

INTRODUCTION ¹

The country's key financial infrastructure was operationally stable and allowed smooth processing of transactions in the various payment streams during October 2016. This mainly reflected robust stability of the Malawi Interbank Transfer and Settlement System (MITASS) as well as retail financial infrastructure, mainly comprising ATMs, point-of-sales (POS) terminals, internet payments and mobile payments. In terms of throughput, the total daily average volume of transactions registered a monthly decrease of 2% to 424,463, whereas the corresponding value increased by 17.4% to K80,569.5 million.

PERFORMANCE OF PAYMENT STREAMS IN MITASS

The total daily average volume of MITASS transactions declined by 19.5% to 18,514 in October 2016 (Table 1). The decrease was mainly on account of a 31% decrease in the daily average volume of electronic funds transfers (EFTs). On the other hand, the daily average volume of large value and cheque transactions increased by 7.1% and 5.2% respectively. The slowdown in EFT transactions is mainly a reflection of seasonal economic factors

In contrast, the total daily average value of MITASS throughput rose by 18.6% to K77,256.1 million. This was mainly driven by a 21.5% increase in the daily average value of large transactions. The daily average value of cheque transactions rose by 12.4%, while that of EFTs declined by 17.7 during the same period.

Fig 1: Daily Average Payment Systems Turnover

PAYMENT TYPE	OCTOBER-2016 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
MITASS TOTAL	18,514	77,256.1	(19.5)	18.6
LARGE VALUE	709	64,070.9	7.1	21.5
AUTOMATED CLEARING HOUSE (ACH):	17,805	13,185.2	(20.3)	6.4
Electronic Funds Transfers (EFTs)	10,863	2,021.9	(31.0)	(17.7)
Direct Debits	-	-	-	-
Cheques	6,942	11,163.3	5.2	12.4
RETAIL DFS CHANNELS TOTAL	405,949	3,313.4	(1.0)	(5.7)
ATM CASH WITHDRAWALS	61,978	1,197.8	(1.5)	(11.9)
RETAIL DFS MINUS ATM CASH	343,971	2,115.6	(0.9)	(1.8)
INTERNET BANKING	1,270	619.2	(0.5)	(7.1)
MOBILE PAYMENTS	341,168	1,421.5	(0.6)	1.1
Bank-led	44,490	382.2	1.4	(1.4)
Non-bank	296,678	1,039.3	(0.9)	2.1
POINT OF SALE (POS)	1,533	74.9	(35.1)	(8.7)
GRAND TOTAL	424,463	80,569.5	(2.0)	17.4

DIGITAL RETAIL PAYMENT SYSTEMS

Overall Performance

As depicted by Table 1 above, all digital retail payments registered drops in daily average volume of transactions during October 2016, except for bank-led mobile payments. Similarly, the corresponding transaction values declined with the exception of non-bank mobile payments. As was the case with EFTs, the dismal performance in transactions for the digital retail payment channels reflects seasonal economic factors as the agricultural marketing season draws to a close.

Deployment, Usage and Uptake of Digital Retail Payments

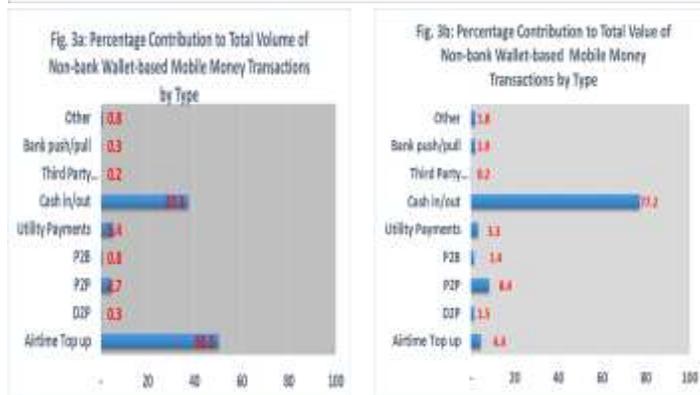
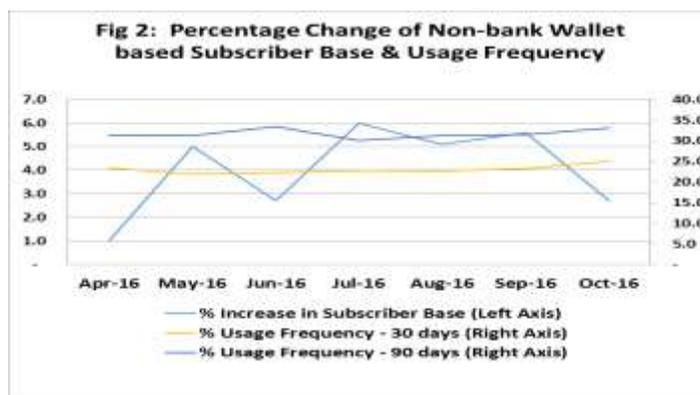
• Non-bank Mobile Payment Schemes

The total number of subscribers for the country's 2 non-bank wallet-based mobile payment schemes rose by 2.7% to 3.1 million in October 2016. However, a large proportion of subscribers were

dormant as, in terms of usage frequency, less than 25% and 35% of the total subscribers have been actively using the system over a 30-day and 90-day period, respectively (Fig 2). In addition, usage continued to be restricted to a limited number of products as most subscribers used the services for airtime purchases and for cash-in/out transactions (Fig 3a and 3b).

In terms of delivery network for non-bank mobile money schemes, a total 23,811 agents were deployed country-wide as of October 2016. This is 93 times the total number of bank branches, agencies and kiosks. However, the active agent ratio and the rural spread of agents remains relatively low for purposes of achieving meaningful financial inclusion (Fig 4).

Looking forward, RBM is expected to continue collaborating with key stakeholders in the mobile money space to promote meaningful deployments, usage and uptake of mobile money.



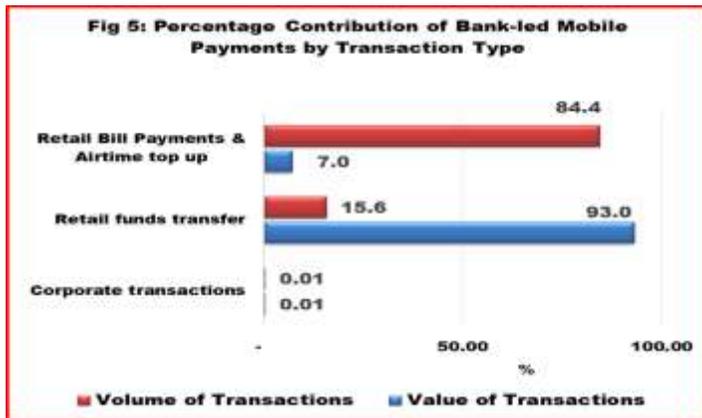
• Bank-led Mobile Payment Schemes

While mobile payments provide an important innovative channel for delivery of better services to banked customers, only 4 out of the 10 banks had introduced the service as of October 2016. The subscriber base for bank-led mobile payments therefore rose by a marginal 0.9% to 514,473. In terms of usage, retail funds transfers

Footnotes:

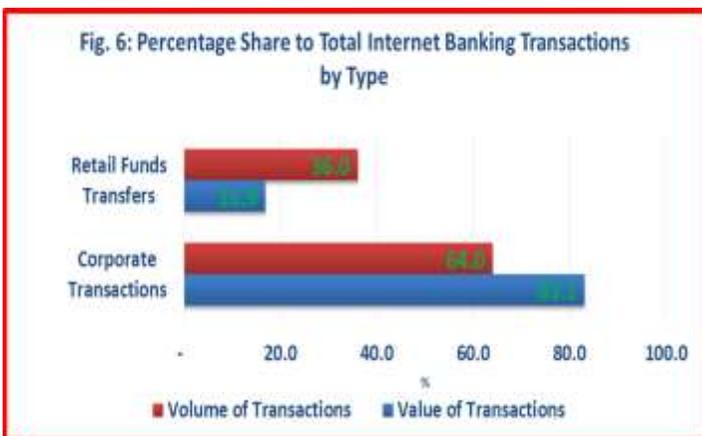
1. There is a one month lag for some national payments data due to delays in submission of monthly returns by banks & MNOs

retail funds transfers continued to dominate in respect of transaction value whereas bill payments and airtime top-ups were more prominent in terms of transaction volume (Fig 5).



- Internet Banking**

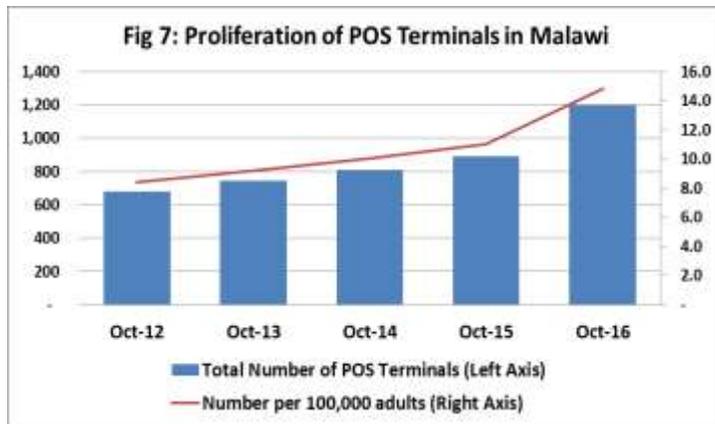
The number of banks that provide internet banking remained at 7 out of the 10 banks in the country. This represents a much better deployment rate compared to bank-led mobile payments. However, the total number of subscribers for internet banking stood at 33,873 as of October 2016, having registered an increase of 0.9%. The relatively low subscription rate for internet banking is a reflection of the low internet penetration in the country. Corporate transactions continued to dominate both in terms of volume and value of transactions, while the rest of the transactions were retail funds transfers (Fig 6).



- Point-of-Sale (POS) Terminals**

The number of POS terminals stood at 1,196 or 14.8 units per 100,000 adults as of October 2016 which represents a bare monthly increase of 0.16%. However, the annual trend for POS terminal proliferation is relatively significant as it registered an increase of 34.5% October-on-October (Fig 7). This suggests that banks are taking some concrete steps to promote cashless transactions.

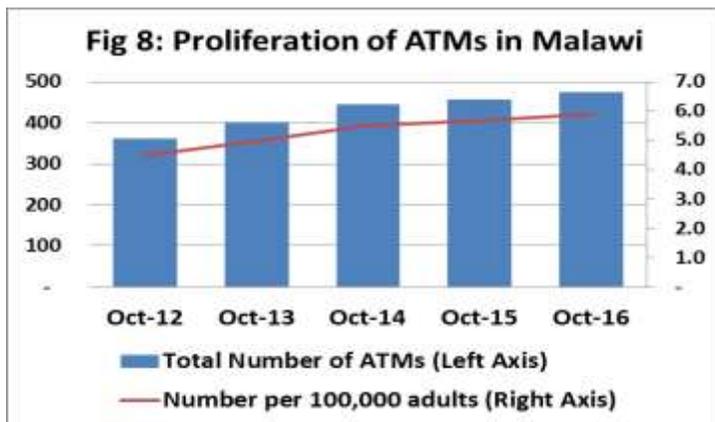
The regional average for penetration of POS terminals per 100,000 adults is 27.5, with Kenya (86.8) and Rwanda (20.0) topping the list. POS transactions mainly comprise of payments for goods and services as well as utilities. To promote POS usage, card holders are not expected to pay fees on transactions performed through the terminals.



- Auto-teller Machines (ATMs)**

There were a total of 475 or 5.9 ATMs per 100,000 adults as of October 2016, translating into a monthly decrease of 2.7%. However, this represented an annual increase of 3.9% October-on-October (Fig 8).

However, 99.9% of the transactions at ATMs were cash withdrawals and are therefore not considered as payments. RBM and banks will therefore be conducting awareness campaigns for customers to promote use of ATMs for payments as part and parcel of efforts aimed at reducing dominance of cash transactions in the country.



PAYMENT SYSTEMS REGULATORY REFORMS

Following enactment in June 2016 of the Payment Systems Bill, which will provide for the licensing, regulation and supervision of financial infrastructure and instruments, RBM continued drafting of the relevant regulations and directives to operationalize the Act. Among others, the regulations and directives will support RBM's functions of ensuring the efficiency and safety of the flow of funds in the economy.

CONCLUSION

The country's key financial infrastructure remained stable during the period under review, thereby allowing smooth processing of all financial transactions in the economy. With the Payments System Act now in place, RBM is expected to conduct comprehensive oversight activities over the financial infrastructure to improve its safety and efficiency as well as promote electronic payments.