

Branchless Banking Industry in Pakistan

– A comparison of its Outreach and Pricing vis-à-vis Conventional Banking and Postal Service

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Preamble

Pakistan is one of the fastest developing markets for branchless banking in the world. This paper aims to review the current status as well as future prospects of the branchless banking industry in Pakistan, especially with regard to the regulatory framework, future challenges, growth statistics, key market players and impact on utilities sector. Furthermore, the correlation between branchless banking and economic growth as well as comparison of geographical outreach of commercial banks branches vis-à-vis the mobile subscribers network in Pakistan and SAARC countries have also been studied. It is quite encouraging that the main regulators of branchless banking in Pakistan are playing their due role in ensuring a conducive environment for the development of this industry through providing incentives for innovation and interacting with the private sector to redress their grievances in their growth prospects.

Difference between Branchless Banking and Mobile Banking

In **Branchless banking**, the customer does not need to visit a branch or central location of the bank, rather he uses the technological services such as ATM, telephone helpline, online services etc. to perform banking transaction. For this purpose the banks offer their alternative services in third party locations viz. post office, grocery stores, shopping centers to facilitate its customers. The Branchless banking has become so common worldwide that a good number of bank customers, particularly in the developed countries, now seldom visit their banks and complete all their banking transactions online with ease and comfort.

In **Mobile Banking**, the customer carry out financial transactions through a mobile telecommunication device such as a mobile phone or smart phone or through SMS. The transactions may cover bill payments, money transfers, accounts balance enquiry etc. It may be noted here that modern smart phones like Google's Android and Apple's iOS mobile operating systems include features of a laptop, web browsing, Wi-Fi and third party applications and accessories, which provide a useful means for growth of mobile banking all over the world. Mobile banking has also

become popular in the present busy and technological advanced environment. Sometime, it is also referred as M-Banking or SMA Banking.

Basic Models of Branchless Banking

Generally, the **bank-based** and **Non Bank-based** models of branchless banking are emerging globally. The basic models of branchless banking can be classified under following heads:

No.	BB Model	Features
1.	Bank-Based	1. Customer has bank relationship 2. Agents used for cash in/out
2.	Non Bank-Based	1. Customer has a mobile account 2. Agents used for cash in /out
3.	Hybrid	1. Customers have both bank relationship and mobile account 2. Agents used for cash in /out

Both the bank and non-bank based model use information and communication technologies to transmit details of financial transactions from the customer or non-bank agents (such as post office, mobile companies, etc) to the bank. In the **bank-based model**, the customer has an account or contractual agreement with a bank or other prudentially regulated financial institution, which is operated through the agent; whereas in the **non-bank based model**, the customer has an account or contractual agreement with other institutions such as mobile network operator, electronic money transfer companies etc. through which the customer exchanges cash for e-money stored in a virtual account on the non-bank's server.

The non-bank model has restricted the role of the banks in daily banking transactions done by account holders who, alternatively, uses the services offered by the mobile network operators or other non-bank agents. The banks' role has confined to be a safe custodian of customers money and funds. In the Bank-based model, however, the banks has some relationship with the customer which is implemented by establishing a joint venture with the telecommunication companies or other non-bank agents. The non-bank based models may have some regulatory

framework to follow, however, they normally do not have such strict regulations like banks.

encompassing basic indicators on financial access and usage, including annual geographic and demographic data on access to basic consumer financial services. One important



Benefits and Advantages of Branchless Banking

The branchless or mobile banking have many benefits and advantages not only for the banks and financial institutions but also for customers and general public.

Benefits for Banks

- o It reduces the operations cost and expenditures of banks
- o It increases customer outreach of banks without investing in costly branch infrastructure
- o It provides banks' access to the low-income market segment and in remote areas
- o It improves efficiency and services of banks through use of Information technology

Benefits for Customers

It makes available basic banking services to people at their doorsteps at affordable cost

- o It provides convenience to the account holders to make banking transactions with ease
- o It provides customers' access to their funds at their closest locations through ATMs
- o It minimizes the time and cost required by customers to visit the bank branches.

Comparison of Geographical Outreach of Commercial banks' Branches and Mobile Subscribers Network

A commercial bank is defined as a 'bank whose main business is deposit-taking and making loans, facilitated through its branch networks in a country. The International Monetary Fund (IMF) defines 'Commercial bank branches' as 'retail locations of resident commercial banks and other resident banks that function as commercial banks that provide financial services to customers and are physically separated from the main office but not organized as legally separated subsidiaries'. The commercial bank branches also include credit unions, financial cooperatives, deposit taking micro-finance institutions and other deposit takers.

The Financial Access Survey (FAS) conducted by the IMF is the only source of global data on financial inclusion,

global data that relates to geographical outreach of banks is "Commercial Bank branches per 100,000 adults" which is calculated as follows:

$$\text{Number of Banks / Institutions} + \text{Number of Branches} \times 100,000 / \text{Adult population in a country}$$

The above formula is applied for credit unions, financial cooperatives and all Microfinance Institutions (MFIs) as well, to calculate branches per 100, 000 adult population.

SAARC Countries Statistics on Banks Branches and ATMS

Now, let's have a quick glance at the number of commercial branches per 100,000 adults (see Table 1) and ATMs per 100,000 adults (Table 2) indicators in the SAARC countries, which has been extracted from the global data of Financial Access Survey (FAS) of -IMF:

Table 1: Commercial Bank Branches per 100,000 Adults in SAARC Countries						
Country	2007	2008	2009	2010	2011	2012
Bangladesh	7.03	7.08	7.28	7.53	7.72	8.08
Bhutan	N/A	N/A	N/A	N/A	N/A	N/A
India	9.05	9.35	9.65	10.08	10.54	11.38
Maldives	15.79	16.71	16.23	15.78	15.80	15.82
Nepal	3.60	3.58	4.71	5.19	7.39	8.43
Pakistan	7.91	8.24	8.32	8.35	8.51	8.97
Sri Lanka	13.01	13.81	14.54	15.46	16.77	17.49

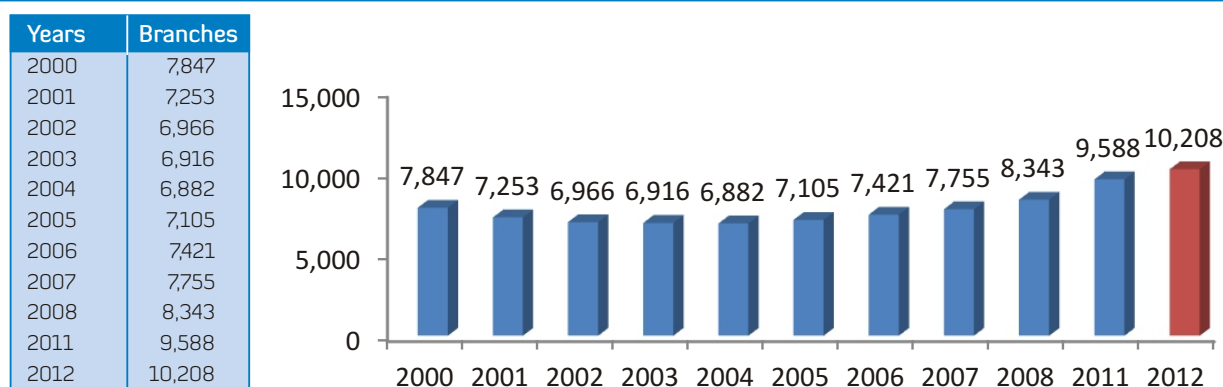
(Source: FAS-IMF Analysis by R&P Department ICMA Pakistan)

If we compare the latest figures for 2012 from the above Table 1, Sri Lanka is ahead of all the SAARC countries with more than 17 bank branches per 100,000 of its adult population, followed by Maldives, at second position, with more than 15 bank branches per 100,000 of its adult

Table 2: ATMs per 100,000 Adults						
Country	2007	2008	2009	2010	2011	2012
Bangladesh	0.50	0.83	1.27	2.08	3.64	5.03
Bhutan	2.17	3.15	4.08	8.34	13.93	7.73
India	3.38	4.29	5.31	7.27	8.86	11.21
Maldives	19.62	19.03	19.84	19.73	20.07	21.15
Nepal	N/A	N/A	N/A	N/A	7.39	7.50
Pakistan	2.68	3.36	3.88	4.27	4.71	5.42
Sri Lanka	9.10	10.89	12.22	13.02	14.43	15.41

(Source: FAS-IMF Analysis by R&P Department ICMA Pakistan)

Table 3: Growth of Branch Network in Pakistan



population. India is at third rank with more than 11 branches and Pakistan stands at fourth with almost 9 branches per 100,000 of its adult population.

As far as number of ATMs per 100,000 adults in SAARC countries is concerned (Table 2), Maldives has taken lead with 21 ATMs, followed by Sri Lanka with 15 ATMs and India with 11 ATMs. Pakistan is at second last position, before Bangladesh, at 5.42 ATMs per 100,00 adult population.

Growth of Commercial Bank Branches in Pakistan

The number of commercial banks branches in Pakistan has not increased with the proportionate increase in the country's population. Table-3 indicates that there has not been any remarkable yearly growth in bank branches during the period from 2000 to 2008. The total number of branches of commercial banks increased only by 496 in a period of 8 years, which is far from satisfactory. According to a 'Banking Survey' of all commercial banks operating in Pakistan, conducted in 2012 by the KMPG shows that the in 2012, the total bank branches were 10,208 as against 9,588 in 2011. This means that the annual percentage growth in 2012 was only 6.46%.

Growth of Mobile Subscribers in Pakistan

ICMA Pakistan research indicates that the number of registered mobile subscribers in Pakistan has been increasing annually in the range of 8 percent to 9 percent. In 2011, there was an increase of 8.13% in cellular subscribers (123 million in 2012 to 133 million in 2013). In 2012, the growth in subscribers was 7.89% as against 9.61% in 2011. (see Graph).

SAARC Countries Statistics on Growth of Mobile Subscribers

ICMA Pakistan research reveals that India, being the largest country in SAARC region, has the highest number of mobile subscribers i.e. 865 million in 2012, followed by 123 million of Pakistan (2nd); 98 million of Bangladesh (3rd); 22 million of Sri Lanka (4th) and 18 million of Nepal (5th). Table 5 indicates growth of mobile subscribers in SAARC countries:

According to the latest statistics released by the Pakistan

Telecommunication Authority (PTA), there were 132,333,852 (132.33 million) cellular or mobile phone subscribers in Pakistan by the end of November 2013. Mobilink is the market leader with 37.72 million subscribers, followed by Telenor, Ufone, Zong and Warid, respectively. A breakup of cellular phone subscribers of the five major telecom operators in Pakistan is given in Table-6.

There is immense growth potential of branchless banking in Pakistan and it is expected to bring economic revolution in the lives of common people, in addition to strengthening the concept of e-commerce and online economy in Pakistan. There has been explosive growth in the mobile phone subscription in Pakistan, which presently stands at about 120 million whereas the number of banks accounts is around 32 million in a population of 180 million. This pervasive mobile penetration, especially in the low income segment of society, reflects the future potential and market to bring them in the branchless banking network and improve the 'access to finance' of the unbanked population of the country - which the conventional banks have not be able to do despite having network of branches all over the country. The addition of 'smart phone' has really changed the mobile banking scenario in Pakistan.

Rs. 224 Billion Branchless Banking Transactions in Pakistan

According to the State Bank of Pakistan (SBP), the branchless banking transactions reached the level of Rs. 224 billion by the end of September 2013. During the quarter July-September 2013 the branchless banking transactions crossed 52 million, showing 16% growth in number and 29% growth in value during the quarter. Similarly, the branchless banking accounts climbed up by 12 percent to reach the level of 2.96 million in number.

The noticeable growth has been possible due to growth in small-value transactions (averaging Rs4,315) mainly carried out by the unbanked segment of population for domestic remittances, social welfare payments such as BISP, Watan Card etc, pension payments, and utility bill payments. These services are being provided through agent network, mobile phones, alternate teller machines (ATMs), and Point of Sale (POS). Other growth statistics during July-September 2013 quarter, as released in the SBP Report is given below:

Table 4: Summary of Bank Branches in Pakistan (2011 & 2012)

No	Bank Category	Number of Banks	Number of Branches	
			2012	2011
1.	Large Banks	06	6,682	6,457
2.	Medium Size Banks	10	2,405	2,253
3.	Small Banks	17	1,121	878
	Total	33	10,208	9,588
No.			Number of Branches	
	Large Banks		2012	2011
1	Habib Bank Limited		1,540	1,506
2	National Bank of Pakistan		1,313	1,300
3	United Bank Limited		1,296	1,235
4	MCB Bank Limited		1,187	1,173
5	Allied Bank limited		875	837
6	Bank Alfalah Limited		471	406
	Total		6,682	6,457
	Medium Size Banks			
1	Bank Al-Habib Limited		392	353
2	Standard Chartered Bank Pakistan limited		130	143
3	Askari Bank Limited		261	245
4	Bank of Punjab		306	284
5	Faysal Bank		265	257
6	Habib Metropolitan Bank Limited		143	138
7	Meezan Bank Limited		310	275
8	NIB Bank Limited		179	179
9	Soneri Bank Limited		233	214
10	Summit Bank Limited		186	165
	Total		2,405	2,253
	Small Banks			
1	Sindh Bank		160	50
2	KASB Bank Limited		105	104
3	Silk Bank		85	85
4	Citi Bank N.A (Pakistan Branches)		7	16
5	JS Bank		185	147
6	Bank of Khyber		77	62
7	Bank Islami Pakistan Limited		141	102
8	Al Baraka Pakistan Limited		94	89
9	Dubai Islamic Bank Pakistan Limited		100	75
10	HSBC Bank Middle East Limited		10	11
11	Barclays Bank PLC Pakistan Limited		7	15
12	Burj Bank Limited		75	50
13	Samba Bank Limited		28	28
14	Deutsche Bank AG Pakistan Branches		3	3
15	First Women Bank Limited		41	38
16	Industrial and Commercial Bank of China Limited		2	2
17	Bank of Tokyo Mitsubishi UFJ Limited Karachi Branches		1	1
	Total		1,121	878

(Source: KPMG Banking Survey 2012)

- o Agent Network has reached 110.214 in number
- o Over-the-Counter (OTC) transactions stood at 41.87 million worth Rs. 116.8 billion
- o Mobile-Wallet transactions stood at 7.2 million worth Rs. 13.6 billion
- o According to the State Bank, over 800,000 Branchless Banking accounts have so far been opened in Pakistan while the average number of transactions per day is around 180,000 and the average ticket size per transaction stands at Rs 3,700.
- o Format Credit to increase by 1 million
- o GDP growth to increase by 3 percent through increased access to credit
- o Addition of an estimated US\$ 2 billion to government revenues
- o Creation of one million new jobs
- o Number of mobile users to rise from current 2% to 35% by 2020

Co-relation between Branchless Banking and Economic Growth

Branchless Banking is now recognized as the 'growth driver' for the economy of any country. According to a recent study by the World Bank, there exist a 'positive relationship between financial inclusion, faster economic growth and poverty alleviation'. Let's see how growth in branchless banking brings positive impact on the socio-economic conditions of any country:

- o It formalizes the economy and improve economic conditions of less-privileged class of society, which eventually leads to poverty alleviation.
- o It provides opportunity to unbanked population to save money for hard times and utilize advanced financial instrument to pay for services efficiently without loss of productivity.
- o It helps reduce currency circulation as well as State Bank's expenses on printing of paper money. It costs around Rs. 7/- for the SBP to print a five Rupee bill.
- o It helps document the economy as it is mandatory in branchless banking for both sender and receiver of money to show their CNIC at the Point of Sale to complete transaction.

According to a study conducted by the Boston Consulting Group (BCG) in 2010, the growth of branchless banking and increased access to mobile banking services in Pakistan would bring the following socio-economic benefits to the country by the year 2020:

- o Formal savings to go up to 27 million

Regulatory Framework for Branchless Banking in Pakistan

The State Bank of Pakistan (SBP) and the Pakistan Telecommunication Authority (PTA) are the two main regulatory bodies that play important role in encouraging and developing the branchless and mobile banking in the country. The promotion of branchless banking is in fact, an integral part of the SBP Financial Inclusion Strategy to stimulate inclusive growth in the country by reaching out to the unbanked and financially under-served population. Similarly, The Pakistan Telecommunication Authority, in collaboration with the SBP, plays its role in providing a conducive regulatory environment for provision of smooth and efficient branchless and mobile banking services to the banking and telecom industries in Pakistan. Their joint efforts are intended to achieve faster financial inclusion through branchless banking.

SBP Branchless Banking Regulations, 2008

In March 2008, the State Bank of Pakistan issued the 'Branchless Banking Regulations', as part of its broader strategy to create enabling regulatory environment to promote Bank-led Model of branchless banking in Pakistan. These regulations were intended for application to financial institutions (Commercial banks, Islamic banks and Microfinance banks) desirous to undertake branchless banking. The objectives of the SBP 'Branchless Banking Regulations' were as under:

- o To define Branchless Banking activities as a new delivery channel to offer banking services in a cost effective manner.
- o To broadly outline activities which constitute

Table 5: Number of Registered Mobile Subscribers in SAARC Countries

Country	Number of Registered Mobile Subscribers In SAARC Countries (in Millions)		
	2010	2011	2012
India	752.19	893.85	864.72
Pakistan	103.5	113.71	123
Bangladesh	68.78	85.71	97.64
Sri Lanka	17.72	19.73	21.78
Nepal	9.8	14.19	17.88
Maldives	0.45	0.51	0.56
Bhutan	0.38	0.49	0.56

Number of Registered Mobile Subscribers in Pakistan

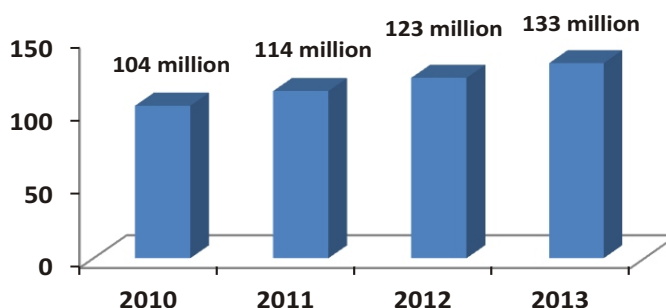
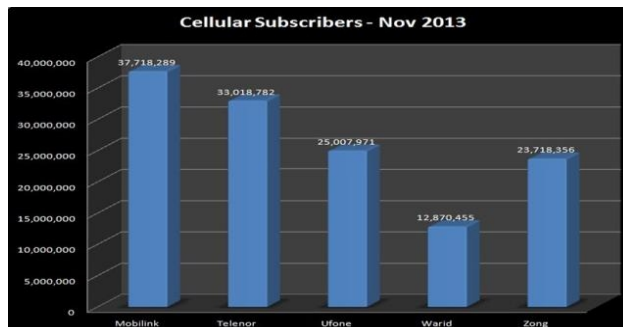


Table-6 : Number of Mobile Phone Subscribers in Pakistan

(By November 2013)

Ranking	Telecom Company	Number of Subscribers (In Millions)
1.	Mobilink	37.72
2.	Telenor	33.02
3.	Ufone	25.00
4.	Zong	23.72
5.	Warid	12.87
Total		132.33

(Source: Pakistan Telecommunication Authority)



Branchless Banking and to provide a framework for offering Branchless Banking services.

- o To serve as a set of minimum standards of data and network security, customer protection and risk management to be followed by the Banks desirous to offer mobile banking services.

It may be noted here that the SBP Branchless Banking Regulations, 2008 did not cover issuance or handling of e-money for which there already existed a separate law by the name and title of "Payment System & Electronic Fund Transfer Act, 2007".

The SBP Branchless Banking Regulations provided a fillip to the branchless banking industry in Pakistan. Since the issuance of these regulations, the State Bank has always remained at the fore front and played a significant role as a regulator to provide policy direction and clear guidance for promotion of financial inclusion in the country. It has been due to this constructive role of the State Bank that the regulatory environment for microfinance and branchless banking in Pakistan is considered one of the best in the world. Today, the branchless banking retail agents' network in Pakistan has expanded to over 30,000 agents in a short span of few years.

It is worth mentioning here that a team of World Bank Consultants that visited Pakistan in December 2013 acknowledged the fact that "SBP's policy framework for branchless banking and financial inclusion is in synchronization with the best approach for optimally managing linkages between financial inclusion and central banks' traditionally core objectives of financial stability, financial integrity and consumer protection".

SBP-PTA MoU for Third-Party Mobile Banking Regulations

In January 2012, the two regulators i.e. State Bank of Pakistan (SBP) and Pakistan Telecommunication Authority (PTA) signed a Memorandum of Understanding (MoU) with the common objective of promoting and stimulating mobile banking services in Pakistan. The agreement envisages for employing third-party service providers to mediate between telecom operators and the banks. This is a great milestone in the branchless banking scenario and would help

bring the banking services to 120 million mobile subscribers of the country by creating synergies among the mobile operators, banks and the technical service providers.

The SBP and PTA are also working jointly to develop a regulatory framework for third party mobile banking services and interoperability, which would allow mobile transactions between the banks and the mobile operators.

SBP Nationwide Financial Literacy Program (NFLP)

In March 2012, the State Bank of Pakistan launched Pakistan's first-ever Nationwide Financial Literacy Program (NFLP) with the support and collaboration of Asian Development Bank (ADB), Pakistan Banks' Association (PBA), Pakistan Microfinance Network (PMN), Pakistan Poverty Alleviation Fund (PPAF) and Bearing Point. The main objective of NFLP is to impart knowledge and understanding of basic financial concepts, products and services to low-income Pakistanis such as farmers, in order to enable better economic decisions and to boost financial inclusion. The SBP Financial Literacy Program focuses on the following seven personal finance themes:

- o Budgeting
- o Savings
- o Investments
- o Debt management
- o Consumer rights and responsibilities
- o Financial products and services and
- o Branchless banking.

The programme is financed under the ADB-funded 'Improving Access to Financial Services Fund (IAFSF)' and implemented under the oversight of IAFSF Committee which has representation from SBP, Pakistan Banks' Association, Pakistan Poverty Alleviation Fund, Pakistan Microfinance Network, education sector and the ADB. Under the NFLP, focused training workshops would be organized which would include content-based activities, story-telling and exercises. These workshops would be sourced from banks, microfinance banks, and institutions. In addition, SBP would also implement a promotional strategy through organizing street theatres, board games, comic strips, activity-based competitions, website and media

campaigns to reach out the masses on larger scale. SBP has already started awareness campaign for farmers at grass root level with a view to increase agriculture credit outreach.

SBP Consultative Group on Branchless Banking

In June 2012, the State Bank established a 'Consultative Group on Branchless Banking' under the chairmanship of Executive Director, Development Finance Group of SBP with a view to provide a common platform for all stakeholders to develop collective policy recommendations on critical issues. The Group consists of representatives from PTA, NADRA, Banks, Micro- Finance banks, Mobile Network Operators and technology Solution Providers.

Pakistan has become a global growth model in Branchless Banking

There is no denying the fact that Pakistan is one of the fastest growing markets for branchless banking in the world and it is considered a model for other developing countries, seeking to establish advanced financial system. The branchless banking model, supported by banks, is considered as best in the world. Recently, a delegation of the National Bank of Tajikistan visited the State Bank of Pakistan to gain understanding about the regulatory framework for branchless and microfinance banking sector.

The relevant international organizations like the World Economic Forum (WEF) and the Consultative Group to Assist the Poor (CGAP) a global partnership of 34 leading organizations seeking to advance financial inclusion have been acknowledging the phenomenal growth in branchless banking sector in Pakistan.

According to a recent publication of CGAP, "Pakistan serves as an example of how public and private institutions together can move a country towards a digital financially inclusive system" Similarly, a recent study by the Boston Consulting Group estimates that 35 percent of Pakistan's adult population will be using mobile financial services by 2020.

WEF declares Pakistan as breeding ground for innovate branchless banking

The World Economic Forum (WEF) releases a global report titled 'Mobile Financial Services Development Report' which provides comprehensive analysis of more than 100 variables across 20 countries in Africa, Latin America and Asia. The latest MFSD Report was published by WEF in 2011 in collaboration with the Boston Consulting Group (BCG). This Report has given extensive coverage to Pakistan and praised its fast growing branchless banking infrastructure. The Report declares Pakistan as "a breeding ground of innovation for branchless banking" involving a wide range of players collaborating in this new eco-system, including MNOs, technology companies and even courier businesses.

Main Players in Branchless Banking in Pakistan

There are eight main players in the branchless banking sector in Pakistan viz. five banks and three micro-finance banks. Four telecom companies i.e. Mobilink, Zong, Ufone and Warid have partnered with these banks to offer the mobile banking products.

Tameer Microfinance Bank with its product 'Easypaisa' and United Bank Limited with its product 'Omni' are the pioneers of branchless banking industry and also the market leaders. Easypaisa was the first entrant in the market, followed by Omni. Other players entered the BB market gradually in the next few years and presently the market is getting more competitive (Table-7)

'Easypaisa' of Tameer Microfinance Bank and Telenor Pakistan

In October 2009, Telenor Pakistan partnered with Tameer Micro Finance Bank Limited (TMFB), which is the 8th licensed microfinance bank in Pakistan by State Bank of Pakistan under the 'Microfinance Institution Ordinance 2001', introduced Pakistan's first agent-based branchless banking services with the brand name of 'Easypaisa'. Easypaisa is the most popular and leading Branchless Banking product and in the GSMA's Mobile Money for the

Table-7 Main Players in Branchless Banking in Pakistan and their Launching Years

No.	Year of Launching	Bank / Mobile Companies	Product Name
1.	October 2009	Tameer Microfinance Bank and Telenor Pakistan	Easypaisa
2.	April 2010	United Bank Limited	Omni
3.	May 2012	Waseela Microfinance Bank and Orascom Telecom (Mobilink)	Mobi Cash
4.	December 2012	Askari Bank and China Mobile Pakistan (Zong)	Timepey
5.	April 2013	Habib Bank Limited	HBL Express
6.	July 2013	U Microfinance Bank Limited and Etisalat Group (Ufone)	Upaisa
7.	January 2014	Bank Alfalah Limited and Warid Telecom (Warid)	Mobile Paisa
8.	January 2014	MCB Bank Limited	MCB Lite

Unbanked (MMU) global survey, Easypaisa of Pakistan has been identified as one of fastest growing services or sprinters.

In December 2012, Easypaisa was declared by CGAP as the third largest mobile banking service in the world. Easypaisa has undoubtedly revolutionized the branchless banking scenario in Pakistan, especially in the lower income stratum of the society. According to a study conducted by the CGAP, around 41% of Easypaisa users lived on less than US\$2.50 per day and 69% of the customers lived on less than US\$3.75. Within a short span to time, Easypaisa shops have spread to more than 800 cities and town of Pakistan and providing services to all mobile phone users.

The services offered under 'Easypaisa' include mobile account, ATM Card, Money transfer, Bill payment, International home transfer, Easy load, Easy pay, Donations, Fori Ticket, Khushaal Beema and Khushaal Munafa.

'Omni' of United Bank Limited

In April 2010, the United Bank Limited introduced the 'UBL Omni' which is the second leading branchless banking service in Pakistan. Instead of partnering with a telecom company, UBL established its own agent network by introducing the concept of 'Omni Dukaans' which are located in more than 650 cities and towns across the country and offering instant ATM Card, cash deposit and cash withdrawal services. Any Pakistani can open a basic Omni bank account at any UBL Omni Dukaan of their choice, situated close to his home or place of work, by using his CNIC number and mobile phone number.



UBL later signed an agreement with the Shore Bank International Ltd. (SBI) to seek its technical assistance in converting large number of non-account holders into the regular account holder and to incorporate them within the fold of documented economy.

In November 2013, UBL has also join hands with the Buksh Foundation to provide solar electricity and mobile charging facility to 72 villages in 12 Districts of the country under the UBL Lighting a Million Lives (LaML) which was initiated in December 2012.

In November 2013, UBL also partnered with the Buksh Energy Pvt. Ltd. for financing solar energy solutions i.e. Solar Water Tube wells for farmers in rural Punjab and conversion of ATM networks to solar all over the country.

The services offered under UBL Omni include account opening, bill payment, money transfers, Mobile Top up, DR Secure Life insurance, Omni Dukaan, Omni ATM Cards and Omni Mobile App, which has been introduced by UBL for the

first time in BB industry in Pakistan. The Omni Mobile app is available for Android and Java-enabled handsets.

'MobiCash' of Waseela Microfinance Bank & Orascom Telecom

In May 2012, Waseela Microfinance Bank Limited (WMBL) which is the 10th licensed microfinance bank in Pakistan by State Bank of Pakistan under 'Microfinance Institution Ordinance 2001', partnered with Orascom Telecom Holding S.A.E (now Global Telecom Holding S.A.E. (GTH) an Egypt based telecom company which own Mobilink) to launch the branchless banking services with the brand name of 'MobiCash'. With the wide country-wide network of Mobilink, the MobiCash services is gaining ground gradually and providing customers the convenience of conducting over-the-counter financial transactions. Anyone who is having any mobile network can use money transfer services of MobiCash by presenting original or photocopy of CNIC at any Mobilink franchise or retailer anywhere in Pakistan.

The MobiCash services include mobile account, domestic mobile fund transfer, utility bill payments and purchasing top-ups for their cell phones (pre-paid) and MobiCash beema. It would also be introducing soon 'mobile wallets' through which the customers would be able to make money transactions directly on their mobile phone connections (Mobilink).

'Timepey' of Askari Bank and China Mobile Pakistan

In December 2012, Askari Bank Limited partnered with the China Mobile Pakistan a 100% subsidiary of China Mobile (Zong) to commercially launch branchless banking services with the brand name of 'Timepey' with the objective of bringing financial convenience to the people and making money transfers through the Timepey shops, franchises and customer services centers across the country. The Timepey services is quite flexible in the sense that it does not need to open a bank account; subscribe to any mobile phone, or even be a Zong customer. However, a Timepey Mobile Account can only be opened by a customer having an active Zong SIM by providing his CNIC copy at any Zong Franchise or Customer Centre or Askari Bank Branch.

There are around 10,000 plus agents network nationwide for Timepey service which include mobile accounts, person-to-person funds transfer, utility bills payment, salary disbursements, money transfers, cash deposits and withdrawals.

'HBL Express' of Habib Bank Limited

In April 2013, the Habib Bank Limited launched branchless banking services with the brand name of 'HBL Express' the second one-to-many bank led branchless banking model



after the UBL Omni with hubs and franchises spread across the country. In sequence, HBL became the fifth branchless banking service provider in Pakistan.

In October 2013, HBL and NADRA Technologies Limited (NTL) entered into a strategic partnership by signing an agency agreement through which more than 5500 e-Sahulat outlets of NADRA will conduct branchless banking financial transactions under the branch name of HBL Express. This joint initiative is intended to cater to the unbanked population and move ahead toward inclusive growth in Pakistan.

In January 2014, HBL signed another branchless banking super agency agreement with M/s. Muller & Phipps Pakistan Pvt. Ltd. (M&P), a multinational distribution company with a pool of about 78,000 retail outlets in Pakistan, with a view to reach the large unbanked population of the country to provide them reliable and cheap financial services.

The BB services under HBL Express initially include just two services viz. domestic remittances /fund transfers and utility bill payments however later on additional services like wallets accounts, government to persons transaction, tax collection, loan payments, insurance and more services will also be included gradually.

HBL has received the award of "Best Money Mobile Development in Asia" for its branchless service of HBL Express at the Mobile Money Global Award in Dubai in 2013.

'Upaisa' of UBank and Etisalat Group

In July 2013, U Microfinance Bank Limited (Ubank - formerly Rozgar Microfinance Bank Limited) which is the 4th licensed microfinance bank in Pakistan under State Bank 'Microfinance Institution Ordinance 2001', partnered with the Pak Telecom Mobile Limited (PTML) the then wholly owned subsidiary of PTCL operating "Ufone" mobile service, which after privatization in 2006 came under the control of Emirates Telecommunication Corporation Group (Etisalat), to launch the branchless banking service with the brand name of "Upaisa".

Upaisa is the sixth entrant into the branchless banking segment in Pakistan with largest agent network of more than 10,000 agents across Pakistan and reached a record high of Rs. 6.4 billion worth of transactions. The Upaisa services are not limited to only Ufone subscribers but customers of other mobile network services can also use the Upaisa over the counter services.

Upaisa offers two types of services viz. from Upaisa Outlet and from Mobile Account. The services offered to customers from 'Upaisa outlet' include money transfers and bill payments, whereas from 'Upaisa Outlet' the services offered are money transfer, bill payment, cash deposit and withdrawal, purchase airtime, pay post paid bill, mini account balance etc.

Upaisa has been recognized globally with the award of "Best Money Mobile Development in Asia" at the Mobile Money Global Awards 2013 held in Dubai U.A.E.

'MCB Lite' of MCB Bank Limited

In January 2014, the MCB Bank Limited launched branchless banking services with the brand name of 'MCB Lite' which is a 'socially connected' payments solution to save time and money of the customers as they can control their finances and make payments through the use of a 'Visa Card' and a 'Mobile Wallet'. MCB Lite is the world's first socially connected Mobile Wallet backed by powerful technology giant 'Visa' and aims to bring growth from the 'outside' by acquiring new-to-bank customers in the targeted segments.

The Mobile Wallet comes with a Visa powered card which is accepted at around two million ATMs across 200 plus countries and territories of the world. This enables the customers to access their funds, make payments, and pay bills from anywhere in the world. The Mobile Wallet also enables them to load money digitally through existing bank account and link it to existing telecom provider and smart phone without any need for switching phone/bank/telecom operator. Once the money is in, they can make payments free of charge, buy top-ups, pay bills, shop online, enjoy discounts and much more from anywhere in the world through a combination of the mobile wallet and Visa Card!

'Mobile Paisa' of Bank Alfalah Limited and Warid Telecom

In January 2014, the bank Alfalah Limited - owned and operated by the Abu Dhabi Group- joined hands with Warid Telecom - a 100% owned company of Abu Dhabi Group offering telecom services in over 70,000 destinations in Pakistan to launch their mobile branchless banking services with the brand name of "Mobile Paisa" and tagline "Chalta Rahey Pakistan". The Mobile Paisa is being offered to customers through 2000 agents across the country. Monet (Pvt.) Limited in collaboration with Fundamo a global mobile platform provider is providing technology support for Mobile Paisa mobile services in Pakistan.

Mobile Paisa offers services to customers such as over the counter facilities for making utility bills payment and Person to Person (P2P) funds transfers. More innovative services will be offered by the Bank in the near future.

Branchless Banking Prices at World level

- 1 The average monthly price to use a bundle of branchless banking services is US\$3.90.
- 2 Branchless banking is comparatively 19% cheaper than

conventional bank services and 38% cheaper at lower values at which poor people are likely to transact. The lower the transaction value, the cheaper will be the branchless banking.

- 3 Branchless banking is half the price of informal options for money transfer.
- 4 Client usage is influenced not only by absolute prices but also by the way prices are structured so as to reach large numbers of unbanked, low-income clients.

Use of Branchless Banking in Government to Person (G2P) Payments

There is a lot of interest in government-to-person (G2P) payments as a means of promoting financial inclusion in Pakistan.

- o Following the military action in the Swat valley in May 2009 the Government of Pakistan and the World Food Programme worked with UBL to issue automatic teller machine (ATM) cards that were used to make payments to 12,000 beneficiaries.
- o After the floods in August 2010, the government worked with UBL, Bank Alfalah, and HBL to issue Visa branded cards to nearly 1 million victims who had lost property. Beneficiaries could withdraw money at ATMs or use their cards to purchase goods.
- o Benazir Income Support Program (BISP) is Pakistan's flagship social cash transfer program with 2.2 million beneficiaries. Two pilots use branchless banking agents. The first uses a card with a barcode on the back that is read with a scanner, whereas the second uses mobile phones. Four banks (UBL, HBL, Tameer, and Bank Alfalah) have agreed to provide a combined total of 180,000 free mobiles to beneficiaries in order to be included in the pilot.
- o SBP, in partnership with DFID, intends to create a Challenge Fund to provide grants to other government departments to allow them to experiment with financially inclusive payment arrangements.

Challenges for Branchless Banking in Pakistan

Notwithstanding a phenomenal growth, the branchless banking industry in Pakistan still faces innumerable challenges that need to be overcome to continue the growth process:

- o Build customer confidence and expand business scope and usage. Invest in the agent network to ensure a consistent, reliable and uniform customer experience..
- o Reach commercial viability in the absence of donor funding or government subsidy. The BB key market Providers need to move beyond over-the-counter transactions to offer products that promote a relationship with the customer and bring in money from float as well as fees.

- o Prevent fraud and abuse. Evidence of abuse of branchless banking services could undermine the confidence of customers and regulators and bring set back to this growing sector especially in Pakistan, where the financial sector faces particular scrutiny.

Despite these challenges there are a number of reasons to be optimistic that the sector will continue to grow:

- o SBP has shown that it is committed to making branchless banking in Pakistan commercially viable.
- o Branchless banking couldn't tap utility sector due to inherent constraint of cash float. The banks and cellular companies are just sub-contractors of NADRA. They don't have direct contracts with utilities.
- o There is great market potential and early customer adoption and use rates suggest that customers value and are willing to pay for branchless banking services.

Impact of Branchless Banking on Utilities in Pakistan

The power utilities organizations are not taking full advantage of the geographical outreach and accessibility of mobile banking network in Pakistan owing to heavy cash float and lack of confidence. Initially Utilities made some contracts with easy paisa, Dubai Islamic Bank and Bank Alfalah Credit Cards but when financial wisdom prevailed and facts unveiled that existing branchless banking is not meant for utilities collection, these contracts could not continue for long. It is matter of fact that mobile banking services curtails the queue but it results in huge cost of ease to consumers. The power sector which is already trapped by circular debt is of the view that the revenue collected by branchless collecting agencies beyond normal banking hours till 12 am used to remain in float till the very next or two day(s)-in case of NADRA. Owing to these repercussions, the power utilities discontinued contractual arrangements with these collecting agencies. Afterwards few Banks and cellular companies are managing collections through sub contracted branchless banking like Easy Paisa, Omni UBL, Mobi Cash etc., however, no contractual arrangements exists between these branchless collecting agencies and the power utilities which are against the standard business ethics.

To go deep into the non applicability of revenue collection by Utilities through branchless banking network, it is to be



Money Order Rates		
Type of Money Order	Value of Money Order	Commission Chargeable (Rs)
Normal MO	Upto Rs.10,000/-	Rs. 50/-
Normal MO	Upto Rs. 20,000/-	Rs. 75/-
Army MO	Upto Rs. 10,000/-	Rs.25/-
BISP MO	Upto Rs. 10,000/-	Rs.25/-
VP MO	Upto Rs. 10,000/-	Rs.25/-
VP MO	Upto Rs. 20,000/-	Rs. 50/-

understood that the revenue collected by these branchless centers are remitted with a delay of one to two days, due to which an amount in the range of Rs.15 to 25 Billion remains in float throughout the year which has annual financial impact of Rs.5, 475 to 9,125 Million.

To quote here an example, the Central Power Purchasing Agency (CPPA) in Pakistan purchases power from various power generators and sells it to the DISCOs according to the wholesale tariff rates determined by NEPRA. Due to the delayed remittance or poor collections of the Electricity, the Utilities are unable to pay the power purchase price to the CPPA. The poor payout ratio cause delay in the payment of CPPA to IPPs and attracts the Late Payment Surcharge. As a result, CPPA bears the supplementary charges in accordance with Power Purchase Agreement between CPPA/NTDC/WAPDA and the IPPs. On the other hand the regulator, NEPRA, has not allowed CPPA/NTDC to recover these supplementary charges and cost remains in limbo.

As per Energy Supply Agreement, the electric utilities are also liable to pay Late Payment Surcharge. As the tariff in Pakistan is regulated on a cost plus basis, therefore the amount of Late Payment Surcharge is ultimately adjusted in the tariff and passed on to the end consumers. This extra cost further over burdens and adds to the miseries of the poor consumers at the cost of such collecting agencies.

Postal Service is still popular despite growth in branchless banking

Despite the development of branchless banking in rural urban areas thru massive advertisement, still the 100 years old remittance services, money order, of Pakistan Post office is popular and considered reliable even in south Asia. The services of money order are well known among the past three generations. Furthermore, Pakistan Post Office is a major partner of all utilities as it is collecting their utilities bills thru extensive network even in areas where the topography is tough.

The amount of revenue collected by Post Offices and its remittal through money order is a secure and cheap mode for money remittance in Pakistan as compared to the branchless banking including NADRA. Majority of population lives in rural areas where regular transaction services are scant. Pakistan Post should come forward to fill this void and provide remittance services through Money Order.

In an effort to modernise postal services, Pakistan Post launched the electronic money order (EMO) service for domestic money transfer. Initially EMO service has been started between eleven major cities including Islamabad, Rawalpindi, Lahore, Faisalabad, Multan, Sialkot, Peshawar, Quetta, Karachi and Hyderabad through 17 General Post Offices (GPOs).

The service will allow customer for quickly transferring money within the country. Customers will be able to transfer money up to Rs 100,000 instantly through EMO Service at very nominal charges ranging from Rs 50 to Rs 600. The service is available in all 83 GPOs throughout Pakistan.

Conclusion

The existing branchless banking is primarily banking upon cash float of utilities and their clients. There is need to revamp the branchless banking operating system so that instead of depending on hidden benefit of cash float it should build on service cost. Notwithstanding the adverse effects on Power Utilities in Pakistan as stated above, Branchless banking has great potential to reach vast numbers of low-income, unbanked people at affordable prices with a wide range of products to meet their complex financial needs. Yet early experience suggests that although the potential is indeed strong, it is by no means guaranteed that branchless banking will deeply penetrate low-income, unbanked segments with appropriately designed products. Indeed, in most countries, the challenge is still getting branchless banking started at all. But branchless banking in its early stages in some countries is already reaching a large portion of low-income, unbanked clients. If branchless banking providers multiply and continue to expand, they are likely to deliver financial inclusion to many more low-income people. Further, branchless banking prices to consumers are already marginally lower than comparable services and will likely fall as branchless banking matures and expands its geographical scope of service.

So there is cause for optimism, but there is also a lot of work to be done to ensure this fledgling industry lives up to its potential to transform financial services for low-income, unbanked people. Stakeholders such as social and commercial investors must challenge the industry to ensure it pushes the access frontier and creates innovative products that are available even in hard-to-reach locations. Industry providers should experiment with different models to figure out what works for this client segment in their particular country. Perhaps most important, the industry as a whole must improve its understanding of low-income clients' needs and wants to design products and services that truly meet these needs, though not compromising on the credibility, security, convenience and uniformity of services.

The branchless banking remained unable to tap the consumers of all utilities those represent the major part of population of Pakistan. The post office also has immense potential to compete with branchless banking.