

FOURTH QUARTER 2020 NPS REPORT

1.0 SUMMARY

This report highlights major developments in the national payments system during the fourth quarter of 2020, with particular focus on transactions that have been processed through both large value and retail payment streams.

Relative to the third quarter of 2020, the overall volume of transactions processed in all payment streams rose by 14.4 percent to a total of 151.3 million during the fourth quarter of 2020. The corresponding total value of transactions also increased by 10.0 percent to K17.7 trillion during the same period. The trend largely reflected the seasonal increased economic activity associated with the festive and end of year period.

2.0 PERFORMANCE OF VARIOUS PAYMENT PLATFORMS

2.1 Transaction Flows in Various Payment Channels

The available payment channels or streams performed differently in terms of the volume and value of transactions processed during the period under review, in comparison with the preceding period. *Table 1* below presents the trend in transactions recorded in the various payment channels.

Table 1: Transaction Flows in Various Payment System Channels

Payment Type	JULY-SEPT		OCT-DEC		Percentage Change	
	Volume	Value (K'billion)	Volume	Value (K'billion)	Volume	Value
MITASS Total	1,867,323	14,153.3	1,830,942	15,641.0	(1.9)	10.5
Large Value	65,722	12,903.5	76,422	14,328.5	16.3	10.3
ACH	1,801,601	1,249.8	1,754,520	1,402.0	(2.6)	12.2
EFTs	1,526,526	659.2	1,467,443	772.9	(3.9)	17.2
Cheques	275,075	590.6	287,077	629.3	4.4	6.6
RETAIL DFS	130,357,175	1,954.7	149,486,942	2,076.0	14.7	6.2
at ATMs	4,001	0.2	3,500	0.2	(12.5)	-
Internet Banking	696,797	1,075.9	714,317	1,060.9	2.5	(1.4)
Mobile Payments	129,149,965	862.4	148,186,556	994.0	18.5	15.2
Bank-led	7,724,260	167.4	7,954,467	207.8	3.0	24.1
Non-bank	121,425,705	695.0	140,232,089	785.9	15.5	13.1
Point of Sale	506,412	16.2	582,569	20.9	15.0	29.0
Grand Total	132,224,498	16,108.0	151,317,884	17,716.0	14.4	10.0

Source: Reserve Bank of Malawi

2.1.2 Transaction Flows in Large Value Payment System

Relative to the previous quarter, the volume of transactions processed in the Malawi Interbank Transfer and Settlement System (MITASS), which is the sole large value payment system in the country, recorded a marginal decline of 1.9 percent to a total of 1.8 million during the period under review. However, the corresponding value of MITASS transactions increased by 10.5 percent to K15.6 trillion during the same period. This outturn suggests that fewer MITASS transactions of relatively higher average values were processed during the period compared to the previous period. EFTs contributed to the decrease in volume of MITASS transactions as they declined by 3.9 percent whilst the increase in total value of transactions is attributed to EFTs and large value transactions which rose by 17.2 percent and 10.3 percent, respectively.

Compared to a similar period in 2019, the trend shows significant improvement as the volume of transactions rose by 11.6 percent whereas the value of transactions increased significantly by 53.1 percent during the quarter under review. This shows that MITASS remains a systemically important payment infrastructure for processing of large value and time critical financial transactions.

2.1.3 Transaction Flows in Retail/Digital Financial Services (DFS) Channels

a) Overall Performance

The overall performance of retail DFS transactions continued to improve during the fourth quarter of 2020 as compared to the preceding quarter. The volume of retail DFS transactions rose by 14.7 percent to 149.5 million in the last quarter of 2020 whereas the value of transactions increased by 6.2 percent to K2.1 trillion during the same period.

Relative to the corresponding period in 2019, a more significant improvement was observed in the performance of DFS transactions as the volume rose by 66.9 percent whereas the value increased by 52.6 percent during the period. This

outturn could reflect increased customer preference for DFS channels owing to their convenience and efficiency as opposed to cash and other paper-based payment instruments.

b) Non-Bank Mobile Payments

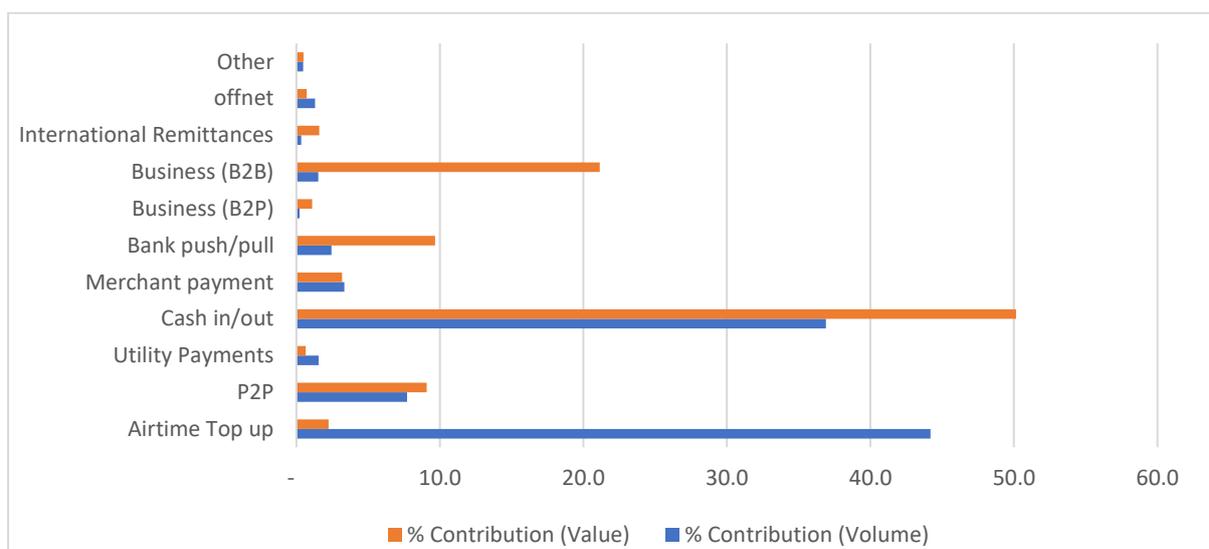
Subscriber Base

The total number of registered subscribers for non-bank mobile money services dropped by 2.2 percent to 7.6 million by end of fourth quarter of 2020. Out of this total, male subscribers constituted 63.3 percent of the total subscriber base, suggesting that females are lagging behind in the adoption and usage of mobile money services in the country.

Nature of Transactions

With respect to usage, save for cash in/cash out, transactions on mobile money platforms are dominated by Business to Business (B2B) and airtime top-ups in terms of value and volume of transactions, respectively (Figure 1). Person to Person (P2P) transfers, bank push/pull, transactions across networks (off-net) and merchant payments have also contributed more in terms of their proportion to total transactions processed during the period under review.

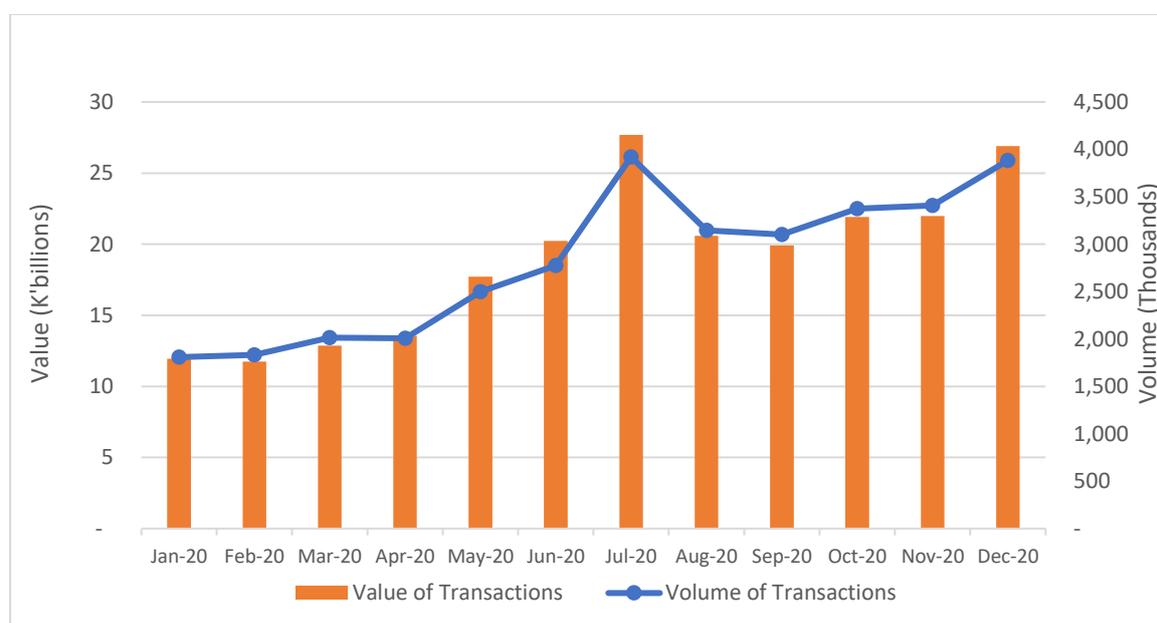
Figure 1: Percentage Contribution Based on Transaction Type



Source: Reserve Bank of Malawi

A look at the monthly trend of individual transaction types however reveals that P2P transactions have registered an upward trend since January 2020 with the highest peak registered during the month of July 2020 as the value rose by 36.8 percent to K27.7 billion (Figure 2). Thereafter, there was a reversal to that trend before another peak was recorded in the month of December 2020 where a total of 3.9 million transactions were processed with a corresponding value of K26.9 billion.

Figure 2: Monthly Trend in Mobile Money P2P Transactions

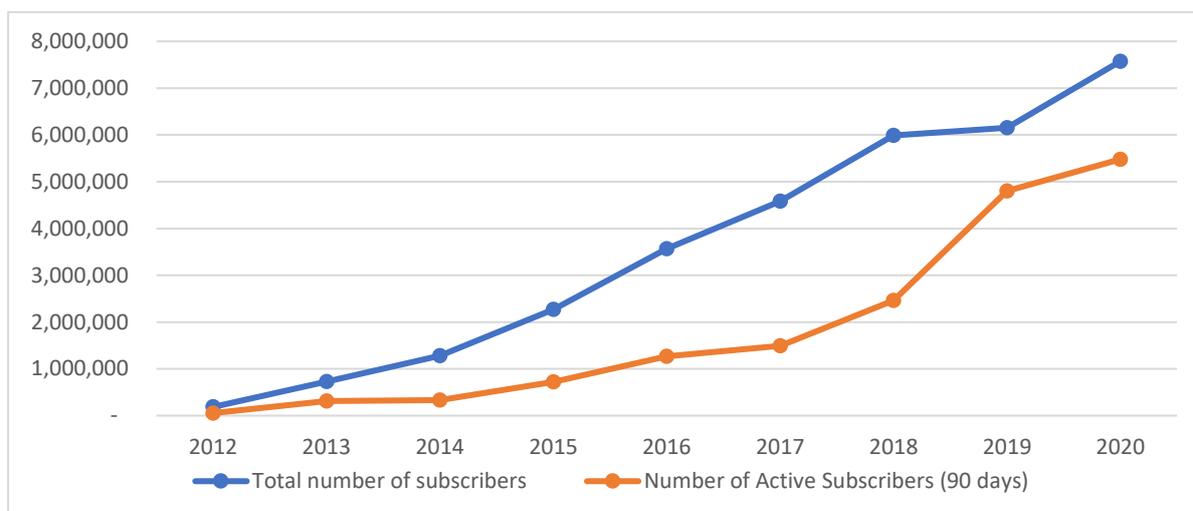


Source: Reserve Bank of Malawi

Activity Rate

There was however an improvement in the 90-day activity rate for mobile money subscribers, which increased to 72.3 percent in December 2020 from 62.1 percent in September 2020. A look at the yearly trend from 2012 shows that the activity rate for mobile money subscribers recorded its highest proportion in 2019 and 2020 (Figure 3). This outturn shows that more customers are actively using the mobile money services for their daily payment needs than before. If this trend continues, it would help spur growth of the entire mobile money ecosystem and therefore contribute to financial inclusion which is one of the government's priorities towards uplifting the lives of the rural based population.

Figure 3: Yearly trend of total number of subscribers against activity rates



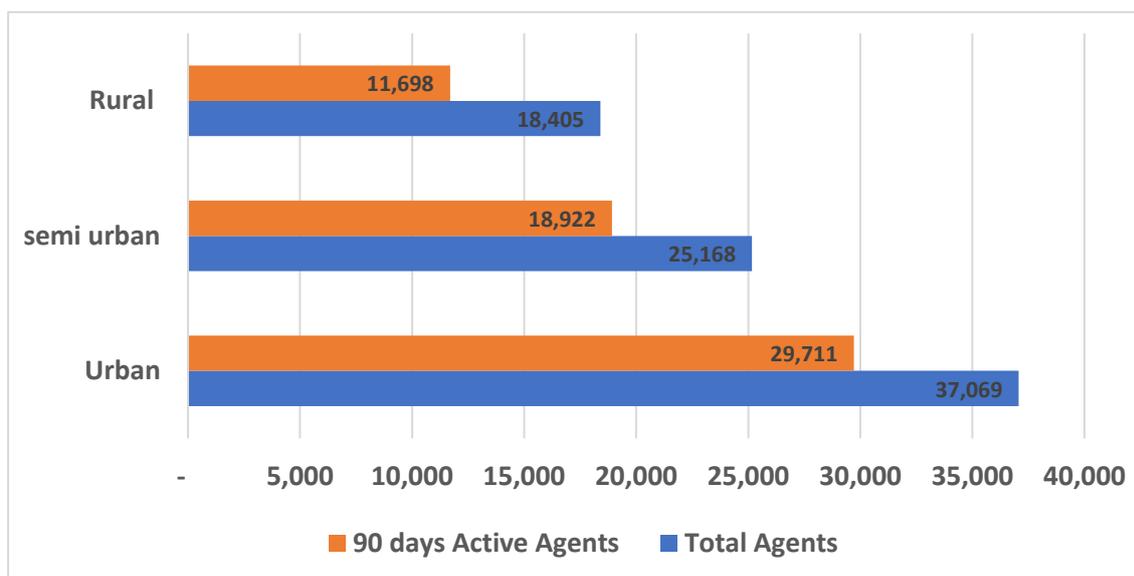
Source: Reserve Bank of Malawi

Mobile Money Agents

The total number of registered mobile money agents, critical role-players in the delivery of mobile money services, rose by 6.4 percent if compared to the September 2020, to a total of 80,642 in December 2020. This is a good step towards increasing the number of access points for payment transactions across the country.

Despite the increase in the number of agents, challenges still remain as the majority of them are located in urban and semi-urban areas, with rural areas having much fewer number of agents. For instance, out of the total figure, only 22.8 percent (18,405) are geographically located in rural areas and the rest are in urban and semi-urban areas (*Figure 4*). In addition, only 63.6 percent of agents based in rural areas were active over a 90-day period compared to 78.1 percent (62,237) of those based in urban and semi-urban areas. This calls for more deliberate interventions by service providers and other stakeholders towards the rural areas in order to increase both the footprint of agents as well as incentivising them to remain active.

Figure 4: Geographical Distribution of Mobile Money Agents



Source: Reserve Bank of Malawi

c) Bank-based Digital Payment Channels

Internet Banking Services

The total number of subscribers for internet banking services increased by 5.4 percent to 233,813 during the fourth quarter of 2020, if compared to the previous quarter. The transaction flows however recorded a mixed performance as the total volume during the same period rose by 2.5 percent to 714,317 whereas the value decreased marginally by 1.4 percent to K1.1 trillion. This suggests that more transactions of relatively smaller value were processed through this channel during the period compared to the third quarter of 2020. Commercial banks are therefore urged to continue sensitizing their customers to actively use Internet Banking services as opposed to cheques.

Mobile Banking Services

Relative to third quarter of 2020, the total number of mobile banking subscribers rose by 3.0 percent to 1.0 million as at end of December 2020. Similarly, both the volume and value of transactions increased by 3.0 percent and 24.1 percent to 8.0 million and K207.8 billion, respectively, during the same period.

2.1.4 Transactions Processed via the National Switch

The National Switch platform facilitates interoperability of retail transactions across different payment channels and currently processes clearing of automated teller machines (ATMs), Point of sale (POS) and mobile money transactions. Overall, the Switch processed a total of 2.4 million transactions valued at K47.1 billion during the period under review. Table 2 below provides a summary of the performance of the Switch in terms of transactions processed from the three payment streams during the quarter under review.

Table 2: Transaction Flows through Natswitch

Payment Type	JUL-SEPT 2020		OCT-DEC 2020		Percentage Change	
	Volume	Value (K'billion)	Volume	Value (K'billion)	Volume	Value
ATM Transactions	765,647	27.5	865,053	32.0	13.0	16.4
Point of Sale	226,484	6.7	280,901	8.9	24.0	32.8
Mobile Money	1,766,893	8.7	1,224,771	6.2	(30.7)	(28.7)
Grand Total	2,759,024	42.9	2,370,725	47.1	(14.1)	9.8

a) Interbank ATM Transactions

Relative to the third quarter of 2020, the total volume of interbank ATM transactions processed through the National Switch rose by 13.0 percent to 865,053 during the period under review whereas the corresponding value of transactions increased by 16.4 percent to K32.0 billion. These transaction figures respectively represented 12.7 percent and 12.2 percent of the total volume (6.8 million) and value (K261.3 billion), of all ATM transactions recorded during the quarter under review. This outturn reflects continued customer preference for ATM terminals of their domiciled banks than those provided by other banks.

b) Interbank POS Transactions

The volume and value of POS transactions processed via the Switch rose by 24.0 percent and 32.8 percent to 280,901 and K8.9 billion, respectively, in the fourth quarter of 2020. Proportionally, this volume and value of POS transactions represented 48.2 percent and 42.6 percent of the overall volume and value of POS

transactions processed during the quarter, which was recorded at 582,569 and K20.9 billion, respectively.

Since POS transactions processed via the Switch are all interbank transactions, the proportion of the interbank transactions to overall POS transactions processed during the period therefore evident that POS terminals are more widely shared than ATMs in terms of use amongst different banks' customers. This could be attributable to the fact that a customer does not bear any user fees for paying goods and services when using a POS machine of any bank.

c) MNO-led Mobile Money Transactions on the Switch

There was a significant decrease in MNO-led mobile money transactions processed via the Switch as the volume declined by 30.7 percent to 1.2 million whereas the value decreased by 28.7 percent to K6.2 billion during the period under review.

The transactions volume and value indicated above represented 0.9 percent and 0.8 percent, respectively, of the overall mobile money volume (140,232,089) and value (K785.9 billion) of transactions processed during the period under review. For increased utilisation of the cross-platform facility, service providers are encouraged to intensify their awareness and marketing activities so that users can take advantage and utilise the convenience afforded by the facility. It is also felt that overall user fees associated with cross-platform transactions might have discouraged a number of subscribers from transmitting funds across the networks.

3.0 CONCLUSION

Relative to the preceding quarter, there was generally an improvement in the overall transactions flow in the national payments system, despite a slowdown experienced in some of the individual streams. The festive period marking the end of the year and the Covid-19 pandemic has had a mixed influence on the level of transactions processed during the period with some channels registering an increase in usage while others have experienced a reduction.

The retail payments segment however continues to be faced with challenges such as relatively low activity rates for mobile money subscribers and agents, low participation of women in mobile money services and low awareness as well as sparse availability of access points in remote areas. These challenges among others continue to affect increased adoption and usage of electronic payment products and services in the country. The Reserve Bank will therefore continue to design and implement measures that will support increased growth of the digital financial services in the country in collaboration with all relevant stakeholders.