

INTRODUCTION ¹

The safety and operational availability of Malawi's critical financial infrastructure was maintained as all financial transactions settled without any disruptions during the review period. In addition, the total daily average volume of transactions increased by 0.9% to 306,872, with retail digital financial service (DFS) payments contributing 93.7% while the rest comprised wholesale payments. The corresponding value of transactions rose by a marginal 0.5% to K67,933 million and wholesale payments accounted for 95.6% while retail DFS accounted for the remainder.

On the DFS front, mobile payments and, to some extent, POS transactions, continued to show some growth, indicating an improvement in adoption of cashless payments by end-users. This has also been reflected in a significant increase in electronic funds transfers (EFTs) and a decline in ATM cash withdrawals and cheque transactions during the same period.

PERFORMANCE OF THE MALAWI INTERBANK TRANSFER & SETTLEMENT SYSTEM (MITASS)

During the review period, the daily average volume of transactions passing through MITASS increased by 13.4% to 19,341 of which 4.2% was large-value transactions whereas EFTs and cheque transactions accounted for 60.9% and 34.9%, respectively (Table 1). The corresponding value of average daily MITASS transactions amounted to K64,882 million, representing a slight increase of 0.9%. Large-value transactions contributed 83.3% of the daily average value of MITASS throughput while EFTs and cheques represented 3.0% and 13.7%, respectively.

In terms of trend, there was a significant increase in the daily average volume and value of EFTs as the former increased by 25.3% and the latter grew by 21.0%. On the other hand, the daily average volume and value of cheques decreased by 2.4% and 3.5%, respectively. As already indicated, the decline in cheque transactions is a welcome development as it reflects increased adoption of EFTs.

Table 1: Daily Average Payment Systems Turnover

PAYMENT TYPE	FEBRUARY-16		MARCH-16		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value (K'mn)	Volume	Value
MITASS TOTAL	17,058	64,335	19,341	64,882	13.4	0.9
Large Value	750	53,503	821	54,037	0.0	1.0
ACH:	16,307	10,832	18,520	10,845	13.6	0.1
EFTs	9,399	1,588	11,779	1,921	25.3	21.0
Direct Debits	-	-	-	-	-	-
Cheques	6,908	9,244	6,741	8,924	-2.4	-3.5
ATMS	64,303	1,073	48,816	903	-24.1	-15.8
INTERNET BANKING	2,332	1,335	2,210	1,247	-5.2	-6.6
MOBILE PAYMENTS	219,326	809	235,340	844	7.3	4.3
Bank-led	39,623	206	39,965	209	0.9	1.5
Non-bank	179,703	603	195,375	635	8.7	5.3
POINT OF SALE (POS)	1,109	53	1,165	57	5.0	8.0
GRAND TOTAL	304,128	67,604	306,872	67,933	0.9	0.5

PERFORMANCE OF RETAIL DIGITAL FINANCIAL SERVICES (DFS)

Overview of Developments in DFS

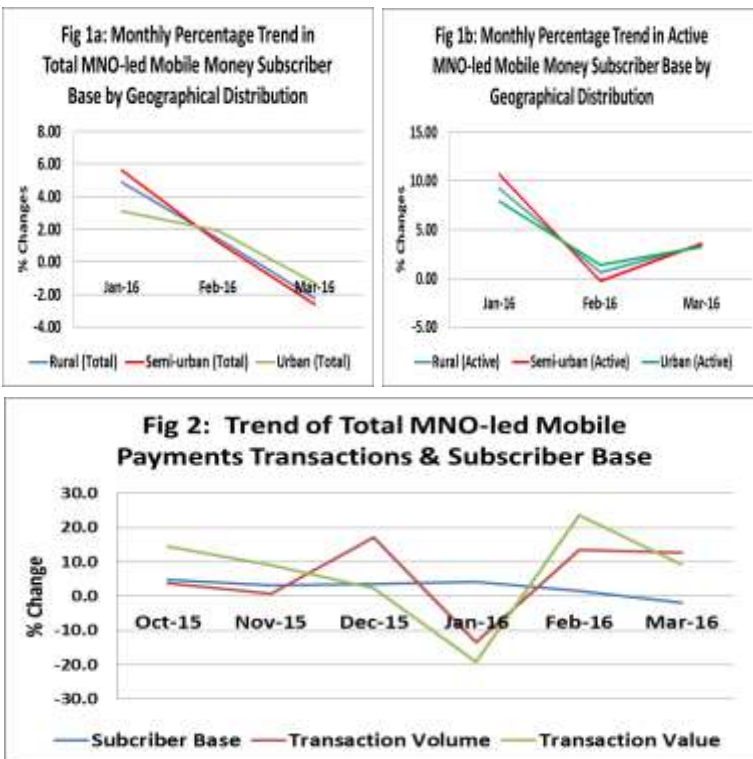
The trend of transactions passing through most retail DFS delivery channels appears to support increased adoption of cashless transactions as demonstrated by significant declines of 24.1% and 15.8% in the daily average volume and value of ATM transactions (which comprise almost entirely of cash withdrawals), respectively. Except for internet banking for which the daily average volume and value of transactions respectively declined by 5.2% and 6.6%, all other types of retail DFS channels registered some growth. The daily average volume of mobile payments increased by 7.3% while the value went up by 4.3%. Similarly, the daily average volume of POS transactions increased by 5.0% whereas the value rose by 8.0%.

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-Bank Mobile Payment Schemes

The total subscriber base for mobile network operator (MNO)-led mobile money schemes registered a drop of 1.9% to 2.4 million in March 2016 of which 34.6% were active (90 days), up from 32.8% in the previous month. While the growth in the total number of subscribers has been slower across all geographical areas (Fig 1a), the trend for active subscribers increased at a faster pace over the review period (Fig 1b), reflecting seasonal economic factors. This could also explain the increase in total transactions despite the decrease in subscriber base as the total volume rose by 12.7% to 5.8 million while the total value went up by 9.3% to K18.3 billion (Fig 2).



In terms of transaction type, MNO-led mobile payments continued to be dominated by airtime top-ups and cash-ins and cash-outs in terms of volume, with the former accounting for 48.0% while the latter contributed 36.7% of the total, thereby maintaining more or less the February 2016 trends (Fig 3a). Cash in and cash-outs were also predominant in terms of transaction value as they contributed 72.4% to the total (Fig 3b). RBM and relevant stakeholders in the payments industry is finalising a Roadmap to, among others, increase awareness, accessibility and affordability in order to increase the proportion of transactions related to payments through mobile money, such as utility bills, person to business (P2B), person to person (P2P), third party (e.g. payment of school fees), loan disbursement/repayments and bank pull and bank push transactions.

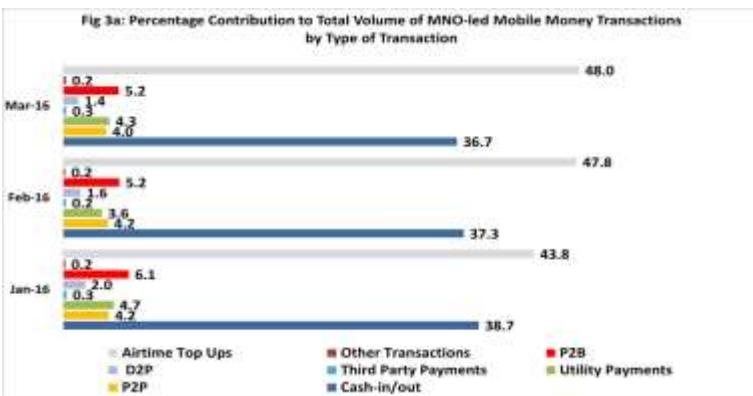
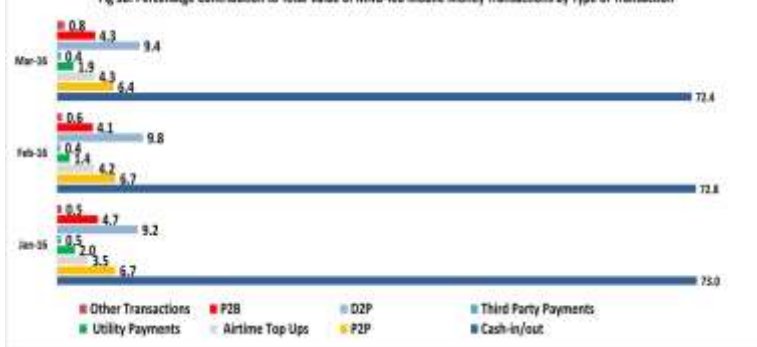


Fig 3b: Percentage Contribution to Total Value of MND-led Mobile Money Transactions by Type of Transaction



Other P2P non-bank mobile payment transactions were conducted through Zoonia Transaction Services. The total volume of transactions dropped by 1.4% to 79,059 while the value rose by 1% to K804.4 million in March 2016 (Fig 4). Although still on a small scale, Zoonia mobile money transactions appear to enjoy higher transaction turnover per agent judging by the high proportion of active agents country wide (Fig 5). This might suggest better handling of customers by Zoonia, especially in terms of cash-outs.

Fig 4: Monthly Percentage Trends in Other Non Bank-led Mobile Money Transactions



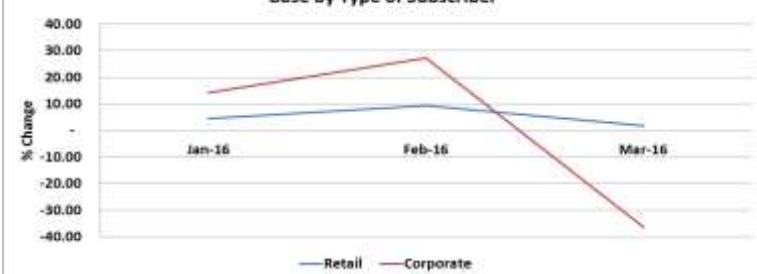
Fig 5: Number of Agents for Other Non Bank-led Mobile Payments



Bank-led Mobile Payments Schemes

The total subscriber base for bank-led mobile payments rose by 1.8% to 539,707 in March 2016, the bulk of which was retail subscribers (539,383). However, the number of corporate subscribers declined substantially to 324, representing a drop of 36.4% (Fig 6). This was due to automatic deregistration following prolonged non-use of the service or associated accounts.

Fig 6: Monthly Percentage Trend in Bank-led Mobile Money Subscriber Base by Type of Subscriber



In the transactions front, the total volume and value of bank-led mobile payments rose by 4.5% and 4.3% to 1.2 million and K6.2 billion, respectively (Fig 7). Over 85.6% of the total volume of transactions were retail bill payments and airtime top-ups while retail funds transfers contributed 90.3% to the total value (Fig 8). Corporate mobile payment transactions remained insignificant as they accounted for just 0.06% of the total volume and value.

Fig 7: Monthly Trends in Total Bank-led Mobile Payment Transactions & Subscriber Base

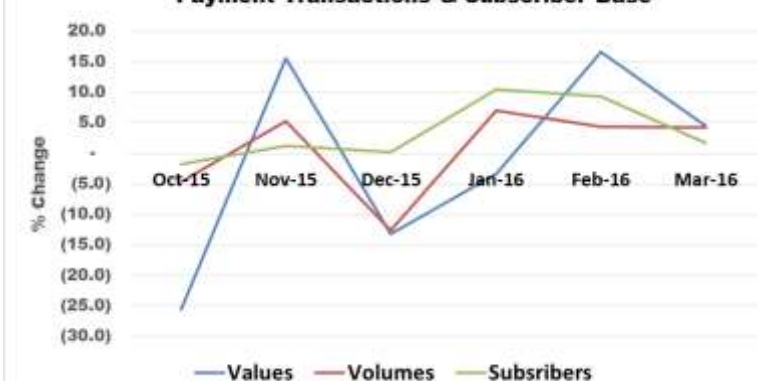
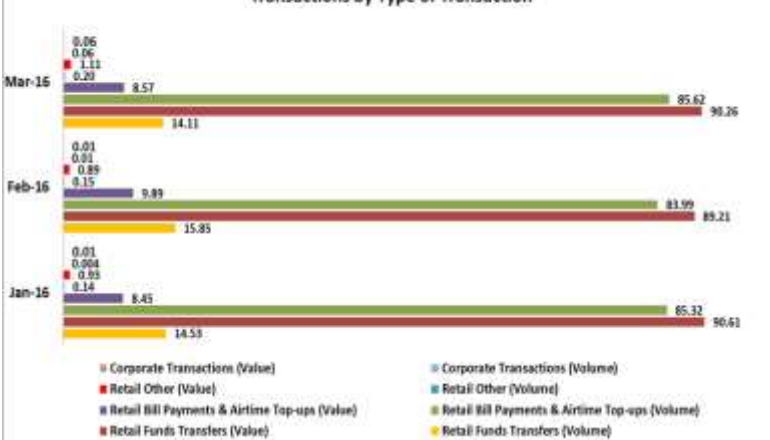


Fig 8: Monthly Percentage Contribution to Bank-led Mobile Payment Transactions by Type of Transaction



Emerging Mobile Payments Products

During the Month of April 2016, TNM launched a new mobile money product known as Mpamba Fesa. This product allows e-wallet holders to earn interest on their funds invested in the Fesa wallet. The funds are invested in the Old Mutual Money Market Unit Trust Fund. This will help to enhance financial inclusion by providing of a means for savings for mobile money customers who do not have bank accounts.

On the partnerships front, Airtel Money integrated its mobile money services with Standard Bank, allowing customers of the two service providers to push and pull their funds to and from their bank account to their e-wallets. This will reduce the need for customers to physically go to an agent for a cash-in or cash-out.

Internet Banking

The total number of subscribers for internet banking fell by 1.5% to 38,593 in March 2016. The number of retail and corporate subscribers was at 26,079 and 12,514, after declining by 1.4% and 0.16%, respectively (Fig 9). As was the case with mobile payment subscribers, the drop in internet banking subscribers was due to automatic deregistration for prolonged non-use of associated accounts.

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Fig 9: Monthly Percentage Trend in Internet Banking Subscriber Base by Type of Subscriber



The total transaction volume for internet banking stood at 68,508 with a corresponding value of K38.6 billion, representing an increase of 1.3% and a decline of 0.16%, respectively (Fig. 10).

Fig 10: Monthly Percentage Trends in Internet Banking Transactions & Subscriber Base



Corporate internet transactions contributed 81.3% and 92.8% to the total volume and value (Fig 11). Retail funds transfers accounted for 18.2% of the volume and 7.1% of the value.

Fig 11: Percentage Contribution to Total Internet Banking Transactions by Type of Transaction



ATM Transactions

The total volume of ATM transactions declined by 18.9% to 1.5 million while the value fell by 10.0% to K28.0 billion in March 2016 (Fig 12). As already indicated elsewhere, this might suggest some customer migration to DFS payments since cash withdrawals form the bulk of ATM transactions both in terms of volume and value (Fig 13).

Fig 12: ATM Transactions

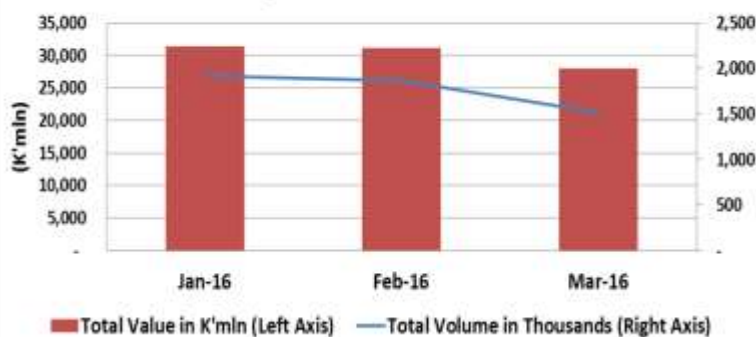
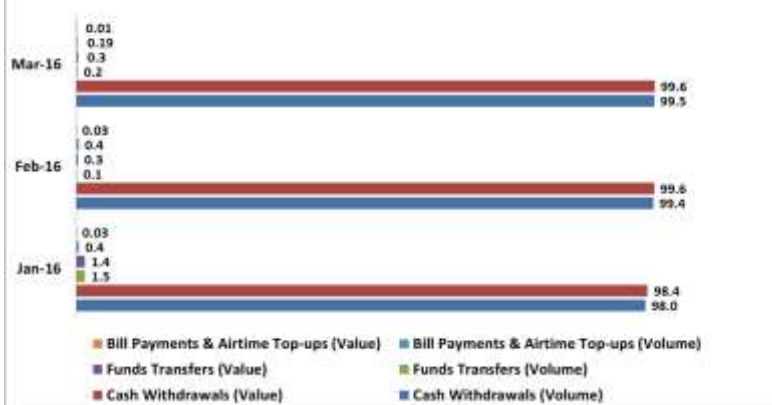


Fig 13: Percentage Contribution to Total ATM Transactions by Type of Transaction



CONCLUSION

The significant increase in EFT transactions coupled with the decrease in ATM cash withdrawals and cheque transactions is a welcome development as it suggested some improvement in usage of DFS products for payments for goods and services during the review period. However, there is need to implement additional measures — such as intensified public awareness and improve delivery infrastructure - to ensure sustained adoption of DFS in the country. To this end, RBM, in consultation with key stakeholders is finalizing a Roadmap to increase DFS transaction volume and values by at least 20% annually in the next five years to 2020.