

MALAWI

BANKER

MALAWI'S FINANCIAL MAGAZINE OF CHOICE

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DIGITAL FINANCIAL SERVICES UPTAKE

...WHAT ARE FIGURES SAYING?

WHAT LIES AHEAD OF MALAWI ECONOMY?

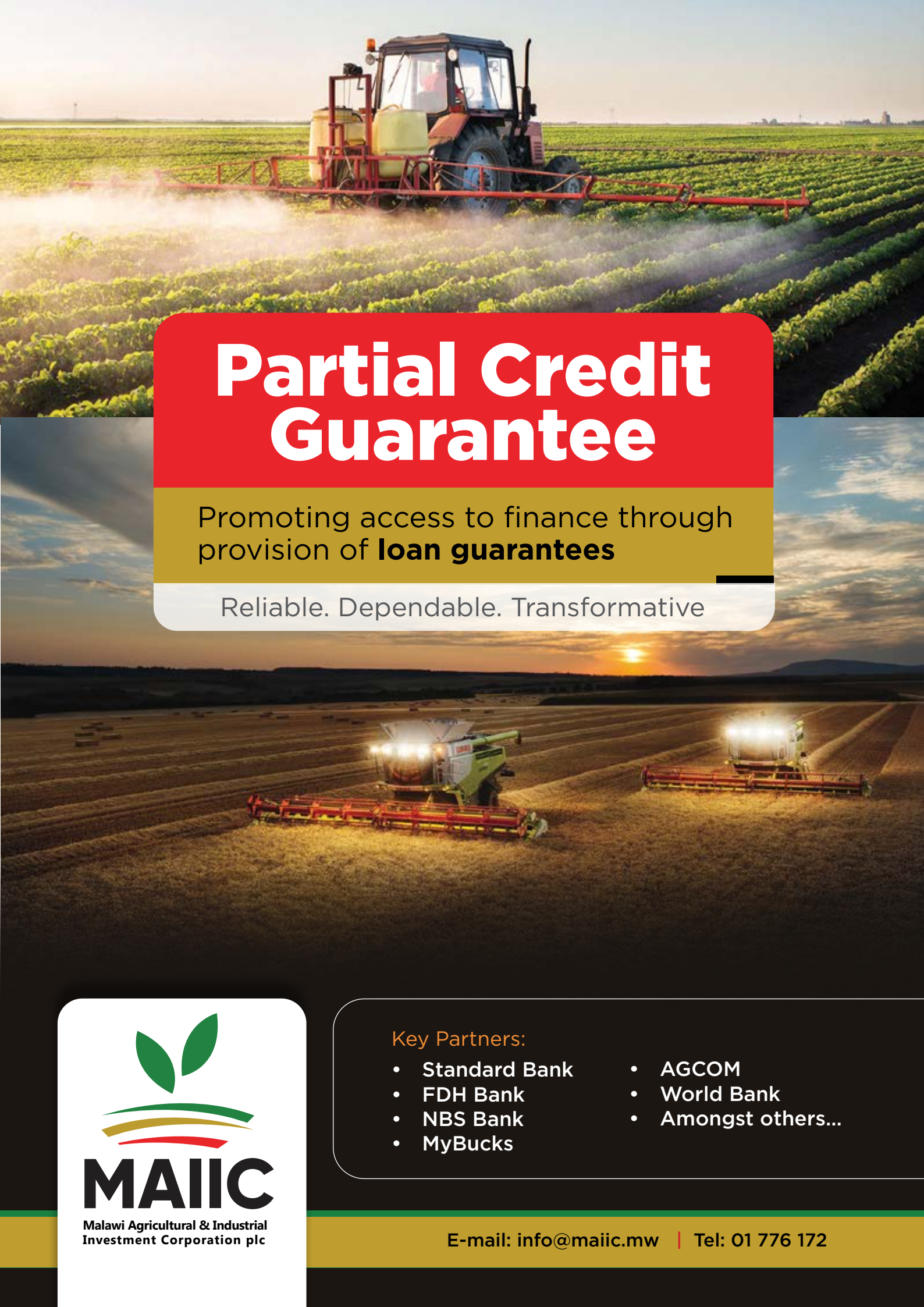
...A PEEP INTO NEXT DECADE

MOBILE MONEY; DRIVER OF MALAWI'S ECONOMY

UNPACKING BANKING TRENDS & PROSPECTS

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CEO, NATIONAL BANK OF MALAWI



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In this issue



What lies ahead of Malawi economy?

...a peep into next decade

20

A magic wand called AfCFTA

The African Continental Free Trade Area (AfCFTA) is fully operational, exposing Malawi to a larger duty-free market worth \$2.6 trillion. How can Malawi reposition and reorganise to be a net exporting member of this huge market and not a net importer?

28

Pushing financial inclusion Agenda through Integration

Not so long ago, a bank account created a socio-economic divide. Opening an account with a commercial bank meant one was financially included. And the rest remained out of the equation.

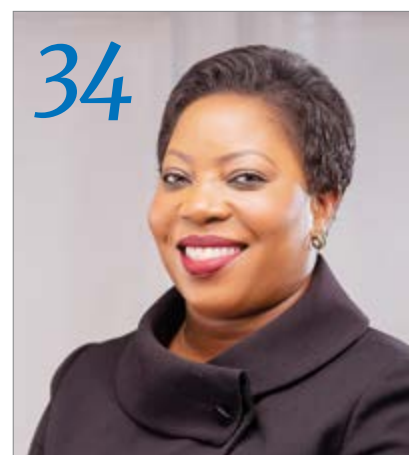
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Features



- 20** Digital financial services uptake ...what are figures saying?
- 30** Secondary cities, a catalyst for inclusivity
- 32** On mindset change and economic development
- 40** The remedy that is digital payments
- 42** Tapping into the informal sector



EDITOR'S NOTE

Have you noticed? Trends in the banking space are evolving almost daily.

In the past year, banks have intensified efforts towards digitisation. All have their systems augmented, having been integrated with mobile phone networks and utility service providers.

Even the tax collecting process and other government systems are part of the web. It may appear needless, today, for a bank to open a branch in the remotest area of the country or deep in the busiest part of the city. As long as there is a network available, every service can be accessed with ease.

The brick and mortar would soon be rendered redundant. Meeting your banker, not so long from now, would only be necessary in exceptional circumstances. The rest of the transactions you can handle in the comfort of your homes. That is what we are talking about; ease in transaction while increasing the clientele scope, or digitising the economy while advancing the financial inclusion agenda.

The world of technology is changing by day and the banking community is fast adapting, tilting to the direction where none will be left out of the equation. Today we are all speaking the codes and apps language. The future is visibly present; the burden of walking around with hard cash has been squeezed to a choice. Remedies are wide.

Society is going cashless; and to pay your bills electronically is not as surprising anymore, anyway. It is becoming a norm. A swipe at a shop is as trendy as WhatsApp banking. It is in that spirit that the edition of the Malawi Banker Magazine is anchored; to discuss the dreams and aspirations of every Malawian of moving towards becoming a competitive society.



The idea of wealth creation for all is the epitome. We discuss the concept in the context of historic trends of Malawi's economic growth while being futuristic at the same time. At the centre of it all is the mindset change agenda. We unpack its essence towards attaining the desired mark of turning the country into an upper-middle income economy in not more than a decade from now.

When all is said and done, the banking community remains the best feeder into all the other sectors of the economy, giving it a leverage of being the centre stage.

Let us talk economy, let us talk digitisation.

Enjoy!



ON THE COVER

→ Malawi Banker Magazine engages the **Bankers Association of Malawi President Mr. MacFussy Kawawa** on the trends and future of banking in Malawi



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Catch the very latest and trending insights into the business and banking sector in our publications.

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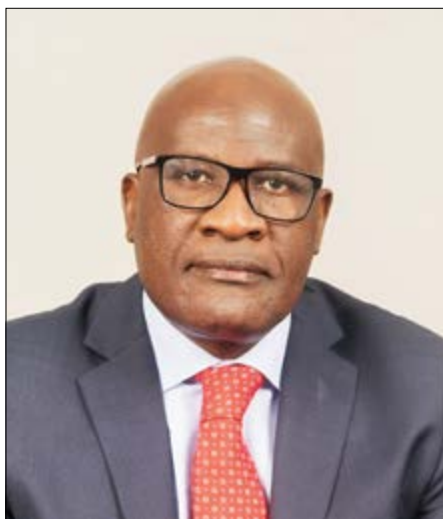
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MOVEMENTS IN BAM

Mr. Macfussy Kawawa was ushered into office as new BAM President replacing Mr. Kwanele Ngwenya of NBS Bank.

Mrs. Zandile Shaba took over from Mr. Kawawa on the position of First Vice President while Mr. Phillip Madinga was ushered into the executive as 2nd Vice President.

Other movements include; Mr. Noel Mkulichi assumed the position of FDH Managing Director while Mr. Kwame Ahadzi replaced Mr. Jean Rene'Ngando Moukala as CEO/MD for CDHIB. Ms. Agness Jazza is the new CEO for First Capital Bank.

BANK WITH EASE

You might have noted; in the last two years, the world of work has greatly changed. So has the approach on services delivery. Digital connection is trendy now. Covid pandemic has taught us all that life, some traditions, and businesses can be maintained without having people to meet physically, always.

Today, almost every banking service, except for some few deemed complex, can be accessed on one's finger tips.

The banking sector has moved with time in making the most of the digital transformation Malawi is experiencing and ensuring convince for customers.

Strides have been deployed in integrating the banking services, products and systems with others including mobile phone and ICT services providers, utility companies and others.

This has unlocked opportunities for inclusive growth for banks, micro-finance institutions, and savings and credit cooperatives by transforming the digital space.

For instance, use of digital financial services in the country went up in 2021 showing that both volume and value of digital financial services transactions grew by 62.8 percent and 39.9 percent, respectively to 765.4 million and K9.7 trillion according to the Reserve Bank of Malawi.

The upsurge in both the volume and the values of transactions is attributed to the growing customer confidence in usage of electronic payment channels owing to various benefits they offer such as speed, efficiency and convenience

The pace taken by commercial banks and other institution has made the banking hall only ideal for selected

transactions. The rest are done online, in the comfort of the customers' homes.

This is what technology has done; redefining trends in the economy.

Players and sectors in the economy are repositioning and the banking sector remains the epicentre. Banks are moving with vigour and vitality with the aspiration of digitising the economy.

Words such as swipe, e-value and what have you, are making it into the vocabulary of most Malawians. Malawi is gradually turning into cashless society and this we will achieve by all means possible.

And banks are at the centre of it all, tirelessly working to bring the unbanked populace into the financial equation through the available technology and agency banking.

That is what this edition of the

Malawi Banker Magazine is all about; creating a narrative on the essence of technology in sustainable economic development.

We attempt to bring to the fore the essence of innovation in creating a technologically-driven economy and discuss how the country leverage on it in its attempt to becoming a middle-income economy, at least by 2030.

In the drive, the banking sector remains pivotal. And its continued integration with ICT and mobile network operators' best suits the purpose.

Therefore, articles in this edition are crafted to depict the power of innovation, technology and integration towards sustainable economic growth.

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The President's Message

I am delighted, on behalf of the banks in Malawi and on my own very behalf, to unveil to you the 27th edition of The Malawi Banker Magazine; the first of its kind during my tenure as President of the Bankers Association of Malawi.

I can tout of an easy ride this far, thanks to the tone well set by my predecessor and others before him in making The Malawi Banker a magazine of choice.

The magazine has become an ideal tool in not only demystifying trends in the banking sector but more importantly, in setting the agenda for creating wealth for all Malawians.

This is a cause I commit to continue pursuing with diligence.

For starters, the banking sector remains a key catalyst for national wealth creation and economic growth. Needless to say that by its very nature, the industry systematically feeds into all other sectors of the economy; as an enabler for growth, the banking sector has to, by all means possible, be resilient at all levels.

The sector, as ascribed in the long-term national development blueprint-the Malawi 2063-is pivotal as it anchors the rest of the other sectors of the economy.

Malawi 2063 which comes after its predecessor plan-the Vision 2020 (which was seen as a flop with most targets embedded therein missed) is crafted in such a way that it facilitates growth of the economy to at least a upper middle-income status.

In 1998, Malawi embarked on an ambitious development journey to graduate to middle-income status with a per capita income of at least \$1,036 by the year 2020, a cut-off point for the Vision 2020. However, that was not achieved. Malawi's per capita income only rose to around \$603 as of end 2020 from \$228 in 1996.

The picture gets less inspiring when one considers that this increase is on account of the recent rebasing of GDP by the National Statistical Office (NSO) which saw nominal GDP increasing to \$10.9 billion in 2020 from about \$8 billion in 2019.

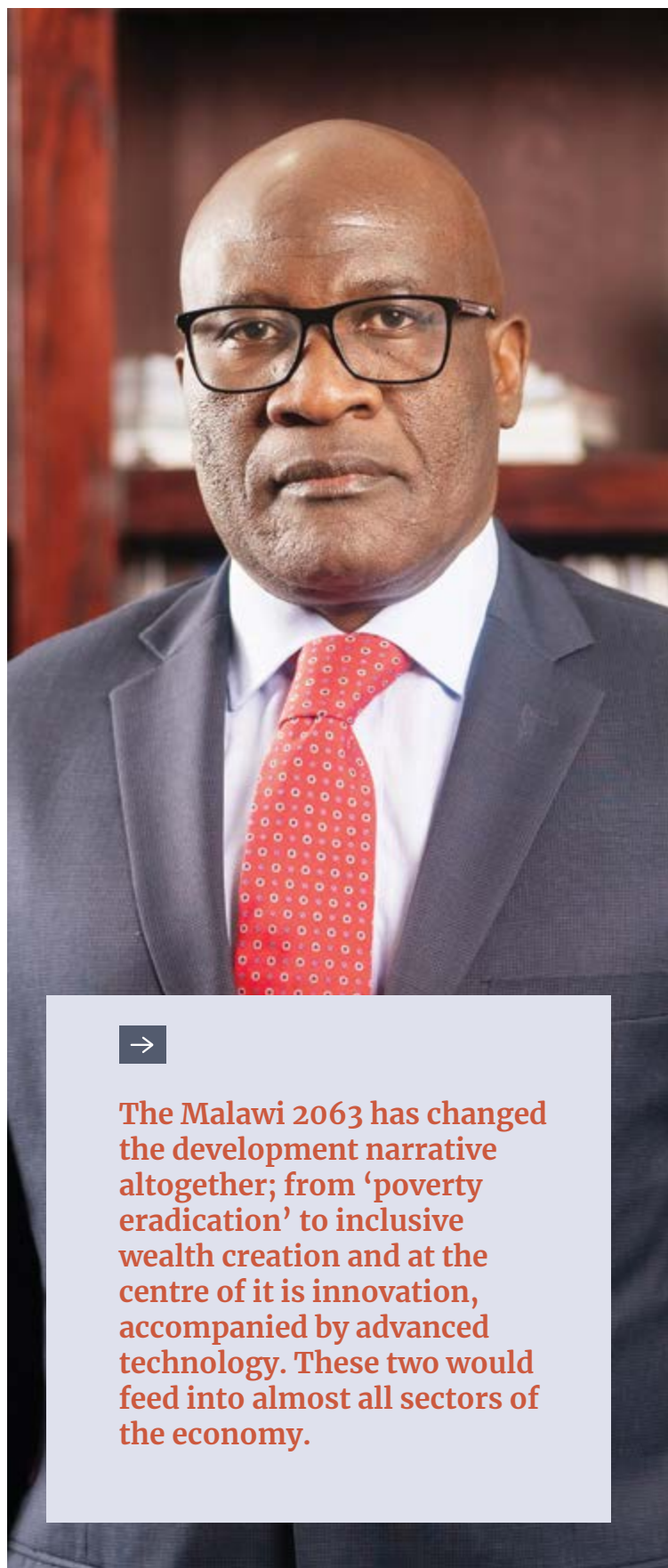
The Malawi 2063 has changed the development narrative altogether; from 'poverty eradication' to inclusive wealth creation and at the centre of it is innovation, accompanied by advanced technology. These two would feed into almost all sectors of the economy.

Framers of the Malawi 2063 envision Malawi as an environment with a narrowed gap between the rich and the poor within the next four or so decades. They aspire to put up all the necessary enablers in place to see to it that even before 2063, Malawi is able to offer equal and competitive opportunities to all its citizens with no prejudices.

This edition of The Malawi Banker Magazine, therefore, attempts to bring to the fore the essence of innovation in creating a technologically-driven economy and discuss how the country leverages on it in Malawi endeavours to become a middle-income economy, at least by 2030.

In the drive, the banking sector remains vital and the sector's integration with ICT service operators best suits the purpose.

Enjoy



The Malawi 2063 has changed the development narrative altogether; from 'poverty eradication' to inclusive wealth creation and at the centre of it is innovation, accompanied by advanced technology. These two would feed into almost all sectors of the economy.



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WHAT LIES AHEAD OF **MALAWI ECONOMY?** *...a peep into next decade*

BY STAFF WRITER



REMAINS MALAWI ECONOMY'S MAINSTAY—Agriculture sector

Malawi is still classified as the third poorest country in the world, with two-thirds of its population engaged in rain-fed agriculture. Regular floods and droughts create food insecurity, and youth unemployment is still the order of the day.

Despite the country's history of being largely free of conflict or war, Malawi's economic position remains very weak and fragile. As it stands, most economic indicators are wobbling and are under-par to inspire hope to all-and-sundry.

Many contend that peace in Malawi has not yielded the economic dividends one would expect.

The national economy continues to face fiscal challenges, beset by low Gross Domestic Product (GDP) growth, investment and job creation.

Exacerbating the already flimsy environment is the fact the Malawi economy, which is just worth \$10.9 billion (about K8.2 trillion), is always susceptible to exogenous shocks such as floods, cyclones, and withdraws of budget support by donors, among others.

No wonder, in 2020, the domestic economy grew by a meager 0.8 percent, which is far much below the desired 6 percent which international development experts say is enough to meaningfully impact on poverty reduction as well as trigger the much-needed economic development.

Of course such a tepid growth rate was largely on account of the ravaging impact of Covid-19 pandemic, which has disrupted global supply chain while reducing demand for export commodities on the international market, among other negative shocks.

As if that is not enough, persistent and expanding trade deficits—the gap between imports and export value—require an urgent focus on exports. This has been a song which every past regime has sung but doesn't yield any dividend.

Calls for the country to diversify its economic base or to realize import substitution seem impractical also.

As it stands, Malawi faces high costs of trade, estimated by the Ministry of Transport to account for 56 percent of the cost of imports and exports.

Reflecting the thorny past

It is always imperative to reflect the past in order to ascertain what the future holds.

Way back, the country launched the much-touted first long-term national development plan dubbed Vision 2020 during the former President Bakili Muluzi regime.

Twenty years later, the vision was christened a complete fiasco as its review, whose findings were disseminated in November 2019 showed that the document missed most of its key aspirations.

National Planning Commission (NPC), which is mandated to develop long and medium-term national development plans for Malawi and also oversees implementation of the same, commissioned the review process of Vision 2020 with funding from United Nations Development Programme (UNDP) Malawi office.

The commission engaged Premier Consult Limited to review and analyse the Vision 2020 to identify lessons learnt and make proposals for possible priority areas for the next successor Vision for Malawi.

The findings show that while the Vision 2020 has helped reduce income inequalities, access to education and improving the standards of health sectors, on the flipside, major failures include, below expected growth rates, "extremely low" per capita gross domestic product (GDP) by global standards, low global competitiveness, deterioration of economic infrastructure, decline in industrial production, worsening fiscal stress and poor governance.

Vision 2020 also failed in reducing poverty, with 50.7 percent of the population still living below the poverty line of \$1.90 per day while 25 percent of the population lives in extreme poverty.

In fact, Oliver Saasa, proprietor and lead



UPBEAT—Munthali

consultant of Premier Consult Limited, did not mince words in his presentation of key findings to stakeholders.

He summarised the implementation era of the document as follows: "The country was doing efficiently in wrong things."

"An annual GDP growth of around nine percent was needed to sustainably attain the anticipated aspirations of the Vision," said Saasa, an international development studies expert.

Malawi Growth and Development Strategies (MGDS) III adopted a minimum average growth in real GDP of 6 percent annually apparently derived from Millennium Development Goals (MDGs) which targeted to halve world poverty rate by

2015.

On economic infrastructure, which Vision 2020 envisioned to improve during the period, it was also observed that based on the findings, there has been some improvements in road infrastructure but distance to a good road for the average Malawian has not improved.

The findings have also exposed Malawi's inability to achieve a middle income status with a per capita income of \$1 000 (about K820,000) per person per year as aspired by Vision 2020.

In fact, the Vision described the target as "too ambitious" by those who were tasked with the responsibility of crafting the blue-print.



DESPERATELY NEEDED—Import substitution

Contrary to the aspiration of the Vision 2020 to turn Malawi from a consumer into a net exporter, the review also revealed that trade balance during Vision 2020 implementation has deteriorated from \$84 million to \$1.8 billion.

Simply put, over the past twenty years, the country's economic landscape has worsened. This assertion has also been shared in so many forums by renowned economist and professor of economics at the University of Malawi Ronald Mangani who has repeatedly said the country has been stuck for over forty years.

Silver lining in the next decade

However, not all is lost as economic prospects for Malawi now appear bright in the wake of the new second national development plan, the Malawi 2063.

The plan was launched on January 19, 2021 by President Lazarus Chakwera. It envisages transforming Malawi into an upper middle-income nation 42 years from its launch.

By 2063, Malawi principally aspires to be an industrialised upper middle-income country which primarily finances its own development needs.

Annual earnings for each Malawian or gross national income (GNI) per capita could rise to between \$4,046 (K3.5 million) and \$12 535 (about K11 million),

which is the range the World Bank places upper middle-income economies.

Lower middle-income economies are those with a GNI per capita between \$1,036 and \$4,045; while upper middle-income economies are those with a GNI per capita between \$4,046 and \$12,535 (2021).

What is more vivid is how the vision is going to be implemented.

Creatively, government launched Malawi 2063 (MW2063) first 10-year implementation Plan (MIP-1) which will cost an estimated \$15 billion (about K12 trillion), and has priority strategies and interventions to be implemented in the next 10 years to set Malawi on a path to actualise MW2063.

It also identifies 'quick wins' which are interventions already in the pipeline or have



The plan is also targeting to grow the share of agriculture, forestry and fishing to gross domestic product (GDP) from 22.8 percent in 2020 to about 30 percent by 2030. If realized, that is sweeter than ever to any Malawian.

low-cost implications or just require scaling-up in the next five years.

The 210-page document also targets a per-capita income of \$1 000 (about K825 000) by 2030.

Currently, Malawi's per-capita income, which is derived by dividing national income by population, is ranked one of the lowest in the world at around \$600.

The plan also demands that Malawians diversify and commercialize their agriculture.

Picture this: The plan is also targeting to grow the share of agriculture, forestry and fishing to gross domestic product (GDP) from 22.8 percent in 2020 to about 30 percent by 2030. If realized, that is sweeter than ever to any Malawian.

The plan also has an ambitious target to grow the average value addition for crops, livestock, forestry and fisheries will from about K403 billion in 2019 to about K680 billion by 2030.

Average added value per agricultural worker in Malawi has only amounts to \$209, far below the Sub-Saharan average of \$680.

Managing director for Thantwe Holdings Limited Ngabaghila Chatata laments that over the years, Malawi's agriculture sector has been struggling to tick as a

result of poor implementation of policies as well as misallocation of resources within the sector. She hopes the next decade will bring fortunes.

While describing the K12 trillion cost of implementing the plan over the next decade as 'realistic,' economist Milward Tobias thinks there is need for commitment to ensure that available resources finance projects that have proven to have value for money.

But Tobias also muses that looking back, the challenge that continues to haunt Malawi is having a disjointed government.

"For example, you have the Ministry of Finance working on fiscal consolidation on one hand and you have the Office of President and Cabinet establishing the Presidential Delivery Unit and Malawi Electoral Commission (MEC) introducing new constituencies on the other hand. The latter has an effect of bloating expenditure and directly countering what the former is working to achieve. Same economy and same political administration. It is chaos. In addition, MIP-1, just like the MW2063 needs effective leadership which so far is lacking," he says.

But sounding optimistic, going ahead, NPC Director General Thomas Munthali says plan also builds on the success of and lessons learnt from the MGDS III whose development had undergone extensive consultation process.

MGDS III was operationalised in 2017 and expires next year.

Nonetheless, most key economic agents such as Reserve Bank of Malawi (RBM), Treasury as well as commercial banks believe, by implementing to the letter both the Malawi Vision 2063, MIP-1, the Public Sector Investment Programme (PSIP) and other key documents, the country stands to grow its GDP by higher rates while also rescuing most Malawians from the abyss of poverty.

In that case, they project that Malawi would be able to stabilise inflation and interest rates, reduce the trade gap, reduce the fiscal deficits (from the current 8 percent of GDP, as well as reducing the current public debt stock from the current K5.5 trillion or 54 percent of GDP.

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BANKING TRENDS AND THE FUTURE

Malawi Stock Exchange (MSE)-listed National Bank of Malawi (NBM) Chief Executive Officer (CEO) Macfussy Kawawa has been elected President of the Bankers Association of Malawi (BAM)—an umbrella body for banks in the country. He takes over the mantle from Kwanele Ngwenya, CEO of another MSE-listed, NBS Bank. *The Malawi Banker* caught up with Kawawa to unpack his vision, dream and aspirations for the country's banking community.

First and foremost, tell us about yourself; who is Macfussy Kawawa?

I was born sixth in a family of seven in Thyolo. I attained primary education in Thyolo and secondary education at Robert Blake Secondary School and Kamuzu Academy before proceeding to University of Zimbabwe where I studied accountancy. I did post graduate studies in England and along the way I pursued and completed ACCA studies.

I have over the years amassed skills in the areas of Finance, Audit and Risk management, Banking and General management and leadership.

How does it feel being at the helm of the Bankers Association?

It is a privilege and an honor to lead BAM as its President. I see myself as just first among equals as I know that any of the BAM member Bank CEO could have been at the helm.

Would you share your aspirations/vision; what major milestones would you want to see attained in the banking sector within the next two years?

Within the two years of my tenure I wish to see:

- a stronger BAM characterised by greater collaboration among banks to address the many challenges the industry faces as well as exploiting the many opportunities available specially those through our new country vision MW2063.
- A BAM that continues to reposition itself and be recognised as an institution that can help shape and influence future policy direction for our economy and the country.

You have ascended to the association's presidency at a time players in the banking industry have maintained a record 'high' profitability trail, albeit pangs of Covid-19 pandemic that hit almost all other sector of the economy: What explains the sound performance and resilience in the banking sector?

It is indeed pleasing to note that even amid the difficulties faced world over and as a country, Banks have shown strong performance. This must be celebrated as it gives hope that the economy will stand. While Each Bank may have its own story to tell one common factor is that Banks are fairly well capitalised. While other sectors closed shop, being in essential services Banks



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had to remain open and some income arose from transaction processing as economic activity continued even under an environment where physical contact was restricted.

Critics have been faulting commercial banks for 'profiteering on customers' through what they call exorbitant charges. What is your take on the notion?

It's all a misconception! As banks, we have a challenge to make the public understand how Banks operate to remove the perception that banks are profiteering. In any business the returns have to be matched against the resources deployed to make the money. If you assess the balance sheets of many banks, you will notice that at most the return on assets is around 5%. This surely is not a huge return by any measure.

This has propelled debate to have interest rates capped in the country; attempts that have on a number of occasions hit a snag. What impact could rate-capping have to the banking sector?

One can cite several unintended consequences of interest capping notably:

- Fixing lending rates at levels not determined by underlying fundamentals will distort the market and lead to inflationary effects, reduce supply of credit to the private sector, increase financial exclusion etc.).
- Capping may push banks to alter how deposits are used and attracted, which may have consequences on operations of the financial sector.
- Capping is tantamount to price Control which has the potential to scare away current and existing investors who may consider directing their capital where they perceive business risk to be adequately priced in.
- With likely loss-making deposits and loans there is a chance that banks may downsize with negative implications on the many roles that banks play in the economy e.g. creation of employment.
- Potential increase in concentration of large borrowers who have lower credit risk ratings would create concerns over financial stability if these default.
- Capital erosion, in that banks may not grow capital to levels that are adequate for the risks being taken, pushing away investors which in turn can affect size of transactions



that can be undertaken.

- Interest Capping may likely increase the likelihood of a parallel, informal, untaxed financial system of loan sharks as access to credit from banks declines. A similar environment existed prior to the 2012 currency devaluation, with the black-market thriving.

Almost all banks remained afloat in terms of Liquidity Reserve Requirement(LRR) as is set by the regulator, the Reserve Bank of Malawi (RBM); comparatively, what does this portray of the sector?

Banks' compliance with regulatory limits including the LRR is a sign of a strong Banking sector.

The RBM, as lender of last resort, has on a number of times, in the past months, maintained its policy rate at 12.20 percent,

what do you make of this?

The Policy rate is one of the Monetary policy instruments being used by RBM. The rate has been maintained at around the cited rate in the recent reviews probably because short-term interest rates are the operational target to achieve certain monetary policy objectives.

But we noted also that rate of non-performing loans remaining relatively high. Why?

The recent trends are mostly attributed to low business activity on account of the Covid 19 pandemic which affected businesses from different angles some directly, others indirectly. Most affected are those in the hospitality industry and also small to medium enterprises.

The assertion out there remains that cost of borrowing in Malawi remains high, to an extent that others rate



it as prohibitive; what explains the situation?

The cost of borrowing is indeed high, influenced by several factors some of which are:

- High lending risk arising from a poor credit culture
- Treasury bill rates on the risk free public sector borrowing
- Fundamental macroeconomic indicators like inflation and exchange rates
- The level of non-performing loans
- Cost of doing business
- Cost of funds
- The bank rate

What could be done to ensure that interest rate goes further down in the possible near future?

Among other possible initiatives the following may influence downward trending of interest rates:

- Reduce cost of credit by improving judicial processes in loan recoveries.
- Financial Institutions to work

together more to exclude problematic borrowers from the lending business and develop lending policies that encourage good credit behaviors.

- Reduce government domestic borrowing
- Collaboration among banks to reduce operating costs
- Public private partnerships that can overall reduce some of the heavy operating costs.
- Remove the Liquidity Reserve Requirement on foreign currency deposits to reduce the cost of funding for banks through increase in money market liquidity, Reduction of Treasury Bill and Treasury Note yields and Interbank lending rates

What does the performance and positioning of the financial sector reflect on the local economy?

A well-functioning, well capitalised and profitable banking sector is a good sign of a resilient economy.

Overall, what is your assessment of the economy?

The economy has for the past two years struggled but is expected to show some recovery in 2022, supported by an increase in economic activities in mining and quarrying, manufacturing, and construction. Downside risk to these growth prospects remains the uncertainty regarding the evolution of the COVID-19 pandemic as well as the effects erratic weather patterns including the recent tropical cyclones. Inflation is likely to continue to rise, mainly arising from a seasonal increase in food prices and imported inflation emanating from rising energy prices and supply chain disruptions.

Last, but not least, how do you spend your free time?

Assuming that free time refers to when I am not doing banking stuff, I spend some time on my building projects hanging out with construction folks. The remainder I spend with family, watching TV and doing a bit of reading.

DIGITAL FINANCIAL SERVICES UPTAKE

...what are figures saying?

BY STAFF WRITER



FIND LUCRATIVE SPACE IN TOWNS?—Mobile money agents

Proliferation of mobile money agents in the major cities, even in remotest areas of the country, is an indicator that uptake is blossoming.

The duopoly of Airtel Money and TNM Mpamba, both birthed out of integrated ICT and mobile phone network services operators, is vivid.

It takes no rocket science to note that booths of agents of these two mobile money entities are, in most cases, next to each other. It is also commonplace to find agents operating for both.

All commercial banks on the land also have their systems integrated with that of the mobile phone services providers. This means the web is broader.

But what are the figures?

Use of digital financial services in the country has been on an upward spiral, lately.

Figures we got from market regulator, the Reserve Bank of Malawi show that volume and value of digital financial services transactions went up by 62.8 percent and 39.9 percent, respectively to 765.4 million and K9.7 trillion during the year ended December 31 2021.

In its National Payment Systems Report, the central bank however, notes that although retail transactions contribute 99.1 percent of the overall volume of transactions, they account for just 9.6 percent of the total value of transactions processed.

This entails that the DFS are mostly low value but voluminous in nature.

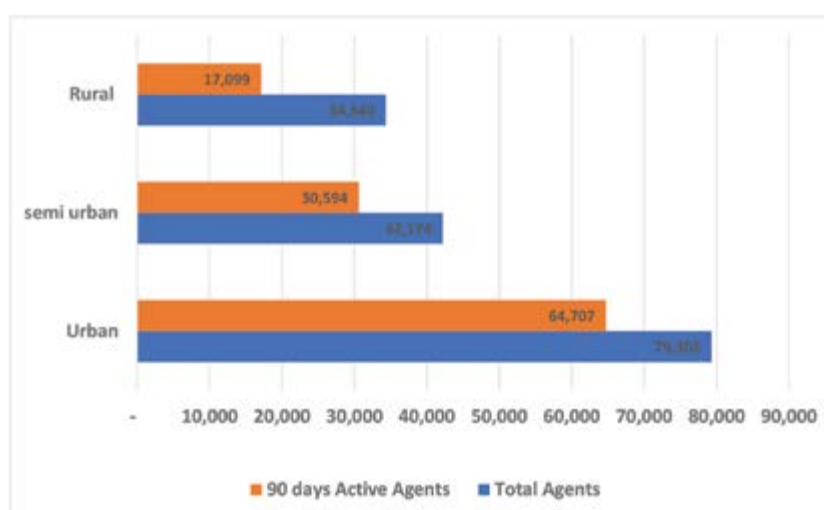
According to the report, total number of registered mobile money subscribers rose by 40.6 percent to 10.1 million and the number of registered mobile money agents rose by 93.2 percent to 155,816 in the period under review.

“Despite the increase in the number of active users, their proportion to the total number of subscribers (activity rate) dropped from 61.4 percent in 2020 to 56.5 percent as at December, 2021.

“The drop could partly be attributed to a number of customers that were registered on mobile money platforms as beneficiaries of Covid-19 relief assistance by Government and donor



Geographical Distribution of Mobile Money Agents



Source: Reserve Bank of Malawi

NON-PROPORTIONAL—Geographical distribution of mobile money agents

agencies and most of these users have since become inactive after the projects came to an end,” the report reads.

However, the trend shows that gender imbalance continues to be heavily skewed towards males as women only constitute 38.4 percent of the total subscriber base.

Thus, the gender gap has remained above 20 percent except in 2018 when it was recorded at 18.6 percent.

This outturn shows that women who constitute the majority of the country's population are left behind in usage of

mobile money services and this may, if left unchecked, derail the country from achieving meaningful financial inclusion.

The number of registered mobile money agents rose significantly by 93.2 percent to 155,816 as at end December, 2021.

This remarkable increase in mobile money agents is a positive outcome as it widens the footprint of retail payment services across the country.

However, geographical distribution of these agents is still skewed towards

urban and semi-urban areas leaving the rural areas with less access points according to the Reserve Bank of Malawi.

For instance, 78.0 percent of total agents were located in urban and semi-urban areas with only 22.0 located in rural areas. In addition, only 49.8 percent of the rural based agents were active on a 90-day period, compared to 78.5 percent in semi-urban and urban areas.

“This shows that most mobile money agents are not motivated to operate in rural areas. The reason could perhaps be due to less volume of transactions processed in rural areas which may not make business sense for the agents.

“It is therefore important for the service providers to create deliberate, targeted incentives for rural based agents to ensure that they remain active and relevant so as to continue serving the masses,” suggests the central bank.

What do experts think?

Amid a the mixed performance for the year under review, Information Communication and Technology (ICT) experts have rated the registered progress as ideal towards digitizing the economy.

Commenting on the report, ICT Association of Malawi (Ictam) President Bram Fudzulani said the subdued value of the DFS transactions might heavily be attributed to high transaction fees and lack of digital literacy.

“Similarly, the DFS providers need to listen to the voice of the people by reducing the transaction costs, work on their agency network and RBM (Reserve Bank of Malawi) needs to level the playing field by opening up the payment industry to allow more players that can bring about competition which will automatically drive prices down and will offer a lot more use cases for DFS that what we see now,” he said.

DFS have been touted as the best tool towards financial inclusion as it is boundaries and not affected by geographical challenges.

As technology evolves, countries are moving towards digital payment systems, which are touted as safer and convenient.

A MAGIC WAND CALLED AFCFTA

BY STAFF WRITER



A job is created when there is an activity. Further, wealth is created when that activity is about production for commercial purposes. An economy grows when such activities increase to create considerable aggregate output that adds value to the economy.

However, it is the commercial activities that drive sustainable and broad-based economic growth which, in turn, reduces poverty and spur national development through infrastructure and improved public service delivery.

For commercial activities to thrive there is need for demand to motivate higher production. Growing capacity leads to

increased output and that makes the economy to flourish.

Is there adequate demand for Malawi's products?

A few years ago, AHL Commodities exchange aggregated export demand collected from potential export destinations for Malawi's agricultural commodities and the inquiries came to a total of US\$10 billion.

This was way before African Continental Free Trade Area (AFCFTA) was developed, which further exposes Malawi to a larger duty free market worth \$2.6 trillion.

Now the AFCFTA is in operational, how can Malawi reposition and reorganise to

be a net exporting member of this huge market and not a net importer?

On 1st January 2021 the country became part of the continental market with promises of cheaper exports that compete well on the market of 1.2 trillion consumers as the preferential market offers eased trade barriers for free flow of goods and people within the continent.

Five months later, the country entered into agreement with South Sudan for a trade deal that was supported by Afreximbank, a pan African trade and investment financing institution which has set aside billions of dollars to facilitate trading under this market arrangement.



Exporting goods worth \$295 million to a market that only earned the country \$3 million the previous year was a major breakthrough and a reassurance of AfCFTA.

“The MoU represents a major step in the implementation of the African Continental Free Trade Agreement. It demonstrates the value-creating potential of export development and regional integration, while also illustrates Malawi’s ability to diversify its foreign exchange earnings.

“Moreover, by ensuring access to expanded markets, the agreement provides young people in each country with the prospect of emerging opportunities in which to seek stable employment,” says a statement by Afreximbank upon the signing ceremony in June, 2021.

This agreement initially provided room for exportation of \$129 million worth of agricultural produce which was later

increased to \$295 million at the Intra Africa Trade Fair in Durban. Exports started to be transported and these include maize flour, soya beans, sugar, sweet beans, cow peas, rice, potato and ground nuts, as well as cooking oil.

Exporting goods worth \$295 million to a market that only earned the country \$3 million the previous year was a major breakthrough and a reassurance of AfCFTA.

This, probably, contributed to the growth of annual exports from 2020’s \$865 million to over \$1 billion in 2021, according to figures compiled from Reserve Bank of Malawi’s quarterly reports.

However, the South Sudan market is just a tip of the potential the African region

provides through the AfCFTA. Perhaps, the challenge is on production to meet the export demand.

According to Chairperson of National Rice Development Platform, Professor David Kamchacha, rice exports have potential to surpass tobacco in earnings as he measured potential exports at \$800 million annually, with Democratic Republic of Congo taking up \$300 million. Tobacco exports hover around \$500 million.

But he lamented lack of structured market that aggregates the produce and motivate farmers for export quantities, apart from other production constraints despite the country having about 600 000 hectares of potential land for rice production.

This challenge cuts across all potential export industries in Malawi as similar stories are told about beans, groundnuts and even gemstones. Tobacco industry is an exception as it has a well-structured market which overtime has transform to contract-based production that is essential for export trading.

The production constraints that affect most of the potential export crops talks about disorganised nature of activities with no proper value chains and market systems. In default, smuggling of the little that is produced is prevalent, denying the country the real gains.

This begs for investments and policy setup to properly structure the markets with proper value chains that lead to export markets within Africa under AfCFTA. Infrastructure development to ease trading activities, tax policies and financing mechanisms to ease production costs and consistent policies to ensure investor confidence are the key interventions to unlock the country’s potential.

Former Minister of Trade Sosten Gwengwe presided over the launch ceremony of maize flour and other commodities’ transportation to South Sudan, and it was apparent that Malawian transporters were among the beneficiaries of the trade arrangement as they lined up to hit the road to South Sudan. →



→

Imagine having tracks transporting goods to South Sudan throughout the year.

That would create more jobs and securing more of such export markets could create the much talked about 1 million jobs across all the value chains overtime.

However, policy inconsistencies are some of the limiting factors to such growth. While a deal was signed with South Sudan to export thousands of tonnes of maize and maize flour in June last year, a maize export ban in January this year frustrates exporters who had started aggregating for that market.

That further frustrates production as producers cannot commit huge and long term investments in an area that does not give guarantees. The country should learn how to produce maize beyond consumption as this new free market has maize as one of the key exportable commodities and the existing production capacity should be the country's advantage.

If Malawi does not get organised to boost production for the AfCFTA market, it is other countries that will flood their products to Malawi and that will impede growth potential for the country as importation cannot be a basis for economic growth.

Increased production reduces prices and that works for consumers and if exports come cheap, Malawians would start buying maize flour from Kenya at the expense of local flour and that would kill off the local milling companies. A reverse scenario creates more jobs

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If the creation of 1 million formal jobs is to be attained, the AfCFTA should be a key avenue that provides the vast export market and financing through institutions like Afreximbank.

in the milling industry and haulage as well.

If the creation of 1 million formal jobs is to be attained, the AfCFTA should be a key avenue that provides the vast export market and financing through institutions like Afreximbank.

However, it needs political will to instigate reforms that set up production and marketing systems for key potential industries for the country's competitive export market participation.

HOW TO BUY ELECTRICITY AND AIRTIME ON UNAYO



- Dial ***247#**
- Insert your 5 digit PIN
- Select Option 4 Pay
- Choose Airtime or Electricity
- Enter Mobile Number/Meter Number
- Enter Amount
- Confirm



Let's Jump the Queue.

Introducing WhatsApp Banking



The smartest and most secure way to...



How to access WhatsApp banking

1. Add the number **0999222632** to your contacts list
2. Go to WhatsApp, **send hello** and an automated message (a list of the available services) will pop up right away as a response.
3. You will then have to select the service you need and follow the prompts.



MYBUCKS LAUNCHES WHATSAPP BANKING



The WhatsApp banking service is free of charge. To access this service, clients will have to add MyBucks WhatsApp line 0999222632 to their contact list, send a Hi to WhatsApp number added and they shall be provided with a prompt list of services available on the platform.



One of the country's commercial banks, MyBucks Banking Corporation, says it continues to make strides towards becoming the best in the digital banking scope in Malawi

The bank has recently introduced a WhatsApp banking service which will enable clients have access various services on WhatsApp.

Using the product, clients can access mini statements, check account bank balance, their loan dues and access fixed deposit details.

Other exciting features for this facility include navigation of the nearby ATM's and branch locations, view the banks various products and latest offers.

MyBucks Head of Retail and SMEs Banking Mayamiko Kalizang'oma rated

the move as a game changer.

"After conducting a research on our customers' needs, we discovered that most of our clients use WhatsApp and we thought it wise to make available the services that would normally require them to visit the banking halls accessible at their finger tips via the WhatsApp platform.

He said, this move is in line with the bank's purpose of existence which is to make peoples lives better through convenient and simplified partnerships.

The facility will enable clients to access various banking services anytime and anywhere at their convenience.

The WhatsApp banking service is free of charge. To access this service, clients will have to add MyBucks WhatsApp line 0999222632 to their

contact list, send a Hi to WhatsApp number added and they shall be provided with a prompt list of services available on the platform.

WhatsApp has an end-to-end encryption and we have put in place measures to ensure the safety of our clients and we encourage our clients not to share their passwords with anyone.

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 15 branches, 85 agents, and 30 ATMS across the country, offering a full range of banking products and services that include Bancassurance and microfinance products.

PUSHING FINANCIAL INCLUSION AGENDA THROUGH INTEGRATION

BY STAFF WRITER



GAME CHANGER—Mobile money services

Not so long ago, a bank account created a socio-economic divide. Opening an account with a commercial bank meant one was financially included. And the rest remained out of the equation.

Not anymore, anyway.

Today, technology, precisely the mobile phone is seen as a magic wand. It is aiding more people to accessing financial services with ease and convenience. Commercial banks are leveraging on this too. They have partnered mobile phone services providers to reach out to customers, especially in the remotest areas, where the traditional brick and

mortar system is not present.

And mobile money is becoming the norm.

"Today I can send and receive money on my phone, instantly, to and from anywhere across the country, at any time," says Prichard Chiphanda, an agro-dealer in Chiwole Village, Traditional Authority Kwataine, in Ntcheu District.

He says not so long ago, it could take him walking several miles to Mphate—the nearest trading centre—to access banking services.

"But times have changed. Many people within our vicinity have mobile phones with instant access to banking services. Even some with no accounts,

they receive money and access other bank-related services through mobile phones or banking agents who are almost all over now," Chiphanda says.

The narrative augers well with the government's financial inclusion agenda to the width and breadth of the country.

Key in the Malawi 2063—a long term national economic development blueprint launched in January 2021—is changing the economic development narrative of 'poverty eradication' to 'creating wealth for all.'

It takes drastic measures to first, bring everyone in the financial equation by creating awareness and then, taking the financial services to where they are.



TARGETED—Malawians in the remotest areas

And integration of the banking, ICT and mobile phone services has worked wonders towards attaining the aspiration.

Speaking recently in Lilongwe, at the launch of Standard Bank's Unayo service, Reserve Bank of Malawi (RBM) Deputy Governor Grant Kabango said the central bank sees new innovations on the market as enablers to improve financial access and experience by Malawians.

"The central bank places a lot of interest on issues around Financial Inclusion. We believe that every Malawian must have an opportunity to access quality banking and financial services from wherever they are," Kabango said.

At the end of 2020 for instance, Malawi had 233,813 internet bank subscribers, 1,011,954 mobile banking subscribers, and 7,574,506 mobile money subscribers.

According to the RBM National Payment Systems report, the number of registered subscribers for non-bank mobile money services was at 9.3 million in the second quarter of 2021 while mobile

banking subscribers was at 1.12 million.

And to see a further growth in the number, the central bank says is working towards implementing regulation mandating business operators to adopt at least one digital financial services channel. The regulation seeks to provide convenience to customers willing to pay for goods and services digitally. For this to be attained, commercial banks would have to remain in the fore as offering financial services remains their core business.

Bankers Association of Malawi (BAM)—an umbrella body for commercial banks in the country—feels Malawi is taking giant leaps towards financial inclusion.

BAM Chief Executive Officer Lyness Nkungula said banks had reported an increased uptake of digital financial services.

"We need to move with time. Digital platforms are convenient and safer than cash or cheque where signatories could easily be forged," she added.

To show commitment towards

digitalising the economy, the Ministry of Finance said, from September 2021, it would no longer be issuing cheques to its clients, but rather the Accountant General's Department will be processing payments using Electronic Funds Transfers.

The move has been hailed by the ICT association of Malawi, saying it sets the tone on best modalities for financial transaction.

Ictam President Bram Fudzulani said the move would allow the country to begin moving towards a more technology-based economy.

"It is not like we are reinventing the wheel but we are catching up with what the rest of the world has been doing and it brings in issues of efficiency and transparency because, when you are pushing paperwork, there is a lot of people involved and along the way people will start committing corrupt practices," Fudzulani said.

Experts say full embracing of the digital payment ecosystem would help address poverty and drive inclusive growth.

SECONDARY CITIES, A CATALYST FOR INCLUSIVITY

BY STAFF WRITER



Malawi has not made tangible progress on the creation of secondary cities despite the increasing urbanisation rate, the Malawi Institute of Physical Planners (MIPP) has said.

MIPP President Dereck Mawiwa says that while progress has been made on paper (policy), implementation has been a challenge.

He said: "All these ideas started way back during the Kamuzu era, but they were not implemented soon after political dispensation in 1994.

"If implemented, Malawi would completely change for the better. The government only needs to shelve politics and engage physical planners and other related professions seriously to see this dream realised."

As Mawiwa observes, secondary cities are key in the development agenda as they will distribute development and economic activities in this country, benefiting all parts of the country.

"By distributing developments and economic activities, jobs created in the secondary centres will be absorbed by people in those areas and their hinterlands [areas of sphere of influence].

"Further, this will in the process, diffuse pressure on the four cities of Malawi to which people from other districts migrate for jobs and businesses, as they will have alternative urban areas where they can go for employment, trade and other economic activities," he said.

The rate of urbanisation is on the increase, with most of this urbanisation unplanned, poorly managed as evidenced by the high percentage of slum developers and urban poverty and inequality in cities.

According to the World Bank, about 65 per cent of the urban population lives in slums and informal settlements; an indication of rising urban migration.

However, considering opportunities that urbanisation offers in accelerating socio-economic transformation, Malawi aspires to have smart, well-planned and serviced secondary cities that are anchored on sustainable economic activities in agriculture, tourism, mining and industry.

As outlined in its Malawi 2063, which replaced Vision 2020 which expired in December 2020, government wants urbanisation to follow an integrated approach encompassing spatial, economic, social and environmental considerations by way of creating secondary cities.

The cities are envisioned to become centers of government, industry, agriculture, tourism and mining activities.

Reads the Malawi 2063 Vision in part: "These second-tier cities will provide economic opportunities, easy communication and closer



COMMITTED TO CREATING SECONDARY CITIES—Chakwera

connectivity to social amenities in the process of decongesting major cities.

"To achieve these aspirations, we will make use of and strengthen existing PPPs to provide essential services such as waste disposal and housing."

In his State of the Nation Address on May 12 2021, President Lazarus Chakwera said his administration is committed to creating secondary cities, with a special emphasis on lakeshore cities, in line with Malawi 2063's concept of rural growth centres that act as bridges between urban and rural development.

He invited development partners and the private sector to engage his administration on partnering up in the development of the lakeshore areas.

The lakeshore cities include Karonga, Nkhata Bay, Salima and Mangochi and Nkhotakota alongside Liwonde,

Kasungu, Bangula and Luchenza into secondary as secondary cities.

However, in its Analysis of Multiple Deprivations in Secondary Cities in Sub-Saharan Africa, the United Nations Children's Fund and UN Habitat observed that in the Sub-Saharan Africa region, including Malawi, much of the urban growth has been taking place in secondary towns and cities.

According to UN-Habitat, these are towns or cities with a population range of 100 000 and 500 000 persons.

However, as the analysis observes, despite evidence that secondary cities and towns are the epicenters of urban growth in the region, many of the urban development and governance interventions have focused more on primary and mega cities, presumably with the expectations of trickle down of social,

economic and physical developments to other tiers of towns and cities, including secondary towns and cities.

In turn, this has resulted in polarizing effects, with growing gaps in physical and socio-economic development between primary and secondary towns, creating socio-spatial inequalities and multiple deprivations. In line with the demographics of secondary towns and cities, children and youth are the most affected by these inequalities and multiple deprivations.

As Cities Alliance observes, meeting the challenges of secondary city development is a daunting task for governments in all developing countries and regions.

Brian Roberts of Cities Alliance observes in his 2014 Managing Systems of Secondary Cities Analysis that urban systems in secondary cities are failing to provide capacity for them to grow and develop and these calls for new strategies and approaches to be taken by governments and international development agencies and banks to support their development.

"The issues of economic, environmental and social sustainability in secondary cities need to be addressed aggressively if the challenges facing their development are to be overcome.

"The core problem is that the management of secondary cities is failing to deliver sustainable development outcomes for them. There are many reasons for this, but the primary causes are linked to the failure of urban governance, economic and finance, development, social and environmental systems," he said.

Earlier, National Planning Commission (NPC) Director General Thomas Chataghalala Munthali said NPC was mapping the country into potential investment zones by taking into account the resource endowments in those areas.

"The whole idea is that, as NPC, we should promote secondary cities developing across the country so that we don't have people just coming to Blantyre, Lilongwe and Mzuzu and create all these slums," he said.

ON MINDSET CHANGE

AND ECONOMIC DEVELOPMENT

BY STAFF WRITER



FORMS A FORMIDABLE FORCE—Malawi's youthful population

The Network of African Science Academies (Nasac) indicates, in its publication titled 'Mindset Shifts for Ownership of Our Continent's Development Agenda', that the state of the mind and levels of development are interlinked.

It cites Botswana as one of the countries that have benefited from mindset change. While it was possible for leaders of Botswana to fold their hands and tell the entire world that their country's progress would be hampered by the desert, they took it as an opportunity to make the best of the situation.

Today, the Southern African Development Community (Sadc) member state is one of the countries with

citizens that boast of an impressive per capita income in Africa, putting them on the pedestal to economic emancipation.

From Nasac's point of view, mindset change is in two forms: Positive mindset change and negative mindset change.

In Botswana's case, positive mindset change took root and, spurred by the positive energy of hope, its citizens pull in our direction.

In the Sadc member state's case, the government strengthened communities, which it regards as the traditional support structure that makes individuals resilient. It also brought the leadership closer to the people, making it easier for leaders to teach citizens that individuals have a stake in and a shared responsibility for delivering the common

development agenda.

Development agenda, according to the African Union, refers to a vision of shared economic prosperity, environmental health and social well-being, further indicating that the agenda is achieved through an enabling framework that empowers and builds the capacity of individuals, communities and institutions.

This enables the creation of financial capital, generally regarded as the material output of a development mentality. In short, when national leaders leverage human capacity, the positive results include intellectual confidence and knowledge—which are necessary where the generation of financial capital is the aim.



CHAMPIONING MINDSET CHANGE AGENDA—Vice President Saulos Chilima

When policymakers inculcate the idea that positive mindset is key to national socio-economic development efforts, that nation state or community acquires governance capital, referred by the Mo Ibrahim Foundation to as the effective management of power relationships among government, business and civil society. Because of positive mindset change, it becomes easy to focus on governance capital, which, in turn, facilitates the creation of an enabling environment for institutions to function efficiently and transparently.

Considering that systems are put in place by people to serve people, institutions that are filled with people with a positive mindset operates at a higher level because its operations are based on specific as well as articulated rules and values. That way, poverty—which the World Bank describes as a deficiency in intellectual confidence that obstructs access to material resources and opportunities and prevents individuals and community members from achieving their dreams and aspirations—is regarded as a common enemy requiring multi-sectoral solutions.

Negative mindset change, on the other hand, takes root when the citizenry is disenfranchised.

There are factors that result in

citizens getting disenfranchised, notably corruption.

It was not surprising therefore when, in December 2021, during commemorations marking International Anti-Corruption Day, Malawi's Anti-Corruption Bureau (ACB) Director-General Martha Chizuma doubted the possibility of Malawi meeting its long-term Malawi 2063 goals, lamenting corruption levels in the country.

The ACB chief said, while aspirations inscribed in Malawi 2063 were supposed to be financed through public funds, some resources were being lost to corruption.

"From where we are sitting as a bureau, when we look at the amount of money that is being lost [to corruption], I keep on saying that let's just forget about all these dreams we have for Malawi; dreams about [having a] prosperous Malawi, about [becoming a] middle-income country by 2063 because all that needs investment—it needs public money going into social services like schools, roads, urbanisation of farming and whatever we need," Chizuma said.

True to her words, the 2021 Corruption Perceptions Index (CPI) put up by Transparency International (TI) shows that Malawi has scored 35 percent, dropping 4 percentage points when

compared to 2020 findings, where Malawi scored 31 percent.

This is according to a TI statement released on January 25 this year.

The last time Malawi was ranked at 110 out of 175 countries was in 2014 and, going by the CPI score and ranking, there is a slight improvement based on how the country has been rated in the past six years.

Even development partners such as the United Kingdom recognise that corruption is a threat to Malawi's socio-economic development efforts.

British High Commissioner to Malawi David Beer indicated in February this year that the UK endorses President Lazarus Chakwera's anti-corruption drive because any resources saved from those who are corrupt could put Malawi on the path to sustainable development.

"The UK has been supporting the Malawian authorities in tackling corruption since Cashgate of 2013. As part of this, the UK supports Malawian institutions to strengthen asset forfeiture as a tool for tackling corruption," he said.

What is clear, in this case, is that negative mindset change fuels corruption and well-meaning citizens end up stopping actions such as tax payment because they know that their monies will go down the drain. When that happens, cross-border traders start smuggling goods through undesignated routes and the delivery of services such as health and education suffers.

People die and development stagnates. All this because of bad practices that perpetuate cases of negative mindset change. It is commendable, therefore, that the Malawi 2063 has mindset change as one of its enablers. For Malawi to develop, Malawians must move with one accord.

However, that can only happen if citizens embrace positive mindset change. In conclusion, positive mindset change spurs national development because everyone commits to development efforts while negative mindset change eats away gains obtained through positive mindset change. Therefore, there is a relationship between mindset change and economic development in a country like Malawi.

THE RISE AND RISE OF FCB

Recently, First Capital Bank (FCB) appointed **Agnes Jazza** as its Chief Executive Officer. The Malawi Banker Magazine caught up with Jazza to find out the bank's footing on the market and its prospects.

First and foremost congratulations for ascending to the helm of one of the country's top banks. Share with us your vision for the bank?

Thank you. We aim to become a banker of choice in Malawi, offering real business solutions for our clientele's effective participation in the economy.

How is the bank positioned, currently, on the market?

First Capital Bank was the first private commercial bank to be registered in Malawi and over the years we have enjoyed a fair share of the financial services business, especially in the corporate and institutional banking segment. We are currently among top three banks in terms of assets.

About a year or so ago, we noted the bank was on a rebranding drive; what necessitated the move?

The rebranding aimed at harmonising our identity in all the markets we operate in. Since our establishment in 1995, the bank has grown and now has representation in five countries in the SADC [Southern African Development Community] region. There was need for a unified identity in all the markets for better service delivery to our customers.

What impact has the rebranding process had on the bank's positioning in the market and its performance?

Our brand is rooted on belief in unlocking potential, the belief which helped us grow from a single branch in 1995 to a regional brand now. Our customers are able to interact with business partners in all the countries we operate in and they are able to benefit from synergies that came with our unified brand. Re-enforcing this belief in ourselves has made us realise tremendous growth in the past few years. The group holding company recently published a statement of caution that profit for the year 2021 will be 75 percent higher than the previous year which is a manifest of the continued



First Capital Bank has excellent governance structures that make us stand strong in light of various business risks. The Bank was proactive in anticipating challenges of the pandemic and made prudent business decisions. We have a well-diversified assets portfolio which ensures considerable return on the shareholders value.

positive business performance.

What is your outlook for the year [2022]?

The overall outlook remains positive. With the country recovering from effects of the pandemic, we expect increased activity in most sectors to present more bankable opportunities. Foreign exchange availability remains a challenge, which casts a blurred picture on the projections. Nevertheless, we expect substantial business growth.

Amid the Covid pandemic and other shocks facing the economy, First Capital Bank is one of the banks that remained afloat, what explains the resilience?

First Capital Bank has excellent governance structures that make us stand strong in light of various business risks. The Bank was proactive in anticipating challenges of the pandemic and made prudent business decisions. We have a well-diversified assets portfolio which ensures considerable



JAZZA—We aim to become a
banker of choice in Malawi



Malawi has potential to achieving the extraordinary; our destiny is in our hands. We can draw stories from our own success stories, First Capital Bank being among them; a Malawian bred business turning into a regional brand and geared to achieve more. It all starts with belief.



return on the shareholders value.

For about five times in a roll, the central bank maintained its policy rate at 12.0 percent, what do you make of the stance and what impact has it had to the banking business?

RBM [Reserve Bank of Malawi] as a regulator makes the monetary policy interventions based on economic conditions and desired economic development for the country. Maintenance of the policy rate has helped in stabilising the money market amidst great challenges. However, due to the recent world economic shocks which have affected the country's economic performance, the policy rate has not been in tandem with the key economic indicators, which has slightly had a negative impact on profit margins made by banks.

There have, however, been concerns among Malawians over what they call high cost of borrowing in the country. What is your take of the assertion?

Malawi follows liberalized economic principles, and the cost of borrowing is reflective of the underlying macro-economic fundamentals. On the other hand, it is worth recognizing

that financial system is a key player in maintaining a relatively stable economy and the current lending rates are aimed at achieving the same to attain a better footing for further economic growth. We might be tempted to compare with the cost of borrowing in other countries that are nominally low, but when we factor in exchange rates and other factors, we may turn out to be at par or even more costly.

What could be done to reverse the situation?

The situation can only be reversed if we become more productive as a nation. Let us become more innovative so we can come up with cost-saving ways of production and add value to our primary products. Effectively if we make our products more attractive and relatively cheap, we will trigger favourable movement of the macro-economic fundamentals (Inflation and currency strength) that influence the cost of borrowing.

Any last words?

Malawi has potential to achieving the extraordinary; our destiny is in our hands. We can draw stories from our own success stories, First Capital Bank being among them; a Malawian bred business turning into a regional brand and geared to achieve more. It all starts with belief.

SUPPORTING DVT THROUGH EXCEPTIONAL LEADERSHIP

...LESSONS FROM KWANELE NGWENYA



A key aspect in the strategy is to focus on value chain strengthening and financing a diverse set of agriculture value chain players, from producers to processors and from small and medium enterprises to corporates. We want to establish long-term relationships with strong actors in the value chain.



N

BS Bank Chief Executive Kwanele Ngwenya was recently among top African business and governance

leaders recognized by the Africa Leadership Magazine for their exceptional service.

The other awardees included President Dr Lazarus Chakwera, Kenyan President Uhuru Kenyatta, and Mokgweetsi Masisi, President of Botswana.

The award is a decade old and is given annually to Africans with outstanding merit in the year under review, who then becomes recipients of different awards including that of person of the year.

Ngwenya has been credited for turning NBS Bank from a loss-making financial institution to a profit-making business by introducing financially-inclusive products and financing several infrastructure projects.

The projects include the Area 18 interchange in the capital which is the

first of its kind in Malawi.

Through excellent leadership, Kwanele Ngwenya has consistently made significant achievements with NBS Bank plc by securing financial gains for the bank and giving back to the Malawian communities through various initiatives.

In his acceptance message, Ngwenya called on leaders in both the private and public sectors to work together in 'building and developing a sustainable Africa.'

"In Malawi, the economic backbone remains agriculture and, in the years to come, that is likely to remain the reality. The NBS Bank wants to be part of this transition in the agricultural value chains by working with the public and private sectors to create an enabling environment for a solid and resilient agriculture sector.

"Therefore, a key aspect in the strategy is to focus on value chain

strengthening and financing a diverse set of agriculture value chain players, from producers to processors and from small and medium enterprises to corporates. We want to establish long-term relationships with strong actors in the value chain," Ngwenya said.

He reiterated on the bank's commitment to convenience and accessibility through digitisation, as well as financial inclusion of the unbanked masses.

"As many customers and shareholders are aware, the banking landscape in Malawi has seen the Reserve Bank of Malawi coming in to reduce interest rates. We are optimistic that the low rates will spur economic growth, which means more volumes in the lending business.

"That is why NBS Bank increased its support to critical economic sectors like agriculture, infrastructure, power generation, and Small-Medium Enterprises," he said.

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Indicative tuition fees per semester:
MWK 600,000
Duration of study: **approx. 4 years**

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THE REMEDY THAT IS **DIGITAL PAYMENTS**



Ronald Chimchere
Certified Digital Finance Practitioner
Candidate and Marketing Professional.



GAME-CHANGER—Mobile money business

In a typical Friday evening, there was a notification on my Whatsapp and immediately I opened the message I discovered it was a forwarded message on my family group. The message was originally created by an unknown lady who narrated the story at the court earlier that day.

Most of you reading this article might have received this message in one or many groups you belong to but for relevance of this article, I will capture exactly the way it was narrated;

"[I] Just wanted to share with you nkhani yomwe ndinakamvera ku court mwina ena nkutenga a lesson. House girl anachotsedwan tchito coz anayamba mwano, all along abwana amamulipira

*bwinobwino, kenako anapita ku labor of-
fice kukanena kuti she hasn't been paid
for 12 months nkhani mpaka ku court. A
magistrate kuwafunsa abwana kutia-
pereke umboni (book ya ma signature)
koma analibe mulandu abwana analuza
and was ordered to pay her za 12 months
munthu oti amamulipira. Tiyeni tigule
hard cover or exercise book, tikamulipira
muzisayina nonse. Antchitowa akabwera
mu town amawuzana makaawaamma
agency amadziwa zambiri, thanks". [I
just want to share with you what I got
from the court so that you can learn
a few things. A certain house girl was
fired by her boss as due to insubor-
dination, she submitted a complaint
at Labour office claiming she had not*

been paid for 12 months which the boss
disputed then the issue was referred to
the court. The boss lost the case after
failing to provide evidence of payments
before the Magistrate, I encourage you
to buy a hardcover and ensure your maid
sign once they have been paid as the
maids communicate within their circle.]

The only comment on the family
group was from my cousin who said
"zikuchitikadi, ndizowona" (I can confirm,
this is happening).

At that point, nothing came to mind
on the issue, I went on with my day's er-
rands. Later on, I took a deeper thought,
and immediately went back to this
message only to find this story interest-
ing, it was interesting for many reasons;

just wanted to share with you nkhani yomwe ndinakamvera ku court mwina ena mkutenga a lesson

house girl anachotsedwa ntchito coz anayamba mwano, all along abwana amamulipira bwinobwino, kenako anapita ku labor office kukanena kuti she hasnt been paid for 12 months nkhani mpaka ku court. a magistrate kuwafunsa abwana kuti apereke umboni (book ya ma signature) Koma analibe. mulandu abwana analuza and was ordered to pay her za 12 months munthu oti. amamulipira.



tiyeni tigule hard cover or exercise book, tikamulipira muzisayina nonse. antchito wa akabwera mu town amawuzana maka awa amma agency amadziwa zambiri. thanks

Firstly, I asked myself is this story was real? Where did it happen? Who is the house girl and abwana talked about in this story and which court is this and who is the magistrate? I knew it would take me a long time to authenticate the narrative and if it was real, it would even cost me time to get to the bottom of it.

The other fascinating thing is that it seems this is a battle between two camps; house girls and mabwana. Which likely, the narrator belongs to mabwana camp evidenced by the words "Tiyeni tigule hard cover or exercise book" (It is better to buy a hardcover or an exercise book), the narrator includes herself/himself.

The third interesting thing and the main reason for this article is the recommendation made. The narrator provided a solution to a problem of lack of records by emphatically suggested to her camp that they should use hardcover or notebook for records and at this point I assume the records include name, day of payment, amount and signature which is a smart suggestion looking at the circumstances.

At this point I was in agreement with her, until I asked myself; what if

the hardcover is lost? I realised that there is a smarter way out of; going digital. What? Wait? Digital hardcover? Absolutely No! I am talking about Digital Payments.

Before I dive deeper into this story, allow me to talk about Digital payments.

A digital payment, sometimes called an electronic payment, is the transfer of value from one payment account to another using a digital device such as a mobile phone, Point of Sales (POS) device or computer, a digital channel communications such as mobile wireless data or Society for the Worldwide Interbank Financial Telecommunication (SWIFT). This definition includes payments made with bank transfers, mobile money, and payment cards including credit, debit and prepaid cards (www.betterthancash.org).

In the advanced and advancing worlds, there are numerous benefits of using digital payments over cash and it has to be mentioned that digital payments offer significant benefits to individuals, companies, governments, or international development organizations. The benefits of using electronic payments include but not limited to:

Financial Inclusion

Using of payments from cash to digital has potential of improving lives of people on low income, particularly women. Individuals are included in the financial system and enjoy incentives of being in the financial system like discounts; Mobile Money operators provide incentives to those who pay bills using their platforms.

Convenience/Time

Shifting from cash to digital payments helps reduce time taken to make bulk payments of social cash beneficiaries, casual labourers by government and humanitarian organisations which in turn reduces the time beneficiaries have to wait to access their money.

Audit Trail Availability

Electronic payments make it easier to track expenses because all transactions are recorded and this provide solid proof in case of scrutiny.

Benefit number 3 above, summarizes the story narrated by this lady. My assumption is the hardcover suggested should capture things like date, name, amount and signature which are details that a robust electronic payment system should provide. If abwana (the boss) paid the house girl using digital channels like a bank account or Mobile Wallet, then a statement could have been used as proof before the magistrate; I will need to be schooled whether a Bank or Mobile Wallet statement is enough evidence in the court of law.

It is estimated that about 90 percent of domestic workers send money to families in their home village and being paid through electronic channels makes this process easier and widens the financial inclusion base.

An ecosystem of digital payments is a stepping stone toward a financially-inclusive economy. The comfort in using electronic payments is that Mobile Money operators and Commercial banks have robust platforms and massive agency network for people to send and receive money, and in the process, providing thousands with source of income through businesses and employment.

So next time you are paying your domestic worker, think digital and who knows you might just have evidence in front of a magistrate.

TAPPING INTO THE INFORMAL SECTOR

BY STAFF WRITER



MAKING HEADWAYS—Village banks

For years, a diverse informal financial sector consisting of individual lenders, mutual associations, non-financial business firms, and government and non-governmental organisations that lend as employers to their employees, have been at the heart of Malawi's economy.

This web of financing has existed outside the formal financial system encapsulated by the banking sector and over the years, the emergence of village banks has only amplified and exemplified its growth to the chagrin of economic planners and financial analysts.

The rise of the village banks has mostly been a reaction to grievances over high costs of banking and limited opportunities for loans and barriers such as huge interest rates or huge collateral

requirements on loans offered by the banking sector.

In the vacuum, the village banks have thrived, offering cheaper alternatives to savings, and loans with minimal interest rates, arming thousands of small scale business people, farmers, middle class workforce and beyond, opportunities to save money, invest and grow.

A 2020 survey by the National Statistics Office (NSO) revealed that village banks are gradually becoming the main source of borrowing for households across the country.

At least 42.1 percent of the households surveyed indicated they borrow from village banks, 15.1 percent borrowed from family and friends, 12.7 percent from loan sharks (katapila) and 6.1 percent from other sources.

In the rural areas, 42.9 percent of



At least 42.1 percent of the households surveyed indicated they borrow from village banks, 15.1 percent borrowed from family and friends, 12.7 percent from loan sharks (katapila) and 6.1 percent from other sources.



NKUNGULA—Banks are already working with village banks



respondents said they borrowed from village banks compared to 37.9 percent in the urban set up.

Atupele Paseli, a Lilongwe-based businesswoman, who belongs to a village bank called Treasure Room, a grouping of 30 people in business and formal office explains the benefits of village banks. The group originated among friends, mostly from the middle income Area 18 Township in the capital.

"It's easy to obtain a loan and start or boast a business and any interest accumulated on the loan goes back to us. In our group, the rule is that interest is shared equally by all group members so we all benefit whether you got loans or not. You can easily double the amount you invest in," said Paseli.

But now the financial sector is reacting, seeking to tap into in a well which it helped, inadvertently, to create.

In 2016, during a Bankers Association of Malawi annual dinner and dance held under the theme 'Sustainable Association of Malawi (BAM), Felix Mlusu, immediate past Finance Minister but then Chief Executive Officer (CEO) of Nico Holdings Limited, blamed the emergence of the village banks on the

banking sector's failure to meet needs of customers.

"Because banks are not providing what the customers want, we have seen the sprouting of parallel structures such as village banks. Village banks are spreading like wild fire handling billions of kwacha. Even some of you bankers are now members of village banks," Mlusu told the dinner.

Even then, government was under pressure from the banking sector to push for regulation against the village banks, an idea the Reserve Bank of Malawi dismissed in 2017.

The banking sector believes the gap is now narrowing though.

According to BAM CEO, Lyness Nkungula, recent studies regarding financial inclusion show a great improvement from the 2011 study which revealed only 17 percent of adults in Malawi were banked.

"In 2018 the Central Bank introduced Agent banking as a delivery channel. With this banks have expanded on the customer base which feeds into financial inclusion rates. However, this is not just a matter of opening bank accounts and it ends there. The customers need

to transact with the banks and a number of products tailor made for such a catchment area have been introduced by banks," Nkungula said in an interview.

Perhaps, more pointedly, the bankers are now seeing the village banks as an opportunity and not a threat.

"A number of banks are already working with village banks. We must take into account that village banks are not regulated and most of them are not registered entities. Banks are coming in to ensure security for the funds and also to make sure that there is circulation of money in the economy. As groups, village banks have found it much easier to get loans from the banks as members encourage each other to service the loans," Nkungula explains.

At the core of the emergence of the village banks, as illustrated by Mlusu, was swelling dissatisfaction with banking services and Mlusu believes, that, too, is being addressed.

"Banks are working tirelessly to make sure that customers are served better. That is why for the past 5 years interest rates have moved from 44 percent to 23.85 percent," she added.

MOBILE MONEY; DRIVER OF MALAWI'S ECONOMY

BY GODFREY MAOTCHA



Emily Landilani finished her secondary education in 2019 at one of the girls' secondary schools in Lilongwe District. Her parents were too poor to afford fees for her tertiary education and job-hunting was her only resort.

She stayed for a year helping her parents work in a vegetable field. It was until February 2021 when a Good Samaritan came to the rescue.

The woman owns a number of kiosks for mobile money around Tambalale area in Lilongwe's Area 44 located behind Kamuzu Barracks.

She hired Emily to be a mobile money agent in one of her kiosks and with earnings from the commission that Emily gets, she manages to pay for rentals and assist her parents.

"Life has changed now after that I'm

able to support my family with the little I get. It is not easy to get employed in big companies in town," Emily says.

The story of Emily is just an example of how mobile money transfers have improved the lives of thousands of Malawians in creating employment.

There were 80,642 mobile money agents in Malawi by 2020 according to a National Payment System report by the Reserve Bank of Malawi.

The report indicates that many mobile money agents operate in urban areas.

But almost 80 percent of Malawi's population live in rural areas.

Could authorities not devise mechanisms to ensure that the rural masses have access to mobile money services?

Innocent Mauya a resident of Mtandire Township in Lilongwe feels

many businesses in the rural areas are seasonal, hence mobile money agents find operating in rural areas of Malawi as not having value for money.

"Malawi is an agro-based economy and most business activities in rural areas involve the buying and selling of agricultural commodities, hence, most mobile money agents find the places not conducive for business.

"The best way is to improve the urbanisation of these places through the construction of better roads and other infrastructure that can attract businesses," Mauya adds.

Many people in Malawi rely on mobile money transactions because they have MAKING A DIFFERENCE—Mobile money agents easy processes for one to register as a customer and also conveniently located.



“The taxes that are deducted from mobile money transactions fills into the country’s narrow tax base which later on increases revenue for the country.”

For example, for one to register for a mobile money account they only need to have a registered phone number and valid National Identity card. Registration is done by thousands of mobile money agents spread across remote trading centres in Malawi, just like Emily and others.

According to a report by the International Monetary Fund (IMF), digital payment methods ensured vulnerable people still had access to financial services during the Covid-19 pandemic.

The fund’s latest Financial Access Survey shows that mobile money usage increased significantly in low and middle-income countries like Malawi in 2020.

On average, mobile money transactions as a share of Gross Domestic Product increased by two percentage

points for low and lower-middle income countries.

Mobile money was first introduced in Africa in Kenya in 2007 and blossomed in Malawi in the middle of the 2010 to 2020 decade. To date, thousands of Malawians use mobile money. By having as simple gadget which some cost as low as \$10 on the local market one is able to do all mobile transactions.

Ruth Kathumba, a resident of Falls Estate also in Lilongwe urges authorities to expand the use of mobile money by among others reaching out to areas without mobile network connectivity.

Says Kathumba: “The taxes that are deducted from mobile money transactions fills into the country’s narrow tax base which later on increases revenue for the country”

The Malawi 2063, a development

blueprint for a Malawi in which wealth will be equally shared by the year 2063, talks about ICT infrastructure development including access to mobile services a vital for ensuring a prosperous Malawi.

Thom Khanje, Public Relations Officer for the National Planning Commission, a government arm mandated to spearhead implementation of the development blueprint says a world class digital economy which is globally competitive is what the country aspires.

As we dream of an economy with robust ICT infrastructure, we should also not forget the basic tenets of economic development like the use of mobile money which if enhanced will help create jobs to people like Emily, and boost our tax base among other ingredients to the local economy.

WHAT IF WE SUCCEED



Chris Chirwa
Chief Information Officer,
CDH Investment Bank



We would all like to succeed in this fast-paced technology world. It is strange how we (sometimes) are taken by surprise and unprepared when we achieve some level of success. We would all like our organizations to succeed, but we do not ask ourselves enough, the important question, what if we succeed. Therein lies our failure.

We all have witnessed instances where a finalist or winner to a competition is not ready to offer a speech at the end of the race when she knew she was expected to give the speech. We have witnessed finalists to certain positions taking long to implement strategy after taking office. All this points to being unprepared for success.

"The case for digital transformation has never been more urgent". This statement by Satya Nadella, Chairman & CEO of Microsoft, so simple yet so profound, fundamental, and powerful was delivered at the 2021 Microsoft Ignite virtual event on the 2nd November

2021. I couldn't agree more with Nadya. The globe has gone through a disruptive pandemic which exposed the need for digital services and products, while at the same time providing a fast-track for digital transformation plans for many organizations.

The past two years have informed the direction of emerging technology trends and innovations in different businesses and industries. Every industry has been affected in one way or another. This has resulted into digital services affordability while at the same time increasing productivity. It is believed that the next 10 years will see more digital transformations than for all the transformations combined in the past 40 years. That's an awful lot of innovations for a 10-year period.

To position themselves correctly for the future, organizations must know what will happen in the next 5-10 years, what will be the emerging trends which will drive the global economy? The knowledge from this enquiry will

provide tremendous opportunity for the visionary organizations. But tremendous opportunity comes with enormous responsibility. This applies to both large and small organizations, as they all must transform to realize the benefits and to survive. In general, the global technologies are moving from mobile and cloud-based technologies into more ubiquitous computing and artificial intelligence. These sound like big words to non-technical leaders; however, the good thing is that one does not need know the complexity of the technology. One only needs to understand how the technologies work, the impact they have on business and how they can apply to business.

Hybrid work

The biggest trend which has shifted is human capital. There has been a mindset change as workers have realized the control which comes with flexibility of work. Workers now have a choice for a hybrid of working remotely



Globally organizations spend \$ 6 trillion on cyber security, this number is expected to grow to \$ 10 trillion in 2025.

or in person. The experience which workers have been exposed to, albeit amid challenging times, they do not want to let go. There are implications of course for such a hybrid model. The matrices which were broadly used to measure levels of productivity must change. Employers must adopt purpose driven approach rather than measuring employee presence. Employers must embrace the collaboration and productivity platforms to facilitate work delivery as if workers are in the same physical space. The opportunity for hybrid work comes with the challenges of cyber security.

Security

Cyber security is the number one threat to digital transformation and organizations around the world are facing a surge of cyber-attacks, which means cyber security is a subject for discussion at the strategic table and not in the server room. It should not come as a surprise that security is featuring

under emerging trends unlike the old school of thought where security was featuring under challenges and threats, things have evolved so much and there is data to attest to the fact that security cannot and should not be overlooked in any digital transformation story.

Globally there has been a 667% increase in phishing attacks and there are 50 million password attacks annually at the global level. Globally organizations spend \$ 6 trillion on cyber security, this number is expected to grow to \$ 10 trillion in 2025. One might argue that these figures do not apply for the case of Malawi. As the globe is becoming more interconnected the risks faced globally are becoming common and not unique to specific regions.

Cyber security solutions are considered as business enablers to ensure that online business takes place with no risk which boosts customer confidence due to transactions safety. Organizations should take cybersecurity seriously.

Cyber security should be considered as an opportunity for doing more business online. Organizations should realize that implementing more digital services and products raises the risk profile for cyber security attacks. This means the advantages of digital transformation should go hand in hand with strong cybersecurity systems, frameworks and policies.

Hyperconnectivity

Success of progressive organizations is based (to some extent) on how connected they are to other service organizations. In this way they can extend more services over and above their standard services. Hyperconnectivity manages issues of value chain, supply, and demand by converging all services in a certain profile of customers under one roof.

For hyperconnectivity to succeed there is need of real-time connectivity and a lot of data interaction with the consumers. To implement hyperconnectivity organizations should assess the gaps which they have in their service portfolio and look for partners who supply those as outsourced services.

Big data and artificial intelligence

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. Artificial Intelligence dates back to 1956, where early systems were concentrating on rule-based system, conditional configuration, leveraging on computing power. But without big data, artificial intelligence was not as useful.

There are several encounters which most of us have experienced big data and artificial intelligence at play. Online shopping management tracks the whole cycle for consumers from the first search to purchase, and thereafter targeted advertising in relation to the searches consumers make. Targeted marketing personalizes ads to consumers based on consumers interest and past pages visited. Modern 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.

Big data and artificial intelligence



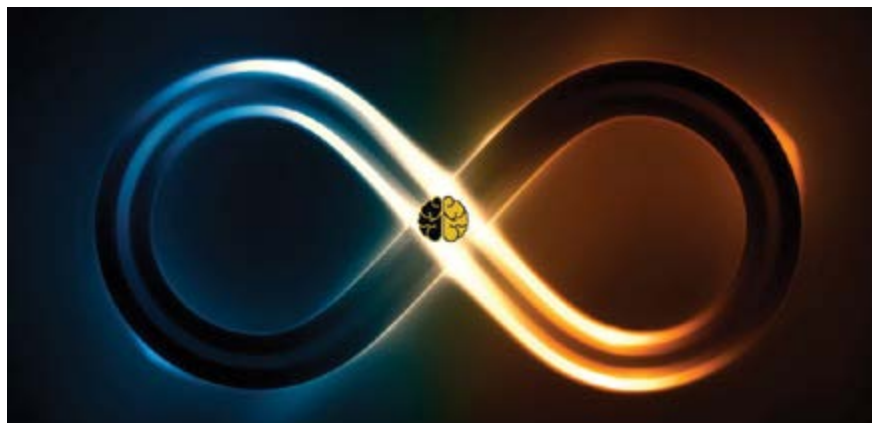
are powerful tools to any industry for making informed decisions, understanding customers better, collecting better market intelligence, delivering smarter services, and improving business operations.

Cloud technologies

The jury is still out on the value addition of cloud technologies in developing countries as the challenges and dynamics which affect countries like Malawi are different from the developed countries. The major barrier to this technology is the resilience and the cost of connectivity. In an ideal setup, operating from the cloud should be more affordable and should offer higher productivity than operating from an on-premise model. The good news is that the regional connectivity costs are reducing year on year.

The cloud, if implemented correctly, will reduce costs for organizations while improving on performance of service delivery. With the cloud the capital costs are removed from the organizations books thereby reducing the value of 'fixed assets' most of which are classified as non-interest earning and depreciating in nature. There is also no need for physical infrastructure like servers.

Cloud computing offers the



ability for expansion and scalability for organizations especially the smaller organizations. This is a concept where a company must pay for what it needs at a particular moment unlike purchasing high-end expensive infrastructure.

Most of the companies offering cloud services are far more advanced technologically than any ordinary organization whose core business is not information technology services, hence their infrastructure is more secure than the local servers. Statistics also show that most attacks originate internally, so if the applications are outsourced that risk is reduced to a larger extent.

Cloud computing empowers an organization to concentrate on its core

business and not on operational issues.

With cloud computing smaller companies could have access to high end technologies at affordable prices, which in normal circumstances they could not have afforded to produce the required capital investment.

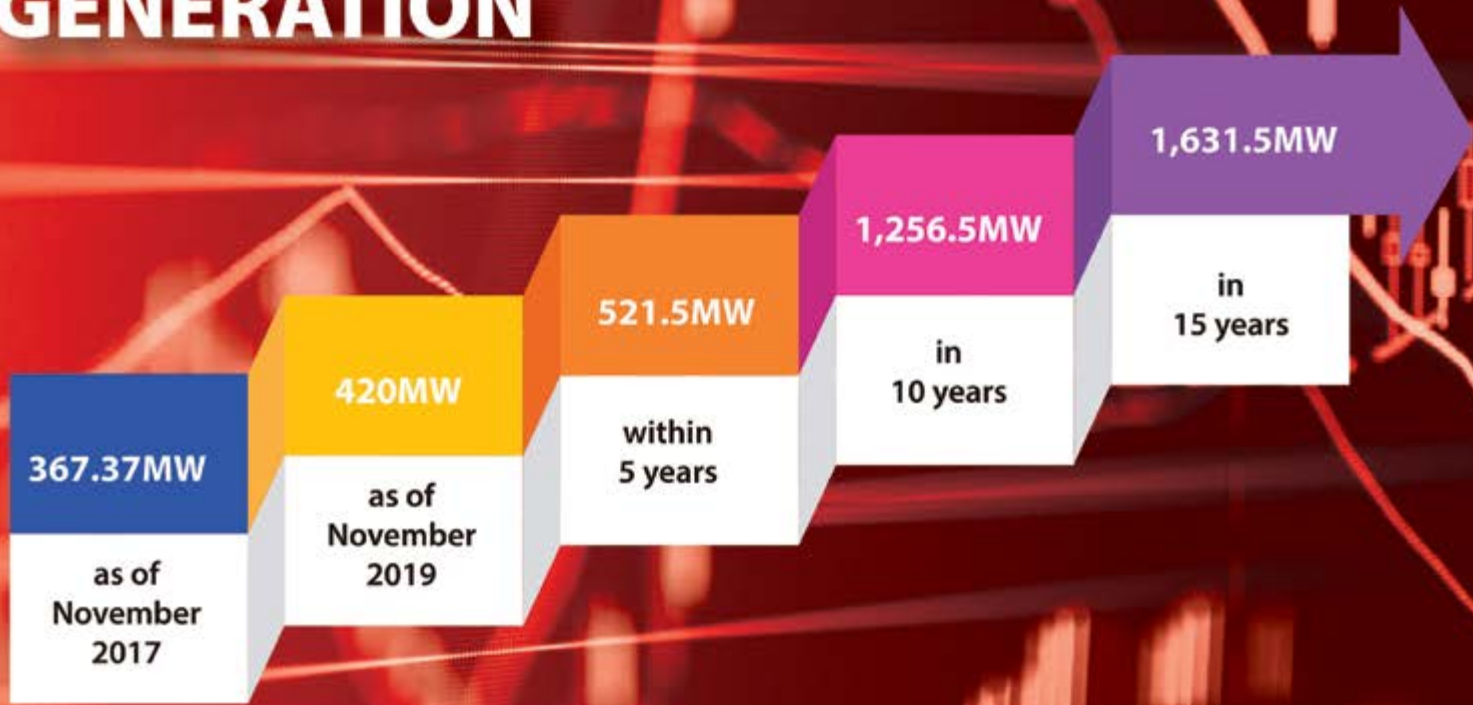
The opportunity to review and assess

As the year ends it is high time every organization reflected on how they plan to position themselves to benefit from the new trends within the next 10 years. Technology will be important for every nation, organization, and person.

Technology transformation success must be intentional.

Are we ready for success?

INCREASING POWER GENERATION



EGENCO aims to increase the country's power generation capacity from

367.37MW
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521.5MW
within 5 years

1,256.5MW
in 10 years

1,631.5MW
in 15 years

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