



## INTRODUCTION <sup>1</sup>

The Malawi Interbank Transfers and Settlement System (MITASS), which is the country's core payment system, remained stable during the period under review. This resulted in smooth payment, clearing and settlement processes for interbank financial transactions underpinning, among others, both monetary policy and financial stability initiatives in the economy. Relative to February 2017 performance, the daily average volume and values for March 2017 reflected an increase of 7.1% and 4.1 % to 453,338 and K73,846 million, respectively (Table 1). This outturn is mainly attributable to seasonal factors.

In the same month of March 2017, RBM in collaboration with NTEP members intensified implementation of measures aimed at promoting the adoption and usage of various electronic payment products and services in Malawi. Consequently, the performance of all digital financial services, as highlighted in the report, also reflect some improvements.

## PERFORMANCE OF VARIOUS PAYMENT STREAMS

### MITASS Daily Average Performance

The total daily average volume of MITASS transactions registered a significant increase of 33.2% to 23,516 during the period under review. The increase in the daily average volume was mainly on account of a 51.8% increase in electronic funds transfer (EFTs). The daily average volume of cheque and large value transactions rose by 5.1% and 2.5% to 6,611 and 711, respectively. Similarly, the corresponding total daily average value of MITASS transactions rose by 3.6% to K69,483.0 million during the same period. This performance was as a result of the increase in the daily average value of EFT transactions (41.2%) and large value transactions (3.7%). However, the daily average value of cheque transactions decreased by 4.3% during the same period. This suggests that more customers are increasingly embracing electronic payments for paying utility bills and making purchases of goods and services. In other words, this implies that innovative products are beginning to displace cheques for payments. The increased usage of electronic payment products and services is a good development and it can be attributed to the recently implemented initiatives by RBM through NTEP.

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

PAYMENT TYPE	MARCH-2017 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
<b>MITASS TOTAL</b>	<b>23,516</b>	<b>69,483</b>	<b>33.2</b>	<b>3.6</b>
LARGE VALUE	711	57,030.7	2.5	3.7
<b>AUTOMATED CLEARING HOUSE (ACH):</b>	<b>22,805</b>	<b>12,452</b>	<b>34.5</b>	<b>3.2</b>
Electronic Funds Transfers (EFTs)	16,194	2,813.7	51.8	41.2
Direct Debits	-	-	-	-
Cheques	6,611	9,638.5	5.1	(4.3)
<b>RETAIL DFS CHANNELS TOTAL</b>	<b>429,821</b>	<b>4,363</b>	<b>5.9</b>	<b>26.4</b>
ATM CASH WITHDRAWALS	53,704	1,172.3	1.7	5.4
<b>RETAIL DFS MINUS ATM CASH</b>	<b>376,118</b>	<b>3,191</b>	<b>6.5</b>	<b>36.5</b>
INTERNET BANKING	1,972	1,426.4	57.1	70.9
<b>MOBILE PAYMENTS</b>	<b>372,245</b>	<b>1,674</b>	<b>6.4</b>	<b>17.8</b>
Bank-led	50,753	333.3	17.1	4.8
Non-bank	321,491	1,340.4	4.8	21.6
POINT OF SALE (POS)	1,900.8	91.0	6.7	9.4
<b>GRAND TOTAL</b>	<b>453,338</b>	<b>73,846</b>	<b>7.1</b>	<b>4.7</b>

## DIGITAL RETAIL PAYMENT SYSTEMS

### Overall performance

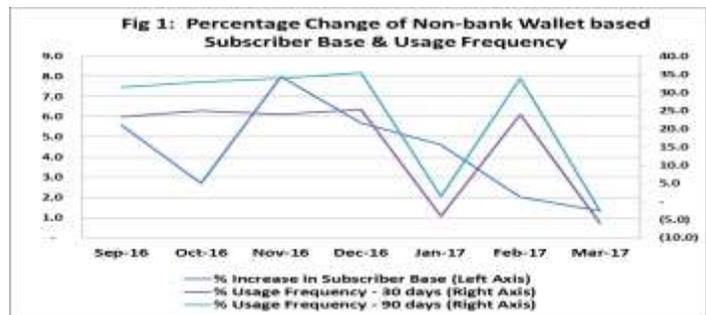
The total daily average volume of DFS channels or retail electronic payment transactions increased by 5.9% to 429,821 in March 2017. The increase was more pronounced in internet banking and bank-led mo-

bile payments which rose by 57.1% and 17.1% to 1,972 and 50,753, respectively (Table 1). Similarly, the corresponding DFS daily average value of transactions recorded a significant increase of 26.4% to K4,363.0 million during the same period. Internet banking, non-bank mobile payments and point of sale transactions contributed to this significant increase as they rose by 70.9%, 21.6% and 9.4%, respectively. This is a positive development and the trend is expected to continue owing to the various interventions by Government, RBM and other NTEP stakeholders to promote adoption and usage of electronic payments.

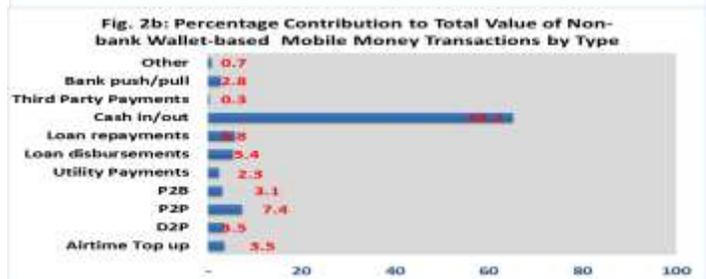
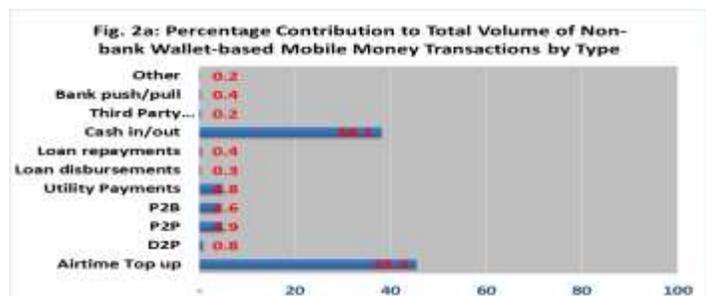
## Deployment and Uptake of Digital Financial Services

### • MNO-Led (E-Wallet) Mobile Payment Services

The number of subscribers for MNO-led mobile payment schemes recorded a marginal increase of 1.3% to 3.9 million in March 2017. However, the number of active subscribers remained low as only 22.7% and 33.0% of registered users were active during the previous 30 days and 90 days, respectively (Fig 1). This shows that despite the increases in the volume and values for mobile money transactions, not all subscribers are fully utilising the services. Therefore more awareness initiatives by responsible service providers are required in order to influence increased usage by both new and existing subscribers. In addition, NTEP activities should continue to focus on awareness campaigns targeting both the general public and business entities.



Further observations reveal that the majority of mobile money subscribers used the mobile money services for airtime purchases and cash-in/out transactions only (Fig. 2a and 2b). However, the expectation is that mobile money should be used for payment of various goods and services in the ecosystem. RBM and key stakeholders will therefore continue to create awareness of the ideal usage of and benefits associated with the various mobile money products and services in Malawi.



### Footnotes:

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

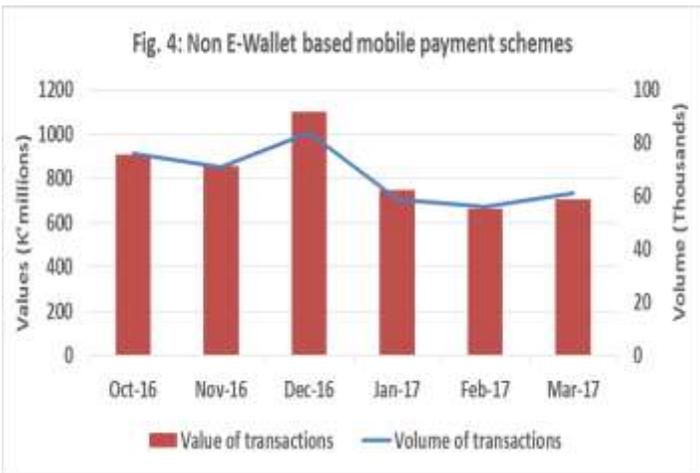


In terms of agency network, there was a total of 25,686 registered mobile money agents spread across the country. However, the geographical distribution of agents was heavily skewed towards urban and semi-urban areas, which accounted for 78% of the total number of agents. Furthermore, less than 50% of the registered mobile money agents in rural areas were active as at end March 2017 (Fig. 3). However, RBM and other stakeholders in NTEP are working towards reversing this trend in order to promote financial inclusion in Malawi.



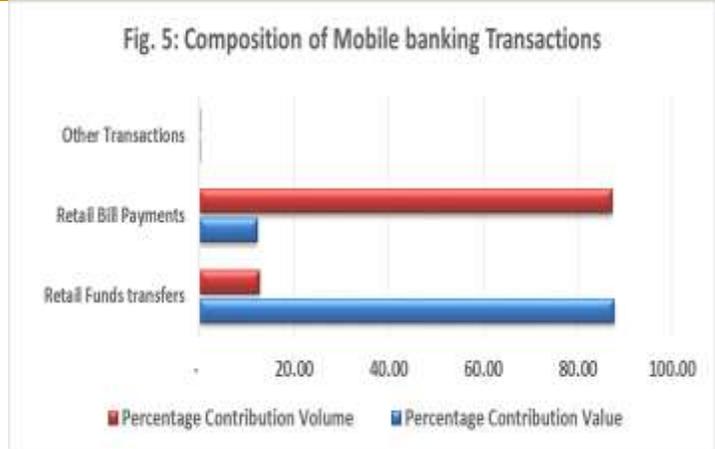
• **Non E-Wallet Mobile Money Services**

The volume of non e-wallet mobile money services registered an increase of 9.0% to 61,065 in March 2017. Similarly, the corresponding transaction values rose by 6.5% to K707.0 million over the same period (Fig. 4). The gender gap in respect to adoption of non e-wallet based mobile payments remain in favour of males as almost 70% of the transactions in the month of March 2017 were done by males. In terms of agent distribution, 69% of the agents are in urban areas despite that over 80% of the population in Malawi is rural based. Service providers are therefore encouraged to create a vibrant agent network in rural areas to complement Government's efforts in promoting financial inclusion in the country.

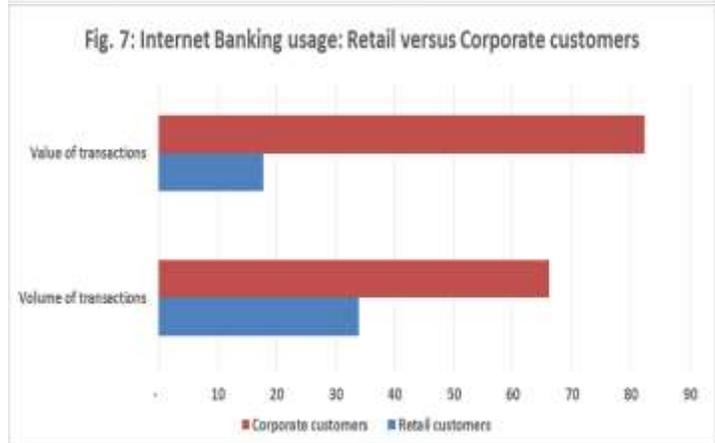
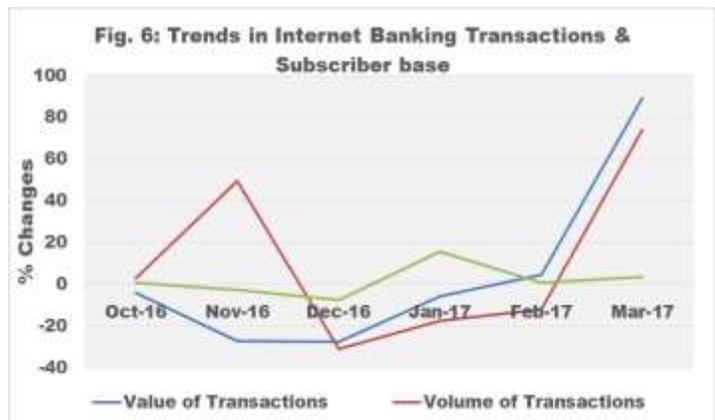


• **Bank-led Mobile Payments & Internet Banking Schemes**

The number of subscribers for mobile banking scheme rose by 3.2% to 546,404 in March 2017. As a result of this, the volume and value of bank-led mobile payments rose by 25.2% and 14.5% to 1.6 million and K10.3 billion respectively. In terms of usage, bank led mobile payment services were mostly used for retail fund transfers which accounted for 87.8% of the total value. Bill payments and airtime purchases accounted for the majority of the volume of these services (Fig. 5). More awareness activities are therefore required to increase usage of mobile banking services for bill payments as opposed to only fund transfers.



As regards internet banking channel, the number of subscribers rose by 3.4% to 37,330 in March 2017 (Fig. 6). This development is reflective of the continued demand for affordable and convenient electronic payments channels in the country. Out of the total number of internet banking subscribers, 74.3% were retail subscribers and the remainder accounted for corporate customers. In terms of usage, corporate subscribers contributed 66.1% and 82.3% of the total volume and value of funds transfers, respectively (Fig. 7).



• **Auto Teller Machine (ATM) Payments**

The number of ATM terminals declined by 3.5% during the period under review. On the contrary, both the volume and value of transactions increased by 12.6% and 16.7% to 1.7 million and K36.3 billion, respectively. However, usage of ATM terminals is dominated by cash withdrawals which account for 99.6% and 99.7% of volume and value of transactions, respectively (Table 2).

Footnotes:

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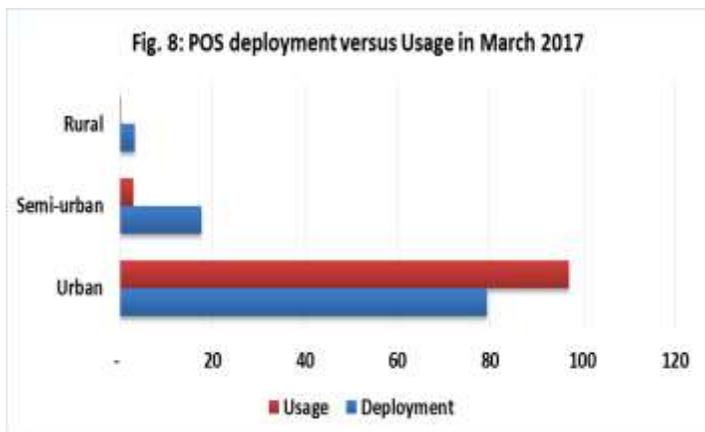


**Table 2: Composition of ATM Transactions in March 2017**

Transaction Type	Volume of Transactions	% contribution	Value of Transactions	% contribution
Cash withdrawals	1,658,096	99.60	36,235,842,679	99.71
Cash Deposits	384	0.02	13,760,500	0.04
Fund Transfers	1,075	0.06	67,783,567	0.19
Bill payments & Airtime top ups	4,523	0.27	11,728,303	0.03
Cardless transactions	739	0.04	12,121,700	0.03

● **Point of Sale (POS) Transactions**

Deployment of POS terminals in the country registered a significant increase of 14.0% to 1,163 in March 2017. In terms of geographical distribution, 79% of the POS terminals are in urban areas while semi-urban and rural areas accounted for 18% and 3% of the total POS deployments respectively. Similarly, usage of POS terminals shows a similar pattern as 97% of the number of transactions were recorded in urban areas (Fig. 8). Banks are therefore requested to increase POS deployment across the country especially in major trading centers located in rural areas to ease access to payments services by rural based clients.



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

During the period under review, NTEP embarked on a country wide roadshow campaign to sensitise the general public on the benefits of adopting and using electronic payments for goods and services in the economy. The campaign, being led by the Ministry of Civic Education, Culture and Community Development, will cover all districts in the country. The first phase of the national roadshows started on 20th March and ended on 31st March 2017. The second phase ran from 18th April to 27th April 2017. Airing of appropriate sensitisation messages by various media houses will also be intensified and RBM shall continue to engage various business entities to ensure they adopt electronic payments. These activities are part of NTEP roadmap implementation.

**CONCLUSION**

The country's core payment system remained stable during the period under review and therefore helped in facilitating smooth flow of financial transactions in the economy. As a result, there was an overall increase in usage as both the volume and value of transactions from the various payments streams recorded significant movements during the period. In particular, increases in EFTs and other DFS transactions reflect the gradual migration from use of paper-based payment instruments to innovative products. This trend is expected to continue owing to implementation of the NTEP roadmap.

**Footnotes:**

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