

Emerging Trend of Branch Less Banking in Pakistan

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Abstract:

The purpose of this research paper is to observe and analyze the trend of Branchless Banking in Pakistan. A fast advancement in innovation over the previous decade has gotten exceptional changes in the Pakistan financial industry. As banking industry is progressing in terms of technological innovation, from traditional banking system towards Branchless Banking system such as ATM, Mobile Banking, Internet Banking, POS and etc. All most every Bank is now collaborated with Mobile Telecommunication companies. In this paper it is also elaborated that now Companies are more stable to provide financial services i.e. transfer of money (sending & receiving) with cheapest rate to customer through mobile phones.

Keywords: Branchless Banking, 24/7 access, Mobility, Alternate Deliver Channel, Customer Satisfaction, Banks, Mobile, Internet, ATM.

1. Introduction

Branchless banking is advance type of distribution strategy for delivering financial services to their customers. Financial industry has introduced various advance technologies to adopt the system of branchless banking to perform financial services. In 2008, this technology and distribution strategy was implemented by the banks in Pakistan. Branchless Bank has made the life of people easier by providing services to them at their doorstep. These are some types or examples of branchless banking technology which are: Automatic Teller Machine (ATM), Point of sale device (POS), Online Banking, and through Mobile Phones. Each technology act like a distribution channels which are working to provide banking services. Branchless Banking technologies and distribution channels are both different from each other i.e. ATM, Mobile Phone, and Online Banking are technology and distribution channels as well, but POS device is only technology because it is used by the customers at the time of sale of purchase by using their Credit Card and Debit Card.

Mobile banking has become more successful in delivering financial services to the customers. Now every single person is seen with mobile phone in their hand, so it was the great opportunity for both Banks and Customers to operate and avail financial transactions by sitting at home and avoid visiting and standing in a long queue of a branched bank. It has reduced the cost of transportation and providing security as well. Mobile Banking has become more convenient for the peoples who are illiterate, through this they can send money to their family members who are living in the rural areas. Mobile Banking is administrating facilities to both Urban and Rural Areas. According to the statistic result it has been concluded that in rural areas about 65% are availing this mobile banking opportunity.

All most every Bank is now collaborated with Mobile Telecommunication Companies to provide financial services i.e. transfer of money and transaction i.e. sending money and receiving money respectively with cheapest rate to customer through mobile phones e.g. Mobi-Cash is a cash services which is being provided by Mobilink throughout the Pakistan in more convenient way. Easy-paisa is the biggest money transfer and transaction service provider in all over the Pakistan with the collaboration of Telenor and Tameer Micro Financing Bank. The advantages of using Easy-paisa are that one can also avail Easy-paisa services who is not having mobile phones. Similarly, UBL Omni is now offering its services through mobile phone which have many option like, withdrawing, transfer, deposit, mobile cards & bill payments, and messages services. Timepey is another mobile financial service with the collaboration of Zong and Askari Bank. It is not necessary to have an account in Askari bank to operate Timepey services.

“The launch of the Timepey branchless banking service is truly a major development that will benefit millions of people. This use of modern technology to provide efficient, secure and convenient financial services to the public also has a strong corporate social responsibility angle, as the service will result in several socio-economic benefits, particularly for the low and middle income segments, as for rural and peri-urban segments of society, who are generally not reached by traditional banking. This service is effectively a paradigm shift with far-reaching impact.”

Fan Yunjan (CEO of Zong).

As world is moving towards technology financial institution has also move one step forward in administrating financial services to customers. ATM i.e. Automatic Teller Machine is an electronic device installed by the banks to provide connivance for the customer in cash withdrawal instead from branches of banks and without human cashiers. According to the ATM Industry Association (ATMIA), there are almost 3 million ATM machines installed throughout the worldwide.

Following are the Models of Branchless Banking:

- **One-to-One Model:**

In this model one bank offers Mobile banking services associated with a specific Telecommunication's an outcome, the services may just be offered to those clients who are using the mobile service associated with particular telecommunication company. Easy-paisa is an example of One-to-One model.

- **One-to-many Model:**

In this model a bank offers Mobile banking services to their clients utilizing mobile connection of any Telecommunication Networks. This model can be applicable to those customers who have Mobile connection. UBL Omni is the example of this model.

- **Many-to-Many Model:**

In this model several banks and several telecommunication networks join hands to offer services to all bank customers. In this framework, a focal transaction processing framework (TPS) is required, which must be controlled by a FI; or a gathering of FIs; or by another party under proper contact with a bank. It is much the same as the current ATM arrange in the country where client of any bank can utilize ATM of other bank.

2. Background

The concept of Branchless Banking was first implement and launched in the MIDLAND Bank in UK, 1989. They were not providing financial services through retail branches but only providing through Internet or Telephone. In 2008, State bank of Pakistan decided to penetrate financial industry according to emerging technology and new developments. Branchless Banking is an opportunity for Pakistan because it has positively affected on the GDP of our country through innovations and development in financial industry. Branchless Bank opens the door for the untapped communities to avail this financial services opportunity who were not able to reach.

As indicated by State Bank of Pakistan (SBP) facts and figure there are 5.06 branches per 100,000 people. The worldwide mean is 8.4 branches per 100,000 users. To accomplish the standard mean Pakistan needs 5,517 new branches opened every year, which highlights the increment of 66% in branch each year that will result in increase the maintenance and investment cost for the banks. So to overcome this problem financial industry penetrate its market by providing alternative distribution channels and delivery modes for financial transactions with better rates, 24/7 access and ease of use for customers.

It was estimated that the users of Mobile development in Pakistan has reached from 35 Million users in 2005-06 to 100 Million users in 2009-2010. This development was an opportunity for Mobile Companies to collaborate with Banks and provide services to individuals in Pakistan.

From the detailed survey in 2011 it has been estimated that about 62% users of banking services prefer branchless banking and 20 % users still rely and prefer to use branch bank to perform their banking transactions where as in 2008 branch bank users were 40%.

3. Objective

The main objective of conducting this research is to determine the trend of Branchless Banking in Pakistan and how financial industry will boast the economy of Pakistan through this opportunity? Another purpose was to analyze and identify the need of branchless banking in financial industry in this technological and innovative environment. The primary target of this examination is to build up how Branchless Banking has affected on consumer loyalty through providing its services throughout the Pakistan i.e. in urban and rural area both. Further to look at the level of the usage of branchless banking innovation by citizens of Pakistan.

4. Scope

This study was done to analyze the trend of Branchless Banking in Pakistan through customer's perception and attitude toward adopting this technology. In future it will boast the economy of Pakistan through this adoption of BB in financial industry.

Branchless Banking is delivering various types of transaction like Bill Payment, Deposit and Withdrawal of Cash and Loan charges related to financial services through alternative delivery mode such Automatic Teller Machine (ATM), Point of Sale (POS), Mobile Banking, Internet Banking. Branchless banking is creating satisfaction among customers by providing 24/7 facilities of banking services all over the Pakistan.

5. Problem Statement:

In the past decade financial industry was only based upon conventional banking system in which customer must have to visit bank to avail the facilities related to their accounts and perform money related transactions. Now throughout the world financial industry has change the systems of facilitating customers by providing services as easiest as possible. Due to technological gap in the financial industry of Pakistan, people are not able to avail the e-banking facilities.

6. Literature Review

Majid(2012) conducted a research that the new attractive Internet offers will make IT a precious business apparatus. These advancements shall make another kind of economy, which might be known as the 'digital economy'. This quick rising economy will be carrying with it quickly evolving advances, expanding learning force in all zones of business and making virtual supply chains and new types of organizations and administration conveyance channels such as e-banking.

The expression "e-banking" shall be utilizing as a part of writing in a wide range of ways, halfway in light of the fact that electronic banking alludes to a few sorts of administrations through which banks' clients shall ask for data and complete most retail banking services by means of the internet, TV or mobile phone. As a rule, E-banking will provide banking product and services specifically to clients through electronic, intelligent correspondence channels.

In any case, a complete and fundamental definition for banking begins from the Basel Committee Report on banking regulation. The Basel Committee portrays e-banking as ". The course of action of retail and little regard banking product and services through electronic channels, such product and services would join store taking, crediting, account services, the game plan of monetary direction, electronic bill installment product and services, for instance, electronic cash.

Banking organization shall be turning into a fundamental part of most economies whether they are portrayed as "engine for economic development" or as going about as "courses towards advancing financial development". There will be relatively few creations that would change the matter of banking as fast as the e-banking revolution. World over banks shall be reorienting their business procedures towards new open doors offered by e-banking. E-banking will be empowering banks to change key conduct and in this way achieve new outcomes.

E-banking and e-commerce shall be firmly relating frameworks with enormous communications and their improvement needs social character, a dependable law framework, well-manufacturing system, and effective government support. Since there would be numerous potential issues, it is important to build up a sound environment for e-banking. To begin with, reinforce the development of the system base; second, enhance the counteractive action component, and accelerate the e-commerce relating guidelines and laws; third, support the data improvement procedures and last but not the least that government must support the technical experts and make a proper frame work which provide the technical assistance to e-commerce.

The cost of electronic services, expanded rivalry due to new contestants, and trust can be future difficulties for banking frameworks considering e-banking system. Extra research on positioning the difficulties of e-banking identified for directors of banks; clients' protection, security, and clients' trust as issues emerging. For clients; notoriety of bank, directions and laws, and simple openness were seen as the principle challenges for the improvement of e-banking.

Chaudhry & Parvez (2015) investigated that to catch the unbanked people, cellular organizations are alliance with microfinance foundations/banks that are putting forth branchless banking activities in the business sector. This pattern is building aggressive environment in banking segment. This study is done for the purpose to examine the impacts of service quality, system quality, reputation, structural assurance, perceived credibility and perceived financial cost on Users' Trust in branchless banking. Essential information was gathered through a self-controlled survey from 120 undergrad level of a college in Pakistan. This study was done for the reasoned that service quality, system quality, reputation, structural assurance, and perceived credibility apply huge beneficial outcomes while perceived financial cost apply critical negative impact on Users' Trust. In any case, study couldn't demonstrate a noteworthy impact of auxiliary declaration on Users' Trust. From the investigation it is concluded that that 40.9% of the variety in Users' Trust in branchless banking can be represented by the individual changes.

Over the previous era, an outlook changes occurs in the banking sector i.e. it is transforming from conventional banking to electronic banking (branchless banking), it has empowered the sector by offering a range of added qualities to customers. In such manner, that internet seems to be advantageously novel with its adaptable, usefulness and valid for the communication innovation. In addition, mobile innovation has happened to walk with comparable rate alongside with its knowing function for banking services. Research from conventional banking has steadily advanced from customer's oriented procedure towards automatic teller machines, mobile banking, PC bank, versatile bank and branchless bank. From all around the world more than two and a half billion individuals don't possess a financial record with either conventional bank or substitute financial body. Customer considers security and danger as real inhibitors to hold multipurpose banking services. Buyers expect that they may lose their cash and individual data while aiming transactions. Along these lines, banks ought to give completely secure multipurpose banking services. Research has found that trust applies a negative impact on validity of mobile banking.

7. Significance:

Empirical benefits of this research will be both hypothetically and for practical purposes. In hypothetical viewpoint, this research would help future research scholars to demonstrate the hypothesis furthermore and support the future examinations.

Next, this exploration will help the branchless banking system to grow to other provincial zones which are not yet served. In addition, the entrepreneurs can keep their eye easily on their financial records.

8. Hypothesis:

- **H1:** There is no significant relationship between 24/7 access and growth of Branchless Banking.
- **H2:** There is no significant relationship between customer satisfaction and growth of Branchless Banking
- **H3:** There is no significant relationship between Mobility and growth of Branchless Banking.

9. Methodology:

Primary and secondary data has been gathered through various means. Past research articles, banks records, news article was studied to gathered secondary data, whereas, primary data are gathered through spreading questionnaire among users of ATM, Internet Banking and Mobile Banking. All the questions in the questionnaire are designed on Likert scale. Questionnaires were spread approximately to 200 respondents to fulfill the requirement of research. The sampling frame includes all the banks in Karachi and users of Branchless Banking. Keeping in mind the cost and time constraints non-probability convenience sampling was used to draw a sample from sampling frame. Table.1 shows the detail of distributed questionnaire

Table.1

Distributed	200
Received	160
Usable form	128
Discarded (some reasons)	32
Final no. for analysis	96

10. Data Analysis:

10.1. Reliability

The researcher had floated a total of 200 questionnaires to the established sample entailing banks and users of ATM, Mobile Banking and Internet Banking in Pakistan; being more specific our sampling frame we consider users and bank branches in Karachi. The respondents were selected on the basis of convenience and availability from the established sampling frame. Out of 200 questionnaire which were floated, only 96 were qualified to be included in the analysis; the remaining were considered unqualified because of the missing questions and inappropriate responses. In order to address the reliability and validity concerns related to our research instrument (questionnaire), the researcher has used Cronbach's alpha reliability test.

Reliability Statistics

Cronbach's Alpha	N of Items
.541	3

The information displayed in the above table has been exported from the SPSS software after the application of Chronbach's alpha test on the responses collected from our sampled respondents using the research questionnaire. The application of Cronbach's alpha test on the instrument level yielded the value of 0.541 with having 3 items included in it. The value clearly states the appropriateness of the research instrument (questionnaire) used in this research study.

10.2. Regression

Model summary shows the value of R square 0.277, which means that the independent variable (mobility, customer satisfaction, and easy access) have almost 28% impact on dependent variable. There are some other variables which have strong effect on dependent variable.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.526 ^a	.277	.254	.56050	2.000

Predictors: (Constant), Mobility, Satisfaction, Access

Dependent Variable: Growth

Result generated through SPSS depicts the sig value 0.000, which means that all the above mentioned null hypothesis are rejected and there is a statistically significant relationship between independent variables and dependent variable.

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	11.079	3	3.693	11.756	.000 ^a
Residual	28.902	92	.314		
Total	39.981	95			

a. Predictors: (Constant), Mobility, Satisfaction, Access

b. Dependent Variable: Growth

10.3. Correlation Analysis:

In order to test hypotheses in this research study, the researcher has used correlation and regression analysis. Hypothesis was examined with the help of SPSS software, the value of correlation coefficient range between -1 and +1. An ideally strong correlation has a value of 1 whereas an ideally weak correlation has a value of -1.

Correlations

		Access	Satisfaction	Mobility
Access	Pearson Correlation	1	.151	.156
	Sig. (2-tailed)		.142	.128
	N	96	96	96
Satisfaction	Pearson Correlation	.151	1	.096
	Sig. (2-tailed)	.142		.354
	N	96	96	96
Mobility	Pearson Correlation	.156	.096	1
	Sig. (2-tailed)	.128	.354	
	N	96	96	96

The correlation analysis claimed that there exists a positive and significant relationship among all the variables. The results obtained after conducting the analysis shows the correlation coefficient of the value 0.156 between mobility and 24/7 access which clearly states that there exists a positive relationship between the said variables. Correlation between mobility and customer satisfaction have a value of 0.096 which also shows the positive relationship and conclude that customers are satisfied due to core benefit i.e. mobility of e-banking. Lastly 24/7 access and customer satisfaction have also a positive correlation of 15.1%.

11. Conclusion:

This research paper indicates that as banking industry is growing and people are moving towards adoption of Branchless Banking, because from current situation which we can see that in future Pakistan economy will be at boom stage. As technology is increase globally, people become more dependent upon technology and connivance based work to save time and their energy.

The findings of this research study discussed in the previous chapter wraps up the discussion implying that Branchless Banking exerts a considerably impact on the economy of Pakistan. However, it has been noted that relationship between growth in Branchless Banking and Mobility, 24/7 Access & Customer Satisfaction, results in the incremental level of banking industry and in coming future the trend of Branchless Banking will be raising because substitute of branch banking functions will be located everywhere either urban areas or rural areas to facilities every individual need. Therefore, it can be safely concluded that Branchless Banking is positively associated with mobility which have made the life of people easier by providing services to them at their doorstep through various types of distribution channels like Automatic Teller Machine (ATM), Point of sale device (POS), Online Banking, and through Mobile Phones. Due to this innovation in banking industry, different industries are getting opportunity to grow e.g. telecommunication industry is progressing after collaboration with bank.

12. Recommendation

From this research it has been recommended that as banking industry is progressing with the aid of e- banking,

so it is obligated that banks should provide sufficient information regarding its usage. However, it becomes barrier for banking industry if they will not educate and not provide adequate skills about its usage and security measurements.

It is also recommended that for their customers and the people in rural areas, banks should arrange seminars, workshops and etc. to create awareness among them and to train them that will definitely increase the growth rate of e- banking in Pakistan.

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