

# Faster Payments Pakistan

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OCTOBER 30<sup>TH</sup> 2019, KARACHI

INDUSTRY FORUM DOCUMENT



## **1** Context and challenges



## **2** Overview of Faster Payments



## **3** Strategic Implications

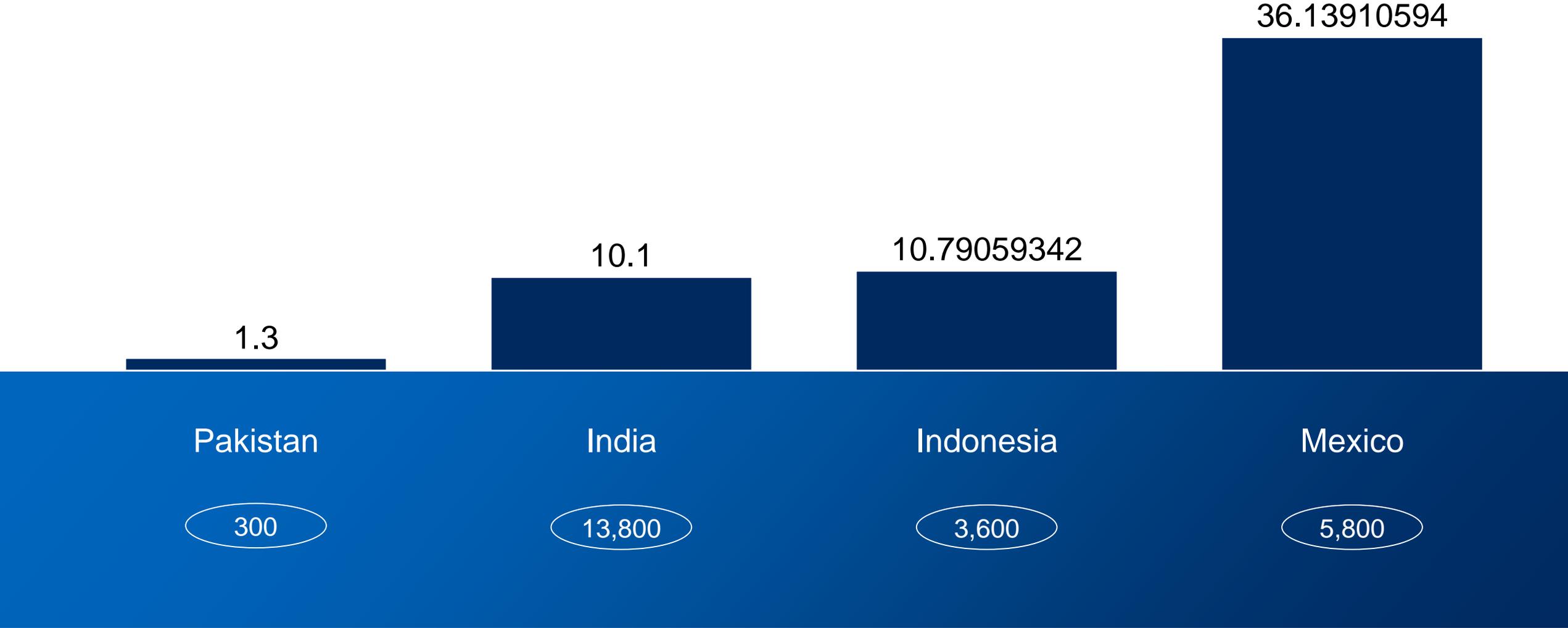


## **4** Key asks and next steps

# There is significant opportunity to drive digital payments in Pakistan

(x) # of electronic transactions (m)

## Electronic transactions per person in 2018, #



# There are several challenges driving reliance on cash in Pakistan

## Challenge



## Impact on ecosystem

Insufficient investment in digital infrastructure

Regulatory and policy challenges in reducing cash

Limited sector wide investment in public awareness

Limited interoperability at a retail level

High cost and poor experience to end user

Cost and time intensive onboarding of new payments providers

General inertia to move away from cards and cheques

Difficulty in introducing digital processes at scale

Low digital payment penetration (0.2% vs 2-7% in peers)

Few non-cash options for merchant payments

Cash becomes natural means for payment

Limited participation of innovative non-banking payment providers

**Faster Payments provides a solution to current challenges**

**Debit and credit within less than 5 seconds for end users**

**Complete interoperability** (accounts, wallets, branchless banking)

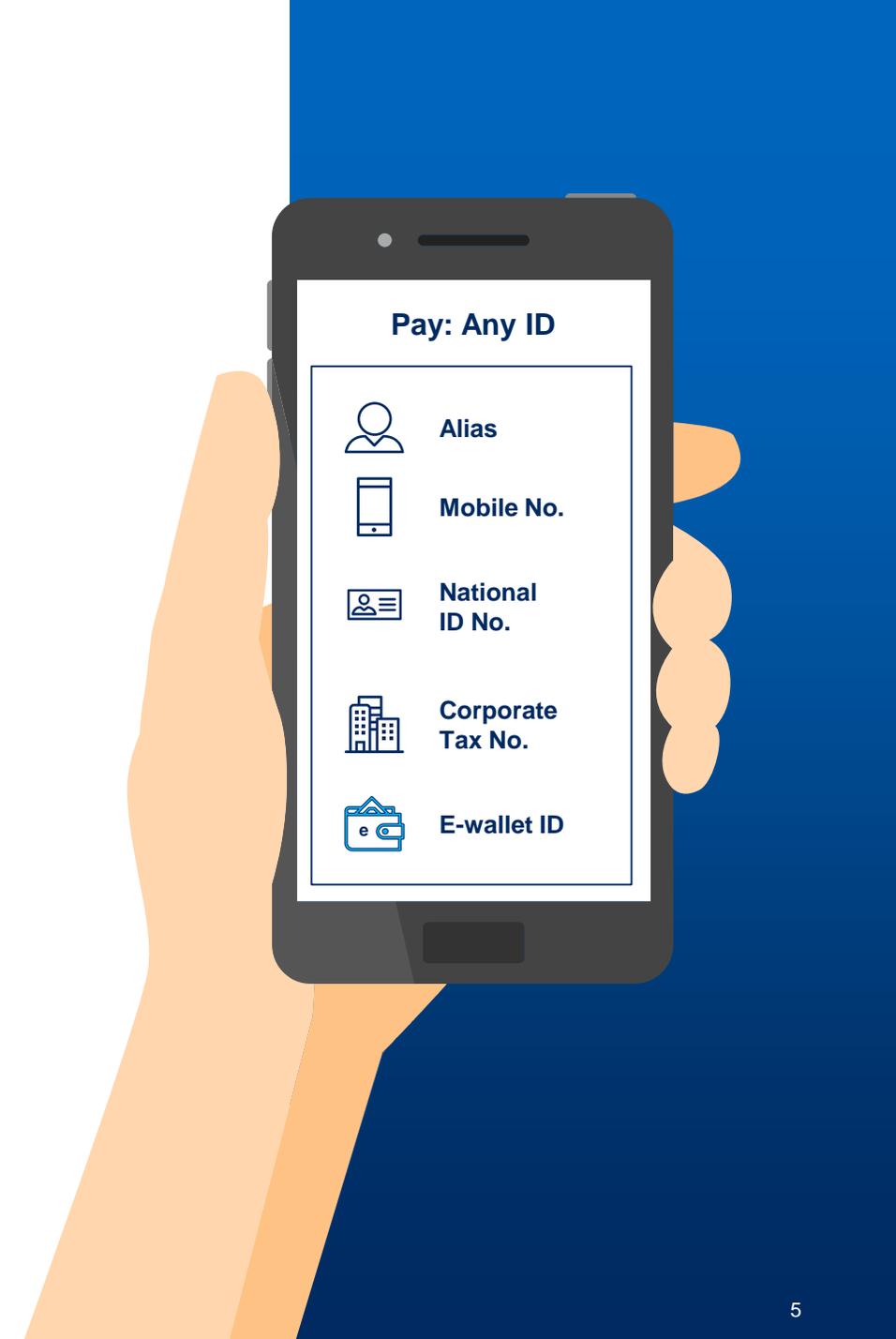
**Ease of use** (payments made using phone numbers/emails)

**Low to no transaction costs for end users**

**Easy and cost-effective participant onboarding**

**New products to digitize virtually all payments**

**Security, data protection and authentication**



# Faster Payments design leveraged various sources of insight



## END-USER FOCUS GROUPS

for priority use-cases



## GLOBAL BENCHMARKS

of best practice faster payment systems



## EXPERT REVIEW

with domestic and global payment experts



BILL & MELINDA GATES foundation

McKinsey & Company



## STAKEHOLDER ENGAGEMENT

Initial discussions with key stakeholders



# Globally countries, are adopting Faster Payments to drive payment digitization (1/2)

NON-EXHAUSTIVE

<b>UK</b>		<b>Faster Payments</b>
<b>USA</b>		<b>Real-time Payments System</b>
<b>Singapore</b>		<b>FAST</b>
<b>Australia</b>		<b>New Payments Platform</b>
<b>China</b>		<b>Interbank Banking Payment System</b>
<b>India</b>		<b>UPI/Immediate Payment Service</b>

**Over 20 countries have implemented a real time payment system**

**Cutting edge digital payment infrastructure**

**Sector wide interoperability**

**Low to no-cost transactions**

**Instant transfers**

**API based connectivity**

**Simple payment methods**

**Complimentary regulations & policies**

# Globally, countries are adopting Faster Payments to drive payment digitization (2/2)



UK		Faster Payments
Turkey		Retail Payment System
Mexico		Interbank electronic payment system, SPEI
Sri Lanka		LankaPay
Brazil		Fund transfer system
USA		Real-time payments system
Kenya		PesaLink
Norway		Realtime 24/7 (Nets RT)
Sweden		Payments in Real Time - BIR
India		UPI/Immediate Payment Service
China		Interbank Banking Payment System
Thailand		Prompt Pay
South Africa		Real Time Clearing
Australia		New Payments Platform
Singapore		FAST
Korea		Interbank Home/Firm Banking Network
Bahrain		Fawri+
Indonesia		National Payment Gateway

# Case studies of Faster Payment Impact

135%



**Thailand**

increase in electronic transfers within two months of launch by Kasikorn bank in 2017

60%



**Thailand**

increase in acquired merchants 2018 due to cheaper payment forms

16%



**India**

Reduction in cheques processed within 3 years of launch of UPI

2b<sub>USD</sub>



**UK**

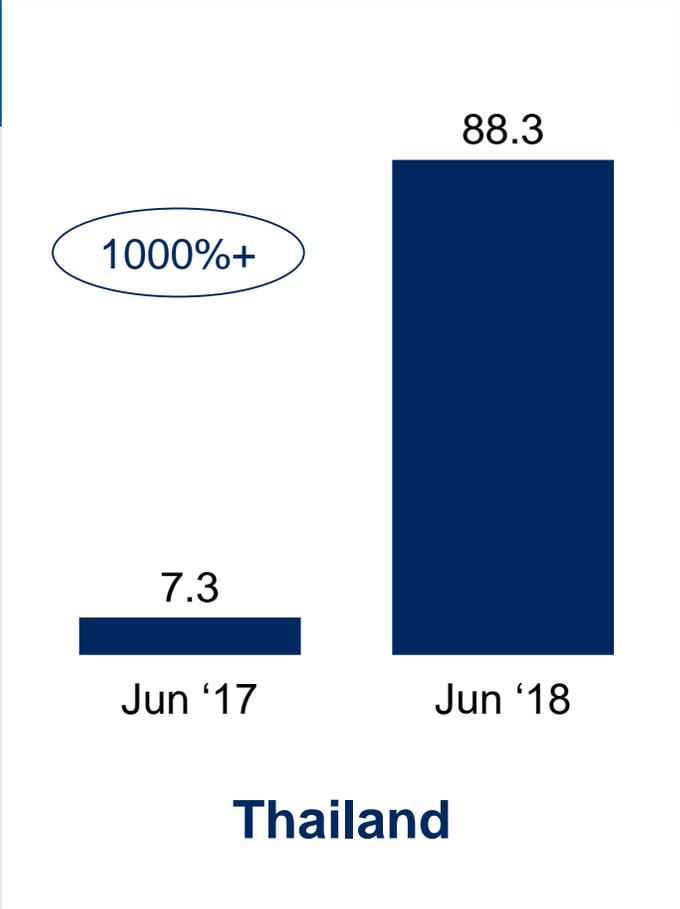
Transactions processed through Pingit (account aggregator)

1 Share of money supply deposited with banks increased by 4 p.p. from 86% in 2011 to 90% in 2016 in India. 4% of India's money supply in 2016 is \$80Bn converted @104.7 rupees per dollar  
2 GBP 2bn worth of transactions in 4 years converted at 140.8 rupees per GBP

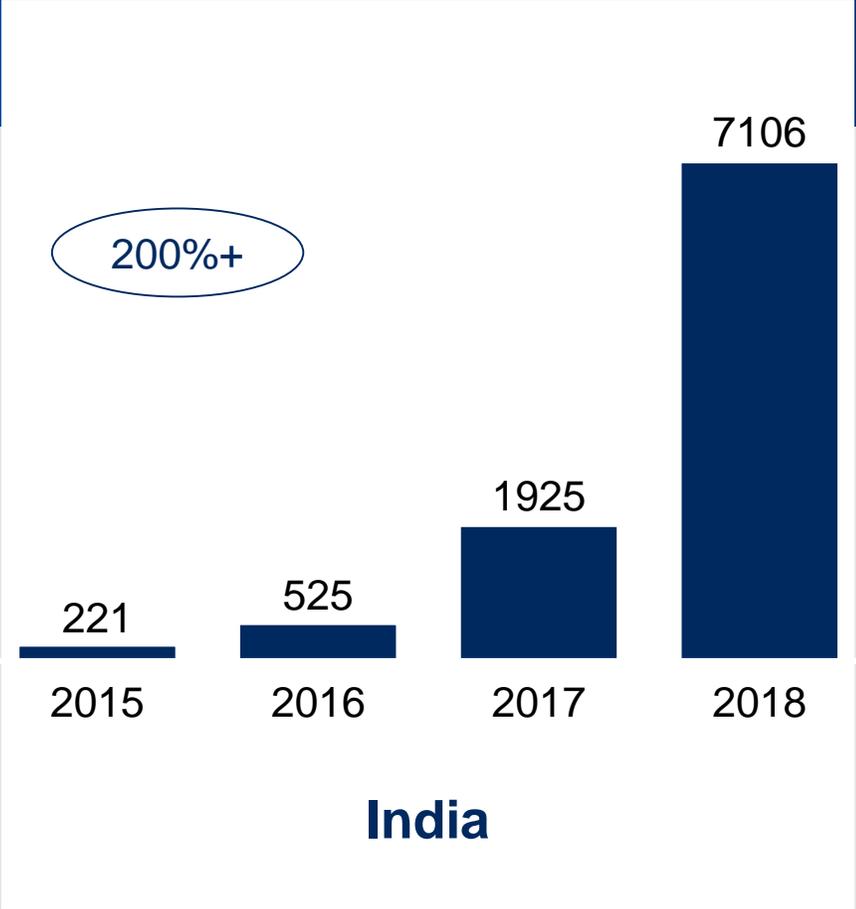
# Faster Payments have resulted in transformative growth

(X) Growth rate during period

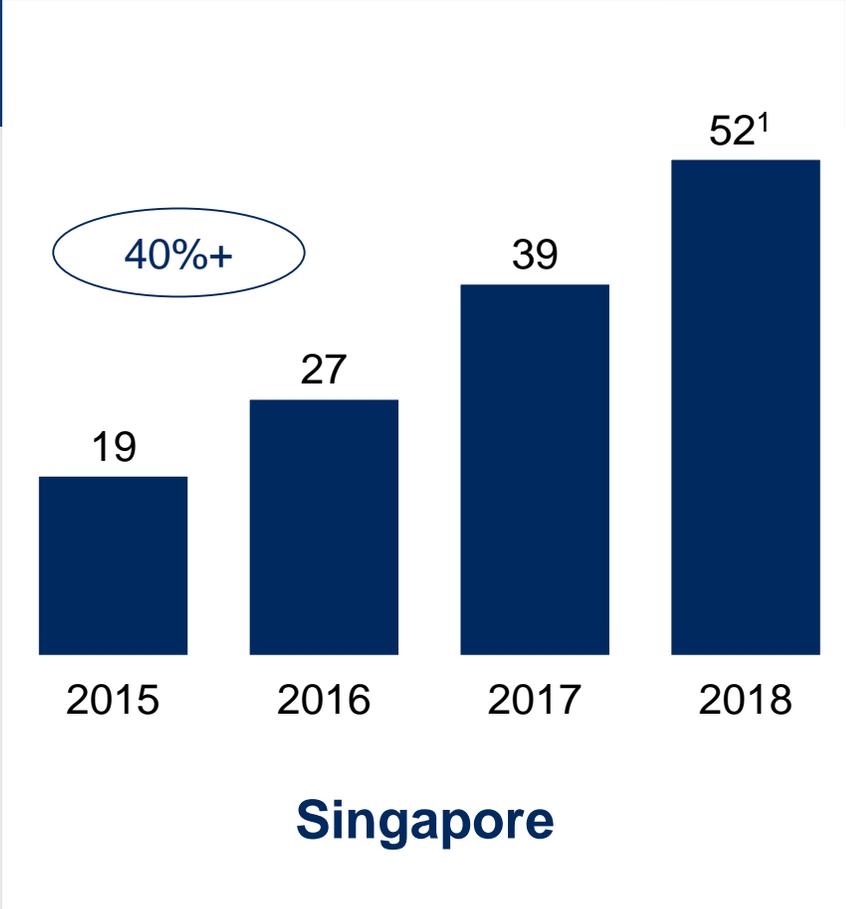
Transactions through PromptPay, Mn



Transactions through IMPS, Mn

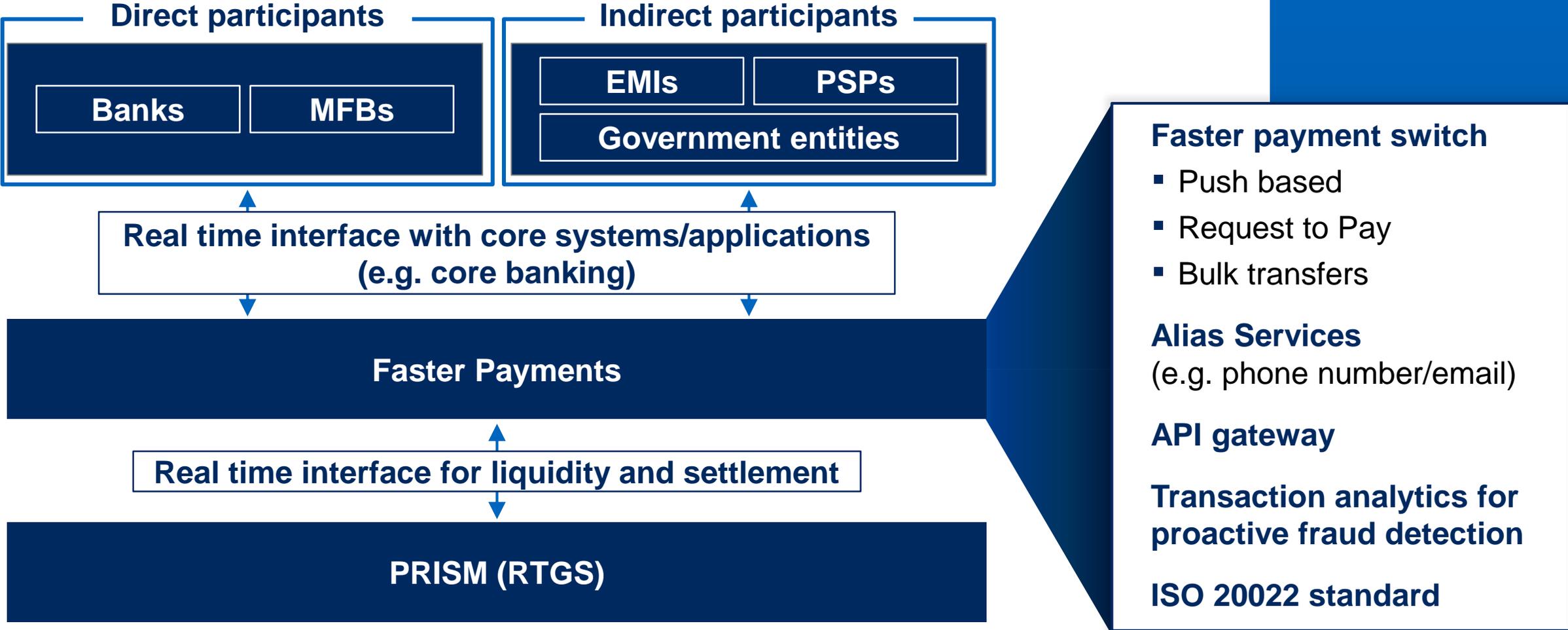


Transactions through FAST, Mn



<sup>1</sup> Transaction volume in the first half of 2018 is doubled for the complete year

Faster Payments will provide the infrastructure for digital payments across all payments participants

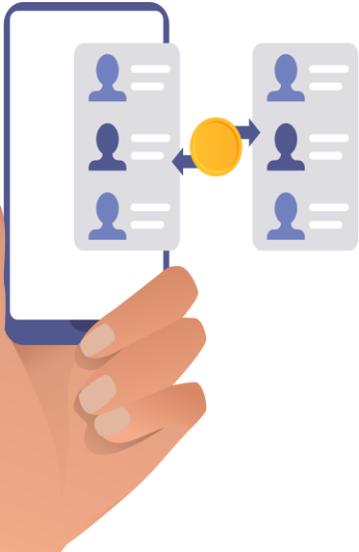


**Banks should be able to debit/credit customer accounts in less than 5 seconds**

**Interoperable local QR payment scheme**

An illustration of a hand holding a smartphone that displays a QR code. In the background, there is a circular inset showing a shopkeeper in an orange apron holding a green bottle, standing in front of a shop with a red and white striped awning.

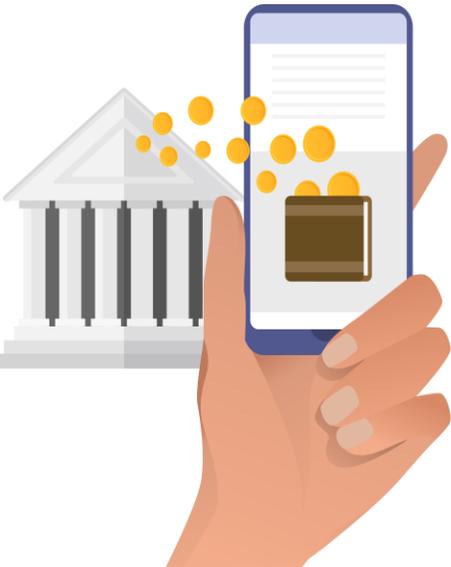
**Phone number/email based payments to all**

An illustration of a hand holding a smartphone displaying a list of contacts. A gold coin is shown being transferred from one contact to another, with arrows indicating the direction of the transfer.

**Payments directly through widely used non banking apps**

An illustration of a hand holding a smartphone displaying a WhatsApp chat interface. A green WhatsApp logo is shown above the phone. To the left, there is a blue document icon with white text lines.

**Direct to account salary transfer**

An illustration of a hand holding a smartphone displaying a bank account interface with a gold coin icon. In the background, there is a classical building with columns and several gold coins floating in the air.

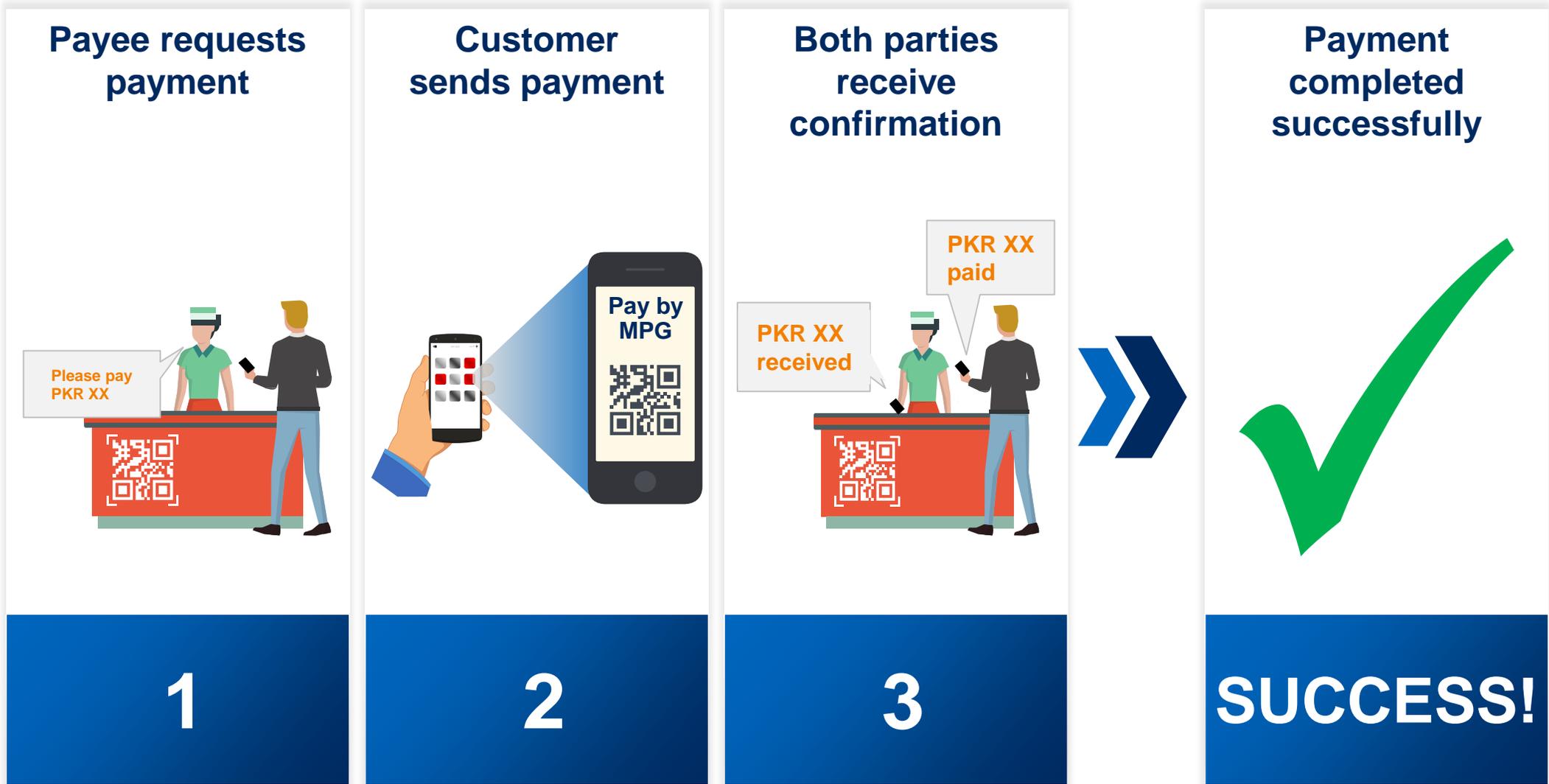
**Emergence of super integrators**

An illustration of a hand holding a smartphone displaying a credit card and a red 'PAY' button. Surrounding the phone are various documents, including a receipt and a tax form.

Customers will be able to use their smartphones to push alias-based payments via QR codes

ILLUSTRATIVE

Interoperable  
Push Static  
QR



Alias (e.g. phone number/email) will be used to make the payment

# Potential payments that will be impacted

NON-EXHAUSTIVE

## P2X

## B2X

## G2X

### Example payment use cases (non-exhaustive)

### VALUE p.a. (PKR tr)

<b>a</b> Merchant payments (goods/services)	~20
<b>b</b> P2P incl. domestic remittances	~3
<b>c</b> National Savings scheme	~1
<b>d</b> Private sector salaries and wages	~15
<b>e</b> SME invoice payments <sup>1</sup>	~6
<b>f</b> Tax payments	~3
<b>g</b> Dividends	~0.5
<b>h</b> Federal government salaries and pensions	~0.5
<b>i</b> Provincial government salaries and pensions	~1
<b>j</b> Gov supplier payments (services and goods)	~1
<b>k</b> Welfare payments <sup>2</sup>	<0.1

<sup>1</sup> Excl. large value corporate payments; <sup>2</sup> BISP

# How could the industry evolve with Faster Payments



**New opportunities for fast movers and disruption of existing revenue streams**



**Digital innovation and investment essential to survival**



**Enhanced end-user experience driving choice of digital payments providers**



**Emergence and dominance of non-banking digital payments providers**



**Decline in operational cost of transactions**



**Reduction in barriers to entry/exit**



**Increased choices and power for customers**

## Next steps for Faster Payments

**1**

**Planning and budgeting – Q4 2019**

**2**

**Integration with Faster Payments – Q2 2020**

**3**

**Go live – Q3 2020**