

# Payment Systems Review July-September, 2013

1<sup>st</sup> Quarter FY14



**1. INTRODUCTION ..... 5**

**2. LARGE VALUE PAYMENT SYSTEMS ..... 6**

**3. RETAIL PAYMENT SYSTEMS ..... 8**

    3.1 ATMS..... 8

    3.2 REAL-TIME ONLINE BANKING (RTOB) ..... 9

    3.3 POINT OF SALE (POS)..... 9

    3.4 INTERNET BANKING ..... 10

    3.5 MOBILE PHONE BANKING ..... 10

    3.6 CALL CENTER BANKING..... 11

    3.7 PLASTIC CARDS COMPOSITION ..... 12

**PAYMENT SYSTEMS IN PAKISTAN AT A GLANCE ..... 13**

For queries comments and your feedback on this publication,  
please contact us at [psd-data@sbp.org.pk](mailto:psd-data@sbp.org.pk). Please also include your  
contact details in your email

---

## Executive Summary

---

This report aims to review recent developments in the area of large and retail value payment systems in Pakistan while focusing July to September quarter of FY2014. During the quarter under review, Pakistan Real-time Interbank Settlement Mechanism (PRISM), the large value payment system of the country processed 131 thousand payments worth Rs. 30.6 trillion. This shows a decrease of 2.8% and 26.7% in Volume and Value respectively compared to the previous quarter. This decrease is mainly due to reduction in government securities settlement transactions by the central bank.

The Volume of e-Banking transactions in Pakistan has grown considerably since July 2012. The number of transactions done via ATMs reached around 60 million in the first quarter (July to September) of 2013-14. The number of ATMs in the country is growing at an average of around 3.2% reaching 6,974 ATMs for the current quarter. As on 30<sup>th</sup> September 2013, for every 100,000 people, there are 3.8 ATMs in the country whereas during the same period, Rs. 591 billion were transacted using this channel. The number of Real Time Online Branches (RTOB) is 10,135 which accounts for 95% of the total bank branches in the country; around 21 million transactions amounting Rs. 5.6 trillion were performed via this channel during the first quarter (July-September) of FY2013-14. As on 30<sup>th</sup> September 2013, there were around 18.5 Point of Sale machines for every 100,000 people in the country. The fastest growing payment channel in the country is Mobile Banking where the number of transactions grew by 70% and the Value transacted grew by 236% compared with the same period of last year. Presently there are around 1.4 million registered users of Mobile Banking in the country.

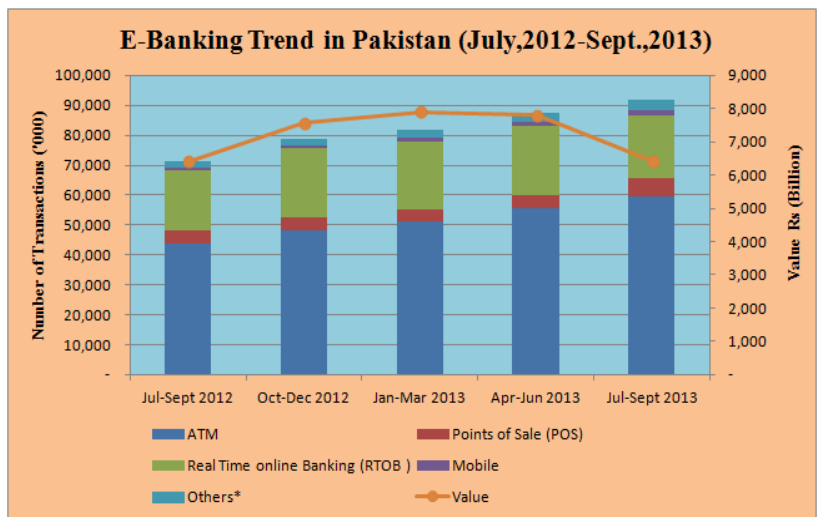
The number of Plastic cards (*Debit, Credit, and ATM only Cards*) reached 23.4 million showing a growth of 4.7% compared with the previous quarter. The number of Debit cards is significantly high (89%) among Plastic cards.

**1. Introduction**

The payment systems in Pakistan comprise of various paper and electronic based instruments that range from conventional paper based mechanisms to modern electronic systems. These payment systems range from High Value-Low Volume Systems (like PRISM) to Retail Systems like cheque clearing, interoperable switches and other ancillary systems.

e-Banking has shown a consistent growth in Pakistan despite a number of impediments pertaining to power availability, load shedding, connectivity and bandwidth requirements. Among electronic ADCs, ATM and RTOBs have contributed significantly in terms of number and amount of transactions respectively. Moreover, the ATM infrastructure has also shown consistent growth especially after SBP regulation which requires banks to have a one to one branch to ATM ratio.

During the quarter under review, the Volume of e-Banking transactions grew by 29% compared to the same period last year and by 5.2% when compared to the



previous quarter. However, Value of these transactions has shown a marginal growth of 0.1% compared to the same period of last year and declined 17.8% when compared to previous quarter.

Further, in the composition of total e-Banking transactions, ATM has the highest share of 64.6% in Volume and 9.2% share in Value of transactions. RTOB has the highest share of 87.6% in Value with 22.8% share in Volume of transactions. The remaining portion of transactions, in terms of Volume, is captured by POS, Internet, Call Center and Mobile Banking.

**Table.1: Composition of e-Banking Transactions**

(Number in Thousands &amp; Amount in Million Rupees)

Channels	Q1 FY13		Q4 FY13		Q1 FY14	
	No.	Amount	No.	Amount	No.	Amount
ATM	43,877	430,418	55,735	557,771	59,416	590,914
Points of Sale (POS)	4,329	20,766	4,386	22,404	6,374	30,504
Real Time online Banking (RTOB )	20,181	5,847,406	22,959	7,068,046	20,979	5,626,778
Mobile Phone Banking	804	4,176	1,319	9,873	1,372	14,050
Call Centre (IVR) Banking	166	2,093	157	2,052	166	2,374
Internet Banking	2,020	109,967	2,933	144,311	3,714	157,021
<b>Total:-</b>	<b>71,377</b>	<b>6,414,826</b>	<b>87,489</b>	<b>7,804,457</b>	<b>92,021</b>	<b>6,421,641</b>

Despite the range of alternate new electronic payment mechanisms, cash and other paper based modes continue to remain preferable methods of payments. Table 2 shows that during the current quarter, around 94.2 % in Volume and 84% in Value of transactions relating to paper based instruments were carried out through cheques. However, total paper based transactions showed a decline of 4% in Volume and 4.6% in Value of transactions when compared with the previous quarter.

**Table 2: Composition of Paper Based Payments-Instrument wise**

(Number in Million &amp; Amount in Billion Rupees)

Instruments	Q1 FY13		Q4 FY13		Q1 FY14	
	No.	Amount	No.	Amount	No.	Amount
Cash withdrawals	40	3,669	42	4,014	41	3,857
Transfer	25	11,642	28	13,213	26	12,629
Clearing	16	6,250	16	6,589	15	6,149
Pay Orders	2	1,381	2	1,594	2	1,479
Demand Drafts	2	728	2	780	2	715
Other <sup>1</sup>	1	2,212	2	2,079	1	2,133
<b>Total:-</b>	<b>86</b>	<b>25,882</b>	<b>91</b>	<b>28,269</b>	<b>87</b>	<b>26,962</b>

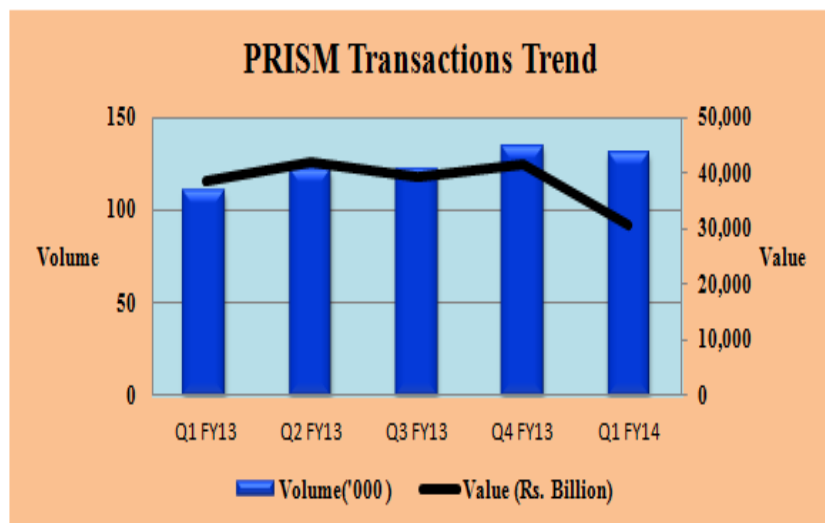
## 2. Large Value Payment Systems

The Large Value Payment System, Pakistan Real-time Interbank Settlement Mechanism (PRISM), has shown a mixed trend of transaction settlement over the last five quarters. During the current quarter, total transactions settled in PRISM showed an increase of 18.8% in Volume

<sup>1</sup> Other includes Telegraphic Transfers, Coupon Payments, Cheque Refunds, Income tax vouchers etc.

and a decline of 20.6% in Value of transactions compared to same quarter of the previous year. The decrease in Volume and Value of securities settlement is due to reduction in Open Market Operation (OMO) injections conducted by the central bank.

The bifurcation of Value of transactions settled through PRISM comprises of Rs 12.6 trillion (41.1%) Interbank Settlements, Rs. 3.0 trillion (9.8%) Retail Cheque Clearing settlement by the clearing house and Rs. 15.0



trillion (49.1%) to the settlement of interbank government securities trade. The composition of Volume of high Value transactions is: 107,078 (81.8%) Interbank Fund Transfers, 11,135 (8.5%) retails cheques clearings and 12,759 (9.7%) securities settlements.

In terms of composition of PRISM transactions, the share of interbank fund transfer increased by 3.1% in Volume and 9.7 % in Value compared with the previous quarter.

**Table 3: PRISM Quarterly Transactions**

(Amount in Billion Rupees)

Transactions Type	Q1 FY13		Q4 FY13		Q1 FY14	
	No.	Amount	No.	Amount	No.	Amount
Interbank Funds Transfer	80,765	10,938	106,044	13,087	107,078	12,564
Retails Cheques Clearing	10,498	3,014	11,773	3,462	11,135	3,010
Securities Settlements	18,992	24,539	16,921	25,172	12,759	15,002
<b>Total:-</b>	<b>110,255</b>	<b>38,491</b>	<b>134,738</b>	<b>41,721</b>	<b>130,972</b>	<b>30,576</b>

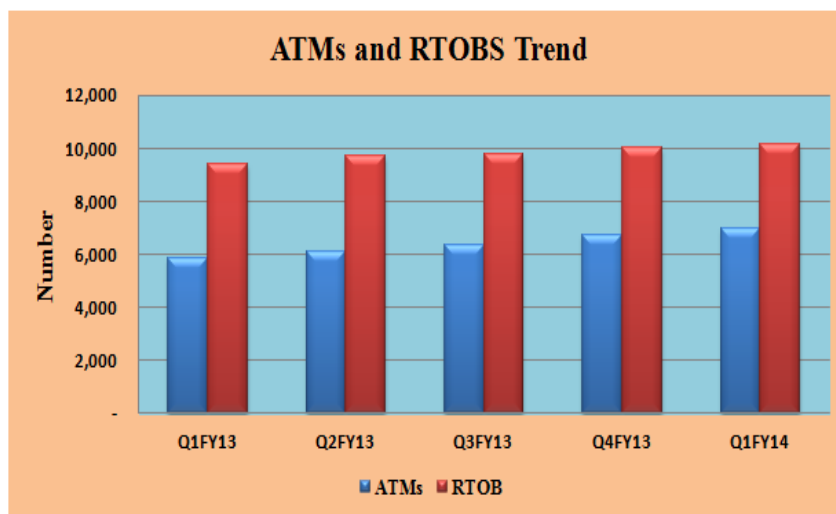
Similarly, the share of securities settlement decreased by 2.8% in Volume and 11.3 % in Value respectively in comparison with the previous quarter, whereas, the share of retail cheques clearing decreased by 0.2% in Volume , however, it showed an increase by 1.5% in Value.

### 3. Retail Payment Systems

The retail payment infrastructure in Pakistan consists of ATMs, RTOBs, Internet Banking, Mobile Banking and Call Centers. Amongst these retail ADC channels, ATMs and RTOBs contribute significant number and amount of transactions due to their accessibility and convenience for the users.

#### 3.1 ATMs

During the current quarter, 217 ATMs were added to the network (growth rate 3.2% compared to the previous quarter) bringing the total number of ATMs to 6,974. ATMs primarily remained



the preferred channel for cash withdrawals accounting for 83.1% of the total amount transacted via this mode. Moreover, 3<sup>rd</sup> Party Account to Account Fund Transfer contributed 9% followed by Account to Account Fund Transfer which contributed 6% among transactions performed via ATM. The total amount transacted via ATMs increased by 6% compared to the last quarter of FY13 and 37% more compared with the first quarter of the last fiscal year (Table 4).

**Table 4: Composition of ATMS Transactions**

(Number in Thousands & Amount in Million Rupees)

Transactions Type	Q1 FY13		Q4 FY13		Q1 FY14	
	No.	Amount	No.	Amount	No.	Amount
Cash Withdrawal	42,222	353,517	53,517	452,804	57,260	491,335
Cash Deposit	4	38	3	24	3	30
Deposit of Payment Instrument	*	1	*	2	*	1
Utility Bills Payment	82	276	109	283	131	416
A/c to A/c Funds Transfer	691	31,416	898	43,821	836	40,851
Third Party A/c to A/c Funds Transfer	877	45,169	1,207	60,837	1,186	58,280
<b>Total:-</b>	<b>43,877</b>	<b>430,418</b>	<b>55,735</b>	<b>557,771</b>	<b>59,416</b>	<b>590,914</b>

\*Number and amount rounded to thousand



### 3.2 Real-time Online Banking (RTOB)

Out of the existing 10,696 bank branches, 95% (10,135 branches) are providing Real-Time Online Banking (RTOB) services as per the current quarter. In terms of amount, 88% of e-Banking transactions are conducted via RTOB transfers. In RTOB, Account to Account Fund Transfer contributed 62% followed by 3<sup>rd</sup> Party Account to Account Fund Transfer (19%).

**Table.5: Composition of RTOBs Transactions**

(Number in Thousands & Amount in Million Rupees)

Transactions Type	Q1 FY13		Q4 FY13		Q1 FY14	
	No.	Amount	No.	Amount	No.	Amount
Real Time Cash Withdrawals	3,948	310,213	4,911	442,573	4,434	389,583
Real Time Cash Deposits	7,234	587,491	8,322	660,874	8,146	625,495
Real Time A\C to A\C Funds Transfers	5,876	3,959,511	6,269	4,849,176	4,990	3,524,246
Real Time 3rd Party A\C to A\C Funds Transfers	3,123	990,191	3,458	1,115,423	3,410	1,087,454
<b>Total:-</b>	<b>20,181</b>	<b>5,847,406</b>	<b>22,960</b>	<b>7,068,046</b>	<b>20,980</b>	<b>5,626,778</b>

RTOB transactions of current quarter showed a decline by 8.6% in number and 20.4% in amount of transactions compared to the previous quarter.

### 3.3 Point of Sale (POS)

During the quarter under review, the net number of POS machines remained almost unchanged compared with the previous quarter i.e. 33,749. However, both the Volume and Value of transactions increased by around 47 % compared with same quarter of previous year while compared to the previous quarter it grew by 45.3% in Volume and 36.2% in Value.

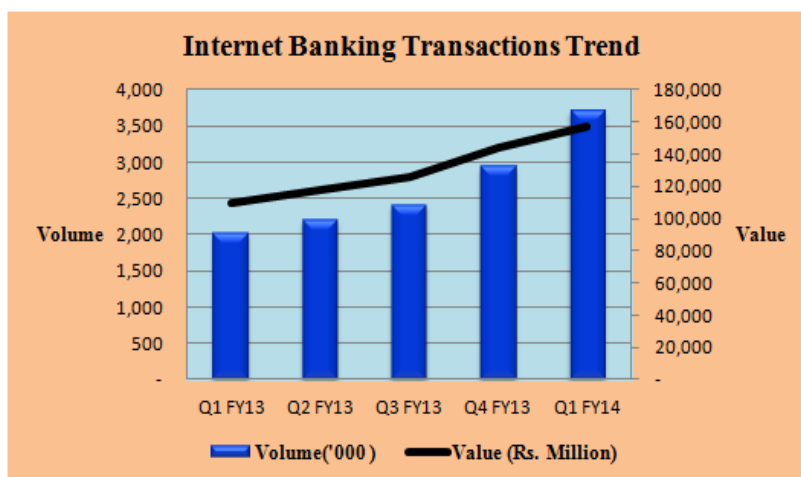
**Table.6 Point of Sale (POS) Number and Transactions Trend**

(Number in Thousands & Amount in Million Rupees)

Period	Number of POS	Number	Amount
July-September,2012	34,229	4,329	20,766
October-December,2012	34,724	4,547	22,060
January-March.2013	33,189	4,047	21,350
April-June,2013	33,748	4,386	22,404
July-September,2013	33,749	6,374	30,504

### 3.4 Internet Banking

Consumers can avail a variety of financial services through Internet Banking such as Utility Bill Payment, Account to Account Funds Transfer, Third Party Account to Account Fund Transfer and Account Information. As on 30<sup>th</sup> September 2013, twenty



two banks are offering Internet Banking services that constitute to a Volume share of 4% of total e-Banking transactions. During the quarter under review, 3.7 million transactions amounting to Rs.157 billion have been conducted by 1.3 million registered internet banking users. This shows a growth of 26.6% in Volume and 8.8% in Value of transactions compared to the previous quarter. Table 7 also shows that 53% of the transactions done through Internet Banking comprised of funds transfer where 47% pertain to making bills payments.

**Table.7: Composition of Internet Banking Transactions**

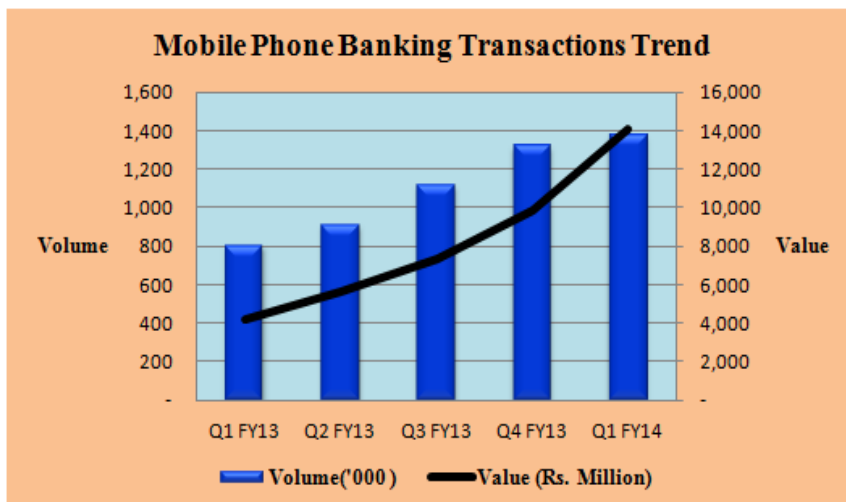
(Number in Thousands & Amount in Million Rupees)

Transactions Type	Q1 FY13		Q4 FY13		Q1 FY14	
	No.	Amount	No.	Amount	No.	Amount
Payment Through Internet (Excl. Util. Bill Payments)	306	51,336	424	66,691	461	71,847
Utility Bills Payment	588	2,134	707	2,343	759	2,602
A/c to A/c Funds Transfer	520	27,156	840	36,013	1,207	41,032
3rd Party A/c to A/c Funds Transfer	606	29,339	963	39,264	1,287	41,540
<b>Total:-</b>	<b>2,020</b>	<b>109,965</b>	<b>2,934</b>	<b>144,311</b>	<b>3,714</b>	<b>157,021</b>

### 3.5 Mobile Phone Banking

As on 30<sup>th</sup> September 2013, eleven banks are using this channel to provide financial services to 1.4 million registered Mobile Phone users who are availing Mobile Phone Banking services. Mobile Phone Banking transactions have shown an upward trend during the last five quarters. The Volume of Mobile Banking transactions grew by 4% compared to the previous quarter and

contributed 4% in total Volume of e-Banking transactions. Moreover, their Value grew by 42.3% compared to the previous quarter. During the last 2 quarters, 87% of the Mobile Phone Banking Transactions comprised of Funds Transfers while 13% pertained to the bills payments.



**Table.8: Composition of Mobile Banking Transactions**

(Number in Thousands & Amount in Million Rupees)

Transactions Type	Q1 FY13		Q4 FY13		Q1 FY14	
	No.	Amount	No.	Amount	No.	Amount
Payment Through Mobile (Excl. Util. Bill Payments)	142	151	123	177	59	232
Utility Bills Payment	558	939	964	1,008	1,003	1,654
A/c to A/c Funds Transfer	79	2,290	125	3,904	155	5,475
3rd Party A/c to A/c Funds Transfer	25	796	106	4,785	155	6,689
<b>Total:-</b>	<b>804</b>	<b>4,176</b>	<b>1,318</b>	<b>9,874</b>	<b>1,372</b>	<b>14,050</b>

### 3.6 Call Center Banking

As on 30<sup>th</sup> September, 2013 eighteen banks are offering Call Center banking facility to facilitate customers for bill payment and account to account fund transfer. There are around 12.0 million registered Call Center users. The transactions through Call Centers grew by 13.4% in Value compared to the same quarter of last year. However, there was no change in Volume of corresponding periods. As compared to previous quarter, the Call Center transactions Value and Volume grew by 15.7% and 5.8% respectively. The composition of Call Center Banking showed that A/C to A/C Fund Transfer has the highest share in Value of transactions (52%).

**Table.9 Composition of Call Centers Transactions**

(Number in Thousands &amp; Amount in Million Rupees)

Transactions Type	Q1 FY13		Q4 FY13		Q1 FY14	
	No.	Amount	No.	Amount	No.	Amount
Payment Through Call Center (Excl. Util. Bill Payments)	49	583	50	531	55	648
Utility Bills Payment	95	515	80	321	84	473
A/c to A/c Funds Transfer	20	925	25	1,108	26	1,167
3rd Party A/c to A/c Funds Transfer	2	70	2	93	2	86
<b>Total:-</b>	<b>166</b>	<b>2,093</b>	<b>157</b>	<b>2,052</b>	<b>166</b>	<b>2,374</b>

**3.7 Plastic Cards Composition**

The total number of cards showed 19.3% growth compared to the same period of previous year. Moreover, it depicted a growth of 4.7 % compared with the previous quarter.

In the composition of plastic cards, debit cards enjoy the highest percentage share of 89% followed by credit cards with 6.5% and ATMs only cards with 4.2% share.

**Table.10: Plastic Cards Composition Trend**

Cards Category	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14
ATMs Cards	775,710	844,266	890,545	961,603	987,311
Credit Cards	1,274,066	1,271,174	1,721,526	1,087,772	1,508,340
Debit Cards	17,544,853	18,520,817	19,517,514	20,267,433	20,871,586
<b>Total:-</b>	<b>19,594,629</b>	<b>20,636,257</b>	<b>22,129,585</b>	<b>22,316,808</b>	<b>23,367,237</b>

## Payment Systems in Pakistan at a Glance

Brief Synopsis as on 30th September, 2013

Sr. No.	Description	Number
	<b>Financial Institutions</b>	
1	Number of Commercial Banks	38
2	Number of Microfinance Banks	10
3	Number of Development Financial Institutions	8
	<b>Banks' Categorization</b>	
4	Number of Public Sector Banks	5
6	Number of Local Private Banks	22
7	Number of Foreign Banks	7
8	Number of Specialized Banks	4
9	Number of PRISM's Direct Participants	45
	<b>Infrastructure</b>	
11	Number of Online Branches	10,135
12	Number of Manual Branches	561
13	Number of ATMs	6,974
14	Number of Interoperable Switches	2
15	Number of Banks Managing POS	7
16	Number of Point of Sale(POS) Machines	33,749
17	Number of Branchless Banking(BB) Agents[2]	93,862
	<b>Banks' Services</b>	
19	Number of Banks Providing Internet Banking	22
20	Number of Banks Providing Mobile Banking	11
21	Number of Banks Providing Call Center Banking	18
22	Number of Banks issuing Credit Cards	12
23	Number of Banks issuing Debit Cards	25
24	Number of Banks issuing Prepaid Cards	7
25	Number of Banks having ATMs	30
	<b>Per 100,000 Statistics</b>	
27	Number of online Branches per 100,000 Population	5.6
28	Number of ATMs per 100,000 Population	3.8
29	Number of POS per 100,000 Population	18.5