



INTRODUCTION

The key payments infrastructure in the country continued to exhibit reliability as they operated smoothly throughout the month of May 2018 in facilitating processing of payment, clearing and settlement transactions. The payments infrastructure, among others, helps in the implementation of monetary policy as well as stability of the financial system. Overall, the average daily volume and value of transactions in all payment streams rose by 7.9% and 34.5% to 567,366 and K112.7 billion, respectively in May 2018.

The Reserve Bank continued to carry out oversight activities aimed at ensuring safety and efficiency of the payment system and also facilitated awareness activities to promote uptake and usage of electronic payments in collaboration with industry stakeholders. The Bank also conducted stakeholder engagements to obtain their feedback and input on various policy and regulatory initiatives

Table 1: Daily Average Payment Systems Turnover

PAYMENT TYPE	MAY-2018 (DAILY AVERAGE)		MONTHLY CHANGE (%)	
	Volume	Value (K'mn)	Volume	Value
MITASS TOTAL	23,188	107,684	28.7	36.8
LARGE VALUE	802	93,591	8.7	41.1
AUTOMATED CLEARING HOUSE (ACH):	22,385	14,094	29.5	13.6
Electronic Funds Transfers (EFTs)	16,513	3,852	42.2	18.0
Direct Debits	-	-	-	-
Cheques	5,872	10,242	3.6	12.0
RETAIL DFS	544,178	5,050	7.1	(0.5)
ATM DFS Transactions	177	7	7.1	(30.1)
INTERNET BANKING	5,088	2,241	34.1	(6.8)
MOBILE PAYMENTS	536,586	2,698	7.0	5.7
Bank-led	66,617	676	(2.1)	(11.3)
Non-bank	469,969	2,022	8.4	12.9
POINT OF SALE (POS)	2,505	111	(9.5)	(6.2)
GRAND TOTAL	567,366	112,734	7.9	34.5

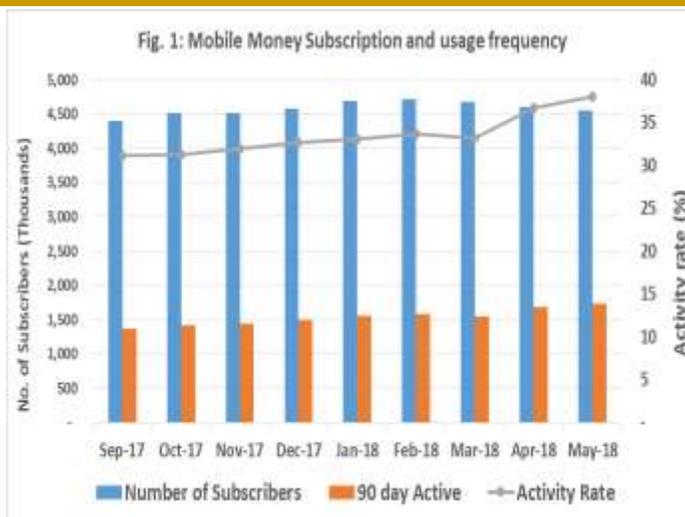
DIGITAL FINANCIAL SERVICES (DFS) TRANSACTIONS

◆ Overall Performance

Relative to April 2018, the daily average volume of DFS transactions rose by 7.1% to 544,178 in May 2018 largely due to 34.1% and 8.4% increases in internet banking and non-bank mobile payments transactions, respectively. However, the corresponding daily average value of transactions remained largely unchanged at K5.1 billion (Table 1).

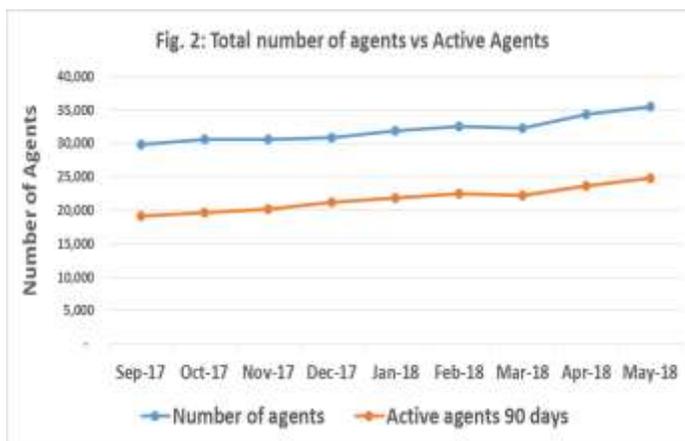
Performance of Non-Bank Led Mobile Payments Services

The number of mobile money subscribers recorded in May 2018 remained largely unchanged from the previous month at around 4.6 million. In terms of activity rates, only 28.3% and 38.1% of the mobile money subscribers used the service within the previous 30-day and 90-day period, respectively (Fig. 1). The 90-day statistic is slightly above the global rate of 35.8% registered in 2017 according to the GSMA state of mobile money industry report released in 2018. However, the gender disparity in use of the services remains heavily skewed towards men as women only represented 36.7% of the total subscriber base. The RBM and stakeholders will continue to implement measures aimed at increasing usage of mobile money services in the country and with a view to encouraging more women to participate in financial services.



The agent network for mobile money services continued to grow as evidenced by a 3.2% increase in the number of agents to 35,493 in May 2018. Compared to subscribers, mobile money agents performed better in terms of activity rates as 69.9% of the total number of agents were active over a 90-day period. The number of female agents however, increased by 6.8% to 13,934 which represented 39.3% of the total number of agents country-wide. Service providers are urged to increase recruitment of women as agents in order to help government efforts of achieving financial inclusion in the country.

The geographical distribution of the agents remains a challenge as the majority of them are spread in urban and semi-urban areas leaving the rural areas with fewer access points, at 21.4% of the total as at May 2018. Service providers are therefore requested to recruit more agents in rural areas to increase the number of access points as the majority of the country's population is based in rural areas.



In terms of usage, mobile money services continue to be used more for airtime purchases and cash in/cash out transactions. Cash out transactions alone accounted for 33.6% of the total value of mobile money transactions in May 2018, also a sign of the heavy reliance on cash for most of the customer payment transactions.

During the month of May 2018, a modest 2.6% of the total value of mobile money transactions was between bank accounts and mobile money accounts (bank pull/push). Interoperability between the mobile money services is expected to be achieved once the mobile network operators integrate their platforms to the National Switch, which will then allow wallet to wallet transfers between the providers. This is expected to increase usage and adoption of mobile money services and thereby contribute to financial inclusion in the country.

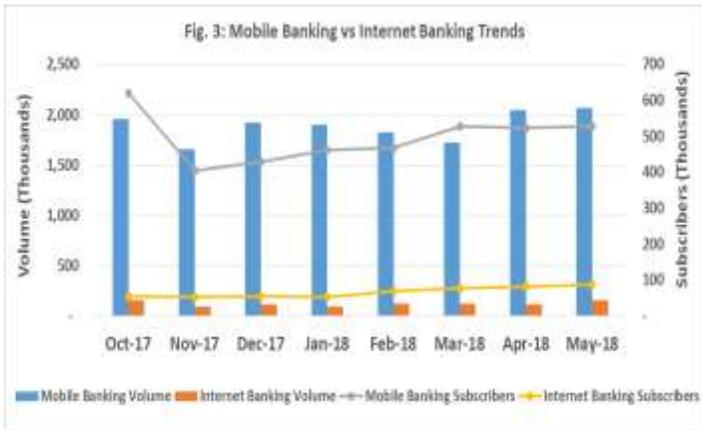


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Mobile and Internet Banking Services

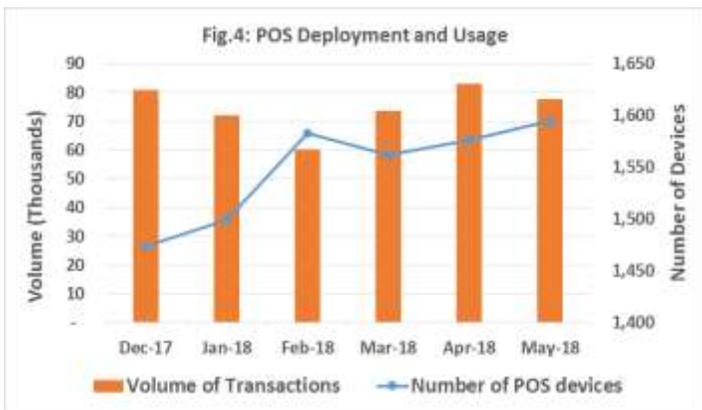
Relative to April 2018, the number of subscribers for mobile banking schemes registered a marginal increase of 0.6% to 526,480. Similarly, the volume of mobile banking transactions rose marginally by 1.04% to 2.1 million. However, in spite of these marginal increases, the value of bank-led mobile payments declined by 8.0% to K21.0 billion during the same period (Fig. 3). Mobile banking services are mostly used for funds transfers between retail accounts, which accounted for 87.7% of the total value. In terms of volume, bill payments and airtime purchases dominated as they accounted for 78.9% of the total transactions volume. More awareness activities are therefore required to increase usage of mobile banking services for bill payments as opposed to only fund transfers.

On the other hand, the number of subscribers on internet banking platforms rose by 5.7% to 86,990 in May 2018 (Fig. 4), which is encouraging development in usage of electronic payments channels in the country. Out of the total number of subscribers, 86.7% were retail subscribers and the remainder accounted for corporate customers. The latter category of subscribers dominate usage of internet banking services, contributing 58.4% and 91.8% of the total volume and total value of funds transferred, respectively.



Point of Sale (POS) Transactions

Relative to April 2018, the total number of POS terminals registered a marginal increase of 1.2% to 1,595 in May 2018 (Fig. 5). This number is considered very low compared to the adult population estimated at around 8.5 million. During the month both the volume and value of POS transactions registered a decrease of 6.5% and 3.0% to 77,646 and K3.4 billion, respectively. The on-going sensitization efforts on benefits of using POS for payment of goods and services is expected to reverse such declining trends. RBM and other stakeholders will therefore continue to conduct these awareness activities.



POLICY AND REGULATORY INITIATIVES

Development of Policy and Regulatory Instruments

During the period under review, the RBM conducted stakeholder engagements to obtain feedback and input into policy and regulatory instruments currently being drafted, namely; E-Money regulations, e-KYC and digital identification proposal and an instrument for mandatory deployment of electronic payment channels by qualifying businesses and merchants.

The E-money regulations are being developed to provide a regulatory framework to govern various aspects of the operations of e-money services in the country. Among others, the proposals covers areas such as minimum technical and operational requirements, protection of customer funds and other consumer protection measures in the provision of e-money services. Promoting financial inclusion is also a key objective. The consultative meeting on the draft regulation drew participants from the RBM, Government, mobile network operators, commercial banks and development partners where valuable input and feedback were obtained and incorporated into the draft.

On the other hand, the e-KYC and digital identification proposal aims to leverage on the newly introduced national ID scheme to implement unified or integrated e-KYC procedures in the financial services industry. This is expected to reduce duplication of efforts and inefficiencies associated with manual KYC procedures and facilitate compliance with AML/CFT regulations. Representatives from Government agencies, financial service provider, development partners, in addition to the RBM participated at this meeting.

Awareness Campaigns

During the review period, the Reserve Bank and stakeholders in the payments industry conducted awareness meetings in selected districts within the southern region of the country. These meetings targeted district Executive committees and community leaders to appraise them on the benefits of using electronic payments and also to get feedback on the challenges faced when using the same. This was part of a broader financial services awareness campaign which, in addition to the modern payment methods topic, aims to instil a culture of saving, investing and insurance coverage among the general public, seen as critical for the economic development of the country. This exercise is expected to cover all districts in the country by December 2018.

CONCLUSION

The key payments infrastructures remained stable during the month of May 2018 and therefore facilitated smooth and safe processing of payment, clearing and settlement transactions. However, geographical distribution of mobile money agents and other financial access points remain a challenge as the majority of them are spread in urban and semi-urban areas leaving the rural areas with fewer access points. RBM and stakeholders will therefore continue to engage service providers to deploy more access points especially in rural areas

The RBM is also pursuing various measures aimed at strengthening the NPS oversight, policy and regulatory framework. Current initiatives in this regard include the development of the E-money regulations, the digital ID proposal and regulations on mandatory POS, all aimed at facilitating increased adoption and usage of DFS in the country.