

## INTRODUCTION <sup>1</sup>

The safety and operational availability of Malawi's critical financial infrastructure was maintained as all financial transactions settled without any disruptions during the month of August 2016. However, there were contrasting developments in the total daily average volume and value of transactions as the former rose by 14.7% to 423,818, whereas the latter declined by 12.5% during the same period. Nevertheless, Digital Financial Services (DFS) registered an impressive performance as both the volume and value of transactions increased significantly on the back of stronger growths in internet banking, point-of-sale (POS) and mobile payment transactions.

## PERFORMANCE OF PAYMENT STREAMS IN THE MALAWI INTERBANK TRANSFER & SETTLEMENT SYSTEM (MITASS)

The total daily average volume of MITASS transactions recorded a 14.7% increase to 18,052 in August 2016 (Fig 1). This was mainly due to a 27.6% increase in the daily average volume of electronic funds transfers (EFTs). However, the daily average number of large value and cheque transactions registered a decline of 3.4% and 1.6%, respectively. On the other hand, the corresponding daily average value of MITASS throughput declined by 13.8% to K60,296 billion, reflecting a 16.5% and 2.4% drop in the value of large value and cheque transactions respectively, whereas the value of EFT transactions rose by 11.4%.

The declining trend in large value transactions in MITASS reflects seasonal economic factors as the agricultural market season draws to a close. However, the strong performance of EFTs against a decline in cheque usage is a welcome development as it suggests that a gradual shift to cashless transactions may be taking place in the country.

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

PAYMENT TYPE	AUGUST 2016 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
<b>MITASS TOTAL</b>	<b>18,052</b>	<b>60,296</b>	<b>14.7</b>	<b>(13.8)</b>
LARGE VALUE	635	48,397.2	(3.4)	(16.5)
<b>AUTOMATED CLEARING HOUSE (ACH):</b>				
EFTs	11,225	2,057.3	27.6	11.4
Direct Debits	-	-	-	-
Cheques	6,193	9,841.9	(1.6)	(2.4)
<b>RETAIL DFS CHANNELS TOTAL</b>	<b>405,766</b>	<b>3,554.9</b>	<b>14.7</b>	<b>15.4</b>
ATM CASH WITHDRAWALS	65,177	1,307.3	(12.1)	(5.6)
<b>RETAIL DFS MINUS ATM CASH</b>	<b>340,589</b>	<b>2,248</b>	<b>21.8</b>	<b>32.6</b>
INTERNET BANKING	1,262	674.3	22.6	20.0
<b>MOBILE PAYMENTS</b>	<b>337,691</b>	<b>1,495.2</b>	<b>21.8</b>	<b>38.7</b>
Bank-led	42,042	350.9	8.6	(0.6)
Non-bank	295,649	1,144.3	23.9	57.8
POINT OF SALE (POS)	1,637	78.1	18.4	42.0
<b>GRAND TOTAL</b>	<b>423,818</b>	<b>63,851</b>	<b>14.7</b>	<b>(12.5)</b>

## PERFORMANCE OF RETAIL DFS TRANSACTIONS

### Overview

The total daily average volume of retail DFS transactions increased by 14.7% to 405,766 in August 2016. Except for the volume of ATM transactions which fell by 12.1%, all DFS channels registered strong performances with the daily average volume of internet banking, mobile payments and POS transaction surging by 22.6%, 21.8% and 18.4%, respectively. Similarly, the total daily average value for retail DFS transactions rose by 15.4% to K3,554.9 billion during the same period. The value of internet banking, mobile payments and POS transactions increased by 20.0%, 38.7% and 42.0% respectively while that of ATM cash withdrawals decreased by 5.6%. As already indicated, the contrasting transaction movements between ATM cash withdrawals and the other DFS channels could be an indication of the gradual shift to cashless transactions which has been sustained for the last six months.

### Footnotes:

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

## Deployment, Uptake and Usage of DFS Channels

### Non-bank Mobile Payment Schemes

The number of non-bank mobile payment deployments remained at three as at end August 2016. This comprised TNM Mpamba and Airtel Money which are mobile wallet based and Zoono Money Transfer which is a non-wallet based service. The total subscriber base for the mobile wallet based schemes grew by 5.1% to 2.9 million in August 2016 (Fig 2). This represents a sustained growth of the subscriber base since April 2016 and is generally consistent with the growth in transaction trends. However, usage frequency per subscriber remained subdued as only 22.7% of the subscribers were active over a 30 day period whereas 31.2% were active over the last 90 days. Apart from low usage frequency, mobile money usage by subscribers remains highly confined to airtime purchases and cash-in/out transactions (Fig 3a and 3b). As already indicated in previous reports, the low usage frequency and limited transaction types reflects the underdeveloped nature of the mobile money ecosystem in the country.

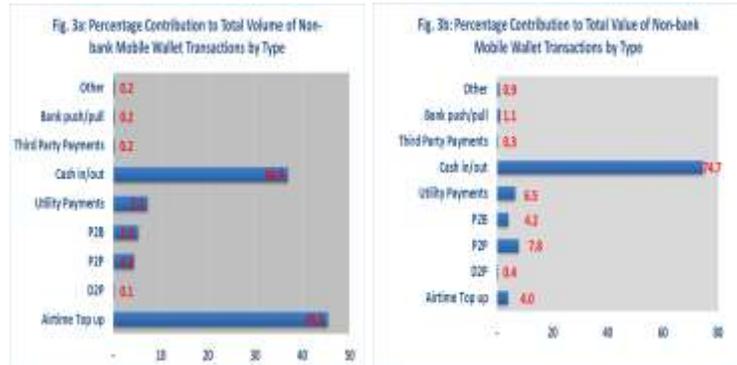
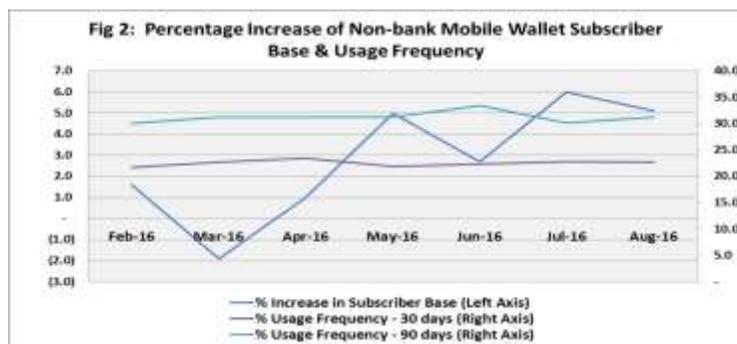


Fig. 3b: Percentage Contribution to Total Value of Non-bank Mobile Wallet Transactions by Type



While the country is making some strides in increasing the subscriber base for non-bank wallet based mobile payments, the gender gap in terms of proportion remains consistently high and skewed in favour of males (Fig 4). Apart from income distribution factors, this development may also be attributed to low penetration of non-bank mobile wallet services in the rural areas as measured by number of agents (Fig 5). The development of a viable mobile money ecosystem would therefore be one of the major factors in reducing the gender gap in the subscriber base.



**Fig 5: Geographical Distribution of Non-bank Mobile Money Agents**



### Bank-led mobile payments

The total subscriber base for bank-led mobile money payments declined to 504,573 in August 2016, representing a 10% decrease. The number of banks offering the service remained at 5 out of 12. Retail funds transfers denominated in terms of volume of transactions whereas retail bill payments and airtime top-ups were prominent with respect to transaction value (Fig 6).

**Fig. 6: Percentage Contribution to Bank-led Mobile Payment by Transactions Type**



### Internet Banking

The subscriber base for internet banking rose by 2.5% to 32,852 in August 2016. Nine of the twelve banks have now introduced the service. However, funds transfers remains the only transaction type processed through internet banking by both the corporate and retail customers with the former dominating in terms of transaction volume as well as value (Fig 7).

**Fig. 7: Percentage Share of Total Internet Banking Transactions by Type**

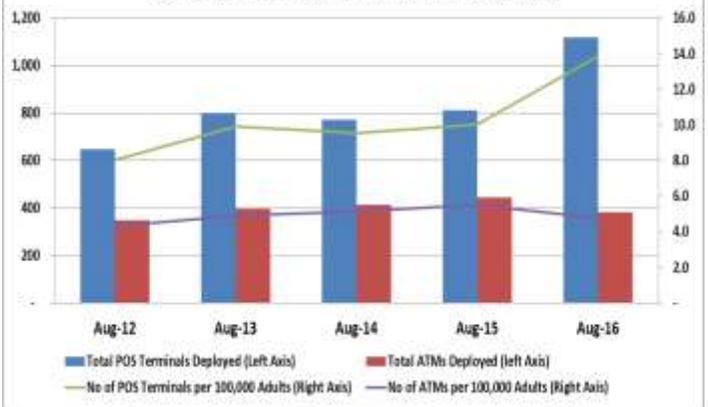


### ATM & POS Terminals

There was a slight increase of 0.3% in the total number of POS terminals which closed August 2016 at 1,119 units, representing 13.9 terminals per 100,000 adults (Fig 8). On the other hand, the total number of ATMs declined by 0.8% to 383 units or 4.7 ATMs per 100,000 adults.

Similarly, POS terminals deployments were much stronger on year-on-year basis as total units increased by 38.1% from 810 in August 2015, compared to a decrease of 14.1% for ATMs from 446 during the same period.

**Fig 8: Year-on-Year Trends in ATM & POS Deployments**



### PROGRESS ON PAYMENT SYSTEMS REGULATORY REFORMS

During the review period, the Reserve Bank of Malawi (RBM) commenced the drafting of appropriate regulations to guide market conduct of payment system players in line with provisions contained in the Payment Systems Act which was passed by Parliament in June 2016.

### CONCLUSION

The financial infrastructure remained operationally stable during the period under review. DFS transaction volumes and values grew at a much faster pace compared to deployments, uptake and usage. As part of the process to promote a conducive regulatory environment for accelerate DFS deployments, uptake and usage, RBM has started drafting appropriate regulations to guide proper market conduct to ensure their safety and efficiency.