

# **THIRD QUARTER 2019 NPS REPORT**

## **1.0 SUMMARY**

This report highlights developments in the national payments systems during the third quarter of 2019 and includes the performance of the various payment system channels, initiatives on the policy and regulatory front as well as efforts to increase adoption and usage of digital financial services in the country. The performance of the payment streams is largely presented relative to the second quarter of 2019. Overall, a total number of 81.2 million transactions were processed from both wholesale and retail payment streams, representing an increase of 10.2 percent from the preceding quarter. However, the corresponding total value of transactions declined by 9.4 percent to K8,805.8 billion during the same period, largely due to a drop in value of MITASS transactions.

## **2.0 PERFORMANCE OF MAJOR PAYMENT PLATFORMS**

### **2.1 MITASS PERFORMANCE**

The performance of MITASS was mixed during the period under review, when compared to the previous quarter. The total volume of transactions processed in this particular system rose by 8.1 percent to 1.5 million whereas the corresponding total value of transactions declined by 13.6 percent to K7,468.1 billion during the same period. The increase in volume of transactions is largely attributable to large value transactions and Electronic Funds Transfers (EFTs) which increased by 16.4 percent and 9.6 percent, respectively. The decline in the value of transactions was however, on account of a decrease of 16.9 percent in value of large value transactions.

Nonetheless, when compared to a similar period in 2018, MITASS registered improved performance as the volume of transactions rose by 14.4 percent whilst the corresponding value of transactions rose by 13.3 percent during the third quarter of 2019.

**Table 1: Transaction Flows in Various Payment System Channels**

Payment Type	APR-JUN 2019		JUL-SEPT 2019		Percentage Change	
	Volume	Value (K'billion)	Volume	Value (K'billion)	Volume	Value
<b>MITASS Total</b>	<b>1,423,534.0</b>	<b>8,646.0</b>	<b>1,539,076</b>	<b>7,468.1</b>	<b>8.1</b>	<b>(13.6)</b>
Large Value	44,968	7,683.7	52,328	6,383.7	16.4	(16.9)
<b>ACH</b>	<b>1,378,566.0</b>	<b>962.3</b>	<b>1,486,748</b>	<b>1,084.4</b>	<b>7.8</b>	<b>12.7</b>
EFTs	1,062,320	361.8	1,164,397	440.8	9.6	21.8
Cheques	316,246	600.5	322,351	643.6	1.9	7.2
<b>RETAIL DFS</b>	<b>72,217,840</b>	<b>1,068.8</b>	<b>79,642,599</b>	<b>1,337.8</b>	<b>10.3</b>	<b>25.2</b>
ATM DFS Transactions	9,995	0.3	4,398	0.2	(56.0)	(33.3)
Internet Banking	482,247	599.4	562,225	728.1	16.6	21.5
<b>Mobile Payments</b>	<b>71,441,908.0</b>	<b>453.6</b>	<b>78,686,849</b>	<b>592.6</b>	<b>10.1</b>	<b>30.6</b>
Bank-led	6,325,997	63.0	6,267,529	117.8	(0.9)	87.0
Non-bank	65,115,911	390.6	72,419,320	474.8	11.2	21.6
Point of Sale (POS)	363,451	15.5	381,771	16.8	5.0	8.4
<b>Grand Total</b>	<b>73,641,374</b>	<b>9,714.8</b>	<b>81,181,675</b>	<b>8,805.9</b>	<b>10.2</b>	<b>(9.4)</b>

## 2.2 TRANSACTION FLOWS IN RETAIL/DIGITAL FINANCIAL SERVICES (DFS) CHANNELS

### 2.2.1 Overall Performance

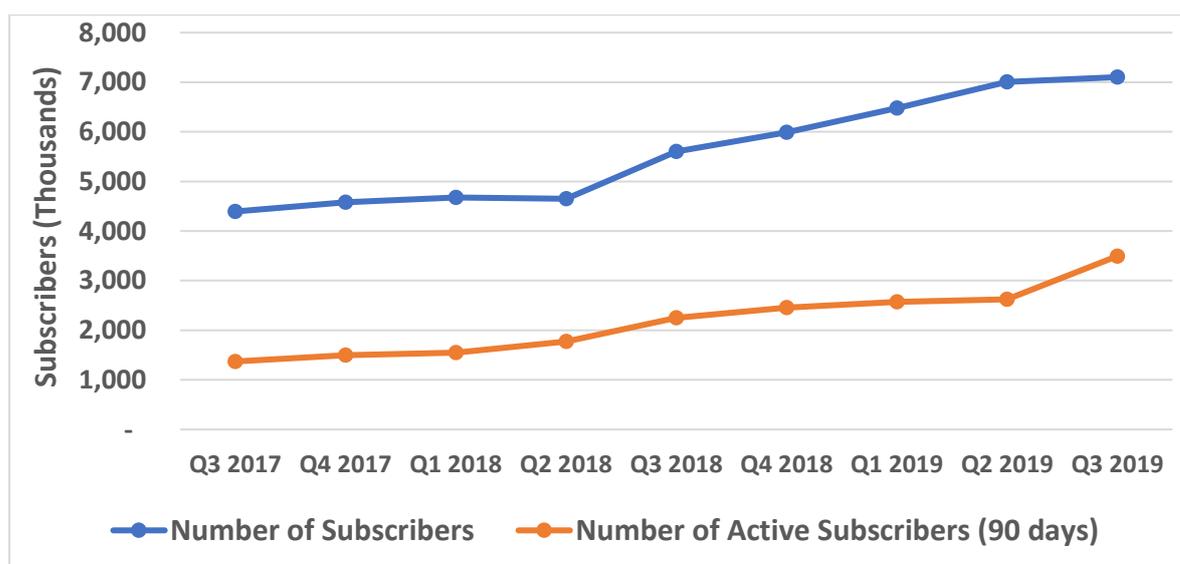
Retail DFS transactions continued to show an upward trend during the period July to September 2019, as was the case with the previous quarter. The total volume of transactions rose by 10.3 percent to 79.6 million whereas the corresponding value increased by 25.2 percent to K1,337.8 billion during the period under review. The increasing trend of DFS transactions shows continued customer preference for modern means of making payments as opposed to cash. A more pronounced movement also appear when a comparison is made to a similar period in 2018 as the volume and value of transaction figures increased significantly by 34.8 percent and 99.9 percent, respectively in the third quarter of 2019. On an annual basis, this trend is expected to continue if the Government, corporate institutions and the general public continue to migrate to electronic payment platforms in effecting their financial transactions.

## 2.2.2 Performance of Non-Bank Mobile Payments

### *Subscribers*

The subscriber base for non-bank mobile money services grew marginally by 1.3 percent to a total of 7.1 million subscribers during the third quarter of 2019. Similarly, there was a rebound in the activity rate as it rose to 49.2 percent as of end of September 2019 from 37.4 percent in June 2019, signifying that more mobile money subscribers used the service during the 90-day period under review, compared to the preceding period (Figure 1). Although this is encouraging, more collaborative efforts by stakeholders are required to ensure the remaining 50.8 percent of mobile money subscribers become active users of the service.

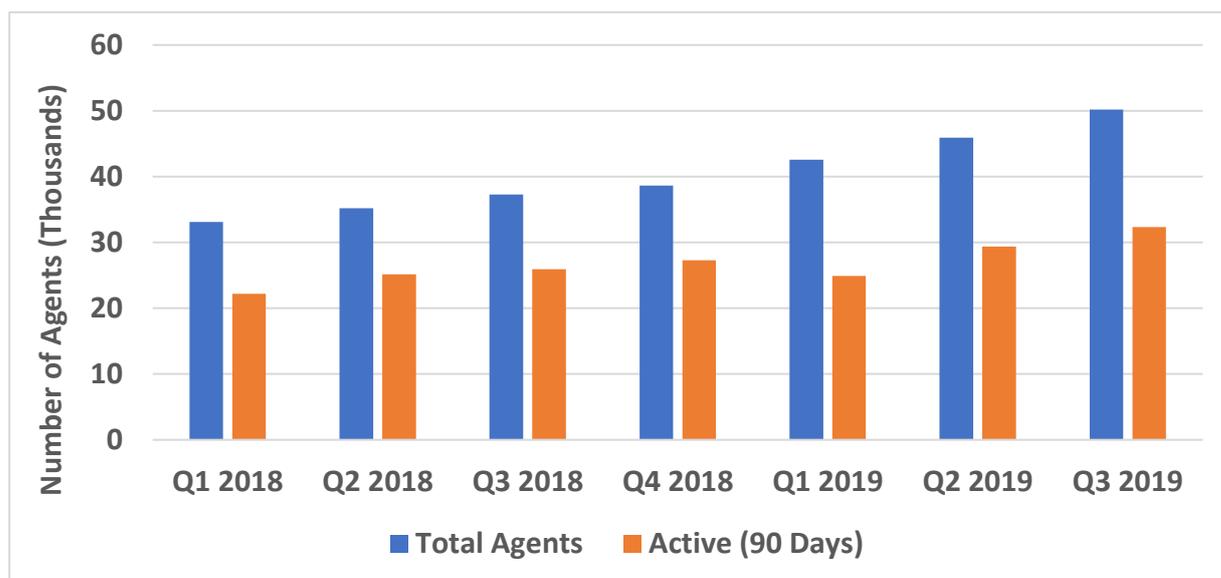
**Fig. 1: Number of Subscribers Vs Activity rates (90 days)**



### *Mobile Money Agents*

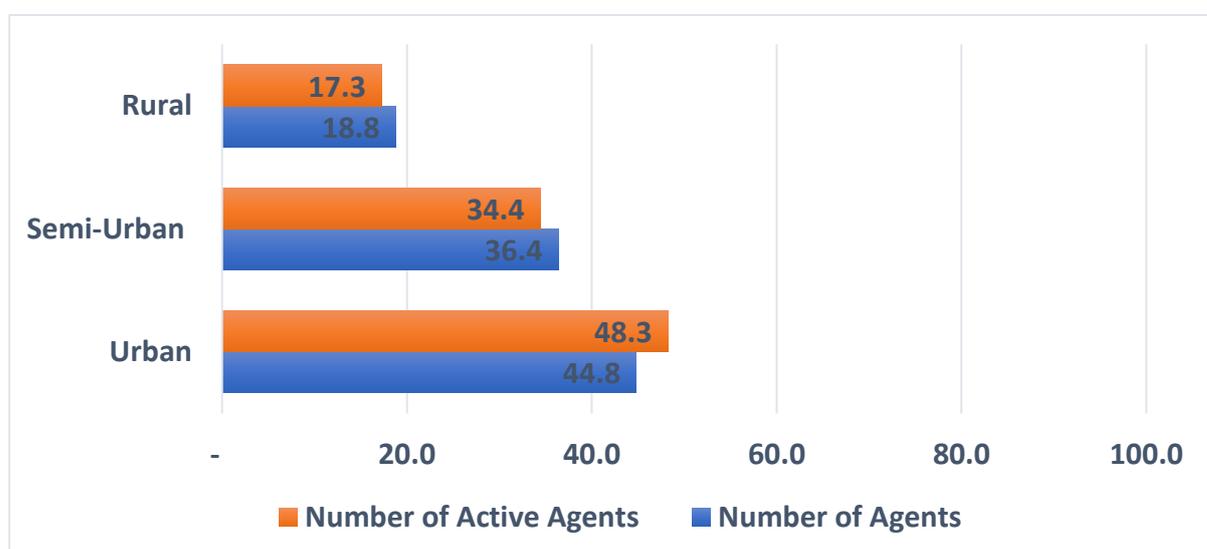
Relative to the second quarter of 2019, the mobile money agent network grew by 9.3 percent to a total of 50,205 registered agents in September 2019, thus increasing further the number of access points for financial services. Similarly, the number of active agents rose by 10.0 percent to 32,316 during the same period, representing an activity rate of 64.4 percent of the total agent network, which, although better than the activity rate for subscribers, still leaves a lot of room for further improvement (Figure 2).

**Fig. 2: Mobile Money Agents: Total No. Registered Vs No. of Active Agents**



However, in terms of geographical distribution, 81.2 percent of mobile money agents are located in urban and semi-urban areas with only 18.8 percent available in rural areas, a situation that needs to be reversed considering that the majority of the country’s population which is largely unbanked lives in rural areas (Fig.3). It is therefore not surprising that the majority of the rural based populace continue to face challenges in accessing financial services due to sparse service points.

**Fig. 3: Geographical Distribution of Agents (%) - September 2019**



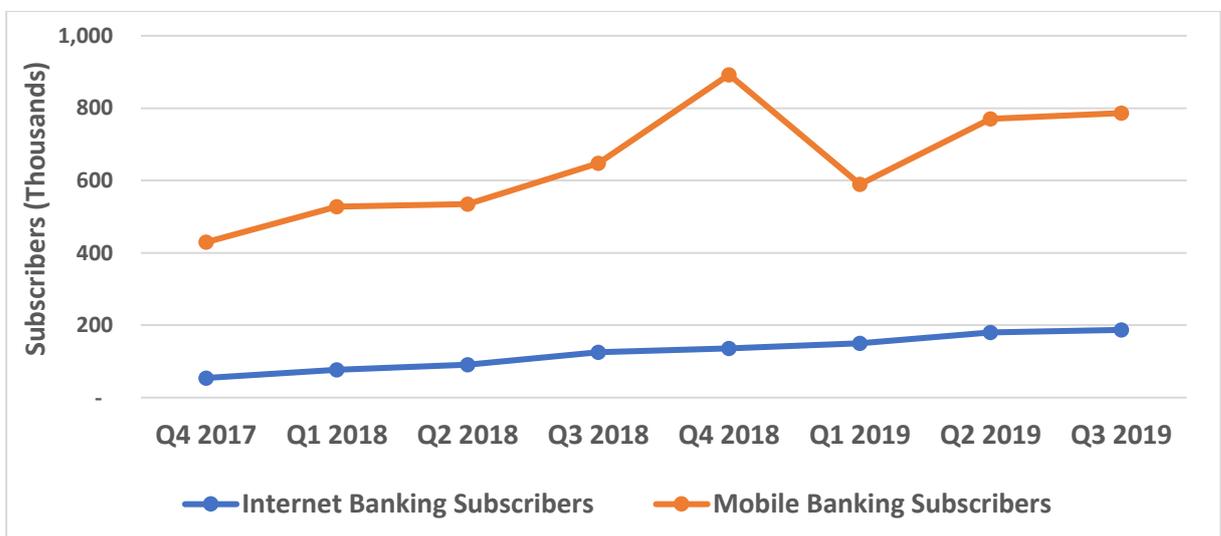
### 2.2.3 Performance of Bank-based Digital Payment Channels

#### *Internet and Mobile Banking Services*

The number of commercial bank customers subscribing to internet banking services registered an increase of 3.8 percent to 187,079 during the third quarter of 2019. Reflective of this increase in number of subscribers, both the volume and value of internet banking transactions rose by 16.6 percent and 21.5 percent to 562,225 and K728.1 billion, respectively during the period under review. The average value per transaction was therefore K1.3 million, reflecting the dominance of corporate entities on this particular payment channel in terms of transaction values, as they tend to process relatively high value transactions compared to individual customers.

The total number of subscribers for mobile banking services also increased, albeit marginally, by 2.0 percent to 785,912 in September 2019 compared to quarter ending June 2019. However, there was mixed performance in terms of usage as the volume of transactions rose by 0.5 percent to 6.2 million whereas the value of transactions increased by 87.7 percent to K117.9 billion during the same period. This outturn suggests that relatively high value transactions were processed using mobile banking services during the period. *Figure 4* shows that mobile banking service continues to attract more banked customers than internet banking services partly due to low internet penetration in the country.

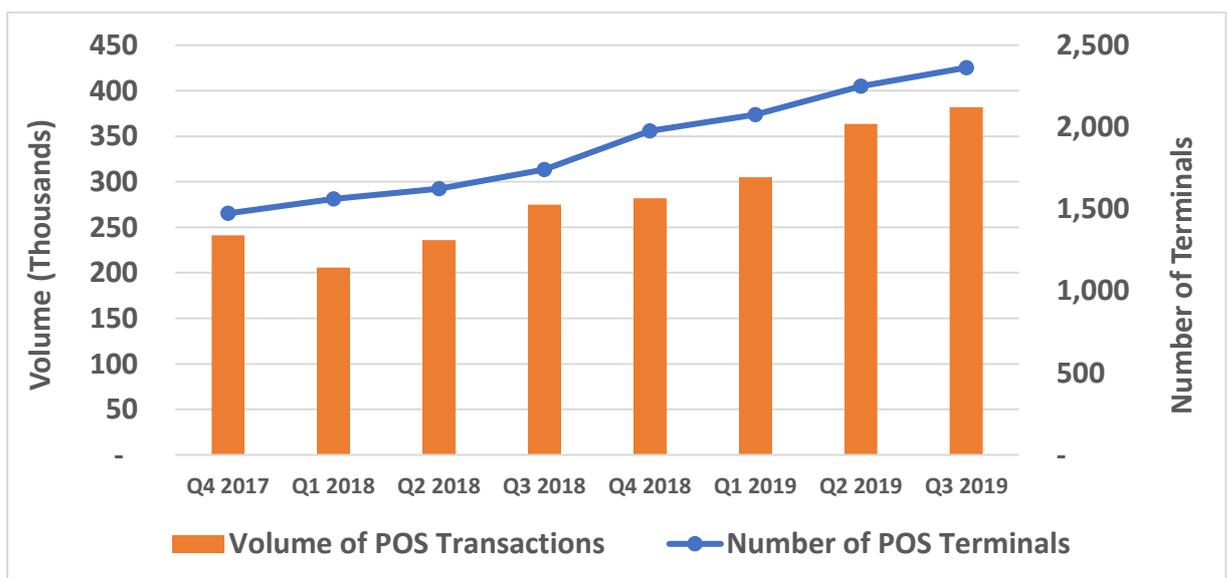
**Fig. 4: Total Number of Internet Banking vs Mobile Banking Subscribers**



### *Point of Sale Services*

The total number of Point of Sale (POS) terminals rose by 5.0 percent to 2,363 as at end September 2019, thus increasing the number of pay points in retail outlets across the country (Figure 5). It is pleasing to note that a similar trend was observed in terms of usage, as both the volume and value of POS transactions rose by 5.0 percent and 8.4 percent to 381,771 and K16.8 billion, respectively during the same period. This outturn reflects notable efforts by service providers to increase deployment of POS terminals and the willingness by the general public to use them for purchases of goods and services.

**Fig. 5: Trends in Point of Sale Deployment and Usage**



## **3.0 OTHER DEVELOPMENTS**

### **Policy and Regulatory Framework**

The E-money Regulation became effective from the quarter under review, during which the Reserve Bank hosted a meeting with industry stakeholders for sensitisation of key issues under the Regulation and its implementation. The Deployment and Usage of Electronic Payment Channels Regulation was also gazetted during the same period. This Regulation was issued by the Ministry of

Trade and Industry under the Business Licensing Act and seeks to mandate adoption and usage of electronic payment services such as Point of Sale (POS) and mobile money at qualifying merchant outlets with a view to increasing convenience for a section of the general public that is willing to pay for goods and services digitally.

#### **4.0 CONCLUSION**

All major payments infrastructure remained stable and therefore facilitated smooth and safe processing of payment, clearing and settlement of various transactions during the period under review. The trend in both volume and value of transactions showed significant improvement from the second quarter of 2019, with notable challenges being low activity rates for mobile money subscribers and sparse coverage of access points especially in remote areas. The Reserve Bank will therefore continue to strengthen policy and regulatory environment as well as collaborate with all relevant stakeholders in the industry to design and implement measures that will promote both uptake and usage of digital financial services in the country.