



STATE BANK OF PAKISTAN



**Fourth Quarterly Report on
Retail E-Payments and Paper Based instruments
April –June, FY10**

Payment Systems Department
(Oversight Division)

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EXECUTIVE SUMMARY:**Electronic /Mobile Payments - Alternative Payment Channels:**

During Qtr-4, the volume and value of E-Payment transactions in the country reached 53.4 million and Rs. 4.8 trillion respectively showing an increase of 6.2 percent in numbers and 7.7 percent increase in value as compared to 8.4 percent increase in numbers and 8.2 percent increase in value in the previous quarter.

E- Payments (Cash Based – Online Banking & ATM):**Real time Online Banking (RTOB):**

During Qtr-4, the volume and value of online banking transactions in the country reached 17.4 million and Rs. 4.5 trillion respectively showing an increase of 8.9 percent in numbers and 7.9 percent increase in value compared to 12.1 percent increase in numbers and 8.2 percent increase in value in the previous quarter.

ATM Transactions:

During Qtr-4, the volume and value of ATM transactions in the country reached 31.1 million and Rs. 250.3 billion respectively showing an increase of 5.9 percent in numbers and 7.6 percent increase in value compared to 7.9 percent increase in numbers and 10.4 percent increase in value in the previous quarter.

E-Payments (Virtual / Plastic Money):**Point Of Sale (POS) Transactions:**

During Qtr-4, the volume and value of POS transactions in the country were recorded at 3.7 million and Rs. 16.7 billion respectively showing declines of 0.9 percent in numbers and 3.1 percent in value compared to declines of 5.1 percent in numbers and 6.2 percent in value in the previous quarter.

Internet Payments Transactions:

During Qtr-4, the volume and value of internet transactions in the country were recorded at 0.82 million and Rs. 35.1 billion respectively showing a decrease of 7.1 percent in numbers and 12.1 percent decrease in value compared to 31.2 percent increase in numbers and 4.4 percent increase in value in the previous quarter.

Mobile Phone Transactions:

During Qtr-4, the volume and value of mobile transactions in the country were recorded at 139,942 and Rs. 763 million respectively compared to volume of 99,558 and Rs. 594 million value of transaction reported in the previous quarter.

Payments through Call Centre / IVR

During Qtr-4, the volume and value of call centre / IVR (Interactive Voice Response) transactions in the country reached 0.23 million and Rs. 1.7 billion respectively showing a decrease of 7.0 percent in numbers and an increase of 5.3 percent in value compared to 3.0 percent decrease in numbers and 4.6 percent decrease in value in the previous quarter.

Debit Cards Transactions:

During Qtr-4, the volume and value of debit cards transactions were reported to be 35.03 million and Rs. 269.40 billion respectively showing increases of 7.0 percent in volume and 4.8 percent in value of transaction compared to 9.2 percent increase, both in numbers and value respectively in the previous quarter.

Credit Cards Transactions:

During Qtr-4, the volume and value of credit cards transactions were reported to be 3.9 million and Rs. 16.6 billion respectively showing an increase of 8.9 percent in numbers and 1.7 percent increase in value compared to 3.9 percent decrease in numbers and 4.0 percent decrease in value in the previous quarter.

E-Payments Infrastructure:

The total number of ATMs during Qtr-4 reached 4,465 registering a growth of 2.1 percent compared to 3.7 percent increase in the previous quarter. The volume of Real Time Online Branches (RTOB) during Qtr-4 reached 6,671 and recorded a growth of 0.6 percent compared to 0.7 percent increase recorded in the previous quarter. The total quantity of POS terminals reached 52,049 showing an increase of 0.9 percent in number compared to 1.5 percent increase in the previous quarter.

The number of cards (debit / credit /ATM only) in circulation during Qtr-4 reached 10.52 million which shows an increase of 0.7 percent compared to 4.9 percent increase in the previous quarter. The quantity of credit cards has increased by 0.5 percent to 1.6 million as compared to 1.6 percent decrease in the previous quarter. Debit cards have increased by 0.7 percent compared to 7.0 percent increase in the previous quarter and stood at 8.1 million. ATM only cards have increased by 1.3 percent to 0.76 million compared to 1.8 percent decrease in the previous quarter.

Paper Based Payments:

During Qtr-4, the volume and value of paper based transactions in the country reached 91.6 million and Rs. 40.5 trillion respectively showing an increase of 10.5 percent in numbers and 16.2 percent increase in value compared to 2.4 percent decrease in numbers and 3.1 percent increase in value in the previous quarter.

Total Retail Payments:

During Qtr-4, the volume and value of total retail payment transactions in the country reached 145 million and Rs. 45.36 trillion respectively showing an increase of 8.9 percent in number and 15.2 percent increase in value compared to 1.4 percent increase in numbers and 3.7 percent increase in value in the previous quarter.

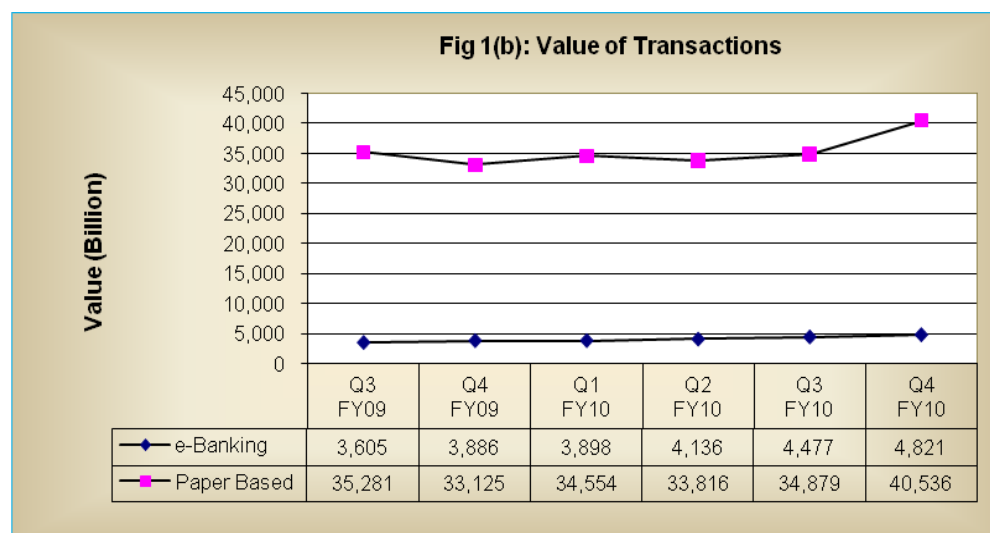
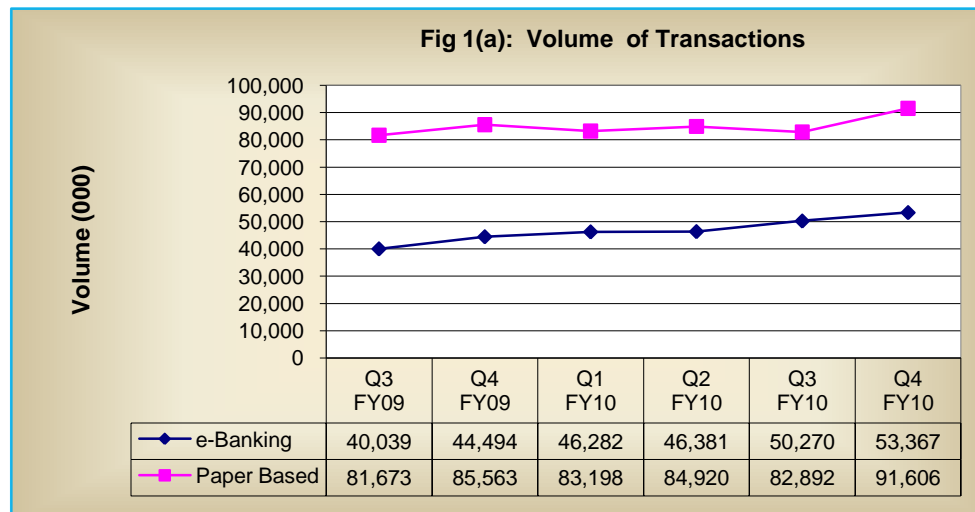
Transformation:

During Qtr-4, the contribution of electronic transactions has recorded a 36.81 percent share in numbers compared to 37.75 percent during the previous quarter. In terms of value, the electronic channels' share was recorded 10.63 percent against 11.38 percent share recorded for the previous quarter.

1. E-Payments & Paper Based Payments:

E-payment systems are money transmissions / delivery mechanisms. These systems are cash based and virtual payments. During Qtr-4 FY10 the volume of total electronic & Paper Based Payments registered an increase of 8.9 percent compared to 1.4 percent increase recorded in the previous quarter. In terms of value, total retail payment transactions registered an increase of 15.2 percent compared to 3.7 percent increase in the previous quarter.

The trend of paper and electronic based transactions Qtr-3 FY09 is given in the Fig. 1a & 1b below

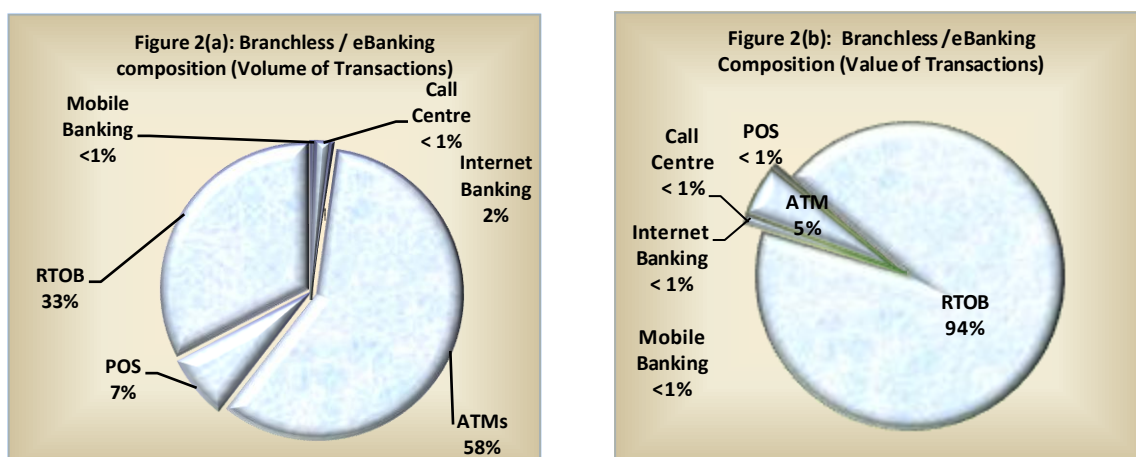


2. Retail E-Payments:

In terms of volume, the retail E-Payments have reached 53.4 million transactions showing 6.2 percent increase against an increase of 8.4 percent recorded in the previous quarter. In terms of value, it reached Rs. 4.8 trillion showing an increase of 7.7 percent against 8.2 percent increase recorded in the previous quarter (Figs. 1a & 1b).

2.1 E-Payments Composition:

ATMs are commonly used for frequent, but small value cash withdrawals; therefore, its share in total number of electronic transactions was recorded to be the highest i.e. 58 percent. During Qtr-4 the average amount of an ATM transaction¹ was recorded to be Rs. 8,037 compared to Rs. 7,913 recorded during previous quarter. In terms of volume, the shares of Real Time Online Banking (RTOB) and POS in the total E-Payments were 33 percent and 7 percent respectively. Call Centers, Internet Payments and Mobile Phone Payments, however, had comparatively low share in the total E-Payments (Fig.2a). In terms of value, the RTOB contribution was the highest i.e. 94 percent since this channel is mostly used for Business to Business (B2B) transactions. ATM transactions contributed 5 percent in the value of transactions. The shares in terms of value of POS, Internet, Mobile Phone and Call Center Payments were insignificant in the overall context.(Fig. 2b).



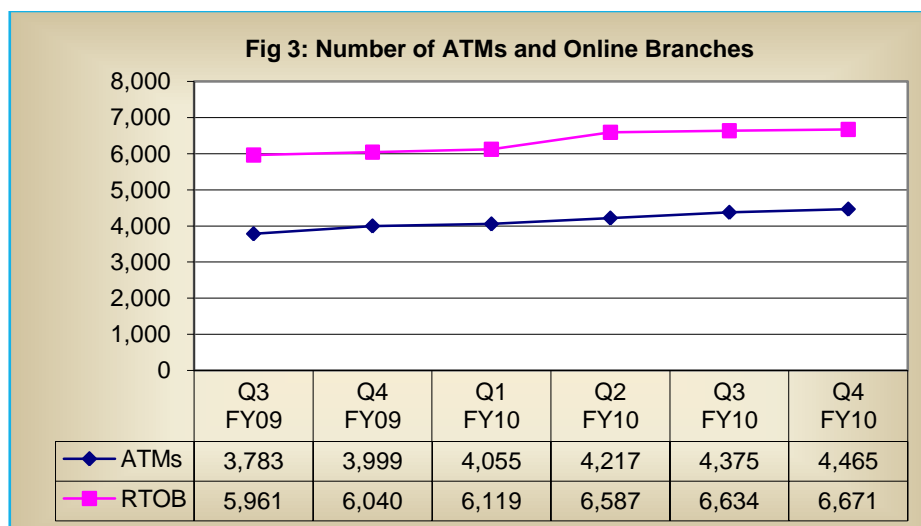
3. E-Payments Infrastructure in Pakistan:

3.1 Online Branch Network and Automated Teller Machines (ATMs):

During Qtr-4, banks have increased their online Branch network from 6,634 to 6,671 showing a growth of 0.6 percent compared to 0.7 percent increase recorded in the previous quarter.

The share of online branches in the total branch network has increased from 72.4 percent to 72.6 percent i.e. stayed at almost same level. Similarly, during Qtr-4, banks have added 90 new ATMs in their network, bringing the total number of ATMs in the country to 4,465 reflecting a growth of 2.1 percent as compared to 3.7 percent growth recorded in the last quarter (Fig. 3).

¹ The average amount of ATM Transactions = Total Amount / Total number of transactions. Here the total number of ATM transactions include cash withdrawal, cash deposit, IBFT, utility bills payment, and deposit of Payment instruments



3.2 Number of Cards (Credit/Debit/ATM):

As of June, 2010, the total number of cards in circulation has been recorded 10.52 million compared to 10.45 million cards recorded in the previous quarter showing a growth of 0.7 percent (**Fig. 4**).

3.2.1 Credit Cards:

The total number of credit cards increased from 1.606 million to 1.613 million in Qtr-4 showing an increase of 0.5 percent compared to 1.6 percent decrease recorded in the previous quarter. The quantity of Islamic credit cards was recorded at 1,239.

3.2.2 Debit Cards:

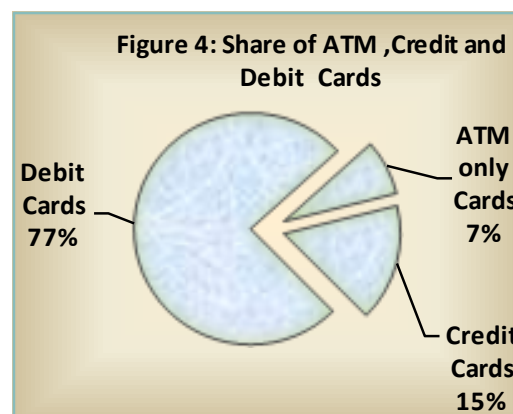
Total number of debit cards has increased from 8.09 million to 8.14 million in Qtr-4 showing a growth rate of 0.7 percent compared to 7 percent increase in the previous quarter.

3.2.3 ATM Only Cards:

During Qtr-4, the total number of ATM only cards in circulation was 0.765 million against 0.754 million cards reported during last quarter showing an increase of 1.3 percent compared to 1.8 percent decrease recorded in the previous quarter.

3.2.4 Smart Cards:

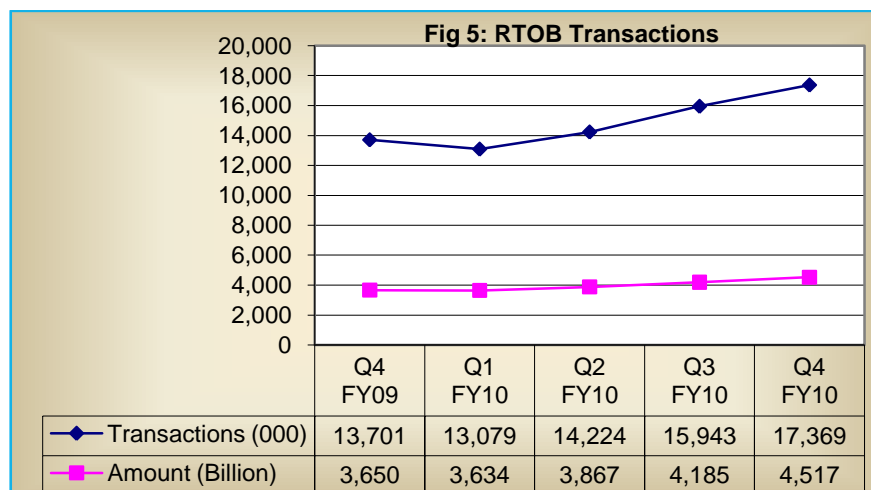
Smart cards are chip based cards with enhanced memory and security features. Out of 10.52 million cards, 0.466 million or 4.43 percent are chip based cards. During Qtr-4, the total quantity of chip based cards increased by 2.7 percent.



4. E-Payments (Cash Based -Online Banking & ATM Transactions):

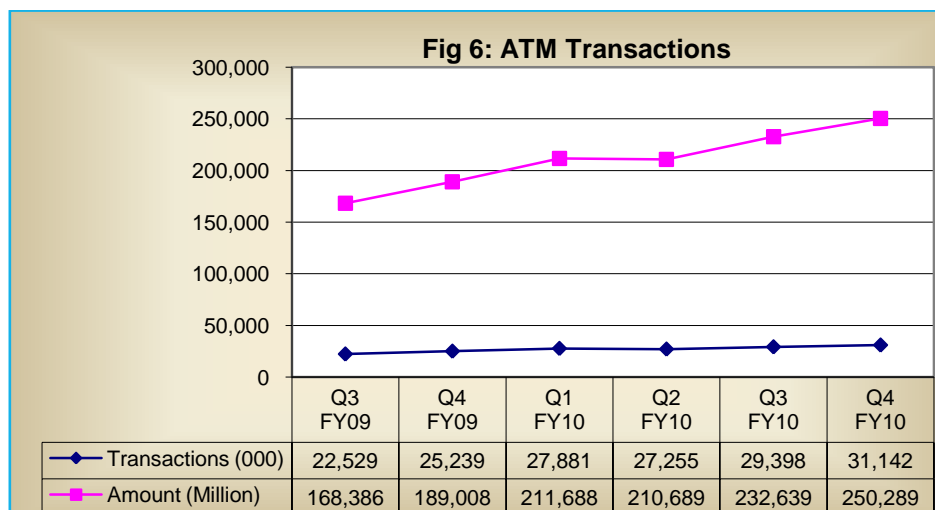
4.1 Real Time Online Banking (RTOB) Transactions:

During Qtr-4, the total number of RTOB transactions increased by 8.9 percent compared to 12.1 percent increase recorded during the previous quarter. In terms of value, the amount increased by 7.9 percent compared to 8.2 percent increase in the previous quarter. Banks use RTOB channel for conducting various transactions which in fact constitute about 94 percent of total E-payments transactions value in the country. (Fig. 5):



4.2 Transactions through ATMs:

ATM transactions during the Qtr-4 registered an increase of 5.9 percent compared to 7.9 percent increase in the previous quarter. The amount of ATM transactions increased by 7.6 percent compared to 10.4 percent increase in the previous quarter. Apart from cash withdrawal, ATMs are also used for inter/intra bank funds transfer, cash deposits, payment of utility bills etc. In Pakistan, on average, 77 transactions were executed per day per ATM. The amount of average transaction is Rs. 8,037 (Fig. 6).



4.2.1 Funds Transfers:

During Qtr-4, fund transfers transactions that were made through ATMs, were recorded at 0.787 million showing an increase of 6.1 percent compared to 15.5 percent increase recorded in the previous quarter. The value of such funds transfers was Rs. 34.1 billion depicting an increase of 1.2 percent compared to 18 percent increase recorded in the previous quarter.

4.2.2 Cash Deposits:

Quite a few banks are providing the facility of cash deposit through ATMs. The mechanism for cash deposit is either through single/bunch note acceptor or envelope based. During Qtr-4 only 7,626 transactions of cash deposit through ATMs were reported showing a decrease of 3.3 percent compared to 19.8 percent increase recorded in the previous quarter. In terms of value, the amount increased from Rs. 67.33 to 69.09 million for the current quarter showing an increase of 2.6 percent compared to 0.2 percent decrease recorded in previous quarter.

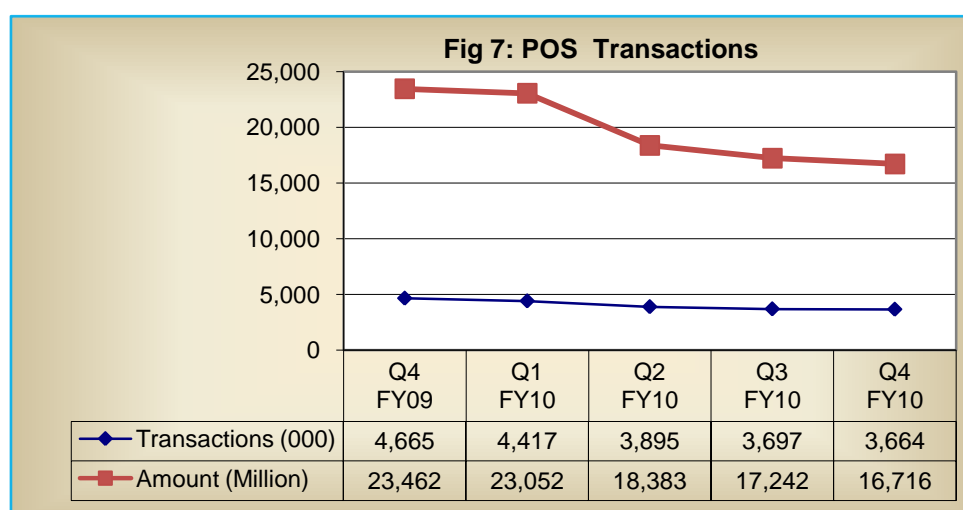
4.2.3 Utility Bills Payment:

During Qtr-4, the numbers of utility bills payment transactions through ATMs were reported at 42,376 showing an increase of 14.7 percent compared to 16.9 percent increase recorded in the previous quarter. In value terms, the banks reported Rs. 65.81 million compared to 42.92 million recorded previous quarter showing a 5.3 percent increase compared to 0.3 percent decrease in the previous quarter.

5. E-Payments (Virtual / Plastic Money):

5.1 POS (Point of Sale) Transactions:

The total number of POS machines/terminals has reached 52,049 placed across the country on different merchant locations as compared to 51,577 machines recorded last quarter which shows an increase of 0.9 percent. The number of POS transactions reached 3.7 million showing a decrease of 0.9 percent compared to 5.1 percent decrease recorded in the previous quarter. The amount of such transactions was recorded Rs. 16.7 billion showing a decrease of 3.1 percent compared to 6.2 percent decrease in the previous quarter (**Fig. 7**).



5.2 Payments through Call Centre:

Payments through Call Centre/Interactive Voice Response (IVR) are also a part of E-Payment infrastructure. The number of transactions through such channels reported by the banks for Qtr-4 FY10 were 0.229 million involving an amount of Rs. 1.7 billion. This shows a decrease by 7.0 percent in volume and 5.3 percent increase in value compared to 3.0 percent decrease in volume and 4.6 percent decrease in value recorded in the previous quarter.

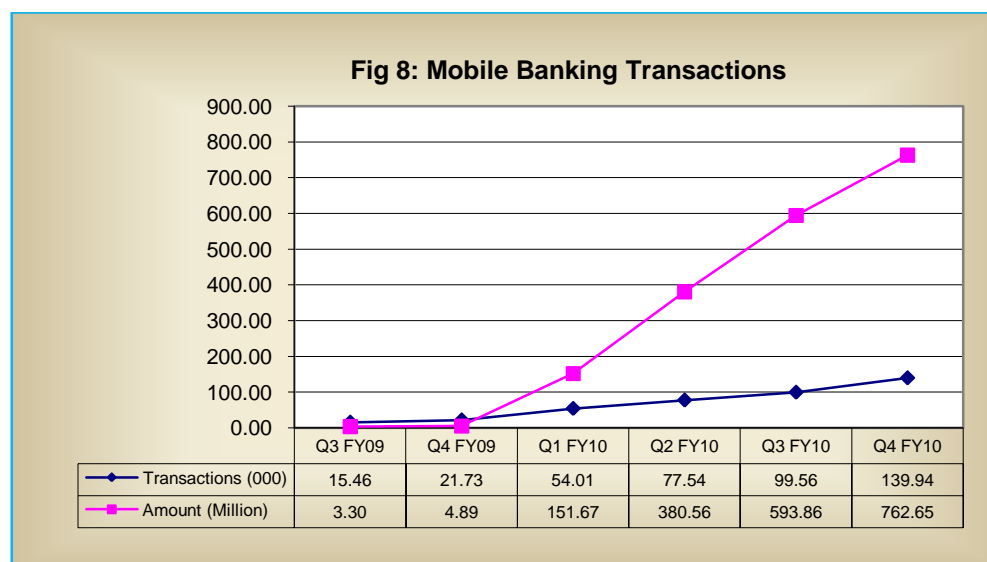
5.3 Payments through Internet:

Internet Payments include payments and electronic fund transfers (EFT). During Qtr-4 FY10, banks reported 0.823 million transactions involving an amount of Rs. 35.13 billion; this shows a decrease of 7.1 percent in numbers and 12.1 percent decrease in amount compared to an increase of 31.2 percent in numbers and an increase of 4.4 percent in amount recorded in the previous quarter.

5.4 Payments through Mobile Phone/ Devices:

These transactions include payments through mobile phone, intra customer account fund transfers and inter customer account fund transfers.

The number of transactions reported was 139,942 for the current quarter compared to 99,558 transactions reported for the previous quarter. In terms of value of transactions it was reported to be Rs. 763 million compared to Rs. 594 million recorded in the previous quarter. **(Fig. 8).**



6. Cross Border Transactions through E-Payments:

In this report, Cross border transactions include only those transactions which are executed using either an ATM / POS machine or Internet. ATM transactions include cash withdrawal through ATM's; the inflow of ATM transactions has increased by 1 percent compared to 8 percent in the previous quarter while outflow increased by 14 percent compared to 8 percent decrease in the previous quarter. The POS transactions include purchases of goods and services by customers. The inflow of POS transactions increased by 4 percent, at the same rate as in the previous quarter, while the outflow increased by 5 percent compared to 5 percent decrease in the previous quarter. The internet transactions include purchase of goods and services from foreign/local online merchants. The inflow of internet transactions

increased by 6 percent maintaining the same level of growth as in the previous quarter while the outflow increased by 49 percent compared to 3 percent increase in the previous quarter. The foreign merchants include names like eBay, Amazon, Google etc. Internet transactions also include payment of fee for foreign universities and online courses like ACCA, CIMA etc.

The Comparison of cross border transactions, showing inflow and outflow of money through E-Payments, is given in Table 1:

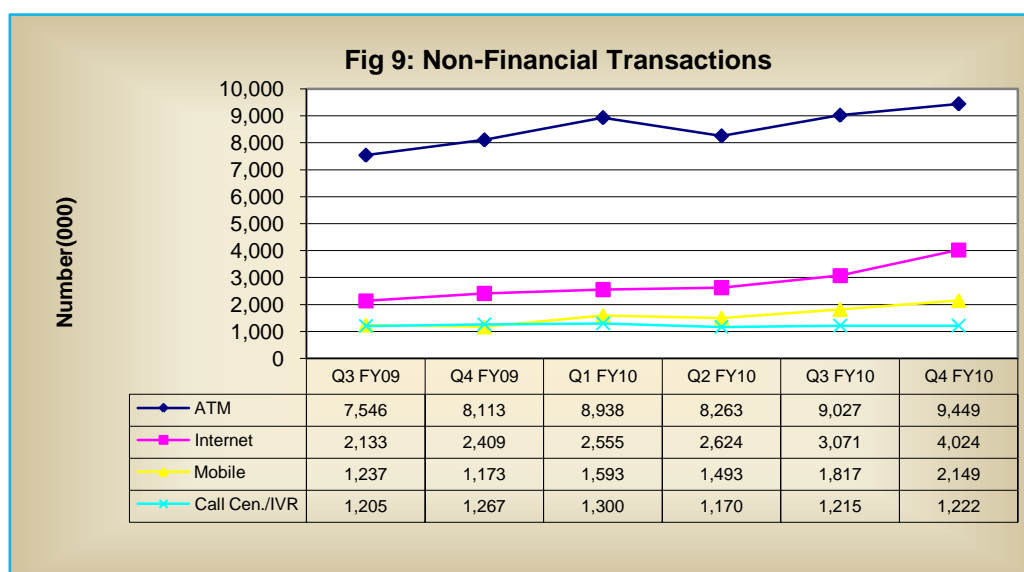
Table 1: Comparison of Cross Border Payment Transactions

Means of Transaction	Inflow of Money		Outflow of Money		Net	
	Q4 FY 10	Q3 FY 10	Q4 FY 10	Q3 FY 10	Q4 FY 10	Q3 FY 10
ATM	3,663	3,641	(621)	(546)	3,042	3,095
POS	3,134	3,011	(3,223)	(3,079)	(89)	(68)
INTERNET	84	80	(612)	(411)	(528)	(331)
Total	6,881	6,732	(4,456)	(4,036)	2,425	2,695

The above table indicates that the volume of cross border e-banking transactions (net inflow) decreased by 10.1 percent compared to a increase of 28.4 percent reported in the previous quarter.

7. Non-financial E-Banking Activities:

Channels of E-Banking are also used for non-financial transactions like the balance inquiry, account statements, etc. The total number of non-financial transactions reported during the quarter was 16.84 million against 15.13 million recorded in the previous quarter as shown in **Fig. 10**.



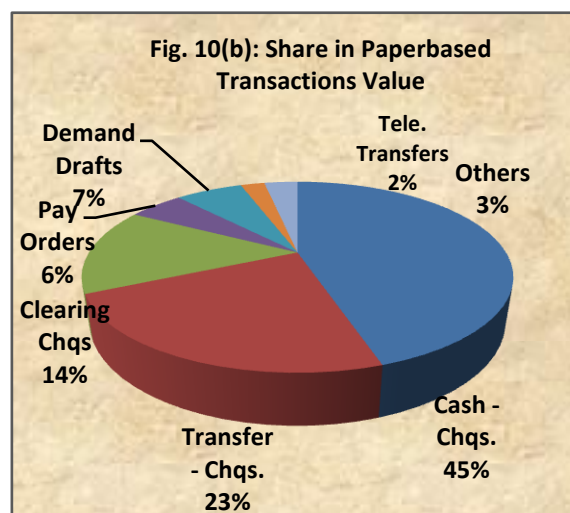
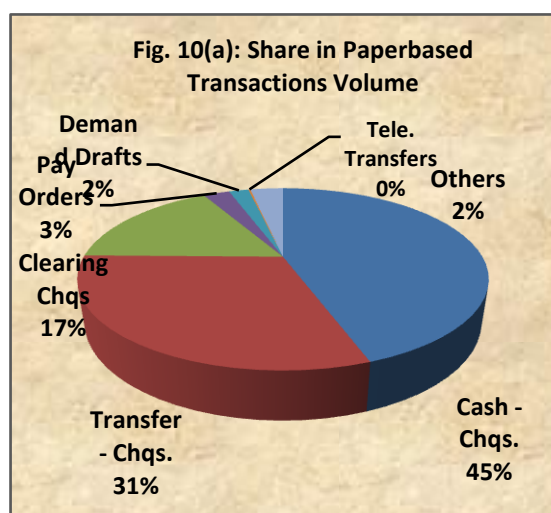
8. Retail Payments through Paper Based Instruments:

Paper based instrument during Qtr-4 FY 10 witnessed an increase of 10.5 percent in numbers compared to 2.4 percent decrease in the previous quarter (**Fig. 11a**). The value of transactions increased by 16.2 percent against 3.1 percent decrease recorded during previous quarter (**Fig. 11b**).

Table 2: Paper Based Instruments

Instruments	Qtr 4 FY 10		Qtr 3 FY10	
	Number (million)	Amount Rs. (trillion)	Number (million)	Amount Rs. (trillion)
Cash – Cheques	40.8	18.3	8.4	17.3
Transfer - Cheques	28.1	9.4	24.5	8.9
Clearing - Cheques	15.3	6.0	14.8	4.7
Pay Orders	2.4	2.1	2.0	1.3
Demand Drafts	1.8	2.6	1.7	0.6
Tele. Transfers	0.2	0.9	0.2	0.9
Others	3.0	1.3	1.3	1.0
TOTAL	91.6	40.5	82.9	34.9

While looking at the composition of the paper based instruments, the cheques (such as cash, clearing, transfer) carry a major share i.e. 93 percent in volume and 82 percent in value. Cash cheques have been the most widely used paper based instrument with 45 percent share both in volume and value of transactions. The respective percentage share of all instruments is shown in the **Fig. 11a & 11b**.



9. Transition to E-Payments

During the last six quarters the transition from manual (paper based) banking to E-Payments has been gradual, yet consistent, in terms of both volume and value of transactions. The share (in percentage) of electronic transaction was reported at 36.81 percent of the total number of transactions compared to 37.75 percent in the previous quarter. In terms of value, it was recorded at 10.63 percent compared to 11.38 percent in the previous quarter (**Fig 12a & 12b**).

