



INTRODUCTION

The Malawi Interbank Transfers and Settlement System (MITASS), which is the country's core payment system, 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. Relative to the September 2017 performance, the daily average volume of transactions for October 2017 reflected an increase of 5.6% to 477,003 while the corresponding value of transactions registered a marginal increase of 0.9% to K95,861 million (Table 1).

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

PERFORMANCE OF VARIOUS PAYMENT STREAMS

MITASS PERFORMANCE

The total daily average volume of MITASS transactions registered a significant increase of 10.0% to 24,288 during the period under review. However, the corresponding daily average value of transactions remained almost the same at K91.4 billion during the same period, having declined by a meagre 0.1%. Large value interbank transactions contributed to this performance as they declined by 0.7% during the period (Table 1).

It is worth noting that both the daily average volume and value of cheque transactions declined by 2.3% and 2.1%, respectively during the month of October 2017. This is a welcome trend as the RBM wants cheque usage to decline as much as possible owing to the benefits and convenience of alternative electronic based payment methods.

Table 1: Daily Average Payment Systems Turnover

PAYMENT TYPE	OCTOBER-2017 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
MITASS TOTAL	24,288	91,365	10.0	(0.1)
LARGE VALUE	622	77,728.7	(1.5)	(0.7)
AUTOMATED CLEARING HOUSE (ACH):	23,666	13,636	10.4	3.5
Electronic Funds Transfers (EFTs)	17,651	3,646.1	15.5	23.0
Direct Debits	-	-	-	-
Cheques	6,015	9,989.7	(2.3)	(2.1)
RETAIL DFS	452,715	4,497	5.3	26.2
INTERNET BANKING	5,025	2,184.1	142.1	60.9
MOBILE PAYMENTS	445,363	2,209	4.7	5.0
Bank-led	63,045	612.9	7.6	8.0
Non-bank	382,318	1,596.5	4.2	4.0
POINT OF SALE (POS)	2,327	103.1	0.8	0.7
GRAND TOTAL	477,003	95,861	5.6	0.9

DIGITAL FINANCIAL SERVICES (DFS) TRANSACTIONS

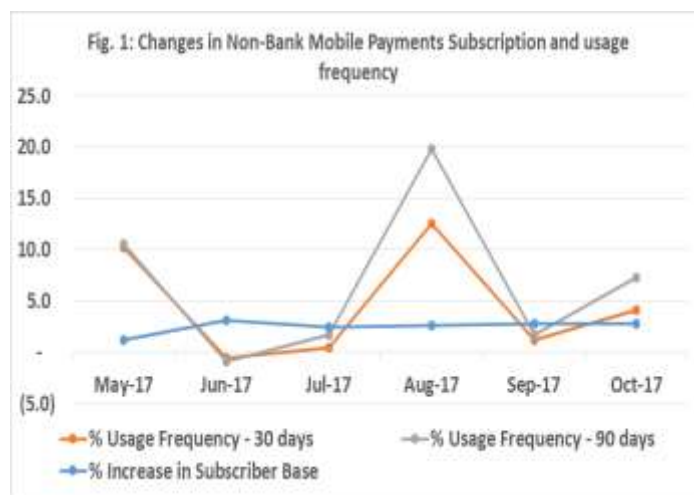
Overall Performance

Relative to September 2017, the daily average volume of all retail DFS transactions increased by 5.3% to 452,715 in October 2017. Similarly, the corresponding daily average value of DFS transactions surged by 26.2% to K4.5 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.

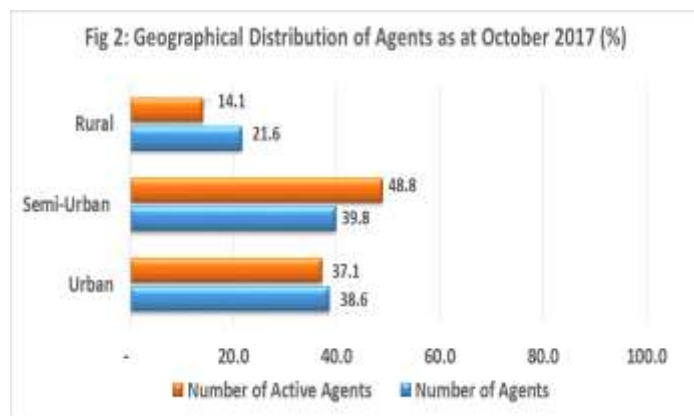
Performance of Mobile Network Operator (MNO)-Led Payment Services

Growth in number of Subscribers and agent network

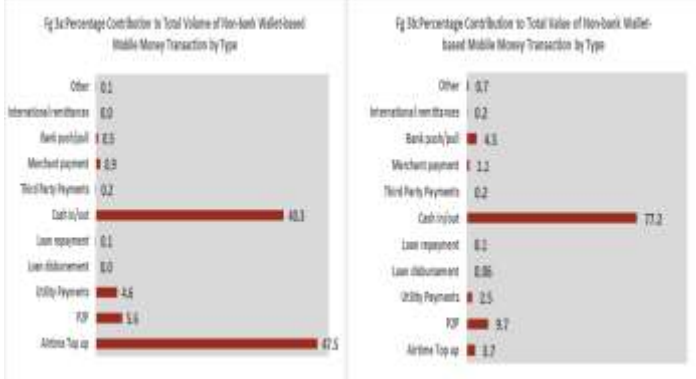
During the month under review, the total number of subscribers for MNO-led mobile payment schemes registered a 2.8% increase from the previous month to 4.5 million (Figure 1). Out of the total, 63% were male subscribers and only 37% were females suggesting that the product is heavily used by males. However, despite the increase in subscription, usage still remains very low as only 23% and 31% 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 October 2017 recorded a total of 29,929 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 14.1% of the registered mobile money agents in rural areas were active as at end October 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.

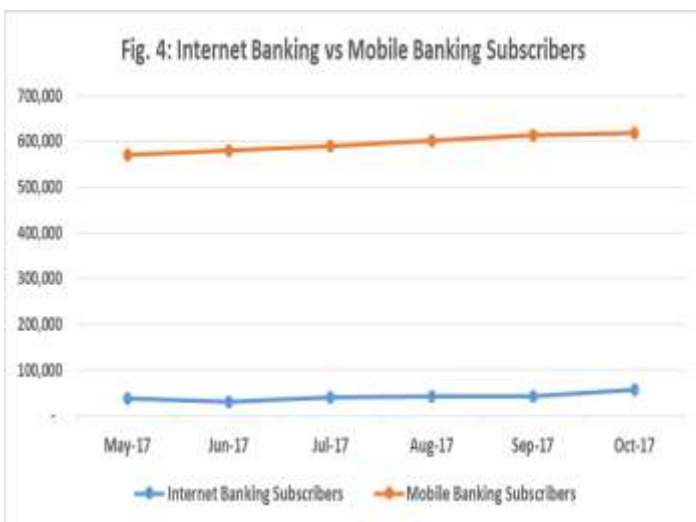


Figures 3a and 3b shows that the majority of transactions on the mobile money services were for airtime purchases and cash-in/out. However, the expectation is that mobile money should also be used more for payment of goods and services, among other functionalities. This is where creating awareness on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



Bank-led Mobile Payments and Internet Banking schemes

The subscriber base for bank-led mobile banking channels registered a marginal increase of 0.8% to 620,083 in October, 2017 (Fig. 4). When measured against the overall number of bank accounts, this implies that less than 30% of customers with bank accounts have subscribed to mobile banking schemes. It should also be noted that 5 out of 9 commercial banks offer mobile banking services. This shows that a greater proportion of bank clients do not have access to mobile banking solutions. There is therefore need for more banks to provide mobile and other digital payment solutions to their clients. 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.

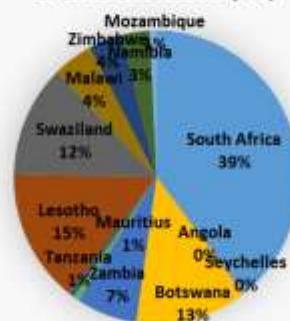


With respect to internet banking channel, the number of subscribers rose by 31.3% from previous month to 55,693 in October 2017. Both individuals as well as corporate customers on internet banking platforms registered increases as the former rose by 42.5% to 41,206 while the latter rose by 5.9% to 14,487 during the period. However, this number of subscribers for internet banking is much lower compared to number of mobile banking subscribers (Fig. 4). 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 air time top ups.

SIRESS Transactions

Malawi continue to register some progress in terms of utilization of the SADC integrated regional electronic settlement system (SIRESS) as during the month of October 2017 both the volume and value of transactions increased by 2% to 1,323 and ZAR240.6 million, respectively. However, in terms of share of volume of transactions amongst all SIRESS participants, Malawi ranks 6th out of 14 countries connected to the system as only 4% of the total transactions for October 2017 was processed by Malawi. South Africa continue to lead with 39% of the transactions processed followed by Lesotho with 15% (Fig. 5)

Fig. 5: Share of the Volume of SIRESS transactions (%)



ENHANCEMENTS TO THE REGULATORY FRAMEWORK

Guidelines on Application and Authorisation of payment service providers

During the period under review, the RBM issued the Guidelines on Application and Authorisation of Payment Service Providers as part of operationalising the Payments System Act (2016). The main objective of the guidelines is to provide a procedural framework and guidance for the application and authorisation process of payment service providers.

The Guidelines are meant for prospective payment service providers which may include commercial banks, mobile network operators, local remittance service providers, electronic money issuers, card issuers, third party processors and other persons intending to operate payment services in Malawi.

CONCLUSION

The significant increase in DFS transactions coupled with the decrease in the value of cheque transactions is a welcome development as it reflects a steady migration to usage of DFS products for payment of goods and services as opposed to cheques. The issuance of the Guidelines on application and authorisation of payment service providers strengthens and improves the regulatory framework by providing a procedural framework and guidance on the application process. 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).