



BRANCHLESS BANKING NEWSLETTER

LEVERAGING TECHNOLOGIES AND PARTNERSHIPS TO PROMOTE FINANCIAL INCLUSION

Issue: 3

Quarterly: January - March 2012

Inside

- ◆ Branchless Banking Analysis----- (03)
- ◆ Growth Snapshot----- (05)
- ◆ District Level Outreach of Agents and
Local Remittances ----- (06)
- ◆ Events----- (07)
- ◆ Local News----- (10)
- ◆ International News ----- (11)
- ◆ Interview with Mr. Abrar Mir, Group Head
Branchless & E-Banking UBL ----- (12)
- ◆ Selected Readings ----- (15)



STATE BANK OF PAKISTAN
DEVELOPMENT FINANCE GROUP

Team Leader

Dr. Saeed Ahmed
(dr.ahmed@sbp.org.pk)

Team Members

Qazi Shoaib Ahmed
(qazi.shoaib@sbp.org.pk)

Fouzia Aslam
(fouzia.aslam@sbp.org.pk)

Shahbaz Shahid
(shahbaz.shahid@sbp.org.pk)

Rajesh Raheja
(rajesh.raheja@sbp.org.pk)

Acknowledgement:

State Bank of Pakistan wishes to acknowledge valuable contributions and data support from Tameer Microfinance Bank (Easypaisa), and United Bank Limited (Omni).

Contact us:

Agricultural Credit & Microfinance Department,
State Bank of Pakistan,
I.I. Chundrigar Road, Karachi.

Phone: 021-3245-3547/3570

Fax: 021-99212567

E-mail: branchlessbanking@sbp.org.pk

URL: <http://www.sbp.org.pk/publications/acd/BranchlessBanking-Jan-Mar-2012.pdf>

Disclaimer: Whilst every effort has been made to ensure the quality and accuracy of this newsletter, the State Bank of Pakistan makes no warranty concerning the content of this newsletter. The content and comments in this newsletter are provided for educational purposes and for general information only. In no event will the State Bank, its affiliates or other stake holders be liable for any mistakes. The analysis presented in this newsletter is for the quarter only, whereas, the news and events are covered till the date of issuance of the newsletter.

The BB Market is Accelerating its Momentum

Branchless Banking has seen another quarter of growth on almost all fronts. Growth in agent's network and number of mobile wallets was 19% and 14% respectively whereas the number and value of total transactions increased by 23% and 7% respectively during the quarter.

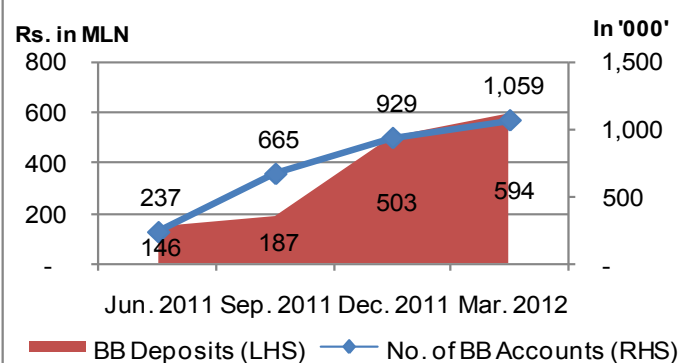
M-Wallets Growth and Constraints

The number of registered m-wallets has reached to 1.03 million at the end of the quarter under review (Table 1) in which the number of active m-wallets is about 53%. 'Level 1' accounts are almost 86% of total m-wallet accounts while 'Level 0' accounts (a category which was allowed in June 2011 by SBP) are only 7%. In addition, 5,573 debit cards have also been provided to mobile account holders, indicating efforts to create value proposition in m-wallets.

Table 1: No. of BB Accounts and Agents
(as of 31st March 2012)

	Male	Female	Total
No. of M-Wallets (Level 0, 1, & 2)	955,445	77,282	1,032,727
No. of Agents (Level 3)	26,792	-	26,792
Total	982,237	77,282	1,059,519
%age of Total M-Wallets	92.5%	7.5%	100%

Figure 1: Growth in BB Accounts & Deposits



The current growth rate of m-wallets (14 %) shows some slow-down compared to the last quarter when the growth rate was around 40%. Similar trend is observed in deposits value (Figure 1). The less-than-expected growth rate in m-wallets is owed to the fact that only 23% of the total active agents (around 24,101) are authorized by banks to open the m-wallet accounts. The growth expectation in coming quarters is, however, fairly high as the largest brand of the country is in process of technology up-gradation for account opening, forth which it will start registration of customers for Level Zero Account. Easypaisa and Omni are progressively exploring avenues to increase the attractiveness of m-wallets to the customers and offering them new services such as purchasing air-tickets, receiving salaries/ pensions, utilizing ATM through debit cards, and internet banking. Moreover, few other banks are likely to start their BB operations soon.

BB Transactions Growth Momentum Continuous

During the Quarter ending March 2012, more than 25 million transactions worth Rs. 85 billion (USD 938 million) have been processed through branchless banking channels. Number of transactions and the transacted value has increased by 23% and 7% respectively during the quarter. The growth in number of transactions is mainly due to the increasing volume of bill payments, person to person fund transfers, and airtime top-ups, which accounts for 42%, 32% and 10% respectively (Figure 2). Similarly, the growth in value of transactions is again owed largely to P2P payments. All other categories have either experienced slightly negative growth or have contributed a small share in total value. While considering share in total value, all bulk payments constitute almost 50% of the total value of transactions followed by P2P payments (36%) and Bill payment (12%) (Figure 3).

Growth has been observed in loan repayment transactions as Rs. 312 million were collected through BB agents (Table 4). Both models (Easypaisa and Omni) are trying to increase their linkages with microfinance providers to allow microfinance borrowers to use BB channels for repayment of loans. Moreover, volume of salary disbursement has also increased mainly due to Easypaisa's arrangement with government organizations for salary disbursement.

Around Rs.13.8 billion have been transferred on account of G2P payments through the existing agents' based banking. In this current issue, G2P transactions have been separately incorporated in Table 4, which were previously shown as part of the Account to Person transactions.

Figure 2: Share in Volume By types of Transactions

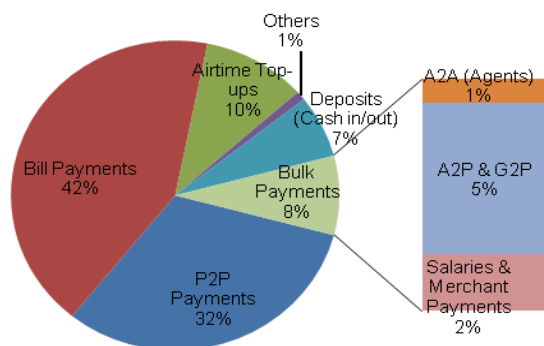
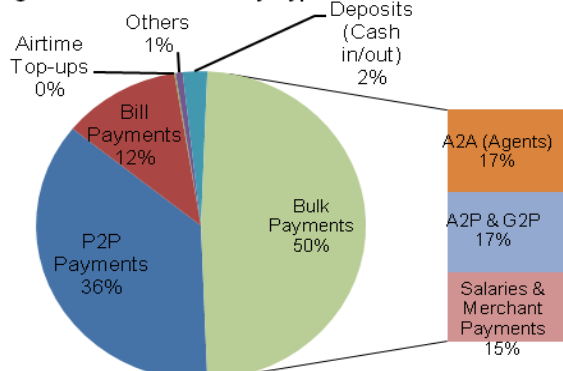


Figure 3: Share in Value by Types of Transactions



Note: For analysis purposes the transactions have been classified, with respect to volume of transactions, into 6 categories namely: (1) Bill Payments, (2) P2P payments, (3) Airtime top-ups, (4) Bulk Payments (High value transactions such as agents' A2A transactions, G2P payments, salaries disbursement and merchant payments), (5) Deposits cash-in /cash-out transactions and (6) Others (the transactions like loan repayments, donations and person to account fund transfers have been classified into this category).

Increasing Agents Foot Prints

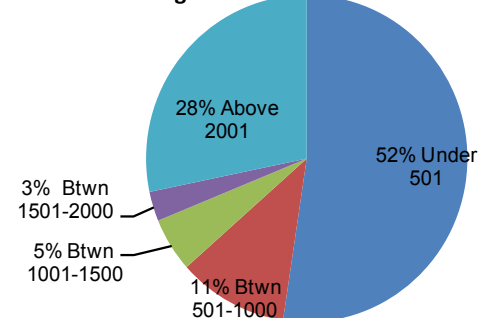
The fast growing network of branchless banking has reached at 26,792 agents. This agents' network now has foot prints in 89% of total districts in Pakistan. Out of these districts 52% have more than 90 agents which are mainly located in low income urban or rural communities. These agents are serving the local communities with instant solutions for fund transfers, utility bill payments which can be observed from geographical outreach of local remittances presented in tables 6 & 7.

However, there is a little overlap in number of BB agents due to shared agents which accounts for around 6% of the total agents during the quarter. Moreover, it has been observed that around 52% of the total BB agents have transacted less than 500 transactions during the Jan-March quarter (Figure 4).

Table 2: Classification of Active Agents With Respect to Type of Business
(as of 31st March 2012)

	Cash-in / Cash-out and other transactions	Can also open account	Total
Franchises	-	298	298
Mobile Shops	1,078	613	1,691
Grocery Stores (Retailers)	18,486	1,110	19,596
Others	1,136	1,380	2,516
Total	20,700	3,401	24,101
%age of Total	85.9%	23.1%	100%

Figure 4: Agents Classification vis-a-vis number of Transactions during Jan-Mar 2012



Market is Ready for Expansion

The Waseela Microfinance Bank Limited, a subsidiary of M/s Orascom, has commenced its business operations as a nationwide microfinance bank. The bank has opened its first branch in Islamabad and aims to enter into Branchless Banking business to increase the outreach of financial services in Pakistan shortly. Habib Bank Limited, a leading commercial bank, has recently obtained permission from SBP to start pilot branchless banking services. SBP has also allowed Faysal Bank to pilot launch its mobile banking services to its existing customer base. Two other commercial banks, Meezan Bank and Bank Al-Falah, are also keen for entering into branchless banking services.

Growth Snapshot

January — March 2012

Average size of transaction has further reduced to Rs. 3,367 (USD 37*) showing that technology is reaching previously un-banked poor.

Table 3: Key Branchless Banking Indicators

Indicators	Dec-11	Mar-12	Quarterly Growth
Total No. of Agents	22,512	26,792	19%
Total No. of Accounts	929,184	1,059,519	14%
Total Deposits as of Date (Rs. in Million)	503	594	18%
No. of Transactions During the Quarter (No. in million)	20.6	25.3	23%
Value of Transactions During the Quarter (Rs. in Million)	79,410	85,092	7%
Average Size of Transaction in Rs.	3,855	3,367	-13%
Average No. of Transaction Per Day	228,858	280,798	23%

Customers have transferred around Rs. 99 million through their mobile to other m-wallet accounts, showing the adoption of technology by the common man.

Table 4: Volume of Branchless Banking Transactions

During the Quarter Jan - Mar 2012

Transaction Type	Volume of Transactions (Nos.)	Value Transacted	
		Rs. in mil-lion	USD* in mil-lion
Fund Transfers			
Account-to-Account Fund Transfers	237,480	14,759	163
(i) Customers	15,526	99	1.1
(ii) Agents	221,954	14,660	162
Person-to-Person Fund Transfers	7,991,505	31,009	342
Account-to-Person Fund Transfers	228,900	816	9.0
Government-to-Person Payments	1,136,972	13,756	152
Person-to-Account Fund Transfers	47,906	166	1.8
Cash-in /Cash –Out Deposits			
Deposit	1,600,769	1,873	21
Withdrawal	51,432	164	1.8
Bill Payments & Top-Ups			
Utility Bills Payments	10,710,879	9,888	109
Merchant Payments	509,103	12,230	135
Mobile Top-ups	2,584,083	115	1.3
Loan			
Disbursement	-	-	-
Repayment	143,216	312	3.4
Others			
Donations	16,551	0.25	0.003
Salaries	3,799	60	0.67
Others	13,057	3.1	0.035
Total	25,275,652	85,152	937.85

Rs. 13.8 billion Government to Person payments and Rs. 60 million salary payments have been disbursed during the quarter via mobile banking.

*USD 1 = Rs. 90.8 (as on 31st March 2012)

District /Provincial Level Outreach

January — March 2012

District/Provincial Level Outreach

In this addition we have included district/ province wise classification of local inward remittance (sending money through branchless banking) along with number of agents. Table 3 represents agents concentration in top 10 districts. Similarly, Table 4 represents concentration of local inward remittance/fund transfer in top 10 districts. Table 5 provides provincial level outreach of agents as well as local inward remittances. In future, outward remittances (receiving money) data will also be explored and will be personated in the coming quarters.

Table 5: Top 10 Districts in terms of Agent Concentration (As of 31st March 2012)

S.No.	District	No. of Agents
1	Karachi	3,001
2	Lahore	1,952
3	Faisalabad	1,282
4	Gujranwala	896
5	Multan	890
6	Rawalpindi	884
7	Toba Tek Singh	690
8	Sargodha	685
9	Rahim Yar Khan	591
10	Bahawalpur	571

Table 6: Top 10 Districts with respect to Inward Remittance Concentration (As of 31st March 2012)

S.No.	District	Number	Value (Rs.)
1	Karachi	634,735	1,043,604,762
2	Faisalabad	400,129	199,353,668
3	Multan	299,667	274,422,126
4	Khanewal	228,142	172,214,125
5	Kashmore	196,532	21,181,196
6	Lahore	190,898	308,587,844
7	Bahawalpur	160,793	170,960,046
8	Toba Tek Singh	157,556	92,511,905
9	Muzaffargarh	144,286	105,685,661
10	Vehari	125,722	88,236,861

Table 7: Provincial Level Outreach of Agents, Local Inward Remittances (as of 31st March 2012)

S.No.	Province / Region	No. of Agents	Local Inward Remittances	
			No.	Value (Rs.)
1	Federal Capital Islamabad	384	112,597	124,248,262
2	Punjab	16,605	2,970,109	2,744,131,582
3	Sind	6,310	1,071,810	1,413,642,207
4	Khyber Pakhtunkhwa	2,189	118,347	213,464,418
5	Baluchistan	545	32,304	83,527,616
6	Azad Jammu and Kashmir	632	130,138	190,174,815
7	Other Areas (GB, FATA)	127	5,743	15,866,423
Total Registered Agents		26,792	4,441,049	4,785,055,324

The 5th International Mobile Commerce Conference 2012 in Karachi



The 5th International Mobile Commerce conference 2012 was held on March 15, 2012 in Karachi. The conference was attended by dignitaries and leading senior bankers from all over Pakistan. Mr. Yaseen Anwar, Governor State Bank of Pakistan was the chief guest at the occasion. In delivering his keynote address, Governor SBP said that the central bank aims to provide basic banking services to every adult and bankable citizen in Pakistan. He shared his belief that the innovative modes of financial services delivery can have a transformative effects on poor households. He said that as a forward-looking regulator of the banking Industry, the State Bank has played an effective role in providing an enabling regulatory environment for the banks to leverage their full potential of technology, mobile operators' penetration, and other available delivery channels to provide financial services to all segments of the population. The Governor said that the initial uptake of mobile

banking has been impressive but is beset with some early-development challenges which can be overcome through collaborative efforts of all key stakeholders. SBP is keen to work with different stakeholders including financial institutions, different regulators, private sector, application developers and telecom companies to provide an enabling environment for the creation of mobile commerce ecosystem in the country. He strongly believed that where conventional banking has its limitations, the electronic payments and mobile banking products should fill the gap.

Speaking at the conference, Mr. Nadeem Hussain, CEO Tameer Microfinance Bank, shared how Tameer team have taken along Easypaisa over the past few years and what opportunities and challenges lie ahead. Mr. Andrew Gastaldello, President Utiba; Mr. Atif Bajwa President and CEO Bank Al-Falah briefed on the developments in branchless banking in the country. At the end, a panel discussion on "Challenges in Regulating Branchless Banking" was held.

First Meeting of National Consultative Group on Branchless Banking Developments



The first meeting of the National Consultative Group on Branchless Banking Developments was held under the chairmanship of Mr. Muhammad Ashraf Khan, Executive Director, Development Finance Group (ED-DFG), State Bank of Pakistan on 7th May 2012 at Learning Resource Center, SBP, Karachi. ED-DFG briefed the members on the objectives of establishing the Consultative Group and SBP's perspective on Branchless Banking. While appreciating the responsiveness and interest being taken by both banks and MNOs, Mr. Ashraf Khan also highlighted the key challenges in the early development of branch-

less banking and hoped that these stakeholders will play a collective role in identifying and addressing the common challenges/issues for sustainable growth of branchless banking. Mr. Mansoor Hassan Siddiqui, Director, Banking Policy and Regulation Department (BPRD), SBP highlighted State Bank's considerations with regard to branchless banking regulation and licensing. He also briefed about SBP's efforts in building relationships with other regulators, most importantly with Pakistan Telecommunication Authority (PTA), for developing common view and strategies on cross regulatory issues. Dr. Saeed Ahmed, Head of Agricultural Credit and Microfinance Department (AC&MFD), SBP informed the members regarding the recently launched Financial Innovation Challenge Fund and National Financial Literacy Program. Participants expressed their views on most pressing issues of the market. In response, the Chairman announced formation of three Working Groups; first on Agents Developments, second on Code of Conduct for BB ecosystem and third group on BB Financial Literacy Program.

5th Pakistan 2012 Telecommunication Conference held in Karachi

SHAMROCK Conferences International organized 5th Pakistan 2012 Telecommunication conference at Karachi. Chairman Pakistan Telecommunications Authority (PTA) Dr. Mohammed Yaseen was the chief guest on this occasion. IT industry experts, CEOs of telecom companies, academia and media representatives attended the seminar.

On the occasion, Chairman PTA, Dr. Mohammed Yaseen said that there is a need to convert Pakistan from an infrastructure-based to a knowledge-based economy, which can be done by developing localized content and applications for integrated broadband (voice, video, entertainment and data) subscribers. He said that our market driving factors are high speed integrated and interactive services for which our cellular network is merging towards the 3G and Core and access networks towards IP and NGN Platforms. This “convergence” can potentially bring revenues of Rs. 5 billion to the country and offer better quality and cheaper services to the consumers.



At the seminar, the speakers focused on numerous developmental challenges faced by Pakistan in the exceedingly competitive environment of the telecom sector. The telecom experts shared their wisdom and experiences to draw tangible conclusions for ensuring rapid economic growth. They said that degree of success in broad-based social uplift programs can be enhanced with the support of cellular connectivity. Through such modern solutions and effective programs, the underserved and under-privileged masses of the country, will gain financial freedom and social empowerment.

PPAF—Workshop on Financial Services and Branchless Banking

PPAF arranged a seminar on branchless banking and savings on March 17, 2012 in Karachi. All major stakeholders including State Bank of Pakistan, Pakistan Microfinance Network, Shorebank International, KfW and representatives from other partner organizations including a number of insurance companies attended the seminar.

Mr. Ahmad Jamal, Senior Group Head, PPAF, welcomed the participants to the session. He remarked that the MF sector was ideally placed for rapid expansion which would be crucial for bringing about cost efficient and client-centric MF services. The seminar was also addressed by Qazi Azmat Isa, CEO PPAF, Dr. Rashid Bajwa, Chairman PMN, and Mr. Nadeem Hussain, CEO Tameer MFB.

Dr. Saeed Ahmed, Head of Agricultural Credit & Microfinance Department, SBP in his address felicitated PPAF for convening seminar of the MF sector on BB and savings. He briefed the role that the central bank has played in creating a conducive policy environment for the sector and various initiatives for the development of branchless banking. Dr. Ahmed highlighted the opportunities in branchless banking for MFIs and the potential scope of partnership between branchless banking service providers and MFIs. branchless banking service providers. and the He also stressed on the need for future collaboration among all stakeholders of the sector.

Two sessions were held during the day. The first session was on experience sharing and the second session was on mobilizing savings through branchless banking which was chaired by Dr. Saeed Ahmed. Both sessions were followed by group discussions among the participants. Dr. Ahmed mentioned that the objectives of these workshop sessions were to explore opportunities for scaling up the BB models as they hold tremendous promise for reducing microfinance (MF) transaction costs while opening new avenues for efficiently increasing outreach. He also talked about the possibilities available to Microfinance Service Providers (MFPs) in savings through the establishment of linkages between informal savings groups (ROSCAs, for instance) and formal banks that could help small savers access formal banking services.



Exposure Visit by Delegate from National bank of Ethiopia



Development Finance Group of the State Bank of Pakistan hosted a 4-day visit on mobile and agent banking for delegation from National Bank of Ethiopia (NBE) from 23 to 26 April, 2012. The visit was sponsored by Alliance for Financial Inclusion (AFI) for senior officials of NBE to learn from the country experiences of Brazil, Pakistan and Kenya.

During the visit, the delegation, comprising of five senior officials from NBE and one coordinator from AFI attended round table sessions with senior officials from banking policy, payment system, agricultural credit & microfinance, and information technology departments of SBP. The delegates were briefed about the branchless banking regulations, payment and settlement systems in Pakistan, licensing and supervision mechanism for branchless banking. The speakers also briefed the delegates about the challenges in promoting financial inclusion and the broad policy measures that SBP

has taken to move the market away from cost-heavy operating models through use of innovative alternate delivery channels of banking services. A meeting with Mr. M. Saleem, Director General Commercial Affairs, Pakistan Telecommunication Authority (PTA) was also arranged for the delegation in which PTA's perspective on development and challenges of mobile phone industry was shared.

The delegates also visited the head offices of Easypaisa (Tameer Microfinance Bank), and Omni (United Bank Limited). Extensive meetings with technology experts and physical demonstration of different technological instruments for routing transactions (such as visit of super agent, direct agents and sub agents of different M-banking products) were also highlights of the study program.

Pakistan Branchless Banking Tour by Nepalese Delegation



Development Finance Group SBP hosted a one-week visit for Nepalese Delegation to study branchless banking in Pakistan from 26 to 30 March 2012. The exposure visit was organized by ShoreBank International (SBI) – Pakistan Office. The delegation was composed of Nepalese of Financial Institutions, Mobile Network Operators, Regulators (Central Bank) and Technology providers.

During the visit to SBP, Mr. Muhammad Ashraf Khan, Executive Director, Development Finance Group welcomed the delegation and briefed them about the achievements, issues and current development initiatives to promote branchless banking. Dr. Saeed Ahmed, Head of Agricultural Credit and Microfinance Department highlighted key features of SBP Financial Inclusion Policy. Moreover, the delegation attended round table sessions with senior officials from Development Finance and Banking Policy Groups of SBP on branchless

banking regulations, and recent industry developments.

During the exposure visit, the delegates also visited Pakistan Microfinance Network (PMN), Benazir Income Support Program (BISP), and various financial institutions providing microfinance and/or branchless banking services. The delegation also visited agents/service centers of UBL Omni and Tameer Easypaisa, Habib Bank and First Microfinance Bank.

Establishment of a National Consultative Group on Branchless Banking Developments

State Bank of Pakistan has established a National Consultative Group on “Development of Branchless Banking to foster market development. The Group is headed by the Executive Director, Development Finance Group (DFG), SBP. The Group will provide a common platform for branchless banking eco-system developers and an opportunity to develop collective policy recommendations on critical developmental issues. Composition of the Group draws members from key stakeholders such as Pakistan telecommunication Authority, NA-DRA, banks, MNOs, and, Technology Solution Providers. The Group will assist SBP in the formulation of a National Branchless Banking Strategy.

The Group held its first meeting on 7th May 2010 at SBP Karachi, wherein, three working groups on Agents Developments, Code of Conduct for BB ecosystem and BB Financial Literacy Program were formed by the Group Chairman Mr. Muhammad Ashraf Khan, Executive Director DFG.

Commencement of Waseela Microfinance Bank

The Waseela Microfinance Bank Limited, a subsidiary of M/s Orascom, has commenced its business operations as a nationwide micro-finance bank. The bank has opened its first branch in Islamabad and aims to enter into Branchless Banking business to increase the outreach of financial services in Pakistan shortly.

SBP has Allowed Habib Bank and Faysal Bank to Launch Pilot Branchless Banking Deployment

SBP has allowed Habib Bank Limited and Faysal Bank Limited to launch their pilot branchless banking deployments. HBL will roll out its pilot shortly. HBL is already offering few branchless banking services, such as fund transfers, bill payments etc., to its existing customers with the collaboration of Ufone (a Telco company). Faysal Bank will also initially start mobile banking services to its existing customer base.

KESC Launches Mobile Bill Payment Facility for MCB Bank Customers

KESC has announced another convenient bill payment option for its customers in collabora-

tion with MCB bank. Now MCB Bank customers can pay their KESC power bills through their mobile phones. Prior to this KESC launched convenient payment options through Online Banking in partnership with the leading banks of Pakistan. A subsequent addition to this convenient payment options was providing customers the facility to pay their bills UBL Omni outlets and Easy Paisa shops.

Developments in PTA 3G in National Assembly's Sub-Committee on Information Technology

Pakistan Telecommunication Authority is going to revise the information memorandum for auction of 3G spectrum license after completion of the consultant process. The government has already considered the option of creating a group of local experts for auction of the 3G license, and has decided to hire a consultant for this purpose. According to the PTA website, the government is going to offer three slots of spectrum and one of defunct license of Instaphone. Any company that will have the license of Instaphone will have to start operations immediately and for three spectrum slots if new entrants remain successful, they can lay the equipment and system but commercially they can start function after June 2013.

Easypaisa and Adamjee Insurance

Easypaisa is set to launch a free life insurance plan to its subscribers in collaboration with Adamjee Life Assurance Co Ltd. To formalize the partnership, a contract signing ceremony of senior officials of Tameer Bank and Adamjee Life Assurance was held in Karachi. Roar Bjaerum, VP Financial Services Telenor Pakistan, in a message on the occasion said “our insurance product is one way of achieving Easypaisa’s vision of financial inclusion for everyone.” Fredrik de Beer, CEO of Adamjee Life Assurance in his remarks said that “we have collaborated with Telenor Pakistan to allow insurance penetration in the masses.”

EOBI Introduces Phone Banking for Pensioners

The Employees’ Old-Age Benefits Institution (EOBI) will soon introduce mobile phone banking service through Easypaisa for the easy payment of pension to pensioners. The announcement was made by the EOBI Chairman Mr. Zafar Iqbal on World Labor Day.





Safaricom Reviews M-PESA Bands and Tariffs

Global leader in mobile money services Safaricom has announced a major tariff review of its M-PESA service, the first since the service was launched in 2007. In a move geared towards increasing the number of Kenyans with access to basic financial services, registered M-PESA customers will now be able to send and receive amounts as low as KES10, against a previous limit of KES50. M-PESA customers can also now make micro-payments from as low as KES10 to KES49 per month.

At the same time, the company has lowered the transaction fees for its most popular value band of KES101 to KES500 from KES30 to KES25, in a move aimed at stimulating more transactions within the band.

(Source: <http://safaricom.co.ke/index.php?id=1587>)



Micro ATMs in India

The Unique Identification Authority of India (UIDAI) has launched a micro ATM device that would enable beneficiaries like MG-NREGA workers with Aadhaar (A Multipurpose National Identity Card) to withdraw money near their doors through core banking system.

The device functions through any SIM and will be with a bank-appointed business correspondent. The beneficiary has to put his finger and Aadhaar in to the micro ATM wireless device and get the money within 8 to 9 seconds from a business correspondent after verification about the beneficiary having that much amount deposited in the bank account shown through a receipt by the device. With the device not carrying any money unlike the regular bank ATMs, the beneficiary would get the withdrawn amount from the business correspondent on the spot.

(<http://www.indianexpress.com/news/micro-atm-launched-by-uidai-for-daily-wagers-with-aadhaar/896669/>)

GSMA Received Additional Funding from Gates Foundation for Mobile Banking

The GSMA announced that it has received an additional \$9.8m USD from the Bill & Melinda Gates Foundation, The MasterCard Foundation

and Omidyar Network to continue the successful Mobile Money for the Unbanked (MMU) program for a three-year period to 2015.

The three main objectives of the MMU program are to support mobile network operators (MNOs) to identify, create and share best practices around how to scale mobile money deployments that sustainably serve unbanked clients; evaluate and promote mechanisms for harnessing economies of scale across the mobile money ecosystem; and equip mobile operators to successfully advocate for and shape regulatory environments that enable them to sustainably contribute to financial inclusion.

(<http://www.gsma.com/newsroom/gsma-receives-additional-funding-for-successful-mobile-money-for-the-unbanked-programme/>)

Uganda Revenue Authority Launches Mobile Money Tax Payment System in Partnership with Orient Bank And Warid Telecom

The Uganda Revenue Authority (URA) in partnership with Orient Bank and Warid Telecom has come up with an easier way of tax payment using the innovative mobile money platform. Using the system the tax payers can use their mobile phones to clear their taxes. URA is targeting smaller tax payers to help them cut cost.

Using the system all taxes and non-tax revenues like the police express penalties, driving permits among others can be paid but initially would be limited to a maximum of sh3 million.

(<http://www.newvision.co.ug/mobile/Detail.aspx?NewsID=630786&CatID=3>)

Central Bank of Kenya (CBK) to start monitoring of mobile money transfers

The Central Bank will now start monitoring money transfer transactions to ensure that the platforms are secure. Communications Permanent secretary Dr. Bitange Ndemo said the mobile money transfer platforms could easily fall victim of the ongoing cyberspace crime if left unchecked. CBK will conduct annual reviews of all the transactions to ensure that the systems are not abused.

(<http://www.techmtaa.com/2012/04/02/central-bank-of-kenya-to-start-auditing-mobile-money-transactions/>)



UBL-Omni, the second largest branchless banking player in Pakistan, has portrayed success on all fronts of branchless banking. Its technology solution for G2P payments has earned Global Recognition and won GSMA Award. We interviewed the Group Head Branchless & E-Banking (UBL) Mr. Abrar Mir to share UBL's achievements in branchless banking and the future prospects.

For a large bank, what are the early development challenges? What would you like to suggest to other large banks which are planning to launch branchless banking operations?

The early development challenges for a bank, big or small, starting branchless banking are similar to any other start up business. The most critical element is to have a BOD, CEO and senior management with a clear vision, belief in the potential of the opportunity and patience to wait for the initial few years before the returns start to kick in. This is particularly true of the branchless banking business model where the right business model is yet to be found and there is substantial initial investment in technology, HR, business development and creating customer awareness followed by marginal returns.

UBL Omni has been fortunate in that the BOD, CEO and key senior executives had the vision back in 2005 to initiate work on development of a mobile wallet service and they continued to provide the much needed support for this business model. I believe that has been the single largest reason for the success of UBL Omni so far.



Mr. Abrar Mir — Head Omni (UBL)

Other banks, looking to enter this business, should have a very close look at their business models, have realistic expectations and they must view this business in a long-term perspective with the objective of expanding the reach of banking services to the unbanked.

Why did UBL opt for direct agent model? Do you see 'super agent' option in near future?

UBL Omni supports both direct and super agent models. UBL Omni's Dukaan concept focuses on provision of banking services from a neighborhood general store that also provides daily need grocery items to consumers thus acting as a one-stop shop for consumers. Since majority of these shops are sole proprietorship owned, creating a direct agent network was the natural option. In parallel, we are continuously evaluating Super Agency arrangements and when we find a partner who we can work with, we shall roll out a super agency based model as well.

Would you like to share your success in G2P payments? What are your plans to fortify this success?

UBL is widely recognized as the market leader in G2P payments in terms of the first to innovate, trailblazer for other banks, and the highest number of beneficiaries and amounts disbursed in the G2P payments space. The successful execution of large scale G2P payments has also earned UBL Omni recognition at Global stage including being a subject of many international case studies and being the only winner of the GSMA award by any entity in Pakistan. The GSMA awards are considered to be the Oscars of the IT and Telecom industry.

Having the courage to think outside the conventional business norms, innovation in technology and mutual collaboration on practical solutions with government partners have been key contributing factors to UBL's success. The first foray in G2P payments was taken by UBL to assist the government in providing a transparent and honorable mechanism of providing cash assistance to the IDPs of Swat in 2009. This project which was a debit card based disbursement model set the stage for subsequent initiatives and became the tried and tested model that was readily followed by other banks. The government's and donor agencies' willingness to try the G2P payment mechanism model proposed by UBL was critical since this had never been implemented in Pakistan before. Since that first project UBL has led a number of firsts including BISP disbursements, followed by Watan Card and Sindh Pakistan Card. UBL has successfully disbursed over 60 billion rupees of cash aid to over 2 Million beneficiaries and continues to expand the reach and number of disbursements.

Can there be other projects in which BB Providers and Government make partnerships for using branchless banking channels.

Yes. Government employee salary disbursements, cash subsidies, pension payments etc are some of the many services where Governments can work with the BB service providers using their branchless banking channels.

What was the strength of UBL over other contestants that led UBL Omni to win GSMA Global Mobile Award 2012 for the category of “Best use of Mobile in Emergency or Humanitarian Situation”?

UBL has a very long and proud history of being an innovator both in terms of acquisition of technologies and application of technologies and designing of new financial products for the market. UBL Omni's strength is its *proprietary technology* and *culture of continuous R&D and innovation*.

Pakistan has a very talented and resourceful population that can create solutions for various life challenges that take into account and address the specific issues of our environment. UBL recognizes that technological solutions need to take into account external factors such as power outages, low cost handset/mobile support, low literacy levels, etc. Thus UBL Omni decided to invest and build its own branchless banking platform that could be rapidly customized and adapted to fit the unique and dynamic customer needs of Pakistan. This key strength led to series of innovations that used mobile technology for various G2P disbursement projects.

The prestigious GSMA award recognizes this application of innovative ideas specific to local environments. UBL is proud to be selected as winner amongst international competition becoming the first Pakistani entity from amongst all banks, telcos, and other organizations to win a GSMA award in all its history. This award is testament to the innovation capabilities of Pakistanis in general and to UBL's commitment and willingness towards experimenting with new applications of technologies in particular.

What would you recommend to accelerate the growth of m-wallet in Pakistan?

Branchless banking regulations of the State Bank of Pakistan (SBP) are probably the most progressive and the most supportive regulations in the world for promoting BB accounts. With 2011 regulatory changes that allow paperless account opening, provide higher transactional limits and support immediate transaction facility at the time of account opening, the SBP has made opening and using a BB account easier for the customer and provided banks with the tools to make a stronger account proposition. The acceleration will now come about by customer awareness campaigns both ATL and BTL that educate and highlight the benefits and usages of having a BB account. Changing people's habit and way of life is certainly not an easy task and will require a patient group of service providers who continue to work at educating the consumers till that proverbial tipping point is reached.

It is important to note that acceleration will also come about by focusing on the overall potential customer base, whether they are mobile subscribers or not. That is the complete vision of branchless banking i.e. multi channel account transactional capabilities either via mobile, card, agent, branch, ATM or Internet. An *m-wallet only* approach will restrict the type of customers that can avail Branchless banking services to only mobile subscribers. We believe that for the true success of branchless banking, customers who do not have a mobile phone should also be able to open and operate an account at an agent location.

Women are still very small percentage of our present BB outreach. What can be the strategies to focus on this untapped segment of our market?

Including women in financial services is definitely important. At the same time we need to be pragmatic and accept the cultural realities of our market where not many women are gainfully employed hence they do not have access to or ability to have an account of their own. Hence bringing women into the fold of financial services will have to happen in tandem with creation of more and more opportunities for women to work. In Pakistan, BISP is one such initiative that focuses on cash aid to the women of below poverty level households. UBL is the first and largest payment services providing Bank for the BISP initiative and we believe that programs such as these can serve as a platform for customized financial literacy initiatives geared towards women to help guide them regarding cottage industry/small business ideas, prudent financial spending and saving for children's education and future. Branchless banking services can help women achieve these objectives. Grassroots level engagement will also require input and guidance from the microfinance industry.

Current Branchless banking operations are mostly concentrated in urban areas. How do you see the BB network expanding more into rural and remote areas?

UBL Omni currently has over 9,000 agent Dukaans in over 660 cities, towns and villages of Pakistan including rural areas. Dukaan density is planned according to population density, thus it is natural that urban centers will have more agent locations. Also, the urban centers have a large unbanked population that can benefit from these services. That said, rural network strength is also important to ensure that migrant workers in cities are able to leverage the Branchless banking network to send money to family in villages.



As the awareness and usage of these services continues to increase the network coverage will spread organically to all areas where it is needed. G2P services can also play an extremely critical role in incentivizing the banks to set up more and more agents in the rural areas.

What measures would you recommend for promoting consumer protection and public confidence in branchless banking?

I believe at this stage we must carry out customer awareness programs more as an industry and SBP combined initiative than to try and run separate small campaigns as individual players. The BB industry needs to create this awareness to ensure masses feel protected and have confidence in dealing with the agent networks so that overall BB industry can flourish.

What is the most pressing issue in Pakistan for the development of branchless banking?

Quite a few players are getting ready to enter the BB market. This is a very exciting development as that means BB as a business / service has finally gained acceptance within the industry. With the new players entering the market, it is important that we as an industry should take lessons from the challenges faced by the cards acquiring business and rather than concentrating on a limited number of agents offering multi-player BB services, the new entrants should focus on expanding overall agent locations.

Once the agent network has reached a sizeable number then interoperability at agent location can kick in and that point onwards then the competition can truly be around product features and service levels.

Thank you Mr. Abrar Mir.

CGAP Landscape Study on International Remittances through Mobile Money ***(Final report February 2012)***

CGAP's Technology & Business Model Innovation Program commissioned Dalberg Global Development Advisors to conduct a 'refresh' on an earlier landscaping study for international remittances through mobile money. The study provides a detailed landscape of international remittances in 2012, as well as emerging innovations, success factors and challenges. Moreover, seven case studies have been incorporated representing a mix of developments. The key lessons learned are presented here. (For complete report please visit www.cgap.org).

- Since CGAP's initial study in 2010, there has been growth in international remittance (IR) deployments using mobile channels, but over half of planned deployments have not yet gone live and the reported usage levels are very low.
- Despite the huge and increasing volumes of remittance flows, channeling these via mobile money is very challenging. International remittances will not be a big source of revenue early on, due to several core challenges such as operational delays, lack of awareness and user's interest, and regulations for mobile in general and for international remittances specifically.
- Establishing a significant domestic mobile money ecosystem should be done before launching international remittances – not the other way around.
- Although some new innovative models have emerged, traditional remittance providers like Western Union still have a huge advantage.
- Operators remain optimistic about deploying international remittances through mobile money, and are increasingly aware that full benefits will only be realized in the long-term.

Kenya's Mobile Revolution and the Promise of Mobile Savings ***(Policy Research Working Paper 5988 - The World Bank)***

The paper is a product of the Poverty Reduction and Economic management Unit, Africa Region (WB). The authors are part of the Poverty Reduction staff and the Poverty Reeducation and Economic Management (PREM) unit of the World Bank's Kenya office.

Kenya has undergone a remarkable information and communication technology (ICT) revolution. The mobile revolution has transformed the lives of Kenyans, providing not just communication but also basic financial access in the form of phone-based money transfer and storage, led by the M-PESA system introduced in 2007. The authors examine the mobile savings phenomenon, using data collected in a special survey in late 2010.

The report finds out that the new potential for mobile money has come with the rise of interest-earning bank-integrated mobile savings systems, beginning with the launch of the M-KESHO system in March 2010. The report proves that the usage of bank-integrated mobile savings system remains limited and largely restricted to better-off Kenyans. However, what the author term "basic mobile savings"- the use of simple mobile money system as a repository for funds- is widespread, including among those who are otherwise likely to have any savings. Holding other characteristics constant, those who are registered for M-PESA are 32 percent more likely to report having some savings. The results in this paper show that basic mobile savings is already partially filling the saving gap, answering the acute need many Kenyans, particularly the poor, have for a secure place to store funds.

Bank-integrated savings products require two players in order to operate: a mobile phone service provider and a bank. As a result, the surplus is split between the two entities depending on their relative bargaining power. Additionally, the bank and mobile service provide must negotiate on account of ownership and integrate their traditional proprietary platforms. However, it remains to be seen whether a bank-integrated mobile savings model can be developed that can provide an attractive package for consumers beyond what basic mobile savings systems already offer.

(For complete study of the working paper please click on: (<http://documents.worldbank.org/curated/en/home>)