

## INTRODUCTION <sup>1</sup>

The financial infrastructure was stable thereby recording a 100% operational availability during September 2016. Total daily average transaction turnover registered an increase in terms of both volume (2.2%) and value (7.5%), with the total daily averages for MITASS throughput showing stronger growth compared to retail digital financial services (DFS) channels. The growth in total MITASS transactions was mainly due to a substantial increase in electronic funds transfers (EFTs), which gradually appear to be replacing cheque transactions as a preferred mode of payment.

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

The total daily average volume of MITASS transactions increased by 27.4% to 23,007 in September 2016 (Table 1). This was mainly driven by a 40.3% increase in the daily average volume of EFTs to 15,748. The corresponding total daily average value of MITASS throughput rose by 8.0% to K65,143.9 million, as the daily average value of large transactions grew by 9.0% whereas the value of EFTs and cheques increased by 19.5% and 0.9%, respectively.

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

PAYMENT TYPE	SEPTEMBER 2016 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
<b>MITASS TOTAL</b>	<b>23,007</b>	<b>65,143.9</b>	<b>27.4</b>	<b>8.0</b>
LARGE VALUE	662	52,753.4	4.4	9.0
<b>AUTOMATED CLEARING HOUSE (ACH):</b>	<b>22,345</b>	<b>12,390.5</b>	<b>28.3</b>	<b>4.1</b>
EFTs	15,748	2,458.0	40.3	19.5
Direct Debits	-	-	-	-
Cheques	6,596	9,932.5	6.5	0.9
<b>RETAIL DFS CHANNELS TOTAL</b>	<b>409,969</b>	<b>3,513.2</b>	<b>1.0</b>	<b>(1.2)</b>
ATM CASH WITHDRAWALS	62,932	1,359.6	(3.4)	4.0
<b>RETAIL DFS MINUS ATM CASH</b>	<b>347,036</b>	<b>2,153.6</b>	<b>1.9</b>	<b>(4.2)</b>
INTERNET BANKING	1,276	666.2	1.1	(1.2)
<b>MOBILE PAYMENTS</b>	<b>343,399</b>	<b>1,405.4</b>	<b>1.7</b>	<b>(6.0)</b>
Bank-led	43,877	387.5	4.4	10.4
Non-bank	299,522	1,017.9	1.3	(11.0)
POINT OF SALE (POS)	2,362	82.0	44.3	5.0
<b>GRAND TOTAL</b>	<b>432,976</b>	<b>68,657.1</b>	<b>2.2</b>	<b>7.5</b>

## PERFORMANCE OF RETAIL DFS CHANNELS

### Overview of Developments in DFS Transactions

The total daily average volume and value of retail DFS transactions registered marginal changes as the former rose by 1.0% to 409,969 while the latter declined by 1.2% to K3,513.2 million during the review period. This reflected dismal performances in ATM transactions, internet banking and mobile payments while point-of-sale (POS) transactions recorded reasonable growth. The daily average volume of ATM cash withdrawals decreased by 3.4% to 62,932 whereas the value increased by 4% to K1,359.6 million. There were contrasting movements in internet banking and mobile payments as the respective daily average volume and value grew by 1.1% and 1.7% to 1,276 and 343,399 while the corresponding value fell by 1.2% and 6% to K666.2 million and K1,405.4 million. The daily average volume and value of POS transactions rose by 44.3% and 5.0% to 2,362 and K82 million, respectively. The modest performance of most retail DFS channels reflects the normal seasonal economic factors that precede the agricultural marketing season.

### Deployments, Usage and Uptake of DFS Channels

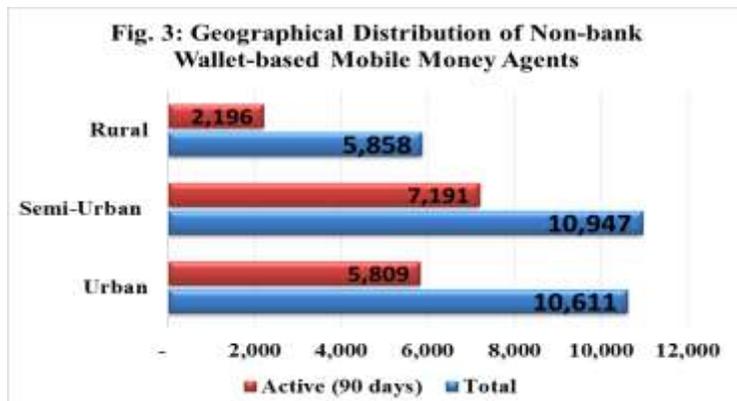
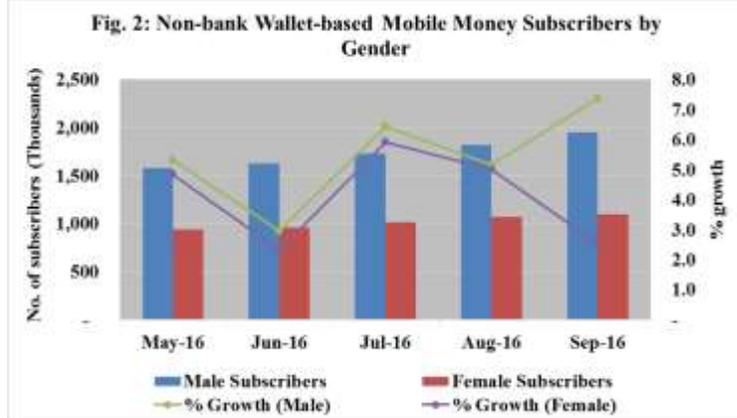
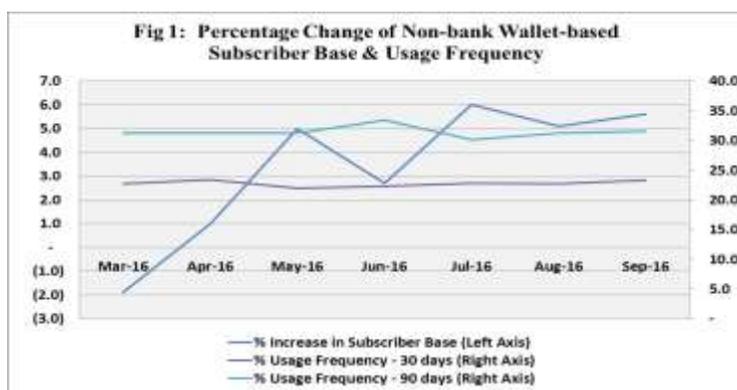
#### Non-bank Mobile Payment Schemes

The total number of non-bank mobile payment schemes remained at 3, of which two (i.e., Airtel Money and TNM Mpamba) are wallet based and

one (i.e., Zoono) is non-wallet based. During the review period, the Reserve Bank was expected to approve a pilot test for a third wallet-based mobile money scheme.

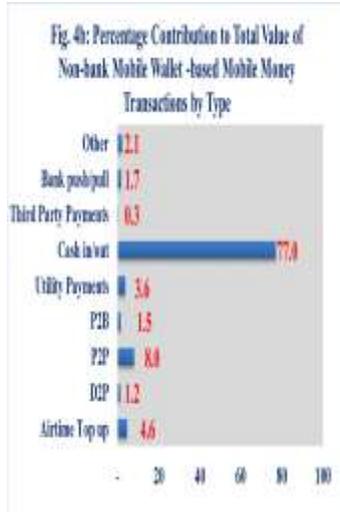
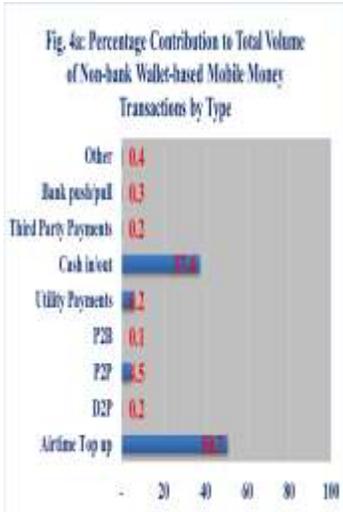
The total subscriber base for wallet-based non-bank mobile money schemes reached the 3 million mark as it grew by 5.6% in September 2016 (Fig 1). However, the number of female subscribers grew at a much lower rate of 2.5% compared to 7.4% for male counterparts, further worsening the gender distribution which is highly skewed in favour of males (Fig 2). This is partly reflective of the low mobile money agent deployment in rural areas by service providers (Fig 3). In terms of usage frequency, it remained subdued as only 23.3% of the total subscribers actively used the system over a 30-day period whereas 31.5% were active over the last 90-day period. In addition to low levels of female participation and active usage, most subscribers continued to use the service to buy airtime and for cash-in/outs transactions (Fig 4a and 4b), meaning that only a limited number of the transactions were payments-related.

As already indicated in previous reports, the Reserve Bank and relevant stakeholders are implementing a number of appropriate measures, including awareness campaign, to ensure more participation by women as well as to encourage subscribers to use the service for a wide range of transactions, including payments.



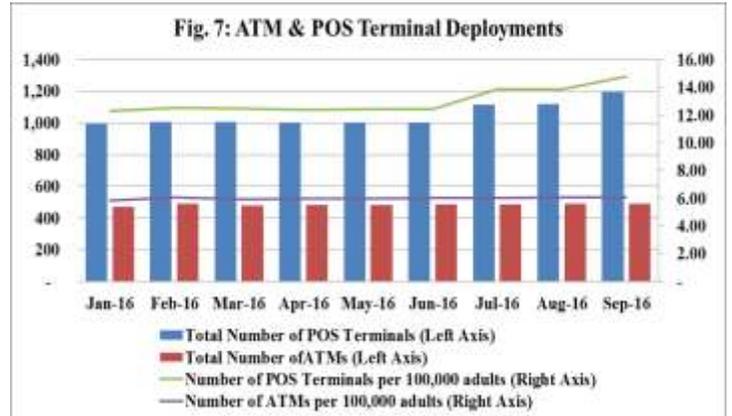
#### Footnotes:

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



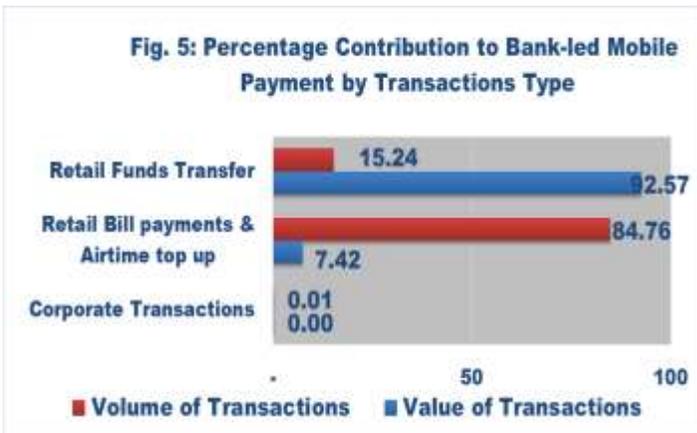
### ATMs and POS Terminals

The number of ATM deployments declined by 0.2% to 488 or 6 per 100,000 adults during September, 2016. In contrast, deployment of POS terminals saw a better performance as the total number rose by 6.7% to 1,194 or 14.8 terminals per 100,000 adults. As depicted by Fig 7, the trajectory for POS terminal deployments has been much faster than that of ATMs, especially since June 2016 (Fig 7), perhaps indicating that banks are taking some concrete steps to encourage cashless transactions.



### Bank-led Mobile Payment Schemes

The total number of banks which have introduced mobile payments remained at 4 out of the 10 banks that are currently operating in the country. The subscriber base rose by 1.0% to close September 2016 at 509,803. Retail funds transfers continued to dominate in terms of transaction value whereas bill payments and airtime top-ups were prominent with respect to transaction volume (Fig 5).



### CONCLUSION

There was operational stability of financial infrastructure which allowed smooth flow of funds in the economy during the period under review. The relatively good performance of EFT transactions and POS terminal deployments by banks suggests a gradual, but sustained, adoption of DFS channels by consumers and the payments industry. RBM and stakeholder are therefore expected to continue implementing appropriate supporting measures to improve payments digitization.

### Internet Banking

So far, 7 out of the 10 banks have introduced internet banking, a much better deployment rate compared to bank-led mobile payments. The subscriber base for internet banking stood at 33,572 in September, 2016, representing a 2.1% increase. However, corporate transactions continued to dominate both in terms of volume and value (Fig. 6). In addition, retail transactions were limited to funds transfers.

