

INTRODUCTION ¹

The country's key financial infrastructure remained resilient during the period under review, recording a 100% operational availability. This allowed smooth processing of all financial transactions, with the total daily average volume of transactions registering a 13.1% increase to 335,433 while the corresponding value rose by 5.2% to K76,726 million in June 2016. On an annual basis (i.e., June 2015 versus June 2016), the total average volume and value of transactions surged by 30.9% and 74.9%, respectively, with electronic funds transfers (EFTs) recording annual growth of more than 100%. This annual EFT growth suggests that the new Malawi Interbank Transfer and Settlement System (MITASS) which was launched in December 2014 is on the right track in facilitating EFTs as a more efficient mode for retail payments when compared to cheques which are normally associated with clearing delays and fraud.

PERFORMANCE OF PAYMENT STREAMS IN MITASS

MITASS's daily average volume of transactions recorded a monthly decrease of 7.9% to 15,137 in June 2016 (Table 1). This was mainly due to a 17.3% drop in the daily average volume of EFTs to 7,642. On the other hand, the daily average volume of large value and cheque transactions rose by 6.2% and 4% to 710 and 6,785, respectively. The corresponding daily average value of MITASS throughput rose by 5.0% to K74,160 million as almost all payment streams recorded gains. The daily average value of cheque transactions recorded the highest increase at 11.2% while large value and EFTs rose by 4.1% and 1.3%, respectively. The increase in cheque transactions remains a concern due to the risks indicated above and is against payment digitisation objectives of RBM and other stakeholders in the payments industry. RBM, in conjunction with the stakeholders, will therefore intensify implementation of appropriate strategies to achieve meaningful reduction in cheque usage in the medium to long-term. This will mainly be done by implementing the roadmap developed through the National Taskforce on Electronic Payments (NTEP).

Table 1: Daily Average Payment Systems Turnover

PAYMENT TYPE	JUNE-16		CHANGE (%)			
	Volume	Value (K'mn)	Monthly (From May 2016)		Annual (From June 2015)	
			Vol.	Val.	Vol.	Val.
MITASS TOTAL	15,137	74,160	-7.9	5.0	41.4	78.1
Large Value	710	61,768	6.2	4.1	9.4	89.2
ACH:	14,427	12,392	-8.5	9.8	43.5	37.8
EFTs	7,642	1,613	-17.3	1.3	151.5	101.3
Direct Debits	-	-	-	-	-	-
Cheques	6,785	10,779	4.0	11.2	-3.3	31.6
ATMS	47,693	868	6.5	4.3	-32.9	-5.1
INTERNET BANKING	1,080	547	20.5	-2.2	-16.3	12.8
MOBILE PAYMENTS	270,115	1,084	15.8	20.8	56.6	37.2
Bank-led	32,916	359	38.0	41.3	-37.8	-25.6
Non-bank	237,199	725	13.3	12.6	98.5	135.8
POINT OF SALE (POS)	1,408	68	17.3	11.3	80.3	97.7
GRAND TOTAL	335,433	76,726	13.1	5.18	30.9	74.9

PERFORMANCE OF RETAIL DIGITAL FINANCIAL SERVICES (DFS)

Overview of Developments in DFS

As depicted by Table 1 above, the daily average volume and value of retail DFS transactions increased on a month to month basis in June 2016, except for the daily average value of Internet banking which declined marginally. On the other hand, the annual trend (i.e., June 2015 versus June 2016) is mixed, with non-bank led mobile payments and point of sale (POS) transactions being the only channels showing strong annual growth in both volume and value of transactions. It is however encouraging to note that, on average, the total daily volume and value of DFS transactions have been increasing consistently for the past 6 months, suggesting a turning point in the adoption of some DFS channels in the country, especially non-bank led mobile payments and POS terminals.

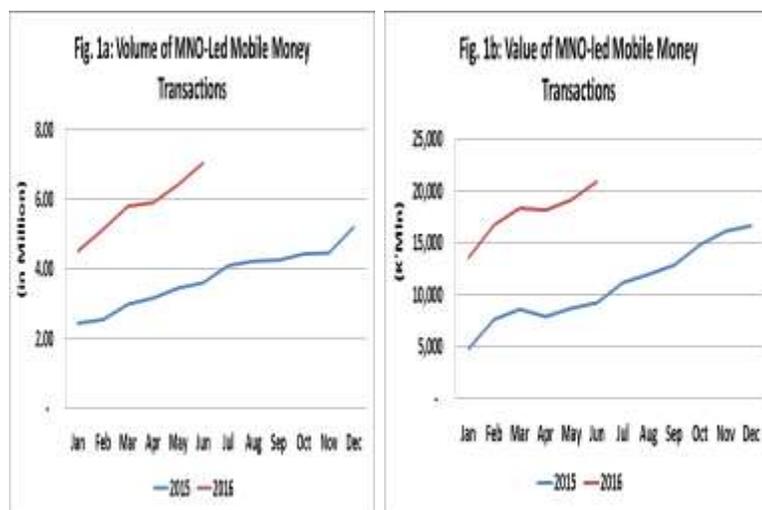
Footnotes:

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 2.7% increase to 2.6 million in June 2016 of which only 22.8% were active over a 30 day period while 34.4% were active within the last 90 days. The total volume and value of transactions rose much faster by 9.8% and 9.5% to 7.0 million and K20.9 billion respectively, reflecting seasonal factors (Fig 1a and 1b). On an annual basis (i.e., June 2015 versus June 2016), the volume and value of MNO-led mobile money transactions as of June 2016 represent annual growths of 96.4% and 126.9%, respectively.

However, providers continue to battle with well-known operational issues, including unstable connectivity, agent liquidity challenges and the high number of inactive customers. As indicated in the previous report, RBM and stakeholders are currently implementing appropriate strategies to resolve these challenges and increase mobile money uptake as well as usage.



Reflecting current limited usage, most of the volume of MNO-led mobile money transactions were airtime top-ups (51%) and cash-ins/outs (36%). Cash ins/outs were also predominant in terms of transaction value (78%). On the international level, airtime and cash in/outs transactions also appear to dominate, but with notable regional differences. The latest global figures by GSMA indicate that 66% of the volume of transactions were airtime top-ups, 23% domestic cash ins/outs and 11% payments, while cash ins/outs accounted for 72% of the value of transactions. While these global numbers broadly represent what is happening in most of Africa, the situation in South Asia (e.g., Philippines and Indonesia) is different, with payments accounting for 56% of the value of transactions, and airtime top-ups and domestic cash ins/outs representing only 19% and 25% respectively. However, Malawi is comparing favourable against global figures as illustrated by Table 2.

Table 2: MNO-led Mobile Money Value by Type of Transaction: Global & Regional Comparisons with Malawi

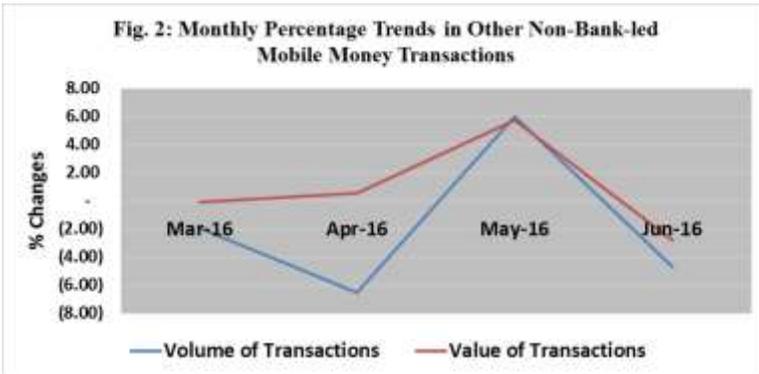
	Airtime (% of total value)	Cash ins/outs (% of total value)	Payments (% of total value)
Malawi	5	78	17
Global	4	72	24
South Asia	19	25	56

Source: GSMA, State of the Industry 2015 & RBM

Other Non-Bank Mobile Payment Schemes

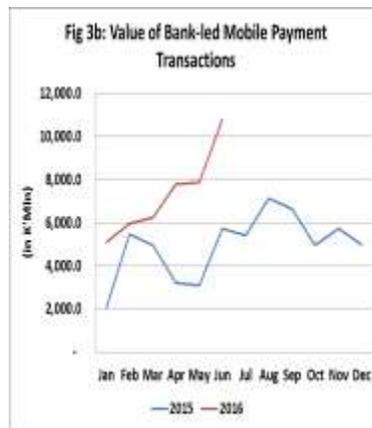
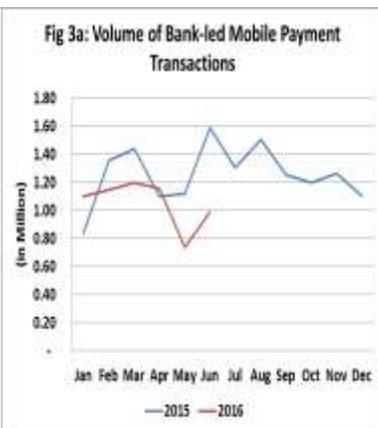
Other non-bank mobile money services comprised person to person (P2P) transactions channeled through Zoon Transaction Services involving cash-based or over-the-counter transactions – where people don't cash into an e-wallet to make a transaction via a phone menu, but instead just hand cash to the agent.

Contrary to the trends in the previous two months, the total volume and value of other non-bank mobile money transactions declined by 4.7% and 2.8% to 74,228 and K822.2 million in June 2016 (Fig 2).

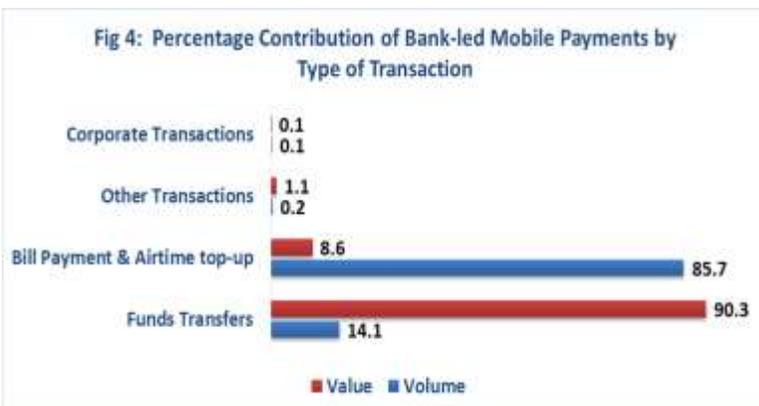


Bank-led Mobile Payments Schemes

The total subscriber base for bank-led mobile money payments rose by a marginal 0.8% to 556,889 in June 2016. However, there was a rebound in usage as system upgrades which led to a slow down in activity in May 2016 were completed during the period. As a result, the total volume of transactions surged by 33.5% to 987,478 while the corresponding value recorded a 36.8% increase to K10.8 billion. In terms of annual figures (i.e., June 2015 versus June 2016), bank-led mobile payments transactions exhibited a mixed picture as the volume declined whereas the value increased (Fig 3a and 3b). This contradicting annual development suggests an increase in the average value per transaction for bank-led mobile payments, especially funds transfers.

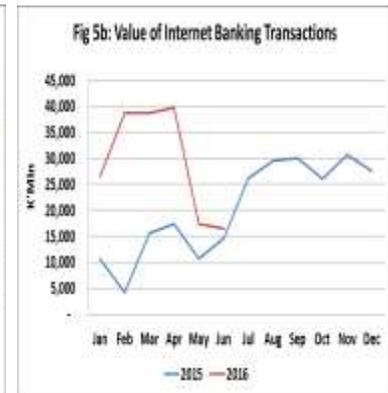


Bank-led mobile payments continued to be dominated by airtime top-ups and bill payments in terms of volume whereas retail funds transfers were predominant with respect to value (Fig 4).

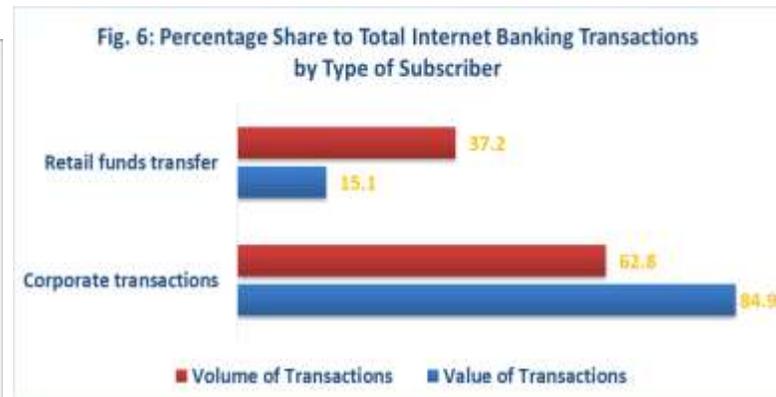


Internet Banking

The subscriber base for Internet banking declined to 38,103 in June 2016, representing a meagre 0.4% drop. However, significant movements were recorded in both the volume and value of transactions during the period as the total number of transactions rose by 16.6% to 32,402 whereas the value declined by 5.4% to K16.4 billion. In terms of annual trend (i.e., June 2015 versus June 2016), the volume of transactions declined whereas the value increased (Fig 5a and 5b).



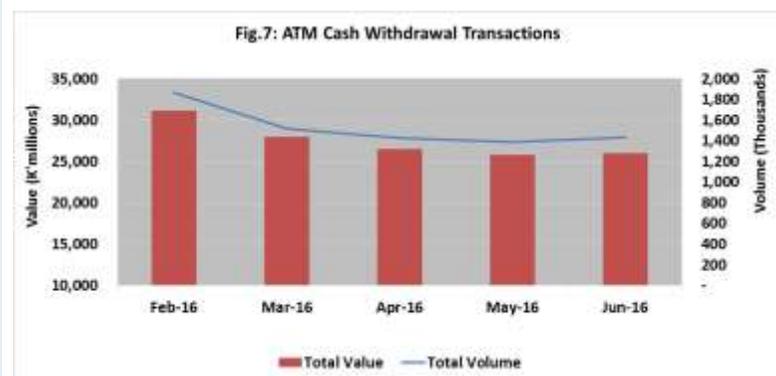
Funds transfers remain the only transaction type processed through Internet banking despite the availability of utility bill payment services. Usage also continues to be dominated by corporate subscribers both in terms of volume and value of transactions (Fig 6).



ATM Transactions

Total Cash Withdrawals

Contrary to the trend in the previous months, there was a slight increase in usage of ATMs for cash withdrawals during the period under review. The total volume and value of transactions rose by 3% and 1% to 1.4 million and K26.0 billion in June 2016, respectively (Fig 7).



ATM Transactions through NatSwitch

Cash withdrawals through ATMs linked to the National Switch continued to increase as the volume rose by 45.4 % to 168,381 while the value registered a 51.5% increase to K3.1 billion in the month of July 2016 (Fig 8). This trend indicates that consumers are increasingly becoming aware of ATM interoperability in the country.

CONCLUSION

While the country's key financial infrastructure was operationally stable during the period under review, usage of DFS remained limited as demonstrated by the increase in cheque and ATM cash withdrawal transactions. These are some of the challenges which the NTEP payments digitization Roadmap is going to address.

