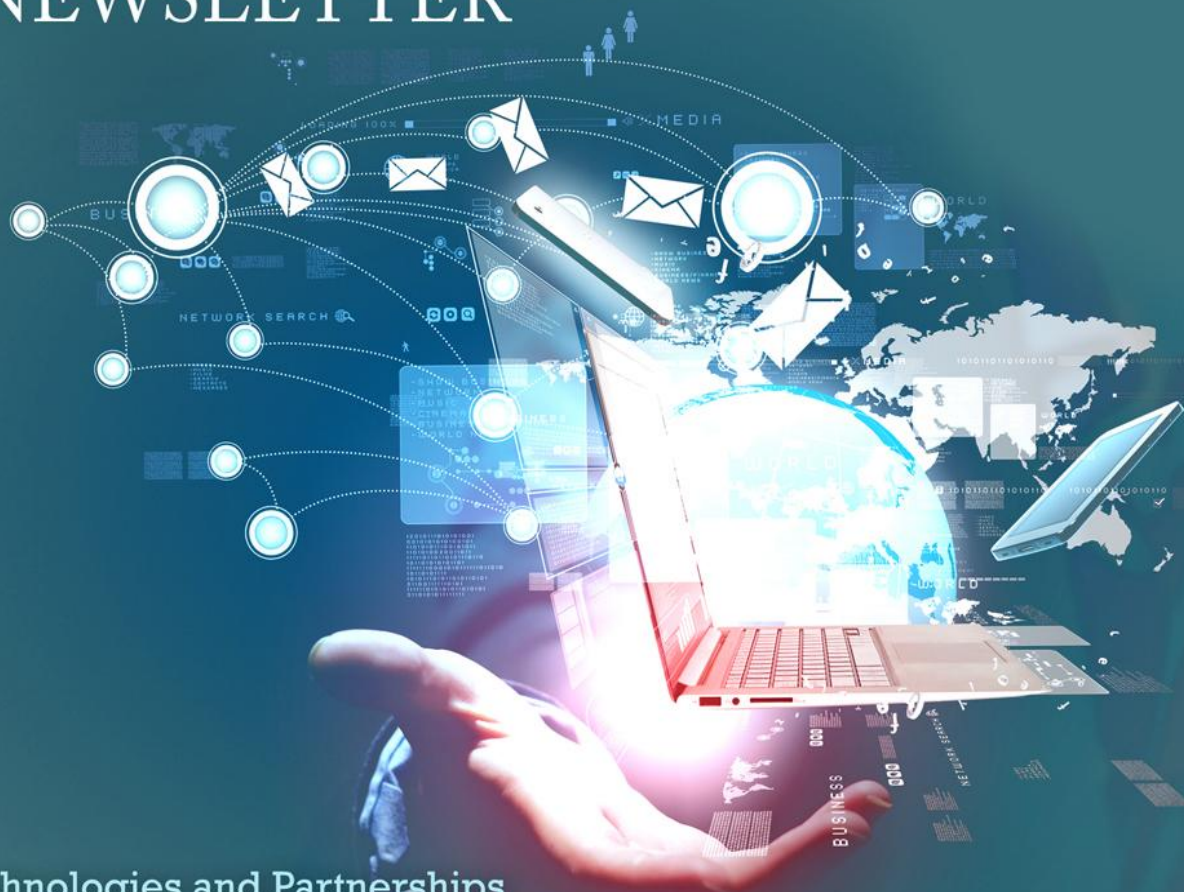


QUARTERLY  
**Branchless  
Banking**  
NEWSLETTER

Jan-Mar 2016

Issue 19



Leveraging Technologies and Partnerships  
to Promote Financial Inclusion

• Analysis	01
• Player-wise market share	07
• Snapshot	08
• Events	10
• Local News	13
• International News	17
• Appendix	20



**STATE BANK OF PAKISTAN**

Agricultural Credit and Microfinance Department

## Branchless Banking Newsletter Team

### **Team Leader**

**Noor Ahmed**

### **Team Members**

**Muhammad Imaduddin**

**Muhammad Ali**

**Ahmed Sumair**

### **Acknowledgement:**

State Bank of Pakistan wishes to acknowledge valuable contributions and data support from Tameer Microfinance Bank Limited (Easypaisa), United Bank Limited (Omni), Mobilink Microfinance Bank Limited (Mobicash), Askari Bank Limited (Timepey), Habib Bank Limited (HBL Express), U-Microfinance Bank (U-Paisa), Bank Alfalah (Mobile Paisa), MCB Bank (MCB Lite) and Meezan Bank Limited (Meezan Upaisa). 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: 021-99221789

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

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

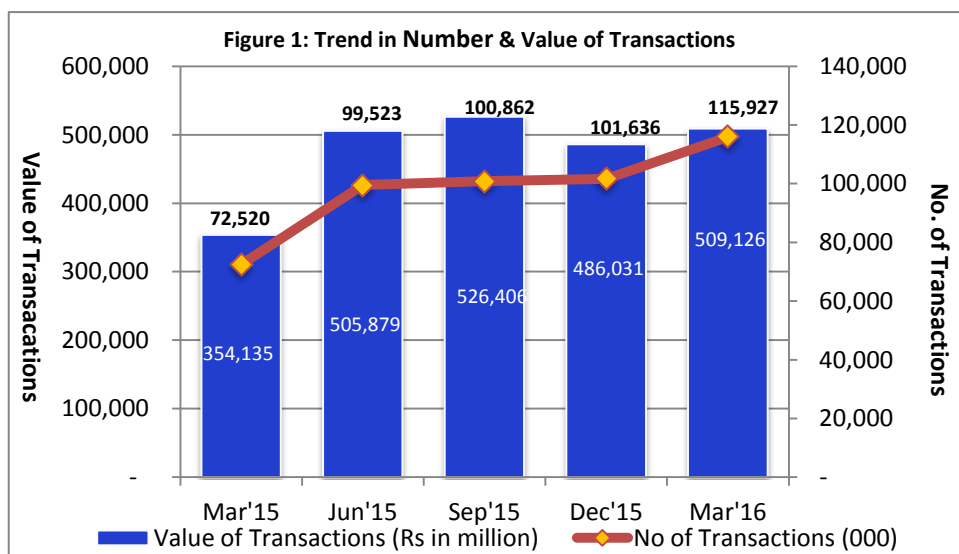
**Disclaimer:** Whilst every effort has been made to ensure the quality and accuracy of this newsletter, the State Bank of Pakistan claims no responsibility regarding the contents of this newsletter. The content and comments in this newsletter are provided for educational purposes and for general information 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

### Executive Summary

Jan-Mar 2016 quarter brought an encouraging development in the branchless banking eco system where Meezan bank emerged as a new entrant, increasing the number of total players to nine.

During the quarter, the total number of BB transactions increased to 115.9 million from 101.6 million. The value of transactions showed similar growth, by escalating to Rs. 509.1 billion from Rs. 486.0 billion in the previous quarter.



On the other hand, the total number of accounts showed negative growth, decreasing to 13.6 million from 15.3 million, attributed to the closure of inactive and zero balance accounts. This decline may be seen as a positive indicator in terms of increasing quality of accounts, which leveraged the active to total account ratio to 52% from 41% in the previous quarter. Similar behavior was observed in m-wallet to OTC transactions ratio which grew to 38%. This means that for every 100 customer-oriented transactions conducted through the BB channel, 38 are made through m-wallets. This ratio was 12% during Jan-Mar 15 and has been consistently progressing since then, showing a promising shift from OTC to the m-wallet channel.

The overall deposits grew to Rs. 10.8 billion, enhancing the average deposit in accounts to Rs. 796. The average number of transactions per day also increased to 1.28 million per day whereas the average size of transaction declined from Rs. 4,782 to Rs. 4,392 which shows that the BB channel is being steadily adopted by the masses for low ticket transactions.

The participation of women in BB account portfolio remains meager, with a 14% share. The industry needs to pull this excluded segments through tailor-made product offerings and awareness campaigns.

Considering the need of digital financial services Pakistan Telecommunication Authority (PTA) and SBP have signed a MoU on Regulatory Framework for Mobile Banking Interoperability to develop a cohesive regulatory framework that leads towards achieving the common objective of providing low-cost mobile banking services. PTA-SBP collaboration will play a key role in achieving the objectives of National Financial Inclusion Strategy 2015. In the back drop of this collaboration SBP issued Regulations for Mobile Banking Interoperability through which authorized financial institutions can operate on a many-to-many model, where many banks and many mobile network operators can offer interoperable financial services to all bankable customers.

## Branchless Banking Analysis

**Table 1: BB Key Indicators**

Indicators	Oct-Dec 2015	Jan-Mar 2016	Quarterly Growth
Number of Agents	301,823	341,403	13.1%
Number of Active BB Agents	232,637	240,220	3.3%
Number of Accounts	15,322,171	13,673,442	-10.8%
Deposits as of date (Rs. in millions )	8,827	10,885	23.3%
Number of transactions during the quarter (No. in '000')	101,636	115,927	14.1%
Value of transactions during the quarter (Rs. in millions)	486,031	509,126	4.8%
Average Size of transaction (in Rs.)	4,782	4,392	-8.2%
Average number of transaction per day	1,129,288	1,288,083	14.1%
Average deposits in Accounts	576	796	38.2%

### Numbers of Branchless banking transactions continue to rise

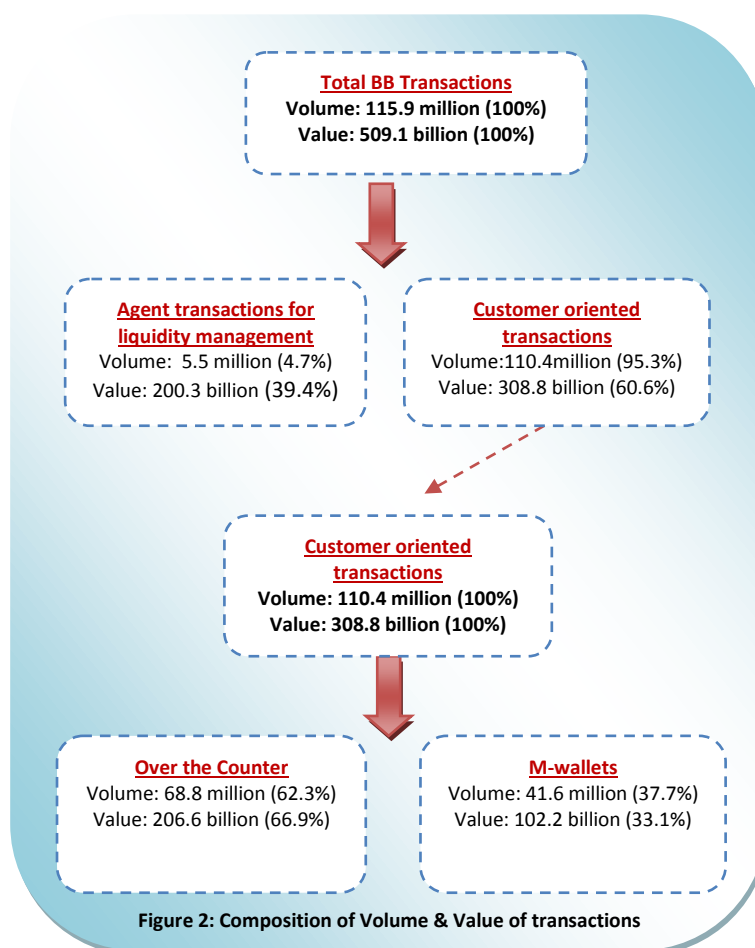
Total Number of BB transactions recorded a growth of 14.1% and reached 115.9 million during Q1-CY16, against a 0.8% rise witnessed during the previous quarter. This strong growth came primarily from a significant 41% increase in Bill payments & Mobile top ups and 33% increase in fund transfers by customers.

The customer oriented transactions had a share of 95.3% with 110.4 million in volume, while the agents' transactions for liquidity purpose remained 5.5 million.

The customer oriented transactions are further segregated into OTC and m-wallet transactions which remained 68.8 million and 41.6 million in volume, enjoying a share of 62.3% and 37.7% respectively.

### The value of BB transactions again rises in the current quarter

A positive growth of 4.8% was observed in the value of BB transactions, which increased to Rs. 509.1 billion from the previous quarter's Rs. 486.0 billion, mainly due to 41% increase in customer oriented, account to account m-wallet fund transfers and 17% increase in m-wallet IBFT fund transfers. The value of customer oriented transactions remained at 308.8 billion with a share of 60.6% in total value of transactions, while, the value of agent transactions stood at 200.3 billion with a share of 39.4%.



## Branchless Banking Analysis

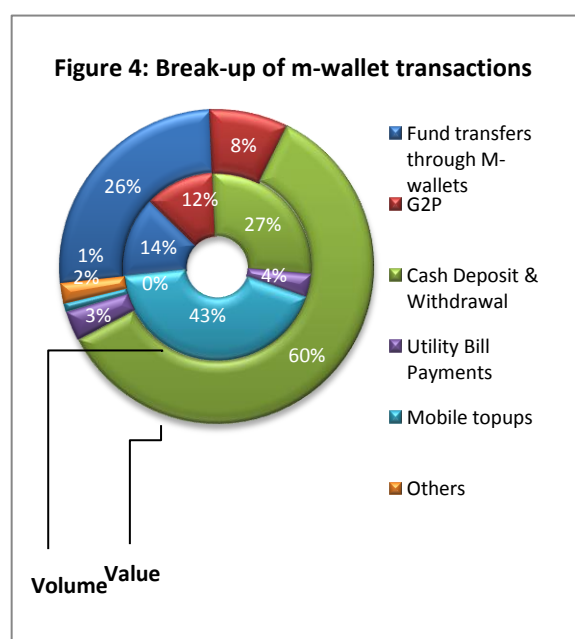
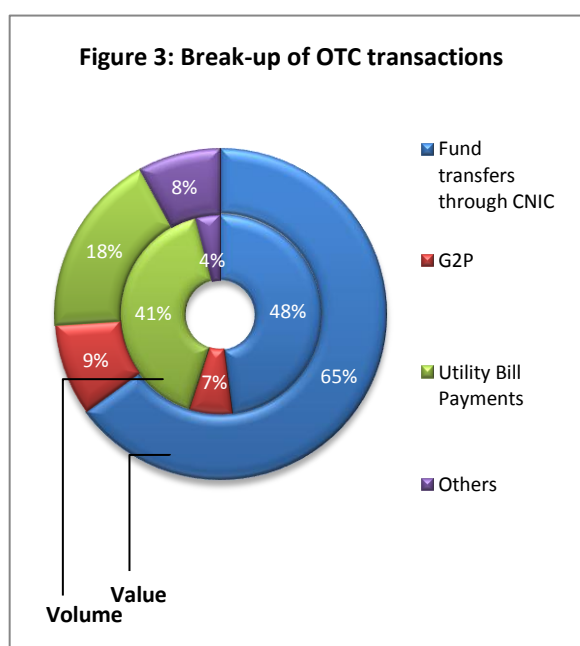
### Customer-oriented transactions increase in volume and value

The customer oriented transactions (which are comprised of OTC & m-wallet transactions and exclude agent transactions for liquidity purpose), witnessed a sizeable increase, added by 13.8 million in volume and Rs. 21.9 billion in value, during Q1-CY16.

In value, the increase was mainly attributed to enhanced activity of Rs. 13 billion in fund transfers, Rs. 4 billion in bills payment and Rs. 5.8 billion in wallet to wallet transfers.

In volume, the customer oriented transactions robustly increased to 110.4 million from 96.1 million showing an increase of 14.8% in current quarter from a marginal 0.5% growth in the previous quarter.

Overall increase of customer oriented transactions were broad based, where 3.4 million came from mobile top ups, 3.3 million from G2P through m-wallet, 3 million from utility bill payment and 1.1 million from m-wallet to m-wallet fund transfers.



The share of OTC transactions in overall number and value of customer transactions remained high, albeit witnessing a slight reduction of 3.5% over the previous quarter. The OTC transactions in the current quarter were 68.8 million, or 62.3% of the overall customers' transactions compared to 63.5 million transactions in last quarter.

The breakup of OTC transactions shows that fund transfer through CNIC and utility bill payments are dominant in terms of both number and value of transactions.

During the quarter, m-wallet holders carried out 41.6 million transactions, showing 25.6% growth in volume compared to last quarter. In terms of value, the amount rose to 102.2 billion, showing an increase of 12%. The growth of 25.6% in terms of volume (number of transactions) as compared to growth of 3% in value (amount) is an encouraging sign that M-wallet usage is getting steady adoption amongst the populace.

Mobile top ups, cash deposit & withdrawal and fund transfers through m-wallets heavily contributed to the volume of m-wallet transactions with 43%, 27% and 14% shares respectively. In terms of value, cash deposit & withdrawal, fund transfers through m-wallets and G2P payments seized 60%, 26% and 8% shares respectively.



## Branchless Banking Analysis

### M-wallet to OTC ratio consistently progresses during FY-2016

The m-wallet to OTC ratio, which is the ratio between number of m-wallet & OTC transactions, escalated to 38% from 34% in the previous quarter. This means that out of every 100 customer oriented transactions, 38 are made through m-wallets and the remaining are through the OTC channel. It is important to mention that this ratio stood at a mere 12% during the quarter Jan-Mar 15 and has been constantly progressing since then.

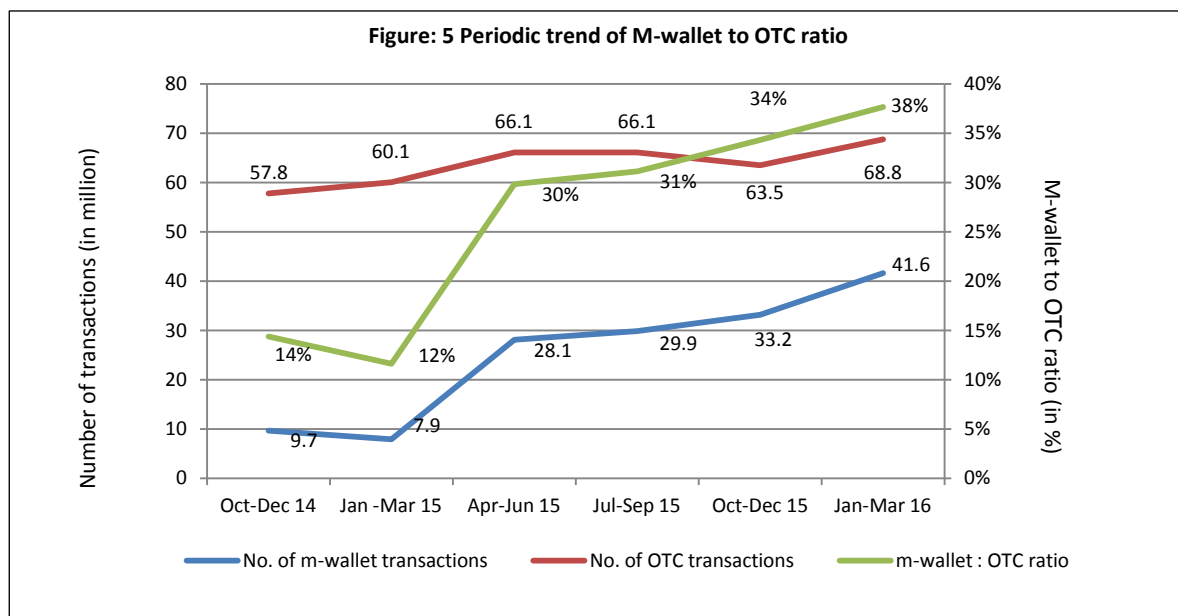
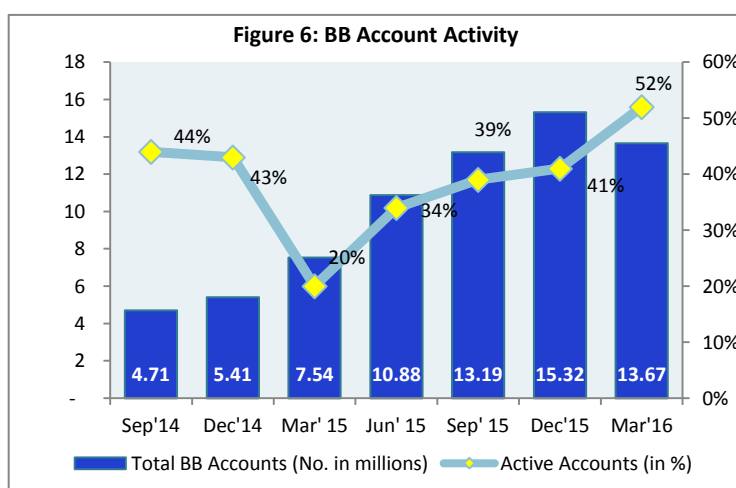


Figure 5 illustrates the historic growth in m-wallet and OTC transactions between the period Jan-Mar15 and Jan-Mar 16. It is evident that OTC transactions have grown from 60.1 to 68.8 million (14.4%) whereas m-wallet transaction have moved encouragingly from 7.9 to 41.6 million (426%) during the same period.

### Negative growth in accounts occurs due to closure of inactive accounts

BB accounts fell by 10.8% and stood at 13.7 million, falling from 15.3 million in the previous quarter. This reduction was due to closure of 2.6 million accounts by Easypaisa on account of inactivity and maintaining zero balance for the last two years.

Figure 7 illustrates the distribution of different levels of BB accounts. The majority of the BB accounts comprise of Level-0 accounts i.e. 92.0%. This is followed by Level-1, Level-3 and Level-2 accounts with shares of 5.2%, 2.5% and 0.3% respectively. The continuous rise in opening of level-0 accounts exhibits that the financially excluded segments of the population are getting access to formal financial services.



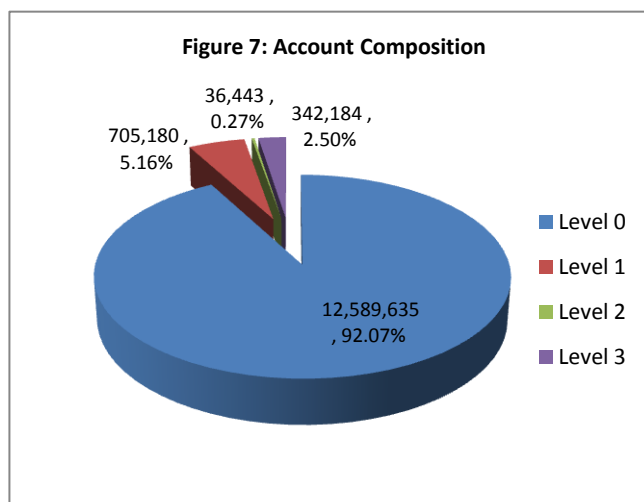
## Branchless Banking Analysis

### Active accounts consistently progress amid decline in Total Accounts

The number of active accounts have been showing a continuous positive trend since Q2-CY15, and stood at 7.1 million at the end of current quarter. Figure 6 depicts that there has been a positive shift in the ratio of active to total accounts; as it moved to 52% from 41% during the quarter.

### Only 3 out of 9 players actively pursue mobile accounts

As far as total and active BB accounts are concerned, the BB players have shown mixed strategies. Table 2 shows an interesting comparison between the three big BB providers in terms of overall and active accounts. Easypaisa, being the industry leader in total account portfolio comes at number two in active BB accounts; whereas Jazzcash has emerged as top player in active BB accounts.



**Table 2: Player-wise Comparison - Total vs Active Accounts**

BB Player	% in Total BB Accounts	% in Active BB Accounts
Easypaisa	52%	24%
Jazzcash	29%	52%
Omni	16%	21%
Others	3%	3%

The remaining players will also need to put concerted efforts to open accounts and mobilize deposits as more than 97% of total as well as active accounts are being maintained by three players.

### Gender-mix of BB accounts portrays a meager share of women

Out of the total 13.6 million mobile accounts, only 1.9 million are of women which shows that the representation of women in Pakistan's branchless banking portfolio is only 14%.

Considering the fact that the National Financial Inclusion Strategy has set a target of 25% of total adult women population to have bank accounts by 2020, the industry must take initiatives, through tailor-made product offerings and awareness campaigns, to include this important segment into the financial realm.

### Steady rise in G2P portfolio

A total of Rs. 21.92 billion were disbursed among 5.05 million beneficiaries during the quarter. BISP remained the major contributor by disbursing Rs. 16.8 billion to 3.7 million beneficiaries, whereas Rs. 4 billion were disbursed to 103,172 million beneficiaries on account of IDP payments.

**Table 3: Break-up of G2P Disbursements**

Program	Beneficiaries	Amount disbursed during the Quarter
BISP	3,724,938	16,825,139,290
World Food Program	282,846	228,990,750
IDP Payments	103,172	4,011,491,100
Others	945,027	854,846,138
<b>Total</b>	<b>5,055,983</b>	<b>21,920,467,278</b>

## Branchless Banking Analysis

### BB average deposits exhibit a sharp increase

During the Jan-Mar16 quarter, the average deposits in BB accounts rose to Rs. 796 from Rs. 576 in the previous quarter. The sharp rise in average deposits were due to massive rise of 36% in Level-0 account, while remaining account levels were showing a negative growth, due to smaller quantum of amount, their impact was negligible. Despite a sharp rise in average deposits, players need to further focus on a large ticket size amounts to minimize operational cost.

**Table 4: Average Deposits in BB Accounts**

Account type	Oct-Dec 15 Rs.	Jan-Mar 16 Rs.
BB Level 0	453	677
BB Level 1	497	635
BB Level 2	2,331	2,619
BB Level 3 (Agents)	6,118	5,315
<b>Average BB Deposits</b>	<b>576</b>	<b>796</b>

### Growth in agent network is attributed to agent sharing phenomenon

Although the numbers show that around 40,000 agents were added during the quarter; around 30,000 amongst these were the agents already present in the market, and onboarded by Meezan Bank which started its operations during the quarter. The cumulative number of BB agents rose to 341,403, however this includes agents mutually shared between BB providers, and hence, the number of unique agents is considered to be less than half of this figure.

### Agent activity increases slightly

The number of active agents increased from 232,637 to 240,220 witnessing a 3.3% quarterly growth. Easypaisa, Waseela and Omni have agents network of 30%, 18% and 12% respectively. The agent activity ratio fell from 77% in the previous quarter to 70% during the quarter under review. The players need to enhance capacity of the agents through capacity building programs to create activity and enhancing customer services.

### Need for Enhanced agent Due Diligence

The BB providers black listed/suspended 1,781 agents during current quarter showing 42% increase of black listed agents compared to previous quarter. The BB providers need to improve due diligence process before entering into agreement with the agents; as such a high ratio of black listing of agents will negatively affect the broader objectives of financial inclusion.

**Table 5: Agent locations with account opening capability**

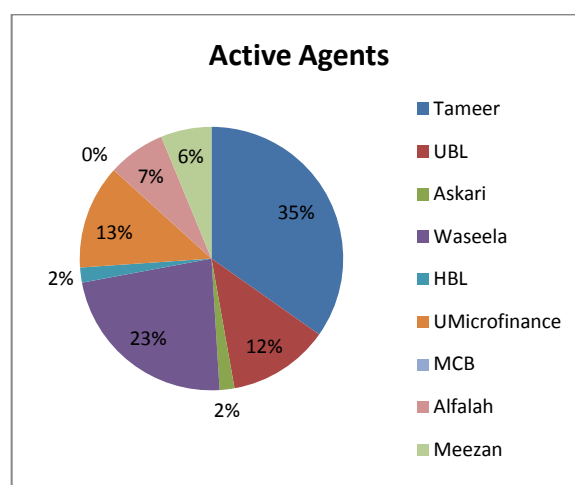
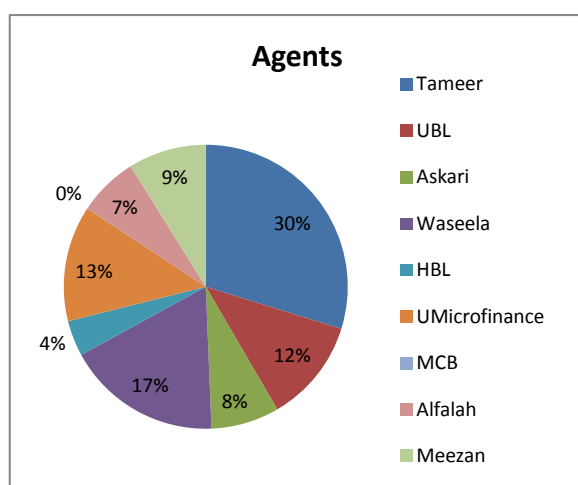
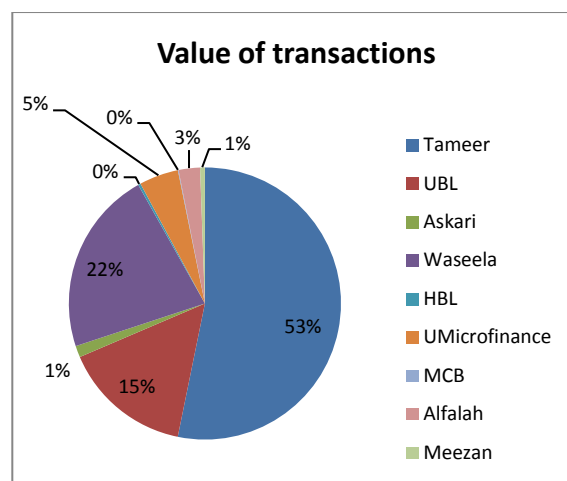
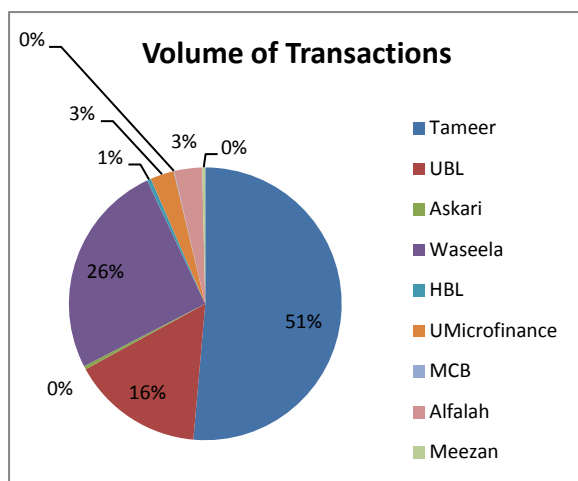
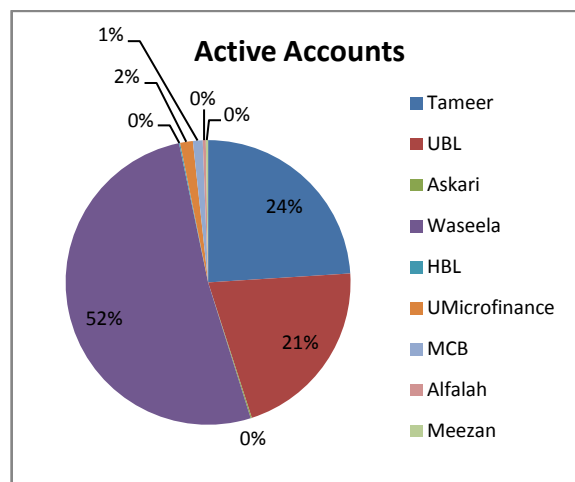
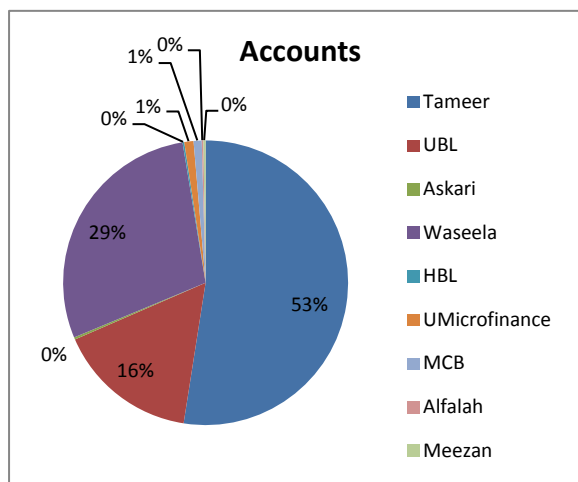
	Oct-Dec 2015	Jan-Mar 2016
Easypaisa	25.2%	25.6%
Omni	100.0%	100.0%
Timepey	4.5%	4.5%
Mobicash	54.7%	54.0%
HBL Express	84.6%	86.2%
Upaisa	2.7%	2.7%
Mobilepaisa	1.5%	1.5%
Meezan Upaisa	-	-
<b>Total</b>	<b>35.9%</b>	<b>33.3%</b>

Table 5 shows the capability of agents to open BB accounts which declined from 35.9% to 33.3% primarily due to the fact that all the agents of Meezan bank have been reported to be currently incapable of account opening.



### Player-wise market share

This section presents the market share of each player in the categories mentioned below:



## Branchless Banking Snapshot

**Table 6: Volume & Value of different types of transactions**

S.#	Type of Transactions	Oct-Dec 2015		Jan-Mar 2016	
		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	4,169,842	114,766,338,346	4,604,916	111,860,756,716
	Agent account to bank account	136,720	8,007,659,194	151,464	7,440,749,821
	Bank account to agent account	395,926	63,773,971,491	407,800	68,699,356,132
	Cash Deposit in L3 by agents	302,215	12,568,053,108	315,301	12,276,098,720
<b>2</b>	<b>Fund Transfers</b>				
	a. <i>Fund transfers through M-wallets</i>				
	MW to MW transfers	3,355,795	13,792,257,777	4,508,360	19,577,565,291
	MW to bank account transfers	10,379	105,040,270	74,783	534,898,489
	Bank account to MW transfers	24,517	343,687,709	31,575	528,395,940
	MW-to-person fund transfers	957,817	3,207,268,993	1,098,805	4,058,679,170
	b. <i>Fund transfers through CNIC</i>	-	-	-	-
	Person to person sending	14,994,949	64,825,504,964	15,749,156	66,951,620,064
	Person to person receiving	16,133,794	68,523,415,258	17,265,518	72,177,755,164
<b>3</b>	<b>Bulk Payments</b>				
	a. <i>Government to Person Payments</i>				
	G2P through MW	1,482,746	6,768,611,067	4,902,822	7,968,054,312
	G2P through card	2,229,989	9,702,382,031	2,676,601	10,785,115,840
	b. <i>EOBI Pensioners</i>				
	Pension payment through MW				
	Pension payment through OTC				
	Salaries payments and Others	31,638	434,414,575	54,221	805,704,517
<b>4</b>	<b>Cash deposit &amp; withdrawal</b>				
	Cash Deposited in MW (including person to MW transfers)	6,167,137	31,545,057,155	7,085,532	34,980,511,052
	Cash Withdraw from MW	4,505,124	24,741,185,191	4,158,113	21,991,571,302
	Cash withdraw through card (G2P)	1,813,338	10,738,341,575	1,960,412	9,142,272,047
<b>5</b>	<b>Bill payments &amp; Top-ups</b>				
	Utility Bills Payment	27,118,070	35,884,757,191	29,819,203	40,136,563,910
	Internet Bill Payments	354,324	502,628,321	206,079	299,210,045
	Mobile Top-ups	15,096,992	1,009,656,245	18,486,743	1,202,128,652
<b>6</b>	<b>Loan</b>				
	Disbursement	1,262	9,225,739	1,149	7,422,416
	Repayment	1,096,549	4,374,858,720	1,106,219	4,484,130,639
<b>7</b>	<b>Others</b>				
	Donations	9,999	7,447,502	33,898	16,537,359
	Retail Payments	247,425	238,108,809	199,782	315,862,135
	International Home remittance	17,981	540,214,641	17,500	520,002,780
	Account Opening Transactions	143,144	20,466,036	99,492	15,482,057
	Cash collection/payment services	452,970	2,716,761,716	514,660	4,293,012,860
	IBFT	385,294	6,883,700,065	397,328	8,056,145,281
	<b>Total</b>	<b>101,635,936</b>	<b>486,031,013,689</b>	<b>115,927,432</b>	<b>509,125,602,711</b>

## Branchless Banking Snapshot

**Table 7: 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>				
<b>Fund transfers through M-wallets</b>				
MW to MW transfers	-	-	4,508,360	19,577,565,291
MW to bank account transfers	-	-	74,783	534,898,489
Bank account to MW transfers	-	-	31,575	528,395,940
MW-to-person fund transfers	-	-	1,098,805	4,058,679,170
Person to MW fund transfer	12,207	54,947,789	-	-
<b>Fund transfers through CNIC</b>				
Person to person sending	15,749,156	6,6951,620,064	-	-
Person to person receiving	17,265,518	72,177,755,164	-	-
<b>Bulk Payments</b>				
<b>Government to Person Payments</b>				
G2P through MW			4,902,822	7,968,054,312
G2P through card	2,676,601	10,785,115,840	-	-
<b>EOBI Pensioners</b>				
Pension payment through MW				
Pension payment through OTC				
Salary payment and Others	-	-	54,221	805,704,517
<b>Cash deposit &amp; withdrawal</b>				
Cash Deposited in MW (excluding person to MW transfers)	-	-	7,073,325	34,925,563,263
Cash Withdrawal from MW	-	-	4,158,113	21,991,571,302
Cash withdrawal through card (G2P)	1,960,412	9,142,272,047	-	-
<b>Bill Payments &amp; Top ups</b>				
Utility Bills Payment	28,226,030	37,627,108,532	1,593,173	2,509,455,378
Internet Bill Payments	178,509	267,321,174	27,570	31,888,871
Mobile Top-ups	876,592	123,255,650	17,610,151	1,078,873,002
<b>Loan</b>				
Disbursement	1,149	7,422,416	-	-
Repayment	1,097,223	4,449,866,502	8,996	34,264,137
<b>Others</b>				
Donations	1,637	346,498	32,261	16,190,861
Retail Payments	158,956	22,6242,473	40,826	89,619,662
International Home remittance	16,990	510,773,240	510	9,229,540
Account Opening Transactions	99,492	15,482,057	-	-
Cash collection/payment services	514,499	4,292,134,762	161	878,098
IBFT	-	-	397,328	8,056,145,281
<b>Total</b>	<b>69,232,299</b>	<b>214,687,809,489</b>	<b>41,612,980</b>	<b>102,216,9777,114</b>

## Events

### **Workshop on “Financial and Social Inclusion through Mobile Money and M-Commerce” at Islamabad.**



Governor SBP, Mr. Ashraf Mahmood Wathra



H.E. Ambassador of Sweden, Ms. Ingrid Johansson

Governor SBP, Mr. Ashraf Mahmood Wathra and the Ambassador of Sweden, Ms. Ingrid Johansson co-hosted a one day workshop on “Financial and Social Inclusion through Mobile Money and M-Commerce” on August 10, 2016 in Islamabad. International experts from Sweden shared their experiences for digitizing the payment landscape in Sweden, Peru and Rwanda, for enhanced financial and social inclusion. The event was attended by public sector officials from related ministries and departments.

In his opening remarks, Governor SBP said that as policy makers we must adopt inclusive approaches while developing policies and infrastructures that can offer equal opportunities to all to enhance social and financial inclusion. He said that Pakistan has made significant efforts to make financial markets more inclusive and SBP has been on the forefront to develop an inclusive digital financial services ecosystem in Pakistan where mobile money can be utilized for basic financial services such as funds transfers, bill payments, retail payments and access to credit. SBP issued the Branchless Banking regulations in 2008 and since then, Branchless Banking has witnessed tremendous growth.

He shared that SBP's efforts for promotion of financial inclusion have been yielding remarkable results. Today, Pakistan is considered as one of the fastest growing markets for branchless banking due to its innovative policy approach which has helped catalyze business models and technological innovations to build banking channels for low income households.



H.E. Ingrid Johansson, Ambassador of Sweden to Pakistan said that the Swedish government is supportive of public and private sectors collaborating for innovations. Later, a presentation was given



## Events

by Dr. Niklas Arvidsson to highlight the path of Sweden's evolution from Cash driven to Cash-lite society through digital financial services which started in 1960. He said that though Sweden has made significant progress towards digitization of payments, it is still expected that it cannot become a cashless society before 2030. SBP also shared the progress of creating interoperable digital services, and the National Financial Inclusion Strategy. It was stressed that Interoperability cannot be exclusive and a collaborative approach can lead to develop a uniform digital platform that can facilitate financial and social inclusion. Experts from Ericsson also gave a presentation for the participants about experiences of other countries such as, Rwanda, and Peru, who have achieved effective digitization of payments to advance social and financial inclusion, to create a cashless society.



Concluding the workshop, Syed Samar Hasnain - Executive Director-DFG thanked the Swedish Ambassador for establishing the collaboration and co-hosting the session possible. He elaborated that financial and social inclusion of excluded pockets of the society is a necessary pre-condition for ensuring sustainable and equitable economic growth. With the launch of the National Financial Inclusion Strategy, SBP is now ready to build strong partnerships with industry stakeholders and push forward the reforms to achieve universal financial inclusion in an integrated and sustained manner. He said that Pakistan is standing at the brink of a digital financial revolution that can pave the way towards how the masses perceive and use financial services. He thanked the experts for their detailed presentations and the participants for attending the event.

The workshop was well attended by senior representatives from federal and provincial ministries and departments including PTA, NADRA, SECP, Pakistan Post, and Ministries of Finance, Commerce, Auqaf, and Information Technology.

### **AC&MFD arranged a Video Conference on “Interoperable e-money Platform”**

Ms. Carolina Trivelli is a former Minister of Development and Social Inclusion of Peru. She is working on “interoperable e-money platform” aiming to contribute to Peruvian financial inclusion strategy. The event was arranged by AC&MFD at SBP on 27<sup>th</sup> July 2016 where she delivered a video conference presentation to SBP officials on Mobile banking developments in Peru. The presentation was attended by Deputy Governor (FM, IB & SIs), Mr. Saeed Ahmed and other senior officials of SBP.

In recent years, Peru has been recognized as one of the most dynamic economies in Latin America. Economic growth averaged 6.5% over the last decade and has remained strong despite the fluctuations caused by international crises. By the end of 2015, the country's GDP amounted to US\$ 191 billion, while GDP per-capita reached US\$ 5,993. Prudent fiscal and macroeconomic policies have resulted in a low and stable inflation and a budget surplus. The inflation rate averaged 2.9% during the last ten years, the lowest ratio in the region, while the non-financial public sector recorded an economic surplus equivalent to 2.2% of 2012 GDP. The impressive economic growth



## Events

experienced by the country has also had a positive impact on poverty reduction. The poverty rate declined from 48.5% to 23.9% between 2004 and 2013.



Only 30% of Peruvian adults have an account at a formal financial institution and despite there was no financial institutions in rural and low income areas in Peru. However, mobile penetration is very high where 90% of Peruvians own one mobile phone. Global Microscope (Economist Intelligence Unit) places Peru as the country with the best enabling environment for microfinance and financial inclusion in 2015 and Peru is one of the 25 priority countries where the World Bank Group is focusing its financial inclusion efforts.

BIM (mibim.pe) was launched recently in Peru, the brand of the new mobile wallet (billetera móvil), which has a comprehensive public-private support system behind it. This financial product was the result of Peru Model strategy led by the association of financial institutions in coordination with the Peruvian government, regulators, mobile network operators and other relevant stakeholders. The platform operates on any mobile phone and enables fully interoperable digital financial services across mobile networks and financial services providers in Peru. The electronic wallet allows for transactions – deposits, transfers or withdrawals - of up to Sol 999 (USD 285). The technology on which the system is based complies with the highest security standards and the commercial terms are certified by international standards, processed in few seconds and having low cost.



A platform accesible for all: USSD

### Registration instructions:

1. **\*838#**
2. **ID data**
3. **Secret password**
4. **Accept terms & conditions**
5. **Choose the financial institution of preference that will backup your e-wallet.**



## Local News

**Pakistan Telecommunication Authority and SBP signed MOU on Regulatory Framework for Mobile Banking Interoperability**

SBP and Pakistan Telecommunication Authority (PTA) signed a Memorandum of Understanding (MoU) on 16<sup>th</sup> of May 2016, on Regulatory Framework for Mobile Banking interoperability to formalise cooperation between the two institutions for common objectives. Minister of State for IT and Telecom Anusha Rehman, Governor, SBP, Mr. Ashraf Mahmood Wathra, Chairman PTA, Dr Syed Ismail Shah and Jeffrey Hedberg, CEO & President Mobilink attended the ceremony. Senior management of the commercial banks, cellular mobile operators and senior officers from PTA and SBP also attended the ceremony. Chairman PTA highlighted the potential of Mobile Banking services in Pakistan and said there was a huge incentive to capitalize on the next generation mobile banking opportunities and all institutions should work together to include the unbanked population in banking services through digital platforms in the next 5 years. He also said, PTA would ensure security standards required for protecting consumer sensitive data and consumer financial data.

The minister for IT & Telecom said that these regulations shall not only provide a level playing field for telecom companies and financial institutions, but also introduce a neutral third party model where telecom companies and banks can join hands together to create a sustainable mobile banking ecosystem. The Minister said that, the objective of the strategy is to build momentum in order to achieve financial inclusion targets of National Financial Inclusion Strategy that also aims at providing access to 50% of the adult population by 2020.

Governor, SBP said that MoU signed between PTA and SBP will be remembered as a mile stone in the history of telecom and banking sector. He further said that branchless banking is a modern facility for the people of Pakistan; it will bring convenience of use to the customers and a positive impact to the GDP growth of the country.

Mr. Jeffrey Hedberg, CEO & President Mobilink said that, our market has rapidly grown and Mobilink is proud to be a leading player, along with other operators in pushing this agenda forward.

SBP and PTA signed MoU to develop a cohesive regulatory framework that leads towards achieving the common objective of providing the low cost mobile banking services. PTA-SBP collaboration will play a key role in achieving the objectives of NFIS and for the future growth of digital financial services and financial inclusion in Pakistan.

## Local News

In the back drop of this collaboration SBP issued Regulations for Mobile Banking Interoperability through which Authorized Financial Institutions can operate many-to-many model where many banks and many mobile network operators can offer interoperable financial services to all bankable customers.

### **Special Communication Organization (SCO) steps into 'Branchless Banking' to facilitate hard to reach areas of AJK & GB**

SCO has partnered with Bank Alfalah to make its entry into Branchless banking system. The product will be started with the brand name of S-Paisa, soon be launched for people of Azad Jammu & Kashmir (AJK) and Gilgit-Baltistan (GB). By launching of S-Paisa, people across AJK and GB would be able to send and receive money, pay utility bills and do mobile top ups. In this regard, SCO and Bank Alfalah have inked an agreement recently. The initiative aims to serve six million people living hard to reach areas, mostly excluded from the banking system and also expected to have positive effects on socio-economic conditions of the population.



SCO is a public sector organization working under Ministry of IT (Government of Pakistan), established in 1976 to develop, operate and maintain telecom services in Azad Jammu & Kashmir and Gilgit-Baltistan. SCO has developed massive IT & Telecom infrastructure including laying of over 2500 kilometer Optical Fiber Cable network across the entire length and breadth of the area. Today, SCO stands the largest telecom network / service provider equally focusing on urban and rural areas development. SCO is providing telecom services to both public and private sector in AJK & GB. It has a unique distinction of providing all brands of telecom services from voice to data under one platform. SCO services to the people include landline telephony (PSTN), wireless local loop (WLL), cellular mobile (GSM) broadband internet (DSL), digital cross connect (DXX), long distance international (LDI), domestic private leased circuits (DPLC) and co-location facilities to telecom industry players operating in the entire region.

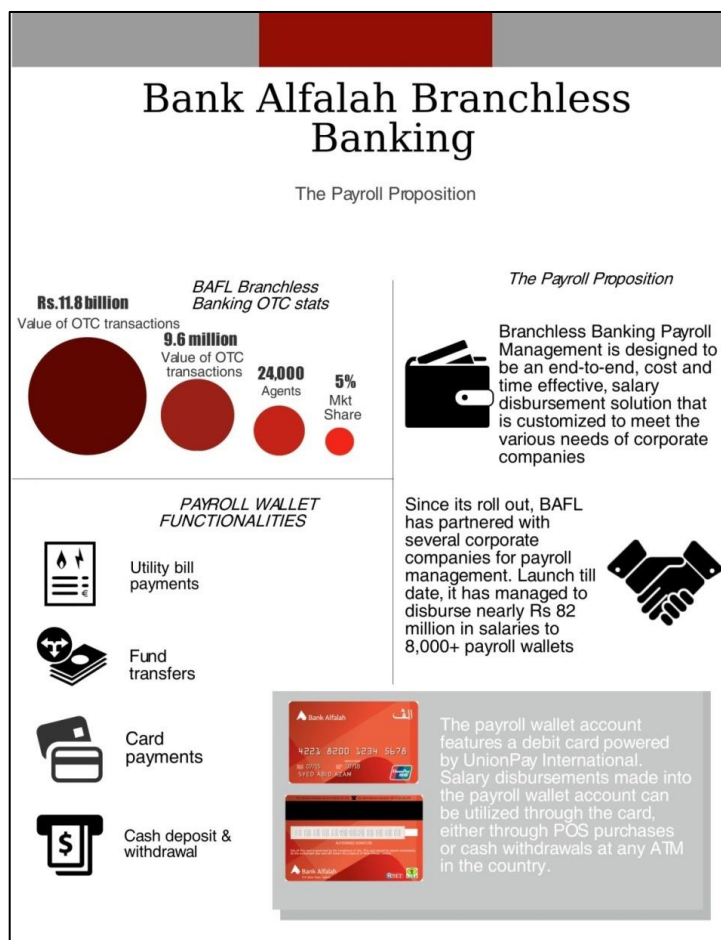


## Local News

**Bank Alfalah Payroll proposition**

Despite efforts to foster financial inclusion, and creating value propositions that would encourage the same, nearly 100 million individuals of Pakistan's population still remain unbanked. The disparity tends to become more prominent when the urban to rural ratio of the unbanked population of the country is taken into account. Since the urban unbanked are still a relatively easier market to tap into, many financial institutions find it easier to accommodate the urban population's needs and demands within their own financial inclusion strategy. One of the initiatives being pursued by Bank Alfalah Branchless Banking involves automation of the salary disbursement processes for corporate companies. The move is perfectly aligned with the aim to target the unbanked population, as most non-management staff is paid in cash for their services. The launch of the payroll proposition serves a twofold purpose - not only does it develop an incentive for these prospective customers to be

introduced to banking and hence become users of accounts, but also serves the purpose of eradicating the use of cash in the system. The payroll wallets are designed to have full functionality as any other normal bank account. This means that its functionality includes utility bill payments, fund transfers, card payments, and cash deposits and withdrawals. The full functionality features makes it as good as any another account that could be opened in a bank, thereby increasing the incentive to use mobile wallets as a regular mode for conducting transactions. So do these corporate companies get to dish out a slice of the pie when they sign up for the payroll management product with Bank Alfalah? The answer is yes. Since these companies handover their payroll management to Bank Alfalah, they have a reduced dependency on in-house resources for the manual task of salary disbursement. In exchange for this arrangement, the companies are charged a competitive fee. In addition to this, Bank Alfalah processes salary disbursements at the same time for all employees, ensuring that all employees receive their payments without any interruption – a problem that these companies previously encountered at salary pay out times, since their staff would be working in different shifts. With complete digitization of the payroll process, companies are also saved from the trouble of having to deal with various denominations of currency notes to give out full salaries to employees. It also alleviates the risk associated with holding too much cash when salaries are due to be handed out.



## Local News

With the launch of this product, Bank Alfalah Branchless Banking has managed to bring in over 8,000 payroll wallet account users in a span of 6 months. Simultaneously, it has managed a total disbursement of nearly Rs. 82 million into these accounts till June 2016. Existing payroll management agreements are expected to roughly double the number of payroll accounts as more and more employees of these companies are issued with payroll wallets. Moreover, Bank Alfalah Branchless Banking is in the process of signing up more companies for their payroll product, which is expected to bring a substantial upside in the number of wallet accounts issued by Branchless Banking. As Bank Alfalah meets its own objective to increase its Branchless Banking presence in the market, it simultaneously works towards enhancing financial inclusion in Pakistan as well.

### **Bank Alfalah BB acquires mandate for EOBI Pension disbursement and collection in Pakistan**

After the success of the BISP social payment scheme, Bank Alfalah Branchless Banking has added another feather in its cap as it joins hands with Employees' Old-Age Benefits Institution (EOBI). The project falls under the G2P umbrella within the Branchless Banking unit. The two parties have signed a support agreement for the administration and organization of the pension collection and disbursement processes through tailored and professionally designed mechanisms. The scope of the agreement between Bank Alfalah and EOBI gives Bank Alfalah exclusive rights from EOBI for 'Contribution Collection' from employers and 'Pension disbursement' to pensioners. The relationship between the two parties has been agreed for duration of 5 years.

**Bank Alfalah**

**350,000+ Pensioners**   **98,000 Contributors**

**Wider Access Points**  
Bank Alfalah will offer pensioners with wider access channels for withdrawal of pension funds from their wallet account

Bank Alfalah Branches	600+
Cities	63
ATM's	10,000+
POS Machines	40,000+

**Collection and Disbursement Services**  
Bank Alfalah will be managing the contribution collection and pension disbursement process for 98,000 contributors and 350,000+ pensioners

**Pension Wallet with UnionPay Card**  
Bank Alfalah has used its Alif Wallets as pension accounts for EOBI.

**Growth in Pensioner Network**

Monthly contribution collection	Rs. 1.5 billion
Monthly pension disbursement	Rs. 2.1 billion
Average disbursement to pensioner	Rs. 5,250
Annual increase in pensioners	30,000+
Annual increase in collections and disbursements	10%

**Transactions Through Card**  
Cash withdrawals  
Balance enquiry  
Mini statement  
PIN change  
POS and M-POS purchase

### **Revolutionizing the pension disbursement process**

Recollecting the pension disbursement process before the signing of this agreement – the disbursement was managed by EOBI. The institution had joined hands with NBP to facilitate pension disbursements to pensioners. This process would require pensioners to visit designated NBP branches only, with their EOBI passbook to collect their pensions in cash. The pension disbursement process lacked the agility and sophistication to make it simple for pensioners to gain access to their funds, with limited touch points to collect pensions. Keeping that in mind, Bank Alfalah Branchless Banking presented a solution that would counter these problems ensuring that the process was more streamlined for the ease and convenience of pensioners.

To this end, Bank Alfalah Branchless Banking will be using their newly designed Alif Wallets for the project that have been tailored to EOBI's requirements to only allow deposits by EOBI into the account. With the aim of eradicating cash from the system, the pension disbursement process will be entirely digitized with no physical dealing of cash at the time of disbursements. In order to open these pension wallets, pensioners would be required to visit any Bank Alfalah branch for biometric verification. After successful account opening, the pensioner will





## International News

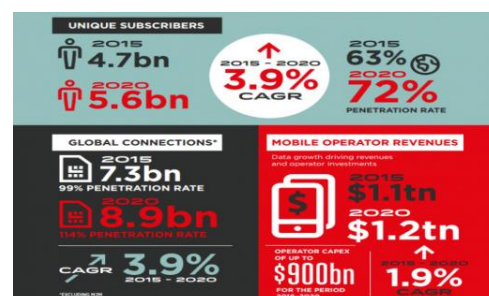
be issued a pension wallet pack which contains an Alif debit card. The card will facilitate customers in utilizing their funds at POS terminals for purchases, and cash withdrawals through ATMs across the country. Pensioners will need to visit a Bank Alfalah branch every six months to complete a shorter biometric verification process and establish proof of life.

Bank Alfalah has rolled out the pension wallets to its branches and has begun pensioner registrations and account opening since 23rd May 2016. 10,000 pensioner registrations have been carried out till 30th June 2016. Official pension disbursement to the registered pensioners is set to commence from during Q3-CY16.

### **The Mobile Economy 2016 by GSMA Intelligence**

#### **Global subscriber's base set to reach 5.6 billion by end of 2020**

The year 2015 has been showing continued growth in the mobile industry, with more than 7.6 billion mobile connections (representing 4.7 billion unique subscribers) and operator revenues of more than \$1 trillion. The acceleration of 4G has been a major highlight; the global 4G connection base passed the 1 billion mark in 2015. 4G networks are now available in 151 countries across the world. The global subscriber penetration rate now stands at 63%, with regional penetration rates ranging from 43% in Sub-Saharan Africa to 85% in Europe.



However, overall subscriber growth rates continue to slow, due to saturation in developed markets and the difficulties of connecting low-income populations in developing markets. The global subscriber base will reach 5.6 billion by the end of the decade, by which point over 70% of the world's population will have a mobile subscription.

#### **Mobile plays a key role in socio economic development**

Mobile technology plays a central role in addressing a range of socio-economic developmental challenges across the developing world, particularly digital and financial inclusion. This will drive economic and infrastructure development, increasing productivity and employment across the economy, as well as improving access to vital services such as education and healthcare. The mobile money industry is now widely established, bringing financial inclusion to a growing number of previously unbanked and underbanked populations across the developing world. Mobile money services are now available to 1.9 billion people globally, previously unbanked customers can benefit from the choice, security, convenience and affordability often missing with cash-based operations.



At the end of 2015, 2.5 billion individuals across the developing world were accessing the internet through mobile devices, a figure that will increase by more than 1.3 billion by 2020. However, more than 40% of the population in the developing world will still lack internet access by the end of the decade. Similarly, there are 270 live services in over 90 countries, with over 100 planned new service launches. There are now 60 markets with at least two mobile money services, and many have three or more. Improving the affordability of mobile services and extending network coverage to rural areas are particular challenges, given the high levels of poverty and the large proportion of the population living in rural areas. Operators, other ecosystem players, governments and regulators all have a role to play in addressing these challenges.

#### **Realizing the potential of mobile money, interoperability and its impact**

The opportunity for mobile money to contribute to financial inclusion and economic growth exists far beyond what the industry has achieved today. Recent data shows that digitising payments through

## International News

mobile money helps to decrease the velocity of money, weakens the informal economy and improves the economic circumstances of the poor. By empowering women and farmers, for example, mobile money has the potential to profoundly and positively strengthen social cohesion and reduce inequality. There are a number of enablers that need to be in place to fully realise the potential of mobile money services:

- Overcoming regulatory barriers and establishing an enabling regulatory environment that supports the growth of mobile money services and the realisation of increased financial inclusion.
- Committing to long-term investment and building strong operational foundations to support the sustainability and scale of mobile money.
- Driving industry collaboration, including delivering interoperability.
- Delivering a broader range of digital transactions to make mobile wallets more central to the lives of users.

As the mobile money industry becomes more competitive, the opportunity for industry collaboration and interoperability grows. There are 60 markets globally that have two or more live mobile money services and 36 markets that have three or more live mobile money services. Account-to-account interoperability between mobile money deployments has already been implemented in five markets (Indonesia, Sri Lanka, Tanzania, Pakistan and Rwanda) and will be implemented in at least one more market in early 2016. Interoperability needs to happen between mobile money providers, and between mobile money providers and banks. <http://gsmamobileeconomy.com>

### **Philippines: Smart Powers Financial Inclusion Project in Iloilo**



Smart Communications Incorporated, a mobile services subsidiary of publicly-traded PLDT Incorporated (formerly the Philippines Long Distance Telephone Company), has partnered with the Philippine nonprofit International Care Ministries Foundation (ICMFI) to provide Smart Communications' "SMART Money" mobile banking accounts to members of the Pototan community in Iloilo province. The introduction of mobile banking technology for the purposes of intra-community saving and lending builds upon ICMFI's Catalyzing Entrepreneurship Among Iloilo's Ultrapoor (CEAIU) project, a 17-month program funded by a donation of USD 230,000 from the United States Agency for International Development (USAID) that seeks to "build entrepreneurial skills, provide micro-loans, create savings groups in impoverished communities, and launch home-based businesses". In addition to providing mobile bank accounts, Smart will lead training sessions on how to use the Smart Money platform for savings, loan disbursement and payment collection.

### International News

Smart provided the Pototan community with Smart Money accounts which members can use to pool the savings from their livelihood earnings into a revolving fund. Beneficiaries used to physically transfer money and hide their funds underground. Aside from providing mobile money accounts,

Smart will also conduct financial literacy sessions to teach the beneficiaries how to use Smart Money for basic savings, loan disbursements, and collection of payments.

<http://www.telecompaper.com/news/smart-powers-financial-inclusion-project-in-iloilo--1153519>

## Appendix 1: Definitions of Terminologies

BB Terminology	Definition
<b>Level 0 account (L0)</b>	Basic MW account with low KYC requirements and low transaction limits.
<b>Level 1 account (L1)</b>	Entry level MW account with adequate KYC requirements commensurate with transaction limits.
<b>Level 2 account (L2)</b>	Top level MW account for individual customers offering all BB facilities and subject to full KYC requirements.
<b>Level 3 account (L3)</b>	Account specific for BB agents, third-party service providers, or businesses.
<b>M-wallets (MW)</b>	All level 0, level 1, and level 2 BB accounts.
<b>BB Accounts</b>	M-wallets plus level 3 accounts (Level 3 mainly represents agents' accounts).
<b>Banking account</b>	Banking account means a regular bank account maintained in bank branch by agents/customers.
<b>Active M-wallet account</b>	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>
<b>Inactive M-wallet account</b>	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.
<b>Active Agent</b>	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>
<b>Inactive agent</b>	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.
<b>Average Size of Transaction (in Rs.)</b>	Value of transactions divided by number of transactions.
<b>Average number of transaction per day</b>	Number of transactions during the quarter divided by 90 days.
<b>Account to account transfer (MW holders)</b>	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.
<b>Account to account transfer ( by Agents)</b>	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.)
<b>MW to person transfer</b>	Number of transactions and amount transferred from MW to person (transfer on customer's computerized national identity card (CNIC)).
<b>Person to person transfer</b>	Number of transactions and amount of money transacted through OTC (transactions from one CNIC to another CNIC).

## Appendix 1: Definitions of Terminologies

BB Terminology	Definition
<b>G2P payments</b>	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.