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MONTHLY NATIONAL PAYMENTS SYSTEM REPORT

INTRODUCTION [1]

The financial infrastructure was operationally stable and facilitated a safe and efficient financial intermediation in various payment streams. Payments were mainly for banks, companies, individual households as well as other government agencies. During the period under review, the total daily average volume of transactions registered a marginal increase of 0.3% to 481, 032 whereas the corresponding daily average value of transactions decreased by 11. 8% to K74, 236. 3 million (Table 1).

Similarly, there was also a slowdown in Digital Financial Services (DFS) channels. The slow down was mainly more pronounced in transaction values of all the DFS channels which registered notable decreases during the period under review (Table 1). The outturn is reflective of seasonal factors associated with the festive season.

DAILY AVERAGE PERFORMANCE OF PAYMENT STREAMS IN MITASS

During the period under review, the total daily average volume of MITASS transactions declined by 48.1% to 13,447 in January 2017 (Table 1). The decline is mainly driven by net effect of decreases of 65.8%, 13.6% and 6.1% in the daily average volume of electronic funds transfers (EFTs), large value and cheque transaction volumes, respectively.

Similarly, the corresponding total daily average value of MITASS transactions decreased by 11.6% to K70, 916.6 million during the same period. The decrease is mainly driven by net decrease of 10.4%, 8.5% and 47.8% in the daily average value of large value, cheques as well as EFT transaction values, respectively (Table 1). The slow down is reflective of seasonal factors and a rebound in normal transaction flows is expected in the coming months.

Table 1: Daily Average Payment Systems Turnover

PAYMENT TYPE	JANUARY-2017 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
MITASS TOTAL	**13,447**	**70,916.6**	**(48.1)**	**(11.6)**
LARGE VALUE	689	59,151.7	(13.6)	(10.4)
AUTOMATED CLEARING HOUSE (ACH):	**12,758**	**11,764.9**	**(49.2)**	**(17.5)**
Electronic Funds Transfers (EFTs)	6,192	1,695.6	(65.8)	(47.9)
Direct Debits	-	-	-	-
Cheques	6,565	10,069.3	(6.1)	(8.5)
RETAIL DFS CHANNELS TOTAL	**467,585**	**3,319.7**	**3.0**	**(15.3)**
ATM CASH WITHDRAWALS	51,020	1,093.7	(29.8)	(18.6)
RETAIL DFS MINUS ATM CASH	**416,565**	**2,226.0**	**9.3**	**(13.5)**
INTERNET BANKING	1,290	721.9	(15.0)	(5.5)
MOBILE PAYMENTS	**413,520**	**1,430.9**	**9.5**	**(16.9)**
Bank-led	35,121	317.7	(24.3)	(22.9)
Non-bank	378,399	1,113.2	14.3	(15.0)
POINT OF SALE (POS)	1,754	73.2	(16.4)	(16.2)
GRAND TOTAL	**481,032**	**74,236.3**	**0.3**	**(11.8)**

DIGITAL RETAIL PAYMENT SYSTEMS

Overall performance

As can be depicted in Table 1 above, the total daily average volume of DFS transactions registered a marginal increase of 3.0% while the corresponding value declined by 15.3% during the period under review. All individual DFS channels recorded reduced payment activity due to seasonal factors. However, non-bank led mobile payment schemes registered an increase in transaction volumes of 14.3% during the same period.

Despite reduced transaction flows during the period under review, RBM and key stakeholders through the National Taskforce on Electronic Payments (NTEP) continued to implement measures aimed at accelerating uptake of electronic payments in the country.

Deployment and Uptake of Digital Financial Services

- ***Non-bank Mobile Payment Schemes***

The number of subscribers to e-wallet based non-bank led mobile payment schemes increased by 4.6% to 3.7 million (i.e 46.3% of adult population) in January 2017. However, the number of active subscribers remains low as only 23.3% were active during a 30 day period whereas only 34.0% of the total subscribers actively used the system over a 90-day period. The outturn still reflects a subdued marginal monthly percentage change on the number of subscribers and the frequency of use during the month of January 2017 (Fig. 1).

The gender gap remained in favour of men as their contribution to the total subscriber base was at 62.8% with the remainder on account of female counterparts. However, in terms of usage, the non-bank mobile money scheme continue to be limited as most subscribers used the services for airtime purchases and for cash-in/outs transactions (Fig 2a and 2b). Limited usage of the services may be due to several reasons including lack of knowledge on the available services.

Fig 1: Percentage Change of Non-bank Wallet based Subscriber Base & Usage Frequency

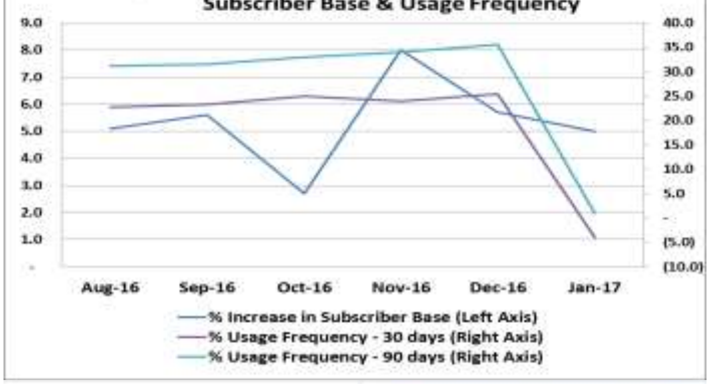


Fig. 2a: Percentage Contribution to Total Volume of Non-bank Wallet-based Mobile Money Transactions by Type

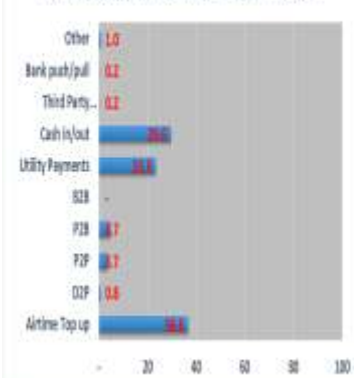
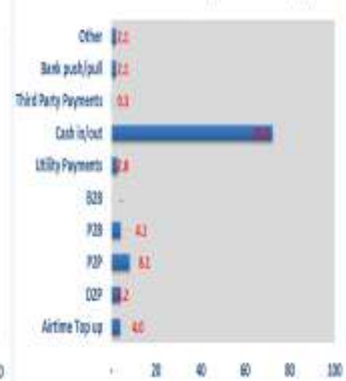


Fig. 2b: Percentage Contribution to Total Value of Non-bank Wallet-based Mobile Money Transactions by Type



In terms of delivery network for non-bank mobile money schemes, the total number of agents stood at 24,572 country-wide as of January 2017. The outturn translates to around 93 times the total number of bank branches, agencies and kiosks across the country. However, the active agent ratio and the rural spread of agents remains relatively low for purposes of achieving meaningful financial inclusion particularly to unbanked population in rural areas. Currently, there are 5,425 agents in rural areas of which only 2,332 are active .

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

The slow down in transaction flow was also realised in the non e-wallet based payment schemes (i.e Zoona mobile money payments). During the period under review, transaction volume went down by 30.0% to 58,736 whereas the corresponding transaction values registered a reduction of 32.0% to K748.7 million (Fig. 3). These non e-wallet based mobile money payments providers mostly serve customers that have no mobile phones as their product models do not require customers to maintain transaction accounts from which to initiate payments or receive some cash.

Fig. 3: Non E-Wallet based Mobile Payment Schemes

- ***Bank-led Mobile Payments & Internet Banking Schemes***

The subscriber base for bank-led mobile banking channels registered a marginal increase of 0.8% to 507,057 in January, 2017 (Fig. 4). When measured against the number of customers with bank accounts, the number of mobile banking subscribers reveals that only 22.5% of customers with bank accounts have subscribed to mobile banking payment schemes. The outcome is due to the fact that only 4 out of 12 banks offer mobile banking services. This clearly shows that a greater proportion of bank clients do not have access to mobile payment solutions and there is therefore need for concerted efforts among NTEP stakeholders to ensure that more banks provide mobile payment solutions on the market. Currently, there are a total of 23 types of banking products/ applications offered via the mobile banking platform but customers tend to limit usage of these facilities to funds transfers, bill payments and airtime top ups.

FIG. 4: INTERNET BANKING VERSUS MOBILE BANKING SUBSCRIBERS

With respect to internet banking channel, the number of subscribers increased by 18.4% to 35,848 in January, 2017 (Fig. 4). This increase is mainly driven by a 33.0 % increase in corporate subscribers to 9,342 during the same period. Nonetheless, internet subscribers made a total of 40,003 transactions worth K22.4 billion. The bulk of transactions by subscribers was on inter and intra bank funds transfers as opposed to other services such as bill payments and air time top ups.

- ***Auto-Teller Machines (ATMs)***

During the period under review, deployment of ATM terminals recorded a marginal increase of 1.0% to 490. This development translates to 8 terminals per 100,000 adults, a slight increase on 6 ATM terminals per 100,000 recorded in 2015. Transaction volume and value also declined by 29.8% and 18.6% to 1.6 million and K33.9 billion, respectively during the period under review (Fig 5).

Fig. 5: Trends in ATM Transactions

With a total number of 8 ATM terminals per 100,000 adults, Malawi has the least ATM terminal density compared to other countries in the region. There also appears to be a positive relationship between proliferation of ATM terminals and access to electricity across countries. According to 2012 World Bank data, 9.8% of Malawi's population had access to electricity whereas the comparative figure for Mozambique and Zambia was 20.2% and 22.1%, respectively. These neighbouring countries have proceeded to build on their stronger access to electricity and have higher ATM terminal densities per 100,000 adults which was at 10 ATM units for Mozambique and 11 ATM units for Zambia, as at 2015 data.

- ***Point-of-Sale (POS) Terminals***

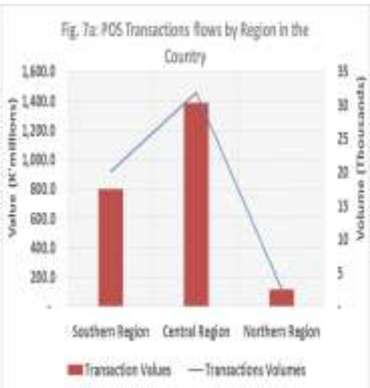
During the period under review, POS terminals declined by 7.7% to 1,133. This may suggest that some banks might have withdrawn their POS devices from some areas. This development might have contributed to the reduction in the transaction volumes and values which went down by 16.4% to 54,381 and 16. 3% to K2.3 billion respectively (Fig. 6). Seasonal factors as well as intermittent power supply and network glitches could also be attributable to the low transaction levels registered under this specific delivery channel.

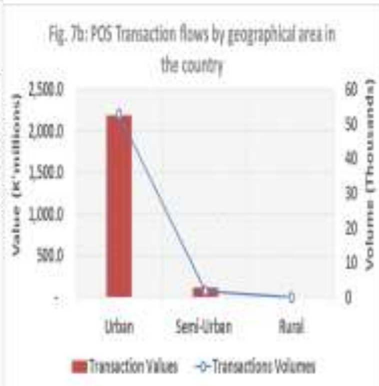
Fig. 6: Monthly trend in POS Transactions

Regional analysis shows that POS transaction flows are predominant in the central region as 58.4% and 60.3% of the total transaction volumes and values, respectively were processed whereas southern region processed 36.9% and 34.5% of the total POS transaction volumes and values, respectively. Transactions in the northern region accounted for 4.7% and 5. % of the total POS transaction volumes and values, respectively. The overall outturn shows that there is potential for banks to increase POS terminals across the country and hence help to accelerate uptake of electronic payments by the general public (Fig 7a).

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

Similarly, POS transactions by sector shows that 97.0% and 95.0% of the total POS transaction volumes and volumes, respectively were processed in the urban sectors of the country whereas only 3.0% and 5.0% of the transaction volumes and values, respectively were processed in semi-urban sector. However, it appears banks have not deployed any POS Terminals in the rural areas as there were no transactions that occurred in the sector during the period of review (Fig 7b).





PROGRESS ON NATIONWIDE SENSITISATION CAMPAIGN ON ELECTRONIC PAYMENTS

Following the launch of the awareness campaign on electronic payments in January 2017, RBM through NTEP conducted four regional workshops, targeting merchants and billers, in the four regions of the country from January to February 2017. In order to accelerate uptake of electronic payments by the general public, the Ministry of Civic Education, Culture and Community Development is conducting roadshows across the country and various campaign messages are also being aired on radio and television stations.

PAYMENT SYSTEMS REGULATORY REFORMS

Following enactment in June 2016 of the Payment Systems Bill, preparation of the relevant regulations and directives to operationalize the Act are at an advanced stage. Among others, the regulations and directives will support RBM's functions of ensuring the safety and efficiency of the national payments system through oversight activities.

CONCLUSION

The country's key financial infrastructure was stable during the period under review resulting in the smooth and successful processing of transactions in various payment streams. Overall, there was a reduction in the volume and value of transactions owing to seasonal factors. However, a reversal of this trend is expected in subsequent months. RBM through NTEP continued with the implementation of the country-wide sensitization programme aimed at accelerating uptake of electronic payments by the general public and corporates. Preparation of the relevant regulations and directives to operationalize the Payment Systems Act is at an advanced stage.