

IFC MOBILE MONEY SCOPING

COUNTRY REPORT: UZBEKISTAN



IFC

**International
Finance Corporation**
WORLD BANK GROUP

UZBEKISTAN SUMMARY

CURRENT MOBILE MONEY SOLUTION	Card-enabled payment service providers (PSPs) exist such as CLICK and UPAY. Very few banks have mobile banking application for retail customers. However, some PSPs have web portals and mobile banking applications.
POPULATION	29 million (2015)
MOBILE PENETRATION	73.79% (2014)
ACCOUNT PENETRATION	41% (2014)
PERCENT UNDER POVERTY LINE	17% (2011)
ECONOMICALLY ACTIVE POPULATION	Workforce: 17.28 million (2014)
ADULT LITERACY	99.6% (2015), age 15 and over can read and write
MOBILE NETWORK OPERATORS	Beeline (VimpelCom) Perfectum Mobile Ucell (TeliaSonera) UMS (MTS) UzMobile (Uzbektelecom)



Macro-economic Overview

Regulations

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Telecom Sector

Digital Financial Services Landscape

MOBILE BANKING MARKET POTENTIAL

Key Country Statistics

- Population: 29 million
- Age distribution: 24.6% (0-14 years), 70.6% (15-64 years), 4.8% (over 65 years)
- GDP (PPP): \$172.3 billion (2014), Source: CIA
- GDP per Capita (PPP): \$5,600 (2014), Source: CIA
- Urban/Rural split: 36.4% urban (2009), Source CIA
- Population below poverty line: 17% (2011), Source: World Bank
- Literacy Rate: 99.6% (2015), age 15 and over can read and write, Source: CIA
- Banking Penetration: 41% (2014) have an account of store, Source: World Bank
- Remittance: \$256 (2012), Source IFAD
- Workforce: 17.28 million (2014), Source: CIA
- Mobile phone penetration: 73.79%, Source: ITU

Insights

- Uzbekistan has a large population of ~30 million which is highly literate.
- The government and the central bank are pursuing a policy of reducing the cash in the system; thus encouraging the payment of salaries into accounts and cashless payments for utilities, taxes, mobile recharge, and other services.
- Banking penetration is medium with 41% of the population having access to an account. This study determined that much of penetration is in the form of salary accounts which are accessible through 'online' cards.
- The population as a whole is showing increasing interest in technology adoption as evidenced by the increasing smartphone penetration and take up of electronic payments. As such, there is potential to work with various players to hasten the move from cash payments into cashless payments.

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REGULATORY BODIES INVOLVED IN MOBILE BANKING

Roles & Responsibilities

Central Bank of
the Republic of
Uzbekistan

Its main objectives, which are relevant to DFS are:

- Organization and provision of effective payment system in the Uzbekistan
- The licensing and regulation of banking activities as well as payment activities
- Reducing the levels of cash in the economy

REGULATORY FRAMEWORK, SLIDE 2

Current Regulations

KYC/AML

- Account must be opened with a bank staff member present.
- Deposits require signatures from three departments namely cashier, chief accountant, and the head of the branch.
- Risk based KYC does not exist.

Third party agent services

- Banks are not allowed to conduct business through third party agents.
- However, there is one institution (Uzpaynet) which received a license in 2009 to set up dealers to collect cash payments across the country. No further licenses have been issued.
- Notably, Uzpaynet may not collect cash for deposits into bank accounts.

Implications

- Agent based services for cash in, cash out, or for payment services would not be possible to implement under the current regulatory regime.
- The central bank has limited issuing licences for dealer-based payment services and as such, no other dealer-based payment companies are envisaged in the near future.
- Regulation tends to promote cashless payments at every level, making the removal of cash from the banking sector to be an onerous process for depositors.
- Uzpaynet collects money to its own account through which it makes payment later (transactions is as follows: customer -> Uzpaynet -> service provider)

REGULATORY FRAMEWORK, SLIDE 3

Current Regulations

Payments

- The central bank is actively promoting cashless payments in the economy.
- All institutions facilitating payments in the country require a payment service provider license from the Ministry of IT. However, there is no license from the Central Bank.

E-money and Remittances

- There is no provision for e-money in the current regulations.
- Currently, person to person transfers are prohibited by regulation.

Implications

- Click/Upay provide only agent services, i.e. they help to make transactions from a customer to service provider (transactions is as follows: customer -> service provider). As such, it has been deemed that they do not require license from the central bank.
- The existing regulation and licensing regime does not allow for agency banking, e-money, or P2P transfers.
- However, the central bank is encouraging all other payments to be made via non cash means. This includes services such as utilities, mobile recharge, taxes, and others.

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Appendix: Interviews Conducted

FINANCIAL SYSTEM OVERVIEW

41% of Uzbekistan is banked providing an opportunity for growth. Furthermore, the central bank is keen to pursue a strategy which will lead to a more cash less society. Both these factors provide an opportunity for payment service providers.

BANKS

- The banking sector consists of 26 commercial banks: 3 state owned banks, 10 joint stock commercial banks, 8 private banks, and 5 banks with foreign capital.
- The country has about 8,720 branches nationally which translates into 37.49 branches per 100,000 customers.
- The top 5 banks are: Xalq Bank (state-owned), National bank of Uzbekistan (state-owned), Agro Bank (state-owned), Ipoteka (state-owned), and Uzbek Industrial Construction Bank (state-owned)

Source: Central Bank

MICROFINANCE INSTITUTIONS

- There are 24 microfinance institutions in the country. However, the microfinance sector is not well-developed and does not have a large customer base.

Source: Central Bank

PAYMENT INFRASTRUCTURE

- As of January 2014, there were 1,733 ATM terminals.
- There are 129,679 POS terminals as of January 2014.
- Additionally, there are 11,068,000 plastic cards in the system.
- There are two kinds of cards in the system currently: offline cards and online cards. Offline cards need to be loaded with sums at bank ATM terminals. This is the old system. These cards being replaced by new online plastic cards which are connected to the cardholders current account. These cards are interoperable between banks, but are not branded by international payment associations like VISA / MasterCard
- Salary accounts are generally current accounts which are linked to plastic cards. These cards are used to make payments, withdraw cash, etc.

FINANCIAL SYSTEM OVERVIEW – ADDITIONAL PLAYERS

SWITCHING, CLEARING & SETTLEMENT

- There are two settlement systems currently in place in Uzbekistan:
 - The Interbank Payment System is designed for conducting electronic payments in national currency (sum) among banks through their correspondent accounts opened at the Central Bank.
 - There is also a Unified Republic-wide Processing Center which brings together 26 commercial banks that issue Uzbek sum plastic cards. The Center established the interbank payment clearing system for sum plastic cards called “Uzcard”.

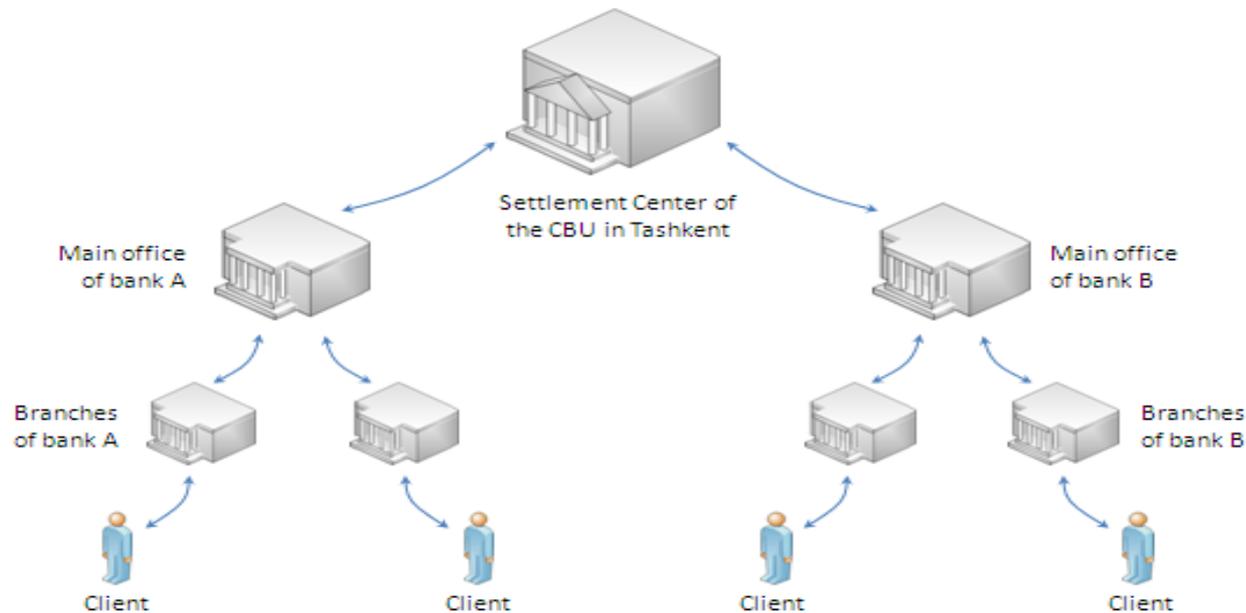
CREDIT BUREAU: CREDIT INFORMATION ANALYSIS CENTER LLC

- The bank-owned credit bureau received a license to operate in October 2012.
- Its main activities are as follows:
 - Developing a database and analyzing the information necessary to build the credit histories of both legal entities and individuals in the country.
 - Analyze the financial performance of legal entities and individuals
 - Provide the information to users of credit information in order to help them in assessing the solvency, credit and payment discipline subjects of credit information

PAYMENT, CLEARING, AND SETTLEMENT

- The Interbank Payment System is designed for conducting electronic payments in national currency (sum) among banks through their correspondent accounts opened at the Central Bank of the Republic of Uzbekistan.
- The rules of the Interbank Payment System are defined by the Central Bank of the Republic of Uzbekistan.
- The Interbank Payment System is a property of the Central Bank of the Republic of Uzbekistan.

The flow of electronic payment documents



BANKING SECTOR

Amounts are in million UZ\$

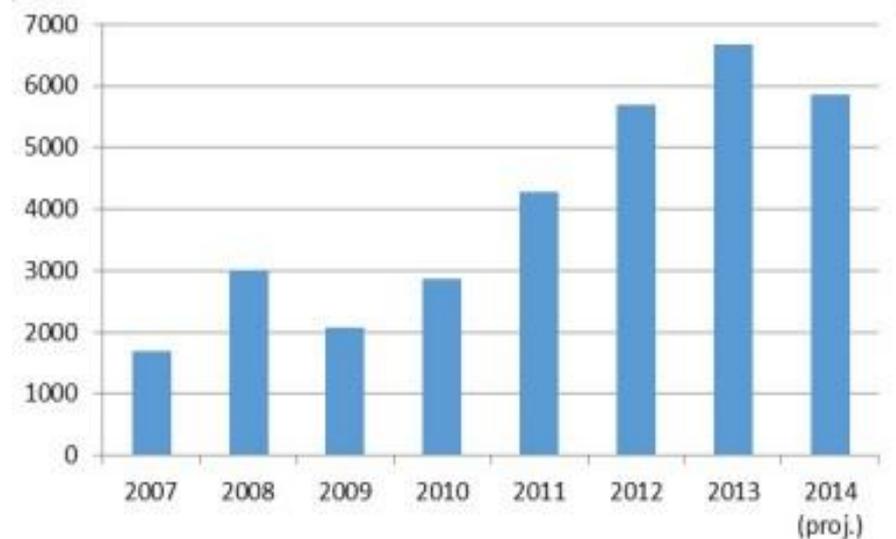
<p>NBU (state)</p>	<ul style="list-style-type: none"> Total assets: 12,918,010 (~\$5.33 bln) Total liabilities: 11,646,733 (~\$4.8 bln) <p>2014</p>	<ul style="list-style-type: none"> 90 branches 55 mini banks
<p>OJSC «Uzbek industrial- construction bank»</p>	<ul style="list-style-type: none"> Total assets: 7,418,847 (~\$3 bln) Total liabilities: 6,944,402 (~\$2.87 bln) <p>2014</p>	<ul style="list-style-type: none"> 43 branches 80 mini banks
<p>«Asaka» Bank (state)</p>	<ul style="list-style-type: none"> Total assets: ~\$2.2 bln Total liabilities: ~\$1.8 bln <p>2014</p>	<ul style="list-style-type: none"> 26 branches 112 mini banks
<p>OJSC “Ipoteka Bank”</p>	<ul style="list-style-type: none"> Total assets: 3,292,096 (~\$1.36 bln) Total liabilities: 3,004,776 (~\$1.24 bln) <p>2014</p>	<ul style="list-style-type: none"> 37 branches 128 mini banks
<p>OJSC «Agrobank»</p>	<ul style="list-style-type: none"> Total assets: 2,529,360 (~\$1.25 bln) Total liabilities: 2,215,287 (~\$1.09 bln) <p>2013</p>	<ul style="list-style-type: none"> 183 branches 271 mini banks
<p>OJSC «Qishloq Qurilish Bank»</p>	<ul style="list-style-type: none"> Total assets: 2,423,256 (~\$1.19 bln) Total liabilities: 2,126,319 (~\$1.05 bln) <p>2013</p>	<ul style="list-style-type: none"> 42 branches 15 mini banks
<p>JSC «Aloqabank»</p>	<ul style="list-style-type: none"> Total assets: 690,719 (~\$341.6 mln) Total liabilities: 570,907 (\$282 mln) <p>2013</p>	<ul style="list-style-type: none"> 12 branches 27 mini banks

Note: Above are selection of banks, the full list of banks is available in www.cbu.uz (equivalent amounts in US\$ converted at historical ex.rate at the end of 2013 and 2014; <http://www.freecurrencyrates.com/exchange-rate-history/USD-UZS/2014>)

FINANCIAL FLOWS - INTERNATIONAL REMITTANCES

REMITTANCES SENT BY UZBEK MIGRANTS

- A World Bank Study shows that 2 million citizens of Uzbekistan live outside the country as of 2010. This is approximately equivalent to 7% of the population. The mobility rate, although higher than the world average, is lower than that of Europe and Central Asia as a whole (10.7%).
- Remittances from Russia have shown strong increases since 2009, increasing at double digit rates. In 2013, they reached USD 6.6 billion or 12% of GDP. However, in 2014, this amount fell due to the ongoing Russian ruble crisis.



UNDP : Remittances from Russia to Uzbekistan, mln USD

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MOBILE NETWORK OPERATORS



- 10,6 million customers
- 52% market share

Ownership :
JSC VimpelCom (Russia)



- 8,5 million customers
- 42% market share

Ownership:
Subsidiary of the Swedish-Finnish telecommunications group TeliaSonera



- 0,2 million customers
- 1% market share

Ownership:
Rubicon Wireless Communication (US-Uzbek JV)



- 0,5 million customers
- 2,5% market share

Ownership:
Uzbektelekom



- 0,5 million customers
- 2,5% market share

Ownership:
Joint venture between
Uzbekistan and Russia's MTS

INTERNET USAGE

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Internet users (per 100 people)	1.9	2.6	1.1	3.3	6.4	7.5	9.1	17.1	20.0	30.2	36.5	38.2

INTERNET PENETRATION VIA MOBILE OR FIXED CONNECTIONS

Source: World Bank, World Development Indicators.

<http://databank.worldbank.org/data/views/reports/tableview.aspx>

Definition: “Internet users are individuals who have used the Internet (from any location) in the last 12 months. Internet can be used via a computer, mobile phone, personal digital assistant, games machine, digital TV etc.”

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PAYMENT SERVICE PROVIDERS

CLICK



<http://click.uz/>

- CLICK is a payment platform and a tool for managing bank accounts through plastic cardholders in Uzbekistan.
- Through the platform, the user may manage multiple bank accounts and make payments without coming to the bank.
- This platform is accessible via the internet, smartphone application, or USSD. Possible payments include: mobile recharge, fixed line telephone charges, internet service providers, cable television, & other services.
- It has 1 million active subscribers as of November 2015. Currently, of their transactions, 65% are rural and 35% are urban. The most popular payment is for mobile recharge.
- CLICK has recently launched an initiative where the platform enables payments in shops and restaurants without the need for terminals or cards. Thus far, the project has been working in Tashkent city.
- Currently, it's the biggest payment platform of its kind in Uzbekistan. In the current context where electronic payments are being promoted and access to internet and smartphones are also increasing, CLICK's business model shows great promise.

UPAY



<http://www.u-pay.uz/>

- UPAY is also a payment platform as well as a technology service provider (TSP) to banks. Like CLICK, UPAY links plastic cards to payment services.
- In addition, UPAY is able to provide a common online banking portal for banks with some level of customization. As banks in the country are in the process of deciding whether to build internet banking portals for their individual retail clients themselves, this could be an option they consider. UPAY also has aspirations to build its services so that ultimately, it can offer a credit reporting interface as well.
- UPAY used to be SMS Tolov. In September 2015, it was re-branded and re-launched as UPAY.
- In terms of payment services, UPAY also offers payment services which include: mobile recharge, fixed line telephone charges, internet service providers, cable television, & other services.
- UPAY is available on internet, USSD, and smartphone platforms.
- UPAY is Payment Card Industry Data Security Standard (PCI DSS) certified which is a proprietary information security standard for organizations that handle branded credit cards from the major card schemes

PAYMENT SERVICE PROVIDERS

PAYNET

<http://paynet.uz/>

- Paynet is the only payment platform in Uzbekistan with a dealer network. It is 67% owned by Xalk Bank, a state-owned institution.
- It has a 120 billers available on its platform and 30,000 payment points across the country. Mobile recharge is the most popular payment.
- Paynet has been operating since 2006. As of 2009, there were 15 such companies in Uzbekistan. In 2009, licenses to all these companies were rescinded and Paynet is currently the only company in the country which has the right to accept cash payments through its dealers/agents.
- It partners with banks as well so that all bank branches function as Paynet agents as well and are able to accept payments. 20% of all Paynet dealers belong to banks.

