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# Branchless Banking

*Newsletter* Quarterly



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State Bank of Pakistan  
Agricultural Credit and Microfinance Department

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### **Acknowledgement:**

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## Branchless Banking Analysis

### Executive Summary

During the Oct-Dec 2017 quarter, the growth in Branchless Banking Accounts continued with the same pace, with 4.2 million accounts opened during the quarter. The total number of BB accounts in the country rose by 13% to reach 37.3 million accounts, whereas the number of active BB accounts<sup>1</sup> increased by 24% to reach 19.3 million. It is encouraging to note that around 10 million accounts have been opened during the last two quarters (Jul-Sep and Oct-Dec 2017).

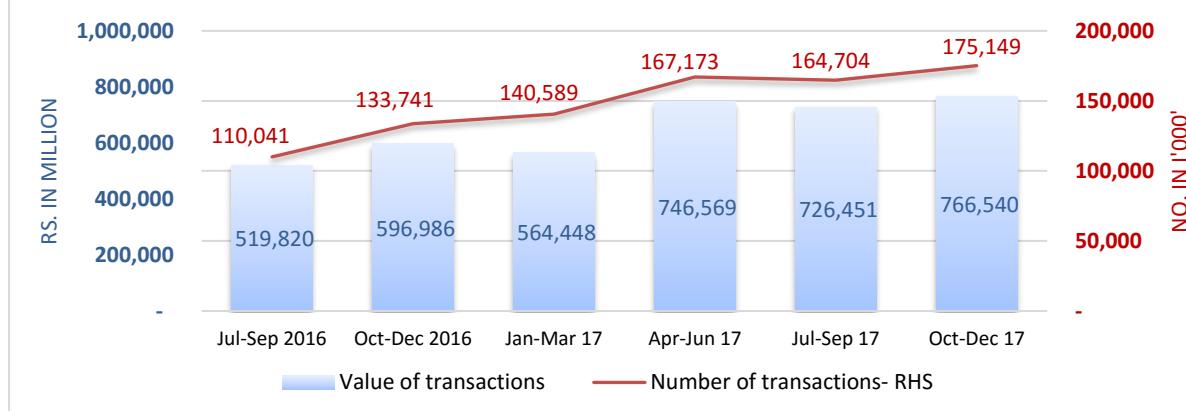
An amount of Rs. 32 billion was disbursed on account of Social Welfare Payments during the quarter under review. Benazir Income Support Program (BISP) remained the top contributor as usual with disbursements of Rs. 23.5 billion (74%), followed by Employees Old Age Benefits Institution (EOBI) pension payments and payments to Internally Displaced Persons (IDP) with Rs. 6.3 billion (20%) and Rs. 507 million (2%) respectively.

The active agents<sup>2</sup> grew by 11,364 in number, resting at 192,741, showing a 6% rise from preceding quarter. The total number of BB agents stood at 405,673.

### QUARTERLY HIGHLIGHTS

- BB deposits grew by 87% to reach at 21 Rs. billion
- M-wallet share in customer oriented transactions rose to 71%
- Encouraging growth of 13% in BB accounts to reach at 37.3 million
- Rs. 32 billion disbursed on account of social welfare payments through BB platform
- An average of 1.9 million transactions conducted per day during the quarter

**Figure 1: Trend in Number & Value of Transactions**



As on quarter end, the BB accounts comprised of 29.9 million male and 7.3 million female accounts which represents 20% share of females in BB accounts. Punjab became the top contributor in female representation in BB accounts with 5.3 million female accounts, followed by Sindh with 1.2 million accounts.

A total of 175 million transactions worth Rs. 766 billion were conducted through the BB channel during the quarter under review. The m-wallets enhanced their share in customer oriented transactions by 5%, resting at 71%. This means that out of every 100 customer oriented transactions, 71 are performed through the m-wallets and rest through Over The Counter (OTC). The continuous rising trend in m-wallet share indicates the encouraging fact that the masses are gradually shifting their preferences to conduct self-assisted transactions instead of using the BB channel on requirement / seasonal basis via the OTC mode.

<sup>1</sup> For definition, please see Definition of Terminologies section

<sup>2</sup> For definition, please see Definition of Terminologies section

## Branchless Banking Analysis

**Table 1: BB Key Indicators**

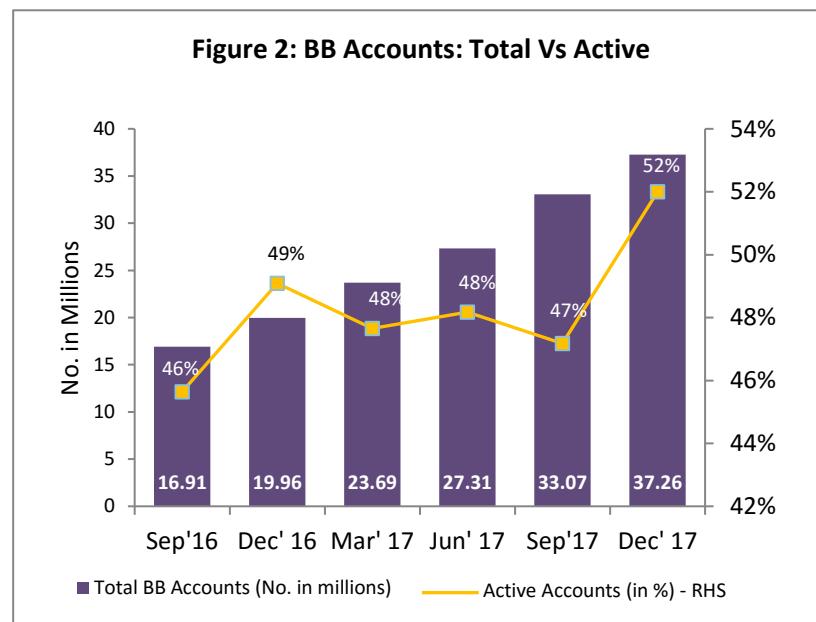
Indicators	Jul-Sep 2017	Oct-Dec 2017	Quarterly Change
<b>Deposits as of date (Rs. in millions )</b>	11,280	21,139	87%
<b>Average deposit per account (in Rs.)</b>	341	567	66%
<b>Number of Accounts</b>	33,070,736	37,260,215	13%
<b>Active Accounts</b>	15,526,367	19,259,427	24%
<b>Number of transactions during the quarter (No. in '000')</b>	164,704	175,149	6%
<b>Value of transactions during the quarter (Rs. in millions)</b>	726,451	766,540	6%
<b>Average number of transactions per day</b>	1,830,042	1,946,100	6%
<b>Average size of transaction (in Rs.)</b>	4,411	4,377	-1%
<b>Number of Active BB Agents</b>	181,377	192,741	6%
<b>Number of Agents</b>	420,107	405,673	-3%

**Encouraging growth in BB accounts continues, coupled with promising rise in activity**

During Oct-Dec 2017, 4.2 million new BB accounts were registered; which shows that there is huge potential of the digital channel to satisfy the financial needs of the masses.

As depicted in Fig. 2, the rise in BB accounts is exhibiting a steady increase since Sep-16, due to the enabling environment created by the SBP and vibrant role of BB players to facilitate account opening through biometric devices at agent locations as well as the remote mode<sup>3</sup>.

The banks have been further encouraged to open customer accounts due to the cost reduction by NADRA during the customer verification phase.



Another promising fact is that the activity in BB accounts has finally surpassed 50% at the end of the Oct-Dec 2017 quarter which was hovering around 46% to 48% for quite a while (Fig. 2). The rise in active accounts depicts the fact that people are gradually adopting the BB channel as a preferred medium to conduct routine transactions (as opposed to cash), however, much is needed to be done to bring a transformational shift from cash-led to cash-lite society.

<sup>3</sup> The customers can also open their m-wallets through their biometrically verified sims without needing to go to an agent or bank branch

## Branchless Banking Analysis

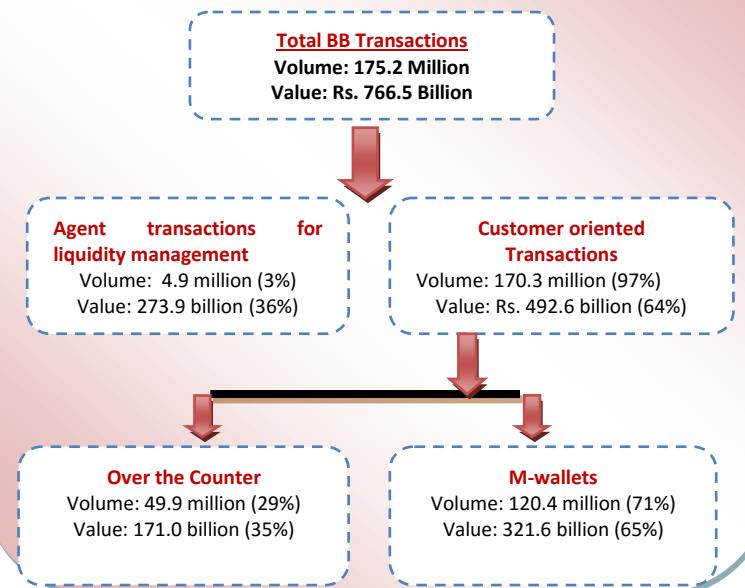
### Steady rise observed in BB transactions

A total number of 175.2 million transactions worth Rs. 766.5 billion were conducted during the Oct-Dec 2017 quarter. This exhibits a 6% rise, both in volume and value from previous quarter. Fig. 3 shows the break-up of these transactions, showing that the customer oriented transactions contributed 97% and 64% in volume and value of BB transactions respectively, whereas the remaining were agent transactions for liquidity purpose.

The customer oriented transactions are further divided into OTC and mobile-wallet transactions. The mobile-wallets, in terms of volume and value remained 120.4 million and Rs. 321.6 billion, contributing a share of 71% and 65%, respectively.

Table 2 shows the quarter wise comparison and break-up of overall BB transactions with their respective share and percentage change.

**Figure 3: Composition of Volume & Value of Transactions**



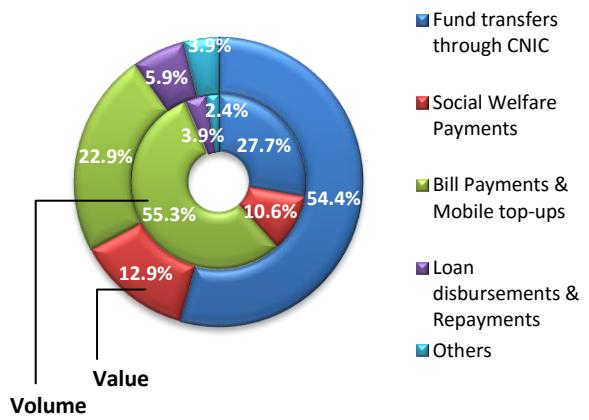
**Table 2: Break-up of BB transactions**

Type of Transactions	Volume (No. in Million)		Change in %	Value (PKR in Billion)		Change in %
	Jul-Sep 2017	Oct-Dec 2017		Jul-Sep 2017	Oct-Dec 2017	
Customer Oriented	159.5	170.3	6.8%	444.6	492.6	10.8%
Agent related (for liquidity purpose)	5.2	4.9	-5.8%	281.8	273.9	-2.8%
<b>Total BB Transactions</b>	<b>164.7</b>	<b>175.2</b>	<b>6%</b>	<b>726.4</b>	<b>766.5</b>	<b>6%</b>

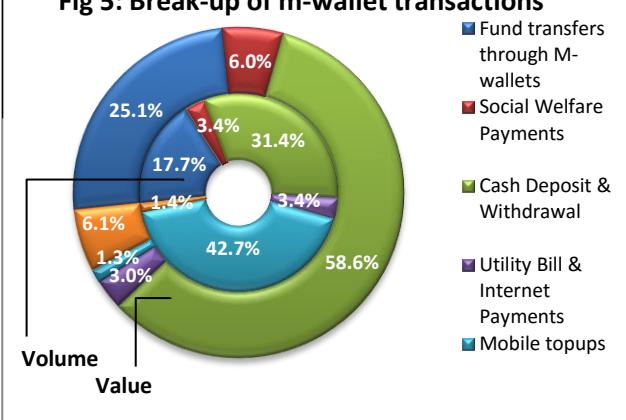
**Customer oriented transactions mainly comprise of fund transfers, bill payments social welfare payments and Cash deposit & withdrawals**

The customer oriented transactions<sup>4</sup> increased by 6.8% and 10.8% in volume and value respectively from the preceding quarter. Figure 4 shows the break-up of OTC transactions, depicting that Funds

**Fig 4: Break-up of OTC transactions**



**Fig 5: Break-up of m-wallet transactions**



<sup>4</sup> Comprised of OTC & m-wallet transactions; exclude agent transactions for liquidity purpose

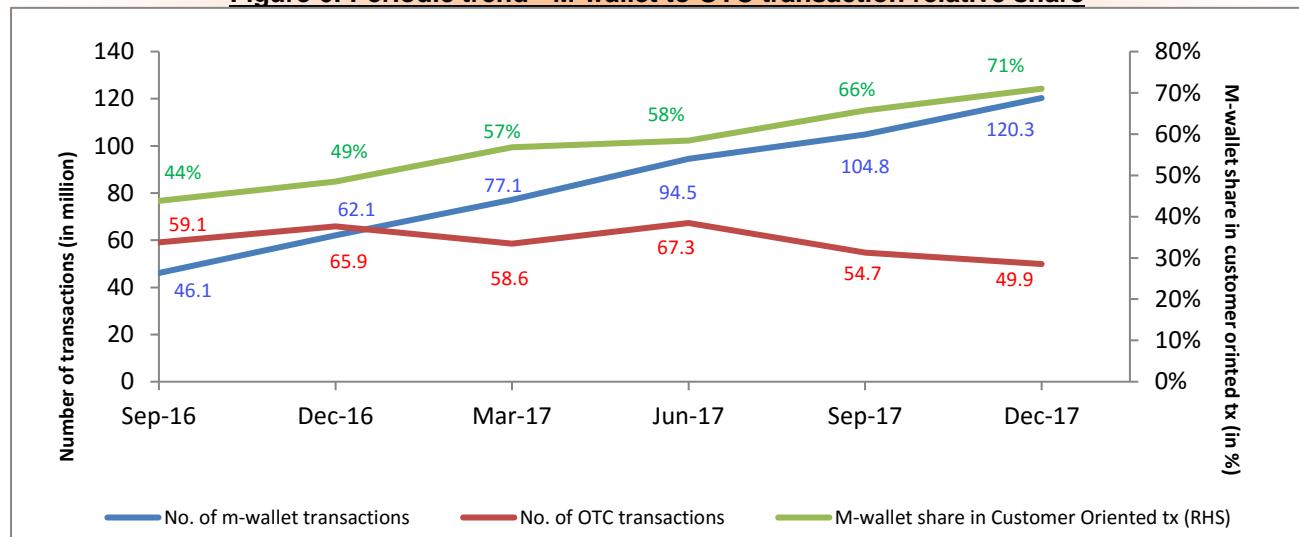
## Branchless Banking Analysis

transfers through CNIC, bill payments & mobile top-ups and social welfare payments are the major contributors. Fig. 5 illustrates that cash deposit & withdrawals, funds transfers and mobile top-ups are the major contributors in m-wallet transactions.

### Box 1: M-wallets grab a sizeable share from OTC channel

SBP and industry have been striving to introduce the m-wallets as an easy and convenient way to conduct transactions. It is encouraging to see that these efforts are bearing fruits, as the m-wallet channel is constantly gaining share in customer oriented transactions from the OTC channel. The quarter under review witnessed the continued surge (started in the previous quarter) in m-wallet share which carried out 120.3 million transactions as compared to 49.9 million conducted through OTC channel. Fig. 6 illustrates this phenomenon that m-wallet share has crossed 70% mark for the first time in history, ending at 71% during the end of Oct-Dec 2017 quarter. It is important to note that the m-wallet share was only 13% in customer oriented transactions during Jan-Mar 2015 quarter. Since then, a significant rise in wallet-to-wallet transfers (96%), mobile top-ups (98%), utility bill payments (76%) and pension payment through m-wallets (74%) has been witnessed.

**Figure 6: Periodic trend - M-wallet to OTC transaction relative share**



### **Province-wise statistics remain coherent with the share of population in provinces**

Table 3 shows the province-wise number of BB Accounts, Transactions and Agents along with their relative share. Punjab continues to dominate the statistics as usual, followed by Sindh, Khyber Pakhtunkhwa and Balochistan. The data shows that these numbers are coherent with the relative population share in the country's overall population.

**Table 3: Province-Wise BB Position**

		BB Accounts		BB Transactions		BB Agents	
S. No	Province	Number	% Share	Number	% share	Number	% Share
1	Punjab	24,325,201	65.3%	114,666,389	65.5%	250,828	61.8%
2	Sindh	6,331,667	17.0%	30,067,954	17.2%	91,624	22.6%
3	KPK	4,994,943	13.4%	21,464,743	12.3%	44,379	10.9%
4	Balochistan	1,060,791	2.9%	3,897,293	2.2%	11,538	2.8%
5	AJK	504,969	1.4%	4,247,220	2.4%	5,950	1.5%
6	GB	42,644	0.1%	804,994	0.5%	1,354	0.3%
<b>Total</b>		<b>37,260,215</b>	<b>100%</b>	<b>175,148,594</b>	<b>100.0%</b>	<b>405,673</b>	<b>100%</b>

## Branchless Banking Analysis

### **BISP remains top contributor in social welfare payments**

A total of Rs. 31.8 billion were disbursed through the branchless banking channel on account of social welfare payments. As shown in Table 4, the social welfare payments were led by BISP (74%) as usual, with disbursements worth Rs. 23.6 billion, followed by EOBI pension payments and IDP payments with Rs. 6.3 billion and Rs. 507 million, respectively.

**Table 4: Break-up of Social Welfare Disbursements**

S No.	Programs	No. of transactions by beneficiaries	Amount disbursed during the Quarter (Rs.)	% Share
1	<b>BISP</b>	4,926,020	23,556,091,441	74.1%
2	<b>EOBI Pensioners</b>	383,253	6,293,594,576	19.8%
3	<b>IDP Payments</b>	19,478	506,633,200	1.6%
4	<b>World Food Program</b>	358,545	202,501,000	0.6%
5	<b>Others</b>	690,100	1,253,492,249	3.9%
<b>Total</b>		<b>6,377,396</b>	<b>31,812,312,466</b>	<b>100%</b>

### **No. of Active Agents shows positive growth**

The active agents grew by 11,364 in number, resting at 192,741 and showing a 6% rise from preceding quarter. This is a positive development since March 2016; from where this number has been gradually declining from a peak of 240,220. The total number of BB agents stood at 405,673.

### **Account opening Capability of BB agents witnesses modest rise**

Table 5 exhibits that the account opening capability of the BB agents increased from 26% to 29%. The primary contributor in this development was HBL Express which improved its capacity to open customer accounts at agent locations from 11% to 17%; followed by Easypaisa and JazzCash (2% each). However, it is pertinent to mention that the customers are also empowered to open their accounts from their mobile phones through the remote account opening mode, and hence don't necessarily need to visit an agent for this purpose.

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

S No.	BB Provider	Jul-Sep 2017	Oct-Dec 2017
1	<b>Omni</b>	100%	100%
2	<b>JazzCash</b>	48%	50%
3	<b>Easypaisa</b>	26%	28%
5	<b>HBL Express</b>	11%	17%
6	<b>Upaisa</b>	3%	3%
7	<b>PayMax</b>	1%	1%
8	<b>Mobilepaisa</b>	1%	0%
9	<b>Meezan Upaisa</b>	0%	0%
10	<b>JS Bank</b>	0%	0%
<b>Total</b>		<b>26%</b>	<b>29%</b>

### **Punjab maintains highest female share in BB accounts**

As on quarter end, the BB accounts comprised of 29.9 million male and 7.3 million female accounts. Punjab became the top contributor in female accounts by registering 466,273 new female accounts during the quarter. Province-wise segregation of data reveals that Punjab maintains the highest

## Branchless Banking Analysis

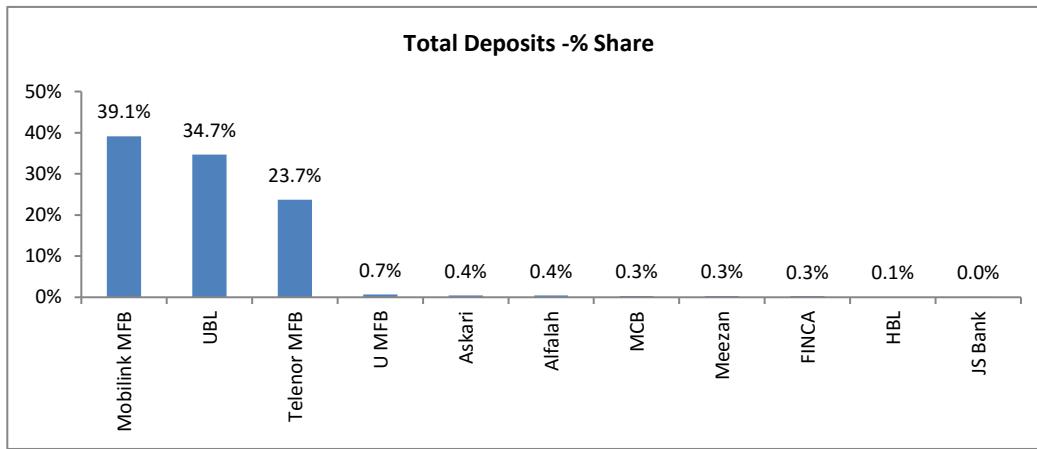
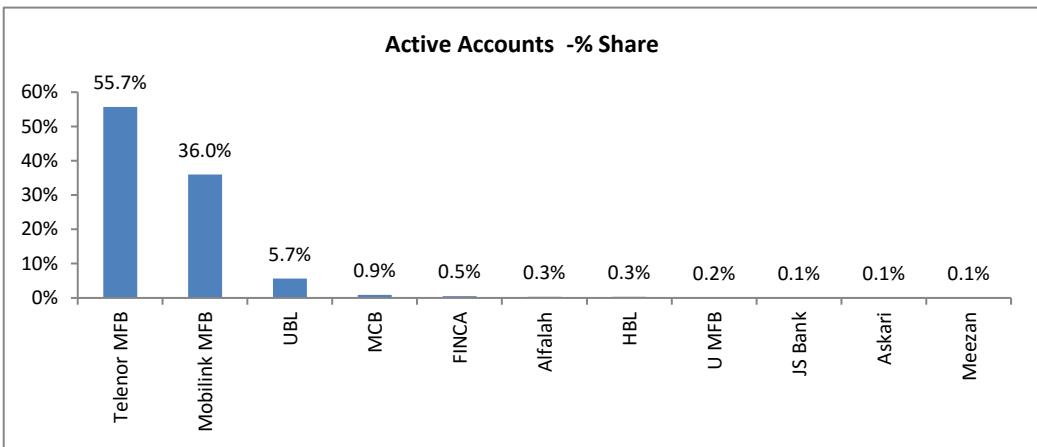
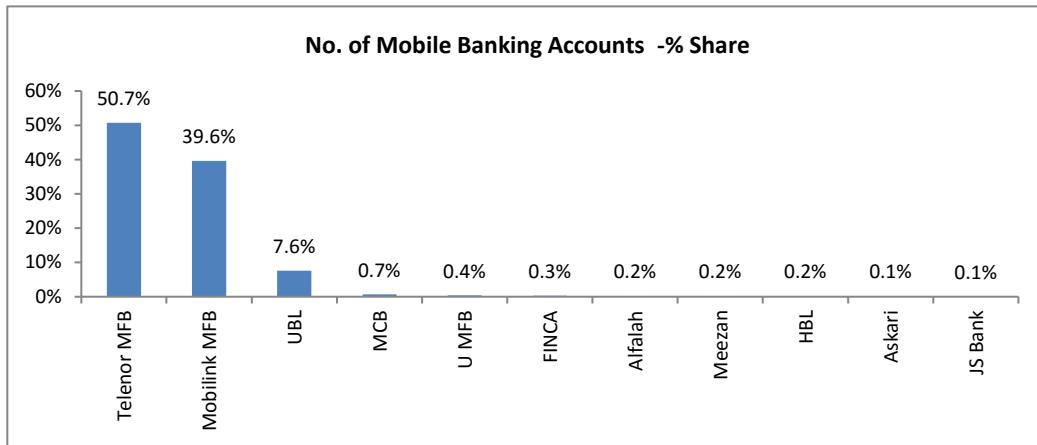
female inclusion ratio (21.7% female vs 78.3% male accounts), followed by Sindh (18.7% female vs 81.3% male accounts) and Azad Kashmr (18.4% female vs. 81.6% male accounts).

**Table 6: Gender-wise segregation of BB accounts**

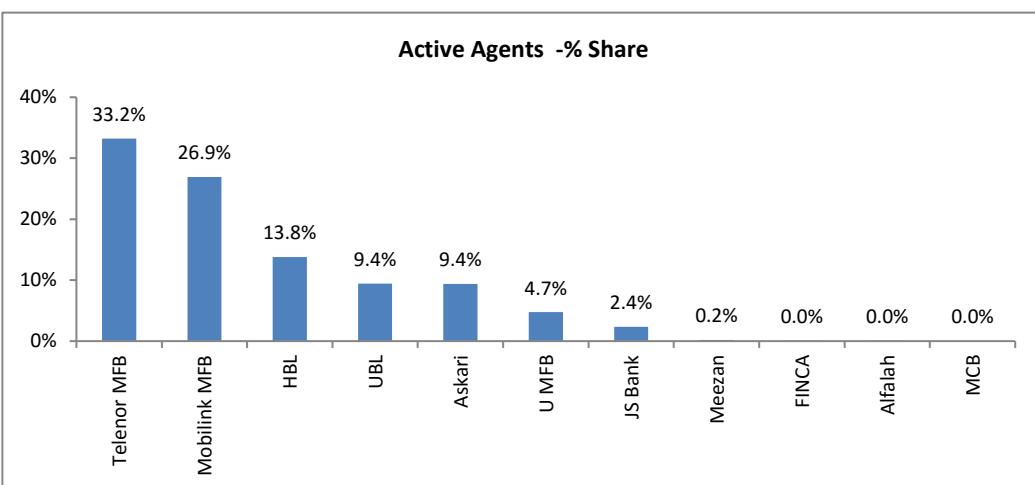
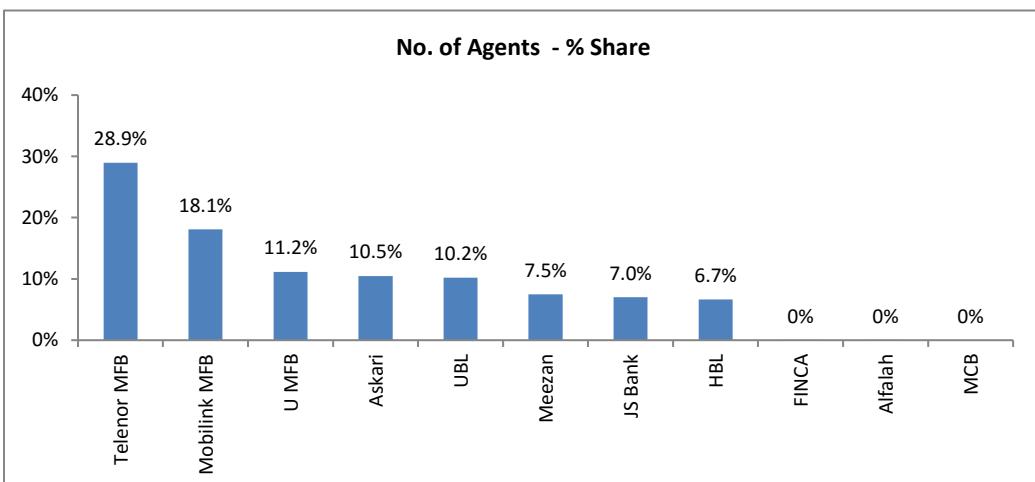
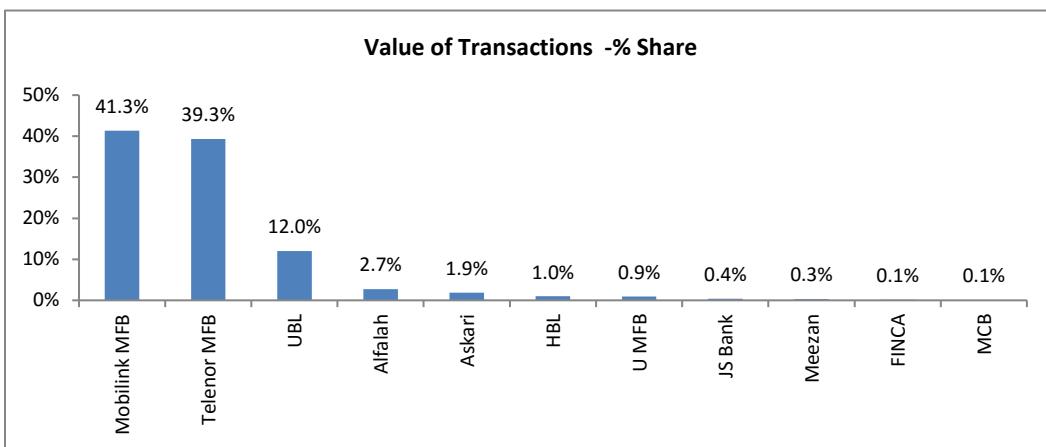
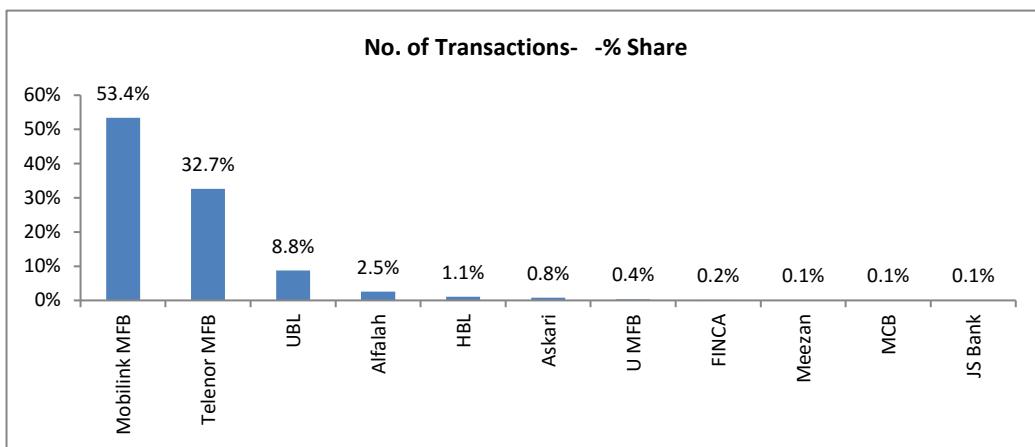
S No.	Province	Male	Female	Total	Share within Province	
					Male	Female
1	<b>Punjab (Including ISB)</b>	19,040,112	5,285,089	24,325,201	78.3%	21.7%
2	<b>Sindh</b>	5,145,824	1,185,843	6,331,667	81.3%	18.7%
3	<b>Azad Kashmir</b>	412,140	92,829	504,969	81.6%	18.4%
4	<b>Khyber Pakhtunkhwa</b>	4,369,978	624,965	4,994,943	87.5%	12.5%
5	<b>Balochistan</b>	948,419	112,372	1,060,791	89.4%	10.6%
6	<b>Gilgit Baltistan</b>	38,752	3,892	42,644	90.9%	9.1%
<b>Total</b>		<b>29,955,225</b>	<b>7,304,990</b>	<b>37,260,215</b>	<b>80.4%</b>	<b>19.6%</b>

## Player-wise Market Share

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



## Player-wise Market Share



## Branchless Banking Snapshot

**Table 7: Volume and Value of different types of transactions**

S.#	Type of Transactions	Jul-Sep 2017		Oct-Dec 2017	
		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	3,861,207	139,405,872,751	3,931,803	142,176,476,643
	Agent account to bank account	116,682	8,122,602,175	116,238	5,248,609,229
	Bank account to agent account	929,517	116,358,732,542	538,562	107,622,129,347
	Cash Deposit in L3 by agents <sup>5</sup>	247,241	17,945,513,390	300,647	18,877,299,803
<b>2</b>	<b>Fund Transfers</b>				
	a. Fund transfers through M-wallets				
	MW to MW transfers	15,747,588	53,589,150,583	18,711,811	66,168,713,699
	MW to bank account transfers	340,731	3,633,209,269	426,234	4,301,468,412
	Bank account to MW transfers	148,286	2,085,533,837	182,527	3,240,552,733
	MW-to-person fund transfers	1,796,988	6,560,972,478	1,984,568	6,925,206,472
	b. Fund transfers through CNIC				
	Person to person sending	7,610,798	43,276,846,411	7,292,170	49,831,207,181
	Person to person receiving	8,008,583	43,494,006,239	6,549,097	43,152,620,240
<b>3</b>	<b>Bulk Payments</b>				
	a. Government to Person Payments				
	G2P through MW	1,329,851	6,413,660,264	2,961,499	12,857,908,248
	G2P through card	3,681,630	17,174,165,292	2,533,887	11,556,845,368
	b. EOBI Pensioners				
	Pension payment through MW	1,103,546	6,049,900,676	1,111,219	6,293,594,576
	Pension payment through OTC	-	-	-	-
	Salaries payments and Others	199,602	2,457,955,498	250,180	3,108,889,072
<b>4</b>	<b>Cash deposit &amp; withdrawal</b>				
	Cash Deposited in MW (including person to MW transfers)	19,194,744	82,613,171,660	21,110,063	92,072,374,043
	Cash Withdraw from MW	8,367,643	46,780,753,240	16,725,295	96,449,587,868
	Cash withdraw through card (G2P)	6,528,697	24,959,451,084	2,744,661	10,535,854,339
<b>5</b>	<b>Bill payments &amp; Top-ups</b>				
	Utility Bills Payment	29,773,446	68,915,363,512	31,066,230	47,986,997,514
	Internet Bill Payments	269,537	622,875,524	312,942	777,384,172
	Mobile Top-ups	47,315,413	3,675,682,875	51,760,335	4,249,721,347
<b>6</b>	<b>Loan</b>				
	Disbursement	20,823	597,171,807	37,015	1,392,408,183
	Repayment	1,830,224	8,972,010,394	2,161,938	10,736,401,412
<b>7</b>	<b>Others</b>				
	Donations	16,078	2,434,308	6,725	881,645
	Retail Payments	418,960	931,074,594	613,100	1,467,200,752
	International Home remittance	18,233	567,184,935	18,139	466,591,909
	Account Opening Transactions	127,217	19,485,437	96,464	11,303,011
	Cash collection/payment services	4,961,099	4,423,532,013	742,400	5,117,314,810
	IBFT	739,457	16,802,644,821	862,845	13,914,910,834
	<b>Total</b>	<b>164,703,821</b>	<b>726,450,957,608</b>	<b>175,148,594</b>	<b>766,540,452,862</b>

<sup>5</sup> The accounts of L3 have been merged in L2 in the Revised BB Regulations-2016

## Branchless Banking Snapshot

**Table 8: 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	-	-	18,711,811	66,168,713,699
MW to bank account transfers	-	-	426,234	4,301,468,412
Bank account to MW transfers	-	-	182,527	3,240,552,733
MW-to-person fund transfers	-	-	1,984,568	6,925,206,472
Person to MW fund transfer	13,069	84,838,629	-	-
<b>Fund transfers through CNIC</b>				
Person to person sending	7,292,170	49,831,207,181	-	-
Person to person receiving	6,549,097	43,152,620,240	-	-
<b>Bulk Payments</b>				
<b>Government to Person Payments</b>				
G2P through MW	-	-	2,961,499	12,857,908,248
G2P through card	2,533,887	11,556,845,368	-	-
<b>EOBI Pensioners</b>				
Pension payment through MW	-	-	1,111,219	6,293,594,576
Pension payment through OTC	-	-	-	-
Salary payment and Others	-	-	250,180	3,108,889,072
<b>Cash deposit &amp; withdrawal</b>				
Cash Deposited in MW (excluding person to MW transfers)	-	-	21,096,994	91,987,535,414
Cash Withdrawal from MW	-	-	16,725,295	96,449,587,868
Cash withdrawal through card (G2P)	2,744,661	10,535,854,339	-	-
<b>Bill Payments &amp; Top ups</b>				
Utility Bills Payment	27,007,474	38,300,843,681	4,058,756	9,686,153,833
Internet Bill Payments	282,516	736,115,402	30,426	41,268,770
Mobile Top-ups	323,168	119,444,406	51,437,167	4,130,276,941
<b>Loan</b>				
Disbursement	21,513	554,595,910	15,502	837,812,273
Repayment	1,938,590	9,538,006,580	223,348	1,198,394,832
<b>Others</b>				
Donations	501	230,960	6,224	650,685
Retail Payments	392,371	1,185,892,238	220,729	281,308,514
International Home remittance	17,694	459,582,343	445	7,009,566
Account Opening Transactions	96,464	11,303,011	-	-
Cash collection/payment services	680,104	4,986,838,017	62,296	130,476,793
IBFT			862,845	13,914,910,834
<b>Total</b>	<b>49,893,279</b>	<b>171,054,218,305</b>	<b>120,368,065</b>	<b>321,561,719,535</b>

## Domestic News

### **SBP, Karandaaz to work for regulatory framework for digital banks**

Not-for-profit financial institution Karandaaz Pakistan on Monday agreed to provide technical assistance to the central bank for formulating legal and regulatory framework for digital banks in the country.

“State Bank of Pakistan and Karandaaz signed an agreement under which Karandaaz will support State Bank’s efforts to create an enabling environment based on international best practices for digital banks,” the State bank of Pakistan said in a statement.

The agreement was signed by Syed Irfan Ali, Executive Director of SBP and Ali Sarfraz, chief executive officer of Karandaaz. The technical assistance will include extensive review of existing laws, rules and regulations and international best practices on regulatory frameworks for digital banks.

Sarfraz of Karandaaz said extensive consultations will be held with the industry players “for developing a robust and conducive regulatory regime for digital banks”. The statement said the banking sector and market players at present need regulatory direction to offer services as standalone digital banks.

The SBP is already working to introduce a separate category of banking services through promulgation of a framework for digital banks in Pakistan. The output of this engagement will be comprehensive recommendations for formulation of the regulatory framework, including licensing criteria and any amendments required in existing legal frameworks for the advent of digital banks in Pakistan.

<https://dailymail.com.pk/217029/sbp-karandaaz-to-work-for-regulatory-framework/>

### **JazzCash and FWO move towards digitised toll fee payments**

Further expanding itself in the domain of digital payments, JazzCash has entered into an agreement with Frontier Works Organization (FWO), whereby it will be digitizing the M-Tag recharge. Users can now pay their toll fees on the motorway through JazzCash.

Currently more than a hundred thousand people travel daily on M2 and those using the M-Tag facility have to wait in long queues for cash deposits. As a result of this partnership, customers will not only be able to top up their M-Tag accounts through FWO’s mobile app ‘Smart Motorways’ and the official website, but also through their JazzCash mobile accounts and through the extensive JazzCash retailer network nationwide. Moreover, a JazzCash Payment gateway will also be implemented on the official app and the website.

Speaking on the occasion, Jazz Mobile Financial Services-MFS Chief and Digital Officer Aniqa Afzal Sandhu, “Digital payment is the simplest, safest, and most convenient way to make regular or recurring payments; hence the reason being that it’s used for transactions like toll tax and utility bills. As a leading digital company, our customer’s financial needs take top priority and we continue to strive hard in providing them with the best services.”

The partnership will be pilot tested at the M2 (Islamabad to Lahore) motorway and will soon be available for travelers using the M1 and M3.

<https://profit.pakistantoday.com.pk/2018/03/14/jazzcash-and-fwo-move-towards-digitised-toll-fee-payments/>

### **Shaheen Air signs MoU with UBL Omni to offer cashless payments**

In line with its commitment of facilitating passengers, the second national carrier of Pakistan Shaheen Air International (SAI) has joined hands with UBL Omni by signing a

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Memorandum of Understanding (MOU) to provide its customers with cashless and easy mode of payments.

The MOU signing ceremony was held at Shaheen Air head office in Karachi. The MOU was signed between Shaheen Air Chief Marketing Officer (CMO) Mr. Zohaib Hassan and United Bank Limited (UBL) Group Executive Digital Banking Mr. Sharjeel Shahid.

Shaheen Air, with this collaboration, have enhanced their customer service, as this will enable customers to pay their ticket fare on UBL Omni smart phone application and UBL Omni shops. The airline has set a benchmark in the aviation industry to collaborate with financial institution of the county and facilitate passengers by giving them exclusive discounts.

The CMO SAI, Mr. Zohaib Hassan addressing at the MOU said, "At Shaheen Air, we are constantly putting our efforts to introduce new dimension of customer centric products. This facility is one of our effort to facilitate our passengers all over Pakistan. We are the first airline to make an alliance with a financial institution to provide exclusive discounts to our customers. This alliance with UBL Omni will give an ease of payment option to our valued customers, setting our service apart from others."

<https://news.com.pk/2018/04/23/shaheen-air-signs-mou-with-ubl-omni-to-offer-cashless-payments/>

### **FINCA partners with BISP for women empowerment & financial inclusion**

FINCA Microfinance Bank signs an MoU with Benazir Income Support Programme (BISP) for women empowerment and financial inclusion, at the BISP Headquarters in Islamabad. The initiative is aimed at increasing female financial inclusion footprint and graduation of BISP beneficiaries to women entrepreneurs. BISP will leverage FINCA's Digital Financial Services, including SimSim, a digital mobile wallet which offers easy and quick on boarding, zero transaction fee and access to range of services including bill payments, money transfer, lending and online marketplace amongst other product offerings. Through this partnership FINCA will enable BISP beneficiaries to become women entrepreneurs.

Commenting on the occasion, Mr. Mudassar Aqil, CEO of FINCA Pakistan said, "Women play a pivotal role in the financial planning and management of their households. By empowering women using technology and training them on how digital financial services can help them, we enable the household to lift itself out of poverty and towards prosperity. Through this partnership with BISP, FINCA aims to create women entrepreneurs and bring about financial inclusion at the same time."

A key aspect of this collaboration between the two entities is to provide financial literacy and create awareness amongst women, who are financially excluded.

Marvi Memon, Chairperson BISP shared her views and stated, "It is a proven fact that women inclusion results in social as well as economic growth. I congratulate FINCA and BISP on this momentous occasion as they join hands to harness the potential of the female workforce by helping them transition into the digital world."

Keeping in view the current status quo where women in Pakistan are largely out of financial inclusion net, this initiative is a great step towards harnessing their skills, making them independent and securing their future for a prosperous Pakistan.

<http://www.finca.pk/news/finca-partners-with-bisp-for-womens-empowerment-financial-inclusion/>

## International News

### **Public Clearinghouse Could Shake Up China's Mobile Payment Market**

There is a potentially massive shake-up coming to the trailblazing Chinese mobile payments market this summer. As part of a wave of new regulations designed to reel in China's sprawling FinTech industry, the country's payments providers — including tech giants Alipay and WeChat Pay — will be required to connect to Wanglian, a public clearing and settlement institution for online payments. Details about the new clearinghouse are hard to come by, but below is what we know so far, why we think it is happening and what the implications might be for the mobile payments landscape.

Motives behind the decision to create Wanglian are the subject of heated debate. Critics say the government has been at least partly motivated to protect traditional financial institutions, such as banks, which are losing market share and data as customers gravitate to tech firms that offer a better user experience. The government states that Wanglian is a much-needed step to bolster regulatory oversight of what is becoming a large, systemic piece of China's financial industry.

The details about Wanglian remain obscure. In August 2017, PBOC announced that third-party payments companies would have until October to connect to Wanglian and that the system would go live by the end of June 2018. In the same announcement, it was revealed that PBOC and related subsidiaries would own 37 percent of Wanglian. The remaining equity would be carved up among private payments companies, with the largest shares going to Alipay (9.61 percent), Tencent/Tenpay (9.61 percent) and Chinabank Payment, the creator of JD.com (4.71 percent).

The creation of Wanglian also appears to be a move to ensure better market competition through greater interoperability. The closed-door deal-making and bilateral contracts that built Alipay's and WeChat Pay's bank networks are both prohibitively time- and resource-intensive to replicate for any new payments business. Wanglian offers small providers a chance to avoid building expensive private networks by giving them access to an advanced, nationally accepted payments system.

The Wanglian move seems to fit with other recent moves by regulators. In December 2017, PBOC announced its plans to standardize QR payment technology and tier transactions amounts with proportional authentication methods. As discussed in an earlier CGAP blog post, "Inside QR Codes: How Black & White Dots Simplify Digital Payments," a third of all digital payments in China — \$2.6 trillion in transactions — used QR codes. The emergence of public QR infrastructure is of little consequence to the largest two providers, Alipay and WeChat Pay. They have already developed QR codes to their own standards that are accepted by the vast majority of offline retailers. But as with connections to banks, building a QR system presents interoperability challenges for smaller providers. (It also increases the risk for fraud, malware, data protection and a host of other data security concerns that arise from a lack of security measures that might apply to a unified QR-code standard.)

By reducing these barriers to the market through better public infrastructure, Wanglian may end up forcing Alibaba and Tencent — the companies behind Alipay and WeChat Pay, respectively — to reduce their control of consumer data. Whatever the government's motivations may be, the new clearinghouse may return a measure of power to other players, including more traditional parties like banks. Payments data collected through Alipay and WeChat Pay feed into all the other commercial businesses they own or manage. Data from those commercial businesses, in turn, fuel their financial offerings, driving customized marketing, variable products, better credit analytics and much more in a continuous, virtuous cycle. Under loose data protection regulation, data have been freely shared across independent businesses, but walled off from outside companies. Under Wanglian, this advantage could be reduced, providing more opportunities for other firms.

<http://www.cgap.org/blog/public-clearinghouse-could-shake-china%20%99s-mobile-payment-market>

## International News

### **India data rules blamed for mobile wallet usage drop**

Know Your Customer (KYC) regulations imposed on mobile wallet providers in India have led to a decline in usage as consumers are reluctant to submit the required information.

Under the new rules, designed to prevent fraud and money laundering, mobile wallet providers must collect a similar level of identification data on customers as mainstream banks. Accounts without the required level of information will be subject to strict transaction limits and balance restrictions.

Official figures for mobile wallet usage in the last two months have not been released, however executives quoted by *ET* tipped a fall, adding the number of users submitting the full level of KYC documentation between “low single digits” and 15 per cent.

One company told the newspaper 40 per cent of its users had provided “some documents” but did not divulge how many of these had given enough detail to comply with the new rules.

RBI rules on customer data are part of a number of regulations tightening rules on the large number of companies offering mobile and digital wallet services in India. The rules are being slowly rolled out throughout 2018.

<https://www.mobileworldlive.com/money/news-money/india-data-rules-blamed-for-mobile-wallet-usage-drop/>

### **Tunisia operators make mobile money interoperable**

Tunisia became the latest country to introduce interoperability between rival mobile money services, with the functionality set to be expanded to traditional financial institutions.

Tunisia money operators launch interoperability.

Mobile operators Ooredoo Tunisia, Tunisia Telecom and Orange Tunisia all offer money services in the country and – in one of a number of measures included in the government’s Digital Tunisia 2020 initiative – customers of the three are now able to seamlessly transfer cash. A statement from Tunisia Telecom confirmed its interoperability brand TelecoMoney launched earlier this week and was able to transfer funds to other mobile wallet providers.

A second phase is scheduled to incorporate transfer to other financial institutions. Mobile money interoperability is a policy long highlighted by the GSMA as a driver to boost adoption and increase financial inclusion, yet many countries have been slow to introduce the requirement.

However, 2018 could prove to be a watershed year with operators in Kenya introducing transfers between brands from market leader Safaricom and Airtel following a four month trial. Preparations are also being made to bring Telkom Kenya’s T-Kash into the scheme. The introduction of the service follows a period of pressure from regulators in Kenya.

Kenya’s breakthrough follows a measure by Tanzanian authorities to expand its existing interoperability policy, while regulators in Ghana are working on the development of a common platform for operators, which is expected to go live in May.

<https://www.mobileworldlive.com/money/news-money/tunisia-operators-make-mobile-money-interoperable/>

## Definition of Terminologies

### Appendix 1: Definitions of Terminologies

BB Terminology	Definition
<b>Level 0 account (L0)</b>	Basic MW account for individuals only with low KYC requirements and low transaction limits.
<b>Level 1 account (L1)</b>	Entry level MW account for individuals only with adequate KYC requirements commensurate with transaction limits.
<b>Level 2 account (L2)</b>	Top level MW account opened by banks subject to full KYC requirements. L2 accounts can be open for individuals, firms, entities, trusts, BB agents, corporation, technology service providers & merchants etc.
<b>M-wallets (MW)</b>	All Level 0, Level 1, and Level 2 BB accounts.
<b>BB Accounts</b>	All Level 0, Level 1, and Level 2 BB 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).
<b>Bulk Payments</b>	All bulk payments done through BB channel which include wages, pensions, G2P social transfers and welfare payments.

## Definition of Terminologies

<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.