

Digital banking posts strong growth in Q1

KARACHI: Banking through digital channels posted strong growth in the country during the first quarter of this fiscal year as these channels provided an easy and round-the-clock alternative to customers during the COVID-19 pandemic to fulfil their daily financial and banking needs.

The State Bank of Pakistan (SBP) Thursday released its Quarterly Payment System Review (QPSR) for the first quarter (July-September) 2020, of the fiscal year 2020-21 (FY21), which shows strong growth in the pace of digital financial transactions in the country.

Banking through digital channels has been gaining increasing popularity in the country in recent years as these channels are alternatives for faster delivery of banking services to a wide range of customers.

According to report, the number of registered Mobile Phone Banking users reached 8.9 million, which is an increase of 6 percent from last Quarter and 41 percent over Q1-FY20. The increase in transactions through internet and mobile banking channels has been quite promising, as these channels have provided easy payment solutions during the COVID-19 pandemic. The SBP is expected that the increasing trend will continue in the next quarter, due to the steps taken by State Bank of Pakistan to promote digitization during these difficult times.

The number of internet users of bank websites reached 4.3 million with a growth of 26 percent over the same period. Mobile banking transactions increased to 36.4 million amounting to Rs. 908.7 billion, marking an increase of 139 percent by volume and 211 percent by value when compared with the same period last year.

Internet banking transactions increased to 18.9 million, valuing Rs. 1.1 trillion during Q1FY21, registering a growth of 55 percent in volume and 89 percent in value, in comparison to the same period last year

According to the data reported in the review, digital payment transactions in Pakistan have increased significantly during Q1-FY21, largely due to the impact of measures taken by SBP creating incentives for customers. Growth in digital payment infrastructure as well as emergence of new payment aggregators have also been a contributing factor in this growth. Moreover, it also reflects the changes in consumer's preference for digital transactions amid Covid19 situation.

Some 253.7 million e-Banking transactions were conducted by customers valuing Rs. 19 trillion. E-banking transactions comprise Real-Time Online Branches (RTOBs) Transactions, ATM Transactions, Internet Banking Transactions, Mobile Phone Banking Transactions, e-commerce, POS, and Call Center/ IVR Banking. Although, RTOB transactions have a major share of e-banking transactions in terms of value, about 80 percent, other types of transactions are more than 83 percent of the e-banking transactions in terms of volume.

The mobile banking transactions increased to 36.4 million amounting to Rs. 908.7 billion, marking an increase of 139 percent by volume and 211 percent by value when compared with the same period last year. Similarly, internet banking transactions increased to 18.9 million, valuing Rs. 1.1 trillion during Q1FY21, registering a growth of 55 percent in volume and 89 percent in value, in comparison to the same period last year.

Another major avenue of e-banking transactions is through Point of Sale (POS), whereby people make transactions using credit or debit cards typically for shopping at markets. The number of transactions through POS machines that declined sharply during Q3 and Q4 of FY20, owing to the closure of markets amid Covid19, recovered significantly in Q1FY21.

The number of transactions through POS was recorded at 16.8 million amounting to Rs. 92.3 billion, showing an increase of 47 percent in terms of volume and 49 percent in value during Q1FY21 over Q4FY20. In addition to POS based transactions, card-based transactions on e-commerce portals also followed a similar trend – a fall during Q3 and Q4 of FY20 due to Covid19 related decline in economic activity, and a recovery in Q1FY21.