

Jul-Sep 2017 Issue: 25

# Branchless

Quarterly Newsletter

B a n k i n g



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State Bank of Pakistan  
Agricultural Credit and Microfinance Department

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## Branchless Banking Analysis

### Executive Summary

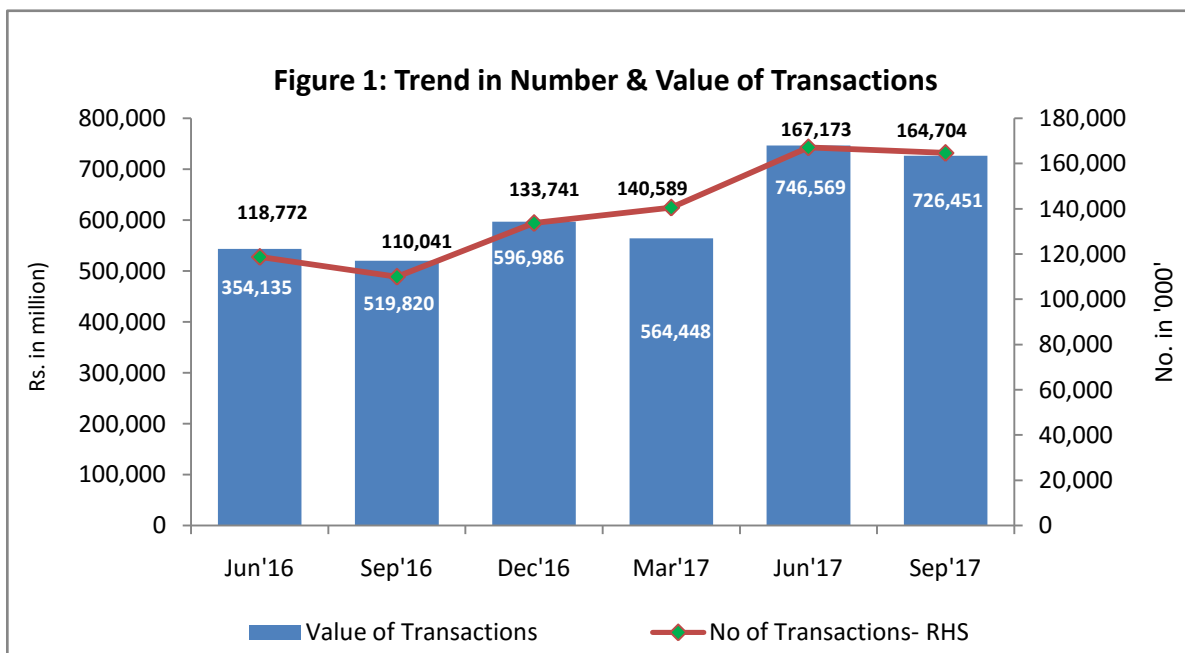
The Jul-Sep 2017 quarter witnessed the highest quarterly increase in BB accounts of 5.7 million, exhibiting 21% growth. The aggregate number of Branchless Banking (BB) accounts surged to 33 million at the quarter end.

The quarter also witnessed a policy change by SBP, under which it was made mandatory for the banks to conduct Person-to-Person transactions (also called CNIC to CNIC) only through the Biometric Verification System (BVS) devices starting July 2017. Since the installation of BVS devices is still underway at a number of agent locations, this led to a decline in OTC transactions, thus exhibiting a downfall in overall BB transactions which declined 1.48% and 2.69% in volume and value respectively, from the preceding quarter.

### HIGHLIGHTS

- Encouraging growth of 21% in BB accounts to reach at 33 million
- M-wallet share in customer oriented transactions rose to 66%
- Rs. 30.6 billion disbursed on account of social welfare payments
- 29% growth in female accounts
- Female share in BB accounts remained 22%, whereas Sindh represents highest share of female accounts ie. 25%

On the other hand, this also resulted in an increased share of m-wallet transactions in overall customer oriented transactions, which jumped to 66% ie. the highest percentage ever, confirming



the fact that m-wallet channel is slowly and steadily gaining momentum vis a vis' Over the Counter channel.

## Branchless Banking Analysis

The agent network grew by 17,397 in number during the quarter under review, bringing the aggregate number of shared agents to 420,107, out of which 181,377 were active agents.

A total of Rs. 30.6 billion was disbursed on account of social welfare payments through the BB channel during the quarter. These social welfare programs include Benazir Income Support Program (BISP), World Food Program, Internally Displaced Person (IDP) payments, EOBI pensioners and others.

Gender wise BB Accounts represent 22% female accounts and 78% male accounts. The total number of female accounts at the end of Jul-Sep 2017 remained 7.39 million out of the total 33 million BB accounts, which represents 29% growth from the preceding quarter. Sindh encompasses the highest share of females in BB accounts (25.3%), followed by Punjab (22.8%) and Azad Kashmir (21.5%).

## Branchless Banking Analysis

**Table 1: BB Key Indicators**

Indicators	Apr-Jun 2017	Jul-Sep 2017	Quarterly Change
Number of Agents	402,710	420,107	4.32%
Number of Active BB Agents	185,297	181,377	-2.12%
Number of Accounts	27,312,964	33,070,736	21.08%
Active Accounts	13,158,310	15,526,367	18.00%
Deposits as of date (Rs. in millions )	15,423	11,280	-26.86%
Number of transactions during the quarter (No. in '000')	167,173	164,704	-1.48%
Value of transactions during the quarter (Rs. in millions)	746,569	726,451	-2.69%
Average size of transaction (in Rs.)	4,466	4,411	-1.24%
Average number of transactions per day	1,857,476	1,830,042	-1.48%
Average deposit per account (in Rs.)	565	341	-39.60%

### Number of BB transactions decline, owing to decrease in OTC payments

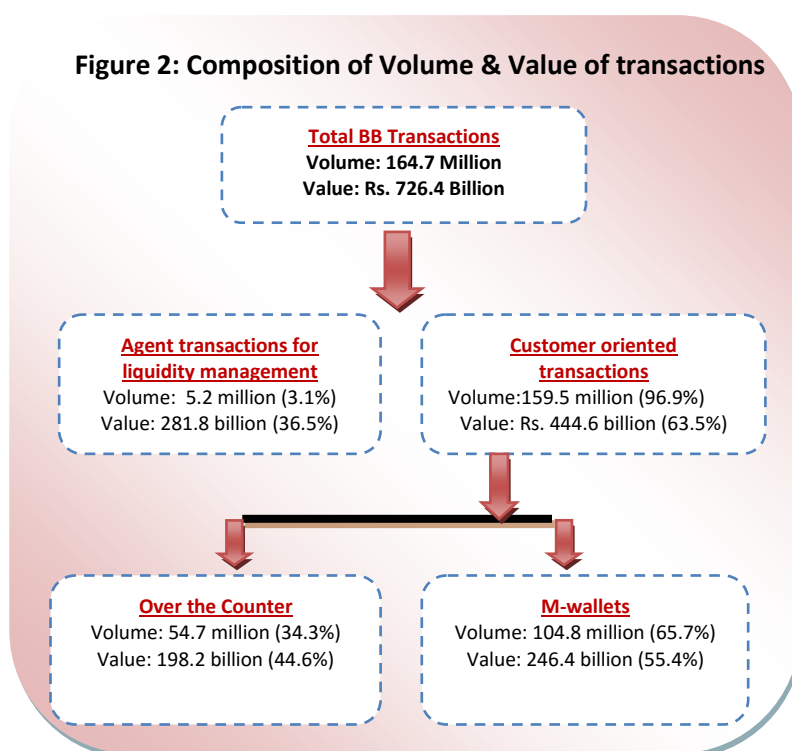
A total number of 164.7 million transactions worth Rs. 726.4 billion were conducted during the Jul-Sep 2017 quarter. Figure 2 shows the break-up of these transactions, showing that the Customer Oriented transactions contributed 96.9% and 63.5% in volume and value of BB transactions respectively, whereas the remaining were agent transactions for liquidity purpose.

The customer oriented transactions are further divided into Over The counter-OTC and mobile-wallet transactions. The mobile-wallets, in terms of volume and value remained 104.8 million and Rs. 246.4 billion, contributing a share 65.7% and 55.4% respectively.

Table 2 shows the quarter wise comparison and break-up of overall BB transactions with their respectively share and % change.

It may be noted that the BB transactions declined by 1.47% and 2.69% in number and value respectively from the previous quarter, due to decline in OTC transactions. SBP made it mandatory for the banks to conduct Person-to-Person transactions (also called CNIC to CNIC) only through the Biometric Verification System (BVS) devices starting July 2017. Since the installation of BVS devices is still underway at a number of agent locations, this led to a decline in OTC transactions, thus exhibiting a downfall in overall BB transactions.

**Figure 2: Composition of Volume & Value of transactions**



**Table 2: Break-up of BB transactions**

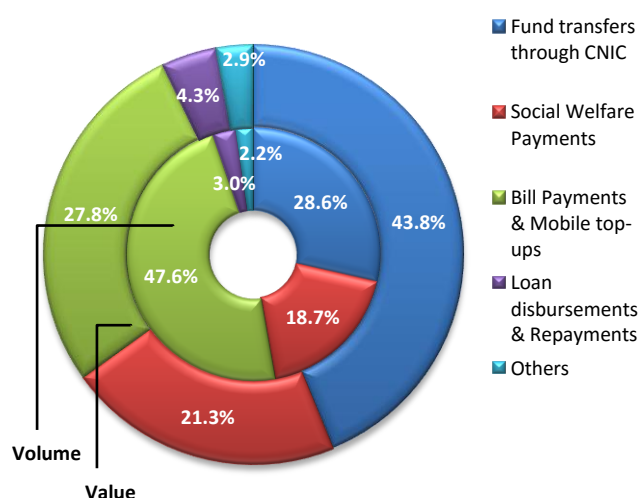
Type of Transactions	Volume (No. in Million)		Change in %	Value (PKR in Billion)		Change in %
	Apr-Jun 2017	Jul-Sep 2017		Apr-Jun 2017	Jul-Sep 2017	
Customer Oriented	161.8	159.5	-1.39%	473.9	444.6	-6.18%
Agent related (for liquidity purpose)	5.4	5.2	-4.54%	272.7	281.8	3.35%
<b>Total BB Transactions</b>	<b>167.2</b>	<b>164.7</b>	<b>-1.48%</b>	<b>746.6</b>	<b>726.4</b>	<b>-2.70%</b>

## Branchless Banking Analysis

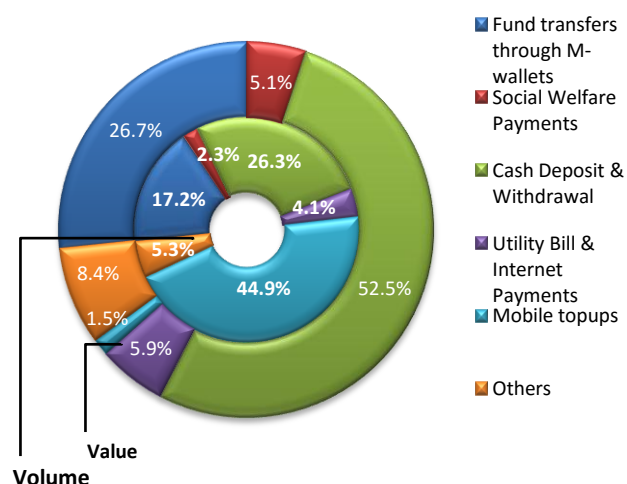
**Customer oriented transactions mainly comprise of fund transfers, bill payments social welfare payments and Cash deposit & withdrawals**

The customer oriented transactions<sup>1</sup> declined by 1.39% and 6.18% in volume and value respectively from the preceding quarter. Figure 3 shows the break-up of OTC transactions, depicting that Funds transfers through CNIC, bill payments & mobile top-ups and social welfare payments are the major contributors. Figure 4 illustrates that funds transfers, cash deposit & withdrawals and mobile top-ups are the major contributors in m-wallet transactions.

**Figure 3: Break-up of OTC transactions**



**Figure 4: Break-up of m-wallet transactions**



### M-wallets grab a sizeable share from OTC channel

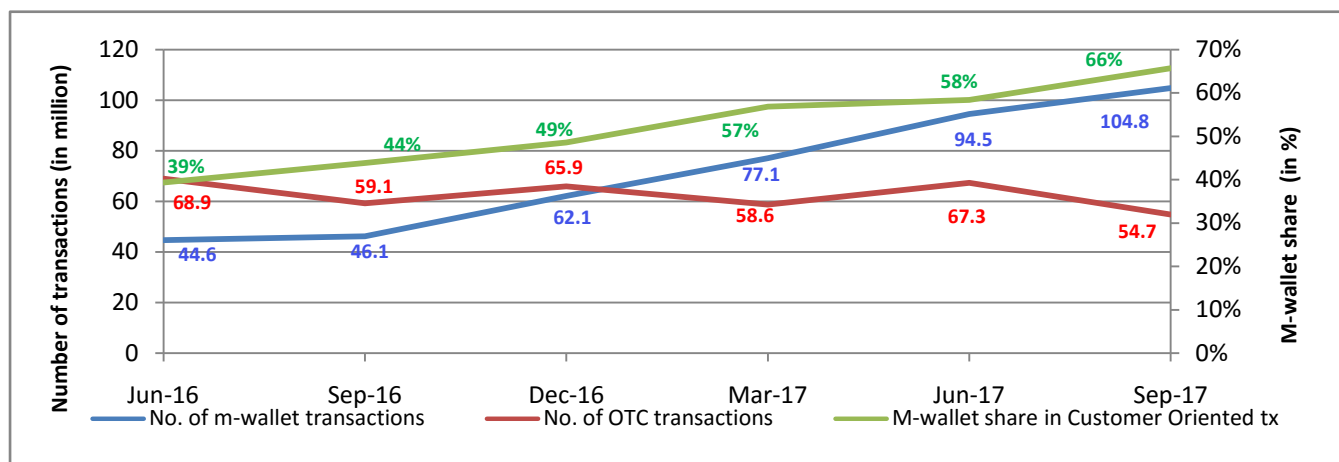
The m-wallet channel has been grabbing the share of OTC slowly and gradually over the past years, However the quarter under review witnessed a sudden surge<sup>2</sup> in m-wallet share which carried out 104.8 million transactions as compared to 54.7 million conducted through OTC channel. Figure 5 exhibits the encouraging fact that m-wallet share has crossed 60% mark for the first time in history, ending at 66% during the end of Jul-Sep quarter.

<sup>1</sup> Comprised of OTC & m-wallet transactions and exclude agent transactions for liquidity purpose

<sup>2</sup> The number of m-wallet and OTC transactions were 94.5 and 67.3 million respectively in the previous quarter, showing 58% m-wallet share in over all customer oriented transactions.

## Branchless Banking Analysis

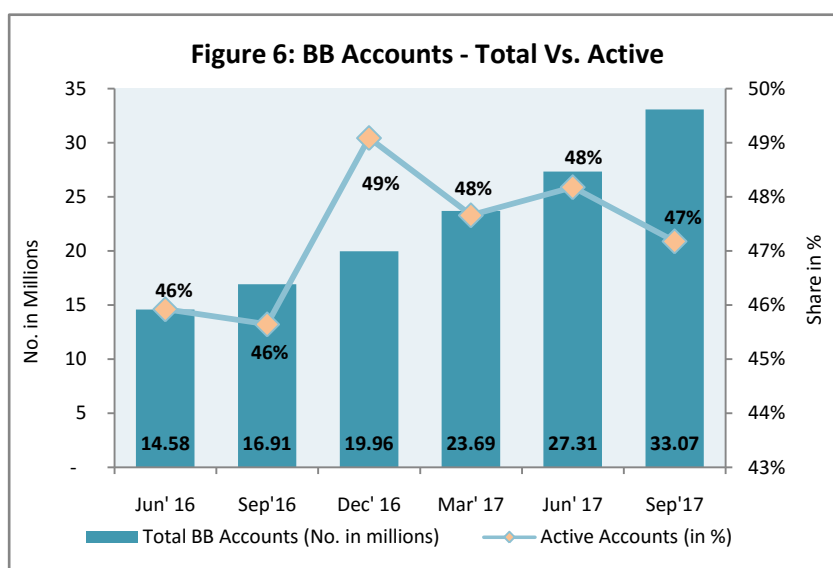
**Figure 5: Periodic trend - M-wallet to OTC transaction relative share**



The primary reason is that SBP made it mandatory for the banks to conduct Person-to-Person transactions (also called CNIC to CNIC) only through the Biometric Verification System-BVS devices starting Jul-2017. Since the installation of BVS devices is underway at a number of agent locations, this led to a decline in OTC transactions, thus increasing the m-wallet share in overall customer oriented transactions.

### BB accounts surpass historic number of opened accounts in a single quarter

During Jul-Sep 2017, 5.7 million new BB accounts were opened which is the highest in all preceding quarters. As depicted in Fig. 6, the rise in BB accounts is exhibiting a steeper trend since Jun-16 onwards, due to the enabling environment created by the SBP and vibrant role of BB players to facilitate account opening through biometric devices at agent locations as well as the remote mode. The cost reduction in customer verification from NADRA has also provided enough synergy to encourage the banks to attract the customers towards the branchless banking channel.



However, the active accounts<sup>3</sup> remained 47% of the total BB accounts. The significant rise in BB accounts on one hand, and limited share of active accounts on the other, exhibits the fact that the BB platform is attracting more and more masses, however still needs to provide value-added service for generation of activity in accounts. Its high time for the industry to offer innovative and tailor-made products for different segments of the society to generate activity in accounts as well as transform

<sup>3</sup> This means that out of every 100 BB accounts, only 47% have undergone a transaction in past 180 days

## Branchless Banking Analysis

the existing cash-based payments streams to digital channel in order to pave a way for the establishment of a Cash-Lite society.

SBP has taken an initiative recently to leverage the BB channel to provide home remittance facility to the mobile wallet holders, detailed as Box1.



## Branchless Banking Analysis

### **Box 1: Facilitating Home Remittances through the BB Channel**

The Branchless Banking Channel has been facilitating Foreign Inward Remittances since long. Table 3 depicts that remittances worth Rs. 1.7 billion and Rs. 2.4 billion were performed during the years 2015 and 2016 respectively; whereas the first three quarters of CY 2017 witnessed Rs. 1.6 billion worth of remittances. From Table 3, it is also evident that OTC channel dominates m-wallets in this area. Despite the numbers are negligible as compared to the total inward remittances received through the Core Banking channel, it is expected that the Branchless Banking Accounts have huge potential in increasing the worker's remittances

**Table 3: Home Remittances conducted through the Branchless Banking Channel**

Particulars	Jan-Dec 2015		Jan-Dec 2016		Jan-Sep* 2017	
	Volume	Value Rs. In Million	Volume	Value Rs. In Million	Volume	Value Rs. In Million
OTC	79,284	1,700	78,310	2,385	52,129	1,643
M-wallets	678	12	1,942	56	1,307	25
<b>Total</b>	<b>79,962</b>	<b>1,712</b>	<b>80,252</b>	<b>2,441</b>	<b>53,436</b>	<b>1,667</b>

\* For three quarters of CY 2017

State Bank of Pakistan, with the objective to facilitate swift and cost effective inflow of Home Remittances through Branchless Banking (BB) channel and to increase the financial inclusion through enhanced usage in BB/mobile wallets; has introduced a new category of Home Remittance Account (HRA) under the ambit of Branchless Banking Regulations <sup>4</sup>. HRA was formally launched by the honorable Prime Minister of Pakistan Mr. Shahid Khaqan Abbasi on Dec 22, 2017. The scheme incorporates a new category of branchless banking accounts titled 'Home Remittance Account - HRA' to promote swift and cost-effective way of receiving remittances from abroad. These will either be new accounts, or existing BB accounts to be tagged as HRA on the request of the customer. This will provide a platform for the low-income workforce in foreign countries where they can send money to their family members living in Pakistan, thus serving as an alternate to the informal and unlawful channels used for the purpose.

Further under this initiative, the Government of Pakistan –GoP has also announced incentive structure to attract the masses towards this account. Against each USD 100 being received as Home Remittance, BB providers will arrange to extend air time of amount equal to PKR 100 in HRA holder's registered SIM. For providing the air time of each Rs.100/- GoP will provide a smart grant of PKR 50 to concerned BB provider on account of technical upgradation of their systems & operations for Financial Inclusion. The detail of this initiative can be accessed through following circular

<sup>4</sup>Issued vide BPRD circular No. 9 of 2017 dated 22-Dec-2017

## Branchless Banking Analysis

### **Statistics show that BB adoption is coherent with the province-wise population concentration**

Table 3 shows the province-wise break-up of BB Accounts, Transactions and Agents, with Punjab dominating the statistics as usual, followed by Sindh, Khyber Pakhtunkhwa and Balochistan; which is coherent with their relative population share in the country's overall population.

**Table 3: Province-Wise BB Position**

S No	Name of Region/Province	No. of BB Accounts	% Share Accounts	No. of BB Transactions	% share Transactions	No. of BB Agents	%Share Agents
1	Punjab	21,116,905	63.85%	103,841,529	63.05%	262,801	62.56%
2	Sindh	5,623,585	17.00%	29,897,552	18.15%	93,680	22.30%
3	Khyber Pakhtunkhwa	4,642,562	14.04%	23,064,319	14.00%	45,029	10.72%
4	Balochistan	1,074,018	3.25%	3,559,183	2.16%	11,425	2.72%
5	AJK	563,575	1.70%	3,551,462	2.16%	5,826	1.39%
6	GB	50,091	0.15%	789,776	0.48%	1,346	0.32%
<b>Total</b>		<b>33,070,736</b>	<b>100%</b>	<b>164,703,821</b>	<b>100%</b>	<b>420,107</b>	<b>100%</b>

### **Social welfare payments continued to be led by BISP**

A total of Rs. 30.6 billion were disbursed through the branchless banking channel on account of social welfare payments. The social welfare payments were led by BISP (72%) as usual, with disbursements worth Rs. 22 billion, followed by EOBI pension payments and Pakistan Bait-ul-Maal with Rs. 6 billion and 1.3 billion respectively.

**Table 4: Break-up of Social Welfare Disbursements**

	Program	No. of transactions by beneficiaries	Amount disbursed during the Quarter (Rs.)	Percentage Share
1	BISP	4,925,685	22,047,324,876	71.93%
2	EOBI Pensioners	377,650	6,049,900,676	19.74%
3	Pakistan Baitul-Maal	392,409	1,319,460,330	4.30%
4	IDP Payments	32,600	777,298,687	2.54%
5	Others	90,093	306,055,302	1.00%
6	World Food Program	358,545	144,107,000	0.47%
7	Zakat & Usher	1,950	6,843,544	0.02%
<b>Total</b>		<b>6,178,932</b>	<b>30,650,990,415</b>	<b>100.00%</b>

The adjustment in social welfare payments also resulted in a decline in BB deposits, which decreased from Rs. 15.4 billion to Rs. 11.2 billion.

### **Declining trend in active agents continues, amid rise in total agents**

The reported figures show that the agent network grew by 17,397 during the quarter under review, bringing the aggregate number of shared agents to 420,107. However, the active agents declined by 3,920 in number, resting at 181,377 agents. Table 5 exhibits that the account opening capability of the BB agents declined from 28.6% to 26%. On the other hand, the record growth in accounts supports the fact that the customers are more inclined toward self-assisted mode of opening of accounts ie. through remote mode.

## Branchless Banking Analysis

**Table 5: Agent locations with account opening capability**

S No.	BB Provider	Apr-Jun 2017	Jul-Sep 2017
1	Omni	100.0%	100%
2	JazzCash	48.3%	48%
3	Easypaisa	25.7%	26%
5	HBL Express	100.0%	11%
6	Upaisa	3.0%	3%
7	PayMax	1.1%	1%
8	Mobilepaisa	1.5%	1%
9	Meezan Upaisa	0.0%	0%
10	JS Bank	0.0%	0%
	<b>Total</b>	<b>28.6%</b>	<b>26%</b>

### **Sindh exhibits more female inclusion than other provinces**

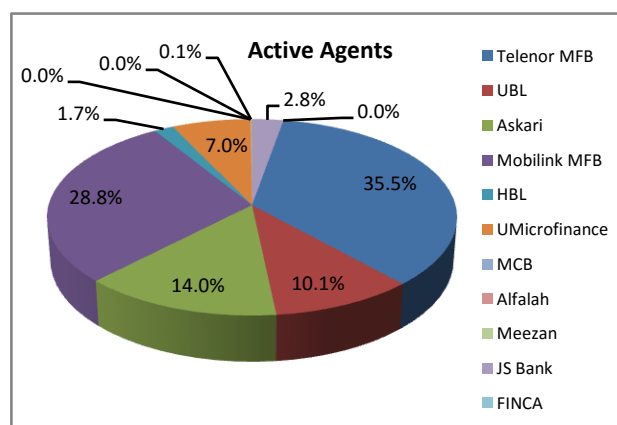
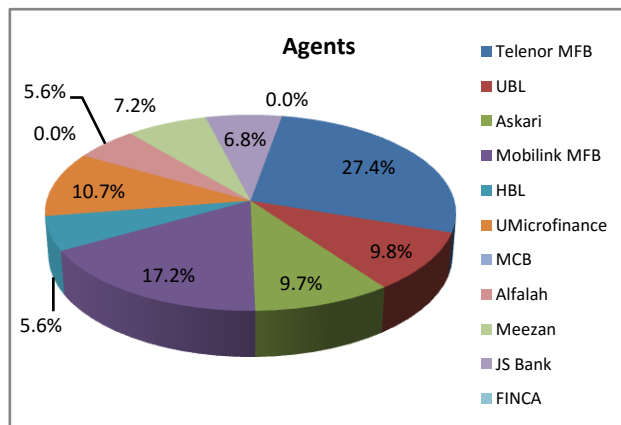
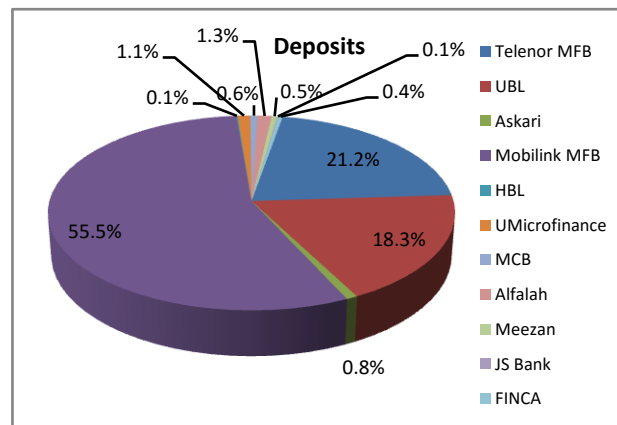
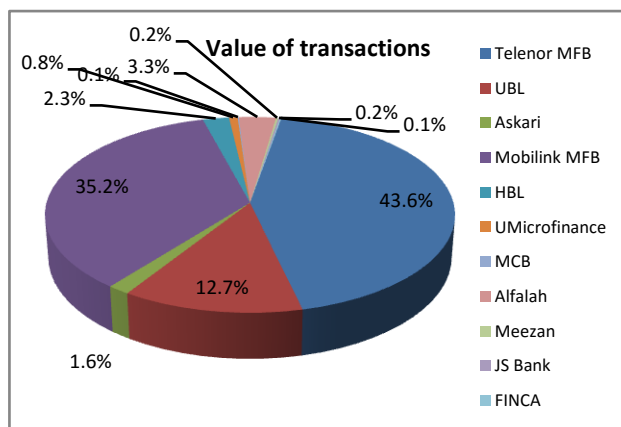
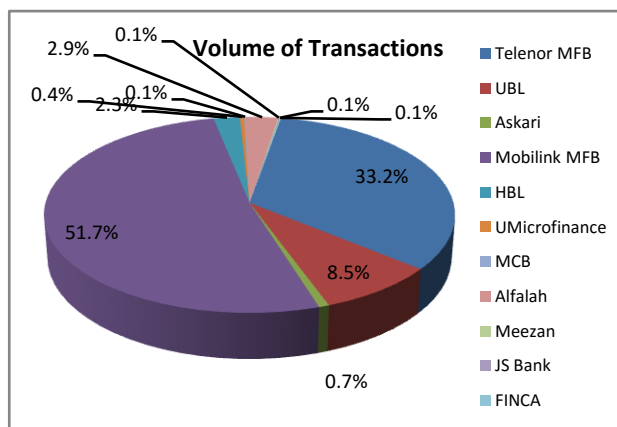
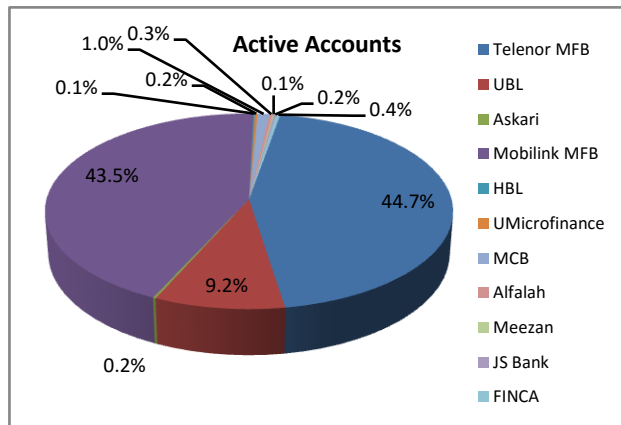
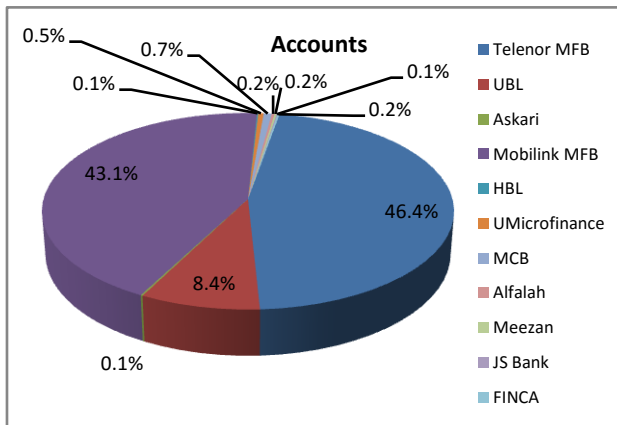
As on quarter end, the BB accounts comprised of 25.6 million male and 7.3 million female accounts. Sindh represents the highest share of female BB accounts of 25%, followed by Punjab, Khyber Pakhtunkhwa and Gilgit Baltistan. Table 6 exhibits that BB accounts witnessed 29% increase in female accounts as compared to 19% in male accounts, which is a positive sign in gender inclusion. However, this phenomenon was attributed to Punjab, whereas other provinces experienced higher growth in male accounts than female accounts.

**Table 6: Gender-wise segregation of BB accounts**

S No.	Province	Male	Female	Quarterly Growth		Share within Province	
				Male	Female	Male	Female
1	<b>Punjab (Including ISB)</b>	16,298,054	4,818,816	18%	39%	77.2%	22.8%
2	<b>Sindh</b>	4,203,328	1,420,299	26%	20%	74.7%	25.3%
3	<b>Khyber Pakhtunkhwa</b>	3,764,296	878,262	14%	7%	81.1%	18.9%
4	<b>Balochistan</b>	928,310	145,708	43%	9%	86.4%	13.6%
5	<b>Azad Kashmir</b>	442,259	121,316	7%	5%	78.5%	21.5%
6	<b>Gilgit Baltistan</b>	40,684	9,404	70%	16%	81.2%	18.8%
	<b>Total</b>	<b>25,676,931</b>	<b>7,393,805</b>	<b>19%</b>	<b>29%</b>	<b>77.6%</b>	<b>22.4%</b>

## Player-wise market share

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



## Branchless Banking Snapshot

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

S.#	Type of Transactions	Apr-Jun 2017		Jul-Sep 2017	
		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	4,173,646	138,245,463,657	3,861,207	139,405,872,751
	Agent account to bank account	134,947	11,132,867,665	116,682	8,122,602,175
	Bank account to agent account	864,727	108,703,260,391	929,517	116,358,732,542
	Cash Deposit in L3 by agents <sup>4</sup>	240,915	14,588,797,171	247,241	17,945,513,390
<b>2</b>	<b>Fund Transfers</b>				
	<i>a. Fund transfers through M-wallets</i>				
	MW to MW transfers	13,731,664	49,955,261,324	15,747,588	53,589,150,583
	MW to bank account transfers	290,405	2,807,384,976	340,731	3,633,209,269
	Bank account to MW transfers	112,563	1,461,956,555	148,286	2,085,533,837
	MW-to-person fund transfers	1,873,428	6,902,530,058	1,796,988	6,560,972,478
	<i>b. Fund transfers through CNIC</i>				
	Person to person sending	12,527,518	62,096,245,776	7,610,798	43,276,846,411
	Person to person receiving	13,348,448	64,403,644,809	8,008,583	43,494,006,239
<b>3</b>	<b>Bulk Payments</b>				
	<i>a. Government to Person Payments</i>				
	G2P through MW	3,415,904	15,827,398,705	1,329,851	6,413,660,264
	G2P through card	7,159,319	35,239,164,209	3,681,630	17,174,165,292
	<i>b. EOBI Pensioners</i>				
	Pension payment through MW	709,291	4,367,053,894	1,103,546	6,049,900,676
	Pension payment through OTC	-	-	-	-
	Salaries payments and Others	249,473	3,071,496,170	199,602	2,457,955,498
<b>4</b>	<b>Cash deposit &amp; withdrawal</b>				
	Cash Deposited in MW (including person to MW transfers)	15,058,312	65,196,126,870	19,194,744	82,613,171,660
	Cash Withdraw from MW	8,431,291	50,536,114,970	8,367,643	46,780,753,240
	Cash withdraw through card (G2P)	5,419,384	27,671,842,760	6,528,697	24,959,451,084
<b>5</b>	<b>Bill payments &amp; Top-ups</b>				
	Utility Bills Payment	29,741,689	52,396,309,026	29,773,446	68,915,363,512
	Internet Bill Payments	256,679	529,681,377	269,537	622,875,524
	Mobile Top-ups	46,279,776	3,450,752,381	47,315,413	3,675,682,875
<b>6</b>	<b>Loan</b>				
	Disbursement	21,096	513,641,445	20,823	597,171,807
	Repayment	1,588,891	7,971,286,124	1,830,224	8,972,010,394
<b>7</b>	<b>Others</b>				
	Donations	15,794	3,089,965	16,078	2,434,308
	Retail Payments	335,781	717,113,469	418,960	931,074,594
	International Home remittance	19,089	617,871,768	18,233	567,184,935
	Account Opening Transactions	91,428	15,257,918	127,217	19,485,437
	Cash collection/payment services	645,250	3,825,918,347	4,961,099	4,423,532,013
	IBFT	436,165	14,321,854,675	739,457	16,802,644,821
	<b>Total</b>	<b>167,172,873</b>	<b>746,569,386,455</b>	<b>164,703,821</b>	<b>726,450,957,608</b>

<sup>4</sup> The accounts of L3 have been merged in L2 in the Revised BB Regulations-2016

## 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			15,747,588	53,589,150,583
MW to bank account transfers			340,731	3,633,209,269
Bank account to MW transfers			148,286	2,085,533,837
MW-to-person fund transfers			1,796,988	6,560,972,478
Person to MW fund transfer	10,923	73,039,977		
<b>Fund transfers through CNIC</b>				
Person to person sending	7,610,798	43,276,846,411		
Person to person receiving	8,008,583	43,494,006,239		
<b>Bulk Payments</b>				
<b>Government to Person Payments</b>				
G2P through MW			1,329,851	6,413,660,264
G2P through card	3,681,630	17,174,165,292		
<b>EOBI Pensioners</b>				
Pension payment through MW			1,103,546	6,049,900,676
Pension payment through OTC	-	-		
Salary payment and Others			199,602	2,457,955,498
<b>Cash deposit &amp; withdrawal</b>				
Cash Deposited in MW (excluding person to MW transfers)			19,183,821	82,540,131,683
Cash Withdrawal from MW			8,367,643	46,780,753,240
Cash withdrawal through card (G2P)	6,528,697	24,959,451,084		
<b>Bill Payments &amp; Top ups</b>				
Utility Bills Payment	25,548,956	54,449,146,224	4,224,490	14,466,217,288
Internet Bill Payments	238,380	580,304,300	31,157	42,571,224
Mobile Top-ups	254,030	94,455,724	47,061,383	3,581,227,151
<b>Loan</b>				
Disbursement	18,049	441,561,340	2,774	155,610,467
Repayment	1,622,835	8,015,545,535	207,389	956,464,859
<b>Others</b>				
Donations	800	604,412	15,278	1,829,896
Retail Payments	305,953	745,222,651	113,007	185,851,943
International Home remittance	17,803	559,457,020	430	7,727,915
Account Opening Transactions	127,217	19,485,437	-	-
Cash collection/payment services	728,145	4,308,252,223	4,232,954	115,279,790
IBFT	-	-	739,457	16,802,644,821
<b>Total</b>	<b>54,702,799</b>	<b>198,191,543,869</b>	<b>104,846,375</b>	<b>246,426,692,881</b>



## Events

## **Prime Minister launches scheme for promotion of home remittances through M-wallets**

Prime Minister Mr. Shahid Khaqan Abbasi said that Government of Pakistan is taking several strategic initiatives to promote inflow of home remittances in the country. 'In continuation of our efforts, I am pleased that GoP in collaboration with the SBP and financial industry is launching a scheme for promotion of home remittances through m-wallets', he said.

He was addressing the launching ceremony of 'Promotion of Home Remittances through



M-wallet Accounts'. The Prime Minister said that the scheme will help in channelizing home remittances through Branchless Banking (BB) channels. 'It will help achieve twin objectives', said the PM, 'Firstly, it will facilitate the populace by provision of home remittances in swift, convenient and cost effective manner by utilizing the network of BB agents across Pakistan; secondly, it will help enhance the usage of m-wallets and creation of digital accounts.' Mr. Abbasi also announced Government's budgetary support to incentivize home remittances through M-Wallet accounts.

The Prime Minister reminded the audience that since 2013, after coming to power, his party had made significant strides as it stabilized economy, accelerated GDP growth and introduced structural reforms to uplift the living conditions of the common man. He said that financial inclusion is considered as one of the key instruments for economic development. 'Unfortunately, Pakistan is among the countries accounting for around 5 percent of the world's unbanked population,' he said adding 'In Pakistan only 23% of the adult population has access to formal financial services.'

Mr. Abbasi said that in Pakistan remittances have been the second-highest source of foreign exchange earnings for the country, after export receipts. 'Over the past 10 years, remittances have grown at a compound annual growth rate (CAGR) of over 12 percent – one of the highest growth rates for any country in the world,' he said adding, 'Pakistan's relatively better performance in the region is principally attributed to sustained increase in emigrant workers during past few years and supportive policies of the Government and the State Bank.' He also appreciated the role of the Pakistan Remittance Initiative (PRI) in strong growth in remittances.

Earlier, in his welcoming address, the Governor State Bank of Pakistan (SBP) Mr. Tariq Bajwa thanked the Prime Minister for his visit to SBP and launching this important initiative. Introducing the scheme of home remittances through M-Wallets, the Governor stated that that it will help to achieve two objectives: one, increasing financial inclusion in the country; and, two, making transfer of home remittances faster and at low cost, thus competing with informal channels of delivery.

*Source: SBP Press release dated 22-Dec-2017*

## Domestic News

### **Mobile Industry players unite to host the Mobile Money Hackathon in Karachi**

Key players in the mobile industry in Pakistan collaborated to host a two-day Mobile Money Hackathon in Karachi on Saturday 7 – Sunday 8 October. Telenor Microfinance Bank and JazzCash, together with the GSMA, hosted companies and developers in the financial services industry, including banks, aggregators, payments switches, start-ups, fintech companies and established players, for the weekend challenge of testing and building solutions for harmonised API use cases. The hackathon took place at DotZero, Karachi's community space for technology entrepreneurs and start-ups. Karandaaz Pakistan, a development organization promoting access to finance for small businesses through commercially directed investments and financial inclusion for individuals by employing technology-enabled digital solutions, sponsored the event.

This hackathon was part of a series that will take place in Africa, Asia and Latin America over the next two years, with the purpose of increasing awareness, demand, and implementation of the mobile money industry API.

The API specifications have been jointly designed by key industry stakeholders—mobile money providers, platform vendors, third party service providers and industry partners — combining best practices in the technology industry, with the aim of reducing integration time and complexity within the mobile money industry today, and to limit and avoid fragmentation in the mobile money ecosystem. The APIs will be implemented across the mobile money industry with other operators in Asia and beyond. The GSMA Mobile Money API has been implemented on the JazzCash and Telenor Bank platforms for the hackathon.

The Mobile Money Hackathon is the first of its kind to be hosted in South Asia and follows the success of the first two hackathons held in Dar es Salaam, Tanzania. The hackathon is structured to solve two challenges – merchant payments and bill payments. The participating teams will innovate and build solutions for either one of the two challenges, with the first place team winning two expenses-paid tickets to Mobile World Congress, the world's largest gathering for the mobile industry, in February 2018.

Pakistan has seen rich innovation in mobile financial services in recent years, and with useful APIs across the industry, the foundation is established for further growth and diversity in the industry.

<https://karandaaz.com.pk/media-center/news-events/mobile-industry-players-unite-to-host-the-mobile-money-hackathon-in-karachi/>



## International News

### **Biometric-verified transactions tipped for rapid growth**

Acuity Market Intelligence (AMI) predicted mobile transactions verified with biometric features will hit more than 1 trillion per year and create \$18 billion in annual revenue by 2022. The research company, which assesses the identification technology market, also said there would be 5.5 billion mobile devices used around the world with access to biometric features within the same timeframe.

Improvements in the technology and its growing inclusion in devices is tipped to lead to the sharp growth in adoption. The company noted annual revenue will rise from \$474 million in 2017. AMI said 16.7 billion apps able to use biometric technology would be downloaded in 2022, with transactions authenticated by the technology on track to reach 1.4 trillion in the same year. Maxine Most, AMI's principal and lead analyst said: "The market is evolving towards a hierarchy of integrated biometric authentication methods that range from simple device-based verification to third-party biometric cloud, or server-side, solutions. These solutions will replace traditional digital identity schemes and provide more secure and reliable identity assurance on a global scale."

Fingerprint-reading technology is already available on a wide number of smartphones, but during 2017 several manufacturers have stepped-up moves to adopt facial recognition and other technologies. Companies keen to adopt biometric-powered payment services include leading Chinese vendor Ant Financial, which runs platform Alipay. In October, Ant Financial upped its stake in facial recognition company Megvii Technology, and it is already operating a number of trials into new authentication technologies based on biometrics in China

<https://www.mobileworldlive.com/money/news-money/biometric-verified-transactions-tipped-for-rapid-growth/>

### **China tightens QR code regulation, applies daily caps**

The People's Bank of China (PBC) announced strict new rules on mobile payment providers, increasing data collection requirements and setting daily transaction limits – a move said to encourage fair competition and protect consumers. Under the new regulations, each customer will be given a cap on how much they can spend at merchants by scanning a QR code – the most common method of retail payments processed by market leaders Ant Financial and Tencent.

The cap is set according to the strength of verification used. For "static bar codes" where few additional checks are made, the limit is CNY500 (\$77). The maximum limit, for consumers offering two types of verification – including electronic signatures and digital certificates – is CNY5000.

Payment providers which are not traditional banks will also be required to obtain a new licence and must adhere to rules specifying the types of data they must collect from their merchant customers. In a translated statement, PBC said the measures would: "Standardise the barcode payment business, protect the legitimate rights and interests of consumers, maintain a fair market competition environment, and promote the healthy and sustainable development of the mobile payment business." Following a trial of the system, the new rules come into force on 1 April. The move to tighten regulation on QR code

## International News

transactions comes after a clamp-down on direct mobile fund transfers announced in August.

<https://www.mobileworldlive.com/featured-content/money-home-banner/china-tightens-qr-code-regulation-applies-daily-caps/>

### **Safaricom steps-up m-Pesa NFC payments push**

Safaricom accelerated its drive towards NFC and QR code-based m-Pesa payments with an upgrade to its consumer app, expanding the number of payment methods available to its smartphone users.

In the update to mySafaricom, the operator added the facility to pay using contactless NFC technology at participating retailers in Kenya. It follows the launch of three devices debuting tap payments using m-Pesa in May. The first run of 1Tap products included a sticker for the back of a smartphone to offer tap pay on handsets: rather than using the internal NFC function found in many devices, it connected using a chip in the sticker itself.

In addition to NFC support, the company added a QR-code bill payment facility to the app. Safaricom is in the process of distributing kits to its network of merchants to support the new payment method. The new app also provides a number of data and cash management features.

Safaricom strategy director Joseph Ogutu (*pictured*) said: “In 2016, we introduced the mySafaricom app as a modern and convenient way for smartphone users to interact with our services. This new update brings a range of refinements that will further increase the ease and convenience enjoyed by our customers whenever they interact with our different services.”

The upgrade follows the company’s strategy of incorporating new technology to beef up the security of mobile payments and ease the process for users. Earlier in December, Safaricom added voice control to its core m-Pesa service and is in the process of rolling out a photo ID system its merchants can use to identify customers.

<https://www.mobileworldlive.com/apps/news-apps/safaricom-steps-up-m-pesa-nfc-payments-push/>

## Definition of Terminologies

### Appendix 1: Definitions of Terminologies

BB Terminology	Definition
Level 0 account (L0)	Basic MW account for individuals only with low KYC requirements and low transaction limits.
Level 1 account (L1)	Entry level MW account for individuals only with adequate KYC requirements commensurate with transaction limits.
Level 2 account (L2)	Top level MW account opened by banks subject to full KYC requirements. L2 accounts can be open for individuals, firms, entities, trusts, BB agents, corporation, technology service providers & merchants etc.
M-wallets (MW)	All Level 0, Level 1, and Level 2 BB accounts.
BB Accounts	All Level 0, Level 1, and Level 2 BB 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.

## Definition of Terminologies

<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.