

QUARTERLY  
**Branchless  
Banking**  
NEWSLETTER

Jan-Mar 2015

Issue 15



Leveraging Technologies and Partnerships  
to Promote Financial Inclusion

- Analysis 02
- Snapshot 07
- Events 09
- Local News 11
- International News 13
- Appendix 15



**STATE BANK OF PAKISTAN**  
STATE BANK OF PAKISTAN  
Agricultural Credit and Microfinance Department

## Branchless Banking Newsletter Team

### **Team Leader**

**Dr. Saeed Ahmed**

### **Team Members**

**Muhammad Imaduddin**

**Ahmed Sumair**

**Quratulain**

**Faiqa Naseem**

### **Acknowledgement:**

State Bank of Pakistan wishes to acknowledge valuable contributions and data support from Tameer Microfinance Bank Limited (Easypaisa), United Bank Limited (Omni), Waseela Microfinance Bank Limited (Mobicash), Askari Bank Limited (Timepey), Habib Bank Limited (HBL Express), U-Microfinance Bank (U-Paisa), Bank Alfalah (Mobile Paisa) and MCB Bank (MCB Lite).

The Branchless Banking Newsletter team also acknowledges the invaluable contribution from officials of relevant departments of SBP

### **Contact us:**

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

Phone: 021-3245-3943

Fax: 021-99217241

E-mail: [branchlessbanking@sbp.org.pk](mailto:branchlessbanking@sbp.org.pk)

URL: <http://www.sbp.org.pk/publications/acd/branchless.htm>

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

## Branchless Banking Analysis

### Branchless Banking Analysis

Branchless banking industry, during the first quarter of CY 2015, witnessed a widespread increase in the branchless banking accounts, which climbed to 7.5 million, showing an impressive growth of 39% over the previous quarter (Oct-Dec 2014). This massive growth in accounts was mainly contributed by the biometric infrastructure<sup>1</sup> for the second consecutive quarter; which attributed to 45% of the total newly opened level 0 accounts.

The volume of transactions grew to 72.5 million with a slight increase of 1% from last quarter, whereas the value of transactions fell by 4.8% to Rs 354 billion, due to a 75%, 98% and 47% decrease in the value of G2P payments, loan disbursements and mobile-topups respectively. The customer-oriented transactions, whether through m-wallets or OTC, contributed 94% in volume and 65% in value of the total BB transactions; while the remaining were agent-based transactions for liquidity purposes. Over the counter transactions continued to dominate customer-oriented transactions. Against their share of 86% in volume and 88% in value during the preceding quarter, OTC contributed to 88% and 82% respectively in this quarter. The value of m-wallet transactions experienced a 34% growth, scaling up from previous Rs. 25.5 billion to Rs. 34.2 billion in this quarter; primarily due to a 49.3% and 116% increase in funds transfers and cash deposited in m-wallets respectively. However, their volume witnessed a decline of 18.5%, falling from 9.7 million to 7.9 million in this quarter.

The average size of transactions decreased to Rs. 4,883, from Rs. 5,181 in the previous quarter; which continues to endorse the fact that the low income socio-economic class is using the branchless banking as a primary channel to satisfy its domestic remittance needs.

The number of agents rose to 229,645 from 204,073, demonstrating a sizeable increase of 12.5%. Likewise, the ratio of active-to-total agents also demonstrated encouraging performance by scaling up 2%, resting at 80% from the prior quarter's 78%.

The branchless banking deposits climbed to Rs. 6.8 billion, showing a steady increase of 3.3%. However the account activity ratio experienced a sharp decline, falling from 43% to 20%. Whilst the BB players are striving hard to penetrate into the unbanked geographic segments, by increasing their BB customers and strengthening the agent network; it is also critical for them to diversify their product mix and cross-sell products to boost the usage of accounts, since opening of accounts without usage shall not serve the national strategic objective of financial inclusion.

Figure 1: Trend in Number and Value of Transactions

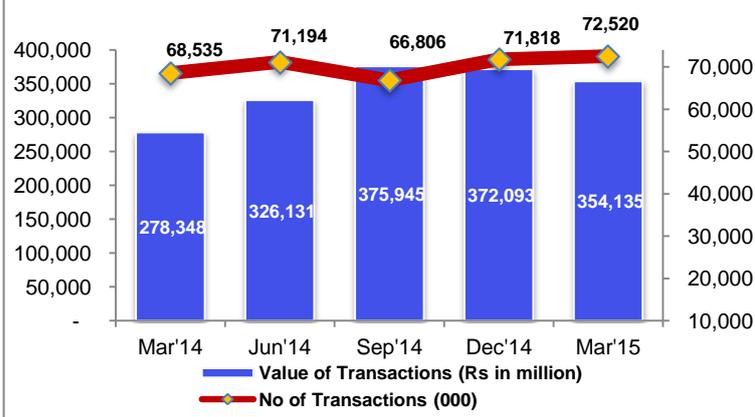


Table 1: BB Key Indicators

Indicators	Q4 2014	Q1 2015	Quarterly Growth
Number of Agents	204,073	229,645	12.5%
Number of Active BB Agents	159,500	183,117	14.8%
Number of Accounts	5,414,655	7,538,025	39.2%
Deposits as of date (Rs. in millions )	6,668	6,890	3.3%
Number of transactions during the quarter (No. in '000')	71,818	72,520	1.0%
Value of transactions during the quarter (Rs. in millions)	372,093	354,135	-4.8%
Average Size of transaction (in Rs.)	5,181	4,883	-5.7%
Average number of transaction per day	797,980	805,774	1.0%

### Agricultural Credit & Microfinance Department

<sup>1</sup>The government of Pakistan enforced sim verification of all mobile subscribers through biometric verification system which led to a massive installation of biometric devices on retailer level. This infrastructure is now serving as a front end tool for the customers to open their m-wallets through BB agents

## Volume of BB transactions exhibit upward trend albeit a decline in value

Figure 2 illustrates the share of agent transactions for liquidity purpose, OTC & m-wallet transactions in total BB transactions. The volume of BB transactions increased to 72.5 million from 71.8 million in the previous quarter, exhibiting a slight growth of 1%.

Funds transfers in m-wallet (including cash deposits), retail and utility bill payments also contributed to this increase. However, the value of transactions slumped to 354 billion, from 372 billion in the previous quarter, experiencing a 4.8% decline, primarily due to the decrease in value of G2P payments on account of disbursement delays.

The BB transactions can be divided into two broad categories; agent transactions for liquidity management and customer-oriented transactions. The customer-oriented transactions can further be divided into Over-the-Counter and m-wallet transactions.

In terms of the volume of transactions, the contribution of agents' transactions for liquidity management in overall BB transactions remained 6.1% whereas the customer-oriented transactions constituted 93.9% of total BB transactions.

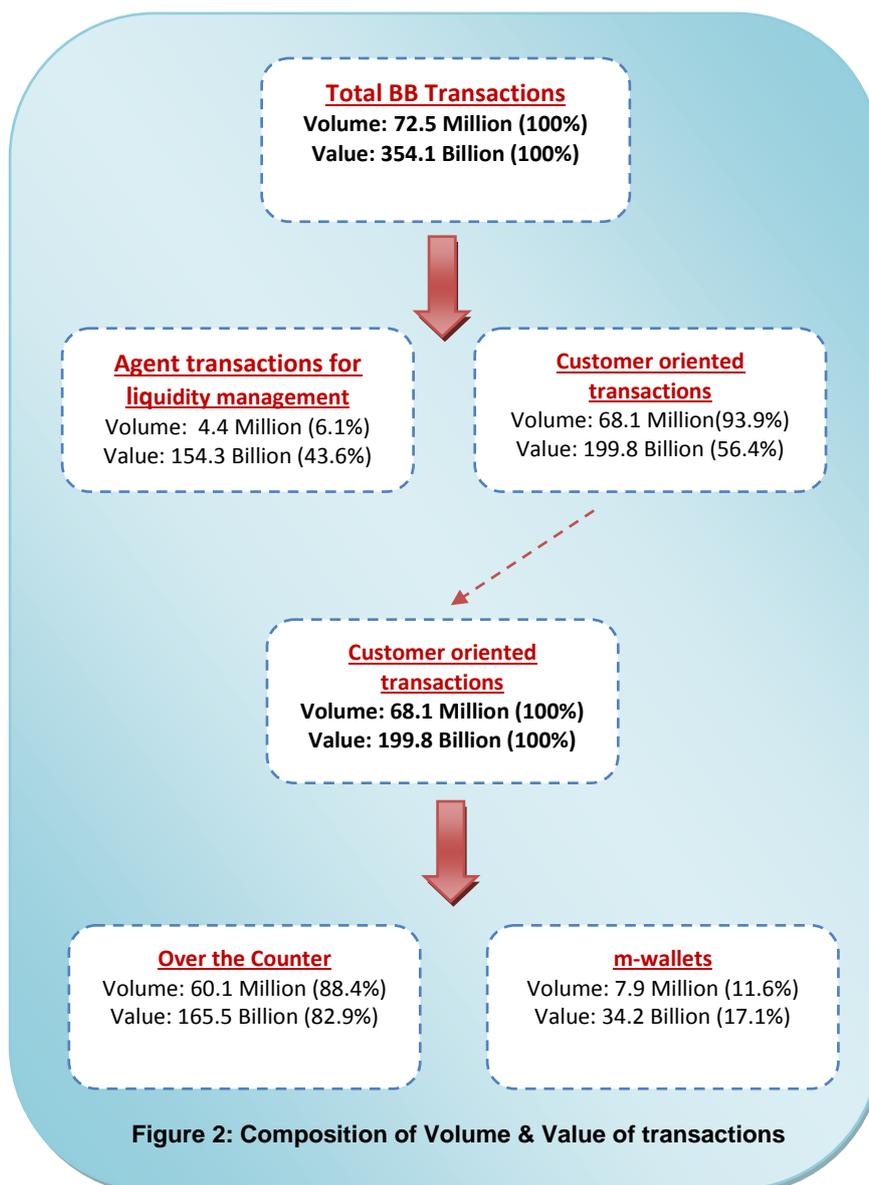
Likewise, in terms of value, the share of Agents' transactions for liquidity management remained 43.6%, whereas the customer-oriented transactions were able to command a share of 56.4% in overall BB transactions.

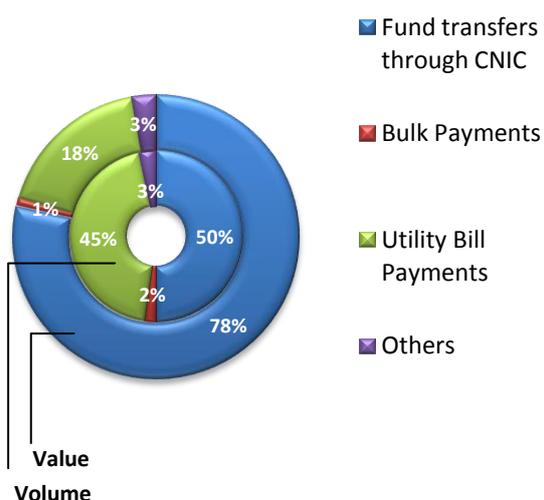
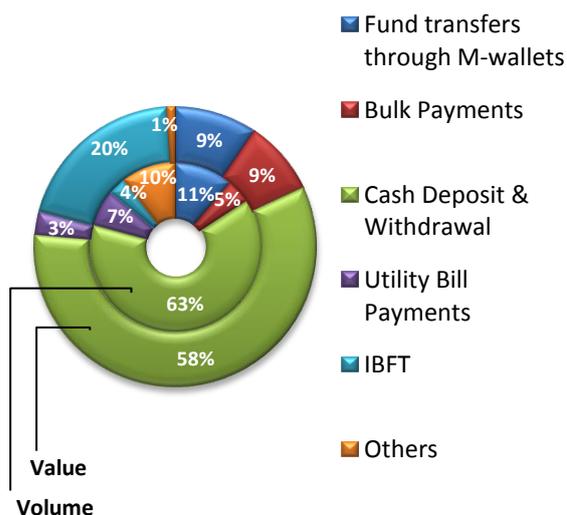
Amongst the customer oriented transactions, m-wallets transactions gained 2.7% in value to reach 17.1% in this quarter, from 14.4% in the previous quarter, ending up on Rs. 34.2 billion.

The volume of IBFT transactions showed an upward trend; increasing 9% from 257,909 transactions in last quarter to 281,841 in this quarter, however the value did not exhibit much change. Only the customers of Easypaisa and Omni have performed IBFT transactions during the quarter.

## OTC continues to dominate the customer-oriented transactions

The OTC to m-wallet ratio in terms of volume of transactions stood at 88:12 (or 7.33 :1) during the quarter, as compared to 86:14 (or 6.14:1) in the previous quarter. This reveals that the industry is still seeking OTC channel as the primary offering to the customers. Funds transfer through CNIC, also known as person-to-person transfers, made up the major chunk of OTC transactions, showing an increase of 7% and 5.6% in volume & value respectively. The utility bills payments through OTC increased in number from 23 million to 26 million; however a proportionate decrease in their value was observed, falling from Rs 32 billion to Rs.29 billion.



**Figure 3: Break-up of OTC transactions****Figure 4: Break-up of m-wallet transactions**

This growing pattern of paying utility bills through BB agents shall pave a way for the trial usage of agent-assisted banking, thus promoting awareness of branchless banking in unbanked geographies.

### The value of m-wallet transactions increase substantially

The value of m-wallet transactions experienced a hefty growth, climbing to Rs. 34.2 billion from Rs. 25.5 billion, showing a 34.1% increase. These transactions were dominated by Cash Deposit and withdrawals which jumped to 5 million in number and Rs. 20 billion in value, demonstrating an impressive increase of 33% and 46% respectively from the last quarter. The interoperability between Core Banking and Branchless Banking platforms, through IBFT, continued to add value to the BB Eco system. The value of IBFT transactions showed a sizeable increase of Rs. 4.4 billion, scaling to Rs. 6.8 billion from the prior quarter's 2.4 billion.

The number of m-wallet transactions, however, declined to 7.9 million from 9.7 million in the previous quarter primarily due to the decrease in G2P payments and mobile top-ups.

### Impressive 39% surge in account opening is mainly characterized by BVS

During the quarter, a total of 2,050,362 level-0 accounts were opened; out of which 911,433 accounts were opened through Biometric Verification System, showing an impressive contribution of 45%.

The big players opened their customers' m-wallets accounts with no balance to attract more and more customers towards the mobile financial channel for trial usage; however enhancing the usage of these accounts still remains a challenge. The true potential of BB target audience is enormous; considering that all 116 million verified SIMs could be converted into m-wallets. In Jan-Mar 2015, the biometric infrastructure was being implemented at the agent locations primarily by Easypaisa, followed by a marginal share of Mobicash. This agent-biometric combo is expected to serve as a driver of financial outreach to the unbanked vicinities, thus promoting financial inclusion

### Average deposits in BB Accounts witness decline

The average deposit per account decreased to Rs. 914, from the previous quarter's Rs. 1231. The level-0 accounts witnessed a 33% decline in average deposits, falling down to Rs. 440. On the other hand, level-1 accounts showed an increase of 40%, rising to Rs. 412. Level-2 accounts showed a marginal improvement to reach Rs. 1,895 from the previous quarter's Rs. 1,839. The level-3 accounts, primary used by agents for liquidity purposes experienced a 10% decline and dropped to Rs. 15,644 from Rs. 17,379 in the previous quarter.

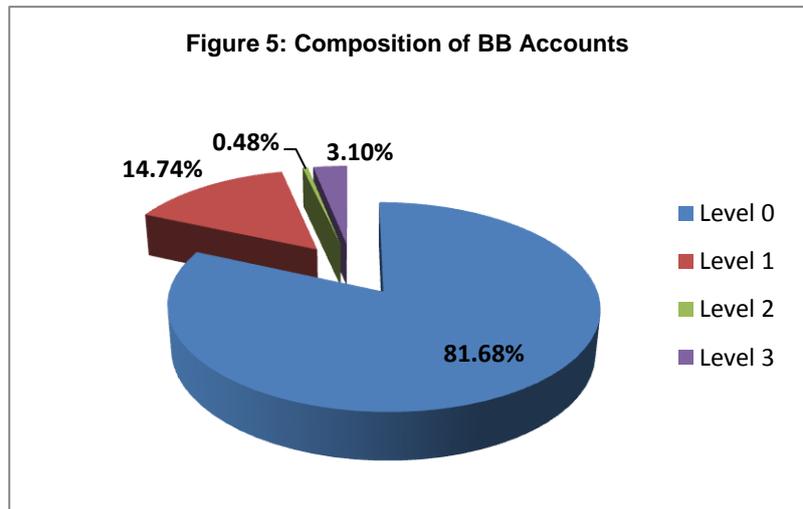
**Table 2: Average Deposits in BB Accounts**

Account type	Oct-Dec 14 Rs.	Jan-Mar 15 Rs.
BB Level 0	653	440
BB Level 1	293	412
BB Level 2	1,839	1,895
BB Level 3 (Agents)	17,379	15,644
<b>Total Accounts</b>	<b>1,231</b>	<b>914</b>

**Level-0 and level-1 accounts overwhelm the account composition ratio**

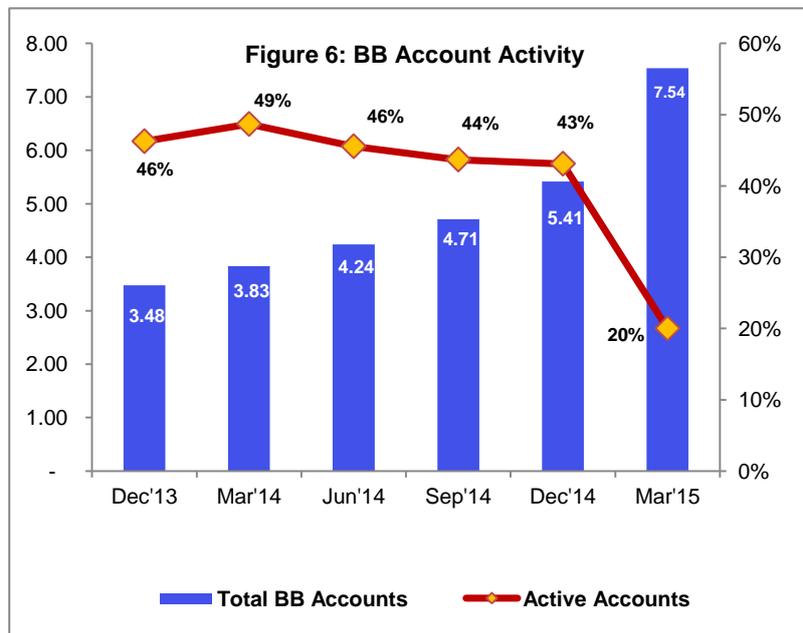
Out of the total 7,538,025 BB accounts; level 0, 1, 2, and 3 constitute 81.7%, 14.7%, 0.5% and 3.1% respectively.

It is important to note that, level-2 and level-3 accounts have regular KYC requirements, while level-0 and level-1 accounts, having minimum KYC requirements make up 96% of the total BB accounts. These facts reveal that the BB eco system is moving in the right direction to onboard those individuals which cannot fulfill the requirements to open and maintain full fledged bank accounts.



**Activity in BB accounts faces a slump**

The Active-to-Total BB accounts ratio fell to 20% in this quarter from 43% in the previous quarter. The primary reason is that the mobile financial channel is relying heavily on cash-in/cash-out transactions and not strengthening itself for day-to-day usage of accounts. In order to increase account usage, there is a need to offer tailor-made products & services that suit the needs of different socio-economic market segment in the country. The meager 1% share of merchant payments in total m-wallet transactions depicts that the BB industry is not focusing on this important area which can bring immense activity in digital financial accounts.



**The BB pricing structure, yet to rationalize, continues to be on the higher side**

Another factor contributing towards the decline in account activity is the pricing. The charges for carrying out a person to person domestic remittance vary between Rs. 60/- to 480/-. Moreover, few players also charge their customers for cash-in and cash out transactions to/from m-wallets. It should be noted that the primary target market for branchless banking is the unprivileged socio economic class; and this high pricing structure is certainly not suitable and affordable for them. The BB players must consider lowering the prices so as to encourage the usage through cost-effective financial services on sustainable basis. Their revenues can be enhanced by the subsequent increase in volume of transactions.

**Government to Person payments experience a sharp decline**

G2P payments experienced a sharp decline, both in number of beneficiaries and the amount disbursed. A total of Rs. 4.55 billion was disbursed to 3.27 million beneficiaries as compared to Rs. 18.2 billion to 6.5 million beneficiaries in the previous quarter.

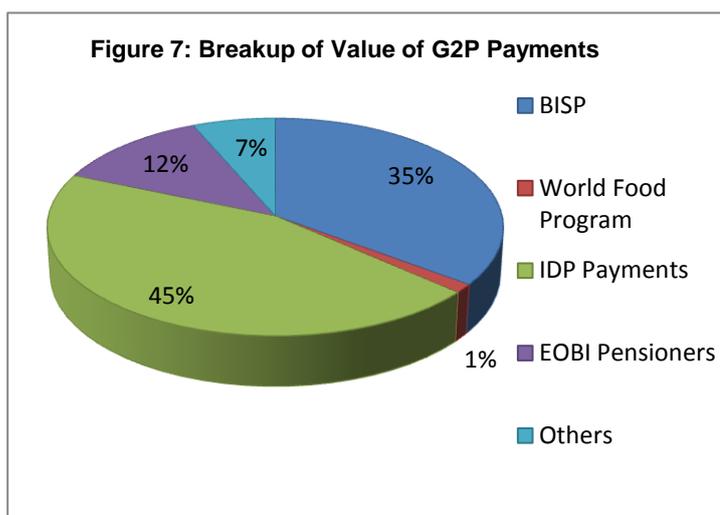
This decline occurred due to delayed disbursement of BISP tranche to Omni and Easypaisa. This also led to a decline in overall value of transactions; however this will be adjusted in future as the BISP tranche is due to be disbursed in the subsequent quarters. The disbursements to Internally Displaced Persons (IDPs) made the major part of total G2P payments amounting to Rs. 2 billion to 172,074 beneficiaries, followed by BISP worth Rs. 1.6 billion to 2.5 million beneficiaries, and EOBI worth Rs. 554 million to 129,944 million beneficiaries.

An amount of 58.6 million was disbursed to 234,301 beneficiaries of the World Food Program.

Timepey topped the G2P disbursements with a value of Rs. 1.96 billion, followed by Easypaisa and HBL Express having value of 1.1 billion and 805 million respectively.

### Agents increase in number as well as in activity

Total agents locations have increased to 229,645 from 204,073 in the previous quarter. The increase was mainly contributed by the addition of 9,040 new agents of Omni, followed by 5,389 and 4,489 agents of Easypaisa and Mobilepaisa respectively. Analysis further shows that Easypaisa remains the industry leader with 66,836 agents, followed by Mobicash with 52,083 agents. The industry-wide data reveals that the active-to-total agents ratio increased to 80% from 78% in the previous quarter. The BB players, however, still need to involve participation of all agents through proper training & development so as to enable them to play their due role in the development of BB eco system.



### Agent Locations with account opening facility increase due to installation of biometric infrastructure

The installation of biometric devices leveraged the industry-wide capacity of account opening at agent locations from 22% in the last quarter to 26.6%. The player making the difference is Easypaisa, reaching 29.1% from the prior capacity of 25%.

**Table 3: Agent locations with account opening facility**

	Oct-Dec 2014	Jan-Mar 2015
Easypaisa	25%	29.1%
Omni	100%	100%
Timepey	4%	4.5%
Mobicash	1%	1%
HBL Express	100%	100%
Upaisa	4%	4.3%
Mobilepaisa	3%	2.0%
<b>Total</b>	<b>22%</b>	<b>26.6%</b>

After a lapse of considerable time, the banks have finally entered into agreements with NADRA for biometric verification. This breakthrough will not only pull more unbanked individuals to the BB eco system, but also increase the number of agent locations with account opening facility in the coming quarters.

## Branchless Banking Snapshot

S.#	Type of Transactions	Oct-Dec 2014		Jan-Mar 2015	
		Volume of Transactions (Numbers)	Value of Transaction	Volume of Transactions (Numbers)	Value of Transactions
<b>1</b>	<b>Agent transfers for liquidity</b>				
	Agent account to agent account	3,030,787	76,436,231,754	3,508,754	82,587,688,312
	Agent account to bank account	175,297	13,377,961,699	142,944	7,668,170,569
	Bank account to agent account	582,923	57,609,090,546	494,374	51,486,953,846
	Cash Deposit in L3 by agents	316,693	14,642,093,683	304,972	12,615,674,813
<b>2</b>	<b>Fund Transfers</b>				
	<i>a. Fund transfers through M-wallets</i>				
	MW to MW transfers	185,023	447,293,804	385,235	1,132,872,045
	MW to bank account transfers	11,523	156,549,152	12,270	179,462,529
	Bank account to MW transfers	21,577	212,900,634	24,096	264,443,456
	MW-to-person fund transfers	360,375	1,360,480,843	461,463	1,674,127,857
	<i>b. Fund transfers through CNIC</i>				
	Person to person sending	13,613,774	60,584,473,510	14,698,125	63,851,558,524
	Person to person receiving	14,297,050	62,883,529,261	15,388,822	66,044,083,445
<b>3</b>	<b>Bulk Payments</b>				
	<i>a. Government to Person Payments</i>				
	G2P through MW	1,177,710	5,286,948,308	253,747	2,412,706,984
	G2P through card	2,524,883	10,735,350,015	1,285,158	1,335,752,374
	<i>b. EOBI Pensioners</i>				
	Pension payment through MW	97,604	386,634,288	94,624	366,513,587
	Pension payment through OTC	33,111	182,439,313	35,320	187,722,508
	Salaries payments and Others	16,010	171,371,589	15,859	155,951,416
<b>4</b>	<b>Cash deposit &amp; withdrawal</b>				
	Cash Deposited in MW (including person to MW transfers)	1,860,031	5,933,610,491	3,558,257	12,824,018,796
	Cash Withdraw from MW	1,918,634	7,807,107,058	1,476,853	7,188,486,904
	Cash withdraw through card (G2P)	2,191,543	9,075,265,232	359,118	1,500,574,097
<b>5</b>	<b>Bill Payments &amp; Top ups</b>				
	Utility Bills Payment	23,698,278	33,043,159,720	27,352,729	30,521,574,410
	Internet Bill Payments	241,856	289,733,060	242,312	291,815,379
	Mobile Top-ups	4,177,862	292,916,042	1,309,329	154,953,277
<b>6</b>	<b>Loan</b>				
	Disbursement	5,532	72,526,224	129	1,536,000
	Repayment	738,007	2,132,832,901	531,573	1,966,476,543
<b>7</b>	<b>Others</b>				
	Donations	6,207	603,549	10,514	1,112,611
	Retail Payments	15,702	48,117,114	103,365	142,657,874
	PIA ticketing	-	-	-	-
	International Home remittance	26,283	741,191,593	19,094	524,632,249
	Account Opening Transactions	78,774	20,111,096	71,383	14,483,838
	Cash collection/payment services	157,203	1,352,012,968	97,362	236,130,176
	IBFT	257,909	6,810,067,865	281,841	6,803,169,387
	<b>Total</b>	<b>71,818,161</b>	<b>372,092,603,313</b>	<b>72,519,622</b>	<b>354,135,303,808</b>

**Table 5: Customer Transaction 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
<b>Fund Transfers</b>				
<i><b>Fund transfers through M-wallets</b></i>				
MW to MW transfers	-	-	385,235	1,132,872,045
MW to bank account transfers	-	-	12,270	179,462,529
Bank account to MW transfers	-	-	24,096	264,443,456
MW-to-person fund transfers	-	-	461,463	1,674,127,857
Person to MW fund transfer	5,973	28,278,432	-	-
<i><b>Fund transfers through CNIC</b></i>				
Person to person sending	14,698,125	63,851,558,524	-	-
Person to person receiving	15,388,822	66,044,083,445	-	-
<b>Bulk Payments</b>				
<i><b>Government to Person Payments</b></i>				
G2P through MW	-	-	253,747	2,412,706,984
G2P through card	1,285,158	1,335,752,374	-	-
<i><b>EOBI Pensioners</b></i>				
Pension payment through MW	-	-	94,624	366,513,587
Pension payment through OTC	35,320	187,722,508	-	-
Salaries payments and Others	-	-	15,859	155,951,416
<b>Cash deposit &amp; withdrawal</b>				
Cash Deposited in MW (excluding person to MW transfers)	-	-	3,552,284	12,795,740,364
Cash Withdraw from MW	-	-	1,476,853	7,188,486,904
Cash withdraw through card (G2P)	359,118	1,500,574,097	-	-
<b>Bill Payments &amp; Top ups</b>				
Utility Bills Payment	26,808,261	29,591,302,120	544,468	930,272,290
Internet Bill Payments	46,856	56,758,193	195,456	235,057,186
Mobile Top-ups	726,373	118,775,902	582,956	36,177,375
<b>Loans</b>				
Disbursement	129	1,536,000	-	-
Repayment	531,181	1,965,414,365	392	1,062,178
<b>Others</b>				
Donations	3,442	250,734	7,072	861,878
Retail Payments	70,560	73,353,365	32,805	69,304,509
PIA ticketing	-	-	-	-
International Home remittance	19,094	524,632,249	-	-
Account Opening Transactions	71,383	14,483,838	-	-
Cash collection/payment services	97,171	234,965,419	191	1,164,757
IBFT	-	-	281,841	6,803,169,387
<b>Total</b>	<b>60,146,966</b>	<b>165,529,441,566</b>	<b>7,921,612</b>	<b>34,247,374,702</b>

## Events

### Finance Minister launches National Financial Inclusion Strategy for Pakistan

The Federal Finance Minister, Senator Mohammad Ishaq Dar launched National Financial Inclusion Strategy (NFIS) for Pakistan on Friday May 22, 2015 in Islamabad. The objective of the strategy is to build momentum and push forward reforms to achieve universal financial inclusion in an integrated and sustained manner.



While emphasizing on the need for increasing access to fair and dignified financial services to achieve sustainable economic growth, the Finance Minister said that the NFIS, championed by the State Bank of Pakistan, is consistent with the Government of Pakistan's Vision 2025, which calls for enhancing access to credit for SMEs and focuses on strengthening & deepening of financial inclusion in the country.

He further pointed out that the Government is already working on some of the drivers that the NFIS identifies to catalyze financial inclusion. In particular, digitization of payments is a priority area and resolute efforts have been taken to support the digitalization of payments and give depth to financial services among various segments of the population. The contribution of branchless banking is significant when it comes to channelizing the Government-to-Person payments.

Finance Minister emphasized the stakeholders to show their full commitment and active engagement to increase access and quality of financial services for the underserved segments of the economy and help to build a sustainable and prosperous Pakistan.

Speaking at the occasion, Mr. Ashraf Mahmood Wathra, Governor State Bank of Pakistan said that since the early 1990's, Pakistan's financial sector has witnessed considerable reforms that have significantly strengthened its soundness, profitability, efficiency and diversity. Also, Pakistan has been a pioneer in championing financial inclusion for over a decade and achieved a large number of significant milestones. In particular, the creation of a regulatory framework for Microfinance Banks in 2001; the expansion and modernization of online credit information bureau (e-CIB) in 2005; the adoption of Branchless Banking Regulations allowing a tiered approach to know-your-customer (KYC) requirements in 2008; the launch of Financial Inclusion Program under DFID support which includes risk sharing initiatives, smart grant facilities for capacity development, innovation and market infrastructure development in 2008; the establishment of a specialized microfinance credit information bureau (m-CIB) in 2009; and the launch of a nationwide Financial Literacy Program in 2012.

He pointed out that despite the sustained efforts, the level of financial inclusion remains very low and there are a number of reasons for the low level of financial inclusion. He shared that the persistence of financial exclusion in the face of long-standing efforts to promote inclusion emphasize the need for a comprehensive National Financial Inclusion Strategy. The strategy has thus created the needed platform for SBP, GoP and private sector to adopt and implement a comprehensive set of coherent and sequential reforms needed to influence financial inclusion in a big way.

He further observed that globally, there is an increasing trend towards adoption of financial inclusion strategies with explicit financial inclusion targets at country level. Empirical evidence suggests that, having a NFIS could double the pace of progress on financial inclusion targets. The NFIS will guide efforts to promote financial inclusion over the coming five years. It not only includes targets and objectives that will be monitored, but it will serve as a living document that can be adjusted as required.

## Deputy Governor Mr. Riaz Riazuddin inaugurates the 13<sup>th</sup> International e-Banking Conference & Exhibition on 23-Apr-2015

The 13<sup>th</sup> International E-Banking Conference was inaugurated by Mr. Riaz Riazuddin, Deputy Governor State Bank of Pakistan, on 23<sup>rd</sup> April 2015. Speaking at the occasion, the Deputy Governor appreciated the event manager and the sponsors for their consistent efforts in facilitating the banking industry for bringing innovations in electronic banking in Pakistan. The event provided a collaborative platform to the industry players, regulators, technology service providers, government authorities, and experts from abroad, to share their experiences & knowledge. State Bank in collaboration with stakeholders has been striving to strengthen the payment delivery channels through automation and digitization. He emphasized that SBP had been on the forefront to create an enabling regulatory environment towards modernized and technologically equipped financial sector.

The recently issued regulations related to Payment Systems Operators and Payment Service



Providers have paved the way for new entrants pertaining to electronic payment gateway, payment scheme, clearing house, ATM Switch, POS Gateway, E-Commerce Gateway, and so on. The role of technology in achieving the strategic objective of National financial Inclusion is critical. The alternate delivery channels like e-banking and branchless banking have emerged as supporting pillars of SBP's vision for financial inclusion. Creating digitally inclusive financial system will ensure reaching un-served and underserved population for meeting their financial needs like remittances, savings, credit and insurance at their door-step.

With the facilitative role and enthusiastic approach of Branchless Banking players, the number of mobile wallets is expected to reach more than 45 million in next 3 years from 5.2 million (as on Dec-2014). This may truly revolutionize e-banking and online payments. The inter-operable payment scheme between Mobile Financial Services and Banking Eco-Systems is serving as a facilitator to the account holders to remit funds between m-wallets and bank accounts. This has created the necessary infrastructure for Merchant Payments involving Business-to-Business and Business-to-Consumer use cases. The purchasing patterns of Pakistani consumers are heavily based on cash, which has its own limitations and overheads. I believe, the market has enough room now to develop products relating to this area in order to create a Cash-Lite Society.

The electronic and other branchless banking channels have certain inherent risks associated with them. Necessary steps are being taken to mitigate such risks. The introduction of biometric technology in account opening, for example, has made the process real-time, accurate, hassle free and paperless. In addition to these, this will serve as a security and tracking mechanism to identify the remitter and receiver of funds; thus discouraging the occurrences of funds transfer for illegal and criminal activities. The number of biometric devices is expected to rise to 62,000 by the end of 2015 from 33,000 as on Dec-14.

## Local News

### **HBL Express and NADRA Launch Branchless Banking Services**

To further pursue its vision of financial inclusion, financial literacy and strengthening outreach, HBL has joined hands with NADRA Technologies Limited (NTL) to launch branchless banking services. The product suite includes Domestic Remittance backed by Mobile Wallets, Microfinance Loan Repayments, G2P Payments and International Remittances in the future. NTL e-Sahulat hosts a nationwide presence with 8000 plus touch points serving the underprivileged stratum of the economy. Taking forward its vision of "Enabling people to advance with confidence and success," HBL launched their branchless banking initiative called HBL Express in 2013. Introduced as a channel to provide basic financial services at a micro-economic level, branchless banking has evolved as a parallel banking system which now caters to a diversified range of market offerings with unique service values, mobility and simplicity.

NADRA e-Sahulat was the first platform to offer electronic payment of utility bills through franchised model. Today it offers the domestic remittance and other branchless banking services in collaboration with HBL Express. This collaboration is a one of a kind joint-venture since most banks are partnering with telcos /mobile carriers for branchless banking. The solution is not only seamless and swift but also has been further secured as CNICs of senders and receivers are verified by NADRA for each transaction. This unique feature will not only facilitate consumers with added advantage to avoid errors but will also facilitate the banking industry for financial inclusion and allow for transparent transactions.

<http://www.hbl.com/downloads/pdf/Launch%20of%20Landmark%20Synergies%20between%20HBL%20Express%20and%20NADRA.pdf>

### **Bank Alfalah brings MasterCard Internet Gateway System to Pakistan**

Bank Alfalah and MasterCard recently signed an agreement to bring MasterCard Internet Gateway System (MIGS) to Pakistan. The system connects online merchants and websites with customers by accepting credit cards on the internet. This partnership is of great significance as it brings together Pakistan's leading card services provider, Bank Alfalah and the worldwide innovation pioneer in payments space, MasterCard International.

<http://www.mobilemoney.com.pk/industry-reports-regulatory/bank-alfalah-brings-mastercard-internet-gateway-system-to-pakistan/>

### **Mobicash Launches Pakistan's First Near Field Communication (NFC) Payment Solution**

Mobicash launches Near Field Communication (NFC) payments on vending machines for its 1.5 million mobile account holders. To become Pakistan's first Mobile Financial Service (MFS) provider to introduce an NFC service, this initiative was launched by Mobicash in collaboration with Batwa and Wavetec.

As part of its mission to build a secure and reliable cashless network in Pakistan, Mobicash will install Wavetec's NFC enabled vending machines across the country. The initial phase involves a trial run of these machines in Mobilink premises.

In order to avail this service, Mobicash users must acquire an NFC tag by entering their mobile number. Once the payment for this tag will be deducted from their mobile account, it will then be placed on the NFC reader of the vending machine that connects the Mobicash mobile account with their NFC tag. Upon the selection of an item of their choice from the vending machine, the users will complete the transaction by entering their MPIN on their phone.

<http://www.mobilink.com.pk/business/mobicash-launches-pakistans-first-near-field-communication-nfc-payments-solution/>

### **ZTBL, U-Bank sign MoU for UPaisa/Zari Paisa**

U Microfinance Bank Limited has signed a Memorandum of Understanding (MOU) with the Zarai Taraqqiati Bank Limited (ZTBL) to provide personal and corporate solutions through branchless

banking services to the customers of ZTBL across Pakistan. According to the MOU, ZTBL customers will be able to avail branchless banking services including but not be limited to funds transfer and receipts, salaries and international remittances on 'Upaisa'. They would also be able to pay loans through branchless banking network. Further, the customers will be able to obtain Upaisa debit card, powered by the Union Pay International. Under this arrangement, both the parties will introduce different branchless banking products and services to facilitate the customers. Not only this, the ZTBL itself will also be able to utilize the Branchless Banking services through U-Bank including salary disbursement to its employees. This partnership shall result into convenience for the farmers to conduct banking business without visiting bank branches. Their mobile phones shall serve as their mobile wallets and they will have convenience to transact business at over 25,000 outlets of Upaisa in addition to 385 ZTBL branches.

<http://pakobserver.net/detailnews.asp?id=250302>

### **HBFCL, Easypaisa sign MoU**

The House Building Finance Company Limited (HBFCL) on Friday signed a memorandum of understanding (MoU) with Tameer Microfinance Bank (TMB) and Easy Paisa of Telenor Pakistan. Under this arrangement, HBFCL and Easy Paisa have reached an understanding to use Easy Paisa services network to facilitate HBFCL customers for paying their installments timely. It is a group based model that provides loan borrowers from HBFCL to repay their loan installments through Easy Paisa outlets or online. Along with existing facility of repayment of loan installments through post-dated cheques, this is an additional facility being offered to the HBFCL customers.

<http://www.dailytimes.com.pk/business/11-Jul-2015/hbfcl-signs-mou-with-tmb-easy-paisa>

### **Mobicash and Khushhali bank sign Payments Solution Agreement**

Mobicash signed an agreement with Khushhali bank limited, in order to provide payment facilitation services to the unbanked and under banked markets in Pakistan. This partnering will expand Khushhali bank's network, allowing customers in rural areas to make payments with ease and regularity. Khushhali bank and Mobicash see significant opportunities for rapidly expanding microfinance and SME finance facilities through leverage of modern technologies to achieve efficiency and transactional conveniences to the target market segment.

<http://thepioneer.com.pk/mobicash-and-khushhalibanklimited-sign-payments-solution-agreement/>

## International News

### [Easypaisa wins People's Choice Award in Dow Jones & Wall Street Journal's "The Financial Inclusion Challenge"](#)

Easypaisa, has won the People's Choice award in Dow Jones & Wall Street Journal's "The Financial Inclusion Challenge" held in Hong Kong on June 30th 2015. The Wall Street Journal invited nonprofit and for-profit enterprises around the world to submit short video proposals that showcased their solutions to the problems of financial access for the poor. An independent panel of judges assessed all entries and Easypaisa was amongst the six finalists. Out of dozens of other applicants, Easypaisa was the only Pakistani service to be shortlisted in this international competition. Voting was conducted via Wall Street Journal's website and concluded on 26th June. Easypaisa was up against competing organizations from Bangladesh, China, India and Laos. In addition to the success in the domestic market, Easypaisa has received global recognition in the past as well. In 2013, Easypaisa was declared as the third biggest mobile money service in the world award by CGAP, a unit within the World Bank, and in 2014, Easypaisa won the Best Mobile Money Service award at the annual GSMA Awards in Barcelona.

### [HomeSend and Azimo Launch New Mobile Money Services Throughout Africa and Asia-Pacific](#)

HomeSend and Azimo announced the launch of new mobile wallet services in ten countries throughout Africa and Asia-Pacific – reaching millions of mobile money subscribers. Azimo customers in 20 European countries are now able to send funds to mobile money accounts of loved ones in Armenia, Burkina Faso, Fiji, Ghana, Indonesia, Kenya, Nepal, Nigeria, the Philippines and Somaliland.

HomeSend, the global remittance hub, is a service that bridges the gap between various entities globally such as financial institutions, non-financial entities and mobile network operators. Through HomeSend, Azimo customers will be able to conveniently send money directly – and in real-time – to a recipient's mobile money account linked to their mobile number versus having to send funds via an over-the-counter agent or directly to a bank account.

Azimo is focusing itself to be the universal digital platform for remittances; with cash payout, direct to bank account, mobile top-up and even home delivery money services in over 200 countries. The World Bank estimates that global remittance market will continue to grow this year to a projected total of \$586 billion, underscoring the demand for people to have access to safe and secure ways to send and receive funds.

<http://www.businesswire.com/news/home/20150721005146/en/HomeSend-Azimo-Launch-Mobile-Money-Services-Africa#.Vdxg7FSDr5o>

### [Peru Launches National Financial Inclusion Strategy to Expand Financial Inclusion](#)

Only 29% of Peruvian adults have an account at a formal financial institution, according to the 2014 Global Findex. To close this gap, Peru is stepping up its commitment to financial inclusion. In July 2015, the country launched a National Financial Inclusion Strategy, which commits the government to ensuring that at least 75% of adults have access to a transaction account by 2021. Why does financial inclusion matter? With no access to formal financial services it's difficult for people to build up savings or buy insurance, which makes households more vulnerable to potential risks and shocks. Also, small businesses find it difficult to build assets or obtain financing to increase productivity, expand or hire more people.

Financial inclusion has also been identified as one of the UN's Sustainable Development Goals, a set of targets that will guide the international development agenda over the next decade. Peru is one of the 25 priority countries where the World Bank Group is focusing its financial inclusion efforts. The country's National Financial Inclusion Strategy is a significant step up toward this goal, and is in line with the World Bank Group's UFA2020 vision.

Research also shows that countries that have invested in devising and implementing a national financial inclusion strategy (NFIS) have been more successful and effective in reaching set targets. On average, there is a 10% increase in the percentage of adults with an account at a formal financial institution for countries that launched an NFIS after 2007, whereas the increase is only 5% for those countries that have not launched an NFIS.

Peru escalated its commitment toward financial access in early 2014 with the establishment of a Multisectoral Financial Inclusion Commission to coordinate efforts among relevant stakeholders.

With the World Bank's support, the Commission then designed and formulated the country's National Financial Inclusion Strategy. The strategy is the result of extensive engagements and consultations with government agencies and private sector stakeholders.

[http://www.worldbank.org/en/news/feature/2015/08/05/peru-launches-national-financial-inclusion-strategy-to-expand-financial-inclusion?CID=FAM\\_TTFinanceMarketsEN\\_D\\_EXT](http://www.worldbank.org/en/news/feature/2015/08/05/peru-launches-national-financial-inclusion-strategy-to-expand-financial-inclusion?CID=FAM_TTFinanceMarketsEN_D_EXT)

## **MasterCard Trials Facial and Fingerprint Biometric Payments in Europe and U.S.**

MasterCard is pioneering the use of your "selfie" or fingerprint to make an online payment transaction with the launch of trial programs in Europe and the United States.

In the Netherlands, International Card Services (ICS) B.V. and ABN AMRO cardholders will trial the technology now through the end of November.

Next month, a trial will begin with First Tech Federal Credit Union employees in the U.S. Using biometric authentication – the use of a personal feature like facial recognition & fingerprints – to verify a cardholder's identity helps deliver on the company's commitment to making payments not only quicker and easier, but also more safe and secure.

This technology could replace the need to remember and type in passwords to complete purchases when shopping online. Instead, consumers may have the option to simply blink into the camera of their smartphone or use their fingerprints to authenticate transactions.

<http://newsroom.mastercard.com/news-briefs/mastercard-trials-facial-and-fingerprint-biometric-payments-in-europe-and-u-s/>

## 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"> <li>- Performed at least 1 transaction during the last 180 days.</li> <li>- Opened during the last 180 days.</li> <li>- Account has not been suspended /closed/ terminated for any reason.</li> <li>- Fully compliant with KYC requirements as per BB Regulations.</li> </ul>
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"> <li>- Performed at least 1 transaction during the last 90 days.</li> <li>- Opened during the last 90 days.</li> <li>- Agent has not been suspended /closed/ terminated for any reason.</li> <li>- Fully compliant with KYC as per BB Regulations.</li> </ul>
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 transferred 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

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