

INTRODUCTION ¹

The financial infrastructure remained robust, recording a 100% operational availability and thus allowing all financial transactions to settle without any disruptions during the period under review. However, the total daily average volume of transactions decreased by 3.7% to 297,900 while the corresponding value rose to K73,699 million, representing an increase of 35.5%. The surge in the total daily average value of throughput was mainly due to large value interbank transactions which rose by 48.9%, reflecting seasonal economic factors. Individual digital financial services (DFS), on the other hand, recorded weak growth or declining trends in activity during the same period.

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

During the review period, MITASS recorded a 18.6% decrease in daily average volume of transactions to 16,437 of which only 4.1% was in relation to large value transactions whereas electronic funds transfers (EFTs) and cheque transactions accounted for the remaining 56.2% and 39.7%, respectively (Table 1). The corresponding transaction values amounted to K70,597 million, representing 37.8% increase during the review period. Large -value transactions contributed 84% of the daily average value of MITASS throughput while EFTs and cheques represented 2.3% and 13.7%, respectively.

In terms of monthly trend, EFT daily average transaction volumes and values decreased by 25.3% and 21.1%, respectively, during the review period. This was mainly on account of a decline in government payments which make a major contribution in the EFT payment stream. As such, this development does not reflect more cheque usage during the period as the daily average volume of cheques also declined by 7.8% whereas the corresponding values registered a marginal increase of 3.5%.

Table 1: Daily Average Payment Systems Turnover

PAYMENT TYPE	APRIL-16		MAY-16		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value (K'mn)	Volume	Value
MITASS TOTAL	20,203	51,221.0	16,436	70,597.0	-18.6	37.8
Large Value	755.25	39,833.0	668	59,309.0	-11.5	48.9
ACH:	19,448	11,388.0	15,768	11,288.0	-18.9	-0.9
EFTs	12,369	2,017.0	9,244	1,592.0	-25.3	-21.1
Direct Debits	-	-	-	-	-	-
Cheques	7,079	9,370.3	6,524	9,696.1	-7.8	3.5
ATMS	47,456	883.2	44,780	831.8	-5.6	-5.8
INTERNET BANKING	2,357	1,321.7	2,236	1,311.6	-5.1	-0.8
MOBILE PAYMENTS	238,021	889	233,248	898	-2.0	0.9
Bank-led	38,589	258.9	23,856	254.1	-38.2	-1.9
Non-bank	199,433	630.5	209,392	643.6	5.0	2.1
POINT OF SALE (POS)	1,245	60.2	1,200	61.1	-3.6	1.5
GRAND TOTAL	309,282	54,375	297,900	73,699	-3.7	35.5

PERFORMANCE OF RETAIL DIGITAL FINANCIAL SERVICES (DFS)

Overview of Developments in DFS

As shown in Table 1, the daily average volume and value of ATM transactions, which mainly comprise of cash withdrawals, decreased by 5.6% and 5.8%, respectively. This is a reflection of the proliferation of cashless payments options which are slowly gaining ground in the country. However, there was a decline in usage of the other DFS payment options during the period, except for non-bank mobile payments and point of sale (POS) transactions which registered some growth, albeit weak. The daily average volumes and values of non-bank mobile payments increased by 5.0% and 2.1%, respectively. For POS, the daily average volume fell by 3.6% whereas the value rose by 1.5%.

Non-Bank Mobile Payment Schemes

The total subscriber base for mobile network operator (MNO)-led mobile money schemes increased by 5.0% to 2.5 million in May 2016, out of which, 22.8% were active over a 30 day period. In terms of transactions, the total volume rose by 8.5% to 6.4 million while the corresponding total value increased by 5.5% to K19.1 billion.

Access and usage of MNO-led mobile money services remains relatively low, reflecting an interplay of several factors, including low consumer awareness, low income levels and physical or technological challenges with connectivity. While the physical distribution of MNO-led mobile money agents continues to grow, with 24,641 registered agents as of May 2016, maintaining active agents (30 days) numbers remain elusive thereby reducing customer access to mobile money services. On average, 45.2% of the total number of agents were active in Malawi, compared to a regional average of 60.1% for Sub-Saharan Africa (Table 2). Similarly, the usage frequency of 22.8% for a 30 day period against a regional average of 59%, means that Malawi is lagging behind other countries in Sub-Saharan Africa.

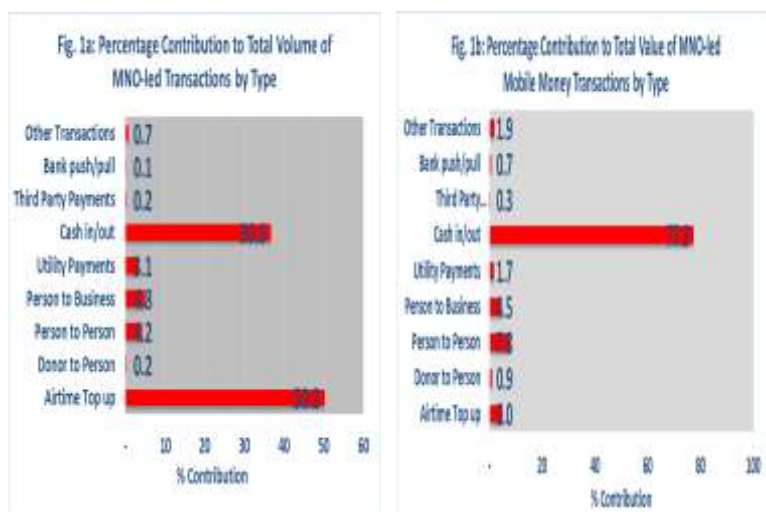
The development of a Roadmap by RBM in conjunction with industry stakeholders to address the challenges, which will include rolling out an intensive sensitisation campaign from August 2016 on benefits of all available DFS payment options, is therefore timely.

Table 2: Mobile Money Services Accessibility & Usage in 2015: Malawi and Sub-Saharan Africa

	Malawi	Sub-Saharan Africa
Access (as measured by % of active agents)	45.2	60.1
Usage (as measured by % of customers using service over 30 day period)	22.8	59.0

Source: GSMA & RBM

As a reflection of the access and usage challenges, MNO-led mobile money transactions continue to be dominated by cash-ins/outs and airtime top ups while other payments transactions such as utility bills, person to business (P2B), person to person (P2P) and third party payments remain relatively insignificant (Fig 1a and 1b).



Other Non-Bank Mobile Payment Schemes

Other non-bank mobile services comprised P2P transactions channeled through Zoon Transaction Services. The total volume rose by 6.0% to 77,919 in May 2016, while the corresponding value increased by 5.8% to K846.1 million (Fig 2).

Footnotes:

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

Fig.2: Monthly Percentage Trends in other Non-Bank-led Mobile Money Transactions

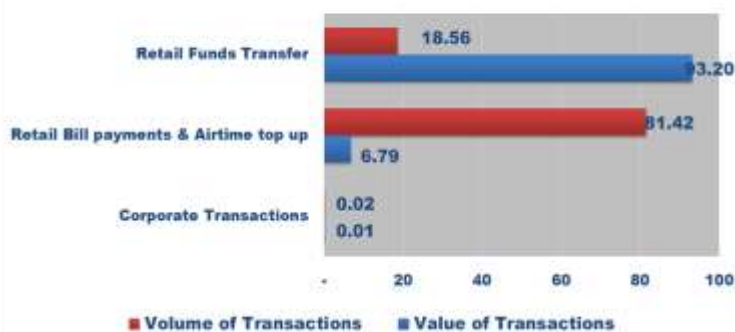


Bank-led Mobile Payments Schemes

The total subscriber base for bank-led mobile payments remained largely unchanged at 553,256 in May 2016, representing a marginal 0.02% increase. The percentage contribution of retail customers to the total number of subscribers continued to be over 99.9%. However, the number of corporate subscribers rose substantially to 558, representing a 66.1% increase. This could suggest that corporates are exploring mobile money for payments, such as employee salaries.

In terms of transactions, the total volume of bank-led mobile payments declined by 36.1% to 739,547 in May 2016. The corresponding value of transactions increased by 1.4% to K7.9 billion during the same period. Over 81% of the total volume of transactions were retail bill payments and airtime top-ups while retail funds transfers contributed 93.2% to the total value (Fig 3). Corporate mobile payment transactions remained insignificant as they accounted for just 0.01% and 0.02% of the total volume and value, respectively.

Fig. 3: Percentage Contribution to Bank-led Mobile Payment by Transactions Type



Internet Banking

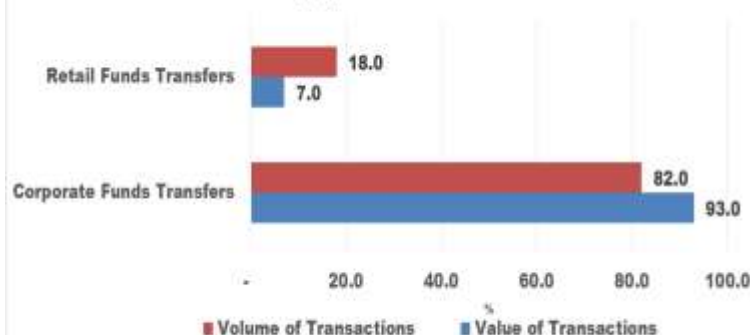
The subscriber base for internet banking increased by 3.6% to 38,271 in May 2016, out of which 67.7% were retail customers while the remainder were corporate customers. Similarly, there were slight changes in the volume and value of transactions during the same period as total number of transactions dropped by 2% to 69,328 where as the value rose by 2.6% to K40.7 billion (Fig 4).

Despite the availability of a number of transaction types, internet banking continues to be used for funds transfers only (Fig 5). Payment transactions such as on-line utility bill payments and purchases have yet to be recorded. This represents a missed opportunity in terms of using internet banking as a convenient means of making payments.

Fig. 4: Trends in Internet Banking Transactions & Subscriber base



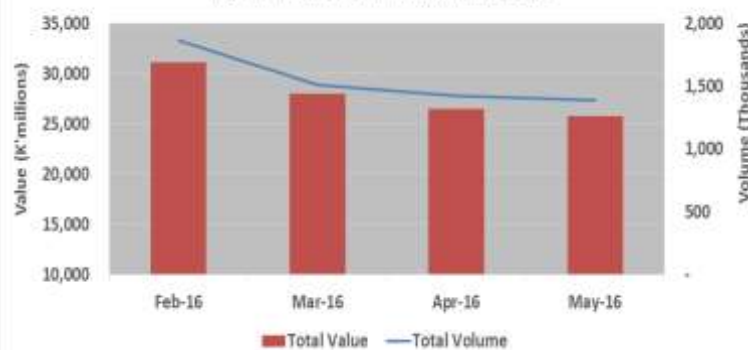
Fig. 5: Percentage Contribution to Total Internet Banking Transactions by Type of Transactions



ATM Transactions

As already indicated above, usage of ATMs for cash withdrawals is on the decline possibly owing to availability of other DFS payment options. The total volume and value of transactions declined by 2.5% and 2.7% to 1.4 million and K25.8 billion in May 2016 (Fig 6).

Fig. 6: Monthly Trend of ATM Transactions



RECENT DEVELOPMENTS IN PAYMENTS SYSTEM REGULATORY FRAMEWORK

Malawi Parliament passed the Payments Systems Bill in June 2016. This is a major development as the Act will provide clarity and transparency to oversight and regulatory arrangements for payments, clearing and settlement systems and instruments in Malawi. To this end, RBM will develop appropriate regulations and directives to operationalize the Act, as well as promote DFS. This will be done in consultation with key stakeholders in the payments industry.

CONCLUSION

The financial infrastructure was operationally stable and allowed smooth processing of transactions in various payments streams during the period under review. Implementation of the Payment System Act together with the Roadmap for digitizing payments in the country is expected to address some of the challenges to access, usage and adoption of DFS. RBM and its stakeholders in the payment industry are therefore envisaging a sustainable improvement in the payments ecosystem to support cashless transactions.