

BRANCHLESS BANKING NEWSLETTER

LEVERAGING TECHNOLOGIES AND PARTNERSHIPS TO PROMOTE FINANCIAL INCLUSION

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Branchless Banking Analysis

Branchless banking has seen growth in all areas during the quarter Jan-Mar 2013. Total volume (number) of BB transactions has jumped to 41.1 million (up 16%), valuing Rs. 171 billion (up 13%) processed during the quarter. Moreover, branchless banking accounts have increased by 14% and reached to 2.4 million accounts (m-wallets) by the end of the quarter. The growth in number of transactions and accounts is mainly attributable to early providers (Easypaisa and Omni).

A prominent growth was also witnessed in the number of agents which grew by 56%, thus increasing the total network to 64,716. This growth is largely owed to two new providers (Mobicash and Timepey).

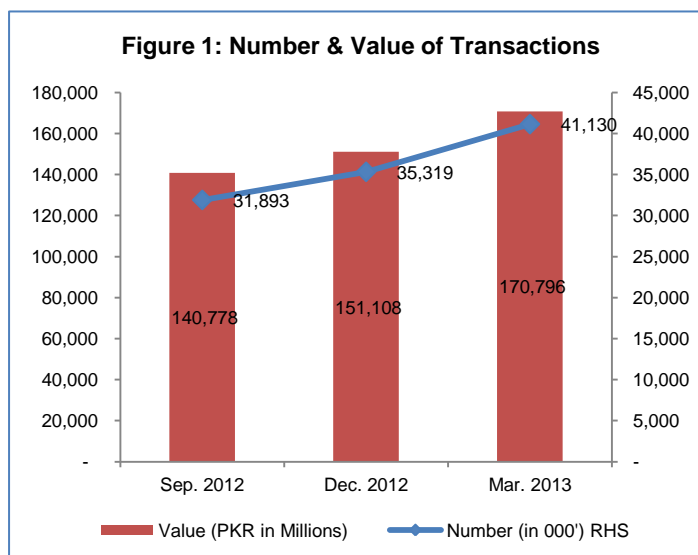
The growth expectation in coming quarters is fairly high as the new players start getting their pace.

Growth in number of transactions continues

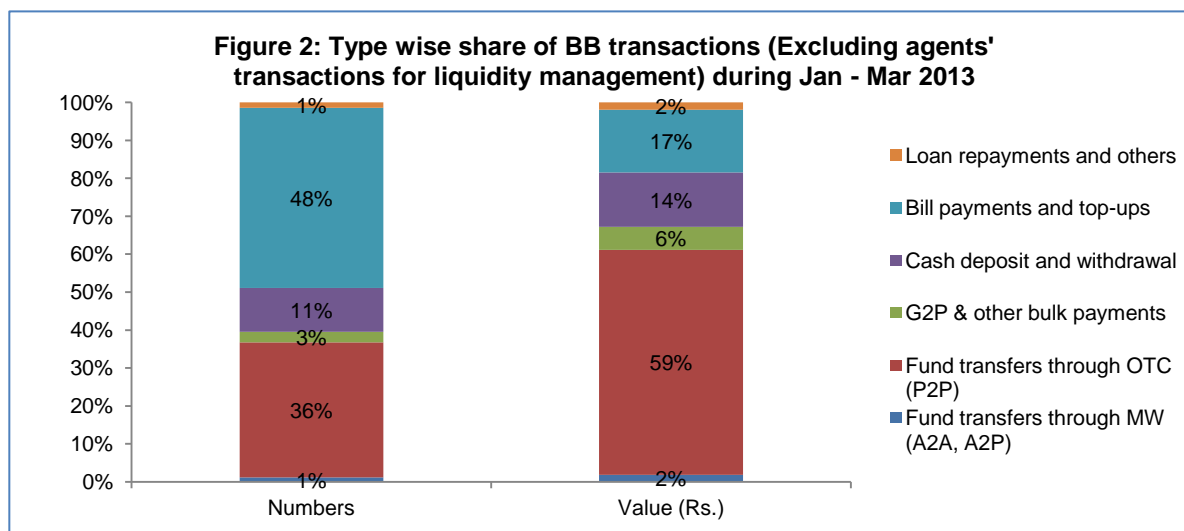
A total of 41.1 million transactions valued Rs. 171 billion were performed during the quarter under review. A QoQ growth of 16% in number of transaction and 13% in value of transaction has been observed during the current quarter (Figure 1). The average size of transaction is Rs 4,150 while the average number of transaction per day has increased to 457,000 from 392,433.

In terms of transaction-mix, agents have performed 1.4 million transactions worth of Rs. 72.5 billion for liquidity management purpose. On the other hand, customers (either registered or unregistered) have performed 39.7 million transactions worth of Rs. 98.2 billion during the current quarter (Table 2).

For customers' transactions, domestic fund transfers through OTC (P2P) remains the dominant category with 59% share in value and 36% in number of transactions with average size of Rs. 4,111 per transfer. Customers have also transferred funds from their m-wallet accounts but it has accounted for only 2% in value and 1% in number of total customers' transactions. Bill payments and top-ups is the second largest category with 17% share in value and 48% in number of transactions (Figure 2).



Cash deposits and withdrawals from m-wallet accounts collectively form the third largest category with 14% share in value and 11% share in number of customers' transactions. The withdrawal transactions are mostly done by G2P beneficiaries to collect their funds or pensions. Around Rs. 6 billion has been disbursed through BB channels under G2P welfare and other bulk payments category which accounted for 6% of total value transacted (Table 2).

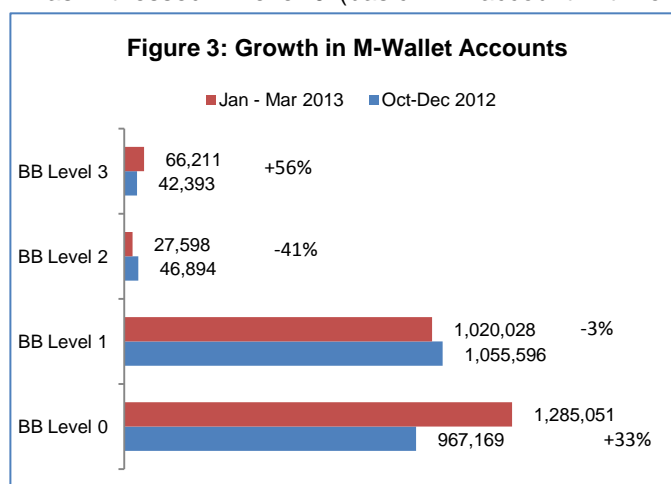


Early BB players have started diversifying their product offerings. For instance, Tameer MFB has collected Rs. 4.2 million in terms of payment for Pakistan International Airline's tickets through agents. Tameer MFB has also remitted 29,039 international home remittances worth of Rs. 781 million through Easypaisa franchises. UBL Omni has initiated cash collection services for its corporate clients (such as Engro food) and collection of school fees etc. However, most of these products are being served through OTC at agent locations. The OTC business of BB players is therefore growing, while the transactions through m-wallets are still in an early stage.

Branchless Banking Accounts have increased

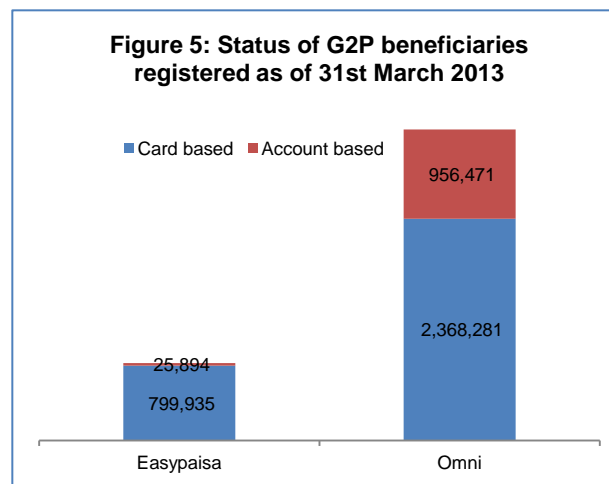
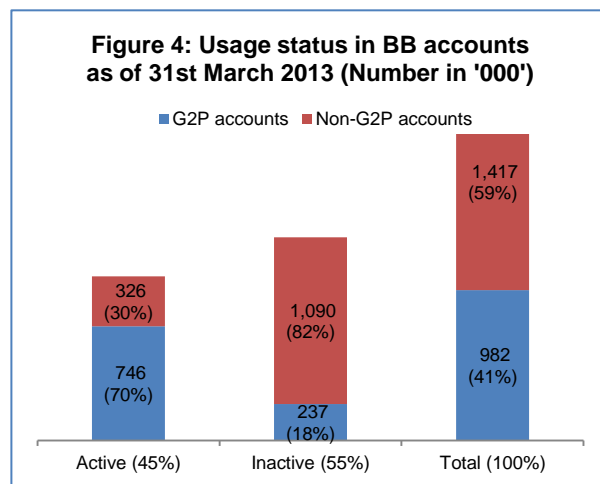
BB accounts grew by 14% during the quarter, however, the growth was slower when compared with the growth reported in the last quarter (20%). By the end of the quarter, BB accounts have reached at 2.4 million. Major contribution to this quarter growth was witnessed in level 0 (basic MW account with low KYC requirements and low transaction limits) and level 3 accounts (account specific for BB agents, third-party service providers, or businesses) which grew by 33% and 56% respectively.

On the other hand, level 1 (entry level MW account with adequate KYC requirements commensurate with transaction limits) and level 2 accounts (top level MW account for individual customers offering all BB facilities and subject to full KYC requirements) saw a decline in numbers by 3% and 41% respectively due to downgrading of dormant accounts to level 0 by one provider (figure 3). These growth trends indicate that the players are focusing more on level 0 accounts. As a result, Level 0 category has become the largest among other categories with 53% share in total accounts, followed by level 1 accounts with 43% share.



G2P beneficiaries constitute major share in BB accounts

A total of 220,648 accounts belong to G2P beneficiaries have been registered by BB operators during the quarter. Omni has registered 94% of these new G2P accounts, whereas, Easypaisa has registered the remaining 6% of the accounts. A similar progress in G2P accounts was also witnessed in the last quarter. A total of 354,227 G2P beneficiaries' accounts were registered during the last quarter out of which Omni opened 243,231 G2P accounts. This consecutive growth in G2P accounts has made this category a major part (41%) in total BB accounts registered until 31st March 2013 (figure 4). It is worth mentioning that G2P beneficiaries' accounts constitute 70% of total active BB accounts. The activity level in BB accounts (other than G2P accounts) is minimal, as only 0.32 million out of 1.4 million accounts were active (Figure 4).



It is encouraging to note that apart from transferring government social grants, Easypaisa has also disbursed pensions of Rs. 346 million to 44,452 pensioners of Employees' Old-Age Benefit Institution (EOBI).

Here it is clarified that G2P payments are made in two ways i) ATM enabled card based solution (such as Benazir Income Support Programme cards) without backing by any BB accounts, beneficiaries withdraw their funds from an ATM, and ii) account based solution where the G2P payments are directly credited into beneficiaries' m-wallet accounts. Figure 5 illustrate the share of account based and card based G2P beneficiaries registered with Omni and Easypaisa. Moreover, G2P payments undertaken by other banks (not offering branchless banking services) are not included in the data presented.

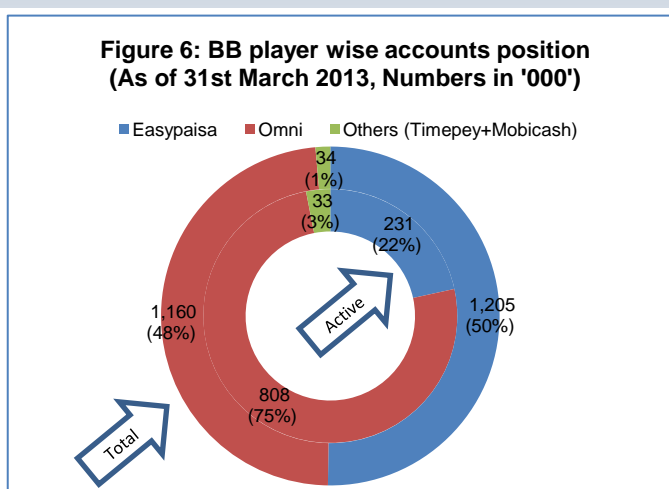
Usage of BB accounts remains limited

The usage of BB accounts has declined during the current quarter as the ratio of active accounts (performed at least 1 transaction or opened during the last 6 months) with total accounts has decreased to 45% from 55% during the last quarter.

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 (50%) in total BB accounts, contributed only 22% of the active BB accounts (Figure 6). To enhance the usage in BB accounts, Easypaisa has launched insurance and savings schemes for BB account holders in Oct – Dec 2012 quarter. However, the success of these schemes is slow to materialize as only 15,598 customers have registered themselves for these services by the end of current quarter.

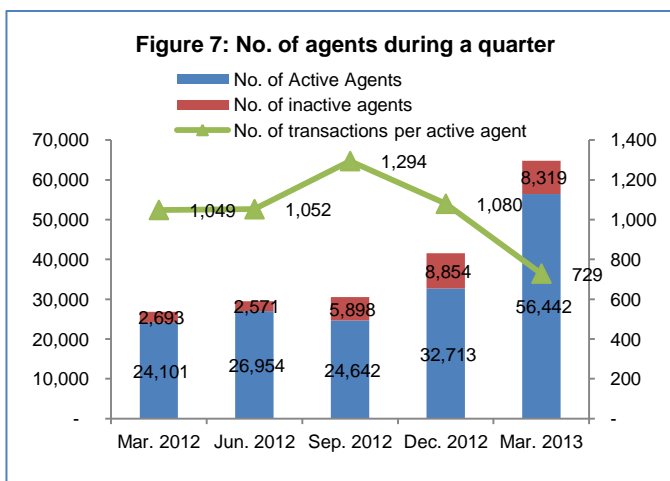
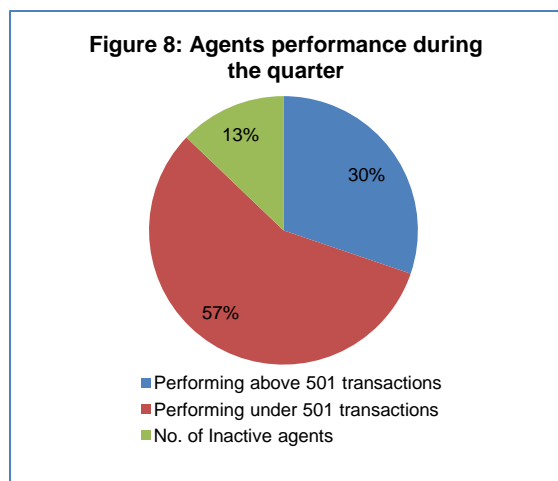
Omni, having the second largest share (48%) in total BB accounts, contributed 75% of the active BB accounts (Figure 6). The two newly established players Mobicash & Timepey have yet to achieve any scale in BB accounts. Currently, combined share of both is 3% and 1% in active and total BB accounts respectively (Figure 6).

In order to observe issues in registration and usage of m-wallets, a mobile money survey has been conducted by Bill & Melinda Gates Foundation in Pakistan between May and September 2012. According to the survey, 59% of OTC users said they did not register for an account because they did not see the need to open an account. Moreover, 22% of OTC users said they did not open an account either because they did not know registration was possible (12%), they did not have the necessary documents (6%), or they did not think they could afford the account registration fee (4%). Resultantly, 83% of mobile money transactions in Pakistan are conducted through over-the-counter (OTC) channels rather than through an account.



Agents' network grows substantially

Number of agents has registered a positive growth of 56% during the quarter and has now reached at 64,761 (Figure 7). This trend in growth of agents is largely owing to new players. A large part of this growth comes from increased use of shared 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. Number of transactions per active agents performed during a quarter has reduced from 1,294 in last quarter to 729 in current quarter (Figure 7). Figure 8 indicates that from out of 64,761 agents there are 13% inactive agents, 51% performed less than 500 transactions, and 36% are those agents who have performed more than 500 transactions during Jan-Mar 2013 quarter. Easypaisa has the largest agents' network with 46% share in total number of agents followed by Mobicash 28% share as of 31st March 2013. Omni and Timepey have 17% and 9% share in total agents' network respectively.

Branchless Banking Snapshot

Table 1: Key indicators

Indicators	Q4 2012	Q1 2013	Quarterly Growth
Number of Agents	41,567	64,716	56%
Number of Accounts	2,112,052	2,398,888	14%
Deposits as of date (Rs. in millions)	1,055	1,391	32%
Number of transactions during the quarter (No. in '000')	35,319	41,130	16%
Value of transactions during the quarter (Rs. in millions)	151,108	170,796	13%
Average Size of Transaction (in Rs.)	4,278	4,153	-3%
Average number of transaction per day	392,433	457,005	16%

Table 2: Volume & Value of transactions

(Rs. In millions)

Sr	Transaction Type	Oct - Dec 2012		Jan - Mar 2013	
		Number	Value	Number	Value
1	Agents Transactions for Liquidity Management				
	L3 account to L3 accounts transfers	686,924	23,284	902,218	27,877
	L3 account to agents banking accounts transfers	78,944	17,507	180,447	23,786
	Agents banking accounts to L3 accounts transfers	298,866	23,225	344,719	20,929
2	Fund Transfers by customers				
	MW to MW transfers	20,862	25	11,383	37
	MW to customers banking accounts transfers	6,591	75	6,827	85
	Customers banking accounts to MW transfers	6,261	31	6,463	28
	MW to person transfer	368,298	1,425	422,995	1,665
	Person to person transfer				
	<i>Sending</i>	5,851,328	24,449	6,868,647	28,261
	<i>Receiving</i>	6,211,852	25,856	7,287,724	29,945
3	Bulk Payments				
	G2P payments				
	<i>G2P through MW</i>	639,065	1,916	713,690	2,151
	<i>G2P through card</i>	784,734	3,357	314,499	3,353
	EOBI pensioners	48,731	273	67,008	346
	Salary payments	3,970	55	4,183	67
	Other bulk payments	2,074	14	7,417	44
4	Cash deposit & withdrawal				
	Cash deposited in MW	2,791,716	5,597	2,883,108	7,120
	Cash withdrawal from MW	622,542	2,617	886,969	3,395
	Cash withdrawal through card (G2P)	616,637	2,989	783,137	3,368
5	Bill Payments & Top-Ups				
	Utility Bills Payments	13,181,602	16,110	16,196,293	15,963
	Internet Bill Payments	103,673	134	129,401	137
	Mobile Top-ups	2,487,395	123	2,541,169	141
6	Loan				
	Disbursement	-	-	-	-
	Repayment	396,572	912	459,013	1,068
7	Others				
	Donations	2,230	0.22	3,707	0.22
	Merchant payments	34,287	277	-	-
	PIA ticketing	190	2.45	379	4.25
	International home remittance	25,732	697	29,039	781
	Account opening transactions	43,110	18	31,467	14
	Cash collection/payment services	4,717	140	48,527	229
	Total	35,318,903	151,108	41,130,429	170,796

The standards definitions are given in Appendix-1

Branchless Banking Events

Second Meeting of Branchless Banking Consultative Group

The second meeting of Branchless Banking Consultative Group was held on 3rd May, 2013 at LRC building, SBP. The meeting was chaired by Mr. Muhammad Ashraf Khan, Executive Director, BPR & DF Groups, SBP.



Mr. Ashraf Khan, in his opening remarks, briefed the members about some significant developments that have taken place since the first meeting of the group last year. He mentioned that SBP has been keenly watching the current market competition, regulatory environment, and growth dynamics and SBP's oversight and supervision are also being strengthened. He especially highlighted a recent SBP diagnostic of branchless banking providers and Gate Foundation's demand-side survey; and stressed upon adopting balanced approach towards enhancing digital financial inclusion and regulatory compliance. He further apprised the members that SBP is going to launch a national survey on the branchless banking development.

After the opening remarks, the chairman asked to present the proposals of the three sub-groups of Branchless Banking Consultative Group, and sought members' views on the related challenges and recommendations. The members actively participated and shared their views on the related proposals.

While concluding the meeting, Dr. Saeed Ahmed, Director, Agricultural Credit & Microfinance Department, SBP highlighted that adoption of regulatory and market development approaches is essential for robust growth of branchless banking in Pakistan. He mentioned that the SBP's upcoming BB survey will provide better understanding of the customers' needs, causes of exclusion, perceived and actual risks, efficacy of different business models & agents, BB technologies and performance gaps. This will eventually help both the regulator and BB players to understand early-development issues and tailor their approaches to improve efficiency and growth of the market.

CGAP's I-SIP Pakistan: Case Study on Branchless Banking Regulations

The State Bank of Pakistan has been participating in a CGAP's research project regarding the interplay between a more inclusive financial sector and the macro economic objectives of stability, consumer protection and market integrity. The project is called I-SIP (Inclusion- Stability, Integrity, and Protection) and being led by a team of international consultants from the World Bank/ CGAP and Bankable Frontier Associates. The I-SIP project seek to deepen understanding of the linkages between financial inclusion (I) and traditional core objectives of Financial Stability (S), Financial Integrity (I), and Consumer Protection (P).

The CGAP team has completed its first round in March 2013. They selected Branchless Banking Regulations, microfinance law, microfinance credit guarantee facility, and microfinance exclusive credit information bureau as case studies for the I-SIP project in Pakistan. The branchless banking regulations'

case study aims to build a body of evidence regarding the I-SIP linkages in practice to support policymakers to manage these linkages and find an optimal outcome. CGAP began this research in South Africa, and now hope to test and apply the lessons learned in SA, and learn new lessons from Pakistan and other countries.

Launching Ceremony of HBL Express

“Habib Bank Limited (HBL) launched its branchless banking service ‘HBL Express’. The opening ceremony was held on Monday, April 29, 2013. Mr. Kazi Abdul Muktadir, Deputy Governor, State Bank of Pakistan and Mr. Nauman Dar, President and CEO, HBL were present at the launching ceremony.



Addressing the gathering, Mr. Kazi Abdul Muktadir expressed, “Pakistan's branchless banking model supported by banks is considered amongst the best in the world. In a country where over 90% of the population is unbanked, HBL Express supported by the bank's distribution network will help recruit new users to mainstream banking.”

Speaking on the occasion Mr. Nauman Dar said, “HBL Express is another step by HBL towards achieving its vision of supporting financial inclusion in the country. It will provide convenient and reliable banking services to the people of Pakistan.”

It is expressed in the ceremony that HBL Express will be launched with Domestic Remittances and Utility Bill Payments. The product portfolio will be expanded to include International Remittances, Mobile Wallets, G2P Payments and Corporate Solutions in the near future. To allow its agents to conduct transactions, HBL Express has pioneered in providing its agents with Smartphones equipped with a custom developed mobile application.

Another HBL Express launch function was organized at Mirpur Khas on 5th May, 2013 to coincide with the Mango Festival. The event was held with a lot of fanfare and the Mango Festival provided the perfect backdrop for the proceedings.

Deputy Governor SBP Mr. Kazi Muqtadir and President & CEO HBL, Mr. Nauman K. Dar along with the entire HBL Management graced the occasion and celebrated the accomplishments of the HBL Branchless Banking Team.



Local News

Branchless Banking solution- SSGC, HBL sign agreement

SSGC and HBL recently inked an agreement for the deployment of e-bill collection services through their branchless banking channels. HBL is set to begin their branchless banking operations and enable payment of SSGC bills at retail shops through a regional network of 15,000 + agents. In addition to those standard services of ADC channels (ATMs, Internet Banking and Mobile Banking) HBL has set up an additional payment system for utility bill payment through its Branchless Banking division which means SSGC bills will also be accepted at retail shops on real time basis.

HBL has support of 1469 branches in the country and provides the largest network of bank branch based bill collection points for utility companies. The Bank plans to pitch some 5 million of their existing customers for branchless banking solutions and these customers will also be able to make gas bill payment through their branchless banking accounts. HBL Branchless Banking utilizes the Sybase 365 technology platform for the integrity and authentication of data that can be accessed through the internet, GPRS and USSD on a variety of devices.

This initiative of branchless banking will facilitate above 2.5 million SSGC bill paying households with convenience of 24/7. This will result in high levels of cash recovery and funds transfer within 24 hour electronically. This will also save a huge amount of SSGC in terms of processing fees estimated above 2.6 million annually.

(Source: <http://www.ssgc.com.pk/web/?p=44>)

Warid signs MoU with Meezan Bank, Monet

Warid Telecom has signed a Memorandum of Understanding (MoU) with Monet and Meezan Bank for the rollout of its branchless banking services, with Monet as the technology partner for the venture.

According to the MOU, the telecom operator and Bank Alfalah have joined hands with Meezan Bank to create the Mobile Money Network which would be subject to SBP approvals under the branchless banking regulations. CEO Warid Telecom said the company was excited to play its role in the development of a first-of-its-kind financial eco-system with partner banks for our customers and distribution networks. The Warid Payment Gateway is the first step to create a bridge between distribution networks and banks with an independent payment service provider similar to Monet, he added. He opined that Cellular technology holds the key to development and growth of the economy in developing nations, since their reach is un-matched in terms of connectivity

(Source: <http://www.thenews.com.pk/Todays-News-3-177820-Warid-signs-MoU-with-Meezan-Bank,-Monet>)

SCB unveils digital banking vision in Pakistan

Standard Chartered Bank (SCB) announced its digital banking vision aimed at enhancing the customer banking experience in Pakistan. This is part of the Bank's global focus on 'Digitisation'-socialising personal banking and extending customers' digital lifestyle into banking. Bank launched 'Breeze', its award-winning Mobile Banking application, making Pakistan the second market in the MEPA region where this application is available. Breeze Mobile banking is designed to address the needs of globally

connected customers who are on-the-go, tech-savvy and who value transaction freedom and convenience. Breeze's introduction to Pakistan follows successful launches in India, Malaysia, Singapore, Hong Kong, Korea, China, Thailand and UAE.

Raheel Ahmed regional head of Consumer Banking Middle East Pakistan and Africa at SCB termed today's consumers as tech-savvy and mobile, who want banking that not only meets their financial needs but anticipates them. Naseer Hassan head of Consumer Banking, Pakistan and Standard Chartered said that launch of Breeze follows extensive research into the banking behaviour of individuals and aims to provide customers with an easy, secure, and user-friendly banking channel.

(Source: http://www.dailytimes.com.pk/default.asp?page=2013%5C05%5C31%5Cstory_31-5-2013_pg5_4)

Kashf Foundation is keen to use branchless banking

Roshaneh Zafar, managing director of the Kashf Foundation, shared the successful experiences of micro finance sector savings, which the foundation has started on pilot project basis in five branches in Lahore.

On the occasion, Ms. Zafar said that Kashf Microfinance Bank and Foundation would apply for necessary branchless banking approval to promote micro savings in Pakistan, following the successful completion of their micro savings project. Micro saving accounts are playing huge change in their life and without promoting savings culture among the poor segment and micro clients, poverty could not be reduced, which is ultimate goal of all micro financing sectors in Pakistan, she added. She said that on an average savings of Rs 500 to Rs 1000 were made by our women clients, meaning 10,000 micro savings accountholders save on an average Rs 3000 per client per annum.

(Source: <http://www.thenews.com.pk/Todays-News-3-179093-Kashf-Foundation-to-apply-for-branchless-banking-licence>)

International News

Bank Indonesia Releases “Guiding Principles” for Branchless Banking Trial

Bank Indonesia, the country's central bank, recently issued “guiding principles” for upcoming tests of a banking and payment system through existing Financial Services Intermediary Units (FSIU), registered third-party services which facilitate the provision of non-conventional banking services. These principles are intended to provide banks as well as telecommunications companies and FSIUs with a more comprehensive understanding of branchless banking in an effort to effect “adequate preparation to support project implementation of the trials.” These principles include a suggested business model, a summary of products available, descriptions of past activities, a summary of FSIU requirements and the technology used, risk management strategies, suggestions for preventing money laundering and terrorism funding and methods of educating customers and providing customer protection.

The following banks have announced that they will participate in the pilot tests: Bank Sinar Harapan, Bank Mandiri, Bank Tabungan Pensiunan Nasional, Commerce International Merchant Bank Naiga and Bank Rakyat Indonesia. Users of the service will be able to send and receive funds with “mobile wallets” at participating banks' branches and automated teller machines (ATMs). The trials, which are expected to begin in May 2013 and last until November 2013, will be run in the Indonesian provinces of Bali, Central Java, East Java, East Kalimantan, North Sumatera, South Sulawesi, South Sumatera and West Java.

(Source: <http://www.microcapital.org/microcapital-brief-bank-indonesia-releases-guiding-principles-for-branchless-banking-trial-indosat-telkomsel-pt-xl-axiata-to-offer-money-transfers-for-0-21/>)

Vodafone to 'bank' 700 million Indians through M-Pesa mobile banking service

Vodafone India and ICICI Bank have launched M-Pesa, a mobile-based money transfer and payment service that was first established in Kenya in 2007. The partnership, announced in a news release April 17, claims it will give mobile-banking access to some 700 million Indian people who are currently “unbanked” -- people with no access to conventional banking services like bank branches and ATMs.

Vodafone says service will first rollout in India's eastern regions, including Kolkata and West Bengal, with 8,300 agents. That part of India is home to about 220 million people. Service will eventually be extended across the rest of the country.

“For millions of people in India, a mobile phone is a bank account, a front door to a micro-business or a lifeline to people in the remotest areas,” said Marten Pieters, Managing Director and CEO of Vodafone India. “Research shows that M-Pesa brings real benefits to users in their daily lives, saving three hours a week of their time and around \$3 in money transfer costs -- a significant amount to people in some areas.”

(Source: <http://edition.cnn.com/2013/04/18/business/vodafone-india-mobile-pesa-700-million/index.html>)

UAE adopts measures to encourage wider use of mobile banking

Central Bank of the UAE, in support of the m-Government initiative launched on 22nd May 2013, hosted a meeting with banks and two local telecom providers (Etisalat and Du) to explore how best to remove any obstacles to m-Government initiative from both the banking sector and the telecommunications sector.

According to their statement, both Etisalat and Du would implement a more user-friendly, high capacity e-mail system or other systems to facilitate fast and efficient transmission of bills online. The central bank of the United Arab Emirates (UAE) has urged the telecom providers to slash fees for mobile phoning and SMS services in order to increase the usage of mobile banking. The central bank also demanded from the 23 local lenders and 28 foreign banks licensed in the country to step up their m-services for retail customers and institutional clients.

Increasing the size of e-services is high on the agenda of the UAE government which launched the mobile government initiative on May 26, a project which shall enhance citizens to apply for most of government services through their smart phones.

(Source: <http://www.centralbank.ae/en/pdf/pressrel/PressRelease-17062013.pdf>)

The number of mobile banking customers in the country has exceeded five million, Bangladesh Bank (BB)

Bangladesh Bank Governor said that mobile financial services began in 2010, with the aim to spread banking services among poor people, and to help villagers receive remittances from expatriate relatives securely and without trouble. Scheduled banks responded to the central bank's initiative, and as a result, the number of clients reached 5.25 million in April this year. The General Manager of the Governor's secretariat Mr. Asaduzzaman said BB has approved 26 banks to provide mobile banking, while 17 of them have already started the service.

A total of Tk1.2bn is being transacted daily through mobile banking, according to BB figures. BB data shows that the total number of transactions by mobile banking was more than 15 million in April, compared to about 14 million in March. The total transaction value stood at Tk36.4bn in April, which was Tk33.3bn in March.

Meanwhile, BB has plans to bring garment workers under the mobile banking system, and is discussing the issue with trade bodies like the BGMEA and BTMEA.

(Source: <http://www.dhakatribune.com/banks/2013/jun/11/mobile-banking-clients-exceed-five-million>)

Korean mobile banking users up 11% to 41.1 million

South Korea ended the first quarter with 41.1 million registered mobile banking users across 19 banks. The number is up 10.9 percent from the end of 2012, the JoongAng Daily reports citing figures from the Bank of Korea. The figure does include people who have registered for mobile banking at multiple banks. Mobile banking through smartphones (as opposed to 2G phones or tablets) rose 17.1 percent quarter-on-quarter basis to 28 million users. Furthermore, the number of mobile banking transactions rose by 23.4 percent to reach 18.9 million.

(Source: <http://www.telecompaper.com/news/korean-mobile-banking-users-up-11-to-411-mln--944543>)

Selected Reading

Mobile Money in Pakistan: Financial Inclusion Tracking Survey (FITS) in Pakistan

In 2011, the Bill & Melinda Gates Foundation's Financial Services for the Poor (FSP) program commissioned InterMedia to design and implement a project to track the uptake, use and market potential of mobile money (m-money) services in Pakistan. InterMedia conducted the first annual FITS survey of 4,940 households in Pakistan conducted in May through September 2012. Below are the key findings of the survey:

Based on the survey findings, 9 out of 10 Pakistani households—including poor, rural and unbanked households—have access to a mobile phone and a SIM card. However, the rates of m-money registration and usage are low. The survey results suggest that barriers to m-money registration and/or use differ for those using m-money through an agent/over-the-counter (OTC) service and non-users. OTC users feel they have no need to register because they can access all necessary services through the agent. An insufficient understanding of the services and the limited number of m-money users within respondents' social networks (friends and family members) appear to be additional barriers to m-money registration among OTC users.

Among non-users of m-money, insufficient awareness (60 percent of non-users know about the services) seems to be the most common reason for not using mobile money. Survey data point to several financial service areas with potential for market growth. Non-remittance payments provide the largest opportunities for m-money expansion. Ninety-four percent of surveyed households reported sending at least one payment in the past six months, with the government (69 percent of payments) and utility companies (24 percent of payments) receiving the largest number of those cash payments. Ten percent of households reported receiving payments in the past six months, with the government serving as the sender of two-thirds (72 percent) of those payments in the form of salaries and/ or benefits. Currently, only about 1 percent of incoming and outgoing payments reported by the surveyed households are serviced through m-money; the majority of these payments are delivered by hand.

Another area for potential m-money growth is savings. Two in five households report saving money in one way or another, including one in five households that save with formal financial institutions. However, even among households that use m-money, saving on an m-money account is rare (0.4 percent). Since a large group of households already use traditional bank and microfinance institution accounts for their savings, these households may be the primary target audience for switching over to m-money as their savings method. Village-level saving groups and cooperatives might offer additional potential for m-money expansion if members were allowed to open group m-money accounts to store their collected cash.

Currently, markets for remittances, insurance and loans are very small. Among surveyed households, in the past six months, only 4 percent sent or received money (as opposed to food or other goods), 5 percent borrowed money and 2 percent owned insurance. Moreover, the two leading m-money providers in Pakistan, Telenor and UBL Omni, are seeing a healthy increase in remittance payments each month, which confirms that, while currently small, the remittances offer an opportunity for m-money market expansion in the near future.

Other key-take outs of the survey are as follows:

- 5% Pakistani households have a mobile money user. This compares with 86% of households in Kenya, 35% in Tanzania, and 21% in Uganda.
- Mobile money access is not correlated to income. Indeed, 5% of sub-\$2/day Pakistani households have a mobile money user – the same penetration rate as the general population.
- 1% of all payments reported by survey households were channeled through a mobile money system.
- 0.3% of households have registered mobile money accounts.
- At the individual user level, gender is the strongest predictor of mobile money use. 95% of mobile money users are male and only 5% are female.
- At the household level, 92% of mobile money users are Telenor Easypaisa customers (most exclusively but some in combination with other providers) while 7% are UBL customers.
- 83% of mobile money transactions in Pakistan are conducted through over-the-counter (OTC) channels rather than through an account.
- 59% of OTC users said they did not register for an account because they did not see the need to open an account.
- Barriers to account registration also pose a problem. 22% of OTC users said they did not open an account either because they did not know registration was possible (12%), they did not have the necessary documents (6%), or they did not think they could afford the account registration fee (4%).
- Lack of awareness is a big problem. Among households that have no mobile money user (either OTC or account-based), only 60% even know mobile money exists.
- 28% of surveyed households experienced an economic shock in the past six months. Receiving remittances in response to a negative economic shock was rare among households with and without mobile money users. However, when remittances are sent in response to a negative economic shock, they have one of the highest median monetary values, at \$10.90, among all possible financial help reported by households affected by negative economic shocks.

InterMedia will repeat the FITS Pakistan survey once per annum for three years. Subsequent FITS survey reports will tell us whether the barriers to greater adoption of mobile money have been overcome, particularly among the unbanked and those living at the bottom of the pyramid. The complete report can be accessed at:

http://www.intermedia.org/wp-content/uploads/2013/06/FITS_Pakistan_MiniSurvey03_3P.pdf

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.