



INTRODUCTION

The Malawi Interbank Transfer and Settlement System (MITASS), which constitutes the country's core payment infrastructure, remained stable during the period under review. This resulted in smooth payment, clearing and settlement processes for interbank financial transactions underpinning, among others, monetary policy and financial stability initiatives in the economy. Overall, and relative to the preceding month's performance for both large-value and retail payment systems, the daily average volume of transactions for December 2017 reflected an increase of 9.3% to 509,916 while the corresponding value of transactions registered a marginal increase of 4.4% to K87,583 million (Table 1).

During the period, RBM continued to carry out oversight activities aimed at ensuring safety and efficiency of the national payments system. In addition, the central bank continued to implement measures aimed at promoting awareness of electronic payments by the general public in order to increase usage and adoption of the same.

PERFORMANCE OF VARIOUS PAYMENT STREAMS

MITASS PERFORMANCE

The total daily average volume of MITASS transactions registered a significant increase of 7.6% to 21,744 during the period under review. Similarly, the corresponding daily average value of transactions rose by 4.2% to K82.6 billion. Large-value interbank and cheque transactions contributed to this performance as they increased by 4.1% and 6.3%, respectively during the period (Table 1).

However, it was observed that cheque usage continues to increase despite the availability of other safer and more efficient means of making payments such as credit transfers and online payment channels. Nevertheless, credit transfers (EFTs) also increased during the period and this is a welcome development as it is in line with RBM efforts of increasing adoption and usage of electronic payments in the country.

Table 1: Daily Average Payment Systems Turnover

PAYMENT TYPE	DECEMBER-2017 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
MITASS TOTAL	21,744	82,6279	7.6	4.2
LARGE VALUE	752	69,045.7	23.7	4.1
AUTOMATED CLEARING HOUSE (ACH):	20,992	13,581	7.1	5.0
Electronic Funds Transfers (EFTs)	15,000	3,090.7	8.7	0.7
Direct Debits	-	-	-	-
Cheques	5,993	10,490.5	3.3	6.3
RETAIL DFS	488,171	4,957	9.3	7.3
INTERNET BANKING	3,747	2,297.4	9.9	1.0
MOBILE PAYMENTS	481,818	2,551	9.5	13.8
Bank-led	61,934	669.5	12.1	20.7
Non-bank	419,884	1,881.4	9.1	11.6
POINT OF SALE (POS)	2,607	108.2	(11.5)	5.3
GRAND TOTAL	509,916	87,583	9.3	4.4

DIGITAL FINANCIAL SERVICES (DFS) TRANSACTIONS

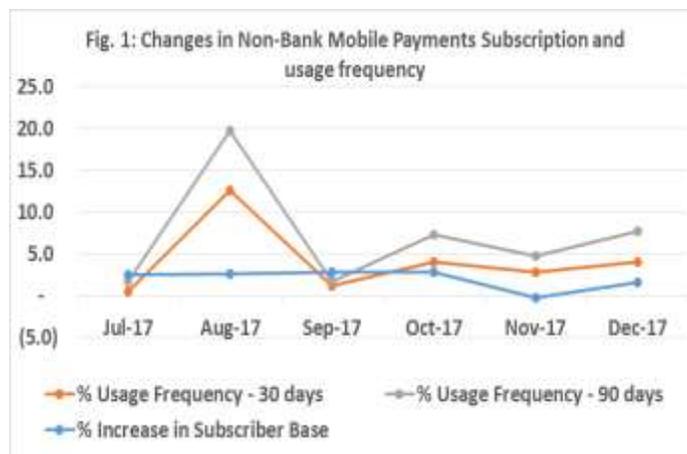
◆ Overall Performance

Relative to November 2017, the daily average volume of all retail DFS transactions increased by 9.3% to 488,171 in December 2017. Similarly, the corresponding daily average value of DFS transactions rose by 7.3% to K5.0 billion during the same period. This increasing trend in overall DFS transactions is expected to continue in the foreseeable future owing to continued efforts by RBM and stakeholders to implement measures aimed at accelerating uptake and usage of DFS in the country.

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

◆ Growth in number of Subscribers and agent network

During the month of December 2017, the total number of subscribers for MNO-led mobile payment schemes registered a 1.6% increase from the previous month to 4.6 million (Figure 1). However, despite the increase in subscription, usage still remains very low as only 25% and 33% of the subscribers used the service within the preceding 30 day period and 90 day period, respectively. Service providers are therefore urged to intensify their marketing campaigns in order to increase both usage and subscriber base and thereby complementing national efforts in promoting uptake of electronic payments.



In terms of the agency network, the month of December 2017 recorded a total of 30,327 registered mobile money agents spread across the country. However, the geographical distribution of agents remains heavily skewed towards urban and semi-urban areas, which accounted for 78.4% of the total number of agents. Furthermore, only 43.2% of the registered mobile money agents in rural areas were active as at end December 2017 (Fig. 2). This underscores both the lack of usage and coverage of mobile money services in the rural areas, and the challenges faced in promoting financial inclusion as the majority of Malawi's population is based in rural areas.



Figures 3a and 3b below shows that the majority of transactions on the mobile money services were for airtime purchases and cash-in/out. However, the expectation is that mobile money should also be used more for payment of goods and services, among other functionalities. This is where creating awareness on the availability of the various functionalities on mobile money services is very important, hence the on-going campaigns.



Fig. 3a: Percentage Contribution to Total Volume of MNO-Led Mobile Money Transactions by Type

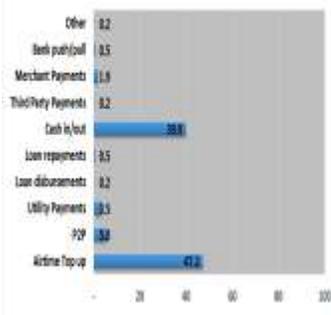
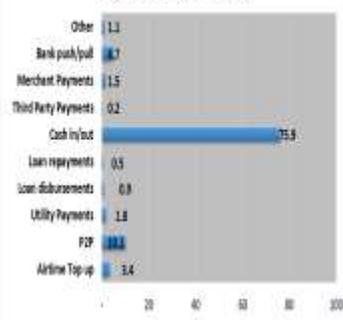


Fig. 3b: Percentage Contribution to Total Value of MNO-Led Mobile Money Transactions by Type



Bank-led Mobile Payments and Internet Banking schemes

The subscriber base for bank-led mobile banking channels rose by 6.3% to 429,557 in December 2017 (Fig. 4). It should also be noted that 5 out of 9 commercial banks offer mobile banking services. This would imply that a significant proportion of bank clients do not have access to or do not use mobile banking solutions. There is therefore need for the rest of the banks to provide mobile and other digital payment solutions to their clients as alternative access channels to their accounts. In terms of usage, bank-led mobile payments are mostly used for fund transfers as opposed to bill payments and purchases of goods and services.

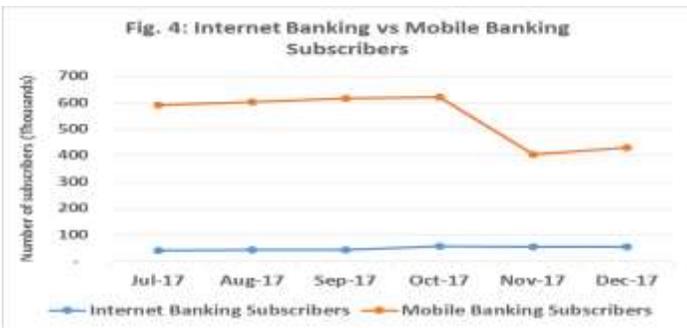
National Switch Developments

Since going live in 2015, the National Switch (Natswitch) has undertaken commendable steps that have transformed the payments system landscape of the country. Among other achievements, Natswitch has linked all 466 Auto Teller Machines (ATMs) in the country, thereby increasing convenience and accessibility to 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.

CONCLUSION

The significant increase in retail DFS and EFTs transactions is a welcome development as it reflects a steady adoption of usage of electronic-based payment methods. Full integration of other DFS channels onto the National Switch is expected to bring a lot of efficiencies in the payments ecosystem and will help to further increase usage. The RBM will therefore continue to implement measures aimed at accelerating adoption and usage of electronic payments in the country through the National Taskforce on Electronic Payments (NTEP), and also oversee implementation of policies and regulations that are conducive to both service providers and subscribers of these services.

Fig. 4: Internet Banking vs Mobile Banking Subscribers



The number of subscribers on the internet banking channel rose marginally by 1.3% to 54,206 in December 2017. However, there were different movements in terms of subscriber types as corporates increased by 16.9% to 14,127 whereas the number of individual customers declined by 3.2% to 40,127 during the period. It is also worth noting that subscription on internet banking platforms is much lower compared to mobile banking (Fig. 4). This attest to the huge role mobile phones play in offering an alternative access channel to financial services, and is also be due to lower internet penetration in the country. In terms of usage, the bulk of transactions by subscribers was on inter and intra bank funds transfers as opposed to other services such as bill payments and purchases of goods and services.

Point of Sale (POS) Transactions

Usage of POS devices for payment of good and services in the country remains low as evidenced by the number of devices deployed in merchant locations in addition to the low volumes and values of transactions. As at December 2017, only 1,474 POS devices were deployed countrywide with 83% of these located in urban areas. In terms of usage, POS devices processed a total of 80,806 transactions which can be compared to both internet banking (116,159) and mobile banking (1,919,867) transactions during the same period. RBM and stakeholders will therefore continue to create awareness of the benefits of using POS devices in order to increase both their deployment and usage