

INTRODUCTION ¹

The country's key financial infrastructure was stable during the period under review resulting in the smooth and successful processing of transactions in the various payment streams. Key players in transaction processing include the central bank, commercial banks, as well as mobile money service providers such as Airtel Money and TNM Mpamba. Overall, the total daily average volume of transactions registered an increase of 10.3% to 479,734 in December 2016. Similarly, the corresponding total daily average value of transactions rose by 14.5% to K84,162.0 million over the same period (Table 1). The outturn is attributable to seasonal factors associated with the festive season.

Individual Digital Financial Services (DFS) recorded some level of growth and in some cases, declining trends in activity during the period under review.

PERFORMANCE OF PAYMENT STREAMS IN MITASS

During the review period, the total daily average volume of MITASS transactions increased by 65.2% to 25,910 in December 2016 (Table 1). The increase was mainly driven by a significant increase of 113.7% in the daily average volume of electronic funds transfers (EFTs). Similarly, the daily average volume of large value and cheque transactions rose by 17.9% and 7.1% respectively due to seasonal factors. Likewise, the corresponding total daily average value of MITASS throughput increased by 16.1% to K80,245.29 million during the same period. This was mainly driven by a 69.9% and 15.1% increase in the daily average value of EFTs and large value transactions, respectively. The daily average value of cheque transactions also increased by 11.4% during the same period. A significant increase in the usage of EFTs is a welcome development as it shows a departure from cash usage to electronic payments which are more secure and convenient.

Fig 1: Daily Average Payment Systems Turnover

Payment Type	December 2016		Monthly Change (%)	
	Volume	Value (K'mn)	Volume	Value
MITASS TOTAL	25,910	80,245.3	65.2	16.1
Large Value	797	65,992.9	17.9	15.1
ACH	25,113	14,252	67.3	20.9
EFTs	18,122	3,251.9	113.7	69.9
Cheques	6,991	11,000.5	7.1	11.4
RETAIL DFS CHANNELS TOTAL	453,824	3,917.1	8.2	(10.3)
ATM	72,686	1,343.7	2.7	(5.4)
RETAIL DFS MINUS ATM CASH	381,138	2,573.4	9.3	(12.6)
Internet Banking	1,518	764.1	(23.4)	(23.3)
Mobile Payments	377,522	1,721.9	9.5	(8.0)
Bank-led	46,419	412	15.3	10.1
Non-bank	331,103	1,309.9	8.7	(12.5)
Point of Sale (POS)	2,098	87.4	16.0	12.6
Grand Total	479,734	84,162.0	10.3	14.5

DIGITAL RETAIL PAYMENT SYSTEMS

Overall performance

As depicted in Table 1 above, all individual DFS except for internet banking recorded some level of growth in the daily average transaction volumes. The growth was more pronounced in POS and bank-led mobile

payment transactions which grew by 16.0% and 15.3%, respectively. In terms of value, POS and mobile payments also registered growth of 12.6% and 10.1% respectively over the review period. While POS and mobile payments registered growth, the daily average volume of internet banking transactions declined by 23.4% during the same period.

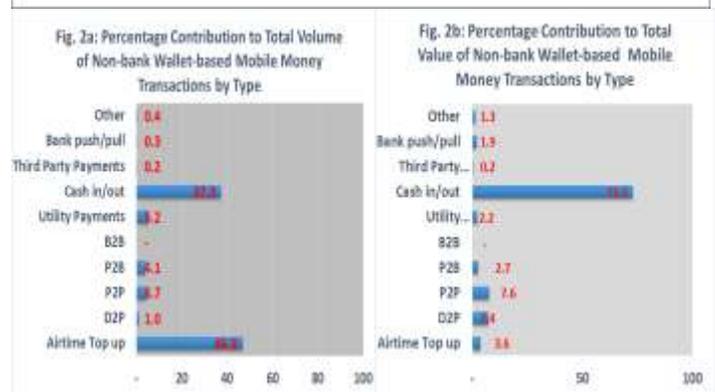
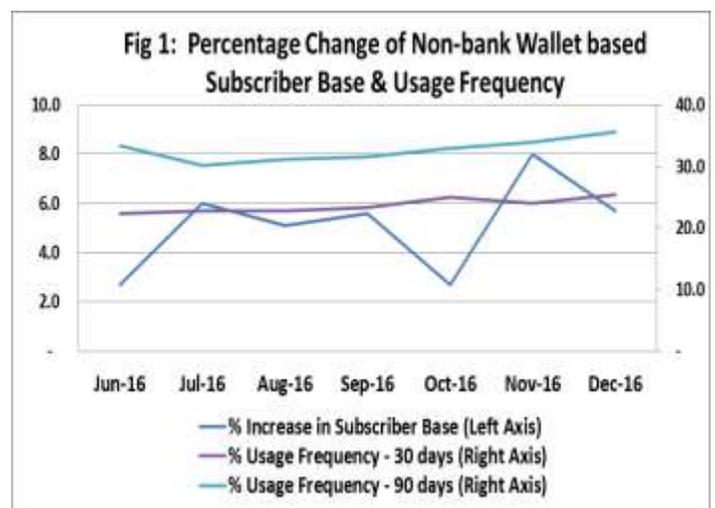
As a catalyst of change in the national payments system, RBM in collaboration with key stakeholders working through the National Taskforce on Electronic Payments (NTEP) shall continue to put in place measures designed to accelerate uptake of electronic payments in the country.

Deployment and Uptake of Digital Financial Services

Non-bank Mobile Payment Schemes

During the review period, the number of subscribers to non-bank led mobile payment schemes increased by 5.7% to 3.6 million in December 2016. However, gender disparity is observed in the subscriber base as 62.8% (i.e. 2.2 million) of the total base was on account of male subscribers. The disparity could be due to differences in income, perception and literacy levels which are usually in favour of men. In addition, the increase in the subscriber base did not translate into frequent usage of the e-wallets as only 35.5% of the total subscribers actively used the system over a 90-day period (Fig 1).

Usage of the non-bank mobile money schemes also continued to be limited to the usual types of products as most subscribers used the services for airtime purchases and for cash-in/out transactions (Fig 2a and 2b). Limited usage of the services may be due to several reasons including lack of knowledge on the available services.



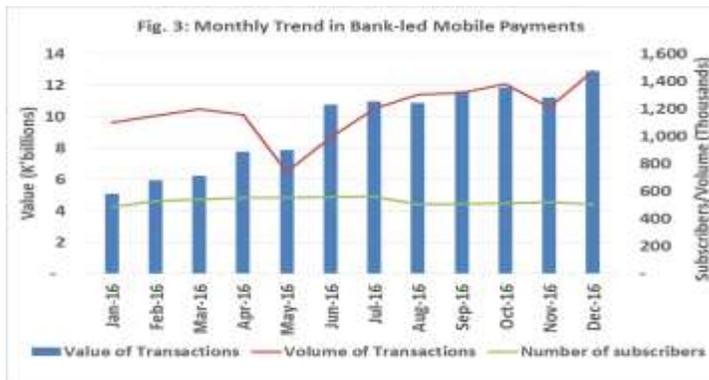
Footnotes:

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

Bank-led Mobile Payments & Internet Banking Schemes

The subscriber base for bank-led mobile banking channels declined by 3.4 % to 503,198 during the month of December, 2016. Despite the decrease in number of subscribers, the total volume of transactions for bank-led mobile payments increased by 21.9 % to 1,472,751 in December 2016. Similarly, the corresponding value of transactions rose by 15.0 % to K12.9 billion over the period. The increase in bank-led mobile banking activity reflects the growing popularity of the service among existing subscribers, especially for utility bill payments. However, there was a slight decrease in the average value per transaction which moved from K9,296.80 in November to K8,757.90 in December, 2016.

On an annual basis, the total volume of transactions decreased by 5.7% to 14,212,404 in December 2016 whereas the total corresponding value rose by 90.8% to K113.2 billion during the same period. The number of subscribers on the other hand increased by 8.2 % to 503,198 as at end December 2016 (Fig. 3). The annual growth suggests that more people are becoming aware of the services and benefits associated with bank-led mobile payments.



With respect to Internet banking channel, the number of subscribers declined by 8.3% to 30,290 in December, 2016. Similarly, both the volume and value of internet banking transactions declined by 21% to 47,080 and K23.7 billion, respectively in December 2016. The general decrease in internet banking transactions could be as a result of the decline in the number of subscribers as compared to the previous month.

On annual basis, the transaction volumes increased by 14.7% to 587,374 million in December 2016. Similarly, the corresponding values increased by 27.0 % to K308.4 billion. The good performance in terms of transactions was achieved despite a 8.3% decrease in the number of subscribers which closed the year at 30,290 (Fig. 4). RBM and banks will continue to create awareness of the benefits of using internet banking services in order to reduce heavy reliance on cash and cheques for payment of goods and services.



Auto-teller Machines (ATMs)

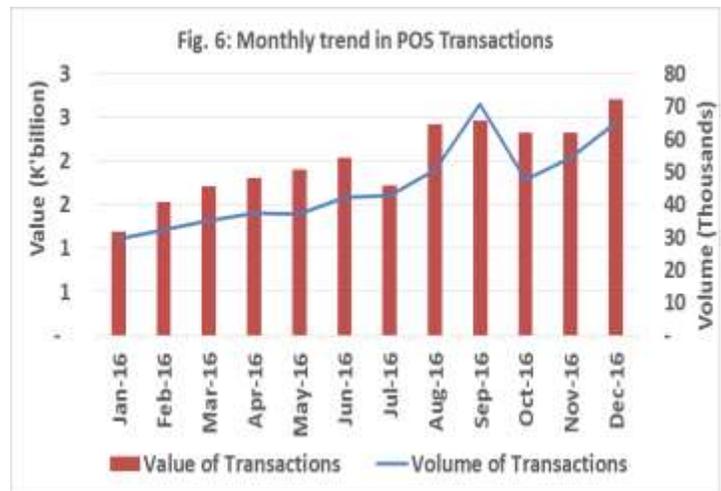
The number of ATM terminals increased to 485 in December 2016, translating into an increase of 1.0% over November 2016. At this level, the proliferation of ATMs in Malawi remains at less than 10 terminals per 100,000 adults, which is one of the lowest in the region. In terms of usage, the transaction volumes increased by 6.1% to 2.2 million during the same period. However, the corresponding transaction values declined by 2.2 % to K41.7 billion in December, 2016. The decline in the ATM transaction values could mainly be on account of increased usage of mobile payments which are convenient and secure. Figure 5 below shows the monthly trend in both the volume and value of ATM transactions in 2016.



Point-of-Sale (POS) Terminals

The number of POS terminals stood at 1,228 as at December 2016, representing a marginal monthly increase of 1.4%. However, transaction volumes processed through POS terminals registered a substantial increase of 19.9% to 65,058 in December 2016 (Fig. 6). Similarly, the corresponding transaction values increased by 16.4% to K2.7 billion during the same period. This trend could reflect the convenience attributable to POS usage as well as promotional campaigns by some banks during the period.

The outcome reveals that a slight increase in POS terminal proliferation could lead to a far greater increase in transaction values and volume. As such, banks are urged to deploy more POS machines in business premises like schools, hospitals, restaurants, hotels and supermarkets among others.



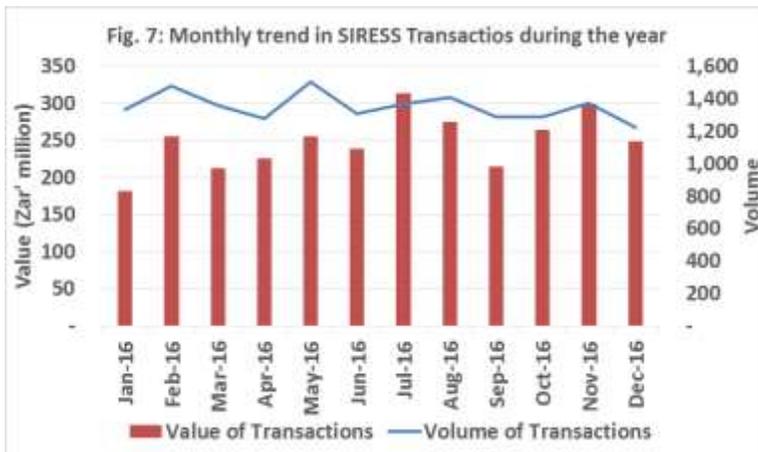
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The current deployment of 1,228 of POS machines translates to 15.4 POS terminals per 100,000 adults, placing Malawi on a lower rank with Rwanda (20.0) and Kenya (86.8) terminals per 100,000 adults. The current regional average for penetration of POS terminals is 27.5 machines per 100,000 adults.

SIRESS Transactions

The number of transactions for the SADC integrated regional settlement system (SIRESS) registered a decrease of 11.1% to 1,222 in December 2016. Similarly, the corresponding value of transactions declined by 17% to ZAR 248.8 million during the same period.

On annual basis, there were mixed developments in SIRESS activity as the volume of transactions increased by 12% to 16,204 whereas the corresponding values dropped by 23% to ZAR 2.9 billion as at 31st December 2016. This suggests that more efforts by various stakeholders in the payments arena are needed to create awareness of the availability and benefits of using this regional payment system. In terms of the monthly trend, the lowest volume of transactions was recorded in December 2016 while the lowest value of transactions was registered in January 2016 (Fig. 7).



CONCLUSION

During the period under review, the country's key financial infrastructure was stable resulting in the smooth and successful processing of transactions in the various payment streams. Overall, the total daily average of both the volume and value of transactions increased during the review period. Individual DFS however recorded some level of growth and in some cases, declining trends in activity during the same period.

January 2017 marked a major milestone as the RBM in conjunction with the Ministry of Civic Education, Culture and Community Development through NTEP, launched a nation wide campaign to sensitise the general public on the benefits of using electronic payments products for purchase of goods and services.

PAYMENT SYSTEMS REGULATORY REFORMS

Following the enactment of the Payment Systems Bill in June 2016, RBM prepared the relevant directives and regulations to operationalise the Act. Among others, the directives and regulations will guide market players in as far as operation of various payment products and services are concerned. More specifically, stakeholder consultations on the Interoperability Directive, which among others seeks to ensure that Malawi has a fully integrated retail payment system, are in their final stages.

LAUNCH OF NATIONWIDE SENSITISATION CAMPAIGN ON ELECTRONIC PAYMENTS

On 30th January 2017, under the auspices of the NTEP, the RBM in conjunction with the Ministry of Civic Education, Culture and Community Development launched a nation wide campaign to sensitise the general public on electronic payments products. The campaign programme was launched by the Minister of Civic Education, Culture and Community Development, Honourable Dr. Patricia Kaliati. M.P. This initiative is one of the major activities in the roadmap aimed at accelerating uptake of electronic payments by the general public as well as sole traders.