



INTRODUCTION

The country's main financial infrastructure was stable during the period under review resulting in the smooth and effective processing of transactions from the various payment streams. The main players in transaction processing were the Reserve Bank, Government, commercial banks and mobile network operators (MNOs). Relative to July 2017, the overall daily average volume of transactions dropped marginally by 0.9% to 491,452 in August 2017 whereas the corresponding value of transactions declined by 7.7% to K86.6 billion, during the same period (Table 1). The decline is in part attributed to seasonal factors.

However, activities aimed at increasing awareness and uptake of electronic payments under the National Taskforce on Electronic Payments (NTEP) roadmap continue to be implemented and these efforts shall bear fruits in due course.

PERFORMANCE OF VARIOUS PAYMENT STREAMS

MITASS PERFORMANCE

Daily average volume of MITASS transactions declined by 21.5% to 15,139 in August 2017. Similarly, the corresponding daily average value of transactions dropped by 8.7% to K81.9 billion. The dismal performance in MITASS transaction volumes was mainly as a result of a 26.4% and 14.5% decrease in EFTs and Cheques transactions, respectively. Similarly, the decrease in the MITASS daily average transactions values was largely driven by a 13.8% and 13.4% reduction in EFTs and cheque transactions, respectively. The daily average value of large value interbank transactions also declined by 7.6%. All these factors contributed to the overall decline in MITASS transactions during the period (Table 1). However, the awareness campaigns on the benefits of using electronic based payment methods is expected to result into an increase in EFT transaction in the near future.

Table 1: Daily Average Payment Systems Turnover

PAYMENT TYPE	AUGUST-2017 (PERIOD TOTAL)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
MITASS TOTAL	15,139	81,912	(21.5)	(8.7)
LARGE VALUE	613	68,840.2	(8.8)	(7.6)
AUTOMATED CLEARING HOUSE (ACH):	14,526	13,072	(21.9)	(13.8)
Electronic Funds Transfers (EFTs)	8,520	2,362.1	(26.4)	(15.4)
Direct Debits	-	-	-	-
Cheques	6,007	10,710.0	(14.5)	(13.4)
RETAIL DFS CHANNELS TOTAL	476,313	4,743	(0.04)	14.1
ATM CASH WITHDRAWALS	53,833	1,386.8	8.9	9.5
RETAIL DFS MINUS ATM CASH	422,480	3,356	(1.1)	16.1
INTERNET BANKING	1,881	1,256.4	18.3	38.7
MOBILE PAYMENTS	418,533	1,995	(1.2)	5.9
Bank-led	49,750	498.6	20.1	7.0
Non-bank	368,783	1,496.8	(3.5)	5.5
POINT OF SALE (POS)	2,066	103.9	8.8	4.4
GRAND TOTAL	491,452	86,655	(0.9)	(7.7)

DIGITAL FINANCIAL SERVICES (DFS) TRANSACTIONS

Overall Performance

The daily average volume of all retail DFS transactions largely remained unchanged, also registering just under 476,500 in August 2017. However, all individual DFS channels registered some level of growth except for Non-bank mobile payments which declined by 3.5%. The daily average value of DFS transactions notably rose by 14.1% to K4.7 billion during the same period. This increase in value was largely driven by a significant growth in internet banking (38.7%), ATM transact

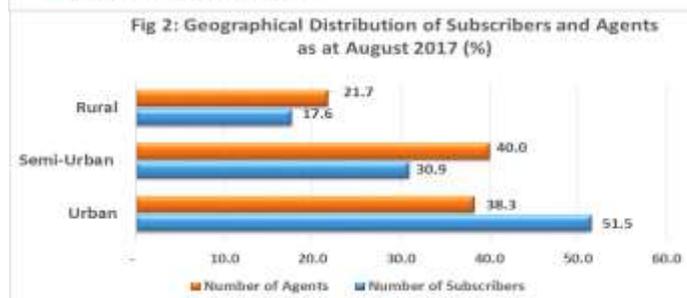
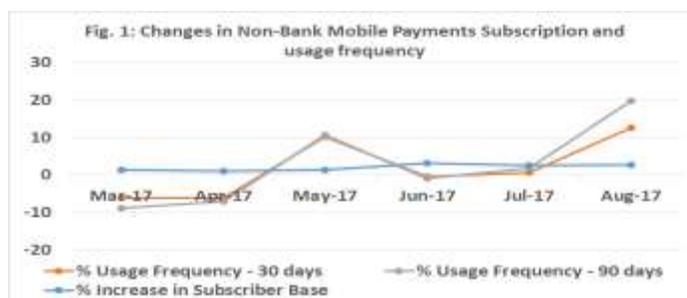
ions (9.5%) and bank-led mobile payments (7.0%). This is quite encouraging and RBM together with all stakeholders will continue to pursue measures designed to accelerate uptake and usage of DFS in the country.

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

Growth in number of Subscribers and agent network

The subscriber base for (MNO)-led mobile payment schemes continued to expand as number of subscribers increased by 2.6% to 4.3 million in August 2017 (Figure 1). However, out of this total, only 24% of the subscribers used the service within the month under review while 32% used the service within the previous 90 days. This trend shows that the majority of mobile money customers are inactive and that there is need for more sensitization campaigns to increase usage of mobile money products and services by the general public., and also the providers to increase the access points of their services.

In terms of geographical distribution, only 17.6% of the subscribers are based in rural areas whilst the rest are in semi urban and urban areas. Similarly, out of 30,055 of agents that support provision of mobile money services, only 21.7% (6,522) are in rural areas and 39.8% of these were active over a 90 day period (Figure 2). The rest of the agents are located in semi-urban and urban areas. This is a reflection of the challenges associated with rural areas which include low infrastructure development, persistent network outages, agent illiquidity, low financial literacy and low income levels which negatively affects access, availability and usage of mobile money services. Thus, considered efforts targeting the rural areas to increase adoption of these services is imperative since the majority of the Malawi population is based in rural areas, and would also increase financial inclu-

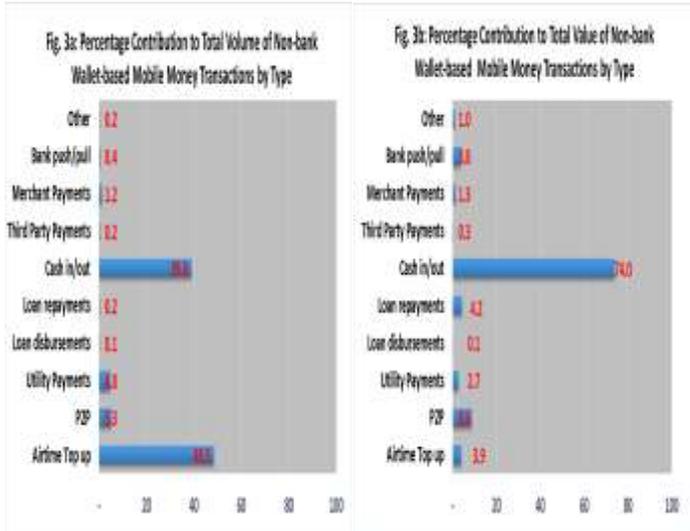


Transaction Value and Volumes

Relative to July 2017, the volume of transactions for MNO-led mobile payments schemes declined by 3.5% to 11.4 million in August 2017. However, despite this decrease, the corresponding value of transactions increased by 5.5% to K46.4 billion during the same period. This development translates into an average value of K4,059 per transaction in August 2017 compared to an average of K3,713 per transaction recorded in July 2017. Nonetheless, the volumes of mobile money transactions are expected to rebound in the near future owing to continued promotional campaigns which is expected to see more merchants and retailers adopting mobile money for payment of goods and services in the country.

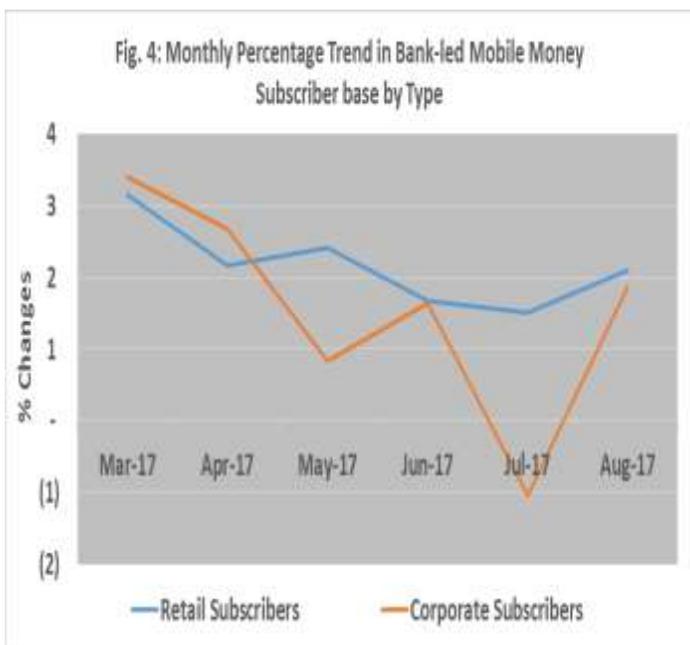


In terms of usage, as in previous months, a large proportion of mobile money transactions are for airtime purchases and cash-in/out transactions (Figure 3a and 3b). This is largely due to, among other things, lack of awareness of other services offered by these schemes like utility and merchant payments, and the subscribers' general resistance to change. RBM and stakeholders will therefore continue to create awareness of the ideal usage and benefits associated with various mobile money products and services in the country.



Bank-led Mobile Payments

The number of subscribers for mobile banking schemes rose by a modest 2.1% to 602,502 in August 2017. The increase emanated from both retail and corporate subscribers during the period (Figure 4). As a result, both the volume and value of bank-led mobile payments rose by 20.1% and 6.9% to 1.6 million and K15.5 billion respectively. In terms of usage, bank led mobile payment services were mostly used for fund transfers which accounted for 93.6% of the total value, whereas for volume of transactions bill payments and airtime purchases accounted for 82.8% of the total (Fig. 4).



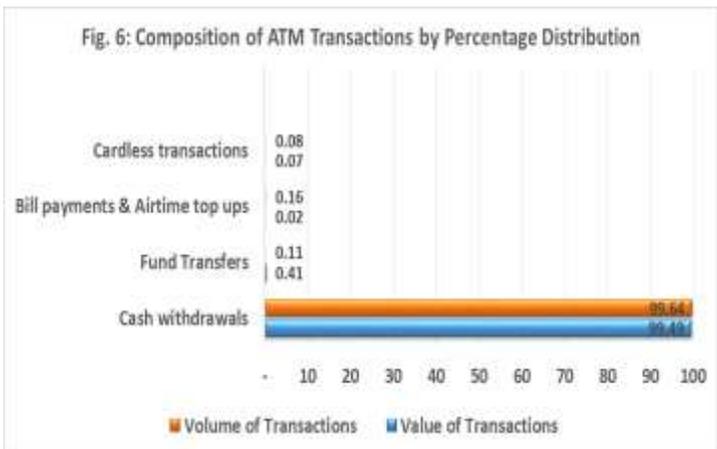
Internet Banking Transactions

The total subscriber base for internet banking services increased by 3.5% to 41,585 in August 2017. Retail subscribers contributed 67.9% of the total number of subscribers during the period while the remainder accounted for non-individual subscribers. Both the volume and value of transactions increased by 18.3% and 38.7% to 58,305 and K38.9 billion in August 2017, respectively (Fig 5).



Auto Teller Machine (ATM) Payments

During the period under review, the number of ATM terminals marginally increased by 0.2% to 481 terminals. The volume of ATM transactions rose by 8.9% to 1.7 million whereas the corresponding value of transactions increased by 9.6% to K3.7 billion during the same period. About 99.5% of the ATM transactions were cash withdrawals and the remainder accounted for fund transfers, bill payments and airtime purchases (Figure 6).

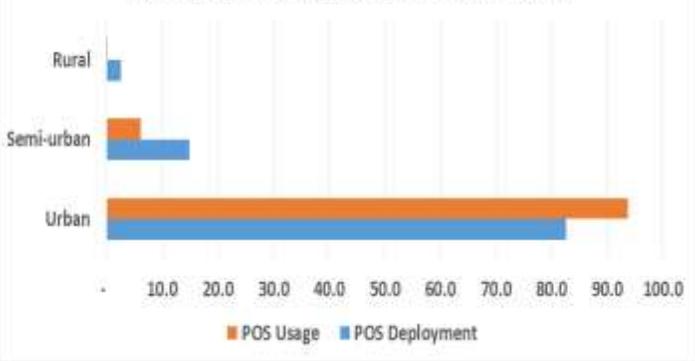


Point of Sale (POS) Transactions

The number of POS devices deployed in the country increased by 2.3% to 1,315 in August 2017. In terms of geographical distribution, 82.6% of the POS terminals are in urban areas while semi-urban and rural areas accounted for 14.9% and 2.5% of the total POS deployment respectively. Similarly, usage of POS terminals shows a similar pattern as 93.8% of the number of transactions were recorded in urban areas (Fig. 7). Banks are therefore requested to increase POS deployment across the country especially in semi urban and rural areas to increase access in these areas and hence reduce cash usage.



Fig. 7: POS Deployment vs Usage by geographical location (%)



CONCLUSION

The country's core payment system remained stable during the period under review and therefore helped in facilitating smooth flow of financial transactions in the economy. Despite the drop in overall performance, individual payments streams especially DFS channels registered some growth during the period under review. The increasing trend in usage of DFS transactions is expected to continue owing to various efforts by RBM aimed at accelerating uptake and usage of electronic payments in the country.

PROGRESS OF NATIONWIDE SENSITISATION CAMPAIGN ON ELECTRONIC PAYMENTS

During the period under review, RBM through NTEP continued to carry out sensitisation activities on the benefits of adopting and using electronic payments for goods and services in the economy. In addition to the jingles and comedy clips currently being aired on both radio and television, RBM contracted Zodiak Broadcasting Station to carry out audio-visual shows, branded *Odi Odi Kanema*, in selected 100 major trading centres across the country. The shows created an opportunity for RBM to interact with the general public through dissemination of information on electronic payment products and services. On their part, MNOs also intensified their in-house initiatives by broadcasting promotional messages on electronic payments to their subscribers during the month. RBM is discussing with the MNOs on the possibility of broadcasting the promotional messages to their respective subscriber bases on a more frequent basis. On the other hand, banks also continued to carry out their in-house promotional activities through electronic and print media. RBM expects these initiatives to continue as a way of complementing efforts by NTEP to promote adoption and usage of electronic payments in the country.