

MALAWI

BANKER

MALAWI'S FINANCIAL MAGAZINE OF CHOICE

VOL 23 / 2020

*Malawi
energy's hold
on business*

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DEMAND ALSO INCREASES.

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wins 2020 Euromoney Award

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 **NBS Bank**
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In this issue

18



FDH Bank goes public

FDH Bank is now a public company listed on the main board of the Malawi Stock Exchange (MSE).

13

Hoisting Malawi's economy

Every economy needs a well-functioning financial system to sustain its growth. A vibrant and well developed financial sector supports savings and investments thus economic growth.

27

Malawi energy's hold on business

Constrained power output subdues individual's prospects to increase earnings, thereby hitting Gross Domestic Products (GDP) growth in the process.

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Features

35



- 30** A local panacea to saving forex
- 32** ICT usage boom in Malawi fires up online banking services, any risks and prospects
- 38** Can the economy tap in the idle labour market?
- 42** Malawi's economy and the long awaited diversification, any hope?

68



Editor's Note

We look at the energy sector as a key for economic growth of any economy. What is there for the country as electricity demand is on the rise?

A very warm welcome aboard this edition of your favourite Malawi Banker Magazine.

At the onset, the content packaged here is under an all-encompassing theme of **'More Light On The Barometer of National Economies: The Financial Sector and Consumers'**. The Bankers Association of Malawi (BAM) president sheds more light about it.

Congratulations to FDH Bank for going public by listing on the main board of the Malawi Stock Exchange (MSE). The Initial Public Offer (IPO) was a success and now the bank has a new shareholding structure.

We look at the energy sector as a key for economic growth of any economy. What is there for the country as electricity demand is on the rise?

On the same energy front, scientists have made it into this edition as they have some initiatives aimed at savings the country from the ever-increasing

petroleum imports bill. There is a local solution that has all the potential to jolt other sectors of the economy into massive economic activities.

Tax is an unavoidable subject. We learn more about the innovations that local tax collector, Malawi Revenue Authority (MRA), has for taxpayers.

We also look at a prominent figure from another crucial industry in finance, an enterprising lady to be precise.

BAM members have also shared their content that requires your undivided attention and we have columns just for you.

Do not queue up to read the hardcopy after your colleagues. You



can just go online as this edition is also available on the Bankers Association of Malawi website: www.bammalawi.org

Have a Nice and Productive Reading!

Paul Kamanga
Editor-In-Chief



On the cover

→ Malawi Banker Magazine engages the **Chief Executive Officer for NBS Bank, Kwanele Ngwenya** for details regarding the award recently bestowed on the bank



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The President's Message

Banking, everywhere in the world including here in Malawi, is not a standalone industry.

It is one of the players in the vast arena of the financial sector. Our clients, as banks, range from ordinary members of the society, Micro, Small and Medium Scale Enterprises (MSMEs), corporates to even the other arms of the financial sector like insurance firms, micro lending institutions, the Treasury Department of Government, ministries and departments. All these are our customers and we serve them. Largely, they are also the catalysts of economic activities in the country.

It was for this reason that Bankers Association of Malawi (BAM) had to run an all-encompassing edition of Malawi Banker Magazine under the theme 'More Light On The Barometer of National Economies: The Financial Sector and Consumers'. The theme draws into context the varied opportunities and missing links that have great potential to charge up business supply chains in some industries and sectors of the economy.

Currently, the people's will is sky-high to contribute to Malawi's development from infrastructure and services that lead to creation of stable and high earning jobs meant to improve livelihoods in all areas regardless of location, either rural or urban. Much as there is the goal to make profits for shareholders, banks are always available to ensure growth of clients by supporting and financing bankable business ideas and projects. By all means, such does not mean disregarding existing regulations and thorough risk management processes. Much as there is competition, as banks, we are committed to understand our customers better for immediate, short, medium to long term banking and financial solutions. In this context, it is very crucial to fully utilise our business development sections and empower

them to conduct in-depth research to demystify the enterprising emerging markets and some ignored sectors that our clients express interest to venture and invest.

Clients too have major roles and responsibilities in the implementation of the direction to achieve wide scale economic activities. The interface and sustainable management of the relationship with financial institutions is very central. This ranges from the actual opening of an account; submission and pitching of the bankable ideas and projects; ensuring that every transactions is conducted using that account; to timely honouring of financial obligations like loans, interests and overdrafts. Most importantly, it should sink in everyone's mind that money for investment must utilised only for that purpose and not unplanned and wasteful consumer spending.

As Bankers Association of Malawi, we long to see more and more wide-scale economic activities that our member banks can effectively support. If the national economy is registering robust

business activities, the benefits are not only to individuals or our clients and banks alone but to the country as well since more people employed means more taxes timely paid for national development initiatives.

We urge every customer that our member banks serve, and even the many prospective ones who are yet to open a bank account, not to hesitate but always seek support for their well-documented bankable ideas and projects. Allow banks to serve you better as you transact with us.

I am grateful for the support that this edition has received from members and the various sectors of the economy. Overall, be reminded that we are living in Covid-19 times. For your financial transactions, explore using available banking technologies. Please always remember to maintain social distance, wear your mask and thoroughly wash your hands. I wish you a pleasant reading.

PRESIDENT
Bankers Association of Malawi



Entrenching resilience

T here are various developments that have, and are still taking place in our banking industry as we approach the end of the year 2020.

The Bankers Association of Malawi (BAM) now has another member trading at the local bourse. Congratulations, therefore, are in order to FDH Bank for going public by listing on the Malawi Stock Exchange (MSE).

Similarly, we congratulate NBS Bank for earning an international accolade, the Euromoney Awards for Excellence. This is a great achievement to the bank and the country. We are proud as BAM.

First Capital Bank has clocked 25 years in operation. They started offering banking services as First Merchant Bank here in Malawi and over these 25 years, they have grown from Malawi to several countries in the region. Thank you FCB for putting Malawi on the map in these countries. A Happy 25th Anniversary to First Capital Bank.

All these positive progresses and achievements emphasise on the resilience to market regulation adherence and robust risk management systems that BAM members continue to operate in Malawi.

Our members now need to engage an extra gear and look beyond adherence to market regulation as there is a new mammoth task that the year 2020 has brought with it, the dreaded Covid-19.

It is a must that there should always be assurance of strict adherence to prevention measures against Covid-19. This should always be implemented with an aim to safeguard both customers and bank employees. As we advance the financial inclusion drive to the public, we should also heighten the awareness

of available automated bank services that provide maximum convenience to customers. This focus has great potential to concurrently promote uptake of mobile banking and decongestion of banking halls.

Let us adequately empower customers on the utilisation of facilities like Auto Teller Machines (ATMs) for cash withdrawals, deposits and other transactions. For us to effectively assist customers, it is our role to aid them with necessary skills regarding safe usage of our mobile banking platforms. I am stressing on safe usage of mobile banking since customers have to know how best not to expose their accounts to exploitation by unscrupulous members of the society.

This should be done without omitting facts and matters of convenience that these systems bring. These include:

- Payment of Utility Bills (ESCOM, water boards etc)
- Funds Transfer
- Payment of Taxes
- Acquisition Airtime

Customers have to be well enlightened of the various benefits of mobile banking, the prime one being that transactions can be effected at any time of the day either in the comfort of homes, offices or indeed anywhere in



the world without queueing and most importantly crowding banking halls. Such an approach further cuts-out the customers' risk exposures to Covid-19 infection enroute to banks and in banking halls.

In the scenario that customers have to visit banks, then masks must be worn, hands always washed and social distance strictly observed as per the Association's advisory. As a society, we can easily overcome Covid-19 if everyone rightly plays their role. This goes to all BAM members, customers and even you, our readers.

From the secretariat, we are ever thankful for the professional support that we receive for our day-to-day operations. This includes the content, advertising and readership that you all give to the Malawi Banker Magazine.

We look forward to more productive days before the year 2020 closes.

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NBS Bank Plc Wins 2020 Euromoney Award



Malawi Banker Magazine engages the Chief Executive Officer for NBS Bank, Kwanele Ngwenya for details regarding the award recently bestowed on the bank:

Congratulations are in order. NBS Bank was recently awarded Malawi's Best Bank in the Euromoney Awards for Excellence 2020. Tell us a bit more about this award.

Thank you very much. Indeed, NBS Bank has emerged a winner for the second year running and was awarded Malawi's Best Bank in the Euromoney

Awards for Excellence 2020, whose results were unveiled on 15 July 2020.

Euromoney is one of the leading publications covering the growth of international finance based in the United Kingdom. They established the Euromoney Awards for Excellence in 1992 and they were the first of their kind in the global banking industry. The awards have been running annually since then. Each year, the body receives a myriad of submissions from banks in their awards programme that covers 20 global awards, more than 50 regional awards, and best bank awards in close to 100 countries.

Q: What can you attribute winning this award to?



NGWENYA: I thank our hardworking and committed staff

→ During the year, we responded to the needs of our customers and opened our exclusive Private Banking and SME suites in Blantyre in addition to the one already servicing Lilongwe clients.

Amongst the criteria for the award were strong financial performance across key metrics, a clearly differentiated business model, ability to adapt to changing market and regulatory conditions, innovation, and track record of delivering on targets to shareholders and commitment to clients.

The Bank has been recognised for the great advancements achieved in the 2019 financial year, and generally on its transformation journey which began in 2017 when the Bank implemented its five-year strategic plan as a genesis to

turning around the organization.

To date, there have been changes in the way the Bank does business and its ways of working to ensure the realization of its mission, which is, "To create and deliver value and sustainable returns to our customers, employees and shareholders". The turnaround has seen NBS Bank moving from reporting losses to declaring profits.

Q: What are some of the key highlights in the past year for NBS Bank?

The Bank has been diligent in its quest to provide first-rate service to customers. We believe the business performance in 2019 has been attributed to increase in customer confidence and new customer acquisitions during the year. Positive strides were also made in risk management leading to minimal operational losses.

During the year, we responded to the needs of our customers and opened our exclusive Private Banking and SME suites in Blantyre in addition to the one already servicing Lilongwe clients. Our SME and Agriculture units reengineered business in 2019 in a deliberate attempt to serve this segment better and the gains have been considerable. We envisage to continue reinforcing our market position in this segment in the new year.

Digital Banking continues to be a key focus for NBS Bank, and the launch of the new digital offering dubbed EazyBank Reloaded saw some key products like EazyApp, EazyWallet, Collateral-free Credit Card and Cardless Withdrawals taking the spotlight in 2019. Automation of the card ordering process is another significant win for our digital segment which allows our customers to save time by ordering their credit or debit cards on their phones through EazyApp.

More recently, the Bank has enhanced its ID verification process for customers through the introduction of biometrics verification. Customers will have the details of their National ID verified through fingerprint and facial recognition as well as QR code authentication. All this meant to enhance security and to shorten the process for customer convenience.

Another key achievement has been our partnership with TNM Mpamba which allows customers on both ends to easily transfer funds between the TNM Mpamba platform and our EazyMobile platform. This is in addition to Airtel Money which was already available to our customers. The Bank has also intensified its Agency Banking section, Bank Pafupi, through our partnership with Financial Access for Rural Markets,

Smallholders and Enterprises (FARMSE). This project is aimed at enhancing financial inclusion in the country; and in a drive to enhance our footprint, we have partnered with organisations such as AGORA and Post Dot Net as our Bank Pafupi agents to leverage on their country-wide presence.

We have also introduced cash depositing ATMs in select locations to enhance convenience when customers are depositing their money. The project is in the initial stages of roll out, hence the ATMs are in Blantyre and Lilongwe; however, it is our hope to go country-wide. This has come at an opportune time with the pandemic we are facing as a country and worldwide; and it will help to decongest banking halls.

Q: What does this award mean for your customers, and what is the plan to maintain the good performance?

This award serves to reaffirm the confidence that our customers and shareholders have in their Bank. We will use this award as a launch pad to further motivate the NBS Red Brigade to work even harder to bring better results, solutions, and all-round service to make sure that 2020 is an even better year. Additionally, we will continue to reengineer our processes and ways of working to ensure cost efficiencies, and without compromising on the quality of our service delivery.

Q: In addition to the award, NBS Bank posted a profit for the 2019 financial year. What can be attributed to the success of NBS Bank?

The Bank has continued to show resilience and improved performance over the past three years, with 2019 being the best year so far, since we implemented the five-year business plan in 2017. The targets we set for 2019 were achieved due to the Bank having strong management and governance systems which ensured implementation of initiatives, such as the review of our branch network, staff compliment and cost structures; growth of our lending business in line with economic growth; increase in digitization of our processes and service delivery channels, financial inclusion



and most importantly the enhancement of our customers' experience.

Q: Going forward, why should people bank with NBS Bank?

Our goal is to transform NBS to one of the top banks in Malawi with a variety of products and solutions that are not only practical but relevant for today's consumer market.

NBS Bank is a fully-fledged commercial bank providing a wide range of financial services to individuals, small and medium businesses, large corporations and public institutions. In line with our philosophy of "taking banking to the people," the bank boasts of having one of the widest service networks in Malawi.

Banking is beyond banking halls and ATMs; it's about real-time service anytime and anywhere. NBS Bank is working towards being everywhere, without physical brick and mortar but focusing on development a robust last-mile infrastructure. Our Bank Pafupi and digital solutions are some of the key ways of increasing our reach across the country.

It is through this network that we want the community of Malawi to leverage so that they too can be included in the financial sector. We want to collaborate with organizations, communities and individuals who want to be part of the change and promote economic growth.

Q: Any last words?

We are honoured to be recognised as the Best Bank in Malawi by Euromoney. This recognition confirms that our turnaround strategy is on track as the Bank strives to enrich our customers' experience by providing convenient, innovative and affordable products and services.

We are delighted with the overwhelming support that we have received from all our stakeholders, especially the NICO Group of companies, shareholders and customers. I would like to thank them for the support they have rendered to the Bank. We are on this winning path because of them.

Let me also thank the Board of Directors and Management of NBS Bank for the relentless effort to return the Bank into a profit-making entity.

I would also like to thank our hardworking and committed staff, who work tirelessly every day to serve our customers and make the NBS Bank brand what it is today. Your efforts have not gone unnoticed on this transformation journey.

Lastly, let us all stay safe and protect one another in this fight against COVID-19. Remember to wash your hands and sanitise, practice social distancing, mask up and maintain a healthy lifestyle. We are the cure.

Hoisting *Malawi's Economy*

By Staff Writer

E

very economy needs a well-functioning financial system to sustain its growth. A vibrant and well developed

financial sector supports savings and investments thus economic growth. The fact is that a developed financial sector that includes banking, insurance and microfinance aids the efficient and effective allocation of resources in an economy.

When the financial sector is well developed, resources or savings fund economic activities with maximum returns. This provides extra resources that boosts the potential to bankroll bankable business ideas while sustaining the financing of existing ones economic growth.

Liquid and vibrant financial systems, for instance, contributes to efficient intermediation of funds as it reduces transaction costs. It also helps in risk sharing among economic players in the economy.

Besides, a financial sector that is well developed allows long term pension funds to finance long term development projects and this leads to infrastructure development for an economy while providing maximum benefits to pension members as they retire.

President of the Economics Association of Malawi (Ecama), Lauryn Nyasulu, holds that the financial sector



NYASULU: Financial sector is critical to the economy

is critical to the functioning of the economy as a whole and banks are very central to the financial system.

Nyasulu says activities in the financial sector provide substantial employment to the populace at varied levels of the business supply chains of industries and economic sectors, simultaneously financing profitable ventures.



“Microfinance institutions play at the lower rung of the credit delivery system with the aim of extending credit to the poor but economically active members of society.

The Ecama president says there are specific core functions played by the financial sector such as value exchange, intermediation, risk transfer and liquidity. In her explanation:

Value exchange - provide a way of making payments for goods and services

Intermediation - provide a way of transferring resources between savers and borrowers. This ensures that funds are put to productive use for the growth and development of the economy.

Risk transfer - they have ways and means of pricing and allocating risks.

Liquidity - means of converting assets into cash without undue loss of value. Access to liquidity allows businesses to deploy their capital in ways that increase the productive capacity of the economy. Without it, households and businesses would be forced to hold larger sums of cash to protect against unforeseen circumstances. The result would be fewer resources for investment and the provision of fewer goods and services to consume.

“Microfinance institutions play at the lower rung of the credit delivery system with the aim of extending credit to the poor but economically active members of society.

“Such institutions have also played a

key role in financial inclusion in developing countries such as Malawi. The ease of access to the formal financial services enhances economic growth,” Nyasulu says.

She adds that insurance comes in to safeguard the interests of people from loss and uncertainty.

“Insurance contributes to the general economic growth of the society by providing stability to the functioning process,” says Nyasulu.

Accordingly, she says, insurance promotes savings while also offering a mode of systematic savings and investment through payment of premiums. This segment of the financial sector generates significant impact on the economy by mobilising domestic savings. It therefore plays a crucial role in sustainable growth of the economy.

Chief Executive Officer of the Africa Institute for Corporate Citizenship (AICC), Felix Lombe, says mobilisation in finance is essentially concerned with moving surplus funds from savers to those who have a need for the money but do not have it.

He stresses that in weak economies, where those with surplus funds are not given adequate incentives to place their surplus funds in productive financial assets, savers may end up hoarding cash, or worse, continue to save their funds in hard





LOMBE: Utilisation of surplus funds crucial

→
currency.

"The aim is to attract surplus funds from savers and put them into productive use, such as through lending for investment. In poor economies, savings mobilisation is largely done in the informal financial sector, since the majority of the population are outside the reach of the banking system.

"Through the intermediation process, an individual, institution or

market sources funds and then issues a claim against itself; the claims end up as liabilities on the balance sheet. The claims that the supplier of funds acquires from the user of the funds appear as assets on the intermediary's balance sheet. Thus the intermediary serves as the link between those with loanable funds (savers) and users who do not have funds of their own (borrowers) but have investment



Usually risk is apportioned using two approaches: first, by taking one or other guarantee, and second, by choosing a financial instrument that has built-in capacity to handle risk.

Savings Mobilisation

→ In poor economies, savings mobilisation is largely done in the informal financial sector, since the majority of the population are outside the reach of the banking system.

opportunities," Lombe says.

He adds that the theory of intermediation is based on the relationship between savers and borrowers.

"In the case where one is dealing with weak intermediary institutions, it becomes extremely hard to ensure an effective flow of funds from savers to investors. In such a situation, the ability to invest is constrained," says Lombe.

Fair distribution of the inherent risk and the returns associated with putting together financial packages are important factors that ensure that savings mobilisation and investment happen in an efficient manner.

Usually risk is apportioned using two approaches: first, by taking one or other guarantee, and second, by choosing a financial instrument that has built-in capacity to handle risk.

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FDH Bank

goes public



FDH Bank is now a public company listed on the main board of the Malawi Stock Exchange (MSE).

MSE information posted on its website shows that the development now changes the bank's shareholding structure. FDH Financial Holdings Limited has 74.05 percent, the general public has 20 percent, Malawi Government has 4.75 percent and the Employee Share Ownership Programme 1.20 percent.

In an interview, the bank's Managing Director Dr. Elias Ngalande sheds more light.

"Yes, this is due to the transition from being a family owned bank to now become a bank co-owned by many Malawians trading at the capital market. FDH Bank is now a public owned institution.

"The listing process was driven to allow Malawians own the leading digital bank and be part of the success story of this bank. The process also allowed the bank to raise capital to re-invest into

→



“FDH Bank is always doing this with transparency and accountability, respect, commitment to clients, teamwork, innovation, customer satisfaction and employee development”

→ the business and continue to grow and serve more Malawians,” Ngalande says.

The bank's Initial Public Offer (IPO) for its shares was oversubscribed by over K300 million.

In a statement, FDH Bank Board of directors for FDH Bank said in a statement that a total of 1,413,152,144 shares were applied for at a total value of K14,131,521,437 against 1,380,206,250 ordinary shares that were being offered for a value of K13,802,062,500, representing an oversubscription of K329 million.

Ngalande says everyone should be assured that FDH Bank's services and products are all aimed at becoming the leading provider of first class banking solutions in Malawi and Southern African Region.

“The bank is there to provide value to all stakeholders through superior returns, sustainable growth, secure and efficient banking solutions based on sound business values while being an employer of choice.

“FDH Bank is always doing this with transparency and accountability, respect, commitment to clients, teamwork, innovation, customer satisfaction and employee development,” he says.

The MD says the bank is currently championing digital services for

customers to cut physical presence of brick and mortar by accessing services remotely using gadgets like phones.

“I have all the trust that by going digital, FDH Bank will transform banking by including the unbanked using the phone, a case in point for this is the Ufulu Digital Account.

“The bank has a team of experts who are seeing to it that Malawi realises that going digital is the best way of banking in the country,” says Ngalande.

He concludes that with all the focus, people should not hesitate but come to access financial services and products from FDH Bank “and as we always say, Grow With Us”.



NGALANDE: Grow with us



The Malawi Banker Magazine interacted with FDH Bank newly appointed Managing Director **Dr. Elias Ngalande**. He is not so new to Malawi's banking industry:

Q. Dr. Ngalande share with us your professional journey in the financial sector?

I worked with the Treasury Department in Ministry of Finance for years. At one point I was Chairman of Malawi Savings Bank and I served in the board of Reserve Bank of Malawi (RBM). This gave me direct insights of the banking sector. Later, I was appointed to RBM as Deputy Governor and after serving in that position for over a year I was promoted to become Governor.

This is indeed a journey because 15 years later, I am now the Managing Director of FDH Bank Plc. To me, being in this position I have now completed a circle that I started from being RBM Governor to Managing Director of one of the leading commercial banks in Malawi.

The contrasts of my current role in FDH Bank to that at RBM starts with the objectives. FDH Bank is a commercial institution and it is focused at serving various individual and institutional clients to earn profits for its shareholders while RBM is a regulator and aims to stabilise the economy, check-out volatility, managing fundamental indices and interest rates.

In a nutshell, the central bank's realm is the technical monetary aspects of the economy in general while a commercial bank, like FDH Bank, is there to directly serve customers and clients with a goal of earning profits for shareholders.

Q. Please gives us some insights regarding your life after the central bank?

After serving RBM, I was in Zimbabwe, working for a regional capacity building institute which is close to the central bank there and the Government of Zimbabwe. Later, I undertook a few private consulting services some of them include working as a consultant for the Government of Somalia to consolidate the financial sector after

the war. I advised on how best they would establish their commercial market. It was a success dealing with the governor in that country as they were letting functions of commercial banks to work independently.

I was also involved in the conceptualisation of the project to establish the National Planning Commission here in Malawi and I am very proud of that. I also played my part as lead facilitator in designing the Malawi Growth and Development Strategy (MGDS-III). There were these and some other smaller consultancy assignments.

Q. What attracted you to join FDH Bank Plc? Is there any reason that propelled your come back to the sector?

It should be noted that here in Malawi I served on board of other organisations in the financial sector like First Capital Bank. So I am ever interested to see positive growth of the local financial sector.

First Discount House was established while I was RBM Governor and it got its Licence to operate under my leadership. From then, I always had interest in the financial institution.

The unique thing about FDH Bank is that it is led by indigenous Malawians and I have always wanted to be part of it. It is my view that our financial sector needs more Malawian investors. Local entrepreneurs must be fully empowered to have such a vision, which should be supported and realised.

Q. Why should people choose FDH Bank Plc, anything unique being offered by the bank?

FDH Bank is the leading digital bank offering convenience with diverse digital products at the same time driving the financial inclusion agenda. FDH Bank is the home grown bank with a heart of Malawian needs evidenced by sponsoring The Queens and Flames, supporting the health and education sectors in the country.

Keynote:



FDH Bank is the leading digital bank offering convenience with diverse digital products at the same time driving the financial inclusion agenda.

The bank is currently championing digital services for customers to cut physical distance of brick and mortar by accessing services remotely using gadgets like mobile phones. I have all the trust that by going digital, FDH Bank will transform banking by including the unbanked using the mobile phone, a case in point for this is the Ufulu Digital Account. The bank has a team of experts who are seeing to it that Malawi realises that going digital is the best way of banking in the country.

In addition, the bank has an excellence culture that places the customer at its core to provide the customer requirements to promote and facilitate their growth hence bespoke, responsiveness and quick decision making are the hallmarks of service delivery of FDH Bank.

So, with all this in focus, it is not surprising that people do not hesitate but come in droves to access financial services and products from FDH Bank and as we always say, "Our Bank, Our Future, Growth with Us".

Q. FDH Bank Plc is now listed on Malawi Stock Exchange, what does it mean to the bank?





Yes, this is due to the transition from being a private owned bank to now become a bank public owned by many Malawians trading at the capital market. FDH Bank is now a public owned institution.

The listing process was driven to allow Malawians own the leading digital bank and be part of the success story of this bank. The process also allowed the bank to raise capital to re-invest into the business and continue to grow and serve more Malawians.

Q. Any messages to individuals who are inspired by what you have achieved?

Be true to yourself, in that way you do not have many regrets. Have a standard for yourself. Have a lifestyle that you can always manage and be satisfied with stages in your life.

The fact is that this life is not a pyramid

but a circle that has thick and thin parts. There is time for everything and seasons as said in Ecclesiastes. Time to lead and time to be led, among other things

Q. An insight of your family life, please?

Not a problem, my family has always supported me, I have been married for 37 years now and we have 5 children. They are fairly grown and all have been through University. I have been staying close to my workplace and that allows me to see my family 3 times a day from morning, at lunch and in the evening just to spend time with them. I adjust my life to fit my family, I pick up my children from school so that I can spend quality time with them.

The evening is also for family time, we watch TV together and on weekends we attend church service together.

Keynote:

→ The fact is that this life is not a pyramid but a circle that has thick and thin parts. There is time for everything and seasons as said in Ecclesiastes. Time to lead and time to be led, among other things



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Reaching new feet with **VILLAGE BANKS**

BY STAFF WRITER



TRANSACTIONING: A village bank meeting

The three years that Sara Lameki has been a member of Blantyre-based Umodzi Village Bank have seen her achieve financial progress backed by the association with the group.

Lameki, a second-hand clothes seller in Chirimba Township, says she decided to join the village bank to access loans to boost her business.

Over the years, she has grown her business activities from selling ladies second-hand clothes to beddings, children clothes. It is not only that, she is now also operating a saloon and a restaurant from an initial capital of K100,000.

"It is always easy to get loan from the village banks because you have people there who know you and can vouch for you unlike with commercial banks where collateral is your only way out. When I started, I did not have any collateral to afford me a bank loan, but now I have land and a dwelling

house.

"But that being the case, I would rather stick with village banks because the credit terms here are softer and it's easy to get the loans," says Lameki.

She prides herself as a locally-made entrepreneur.

Lameki is among an estimated 2.3 million or 54 percent of Malawians who, out of a population of 4.2 million people, opt to save their money with village banks, according to the National Statistical Office (NSO) most recent Malawi Population and Census Report.

On the other hand, commercial banks and microfinance organisations recorded as clients 1.3 million people and 23,376 people, respectively.

The report also shows that out of 547,319 households that access loans, 416,089 people





MWASE: Village banks less safe

→

had their loans through village banks. This is sharp contrast with the 51,085 and 30,126, who access their loans through commercial banks and microfinance institutions, respectively.

Credit Data, a local credit reference bureau (CRB), says that the rise in village banks is an indication that the economically active population find lending terms there favourable than the commercial lending terms.

However, the CRB Managing Director, Patricia Mwase cautions that unlike commercial banks, village banks are less safe because they lack tighter credit risk monitoring expertise.

"Right now, commercial lending entities are vetting credit transactions as one way of credit risk mitigation while village savings are not rather relying on friendship," she says.

Consumers Association of Malawi (Cama) Executive Director John Kapito observes that there is an increasing

appetite for money in both rural and urban areas that most people are willing to do anything to have money, which also calls for self-regulation.

"There is big appetite for money in the rural areas and people are willing to do anything to have money, but when you have unregulated systems, loan sharks take advantage of the vacuum and they can play around with people's lives and incomes," says the consumer rights chief.

Currently, commercial banks are yet to penetrate into the unbanked rural areas owing to high cost of services such as Internet connectivity and electricity, among others.

Meanwhile, with the microfinance institutions, progress has been a mixed bag.

Reserve Bank of Malawi (RBM) figures show that clients for deposit taking microfinance institutions soared to 148,914 in 2019 from a previous record

Currently, commercial banks are yet to penetrate into the unbanked rural areas owing to high cost of services such as Internet connectivity and electricity, among others.



NGWIRA: There is a community bank concept

of 39,412. This is in comparison with the non-deposit taking microfinance sub-sector where total clients served, as of December 2019, decreased to 240,032 from a previous record of 359,166.

An official from the Malawi Microfinance Network (Mamn), a grouping of 52 registered microfinance institutions (MFIs), observes that despite its huge growth potential, the sector in Malawi is in its nascent stage [compared with other jurisdictions].

The official says government's non-remittance of payroll deductions poses a challenge as it is resulting in reduced loan disbursements, failure to meet the working capital requirements of MFIs and other liabilities as they fall



→

due. Such a status is threatening the going concern status of the institutions and the very much-touted financial inclusion agenda.

The Ministry of Finance aspires to increase the delivery of financial services at affordable costs to low-income segments of the society from 34 percent to 55 percent by 2020. The target is clearly outlined in the National Strategy for Financial Inclusion (NSFI) 2016-2020.

Among other things, the strategy seeks to increase access to formal loans from 270,000 Malawians to 400,000, with at least 50 percent of the increase being productive credit to micro, small and medium enterprises and small-scale farmers. Focus for this is to also reduce the average cost of using a bank account from 17 percent of monthly income to five percent.

Meanwhile, financial market regulator, the Reserve Bank of Malawi (RBM) emphasises that it is drawing regulations to allow people set up community

banks.

RBM spokesperson Mbane Ngwira says the policy objectives of community banks is to allow local entrepreneurs have an opportunity of establishing banking institutions within specified geographical areas and their own communities.

He says the community bank concept will be centrally linked to village savings and loans (VSL) popularly known as Banki Mkhonde.

“We can see that this is possible because community banks will have far much lower capital requirements compared to the current minimum capital requirement of US\$5 million [about K3.7 billion].

Much as the options are there to serve financial inclusion purposes, the grey areas are for all to see and correct. Till then, most the country’s vibrant and budding entrepreneurs like Lameki will have to make with available options of accessing capital from very risky lenders.

“We can see that this is possible because community banks will have far much lower capital requirements compared to the current minimum capital requirement of US\$5 million [about K3.7 billion].

Malawi energy's hold on **BUSINESS**

.... the country requires substantial investments in the sector of over US\$33 billion (about K24.4 trillion, at the current exchange rate) in the coming decade.

By Staff Writer

E

nergy is one of the key sectors essential for the growth of any economy. As economies grow, energy demand also increases.

However, constrained power output subdues individual's prospects to increase earnings, thereby hitting Gross Domestic Products (GDP) growth in the process.

A 2019 Malawi Sustainable Energy Investment Study published by the government indicates that the way forward for the country requires substantial investments in the sector of over US\$33 billion (about K24.4 trillion, at the current exchange rate) in the coming decade.

The study indicates that this year, 2020, electricity demand from those connected on the grid will be just below 500 megawatts (MW). However, it is expected to grow to 1000MW by 2030.

This illuminates the country's status of little investments to boost energy output a development that also limits economic activities in industrial production and service sectors.

Reports indicate that there is a long waiting list at the Electricity Supply



GWAZA: There are several electricity generation projects

Corporation of Malawi (ESCOM) which the parastatal is not processing and that the power provider has lost interest to assess the demand from new constructions going up in all areas of the country.

A recent position paper by the Japan International Cooperation Agency (JICA) shows that the national electrification rate → in the country stands at 12 percent, the



POWER: One of Malawi's electricity transmission stations

→

lowest in the Southern Africa Development Community (SADC) region.

It further indicates that rural and urban electrification are estimated at 3.9 and 48.7 percent respectively.

Installed generation capacity, as of October 2017, was 367.3MW, of which 350.8MW being hydro and 16.57MW thermal diesel generators run by the Energy Generation Company (EGENCO). This output was against a peak demand of over 470MW.

At the time, demand by sector showed households demanding 37 percent, manufacturing 31 percent, services 22 percent, agriculture 22 percent and mining 3 percent.

But how much has the situation frustrated the country's economic development?

Director of Business Environment and Policy Advocacy for the Malawi Confederation of Chambers of Commerce and Industry (MCCCI), Madalitso Kazembe, holds that energy continues to be a chronic challenge to Doing Business in

Malawi.

She says while progress was made in increasing electricity carrying capacity of the national grid under the Millennium Challenge Account, now there is need to increase the capacity of electricity generation.

"Electricity was the major obstacle to doing business in 2019 across all parameters in terms of cost, time taken for new connections and electricity supply. It continues to affect businesses in 2020. This is mainly due to lack of timely interventions to address these challenges.

"Most interventions usually miss deadlines and their future cannot be clearly determined such as the Kamwamba Coal fired power plant. Businesses are still expectant of some of the long term interventions such as the Malawi – Mozambique interconnector and other local projects whose activities are on-going," Kazembe says.

She further says businesses also have high expectations as regards to

adequate power supply as more players have shown interest to generate power using renewable resources, particularly solar.

Kazembe pointed out the downside of all this predicament being the manufacturing sector continuing to pay for power at maximum rates despite the ever poor supply of electricity which also does not meet the local industry's needs hence, hitting hard production.

Malawi Economic Justice Network (MEJN) Regional Coordinator South, Mike Banda, weighs in that the country needs to seriously rethink its investments into boosting the energy Sector.

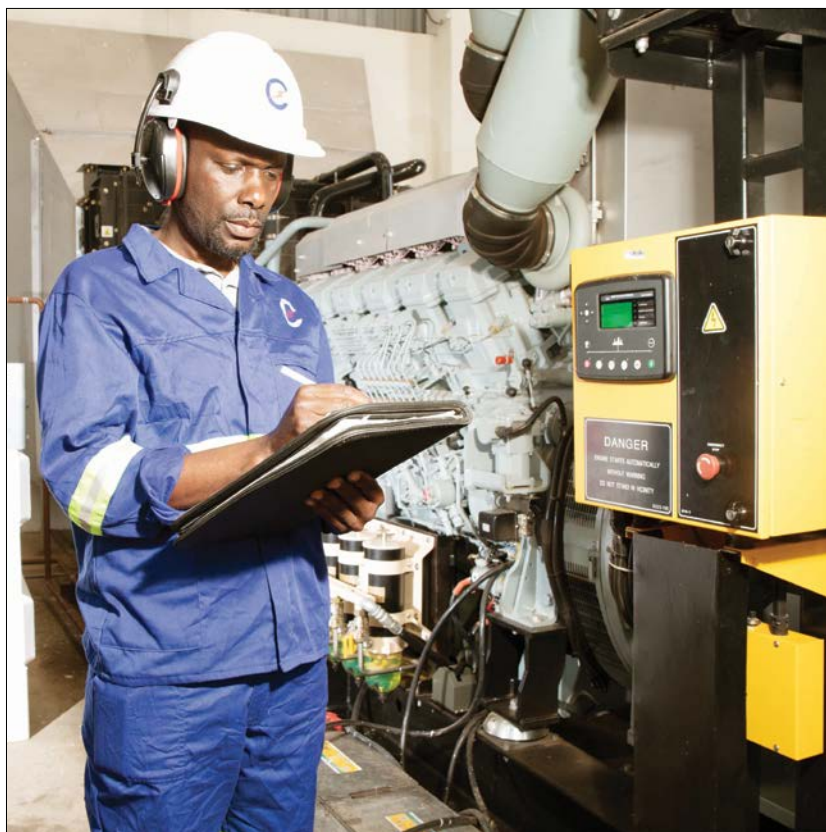
He says the current energy situation is deterrent to attracting meaningful investors.

"We have long outstanding projects like the Kamwamba power plant and the other coal and solar projects. There is little political will to transform the country's economy through a vibrant energy sector.

→



CHIWAYA: Escom has transmission capacity



→

"I am aware of efforts being made especially putting in place a regulatory body that will fast-track approvals and awarding of contracts to potential companies that would want to be generating power. But over and above everything else, political will matters the most and also let's take out corruption," Banda said.

EGENCO Senior Public Relations Officer, Moses Gwaza, says the company is currently producing an average 250MW of power.

He says EGENCO has developed a rolling strategic plan which is a road map to guide its work in the next fifteen years.

"The strategic plan is in tandem with the National Energy Policy of 2016 and the Integrated Resource Plan 2018. The plan has both short and long-term solutions to address the energy challenges. In a nutshell, there are several projects that are under implementation while others that have been completed.

"Some of the completed projects include Nkula A rehabilitation, modernization and upgrading with MCC funding which saw 12 megawatts added to the grid. We have completed Tedzani dam dredging and upgrading Tedzani III among others," says Gwaza.

He mentions installation of diesel generators at Mapanga in Blantyre (20MW), Kanengo in Lilongwe (10MW) and Mzuzu (6MW).

→ **...the corporation has capacity to transmit electricity of up to 800MW, however, consumption has declined by nearly 40 percent since the Covid-19 pandemic.**

Gwaza further says the company is working on other projects such as Kapichira dredging, construction of an 18MW Tedzani IV Hydro Power Plant, Kammwamba coal-fired project, expansion of Wovwe power plant, the 20MW Salima solar plant, Diesel and solar hybrid project at Likoma and Chizumulu islands and the Mpatamanga project.

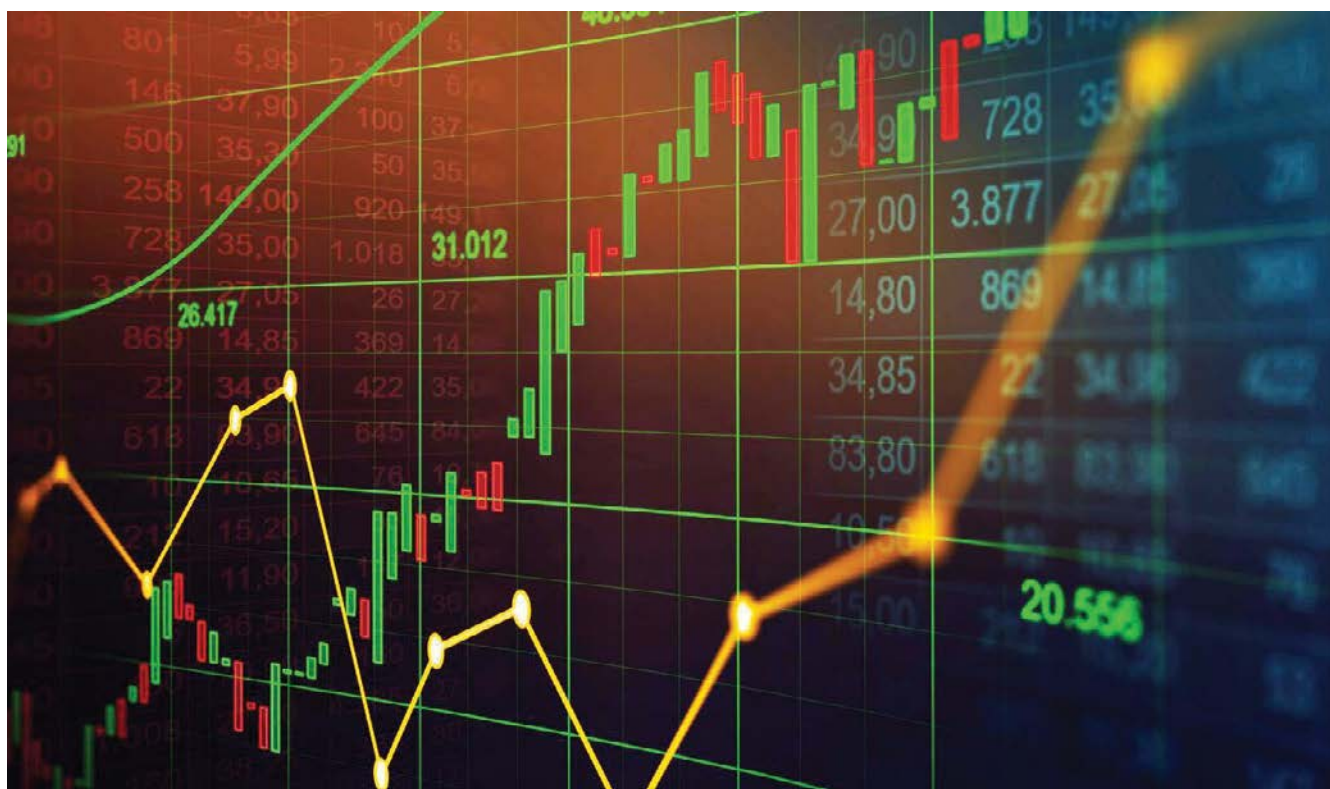
In a separate interview Chief Executive Officer of ESCOM, Alexon Chiwaya, says the corporation has capacity to transmit electricity of up to 800MW, however, consumption has declined by nearly 40 percent since the Covid-19 pandemic.

He attributed the development to the manufacturing sectors stance in reducing operations in recent months.

Chiwaya emphasises that various projects are being implemented to increase electricity penetration from the current 13 percent to 30 percent by 2030.

A local panacea to saving FOREX

BY STAFF WRITER



It is indisputable that the country's appetite to consume foreign exchange cash is now heightening at a supersonic speed.

Most Malawians today are importing more goods and services from the country's major traditional trading partners than before. This is manifested in the ever-growing trade gap or the gap between imports and exports.

Since time immemorial, Malawi's imports have fallen short of what the country exports to the international market by far.

Here is a simple glimpse! At time

when the country launched its first National Export Strategy (NES) in 2013, Malawi's exports were valued at around US\$1 billion per year against the import value of about US\$2.3 billion, thus creating a trade gap of about US\$1.3 billion. That gap still exists today and ranked as one of the highest trade gaps in the world.

Reserve Bank of Malawi (RBM) statistics point to a harsh reality that the country is consuming an average of US\$209 million (about K155 billion) worth of foreign exchange (import cover) each month.

Trade deficit as a percentage of

Gross Domestic Product (GDP), is

still also very high, reflecting a brutal fact that the country's huge appetite for imports is still an old habit that is refusing to die.

The country has, year in year out, been recording unsustainable

trade deficits which in 2010 was recorded at US\$1.47 billion, and that alone was around 21 percent of GDP, a rise from 7 percent of GDP in 2001, figures by the International Trade Centre (ITC) show.

But despite such a worrying trend, government has not been sitting hands folded on the same. →



There have been a myriad of efforts from all spheres including the preaching of import-substitution as a way of growing exports that should someday dwarf imports.

One good effort from government is the launch of Buy Malawi Strategy (BMS) in 2016 as a bid to promote locally produced goods and services thereby saving foreign cash. Whether the strategy is bearing fruits on the ground or not is a story for another day.

Cutting the fuel imports bill

There is one other local viable option that the country can reap from as a matter of saving foreign cash, the use of ethanol fuel.

The National Commission for Science and Technology (NCST) has been tirelessly running a Ethanol Driven Vehicle Project dating back in 2006 following a cabinet directive in 2004.

Initially, the project was implemented by the Department of Science and Technology under the Ministry of Education, Science and Technology but later NCST took over the mantle.

The ethanol intended for fuel use is denatured (made unfit for human consumption), usually prior to transport from the ethanol production facility. It is used principally for blending in low concentrations with motor gasoline as an oxygenate or octane enhancer.

Research has rightly proven that in high concentrations, it efficiently runs vehicles.

From the onset, it was found out that the project could help Malawi save foreign exchange approximately worth K13.5 billion in local currency by 2015 on assumption that 33 percent of total petrol requirement is met by ethanol.

In its papers, NCST argues that the price of ethanol, if unpegged, would be less than that of petrol and dependent on supply and demand factors.

It was also concluded that increased ethanol use would spark growth of other sectors such as agriculture, manufacturing and service



industries through backward and forward linkages.

To date, numerous experiments, road tests and assessments have been undertaken. In 2006 a Mitsubishi Pajero was modified to run on ethanol fuel and covered 22,000 kilometres (km). The results according to NCST were that internal engine components showed no negative wear and tear.

Positive multiplier effects

Another assessment has indicated that use of ethanol as fuel for more vehicles in Malawi will also have an economic benefit as it will increase demand of sugarcane.

Such a projected high demand stands to lead to higher prices of sugarcane, attract more farmers into sugarcane farming. This potential is likely to have more sugar produced of which excess can be for the international market, earning the country more of the much-needed foreign exchange cash.

According to NCST, expanded sugarcane farming will offer employment opportunities to Malawians and provide diversification, which will compliment well with government's Greenbelt Initiative.

Economist Gowokani Chijere-Chirwa is in support of turning Malawi dream of using ethanol fuel, stressing that it will have a lot of multiplier effects in the economy.

"Apart from boosting sugarcane farming will also boost sugar production, such a move could also trigger a lot of job opportunities and also unleashing more disposable income to more people and this has a positive impact of boosting further demand for goods and services in an economy thereby expanding our GDP," he says.

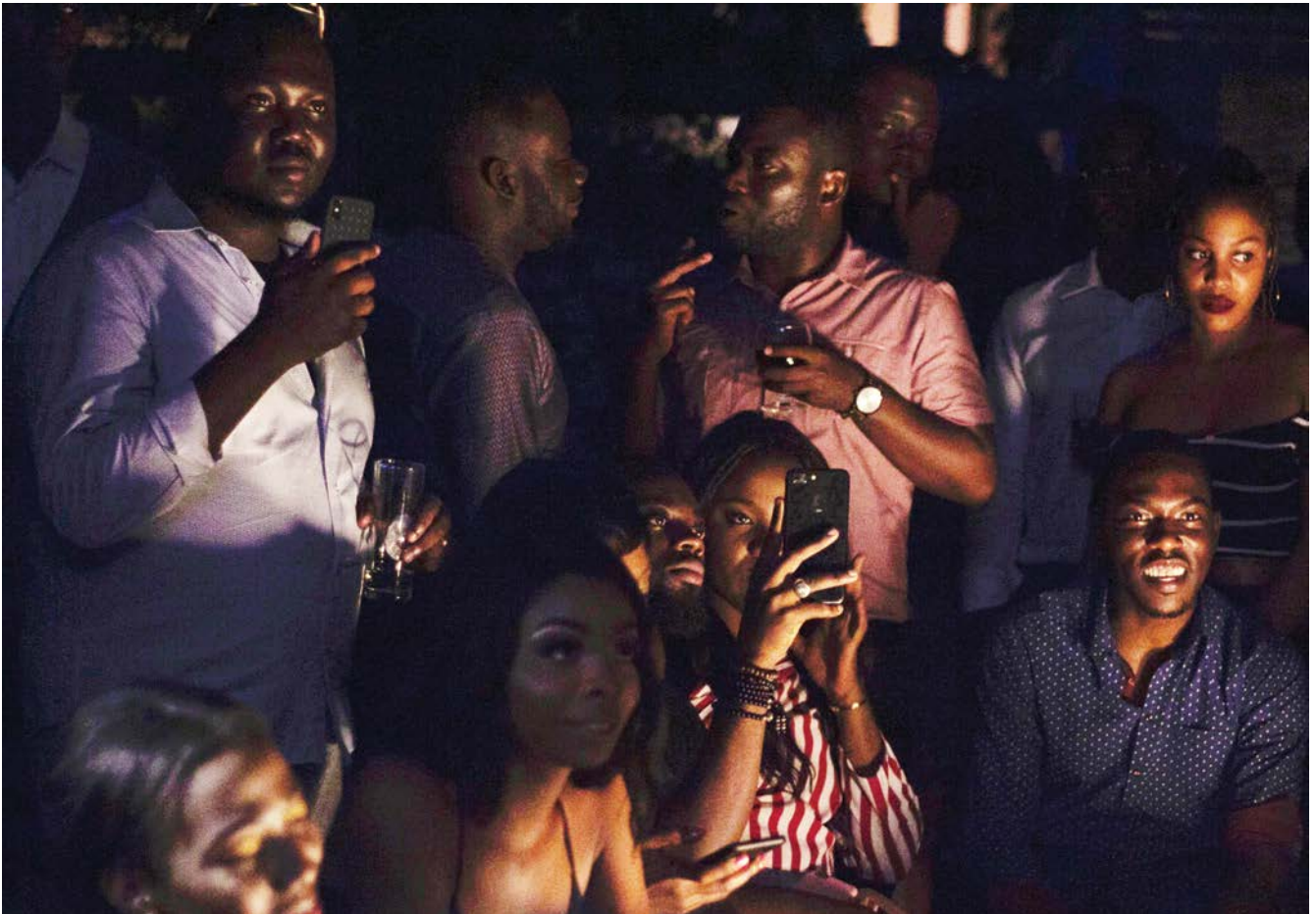
As it stands now, Malawi's imports of petroleum keep surging. According to a latest annual economic report by government, as at 2018, the demand for petroleum edged up by 15 percent from 422 million litres to 494 million litres.

That alone speaks volumes of the urgent need to nurture the ethanol fuel project that local scientists in the country have been implementing without hurdles.

It is bound to save the hard-earned foreign currency that Malawi's economy generates through a few key crops led by tobacco. At the same time the massive production of sugar will bring more opportunities by earning the local economy more forex through exports.

ICT usage boom in Malawi fires up

online banking services, any risks and prospects



A recent National Payment systems report from the Reserve Bank of Malawi (RBM) has indicated an increase in Digital Financial Services (DFS). According to 2020 first quarter report, DFS recorded 91.5 million transactions with a total value of K10 billion.

The Retail DFS transactions include payments processed through channels such as internet banking, Point of Sale (POS), mobile payment solutions and ATMs (excluding ATM cash

withdrawals).

Such reports are giving a clear picture of the strides that the local banking and financial sector is making in getting the public to embrace electronic financial transactions facilitated by Information and Communication Technology (ICT).

Online or E-banking, or banking through various digital platforms has been touted as time saving and cost effective, compared to physical transactions. Such transactions also

indicate positive response from the central bank's call for the country to move towards becoming a paperless financial transactions society.

Not only is E-Banking a green way of operating one of the most paper consuming industries in the country and the world, it is also cost effective for the financial sector, the central bank included.

Increases in electronic banking and financial transactions assures

→

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RBM of cutting back the heavy cost of replacing banknotes which they have admitted time and again that it runs in billions of Kwachas.

Jane Kaonga, is one of those customers of the many banks in the country's banking industry and she is a big fan of digital financial transactions.

"It saves me time, and it is instant, compared to having to physically travel to the bank to process my money needs," she says.

Indeed, players in the banking industry concur with her with an admission too that there is a lot of competition that is coming in with the advent of such technological advancement.

According to National Bank of Malawi's Head of Cards and E-Banking William Kaunda, there are so many positives that digital transactions bring.

"Without any doubt, this had brought in stiff competition among players in the industry. With the number of banks on the market, each one wanting to provide the best self-service to customer, application and use of advanced ICT has become a tool to woo customers.

"E-Banking helps banks to provide prompt and fair attention to the customer; provides for home and office banking services; ensures convenient business hour through the provision of 24/7 access to customer accounts; and enhances faster service provision where multiple customers can be able to access accounts at the same time – a thing that can hardly be done by a human being," says Kaunda.

However, no matter how good a system may be, there are some blind sides. In this case, the risks of electronic transactions and the magnitude it exposes users.

Indeed, all is not rosy as Kaonga paints the other picture.

"There was a time I thought I sent money to a colleague from my bank's online platform, only to find out that despite my device indicating that the transaction was successful, the funds were never transferred and it was a tussle to get the reimbursement," Kaonga explained.



KAUNDA: E-Banking helps banks to provide prompt services

Such are some of the risks that users of digital banking platforms encounter.

The other aspect is that mostly, transactions in the whole banking system relies on the internet, which unfortunately has its own challenges.

Internet connectivity has for a long time been a challenge in the country, hence creating connectivity challenges on some electronic channels of transacting. It is such hurdles that most of the times affect such transactions.

Online, the other risk of E-Banking is that sometimes it is susceptible to hackers and fraudsters.

While the banks' ICT teams are busy

trying to secure the systems, there are also others that are adopting advanced ways of compromising such platforms to defraud customers.

President of the ICT Association of Malawi (ICTAM) Bram Fudzulani sheds more light on this aspect.

"There are so many risks associated with electronic banking transactions and one is that if the system is not properly protected hackers may infiltrate to steal from unsuspecting customers," he says.

All these may affect consumers of the digital banking services and providers too.

There is also an operational risk or



FUDZULANI: There is need for consumer awareness



SWIFT: With appropriate gadgets people access real-time services

transactional risk, the most common of this type is the experienced shared by Kaonga where errors such as incorrect transaction processing and compromised data security are involved.

Most of these risks may seem to be more on the side of the consumers, but the banks themselves also have challenges in advancing their E-banking services as a majority of the customers are still approaching the service with caution.

"Most people, mostly taking cover under fraud, take the wait and see approach to commence using electronic banking," Kaunda adds.

These sentiments are also echoed by the ICT president stressing that fear of technology is what leads many to still stick to traditional banking methods.

"Most of the people would still opt

to walk long distances to the bank, to avoid charges on such instant electronic banking services," Fudzulani says.

Kaunda went on to point out other risks such as security which affects trust from its customers, denial of service attacks, technological failures, breach of privacy of customer information and opportunities for fraud created by the anonymity of the parties to electronic transactions.

However, he says as much as the risks are there the best way is to ensure that they are effectively managed. Already there are efforts that the banking industry is making to minimise incidences of customers falling into these risk categories.

Currently, Malawian's access to internet services is still on the lower side, and numbers of those with gadgets fit

for most of the online banking transactions is just rising.

This still leaves out a significant percentage of the population outside the possibility of getting into the banking circle.

National Bank's Kaunda on the other hand feels this section of the population provides opportunities for further growth of such electronic services.

"As a country, our maturity level in terms of E-Banking is still in its infancy especially usage. Most people take the wait and see approach to commence adoption electronic banking usage. Therefore, providing a large market place of growth in terms of e-Banking usage in the country when more and more adoption can be influenced," he says.

To ground the optimism, the ICTAM president points out the need for consumer empowerment and awareness to improve their capacity in demanding better services from financial institutions on such electronic services.

He argues that such an approach would keep the FIs on their toes to invest in improved ICT driven services in the industry.

There is hope for improved and advanced ways of conducting financial transactions electronically, as banks are continuously bringing in new and innovative ways of electronic or internet banking.

If banks adopt an extensive E-Banking network that would also include tailor made smart electronic banking systems there is a big potential of penetrating the rural market and connecting the wider unbanked population.

On a brighter side, there is much to point at in as far as the strides made in the electronic banking is concerned. E-Banking has undeniably brought convenience to consumers in remotely accessing financial services.

As much as the risk and challenges may be there, there is room for growth and possibly turn the Malawi banking sector into a regional or global model when it comes to smart banking services.

Standard Bank Plc pumps in K90m into Covid-19 response



Standard Bank Chief Executive Officer, William Le Roux, hands over the donation to KCH Director, Dr Jonathan Ngoma, joined by staff from the bank nurses council

As way of contributing towards the fight against Covid-19 pandemic, Standard Bank Plc on July 15, 2020 donated assorted medical items valued at K90 million to the country's major hospitals and frontline health workers.

The donation was channelled to Queen Elizabeth Central Hospital (QECH), Kamuzu Central Hospital (KCH), Mzuzu Central Hospital and Nurses & Midwives Council of Malawi.

In total, the bank donated 4,650 protective suits, 9,520 face masks,

37,480 gloves, 1,000 hand sanitizers, 20 infrared thermometers.

The breakdown of the consignment had the three referral hospitals each receiving 3,000 masks, 1,500 protective suits and 12,160 gloves.

TNurses and Midwives Council of Malawi got 1,000 hand sanitizers, 1,000 gloves, 20 infrared thermometers, 520 face masks, and 150 protective suits to distribute to nurses and midwives across the country.

Standard Bank Chief Executive, William Le Roux, said the bank felt

compelled to intervene because Malawi's potential lies in a healthy nation.

"Our contribution to fight the pandemic is all about protecting lives, economies, jobs and aspirations. Standard Bank believes in the potential and aspirations of Malawi and her people. As such any disruption to livelihoods among Malawians is our great concern. Malawi is our home and we drive her growth so as we speak there is a problem in our home therefore we cannot stay quiet," said Le Roux.

He added that since the virus was



Standard Bank Mzuzu Branch manager, Joseph Moyo (right) hands over the consignment to Mzuzu Central Hospital Director, Dr Frank Sinyiza



Standard Bank Ginnery Corner Branch Manager, Agness Chipatala, hands over the consignment to QECH's Dr Kelvin Mponda

first detected in the country, the bank has remained vigilant by improving on hygiene practices in all its service centres and taking measures on the business front to help customers.

"On the business front we initially removed a range of transactional fees on most of our digital products to relieve customers from financial strain while also encouraging them to use digital banking as one way of avoiding crowded

places," the CEO said.

Standard Bank adjusted downwards fees and charges on its 247 Moments digital platform which encompasses Retail Online, Enterprise Online and Business Online on internet plus 247 App and USSD on mobile banking.

It also implemented a 40 percent reduction on transactional fees on all digital payments on the digital platform and a similar fee reduction on express



"The donation is very timely because it will help us respond to the pandemic efficiently..."

transfers to other banks on internet and mobile banking.

Speaking when receiving the donation, KCH Director, Dr Jonathan Ngoma, hailed Standard Bank for the timely intervention in fighting the pandemic.

"Today's donation by Standard Bank is an indication that the financial sector is with us in this stressing time. It is a difficult time for health workers and we surely need adequate support. Other organisations and persons should emulate this gesture," Ngoma said.

At QECH, Acting Deputy Director Dr Kelvin Mponda thanked the bank for supporting the hospital at a time when it has been overwhelmed in responding to the pandemic.

"The donation is very timely because it will help us respond to the pandemic efficiently. Currently, we are running on a normal budget even though we have expanded our facility to accommodate Covid-19 interventions such as testing and admissions. We are therefore grateful for what Standard Bank has done in making out work manageable in this regard," said Mponda.

Part of the funds used to purchase the consignment was initially meant for the bank's annual wellness and athletics event, Be More Race. This year's edition of the race slated for June was cancelled as a result of the pandemic.



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Can the economy tap in the idle LABOUR MARKET?

Having graduated with a diploma in hospitality management, Steria Kumwenda was almost floating with high hopes that she now had the key to secure employment the soonest.

However, ten years later, she says she is yet to find a stable and well-paying job to match her experience and qualifications.

Still hopeful, she enrolls for a certificate in paralegal studies at a government training institution, but two years later, it is still the same story.

She is visibly broken.

"I have worked across the country in various tourism establishments but I could not get the satisfaction I so much desired. I thought if I changed careers, maybe it could be easy for me in the other field, but I am yet to prove myself right.

"I am still trying my luck while doing voluntary work to beef up my experience but it is becoming difficult by the day as I have to fend for everything for work and also run my small business to feed my three children," she says.

The Coronavirus pandemic, she further says, has even made it worse and now she is pondering of leaving her volunteer work to fully focus on her business.

With a population of 18



TCHERENI: Without value addition, we cannot create many jobs

million people and 49 per cent of that in the productive age of over 18, according to National Statistics Office (NSO) 2018 Population Census Report, there ought to be a way that the economy should create employment opportunities in various business supply chains.

But, as the Malawi Polytechnic Economics Professor and Dean of the Economics Department, Betchani Tchereni observes, Kumwenda's predicament is as a result of an oversupply

of labour on the market.

This, he says, is due to a number of factors.

"First, it is the nature of growth in Malawi which is based on subsistence and rain-fed agriculture.

"Without value addition, we cannot create many jobs and secondly, we have a public sector that is failing to expand due to pressures on tax revenues and the need to be in an austerity mood," Tchereni says.

The university professor argues that the situation

"Without value addition, we cannot create many jobs and secondly, we have a public sector that is failing to expand due to pressures on tax revenues and the need to be in an austerity mood".

Malawi is in, as regard to the labour market, must be turned into an opportunity since it is morally right to have more people employed than very few being at a higher price.

"Everything being equal, the price of labour should be cheaper. Infant industries depend on cheaper and readily available labour. Malawi is at such a stage which should depend on cheaper and readily available labour and its industry is also at an infant stage.



KAYUNI: Let us look beyond subsistence agriculture

"So, as the economy picks up due to the available labour, and for the case of Malawi, it is to some extent skilled labour, we are at an opportune time to industrialise the economy and have it graduate to a middle income one," he says

Agriculture accounts for about 30 percent of gross domestic product (GDP), generates up to 80 percent of national export earnings and employs 64 percent of the country's workforce while at the same time contributing to food and nutrition security, according to the Japan International Cooperation Agency (Jica) Agriculture Sector Position Paper.

However, the 2020 Malawi Annual Economic Report show that economic growth from 2011 to 2021 economy has been bumpy due to different shocks including the financial crisis between 2011 and 2012, floods in 2015, drought in 2016, the combined effects of drought and fall army worms in 2018 before being hit by the coronavirus in 2020.

On the other hand, growth in 2019, 2020 and 2021 is projected

at five percent, 1.9 percent and 4.5 percent, respectively.

The Civil Society Agriculture Network (CisaNet) analysis of the 2019/20 National Budget also indicates that the national budget allocations towards the agriculture sector have for the past four years been declining, which has made the country's economy fail to achieve a projected six percent economic growth.

Cisanet says the sector budget has, for the past years, been decreasing from 18 percent in 2016/17 to 10 percent in 2019/20 and has been surpassed by the education sector budget which continues to dominate as the most prioritised sector in Malawi.

The 2019/20 fiscal plan, for instance, ranks agriculture the second prioritised sector with an allocation of K167 billion, up by 11.3 percent in the 2018/19 budget.

Employers Consultative Association of Malawi (Ecam) says there is need to invest in sectors other than agriculture which has been persistently underperforming in recent years, denting the country's

economic growth.

"Ecam core business is about enterprise sustainability and creating decent jobs. We noticed that value of agricultural produce such as tobacco sales are declining in Malawi as well as worldwide. For Malawi, this means that direct and indirect jobs from industry are declining," says Ecam vice-president Buxton Kayuni.

However, given that agriculture will likely remain at the core of Malawi's economy for some time to come, the International Food and Research Institute says continued investment in agricultural productivity is essential.

This is on the basis that a more vibrant agricultural sector would directly feed into growth in the manufacturing and services sectors, especially if the sectors are well functioning and well linked.

"Increased value-addition involving the processing of agricultural products, together with light mechanization that will reduce the drudgery of farming, and an expansion of the crops grown and products manufactured, are all likely to be central components in the structural transformation of Malawi's agro-based economy," observes the institute in its paper titled 'Malawi's Changing Landscape: Some Implications for Youth and Economic Growth'.

As the university professor Tchereni and Ecam vice president Kayuni both state, Malawi indeed has an overflowing labour market.

Toeing to Kayuni's focus, the country must look beyond subsistence agriculture and explore value addition of produce, which is long overdue, including other budding sectors of the economy that look promising like mining.

Such a focus can open up more and varied employment opportunities to professionally trained and the many multi-skilled people like Kumwenda.

Mybucks Banking Corporation

establishes a fully-fledged international trade finance department

MyBucks Banking Corporation now has an International Trade Finance Department, a move that is in line with its commitment of making peoples' lives better through convenient and simplified banking using technology and partnerships.

The bank's Chief Commercial Officer, Bernard Mkandawire said the development positions Mybucks to efficiently facilitate international trade transactions for its current and potential clients and in turn play a huge role in advancing the economic growth agenda of the country.

"As an international bank that has a footprint across 12 countries in Africa, Europe and Australia, we value the role that international trade plays in the economic growth of the domestic market. Therefore, we saw it fit that we become the epicentre of facilitating trade transactions for our current and potential customers by establishing this department," Mkandawire said.

He assured all customers that the department has dedicated banking specialists who have considerable knowledge and expertise; who will partner with clients, understand their needs and journey with them to the achievement of their goals.

In addition, Mkandawire advised that with the establishment of the department, Mybucks has partnered with some of the leading global correspondent banks to ease transactions. This is in addition to launching new services like Advance Payments and Lines of Credit for customers trading in foreign currency in order to eliminate export and import problems.

"Mybucks believes in strong partnerships as a way of offering convenience and adding value to its clients' businesses. Clients should now rely on



MKANDAWIRE: Mybucks believes in strong partnerships

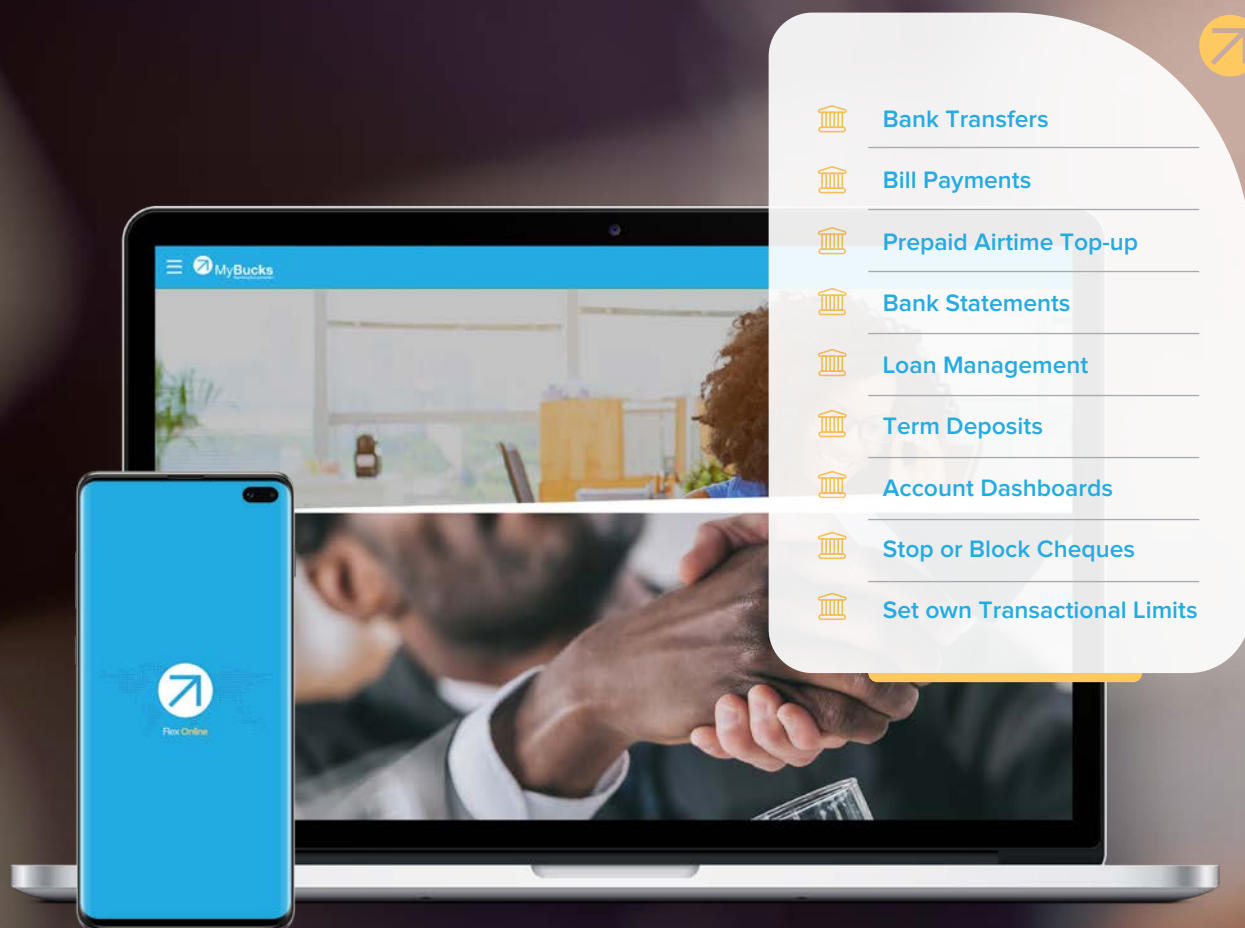
the bank for efficiency in facilitating payments for imports and receipt of export proceeds.

"Going forward, whether you are an individual who wants to import a car from Japan, or a big importer or exporter, we will provide solutions that will effectively manage risk and make your cross border transactions flexible, simple and cost effective," the Chief Commercial Officer said.

MyBucks Malawi is a fully fledged bank with branches in Blantyre, Lilongwe, Mzuzu, Zomba, Mangochi, Dzaleka, Kasungu and Madisi. Currently,

it has a fully-fledged delivery channel of 17 branches, 78 agents, and 30 ATMs across the country, offering a full range of banking products and services that include Bancassurance and microfinance products.

The bank is part of MyBucks SA, a FinTech company that provides financial products and services through technology with presence in 12 countries across Africa, Europe and Australia. It is headquartered in Luxembourg and listed on the Frankfurt Stock Exchange.



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Malawi's economy and the long awaited diversification, any hope?



Malawi's first tough task, therefore, remains to awaken her sleeping giant, the agriculture sector. In the AfDB president's words, the sector, albeit shaken, still "Holds the key to accelerated growth, diversification and job creation..."

BY STAFF WRITER

Malawi is an agrarian economy, with about 80 percent of the population living in rural areas. For decades, agriculture has been standing out as the single largest sector in the national economy.

It is centred on the cyclical phases of production, consumption, and sale of agricultural commodities, largely in raw form. Most farmers are subsistent, growing only food crops to meet the needs of themselves and their families.

Maize and tobacco are, respectively, Malawi's staple and top export crops, followed by tea, sugar, cotton, rice and

pulses, as major cash crops.

As part of the food component, traditionally maize heavily impacts the country's economy, given that it constitutes 45.2 percent in the consumer price index—an aggregate basket of goods and services for computing inflation.

Whenever there is a slump in maize output the country faces hunger, a situation that also heavily affects economic growth in real Gross Domestic Product (GDP) terms.

Tobacco on the other hand, remains, by far, Malawi's top export

product and foreign exchange earner. This has been the status for decades now, although its share has been falling sharply in the past ten years due to changes in prices and weather conditions. Most recently, the downward spiral in numbers has emanated from the global anti-smoking campaign championed by the World Health Organisation.

In 2014, Malawi realised US\$361 million from sales of 192 million kilograms (kgs) of all types of tobacco, which declined to US\$337 million in 2015. However, the output was static.

→

Agricultural produce

→ Malawi has relied on raw harvest for decades and citizens require diverse income earning activities



→

As at close of the 2018 marketing season, the country earned about US\$336 million against US\$212 million of 2017 after selling 106 million kgs. In 2019, the country sold 165.6 million kgs of all types of tobacco, raking in US\$237 million.

The trend is a clear sign that future of tobacco production, just like the agriculture sector itself, remains mixed and murky.

The input of the sector to the national economy has skewed in recent years. In the 2004 Malawi Economic Growth Strategy, agriculture was stated to account for 39 percent of GDP, 85 percent of the labour force and 83 percent of foreign exchange earnings.

In 2010, the Malawi Confederation of Chambers of Commerce stated that the sector contributed about 33.6 percent to the economic growth. In 2017, agriculture accounted for about one-third of GDP and about 80 percent of export revenue.

Agriculture sector's contribution to GDP was expected to shrink by 0.2 percentage points in 2019 from 27.3 percent to 27.1 percent according to National Account figures from the Reserve Bank of Malawi.

Economic commentators feel with dwarfing of the sector input to the national economy, Malawi should not only

Malawi should not only consider the commercialisation route, but also shift toward a more varied structure of domestic production and trade with a view to increasing productivity, creating jobs and providing the base for sustained wealth creation.

consider the commercialisation route, but also shift toward a more varied structure of domestic production and trade with a view to increasing productivity, creating jobs and providing the base for sustained wealth creation.

As laid down by the African Development Bank (AfDB) president, Akinwumi Adesina, no region has ever moved to industrialised economy status without a transformation of the agriculture sector.

Malawi's first tough task, therefore, remains to awaken her sleeping giant, the agriculture sector. In the AfDB president's words, the sector, albeit shaken, still "Holds the key to accelerated growth, diversification and job creation..."

A subdued performance in the agriculture sector puts in jeopardy the vibrancy of the manufacturing, and other sectors of the economy, as it remains primary source of most raw materials for production.

Solving the puzzle demands a change in mindset, massive capital investment and reorganising the supply chain. It is high time technocrats in the country apply all practical means that lead to a shift from heavy reliance on rain-fed agriculture. That turn is a prerequisite as the sector is not resilient to climatic shocks such as drought and dry spells.

Mechanisation of agriculture production and automation of irrigation would entail efficiency as the global trade becomes competitive.

Agro-industrial development would play a key role in face-lifting, not only the sector, but the economic landscape. This entails creation of secondary cities, with well structured markets for all commodities.



Photo Credit: ©NUSpencer

→ Commercialisation of the agriculture sector would, therefore, require easy access to capital as well as clean and sustainable energy. This then, demands that the energy and financial sectors also tilt towards a common goal of national economic growth.

By all means necessary, the country needs a strategic vision of growing the economy systematically. More than ever, Malawi needs intact priority infrastructure including railway, water way, communication network, these things are primary and should be intact and in solid position.

The country has registered an average 3.5 percent economic growth in the past five or so years with traditional

ways in production in agriculture sector as a mainstay of the economy. However, the rate is not enough to bail it out from the current poverty levels.

Global ratings show that Malawi is vying with the likes of Burundi, Niger, Democratic Republic of Congo and the Central African Republic at the official world's poorest country in terms of per capita income, which was under US\$500 (in real terms) in 2018.

A simple analysis of statistics shows that Malawians, at US\$389 GDP per capita, are three times more poorer than Zambians. Yet Zambians, who in 2018 earned US\$1,539 per person (around the sub-Saharan African average), are already very poor by global

standards, where the average income was over US\$10,000.

In a recently issued Paper titled Malawi's May 2019 Elections; The Need to Align Politics and Policy with the People's Needs, Head of Johannesburg-based Brenthurst Foundation, Greg Mills, said if Malawi is to reach lower middle-income status it will have to grow its economy at an average of 13 percent for the next 10 years, or 6 percent for 30 years.

"To achieve the bottom end of 'upper' middle-income status (US\$3,896-US\$12,055) will require an annual average of 30 percent growth for 10 years," Mills says in the report.

Malawi is at a juncture where the economy has been stabilised, therefore there is need for sober discussions and application of immediate, medium and long term solutions on growing the economy.

Speed in value addition of agriculture produce for import substitution and the export market is very crucial. Most importantly, it is high time Malawi starts earning for its mineral deposits that are currently being exploited by mercenary miners.

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Tax automation takes centre stage with **MSONKHO ONLINE**

BY HENRY MCHAZIME

Many sectors here in Malawi are adopting and implementing automation of services.

From shops to banking and educational institutions, the new vibe is going e-as in electronic. What has popularised this drive is the consumers' maximum convenience of swift and prompt access to services.

The public sector has not been left behind. Under Government's Public Sector Reforms, the Malawi Revenue Authority (MRA) has introduced Msonkho Online. This is a real-time web based integrated tax administration system where taxpayer can use to access a range of tax services under one roof.

MRA's Head of Corporate Affairs Steven Kapoloma describes Msonkho Online as a convenient and secure platform that is accessible at any time.

"The system provides a premier online taxpayer service where taxpayers can quickly and easily register for tax, file tax return or pay taxes 24/7 via the MRA website www.mra.mw. Furthermore, the system is quick, easy, tailored and secure and allows you to manage your tax transactions at a time that is convenient for you, either from your office, home or from anywhere in the world," Kapoloma says.

He says the Authority is implementing Msonkho Online to enhance efficiency and effectiveness in tax compliance including taxpayer service management by improving and automating business processes in the Domestic Taxes Division.

"The web-based solution has modules capable of effecting and



KAPOLOMA: Instant processing with Msonkho Online

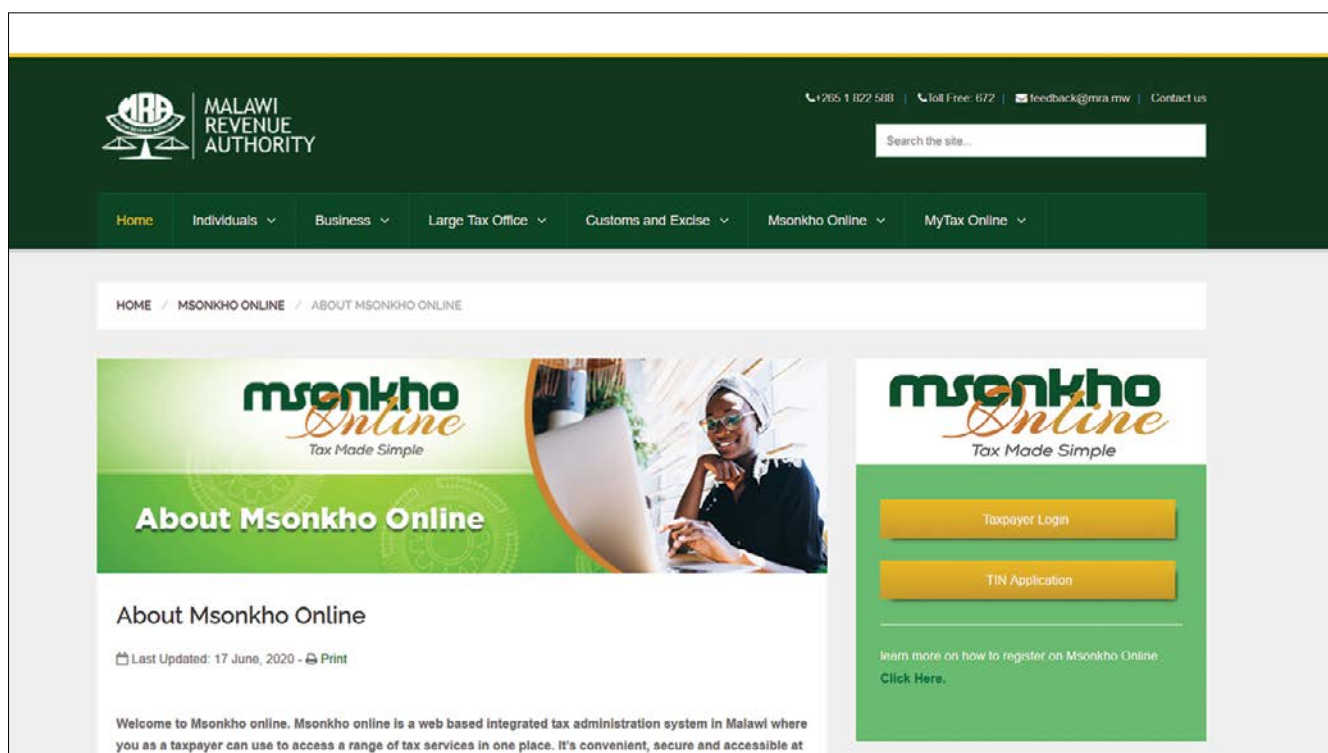
monitoring key activities of a modern tax administration such as registration, de-registration, assessment, taxpayer accounting, audit, compliance, case management, objections and appeals.

"With these applications, this system will be managing a range of domestic and international trade taxes, including but not limited to Income Tax, Value Added Tax, Withholding Tax, Fringe Benefits Tax, Provisional Tax, Turnover Tax and Pay-As-You-Earn (PAYE). The Authority is implementing the system as part of its Modernisation drive which aims at improving efficiencies in revenue administration," he

adds.

The e system provides a platform that allows users to make or submit objections and appeals online; apply for exemptions as provided under the VAT and Taxation Act online or apply for refunds online and check the status of one's application for refunds or exemption.

"This will ultimately reduce travel time to MRA offices to deliver a tax return or make tax payment," enthuses Kapoloma adding that since the transactions are online, there is also a great reduction of paper work on submission of tax returns for both MRA and the →



AVAILABLE: The MRA website

→
taxpayer at large.

"In other words, the system assures stakeholders on reduction of cases of missing or misplaced documents including tax returns," he adds.

Msonkho Online brings with it instant processing of returns since the returns will be processed by the system. As this is taking place, taxpayers will be receiving notifications for any movement in the account of taxpayer account for any tax.

The system assures everyone of total application of standardised processes hence consistent access to services and subjection of uniform or similar procedures across MRA.

Emphasis on uniform application of tax laws will offer fair services thereby increasing efficiency in services in terms of time, quality and convenience.

Similarly, automation of domestic taxes administration assures both taxpayers and the Authority reduced cost of tax compliance. There is also easy access to retrieval of taxpayer records as stored in the taxpayer account.

Kapoloma says the use of

technology is enhancing transparency including competencies in tax administration processes by availing reliable and accurate taxpayer data while increasing room for voluntary tax compliance.

"There are also various benefits of Msonkho Online to Tax Consultants, Audit, Accounting Firms and Agents as they will enjoy provision of timely information and data to enable future planning, projections. This group now has a simplified method to ensure accountability to their stakeholders as they provide services to taxpayers at a reduced cost," he says.

He adds that increased there will an assurance of transparency and accountability between auditors, accountants and their clients.

As with most registrations, the national identification card is required. Registering for tax has various advantages for businesses as MRA provides information on preparation of business accounts for tax purposes.

"The accounts enable the taxpayer to know whether the business is making profits or losses. Registration for taxes proves one to be patriotic and the registration itself generates trust with

...the use of technology is enhancing transparency including competencies in tax administration processes by availing reliable and accurate taxpayer data while increasing room for voluntary tax compliance.

other entities thereby enabling ease in transaction of business.

"Most importantly, businesses operate freely without fear of being caught by MRA or any authority. MRA also issues Tax Clearance Certificate (TCC) that enables tax registered businesses to compete for any public or open tender," MRA's Kapoloma says.

More and detailed information regarding Malawi Msonkho Online is readily available on: www.mra.mw/msonkhoonline



MRA provides relief to taxpayers **AS COVID-19 BITES**

BY WADZA OTOMANI

As the world continues to grapple with COVID-19, the pandemic has been taking its toll on economic activities and the impact has been unprecedented. Strict measures put in place to contain the further spread of the pandemic have disrupted supply chains, imports, exports and the sale of goods and services.

The disruption of such activities

has negatively affected the income and profitability of many businesses in Malawi. Such disruptions have had a negative impact on tax compliance as businesses fail to meet their tax obligations.

In order to provide relief to businesses reeling from the outbreak of COVID-19, the Malawi Government, through the Malawi Revenue Authority

(MRA), announced the opening of a Voluntary Compliance Window (VCW) for six months. The Authority opened this window of opportunity on 8th April until 31st October 2020.

MRA Head of Corporate Affairs, Steven Kapoloma, said VCW allows non-compliant taxpayers and those with tax arrears to settle their tax obligations without paying penalties,

→



PROVIDING RELIEF: MRA Msonkho House Head Office

→

interest or any changes.

"The aim of VCW is to provide relief to individuals and organisations to regularize their tax affairs without suffering penalties, interests and charges. VCW is also aimed at increasing voluntary tax compliance among business people," he said.

"It is our hope that even those taxpayers who have tax arrears arising

from the negative impact of COVID-19 and other challenges will take advantage of the window to clear their matters within the specified period," he said.

VCW is open to both individuals and organisations including registered and non-registered taxpayers.

Registered taxpayers who have not been paying taxes, filing tax returns or filing incorrect tax returns are eligible to apply for VCW. Non-registered taxpayers who have been making taxable transactions but have not been paying taxes or filing tax returns can also apply for VCW.

Furthermore, importers who had been smuggling, under-declaring or misclassifying imports are eligible to apply. Importers of un-cleared or smuggled motor vehicles and motor cycles can also take advantage of the VCW to apply to MRA in order to be considered to take part in the window.

"The Authority is, therefore, encouraging owners of motor vehicles, motor cycles and other goods that were not duly cleared or smuggled into Malawi to take advantage of facility to clear their items through proper Customs

procedures while the window is still open," he added.

Kapoloma, however, warned taxpayers who fail to come forward on their own to clear their debts that MRA will punish them in accordance with the existing tax laws.

"Once the window is closed, the Authority will embark on an intensive and extensive audits and investigations to net all tax defaulters and smugglers with a view to collect all taxes due to Government as provided by tax laws of the land," he said.

To apply for VCW, download an application form from the MRA website www.mra.mw. VCW forms are also available at all MRA stations. Upload completed VCW forms on the website or email: vcw@mra.mw. Taxpayers can also send the completed forms through WhatsApp to **0997 222 835** or **0997 222 836**.

Taxpayers are strongly reminded to attach supporting documents to their application such as tax returns, income statement, notice of assessment, tax schedules and Form C132 for Customs to enable MRA conduct proper assessment of their tax liability.

"Once the window is closed, the Authority will embark on an intensive and extensive audits and investigations to net all tax defaulters and smugglers with a view to collect all taxes due to Government as provided by tax laws of the land."

Balancing the surging appetite for **CAPITAL WITH VALUE FOR MONEY**

BY STAFF WRITER

Year in and year out, the business community, led by the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) keep lamenting about the lack of capital available for players in the private sector.

In fact, the chamber puts cost of finance as one of the factors that has remained a major obstacle in doing business here in Malawi.

Let us not put into oblivion that the cost of finance emerged the top most challenge to doing business in 2018 and has persistently been in the top 3 of the main obstacles to doing business over the past 4 years of the survey, this is according to the Malawi Business Climate Report published by MCCCI.

Reserve Bank of Malawi (RBM) estimates that access to loans in Malawi is only at 10 percent compared to other countries at 80 percent and above.

Here is a glimpse: Out of the total K1.1 trillion deposits/savings mobilized by April 2019, only K512.9 billion had been loaned out to the private sector, meaning that less than half of the savings mobilized are loaned out to the private sector.

Tellingly, starting or maintaining a business requires financial investment



but it is usually said that it is very difficult for business persons to access these funds from reputable financial institutions due to the high cost of borrowing.

However, in recent years, the market has seen an ease in the policy rate or the rate at which commercial banks borrow money from the central bank.

Here in Malawi, the rate is now at 13.5 percent and it has eased from around 25 percent a few years ago. Despite the easing by such a margin, businesses still complain that interest rates remain



ALWAYS NEEDED: Money



high in contrast with savings rate which remains low.

For businesses, they argue that the current status quo means that a great part of their profits in the first few years of operation are directed to repaying loans instead of reinvesting into the business and by the time they finish repaying the loan most businesses are incapacitated financially and cannot survive on their own.

In fact, the proliferation of other forms of financial services such as the unregulated village banks and private placements signal some glaring shortfalls in the local banking system. This leads to people, especially those in micro businesses, to hunt for easily

available options for finance.

Capital investment trajectory:

Using data between 1960 to 2017, Malawi's capital investment index has averaged 18.19 percent with a minimum of 7.69 percent in 1964 and a maximum of 38.44 percent in 1978. The latest value from 2017 is 13.43 percent. For comparison, the world average in 2017 based on 163 countries is 24.15 percent, according to the Global Economy website.

The capital investment in Malawi and other countries is calculated as the purchases of new plant and equipment by firms, as percentage of Gross Domestic Product (GDP).

A high number is good for long-term economic growth as current investment leads to greater future production. Thus at 18 percent, it speaks volumes that the country is yet to make huge inroads or strides when it comes to making capital available.

But having said that, it is also imperative to acknowledge the fact that commercial banks under the Bankers Association of Malawi (BAM) umbrella continue to diligently discharge their critical role of financial intermediation. This is done while cautiously striking a balance between the provision of capital and ensuring that there is value for their money.

Banks continue to mobilise savings from areas of surplus and direct them to areas of investments and capital formation.

BAM, a trade association of registered Commercial Banks and Discount Houses in Malawi, was established to provide a forum for the consideration of matters of policy and mutual interest concerning the activities of its members.

Founded in 1997 and is the trade association of nine commercial banks and one discount house licensed under the Banking Act 1989 and the current members include; First Merchant Bank, NBS Bank, National Bank of Malawi, Standard Bank, Ecobank, Nedbank, New Finance Bank, CDH Investment Bank First Discount House and FDH Bank.

With the savings rate in Malawi pegged lowly at 2.9 percent of GDP compared to other countries where savings rates are as high as 50 percent, banks are always wary of their business. With an estimated 75 percent of all cash in Malawi lying outside the banking sector, some conclude that lack of capital is a self-inflicted problem by Malawians themselves as keeping money at home means denying others of critical capital for production.

But not all is lost, the latest figures from Reserve Bank of Malawi (RBM) signal good tidings ahead. For example, the Reference Rate at around 12 percent is the lowest since 1980s, non-performing loans (NPLs) at 4.3 percent are also below the 5 percent maximum regulatory levels.

In addition, banks are adequately capitalised, liquid and profitable. The private sector credit is slowly and steadily picking up latest being a month-on-month growth of 19.11 percent in September 2019. Surely, banks in the country under RBM's watch, are tirelessly seeing to it that there is a win-win situation to ensure there is value for money while unleashing the much-needed capital to Malawians.

CREATING CUSTOMER VALUE THROUGH INNOVATION:

interview with United General Insurance (UGI) Chief Executive Officer

BY STAFF WRITER

Q: *Congratulations for being elected president of Insurance Association of Malawi, would you tell us more about this development?*

Insurance Association of Malawi is a forum where principal officers from all insurance companies converge and deliberate matters affecting the industry. The president is elected through this platform and as UGI we feel honoured to be trusted with such a responsibility. I am optimistic that with assistance from my fellow leaders of the industry, we will strive to deliver an exciting experience to the insuring public and at the same time tackle some of the daunting issues affecting our sector.

Q: *Briefly what has been your career path to leadership?*

I am a Chartered Insurer and Fellow of the Chartered Insurance Institute (FCII), and a Master of Business Administration (MBA) with 20 years of diversified domestic and international experience in Insurance.

In my career I have worked and built relationship across other Advanced Insurance Markets and reputable players such as Lloyds' Market in London UK, Wills Ltd. (UK), RFIB (UK), Locton (USA), Reinsurance Solutions International Limited (Mauritius), Alexander Forbes (RSA) and gained exposure in short-term Insurance and Life Assurance, Investment Portfolio Management, Financial Management, Bancassurance, Credit management and Stakeholders Engagement. I started my career in a very humble way as an underwriter & marketing



LEADING: UGI's CEO Chiwoni

officer at ABC Associates in 1999 and later moved to UGI in 2002 where I joined as an underwriter and rose to the level of Assistant Strategic Business Unit Manager until 2008 when I joined Alexander Forbes Limited domiciled in Tanzania as Head of Business Unit. After returning home I worked with then Real Insurance now Britam as regional Manager C&N and later Chief Operating Officer (2011-2013). As they say home is the best, I returned to UGI in 2013 as General Manager Operations and in 2016 appointed CEO. So as you may see it has been an exciting journey full of humbling experiences but rich in terms of diversity and exposure.

Q: Innovation has been synonymous with UGI, why have you taken such a direction?

Innovation is crucial in competitive industries such as insurance. As a company we have built our competitive edge around innovation. Through modern technologies we have created interactive platforms with our customers as a way of protecting their assets. This has flagged us out from the competition not only as innovation leader but also as providers of instant value proposition.

For so long insurance has been associated with pain where the benefits are derived after suffering a loss or misfortune. UGI would like to change this perception by ensuring that we create tangible experiences throughout the customer cycle from buying insurance cover to making a claim.

Q: Would you explain more about such experiences or products where customers get instant value?

Our major innovations have focused around motor insurance as it is the major driver of income and expenditure. We have three unique products as follows;



AutoServe car policy is the flagship of UGI innovation. AutoServe offers more than what a normal car policy does. It brings instant value in the form of absolute emergency protection through ambulance services offered by MASM, free towing services across the country, free car wash facility every quarter,

daily vehicle activity reports which becomes handy for institutions like transporters, Fuel monitoring abilities, geo-fencing where you can limit vehicle moment to a certain locality an essential aspect for utility companies like water boards or ESCOM as it cuts on abuse of resources.



Through AutoPrice mobile App, customers interact with UGI and get feedback on the way they are driving and suggesting improvement measures leading to the unlocking of benefits which are: fuel reward up to 120 litres every year and 50% premium discount in 2 years.

All these functionalities are made possible because of Telematics which is a form of information technology which deals with long distance transmission of computerized information using Satellite and creates an interactive platform between UGI and customers. For the past three years the emergency ambulance services have helped a lot in serving invaluable lives considering the level of road carnage in Malawi simply because most people die due to lack of first aid care from accident scene. Telematics technology is offered by C track Africa another key partner in the product offering. The policy has a self-authorisation limit up to MWK1million.

Another value added product is AutoShield crafted to close the gap when it comes to theft claims especially accessories. Worldwide, theft of car parts is paid when the vehicle is armed with an alarm and this brings extra cost to the policyholder in addition of premium. The sad part of this requirement is that most people become aware of it at the time of claiming and normally feel cheated in a way. By offering it for free makes the policy cheaper as it cuts down on further spending for the client.

One of the products that has brought excitement to the market which was launched in March this year is Autoprice. The product is designed to encourage good driver behaviour in order to reduce road carnage in Malawi. It is, a build-up on the company's existing product, AutoServe – which uses telematics to provide value added services.

Driver's behaviour skills are rated according to prescribed risk proxies. The scores obtained by the driver is then tied up to premium rating and reward system. That's high risk drivers pay more premium, while low risk ones pay less premium and get rewarded for their good driving behaviour hence the tag line "Drive well, get rewarded."

Through AutoPrice mobile App, customers interact with UGI and get feedback on the way they are driving and suggesting improvement measures leading to the unlocking of benefits which are: fuel reward up to 120 litres every year and 50% premium discount in 2 years.

All this in line with being extraordinary for UGI by rightly serving a diverse market.

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MOTOR POLICIES**

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RESERVE BANK OF MALAWI

ACCESSING AND MANAGING PERSONAL AND HOUSEHOD CREDIT AMIDST COVID-19 AND BEYOND

INTRODUCTION

The economic impact of the COVID-19 global pandemic on individuals, households, businesses and Malawi at large, cannot be overemphasized. Many business establishments, especially micro, small and medium enterprises are scaling down or completely closing down due to challenges that business owners are facing in accessing essential goods and services, including production materials. Consequently, some business owners or employers have no choice but to reduce some of their employees' benefits while other employees are being retrenched. This has resulted in a rapidly increasing unemployment rate and loss of income by many Malawians. Everyone is therefore trying their best to squeeze out and exhaust all their financial resources in order to meet their basic needs and where possible, sustain their developmental projects or businesses.

This is the time we need to practice effective personal and household finance management principles in order to get the most out of the little financial resources that we have. If you have been spending money without a budget, this is the time to strictly plan and budget how to spend your money. It is advisable to always draw a list of priorities and decide the needs that you cannot do without and rationalize. In addition, always include in your budget a saving for a rainy day and where possible, investments. During this pandemic, it is advisable to have a mix of long term as well as short term (liquid) investments that can easily be converted into cash, should need arise. Ultimately, it is important and advisable to always Plan, Save, Invest (PSI) if you are to meet your needs and sustain your economic goals amidst the Covid-19 pandemic and beyond.

However, you might be doing your best to follow the principles of effective money management but still find yourself struggling to meet your basic needs and/or sustain your economic activities/business due to the negative economic effects of Covid-19. Is there any hope in the financial institutions? Can you borrow some relief money from lending financial institutions such as banks, microfinance institutions, savings and credit cooperatives (SACCOs) in order to cushion your cashflow? It is acceptable and part of effective personal or household finance management

to borrow. However, you need to borrow wisely and properly manage your credit if the borrowed money is to work for you and your family. This article's primary goal is to provide some tips on how you can borrow wisely and get the most out of your credit amidst the Covid-19 Pandemic and beyond. The article is divided into two parts. Part 1, will focus on providing some tips on how you can access credit while Part 2 will give you some tips on how you can effectively manage your credit

PART 1: ACCESSING PERSONAL AND HOUSEHOLD CREDIT

1. What is a credit?

A credit or loan is money that is borrowed and must be paid back, usually with interest and other associated costs such as loan processing/origination fees, insurance fees, collateral charging costs etc. It is the ability to borrow money based on promise of a future repayment. Alternatively, a credit can be defined as a contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some date in the future, generally with interest. Depending on the terms and conditions of your selected lending financial institution, your credit can be secured or unsecured.

- a) **Secured Credit:** Many lending financial institutions, be it formal or informal, require that most loans must be secured. The lending financial institutions need to make sure that they do not lose their money if you fail to pay back your loan. You may therefore be required to present proof of security or collateral to safeguard the loan. Collateral is something you own (e.g. a piece of land, a house) that the lender can take over if you fail to pay back the loan. Some lenders accept another person to be a guarantor. In case you fail to pay back your loan, the guarantor must stand in for you and pay back that loan on your behalf.

When looking for a loan, you may also be required to provide the lender with indications/proof of your cash-flow and business activity. This will give the lending financial institution your financial capacity and ability to pay back the loan



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and will therefore inform the institution's decision of whether or not to give you the requested loan and, how much.

- b) Unsecured Credit:** Some loans may not require security. However, it is worthy knowing that unsecured loans are most of the times expensive loans. Banks or or any other lending financial institutions that do not require security/collateral may charge very high interest rates/ and/or or other fees because it is very risky for them to give out a loan that has no security. Therefore, in case you are offered a loan without security, make sure you take time to understand all the terms and conditions including the cost of the loan.

2. Borrow for a productive purpose

To ably pay back your loan, you have to make the borrowed money work for you. In the wake of the Covid-19 and beyond, it is advisable to always borrow for productive purposes and investments such as starting or boosting your local enterprises. The Covid-19 preventive measures requires you to reduce your movements and spend most of your time at home. Although this may look like a challenge, it offers you a golden opportunity to think outside the box and innovate. Once a week, it is advisable to spend some quality time, at least one or two hours, on your own or with your immediate family members to brainstorm and think about what you can do to earn an extra income. Once you have sharpened your idea (s), do not wait until you have a million kwacha, get started with any little savings that you may have. Start small and should need arise, approach the lending financial institutions for a small loan. Always start with a small loan, pay back within a short time and borrow more later, if it is necessary. Remember, a loan with a short repayment period is cheaper than a loan with a longer repayment period.

Above all, it is not wise to take a loan just because other people around you are doing so. Take a loan only as a last resort and never rush into borrowing. Ask yourself if you really need the loan or not. If your answer is yes, then proceed to the next steps.

3. Borrow from licensed or registered lending financial institutions

When there is a need for you to borrow, it is advisable to borrow from registered/licensed and lending financial institutions such as banks, savings and credit cooperatives (SACCOs) and microfinance institutions for better terms and conditions. These better terms include low interest rates. Currently, the interest rates for most banks are as low as 2% per month whereas the average interest rate for most microfinance institutions and SACCOs is 6% per month. These rates are quite low in comparison to borrowing from unregistered/ unlicensed or unregulated lending institutions such as katapila, who will charge you high interest rates, as high as 50% per month.

In addition, should you have a concern or complaint against the

performance of your loan facility or conduct of your financial institution, you are assured of free and easy to access complaints redress mechanisms if you got your credit from lending institutions which are regulated by the Registrar of Financial Institutions, who is also the Governor of Reserve Bank of Malawi.

4. Shop around for the best offer

When you want to take a loan, compare offers from different regulated lending financial institutions by analyzing the transparency and disclosure documents (Key Fact Statements) that lending institutions provide to prospective borrowers. The country's financial industry laws, specifically the Financial Services (Disclosure Requirements for Credit Products) Directive, 2018, requires all regulated lending financial institutions to be transparent and disclose to you, in a Key Fact Statement format, all terms and conditions for the loan product you might be looking for before signing any loan agreement (offer letter). It is therefore your responsibility to read, understand and compare their terms and conditions such as interest rate, repayment period (know that the longer the repayment period the more expensive the loan becomes), whether the interest rate is fixed or variable (variable interest rate is unpredictable), how much is the processing fees, what is the default penalty, any penalty for early repayment of the loan, and above all the "Total Cost of Credit". If you shop around for the best lender, you will most likely end up paying a little less and with better repayment terms.

Borrowing from a wrong lender could cost you a lot, so research your options and choose wisely. Be confident when asking lending financial institutions for costs and terms of credit and do not show any desperation for the loan product that you have requested. It is the lending institutions' responsibility to provide you with all the information in a form of a Key Fact Statement, that you need to analyze and use to inform your decision making regarding the best credit product for you.

5. Consider your payment ability

Always remember that a loan is not a gift, it must be paid back. You must therefore borrow wisely. Borrow what you can afford to repay. It is imperative that you understand what the different lenders are offering before borrowing. Once you have found a better deal, plan in advance how you will pay back the loan and the interest payments. You have an obligation to pay back the amount you borrowed plus the interest and any further charges/fees. If you know that you will not have the means to do pay back the loan within the agreed time, you should not take the loan.

6. Beware of aggressive lenders

Avoid "quick" loans and lenders who discourage you from reading and understanding the loan documents. They might try to take advantage of your low levels of financial literacy and financial capability in order to charge you more. Always insist on reading



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all the terms and conditions of the loan and ask for explanations so that you understand the conditions attached to the loan before you sign a loan contract. Avoid verbal agreements or signing on blank application forms on the pretext of saving time. It is your right to ask for information and it's the responsibility of the lender to provide you all the information you need before agreeing to take a loan. Both you and the lender should be honest in disclosing information to avoid future surprises.

7. Take time to understand the cost of your loan

Every loan comes with a cost. Before you sign any loan contract, read and understand the terms and conditions, specifically the charges for the loan before actual access. Ask the lender about the total amount you have to pay back over the entire period of the loan. This is called the Total Cost of Credit and includes the amount you borrowed plus interest and any other fees/charges. It is the responsibility of the lender to tell you the Total Cost of Credit. If he does not, ask for that information.

- a) **Understand the interest that you will for the loan:** Interest is the “price” you pay for borrowing money. Interest is the additional money you have to pay to the person or financial institution that lends you money. Interest is normally expressed as a percentage of the amount you have borrowed. It is mostly calculated on an annual or on a monthly basis. Depending on the loan, you may be asked to pay interest yearly, monthly, or weekly. However, know that there is a big difference between a yearly, monthly, and weekly interest rate and ask your lender to explain the implication of the agreed repayment mode on the performance of your loan.
- b) **Is the interest rate variable or fixed:** Interest can be “fixed” or “variable”. If it is variable, this means that it can change over time. Therefore, you might end up paying more. Fixed interest is one where the interest rate does not change during the period of the loan repayment. This allows you to accurately predict your future payments while if the interest is variable, you cannot effectively predict your future loan repayments as the rates can change during the period of the loan.
- c) **Is the interest flat or reducing balance:** Interest may be “straight line (flat)” or “reducing balance (declining)”. A loan with 10% reducing balance interest will cost you less than a loan with 10% flat interest. This is because with a “reducing” interest rate you only pay interest on what you actually owe the lender while with a “flat” interest rate you keep paying interest on the original amount of the loan until this amount is entirely paid back. In Malawi, the law, including the Financial Services (Establishment and Operations of Non-Deposit Taking Microfinance Institutions) Directive, 2018, requires lending institutions to charge interest on reducing balance.

8. Choose the best repayment period for your loan

It is important to know and understand your loan's repayment period. In addition, make sure that the lending institution does not change your loan's repayment period without your knowledge or consent. The longer the repayment period, the more expensive a loan becomes and vice-versa. Therefore, if possible, always go for short term loans, pay it off and get another loan, if need arises. Should you opt for a longer repayment period for flexibility purposes, if possible, plan to pay off the loan before the agreed period by increasing the monthly repayment amounts whenever you have some additional funds. In Malawi, the Financial Services (Fair Treatment of Financial Consumers by Financial Institutions) Directive, 2018, prohibits lending financial institutions from charging borrowers' penalties for full (early) repayment of loans before expiry of the agreed loan repayment period (tenor).

PART 2: MANAGING PERSONAL AND HOUSEHOLD CREDIT

A loan is not a gift, it must be paid back. If you have borrowed money from lending institutions or even from friends/relatives, you must always remember to pay back as per agreed terms and conditions. The following are some of the tips you can follow to manage your personal or household credit effectively:

1. If you can, you can pay off your loans before the agreed repayment period

The financial services laws in Malawi, especially the Financial Services (Fair Treatment of Financial Consumers by Financial Institutions) Directive, 2018, allows you to pay off your loan before the expiry of the agreed loan repayment period without any penalty. As such, you can decide to be smart by paying off your loan even before the agreed repayment period lapses. How? Whenever you have some windfalls or additional sources of income, you can increase your monthly repayment amounts through direct deposits into your loan account or approach your lending institution for a permanent restructuring. It is no secret that your credit can be more rewarding if you can opt for early repayment rather than religiously following the agreed loan repayment schedule. Remember, the longer the repayment period, the more expensive the loan becomes for you.

2. Avoid default

A loan default is the failure to meet the financial obligations indicated in the loan agreement signed by a borrower and a lender. Default can mean missing a payment, being late on a payment or avoiding a payment altogether. What happens if you default or don't pay back your loan? The consequences of default depend on whether your loan is secured (mortgage or car loan) or unsecured (microfinance loans or credit card or student loans). Regardless of the type of loan, the consequences of loan default can be so devastating and may include:



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- Drop in credit worthiness/record
- Increased interest rates arising from penalty interest charges
- Foreclosure or seizing of pledged collateral (property)
- Loss of reputation
- Social embarrassment

It is therefore advisable to be a good borrower and avoid default in order to avoid landing into the consequences of default.

3. Don't "dig a hole" to fill up "another hole".

If you are already struggling with debts, avoid taking another loan to settle the earlier loan since this will only add to your debts and hence increase your burden. Remember you will be paying additional charges, fees and interest since this is a new loan.

4. If you are struggling to repay your loan, don't hide the situation.

Do not despair or lose hope if you have difficulties paying back your loan. Discuss and consult with family members or friends on how to handle the situation. Don't wait until it is too late and most importantly, don't keep this under your pillow and to yourself. Share the situation with your family members, you can benefit from their ideas on how you can handle that non-performing loan facility.

Should need arise, visit your lending institution to apply for loan restructuring or moratorium

If you know that you are going to fail to pay on time as laid out in the loan contract, inform your lending institution in advance. Do not try to buy time by paying with a cheque that "bounces" (issuing a cheque when you do not have enough money on your account). Don't give any false or misleading information. Where need arises, visit your financial institution for guidance and subject to your lending institution's assessment of your economic position and how you have been negatively affected by the effects of the Covid-19 pandemic, you can be granted a moratorium (loan repayment holiday) towards payment of loan principal or interest or both.

However, whether you are granted a loan moratorium or not, the decision is determined by your lending institution on a case by case basis. In some cases, you can apply for a loan restructuring with new terms and conditions. However, should your lender agree to restructure your

loan or grant you a loan repayment moratorium, please understand the terms and conditions (as detailed above) of the moratorium or restructuring before signing the new loan agreement.

5. Know and keep your credit history clean

If you have taken a loan from a financial institution regulated by the Reserve bank of Malawi, through the Registrar of Financial Institutions, you will be building up your formal credit history which can be accessed through the Credit Reference Bureaus. The next time you apply for a loan, this information will be used to help the lender decide whether or not to give you a loan and on which conditions. The better your credit history is, the better the loan conditions will be. Always aim at keeping your credit history clean by paying off your agreed loan repayments on time

Conclusion

Borrow wisely and effectively manage your credit amidst the Covid-19 pandemic and beyond, if you want your credit to work for you. Borrow for productive purposes, have a good repayment plan and always pay back your loan as per agreed terms and conditions. Remember, a loan is not a gift. Avoid default!

Covid-19 is Real!

**Mask up, Maintain Social Distance
and Always Wash your Hands!**

For more information about credit management

Write to:

**The Consumer Protection and
Financial Literacy Unit
Reserve Bank of Malawi
10 Hannover Avenue
P. O. Box 565
BLANTYRE**

Call us: 01 820 299/01 820 444

Email: financial-literacy@rbm.mw



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UNDERSTANDING AND AVOIDING FINANCIAL FRAUD

Use of cashless methods of transacting, commonly called digital financial services (DFS) such as mobile money, mobile banking, internet banking, online banking and point of sale (POS) transactions, is highly recommended and encouraged due to its advantages over cash. This is also particularly true amidst the Covid-19 pandemic. In accordance with Covid-19 preventive measures, use of DFS helps people to reduce unnecessary movements, interactions and handling of cash in general. Use of DFS is convenient as you can conduct financial transactions, including money transfers, payment for utility bills or purchases conveniently and anytime at your convenient place. In addition, DFS offer a way to overcome some of the challenges that impede some people, especially those living in the rural areas, from accessing and using traditional financial services. Examples of these challenges are lack of enabling physical infrastructure and high transactions costs. In summary, DFS offer convenient, faster, secure and timely way of conducting financial transactions while adapting to the needs of various target groups.

However, it is important for users of DFS to be always aware and mindful of risks associated with such digital payment platforms. Examples of such risks are financial risks (loss of money), perpetrated by fraudsters who seek to defraud users of these payment services. The objective of this article is therefore to promote awareness of financial fraud and provide tips on how users of DFS can mitigate and protect themselves from being victims of financial fraud.

1. What is financial fraud?

Financial fraud can be broadly defined as an intentional act of deception involving a financial transaction for purposes of personal gain. In simple terms, it refers to any attempt to deceive another person for financial gain. Financial fraud can occur in many ways, at any time, to any person and involving any amount of money. Being aware of the various types of fraud, how they work, factors that contribute to fraud and how to avoid falling victim to the malpractice can be useful to ensure safety and security when using digital financial services, both in the wake of Covid-19 and beyond.

2. What are the common types of financial fraud?

Fraud can be categorized into various categories depending on the methodology used by fraudsters in attempting to steal your money.

a) Card fraud

Use of your physical credit and prepaid cards such as VISA, MASTERCARD, or use of your card details without your knowledge or consent, is one of the common methods that fraudsters use to defraud other people's money. Below are some of the common examples of how card fraud is undertaken:

- i) Unauthorized use of lost or stolen cards: Fraudsters can use your lost or stolen cards to undertake fraudulent financial transactions without your knowledge or permission. If you have lost your card, always and immediately report to your card issuer to block the card so that no further fraudulent transactions can be allowed;
- ii) Skimmed cards: This happens when a fraudster clones or copies your card with a special swipe machine placed on Auto Teller Machines (ATMs) or any cash disbursement machines without your knowledge to make a duplicate of your card for their use. As such, always be alert and check on the ATMs for presence of any suspicious object prior to inserting your card;
- iii) Card-not-present fraud: This is a type of card scam in which the fraudster does not physically present the card to the merchant during the fraudulent transaction. Card-not-present fraud can occur with transactions that are conducted online or over the phone when the fraudster is in possession of your card details e.g. card number, card holder name, date of birth and the Cvv2 number (the 3 digit number behind the card). The Cvv2 number is the most important number for any e-commerce or online transactions to happen. The fraudster may steal this number and the other card details directly from your card or from online databases or through email scams for their use on the internet or over the phone to conduct fraudulent e-commerce (purchases) transactions;
- iv) Charge-backs: Chargeback fraud, also known as friendly fraud, happens when a fraudulent request for a refund, in the form of a chargeback, is presented to your bank by the fraudster.

b) Merchant Collusion

This type of fraud happens in situations where fraudsters pose as merchants and approach people giving them false information



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on different types of money profitable “deals” or “businesses”. Their aim is to coax you to give them a certain amount of money or your financial details such as bank or mobile money account details. For example, a fraudster can call you advising that you have won a certain competition and ask you to send them your account details in order for them to transfer your prize money into your bank or mobile money account. Be critical and investigate the authenticity of any type of communication before giving out any information. If you are suspicious, call your mobile network operator or bank or police for advice.

c) Mobile banking fraud

Mobile banking fraud happens when a fraudster uses your mobile phone banking services to acquire unauthorized access and usage of your mobile banking details for onward fraudulent transactions through:

- i) **SIM swap:** A SIM swap scam is a type of account takeover fraud. The fraud begins with a fraudster gathering personal details about the victim, either by use of fraudulent (scam) emails, buying your personal details from organized criminals, or by directly engaging the victim while posing as a telecommunication agent. Once the fraudster has obtained these details, they contact the victim’s mobile telephone provider, convince the telephone company to port the victim’s phone number to the fraudster’s SIM by impersonating the victim using the acquired personal details to appear authentic and claiming that they have lost their phone. Once this happens, the victim’s phone will lose connection to the network and the fraudster will receive all the SMS and voice calls intended for the victim. This allows the fraudster to intercept any account access credentials, including one-time passwords sent via text or telephone calls sent to the victim. This circumvents any security features of accounts (bank accounts, social media accounts, etc.) that rely on text messages or telephone calls;
- ii) **Unauthorized mobile phone usage:** This type of fraud usually happens when the fraudster is in possession of your mobile phone and your mobile banking details e.g. PIN code. The fraudster can use your phone to make different types of transactions without your knowledge;
- iii) **Customer assisted:** In this case, the fraudsters call the victims pretending to be customer care agents of respective telecommunication institutions, probe them for their personal information including their bank or

mobile money details in order to have access to the accounts.

d) Application fraud

Application fraud occurs when the fraudster opens an account using fake or stolen documents in someone else’s name. The account could be anything from a mere phone contact, loan or a mortgage account. They may further manage to obtain a loan by using someone else’s property as collateral. Therefore, beware that fraudsters can fraudulently use your personal details or bank account details to open an account in your name or apply for a new credit or prepaid card, without your knowledge. Always keep your personal and bank details safe and to yourself.

e) Cheque Fraud

This type of fraud happens when the fraudster has access to your cheque book or just some cheques from your cheque book and the fraudster can steal your money from your bank account by:

- i) **Forgeries:** A genuine cheque is stolen from an innocent customer’s cheque book and used by fraudster with a forged signature. Keep your cheque book in a safe and secured place;
- ii) **Altered Cheques:** A genuinely signed cheque is stolen from a victim’s cheque book and changed in some way by a fraudster by changing the amount to be paid or beneficiary name before it is presented to the bank for encashment. Avoid keeping pre-signed cheques; and
- iii) **Counterfeits:** A fraudster can copy a genuinely signed cheque and print it on a non-bank paper to look exactly like a genuine cheque and drawn by a fraudster on genuine accounts.

3. How can you mitigate and prevent financial fraud

As seen from the preceding paragraphs, all types of fraud require the victim’s personal details, account details or card details for the fraudster to have access to the victims’ card or bank or mobile money account. As such, the following tips can help you, your family members, relatives and friends to mitigate and protect yourself from financial fraud:-

- a) **Keep your personal information, bank and card details safe and secure;**



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- b) Don't share personal financial information with family members or any "trusted" friends or even your Pastor, who could later on turn out to be perpetrators of fraud. For emphasis, don't share your card details such as Personal Identification Numbers (PIN Code); card number, Cvv2 numbers with anyone, not even with bank officials as they do not need all that information to assist a customer;
- c) Don't share mobile devices with others: Some financial consumers give out their devices to their friends or family members allowing them access to their mobile banking applications. This is dangerous as those people could have access to your account details and turn out to be perpetrators of fraud;
- d) Don't be negligent: Take proper care of your financial account details. Quite a number of financial consumers usually fail to take proper care of their valuable items and important details e.g. mobile device, bank account details, debit and prepaid cards and cheque books etc;
- e) Naivety, "do not trust anyone": Naivety is a term that most financial consumers neglect to be mindful of. In a number of cases, most fraudsters turn out to be those that are close to the victim e.g. family members, friends, workmates etc;
- f) Know who you are dealing with: In any financial transaction you conduct, make sure to check the veracity of your counterparties with your respective financial institutions. Always be wary if the entity is unfamiliar to you. Deal only with licensed financial institutions and authorized dealers;
- g) Pay the safest way: Debit and prepaid cards are the safest way to pay for online purchases because you can dispute the charges if you never get the goods or services or if the offer was misrepresented. However, use only secure online payment systems e.g. Pay Pal, Google Checkout;
- h) Guard your personal information: Crooks pretending to be from companies you do business with, may call or send an email, claiming they need to verify your personal information. Do not provide your card or bank details. Raise your suspicion to such calls and simply inform them that you will visit your service provider for the purported transaction;
- i) Stay safe online: Do not send sensitive information such as card details by email because it is not secure;
- j) Do not believe promises of easy money: If someone claims that you can earn money with little or no work, get a loan or credit card, even if you have bad credit, or make money on an investment with little or no risk, it's probably a scam. Oftentimes, offers that seem too good to be true, are actually not true;
- k) Fully understand the offer: A legitimate seller will give you all the details about the products or services, the total price, the delivery time, the refund and cancellation policies, and the terms of any warranty. Contact the seller if any of these details are missing. If they are unable to provide the details, it may be a sign of fraud;
- l) Check your bank account statement and credit reports regularly. If you find transactions and/or accounts that may not

belong to you or other incorrect information, follow the instructions for disputing those items. You can ask for copies of your account statement and credit report in almost all situations.

- m) Keep your gadgets' and personal/private documents safe. This includes your mobile phones, laptops, cheque book-etc., basically, anything that can lead to access and use of your financial and account details without your knowledge and consent; and
- n) Don't keep your card and PIN Code mailer together. Always change the PIN to your memorized PIN so that you do not have to write it down/use the Bank's Pin mailer all the time

4. What should you do if you fall a victim of fraud?

a) *Is it a Card Fraud?*

- i. Call your bank and immediately request that your card be blocked. This will prevent any further transactions against your account and possibly avoid any further loss.
- ii. Visit your bank branch to formalize the process.
- iii. Report your stolen card (s) to the police.

b) *Is it a Mobile Banking Fraud?*

- i. Report the matter to your mobile network operator (MNO) to block any transaction on your mobile money accounts.
- ii. Report the matter to the police.

c) *Is it an Application Fraud? Report to the relevant financial service provider*

d) *Is it a cheque fraud? Please immediately report to your banker*

**"Stay safe, Fraud is real,
Trust NOBODY!"**

**Mask up, Maintain Social Distance and
Always Wash Your Hands! Covid-19 is real!**

For more information on financial fraud and how to mitigate it, please:

Write to:

**The Consumer Protection and Financial Literacy Unit
Reserve Bank of Malawi**

10 Hannover Avenue

P. O. Box 565

BLANTYRE

Call us: 01 820 299/01 820 444

Email: financial-literacy@rbm.mw



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INVESTMENT BANK

SAVING MONEY FOR DIFFERENT GOALS WITH CDH INVESTMENT BANK LIMITED



The global Coronavirus pandemic (COVID-19) has brought to light the importance of maintaining some level of savings. Business activity across the globe has significantly slowed down due to the various measures that have been implemented by countries in an effort to contain the spread of the disease, including total lock downs and movement restrictions. Millions of people have lost their jobs or have had their incomes cut down due to the slowdown in business activity. Crisis times like these remind us that we all need to maintain some level of savings to fall back on when something happens that affects our sources of income.

Saving money is not just about maintaining a fallback fund, it is also about maintaining a fund for achieving a specific goal, such as paying school fees for your child, buying an asset you wish to have, or even living a comfortable life at retirement. Whatever reason you may have for saving, it is important to

recognize that saving money effectively involves making smart decisions and sacrifices.

Most of us have grown so accustomed to spending money that we think we cannot afford to save. However, if we take a second look at our budgets and start pulling in reins a little bit, what we will find out is that a lot of us are able to save a lot more money than we ever thought was impossible. What is important is for us to make a deliberate decision to save, set goals for the savings and ensure that we are sticking by them. Once we make the commitment to save, or to increase the amount we are already saving, it is important to know different strategies that would help us stay committed to saving and help make our money go further.

There are various saving strategies, simple and complex, that have been proven effective for a number of people. We discuss some of the simple ones below:

1. Taking advantage of automatic savings

One of the useful best strategies that would help you stay committed to saving is putting your savings on autopilot. It is easy to spend money soon after it hits your current account. Automating your savings will help you avoid that temptation altogether. Two great ways to automate your savings are setting up a split deposit and having a recurring transfer from your current account into a savings account. Typically, how a split deposit works is that you choose to have either a percentage of your salary or a set amount you wish to save directly deposited into a savings account. With a recurring transfer, you set an amount to be moved from your current account into your savings account, set the frequency of this transfer, and then put up a standing order with the bank to be making the transfer on your behalf.

CDH Investment Bank Limited (CDHIB) offers one of the best interest-earning savings accounts called a Smart Saver



Account. The account has a minimum deposit amount of K100,000.00 and accrued interest is credited to the account monthly. This account can be linked to a customer's current account to allow them save money for both short and long-term goals. You can put up a standing order with us through our internet banking platform, or fill out a form when you visit one of our service centres.

2. Setting up an emergency fund

We recommend setting aside an emergency fund of three to six months' worth of your living expenses before you start saving for other goals. While this money technically does not go toward any of your short, medium, or long-term savings goals, it does act as a deterrent to tapping such important accounts as a fall back if you have lost your revenue making stream. It could be a failed business or loss of employment, as has happened to a lot of people in this time of COVID-19.

To ensure that you have a secure emergency fund, we recommend a fixed deposit account in which funds are invested for an agreed period of time while earning an attractive interest rate. Putting money in a fixed deposit account helps you control your expenditure as the money is not available until it matures. Fixed deposit accounts also offer better returns than savings accounts. CDHIB's interest rates on fixed deposit accounts are among the best in the market.

3. Using multiple savings accounts

Using more than one savings account is a great way to earmark your money for different financial goals. This can help you make sure that money meant for one savings goal is not being used on another. For instance, if your savings are lumped into one savings account, money meant for emergency savings could accidentally be used for something else if it is all viewed as total savings. Multiple savings accounts can also help you easily see how you are progressing toward a savings goal.

In catering for different saving needs, CDHIB has a Prime Investors Account and a Smart Savers Account. A customer with different goals can open both accounts and maintain money for different strategies.

The Prime Investors Account is specifically designed for serious savers.

Minimum deposit amount for this account is K500,000.00 and interest is accrued daily although it is credited to the account twice a year in June and December. The Smart Savers Account, on the other hand, has interest credited monthly with minimum deposit of K100,000.00.

4. Tackling high-interest debt first

One of the most effective methods to save on your debt repayments is to pay off the highest-interest debt first. It is important to pay down high-interest debt as soon as possible because it compounds and grows when it is not paid. The interest you are paying is money that you could be stashing away in your savings. Once you have zeroed out the balance on the highest interest loan account, move on to the account with the next highest loan interest if applicable. This will save you from paying more interest in the long run.

5. Saving for long-term goals

It is always a good idea to have long-term financial goals. Saving for long term goals allows you to take advantage of various potentially high earning investment options such as listed shares and treasury bills and bonds.

Having a retirement investment account is one common way to save long term. A retirement account is perhaps the one savings bucket where the time horizon is long enough that you can usually ride out market gyrations. Of course, that all depends on how long you have been investing, how close to retirement you are and what sort of lifestyle you expect in retirement.

Most experts recommend investing a certain percentage of your long term savings in equities, while you are saving some portion in interest earning accounts. The argument is that with this strategy you are more likely to make enough to outpace inflation, as

opposed to just investing in fixed interest accounts. Caution should, however, be taken when investing in listed equities, as stock markets can be turbulent at times. The best way to safely manage your long term savings is to involve a trusted and experienced financial advisor to guide you accordingly.

6. Involving a financial advisor

Saving money is not just about keeping money in a bank account for future use; it is also about ensuring that the money you are saving is working for you and giving you a good return. This can only be achieved by making the right investment choices. Involving a good financial advisor in your saving journey will help you make the right investment decisions that will suit your unique saving needs.

CDHIB does not only offer an array of savings products, it also has well experienced personnel who will guide you through your savings journey. Our target is serious and discerning savers and investors with clear savings goals they wish to achieve in the short, medium or long term.

We encourage you to start making better choices today by investing in yourself and setting yourself up for a better future. Make a decision to start saving money or increase your savings today as we are not assured of our revenue streams tomorrow. Building wealth takes time, but with discipline, consistency and right strategies, small amounts saved daily, weekly or monthly add up to huge investments in the end.

To get more details on how you can save for different strategies with CDHIB, please contact us today.

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One of the most effective methods to save on your debt repayments is to pay off the highest-interest debt first.

DIGITAL DISRUPTION



Chris Chirwa
Chief Information Officer, CDH Investment Bank

The day banks will close in **Malawi,** and no one will care

I do not know when it will happen, neither do you, but believe me, there is a day when banks will close in Malawi and no one will care at all! People will not even notice that banks are closed.

Brick and mortar has played a huge role in the way banks provide their services, but it can also be said that this business model has proven too costly on banks, especially in trying to extend services through branch network. Service requirements mean banks must invest in building state of the art banking halls to lure customers.

At the same time, financial inclusion drive means banks must expand physical footprint into new markets. It is with these reasons that banks have always been looking at ways of better serving their customers through

technology driven delivery channels.

There are several reasons why technology innovations have not been adopted to high levels both by the implementers and customers. The high costs involved in technology services is restricting the growth of the adoption.

Most banks do not view it as a strategic priority depending on their current service offering. The major risk with the technology investment is that there is usually a lack of business case to support that banks will be able to generate enough income to cover for the initial investment.

Largely, banking technology services are still not being utilised to their maximum potential. Customers need a lot of civic education and awareness to adopt to the new way of doing things away from what is considered as the norm. Another limiting factor technology services in Malawi is that it requires some level of literacy. A good number of the local Malawians (especially the low-income earners) have low

literacy levels.

For several banks in Malawi, before Covid-19, digital transformation was perceived to be years away. With the coming of the pandemic the risk of investing in digital transformation diminished drastically compared to postponing the same. With every crisis comes associated opportunities.

I should start by saying that my thoughts and prayers go to the families who have been affected in one way or the other by the Covid-19 pandemic. A lot of people have been infected and were ill. Others have lost their lives. Further to this, more have been affected by their friends and relatives who have been ill.

The fact is that each of us has been affected adversely in one way or the other, in ways I cannot start to fathom or put 'pen to paper'. It was on New Year's Eve when China first informed the World Health Organization about a mysterious illness called Covid. Fast forward to 7th August 2020, there are 19.1 million registered global cases and

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715,163 global deaths.

Three months after Covid hit so hard, I received a WhatsApp message from a senior colleague in the financial sector. The picture depicted something like “who led the digital transformation for your company?,” the question had multiple choice answers:

- a) CEO
- b) CIO
- c) Covid-19.

Sad as this may sound, there are things banks never thought could adapt to prior to Covid.

To make it worse, there were initiatives which a lot of banks have been compromising in exchange of short-term gains and in the name of cost cutting. However, amid Covid-19, banks have come to the realisation on how slow they have been to adapt to modern ways of doing business. We have all been exposed somehow on how the term digital transformation is a household name and yet most digital strategies do not show our readiness.

A week prior to writing this column I received a forward from one of the WhatsApp ‘subscriptions’ which I have from a gentleman called Imran. His forward is what inspired me to write this column in the context of Malawi. The topic was, “When banks in Wuhan closed for months, and no one cared”. It dawned on me that the financial services sector will never be the same again.

Talking of adaptation, let me start with the most common platform which has seen an exponential growth in usage and in subscriptions. Video conference platforms have seen a surge.

Due to the global travel restrictions and social distance guidelines which accompany Covid-19 pandemic, most organizations have quickly adopted video conference platforms. Thanks to easy to use solutions such as Zoom and Microsoft Teams. Most organisations are carrying out internal meetings, external meetings, and board meetings on video conference platforms. The experience which has come out of video conference meetings has also made us realise on how some of the

physical meetings can be unnecessary and protracted.

For this reason, I can foresee a permanent adaption of video meetings, even after the eradication of Covid-19. We will see less and less travel for meetings unless it is very necessary. The upside is that less travel releases a lot of time for productivity and the cost savings cannot be overlooked as well.

Online training, whether it be a virtual class or in other forms, has been around for years. However, there has been a slow uptake or resistance on the same. Suffice to say that there are some trainings which by their nature need physical engagement. The pressure which has been there for banks to ensure that skills development does not stop during the crisis has forced participants to enrol for online courses.

To the surprise of many, most participants have expressed satisfaction with the outcome. I can see the trend of online training going on, especially now that the executives have an added motivation on cost optimisation.

The most disruptive concept during this pandemic period is the working from home concept. Most banks do not have any work from home policies mainly because banks never anticipated a day when there will be no option but to work from home (for some of the roles). The processes in most banks are designed for workers who are in physical clusters and revolve around physical paper authorisations. This has brought with it a lot of challenges. Maintaining the same levels of productivity has proved very difficult.

Working from home is associated with potential security risks. When workers and devices are operating from an enterprise physical location it is easier for the ICT departments to manage them. Most banks have made new investments surrounding the working from home initiative.

For years, banks have been trying to drive queues away from their banking halls. For years, banks have wanted customers to visit banking halls only for transactions which cannot be done online, considering that most banks

have automated a lot of their transactions. With the Covid-19 crisis most users have been left with no choice but to embrace electronic banking. When these customers experience the convenience of electronic banking they will never move back even after the end of the pandemic.

As with most digital transformation initiatives Telecommunications Companies (Telco's) are at the centre of the success of digital transformation, more so the current one influenced by the pandemic.

For years, the global supply chain for most banking products has largely depended on China and India which left banks few geographical options during China and India lockdown. Going forward I can predict that, at the global economy level, there will be interventions to mitigate the risk of overdependence on the China and India supply chain.

In the grand scheme of things, the success of digital disruption in banks during the pandemic will, to a larger extent, depend on the quality of the banks' leadership and their corresponding revised strategies. Leaders will have to be progressive and concentrate on the future of digital innovations.

Surely, by the end of it all when the time comes to go back to what was initially perceived to be normal, there will be most parts of the old normal which we will never go back to. History usually repeats itself and there will always be innovations which will be disruptive.

Banks need to be innovative to still be relevant in these difficult times. The smaller and innovative companies come and outwit the larger and slower rivals. If banks are to survive the Covid-19 impact, this is the time that its leaders should bet the business by going into areas that, traditionally, have not been their strengths.

A time is coming when banks will be ready not to be impacted in terms of seamless service delivery as they have been with Covid-19. Doors to banking halls will remain closed and indeed, no one will even notice!

WOMEN IN FINANCE

The Malawi Banker Magazine engaged Reunion Insurance Company Limited Chief Executive Officer DR. DOROTHY CHAPEYAMA on her journey in the financial sector and more about the company she heads:

Q. *Would you please share with us your professional journey?*

My professional journey started more than three decades ago, as a young graduate then, when I joined a company called Commercial Union Assurance Company which later changed its name to CGU Insurance Company. I qualified as an associate of the Chartered Insurance Institute of United Kingdom in 1999 and became a Chartered Insurer.

I started my work as an underwriter and rose through the ranks to the position of Acting General Manager until 2005 when the company was disposed off. This provided an opportunity for the birth of Reunion Insurance Company Limited where I am currently working as its Chief Executive Officer. I am also a co-founder of the company. The journey continues!

Q. *Many perceive, finance and sciences as too complicated avenues for a lady to pursue her career, what is your take in this?*

That is not true. It only depends on one's line of interest plus determination regardless of gender. So, we have to empower children in this country to realise that they can grow to pursue any productive profession as long as they study and keep their interest in education.



CHAPEYAMA: Purchase insurance to safeguard assets

Q. *Would you tell us more about insurance in the context of it being a sector in the financial industry?*

Insurance as a part of the financial services industry generates significant impact on the country's economy. It mobilises domestic savings and turns accumulated capital into productive investments.

Insurance enables both individuals and corporates to mitigate losses and provides financial stability while promoting trade and commerce activities which result into economic growth and development.

Q. *Looking at Malawi as an economy, would you say insurance is important?*

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Insurance has many advantages in the Malawi economy. It is the bedrock upon which most of the country's projects lay, for instance, major projects of roads, railway lines, hotels, airports, schools etc.

Insurance provides economic and financial protection to the insured against the unexpected losses in exchange for a consideration of a nominal amount called premium.

In addition, insurance companies offer significant by-products of their contribution which is also at the heart of the growth and progress of our economy. These are for instance employment opportunities to many Malawians, tax payments to Malawi Revenue Authority like Corporate Tax, PAYE and other taxes, not forgetting the many Corporate Social Responsibility activities and some extensive charitable works.

Q. What are the access levels of insurance?

The penetration of insurance in Malawi is very low and hovers around 1.7 per-cent. This suggests the need for more insurance awareness campaigns by industry players.

Q. To the general public, what is unique that they will find about Reunion Insurance?

At Reunion, you will find a team of qualified, enthusiastic and dedicated professionals with innovative and creative ideas which suit our clients' needs. We are the first class insurers, professional and express quality service is our identity. Reunion Insurance has tailor made insurance products specifically crafted to meet our client's needs.

Q. Any special message to Malawians about insurance and not forgetting that

girl-child who wants to be influential in the financial sector?

Insurance is a very interesting and challenging field and though the industry is currently male dominated, it does not mean that insurance is for one gender type. It is for all and I would encourage the girl child to venture into insurance studies and make the profession her career. It is a very exciting career with lots of prospects for everyone.

To the general public, I encourage you to safeguard your hard earned assets that you have accumulated over the years through hard work by purchasing insurance. Be assured that it is for the best because insurance acts like a cushion in the event of an unfortunate event.

Finally, please don't just insure, be sure by insuring with your first class insurer Reunion Insurance Company.



Honest Chirwa

Nutritionist/ MPH
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Healthy Lifestyle for Adults

Introduction

Maintaining a healthy lifestyle enables people to achieve consistency in being highly productive. We need to continue investing in healthy living; not only through exercises but also good diet, hygiene, rest and exposing ourselves to sunlight and working hard.

The fact is that a person who does not work ages fast. Work can make us balance life and in return help us live a healthy life. Only when one is workaholic then he/she may have a negative impact. It is important to make long term lifestyle changes. Below are the top nine tips on how we can maintain a healthy lifestyle:

Replace saturated with unsaturated fat

Control the portion size

Drink plenty of fluids

Enjoy plenty of fruits and vegetables

Maintain a healthy body weight

Reduce salt and sugar intake

Eat a variety of healthy foods

Base your diet on plenty of

foods rich in carbohydrates

Eat a variety of foods

We have numerous nutrients that are needed in our body for good health and no single food can supply them all. Therefore,

changing our lifestyle is important to better our health. It is not about a single meal, it is rather about a balanced healthy diet over time that will make a difference. Have you already started making a healthy lifestyle choice?

Remember this is the best way to live a healthy vibrant life. According to research, for a habit to change, it takes not less than 21 days. One needs to be committed towards the goal. It is important to start slow while focusing on your objectives. With time you will get good results.

Base your diet on plenty of foods rich in carbohydrates



About half the calories in our diet should come from foods rich in carbohydrates, such as cereals, rice, pasta, potatoes, and bread. Include at least one of these at every meal. Wholegrain foods, like wholegrain bread, pasta, and cereals, will increase our fibre intake. Most of the Malawians eat a lot of carbohydrates. Please control your carbohydrate intake. The more carbohydrates you eat the more you gain weight. Always check portion size.

Replace saturated with unsaturated fat

We have heard a lot about the dangers of fats. But did you know that we cannot live without fat in our body? Fats are important for good health and proper functioning of the body. However, too much of it can negatively affect our weight and cardiovascular health. The heart system can get affected if the body has high fat content. There is bad fat and good fat.

The fact that fat is good, it does not mean that we should over use it. It is very important to practice temperance in our diet. Always know your serving size. For a specified individual serving size visit your nutritionist. Different kinds of fats have different health effects. Below are some tips



which can help us keep the balance: We need to limit the consumption of total and saturated fats (often coming from animal foods), and completely avoid trans fats. Always read food labels whenever you buy food. This will help you identify the source of fat and other nutritive value in that specific type of food. Most of the animal fats are saturated. Their chemical structure bond cannot easily be broken in our body and so we gain the weight.

Eating fish 2-3 times a week so that you reduce your red meat intake. This can contribute in our right intake of unsaturated fats. Fish has an Omega 3 fat which can easily be digested due to its chemical bond structure.

When cooking, boil, steam or bake, rather than frying, remove the fatty part of meat but and eat lean meat sparingly if need be. Use vegetable oils and avoid use of animal oils

Enjoy plenty of fruits and vegetables

Fruits and vegetables are among the most important foods for giving us enough vitamins, minerals and fibre. We should try to eat at least 5 servings

a day. For example, a glass of fresh fruit juice at breakfast, perhaps an apple and a piece of watermelon as snacks, and a good portion of different vegetables at each meal.

Reducing salt and sugar intake

- A high salt intake can result in high blood pressure, and increase the risk of cardiovascular disease.

How can one reduce salt in the diet?

- When shopping, we should choose products with lower sodium content. To manage this it is important to read food labels.
- When cooking, salt can be substituted with garden spices, and this will help in increasing the variety of flavours and tastes.
- When eating, do not put salt at the table, and never add extra salt.

Sugar is also very important for the body, but too much consumption of it can lead to many complications. For those who are diabetic they should never take sugar. Sugar provides sweetness and an attractive taste to the food or drink. Remember that sugary foods and drinks are rich in energy, and are best enjoyed in moderation. We could use fruits as a substitute, even in

sweetening our foods and drinks.

Control the portion size

Controlling portion size is the main problem Malawians have. In most cases we over eat. Eating a variety of foods, regularly, and in the right amounts is the best formula for a healthy diet. Skipping meals, especially breakfast, can lead to out-of-control hunger, often resulting in helpless overeating. It is therefore not right to skip meals but rather eat in small amounts while not missing any meal.

Snacking between meals can help control hunger, but snacking should not replace proper meals. For snacks, we could choose low fat yoghurt, salads, fruits and homemade fruit juice. Paying attention to portion size will help us not to consume too much calories, and will allow us to eat all the foods we enjoy.

Cooking the right amount makes it easier to not overeat because you will be controlled by what has been prepared. Using smaller plates helps with smaller servings. When one uses a smaller plate you will limit yourself on quantity



of food while your brain will make you think as if the food is a lot since the plate is full.

Packaged foods, with calorie values on the pack, could aid portion control. Lastly, if you eat out with your spouse or lover try to share a plate. Let your kids also share a plate. This will help reduce quantity of food while you bond.

Drink plenty of fluids

Adults need to drink at least 1.5 litres of water or more a day. If it's very hot or they are physically active one will need more water. Water intake also depends on age. Visit your Nutritionist for individual Nutrition Assessment on your water intake. Fruit juices, healthy tea, milk and other drinks, can all be okay depending on the content, remember that the drinks are not a total



replacement of water.

Maintain a healthy body weight

The right weight for each depends on factors like our gender, height, age, and genetics. Being affected by obesity and overweight increases the risks of a wide range of diseases, including

diabetes, heart diseases, and cancer. It is therefore very important to manage your weight.

Excess body fat comes from eating more than we need. The extra calories can come from any caloric nutrient - protein, fat, carbohydrate, or alcohol, but fat is the most concentrated source of energy. Physical activity helps us spend the energy, and makes us feel good. The message is reasonably simple: if we are gaining weight, we need to eat less and be more active.

In case one needs a food supplements, they need to avoid buying on counter unless the prescription is from a qualified personnel the same way you take your vehicle to a qualified mechanic. Your body is much more important than your assets.

Get on the move, make it a habit

Physical activity is important for people of all weight ranges and health conditions. Have a normal weight does not mean you cannot not have diabetes or blood pressure complications as much as the risk is reduced. Exercise helps

us burn off the extra calories, it is good for the heart and circulatory system, it maintains or increases our muscle mass, it helps us focus, and improves overall health well-being.

We don't have to be top athletes to get on the move! 150 minutes, or 30 minutes of exercise per day for 5 days per week of moderate physical activity is good enough for your better health, and it can easily become part of our daily routine. We all can use the stairs instead of the elevator, go for a walk during lunch breaks (and stretch in our offices in between). Remember to make time for a family weekend activity.

Start now! And keep changing gradually

Find someone to motivate you as you change your lifestyle into a healthier better living. Do not just say it, but rather document your plan. Give yourself a healthy goal. Where do you want to be with your health in the next 3, 6, 9 and 12 months? Gradually making changes in your lifestyle will make it easier to maintain than major changes introduced all at once.

Try to write down all the foods and drinks you consume throughout the day for three days, and make a note of the amount of movement you made. It won't be difficult to spot where you need to improve. We can do it. Let us value our life and we will enjoy while living a vibrant successful life. Make a healthy lifestyle choice today.



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Raising capital the cheap way



BY STAFF WRITER

In January 2019, a newly-formed property development and management firm, Icon Properties Plc, ended a nine-year listing drought on the Malawi Stock Exchange (MSE), bringing number of listed counters to fifteen.

Earlier, the company, one of a few in the industry, sought to raise a K14.7 billion capital through Initial Public Offer (IPO)- an issuance of shares for the first time to the public by a company through the primary market-offering 1.68 billion shares.

In the preceding year, New Finance Bank (a relatively new bank then, now merged into

MyBucks Banking Corporation) had, through the local bourse, raised K14 billion via a three-year corporate bond, first of its kind on the local capital market, MSE.

The bank took the bold step at the time as it attempted to meet its growing borrowers' appetite. And the option was rated by market analysts as a cheaper way to raising capital, one of the paramount advantages of stock markets.

Recently, FDH Bank also listed, to become the sixteenth counter and fifth bank on the local bourse.

Shareholders and investors were excited on listing day as share prices went up by 50



percent to trade at K15 per share. The jump was from an IPO price of K10 per share.

FDH Bank listing came after a 2.1 percent oversubscription shares during its IPO, where 1.38 billion shares were offered and 1.41 billion shares were applied for at a value of K14.1 billion.

Listing of the bank added K69.01 billion to the MSE market capitalisation, according to MSE Chief Executive Officer, John Kamanga.

"One of the functions of the stock exchange is to provide the platform for the distribution of wealth to the general public. Listing on the exchange is a journey where you meet with lots of turbulences but with focus you can reach your destination," says Kamanga.

Licensed under the Financial Services Act 2010 and operating under the Securities Act 2010 and the Companies Act 2013, the MSE commenced equity trading in November 1996 with National Insurance Company Limited (Nico) as the first company to listed firm.

The local bourse was created to provide a link between financial raisers and financial suppliers (investors), provide market place for buyers and sellers of listed securities and supervise trading activities among other things.

It has three platforms; the Main Board, which is meant to cater for larger and well established companies, an Alternative Capital Market, set to provide opportunity for the Small and Medium sized Enterprises wishing to raise capital at a lower cost by accessing public funds

and the Debt Market which caters for issuers that would want to raise debt capital as opposed to share capital.

Recent figures from the Reserve Bank of Malawi (RBM) show that as at end of May 2020, total market capitalisation stood at K1, 483.37 billion, of which domestic market capitalisation was K1,367.37 billion (\$2.01 billion) while foreign market capitalisation was seen at K116.0 billion.

The stock market gives firms an upper hand to raise capital in a cheaper way while simultaneously according them a platform for raising profile and boosting their public image.

In Malawi, where access to capital remains a challenge, the local bourse is systematically positioned to bridge the gap between potential financiers and institutions.

Through the market, firms raise affordable capital faster by offering more shares for the stakeholders. The money is used to develop their businesses and to pay for commercial costs.

The market also accords members of the public, regardless of status, an opportunity to own stakes in listed firms.

This enhances the 'wealth creation for all' agenda, suggests Audrey Mwala, Public Private Partnership Commission Acting Chief Executive Officer.

She says participation by the public in activities on the capital market is a way of inculcating savings and investment culture.

"This is a great opportunity as it allows a lot of Malawians to become



KAMANGA: It is one of the stock exchange's functions

shareholders. It also provides Malawians an opportunity to benefit from the investment itself," Mwala says.

In Malawi, about 45 percent of pension funds are invested in shares listed on the stock market.

Buying stakes in a listed company does not only give the investor ownership, but more importantly pride of growing funds through profitability of the business.

Globally and here in Malawi, stock markets have proven to become a critical channel for long-term investment where shareholders access returns in form of dividends while sustainably growing value of their stocks.

REMINDER TO TAKE PART IN VOLUNTARY COMPLIANCE WINDOW (VCW)



The Malawi Revenue Authority (MRA) is reminding the business community and the public that the Voluntary Compliance Window (VCW) is still open till 31st October, 2020. The window offers opportunity for taxpayers to settle their tax arrears and other tax obligations through instalments without paying penalty, interest or any charges.

The VCW has been running from 8th April 2020 to 31st October 2020 and as of now, many people have already taken part in the window and have fully benefitted from the facility.

You can apply by completing a VCW Application form that can be accessed from the MRA website www.mra.mw. Completed forms can be uploaded on to the web site or sent to email address: VCW@mra.mw. You may also submit your application to your nearest MRA office.

Therefore, MRA is encouraging all businesses, corporate organizations and individuals who are eligible to apply including those:

- i. Not registered with MRA yet but have transactions that were supposed to be taxed but were not or have transactions that are supposed to be taxed but are not

being taxed

- ii. Registered but not filing tax return(s) and not paying taxes due
- iii. Registered but filing incorrect returns
- iv. Registered and filing tax return(s) but became non-compliant - was hiding some transactions
- v. Filing and assessed but have tax arrears
- vi. Not declaring imports (smuggling)
- vii. Misclassifying or under-declaring of importation for duty purposes

The Authority wishes to remind taxpayers to attach supporting documents to their application such as tax returns, income statement, notice of assessment, tax schedules and Form C132 for Customs to enable MRA conduct proper assessment of the tax liability.

For more information, you may contact **Mc Hizzal Kawanga** on 0888 958 220 or **Nancy Mwale** on 0888 524 914.

John S. Biziwick
COMMISSIONER GENERAL



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