

SECOND QUARTER 2019 NPS REPORT

1.0 SUMMARY

This report presents a summary of developments in the national payments system during the second quarter of 2019, with a focus on transactions processed in the various payment channels. During the second quarter of 2019, a total of 73.7 million transactions were processed in the various payment streams from both large value and retail payment systems, representing an increase of 14.4 percent from the first quarter of 2019. On the other hand, the corresponding total value of transactions increased significantly by 42.0 percent to K9,714.8 billion. This outturn is reflective of increased economic activity following the onset of the agricultural produce trading season at the beginning of the quarter.

In addition to the statistical trends, the report also highlights some initiatives aimed at enhancing the payments systems policy and regulatory framework as well as efforts to increase adoption and usage of electronic payments in the country.

2.0 PERFORMANCE OF MAJOR PAYMENT PLATFORMS

2.1 MITASS PERFORMANCE

There was a rebound in the performance of MITASS, the country's only settlement system for financial and securities transactions, as it increased during the quarter ending June 2019 compared to the previous period. The volume of transactions rose by 8.4 percent to a total of 1.4 million whereas the corresponding total value of transactions increased by 42.4 percent during the same period. The increase in volume of transactions is largely contributed by EFTs which increased by 11.3 percent while large value transactions contributed most to the increase in total value processed as they rose by 48.2 percent. The increase in MITASS utilisation during the period under review is attributed to seasonal factors as pointed out above.

Table 1: Transaction Flows in Various Payment System Channels

Payment Type	JAN-MAR 2019		APR-JUN 2019		Percentage Change	
	Volume	Value (K'billion)	Volume	Value (K'billion)	Volume	Value
MITASS Total	1,312,651.0	6,070.9	1,423,534.0	8,646.0	8.4	42.4
Large Value	46,023	5,183.3	44,968	7,683.7	(2.3)	48.2
ACH	1,266,628.0	887.6	1,378,566.0	962.3	8.8	8.4
EFTs	954,707	309.4	1,062,320	361.8	11.3	16.9
Cheques	311,921	578.2	316,246	600.5	1.4	3.9
RETAIL DFS	63,156,225.0	771.7	72,297,601.0	1,068.8	14.5	39.0
ATM DFS Transactions	12,421	0.7	9,995	0.3	(19.5)	(57.1)
Internet Banking	441,397	380.2	482,247	599.4	9.3	57.7
Mobile Payments	62,361,917.0	374.9	71,441,908.0	453.6	14.6	21.0
Bank-led	5,149,181	54.4	6,325,997	63.0	22.9	15.8
Non-bank	57,212,736	320.5	65,115,911	390.6	13.8	21.9
Point of Sale (POS)	304,863	13.1	363,451	15.5	19.2	18.3
Grand Total	64,468,876.0	6,842.6	73,721,135.0	9,714.8	14.4	42.0

2.2 TRANSACTION FLOWS IN RETAIL/DIGITAL FINANCIAL SERVICES (DFS) CHANNELS

2.2.1 Overall Performance

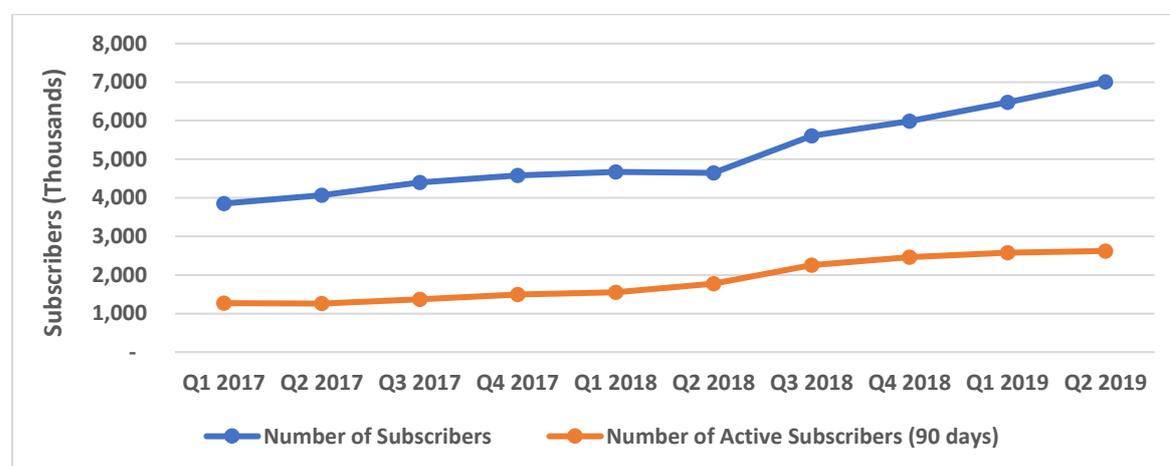
Relative to the previous quarter, there was an upward movement in both volume and value of retail DFS transactions processed during the period under review as total volume rose by 14.5 percent to 72.3 million whereas the corresponding value increased by 39.0 percent to K1,068.8 billion. This represents a rebound from the downward movement recorded during the preceding quarter. However, a comparison to the similar period in 2018 shows more pronounced movement as the volume and value figures show to have risen by 46.1 percent and 125.3 percent, respectively, in the second quarter of 2019. This outturn suggests that positive strides continue to be made in the drive for increased adoption and usage of electronic payments in the country.

2.2.2 Performance of Non-Bank Mobile Payments

Subscribers

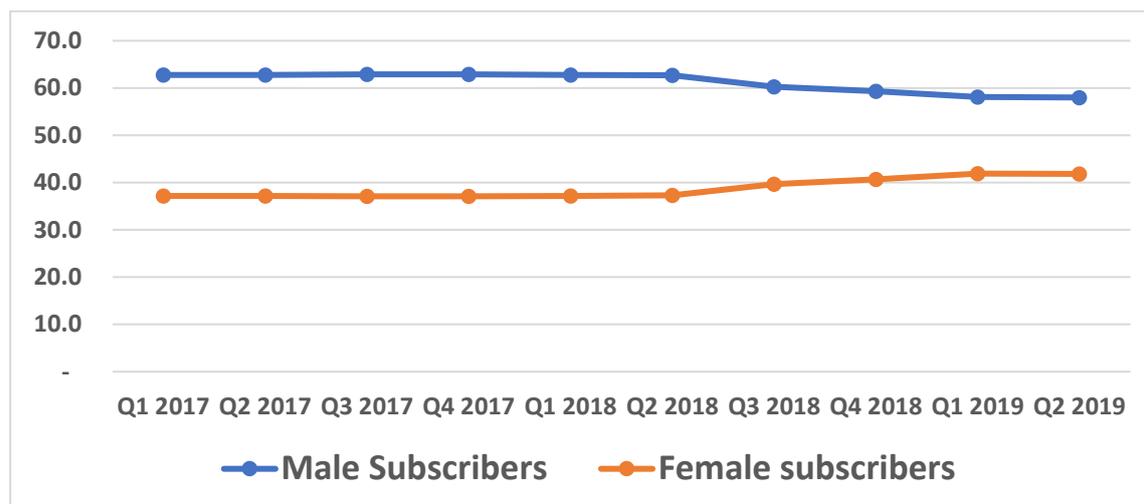
The total registered subscriber base for non-bank mobile money services continues to grow as it rose by 8.2 percent to 7.0 million during the quarter under review. However, despite the increase in subscriber base, activity rates continue to be low as only 37.4 percent of the total mobile money subscribers used the service during the 90-day period under review, a slight drop from 39.7 percent recorded during the previous period (Figure 1). This implies that over 60 percent of the registered subscribers are not actively using the service.

Fig. 1: Number of Subscribers Vs Activity rates (90 days)



In addition to the issue of high account dormancy, gender disparity continues to be skewed towards males as they constitute 58.2 percent of the total subscribers. Nevertheless, although the gender gap was still very high at 16.2 percent during the period, it has been declining overtime as shown in *Figure 2*. Therefore, to achieve meaningful financial inclusion and reduce the gender gap, there is need for deliberate efforts targeting women in mobile money services and other financial services as they constitute more than 50 percent of the country's population.

Fig. 2: Gender gap in Mobile Money Subscription

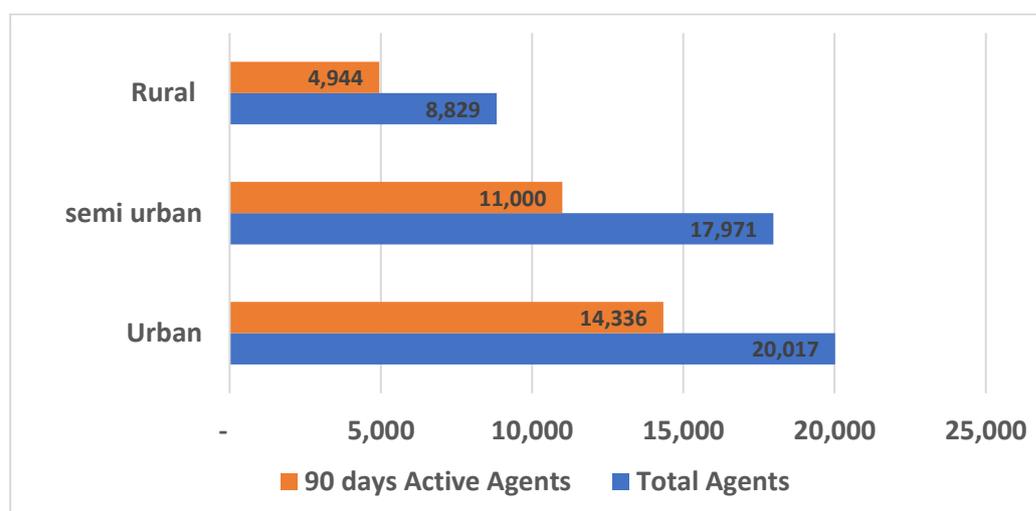


Mobile Money Agents

The mobile money agent network continues to grow owing to a 5.8 percent increase in the total number of registered agents to 45,929 recorded at end of June 2019, thereby increasing available access points. In terms of activity rates, 64.0 percent of agents were active during the quarter under review compared to 59.3 percent in the first quarter of 2019 which is encouraging since the availability and activity of agents is highly desirable for delivery of services in the ecosystem.

In terms of geographical distribution, 81.1 percent of mobile money agents are located in urban and semi-urban areas with only 18.9 percent available in rural areas to service more than 80 percent of the country's population (Fig.3). This partly explains why the majority of the rural based populace face difficulties to access financial services due to fewer service points. Therefore, any efforts by the service providers to increase their footprint in the rural areas will go a long way in addressing this challenge.

Fig. 3: Geographical Distribution of Mobile Money Agents



2.2.3 Transactions Processed via the National Switch Platform

The National Switch is a key infrastructure in the payments landscape in the country as it facilitates interoperability of retail payments transactions. The Switch was commissioned in 2015 and so far has managed full integration of domestic ATM, POS and MNO-led mobile money services in the country. During the period under review, the Switch processed a total of just over one million transactions from the three payment streams worth a total value of K24.5 billion (Table 2). The same table shows the proportion of transactions processed on the Switch to the overall figure for each payment stream e.g. the total of 130,390 POS transactions processed on the Switch represents 35.9% of total POS transactions during the quarter. The remaining proportion is therefore transactions by ‘own’ customers which are not sent to the Switch. Efforts are currently underway to integrate internet banking transactions as the fourth payment stream to come on board the Switch.

Table 2: Transactions Processed via Natswitch versus Overall Transactions

Description	Overall Transactions		Transactions Via Switch and proportion to Overall Stream	
	Volume	Value ('billion)	Volume	Value (K'billion)
ATMs	6,185,549	204.0	627,319 (10.1%)	19.3 (9.5%)
POS	363,451	15.5	130,390 (35.9%)	4.0 (25.8%)
Mobile Money	65,115,911	390.6	250,923 (0.4%)	1.2 (0.3%)
Total			1,008,632	24.5

ATM Transactions

Table 2 shows Natswitch processed a total of 627,319 ATM transactions (withdrawals) during the quarter under review, representing 10.1% of overall ATM transactions. At K19.3 billion, the corresponding value of these transactions had a similar proportion to overall value of ATM cash withdrawals over the period.

Relative to the first quarter of 2019, the volume of ATM transactions processed through Natswitch rose by 11.3 percent during the quarter ending June 2019 with the corresponding value of transactions recording an increase of 15.8 percent.

The figures for ATM transactions processed by Natswitch as given in Table 2 can be contrasted with the ‘ATM DFS transactions’ presented in Table 1 in that the former are ATM cash withdrawals only whilst the latter are electronic payments such as funds transfers, bill payments and airtime top-ups that were effected via ATM and had experienced a drop from the previous quarter.

POS Services

The total number of POS terminals deployed across the country stood at 2,250 as at June 2019, an 8.3 percent increase from the preceding quarter. As indicated above all POS services are interoperable and during the quarter under review a total of 130,390 POS transactions worth K4.0 billion were processed via the Switch. That volume and value numbers represents 35.9% and 25.8%, respectively, of overall POS transactions in the country during the quarter.

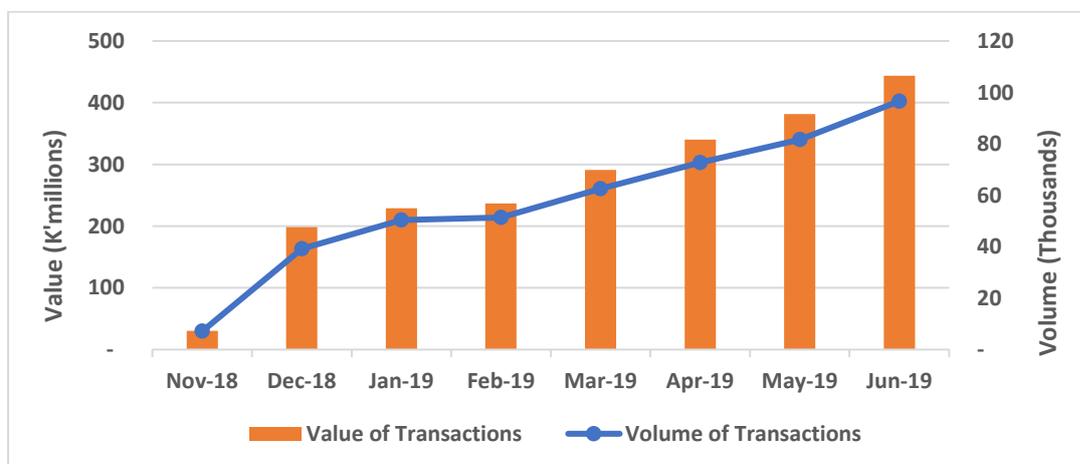
MNO-led Mobile Money Services

Integration of MNO-led mobile money services on the Switch was completed in November 2018, a development that saw customers for Airtel Money and TNM Mpamba able to send transactions across the two platforms. As such transactions on this particular payment stream have recorded a steady rise upon completion of the second quarter.

A total of 250,923 mobile money transactions with a value of K1.2 billion were processed through the National Switch during the second quarter of 2019, representing a significant increase of 52.8 percent in volume and 54.4 percent in value to the figures of 164,249 and K754.7 million, respectively, recorded in the first quarter of 2019.

Despite the impressive quarterly increase, and as Table 2 above shows, the numbers for the interoperable transactions represents a modest 0.4 percent and 0.3 percent of overall volume and value of mobile money transactions, respectively, for the quarter under review as processed by the two mobile money service providers. This is a reflection of the newness of the facility and the fact that mobile money users are yet to take full advantage of its availability to perform cross-platform transactions. The two mobile money service providers are therefore urged to include and intensify in their promotional campaigns the fact that users can send money to any mobile account regardless of host provider. Nonetheless, the trend of interoperable mobile money transactions is expected to continue increasing as more people become aware of and therefore expected to use the functionality. Figure 4 below shows the monthly trend since the integration of the MNOs in November 2018.

Fig.4: Mobile money transactions processed via the Switch



3.0 OTHER DEVELOPMENTS

Policy and Regulatory Framework

The E-money Regulations which were developed to provide a regulatory framework to govern various aspects of the operations of e-money services in the country were gazetted into law during the period under review. The Regulations cover areas such as minimum technical and operational requirements, consumer protection and protection of customer funds, among other issues. Implementation of the Regulations is expected during the second half of 2019.

Public Sensitisation Activities

During the quarter under review, the Reserve Bank held a series of sensitisation meetings with merchants in Chiradzulu, Mulanje, Thyolo, Blantyre and Mwanza districts. The meetings were aimed at promoting usage of electronic payments services and get feedback on the challenges the merchants are facing in adoption and usage of these services. The Bank in conjunction with the Ministry of Civic Education, Culture and Community Development as well as other payment systems stakeholders is expected to carry out more awareness activities during the second half of the year.

4.0 CONCLUSION

During the period under review, most of the payment channels showed improved performance in terms of the volume and value of transactions processed, mainly owing to seasonal factors following the onset of agricultural trading season and also due to various efforts by stakeholders to increase usage of the various payments products and services.

Low activity rates for mobile money subscribers, low awareness and sparse availability of payment systems access points especially in remote areas remain the challenges affecting increased adoption and usage of electronic payment products and services in the country. The Reserve Bank will therefore continue to strengthen

its collaboration with all relevant stakeholders in the industry to design and implement measures enabling further growth of the DFS ecosystem in the country.