

OVERVIEW OF TURNOVER IN VARIOUS PAYMENT SYSTEMS¹

The average total value of daily transactions increased by 18.8 percent to K28.4 billion in March 2014, after declining by 22.1 percent in February 2014 to K24.0 billion (Table 1). The increase in transaction value during the period was across all systems except for MNO-led mobile payments which registered a slight decline of 0.9 percent. On the other hand, transaction volume which amounted to 234,976 continued to decline, though at a slower pace of 0.3 percent compared to a decrease of 4.5 percent in the preceding month. As forecast in our previous Report, these developments suggest that economic activity is picking up due to on-set of the tobacco marketing season.

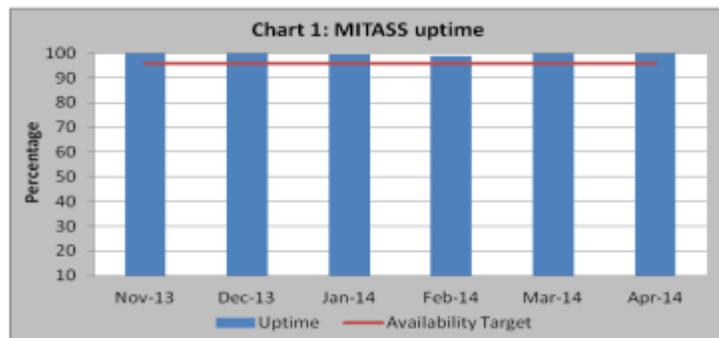
Table 1: Daily Payment Systems Turnover

	FEB-14			MAR-14		
	Vol.	Val (K'mn)	% Share (Val.)	Vol.	Val (K'mn)	% Share (Val.)
MITASS	755	15,406	64.3	773	19,099	67.1
ECCH	7,277	7,366	30.8	7,284	8,022	28.2
ATMs	58,945	809	3.4	59,318	850	3.0
Internet Banking	781	177	0.7	707	260	0.9
Bank-led Mobile Banking	22,784	44.9	0.2	20,636	63.9	0.2
MNO-led Mobile Payments	144,494	133.2	0.6	145,496	132	0.5
POS	611	16.6	0.1	754	20.2	0.1
TOTAL	235,647	23,953	100.0	234,967	28,447	100.0

Source: Reserve Bank of Malawi

STABILITY OF THE FINANCIAL INFRASTRUCTURE

The payment infrastructure remained stable as both MITASS, ECCH and retail payment systems operated without major disruptions to clearing, settlement and payments processes. As depicted by Chart 1, MITASS uptime for the past six months has consistently been closer to 100 percent against a target of 96 percent. This can mainly be attributed to the recent improvement in power supply as well as technical support provided by the system administrator.



Source: Reserve Bank of Malawi

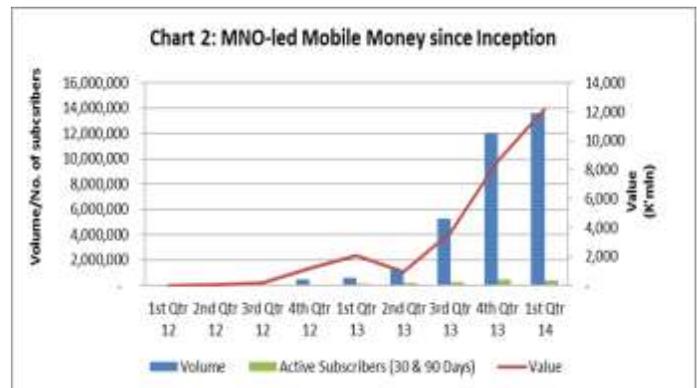
DEVELOPMENTS IN INNOVATIVE RETAIL PAYMENT SCHEMES

Some major milestones have been achieved in the area of electronic retail payments in the last two years to March 2014. This period marks almost two years since the launch of the first innovative mobile banking service in the country. During this period, uptake in terms of transaction values

and volumes as well as the regulatory environment have undergone tangible progress with a variety of market players, including mobile network operators (MNOs) and banks getting involved. This Report will therefore concentrate on analysis of performance of existing electronic retail payment systems.

State of MNO-led Mobile Payment Schemes

As depicted by Chart 2, total transaction value for MNO-led mobile payments has increased to K12.2 billion in the quarter ending March 2014 from just K3.5 million in quarter ending March 2012 (when the first product was launched in Malawi) whereas total transaction volume has increased to 13.6 million from 1.7 thousand during the same period. Most of the increase has been due to acceptance of the system by subscribers, especially for utility bill payments.



Source: Reserve Bank of Malawi

However, increasing the subscriber base for MNO-led mobile payments has been a challenge mainly due to sparse agent network and higher transaction fees. Total active subscribers (i.e., 30 and 90 days) as at end March 2014 stood at 411,436, up from 462 at end of March 2012. Chart 3 shows that total number of agents increased to 15,510 as at end March 2014 from 1,733 at end of same period in 2012. However, this translates into just 190 agents for every 100,000 adults which represents relatively low agent penetration in the country.



Source: Reserve Bank of Malawi

In view of the above, the focus for NPS will now be to increase the number of subscribers for mobile payments. This will include continued engagement with MNOs to explore viable strategies to accelerate the development of agent network, especially in rural and semi-urban areas.

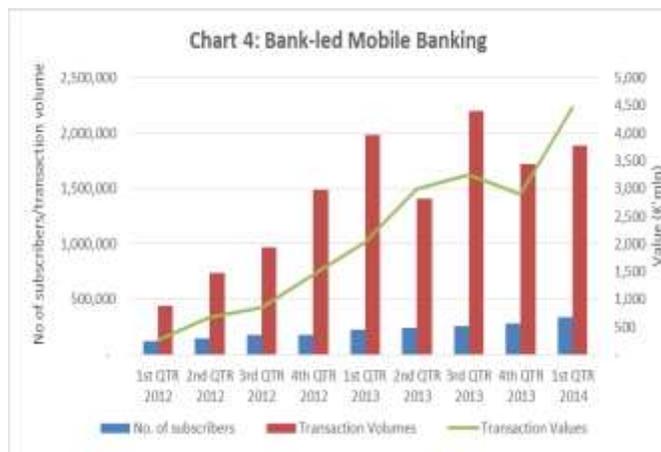
Footnotes:

1. There is a one month lag for national payments data due to delays in submission of monthly returns by banks & MNOs

State of Bank-led Electronic Payment Schemes

Mobile Banking

Bank-led payment schemes have also registered significant growth in terms of volume and value of transactions processed during the period to end March 2014. RBM approved two more bank-led mobile payment services during the first quarter of 2014 bringing the number of commercial banks offering such services to six on top of the four that have already been operational since 2012. This has brought more bank customers into mobile payments allowing them to remotely access their accounts to conduct certain transactions such as funds transfers and utility bill payments. As illustrated by Chart 4, the number of subscribers increased to 336,562 as at end March 2014 from 119,475 as at end same period in 2012. During the same period, the volume and value of transactions increased to 1.9 million and K4.7 billion from 439,376 and K265 million, respectively. The recent increase in transaction value and volumes for bank-led mobile payments is also an indication that commercial banks are now introducing and promoting their mobile banking products and services to stay in competition with MNO-led mobile banking.



Source: Reserve Bank of Malawi

Internet Banking

The total transaction value for internet banking increased to K21.6 billion in the quarter ending March 2014 from K8.5 billion in the same quarter in 2012. Similarly, the total volume of transactions increased to 68,200 from 48,819 during the same period. The subscriber base for internet banking has almost doubled to 26,481 as at end March 2014 from 19,119 during the same period in 2012. However, the banking industry has been very slow in introducing internet banking. As of March 2014, only 5 out of 12 commercial banks in the country had launched internet banking, a slight increase from 4 banks which had internet banking as of March 2012.

Card Payments

As at April 2014, the Malawi National Net Settlement System (MNSS) marked almost one and a half years in operation following an agreement between RBM and Visa International to start settling domestic visa card transactions in local currency via MITASS. Since inception, the MNSS has processed a total transaction value of K1,863.0 million, translating into a monthly value of K266.1 million. To increase usage of the visa card by customers,

RBM negotiated a reduction in interchange fees which dropped from an average of K750 per transaction to K340, effective June 2013. NPS is yet to engage banks for a further reduction in interchange fees.



Source: Reserve Bank of Malawi

DEVELOPMENTS IN REGIONAL CROSS-BORDER PAYMENTS INITIATIVES

SADC Integrated Regional Settlement System (SIRESS)

SIRESS went live in Malawi on 14 April 2014 with RBM and six commercial banks being the first to be connected to the system. As at end April 2014, 28 transactions were processed through the system with a total corresponding value of K108.2 million, translating into a daily average of K4.9 million.

UPDATE ON NATIONAL PAYMENT SYSTEM PROJECTS AND ACTIVITIES

Progress on the Automated Transfer System (ATS) & Central Securities Depository (CSD) Projects

RBM continued to carry out activities as part of ATS and CSD implementation plan. Major activities in April 2014 included user training for key stakeholders and progress review meetings of the Interbank Coordination Committee (ICC). The training sessions which started on 28 April 2014 are expected to be through by end May 2014. The ATS and CSD are on course for implementation by December 2014.