

MALAWI

BANKER

MALAWI'S FINANCIAL MAGAZINE OF CHOICE

VOL 25 / 2021

Banking with ease:

tales of a digital era

Pathways to middle income economy:

What needs to be done?

CHRONICLING REUNION'S

16 YEARS OF SERVICE



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With the advancement of technology, each day the world is moving towards having convenient and easier ways of transacting in the various sectors.

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Editor's Note

It is with gratitude that we bring to you another edition of the *Malawi Banker Magazine*. A very warm welcome to all our valued readers!

And a special recognition to our partners, including advertisers. We owe it all to you.

Of late, the going has not been as smooth for most businesses across the world due to the Covid pandemic. But the future remains promising as countries and firms are getting smarter on how to live with the pandemic, thanks to the vaccination drive, among other factors.

This edition, therefore, chronicles how local commercial banks and other firms remained afloat in their business at the peak of the pandemic.

We depict the story of resilience; how technology and innovation has become a norm in the world of business amid restrictions that could potentially halt business operations, under lockdowns.

As evidenced by figures in the financials of most commercial banks for the year ended December 31 2020, a majority were on a positive performance trail, posting good tidings. Congratulations!

This is positive news as the banking sector remains the anchor of economic activities, feeding into almost all other sectors.

Talking of which, this volume also discusses the sector's positioning in propelling economic growth in line with dreams and aspirations embedded in the Malawi 2063, a long-term national economic development blueprint.

Coined under the annual theme *'Embracing Mindset Change: Steps towards Wealth Creation for All'*, articles in this edition points to chances of attaining the middle-income economy status, at least in the possible faceable future.



In their messages, both the Bankers Association of Malawi President and Chief Executive Officer attest to the fact that the country has vast potential to grow her economy at a supersonic speed. It only takes the willingness and action-oriented approach.

At the epitome of it all is the essence of mindset-change.

From the discussions, the future holds the best, but it would require effort, innovation and direction.

We therefore urge you to read through, take special interest in the detail and be part of agents of change, propelling Malawi towards an inclusively wealthy and self-reliant nation.

Enjoy!

Paul Kamanga
EDITOR-IN-CHIEF



On the cover

→ *Malawi Banker Magazine* engages the **Chief Executive Officer for Reunion Insurance Limited, Dr. Dorothy Chapeyama** on the company's 16th Anniversary



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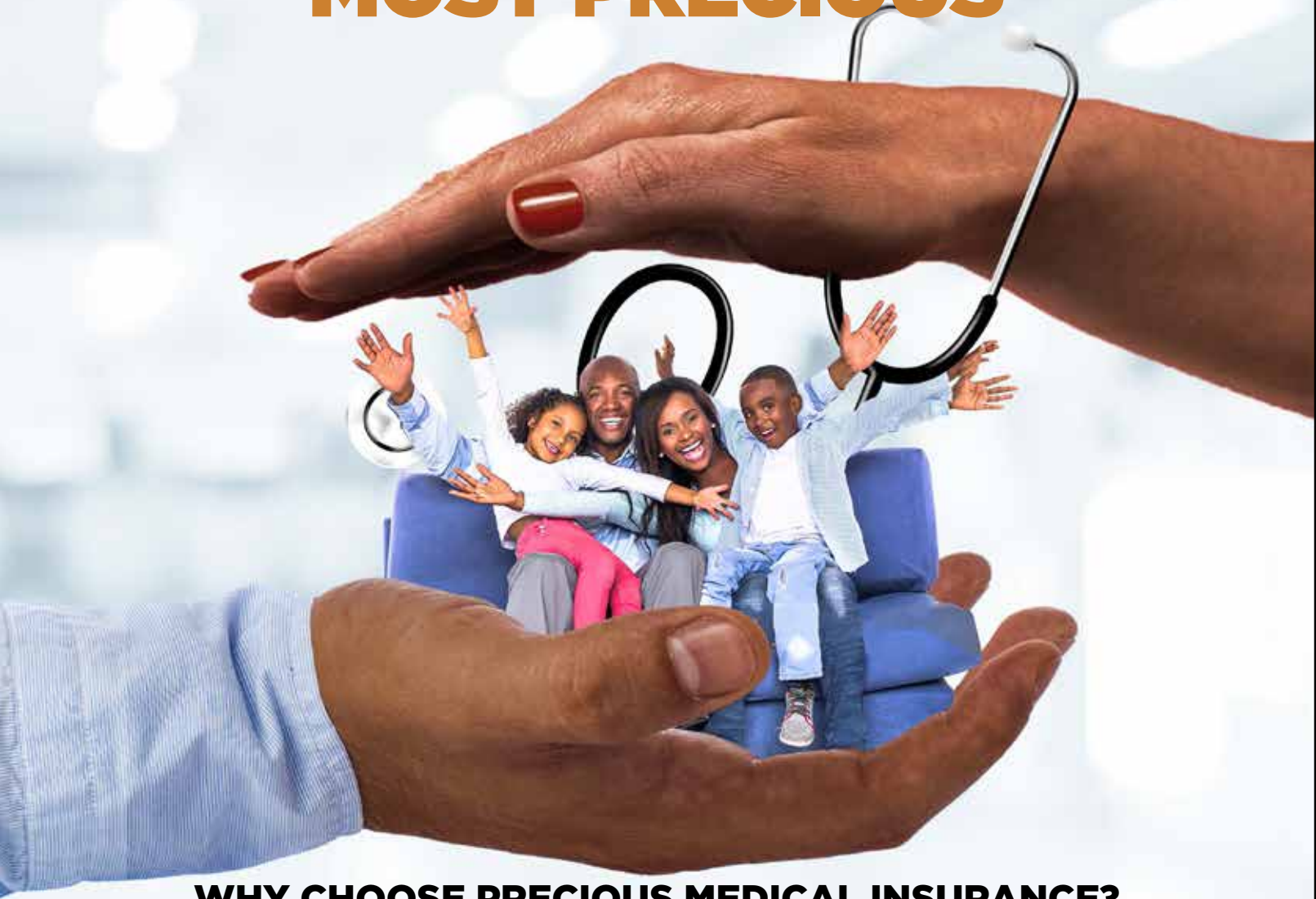
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Taking giant leaps

Most predictions point to a possible economic stability, albeit fears of the third Covid wave, thanks to concerted efforts in the fight.

And also the introduction of vaccines in most countries across the globe brings a sign of relief.

The pandemic has wreaked havoc; putting most economies in shambles.

In Malawi, almost all sectors caught a cold. The banking sector was not spared.

However, we can still tout the robust performance of most banks in the country amid the pangs brought about by the pandemic.

Diversification of products and technology kept banks afloat with most posting a surge in post-tax profit for the year ended December 31 2020, compared to the corresponding period of 2019.

We say congratulations. This is no mean achievement, considering the

turbulence brought about by a tough operating environment.

Banks guarantee continued best services in meeting clientele's needs. Almost all are working around the clock to continue offering seamless services and products.

Commercial banks are making the most of the advent of technology to work with several other stakeholders including mobile phone service providers and insurance companies in merging various ranges of products and services for customers' gratification.

It appears almost needless today for clients to flock on a queue under the roof of a banking hall. All services can be done at your fingertips. Your phone is your bank.

The concept of traditional brick and mortar is gradually losing momentum, along with the burden and risk of moving around with a bulk of cash. We are moving towards paperless transactions.

Today, people are at liberty to walk around giant shopping malls with no cash, do all the shopping, and swipe on a Point of Sale device at the till. Life is being made simple.

This is the direction we have taken. This is the route the country has taken.

It is in line with the dreams and aspirations embedded in the Malawi 2063, a long-term national economic development blueprint, which intends to see Malawi becoming a self-reliant nation with capacity to create wealth for all.

Commercial banks will not relent. We will tirelessly and continuously work towards taking a share in the economic development endeavour.

We are here to reach out to the width and breadth of the country with one agenda; financial inclusion. We aspire that no one of the 18 million plus Malawians is left out of the equation.

We are in for it.

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B

anking is perceived as one of the most resilient sectors of the economy.

The positive trajectory recorded by most commercial banks on the land last year-amid a harsh operating environment emanating from the Covid pandemic-attests to the notion.

It gives the industry not only a special prowess but also a competitive edge.

The performance, collectively, creates a discourse within the business spectrum, not only on practicality of attaining such meaningful profitability amid the prevalent woes, but rather on the modality.

Yes, while the local economy grew marginally by 0.9 percent in 2020 due to the exogenous shocks, a sluggish performance in several sectors was inevitable. But not all.

The banking industry defied odds to remain afloat, thanks to the stringent rules and requirements governing the sector vis-a-vis prudent choices and decisions by players coupled with innovation.

If I were to state the obvious at the onset; all financial institutions relied heavily on digital and remote channels to enhance efficiency while reducing costs.

We have not entirely exited brick and mortar yet. But digital banking has taken centre-stage in the recent past, an innovation touted to have changed the way banks run business.

Customers are accessing banking solutions at their fingertips and within the comfort of their homes.

At the pick of the lockdown, when, unfortunately, most businesses were almost on a standstill, players in the sector still offered almost all services through the mobile phone. This surely is

a game-changer.

And needless to say, the sector is accommodative, except that, like in every business, terms and conditions apply.

Banks have better business risk management profiles and diversification of products and technology has helped to intensify the resilience to most shocks.

Commercial banks have made the most of connection with players in the various sectors of the economy including telecommunication and insurance.

Bancassurance, a relatively new phenomenon on the local market, has seen most, if not all commercial banks selling life assurance and other insurance products and services to existing and potential clients.

The move is unmatched.

And the industry continues augmenting

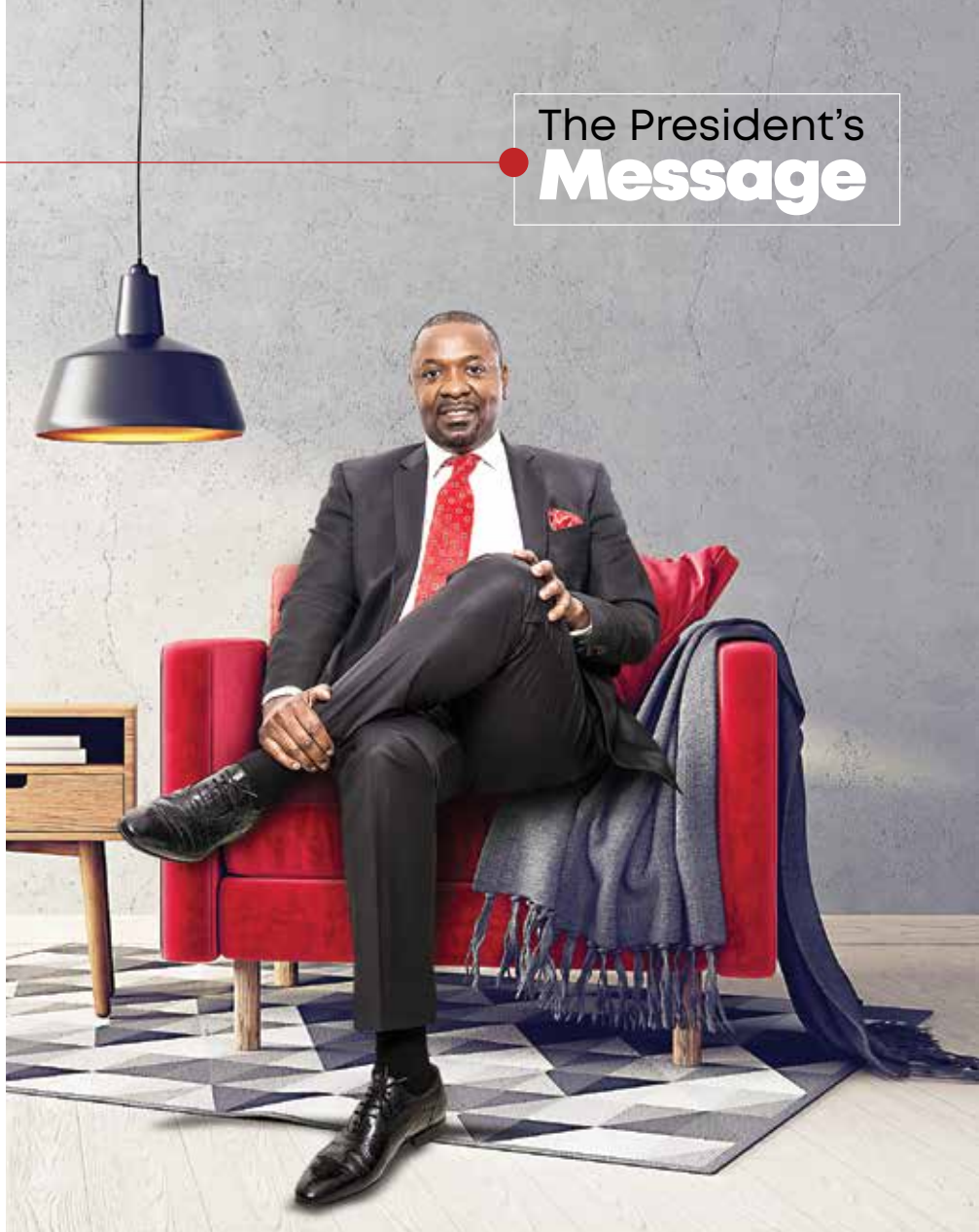
its services with various other sectors of the economy to remain afloat and resilient while staying relevant on the market.

This gives the industry a pragmatic advantage to tap and feed into almost all other sectors of the economy at the same time.

Truth be told, we all need a strong and resilient banking sector. The economy heavily relies on the same to propel industry activities and point towards economic stability.

Surfing through articles in this edition will accord you a chance to appreciate the unfading roles the banking sector is playing towards sustainable economic growth.

Explore!





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STRIDES TOWARDS AGRI COMMERCIALISATION

BY GODFREY MAOTCHA,
CONTRIBUTOR



DESPERATE FOR STABLE MARKETS—Local farmers

Goliati Mulibwanji used to be a vegetable farmer, at Nkhwazi village, in Traditional Authority Tsabango in Lilongwe District.

The village is located approximately five kilometres to the north east of Kamuzu Palace, the official home of Malawi's president.

He quit the growing of vegetables like onions, mustard and cabbages. Now he tries small scale tobacco farming. What prompted him to quit?

"There was no market. I thought of trying tobacco because the market is regulated. At least a farmer knows

when and where to sell his produce, when it has been taken good care of," he laments.

In his early forties, Mulibwanji used to be among scores of small scale farmers who toil everyday to produce fresh vegetables which are sold to nearby areas like 23, 44 and Chilinde.

"Most farmers in my area work hard but they sell their produce at a lower price, mainly to households. Imagine what could happen if companies and government agencies could come and buy our produce. Our lives can change," he adds.

He says as a short-term measure, an informal market for their produce could be established where they could gather and sell their commodities at a wholesale price, the same way their colleagues do at Wakawaka market.

For starters, Wakaka is a highly patronised vegetable market along the Blantyre Lilongwe M1 road a few kilometres from the Bunda road block.

Echoing his sentiments is George Kumayani also from the same area. He says most residents especially peasant farmers in rural areas flee their homes to settle in urban areas because they

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EXPORT QUALITY—Some locally produced agriculture commodities



EXPORT QUALITY—Some locally produced agriculture commodities

engage in extensive labour but with little benefits.

"We spend a lot of money to grow our produce. This includes farm inputs like fertiliser, but the financial outcomes are pathetic. Save for the cheap fertiliser we bought this year (under Agricultural Input Programme), but we spend more than what we get," he laments.

The cries of the two farmers of Nkhwazi village represent a fraction of the worrying state of our small holder farmers.

Agriculture being the backbone of our economy cannot thrive without considering the plight of the smallholder farmer.

The sector contributes 42 percent

of the country's Gross Domestic Product (GDP) and 81 percent of Malawi's export.

While other sectors like mining and tourism are also relevant in enhancing Malawi's economy, agriculture cannot be neglected.

Dr Thomas Munthali is the Director General of the National Planning Commission, a government agency tasked to layout plans for the country's short, medium and long term development.

He says that the Malawi 2063, a development blueprint that his commission is championing has agriculture commercialisation at the pinnacle of its agenda.

"We have plans which will be implemented in the first ten years," he says.

First pillar of the development blueprint talks about agriculture productivity and commercialisation with the youth, like Kumayani, as the target to achieve rural growth.

Another focus is on the enhancement of food security to ensure surplus commodities which will feed the industry.

Wezzie Mzumara a young cocoa farmer in the northern district of Nkhata Bay says value addition is the key to realise the full economic potential the country's agricultural sector has.

"Apart from the crop I grow (cocoa), many cotton ginneries are underutilised. There are a lot of opportunities for cotton farmers," she argues.

Another element that needs not to be neglected is the use of technologies if the sector is to improve.

Apart from material technology which involves the use of tools and innovations, there is also need to enhance knowledge on how farmers will apply such technologies in their day to day lives.

Tom Walton and Vadim Gishin publishing in 'Key Steps To Improve Agribusiness Competitiveness' argues that the only way to ensure improved commercialisation of agriculture is through private sector investment.

However they argue that "governments should provide an enabling environment for the private sector to flourish.

Malawi has been an agrarian economy since time immemorial. The country still remains one of the world's poorest countries despite being endowed with natural resources like fertile land and plenty of water.

Provision of reliable and accessible markets to rural farmers should be the first step. With that they may be transformed into commercial farmers.

With the passage of time use of modern technologies and farm implements will be adopted and raise a generation of commercial farmers who will make Malawi, the "Eden of Africa".

BANKS RESILIENT AMID COVID BITE

BY CONTRIBUTOR



HUB OF TRADING—Victoria avenue

Diversification of products and technology has helped to intensify banking industry's resilience to Covid pandemic, the Bankers Association of Malawi (BAM) has said.

BAM Chief Executive Officer Lyness Nkungula observed that over the years, doing business has changed and banks have invested in technology to serve the customers better.

She said this is in spite of the fact everyone is looking at the banks for financial relief.

She said: "Banks too have been impacted by Covid. However, banks have

a better business management profile risk that has helped them to sail through the turbulent times.

"Amidst Covid pandemic, everyone is looking at banks to help out. All materials being bought for personal protective equipment, all imports and exports, among others, are transacted through the banks. Banks are the institutions to help the economy recover and I am sure they will continue working tooth and nail to achieve this humble goal."

While performance of some sectors faltered following the impact of the pandemic, the financial sector has been resilient.

While profit for the Reserve Bank of Malawi has for 2020 declined by 66 percent from K22 billion to K35 billion, Malawi Stock Exchange (MSE)-listed Standard Bank Malawi plc posted an after-tax profit of K23 billion in 2020, 50 percent up from the K15 879 posted in 2019.

Its counterpart, National Bank of Malawi plc also had its after-tax profit grew by 31 percent in 2020 to K22.45 billion from K17.16 billion the previous year.

Similarly, NBS Bank plc had its profitability soar by 58 percent in 2020 from K4.458 billion in 2019 to K7.050 billion where as FDH Bank plc had issued



BAM Chief Executive Officer Lyness Nkungula



“Banks have huge profit margins from foreign exchange transactions, from lending and also have high bank charges.”

a profit warning for 2020 to be at 88 percent above that of 2019.

On the stock market, in the first quarter the financial sector's counters also registered some gains.

This was evidenced from share price gains for FMBCH at 23.05 percent, Standard Bank Malawi plc at 14.68 percent, FDH Bank plc at 14.12 percent, NBS Bank plc at 6.48 percent and NBM plc at 0.01 percent.

This was, however, not enough to offset share price losses registered by 11 counters.

During the quarter, the MSE said TNM plc, BHL, Sunbird Tourism, PCL,

Icon, Mpico plc, Nico Holdings plc, OMU, Airtel plc, Illovo Sugar (Malawi) plc and NITL registered share price losses of -18.34 percent, -14.99 percent, -14.29 percent, -8.36 percent, 0.73 percent, -0.52 percent, -0.13 percent, -0.45 percent, -0.11 percent, 0.02 percent and -0.01 percent.

Economist Edward Chilima observed, however, that banks have high profit margins, such that even if with fewer clients, they still make huge margins.

“Banks have huge profit margins from foreign exchange transactions, from lending and also have high bank

charges.

“So, while everyone else suffers, the banks are cushioned by these wide margins. So, while banks pay peanuts on savings accounts, they reap lots on lending. Very wide interest rate spread,” he said.

RBM figures show that despite the measures instituted by RBM to mitigate the impact of the Covid pandemic on the economy, credit quality of commercial banks worsened in 2020 with non-performing loans (NPLs) increasing by 11.1 percent to K44.7 billion from the pre-pandemic level of K40.3 billion in 2019.

Subsequently, the NPL ratio remained above the prudential benchmark of five percent throughout 2020, peaking at 10.3 percent at the onset of the Covid pandemic in May 2020, but has now stabilised around six percent.

On the other hand, private sector credit decreased to a two-year low of 5.2 percent in June 2020, as the first wave of the Covid pandemic took its toll, but recovered in the second half of 2020 following the easing of the Covid restrictions.

However, the renewed restrictions following the resurgence of increased cases of the coronavirus infections in the second wave of the pandemic are likely to suppress growth of private sector credit in the first half of 2021.

Ironically, the gross domestic product grew by 0.9 percent in 2020, reflecting slowdowns in local and cross-border economic activities caused by the Covid-19 pandemic restrictions, representing a decline of 4.2 percentage points from 5.1 percent registered in 2019.

Consumers Association of Malawi (Cama) has since faulted banks on their profitability despite a reduced economic activity.

Cama Executive Director John Kapito said this is happening because RBM “has allowed this type of theft and daylight robbery by the banks.

But in its January-June 2021 Monetary Policy Report RBM said “the banking system remains liquid and well capitalized, but is constrained by growing non-performing loans.”

CHRONICLING REUNION'S 16 YEARS OF SERVICE

This year, Reunion Insurance Limited celebrates its 16th Anniversary. The Banker Magazine caught up Reunion Insurance Limited's Chief Executive Officer Dr Dorothy Chapeyama for insight into the journey of one of the country's vibrant insurance firm.

Firstly, take us through the birth of Reunion Insurance; how did the firm come into being?

Reunion Insurance Company Limited is a reputable Malawian General Insurance Company with a record of professionalism and efficiency in claims handling, underwriting and all other areas of operations.

The company was established on May 3, 2005 by indigenous Malawians to add value to the insurance industry in Malawi and this year 2021 marks the Company's 16th Anniversary of existence in the industry.

The company was born after the closure of what was the branch office (local office) of an International Insurance Company (CGU Insurance Company). An opportunity arose for the then management and some members of staff to team up and formed a local insurance company and hence the name "REUNION".

We started small with a staff complement of 10 and we are boasting of a staff complement of more than 66 operating from 11 offices.

It is interesting to look back at the many great accomplishments achieved in the last 16 years; and, it is exciting to look forward to the many new things that will be accomplished in many more years



IMPOSING—Reunion Insurance head office

ahead.

Reunion Insurance is celebrating its 16th Anniversary this year; how has the journey been?

This sixteenth anniversary is a milestone in our business. Over the last 16 years; we have had a mixture of experiences which included business challenges, opportunities as well as successes, together with happy and sad

memories.

Proudly, our organisation has become stronger and more efficient than ever before. Since inception, we have been adding onto everything we have, such as manpower, list of achievements, areas we deal in and even the passion, professionalism and dedication. This is obviously an amazing sign for any successful organisation.



This sixteenth anniversary is a milestone in our business. Over the last 16 years; we have had a mixture of experiences which included business challenges, opportunities as well as successes, together with happy and sad memories.



Our positivity has been reflecting clearly in our growth rates and as the saying goes, "slow and steady wins the race". REUNION has undeniably been one of the most steadily growing insurance companies in Malawi. In the year 2020, the Company registered an increase in premiums, profitability, and total assets despite a tough economic environment as a result of the effects of Covid-19

pandemic, stiff market competition, price undercutting, amongst others.

The gross written premium for the year under review grew from MK4.06 billion in 2019 to K4.37 billion in 2020 representing a growth rate of 8 percent. Claims on the other hand decreased from K1.72 billion in 2019 to MK1.64 billion in 2020. The Company registered a remarkable profit before tax of MK641

million against MK546 million in 2019 representing 18 percent increase.

Total assets grew by 20 percent from K4.34 billion in 2019 to K5.21 billion, while equity moved from K1.61 billion in 2019 to K2.14 billion

Reunion Insurance has a staff complement of 66 and operating from eleven offices spread across the country, the company is head quartered in Blantyre, at its magnificent Reunion House, situated along Chipembere Highway – Maselema formally known as Lamya House. The company has got branches in Blantyre (Umoyo House), Lilongwe (Amina House), Zomba (Spar Building) and Mzuzu (Peace Building), with service centres in Mulanje (Chitakale) and Lilongwe (Game Complex opposite Galitos) with Border offices at Mwanza, Dedza, Mchinji and Songwe Border Posts.

In celebration of each Anniversary, our company has over the years shared its success with Malawians, giving back to the community through donations that have funded numerous community activities, literacy programs, natural disasters, economic development initiatives and many more.

On May 3, 2021 which marks our 16th Anniversary this year; we donated various items to Malingunde School for the Blind in Lilongwe. These items includes but not limited to; a 5,000 liters Water tank at the Girls Hostel and assorted items namely; bags of maize, bags of beans, bales of sugar, salts, cooking oil, soaps, soya pieces and tissues. The donation was worth K3 million.

Over the years, the firm has risen to be among the most competitive in the industry, what has kept Reunion Insurance afloat?

Reunion Insurance indeed is Malawi's fastest and sustainably growing indigenous insurance company and is committed to continue serving the market ethically, professionally and to always be a premier provider of innovative insurance products and solutions as a valued business partner whilst maintaining integrity, Customer Excellence

and Teamwork. We are always ready and happy to offer tailor made general insurance products for our clients; this has been a distinguishing and competitive factor amongst others areas that has set us apart.

We have extensively invested in modern technology and continually embrace new methods and platforms of servicing our clients, investing in equipment and system upgrades. Our company has also embraces core human values, such as Trust, Integrity, and Teamwork and remains ever grateful for the fantastic team of enthusiastic, experienced and professional employees; as it continues to help the nation with employment opportunities. These have been our key business tenets to our success.

How would you rate your current positioning on the market?

Reunion Insurance is among the best insurance companies in Malawi in terms of claims handling, underwriting and all other areas of operations. We are steadily growing each day and we will continue to improve our products and service delivery to meet and exceed our customer's expectations. Being a wholly owned Malawian Insurance company we are grateful to our customers and the business partners for the support we get from them which has brought us this far and we still look forward to more of this support even in this Covid-19 pandemic period and beyond.

What has been the hardest decision to make amid Covid-19 pandemic?

Like any other business in Malawi, we have been challenged financially in terms of revenue collection and business growth due to Covid-19. This means projects and activities that were planned for 2020 and beyond were affected due to overhead costs against income generated.

However, despite all these challenges we maintained our staff while others were retrenching and cutting employee salaries. This is the hardest decision so far because we value our team and we are aware that if we reduce the labor



DR CHAPEYAMA—Our main goal is to grow and make Reunion Insurance a household name

many people will suffer so we had to still carry the burden on our head. As an indigenous business, we believe we fulfilled one of our main goals which is to meet the needs of the Malawian people through employment.

What does the future look like?

Our main goal is to grow and make Reunion Insurance a household name in Malawi insurance sector. This will be

done by promoting our insurance products to all potential customers both in rural and urban areas. We endeavor to provide innovative insurance products and services through professional and motivated staff as enshrined in our mission.

Reunion Insurance Company Limited remains optimistic that it will remain competitive and will continue making improvements in performance in 2021



despite the continued unpredictability of the economy due to other external forces such as Covid-19. It is anticipated that business environment will improve as the domestic and international economies are re-opening following significant progress in global Covid-19 vaccination exercise more especially in African countries.

Our Company expects that economic challenges and stiff competition in the market will continue in the short to medium term. However, appropriate measures have been put in place to counter the prevailing challenges. Reunion will continue to service its clientele more efficiently with the effective data management and faster data processing using the advanced technology imminent from AIMS system.

We believe in being close to our clients so that we can better understand their needs and expectations. Reunion will continue to develop appropriate insurance products in response to the changing operating environment due to globalization. Our company will continue to nurture the existing business relationships and also develop new ones which are mutually beneficial to all stakeholders, hence its commitment to the Malawi insurance industry.

We are talking at a time insurance penetration remains relatively low in the country; What challenges and opportunities are available?

The insurance sector in Malawi is competitive, young but slowly coming of age. There are eight (8) general insurance companies in Malawi and competition is very stiff.

The current insurance penetration ratio in Malawi is around 3 percent. This means we are presented with a massive 97 percent business opportunity as many people are not yet covered and therefore in need of insurance. Motor remains the biggest contributor to the industry's gross written premium and accounts for about 60 percent. This is because motor insurance is mandatory.

However, non-motor insurance which has a huge number of potential customers is not fully tapped but obviously profitable.

The greatest challenge is that the literacy levels in as far as insurance products and the benefit thereof amongst the insuring public is evidently very low. Besides that, there is a negative perception about insurance companies and that needs to be addressed. Other challenges facing the insurance industry are dealt by collective efforts by players and direct engagement with

the Regulator should they so arise and we have always made progress through such engagements.

On our part; we will enhance awareness of our products and services; we are conducting aggressive marketing and awareness campaigns to reach out to the uninsured masses through online and traditional platforms. This is outlined in our 2021 Marketing and Business Development action plan which support our Company Strategic Plan which guides our decisions.

Any last words?

We would like sincerely that God, our clients, business partners and all stakeholders for their unwavering support towards our company. We promise to remain supportive and flexible to all stakeholders. We value their well-being and treasure the trust they have in us. Our customers should be well assured that, as "Your First Class Insurer", we are committed to serving them at all times even in difficult times like these. We will continue to act in accordance with the Directives of our Government and the World Health Organization (WHO). We will work with the Government and all stakeholders in the fight against the pandemic while improving our service delivery, safeguarding and increasing our market position in the sector.

COINING ECONOMIC DEVELOPMENT ENABLERS

BY CONTRIBUTOR



HAVE THEIR ASPIRATIONS CAPTURED IN THE BLUEPRINT—The youth

Inclusivity is the glory of the piece of Malawi's development cake, aptly called Malawi 2063, which is basically about creating a Malawi that is "an inclusively wealthy and self-reliant nation".

As such, we cannot call to mind any point that does not have a semblance of inclusivity in Malawi's long-term development blueprint.

President Lazarus Chakwera sets the ball rolling when he says, in the foreword, that "time has come for us to create wealth in an inclusive manner and be self-reliant"—a point Vice President Saulos Chilima buttresses with the simply words "Malawi is a country for all of us" in the preface.

What comes out even more clearly is

that the folly which we, as Malawians, must ridicule is negative mindset, which fertilises poverty mindset.

In its place are what Malawians, who have spoken through MW2063, are calling 'Enablers of Malawi 2063'.

There is no doubt that, if stakeholders were to follow dictates of the enablers, the country, with its array of human capital and natural endowments, will ably cross the bridge of self-inflicted problems.

As National Planning Commission (NPC) Chairperson Professor Richard Mkandawire and NPC Director General Dr. Thomas Chataghalala Munthali states, "MW2063 will successfully propel Malawi to inclusive wealth creation and self-reliance which we expect to achieve within the shortest time possible. The Malawi we want is possible and will happen!"

In a nutshell, the enablers, which are simply tools meant to propel Malawians forward, development-wise, include mindset change, effective governance systems and institutions, enhanced public sector performance, private sector dynamism, human capital development, economic infrastructure and environmental sustainability.

Malawi has an assortment of endowments and restrictions but the precise genius of them all is not found anywhere in the country but



CHAKWERA— Time has come for us to create wealth in an inclusive manner

stems from citizens' minds.

Former president the Late Bingu wa Mutharika was spot-on when he identified Malawi's enemy number one: Mindset.

And, no wonder, Malawi 2063 captures his point by identifying mindset change as a prerequisite for sustainable national development.

There cannot be unity of purpose if citizens sail in different directions, hence it is important to embrace the positive mindset attitude that Mkandawire and Munthali, and indeed all Malawians, exhibit by saying "The Malawi we want is possible and will happen!"

In that simple sentence lies the key to unlock Malawi's mindset limitations, which would enable all of us to see possibilities all around. The year 2063 is not such a long time.

Naturally, people armed with a positive mind will not derail operations of the country's governance systems. For far too long, a business-as-usual attitude has resulted in slow, if not delayed, progress, thereby negatively affecting transparency and accountability.

For instance, National Audit Office (NAO) exercises are conducted two or three years too late, which means, in case of malfeasance, it becomes too late to hold those responsible for oversights accountable as, by then, they would have moved to other work stations or even retired.

This can be blamed on workers' mindset that some exercises are routine, with no dire consequences.

Clearly, mindset change is the bedrock on which everything rests, which will also culminate in enhanced public sector performance. This is because public service providers will work in line with performance indicators, working day-by-day to add value to national discourse as opposed to working towards, and for, a salary.

Through mindset change, public service providers will appreciate

that everyone has a role to play to add value to Malawi 2063 Vision.

In addition, improved public service delivery would reduce bottlenecks to private sector operations, such as delays to issue business permits, stifling of private sector players on political grounds and other factors that derail private sector operations.

In fact, working together would lead to the timely settlement of arrears which the government owes private sector players. As at April 12 this year, the government owed the private sector over K12 million. This is an indication that there is a need for improved engagement.

Another enabler, namely human capital development, is also tied to sustainable development because, through Malawi 2063's well-articulated points, it has become easy to identify priority areas and address human capacity challenges to enable efficient implementation of initiatives, timely meeting of goals, among other things.

Human capital, especially with the engagement of productive groups such as youths, will ensure timely implementation of initiatives, putting Malawi on course to meeting 2063 targets.

However, all the set targets may not be met if natural resources are depleted, and future generations have nothing to fall on. In order to meet Malawi 2063 targets, there is a need to embark on environmental sustainability initiatives right now.

As things stand, charcoal-burning remains commonplace, putting the country's trees at the mercy of forest, gas stoves' use is at a minimum, only less than 20 percent have access to the national hydroelectric power grid.

As such, there is more work to be done to ensure that we reduce overuse on bio-energy sources and embrace energy efficient ones. There is a need, more than ever before, to embrace solar energy, and plant more trees to sustain Malawi to 2063.

In conclusion, the enablers capture the needs of Malawians at this given point in time. They are enough to enable our minds to be occupied by no strong feeling than that of patriotism. With everyone pushing in one direction, there is no chance that the will to push the enablers will vanish as soon as our excitement with Malawi 2063 subsidies.

LEVERAGING ON BANCASSURANCE



NKHOMA—Bancassurance is a viable concept

BY STAFF WRITER

Leveraging on bancassurance Recent statistics from the Reserve Bank of Malawi (RBM) show that insurance penetration has been slow, seen at 3 percent.

However, the country has a vast opportunities to turn the situation around if it leverages the concept of bancassurance and allow the insurance sector contribute significantly to growth of the economy.

The conventional insurance market is composed of insurance companies, brokers, agents and reinsurance companies.

Of late, commercial banks have moved in and teamed up with insurance companies to sell insurance products. This kind of arrangement is termed bancassurance.

This is an arrangement whereby a bank

and an insurance company collaborate so that the insurance company can sell its products to the banks' clients.

The arrangement is meant to profit both.

Banks earn additional revenue by selling the insurance products while insurance companies expand their base without having to expand sales to forces.

The arrangement is also beneficial to customers as there is no any fee charged to them. Instead, the bank gets a commission from the Insurance Company for acquisition of business.

The bank only acts as an intermediary where insurance terms and claims are negotiated on behalf of the customers.

Currently NBS Bank plc, National Bank plc, Standard Bank plc and MyBucks offer bancassurance services.

Benadicto Nkhoma, a banker working with NBS Bank holds that the concept is relatively new in Malawi and its uptake has been affected by competition from other market players such as Insurance Agents and Brokers.

Real time information accessibility would make sure that the turnaround time is reduced in application, processing and claims management.



KANYENDA—It could boost access to financial services

However, he said banks have a huge advantage to easily overcome this competition due to huge clientele they have, innovative products that meet customer's needs and that RBM as the regulator is working on aligning bancassurance regulations and directives to that of international standards.

Nkhoma further said Insurance Companies have repositioned and aligned themselves with the banks taking advantage of the bank's clientele which brings confidence in them that they will remain in business as long as they are dealing with banks.

"A combination of these factors makes bancassurance a viable concept in Malawi and will obviously shed off all competition. This concept also benefits customers in that it offers a one stop shop where they can access all classes of Insurance both Life and Non- Life insurance products along with other financial services under one roof.

"Bancassurance also provides

customers with a complete financial solution based on their specific needs. Customers trust their banks to sell them the right products and therefore the trust they would place on insurance carriers and independent agents would be relatively lesser," Nkhoma said.

Chimwemwe Kanyenda, a seasoned insurer working with Nico General Insurance added that banks sit on customers' data which along with insurance carrier's expertise in packaging insurance products would help suggest the right products to customers

He said such real time information accessibility would make sure that the turnaround time is reduced in application, processing and claims management.

"If the concept of bancassurance is widely adopted it could boost access to financial services, enhance a saving culture, enhance insurance penetration and increase the banking population as banks reach out to a wider number of



A combination of these factors makes bancassurance a viable concept in Malawi and will obviously shed off all competition.

customers looking to buy insurance products, banking population will consequently increase," Kanyenda said.

Though the concept is new in Malawi, it dates back to the 1860's when banks started selling insurance products.



CLICK AND PAY—Bank services are accessible on mobile phone

BANKING WITH EASE; TALES OF DIGITAL ERA

Malawi's population has grown rapidly in the past two decades. The 2018 Malawi Population and Housing Census by the National Statistics Office (NSO) indicate that the population grew to 17.56 million.

Of this, only 2.13 million had bank accounts and Shadrack Jere is one of them.

He opened an account with one of the country's commercial banks in 2001.

He says with the advent of technology, trends have changed significantly over the years.

"The bank now is in my phone. With it, I can do any banking transaction," he says.

The country has eight banks; National Bank, FDH Bank, NBS Bank, MyBucks Banking Corporation, Standard Bank, Ecobank, New Finance Bank and First Capital Bank.

According to the Reserve Bank of Malawi's 2020 fourth quarter National Payment Systems report, over 1 million customers of different banks had registered for digital means of transacting with banks.

With the advancement of technology, each day the world is moving towards having convenient and easier ways of transacting in the various sectors.

For instance, the advent of the Covid pandemic shows the world that if different technologies can be efficiently combined, people can work, transact and conduct businesses while having a cup of





Players in the banking sector are always on guard over the next technology that would make transactions more convenient.

CONVENTIONAL—The brick and mortar structure



coffee in their bedroom.

Many are able meet virtually via popular platforms which have emerged such as Zoom and Microsoft teams.

Players in the banking sector are always on guard over the next technology that would make transactions more convenient.

NBS Bank Head of Marketing Tamanda Longwe says the bank has an innovation hub which was set up in 2020, where a team of developers focus on the development and execution of innovative projects.

"The nation still has a long way away from a fully-digitized banking sector as there is still a large proportion of the population that remains unbanked," she laments.

But she says "the future is indeed digital, and the banks aspires to move

away from predominantly physical service delivery in the long run; to brick-and-mortar structures used to house digital self service delivery channels such as virtual tellers/cashiers and digital banks."

According to the RBM's National Payment Systems report, out of the total number of customers using mobile banking platforms, internet banking has 233 813 subscribers who had 714,317 transactions valued at K1.1 trillion.

Even though mobile banking has four times more subscribers than internet banking, its transactions volumes are dwarfed as seen at K207.8 billion at the end of December 2020.

ICT Association of Malawi President Bram Fudzulani believes the growth of digital banking in the country is hampered by lack of knowledge

and of trust by customers of banks.

Fudzulani says there some areas that need perfection in the sector.

He notes that notes mobile uptake is low and the cost is high which fall among many other reasons which will give the road to no banking halls a snail's pace.

"When we say we want to improve financial inclusion, let it cover things such as reduction of transaction costs, removal of taxes that go into buying of mobile gadgets and reduce the costs that banks pay to telecommunication companies for USSD services," Fudzulani said.

About 51.7 percent of the population has a mobile phone, and 16.4 percent had an access to the internet.

With this, it is easy to conclude that there is still vast room for improvement in as far as digital banking is concerned.



PHOTO CREDIT: PEXELS.COM

CAN WE LEVERAGE ON BIG DATA

TO MAKE BETTER DECISIONS?



Chris Chirwa
Chief Information Officer,
CDH Investment Bank



Each of us makes decisions every day; from seemingly simple reflex decisions to complex decisions based on existing data which resides in our brains. This data has been gathered, collected and stored in our brains for years, from what we have been taught in school, by our parents, from friends, from cultural exposures, personal experiences and many more.

All this data comes in handy when we need to make decisions. What is all this got to do with big data? I would say everything, as you will discover. Big data has everything to do with how the human brain makes its decisions.

Each time I hear, read or watch about big data, I cannot help it but wonder how Malawi banks could better leverage it.

Leverage on big data for what? The first thing which comes to my mind is to make informed and data backed decisions. Countless times decisions are

made in boardrooms based on perception, logic, bias, and stereotypes. Some of those decisions have proven costly to many organisations.

To some extent, I believe almost all organisations are using big data, knowingly or unknowingly. But wait a minute! I started my proposition on big data on the presupposition that we all are on the same page on understanding the scope, at least in the context of Malawi.

To understand what big data is, we need to understand that data (big data) is the foundation of digital. Most of the emerging technologies revolve around the availability of big data. These emerging technologies include block chain, robotics, cyber security, business analytics, artificial intelligence, payment ecosystems, remote working, process automation tools, green environment and many more. Big data is loosely described as large amounts of complex and unstructured data.

To provide some clarity on big data

there is a need to understand three of its important characteristics which are volume (there is a lot of data), velocity (the need for speed for data to be processed and transferred) and variability (different types, contexts, formats, and sources of data). For big data to be relevant there is a need for it to be processed to get to information, knowledge, understanding and the epitome outcome of the data processing and analysis is when wisdom is achieved.

Before I lose my executive strategic audience, this takes us back to the important reasons for using big data. Big data is at the core of making probabilistic, informed, unbiased, and contextual decisions.

As human beings, we tend to have biases in our decisions; probabilistic reasoning tries to counter those biases which usually use motivated reasoning. Motivated reasoning is a phenomenon that uses emotionally biased reasoning to produce justifications or make



decisions that are most desired rather than those that accurately reflect the evidence.

Big data comes in to provide that evidence to assist in decision making. With big data it is easier to predict trends by analyzing related patterns. For example, more google searches for Covid from a certain geographical region might mean that there is a risk of infection from that region. Big data assists in the creation of models to be reused in future such as results of a marketing promotion by using certain metrics to be reused in future marketing initiatives. Big data, if processed properly, will provide organisations with competitive advantage in terms of marketing, customer management, and predicting the future.

Organisations which process big data for decision making have the visibility of their clients' behaviors and patterns towards the offered services. In this way they will be ably positioned to offer better and targeted services. They can understand their customers better, by collecting market and customer intelligence. They can look for clients who fit the profile of their ideal customer.

The other reason of why we use big data is the most obvious: survival! Big data has become so disruptive that the organizations which do not take advantage of the same will find it difficult to survive. At the core of big data is Artificial intelligence, we cannot talk about big data without talking about artificial intelligence as these are inseparable

partners. Artificial Intelligence is getting computers to do what people can do, and even do them better, computers getting to do adaptive, goal-oriented tasks.

Let me be quick to mention that automation is not entirely Artificial Intelligence. it is also good to note that what humans do very well, computers cannot and what computers do very well humans cannot. Such as humans are good at making decisions while computers are better at the computational power. This is where the human's decision making, big data and computational power of computers converge.

Artificial Intelligence dates to 1956, where early systems were concentrating on rule-based system, conditional configuration, leveraging on computing power (such as machines playing chess by feeding it with a lot of rules).

An example would be the 1996 chess game between an IBM computer and chess world champion Kasparov. But without big data, artificial intelligence was not as useful until artificial intelligence resurfaced with the availability of big data and the ability to detect patterns. Luckily for us, Artificial Intelligence is already here. There are several encounters which most of us have experienced without giving it a second thought, but that was big data and artificial intelligence at play.

Online shopping management tracks the whole cycle for consumers from the first search to purchase and there follows targeted adverts in relation to the search consumers make.

Targeted marketing personalises ads to consumers based on consumers' interest and past pages visited. Advanced banks track real-time consumer spending to develop customized service packages. Retail companies use social media suggestions for opinions of other consumers, loyalty brand ambassadors, advocates to woo more consumers. All this shows artificial intelligence is already here, all we must do is define the scope where each of us will play in, or where we would like our organisations to work in.

Putting it in practice, where should we start from?

To embark on a shift on the way an organization makes its decisions, we need to start from team engagement at the strategy table; all members must engage and be convinced on the need for such a change. Review the organization's current state, look for gaps and provide a picture of how you would like to adapt big data. Do not hesitate to seek for assistance. No one has the monopoly of knowledge. It is important to get 'well-exposed' consultants.

Technology differs from one organization to another; as such each organization strategy should be unique and fit for purpose. Carrying out a demand survey is important, do not assume for your customers, external surveys on what the customers perception and expectation is important. Always remember that consumer big data is already available thereby use the major tech players such as Google, Amazon and Facebook give any organization a good springboard.

Get good technology implementers to manage integrations, data mapping, and leveraging on the ecosystem.

The objective of this exercise is to decide what specific data technology an organization should invest in, in-line with the business model, customers, and products. Big data, when used and analysed well, will be a powerful tool to the banking industry for making better smart decisions, understanding customers better, collecting better market intelligence, delivering smarter services or products, improving business operations, by improving internal efficiency and operations, and finally generating income for improved revenues.

GOOD CORPORATE GOVERNANCE

– WHY IT MATTERS



BY CHARITY KAMAMKHUZA, **Economic Analyst and**
MAYAMIKO BIZIWICK, **Intern, Investment Banking**

Disclaimer: The views and opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of CDH Investment Bank.

Access to finance is one of the key drivers for business growth by most enterprises in Malawi and the world at large. Properly governed institutions stand a better chance to access funding from lenders or investors than those institutions with poor governance structures. Investors are prepared to pay a premium for a well-governed. Corporate governance for an institution is one of the key elements for business success but sadly it has been observed that it

is neglected by most management, directors and shareholders. The consequence is that most enterprises are less attractive to investors and lenders which retards growth.

Growth and sustainability of institutions is crucial to Malawi if it is to turn into a middle-income economy that is self-sufficient. This is more likely to happen if conformance to good corporate governance practices becomes a centre focus for enterprise.

What exactly is corporate governance?

Corporate governance refers to the systems of internal controls and procedures by which companies are managed.

Corporate governance provides a framework that defines the responsibilities of various groups within an organisation. It encompasses internal disciplines or systems which govern the relationships among key players or entities that are instrumental in the performance of the organization. The goal for fostering corporate governance is to ensure checks and balances, responsibility and accountability at all levels which enhances the organisation credibility and integrity.

Why is there low adoption of good corporate governance practices by organisations?

Adoption of good corporate governance

principles and practices is low mainly due to inadequate awareness about what good corporate governance entails and its relationship to company performance and reputation in the market. Those organisation with knowledge of good corporate governance principles often opt to ignore some principles as their implementation is often seen as very costly, especially when its benefits are not well understood.

Risks associated with poor corporate governance structures

A weak corporate governance system creates various risks to stakeholders including:

1. **Loss due to weak internal control systems:** Lack of robust corporate governance structures results in inefficient internal controls, policies, and procedures. This in turn compromises the risk management framework and raises the risk profile of the entity.
2. **Poor decision making:** In the absence of sufficient monitoring tools, decision making is concentrated in a few individuals without effective checks and balances. This hinders optimal decision making
3. **Bad reputation:** A compromised internal control environment becomes a breeding ground for non-compliance to laws and regulations as well as instances of fraud. This has a domino effect of increasing the entity's reputational risk.

All these risks can threaten the sustainability of the organisation in the long term.

Benefits of effective corporate governance

1. If implemented effectively, organisation realise a great deal of benefits from good corporate governance practices, including the following: Improved operational efficiency: Entities that have clear governance structures usually have increased operational efficiency as all stakeholders have a clear understanding of their responsibilities and duties. In conjunction with



Companies need to ensure that they conform to robust corporate governance principles and practices if they are going to unlock significant investments from financiers and become sustainable.

internal controls, a clear corporate governance system ensures that decisions and activities are properly executed and monitored

2. **Improved internal control environment:** By adopting procedures for monitoring compliance with internal policies and external regulations, as well as adoption of a proper functioning audit system, an entity can better identify and mitigate risks at an early stage that would have otherwise hindered its performance.
3. **Better financial performance:** Improved decision-making processes associated with good corporate governance systems enables the entity to swiftly respond to market factors, thereby paving the way for sustainable growth and performance of the company.
4. **Low cost of financing:** Good corporate governance potentially lowers business and investment risk which often translates to increased access to financing and reduced cost of financing. Companies with well-functioning governance systems also easily attract investors, enabling sustainable capitalization.

What to consider when implementing corporate governance structures

Implementation of formal corporate governance frameworks might be challenging for organisations. However,

considering the following aspects may achieve good results:-

1. **Accountability and transparency:** Ensure that the business has clear plans, strategies, organization chart and processes, among others.
2. **Stakeholder relationships:** Roles and relationships for various stakeholder such as the shareholders, board, management and employees, need to be clearly defined.
3. **Risk management systems** need to be in place.
4. **Human resources function:** Should be robust with clear succession plans for senior management and key functions .

A call for organisations to consider conformance to good corporate governance practices

Good corporate governance should not be seen as an irrelevant tool to an organisation's being. Companies need to ensure that they conform to robust corporate governance principles and practices if they are going to unlock significant investments from financiers and become sustainable. Effective corporate governance systems signal that a company is transparent and accountable which increases investor and creditor confidence in the company.

While proper implementation of good corporate governance does not necessarily guarantee success of the company, poor corporate governance practices are certainly a common syndrome hindering significant financing to companies. Corporate governance principles and practices should go beyond compliance with applicable laws and regulations, to ensuring that they are integrated at all levels of operation in the company.

Although there is no widely accepted definition or model of corporate governance, good corporate governance can only be achieved with top representatives as role models, demonstrating credibility and integrity daily. These are the determining elements that ensures sustainability in corporate governance.

BANKS;

PIVOTAL IN TRADE FINANCING

KINGSLEY JASSI



ESSENTIAL – Commercial banks

In September 2019, the NBM Development Bank was launched to offer loans with repayment periods from five to ten years with a maximum amount of K150 million.

“This is the bank that many Malawians have been waiting for. Unlike commercial banks, this bank will focus on long term borrowing,” McFussy Kawawa, Chairperson of the bank said during the launch.

Long term financing is essential in industrial growth as it allows development of greenfield ventures and growth of small enterprises.

The bank has since financed some trade and investment deals. One notable partnership is with Project Innovation Centre – a local entrepreneurship hub that works in business development with aspiring and

existing entrepreneurs.

According to Kondwani Ngwira, Chief Executive Officer of the organisation, the bank has opened up to finance value addition and export ventures that Project Innovation Centre is nurturing.

“They made it clear that they are interested in anything about value addition – whether agro-processing or otherwise. For example, it could be yoghurt production, tomato source and any other of that nature.

“Last year, we sent seven business proposals in relation to value addition and the bank is responding well. Some proposals are being fine-tuned to align them to the bank’s interests,” said Ngwira in an interview on MBC Tv.

Project Innovation Hub is working on a venture that will see the country export fish from Lake Malawi as there is so much potential given the nature of the lake that contains unique fish species and the fresh water.

It is not only NBM Development Bank that is anchoring the country’s trade and investment financing. Several other banks are doing the same as seen in the allocations of loans in the production sectors.

Standard Bank registered about K61.2 billion outstanding loans that had been disbursed as of December 2020, out of the total loan book of K172



UPBEAT—Kawawa



billion, while National Bank had K62.4 billion out of the outstanding loan disbursements worth K210 billion during the same time.

The two banks had lent out K123.6 billion in agriculture and manufacturing as of end last year. This should be remarkable given the size of the banking sector.

With the agriculture sector as the mainstay of the economy and the manufacturing and exports that are largely based on the agriculture sector, this speaks volumes of the impact the banks make on the country's trade.

From payment facilitations to letters of credit to traders and credit lines, the banks are all over in the country's trade activities.

Despite the banks' contributions to trade development in the country, many businesses suffer myriad challenges, leading to low exports growth that causes the country's balance of payment problems.

This makes the country depend substantially on aid inflows and loans from the International Monetary Fund to cushion the Balance of Payment.

The World Bank's economic monitor of December 2020 pointed out access to finance as one of the key challenges to businesses and this is evident in the low startup and industrial growths in the country.

Lilongwe Daily is a typical example of how access to finance is a key determinant to successful business that boosts industrial growth.

The company features on a list of flagship projects in Malawi financed by Trade and Development Bank, formerly PTA Bank which provided \$1.3 million through a local bank for upscale and modernization.

Now, the company is able to produce export quality dairy products that are on the market.

Banks secure lines of credit with foreign financial institutions to provide financing to local businesses and this is one way of addressing domestic resource constraints.

In 2019, FDH Bank signed an agreement with European Investment Bank for a 7 million Euro loan agreement that was to support private sector investments in the country.

The facility was for the entrepreneurs and private businesses in the country from the credit line managed by the bank and backed by a 3.5 million euro loan from



Long term financing is essential in industrial growth as it allows development of greenfield ventures and growth of small enterprises.

the long term lending institution of European Union.

"Ensuring access to finance by small businesses and agriculture are key to economic growth, job creation and sustainable development across Africa.

"The European Investment Bank is committed to supporting private sector investment in Malawi and pleased to agree our first lending programme with FDH Bank," said Ambroise Fayolle, the EIB Vice President in a statement announcing the facility.

This facility emanated from a 100 million euro private sector financing programme in Malawi that targets long-term investment by agriculture companies and FDH became the first commercial bank to access the loan and the bank was over the moon.

"FDH Bank is pleased to partner to partner with the EIB to strengthen financing for business and entrepreneurial investment across Malawi. The 3.5 million euro support for the new 7 million euro credit line demonstrates a vote of confidence for FDH Bank and Malawi," the bank's Managing Director, William Mpinganjira was quoted as saying.

The Afreximbank is another →



NGWENYA—This will make farming more attractive



“An improvement in the tightening of the fiscal policy will force banks to seek alternative intermediation opportunities and SMEs including farmers will benefit as they seek volumes.”



foreign financial institution that has a mark on the country's access to foreign financing.

The bank demonstrated confidence in the local banks by partnering with CDH Bank, FDH Bank and National Bank of Malawi.

Getting such financing for the domestic business sector is what the banks have earned over the years of transforming into creditworth and efficient banking industry that is essential to generating confidence on the international financial market.

The central bank's latest assessment of the banks resilience to shocks attests to the local banks' credibility.

“The industry's pre-shock position was deemed sound as evidenced by a core capital ratio of 17.9 percent and a prudential liquidity ratio of 55 percent as at end December 2020. Similarly, the sector was also profitable as evidenced by Return – On Assets (ROA) of 3.1 percent as at end December 2020,” says the Reserve Bank's Financial Sector Stability report.

However, there are serious limitations that the banking sector suffers in trade and investment financing, considering factors that are exclusive to Malawi's economic environment.

Bankers Association of Malawi

(BAM) President, Kwanele Ngenya points out high fiscal deficits that provide fertile ground for banks to concentrate on funding “government appetite” as one limitation to financing investments and trade.

“An improvement in the tightening of the fiscal policy will force banks to seek alternative intermediation opportunities and SMEs including farmers will benefit as they seek volumes,” says Ngwenya.

He further says the exchange and inflation rates need tightening to make inputs more affordable and loan sizes manageable.

“This will make farming more attractive, in terms of return for farmers. This should translate into more production as well as quality which will create opportunities for exports hence much needed foreign exchange inflows. Banks will be attracted by the volumes in the segment,” he says.

As regards attracting more foreign investments, Ngwenya says the small size of the banking industry, currently with combined total assets of K2.24 trillion, limits the level access to foreign investments that can support financing industrial activities.

“Country risk plays a key a role and Malawi is lowly rated hence not seen as a good investment heaven.

Moreover, banks are not rated in their own right. RBM should consider granting some sort of guarantees for banks to access lines where they have comfort in utilization appetite and institutional capacity,” Ngwenya says.

Malawi's economic standing is heavily weighed down by low exports and in 2021 the trend continues as Reserve Bank reports exports worth \$201.6 million against \$693 million imports in the first quarter.

The low exports volume against high imports appetite continues to cause exchange rate volatility and inflationary frailties in the economy.

As a result, these factors, according to Ngwenya, make long term financing and external borrowing by the banks risky.

“Volatility of inflation and exchange rate makes long term project finance challenging. As such most cash flows are sensitive to these parameters which make funding long term investment a night mare.

Much as there is significant impact the banks are making in trade and investment financing, the environment appears to have serious holdbacks that in turn limit the country's strides in exports growth despite the huge potential as government takes much of the credit.



Your insurance premiums covered

Cover your **Insurance Premiums** at a low interest rate. Simply get non-security loan for repayment in monthly instalments.

MOVING TOWARDS AN EXPORTING NATION: **WHAT NEEDS TO BE DONE**



BY OUR REPORTER

I t is common knowledge that Malawi has over the past 20 years struggled to raise the much-needed foreign exchange to pay for its exports.

This could be partly because over the years the 'saviour crop' tobacco which the country mostly relied on has been riddled with many challenges including the global anti-smoking campaign and the emergence of e-cigarettes.

In addition, other traditional crops that the country has depended on, such as tea, sugar and cotton have also faced their own challenges over the years.

On the other hand, Malawi's appetite for imports has remained elevated with the country importing almost everything from fuel, fertiliser, motor vehicles, clothes, footwear, pharmaceuticals, food stuffs and even toothpicks.

This has resulted in Malawi's trade position worsening with each coming year.

Statistics from the Reserve Bank of Malawi (RBM) show that as at the end of the first quarter of 2021, the country's imports stood at \$693.1 million while exports were seen at \$201.6 million. This resulted in a trade deficit of \$491.5 million.

Political leaders and economic analysts have all agreed that Malawi is not a poor country but that it is the people that are poor.

The leaders often point at the abundant natural resources such as plenty of fresh water running in lakes and rivers across the country coupled with fertile arable land as some of the riches the country is blessed with.

In addition, the country has over the past decades enjoyed peace and tranquility which is an important ingredient in boosting production.

As if this is not enough, Malawians are among the most hardworking people on the continent, if not in the whole world. →

The million dollar question remains; with all the



→

necessary ingredients for agriculture production at its disposal, why is Malawi not boosting her exports?

To begin with, Malawi's agriculture has been predominantly smallholder-based with millions of farming households being subsistent.

That is to say priority among many Malawian smallholder farmers has been ensuring food security at household level and keeping just a few produce for sale to buy basic necessities such as clothes.

A popular Chichewa adage that 'Kulemera ndi kudya' has also contributed to the sorry state of the peasant farmers as they believe that as long as they have food, then they are okay.

This has made many subsistence farmers to be less ambitious and don't

even dream of producing more for commercial purposes.

That has resulted in many of the country's farmers remaining in abject poverty.

Speaking when he launched the Agriculture Commercialisation Project, former President Peter Mutharika also cited a number of reasons why most of the country's farmers remain poor despite working hard in the field year-in, year-out

"First, most Malawians do not have enough capital to invest in agriculture. Anthu ambiri alibe poyambira! That is the problem. But even after working hard, most Malawians do not have good markets that give value to their produce.

"One reason why we have poor markets is that we have a poor transport network and other facilities such as

storage and processing systems. At the same time, most farmers are not well organized to maximize abundant opportunities in agriculture," Mutharika said.

Chancellor College Economics Professor, Ronald Mangani, says Malawi is an agricultural economy that cannot do agriculture.

Making a presentation at the 2020 Economics Association of Malawi (Ecama) annual conference, Mangani said even in the year of good rains, millions of Malawians require food aid.

"You see water flowing through Lake Malawi into Shire River, exported for free before the Zambezi River dumps it into the Indian Ocean and you find the next day people are praying for rains in Mangochi," Mangani said.

He noted that it was puzzling to note that despite having massive bodies of fresh water, the country continues to face hunger and pray for rains every year.

According to Mangani, the behavior of Malawians sometimes makes God to wonder as to why Malawians do not realise that rain and lake water have the same chemical formula, H₂O.

"In my home village, there is a guy who is doing a transport business. The name of the transport business is Ndichite Bwanji Ubwino Abale. God is also saying, Ndichite Bwanji Ubwino Amalawi," Mangani said.

President Lazarus Chakwera believes that it is only Malawians who can change the economic fortunes of Malawi and transform the economy into a producing and exporting one.

That, according to Chakwera, would demand Malawians to work hard, work smart, and work together.

At the time Malawians have been blaming lack of markets as an excuse for not producing more, on January 1 this year, a new massive market, the African Continental Free Trade Area (AfCFTA) bringing together 1.3 billion people across Africa, with a combined gross domestic product (GDP) of \$3.4 trillion was opened.



According to the World Bank, the AfCFTA has a potential of lifting up to 30 million Africans out of extreme poverty.

And if this does not provide an incentive enough to make Malawians to start working hard again, one wonders as to what else will.

According to Chakwera, for Malawi to succeed it would be crucial for the country to first do away with the sin of waste where the citizenry waste too much time on trivia and idleness; and waste too much land on crops for subsistence living in an annual cycle of poverty and dependency.

In its December 2019 Malawi Economic Monitor themed Strengthening Human Capital Through Nutrition, the World Bank says the government needs a comprehensive focus on changing its relationship with the private sector, so that it proactively removes blockages to economic transformation within the agricultural and non-agricultural sectors.

The bank says, this is needed to increase diversification and to create

more productive jobs for Malawi's rapidly growing population.

"A more diversified economy would be less susceptible to shocks, creating a virtuous cycle to support a more stable fiscal policy. There is a need to simplify business regulations and taxes; to ensure higher levels of transparency and predictability; and to reduce trade inefficiencies and distortions.

"As one measure to achieve this, the Government could implement regulations for the Control of Goods Act to improve predictability and market access, thus enabling a higher level of commercial investment in agriculture. Moreover, tax policies and administration should be reviewed and revised to increase transparency; to reduce ad hoc changes; and to enable increased value addition and the development of key growth-enabling sectors, such as for ICT," reads part of the monitor.

The World Bank adds that the government should also seek to improve Malawi's power supply by moving

forward with key generation projects and strengthening the governance and financial performance of sector utilities.

In conclusion, the task of turning Malawi into a predominantly producing and exporting country starts at the household level. Becoming ambitious and wanting more than just food could be critical in transforming the country's economic fortunes.

If every household produces more than their food requirement, then the country could have surplus to sell and take advantage of the multi trillion markets created by the AfCFTA. What is crucial is to start dreaming big at household level.

On the other hand, the state has the duty of ensuring that it provides functioning markets for easy trading of the produced items. Providing good prices could help act as an incentive for the growers to produce more.

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GUARANTEED, SEAMLESS COVER WITH PRECIOUS INSURANCE

BY STAFF WRITER

In 2018, the country saw the birth of a new medical insurance firm, Precious Medical Insurance, depicting the dawn of an era of guaranteed and seamless medical insurance services.

Precious Medical Insurance, a wholly Malawian-owned private firm with growing membership-boasts to have grown its clientele base to over 5,000 individual members and 44 corporate clients within 2 years.

This entails highest level of confidence by existing and potential clientele in a sector which is deemed saturated.

Its mission is to be the leading provider of medical insurance services in Malawi and the surrounding countries.

Why choose Precious Medical Insurance?

Precious Medical Insurance boasts of affordable premiums with no shortfalls for essential and emergency treatment. The medical firm also has a facility of premium discount for child-dependants.

It has a wide network of hospitals and clinics across Malawi with international links as well as a wellness programme for clients.

Precious Medical Insurance also has a disease-management programme that ensures that all clients receive quality treatment.

Precious Medical Insurance Chief Executive Officer Dr. Gertrude Josephine Mateyo says the firm is systematically-positioned to reaching out to all potential and existing clients across the country with tailor-made products and services.

She touts of affordable and top quality medical insurance services the firm offers.

"The main focus of PMI is to supply top quality medical insurance at a price that companies can afford. We aim to provide medical insurance that give a pleasant experience at the point of service.

"We do this by keeping notifications and



Precious Medical Insurance recognises that life is precious and the firm works to making it better.

preauthorization at a minimum. In all our schemes there is no shortfall on essential and emergency treatments," she says.

Precious Medical Insurance recognises that life is precious and the firm works to making it better.

In the last two years Precious Medical Insurance has been the fastest growing medical insurance company on the market.

Dr. Mateyo says the firm acquires most of the business through referral from existing companies which depicts excellent services that they are receiving.

"We would like to thank all our existing clients especially those they are passing on good word of our services to their associates and colleagues. For potential clients we would like ensure them that with Precious Medical Insurance is committed to deliver on promise," she says.

Recently, Precious Medical Insurance

unveiled a range of 'top quality and affordable' health insurance schemes, offering extensive coverage to the corporate world.

The firm has five top quality and affordable health insurance schemes which are Gold plus, Gold, Supa, Silver and Bronze.

Dr. Mateyo rates the schemes as unique where clients are not required to pay any shortfall for essential and emergency treatment.

"We have made sure that in all schemes including the lowest (Bronze), you are able to access the entire essential treatment package as described by the ministry of Health with no shortfalls.

"This is why we have schemes which are open to all hospitals in Malawi plus access to referrals, to hospitals in South Africa and India when indicated," She said.

The firm boasts of zero wastage in the premiums it is getting.

BRIDGING THE FINANCING GAP THROUGH MAIIC

BY STAFF WRITER



Access to finance has been cited among the major constraints to doing business in Malawi. Recent World Bank figures show that in Malawi, micro, small and medium enterprises (MSMEs) constitute 60 percent of businesses, providing jobs to about 1.6 million people.

However, only 10 percent of medium enterprises, five percent of small enterprises and three percent of micro enterprises have access to credit from commercial banks.

Despite their significance, financial institutions continue to perceive MSMEs as too risky.

Not only MSMEs, even larger corporations face myriad challenges when attempting to access capital financing.

To help cover the existing gap, in 2018, the Malawi Agricultural and Industrial Investment Corporation (MAIIC) was launched.

It aspires to be the leading enabler of high impact economic development

in Malawi, where interest rates are deemed relatively higher than most regional counterparts.

MAIIC provides affordable financing to businesses that seek capital for expansion and growth purposes. It does this through debt financing, equity and quasi equity products.

To broaden its scope, and attract external funding, the corporation partnered with two development finance institutions; the Development Bank of South Africa (DBSA) and Trade and Development Bank (TDB).

MAIIC Managing Director Taz Chapon-da feels the model is a game-changer in private sector development in the country.

To him, Malawi remains a priority investment destination which has, however, failed to make headway in recent years due to limited bankable projects.

"MAIIC is acting as a catalyst for economic development in the country by mobilising external financing,

providing advisory services and conducting project development to make the projects attractive to financiers and investors" he said in a recent media interview.

Among other things, MAIIC aims at mobilising financial and other resources for investment in commercially viable projects, businesses, agriculture and industries.

It is well positioned to be a catalyst for the creation and development of competitive, commercially sustainable industries to transform Malawi into a predominantly agroprocessing and export-led nation.

MAIIC is supporting commercially viable investments in the public and private sectors of the economy to consolidate and promote growth, productivity, employment, wealth creation and broad-based economic development.

The corporation's strategic objectives are closely aligned with the development goals of the Malawi 2063; the national development blueprint.

SOME OF THE PROJECTS FINANCED IN 2020-2021



Micholess Creamery – Cheese processing business in Lilongwe



CHIKHO HOTEL – Modern Hotel structure in Mponela



EDGEVIEW SCHOOL- New school in Lilongwe focusing on ICT in early education



MBORA-Modern Agri-Business Hub providing services to lakeshore communities



“SPEARHEADING PRIVATE SECTOR DEVELOPMENT”

SOME OF THE PROJECTS FINANCED IN 2020-2021

MUSECO – Seed manufacturing and distribution across the country



NATURE’S GIFT – An anchor farm for smallholder banana farmers



LENZIEMILL– Manufacturers of floating fish feed



CORRAN FARM– Crocodile farm



COMSIV – Microfinance Institution supporting agriculture countrywide



PATHWAYS TO MIDDLE INCOME ECONOMY:

..WHAT NEEDS TO BE DONE?

BY STAFF WRITER



NEXT BIG THING?—Mining sector

That Vision 2020, which is Malawi's maiden long-term development plan, was a complete fiasco cannot be disputed. This fact is backed by the failure of the blue-print to achieve most of its key targets.

Generally, the document suffered lack of political will, lack of policy coherence, poor integration of the vision's aspirations into the subsequent medium-term plans such as the Malawi Growth and Development Strategy (MGDS) generations, among others.

Major failures that characterise

Vision 2020 include below expected growth rates, 'extremely low' per capita Gross Domestic Product (GDP) by global standards, low global competitiveness, deterioration of economic infrastructure, a decline in industrial production, worsening fiscal stress as well as poor governance.

Vision 2020 has did not succeed also in reducing poverty, with 50.7 percent of the population still living below the poverty line of \$1.90 (about K1,482) per day while 25 percent living in extreme poverty.

Of particular interest, however, is the review findings of Vision 2020 which also exposed Malawi's inability to achieve a middle income status with a per capita income of \$1,000 (about \$780,000) per year as aspired by Vision 2020.

This target was described by many stakeholders as "too ambitious" by those who were tasked with the responsibility of crafting the blue-print.

→



MINERAL STONES—Malawi has deposits of valuable minerals

→

According to current international thresholds, a lower-middle-income country is defined by its per capita income ranging between \$1,006 to \$3,975 while an upper-middle-income country has its per capita income falling within a bracket of \$3,976 to \$12,275.

A high-income country, on one hand, has its per capita income lying within a range of \$12,276 or more.

Per capita income is derived by dividing the national wealth or GDP with the size of the country's population.

Experts who reviewed Vision 2020 last year said Malawi needed to grow by more than seven percent to reach the lower middle-income status it dreamed of.

Yet between 1994 and 2019, Malawi's annual real economic growth rates have averaged 4.3 percent, within striking distance of the country's population growth rate.

What went wrong?

Part of the problem during the implementation of the last vision was poor governance that resulted in the loss of at least 30 percent of the national budget to fraud

and corruption and a lack of political will to enforce alignment of national budgets and medium-term plans to the national vision.

Experts also cite internal shocks largely linked to climate change that brought devastating floods and droughts, which crippled agricultural output—the country's most important source of economic growth.

Malawi's GNI per capita averaged just \$372.95 (nearly K300, 000) between 1960 and 2018 according to the Reserve Bank of Malawi (RBM) statistics.

Tellingly, Malawi has not made significant strides over the years to grow its national output or national wealth as measured by gross domestic product (GDP).

After a rebasing exercise, Malawi's nominal GDP now stands at \$10.9 billion (about K8.1 trillion), an increase from around \$8.5 billion in 2019.

However, despite such an increase, Malawi's GDP is far below that

of its neighbours such as Zambia whose size of the economy exceeds \$25 billion, as of last year.

Professor of Economics at Chancellor College Ben Kalua has in the past repeatedly scoffed at Malawi's GDP figures saying it is still too little and it's like 'pocket money' of some business tycoons across the globe.

At a time Vision 2020 was being crafted, manufacturing sector's contribution to GDP was estimated at 12 percent. It was envisaged that such a figure be raised to 25 percent, on account of a possible industrial diversification.

But that has remained a dream in the pipeline as in 2015; the sector contributed 9.5 percent to GDP, before the contribution marginally declined to 9.4 percent in 2016. Such growth rates are far below the ambitious 25 percent that the Vision had envisaged.

Industrial production growth in Malawi averaged 4.55 percent from 2008 until 2017, which was below the level of growth necessary to sustain GDP growth.

Industrial production only increased 38.57 percent in August 2017 over the same month in the previous year of 2016.

During Vision 2020 implementation period, Malawi had not moved from an importing and consuming nation into a producing and exporting nation.

The poor performance was a reflection of low productivity and weak value addition especially in agriculture, mining, tourism, fisheries and transport.

Ray of hope is beaming:

After the heartbreak that was Vision 2020, Malawians this year have given themselves a second chance with the launch of Malawi 2063.

With the new blue-print, the country aspires to be an upper middle-income nation 42 years from now.



THE FUTURE—Red Garnetts are available in Malawi

With that dream, annual earnings for each Malawian through GNI per capita could rise to between \$3 956 (K3.2 million) and \$12 235 (K9.7 million), which is the range the World Bank places upper middle-income economies.

The Vision 2063 document says to become an upper middle income country, Malawi's investment in both the public and private sectors has to be high enough to allow the country to grow by at least six percent annually.

In lower middle-income category, citizens earn between \$1006 (around K800 000) and \$3 955, which Malawi failed to attain during the last two decades, with per capita income stuck below \$400.

As President Lazarus Chakwera puts it, for the country to achieve set targets such as middle-income status, it is imperative for Malawians to abolish the culture of waste, which he said is draining and destroying the resources that God gave Malawi to enable development.

He also reiterated his call for Malawians to "work hard, work smart, and work together," if the country—ranking one

of the poorest countries in the world—is to be wealthy and self-reliant as aspired by the country's new long-term national development plan, Malawi 2063 (MW2063)

The new development master plan aims to transform Malawi into a wealthy and self-reliant industrialised 'upper middle-income country' by the year 2063, and has projected that if the economy grows at an annual average rate of six percent, Malawi could attain the low middle-income status by 2030 (\$1006 and \$3 955) earnings per person range, according to the National Planning Commission (NPC).

NPC Director General Thomas Munthali thinks it is possible to attain the planned targeted economic growth rates as well as achieve the middle income status but maintained that it would require increased productivity and enough commercialisation in agriculture, as well as massive industrialization, among others.

The Malawi 2063 acknowledges that the domestic economy has not managed to sustain high economic growth rates

above the rates of population growth with a fertility rate of 4.2 births per woman in 2018 and an age dependency ratio as a proportion of working age reported at 85.6 percent in 2019.

The country's growth has been volatile, especially in the aftermath of the 2001 drought and famine to as high as 9.7 percent in 2008, mostly due to the fiscal space created by full debt forgiveness under the Highly Indebted Poor Countries (HIPC) debt relief.

Policy analyst Alex Nkosi says Malawi's economic growth has largely been supported by agriculture sector, characterized mainly by the production of maize as a staple food crop and a few cash crops such as tobacco, which is Malawi's major foreign exchange earner.

But Nkosi decries that such crops are, however, susceptible to regulatory, environmental and global economic shocks and therefore cannot sustain the socio-economic development that that Malawi desires.

CUSTOMER TESTIMONIALS APPLAUD MYBUCKS FOR MAKING A POSITIVE SOCIAL IMPACT VIA UNSECURED CIVIL SERVANT LOANS



Geoffrey Kenson standing by his shop



Geoffrey Kenson with his motorcycle

About 6 years ago, MyBucks set out on a path to realize a purpose of making people's lives better through convenient and simplified banking using technology and partnerships. During the course of its journey to achieving this, the bank partnered with the Malawi Government to offer quick unsecured personal loans to civil servants across the country, thereby helping many civil servants bridge their financial gaps and realize their goals and aspirations. The bank has to date helped so many civil servants working with the Malawi government achieve their dreams. Today, some customers come out to testify what the dreams

which they have witnessed and seen being accomplished as determined by the bank's vision.

With customers testifying to this, MyBucks' Managing Director Zandile Shaba said "It is pleasing to see that we are truly making a positive social impact in the lives of our customers and many of their dependents thus putting us in the right direction towards meeting our strategic intent of being the best digital bank in Malawi by social impact. For a long time MyBucks has been a key player in putting smiles on faces and helping many people realize their goals and aspirations through offering Civil Servant loans without any collateral via our Microfinance division".

One of the customers testifying to this has been Geoffrey Kenson, a head teacher at a primary school in Nsanje, who would struggle in making his financial ends meet but has since yet moved from that situation to being a house owner, motor cycle owner and a shop owner. He narrates that "I had dreams of one day building my own house and owning a business but I wasn't financially able to do so until when I applied for the MyBucks civil servant loan. Through the civil servant loans, I have managed to build my own house, I have built a shop and I was able to buy a motor cycle. I am grateful for the opportunity MyBucks banking Corporation is giving us (the civil servants). I did not have to wait



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until I retire to build my own house or to start living my dreams”

Adding to the positive social impact made by the bank was Margaret Japi, a teacher at Namatapa Primary school in Blantyre. She says “the MyBucks civil servant loan has helped me a lot, I have managed to pay for my child’s tuition fee at Catholic university. I am a primary school teacher by professional and it was difficult for me to raise such funds at a given time space. When my coworker told me about the MyBucks civil servant loans, I was interested and I applied. I was happy that all it needed for the loan to be paid to my account was a National ID and my employment number. I took the loans and paid in full my child’s first year’s tuition fee. On top of that, my child needed a laptop for his studies, I did not have enough money to purchase one. I had to go to MyBucks banking corporation and see if I could top up, and to my surprise, this was granted, enabling me to purchase a laptop for my child. It has always been my dream to see my child go further with his education and MyBucks undeniably helped me realize my dream”, she said.

Another customer, James Kaphwiti. A health worker at Mawuwa health center in Chiradzulu commending the bank said “I have benefited a lot from the MyBucks civil servant loan. My house needed some furnishing but my salary alone was not enough, I needed extra income so I applied for the MyBucks civil servant loan. Through this loan, I have managed to buy new furniture and a fridge. I was also able to pay for my children’s school fees. I am thankful to MyBucks Banking Corporation. My house now looks modern and my Children are in school having their futures shaped”.

Commenting on the testimonials, the bank’s Managing Director Zandile Shaba said “from the testimonials shared by our customers, you can see that it is evident that there are a lot of success stories from customers who have accessed and wisely utilized Civil Servant loans that we offer. This is very inspiring and we are truly motivated to continue deliver towards making a positive social-economic impact on them and all customers in different sectors



Geoffrey Kenson's house



Margaret Japi

going forward”.

MyBucks recently announced that it is now extending its retail banking products and accounts to Civil servants who would want to apply and access these unsecured loans. Thus unlike before where non-Mybucks customers were also able to access these loan, with this change, government employees who wish to access the loans are now required to open a bank account through a simplified process, where the loan will be credited upon filling up a loan application form. With this account, customers will be able to access banking services whenever wherever via *632# FlexMobile. Through



“the MyBucks civil servant loan has helped me a lot, I have managed to pay for my child’s tuition fee at Catholic university...”

this platform, customers will enjoy the convenience of sending money to and from Airtel Money & Mpamba wallets, to other banks accounts, Pay MRA taxes and utility bills, Buy airtime and view balances and statements in addition to many more exciting features.

MyBucks Malawi is a fully fledged bank with branches in Blantyre, Lilongwe, Mzuzu, Zomba, Mangochi, Dzaleka, Kasungu and Madisi. Currently, it has a fully-fledged delivery channel of 17 branches, 85 agents, and 30 ATMS across the country, offering a full range of banking products and services that include Bancassurance and microfinance products.

5TH BANKERS CONFERENCE

PICTORIAL FOCUS



Conference in progress.



Dr Napoleon Dzombe interacting with delegates.



Some of the delegates interacting.



IOB Chairperson Mrs Zandile Shaba making her opening remarks.



The Governor, Dr Wilson Banda making his key note address



Ms Bubile Kayuni , One of the delegates asking a question to a Presenter.



Mrs Effie Malange making her presentation.



One of the groups at the conference discussing key recommendations towards Financial Inclusion agenda.



Panel Discussion moderated by Mr Patrick Achitabwino.



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