

## NATIONAL PAYMENTS SYSTEM (NPS) REPORT - FOURTH QUARTER 2018

### 1.0 SUMMARY

The country's major payment systems, both large-value and retail, remained stable during the fourth quarter of 2018 and therefore facilitated smooth processing of payment transactions. Overall, a total of 66.0 million transactions were processed during the period in all payment streams, representing an increase of 8.9 percent from the third quarter of 2018. The corresponding value of transactions increased slightly by 1.2 percent to a total of K7,253.8 billion during the same period. This trend is expected to continue if the general public and corporate institutions continue to migrate to electronic payment platforms in effecting their transactions.

The Reserve Bank in collaboration with various stakeholders continued to implement initiatives aimed at increasing adoption and usage of electronic payments in the country such as drafting of appropriate policies and regulations and also promotion of awareness of the available electronic based payment channels to the general public.

### 2.0 PERFORMANCE OF MAJOR PAYMENT PLATFORMS

#### 2.1 MITASS PERFORMANCE

In addition to being the major payment and clearing system, the Malawi Interbank Transfer and Settlement System (MITASS) is also the country's only settlement system and it recorded a sizable increase in volume of transactions from a total of 1.3 million during the third quarter to 1.5 million during the fourth quarter, representing a 10.8 percent increase. EFTs and large-value real time gross settlement system (RTGS) transactions contributed to the increase in the volume of the transactions as they rose by 14.5 percent and 6.1 percent, respectively. However, the corresponding value decreased marginally by 0.6 percent to K6,458.4 billion mainly on account of large-value RTGS transactions which declined by 4.2 percent. This outturn means that for RTGS a relatively lower average value per transaction of K4.3 million was processed in the quarter compared to an average of K4.8 million during the previous quarter.

**Table 1: Performance of various Payment system Channels**

Payment Type	JULY-SEPT 2018		OCT-DEC 2018		Percentage Change	
	Volume	Value (K'billion)	Volume	Value (K'billion)	Volume	Value
<b>MITASS Total</b>	<b>1,345,269</b>	<b>6,499.0</b>	<b>1,490,390.0</b>	<b>6,458.4</b>	<b>10.8</b>	<b>(0.6)</b>
<b>Large Value</b>	44,571	5,678.7	47,296	5,439.6	<b>6.1</b>	<b>(4.2)</b>
<b>ACH</b>	<b>1,300,698</b>	<b>820.3</b>	<b>1,443,094.0</b>	<b>1,018.8</b>	<b>10.9</b>	<b>24.2</b>
<b>EFTs</b>	954,430	190.0	1,092,777	342.3	<b>14.5</b>	<b>80.2</b>
<b>Cheques</b>	346,268	630.3	350,317	676.5	<b>1.2</b>	<b>7.3</b>
<b>RETAIL DFS</b>	<b>59,223,196</b>	<b>671.0</b>	<b>64,463,957.0</b>	<b>795.4</b>	<b>8.8</b>	<b>18.5</b>
<b>ATM DFS Transactions</b>	17,266	0.9	31,559	1.6	<b>82.8</b>	<b>77.8</b>
<b>Internet Banking</b>	475,489	289.8	508,644	379.0	<b>7.0</b>	<b>30.8</b>
<b>Mobile Payments</b>	<b>58,455,684</b>	<b>367.1</b>	<b>63,642,026.0</b>	<b>402.2</b>	<b>8.9</b>	<b>9.6</b>
<b>Bank-led</b>	6,289,177	70.2	6,475,915	72.1	<b>3.0</b>	<b>2.7</b>
<b>Non-bank</b>	52,166,507	296.9	57,166,111	330.1	<b>9.6</b>	<b>11.2</b>
<b>Point of Sale (POS)</b>	274,757	13.2	281,728	12.6	<b>2.5</b>	<b>(4.5)</b>
<b>Grand Total</b>	<b>60,568,465</b>	<b>7,170.0</b>	<b>65,954,347.0</b>	<b>7,253.8</b>	<b>8.9</b>	<b>1.2</b>

## 2.2 PERFORMANCE OF VARIOUS DIGITAL FINANCIAL SERVICES (DFS) CHANNELS

### 2.2.1 Overall Performance

As with the previous quarters, the performance of retail DFS transactions continued to improve and the volume and value of transactions rose by 8.8 percent and 18.5 percent to 64.4 million and K795.4 billion, respectively, from the third to the fourth quarter of 2018.

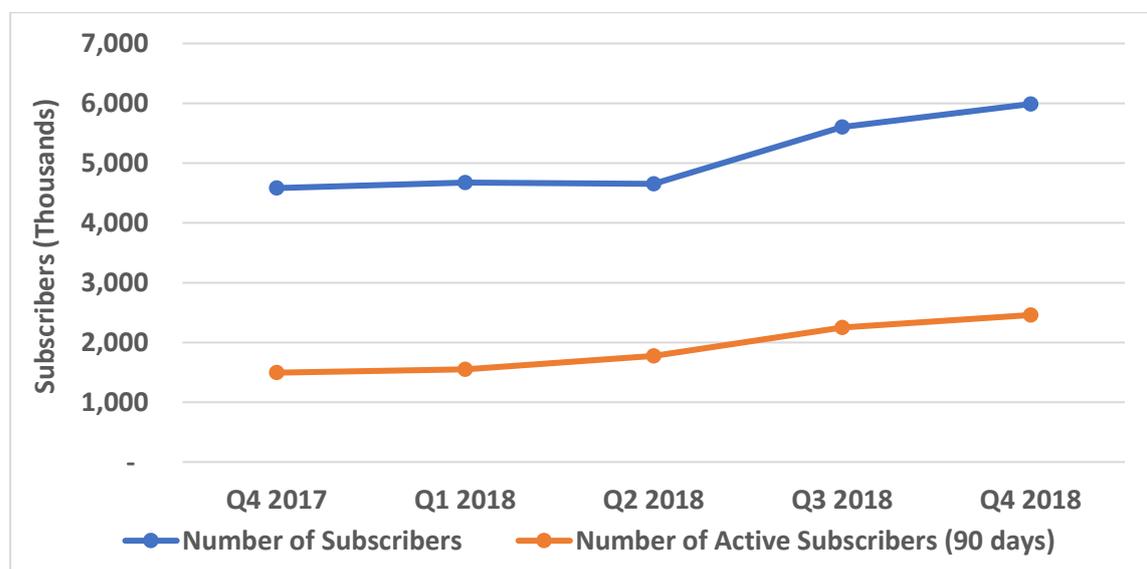
When compared to a similar period in 2017, the total volume and value of retail DFS transactions showed significant movement as they rose by 50.7 percent and 83.5 percent, respectively. This trend suggests that the public is increasingly adopting and using electronic payment methods for payment of goods and services.

### 2.2.2 Performance of Non-Bank Mobile Payments

#### *Subscribers*

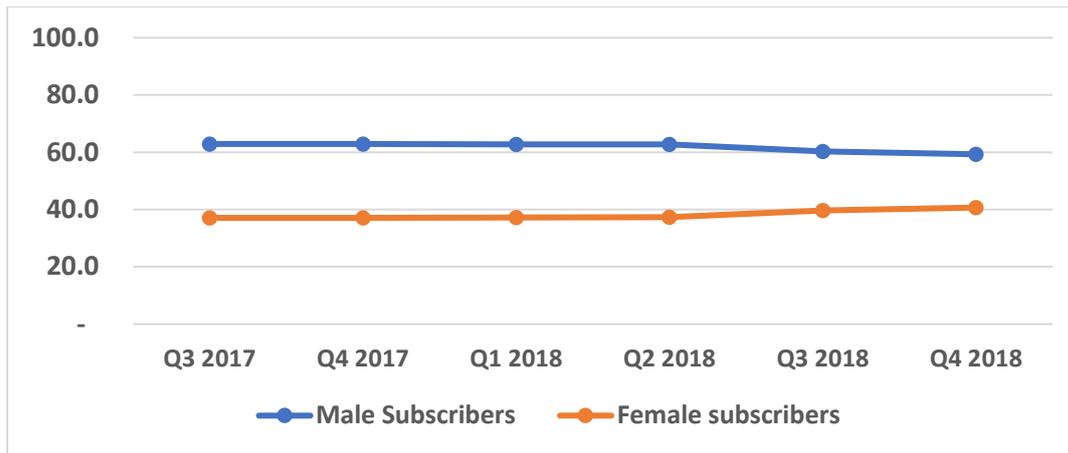
The number of registered subscribers for MNO-led mobile payments rose to 5.6 million during the period under review representing an increase of 6.8 percent. However, activity rates for subscribers continue to be low as 41.1 percent of the mobile money subscribers used the service during the quarter under review. Although this represents an improvement from 32.6 percent recorded at end of December 2017, there is still need for more interventions by all relevant parties to increase activity of customers using mobile money for payment of goods and services.

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



In terms of the gender balance, there has been a slight improvement in the reported number of females subscribing to mobile money services compared to males, thereby slowly closing the gender gap. For instance, the gender gap decreased to 18.6 percent in December 2018 from 25.8 percent in December 2017 (Fig 2). This is a good development as women constitute 51 percent of the country's population and therefore, their participation in financial transactions must be encouraged if the country is to achieve financial inclusion.

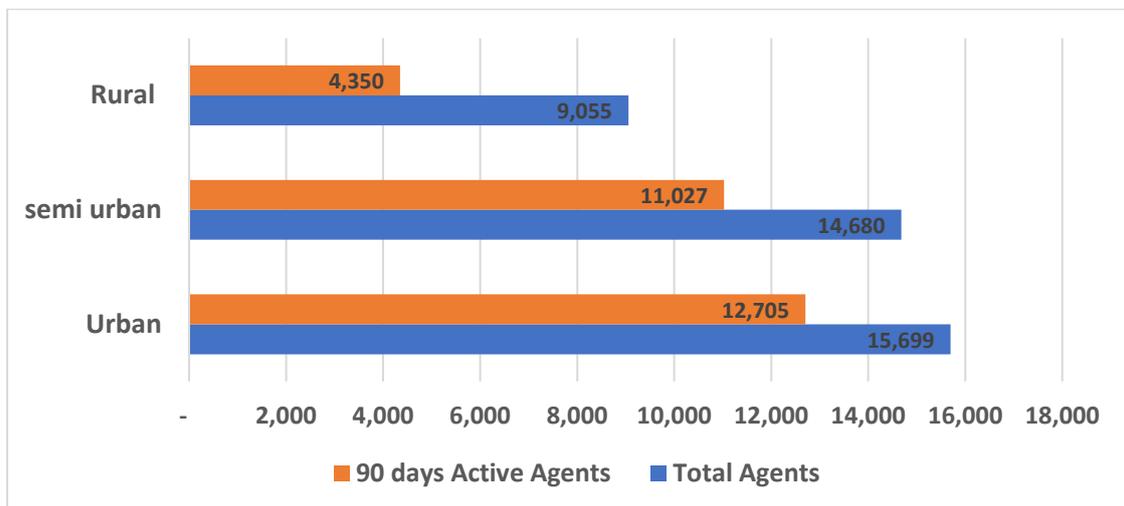
**Fig. 2: Distribution of subscribers based on gender**



**Mobile Money Agents**

There was a 3.7 percent increase in the number of agents who facilitate delivery of mobile money services, to a total of 39,434 in December 2018. This reflects efforts by service providers to increase access points for their services across the country. However, the distribution of these agents remains heavily skewed towards urban and semi-urban areas as 77 percent of them are in urban and semi-urban areas whereas only 23 percent are based in rural areas. With the majority of the country’s total population based in the rural areas, there is need for concerted efforts by all stakeholders to increase deployment of access points in rural areas so that more people have access to secure and affordable payments channels.

**Fig. 3: Distribution of mobile money agents by geography**



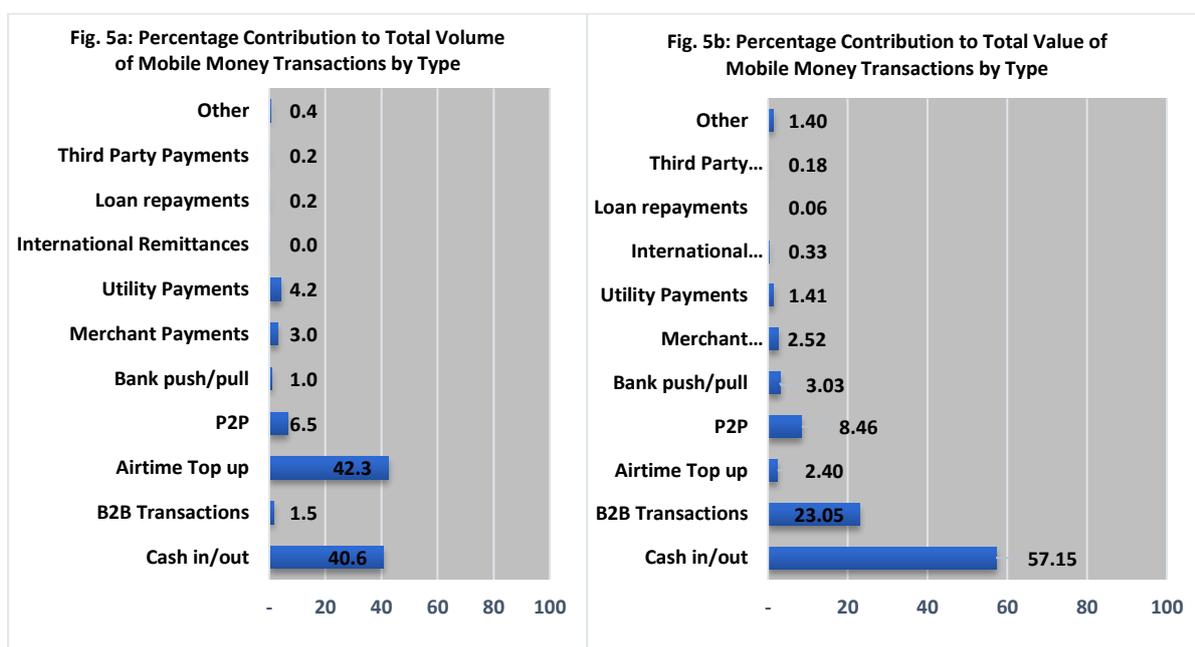
As has been the case over the years, mobile money agents have higher activity rates compared to subscribers and during the period under review, 71.2 percent of the total number of agents were active over a 90-day period compared to a proportion of 41.1 percent of registered subscribers as indicated above. As such it can be surmised that among the

major challenges to usage of mobile money service in the country are high inactivity rates amongst subscribers and sparse availability of agents in rural areas.

### *Usage of Mobile Money Services - Transaction Types*

In terms of usage, mobile money services continue to be dominated by cash in/out transactions and airtime top ups. However, it is pleasing to note that business to business (B2B) transactions contributed a sizeable 23.1 percent of the total value of mobile money payment transaction during the period under review. This suggests that in addition to individuals, businesses are also adopting mobile money for payment of goods and services and they tend to have a higher average value per transaction than individuals.

**Fig. 5 (a&b): Contribution to total volume and value of mobile money transactions by Type**



## **2.2.3 Performance of Bank-based Digital Payment Channels**

### *Internet Banking Services*

The number of subscribers for internet banking services rose by 8.9 percent to a total of 136,235 during the fourth quarter of 2018. However, this number represents about 7.0 percent of the total banked customers suggesting that internet banking is still not a widely used form of digital banking service which can be partly explained by the limited penetration of internet access amongst the general population. Nonetheless, and reflective of the increase in total number of subscribers, both volume and value of internet banking transactions rose by 7.0 percent and 30.8 percent to 508,644 and K379.0 billion, respectively. The magnitude of the total value signifies the potential that this platform has in terms of processing significant amounts of transactions. Also this is a reflection of the fact that a significant proportion of internet banking subscribers are corporate institutions who tend to process transactions of relatively high value.

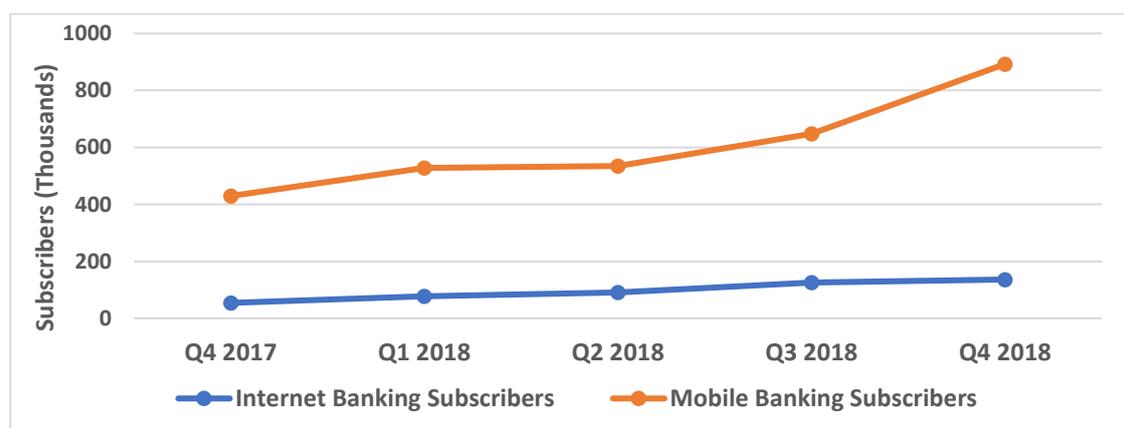
### ***Mobile Banking Services***

The number of mobile banking subscribers rose by 37.7% to 892,641 during the period under review. This represents 44.6 percent of banked customers which is a more pronounced statistic if compared to the corresponding proportion of 7.0 percent for internet banking subscribers as seen above. Similarly, both volume and value of mobile banking transactions increased by 3.0 percent and 2.8 percent to 6.5 million and K72.1 billion, respectively.

It is worth noting that despite the mobile banking platform registering almost 6.5 times the number of account holders on internet banking platforms, at K72.1 billion the total value processed was 5.3 times less than the value processed on the latter channel. This reinforces the point that corporate subscribers drive the value on internet banking. The higher number of subscribers on mobile banking also reflects the fact that most individuals in Malawi are more comfortable using mobile than internet banking, as the former's USSD communication channel does not require internet access and is also available from any type of phone.

This contrast in usage patterns for internet and mobile banking would be a useful perspective for commercial banks and other stakeholders if they wish to identify a particular digital payment channel to focus on based on their clientele profile and strategic objectives.

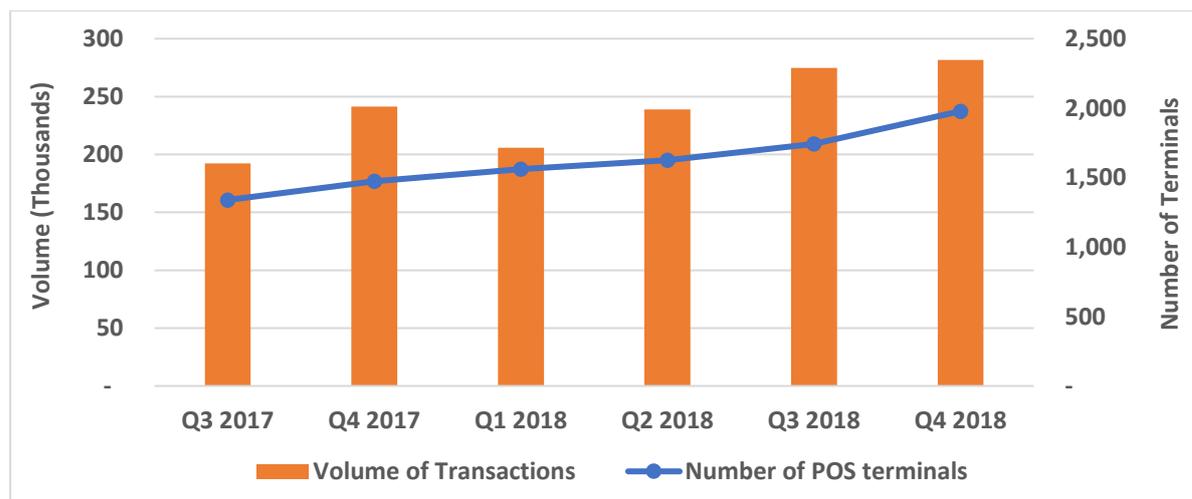
**Fig. 6: Internet Banking vs Mobile Banking Subscribers**



### ***Point of Sale Services***

The number of Point of Sale (POS) terminals deployed across the country increased by 13.6 percent to a total of 1,978 as at December 2018. There was also an increase in both volume and value of transactions albeit marginally. The volume of transactions registered an increase of 6.0 percent whereas the value of transactions increased by 1.4 percent during the period.

**Fig. 7: Trends in Point of Sale Deployment and Usage**



### **3.0 OTHER DEVELOPMENTS: MOBILE PAYMENTS INTEROPERABILITY, POLICY & REGULATION AND PUBLIC AWARENESS ACTIVITIES**

#### *Interoperability of mobile money payment services*

During the period under review, the country achieved another milestone in as far as interoperability of payment services is concerned. The period saw the completion of the integration of the two Mobile Network Operators (MNOs) namely; Airtel Money and TNM Mpamba onto the National Switch, which was achieved in November 2018. This means that a subscriber of one mobile money service can pay and receive funds from a subscriber of the other service. With this type of integration, Malawi is now one of the very few countries on the continent to have successfully implemented such interoperability via national switch. This development also complements the bilateral interoperability arrangements that exist between the MNOs and some commercial banks in the country where consumers can push or pull funds between their mobile and bank accounts. Such interoperable payments infrastructure augur well with the RBM’s goal to shift from cash and other paper based instruments to electronic payment channels.

#### **Policy and Regulation**

The RBM finalised drafting of two regulatory instruments namely the E-money Regulations and the Regulation on deployment and usage of electronic payments channels by businesses. Both Regulations underwent thorough stakeholder consultations during the course of 2018 before being submitted to Government for gazetting processes in September 2018. It is expected that they will be gazetted during the first half of 2019

During the fourth quarter of 2018, the Bank participated in Malawi Confederation of Chambers of Commerce and Industry (MCCCI) regional chapter meetings which aimed at raising awareness amongst the business community on the upcoming Regulation on deployment and usage of electronic payments channels by businesses. Further engagement with stakeholders is expected to be carried out in 2019 once the two Regulations are gazetted.

### ***Public sensitisation activities***

The Reserve Bank in conjunction with the Ministry of Civic Education, Culture and Community Development and other stakeholders carried out community radio engagements as part of public awareness campaign on digital financial services. The aim of this exercise was to promote customer migration from heavy reliance on cash usage to electronic payment products and services as well as highlighting their benefits.

## **4.0 CONCLUSION**

All major payments infrastructure and systems remained stable and therefore facilitated smooth and safe processing of payment, clearing and settlement transactions during the fourth quarter of 2018. The growth trend in volume and value of transactions in all major payment streams showed significant improvement from 2017, with notable challenges being low subscriber activity rates and sparse coverage of access points especially in rural areas. The Reserve Bank in collaboration with all relevant stakeholders should therefore continue implementing measures aimed at increasing access points and usage of digital financial services in the country.

The Reserve Bank will also continue to strengthen and improve policy and regulatory environment in addition to its oversight activities in order to maintain the safety and efficiency of the payments services and create a conducive environment for all stakeholders that would ensure growth of the industry. This will also promote uptake and usage of digital financial services in the country. Further, the Bank will continue to promote strong collaboration amongst industry stakeholders.