

## OVERVIEW OF TURNOVER IN VARIOUS PAYMENT SYSTEMS<sup>1</sup>

The slow down in overall daily turnover across most payment systems continued in February 2014 as both transaction volumes and values in the payments industry declined further. Total daily transaction volume decreased by 4.3 percent to 235,647 from 246,132 in January 2014 (Table 1). Similarly, the corresponding total daily transaction value went down by 22.1 percent to K24.0 billion from K30.8 billion during the same period. The drop in payments activity which was across all systems, except for bank-led mobile banking and POS machines, was mainly a reflection of seasonal factors. Payments system activity is expected to rebound with the on-set of the tobacco marketing season as economic activity peaks up.

**Table1: Daily Payment Systems Turnover**

	JAN-14			FEB-14		
	Vol.	Val (K'mn)	% Share (Val.)	Vol.	Val (K'mn)	% Share (Val.)
MITASS	747	21,308	69.3	755	15,406	64.3
ECCH	6,557	8,143	26.5	7,277	7,3656	30.8
ATMs	55,035	825.7	2.7	58,945	809	3.4
Internet Banking	787	278	0.9	781	177	0.7
Bank-led Mobile Banking	19,630	39.6	0.1	22,784	44.9	0.2
MNO-led Mobile Payments	162,861	142	0.5	144,494	133.2	0.6
POS	515	13.6	0.04	611	16.6	0.07
<b>TOTAL</b>	<b>246,132</b>	<b>30,750</b>	<b>100</b>	<b>235,647</b>	<b>23,953</b>	<b>100</b>

Source: Reserve Bank of Malawi

## RESILIENCE OF FINANCIAL INFRASTRUCTURE

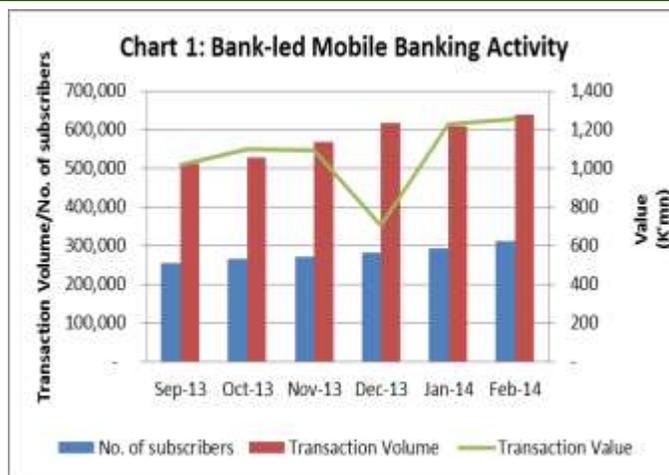
The financial infrastructure which comprises large value (i.e., MITASS and ECCH) and various retail payments systems did not experience any major disruptions during March 2014. The stability of the financial infrastructure allowed uninterrupted and smooth settlement of transactions which was good for economic activity.

## DEVELOPMENTS IN INNOVATIVE RETAIL ELECTRONIC PAYMENTS

As indicated in the overview, only bank-led mobile banking and POS terminals recorded increases in transaction activity in February 2014. This might indicate that banks are now promoting their mobile banking products and services to stay in competition with MNO-led mobile banking which has recorded notable growth since inception in 2012. As depicted by Chart 1, the transaction value of bank-led mobile banking has rebounded since January 2014 after recording a major decline in December 2013. In contrast, MNO-led mobile payments declined in both transaction value and volume in February 2014 (Chart 2). Both MNOs registered activity slowdowns in February 2014, with one of them recording decreases of up to 39.3 percent for transaction volumes and 34.8 percent for transaction values. This substantial drop was mainly due to a system failure experienced by the MNO in February 2014.

### Footnotes:

1. There is a one month lag for data on retail electronic payments due to delays in submission of data by banks & MNOs



Source: Reserve Bank of Malawi



Source: Reserve Bank of Malawi

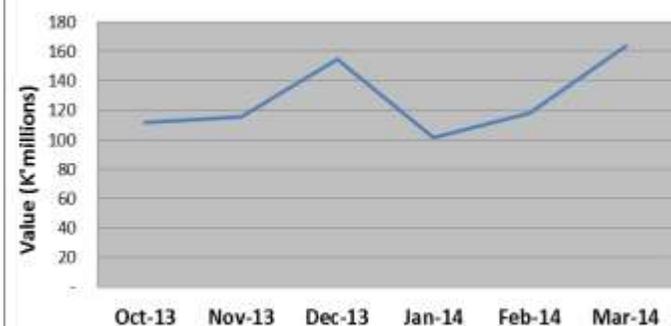
Other than system problems, a field visit in March 2014 by RBM to mobile money agents revealed that agent network development, which is a critical factor in mobile payments still faces a number of challenges especially in semi urban and rural areas including:

- Frequent network problems
- Insufficient liquidity to meet cash-outs which make up more than 50 percent of transactions
- Irregular monitoring of agents by MNOs such that new developments and agent complaints take time to be addressed

RBM will therefore continue to engage the MNOs to explore ways of developing a viable mobile money ecosystem, including agent network development.

After recording a substantial drop in January 2014, the Visa National Net Settlement System (NNSS) continued to rebound as the net cleared transaction value increased by a further 38.9 percent to K163.9 million in March 2014 from K117.9 million in February when it rose by 16.2 percent (Chart 3). The increase may suggest increased usage of the Visa debit card following the downward revision of charges in June 2013.

Fig. 3: Visa Card Transaction Values



Source: Reserve Bank of Malawi

## UPDATE ON NATIONAL PAYMENT SYSTEM PROJECTS AND ACTIVITIES

### FINANCIAL INFRASTRUCTURE MODERNISATION UNDER FSTAP

During the month under review, RBM continued with the Implementation Phase of the automated transfer system (ATS). Main activities in March 2014 included user training to prepare key stakeholders (i.e., RBM, commercial banks, Malawi Revenue Authority and Ministry of Finance) for migration to the ATS. In this regard, a workshop was conducted with the objective of introducing participants to key ATS functionalities.

RBM also held several meetings with the key ATS stakeholders both at strategic and technical levels. The main agenda of the meetings was information sharing and follow-ups on assignments to ensure that the expected system go-live date of 18 August, 2014 is met. The meetings included the ATS/CSD Interbank Coordination Committee (ICC) which was held to consider a number of business as well as technical issues.

Other activities related to the implementation of the ATS during March 2014 included finalising contract with Sybrin to upgrade the ECCH. The key accomplishments of ATS implementation and related sub-projects during March 2014 can therefore be summarised as follows:

- Successfully held ATS user training for key stakeholders.
- Initiated discussions with key stakeholders on need to have a cheque value cap to reduce losses from fraudulent cheques.
- Contracted Sybrin to undertake ECCH upgrade.
- SWIFT business training.

Project implementation priorities for April 2014 are as follows:

- Conduct SWIFT technical user training.
- Contract negotiation and sign-off with VPN supplier.
- Finalise VPN readiness proposal.
- Circulate concept paper to stakeholders on proposed implementation of value cap on cheque transactions.
- Finalise Flexicube interface approach

### CAPACITY BUILDING TECHNICAL ASSISTANCE

In continuation of capacity building activities in regulation of mobile financial services (MFS) and branchless banking (BB) being provided to RBM through technical assistance (TA) by the United Nations Capital Development Fund (UNCDF), the National Payments System Department organised a four-day Training of Trainers Workshop at RBM, Blantyre Branch from 11 to 14 March 2014. The Workshop was facilitated by Micro Save and participants were drawn from National Payments System, Bank Supervision and Micro-Finance & Capital Markets departments.

The objectives of the UNCDF TA are:

- To setup the right process and tools at RBM for collection, analysis and dissemination of financial inclusion data.
- To create a continuous learning and training process at RBM to raise knowledge of staff on MFS and BB at all levels.