

## **SECOND QUARTER 2020 NPS REPORT**

### **1.0 SUMMARY**

This report provides a summary of developments in the national payments system during the second quarter of 2020, focusing on transactions processed through both large value and retail payment channels.

Overall, a total of 101.7 million transactions were processed in all payment streams, representing an increase of 11.1 percent compared to the first quarter of 2020. Similarly, the total value of transactions increased by 32.5 percent to K13.3 trillion during the same period. This outturn can be attributed to increased economic activity as the second quarter of each year usually marks the onset of agricultural produce trading season.

### **2.0 PERFORMANCE OF VARIOUS PAYMENT PLATFORMS**

#### **2.1 Transaction Flows in Various Payment Channels**

*Table 1* below 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	JAN-MAR 2020		APR-JUNE		Percentage Change	
	Volume	Value (K'billion)	Volume	Value (K'billion)	Volume	Value
<b>MITASS Total</b>	<b>1,520,446</b>	<b>8,635.7</b>	<b>1,385,202</b>	<b>11,852.2</b>	<b>(8.9)</b>	<b>37.2</b>
Large Value	51,005	7,485.6	52,860	10,621.0	3.6	41.9
ACH	<b>1,469,441</b>	<b>1,150.1</b>	<b>1,332,342</b>	<b>1,231.2</b>	<b>(9.3)</b>	<b>7.1</b>
EFTs	1,162,371	502.5	1,065,142	585.9	(8.4)	16.6
Cheques	307,070	647.6	267,200	645.3	(13.0)	(0.4)
<b>RETAIL DFS</b>	<b>90,018,855</b>	<b>1,440.3</b>	<b>100,288,042</b>	<b>1,496.0</b>	<b>11.4</b>	<b>3.9</b>
ATM Transactions	2,664	0.3	4,031	0.2	51.3	(33.3)
Internet Banking	583,357	806.4	591,217	779.6	1.3	(3.3)
Mobile Payments	<b>8,8977,595</b>	<b>616.3</b>	<b>99,239,052</b>	<b>701.5</b>	<b>11.5</b>	<b>13.8</b>
Bank-led	8,438,612	125.1	7,661,874	153.3	(9.2)	22.5
Non-bank	80,538,983	491.2	91,577,178	548.2	13.7	11.6
Point of Sale	455,239	17.3	453,742	14.7	(0.3)	(15.0)
<b>Grand Total</b>	<b>91,539,301</b>	<b>10,076.0</b>	<b>101,673,244</b>	<b>13,348.2</b>	<b>11.1</b>	<b>32.5</b>

## **2.2 MITASS Performance**

During the period under review, the volume of transactions processed in MITASS declined by 8.9 percent to a total of 1.4 million while value of transactions rose by 37.2 percent to K11.9 trillion. The decrease in volume of transactions was largely driven by a drop of 13.0 percent and 8.4 percent in cheques and Electronic Funds Transfer (EFT) transactions, respectively. On the other hand, the increase in the total value of the MITASS transactions was from large value and EFT transactions which increased by 41.9 percent and 16.6 percent, respectively.

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

### **2.3.1 Overall Performance**

Relative to the first quarter of 2020, the overall performance of retail DFS transactions improved in terms of volume and value of transactions processed during the period under review, which rose by 11.4 percent and 3.9 percent to 100.2 million and K1.5 trillion, respectively. When compared to the corresponding period of second quarter of 2019, the position is much higher as the volume and value of transactions processed during the period under review recorded upward movements of 38.9 percent and 40.0 percent, respectively. This trend could imply that efforts by various stakeholders in the payments ecosystem to drive increased adoption and usage of electronic payments in the country, are bearing fruits.

### **2.3.2 Non-Bank Mobile Payments**

#### ***Subscribers***

The total number of registered customers for non-bank mobile money services remained largely unchanged at 7.2 million during the second quarter of 2020. Out of this total, male subscribers constitute 61.3 percent while the remainder represents female users of mobile money services.

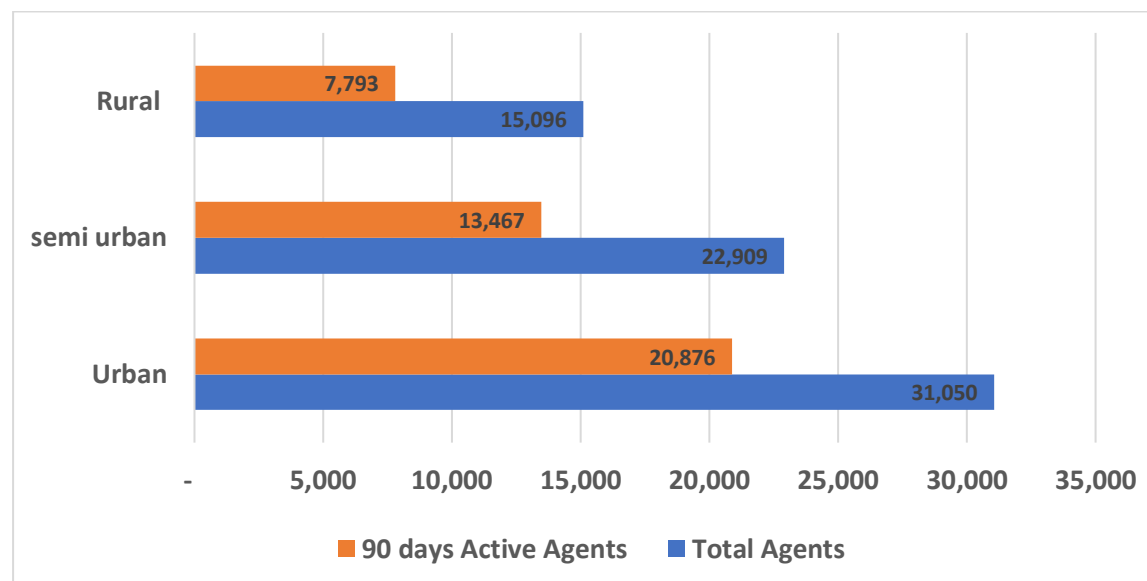
The (90-day) activity rate for subscribers increased to 57.5 percent in June 2020 from 52.4 percent recorded in March 2020. Although this is a positive development, there is still much room for improvement to ensure that subscribers are actively using mobile money services in the country and thus contribute to growth of its ecosystem.

### ***Mobile Money Agents***

The number of registered mobile money agents increased by 22.5 percent to a total of 69,055 during the period under review. This is a good development as it increases the number of access points for financial transactions. However, the period also registered a low activity rate for mobile money agents as the proportion of agents who were available to serve customers during the past 90-day period declined to 61.0 percent from 67.8 percent. This calls for deliberate measures by service providers to address challenges being faced by agents and incentivise them to remain active as they are a critical stakeholder in the delivery of mobile money services.

In terms of distribution, 78.1 percent (53,096 agents) of mobile money agents were geographically located in urban and semi-urban areas with the remaining 21.9 percent (15,096 agents) located in rural areas (*Figure 1*). In addition, 63.6 percent of the agents located in urban and semi-urban areas were active over a 90-day period compared to 51.6 percent in rural areas. This underscores the need for more interventions in rural areas in order to increase both the footprint of agents as well as incentivising them to be actively involved in the delivery of the mobile money services, as it is the easiest and cost effective way of reaching out to the rural populace.

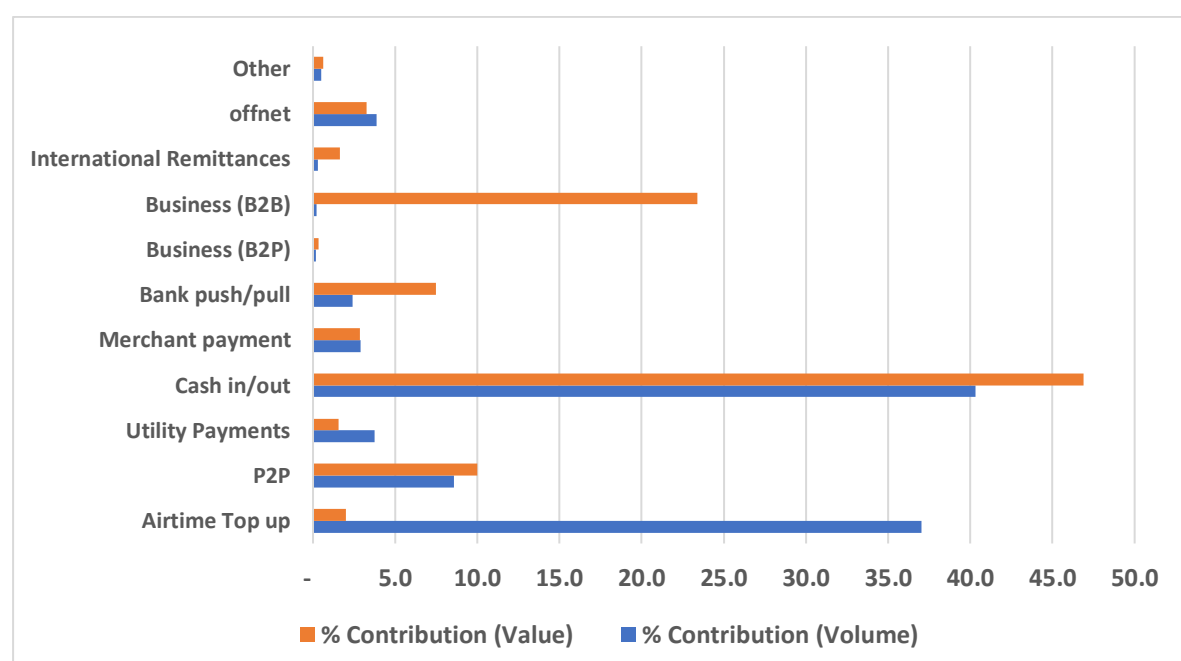
**Figure 1: Geographical Distribution of Mobile Money Agents**



### *Nature of Transactions*

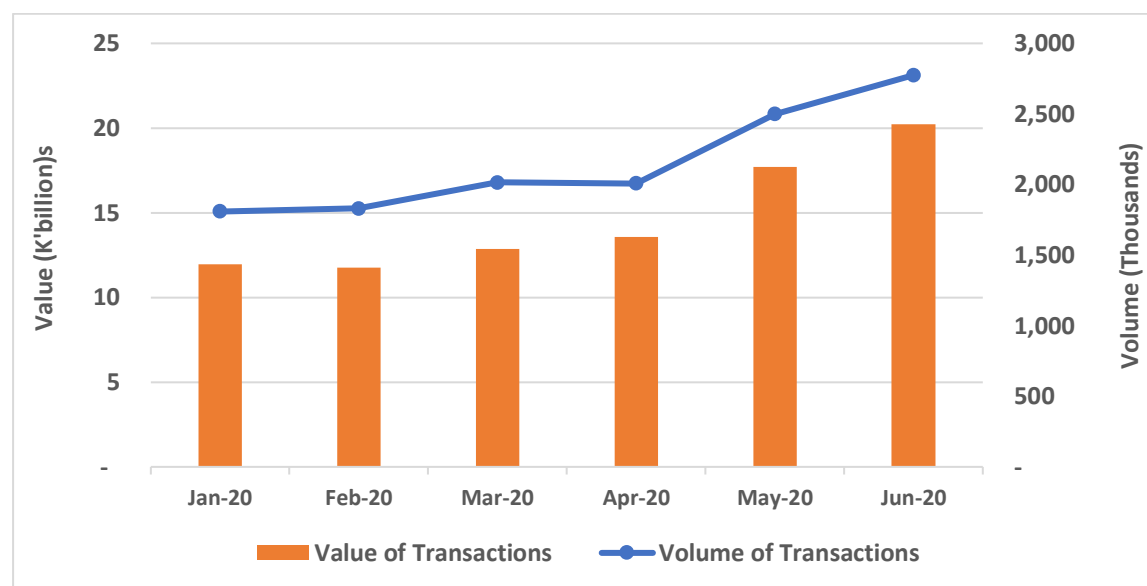
With respect to usage, save for cash in/cash out, transactions on mobile money platforms are dominated by Business to Business (B2B) and airtime top-ups in terms of value and volume of transactions, respectively (*Figure 2*). Person to person (P2P) transfers, bank push/pull, transactions across networks (off net) and merchant payments have also recorded an increase in their proportion to total transactions processed during the period under review.

**Figure 2: Percentage Contribution Based on Transaction Type**



A look at the individual transaction types however reveals that P2P transactions have shown an upward trend since January 2020 (*Figure 3*). In May 2020 for instance, the value of P2P transactions rose by 30.6 percent to K17.7 billion. Overall, the value of P2P transactions recorded an increase of 14.2 percent from the preceding quarter, to K20.2 billion in June 2020. This outturn could partly be attributed to an increased use of mobile money services in the wake of the Covid-19 challenges complemented with a reduction in user fees by service providers during the same period.

**Figure 3: Monthly Trend in Mobile Money P2P Transactions**



### 2.3.3 Bank-based Digital Payment Channels

#### *Internet Banking Services*

The total number of subscribers for internet banking services declined by 4.2 percent to 204,394 during the period under review. The transaction flows however recorded a mixed performance as the volume increased by just 1.3 percent to 591,217 whereas the value declined by 3.3 percent to K779.6 billion. This suggests that more transactions of relatively small value were processed through this channel during the period compared to the first quarter of 2020.

#### *Mobile Banking Services*

Performance of mobile banking services was also mixed during the period under

review. Compared to the first quarter of 2020, the number of subscribers increased by 5.6 percent to 956,038 as at end of June 2020. However, the volume of transactions declined by 9.2 percent to 7.7 million during the same period. Despite the decrease in the number of transactions, the corresponding value of transactions rose by 22.5 percent to K153.3 billion.

The use of mobile banking services, although below the expected levels, also appears responsive to Covid-19 preventive measures that has led the general public perform transactions electronically as they seek to avoid congestion in banking halls and other access points. This helps to explain the substantial increase in value of transactions processed through mobile banking during the period.

### 2.3.4 Transactions Processed via the National Switch

The National Switch platform facilitates interoperability of retail transactions across different payment channels. Currently, the switch facilitates clearing of automated teller machines (ATMs), Point of Sale (POS) and mobile money transactions. Table 2 below provides a summary of the performance of the Switch in terms of transactions processed from the three payment streams during the quarter under review.

**Table 2:** Transaction Flows through Natswitch

Payment Type	JAN-MAR 2020		APR-JUN 2020		Percentage Change	
	Volume	Value (K'billion)	Volume	Value (K'billion)	Volume	Value
ATM Transactions	716,512	23.4	683,072	23.5	(4.7)	2.1
Point of Sale	211,639	6.2	215,737	6.3	1.9	1.6
Mobile Money	537,298	2.3	1,229,871	6.2	128.9	169.6
<b>Grand Total</b>	<b>1,465,449</b>	<b>31.9</b>	<b>2,128,680</b>	<b>36.0</b>	<b>45.3</b>	<b>12.9</b>

#### *ATM Transactions*

Relative to first quarter of 2020, the volume of ATM transactions processed through the National Switch declined by 4.7 percent to 683,072 during the period under review whereas the value of transactions rose by 2.1 percent to K23.5

billion. These transaction figures respectively represented 12.8 percent and 11.9 percent of the total volume (5.3 million) and value (K196.9 billion) of all ATM transactions recorded during the quarter under review. This shows that the majority of customers still prefer to use ATMs of their domiciled banks as opposed to accessing ATMs operated by other banks.

### ***POS Transactions***

During the quarter under review, volume and value of POS transactions processed via the Switch rose by 1.9 percent and 1.6 percent to 215,737 and K6.3 billion, respectively. Proportionally, the volume and value of POS transactions processed through the Switch represents 47.5 percent and 42.8 percent of the total volume and value of POS transactions processed during the quarter, which was recorded at 453,742 and K14.7 billion, respectively.

Similar to the case with ATMs, POS transactions processed via the Switch are all interbank transactions, with the rest being customers using their own bank's POS facilities. The proportion of the interbank transactions to overall POS transactions as indicated above therefore implies that POS terminals are more widely shared than ATMs in terms of use amongst different banks' customers.

### ***MNO-led Mobile Money Services***

There was a significant increase in MNO-led mobile money transactions processed via the Switch as the volume rose by 128.9 percent to 1.2 million whereas the value increased by 169.6 percent to K6.2 billion during the period under review. This signifies that most customers appreciate the convenience and efficiency brought about by the interoperability of the two mobile money providers through the Switch.

While cross-platform transactions have increased tremendously during the review period, they are however still very low as a proportion of the aggregate mobile payments transactions. The volume and value recorded above represented 1.3 percent and 1.1 percent, respectively, of the total mobile money

volume (91,577,178) and value (K548.2 billion) of transactions processed during the period under review. It is expected that more transactions will continue to be pushed across the two platforms as the service providers intensify their awareness and marketing activities so that users can take advantage of the convenience afforded by the Natswitch.

#### **4.0 CONCLUSION**

There was generally an improvement in the overall performance in the transactions flow in the national payments system during the period under review, despite a slowdown experienced in some of the individual payments streams. The onset of the agricultural trading season, which stimulates economic activity and the Covid-19 pandemic experienced during the quarter has had a mixed influence on the level of transactions processed with some channels registering an increase in usage while others have experienced a reduction.

There is room for improvement in the retail payments segment and this therefore calls for continued implementation of appropriate policy interventions by both by the Reserve Bank and payment systems operators to ensure that the majority of the population increasingly uses digital financial services.