



INTRODUCTION ¹

A well functioning national payments system is important in supporting the overall economic development of a country through, among others, facilitating safe and efficient settlement of transactions among different economic agents. During the month of April 2017, the Reserve Bank of Malawi (RBM), in its capacity as provider of settlement services, ensured that the Malawi Interbank Transfers and Settlement System (MITASS) continued to operate smoothly thereby guaranteeing the safe and efficient settlement of financial transactions. In addition, RBM in its capacity as catalyst of change, continued to collaborate with other stakeholders through the National Taskforce on Electronic Payments (NTEP) in implementing measures aimed at promoting the adoption and usage of various electronic payment products and services in the country. As a result of these interventions, the average daily volume of all payment streams increased by 0.6% to 456,151 in April 2017. However, the corresponding average daily value contracted by 9.7% to K66, 688.3 million during the same period as a result of seasonal factors (see Table 1).

PERFORMANCE OF VARIOUS PAYMENT STREAMS

MITASS PERFORMANCE

Relative to March 2017, there was a significant reduction in MITASS volume and values due to seasonal factors in April 2017 (see Table 1). The average daily volume reduced by 21.3% to 18,514 whereas the average daily value contracted by 10.1% K66,477.0 million. The major contributing factor to the reduced volumes in MITASS was the 31.3% contraction in the average daily volume of electronic funds transfers (EFTs). Furthermore, the 22.4% and 12.5% reduction in EFTs and large value transactions respectively, contributed to the overall contraction in the value of MITASS payments. However, the volume and value of MITASS transactions are expected to increase due to increased volume of transactions normally associated with crop harvesting season as well as RBM efforts through NTEP.

Table 1: Daily Average Payment Systems Turnover

PAYMENT TYPE	APRIL-2017 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
MITASS TOTAL	18,514	62,477.0	(21.3)	(10.1)
LARGE VALUE	688	49,879.7	(3.2)	(12.5)
AUTOMATED CLEARING HOUSE (ACH):	17,825	12,597.0	(21.8)	1.2
Electronic Funds Transfers (EFTs)	11,128	2,184.5	(31.3)	(22.4)
Direct Debits	-	-	-	-
Cheques	6,698	10,412.6	1.3	8.0
RETAIL DFS CHANNELS TOTAL	437,637	4,210.0	1.8	(3.5)
ATM CASH WITHDRAWALS	60,772	1,247.0	13.2	6.4
RETAIL DFS MINUS ATM CASH	376,839	2,964.5	0.2	(7.1)
INTERNET BANKING	1,909	1,171.3	(3.2)	(17.9)
MOBILE PAYMENTS	372,974	1,705.0	0.2	1.9
Bank-led	43,640	421.7	(14.0)	26.5
Non-bank	329,334	1,283.0	2.4	(4.3)
POINT OF SALE (POS)	1,982	87.5	2.9	(3.8)
GRAND TOTAL	456,151	66,687.3	0.6	(9.7)

DIGITAL FINANCIAL SERVICES TRANSACTIONS

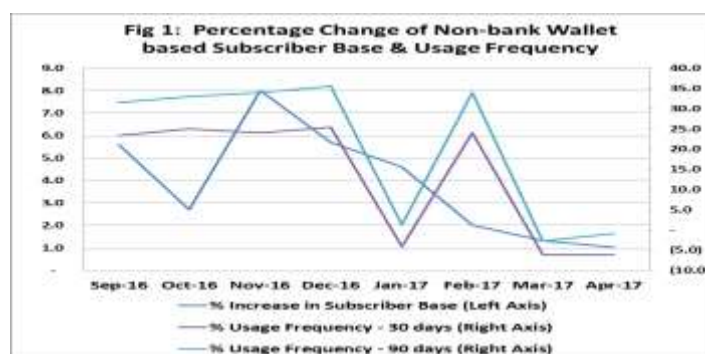
• Overall performance

Digital financial services (DFS) are basically retail electronic payment products and services offered through channels such as the internet, mobile banking applications, mobile phones, Auto Teller Machines (ATMs), Point of Sale (POS) terminals and payment cards. The average daily volume of transactions through DFS channels registered a mar-

ginal increase of 1.8% to 437,611 in April 2017, compared to an increase of 5.9% registered in March 2017. The increase was more pronounced in ATM transactions (13.2%), POS transactions (2.9%) and non-bank mobile payments (2.4%) as shown in Table 1. On the contrary, the corresponding DFS average daily value of transactions declined by 3.5% to K4,210.0 million during the same period. Internet banking, non-bank mobile payments and POS transactions contributed to this decrease as they contracted by 17.9%, 4.3% and 3.8%, respectively. This outturn is however expected to be reversed in subsequent months owing to the various interventions by Government, RBM and other NTEP stakeholders.

• Performance of MNO-Led (E-Wallet) Mobile Payment Services

The number of subscribers for MNO-led mobile payment schemes recorded a marginal increase of 1.0% to 3.9 million in April 2017. Despite this increase, the number of active subscribers remained low as only 32.4% of registered users were active during the previous 90 days (see Figure 1). This outturn negatively affected the performance of the MNO-led Mobile Payment Schemes during the period under review. The volume and value of transactions declined by 0.9% and 7.4% to 9.9 million and K38.5 billion, respectively. In this regard, there is need for more awareness initiatives by responsible service providers to influence increased usage by both new and existing subscribers. In addition, NTEP activities should continue to focus on all segments of the society so that bottlenecks that hinder increased adoption and usage of mobile money services are addressed.



Similarly, agent distribution remains a challenge in the mobile money ecosystem as the majority of agents are in urban areas. During the period under review, there was a total of 26,107 registered mobile money agents spread across the country. However, the geographical distribution of agents remained skewed towards urban and semi-urban areas, which accounted for 78% of the total number of agents. Furthermore, only 41.4% of the registered mobile money agents in rural areas were active as at end April 2017 (see Figure 2). This therefore means that there is an opportunity for rural based clients to venture into agency business and hence fill the existing gap. MNOs are therefore strongly urged to seriously look into this and work with small scale business enterprises in rural areas.



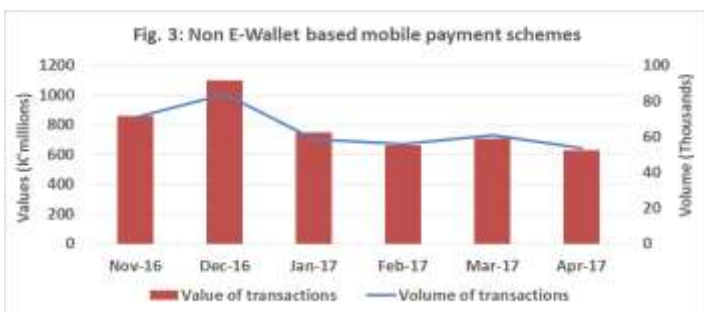
Footnotes:

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



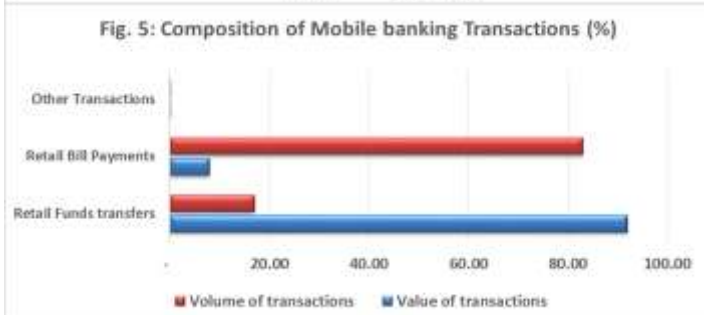
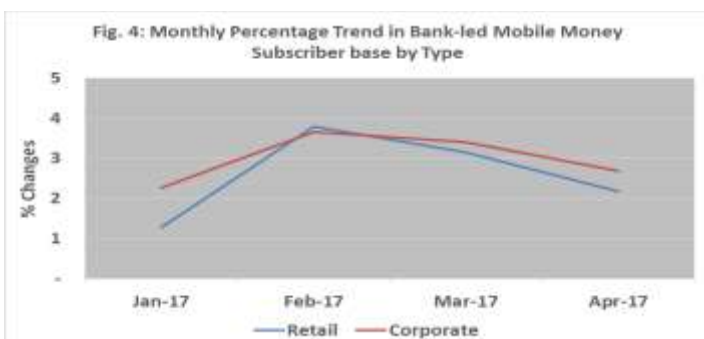
• Non E-Wallet Mobile Money Services

The performance of non E-wallet mobile money services declined in April 2017. The volume of non e-wallet mobile money services contracted by 12.3% to 53,575 while the corresponding transaction values reduced by 10.8% to K630.5 million in April 2017 (see Figure 3). The gender disparity in usage of non E-wallet mobile money services still persist as 69.9% of the transactions in April 2017 were done by males as opposed to 30.1% done by female subscribers. As was the case with MNO-led mobile money services, agent distribution remained concentrated in urban areas as only 20.9% of non e-wallet mobile money agents were in rural areas.



• Bank-led Mobile Payments

The number of subscribers for bank-led mobile payments scheme increased by 2.1% to 558,252 in April 2017. Both retail and corporate subscribers contributed to this increase as they rose by 2.2% and 2.7%, respectively (see Figure 4). In terms of usage, the volume of transactions recorded a decrease of 20.2% to 1.3 million during the same period. However, the corresponding value of transactions registered a significant increase of 18.3% to K12.7 billion. This outturn suggests that more high value transactions were processed through bank-based mobile schemes during the period. For instance, the average value per transaction rose from K6,567.09 in March 2017 to K9,662.57 in April 2017. In terms of transaction types, retail funds transfers dominated as they accounted for 92.0% of the total value of all bank-led mobile payments. An analysis of volumes shows that bill payments and airtime purchases accounted for 83.0% of the bank-led mobile payments, which is a welcome development (see Figure 5).



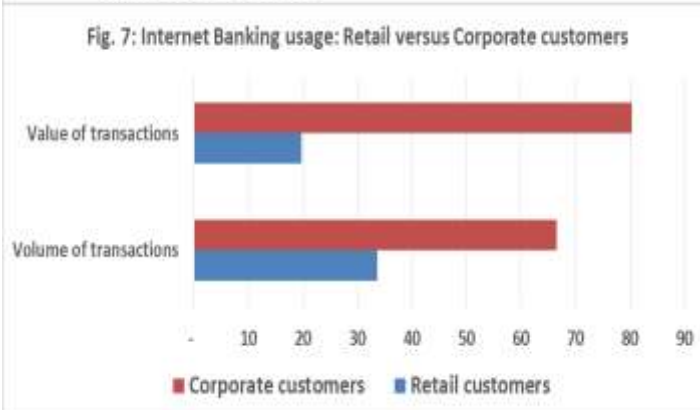
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National Payments System Department: Leading Malawi to a cashlite society

• Internet Banking Transactions

There was a reduction in the performance of internet banking channel in April 2017. The number of subscribers declined by 5.8% to 35,162 and so did the volume and value of transactions which contracted by 6.2% and 20.5% to 57,327 and K35.1 billion, respectively (see Figure 6). The decrease could be attributed to seasonal factors. In terms of usage by subscriber type, corporate subscribers contributed 66.1% and 82.3% of the total volume and value of internet funds transfers, respectively (see Figure 7).



• Auto Teller Machine (ATM) Payments

The number of ATM terminals remained largely unchanged at 471 during the period under review. In terms of usage, both the volume and value of transactions increased by 9.5% and 2.9% to 1.8 million and K37.4 billion, respectively (see Figure 8). As is normally the case, ATM transactions are dominated by cash withdrawals which account for not less than 99.0% of both the total volume and value of transactions (see Figure 9). Nonetheless, this trend is expected to gradually change over time owing to efforts by Government, RBM and NTEP to sensitize the public on the benefits of using electronic payment methods as opposed to cash.

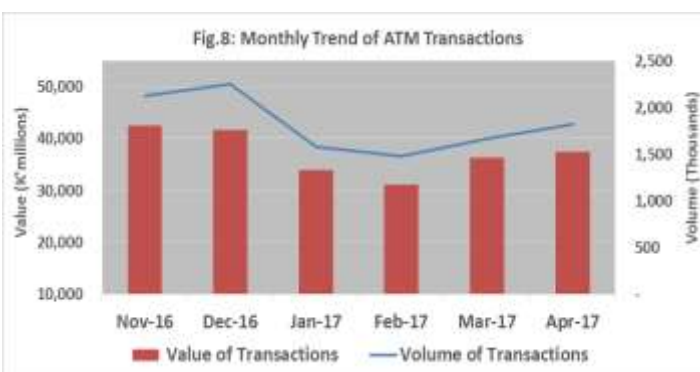
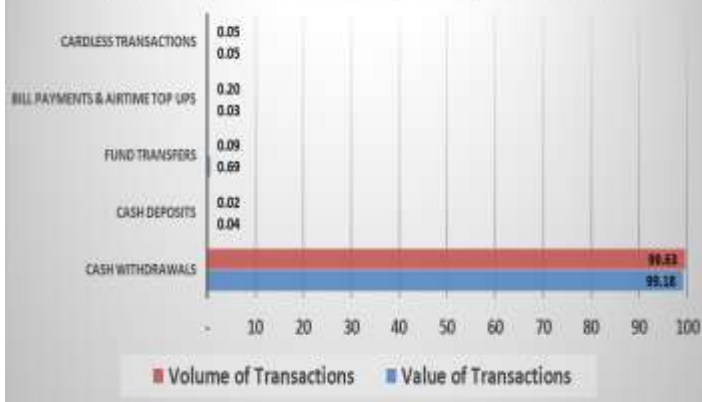




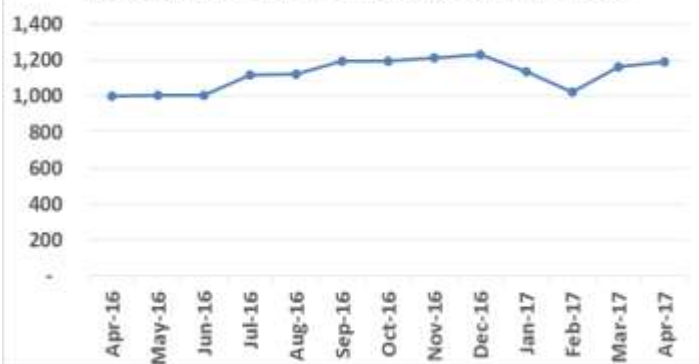
Fig. 9: Composition of ATM Transactions by Percentage Distribution



Point of Sale (POS) Transactions

Deployment of POS devices continued to increase during the period under review as the number of terminals rose by 2.2% to 1,188 in April 2017. However, the yearly deployment rate has been rather slow as the number of terminals increased by only 18.8% to April 2017 from 1,000 in April 2016 (see Figure 10). There is need for more efforts by all concerned service providers to increase POS deployment so that at least every shop in the country has a POS device. Increased deployment and usage of POS terminals will in turn reduce cash handling costs by merchants, billers and other business entities.

Fig. 10: Monthly Trend in POS Deployment since April 2016



In terms of usage, the volume of POS transactions recorded a marginal increase of 0.92% to 59,466 in April 2017 (see Figure 11). However, the corresponding value of POS transactions declined by 5.8% to K2.7 billion during the same period.

Fig. 11: Monthly Trend in POS Transactions



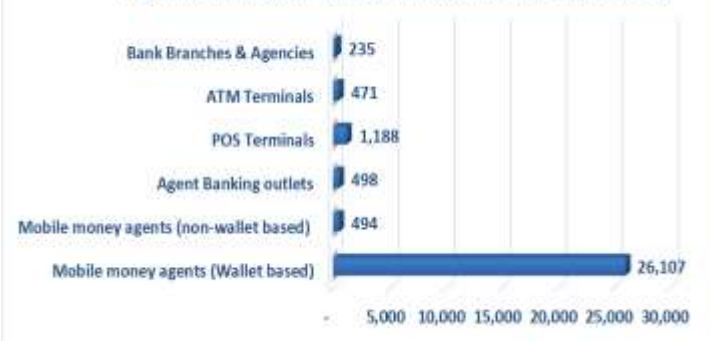
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Summary of DFS access points

As of April 2017, the number of mobile money agents was far much higher than any other access points combined (see Figure 12). This shows that MNO-led payment products which were rolled out a few years ago have grown much faster than conventional banking facilities that have been in existence for a fairly long period of time. There is therefore need for commercial banks to take advantage of agency banking, which is cheaper, to increase their foot prints across the country. Agency banking coupled with MNO-led mobile payment solutions can greatly ease access to financial services by the general public and hence help attain financial inclusion. NTEP stakeholders should therefore continue working together to increase access points across the country.

Fig 12: Access Points for DFS Countrywide as at April 2017



PROGRESS OF NATIONWIDE SENSITISATION CAMPAIGN ON ELECTRONIC PAYMENTS

During the period under review, NTEP completed the second phase of the roadshow campaign aimed at sensitising the general public on the benefits of adopting and using electronic payments for goods and services. The campaign, which was led by the Ministry of Civic Education, Culture and Community Development, covered almost all districts in the country. Meanwhile, preparations for the extension in airing of appropriate sensitisation messages by various media houses is at an advanced stage. The messages will be disseminated through jingles and comedy on both radio and television stations. These activities are part of NTEP sensitisation activities.

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. Due to seasonal factors, there was mixed performance during the period under review as the overall daily average volume of transactions increased whereas the corresponding value declined. Nonetheless, some individual payment channels registered positive performance which is expected to continue owing to the various interventions by all stakeholders in the payments system industry. RBM will therefore continue to carry out its oversight role as well as other activities aimed at promoting usage and adoption of electronic payments in the country as part of NTEP roadmap implementation.