



## CASE STUDY: UNITED BANK LIMITED SUPPORTS CASH TRANSFER PAYMENTS <sup>1</sup>

*Background questions to consider when reading this case:*

1. What is the business case for a major commercial bank like UBL to offer G2P services?
2. How does branchless banking using agents change or enhance the G2P proposition?
3. Is there a business case to offer fully inclusive financial services?

Abrar Mir, Executive Vice President at United Bank Limited (UBL), sat deep in thought in his office in the financial district of Karachi. He had just returned from a meeting between representatives of Pakistani banks and the Benazir Income Support Programme (BISP). After fewer than three years in existence, BISP was now the largest cash transfer programme in the country, paying Rs1000 (approximately \$12<sup>2</sup>) each month to more than 2.5 million women throughout the country. BISP was a politically significant programme which had become the centerpiece of the Government of Pakistan strategy for poverty alleviation. UBL was already involved in a pilot program to pay the BISP grant to some 200,000 women in four districts using a smart card. However, the BISP had expressed the desire that they will like to launch another means of payment: by mobile phone. Few beneficiaries yet had their own mobile phones or could afford to buy one, and BISP had no extra budget to pay for this expense. Government was therefore asking private sector providers interested in participating in the pilot to subsidize the provision of the handsets as well. By Mir's calculations, to provide a basic handset would cost around \$15, plus another \$5 to cover costs of distribution, to make a total of \$20 each. This additional cost had a significant effect on the business case for providers to participate in government to person (G2P) payment programmes like BISP. BISP argued that the additional cost should be seen as a form of corporate social responsibility and that with the planned addition of other subsidies on the same platform, this would make commercial sense as well in the long run. But there were limits to what any one bank could do: Mir had already committed UBL to take part at no fee in the issuance of a debit card to victims of the devastating August 2010 floods, as part of UBL's corporate social responsibility. However, if UBL opted out of BISP's mobile pilot, this could prejudice UBL's future participation in the area of government to person (G2P) business.

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<sup>1</sup> This case was commissioned by CGAP and prepared by Bankable Frontier Associates, Boston MA USA. Our thanks are due to Abrar Mir of UBL who consented to being the subject of the case and gave his time and the information necessary to write it up.

<sup>2</sup> Exchange rate as at 27 November: 1US\$=Rs85.

## **Pakistan country & G2P context**

Pakistan is a country of 180 million people, of whom at least a quarter live in extreme poverty. Two thirds of the population lives in rural areas, ranging from the arid deserts of Baluchistan in the south west to the mountainous villages of the north west, in an area one third larger than France. Compared with Kenya, a country with a lower GNI per capita, Pakistan has a low adult literacy rate, especially among women (see Exhibit 2). Sharp rises in prices of food and fuel in 2007/8 exacerbated the great strain already borne by poor households.

In response to these circumstances, the Government of Pakistan launched in 2008 one of the largest cash transfer programs yet seen in a low income developing country: the Benazir Income Support Programme (BISP). BISP's objectives were both to address extreme poverty and also specifically to promote women's empowerment. The programme is administered by a new government department under the leadership of a Minister reporting to the President. Since at first there was no data available to target beneficiaries, eligibility for BISP was initially decided by members of parliament who distributed a set number of application forms to deserving households in their constituencies. In 2010, BISP began collecting information on all eligible households to create a standard unified database. The rollout of BISP has been greatly aided by the fact that Pakistan has a unique national identity card (CNIC) and associated ID number. These numbers are issued by and stored on a national database maintained by NADRA, a state agency.

BISP is funded directly from the budget of the Government of Pakistan (supported by a World Bank loan) although other donors including USAID have agreed to contribute. BISP originally aimed to reach 3.5 million families or 40% of the population below the poverty line, although the target number was revised upwards to 7 million in 2010. By June 2010, BISP had registered 2.2 million households, and disbursed almost \$500m in cash grants.<sup>3</sup> This level of funding makes BISP the largest discretionary budget item of the government of Pakistan (and third largest overall after the defense force and debt servicing costs).

Most BISP grants are delivered in the form of a money order issued by the Pakistan Post to the doorstep of beneficiaries by their postman. For this service, Pakistan Post receives a fee of 1.5% of the value. With some 11,000 post offices nationwide, Pakistan Post offered a much wider reach than the banking system and was able to adapt its existing money order product to start payments rapidly. Official reports are that 96-98% of payments are delivered on time by the post office, although it is very difficult and slow to reconcile the payments using the manual system of the post office. There have also been reports that postmen require a cut of the grant of up to 20% before they effect delivery; but the extent of this is hard to substantiate. BISP has also sought to pilot alternative payment arrangements, publishing a RFP for a smart card-based approach to payment in early 2010 and inviting banks to become issuers of the card.

While BISP was being rolled out, Pakistan was buffeted by several major disasters: conflict between the security forces and militants in the Swat Valley in 2009 displaced several million people from their

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<sup>3</sup> Source: Source: <http://www.bisp.gov.pk/>

homes, making them dependent on relief aid; and in August 2010, exceptional monsoon rains caused the worst floods in living memory, affecting 20 million people. In response to these disasters, international relief agencies and the government rolled out cash transfer programs at high speed in order to get money into the hands of affected people (see Exhibit 3 for comparison of the main cash transfer programs in Pakistan). They have used a variety of different payment approaches to do so, in the context of a country in which the formal financial system has limited presence.

### **Access to financial services in Pakistan**

Compared with its neighbors India or Bangladesh, Pakistan's formal financial system has a much more limited reach: according to the 2009 FinScope survey, only 12% of Pakistani adults were banked.<sup>4</sup> The number of branches and ATMs per 100,000 people is comparable with that of Kenya (see Exhibit 2); and the reach of the banking system is generally limited to the cities and major towns. More Pakistanis used informal financial services than formal ones, and the FinScope survey found that these services were in general more trusted than those of banks; and also seen as more convenient to use since less paperwork and formality was required. However, a majority of Pakistani adults were considered excluded, not using any financial service listed in the survey. In line with trends observed in FinScope surveys in Africa, a sizable proportion (61%) said that they hated owing money to anyone; followed a budget (44%) and tried to save regularly (39%).

Because in part of the limited reach of the banking system, the financial regulator, State Bank of Pakistan (SBP), issued branchless banking guidelines in 2008. These guidelines allowed banks to use agents to conduct certain banking services; and also authorized the use of m-payment and m-banking under various conditions. Unlike Kenya, however, only banks were allowed to offer accounts of any sort (the so-called 'bank-based' model). The guidelines also provided for a lower level of Know Your Customer requirements (KYC) for entry level (known as 'Level 1') accounts which had restricted maximum balance and turnover (see Exhibit 6).

By late 2010, SBP had approved three branchless banking applications of which two major offerings had been launched:

- Major mobile network operator Telenor bought a majority share of microfinance bank Tameer Bank in 2008, and together launched the *easypaisa* mobile payment service in October 2009. This service initially targeted bill payments and remittances which could be made in cash (without the need for an account) via a network initially with 3,000 agents countrywide which has since expanded to 8000. This has proven very popular and volumes of payments have scaled rapidly. Customers with a Telenor SIM could also open a mobile bank account with Tameer Bank from which they could

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<sup>4</sup> Source: About Access to Finance Study, Pakistan Microfinance Network 2009 available via [http://www.finscope.co.za/new/pages/Initiatives/Countries/Pakistan.aspx?randomID=58577e97-1073-41a1-82d8-38cd1082694f&linkPath=3\\_1&IID=3\\_1\\_9](http://www.finscope.co.za/new/pages/Initiatives/Countries/Pakistan.aspx?randomID=58577e97-1073-41a1-82d8-38cd1082694f&linkPath=3_1&IID=3_1_9)

initiate transfers and payments using their mobile phone, as well as cash in and out at easypaisa agents. However, the rate of opening and use of these mobile accounts has much slower to date than the uptake of the pure payment services.

- UBL launched its mobile account and agent channel branded 'Omni' in April 2010. UBL also acquired a network of agents, currently numbering 2000, at which customers could transact in cash. Omni offered a similar range of services to easypaisa but was not restricted to any particular telco. Omni accounts were linked to the mobile phone number, and Omni customers can make transfers & pay bills from their accounts or at agents who are equipped with a mobile phone and a blue tooth printer so that a printed receipt is provided for each transaction.

Following the high profile of these launches, a further three branchless banking applications were pending approval at end 2010 according to SBP. With close to 10,000 agents in service in late 2010, SBP expected that the number of banking agents would soon exceed the total number of bank branches in the country.

### **United Bank Limited**

UBL is Pakistan's second largest private bank with assets of \$7.5 billion and a market share of deposits of around 9% at year end 2009 (Exhibit 4). UBL is a multichannel bank with 1121 branches and some 500 ATMs. Around 76 000 of its approximately three million retail clients currently use internet banking. UBL serves multiple market segments: from large corporations to mid market retail. UBL is quoted on the Karachi Stock Exchange where it trades on a price earnings ratio of 7.5. UBL has enjoyed profitability (measured by return on assets) of 1.5%, considerably higher than the Pakistani banking sector as a whole (0.9%).

Abrar Mir came to UBL with an undergraduate training in electrical engineering supplemented by an MBA. Initially appointed to start the consumer credit business in 2000, Mir left the bank for a year in the hedge fund business, before rejoining in 2007. He was appointed to oversee the bank-wide re-engineering process, which invited a through-going review of the bank's long term development strategy.

Mir proposed to build on the mobile Wallet launched earlier and to develop a new branchless banking business build around the use of retail agents to offer certain basic banking services with a view to tap into the currently untapped market of a mass retail customer base. As a key proponent, Mir was tapped by bank CEO Atif Bokhari as the first head of this new business unit with the title Head of Branchless and e-banking, reporting to the head of the retail banking group. He was given considerable leeway to formulate a business plan and start up the new business unit from scratch.

### **Omni: the roll out of a new agent banking channel**

UBL was one of the first banks in South Asia to launch a mobile wallet offering, called Orion, in 2007. The initially limited uptake of this offering was one factor which persuaded Mir that there was a need to go much further than merely offering a new product: that a new channel was also necessary, by which new

clients could take up and use the product. The channel was named Omni by the time of its public launch in April 2010.

The experience of building the software package in-house for the Orion m-wallet proved instructive. In 2008, Mir recruited additional IT developers for the new Omni business unit, and used them to develop this account platform into a robust, flexible channel for managing agents using mobile phones. His small new unit operated independently of the bank's central IT department, although the new platform had to interface to it. This independence meant that Mir did not have to compete for priority with the existing bank departments. In a time when an increasing number of well reputed mobile channel software packages are available, the choice to develop software in-house can seem unusual. But looking back on this decision with the benefit of almost a year of operation, Mir has no regrets: not only has this in-house capability given UBL an edge of flexibility in rapidly being able to tailor its product and processes to accommodate the new variations in the channel model presented by G2P business; but also, having paid the initial development cost (roughly equivalent to what licensing a package might have cost anyway), UBL now has no ongoing per wallet or per transaction fees to pay for the use of the software, as are common elsewhere. Mir's initial business case for Omni rested on an upfront sunk cost which would be recovered over time, as channel activity grew.

The channel and the associated underlying basic account were both branded 'Omni' to distinguish them from the standard UBL account offering. Omni bank accounts were numbered with the phone number of the client who could then use his mobile phone on any network to send instructions to pay money to another Omni user, or indeed, to any bank account in Pakistan via the bank ATM switch One-Link. An optional debit card was offered with an Omni account which could be used to access cash via any ATMs on the national ATM network. The intent however was to encourage clients to withdraw or deposit cash at agent locations.

#### *Managing the agent channel*

Identifying, training and overseeing the retail agents who would be the front line service points of the new business was a core challenge for the new business unit. In the premises of these agents, Omni clients could perform a range of services: sign up for an Omni account, deposit into or withdraw from that account, or pay bills or send remittances to other Omni account holders. The proposition to each agent was based on a fee for each new account or transaction performed; and in addition, they would receive additional foot traffic in their stores as a result of Omni clients coming in to transact. The presence of UBL/ Omni signage at a small retail store was also seen as a way to promote the image of the small business involved.

UBL as a bank had not given much focus to small merchants such as these potential agents before. To identify and sign up agents, Mir therefore decided to create a new salesforce which would be better attuned to the challenges of the small retail sector: "I will not hire a banker on the agent management team," he said. Instead, he found people from the mobile network sales teams and from fast moving consumer goods sectors. Mir made the strategic decision early on to pay agents slightly less per transaction than competitor easypaisa does, taking the view that the commission structure should be

sustainable for UBL to pay going forward. His basic philosophy was that the business should be built in a manner such that a large and continuously expanding menu of transactions resulted in incremental income to the agents without anchoring the business on a few types of high commission transactions. That, in his view, was too risky a strategy as that would expose the whole business to a few sets of transactions.

Agents were selected based on these criteria:

- Minimum 2 years in business
- Establishment must be housed in a permanent structure
- Internal checks
  - Owner's CNIC verification from NADRA
  - Site verification of the establishment by bank staff
  - Agents' reputation check in surrounding community
  - Credit bureau check
- Merchandise/service provided must be legal.

Agent recruitment started in 2009 following the initial approval of the SBP to pilot an agent channel under the new branchless banking regulations; and by late 2010, Omni had over 2000 active agents with a further 600 in the pipeline. Managing this growing number across the country was a team of 110 sales staff, located in the bank's three main regions.

### **The new G2P Business**

The Omni channel was not planned with the intent of focusing on government to person payments: the original business case presented by Mir had been built on revenues from transactions such as bill payment and remittances (as well as the case for decongesting branches which were used to do these before); as well as float from a growing Omni account base. However, starting in 2009, a series of three opportunities arose around government-to-person payments, for which an integrated electronic channel such as Omni was well placed (see Exhibit 3 for summary of these 3 programmes). Mir leapt at these opportunities, even though, as he acknowledges, there was no rigorous business case done in each case: the nature of each, some arising from disasters, meant that there was simply not enough time to do this. But top management backed Mir in seeking to deploy the electronic capability of the new platform fast and flexibly.

#### *1. WFP card pilot: IDPs, 2009*

The several million residents of the Swat valley displaced from their homes following the intense conflict depended on emergency relief supplies and cash transfers from the World Food Program (WFP). UBL approached WFP to offer to pay out cash transfers of Rs4000/US47 each in two monthly payments using a magstripe VISA card to a defined group of internally displaced people (IDPs) to pilot this way of paying cash.

The magstripe cards were issued by UBL staff to the IDPs in July 2009. WFP shortlisted a sample of approximately 12 000 beneficiaries for the pilot. WFP transferred the funds in bulk to UBL which in turn credited each of the underlying limited mandate account set up for beneficiaries. Thereafter, beneficiaries could withdraw their money by presenting the Card and using their PIN at an Omni agent. For each payment, agents received the standard Omni cash out fee of 1-1.5%.

An NGO, Save the Children, provided extensive support to the beneficiaries, training them in how to use their card and PIN, even escorting them to receive their first payment. This spared UBL staff from the time cost of providing the take on support needed to help previously unbanked beneficiaries.

While no external evaluation has yet been done of this pilot, UBL's own experience and subsequent feedback from WFP and the end customers led UBL to conclude that all parties involved in the process was extremely happy and confident in the process.

The bank received a fee of 5% on all funds paid out, out of which it paid the agent commission, agent set up costs as well as the cost of printing and issuing cards (around 50c per card). As Mir says, the 5% was based on a back of the envelope business case, because the circumstances demanded a rapid response.

As a result of the success of this pilot, WFP has recently agreed a new cash transfer program with UBL in which 5,000 new beneficiaries will receive a similar amount for 6 months. This time, however, the card issued will have no magstripe—simply a unique 16 digit number on the front, as shown in Box 1 below. This card will be used only at Omni agents to withdraw the cash involved. Agents will enter the 16 digit number into their phones together with the PIN number issued to each beneficiary in order to effect payment. Whereas the VISA card had to meet VISA's international standards of branding and durability, the new unbranded card costs less than 25c to make and serves purely as an identifier.

**Box 1: New WFP/ Omni card front**



## 2. BISP smart card pilot

In early 2010, BISP published a request for proposal inviting banks to participate in a pilot of a smart card payment process in 4 districts. Under the pilot, the bank would act as the payment service provider for the BISP benefits in the selected districts in order to test the beneficiary response to a different payment arrangement than the post office money order which had been used to this point.

In the short timeframe, UBL was the only bank to respond. In this, UBL was helped by its prior experience with WFP and was able to offer to use its emerging Omni network of agents to allow beneficiaries to withdraw their cash from limited mandate accounts which were set up for each one of the 190,000 in the pilot. These special purpose accounts allowed only withdrawals and had no other functionality. For UBL, this offered an opportunity to bring more business to its new agents, provided they had enough liquidity to meet the demand for cash and could satisfy the additional process requirements of BISP. Agents again receive a fee of 1-1.5% of the amount paid (i.e.Rs10/\$0.12) per BISP payment out of the fee of 4% paid by BISP to UBL. As Mir recounts, UBL set the 4% fee based on the finding that the 5% had in fact been adequate for WFP. But “each new programme gave me an opportunity to expand the Omni agent network and for the agents to earn good money.” Again, there was no time to prepare a rigorous business case for the BISP proposal, although high political profile of the programme meant that there was a risk of the bank’s brand being exposed to damage unless managed carefully.

BISP cards for the pilot were customized by government identity agency NADRA. The cost of around \$5 per smart card was paid by BISP. Each card had a chip embedded on the front and a 2D barcode on the back containing the CNIC number, as shown in Box 2 below. This bar code could be read by the mobile phone camera of the agent. The mobile phone scanning method initially provided to have high error rates, although these declined as agents became more familiar with photographing the image correctly. The BISP smart card was also issued with a PIN number contained in an attached mailer. The chip on the card was not read at all.

**Box 2: Front and back of the BISP smart card**



UBL selected and specially trained a subset of Omni agents in the four districts in handling BISP payments. Beneficiaries could then choose which agent they would visit to collect payment. The payment process works like this. At the time of payment (usually first week of the month), the beneficiary presents herself at the agent; and hands over her CNIC & BISP cards to the agent. The agent



scans the 2D barcode and the beneficiary enters her PIN number into the agent's mobile phone or keypad to authenticate the transaction. In areas with a high volume of BISP payments, UBL provided agents with barcode scanners at its expense to expedite the process of reading the number and also provided internet access to Omni via a PC (paid for by the agent). Upon authentication, the beneficiary is then paid the amount due in cash and the cards handed back. The agent also hands over a receipt printed out on a printer linked by bluetooth to phone or PC; and as a record of payment, the beneficiary enters a fingerprint in the agent's payment record book against her name and CNIC number.

Omni staff maintain close oversight of agents. There is a ratio of 1 Omni business development officer per 15 Omni agents doing BISP payments, compared with 1:30 for general Omni agents. These officers perform mystery shopping visits to agents and check with a sample of BISP beneficiaries the day after payment. One agent was found early on to charge an additional fee for making payouts, which is against program rules; and this agent was summarily dismissed by UBL. A field visit undertaken in August 2010<sup>5</sup> reported that agents appeared to be trusted implicitly by beneficiaries: this was just as well, since the agents usually entered the PIN directly from the PIN mailer which beneficiaries handed over to them with the card. Very limited complaints about abuse of this process have been received by BISP or UBL at their respective call centers. So far, although most agents are paying out as much as Rs1,500,000 (\$17,600) per month (i.e. 1500 beneficiaries), there have been few problems with agents having sufficient liquidity on hand; and special arrangements are made with nearby UBL branches to remain open later for withdrawals if needed. Business development officers report that the fee earned by Omni agents for making BISP payments (Rs15,000/\$176 per high volume agent per month) has become an important source of revenue for these agents, strengthening the general Omni proposition for them.

### Box 3: Channel revenues and benefits

	For UBL—Omni general	For UBL—BISP pilot	For Omni agents	For BISP beneficiary/ Omni client
Revenue	Per transaction as per Exhibit 6	4% + float from BISP	1-1.5% of amount disbursed	NA
Costs—equipment & setup	Bank provides blue tooth printers (\$160 ea) for all Omni agents; also branding posters and signage costing up to \$150 each	As for Omni general, but bank also provides bar code scanners (\$180 ea) for high volume BISP Omni agents	General Omni agent: Must have phone (cheapest \$15, more likely to be closer to \$50; which most agents already have) and data connection (\$3-6 pm) High volume BISP agents must also have a PC (cost \$500 upwards) and ADSL package (\$6-18/mo)	Travel time to nearest agent (the aim is to have an agent within 2 kms).  No cost for making a BISP withdrawal; Omni account—see schedule of fees in Exhibit 7
Float and liquidity		Float from BISP	Agent must keep	NA

<sup>5</sup> "Field visit report based on an operational review and a high level alternative payment mechanism feasibility study", ExactConsult 20 October 2010.

			sufficient liquidity on hand for payouts (which means trips to bank to get cash during payout times)	
General oversight	Bank trains and oversees; 1 business development staff member per 30 agents	Oversight of agents: 1 business development staff member per 15 agents		

### 3. 2010 Floods—the Watan card program

The floods in the Indus River Basin began in July 2010 following heavy monsoon rains. At one time, approximately one-fifth of Pakistan's total land area was underwater. According to Pakistani government data the floods directly affected about 20 million people, mostly by destruction of property, livelihood and infrastructure, with a death toll of close to 2,000.<sup>6</sup> To help households which had lost their homes to rebuild, the National Disaster Relief Program proposed to pay each household Rs100,000 (\$1176), but because of funding constraints, only Rs20,000 was to be paid out in a first installment while the government sought further funding from international donors for the program .

Drawing in part on the recent experience with cash transfer programs, the National Disaster Relief Program decided to use pre-paid Visa debit cards, known as Watan cards, for the payout. UBL was the only Bank ready and willing to roll out in the extremely short timeline given by the Government. Two other banks were also able to join in after a few weeks, since the volumes and time required to complete the exercise made it almost impossible for a single bank to manage alone. UBL was, nonetheless, able to capture approximately 80% of the business.. This was done without charge to government as a gesture of social responsibility during a time of national crisis. Despite no revenue proposition for the programme, UBL has been able to position itself as a responsible corporate citizen, as in newspaper advertisements like the one shown in Box 4 below.

**Box 4: UBL advertising showing the Watan Visa pre-paid card**

<sup>6</sup> Source: [http://en.wikipedia.org/wiki/2010\\_Pakistan\\_floods](http://en.wikipedia.org/wiki/2010_Pakistan_floods)

UBL UNITED BANK LTD.

## Out of adversity grew a miracle

وطن کارڈ  
VISA

Getting the government's funds to the flood affectees was a challenge we took to heart at UBL.

- One million Watan Cards distributed in 70 days
- 70 Districts covered across Pakistan
- Over Rs. 19 billion disbursed

UBL  
Omni

... where you come first

Size 15 cm x 8 col.

For the Watan card, the enrolment process was as follows: NADRA verifies and issues a list of heads of households in all 'notified' areas (those areas officially declared flood affected). This list is sent to the participating bank in that area. The bank creates a pre-paid bank account in the name of the beneficiary, using his CNIC number. For issuance of the card and first payment, the beneficiary then presents himself at a local site where he is issued with forms; his fingerprints are used to authenticate identity and a photo is taken by a NADRA agent. The beneficiary then completes a registration form; and moves on to a counter manned by bank staff. At this counter, the bank issues the VISA pre-paid debit card and collects the form.

The beneficiary is then able to use the card to withdraw cash at no charge—either using the card at an ATM or swiping at POS which allows cash back; or else in future via an Omni agent (who would enter the card number manually into the mobile phone). UBL distributed around 1 million Watan cards within 70 days, and some Rs19 billion/US223m paid out in this way. Mir estimated that the cost to the bank of this program was \$1.7m.

### *Net result: the business case for G2P*

2010 had been a big year for Mir in every way: not only was the new Omni channel and product now live and active; but his team had led the bank's response to the new G2P opportunities. These had each demanded significant effort to design and roll out at high speed, in circumstances with heightened risks: any failure to pay on time could lead to accusations and recriminations which could reflect badly on the reputation of bank as a whole. Staff resources were diverted from the general Omni rollout into the G2P programs; and the takeup of the general purpose Omni account had been slower than first hoped. But did Mir have any regrets for his quick decisions to offer G2P programmes? His response: "quite apart

from the positive PR which the bank has received from its participation, these programmes enabled us to roll out our Omni agents quicker, further and wider than we would otherwise had done.” But the return for UBL wasn’t only in the form of accelerating the channel rollout: the fees paid by BISP and WFP helped offset other substantial costs.. “All this started with the learning we got from the IDP response.”

### **2011: A mobile phone pilot?**

Looking ahead three to five years, Mir could foresee Omni serving 15 to 20 million customers largely through its agent channel; any number less than 10 million, he would regard as failure. Omni could even serve in future as a front end platform for clients of banks other than UBL only to access cash via agents with mobile phones. And as more customers themselves used mobile phones, they could access the features of Omni such as P2P transfers real time to other account holders; or bill pay direct from the Omni account.

The future looked promising for this new branchless banking deployment. But Mir was now faced with another decision requiring a quick response: what to make of BISP’s latest pilot idea? BISP wanted to announce the launch of a mobile phone pilot on the third anniversary of Benazir Bhutto’s death (27 December 2010). Participating in this pilot of 140,000 beneficiaries would mean supplying handsets for free, adding very significant upfront cost which none of the other G2P programs had had. Would the business case for participation in this stack up; or was this another case of corporate social responsibility for UBL?

**Exhibit 1: Timeline**

2007		UBL launched Orion mobile wallet
2008		State Bank of Pakistan publishes branchless banking guidelines enabling use of agents by banks
2009	July	UBL launches IDP program
	September	UBL receives pilot approval for branchless banking using agents
	October	Easypaisa launched by Telenor/ Tameer Bank
2010	Feb	Launch of WFP Pilot
	April	UBL launches Omni Banking agents platform
	June	UBL wins BISP RFP to pilot smart card payments
	July	UBL launches BISP pilot in four districts
	August	Widespread flooding
	September	Watan card launched

**Exhibit 2: Country comparison**

	Ref	Bangladesh	India	Kenya	Pakistan
Poverty rate: % population living on less than \$1.25/day ppp	1	50%	42%	20%	23%
Literacy rate, adult total (% of people ages 15 and above)	2	55%	..	87%	54%
GNI per capita, Atlas method (current US\$)	3	\$590	\$1,180	\$770	\$1,020
Rural population (% of total population)	4	72%	70%	78%	63%
% mobile penetration	5	33%	52%	56%	59%
<i>Financial sector</i>					
% banked	6	32%	48%	22%	12%
Commercial bank branches/100,000 people	7	5.16	10.11	4.38	8.68
ATM/100,000	8	na	7.29	8.28	4.06
Point of sale devices /100,000	9	na	67.06	--	48.98
<i>Financial regulation</i>					
Bank agents allowed?	10	Yes	Yes	Yes	Yes
Tiered KYC on new bank customers?	11	No	Yes	No	Yes

Sources:

- L1: WDI 2005  
 L.2: WDI 2008  
 L.3,4: WDI 2009  
 L5: Mobile money deployment tracker, 2010, GSMA  
 L6: Mobile money deployment tracker, 2010, GSMA  
 L7,8,9: Financial Access 2010, CGAP  
 L10,11: various sources

### Exhibit 3: Summary of Pakistan cash transfer programs

Program	IDP	Watan card	BISP
Agency responsible	WFP	NDRP	BISP
Date launched	2010	2010	2010
Target beneficiaries	Internally displaced people	Flood victims	Women in low income families
Areas covered	Areas with IDPs in NW	Flood affected districts	4 districts
Amount paid	Rs4000/US\$47	Rs20,000/\$247	Rs1000/\$12
Frequency	Initial pilot: Once per month for two months; New: six monthly payments	One off; another payment possible	Monthly (bimonthly delivery by Postoffice)

### Exhibit 4: UBL key statistics

Pls visit [www.ubl.com.pk](http://www.ubl.com.pk) and go to "Investor Relations" sections to get the most recent Financials

		FY2009	FY2008	Pakistan market norm
Assets	US\$m	7,529	7,306	
Market share of deposits	%	8.80%	9.60%	
Online Branches	No	928	894	
ATMs	No	412	354	
Return on Assets	%	1.50%	1.40%	0.90%
Return on Equity	%	16%	17%	
PE ratio	No	7.5	5.8	
Price to book ratio	No	1.1	1	
Cost to income ratio	%	55%	53%	
Capital adequacy	%	13.2%	9.9%	14%
Head count	No	8,639	9,192	

Sources: UBL Performance review FY2009, 1 March 2010  
 SBP Annual report 2009

**Exhibit 5: Summary of payment approaches**

Program	WFP		Watan card	BISP	
	IDP Pilot 1	IDP 2		Smart card	Money order
Payment service provider	UBL	UBL	UBL, Alfalah, HBL	UBL	Pakistan Post
Instrument	Visa prepaid debit	Plastic number card with one-link number	Visa prepaid debit	BISP card with chip and barcode	CNIC card
Functionality of underlying account	Limited mandate account	Basic bank account (Level 1)	Basic bank account (Level 1)	Limited mandate account; withdrawal only	None—no account
No of customers (11/2010)	12,000	5,000 with possible expansion	1m in issue as at October 2010; Likely 1.3-1.4m	190 000 smart card	2 million
Fee paid by program	5%	4%	None—undertaken as CSR	4%	1.5%
Cost paid by bank	1-1.5% paid to agent	1-1.5% paid to agent	1-1.5% paid to agent in next round	1-1.5% paid to agents	
Enrolment	UBL staff after WFP screening	UBL staff after WFP screening	UBL staff following NADRA verification	Application made at NADRA for card after BISP screening	NADRA enrolls on database after BISP screening
Authentication for payment	Card + PIN	Card + PIN	Card + PIN	BISP card + PIN	Visual verification of CNIC card
Payment location	Omni agents	Omni agents	ATM, POS, Omni agents next phase	Special Omi agents	Home via postman
Evidence of Receipt to program	Photos taken + PIN	PIN	PIN	Agent payment book + PIN	Signed money order stub

**Exhibit 6: Comparison of KYC approaches required by State Bank of Pakistan**

	<b>Limited Mandate Account</b>	<b>Level 1</b>	<b>Level 2</b>
Purpose	Restricted/ special purpose account (withdrawal only)	Entry level account	Full service account for individuals
KYC requirement	1. Verification against NADRA database	1. Application form signed by client 2. Verification of CNIC against NADRA data base 3. Photocopy of CNIC card 4. One face to face meeting with bank staff or photograph + biometric collected by agent	1. Application form signed by client 2. Verification of CNIC against NADRA data base 3. All other requirements as set by SBP
Maximum balance	As per mandate approved	Rs60,000	Set by financial institution
Maximum throughput	As per mandate approved	Rs10,000/day Rs20,000/mo	Set by financial institution
Technology channels allowed	As per mandate approved	SMS, USSD, WAP, ATM, Internet, Call Centre, IVR	SIM Toolkit, WAP, SMS, USSD, ATM, Internet, Call Centre, IVR
Authentication	Not set	Two factor required	

Source: Branchless banking Guidelines, State Bank of Pakistan (2008) available via [http://www.sbp.org.pk/bprd/2008/Annex\\_C2.pdf](http://www.sbp.org.pk/bprd/2008/Annex_C2.pdf)

**Exhibit 7: Comparison of products**

Name of product	<b>BISP Limited mandate account</b>	<b>Omni account</b>
<b>Features</b>		
Minimum opening balance	NA	Rs500/
Minimum balance to maintain	NA	Rs500/
Is a card (mag strip/ smart) provided?	Yes—Watan/ WFP	Optional: visa debit card provided at a fee
Restrictions if any on withdrawals/debits/credits	Withdrawal only	Card: daily limit: Rs20,000
Interest rate paid if any	NA	



Any special incentives offered (e.g. prizes, discounts, etc)?	No	No
<b>Fees</b>		
Monthly	None	Card: annual fee" R150 subscription options available
Transactional	None to client—fee paid by government	Different for different transactions
<b>Distribution</b>		
How are accounts opened?	UBL staff after screening by agency involved	At agent
Docs required to open account	CNIC card	CNIC card
How is cash deposited or withdrawn?	Via Omni agents or ATM (with card)	Via Omni agents, UBL Branch or ATM (if card)
<b>Other products offered to clients?</b>	Not at present	Not yet