



INTRODUCTION

The Country’s financial infrastructure was resilient and sound during the month of July 2017. As a result, the infrastructure facilitated smooth payment, clearing and timely settlement of interbank transactions. During the period under review, there was a notable increase in the total daily average transaction value of 29.8% to K93.8 billion from the preceding month. However, the total daily transaction volume dropped, albeit marginally, by 0.4% to 495,801 during the same period (Table 1). The outturn in transaction values is a reflection of increased financial market transactions following new listings on the Malawi Stock Exchange.

Remarkable progress was also made in the implementation of measures aimed at increasing awareness and uptake of electronic payments under the National Taskforce on Electronic Payments (NTEP) roadmap.

PERFORMANCE OF VARIOUS PAYMENT STREAMS

MITASS PERFORMANCE

In comparison to June 2017 performance, MITASS daily average transaction volumes slightly dropped by 1.2% to 19,282 whereas the corresponding values rose by 32.2% to K89.7 billion. The marginal decrease in MITASS daily average transaction volumes was mainly driven by a decrease of 1.8% in large value interbank transactions whilst the increase in the daily average transaction value largely emanated from growth in interbank financial market transactions of 35.8 % (Table 1). Going forward, it is expected that the volume and value of transactions will maintain an upward trend following the shift from paper to electronic based payments by economic agents as more awareness campaigns are rolled out in the country.

Table 1: Daily Average Payment Systems Turnover

PAYMENT TYPE	JULY-2017 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
MITASS TOTAL	19,283	89,679.1	(1.2)	32.2
LARGE VALUE	672	74,518.0	(1.8)	35.8
AUTOMATED CLEARING HOUSE (ACH):	18,611	15,161.1	(1.2)	17.0
Electronic Funds Transfers (EFTs)	11, 582	2,792.3	(6.3)	11.6
Direct Debits	-	-	-	-
Cheques	7,028	12,368.8	(8.3)	18.3
RETAIL DFS CHANNELS TOTAL	476, 518	4,156.5	(0.4)	(6.3)
ATM CASH WITHDRAWALS	49,419	1,266.0	(9.9)	(7.9)
RETAIL DFS MINUS ATM CASH	427,099	2,890.5	0.8	(5.6)
INTERNET BANKING	1,590	906.0	(6.9)	(16.6)
MOBILE PAYMENTS	423,611	1,885.0	0.8	0.1
Bank-led	41,428	466.0	(19.8)	(7.9)
Non-bank	382,183	1,419.0	3.7	3.0
POINT OF SALE (POS)	1,898	99.5	1.4	6.8
GRAND TOTAL	495,801	93,835.6	(0.4)	29.8

DIGITAL FINANCIAL SERVICES (DFS) TRANSACTIONS

◆ **Overall Performance**

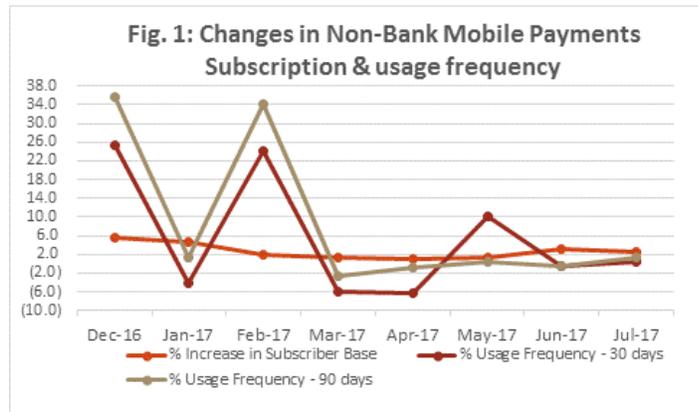
Total daily average volume of retail DFS transactions slightly decreased by 0.4% to 476, 518 in July 2017. This is largely due to a decrease in the daily average transaction volume of Auto Teller Machines (ATM) (9.9%), internet banking (6.9%), bank-led mobile pay-

ment schemes (19.8%) and simultaneous increase in Non-bank mobile payments and POS transaction of 3.7% and 1.4%, respectively. In terms of value, the total daily average value of retail DFS transactions decreased by 6.3% to K4.1 billion during the same period. The decrease was mainly driven by a 16.6% and 7.9% decrease in internet banking and bank-led mobile payments transactions, respectively.

Performance of Mobile Network Operator (MNO)-Led Mobile Payment Services

◆ **Growth in Subscriber base**

The total subscriber base for (MNO)-led (E-Wallet) mobile payment schemes increased by 2.5% to 4.2 million in July 2017 from 4.0 million in the previous month. In terms of geographical distribution, the subscriber base is largely made up of consumers from the urban (51.3%) and semi-urban (31.0%) sectors, respectively with the remaining 17.7% in the rural sector. This in part is a reflection of operational issues that affect efforts to extend services to the rural sector including: relatively low progress in eco-system infrastructure development, network outages, agent illiquidity, inactive customers, low financial literacy and low levels of disposable income. In terms of usage, the number of active subscribers (30 days) dropped by 0.5% whereas active subscribers (90 days) increased by 1.2% Fig 1.



◆ **Transaction Value and Volumes**

During the review period, MNO-Led mobile payments transaction volume increased by 7.2% to 11.8 million in July 2017 from 11.0 million recorded in the previous month whereas transaction values increased by 6.5% to K4.4 billion, during the same period. The increase in the subscription base as well as transaction values and volumes is attributed to the ongoing promotional campaigns as well as value adding services like bill payments. Transaction values and volumes from January to July 2017 grew by over 100% compared to transactions recorded during the corresponding period in 2016. This trend is expected to continue as more merchants and retailers begin to adopt mobile money.



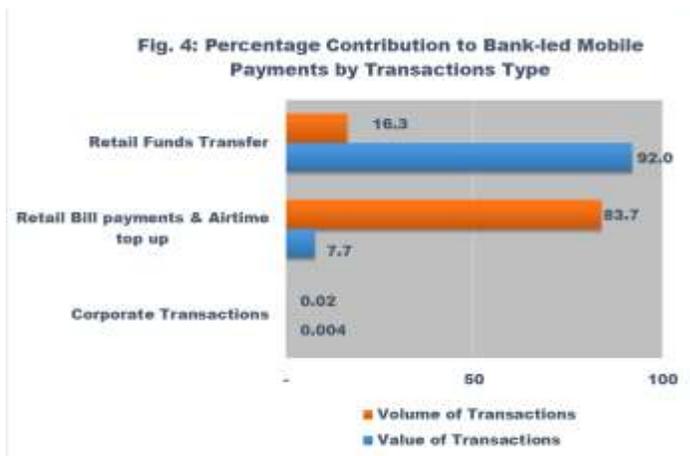


Bank-led Mobile Payments

The subscriber base for bank-led mobile payments increased by 1.5% to 589,965 in July 2017. Nonetheless, the volume and value of transactions decreased by 17.2% and 4.8% respectively. This trend is expected to change going forward following the ongoing awareness programs through which account holders will realise that they can process a transaction without necessarily accessing a bank branch or an ATM.

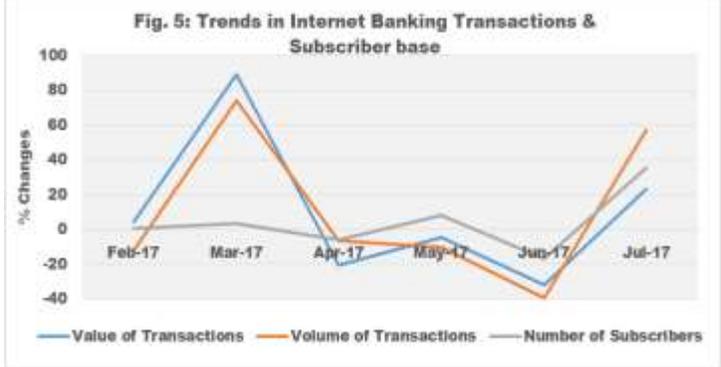


In terms of payment type, bank-led mobile payments continued to be processed mainly for funds transfers (92.0%) with respect to transaction values. However, with respect to transaction volumes, customers made 84.8% of the payments to pay utility bills (Fig 4).

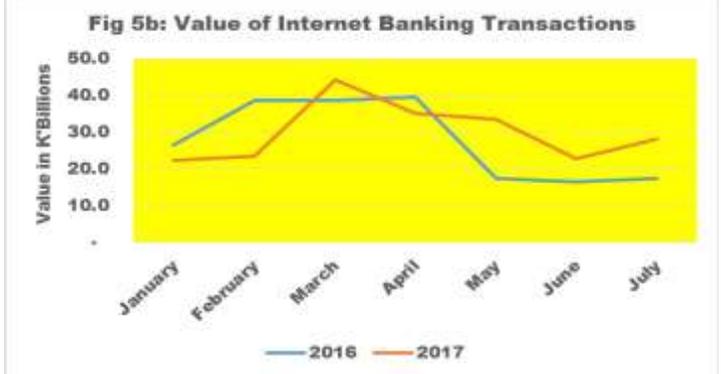
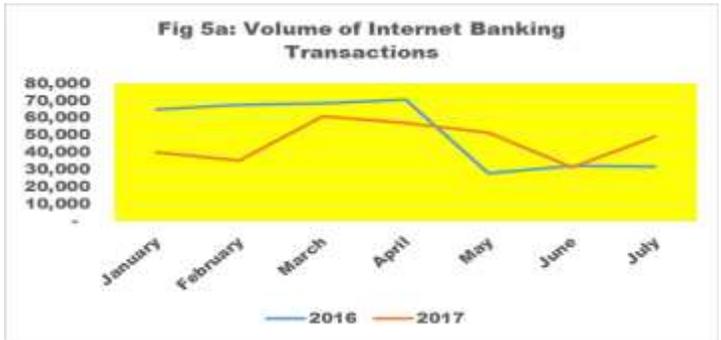


Internet Banking Transactions

The subscriber base for internet banking services increased by 4.7% to 40,173 in July 2017 from 38,383 subscribers in the preceding month. Similarly, the corresponding transaction volumes and values increased by 23.0% to 49,295 and 57.7% to K28.1 billion during the same period (Fig 5).



Internet banking transaction values improved significantly during the month under review to K28.1 billion from K22.8 billion in June 2017 representing a 23 % increase. This is not an all time high as the preceding months of March, April, May and June 2017 registered higher transactions of K44.2 billion, K35.1 billion and K33.6 billion respectively. With the current percentage of internet subscribers standing at 1.9%, more effort should be made to encourage existing subscribers to use the internet banking facility for payments and other transactions but to also woo the remaining bank customers to use the internet banking platform.



National Switch Developments

Since going live in 2015, the National Switch (Natswitch) has undertaken commendable feats that have transformed the payments system landscape of the country. Among others, Natswitch has linked all 480 Auto Teller Machines (ATMs) in the country, thereby increasing convenience and accessibility for bank customers. Natswitch has also integrated point of sale (POS) devices of some commercial banks and efforts are at an advanced stage to link with the remaining banks as well as integrate mobile payment solutions onto the national switch. Once full integration of POS devices and mobile payment solutions is achieved, it is expected that Malawi will have one of the best interlinked retail payments network in the region.



Fig 6: NATSWITCH ATM Transactions



CONCLUSION

The financial infrastructure continued to be stable and safe as there was no major disruption in the processing of payment transactions. The overall average daily transactions show that there was great improvement in the performance of transaction values while the transaction volume registered a marginal decline. It is envisaged that the overall performance will improve with the ongoing promotional campaigns taking place in the country championed by RBM with support from key stakeholders as well as the integration of POS devices and increased use of value adding services on MNO-led mobile payments.

SIRESS PAYMENT TRANSACTIONS

During the review period, the number of transactions processed through SIRESS (SADC Integrated Electronic Settlement System) declined by 2.4% to 1,211 in July 2017 from 1,183 in the previous month. Similarly, the transaction values declined by 9.8 to ZAR 213.2 million in July 2017 from ZAR336.5 million in the previous period (Fig 7). The outcome is attributable to seasonal factors and this trend is expected to change in subsequent months.

Fig 7 :Trend in SIRESS Payments



SIRESS has been in operation since July 2013 and Malawi began processing its payments related to regional trade on the platform in April 2014. This is an automated interbank settlement system, which settles payment obligations between participating banks on real-time basis. SIRESS is operated by the South African Reserve Bank (SARB) and connects commercial banks as well as other central banks in the region.