



STATE BANK OF PAKISTAN



**4th Quarterly Report on
Branchless Banking / Electronic Banking
April -June, FY09**

Payment Systems Department
(Planning & Development Division)

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EXECUTIVE SUMMARY:

**Branchless Banking
(Electronic /Mobile Banking - Alternative Payment Channels):**

During Qtr-4, the volume and value of eBanking / Branchless banking transactions in the country reached at 44.5 million and Rs.3.9 trillion respectively showing an increase of 11.1 percent in numbers and 7.8 percent increase in value as compared to 6.5 percent increase in numbers and 11.4 percent increase in value in the previous quarter.

E- Banking (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 at 13.7 million and Rs.3.7 trillion respectively showing growth of 10.8 percent in numbers and 7.4 percent increase in value as compared to 14.8 percent increase in numbers and 11.7 percent increase in value in the previous quarter.

ATM Transactions:

During Qtr-4, the volume and value of ATM transactions in the country reached at 25.2 million and Rs.189.0 billion respectively showing growth of 12 percent in numbers and 12.2 percent increase in value as compared to 5.2 percent increase in numbers and 10.2 percent increase in value in the previous quarter.

E-Banking / Branchless Banking (Virtual / Plastic Money):

POS Transactions:

During Qtr-4, the volume and value of POS transactions in the country recorded 4.7 million and Rs. 23.5 billion respectively showing an increase of 6.3 percent in numbers and 8.3 percent increase in value as compared to 6.0 percent decline in numbers and 0.05 percent decline in value in the previous quarter.

Internet Banking Transactions:

During Qtr-4, the volume and value of internet transactions in the country recorded 0.6 million and Rs. 22.2 billion respectively showing an increase of 15.4 percent in numbers and 35.7 percent increase in value as compared to 2.8 percent decline in numbers and 2.1 percent increase in value in the previous quarter.

Mobile Banking Transactions:

During Qtr-4, the volume and value of mobile transactions in the country recorded 21,733 and Rs.4.9 million respectively showing an increase of 40.6 percent in numbers and 48.2 percent increase in

value as compared to 12.1 percent decline in numbers and 15.4 percent decline in value in the previous quarter.

Call Centre /IVR Transactions:

During Qtr-4, the volume and value of call centre / IVR transactions in the country recorded 0.3 million and Rs.1.8 billion respectively showing an increase of 18.9 percent in numbers and 2.2 percent increase in value as compared to 15.5 percent increase in numbers and 7.6 percent decrease in value in the previous quarter.

Branchless Banking / E-Banking Infrastructure:

The total quantity of ATM machines during Qtr-4 reached at 3,999 registering a growth of 5.7 percent as compared to 7.4 percent increase in the previous quarter. The volume of Real Time Online Branches (RTOB) during Qtr-4 reached at 6,040 and recorded a growth of 1.3 percent as compared to 1.8 percent increase recorded in the previous quarter. The total quantity of POS terminal reached 49,715 showing an increase of 2.7 percent in number as compared to 1.1 percent decline in previous quarter.

The quantity of cards (debit / credit /ATM only) in circulation during Qtr-4 reached at 8.9 million which shows an increase of 6.6 percent compared to 3.1 percent decline in the previous quarter. Here the quantity of credit cards has decreased by 0.6 percent as compare to 6.2 percent decrease in the previous quarter recorded 1.7 million. Debit cards has increased by 9.6 percent as compared to 2.5 percent decline in previous quarter and stood at 6.4 million.

Paper Based Banking:

During Qtr-4, the volume and value of paper based transactions in the country reached at 85.6 million and Rs.33.1 trillion respectively showing increase of 4.8 percent in numbers and 6.1 percent decrease in value as compared to 1.4 percent decline in numbers and 1.6 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 at 130.1 million and Rs.37.0 trillion respectively showing increase of 6.9 percent in number and 4.8 percent decrease in value as compared to 1.1 percent increase in numbers and 2.4 percent increase in value in the previous quarter.

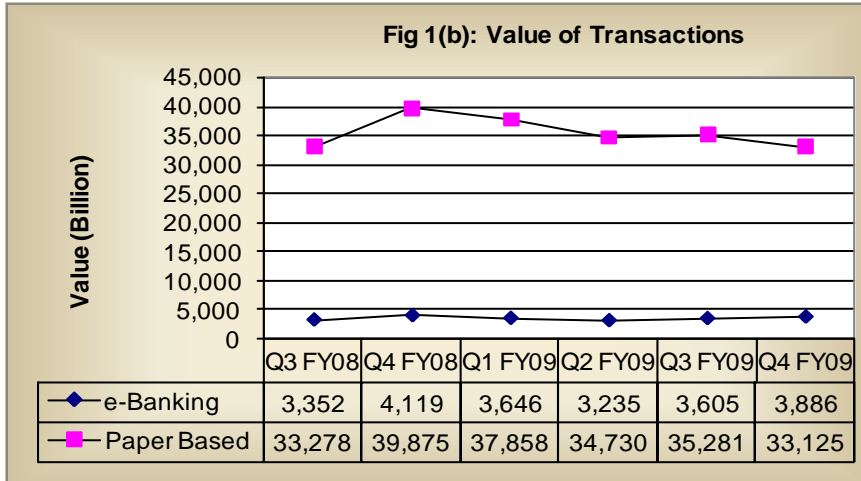
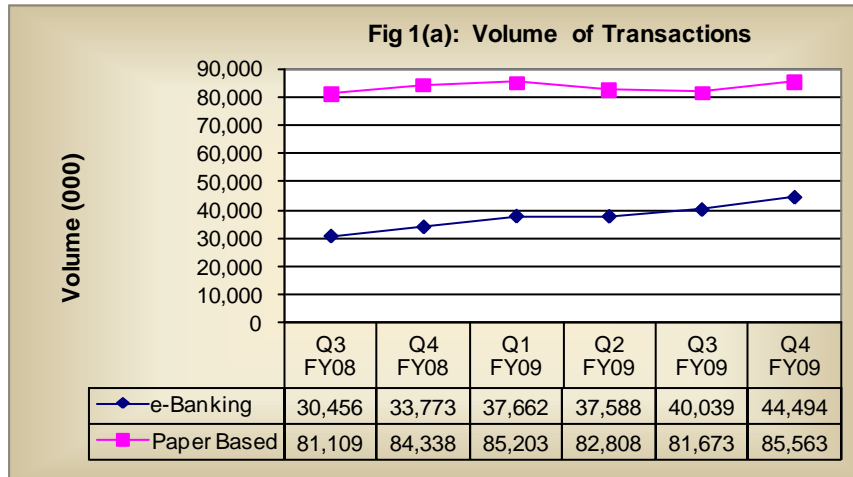
Transformation:

The use of electronic channels has been showing a consistent growth as during Qtr-4, the contribution of electronic transactions increased to 34.2 percent in numbers compared to 32.9 percent share recorded during previous quarter. In terms of value, the electronic channel's composition recorded 10.5 percent against 9.3 percent share recorded for the previous quarter.

1. Branchless / Electronic Banking:

Branchless / Electronic Banking systems are money transmission / delivery mechanism. These systems are cash based and virtual payments. During Qtr-4 FY09 the volume of total retail payment transactions registered a growth of 6.9 percent against 1.1 percent increase in the previous quarter and value of total retail payment transactions registered a decline of 4.8 percent against 2.4 percent increase in the previous quarter.

The trend of paper and electronic based transactions and value since Qtr-3 FY08 is given in the **Fig. 1a & 1b** below:

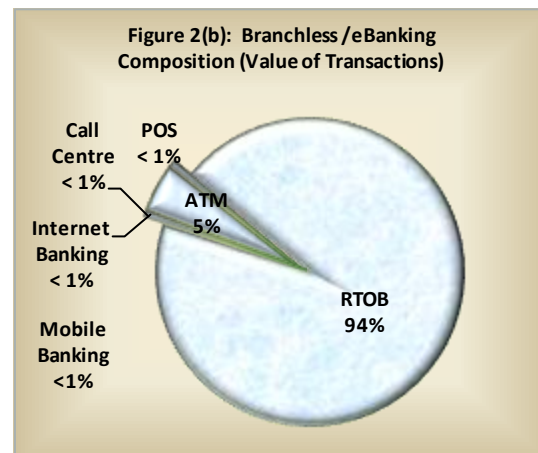
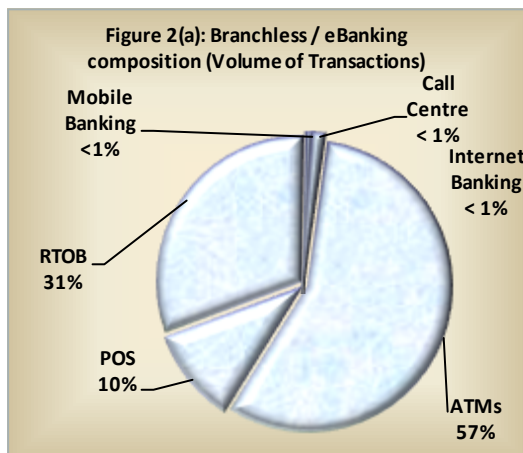


2. The Retail Payments through Branchless Banking / Electronic Banking:

In terms of volume, the branchless / electronic banking has recorded 44.5 million transactions showing 11.1 percent increase against the increase of 6.5 percent recorded in the previous quarter. In terms of value, it reached Rs.3.9 trillion showing an increase of 7.8 percent against 11.4 increases recorded in the previous quarter (**Fig. 1a & 1b**).

2.1 Branchless / E-Banking 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. 57 percent. During Qtr-4 the average size of ATM transactions¹ was recorded at Rs.7, 489 compared to Rs.7, 474 recorded during previous quarter. The share of Real Time Online Banking (RTOB) and POS in the total e-Banking was 31 percent and 10 percent respectively. Call Centre, Internet Banking and Mobile Banking however had comparatively low share in the total eBanking business (**Fig.2a**). In terms of value, the RTOB contribution was 94 percent, since this channel is mostly used for B2B transactions. ATM transactions contributed 5 percent in the value of transactions. The share in value of POS, Internet, Mobile banking and Call Center banking is very nominal (**Fig. 2b**).



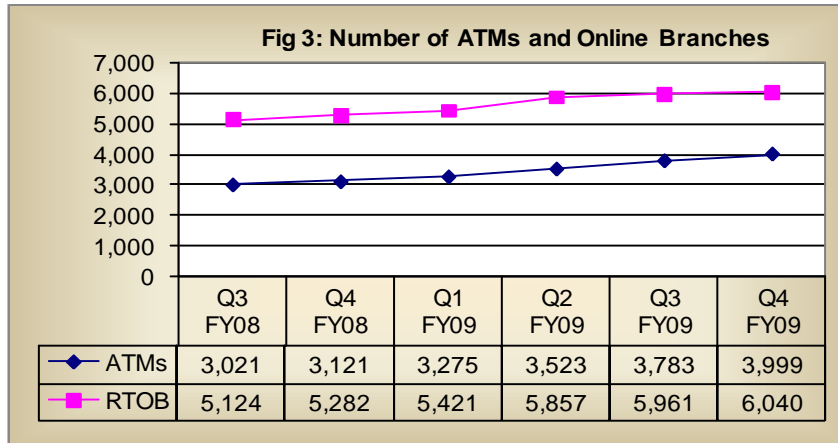
3. Branchless / E-Banking Infrastructure in Pakistan:

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

During Qtr-4, banks have increased their online Branch network from 5,961 to 6,040 showing a growth of 1.3 percent compared to 1.8 percent growth recorded in previous quarter.

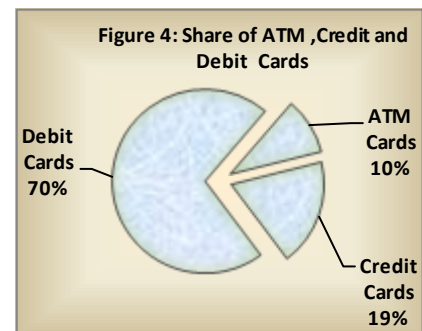
The share of online branches in the total branch network has increased from 67.7 percent to 68.2 percent. Similarly, during Qtr-4, banks have added 216 new ATMs in their network, bringing the total number of ATMs in the country to 3,999 thus reflecting a growth of 5.7 percent as compare to 7.4 percent growth recorded in the last quarter (**Fig. 3**).

¹ The average size 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 30, 2009, the total number of cards in circulation has recorded 8.9 million as compare to 8.4 million cards recorded in the last quarter showing growth of 6.6 percent (**Fig. 4**).



3.2.1 Credit Cards:

The total number of credit cards decreased from 1.67 million to 1.66 million in Qtr-4 showing decrease of 0.6 percent compared to 6.2 percent decrease recorded in the previous quarter. Quantity of Islamic credit cards has recorded 2,468.

3.2.2 Debit Cards:

Total number of debit cards has increased from 5.8 million to 6.4 million in Qtr-4 showing growth of 9.6 percent compared to 2.5 percent decrease recorded in the previous quarter.

3.2.3 ATM Cards:

During Qtr-4, the total number of ATM cards in circulation recorded at 0.881 million against 0.879 million cards reported during last quarter showing an increase of 0.2 percent compared to 1.1 percent decrease recorded in the previous quarter.

3.2.4 Smart Cards:

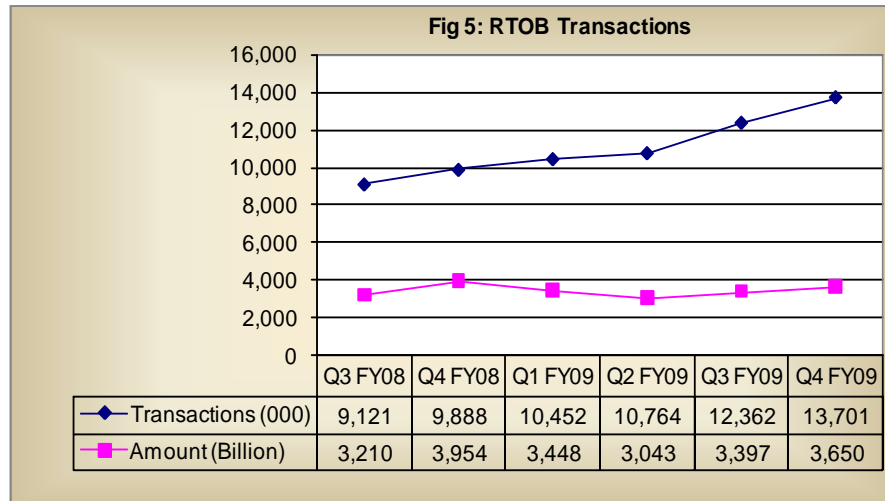
Smart cards are chip based card with enhanced memory and security features. Out of 8.9 million cards, 0.434 million or 4.86 percent are chip based cards. During Qtr-4, however, the total quantity of chip based cards increased by 2.7 percent.

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

4.1 Real Time Online Banking (RTOB) Transactions:

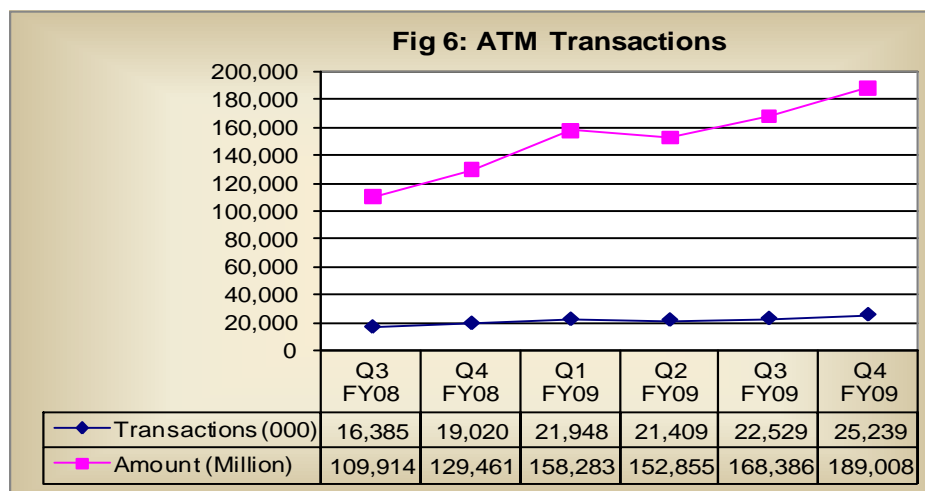
During Qtr-4, the total number of RTOB transactions increased by 10.8 percent as compare to 14.8 percent increase recorded last quarter. In terms of value, the amount increased by 7.4 percent as compare to 11.7 percent increase in last quarter. Banks use RTOB channel for conducting various transactions which in fact constitute 94 percent of total e-Banking transactions value in the country.

(Fig. 5):



4.2 Transactions through ATMs:

ATM transactions during the Qtr-4 registered an increase of 12.0 percent as compare to 5.2 percent increase in last quarter. The amount of ATM transactions increased by 12.2 percent as compared to 10.2 percent increase in last 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, 70 transactions were executed per day per ATM. The size of average transaction is Rs.7, 489/- (Fig. 6).



4.2.1 Fund Transfers:

During Qtr-4, funds transfer transactions that were made through ATMs, were recorded at 0.609 million showing an increase of 23.2 percent as compared to 51.7 percent increase recorded in last quarter. The value of such funds transfer was Rs.27.8 billion, depicting an increase of 11.4 percent compared to 44.8 percent increase recorded in last quarter. Funds transfer through ATMs mostly includes intra-bank transfer and small portion of inter-bank funds transfers.

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 5,790 transactions of cash deposit through ATMs were reported showing increase of 4.2 percent compared to 24.5 percent increase recorded in last quarter. In terms of value, the amount increased from 56.98 million to 62.7 million for the current quarter showing an increase of 10.1 percent compared to 6.5 percent increase recorded in previous quarter.

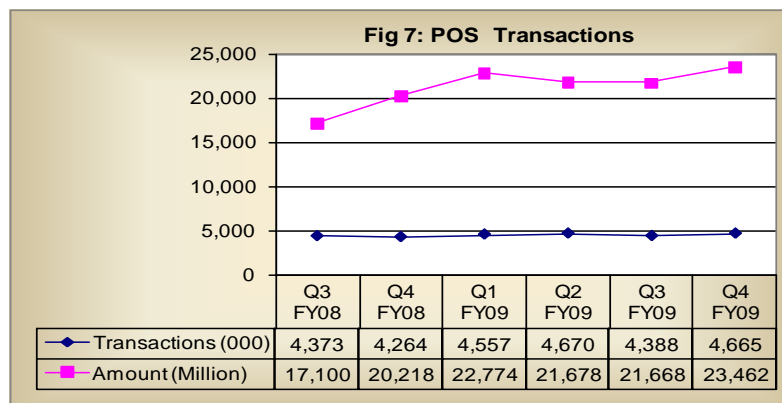
4.2.3 Utility Bills Payment:

During Qtr-4, the utility bills payment transactions through ATMs reported 19,325 transactions showing increase of 57 percent compared to 75 percent increase recorded in last quarter. In value terms, the banks reported Rs.35.0 million as compare to 18.98 million recorded last quarter showing 84.4 percent increase compared to 17.4 percent increase in the last quarter.

5. Branchless Banking / E-Banking (Virtual / Plastic Money):

5.1 POS (Point of Sale) Transactions:

The total number of POS machines/terminals has reached at 49,715 placed across the country on different merchant locations as compare to 48,399 machines recorded last quarter which shows increase of 2.7 percent. The number of POS transactions reached 4.67 million showing an increase of 6.3 percent as compare to 6.0 percent decrease recorded in last quarter. The amount of such transactions reached Rs.23.46 billion registering an increase of 8.3 percent as compared to 0.05 percent decrease in last quarter (Fig. 7).



5.2 Call Centre Banking:

Banking through Call Centre/Interactive Voice Response (IVR) is also included in the electronic banking channels. The number of transactions through such channels reported by the banks for Qtr-4

FY09 were 0.278 million involving an amount of Rs.1.8 billion. This shows an increase by 18.9 percent in volume and 2.2 percent increase in value compared to 15.5 percent increase in volume and 7.6 percent decrease in value recorded in last quarter.

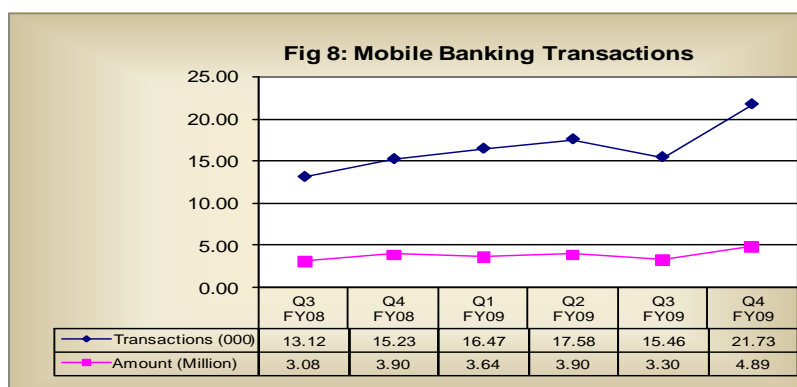
5.3 Internet Banking:

Internet banking includes payments and electronic funds transfer (EFT). The funds transfer, however, is presently limited to intra bank account to account funds transfer except for a bank which offers interbank funds transfer facility through internet. Internet banking in Pakistan is growing slowly but at a steady pace. During Qtr-4 FY09, banks reported 0.589 million transactions involving an amount of Rs.22.22 billion, this shows an increase by 15.4 percent in numbers and 35.7 percent increase in amount compared to decrease of 2.8 percent in value and an increase of 2.1 percent in amount recorded in the last quarter.

5.4 Mobile Banking:

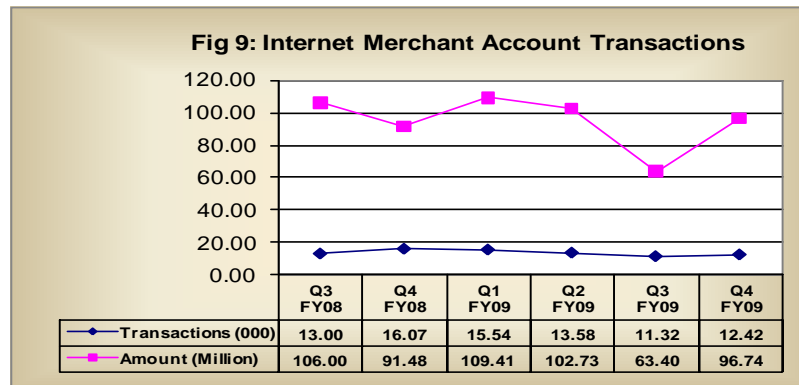
There are few banks which offer transactions through mobile. These transactions include payment through mobile (excluding utility bills payment), utility bills payment, A/C to A/c funds transfer and 3rd party A/c to A/C funds transfer.

The number of transactions reached to 21.7 thousand for the current quarter shows an increase of 40.6 percent in number of mobile transactions compared to 12.1 percent decrease in volume recorded in previous quarter. In terms of value, it reached to Rs.4.9 million shows an increase of 48.2 percent compared to 15.4 percent decrease recorded in the previous quarter (**Fig. 8**).



5.5 Internet Merchant Banking:

Transactions done through internet merchant account are part of Internet Merchant (IM) Banking. There were a total of 19 internet merchant accounts in Qtr-4 FY09. Mostly service sector/NGOs are IM account holders. The number as well as amount of transactions done through internet merchant accounts is not consistent as transactions done are of seasonal nature and covers activities like air fares, college fee payments etc. This quarter registered an increase of 9.8 percent in number against 16.6 percent decrease in the previous quarter. In terms of value, there was increase of 52.6 percent against 38.3 percent decrease recorded for the previous quarter (**Fig. 9**).



6. Cross Border Transactions through E-Banking

Cross border transactions include only those transactions which were executed using either an ATM / POS machine or Internet. ATM transactions include cash withdrawal through ATMs; the inflow of such transactions has increased by 12 percent compared to 9 percent increase in the previous quarter whereas out flow increased by 10 percent compared to 3 percent decrease in the previous quarter. The POS transactions include purchases of goods and services by the customers. The inflow of POS transactions increased by 12 percent compared to 27 percent increase in the previous quarter while the outflow increased by 14 percent compared to 18 percent increase in the previous quarter. The internet transactions include the purchase of goods and services using foreign/local internet merchants. The inflow of internet transactions increased by 6 percent compared to 1 percent decrease in the previous quarter where as the out flow increased by 24 percent compared to 7 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 in-flow and out-flow of money through e-banking, is given in Table 1:

Table 1: Comparison of Cross Border Payment Transactions

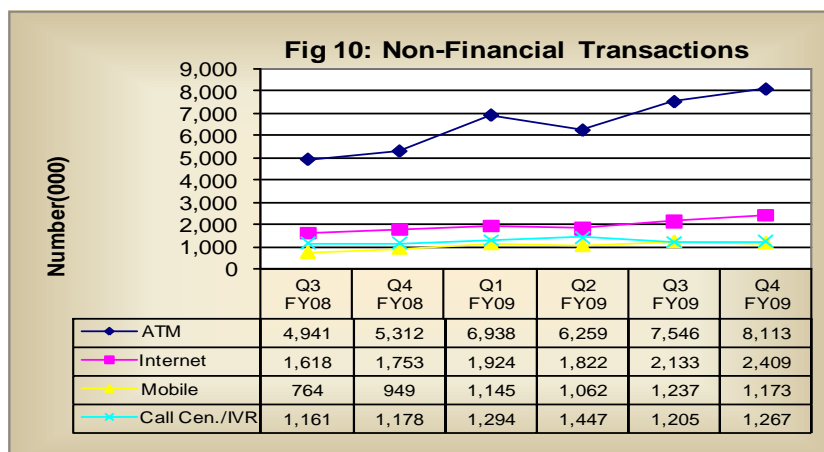
(Rs. In Millions)

Means of Transaction	Inflow of Money (Inward remittance)		Outflow of Money (Outward remittance)		Net	
	Q3 FY 09	Q4 FY 09	Q3 FY 09	Q4 FY 09	Q3 FY 09	Q4 FY 09
ATM	2,276	2,543	(408)	(450)	1,868	2,093
POS	4,206	4,706	(2,739)	(3,133)	1,467	1,573
INTERNET	63	67	(269)	(334)	(206)	(267)
Total	6,545	7,316	(3,416)	(3,916)	3,129	3,400

The above table indicates that the volume of cross border e-banking transactions (net inflow) increased by 8.6 percent as compared to an increase of 27.5 percent reported in the previous quarter.

7. Non-financial E-Banking Transactions:

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 12.96 million against 12.12 million recorded in the previous quarter as shown in **Fig. 10**.



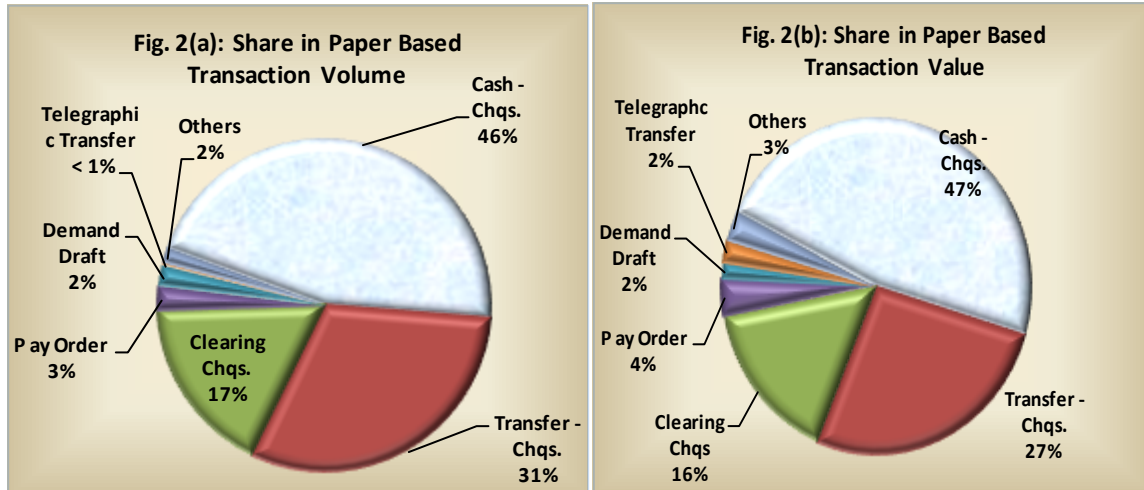
8. The Retail Payments through Paper Based Instruments:

Paper based instrument during Qtr-4 FY09 witnessed a growth of 4.8 percent in numbers compared with 1.4 percent decline in the previous quarter (**Fig.1a**). The value of transactions decreased by 6.1 percent against 1.6 percent increase recorded during previous quarter (**Fig. 1b**).

Table 2: Paper Based Instruments

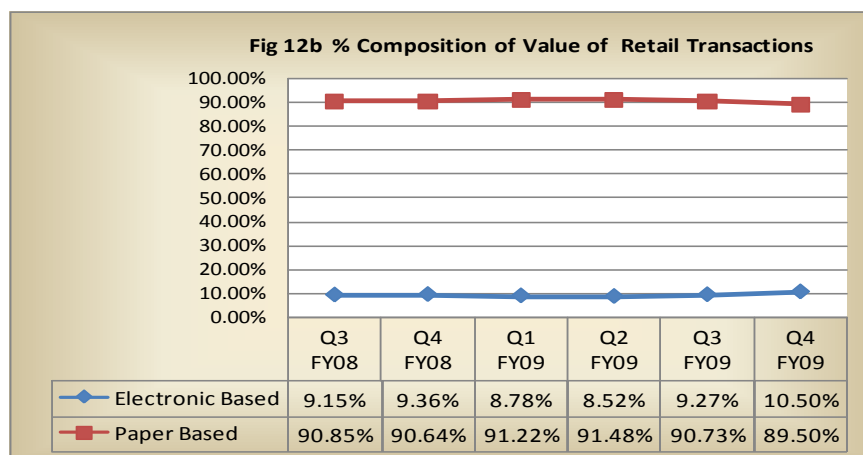
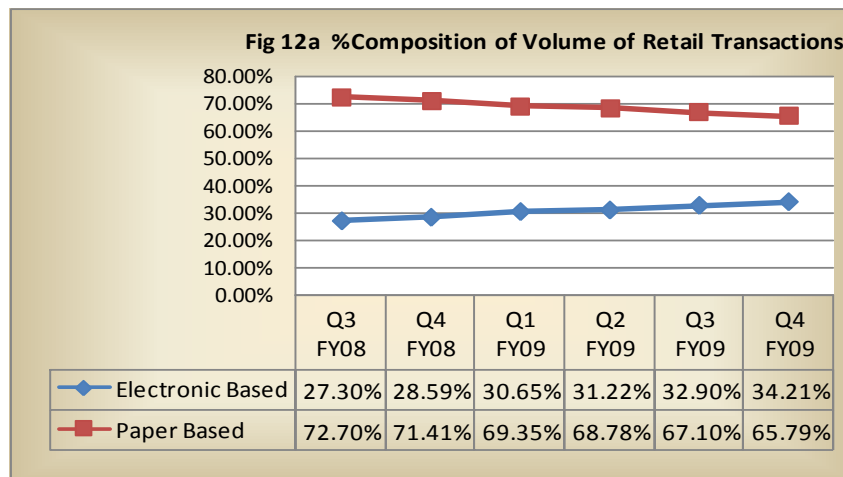
Instruments	Qtr 3 FY09		Qtr 4 FY09	
	Number (million)	Amount Rs. (trillion)	Number (million)	Amount Rs. (trillion)
Cash – Cheques	38.5	18.2	39.1	15.7
Transfer - Cheques	24.0	8.8	26.5	8.8
Clearing - Cheques	14.1	5.0	14.8	5.3
Pay Orders	1.9	1.2	2.0	1.2
Demand Drafts	1.6	0.5	1.7	0.5
Tele. Transfers	0.2	0.7	0.2	0.7
Others	1.2	0.9	1.3	1.0
TOTAL	81.7	35.3	85.6	33.1

While looking at the composition of the paper based instruments, the cheques (such as cash, clearing, transfer) carry a major share i.e. 94 percent in volume and 90 percent in value. Here the cash cheques have been the most widely used paper based instrument with 46 percent share in volume and 47 percent share in value. The respective percentage share of all instruments is shown in the **Fig. 11a & 11b**.



9. Transition to E-Banking:

During the last six quarters the transition from manual (paper based) banking to e-banking has been gradual, yet consistent, in terms of both volume and value of transactions. The composition (in percentage) of electronic transaction increased to 34.2 percent of the total number of transactions as compared to 32.9 percent recorded last quarter. In terms of value, the same recorded to 10.5 percent as compared to 9.3 percent recorded last quarter (Fig 12a & 12b).



10. List of Acronyms:

ATM	Auto Teller Machine
I B	Internet Banking
CC	Call Center
POS	Point of Sales
RTOB	Real Time Online Branches
E-Banking	Electronic Banking
m-Banking	Mobile Banking
IMA	Internet Merchant Account
IVR	Interactive Voice Response
M B	Mobile Banking

Note: The discrepancy in figures may occur because of rounding off data.