Using Mobile Money to Promote Financial Inclusion in Pakistan

Imran Khan and Naeha Rashid
CURRENT STATE OF FINANCIAL INCLUSION
MOBILE MONEY
OTC AND M-WALLETS
AGENTS
OPPORTUNITIES: INCREASING M-WALLET UPTAKE
Pakistan’s Financial Inclusion numbers are **improving** according to most sources

**InterMedia**  
*n = 6000 (individuals)*  
*Adults 15+*  
*Financial inclusion is defined as “having a registered account with a financial institution that provides a full suite of financial services.”*

**World Bank**  
*n = 1000 (individuals)*  
*Adults 15+*  
*Financial Inclusion is defined as “having an account either by oneself or together with someone else, at a bank or another type of financial institution, or having personally used MM in the past 12 months.”*

**State Bank of Pakistan**  
*n = 10,000 (households)*  
*Adults 18+*  
*“Formally served”*  
*To be released In 2015*
Variations in Financial Inclusion numbers can be explained by definitional differences

*Numbers do not account for double counting*
Yet, despite significant progress, Financial Inclusion in Pakistan is **low** in comparison to regional and global standards.
Some groups are more financially excluded than others

**Gender**

Men are 3x more likely to be financially included than women

- **23%**
- **7%**

**Location**

Urban dwellers are 1.5x more likely to be financially included than rural dwellers

- **20%**
- **13%**
While half of all adult Pakistanis took loans in the last year, only 5% borrowed from formal financial institutions.
Savings too, remain largely informal

SAVINGS AND FORMAL SAVINGS %

- Saved any money in the past year
- Saved at a financial institution

TYPES OF SAVINGS

- In cash at home: 51%
- Committees (ROSCA): 27%
- Advance purchase/deposit: 6%
- Buying Durable for Dowri: 5%
- With a family member: 5%
- Bank or MFI: 3%
- Misc: 3%

Saved any money in the past year:
- Bangladesh: 24%
- Pakistan: 32%
- India: 38%
- Low Income: 47%
- Kenya: 76%

Saved at a financial institution:
- Bangladesh: 7%
- Pakistan: 3%
- India: 14%
- Low Income: 10%
- Kenya: 30%
Awareness and penetration of insurance remains low.

Only 1% of respondents to the Financial Inclusion Insights 2013 survey had insurance. 90% of this group had life insurance.
Compared to peer countries, **incidence of domestic money transfer to relatives and friends** is higher in Pakistan.

<table>
<thead>
<tr>
<th></th>
<th>REMITTANCES %</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>9.8 9.9</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>14.1 10.4</td>
</tr>
<tr>
<td>Pakistan</td>
<td>24.8 15.7</td>
</tr>
<tr>
<td>Low Income</td>
<td>25.6 18.3</td>
</tr>
<tr>
<td>Kenya</td>
<td>61.0 53.0</td>
</tr>
</tbody>
</table>

**METHODS FOR SENDING MONEY**

- **Personal delivery by self**: 93%
- **Direct deposit to a bank**: 4%
- **Agent’s m-money account**: 3%

<table>
<thead>
<tr>
<th></th>
<th>Received domestic remittances in the past year</th>
<th>Sent domestic remittances in the past year</th>
</tr>
</thead>
</table>
Pakistanis don’t use formal financial services due to a lack of either awareness or income.

**TOP REASONS FOR NOT USING FORMAL FINANCIAL SERVICES**

- **Never thought about it**: 41%
- **No regular income**: 41%
- **Not enough money to open an account**: 31%
- **Lack information about products/services**: 15%
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Branchless Banking provides an opportunity to kick start financial inclusion

The majority of Pakistanis have access to a mobile phone...

%AGE OF ADULTS WHO OWN A MOBILE PHONE

- All adults (15+): 59%
- Adult Males: 80%
- Adult Females: 38%

%AGE OF ADULTS WHO HAVE ACCESS TO MOBILE PHONES

- All adults (15+): 79%
- Adult Males: 89%
- Adult Females: 70%

...which make these devices the most viable channel to enable financial outreach

INFRASTRUCTURE OF FINANCIAL SERVICES DELIVERY CHANNELS

- ATMS: Pakistan 6.5, Global 33.9
- COMMERCIAL BANK BRANCHES: Pakistan 9.3, Global 12.2
- POS: Pakistan 47.1, Global 473.1
- MOBILE PHONE SUBSCRIPTIONS: Pakistan 93,100, Global 58,499
In Pakistan, Branchless Banking is characterized by **two mobile money delivery models**

**OVER THE COUNTER**
- Sender shows National Identity Card (NIC) to agent, along with receiver’s NIC number, and amount to be sent. Sender enters confidential PIN to complete transaction.
- Sender communicates the confidential PIN to receiver.

**MOBILE WALLET**

**Register**
- Register to provider’s wallet via BVS.

**Put money in account**
- Add money digitally or through a CICO point

**Conduct Transactions Directly**
- Conduct transactions from mobile device without any 3rd party assistance

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**Cash-In**
- Sender → Agent 1
- Sender shows National Identity Card (NIC) to agent, along with receiver’s NIC number, and amount to be sent. Sender enters confidential PIN to complete transaction.
- Sender communicates the confidential PIN to receiver.

**P2P Transfer**
- Agent takes cash from Sender and initiates transfer.
- Confirmation SMS is sent to the receiver.
- Receiver gets confirmation SMS of e-Float received.
- Receiver gets e-Float from the provider’s pooled account and gives cash to receiver.

**Cash-Out**
- Agent asks receiver for NIC, Receiver puts in confidential PIN.
- Agent gets e-Float from the provider’s pooled account and gives cash to receiver.
Currently, fewer than **1 in 10 Pakistanis** have full service accounts that can be accessed digitally.

- **6.8%** of adults have digital bank accounts.
- **0.3%** of adults have mobile money accounts.
- **7%** have digital finance accounts.*

*Digital accounts are those that can be accessed through ATM/debit cards, online or through mobile phones. Overlap representing those who have multiple kinds of financial accounts is not shown.
Pakistan’s Branchless Banking policy environment has come a long way

- **November 2006**: First public discussions on branchless banking.
- **December 2009**: SBP and PTA draft framework for Third Party Solution Provider system.
- **April 2008**: Branchless Banking regulations issued.
- **2008**: CGAP invested in Easypaisa; catalytic impact on market
- **2010**: CGAP coordinated an exchange between SBP and Mexican regulators on “level 0” accounts.
- **2011**: KYC requirements relaxed, Level 0 accounts introduced.
- **December 2012**: At CGAP workshop, SBP and PTA assured no introduction of anti-market regulations.
- **2014**: Daily limit for Level 0 transactions increased from Rs. 15,000 to Rs. 50,000
- **November 2014**: NADRA lowered fees.
- **2015**: SBP gave limited permission for remote wallet opening (biometric verification)
- **April 2015**: Pakistan joins BTCA
- **May 2015**: NFIS launched
The market is competitive

- **4 different models:** 3 telco-owned MFBs, 3 banks, 1 telco-bank partnership, 1 third-party

- **7 product types:** Bill Payments, P2P Transfers, Airtime Top Ups, Bulk Payments, Loan Repayments, Merchant Payments, International Remittances

- **New product innovations in the market:**
  - Health Insurance
  - Life Insurance
  - Alternative energy financing

**TIMELINE**

- **2009:**
  - October 2009

- **2010:**
  - April 2010

- **2011:**
  - November 2012
  - December 2012

- **2012:**
  - April 2013
  - September 2013

- **2013:**
  - January 2014

- **2014:**

**To Date**

- **1 Primary, and 1 Secondary Regulatory Body:** SBP, and PTA
- **8 live mobile money services**
Within 5 years, the value of mobile money transactions have reached **3.5% of GDP**
Use of mobile money seems to be increasing
While early entrants had first mover advantage, relative market share is **shifting** as new providers enter the market.
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OTC dominates the market

TRANSACTION TYPE (VOLUME)

80%

14%

6%

M-WALLETS

Number of Accounts

Deposits as of date

PKR in Millions

Dec-11
Dec-12
Dec-13
Dec-14

0
1,000,000
2,000,000
3,000,000
4,000,000
5,000,000
6,000,000
7,000,000
8,000,000
Pakistan lags behind leading countries in **uptake** of m-wallets in comparison to phone ownership.
Many who do open m-wallets do **not use** the accounts

This is a common trend, and is seen in mobile markets globally.
Who are the users of mobile money in Pakistan?

**General Profile of Mobile Money Users**

- **77%** are men
- **41%** live in urban areas
- **70%** have a primary education
- **20%** already have a bank account
- **54%** live above the poverty line
- **72%** are aged 35 and under

**Age Distribution of Mobile Money Users**

<table>
<thead>
<tr>
<th>Age Category</th>
<th>%AGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-17</td>
<td></td>
</tr>
<tr>
<td>18-21</td>
<td></td>
</tr>
<tr>
<td>22-25</td>
<td></td>
</tr>
<tr>
<td>26-30</td>
<td></td>
</tr>
<tr>
<td>31-35</td>
<td></td>
</tr>
<tr>
<td>36-40</td>
<td></td>
</tr>
<tr>
<td>41-45</td>
<td></td>
</tr>
<tr>
<td>46-50</td>
<td></td>
</tr>
<tr>
<td>51-55</td>
<td></td>
</tr>
<tr>
<td>56-60</td>
<td></td>
</tr>
<tr>
<td>61-65</td>
<td></td>
</tr>
<tr>
<td>66-70</td>
<td></td>
</tr>
<tr>
<td>71-75</td>
<td></td>
</tr>
<tr>
<td>76-80</td>
<td></td>
</tr>
<tr>
<td>81-85</td>
<td></td>
</tr>
<tr>
<td>86-90</td>
<td></td>
</tr>
</tbody>
</table>

Age distribution chart showing peak usage between ages 26-30 and 31-35.
### A Typical Mobile Money Transaction

<table>
<thead>
<tr>
<th>OTC Transaction</th>
<th>Mobile Wallet Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AMOUNT</strong></td>
<td></td>
</tr>
<tr>
<td>Rs. 4214</td>
<td>Rs. 5181</td>
</tr>
<tr>
<td><strong>DISTANCE TO AGENT</strong></td>
<td>n/a</td>
</tr>
<tr>
<td>0.75 km</td>
<td></td>
</tr>
<tr>
<td><strong>TRANSPORTATION COSTS</strong></td>
<td>Rs. 0</td>
</tr>
<tr>
<td>Rs. 21</td>
<td></td>
</tr>
<tr>
<td><strong>TRANSACTION TIME</strong></td>
<td>n/a</td>
</tr>
<tr>
<td>26 min</td>
<td></td>
</tr>
<tr>
<td><strong>TRANSACTION FEE</strong></td>
<td>0% - 5%</td>
</tr>
<tr>
<td>3%</td>
<td></td>
</tr>
<tr>
<td><strong>SUCCESS RATE</strong></td>
<td>100%</td>
</tr>
<tr>
<td>89%</td>
<td></td>
</tr>
</tbody>
</table>
OTC users are satisfied with the service.

**Reasons for starting to use Mobile Money**

- Receive Money: 47%
- Send Money to Another Person: 40%
- Send Money to Organization or Agency: 21%
- Misc.: 6%

**Main reason for not having an M-Wallet**

- I can have all the services through an agent, I do not need: 31%
- I do not see any additional advantages to registration: 4%
- There is no point-of-service/agent close by: 6%
- Using such account is difficult: 8%
- I never have money to make a transaction: 12%
- I do not understand the purpose of this account: 12%
- I do not need to, I do not make any transactions: 15%
- Misc.: 12%
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The agent network is **growing**...

![Graph showing growth in agent outlets](image)

**LOW LEVELS OF EXCLUSIVITY AND DEDICATION**

<table>
<thead>
<tr>
<th>Country</th>
<th>Exclusivity</th>
<th>Dedication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>87%</td>
<td>36%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>44%</td>
<td>4%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>34%</td>
<td>23%</td>
</tr>
</tbody>
</table>

- 66% of agents are non-exclusive and are shared by a median of 3 providers
- 58% of exclusive agents are in rural areas
- Agents are profitable due to non-exclusivity and low operating expenses, however, transactions per day remain low at a median of 8 in comparison to countries like Kenya (46) and Bangladesh (15)
Customer satisfaction with agents is high

**SATISFACTION WITH MM AGENTS**  
(n=85)

- Very satisfied: 52%
- Somewhat satisfied: 46%
- Somewhat dissatisfied: 1%
- Very dissatisfied: 0%

**PROBLEMS WITH AGENTS**

- I did not get a receipt: 22%
- Agent system was down: 32%
- GSM or mobile network was down: 34%
- Agent was absent: 40%
However, the agent network still **lags behind** regional and global counterparts.
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New regulations have made it **increasingly easy** to open a m-wallet account

**LEVEL 0**
- BVS verified customers can open their MA by dialing string
- Non BVS customers have to visit Franchise
- Instant Registration

**LEVEL 1**
- Only CNIC required
- No KYC fields are required for account opening
- Instant Registration

**LEVEL 2**
- CNIC along with other supporting documents required
- Transaction Limits defined according to customer needs and documentation
- KYC fields must be filled by the customer
- Account instantly registered with level-1 transaction limits, and upgraded within 3 days of document verification

**ACCOUNT LIMIT**
- Day: 50,000
- Month: 80,000
- Year: 800,000

- Day: 25,000
- Month: 60,000
- Year: 500,000

- Day: 50,000 – 500,000
- Month: 100,000 – 1,000,000
- Year: 600,000 – 6,000,000
- Max Balance: 300,000 – 3,000,000
While only **1 in 4** agents are able to help customers open accounts...

**ABILITY TO REGISTER CUSTOMERS FOR ACCOUNTS**

- **Can register accounts**
- **Can not register accounts**

**75%**

- 25%

- Only 26% of those who don’t open accounts, view mobile wallets as a threat to their business

**84%** of agents who are capable, do open accounts
...Biometric verification technology has overcome this hurdle for Level 0 account opening

In Q4 of CY 2014 701,510 new M-Wallet accounts were opened

NEW ACCOUNTS IN Q4
- Level 0 Accounts: 95%
- Other Accounts: 5%

METHOD OF ACCOUNT OPENING
- BVS: 63%
- Other: 37%

The Jan-April 2015 SIM re-verification drive spurred providers to start remote account sign ups; the results of this push will be seen in the coming months
Opportunity 1: Improving Customer Awareness and Understanding
Brand awareness about MM providers is **increasing but low**, and **few** people have a full understanding of MM

### Awareness of Mobile Money Brands

<table>
<thead>
<tr>
<th>Brand</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>EasyPaisa</td>
<td>61%</td>
<td>73%</td>
</tr>
<tr>
<td>MoBiCash</td>
<td>32%</td>
<td>46%</td>
</tr>
<tr>
<td>OMNI</td>
<td>30%</td>
<td>33%</td>
</tr>
<tr>
<td>UPAISA</td>
<td>22%</td>
<td>31%</td>
</tr>
<tr>
<td>TimePEY</td>
<td>22%</td>
<td>29%</td>
</tr>
<tr>
<td>MCB LITE</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Mobile Paisa</td>
<td>0%</td>
<td>25%</td>
</tr>
<tr>
<td>HBL Express</td>
<td>n/a</td>
<td>14%</td>
</tr>
</tbody>
</table>

### Mobile Money as People See It

<table>
<thead>
<tr>
<th>Activity</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Send money to other people</td>
<td>41%</td>
<td>36%</td>
</tr>
<tr>
<td>Receive money from other people</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>Pay bills</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Buy airtime top-ups</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Saving</td>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>G2P</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>P2G</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Misc</td>
<td>10%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Generally banks are perceived as being more trustworthy than mobile money.
Being a subscriber to a provider’s parent company, *doesn’t mean* that people recognize its MM brand.

<table>
<thead>
<tr>
<th>Cell Phone Provider of Customer</th>
<th>Easypaisa</th>
<th>Mobicash</th>
<th>Upaisa</th>
<th>Mobile Paisa</th>
<th>Timepey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telenor</td>
<td>89%</td>
<td>58%</td>
<td>43%</td>
<td>31%</td>
<td>36%</td>
</tr>
<tr>
<td>Uphone</td>
<td>85%</td>
<td>60%</td>
<td>52%</td>
<td>37%</td>
<td>42%</td>
</tr>
<tr>
<td>Warid</td>
<td>89%</td>
<td>62%</td>
<td>53%</td>
<td>48%</td>
<td>50%</td>
</tr>
<tr>
<td>Zong</td>
<td>84%</td>
<td>63%</td>
<td>51%</td>
<td>44%</td>
<td>53%</td>
</tr>
<tr>
<td>Mobilink</td>
<td>85%</td>
<td>61%</td>
<td>37%</td>
<td>29%</td>
<td>32%</td>
</tr>
</tbody>
</table>

**Most recognized MM service**: Easypaisa

**Second most recognized MM service**: Mobicash
Even awareness levels of OTC users regarding product mix is **low**…

<table>
<thead>
<tr>
<th>Service</th>
<th>Awareness Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay Bills</td>
<td>96%</td>
</tr>
<tr>
<td>Save</td>
<td>95%</td>
</tr>
<tr>
<td>Buy Airtime Top-ups</td>
<td>81%</td>
</tr>
<tr>
<td>Receive Money from Other People</td>
<td>45%</td>
</tr>
<tr>
<td>P2G</td>
<td>29%</td>
</tr>
<tr>
<td>G2P</td>
<td>28%</td>
</tr>
<tr>
<td>Send Money to Other People</td>
<td>25%</td>
</tr>
<tr>
<td>Pay for Goods in Shop</td>
<td>25%</td>
</tr>
<tr>
<td>Make Payments on Credits and Loans</td>
<td>17%</td>
</tr>
<tr>
<td>Insurance</td>
<td>16%</td>
</tr>
<tr>
<td>Receive Wages</td>
<td>12%</td>
</tr>
<tr>
<td>Don't Know</td>
<td>5%</td>
</tr>
<tr>
<td>None</td>
<td>1%</td>
</tr>
<tr>
<td>No Response</td>
<td>1%</td>
</tr>
</tbody>
</table>
Communication is needed **throughout** the m-wallet adoption process.

### WALLET ADOPTION PROCESS

- **Unaware**
- **Awareness of what m-wallet is**
- **Understanding of how m-wallet could be useful personally**
- **Knowledge of how to conduct transactions via m-wallet**
- **Trial of m-wallet service**
- **Regular use of m-wallet**

#### EASYPAISA IN PAKISTAN
- Launched an ad campaign explaining mobile money in 2010
- Low uptake of wallets, but continued uptake of OTC

#### M-PESA IN KENYA
- Launched a send money campaign
- Only 3% of non-users did not recognize the campaign after 21 months

#### TIGO IN DRC
- Developed a song in partnership with a popular singer explaining MM, how it could be used in different situations, and how to access the service
- Drove up registration 50%

#### TRUE MONEY IN THAILAND
- Launched a national ad attractive only to high income earners
- Alienated a number of potential low income customers
Opportunity 2: Circumventing Customer Skill Deficits
Mobile phone ownership and capabilities affect m-wallet uptake

During FGDs, women revealed key details about mobile ownership:

- Most do not see their mobiles as personal devices; mobiles are shared with husbands and children
- Women have to justify calls and messages to family members

**ACCESS TO MOBILE PHONES**

- **MOBILE OWNERS**
  - Male: 80%
  - Female: 38%

- **ACCESS TO SOMEONE ELSE'S MOBILE**
  - Male: 9%
  - Female: 32%

- **NO ACCESS**
  - Male: 12%
  - Female: 30%

**ABILITY WITH MOBILE PHONES**

<table>
<thead>
<tr>
<th>Make Calls</th>
<th>Receive Calls</th>
<th>Send/Receive Text Messages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do everything myself</td>
<td>62%</td>
<td>63%</td>
</tr>
<tr>
<td>Somebody helps me with part of the activity</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Somebody helps me with entire activity</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Sending a text message is a relatively more difficult task for individuals
Pakistanis find it relatively more difficult to understand messages from Cellphone Providers, vs. Family and Friends.

During an HBL experiment with BISP beneficiaries, it became clear that the beneficiaries did not understand HBL messages which contained both text and numeric information about their transaction.

This phone receipt was not understood by recipients.
Moving towards **human centered design** can circumvent the skills gap

One of the findings of the HBL HCD experiment, was that redesigning products like receipts, can significantly improve illiterate people’s understanding.

These are examples of communication of amount paid that are more transparent because illiterate BISP recipients are more likely to understand them.
New **User Interface Design innovations** may revolutionize the mobile wallet experience and encourage uptake.

**TYPES OF MOBILE PHONES USED IN PAKISTAN**

<table>
<thead>
<tr>
<th>Phone Type</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Phone</td>
<td>28.4</td>
</tr>
<tr>
<td>Feature Phone</td>
<td>3.3</td>
</tr>
<tr>
<td>Smart Phone</td>
<td>2.2</td>
</tr>
<tr>
<td>Don't Know/Refused</td>
<td>76.0</td>
</tr>
</tbody>
</table>

Globally, smartphone penetration will increase **1.7 fold** by 2017.

**THE MOVE TO SMARTPHONES OPENS UP THE POSSIBILITY OF IMPROVED UI DESIGN BASED ON HCD**

- **GRAPHICS**: Use icons or imagery to overcome literacy barriers
- **CONVENIENCE**: Leverage smartphone capabilities to move away from complicated USSD menus
- **ENGAGEMENT**: Leverage social networks and/or gamification to keep customers engaged, and minimize trust barriers

Smartphone applications, and new products for MM are already present and can be adapted to the Pakistani context. Some key examples are:

- **Globe's Gcash** (application - Philippines)
- **Zuum** (application - Brazil)
- **pesaDroid** (product)
- **Mledger** (product)
Opportunity 3: Diversifying Product Mix
More Pakistanis have borrowed and saved in the last year, than those who have received or sent remittances.
Yet the product mix offered by all providers remains *skewed towards* payments.

<table>
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<tr>
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<td>Money Transfer through Agents</td>
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<td>Money Transfer to Bank Accounts</td>
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<td>Ticketing (Airlines, railway etc.)</td>
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<td>Corporate Services other than Salary Disbursement</td>
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<td>Internet Banking</td>
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</table>
USING WALLETS ALLOWS PEOPLE TO EFFICIENTLY ACCESS A WIDER PRODUCT MIX

**OTC Product Mix**
- Bill Payments
- Airtime Purchase
- Money Transfer through Agents
- International Remittance Transfer
- Formal Account
- Money Transfer to Bank Accounts
- Donations
- Salary Disbursement
- Life Insurance
- ATM Card
- Retail Payments
- Ticketing (Airlines, railway etc.)
- Savings Account
- Health Insurance
- Corporate Services other than Salary Disbursement
- Internet Banking

**Mobile Wallet Product Mix**
- Bill Payments
- Airtime Purchase
- Money Transfer through Agents
- International Remittance Transfer
- Formal Account
- Money Transfer to Bank Accounts
- Donations
- Salary Disbursement
- Life Insurance
- ATM Card
- Retail Payments
- Ticketing (Airlines, railway etc.)
- Savings Account
- Health Insurance
- Corporate Services other than Salary Disbursement
- Internet Banking

**Average Costs**
- OTC: Rs. 21, 26 min, 3%
- Mobile Wallet: Rs. 0, n/a, 0% - 5%
Opportunity 4: Promoting Interoperability
Success in achieving interoperability remains limited across the globe

Interoperability is defined as “the possibility to transfer money between customer accounts at different mobile money schemes and between accounts at mobile money schemes and accounts at banks”

- GSMA report on Implementing Mobile Money Interoperability, 2013

INTEROPERABILITY IN PAKISTAN

- OTC services are available to all customers
- Mobile accounts are “closed loops” meaning that they are restricted to customers of a particular mobile operator
  - IBFT (Inter Bank Funds Transfer) through 1-Link offers significant potential but is not yet live on all mobile wallets
Recent developments prove that interoperability can spur mobile money use.

In Tanzania...

- **2011/2012**: Tigo starts conversations about interoperability
- **Nov 2013**: First bilateral interoperability agreement between Tigo and Airtel signed
- **Jun 2014**: Tigo, Airtel and Zantel announce interoperability agreement
- **Aug 2014**: Tigo and Airtel launch W2W interoperability using ATL campaigns

- “Exponential increase post launch
- Widespread acceptance and awareness
- High visibility due to press release
- Exponentially faster adoption than that of Voucher transaction”

- IFC case study on Achieving Interoperability, 2015

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**TIGO/AIRTEL: COMBINED VOLUME AND VALUE OF P2P TRANSACTIONS**

- 2014: Tanzania becomes the “first country to successfully develop and implement standard business rules for interoperable MFS transactions”

- GSMA report on Operator’s Journey, Nov 2014
The Tanzanian case reveals some key ingredients for achieving interoperability:

**PHASE I: COLLABORATION**
- Allow all industry players a voice in creating interoperability rules and regulations
- Have an industry champion
- Identify a neutral broker to act as a facilitator
- Ensure clarity of definitions across parties

**PHASE II: DEVELOPMENT**
- Pilot the initiative prior to commercial launch
- Market the new initiative to increase customer awareness

**PHASE III: IMPLEMENTATION**
- Successful execution based on foundation built in Phase I and II
Opportunity 5: Digitizing Government to Person (G2P) Transfers
Global comparisons reveal the **scope** for G2P digitization

“G2P payments have the most potential to accelerate financial inclusion in the short to medium term as it is easier for government to dictate how it pays recipients than to influence how other parties transact.”


The Kenyan Government has been a huge proponent of going “cash lite” since 2008. As of 2013 the value of mobile money transactions equaled 50.03% of Kenya’s GDP in the same year.
A large proportion of G2P payments in Pakistan can be digitized.

<table>
<thead>
<tr>
<th>Social Protection Cash Transfer</th>
<th>Government Payroll</th>
<th>Government Pension</th>
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</thead>
<tbody>
<tr>
<td>7 million beneficiaries</td>
<td>2 million beneficiaries</td>
<td>2 million beneficiaries</td>
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</tbody>
</table>

### LEVEL OF DIGITIZATION OF KEY GOVERNMENT PAYORS 2013

<table>
<thead>
<tr>
<th>Payor</th>
<th>Cash</th>
<th>Digital</th>
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</thead>
<tbody>
<tr>
<td>BUM UNICEF</td>
<td>100%</td>
<td>30%</td>
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<tr>
<td>BISP</td>
<td>100%</td>
<td>70%</td>
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<tr>
<td>CDCP</td>
<td>100%</td>
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<tr>
<td>ARMY JAWANS &amp; JCOS SALARIES</td>
<td>100%</td>
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<td>AGPR SALARIES</td>
<td>100%</td>
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<td>PUNJAB PROV SALARIES</td>
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<td>ARMY JAWANS &amp; JCOS PENSIONS</td>
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<td>PUNJAB PROV PENSIONS</td>
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<td>NAVY PENSIONS</td>
<td>100%</td>
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<td>AIRFORCE PENSIONS</td>
<td>100%</td>
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<tr>
<td>FRONTIER CONSTABULARY PENSIONS</td>
<td>100%</td>
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<tr>
<td>EOBI PENSIONS</td>
<td>100%</td>
<td>6%</td>
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</tbody>
</table>

Cash: 100%
Digital: 0%

Social Protection Cash Transfer: 7 million beneficiaries
Government Payroll: 2 million beneficiaries
Government Pension: 2 million beneficiaries
The benefits of G2P digitalization include and extend beyond Financial Inclusion

A 2014 McKinsey study on G2P payments in Nigeria revealed that 3 distinct groups will benefit from G2P digitization:

- **Government**:
  - 20 million direct beneficiaries
  - US$10-20 million p.a. in additional benefits
  - US$600-800 million p.a. in additional taxes
  - US$150-160 million p.a. in additional revenue

- **Banks**:

- **Beneficiaries**
  - 2 important lessons for those using G2P digitization as a way to also spur digital account adoption:
    - Ensure a value proposition for customers
    - Communicate sufficiently with customers
THANK YOU