MALAWI
BANKER

MALAWI'S FINANCIAL MAGAZINE OF CHOICE

VOL 31 / 2023

MALAWI'S COMPETITIVE EDGE IN FOREIGN TRADE

STEPS TOWARDS MALAWI ECONOMY DIGITALISATION

CELEBRATING CENTENARY

ZANDILE SHABA

CEO - Centenary Bank

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Belief comes first.

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The world is becoming smaller each day, thanks to digitisation that provides options to do more things online, reaching far and wide on a device like a mobile phone.

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Integration for sustainable growth

For decades, Malawi has been undertaking several initiatives to enhance trade integration in the region and beyond.

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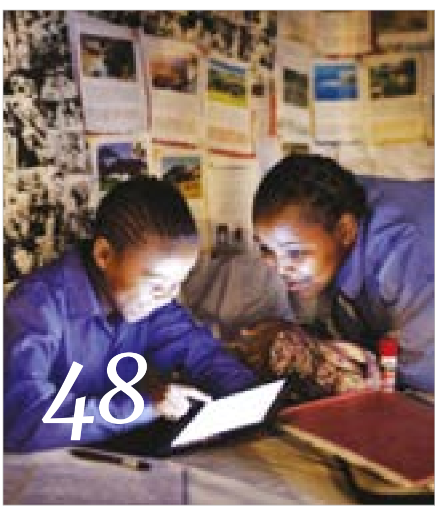

EDITOR'S NOTE

There is an evolution in the technology space. And it is happening right under our watch and so fast, equal to the speed of light.

A view of the distant past reveals a whole different world altogether. Things have changed so drastically. Almost everything is turning digital.

Technology is now anchoring living standards in modern economies, and the divergence is the basis for sustainable growth and development.

The banking community is leveraging the trends.

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

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

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

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

Figures show that more than half of the 18 million population has not have access to mobile money services in the country.

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

People in the remotest areas have access to the bank today.

The country has made headway in increasing the number of people with access to financial services and products, but of course, with room for further improvement.

As ascribed in the Malawi 2063—the country's long-term development blueprint—Malawi is heading towards the middle-income level. But this takes a lot beyond scribbling and professing ideas.

In this edition, we, therefore, discuss digitalisation as a catalyst for sustainable economic growth, wealth creation and inclusion.

Malawi should turn into an action-oriented nation beyond rhetoric. These borders on mind-set change, political will and understanding the sense of urgency in our undertakings.

We chronicle how the banking community, an epicentre of all economic activities, has used technology and integration in making life easy and better.

We take you through collective strides the nation has undertaken in working on solutions to the hardships the populace endure.

Ease in access to capital requirements, boost in agricultural productivity and its commercialisation drive, intense investment into the Small and Medium Enterprises and intensity in the manufacturing is the way to go.

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

This edition then attempts to create a narrative necessary for sustainable economic growth without leaving any one out of the equation. It borders on the essence of technology.

Enjoy

ON THE COVER

Malawi Banker Magazine engages the **Centenary Bank Chief Executive Officer, Zandile Shaba.**

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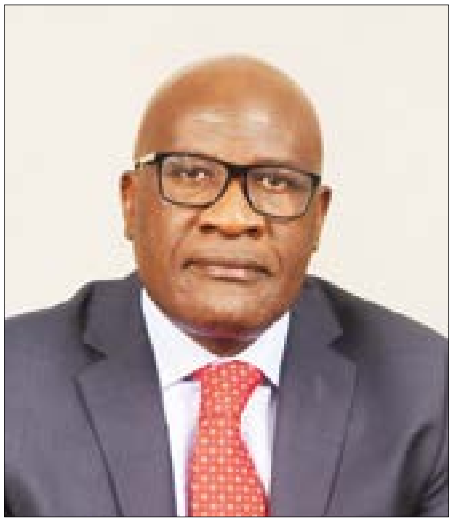

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WE ARE IN FOR THE DIGITAL SPACE TOO

It appears a foregone conclusion that the banking sector remains the epicenter of all economic activity.

The sector's resilience, amid volatility of the economy, is necessary as the industry is a key feeder into the private sector. It necessitates enhanced economic activity.

At the end of the first half of 2023 in June for instance, all banks posted good tidings, a symbol of resilience. The outturn comes at the back of improved profitability last year.

Simply put, the industry is on its feet and sound.

The positive trajectory could be perceived as ironic by some. Especially that all key macroeconomic fundamentals remain in red, pointing to an industry fragility.

Notwithstanding pressure from elevated inflation-seen at 27.3 percent in June, the private sector is also adversely affected by an acute forex shortage. Productivity is skewed.

And most recently, the upwards adjustment of the policy rate by two percentage points to 24 percent could intensify pressure.

As a key driver of interest rates on loans, the rate adjustment option traditionally has ripple effects as commercial banks implement reciprocal adjustments to the price of loans.

Amid the pressure, the banking community vouches to maintain a positive trajectory. We will not only deliberate in systematic market positioning and meeting the capital and other regulatory requirements. We are innovative too.

With signs of recovery in sight, the banking sector will keep on driving the economy for the betterment of the country.

And at the center of it all is digitalisation-a catalyst for efficiency and effectiveness.

Commercial banks are committed to continue investing massively into the digital space as is the future of business.

Digital banking is almost a norm now and the brick-and-mortar structures are left for specific services needing physical human interaction. With the aid of technology, we can guarantee more wonders ahead.

Today, we reaffirm our commitment to offering seamless, innovative, and convenient banking service and financial solutions.

Be assured; banking transactions will keep on getting easier and faster.

The banks have now become technology-driven and provide various new features such as online banking, mobile banking, online loan approvals and many more services.

Digital technology has become a more ideal tool for enhanced creativity and productivity.

And we are in for it.


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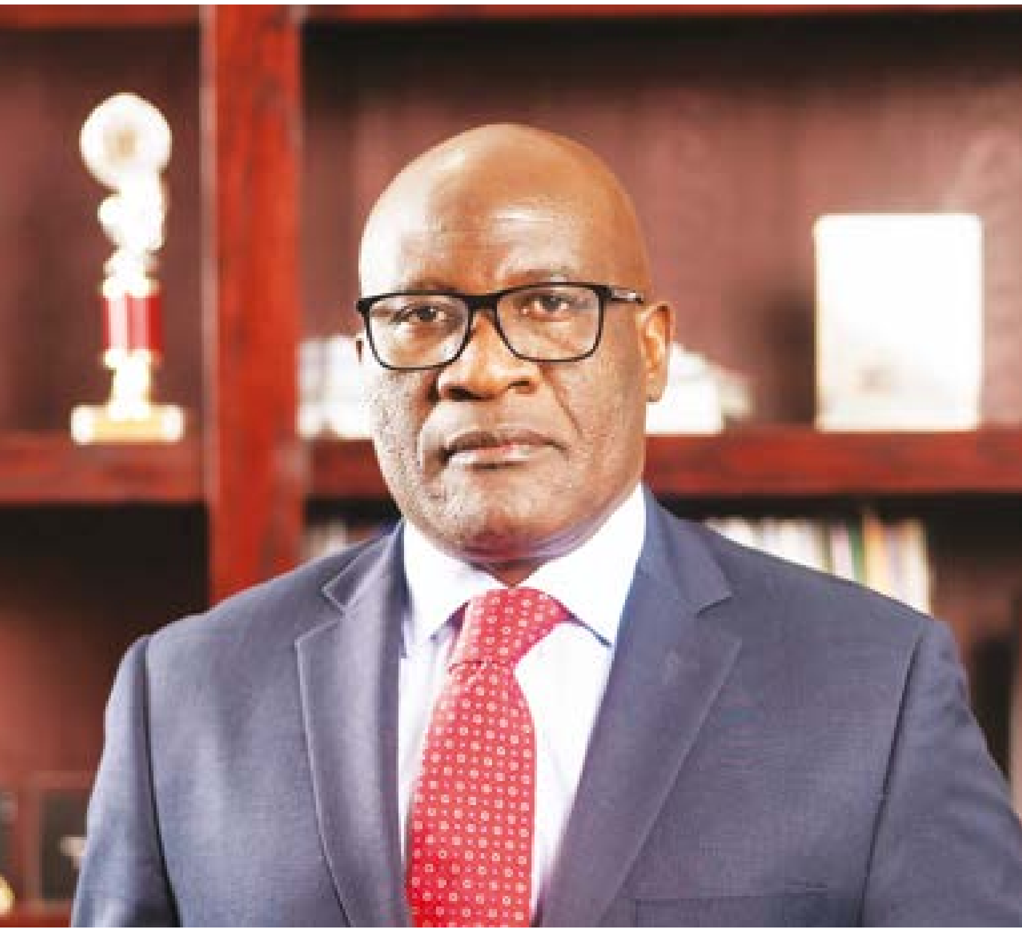
The President's Message



We all need to work towards creating understanding on how things work in the world of technology if we are to thrive as an economy and be prepared to invest heavily in the scope.

All pragmatic economies of the world have fully embraced digitalisation. And Malawi cannot afford to lag behind anymore, especially now that the country aspires to graduate to an upper middle-income economy within four decades, in line with the aspirations embedded in the Malawi 2063—the country's long-term development plan.

It is not the first time Malawi draws a lengthy period development blueprint as a catalyst for sustainable economic growth. The botched Vision 2020 for instance aspired to take the sub-Saharan country out of the abyss of poverty by the dawn of this decade. But at the time, Malawi was, and still is, among the least developed—with per-capita income, which is derived by dividing national income by population, of around $600.

The ugly menace of poverty is vivid.

The predominantly agrarian economy is rated as the third poorest in the world, with more than half of its population living below the poverty line. For almost a decade, Malawi's rural poverty rate alone has stagnated at about 56 percent.

The country has lately been susceptible to exogenous and weather-related shocks, while still grappling with a myriad other structural challenges like low economic activity, high commodity prices, elevated inflation, forex scarcity, food insecurity and others.

In the past ten years, annual economic outturn in real gross domestic product (GDP) terms has averaged 4.5 percent. The past three years, the situation has been worse as the economy has had an annual growth rate of not more than 2 percent. To hit the lower middle-income mark, Malawi needs to be growing by at 6 percent per year for over 10 years.

Changing the narrative demands changing the approach. And in whatever we do as a country, we cannot undermine the essence of digitalisation and technology. We all need to work towards creating understanding on how things work in the world of technology if we are to thrive as an economy and be prepared to invest heavily in the scope.

It is for this reason that we present to you this edition of The Malawi Banker Magazine, coined on a theme of digitalisation as a catalyst for competitiveness and sustainable economic growth.

Articles herein demonstrate the banking community's drive in the process, being at the heart of the economy.

Simply put this edition discusses the future of the economy.

Enjoy reading

Zandile Shaba

Centenary Bank Limited
Chief Executive Officer

CELEBRATING CENTENARY BANK

In December 2022, the Reserve Bank of Malawi approved Centenary Rural Development Group Limited of Uganda and the Catholic Archdiocese of Lilongwe to acquire MyBucks Banking Corporation (Malawi) Limited. With the approval, Centenary Group became the bank's new majority shareholder, making the bank Centenary Group's fourth subsidiary. It holds a 51 percent stake while the Archdiocese of Lilongwe owns 49 percent shareholding. And the bank has rebranded. In this interview, *The Malawi Banker Magazine* engages Centenary Bank Limited Chief Executive Officer **Zandile Shaba** on business prospects.

First and foremost, what does the change in ownership of the bank entail?

The change in ownership means that Centenary Bank now has new shareholders: Centenary Rural Development Group Limited of Uganda and the Catholic Archdiocese of Lilongwe. This change brings added expertise, resources, and strategic vision to the bank, enhancing its stability and growth prospects.

How has the transition been?

The transition process has been a success so far. We are grateful to Centenary Rural Development Group and the Lilongwe Archdiocese of the Catholic Church for their support and investment in the bank. With their support, we have been able to recapitalise the bank and continue to provide financial services to the people of Malawi. We are proud to be a member of Centenary Group. We are confident that this acquisition will enable us to strengthen our position in the market and enhance our capacity to serve our customers with better products and services.

What impact does the acquisition have on the bank's capital position, market share and competitiveness?

The acquisition has had a positive impact on the bank's capital position and market share. With the new investment, we have been able to increase our capital base, which has strengthened our ability to lend and support economic growth in Malawi. We are now better positioned to compete with other banks on the market and our customer-base is growing.

What difference has it brought about to the market in general and to the customers in particular?

The acquisition brings positive changes to the market as a whole and our customers in particular. Increased competition has led to improved service offerings and innovation. For our customers, they can expect enhanced and innovative products, such as our new customer self-on-boarding and fee payment platforms, more convenient banking channels and a higher level of customer service. We are committed to delivering exceptional value and experience to our customers through our new ownership structure.

What is your message to existing and potential customers now that the bank has new ownership?

To our existing and potential customers, we want to assure you that Centenary Bank Limited is committed to providing you with quality financial services. The shareholders, the management and the staff are dedicated to going the extra mile to support your financial needs.

What strides would the bank, under new ownership, deploy in contributing towards the national financial inclusion agenda?

As a bank, we recognise the importance of financial inclusion in promoting economic growth and development. Under the new ownership, we will continue to prioritise financial inclusion by expanding our footprint through our branch network and digital platforms, to reach more people. Additionally, we will also focus on providing innovative financial products and services that meet the needs of the unbanked and underserved populations in Malawi.

What inroads has the bank made (or

will it make) in ensuring that the digitalisation of the economy dream is attained?

Centenary Bank views the digitalisation of the economy as a top priority. We have already made significant progress by introducing various digital banking solutions that offer convenience, security, and accessibility. We will continue to invest in cutting-edge technology, expand our digital channels, and collaborate with key stakeholders to drive the digital transformation of the economy. Our goal is to empower individuals, businesses, and communities to thrive in the digital era.

The transition is happening at a time the operating environment remains volatile. But almost all commercial banks are posting good tidings; what are the business prospects?

Despite the volatile operating environment, we remain optimistic about the business prospects of Centenary Bank Limited. We have a strong capital base, a committed team and a robust strategy to drive growth and profitability. We will continue to leverage on our strengths, innovate and invest in technology to drive operational efficiencies and deliver excellent customer experience.

Key macroeconomic indicators are seen in red including rising inflation, elevated cost of living, and high interest rate regime and forex scarcity. What impact does these have on your business?

Rising inflation, elevated cost of living, high-interest rate regime and forex scarcity impact our operations like any other business. These challenges influence our profitability, cost of funding and ability to facilitate foreign currency payments for customers. However, we have a robust risk management framework in place. We closely monitor the situation, adjust our strategies and seek innovative solutions to continue providing quality financial services to our customers. As a financial mediator, our most important role is to continue to help our customers to find solutions for their business and personal needs in this challenging environment.

Narrowing down to the forex woes, are there any remedies or possible quick fixes?

As a bank, we actively engage with stakeholders to address forex scarcity challenges. We collaborate closely with our sister subsidiaries within the Centenary Group to explore alternative funding sources and optimise our foreign currency management. Additionally, we maintain strong relationships with local and international partners to improve our access to foreign exchange. While there are no quick fixes, we are committed to finding sustainable solutions that ensure the seamless provision of banking services to our customers.

In the long-run, what does the country need to do to address the structural economic challenges it is facing?

Addressing the country's structural economic challenges requires a comprehensive and collaborative approach. The government must implement policies that promote a conducive business environment, including investment incentives, infrastructure development and streamlined regulations. The private sector should invest in innovation, research and development and capacity building, to enhance productivity and competitiveness. Civil society can contribute by advocating inclusive growth, supporting financial literacy programs and championing initiatives that empower vulnerable communities. Together, these stakeholders can drive sustainable economic growth, reduce inequality and create opportunities for all. Value creation and export development are key.

Any last word?

In conclusion, we are excited about the new chapter for Centenary Bank and the opportunities it brings. We remain committed to delivering exceptional financial services, fostering financial inclusion and contributing to the economic development of Malawi. We thank our customers, shareholders, and partners for their continued support and we look forward to a journey of growth and prosperity together.

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MALAWI'S COMPETITIVE EDGE IN FOREIGN TRADE

BY STAFF WRITER

REMAINS MALAWI'S TOP EXPORT CROP—Tobacco

To thrive in any business, it is critical to take a diagnostic look at your enterprises, key policies, operations and relationships with customers. This helps you arrive at what sets you apart from the rest of the players.

This is so because the market is full of players scrambling for literally the same customers.

With money becoming very hard to find in recent years, customers are always on the lookout for value in whatever they spend their penny on.

It is therefore crucial that businesses position themselves to be the first point of contact whenever clients are looking for products or services.

That is to say, businesses must always strive to be ahead of the rest in the industry.

Competitive edge could come from a number of sources: It could come from the uniqueness of the product being offered. It could also come from the use of technology to do things faster and cheaper.

It could come from better customer service. It could even come from strategic location, brand identity or even the pricing.

International trade, just like any other trade, also demands that the players take some time to identify their competitive edge.

More especially in an environment where there is more than one competitor providing a similar product or service.

One thing that nations often forget to do is to put themselves in the shoes of the buyers and ask themselves tough questions.

Questions like: *If I were the buyer, would I buy product A from country X or Y?*

Oftentimes, international buyers have their own preferences when choosing the source of their products. It could be quality, pricing, easy logistical arrangements, as well availability of the product in a

→

particular geographical area.

Does Malawi have a competitive edge in international trade?

To effectively picture Malawi's position in international trade, it is always important to appreciate a number of factors, including location, products, pricing and others.

Landlocked

To begin with, it must be borne in mind that Malawi is a landlocked country located in the Southern part of Africa. Malawi is squeezed among Mozambique, Tanzania and Zambia.

Being landlocked puts Malawi at a disadvantage in international trade.

To export her commodities, Malawi uses the sea ports of Dar Es Salaam in Tanzania, Nacala and Beira in Mozambique, as well as Durban in South Africa.

Former President Bingu wa Mutharika indicated that transport costs constitute between 60 and 70 percent of the country's imports or exports.

That is to say, Malawi is heavily disadvantaged by its being landlocked.

What does Malawi export?

According to the Malawi Investment and Trade Centre (MITC), tobacco is Malawi's economic bedrock and the country's biggest foreign exchange earner, accounting for 60 percent of the total domestic export revenue. Malawi's Tobacco is also renowned for its texture as an ideal cigarette filler. Malawi is the world's biggest producer of burley tobacco.

Other exports, according to MITC, include tea, sugar, cotton, coffee and pulses such as beans, chickpeas, pigeon peas, ground beans, black and green grams.

Tobacco losing its magic wand

Over the past 15 years or so, Malawi's top export crop, tobacco, has been facing many challenges emanating from the global anti-smoking campaign.

Launching the second Malawi National Export Strategy (NES II), President Lazarus Chakwera said Malawi needs to identify products that can adequately complement tobacco exports.

"I am therefore confident that once we do this, the trade balance will tilt in our favour, leading to the creation of jobs and wealth; the enhancement of our revenue collection; the unlocking of foreign currency inflows; and above all, lifting millions of our rural people out of abject poverty," Chakwera said.

Agrarian economy which can't do agriculture

Making a presentation during the 2020 Economics Association of Malawi (Ecama) Annual Conference, renowned economist Ronald Mangani described Malawi as an agricultural economy that cannot do agriculture.

According to Mangani, even in the years of good rains, millions of Malawians require food aid.

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

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

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

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

Need to increase productivity

President Chakwera believes increasing productivity remains key to sorting out Malawi's economic challenges.

Opening the 2023 tobacco selling season, Chakwera said increasing the quantity, the variety, and the quality of what Malawi produces as a country to competitively generate revenue from global markets is simply what is needed.

"It is that simple. Now to increase the quantity, the variety, and the quality of what we produce as a country, we have to do the work. No one is going to do that work for us. And as I have stated previously, the primary and priority sectors in which we must work harder, smarter, and together to increase productivity are agriculture, tourism, and mining.

"This is what I have referred to as our ATM strategy, and it is absolutely critical that everyone of us consider how to support these three sectors to increase the quality, the variety, and the quantity of products to generate the forex revenue that our country needs for its development," Chakwera said.

Rutile offers hope

At the time when all the hope of having a competitive edge in global trade appears lost, there appears to be some ray of hope coming from the mining sector with the discovery of the world's biggest deposit of rutile at Kasiya in Lilongwe.

In April last year, Australian mining firm Sovereign Metals and Mining announced that an updated mineral resource estimate had revealed the world's largest rutile deposit at 1.8 billion tonnes.

Kasiya is the largest rutile deposit in the world with more than double the contained rutile as its nearest rutile peer, Sierra Rutile.

The estimate also revealed the second largest graphite deposit.

The main uses for rutile are the manufacture of refractory ceramic, as a pigment, and for the production of titanium metal.

Finely powdered rutile is a brilliant white pigment and is used in paints, plastics, paper, foods, and other applications that call for a bright white color.

Recently, the Ministry of Mining said Malawians should expect real mining activities at the multimillion dollar rutile mine to commence during the 2025/26 financial year.

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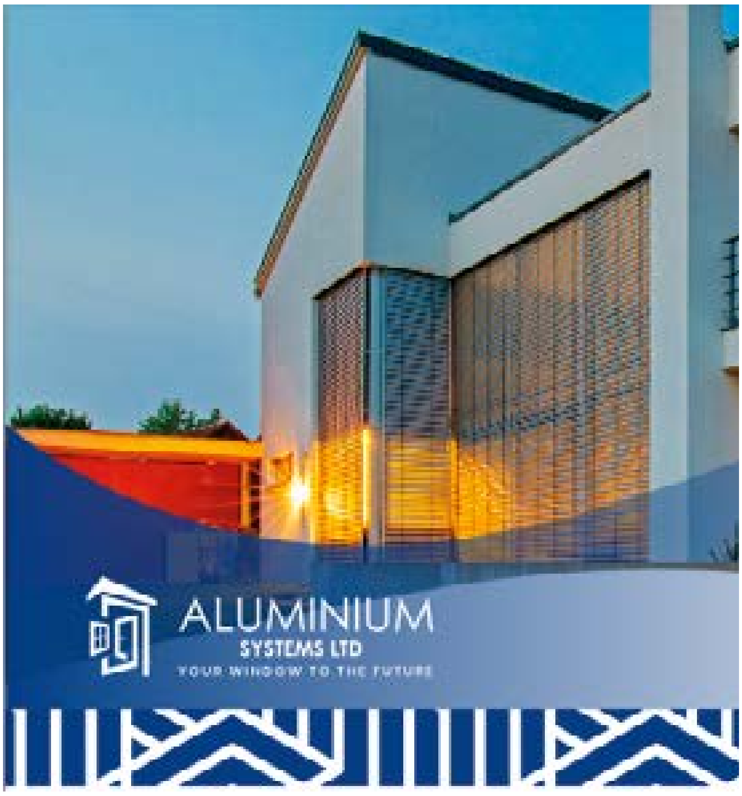

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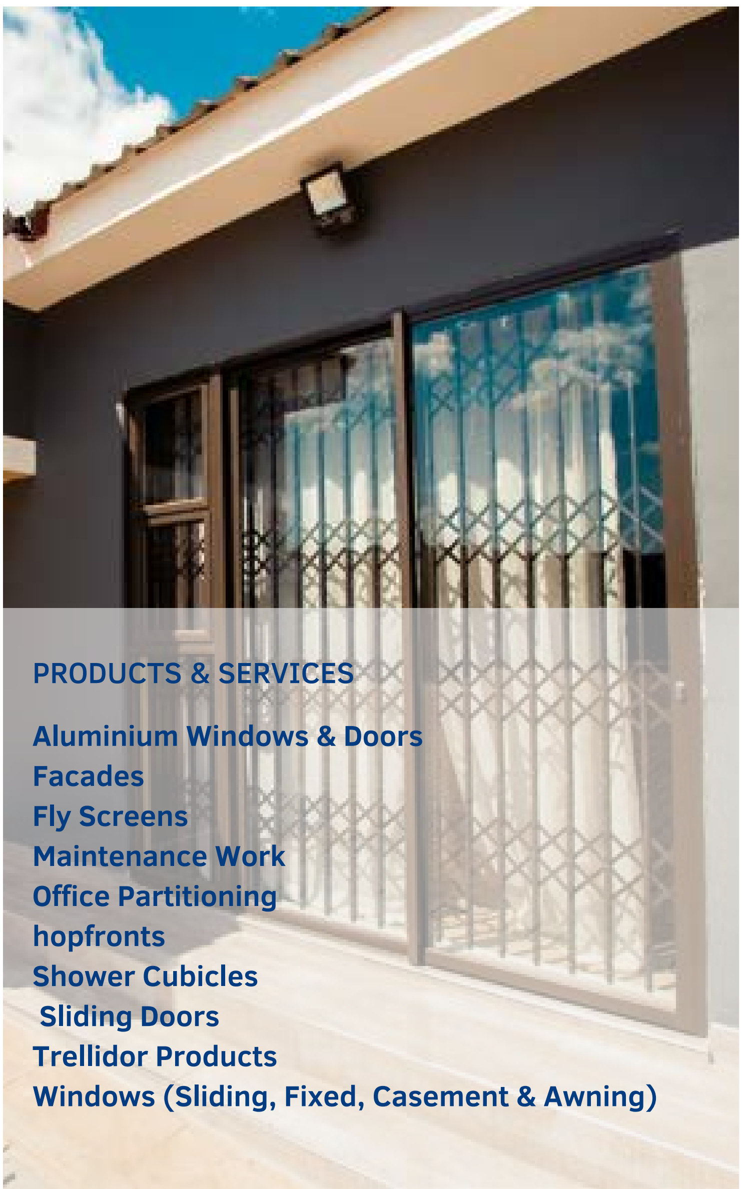
Our branches in Blantyre and Lilongwe are the central hubs for all our operations and a place of great synergy among our management, administration, manufacturing and installation teams.



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PRESERVING SMILES:
THE VITAL ROLE OF ENDODONTICS IN MALAWI

BY DR TASNEEM S CHIKWATU, DENTAL SURGEON

The most prevalent oral disease in Malawi is dental caries which has shown a rising trend over many years. Many dental caries go untreated which eventually result in a dental diagnosis indicative for endodontic treatment or tooth extraction.

Endodontics is a specialised branch of dentistry that focuses on diagnosing, treating and preventing issues related to the dental pulp (the soft inner tissue found within a tooth).

Derived from the Greek words "Endo" (inside) and "odont" (tooth), endodontics holds the key to saving natural teeth that have suffered from infection or inflammation, safeguarding not only oral health but also overall well-being.

Endodontists are dental specialists who undergo extensive training beyond dental school to specialise in treating the innermost part of the tooth, known as the dental pulp. The dental pulp comprises nerves, blood vessels and connective tissues that provide essential nutrients and sensory perception during tooth development.

However, when the dental pulp becomes infected or inflamed, it causes severe pain and jeopardises the overall health of the tooth.

Natural teeth serve as gateways to nutrition, reflect our emotions, and are indicators of overall good health.

They are worth saving and no one is better equipped to do that than a well-trained endodontist and dentist. Moreover, when compared to the alternative of tooth extraction followed by implant or prosthesis placement, endodontic treatment and restoration of the natural tooth prove to be a more cost-effective solution to this dilemma.

One of the most common endodontic procedures is root canal treatment. Contrary to popular beliefs, done properly, root canal treatment is a highly successful and pain relieving procedure.

It involves removing the infected or inflamed dental pulp, followed by cleaning, disinfecting and shaping the root canals. These canals are then filled with a biocompatible material and a crown or a restoration is placed to restore the tooth's crown structure and function. By preserving the natural tooth, root canal treatment helps to avoid the need for tooth extraction and enables maintenance of natural teeth.

Certain symptoms indicate the root canal treatment such as; deep tooth decay, severe pain while chewing or biting, a chipped or fractured tooth, pimples on the gums and lingering sensitivity to hot or cold, even after the sensation has been removed. Recognising these signs and seeking timely endodontic care is crucial to preserving oral health.

The significance of endodontics in maintaining oral health and preserving natural teeth cannot be overstated. By saving the infected or injured teeth, endodontic treatments prevent the spread of infection, the degeneration of jawbone and the need for more invasive procedures like tooth extractions and dental implants. Beyond functional aspects, preserving natural teeth ensures proper chewing and speech while contributing to facial aesthetics, self-confidence, and a good quality of life.

However, in Malawi, there is an urgent need for endodontic services among both young and adult patients.

Tooth extractions currently outnumber tooth restorations, and the availability of these services is limited to central hospitals only. The scarcity of trained personnel, lack of resources and patient's inadequate knowledge and poor attitudes towards tooth restorations contribute to this imbalance.

Your financial support can make a positive impact on various fronts. It can aid in the training of dentists and endodontists, conducting public awareness campaigns about the importance of oral health and endodontic care.

It can also assist in improving access to high quality dental equipment, radiographic imaging systems, dental materials and instruments necessary for performing endodontic treatments. The first cohort of our locally trained Dental surgeons will be in their final year in 2024. Your timely contribution to further training of these new graduates will move Malawi towards achieving its oral health targets in line with the National Oral Health Policy and Malawi 2063.

Together, we can strive to preserve smiles and transform lives in Malawi. By prioritizing endodontic care, we can alleviate the burden of dental caries, promote oral health, and empower individuals to maintain their natural teeth. This will not only grant functionality but also enhance self-esteem and the overall well-being of the Malawian people.

For feedback and support, contact Dr James M Mchenga, Acting Head of Department of Oral Health Sciences, Kamuzu University of Health Sciences (KUHeS),
Mobile: +265 99 11 22 705
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STEPS TOWARDS MALAWI ECONOMY DIGITALISATION

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The world is becoming smaller each day, thanks to digitisation that provides options to do more things online, reaching far and wide on a device like a mobile phone.

The digital services are now facilitating studies, payments, tourism, work, meetings, trade, dating, etcetera. And people do not need to move from the confines of their home.

This does not only reduce cost of services but also provides convenience and speed in doing things, which allows high productivity and efficiency. With this happening at a large scale and in all sectors, the economy is then in full swing of digitisation, which is Malawi's objective under the Malawi 2063 strategy.

However, it should still be worrisome that services and other things like land management, passports, road traffic management, and police records keeping are largely still using paper and manual means when the supporting infrastructure for digitisation are there. This talks of a lagging mentality shift that needs to be addressed before the country becomes isolated from the global community that is fast moving into the global digital economy.

In advanced economies, the advent of Artificial Intelligence (AI) under digitisation agenda even takes up jobs normally done by human beings and the pinnacle of this came when robots addressed a press conference in Geneva. Who would have thought about that a decade ago?

As the world is fast moving towards digitisation, Malawi cannot afford to be left behind. Otherwise, the economy will be left incompatible with the rest, limiting transactions with the global market.

However, there is a challenge, much as it is widely accepted to go digital. The pricey broadband infrastructure and low access to ICT devices are the main stumbling blocks along the way towards full digitisation.

While the public sector might choose to be slow in adopting digital ways of doing things, the citizens transition fast given a chance, only limited by service and device affordability issues.

Malawi's internet penetration is still low at about 20 percent and it remains one of the most expensive in the world, probably due to low penetration. Any thought of digitisation needs to first find ways to address the access issue, otherwise the efforts might just be in vain.

There is an opportunity given that the country launched the five-year Malawi Digital Economy Strategy in 2021 which aims to increase access to 80 percent, providing tools that should make this target a reality by 2026.

However, as it is commonly said that the country always launches brilliant policies but haunted by poor implementation, this jinx applies to this digitisation policy that seems to have been forgotten as soon as it was launched.

For instance, noting the device and service affordability issues that contribute to low access, the strategy suggests subsidies and removal or reduction of taxes on the ICT products and services, targeting a certain section of the population to push up the figures but that has not been put into practice.

ICT Association of Malawi President Clarence Gama is quoted as saying there is a need to address the issue of high cost of ICT services and devices if the internet penetration is to start increasing and support digitization agenda.

"Efforts should be made to reduce the cost of internet services and digital devices, such as smartphones and tablets, to make them accessible," he told the Nation Newspaper.

Perhaps, these calls, to induce cost reduction by way of subsidies and tax measures, may not be sustainable for the long term. The country needs to get back to the basics to start massive primary production that creates wealth to increase income levels.

It is apparent that the major challenge towards digitisation is low income levels. It is very difficult for an unemployed person to sustain internet usage. And with the majority being poor, the market is very small and that does not provide a fertile ground for digitisation.

GAMA—Efforts should be made to reduce the cost of internet services

While the strategy talks about subsidies and tax waivers to reach certain internet penetration levels, this weighs heavily on the national budget which has to endure huge deficits to accommodate all the basic needs.

With a small consumer base as a result of low income levels, the mobile telecommunication industry, which provides the infrastructure for digitisation, cannot invest much to modernise and increase capacity beyond what the market can sustain.

The country should not jump the steps. All the other economies that are fast turning digital started with vibrant primary sectors that supported the subsequent emergence of secondary sectors and later tertiary.

It is not surprising to see that Africa, with its low industrialisation, lags behind on digitisation as compared to other regions.

The World Bank reports that too few citizens have digital IDs or transaction accounts in Africa – locking them out of access to critical services and e-commerce.

"Digital startups struggle to attract funding and traditional businesses are only slowly adopting digital technologies and platforms to boost productivity and sales. Few governments are investing strategically and systematically

REMAINS LOW—Internet penetration—file photo

in developing digital infrastructure, services, skills and entrepreneurship," says the Bretton Woods' institution in The Digital Economy for Africa Initiative write up.

Malawi could be on the brink of significant transformation through the opportunities presented by the digital economy. The digital revolution ushers in new avenues for economic growth, job creation, and improved access to services, which can empower Malawi to overcome various socio-economic challenges.

The vast potential and opportunities that the digital economy offers to Malawi, span in areas like e-commerce, digital skills development, financial inclusion, and e-governance.

For instance, the rise of e-commerce in Malawi opens up exciting prospects for the country's economic growth. With the increasing integration of digital platforms, businesses can expand their reach beyond traditional boundaries, enabling them to tap into domestic and global markets.

This expansion translates into greater opportunities for SMEs to thrive and contribute to job creation and increased productivity. Moreover, e-commerce platforms can provide consumers with convenient access to a wide range of products and services, fuelling consumption and contributing to a more vibrant economy.

> *Digitilisation also holds great potential for transforming governance and public service delivery in the country.*

The other opportunities are financial inclusion. A key opportunity that the digital economy brings to Malawi lies in extending financial services to the unbanked and underbanked populations.

This inclusion not only improves financial security but also facilitates entrepreneurship and economic participation.

Digitisation also holds great potential for transforming governance and public service delivery in the country. With the implementation of e-governance initiatives, such as digital identification systems, online platforms for citizen engagement, and efficient digital record-keeping in institutions like police and Lands Department, the government can streamline administrative processes, reduce corruption, and enhance transparency.

However, all these opportunities need an economy that is healthy with income levels that support adoption of the digital services and that calls for creation of a strong economic base in the agriculture sector to make it stronger to support jobs and incomes.

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WOMEN IN BANKING

Interview with **Patricia Hamisi,** Head, Global Markets and Trade Finance Department at FDH Bank Plc

Firstly tell us about yourself; who is Patricia Hamisi?

I am the third born daughter of late Charles and Esther Hamisi. I was born in a family of four; three girls and one boy. But I have a total of seven siblings as I was raised in an extended family set-up. I have two adorable kids; Anaaya and Jayden, aged 10 and three. I am Chartered Banker with 15 years' experience and I am currently the Head of Global Markets and Trade Finance at FDH Bank Plc. I am a Pentecost Christian and member of Word Alive Ministries. Basically, I am an outdoors person and relatively sporty. At the moment I unwind either at the gym or the tennis courts.

Share with us your education, career and professional background?

I always thought I would be an accountant as I was surrounded by such. However, fate had it that I ended up being a teacher as I studied Education (Humanities) as my first degree at the Chancellor College. I did a bit of teaching at Providence Secondary School before I joined FDH Bank Plc at its inception in 2008. Once I joined, I realised I needed to align with my job. So, I started studying banking. I first did Credit Management at the Institute of Bankers. Thereafter, I pursued a Master's Degree in International Business and later on qualified as a Chartered Banker with my second MBA.

After working for about six months as a clerk, I was put on a Management Training Programme, and then I settled in Treasury Department where I moved from the back office to dealing front office and sales and then rising up to the rank of Treasury Manager. In 2015 I was seconded to Malawi Savings Bank as

Interim Head of Treasury (it was quite an interesting experience) until the two banks merged. I have been holding the current position since January 2020 and totally looking forward to coming opportunities.

As Head of Global Markets and Trade Finance at FDH Bank Plc, what does your job entail?

The department is made up of four sections and I lead an amazing team of eight. We have a trading desk that largely trades in FX, we offer foreign payments solutions under Trade Finance. We also have the FI desk that manages Correspondent Banking relationships and any other Foreign Institutions. Lastly is the Sales Desk that is client-facing for all our products.

What has it taken for you to rise to the current position?

A lot; Largely, I think it has been hard work, adaptability and willingness to learn. When the bank started off, there was a lot of work to be done to put systems in place and by then, I literally did not know anything about banking. But I was under people who were always willing to teach. It meant putting in long hours trying to close on tasks I was assigned. And then there is the discipline part which I believe has also contributed to my journey and as it does to everyone's success. Initially, when we started, our MD was the founder, Dr [Thom] Mpinganjira and since it was a small team, most of us used to interact with him in our reporting. And one he teaches very well is discipline, perfection and perseverance. You just do not give up or give in. If you had to get your document signed off, then you had to make sure you have crossed all your T's and have checked and rechecked your punctuation and even font. Not to mention the content.

Patience has also played a part. FDH Bank Plc has been a growing bank and if you were patient enough, then you were assured that you will grow with it. Above all, the most important thing has been the Lord's grace. There are a thousand people out there who can do what I am doing but His grace has allowed that person to be me.

What is your philosophy on career development and advancement?

This has a lot to do with one's attitude and character on top of expertise and intelligence. We work with people and those can accelerate or decelerate your advancement. One also needs to be mouldable and trainable. This is where mentorship comes in. Your mentor (whether formal or informal) guides you and helps you identify and grab opportunities but also saves you from a lot of mistakes since the person has amassed a lot of wisdom and expertise through experience. One also needs to be focused and ambitious. Set goals for yourself and let your career be the pathway to achieving what you are dreaming of. Your ambitions push you to work hard and apply yourself more.

What would you rate as the driving force behind your rising on the ranks and files of FDH Bank and success in the financial services sector?

One of my role models is my late mother; she was a hard worker (juggled two jobs at some point) and managed to achieve a lot in the short life that she had. I have always looked at that as my basic standard of my expectations.

Also, I had the toughest mentor both at

work and home.

FDH Bank Plc is an employer that gives opportunities to those who want to grab them and this is evidenced by the number of people that are being trained, groomed and promoted from within. I am one of them.

For the financial services sector, I must say that it is one of the industries that embrace youthful and female leadership and I have been privileged to receive support from a lot of players both at FDH and the market.

You once served in the executive of the financial market dealers association (Fimda); would share your experience?

I served in Fimda in different capacities since I joined the deealing fraternity in 2010. Then I became the vice president during the 2016-2018 tenure and later the President (2018-2020).

The period I was vice president was the most interesting and challenging because, as an association, we agreed that the ACI Dealing Certificate should be a mandatory qualification for a dealer. By the time I was president the grace period had lapsed and implementation of this was not easy as we had people in the dealing rooms already practising but not qualified. Long story short, we fairly got a good beating for implementing this but I am glad to say it was implemented and embraced successfully.

Apart from that, leading Fimda was a great experience as it exposed me to different players in the market and outside the financial services sector. You create valuable connections from such. And the treasurers in the market are quite supportive. I was only a manager when I became president and I led an all-male members' executive team (heads from all member banks) but they were always cooperative and supportive.

What are your aspirations going forward?

I dream big and crazy, that is all I can say! Obviously I would like to climb the ladder some more. I see some stairs ahead of me and later on in life; I have plans close

to my heart that may take me out of the banking industry.

What is your impression of women's involvement in decision making and key positions in the banking sector?

As mentioned, I find the banking sector to be one of those industries that embrace female leaders. I work for a bank that has 'gender balance' as one of its pillars in its strategy and that is how serious it looks at women inclusion. Our bank and a couple of others have a considerable good number of women in decision making positions.

With such type of focus on inclusion, I trust that what remains is for us, women, to deliver what is expected in the roles we undertake. Just because there is such focus it does not mean we should get things on a silver platter, let us make sure we are just as good as or even better than the next person; be it a male or fellow female.

What could be your advice to up and coming female bankers?

Work hard, upgrade and upskill yourself so that when an opportunity arises and you raise your hand, everyone agrees that you are the best possible fit. The journey will not be all rosy and one needs to build some resilience. And then, there is the issue of work-life balance which is more prominent for ladies than men because of responsibilities that are expected of us. Always aim for a good balance; one can surely have the best of both worlds the way I see it. I always do my best to be available for my kids and family but I also make sure I am delivering what is expected of me at work. The good thing is that a lot of executives look at what we are positively, just like my bosses always do, and allow us to reasonably multitask. I can easily take a day off to nurse a sick child and we just agree on what I need to do to ensure things keep moving while I am away.

So, to upcoming female bankers, don't see being a woman as a limiting factor, do all you need to do professionally to get to where you want to be.

Any last words?

We all need to dream big and work hard towards our dreams. In so doing we will improve the performance of our companies (whether as entrepreneurs or intrapreneurs), our economy and our nation. Malawi has a lot of potential and we all have a role to play. As leaders, let us remember that the greatest privilege of leadership is to elevate lives. Live to leave a legacy. Do not forget to commit your plans to God and He will do the rest for you.

EXPERIENCE CONVENIENCE WITH **CDHIB EFT PLATFORM**

Every day, customers world over are looking for enhanced convenience.

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CDH Investment Bank (CDHIB) recently improved its CDHIB EFT payment portal to make it user friendly and more accessible.

The CDHIB EFT payment portal has been enhanced with new accessibility, informative, and business support features to enhance customer experience.

The portal is different from the internet banking and mobile application the bank offers and has strong identity verification for customers, payment data encryption, and authentication structure, to access digital banking services.

Through the CDHIB EFT portal, customers can access more convenience for a wide array of banking solutions.

The CDHIB EFT payment platform is one of many digital banking solutions that CDH Investment Bank offers that provides customers ease for transactions, especially periodic or recurrent transactions such as bulk transactions or salary processing.

The bank prides itself in its innovation that offers a safe, secure and service-oriented platform for customers to process a variety of transactions and access telegraphic transfer copies and other historic reports as and when required.

Besides the new features, the CDHIB EFT payment platform is a premium digital banking platform that helps businesses to grow.

If you are looking for a digital banking solution that will create value for you and your business, register for the CDHIB EFT payment portal and have your banking simplified.

FUNDING THE AGRICULTURE SECTOR

From July 13, the Bankers Association of Malawi (BAM) in conjunction with Civil Society Agriculture Network (CISANET) hosted a two-day 2023 Agri-Finance Conference in Lilongwe. The indaba was held under the theme 'Decoding Opportunities Amidst Myriad Challenges: Agriculture for Development'. The Malawi Banker Magazine captured the moments:

1. UNITY OF PURPOSE—Stakeholders pose for a group photograph after the opening session
2. TALKING REMEDIES—Participants at one of the breakaway sessions
3. REACH OUT TO US—NBM Development Bank General Manager Bernard Massi responds to a question
4. REAFFIRMED COMMITMENT—Minister of Agriculture Sam Kawale addresses the delegates on opening day
5. FOR CONCERTED EFFORTS—BAM First Vice President Zandile Shaba delivers her speech

INTEGRATION FOR SUSTAINABLE GROWTH

BY CONTRIBUTOR

ADMITTED THAT TRADE BALANCE REMAINS A CHALLENGE—Gwengwe

Government will strengthen the balance of payment position, whose negative impacts have continued to haunt the economy, leading to acute forex shortage as gross reserves decreased by half from $388 million in May 2022 to $195 million in May 2023, equivalent to around 0.8 months of import cover, according to RBM data.

For decades, Malawi has been undertaking several initiatives to enhance trade integration in the region and beyond. Over the years, the country has become a party to the World Trade Organisation, Southern African Development Community (Sadc) and the Common Market for East and Central Africa (Comesa) and now the African Continental Free Trade Area (AfCFTA).

As a least developed country (LDC), Malawi also benefits from development-focused pro-LDC trade agreements such as the European Union (EU)'s Everything But Arms and the United States (US)'s African Growth and Opportunity Act.

At the continent level, Malawi signed the African Continental Free Trade Area (AfCFTA) agreement and deposited AfCFTA ratifications to the African Union in January 2021. At the multilateral level, Malawi is participating in World Trade Organisation (WTO)'s Trade Facilitation Agreement (TFA), even though it is yet to ratify the agreement.

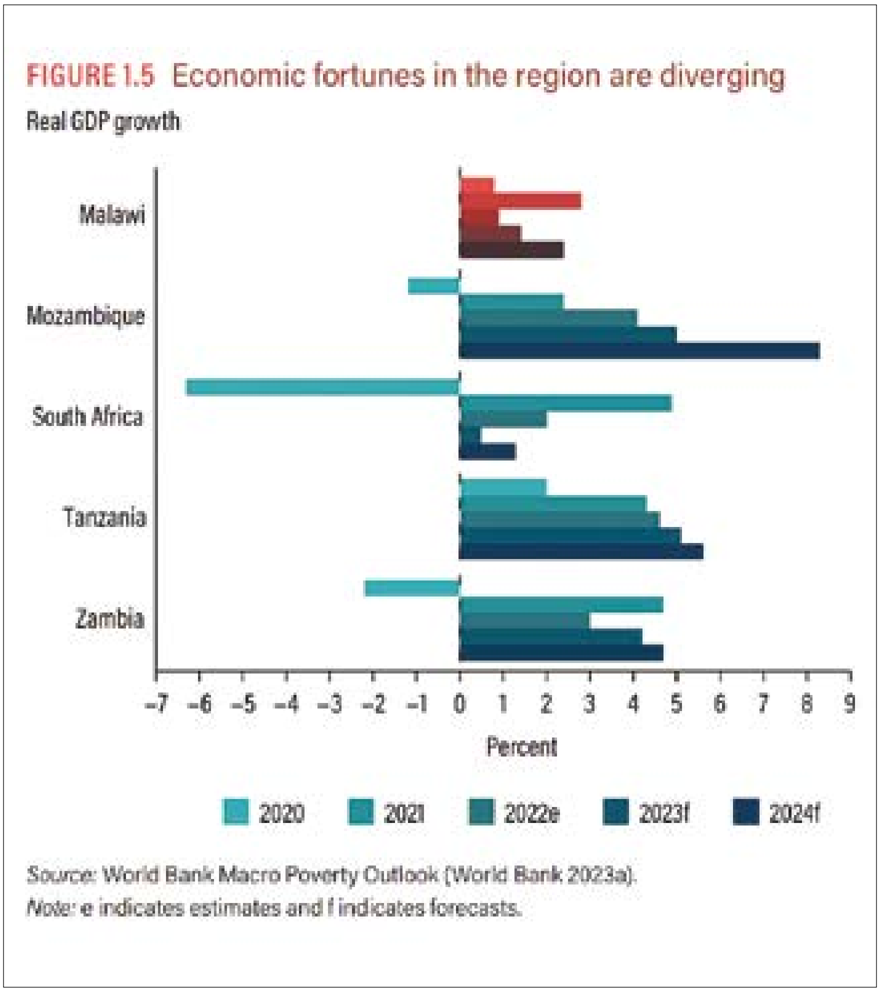
The country also has bilateral agreements with China, South Africa, Zimbabwe, Mozambique, and Botswana.

Despite Malawi's membership in these organisations, it has yet to fully benefit.

International Trade Centre data show that the country has untapped potential to export goods worth an additional $80 million to Eastern Africa, an additional $50 million worth to Southern Africa, worth $0.9 million to Central Africa, worth $357,0008 to Northern Africa and worth $257,0009 to Western Africa.

The products to be exported include raw cane sugar, oilcakes, black tea and groundnuts.

While wholesale and retail trade contributes 12 percent to the gross domestic product (GDP), the sector's growth has been unfavorable, falling over the years to now negative 1.4



DIVERGING—Economic fortunes in the region—Source; World Bank

CHANGAYA—The higher the income the higher the multiplier effects

percent in 2022, according to published Treasury data.

Meanwhile, weak exports continue haunting the economy with Reserve Bank of Malawi data showing that Malawi's trade balance has widened by 148.5 percent between April and May this year largely to $228.1 million (about K236.5 billion) from a deficit of $33.6 million (about K34.9 billion) recorded in April 2023.

This compares to a deficit of $60.7 million (about K52.2 billion) registered in May 2022.

Minister of Finance and Economic Affairs Sosten Gwengwe admitted that the trade balance remains a challenge, but said the government will continue to address issues of export diversification and import substitution.

He said the government will strengthen the balance of payment position, whose negative impacts have continued to haunt the economy, leading to acute forex shortage as gross reserves decreased by half from $388 million in May 2022 to $195 million in May 2023, equivalent to around 0.8 months of import cover, according to RBM data.

"This is much lower than the recommended adequacy level of 3.9 months of import cover for a credit-constrained economy," said the World Bank in its recent Malawi Economic Monitor.

On his part, National Working Group on Trade and Policy chairperson Frederick Changaya observed that integration is key for sustainable economic growth as they enhance market access and promote manufacturing.

He said: "There are more benefits from integration than from protectionism of individual economies. Regional and global integration means bigger and probably better markets than individual economies."

Changaya said with more trade and better prices would come better terms of trade; hence, improved macroeconomic fundamentals.

"The higher the incomes the higher the multiplier effects etc and we know the consequences," he said.

International Monetary Fund data show that trade in Africa as a whole has grown only modestly in recent decades, expanding from 49 percent of GDP in 2000 to 53 percent by 2019, with 60 percent of African countries experienced an increase in non-commodity merchandise and services trade openness while 36 percent enjoyed an increase of more than 10 percentage points.

On the other hand, the share of manufactured goods trade remained stable at about 35 percent of GDP.

But Africa's population is expected to grow rapidly in the coming decades.

DIGITAL SERVICES ECOSYSTEM; CATALYST FOR GROWTH

BY STAFF WRITER

BANDA—The concept of financial digitisation has proven to be a key pillar for financial inclusiveness

FUDZULANI—Technology has provided an opportunity

In the dynamic landscape of Africa's economic growth, a powerful force is revolutionising the continent's financial landscape: digital banking and the evolving financial services ecosystem.

As Africa continues to assert itself as a promising hub of innovation and progress, the adoption of digital technologies in the financial sector has opened up unparalleled opportunities to drive financial inclusion and economic empowerment for millions of previously unbanked or underserved individuals.

Locally, financial institutions are fast employing various strategies, mostly formal institutions in their pursuit to ensure that as many people as possible have access to financial services.

If statistics are anything to go by, the formal financial institutions, most notably the banks, telecommunications and insurance firms, are making strides to make a breakthrough to bring on board as many people as possible.

For instance, in the year ended December 31 2022, data shows that both the volume and value of Digital Financial Services transactions increased by 36.8 percent and 43.8 percent to 1 trillion and to K14 trillion, respectively.

The Reserve Bank of Malawi (RBM) figures further show that both the volume and value of point-of-sale and mobile money transactions have grown which reflects an increased customer preference for the channels and a business opportunity for financial service providers.

In addition, the number of mobile banking subscribers was also seen to have increased by 12.6 percent to 1.3 million from 1.17 million in 2021.

Similarly, the volume and value of these transactions rose by 9.8 percent and 22.6 percent to 35.9 million and K1.2 trillion during the same period which reflects increased customer preference for digital services.

It is a fact that financial services are fast becoming accessible to the masses as many Malawians can now transact and access financial services through branchless banking and digital services outside the traditional brick and mortar

NKUNGULA—We have to move banks from processing centers

banks, in the process enhancing financial inclusion.

Consumers Association of Malawi Executive Director John Kapito rates digital financial services as the missing link to the inclusion drive.

"The urge to save with banks and transact using other digital financial services is there among most people but accessibility has been an issue. Thanks to technological advances, we have seen financial services available at our fingertips which have made once scarce services available for the majority," he said.

Similarly Information and Communication Technology expert Bram Fudzulani also observes that digital financial services are driving financial inclusion.

Said Fudzulani: "Technology has provided an opportunity and we hope policymakers are following these statistics to come up with policies that work for the masses, if we talk about financial inclusion strategy as a country.

"Transacting electronically has a lot of benefits besides the fact that consumers reduce the risk of moving with huge sums of money which brings inconvenience."

Bankers Association of Malawi (BAM)—an umbrella body for commercial banks—is on record as having said the banking sector is evolving and investing to build infrastructure that can efficiently handle mobile banking.

BAM Chief Executive Officer Lyness Nkungula said the sector realises that the future for banking is in mobile hence, investment in mobile technology is imperative for survival.

"If you look at the cost of investing in brick and mortar today, compared with the cost of running mobile banking, the cost of managing a full scale bank is prohibitive.

"We have to move banks from processing centers for cash withdrawal and deposits to making them delivery channels for Value Added Financial Services," she said.

She noted that the demand for retail banking services is clearly rising while brick-and-mortar bank locations are stagnant, indicating that customers are using online and mobile banking services with greater frequency.

Nkugula further pointed out that banks are adopting mobility solutions to reach out to the unbanked population to increase their customer base and provide seamless services to customers for availing credit and self-service options.

Meanwhile RBM has indicated that Malawi shall continue to collaborate with relevant stakeholders to implement measures aimed at promoting digital financial inclusion and increasing digital solutions in the country.

The central bank has since outlined an ambitious plan to increase access to formal financial services to 75 percent from the current 46.1 percent of the adult population by 2027.

Speaking recently in Lilongwe, RBM Governor Wilson Banda said the increase in access to financial services is expected to create economic opportunities and contribute to wealth creation and poverty reduction.

Said Banda: "The concept of financial digitisation has proven to be a key pillar for financial inclusiveness, especially during the pandemic era.

"With this backdrop underpinning Malawi's digitisation agenda, a Digital Financial Services Policy was embedded in different legislations to enhance the use of digital infrastructure."

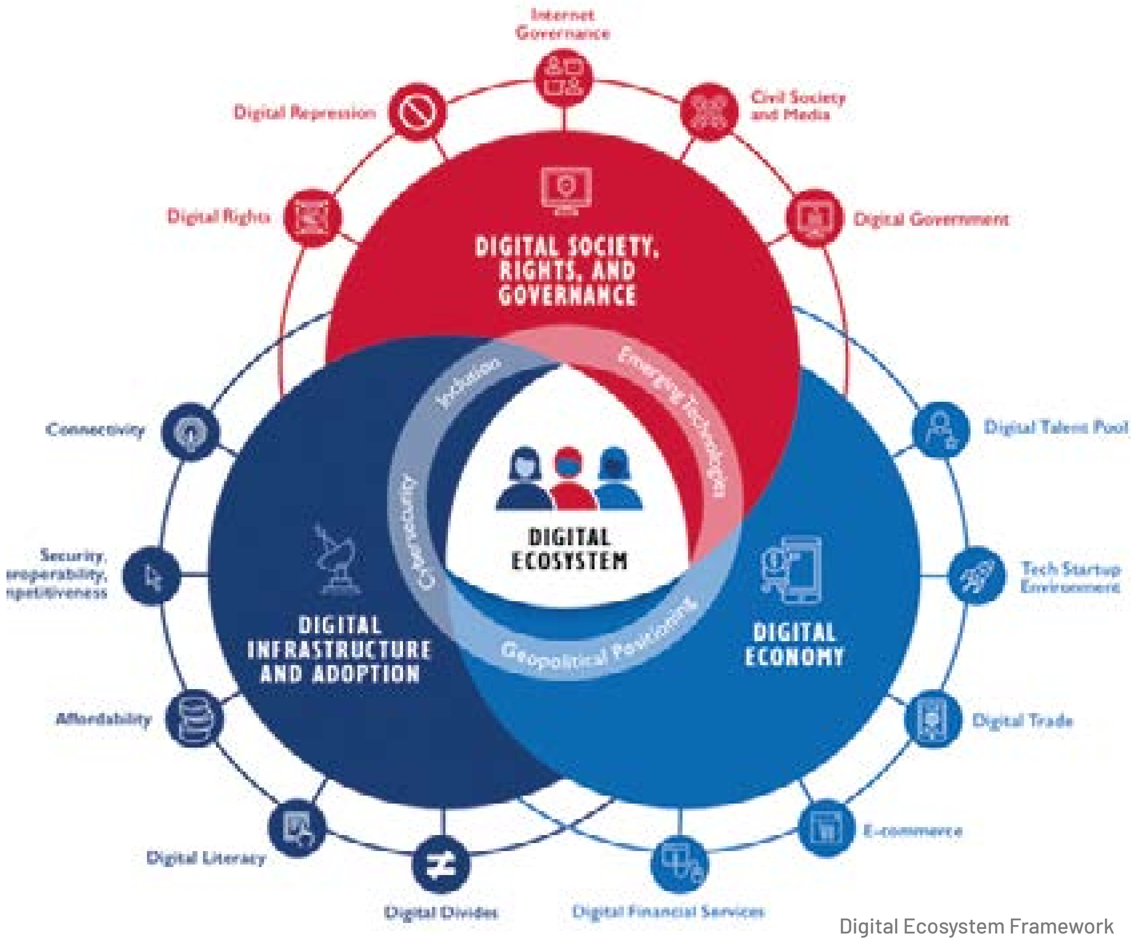
To advance the agenda, RBM under its Financial Inclusion and Entrepreneurship Scaling (FinES) project which is a five-year $86 million (about K87 billion) loan facility obtained by the government from the International Development Association is also advancing access to financial services and promoting entrepreneurship and capabilities of businesses.

Meanwhile, 3513 Micro, Small and Medium Enterprises (MSMEs) are set to benefit from the FinES project financing which seeks to build capacity for entrepreneurs.

Chamber for Small and Medium Association executive secretary James Chiutsi in an interview described the initiative as an opportunity for entrepreneurs to scale up their growth and contribute to national development.

POLITICS AND DIGITAL ECONOMY

BY STAFF WRITER



Digital Ecosystem Framework
—Source; USAID

As late as the year 2010, the concept of a digital economy was a distant reality in Malawi. In fact, out of the many artefacts of the digital economy, notably big data, cloud computing, mobile internet access, among others, it is only the aspect of mobile internet that was dipping its tentacles into the flesh of Mother Malawi.

Of course, there is still a long way to go, in terms of promoting access to not just mobile internet but affordable mobile internet.

This could be one of the reasons the 'Data Must Fall' campaign attracted many disciples when the current administration won power in the 23 June 2020 court-ordered presidential elections, with the then Information minister Gospel Kazako pledging that the government would reign in the situation.

Needless to say, Kazako was representing the political side of things, a manifestation of the fact that politics casts its giant shadow on almost all aspects of human life.

Through political will, the mountain of resistance crumbles and positive change takes root. After all, politics influences national policy, such that policymakers often interface with politicians and are, in fact, most often politicians.

Political will resulted in Malawi taking the real and tangible steps towards a digital economy on 5 June 2017, when the World Bank provided a $72.4 million (about K73 billion at the current rate) International Development Association credit to help the country build the digital foundations needed to help it connect to the global digital economy.

In other words, the project, which ran for five years up to 2022, was designed to help Malawi play catchup with the rest of the world, who were already making inroads on the digital economy relay race.

PUSHED FOR SLASH IN COST OF DATA—Internet users—Photo Credit-Business Insider

At the time, the Malawi Digital Foundations Project, which is Phase I of the Digital Malawi Programme, was billed as the initiative that would significantly expand access to the internet. In this case, expanding access meant making it more affordable, reliable and available than it was before June 2017, across the country.

One of the notable features of the project was the aspect of building the necessary infrastructure and skills for the government to scale up its online public services offerings.

No wonder, the then Information and Communications Technology Minister Nicholas Dausi was on cloud nine, pointing out that the political leadership of the time was intent on making Malawi a digital economy zone.

He also said Malawi was on course to getting all the trappings that come with digital economies.

"This project assures Malawi of a better digital future – using technology to modernise government operations, enabling citizens to access public services and information online from any corner of the country and preparing today's youth with the digital skills needed for the jobs of tomorrow."

One of the things the initiative was meant to leverage was private sector infrastructure investment and support for regulatory and policy measures aimed at increasing competitiveness, quality and affordability of internet services in Malawi.

The World Bank itself indicated at the time that leveraging private investment and digital technology to streamline operations would lead to significant cost savings for the government.

The project will also help move government procurement online to help increase transparency and efficiency.

"Digital technology is absolutely essential to Malawi's socio-economic development. Across the world, communications, commerce and services are moving online. Malawi cannot afford to be left behind," said Laura Kullenberg, then World Bank Country Manager for Malawi.

She added that digital technology is a powerful enabler as it could open up many opportunities since an investment in ICT is also an investment in economic growth, jobs, education, health, agriculture, and good governance.

"With ICT, a student in a remote village can get access to the same educational content as the one in the capital city, and that is where Malawi needs to be," she said.

However, the political will side seems to be subsiding, in terms of the promotion of a digital economy.

Malawi needed to establish a National Planning Commission on Independence Day, 6 July 1964, and not after 50 years.

That way, projects like the digital economy promotion one would have been owned by all Malawians, irrespective of political parties, and, maybe, Malawians would have been deep into the digital economy landscape— thinking digital economy, breathing digital economy, eating digital economy, drinking digital economy and sleeping digital economy.

But, instead, the country continues to rank poorly compared to her peers in the development of its market for telecommunications and other digital services, and this is preventing the country from achieving wider digital dividends.

In the 2016 edition of International Telecommunication Union's (ITU) Global ICT Development Index, Malawi was ranked 168 out of 175 countries. Today,

Malawi remains stuck in the 160-170 bracket.

In fact, ITU indicated in 2022 that prospects were not good for least developed countries such as Malawi.

Clearly, political will plays a key role in reversing the trend, as Malawi eyes a positive digital technology trajectory.

Fortunately, bodies such as the National Registration Bureau (NRB) and Malawi Communications Regulatory Authority (Macra) have started taking the right step.

Speaking in Lilongwe in July this year, at a Project Validation Workshop on Inclusive Digital Transformation, Principal Secretary for NRB Mphatso Sambo hinted that the Malawi Government is, through NRB, working with the United Nations Development Programme (UNDP) to design a project on Inclusive Digital Public Infrastructure, which will help in stimulating economic activities in the digital era and bring about transformative changes, thereby fostering inclusive growth.

"By utilising digital public infrastructure, NRB will be providing universal legal identity to all Malawian citizens, who will be identified in every transaction they need to make, whether in Malawi or outside Malawi. In fact, digitalisation is one of the enablers of the economic development of this country," he said.

UNDP Deputy Representative Challa Getachew said, as the world is going digital, Malawi should not be left behind. He said inclusive digital transformation leverages digital technologies and initiatives in a manner that ensures equal access, benefits and opportunities for all individuals and communities regardless of their socio-economic status and geographical location.

"Most of the payments, most of the transactions, are going online and the world is going to go digital as we proceed in the coming years. Malawi cannot be left behind and Malawi's rural population, which is at 85 percent of the whole population, needs to get access to technology," he said.

Macra Director General Daud Suleman cannot agree more, and beckons all Malawians, development partners and other well-wishers to join the cause.

"It is important that all players involved— from an identity perceptive, an infrastructure perceptive and from government perceptive—must align so that this digital transformation which we are seeking is on board and every one should see this future," he said.

Maybe, as NRB continues to test the prototype of digital identification, in preparation for its launch in 2024, Malawi will take a giant stride and, in so doing, turn its digital dreams into everyday reality.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The choice is Eazy
SME TERM LOAN
AGFINANCE (AQUACULTURE)
ZAYELA BUSINESS LOAN
BID BONDS

BUILDING SECONDARY CITIES; CATALYST FOR WEALTH CREATION

BY OUR STAFF REPORTER

MALAWI'S CAPITAL CITY—Lilongwe—Photo Credit-Wikimedia

Malawi's quest to attaining an upper-middle income status by 2063 is in motion with the National Planning Commission (NPC) spearheading the development trajectory.

The Malawi 2063, the country's long-term development blueprint, has been phased into 10-year medium-term implementation plans with the first Malawi Implementation Plan (MIP 1) being the litmus test for the pragmatism and realism of the vision.

MIP 1 says, by 2030, Malawi's income status should reach middle level and the majority of Sustainable Development Goals must have been achieved. Of Malawi 2063's three pillars of Agricultural Productivity and Commercialisation, Industrialisation and Urbanisation, this article centers on the latter: Urbanisation.

The third pillar seeks to spur the development of world class urban centres and tourism hubs across the country, with the requisite modern socio-economic amenities.

But, as the title of this article entails, we will zoom in on the first focus area of Urbanisation, which is the development of Secondary Cities and assess whether any substantial progress has been made toward wealth creation through economic activities at these cities.

The significance of wealth creation in Malawi cannot be overstated with the World Bank reporting that the international comparable poverty head count in Malawi is at 71 percent, among the highest in the world.

The school of thought behind the conceptualisation of secondary cities derived from the impact of the country's four cities of Blantyre, Lilongwe, Mzuzu and Zomba on the economy.

Despite comprising of only 13 percent of the total population, the cities contribute 33 percent to the national gross domestic product (GDP). Rural areas, comprising of 85 percent of the total national population, contribute only 62 percent of the national GDP.

The country's population boom, expected to reach over 45 million by 2063, has also called for the secondary cities to tackle rural-urban migration of mostly smallholder farmers who do not have access to land for production. The urban resources are already overwhelmed notably signified through poor access to water and electricity supply, sanitation, health and education facilities.

The secondary cities thus strive to exploit existing economic opportunities in targeted areas to achieve wealth creation and self-reliance.

Economic expert Wisdom Mgomezulu observes the idea of secondary cities could start the economic turn around the country desperately needs at the moment.

"I believe it is high time the government started embracing urbanisation in order to attain SDG 11 of creating sustainable cities and communities. One way of achieving that is through the creation of secondary cities. These will indeed act as a catalyst for development further creating employment for the rural population and reducing the over reliance on Agriculture, "he said.

Mgomezulu adds that there is also potential not only for wealth creation, but also sustainable development.

"What is important is to make the cities resilient, safe and sustainable and create linkages with the major cities through improved transportation and networking," Mgomezulu said.

Meanwhile, MIP1 outlined projects and interventions to initiate the development of these Secondary Cities.

The Ministry of Local Government was tasked with creating tailor-made anchor investments with the potential of stimulating private investment in eight pilot secondary cities by 2030.

The ministry was also implored to create a Secondary Cities Agenda. On the other hand, the ministry responsible for urban planning was also given a 2030 deadline to develop master plans for the eight upcoming Secondary Cities.

On 31 May 2022 the journey began with the launch of the Malawi Secondary Cities Master Plan to guide the creation of the cities anchored on economic investments in productive ventures to divert the population from concentrating much on the four primary cities.

The eight targeted cities are Mangochi/Monkey Bay, Chipoka/Salima, Kasungu, Nkhata Bay, Karonga, Liwonde, Luchenza and Bangula.

The plan advances coordinated investments in agriculture, tourism, mining, logistics and commercial opportunities as well as industrial and infrastructural investments. The cities are expected to leverage on productivity in rural areas with good connectivity and freeing of land meant for agricultural purposes. They are seen as a great asset with potential for urbanization and wealth creation.

NPC's latest annual MIP1 Progress Report shows that the commission is putting in place legislation to establish a Secondary Cities Development Agency/Corporation to accelerate the creation of these Secondary Cities.

It has to be observed, however, that not much has been done on the creation of the secondary cities in comparison to other focus areas under urbanisation as well as the other two pillars of Malawi 2063.

The project requires massive investment through predominantly public and public sector resources. Unfortunately, the economic trends speak otherwise. The Malawi economy is struggling and the private sector can barely survive.

Despite the economy opening up following the devastating Covid pandemic, GDP growth fell to 0.8 percent in 2022 from 2.2 percent in 2021, according to the African Development Bank.

Climatic shocks (Tropical Cyclones Freddy, Idai and Gombe), Russia's invasion of Ukraine, forex shortage, devaluation of the Kwacha, poor agricultural productivity and the Cholera outbreak are some of the factors that have affected the country's economy.

Some economic forecasts actually indicate that real GDP growth in Malawi slowed to 0.7 percent in 2023, down from an estimated 1.0 percent in 2022.

President Lazarus Chakwera indicated that the country needs about $700 million to recover from Cyclone Freddy alone.

Affordable Inputs Program also needs massive investment with the rise in fertiliser prices globally.

Malawi's debt burden continues to worsen despite all this. It is reported that total public debt increased from 45.3 percent of GDP in 2019 to 64 percent in 2021 to finance a large fiscal deficit in 2021/2022 financial year.

External debt is also reported at 32.8 percent of the GDP in 2021 as compared to 27.8 percent in 2019. Then there is the growing inflation and increasing vulnerability of citizens to food shortage.

It seems the Secondary Cities dream and subsequent wealth creation would have to wait a little longer if governments current investment priorities through the National Budget and other programs are anything to go by.

INTERNET PENETRATION AND DOING BUSINESS

BY GODFREY MAOTCHA

ALL OVER—Mobile money transfer kiosks-File Photo

Modesta Wiseman is a 35 year old resident of Chilinde, a township in Malawi's capital, Lilongwe.

She sells fashion dresses, suits and shoes through the internet. I advertise and get orders through Facebook and WhatsApp and get payment through TNM Mpamba and Airtel money. I deliver the goods through parcel service. Where possible I deliver the goods in person.

"Mobile money services have helped me a lot in saving time and money. Before I used to go to various companies where my potential customers are to get orders, physically," she says.

This, according to Wiseman, was taking much of her time and she was spending more money for transport.

Wiseman business venture is but one example of institutions including large corporations and Small and Medium Enterprises (SMEs) who have leveraged on the availability of internet services to conduct business transactions.

Malawi first embraced internet services in the late 90s, mainly using desktop computers, but after the introduction of smartphones, the use of internet on such gadgets has changed the way the country does its business, for the better.

The most popular transactions are through mobile money payments as in the case of Wiseman and bank transactions including the use of Point of Sale devices.

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

Despite the use of the internet being key to propelling business activities in Malawi and the world at large, the penetration of the internet in the country is lowest in the Southern Africa Development Community region.

Malawi Communications Regulatory Authority Director General Daud Suleman admitted during an interface with Lilongwe University of Agriculture and Natural Resources students in Lilongwe recently that a lot needs to

SIMPLIFIED PAYMENTS—Point of Sale

be done.

He said at the time, the rate of internet penetration in Malawi was at 19 percent.

The use of the internet for business mechanisms is not widely available in Malawi. However, there have been significant improvements in recent years according to the Digital 2020 Malawi Report.

The same report also alleged that internet penetration was estimated at 30 percent in cities and 15 percent nation-wide. Almost 85 percent of connected Malawians access the internet on their mobile devices.

Malawi ranked at position114 on the 2021 Inclusive Internet Index.

Mobile phone operators aggressively market mobile phone subscriptions and cover approximately 39 percent of the internet market. Mobile money services market continues to grow.

There are over 10.1 million registered mobile money subscribers with over 60 percent of subscribers use the services routinely. Most commercial banks have replaced Auto Teller Machine (ATM) cards with VISA credit or debit cards, in trying to increase access to e-commerce.

Despite these developments, the use of electronic commerce methods like credit and debit cards has proved unreliable, at times.

Most customers using mobile banking and payment for goods and services using electronic devices complain of a network failure, rendering digital payment methods unreliable.

This has been the case in some instances with mobile money services. To curb these challenges most commercial banks have tried to upgrade their systems, to meet the growing demand.

The 2020 United Nations Conference on Trade and Development e-commerce Index, ranked Malawi 141 of 152 countries for e-commerce and digital economy development.

But are there any efforts to make access to the internet affordable and reach a wider audience in Malawi?

In 2021, the government through the Public, Private Partnership Commission launched the Public Free wi-fi Initiative.

The programme has seen the provision of free wi-fi in selected public places including markets, secondary schools and airports across Malawi.

In addition the government and the commission with funding from the World Bank has teamed up to embark on a Digital Malawi project.

The project among others seeks to help businesses and individuals have a widespread access broadband and a robust Information Communication Technology (ICT) ecosystem.

Citizens used social media to call for a reduction of internet data prices for telecommunications network providers, especially mobile phone operators.

The initiative paid dividends as Malawi's twin custodians and quality controllers of the mobile phone market, Airtel Malawi and TNM Limited introduced internet volume bundles. With only K1,200 one can afford a 3 Gigabyte volume bundle for a week.

But there is still more that needs to be done. Few people in Malawi use internet friendly gadgets like smartphones and computers.

Clarence Gama , President of the ICT Association of Malawi (ICTAM) says putting measures that will make internet devices affordable can accelerate internet accessibility for most Malawians. He urged the government to consider waiving some taxes for internet devices.

"If we have more people accessing the internet, we are also talking about an increase in revenue in some way," he says.

A Driver and Partner for Growth
2022 Report to Society

As a Bank we mark the second publication of our Report to Society with renewed commitment to continue creating value to Malawi while remaining accountable and transparent to our stakeholders.

The report underscores our commitment to drive the country's growth ambitions and attain the status of an inclusively wealthy and self-reliant industrialized upper middle-income, as envisioned in the Malawi 2063 national blueprint. As a member of Standard Bank Group, we are signatories to the United Nations Principles for Responsible Banking (UN PRB) and are committed to ensuring that our strategy is consistent with and contributes to society's needs and priorities, as expressed by the United Nations Sustainable Development Goals (UN SDGs), the Pairs Agreement, the African Union's Agenda 2023, and sustainable banking frameworks.
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Phillip Madinga, Chief Executive of Standard Bank Plc and NPC Director General, Dr Thomas Munthali unveil the second edition of the report.

Pillars

Education

Invested MK162 million towards the Bursary program, MUST endowment fund and Lilongwe Girls hostel construction.

Health

Invested over MK20 million towards cleft lip surgeries by Operation Smile, and the purchase of medical equipment for Dowa District Hospital maternity wing.

Infrastructure and Green Solutions

Rolled out solar financing solution and facilitated growth of the telco sector through lending worth MK30 billion.

Enterprise Growth

Launched the award winning Phuka Incubator Hub with 68 graduates gaining skills to grow their businesses.

Protection of Natural Resources

Donated 20,000 Pine tree seedlings to Ntcheu and Dedza district councils.

Trade

Facilitated domestic and international trade worth MK625 billion through our trade financing solutions.

WE HAVE A ROLE TO PLAY IN DRIVING THE FINANCIAL INCLUSION AGENDA

BY PHILLIP MADINGA,
Standard Bank Plc Chief Executive

In the recent years, we have noticed traditional finance practitioners trading their technical caps for the role of a strategic partner and adjusting to the new normal. The new normal calls for financial service providers to evolve and combine their money-making strategy with sustainability to create positive economic, societal, and environmental change. As we observe an increase in Financial Inclusion initiatives, we are arguably ignoring the flip side of the coin – Financial Literacy.

Financial Literacy is the education and understanding of how money is made, spent, saved, as well as attainment of the skills and ability to use financial resources to make personal financial decisions. It is safe to say that financial literacy is the engine that allows for financial inclusion efforts to be sustainable and create lasting positive impact.

Various studies indicate that financial literacy is associated with wealth accumulation, and financial education can help achieve economic growth. The higher the levels of literacy or education in a country, the more sophisticated are its levels of development. For example, a 2022 global financial literacy survey rated five advanced economies as having higher financial literacy levels (about 65%) compared to less than 40 percent for their emerging counterparts in the BRICS. Canada, U.S.A, the UK, and Germany had superior ratings compared to India, China and closer home, South Africa. Lower-income countries such as Malawi and others in Africa are associated with low levels of financial literacy, and struggle with poverty. According to available data, only about 30 percent of

In our pursuit for this vision, we need not to ignore the power of knowledge and in this case, financial literacy.

Malawi's bankable population is said to be financially literate. The figure ties in with that of the banked, or the financially included which according to the Finscope Trust is currently not more than 30 percent.

Fully reflecting on this eye-opening information, it challenges us as a nation on the efforts made as we pursue our overall country's vision MW2063, with the aspiration to become an inclusively wealthy and self-reliant nation by 2063 and a middle-income country by 2030. In our pursuit for this vision, we need not to ignore the power of knowledge and in this case, financial literacy. We deserve to have a nation of people who make financial decisions, long-term and short term from a well-informed perspective. Only from this perspective do we see young people and business-people take interest and ownership in wealth creation and growth.

We could all be tempted to turn to the formal education system as the starting point and a quick win when it comes to financial education. However, it is important to note that financial education and financial literacy differ – financial literacy has a keen focus on one's ability to apply financial knowledge to their personal finances and choices. It includes but is not limited to concepts such as Debt Management, Budgeting, Savings etc. and how financial systems can make or break an individual's financial status. Despite education being a gateway to reaching young people with financial knowledge, traditionally through school curriculum, there is a need to look beyond school grades, but into personal application for the benefit of individual and communities at large.

Taking a closer look at the financial sector, according to the Malawi Economic Monitor published by the World Bank as of December 2022, gives us a glimpse of the harsh reality that the banking/financial sector will face if we do not rise to the challenge of propelling both financial inclusion and financial literacy. Malawi is presenting a progressively challenging operating environment which risks further depletion as the country struggles with a variety of economic headwinds such as shortage of forex, worsening inflation, rising interest rates, currency depreciation, fuel shortages, sovereign debt distress, and import dependency. We actively need to seek avenues to jump-start our economy thankfully this is not only on the agenda list for the financial sector, but Malawi as a whole. This common shared problem opens opportunities for multi-sectoral collaboration, strategic partnerships and implementation of initiatives that advance financial literacy as one of the catalysts for economic growth and prosperity.

Multi sector collaboration for financial inclusion can present opportunities to create impact in small and big ways. Early this year, I had the privilege of participating in the mentorship session coordinated by the Bankers Association of Malawi (BAM) through the Ministry of Education to help our young people in the secondary schools to understand the financial sector and learn the saving culture. This is a small step in the right direction as government and private sector seek to promote knowledge among the youth in matters of money. There is great opportunity to turn these small steps into giant leaps that intentionally integrate financial literacy trainings within school systems as clubs, or partner with INGO to ensure women in cooperatives get financial literacy trainings and district councils educate their constituents about financial management. There is a larger teaching and facilitating role that the banking sector can play if we collaborate and plug into the already existing systems and the established players within those systems.

Mr. Phillip Madinga is the Chief Executive of Standard Bank Plc, and the current second Vice President of Bankers Association of Malawi (BAM). Phillip also serves as Commissioner of the National Planning Commission (NPC), the implementing and coordinating agency for the MW2063 Vision.

NEW SONGS FOR KHULUBVI

BY WALIKO MAKHALA
CONTRIBUTOR

Khulubvi cultural festival of the Sena-Mang'anja ethnicity of the lower Shire valley stands out as one of the best in Malawi. This annual festival is held at Nsanje Prison ground and attracts thousands of people.

The people who settled in the lower Shire valley districts of Nsanje and Chikwawa share common historical and cultural heritage.

Sacred

The festival is named after the sacred rain shrine of Khulubvi. The rain shrine has been in existence since 1500 A.D.

It is strongly believed that most of the rain shrines found in the country played a crucial role in spirituality and traditional religion. It is here that the ancestors offered varied sacrifices to Mphambe-Chauta.

It is recorded that rains would fall after performing all rain-making rituals during those days.

Khulubvi is significant as it is where the rain shrine of M'bona is located in the district. The people strictly follow a strict code of conduct at the shrine as they offer their sacrifices and libation. Purity of the soul and self-awakening remain the essence of this complex belief system.

The legend of M'bona, as a rainmaker, dates back to the rise of Lundu Kingdom in the area. There are a lot of mysteries surrounding M'bona and his powers that are beyond description.

A visit to the rain shrine is always fulfilling. The worship hut is still surrounded by indigenous trees and well preserved. It is a taboo to wantonly cut down these trees.

Footprints

The people of the area have risen to the occasion to celebrate their culture following the footprints of their ancestors. The pride of any nation lies in its unity through cultural diversity.

It is remarkable that the valley boasts of over 30 traditional dances and music genres. These include Mabzoka, Likhuba, Maseseto, Magamba, Ulimba Utse, Chikuzile, Mabatcha, Njole, Mjiri and Vitsukulumwe.

Top musicians from the area including the popular Lucky Stars, Katelele Ching'oma and Agorosso bring joy at the festival.

Nsanje Port

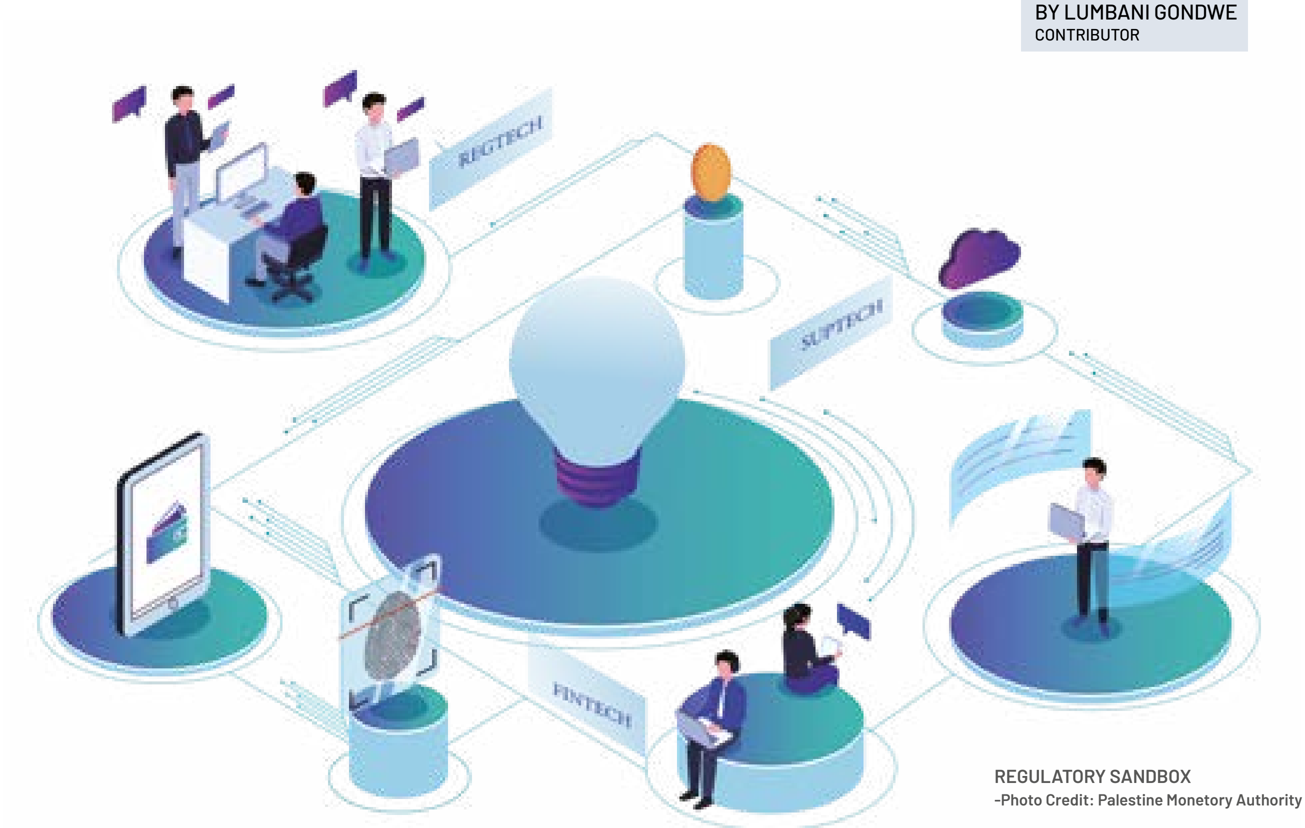
It would not be complete to talk about Khulubvi festival without mentioning Nsanje Port. Shire River, with its unique features, remains the heartbeat of the valley as it flows down to Mozambique.

It is in this vein that the establishment of the Shire-Zambezi waterway as a vibrant economic initiative offers new opportunities yet to be fully exploited.

Nsanje District is on the rise to greater prosperity. This will be the best eco-tourism and investment destination in the country.

REGULATORY SANDBOX

BY LUMBANI GONDWE
CONTRIBUTOR



REGULATORY SANDBOX
-Photo Credit: Palestine Monetory Authority

About three months ago, both mainstream and social media were awash with news about a young man in Zomba who allegedly built a Wi-Fi device that does not require data for connection.

An interesting and intriguing debate among telecommunication experts ensued on the technicality setup of the innovation, with some insisting data is being tapped somewhere; whether legal route or not, that might be a story of another day.

Just like the Wi-Fi device innovation, over the years, Malawi has seen countless, brilliant, life and economic-changing innovations across all corners of our societies, of which, a handful have been embraced.

In one way or the other, this exposes the country's lack of a well-coordinated and structured framework in nurturing and supporting these innovations. And this is not to discard current efforts by the government, academia, and development partners and in a special way M-Hub, MUST and Malawi Communications Regulatory Authority with the recent introduced Muuni Fund which aims to provide a platform and structured framework that will facilitate the growth of ideas into prototypes and then finished products and models.

For long, the country has been sent into premature smiles of potentially both economic and life-changing innovations and research papers, mostly by academia. Unfortunately these brilliant papers and ideas only end up piled in 'dusty' shelves.

All this is due to a lack of a supportive and structured framework that would ensure access to the needed tools such as finance, technological integrations, and legal protections such as Intellectual Properties.

As the potentially life and economic-changing research findings unfold from different sectors, new technological innovations are emerging at the speed of sound which has seen regulators across the world playing 'catch up', with Artificial Intelligence (AI) being the hottest subject as of current across the globe, on how to regulate it for the commercial and societal benefit and protection. Nevertheless, the regulatory space has not-completely been left behind in terms of technology advancement with regulatory technology (Regtech) being 'fastly' adopted and growing in the regulatory space across the world.

A regulatory sandbox will reduce time-to-market, allow regulators to learn about innovations faster, encourage innovators to formalize their business and incentivise incumbents to experiment with new ideas, reduce the cost of innovation for innovators and provide valuable insight for regulators to evolve effective regulations.

Regtech entails the use of technology to enhance risk-management and regulatory compliance especially in the financial sector and examples include e-KYC, Digital Identity Systems, and a Regulatory Sandbox. A Regulatory Sandbox is a virtual controlled environment to test new technologies, products, or business models under the watchful eye of a regulator.

A Regulatory Sandbox can accommodate both licensed institutions and start-ups firms to test their technology-based innovative solutions.

In many countries where Regulatory Sandboxes have been launched such as Ghana, Kenya, Rwanda, Bahrain and Zambia, regulatory sandboxes have garnered significant attention for their potential to enable regulators to carefully monitor the opportunities and risks associated with innovations, while allowing firms to bring innovations into the marketplace quickly and with less risk.

Sandboxes also have become a trademark programme for forward-leaning financial regulators, generating widespread excitement as a way to modernize their oversight of the financial sector in tandem with the rapid pace of financial innovation and technologies. It is encouraging to learn that the Reserve Bank of Malawi (RBM) is amid developing one.

Aside the regulatory sandbox helping in evaluating innovations in pursuit of our Digital Financial Services (DFS) goals highlighted in the Malawi Digital Economy strategy, apart from the normal payment services to be hosted in the sandbox, the RBM must consider giving preference to products and services leveraging remittance products, crowdfunding products and services, blockchain technologies, Artificial Intelligence (AI), e-KYC platforms, RegTech (regulatory technology), SupTech (supervisory technology), digital banking and testing out technologies that are not currently covered by any regulation such as blockchain and cryptocurrencies. The mentioned emerging technologies have a huge potential to strategically transform our financial industry for greater heights. Products and services that aim to support financial inclusivity amongst women and merchant payment solutions for micro, small and medium-sized enterprises should also be considered.

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About author:
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SHOULD BANKS EMBRACE AI?

BY CHRIS CHIRWA
CONTRIBUTOR

Should banks embrace artificial intelligence (AI) or be worried? "Yes, to both" is the answer.

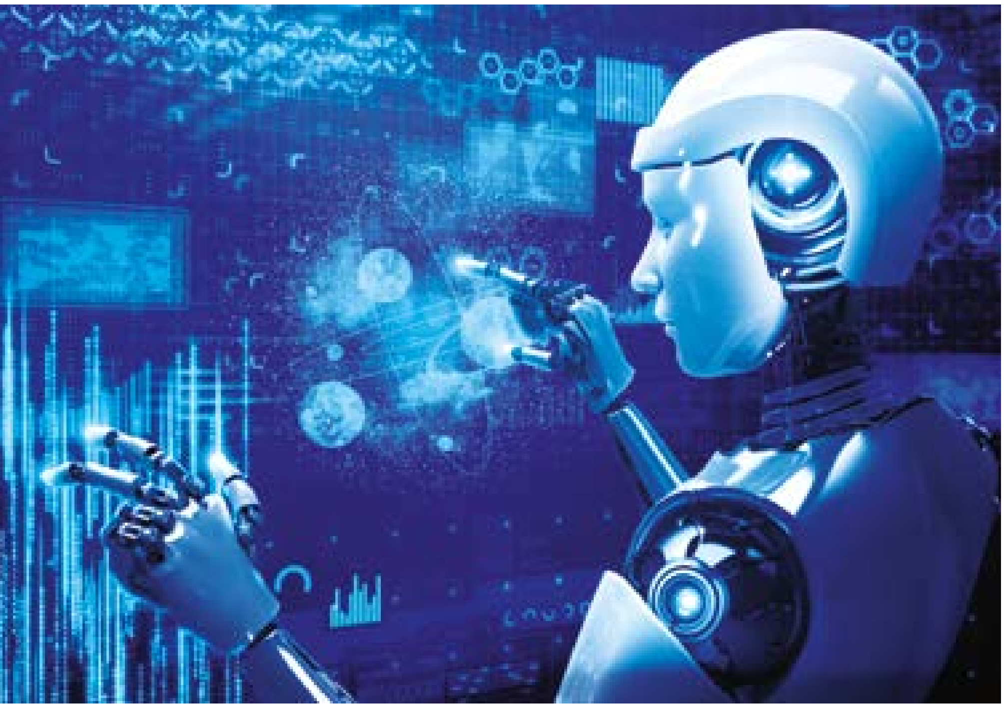
Why? Most presenters on AI only showcase the advantages and leave out the potential risks. It's only fair that both sides should be presented, which is what I'm going to attempt to do in this article.

I have written about AI several times in the past. My focus in the previous articles was for my readers to understand what AI is and the potential advantages for AI. In this article, over and above looking at the viable use cases of AI in banking, I would like to take a slightly different approach, and look at the perception of AI, the regulation of AI, and governance of AI.

Ultimately, banks will have to decide in which space of AI they would like to play depending on their strategy, and to what extent. There are some use cases of AI which are not advantageous to business except for demonstrating the capacity of the technology of a specific bank. For example, some banks have robots in their banking halls to attend to customer in-person enquiries (certainly not yet in Malawi, but it is not far-fetched). From experience and supported by statistics, when customers visit banks in person, they usually prefer an in-person experience and not machine experience.

Despite all the perceived advantages of AI, the perception is still divided. The exponential rise of AI is posing an existential threat to humanity, yes to the core of humanity. Some of the fundamental questions being asked regarding AI include: Who is responsible and accountable for actions carried out by AI? Who owns the intellectual property of a product or service of AI? Is it the developer of the AI program or the AI itself?

There are countless incidents which have happened recently which have exposed the other side of AI which we are yet to be prepared for. There is a tech company which developed an AI application which is able to compose songs depending on what the users specify, of course at a fee to the credit of the ultimate beneficial owner, the tech company. The AI application created musical content, which was obscene for underage children. The parents of the 'victimized' children are suing the tech company for →



exposing their children to adult content. The tech company is denying responsibility since they were not in control of the created content. Unfortunately, technology has developed faster than the laws to regulate them. There are no clear laws to safeguard such instances.

Imagine a scenario where a bank AI powered portfolio management system has wrongly advised a customer on an investment, and they have lost huge sums of money. The expected reaction will be for the customer to claim against the bank. However, such a seemingly straight forward issue is far complex than it sounds.

Recently there have been strikes in Hollywood by actors protesting against the use of AI in creation of videos and scripts. Some of the AI created videos are using images and voices of real-life actors without their consent. Actors are protesting personality theft for use of their images and voices without their consent. Furthermore, the actors are worried whether this is the end of their jobs and industry at the expense of technology. They believe the playing field is not level and they know they won't be able to compete with machines which uses billions of data.

Almost everyone has heard of ChatGPT, an AI powered application which is able to create content and answer questions which would take hours of research. ChatGPT is able to assist students at all levels in their homework and exams, posing a threat to the education system itself. ChatGPT is a technology that can process natural human language and generate a response. In simple terms a user can ask Chat GPT a question, and it will give provide an answer, in form of images, text or videos that are created by AI.

Social media influencing companies are creating AI powered Chatbot 'humans' to post content on social platforms to influence real humans. Humans are making decisions based on content which was created by AI or robots. Fair? Shouldn't the social media companies declare that such content is created by AI? But if they do, wouldn't they lose the influence on their readers? This type of influence is used by companies running sales campaigns and political campaigns. Imagine a situation where you have voted for a candidate depending on content generated by machines.

Taking the conversation a notch higher, we will look at generative AI. Generative AI is able to create new content and ideally can be used to make decisions and to take specific actions. Generative AI, a subset of AI, has shown immense potential in shaping the future of banking. To put it into perspective; AI has the capability to learn from data and make decisions or predictions based on that data. On the other hand, generative AI is the next generation of artificial intelligence, trained on a set of data and learn the underlying patterns, capable of creating new data similar to its training data.

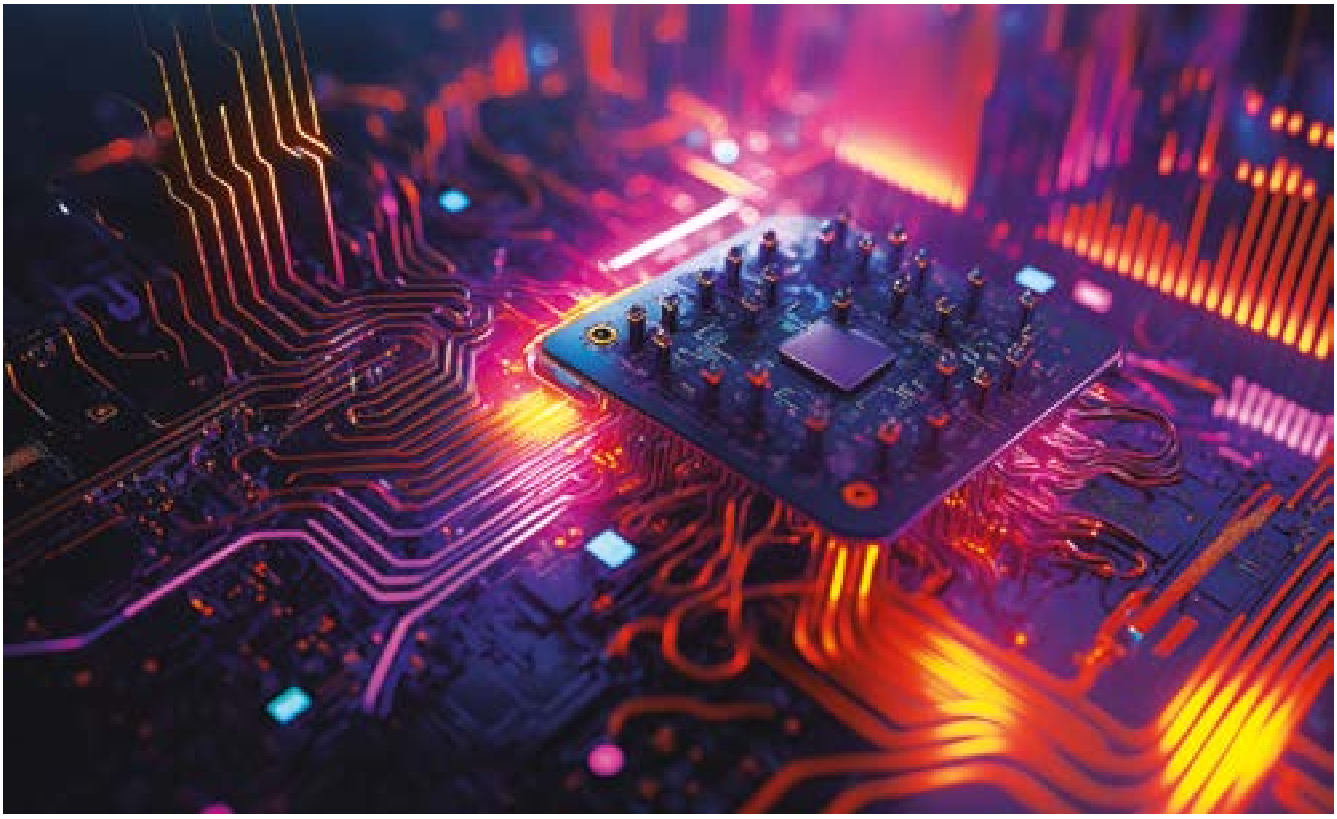
Most organizations (and governments) are more worried about generative AI than any form of technology. Imagine a wild scenario where a nuclear military plant is in the 'hands' of a rogue generative AI. The same can be said for a rogue generative AI running bank services. The damage caused could be irreparable.

Further to the potential implications associated with AI there are other perceptions which we need to understand as well. Lobbyists against AI are worried about job losses, the expectation is that the more AI is used the more some jobs will become irrelevant. This might be true; however, AI has the potential to create other jobs and careers as well. I look at it as a shift of careers from one sector to another. We have been here before, during the early 2,000 when technology automation was introduced to most manufacturing industries. Statistics show that more people are in employment post automation than the period preceding automation. There are concerns about humans losing the physical engagement and interaction. There are also concerns of losing control to generative AI. Humans might lose their autonomy and decision making to AI. Not all the perceptions are without basis. Fortunately, there seems to be more advantages than the perceived disadvantages.

The above scenarios are showcasing the potential risks of AI if left unregulated. With AI, comes responsibility to safeguard customers security and data.

Every executive should be aware of the above implications before engaging in an artificial intelligence strategy. There are enormous advantages which comes with AI, some of them specific to the banking industry.

AI is capable of processing huge amounts of data. AI is being used to automate mundane tasks so that professionals can devote more time to engaging in essential research, decision making and formulating strategy. AI is being used in predictive analytics, customer segmentation and automated trading. →



At the same time, AI powered applications are playing a role in banking customer experience initiatives. AI is assisting banks to provide services faster, more efficient, and secure. AI is used to perform complex analyses on a massive scale that require incredible speed and accuracy.

Some of the major AI use cases which I would like each executive to be aware of are below.

Fraud and security detection: Banks are never short of fraudulent incidents, whether caused by internal staff or external staff. AI algorithms are used to detect and prevent fraudulent transactions. AI algorithms are developed to detect exceptional user and system behaviors. The output of the same is used to prevent possible fraudulent transactions. AI can also be used to detect cyber security attacks and to enhance the security environment.

Risk assessment: AI is used to analyze large amounts of data to assess credit and loan risks.

Algorithmic trading, portfolio management, financial planning: AI algorithms are used for high-frequency trading, risk management, and portfolio personalization. Customers are able to make trades without any in-person interaction with bank officials. AI-powered investment advice and portfolio management services. AI-powered financial advisors provide personalized investment advice.

> AI-powered chatbots provide 24/7 customer support and handle basic queries. The fact that the above use cases are being handled manually in most banks presents an opportunity for AI.

Credit scoring: AI is used to analyze vast amounts of data to assess creditworthiness and make loan decisions. The output of the credit scoring will be used to disburse online loans to customers who qualify.

Operations: AI helps automate repetitive tasks and improve efficiency in areas such as back-office processing and compliance.

Marketing and sales: AI-driven personalized recommendations help banks cross-sell products and stay closer to their customers' demands.

Customer experience and service: AI-powered chatbots provide 24/7 customer support and handle basic queries.

The fact that the above use cases are being handled manually in most banks presents an opportunity for AI.

No doubt that AI is and will continue enabling banks to provide users with better convenience, improved security and enhanced overall satisfaction. However, we should regulate AI before it regulates us, if AI is left unregulated it will take over the world, at the expense of humans.

Financial
Inclusion And
Entrepreneurship
Scaling Project

ACCESS FInES LOANS FOR YOUR FINANCIAL NEEDS

HOW CAN I ACCESS FInES LOANS?

To access a FInES loan, here is what you need to know:

1. You can access FInES loans through any of the participating financial institutions (PFIs) listed.
2. Some PFIs require a loan application letter, while others provide an application form.
3. The PFIs will guide you through the application process.

The following are the PFIs which are currently participating in the FInES Project:

- *Centenary Bank Limited (formerly, MyBucks Banking Corporation)*
- *Standard Bank*
- *NBS Bank Plc*
- *NBM Development Bank*
- *Malawi Agricultural and Industrial Investment Corporation (MAICC)*
- *COMSIV*
- *NEEF Limited*
- *Wealthnet Finance Plc*
- *Saile Financial Services*
- *Microloan Foundation*
- *FINCA Malawi*
- *Business Finance Solutions*
- *CUMO Microfinance*
- *Vision Fund Malawi*
- *Mzinda Sacco*
- *United Civil Service Sacco*
- *Sucoma Sacco*
- *Mudi Sacco*
- *Dedza Community Sacco*
- *Sunbird Sacco*
- *Tipindule Sacco*
- *Malawi Police Sacco*
- *BL Financial Services*
- *Pinnacle Financial Services*
- *Binisons Credit Agency*

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FEATURE

RBM CHALLENGES SMEs ON ACCESS TO CAPITAL

AS MSE UNVEILS MZINGA INCUBATION PROGRAMME

BY PAULINE MBUKWA

RBM Deputy Governor William Matambo

The Reserve Bank of Malawi has urged Small and Medium Enterprises (SMEs) to seize opportunities of securing capital on the Malawi Stock Exchange (MSE) following the launch of Mzinga Incubation Programme on the local bourse.

The MSE unveiled the initiative to provide "handholding support" SMEs to raise long-term capital through listing on the shares market.

The programme is one of the key strategic initiatives the stock exchange has embarked to grow the market, especially on the supply side.

Speaking at the launch of the initiative recently, RBM Deputy Governor William Matambo said sustainable growth of any business requires patient and affordable capital.

He said the capital market remains an ideal tool for SMEs and corporations to access cheaper and easy capital.

"Through the Mzinga incubation programme, businesses will be provided with knowledge and technical skills on how they can enhance the readiness of SMEs to list on the MSE under the Enterprise Development and Growth Exchange (EDGEx) platform.

"This platform is being presented for your use because we believe that as businesses you hold the key to unlocking growth of our private sector," Matambo said.

The incubation programme is being financed by the Financial Inclusion and Entrepreneurship Scaling (FinES) project under the RBM).

FinES Project Manager Ralph Tseka said despite their enormous contribution to national development, SMEs continue to face challenges including low access to finance.

He said the FInES project, therefore, aims at increasing access to financial services, promoting entrepreneurship and capabilities of MSMEs in Malawi and addressing implications brought about by the Covid-19 pandemic on the businesses.

According to Tseka, the project has four components and Mzinga incubation is aligned to component three which aims at enhancing an enabling environment for supporting financial inclusion and growth of entrepreneurs.

"It is our hope that SMEs will take up the opportunity to raise capital through listing on MSE," →

(from right) **FInES Project Manager Ralph Tseka shakes hands with RBM Deputy Governor William Matambo as MSE CEO John Kamanga looks on**

→

Tseka said.

MSE Chief Executive Officer John Robson Kamanga said one of the objectives of the stock exchange is to provide a platform for raising capital from the public and secondary trading of financial products.

He said about K97.4 billion was already raised through either equity and bond issuance and listings on the local bourse.

He however said since the establishment of Alternative Capital Market on MSE in 2007, none has listed on the platform.

Kamanga said the Mzinga project is therefore targeting SMEs through hand-holding to enable them to list under the Enterprise Development and Growth Exchange (EDGEx).

"Some of the reasons that tend to limit or discourage SMEs from accessing stock markets are fear of losing ownership of their business and inexperience or lack of knowledge on capital markets," he said.

Kamanga said the MSE has demonstrated its capability and drive for wealth creation to Malawians where some Malawians have become billionaires by investing there.

"The MSE has registered a Return on Investment of 75% which shows that by investing on the stock market you are able to hedge against both inflation and the kwacha depreciation," Kamanga said.

MSE Board Chairperson James Kamwachale Khomba said Mzinga incubation programme is a weapon that will foster growth of the private sector and produce sweet results for everyone involved.

He said the incubation programme aims to build the capacity of SMEs on corporate governance, business management, financial reporting, legal compliance and preparation of listing documentation, among others.

"We understand that we cannot have a thriving private sector if businesses cannot access affordable capital. We can confidently challenge you that this programme is a breakthrough in that it will turn around the fortunes of your businesses by packaging them as bankable projects capable of listing on the Malawi Stock Exchange," Khomba explained

The Mzinga incubation programme is being implemented by the MSE with funding from the World Bank through FinES. It is aimed at improving access to patient and affordable capital for SMEs.

HOW MZINGA INCUBATION WORKS

The Incubation programme will enroll SMEs that have an intention to raise capital through listing on the MSE under the EDGEx platform who will then be attached to a number of transaction advisers with the aim of providing them requisite knowledge and assistance in the form of guidance.

The process is envisaged to be done over a period of eighteen months.

It is hoped that this hand-holding process for the identified companies will offer tailor-made solutions and instant help wherever and whenever necessary and thereby help to remove any fears or misconceptions that may have been associated with listing.

FEATURE

REGULATION-ENFORCEMENT, MISSING LINK TO FINANCIAL INCLUSION DRIVE

BY PAUL KAMANGA

KEY IN DRIVING THE AGENDA—Parliament—File photo

The way the issue of financial inclusion is fronted in Malawi, one would be made to believe that it is the panacea to all the problems triggered by poverty in this country.

In truth, everyone in Malawi would be happy if a solution to extreme poverty levels were found, especially for a country where the poverty rate is always 50 percent-plus.

The World Bank indicates that, between 2015 and 2016, poverty rates have remained in the 50 percent-plus band. For instance, the national poverty rate marginally declined from 51.5 percent in 2015-16 to 50.7 percent in 2019-20.

Not surprisingly, Malawi has been ranked the fourth highest percentage of people living in extreme poverty in the world. In Malawi, more than two-thirds of the population is wallowing in extreme poverty.

Tobacco, Malawi's top foreign exchange earner whose contribution to the country's total exports stands at 69.5 percent, has failed to lift those whose livelihoods depend on it out of the poverty pit.

This is despite the fact that, according to Ministry of Agriculture statistics, 72 percent of the workforce is employed in the agriculture sector.

In a country where 70 percent of the population lives on less than $1.90 a day, it is not surprising that, according to the National Statistical Office and financial institutions regulator, the Reserve Bank of Malawi (RBM), records, only 34 percent of people have an account at a financial institution.

This leaves 66 percent of the population out of reach for Malawi's financial sector, a development that has seen the central bank, authorised dealer banks and Ministry of Economic Planning and Development officials making frantic efforts to bring this untapped population into the financial sector equation.

However, this article is premised on the idea that, for RBM, financial sector players and policymakers to entice the unbanked and unreached population into financial sector activities, those who are already in the net—that is, the 34 percent— must be satisfied with service delivery.

Efforts to reach out to the 66 percent, while neglecting the 34 percent, are likely to fail, more so because, in Malawi's ;largely illiterate society, the word of mouth carries more weight than policy and other documents.

If the 34 percent is not happy with high interest rates on loans, high monthly service charges, delays in accessing services, rude staff and conniving behaviours among service providers, they are likely to spread news that it is not worth it to save or deal with financial service providers.

Already, a significant number of the population barely get more than the minimum wage, currently at K50,000, which means there is hardly enough to save. To make matters worse, what is there to save is subjected to high service charges.

This could explain why the country has embraced village banks, which have been mushrooming at unprecedented levels. This is a message to financial service providers.

In the past, savings and cooperative societies were the in-thing. However, as societies have become big, inefficiencies have crept in. Members wishing to get loans are being subjected to long, painful delays.

Indeed, while RBM did well to give savings and credit cooperatives the leeway to start operating as authorised dealer banks and keeping clients' savings, it is becoming difficult for clients to access savings account money within hours.

BANKERS TALK FINANCIAL INCLUSION, DIGITALISATION

BY PAUL KAMANGA

FOR ENHANCED COLLABORATION—Banda and Kawawa

Commercial banks in the country have reaffirmed commitment towards the national financial inclusion agenda and degitilisation of the economy..

This was said when the Bankers Association of Malawi (BAM) hosted its 2023 Annual Lakeshore Conference in Mangochi.

The indaba was held under the theme 'Banks for all, and development for all.'

Reserve Bank of Malawi Governor Wilson Banda graced the indaba.

He called on the commercial banks to increase lending to productive sectors to create jobs, boost exports and promote industrialiSation.

He said commercial banks are the foundation upon which economies thrive and nations progress.

"Banks are more than just financial institutions; they embody the hopes, dreams, and aspirations of millions of individuals, small and medium enterprises as well as corporations. In their essence, banks act as catalysts for change, fuelling economic growth, and financially empowering the entire society," Banda said.

He said it is pleasing to note that banks have remained sound and healthy, recording core and total capital respective ratios of 19.7 percent and 22.6 percent as at June 2023.

The industry's liquidity ratio was 59.2 percent above the prudential benchmark of 25.0 percent.

"When we envision development for all, we envision economic prosperity that uplifts not only the few, but the entire society.

"I personally believe that banks have the potential to turn around the economy and bring about growth and development propelling us to the realisation of Malawi 2063 agenda. By fostering financial inclusion, banks become beacons of hope, extending their services to all corners of our great nation," Banda said.

BAM President Macfussy Kawawa reaffirmed the banking sector's commitment to contributing towards national economic development.

He said the future of banking is digital.

"While security and cost-efficiency are strong motivators for banks, the true value of digitalization is what it can do for the customer. As banks, we are proud that through appropriate investment in this fast changing digitalisation space, we are delivering value to our customers," Kawawa said.

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