished representatives from microfinance industry. While delivering inaugural speech, Mr. Saeed Ahmad highlighted SBP's policy initiatives for the promotion of microfinance sector in Pakistan. He highlighted elaborated SBP's three pronged strategy to achieve the goal of 50% financial inclusion by 2020. He elaborated that SBP has been driving 'Financial Inclusion' as a strategic goal through a three-pronged approach, which includes:

1. Creating an enabling legal & regulatory framework based on proportionality between competing objectives of Inclusion, Stability, Integrity and Protection.
2. implementing incentive schemes and initiatives to enhance credit, market information and infrastructure to promote financial inclusion on sustainable basis, and
3. Building partnerships and alliances for capacity building and advocacy of financial inclusion agenda.



## Events

He also highlighted major successes and developments on the front of Financial Inclusion. He said that success of BB in Pakistan can be gauged by the total value of transactions occurring on this platform, which crosses Rs 1 trillion annually. There are now 14.5 million accounts, and an agent network of almost more than 346,000 agents in the country, serving more than 1.3 million transactions per day with average ticket sizes of Rs 4,500. This reflects that BB is not only improving financial access but spurring usage and improved quality of financial services. To further promote branchless banking, biometric infrastructure is being swiftly installed at agent level to aid real-time account opening at discounted price structure. Around 55,000 devices have already been installed. He also throw light on the overall developments on NFIS and functions and structures of different committees to achieve the milestones. In future, the Technical Committees will also monitor progress of ongoing initiatives and the status will be shared with the NFIS Steering Committee on a quarterly basis.

Dr. Amjad Saqib, founder and chairman of Akhuwat Foundation, delivered the key note speech and stressed the importance of nurturing microfinance as purely humanitarian intervention rather than on purely commercial basis. He said that social development and uplift of the masses should be the spirit behind all microfinance initiatives. Islamic Mode of finance and Qarz-e-Hasana can be easily incorporated in the Microfinance arena, as it is less exploitative and based on equity creation and sharing. He also pointed out that high interest rates charged by the microfinance industry are one of the major challenges for the whole sector. The industry has to finance responsibly, taking microfinance as a social mission along with a sustainable business model.



Mr. Zubyr Soomro, chairman PMIC stressed to create a technology platform which should be accessible for all microfinance institutions to facilitate them in the adoption of latest technologies. He also stressed microfinance institutions to work closely with vocational training institutions to identify and support capable entrepreneurs as these were preparing skilled entrepreneurs.

The CEO of PMN, Syed Mohsin Ahmed gave a detailed presentation on the microfinance sector landscape including the challenges ahead. He said that PMN prepared an ambitious plan to raise the number of Microfinance loan customers from the current 4.3 million to 10 million customers by the year 2020. The PMN is striving to raise the gross loan portfolio to Rs.400 billion by 2020. The chief guest and speakers thanked the sponsors and all stake holders for their support.

## International News

### New G20 High-Level Principles for Digital Financial Inclusion



The leaders of the G20 countries endorsed the G20 High-Level Principles for Digital Financial Inclusion at the Summit held in September 4-5, 2016, in Hangzhou, China. The leaders also approved an updated version of the G20 Financial Inclusion Indicators (focused on digital financial services).

Digital technologies offer a powerful solution for expanding access to financial services to the estimated two billion adults globally who are still excluded from the formal financial system. By enabling innovative business models, digital technologies can help connect more people at lower costs – including those living in rural and remote areas - to critical financial services that help them manage their financial lives and, ultimately, offer a pathway out of poverty.

The new Principles complement the 2010 G20 Principles for Innovative Financial Inclusion, which were critical in drawing global attention to the issue of financial inclusion and spurring initial policy actions.

These 2016 Principles build on that success and reflect significant developments that have occurred over the past six years in terms of: (1) technological innovations in digital financial services, (2) availability of new G20-blessed and international standard-setting bodies' standards and guidance, (3) enhanced electronic data quality and availability, and (4) growing awareness of the critical importance of infrastructure, standards, and conducive regulations beyond the financial sector for financial inclusion.

The 2016 High Level Principles for Digital Financial Inclusion build on that success by providing a basis for country action plans reflecting country context and national circumstances to leverage the huge potential offered by digital technologies. The principles are based on the rich experience reflected in G20 and international standard-setting bodies' standards and guidance. They also recognize the need to support innovation while managing risk and encouraging development of digital financial products and services. The G20 High-Level Principles for Digital Financial Inclusion are as follows:

**Principle1: Promote a Digital Approach to Financial Inclusion:** Promote digital financial services as a priority to drive development of inclusive financial systems, including through coordinated, monitored, and evaluated national strategies and action plans.

## International News

**Principle 2: Balance Innovation and Risk to Achieve Digital Financial Inclusion:** Balance promoting innovation to achieve digital financial inclusion with identifying, assessing, monitoring and managing new risks.

**Principle 3: Provide an Enabling and Proportionate Legal and Regulatory Framework for Digital Financial Inclusion:** Provide an enabling and proportionate legal and regulatory framework for digital financial inclusion, taking into account relevant G20 and international standard setting body standards and guidance.

**Principle 4: Expand the Digital Financial Services Infrastructure Ecosystem:** Expand the digital financial services ecosystem—including financial and information and communications technology infrastructure—for the safe, reliable and low-cost provision of digital financial services to all relevant geographical areas, especially underserved rural areas.

**Principle 5: Establish Responsible Digital Financial Practices to Protect Consumers:** Establish a comprehensive approach to consumer and data protection that focuses on issues of specific relevance to digital financial services.

**Principle 6: Strengthen Digital and Financial Literacy and Awareness:** Support and evaluate programs that enhance digital and financial literacy in light of the unique characteristics, advantages, and risks of digital financial services and channels.



**Principle 7: Facilitate Customer Identification for Digital Financial Services:** Facilitate access to digital financial services by developing, or encouraging the development of, customer identity systems, products and services that are accessible, affordable, and verifiable and accommodate multiple needs and risk levels for a risk-based approach to customer due diligence.

**Principle 8: Track Digital Financial Inclusion Progress:** Track progress on digital financial inclusion through a comprehensive and robust data measurement and evaluation system. This system should leverage new sources of digital data and enable stakeholders to analyze and monitor the supply of—and demand for—digital financial services, as well as assess the impact of key programs and reforms.

<http://www.gpfi.org/news/new-g20-high-level-principles-digital-financial-inclusion>

### **Banks to pay for mobile money transactions fraud: The Central bank of Nigeria**

Customers who lose money to fraudsters through the mobile money-driven Unstructured Supplementary Service Data (USSD) banking will be reimbursed by their banks, the Central Bank of Nigeria (CBN) has said. The USSD Banking platform allows customers to transfer money to third party, buy airtime, open accounts, pay bills and book travels, among other services, using their mobile phones, but the level of customer protection is still below regulatory threshold. CBN Director, Banking and Payments Department, 'Dipo Fatokun, said the apex bank reviewed the process of USSD deals and directed banks to allow their customers transacting through the platform to use a Personal Identification Number (PIN) instead of the last four digits on their Automated Teller



## International News

Machine (ATM) cards. He spoke at a forum organized by financial correspondents in Lagos. Banks are yet to perfect the security around the USSD transaction plan. They are not providing additional security, such as allowing PIN into the transaction process as against the current practice whereby customers rely on the last four digits of their ATM cards for transactions. This has resulted in many customers losing their money to fraudsters or people who have access to their ATM cards. Speaking on the theme: “Recent developments in the electronic payments system and implications for consumers of electronic payment services” Fatokun said: “We have reviewed the process of USSD and instructed banks that they must use a PIN. It is possible for people to come in contact with your phone, and also come in contact with your ATM card and so, use the last four digit of your card as PIN and that is dangerous. Give a customer a PIN, which is known only to him. One of the banks, I won’t mention names, told us they needed to do system configuration, to ensure that customers can use one time password (OTP) or give the customer password or a token.” Fatokun said until the banks are able to provide OTP or token to customers transacting through the USSD platform, they will bear the cost of any loss of funds through the process.

<http://thenationonline.ng/banks-pay-mobile-money-transactions-fraud/>

### **Indonesia’s BRI embraces banking by Satellite**

Bank hopes technological leap will enhance lending to small businesses. BRI is Indonesia’s biggest provider of small loans and its customers are strewn across some 3,000km of the world’s largest archipelago. Satellite communications, it is hoped, will deliver huge savings in operating costs.



In the middle of last month, executives of Bank Rakyat Indonesia travelled 18,000km from Jakarta to the northern coast of French Guiana in South America to witness the launch of a rocket that would make the bank the world’s first with its own satellite.

As the launch approached, BRI executives gathered at the Guiana Space Center were both excited and tense. The original launch date had already been pushed back several times by bad weather and technical glitches. When the Ariane 5 rocket lifted off with BRIsat on board, tension turned to delight and relief. Asmawi Syam, BRI’s president, called it “a new era in banking.” Back home, news of the launch and the satellite’s parking in stationary orbit above Indonesia was splashed across the morning papers. Investors, however, are less impressed. After hitting an all-time high of 13,275 rupiah (\$1.01) in March 2015, BRI’s shares slumped. On July 15, they closed at 11,500 rupiah.

### **The Mastercard Foundation Launches Second Innovation Competition for Africa’s Smallholder Farmers and Rural poor.**

The MasterCard Foundation launched the second of three yearly Innovation Competitions under its Fund for Rural Prosperity, an initiative which aims to improve the lives of more than one million

## International News

smallholder farmers and people living in poverty in rural Africa. With a total of US\$15 million, the Innovation competitions support start-up businesses as they launch new, scalable financial services in 24 African countries. “Last year, we were very impressed by the quantity, quality and originality of applications in the Fund for Rural Prosperity’s first Innovation Competition”, said Ann Miles, Director of Financial Inclusion and Youth Livelihoods at The MasterCard Foundation. “This year, we expect to see even more proposals coming forth focused on changing lives for the better by enabling people to be part of the formal financial sector in their countries. ”In 2015, the Fund’s Innovation Competition awarded nine financial service companies from Sub-Saharan Africa a total of US\$6.9 million to move their ideas from conception to implementation. The majority of rural households in Africa remain financially excluded. Over 70 percent of families in Sub-Saharan Africa derive a large portion of their income from agricultural activities. Many financial service providers lack the knowledge and capacity to develop appropriate products and services that would enable the rural poor and smallholder farmers to become financially included. The MasterCard Foundation aims to support projects that have the potential make a difference. The MasterCard Foundation Fund for Rural Prosperity is managed by KPMG International Development Advisory Services, Africa. The Fund has two categories of competitions:

- a) Innovation: A total of US\$15 million to support new products, services or processes that increase access to finance for the rural poor. US\$6.9 million was awarded in the first Innovation Competition.
- b) Scaling: A total of US\$35 million to support scaling up the most promising ideas or pilots that have the potential to drive financial inclusion for smallholder farmers in new geographic areas. Companies receiving support in the first Scaling Competition will be announced in April, 2016.

<http://mobilemoneyafrica.com/content.php?id=2661>

### **How Africans are using technology to solve problems**

The advent of the internet and technology has changed the world. With over 70% of Africa’s population under 30, the continent has one of the youngest populations in the world. Technologies have altered methods for communication, medicine, economics, employment, business, education, entertainment – the list is endless. With the advent of information technology into virtually all aspects of life in the 21st century, Africa has taken advantage of the promise and opportunity that a new age of information technology offers.

Technology has been a key factor in shaping Africa’s future and the proliferation of mobile networks has transformed communications. This mobile revolution has enabled Africans to skip stages of technology development and jump right to the digital age. With mobile penetration at over 50%, cell phone ownership is now pervasive across the continent. According to the Pew Research Center’s “Cell Phones in Africa: Communication Lifeline” report, mobile phone penetration in Africa is expected to increase from 52% in 2012 to 79% in 2020.

## 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"> <li>- Performed at least 1 transaction during the last 180 days.</li> <li>- Opened during the last 180 days.</li> <li>- Account has not been suspended /closed/ terminated for any reason.</li> <li>- Fully compliant with KYC requirements as per BB Regulations.</li> </ul>
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"> <li>- Performed at least 1 transaction during the last 90 days.</li> <li>- Opened during the last 90 days.</li> <li>- Agent has not been suspended /closed/ terminated for any reason.</li> <li>- Fully compliant with KYC as per BB Regulations.</li> </ul>
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 transferred 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.



## Appendix 1: Definitions of Terminologies

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