MALAWI Banker

MALAWI'S FINANCIAL MAGAZINE OF CHOICE

VOLUME 20, 2017

WOMEN IN BANKING

Dr Margaret Kubwalo-Chaika
Female Banker Extraordinaire



FDH set for the future

after successful consolidation with ex-MSB Bank

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CONTINUING WITH OUR RESPONSIBILITY

Malawi's economic landscape keeps being in a state of flux. At times it drags us to despair. At others, it pulls us to the state of hope and promise. The same situation exists in places beyond our borders.

Yet again, we bring to you our dear readers and advertisers your favourite business and finance magazine, the Malawi Banker.

Malawi's economic landscape keeps being in a state of flux. At times it drags us to despair. At others, it pulls us to the state of hope and promise. The same situation exists in places beyond our borders.

Yet we can be pleased at some of the developments taking place on the domestic scene. Inflation is going down; so is the policy rate by the Reserve Bank of Malawi. These are all good tidings.

That said, time has not arrived yet for anyone to feel that Malawi is over the mountain yet. The climb is not done. At Bankers Association of Malawi, we take pride in our responsibility to play our part in this climb - until we reach the top, together. It is therefore our commitment to work with the Government in addressing some of the challenges that impede the achievement of our desired economic goals.

We discharge this task in a number of ways, one of which is through this medium. The Malawi Banker will keep the course and objective to lead the way in inspiring discourse in the public space about what is working in our national economy and what needs to be fixed to get things where we

In this issue, we bring along perspectives from a range of players in the economy -from the corporate to the smallholder farmer in the sugar industry, from the banking industry to the manufacturer and to the consumer.

would want.

That is why in this issue, as is our tradition, we bring together experts in business and economic fields to share with us their ideas about what makes them and their enterprises tick. We also bring experts to crack on national economic or finance policies.

In this issue, we bring along perspectives from a range of players in the economy -from the corporate to the smallholder farmer in the sugar industry, from the banking industry to the manufacturer and to the consumer.

By the way, have you ever wondered what banking is really all about? Some have wondered how banks survive in business and how they make their money. In this issue we answer some of these questions because that is fundamental to our responsibility to inform the nation about what matters in their economic lives.

And then, of course, it is common knowledge now that women are not just sideshows as we used to believe. Women are influencing decisions in politics, in good governance and human rights fields. They are pillars of progress in the rural areas and in urban locations. They are also movers and shakers in national and global economy. History is replete with records of women who have made things happen in the world of business, finance and economics. We are pleased to profile some of such giants in this publication.

That is, like the previous issues, this one too is a melting pot of ideas.

We would like to express gratitude to our readers, advertisers and contributors for helping us to reach out to the public with yet another rich content. Thank you so much and keep supporting our course. Enjoy reading. ■

LYNESS NKUNGULA
EXECUTIVE DIRECTOR
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FDH BANK SET FOR THE FUTURE

AFTER SUCCESSFUL CONSOLIDATION WITH EX-MSB BANK

In the history of bank mergers in Malawi, FDH will go down in the records as one of those that took on the challenge. The bank, one of the flourishing banking institutions in the country, acquired Malawi Savings Bank (MSB) from the Government in 2015. But how has it been? George Damson sought audience with the Managing Director of FDH Bank, ***Eric Tenie Ouattara,*** for his views on this and other issues.

First of all, congratulations on the successful merger. What is the state of things at the moment? Is the consolidation process 100 % complete?

The consolidation process is still on-going. We are finalizing and fine-tuning the consolidation and optimization process. What is yet to be done is to complete the re-branding and refurbishment of former MSB branches. We need also to complete and achieve our recapitalization and this will be done in two phases. The first phase will be done by end of March 2017 while the second phase by end of May 2017 to make sure that we respect the deadline we signed with the government of Malawi and other stakeholders, namely the Reserve Bank of Malawi and the Competition and Fair Trade Commission. We have 4 months left on the calendar to finalize everything and things are moving smoothly. After completing the recapitalization, the shareholders will have injected USD 16 million in the new combined entity

To next page >>

The most important thing is that we have become one big bank. We are currently now the 3rd largest bank in terms of balance sheet in Malawi. We have the widest branch network in Malawi, present in 29 districts and we have one of the biggest customer databases with over 500 000 customers.

<< From last page

between December 2016 and end of June 2017.

What successes have been registered in the process?

The most important thing is that we have become one big bank. We are currently now the 3rd largest bank in terms of balance sheet in Malawi. We have the widest branch network in Malawi, present in 29 districts and we have one of the biggest customer databases with over 500 000 customers. We are proud of this and our customer database continues to grow and this resonates well with our motto which is 'Grow with us'. Another notable success has been the integration of our IT systems. All our customers are now operating on one state-of-the-art core banking system called Temenos T24 R14. This system is used by many global banks across the world. The successful implementation of this system was completed in May 2016 when both FDH Bank and former MSB customer accounts were placed on this platform. As a result of this, all customers from FDH bank and former MSB are now able to have access to all the 61 the entire network of outlets that we possess to perform banking transactions of their choice. In addition to all the benefits, this modern banking platform will enable introduction of new and innovative products and services.

What challenges were encountered and how did FDH Bank deal with them?

Yes we obviously have met some challenges along the way. The three most notable challenges have been the technical side, related to the IT systems side of the bank, second has been legal and compliance issues and thirdly dealing with key stakeholders who include customers, staff and shareholders. Technically the state of the art core banking system we are using, TEMENOS T24 R14 is one of the most used and best systems in the world. FDH was already on this platform but MSB was not so it was a big task to integrate it but we did it successfully. Legally and on the compliance side, since the 1st of July 2016 we are now one entity which is FDH Bank. MSB no longer exists and we surrendered its license to the Reserve Bank of Malawi and we are now fine tuning all the legal and compliance issues. We have respected all the laws and best practices in Malawi and SADC in general. Thirdly like alluded to earlier on, we have had to deal with key stakeholders like customers, staff and shareholders etc. We are happy that the staff is now considered to be part of one entity and the customers also. We continue to make sure we improve on our products and services that everyone using them will be satisfied and continue to grow with us.

There was one remarkable development that we saw in the papers that FDH had gone on to train those that had to leave following the consolidation process [in different skills]. According to the report, the training involved those that had been with MSB but circumstances had now made it impossible for them to be part of the bigger FDH Bank. How was this idea conceived and how many such former employees have been reached with this initiative?

When we merged with MSB, we were faced with a situation where we had over 1000 staff members so inevitably and for business' sake we had to do a retrenchment exercise.

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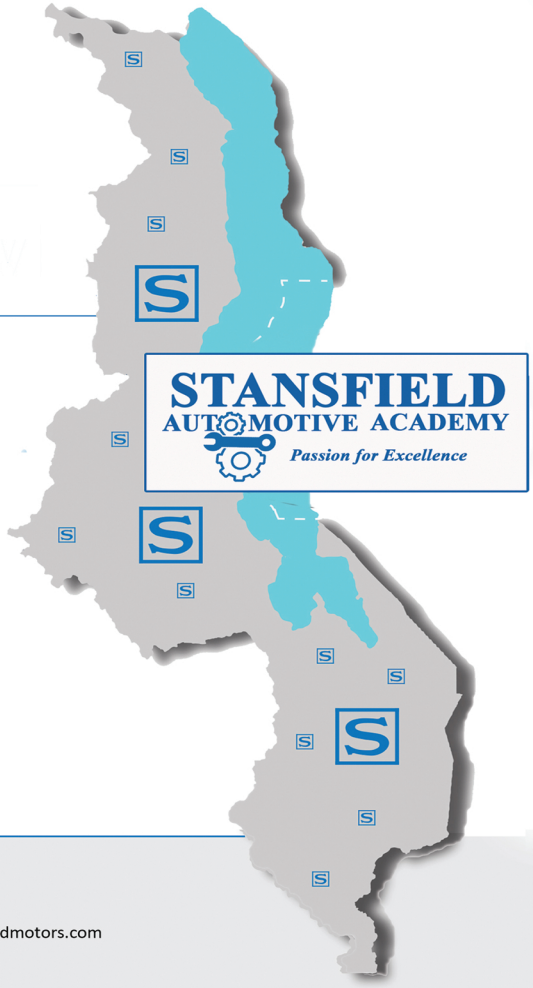
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So in agreement with the laws and requirements of this country we carried out the exercise. We made sure that we paid what was supposed to be paid and we also made sure that we dealt with all concerned within the confines of the law. We then proposed that those who wanted to do business, to become entrepreneurs, we would train them. We did this for both former MSB staff and those that were FDH staff but were also leaving us. We consider this as a very important exercise as it benefited them and we are glad we were able to support them in this way.

Moving forward, what is the future for the bigger FDH Bank? What should be the expectation of the Bank's customers and those that are still considering opening a bank account?

We want to be the leading and best financial institution not only in Malawi but in this southern part of Africa and we are already one of the biggest in Malawi. What we endeavor to do is to provide complete financial solutions for our customers. We always try to propose the best products that we know meet their requirements. We try to be on top of the game and propose the best solutions, more so in the digital banking space. We will continue to wow them and propose more innovative products. We are a complete bank; we have products for corporates, SMEs, NGOs, Associations and individuals regardless of their standing, low or high income. We have products for customers in remote areas and this is a key distinguishing factor of FDH Bank and we will stay on top on this one.

What can be learnt from this merger at a local level?

This exercise has been an epitome of best practices and we can be happy that it has set best standards practice in terms of acquisition given the state that MSB was then in. We also moved to the state of the art core banking systems that we have now successfully integrated and given our customers ease of banking. During the entire process, we have been advised by arguably the best advisory firm, Ernst and Young South Africa who have supported us throughout this exercise. We have also used a dedicated Integration and Merging Office lead by one of our directors to support us to review our processes and procedures and train our staffs. This is all in an effort to remain one of the best financial institutions after the merger.

You recently closed your stock broking unit. Briefly tell us why you reached this decision?

We reached this decision because of the issues currently existing in the capital market. FDH has been one of the pioneers in this market but because of some constraints and from a business perspective it did not make sense to continue operating in this area. The market has some challenges and constraints and we have seen a lot of players leaving the capital market. This is very unfortunate as this is one area that can spur and support economic growth in Malawi. So, our decision was purely business but we are not saying no forever. In future, we will re-asses the environment and see what happens.

Lastly, what do you reckon needs to be done to maintain public confidence in the banking and financial services sector in Malawi?

Malawi has banks and financial institutions that are able to serve the Malawian customer but we are going through some challenges. The biggest challenge of all is the level of interest rates. This consequently also affects the customers. Although we saw some time last year the reduction of the interest rate level, it is not enough. We expect to see some more reductions soon that can reflect the sort of interest rates obtaining in other African countries. It's a task for all banks and financial institutions and the regulatory authorities. We also have to propose better product and service offerings to customers, things like better mortgage offers, leasing and asset financing, accessing loans via digital platforms etc. We have to offer quality service to customers and from an FDH perspective this is a commitment to our customers. ■

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TRUMP'S WIN:
A RENEWED BOOST FOR OIL & GAS COMPANIES?

By y Jillian Harding

Global stock markets experienced a bit of shock (without the awe) after Republican Donald Trump upset the establishment to win the White House.

Renewable energy stocks, including solar and wind power companies, took a beating on Wednesday morning after the elections as investors presumably expect a Trump presidency will be bad for those businesses.

But oil and gas companies may be poised to hitch a ride on the president-elect's coattails, if his energy plan succeeds. Trump's policy proposals include opening onshore and offshore leasing on federal lands, eliminating renewable energy subsidies and removing the US from agreements to cap fossil fuel emissions.

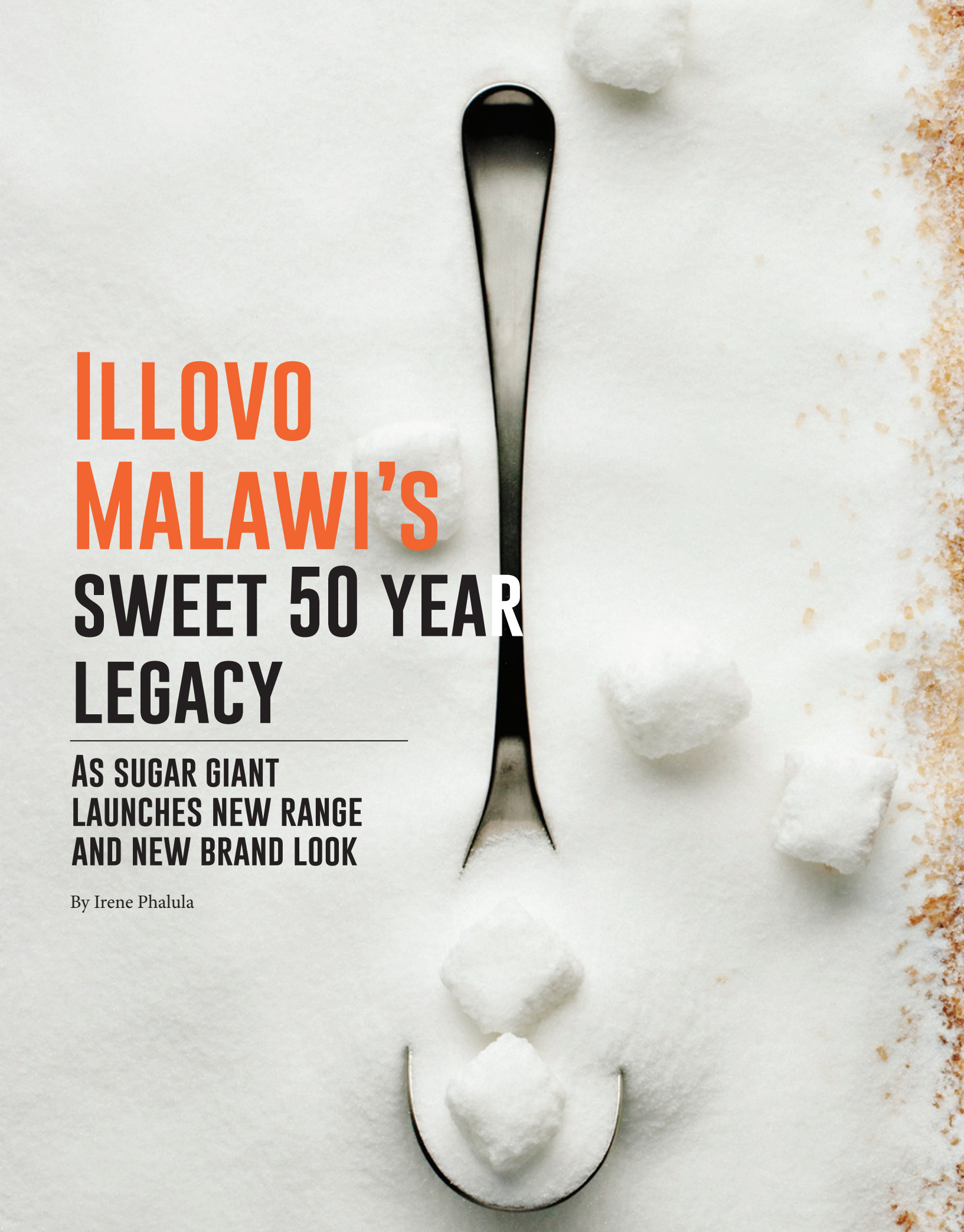
He says this will result in huge economic gains: an estimated $30 billion in wages for American workers, driven by $50 trillion in untapped shale, oil, natural gas, and coal. Wyoming, Montana, Colorado, Utah, and New Mexico are among the top states producing fossil fuels from those federal lands.

The hitch: A massive slide in oil prices in 2015 and concerns over a global supply glut resulted in a wave of energy sector bankruptcies which swept from Texas to North Dakota, wreaking havoc on local economies.

Though energy sector job losses have abated as oil has stabilised, cuts this year total 103,147, according to research firm Challenger, Gray & Christmas. Cutbacks on energy loans and big mergers have also contributed to consolidation in the space.

While use of renewable energy has been gaining, natural gas was the largest source at 29 percent of energy use in 2015; oil also gained as lower prices boosted consumption. Though analysts indicate it may be difficult for Trump to roll back all renewable energy subsidies, he may be able to unwind many of the Obama administration's energy proposals; if that's the case, Renewables' loss may be Big Oil's win.- *Reuters* ■





Illovo Malawi's sweet 50 year legacy

As sugar giant launches new range and new brand look

By Irene Phalula

The year 2016 marks 50 years since Malawi started producing sugar in Nchalo in Chikwawa. It was on 25 August 1966 when Lonrho Sugar Limited, later named SUCOMA, started sugar production in the country.

From the humble beginnings of a single mill in Nchalo and producing 3 500 tons of sugar in 1966 the company, currently owned by Illovo Sugar (Pty) Limited of South Africa, has steadily grown to owning two mills and significant agricultural assets in Nchalo and Dwangwa in Nkhotakota, producing approximately 270 000 tons of sugar annually.

Fifty years of operating in the country provides a golden opportunity for the company, whose parent company in Associated British Foods of the United Kingdom, to unveil a new range and new brand look.

The launching of a campaign of new brand look entitled: "Yambani tsiku lirilonse ndi Illovo!" or "Start each day with Illovo!" saw the unveiling of new pack sizes of 220g, 500g, 20kgs mini bulk.

The introduction of the new range and new pack sizes follows a lengthy market research project amongst the company's customers and is aimed at making Illovo's products accessible to everyday Malawians across the country.

The recently unveiled "new-look" pack is vibrant and embodies what Malawi is all about –in addition to providing dietary and nutritional information that the product is a source of energy and vitamin A. This helps consumers to make informed choices about foods they purchase.

The unveiling of the new range and new pack sizes, and the launch of the new brand campaign took place on 7 October 2016 in Blantyre whilst the 50th anniversary celebrations of making sugar in Malawi took place at Kalulu stadium in Nchalo Chikwawa on 22 October 2016. Both functions were graced by the Minister of Industry, Trade and Tourism Joseph Mwanamvekha.

In his statement, Mwanamvekha commended Illovo for the new range and pack sizes saying they are in line with customer preferences.

Managing Director of Illovo

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EVERYONE'S PRODUCT

THE NEW RANGE OF SUGAR PACK SIZES BY ILLOVO SUGAR MALAWI



COLOURFUL DISPLAY - *A point of sale during the launch of the new products – Pictures courtesy of Illovo Sugar Malawi*

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Sugar (Pty) Limited Gavin Dalgleish said the new product packaging and the new pack sizes address the needs of the company's customers and entrench the company's position as the leading brand in the country.

"It represents how the demands for sugar have changed. Illovo Sugar Malawi is committed to ensuring that customers receive hygienic, correctly weighted Malawian sugar," he said.

Managing Director of Illovo Malawi Ray de Allende said the launching of the new packaging and new product range was a true reflection of how Illovo Malawi values being customer focused and ensuring that it responds to their needs.

For 50 years the company has been a significant contributor to the economy of the country. Fifty percent of the total 270 000 tons of sugar produced by the company is sold into the local direct consumption market whilst the other 50% is exported to regional African markets, the European Union and the United States of America thereby earning Malawi the much-needed foreign exchange.

Sugar has been ranked amongst the country's top three earners of forex, alongside tea on second position and tobacco on first. Further, the company provides direct employment to 11 000 people who are involved in cane growing and sugar production and also creates hundreds of jobs indirectly via a widespread base of local businesses which service the needs of the industry.

Additionally the company has been a significant source of revenue for the government fiscus through tax remittances.

The company which until recently was the sole player in the sugar industry has been an important part of the social fabric of this country through its enduring relationship with local communities, customers, consumers and outgrowers and other key stakeholders.

Over the years it has created a sweet legacy through its social investment programmes which have benefited thousands of Malawians in the areas of health, education, environment, food security and other community projects.

Amongst other Corporate Social Responsibility programmes, an average of 25 000 people receive treatment from the company's 12 clinics, 13 000 pupils attend estate schools which receive comprehensive support from the company and for several years the company has been growing maize to supplement Government's food security initiatives. This year alone Illovo Malawi has grown over 500 hectares of maize for the Government's food security programme.

With a brand new look and new range the company has embarked into an exciting, bright and prosperous future whilst endeavouring to continue touching the lives of Malawians whose great history the company has been honoured to be part of. ■

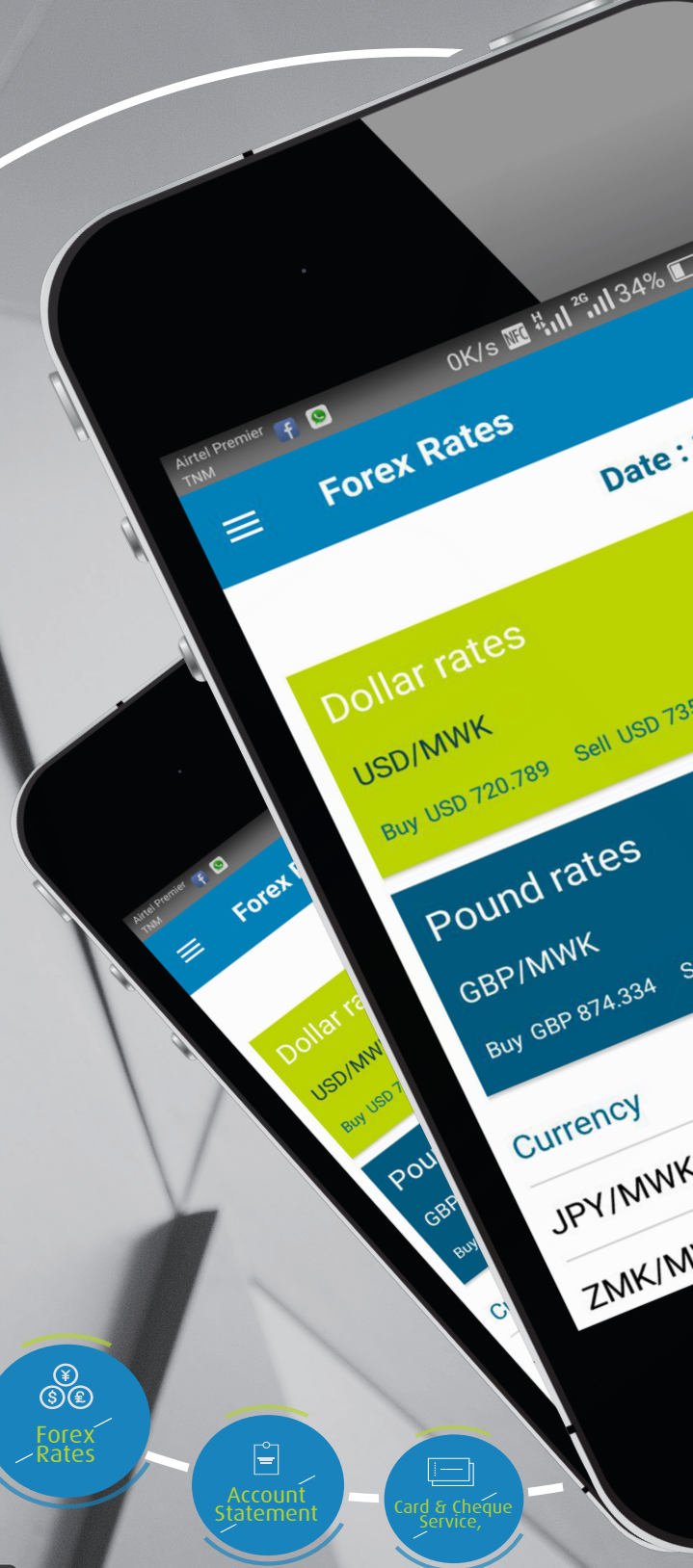
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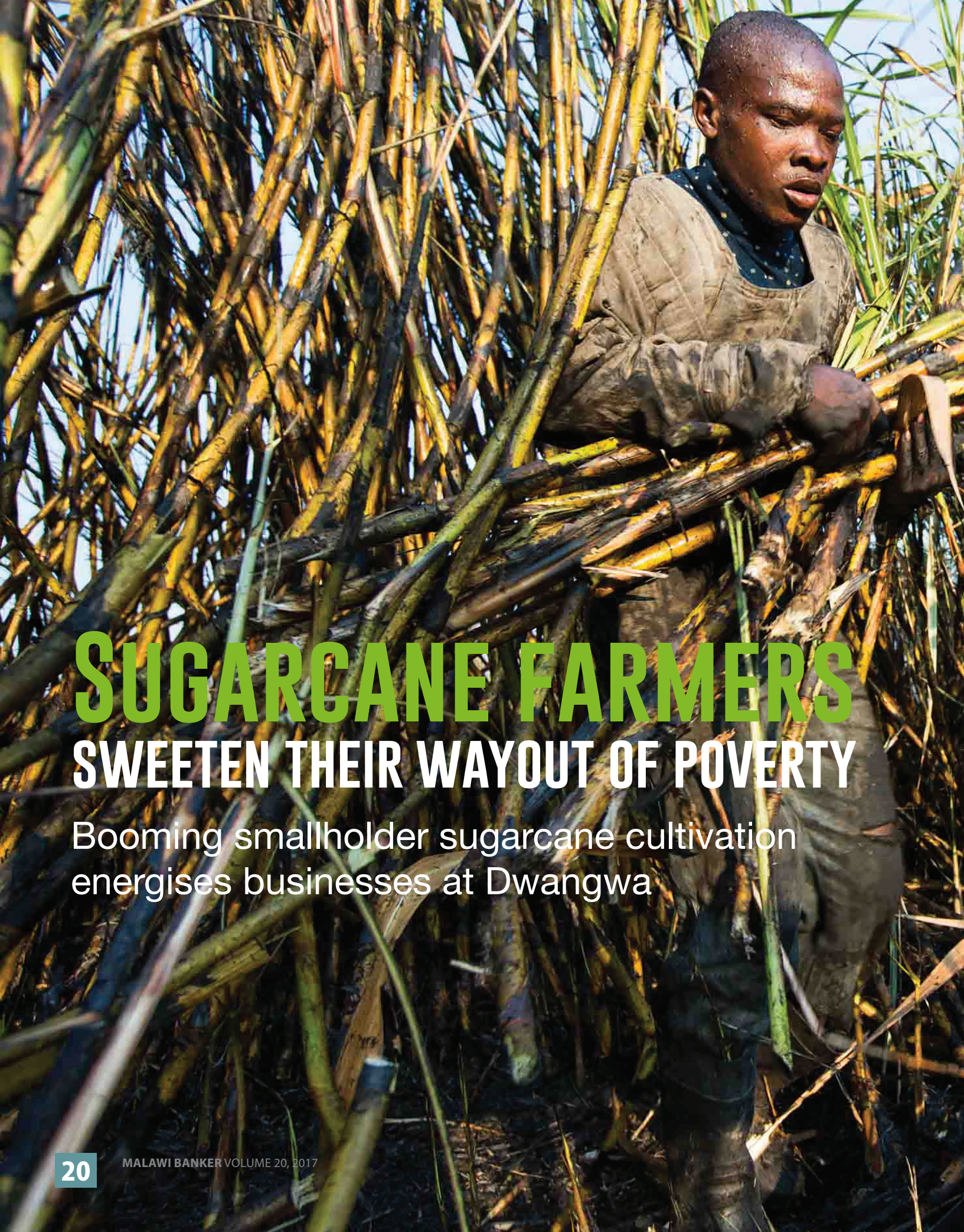
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SUGARCANE FARMERS
SWEETEN THEIR WAYOUT OF POVERTY

Booming smallholder sugarcane cultivation energises businesses at Dwangwa

By Isaac Salima

Joseph Zimkungwi is a Councillor for Kasitu Ward in Nkhotakota. He remembers back in 2008 when he almost failed to sit for Malawi school Certificate of Education as his parents could not raise money for his school fees.

He recalls to have knocked on almost all the doors at his sight for assistance but came to nothing and he could see himself quitting school.

His father, then a long time subsistence farmer, had just joined sugarcane cultivation and people were reluctant to help him. As a newcomer in a cane growers association –thus making him ineligible figure to get monetary assistance –the father was courageous enough to plead with the association for an advance payment of money for sales of his sugar cane which had not been even harvested.

Luckily, the association members were kind enough to lend a hand to the helpless father to enable Zimkungwi to write the exams that year. Though he could not make it to University, Zimkungwi said he was proud that he at least managed to get the MSCE paper.

"I owe my current success to the sugarcane association that rescued me as it was very unlikely for a new member in the association like it was the case with my father to get an advance payment," he said.

The support the association offered to his father was enough reason to coax Zimkungwi to venture into the cultivation which he has clung to until now.

Zimkungwi's decision to join the cultivation of sugar cane did not betray him again towards the 2014 tripartite elections when he decided to run as a Councillor. He said after receiving payment for the sugarcane sales, his financial muscle was boosted during the campaign period.

"I fell in love with the sugarcane plantation the moment the association provided us with an assistance to finish my education and I think I made a right decision to venture into the cultivation. During campaign time I did not struggle financially because I had received my part payment of sugarcane sales," said Zimkungwi.

Zimkungwi is one of hundreds of smallholder farmers who have benefitted from sugar cane cultivation in Nkhotakota.

At the mention of Nkhotakota, what will creep in most people's minds is the infamous cultivation of Indian hemp. But a visit to the district would certainly tell a different story.



BENEFICIARY – *Sugarcane production helped Zimkungwi attain MSCE certificate and powered his campaign for councillorship in 2014 elections – Picture by Isaac Salima*

As one travels through the winding Lake shore road in Nkhotakota, sugarcane fields belonging to outgrowers are a common sight especially in the northern part of the district, making a statement of how people have heavily invested in the plantation which has in return become their gold.

The inception of Illovo Sugar Company factory in Dwangwa back in 1979 marked the introduction of the plantation in the area which has since been stretched to outgrowers

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COLLECTIVE POWER – *The sugarcane outgrowers are in cooperatives such as this one – Picture by Isaac Salima*

<< From last page

who sell the raw sugar cane to Illovo through associations. That saw the birth of cane growers associations where farmers are affiliated to.

Currently the area consists of almost 15 associations with the biggest association registering a membership of almost 1300 farmers.

Director of Sawala Cane Growers Association John Sizi said the continuing increase in the number of people interested in the cultivation speaks volumes of its positive impacts on the lives of people.

"Sugarcane cultivation has transformed many livelihoods of farmers in this area. Despite havi numerous associations, new ones are still being formed and that alone underlines the growing interest the farming is attracting to the people," said Sizi.

He added, "People have managed to build good houses, they have educated their children and are living comfortable lives after abandoning subsistence farming of maize, rice, cassava and other crops."

According to the growers, on a good season, they do get proceeds in excess of K1 million depending on the size of the land. Most people own plots ranging from three hectares. Surprisingly the same land could only give them food enough for family consumption but now the story is different as after selling the canes they can buy food and other necessities.

Zimkungwi also said the good thing about sugar cane cultivation is that the associations meet almost all the demands for production.

"The associations support us very much such that they offer us on loans things like fertilisers, seed canes and other inputs. They do everything for you and you only expect your payment when the canes are sold," he said.

The growers get their chunky payments for cane sales from the associations three times a year whereby in the first payment they are given 85 percent of the net profit and then 10 percent and 5 percent follows in the second and third payments respectively.

Amidu Mussa of Nkangazinja Cane Growers Association says the payment arrangement offers them an opportunity of savings.

"When you finish the money for the first payment you are assured that you have two payments remaining and the money normally comes at a time when you are broke," said Mussa.

Dwangwa Trading Centre is

To next page >>

Currently we have about 3500 sugarcane growers in the country who supply to Illovo Nchalo and Dwangwa factories.

<< From last page

one of the fastest growing trading centres in the country with most of the population engaged in sugarcane cultivation. Even those not doing the plantation are able to testify on how they are indirectly benefitting from the farming.

Chairperson of vendors at Dwangwa Trading Centre Rasheed Malandula said the farmers have immensely contributed to the growth of the business sector in the area.

"When the growers are paid, we also share the joy because we make huge sales since the farmers are our reliable customers. They buy in large amounts and one can easily tell that the cane growers are in town," said Malandula.

He also said some farmers do businesses and use proceeds from sugarcane sales to boost their capital.

Having seen potential in the sugarcane business, Malawi government through the Green Belt Initiative introduced irrigated outgrowers scheme aiming at uplifting smallholder farmers.

And the coming in of the schemes has resulted in the increase in production since the irrigation itself gave chance to some farmers to depart from relying on rain-fed cultivation.

Sugarcane Growers Association of Malawi (SUGAM) President Frighton Njolomole said the newly-introduced sugarcane growers' body will work on making sure that sugarcane farmers operate in a conducive environment.

"Currently we have about 3500 sugarcane growers in the country who supply to Illovo Nchalo and Dwangwa factories. You should take note that the associations began in 2002 and now others are still being registered. This entails that many people are falling in love with the farming and the establishment of SUGAM is good news as it will make sure that the farmers operate in conducive environment," said Njolomole.

There have been calls urging the country to diversify its crop yield away from tobacco, which makes up some 70 percent of the country's total earnings and with the coming in of Salima Sugar Company offering a readily available market for the farmers, sugarcane plantation seems in the right direction to replace tobacco. ■



A HAUL OF MONEY – A truck transporting smallholder sugarcane to a factory – Picture by Isaac Salima

NBM, EIB UNVEIL K25 BILLION AGRISTORAGE FACILITY

By Mc Donald Chapalapata



National Bank of Malawi (NBM) has unveiled a staggering K25 billion (30 Million Euros) joint Agristorage facility with the European Investment Bank (EIB) for lending to customers to facilitate purchase, construction, renovation and extension of warehouses and agristorage assets.

The signing ceremony for the facility took place at the Bingu International conference Centre (BICC) in Lilongwe on 12th October 2016 where the then NBM Chief Executive Officer Dr George Partridge signed on behalf of the bank and EIB Head of Financial Sector Division Global partner countries Robert Schofield signed on behalf of EIB.

The product offerings are a culmination of two years of negotiations between EIB, NBM, Agriculture Commodity Exchange for Africa and USAID.

The four came together to ensure the product has tentacles into warehouse receipts system and smallholder farmers apart from the intended eligible beneficiaries, the companies.

Making a presentation of the facility before the signing ceremony, NBM Head of Wholesale Banking Harold Jiya said the purpose of the facility is to increase grain storage and warehousing space and capacity in the country with a relatively lower cost and long-term finance which is not usually available in Malawi.

He said the loans will be made available in US dollars of up to $1 million to $5 million per applicant and attract a fixed interest rate averaging 7.5%.

"The loan repayment period is a minimum of 4 years and a maximum of 7 years. The loans have a moratorium for the construction period of the financed grain storage assets of up to 24 months," said Jiya.

He said those who can benefit from the facility are private sector enterprises defined as an entity engaged in an economic activity, irrespective of its legal form, thus encompassing family firms, partnerships, companies and associations who regularly engaged in agro-business.

"For existing commodity merchants, they should be currently operating grain trading activities, with or without existing storage capacity and should have at least two years track record in commodity trading.

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"For new commodity merchants, these can be entrepreneurs or companies currently owing or running trading business without existing storage capacity and are interested to diversify into commodity business. They should have at least five years track record in their trading business," said Jiya.

All eligible beneficiaries will have to agree to be or continue to be part of the Warehousing Receipt System (WRS), that is warehouses available for produce bought from or to be sold under WRS as this will facilitate deepening of the Agriculture commodity exchange and increase storage capacity of produce under the WRS.

Jiya also said all eligible beneficiaries or companies will also have to agree to allocate up to 30% of the Agristorage Capacity for third party storage especially to Smallholder farmers operating under the WRS.

"It was pleasing to note that the eligible beneficiaries participating in the design negotiation very amenable to the conditions," said Jiya.

"There are advantages to the smallholder farmer in that there will be no extra transport costs as the product is taken from existing warehouse where the farmer will have deposited the commodity and the farmer can afford now to wait and see prices improve and determine when to sell. The farmer will also have access to quality storage and avoid post harvest losses," explained Jiya.

He also said there are advantages to companies or eligible beneficiaries in that they will earn storage fee income and they will have ease of access to produce, as they are major off takers and there will be no extra transport cost on that parcel of produce as it will be within their system on top of vouching for quality of the produce.

In his remarks Dr Partridge said NBM is proud that with the support of EIB, is making a positive mark in the agriculture industry by providing long term financing which is not normally available on the local market.

"This is an example of private sector-led development. It is our hope that this will be emulated by other institutions," said Dr Partridge.



Schofield said the facility would have a significant impact on the economy of the country, as farmer will get their rewards from their harvest since they will have good storage facilities.

"Malawian smallholder farmers will be the biggest beneficiaries of this facility as they will no longer be forced to sell their produce at a give-away price when they are not ready," said Schofield. ■





"IT'S IMPORTANT, MAKE TIME FOR IT AND GET IT DONE."

Dr Margaret Kubwalo-Chaika: Female Banker Extraordinaire

Dr Margaret Kubwalo-Chaika is one of Malawi's leading woman bankers who has risen through the ranks to become Head of Personal and Business Banking (PB&B) for Malawi Stock Exchange-listed Standard Bank, a subsidiary of Africa's largest bank by assets, Standard Bank Group. Over the years, Margaret has remained loyal to her professional calling as a banker, sticking with Standard Bank since joining in 1998. Margaret is a role model for many young women who aspire to pursue a career in the banking profession. Margaret is also a fierce advocate of women and girl empowerment, and is active with the bank's initiative, #KeepingTheGirlChildInSchool which Standard Bank is implementing jointly with UNICEF. BANKERS MAGAZINE caught up with Margaret and they had this chat;

BM: Who is Margaret Kubwalo-Chaika?

MKC: I come from Kameza Village in Traditional Authority (T/A) Machinjiri, Blantyre. I am a mother, wife,Christian, entrepreneur and an avid learner. I am married to Colonel John Chaika of the Malawi Defence Force. Being a military spouse comes with its own special roles and responsibilities. As a Christian, I am a member of the Anglican Church and currently serve as Treasurer of St Peter's Parish. For all these multiple roles I create space for each one of them and that's what completes me.

BM: What was it like growing up?

MKC: I grew up in Zimbabawe where my grandfather moved to as a boy, and I came to Malawi for Universityt. I had an interesting childhood, spending my younger years with my granparents. My grandmother, Margaret Kubwalo senior was a very strong and independent woman. I believe her character has helped shape me into what I am today. Margaret senior stood up for what she believed in, and was very assertive and knew what she wanted in life. On the other hand, my late father Mr Kelly Zidana (From Hauya Village in

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Northern Region

Main Depot	:	Luwinga – Mzuzu
Satellite Depots	:	Emfeni, Jenda, Embangweni, Luwerezi, Mzimba, Mpherembe, Euthini, Rumphi, Karonga Eswazini, Kafukule, Lura and Nthalire.

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Ntcheu) believed in exposing me. He made the family visit holiday resorts in Zimbabwe and beyond to spend family time, and once a year there would be a trip back to Malawi to connect with the family's roots. My father valued education so much and encouraged us to go see the world at any opportunity, and to open our mind. During every holiday, my father would ask us to write a story about the experience and occasionally challenged us to "write 100 big English words to widen our English vocabulary. He believed in pushing us to the limits, to encourage us realize our full potential. My,mother Mrs Grace Zidana was the great disciplinarian--she ensured we went to Sunday school and was active in church. She did all the things a mother would do to give me the life skills needed to be a Christian woman and balance between being a professional and a mother.

BM: What things did you aspire to become in life while growing up?

MKC: I fantasized about becoming a Police officer. I guess this was a result of sharing the neighborhood with a couple that was in the Police. When they dressed up in their Police uniforms, I was inspired and wanted to be like them. Later as I grew up, I aspired to become a lawyer, but ended up studying Social Sciences at Chancellor College, a constituent of University of Malawi. I am very happy with what I am today.

BM: Tell us about your academic and professional development?

MKC: I started off at Louis Mounbatten School in 1980 and went Nettleton then Queensdale Primary Schools. Later I studies at Chinhoyi High School up to O levels then completed my A-Levels at Vainona High School. I then went to Chancellor College where I obtained a Bachelors of Social Science degree. In my quest to push the limits, I later obtained a Postgraduate Diploma in Marketing (CIM), a Masters Degree in Strategic Management from University of Derby. My highest qualification is a PhD in Customer Relationship Management, conferred by the University of Bolton.

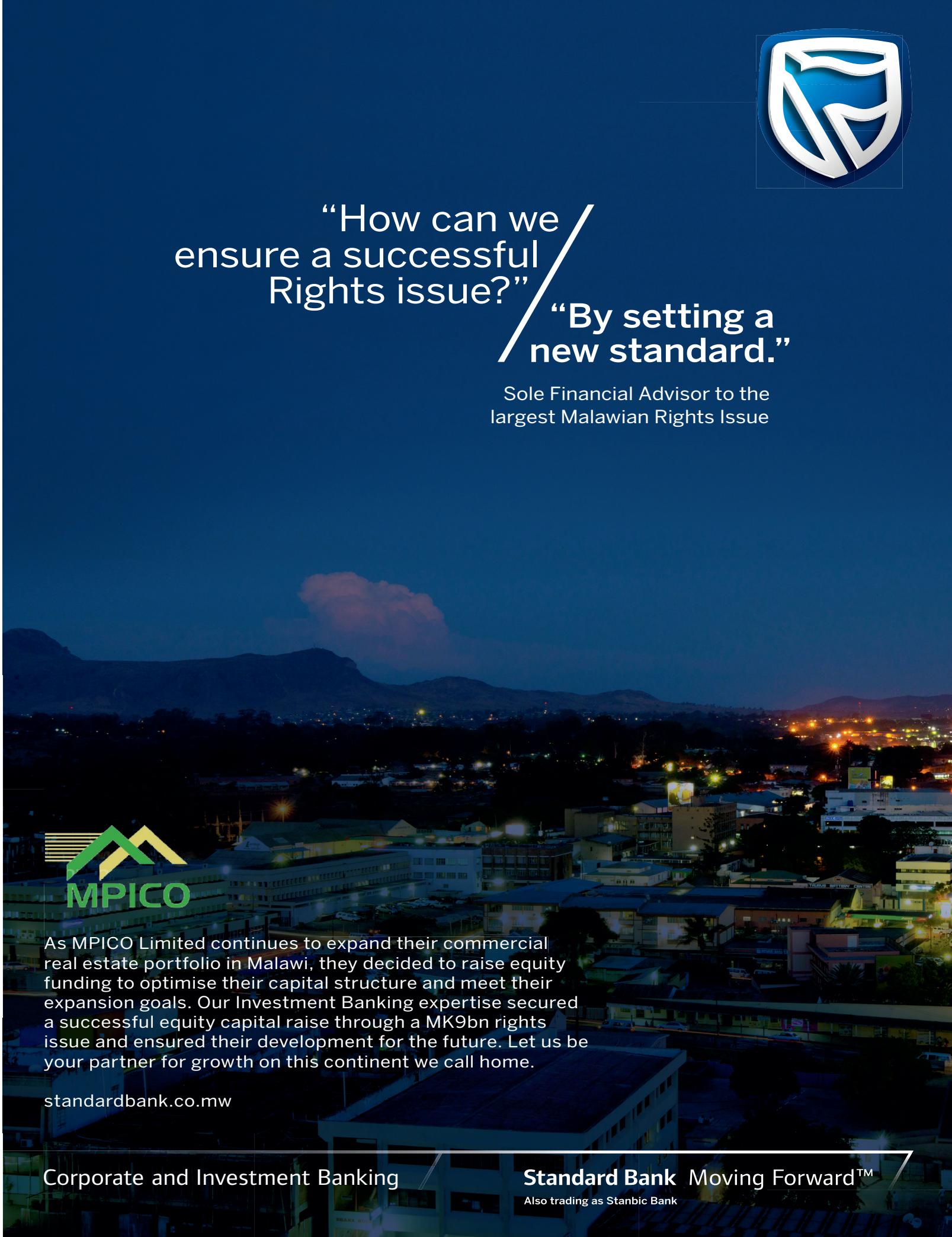
BM: Tell us about your career as a banker. When did this start?

MKC: I joined Standard Bank, then Commercial Bank of Malawi (CBM) in 1998, and have enjoyed unbroken relationship with my employer up to date. During my tenor in the Bank, I have had opportunity to be seconded to our Head Office in South Africa on an assignment that I served for close to a year, and also to hold a Regional role where I headed a business portfolio in Malawi, Zambia, Lesotho and Swaziland for about 2 years.

BM: As head of Personal & Business Banking at Standard Bank, what are your key roles including at the bank's Executive Committee Level?

MKC: As Head of the division, my key roles include driving and shaping the PBB business. PBB is the largest component of the Standard Bank business in Malawi in terms of the command structure. We are responsible for customers at the Personal and Business banking level. This means we deal with individuals, their employers, SME's and large businesses at branch and back-office level. I must strive to create a balance between delivering vision of PBB as a business unit, and also taking the army of the bank staff along with me on this journey of delivering excellence for the business. Customers are the reason we exist, so we are responsible for creating and forging the ideal customer experience across multiple layers and platforms of the bank. We also drive the sales service part

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of the business, and must work to ensure we deal with any challenges standing in the way of achieving strategic profit objectives of the bank. My work also delves into financial risk management; from capital deployment in terms of investing in the growth of our branch network, its systems, channels (physical and digital) and credit and operational risks. I am also responsible for harnessing the business culture demanded by the bank, which must be uniform with those of the Standard Bank group which is Africa's largest bank by assets.

As a member of the Executive Committee in Malawi and an Executive at Group level, I have an obligation to ensure that I am contributing to the well being of the bank as a legal entity and the sustainability of its business. I am obliged to conduct myself in the best interest of the operating country, shareholders and the approved governance standards. As EXCO members, we have an obligation to ensure compliance by the bank with its licensing conditions, and to safeguard shareholder interests given that we are a publicly listed company on the Malawi Stock Exchange (MSE). As a Group Executive, I am involved in a program called Future Movers which is the Standard Bank's Group's Graduate Program. I also play critical roles Such as representing the Bank's interests on various boards such as our Insurance and Bureau De Change Investments.

BM: How do you manage to balance work, career advancement and family?

MKC: My priorities are determined by family, work and relationship with God. My mantra is if "it's important, make time for it and get it done." My typical day starts at 04:30 AM with morning devotion prayer, followed by exercise, seeing off my youngest son to school and getting ready for work. I have a support system at home ensuring that when I am too busy with work at the bank, which requires travelling in and outside the country, my home is taken care of. During the day, I catch up with my husband and children and we spend a lot of time together in the evenings and during the weekends. , The last few years have been a challenge on my social life as a lot of time was spent completing my PhD studies.

BM: What key learnings should women draw from your achievements as both a banker and family woman?

MKC: My approach in life is that every time I am confronted with an obstacle, I prefer to use the energy from that adversity to drive me forward. Difficult times and situations are opportunities to develop, so I approach every obstacle in my life as a lesson. It is therefore possible for any women who is determined and committed to strike the balance as both a strong career woman and family woman. I am grateful to have a husband who is willing to support me and my ambitions. He holds my hand and watches me grow. I advise fellow young women wishing to settle down in a family, to please choose your partner wisely. For professional women, you need men who will support you through your goals, and he must not be the insecure kind. You can only go as far as you can imagine if you set yourself ambitious goals with no limitations. Push the boundaries, expose yourself. You should look positively outward to develop your brain to look at what else is out there so you can get to to places you never imagined.

BM: Recently, we have seen you taking an active role as one of the women role models for young girls under Standard Bank and UNICEF's joint initiative to keep girls in school. Why does increasing access to education for girls and women so important a matter of concern for you?

MKC: When it comes to education, I'm inclined to apply the determination and zeal of my late father who regarded it so highly. I

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believe that education is a powerful weapon to enable one to stand up for their right. Education helps you fend for your life and your future. With an education, women will be able to make the right decisions to help them look after themselves and their families, inspire others, and make the best decisions for both family and work. Every woman has the right to be able to influence decisions whether quality of life, their marriage, number of children they would like to have all which easily falls in place when you are backed by a good education. Not everyone is lucky to get an education, but women must strive to get educated and grab every education opportunity that may come their way.

BM: What can women learn from your own education and career development journey?

MKC: My PhD journey is an example of how choosing the right marriage partner can turn you into a much better person. I never thought I would enroll into a PhD program as I felt such courses were cut out for people in the academia like Professors until the day my husband brought it to my attention and I considered it as a challenge worth taking. My PhD thesis is beyond academic, and I would advise any professionals looking to study a PhD to not do it because it's the paper and title. It should be something that fundamentally changes the environment. It's not about the paper but, what contribution you are going to make to improve society and the organization.

BM: What did your PhD study focus on?

MKC: As you know, the term Customer Service is a buzz-word in the world of business and commerce. Many people like to talk about Customer Service in their strategies, but what I observed is that somewhere in between the service and Profit after Tax is a huge mysterious hole. My PhD was to establish how Customer service and profitability relate, how it can be measured or verified. So I developed a model which looks at Knowledge Management and Customer Relationship Management and this was tested in a retail banking setting. I used Action Research method and applied it in the institution setting where I was able to measure the impact. Redefining a Customer Relationship Management framework that can be applied to drive profitability.

BM: At national level, do you think Malawi has made any progress to promote affirmative action for women, and women empowerment for national development?

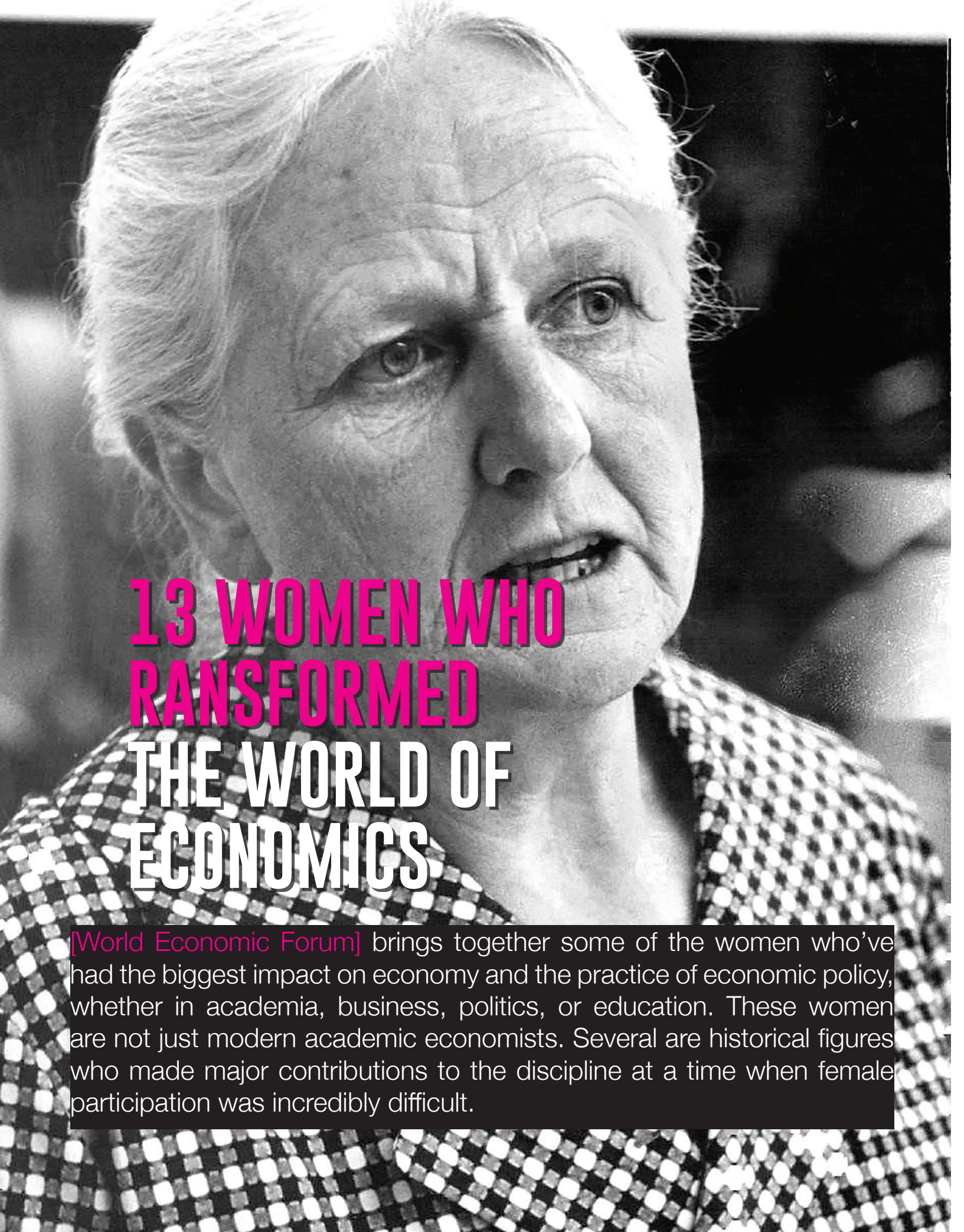
MKC: Progress for majority of women remains slow and limited. Despite having some systems and frameworks in place, success for women still has a long way to go. Women must also desist from the "Pull Her Down" Syndrome, which is still symptomatic of the Malawi society at large. Instead women must embrace the notion that "Her success is my success too".

BM: What legacy do you want to be associated with?

MKC: I would like to be remembered as someone who touches lives in a positive way beyond people she ever met. I would like my career as a banker to touch the lives of boys and girls and to inspire them be better than me. I also want my children to grow up with the values that will distinguish them as good citizens, and as people who will always remember how their mother brought them up to be a gift to society.

BM: Do you plan to retire from banking in the future?

MKC: The world is my oyster. I shall go wherever my potential takes me. ■



13 WOMEN WHO RANSFORMED THE WORLD OF ECONOMICS

[World Economic Forum] brings together some of the women who've had the biggest impact on economy and the practice of economic policy, whether in academia, business, politics, or education. These women are not just modern academic economists. Several are historical figures who made major contributions to the discipline at a time when female participation was incredibly difficult.



Edith Abbott (1876-1957)

Born in Nebraska in 1876, Abbott took a Ph.D. in economics from the University of Chicago, which was awarded in 1905, and worked at the London School of Economics afterward.

She later became dean of the University of Chicago's School of Social Service Administration during the 1920s.

In the next decade, she had a hand in drafting the US Social Security Act of 1935, one of the first unified systems of social welfare in the US. The work was done under the supervision of Frances Perkins, the US' longest-serving labor secretary and the first woman to hold the position.



Anna Schwartz (1915-2012)

Anna Schwartz is the lesser-known coauthor of what is probably the most influential single book on monetary economics written since the second world war.

In 1963, Schwartz and future Nobel Prize-winning economist Milton Friedman published "A Monetary History of the United States, 1867–1960."

Schwartz did not share the Nobel Prize with Friedman, the awarding committee said that the book was "one of Friedman's most profound and also most distinguished achievements."

The focus on the effect of monetary policy on the economy's business cycles that Friedman and Schwartz took went far beyond the world of academia. Governments around the advanced world made dramatic changes, focusing far more on monetary policy to manage the ebbs and flows of economic activity.



Deirdre McCloskey (1942)

Deirdre McCloskey is one of, and perhaps the single most prominent economic historians in the world.

Her writing on the beginnings of industrialisation in the UK has not only become a major part of the academic debate, but a popular book in its own right.

In mid-2014, she became one of Professor Thomas Piketty's most prominent critics, and she has had a significant economic influence on conservatives and libertarians.

Dambisa Moyo (1969)

After a degree in chemistry and an MBA, Moyo received a Ph.D. in economics from Oxford University. She previously worked at Goldman Sachs, and sits on Barclays' Board.



Moyo is a prominent critic of development aid for low-income economies. Her "Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa" is one of the best-selling works on the subject of development aid ever published.

In 2013, she received the Friedrich Hayek Institute's lifetime achievement award.



Carmen Reinhart (1955)

Carmen Reinhart is perhaps the most influential living female macroeconomist. After training at Colombia University, she has worked as chief economist at Bear Sterns, at the International Monetary Fund, and the Harvard Kennedy School.

As one of the coauthors of "This Time Is Different: Eight Centuries of Financial Folly" and "Growth in a time of debt," Reinhart became one of the standard-bearers of government austerity after the financial crisis.

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Harriet Martineau (1802-1876)

Martineau is the earliest writer on the list, publishing books on the subject of taxation and political economy in the 1830s. She has previously been described as one of "Adam Smith's daughters," who adapted his work for a later audience.

Later, she travelled through the young US and wrote "Society in America," a sociological account of the country.

Martineau's works were not minor additions to the subject — according to John Vint at Manchester Metropolitan University, her work on political economy was at one point so popular that she outsold Charles Dickens.



Joan Robinson (1903-1983)

Robinson is one of the most influential of Keynes' students and followers, and her major works followed from Keynes' "General Theory." As a Cambridge economist, she became the first female honorary fellow of King's College.

Even before then, Robinson developed the concept of monopsony, a kind of reversed monopoly where instead of having one seller and many buyers, there is one buyer and many sellers. In labour economics, this is an extremely important idea. When the single buyer is purchasing labour, and there are many people wishing to sell their labour, the theory suggests that they can exert large influence over wages. It's one of the major arguments for minimum wages.

She was one of the most prominent founders of the post-Keynesian school of economic thought.



Janet Yellen (1946)

Janet Yellen is not only one of the most heavily cited female research economists in the world, but as chair of the US Federal Reserve, she holds what may well be the most powerful economic-policymaking position in the world.

Prior to heading the organisation, Yellen had worked as a professor of economics and was vice chair of the Fed from 2010.

She was also the first chair of the President's Council of Economic Advisors under Bill Clinton.



Mary Paley Marshall (1850-1944)

Mary Paley Marshall was one of the first five women permitted to study at Cambridge University, and became the first female lecturer in economics at the university, in the year 1875, a full 43 years before women were able to vote in the UK.

She authored a book named "The Economics of Industry" with her husband, Alfred Marshall, who became of the very most influential economists in history.

According to James and Julianne Cicarelli, who wrote a book called "Distinguished Women Economists," she was listed by John Maynard Keynes in his "Essays on Biography."

The Cicarellis say that "Keynes held her in the highest regard and considered her an intellectual and thinker every bit as significant to the historical development of economics as her husband or any of the other economist about whom he wrote."



Christina Romer (1958)

Romer was the second woman to become chair of the US President's Council of Economic Advisors, and did so at a crucial time for the

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US. As President Barack Obama came into office at the beginning of 2009, the economy was in a deep depression.

Her most famous research prior to that position concerned the Great Depression and subsequent recovery, which Romer attributed in large part to monetary policy changes, playing down the role of fiscal policy.

Romer's later work, with her husband David Romer, has concentrated on the effect of tax changes on the US economy. She is an advocate of replacing central-bank inflation targeting with nominal gross-domestic-product targets.



Rosa Luxemburg (1871-1919)

Luxemburg is more well known as a revolutionary who was executed by German government-supported militiamen in the aftermath of the failed Spartacist Uprising in 1919.

But she also made a significant mark on Marxist economic thought. Just before the onset of the first world war, Luxemburg wrote "The Accumulation of Capital: A Contribution to an Economic Explanation of Imperialism."

But she made a significant mark on Marxist economic thought, to the extent that Socialist Workers Party founder Tony Cliff referred to it as "one of the most, if not the most, important and original contributions to Marxian economic doctrine since Capital."

Though Joan Robinson was a major critic of Luxemburg's analysis, she herself referred to the work as "more prescience than any orthodox contemporary could claim."



Millicent Fawcett (1847-1929)

Milicent Fawcett is mostly known as a feminist and campaigner for women's rights, as well as the name behind Britain's Fawcett Society, which continues that work today.

As an economist, she wrote "Political Economy for Beginners" in 1870, and was committed to the political rather than scientific application of economics that developed in the coming decades.

The book was still published 40 years later, when the 10th edition was released.

Fawcett also blended her campaigning work and her economics, proposing the "crowding hypothesis" that women were driven by informal and formal institutions into lower-paid work. Because all women were driven toward this subset of jobs, Fawcett hypothecated that the oversupply of labour kept their wages down. The thesis is still discussed by feminist and labour economists today.



Elinor Ostrom (1933-2012)

Elinor Ostrom held the only Nobel Prize in economics ever awarded to a woman.

She was dissuaded from pursuing a Ph.D. in economics, and completed one in political science instead.

Her work on the formal and informal political institutions the influence an economy had enormous influence on a discipline that had become more scientific and mathematical, bringing back some of the more politically focused work more common 100 years ago.

Ostrom is associated with New Institutional Economics. ■

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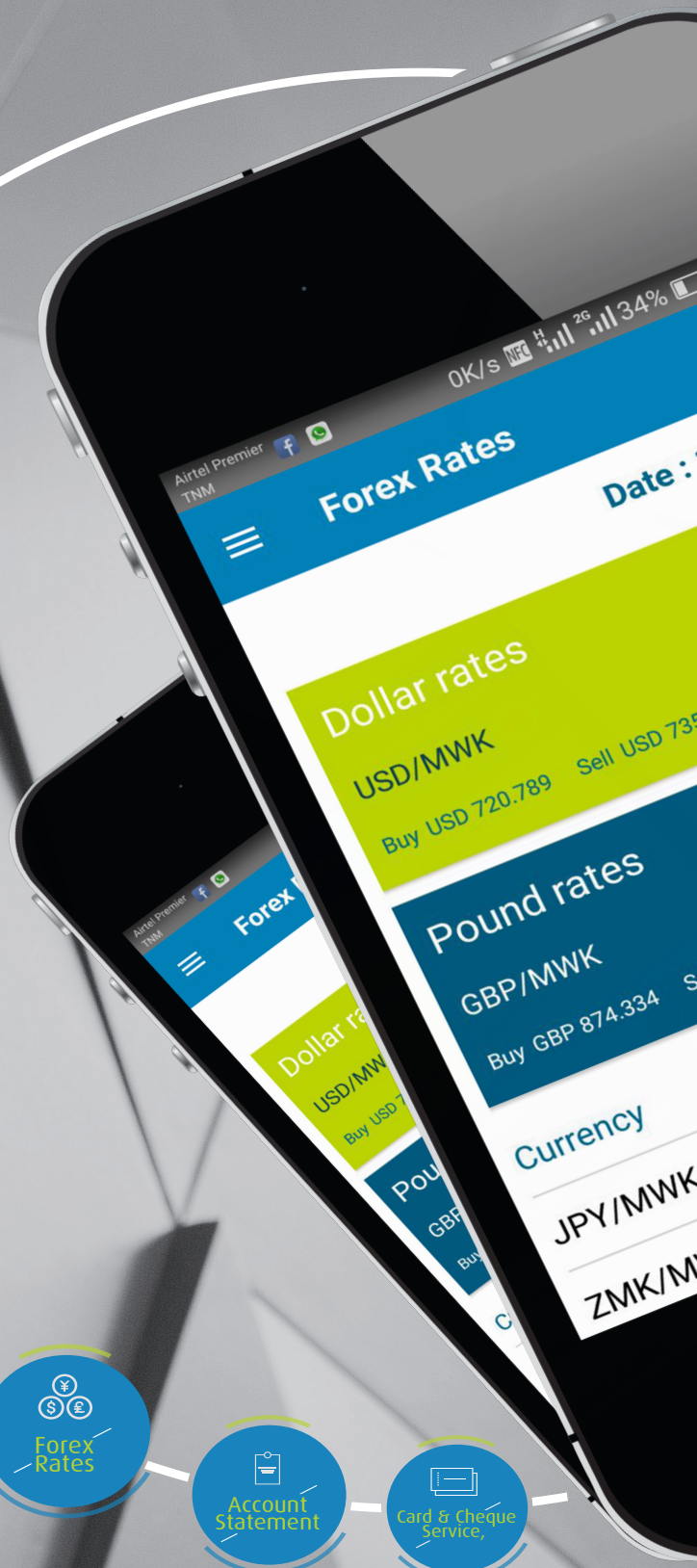
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Should Malawi Cap Bank Lending Rates?

By Thomas Chataghalala Munthali, PhD*

It is undisputable fact that Malawi, at close to 50%, has one of the highest lending rates in Africa and the interest rate spread is even sickening at over 31%. Can the spread be justified? I bet all my money that no economic reasoning can justify it especially when the same country has one of the most profitable banking industries in Africa.

Malawian banks are lucky that investment options are limited for the majority and that most depositors use banks as transaction vehicles like for payment of salaries. Otherwise, no one would be keen in keeping their money with Malawian banks where deposit rates are far below inflation rates – basically earning negative returns. It's actually funny that bank lending rates rise quickly in response to market conditions but will hardly fall when conditions reverse.

Is capping the bank lending and putting minimums on the deposit rates the solution then? Well to answer this, a follow up question is inevitable – for what purpose? And the answer then depends on which lens you are wearing - political or pure economic. However, whichever answer, the ultimate goal should be to look at the impact on the economy and by extension poverty reduction ultimately – both of which will attract attention of economic and political actors alike.

From the political point, this would be a popular decision given that the cry for lower interest rates has been a voice echoing in the wilderness for so long with the banks seeing it as usual music hence no need to heed it. Small and medium enterprises are failing to grow with cost of finance being the main culprit. Large industries are equally operating far below capacity utilisation with as low as 30% with cost of finance being the culprit again. Capping of lending rates will hence resonate and excite the general population and business community and so would

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score huge marks for capital hill.

From the economic position, the cost of finance is one of the key elements that has kept Malawi ranking amongst the poor economic performers. Malawi ranks 133 out of 189 in 2016 in the World Bank's Ease of Doing Business indicators with the high cost of finance as one of the main contributing factors. This is supported by the cost of finance ranking in the top three obstacles to doing business in Malawi in the MCCCI's Business Climate survey – not just in one year but so many consecutive years. Bus capping of lending rates would seem a good idea for affordability of the finance but it is not without serious ramifications.

From the economic position, the cost of finance is one of the key elements that has kept Malawi ranking amongst the poor economic performers. Malawi ranks 133 out of 189 in 2016 in the World Bank's Ease of Doing Business indicators with the high cost of finance as one of the main contributing factors.

Some of the negative impacts of capping will include emergence of credit rationing and the unavailability of credit to a wide segment of the population especially new and SMEs (small and medium enterprises). This would have adverse consequences on financial inclusion, job creation and poverty reduction efforts. Unregulated informal lending channels will also emerge, allowing lenders to prey on the neediest, and a proliferation of non-interest fees and charges to be borne by bank customers. This will then go against the very financial inclusion agenda Government is propagating. What more – such decision would send very negative signals to investors on Government's interference in the market and could not just affect the viability of the banking industry but the entire economy as other sectors would think capping of prices on their goods and services is also eminent. Matter of fact, in the latest MCCCI Malawi Business Climate Surveys, uncertainty in economic and regulatory policies have ranked in the top three of obstacles to doing business.

Proof is also aloof on capping being the enemy of good as far as markets are concerned. Just take a look at the utility industry like water and electricity, which has had prices largely capped presumably to protect the common person, and see how the services have fared – very poor.

Capping interest rates may work if the economy has huge amounts of funds available for lending out by banks. Basically a very liquid financial sector. And the central bank would have to respond to any fall in liquidity by pumping more resources – this entails lowering the bank policy rate or the Liquidity Reserve Ratio (LRR).

This is not without implications in an economy that is faced with low forex reserves because such measures would inadvertently put pressure on the local currency leading to forex shortages and high inflation. In other words, the capping of lending rates as a measure would not be sustainable in an economy like Malawi. Sooner or later, we would come back to the drawing board for its reversal.

In general, capping has never been an option the world over and Kenya which has re-introduced the capping in September 2016, has largely done it out of populist

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If banks then still don't take heed and keep spreads as wide, the Central Bank should use moral suasion – they have a number of such measures in their tool kit which could easily enforce compliance to reduced interest rates because a significant portion of the spread can only be explained by greed.

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considerations. By the way, unlike Malawi's 31%, Kenya's interest spread is only about 11%. But with a general election next year, this is a decision that will excite its rural and urban masses especially those in the SME sector but likely at the expense of the economic growth that was so far admirable by neighbours and beyond.

How do we know that capping is not a good idea from the economic point? It's because Kenya itself had this capping before and threw it out of the window 25 years ago (1991) because of the negative effects outlined in this discussion.

So what options does Malawi have if capping interest rates is not the solution?

Indeed, low interest rates and higher deposit rates would boost the economy – it's a fact. With a Central Bank whose main policy position is inflation targeting, putting in place measures that would boost the productive sectors is the main measure to curtail inflation. But without capping interest rates, such measures should address the reasons behind the high interest spreads which include ensuring that customer information is freely available so banks can be able to distinguish risky from non-risky customers.

Credit Reference Bureaus that are operating effectively and full operationalization of the national identification recently launched is worthy the push. Central bank should enforce transparency about bank products and the factors behind the pricing – this information should be made freely available to the public. Not only does it allow rational borrowing decisions but it also encourages new entrants into the banking sector that can be more efficient by cutting on interest spreads. More importantly, Government should support the doing business environment especially availability of reliable utility services (water and power) which would boost the probability of project success hence lower interest rates in turn.

If banks then still don't take heed and keep spreads as wide, the Central Bank should use moral suasion – they have a number of such measures in their tool kit which could easily enforce compliance to reduced interest rates because a significant portion of the spread can only be explained by greed (which by the way, is allowed in a free market because its considered unsustainable and hence self-reversing in the long run as competitors force it down).

The short of it, the bank lending rates can and should be reduced considerably without capping. Otherwise, I fully empathise with Government and the masses on their good but hard to sustain intentions. ■

**Thomas Chataghalala Munthali is Former President of Economics Association of Malawi. Currently, he is Director for Research, Knowledge Monitoring and Evaluation, at Africa Capacity Building Foundation (ACBF). ACBF was established in 1991 as an outcome of collaboration between African governments and the international donor community. IT supports human and institutional capacity building across Africa to meet development needs at the country, regional, and continental levels and has emerged as one of the leading capacity development organizations in Africa. Its Board of Governors comprise ministers of finance and economic planning. www.acbf-pact.org*

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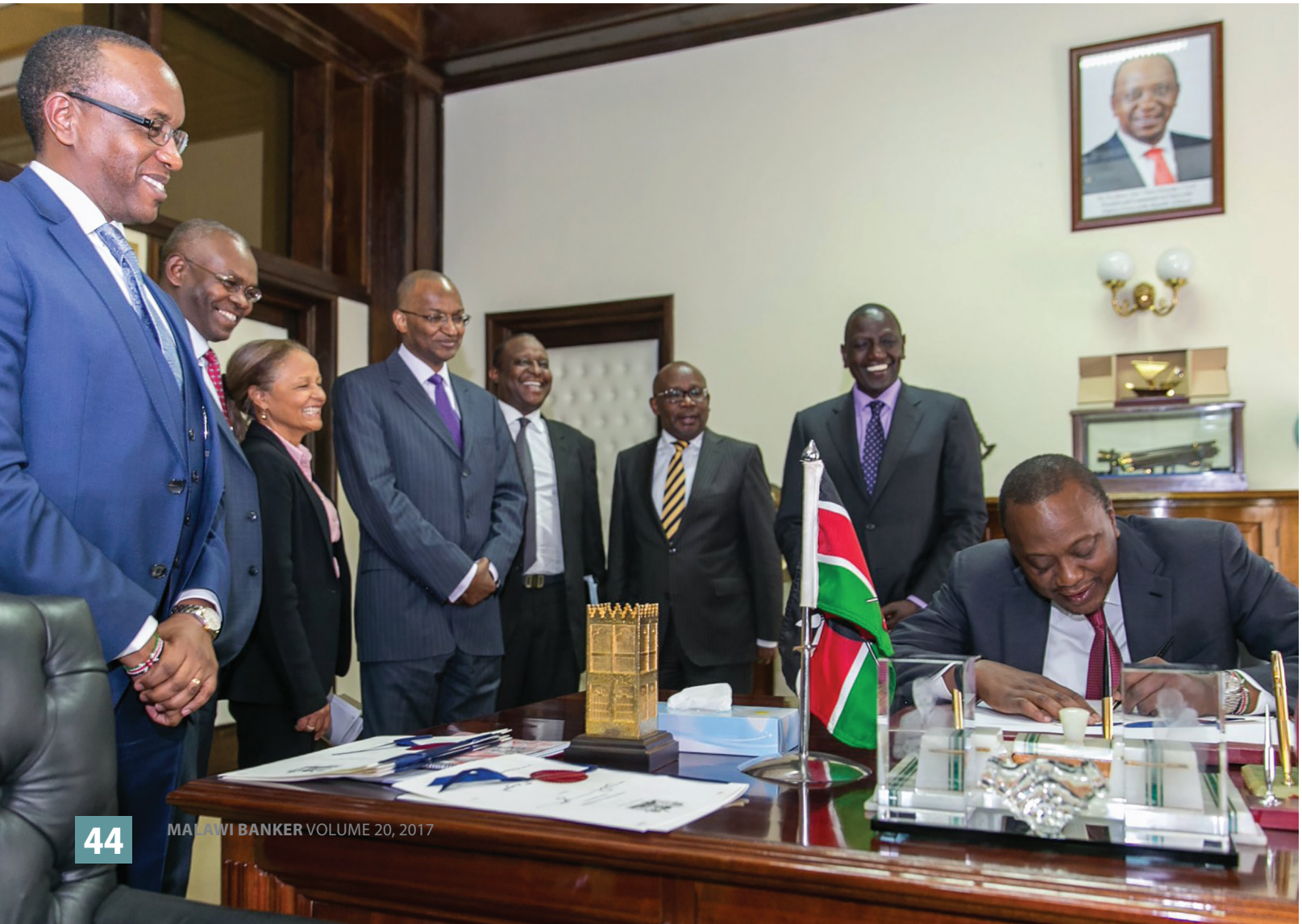


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KENYAN PRESIDENT APPROVES LAW CAPPING BANKS' INTEREST RATES



Kenyan President Uhuru Kenyatta signed into law in August a bill which limits how much interest banks can charge for loans, despite assertions by top government officials that the legislation would damage access to credit in East Africa's biggest economy.

Lawmakers in the nation, which eliminated interest-rate limits in July 1991, voted for an amendment to the Banking Act that would require lenders to peg credit costs at 400 basis points above the benchmark central bank rate. The law also compels financial institutions to pay interest of a minimum of 70 percent of the so-called CBR on deposits.

"I have consulted widely and it is clear to me from those consultations that Kenyans are disappointed and frustrated with the lack of sensitivity by the financial sector, particularly banks," Kenyatta said in an e-mailed statement.

"These frustrations are centered around the cost of credit and the applicable interest rates on their hard–earned deposits. I share these concerns."

Kenyan lenders extended loans at a weighted average rate of 18 percent in June, according to the most recent statistics from the central bank, compared with 15.7 percent a year earlier. In comparison, the central bank has cut the CBR by 1 percentage point to 10.5 percent this year. It also lowered the Kenya Bankers' Reference Rate, or KBRR, by 97 basis points.

'Negative' Decision

The decision is negative for Kenya's banking industry, Alistair Gould, chief executive officer of African Alliance Ltd's Nairobi-based unit, said by phone.

"The new law will cause a decline in net interest margins by at least 200 basis points, causing banks to charge other fees to customers to make up for the lost income," he said. "We expect reduced earnings growth from banks in the medium-term, which could further dampen sentiment towards the listed banks on the Nairobi Securities Exchange."

Central bank Governor Patrick Njoroge had opposed the move to cap rates, saying it would harm the $61 billion economy, though he has repeatedly asked lenders to reduce what he termed as "remarkably high" loan costs.

Kenyatta's decision comes a year before he will seek a second term in elections set to take place next August and signal that electoral politics has taken center stage in the economy, Teneo Intelligence Senior Associate Ahmed Salim said in an e-mailed note.

Promise Fulfilled

"Kenyatta has his eyes firmly fixed on the upcoming polls," Salim said. "Kenyatta's signature under the banking bill enables the president to make good on his promise to bring down interest rates."

Two previous attempts by lawmakers to legislate borrowing costs failed and lenders didn't "live up to their promises" to cut rates and reduce the spreads between deposit and lending rates, Kenyatta said. Commercial banks say the government's insatiable appetite for funds from the domestic market was the main reason their lending rates have remained high.

Kenyatta said that despite having one of the most efficient financial markets, the country has one of the highest returns-on-equity in Africa. The government will implement the new law "noting the difficulties it would present," including credit becoming unavailable to some consumers, he said.

Since the central bank's July 28 decision to cut the reference rate for Kenyan banks, lenders including HF Group Ltd. and National Bank of Kenya Ltd. have said they would reduce lending costs. Kenyatta's statement on Wednesday was sent after the market closed. – *Bloomberg* ■

NEW REPORT TIPS ON REVIVAL OF AFRICA'S GROWTH MIRACLE

A new report from the New Climate Economy says economic transformation can revive Africa's growth rates while promoting development and climate goals.

The report, *Africa's New Climate Economy*, is the first to bring economic transformation together with development and climate change in one comprehensive assessment, according to a statement released ahead of the report in November.

In an effective economic transformation, productivity is boosted within sectors and there is some shift of workers from low-productivity sectors like agriculture to high-productivity sectors like industry and services.

Sub-Saharan Africa is still at an early stage, with around 60% of employment in agriculture and only 5% in manufacturing, so the potential is enormous.

The region's "growth miracle" of the early 2000s has slumped in the past two years, with growth in 2016 projected at just 1.6%. Recent progress in reducing poverty is at risk, especially considering Africa is expected to be the region worst affected by climate change, with a median loss in GDP of around 4%.

"The choices that African leaders make in the next few years will have major implications for economic growth, human well-being and climate resilience in the decades ahead," said Ngozi Okonjo-Iweala, former finance minister of Nigeria and a member of the Global Commission on the Economy and Climate.

"It's encouraging to see these three priorities brought together."

Initial indicators of economic transformation are positive. By one estimate, it has already added about 1% to productivity growth across the region since 2000, rising as high as 4% for Rwanda, and 2-3% for Nigeria, Tanzania and Uganda.

The report details actions that can promote economic transformation and green growth in 4 key economic systems: cities, land use, industry, and energy.

Unleashing the power of urbanization:

By 2050, sub-Saharan Africa's cities will increase by almost 800 million people. Urbanisation in Africa has been something of a missed opportunity so far, but a shift towards more compact, connected and coordinated cities

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"The choices that African leaders make in the next few years will have major implications for economic growth, human well-being and climate resilience in the decades ahead,"

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can create agglomeration benefits and reduce air pollution and traffic costs.

Transforming agriculture and land use:

Cropland in sub-Saharan Africa is expanding at twice the global rate due to low yields and rapid population growth. Intensifying yields per hectare with climate-smart agriculture techniques can help boost farmers' incomes while protecting the environment.

Diversification into manufacturing and other high-productivity, modern sectors:

Africa's share of world manufactured export markets is so tiny – less than 1% – that even modest increases in its share can have a big impact on the sector's growth.

Fostering a modern energy transition:

Some 620 million people in sub-Saharan Africa lack access to electricity. Countries have an opportunity to "leapfrog" to modern, energy efficient technologies. The region has a rich portfolio of clean energy assets, including about 1,100 gigawatts of solar capacity, more than enough to meet total energy demand in the region.

"Across multiple sectors, economic, social, and environmental transformations can reinforce each other and create numerous virtuous circles," says Milan Brahmbhatt, lead author of the report.

"Many of the policy and institutional reforms needed to boost growth and reduce poverty over the next 15 years will also contribute to better management of climate risk." ■





DEMYSTIFYING BANKING

WHAT IS BANKING?

In simple words, banking can be defined as the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn a profit.

However, with the passage of time, the activities covered by banking business have widened and now various other services are also offered by banks. The banking services these days include issuance of debit and credit cards, providing safe custody of valuable items, lockers, ATM services and online transfer of funds within a country and around the world.

It is well said that banking plays a silent, yet crucial part in our day-to-day lives. The banks perform financial intermediation by pooling savings and channelling them into investments through maturity and risk transformations, thereby keeping the economy's growth engine revving.

Banking business has done wonders for the world economy. Through the simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. This in turn allows the economy to grow. In the absence of banking business, savings would sit idle in our homes, the entrepreneurs would not be in a position to raise the money and ordinary people dreaming for a new car or house would not be able to purchase cars or houses.

WHAT IS THE MOST IMPORTANT ELEMENT FOR A BANK TO SURVIVE?

Trust is the most important element for a bank to survive. People keep money in a bank only when they trust that it will be given back to them as and when they demand it on at least on the date of maturity in case it has been given in the shape of fixed deposits.

Of course, there are other reasons also for which people prefer to keep money in a bank rather than keep it at home in their own safe. They can earn some extra money when the money is kept in savings or fixed deposits. Moreover, they can make payment by issuance of cheques and need not carry money for their day- to-day needs.

The banks perform financial intermediation by pooling savings and channelling them into investments through maturity and risk transformations, thereby keeping the economy's growth engine revving.

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How Do Banks Earn Money?

Banks are businesses: they need to make money and they do this in a number of different ways.

Banks are companies (normally listed on the stock market) and are therefore owned by, and run for, their shareholders. Banks need to make enough money to pay their employees, maintain the buildings and run the business.

There are three main ways banks make money: by charging interest on money that they lend, by charging fees for services they provide and by trading financial instruments in the financial markets. We have seen a number of innovations in our country and through such innovations banks are able to generate revenue.

Retail and commercial banks need lots of customers to deposit their money with them as the banks use these deposits to earn enough money to stay in business.

To encourage people to keep their money in a bank, the bank will pay them a small amount of money (interest). This interest is paid from the money the bank earns by lending out the deposited money to other customers.

Banks also lend to each other on a huge scale. Most of this lending is on a short-term basis, usually no longer than three months, often just overnight.

If a bank has a surplus of liquid (available) assets then the bank can make money by lending these assets to other banks in the interbank market. As money flows in and out, banks will both lend and borrow money on the interbank market as needs require.

The banks lend money to customers at a higher rate than they pay to depositors or than they borrow it. The difference, known as the margin or turn, is kept by the bank. For example, if a bank pays 1% interest on deposits, they may charge 6% interest on loans.

Lending takes the form of overdrafts, bank loans, mortgages (loans secured on property) and credit card facilities. The bank will work out the cost of making the funds available to the borrower and add a profit margin.

Loans approved by banks will vary in size, and may have fixed or variable interest rates but, in all cases, the bank will lend the money to the customer at a higher rate than they borrow it.

Deposits are the banks' liabilities. If everyone was to demand their money back at once, the bank would not be able to pay. Because they lend money out, banks are required to carry a cushion of capital so they have sufficient money to pay those customers likely to withdraw their money at any time.

Another way banks make money is through charging fees. Most retail and commercial banks will charge for specific services, for example, for processing cheques, for other transactions and for unauthorized borrowing e.g. if a client exceeds an overdraft limit.

Investment banks earn huge fees for advising large companies and public institutions on issuing of bonds and shares (securities), and from underwriting these issues.

Investment banks charge fees for advising clients wanting to bid for other companies in mergers and acquisitions, or management buy-outs. These deals can be very complex and provide an important source of income as well as an opportunity to underwrite shares related to these deals.

Investment banks also make their money by trading securities in the secondary markets. Their aim is to sell these securities for more than they pay for them or purchase them for less than they sold them. The difference, called the turn, is kept by the bank.

Banks also buy and sell currencies of all the nations of the world, trying to take advantage of the different prices of these currencies against each other, which are changing all the time.

Do Banks Play Any Role in the Economy?

…. Make sure that you have our next issue where we will tackle this important topic. ■

WHAT AFRICA'S BANKING INDUSTRY NEEDS TO DO TO SURVIVE

By Ndubuisi Ekekwe

Across Africa, banking is being redesigned. Technology has emerged as a competitive weapon in driving operational excellence and superior service quality. While the banks compete among themselves, they face existential threats from amalgam of entities, not necessarily possessing bank licenses.

For example, from telecommunication companies to fintech entrepreneurs, African banking fees and commissions are under tremendous presure. M-PESA offers services that are dislocating the banking architecture of Kenya, and not even global banking giants have been spared. Nigeria's Interswitch, a fintech, has been rumored to have a valuation of $1 billion, easily eclipsing most banks in the country. Through Paypal, Nigerians spent $610 million via their mobile phones on international shopping in 2015, depriving local banks forex fees. California-based Stripe has unveiled a solution to enable online entrepreneurs to run U.S. companies and bank accounts while living outside U.S., and African entrepreneurs are excited.

As most African economies continue to shrink due to commodities bust, the reliable public funds which provide the core deposit base for banks are disappearing. To mitigate the lost revenue, banks are redoubling efforts in retail and corporate banking. But banks cannot control the rules of engagement as they have in the past, since customers now have more choices and are more fragmented, and disintermediation by fintech is making it harder to earn fees. Legacy infrastructures, like banking branches, are doing lesser activities and continue to depress margins because customers have moved to new channels.

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Indeed, the challenges ahead of African banks are enormous. To remain relevant, the banks must internally mutate, disrupting themselves to participate in modern banking. From my practice working with bank clients in the continent, here are a few suggestions to make that happen:

RESTRUCTURE STAFF

Nothing has changed in most African banks in terms of structure, despite the avalanche of transformations in the market. Most still put marketing managers in nice cars to look for clients. While that is still relevant, the emerging digital economy has provided new channels to reach customers at better cost models. Banks need to close branches, cut manpower, and transition some employees into digital banking.

Within a decade, 80% of staff should be able to automate activities like customer onboarding, sales, support, and investment management. Because banking has since become a technology business, the future is for entities that offer top-grade personalized banking services to customers, largely driven by low-cost automation. Increasingly, executing that capability will be dependent on a new species of talent with deep technical skills to integrate local realities into products.

Besides, it is not always necessary for banks to sell their products with bankers; they can move some staff to wholly-owned new technology marketing ventures, repackage the products, and present them to the public with the vibes of dynamic technology start-ups. Such realignments could be catalytic in fending up the challenges from fintech competitors.

DATA CONSOLIDATION

In countries where governments rarely know their citizens because there are few trusted identification systems, most African banks built their businesses on top of shaky data infrastructures. As competition heats up and provision of personalized services becomes critical, banks need to consolidate disparate data sets scattered over decades of their operations.

Most banks still require their customers to have multiple accounts to access different products in their channels — different accounts for mortgages, loans, savings, and more. Consolidating these products under one database with one account access will improve customer experience. Banks should also require customers to update their records using citizen identification numbers (where available) and email addresses and phone numbers (which did not exist in the past), in order to link services they provide them more effectively.

ELEVATE DIGITAL BANKING

While the revenue from digital banking may not be dominant at the moment, it is growing faster than branch channels. Banks must realize that this is the future of banking and the habit of seeing digital banking as a channel for young people must evolve. In most banks, inexperienced young managers are asked to handle digital products. Time has come to put digital business under the care of senior executives who have the capacities to influence strategic decisions which will help the bank disrupt and transform internally. A director that reports directly to the CEO will be optimal.

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INNOVATE FEROCIOUSLY

The old banking order is failing in Africa and central banks are losing their powers with all the disintermediation. Africa has to innovate — for example by building new credit models — to expand their businesses and make them more appealing.

The excuse is that credit system cannot work until African economies have identification architectures and the FICO-like model is a testament that African banks have not invested in local research to find alternatives based on local circumstances and possibilities. Banks should also explore partnerships and collaborations with outside organizations, as the rate of disruption is huge for a sequestered entity to overcome.

Banks need to build capabilities in automation and analytics to ensure it can compete as algorithmic banking evolves. Building the AI models for the African consumer cannot be optimally driven by Silicon Valley vendors; rather, African universities and research institutes who understand the nuances of being an African are better positioned for this task. This is critical because a future where blockchain usurps central banks by eliminating clearing houses and citizens do business locally but bank offshore, only innovation will guarantee survival.

THINK ABOUT LOCAL NEEDS

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What works in U.S. may not work in Africa, so getting inspiration from around the globe can lead to misses. In the West, 30% of payments come from mobile devices; in Africa, it is 60%. They talk of mobile-first; in Africa, it is largely mobile-only in electronic commerce. Thinking local is strategic to appropriately examine competing business models. A typical African builds a house paying cash with no access to mortgage. Education loan is practically not in existence. Most economies in Africa have no companies that offer agriculture insurance to farmers. By considering the local environments, it will become evident that what is working for Wall Street banks may not be relevant locally, and African banks must adapt accordingly.

African banks, unlike their international counterparts, are more susceptible to disruptions largely because the newer alternatives are always preferable, owing to infrastructural challenges. Anyone will prefer internet banking to avoid dreaded Nairobi traffic, just as millions of Africans leapfrogged owing computers to buying smartphones. There is no requirement that unbanked Africans will first get bank accounts before adopting digital wallets as ecosystems converge making it possible for people to buy and sell without a bank. African banks must reinvent themselves to be part of the new banking sector. ■

Ndubuisi Ekekwe is a founder of the non-profit African Institution of Technology and Chairman of Fasmicro Group with interests in technology, finance, and real estate.

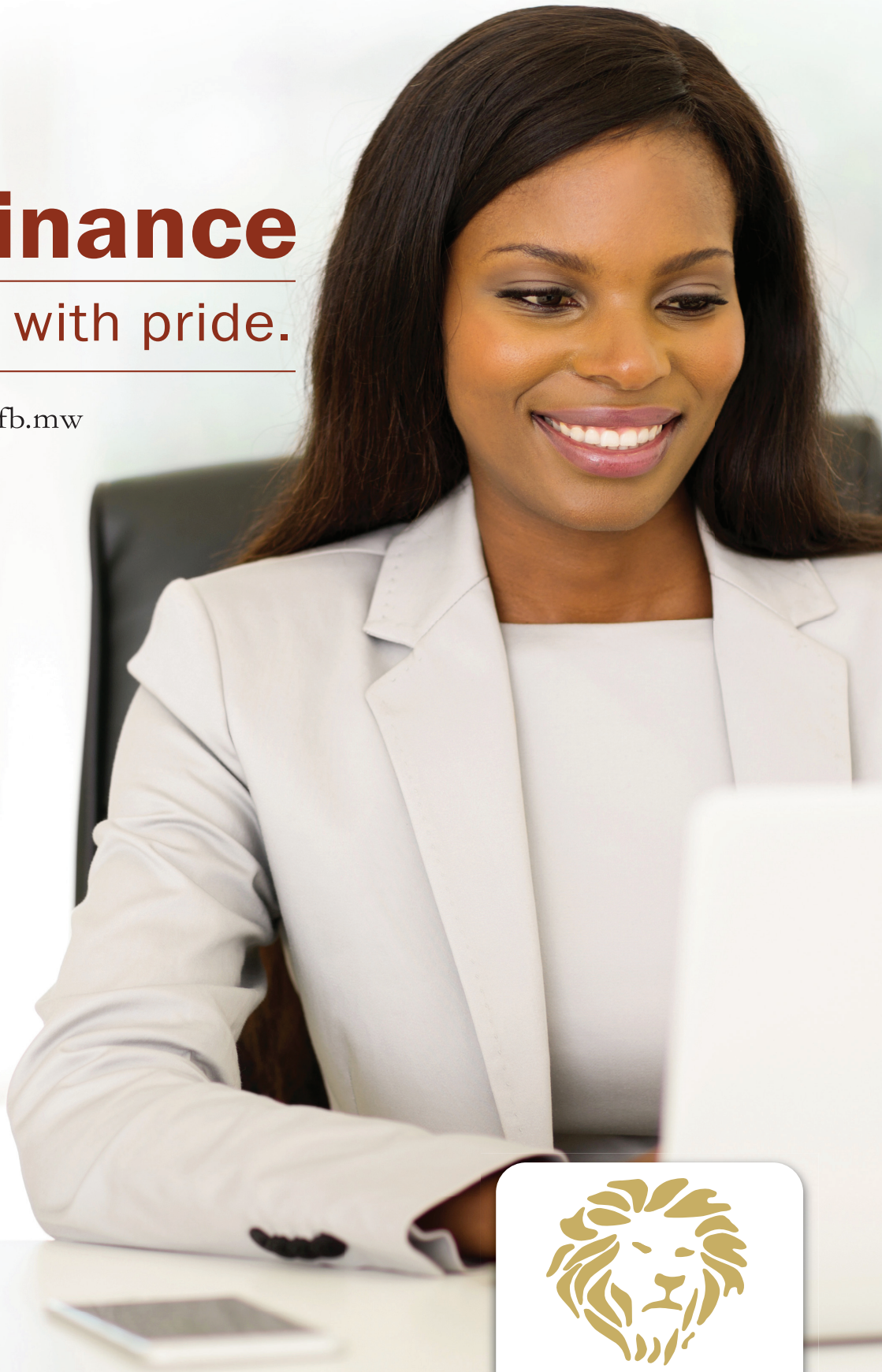


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FROM AROUND THE WORLD

BUSINESS BRIEFS: AFRICA AND AROUND THE WORLD



LIBERIA SEEKS $1.3 BILLION TO REVIVE ECONOMY AFTER EBOLA

Liberia will need $1.3 billion to revive an economy that was ravaged by a slump in its key export commodities and the worst-ever Ebola epidemic, Finance and Development Planning Minister Boima Kamara said.

The West African nation will invest in energy projects to spur its manufacturing sector while prioritising agriculture after economic expansion almost came to a standstill over the past three years, Kamara said in an interview in the capital, Monrovia.

The country is targeting average annual economic growth of about 6 percent for the seven years starting 2018, after averaging about 8 percent between 2006 and 2013, he said.

Bottom of Form

The government of President Ellen Johnson Sirleaf is trying to transform Liberia's economic fortunes after the more-than-yearlong Ebola outbreak. ■ – *Bloomberg*



GROUPON CLOSES SOUTH AFRICAN OPERATION

Online discount coupon company Groupon has closed its South African operation. It announced early in November that it had wound down its operations in South Africa.

Groupon in SA offered discounts on goods, as well as on experiences such as restaurants, getaways and adventure activities.

The US parent company recently announced a merger with rival LivingSocial. It has also been closing operations in other countries, to reduce its international footprint to 15 countries from 27.

It posted a $35.8m net loss in the third quarter but said the North American operation was strong, with double-digit growth in gross billings and what CEO Rich Williams said was its "highest quarter for customer acquisition in over three years". ■ – *BBC*



ONLINE FRAUD HITS TESCO BANK

Tesco Bank temporarily stopping online transactions early November after about 20,000 customers had money removed from their accounts after an attack by fraudsters over the weekend.

The bank, wholly owned by supermarket chain Tesco, said it had discovered there had been "significant" fraudulent criminal activity on customers' current accounts late on Saturday and early Sunday morning.

Benny Higgins, the bank's chief executive, said 40,000 of current accounts had experienced suspicious transactions and about half had money taken from their account. ■ – *Reuters*



CHINA LAUNCHES $11 BILLION FUND

China has set up a 10 billion euro ($11.15 billion) investment fund to finance projects in Central and Eastern Europe, Industrial and Commercial Bank of China said in a statement.

The China-Central Eastern Europe fund will be run by Sino-CEE Financial Holdings Ltd, a company established by the bank earlier this year.

The fund is aiming to raise 50 billion euros in project finance for sectors such as infrastructure, high-tech manufacturing and consumer goods, the bank said.

The fund will be government-backed but will operate under business principles and be guided by the market. ■ – *Reuters*



MOZAMBIQUE OVERTAKES VENEZUELA AS WORLD'S RISKIEST NATION

Mozambique has overtaken Venezuela as the world's riskiest issuer of dollar-denominated bonds. The southern African country told investors on October 24 it needed to restructure its commercial debt, sending yields on its 2023 Eurobonds soaring about 900 basis points to 24.5 percent. Holders of the securities have lost 24 cents in the dollar. ■ – *Bloomberg*



EAST AFRICAN PHARMA FIRMS MISSES OUT ON $5BN OPPORTUNITY

The $5 billion East African pharmaceutical market is expected to grow by more than 12% per year for the next five years, as lifestyle changes in the region lead to higher rates of non-communicable diseases such as diabetes.

Such high growth offers significant opportunity, but so far the region's 65 manufacturers have only been able to satisfy about 30% of market demand, leaving the other 70% to be captured by imports, according to a UNCTAD statement released in November.

Boosting local pharmaceutical production is hot on the political agenda for EAC governments, looking to reduce medical costs for families and to increase access to essential medicines, especially in rural areas. ■ –*UNCTAD, Geneva*

OPPORTUNITY BANK INTRODUCE FRESH BANKING APPROACH FOR SMEs



As part of Opportunity Bank's reorganisation and growth strategy, the bank announced its new SME Banking approach with the aim to extend its reach far and wide. The announcement was made at a special gathering held at Bingu Convention Centre in Lilongwe.

Speaking during the event, Chief Executive for Opportunity Bank, Mr. Kwanele Ngwenya said that the bank is committed to pursue excellence in banking by narrowing the gap between the banked and unbanked communities, and that this new focused approach will enable the bank to provide extended banking services and products that are specifically designed for the vibrant SMEs market needs.

"The introduction of our SME Banking unit is in response to the market demand. It is vital for OBM to become an inclusive and accessible bank to all. The newly established OBM SME Banking unit will focus on delivering products and services strategies that are truly responsive to our customers' needs both existing and prospective".

"We acknowledge that SMEs have an important role to play towards a healthy economy, alleviating poverty and national prosperity of Malawi. The bank believes that by introducing such focused approach we will help make a difference in the transformation of the banking sector and economic development of the country. Setting up this dedicated unit is OBM's way of recognising the importance of growing together with our customers towards building a prosperous economy," he explained.

The SME sector is regarded as one of the key drivers for most successful economies when it comes to creating employment and fostering innovation. Not many banks aspire to adopt an SME centric approach because of the challenging market dynamics. To date OBM has invested in gaining market understanding in order to see the world from an SME perspective and continues to explore other opportunities that will benefit customers and the economy.

According to the CEO, the bank has matured from being a Microfinance Bank to a holistic commercial bank. It is through banks such as OBM that the missing link between the banked and unbanked communities will soon become obsolete.

The new OBM SME Banking unit is in operation effective 3rd November, 2016 headed by Mr. Howard Bowa and will offer full banking services including cheque accounts; money markets, working capital loans and other personalized services.
ENDS



Quotes UnQuotes

Compiled by Wanthaza Mughogho

If you owe the bank $100 that's your problem. If you owe the bank $100 million, that's the bank's problem.

J. Paul Getty

I don't have huge bank accounts. I'd love one. But it wouldn't change much. I don't have any expensive habits. I'm not a car collector or any of that nonsense. But I'd love to be incredibly wealthy for no reason at all.

John Lydon

History proves... that a smart central bank can protect the economy and the financial sector from the nastier side effects of a stock market collapse.

Ben Bernanke

Before the 1970s, banks were banks. They did what banks were supposed to do in a state capitalist economy: they took unused funds from your bank account, for example, and transferred them to some potentially useful purpose like helping a family buy a home or send a kid to college.

Noam Chomsky

Weak passwords are a crook's best friend. Make yours long and complex, and change them often - not just on your bank account but on your email and social media, too.

Jean Chatzky

National Bank of Malawi



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Sunbird Livingstonia	MK65, 000.00	MK75, 000.00
Sunbird Nkopola	MK71, 050.00	MK89, 800.00
Sunbird Lilongwe	MK60, 000.00	MK75, 000.00
Sunbird Ku Chawe	MK60, 000.00	MK75, 000.00
SPECIAL MIDWEEK RATES		
Sunbird Mzuzu	*From* MK55, 000.00	
Sunbird Lilongwe	*From* MK65, 000.00	

Terms and Conditions apply

Services Included

Complimentary Wi-Fi

Access to gym and swimming pool facilities (where available)

Buffet breakfast

+265 1 773 388
centralres@sunbirdmalawi.com
www.sunbirdmalawi.com

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MALAWI Banker

ADVERTISING OPPORTUNITIES & RATES

Advertising Opportunity	Code	RATES	COMPLIMENTARY
Sponsored Front Cover	C1	400,000	Free Profile of a Senior Executive
Executive			
Next to President's page		300,000	1 page advertorial
Next to Editor's page		240,000	1 page advertorial
			three-quarter page advertorial
Inside Front Cover	C2	312,000	Free Profile of the Snr
Executive			
Back Inside Cover	C3	312,000	Free Profile of the Snr Executive and half page Advertorial
Double Spread	DD1	312,000	Free Profile of the Snr
Executive			
Outside Back Cover	C3	360,000	Free Profile of the Snr Executive and half page Advertorial
Special Page 5	SP5	240,000	
Full Page Inside	FP	216,000	
Half Page	HP	103,800	
Quarter Page	QP	76,890	
Editorial	EDR	104,850	
Snr Executives Profiles	SEPO	76,890	
Advertorial (1 full page)	AVR	156,343	
1/3 Size on Page 4 and last back page	3P1	104,850	
Strip	STR	48,930	
Women in Finance			
Feature	WB	111,840	
Financial Securities			
Listing	FSL	186,720	Free Strip Advert on the same page
Gatefold	GF1	573,180	Free Profile of the Snr Executive and half page Advertorial


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