

MALAWI

# BANKER

MALAWI'S FINANCIAL MAGAZINE OF CHOICE

VOL 35 / 2025

## 'WE CARE A LITTLE MORE'

THE RISE AND RISE OF NBS BANK



**MRS. TEMWANI SIMWAKA**  
CHIEF EXECUTIVE OFFICER, NBS BANK

# In this issue

## Empowering your sustainable growth

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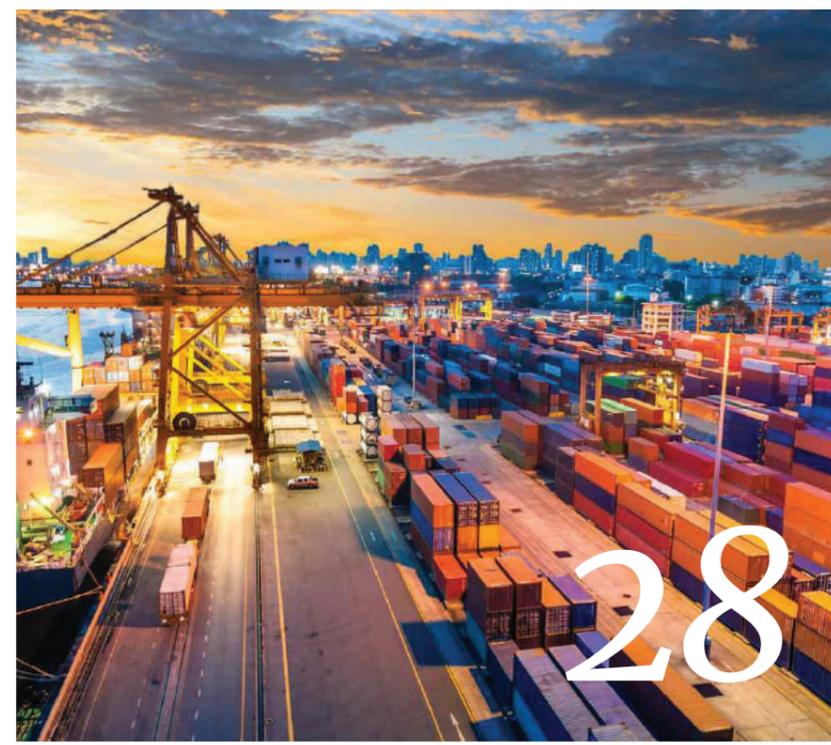


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INVESTMENT BANK



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### The import substitution drive; lessons from neighbors

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# EDITOR'S NOTE

**I**f you are reading this, it means you might have witnessed the wind of change in the country's political arena.

Pre September 16, 2025, elections, the nation was on a 'wait and see'. The air was mixed with uncertainties. Now that the elections mood is over us, a candid talk on the economic trajectory and prospects is a must.

A hangover of the economic persists: Because Malawi's challenges are structural in nature.

The country faces ever rocketing inflation, acute scarcity of forex, and a very volatile exchange rate. These put almost all things of the economy off balance.

Desperate attempts to nip them in the bud—using demand side remedies—seem to have yielded less. In fact, it has proven volatile.

A tight monetary policy stance, coupled with various interventions, including exchange rate realignments, has not been enough to contain the pressure and remedy rests in enhancing output.

In this edition of the Malawi Banker Magazine, we highlight trends in decades of Malawi's economic challenges, causes, and possible solutions. We further examine the intersection of the public and private sector entities on enhancing production, and on whether the state should play a catalytic intervention and leave the rest to the private sector players.

In 'Funding Malawi's Growth, we highlight the glaring demand-supply mismatches, which largely emanate from a point of underproduction. We track available resources in the economy, and the sectors to which they are channeled to which lies a question of productivity.

With the African Continental Free Trade Area creating a market of 55 country with about 1.5 billion people and about \$3.4 trillion of combined gross domestic product, a valid question remains: is Malawi building a competitive edge, or it would retain a dumping site state?

Suffice to say, the edition is about a quest for growth, and in this edition we discuss the trends in the three sectors [agriculture, mining and tourism], and many other sectors including banking, insurance, ICT, and their role towards propelling economic growth.



→ A tight monetary policy stance, coupled with various interventions, including exchange rate realignments, has not been enough to contain the pressure and remedy rests in enhancing output.



## ON THE COVER

→ Malawi Banker Magazine engages Mrs. Temwani Simwaka, Chief Executive Officer, NBS Bank 'We Care a Little More'; The rise and rise of NBS Bank



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# SYNERGY IS ALL IT TAKES

*We are devoted to harnessing the power of synergy, not merely to weather challenges, but to shape a future that is inclusive, resilient, and digitally empowered.*



**W**e are just a few months away from the end of the year 2025. This far, the landscape has remained fragile; from economic headwinds to operational transitions, we have faced formidable challenges.

But the banking industry has remained resilient enough to anchor the rest of the sectors.

If it was not for banks' steadfastness, maintaining a strong asset base with a resounding profitability trail, the narrative would have been way different by now.

The resilience of our banks in the face of diverse shocks remains a beacon of hope for the national economy. No economy can thrive when its financial institutions are fragile.

For a fact, the country's eight banks remain well-capitalised, highly liquid, and operating with sound risk management frameworks. This strength is reassuring.

It enables confidence, fuels investment, and anchors stability across sectors.

Year to date, commercial banks have registered a substantial surge in private sector lending, reflecting

renewed confidence and strategic alignment with national development goals. Credit to the private sector rose to 40.6 percent in August 2025, up from 28.2 percent in the same period last year. This follows a 38 percent growth rate in July and compares favorably with the recent historical average of 39 percent, underscoring a sustained upward trend.

This performance affirms the banking sector's commitment to fueling Malawi's economic growth. In line with this aspiration, banks have established dedicated financing windows to channel resources toward the economy's most productive sectors, including agriculture, manufacturing, and SMEs, ensuring that capital flows where it can generate the greatest impact.

Needless to say, banks remain the top sectoral contributors to the government's tax revenue basket.

The bedrock of our collective success story is synergy, a position we aspire to maintain forever.

As we look ahead, we are devoted to harnessing the power of synergy, not merely to weather challenges, but to shape a future that is inclusive, resilient, and digitally empowered.

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# The President's Message



**M**alawi stands at a pivotal moment in its journey toward becoming a middle-income economy by 2030. Achieving this status—defined by a per capita income between \$1,006 and \$12,275—requires a bold shift from the “poverty alleviation” focus of Vision 2020 to the “wealth creation” agenda of MW2063, our nation’s long-term development blueprint.

The first Malawi Implementation Plan (MIP-1) sets out clear growth pillars: agricultural commercialization and mechanization, industrialization, urban development, and mindset change. Among these, wealth creation is the cornerstone of sustainable growth. True progress demands that individuals and organizations across all sectors actively participate in building wealth, not just alleviating poverty.

To realize this vision, we must embrace a multi-sectoral, action-oriented approach. Government’s role is to create an enabling environment. The private sector must drive export-led growth and job creation, with a special emphasis on manufacturing. Our academic institutions should evolve

*The World Bank’s Malawi Economic Monitor reminds us that the path to Malawi 2063 is narrow but still feasible—if we remain focused on implementing tough but necessary reforms and restoring macroeconomic stability.*

to foster entrepreneurship and employability, while the banking sector must support innovation through strategic financing. Together, these sectors form a powerful ecosystem—universities nurture talent and ideas, and banks provide the financial tools to turn those ideas into thriving enterprises. This synergy is essential for inclusive economic growth and reducing youth unemployment.

However, challenges remain. Agriculture, our economic mainstay, has yet to reach its full potential. Progress toward large-scale commercial farming, mechanization, and structured markets has been slow, as highlighted in the first MIP-1 progress report. The sector’s contribution to GDP has declined slightly, and export volumes have not recovered to previous highs. These setbacks are compounded by climatic shocks and prolonged macroeconomic instability, which have weakened the private sector.

The World Bank’s Malawi Economic Monitor reminds us that the path to Malawi 2063 is narrow but still feasible—if we remain focused on implementing tough but necessary reforms and restoring macroeconomic stability. Only then can we lay the foundation for broad-based, sustainable growth.

This edition of the Malawi Banker Magazine is dedicated to fostering dialogue on how, with the Malawi 2063 agenda as our guide, we can transform our economy and realize our collective aspirations. Let us seize this opportunity to work together, innovate, and build a prosperous future for all Malawians.

Enjoy the magazine!



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# ‘WE CARE A LITTLE MORE’

## THE RISE AND RISE OF NBS BANK

**In March 2025, NBS Bank plc board announced the appointment of Mrs. Temwani Simwaka as the bank’s new Chief Executive Officer (CEO). She brings a wealth of experience and a bold vision that aligns with the Malawi Stock Exchange-listed bank’s strategic ambitions. The Malawi Banker engages Simwaka on her vision.**

*Firstly, congratulations on your recent appointment as NBS Bank Chief Executive Officer; what is your vision and top strategic priorities for the bank?*

Thank you. My vision is to see NBS Bank firmly positioned as a modern, customer-centric, and digitally-enabled bank that drives inclusive growth for Malawi. Our key priorities include accelerating digital transformation, deepening customer relationships, enhancing operational efficiency, and embedding sustainability in everything we do. We also remain focused on growing our people and strengthening risk

management to deliver consistent long-term value to our stakeholders.

*How do you rate/describe the bank’s current footing on the market?*

NBS Bank has established a strong and resilient footing in the market. We are now recognised as one of the fastest-growing and innovative banks in Malawi, with steady improvements in profitability, capital adequacy, and customer trust. Our market capitalisation growth is a reflection of the confidence Malawians are placing in the bank.

*We have, in recent times, noted a pick in the bank’s profitability from years of fragile performance, as well as a surge in market capitalisation and share price gains on the Malawi Stock Exchange; what explains the turnaround?*

The turnaround is anchored on disciplined execution of our strategic plan, which focused on building strong customer relationships, digital transformation, cost efficiency, and innovative product offerings. All this underpinned by a driven and committed workforce. We prioritised strengthening our core banking systems, re-aligning our operating model, and deepening our relationships with our customers. Investor confidence has followed naturally as the bank demonstrated consistent profitability, prudent risk management, and a sustainable growth trajectory.

*What is the bank doing to remain competitive, and how is it harnessing the digital space?*

Digital banking is at the heart of our competitiveness strategy. We have invested significantly in upgrading our digital platforms, mobile banking, internet banking, agency banking, digital lending solutions, and card solutions to provide seamless, secure, and convenient services. We are also embracing data analytics to personalize customer experiences and drive financial inclusion, especially in rural and underserved areas.

*What role is the bank playing in contributing to the national financial inclusion agenda?*

We remain committed to bridging the financial access gap. Our agency banking model and mobile solutions are reaching customers beyond traditional branch networks, especially in rural communities. We also continue to develop tailored products for SMEs, farmers, and women entrepreneurs. By partnering with government and development institutions, we are making sure more Malawians are integrated into the formal financial system.

*Recently, NBS Bank signed an agreement with the African Export Import Bank (Afreximbank) on the sidelines of the latter’s 32nd Annual Meeting in Abuja, Nigeria, to drive development and trade in Malawi. Firstly, tell us the gist of the agreement and how the pact*

MRS. SIMWAKA—Together, we can build a stronger, inclusive, and prosperous Malawi

is aligned with NBS Bank's broader strategy?

NBS Bank has partnered with the African Export-Import Bank (Afreximbank) through two key initiatives aimed at driving economic transformation in Malawi. The first is the Joint Preparation Project Framework (JPPF), a collaborative effort designed to elevate unbankable projects to bankable status. Through this framework, financing will be made available for transformative projects across sectors such as agro-processing,

**To bolster trade and investment, NBS Bank signed a \$100 million Trade Facilitation Program Agreement with Afreximbank**

manufacturing, energy, and infrastructure development.

Secondly, to bolster trade and investment, NBS Bank signed a \$100 million Trade Facilitation Program Agreement with Afreximbank. This initiative is focused on supporting the importation of strategic commodities including fuel, pharmaceuticals, fertilizers, and other essential inputs. Together, these partnerships are not only advancing intra-African trade but also playing a pivotal role in accelerating Malawi's economic growth.

**How is the bank positioned to contribute towards the national growth aspiration, especially under the ATMM [agriculture, tourism, mining, and manufacturing] strategy?**

We are aligning our lending and investment priorities with ATMM. For agriculture, we are scaling financing for farmers and agribusinesses through our established Food and Agriculture unit within the bank. We also work with our partners in providing technical advice on agriculture value chains to ensure the profitability of agriculture-related businesses. In tourism, we are working with stakeholders to support infrastructure development and also support working capital requirements. Mining and manufacturing require significant capital, and through partnerships such as with Nico holdings and others, we are well placed to mobilize the resources necessary for these strategic sectors.

**What is your impression of the current Malawi economic performance and outlook?**

The economy has shown resilience in the face of global and domestic shocks, though challenges such as forex shortages and inflation remain. With ongoing reforms and strengthened fiscal discipline, I am optimistic about the medium-term outlook. There are clear opportunities for recovery and

growth, particularly if we leverage our natural resources, agriculture, and human capital effectively.

**The economy has been faced with myriad challenges, including a shortage of forex; how is the banking community, in general, and NBS Bank in particular, contributing towards addressing the challenge?**

The banking sector plays a catalytic role in mobilizing foreign exchange through financing exporters, facilitating remittances, and deepening financial intermediation. At NBS Bank, we are prioritizing support for export-oriented businesses and encouraging diaspora remittances through safe

and convenient channels. We are also working with key partners to provide trade financing solutions that bring much-needed forex into the country.

**Malawi is implementing a long-term development plan, the Malawi 2063, where the theme is aspiration to create an inclusively wealthy nation. In fact, the first Malawi 2063 Implementation Plan aspires to see Malawi become an upper-middle-income economy at least by 2030; what would it take for the country to get to the desired destination with the support of the Financial Services Industry?**

**The financial services industry must provide innovative financing models, channel resources to productive sectors, and embrace partnerships with government and development partners.**

Achieving Malawi 2063 requires robust investment in infrastructure, education, agriculture, and industrialisation. The financial services industry must provide innovative financing models, channel resources to productive sectors, and embrace partnerships with government and development partners. Financial literacy, digital inclusion, and long-term patient capital will be critical. As NBS Bank, we are committed to being a partner in driving this transformative national agenda.

**Any last words?**

I would like to thank our customers and our shareholders for the trust they continue to place in NBS Bank. We remain dedicated to providing world-class financial solutions that empower individuals, businesses, and communities. Together, we can build a stronger, inclusive, and prosperous Malawi. Above all, I wish to recognise and thank our people, the staff of NBS Bank, whose commitment, resilience, and passion make it possible for us to deliver on our promise every day. They are the true drivers of our success and the foundation upon which we continue to grow. ■



# AFRICA'S DONOR-FUND PROJECTS; WELL-INTENDED BUT MISDIRECTED



BY FUNSANI JOHN SCANDER  
CONTRIBUTOR



ABANDONED?—One of the donor-funded projects - - Photo Credit -Innov8

**F**or decades, donor-funded projects have been a cornerstone of development efforts in Malawi and across Africa. These initiatives, often backed by foreign governments, international non-governmental organisations (NGOs), and multilateral agencies are designed to tackle pressing issues such as poverty, food insecurity, and lack of access to basic services.

Yet, time and again, these projects fail to create lasting change. Instead of empowering communities, many initiatives collapse once funding taps run dry, leaving behind abandoned infrastructure and unmet expectations.

A critical flaw in many donor-driven projects is the disconnect between what funders perceive as priorities and what communities genuinely need.

Donors often come with pre-set agendas—whether it is promoting a specific agricultural technology, building schools without teachers, or installing water pumps without maintenance plans.

While these interventions look impressive on paper, they frequently

ignore the complexities of local contexts.

While donor-funded development projects are well-intentioned and commendable, they often fail to address the real needs of local communities. The misdirection of funds in such initiatives has not only proven costly but also wasteful, creating false hopes that ultimately lead to disappointment and unfulfilled promises.

The projects often come with well-intentioned goals, but too frequently, they fail because they are driven by donor priorities rather than actual community needs.

For development initiatives to succeed, they must be demand-driven, with local communities actively involved in planning and implementation. Unfortunately, many projects in Malawi whether funded by donors or →

the government have collapsed due to a lack of proper feasibility studies and community engagement.

One example of such initiatives are the flea markets constructed by the Malawian government in various districts, including Neno, Lilongwe and Blantyre. These structures were meant to provide vendors with better trading spaces, but many now stand abandoned.

A 2022 report by The Nation newspaper highlighted how vendors in Area 25 in Lilongwe rejected the new market, preferring their old trading spots due to poor location and lack of basic amenities.

This raises critical questions: Was a proper feasibility study conducted? Were vendors consulted before construction?

Similarly, a solar-powered water project in Nsanje, funded by an international NGO, was left dysfunctional within two years because the community lacked the technical skills to maintain it.

A Nyasa Times investigation (2021) found that similar water projects across Malawi fail at alarming rates because they are imposed on communities without long-term sustainability plans.

Another example is the Chinese-funded solar-powered irrigation project at Mikolongwe Station in Chiradzulu. Initially hailed as a game-changer for smallholder farmers, the project stalled after being handed over to Malawi's Ministry of Agriculture. According to a 2021 article by Malawi24, the scheme became non-functional due to a lack of technical expertise and spare parts, leaving farmers without the promised benefits.

In contrast, projects that involve communities from the outset tend to last. The Chitetezo Mbaula (improved cook stove) initiative, supported by UNDP, succeeded because it was based on women's actual fuel needs and included local artisans in production (UNDP Malawi, 2020). Likewise, the Climate-Smart Agriculture program in Balaka thrived because farmers were trained and involved in decision-making, ensuring adoption beyond donor support according to the 2019 FAO report.

This is not an isolated case. A 2019 investigation by The Guardian newspaper on failed aid projects in Africa found that many donor initiatives prioritize visible infrastructure—like buildings and equipment—over long-term sustainability. One example

was a multi-million-dollar maternal health clinic in rural Kenya that stood empty because there was no budget for staffing or medicine.

Sustainability should be the cornerstone of any development initiative, yet it remains one of the most neglected aspects. Donors often focus on short-term outputs; how many boreholes were drilled; how many seedlings were distributed, without ensuring that local communities or government institutions have the capacity to maintain these projects.

Similarly, a BBC Africa (2022) documentary exposed how expensive medical equipment donated to hospitals in Uganda and Zambia lay unused due to a lack of trained technicians.

Another unintended consequence of donor-funded projects is the reinforcement of dependency. When external actors consistently drive development agendas, governments and local organizations may grow accustomed to waiting for solutions rather than innovating themselves.

A 2023 Al Jazeera report criticized how some African governments allocate minimal budgets to critical sectors like agriculture and health, assuming donors will fill the gap. This creates a cycle where projects are initiated, abandoned, and then replaced by new donor-driven ideas without ever addressing systemic issues like governance and local resource mobilisation.

If donor-funded projects are to truly make a difference, a fundamental shift is needed:

- 1. Community-led development**—Projects must be demand-driven, with communities actively involved in planning and implementation. A 2022 World Bank study found that locally owned projects in Rwanda and Ethiopia had a 70 percent higher success rate than top-down initiatives.
- 2. Invest in systems, not just infrastructure**—Instead of just building schools or clinics, donors should strengthen education and health systems—training teachers, ensuring drug supplies, and improving governance.
- 3. Long-term partnerships**—Donors should move beyond short funding cycles. A Devex (2021) analysis praised the success of Norway's 20-year support for Malawi's forestry sector, which led to sustained reforestation efforts.
- 4. Accountability mechanisms**—Communities should have a say in monitoring projects. A Reuters (2020) investigation showed that projects with strong local oversight in Ghana and Senegal were more likely to remain functional.

Malawi, like many African nations, does not lack potential—it lacks sustainable, locally rooted solutions. Donor funding can be a powerful tool, but only if it aligns with the real needs and capabilities of the people it seeks to help. Otherwise, we will continue to see more abandoned projects—well-intentioned but ultimately ineffective relics of a broken aid system. By learning from past failures and shifting toward community-driven, long-term solutions, donors and African governments can ensure that development projects truly make a lasting impact. ■

#### About the Author:

*Funsani John Scander is a seasoned Digital Media & Communications specialist with over 14 years of professional experience, currently serving at the Malawi Revenue Authority where he specialises in digital marketing strategy, creative content development, and impactful branding design, leveraging his expertise to enhance organizational visibility and engagement across digital platforms while driving brand identity and growth through innovative multimedia solutions. He is also a certified PROSCI Change Management Practitioner. He is writing in his own personal capacity.*

# MALAWI

## ECONOMIC OUTLOOK



### Recent Performance and Current Position

Malawi's macroeconomic trajectory over the past decade has been marked by persistent fiscal imbalances, mounting public debt, volatile growth, and external fragility. The graphs cover the period 2014–2024, and shows these structural weaknesses.

Budget deficits have remained in high single digits for most of the period, reflecting weak revenue mobilization, rising wage and subsidy bills, and costly domestic financing.

Public debt has climbed steeply, from about 45% of GDP to over 85% of GDP today, with an increasing share on expensive domestic debt instruments.

Monetary Expansion has been elevated in recent years as the Reserve Bank of Malawi (RBM) has engaged in monetary financing, contributing to sustained inflationary pressure, in excess of normal food inflation.

Due to the currency peg, forex Reserves dwindled. External buffers are critically low – import cover has often hovered around or below 2 months, with USD reserves showing periodic collapses despite donor inflows. The widespread shortage of foreign exchange has impacted the availability of other commodities.

Structural constraints and policy slippages have dampened economic growth. Real GDP growth averaged under 3% in the last five years, well below historical aspirations. Climate shocks to agriculture, electricity shortages, and widespread forex constraints have contributed to this underperformance. Lack of forex is directly linked to the fixed exchange rate policy which will have to be reviewed in the coming months.

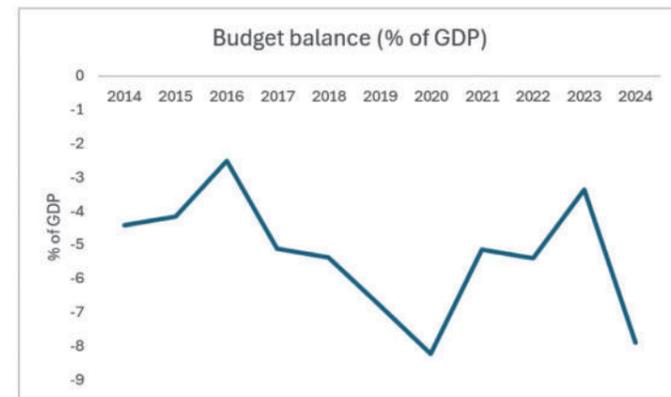
This macro instability has eroded business confidence, constrained bank lending, and raised sovereign risk premiums. In its latest Article IV report of August 2025, the IMF highlights that Malawi faces simultaneous fiscal, external, and monetary stress.

### Forecast Outlook (2025–2027)

Under such multiple stresses, the short-term outlook for the economy is weak. The economy is projected to expand by only 2.0% in 2025 (World Bank, July 2025), before a modest recovery to 3–4% by 2027, contingent on better harvests and external re-engagement.

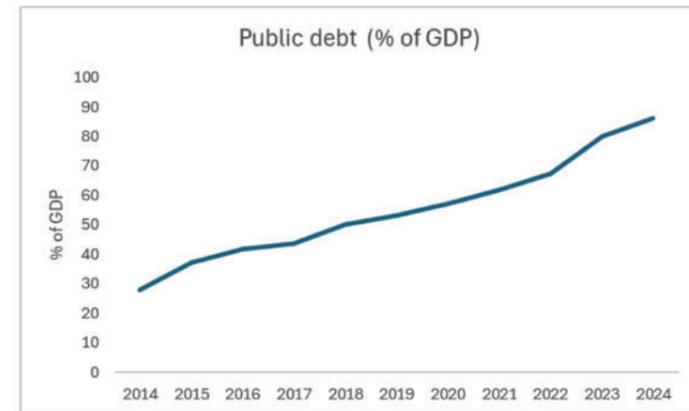
Inflation remains elevated (20–25%), driven by food and exchange rate pass-through, with only gradual easing expected late next year. The budget deficit will

Chart 1. Malawi Government Budget Deficit



Source: Economist Intelligence Unit

Chart 2. Public Sector Debt



Source: Economist Intelligence Unit

persist at about 6–7% of GDP without decisive revenue and expenditure reforms. In the current year, the deficit outcome may exceed 10% of GDP due to elevated election spending.

Similarly, public debt is projected to remain above 80% of GDP, with debt service crowding out priority spending for education, health, and crucial infrastructure. Finally, international reserves are expected to remain low, covering less than 2 month of imports absent external support.

For banks and investors, this implies tight Forex liquidity, high interest rates, and fragile credit conditions for the near term

unless the new government adopts swift reforms.

### Downside Risks

Looking ahead, the balance of risks remains tilted to the downside. Performance of the agricultural sector could be affected negatively by climate shocks which are common. Dependence on rain-fed maize leaves the economy vulnerable to droughts and floods.

Further delays in fiscal consolidation or monetary tightening could reignite inflation and fuel further currency depreciation. Reforms will be a prerequisite of external support being resumed by the IMF and bilateral donors. A new IMF program in 2026 could help to avoid deeper import compression and arrears accumulation.

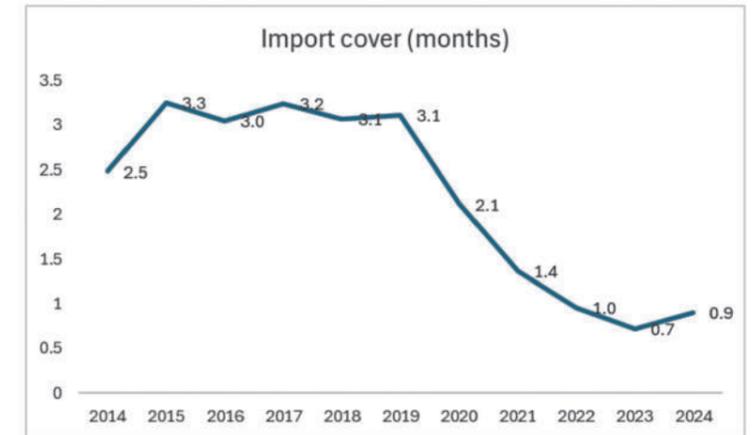
In the financial sector, high government borrowing from banks risks crowding out the private sector, while rising NPLs weigh on financial stability. Furthermore, without a credible restructuring of debt, and fiscal consolidation, debt sustainability remains elusive.

### Reform Path

If Malawi enters the next six months without corrective policy action, the economy will likely remain in a cycle of fragility and import compression. Foreign exchange reserves, already hovering close to one month of import cover, could slip further as donor disbursements remain withheld and private inflows stall. This shortage would keep the kwacha under downward pressure, leading to further exchange rate depreciation as demand for dollars continues to outstrip supply. For banks and corporates this would mean continued difficulty in securing foreign currency for essential imports.

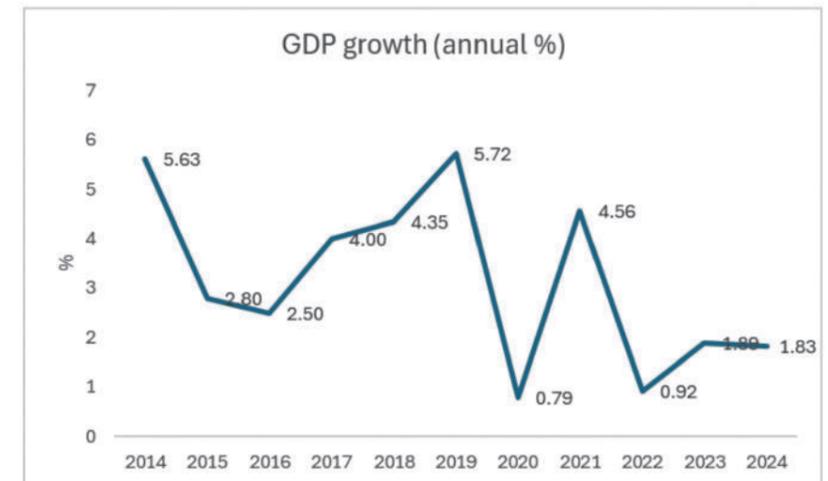
Inflationary pressures would persist at high levels, staying in the 20–25% range without tighter monetary policy. Growth prospects would remain muted, with 2026 expansion unlikely to exceed 2% in the absence of a strong harvest or new financing. In short, without decisive reforms after the general elections, Malawi's base case is one of prolonged macroeconomic stress: shallow growth, sustained high inflation, depreciating currency, and critically low reserves, leaving the economy acutely vulnerable to any external or climatic shock.

Chart 3. Official International reserves in months of imports (Annually)



Source: Economist Intelligence Unit

Chart 4. Malawi Economic Growth



### Conclusion

Malawi's economy is at a critical inflection point. Without decisive stabilization, the country risks a period of sporadic shortages and economic stagnation. However, credible reforms could, over the medium term, restore stability, attract donor flows, and set the stage for sustained growth.

Looking forward, reform priorities should focus on strengthening fiscal governance, restoring central bank credibility, accelerating debt restructuring, and investing in resilience through export diversification. The new government will have to engage transparently with creditors to address unsustainable debt and reduce refinancing risk. These reforms will be challenging at first, but will help the economy to stabilize and

rebound to a more positive growth trajectory. With stronger economic management which is expected under the proven leadership of President Peter Mutharika and the experienced Minister of Finance Joseph Mwanamvekha, the country can return to the stability experienced during 2014 – 2019. ■

*\*Taz Chaponda is a Senior Economist with extensive experience gained at the World Bank and IMF. He was also the Founding CEO of the Malawi Agricultural & Industrial Investment Corporation (2019 – 2022) and earlier on he was Budget Director in the South African National Treasury. He has economics degrees from Harvard and Oxford Universities, and an MBA from INSEAD Business School. He is a 2015 Yale World Fellow.*

# THE STRATEGIC ROLE OF AFCFTA, PAPSS IN TRADE INTEGRATION



BY MAYESO MSOKERA,  
INTERNATIONAL TRADE EXPERT



ESSENTIAL—One-stop-border-posts like this - Photo Credit -MRA

**W**hen the call from the African Union (AU) came to build one continental market, Malawi answered without hesitation.

By signing the African Continental Free Trade Area (AfCFTA) agreement in 2018, and later ratifying it in 2021, Malawi reaffirmed its confidence in regional trade integration as a key pathway to her prosperity, and that of the continent.

This commitment is part of a broader story. Over the years, Malawi has actively participated in regional economic communities such as Southern African

Development Community (Sadc), Common Market for Eastern and Southern Africa (Comesa), and the Tripartite Free Trade Area.

However, the AfCFTA represents the most ambitious AU initiative to date, aiming to integrate Africa's economies into a single market of over 1.4 billion people.

For Malawi, it holds immense potential to transform the economy and open new trading opportunities.

Yet, while the vision of boosting intra-African trade is compelling, its success depends on tackling practical challenges, one of the most critical

being the facilitation of fast, secure, and affordable cross-border payments.

Imagine a Malawian entrepreneur securing an export deal to supply groundnuts to a company in Kenya. On paper, the deal may appear to be straightforward. However, in reality, the payment process can be far more complicated.

For instance, the Kenyan buyer must first convert payment from Kenyan Shillings into an intermediary currency, in most cases, the US dollar, before payment is converted again into the Malawian Kwacha account of the seller in Malawi. Each conversion adds both time

and cost through at times unfavourable exchange rates, transaction fees, and delays, all of which erode business profits.

For small-scale cross-border traders who make up the bulk of Malawi's trading community, these inefficiencies are significant barriers to scaling operations and fully leveraging the AfCFTA's opportunities.

## PAPSS as a game changer for African trade

The pan-African Payment and Settlement System (PAPSS), developed and promoted by Afreximbank within the AfCFTA framework, is an innovative solution designed to eliminate the high costs and complexities of cross-border payments in Africa.

It enables instant, cross-border transactions in local currencies, such that it would allow a Kenyan buyer to settle an invoice in Kenyan Shillings while the Malawian exporter receives payment directly in Kwacha without converting through the US dollar or any other intermediary currency.

Thus, this innovation reduces transaction costs, accelerates payment processing, and improves business liquidity, creating a smoother environment for intra-African trade.

## Malawi's participation in PAPSS

Recognising PAPSS's transformative potential, Malawi, through the Reserve Bank of Malawi (RBM) joined the platform in December 2023. As a direct participant, the RBM acts as the national settlement agent, facilitating cross-border transactions. The Central Bank's participation reflects the Government's commitment to integrating Malawi's financial systems into continental frameworks that support trade. However, PAPSS's success in Malawi will ultimately depend on commercial banks. These are the institutions that are closest to importers and exporters. By developing user-friendly financial products and actively promoting PAPSS, banks can accelerate its adoption in day-to-day trade operations.

While some banks such as the National Bank of Malawi have already begun integrating with PAPSS, broader



*The Central Bank's participation reflects the Government's commitment to integrating Malawi's financial systems into continental frameworks that support trade.*

participation across the banking sector in Malawi is essential to ensure the system benefits the entire trading community.

## The Role of commercial banks in driving adoption

To enable Malawi's traders to fully harness PAPSS's benefits, commercial

banks must take on the role of enablers, not just participants. Beyond integrating PAPSS into their payment infrastructure, they should actively educate clients particularly small-scale cross-border traders about the advantages of using PAPSS.

Equally important is the need to design accessible and competitive trade financing products that attract and support exporters, especially those aiming to expand into AfCFTA markets.

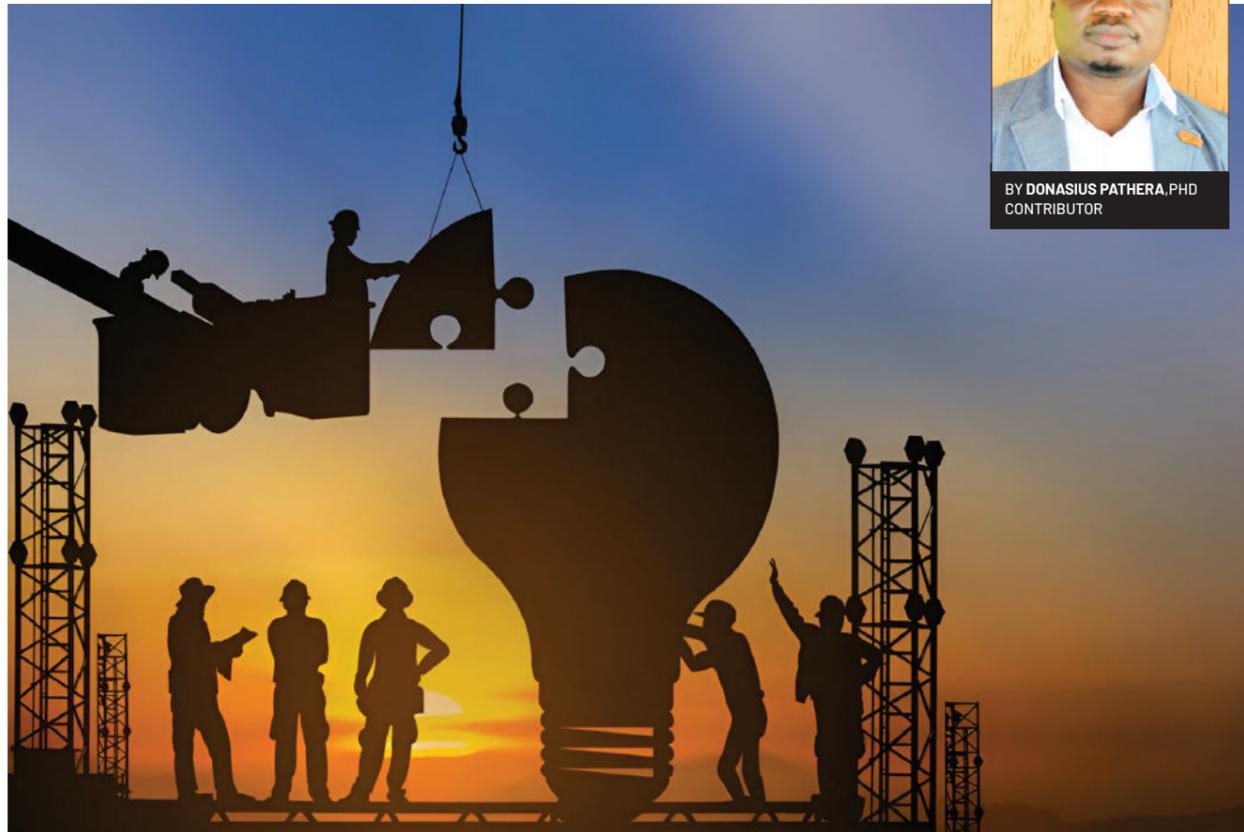
Early adopters among banks will position themselves as leaders in Africa's evolving digital trade ecosystem. First movers stand to gain a competitive edge by attracting Malawian exporters and importers eager to use PAPSS for cross-border trade. Most importantly, by lowering the cost of trade, improving liquidity, and expanding access to regional markets, these banks will help enhance Malawi's competitiveness and advance its deeper integration into the AfCFTA.

With PAPSS now live, the AfCFTA train is moving and moving fast. Getting on board now is surely Malawi's ticket to cutting trade costs, expanding markets, and boosting the economy's competitiveness across the continent. Any delay will leave us standing on the platform while others drive ahead. ■

# UNLOCKING MALAWI'S PPP POTENTIAL



BY DONASIUS PATHERA, PHD  
CONTRIBUTOR



P

ublic-Private Partnerships (PPPs) are being hailed as one of the most promising solutions to Malawi's development challenges.

For a country constrained by limited fiscal space, mounting debt, and an urgent need for infrastructure and service delivery, PPPs represent a way to bridge financing gaps while attracting private sector efficiency and innovation.

They are now firmly embedded in the Vision 2063 agenda, which positions private capital as a driver of modernization and growth. The recently launched 2025 PPP Compendium outlines an ambitious pipeline of projects ranging from international bus terminals in Lilongwe, modern markets, student accommodation facilities, and eco-tourism lodges to health centres and office complexes.

Together, these projects could redefine both urban and rural landscapes, provided they move beyond glossy documents and enter the realm of tangible delivery.

The opportunities before Malawi are vast. The planned Lilongwe International Bus Terminal, with an estimated value of \$42.1 million, promises not only to modernise the country's transport system but also to ease congestion, create thousands of jobs, and stimulate a wide network of commercial activity.

A student accommodation initiative across five public universities, estimated between \$100 million and \$150 million, is another project with far-reaching implications. It aims to close the acute housing gap for students while contributing to human capital development, a critical enabler for economic progress. In the tourism sector, projects like the Golden Sands Eco-Lodge and the Mwabvi Wildlife Reserve are designed to turn Malawi's unique natural heritage into a steady source of foreign exchange earnings. Each of these examples underscores the fact that when properly managed, PPPs generate economic spillovers far beyond their immediate purpose, creating jobs, expanding markets, and reducing the financial pressures on government.

Yet the road to realizing this potential is steep and full of hurdles.



Institutional capacity remains weak, and there is limited experience in structuring and managing complex PPP contracts.

The PPP Commission has made notable progress in strengthening governance frameworks, but enforcement remains inconsistent and project preparation is often hampered by delays in feasibility studies.

Financing constraints are another challenge. Although feasibility analyses point to strong returns—for instance, 24 percent for the Lilongwe bus terminal and 27 percent for the Wenela Modern Market—investors are frequently deterred by Malawi's high-risk profile, macroeconomic instability, and recurring foreign exchange shortages. For a private investor, profitability on paper means little if the broader policy environment undermines certainty and predictability.

Policy unpredictability has also been a recurring concern. Frequent shifts in programmes such as the Affordable Inputs Programme have unsettled investor confidence, while overlapping mandates across ministries often lead to approval delays. Land acquisition and compensation disputes, common in Malawi, add to the uncertainty and can stall even the most promising ventures. These challenges are not unique to Malawi.

Kenya's struggles with stalled energy PPPs and Uganda's troubled transport concessions demonstrate how poor contract enforcement and weak governance can turn projects intended to relieve fiscal pressure into liabilities that burden taxpayers. Malawi cannot afford to replicate these mistakes and must draw lessons from them to chart a steadier course.

But equally, there are positive lessons to draw from Africa. South Africa's Gautrain, a US\$3 billion high-speed rail project linking Johannesburg and Pretoria, stands as one of the continent's most iconic PPP successes. Completed in time for the 2010 FIFA World Cup, it demonstrated how large-scale infrastructure can be delivered when government provides guarantees, establishes robust institutions, and maintains policy stability.

The Gautrain now carries tens of thousands of passengers daily and has spurred real estate development around its stations, proving that PPPs can be catalysts for both mobility and broader economic growth.

Kenya has also carved out notable achievements in renewable energy. The Lake Turkana Wind Power project, a US\$680 million investment, is

Africa's largest wind farm and was delivered through a PPP framework involving local and international investors. Today it provides 17 percent of Kenya's electricity, diversifying the energy mix and reducing reliance on expensive fuel imports. The project faced delays and legal hurdles, but its eventual success demonstrated how patient capital, strong political backing, and risk mitigation instruments can turn even complex ventures into viable models. Rwanda, meanwhile, has used PPPs in its energy sector to expand access to electricity from less than 10 percent of households in 2000 to over 70 percent today, showing how small countries with limited resources can use the model effectively to attract private investors into essential services.

For Malawi, these stories hold important lessons. Unlocking the full potential of PPPs requires a disciplined and coordinated approach. Building institutional capacity is central to this process. The PPP Commission must continue to professionalize its systems, ensuring feasibility studies, risk assessments, and procurement processes adhere to international standards.

Development partners can provide critical technical assistance to fill skills gaps in areas such as contract negotiation, legal drafting, and financial modeling, helping level the playing field between government and private investors.

Strengthening the enabling environment is equally essential. Investors will commit



resources only if policy stability, transparent regulation, and effective dispute resolution mechanisms are guaranteed. The 2022 PPP Act provides a legal framework, but enforcement and alignment with broader public financial management reforms are what will determine credibility.

The government should also consider guarantees and risk-sharing arrangements for strategic projects in health, education, and energy, ensuring that such investments remain attractive even in high-risk sectors.

The deepening of Malawi's financial markets could further support PPP success. Access to long-term local currency financing would reduce reliance on foreign loans and shield projects from the risks of exchange rate volatility. Blended finance models, combining public funds or donor resources with private capital, could de-risk investments in sectors such as agriculture, tourism, and renewable energy, where the developmental impact is high but the risks are often prohibitive.

Equally important is the matter of prioritization and sequencing. With dozens of projects lined up in the compendium, it is neither feasible nor strategic to pursue all simultaneously.

Government must carefully identify those with the highest social and economic returns—student housing, transport hubs, renewable energy—while ensuring early projects succeed to build a track record that reassures investors. A few well-executed projects will do more to unlock confidence and catalyze further investment than an unwieldy pipeline burdened with stalled initiatives.

Malawi now stands at a decisive crossroads. PPPs offer an opportunity to accelerate growth, modernize infrastructure, and expand access to services without worsening debt distress. But this promise will not materialize by default. It demands transparent leadership, institutional strengthening, and the discipline to prioritize what matters most. The country must also learn from its neighbours, adopting the best practices of South Africa's transport initiatives, Kenya's renewable ventures, and Rwanda's energy rollouts, while avoiding the pitfalls that have undermined similar projects in Uganda and Kenya. If these bottlenecks are addressed, PPPs can shift from being abstract aspirations confined to glossy brochures into engines of real transformation.

Vision 2063 is bold, but it is not unattainable. With commitment, Malawi can harness PPPs not merely as a financing tool but as a foundation for a new model of development—one that is inclusive, resilient, and sustainable. The time for hesitation has passed.

What is needed now is action: the conversion of compendiums into construction sites, the turning of promises into classrooms, terminals, markets, and hospitals. Only then will the full potential of PPPs be realized, and only then will Malawians see Vision 2063 move from aspiration to reality. ■



## Lipirani school fees ndi CENTEFEEES pa AIRTEL MONEY

Imbani \*211#

- **Sankhani 8:** School Fees Payments
- **Sankhani 1:** Cente Fees
- Ikani Admission Number
- Tsimikizani School ndi Student Details
- Ikani Ndalama
- Ikani PIN yanu kuti mutsimikize Mudzalandira SMS kuti Zatheka

Imbani \*632#

- **Sankhani 4:** Other Payments
- **Sankhani 1:** School Fees Payment
- **Sankhani akaunti yolipilira:** Airtel Money
- Ikani Admission Number
- Tsimikizani School ndi Student Details
- Ikani Ndalama
- Tsindikizani OK ndikudikira kuti muyike PIN yanu



YACHANGU. YOTETEZEKA. YOPANDA MALIRE.

# FUNDING MALAWI'S GROWTH; WHOSE ROLE?



MADINGA—Banks are committed

**M**alawi's financial market has been the strut of the economy in recent years, registering steady growth and profitability by industry players.

Among the buoyant is the ever growing banking sector which, in 2024, made a combined K613 billion profit, and is currently dominating the Malawi Stock Exchange (MSE) in total market capitalisation.

A half year performance to the end of 2024 shows total industry assets grew by 18.7 per cent, adding K1.1 trillion to close the year at K7.2 trillion. This was up from K6.1 trillion in June 2024.

The banks' growth is not only vertical. The expansions have started crossing the borders as three indigenous banks now have their footprints in the region, owning controlling stakes in banks in Tanzania, Zambia, Zimbabwe,

*It is no secret that banks and other players in the financial sector draw their profits from doing business with the government.*

Mozambique and Botswana.

Such growth has its roots in the financial market that is stable and supports the vibrancy amid a turbulent period characterised by high inflation, and forex scarcity among several challenges affecting all other sectors.

One attendee at the recent Monetary Policy Technical Forum in Lilongwe was puzzled at this profitability by the local banks amid the prevailing challenges that have even driven some companies out of business while others struggle to survive.

It is no secret that banks and other players in the financial sector draw their profits from doing business with the government.

The Treasury finds relief in borrowing from the domestic market each time revenue flow slows down and that is on top of high fiscal deficits that have now been the



ADVOCATES POLICY REALIGNMENT—Mafuta-Mwale

norm.

However, this dominance by the Treasury in mopping resources from the financial market is making the economy pay a huge price - low productivity that is worsening imbalances.

Industries are gasping for financing but the financial market prefers the government, owing to the fact that it does not default.

The pension industry has over 23 per cent of its K3.5 trillion assets locked in government securities while the insurance industry also has 65.8 per cent of its assets invested in the same and other businesses.

Bankers Association of Malawi (BAM) President Phillip Madinga admitted, at a recent investment symposium organised by the Reserve Bank of Malawi (RBM) in Blantyre, that banks often extend a hand to the government.

He disclosed that in 2024, the K7 trillion worth banking sector only provided just K100 billion to the private sector players.

Even the former Secretary to the Treasury, Betchani Tchereni, suggested

*With Malawi's growth rate averaging just 2.2 over the past five years, exports being 2.5 times more than imports and less than a month worth of official foreign reserves, the need to redirect the national savings from financing consumptive government operations to spur production cannot be greater.*

a law to limit banks' level of lending to the government to ensure a minimum 30 per cent credit is reserved for the productive industries.

However, the central bank appeared a bit lenient as the Governor, McDonald Mafuta Mwale, trusted the banks to voluntarily increase financing of the productive sectors as per promise, a move that appears to avoid regulatory intervention.

But the central bank has taken an unorthodox approach in trying to stabilise the wobbly economy after tightening monetary policy has not brought the economy to stability.

RBM intends to facilitate investment in strategic areas, a move that is intended to address the supply side pressures, hence the investment symposium that showcased some investment projects for financiers and investors to pick.

However, there is more that needs to be done to unlock domestic financing for industrial projects—de-risking projects with creative financing structures and project development.

Malawi has untapped potential for investment in housing, mining, tourism, manufacturing, agriculture, transport and many other sectors that are underdeveloped.

However, there has been little financing in project development to attract the needed local and foreign financing hence there hardly are big projects that can drive these potential sectors' growth.

In order to address this, RBM says it is looking at capacitating the Malawi Agriculture and Industrial Investment Corporation, with the Ministry of Finance's support to ensure there is a wide range of financial facilities for investment - an intentional move to stimulate industrial investment.

The Governor cites interest subsidy, partial guarantees, feasibility study and project development financing for the highly potential private sector projects with potential for either import substitution or export.

With Malawi's growth rate averaging just 2.2 over the past five years, exports being 2.5 times more than imports and less than a month worth of official foreign reserves, the need to redirect the national savings from financing consumptive government operations to spur production cannot be greater. ■

# Women in Banking

Interview with  
**Dr. Dorothy Chapeyama,**  
*Insurance Association of Malawi President*

**Give us a brief insight of the insurance sector; what is your impression?**

The insurance sector in Malawi is vibrant and steadily growing, though still modest in scale when compared to global markets and some other sectors of the domestic financial services industry. Its importance cannot be overemphasised. Insurance plays a critical role in providing risk protection for individuals, businesses, and the economy at large. Over the years, the industry has demonstrated resilience despite various shocks, and it continues to evolve with innovation, regulatory reforms, and stronger customer-centric approaches. My impression is that it is an industry with immense potential which is yet to be fully unlocked, and it is a key component for financial inclusion and economic growth.

**Statistics show that insurance penetration in Malawi remains comparatively low, at less than two percent; what explains this dismal performance?**

Several factors explain the low penetration rate: These include limited awareness and understanding of insurance, low levels of disposable income, cultural perceptions that discourage risk-pooling, and affordability challenges. In addition, distribution channels have historically been concentrated in urban areas, leaving out the rural masses.

**What needs to be done to increase the penetration rate?**

Raising penetration requires a multi-dimensional approach, such as: Enhancing financial literacy and consumer education. It would also require developing affordable and innovative products that resonate with the informal and rural economy. There is also need for strengthening distribution channels through bancassurance, mobile platforms, and community-based approaches. And there is need for collaboration with government in sectors like agriculture, health, and pensions to mainstream insurance as part of development planning.



**Agriculture is one of the sectors perceived as too risky despite being the mainstay of the economy. What is your take?**

Agriculture is indeed high risk due to its dependence on weather patterns, but it is also the backbone of our economy. Ignoring it is not an option. To this end, the industry jointly participates in Weather Index Insurance through a pooling arrangement, while individual companies are expanding their agricultural insurance portfolios through strategic partnerships with banks and other stakeholders. It is imperative that the industry not only scales up this product line but also designs innovative solutions tailored to the needs of smallholder farmers. Strengthening partnerships with government, NGOs, and financial institutions is equally critical to ensure effective risk-sharing and broader access. Through the Ministry of Finance and Economic Affairs, the industry has also expressed interest in collaborating with the

Global Risk Modelling Alliance (GRMA) to enhance Malawi's institutional capacity in risk modelling - particularly for drought, floods, cyclones, and other climate-related perils. With the right frameworks in place, agriculture insurance can be both viable and transformative.

**The country has had myriad shocks including climate change-induced disasters. How has this affected the insurance industry, and what is the industry doing to mitigate?**

Climate change has significantly increased claims across the industry, particularly in property, agriculture, and motor insurance, leading to higher loss ratios. According to the 2024 Annual Report of the Registrar of Financial Institutions (Reserve Bank of Malawi) the general insurance sector recorded an overall loss ratio of 62.1 percent, a relatively high figure. Climate change does not just affect crops and houses, floods and storms damage road infrastructure, increasing accident risks; heavy rains and adverse weather conditions contribute to motor accidents.

In response, insurers are: Strengthening underwriting standards, investing in better risk modelling tools, and expanding innovative products such as weather index insurance. These measures help us to price risks accurately while ensuring customers remain protected. Further, we are working with government and global partners to build resilience and share risks, ensuring that insurance remains a reliable safety net in the face of floods, storms and droughts. The industry is also promoting risk awareness and risk management through underwriting risk surveys and financial literacy campaigns.

**There has been concern over a rise in fake claims in recent times. How true is this, and to what extent are the cases?**

Yes, fraudulent claims remain a significant challenge for the general insurance industry in Malawi. They range from exaggerated losses to staged accidents and incidents, as well as falsified supporting documents. Although fraudulent claims account for a relatively small proportion - estimated at around 30 percent, with Motor and Workers Compensation insurance classes being the most affected - their financial impact is considerable. They drive up costs for insurers, eroding profit margins and, ultimately, pushing up premiums for policyholders. Every instance of insurance fraud places pressure on the insurance industry and has ripple effects across the

entire economy. The burden of these losses is eventually transferred to consumers, as insurers are compelled to adjust premiums upwards. Higher premium rates affect both individuals and businesses, with the latter often passing on the increased costs to their customers.

**What have you as an industry collaboratively done about it?**

As an industry, we have strengthened claims verification processes, enhanced intelligence sharing among companies, subscribed to Tip Off Anonymous, invested in staff training, and rolled out nationwide customer awareness campaigns. We also continue to collaborate closely with law enforcement agencies, including the police and the judiciary, to curb insurance fraud. General insurance companies have individually invested in robust claims management systems and fostered stronger partnerships with claim investigators, risk and loss assessors, adjusters, and forensic auditors. These measures are aimed not only at detecting fraud but also at preventing it through education, accountability, prosecution, and deterrence. It is important to emphasise that insurance fraud, like any other form of fraud, is a criminal offense in Malawi. It is prosecutable under the Penal Code, carrying both civil and criminal penalties, and under the Corrupt Practices Act where bribery is involved. The new Insurance Act of 2025 further strengthens fraud prevention. It provides that anyone who presents, assists, or conspires with another to present false or misleading information in support of an insurance application or claim commits insurance fraud. Offenders are liable to a fine of K100 million, or three times the amount defrauded or intended to be defrauded, whichever is greater, and to imprisonment for up to 10 years.

**To what extent has the insurance sector embraced digitalisation as a means of survival and growth?**

The industry has made commendable progress in digitisation. In motor insurance, for instance, the general insurance sector uses Digital Motor Vehicle Insurance Certificate (DIMVIC), introduced in 2023 and fully implemented in 2025. This innovation replaced the physical certificate with a secure digital version. Pre-printed certificates are no longer valid as of 1st January 2025. Enhancements are ongoing to strengthen cybersecurity and application functionality. Many other projects are in the pipeline. In addition, all insurers in some cases offer digital platforms for policy purchase, premium payments, and claims reporting. Mobile technology has opened opportunities to reach under-served populations, particularly in rural areas. However, there is still room to scale up, especially in integrating artificial intelligence, data analytics, and blockchain to improve efficiency, accessibility, and customer experience.

**What opportunities arise in harnessing insurance for the public?**

Insurance offers opportunities to build resilience, protect assets, and promote long-term investments. For individuals, it provides peace of mind and financial security. For businesses, it enhances



stability and facilitates access to credit. Nationally, a stronger insurance culture contributes to economic development by reducing vulnerability to shocks and enabling entrepreneurship.

**Now, as an individual, what inspired you to take the career trajectory you have undertaken, and what message would you give a budding career woman?**

I was inspired by a desire to contribute to an industry that protects people and businesses against unforeseen risks. My career has been driven by passion, determination, curiosity, resilience, and a commitment to excellence. To young women, my message is: believe in yourself, pursue continuous learning, and remain steadfast in your values. Every challenge is an opportunity to grow, and leadership is built through service.

**What does your job as CEO and President of IAM entail?**

As CEO of Reunion Insurance, I oversee the strategic direction, growth, and operational efficiency of the company, and I am the face of the Company and a link between the Company and the Board of Directors and the Regulator. As President of the Insurance Association of Malawi, my role extends to leading industry advocacy, promoting best practices, engaging with regulators, and fostering collaboration across the sector. Both roles require vision, diplomacy, and a passion for driving positive change.

**Any last word?**

Insurance is not a luxury - it is a necessity for economic stability and peace of mind. As an industry, we are committed to innovation, trust-building, and expanding access so that every Malawian can benefit from the protection insurance provides. I encourage the public to embrace insurance as a partner in their personal and business journey. ■



## Profile:

**Dr. Dorothy Chapeyama is the Chief Executive Officer and co-founder of Reunion Insurance Company Limited, one of Malawi's fastest-growing indigenous insurers. She holds a BCom and MBA from the University of Malawi and is a Chartered Insurer and Associate of the Chartered Insurance Institute (UK).**

With over 20 years of leadership in the insurance industry, she currently serves as President of the Insurance Association of Malawi, where she advocates for industry growth, innovation, and sound policy. Her achievements have been recognised through several prestigious awards, including the Top 50 Women in Insurance in Africa (2022), the Woman of Substance Award (2022), and CEO Global's Africa's Most Influential Women in Business and Government (2016). She was also conferred an Honorary Doctorate in Business Administration (Insurance Management) in 2018.

Passionate about mentorship, women empowerment, and financial inclusion, Dr. Chapeyama remains committed to using insurance as a tool for resilience and economic development.



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# AI AND ITS IMPACT IN THE BANKING SECTOR

BY PARTHA DUTTA

**T**he banking sector, traditionally considered conservative in adopting technology, has been undergoing a transformative shift thanks to the advent of Artificial Intelligence (AI).

From improving customer experiences to enhancing risk management and streamlining back-office operations, AI has become a critical enabler of innovation and efficiency in banking.

As financial institutions face increasing competition from Fin-tech startups and rising customer expectations, AI offers a strategic edge to stay relevant and competitive.

## Enhancing customer experience

One of the most visible impacts of AI in banking is the improvement in customer experience. AI-powered chatbots and virtual assistants are now handling millions of customer interactions daily, providing 24/7 support for basic inquiries such as account balances, recent transactions, or card blocking.

These tools not only reduce waiting time for customers but also free up human agents to focus on more complex queries, thus improving overall service quality.

Natural Language Processing (NLP) and Machine Learning (ML) allow banks to analyse customer interactions, detect sentiment, and personalize responses.

For example, AI can suggest financial products tailored to individual customer behavior, such as personalized loan offers or investment advice based on spending patterns and financial goals.

## Fraud detection and risk management

AI is playing a vital role in enhancing the security and resilience of banking operations. With the growing sophistication of financial fraud, traditional rule-based systems often fall short.

AI models trained on historical data can identify unusual patterns in real-time, flagging



DUTTA—AI offers a strategic edge

potentially fraudulent transactions before they occur.

Machine learning algorithms continuously learn and adapt, becoming more accurate over time. This dynamic approach is especially useful in combating ever-evolving threats like phishing, identity theft, and money laundering.

AI systems are also used for credit scoring and underwriting, where they evaluate a customer's creditworthiness using a wider set of variables, including non-traditional data like social media activity or utility payments.

## Automation of back-office operations

AI significantly contributes to operational efficiency by automating routine and repetitive tasks. Robotic Process Automation (RPA), often integrated with AI capabilities, is used to automate tasks like data entry, compliance checks, KYC (Know Your Customer) verifications, and document processing.

Banks that embrace AI-driven automation can drastically reduce operational costs, improve accuracy, and minimize processing time. For

instance, onboarding a customer that once took days can now be accomplished in minutes through AI-enabled digital processes.

## Personalised financial services

AI helps banks transition from a product-centric to a customer-centric approach. By leveraging data analytics and predictive modeling, banks can offer highly personalized financial services.

For example, AI can forecast cash flows for small businesses, recommend optimal savings plans for individuals, or offer spending insights that help customers manage budgets better.

Voice banking is another emerging area where AI is making headway. Through integration with virtual assistants like Alexa or Google Assistant, customers can interact with their bank accounts via voice commands, making banking more accessible and intuitive.

## AI in investment and wealth management

AI is increasingly used in investment banking and wealth management. Robo-advisors are digital platforms that provide automated, algorithm-driven financial planning services with little to no human supervision.

These tools assess an investor's risk appetite and financial goals to build and manage a diversified portfolio.

In high-frequency trading, AI algorithms can process vast datasets and execute trades within microseconds, far faster than any human trader. Banks also use AI to simulate market scenarios, identify investment opportunities, and optimize asset allocations.

## Regulatory compliance and governance

Compliance is a significant cost and complexity in banking. AI can simplify compliance by automating regulatory reporting and monitoring transactions for suspicious activity. AI systems help ensure adherence to regulations like AML [Anti-Money Laundering], FATCA [Foreign Account Tax Compliance Act], and GDPR [General Data Protection Regulation] by continuously scanning data for inconsistencies and flagging them for human review.

AI also supports regulatory technology (RegTech) applications, where machine learning and natural language processing help banks interpret and implement complex regulations faster and more accurately.

### Challenges and considerations

Despite the vast benefits, the integration of AI into banking also presents challenges. Data privacy and cybersecurity concerns are significant, as AI systems require access to large volumes of sensitive data. Ensuring robust data governance and compliance with privacy regulations is essential.

Another concern is the potential for algorithmic bias. AI models may inadvertently reflect and reinforce existing biases in the data they are trained on, leading to discriminatory outcomes.

Ethical AI practices, transparency in decision-making, and regulatory oversight are critical to mitigating these risks.

Moreover, workforce displacement is a concern, with automation potentially reducing the need for certain job roles. However, AI also creates new opportunities in data science, cybersecurity, and AI model governance—areas where human expertise remains indispensable.

## The future of AI in banking

As AI technologies continue to evolve, their integration into banking will deepen. Generative AI tools, for instance, are beginning to assist in drafting customer communication, writing reports, and creating code for internal use. Large Language Models can even help bankers with financial research or

summarizing regulatory documents.

Open Banking and AI together will further revolutionize the sector by enabling third-party developers to build services around banks' data and infrastructure, leading to a more competitive and innovative financial ecosystem.

In developing economies, AI holds promise in advancing financial inclusion. By lowering costs and enabling banks to reach underserved populations through mobile and digital platforms, AI can contribute to building more inclusive and resilient financial systems.

## Conclusion

AI is not just a technological upgrade for banks—it is a paradigm shift. It redefines how banks interact with customers, manage risks, process data, and make decisions. Financial institutions that strategically adopt AI can expect increased efficiency, improved customer satisfaction, and enhanced competitiveness.

As with any transformative technology, the key lies in responsible implementation—balancing innovation with ethics, automation with employment, and personalisation with privacy. For banks, the future is undoubtedly intelligent—and those that embrace AI today will shape the banking of tomorrow. ■

## About the author

Partha Dutta is a Chartered Accountant and seasoned finance leader with 15+ years of international experience across multinational corporations. He currently serves as Cluster CFO at ETG, specializing in financial strategy, treasury, M&A, restructuring, and corporate governance.

His career spans driving major M&A at Tata International, leading restructuring at ETG, and delivering significant forex gains through innovative risk management. He has also represented the business community at Malawi's President's Business Leader Forum.

Partha holds credentials from Wharton (Fin-Tech & Cryptocurrency) and IIM Kozhikode (Financial Management). As founding President of ICAI Malawi Chapter, he promotes professional growth among finance leaders. A regular speaker and author, he contributes to global forums on corporate finance, forex, AI, sustainable finance, and global markets.

# 10<sup>TH</sup> BANKERS CONFERENCE

THROUGH THE LENS

Between August 14 and 17, 2025, the Bankers Association of Malawi (BAM) hosted the 10th Bankers Conference in Mangochi. Held under the theme 'Facing the Future, Together: The Phenomenal Power of Synergy,' the indaba brought together executives and representatives from the country's eight banks, microfinance institutions and other entities including telcos. RBM Governor Dr. Mcdonald Mafuta Mwale was guest of honour, and he was accompanied by RBM deputy Governor [Economics and Regulations] Dr. Kisu Simwaka. The Malawi Banker Capture the highlights:



01



07



08



02



03



09



11



04



05



10



12

1. FOR REMINISCING—Delegates pose for a photo
2. SET—Guest of Honour, RBM Governor Dr. Mcdonald Mafuta Mwale (centre) and other guests pose for a photo
3. FOR SYNERGY—BAM President, Phillip Madinga, addresses the audience
4. IMPRESSED—Delegates applauds
5. KEYNOTE—Dr. Mafuta Mwale delivers his speech
6. REFLECTION MOMENT—NBS Chief Executive Officer, Temwani Simwaka makes her presentation on Disruptive Financial Models That Will Change the Future of Banks and Banking
7. FOR INCLUSION—IFAD Malawi Country Director Bernadette Mukonyora makes her presentation on Financial Inclusion
8. CREATIVE MIND—Innovator George Kalichero shares his experience
9. FUN TIME—Delegates on a boat ride after the conference
10. ACTIVE—Delegates participate during panel discussions
11. THINK BIG—Delegates participate in breakout sessions
12. GO DIGITAL—Rufaro Mafinyani, South Africa-based Financial Engineer, delivers presentation on Digital Fluency and Leadership in the Meta Age

# THE IMPORT SUBSTITUTION DRIVE; LESSONS FROM NEIGHBORS



KEY—enhanced exports

# T

**Malawi has what it takes to become a land steeped in its own order of success—one not tied to the top four poorest countries on the globe. However, its predominant reliance on imports such as fertiliser, fuel and other things has been behind its economic undoing.**

In this article, I want to focus on how Malawi can fund its import substitution drive by picking a leaf from neighbouring countries: That is Zambia, Mozambique and Tanzania.

Malawians consider Zambians to be their brothers and sisters, which is not strange because the two countries were once members of Nyasaland, Southern and Northern Rhodesia.

Of course, this [membership to the federation] was considered a political marriage of convenience.

At first, Zambia used to be a predominant importer, just like Malawi, with its exports relatively higher than imports.

Its leaders then decided that enough was enough; hence they set their eyes on import substitution.

The World Bank describes import substitution as a trade and economic policy that promotes the replacement of imported goods with domestically produced goods.

This is done by capacitating local industries so that they can be manufacturing products that were previously sourced from other countries.

Zambia started tilting towards import substitution in the 1960s and 70s, when it set its eyes on the mining industry and mining revenue.

Apart from the mining sector, the government also invested significantly in manufacturing and infrastructure development.

And, realising that foreign currency had the potential to disrupt the government's ambitions, public officials started taking a strong grip on foreign trade.

How did they do that? They were foresighted enough to ensure that the use of multiple exchange rates was not prevalent.

The other measure they took was import restrictions, the way Malawi imposed restrictions on some foreign products, including fresh milk, earlier this year.

When locals are manufacturing their own products, they avoid externalisation of forex, create employment opportunities and pay taxes directly to the tax authorities, who then channel it to the government to facilitate the provision of public services.

In addition to these measures, the Zambian government invested in institutions it deemed key to industrial development.

How did it do this? It ensured that part of revenue generated from the copper mining sector was invested in import substitution drives.

At the same time, the government officials were ensuring that, when it came to imports, they were promoting the importation of capital and intermediate goods while restricting the importation of luxuries. In the case of Malawi, we can talk about prioritising fuel and fertiliser imports at the expense of second-hand cars, which have somehow turned Malawi into a dumping site.

Another measure the Zambian authorities took was the introduction of import quotas and licences, which became a tool for managing the flow of goods. Such quotas and licences were imposed on goods that were being produced domestically.

As for Mozambique, a country that is strategic to Malawi as it is one of the countries we use to import goods, import substitution has long been on top of its global agenda.

The Portuguese-speaking country's import substitution strategy was advanced using domestically generated resources, loans and, of course, donor support.

Building on its natural resource base,



which it was utilising by selling itself as a tourist destination, the government was controlling spending by avoiding the trap of supporting consumption at the expense of production.

Forest direct investors specifically focused on areas such as aluminium production, coal and electricity generation.

Notably, the country sought to reduce its import bill by attracting foreign direct investors in the hope that products it was importing could be manufactured right there, in Mozambique.

The tactic worked, albeit civil unrest prevented the country from reaping the maximum benefits of the move.

Another problem the country faced was that its reliance on domestically generated resources meant not enough resources could be generated for advancing the agenda of import substitution; hence the government was falling deeper and deeper into public debt.

However, the government could not be blamed for this; persistent external funding gaps meant the country had to look within itself for solutions to financial challenges.

Fortunately for Mozambique, resources such as natural resources—coal, natural gas, minerals, fish, among others—helped it address some of the challenges associated with financial resource buildup.

Today, the country continues to promote import substitution by promoting, and creating a conducive environment for, private sector investment areas such as renewable energy, agriculture and manufacturing, among others.

Presently, the Mozambican authorities are inviting foreign direct investors by touting policy reforms they have undertaken to improve efficiency in service delivery. They cite fiscal governance reforms, market liberalisation, anti-corruption measures and unity between those who are supposed to be political opposites. They also cite the independence of that country's Judiciary.

This means import substitution goes beyond action such as the putting in place of sound measures; it also touches on perception. Would-be investors' perceptions of the zeal a country has in fighting corruption go a long way in determining who comes—and who does not come at all.

Tanzania, too, has been advancing the imports substitution agenda. In fact, the Swahili-speaking country started advancing that agenda in the late 1960s and



70s. The government there invested in public infrastructure through which it advanced the agriculture development agenda. As a result, the country, using revenue generated from agricultural exports, started investing in capital-intensive industries and infrastructure projects through five-year plans.

State-owned enterprises played a key role in the task, thereby ensuring that measures that were being taken were in line with national development goals, as opposed to ideas that are advanced to achieve the interest of capitalists.

To further improve local production, agricultural subsidies were introduced.

Unlike in Malawi, though, those who had the potential to graduate were targeted, meaning that people were producing more than they needed for consumption after receiving subsidised fertiliser.

In Malawi, however, subsidies target largely subsistence farmers, meaning that the country has, to some extent, been subsidising consumption.

And unlike in Tanzania, where irrigation farming was promoted, thereby ensuring that there were multiple harvests per year, in Malawi, most of those who rely on subsidised farm inputs depend on rain-fed agriculture, which is susceptible to natural devices such as prolonged drought, heavy winds and even heavy rains.

Let me hasten to say, unlike our capitalistic system, the Tanzanians were advancing a 'socialism with self-reliance' agenda, a strategy that was powered by the 1967 Arusha Declaration, which was

premised on replacing imported goods with domestically produced ones. As it were, the focus was on food self-sufficiency and heavy industry.

All these initiatives fed into five-year plans.

At the heart of it was the government policy of protecting strategic industries.

The downside was that the protected industries struggled with technological and efficiency issues, resulting in distortions in the economy as the government wanted to present a rosy picture even when, sometimes, things were not working according to plans.

Today, other countries, notably Botswana, have picked a leaf from this. In the case of Botswana, it funds its import substitution drive mainly through a combination of government policies and initiatives—most of which leverage on the purchasing power of the mining sector.

Using proceeds of the mining sector, the government capacitates those in the manufacturing sector through, first, the creation of a conducive environment for trade. Strategies include reducing the time it takes for one to apply for business licences and the time the business licences are issued.

In 2010, Botswana launched the Economic Diversification Drive (EDD) initiative with the idea of reducing over-reliance on imports. One of the things public officials there do is to venture into businesses that are competitive; in other words, they ensure that they venture into businesses where supply is low and demand is high. Pure economics.

What the EDD did was simply to

re-focus on import substitution as a key strategy for economic diversification. In short, it emphasises developing productive capacity for both domestic and external markets, promoting export-oriented growth, and ensuring that the legal framework is supportive to such ventures.

From these initiatives, it is clear that Malawi is not treading on new ground when it sets its eyes on import substitution. What it needs is to learn from others. For instance, it can be said, considering that our mining industry, which has significantly supported import substitution efforts elsewhere, is in its infancy, what sector can we look up to to power our import substitution agenda.

The country may also wish to rethink subsidies. Subsidies are not bad, but they, too, must focus on both consumption and production. What goods can a country export when fruits of its soils end up in the stomach of citizens? Malawi may also need to promote efficiency in public service delivery so that bureaucracy does not frustrate foreign direct investors.

In addition, the country may need to put in place sound governance structures. Perceptions of corruption may serve as a source of distraction to foreign direct investors, thereby leaving Malawi in a disadvantaged position. Otherwise, Malawi has what it takes to advance an import substitution agenda and enjoy the fruits that come with a balanced balance of payment. ■

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# BANKERS ANNUAL DINNER

## IN PICTURES

On Friday, August 5 2025, the Bankers Association of Malawi hosted the 16th Bankers Dinner and Dance in Blantyre. We share the highlights:

**DANCE TIME**—Delegates open the dancefloor

**FOR BOLDNESS**—Guest of Honour and former BAM president Dr. George Partridge delivers the keynote address

**COMMITTED**—BAM CEO Lyness Nkungula delivers welcome remarks

**THANK YOU**—Dr. Ngwenya receives his present from Byekwaso and BAM CEO Lyness Nkungula

**RECOGNISED**—Dr. Partridge Receives a present from Byekwaso

**FOR INTEGRATION**—BAM Director and Centenary Bank Managing Director Godfrey Byekwaso addresses the audience

**IMPARTING**—Former BAM president Dr. Kwanele Ngenya delivers his speech

**LIGHTER MOMENT**—Cultural dances entertain the guests



WELLNESS

# WHY EXERCISE MATTERS



BY TIYESE KAYIMIRA  
CONTRIBUTOR

**I**n today's fast-paced work environment, it's easy to get caught up in deadlines and desk duties while sidelining your physical well-being. But here's the truth: regular exercise and involvement in sports are not just good for your body – they boost your mood, sharpen your mind, and improve your performance at work.

### Why Exercise Matters

Physical activity is a proven way to reduce stress, combat fatigue, and increase overall energy levels. Just 30 minutes of moderate activity a day can lead to:

- Better concentration and focus
- Improved mental health and reduced anxiety
- Enhanced creativity and problem-solving skills
- Stronger immune system and fewer sick days

Sports: Building Teamwork and Fun  
Group sports add an extra layer of

benefit – teamwork, camaraderie, and a sense of community. Whether it's a weekly football match, a netball tournament, a morning run, or weekend hikes, participating in sports builds relationships across departments and creates a positive, collaborative workplace culture.

### What You Can Do

- Join our wellness programs: Take part in our fitness challenges, weekly walks, or lunchtime stretches.
- Form or join a sports team: Interested in football, volleyball, or table tennis? Start a team or sign up – all skill levels are welcome.
- Use available facilities: Our gym, outdoor spaces, and changing rooms are there to make it easier to stay active.
- Encourage colleagues: Motivate each other. Exercise is more fun when shared!

### Start Small – Stay Consistent

You don't have to run a marathon to reap the benefits of exercise.

Start with small changes: take the stairs, walk during breaks, or stretch at your desk. What matters most is consistency.

Whether you're a fitness enthusiast or just getting started, there are many enjoyable and accessible ways to stay active at work or in your free time. Here are some great options for employees:

### Walking and Jogging

- Take short walks during breaks or lunch hour
- Join a lunchtime walking group or morning jogging club

### Group Fitness Sessions

- Participate in yoga, aerobics, or Zumba classes
- Try bodyweight exercises like squats, lunges, and stretches, easy to do in small spaces

Let's all take a step toward a healthier, more energized workplace. Be active, stay fit and have fun doing it!

*"A healthy employee is a productive employee – let's move together!"* ■

# UNLOCKING SMES POTENTIAL

**I**t starts with a dream: A school administrator in Mzuzu wants to expand classrooms to keep up with enrolment.

A small construction firm in Blantyre is racing to finish a government project but cannot wait weeks for bid guarantees. A hospital in Lilongwe is struggling to acquire equipment on time.

These are not unusual stories. They are the daily realities of Malawi's Small and Medium Enterprises (SMEs).

For years, too many of these dreams stalled at the doorstep of finance. Paperwork dragged, approvals lagged, and opportunities slipped away.

Yet SMEs are the lifeblood of our economy powering education, health-care, construction, energy, churches, and fuel distribution. Without them, the wheels of commerce grind slower.

That is why NBS Bank has stepped in with a bold commitment to change the game: "Your Ambition, Our Support."

At the heart of this new SME Customer Value Proposition (CVP) is one conviction: Ambition cannot wait.

The Bank has reimagined SME banking to move at the pace of entrepreneurs. That means:

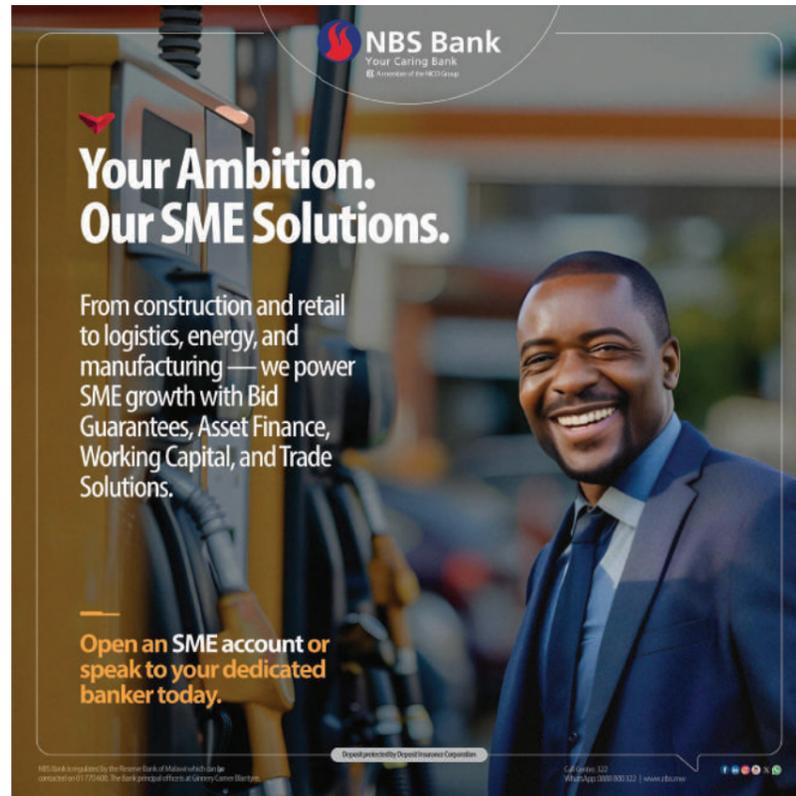
- **Pre-approved bid guarantees** of up to certain thresholds, enabling SMEs to secure contracts faster and compete fairly.
- **Tailored working capital solutions** that create breathing room to meet orders and scale operations.
- **Seamless digital access to accounts, credit, and trade finance tools**, so SMEs spend less time in queues and more time in growth.

"This is banking designed around ambition," says the Chief Wholesale Banking Officer Mr. Alfred Nhlema. "Our promise is simple, when SMEs are ready to move, we move with them."

NBS Bank understands that SMEs need more than loans they need partners. That is why the CVP goes beyond traditional banking products.

#### SMEs can now tap into:

- **Specialist support desks** staffed by professionals who understand SME challenges in sectors like education, healthcare, construction, energy, and retail.
- **Networking and knowledge-sharing platforms** to connect businesses with peers, experts, and



- opportunities.
- **Integrated trade finance tools**, enabling faster import and export processes, vital for pharmaceuticals, energy equipment, and construction materials.

This is the experience NBS Bank wants every entrepreneur to have: that their Bank finally understands the pace and pressure of running a business.

In today's economy, resilience is just as important as opportunity. Forex scarcity, inflation, and rising costs remind SMEs daily of the need to stay agile.

That is why the SME CVP includes insurance-linked solutions, flexible collateral models, and capacity-building initiatives. These tools help SMEs prepare for shocks, ensuring they are not just financed for today but future-proofed for tomorrow.

It is a reflection of the Bank's wider commitment to national priorities — empowering SMEs in sectors that are the backbone of Malawi's growth: schools, hospitals, pharmaceuticals, renewable energy, churches, gas stations, and

construction firms.

#### Whether it is:

- a school expanding classrooms,
- a hospital securing critical medical equipment,
- a church building a new sanctuary,
- a renewable energy project lighting up communities,
- a gas station upgrading its infrastructure, or
- a construction company chasing tight deadlines

The message is the same: **NBS Bank stands with you, because your ambition deserves our support.**

With the right support, SMEs can transform from the backbone of the economy into the engine of its growth.

The new SME CVP is NBS Bank's bold promise: to stand with entrepreneurs, to move with their ambitions, and to power their growth every step of the way.

Because when SMEs thrive, Malawi thrives.

*Your Ambition, Our Support — today, tomorrow, together. ■*

# IS YOUR LIVER WORKING LIKE IT SHOULD?



**S**o, many people that are concerned with improving their health overlook health of their liver. The liver is

called **LIVE-R** for a reason. The reason is that the liver is involved with digestion and assimilation. It processes nutrients to give life to your body, to repair diseased and damaged tissue. It removes toxins and eliminates pathogen from getting into the blood that flows to all of your body cells.

Do not dismiss the health of your liver as you layout your plans to improve your health.

Most people have some form of liver weakness and don't even know it until it is too late. Why not learn what you can do to treat your liver right so it can give you good LIFE?

Here is a list of symptoms that you will have when your liver is not working like it should:

- Frequent headache not related to stress, eyestrain, or shoulder muscle tension

- Frequent menstrual problems
- Blurry vision or red eyes
- Constant bitter taste in mouth
- Excessive anger, depression or moodiness
- Tenderness in the liver area - just under your right rib cage
- Acne, psoriasis, eczema, rashes, and other skin problems
- Weakness in your muscles and joint areas

Any one of these symptoms can be an indication that you have liver weakness. If you have two or three of them, for sure you have some liver weakness.

#### So what can you do if you feel that you have some liver weakness?

The first area to work on is to examine the types of fats and oils you eat and make the changes that will give you better liver health.

Saturated fats, such as those found in butter, meat, lard, and other oils are highly susceptible to oxygen damage through the process called oxidation. When these fats are

oxidised they become rancid and form free radicals.

Saturated fats are not the only fats that can be oxidised. Even unsaturated fats, the good oils, can be oxidised. Still it is better to eat most of our fats unsaturated since saturated fats are associated with heart conditions.

All fats can become oxidised outside the body by using them to fry your food or inside your body though the natural oxidation processes.

Liver cells are highly susceptible to free radicals. These free radicals are destructive to liver cell walls and weaken the health of the liver over time.

To counter eating free radicals and the free radicals that are created in your body, you need to take anti-oxidant supplements and eat fruits and vegetables.

The yellow and red coloured fruits and vegetables are the highest in anti-oxidants. Of course it is best to also limit eating fried food and not use oils that have been sitting around too long.

# BENEFICIAL OWNERSHIP TRANSPARENCY:

## CORNERSTONE OF FINANCIAL INTEGRITY



BY CHARLES NKHWALI  
—CONTRIBUTOR



**I**n today's rapidly evolving financial landscape, the fight against sophisticated financial crimes demands unprecedented transparency in ownership structures.

Beneficial Ownership (BO) transparency, identifying the actual individuals behind corporate entities, has become an essential tool in combating money laundering, terrorist financing, and other illicit activities.

For Malawi, championing BO transparency is not just about complying with global norms; it is about strengthening trust in the financial system, empowering regulatory authorities, and paving the way for sustainable economic growth.

**Understanding beneficial ownership transparency**

At its core, BO revolves around uncovering the natural persons who genuinely control or benefit from legal entities, even when such control is deliberately concealed through complex ownership layers.

Imagine a web of shell companies designed to hide the ultimate beneficiary of illicit proceeds; without BO transparency, this web remains impenetrable, allowing criminals to evade scrutiny.

The Financial Action Task Force (FATF), a global standard-setter in anti-Money Laundering and Counter-Terrorist Financing (AML/CFT), underscores that transparency in ownership is instrumental in dismantling these schemes, akin to shining a spotlight on the shadowy corners of the financial system where illicit activities thrive.

For Malawi, embracing BO transparency sends a clear message: the nation is resolute in its fight against financial malpractices and is committed to a safer, more accountable financial ecosystem.

### The framework for beneficial ownership transparency in Malawi

Malawi's journey toward BO transparency began with crucial reforms under the Financial Services Act, laying a foundation for increased accountability.

A significant milestone followed with the enactment of the Companies

(Beneficial Ownership) Regulations, 2022. These regulations mandate the disclosure of individuals with significant control, defined as owning at least 5 percent of shares or voting rights.

To further strengthen the BO framework, the Financial Crimes Act of Malawi, 2017, under Section 16(1), requires financial institutions to identify natural persons, including beneficial owners, and to conduct enhanced due diligence on legal persons and arrangements.

Additionally, subsidiary legislation, such as the Financial Crimes (Money Laundering) Regulation 2020, Regulation 8(2), provides further guidance on identifying and verifying beneficial owners to mitigate the risks of financial crime, money laundering, and terrorist financing.

The creation of a BO Register, spearheaded by the Registrar of Companies and the Financial Intelligence Authority (FIA), is a game-changer.

Accessible to financial institutions, regulators, and even the public, this Register empowers stakeholders with the data needed to ensure compliance, assess risks, and uncover potential misconduct.

The Register aligns with global anti-money laundering (AML) and counter-financing of terrorism (CFT) standards, reinforcing Malawi's commitment to financial integrity.

### Real progress, real challenges

Malawi's progress is commendable. Financial institutions are stepping up compliance efforts, stakeholders are collaborating more effectively, and legislative reforms are aligning the nation with international standards.

However, challenges remain, and they are not unique to Malawi. For instance, balancing transparency with privacy has been a contentious issue worldwide. While transparency is crucial, protecting personal data from misuse is equally important.

Additionally, technical constraints, such as the need for robust IT systems to manage the BO register, require significant investment and expertise. Stakeholder resistance, whether due to concerns over competition, legal risks, or compliance costs, further complicates the process.

Some entities may hesitate to disclose sensitive information, while others may lack awareness of the importance of BO transparency.



### Learning from regional peers

Malawi is not alone in this journey. Regional peers such as Zimbabwe and South Africa offer valuable lessons. Zimbabwe's robust BO disclosure laws require annual updates, ensuring data accuracy. South Africa has taken steps to enhance BO transparency through its Financial Intelligence Centre Act, providing a framework that integrates public and private sector efforts.

Malawi could adapt similar strategies while fostering local innovation. For instance, introducing real-time verification mechanisms for BO data could strengthen accuracy and reduce reliance on self-reported information.

Publicising real-world successes, like instances where BO data has thwarted financial crimes, can help galvanize support and build a shared understanding of its value.

### Toward a culture of transparency

As Malawi looks to the future, the path is clear. By harmonising regulations, building technical capacity, and cultivating stakeholder buy-in, the country can establish a culture of transparency and compliance.

Imagine a financial system where every entity operates in the light, free from the shadows of corruption and financial crime, a system that boosts investor confidence, drives economic development, and enhances Malawi's standing on the global stage.

This is not just an administrative reform; it is a call to action. For bankers, regulators, and policymakers, the journey to BO transparency represents a commitment to integrity, growth, and trust.

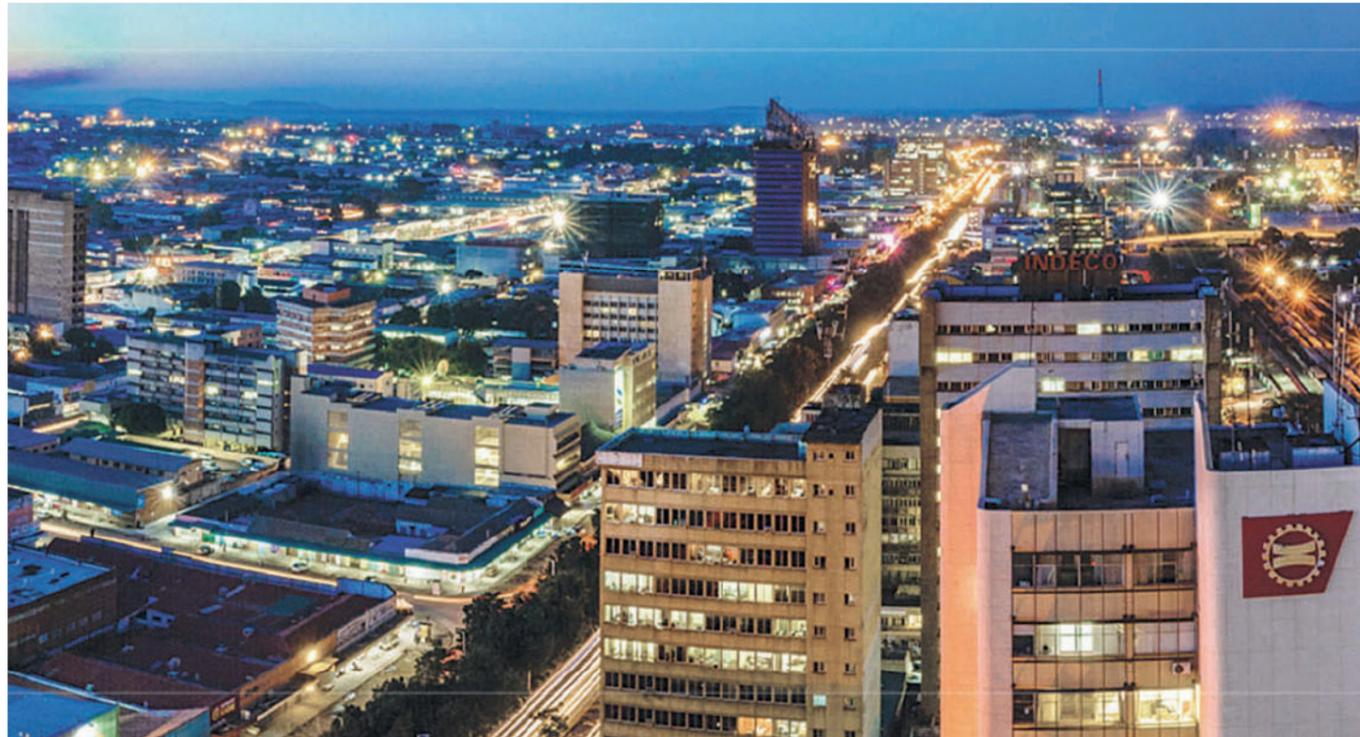
For Malawi's financial sector, embracing BO transparency is not just a regulatory requirement but a transformative step toward sustainable economic growth and global financial integrity.

The stakes are high, but the rewards, financial stability, reduced crime, and a more prosperous Malawi are worth every effort. ■

### About the author

The author is a knowledgeable professional with a deep understanding of the complexities of anti-money laundering and counter-terrorism financing. For feedback contact 0999959500 or email at [c.nkhwali@rbm.mw](mailto:c.nkhwali@rbm.mw).

# WHAT AFRICAN BANKS CAN LEARN FROM THE FALL OF MYBUCKS ZAMBIA



**On February 16th, 2025, at 16:23 hours, the Bank of Zambia took over Ecsponent Financial Services Limited, also known as MyBucks Zambia. This was because the bank was insolvent, meaning it didn't have enough money to meet its obligations. To protect depositors and avoid chaos in the banking system, the Bank of Zambia acted quickly and officially took possession of the struggling bank.**

This incident reminds us that in Africa, banks can collapse if they don't manage their internal operations properly. While most people talk about loans or bad investments, sometimes the biggest problem comes from poor decisions, weak systems, and unexpected external factors.

To make sense of these types of failures, we can look at three main areas where banks often go wrong: People, Process, and Potential Events.

I refer to these as the "3Pz" of operational risk management

## 1. People - When Leadership Fails

Leadership is the process of influencing and guiding people toward the achievement of goals while inspiring trust, commitment, and ethical behavior. These goals are realized through an effective governance framework, which ensures accountability and structure.

According to the IMF (Khan, 2016, p.5), governance provides the framework through which objectives are set, performance is monitored, and confidence and trust are built. Once the regulator publicly loses confidence in leadership, it signals to investors, creditors, and depositors that the bank is unsafe.

In 2021, the Bank of Zambia forced MyBucks Zambia's largest shareholder and director (holding ~45%) to exit, ruling the leadership "not fit and proper" after regulatory violations (Lusaka Times, 2021).

This massive leadership exit destabilized top management, weakened governance, and triggered liquidity pressure, as depositors and creditors lost confidence, reducing available funds and limiting the bank's ability to operate effectively.

## DARLINGTON D. LIPENGA

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## 2. Process - When Systems Don't Work

A system or process is a set of interrelated procedures and controls designed to achieve consistent outcomes and reduce errors (Ackoff, 1999). In banking, this includes loan approvals, cash handling, and complaint resolution. When systems fail, errors compound.

Just like in football, when a playing system is not followed, defenders ignore their marking responsibilities and midfielders fail to maintain spacing, mistakes multiply, coordination breaks down, and the team becomes vulnerable to conceding goals. The opponent exploits the weak spaces, leaving the defenders shouting to the last man, "We are in trouble, bwana!"

Similarly, a bank with broken processes loses money and trust. The breakdowns in credit and operational processes at MyBucks Zambia were significant contributors to its insolvency.

The institution's failure to follow proper lending procedures and enforce operational controls led to financial mismanagement, resulting in the Bank of Zambia's intervention to safeguard the financial system.

Financial statements revealed a capital shortfall of ZMK172.2 million, indicating the bank was below the required regulatory capital.

At the same time, MyBucks Zambia owed ZMK141.6 million to creditors, depositors, and other parties. This situation was effectively a shout to the "last man", the Bank of Zambia, signaling "We are in trouble, bwana!" As lender of last resort, it was the final authority capable of providing liquidity support, rescuing the institution, and protecting depositors, creditors, and overall financial stability.

## 3. Potential Events - Shocks from Outside

Potential events are unexpected external factors that can harm a bank's financial position, such as economic downturns, currency fluctuations, or partner defaults (IMF, 2016).

Banks must monitor these risks and prepare contingency plans, as sharp currency depreciation can trigger liquidity crises and limit the bank's ability to meet obligations. Between November 2023 and November 2024, the Zambian Kwacha depreciated nearly 15% against the U.S. dollar, reaching record lows of around 28.05 per dollar by early 2025, further intensifying financial pressures.

## Conclusion

The fall of MyBucks Zambia highlights lessons that African banks cannot ignore. Strong leadership, disciplined systems, and proactive risk management are essential for stability. This is not about importing expensive foreign solutions, but about building awareness, accountability, and locally adapted practices.

Banks should ask critical questions:

1. Do we have a controlling shareholder-director in our ranks?
2. Are processes consistently followed?
3. How prepared are we for shocks (e.g., currency depreciation)?
4. Do our financials shout to the Reserve Bank of Malawi - "We are in trouble, bwana"?

By honestly addressing these questions, institutions can identify vulnerabilities early, strengthen governance, and prevent crises. Learning from past failures enables African banks to grow safely, protect depositors and creditors, and ensure their longevity in the financial system. ■

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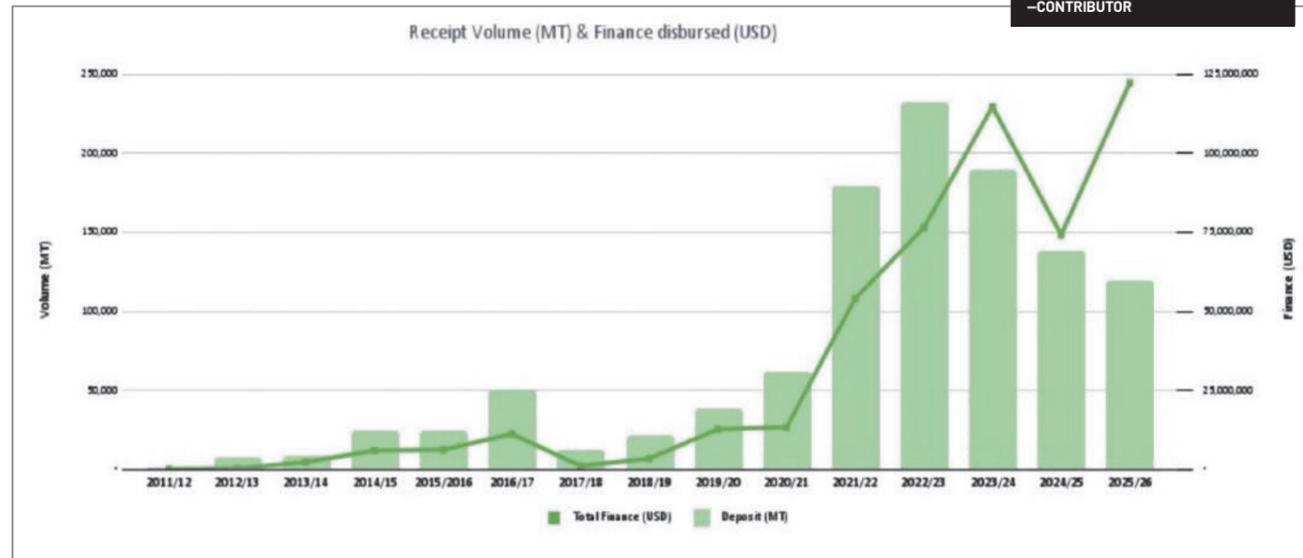
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# THE WAREHOUSE RECEIPT ACT;

## FOUNDATION FOR FOOD SECURITY



BY SHADRECK MALENGA  
—CONTRIBUTOR



**A**s long as there is sufficient maize in the Warehouse Receipt System (WRS), the government can always respond efficiently to food emergencies. The Warehouse Receipt Act has become the cornerstone of structured agricultural trade in Malawi.

Enacted by parliament in 2018, the WRA was designed to, inter alia, enable commodity market participants to guarantee seller performance in commodity transactions.

When an independent warehouse operator issues a warehouse receipt, they assume full liability for both the commodity and the receipt itself.

This system thus allows buyers to purchase warehouse receipts with confidence, knowing that the specified quantity will be available on demand and meet quality standards—all guaranteed

by independent warehouse operators.

Over the years, the WRS has evolved into an integral component of Malawi's agricultural industry. Essentially functioning as a registry of commodity stock, the system provides substantial benefits to all stakeholders:

#### For depositors (farmers):

- Safe storage with guaranteed losses of less than 1 percent
- Access to finance through collateralized receipts
- Improved market access

#### For banks and financiers:

- Protection of collateral through prevention of double pledging
- Legal safeguards provided by the Warehouse Receipt Act
- Independent warehouse operators serving as collateral managers

#### For buyers:

- Readily available stock inventory
- Quality assurance guarantees
- Access to multiple aggregation sites across Malawi

#### WRS and Food Security

Finance intermediaries have accumulated extensive experience implementing the WRS and analysing its effects on farmers, financiers, agribusinesses, and warehouse operators. From the outset, they recognized that the WRS serves as more than a transactional instrument—it represents a systemic framework capable of driving positive agricultural development in Malawi.

The most direct impact of the WRS on food security is the dramatic reduction in post-harvest losses. The professional warehousing system underlying the WRS maintains a maximum handling loss of just 1 percent, compared to estimated post-harvest losses of 10-30

*The WRS's greatest potential for improving food security lies in its capacity for market impact and development. Malawi has historically experienced policy interventions that, despite good intentions, have proven counterproductive:*

percent under traditional home storage or informal shed storage methods.

The WRS provides smallholder farmers with two distinct income opportunities: aggregation premiums and seasonal premiums. These additional revenue streams enhance farmers' food security while creating incentives to increase production levels.

The WRS's greatest potential for improving food security lies in its capacity for market impact and development. Malawi has historically experienced policy interventions that, despite good intentions, have proven counterproductive:

- Export bans during surplus periods: These have resulted in oversupply, depressed prices, and reduced production in subsequent years
- Unnecessary imports into surplus markets: Like export bans, these interventions have led to low prices and decreased future production

Events like these creates price volatility cycles which again lead to food insecurity. These experiences underscore the critical importance of developing robust data collection and information systems to enable optimal decision-making and guide sound food security and trade policies.

#### Strategic role in National Food Policy

The WRS should maintain sufficient stock levels to guide food security and trade policies with reliable, real-time information on commodity availability. When adequate stock exists—ensuring national food security—policies

should facilitate the free movement of commodities both domestically and internationally.

This approach offers multiple benefits:

- Farmers can access higher prices through export markets
- Regional food security cooperation becomes more feasible
- Processors can secure supply from broader regions, scaling their operations in Malawi

The WRS can strategically complement Malawi's Strategic Grain Reserve (SGR) in two key ways:

1. Information provision: Real-time stock data for informed decision-making
2. Emergency response: The SGR can purchase maize receipts for distribution during humanitarian crises

**Consider this scenario:** if one million metric tonnes of maize are available through the WRS, the Government need not maintain the full 200,000 metric tonnes typically held in the Strategic Grain Reserve (SGR)—a costly procurement and maintenance burden. As long as sufficient maize exists in the WRS, the Government can respond efficiently to food emergencies.

The fundamental principle is straightforward: when Malawi has excess maize stocks, WRS holdings should be permitted and encouraged for export. The Government could retain first-option purchasing rights (at export parity prices), but if the Government declines to purchase, exports must be allowed.

This framework would:

- Restore commercial incentives in maize production
- Ensure demand with farmgate prices exceeding production costs
- Guarantee sustainable maize production and food security annually

#### Current WRS status and performance Infrastructure and Capacity

The WRS currently operates 126 certified storage sites with a combined capacity of 595,552 metric tonnes. This network includes 35 sites owned by farmer organizations, demonstrating broad stakeholder participation.

During last and current season to date number are increasing:

- Volume: 260,000 metric tonnes of various commodities deposited
- Finance: Eight banks financed USD 200 million worth of warehouse receipts
- Growth driver: Financial services remain the primary volume driver

Banks value warehouse receipts for the legal protection they provide for collateral. The standard practice involves instructing collateral managers to issue warehouse receipts directly to the bank, ensuring secure asset backing.

There is a direct correlation between the introduction of the Warehouse Receipt Act in 2018—which provides legal protection for financiers—and the subsequent growth in WRS volumes. The Bankers Association of Malawi commends the Government for its world-class work in regulating commodity exchanges and the WRS, providing precisely what the market requires.

The Warehouse Receipt System represents a transformative approach to agricultural commerce and food security in Malawi. By providing secure storage, facilitating access to finance, and enabling informed policy decisions through real-time data, the WRS creates a foundation for sustainable agricultural development. As the system continues to evolve and expand, its role in ensuring food security while promoting commercial viability becomes increasingly vital to Malawi's agricultural future. ■

# DYNAMICS BEHIND OFFICE POLITICS



BY VITUMBIKO OSWELL MFUNE  
CONTRIBUTOR

**C**ommercial banks, just like any other organizations that offer a variety of services to their customers, have and continue to invest in customer service trainings for their personnel. The reason behind this is obvious; to improve customer experience and at the same time improving the performance of the organization.

Banks are motivated by the demands of offering a good service to their customers in addition to making profits for their shareholders. This could be the reason as to why we see bankers frequently attending training sessions of all kind.

But then, there are other intrinsic factors that easily affect customer experience and perhaps affect the performance of the whole organization in one way or the other. Despite knowing their prevalence, we deliberately ignore them.

I know our friends from human resource departments will always say they put in place measures to curb the

malpractice, but those are just cosmetic statements to safeguard the interests of some quarters within the organisation.

Ever thought of 'office politics'? Yes, those unfair strategies and behaviors used by some selfish and inconsiderate employees to gain power, influence decisions, and advance their personal interests in the workplace at the expense of others.

This is one of the deadliest 'viruses' that continue to kill staff morale, confidence, courage, as well as performance. While some level of office politics is almost inevitable, it is still important to talk about them in detail because they come in different ways and some people may fail to recognize and identify them.

By doing so, management can easily develop and implement corrective measures.

At first, it is important for people to be at peace with the fact that not every workmate is your friend and wishes you well. A workplace is a focal point where people meet for a single reason, thus to work and get paid. This is why

organizations periodically conduct staff team building sessions because management is already aware of scenes of office politics. There is already struggle for power amongst employees because of competition for promotions as well as recognition from management. This competition is usually driven by ambition, perceived favoritism, or the desire for career advancement. While healthy competition can sometimes encourage productivity, unchecked power struggles tend to foster unhealthy rivalries, distrust, and even hostility among colleagues. Employees may begin to see each other as threats rather than collaborators, which undermines teamwork and the collective spirit of the organization.

The impact of power struggles extends beyond interpersonal conflicts and can affect the overall performance of the organization. Tension and reduced collaboration easily hinder the free flow of ideas and knowledge sharing, leading to inefficiencies.

Additionally, when decisions are

influenced by personal agendas rather than organisational objectives, the company risks implementing strategies that benefit individuals at the expense of long-term growth.

Over time, this can damage organizational culture, lower morale, and create an environment where self-interest outweighs collective success.

Another type of office politics can easily be seen through the lens of favoritism and nepotism. In this case, favoritism and nepotism occur when leaders or managers give preferential treatment to certain employees not because of merit or performance, but due to personal relationships, family ties, or favoritism. In worse scenarios, there are managers in organisations who carelessly and openly talks about those they like most than others within the team.

This practice undermines the principle of fairness in the workplace, as employees who may be more skilled, experienced, or dedicated often feel overlooked. Over time, this creates resentment among staff, weakens trust in leadership, and disrupts team cohesion, since employees perceive that advancement or recognition is not based on effort but on personal connections.

Favoritism and nepotism can be damaging to organizational performance. Non-favored employees often experience low morale and a lack of motivation, which reduces their productivity and engagement.

This can also lead to higher staff turnover, as skilled employees may seek opportunities elsewhere where their contributions are valued fairly. Moreover, organizations risk underperformance when less qualified individuals are promoted or given responsibility, leading to poor decision-making and inefficiencies. In the long term, this behavior erodes workplace culture and hinders overall growth and competitiveness.

And then there is information hoarding, popularly expressed as 'kushava info' in vernacular. This practice happens when employees intentionally withhold crucial knowledge, data, or updates in order to maintain control, influence, or an advantage over others. This behavior often stems from insecurity, fear of losing relevance, or the desire to appear

indispensable to the organisation.

Instead of promoting open communication and collaboration, employees who hoard information create barriers that limit the sharing of valuable insights. As a result, teamwork suffers, and the organization loses opportunities to leverage collective knowledge for innovation and problem-solving.

Information hoarding slows down decision-making processes, as managers and teams may lack the full picture needed to act effectively. Efficiency is reduced when colleagues are forced to spend extra time searching for details or redoing tasks that could have been avoided if information had been shared. Furthermore, the absence of transparency can lead to costly mistakes, duplication of work, and frustration among employees, ultimately affecting pro-

**Organizations that foster transparency, fairness, and open communication are better positioned to minimise the harmful aspects of office politics.**

ductivity and morale. Over time, such practices erode trust within teams and can severely undermine organizational performance.

There is also a common one; rumors and gossip. This involves the spread of unverified or misleading information within the workplace, often with the intent to influence opinions or damage the reputation of colleagues.

This behavior thrives in environments where transparency is lacking, allowing speculation to replace facts. It is unfortunate that there are some organizations whose management even give room to this.

While some employees may see gossip as harmless conversation, it can quickly spiral into harmful narratives

that affect how individuals are perceived, even without evidence. Such actions undermine professionalism, create divisions, and foster a culture of suspicion.

Almost related to rumors and gossip are backstabbing and sabotage which occur when employees deliberately undermine their colleagues' efforts in order to gain personal advantage, recognition, or career advancement and it is common. This take a form of spreading false information, withholding support, taking credit for others' work, or even setting up situations where a colleague is likely to fail.

Such behaviors are often rooted in competitiveness, jealousy, or a desire for control, but they create a toxic workplace atmosphere. Instead of fostering collaboration and trust, employees become guarded and reluctant to share ideas or support one another.

While office politics is often associated with negative consequences, its overall impact largely depends on how it is managed within an organization. In environments where favoritism, secrecy, and unhealthy competition dominate, office politics tends to create mistrust, low morale, and inefficiencies.

However, when managed effectively through fair policies, merit-based recognition, and clear communication, political behavior can take on a more positive role. It can encourage employees to build alliances, showcase their capabilities, and engage in strategic decision-making that benefits both their careers and the organisation.

Organizations that foster transparency, fairness, and open communication are better positioned to minimise the harmful aspects of office politics. By ensuring that decisions are based on merit and that processes are clear and consistent, leaders reduce opportunities for manipulation or bias.

At the same time, they can leverage healthy political behavior by encouraging collaboration, networking, and influence-building in ways that drive innovation and problem-solving. In this way, office politics becomes less of a destructive force and more of a strategic tool for enhancing teamwork, trust, and overall organizational performance. ■

# THE DIGITAL BRIDGE: CRISIS WIRED INTO OPPORTUNITY

BY RUFARO MAFINYANI



Source: DiSeFu Analytics

**T**he 40-percentage-point gap between mobile money connectivity (60 percent) and formal banking access (20 percent) represents more than a market opportunity—it is a blueprint for economic transformation already taking shape across Malawi.

### The integration revolution

“The unbanked are not unreachable, they are just underserved,” crystallizes a fundamental shift in thinking about financial inclusion. Traditional banking has treated rural markets and informal traders as unbankable risks, while telecommunications companies have quietly built the most inclusive financial infrastructure Malawi has ever seen.

When banks combine regulatory expertise and capital with telcos’ last-mile reach and ICT platforms’ analytical power, the result is not additive—it is exponential. Kenya’s M-Pesa exemplifies this multiplier effect, now accounting for 25 percent of the Kenyan Stock Exchange’s market value, demonstrating how telecommunications infrastructure becomes the backbone of national

economic transformation.

TNM Mpamba’s “Kankhe” cash loan launch exemplifies this evolution—the first mobile telecom network provider in Malawi to offer wallet-based lending.

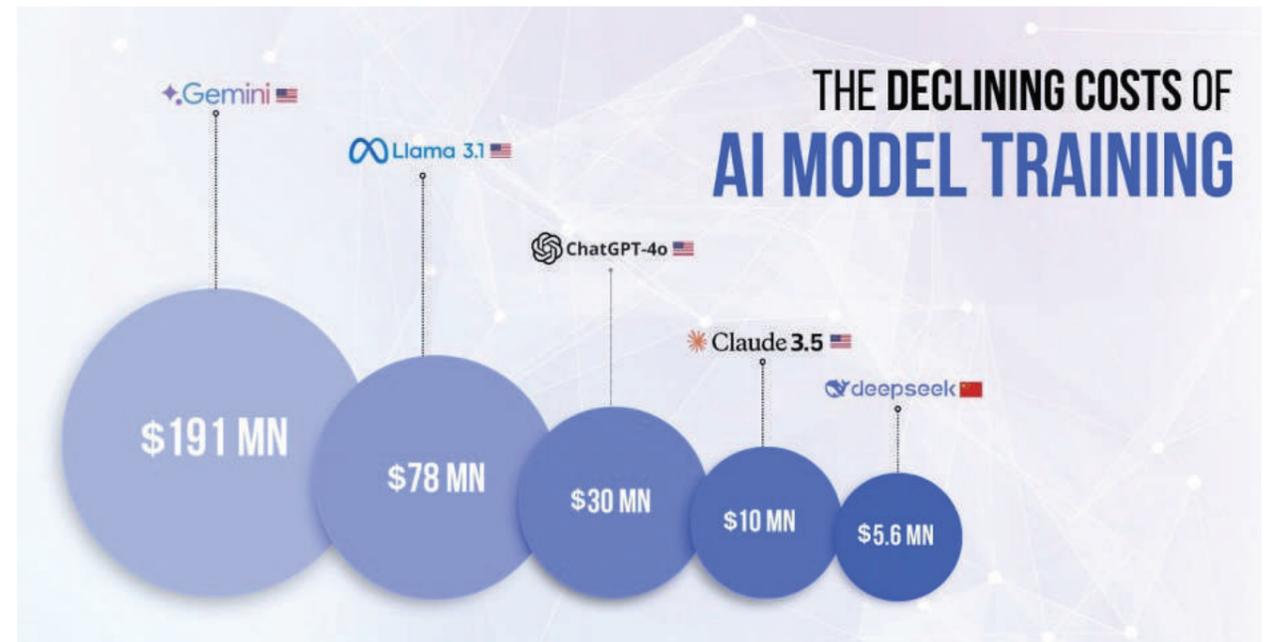
Their partnership with National Bank of Malawi and Mastercard produced the “Khadi Mbambande” debit card linked directly to mobile wallets, eliminating banking infrastructure requirements while providing international payment capabilities.

Governor Wilson Banda’s call to “support the supply side of the economy” creates fertile ground for innovation that transforms how financial services reach



RUFARO MAFINYANI

*AI enables consumer-driven product innovation by analysing transaction patterns to identify unmet needs, allowing financial institutions to design services customers actually want.*



<https://www.linkedin.com/pulse/declining-costs-ai-model-training-matta-satish-kumar-hvaxc/>

previously excluded populations.

### Intelligence-driven development

Large language models now accelerate feasibility studies from months to weeks, automatically generate compliance frameworks, and produce functional code prototypes—reducing development time and costs to single-digit percentages.

AI enables consumer-driven product innovation by analysing transaction patterns to identify unmet needs, allowing financial institutions to design services customers actually want.

Every mobile money transaction

generates behavioral data that sophisticated algorithms transform into nuanced credit assessments.

AI systems analyze cost of goods sold, seasonal variations, and payment frequencies to create dynamic repayment schedules that adapt to real business cycles.

When rural retailers experience sales spikes during harvest season, algorithms automatically adjust repayment schedules; during slower periods, the system recalibrates to preserve operational cash flow.

The iKhokha model from South Africa demonstrates this potential—recently acquired by Nedbank for R1.65 billion, processing over R20 billion annually while providing working capital advances. AI enhancement could make this more sophisticated through machine learning algorithms that predict optimal advance amounts by analyzing seasonal trends and economic indicators in real-time.

Development costs for such sophisticated systems have collapsed dramatically, meaning smaller Malawian institutions can deploy world-class AI

## Financial Fraud Detection Areas



Bank transactions & electronic payments



Credit history



Mobile fraud



Identity theft



Insurance claims



Money laundering

systems previously available only to global banking giants.

### Closing the tax gap

Malawi's informal economy makes up about a third of GDP, while tax-to-GDP ratios hover near 11-13 percent—well below the 15 percent needed for adequate public services. Billions slip through the cracks annually, but digitized rails can close this gap systematically.

Kenya's eTIMS and Uganda's EFRIS demonstrate how e-invoicing captures previously hidden sales. With APIs linking wallets, POS systems, and National ID-based business numbers, Malawi could auto-generate e-receipts and reconcile them in real-time. Compliance would no longer depend on enforcement raids but be built into trade itself.

The Reserve Bank of Malawi has mandated electronic payment channels through Business Licensing Regulations requiring all licensed businesses to deploy electronic payment systems.

When every mobile money transaction automatically generates tax-compliant documentation, informal businesses naturally migrate toward formalization.

This integration extends to government service delivery. Estonia's digital identity system enables citizens to complete passport applications, file taxes, and register businesses online using 384-bit encryption and biometric verification. Each citizen saves five working days annually through digital efficiency.

For Malawi, similar integration could capture value-added tax from previously invisible transactions, expand the income tax base through better visibility of business revenues, and reduce compliance costs.

### Infrastructure as foundation

SIM card registration linked to national identity systems, government databases connected to financial platforms, and mobile money histories feeding real-time credit models create

an intelligence network that learns and adapts to user needs. This background infrastructure provides the foundation for front-end innovation.

Malawi's National Switch (NatSwitch) has achieved comprehensive integration—all commercial banks connected since 2015, all POS terminals and ATMs interoperable since 2016, and mobile wallet integration since 2018. This unified payment ecosystem is unique in the region, creating seamless financial rails that support advanced services.

TNM's commercial 5G launch in Lilongwe offers speeds up to 1.2Gbps, supporting advanced fintech applications including real-time analytics and AI-powered fraud detection.

Digital KYC infrastructure has been modernized with potential cost reductions of up to 80 percent for customer onboarding, building on 9.2 million citizens enrolled in the digital ID system.

Continued on... P54



# Pay suppliers, staff, or service providers in seconds

PayChangu and Centenary Bank make it simple for business owners to receive payments from their customers via Instant Bank Transfer on their website.

## ► How to get started

- Step 1** Choose Instant Bank Transfers as your payment method on the checkout page
- Step 2** You will be given an account number linked to your specific transaction.
- Step 3** Proceed to your banking app and select interbank transfers
- Step 4** Choose Centenary Bank
- Step 5** Paste the account number provided
- Step 6** Add amount you want to pay and tap proceed to pay button.
- Step 7** Return to the website to confirm your payment



Mobile money transactions surged 23.4 percent to K59.5 trillion with subscribers growing to 16.2 million. Citizens can now register for financial services, receive credit scores, and access loans within minutes through biometric verification connected to Home Affairs ministry databases, eliminating bureaucratic friction.

#### Security through intelligence

As financial services digitize, cybersecurity becomes paramount, but integration can strengthen rather than weaken security. Nedbank's Risk Intelligence Centre combines FICO Falcon transaction monitoring, telco device intelligence, and behavioral analytics to detect fraud invisible in isolated systems.

If a customer attempts an unusual late-night transfer from an unfamiliar location, machine learning flags the anomaly and requires biometric verification through selfies before processing. This behavioral analysis extends to detecting potential hijacking scenarios, where transaction patterns suggest coercion rather than voluntary activity.

Enabling technologies are proven: Sybrin's orchestration platform for onboarding and fraud checks, ISO 20022 payment hubs for richer data, and AI anomaly detection that adapts with each event.

Add SIM-device binding, biometric step-ups, and customer education, and the result is trust by design.

Malawi's Data Protection Act, which came into force June 3, 2024, provides essential privacy protections while enabling secure data sharing for financial services. The Digital Innovation and Entrepreneurship Bill 2024 will establish comprehensive regulatory frameworks specifically for fintech development.

The infrastructure exists: mobile networks reach 60 percent of the population, government databases enable secure identity verification, and AI tools democratize sophisticated analytics.

The regulatory environment encourages innovation through proactive policy development.

#### Conclusion

The combination of dominant mobile money operators introducing sophisticated services, strategic banking partnerships, comprehensive regulatory modernization, and advanced infrastructure deployment positions the country for continued innovation.

Rufaro Mafinyani is a financial technology partner at DiSeFu™ (Decentralized Secured Finance), a specialised financial, risk & technology advisory firm operating in the Sub-Saharan region.

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# HARNESSING CARBON CREDIT; ONE STEP AT A TIME

nce considered a distant reality, the issue of carbon credits and the attendant issue of carbon markets is already part of Africa's history.

This is a clear indication that policymakers in Malawi already signalled the country's willingness to tread on that route, realise that they can tap from the same and power the country's wobbling economy.

The carbon credits issue has become an unavoidable one in the wake of climate change which, according to researchers, is set to cost the global economy \$38 trillion a year in damages within the next 25 years.

This came to the world's attention in April this year, when three researchers from Potsdam and Berlin in Germany released findings of their peer reviewed study in the journal Nature.

According to the United Nations Development Programme (UNDP), a carbon credit is a permit which allows a country or organisation to produce a certain amount of carbon emissions, which can then be traded if the full allowance is not used.

The term carbon credit is closely linked to issues such as carbon offsetting, which UNDP says basically means a carbon trading mechanism that enables governments or businesses to compensate for their greenhouse gas emissions by investing in projects that reduce, avoid or remove emissions elsewhere. As such, those that invest in a carbon offsetting programme get what are known as carbon credits.

It logically follows that there must be a mechanism which is used for selling or buying credits, hence the existence of carbon markets— which are basically trading systems in which carbon credits are traded. That is to say, where they are sold or bought.

Seizing the opportunity, individuals and entities have started using carbon



KEY—Solar energy

markets to make up for their greenhouse gas emissions by buying credits from entities that remove or reduce greenhouse gas emissions.

For starters, a greenhouse is a structure that is erected to nurture plant growth, and has such components as walls and a roof composed of a predominantly transparent material such as plastic or glass. These allow light in and facilitate the creation of a regulated climate that is ideal for cultivating a variety of plants.

Surely, carbon credits are the way to go because one tradable carbon credit is equal to one tonne of carbon dioxide.

Just that, when a credit is used to reduce, sequester or avoid emissions, it becomes an offset, meaning that it is no longer tradable.

UNDP puts carbon markets into two groups, namely compliance and voluntary ones. On one hand, compliance carbon markets, which can either be national or international, pertain to the trading of carbon credits out of one's own volition. Compliance markets are,

on the other hand, created as a result of national, regional and international policy or regulatory frameworks.

At the moment, progress is being made towards coming up with a common ground on processes, methodologies and other mechanisms that countries such as Malawi can follow to access carbon markets.

The issue of benefit sharing is well explained in the bill, with differentiation between community held and private land. In the case of community land, communities must receive at least 33 percent, and 20 percent in the case of private land, with county and national governments also receiving a further 20 percent in both instances.

Separate arrangements are specified for blue carbon, rangelands, soil-carbon and forest projects so that stakeholders can be clear when transacting on the issue.

Malawi could do well not to remain far behind

# HOW INFLATION IS SQUEEZING AFRICA?



BY DONASIUS PATHERA, PHD  
CONTRIBUTOR

**S**ub-Saharan Africa is facing one of the toughest economic periods in years. The aftershocks of the pandemic, combined with soaring food and energy prices and rising public debt, have created an environment that is stretching households, businesses, and governments to their limits.

At the centre of the crisis is inflation, which has reached decade-high levels across much of the region. Though the pace of increase has not been as steep as in advanced economies, inflation in Africa is nearly double pre-pandemic levels, and its impact on families is far more devastating. When food and energy make up half of household consumption, even modest price increases can push millions into hardship, reduce meals to

one a day, or force parents to choose between paying school fees and buying fertilizer.

The problem is made worse by the drivers of inflation in Africa, which differ from those in wealthier countries. Rather than being fuelled by booming domestic demand, inflation here has been shaped largely by global forces. The sharp rise in international commodity prices, a stronger US dollar, supply chain disruptions, and climate-related shocks have all conspired to make life more expensive. Food is the clearest example: since 2019, the price of staples such as maize and wheat has climbed steeply, accounting for up to two-thirds of overall inflation in fragile states. Energy prices, too, have surged, feeding into transport costs and the price of everyday essentials. At the same time, repeated swings in exchange

rates have made imports costlier, with weaker local currencies passing through directly into higher prices for fuel, fertilizer, and household goods.

For families, the effects have been severe. With food and energy absorbing so much of their budgets, the rising cost of living has spiralled out of control. The International Monetary Fund estimates that by the end of the year, around 12 percent of the region's population will be facing acute food insecurity. Governments have scrambled to respond by introducing subsidies or cutting taxes in a bid to ease the pressure on households. But such measures are expensive and rarely sustainable. Already weighed down by high debt levels and budget shortfalls, many African states have little room to keep these interventions going without deepening their financial vulnerabilities. In effect, these are short-term



*Without stronger fiscal management, credible monetary policy, and sustained reforms, countries like Malawi will remain exposed to cycles of rising prices that erode living standards and limit growth.*

bandages on wounds that require deeper economic surgery.

Central banks across the continent have also been forced to act. Countries such as Ghana, Malawi, Mozambique, Nigeria, and Uganda have raised interest rates in an attempt to curb inflation and stabilize their currencies. But this has not been an easy decision. Raising rates helps slow down price increases and stem capital outflows, but it also risks suffocating economic activity by restricting credit and discouraging investment. For economies still struggling to recover from the pandemic, this balancing act is delicate. If policymakers tighten too aggressively, they could choke off growth; if they move too slowly, they risk losing control of inflation altogether. For countries with weak monetary policy credibility, rapidly depreciating currencies, or shrinking foreign reserves, the pressure to act decisively is even stronger. Meanwhile, those with fixed exchange rate systems, such as members of the CFA franc zone, have so far experienced lower inflation, though at the cost of reduced flexibility in setting interest rates.

This dilemma is clearly visible in Malawi, a country that has consistently

battled some of the highest inflation rates in Africa. Recent research shows that between 2006 and 2023, Malawi's average inflation stood at almost 15 percent—more than double the regional average and among the highest on the continent. The effects are felt daily in households, where salaries lose their purchasing power within months, and in businesses, where investment planning becomes fraught with uncertainty. The kwacha, Malawi's currency, has been repeatedly devalued, and each depreciation feeds directly into higher import costs. When fuel and fertilizer prices climb, the shock spreads quickly across the entire economy, from the cost of bread in the markets to the price of bus fares and hospital supplies.

Fiscal deficits have made matters worse. Malawi has long struggled with budget shortfalls, often plugging the gap through domestic borrowing or monetary expansion. These measures stoke inflationary pressures further, particularly when combined with exchange rate weakness. Even in periods of modest economic growth, inflation has spiked, because the country's supply-side constraints prevent production from keeping up with rising

demand. The story is one of an economy caught in a cycle where external shocks and domestic weaknesses reinforce each other, trapping Malawi in a high-inflation environment.

Experts point to several steps that could help break the cycle. Stabilising the exchange rate is one, since countries with more predictable currency arrangements generally experience lower inflation. Greater fiscal discipline is also crucial, with stronger efforts to mobilise domestic revenues and reduce unnecessary spending. On the monetary side, adopting a clear and credible inflation-targeting framework could help anchor expectations, as has been done successfully in South Africa and Kenya. At the same time, Malawi needs to confront its structural bottlenecks. Improving agricultural productivity, ensuring reliable energy supplies, and investing in transport infrastructure would help ease the supply constraints that magnify inflationary spikes whenever demand rises.

The broader lesson from Malawi's experience is that inflation in Sub-Saharan Africa is not simply the result of global shocks but is also deeply tied to structural weaknesses within economies. Without stronger fiscal management, credible monetary policy, and sustained reforms, countries like Malawi will remain exposed to cycles of rising prices that erode living standards and limit growth. As the African Continental Free Trade Area moves towards deeper integration, narrowing inflation gaps between member states will be vital for building a stable regional economy. If countries like Malawi fail to converge with their peers, they risk missing out on the potential welfare gains of integration and falling further behind in competitiveness.

Inflation is more than just an economic statistic. It is about the ability of families to afford food, send their children to school, and plan for the future. For Malawi and much of Sub-Saharan Africa, taming inflation is not only a question of economic management but also one of social stability and human dignity. Containing it would not just stabilise economies but would also lay the foundation for inclusive, sustainable development that allows people to thrive rather than merely survive. ■

# WHY CLIMATE RISK IS CREDIT RISK FOR MALAWIAN BANKS

BY DARLINGTON LIPENGA  
Author of *Kuiwerenga Risk Dispatches*



## Introduction

**B**anks in Malawi can no longer treat climate risk as external; it is directly tied to credit risk. Climate risk refers to the operational and financial losses that banks or their borrowers may face due to floods, droughts, cyclones, and unsustainable land use, which can disrupt loan repayments and bank operations.

The most common natural hazards in Malawi include droughts, floods, landslides, and earthquakes (World Bank, 2016). Agriculture contributes more than one-quarter of Malawi's GDP, supporting employment, economic growth, export earnings, poverty reduction, food security, and nutrition (ITA, 2024).

Because most agricultural borrowers rely on stable weather conditions, climate hazards directly threaten banks' loan portfolios. For example, in March 2022, Cyclone Freddy flooded 117,000 hectares of farmland, significantly affecting farmers who are bank borrowers and increasing the risk of loan defaults. Banks can manage climate risk by partnering with climate scientists, using hazard mapping and early-warning data, and integrating climate factors into credit risk assessments.

### Why Malawian Banks Are Especially Vulnerable

Limited insurance coverage is a major concern. Insurance penetration in Malawi is among the lowest in Southern Africa, with only 2.5% of the population covered (Global Shield, 2025). This means both borrowers and banks bear the full brunt of climate-induced losses, increasing defaults and financial instability.

Weak climate risk due diligence further increases vulnerability. Although all banks surveyed recognize that climate change impacts their operations, limited actions have been taken to integrate climate risk into lending and investment. According to World Bank (2025), only 14% of banks have integrated

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climate risk into governance structures, less than half include climate risks in risk frameworks, and very few conduct scenario analysis. Key challenges include data scarcity, lack of standardized methodologies, and limited specialized knowledge.

Concentration in climate-sensitive sectors is another risk. A significant portion of bank lending is directed toward agriculture, SMEs, and trade, sectors prone to climate shocks such as droughts, floods, and erratic rainfall. Two of the largest banks in Malawi have over 20% of their total credit exposure in agriculture and related sectors, increasing vulnerability to climate-induced financial losses (World Bank, 2025).

Limited ESG-aligned credit policies remain a critical gap. While some banks are beginning to integrate Environmental, Social, and Governance (ESG) criteria, adoption remains limited (UNEP, 2024). Without ESG-aligned credit policies, banks struggle to develop sustainable financial products or attract climate-conscious investors.

### Top Ten Actions for Malawian Banks to Manage Climate Risk Summarized from World Bank (2025) and UNEP (2024).

#### A. Step 1-4: Strengthen Internal Capacity and Risk Awareness

1. Build climate risk expertise by encouraging staff to attend structured training, such as the free Standard Bank Sustainability Academy on ESG and climate risk.
2. Climate Risk into Governance: Boards and risk committees formally review climate risk exposure quarterly, ensuring accountability, informed decision-making, and alignment with strategic objectives.
3. Conduct Climate Risk Due Diligence: Banks assess borrowers' exposure to climate hazards before loan approval, including irrigation capacity, crop insurance for farmers, or flood risk for real estate.
4. Test for Risk Scenarios: Stress tests simulate scenarios, such as a 20% crop failure due to drought, to anticipate potential defaults and guide mitigation strategies.

#### B. Step 5-7: Improve Operational Tools and Products

5. Develop Green Finance Products: Banks provide loans for renewable energy, climate-smart agriculture, and other sustainable initiatives.
6. Collaborate with Regulators and Supervisors: Banks align with RBM guidance and Basel Committee principles, submitting climate risk exposure reports as needed.
7. Leverage Data and Technology: Satellite imagery and forward-looking metrics are used to map flood-prone areas and assess mortgage

collateral vulnerability.

#### C. Step 8-10: External Engagement, ESG Alignment, and Financial Inclusion

8. Engage in Risk-Sharing Mechanisms: Banks participate in climate insurance programs to reduce losses for both institutions and borrowers.
9. Align Credit Policies with ESG Principles: ESG criteria are integrated into lending policies to attract climate-conscious investors and strengthen sustainable practices.
10. Support Financial Inclusion and MSMEs: Banks train farmers and SMEs on sustainable practices, improving access to green loans and financial literacy.

#### Conclusion

Climate risk is credit risk. Malawian banks that build internal capacity, enhance operational tools, and embed ESG principles will reduce defaults, strengthen resilience, and attract climate-conscious investors. Ignoring these risks threatens both borrowers and the stability of the financial sector.

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# SHAPING FUTURE OF INTRA-AFRICA TRADE

**A**frica is, collectively, fast becoming a giant and a force to be reckoned with on matters of intra-trade and economic growth. It is poised to dominate the list of the world's fastest growing economies this year. Simply put, intra-trade is working in and for Africa.

The continent's decades of heavy-reliance on debt and aid from foreign sources is gradually and steadily being overwritten.

Strides are made on enhancing private sector-led production and nations' integration for ease of doing business. Footprints of the continent's products and services are equally traced beyond.

The African Union Development Agency (AUDA)-Nepad—the AU's arm mandated to coordinate and execute priority regional and continental projects to promote regional integration—intra-Africa exports increased to 16 percent.

Its Chief Executive Officer Nardos Bekele-Thomas says as a feeder into the continent's trade and commerce drive, industrialisation remains essential.

"We need broad-based growth. That is why industrialisation is critical and very important. We need to do manufacturing and to industrialise.

"That is where the whole aspect of the value chain or the supply chain we are talking about; identifying the growth pillars and making sure that this supply chain and value chain are not only at national level, but also at regional level but also at continental level,"

With the African Continental Free Trade Area (AfCFTA)—the continent's single biggest trading bloc and one of the AU flagship projects for implementation of its 'Agenda 2063: The Africa We Want,'—all the 55 member states are brought together in an intra-African continental free trade area.



**MENE**—We are miles ahead

It would create a market of more than 1.3 billion people and a combined gross GDP of up to \$3.4 trillion.

If fully implemented, the AfCFTA could leverage intra-African trade and increase trade among member states by up to 110 percent.

In addition, the AfCFTA could lift up to 30 million people out of extreme poverty and up to 68 million people out of moderate poverty.

"By eliminating trade barriers to trade across Africa, the impact of the AfCFTA is expected to be significant and transformative," reads the AUDA-Nepad annual report.

The pact ensures creation of decent jobs, inclusive growth and sustainable development.

AfCFTA Secretary General Wamkele Mene said while there could be concerns of domestic economies positioning in

the wake of the AfCFTA take-off, the objective remains creating a single market in the best interest of all.

He said countries have made headways in eliminating and reducing barriers to intra-Africa trade and investment.

"As Africans we must be extremely proud of what we have achieved over the last four years. We have reached consensus on extremely difficult and complicated industrial policy questions, microeconomic questions which some parts of the world have not been able to achieve in over 20 years.

"Because of the determination of our private sector and the political will of our leaders, we have been able to achieve much. We would want to see more flows in terms of trade and services sector. But at least at law, we are miles ahead," Mene said. ■

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