E-payments in Pakistan and challenges for cross-border payments

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Cross-border e-payments
Side Event

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E-payments in Pakistan

E-payments are continuously evolving in Pakistan. The recent initiatives are:

- **Raast:** Pakistan’s first instant payment system that enables end-to-end digital payments among individuals, businesses and government entities instantaneously without any charges. This will revolutionize the e-payments in Pakistan as it provides cheap, convenience, interoperability and universal access to all players.

- **Micropayment Gateway (MPG):** MPG is a state-of-the-art, interoperable and secure payment platform that enable consumers, merchants and government entities to exchange funds in a seamless, instant and cost-effective manner. It has advanced functionalities to process instant/ near real-time and alias-based payments, bulk transfers and capability to take onboard participants including banks, merchants, electronic money institutions, etc through APIs.

- **PayPak:** To promote domestic e-payments in a cost effective manner a domestic payment system (DMS) card “PayPak” introduced in 2020, which is more than 10 times less costly than international Visa or Mastercard. SBP directed banks to make PayPak as default card to make banking accounts less costly.

- **Roshan Digital Account:** It provide all banking facilities for millions of Non-Resident Pakistanis (NRPs) seeking to undertake banking, payment and investment activities in Pakistan. Opening of account is an entirely digital and online process without any need to visit bank branch. Account opens within 48 hours.
Under National Financial Inclusion Strategy (NFIS), PTA and the State Bank of Pakistan (SBP) developed regulations for mobile banking and accordingly issued Third Party Service Provider (TPSP) licenses to provide mobile banking interoperability.

SBP and PTA jointly designed Asaan Mobile Account (AMA) scheme to enable remote opening of accounts and digital transactions from any bank and any mobile operator network through USSD channel without the need of internet connectivity.

PTA is working with the SBP and other industry players to enhance Digital Financial Inclusion in the country, which is the top priority of the Government of Pakistan.

**ITU Pledge:** PTA commits to facilitate full-scale commercial launch of Asaan Mobile Account (AMA) scheme and achieve 10 million accounts by end of FY2023
PTA made concerted efforts to complete integration and agreements between banks / TPSP and mobile operators for AMA scheme.

AMA scheme was commercially launched on 11th August 2022, enabling customers of all the four mobile operators to open bank accounts and do various financial transactions on 13 AMA on-boarded banks.

A mass media campaign has been launched to increase awareness among the population on AMA scheme, its convenience and benefits.

Resultantly, AMA accounts have already crossed the mark of 5 Million.

AMA scheme has great potential of contributing towards digital financial inclusion of common citizens and reducing gender gap.
Branchless Banking Accounts have now crossed Total Bank Accounts in Pakistan
Challenges in cross-border e-payments

- Cross-border e-commerce usually have restrictions on the types of payments accepted. For instance, international online shops do not generally accept national debit card and domestic e-wallet schemes.
  - Recently, Govt of Pakistan has worked with Amazon to enable payments for merchants from Pakistan, but still hurdles are there for opening international e-payment service providers accounts e.g. Paypal.
  - Partnership required between PayPal and local banks to enable linking of local accounts with PayPal accounts.
- Cross-border regulatory frictions restrict cross-border e-payments:
  - Anti-money laundering (AML) processes
  - Regional initiative required to coordinate e-payment regulatory approaches
  - Need of digital solutions to more easily facilitate regulatory compliance across multiple jurisdictions.
- Need to enhance payment safety and reliability
- Foreign exchange controls restrict intl’ payments
- High exchange rate cost due to volatility
- Isolated payment networks bring delays or limit direct international bank transfers by individuals, and also involve high costs that the customer often has to bear.