

BRANCHLESS BANKING NEWSLETTER

LEVERAGING TECHNOLOGIES AND PARTNERSHIPS TO PROMOTE FINANCIAL INCLUSION

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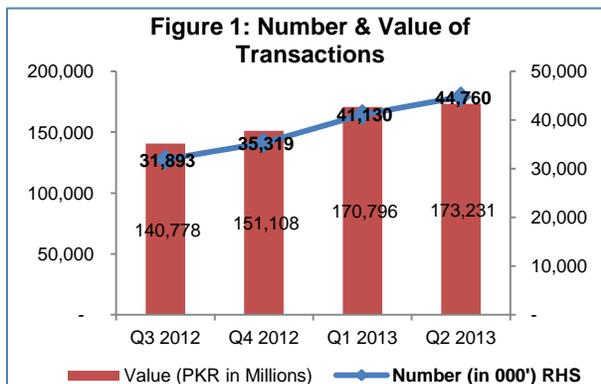
Branchless Banking Analysis

During the second quarter of 2013, the number of branchless banking (BB) transactions reached to 44.8 million showing a growth of 9% compared to 14% in the last quarter. Likewise, value of BB transactions amounted to Rs. 173 billion, registering a slight increase of 1%. Over the counter (OTC) transactions (83%) continued to outweigh M-wallets transactions (12%). On average, 497,333 transactions were performed per day by agents with an average transaction size of Rs. 3,870. Alongside, BB accounts witnessed a growth of 10% during the quarter and reached to 2.6 million in numbers. Similarly, the number of agents offering branchless banking services has crossed 93,800.

Branchless banking industry in Pakistan is expected to become competitive with the entry of new players. During the last two quarters, three new players i.e. Mobicash, Timepey, and HBL Express have initiated BB operations, whereas in addition U-Microfinance Bank has commenced its branchless banking operations under the brand name U-Paisa in August 2013 as well. Most of the new players, in partnership with their super-agents (Mobile Network Operators - MNOs), are actively competing for acquiring the agents by largely targeting the existing air-time sellers of MNOs and those already operating as BB agents. Resultantly, the agents' network has grown rapidly in the recent two quarters. Further expansion in the market is also expected in the coming quarters, since a few other banks, which are currently in the pilot phase, are imminently preparing to launch their BB operations.

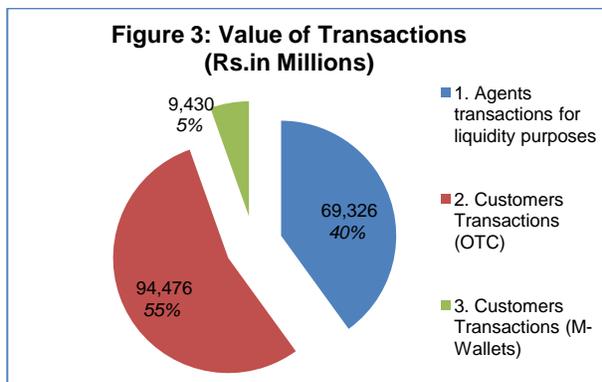
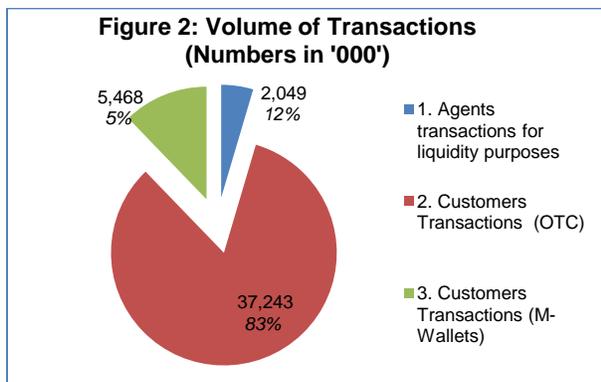
Growth in Number and Value of Transactions

Branchless banking providers have collectively transacted 44.8 million transactions valuing Rs. 173 billion during the quarter as compared to 41 million transactions valuing Rs. 171 billion during the last quarter (**Figure 1**).



On average, 497,333 transactions have been performed per day by BB agents with an average transaction size of Rs. 3,870. Major contribution in BB transactions comes from early providers namely *Easypaisa* (64%) and *Omni* (29%), whereas, combined contribution of new players is currently only 7% of total transactions.

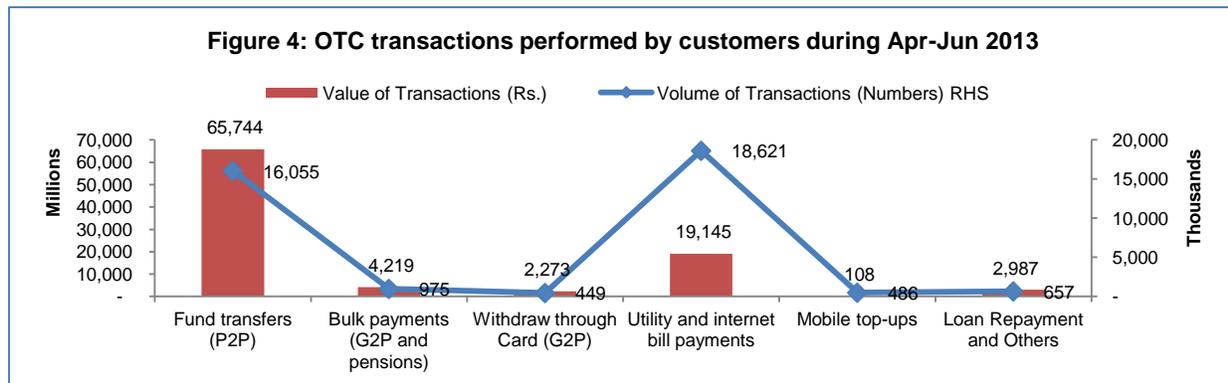
Figure 2 indicates classification of total transactions into three categories i.e. i) agents transactions for liquidity purposes, ii) over the counter (OTC) transactions, and iii) m-wallet transactions performed by account holders (level 0, 1, and 2). In terms of number of transactions, 83% transactions have been performed through OTC followed by 12% share of M-wallets transactions. In terms of value, 55% share in total value has been transacted by customers through OTC followed by 39% share of value transacted by agents for liquidity management (**Figure 3**).



To further illustrate the trend in numbers and value of transactions, OTC and m-wallets transactions have been analyzed in the following sections.

OTC Transactions

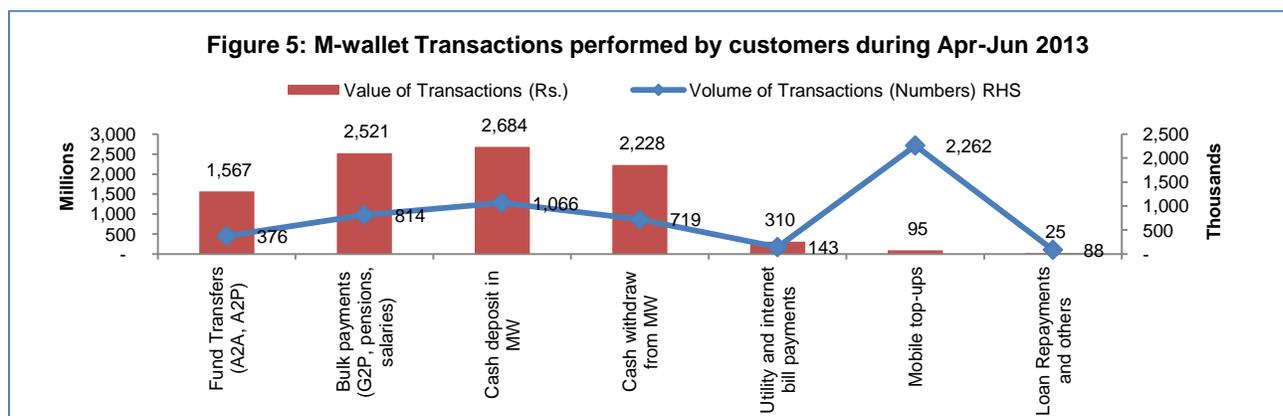
Customers carried out more than 37 million OTC transactions valuing Rs. 94.4 billion during the quarter (table 3). Fund transfer transactions (including person-to-person and person-to-account) constituted a major share in numbers and value of OTC transactions, with 43% and 70% respectively. Utility bill payments represented 50% and 20% share in total numbers and value of OTC transactions respectively (Figure 4). Both of these transaction types not only composed a major share in BB transactions but also represented the prime categories for industry wide growth and earnings. Rest of the OTC transactions types including bulk payments (G2P and pension payments), withdrawal of G2P funds through card (without backing by any account), mobile top-ups, and loan repayment/collection and others collectively represent only 7% share in numbers and 10% share in value of OTC transactions (Figure 4).



Predominantly, the current business strategy of the players appears to gain share in OTC transactions (money transfer and bills payment) and G2P payments market. Owing to low literacy and less awareness on financial services, customers also find it easy to go to agents' counters to send/receive money and pay utility bills. Resultantly, registration and usage of m-wallets at a large scale is still not being observed.

M-Wallets Transactions

M-wallet holders performed almost 5.4 million transactions worth Rs. 9.4 billion during the quarter (table 3). Encouragingly, a good mix has been observed in these transactions. In terms of value, cash deposit has the highest share of 28% followed by bulk payments (such as G2P, pensions and salary payments directly credited into beneficiaries' accounts) and cash withdrawal transactions with 27% and 24% share respectively (Figure 5). Moreover, fund transfer (account-to-account and account-to-person) has also constituted a share of 17% of total value transacted through m-wallets. In terms of number of transactions, mobile top-ups have the highest share of 41% followed by cash deposit and bulk payment transactions with 19% and 15% share respectively.

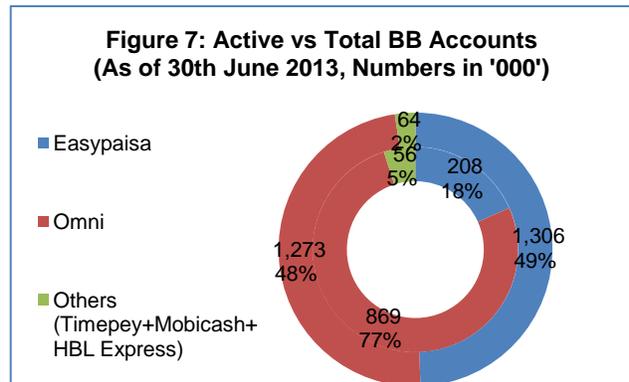
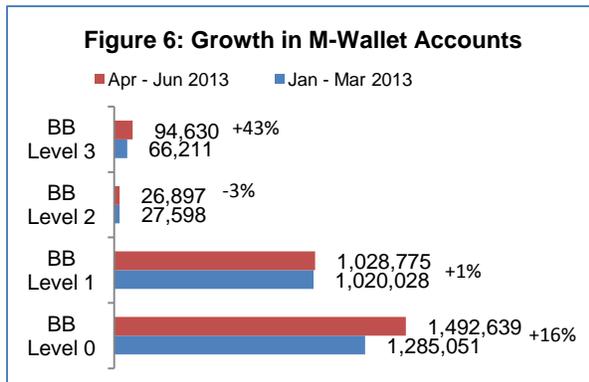


To understand the pattern of m-wallet transactions, we have classified BB account holders into two categories; i) those who receive funds through G2P payments, pensions and/or salaries; and ii) those who open regular m-wallet accounts for saving and/or transaction purpose. Through market data/information, it has been found out that account holders' first category (G2P account holders) usually withdraws most of their funds once received in their accounts.

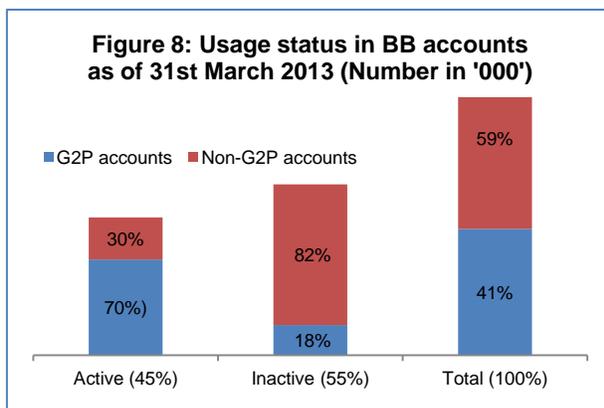
Moreover, majority of the total active account holders belong to this category. Whereas regular account holders (second category) are concerned, they usually deposit cash to send it to other registered/unregistered customers, purchase mobile top-ups, and pay utility bills. Detailed analysis of BB accounts has been given in the next section.

BB accounts grew by 10%

The number of branchless banking accounts grew by 10%, and reached 2.6 million by the end of the 2nd quarter, 2013. This quarterly growth is mainly attributed to 43% growth in level 3 accounts followed by level 0 and level 1 accounts with 16% and 1% growth respectively (**Figure 6**). Constant growth in level 0 accounts during the last four quarters has made this category the largest with 56% share among all BB accounts (**Figure 6**).



The usage of BB accounts has slightly improved during the quarter as total active accounts (performed at least 1 transaction or opened during the last 6 months) have increased by 6% and reached to 1.13 million. While analyzing the share of individual performance of BB players in maintaining activity of BB accounts, mixed results were seen. Easypaisa, though the largest shareholder (49%) in total BB accounts, contributed 18% of the active BB accounts (**Figure 7**). Omni, having the second largest share (48%) in total BB accounts, contributed 77% of the active BB accounts, mostly because of their high share in G2P payment market. Two new players i.e. Mobicash and Timepey have not yet stepped up their efforts to register m-wallet accounts at some significant scale. Currently, combined share of two new players is 5% and 2% in active and total BB accounts respectively (**Figure 7**). The third new player i.e. HBL Express has yet not started registering m-wallet accounts.



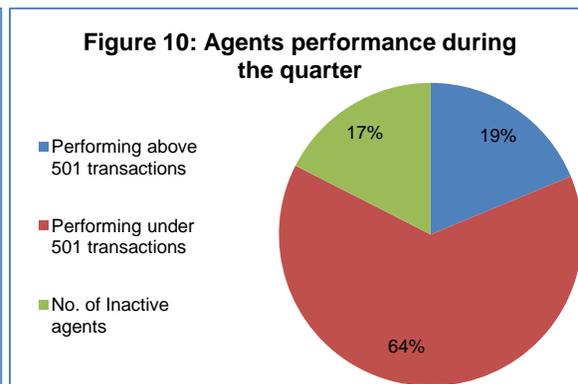
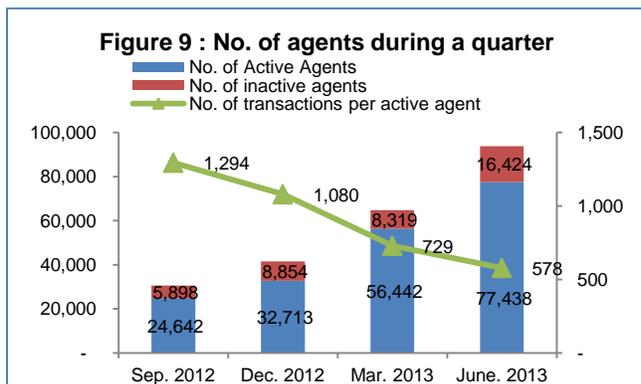
Importantly, almost 70% of the active accounts are G2P beneficiaries' accounts. The other account holders (regular) have been observed to be less interested in utilizing BB accounts for their regular transactions. This is evident by the fact that 82% of such accounts were found inactive at the end of the quarter (**Figure 8**).

Agents' network keeps growing substantially

Number of agents has reached 93,862, registering a high growth of 45% during the quarter. This trend in growth of agents is largely owing to new players who are actively targeting acquisition of air-time sellers of their partner MNOs for offering their BB services. Since MNOs have a significant shared agent network in Pakistan, this is being replicated in the ongoing expansion of BB agents.

As a result of the increased use of shared agents, the performance of agents (transactions per agent) has declined compared to the previous quarters. This decline in activity is primarily due to new players who have so far been aggressive in agent expansion but slower in generating business at these agents. As a result, number of transactions per active agents performed during a quarter has further reduced from 729 in last quarter to 578 in current quarter (**Figure 9**). **Figure 10** indicates that out of 93,862 total agents there are 17% inactive agents, 64% have performed less than 500 transactions, and only 19% are those agents who have performed more than 500 transactions during

Apr-Jun 2013 quarter. Easypaisa has the largest agents' network with 38% share in total number of agents followed by Mobicash and Timepey with 25% and 21% share. Omni and HBL Express have 13% and 3% share in total agents' network respectively



Branchless Banking Snapshot

Table 1: Key Indicators

Indicators	Q1 2013	Q2 2013	Quarterly Growth
Number of Agents	64,716	93,862	45%
Number of Accounts	2,398,888	2,642,941	10%
Deposits as of date (Rs. in millions)	1,391	2,391	72%
Number of transactions during the quarter (No. in '000')	41,130	44,760	9%
Value of transactions during the quarter (Rs. in millions)	170,796	173,231	1%
Average Size of Transaction (in Rs.)	4,153	3,870	-7%
Average number of transaction per day	457,005	497,333	9%

Table 2: Volume and value of different types of transactions

S.#	Type of Transactions	Jan-Mar 2013		Apr-Jun 2013	
		Volume of Transactions (Numbers)	Value of Transactions (Rs. in 000)	Volume of Transactions (Numbers)	Value of Transactions (Rs. in 000)
1	Agents transfers for liquidity				
	Agent account to agent account	902,218	27,876,621	1,258,664	34,572,161
	Agent account to bank account	180,447	23,785,838	189,221	11,761,663
	Bank account to agent account	344,719	20,929,471	601,199	22,991,751
2	Fund Transfers				
	Fund transfers through M-wallets				
	MW to MW transfers	11,383	37,441	14,759	49,096
	MW to bank account transfers	6,827	84,860	7,461	90,020
	Bank account to MW transfers	6,463	28,372	6,073	32,333
	MW-to-person fund transfers	422,995	1,665,330	347,329	1,395,972
	Fund transfers through CNIC				
	Person to person sending	6,868,647	28,261,189	7,839,027	32,109,413
	Person to person receiving	7,287,724	29,944,940	8,215,827	33,634,877
3	Bulk Payments				
	Government to Person Payments				
	G2P through MW	713,690	2,150,977	778,542	2,331,118
	G2P through card	314,499	3,352,827	927,254	3,935,706
	EOBI Pensioners				
	Pension payment through MW	17,380	67,148	32,066	123,969
	Pension payment through OTC	49,628	279,231	47,254	283,048
	Salaries payments and Others	11,598	111,010	3,818	66,055
4	Cash deposit & withdrawal				
	Cash Deposited in MW (including person to MW transfers)	2,882,783	7,119,885	1,065,765	2,683,778
	Cash Withdraw from MW	886,969	3,394,502	719,462	2,228,071
	Cash withdraw through card (G2P)	783,137	3,368,228	448,571	2,273,303
5	Bill Payments & Top ups				
	Utility Bills Payment	16,196,293	15,962,959	18,620,526	19,283,927
	Internet Bill Payments	129,401	136,806	143,662	170,712
	Mobile Top-ups	2,541,169	141,276	2,748,272	202,709
6	Loan				
	Disbursement			55,199	118,689
	Repayment	459,013	1,067,763	516,764	1,472,432
7	Others				
	Donations	3,707	223	5,598	260
	Retail Payments	-	-	371	3,924
	PIA ticketing	379	4,251	310	3,434
	International Home remittance	29,039	780,903	33,266	903,468
	Account Opening Transactions	31,467	14,302	81,933	20,559
	Cash collection/payment services	48,529	229,385	51,780	488,747
	Total	41,130,429	170,796,257	44,759,973	173,231,195

Branchless Banking Snapshot

Table 3: OTC vs M-wallets transactions performed by the customers

S.#	Type of Transactions	OTC		M-Wallets	
		Volume of Transactions (Numbers)	Value of Transactions (Rs. in 000)	Volume of Transactions (Numbers)	Value of Transactions (Rs. in 000)
2	Fund Transfers				
	Fund transfers through M-wallets				
	MW to MW transfers			14,759	49,096
	MW to bank account transfers			7,461	90,020
	Bank account to MW transfers			6,073	32,333
	MW-to-person fund transfers			347,329	1,395,972
	Fund transfers through CNIC				
	Person to person sending	7,839,027	32,109,413		
	Person to person receiving	8,215,827	33,634,877		
3	Bulk Payments				
	Government to Person Payments				
	G2P through MW			778,542	2,331,118
	G2P through card	927,254	3,935,706		
	EOBI Pensioners				
	Pension payment through MW			32,066	123,969
	Pension payment through OTC	47,254	283,048		
	Salaries payments and Others			3,818	66,055
4	Cash deposit & withdrawal				
	Cash Deposited in MW (including person to MW transfers)			1,065,765	2,683,778
	Cash Withdraw from MW			719,462	2,228,071
	Cash withdraw through card (G2P)	448,571	2,273,303		
5	Bill Payments & Top ups				
	Utility Bills Payment	18,479,980	18,977,277	140,546	306,650
	Internet Bill Payments	141,090	167,687	2,572	3,025
	Mobile Top-ups	486,420	107,856	2,261,852	94,853
6	Loan				
	Disbursement	55,199	118,689		
	Repayment	516,764	1,472,432		
7	Others				
	Donations			5,598	260
	Retail Payments			371	3,924
	PIA ticketing	310	3,434		
	International Home remittance	33,266	903,468		
	Account Opening Transactions			81,933	20,559
	Cash collection/payment services	51,780	488,747		
	Total	37,242,742	94,475,937	5,468,147	9,429,684

Events

Alliance for Financial Inclusion (AFI) and Bank Negara Malaysia host the 5th Global Policy Forum 2013 on Financial Inclusion

The Alliance for Financial Inclusion (AFI), in cooperation with the Bank Negara Malaysia (BNM), held the 2013 AFI Global Policy Forum (GPF) in Kuala Lumpur, Malaysia on 10-12 September 2013. Under this year's overarching theme, "Driving policies for optimal impact," AFI members had the opportunity to exchange knowledge and experiences, and work together in taking the financial inclusion agenda forward. The GPF 2013 was the largest forum held by the AFI Network with more than 400 delegates in attendance. AFI now includes more than 100 policymaking institutions from 89 developing and emerging nations, representing 75% of the world's 2.5 billion unbanked population.

The highlight of the event was the keynote address by Her Majesty Queen Maxima of the Netherlands, who is the UN Secretary-General's Special Advocate for Inclusive Finance for Development and Honorary Patron of the G20 Global Partnership for Financial Inclusion. Queen Maxima reiterated that financial inclusion is not an end itself. It enables achievement of larger goals such as equitable economic prosperity. It accelerates poverty reduction, job creation, food security, health, resilience, women empowerment and many other positive outcomes. The GPF also focused on important policy initiatives including proportionate financial regulation, quality aspects of financial inclusion and better and more comprehensive data with quantifiable and measurable national goals.

This GPF concluded with the declaration of the Sasana Accord. The Sasana Accord further strengthens the AFI Network's commitment to the Maya Declaration taking it to the next level through the adoption of systematic assessment of impact to ensure quantifiable and measurable targets for financial inclusion

AFI on path to independence

AFI is seeking to become an established, legally independent entity. Becoming a sustainable, self-funding organization will establish AFI as the authoritative voice on financial inclusion. As part of this transition to



"The launch of the bidding represents an important milestone in the evolution of AFI... Our priority is to ensure a fair, transparent and independent host country selection process."

Dr. Saeed Ahmed, Chair of the AFI Sub-Committee on Host Country Evaluation

independence, AFI is looking for a host country for its new headquarters. The process is driven by an AFI Sub-Committee on Host Country Evaluation which is chaired by Dr. Saeed Ahmed, Head of Agricultural Credit and Microfinance Department, State Bank of Pakistan with senior officials from several central banks as its members.

The 2013 AFI Annual General Meeting on 10 September 2013 proved an exciting milestone in the evolution of AFI, as it officially launched the Alliance for Financial Inclusion's host country bidding process. Through this invitation for Expression of Interest (or "EOI"), AFI is inviting interested countries to bid to host what will be the first global financial inclusion organization founded, driven and owned by the developing world

Exposure visit to Pakistan by Zambian Delegation

The Agriculture Credit and Microfinance Department, SBP hosted an exposure visit for a delegation from the Republic of Zambia during September 2013, to support them in understanding dynamics of Pakistan's branchless banking industry. The participants represented Zambia's central bank, National telecommunication authority, and government ministries, and this visit was integral for the country's future initiatives on branchless banking services.

The learning platform led by Agricultural Credit & Microfinance Department included insightful presentations from core departments within State Bank of Pakistan which are involved in creating an enabling environment for branchless banking. In addition, initiatives and practices of NADRA and few Microfinance Banks were shared to showcase their institutional dynamics, products, and channels operating in the sphere of mobile financial services for the unbanked.

Local News

U Microfinance Bank commenced its branchless banking operations

U Microfinance Bank (formerly Rozgar Microfinance Bank Limited), in collaboration with Ufone, has commercially launched its branchless banking services under the brand name of UPaisa. UPaisa services have been commenced over a network of nearly nine thousand agents countrywide.

U Microfinance Bank carried out its pilot operations of branchless banking from this March after getting approval from State Bank. It then received approval for commercialization of branchless banking services after successful completion of its pilot. UPaisa is the fourth service to have been started by a bank in collaboration with MNO. Telenor, Zong and Mobilink have already partnered with banks and have been providing BB services with the brand names of Easypaisa, Timepey and Mobicash respectively.

Warid Telecom and Habib Bank sign an Agreement for the provision of USSD Channel for HBL Express

Habib Bank Limited and Warid Telecom signed an agreement on September 13th 2013, for a strategic alliance whereby Warid Telecom will provide Habib Bank Limited with access to its Unstructured Supplementary Service Data (USSD), enabling 'HBL Express' (Habib Bank Limited's branchless banking product) to conduct financial transactions in a reliable and secure manner. This partnership will allow HBL Express to expand its branchless banking footprint across the country. The provision of USSD services is the first step in this alliance to provide financial and commercial benefit to both organizations in the coming future.

Tameer Bank: SBP grants permission to Telenor for due diligence

The State Bank of Pakistan has granted permission to Telenor Pakistan (Pvt) Limited for conducting due diligence of Tameer Microfinance Bank Limited (TMBL) for proposed acquisition of further shareholding of the bank upto 75% subject to compliance of with the applicable laws/rules/regulations etc. TMBL is a listed microfinance bank and currently Telenor Pakistan has ownership of 51% or majority stakes in this MFB.

UBank, NBP sign agreement to provide branchless banking

U Micro-finance Bank Limited (Ubank), a fully owned subsidiary of Pakistan Telecommunication Company Limited (PTCL), has signed a Memorandum of Understanding (MoU) with the National Bank of Pakistan (NBP) to provide personal and corporate solutions through branchless banking (BB) services to the customers of NBP across Pakistan. According to the agreement, NBP customers will be able to avail services including but not limited to receipts of pensions, salaries and international remittances. They would also be able to pay loans through the branchless banking network of U-Paisa. Under this arrangement, both parties will introduce different branchless banking products and services to facilitate the customers. In addition, the NBP itself will also be able to utilize the BB services of Ubank including salary disbursement to its employees.

Bank Alfalah, Pakistan Bait-ul-Mal (PBM) launch bio metric based payment solution

Bank Alfalah has signed an agreement with Pakistan Bait-ul-Mal (PBM) for introducing a biometric based payment disbursement solution to its beneficiaries in different parts of the country. Under the agreement, the Bank will provide cash disbursements via its branchless banking offering to the beneficiaries of the Bait-ul-Mal Child Support Program as a pilot program, initially in the districts of Swat). This initiative will introduce smart cards with bio-metric verification systems in the districts of Swat for Child Support Program beneficiaries. Once successfully complete, this transparent disbursement mechanism may be extended at a broader scale to other areas in Pakistan.

International News

Western Union expands mobile banking in Africa

Western Union is growing its mobile banking function in Africa, aiming to complement the 27,000 physical agent locations spread across 50 countries. The company's main focus is now on expanding its digital transaction channels, a good example being integrating with additional mobile networks and increasing the use of prepaid cards when customers receive money. Richard Malcolm, south and east African regional vice president for Western Union disclosed that Western Union is currently in talks with another Kenyan bank and expects to announce soon that customers will be able to withdraw their money from the bank's ATMs.

(Source: <http://www.humanipo.com/news/29875/western-union-expands-mobile-banking-in-africa/>)

Uganda seeks to regulate mobile money transactions

The Ugandan government has directed the Ministry of Finance to amend the law regulating financial institutions with a view to extending regulations to mobile money transactions where the Information Minister Rosemary Namayanja said the government has proposed that mobile banking and money transfers, among other innovations, should be regulated so as to enhance financial inclusion. The cabinet has also resolved that branchless banking should be embraced, as players extend the reach of banking to areas that are particularly difficult to access, or which are rural. The Minister of Finance has been tasked to ensure that bank insurance, which is subject to provisions of the insurance amendment Act 2011, be implemented by the Insurance Regulatory Authority.

Jan Tibamwenda, the Bank of Uganda (BoU) director communications, said the proposals would grant existing banks the ability to offer Islamic banking products after the amendments. He said the regulation of mobile money transactions needs some due diligence to put controlling measures at the entry level, to ensure safety and sound transactions. However, he noted that the service is currently being regulated by the BoU, because it is offered in partnership with commercial banks.

(Source: <http://www.telecompaper.com/news/uganda-seeks-to-regulate-mobile-money-transactions--960742>)

Bank of Kathmandu launches branchless banking

In a bid to inculcate banking habit among people of lower income groups and those living in rural areas, Bank of Kathmandu (BoK) has introduced 'Ghar Angan Banking Sewa'. The bank said that the service aims to provide efficient and effective services to the population having no access to banking services. The branchless banking services will be initially carried forward through POT (Point of Transaction) machines which have been deployed in 20 new centers across the country, mostly in remote areas, so that people can have easy access to banking services from their home.

Source: http://www.myrepublica.com/portal/index.php?action=news_details&news_id=60622

Vodafone partners ICICI bank to launch mobile money transfer service 'M-Pesa' in Delhi

Vodafone India along with ICICI bank has launched its mobile money transfer and payment service 'M-Pesa' in Delhi, expanding the footprint in the capital city. The company plans to roll-out the service in Mumbai and Lucknow in the next couple of days, in a bid to tap the migrant population. The service allows customers to transfer money to any mobile phone, remit money to a bank account, make payments for utility bills and deposit and withdraw cash from designated outlets. The users need to deposit Rs 200 to register for the service and the company charges Rs 10 per transaction as convenience fee for payment of utilities. Apart from that, there are various slabs for transaction charges for transferring money. The service will be available through 1,400 authorized agents and across 130 Vodafone exclusive retail stores in Delhi and the national capital region.

(Source: http://articles.economictimes.indiatimes.com/2013-08-21/news/41433319_1_mobile-money-transfer-service-vodafone-partners-payment-service)

Selected Reading

Microfinance and Mobile Banking: Blurring the Lines?

CGAP's recently issued Focus Note No. 88 titled "Microfinance and Mobile Banking: Blurring the Lines", explores latest evidence on how m-banking impacts not only the way Microfinance Institutions (MFIs) carry out their core business, but more importantly the emergence of innovative business models. The focus note provides a range of insights from global MFI and M-banking alliances on how MFIs can leverage m-banking for microfinance transactions. The author highlights experiences of MFIs that have served as agents for m-banking systems, or innovated new business models, whereby evaluating the benefits and drawbacks for their pioneering models with reference to the MFIs and their customers. Furthermore, the note also examines why some MFIs are not following suit and are instead strategically holding off on launching m-banking.

The three main areas where m-banking has impacted MFIs most have been loan repayments, loan disbursements, and savings mobilization. But the author finds no evidence that MFIs or their customers are driving the development of m-banking in markets; rather MFIs that are successfully leveraging m-banking tend to be in countries where an m-banking service is already widely used. Hence an existing successfully running m-banking service is a precursor to a beneficial leverage of m-banking in microfinance.

Since MFIs are not well placed to build their own m-banking system, they are advised to partner with an existing m-banking system. Such important strategic alliances can help to diversify an MFI's product offering, outreach, and provide avenues of increased revenue from transaction commissions. However these partnerships also come with the challenge of ongoing liquidity management, and inconsistent quality services at agent points. In some cases, MFIs can feel better suited for new customer registration and less for cash in cash out to avoid liquidity problems. In the context of Pakistan the note quotes Tameer Microfinance and Telenor's alliance to showcase how microfinance banks shy away from taking any risk with customer repayment processes, as minor delinquencies can severely impact margins due to State Bank of Pakistan's strict credit regulation.

In contrast, new microfinance business models are emerging that leverage m-banking more intensely across the microfinance business process where the branchless banking platform is fully integrated within several operational constituents of the microfinance model; for example to facilitate different degrees of remote customer registration. Nonetheless fewer MFI's use m-banks to facilitate loan disbursements and those that do continue to experience agent liquidity challenges.

Although MFI partnerships with MO's create important strategic alliances, it is pointed out that there is no real evidence of MFIs reaching customers in new geographies or lower income segments through m-banking. Even though quantitative evidence demonstrates that MFIs use m-banking to gain a competitive advantage and cost saving, the note iterates that the advantage is likely to diminish as more MFI's start integrating m-banking in their operations and success will bank solely on competitively efficient branchless banking services. This is why it will serve best for MFIs to evaluate the costs and revenues associated with m-banking more carefully instead of indiscriminately replicating existent market alliances.

Even in a country with a viable m-banking service, there may be an institutional or market specific reasons to postpone the integration of m-banking. This specifically applies to MFIs with a problematic portfolio, where it makes better sense to fix portfolio issues before embarking on m-banking. The note quotes that even though Pakistan is one of the leading countries in m-banking activity, the majority of transactions are still done over the counter (OTC), hence even those NGO MFIs such as Amanah, which have piloted the use of m-wallets for loan repayments, tend to instead leverage agents for OTC loan repayments. Therefore the decision to hold off on m-banking relates mostly to timing, sustainability concerns, or lack of an m-banking system. Nonetheless the testimony of time will reveal how successful pioneering business models with intensely integrated m-banking services, will prove to be.

For complete study please visit: www.cgap.org

Appendix 1: Definitions of Terminologies

BB Terminology	Definition
Level 0 account (L0)	Basic MW account with low KYC requirements and low transaction limits
Level 1 account (L1)	Entry level MW account with adequate KYC requirements commensurate with transaction limits
Level 2 account (L2)	Top level MW account for individual customers offering all BB facilities and subject to full KYC requirements
Level 3 account (L3)	Account specific for BB agents, third-party service providers, or businesses
M-wallets (MW)	All level 0, level 1, and level 2 BB accounts
BB Accounts	M-wallets plus level 3 accounts (Level 3 mainly represents agents' accounts).
Banking account	Banking account means a regular bank account maintained in bank branch by agents/customers
Active m-wallet account	An m-wallet account will be considered as an active account if: <ul style="list-style-type: none"> - Performed at least 1 transaction during the last 180 days. - Opened during the last 180 days. - Account has not been suspended /closed/ terminated for any reason. - Fully compliant with KYC requirements as per BB Regulations.
Inactive M-wallet account	An m-wallet account which does not qualify the criteria for active accounts will fall in inactive account category. The applications in process of account opening are not counted in inactive accounts.
Active Agent	An agent will be considered as an active agent if: <ul style="list-style-type: none"> - Performed at least 1 transaction during the last 90 days. - Opened during the last 90 days. - Agent has not been suspended /closed/ terminated for any reason. - Fully compliant with KYC as per BB Regulations.
Inactive agent	An agent who does not qualify the criteria for active agents will fall in inactive agents' category. The new take-on agent applications in process are not counted in inactive agents.
Average Size of Transaction (in Rs.)	Value of transactions divided by number of transactions
Average number of transaction per day	Number of transactions during the quarter divided by 90 days
Account to account transfer (MW holders)	Total number of transactions and amount transferred by MW holders. It includes MW to MW transfers, MW to banking account transfers, and banking account to MW transfers.
Account to account transfer (by Agents)	Total to number of transactions and amount transferred by agents for liquidity management purpose. (It includes agent account to agent account transfers, agent account to banking account transfers, banking account to agent account transfers)
MW to person transfer	Number of transactions and amount transfers from MW to person (transfer on customer's computerized national identity card (CNIC)).
Person to person transfer	Number of transactions and amount of money transacted through OTC (transactions

	from one CNIC to another CNIC).
Bulk Payments	All bulk payments done through BB channel which include wages, pensions, G2P social transfers and welfare payments
G2P payments	Government to person payments which include social transfers and welfare payments
EOBI pensioners	All payments from Employees' Old-age Benefit Institution (EOBI) to pensioners
Salary payments	Salary payments from institutions to its employees
Cash Deposited in a MW account	Cash deposited into MW accounts
Cash Withdrawals from a MW account	Cash withdrawals from MW accounts
Cash withdrawals through card (G2P only)	Cash-out of G2P payment received by Watan /BISP or any other G2P related card holders using BB channel
Other cash collection services	Any other cash collection service such as school fee collection.
Utility Bills Payments	Gas, water, electricity, telephone and any other public utility payment
Loan Disbursement	Loan disbursements through BB channel
Loan Repayment	Loan repayments through BB channel
Donations	Donations collected through BB channel
Merchant payments	Retail payments to authorized merchants to purchase goods/services
Account opening transactions	Limited transactions (as permissible under BB regulations) in m-wallet accounts during account opening / activation process.