

NATIONAL PAYMENTS SYSTEM (NPS) - FIRST QUARTER 2020

REPORT

1.0 SUMMARY

The report summarises developments in the National Payments System during the first quarter of 2020. It focusses on transactions processed in the various payment channels and highlights initiatives pursued that aimed at enhancing the payments systems policy and regulatory framework.

During the first quarter of 2020, a total of 91.5 million transactions were processed in both large value and retail payment streams, representing a marginal increase of 0.4 percent relative to the fourth quarter of 2019. The total value of the transactions amounted to K10,076.0 billion, a decrease of 12.9 percent from the amount recorded in the preceding quarter. The drop is due to reduced economic activity during the agricultural planting season, against the preceding quarter which was a festive season that is associated with higher transaction activity.

2.0 PERFORMANCE OF VARIOUS PAYMENT PLATFORMS

2.1 Transaction Flows in Various Payment Channels

Table 1:0 presents the transaction flows recorded in various payment channels during the period under review.

Table 1: Transaction Flows in Various Payment System Channels

Payment Type	OCT-DEC 2019		JAN-MAR 2020		Percentage Change	
	Volume	Value (K' billion)	Volume	Value (K' billion)	Volume	Value
MITASS Total	1,640,998	10,212.9	1,520,446	8,635.7	(7.3)	(15.4)
Large Value	55,745	8,975.6	51,005	7,485.6	(8.5)	(16.6)
ACH	1,585,253	1,237.3	1,469,441	1,150.1	(7.3)	(7.0)
EFTs	1,260,011	565.6	1,162,371	502.5	(7.7)	(11.2)
Cheques	325,242	671.7	307,070	647.6	(5.6)	(3.6)
RETAIL DFS	89,553,327	1,360.4	90,018,855	1,440.3	0.5	5.9
ATM Transactions	3,661	0.2	2,664	0.3	(27.2)	25.0
Internet Banking	601,097	665.3	583,357	806.4	(3.0)	21.2
Mobile Payments	88,528,202	673.9	8,8977,595	616.3	0.5	(8.5)
Bank-led	7,121,016	185.8	8,438,612	125.1	18.5	(32.7)
Non-bank	81,407,186	488.1	80,538,983	491.2	(1.1)	0.6
Point of Sale (POS)	420,367	21.0	455,239	17.3	8.3	(17.6)
Grand Total	91,194,325	11,573.3	91,539,301	10,076.0	0.4	(12.9)

2.2 MITASS Performance

The volume and value of MITASS transactions during the period under review declined by 7.3 percent and 15.4 percent to 1.5 million and K8,635.7 billion respectively. The decrease in MITASS utilisation could be attributed to seasonal factors as highlighted above and the outturn is expected to reverse in the second quarter of the year following the commencement of the agricultural produce trading season. In addition, large value and Electronic Funds Transfer (EFT) transactions contributed to the decrease in both the volume and value of transactions in MITASS. The volume and value of large value transactions decreased by 8.5 percent and 16.6 percent to 51,005 and K7,485.6 billion while EFTs decreased by 7.7 percent and 11.2 percent to 1.2 million and K502.5 billion, respectively.

2.3 Transaction Flows in Retail/Digital Financial Services (DFS) Channels

2.3.1 Overall Performance

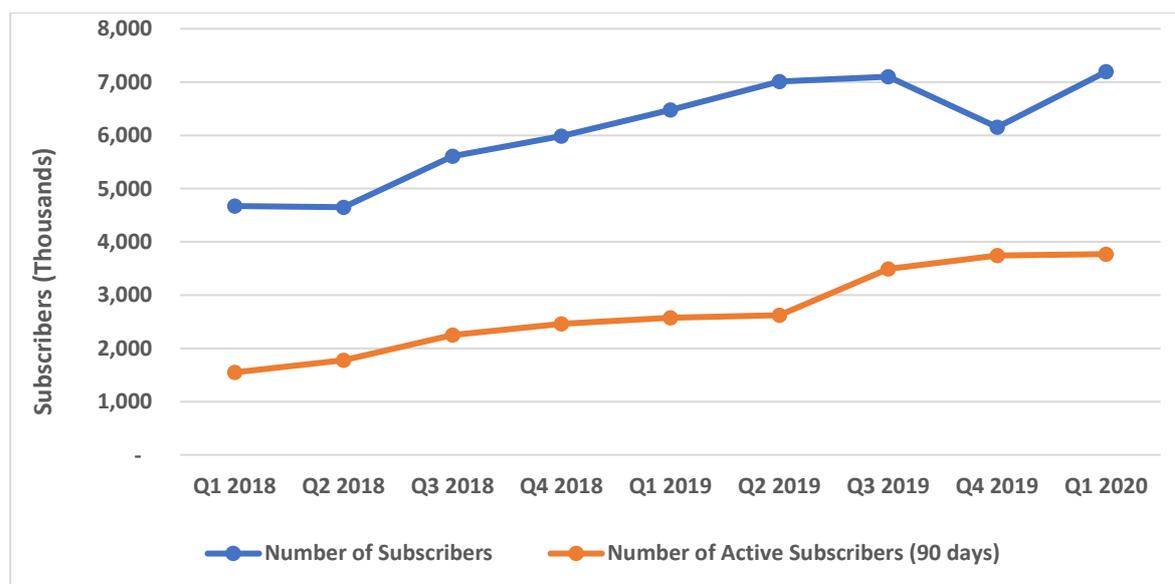
The overall performance of retail DFS transactions in terms of volume and value improved during the period under review as compared to the quarter ended December 2019. The Retail DFS transactions include payments processed through channels such as internet banking, Point of Sale (POS), mobile payment solutions and ATMs (excluding ATM cash withdrawals). The volume and value of transactions in these payment streams registered a marginal increase of 0.5 percent and 5.9 percent to 90.0 million and K1,440.3 billion, respectively. The position is higher when compared with the corresponding period of (first quarter) 2019, as the movements in the volume and value of transaction figures recorded during the period under review means a significant upward movement of 42.8 percent and 87.6 percent, respectively. This suggests that stakeholder efforts to drive increased adoption and usage of electronic payments in the country are bearing results as the transaction numbers keep showing a yearly upward trend.

2.3.2 Non-Bank Mobile Payments

Subscribers

The total number of registered customers for non-bank mobile money services continues to grow. It increased by 16.9 percent to 7.2 million during the first quarter of 2020. Despite this increase, the subscriber activity (the number of subscribers who used the service at least once during a 90-day period) declined to 52.4 percent. This was a drop from the 60.9 percent recorded during the quarter ending December 2019 (Figure 1). This was also a result of the seasonal slow-down of economic activity experienced during the first quarter of each year when compared to the preceding quarter at that point.

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



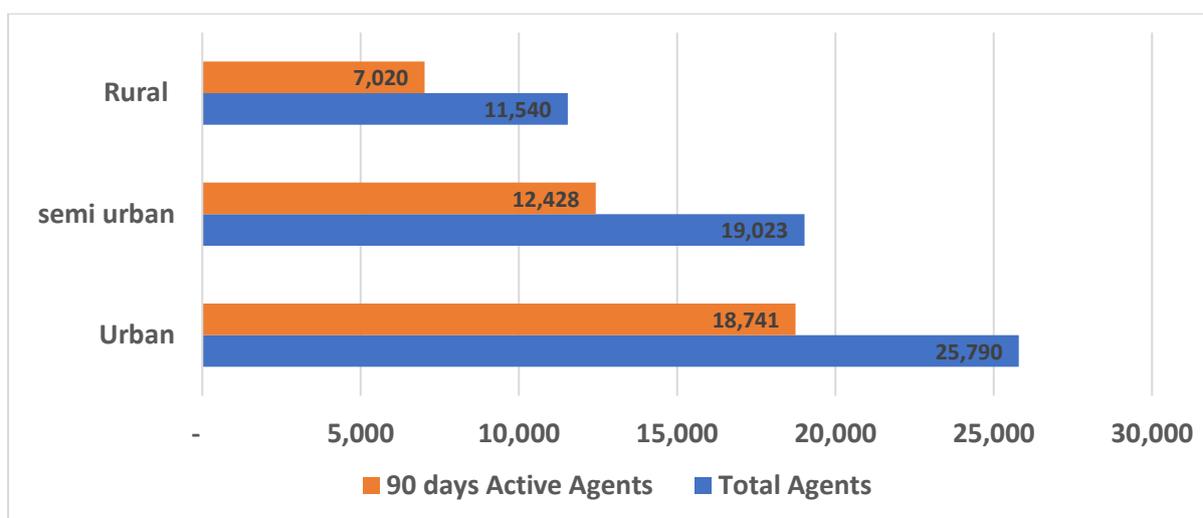
Mobile Money Agents

During the period under review, the number of registered mobile money agents increased by 8 percent to 56,353. This is a positive outcome on efforts towards increasing access points across the country as agents are critical in the delivery of mobile money services. The activity rate for mobile money agents increased to 67.8 percent during the period under review, from 65.0 percent during the previous period. It may be noted that the activity rate for agents was higher than that of subscribers. There is however still much room for improvement in terms of activity

rates for both agents and subscribers if the country is to build a vibrant mobile money ecosystem.

In terms of geographical distribution, 79.5 percent of mobile money agents (or 44,813 agents) are located in urban and semi-urban areas with only 20.5 percent of them (11,540 agents) available in rural areas (Fig.2). This implies that a relatively small proportion (20.5 percent) of the total number of agents service more than 80 percent of the country’s population. The majority of the rural based populace therefore face difficulties to access financial services due to fewer service points, since commercial bank branches are also mostly located in urban centres. Any efforts by the service providers to increase their footprint in the rural areas will therefore go a long way in addressing this challenge.

Fig. 2: Geographical Distribution of Mobile Money Agents



2.3.3 Bank-based Digital Payment Channels

Internet Banking Services

The total number of internet banking services subscribers registered a growth of 8.0 percent to 213,446 during the first quarter of 2020 from 197,565 reported at the end of last quarter of 2019.

The performance with respect to usage was however mixed as the volume of transactions decreased by 3.0 percent to 583,357 transactions whilst the value of

transactions increased by a margin of 21.2 percent to a total of K806.4 billion. This suggests that on average more high value transactions were processed using internet banking services during the period under review compared to the fourth quarter of 2019.

Mobile Banking Services

The number of mobile banking subscribers rose by 7.9 percent to 904,737 during the period under review. This increase in the number of subscribers is due to the fact that mobile banking is the most widely used bank-based digital channel compared to internet banking, owing to factors such as ease of use and challenges with accessibility of internet services amongst bank customers. During the first quarter of 2020, the volume and value of mobile banking transactions rose by 18.5 percent and 32.7 percent to 8.4 million and K125.1 billion, respectively, when compared to the figures recorded during the last quarter of 2019.

2.3.4 Transactions Processed via the National Switch

The National Switch (Natswitch) is one of the key payments infrastructure in the country as it facilitates interoperability of retail payments transactions across different platforms. Natswitch currently clears ATM, POS and mobile money transactions. Table 2 provides a summary of the performance of the Switch in terms of transactions processed from the three payment streams.

Table 2: Transactions Flows through Natswitch

Payment Type	OCT-DEC 2019		JAN-MAR 2020		Percentage Change	
	Volume	Value (K' billion)	Volume	Value (K' billion)	Volume	Value
ATM Transactions	803,540	27.4	716,512	23.4	(10,8)	(14,6)
Point of Sale (POS)	176,145	5.6	211,639	6.2	20,2	10,7
Mobile Money	490,572	2.4	537,298	2.3	9,5	(4,2)
Grand Total	1,470,257	35.4	1,465,449	31,9	(0,3)	(9,9)

a. ATM Transactions

During the period under review, the volume and value of ATM transactions processed through Natswitch declined by 10.8 percent and 14.3 percent to 716,512 and K23.4 billion, respectively, from the preceding quarter. This could be attributed to seasonal factors as highlighted above.

b. POS Transactions

The volume and value of POS transactions processed via the Switch was recorded at 211,639 and K6.2 billion, respectively, during the first quarter of 2020. This represented a percentage increase of 20.2 and 10.7 in volume and value, respectively, when compared to the fourth quarter on 2019.

In addition, the volume of POS transactions processed registered during the period under review represented a proportion of 46.5 percent of all POS transactions (total of 455,239 transactions, Table1). On the other hand, at K6.2 billion, the value of POS transactions processed through the Switch was 35.8 percent of the value of all POS transactions during the same period (K17.3 billion, Table 1).

c. MNO-led Mobile Money Services

A total of 537,298 mobile money transactions were processed via the Switch during the period under review, representing a 9.5 percent increase from the previous quarter. This also represented 0.7 percent of all mobile money transactions (80.5 billion, Table 1), implying that only a tiny fraction of transactions are performed across the two mobile money platforms of Airtel Money and TNM Mpamba. During the period under review, the value of mobile money transactions processed by the National Switch amounted to K2.3 billion, a decline of 4.2 percent from the preceding quarter.

The above suggest that users or subscribers have been slow in utilising the interoperability of the mobile money services and are performing very few transactions going across the two mobile money services. The service providers are therefore encouraged to enhance awareness and marketing to enable users to take advantage and utilise the convenience afforded by the facility.

3.0 OTHER DEVELOPMENTS

Policy and Regulatory Framework

During the quarter under review, the RBM continued to monitor implementation of the E-money Regulations, which were issued under the Payments Systems Act and became effective in July 2019. Among other objectives, the E-money Regulations are meant to provide regulatory framework governing operations of e-money services in the country including consumer protection and protection of customer funds. In accordance with these regulations, a total amount of K199.7 million in respect of interest earned in mobile money trust account held at commercial banks, was distributed to mobile money subscriber accounts by the two service providers during the quarter. In this regard, the Regulation is expected to enhance confidence amongst users of mobile money in the country thereby increasing adoption and usage of the services.

4.0 CONCLUSION

There was a slowdown in the performance of most of the payment channels in terms of the volume and value of transactions processed during the first quarter of 2020, mainly due to reduced economic activity following the onset of agricultural planting season. Although on seasonal trends this is expected to reverse during the second quarter of 2020 as it is the beginning of agricultural produce trading season, the economic impact of Covid-19 pandemic currently being experienced is expected to have a reducing effect on the level of transactions in all payment streams.

Low activity rates for mobile money subscribers and agents, coupled with low awareness and sparse availability of payment systems access points in remote areas remain challenges affecting increased adoption and usage of electronic payment products and services in the country. The Reserve Bank will therefore continue to collaborate with all relevant stakeholders in the industry to design and implement measures that will support increased growth of the digital financial services in the country.