



BRANCHLESS BANKING NEWSLETTER

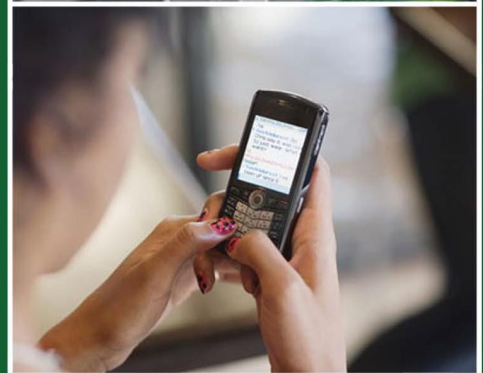
LEVERAGING TECHNOLOGIES AND PARTNERSHIPS TO PROMOTE FINANCIAL INCLUSION

Issue: 2

Quarterly: October - December 2011

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CEO, Tameer Microfinance Bank ---- (11)
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- 2006**
- **State Bank of Pakistan (SBP) initiated dialogue with International agencies** to learn from international best practices:
 - **CGAP** conducted **Branchless Banking Diagnostic Assessment** for Pakistan.
 - SBP held a Seminar on Improving Access to Financial Services : **Mobile Money Transfer and Beyond**.
- 2007**
- **Expanding Microfinance Outreach Strategy** envisaged deployment of Branchless Banking Solutions for financial inclusion.
 - SBP issued a **Policy Paper on regulatory framework for mobile banking** in Pakistan.
 - SBP issued **Draft Branchless Banking Guidelines** for industry, stakeholders and expert comments.
- 2008**
- SBP Issued **Branchless Banking Regulations** –Pakistan became the first country in South Asia to have issued Branchless Banking Regulations.
- 2009**
- First branchless banking product “**Easypaisa**” was launched – a joint venture of Tameer Microfinance Bank and Telenor Pakistan.
 - SBP issued license to **UBL** to pilot launch its branchless banking deployment “**UBL Omni**”.
- 2010**
- Pakistan **Branchless Banking Conference** was organized by the State Bank at SBP, Karachi in collaboration with the UK Aid.
 - **UBL** launched ‘**Omni**’ - a direct agent based branchless banking model.
- 2011**
- SBP released **Strategic Framework for Sustainable Microfinance** and reaffirmed its support for transformational branchless banking as a way forward to promote financial inclusion in Pakistan.
 - **Government to Person (G2P) Payments Conference** was held at State Bank, Karachi in collaboration with UK-Aid, Consultative Group to Assist the Poor (CGAP) and Bankable Frontiers Associates.
 - SBP launched a £ 10 million **Financial Innovation Challenge Fund** under UK-Aid funded Financial Inclusion Program.
 - **Branchless Banking Regulations** were revised by SBP.
 - SBP published its first quarterly **Branchless Banking Newsletter**.
 - **MCB Bank Limited** rolled out the initial pilot of its BB product named “**MCB Lite**”.
 - **Askari Bank Limited** launched its pilot BB product.
 - **M/s Orascom**, the largest Mobile Network Operator (MNO) in Pakistan, obtained license to set-up a nation-wide microfinance bank named “**Waseela MF Bank**”
- 2012**
- SBP signed **MoU with PTA** to enhance collaboration on technical & regulatory matters to promote branchless banking in Pakistan.
 - SBP launched first ever **Nation-wide Financial Literacy Program** to impart financial education to low income and poor individuals on key concepts such as budgeting, savings, investment and branchless banking.

Table 1: No. of BB Accounts and Agents
(as of 31st December 2011)

	Active	Non-Active	Total
No. of M-Wallets	500,453	428,731	929,184
No. of Agents	20,717	1,795	22,512

Analysis:

Presently, the country is witnessing the beginning of a new retail banking revolution whereby a large segment of the population, previously unbanked, has started entering into a new realm of financial services.

Branchless banking in Pakistan witnessed another quarter with impressive growth on all fronts, the most prominent being the remarkable growth in number of Branchless Banking (BB) accounts and transactions. By the end of December 2011, more than 929,000 customers have been registered as m-wallet users (Table 1). The volume and value of transactions have increased by 30% and 35% respectively during the quarter (Figure 1). Moreover, 3,110 new agents were added in the ambit of branchless banking to provide branchless banking services, thus expanding the total network to 22,512 agents (Table 1). The growth is entirely attributable to two branchless banking models 'Easypaisa' by Tameer MFB and 'UBL Omni' by United Bank Limited.

This early uptake of branchless banking has clearly stimulated the market players. Mobile Banking is the new market segment for both banks and MNOs; and many of them are now preparing to enter into this exciting market in a big way. The year 2012 is expected to see a sizable expansion in the supply side of the market. As competition further unfolds, new dynamics will drive innovative approaches for clients acquisition, effective distribution strategies, price-reduction and quality of service.

Transactions – Keep the Momentum Going

Total number of transactions processed during the quarter was 20.6 million (Figure 1). Bills payment & top-up remained the dominating activity with 53% share in total numbers, followed by fund transfer and deposits with share of 39% and 8% respectively (Figure 2). However, in value terms fund transfers have dominated with 71% share, followed by bill payments with 26% share (Figure 2). The 'Person to Person (P2P)' payments remained the most popular mechanism with 74% share in the total fund transfer, followed by 'Account-to-Person (A2P)' transfer with share of 21%. 'Account-to-Account (A2A)' transfer is just 4% of total fund transfer (Figure 3).

High usage of agents-assisted payment services even at this infancy stage indicates the strong demand by the clients who traditionally have used informal channels (transporters, relatives, friends etc.) to transfer money. However, high concentration in P2P transactions suggests that a viable value-proposition for mobile account is yet to take place. Presently, this is a core issue which will be further analyzed in the next sections.

Agents - Continue Expanding their Footprint

During the quarter, another 3,110 agents joined the fast growing network of branchless banking raising the total number of agents to 22,512 out of which 92% are active (Table 1).

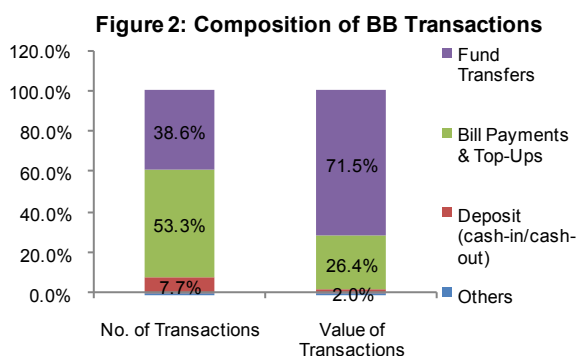
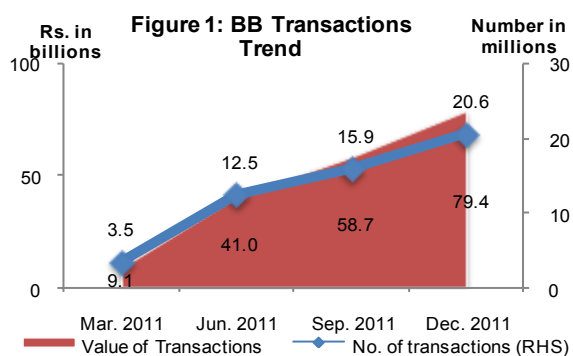
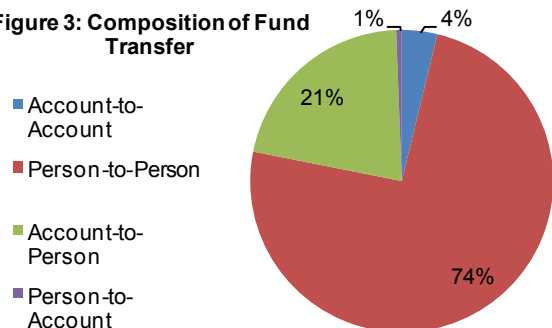


Figure 3: Composition of Fund Transfer



The agents' network now covers the entire length and breadth of the country having foot print in 86% of the total districts. However, the network has a high concentration of 43% in 10 districts (Table 2). Understandably, better infrastructure and strong Fast Moving Consumer Goods (FMCG) market explain this high concentration, however, new strategies are needed to penetrate into rural and remote areas where the demand for financial services lies most.

A restraining force at the early stage of branchless banking is the nearly total reliance of the two BB models on agents for cash-in and cash-out services. Since the agents have to bring in their own liquidity to offer cash-in/cash-out services to customers, liquidity management poses challenges to agent's business case. The paradox is that if banks incentivize agents on cash-in/cash-out transaction, it adversely affects the proposition for clients and vice versa. Moreover, agents development is a critical success factor and it takes more time than just agents' acquisition. This is evident from the fact that only 34% of agents have been authorized by their banks/super-agents to open account. This also explains the limitations in the opening of mobile accounts.

Encouragingly, alternative mechanisms also exist to supplement agents' network. These mechanisms include ATMs and PoS. which are more convenient and cost effective. The challenge, however, is how to bring in these mechanisms into the mobile-payment ecosystem.

Mobile Accounts – Promise for Achieving Financial inclusion

More than 929,000 mobile accounts have so far been registered with majority in level 1 accounts (92%) followed by level 2 (5%) and level 3 (2%) (Figure 4). Seemingly, this is a good achievement in a brief period, however, this is much behind the potential. A major limitation in registration of new accounts is that 'easypaisa' (which leads the account opening market) is currently registering only Telenor SIM-holders. Other reasons include issues relating to agents liquidity, single-channel payment infrastructure, and price sensitivity. These factors have also led to accounts dormancy which is as high as 50% at this early stage.

Mobile accounts registration remains a key policy objective. The mobile accounts can catalyze a shift from cash-based to bank-based transactions. Besides improving financial access, this will also help in improving savings rate and reducing currency to deposit ratio in the country.

Market – Ready for Expansion

After obtaining the microfinance banking license, M/s Orascom, the largest MNO in Pakistan, is preparing to commence operations soon. Another MNO U-fone is in the process of acquiring an existing MFB. TCS, the largest courier company in Pakistan, is also looking for strategic partners to enter into the space of micro-finance and agent-based banking. The largest commercial banks such MCB, HBL, Al-Falah, and Askari are keen to launch their branchless banking models in year 2012.

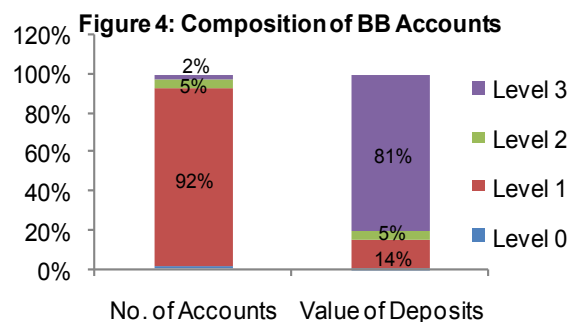


Table 2: Top 10 Districts with BB Agents Concentration
(as of 31st December 2011)

S.No.	District	No. of Agents
1	Karachi	2,725
2	Lahore	1,540
3	Faisalabad	1,055
4	Rawalpindi	766
5	Multan	687
6	Gujranwala	685
7	Sargodha	583
8	Toba Tek Singh	566
9	Rahim Yar Khan	519
10	Bahawalpur	500
	Total	9,625
	% with total Agents	43%

Table 3: Provincial Level Outreach of BB Agents
(as of 31st December 2011)

S.No.	Province / Region	No. of Agents
1	Federal Capital Islamabad	434
2	Punjab	13,765
3	Sind	5,385
4	Khyber Pakhtunkhwa	1,737
5	Baluchistan	454
6	Azad Jammu and Kashmir	638
7	Other Areas (GB, FATA)	99
	Total Registered Agents	22,512

Growth Snapshot

October — December 2011

Average number of BB transactions per month has increased to 7 million involving Rs. 27 billion.

Average size of transaction is Rs. 3,855 (USD 43*) showing that technology is reaching previously un-banked poor.

There are 22,512 agents offering financial services at convenient locations on real-time bases all over the country.

86% districts in Pakistan are now covered by BB agents.

Table 4: Key BB Indicators

Indicators	Sep-11	Dec-11	Quarterly Growth
Total No. of BB Agents	19,402	22,512	16%
Total No. of active BB accounts	357,598	500,453	40%
Total BB Deposits as of Date (Rs. in Million)	187	503	169%
No. of Transactions During the Quarter (No. in million)	15.87	20.60	30%
Value of Transactions During the quarter (Rs. in Million)	58,710	79,410	35%
Average Size of Transaction Rs.	3,700	3,855	4%
Average No. of Transaction Per day	176,296	228,855	30%

Table 5: Volume of Branchless Banking Transactions

During the Quarter Oct. - Dec. 2011

Product/Service	Volume of Transactions (Nos.)	Value Transacted	
		Rs. in million	USD* in million
Fund Transfers			
Account-to-Account Fund transfers	301,492	21,592	240
Person-to-Person Fund Transfers	5,912,117	22,843	254
Account-to-Person Fund transfers	1,693,730	12,196	135
Person-to-Account Fund Transfers	46,385	138	1.54
Deposit			
Cash-in (Deposit)	1,561,348	1,458	16
Cash-out (Withdrawal)	31,769	100	1.11
Bill Payments & Top-Ups			
Utility Bills Payments	8,855,677	10,886	121
Merchant Payments	411,942	10,021	111
Mobile Top-ups	1,705,945	82	0.91
Loan			
Loan Disbursement	-	-	-
Loan Repayment	39,490	87	0.97
Others			
Donations	20,476	0.30	0.003
Others	16,852	5.24	0.06
Total	20,597,223	79,410	881.74

*USD 1 = Rs. 90 (as of 31st December 2011)

The SBP and PTA signed a MOU to Promote Mobile Banking in Pakistan

The State Bank of Pakistan (SBP) and Pakistan Telecommunication Authority (PTA) signed a memorandum of understanding (MoU) to promote mobile banking in Pakistan. The MoU was signed by Mr. Inayat Hussain, Executive Director, SBP, and Dr Muhammad Saleem, Director General, Commercial Affairs, PTA, in the presence of SBP Governor, Yaseen Anwar and PTA Chairman, Dr Mohammed Yaseen.

The main objective of the MoU is to develop an appropriate technological and regulatory framework through a consultative process. The framework will strengthen and support the provision of banking services through mobile banking as authorized by the central bank.

Under this collaboration, PTA and the SBP will act as facilitators by means of regulatory oversight, issuance of license and designation to Third Party Service Providers (TPSP), and setting the performance benchmarks through standardized Service Level Agreement (SLAs) between the telecom operators, TPSPs and the authorized financial institutions for carrying out financial transactions in a prudent manner.

The MoU is meant to develop a cohesive regulatory framework in consultation with all the stakeholders and to assist each other in achieving the common objective of providing low-cost mobile banking services. In order to coordinate for smooth implementation of mobile banking and to resolve any disputes among the stakeholders, a SBP-PTA Joint Coordination Committee would be constituted, comprising senior officials of the two institutions. To monitor the progress, representatives of the two parties would meet on a quarterly basis and suggest measures to improve or further expand the framework as and when the need arises.



MOU signing ceremony on 11th of January 2012

SBP launched Financial Literacy Program to Accelerate Financial Inclusion

On 20-January 2012, SBP launched Pakistan's first-ever Nationwide Financial Literacy Programme (NFLP) in order to assist financial inclusion and poverty alleviation efforts to facilitate economic growth and stability across the country. The NFLP has been launched with the support and collaboration of Asian Development Bank (ADB), Pakistan Banks Association (PBA), Pakistan Microfinance Network (PMN), Pakistan Poverty Alleviation Fund (PPAF) and BearingPoint.

The pilot phase of the programme is being rolled out by BearingPoint Management and Technology Consultants. The programme will disseminate basic education about financial concepts, products and services to masses focusing on Budgeting, Savings, Investments, Banking Products and Services, Branchless Banking (opening m-wallet account, fund transfers, bill payments, and other dealings with branchless banking agents), Debt Management and Consumer Right and Responsibilities.

The NFLP, which will be carried out in two phases, will reach out to 45,000 people in its pilot phase and shall approach 500,000 individuals in the second phase. The intended beneficiaries, aged between 18-60 years, are industrial workers, farmers, domestic workers, homemakers and self-employed by profession; representing low-income strata. The programme will cover 60 percent rural, 20 percent urban and 20 percent peri-urban regions.



The Governor SBP addressing on the occasion of launching Financial Literacy Program

Financial Innovation Challenge Fund (FICF)



FICF advisory Committee Meeting on 14th of February 2012

FICF - a UK £10million innovation grant facility - was launched by SBP in May 2011, to foster innovations and test new markets, lower cost of delivery, enable systems and procedures to be more efficient and provide new ways of meeting the unmet demand for financial services.

Recently, the FICF concluded stage 1 of the Financially Inclusive Government to Persons (G2P) Payments Challenge round by qualifying 10 Expression of Interests (EOIs) for stage 2. The stage 1 of the challenge round was successful in generating 14 EOIs from 13 G2P payments ecosystem providers including Banks, government departments & agencies and technology companies covering salaries, pensions and social cash transfer programs.

The FICF EOIs and proposals were evaluated by a high level FICF Advisory Committee chaired by Mr. Shehzad Naqvi (private sector representative) while drawing membership from the private sector, SBP, and DFID. In stage 2 of the Challenge round, the successful applicants have been invited to present complete business plans for conducting G2P payments pilots. The successful stage 2 challengers will be provided grant funding for testing G2P payments technologies and experiments through pilots.

Tajik Delegation Visited Pakistan to Study Mobile Financial Services

Development Finance Group of the State Bank of Pakistan hosted a 3-day study visit on regulatory and operational aspects of mobile financial services in Pakistan for National Bank of Tajikistan from 28th to 30th November, 2011 at Karachi. The visit was initiated by M/s *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)* - German International Cooperation under a “Regional Program in Support of Microfinance in Central Asia” to draw a road map for starting mobile financial services in Tajikistan.



Tajik Delegation with SBP officials

During the visit, the Tajik delegation, consisting of 6 members (two Sr. officials from National Bank of Tajikistan, one IT specialist, one advisor from private sector, and two coordinators from GIZ), was provided an opportunity of round table sessions with senior officials from different departments of SBP on branchless banking regulations, banking policy, inspection, agri. & rural finance, and SME finance. Exposure visits to Easypaisa (Tameer Microfinance Bank), Omni (United Bank Limited), and MCB Bank were also arranged for the delegation. Extensive meetings with technology experts and physical demonstration of different technological instruments for routing transactions; visit of super agent, direct agents and sub agents of different m-banking products were also part of the study program.

Mr. Muhammad Ashraf Khan, Executive Director of the State Bank of Pakistan, briefed them about the challenges Pakistan is facing in promoting financial inclusion and the broad policy measures SBP has taken to move the market away from cost-heavy operating models through developments of innovative alternate delivery channels of banking services. Mr. Nadeem Hussain, President of Tamer Microfinance Bank, shared the market experience, pre-considerations for successful mobile banking, role of Central Bank, challenges and future drives of the MFB. The UBL Omni Team also shared their branchless banking experience and elaborated about their operational model, agent management, and future growth.

PTA Holding Investors Awareness Conference for 3G Spectrum in Pakistan:

In pursuance of Government policy directive regarding auction of 3G spectrum, PTA has planned various activities for the information of potential investors. This includes formulation of Information Memorandum (IM), printing of brochures, documentary film, road shows and Investors Awareness Conferences etc. The first Investors Awareness Conference was held in Islamabad on January 17, 2012 where the Federal Minister for Finance, Dr. Abdul Hafeez Sheikh was the Chief Guest. During this Conference, Chairman PTA gave brief resume about performance of telecom sector of Pakistan, market potential for 3G services in the country and highlights of auction process. The Conference was attended by representatives of stakeholders and potential investors.

MCB to Launch 'MCB Lite':

MCB Bank Limited has planned to roll out a pilot of its BB product named "MCB Lite" during January/February 2012 and to commercially launch the services by March 2012. MCB Lite is designed to be a fully functional transactional banking relationship that comes with as a mobile wallet with a Visa deposit access plastic card, made available to customers outside MCB branches and bundled in a branded package.

MCB — Nokia Partnership:

MCB is working with NOKIA for creating a provision of its BB services on NOKIA handsets that will be preloaded on NOKIA devices when shipped to Pakistan. The provision will enable users of NOKIA handsets across Pakistan to utilize MCB mobile financial services irrespective of their Network operator or model of NOKIA hand sets they own. Currently MCB and NOKIA are in final stages of system Integration testing and planning a commercial roll out MCB lite services for NOKIA phone users around June 2012. MCB is also in the process of finalizing their understanding with NOKIA on use of NOKIA's retail, sales & service network as BB Agents.

HBL to launch branchless banking:

Habib Bank Limited has planned to develop an agent based branchless banking model to provide financial services to the unbanked people. The bank has already inked a Technology Support agreement with Sybase 365 and Abacus Consulting for the development of branchless banking services. This initiative will be deployed on a mass scale in the region, creating opportunities for bringing unbanked segments of society into the financial network. Sybase 365 and Abacus Consulting will implement these services for HBL thereby facilitating implementation to optimize market potential.

Repayment of small loans: Asasah to utilise Easypaisa services:

Asasah has become the first NGO-MFI to utilise Tameer Microfinance Bank's Easypaisa services for repayment of small loans. The facility will significantly reduce the inconvenience for Asasah's clients, who are mostly women, to pay back the loans they take out from the NGO.

UBL Omni wins GSMA's Global Mobile Award:

UBL Omni has won this award in the category of 'Best Use of Mobile in Emergency or Humanitarian Situations'. UBL Omni provided the Benazir Income Support Programme (BISP), a poverty alleviation initiative by the Government of Pakistan, and the World Food Programme (WFP) with a transparent and convenient cash disbursement mechanism for victims of the 2009 'War Against Terror' IDPs Crisis and the 2010 Flood Crisis. Beneficiaries were issued unique cards and PINs which were used to withdraw funds from conveniently located UBL Omni retail shops, where agents logged into their mobile based applications to execute quick cash disbursements.

WASA signs accord with UBL:

Water and Sanitation Agency (WASA) Hyderabad signed an agreement with United Bank Limited (UBL) to collect bills from its 150,000 consumers through 188 UBL Omni outlets. The announcement was made at a ceremony held at Divisional Conference Hall Hyderabad on Tuesday 13 December, 2011.

G2P payments for EOBI Pensioners Through Easypaisa:

Tameer Microfinance Bank has signed an agreement with Employees Old-Aged Benefits (EOBI) to provide payment of pension services through Easypaisa channels to hundreds of pensioners registered with Employees Old-Aged Benefits (EOBI). The project will facilitates 300,000 pensioners of EOBI in collecting their pensions from Easypaisa outlets.

PIA air ticket through Easypaisa outlets from Jan 2012:

An agreement between PIA and Tameer Microfinance Bank for the provision of the services was signed. PIA passenger, after getting a PNR (reservation), by calling PIA Call Centre, will be able to pay at any Easypaisa outlet and get the ticket issued. The receipt and confirmation will be communicated to the customer through an SMS. Passengers will get a print from any of PIA Sales counters throughout Pakistan or from PIA offices at the airports. This can be done anytime even on the day of the flight.





Citi offers mobile solution in Asia, expands availability of eBam:

Citi Global Transaction Services has released its CitiDirect BE Mobile solution to clients in Asia-Pacific. The mobile-based application updates users with notifications and allows them to authorize payments through their mobile phones. The solution was launched in October 2011 this year and has now been made available in 24 countries worldwide, including five in Asia-Pacific: Bangladesh, China, Indonesia, Pakistan and Sri Lanka. Citi is planning to roll out the availability of CitiDirect BE Mobile eventually to more than 100 countries. (Source: <http://www.financeasia.com>)

"Etisalat Afghanistan" launches Mobile Payment Services (mHawala):

"Etisalat Afghanistan", the arm of "Etisalat UAE" has launched mobile financial service (mHawala) in Afghanistan. mHawala is an innovative mobile financial services solution that will enable "Etisalat Afghanistan's" customers to purchase airtime, send money, pay bills from their mobiles, purchase goods and services from shops or retail outlets, and deposit or withdraw cash from Etisalat authorised mHawala distributors or partner banks. mHawala Mobile Accounts can be obtained at any Etisalat store or authorised Etisalat mHawala Distributor. The service is available to all existing and new "Etisalat Afghanistan" customers. (Source: <http://www.4-traders.com/>)

Visa targets unbanked in developing countries with prepaid mobile offering:

Visa Inc. announced it is bringing a new prepaid mobile product to market in a bid to reach the unbanked in developing regions. The new product will first be offered to customers in Nigeria and Uganda through Visa partner MTM Group, a wireless provider in Africa and the Middle East. Visa's announcement comes five months after the company purchased mobile payment platform Fundamo as a part of its global strategy to knit together disparate mobile money networks in emerging economies. Visa said that other emerging markets in Africa, Asia and Latin America will be among the first target markets for its new mobile prepaid product. (Source: www.atmmarketplace.com)

National Bank of Tajikistan Launches Processing Centre:

National Bank of Tajikistan, with help from Compass Plus, has gone live with a national processing centre within six months. Tajikistan national processing centre have now gained access to the full range of modern banking services that include cash disbursement and acceptance, payment for goods and services, various fund transfer options, performing banking operations via the Internet and mobile and SMS-banking. The processing centre is capable of delivering services to the country's credit institutions that enable the performance of information processing, financial operations as well as clearing settlements in payment systems. (Source: www.compassplus.com)

Mobile Money Initiative and the U.S.-Indonesia Comprehensive Partnership:

The USAID-funded Mobile Money Initiative, currently estimated at \$4 million over three years, supports the Economic and Development Cooperation pillar of the U.S.-Indonesian Comprehensive Partnership. This Initiative directly supports the Indonesian government's Financial Inclusion Strategy and advances the U.S. strategy to reduce poverty through economic growth. The Mobile Money Initiative aims to extend mobile money to 10 percent of the unbanked market or 7.4 million people and will pursue partnerships with the private sector and donors to leverage additional resources. Working through a Mobile Money Technical Advisor and Mobile Money Implementation Unit, the Initiative will help the private sector, Indonesian government, and other donors to ensure that local players build on their experience and find commercial footing to grow to scale. (Source: <http://www.banktech.com/payments-cards/231900601>)

Facebook social payment mobile app launched in Australia:

Australia's Commonwealth Bank is planning to "revolutionize" mobile payments in the country with a new mobile app that combines NFC, peer-to-peer payments and social payments via Facebook. The app is called 'Kaching' (as in the sound made by a cash register) and is the most all-inclusive payments app to ever be released by a banking institution. Kaching users will be able to make payments of up to AU\$100 (about €75) to anyone via an email address, phone number or Facebook friendship and will use contacts from the mobile device's phone contact book, or friends from the user's Facebook profile to initiate the transaction. (Source: <http://www.hindustantimes.com/StoryPage/Print/761787.aspx>)



Easypaisa has seen an incremental growth during the last two years and has penetrated in Pakistan's poor and unbanked population. In the context of these valuable achievements, we asked the founder of Easypaisa 'Mr. Nadeem Husain—CEO Tameer Microfinance Bank' to shed more light on Tameer's branchless banking accomplishments and future strategy.



Q#1: Tameer Microfinance Bank is pioneer in venturing into micro-banking with information and communications technologies and nonbank retail agents. What led you to plan such a shift from traditional banking system?

Tameer Bank was created to reduce financial exclusion. As we grew our bricks and mortar branch footprint, it became apparent that regardless of how low cost we could make our hub and spoke model, it would still not be feasible to achieve the scale we desired. It was at this moment we started researching alternative distribution models.

Q#2: How effectively are your branchless banking operations supporting microfinance activities specifically lending and savings?

Branchless banking supports savings, lending and transactional activities. It is ideal for small ticket high volume business. On the savings side, we have launched a mobile wallet account which requires no minimum balance and has no monthly charge. It can be operated over the counter at any Easypaisa agent or over the mobile phone. The ease of opening the account which is risk based and no minimum balance will allow us to scale the mobile account and start a saving habit in our nation. On the lending side, Microfinance customers loans can be disbursed into their mobile wallet account. Cash can then be obtained at any Easypaisa location. In the same manner, repayments can be made at the agent near the customer, saving him or her bother of traveling to the nearest branch of a Bank. It is a major time and cost saving for the customers.

Q#3: Where do you think is the breakeven after which present cost to customers will start coming down?

Branchless banking requires significant up front capital expense in software, hardware, building up the distribution network and creating products and solutions for customers. The key to success of Branchless banking is the creation of an Eco system and customer education. These building blocks take time.

Q#4: Where do you find Easypaisa in global comparison?

The easypaisa is already being viewed as the model for the future. The bank led model is being viewed by central banks as the way forward. Easypaisa is one of the fastest growing Branchless banking services in the world. It is my expectation that within next five years Easypaisa will become the largest Branchless banking service in the world.

Q#5: How do you compare potential growth in cards vs. mobile sets?

In Pakistan, the growth and absolute size of the mobile set segment has far outstripped the growth of the cards solution. There are an estimated 100 million mobile phone subscribers in Pakistan. Outstanding cards (both debit and credit) are a small fraction of this number.

Q#6: The easypaisa is increasingly reaching out to the people beyond general banking like recent initiatives of ticketing from PIA and payments of EOBI. What are the basic thoughts behind such steps and criteria of choosing services and organization for such services?

The easypaisa applications run in the hundreds from settling the payment of an airline ticket, government to person's payments (EOBI and BISP), salary disbursements, to money transfers. I can go on and on. As we built the Eco system we are not choosy about which organizations we bring into the Eco system. If the application provides a service to the end user, saves time and money, we are happy to pursue it.

Q#7: How is “easypaisa” going to play its role in G2P?

As I mentioned before Easypaisa will become the largest provider of G2P payments. Three months ago we were not in this business. We now have 1.5 million customers in total. We have 16,000 plus Easypaisa agents. This is our unique selling proposition (USP). It cannot be matched by any existing participant. We will scale-up this business further during this year.

Q#8: When do you see ‘easypaisa’ accelerating its scale to difficult-to-reach areas such as Baluchistan, FATA etc.?

We are already in these areas as a result of our G2P and domestic and international remittance business.

Q#9: What is the most pressing issue in Pakistan for the development of branchless banking?

The most pressing issues are the development of an Eco system and customer education.

Q#10: Technology is an essential tool behind success of branchless banking, however, technology is constantly changing overnight. Do you think that rapidly changing technology can affect your business in near future?

To succeed in branchless banking one must keep abreast of technological developments. Clearly the use of obsolete technology will make a provider uncompetitive.

Q#11: Where do you see branchless banking industry in Pakistan in next five years especially in the areas of agents’ network, interoperability, outreach etc.?

It is my strong view that in next five years time, the transaction volume being conducted by the Branchless banking industry will easily surpass the volumes being transacted through conventional means. We are seeing the beginning of a financial revolution. Banking will not remain as we see it today.

Q#12: What is the present growth of your newly introduced product m-wallet and how you foresee its growth in coming years?

Mobile wallet is seeing phenomenal growth. It's easy to access, user friendly and has been viewed very positively by customers. As we grow the Eco system and the applications possible by owning a mobile wallet increase, I see the number of Branchless banking accounts in just Easypaisa surpassing the entire banking industry accounts within a five year period. Branchless banking is bringing financial services within the reach of the common man for the first time. The potential market is greater than a 100 million customers.



Social Cash transfers and Financial Inclusion: Evidence from Four Countries

CGAP has recently issued a Focus Note. 77 titled “Social cash transfers and Financial Inclusion” that presents the evidence gained from comprehensive study of Brazil, Cambodia, Mexico and South Africa. The focus note gives some insight to revisit the key questions asked in Focus Note No. 58, December 2009 titled “Banking the Poor via G2P Payments”.

The Focus Note elaborate that in a number of countries, two separate, but potentially complementary policy agendas have emerged in the past five years: governments have sought to increase the use of electronic means for government payments and to promote greater financial inclusion. While the two agendas have by no means converged yet, in practice they have often been translated into a single headline objective: to increase the proportion of recipients of government social cash transfers who receive payment directly into a bank account.

The paper provides firmer answers to the main questions originally posed in the 2009 “Banking the Poor via G2P Payments” and concludes:

First, there is sufficient evidence that the move from cash to electronic payments need not be more expensive. The experiences suggest that the payment approach should use mainstream payment instruments and infrastructure as much as possible so that recipients benefit from investments that have already been made. Costs are more likely to decrease over time if programs ensure that payment strategy aligns with national policy and strategy for retail payments system development and supports the development of channels that can be used for multiple purposes—not just for withdrawing social cash transfers.

Second, recipients in all four of the countries clearly welcome the convenience of electronic payment methods to access cash over previous arrangements where cash was distributed at a particular time and place. However, demand-side analysis showed that few recipients automatically use their new bank account to save, or indeed for much else beyond withdrawing their benefits. To overcome these concerns, social cash transfer agencies have to ensure clear, consistent communication, possibly combined with additional incentives. Banks also have a role in clear messages to their new clients to change behavior over time.

Third, it is clear that offering accounts through which to pay social cash transfers can be profitable and sustainable for banks at the individual account level as long as government fees at a reasonable level are factored in. For this to happen, it will be necessary to use mainstream financial accounts that can be issued at greater scale and can use mainstream financial channels to transact.

Last, a well-designed social cash transfer payment strategy should build on and support the development of the country’s general retail payment system. In this way the social cash transfer program can function as a stepping stone in the move from cash to electronic and on to fully inclusive formal financial services. (Read the full publication here: <http://www.cgap.org/p/site/c/template.rc/1.9.56877/>)

Traveling Tellers, with Electronic Gear, taking Banking to Rural India

The New York Time in an article published on September 29, 2011 shared experience of branchless banking developments in India. Some key points of the article are;

- India is using a hybrid of the two — Human Tellers and Automated teller machine— to expand banking to its vast rural population.
- These roving tellers are keen on providing bank accounts to the nearly 50 percent of India’s 300 million households that do not have them
- To reduce the risk of robbery or theft, no transaction by law may exceed 10,000 rupees (about \$212).
- Nearly 60,000 business correspondents (agents) had already been registered by August 2011. The Reserve Bank of India predicts the ranks of correspondents will more than double, to 126,000, by March.
- The Reserve Bank has ordered commercial banks to set up correspondents in every village with more than 2,000 people and has assigned each of those villages to one bank or another.
- While about 70 percent of India’s population is dispersed among more than 600,000 villages, the entire country has only 33,500 bank branches.
- Business Correspondents (agents) have set up 74 million bank accounts in India. While, the average account balance was only 160 rupees (\$3.30) at the end of August, it has increased steadily. As recently as March, the average balance was just 100 rupees.
- The average monthly income of correspondent is only about \$65.
- State Bank of India is also buying hundreds of solar-powered A.T.M.’s that have fingerprint scanners and do not need air-conditioning at temperatures as high as 50 degrees Celsius (122 degrees Fahrenheit) from an Indian company called Vortex Engineering. The machines are being placed in small towns, and, for now, are meant for customers who open regular bank accounts, not the no-frills accounts set up by the roving correspondents, which do not come with A.T.M. cards.

(Read the full article here: [NYTimes.com/Traveling Tellers, With Electronic Gear, Take Banking to Rural India](http://NYTimes.com/Traveling_Tellers_With_Electronic_Gear_Take_Banking_to_Rural_India))