RETAIL PAYMENT SYSTEMS DEVELOPMENTS IN ZIMBABWE

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Reserve Bank of Zimbabwe
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Acknowledgements (BIS, WB, RBZ, SADC)
Outline

- Legal Framework
- Payments Landscape
- Mobile Financial Services
- Financial Inclusion Aspects
- Challenges and Conclusion
ZIMBABWEAN POPULATION

6,234,931

6,738,877

12,973,808
Legal and Regulatory Framework

- **Reserve Bank Act** - Promotes the smooth operations of PS
- **Banking Act** - Provides for Supervision of Banks
- **National Payment System Act** –
  - Provides for the recognition, operation, regulation and oversight of payment, clearing and settlement systems including all electronic payments
- **Bank Use Promotion and Suppression of Money Laundering Act**
- **International Best Practices/standards, Directives and Guidelines. Agreements, rules & procedures approved by the Central Bank**

The Reserve Bank therefore has oversight responsibilities for payment systems including retail payments

Reserve Bank of Zimbabwe
Collaborative Efforts

- NPS driving a healthy relationship with key stakeholders

- RBZ Supportive of innovation, but strict on ethics, fairness and consumer rights
- Gatekeeper for safety and efficiency of payments through policies and regulations
Evolution of Payments

- Barter
- Precious commodities
- Paper Based
- Money in the form of notes and coins
- Electronic

Reserve Bank of Zimbabwe
General Developments – Cash

...Identify a need in the society and find a solution – money will follow
**MAJOR DEVELOPMENTS**

1995
- NPS Reform initiative

2000
- NPS Framework & Strategy
- RTGS goes live

2001
- NPS ACT

2002
- RTGS goes live

2005
- CSD for Govt securities - live

2006
- Retail including Mobile money products launched

2009-2013
- Various retail products additives Netcash/Getcash

2014
- Visa, MasterCard, Zimswitch, Ecocash, One Wallet
- Telecash

2015
- 2015

2016
- 2016 LAUNCHED NFIS and MPS PROMTION OF EPS
CURRENT STATUS

- Issued Oversight Framework
- Issued the Recognition Criteria
- Approved the adoption of agent banking models
- All banks on mobile payment platforms and local card Switch
- Cross border remittances
AFRICA: World’s Fastest Growing Region in Mobile…

Africa is the world’s fastest growing region in terms of cellular connections and represents just over 10% of the global market. Growth in the region is driven by prepaid demand in Western and Northern Africa while longer-term growth prospects are expected to come from Eastern and Middle Africa.
Mobile Financial Services

- MFS – Use of mobile systems on the go for financial transactions and services.

- All banks have partnered 3 Mobile Network Operators & two Network Agnostic Operators to offer MFS

- As at end of August 2016 electronic money balances amounted to USD105 million

- Before MFS these funds largely represented cash in the economy outside the banking system
Factors Contributing to Growth of Mobile Financial Services

- Low Access to Traditional Banks
- Improved Internet Availability
- Loss of Trust in Banks
- Improved Security on Mobile/Internet Platforms
- Increasing Mobile Penetration
- Growth of Informal Economy

Mobile Financial Services Boom
Financial inclusion:

“More people have been brought into banking/formally inclusion in 2014”

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formally served</td>
<td>38</td>
<td>69</td>
</tr>
<tr>
<td>Banked</td>
<td>24</td>
<td>31</td>
</tr>
<tr>
<td>Other formal</td>
<td>26</td>
<td>66</td>
</tr>
<tr>
<td>Informal</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>Excluded</td>
<td>40</td>
<td>22</td>
</tr>
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</table>

- **Banking** is up by 7 percentage points and continues to be mainly driven by the uptake of transactional products
- Uptake of **other formal** non-bank products is up by 40 percentage points and is largely driven by mobile money services
- Uptake of **informal** financial products/mechanisms is down constant
- **Financial exclusion** has been reduced by 18 percentage points
Deepening Remittances & Financial Service Provision In Zimbabwe

Electronic Payment driving remittances for Zimbabwe...and beyond the borders

Now you can receive or "Send" money from over 200+ countries & territories

Through a partnership with Source markets Players
Remittances

Through relatives/friends

Bus driver/ Conductor

Bank transfers

Money transfer agents
Figure 4: Diaspora Remittances: January to June 2015 & 2016

Remittances (USSM)

Jan-June 2015

Jan-June 2016

Monthly Remittances (USSM)

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>75.9</td>
<td>76.5</td>
<td>78.9</td>
<td>76.0</td>
<td>80.3</td>
<td>70.4</td>
</tr>
<tr>
<td>2016</td>
<td>62.9</td>
<td>62.6</td>
<td>67.4</td>
<td>70.8</td>
<td>63.2</td>
<td>70.1</td>
</tr>
</tbody>
</table>

Source: RBZ
PROGRESS TO DATE

- Reduction of charges
- Increased deployment of POS
- MFS
  - Achieved cross network payments cash out only
  - Issued exclusivity directive for agents
- Increased agents across the country
- Formed a digital financial services working group
- Financial inclusion strategies targets now in place
## Devices and Access Points

### Payment Systems Access Devices

<table>
<thead>
<tr>
<th></th>
<th>DEC 2013</th>
<th>DEC 2015</th>
<th>JULY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Debit Cards</strong></td>
<td>2,292,969</td>
<td>2,472,656</td>
<td>2,779,694</td>
</tr>
<tr>
<td><strong>Credit Cards</strong></td>
<td>10,809</td>
<td>13,036</td>
<td>15,033</td>
</tr>
<tr>
<td><strong>Prepaid Cards</strong></td>
<td>28,226</td>
<td>29,466</td>
<td>32,225</td>
</tr>
<tr>
<td><strong>Mobile Banking Subscribers</strong></td>
<td>3,205,815</td>
<td>3,205,815</td>
<td>3,228,784</td>
</tr>
<tr>
<td><strong>Internet Banking Subscribers</strong></td>
<td>96,983</td>
<td>109,669</td>
<td>120,122</td>
</tr>
</tbody>
</table>

### Payment Systems Access Points

<table>
<thead>
<tr>
<th></th>
<th>DEC 2013</th>
<th>DEC 2015</th>
<th>July 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobile Money Agents</strong></td>
<td>5,900</td>
<td>32,000</td>
<td>35,000</td>
</tr>
<tr>
<td><strong>ATMs</strong></td>
<td>426</td>
<td>548</td>
<td>559</td>
</tr>
<tr>
<td><strong>POS</strong></td>
<td>4,945</td>
<td>16,363</td>
<td>20,722</td>
</tr>
</tbody>
</table>
OVERVIEW OF MFS AND OTHER STATISTICS

Volumes

- MOBILE: USD4.6B, 228M
- OTHER RETAIL: USD7B, 28M
- RTGS SYSTEM: USD44.9B, 2M

Values
RETAIL PAYMENTS VOLUMES

![Chart showing retail payments volumes for different methods over time]

- **Internet**
- **POS**
- **ATM**
- **MOBILE**
- **Cheque**

**Legend:**
- **Card**: ATM, Internet, POS
- **Cheque**: Cash withdrawals

- **Axes:**
  - **Y-axis**: Millions
  - **X-axis**: Months (Aug-15 to Jul-16)

**Note:**
- The chart displays the volume of retail payments for various methods, showing trends from August 2015 to July 2016.
Challenges

- Banks Vs Non banks in the payment space
- High transactional costs versus viability and affordability
- Cash is still king
- Suboptimal interoperability
- Consumer Protection Issues
  - Limited Coverage of mobile money accounts by the deposit protection scheme
  - No specific law on consumer protection where the Consumer Contracts Act fall short
Conclusion

- Continuous education and awareness to stakeholders
- Enhance Legislation for regulation of electronic payments
- Management of emerging consumer protection issues
- Collaboration is key and everything
- Encourage use of electronic payments in the economy
- Encourage transparent and cost effective tariffs
- Move beyond payments to savings, lending and insurance
- Drive the Financial Inclusion Agenda
“I have learned that success is to be measured not so much by the position that one has reached in life but by the obstacles which one has overcome while trying to succeed”
Booker T. Washington

THANK YOU