FINDEV CYBERLETTER

November - December Edition:

Expansion of Digital Payment Systems

GALLUP PAKISTAN
Affiliated with Gallup International
Pakistan's Foremost Social Research Lab

EDITOR'S NOTE

Welcome to Gallup Pakistan's FinDev Cyberletter. The principal purpose of this Cyberletter is to inform its readers of the latest developments in the financial industry across the globe, particularly in the realms of Financial Inclusion and Digital Financial Services (DFS), where efforts are being undertaken by both private and government sectors. This is the third monthly issue of the FinDev Cyberletter series. Each issue of the FinDev Cyberletter will focus on a particular theme within the broader area of financial inclusion and related topics. This newsletter is divided into three main sections. The sections are:

1) News Roundup – this section will cover the latest happenings in the financial services industry in Pakistan.
2) Initiatives – Constant work is being undertaken by experts, governments and research organizations in order to enhance the understanding of, and to find solutions to the challenges encountered within the financial services industry. This section will aim to cover some of these research initiatives, both locally and internationally.

3) Data Visualizations & Statistical Figures - Research backed by data not only increases its credibility but also helps paint an accurate picture of the situation at hand. This section will contain graphical representations of data on various relevant topics.

The third issue of FinDev explores the Expansion Of Digital Payments Systems.

A diligent effort has been made to ensure that the content extracted from external sources has been cited and given due credit. In some cases, excerpts from the original articles have been extracted. To access the original articles, please click on the link provided at the end of each article. In case of any errors or omissions, we would like to apologize and would be eager to rectify the changes at the earliest. For feedback, comments or questions feel free to write to us at caf@gallup.com.pk.

Warm Regards,
The Gallup Pakistan Financial Inclusion Team
Led by Bilal I Gilani (Executive Director, Gallup Pakistan)

CONTENT

HIGHLIGHTS:

• **Plastic money usage on rise; payment cards' number rises drastically in Pakistan:** With the rise in awareness regarding digital payment systems, the number of plastic money (cards) issued in Pakistan has ascended by 8.8% in a year to 36.6 million in June 2017.

• **JS Bank & Wemsol Pvt Join Hands to Promote E-Commerce via Keenu NetConnect:** JS Bank and Wemsol Pvt Ltd have collaborated for a strategic partnership for Keenu NetConnect to promote e-commerce in the industry by digitizing payments.

• **Collection of government taxes: SBP, FBR and 1-Link enter deal:** The State Bank of Pakistan (SBP), the Federal Board of Revenue (FBR) and 1-Link have signed an agreement to develop a mechanism to facilitate the public in paying their FBR taxes and customs duty using internet banking and ATMs.

• **(USA) Amazon's Cashier-less Store Is Almost Ready for Prime Time:** Amazon is introducing high-tech grocery stores where consumers would be able to walk in pick up items and then pay for them through their Amazon accounts, avoiding standing in line at a cashier.

• **(INDIA) Centre pushes for cash-free campuses:** The Ministry of HRD India is pushing to switch all financial transactions to digital payments in the premises of higher education institutions across the country.

NEWS ROUNDUP

This section covers the latest happenings from the financial services industry in Pakistan.

PLASTIC MONEY USAGE ON RISE; PAYMENT CARDS' NUMBER RISES DRASTICALLY IN PAKISTAN*

The use of plastic money has witnessed rise in Pakistan with increasing of awareness among public, touching 36.6 million number of payment cards till June 2017.

The number of payment cards issued in Pakistan has reached 36.6 million by June 2017, up from 33.6 million by June 2016, showing the year on year growth of 8.8 per cent.

A break-up of Payment Cards issued by State Bank of Pakistan (SBP) revealed that Debit Cards are 17.9 million with 48.7 per cent share in user base. Automated Teller Machine (ATM) Only Cards are 8.05 million with 22 per cent share in user base.

Credit Cards are 1.3 million with 3.5 per cent share in user base and Social Welfare Cards are 9.11 million with 24.9 per cent share in user base.

The transactions of money or cash withdrawals through these cards are done by customers through banking infrastructure such as ATM and POS machines wherever available in the country.

Social welfare cards are issued by Federal or provincial governments to support needy and disaster affected people. These cards include Benazir Income Support Programme also known as BISP, Watan Cards and payment Cards issued for Internally Displaced People (IDPs) due to flood disasters or any other reasons. During the year under review, 10.7 million transactions worth Rs. 44.6 billion were conducted using these cards.

Moreover, despite the expansion of e-Payment Channels and instruments, a variety of paper based instruments like cheques, Pay Orders, Demand Drafts, Telegraphic Transfer, Dividend Warrants etc. are still widely used within the country.

Among these paper based instruments, cheques are the preferred mode of transactions for cash withdrawals, funds transfers, commercial and Government payment transactions. The share of other paper-based instruments is fairly insignificant in terms of volume and value of transactions.

During the year under review, 451.8 million transactions of worth Rs. 139.6 trillion were carried out using paper based instruments. These transactions showed a growth of 3.8 per cent in volume of transactions and a decline of 4.4 per cent in value of transactions, which included 99.4 million paper based instruments used for depositing Rs. 11.3 trillion into bank accounts.

Despite the increased adoption of e-Banking channels, cash payments remained relatively high reflecting the preferred use of cash as mode of payment.

*Source: Published on Times of Islamabad dated October 19, 2017
(Click here to access the original article here)

JS BANK & WEMSOL PVT JOIN HANDS TO PROMOTE E-COMMERCE VIA KEENU NETCONNECT*

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Considering enhanced use of online and retail shopping, Keenu provides a hybrid of physical (retail payments) and digital (Keenu NetConnect) payment methods, topped with various value additions in the form of loyalty programs and digital wallet, intended to facilitate financial institution, merchants and end consumers.

*Source: Published on ProPakistani.com dated November 9,, 2017
(Click here to access the original article)

Speaking at the occasion, Kamran Jafar, Group Head CRBG JS Bank, said: "This partnership with Wemsol will lay a foundation of digital payments for e-commerce to flourish in Pakistan, which we firmly believe to be the future of payments industry."

Imran Soomro, Chief Information Officer JS Bank, further added: "Technology that brings convenience has a very high adoption rate in today's world, and our partnership with Wemsol will provide an extremely seamless solution to our clients."

Syed Ejaz Hassan, CEO of Wemsol Pvt Ltd., said:"Through simple payment and delivery options, innovative e-commerce solutions have the potential to transform the overall consumer shopping experience, which creates a very positive environment for traditional brick-and-mortar retailers to expand into the digital space."

*Source: Published on ProPakistani.com dated November 9,, 2017
(Click here to access the original article)

COLLECTION OF GOVERNMENT TAXES: SBP, FBR AND 1-LINK ENTER DEAL*

In order to facilitate the taxpayers and timely collection of taxes, the State Bank of Pakistan (SBP), the Federal Board of Revenue (FBR) and 1-Link have signed an agreement to develop a mechanism enabling public to pay FBR taxes and customs duty using internet banking and ATMs.

The signing ceremony, held Monday in Islamabad, was chaired by Finance Minister Ishaq Dar. Advisor to the Prime Minister on Revenue, Haroon Akhtar Khan was also present at the ceremony. According to State Bank's press release, the facility would be available round the clock/7 days a week. As per the proposed mechanism, banks will add FBR (Inland Revenue) and FBR (Customs) as billers in the Billers Module and develop necessary interface with 1-Link. After the system is made operational, taxpayers/ importers will file their tax and custom duty payment details in the FBR (IRS) and Customs (WeBOC) online modules to generate Payment Slip ID (PSID).

Finance Minister Ishaq Dar on the occasion congratulated the State Bank and the FBR for initiating such an important project, which would revolutionize the government tax collection mechanism. He expressed hope that all the formalities would be completed at the earliest and that the system would be operational by 31st December, 2017. The Governor SBP added that the initiative is part of 'SBP Vision 2020', which envisages development of the robust payment system and it's primarily aimed at facilitating taxpayers and public at large in payment of taxes. FBR Chairman Tariq Mehmood Pasha said that the project is the result of collaboration and cooperation between the FBR, the SBP and the private sector and will go a long way in further improving the government tax collection systems.

*Source: Published in the BUSINESS RECORDER on October 3, 2017.
Click here to access the original article.)

THE INITIATIVES

Constant work is being undertaken by experts and research organizations to enhance the understanding and find solutions to challenges encountered within the financial services industry. This section covers some of these research findings.

AMAZON'S CASHIER-LESS STORE IS ALMOST READY FOR PRIME TIME*

USA: For the past year, Amazon employees have been test driving Amazon Go, an experimental convenience store in downtown Seattle. The idea is to let consumers walk in, pick up items and then pay for them without ever standing in line at a cashier. Amazon is vague on the mechanics, but the store relies on a mobile app and some of the same sensing technology that powers self-driving cars to figure out who is buying what.

Employees have tried to fool the technology. One day, three enterprising Amazonians donned bright yellow Pikachu costumes and cruised around grabbing sandwiches, drinks and snacks. The algorithms nailed it, according to a person familiar with the situation, correctly identifying the employees and charging their Amazon accounts, even though they were obscured behind yellow polyester.

Amazon Go represents Amazon.com Inc.'s most ambitious effort yet to transform the brick-and-mortar shopping experience by eliminating the checkout line, saving customers time and furthering the company's reputation for convenience.

Shoppers visiting an Amazon Go store will scan their smartphones upon entering. Cameras and shelf sensors will then work together to figure out which items have been removed and who removed them, the person says; there will be no need for tracking devices, such as radio frequency chips, embedded in the merchandise. When shoppers leave, algorithms will total the order and bill their Amazon account.

Source: Published on Bloomberg.com dated November 15, 2017.
(Click here to access the original article)

CENTRE PUSHES FOR CASH-FREE CAMPUSES*

INDIA: PUBLIC, PRIVATE INSTITUTIONS TO BE WITHIN DIGITAL AMBIT

The Ministry of Human Resource Development aims to make financial transactions completely digital in all higher education institutions.

"The HRD Minister is likely to write to the heads of all institutions to shift completely to digital transactions, preferably from December itself. Our vision is to have no cash transactions on these campuses," said a senior official, who did not wish to be named.

"The higher education regulators — University Grants Commission (UGC) and All-India Council for Technical Education (AICTE) — are also being taken on board to help facilitate the transition," the official said.

The move will bring within the digital ambit all such institutions — public and private — including Central and State universities, IITs, NITs, business schools, etc., Eventually, the Centre aims to fully digitise all campus processes — including admissions, assistance, assessments, result declaration, admission, etc. — with all these processes going on an integrated IT platform.

HRD Minister Prakash Javadekar had in his presentation on higher education at the governors' conference last week, advocated that payments through digital mode be made mandatory in all institutions of higher education.

In addition, he said, all in-house transactions, including in-campus canteens, would be made through the BHIM app.

The Centre had launched the Vittiya Saksharta Abhiyan (VISAKA), meaning financial literacy campaign, for digital financial literacy early in 2017, enrolling lakhs of volunteers from among students to train families in their neighbourhood to conduct financial transactions digitally through the BHIM app. They were also asked to go to major markets, talk to shopkeepers, vendors and merchants' associations to help shift to digital transactions.

"We have given the work of developing modules for the internal process to an agency. Within six to eight months, we should go completely digital," IIT Delhi director V. Ramgopal Rao told The Hindu.

As many as

2000

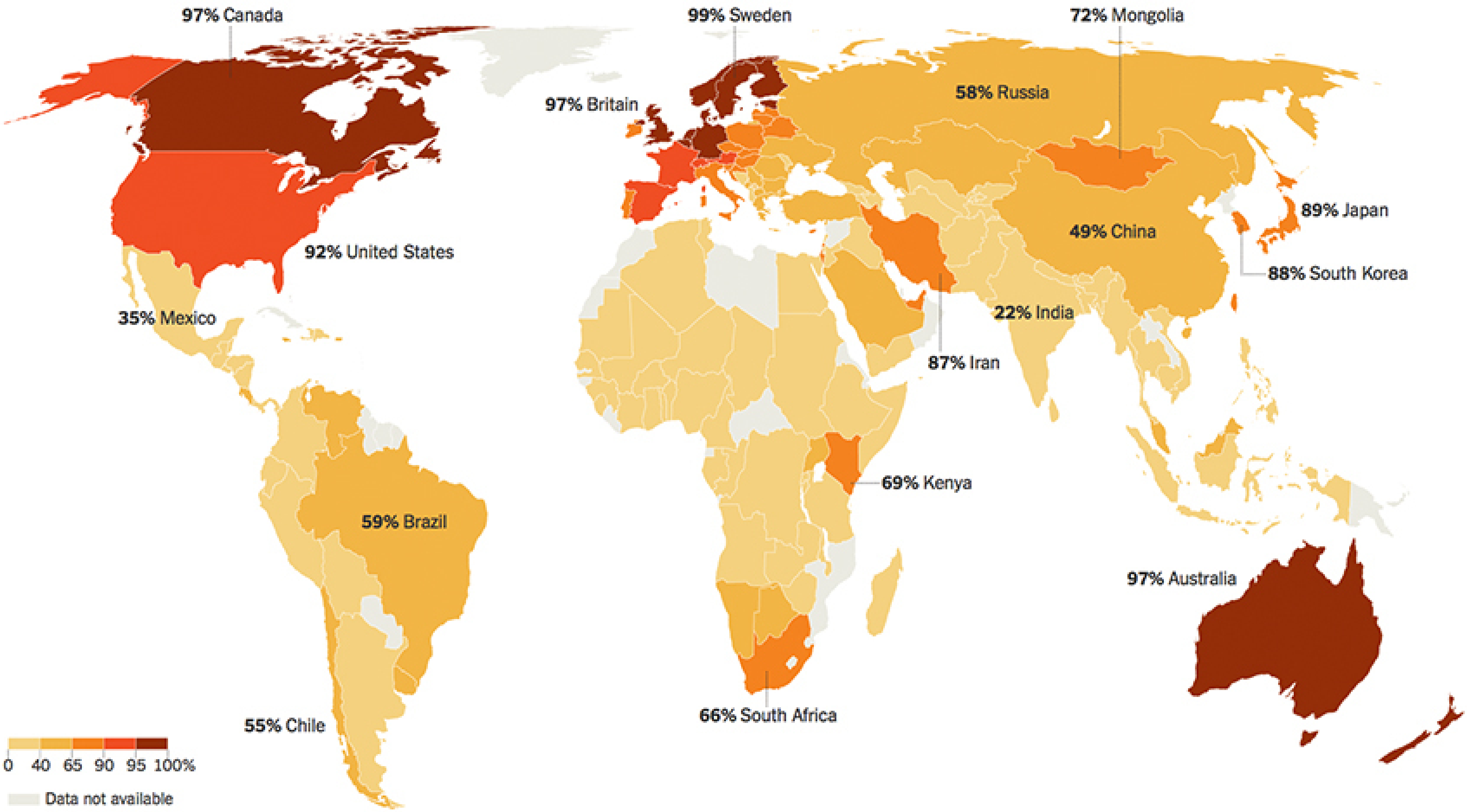
higher education institutions were also made digital as part of this initiative.

*Source: Published in THE HINDU on October 20, 2017 (Click here to access the original article here)

DATA VISUALIZATION & STATISTICAL FIGURES

Research backed by concrete data not only increases its credibility but also helps paint an accurate picture of a particular situation. This section contains graphical representations on various topics.

Share of adults who made or received any noncash payment



WILL CASH DISAPPEAR?*

Cash is unlikely to go away soon. Coins and paper currency remain the most popular ways to pay for things in most countries. But longer term, cash appears to be in a losing battle with electronic payment methods.

*Source: Published in THE NEW YORK TIMES website dated November 14, 2017 (To view full articles, please click here.)

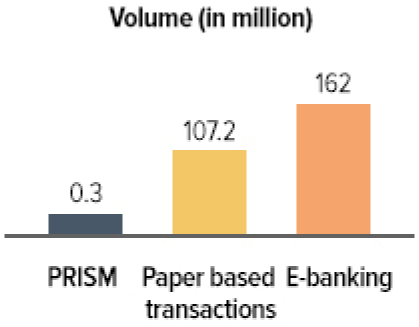
PAKISTAN LAGS BEHIND OTHERS IN DIGITAL PAYMENT SYSTEMS*

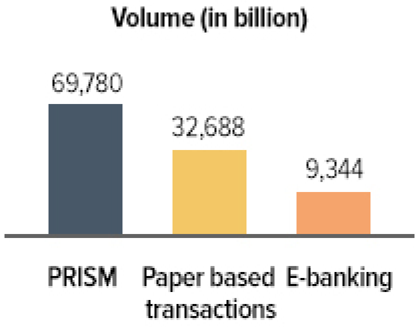
Pakistan lags behind other countries in the world of electronic payments as a large number of the businesses and consumers still use paper-based instruments to make transactions, leading to cash-driven economy.

According to the State Bank of Pakistan (SBP) payment systems review for the fiscal year of 2016/17: 107.2 million transactions of value Rs. 32.7 trillion were processed through Paper based instruments. These transactions showed a decline of 5.2% in volume and 0.1% in value of transactions.

All channels of E-Banking processed 162 million transactions valuing Rs. 9.3 trillion which showed a growth of 7.3% by volume and 1.1% by value respectively from previous quarter.

Despite the increased adoption of E-Banking channels, cash payments remained relatively high reflecting the preferred use of cash as the mode of payment.



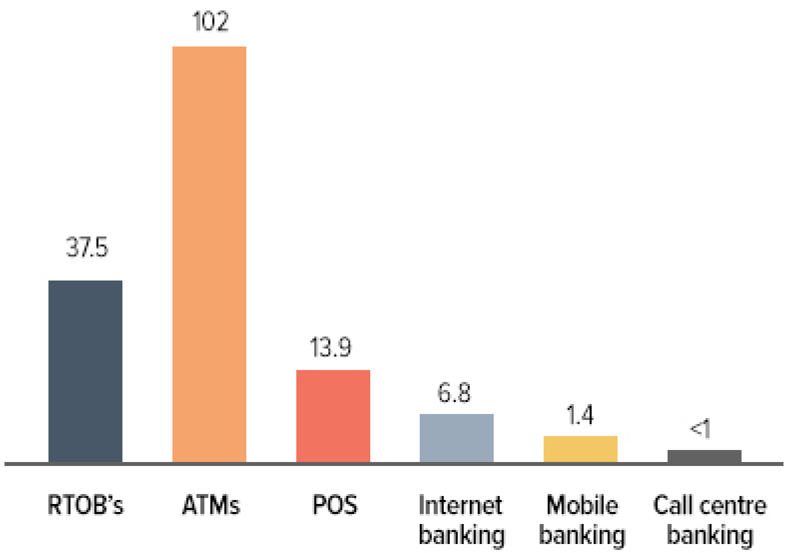


*Source: Published on The News website dated October 17, 2017
(Click here to access the original article.)

ATM is the preferred e-Banking Channel which acquired largest share of pie in the volume of e-Banking transactions. ATM transactions contributed 63% in the volume and 12.6% in the value of total e-Banking transactions. In totality, ATMs processed 102 million transactions of worth Rs. 1.2 trillion during the quarter under review, which showed a growth of 8.2% by volume and 10.7% by value as compared to previous quarter. On average one ATM processed 91 transactions per day with average size of per ATMs Transactions Rs. 11,553.

ATM network has grown from 12,352 to 12,515, showing a growth of 1.3% compared to the previous quarter. Out of total 12,515 ATMs 10,330 ATMs are On-Site ATMs 2,181 are Off-Site ATMs and 4 Mobile ATMs. There are 9 ATMs per 100,000 adults6 in Pakistan.

Volume (in million)

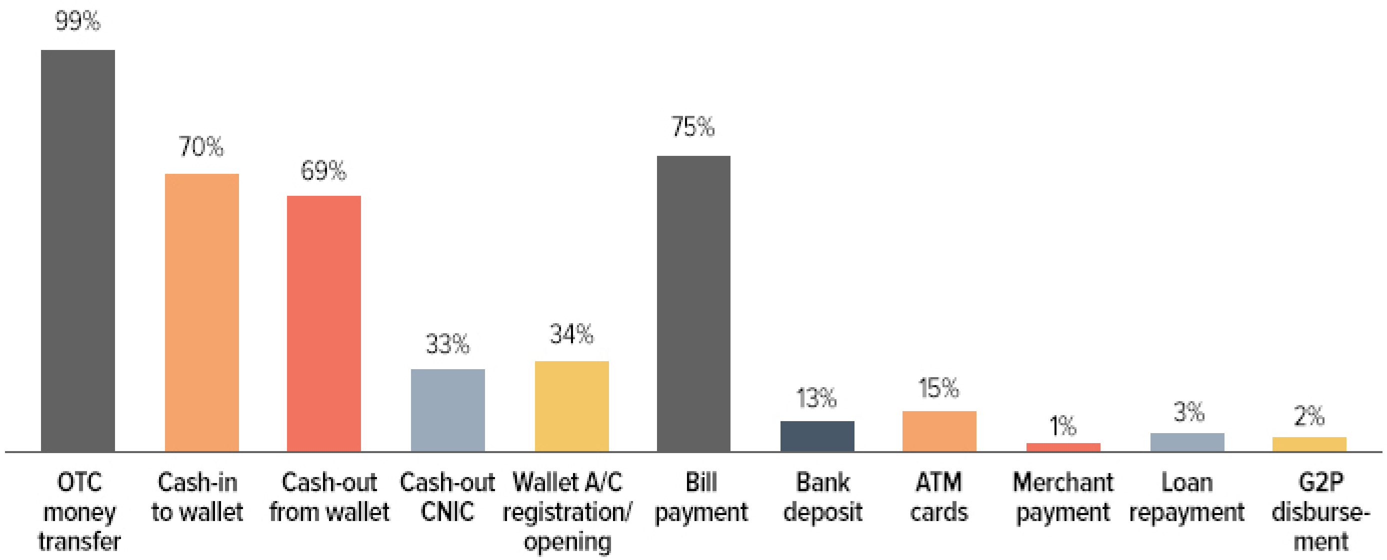


*Source: Published on The News website dated October 17, 2017
(Click here to access the original article.)

KARANDAAZ ANA RESEARCH: SERVICE OFFERING IS GROWING BUT OTC STILL DOMINATES*

OTC transfers still dominate the service offering (of mobile money agents) followed by bill payment. Wallet registrations as well as wallet transactions are on the rise. The limited service offering available from the agents may also be a product of low awareness on the demand side.

Large scale e-wallet adoption could unleash new wave of product and service innovation. Currently, however, only one third of agents offer wallet registration and agents cite low customer awareness as hindrance to registering customers.

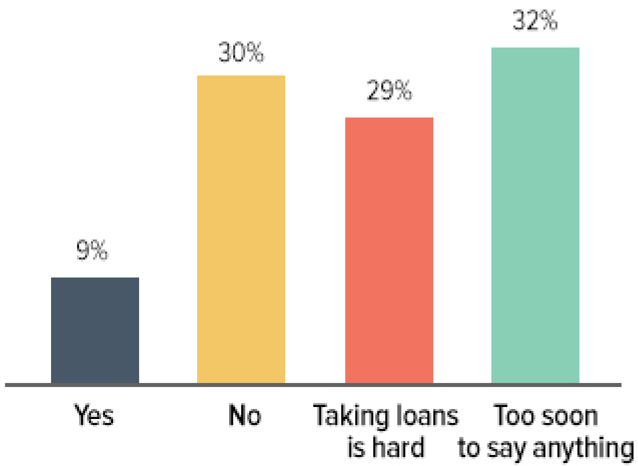


*Source: Published on the KARANDAAZ website dated September 20, 2017
(Click here to access the original article.)

1 IN 3 PAKISTANIS (30%) SAY THEY WOULD NOT TAKE A LOAN EVEN IF INTEREST RATES WERE ABOLISHED*

According to a Gilani Research Foundation Survey carried out by Gallup & Gilani Pakistan, 1 in 3 Pakistanis (30%) say they would not take a loan even if interest rates were abolished.

A nationally representative sample of men and women, from across the four provinces was asked, ***"Suppose if interest rates on loans are abolished, would you like to take a loan for your various personal needs?"*** In response to this question, 9% respondents said yes they would like to take a loan if interest rates were abolished, 30% said no, 29% said taking loans is hard and 32% said it is too soon to say anything.



*Source:: Published in GALLUP PAKISTAN/Daily Polls on November 17, 2017.
(Click here to access the original poll.)

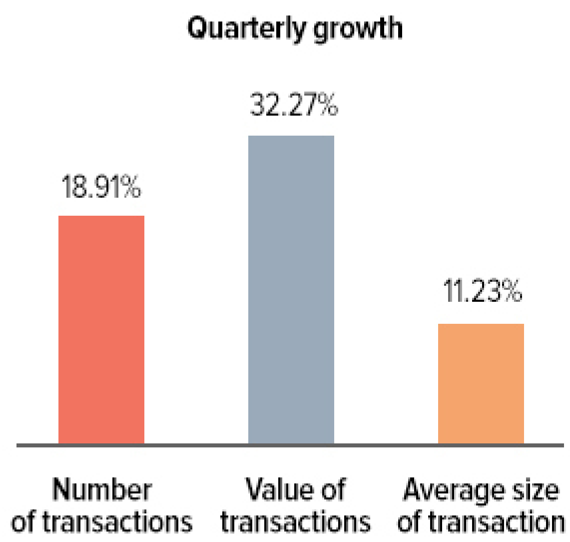
According to the State Bank of Pakistan quarterly report on Branchless Banking, the value of BB transactions have jumped to Rs. 746,569 during Apr-June 2017, up a hefty 32.27% as compared to the previous quarter (Jan-March 2017) when it stood at Rs. 564,448.

The average size of transactions has also experienced a growth of 11.23%. It rose from Rs. 4,015 in Jan-March 2017 to Rs. 4,466 in Apr-June 2017.

Branchless Banking is an alternative to conventional branch-based banking which offers financial services through ATM's, credit & debit cards, retail agents, mobile phone etc.

VALUE OF BRANCHLESS BANKING TRANSACTIONS WITNESSES A QUARTERLY GROWTH OF 32.27%:

SBP report for the Quarter Apr-Jun 2017*



*Source:: Published in SBP Report for the Quarter April-June 2017
(Click here to access the original article)

ACCESS TO FINANCE FOR LOW COST PRIVATE SCHOOLS (LCPS) – FINANCIAL MANAGEMENT*

As expected of an informal enterprise, the survey data indicates that 90% of schools fees for all levels of LCPS are collected in cash at the school premises. Typical of the service industry, cash flow us the principle LCPS asset, and remains outside the formal financial system. Figure 1 highlights the bank management of the surveyed LCPSs, figure 2 and 3 summarize the methods for fee collection and staff payments at the surveyed LCPSs. For detailed report, click here.

Fig 1. Bank Account Management for Surveyed LCPs

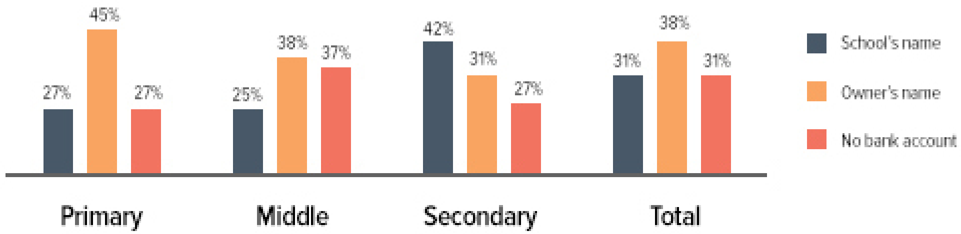


Fig 2. Method for Fee Collection

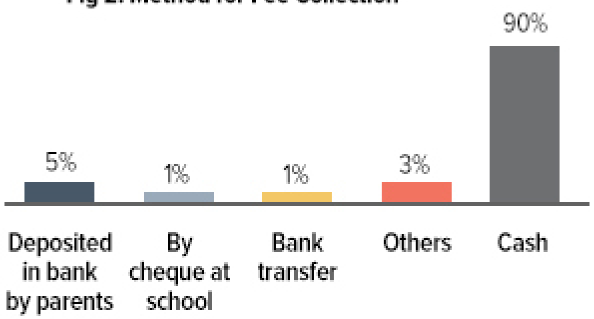
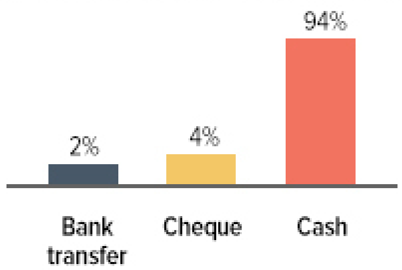


Fig 3. Method for Staff Salary Payments



*Source:: Published on Microfinance Connect in March 2014
(Click here to access the original article)

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