MALAWI

BANKER

MALAWI'S FINANCIAL MAGAZINE OF CHOICE

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PARTNERS IN GROWTH

WHY MALAWI NEEDS STRONG BANKING AND INSURANCE SECTORS COLLABORATION

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MR. WISE CHIGUDU

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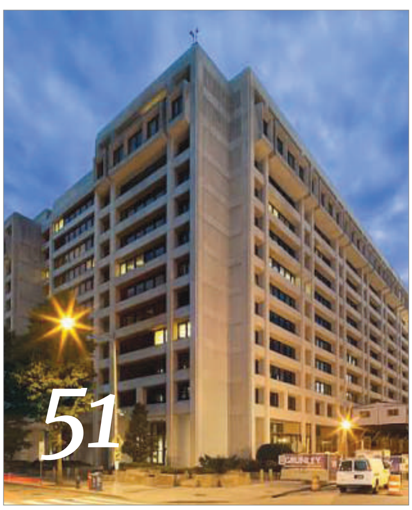


EDITOR'S NOTE

W I followed the proceedings of the recent National Economic Recovery Plan (NERP) workshop hosted by the Treasury with great interest.

The conversation mattered—and it still does. First, because it speaks directly to the theme of this edition of the Malawi Banker magazine: "Facing the Giants: Navigating Economic Shocks and Building Resilience for Malawi's Sustainable Future.

More importantly, the workshop provided a fertile platform for an honest and candid conversation about Malawi's economic realities and the possible pathways towards recovery.

That Malawi's economy is facing significant volatility is no longer a matter of debate.

The country continues to grapple with deep and persistent economic challenges driven by high inflation, chronic foreign exchange shortages, and severe vulnerability to climate shocks due to its dependence on rain-fed agriculture.

These are not merely cyclical difficulties; they are fundamentally structural.

Malawi's heavy reliance on rain-fed subsistence agriculture has made it one of the most climate-vulnerable countries in the region. Food insecurity remains a perennial concern, with nearly four million people facing hunger each year. Rising food prices continue to fuel inflation, placing additional pressure on household incomes and economic stability.

The country is also grappling with low levels of industrialisation. Export earnings remain significantly lower than import expenditures, while most exports consist of raw agricultural commodities with limited value addition.

A weak manufacturing sector has further entrenched dependence on imported finished goods, widening the trade deficit and intensifying foreign exchange shortages.

Compounding these challenges is an unreliable energy supply. Frequent electricity shortages continue to impede industrial productivity, slow economic growth, and discourage potential foreign direct investment.

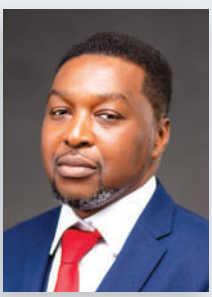
Infrastructure constraints remain another significant obstacle. Although notable progress has been made in recent years, much more investment is required in roads, transport systems, and communication networks. Inadequate infrastructure raises the cost of doing business, making it more expensive to move goods both within the country and to international markets.

These and many other structural constraints continue to limit Malawi's prospects for sustained and inclusive economic growth.

Yet there is every reason for optimism.

History offers many examples of nations that, only a few decades ago, faced challenges even more daunting than those confronting Malawi today. Through bold leadership, sound policies, disciplined implementation, and collective resolve, they transformed their economies.

Malawi can do the same.



ON THE COVER

Malawi Banker Magazine engages **Mr. Wise Chigudu, Chief Executive, Nico Life**

PARTNERS IN GROWTH : WHY MALAWI NEEDS STRONGER BANK AND INSURANCE COLLABORATION

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WE FUND GROWTH

Commercial banks are a vital conduit for economic growth and development. For years, banks in Malawi have served as financial intermediaries, mobilising savings and channeling them into productive investments by individuals, businesses, and government.

Through this role, they have stimulated investment, created jobs, and improved the livelihoods of countless Malawians.

Despite a volatile economic environment, the country's eight commercial banks have remained on a strong profitability trajectory. They closed 2025 on a positive note and have sustained that momentum into 2026.

The performance of the five listed commercial banks—FDH Bank plc, NBS Bank plc, National Bank of Malawi plc, Standard Bank plc, and First Capital Bank plc—illustrates the sector's resilience. Collectively, they posted an after-tax profit of K724.4 billion in 2025, up from K384.5 billion in 2024, underscoring the banking industry's strong financial position.

This impressive performance has been driven by prudent management, sound business strategies, and sustained investment in innovation. Banks have embraced technology as a key pillar of transformation, enabling them to remain competitive while improving operational efficiency.

Among the most significant investments has been the expansion of digital banking platforms. Mobile banking applications and online banking services now allow customers to transfer funds, pay bills, apply for loans, and monitor their accounts without visiting a branch. These innovations have enhanced customer convenience and satisfaction while reducing operating costs for banks.

The sector has also maintained strong liquidity. According to Reserve Bank of Malawi (RBM) data, the banking industry remained well-capitalized, liquid, and profitable throughout 2025 and into the first half of 2026.

Private sector credit reached K2.3 trillion by the end of 2025, reflecting the sector's growing role in financing productive economic activity. The RBM's Financial Stability Report further indicates that banks continue to maintain capital and liquidity levels well above regulatory requirements, while asset quality has

continued to improve.

Beyond financial performance, commercial banks have played a pivotal role in supporting small and medium-sized enterprises (SMEs), widely recognised as the backbone of Malawi's economy. Through affordable financing and business advisory services, banks have helped many enterprises start, expand, and become more resilient.

The banking sector has also facilitated domestic and international trade by providing secure payment systems, money transfer solutions, and trade finance services. These offerings have made it easier for businesses to transact efficiently, promoting commerce and strengthening economic integration.

Coupled with continuous innovation, these investments have made financial services more accessible, reduced transaction costs, saved customers valuable time, and expanded financial inclusion by reaching underserved and remote communities.

As the sector continues to innovate and strengthen its financial position, Malawi's commercial banks remain trusted partners in national development—mobilising capital, supporting enterprise, and funding the country's growth.


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The President's Message

Malawi is a resilient nation

It has been subjected to myriad shocks; enough to cripple the economy and bring it down to its knees and to further push most people into the abyss of multidimensional poverty.

Over the last half a decade alone, Malawi has faced a succession of economic, environmental, and social shocks that have tested the nation's resilience. The situation has been worsened by historical economic challenges.

From effects of pandemics like Covid, to exogenous shocks emanating from geopolitical tensions in Europe and more recently in the Middle East, and the harsh weather conditions like dry spells in one season, and heavy downpours in another, leading to lowering of food harvest—coupled with structural challenges—the Malawi economy has been under intense attacks.

Dents from the shocks are not only visible. They are felt too by multitudes.

And Malawians are not unaware of the hardships they endure; the ever elevated cost of living to them is not just a matter of text book graphs and newspaper headlines.

They are experiencing it at all levels of their expenditure patterns. And the buying power has been eroding, significantly so, over time.

Key macroeconomic indicators have been in red.

Malawi has, in recent years, experienced a subdued per capita output, with the gross domestic product (GDP) growth averaging approximately 2.2 percent in the past five years.

The GDP growth has been shy of the six percent annual target for Malawi to attain the lower-middle-income economy mark, at least within a ten-year period from 2025.

Headline inflation has remained persistently high, ranging between 28 percent and 38 percent, largely due to rising food prices, and that of non-food items like fuel, transport costs, utilities and rentals.

Cost of bank borrowing has also been high, due to a comparatively high policy rate, limiting room for borrowing for growth. Instead, the government has, until recently, dominated the debt market.

The rising public debt, now at about K22.4 trillion, has left the government with limited space to meet its obligation of efficiently providing social services as prime focus has been on debt settlement.

Its budgets—with ever widening deficits—have been unable to spearhead the much sought for recovery and growth as development expenditure remains thin, at less than 30 percent of the national budget.

The list is endless. And one wonders if there is ever a way out of the woods.

Could Malawi transform these challenges into opportunities? Is there room for further strengthening resilience across households, communities, businesses, and institutions?

This is what this edition of the Malawi Banker Magazine is discussing; 'Facing the Giants: Navigating Economic Shocks and Building Resilience for Malawi's Sustainable Future.'

It is by design that—as the Treasury is shaping the National Economic Recovery Plan, targeting restoring macroeconomic stability, accelerating economic growth, export-led industrialization, addressing fiscal and debt challenges, and enhancing food security, among other things—we are part of the discourse.

Get immersed into the conversation through expert insights, policy analysis, and inspiring stories of adaptation and innovation.

This edition is highlighting practical pathways towards economic stability, climate resilience, inclusive development, and sustainable growth as Malawi confronts the 'giants' of shocks.

Enjoy your reading

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PARTNERS IN GROWTH

WHY MALAWI NEEDS STRONGER BANK AND INSURANCE COLLABORATION

Insurance, banking, pensions, and capital markets are deeply interconnected. As major institutional investors, significant depositors, and providers of long term capital, insurers play a critical role in supporting liquidity, economic growth, and financial stability. Greater collaboration between banks and insurers presents a practical opportunity to deepen financial inclusion, diversify revenue streams, and improve outcomes for businesses and households across Malawi.

Drawing on more than two decades of experience across financial services in Africa, Europe, and the United States, NICO Life Chief Executive Officer Wise Chigudu reflects on how insurance can strengthen Malawi's banking system, deepen financial inclusion, and unlock long term capital for national development.

Firstly, why is insurance relevant to the banking sector today?

Insurance and banking are deeply interconnected. Banks mobilise capital and extend credit, but insurance protects that capital and provides stability within the financial system.

In Malawi, where inflation, income volatility, and employment risk affect households and businesses alike, insurance plays a critical role in safeguarding individuals, balance sheets, and financial institutions. Credit life protects loan portfolios, while savings, pensions, and risk products underpin confidence in long term financial planning.

Beyond protection, insurance companies are also systemic financial actors. NICO Life alone manages a balance sheet of circa K2 trillion in assets, positioning it among the largest pools of long term capital in the country.

Across the industry, insurers play a critical role in mobilising and allocating capital. Through investments in government securities, listed equities, property, and other long term assets, insurance savings help finance economic activity while supporting liquidity and stability across capital markets. We are significant depositors in banks and microfinance institutions, providing liquidity to the system, and we are among the largest institutional investors on the Malawi Stock Exchange. Through these channels, insurance supports credit creation, deepens capital markets, and contributes to overall financial stability.

Insurance is not peripheral to the financial system. It is part of the core infrastructure that enables the system to function effectively.

You took over as CEO of NICO Life in January 2024. What was your initial focus?

The business had a strong foundation, but the operating environment demanded sharper execution. My focus was to strengthen resilience, operationally, financially, and strategically. That meant tightening execution, improving the quality of profitability, accelerating product innovation, and ensuring that growth aligned with Malawi's real economic conditions.

Since taking on the role, one of my priorities has been to ensure that NICO Life is understood not only as an insurer, but as a financially significant institution within Malawi's banking and financial landscape.

In the most recent financial year, NICO Life delivered a profit after tax of ~K156 billion. Combined with a balance sheet of approximately K2 trillion in assets, this highlights the scale at which insurers contribute to capital formation, liquidity, and financial stability.

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MR. WISE CHIGUDU,
Chief Executive, Nico Life

That level of performance reinforces an important point. Insurers are substantial balance sheets, long term capital providers, and credible partners in shaping financial sector growth.

What would you say has been the defining change under your leadership?

The defining change has been clarity of purpose, translating ambition into disciplined execution. We aligned the organisation around a simple but powerful question: how do we grow sustainably while remaining genuinely relevant to customers' lives? That clarity sharpened priorities, improved decision making, and focused resources on areas that create real value.

It also strengthened our execution culture, particularly in product innovation, distribution partnerships, customer experience, and profitability management. In practical terms, it meant moving away from activity for its own sake and concentrating on initiatives that deepen protection, expand access, and support long term growth.

Malawi's economic environment has been particularly challenging. How have you navigated this?

Operating in Malawi requires realism. Households face rising costs, income uncertainty, and limited buffers. Businesses face currency pressure and constrained capital. Insurance solutions that ignore these realities simply do not work.

We have responded by designing products that acknowledge volatility rather than assume stability, emphasising flexibility, affordability, and real value when customers need it most. Challenging environments demand discipline, and in many ways, they have sharpened ours.

How has your customer centric approach translated into real change?

We have focused on trust and accessibility. That means simpler products, faster claims settlement, clearer communication, and smarter use of digital tools. Insurance only works if customers understand it and believe it will deliver, especially at moments of stress.

Where do you see the biggest opportunity for growth in Malawi's insurance sector?

The biggest opportunity lies in making insurance relevant across the full economic spectrum.

At the mass market level, our Tilitonse funeral product, developed in partnership with TNM, has enabled us to reach households we would previously not have been able to serve, providing low cost protection and meaningfully deepening financial inclusion.

At the other end of the spectrum, we have introduced Educover, distributed through banking channels. Educover ensures that children's education continues uninterrupted in the event of death, critical illness, permanent disability, or retrenchment of a parent or guardian. This directly addresses one of the most immediate financial anxieties facing Malawian families who invest heavily in private education.

Together, these solutions reflect a deliberate strategy. Insurance must adapt to people's lives, income levels, and aspirations, rather than forcing a

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one size fits all model.

What role does collaboration with banks play in achieving this?

Collaboration with banks is essential, particularly in the current operating environment where pressures are being felt across the entire financial sector. Banks are facing tightening interest margins, evolving rate dynamics, and the prospect of domestic debt restructuring, while insurers are also navigating investment volatility, including the performance of the Malawi Stock Exchange and broader macroeconomic uncertainty.

This shared context matters. Bancassurance should not be seen as one sector assisting another, but as a collaborative response by financially significant institutions facing similar structural challenges and seeking more resilient, diversified income streams.

Globally, bancassurance has proven to be one of the most effective ways to deepen insurance penetration while enhancing bank profitability.

In Europe, bancassurance typically contributes 15 to 35 percent of non interest income for banks, and in countries such as France, Italy, and Spain, it accounts for as much as 60 to 65 percent of life insurance distribution. Institutions such as BNP Paribas and Banco Santander have embedded insurance into their core customer propositions. We are seeing similar momentum emerging in markets such as Egypt. There is no reason Malawi cannot achieve the same. The models are proven and scalable. What is required is stronger partnership, aligned incentives, integrated distribution, and a shared commitment to customer value.

What does successful bank and insurance collaboration look like in practice?

Malawi already has an important success story. Credit life insurance, distributed through banks and other lenders, is by far the most established and successful form of bancassurance in the market today. In many respects, it has demonstrated the value of bank insurer collaboration by protecting both borrowers and lending institutions while improving the resilience of loan portfolios.

The opportunity now is to build on that foundation. Beyond credit life, banks and insurers can work together to distribute protection, retirement, education, and savings related solutions through branch networks and digital channels. Pension and retirement products can be offered alongside savings solutions, while insurance products can support lending decisions by protecting the assets and cash flows that underpin credit.

Effective collaboration works best when both institutions bring scale, capital, trust, and long term commitment to the table.

Stronger collaboration between banks and insurers is also aligned with broader national objectives. The Reserve Bank of Malawi and other stakeholders continue to promote financial inclusion, consumer protection, and wider participation in formal financial services. Greater integration between banking and insurance can accelerate progress towards these goals while supporting sustainable commercial growth.

For households and SMEs, the benefits are practical rather than theoretical. Better access to insurance can protect families against financial shocks, support continuity of education, reduce loan default risk, strengthen business resilience, enable faster claims settlement, and contribute to more sustainable access to credit.

What leadership lessons have you taken from this journey?

Clarity matters more than complexity. Execution matters more than ambition alone. Resilience is built through adaptability, not optimism.

How do you see the future of insurance in Malawi, and what would you ask of the banking sector?

I am optimistic about the future of insurance in Malawi, but real progress will depend on how effectively banks and insurers work together.

Insurance has a critical role to play in Malawi's next phase of development. It protects households against shocks, supports credit expansion, mobilises long term savings, and provides patient capital for growth. Banks sit at the centre of this ecosystem, and insurers are natural partners in strengthening it.

The opportunity before us is clear. Bancassurance is not an experiment. It is a proven global model and an emerging African success story. What Malawi needs now is intentional collaboration, shared product design, aligned incentives, integrated distribution, and a joint focus on customer value rather than transactional sales.

At NICO Life, we are ready to partner as peers. We bring capital, product innovation, risk expertise, and a long term perspective. Whether it is protecting loan books, safeguarding household aspirations like education, or extending affordable cover to underserved communities, insurers can help banks deepen relationships while diversifying income.

The question is no longer whether bancassurance works. The question is whether we are willing to scale it together.

If we do, insurance will not sit at the margins of Malawi's financial system. It will become one of its strongest pillars.

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Author Bio

Wise Chigudu is Chief Executive Officer of NICO Life Insurance Malawi. A qualified actuary with an MBA from the University of Oxford, he has over 26 years' experience in financial services across Africa, Europe, and the United States. He has held senior leadership roles in insurance and reinsurance internationally.

WELCOME TO MALAWI:

WHERE CULTURE AND THE ECONOMY GROW TOGETHER

"Welcome to Malawi, the Warm Heart of Africa." These words are etched into the hearts of many people across the country.

They are also displayed on a giant billboard that stands majestically opposite the road from Kamuzu International Airport (KIA), the main gateway into Lilongwe, Malawi's capital city and the seat of government.

Lilongwe, with an estimated population of more than 1.34 million people, is one of the country's largest and fastest-growing urban centres. As Malawi's political capital, it reflects the character of the nation itself—a people who are resilient, hardworking, and always striving for growth. This spirit of resilience and optimism is deeply rooted in Malawian culture.

Malawi is a culturally rich nation, home to many ethnic groups, each with its own language, customs, music, and traditional dances. The major ethnic groups include the Chewa, Lomwe, Yao, Tumbuka, Ngoni, Sena, Tonga, Nkhonde, Lambya, and Sukwa.

Each community has preserved its unique traditions through generations, creating a rich tapestry of languages, ceremonies, music, dance, and customs.

These diverse cultures are celebrated through colourful festivals, traditional ceremonies, local cuisine, and handcrafted art.

Despite their distinct cultural identities, Malawi's ethnic communities live together peacefully, promoting national unity and making the country a vibrant and welcoming nation proudly known as the "Warm Heart of Africa."

This phrase "Warm Heart of Africa" perfectly captures the true spirit of Malawi and its people. It reflects the kindness, friendliness, and hospitality for which Malawians are renowned. Visitors are welcomed with genuine warmth, respect, and a strong sense of community.

> *By preserving its traditions while embracing sustainable economic development, Malawi is creating new opportunities for future generations.*

Beyond hospitality, the slogan represents the nation's enduring values of peace, unity, compassion, and harmonious coexistence. It also celebrates Malawi's rich cultural heritage, where people from different ethnic backgrounds preserve their traditions while living together in harmony.

Combined with the country's breathtaking natural beauty, these qualities make Malawi a welcoming destination and a nation whose greatest strength lies in the warmth, resilience, and generosity of its people.

No discussion about Malawi would be complete without mentioning its extraordinary natural beauty. The sparkling waters of Lake Malawi, rolling highlands, lush forests, and abundant wildlife make the country one of Africa's most captivating destinations.

Its national parks and wildlife reserves provide opportunities to see elephants, hippos, antelopes, and hundreds of bird species thriving in their natural habitats. Beyond its landscapes, Malawi's beauty is reflected in its vibrant cultures, colourful traditional dances, welcoming communities, and rich artistic heritage.

The combination of stunning scenery, cultural diversity, and genuine hospitality creates an unforgettable experience for visitors from around the world.

Respect for elders, strong family bonds, and a spirit of cooperation remain important cultural values throughout the country. Traditional ceremonies, storytelling, crafts, and festivals continue to preserve Malawi's heritage while strengthening community ties across generations.

Agriculture remains the backbone of Malawi's economy. Most people earn their livelihoods through farming crops such as maize, tobacco, tea, sugarcane, and groundnuts. Fishing, particularly from Lake Malawi, also provides food, employment, and income for many households.

In urban areas, small businesses, trade, tourism, and manufacturing play an increasingly important role in driving economic growth.

Culture also makes a significant contribution to the economy. Tourists visit Malawi to experience its traditional dances, music, cultural festivals, arts, and breathtaking landscapes.

Local artisans generate income by producing and selling baskets, wood carvings, pottery, textiles, and other handcrafted products. The country's strong tradition of community cooperation enables farmers to share knowledge, labour, and resources, improving agricultural productivity and supporting rural livelihoods.

Although Malawi continues to face challenges such as climate change, unemployment, and poverty, the nation remains determined to build on its cultural strengths.

By preserving its traditions while embracing sustainable economic development, Malawi is creating new opportunities for future generations.

Ultimately, Malawi's greatest strength lies not only in its natural beauty or cultural diversity, but in its people. Their resilience, generosity, unity, and unwavering spirit continue to shape a nation that proudly lives up to its name as the Warm Heart of Africa. ■

FACING THE GIANT:
MALAWI'S READINESS FOR EL NIÑO WEATHER

UNDER THREAT—Food security —File photo

In the centre of the storm' best describes the situation Malawi finds itself in, weatherwise.

According to United States science agency Noaa, El Niño weather conditions are expected to develop later in 2026.

According to the World Meteorological Organisation (WMO), the El Niño weather phenomena occurs when sea-surface temperatures in the Central Equatorial Pacific are higher than normal, a development that culminates in depressed rainfall in countries such as Malawi. When temperatures are lower than average, the condition is called La Nina.

For Malawians, it is not like El Niño is making its first knock on the day. There have been several El Niño phases in the past 40 years.

For Malawians, it is not like El Niño is making its first knock on the day.

What I remember vividly is the situation in the 2014-15 farming season, when the-then Ministry of Natural Resources, Energy and Mining urged farmers not to be alarmed by official reports of impending El Nino conditions. The ministry indicated that the phenomenon's effects would not be as severe as those caused by previous El Nino spells.

It was the same case in 2015. Hunger, like a mysterious animal, loomed over Malawi's 2015-16 farming season. Again, El Niño was the name of the animal.

Rainfall affairs have always been an unpredictable business in the country. When the rains pour in droves, they often open

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TOLD TO PREPARE—Local farmers—File photo

Due to weather phenomena such as El Niño, Malawi has been facing an array of challenges, including the drying up of some lakes.

the floodgates of disaster. When they fall short of expected amounts, they reduce farmers' hopes of a bumper yield to ashes.

In the past, the Government of Malawi has resorted to procuring drought insurance policies from the African Risk Capacity Insurance Company Limited to cushion farmers from the effects of El Niño and other weather phenomena. In the 2015-16 farming season, for instance, Malawi procured such a policy, meaning that the exact amount of the pay-out to which the country would be eligible reached a maximum of US$30 million, depending on the extent of the drought.

However, El Niño had other ideas in the 2016-17 farming season as, against the Malawi Government's best wishes and farmers' best hopes, El Niño came, frustrated the country's food production levels and left Malawians in what was becoming the familiar territory of trepidation over weather patterns.

At that time, El Niño, which also affected other Southern African Development Community countries such as Zimbabwe, Madagascar and South Africa, came and doused the fire of optimism as rain-fed agriculture failed to drive Malawians to the promised land of food security.

No wonder, the-then Finance Minister Goodall Gondwe highlighted during presentation of the 2016-17 Budget Statement to Parliament that "Malawi is facing yet another wave of food insecurity, this time occasioned by the El Niño climatic episode".

As a result, maize production declined by an estimated 12.4 percent when compared with the production levels of the 2014-15 season. Maize production was initially estimated at 2.4 million metric tonnes before the figure was adjusted after factoring in the eventuality of post-harvest losses.

"Importantly, it is estimated that the country requires an additional 790,000 metric tonnes of relief food to support an estimated 8.4 million people. An additional 250,000 metric tonnes are required for sale in ADMARC [Agricultural Development and Marketing Corporation] markets, while another 250,000 metric tonnes is required to restock the strategic grain reserves. The production of other food crops such as rice, wheat, sorghum and millet has also been generally poorer than last year," Gondwe indicated at the time.

Not surprisingly, State President, Professor Arthur Peter Mutharika, declared a State of National Disaster on April 12 that year, opening the road for local and international support. In line with this, the 2016-17 proposed National Budget provided for the allocation of K35.5 billion to go towards the exercise of purchasing food.

Due to weather phenomena such as El Niño, Malawi has been facing an array of challenges, including the drying up of some lakes. According to the 'Fisheries Integration of Society and Habitats (Fish) Project' Briefing Note, for instance, the 2015-16 season El Nino event had catastrophic consequences on Lake Chiuta, which started receding. The note, which was compiled by Dick Kachilonda, was titled 'The Impact of the 2015-16 Season El Niño Event on Lake Chiuta Recession, Fisheries Biodiversity and Livelihoods'.

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DIRE—A dry Lake Chirwa—Photo Credit: **China Daily**

Lake Chiuta's pan-shaped basin lies on the eastern side of the Mlomba Upland area, with drainage from the basin flowing directly into the lake through a series of affluent streams, controlling both lake level and volume. The inflow from the Mpili River on the western side of the lake influences the water level of the lake.

In the northeast, Lake Chiuta has an outflow into Mozambican Lake Amaramba during times when the water level is high and no outflow (endorheic) when the water level is low. A sandbar about 20 m above lake levels separates Lake Chiuta's wetlands from those of Lake Chilwa. The two lakes were once connected; separating sometime in the last 15,000 years.

The note indicates that Lake Chiuta has historically fluctuated between 20 and 300 km2 depending upon season and rainfall levels, and is extremely susceptible to variations in precipitation and climate change. The pan-shaped basin in which the lake lies markedly amplifies climatic influences and fluctuations.

Indeed, in 1975, the lake shrank to 20 km2 (i.e., only 10 percent of the maximum published size of the lake). In 1989, the lake reached an above average surface area of 193.5 km2 (i.e., ~97 percent of the maximum published lake surface area. Although the lake has widely fluctuated in size, the 2025-16 period was the first time that the lake's recession and its impacts on fisheries and livelihoods of riparian communities was being monitored in real time.

"Due to the serious food shortages that have occurred in the area, fishers and farmers have converted lakeshore vegetation areas and dry lake beds into gardens where they are growing crops such as maize and vegetables using water from the lake for irrigation and residual moisture, respectively. This practice is destroying critical fish breeding and nursery habitats, which could delay the recovery of fisheries when the lake water levels return to normal. Since the fishing communities are deemed to be well-off than farmers they do not generally receive food aid.

"As a consequence, they are resorting to illegal fishing to earn income that they can use to buy food. Unfortunately, the fish catches have also dwindled and this has affected their income. Consequently, the fishers are bearing the brunt of both a failed fishery due to the lake recession, the drought and a policy that does not provide them a food safety net during famine. To address the food security and livelihood challenges the communities are facing due to the drought and the lake recession they have made the following recommendations," the report reads.

Way forward

Considering that there is a possibility of El Niño in the forthcoming season, a number of measures have to be taken.

The first one is crop diversification so that resilient crops can be

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prioritised. Meal plans students have in our schools are subconsciously reflected in their homes when they grow up. No wonder, maize-based meals dominate.

This is despite the fact that the country has other crops, notably rice, Irish potatoes, sweet potatoes, cassava, sorghum and millet, among others.

The truth is that Malawi has plenty of food stuff, most of which are readily available at one point or another of the year.

A case in point is the Shire Valley, where community members used to eat nsima ya mapira/mawere (sorghum) along with cassava until the early 1990s, when they suddenly adopted the love for maize flour.

In Chitipa and Karonga districts, bananas and rice were a staple meal, mixed with meat and sour homemade yoghurt.

In Nkhata Bay District, rice with batala, or cassava flour with usipa, were the main delicacies. They were, at times, complimented by bananas.

This also applied to parts of Salima and Nkhotakota districts, not forgetting the Malosa/Lake Chirwa area in Zomba, all the way to Phalombe District, where rice and kalongonda and cow skins were dominant.

There are countless examples. From Chiringa via Phodogoma, Sokasanje all the way to Muloza, rice and khobwe were the main meals. Add the people of Dedza and Ntcheu districts, where they are famous for cultivating Kachewere [Irish potatoes].

Fishers, who are scattered across the country, also have their fish-based diet, meaning that the country can rely on one diet or another all-year round.

Even for those that are in maize-farming areas such as Rumphi, Mzimba, Kasungu, Dowa, Ntchisi, Mchinji, Mangochi, Lilongwe, Mulanje, Chiradzulu, Mwanza, Neno and Balaka, they traditionally consume Maungu [pumpkins], Mphonda, Irish and sweet and potatoes during the lean season, which the Malawi Vulnerability Assessment Committee and the Department for Disaster Management Affairs segment as the time between October and March.

There is a need for Malawi to revert to the period when cassava and sorghum used to come from Luchenza, Bilira, Lirangwe, Chipini, Chingale and Salima by trains to Blantyre and Limbe train stations and Kanengo train stations.

In Mzuzu City, bananas and cassava used to come from Nkhata Bay to the main market.

At fault could be the national adoption of 'Magulu Atatu' philosophy. Between 1980 and 1990, the aggressive home economics, propagated by teachers and Malawi Broadcasting Corporation programmes such as 'Pantondo', propagated the message of three basic meals: Nsima for energy; proteins, be it beans, meat or fish; and vegetables.

These were regarded as prerequisites for living a good, quality and healthy life.

It took the HIV and Aids pandemic for people to appreciate the need for diversified meals that include futali (potatoes with groundnuts flour), soya porridge and not maize porridge only, groundnuts porridge and highly nutritious vegetables such as bonongwe, chisoso and chigwada.

Extension workers should, once again, start civic educating people that food is not nsima and nsima is not the only food that is available in Malawi.

For people like those who depend on Lake Chiuta, solutions include providing them with irrigation pumps so that they can irrigate their crops and be in a position to be going for a second crop of maize. The irrigation activities will surely reduce fishing efforts and prevent the destruction of fish breeding habitats as the gardens will not be opened in biodiversity sensitive areas.

It is also high time Environmental and Social Impact Assessments for irrigation development around areas that have massive bodies of water were conducted so that the rest of the country could be tapping water from there and using it when El Niño and other weather phenomena hit Malawi.

Timely delivery of weather messages is also key to preparedness, hence

> ***...extreme weather events not only threatened lives but also undermined food security, livelihoods, ecological integrity and development gains.***

there is a need to create and, where they exist, strengthen weather clubs in villages across the country. In May 2026, I was excited when I learned that communities in Phalombe District are now experiencing improved early warning systems as well as timely and reliable weather updates following the handover of a newly built weather monitoring station by the Food and Agriculture Organisation to the Department of Climate Change and Meteorological Service.

The weather monitoring station is located at Phalombe Teachers College.

Phalombe is one of the districts that are continuously hit by extreme weather conditions, which have seen it being affected by floods, drought and other climate-related hazards. Needless to say extreme weather events not only threatened lives but also undermined food security, livelihoods, ecological integrity and development gains.

This can be replicated across the country.

In conclusion, with climate change now the reality of our lives, weather phenomena such as El Niño are here to stay. The choice we have is not to run away from there—for there is nowhere to run—but to prepare for them the best way possible. Coordinated efforts are, therefore, needed for Malawians, and the world as a whole, to navigate past challenges that El Niño will, from time to time, throw at us. ■

TRAPPED IN THE WEB OF ECONOMIC STAGNATION

SCARCE—Forex

That the domestic economy has stagnated or is wallowing in sheer stagnation does not need a professor of economics to explain.

In fact, the stagnation is fast eating into the pockets of many Malawians, especially those in the low income bracket, and who are living below the set international poverty line of $3 (about K5,205) a day as defined by the World Bank.

The economic stagnation enshrouding the country is not a natural phenomenon like an earthquake or flooding.

It is a product of failed economic policies and prescriptions.

As a result, the stagnation has bred low production and growth, high inflation, unsustainable debt accumulation, and foreign exchange shortages.

These vices have suffocated the economy hard, culminating into a historic fragile recovery and a significant impact on the livelihoods of the citizens.

These vices have suffocated the economy hard, culminating into a historic fragile recovery and a significant impact on the livelihoods of the citizens.

As if that is not the case, the government's effort to stabilize the economy seem to hit a snag with the country continuing to face the aftermath of a turbulent 2024 marked by sharp currency devaluation, inflation spikes, and the scramble to bring back lost confidence with the International Monetary Fund (IMF) and other development partners.

In fact, since 2012 when the country was hit by a worst public finance management

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BEEN OFFERING SUPPORT—IMF offices in Washington DC

scandal christened Cashgate, donors have been jittery to come back full-throttle, with many preferring to close their aid taps for good while some opting to rechanneling their resources to Non-Governmental Organisations (NGOs).

That alone has also prolonged the economic stagnation.

On June 3, 2026 when he presided over the National Economic Recovery Plan consultative meeting in Lilongwe, Malawi Finance Minister Joseph Mwanamvekha publicly admitted that the economy is currently under severe stagnation and requires concerted efforts to change the status quo.

"Let us be honest with ourselves as a nation. The economic situation we are facing today did not emerge overnight. The challenges we are confronting are deep, structural, and accumulated over many years and exacerbated in the past 5 years…

"We are not here merely to recount our struggles, nor are we here to resign ourselves to economic stagnation," he said.

What is of essence, at this point, according to Mwanamvekha is seeking solutions, adopting strategies "that will put us on a sustainable growth trajectory", and ensure that we build an economy that works for every Malawian.

We are not here merely to recount our struggles, nor are we here to resign ourselves to economic stagnation.

Economic stagnation is simply defined as a prolonged period of little or no economic growth often accompanied by high unemployment and underutilized resources.

It is often distinguished from sharp contractions like a recession which entails two consecutive quarters of negative Gross Domestic Product (GDP).

According to Macro-trends website, Malawi's GDP growth rate for 2023 was 1.89 percent, a 0.97 percent increase from 2022 while that of 2022 was 0.92 percent, which represented a 3.64 percent decline from 2021.

Despite some progress towards stabilisation, the underlying pressures remain evident, and the economy is still not on a path to sustainable growth.

Trapped in the sphere of macroeconomic stagnation

According to the World Bank, Malawi's economy is not completely stagnant in terms of zero absolute growth, but rather the domestic economy is trapped in a cycle of severe macroeconomic strain and low per-capita growth.

From the lens of average income per each Malawian, published data from the IMF shows that the GDP per capita income has dropped over the past years to $463.73 (about K810 713) in 2024 from a peak of $580.92 (about K1 million) in 2021.

This entails a clear reversal in economic gains and is no sweet news for a country which eyes to attain a middle income economy by 2030, according to an ambitious Malawi 2063, which replaced Malawi Vision 2020.

Middle-income countries (MICs) are defined primarily by their Gross National Income (GNI) per capita, as classified by the World Bank. As it stands, MICs are those with a GNI per capita ranging approximately between $1,036 and $4,045, and this range is way below Malawi's per capita income of around $500.

The problem, according to Lilongwe-based economist Richard Zidana, is that while the economy technically expands each year, the growth is

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frequently outpaced or neutralized by high population growth, soaring inflation, and a flurry of back-to-back severe external shocks.

"A country faces an effective contraction when its population grows faster than its economy. So, you can attest to the fact that Malawi's population is expanding at roughly 2.6 percent annually, but real GDP grew by only 1.7 percent in 2024 and 1.9 percent in 2025.

"Because of this gap, GDP per capita has declined for four consecutive years, meaning the average Malawian is economically worse off than they were a few years ago," he said.

Choking debt burden

Malawi's public debt, which comprises domestic and foreign debt, is also posing as one key variable which continues to make the economy stagnant.

The central government continues to borrow more from domestic and external sources, thereby increasing Malawi's debt distress mode.

According to the World Bank, through its recently-released Malawi Economic Monitor (MEM), debt has risen to levels last seen during the early 2000s.

It says following the completion of the Highly Indebted Poor Country (HIPC) initiative in 2006, when public debt stood at roughly 20 percent of GDP, the debt-to-GDP ratio climbed to nearly 90 percent by 2024.

Public debt which was estimated at around K4 trillion in 2020, has now dramatically grown to around K24 trillion by April 2026. Such astronomical or exponential growth is troubling and worrying to the country's future generations.

The sharp accumulation reflects a combination of subdued economic growth, persistent and sizable fiscal deficits driven by inefficient spending, continued exchange rate pressures, and a residual, which includes government expenditures to cover losses by state-owned enterprises, says the global multilateral creditor.

While Malawi is in the same lane as her peers in the sub-Saharan region, especially other former HIPC countries, Malawi's story is different.

Malawi is currently in debt distress, and has much larger fiscal deficits than relevant comparators.

While certain other HIPC countries—such as Ethiopia, DRC, and São Tomé and Príncipe—are also in debt distress, their fiscal deficits are comparatively smaller, World Bank notes.

Debt trap is seen to be worsening as Treasury battles wider fiscal deficits which have over the years averaged 10.9 percent of GDP—among the absolute highest in Sub-Saharan Africa.

In the 2026-27 National Budget, Finance Minister Joseph Mwanamvekha admits that perpetual and higher fiscal deficit is one key headache he is facing and he commits to trimming such deficit from the current 11.9 percent to 9.0 percent of GDP and consequently slashes the government borrowing and debt. How he intends to do that remains a mystery.

Total public debt in itself is shocking in nominal terms, hovering around 88 percent to 93 percent of GDP, as at March 2026, hence crowding out private investment.

This simply means that what Malawi government owes its creditors is almost equal to the size of the economy.

Domestically, the government is borrowing heavily, and is using the available banking credit to narrow the deficit but this keeps driving up interest rates which is not healthy to an economy as it denies creditors of the much-needed capital to inject into their businesses.

For an economy which is limited in terms of diversification and depends on agriculture since time immemorial, this continues to make economic stagnation even worse as the country continues to be pummeled by economic shocks of many forms and nature.

Adding salt to the wound, the private sector is also hampered by erratic electricity, a lack of foreign exchange to import raw manufacturing inputs, and exceptionally high borrowing costs, making most local firms operating at less than half of their productive capacity.

The stagnation is a worrying story not worth narrating to the international stage.

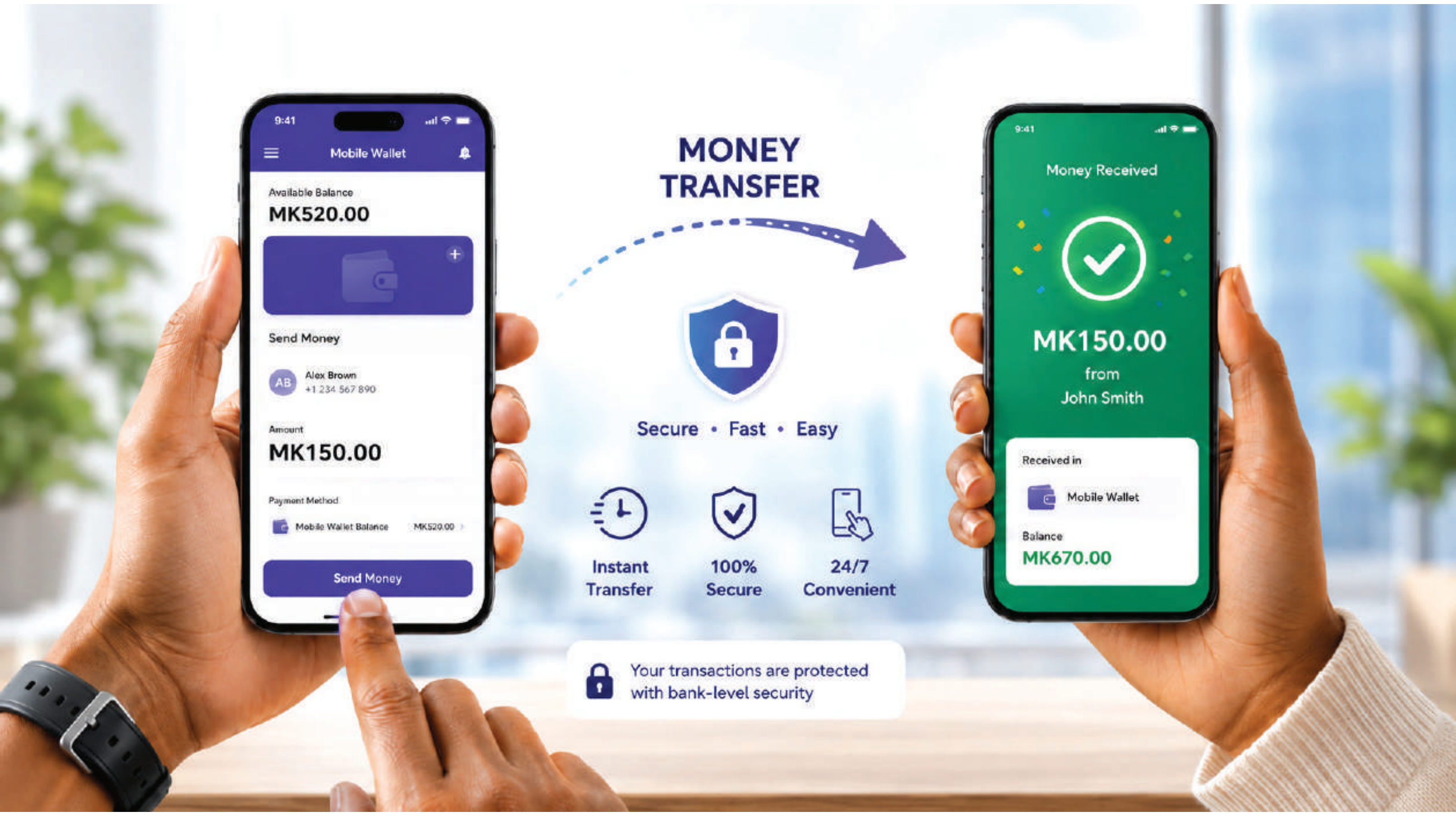
Looking ahead, the Malawi government, in collaboration with authorities, has a key responsibility to immediately address the current foreign exchange crisis, increase and diversify exports, restore debt sustainability, increase revenue mobilization, address electricity supply crisis, and also ensure food security.

These could help move the economy out of stagnation and place it on a growth trajectory mode.■

FINANCIAL INCLUSION OR EXCLUSION:

CONTRADICTION IN MALAWI'S POLICY ON DIGITAL TRANSACTIONS

BY VITUMBIKO OSWELL MFUNE



ATTRACTS LEVIES—Electronic money transfer

Over the years, the Government of Malawi has always emphasized the importance of financial inclusion as an important aspect of economic development.

This has been made possible through the Reserve Bank of Malawi (RBM), which has undertaken several interventions to ensure that access to banking, digital payment, mobile money and other formal financial services is increased.

The newly developed National Strategy for Financial Inclusion III (2024 – 2028) targets increasing access to at least one formal financial service to 95 percent of Malawi's adult population by 2028.

The recent development of imposing charges on electronic bank transfers by the government through commercial banks constitutes a major conflict of interest in terms of government policies.

Although the government aims at encouraging the citizenry to adopt e-financial services, the taxes imposed on such services might discourage usage thereof.

The following question therefore comes into play: Is it possible for Malawi to attain financial inclusion despite increased costs?

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ANNOUNCED THE LEVY—Finance Minister Joseph Mwanamvekha

Importance of financial inclusion

The song of financial inclusion has been sung for many years. By now, many people are aware of the fact that financial inclusion is the provision of affordable financial products and services like savings, payment, credit, insurance, and investment services to individuals and businesses.

It is an element that contributes greatly to the achievement of economic growth, poverty alleviation, entrepreneurship, and social development.

Through financial inclusion, people are able to access savings and loans products and conduct business activities formally and conveniently.

The need for financial inclusion is high in Malawi due to the high proportion of its population that live in rural settings whereby the provision of banking infrastructure is still limited.

As a result, commercial banks through their agency banking services are considered to be one of the key enablers for providing financial services in underserved communities.

To address this problem, the government has engaged in activities aimed at promoting financial literacy and adoption of digital financial services as well as enhancing participation in formal finance through policy reforms. The National Financial Literacy and Capability Strategy (2024-2030) focuses on the inclusion of women, youth, farmers, the rural population, and MSMEs.

The Introduction of Transaction Levies

Malawi, in 2026, imposed a 0.05 percent fee for mobile money transactions and electronic banking transfers as part of wider attempts at raising domestic revenue.

The need for financial inclusion is high in Malawi due to the high proportion of its population that live in rural settings whereby the provision of banking infrastructure is still limited.

While the levy is deemed necessary by the government in order to expand its sources of funding, the initiative has stirred worries in the banking sector, mobile money providers, business community, and those advocating financial inclusion.

This is raising fears that it could erode financial inclusion gains and drive users back to cash transactions.

The problem here is rather obvious - each additional fee levied upon bank transfer transactions increases the cost of engaging in formal financial transactions.

Since costs of transactions play a pivotal role in deciding which form of money people choose in Malawi, particularly the poorest segments of the population, they could be discouraged from using banks due to higher costs.

Policy contradiction; inclusion versus taxation

This paradox exists because one policy by the government tries to promote the participation of people in digital finance, whereas another policy arguably punishes their participation. Inclusion in finance policies is supposed to increase the use of banks' accounts, promote digital payments, decrease reliance on

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> *Research has shown that excessive taxation of digital financial services can encourage users to revert to cash transactions and undermine digital transformation efforts.*

cash, as well as increase participation in the formal economy.

On the other hand, levies on transactions have raised the price of doing digital transactions, discourage their frequent use, have lately demotivated users from keeping active accounts, promote cash-based transactions, and possibly undo any financial inclusion achieved.

According to economic theory, as the price of service rises, the demand for that service falls. This is no different for digital financial services. Research conducted in various African nations has indicated that taxes imposed on mobile money and e-transactions lead to decreased transaction volume and usage of financial services.

Case studies in Uganda, Ghana and neighbouring Tanzania, where similar levies led to sharp declines in mobile money transactions can easily be referred to. Tanzania and Ghana eventually scrapped-off the tax after a significant drop in usage.

Therefore, while the levy may generate short-term government revenue, it may simultaneously undermine long-term financial inclusion objectives.

Impact on low-income households

It is unlikely that the cost imposed by transaction levies will affect all sectors of society equally. Wealthy persons and corporations will bear the increased costs without adjusting their behavior.

However, poor people, informal traders, and rural dwellers are likely to be affected by high transaction costs.

For instance, a rural farmer who receives money through mobile transactions may decide to revert back to cash transactions due to high costs of digital transactions.

Likewise, the informal trader using mobile transactions in smaller amounts may have reduced access to mobile transactions because of additional costs incurred on every transaction.

Consequently, such a levy would end up becoming a regressive tax that ends up affecting those that should benefit from the policies of financial inclusion. This goes against Malawi's overall development strategy in line with Malawi Vision 2063 and SDGs.

Lessons from international experience

Experiences across Africa provide valuable lessons. Countries that introduced bank and even mobile money taxes often experienced public resistance, reductions in transaction volumes, and concerns about financial exclusion.

Research has shown that excessive taxation of digital financial services can encourage users to revert to cash transactions and undermine digital transformation efforts.

As a matter of fact, a good number of Malawians are now opting for cash transactions over bank transfers.

Evidence from studies on digital financial services taxation indicates that poorly designed levies may reduce adoption and actual usage of mobile money services, thereby weakening financial inclusion outcomes.

These findings suggest that governments must carefully balance revenue mobilization objectives with financial inclusion goals.

A balanced policy approach

Rather than taxing mobile money and bank transfer transactions directly, Malawi could consider alternative approaches that preserve incentives for formal financial participation, these include:

a) Exempt low-value transactions from levies to protect vulnerable households.
b) Introduce tiered taxation structures where higher-value transactions attract higher rates while small transactions remain exempt.
c) Expand the tax base through formalization of businesses rather than taxing financial access itself.
d) Provide incentives for digital payments to accelerate the transition from cash to electronic transactions.
e) Strengthen tax compliance mechanisms in sectors with significant revenue leakage instead of increasing costs on financial services users.

Such measures would allow the government to mobilize revenue without undermining its financial inclusion agenda.

Conclusion

Malawi's efforts towards financial inclusion are well appreciated and necessary to ensure sustainable economic development. Nevertheless, imposition of taxes on electronic bank transfer transactions is a policy contradiction. Although the country tries to promote access to the formal financial sector, it is at the same time making use of it more expensive.

However, there is a need for the policymakers to ensure that the right balance is reached in terms of balancing revenue raising and financial inclusion.

In case the levies on transactions hinder people from participating in the digital financial inclusion, Malawi will be going backward regarding the efforts made in achieving financial inclusion in the country. Financial inclusion calls for policies that support and not discourage use of formal financial systems. ■

MAGIC IN BANKS' PROFITABILITY TRAIL

BY STEVEN GODFREY MKWETEZA

In recent years, the banking sector has been reporting high profit margins compared to the other industries. For instance, in 2025, commercial banks in the country reported to have registered a 5.9 percent growth.

According to latest reports, the country's seven out of eight commercial banks made a combined K820 billion in profit after tax in the 2025 financial year as analysed from their financial statements.

The profitability more than doubled from just K407.3 billion combined last year.

Records further show that performance in recent years has been driven by a revenue-strapped government that resorted to high budget deficit financing through treasury bills among others.

A separate analysis by the Reserve Bank of Malawi (RBM) through the half year financial stability report shows that banks assets expanded by 17.2 percent at the close of 2025 as compared to June, boasting a K9.9 trillion.

Nevertheless, the banks registered 4.4 percent loan default below the 5 percent redline.

Leading in profits value is National Bank of Malawi, which has added K198.97 billion, followed by FCB with K52.3 billion while NBS banks k150.5 billion and FDH banks K148.7 billion come third and fourth respectively.

Standard Bank, CDH Investment Banks and Centenary Bank raked in K121.7 billion, K43.22 billion and k5.1billion profit, respectively. And Ecobank, missing out on the list, as it was yet to publish its financial statement.

Questions however, remain on how commercial banks report high profit margins when customers fail to maintain their savings accounts in the banks, amidst the prevailing economic status of the country.

It is indisputable that every industry, including banking, operates with some restrictions.

Most of the rules and restrictions are there to protect people from unfair practices or to help them retain confidence in Banks generally.

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Some rules were developed when experts saw how dishonest people took advantage of new developments such as loan disbursement schemes.

The aim of banking regulations is to maintain confidence in the industry.

Depositors must believe that their money is safe, and if they have this confidence then banks can perform other services more successfully.

Without enough deposits, banks cannot function and if lack of confidence leads to a run on, then the whole economy takes a downturn. The exact restrictions vary from bank to bank or country to country.

But the most important rules ensure that banking business practices are reported accurately to the public.

The industry understands the need for regulations, which is why organisations such as the Bankers Association of Malawi (BAM) exist, for self-monitoring.

It is a fact that the aim of every business is to make profits. Every organisation devises ways of making profits and banks are no exception.

Contrary to perceptions of some cynics, most commercial banks face a lot of challenges in their work.

In an earlier interview, Felix Mlusu, the former chairman of NBS Bank, said commercial banks make profits through proper strategies and policies that are beneficial to customers.

He said banks look at market dynamics and then bring new services for the needs of the customers.

But Mlusu, a former Minister of Finance, says when the banking industry makes losses or a mediocre performance, the whole economy is bound to collapse, as has been evidenced by other economies.

"Having a robust, well regulated and a reasonably profit-making banking industry is essential to the smooth functioning of any economy. This is why banks are at the centre of public interest institutions," he said

On the other hand, Mervis Munthali, a local banking and financing expert said banks, like other financial organisations, operate best in what is called a 'free market'.

This term describes how the price of goods and services can rise or fall depending on availability, competition, new inventions and other factors.

Munthali says that there are many ways through which commercial banks rake in millions, and she cited innovations that build the clientele base by introducing new services suitable for customers.

SIMWAKA—The improvement reflects increased demand for financial products

"The introduction of new outlets or distribution channels ensures the retainment of a little something at the end of the day. We look at the market by focusing on what people want, if people want mobile banking, we introduce it because we are there to serve our customers," she said

Munthali added: We also consider good guarantees of customer loyalty. Banks have various streams of income interests, these include transactions of fees from ledger, ATM, enquiry fee and buying and selling of forex. Each account opened has a maintenance fee that a bank collects."

He says quick profits and cheap loans will probably mean less banking security, that if people feel that their funds-and the bank in which they are held-are secure, then they will remain confident in the banking industry.

Another Banker, Tisungana Mtambo said banks have different strategies and procedures which they follow to ensure that their services are meeting the expectations of customers.

"Profits are derived from revenue obtained from our provided services, apart from interest on credit facilities. There are also charges from foreign currency transactions, insurance, mortgages and overdraft facilities.

"Many banks are encouraging people to open accounts in order to develop a culture of saving among Malawians, as well as to enhance the economic development of the people through loans and forex transactions," Mtambo said.

RBM Deputy Governor Kisu Simwaka said banks have broadened the nature of their services with more online transactions, for instance.

He attributed the advancement of digital platforms as some of the

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> *“The improvement reflects increased demand for financial products and services driven by private sector borrowing for investment purposes. The sector’s growth for 2026 is projected at 5.7 percent as fiscal consolidation measures are expected to reduce government borrowing, a key contribution to the ‘sectors’ profitability.”*

factors that have contributed to the banking sector to grow.

Speaking recently in Blantyre during the launch of this year’s financial literacy week, Mlusu said the numbers of mobile phone users in Malawi has jumped, with numbers growing each year.

“One of the fastest growing areas is mobile banking or using a mobile phone to transfer funds from one account to another or pay for goods.

“Malawians are using their mobile phones and other digital gadgets to overcome the obstacles that prevented them from opening bank accounts or using banking services, such as poor road networks,” he says

According to Simwaka, in the past 10 years, the country has witnessed the financial inclusion rate jump from 44 percent to 88 percent. In the process, the transacted value has grown by close to k188.000 percent to k13.9 trillion annually.

However, the deputy governor cited rampant fraud, high transaction costs (high mobile fees), limited telecommunication coverage and inconvenient know your customer (KYC) updates as some of the major challenges affecting the progress.

Meanwhile, commercial banks are expected to continue growing their profits as the financial sector is set to grow by 5.7 percent in 2026 fueled by the private investment unlike the previous treasury bills fuelling growth.

This is according to RBM, which observes a shift in credit flow amid the fiscal authority’s reduced appetite for domestic borrowing. RBM says the 5.7 percent will emanate from increasing demand for financial products.

“The improvement reflects increased demand for financial products and services driven by private sector borrowing for investment purposes. The sector’s growth for 2026 is projected at 5.7 percent as fiscal consolidation measures are expected to reduce government borrowing, a key contribution to the ‘sectors’ profitability,” says the financial and economic review released by the central government.

In 2025, public sectors indebtedness to the banking system showed its expansion, growing by K447.1 billion to K8.7 trillion, compared to an expansion of K941.5 billion in the third quarter.

However, that decline in credit growth did not benefit the private sector as its annual credit growth rate slightly decelerated to 4.4 percent in the fourth quarter from 45 percent in the previous quarter, although it was much higher compared to the corresponding quarter of 2024.

On a quarterly basis, the stock of private sector credit increased by K55.4 billion (2.5 percent) to k2.3 trillion during the quarter under review.

A development was driven by increases in individual household loans and foreign currency-denominated loans amounting to k120.billion and k3.4 billion respectively. In contrast, commercial and industrial loans and mortgages recorded net repayments of k55.6 billion and k3.4 billion respectively.

Finance, Economic Development and Decentralization minister Joseph Mwanamveka said this has demonstrated its policy reversals to reduce the domestic borrowing following the public debt, which is now estimated at K24 trillion.

Further measures currently on the table include restructuring the debt to relieve the debt repayment pressure, although the commercial banks have expressed resistance.

Speaking during the FDH bank 2025 AGM in Blantyre, FDH Bank Managing Director Noel Mkulichi said the performance of the commercial banks has been affected by the prevailing forex and fuel scarcities and high pricing, a development which he said would result into banks recording reduced profits in the presiding years.

However, Mkulichi said the strong performance of the Bank is underpinned by strong growth in net interest income, diversified non-interest income and disciplined cost management amid inflationary pressures.■

AFTER RECORD PROFITS, NEW PRESSURE BUILDS

BY STAFF REPORTER

RESILIENT—Commercial banks

Photo Credit: **SR Nicholas**

Malawi's banking sector entered 2026 on the back of record profitability, but the industry now faces a changing operating environment as the government scales back domestic borrowing, interest rates fall and new tax measures take effect.

The country's five listed commercial banks—FDH Bank plc, NBS Bank plc, National Bank of Malawi plc, Standard Bank plc and First Capital Bank plc—posted a combined after-tax profit of K724.4 billion in 2025, up from K384.5 billion in 2024.

The performance was driven largely by strong interest income earned from loans and investments in government securities during a period of elevated interest rates.

Reserve Bank of Malawi (RBM) data shows the banking sector remained well-capitalized, liquid and profitable throughout 2025, while private sector credit grew to K2.3 trillion by the end of the year.

However, the conditions that underpinned the sector's exceptional earnings are beginning to shift.

Between January and early March 2026, investors submitted bids

The country's five listed commercial banks—FDH Bank plc, NBS Bank plc, National Bank of Malawi plc, Standard Bank plc and First Capital Bank plc—posted a combined after-tax profit of K724.4 billion in 2025, up from K384.5 billion in 2024.

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worth about K1.1 trillion for Treasury bills, but the government accepted only K278 billion and rejected approximately K823 billion, signalling Treasury's intention to reduce domestic borrowing and push yields lower.

At the same time, RBM cut the policy rate from 26 percent to 24 percent, triggering a series of lending rate reductions by commercial banks. As of April 2026, the average lending reference rate had fallen to 20.8 percent from 25.2 percent in February.

Investment analyst and former banker Benedict Nkhoma said the record profits recorded by banks in recent years were closely linked to the government's borrowing appetite.

"Banks have over the past years performed exceptionally well above inflation. A significant factor has been their investment in government borrowing instruments during a high-interest-rate environment," he said.

But Nkhoma warned that declining Treasury yields and reduced government borrowing could limit future earnings growth.

"As government borrowing declines, banks will increasingly need to look at lending to the private sector. The transition may reduce some of the easy gains that came from government securities, but it is necessary for long-term economic development," he said.

Nico Capital Limited chief executive officer Misheck Esau said banks have an opportunity to redirect capital towards productive sectors of the economy.

"The concern has always been that a large share of banking profits is coming from lending to the government. We need to see more financing going to businesses that create jobs, expand production and generate economic growth," he said.

Esau argued that while lower government borrowing could affect profitability in the short term, it could ultimately strengthen the economy by increasing access to credit for businesses.

Meanwhile, the sector is also adjusting to new fiscal measures introduced in the 2026/27 Budget, including a 0.05 percent levy on bank transfers and mobile money transactions.

Bankers Association of Malawi chief executive officer Lyness Nkungula warned that broad application of the levy could significantly increase the cost of banking services.

"When we take a strict interpretation of the law, almost all bank transfers become taxable. We need clarity because the risk is that consumers will end up paying more for banking services," she said.

NKUNGULA—broad application of the levy could significantly increase the cost of banking services

The levy comes alongside an increase in VAT from 16.5 percent to 17.5 percent and changes to corporate taxation, measures that businesses say could affect investment decisions and demand for credit.

Despite the headwinds, the sector's fundamentals remain solid.

According to RBM's Financial Stability Report, banks continue to maintain capital and liquidity levels above regulatory requirements while asset quality has improved.

Consumers Association of Malawi executive director John Kapito said the strong profitability recorded by banks should eventually translate into benefits for consumers.

"The public expects banks to support economic activity through affordable credit and improved services. The sector has demonstrated strong profitability and consumers should also share in those gains," he said. ■

SACRIFICES, GAINS FROM POLICY DECISIVENESS

COST-REFLECTIVE?—Fuel prices continue to fluctuate —File photo

Inheriting an economy burdened by hyperinflation or something closer to that, a staggering debt-to-GDP ratio, and chronic foreign exchange shortages, the government bypassed the traditional honeymoon period spiced by 'thank you rallies' in favor of immediate and painful policy decisiveness.

By prioritizing fiscal discipline over political optics, the government began to pull the economy back from the brink of total collapse.

All sectors were registering contractions or meagre growth rates, making the structure of the economy continue to fail to hold.

The hallmark of the post-September election period has been an unprecedented commitment to austerity.

Within weeks after the September 2025 election, the government moved beyond rhetoric, slashing fuel allowances for top officials by 30 percent and imposing a moratorium on non-essential foreign travel, recruitment and promotions.

Such moves were not new, to be fair. What has become new is the emphasis and visible implementation with subsequent reiteration from the midyear budget review to the new budget.

This has signalled to international donors and lenders that the era of runaway public spending is over. By the end of 2025, the fiscal deficit had narrowed.

The new budget sets the deficit at 9 percent of GDP from 11.9 the previous financial year. Although it is still high, and the margin is substantial enough to make some credit savings in the financial sector that might flow

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NEEDING ATTENTION—Public services like at hospitals —Photo Credit: **Medical Xpress**

to the private sector and make the intended impact in industrial investment.

The reduction in spending has already resulted in slowed down domestic borrowing as seen in rejection of treasury bills offered on the market. This, coupled with falling inflation, has helped to push bank rates down.

The easing down of the macroeconomic indicators has also pumped up confidence in the Reserve Bank of Malawi that has reduced the policy rate from 26 percent to 24 percent - the beginning of real recovery, perhaps?

Furthermore, the government's aggressive pursuit of debt restructuring offers to address the elephant in the room: a public debt of K23.4 trillion. A clear stance to re-profile domestic debt will surely help to ease interest payment pressure and create the much needed fiscal space.

Such a scenario can finally see the government make real investments in the growth oriented sectors of Agriculture, Tourism, Mining and Manufacturing, otherwise known as (ATMM).

While the sectors are critical to drive Malawi's future transformation, there are key enablers that also beg for resources and the new budget offers one critical area - vocational training—a relief when financing was set aside to sharpen the needed skills among the youths.

This policy ensures that the future workforce is equipped to sustain the economic gains currently being realized.

The road remains difficult. Inflation still hovers near 25 percent, and the cost of living remains a burden for many Malawians. However, the government's willingness to make unpopular but necessary choices has restored a degree of investor confidence and brought a sense of hope for full recovery and higher growth.

By choosing fiscal restraint over populist spending and structural reform over short-term fixes, the government has laid the groundwork for a more resilient nation.

While the full fruits of these labors may take years to mature, the decisive shift in economic governance has already halted the free fall of the economy, offering a rare glimpse of optimism. ■

PICTORIAL

BANKERS SPORTS DAY
IN PICTURES

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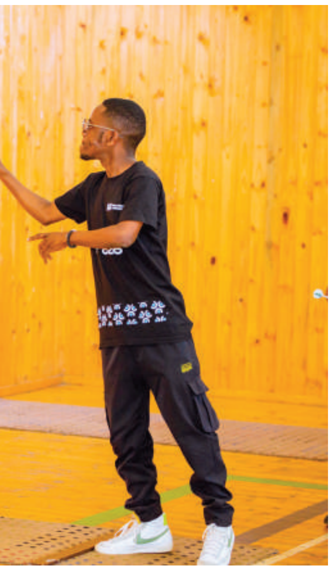
On Saturday, April 24, 2026, The Bankers Association of Malawi hosted its annual sports festival at the Silver Stadium Complex in Lilongwe. Activities were held under the theme 'Stronger together: Building health and wealth as one.' The event brought together players from the financial services sector for networking and athletic competition. The Malawi Banker Magazine captured the highlights:



1. **RAISING THE BANNER**—BAM members carry a banner as they match to Silver Stadium Complex
2. **FORWARD MATCH**—The Malawi Defence Force Brass band adding colour to the procession
3. **LEADING BY EXAMPLE**—Reserve Bank of Malawi Governor Dr. George Partridge and other officials take part in the activities
4. **RACING FOR THE PRIZE**—Participants in a sack race
5. **AIM AND SHOOT**—A darts player perfectly aims at the target
6. **ACTION**—A basketball player aims at the net
7. **FIGHTING SPIRIT**—Netball players scramble for a ball in the middle of the game
8. **MIND ON THE BOARD**—Chess players putting their thought on the game
9. **IN CONTROL**—Women football player shows her dribbling skills

AN EYESORE CALLED ELEVATED INFLATION; ANY WAY OUT?

REMAIN ELEVATED—Commodity prices—File Photo

Malawians today have randomly taken it social media, complaining that their earned income is not enough to sustain their monthly requirements when it comes to acquiring basic goods and services. In short, their general outcry is simple and unanimous: The value of money has diminished over time due to factors such as inflation, which is simply the average increase in the price of goods and services within a specified period.

There is a popular expression which goes like this: "K1,000 today is not the same as K1,000 next year" and this expression reflects the concept of time value of money (TVM).

TVM states that money received today is worth more than the same amount in the future due to its potential earning capacity and the opportunity cost of not using it immediately.

Having underscored all that, it is important to narrow this write-up to Malawi's ever-elevated and high inflation trajectory and perhaps suggest what could be the possible way out, say in the short, medium or long-term.

Just like any other economy, Malawi is also prone to both endogenous and exogenous shocks. In other words, the country is hit by both internal and external shocks that affect the livelihood or welfare of millions of inhabitants estimated to reside within the country's territorial space.

For a start, understanding key two types of textbook inflation is crucial in this context. Economists often distinguish demand pull and supply push inflation.

First, demand pull inflation occurs when aggregate demand in an economy increases faster than aggregate supply of goods, leading to higher prices as consumers compete for limited resources.

This type of inflation is often associated with a booming economy where employment is high, and consumers have more disposable income to spend.

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CHIKADZA– It is also important to put buffers

Based on precedence, Malawi swings in the same vicious cycle of surging food prices amid a weak harvest, exchange-rate distortions, monetary expansion linked to large fiscal deficits.

There are major factors that can trigger demand pull inflation include increased consumer spending, government expenditure, investment surge, and rising exports.

On one hand, supply push inflation, arises when production costs increase, forcing producers to raise prices to maintain profit margins. This can be triggered by rising wages, increased prices for raw materials, or supply chain disruptions on the globe.

Deducing these two types of inflation automatically speaks volumes that Malawi's inflation is generally as a result of supply push as the country's giant producers like Castel Malawi Limited, Shayona Cement, Electricity Supply Corporation of Malawi (Escom), among many others, often cite the increase in raw materials, or supply chain disruptions as reasons for raising prices of their commodities or services.

Malawi's inflation context in perspective:

As it stands now, it is generally agreed that Malawi is experiencing elevated inflation rates, with the headline inflation projected to remain high due to rising food prices and other essential goods.

According to the World Bank (Malawi office), inflationary pressures are exacerbated by increased costs in housing and utilities, alongside a growing money supply.

From the region's perspective, it doesn't even get better but sour as Malawi's inflation rate remains the highest in the region, though it has trended downward slightly in recent months to 21.1 percent in June.

Headline inflation averaged 28.4 percent in 2025, driven by high food prices and rapid money creation linked to large fiscal deficits, especially in the pre-election period.

In fact, the rate of inflation peaked to 30 percent in September 2025 from 9 percent in 2019, thus jumping three-fold within five years.

Looking at a broader trajectory, inflation has remained elevated since 2021 largely due to food and foreign exchange supply constraints. The annual inflation rate has declined from 32.3 percent in 2024 to 28.4 percent in 2025, mainly with food inflation easing significantly.

But government is convinced that such a trend could be reversed as the country's Finance Minister projects that inflation is projected to take a downward trajectory to 15 percent by the end of the 2026-27 financial year, signaling a gradual restoration of macroeconomic stability.

It still remains a puzzle as to how government intends to halve such a rate of inflation as the Minister himself has been elusive on how he intends to slash such a rate within such a limited time horizon.

Based on precedence, Malawi swings in the same vicious cycle of surging food prices amid a weak harvest, exchange-rate distortions, monetary expansion linked to large fiscal deficits.

This often triggers high inflation rate as deficit financing usually contributes a large proportion of broad money growth, thereby adding to inflationary pressures.

Besides, Malawi economy, especially inflation trend, is often dictated by maize availability. For example, the 2025 National Food Balance Sheet revealed that the country's maize supply was

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estimated at 2.7 million metric tonnes against a national requirement of 3.72 million metric tonnes, resulting in a deficit of 1.02 million metric tonnes.

Such deficits have traditionally triggered inflationary pressures as they lead to increased prices of the grain on the market, culminating into governments importing inflation from neighboring countries through high prices of imported grain to narrow the food deficit.

As it stands, the market has now responded by easing maize prices, significantly, where a 50kg is now selling between K25,000 and K35,000, down from around K100,000, thereby enhancing affordability and accessibility to all Malawians even during the lean period.

However, this is not an end itself as government has a daunting task, on one hand, to control non-food inflation which is also creating a lot of fiscal pressure.

Headline inflation eased again, albeit slightly, in June to 21.1 percent from 23.4 percent a month before, signaling hope for Malawi's ailing economy. In its Consumer Price Indices for June released yesterday, the National Statistical Office (NSO) attributed the drop in headline inflation in the month of June to an ease in food prices.

It says food inflation declined to 14.7 percent from 17.6 percent. Non-food inflation also moderated, but slightly, to 32.1 percent from 33.0 percent over the same period last year.

Besides, looking from the flipside, economists are worried that producers of maize in Malawi are now frustrated and disincentivised due to suppressed maize prices and thiswould likely trigger low maize production in the next harvest season, thereby throwing many Malawians into the abyss of severe hunger, while also triggering another inflation spike.

Any way out?

The current elevated inflation trajectory needs sound leadership, discipline, hard work, strategic reforms and collective national effort. This was also shared by Finance Minister recently during a consultative meeting on recovering the economy in Lilongwe.

ESSENTIAL—Maize —Photo Credit: **AfricaXpress**

"Malawi can restore macroeconomic stability, rebuild confidence, revive productivity, and return to a path of growth and prosperity," he sounded positive.

Addressing inflation also requires government to relook into its commodity price matrixes which has seen maize prices suppressed in recent times.

By motivating maize growers, that would entail creating more supplies on the market as production will be scaled up. This would help push down maize prices on the market in times of food deficit. However, this requires depoliticisation of maize pricing.

As Economics Association of Malawi (ECAMA) President Bertha Banda observes, inflation pressures traditionally emanate from a basket comprising food, housing, water and electricity, transport and communication (in that order).

"Our proposal is that, addressing inflation requires keeping these in check and when I say in check, I mean regular scrutiny by our entrusted authorities. It is also important to put buffers, commodities such as food-related, against external shocks such as wars, pandemics and other weather-related shocks. This would also help reduce inflation significantly," she said.

From another perspective, many economists also contend that it is high time Malawi fought her elevated inflation by linking public spending to production, exports and jobs.

Their argument is that the country has for so long produced less that what it consumes. While economic output, as measured by Gross Domestic Product (GDP) has increased less than the rate at which population is expanding, the imbalance has also contributed to rising prices, they reason.

The argument is premised on the fact that too many people are chasing few locally produced goods and services, leading to high trend or appetite for foreign made products as evidenced by online or digital purchase or orders of various internationally made merchandise. ■

BANKING ON INFORMATION:

WHY RECORDS GOVERNANCE DETERMINES INSTITUTIONAL RESILIENCE

BY **MICHAEL MWAMBYALE**

BY **MICHAEL MWAMBYALE**
CONTRIBUTOR

Figure 3: Cost implications of weak records governance versus the strategic value of strong information governance

Executive Summary

This article positions records governance as a critical yet often overlooked pillar of institutional resilience in the banking sector.

While banks prioritise capital adequacy, liquidity, cybersecurity, and regulatory compliance, their ability to produce accurate, complete, and reliable records underlies all these functions.

Weak records governance exposes institutions to legal, regulatory, operational, and reputational risks, particularly in environments undergoing rapid digital transformation such as Malawi.

The article argues that records management must be reframed from an administrative function to a strategic governance discipline embedded within enterprise risk management.

It highlights how fragmented responsibilities, poor retention practices, and unmanaged digital records undermine compliance, AML/KYC controls, and decision-making processes.

To address these risks, the article outlines practical priorities, including strengthening executive oversight, aligning with international standards, developing comprehensive retention schedules, integrating systems, and protecting vital records.

Ultimately, it calls on bank leaders to recognise that institutional credibility, regulatory compliance, and operational resilience depend on well-governed records. In modern banking, trust is inseparable from evidence, and evidence

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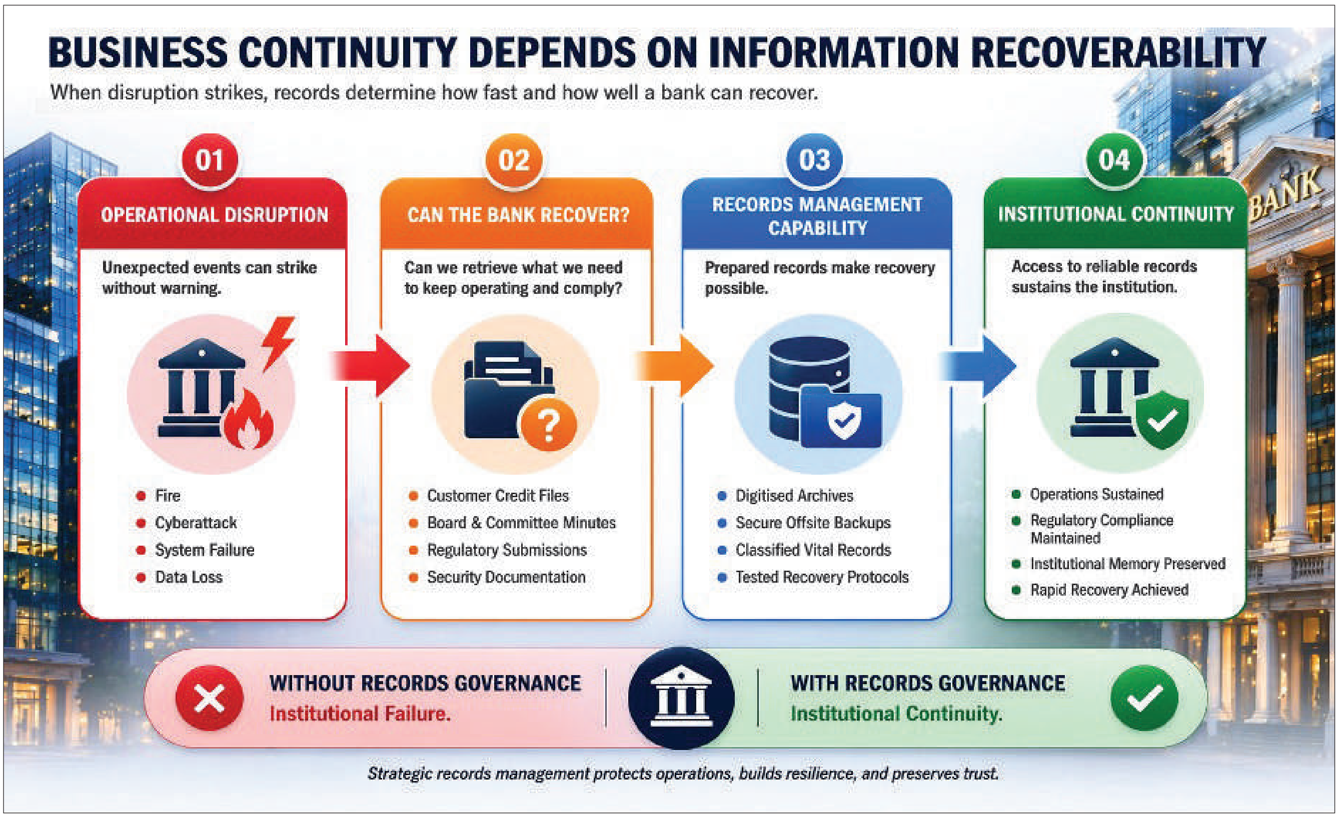

Figure 2: Business Continuity Depends on Information Recoverability

depends on records governance.

Introduction: The risk few boards discuss

In boardrooms across the banking sector, discussions routinely centre on capital adequacy, liquidity ratios, credit exposure, cybersecurity threats, and regulatory compliance.

Yet beneath all these priorities lies a foundational risk that receives far less strategic attention: "How institutions govern their records."

People still often perceive records and archives management as an administrative support function focused on filing, storage, and retrieval.

In reality, it is a governance discipline. It determines whether a bank can defend itself in court, satisfy regulatory examinations, detect financial crime, recover from disruption, and demonstrate institutional accountability.

In a developing financial market such as Malawi, where regulatory expectations are intensifying and digital transformation is accelerating, weak records governance is not a minor operational gap. It is a strategic vulnerability.

With increasing supervisory oversight from the Reserve Bank of Malawi and evolving financial crime monitoring frameworks, the ability to produce authentic, reliable, and timely records during on-site examinations is no longer optional. It is a core governance expectation.

The time has come to reposition records and archives management as a pillar of banking governance.

Why records governance Is frequently underestimated

The underestimation of records governance in banks is deeply rooted in institutional history and perception. Records management evolved from registry functions associated with paper files and physical storage.

Even as banking operations have been digitalised, the perception of records as a clerical responsibility has persisted.

The risks linked to poor recordkeeping are often invisible until a triggering event occurs. A practical example illustrates this clearly. In 2021 and 2022, major global banks, including JPMorgan Chase, were fined by regulators such as the U.S. Securities and Exchange Commission and the Commodity Futures Trading Commission for failing to retain and produce business communications conducted through personal devices and messaging platforms.

According to public enforcement releases from these regulators, the absence of properly captured and retrievable records was treated as a failure of compliance, resulting in penalties exceeding $200 million for JPMorgan alone.

A broader governance perspective is reflected in regulatory action taken against Deutsche Bank by the Securities and Futures Commission in 2025, as reported by industry sources.

The bank was fined for multiple control failures, including inaccurate valuation of client portfolios and failure to ensure that information provided to clients was accurate and not misleading.

While these issues extend beyond recordkeeping, they highlight a related governance principle: institutions must be able to demonstrate the accuracy, completeness, and reliability of the information they generate and communicate.

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Figure 3: Cost implications of weak records governance versus the strategic value of strong information governance

These cases reinforce a fundamental regulatory reality, where records and underlying information cannot be produced, verified, or trusted, the control itself is assumed not to exist.

Missing documentation may not appear problematic until a regulatory inspection, litigation matter, audit query, or AML investigation demands immediate and complete evidence. Responsibility for information governance is also frequently fragmented.

IT manages infrastructure. Compliance oversees regulatory reporting. Legal handles litigation documentation. Operations manage workflow documentation. Without an integrated governance framework, accountability becomes diffused.

Digital systems further create a false sense of security. The presence of a core banking system or cloud storage platform is sometimes mistaken for effective records governance. Yet storage is not governance. Volume is not control. Digital accumulation without structure simply multiplies exposure.

The risk implications of weak records governance

When record governance is weak, risks materialise across multiple dimensions.

Legal and regulatory risk

Banks operate within highly regulated environments. Supervisory authorities expect institutions to produce complete, reliable, and authentic records when required. Failure to do so may result in sanctions, adverse audit findings, or financial penalties.

The principles issued by the Basel Committee on Banking Supervision on risk data aggregation and reporting emphasise accuracy, completeness, and timeliness of information. These expectations cannot be met without disciplined recordkeeping frameworks.

If a bank cannot demonstrate the documentary basis of a credit decision, customer due diligence process, or board resolution, governance credibility is immediately weakened. In Malawi's tightening compliance environment, this risk is not theoretical, it is immediate.

AML and KYC Exposure

Anti-Money Laundering (AML) and Know Your Customer (KYC) controls are documentation-dependent by design. They rely on properly captured, maintained, and retrievable records. Customer identification documents, enhanced due diligence records, transaction histories, and suspicious transaction reports must be complete and accessible. Weak retention practices, poor indexing, or fragmented storage directly undermine financial crime controls.

In an inspection scenario, the regulator's request is simple: produce the file. The institution's response must be immediate and complete. A common failure point in AML and KYC compliance arises when customer files are fragmented across systems or poorly indexed.

For example, an institution may have conducted due diligence at onboarding, but if identification documents, risk assessments, or transaction histories cannot be produced during an inspection, compliance is effectively deemed to have failed. In such cases, the absence of accessible records is treated as the absence of control. ■

End of Part 1— To be continued

THE ECONOMICS OF AIR

BY **DONASIUS PATHERA, PhD**

BY **DONASIUS PATHERA**, PhD
CONTRIBUTOR

PRESERVED—Thick forests like this have proven to be ideal for climate conservation

The global marketplace has found a new frontier, and it is painted in vibrant shades of green. Across Africa, governments are increasingly looking toward carbon trading, a market system where countries or corporate entities buy and sell credits representing verified reductions in greenhouse gas emissions as a miraculous economic bridge to close the continent's staggering climate finance gap. The macroeconomic logic appears flawless on paper.

Africa contributes less than seven percent of global greenhouse gas emissions yet holds some of the planet's most vital carbon sinks, from the massive Congo Basin to expansive sub-Saharan miombo woodlands. Under ambitious continental initiatives like the Africa Carbon Markets Initiative, the continent has quickly scaled up to supply roughly twenty-six percent of the world's voluntary carbon credits.

Yet, as billions of dollars begin to swirl around these intangible environmental assets, a critical question echoes through central banks and finance ministries from Lilongwe to Nairobi: Is carbon trading a genuine economic lifeline for Africa, or is it a sophisticated new channel for green neocolonialism?

While the entire continent is discussing carbon, a clear economic tier system has emerged among African nations, driven by how rapidly governments have professionalized their regulatory frameworks.

Kenya stands as the undisputed hub of

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African carbon markets, having recently overhauled its legislative architecture to establish strict national carbon market regulations that align voluntary activities with Article Six of the Paris Agreement.

This framework explicitly mandates that a specific percentage of carbon revenues must directly benefit local community development and climate vulnerability reduction.

Similarly, Gabon has led the continent in results-based forest finance under the Central African Forest Initiative, successfully generating seventeen million dollars in results-based payouts by demonstrating verifiable carbon reductions from its strictly managed tropical forests.

The Democratic Republic of Congo has followed a similar path, attempting to turn its vast ecological footprint into hard currency by leveraging its massive peatlands. For these advanced nations, carbon is no longer a theoretical environmental concept, but a tangible budgetary line item.

For a country like Malawi, the practical application of carbon trading is both urgently necessary and incredibly complex.

Malawi's unique and fragile ecosystems are exceptionally vulnerable to severe climate disruptions, despite the country contributing practically nothing to global emissions.

Historically, Malawi's carbon trading landscape has been rooted in nature-based solutions, such as the Kulera Landscape project spanning Nyika National Park, which has utilized international standards to translate forest conservation into community income.

To formalize this emerging economy, the Government of Malawi has established cooperative framework structures under the Environmental Affairs Department to manage Internationally Transferred Mitigation Outcomes under the Paris Agreement.

Project developers are now legally required to submit a comprehensive Mitigation Activity Idea Note to ensure projects align with Malawi's Nationally Determined Contributions before being logged into a centralized National Carbon Registry System.

However, the economic practicalities on the ground reveal steep structural barriers that complicate Malawi's carbon ambitions. The most pressing challenge is a distinct mismatch between international capital requirements and domestic capacity.

Properly validating a carbon credit requires rigorous, high-tech Monitoring, Reporting, and Verification systems, yet Malawi heavily lacks the internal technical infrastructure required to accurately measure and validate these atmospheric emissions autonomously.

Furthermore, many of Malawi's carbon projects rely on preventing deforestation by introducing clean cooking stoves or paying communities to protect vulnerable woodlands.

When deep macroeconomic poverty meets a severe lack of basic rural electricity infrastructure, forcing communities to rely heavily on biomass for daily survival, enforcing long-term carbon permanence becomes an uphill battle.

This widening gap between sophisticated global buyers and under-resourced African governments has created a dangerous playground for predatory foreign investors, sparking a phenomenon often described as the green wild west. Across the continent, early carbon deals have frequently resembled the historic, unequal resource concessions of the colonial era.

Foreign project developers backed by Western or Gulf capital frequently approach cash-strapped local communities or cash-starved governments with long-term, binding contracts.

In exchange for minimal upfront capital or minor community perks, such as a few boreholes or school blocks, these investors secure exclusive rights to a land's carbon assets for decades.

The economic exploitation occurs directly in the pricing margins. A foreign developer might buy a carbon credit from a Malawian or Zimbabwean forest project for two to five dollars per ton of carbon dioxide, but flip it on the international voluntary market to an airline or multinational corporation looking to offset its footprint for thirty, fifty, or even one hundred dollars per ton.

The vast majority of the economic surplus evaporates out of the host country, leaving local communities with the long-term legal burden of maintaining the carbon sink while receiving pennies on the dollar. Furthermore, if an African nation signs away its carbon rights to foreign private entities, it loses those emissions reductions from its own national ledger.

When Malawi tries to meet its own international climate goals, it may find that its cleanest assets have already been sold off to offset the emissions of a European oil giant.

This creates an intergenerational trap where current generations or foreign entities capture the immediate cash payouts, while future generations of Africans are left with the legal and physical burden of maintaining those carbon sinks without compensation.

Carbon trading is undeniably a practical tool to unlock billions in climate finance, but African nations must transition from passive asset providers to aggressive market regulators if they are to survive this green gold rush.

To avoid being exploited, countries like Malawi must insist on strict revenue-sharing minimums, similar to Zimbabwe's recent policy shift mandating that fifty percent of all carbon project revenues must go directly to the state and local communities.

Furthermore, building sovereign, digitized national registries is entirely non-negotiable to track exactly where credits are moving. If Africa can successfully regulate its air with the same fierce sovereignty it should apply to its physical minerals, carbon trading could genuinely fund the continent's green transition.

If it fails to do so, it will simply watch as foreign capital extracts yet another valuable resource, leaving behind nothing but empty promises and locked lands. ■

FINTECH

MALAWI'S DIGITAL FUTURE:

LESSONS FROM INDIA'S ELECTRONIC PAYMENT REVOLUTION

BY FUNSANI JOHN SCANDER,
CONTRUBUTOR

In today's rapidly evolving digital economy, the ability to move money quickly, securely, and conveniently has become a cornerstone of economic growth.

Across the developing world, few countries have demonstrated the transformative power of digital payments as remarkably as India.

Over the past decade, India has undergone a dramatic shift from a cash-dominated society to one where millions of people conduct daily transactions using mobile phones, QR codes, and instant digital payment platforms.

As a Malawian currently observing this transformation firsthand, one cannot help but wonder how Malawi could leverage similar innovations to accelerate financial inclusion, improve business efficiency, and modernize its economy.

Walk into a small roadside fruit stall, a taxi, a pharmacy, or a multinational retail store in India today, and you will notice something remarkable: many customers no longer reach for cash.

Instead, they simply scan a QR code with their smartphones and complete payments within seconds.

This transformation has been driven largely by the country's digital payment ecosystem built around the Unified Payments Interface (UPI), which enables instant bank-to-bank transfers 24 hours a day.

The system has made electronic transactions so simple that even small informal traders can accept digital payments without expensive point-of-sale machines.

The result has been a significant reduction in cash handling, increased transaction transparency, and

...Continued on Page 45

wider participation in the formal financial system.

The PhonePe revolution

Among the most influential innovations in India's payment landscape is PhonePe. PhonePe has transformed how Indians pay for goods and services by making digital transactions almost effortless. Users can send money, pay utility bills, buy airtime, pay school fees, book travel, and make retail purchases through a single mobile application.

What makes PhonePe particularly impressive is its responsiveness and simplicity. Transactions are typically completed within seconds. A user simply opens the app, scans a QR code, confirms the amount, and authorizes the payment. The recipient receives instant confirmation, eliminating uncertainty and delays.

Unlike traditional banking systems that often require lengthy account details, branch visits, or complicated procedures, PhonePe simplifies the entire process into a few taps on a smartphone.

The platform has also built trust through strong security measures, including encrypted transactions, device authentication, biometric verification, and real-time transaction alerts.

Why QR codes are changing commerce

One of the most powerful aspects of India's digital payment success is the widespread adoption of QR code payments. Instead of carrying cash or swiping cards, customers simply scan a merchant's QR code using their mobile payment application. The transaction is processed instantly and securely.

The advantages of digital and QR code-based payment systems are numerous. They reduce dependence on physical cash while enabling faster transaction processing, allowing both customers and businesses to complete payments within seconds.

These systems also lower operational costs for merchants by eliminating the need for extensive cash handling and provide improved transaction records that simplify financial management and auditing.

Additionally, digital payments reduce the risk of theft, loss, and counterfeit currency, making transactions more secure.

For customers, they offer greater convenience through quick and seamless payments, while businesses benefit from enhanced transparency, improved accountability, and better insights into their financial activities.

Most importantly, QR code systems are highly scalable. A large supermarket and a roadside vegetable vendor can use the same technology with minimal infrastructure requirements.

Malawi's Current Digital Payment Landscape

Malawi has made notable progress in mobile money and electronic banking through platforms offered by commercial banks and mobile network operators. Services such as mobile wallets (TNM Mpamba and Airtel Money), SMS banking, internet banking, and agency banking have expanded financial access to many citizens.

However, much of the current ecosystem still relies on:

a) USSD and SMS-based transactions.
b) Traditional internet banking interfaces.
c) Manual merchant payment processes.

...Continued on Page 46

d) Limited interoperability between systems.

e) Dependence on cash for many day-to-day transactions.

While these systems have improved financial inclusion, they often lack the seamless user experience that has driven mass digital payment adoption in India. Many users still find certain banking processes cumbersome, particularly when making merchant payments or transferring funds between different service providers.

What Malawi Can Learn from India

Malawi has an opportunity to leapfrog traditional payment infrastructure by adopting elements of India's digital payment model.

1. **Develop a National Instant Payment Platform:**

A centralized real-time payment infrastructure connecting banks, mobile money operators, fintech companies, and merchants could enable instant transfers across all institutions. Such interoperability would eliminate many of the barriers currently experienced by consumers and businesses.

2. **Promote Universal QR Code Payments:**

The introduction of a standardized national QR payment system could revolutionize commerce. Whether purchasing groceries, paying transport fares, or buying goods from informal traders, customers could simply scan and pay using their preferred banking or mobile money application.

3. **Encourage Fintech Innovation:**

India's success demonstrates the importance of fostering innovation among financial technology companies. Malawi could create a regulatory environment that encourages fintech startups to develop user-friendly payment solutions tailored to local needs.

4. **Strengthen Digital Infrastructure:**

Reliable internet connectivity, affordable smartphones, and expanded digital literacy programs are essential for driving adoption. Without these foundations, even the best payment systems will struggle to achieve widespread usage.

With the right policy framework, technological infrastructure, and collaboration between government, banks, mobile network operators, and fintech companies, developing nations can build world-class payment systems.

5. **Build Trust Through Security:**

Consumers must have confidence that their money is secure.

Modern QR payment systems can incorporate advanced security features such as biometric authentication and multi-factor verification, ensuring that only authorized users can access and approve transactions. They can also utilize real-time fraud detection mechanisms to identify and prevent suspicious activities as they occur, while instant transaction notifications keep both customers and merchants informed of payment activity.

Furthermore, encrypted payment channels protect sensitive financial information during transmission, significantly reducing the risk of data breaches, unauthorized access, and cybercrime. Together, these features create a secure, reliable, and trustworthy digital payment environment for users and businesses alike.These features can provide greater protection than many traditional SMS-based systems.

The Economic Benefits

A modern digital payment ecosystem could generate significant benefits for Malawi by increasing financial inclusion while simultaneously improving tax compliance and broadening participation in the formal economy. It would reduce transaction costs for both consumers and businesses, particularly small and medium-sized enterprises, enabling them to operate more efficiently and competitively. Enhanced digital payment systems would also strengthen government tax revenue collection through improved transaction visibility and record-keeping.

By facilitating instant or near-instant transactions, digital payments would accelerate economic activity and improve the overall efficiency of commerce. Furthermore, reducing reliance on physical cash would lower cash handling, transportation, and security costs for businesses, financial institutions, and government agencies. Most importantly, a digital payment ecosystem would improve transparency in commercial transactions, helping to curb fraud, promote accountability, and foster greater trust within the financial system.

For a country pursuing digital transformation and economic modernization, these benefits could be substantial.

India's digital payment revolution demonstrates that transformative innovation is not limited to advanced economies. With the right policy framework, technological infrastructure, and collaboration between government, banks, mobile network operators, and fintech companies, developing nations can build world-class payment systems.

Malawi's growing mobile penetration, expanding digital infrastructure, and increasing appetite for innovation provide a strong foundation upon which to build. The future may well lie in moving beyond cash, beyond fragmented payment channels, and toward a unified, secure, QR-enabled digital payment ecosystem that empowers every citizen from urban professionals to rural market traders. India has shown that such a transformation is possible. The question now is whether Malawi is ready to seize the opportunity and write its own digital payments success story. ■

About the Author:

Funsani John Scander is a seasoned Digital Multimedia Specialist and MBA candidate specializing in Advertising and Brand Management. With over 15 years of professional experience, he serves within the Corporate Affairs Division at the Malawi Revenue Authority (MRA). He is writing in his personal capacity.

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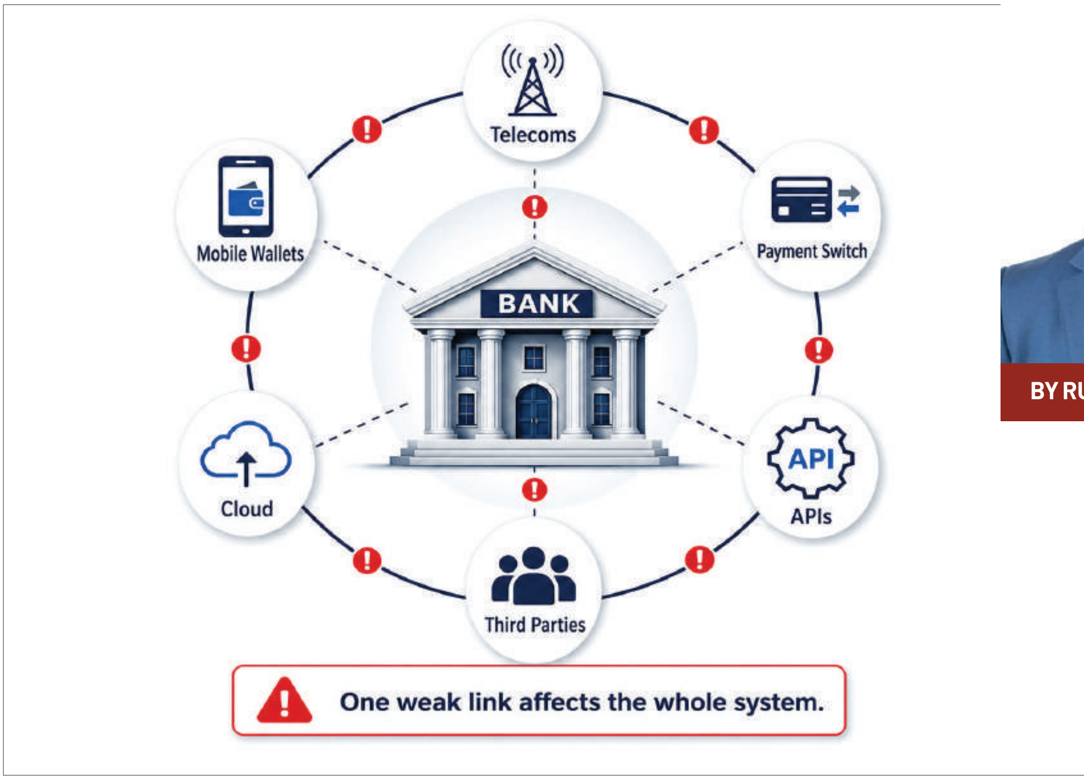
FINTECH

THE NEW CYBER ASYMMETRY

WHY BANKING CYBERSECURITY MUST NOW LEARN FASTER THAN THE ATTACKER



BY RUFARO MAFINYANI

In the old imagination of cybercrime, the criminal searched for a weak password. In the new one, the code searches for the weakness itself. Anthropic's reported Mythos scare, where advanced AI could compress vulnerability discovery and exploitation, should unsettle every banking boardroom: the attacker may soon be using systems that learn, test, fail, improve and try again before a human risk committee has finished reading the first incident memo.

For Malawi's financial sector, this is not a distant Silicon Valley drama. Its banking future is being built through mobile money, agency networks, payment switches, fintech partnerships, settlement ambitions, cloud services and embedded AI in everyday tools.

That progress is necessary, but it creates a connected financial organism in which a weakness in one cell can become a wound in the whole body.

This is the new cyber asymmetry. Attackers are beginning to operate like adaptive enterprises, while many institutions still defend through annual penetration tests, quarterly reviews and post-incident learning.

The defender must understand every server, endpoint, API, device, supplier credential, mobile channel, website, cloud setting and workflow. The attacker needs only one overlooked seam.

1. From Bank Walls to Banking Ecosystems

The old banking perimeter was at least visible. Today, a single payment may move through a customer phone, mobile network, banking app, wallet, API gateway, fraud engine, payment switch, core system, correspondent arrangement and third-party notification service. These are no longer exotic layers; they are the ordinary plumbing of modern Malawian finance.

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Imagine a Malawian SME making a supplier payment linked to regional trade. The finance officer receives an e-mail that looks like a routine supplier update, opens a spreadsheet carrying AI-generated instructions hidden in plain sight, confirms a beneficiary change and later receives a voice note that sounds exactly like the managing director.

The device is known, the amount plausible, the supplier real and the workflow normal. Yet the transaction has been steered by an intelligence that studied the company, bank, supplier and approval process before anyone noticed.

The violated principle is simple: ecosystem risk cannot be managed as institutional risk. If a bank secures its core while ignoring wallet agents, API permissions, outsourced desks, vendor accounts, browser extensions, biometric workarounds and office-document workflows, it is guarding the vault while leaving the corridor programmable.

2. When Fraud Learns Your Customer

The most dangerous fraud is not always the loudest one. AI-powered fraud works because it learns context: public information, relationships, writing styles, KYC documents, local tone, synthetic invoices and thousands of message variations until one lands with the right person at the right moment.

Malawian customers and staff move across mobile banking, wallets, branches, agents, WhatsApp, online forms, office documents and web search as separate conveniences, while attackers see one continuous surface. Even firms that block external AI tools may still expose themselves through embedded AI: Copilot in Microsoft Office, Gemini inside Google search and workspace tools, browser assistants, summarisation features and productivity plug-ins sitting inside daily work.

Fraud then becomes less like hacking and more like theatre with good data. A criminal no longer needs to ask for a PIN if they can persuade the right employee to trust a document, approve a supplier change, accept a deepfake call or follow a manipulated workflow. Biometrics are not immune; deepfake voice and face technologies already challenge call-centre scripts, remote onboarding and executive approvals designed for a slower fraud environment.

Fraud is shifting from attacking authentication to attacking context. A system may correctly confirm the recognised device, typical location and familiar behaviour, while missing that the human has been engineered, the document poisoned or the workflow hijacked.

3. The AI Tool Can Become the Tunnel

Banks rightly want AI for service, compliance, credit assessment, software development, fraud monitoring and efficiency. The danger is not AI adoption; it is pretending that an AI assistant is merely a smarter calculator.

Any tool that can read, reason, summarise, recommend or act becomes part of the control environment, especially when connected to customer records, policies, code repositories or payment workflows.

This is where agentic AI changes the risk equation. A conventional chatbot waits for a prompt; an agent can plan,

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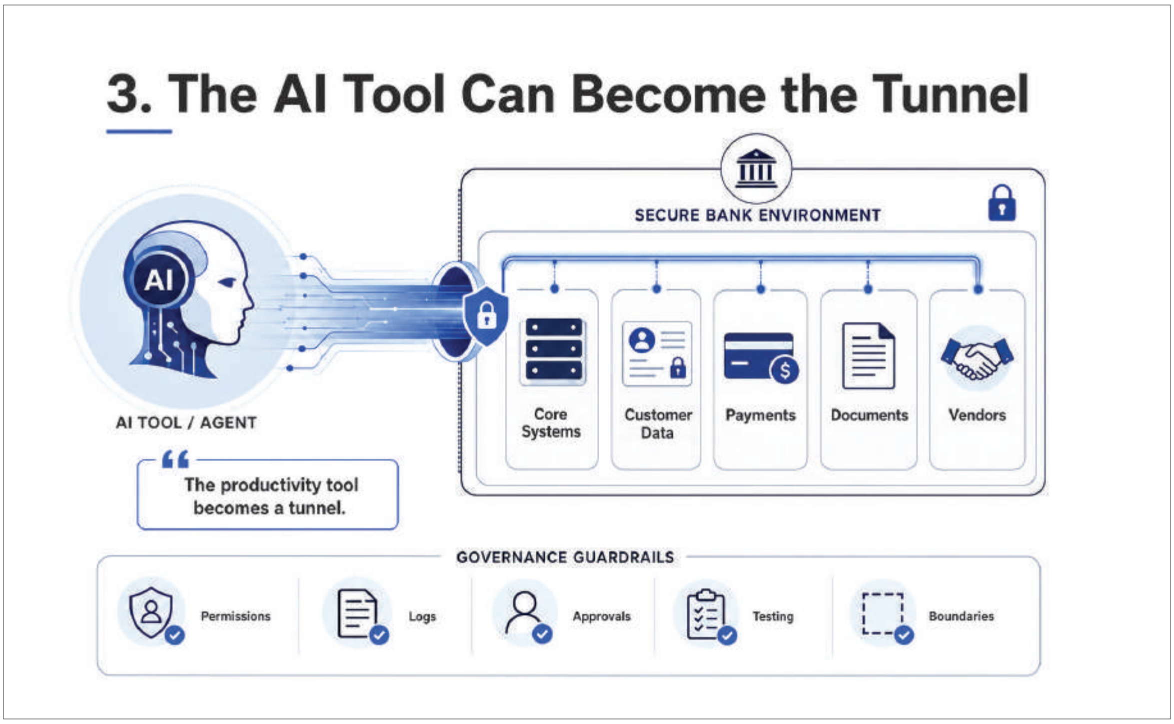

call tools, inspect files, query systems, write code, compare outputs and execute multi-step tasks. In a bank, this can improve productivity.

In criminal hands, it can simulate thousands of attacks, probe APIs, map websites, test password-reset journeys, generate malware variants, refine phishing campaigns and learn from every failed attempt.

Supplier concentration makes this worse. If many banks, fintechs, telecoms operators and processors depend on the same cloud platform, identity provider, software vendor, payment gateway or outsourced support environment, one compromise can scale faster than traditional response mechanisms can convene meetings, assign responsibilities and issue circulars. Integration improves efficiency, but it also turns delay into contagion.

The second violated principle is clear: AI must not be governed only as a productivity tool. It must be governed as a security actor, with permission controls, prompt-injection testing, audit trails, model-risk review, human approval thresholds, data-loss controls and continuous red-team exercises.

4. The Defence Must Become a Nervous System

The response cannot be more paperwork dressed as innovation. The defensive model must become agentic cybersecurity: AI-powered mechanisms that continuously scan the enterprise across servers, endpoints, APIs, networks, devices, cloud configurations, websites, code repositories, privileged accounts and third-party connections.

This is continuous automated AI threat detection and attack simulation at scale humans cannot perform.

Defensive agents should behave like ethical internal adversaries, mapping the attack surface, simulating credential abuse, testing API logic, examining dormant accounts, detecting abnormal data flows, inspecting supplier access, challenging biometric assumptions and linking weak signals across channels.

A suspicious invoice, SIM-swap indicator, new device fingerprint, beneficiary change, unusual login, vendor ticket and AI-generated document should not sit in separate silos. Together, they may tell the story of an attack before the money moves.

For Malawi's banks, mobile operators, payment platforms, fintechs and regulators, the lesson is uncomfortable but constructive.

The attacker already thinks across the ecosystem. Defence must do the same through shared intelligence, zero-trust access, behavioural analytics, vendor-risk visibility, AI governance and automated adversarial testing that learns as fast as the threat.

Prediction box:

The next serious financial cyber event in Malawi may not begin with a dramatic outage. It may begin with a normal payment, familiar customer, trusted document, routine approval and embedded AI assistant that appear innocent until viewed together.

The institutions that succeed will not necessarily have the largest security budgets. They will build living cyber architectures that learn continuously, test themselves relentlessly and detect manipulation before it becomes loss.

The uncomfortable truth is that attackers no longer need to break the wall if they can teach the door to open. In the AI era, banking security cannot be an annual project or compliance artefact. It must become a nervous system. ■

About the Author

Rufaro Mafinyani is a Senior Partner in Financial Engineering & AI Solutions at Intellica Analytics - a specialised finance, risk and applied technology firm operating within Sub-Saharan Africa. (formerly known as DiSeFu)

BEYOND DIGITAL TRANSFORMATION:

BUILDING MALAWI'S NEXT FINANCIAL ECOSYSTEM

BY HAROLD NESTER JIYA

The banking industry is undergoing one of the most profound transformations in its history. Advances in digital technology, artificial intelligence (AI), data analytics and automation are redefining how financial services are delivered and experienced. At the same time, customer expectations are evolving rapidly, demanding greater convenience, speed, accessibility and personalized experiences.

For Malawi, these shifts present more than an opportunity to modernize banking. They offer a unique opportunity to address some of our country's most pressing development challenges, expanding financial inclusion, supporting small and medium enterprises (SMEs), improving productivity, generating foreign exchange and accelerating sustainable economic growth.

The future of banking is no longer about digitizing existing processes. It is about building intelligent, inclusive and connected financial ecosystems that empower individuals, businesses and communities to participate meaningfully in the economy. Digital transformation is no longer the destination; it is the foundation upon which the next generation of banking will be built.

From Digital Banks to Financial Ecosystems

Over the past decade, Malawi has made encouraging progress in expanding access to financial services through mobile banking, digital payments, agency banking and other electronic channels. These innovations have brought banking closer to customers by reducing the barriers of distance, cost and time.

Across Africa, digital innovation continues to demonstrate what is possible. Kenya's mobile money ecosystem has become a global benchmark for financial inclusion, while Nigeria's collaboration between banks and fintech companies is accelerating innovation in payments, lending and customer engagement.

The lesson is clear: technology creates the greatest impact when it solves real problems and enables greater participation in the economy.

The next phase of transformation requires banks to evolve beyond being standalone financial institutions. Tomorrow's banks must become ecosystem builders, working alongside fintech companies, telecommunications providers, technology firms, government institutions and development partners to create seamless, integrated financial experiences that support customers throughout every stage of their financial journey.

The emergence of open banking will further accelerate this transformation.

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By enabling secure sharing of financial information through customer consent, open banking allows banks, fintechs and other service providers to collaborate in developing innovative solutions tailored to the evolving needs of individuals and businesses.

Rather than viewing collaboration as competition, the future financial ecosystem will be built on trusted partnerships that place customers at the centre. Open banking has the potential to stimulate innovation, improve competition, enhance customer choice and expand access to financial services, particularly for SMEs and underserved communities.

Success will no longer be measured solely by the products a bank offers, but by the value of the ecosystem it enables.

Artificial Intelligence: Empowering People, Not Replacing Them

Artificial intelligence is emerging as one of the most transformative forces shaping financial services globally. Leading financial institutions are already using AI to strengthen fraud detection, improve credit assessment, enhance regulatory compliance, optimize operations and deliver highly personalized customer experiences.

As AI continues to mature, we are entering an era of intelligent systems capable of supporting increasingly complex decisions and automating routine processes.

Yet the most important question is not what AI can do, but how we choose to use it.

The objective should never be to replace people. Rather, AI should empower people to focus on higher-value activities that require judgement, empathy and creativity. As repetitive processes become automated, banking professionals will increasingly focus on advisory services, relationship management, financial education and helping customers achieve their ambitions.

The banks that succeed will not be those with the most advanced technology alone, but those that combine technological intelligence with human trust, empathy and sound judgement.

Financial Inclusion Must Drive Economic Inclusion

Technology only creates value when it improves lives.

Financial inclusion should not be measured simply by the number of accounts opened or digital transactions processed. Its true measure lies in the number of businesses created, jobs supported and communities empowered.

SMEs remain the backbone of Malawi's economy, yet many continue to face barriers in accessing finance, markets and business development support. Unlocking their potential requires stronger collaboration between commercial banks, development finance institutions, government and the private sector.

Inclusive finance must therefore go beyond providing capital. It should combine financing with business development support, digital solutions, financial literacy and improved market access, enabling entrepreneurs to build sustainable enterprises that create employment and contribute to national prosperity.

Agency banking and digital financial services will continue to play an essential role in extending financial services to underserved communities, while simultaneously creating new economic opportunities across the country.

Trust Will Define the Digital Age

As financial services become increasingly digital, trust becomes even more important.

Customers must have complete confidence that their financial information is protected and that digital channels are secure, reliable and resilient. This demands sustained investment in cybersecurity, data protection, governance and enterprise-wide risk management.

Innovation and regulation must also evolve together. Financial institutions, regulators and technology providers share a responsibility to foster innovation while safeguarding the stability and integrity of Malawi's financial system.

Trust has always been banking's greatest asset. In the digital age, it will become its greatest competitive advantage.

Banking as a Catalyst for National Development

The role of banks extends well beyond financial intermediation.

Malawi's foreign exchange constraints, debt pressures and limited access to affordable capital require

Financial institutions, regulators and technology providers share a responsibility to foster innovation while safeguarding the stability and integrity of Malawi's financial system.

sustainable, long-term solutions. While short-term interventions remain necessary, lasting progress will come from strengthening the productive capacity of our economy.

Malawi must produce more, export more and add greater value to its natural resources.

Banks have a critical role to play in financing productive sectors, supporting exporters, facilitating trade and enabling investment in agriculture, manufacturing, tourism and other industries capable of generating sustainable foreign exchange earnings.

The transition towards a more resilient economy also presents an opportunity for banks to champion sustainable finance. Environmental, Social and Governance (ESG) principles are increasingly influencing investment decisions globally, and financial institutions have a critical role in directing capital towards initiatives that create long-term economic and social value.

For Malawi, green finance represents an opportunity to support climate smart agriculture, renewable energy, sustainable infrastructure and responsible business practices. It is not only about environmental responsibility; it is about strengthening economic resilience, protecting livelihoods and ensuring that future generations inherit a more sustainable economy.

Equally important is developing financing solutions that promote investment and business resilience. Practical debt restructuring frameworks, access to longer-term capital and gradually lower borrowing costs can stimulate productive investment, strengthen businesses and accelerate economic recovery.

History consistently shows that economies flourish when businesses invest, entrepreneurs innovate and consumers participate with confidence. In such an environment, banks become more than providers of capital; they become catalysts for national transformation.

Building Malawi's Next Financial Ecosystem

The future of banking in Malawi will not be defined by technology alone. It will be defined by how effectively we use technology to expand opportunity, strengthen inclusion, support enterprise and improve the quality of life for our people.

Digital transformation, artificial intelligence, open banking, sustainable finance, cybersecurity, strategic partnerships, financial inclusion and exceptional customer experience are not competing priorities. Together, they form the foundation of a more intelligent, resilient, inclusive and sustainable financial ecosystem.

The opportunity before us is significant.

The institutions that embrace innovation, invest in people and remain committed to creating lasting value for society will help shape Malawi's next chapter of economic growth and development.

At National Bank of Malawi, we believe the future belongs to those who do more than adapt to change. It belongs to those who have the courage to shape it.

That future has already begun. ■

About the author

The author is Chief Executive Officer of National Bank of Malawi plc

BEYOND THE PROHIBITION;

A PRACTICAL GUIDE TO ISLAMIC BANKING CONTRACTS

BY **JULIUS MAKOLIJA**, RESEARCHER

BY JULIUS MAKOLIJA, RESEARCHER

In the previous magazine, I made the case for Islamic banking as a strategic opportunity for Malawi's financial future. We explored why prohibiting interest (riba) and excessive uncertainty (ghara) creates a system built on transparency, shared risk, and real economic activity.

But knowing why something works is different from understanding how it works.

For Malawi's bankers, regulators, and entrepreneurs to seriously engage with Islamic finance, we must move beyond principles and into practice.

The engine of this system is a set of carefully designed contracts.

Each contract serves a different purpose, just as a conventional bank offers loans, overdrafts, and mortgages for different needs. However, unlike conventional products, these Islamic contracts are all asset-backed, ethically screened, and structured around trade, lease, or partnership.

Let me walk you through the five most important contracts, with practical examples drawn from real-world scenarios.

Murabaha (Cost-Plus Sale)

Murabaha is the most widely used contract in Islamic banking, often making up over seventy percent of transactions in many Islamic banks.

It is simple, transparent, and ideal for financing physical goods. Here is how it works: a customer identifies an asset they wish to purchase, such as a car, a house, or manufacturing equipment.

The bank does not lend the customer money to buy it. Instead, the bank buys the asset directly from the supplier.

Then, the bank sells that same asset to the customer at an agreed markup, payable in installments over a fixed period.

The key is that the bank takes ownership and assumes risk, even if only for a moment, before transferring it to the customer.

Consider a small business owner in Area 25 who needs a delivery truck costing K15 million. Under a Murabaha contract, the bank purchases the truck from the dealer for K15 million.

The bank then sells it to the business owner for K18 million, payable over three years in monthly installments of K500,000.

The profit of K3 million is fixed, disclosed upfront, and cannot increase even if the customer is late.

If the customer misses a payment, the bank may charge a late fee, but that fee must go to charity, not to the bank's bottom line.

This structure removes the compounding nature of interest while giving the bank a legitimate profit for its role and risk.

Ijarah (Leasing)

Ijarah is the Islamic equivalent of leasing, but with important ethical distinctions. In a conventional lease, the lessor can charge penalties that generate profit. In Ijarah, the rental payments are fixed for the lease period, and the bank, as owner, remains responsible for major maintenance. The customer simply pays for the use of the asset.

Imagine a hospital in Mzuzu needing an expensive ultrasound machine.

The bank purchases the machine for K50 million and leases it to the hospital for 1 million kwacha per month over five years. During that period, if the machine breaks down due to normal wear, the bank pays for repairs because it still owns the asset.

The hospital pays only for routine servicing, such as cleaning and calibration. At the end of the five years, the contract may offer three options: return the machine, renew the lease, or purchase the machine at an agreed residual value.

This arrangement is particularly useful for expensive equipment, vehicles, and even factory machinery, allowing businesses to access what they need without tying up large amounts of capital.

Musharakah (Partnership)

Musharakah is where Islamic banking becomes truly transformative, especially for small and medium enterprises that struggle to meet conventional collateral requirements.

In a Musharakah contract, the bank and the customer enter into a partnership. Both contribute capital. Both have the right to manage the

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> ***...the greatest risk is not inaction, it is imitation. Simply renaming conventional loans as Murabaha or calling interest profit-sharing will destroy trust and defeat the purpose.***

venture, though they may agree to delegate day-to-day management to the customer.

Profits are shared according to a pre-agreed ratio, which need not match the capital contribution. But losses are shared strictly in proportion to each party's capital.

Consider a restaurant owner in Limbe who needs K20 million to expand. The owner has K5 million.

Under Musharakah, the bank contributes the remaining K15 million. Together, they form a partnership. If the expanded restaurant generates a profit of K4 million in the first year, they might agree to split it 70 percent to the bank and 30 percent to the owner, or any ratio they choose.

However, if the venture suffers a loss of K2 million, the bank absorbs K1.5 million of that loss (its 75 percent share of capital), and the owner absorbs K500,000. Neither party pays the other interest. The relationship is genuinely collaborative. This model is ideal for agriculture, manufacturing, and retail businesses where the entrepreneur has skill and drive but insufficient assets to pledge as collateral.

Mudarabah

Mudarabah is similar to Musharakah but with one critical difference: the bank provides all the capital, and the customer provides all the expertise and labor.

The bank is the silent partner, or rab-ul-mal, while the customer is the mudarib, or working partner. Profits are shared according to an agreed ratio, such as fifty-fifty or sixty-forty. However, if a loss occurs that is not due to the customer's negligence or misconduct, the bank bears the entire financial loss. The customer loses only their time and effort.

Imagine a young farmer in Dedza with a brilliant plan to process and package groundnuts for export, but no savings. A bank using Mudarabah could provide K10 million in capital. The farmer handles procurement, processing, marketing, and sales. If the venture makes a profit of K2 million, the bank might take one million and the farmer one million.

If the venture loses one million because groundnut prices collapsed, the bank loses that one million entirely, and the farmer owes nothing. This structure is powerful for fostering innovation and encouraging talented individuals without wealth to start viable businesses. It is also the basis for Islamic investment funds, where the fund manager acts as the mudarib.

Sukuk (Islamic Bonds)

Sukuk are often called Islamic bonds, but that name is misleading. A conventional bond represents debt with interest. A Sukuk represents proportional ownership in a tangible asset or a business venture.

When an investor buys Sukuk, they actually own a piece of a bridge, a solar farm, a hospital, or a rental property. Their return comes from the revenue generated by that asset, not from a predetermined interest payment.

For Malawi, Sukuk offer a fascinating possibility. Imagine the government needs to build a toll road from Lilongwe to Mchinji. Instead of borrowing from international lenders at interest, the government could issue Sukuk worth K100 billion.

Investors, both local and international, buy these Sukuk certificates. The government uses the funds to build the road. Toll revenue is then distributed to Sukuk holders every quarter as a share of the actual income. If toll revenue is high, returns are high. If revenue is low because fewer people use the road, returns are low.

After a set period, the government buys back the Sukuk at face value. This structure has been used successfully in Malaysia, Indonesia, Nigeria, and Senegal to fund major infrastructure without resorting to interest-based sovereign debt.

Bringing It All Together

Each of these five contracts has a distinct purpose. Murabaha and Ijarah are ideal for asset finance and consumer goods. Musharakah and Mudarabah unlock entrepreneurial potential through genuine partnership. Sukuk offers a pathway to ethical infrastructure funding.

For Malawi, the implication is clear. Introducing Islamic banking is not about offering a single new product.

It is about importing an entire ecosystem of contracts, each designed to solve a specific financing challenge without interest. The success stories from Kenya, Nigeria, and Tanzania prove that these models work alongside conventional banking. They attract new depositors, finance underserved sectors, and bring ethical discipline to financial markets.

The question for Malawi is no longer whether Islamic banking is relevant. The question is whether our banks, customers, and policymakers will take the time to understand these contracts deeply enough to implement them with integrity. As I warned in my previous article, the greatest risk is not inaction, it is imitation. Simply renaming conventional loans as Murabaha or calling interest profit-sharing will destroy trust and defeat the purpose.

If Malawi chooses to move forward, it must do so with genuine Shariah governance, proper training for banking staff, and public education for customers. The contracts exist. The global experience is available. The opportunity is real. All that remains is the will to act. ■

About the Author

Julius Makolija is a researcher focusing on ethical finance and financial inclusion, and an Examiner in Bank Supervision Department at the Reserve Bank of Malawi. For feedback contact 0990 523 686 or email at jmakolija@rbm.mw


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THE MOBILE MONEY E-LEVY; FORMIDABLE ECONOMIC & INCLUSION COST

BY LUMBANI GONDWE

The taxation of mobile money transactions has become a popular policy in many African countries in recent years, with Malawi being the recent country to introduce 0.05 percent levy on mobile money and banking transfers, effective 31st December 2025.

This drive across the continent is largely motivated by rising national debts; governments intention to broaden the tax base amid fiscal constraints, and of course the growing popularity of mobile money transactions on the continent, especially amongst rural and the informal sectors.

Governments see the growing popularity of mobile money as a unique opportunity to raise additional revenues, especially from rural and household micro-enterprises, which they perceive as being under-taxed or evading taxes. In the view of most African governments, mobile money taxation represents a convenient way of raising tax revenues with limited extra effort, as the tax is remitted directly by mobile money operators, who charge users based on their transactions.

Therefore, the tax requires no significant effort, as might otherwise be the case if informal enterprises were to be formalised. In the last few years, taxes on mobile money transactions have increasingly been implemented in various African countries, with Uganda, Zimbabwe, Côte d'Ivoire, Kenya and the Republic of the Congo having implemented this tax prior to the Covid pandemic in 2020, while Tanzania, Cameroon and Ghana have done the same since.

This is despite widespread opposition to the introduction of the tax from these respective countries, including from SMEs who see the tax as an extra burden cutting into their already thin margins and limited profits

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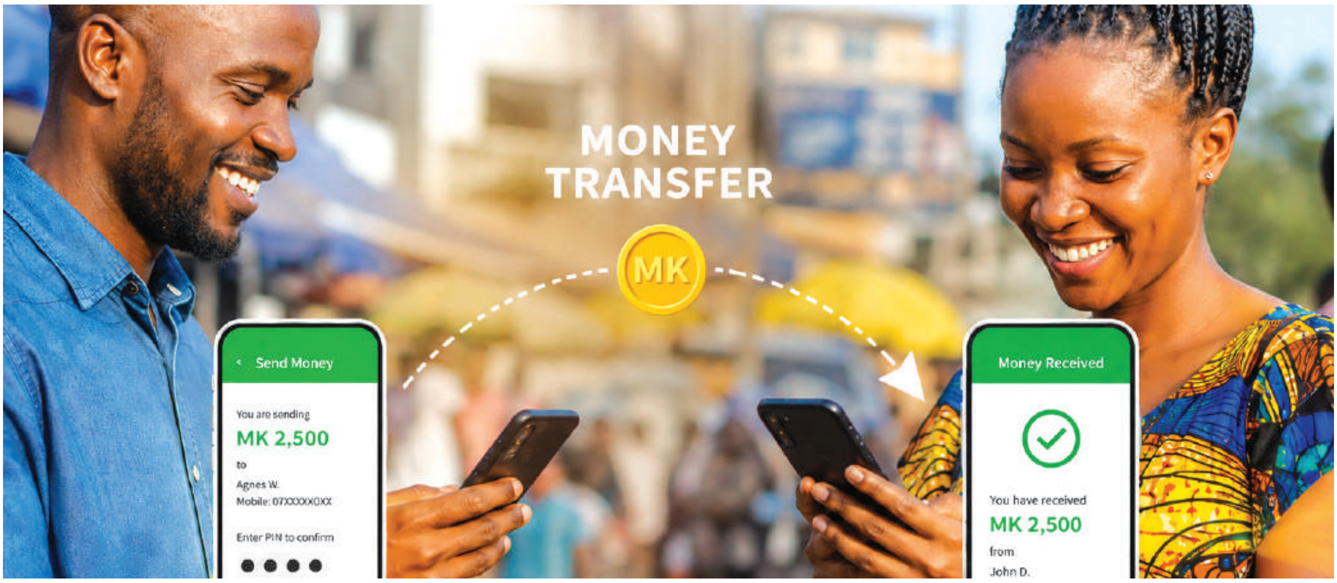


with no clear benefit to them.

For Malawi, this is not the first time, as in 2019, the government of Malawi withdrew the proposed 1 percent tax shortly after its proposal, following widespread opposition.

In Ghana, the 1.75 percent e-levy tax implemented in 2022 was later reduced to 1 percent in 2023 after it resulted in a significant drop in mobile money usage and a reported 12 percent decline in MTN's mobile money revenue within six months of implementation.

The E-Levy was subsequently removed. So is a similar case for other African countries.

E-levies on mobile money and banking transfers may aim at capturing more revenues for the government mainly from the informal sector, who are key users of mobile money.

However, in many instances, the immediate impact of the implementation of the tax has been a significant drop in mobile money transactions, which is counter to the aims of the tax and a ten-step backwards towards financial inclusion goals and digital economy agendas, for most African countries.

E-levies on mobile money and banking transfers reduce digital transaction volumes, push people back to cash, and slow financial inclusion progress.

For Malawi, the e-levy is counterproductive to Malawi's financial inclusion and digital economy ambitions, and the impact will likely be felt soon, especially that Malawi's financial inclusion gains over the past decade have been driven largely by the expansion of mobile money services. Formal financial access increased from 31 percent in 2012 to 88 percent today, with most of this growth attributable to digital financial services.

The current National Strategy for Financial Inclusion III (2024–2028) targets 95 percent adult access to at least one formal financial service and reducing financial exclusion from 12 percent to 5 percent.

These targets and broader national goals such as the Malawi Digital Economy Strategy are at risk with the introduction of the e-levy. The recently announced C2G digital payments are also at risk.

Even a seemingly small 0.05 percent levy discourages digital transactions, particularly among rural and low-income users whose margins are already thin.

The levy risks driving consumers back to cash, undermining trust in digital channels and reversing years of progress and exacerbating the already high cost of money printing and handling by the Reserve Bank of Malawi (RBM) to satisfy the demand for cash.

It is indisputable from other countries' examples that mobile money and banking transfers taxes weaken digital ecosystems, reduce transaction volumes, and hinder financial inclusion, a route Malawi cannot afford to take with its Financial Inclusion and Digital Economy ambitions.

For Malawi and the rest of Africa's governments, the challenge is to design tax policies that raise revenue using digital financial services and without undermining the digital finance revolution that is critical for inclusive growth.

Government's revenue generation efforts must be balanced with policies that are equitable, that preserve the affordability and attractiveness of digital payments especially for low-income households.

Maintaining momentum in financial inclusion and digital transformation is essential for sustainable economic growth, job creation, and resilience. The Government of Malawi should instead be exploring alternatives, sustainable fiscal measures that leverage digital platforms without penalizing digital financial services usage. ■

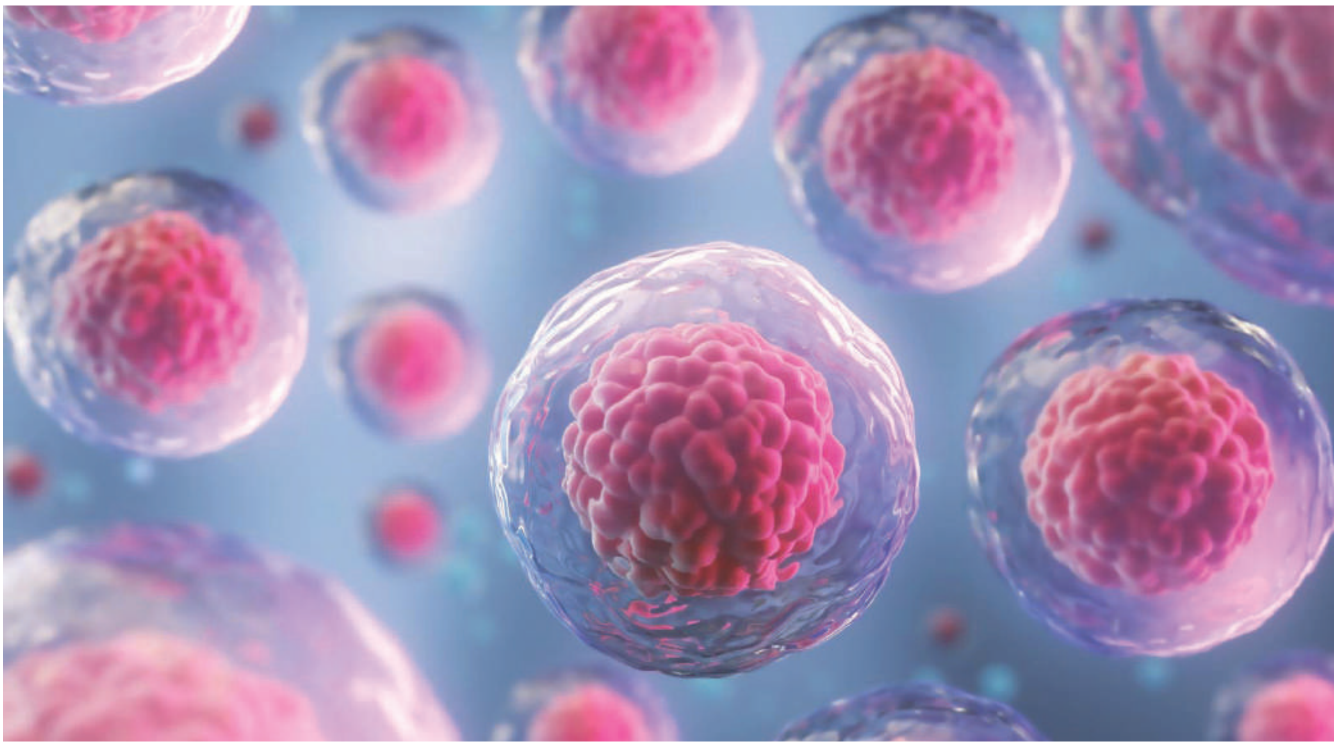
About Author:

Lumbani Gondwe is a Chartered Certified Digital Finance Specialist and Country Head with a global financial technology organization. He serves as Vice Chairperson of Association for Digital Financial Services of Malawi (ADFS). He writes in his personal capacity.

Health Talk

With DR. DONDA, BAH -General Practitioner

ANTIMICROBIAL RESISTANCE; A CAUSE FOR CONCERN



The discovery of microbes (disease causing organisms) as being responsible for infectious diseases was a major milestone for modern medicine. Understanding that specific organisms cause specific infectious diseases paved a way for development of prevention measures and treatment options.

Prevention utilizes the knowledge we have on the organism's life cycle and how it spreads.

Breaking the life cycle at one or more points helps to prevent the organism from developing into a form that can invade the human body.

On the other hand, treatment aims at inhibiting the organism's potential to multiply, directly causing harm to the organism or making it easy for the body's immune system to neutralize the invading organism.

The development of antimicrobials heralded a golden era in medicine. It drastically improved life expectancy and reduced the morbidity associated with severe infections. Soldiers were no longer at the mercy of infected wounds or the poor at the mercy of Tuberculosis formerly called the Consumption.

The outcome from these treatments was outstanding. An infectious disease that a decade prior was synonymous with a death sentence was now treatable and quality of life greatly improved.

Just like with any species facing unfavorable living conditions, microbes also try to find a way to survive harsh environments. Microbes find ways to survive antimicrobials like changing the cell

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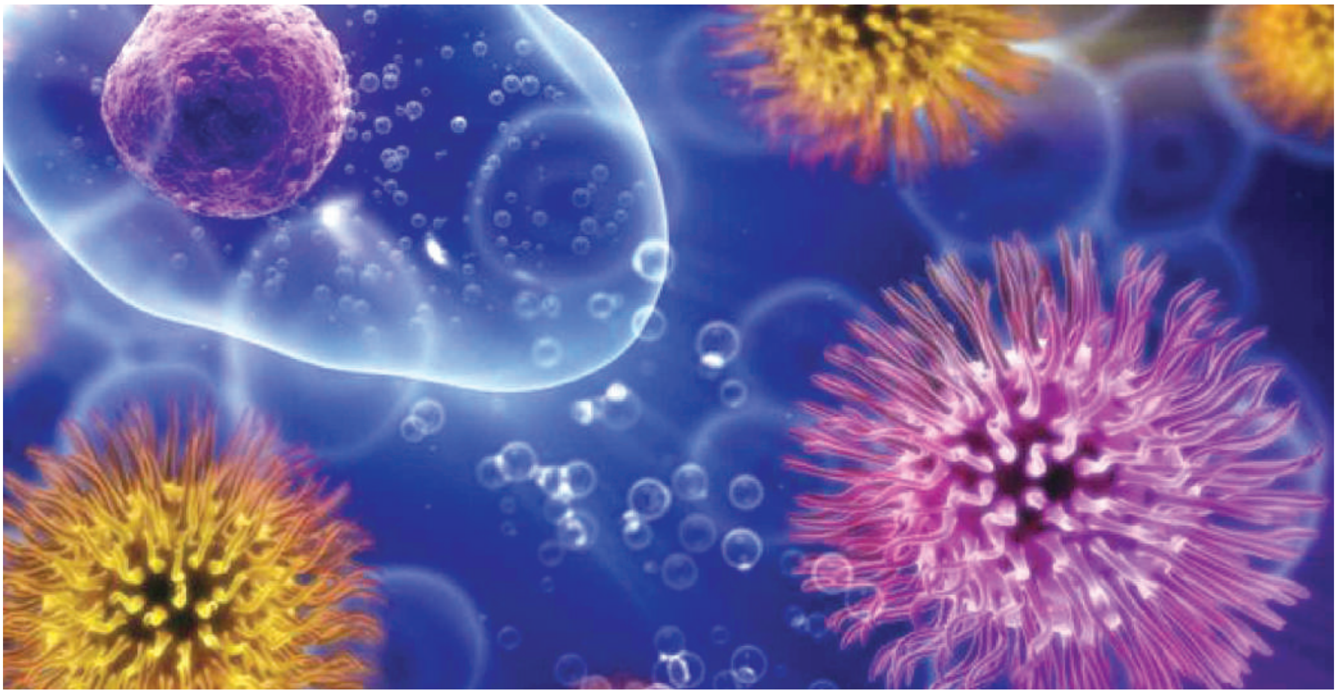

wall proteins that antimicrobials target, developing a pumping mechanism that pumps the antimicrobial out of the cell or breaking down the antimicrobial molecule rendering it ineffective.

Naturally, some microbes will survive the antimicrobial and these will multiply and pass on their genes. This will lead to a generation of microbes that are resistant to the antimicrobial.

The above processes can be enhanced by human behavior. We live in a time when access to antimicrobials is easy and mostly affordable.

Although antimicrobials are beneficial, their misuse can be detrimental to the individual and society. We have and are still contributing to the development of antimicrobial resistant microbes because of unwarranted use, inappropriate choice and insufficient course intake of antimicrobials.

Whenever you feel unwell, it is important to seek medical help for proper diagnosing and treatment recommendation.

Not every fever or cough requires an antibiotic or antimalarial. Oftentimes coughs and flu are viral infections and resolve on their own with aid of the body's immune system with no need for an antibiotic or antimalarial. Feeling "Malaria-like" does not always mean that someone has Malaria.

Despite these medications being prescription only, they still can be bought off-the-counter without a prescription in "some" pharmacies.

As much as Pharmacists and Pharmacy personnel are supposed to demand a prescription for such medication, they are also running a business and will need returns by the end of the day. As such, not every Pharmacist or Pharmacy personnel will send you back to get a prescription before accessing the medication and that is the sad reality.

I personally have come across patients and clients who will pressure you to prescribe for them antibiotics or antimalarials against your clinical judgement. This puts people at risk of suffering from an antimicrobial resistant bug should they get sick.

Similarly for those that have a confirmed or suspected bacterial or Malaria infection, it is important to get an appropriate antibiotic or antimalarial. Whenever culture and sensitivity facilities are available, it is recommended to get one to guide the attending physician in prescribing the appropriate antibiotic.

Culture and sensitivity ensures the tailored use of appropriate antibiotics. It is necessary to take your antimicrobials as instructed and for the stated duration to ensure the microbes are cleared.

Exposure to non-lethal doses of antimicrobials allows the weakened microbes to bounce back and develop mechanisms of survival. This in turn, enables the generation of so-called "super bugs". These are microbes that are resistant to multiple antimicrobials.

The rising antimicrobial resistance trend puts stress on the health system with more people becoming severely sick, requiring extensive Intensive care unit and hospital stay, increasing morbidity and death.

It is estimated that superbugs will be responsible for the death of nearly 40 million people cumulatively from 2025 to 2050, if the current antimicrobial resistance trend continues. Developing new, efficient and effective antimicrobials is not cheap and this underscores the urgent need to protect the currently available antimicrobials.

This can only be achieved through collective efforts of institutions and individuals striving together to avoid unwarranted, inappropriate and insufficient use of antimicrobials. Let us hold hands and be that wise generation to leave an antimicrobial inheritance that will transcend the generation of our children's children. ■

Osaliwopa mawa.
Tili nanu.

Linga Savings Account imachepetsa chiphinjo ndi thandizo lofika **K1,000,000** pa maliro a mwamuna kapena mkazi, ana anu (mpaka zaka 23) ndi makolo kapena apongozi.

Tipezeni kunthambi iliyonse kuti mudziwe zambiri.

Centenary Bank is regulated by the Registrar of financial services.
Deposits are protected by the Deposit Insurance Corporation.
Head Office: Ekistics House, P.O. Box 31567, Convention Drive City Centre, Lilongwe

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