

## INTRODUCTION <sup>1</sup>

The national payments system continued to play its critical role of facilitating transaction processing and transmission of funds during the period under review. However, there was a slow down in terms of usage as both the total daily average volume and value of transactions decreased by 12% and 5.0% to 423,471 and K70,539.0 million, respectively. In terms of daily average volume of transactions, the decline was more pronounced in non-bank mobile payments while large value MITASS payments substantially contributed to the reduction in the total daily average value of transactions during the period.

Digital Financial Services (DFS), on the other hand, revealed a mixed picture in performance as the total daily average volume of transactions decreased by 13.2% to 405,823 whereas the corresponding transaction value increased by 4.0% to K3,451.0 million during the same period (Table 1). The outcome suggests that DFS were equally affected by the slow down in transaction activity.

## PERFORMANCE OF VARIOUS PAYMENT STREAMS

### MITASS Daily Average Performance

During the period under review, MITASS total daily average volume of transactions increased by 31.3% to 17,649. The increase was mainly driven by a 72.3% increase in electronic funds transfer (EFTs) transactions. The corresponding total daily average value of MITASS transactions however decreased by 5.4% to K67,088.0 during the same period. This outcome was driven by a net effect of a 7.0% decrease in high value payments and increases of 17.5% and 0.1% in EFTs and cheque transaction values, respectively. The increase in EFT transaction volumes and a simultaneous decrease in cheque transaction volumes is a welcome development and is in line with the on-going efforts by RBM to reduce cheque usage while at the same time setting an enabling environment for a speedy adoption of electronic payments.

**Table 1: Daily Average Payment Systems Turnover**

PAYMENT TYPE	FEBRUARY-2017 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
<b>MITASS TOTAL</b>	<b>17,649</b>	<b>67,088</b>	<b>31.3</b>	<b>(5.4)</b>
<b>LARGE VALUE</b>	<b>694</b>	<b>55,019</b>	<b>0.7</b>	<b>(7.0)</b>
<b>AUTOMATED CLEARING HOUSE (ACH):</b>	<b>16,955</b>	<b>12,069</b>	<b>32.9</b>	<b>2.6</b>
Electronic Funds Transfers (EFTs)	10,667	1,993.0	72.3	17.5
Direct Debits	-	-	-	-
Cheques	6,288	10,076.1	(4.2)	0.1
<b>RETAIL DFS CHANNELS TOTAL</b>	<b>405,823</b>	<b>3,451</b>	<b>(13.2)</b>	<b>4.0</b>
ATM CASH WITHDRAWALS	52,795	1,112.5	3.5	1.7
<b>RETAIL DFS MINUS ATM CASH</b>	<b>353,028</b>	<b>2,339</b>	<b>(15.3)</b>	<b>5.1</b>
INTERNET BANKING	1,255	834.8	(2.7)	15.6
<b>MOBILE PAYMENTS</b>	<b>349,991</b>	<b>1,421</b>	<b>(15.4)</b>	<b>(0.7)</b>
Bank-led	43,338	318.1	23.4	0.1
Non-bank	306,652	1,102.5	(19.0)	(1.0)
POINT OF SALE (POS)	1,782.2	83.2	1.6	13.7
<b>GRAND TOTAL</b>	<b>423,471</b>	<b>70,539.0</b>	<b>(12.0)</b>	<b>(5.0)</b>

## DIGITAL RETAIL PAYMENT SYSTEMS

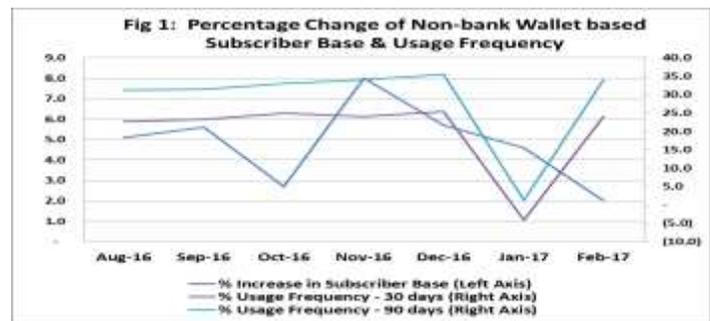
### Overall performance

The total daily average volume of DFS transactions declined by 13.2% to 405,823 in February 2017. The decline was due to a decrease of 19.0% and 2.7% in the daily average transaction volume of non-bank mobile payments and internet banking transaction volumes, respectively (Table 1). On the other hand, the corresponding DFS daily average value of transactions increased by 4.0% to K3,451.0 million during the same period. This was driven by a net increase of 15.6% and 13.7% in internet banking and point of sale transaction values, respectively (Table 1)

## Deployment and Uptake of Digital Financial Services

### • MNO-Led Mobile Payment Schemes

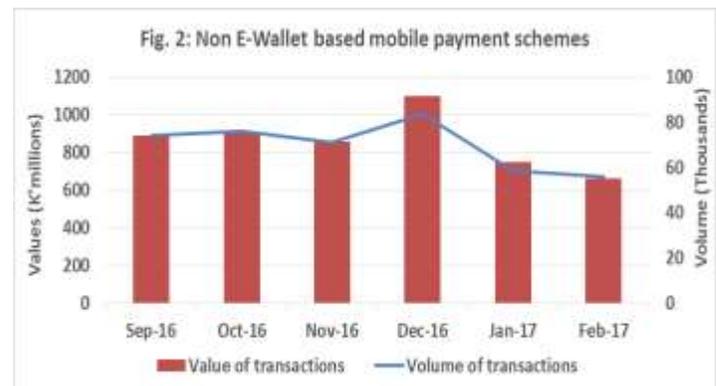
The number of subscribers for MNO-led mobile payment schemes increased slightly by 2.0% to 3.8 million in February 2017. However, the number of active subscribers remained low as only 24.4% were active during a 30-day period whereas only 34.3% of the total subscribers actively used the system over a 90-day period (Fig 1). The persistent monthly stagnation in the number of customers subscribing to the service as revealed by Figure 1 may be due to low awareness on the advantages of using the payment facilities by both individuals and business entities. More customer sensitisation campaigns are therefore required and the awareness programme should focus on the advantages of using mobile payments over cash or cheques.



However, in terms of usage, the total number of transaction volumes increased by 15.8% to 8.6 million in February 2017. Against the subscriber base, the increase in the transaction volumes reveals that one subscriber, on average, made only two transactions, each worth K3,595.0 during the period of review. Low financial literacy levels might be the key factor for the low usage of mobile payment schemes. In contrast, the corresponding transaction values of mobile payment schemes declined by 9.0% to K30.9 billion during the same period. Furthermore, usage of mobile money schemes continue to be limited as most subscribers used the services for airtime purchases and cash-in/outs transactions. However, RBM and key stakeholders through the National Taskforce on Electronic Payments (NTEP) continue to implement measures aimed at accelerating uptake of electronic payments in the country.

### • Non E-Wallet Mobile Money

During the period under review, the volume of non e-wallet mobile payments registered a reduction of 3.3% to 56,012 in February 2017. Similarly, the corresponding transaction values decreased by 7.7% to K663.7 million over the same period (Fig. 2). These non e-wallet mobile money payments providers mostly serve customers that have no mobile phones as their product models do not require customers to maintain transaction accounts i.e. e-wallets from which to initiate payments or receive funds.



#### Footnotes:

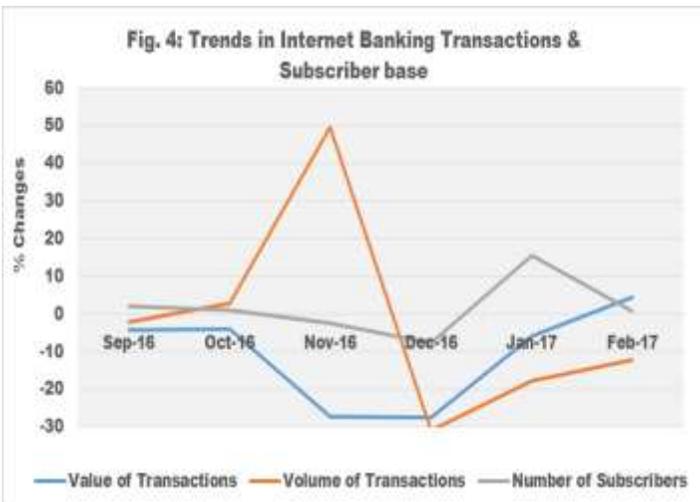
1. There is a one month lag for some national payments data due to delays in submission of monthly returns by banks & MNOs

● **Bank-led Mobile Payments & Internet Banking Schemes**

Bank-led mobile payments are made using dedicated payment applications loaded on subscribers' mobile phones and the mobile network. During the period under review, two more banks started offering mobile banking services bringing the total number of bank-led mobile payment service providers to six. The development led to a slight increase of 4.5% in the subscriber base to 529,697 in February, 2017. Similarly, bank-led mobile payment transaction volumes increased by 15.4% to 1.3 million and in contrast, the corresponding value of transactions decreased by 8.4% to K9.0 billion during the same period (Fig 3). By transaction type, 89.8% of the total value of bank-led mobile payments was used for retail funds transfers whereas the remaining 0.9% and 0.01% was on account of bill payments and corporate transactions, respectively.



With respect to internet banking services, payments are initiated online from subscribers' bank accounts by devices connected to the internet e.g. desktop PCs, tablets, laptops and mobile phones. Over the six months to run up of the period under review, subscription to internet banking services has not been impressive as the subscriber base increased slightly by 0.8% to 36,119 in February, 2017 (Fig. 4). Internet banking subscribers comprise 75.1% and 24.9% of retail and corporate subscribers, respectively. In terms of usage, subscribers mainly used internet banking services to initiate high value payments as transaction values increased by 4.5% to K23.4 billion despite a decline of 12.2% in transaction volume to 35,151 during the period of review (Fig. 4). The outturn reveals that with K664,942.50 processed per transaction, internet banking has the highest value per transaction processed compared to other DFS e.g. bank-led mobile payment schemes, ATMs, POS, non-bank led mobile payment schemes as each processes average value of less than K50,000.00 per transaction.



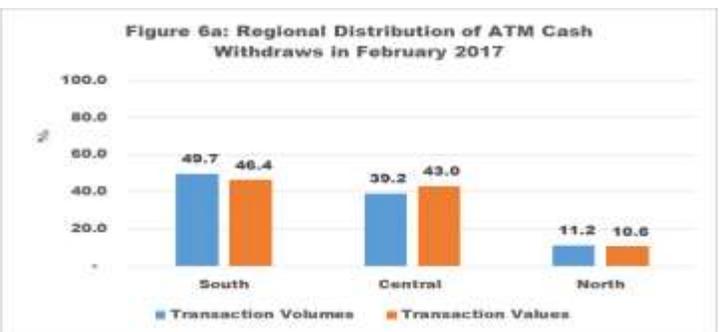
● **Auto Teller Machines (ATMs)**

An ATM is the most popular payment channel used through out the country by bank clients. ATM terminals have peak demand during holidays and weekends as customers make cash withdraws to meet various payment needs. A total of 489 ATMs are currently spread across the country. In terms of ATM usage, both the volume and value of transactions declined by 6.5% and 8.1% to 1.7 million and K31.1 billion, respectively (Fig. 5).



By regional distribution, ATM cash withdraw transaction flows are predominant in the southern region as 49.7% and 46.4% of the total transaction volumes and values, respectively were processed whereas central region processed 39.2% and 43.0% of the total ATM cash withdraw transaction volumes and values, respectively. Transactions in the northern region accounted for 11.2% and 10.6% of the total ATM transaction volumes and values, respectively (Fig. 6a). Cash deposits are also processed on ATM terminals and during the period under review, 65.7% and 9.7% of ATM cash deposit transaction volumes and values, respectively were processed in the southern region, whereas central region processed 30.9% and 90.2% of ATM cash deposits transaction volumes and values, respectively. The northern region processed 3.4% and 0.1% of ATM transaction volumes and values, respectively (Fig. 6b).

However, deployment of ATMs across the country currently translate to 6 terminals per 100, 000 adults, the lowest in the region.



Footnotes:

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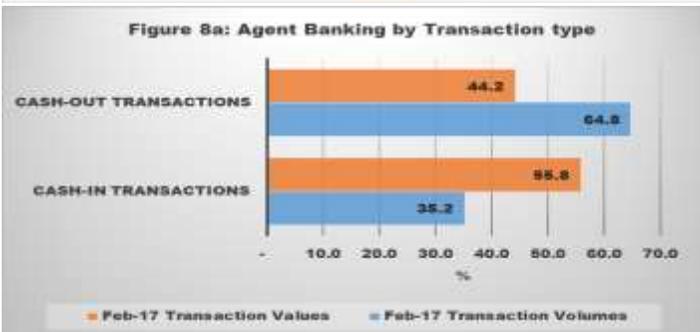
● **Point-of-Sale (POS) Terminals**

Deployment of POS terminals in the country declined by 10.0% to 1,020 in February 2017. Similarly, the volume of transactions declined by 8.0% to 49,901 whereas the corresponding value of transactions registered a marginal increase of 3.0% to K2.3 billion during the same period (Fig. 7). The development translates into an increase in the average value of K46, 660.0 per transaction processed in February 2017 compared to K41,707.37 processed in January 2017. Unlike ATMs, POS devices have a great potential to replace cash with electronic transactions and as such, there is need for banks to increase POS deployment across the country to complement both MNO-led and bank-led mobile payment solutions.



● **Agent Banking Services**

As a catalyst in promoting financial inclusion, the RBM continually supports government’s development agenda through formulation of appropriate financial infrastructure that enables service providers reach the unbanked and under banked population without risking the safety and soundness of the financial sector. In this regard, agent banking was introduced in 2012 to encourage banks to use agents in the provision of banking services so as to reduce cost of access to finance thereby fostering financial inclusion. In February 2017, agent banking transaction values increased by 19.0% to K317.8 million. The corresponding transaction volumes increased exponentially by over 100% to 26,544 during the same period (Fig. 8). The outturn shows that agent banking services are gaining acceptance as an alternative channel in accessing financial services by the general public. Customers mostly used agent banking services for cash out transactions as 64.8% and 44.2% of transaction volumes and values, respectively was processed (Figure 8a).



**PROGRESS OF NATIONWIDE SENSITISATION CAMPAIGN ON ELECTRONIC PAYMENTS**

During the period under review, the National Taskforce on Electronic Payments (NTEP) conducted workshops targeted at merchants and billers across the southern, central and northern regions of the country. Meanwhile, a series of road shows targeting the general public are being carried out across the country. The workshop and roadshows are some of the key activities planned for implementation by NTEP in order to increase awareness and boost usage of electronic payments in the country.

**CONCLUSION**

The country’s key financial infrastructure continued to play its critical role of facilitating transaction processing and transmission of funds from the payer to the payee. However, a number of payment streams registered a slow down in transaction volumes and values during the period under review. Nonetheless, RBM and key stakeholders through NTEP continued to implement measures aimed at accelerating uptake of electronic payments in the country.

**Footnotes:**

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