

FinScope

*Consumer
Survey
Highlights*



Malawi

2023



FMT
FINMARK TRUST
Making financial markets work for the poor



Partnering for a common purpose

The FinScope Consumer Survey 2023 is a follow up to the previous surveys conducted in 2014 and 2008. This assists in tracking the levels of financial inclusion across the country. At country level, the survey was facilitated by the Ministry of Finance and Economic Affairs, other key stakeholders and donors to ensure an inclusive, holistic process. FinScope Malawi represents a partnership between the following institutions:



- The Reserve Bank of Malawi
- Ministry of Finance and Economic Affairs
- Ministry of Agriculture
- Ministry of Trade and Industry
- Ministry of Gender, Community Development and Social Welfare
- National Statistics Office (NSO)
- Malawi Microfinance Network
- Malawi Union of Savings and Credit Cooperatives
- The Bankers Association of Malawi
- Southern African Development Community (SADC)



The FinScope survey is dynamic and the content is evaluated by a number of stakeholders including Financial Service Providers (FSPs), Non- Governmental Organisations (NGOs), and Government to ensure that the most relevant consumer data is collected.

This pocket guide represents some of the key market data on financial inclusion.

Introduction

The Government of Malawi (GoM) recognises that a more inclusive financial system is crucial to developing the country's economy. It has identified financial sector development and financial inclusion as one of the key policy objectives. Following the FinScope 2014 results, the National Strategy for Financial Inclusion (2016-2020), GoM targeted over 70 per cent of Malawians accessing financial

services by 2021. The strategy anchors on the belief that inclusive finance will be essential to meeting the objectives of the development strategies as this is a key instrument for increasing agricultural productivity, starting or expanding micro and small enterprises, job creation, increasing household income and consumption smoothening.

FinScope Consumer surveys are nationally representative financial inclusion surveys. Following the baseline survey of 2008 and repeats in 2014 and 2023, these surveys provide comprehensive cross-section studies of adult Malawians concerning their livelihoods, financial behaviour, familiarity with financial terminology and their uptake and usage of financial services to serve identified needs. The 2023 survey interviewed 3,000 households, where one adult (16 years of age or older) was chosen (equal probability) for an interview, consistent with the past two surveys.

Methodology

The FinScope Consumer Survey Malawi 2023 was carried out with a nationally representative sample of 3,000 adults. The NSO provided the sample frame based on the 2018 population census, and carried out weighting of the data, in collaboration with FMT, to represent the current population of Malawi. A nationally representative individual-based sample of the adult population aged 16 years and older, at region and urban/rural level.

The allocation was further segmented into 28 districts to ensure comprehensive coverage. Implicit stratification variables, such as the Traditional Authorities (TAs) and the Enumeration Area (EA) number, were used as to improve the representativeness of the sample.

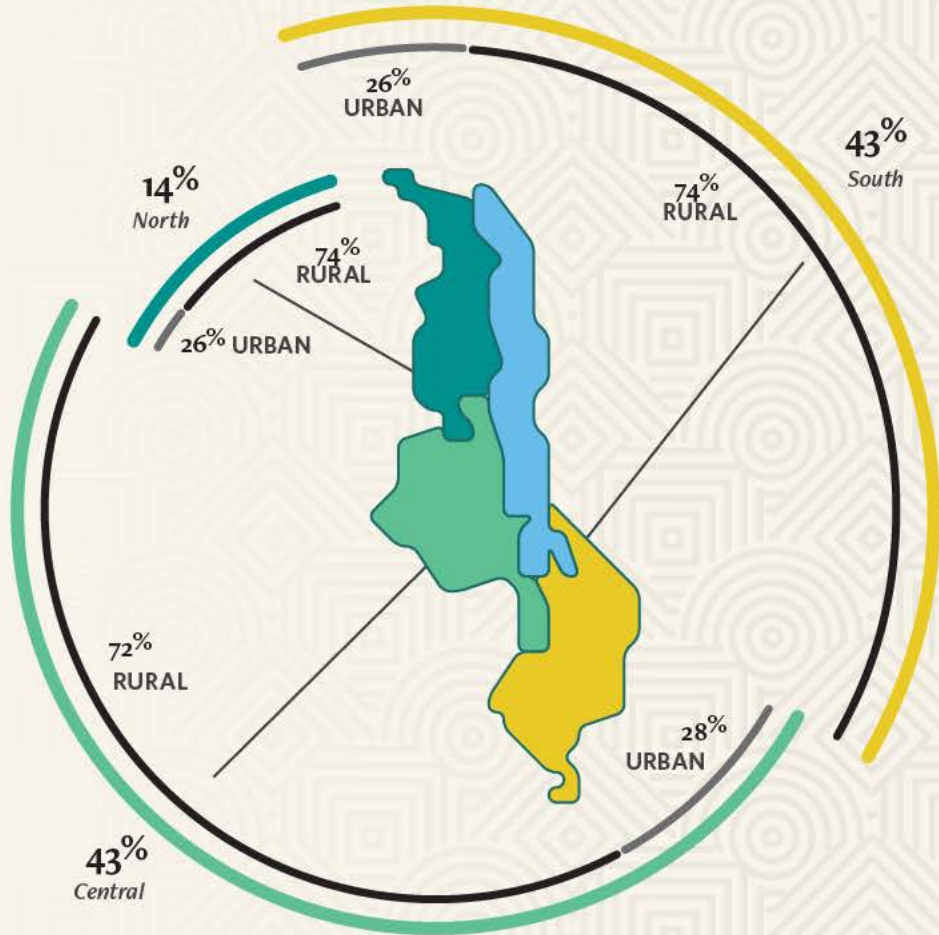
Survey objectives

Specifically, the 2023 survey tracks changes over time and provides the current status of the adult population (across demographics and geographical distributions) regarding:

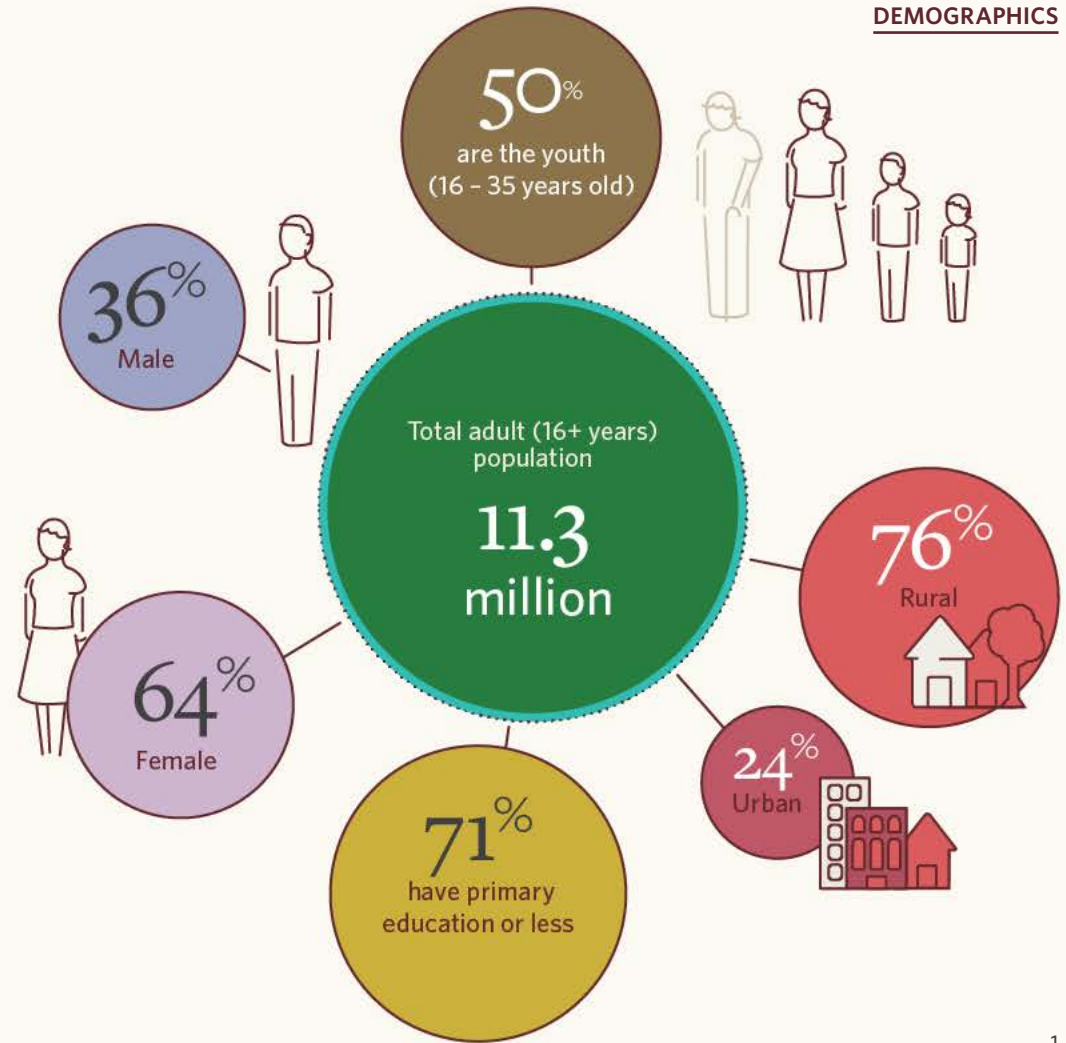
- Levels of financial inclusion (i.e. levels of access and usage of financial products and services - both formal and informal)
- The landscape of access and usage (i.e. the type of products and services used by financially included individuals)
- The identification of the drivers of, and barriers to, financial access
- Trends/changes/interventions assessment over time (from 2014)
- Understanding how adults generate income and the impact of the Covid-19 pandemic on livelihoods and usage of financial services
- A stimulation of evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion.

Published January 2024

REGIONS OF MALAWI



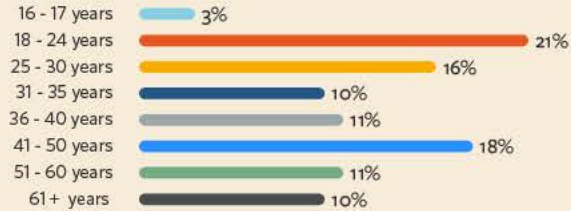
DEMOGRAPHICS



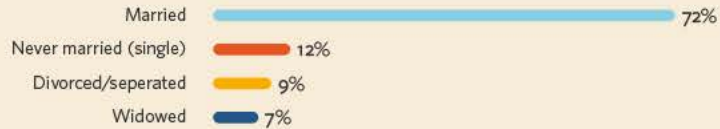
DEMOGRAPHICS



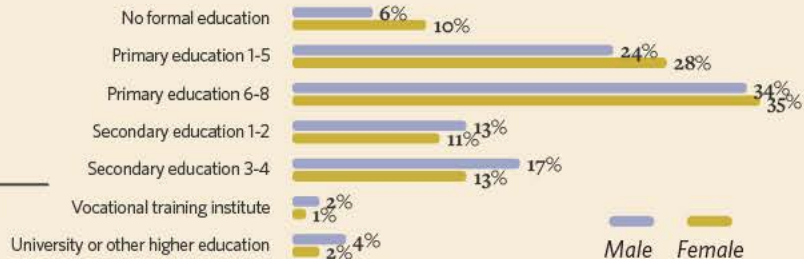
AGE (%)



MARITAL STATUS (%)

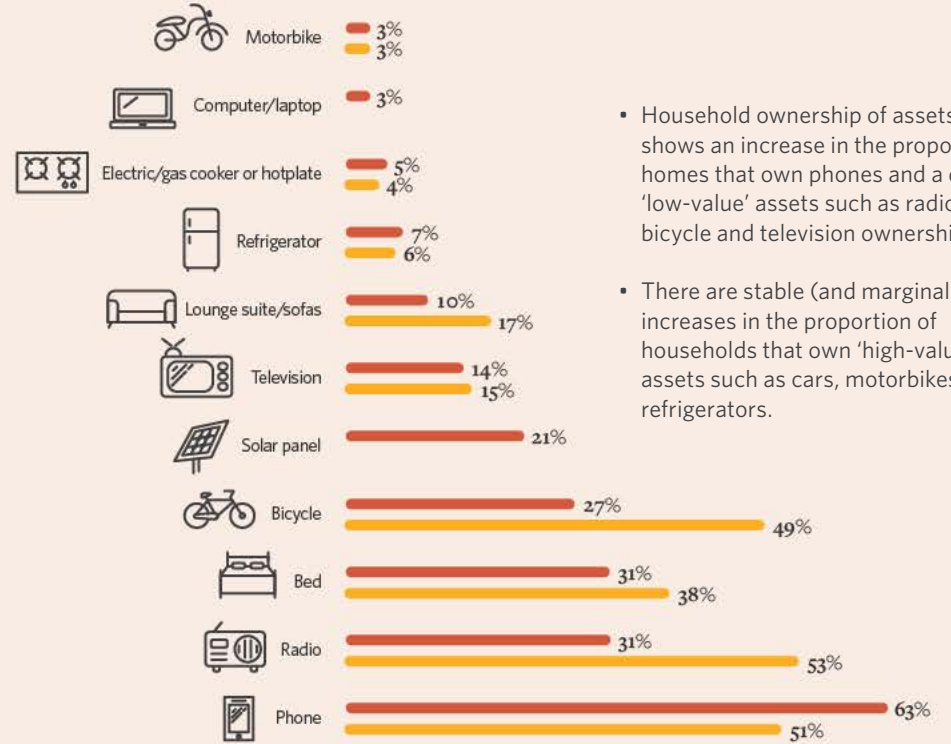


EDUCATION (%)



Male Female

DEMOGRAPHICS



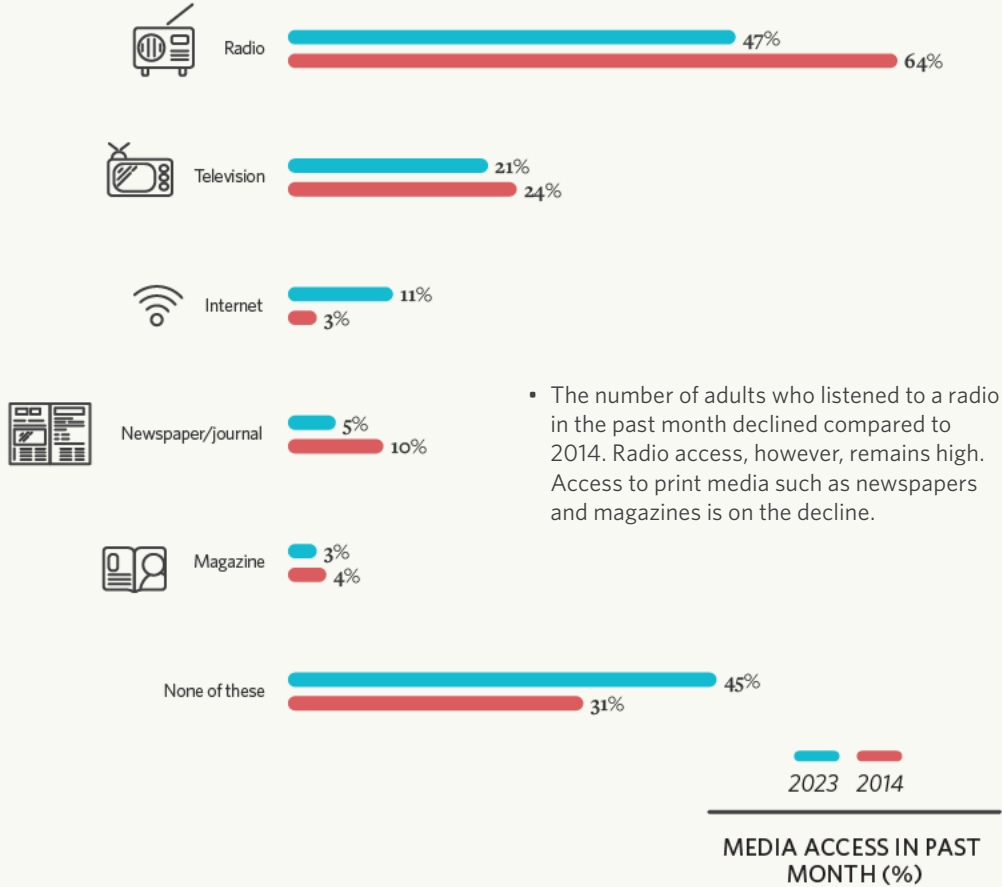
HOUSEHOLD OWNERSHIP OF ASSETS (%)



2023 2014

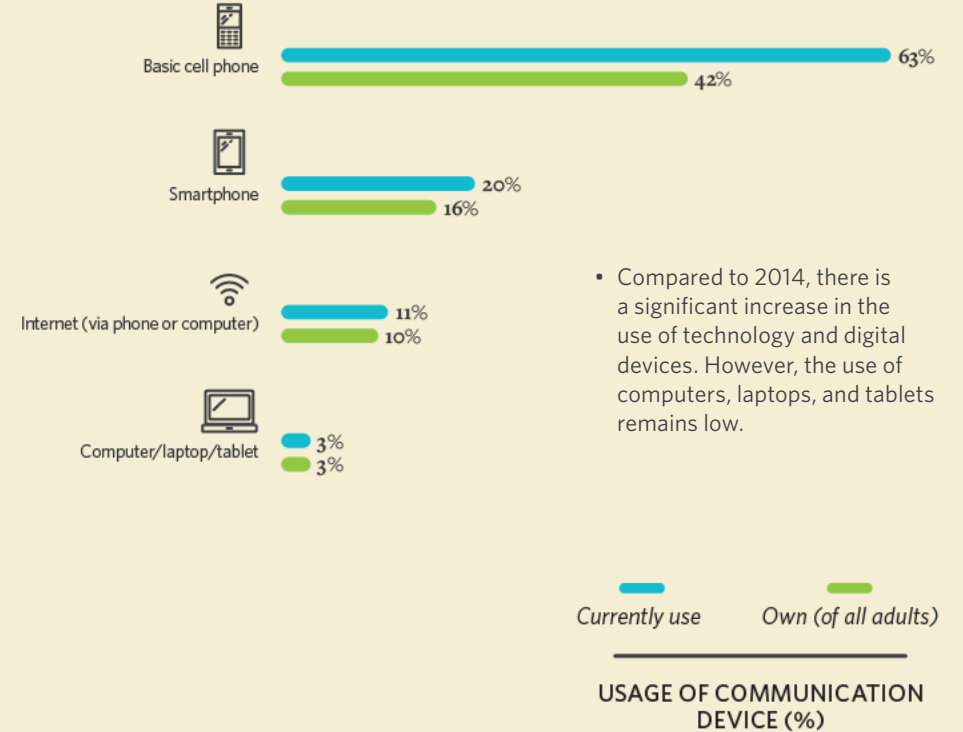
- Household ownership of assets shows an increase in the proportion of homes that own phones and a drop in 'low-value' assets such as radio, bed, bicycle and television ownership.
- There are stable (and marginal) increases in the proportion of households that own 'high-value' assets such as cars, motorbikes and refrigerators.

Media access



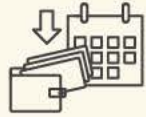
- The number of adults who listened to a radio in the past month declined compared to 2014. Radio access, however, remains high. Access to print media such as newspapers and magazines is on the decline.

Communication devices/tools

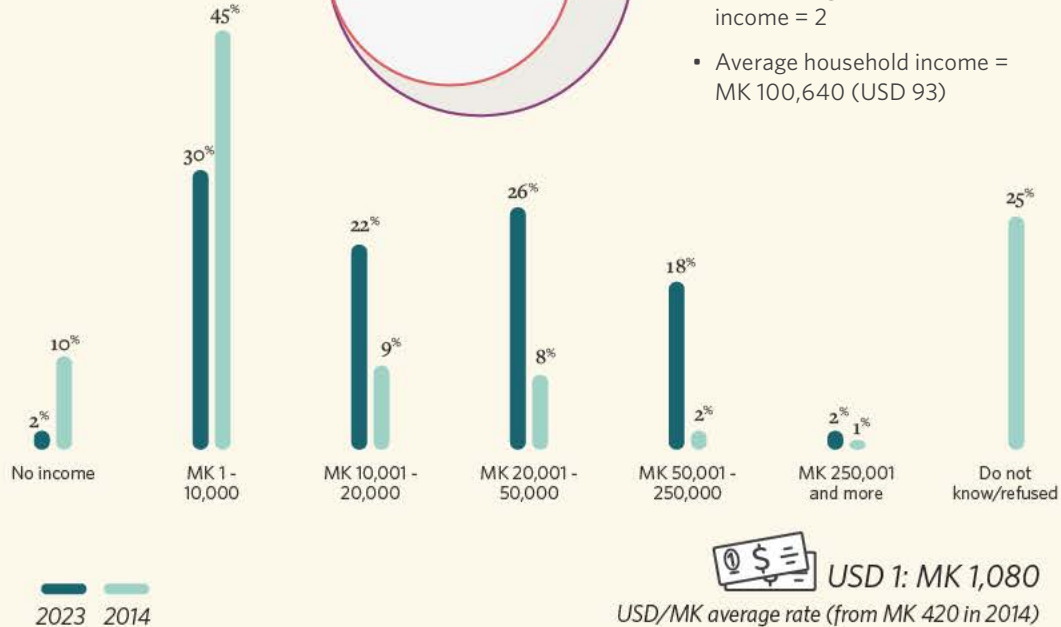


- Compared to 2014, there is a significant increase in the use of technology and digital devices. However, the use of computers, laptops, and tablets remains low.

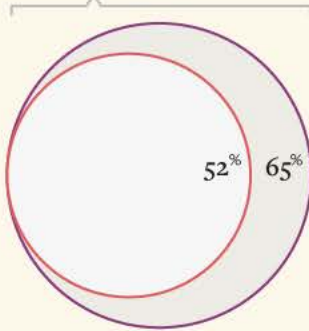
Income/livelihoods



PERSONAL MONTHLY INCOME (%)



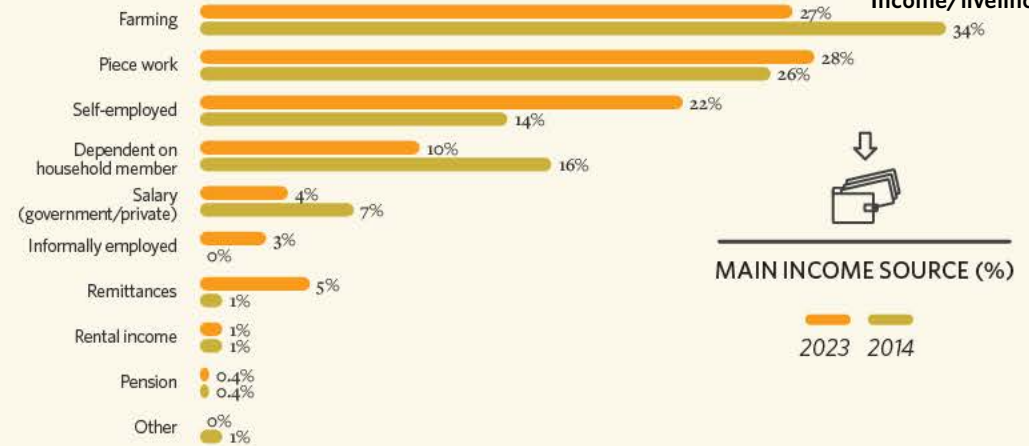
The majority of adults earns less than 5,000MK (80USD) per month



- Average Personal Monthly Income (PMI)
 - Mean USD 46
 - Median USD 19
- Average number of people contributing to household income = 2
- Average household income = MK 100,640 (USD 93)

USD 1: MK 1,080
USD/MK average rate (from MK 420 in 2014)

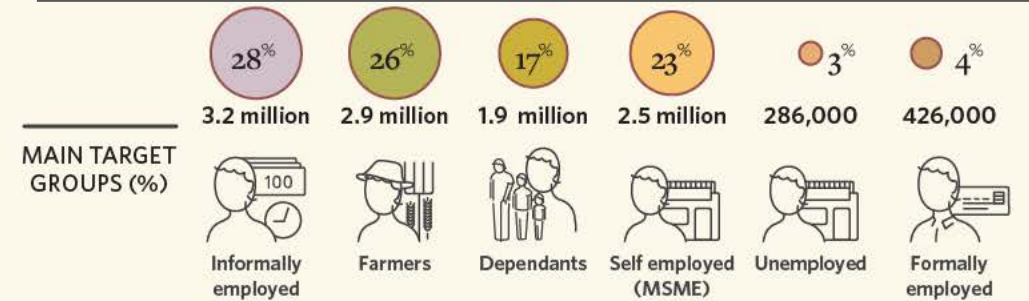
Income/livelihoods



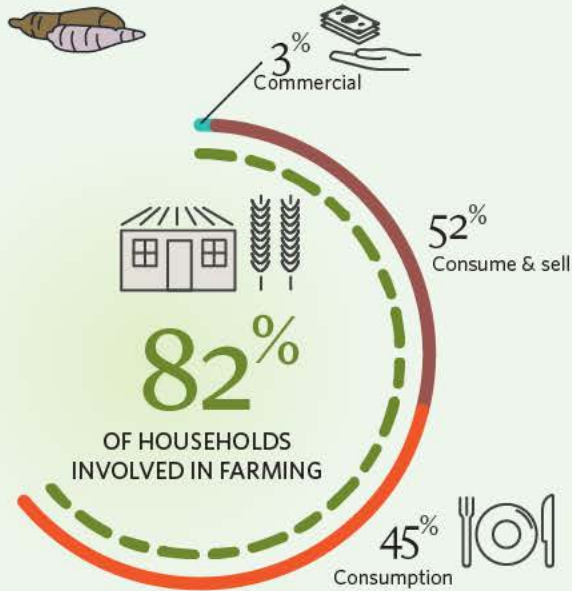
MAIN INCOME SOURCE (%)

2023 2014

- Although farming is still key, compared to 2014 there is a decline in the proportion of adults who relied mainly on farming.
- There is an increase in the proportion of adults who own businesses however the percentage of people who are formally employed has declined.

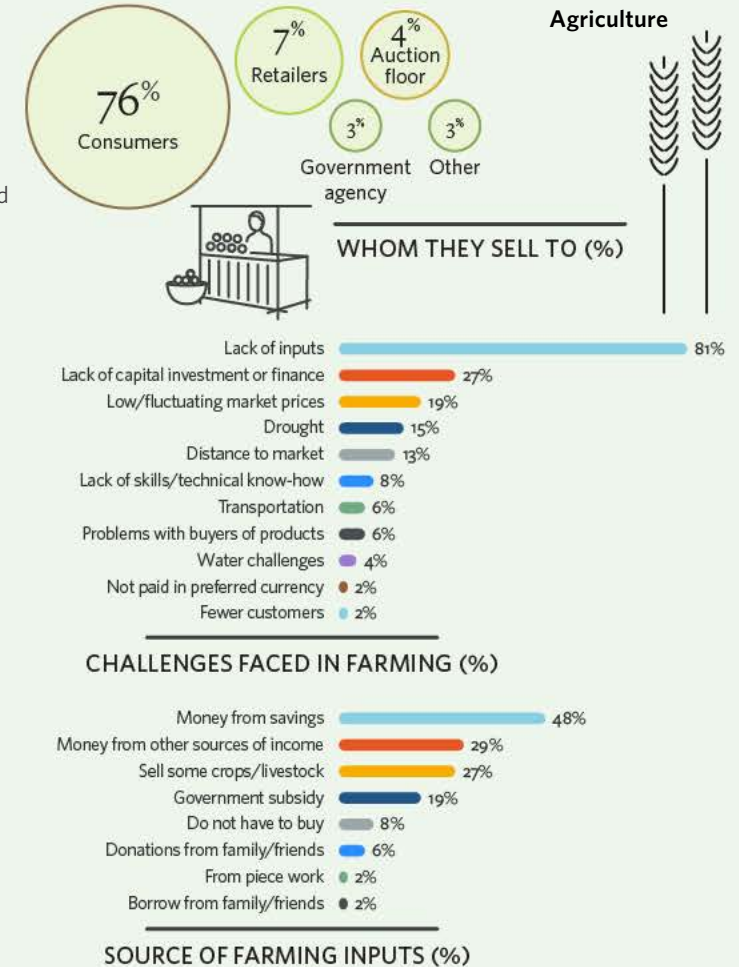


Agriculture



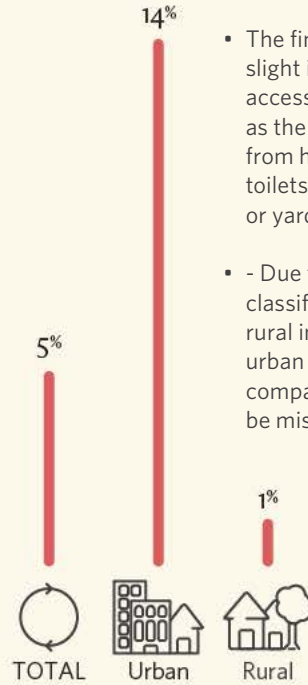
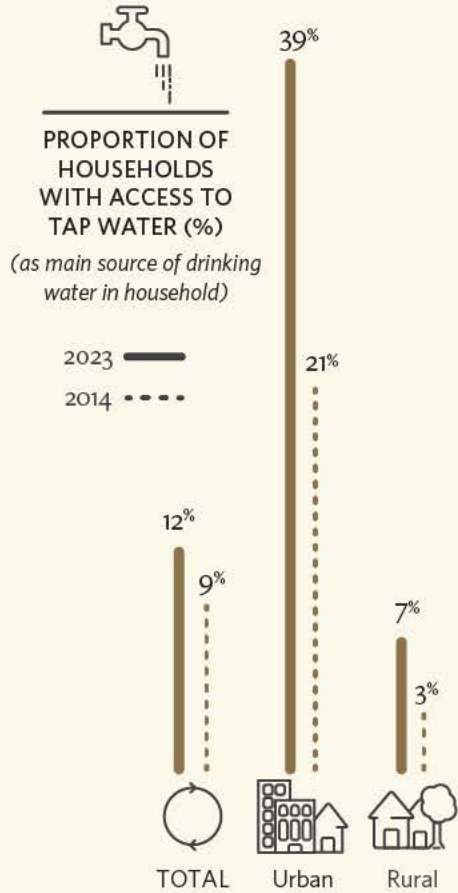
- 82% of households are involved in farming - 88% of these households are involved in Agriculture, 12% in Livestock breeding.
- 76% of the farmers sell their produce directly to the public with 7% selling to retailers.
- Crops farmed: maize (94%), soya beans (32%), groundnuts (28%), cowpeas (21%).
- Most income from agriculture comes from soya beans.
- Main livestock: poultry (70%), goats (37%), pigs (19%), cattle (7%).

Agriculture



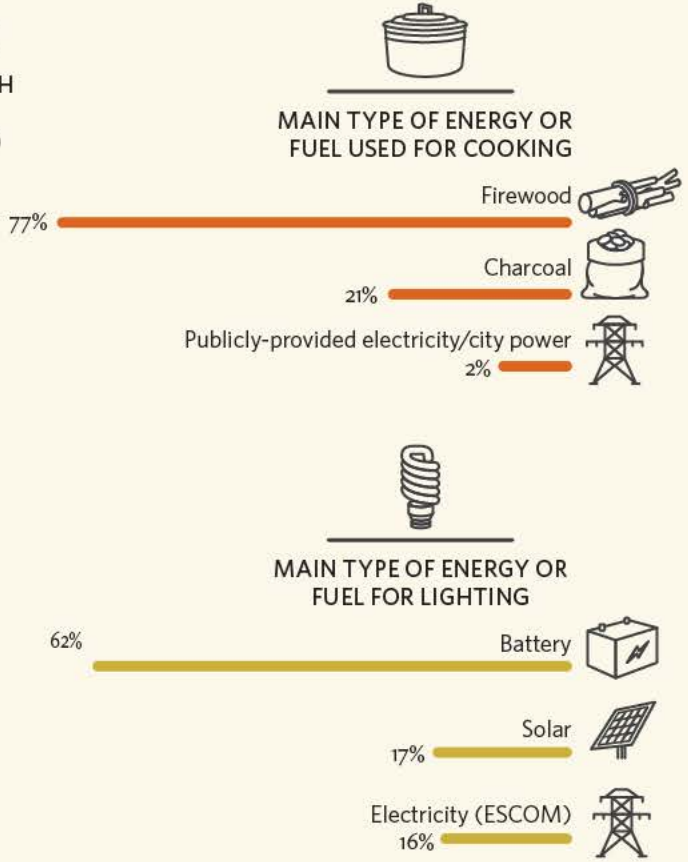
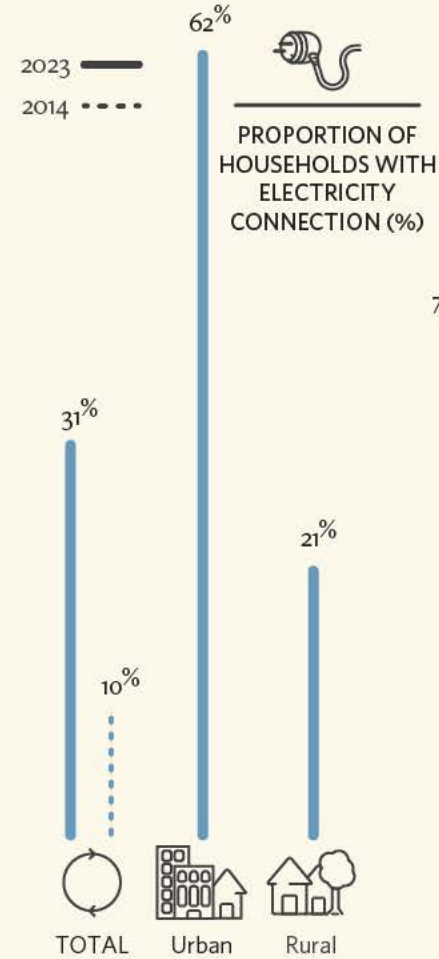
- Popular markets for farmers include selling directly to consumers and retailers.
- Lack of farming inputs is the most common challenge faced by farmers.
- Nearly half of farmers use their savings to fund their inputs or use funds from other income sources. Very few (2%) claim to use credit as a source to fund farming activities which may contribute to a majority of farmers being subsistence in nature.
- 50% of farmer households claim the food they grow is sufficient to meet most or all of their household consumption needs showing farming is important for food security.

Access to services











- The findings show some slight improvements in access to basic services, such as the number of individuals from households with flush toilets and water in dwelling or yard.
- - Due to a change in the classification of urban and rural in 2023 vs urban, peri-urban and rural in 2014, the comparison by location would be misleading.

Access to services



Infrastructure: Proportion of adults reaching destination within 30 minutes

	Total	Urban	Rural
 Mobile money shops	71%	94%	63%
 POS	7%	21%	1%
 ATM	15%	46%	4%
 Bank branch	16%	48%	4%
 Grocery store	91%	99%	88%
 Public transport/ bus stops	64%	92%	54%
 School	72%	82%	69%
 Medical facility	32%	57%	23%

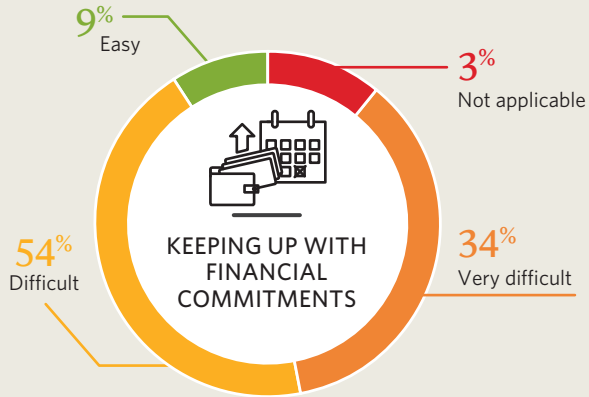
Impact of Covid-19 on livelihoods

- Almost 3 in 5 (60%) adults were negatively affected by the Covid-19 pandemic
- 39% indicated that their income or revenue reduced, 17% could not operate, 3% stopped working for some time and 1% of the people got retrenched.
- 4% of adults did not receive any Covid-19 emergency support. Of the 6% that did:
 - 88% received government support
 - 7% received support from family/friends
- The above is not surprising due to lockdown restrictions that were put in place to prevent the spread of Covid-19 hence people could not operate as usual.
- The uptake of financial services was not widespread largely due to constrained incomes and economic activity.

Managing money

Financial capability encompasses the knowledge, attitudes, skills and behaviour of individuals with respect to understanding, selecting and applying financial concepts and tools, and the ability to access financial services that meet their needs. There are multiple dimensions that make up financial capability. To better understand the financial capability of Malawians, the financial inclusion section will present some of the financial capability dimensions mentioned below:

- **Meeting financial obligations** - or making ends-meet. This dimension assesses consumers' ability to manage their personal and household finances to meet their financial obligations.

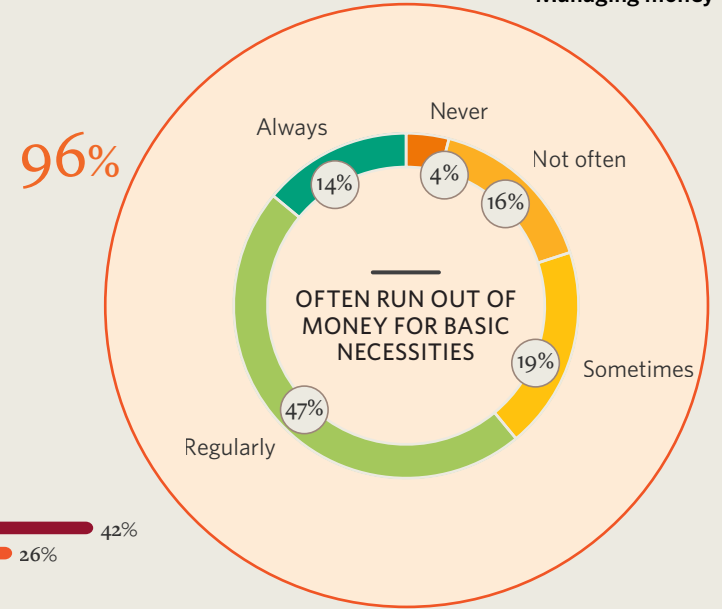


- **Planning for the future** - looks at budgeting, savings, investments and insurance. It assesses Malawians' attitudes, knowledge and behaviours as it relates to personal financial planning.
- **Understanding and use of financial products** - This relates directly to how people are using financial products and services to manage their finances. It also provides insight into behaviour as it relates to the selection of financial products and services to meet one's financial needs; and
- **Financial decision-making** - refers to an individual's ability to apply the knowledge to make well-informed financial decisions.

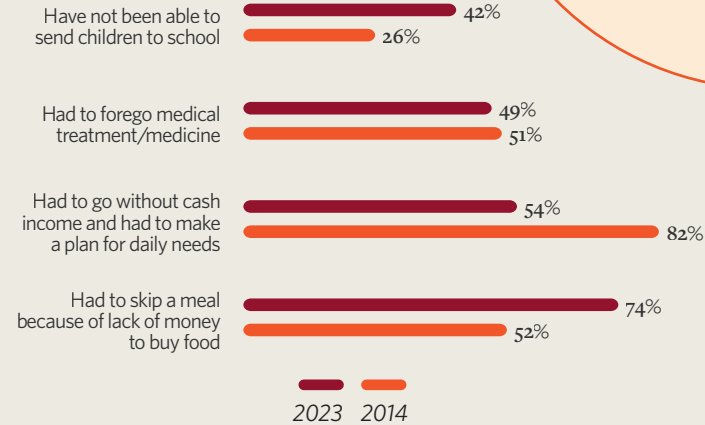
- 88% of adults find it difficult to keep up with financial commitments. This indicates most adults are facing financial distress linked mainly to low and irregular incomes.

Managing money

- 96% of adults have run out of money for important expenses before their next income. This is not surprising considering that the only 9% of adults earn more than 5,000 MT.



POVERTY INDICATOR



- Welfare indicators show a deteriorating living standard and harsh economic climate for most adults in 2023 compared to 2014.

Accessing financial information and sources of financial information

Financial education is vital as it provides adults with the knowledge, skills and attitudes to adopt good money management practices for earning, spending, saving, borrowing and investing. Equally, the sources of information need to be of sound quality. The resulting behaviour changes will help individuals manage money more effectively.



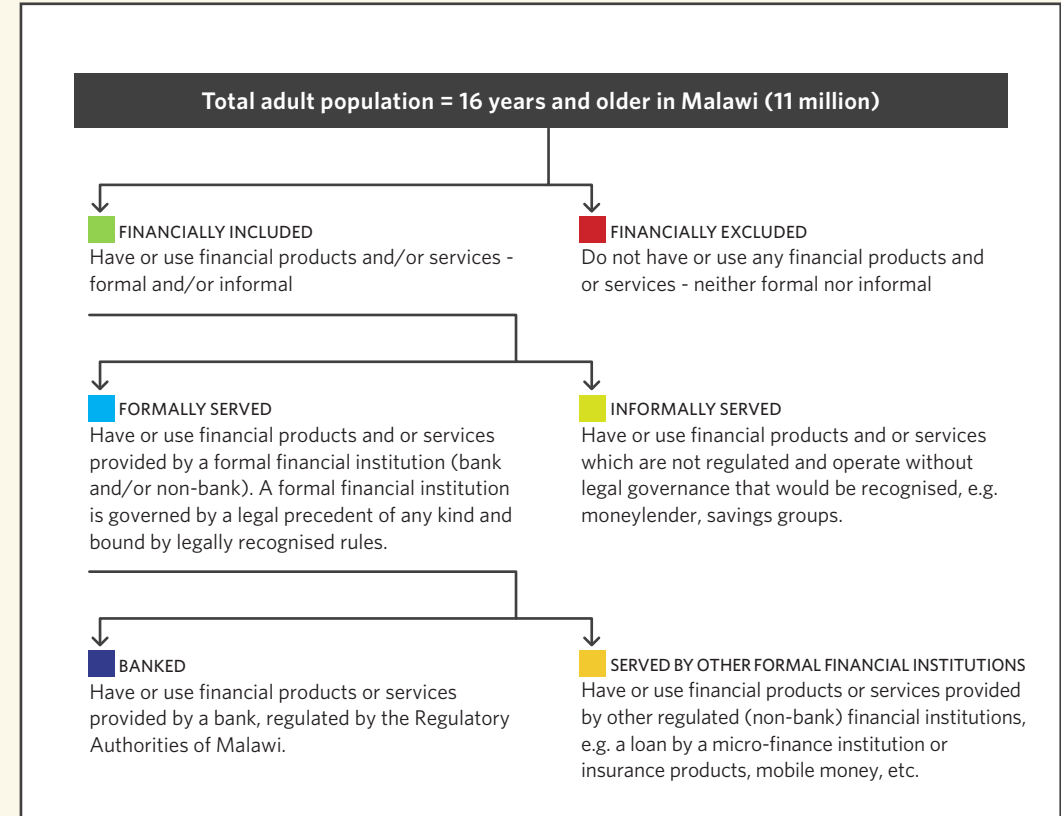
A third of adults seek financial advice. Apart from family or friends (76%), only 9% of adults seek professional financial advice and 12% seeking financial advice from community leaders.

FINANCIAL CONTROL OVER OWN FUNDS



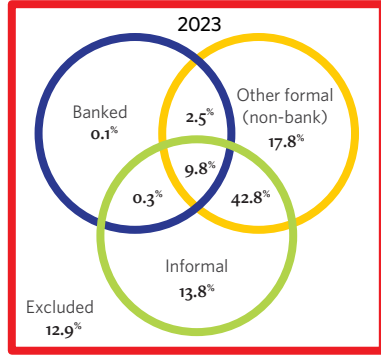
- You control how money is spent alone
- Together with other people, you control how money is spent
- You have NO control over how money is spent

Defining financial inclusion by category



Overview (%)

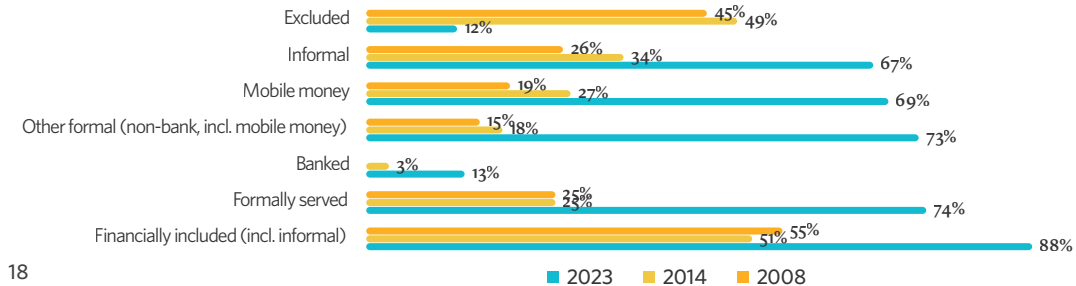
- Banking is down by 14 percentage points but the drop in absolute population is 700,000 adults.
- Other formal (non-bank) financial services cover a broad range, including microfinance, Mobile Money operators, insurance companies, pension funds, money transfer agencies.
- There was an increase of 55 percentage points from 18% in 2014 to 73% in 2023 largely due to adults using mobile money.
- The informal sector forms a critical part of household financial access, linked to savings and credit groups, burial societies etc. Usage/uptake of informal mechanisms almost tripled that of 2014 and 2008.
- Financial exclusion has been reduced by 39 percentage points.



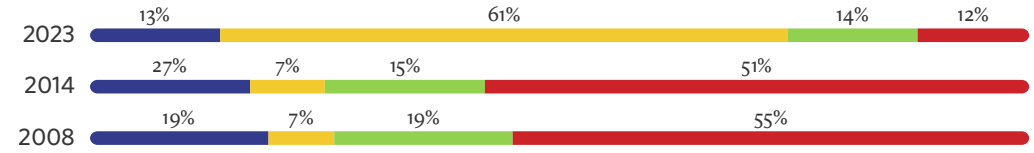
Overlaps

Consumers generally use a combination of financial products and services to meet their financial needs.

- 53% use a combination of formal and informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the formal sector alone.
- 43% of the adult population ONLY rely on other formal (non-bank) products as well as informal mechanisms such as savings groups to save or borrow money or cover risk.
- Less than 1% of adults rely exclusively on banking services, yet 18% rely exclusively on other formal mechanisms.



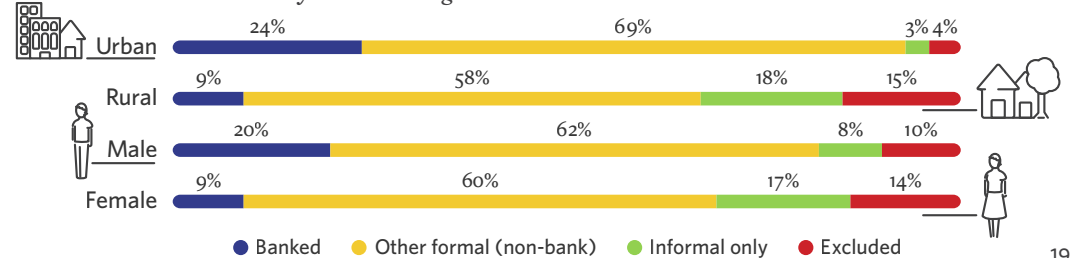
Overall Financial Access Strand



Overlaps are removed when constructing the Strand

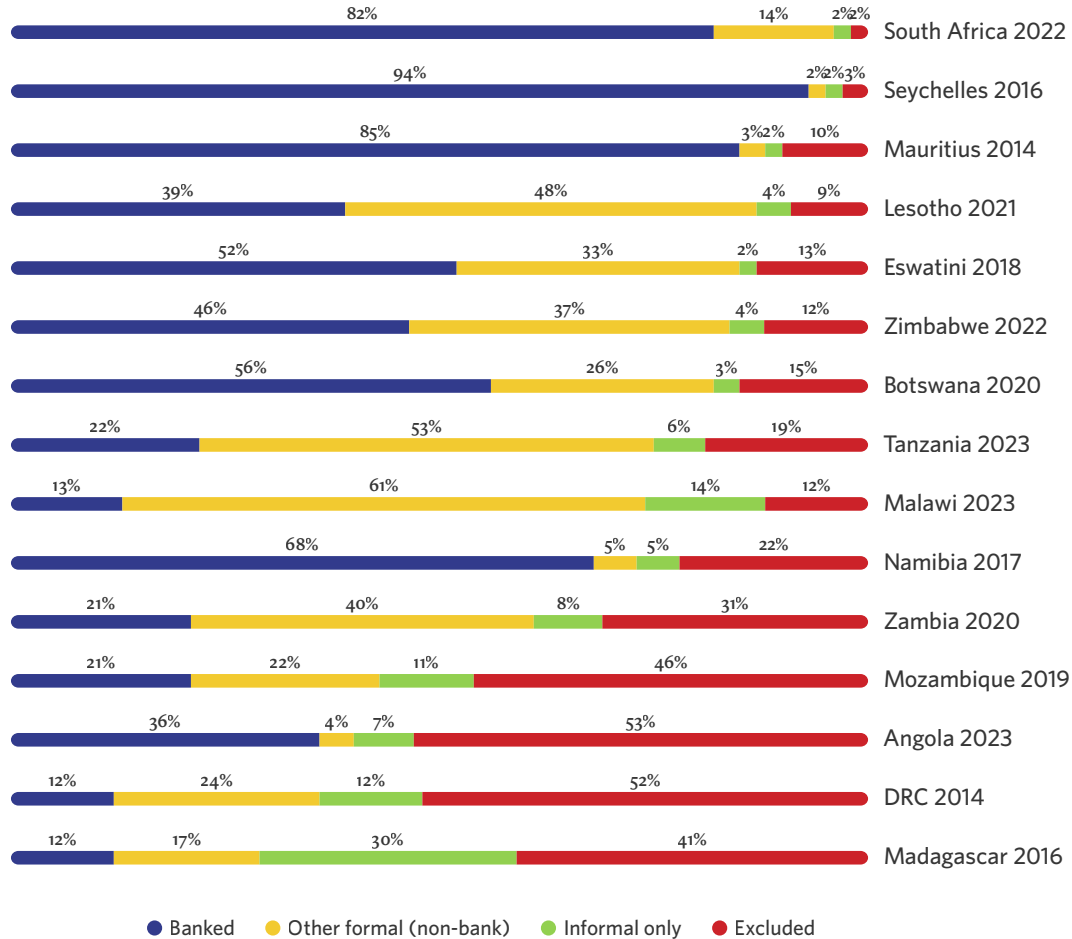
- There was a decline in the percentage of adults who have been financially excluded from 51% in 2014 to 12% in 2023. These adults do not use any financial products/services—neither formal nor informal—to manage their financial lives.
- There is a 1 percentage point decline in the proportion of adults relying only on informal mechanisms, and do not have/use any formal financial products or services to manage their financial lives (from 15% in 2014 to 14% in 2023).
- About 61 percent adults have/use other formal financial products or services but are not banked (up from 7% in 2014). Mobile money providers are playing a significant role in reaching out to those unbanked and previously banked population. These individuals may, however, also use informal financial mechanisms.
- Only 13% of the adult Malawians are banked but may also use other formal non-banked or informal financial products or services (down from 27% in 2014).

Access Strands by location and gender



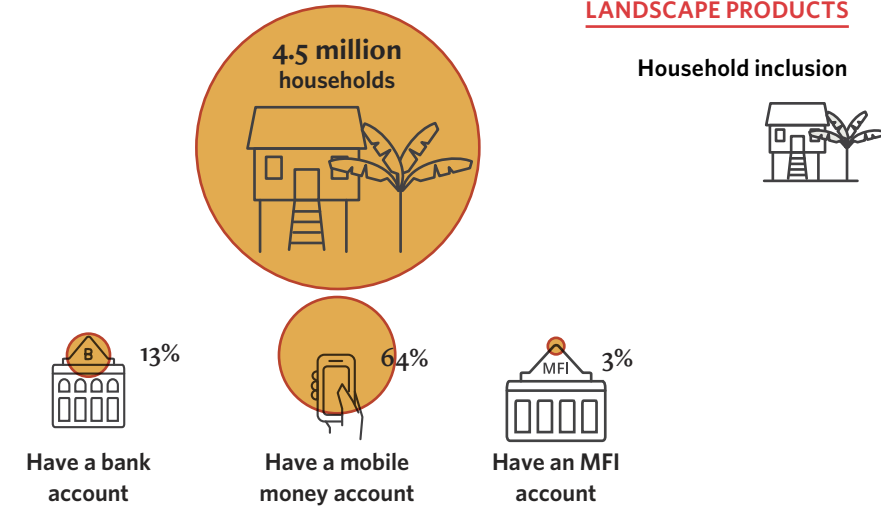
ACCESS STRANDS

Regional Financial Access Strand (% , ranked by formal inclusion)

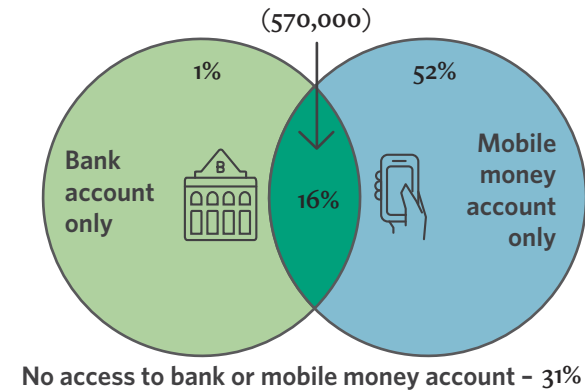


LANDSCAPE PRODUCTS

Household inclusion

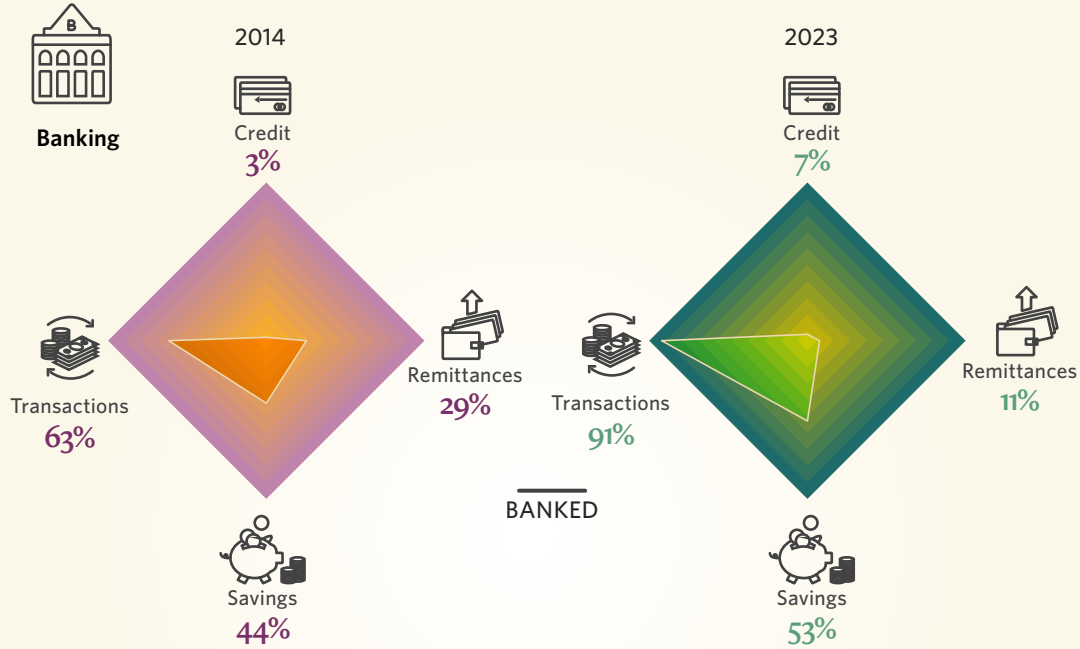


Both mobile money & bank account



- The sole access to bank accounts at household level simulated the same access at adult level (1%). There is a dual access of bank accounts and mobile money services which is enabled by interoperability.
- The bulk of households have access to mobile money services only which advances the inclusion of household members who would otherwise be confined to informal mechanisms or even excluded altogether.

LANDSCAPE PRODUCTS



- The total banked adults have dropped by about 700 thousand between 2014 and 2023 which is explained in part by the 3 million adult population increase. The following explains the shifts within banking:

- Looking at the total numbers, uptake of the following products increased:
 - Saving account: 884,000 from 846,000

- Current cheque account with ATM card: 220,000 from 123,000
- Credit from the bank has increased to 106,000 from 60,000
- Proportion of adults that report 'used to have' bank products in the past (with overlaps):
 - 549,000 adults used to have a savings account
 - 500,000 adults used to have a savings account
 - 83,000 adults used to have a savings account

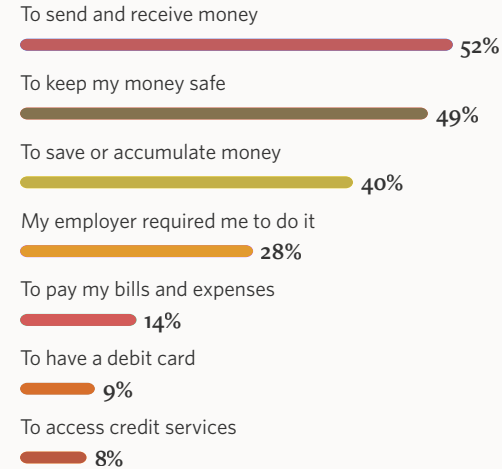
ACCESS STRANDS



Banking

MAIN DRIVERS FOR BANKING

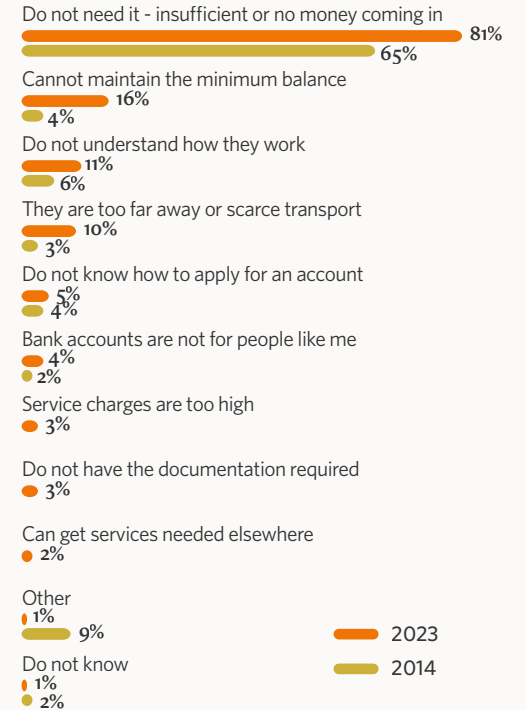
31% of adults are banked in 2023



- The drivers of banking remain unchanged mainly to transact and keep money safe.

MAIN BARRIERS TO BANKING

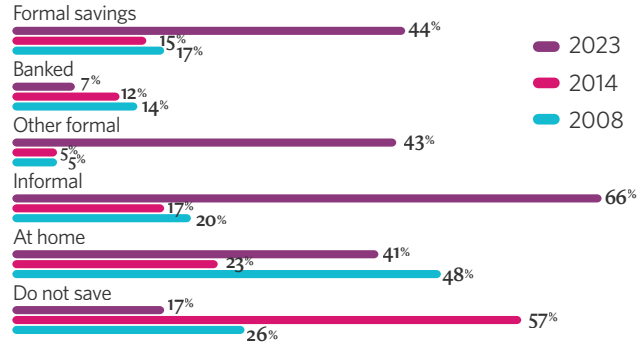
87% of adults are not banked in 2023



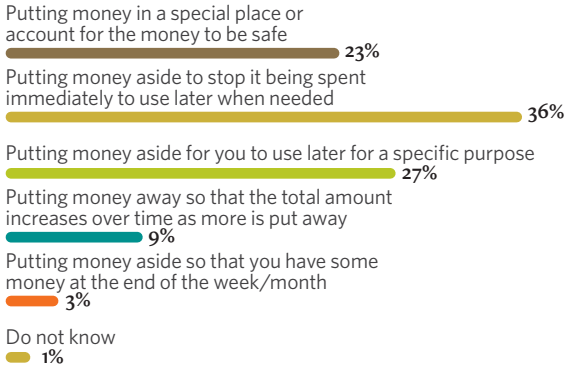


Savings and investments (%)

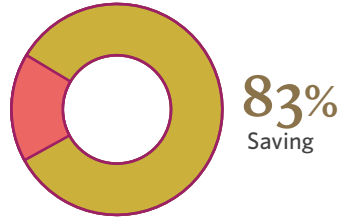
SAVINGS OVERALL WITH OVERLAPS (%)



SAVINGS DEFINITIONS (%)



17%
Not saving



83%
Saving

- There is an increase in the proportion of adults saving overall and particularly in the formal (non-bank) savings and even higher increase among those using informal savings mechanisms such as savings groups.

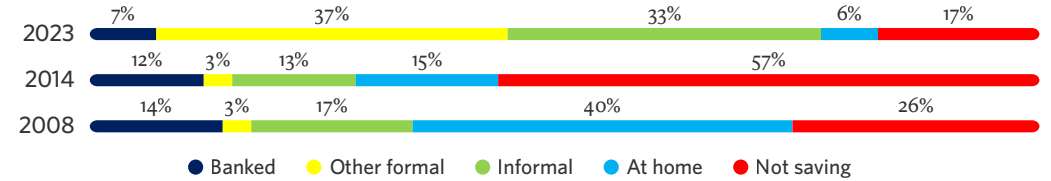
- The concept of saving appears to be well understood as most adults were aware of the fundamentals of saving.

- Financial knowledge plays a key part in shaping adult behaviour towards building savings.

Savings and investments



Savings Strands



When constructing strands, overlaps are removed. The Strands reveal that:

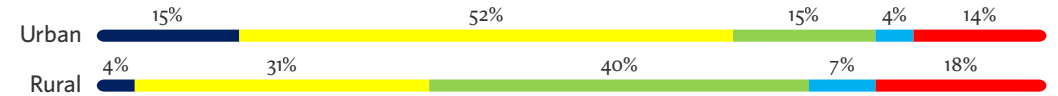
- 17 percent of the adult population aged 16 years and above do not save money either formally or informally (including saving at home).
- There has been a huge increase in the uptake of

formal savings devices which includes banks (7 percent) and non-bank formal products (37 percent). There was a decline in the number of adults saving through bank products due to a sharp increase in savings via mobile money.

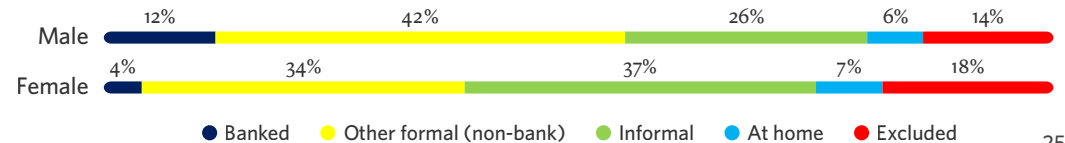
- Other savings mechanisms include informal savings

groups, where another huge increase was observed from 13% in 2014 to about 33% in 2023. Fewer adults (6%) are now keeping their savings at home showing a shift towards informal and formal savings mechanisms.

Adults residing in the urban areas are more likely to save than rural adults.



A five percentage gender gap exists in favour of males

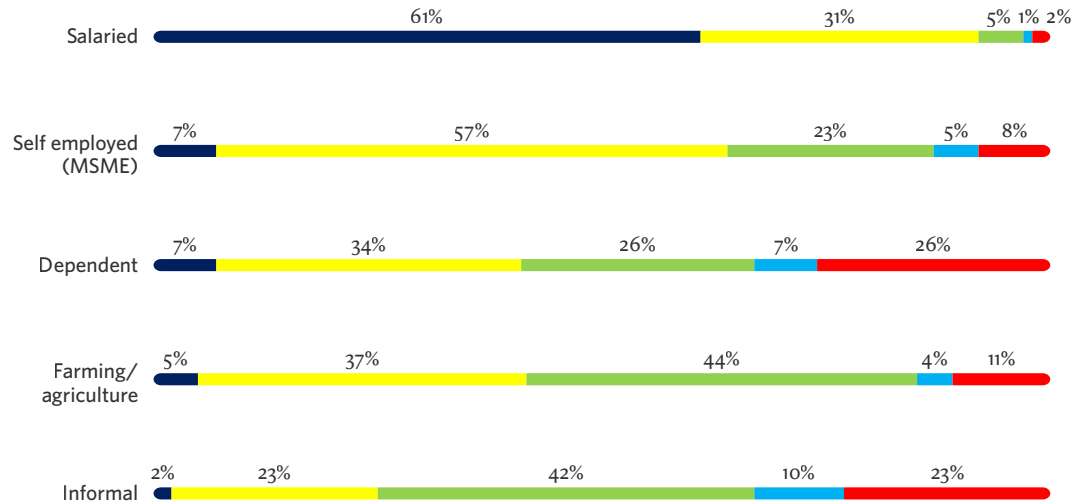


Savings and investments (%)

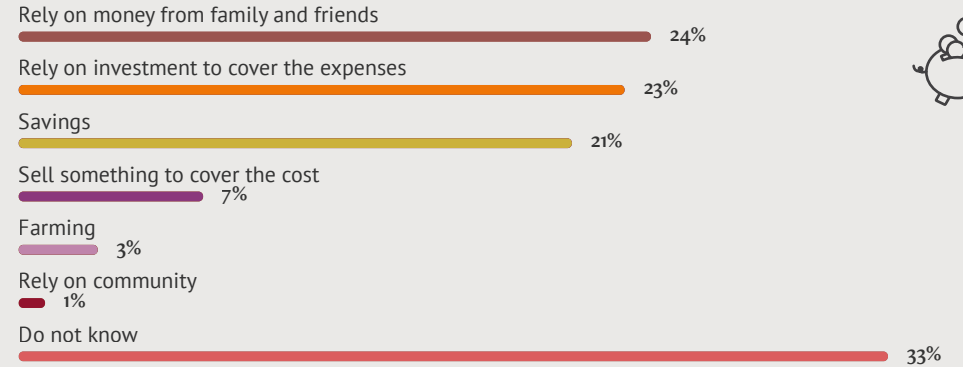


Savings Strand by target group

Bank savings products are most popular among salaried workers who also receive their income via bank channels. For the more informal income recipients, the other formal (non-bank) savings products are more popular such as saving in SACCOs and mobile money wallets. The use of informal savings mechanisms such as ROSCAs and ASCAs are widely used by informal and farmer income groups.



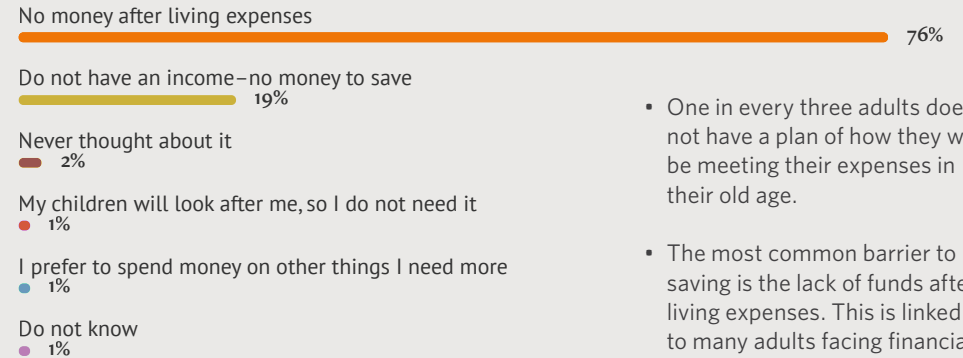
PLAN TO COVER OLD-AGE EXPENSES (%)



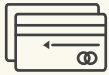
Savings and investments (%)



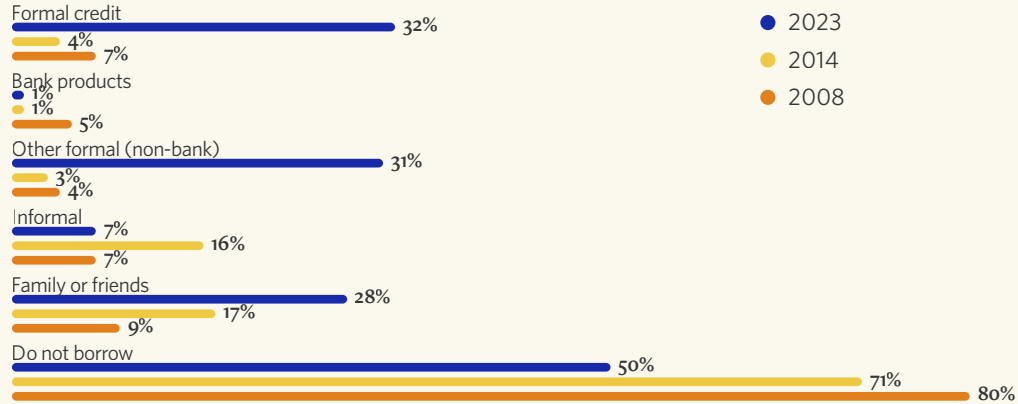
BARRIERS TO SAVING



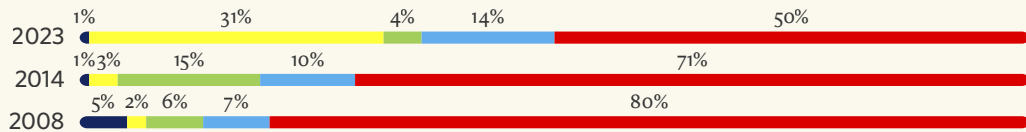
- One in every three adults does not have a plan of how they will be meeting their expenses in their old age.
- The most common barrier to saving is the lack of funds after living expenses. This is linked to many adults facing financial commitment challenges.



Borrowing and credit



Credit Strand



The credit strand reveals that:

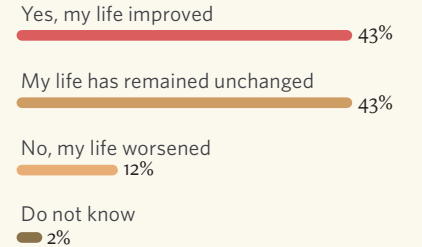
- There is an increase in formal credit mainly from formal non-bank institutions – borrowing from other formal (non-bank) products such as mobile money (86%) and other institutions.
- There are slightly more adults that are solely dependent on borrowing from family or friends and there is a notable drop in the usage of informal mechanisms.
- Adults not borrowing have reduced to 50%.



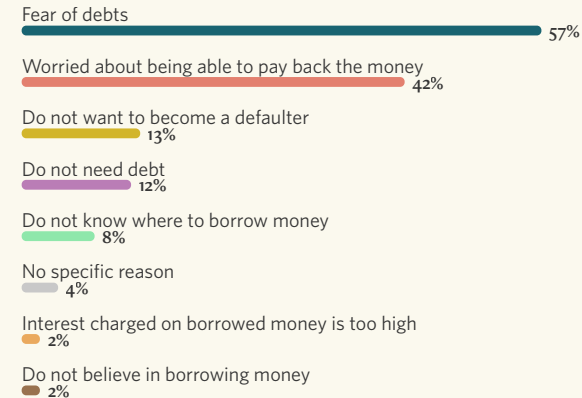
Borrowing and credit

- About 2 in 5 borrowers agreed that the loan improved their life while a further 2 in 5 were neutral about the impact of the loan.
- The study also found that 43% of borrowers had missed a loan repayment in the past 12 months due to lack of funds. This further indicates a strained personal and household income through which credit and savings are helping to cope. Responsible borrowing must be monitored as signs show over-indebtedness.

Has the loan/credit improved your livelihood/helped you



Barriers to credit



- The barriers to borrowing have not changed from 2014 with the main ones being a fear of debt and not wanting to be known as a defaulter (perceived affordability). This resonates with a high proportion of defaulters (43%).



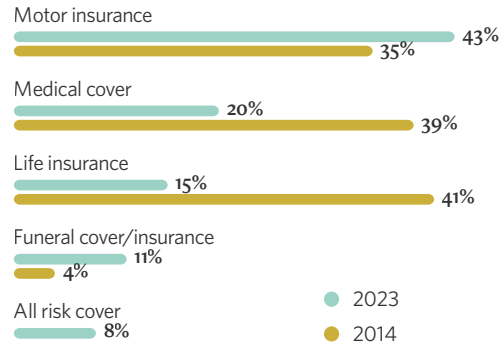
Insurance and risk management



- There is an increase in the uptake of insurance - mainly formal insurance. There are also more adults without any insurance in 2023 than in previous years.

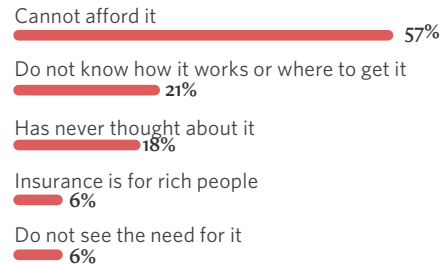
5% OF ADULTS HAVE INSURANCE

Of those insured uptake of insurance products is driven by (compared to 2014):



95% OF ADULTS DO NOT HAVE ANY KIND OF FINANCIAL PRODUCT COVERING RISK

Barriers to insurance (%):



- The insurance sector is led by motor vehicle insurance, which shows a steady increase while life insurance has dropped.

Remittances



Overview of those who remitted in the past 12 months



Remittances Strand

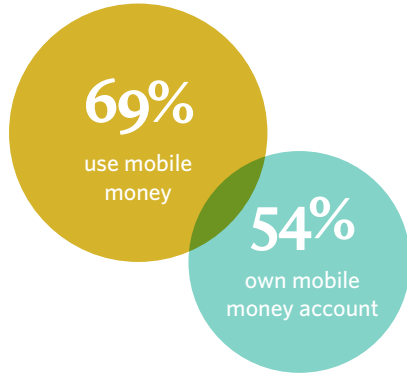


- Remittances have grown, spurred mainly by the uptake of mobile money.
- The use of bank services as a remittance tool has dropped, suggesting a preference for the use of mobile money.
- The use of informal mechanisms and family or friends is low, although a significant proportion still use family or friends. These adults do not own any formal products in their name.

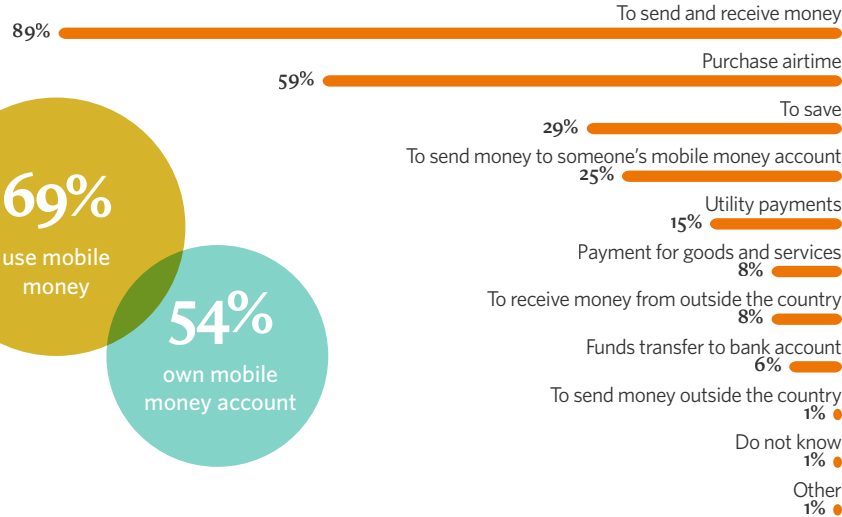
● Bank ● Other formal (non-bank) ● Informal ● Relative/friend ● Do not remit



Mobile money

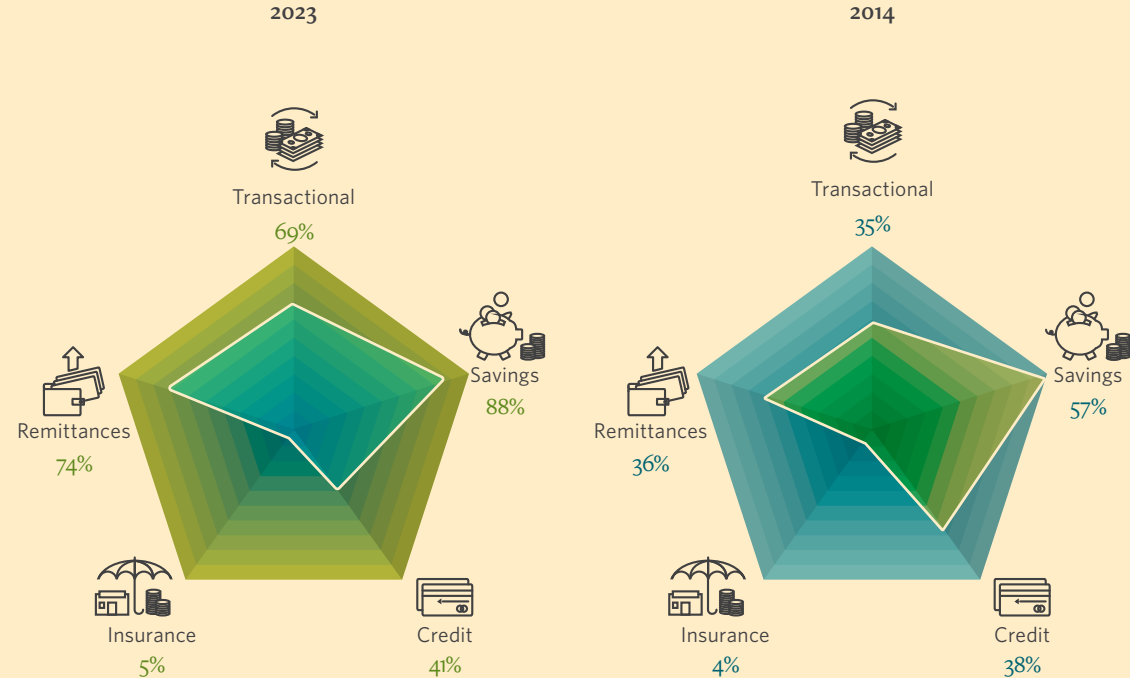


TRANSACTIONS PERFORMED THROUGH MOBILE MONEY (%)



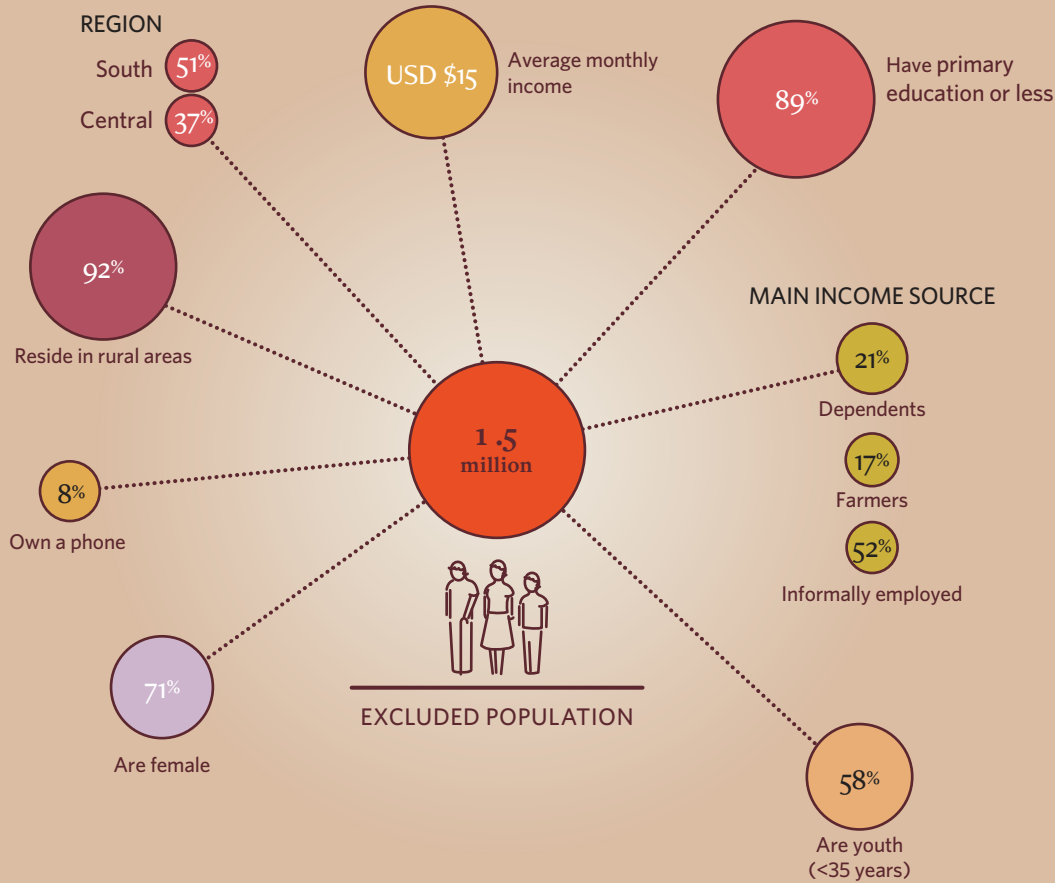
- 69% (7.8 million) of adults use mobile money services and 54% (6.1 million) own a mobile money account (vs. 3% in 2014)
- 86% of these transact via the platform e.g. buy mobile credit, pay utilities
- 91% of urban adults use mobile money compared to 61% rural
- 65% of females use mobile money compared to 77% males
- 69% of youth (under 35 years) and 69% of seniors (36 years and older) use mobile money
- 98% of salaried adults use mobile money compared to 83% of self-employed, 71% of dependants, 53% of informally employed and 69% of farmers.

Landscape of Access (of those with financial product)



The Landscape of Access is used to illustrate the extent to which financially included individuals have/ use financial products/services. The above 2023 chart shows that Malawi's financial inclusion is driven by savings (mostly through informal savings groups and SACCOs) and remittances (through the usage of mobile money). Marginal increases in the proportion of adults using credit and insurance.

Financial inclusion priorities



1 Enhancing financial product usage boosts consumer utility. To extend the reach of formal financial inclusion, promoting a second-tier financial system, leveraging mobile money, and traditional bank accounts is essential.

2 Improved access to credit benefits individuals, farmers, and MSMEs, enabling them to acquire capital for entrepreneurial activities. Over-indebtedness signals require lenders to ensure affordability and regulatory intervention.

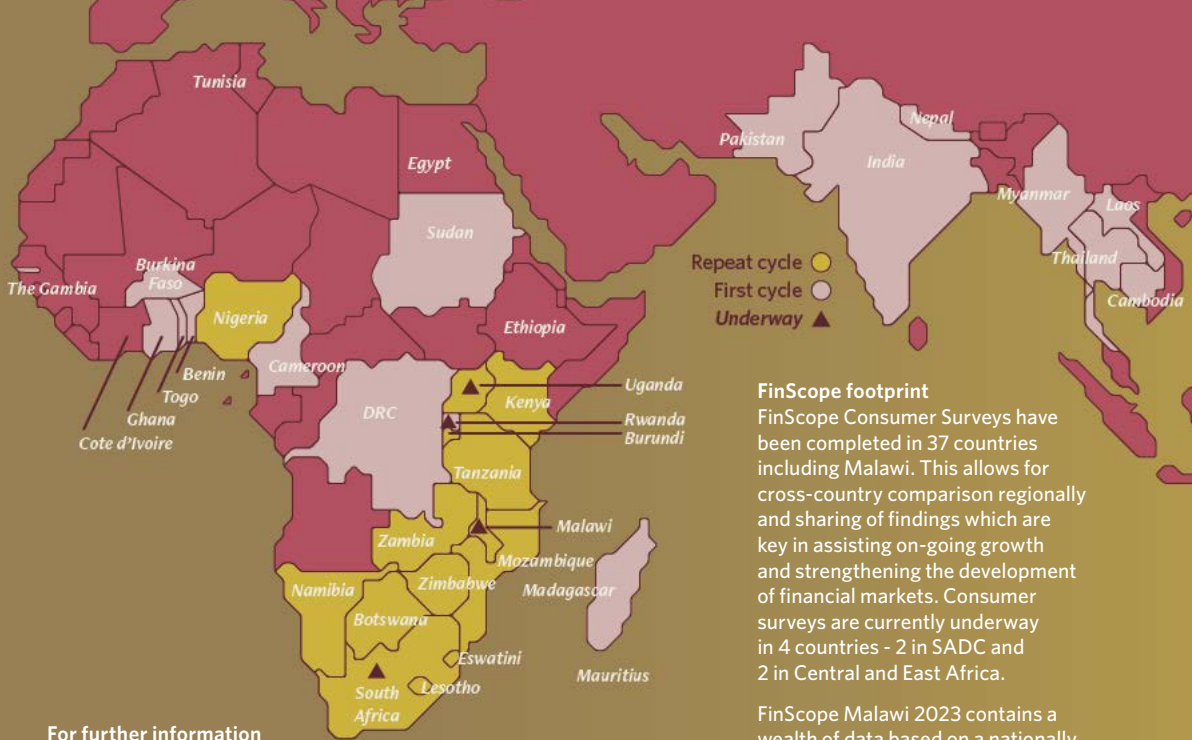
3 Understanding and leveraging fintech innovations, particularly in credit provisioning for farmers and MSMEs, is crucial. Policymakers must comprehend the local fintech landscape and foster an enabling environment.

4 Policy interventions prioritizing credit access for economic growth are essential. Continued financial education through literacy programs empowers consumers to make informed choices, considering climate change for households and MSMEs.

5 With the rise of digital financial services, enhancing digital literacy through consumer education is paramount. Adopting Financial Inclusion 2.0 (FI2.0) focuses on real economic needs and implementing interventions for target group resilience.

6 Maintaining an enabling regulatory environment is critical for achieving financial inclusion goals. Efforts to combat inflation should persist.

7 Strengthening sector and policy coordination ensures streamlined financial inclusion priorities in government and development partner programs. Ongoing monitoring and evaluation of financial inclusion targets remain key.



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2023 please contact:**

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FinScope footprint

FinScope Consumer Surveys have been completed in 37 countries including Malawi. This allows for cross-country comparison regionally and sharing of findings which are key in assisting on-going growth and strengthening the development of financial markets. Consumer surveys are currently underway in 4 countries - 2 in SADC and 2 in Central and East Africa.

FinScope Malawi 2023 contains a wealth of data based on a nationally representative sample of the adult population of the country.



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