

QUARTERLY

Oct - Dec 2014

Branchless Banking

Issue 14

NEWSLETTER



Leveraging Technologies and Partnerships
to Promote Financial Inclusion

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Branchless Banking Analysis

B r a n c h l e s s B a n k i n g i n d u s t r y e x p e r i e n c e d a n i n c r e a s e i n n u m b e r o f k e y i n d i c a t o r s d u r i n g t h e q u a r t e r

Oct-Dec 2014. Volume of transaction increased by 8% to reach at 71.8 million transactions per quarter, agent network also expanded to 204,073 agents compared to 186,618 agents in the last quarter. Yet the most promising growth came in the m-wallets account opening and transactions through m-wallets. BB accounts increased by 15% to reach at 5.4 million, an addition of 701,510 accounts out of which, the basic level 0 accounts added during the quarter were 663,135. It was encouraging that due to SBP's

initiative to reduce the verification cost for new account opening to Rs. 10, 63% of the new accounts opened during the quarter were through biometric verification system (BVS). Besides, increased number of locations/agents for the account opening was another development owed to this progress. Agents/locations that now offer account opening facility expanded to 22% compared to 15% of the total agents in the last quarter.

Further, the transactions through m-wallets also witnessed a sharp increase during the quarter. The volume of transactions increased by 22% to reach at 9.7 million, whereas, value jumped by 26% to reach at Rs 25.5 billion. Moreover, deposits in the m-wallets have also shown a marked growth of 18% to reach at Rs. 6.6 billion as of December 31, 2014. This activity in m-wallets was largely catalyzed by Easypaisa's decision to waive off charges on m-wallet to m-wallet transactions and offered value added services to its customers undertaking m-wallet transactions. Overall, customer transactions made 94% of the volume and 55% of the entire value of branchless banking) transactions, with over the counter (OTC) still constituting 86% of the volume and 88% of the value of customer transactions. It is encouraging that the market has been focusing on m-wallet uptake with some attractive customer offerings. However, it is also important that the BB players also focus on active accounts rather only on new account openings.

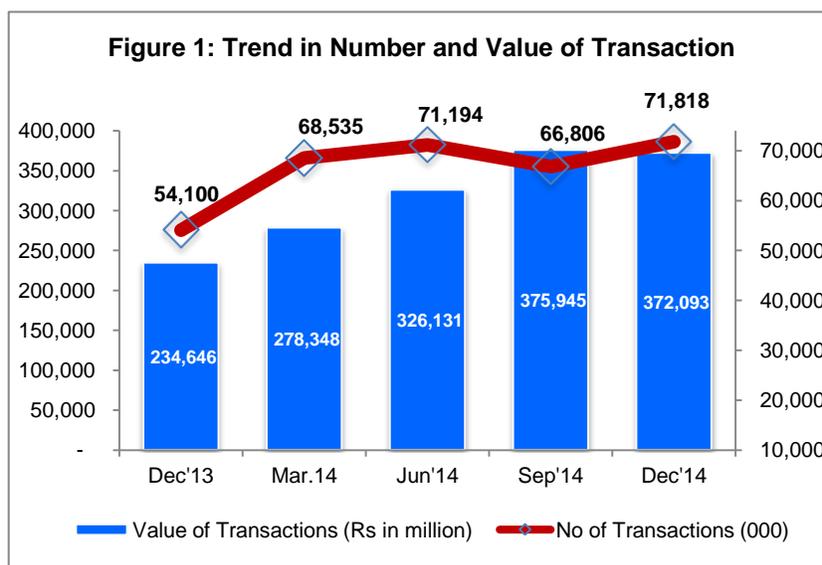


Table 1: BB Key Indicators

Indicators	Q3 2014	Q4 2014	Quarterly Growth
Number of Agents	186,618	204,073	9%
Number of Active BB Agents	151,448	159,500	5%
Number of Accounts	4,713,145	5,414,655	15%
Deposits as of date (Rs. in millions)	5,652	6,668	18%
Number of transactions during the quarter (No. in '000')	66,806	71,818	8%
Value of transactions during the quarter (Rs. in millions)	375,945	372,093	-1%
Average Size of Transaction (in Rs.)	5,627	5,181	-8%
Average number of transaction per day	742,293	797,980	8%

An upward trend in number of transactions...

Though growth in transaction number was witnessed in all major categories, however, prominent increase was seen in m-wallets transactions for customers which climbed up by 22% to reach at 9.7 million. M-wallet to m-wallet fund transfer increased from 43,848 transactions in last quarter to 185,023 transactions during Oct-Dec 2014 quarter reflecting a significant rise. This increase was largely catalyzed by Easypaisa as it incentivized its customers by waiving off money charged on m-wallet to m-wallet transfers allied with other valued added services. Moreover, OTC transactions maintained an upward trend and increased by 5%. Apart from HBL Express and UPaisa, all other BB players have shown growth in number of transactions. Mobile Paisa and Mobicash registered 33% and 30% growth in number of transactions respectively. The rise in quantum for both Mobile Paisa and Mobicash was largely due to rise in utility bill payments and P2P fund transfers. However, in terms of the market share, Easypaisa still leads the industry with 54% share in overall volume of transactions compared to 55% in the last quarter.

Since the three BB players, namely Easypaisa, Omni and Upaisa are offering interbank fund transfer (IBFT) to their customers, this transaction type has also been included in current quarter's data. A total of 257,909 transactions was carried out through IBFT out of which 94% were performed using Easypaisa's platform whereas, 4% and 2% used Upaisa and Omni respectively. IBFT service is important as it provides a platform to the unbanked class to connect with traditional banking infrastructure, and is likely to boost mobile banking culture in the country.

Overall, OTC still made up 81% of total transaction volume, slightly dropped from 83% in the last quarter. Person to person (P2P) fund transfer constituted 39% of the overall number of transactions (19% sending, 20% receiving) whereas bill payments made up 32% of the transaction volume.

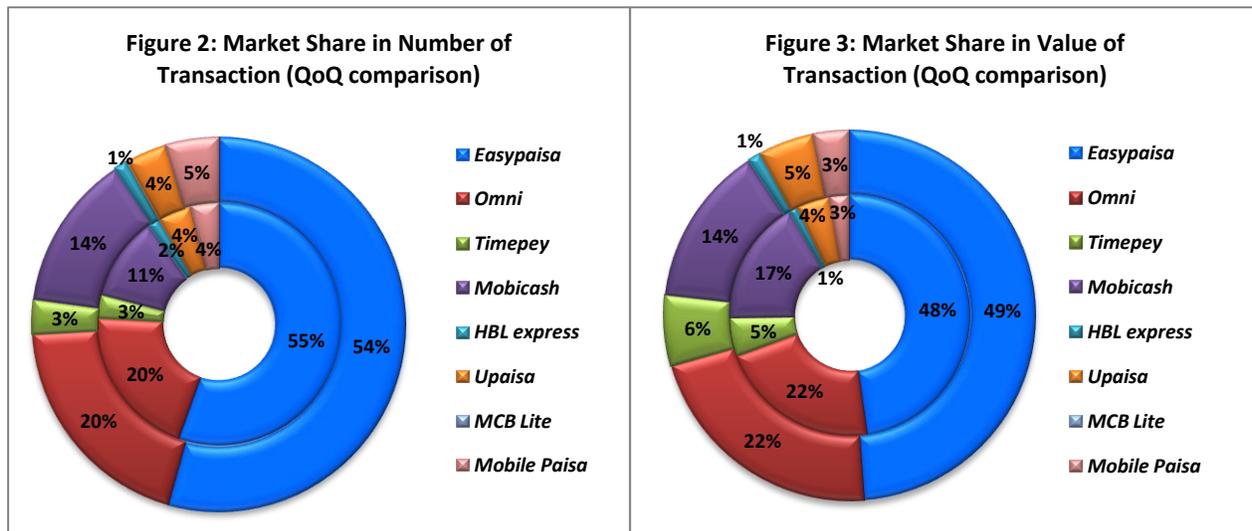
Value of customer transaction jump albeit slight decline in overall value...

The value of transactions slightly declined by 1% and stood at Rs. 372 billion from Rs. 375.9 billion in the previous quarter. This decline was mainly attributed to decrease drop of 7% in the value of agent liquidity transactions during the quarter. Major decline was noted in Mobicash and Easypaisa and mainly in "bank account to agent account" transaction category. Several reasons could be sighted for this decline as players are lending to merchants in which bank account is not involved. Moreover, due to IBFT, agents are also using account of other banks for liquidity management instead of bank account to L3 account transfer.

Nonetheless, rise in value of customer transactions from both OTC and m-wallets was a positive indicator. Value of customer transactions grew by 4% (Rs. 7.6 billion) to reach at Rs 206.7 billion. Value of OTC transactions jumped up by 1% to reach at Rs. 181.2 billion) whereas, the m-wallet transactions increased by 26% to stand at Rs. 25.5 billion. The composition transactions' value also shown a slight variation as OTC transactions now constituted 49% compared to 47%, agent liquidity transactions 44% compared to 47 and m-wallets 7% compared to 6% in the last quarter of the total transactions value.

Majority of the players experienced progressive trend in their value of transaction while three witnessed fall during the quarter. Mobilepaisa and Timepey contributed as the highest percentage share in the rise with 18% and 16% respectively whereas, significant decline was noted in Mobicash. The growth in Mobilepaisa and Timepey was mainly stirred by the high activity in P2P transfers and utility bill payments. Easypaisa has continued to stand as a market leader with 1% increase to reach at Rs. 181.3 billion that made up 49% of the overall value of transaction of the industry. Besides, the second largest player Omni registered QoQ fall of 1% in value of transaction but still made up 22% of the industry share.

The market share among players has shown no significant difference during the quarter both in volume and value of transactions (figure 2,3). EasyPaisa's share in number of transactions decreased slightly (54% from 55%) whereas the share in value of transactions increased with the same proportion of 1% to reach at 49%. Omni, the second largest player share in overall volume and value remained same at 20%, however, the gain was noted in Mobicash in terms of quantum of transactions whereas it showed decline in overall value of transactions. Other players, especially the new ones have shown little or no change in the share of size and number of transactions.



M-wallets transactions number and value increase significantly.....

Major development during the quarter was growth in m-wallet transactions. In terms of number, the m-wallet transactions have grown by 22% to reach at 9.7 million in the Oct-Dec 2014 compared to 7.9 million transactions during the last quarter. The jump in number was also complemented by significant increase of 26% in value that reached to Rs. 25.5 billion compared Rs. 20.1 billion in the last quarter. Several factors have contributed in this exceptional growth. Key reason was collective increasing trend in all transactions types for "fund transfer through m-wallets". Especially, a remarkable increase was seen in m-wallet to m-wallet transfers that accelerated from mere 43,848 transactions valuing Rs. 46 million in the last quarter to 185,023 transactions valuing Rs. 447 million during the Oct-Dec 2014 quarter. This increase was largely due to Easypaisa that make up 96% of the number and 97% of the value of m-wallet to m-wallet transfer category. To catalyze the growth in m-wallet transactions, Easypaisa waived off the charges for customers on sending and receiving through m-wallets along with other benefits. It indicates that customers are willing to use m-wallet channel, provided they are given some value added products and services. The market for m-wallets is in nascent stage and we can expect it to grow exponentially in the coming quarters with innovative offers from all market players.

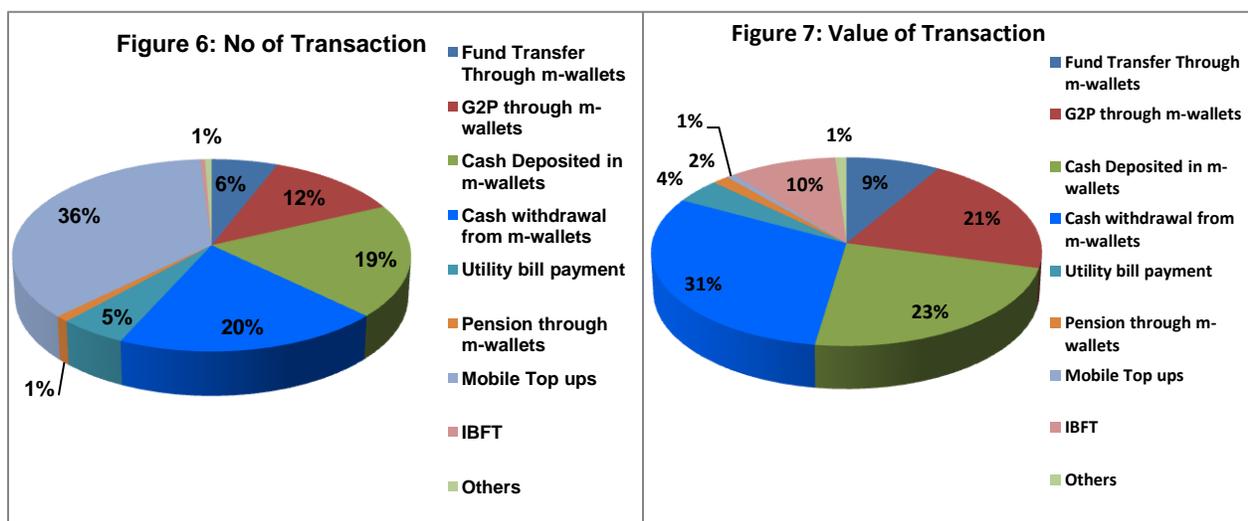
The other factors that added to the growth were cash deposits and withdrawals from m-wallets. Cash deposited in m-wallets registered 25% growth in both number and value of transactions to reach at 1.8 million transactions worth Rs. 5.9 billion. Similarly, cash withdrawal from m-wallets jumped by 37% in number and 25% in value to reach at 1.9 million transactions worth Rs.7.8 billion. This growth was also stirred by Easypaisa which reflected an increase of 27% in volume and 29% in value in its cash deposit. Besides, cash withdrawal also increased by more than 100% during the quarter.

As mentioned in the last BBNL, only 15% of the industry agents were able to open m-wallet accounts or perform m-wallet transactions at their locations. However, it was encouraging to note that number of agent locations for account opening and performing m-wallet transactions have increased to 22%. Easypaisa agents that could open account at their locations grew significantly to 25% from 2% in the last quarter owed mainly to BVS installations and low account opening charges. With biometric verification charges lowered to Rs. 10 for new account opening, we could expect significant rise in agent locations where m-wallets accounts are opened in the coming quarters

Table 2: Agent Locations with Account Opening Facility

	Jul-Sep 2014	Oct-Dec 2014
Easypaisa	2%	25%
Omni	100%	100%
Timepey	4%	4%
MobiCash	1%	1%
HBL-Express	100%	100%
Upaisa	4%	4%
Mobile Paisa	3%	3%
Total	15%	22%

In terms of volume, mobile top ups made up 36% of the total m-wallet transactions whereas they only made up 1% of the overall value. Although, cash withdrawal from m-wallets constituted 18% of the volume which contributed 31% of the overall value of m-wallet transactions. Similarly, cash deposited in m-wallets (23%) and G2P disbursement in beneficiaries' m-wallets (21%) made up significant portion of m-wallet transaction value. Newly added transaction category, IBFT, also made significant portion of overall value of m-wallet with 10% share or Rs 2.4 billion. Pension payments through m-wallets decreased by 20% to reach at Rs 386.6 million whereas pensions through OTC stood at Rs. 182.4 million.



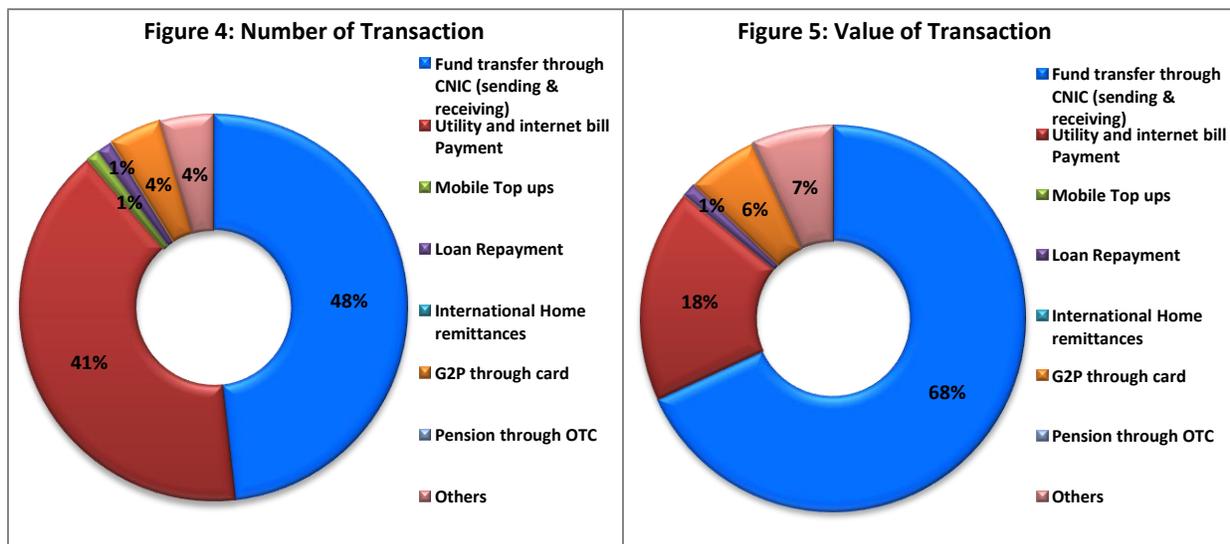
Share of OTC in customer transactions remain significant albeit slight decline..

Though the share of OTC transactions in overall number and value of customer transactions came down slightly, they still made up 86% of the volume of transaction. OTC transactions undertaken in the current quarter were 57.8 million, compared to 55.6 million in last quarter. In terms of value, OTC transactions made up 88%, to reach at Rs 181.2 billion of the overall customer transaction. The breakup of OTC transactions showed that P2P fund transfer remained dominant in terms of both number and value of transactions. Of the overall OTC transactions, 48% were P2P fund transfer and 41% were utility bill payments. In terms of total value of transactions, P2P fund transfer captured 68% share whereas utility bill payment seized only 18% share, a drop from last quarter from 23%.

The significant rise in the number of OTC transactions was mainly due to government to person (G2P) payments through cards (73%) as the G2Ps of Bank Alfalah was included in the BB transactions from this quarter. Hence it contributed to the value of transactions which climbed up by 78% to reach at Rs. 10.7 billion during the quarter. Moreover, another category that significantly rose was mobile top up that almost doubled to attain the level of 653,350 from 320,919 transactions in the last quarter. In addition, three BB

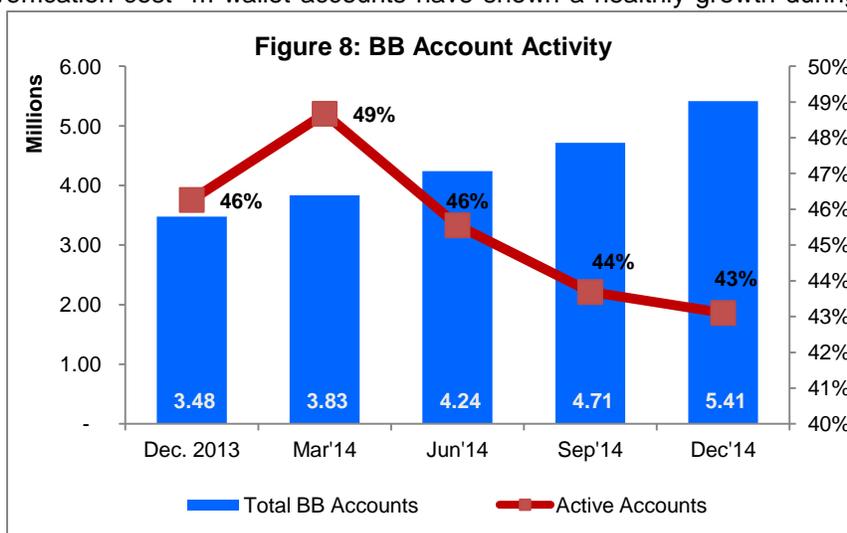
players started to offer IBFT to their customers, 93,049 IBFT transactions were also carried out by the customers at agent locations valuing Rs. 1.05 billion. Easypaisa has the largest chunk in these transactions with 93% share in volume and 89% share in value of transactions.

Composition of transactions also varied proportionately; OTC's share was 81% whereas the share of m-wallets and agent liquidity transaction was 14% and 5% in overall number of transactions respectively. Similarly, in terms of value, OTC share was 49% with a slight increase of 1%, whereas, the share of m-wallets and agent liquidity transactions was 7% and 44%, a slight increase in m-wallets and decline in agent liquidity transactions. Though the statistics suggests the high dependence on OTC transactions, we may expect a gradual shift to m-wallets as the BB players have started focusing on push strategy of m-wallet products.



Registration of new accounts continues contributed largely by BVS...

With the reduction in biometric verification cost m-wallet accounts have shown a healthy growth during the Oct-Dec 14 quarter. Overall, BB accounts increased by 15% to reach at 5.4 million. A total of 701,510 accounts were opened during the quarter dominated largely by level 0 account that increased by 670,010 accounts. Among newly opened level 0 accounts, 56% were opened through BVS. Easypaisa led the growth whose BB accounts jumped by 525,688 accounts out of which 96% were level 0 accounts. 73% of the Easypaisa's level 0 accounts were opened through BVS



whereas other player that initiated the account opening through BVS was Mobicash. It is expected that the account opening activity for level 0 accounts would pick up pace in coming quarters, as the other BB players are setting up the infrastructure for this facility.

Despite growth in account registration, the usage level is still a concern. . 57% of the total BB accounts are inactive, largely due to high inactivity in level 0 account. Further analysis of individual accounts depicts that 52% of level 0 accounts, 83% of level 1 accounts, and 61% level 2 accounts are inactive. Among the total BB accounts, Easypaisa has 81% of its BB accounts as inactive whereas Omni has 86% of its BB accounts as active largely due to G2P payments in m-wallets. The industry dynamics show that,

EasyPaisa and Omni are the two players holding 93% of the overall BB accounts wherein Easypaisa holds 62% of overall industry accounts.

After witnessing decline in BB account deposits during the last quarters, it showed a healthy growth of 18% during the quarter Oct-Dec 2014 to reach at Rs. 6.6 billion. The rise in deposits of BB accounts was contributed by level 3 accounts which increased by 46%. As Easypaisa and Omni not only enjoy the largest share of 93% in the overall BB accounts, but also have 73% share in the overall BB deposit of the industry.

The average deposit per account slightly increased to reach at Rs. 1,231 from Rs 1,199. Level 0 accounts held average deposit of Rs. 645 whereas level 1 account held average deposit of just Rs. 293. The average deposits in level 2 and level 3 accounts increased to reach at Rs. 1,839 and Rs. 17,379 respectively. Introduction of deposit incentives by few market players has contributed to improvement in BB accounts. However, considerable effort is required from all players to tap the market potential and also venture in other market segments.

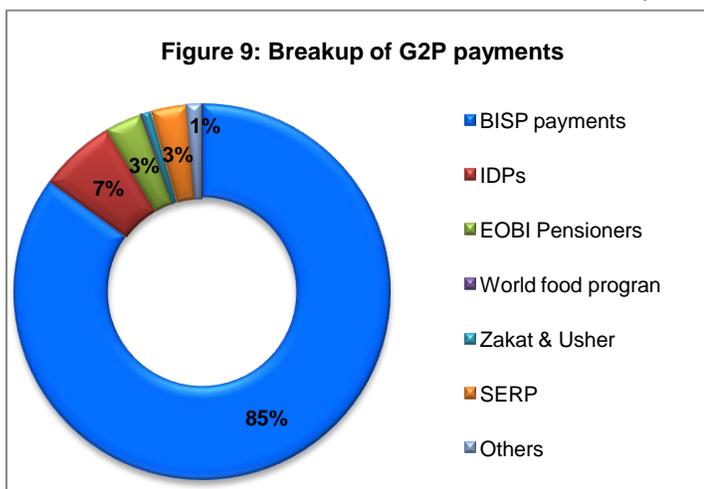
Table 3: Average Deposits in BB Accounts

	Jul-Sep 14	Oct-Dec 14
BB Level 0	843	655
BB Level 1	222	293
BB Level 2	1,602	1,839
BB Level 3 (Agents)	13,154	17,379
Total Accounts	1,199	1,231

G2P Payments increase with massive share of BISP payments...

G2P payments through BB players increased to Rs. 18.2 billion from Rs. 15.9 billion in the last quarter.

The G2P beneficiaries also increased to 6.5 million from 5.5 million.. This increase is attributed to the inclusion of Bank Alfalah G2P payments from the current quarter onward. UBL Omni is the market leader in G2P payments with a total disbursement of Rs 6.0 billion followed by Easypaisa's Rs 5.8 billion and Bank Alfalah's Rs. 3.9 billion. The (Benazir Income Support Program) BISP payments made the majority of overall digital G2P payments, i.e. 85% compared to 63% in the last quarter. Payment to (Internally Displaced People) IDP's made up 7% valuing Rs 1.2 billion whereas payments to (Employee Old-Age Benefit Institution) EOBI pensioners slightly declined to Rs 569 million from Rs. 691 million in the last quarter.



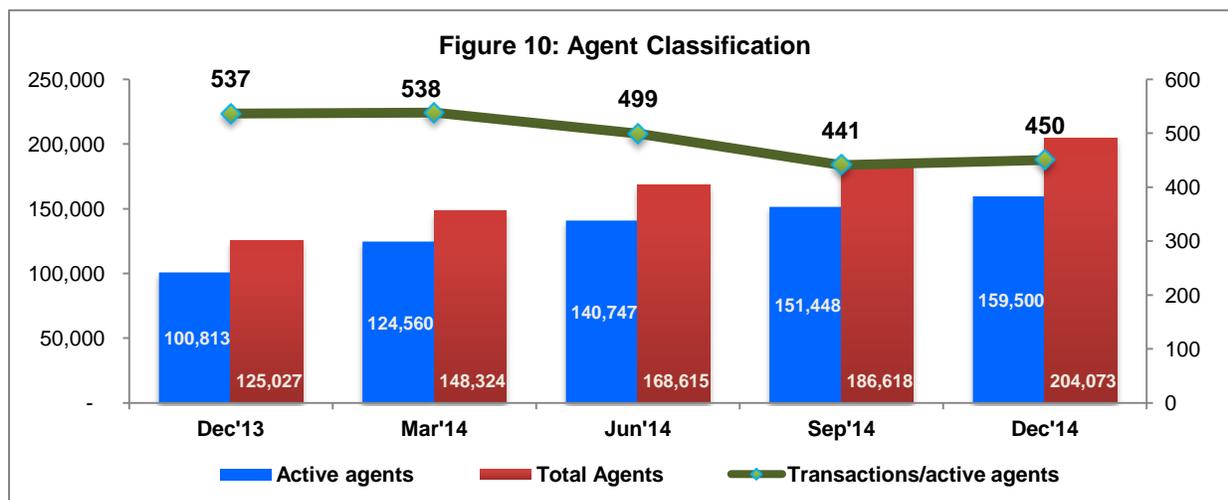
Besides, the other major development in the quarter was Zakat and Usher payments through BB channels. A total of Rs 129.5 million were disbursed to 43,688 beneficiaries which shows that digital payments are helping in speedy and easy distribution of Zakat which can be collected easily from the nearest shops.

Agent network is growing however; the activity level is not on a rise...

The agent network grew by 9% during the quarter, reaching 204,073 as at Dec 31, 2014. The highest percentage growth in number of agents was contributed by Mobicash and Alfalah with 18% and 14% respectively. EasyPaisa continue to be a market leader with 62,083 agents, whereas *MobiCash* agent

network has grown to 49,585. The agent liquidity transactions dropped to Rs. 165.3 billion from Rs 176.8 billion mainly due to alternate channels availed by agents for liquidity management.

In terms of activity, 78% of the agents were active as compared to 81% in the last quarter. Moreover, frequency of transactions per active agent stood stable at 450 transactions per agent in the quarter. However, in terms of business volume, 86% agents performed under 501 transactions whereas only 9% crossed 501-1000 transactions per quarter. Further, slab wise analysis depicted that in 'less than 500 transactions' category, 49% of the agents were undertaking less than 50 transactions per quarter or less than 1 transaction per day.



*The details of BB transactions are given in the next two pages.

Branchless Banking Snapshot

Table 4: Volume and value of different types of transactions

S. #	Type of Transactions	Jul-Sep 2014		Oct-Dec 2014	
		Volume of Transactions (Numbers)	Value of Transaction	Volume of Transactions (Numbers)	Value of Transactions
1	Agents transfers for liquidity				
	Agent account to agent account	2,650,658	71,321,006,729	3,030,787	76,436,231,754
	Agent account to bank account	161,425	12,321,393,111	175,297	13,377,961,699
	Bank account to agent account	577,090	77,542,186,520	582,923	57,609,090,546
	Cash Deposit in L3 by agents	312,432	15,705,127,433	316,693	14,642,093,683
2	Fund Transfers				
	<i>a. Fund transfers through M-wallets</i>				
	MW to MW transfers	43,848	46,722,456	185,023	447,293,804
	MW to bank account transfers	10,889	160,366,706	11,523	156,549,152
	Bank account to MW transfers	20,308	188,793,815	21,577	212,900,634
	MW-to-person fund transfers	345,758	1,311,484,740	360,375	1,360,480,843
	<i>b. Fund transfers through CNIC</i>				
	Person to person sending	13,351,784	57,959,384,283	13,613,774	60,584,473,510
	Person to person receiving	13,706,940	59,336,263,551	14,297,050	62,883,529,261
3	Bulk Payments				
	<i>a. Government to Person Payments</i>				
	G2P through MW	1,142,224	5,149,344,258	1,177,710	5,286,948,308
	G2P through card	1,461,844	6,020,292,305	2,524,883	10,735,350,015
	<i>b. EOB Pensioners</i>				
	Pension payment through MW	124,744	483,237,661	97,604	386,634,288
	Pension payment through OTC	37,888	207,842,457	33,111	182,439,313
	Salaries payments and Others	18,666	170,884,537	16,010	171,371,589
4	Cash deposit & withdrawal				
	Cash Deposited in MW (including person to MW transfers)	1,489,927	4,778,509,419	1,860,031	5,933,610,491
	Cash Withdraw from MW	1,403,289	6,256,881,220	1,918,634	7,807,107,058
	Cash withdraw through card (G2P)	2,259,407	8,737,743,933	2,191,543	9,075,265,232
5	Bill Payments & Top ups				
	Utility Bills Payment	23,146,037	41,012,849,623	23,698,278	33,043,159,720
	Internet Bill Payments	227,499	271,479,295	241,856	289,733,060
	Mobile Top-ups	3,129,815	236,760,575	4,177,862	292,916,042
6	Loan				
	Disbursement	8,095	133,083,687	5,532	72,526,224
	Repayment	750,074	2,094,806,010	738,007	2,132,832,901
7	Others				
	Donations	7,362	1,616,241	6,207	603,549
	Retail Payments	23,140	99,564,147	15,702	48,117,114
	PIA ticketing	82	1,418,013	0	0
	International Home remittance	29,353	823,405,739	26,283	741,191,593
	Account Opening Transactions	64,944	18,549,491	78,774	20,111,096
	Cash collection/payment services	300,833	3,553,769,240	157,203	1,352,012,968
	IBFT			257,909	6,810,067,865
	Total	66,806,355	375,944,767,197	71,818,161	372,092,603,313

Table 5: Customers' Transactions Analysis - OTC vs. M-wallets

Type of Transactions	OTC		M-Wallets	
	Volume of Transactions (Numbers)	Value of Transactions	Volume of Transactions (Numbers)	Value of Transactions
Fund Transfers				
<i>Fund transfers through M-wallets</i>				
MW to MW transfers	-	-	185,023	447,293,804
MW to bank account transfers	-	-	11,523	156,549,152
Bank account to MW transfers	-	-	21,577	212,900,634
MW-to-person fund transfers	-	-	360,375	1,360,480,843
Person to MW fund transfer	3,101	12,453,237	-	-
<i>Fund transfers through CNIC</i>				
Person to person sending	13,613,774	60,584,473,510	-	-
Person to person receiving	14,297,050	62,883,529,261	-	-
Bulk Payments				
<i>Government to Person Payments</i>				
G2P through MW	-	-	1,177,710	5,286,948,308
G2P through card	2,524,883	10,735,350,015	-	-
<i>EOBI Pensioners</i>				
Pension payment through MW	-	-	97,604	386,634,288
Pension payment through OTC	33,111	182,439,313	-	-
Salaries payments and Others	-	-	16,010	171,371,589
Cash deposit & withdrawal				
Cash Deposited in MW (including person to MW transfers)	-	-	1,856,930	5,921,157,254
Cash Withdraw from MW	-	-	1,918,634	7,807,107,058
Cash withdraw through card (G2P)	2,191,543	9,075,265,232	-	-
Bill Payments & Top ups				
Utility Bills Payment	23,213,656	31,970,734,566	484,622	1,072,425,155
Internet Bill Payments	234,295	281,416,366	7,561	8,316,695
Mobile Top-ups	653,380	109,769,454	3,524,482	183,146,588
Loan				
Disbursement	5,532	72,526,224	-	-
Repayment	737,805	2,132,276,795	202	556,106
Others				
Donations	1,159	299,746	5,048	303,803
Retail Payments	-	-	15,702	48,117,114
PIA ticketing	-	-	-	-
International Home remittance	26,283	741,191,593	-	-
Account Opening Transactions	78,774	20,111,096	-	-
Cash collection/payment services	156,987	1,351,029,766	216	983,202
IBFT	93,049	1,053,209,913	41,282	2,470,519,270
Total	57,864,382	181,206,076,086	9,724,501	25,534,810,863

Events

[SBP targets 50m mobile accounts by 2020, Governor SBP, while addressing 8th International Mobile Commerce 2015](#)

The Mobile Commerce Conference 2015 - 8th International Conference was held on March 12, 2015 at Movenpick Hotel, Karachi. Mr. Ashraf Mahmood Wathra, Governor State Bank of Pakistan was the chief guest at the conference.

Addressing the occasion, the Governor told that State Bank of Pakistan (SBP) has developed a strategy, in collaboration with the World Bank, to bring the total number of mobile bank account holders to over 50 million in the next five years. At present, five million customers hold branchless banking accounts (m-wallets) to avail host of services, including fund transfer, utility bills payments, domestic remittances, mobile top-ups, loan repayment, and saving account

features. Branchless banking remains an effective channel to expand the financial outreach to unbanked and under-banked people evident by monthly volume of



branchless banking transactions that is 24 million, valuing Rs.125 billion. Governor Wathra further highlighted that four more banks, including Bank of Punjab and JS Bank, have recently joined the branchless banking system.

Dr Ismail Shah, chairman of Pakistan Telecommunication Authority (PTA), said the authority and the SBP are working in close coordination to develop the regulatory framework that supports growth in the mobile banking sector. The recent launch of 3G/4G spectrum has revolutionized the lifestyle in Pakistan, as it is playing an important role in socioeconomic development. The spectrum is not only helping increasing number of mobile account holders to the required level, but it is also playing a pivotal role in nurturing other sectors, including education, health, commerce and entertainment.

PTA chief said the number of mobile broadband subscribers has reached 14 million in the last eight months, or since the launch of 3G/4G services, from mere four million earlier. "It (mobile broadband) is expanding on an average by one million new subscribers every month.

Nadeem Hussain, president and chief executive officer at Tameer Microfinance Bank, said branchless and mobile banking is a "silent revolution" in the financial sector. "The branchless banking may help bring Rs2.5 to Rs3 trillion back into the banking system. At present, Easypaisa is working to develop electronic prize bonds worth Rs100-200 and micro treasury bills, and facilitating purchase of virtual gold for minimum Rs50 to include un-banked people into the financial system.

Yahya Khan, Head of Easypaisa delivered a presentation on ‘Next generation mobile money services’ – presenting as to how the future would look like with virtually unlimited possibilities unlocked by mobile money services. With a vision to provide convenience to its customers, Easypaisa has completely transformed the financial services industry and will continue to maintain its thought leadership with groundbreaking solutions as per the evolving needs and preferences of its customers. He also urged all the industry stakeholders to create synergies, in line with Easypaisa’s commitment to empower people through innovative technologies and subsequently accelerate socio-economic development of Pakistan.



Davor Ebling, global director at Mobile Money Operations – SAP, said penetration of mobile banking is much higher than the conventional banking globally.

4th Meeting of BBCG discusses the development, challenges and way forward for BB industry

The 4th meeting of Branchless Banking Consultative Group (BBCG) was held under the chairmanship of Syed Samar Hasnain, Executive Director, Development Finance Group on 29th December, 2014 at Learning Resource Center, SBP.

It was shared that SBP had taken some significant steps to continue the consultation process for speeding-up the momentum of the projects being undertaken by the Branchless Banking industry. A workshop on “Inclusion-Effective interoperability” and an International Branchless Banking Conference on “Innovations in digital finance for financial inclusion” were held in Oct and Nov 2014 respectively. Mr. Samar elaborated that SBP had been continuously striving to foster the three pillars of Branchless Banking industry which are:

- Product (i.e. m-wallets and related services)
- Channel (i.e. Agent network)
- Infrastructure (i.e. Payments Systems and interoperability)



The abovementioned events provided a platform for focused discussions on the following topics that are in line with the three key areas of branchless banking mentioned earlier:

- m-wallet growth (the Product)
- agent development (the Channel) and
- interoperability (the Infrastructure)

Dr. Saeed Ahmed, Director, AC&MFD shared SBP's vision to shift the OTC led market to m-wallets. He briefed that there were two main hurdles that impeded the growth of m-wallets; cost and the usage. It was recalled that SBP has recently signed an MoU with NADRA to verify the credentials of customers through Bio-Verisys for a cost of Rs. 10 per verification, which has significantly reduced the cost of account opening.

Local News

[Ufone and NBP Sign MOU for Long Term Strategic Partnership](#)

National Bank of Pakistan (NBP) and Ufone signed an MoU under which Ufone will arrange the disbursement and repayment of Prime Minister's Youth Business Loans (PYMBL). This arrangement between NBP and Ufone will include a series of partnerships that both the organizations will undergo in phases, including the provision of customized ICT solution to National Bank of Pakistan, a SMS notification portal for NBP with customization for different pull and push notification. Down the line, Ufone will handle the SMS and mobile application for banking related initiatives. It will also assist NBP for Contact Center services, which includes provision of a CMS (Complaint Management System) and Call Center related services.

NBP, the largest bank in Pakistan, will be able to disburse funds for salaried accounts, bill payments, advance salary loans, loans repayments and renewals through Ufone's UPaisa. Ufone is also set to assist NBP in Pension Disbursement and brand promotion through various co-branding initiatives e.g. Debit Card.

Ufone has a wide network of mobile users who can benefit from the PMYBL scheme if the awareness is created about the scheme and the application procedures are made easier. Banking will be made accessible to the 80% of the population through their mobile phones which will provide them with immediate access to financial solutions. The customers will be assisted by a 24 hours contact center help line for their queries or complaints.

<http://www.mobilemoney.com.pk/tag/ufone/>

[Easypaisa, Roshan Energy to unveil solar home solutions models](#)

Telenor Pakistan, Tameer Microfinance Bank and Roshan Energy have partnered to rollout their solar-powered home solution for the low-income segment, which is off the national grid. This initiative will empower nearly 40% of Pakistanis who live off the grid with access to clean and affordable solar energy. The Solar Home Solution will provide a sustainable, affordable and long-lasting electricity solution. Developed on pay-as-you-go model, the product enables customers to purchase solar solutions with an upfront payment of 15%, whereas the remaining payments can be paid within 18 months through Easypaisa.

This model allows users to top-up their Solar Home Solution from any Easypaisa shops across the country or directly through their Easypaisa Mobile Accounts.

The consumers have been offered three kinds of solar energy systems: basic for Rs 27,500, deluxe for Rs38,500 and enhanced for Rs49,500.

The basic solar panel has the capacity of 30 Watts and comes with two LED lights and a mobile charger with backup of eight hours and four hours respectively. The deluxe's capacity is 60 Watts and adds a fan to the basic package with a backup of 12 hours. The enhanced package has 100 Watts capacity and adds two fans to the basic package with 12 hours of backup for each.

Once all installments are paid through top-ups, the ownership of the Solar Kit is transferred over to the customer, the press release said. A pilot project for the Solar Home Solution has been rolled out in Hyderabad, Thatta, Badin, Tharparker and Rahim Yar Khan so far and running successfully.

<http://tribune.com.pk/story/840014/solution-solar-energy-to-power-rural-areas/>

Mobicash to Disburse Bait-ul-Mal Payments

Mobicash has signed an agreement to disburse payments on behalf of Pakistan Bait ul Mal Child Support Programme (CSP). Under the project, Mobicash will make disbursements to more than 40,000 CSP beneficiaries across the country.

In the first phase, the project has been rolled out in District Khairpur which will be expanded in several parts of the country. Mobicash in partnership with Pakistan Bait-ul-Mal has digitized these payments through their biometric based verification system. Each disbursement will be made against the CNICs of the beneficiaries, who will enjoy the ease and flexibility of withdrawing their funds after biometric verification by visiting Mobicash shop.

<http://www.thenews.com.pk/Todays-News-3-302809-Mobicash-to-disburse-Bait-ul-Mal-CSP-payments>

Khushhalibank, Mobilink sign Payments Solution Agreement

Khushhali Microfinance Bank has penned an agreement with Mobilink in order to provide payment facilitation services to the unbanked and under banked markets in Pakistan. In Pakistan, the conventional banking sector serves less than 20% of the population Keeping in mind that Mobilink developed Mobicash, a mobile financial services platform, to provide basic banking services to the masses through retail agents. This partnering will expand Khushhali Bank's network, allowing rural areas to make payments with ease and regularity.

<http://www.pakistantoday.com.pk/2015/02/25/business/khushhalibank-mobilink-ink-payments-solution-agreement/>

International News

One in Four Consumers Willing to Pay for Mobile Banking

Mobile banking applications are becoming an increasingly important feature in the financial industry, and for the most part, they are completely free of cost. However, new data from SNL Financial indicates one in four consumers would pay for mobile banking if his bank decides to start charging for it.

Nearly 4,400 customers were asked a simple question by the group in United States: "If your bank charged \$3 a month to use its mobile bank app, would you pay to keep using the bank app?" 24% said yes.

The results varied between the different age groups and gender. Young population showed more willingness to pay fee for the mobile banking. 32% of older millennials (26-35 years old) were willing to pay \$3 per month but only 22% of baby boomers (48-66) and 17% of seniors (67+). Gender differences were apparent. Males were more likely to be willing to pay a fee (27%) than females (21%).

Clientele of certain banks showed more interest than others with regarding willingness to pay for apps 33% of Bank of America customers said they would pay \$3 a month, while only 18% of Capital One customers were ready to absorb this fee.

It should be noted that 76% of consumers said they were not willing to pay \$3 a month for mobile banking. With the fact that 76% of customers showed up as unwilling to pay \$3 a month for mobile banking, charging for this service may cause a bank to lose customers in the long run. Another study conducted earlier this year showed 56% of bank customers consider the availability of a mobile banking app important when opening a new checking account. 80% of banks and credit unions currently offer mobile check deposits and basic account management solutions through free phone apps, and that number is expected to grow in the coming years.

<http://www.lowcards.com/consumers-pay-mobile-banking-31689>

NABARD Launches Digitization Scheme for Self-Help Groups

In an attempt to enhance financial inclusion in India through the use of information technology, NABARD launched a pilot project for the complete digitization of women's self help groups (SHGs). The project will benefit various stakeholders and will facilitate mainstreaming of SHG members. Digitization will also bring transparency and credibility to operations of SHGs through inbuilt grading MIS. This will help increase the comfort of bankers in credit appraisal, disbursement, and monitoring. The process will also ease transfer of social benefits and direct benefit transfer leading to better participation of SHG members in Pradhan Mantri Jan-Dhan Yojana (PMJDY). There are over 74 lakhs SHGs in the country that have bank accounts, and out of this, around 42 lakh SHGs are credit linked and will benefit from digitization as and when the project is expanded across India.

<http://www.microfinancegateway.org/announcement/nabard-launches-digitization-scheme-self-help-groups>

MasterCard and Egyptian Government Collaborate to Extend Financial Inclusion to 54 Million Citizens

MasterCard and the Government of Egypt signed a Memorandum of Understanding aimed to extend financial services to 54 million Egyptians. As a part of the agreement, MasterCard will work with the government to roll out a digital ID program that links citizens' national ID to the existing national mobile money platform. This will allow Egyptians to participate in the formal electronic economy through a single,

easy-to-use cashless program. MasterCard already has significant assets and partnerships in Egypt, and will leverage those to deploy the new cashless system. The system will allow the government to issue digital ID cards which can be used to pay for a number of services including government fees, mobile bills, merchant purchases, and domestic remittances. In addition, salaries and social benefits will be electronically disbursed through the card. All transactions will be processed in real-time and will be fully secure.

Under Egypt's new progressive leadership, the country is on the road of positive change, we remain committed to driving this change. With Egypt's mobile penetration rate at more than 100% and an existing interoperable national mobile money platform, this collaboration with MasterCard will provide millions of Egyptians with access to an innovative, safe, and simple way to conduct financial transactions using their national ID card. "Financial inclusion is the foundation for economic growth that's more inclusive, equitable, and sustainable. It is not only about how to better pay, and get paid, in situations where banking infrastructure is absent. It's also about leveraging technology and access to resources so that communities can grow and achieve new things. We are proud and honored to announce this partnership with the Government of Egypt. We have a long and rich history with the country, and this partnership further highlights our commitment to Egypt and its future.

<http://newsroom.mastercard.com/press-releases/egyptian-government-and-mastercard-collaborate-to-extend-financial-inclusion-to-54-million-citizens-through-digital-national-id-program-2/>

New Innovation Lab in East Africa to Expand Digital Financial Services

Across East Africa, millions of people living in or near poverty struggle to pay for their children's school fees or necessary health care treatment when unforeseen events occur. Trapped in a cash economy, they lack the financial services to guard against risk, invest in their future and build better lives.

Today, MasterCard announced the launch of MasterCard Labs for Financial Inclusion, a new initiative seeking to impact more than 100 million people globally by developing practical and cost-effective financial tools that expand access and help build stable futures over the long term.

Through an \$11 million grant over three years from the Bill & Melinda Gates Foundation, the lab will generate new ideas with local entrepreneurs, governments and other stakeholders across East Africa, and rapidly move from concept to reality.

"Too many people lack access to the most basic financial services, leaving them trapped in a cash economy that imposes greater risks and costs on those least able to afford them," said Ajay Banga, president and CEO at MasterCard. "Through the investment made by the Gates Foundation, coupled with our strong innovation processes, MasterCard will create and scale financial services that open up a world of inclusion and help people build better, brighter futures."

The Gates Foundation works with the private sector, NGOs, governments and others to direct resources and expertise to address critical challenges that cannot be solved by market forces alone. With this grant, the foundation seeks to extend financial services to those whose economic lives are inhibited and eclipsed by a combination of local factors and institution-wide exclusion. The grant enables MasterCard to reach into these new markets that may otherwise be commercially unviable.

<http://www.microfinancegateway.org/announcement/new-innovation-lab-east-africa-expand-digital-financial-services>

GSMA Introduces Code of Conducts for Mobile Money Providers

The GSMA has launched a Code of Conduct for Mobile Money Providers with the aim of establishing common business principles that all mobile money providers will commit to implementing. As the industry grows, the Code of Conduct will support the development of a safe and responsible industry for digital

financial services. The first mobile network operators (MNOs) to endorse the Code are Airtel, Avea, Axiata, Etisalat, Millicom, MTN, Ooredoo, Orange, Telenor, Vodafone and Zain. Together, these MNO groups represent 82 mobile money deployments operating in 51 countries.

Launched on the 6 November 2014, the Code of Conduct identifies principles aimed at promoting mobile money providers' adoption of consistent risk mitigation practices in certain critical areas of their business such as soundness of services, security of the mobile network and channel, and fair treatment of customers.

<http://www.gsma.com/mobilefordevelopment/programmes/mobile-money-for-the-unbanked/code-of-conduct>

Second GPF/BIS Conference Tackles Implications of Digital Finance

The fast-growing field of digital finance offers huge opportunities to low-income people traditionally excluded from formal financial services. These benefits as well as the challenges of digital financial inclusion were the theme of a major conference held in Basel on 30-31 October that was attended by representatives from the six global standard-setting bodies and the GPF.

Hosted by the Financial Stability Institute of the Bank for International Settlements, the conference was the second G20 GPF Conference on Standard Setting Bodies and Financial Inclusion. Formally opened by BIS General Manager, Jaime Caruana, the high-level Basel gathering explored the implications of low-cost digital transaction platforms for regulators, supervisors, standard-setting bodies and customers themselves. An estimated 2.5 billion people currently use only cash in their daily lives with little or no access to formal financial services like loans, credit insurance and savings.

<http://www.gpfi.org/news/second-gpfbis-conference-tackles-implications-digital-finance>

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.