MALAWI BANKER
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VOL 28 / 2022

POLITICAL WILL, KEY TO FINANCIAL INCLUSION

AID OR TRADE: WHICH WAY?



UNPACKING MKULICHI'S DREAMS FOR FDH BANK

NOEL MKULICHI
MD, FDH BANK PLC

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Your initiative to professionally turn Reunion Insurance Company Ltd into a formidable force to reckon within the insurance industry in Malawi is a strong demostration of your untiring efforts to contribute towards the transformation of the national economy. You have made a huge defference in the company's progress rate and your sterling performance has proved that you are a dedicated and talented person in the field of insurance. We greatly appriciate your work and we are pretty sure that this award will further motivate you to support more and more people in the insurance industry..

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In this issue



Aid or Trade: which way?

30

Tackling rising inequality for improved economic growth

In Malawi, the top one percent of the wealthy population earns more than 25 percent of the national income, an indication of the growing gap between the rich and the poor.

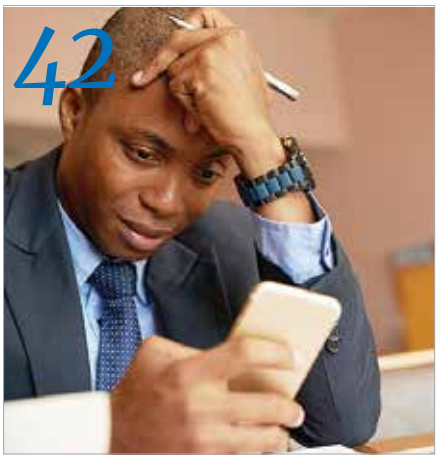
37

Political will, key to financial inclussion

In addressing issues of political will, Malawi has reference points, especially because experts have come up with a set of components that could indicate the presence and level of political will or lack of thereof.

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Features



21 A Path towards wealth creation

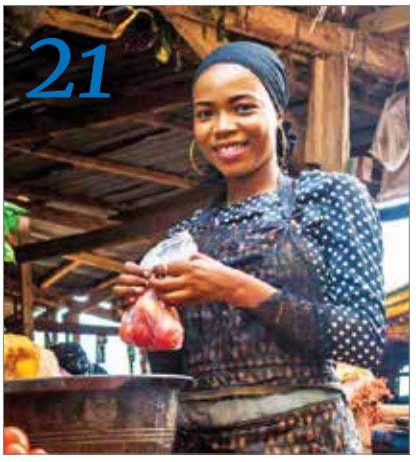
24 Long stroll towards financial inclusion

32 Mindset change, key to financial inclusion

34 Mobile Money, a catalyst for financial inclusion

40 Financial services sector; key for financial inclusion

46 What banks can learn from the music industry transition



EDITOR'S NOTE

Things change. And at times, they change so fast leaving some people always catching up.

Today, walking around shopping malls with fat wallets is not as trendy. Cash has turned plastic, the society is going paperless. Digital payment systems and solutions are fast becoming a norm.

Just less than a decade ago, in Malawi, it would take one walking miles to the banking hall to access all forms of financial services.

And owning a bank account was, then, spared for the deemed elite section of the society. Not anymore, though.

The mobile phone has changed the terrain. We no longer need the brick and mortar to open an account and access banking services and products, except for some exceptions.

Integration of the commercial banks' systems with that of mobile phone and ICT services providers has changed the space. Beyond physical structures, the game is about digital systems.

People in the remotest areas have access to the bank today. Financial inclusion has proven possible.

This is what this edition of the Malawi Banker is all about.

Bringing to the fore the strides the country has recorded in ensuring that no one is left outside the financial services spectrum.

As you will discover, the country has made headway in increasing the number of people with access to financial services and products. Room for further improvement remains wide too.

The financial inclusion narrative would sound rhetoric without contextualising the essence of wealth creation for all.

As ascribed in the Malawi 2063—the country's long-term development blueprint—Malawi is heading towards middle-income status. This will, however, take a lot beyond the scribbling and professing ideas.

In this issue, we also discuss how Malawi should turn into an action-oriented nation beyond rhetorics.

This borders on mind-set change, political will and understanding the sense of urgency in our undertakings.

For instance, debt and aid might have worked in some section of the economy, but without bearing the optimum results.

Instead, we look to trade prospects and enhanced productivity as the remedy, by



leveraging on the African Continental Free Trade Area, among deals.

Ease in access to capital requirements, boost in agricultural productivity and making the commercialisation drive real, intense investment into the Small and Medium Enterprises and manufacturing sector should be the direction.

These, coupled with a conducive operating environment where access to reliable energy and other essential services like technology is a norm, should propel the desired growth.

This edition then attempts to create a narrative necessary for sustainable economic growth, without leaving any one out of the equation.

Enjoy!

PAUL KAMANGA
EDITOR IN CHIEF



ON THE COVER

Malawi Banker Magazine engages the **FDH Bank plc, Managing Director, Mr. Noel Mkulichi** Unpacking Mkulichi's Dreams for FDH Bank

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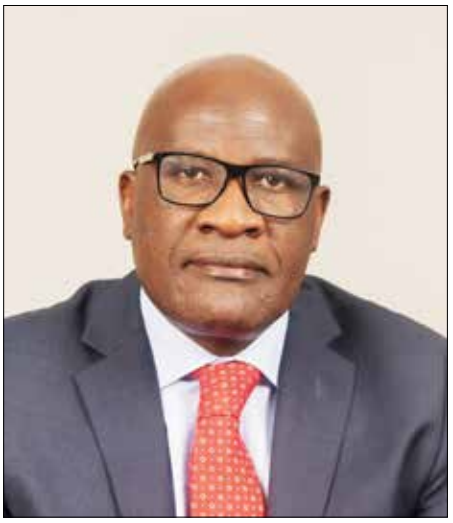
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AN ALL-INCLUSIVE ECONOMY IS POSSIBLE



Malawi's drive to have a population where no-one is excluded from the financial services spectrum is attainable.

Already, strides are being made, and substantially so.

Recent figures show that close to half of the adult population are now using financial institutions, up from a meagre 18 percent recorded about a decade ago.

The financial services sector has within the years become a force to reckon with in contributing towards national economic growth and poverty reduction.

Apart from being a reliable financial feeder into all other sectors of the economy, commercial banks and other microfinance institutions have played a pivotal role in offering a remedy to financial constraints households face too.

Apart from wholesale and retail trade, commercial bank's credit concertation has equally been in community, social and personal services.

This is on top of agriculture and manufacturing sectors which are deemed complex in other circles.

Digital financial services and products have not only become handy but are also a game-changer.

With the integration of the banking systems with those of the ICT and mobile phone operators, commercial banks are almost all over now, except not physically.

Because the traditional brick and mortar banking system has been overtaken by the mobile phone, the banking community is leveraging on such headways.

In rural areas, agent banking has expanded reaching out to the 'omitted' sections of the society.

Today, one is able to open a bank account in the comfort of their homes, as all other banking services and products are accessed at their fingertips. Mobile banking is a norm.

I can state with pride that all banks have, not only mobile applications, but also USSD codes which are user-friendly, convenient and more appealing to customers of all levels.

While Malawi, like most of its other peers, is making these headways in the financial inclusion drive, let us face it, we, as a country, need to take giant leaps to incorporate everyone in the equation.

Lack of financial literacy and unemployment could be singled out among key bottlenecks to the drive.

A recent study by the financial sector regulator, the Reserve Bank of Malawi, shows that low education reduces the likelihood of individuals using some financial products and access to services.

This issue of The Malawi, therefore, discusses at length, what needs to be done in further narrowing the gap, and more importantly, attaining the national aspirations of creating wealth for all as ascribed in the Malawi 2063.

We will surely get there if we all are to play our role.

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The President's **Message**

What an honour, again, that we present to you *The Malawi Banker Magazine*, the second edition under my tutelage as Bankers Association of Malawi President.

Not a distant from our fervent wish, this edition, like others before it, is an ideal tool in not only demystifying trends in the banking sector, but more importantly, in setting the agenda for sustainable economic growth and creating wealth for all Malawians. It remains a viable platform for an honest discourse over one of the things that matter the most to all; money. More so, the magazine provides a leeway for a conversation over the conventional ways of dealing with a thing that has tormented many Malawians for decades; poverty.

This edition comes as we celebrate Malawi's 58th Independence anniversary and within the first years of the implementation period of the Malawi 2063, the country's second long-term development plan, after the failed Vision 2020.

We are therefore, as a nation, sandwiched between reflection and execution time whereby we take stock of the past 58 years of independence while moving with speed and accuracy in the next four decades or so, towards attaining our dreams and aspiration of turning Malawi into an upper middle-income economy.

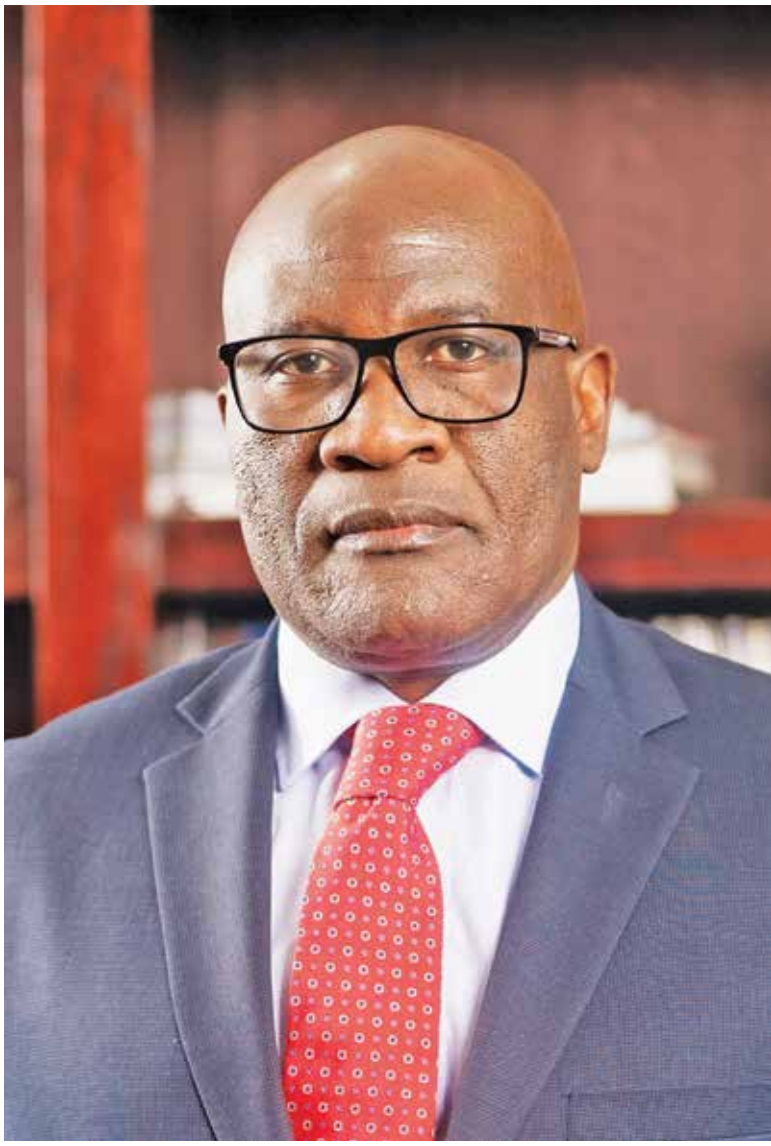
What the statistics so far tell us is not very encouraging. The proportion of Malawians living below the international poverty line per day is projected, by the World Bank, to stagnate at 74 percent in the next two years. This means that only 26 percent of the 18 million Malawians, will, in the next 24 months, be able to be earning and spending at least $2.15 per day. The number was seen declining slightly from 71.7 percent in 2010 to 70.3 percent in 2016 but the trends reversed due to population growth, among other things.

Ahead of us there are challenges we also need to navigate vigorously.

The impact of exogenous shocks like the Covid pandemic, and lately, the Russo-Ukrainian war, coupled with other structural economic challenges cannot be underestimated. Already, the rise in global commodity prices, according to figures from the International Food Policy Research Institute, has raised Malawi's national poverty headcount rate by 2.1 percentage points, an increase equivalent to an additional 394 000 people falling below the international poverty line.

There is, therefore, no better time for Malawi and its citizenry to do some serious soul searching and have an honest conversation over where we are coming from and where we are heading to. A thorough scrutiny of the development path shows us that in our quest to give poverty a death sentence, something has to be done, which has for scores of years not been done so right.

It is not a surprise that Malawi, which has largely enjoyed peace and tranquility, vies in the category of war-torn countries at the bottom of the poorest world economies.



MACFUSSY KAWAWA
PRESIDENT

It is the aspiration of every well meaning Malawian, therefore, to see the country making headways in all areas. This includes sustainable national economic development.

For the country to develop and have the gap between the rich and the poor reduced it requires hard work, change of mindset, clear policy direction, massive investment in human development and managed population growth, among other things. It takes consistency in doing the right things and a sense of stability at all levels.

This edition then brings to the fore the experiences the country has had over the years and experts' view on the way forward.

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AID OR TRADE WHICH WAY?

BY KINGSLEY JASSI



LOSING ITS CHARM?—Malawi's once touted top export crop, Tobacco

The commemoration of Malawi's 58th National Independence was somewhat awkward amid economic statistics that tell a story of a nation in disarray.

With poverty rate soaring to 74 percent now, Malawi is failing to utilise the abundant natural resources and economic opportunities the world offers, resigning to foreign aid that only keeps the country going.

President Lazarus Chakwera attests to the country's economic misery, giving the rhetoric about prosperity.

"On this 58th commemoration of Malawi's Independence Day, we stand at a crossroads as a nation. We stand in the valley of decision, and we must make a choice.

"We must choose what our conduct towards national development will be, whether we will sit in the stands as individual spectators to point out the problems in our midst or run on the field as one team to help Malawi reach its goal of self-reliance and prosperity," President Chakwera said during the national prayers that marked the independence commemoration.

From 1964, Malawi has been handheld by the development partners whose support buoys all sectors.

The latest annual aid inflow recorded was for the year 2020 when the country received $1.45 billion in that year, up from $1.16 billion the previous year, according to the World Bank.

The 2020 aid inflow represents a $76 per capita aid—one of the highest in the world.

In 2022, Malawi has already received $327.7 million from the United States (US)—the world's largest donor country. This figure is the 16th largest disbursement, so far, by the US to a country this year.

The US provides aid to countries that are recovering from war, developing countries and those that are strategically important to that country. →



HIGH POTENTIAL—Rice farming

Malawi's category is clear. It is not a country recovering from war like South Sudan or of any strategic importance like Egypt. It is a country struggling with poverty.

With an average of over $400 million annual support from the US, Malawi gets a lifeline in areas of health, food security, and governance, among others.

However, while this support helps to save lives in many instances, like the provision of free malaria treatment or food distribution to needy families, Malawi needs to grow economically and reduce poverty.

There is only one way to that; boosting international trade by increasing productivity and production.

Malawi's trade with the rest of the world is paltry, with annual exports hovering around $1 billion. This is way below the imports bill, which is now nearing $3 billion annually.

This trade imbalance exposes the Kwacha—the local currency—to frailties. And Malawians have in 2022 seen the worst, so far, since 2012 as the recent 25 percent devaluation relegated many to poverty.

Despite these economic woes and the poverty, Malawi sits on numerous opportunities in all sectors.

There is about 600 000 hectors of irrigable land that only has less than 20 percent of that being utilised, according to Ministry of Agriculture.

The Centre for Coordination of Agricultural Research and Development for Southern Africa says Malawi has the potential to produce 2 million tonnes of rice per year. The current annual production is a piteous 150 000 metric tonnes.

Achieving the maximum potential requires maximum efforts. Even, to reach just half of that potential would make the rice industry reach the value of tobacco.

"There is demand of over 500 000 metric tones ofrice in DRC and that market, alone, can earn Malawi more than what tobacco brings to this country," challenges Professor David Kamchacha of Mtalimanja Holdings which works with rice farmers in Nkhata Bay and other districts.

Besides agriculture, Malawi sits on 28.8 million tons of bauxite minerals, 24.7 million tons of coal, 1.6 million tons of glass sands, 8 million tons of graphite,

Malawi has the potential to produce 2 million tonnes of rice per year. The current annual production is a piteous 150 000 metric tonnes. Achieving the maximum potential requires maximum efforts.



This is the kind of thinking Malawi lacks in attracting huge financing from the $60 billion DFC offered by the USA, $60 billion China's CAD Fund, $11 billion British International Investment, among many other preferential industrial financing facilities.

CHAKWERA—We must choose what our conduct towards national development will be

25 million tons of limestone, 1.4 billion tons of mineral sands, 34 million tons of pyrite, 12.5 million tons of uranium, 30 million tons of rare earth and many other mineral deposits.

A few mining projects are at advanced stages but with no major mining activity after the closure of Kayerekera Uranium Mine. There are big investment opportunities.

These two sectors and the others like energy, manufacturing and tourism provide opportunities for industrialisation if considerable investments and market security can be attained.

Malawi is doing well in accessing aid with an average of about $1 billion annually and this year, the US retains its leadership spot with the $325 million disbursement, so far.

However, these amounts would make a big difference in the economic transformation if they could also be Foreign Direct Investments.

There are opportunities for Malawi to unlock such level of industrial financing and export market avenues.

For instance, while USAid provides $27.7 billion worth of aid to needy countries in 2022, the Development Finance Corporation (DFC) offers $60 billion industrial financing opportunities.

Both USAid and DFC are development agencies for the US but with the former providing grants and the latter providing commercial investment financing and both target developing countries.

The recently known disbursements by the DFC are two; the $45 million financing for the rehabilitation of Nkula A Power Station to restore generation capacity and the $50 million JCM's solar power project.

With all the unexploited opportunities in the primary sectors government and the local private sector needs to wake up and conceptualize industrial projects that attract huge foreign financing.

The DFC report for 2021 shows Mozambique attracted $1.7 billion of such industrial financing from the DFC.

With the Africa Growth Opportunity Act (Agoa) which provides duty free agricultural exports to the US, Malawi has no excuse for its failure to attract considerable investments in agricultural value chainsthat can channel huge volumes of exports to the US.

Ethiopia has an inspirational story to tell in this regard. It attracted a top Chinese shoemaking company, Huajian which secured $2 billion capital financing from China-Africa Development Fund (CAD Fund) to set up an industrial park.

The factory is linked to top US shoe brands who market the shoes in the high end market, utilising the Agoa facility.

This is the kind of thinking Malawi lacks in attracting huge financing from the $60 billion DFC offered by the USA, $60 billion China's CAD Fund, $11 billion British International Investment, among many other preferential industrial financing facilities.

When Malawi starts attracting such financing to invest in agricultural production to boost volumes for processing and exports, jobs will be created, export base will be expanded, government revenue will increase and poverty will start to falter.

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UNPACKING MKULICHI'S DREAMS FOR FDH BANK

With effect from January 2022, Malawi Stock Exchange-listed FDH Bank plc appointed Noel Mkulichi as its Managing Director. By then, he had served as Chairperson of FDH Financial Holdings Limited for three years. Mkulichi has over 26 years of professional experience in financial regulation, financial planning and analysis, strategic planning, treasury management and risk management. In this interview, *The Malawi Banker Magazine* attempts to understand Mkulichi dreams and aspirations for the bank.

First and foremost, tell us about yourself; who is Noel Mkulichi?

I am a happily married man with two beautiful daughters and proud grandfather of two.

I have over 26 years professional experience in financial regulation, financial planning and analysis, strategic planning, treasury management and risk management. I hold a Master of Banking and Finance Degree from the University of Wales, Bangor. I am also a graduate of the University of Malawi, where I obtained a Bachelor's Degree in Social Science.

I have served as Chairperson of FDH Financial Holdings Limited Board for the past three years. Before joining the FDH Group as a Director, I served in various capacities with the Reserve Bank of Malawi including as a Director for Bank Supervision, where I was responsible for, among other things, formulating and implementing strategies that ensure the safety and soundness of banking institutions in Malawi. I have also served on boards of various companies in the country including the Export Development Fund, Cooperatives Life Insurance Company, FINCA Malawi, Zamara Pension Fund and Lilongwe University of Agriculture and Natural Resources. Currently I am the Chairperson for Malawi Posts Corporation and an Alternate Director for Group A Constituency 4 (comprising Malawi and Zambia) on the Board of African Trade Insurance Agency.

How does it feel being at the helm of one of the fastest growing commercial banks in the country?

No call is more urgent than the call to leadership. Leadership is about service. I look at my appointment as a call to service and at the same time as an honour to be part and parcel of this iconic home-grown brand. I am proud to be part of the leadership that prepares and propels the brand to further growth through meeting and fulfilment of customers, shareholders and other stakeholders' needs and expectations. As an individual I bring a lot of value to the bank from my previous experience in the financial sector but at the same time I embrace the learning opportunities that are in abundance within the bank. It is exciting to be part of the journey propelling the growth and expansion of FDH Bank plc and FDH Financial Holdings at large.

I am proud to be part of the leadership that prepares and propels the brand to further growth through meeting and fulfilment of customers, shareholders and other stakeholders' needs and expectations.

Would you share your aspirations/ vision; what major milestones would you want to see the bank attaining within the next two to five years?

The vision and aspirations of FDH Bank plc is to be the leading provider of first-class digital financial solutions in Malawi and the Southern African region. My goal is to steer the bank to continue on its trajectory to realise this vision. →



Under the guidance of our board, and with my able and experienced executive management and our highly motivated staff, we are implementing the new cycle of strategic objectives running up to 2024 which are focussing on providing first class customer-centric financial solutions while leveraging on effective and reliable digital platforms, a wide distribution network and registering strong financial performance.

We are committed to creating value for our customers, the shareholders, and other stakeholders by focusing on growing revenue and market share, reducing operating costs for sustainable performance and profitability, creating highly engaged employees and contributing significantly to the creation of an inclusive, diverse and sustainable society.

As a responsible bank, we have aligned our strategy to the UN's Sustainable Development Goals, Africa's Agenda 2063 and Malawi's Agenda 2063 and positions ourselves to make a significant contribution to the growth of our economy and making our country better.

We have cultivated a culture of excellence and we strive to continue learning for continuous improvement and for enhanced organisational adaptability to the volatile, uncertain, complex and ambiguous environment. The aim is to continue meeting our customers' changing requirements.

The single most important goal is to make FDH Bank Plc the undisputed bank of choice based on the delivery of unrivalled excellent customer experience. We are all aligned and strive to live our core values and operationalise our customer experience charter in every transaction for this strategic deliverable to drive customer loyalty.

The bank is touted to be one of the most innovative in the country as it moves fast in adopting technology; how has this helped FDH Bank have a competitive edge and further in complementing the national financial inclusion agenda?

As part of our excellence culture, innovation is in our DNA and is one of our core values. We will continue to come up with innovative solutions to our customers aimed at improving their banking experience and facilitating their growth as per our motto – Our Bank, Our Future, Grow with us.

In addition to being the only bank in Malawi with the widest branch network and present in 27 districts, our comprehensive digital products portfolio has enabled us to serve a diverse customer base that cuts across the socio-economic strata of the country including the low, middle- and high-income

earning individuals and entities.

We continue to make significant investment in digital banking technology to maintain our leadership position in the market and continue to innovate and deliver digital solutions leveraging partnerships with the Government of Malawi and other partners to break the barriers to financial inclusion by reaching the unbanked and underbanked population. We have further enhanced the last mile outreach to the financially excluded with the expansion of our agency banking – Banki Pakhomo Agents.

It is almost six months into 2022, how has the bank faired in the first half of th year?

The first half has gone on quite well for the bank. In comparative terms, we have exceeded the profitability that we recorded in the same period in 2021, thus culminating in a positive profit warning that we issued recently to the public signifying our expectation that profits will grow by more than 20 percent compared to last year.

And what are the prospects for the remainder of the year?

The operating environment remains volatile, uncertain, complex and ambiguous. The foregoing notwithstanding, we are confident that the bank stands on brink of opportunities and, with the measures we have put in place, our expectation is that the bank will sustain this performance for the rest of the year and our outlook is quite positive.

In August 2020, FDH Bank was listed on the Malawi Stock Exchange (MSE) to become the fourth bank on the local bourse. How has the listing impacted the bank's positioning on the local market and performance?

Listing of FDH Bank plc has definitely improved its profile by proving that the bank can go through and pass the level of regulatory scrutiny required during an Initial Public Offer (IPO). The fact that the IPO was also fully subscribed gave further confidence to our investors. Post-listing, we have seen the bank's shares being one of the top three counters traded in terms of volume on the MSE in the year 2021 which shows the bank is a highly liquid investment. The bank's share price has moved from the IPO price of K10.00 per share to K14.00 per share as at 30 June 2022, thereby creating value for its investors. FDH Bank also registered the highest dividend yield on the MSE, as at 30 June 2022, living up to its promise to offer value to investors.

The bank's profitability trajectory has been on an upward spiral, amid a hostile economic environment characterised by exogenous shocks, mostly the Covid pandemic and other domestic challenges; what explains the resilience?

I am proud to be part of a cream of young, energetic and hardworking team. This is a team that is good in research and data analytics before coming up with home grown solutions befitting the needs of the Malawian public. A team that also follows a set of robust policies and procedures before any deal is consummated. As a result, there is a solid symbiotic relationship that has been built over the years with the bank's customer base. The customers have been supportive throughout this period, despite ongoing economic challenges. We have also witnessed a continuous growth in the clientele of the bank. We have continued to invest in platforms that ensure that we offer dynamic and diversified business solutions to clients. To answer the question therefore the sound performance and resilience have come about because the main driving force through this period has been the loyalty and trust of our customers in the kind of banking we offer and we have managed to sustain our revenue streams because of continued partnerships with our customers even though most were adversely affected by the pandemic.

But critics have been faulting the banking community in general for what they call profiteering on the masses as cost of borrowing remains high coupled with so many charges for the various services rendered; what is your take on the nation?

Banking business is becoming very volatile due to a myriad of challenges hovering around competition, changing business models, mounting regulation and compliance pressures and disruptive technologies. As a result, the risks involved in banking business are insurmountable, to say the least. On the flip side, every economy needs a vibrant banking industry as an engine for economic growth. A well-functioning banking industry is also expected to function normally during both upturns and downturns in the economy. Banks therefore need to have adequate capital and must continuously be profitable in order to absorb any shocks that may come into the economy like the Covid-19 and Cyclone Ana induced slowdown which increased the customer default rates resulting in increased levels of non-performing debts.

With regard to bank charges, the public may wish to note that fees, commissions and all other bank charges are only applied after prior approvals are obtained from the financial sector regulator, the Reserve Bank of Malawi. It should also be emphasised that any charge applied on a bank product or service is a consequence of underlying costs that include cost to third party service providers, cost of maintaining the service or delivery channel of the particular product and cost of man hours to manage that particular product or service. These factors would normally be considered when the bank takes pricing decisions. It should however, be emphasised that most of the banks do not make profits from these charges. For instance, the transaction fees charged for the mass market are highly subsidised. The cost of investments in the digital/mobile platforms and other delivery channels like ATMs is very significant and if banks were to charge customers on cost recovery basis, the fees could have been significantly higher and prohibitive. However, banks do not charge economic fees on these services to encourage financial inclusion.

Malawi like many other economies across the globe has in recent years been faced with myriad challenges including elevated cost of

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living; how has this affected the bank's performance in general and loan portfolio in particular?

The bank has shown resilience and continues to post good results in terms of profitability and balance sheet growth. This is despite the ongoing challenges in the operating environment occasioned by Covid-19 and geopolitical developments in Eastern Europe that have had an adverse global economic impact. As a result, the cost of doing business for the bank has significantly increased in the current year. The cost structure of the bank is huge considering the distribution channels it has across the country with 51 branches and 92 ATMs. With the devaluation of the kwacha and the resultant increase in inflation, the bank's costs are expected to increase by about 25 percent over what was anticipated and the bank is putting in place measures to ensure it maintains the profit growth trajectory.

The overall quality of the loan book remains good, but in comparison to the last couple of years, we have experienced increase in defaults than usual, as our customers are also experiencing the impact of these developments.

And lately, the country has been faced with an acute shortage of forex, forcing the regulator of financial institutions, the Reserve Bank of Malawi, to, among other things, devalue the local currency, the Kwacha, by 25 percent and put in place new foreign exchange trading measures. How has the forex scarcity affected your bank? And what is the foreseen impact of the Kwacha devaluation?

Being a net importing country, the scarcity has hit all business sectors as most businesses owe their suppliers thereby, disrupting the supply chains, not only for wholesalers but also the manufacturing industry. This has seen some businesses downsizing thereby impacting the growth of the economy and consequently the banking industry.

We have also seen clients moving from one bank to another trying to source foreign exchange which brings in instability to our balance sheets making planning and forecasting a challenge which is one of the key things that drive our strategy.

It has also negatively affected the trade finance business as the Bank is more or less limited in its product offering since it relies on foreign exchange flows to structure solutions for its clients. However, the Bank is working with its different partners in trying to address

The current devaluation goes some way to address the demand side which should also be deliberately coupled with some fiscal policy strategies on the economy to benefit from the move, and until we develop a considerable export base that can give us adequate forex supply to meet the country's import needs, that gap will remain unaddressed.

this shortage by getting into some partnerships with foreign counterparts which should make a positive contribution to the situation in whatever small way that it can.

Internally as a bank, this has also affected us on the bottom line as we do import some services and equipment but cannot exactly pass on the cost increase to the customers that we are serving.

In the medium term, the devaluation should affect the demand for imports and could possibly reduce some of the pressure on our currency and in the long term the expectation is that it should make our exports attractive and boost the export industry.

What needs to be done to address the challenges?

The forex challenge in our view needs a solution from both the demand side and the supply side. The current devaluation goes some way to address the demand side which should also be deliberately coupled with some fiscal policy strategies on the economy to benefit from the move, and until we develop a considerable export base that can give us adequate forex supply to meet the country's import needs, that gap will remain unaddressed. As a bank we will continue to play a role to ensure that part of our financing is deliberately allocated to sectors that will spur growth in exports and forex inflows through trade financing.

Overall, what is your assessment of the economic landscape?

Malawi's economy has been chronically affected by fiscal and external imbalances. This has been compounded by the effects of the Covid-19 pandemic and severe weather events. Most recently, the war in Ukraine has added a new crisis to what was already a challenging economic climate. Rising global fertilizer and fuel prices, which have been exacerbated by the war, are ultimately exerting additional pressure on the country's external balances as well as local commodity prices.

Economic recovery efforts have therefore been dampened by increasing inflation and a weaker currency. Various fiscal and monetary measures are however being put in place to reduce the economic imbalances in order to get the economy back on track.

How are the prospects?

The bank remains resilient in the face of the current economic landscape and prospects for growth remain positive. The Bank will continue to implement its strategic plan which should help contribute towards the creation of an inclusive and self-reliant society as envisioned in the Malawi Vision 2063. To that end, the Bank will focus on supporting and enabling strategic sectors including manufacturing, energy, agriculture, infrastructure development and the small and medium enterprises.

Any final words?

Well, the strides the bank has registered hitherto are owed to our esteemed clients who have unwaveringly been loyal to the bank on this growth journey. We profoundly appreciate their custom. We also extend our great appreciation to our shareholders, the Government of Malawi, the Reserve Bank of Malawi, the Malawi Stock Exchange, and international partners for their continued business support.

Further, I extend a vote of thanks for the highly engaged and motivated staff of FDH Bank who make the delivery of excellent customer experience possible and the Executive Management Team that provides solid leadership to all departments and sections for the Bank to deliver on its mandate. I also thank Board Directors of the Bank for their outstanding support and for providing us with guidance and direction to make growth possible for our clients and other stakeholders.

A PATH TOWARDS WEALTH CREATION

BY STAFF WRITER



SHOULD BE TARGETED—Non-banked population

The World Bank estimates that Malawi's poverty line is at 50.7 percent as at end of the 2019-2020 financial year, which means more than half of Malawi's population lives below a dollar a day.

A dollar today cannot even purchase a basic thing such as a packet of sugar.

And to put it into context, it means more than half of Malawi's population do not make K365, 000 a year.

The worrisome figures mean that efforts need to be taken to rescue half of the population out of the pangs of poverty and different stakeholders need to join hands to achieve this.

The financial sector remains key in the drive.

Economist Betchani Tchereni from the Malawi University of Business and Applied Sciences is of the view that the sector has a lot to bring on the table towards creating wealth for all.

Tchereni says that the sector is at the core of providing capital to make sure that ideas are bankrolled, mitigating risks especially →

The worrisome figures mean that efforts need to be taken to rescue half of the population out of the pangs of poverty and different stakeholders need to join hands to achieve this. The financial sector remains key in the drive.



NKUNGULA—We need to have a massive digital transformation

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in the insurance sector, and help with the risk of default.

"People can have great ideas that can not only create wealth for themselves but for many others. But these ideas cannot materialise if there is no capital and it is these financial institutions that can help with that capital," he said.

He, however laments that although the financial sector has such huge task and role to play, little resources are channelled towards individuals.

Tchereni is of the view that if wealth creation for all is to be realized, financial institutions must take up the responsibility and help make borrowing for individuals cheaper.

"People have now resorted to village banks and some of them are big that people are using them to start big businesses but this should not have been the case if access to finance conditions on the financial market were soft," he added.

The financial sector is categorised into subsectors such as the banking, the insurance and pension sector and Savings and Credit Corporative Organizations (Sacco).

Financial Market Dealers Association Vice President Jim Kalua also emphasises the importance of the financial sector in wealth creation for all, adding that the roles include transferring of excess funds from individuals and organisations with a surplus to those with deficits.

He argues that for business start offs, it is much cheaper to obtain loans from financial institutions than other informal channels like loan shanks but higher interest rates result to defaults hence not helping individuals and organisations realising their goals

Kalua says apart from high interest rates, the other reason which is a deterrent to access to finance is that projects have deadlines and some of financial institutions take time to approve facilities and many also face challenges with security requirements as most financial institutions demand collateral.

"There is really need for financial literacy awareness to all Malawians. It can start from high schools. Of course some schools have introduced business studies which are as beneficial as kids learn financial disciplines at their tender ages and they grow with that in mind," he said.

Bankers Association of Malawi Chief Executive Officer Lyness Nkungula believes wealth creation for all, which is a catalyst for financial inclusion, requires concerted effort.

She underscored the need for digital transformation which BAM believes is the gateway towards financial inclusion because it is not limited by geography.

"If we want to excel in the financial inclusion drive, then we need to have a massive digital transformation and this transformation needs critical partnerships to expand the reach and uptake of financial products among underserved people by supporting the development of a digital financial ecosystem," he said.

Nkungula adds that access to regulated and sustainable financial services can help people make productive economic choices for their families, their businesses and for the future and that for society as a whole, BAM believes it contributes to inclusive economic growth.

Malawi has a vision, the Malawi 2063, which aims at making Malawi an inclusively wealthy self-reliant middle income economy by 2063.

The aspiration underscores the need for the financial sector in making access to finance affordable for the dream to be realised.

The financial sector is one of the important if not top players for wealth creation for all as nations; people and individuals need finances to develop.


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LONG STROLL TOWARDS FINANCIAL INCLUSION

BY STAFF WRITER



EASING THE PRESSURE—Agent-banking

As Malawi still moves towards attaining its aspiration of creating wealth for all, financial inclusion has been described as a catalyst for lowering poverty and income inequality. Poverty is undoubtedly Malawi's major challenge towards achieving financial freedom with about sixty-five percent of the population living below the poverty line. The situation is graver in rural areas where ninety-five percent of citizens wander in the circle of abject and chronic poverty.

Inequality is also at its worst in the country. Apart from gender and cultural factors, heavy reliance on an under-funded agricultural sector has condemned a lot of Malawians to poverty and consequently, financial exclusion.

The last study of inequality in the country conducted in 2011 indicated that in just seven years, between 2004 and 2011, the gap between the richest ten percent of Malawians and the poorest forty percent increased by almost a third from 0.390 to 0.452 on the Gini coefficient per capita scale. It was then projected that if the trend continued, by 2020, 1.5 million more Malawians would be poor. With the majority of poor people being uneducated and mainly relying on subsistence farming, access to formal financial services is obviously limited.

Financial inclusion in itself is not a straightforward notion with economic think-tanks conflicting on the proper definition. In this context, however, financial inclusion shall be looked at as the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost. Commercial Banks are thus pivotal to incorporating the unbanked into the formal financial system. But financial institutions seem to grapple to expand amid economic regression →



GAME-CHANGER—WhatsApp Banking

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and low income earned by the populace due to a myriad of factors including the Covid-19 pandemic that has stifled the country's economic development.

Role of Commercial Banks

The Malawi banking system is crucial to promoting financial inclusion as it accounts for 92 percent of total credit and 89 percent of total deposits. One of the major strategies by commercial banks to achieve financial inclusion is expansion through the opening of more branches away from the preferred urban areas.

A latest study indicates that in Malawi, there are about 2.2 branches per a population of 100,000. This is lower than the average of 5.3 branches per 100,000 in Southern Africa. This defeats the whole purpose of expanding financial services and financial inclusion. Only about thirty-one percent of the population uses banking services.

However, the banks have made efforts of making innovations to improve access to banking services through branchless banking which is also referred to as agent banking.

Even though Malawian banks have come under fire for not doing enough in ensuring financial inclusion, agent banking has made some strides in reducing the time and costs that people incur to access banking services.

This has also encouraged more unbanked rural-based people to open bank accounts and be financially-included. A lot of people have also found business and job opportunities through agent-banking and their lives have been uplifted economically. The country's central bank, the Reserve Bank of Malawi (RBM), has touted agent-banking as a game changer in financial inclusion efforts. RBM says the country had about 155,816 mobile money agents as of 2021. Some banks that are leading the way are FDH, National Bank, Eco Bank, Standard Bank, NBS Bank and First Capital Bank.

The banks have also introduced mobile services but several challenges have marginalised many from accessing the banking services. Only about 900,000 Malawians have subscribed to mobile banking and are now financially-included.

Some banks, such as My Bucks have even gone as far as introducing a Whatsapp banking facility targeting the youth that usually shun tradition banking services that are deemed cumbersome.

World Bank's Efforts

In order to foster financial inclusion in the country, the Malawi Government acquired an $86 million loan from the World Bank to implement the Financial Inclusion and Entrepreneurship Scaling Project

The Project Development Objective is to increase access to financial services, promote entrepreneurship and capabilities of Micro, Small and →



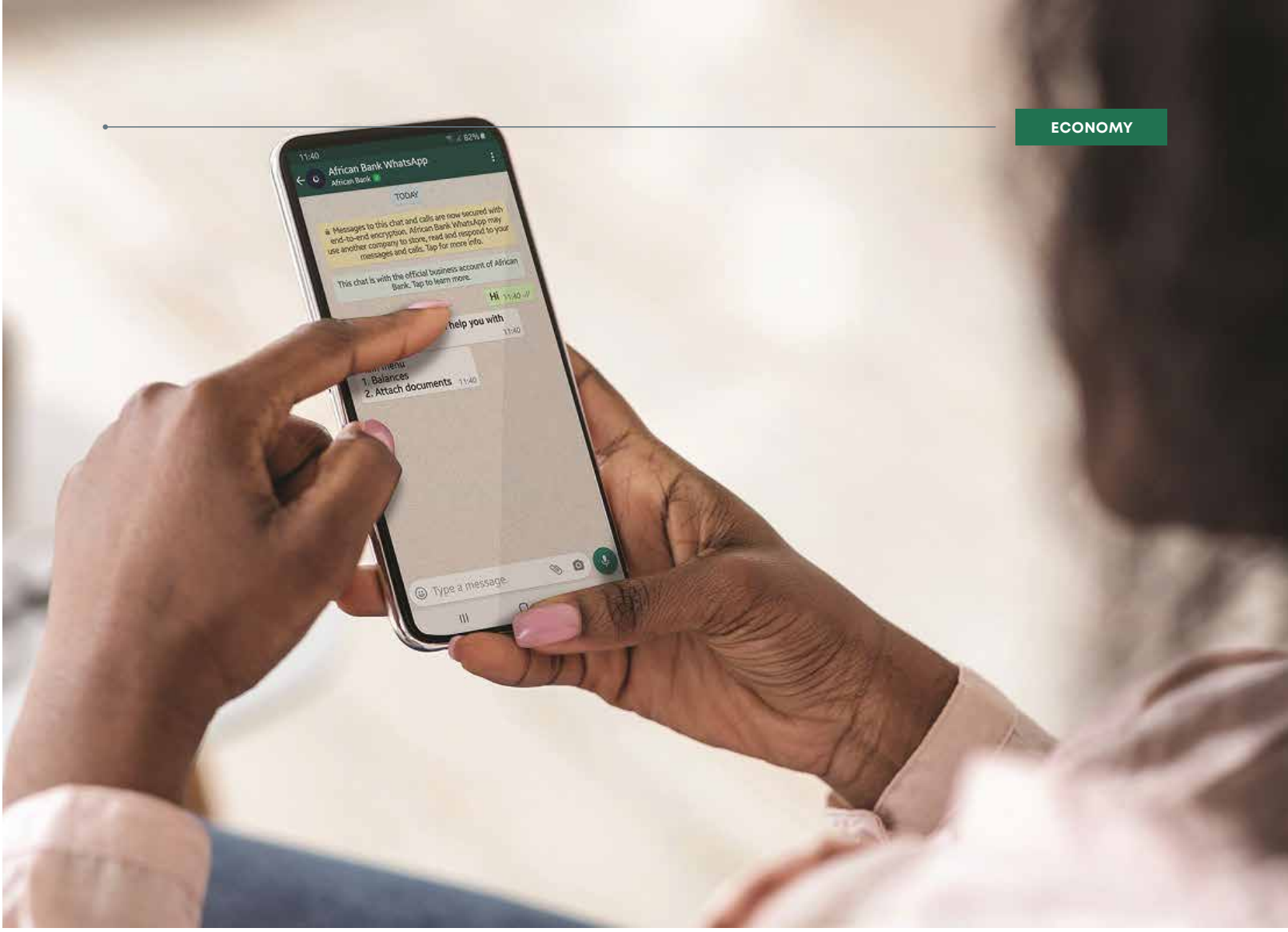
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Medium Enterprises in Malawi including addressing Coronavirus Disease implications.

The project looks at thematic areas that include Private Sector Development (enterprise development, medium small and medium enterprise development, entrepreneurship and job creation), human development and gender and climate change management.

Financial Literacy

As a member of the Alliance for Financial Inclusion, the Reserve Bank of Malawi in 2014 launched initiatives to combat financial literacy issues that are high in the country. These include the introduction of a National Financial Literacy Week which promotes personal finance management through focus on budgeting, savings and investing culture among specific target groups, generating a general awareness of services and products offered by a wide range of financial institutions, promoting awareness of the financial consumer's rights and responsibilities and creating awareness of existing complaints and dispute resolution mechanism and consumers and procedures for consumers of financial services.

This has paid dividends as the number of Malawians that had access to formal financial services increased from seventeen percent to twenty-nine percent in 2018.

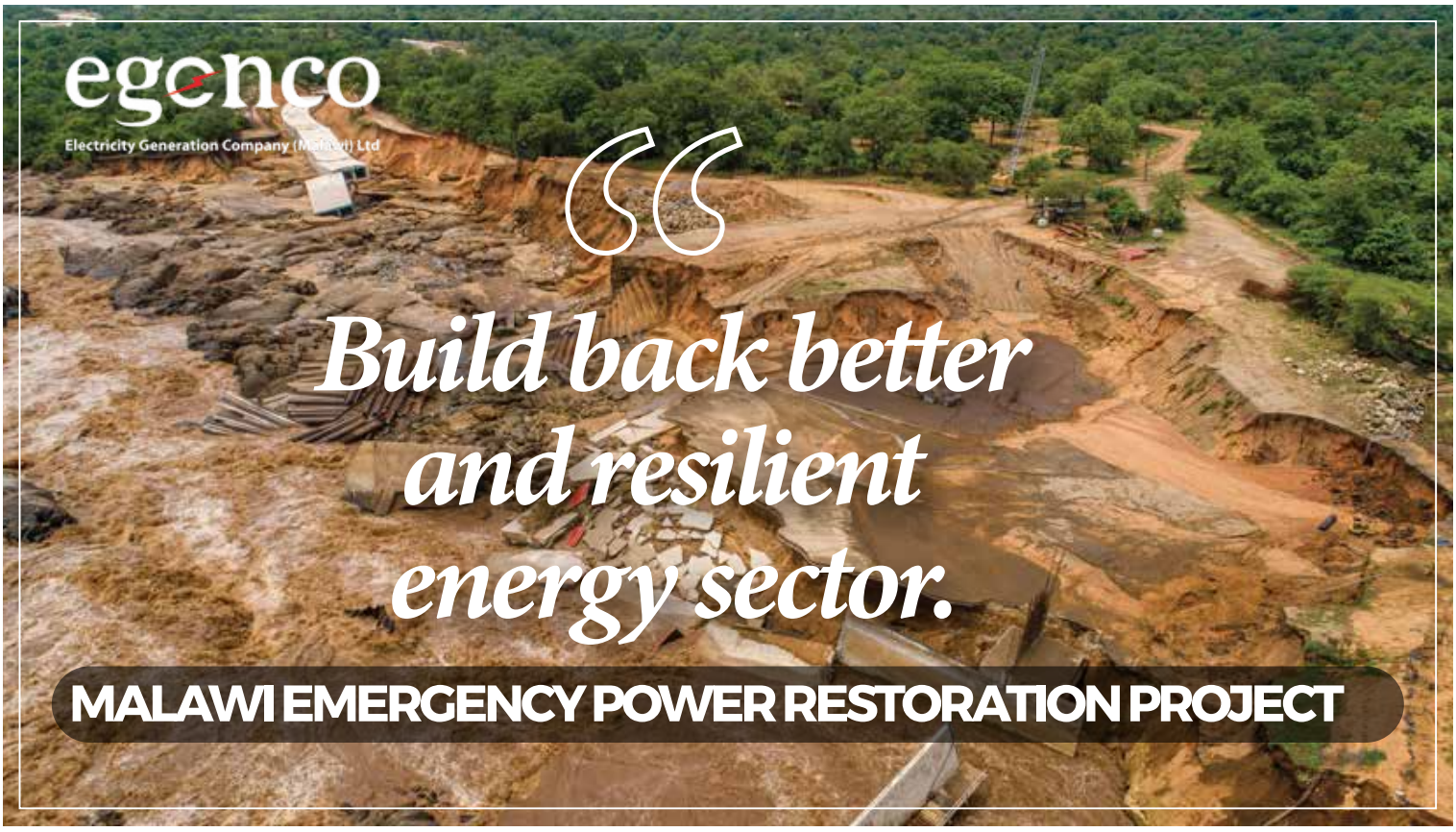
Malawi 2063 and way forward

After the flopping of the Vision 2020, the country introduced the Malawi 2063 to achieve inclusive wealth creation and self-reliance. Financial inclusion is also enshrined in this blueprint with the expected outcome of improved access to finance for businesses and entrepreneurship. This would be achieved through diversification of sources for Small and Medium Enterprises. Establishment of Community Banks and restructuring and recapitalizing financing instruments for business finance for SMEs, the youth, women and persons with disabilities are some of the efforts underlined to uplift these vulnerable groups that cannot favourably compete against the established monopolies.

If government walks the talk on prioritizing SMEs in government projects, the marginalized groups will surely no longer be left behind in the economic development of the country.

There is also need to scale up targeted and conditional cash transfers among the urban poor and rural communities.

Special programmes such as National Economic Empowerment Fund (NEEF), Affordable Input Program and Business Women funding initiatives also have to be de-politicized to ensure that no one is left behind.



On 24 January 2022, a deadly tropical storm, Cyclone Ana, hit Malawi. Accompanied by a heavy downpour that resulted into floods, the cyclone left a trail of destruction across the whole country – displacing households, washing away livestock and crops; collapsing buildings, bridges; cutting off road networks, even injuring and killing people with others going missing.

The cyclone also affected electricity supply with the whole country totally losing power - transmission and distribution power lines were fallen and electricity generation was completely brought to a standstill in order to prevent damage of power generation infrastructure.

"We are experiencing flash floods at the power stations… We have been forced to shut down some machines to protect the intake structures from getting damaged." Read an SOS made on 24 January from the country's major power producer, Electricity Generation Company (Malawi) Limited (EGENCO).

By 27 January, only 52% of power generation was restored by EGENCO. There was still work to be done. Most parts of the country, especially those that were heavily hit by the storm, still had no electricity as transmission and distribution lines were still fallen. Although the storm was over, it would take several days before these areas saw a flicker of a light bulb.



Kapichira Dam:Before the floods in its normal state of operations

As if that weren't enough, the worst had happened at EGENCO's Kapichira Hydro Power Station. In the process of power restoration, the company reported that Kapichira had suffered extensive damage at its intake dam structure. However, there was still hope.

"We wish to assure the nation that the situation is under control… We are hopeful that very soon most of the machines will be back online." Read a power status update from EGENCO made on 25 January 2022.

However, all that hope was shattered in its subsequent power status update. The flashfloods had severely damaged the intake dam structure at Kapichira, including washing away and submerging the training dike, a water control structure that diverts the flow of the Shire River towards the intake to be used for power generation.

"As such, the dam is not able to hold water for power generation. This means 129.6MW is not available for power generation." Came the final nail on the coffin.

Consequently, this reduced EGENCO's power generation by 32%, reducing the power available to the national grid by 23% and resulting in the country experiencing long hours of load shedding .

In the aftermath of the cyclone, EGENCO appealed for assistance in rehabilitating the power station. And so did Malawi's Minister of Energy, Ibrahim Matola.

"These works cannot be done with only our local purse because we are so exhausted with other related issues. However, I would like to call upon the international community; The World Bank, IMF, European Union, Britain and the Americans to come and assist us," Said Matola.



Kapichira Dam:After the floods, Dam wall and the Dyke damaged by heavy water

After several engagements with the government, the international community and other stakeholders, help has finally arrived for Kapichira Power Station.

We are pleased to announce that after lengthy discussions with the World Bank, the Bank has agreed to lend to EGENCO through the Ministry of Finance money for the repairs of the Kapichira dam." Reads a statement from EGENCO on its website.

World Bank's Executive Director, Taufila Nyamadzabo, further confirms this in a communique made to the Governor of the World Bank Group and Malawi's Minister of Finance.

"…the Board of Executive Directors of the International Development Association (IDA) on June 17, 2022, approved on an absence-of-objection basis, a credit in the amount of US$36 million and a grant in the amount of US$24 million from the IDA Crisis Response Window to the Republic of Malawi for the Emergency Power Restoration Project." Reads the communique.

A total amount of US$45 million of the money will be used by EGENCO for the Kapichira Dam Rehabilitation and Strengthening while US$15 million will go to the Electricity Supply Corporation of Malawi Limited (ESCOM) for transmission and distribution network restoration.

The Kapichira Dam Rehabilitation and Strengthening will be done in two phases. The first phase will involve developing a temporary cofferdam that will raise the water in the dam back to operational levels for power generation while the second phase will aim at fully rehabilitating the damaged infrastructure and upgrading the power station to enhance its resilience towards any similar future natural disasters.

At the moment, EGENCO has begun preparatory works towards rehabilitation of the Kapichira Power Station. The Company is expecting to start reconstruction works in the month of July 2022 and estimates that it will take 3 to 6 months to complete the first phase and have power generation restored. The second phase is expected to take longer.



Part of Kapichira Dam damaged by heavy water

TACKLING RISING INEQUALITY FOR SUSTAINABLE GROWTH

BY STAFF WRITER



STAGNATED—Poverty in Malawi

In Malawi, the top one percent of the wealthy population earns more than 25 percent of the national income, an indication of the growing gap between the rich and the poor.

This is according to the Southern African Development Community (Sadc).

According to 'The Crisis of Extreme Inequality in Sadc: Fighting Austerity' and the Covid-19 Pandemic report, Malawi's gini-coefficient—a measure of the distribution of income across a population—stands at 0.45.

On the other hand, the palma ratio—the ratio of the richest 10 percent of the population's share of gross national income divided by the poorest 40 percent's share—stands at 2.35 percent.

Ironically, data from the report, jointly done by Oxfam, Development Finance International (DFI) and Norwegian Church Aid shows that only 2.8 percent of the poorest 20 percent complete secondary education.

This is according to the Centre for Social Concern (CfSC) is a causative factor for a wide range of health and social problems, ranging from reduced life expectancy and higher infant mortality to poor educational attainment, lower social mobility and increased levels of violence and mental illness.

In an interview, CfSC Economics Governance Officer Benard Mphepo observes that at a microeconomic level, inequality increases ill health and health spending and reduces the educational performance of the poor which lead to a reduction in the productive potential of the work force.

At a macroeconomic level, he says, inequality can be a brake on growth and can lead to instability.

"Therefore, here is an urgent need for the governments to implement pro poor policies to reduce inequality," he says.

Among the pro-poor policies for a turnaround is facilitation of profitable markets for farmers to benefit from their faming activities and increasing



FOR ENHANCED PRODUCTIVITY—Chikuta

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the minimum wage to support the majority of Malawians to move out of poverty line, which according to the World Bank, has stagnated at about 76 percent in recent years.

Mphepo also feels adopting a progressive tax systems will not only increase the revenue basket, but fairly distribute the same to reduce the gap between the rich and the poor.

"The government must increase free tax band from K100,000 to K200,000 to reduce inequality. CfSC is also prosing reduction of taxation rate from 25 percent to 15 percent to all people who are receiving monthly income of less than K330,000 to reduce inequality," he says.

CfSC monthly basic needs basket findings in May revealed that the cost of living is at K257 against a minimum wage of K50,000, which Mphepo argues cannot support to buy food that provide adequate nutrition.

Speaking separately, consumer rights activist John Kapito observes that while governments are aware of the key pillars for development and those that can reduce the economic imbalances, priorities have been turned upside down.

"Unfortunately, for a long time within Sadc, we talk about the need to improve these sad indicators but we are unable to walk the talk.

"Sadly, it is those at the bottom that have also failed to challenge those at the top who continuously and consistently oppress the poor it will take us a long a long time to address these challenges," he said.

Economics Association of Malawi Executive director Frank Chikuta also observes that apart from perpetuating poverty, rising inequality is also not good for economic growth.

This, he says, is because it reduces demand through its effect on consumption spending.

"It is in recognition of these facts that the Malawi 2063 propagates inclusive growth as one way of reducing poverty and achieving sustainable economic growth," he says.

Already, about an additional 394,000 Malawians are projected to fall into the poverty trap on account of rising commodity prices, according to the International Food Policy Research Institute (Ifpri) has said.

Ifpri says the crises could also cost the economy 1.3 percent of its gross domestic product (GDP) due to the combined effects of the negative terms-of-trade shock and reduce the working population by 2.8 percent as falling production leads to job losses.

Following the development, Ifpri projects the national consumption spending, including the value of home consumption, to fall significantly by 5.3 percent.

Overall, the fuel shock accounts for 50 percent of the absolute decline in household consumption, followed by the fertilizer shocks at 40 percent, and the food shock has a modest impact, accounting for 10 percent of the fall in total household consumption.

Meanwhile, the Malawi 2063 seeks to transform Malawi into a wealthy and self-reliant industrialised upper middle-income country by 2063 by focusing on inclusive wealth creation and self-reliance, built on increased productivity and commercialisation of agriculture, resource-based industrialisation and urbanisation.

The blue print projects that if the economy grows at an annual average rate of six percent, Malawi could attain the low-middle-income status by 2030, with a per capita income of between $1 006 and $3 955

FEATURE

MINDSET CHANGE, KEY TO FINANCIAL INCLUSION

BY STAFF WRITER



REMAINS WIDE—Gap between the rich and the poor– Photo Credit: Thomas Trutschel/photothek.net

Mindset's definition is well captured in the Oxford Dictionary of the early 1980s, which defines it as the expression of a belief one accepts and turns into a guiding principle.

It has long been recognised therefore that, because mindset entails a belief system, it is possible to change that system, call it line of thinking.

Perhaps, one of the weaknesses of the Malawi Poverty Reduction Strategy, which is the precursor of the Malawi Growth and Development Strategy (MGDS), was that it did not put mindset change at the centre of its implementation.

This applies to all MGDSs, be it one, two and three.

Worse still, Vision 2020, which was launched with all pomp and fanfare in the early 1990s, did not recognise mindset change as one of the key factors that would help Malawians attain their goals.

As such, people who were eager to implement initiatives linked to Vision 2020 were taking one step forward and two backwards because they still had long entrenched beliefs, some of them archaic, dragging them backwards even if they were willing to follow the precepts of the vision.

Fortunately, the Malawi 2063—the country's long-term development blueprint, which Malawians have identified as the vehicle of progress that will make them a middle-income economy by that year, has brought a break-through, in terms of recognising the power of the mind to either drag people backwards or propel them forward.

In making mindset change one of the pillars of Malawi 2063, policymakers have also put Malawians on course to embrace what Ghana-born motivational speaker and economist Patrick Domuah describes as abundance mindset, positive mindset and growth mindset.

At the heart of these three mindsets is positivity, for, without embracing a belief system that borders on the positive.

By embracing a positive mind, it will be possible for Malawian farmers— who have been made to believe that only chemical fertilisers can transform their lives by generating enough yield and incomes for them—to embrace organic farming.

In so doing, they will reduce soil degradation, which is one of the disadvantages of chemical fertilisers, while enriching the soil and ensuring that nature repairs itself.

There are countless examples one can give about things Malawians need to change by embracing mindset change but nowhere is the need more pressing than in the area of financial savings.



COULD HELP LESSEN THE PRESSURE—Formal education —Photo Credit: www.globalgiving.org

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Without Malawians recognising that only through savings can they change their lives, and that only through savings can financial inclusion goals be met.

As things stand, Malawi is really in a bad place, in terms of embracing a savings culture and, by extension, meeting financial inclusion goals.

Unfortunately, the situation has persisted for far too long. No wonder that, since 2011, the financial sector's contribution to national economic growth and poverty reduction has been limited, such that, in that year, only 19 percent of adults in Malawi were banked. It has been said, in World Bank corridors, that while Malawi has introduced some requisite reforms, including financial sector reforms, financial inclusion remains a tall order.

One of the challenges pertains to access to finance, with interest rates remaining some of the highest in Africa.

For the poor of the poor, however, lack of collateral thwarts their chances of securing loans.

Of course, some initiatives aimed at addressing the problem have been launched, notably the Financial Sector Technical Assistance Project.

Through the project, financial service providers embraced digital financial services, helping policymakers, regulators and market actors use technology, processes and people to evolve market conduct, outreach and performance in more efficient ways than before.

One of the hallmarks of the initiative is that Malawians have, more than ever, embraced mindset change, such that the rate of adults using financial institutions rose from 19 percent at the start of the project in 2011 to 40 percent at the closing in June 2018.

Likewise, the proportion of women that are formally banked increased from 17 percent in 2011 to 38.5 percent in 2018. The statistics continue to improve.

However, for Malawians to fully embrace mindset change, and for service providers, such as authorised dealer banks, to help the government make the attainment of financial goals easy, there is a need to aim for 100 percent service access rate.

That is where more awareness campaigns are needed to water the seeds of mindset change, which is something Malawi cannot do without.

As at now, there are many small-scale entrepreneurs who do not keep their money in banks, exposing them to risks such as fire. When fire breaks out, such people lose everything, more so because most of them also do not appreciate the need for insurance.

In cases where fire or thieves and other eventualities have wiped out the financial and material gains the entrepreneurs made, they often cannot access financial services because they have no track record.

In the end, they go back to square one and join the queue of those waiting for a financial breakthrough. It is acts like these that perpetuate the vicious circle of poverty.

Only with positive mindset change, especially towards savings and financial inclusion matters, can Malawians embrace abundance mindset, positive mindset and growth mindset and change their socio-economic welfare.

More so because, by embracing positive mindset, they will know that all things are possible; as such, they will have their needs in abundance and even reach out to those in need— through that process, growth would have been attained, both at the individual, community and national level. It is a desired affairs of state for Malawi, one that has been long-coming for years and years now.

FEATURE

MOBILE MONEY:
A CATALYST FOR FINANCIAL INCLUSSION

BY GODFREY MAOTCHA



PROVEN EFFECTIVE—Mobile money

Mervis is a mother of one daughter who sells tomatoes, sweet potato, charcoal and of course petroleum products on the black market.

She plies her trade at Kadzakumanja, a trading centre along the Area 23 Kang'oma road on the south east of Lilongwe city.

On a good business day, she makes at least K35,000 in sales.

As the time clocks five o'clock in the afternoon, she needs somewhere to keep her revenue, safely.

Her house is located nearby which makes her vulnerable to theft as many people at the trading centre are aware of her business prowess, at the same time know her home.

Luckily, just five yards away from her vending stall is a mobile money agent where she deposits a huge chunk of her revenue into a mobile money account.

She has never owned a bank account before, neither her parents who live in the same area.

"I just feel like going to register for a bank account is very hectic, I have to visit the town and some processes demand a lot of requirements," she narrates.

At the end of five days, she goes and withdraws over K150,000 from the mobile money account to order her merchandise.

The story of Mervis is just one example of Malawi's unbanked population who have found solace in mobile money as a way of transacting business even in the remotest areas, where commercial banks cannot even dream of establishing their services.

In his article titled Payment Systems and Mobile Money In Malawi published in Research Gate, Sunduzwayo Madise of the University of Malawi found out that bank charges in Malawi are generally high across all platforms.

Apart from bank charges, it is expensive to operate a bank account in Malawi because most banks are concentrated in the main cities and towns and usually have agencies in the smaller towns.



ON THE RISE—Mobile money uptake—Graph curtsey of RBM

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This means that people in the rural areas have to travel long distances to access banking services.

Most banks require a minimum credit balance to open and operate a savings account (and charge a ledger fee for current accounts).

Banks also impose limits per day and per month, not only for amounts of money but also for number of transactions.

Apart from mere withdrawing and depositing money into the mobile phone, many Malawians transact using mobile money for services like bill payment on utilities like water, electricity,

Mobile money for starters is a process of loading cash into a person's mobile phone and use it as a mobile wallet

Malawi's mobile money market is a duopoly in that two mobile services providers TNM and Airtel Malawi are the twin custodians and quality controllers of the mobile money market.

To emphasise the magnitude of mobile money market TNM established a separate company called TNM Mpamba limited.

Government had also recognised the role and magnitude that mobile money has played to the country's financial sector.

During this 2022 Media Institute of Southern Africa held in May this year, Director General of the Malawi Communications Regulatory Authority Daud Suleiman said mobile money transaction had reached K14 trillion per four years.

There were over 10 million mobile wallets in Malawi at the beginning of 2022.

Despite a huge penetration of the mobile money market there are also huge setbacks in the uptake of mobile money services.

One of them is fraud. Malawi has witnessed criminals calling unsuspecting mobile money users to process transactions which are not legit.

The Reserve Bank of Malawi is the chief regulator of the mobile money market in Malawi. There are more legislation that are aimed at sanitising the mobile money sector in Malawi.

The Malawi 2063, a development blueprint which seeks to get Malawi to the level of middle income, inclusively wealthy nation has enabler number 6 which looks at the development of the information communications technology as a way of boosting the economy.

It states that "We shall continue to embrace technology in a way that promotes development and use of inclusive financial systems.

Financial services and products will be offered through diverse and modern digital financial platforms that are convenient, available and accessible to everyone, especially those in remote areas."

The use of mobile money is here to stay. And as commercial banks continue to tighten the screws on the requirements of how to register for a bank account, it will remain the most convenient means of financial transactions in Malawi, and improve the country's financial inclusion, to the common man.

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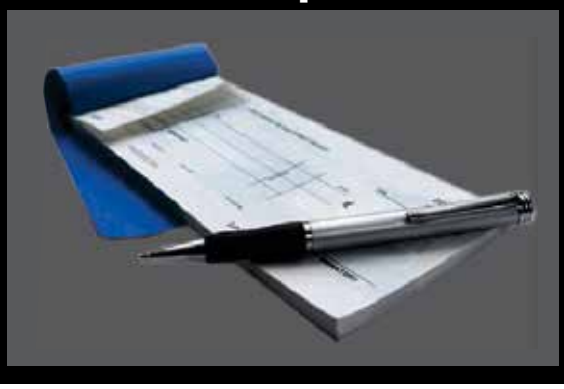
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POLITICAL WILL

KEY TO FINANCIAL INCLUSION

BY STAFF WRITER



WHERE THE LAWS ARE MADE—Parliament Building

Transparency International (TI) defines political will as the "demonstrated credible intent of political actors", further indicating that it can be described as "the commitment of political leaders and bureaucrats to undertake actions to achieve a set of objectives and to sustain the costs of those actions over time".

As elsewhere across the globe, most things depend on politicians in Malawi, who make their wishes known on the campaign trail.

When the politicians are voted into power, they may incorporate the policies they were selling to voters in national policy.

That is why observers say political will can hardly be observed separately from the action it supports. In other words, service seekers can, in no way, cite one set of politicians for success registered in a programme that was introduced by another set.

Therefore, by selling an idea to the masses on the campaign trail, it is likely that, should success be registered, service users will attribute the success to those that introduced the idea. Surely, political will can hardly be observed separately from the action it supports.

Ironically, despite that politicians playing a key role in selling national policy, it was surprising that no major political party pledged anything on financial inclusion, which is one of the areas Malawi has been lagging behind in for ages.

Politicians' failure to say anything about financial inclusion on the campaign trail is a clear manifestation of a lack of political will.

As such, without politicians' pronouncements on their willingness to implement financial inclusion programmes, and their presence of mind to cite issues related to financial inclusion when recounting their success stories, little progress can be made in this area.

Fortunately, in addressing issues of political will, Malawi has reference points, especially because experts have come up with a set of components that could indicate the presence and level of political will or lack of thereof.

Some of these components are →

lack of follow-up on promises made, weak or non-existent legal and institutional framework, inadequate allocation of powers and resources, lack of appropriate sanctions, lack of enforcement and failure to include some national development initiatives during progress reviews.

For all these things to happen the politician has to play a leading role and these manifests itself in the government taking the initiative.

More specifically, it is assumed that if political will is present, a number of actions will become visible.

However, due to politicians' [both from the opposition and ruling party] lack of attention on issues pertaining to financial inclusion, there has been little action, in terms of mobilisation of efforts to garner long-term public commitment and allocation of resources.

This has been lacking, as far as issues of financial inclusion are concerned, such that there has been negligible amounts of human and financial resources allocated to support the cause. It does not need rocket science for one to fathom that there is either no political will or, if at all it is there, it is half-hearted.

Fortunately for Malawi, politicians would not be blank about where to start from, should they renew their commitment towards financial inclusion issues. For instance, commercial banks have already been playing their part to advance the financial inclusion agenda, which is not surprising because this is their core line of business.

For instance, in an article titled 'The Role of Commercial Banks on Financial Inclusion in Malawi', Onelie Nkuna, Angella Lapukeni and Paxon Kaude, say financial inclusion is said to be a panacea for lowering poverty and income inequality, such that, in most developing countries, commercial banks are considered to be the traditional channel of including the unbanked into the formal financial system.

They write: "Developing countries are promoting financial inclusion in their economies due to the potential benefits associated with financial inclusion. Vast literature is suggesting that, among others, financial inclusion plays a critical role in poverty reduction, reducing income disparities and increasing economic growth....

"The term financial inclusion is quite broad and there is no consensus on a single definition. For instance, from the supply side perspective...

It is also defined as "the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost".

In all these cases, it is about tapping from an underutilised catchment area.

Needless to say financial inclusion could go a long way in putting Malawi on the path to economic prosperity, more so because over 65 percent of the population lives below the poverty line in Malawi.

This poverty is more prevalent in rural areas, as about 95 percent of the poor and 97 percent of the ultra-poor live in rural areas, where, ironically, the majority of voters who put politicians in power also come from.

Malawi can be said to have the requisite legal framework for financial inclusion, work that can be said to have started when the Reserve Bank of Malawi Act and the Banking Act of 1965 promoted financial inclusion by excluding punitive provisions.

In the early days, interest rates were administered by the Malawi Government, whose officials had the presence of mind to introduce credit ceilings, thereby encouraging the citizenry to borrow.

Much of the borrowed funds were invested in the agriculture sector, which helped Malawi establish itself as an agri-based economic.

The government cemented its will by implementing economic reforms in the late 80s among which included the financial sector reforms.

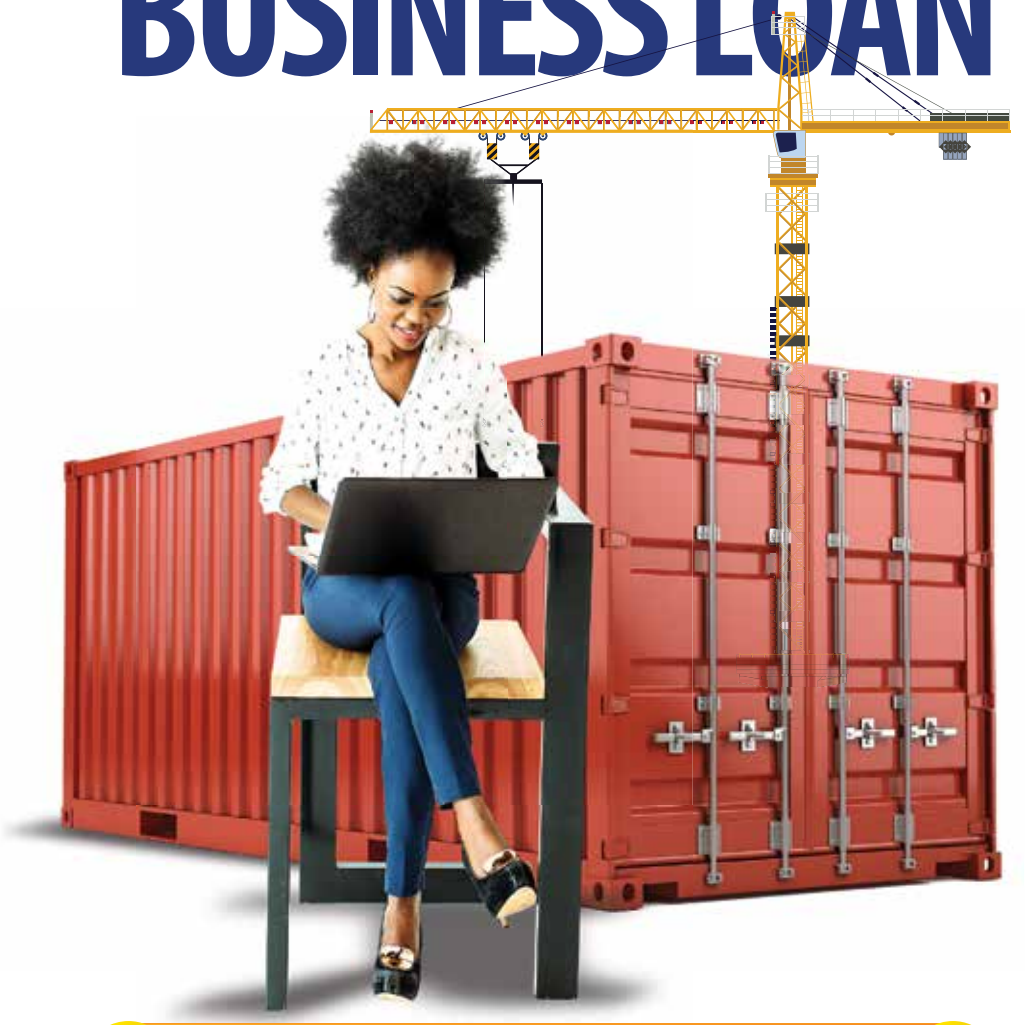
According to Nkuna, Lapukeni and Kaude, in the 1989 a number of reforms occurred and this included liberalisation of interest rates to influence and encourage borrowing and which also raised the cost of funds to all financial institution, decontrol of lending and deposit rates, abolishing of preferential interest rates to the agriculture sector, abandonment of credit ceilings and rationing.

However, it is not too late for Malawi to put financial inclusion on the political agenda, starting with the 2025 elections. If that can be done, financial inclusion can become a reality in Malawi earlier than later.



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FINANCIAL SERVICES SECTOR; CATALYST FOR INCLUSION

BY STAFF WRITER



CONVENIENT—ATMs

In 2014, the government conducted a study, 'Making Access Possible (MAP) Research Programme', to inform the financial inclusion agenda in the country.

At the time it was revealed that access to financial services was still a challenge in Malawi, with the level of formal financial inclusion being 34 percent, which was below the regional average.

It further uncovered that, 9.5 percent of adults used more than one formal financial product.

However, the low levels of access were as a result of the low penetration of access infrastructure with Malawi scoring poorly against a regional financial infrastructure benchmark.

It was discovered that the informal sector was serving 25 percent of adults, mainly through the Village Savings and Loans Associations (VSLAs), especially among low income earners.

Further to the findings of this study, Malawi's aspirations to have everyone included financially have been undermined by a rapid growth of its population.

A 2019 FinMark Trust report records that the total number of branches serving 100,000 adults declined slightly from 0.94 in June 2017 to 0.78 in June 2018 while access to ATMs declined from 5.24 to 4.69 ATMs serving 100,000 adults during the same period.

"The main driver for this decline was the increase in the population of adults while access points largely remained static. The increase in population is due to the revised census estimates, which affected the rural population in particular. Although the negative trend may be worrisome given the excess reliance on cash by most customers of banks in Malawi, it is still revealing that rural areas require more financial access points compared to urban areas," reads the report.

The current development blueprint, the Malawi 2063, places financial inclusion as one of the indicators to attainment of one of its objectives that is creating inclusive wealth for all.

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ESSENTIAL—Banking services

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In the Malawi 2063 financial inclusion is estimated to cover 87 percent of the total population and reach 95 percent of total population in the final year 2063.

The mushrooming of innovative digital products and linkages between bank accounts and mobile phone wallets has seen the financial divide being narrowed among Malawians in the past few years.

Apparently this also illuminates on poverty eradication. For example, the World Bank, in an article titled Banking the Unbanked in Malawi, highlights that in 2011, the financial sector's contribution towards growth and poverty reduction in the country was limited with only 17 percent of adults in being banked.

"While the country had achieved notable reforms, much of the business environment work remained outstanding, particularly financial sector reform. Access to finance was the greatest problem among businesses in Malawi, as the formal financial sector remained small and serviced mostly the urban population," the article reads.

But, the Reserve Bank of Malawi's National Payment Systems report for 2021 says there has been generally a significant improvement in the performance of various payment streams as both the volumes and value of transactions increased during the year 2021.

It says the development could be attributed to the growing customer confidence in electronic payment channels as well as the reduced negative impact of the Covid-19 pandemic.

The report further says the retail payments segment continues to face challenges such as low participation of women in mobile money services and low awareness and sparse availability of access points in remote areas which affect adoption and usage of electronic payment products and services in the country.

"Regulators and industry stakeholders should therefore collaborate to implement appropriate measures that will address the challenges highlighted above in order to spur growth of digital financial services in the country," reads the report.

This bears witness of the effort commercial banks have employed to change the narrative through various innovations form engaging local trader to become bank agents and increasing presents in various geographical settings to establishing innovative solutions that conquers the financial inclusion divide.

Just the other day, one of the country's high street banks, National Bank of Malawi, announced an innovation called the Mo626 wallet which allows Malawians who do not hold a bank account with the bank to keep and save money in a mobile wallet.

Speaking during a media engagement in Blantyre, the bank's Head of Financial Services William Kaunda said Mo626 Wallet is like a mobile wallet and people can use it without having an account with the bank.

"Let me give assurance that National Bank will do anything possible to simplify banking for the population by coming up with innovative ways like the ones we are talking about today," Kaunda said.

Thus, the dream of having 95 percent of the country's population financially included largely depends on the innovativeness of commercial banks in the country.

They, therefore, can only require the necessary support from all stakeholder be it the government, communications sector players and members of the public.

ON MOBILE MONEY FRAUD



BY LUMBANI GONDWE
CONTRIBUTOR



In its second decade, mobile money continues to reach impactful heights in Malawi.

Industry players continue to scale, grow in transaction volumes and number of subscribers.

Innovative solutions targeting the deemed hard-to reach customers have also been implemented.

This progress has, however, come with the exponential rise of mobile money fraud.

This threatens the country's aspiration of attaining the financial inclusion mark and thriving digital economy by 2026. And the Malawi Digital Economy Strategy (2021-2026) could be another well-crafted plan with no tangible output.

In digital finance, and particularly in the context of mobile money, fraud is the deliberate action by players in the mobile financial services ecosystem aimed at deriving gain (in cash or e-money), and/or denying other players revenue and/or damaging the reputation of stakeholders.

The sun barely rises and sets without reports of unsuspecting victims being defrauded of their hard-earned money in mobile money systems.

The prevailing trajectory of mobile money fraud cases must be tamed comprehensively and collectively.

Not only does it result in financial loss, it also damages the reputation of the digital financial services industry as a whole and adoption of the service.

Mitigating risk of mobile money fraud should be a primary objective in a robust risk management strategy for service providers. Managing fraud risk in mobile money is a challenging task.

Mobile operators are familiar with managing risks on the GSM side of the business and those operating mobile money services are aware that mobile money carries different kinds of →

Creating awareness among customers and mobile money agents on how to avoid risk of fraud is a critical preventive control to reduce prevalence of scams.



risk – particularly as occurrence and prevalence of fraud is dependent on the stage of implementation of the mobile money system deployment. As deployment evolves, fraud evolves with it.

For example, fraud on business to customer and customer to business transactions will likely occur in more mature mobile money markets such as Kenya, Tanzania and Nigeria while fake registrations are likely in developing deployments such as Malawi.

While strategies and structures of managing fraud in mobile money may vary, operators, regulators, stakeholders and providers can widely agree and adopt a framework for risk management strategy in mobile money for the country.

The framework could be composed in four key elements that mobile money deployments use to manage risk: determine risk appetite, identify risks, establish controls and monitor effectiveness.

Apart from lack of robust fraud management systems, weak regulation is one of the key enablers of mobile money fraud.

The inability of regulators to monitor the mobile money ecosystem and set guidelines for different stakeholders increases the likelihood of fraud in any system.

As a regulator which sets rules and rails for a robust inter-operable digital payments system, the Reserve Bank of Malawi (RBM) could within its mandate encourage establishment of shared investment in a centralised fraud detection, management, monitoring and control system that can be integrated with the National Switch.

The shared fraud management system could incorporate use of Digital Identity Systems and e-KYC which are key factors in fighting mobile money fraud.

Creating awareness among customers and mobile money agents on how to avoid risk of fraud is a critical preventive control to reduce prevalence of scams.

While initiatives to do this by both regulators and service providers so-far are commended, fraudsters do not care for warning press statements.

Service providers need to invest in more in-built mobile money systems fraud preventive, control and monitoring features.

A centralised fraud management system will go a long way in helping mobile financial service providers build a fraud lifecycle that is closely aligned to the product lifecycle and enable better knowledge of investment required in mobile financial services.

In a number of mobile financial service jurisdictions, regulation is done by oversight with regulators exercising best practice in managing service.

As we strive towards a cashless economy, it is of highest importance that we create a financial service environment that protects both customers and providers against financial loss through fraud. Both regulators and industry players carry a huge task of striking a balance between managing risk and promoting adoption, innovation and competition in the digital financial services space.

The author is a Digital Finance specialist and Country Manager with a Global Financial Technology Organisation. He is Malawi's 2019 finalist of the Malawi National ICT Innovations Awards in Financial Technology (Fintech).

FEATURE

PUSHING FINANCIAL INCLUSION AGENDA THROUGH INTEGRATION

BY STAFF WRITER



TARGETED—Malawians in the remotest areas –Photo Credit: © Patricia Fortlage | www.religionunplugged.com

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.

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.

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COLUMN

WHAT BANKS CAN LEARN **FROM THE MUSIC INDUSTRY TRANSITION**



BY CHRIS CHIRWA
CONTRIBUTOR

I am certain that each one of us listens to music, irrespective of genres and generations. I am certain you will be wondering how music and banking can be presented in the same article.

Technology has transformed the music industry, from recording to distribution to consumption, which has resulted in a change in the business model.

The music business model has changed from predominantly buying for possession to buying for access. Music is one of the world's most established industries, and it is one of the industries which has faced massive threats, and a few players have turned the threats into opportunities. As is usually the case, many players have fallen prey to the threats and are obsolete. The emergence of the internet and data technologies played a big part in the music industry disruption. The same can be said of the banking industry.

Before dawn of the digital age musicians relied so much on the record labels (companies that manufacture, distribute, and promote music recordings of artists).

This was the case because the initial capital outlay for a musician to record, market, promote and distribute his or her own music was so much to bear.

The record labels provided the money and took the gamble on the artist being successful.

There were so many instances where the record labels invested so much on an artist who ended up being a flop. There was a lot of risk involved by the record labels, contrary to what people believed.

But when the gamble paid off, the record labels were the ones to be paid off before the artist. The record label had to recoup the money invested in the recording, marketing, promotion, and distribution.

The contractual obligations which the artists were tied up to, dictated that the record labels owned the intellectual property and rights to the artists' music. The truth is that the music and the musicians were owned by the people who recorded and those who printed the physical storage mediums.

Prior to the 1990s music was →



NEOBANK



OLD BANK

→

recorded on vinyl. Vinyl was a 12-inch disc where music was stored in analog, with a maximum capacity of 45 minutes. The vinyl needed a special machine called gramophone for it to play on, and the vinyl had a short life of playback as it was sensitive to damages. At the beginning of the 199's was the downfall in the market share of phonograph records when compact discs (CD) started gaining market popularity.

CDs moved from analog to digital, boasted of better sound quality, was smaller in size, it could store up to 80 minutes of music, there was less degradation, and music was going to be played for longer. But even the much-celebrated CD didn't stay for long, albeit having a very profitable decade to its credit.

The beginning of the digital age meant music can be played over the internet, but the music industry at first did not take it enthusiastically, there was a lot of resistance from the record label players.

In 1999, that is when the real change started, when Napster Technology Music Company was invented. Napster Company could store music on the internet for consumers to download music, for free. It is not difficult to see that the company business model was illegal, as the record labels owned all the music in perpetuity anywhere on the globe.

Napster tried to strike some deals with the record labels, but obviously the online business model was less profitable, and it took away the control from the record labels. The potential deals fail through. With that, Napster was closed due to copyright infringements.

By this time the world knew of the digital music technology, it was just a matter of time for another player to take on where Napster left. In 2001, Apple iTunes came, even though it was limited to the Apple users.

Apple iTunes currently have a 16 percent+ market share in the music industry, due to the high market share of Apple products globally.

In 2008, there was the emergency of Spotify (which has a 31 percent market share of the current music streaming services), users could listen to music for free if they could listen to ads or pay for a subscription for ads-free music streaming.

By this time the record labels had seen the success of the digital music streaming and were willing to get to the table. Some record label companies went as far as becoming shareholders of some of the music streaming companies (Sony became a shareholder of Spotify). They knew if they did not embrace the music streaming technology, they were going to be dead.

This is a good example where the technology and the industry have come together, instead of the not-uncommon tech versus the industry battles. Of course, the amount of money for the record labels went down considerably with this change.

The business model changed; Spotify pays artists depending on how many times their songs are played by the app as a fraction of the total music which has been streamed. Records are not physical anymore.

Digital marketing, which is far much cheaper than the physical marketing, is used. The music industry is currently estimated as a $26billion industry globally, with most of the growth driven by streaming.

Record labels have evolved, and some have gone obsolete, due to the progression from the phonograph and analog tape machines to digital recording software and internet-based streaming services. It is surprising how much transformation has taken place from 1999 to date in the music industry; accessibility for great music cutting across generations and geographical locations, on demand music →



purchase, consumers are now in more control than before, and ease of sharing, among the many benefits of music industry transformation.

The transition, fundamentals and principles are similar to what has happened (and continues to take place) in the banking industry. There are so many emerging threats to the mainstream industry which have transformed the industry. This far some banks have already succumbed to obsolescence.

Even among the survivors the battle rages on, as transformative threats continue and even faster than before. It has been said and quoted countless times that it is not the strongest, fastest, or biggest who survive, but the most flexible and adaptable. Giant companies have become obsolete for the mere reason that they were not willing to listen to what their consumers wanted.

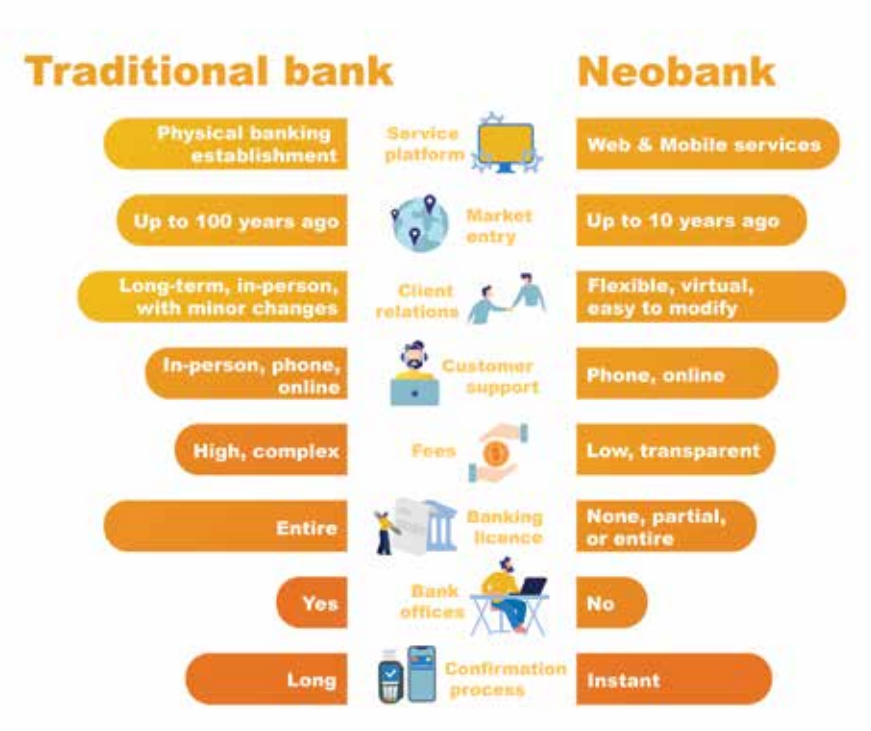
Most of these have come about mostly due to technology disruption which changed how the consumers do their business and even changed the consumers' lifestyles, from external to the mainstream industry.

There is an adage which goes 'what isn't broken doesn't need fixing'. Most market leaders in the industry operate using this concept. At the pinnacle of success, they float in the bliss of 'invincibility' not realizing that their core business is slowly being challenged and eroded.

Companies must learn to compete in the technology age if they are to still be relevant. Companies such as Apple and Samsung which in the past have adopted disruptive technologies ended up replacing existing and established market leaders such as Nokia and Blackberry.

Disruptive technology is characterized by the financial affordability of the services and uptake by the consumers. The producers of disruptive technologies are usually 'outsiders' which are dissatisfied with the current way of doing things. Look at the threat the mobile network operators pause to the banking sector.

In as much as banks are working with the MNOs as partners, they remain the biggest threat to the banks as they are slowly taking over the payments' platforms market share. Can you imagine the disruption which will be caused when the MNOs will be allowed to operate as licensed banks?



Disruptive technology is usually met with resistance from the market leaders because it challenges the core existence of their businesses. An example of a potential disruptor in the modern era is the Neobank. Neobanks, sometimes referred to as "challenger banks," are technology firms that offer technology platforms to streamline mobile and online banking. These firms generally specialize in financial products, like accounts, payments, and digital loans. They also tend to be more nimble, agile, and transparent than mainstream banks.

The examples are countless, but the pattern remains the same. How do things go so wrong for these market leaders? The danger is that, at the same time, there are so many emerging technologies at which will never mature enough to be disruptive. Of course, there are some technologies which will never see the light of day. And there are some which are still controversial, such as the future of cryptocurrency. At the end of the end banks must listen carefully to what the consumers want.

Surprisingly companies seem to have all the time to address disruptive technology issues and yet they still fail, why? Disruptive technology usually develops slowly and in clear sight of all. Most, if not all, know about the new innovations and somehow, they choose to ignore until these new technologies evolve to maturity.

History usually repeats itself and there will always be innovations which will mimic the disruptive nature experienced in the past. In a similar manner disruption can and will keep happening in the banking industry. Leaders should always have the sobering reminder that even the strongest of banks can fall. The smaller and innovative banks come in and outwit the larger and slower rivals.

If banks are to be truly innovative, its leaders must bet the business every few years — by going into areas that, traditionally, have not been their strengths. The digital age has made huge changes for banking industry.

Now, customers have a vast array of services and products than before, whenever and wherever they want.

Digital services are now in the hands of the customer, being decided by the customer, and on demand. Tech and the industry need to be embraced together for massive results. I sincerely believe the possibilities are limitless, as the transformation in the banking industry continues.

The author is Chief Information Officer for CDH Investment Bank. For feedback, contact him on **chrischirwa@gmail.com**

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HOW TO REGISTER?

A. REGISTERED TAXPAYERS

If you are a registered taxpayer, that is, you have a **Taxpayer Identification Number (TIN)** and you have been paying taxes through **Mytax Online** (or e-payment), you are required to register on Msonkho Online for portal credentials. You can register for portal credentials by following these steps;

1. Visit the MRA website **www.mra.mw**
2. Click on the **Msonkho Online** button; a screen with two buttons, **Registered Taxpayer** and **New Registration**, will appear
3. Click on the Registered Taxpayer button; the page requires username and password
4. Click on **Register Now** to get a **username** and a **password**
5. Fill the form on the Taxpayer Portal Registration and submit
6. Check your email inbox for a notification from Msonkho Online
   Check your **junk email** or **spam folder** as the notification may end up there
7. Click on the **confirmation link** sent to your email to activate your account
8. Use the **username** and **password** created above to login through the portal by clicking on the **Registered Taxpayer** button and start making tax transactions

B. NEW REGISTRATION

Individuals and businesses who would like to register for tax to obtain a **Taxpayer Identification Number (TIN),** are required to register online through the Msonkho Online. The prospective taxpayers can apply for portal credentials by following these steps;

1. Visit the MRA website **www.mra.mw**
2. Click on the Msonkho Online button; a screen with two buttons, **Registered Taxpayer** and **New Registration,** will appear
3. Click on the **New Registration** button; the page requires **email** and **password**
4. Click on **Register Now** to get an email and a password
5. Fill the form with your basic details and submit
6. Check your **email inbox** for a notification from Msonkho Online
   Check your **junk email** or **spam folder** as the notification may end up there;
7. Click on the **confirmation link** sent to your email to activate your account
8. Use the **e-mail** and **password** created above to login through the portal by clicking on the **New Registration** button and complete taxpayer registration.

NOTE

- All Malawian citizens MUST use their National IDs as identification
- Passports are only for foreign nationals
- Asterisked fields are mandatory

For more information, please call our Toll-Free number 672

MRA MALAWI REVENUE AUTHORITY

visit **www.mra.mw/msonkhoonline**

Connect with us: Phone: 01 832 685 | Toll-Free 672 | www.mra.mw

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