

## INTRODUCTION <sup>1</sup>

The country's financial infrastructure remained stable during the period under review, thereby allowing smooth processing of all financial transactions in the economy. However, there was a mixed picture in terms of the total daily average transaction turnover as most individual payment streams passing through the Malawi Interbank Transfer and Settlement System (MITASS) as well as retail digital financial services (DFS) exhibited contrasting trends with respect to transaction volume and value. The period under review also saw some notable progress with respect to activities related to addressing low public awareness of DFS.

## PERFORMANCE OF PAYMENT STREAMS IN MITASS

The total daily average volume of MITASS transactions recorded a 4.0% increase in July 2016 to 15,745 (Fig 1). This was mainly due to a 15.1% rise in the daily average volume of electronic funds transfers (EFTs) whereas the daily average number of large value and cheque transactions declined by 7.5% and 7.3% respectively. The corresponding daily average value of MITASS throughput declined to K69.9 billion, representing a 5.7% decrease. All individual MITASS payment streams, except for EFTs, recorded declining trends with the daily average value of large and cheque transactions dropping by 6.1% and 6.5%, respectively whereas that of EFTs rose by 14.5%.

The declining trend of cheque transactions against an increase in EFTs is a welcome development as stakeholders in the payments industry would like to see more EFTs which are associated with low risk in terms of fraud and settlement delays.

**Fig 1: Daily Average Payment Systems Turnover**

PAYMENT TYPE	JULY 2016 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mm)	Volume	Value
<b>MITASS TOTAL</b>	<b>15,745</b>	<b>69,919.5</b>	<b>4.0</b>	<b>(5.7)</b>
<b>LARGE VALUE</b>	<b>657</b>	<b>57,993.0</b>	<b>-7.5</b>	<b>(6.1)</b>
<b>AUTOMATED CLEARING HOUSE (ACH):</b>	<b>15,088</b>	<b>11,926.5</b>	<b>4.6</b>	<b>(3.8)</b>
EFTs	8,796	1,847.0	15.1	14.5
Direct Debits	-	-	-	-
Cheques	6,292	10,079.5	-7.3	(6.5)
<b>RETAIL DFS CHANNELS TOTAL</b>	<b>325,979</b>	<b>2,578.0</b>	<b>1.8</b>	<b>0.4</b>
<b>ATM CASH WITHDRAWALS</b>	<b>46,263</b>	<b>883.0</b>	<b>(3.0)</b>	<b>1.8</b>
<b>RETAIL DFS MINUS ATM CASH</b>	<b>279,716</b>	<b>1,695.0</b>	<b>2.6</b>	<b>(0.2)</b>
INTERNET BANKING	1,029	562.0	(4.7)	2.7
<b>MOBILE PAYMENTS</b>	<b>277,305</b>	<b>1,078</b>	<b>2.7</b>	<b>(0.6)</b>
Bank-led	38,697	353.0	17.6	(1.7)
Non-bank	238,608	725.0	0.6	0.01
POINT OF SALE (POS)	1,382	55.0	(1.9)	(19.1)
<b>GRAND TOTAL</b>	<b>341,724</b>	<b>72,497.5</b>	<b>1.9</b>	<b>(5.5)</b>

## PERFORMANCE OF RETAIL DIGITAL FINANCIAL SERVICES (DFS) TRANSACTIONS

As depicted by Fig 1 above, the total daily average volume of retail DFS transactions increased by 1.8% to 325,979 in July 2016. This was mainly a reflection of a 2.7% daily average transaction growth for mobile payments while the daily average number of ATM, internet banking and POS transactions declined by 3.0%, 4.7% and 1.9%, respectively. In terms of value, the total daily average amount for retail DFS transactions rose by 0.4% to K2.6 billion during the same period. However, a notable decrease was recorded for the daily average value of POS transactions (19.1%). This strongly suggests a drop in the average value per POS transactions during the review period which may be a reflection of economic fundamentals affecting consumer spending during the period.

## DEVELOPMENTS IN DFS DEPLOYMENTS

### ATM & POS Terminals

The total number of POS terminals in the country increased by 11.3% as total deployments closed July 2016 at 1,116 units or 13.9 terminals per 100,000 adults (Fig 2a). In contrast, the total number of ATMs stood at 316 by end of July 2016 (Fig 2b). The low number of ATMs, which was mainly on account of service centre closures by some banks, represented a monthly decrease of 34.9% and 3.9 ATMs per 100,000 adults. The average regional penetration for POS terminals and ATMs is 27.5 and 7.1 per 100,000 adults, respectively which means that Malawi is still lagging behind in terms of deployments in region.

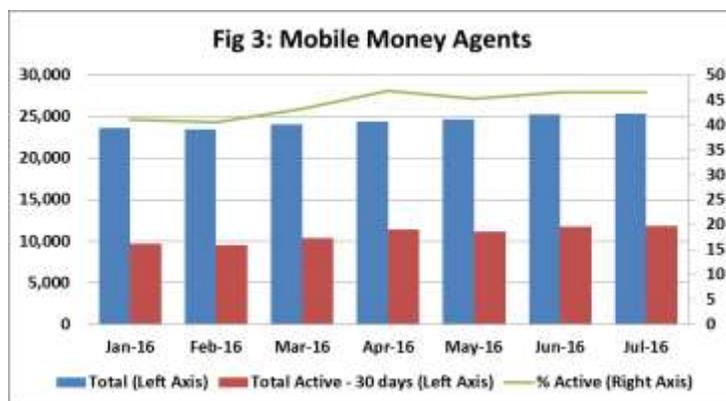
The relatively low number of ATMs and POS terminals as well as their limited spread across the country remains one of the key challenges for extending access to financial services in Malawi, and is partly blamed on high importation costs by the payments industry. Thus, one of the key policy interventions would be the introduction of tax waivers on payments support infrastructure to encourage widespread deployments.



### Mobile Payments

The total number of mobile payment providers remained at 8 as at close of July 2016, with three providers - i.e., Airtel Money, TNM Mpamba and Zoono Transactions Limited - offering non-bank based schemes while five commercial banks provide bank-based mobile payment solutions.

For non-bank mobile money schemes, the total number of agents registered a monthly increase of 0.3%, closing July 2016 at 25,405 (Fig 3). However, less than half (46.6%) of the agents were active (30 days) during the period. This is also reflected in the low active use of the service which stood at 22.8% (30 days) during the same period. The regional average for other countries in Sub-Saharan Africa was 60.1% for active agents and 59% for active subscribers as of end 2015 (Fig 4).



### 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 4: Mobile Money Services Accessibility & Usage:  
Malawi and Sub-Saharan Africa**

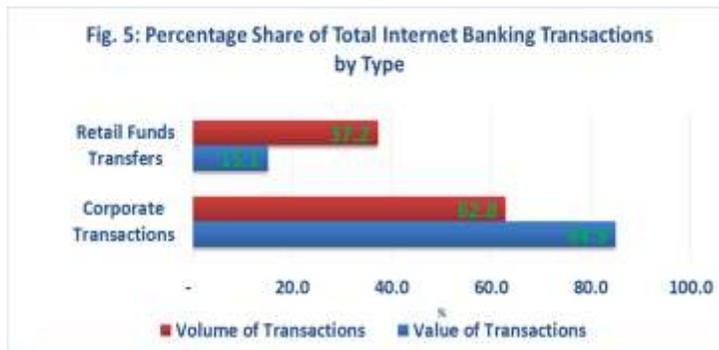
	Malawi (July 2016)	Sub-Saharan Africa
Access (as measured by % of active agents)	46.6	60.1
Usage (as measured by % of customers using service over 30 day period)	22.8	59.0

Source: GSMA State of the Industry Report 2015 & National Payments System Department, RBM

As previously indicated, the slow pace of mobile money penetration in Malawi reflects interplay of several factors, including low consumer awareness; low income levels; physical or technological challenges with connectivity and the relatively lower level of basic mobile phone connections - which are currently at 33% for Malawi compared to an average of 60% for the region.

### **Internet Banking**

As of July 2016, 8 of the 12 commercial banks in the country had introduced internet payments. However, funds transfers remain the only transaction type processed through internet banking despite the availability of utility bill payment services on the platform. Usage also continued to be dominated by corporate subscribers, perhaps a reflection of limited internet connectivity and access for individual customers (Fig 5).



### **New Payments Partnerships**

During the period of review, GetBucks Malawi partnered with Airtel Money for the former to facilitate disbursement of loans to Getbucks customers' mobile wallets. This will improve banking convenience for GetBucks and Airtel Money customers since there will be no need to physically visit Getbucks premises to access the funds.

### **UPDATE ON IMPLEMENTATION OF THE NATIONAL TASKFORCE ON ELECTRONIC PAYMENTS (NTEP) ROAMAP**

As previously indicated, RBM and key stakeholders in the payments industry have, through the National Taskforce on Electronic Payments (NTEP), developed a Roadmap to accelerate digitization of payments in the country. During the period under review, NTEP completed the design of relevant information, education and communication (IEC) content for dissemination to targeted groups as part of implementation of the Roadmap. The next steps will involve production, testing and dissemination of the IEC content across the country through sensitization campaigns which are expected to be launched in October 2016.

### **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 NTEP 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 to support economic activity in the country.