

**INTRODUCTION <sup>1</sup>**

In November, 2016, the country’s financial infrastructure was stable operationally and allowed smooth processing of transactions in various payment streams. As depicted in Table 1 below, the total daily average volume of transactions registered a net overall increase of 2.5% in November compared to the previous month. The outturn was mainly driven by notable increases in internet banking, auto teller machines (ATMs) and point of sale (POS) transaction volumes of 56.0%, 14.2% and 18.0%, respectively. However, the corresponding total daily average transaction values declined by 9.4% during the same period mainly owing to decrease of 20.5% in internet banking transactions and 10.5% decline in MITASS transactions.

**PERFORMANCE OF PAYMENT STREAMS IN MITASS**

The total daily average volume of MITASS throughput declined by 15.3% to 15,685 in November, 2016. The decline was due to a 21.9% decrease in the daily average volume of electronic funds transfers (EFTs) and drops in the daily average volume of cheques and the large value transaction volumes of 5.9% and 4.7%, respectively (Table 1).

Similarly, the corresponding total daily average value of MITASS throughput declined by 10.5% to K69,137 million during the same period. The decline was on account of decreases in the daily average value of cheques, large value transactions and EFTs of 11.5%, 10.5% and 5.3%, respectively (Table 1). The slow down in the MITASS throughput is attributable to seasonal economic factors.

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

PAYMENT TYPE	NOVEMBER-2016 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
<b>MITASS TOTAL</b>	15,685	69,137	(15.3)	(10.5)
<b>LARGE VALUE</b>	676	57,347.0	(4.7)	(10.5)
<b>AUTOMATED CLEARING HOUSE (ACH):</b>	15,009	11,790	(15.7)	(10.6)
Electronic Funds Transfers (EFTs)	8,480	1,914.0	(21.9)	(5.3)
Direct Debits	-	-	-	-
Cheques	6,530	9,875.7	(5.9)	(11.5)
<b>RETAIL DFS CHANNELS TOTAL</b>	419,447	3,862	3.3	16.5
ATM CASH WITHDRAWALS	70,807	1,419.8	14.2	18.5
<b>RETAIL DFS MINUS ATM CASH</b>	348,640	2,442	1.4	15.4
INTERNET BANKING	1,982	492.1	56.0	(20.5)
<b>MOBILE PAYMENTS</b>	344,850	1,872	1.1	31.7
Bank-led	40,262	374.3	(9.5)	(2.1)
Non-bank	304,588	1,497.8	2.7	44.1
POINT OF SALE (POS)	1,809	77.6	18.0	3.6
<b>GRAND TOTAL</b>	435,132	72,998	2.5	(9.4)

**DIGITAL RETAIL PAYMENT SYSTEMS**

**Overall Performance**

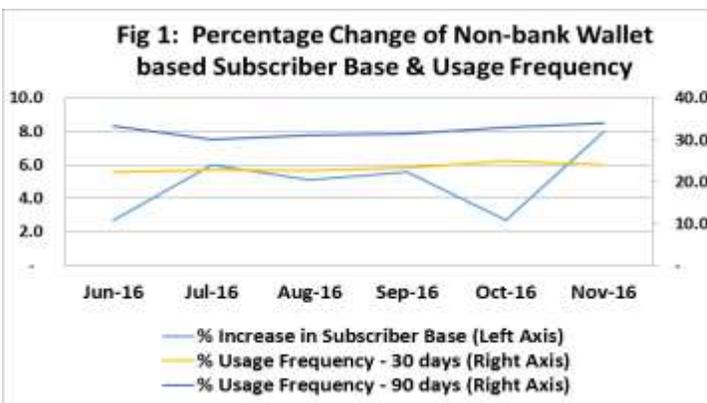
As shown in Table 1 above, the overall performance of the digital retail payment channels registered positive movements as the daily average volume of transactions increased by 3.3% to 419,447 whereas the corresponding daily average value of transactions increased by 16.5% to K3,862.0 million during the month under review. However, significant declines of 20.5% and 9.5% were registered in internet banking transaction values and in Bank-led transaction volumes, respectively. Non-bank led mobile payments transaction values had however registered the highest increase of 44.1% during the same month under review. The outturn may suggest that seasonal economic factors had inelastic effect on non-bank led mobile payments as they were not adversely affected by the economic factors which led to a decline in the total daily average transaction values as well as in MITASS throughput as reported above.

**Deployment, Usage and Uptake of Digital Retail Payments**

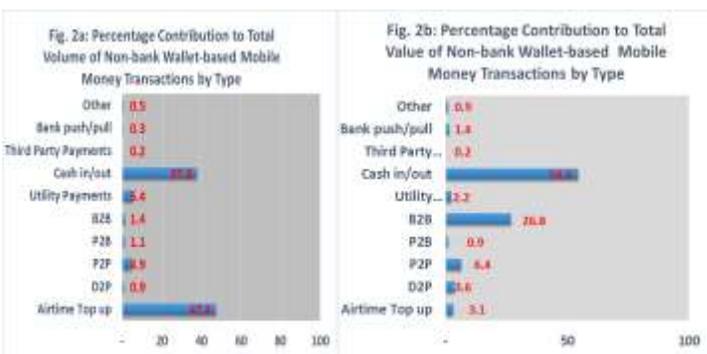
**Non-bank Mobile Payment Schemes**

The total number of subscribers for the country’s 2 non-bank wallet-based mobile payment schemes rose by 7.8% to 3.4 million in November 2016. Of which, 63.0% and 37.0% were male and female subscribers, respectively. The outcome shows that adoption of mobile payments is dominated by male subscribers. The outturn implies that deliberate programmes targeted at female potential subscribers could boost uptake of mobile payments by the general public.

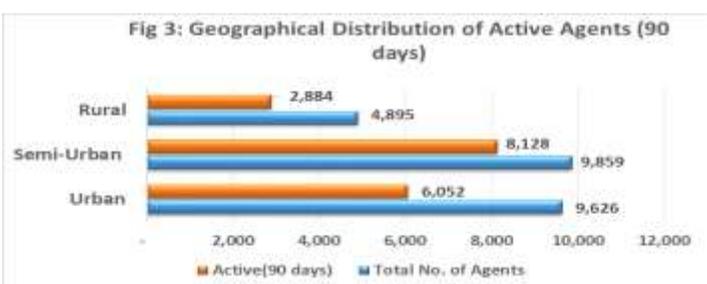
In terms of usage frequency, only 24.4% of subscribers actively used the service within the last 30 days whereas 33.9% used the service over the last 90 days (Fig; 1). Introduction of other innovative products in addition to airtime purchases and cash in/out transactions is likely to lead to subscribers frequent use of mobile payments.



In addition, the contributions in the usage of the mobile money service continued to show restricted access to a number of products as most subscribers used the services for airtime purchases and for cash-in/out transactions (Fig 2a and 2b).



In terms of agent distribution for non-bank mobile money schemes, a total of 24,380 agents were deployed country-wide during the period under review. However, 20.1% (or 4,895) of the total number of agents is spread in the rural areas whereas the remaining 80.0% (or 19,485) is spread in semi-urban and urban areas (Fig; 3). The RBM in collaboration with key stakeholders is currently implementing measures targeting the rural masses to ensure meaningful uptake of mobile payments.

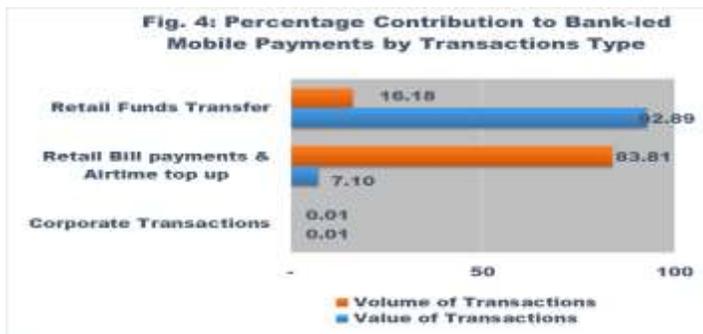


**Footnotes:**

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

## Bank-led Mobile Payment Schemes

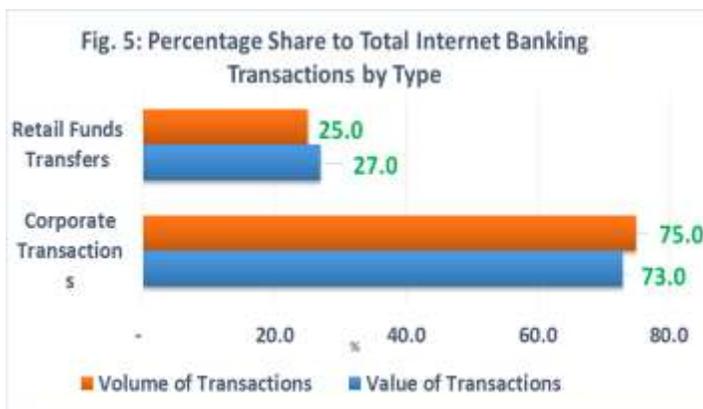
Despite the numerous benefits associated with deployment of bank-led mobile payments platforms, only 4 out of the 10 banks had introduced the service as of November 2016. Nonetheless, during the period of review, the subscriber base for bank-led mobile payments schemes registered a marginal increase of 1.3% to 520,959. In terms of usage, retail funds transfers continue to dominate in respect of transaction values whereas bill payment and airtime top-ups were more prominent in terms of transaction volumes, as was the case in the previous month (Fig 4).



## Internet Banking

Internet banking services are offered by 7 out of the 10 banks, country-wide. During the period under review, the total number of subscribers for internet banking declined by 2.5% to 33,043 and the corresponding transaction values decreased by 27.4% to K13.9 billion whereas the transaction volumes increased by 49.6% to 58,878. The outcome led to a reduction of 51.0% in the average value per transaction processed to K236,806.87. Uptake of internet banking services is greatly hindered by the relatively low internet penetration in the country.

In terms of usage, corporate transactions continued to dominate both in terms of volume and value of transactions, while the rest of the transactions were retail funds transfers (Fig 5).

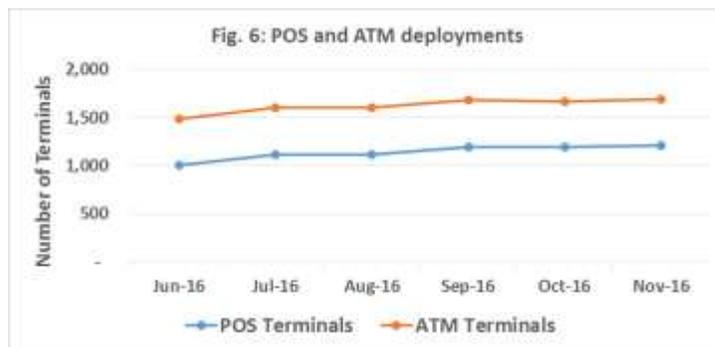


## Point-of-Sale (POS) and ATM Deployments

The number of POS terminals registered an increase of 1.3% to 1,211 during the period under review (Fig.6). The increase could suggest that banks are taking some steps to promote cashless transactions in the country. However, proportionate wise, penetration of POS terminals in the country is still very low with less than 15 terminals per 100,000 adults compared to the regional average of 27.5 terminals per 100,000 adults. However, the waiver on transaction fees for all individual customers using POS machines to purchase goods and services introduced by the RBM some years ago is yet to yield meaningful results.

Similarly, the number of ATM deployments increased by 1.5% to 482 during the period under review (Fig. 6). However, ATM penetration rate remains very low at just under 10 ATMs per 100,000 adults as of November 2016. In terms of usage, almost 99.9% of the transactions at ATMs were cash withdrawals which are not considered as electronic payments made for purchase of good and services.

RBM and key stakeholders will be conducting awareness campaigns for customers to promote use of digital financial services including ATMs. The campaigns are some of the strategies put in place to reduce dominance of cash usage in the country.



## PAYMENT SYSTEMS REGULATORY REFORMS

Drafting of complementary regulations and directives to operationalise the Payment Systems Act which was passed in parliamentary sitting of 2016 is at an advanced stage. The regulations as well as the directives will guide stakeholder market conduct on matters of licensing, regulation and efficient supervision of financial infrastructure in the country.

## CONCLUSION

The country's key financial infrastructure remained stable and allowed smooth flow of financial transactions in the various payment streams during the period under review. Drafting of the relevant regulations and directives to operationalise the Payment Systems Act of 2016 is at an advanced stage. Meanwhile, RBM in collaboration with key stakeholders are implementing measures to ensure sustainable adoption of electronic payments by the rural masses in the country.