



GOVERNMENT OF MALAWI

# National Strategy for Financial Inclusion III

## 2024 - 2028



# **National Strategy for Financial Inclusion III**

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**2024 - 2028**

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#### **ATTRIBUTION**

Please cite the report as: MoFEA (2024) National Strategy for Financial Inclusion III 2024 – 2028. Government of Malawi, Lilongwe

Published by The Ministry of Finance and Economic Affairs with financial support from IFAD through FARMSE Project and SADC Secretariate through the SIBE Project funded by EU

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# Executive Summary

The Government of Malawi has since 2010 implemented two National Strategies for Financial Inclusion: one covering the years 2010-2014 (NSFI I) and another covering the years 2016-2020 (NSFI II). The main objective of NSFI I was to develop an inclusive financial system aligned to wider financial sector development programs and policies that had been developed then. NSFI II was built on the successes of the first Strategy, with the goal of increasing formal financial inclusion in Malawi from 34% (FinScope Consumer Survey Malawi, 2014) to 55% by 2020, and reducing financial exclusion from 51% to 26% so as to support growth and improve household welfare.

The implementation of these two strategies (NSFI I & II) has shown that financial inclusion has the potential to boost overall economic growth by facilitating intermediation of savings; providing access to loans to support the creation of Micro, Small, and Medium (MSMEs) enterprises; and facilitating access to insurance for increased resilience against shocks in both urban and rural areas. According to Malawi FinScope Consumer Survey 2023, access to formal financial services is currently at 74% whilst access to both formal and informal services is at 88%. Access to formal financial services among rural residents is standing at 67% compared to 93% in the urban areas. In terms of gender, 82% of adult males have access to formal financial services compared to 69% of females.

With regards to MSMEs, Malawi MSME FinScope Survey 2019 noted that there has been an increase in access to formal financial services or products from 31% in 2012 to 54% in 2019 largely driven by mobile money account ownership and SACCOs. Otherwise, access to banks increased marginally and insurance penetration remained low at 2.5% of the adult population.

Given these gaps and the fact that NSFI II covered the years 2016 – 2020, hence has expired, a new 2024-2028 Strategy (NSFI III) that draws lessons from successes and failures of the past and domesticates SADC's Regional Strategy for Financial Inclusion to Malawi is needed. NSFI III, therefore, seeks to develop an inclusive financial system that supports the creation of wealth and self-reliance by all Malawians as enshrined in the country's Vision - the Malawi 2063, which is

anchored on increasing agricultural productivity and commercialization, industrialization, and urbanization.

In this regard, NSFI III's goal is to increase access to at least one formal financial service to 95% of the country's adult population by 2028 and reduce financial exclusion from 12% to 5%<sup>1</sup> in order to achieve sustainable and inclusive growth and support job creation. NSFI III intends to include all players in Malawi's economy with financial inclusion as an essential instrument for increasing production in agriculture and small enterprises and eventually increasing household income, reducing poverty, increasing resilience, and accelerating economic growth.

Given that financial inclusion is a multi-sectoral issue with strong linkages to gender outcomes, land and agricultural issues, public infrastructure like electricity and internet connection, security, and rural development, NSFI III will require robust coordination with these sectors especially the agricultural sector for its successful implementation.

The Strategy is divided into four parts:

**Part I – Malawi in Context:** provides the analytical foundation of Malawi, its population, economy, and regulatory framework.

**Part II – Financial Inclusion in Malawi - 2020:** outlines the state of financial inclusion as of 2020, achievements, failures, and challenges during the implementation of NSFI I and NSFI II, and the issues identified therefrom.

**Part III – Strategic Framework for 2024-2028 NSFI III** describes the strategic framework for achieving the vision and delivering the mission of NSFI III.

**Part IV – Crosscutting issues, Role of Stakeholders, and Implementation Arrangement** - For NSFI III to deliver on its mission and achieve the vision, Malawi will have to deal with mindsets and perceptions of its population as identified in the Malawi 2063 to instil a mindset that is entrepreneurial - that seeks to address market needs instead of satisfying personal consumption requirements. In this way, farmers will grow for markets

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<sup>1</sup> This includes both formal and informal access to financial services

and, by capacitating priority sectors and value chains of the economy as identified in the Malawi 2019 Making Access Possible (MAP) for MSMEs. These sectors include; the agricultural sector, agro-processing, manufacturing as well as wholesale, retail and tourism sectors which have greater linkages to agriculture and will enable rural people to realize positive returns from their efforts and as a result increase capacities for financial services of various kinds. Similarly, MSMEs will not lack markets as is currently the case as their activities will be driven by customers' needs when income levels of the rural population will have increased.

All strategic objectives are further broken down into sub-objectives to guide concrete action. The Strategy

further outlines implementation mechanisms for overall coordination as well as specifically for each strategic priority – acknowledging that different strategic objectives require different types of implementation mechanisms. The strategy also outlines a Monitoring and Evaluation (M&E) framework with national impact indicators, which provides a structure for assessing progress towards the objectives of this Strategy using well-defined and quantifiable indicators and targets. Finally, the Strategy includes an action plan setting out key actions to achieve the sub-objectives, strategic objectives, mission and vision.

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# Acronyms

<b>AML/CFT</b>	Anti-money laundering (AML) and combating the financing of terrorism (CFT)	<b>MoGCDSW</b>	Ministry of Gender, Community Development and Social Welfare
<b>ATM</b>	Auto-teller Machine	<b>MoHS</b>	Ministry of Homeland Security
<b>BAM</b>	Bankers Association of Malawi	<b>MoICT</b>	Ministry of Information and Digitization
<b>COMESA</b>	Common Market for Eastern and Southern Africa	<b>MoTI</b>	Ministry of Trade and Industry
<b>DFS</b>	Digital Financial Services	<b>MoJ</b>	Ministry of Justice
<b>FARMSE</b>	Financial Access for Rural Markets, Smallholders, and Enterprises	<b>MoLGUC</b>	Ministry of Local Government, Unity and Culture
<b>FDPs</b>	Forcefully Displaced Persons	<b>MSE</b>	Malawi Stock Exchange
<b>FINES</b>	Financial Inclusion and Entrepreneurship Scaling Project	<b>MSME</b>	Micro, Small, and Medium Enterprises
<b>FSP</b>	Financial Services Provider	<b>MUSCCO</b>	Malawi Union of Savings and Credit Cooperatives
<b>GDP</b>	Gross Domestic Product	<b>NAPA</b>	National Adaptation Plan of Action
<b>ICT</b>	Information and Communication Technology	<b>NEEF</b>	National Economic Empowerment Fund
<b>IEC</b>	Information, Education and Communication	<b>NPL</b>	Non-Performing Loans
<b>ID</b>	Identity	<b>NRB</b>	National Registration Bureau
<b>IHS</b>	Integrated Household Survey	<b>NSFI</b>	National Strategy for Financial Inclusion
<b>ILO</b>	International Labour Organisation	<b>NSL</b>	NatSwitch Limited
<b>KYC</b>	Knowing Your Customer	<b>NSO</b>	National Statistical Office
<b>MACRA</b>	Malawi Communications Regulatory Authority	<b>RBM</b>	Reserve Bank of Malawi
<b>MAMN</b>	Malawi Microfinance Network	<b>ROSCA</b>	Rotating Savings and Credit Association
<b>MAP</b>	Making Access Possible	<b>SACCO</b>	Savings and Credit Cooperative
<b>MARDEF</b>	Malawi Rural Development Fund known as NEEF	<b>SADC</b>	Southern African Development Community
<b>MDG</b>	Millennium Development Goals	<b>SIRESS</b>	SADC Integrated Regional Electronic Settlement System
<b>MDGS</b>	Malawi Growth and Development Strategy	<b>TNM</b>	Telecom Networks Malawi
<b>MFI</b>	Microfinance Institution	<b>USD</b>	United States Dollar
<b>MNO</b>	Mobile Network Organization	<b>VSLA</b>	Village Savings and Loans Association
<b>MoA</b>	Ministry of Agriculture		
<b>MoE</b>	Ministry of Education		
<b>MoFEA</b>	Ministry Finance, and Economic Affairs		



# Foreword

## Minister of Finance and Economic Affairs

Honourable Simplex Chithyola Banda, MP

The Government of Malawi recognises that financial inclusion is not merely a matter of economic policy; it is a fundamental right and a catalyst for social-economic development. By providing individuals, particularly those in underserved and marginalised communities, with the tools and resources necessary to engage in productive activities, we empower them to improve their livelihoods, invest in their futures and contribute meaningfully to the overall prosperity of our nation as enriched in Malawi 2063.

It is against this backdrop that the government formulated the National Strategy for Financial Inclusion I and II which were implemented from 2010 to 2014 and 2016 to 2020 respectively. The implementation of these strategies (NSFI I & II) demonstrated that financial inclusion has the potential to boost overall economic growth by facilitating intermediation, savings, and the provision of loans which in turn support the creation of micro, small, and medium enterprise (MSMEs) in both urban and rural settings. The implementation of these strategies led to a tremendous increase in financial inclusion in Malawi from 34% in 2014 to about 74% in 2023 according to the Malawi FinScope Consumer Survey 2023.

With the implementation period of NSFI II coming to an end in 2020, a new strategy (NSFI III) is needed. NSFI III draws lessons from the successes and failures of past

strategies and has been aligned with the SADC regional financial inclusion strategy. It is the purpose of this Strategy to increase financial inclusion in Malawi in order to support economic growth, create wealth and employment and improve household welfare and resilience.

NSFI III represents a collaborative effort between government agencies, financial institutions, civil society organisations and other stakeholders committed to advancing financial inclusion in Malawi. The Strategy sets forth a comprehensive framework aimed at addressing the multifaceted barriers that inhibit access to financial services and products, including limited infrastructure, regulatory constraints and low levels of financial literacy, among others.

Malawi Government through the Ministry of Finance and Economic Affairs will continue providing leadership in the implementation of the Strategy and all stakeholders are encouraged to be actively involved in the implementation process and tracking of progress made to ensure that together we achieve meaningful and sustainable financial inclusion.

Honourable Simplex Chithyola Banda, M.P.

**MINISTER OF FINANCE AND ECONOMIC AFFAIRS.**



# Preface

## Secretary to the Treasury

Prof. Betchani Tchereni

Malawi's financial inclusion journey started with the implementation of the first National Strategy for Financial Inclusion (NSFI I) from 2010-2014 and later NSFI II 2016-2020. The implementation of these strategies has improved access to financial services, particularly to those in underserved and marginalised communities. This is evidenced by the Malawi 2023 FinScope Consumer Survey which shows that formal financial inclusion increased from 34% in 2014 to 74% in 2023.

Government continues its efforts to ensure that all Malawians have access to financial services and actively participate in the financial system. By providing individuals the means to transact, save, borrow, invest and plan for the future, it will enable them to seize opportunities, weather economic shocks and improve their overall well-being. The implementation of NSFI I and II has shown that by expanding access to financial services, the potential of millions of people who have been marginalised or excluded from the formal economy can be unlocked to unleash a wave of innovation, entrepreneurship and prosperity that benefit the whole country.

Since NSFI II expired in 2020, the Government through the Ministry of Finance has developed NSF III as a successor to NSFI II. NSFI III has been developed with the main goal of increasing the financial inclusion of the adult population in Malawi to 90% from 74% by 2028 and reducing the excluded to 5% from 12% to support economic growth, creation of wealth employment, and improve household welfare and resilience.

NSFI II identifies four strategic priorities namely, (a) creation of a financially capable population to demand financial services, (b) increase demand for financial services by creating a strong MSME sector (c) creation of strong and innovative financial services providers and (d) enhanced legal and regulatory environment and implementation mechanisms. The priorities have been devised with a view of creating a vibrant financial ecosystem that will result in increased access to financial services by all to contribute positively to the country's economic development.

Government through the Ministry of Finance and Economic Affairs will play a leading role in the implementation of the Strategy with the support of various stakeholders including the donor community, international organisations, public and private sector institutions, civil society organisations, and other institutions. To facilitate prompt action on targets, stakeholders 'representatives will periodically assess and track progress in liaison with the Ministry of Finance and Economic Affairs mainly through the Financial Sector Technical Working Group.

NSFI III (2024-2028) is a national strategic document, hence all stakeholders are urged to take ownership of the Strategy and commit to its successful implementation.

Prof. Betchani Tchereni  
**SECRETARY TO THE TREASURY**

## PART 1

# Malawi in Context

## Introduction

The Government of Malawi recognizes that access to financial services, particularly to the excluded, increases inclusive growth, reduces both poverty and income disparities, and enhances their resilience to shocks. Therefore, the Government developed the first National Strategy for Financial Inclusion (2010-2014 NSFI I), whose main objective was to develop an inclusive financial system and align it with the wider financial sector development programs and policies it had developed. Building on the successes of the first strategy, a second strategy (2016-2020 NSFI II) was developed to increase financial inclusion in Malawi from 34% (FinScope Consumer Survey Malawi, 2014) to 55% by 2020, and reduce financial exclusion from 51% to 26% to support growth and improve household welfare.

The implementation of these two strategies (NSFI I & II) has shown that financial inclusion has the potential to boost overall economic growth by facilitating mobilization of savings and the provision of credit

which in turn support the Micro, Small, and Medium Enterprises (MSMEs) in both urban and rural areas. Implementation of these two strategies has had a profound impact on those segments that were excluded from the financial system.

The NSFI II ended in 2020 hence, a new Strategy (NSFI III) was needed. The new strategy draws lessons from the successes and failures of the past strategy and aligns the SADC Regional Strategy for Financial Inclusion to Malawi. The NSFI III strives to harness the successes of the previous strategy, resolve the failures and challenges of the past, and spell out and prioritize different actions on financial inclusion through a common vision.

## Malawi's Population

Malawi has a population of approximately 20 million people up from 18.6 million in 2018<sup>2</sup>. Of these, 44% were in the Southern Region, 43% in the Central Region, and 13% in the Northern region as shown in Figure 1 below.

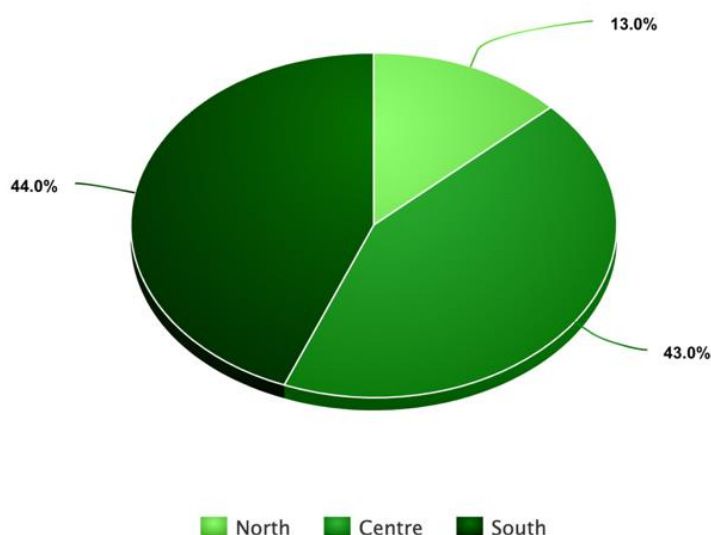


Figure 1: Malawi's population in 2018 by Region<sup>3</sup>

Malawi's population is overwhelmingly young with 84% (15.6 million) of the total population under 35 years. Approximately 6.6 million adults were economically

active in 2018. The rural population in Malawi is about 84% of the total population.

<sup>2</sup> Source: Malawi National Statistical Office (NSO) - 2018 National Census

<sup>3</sup> Source: Malawi National Statistical Office (NSO) - 2018 National Census

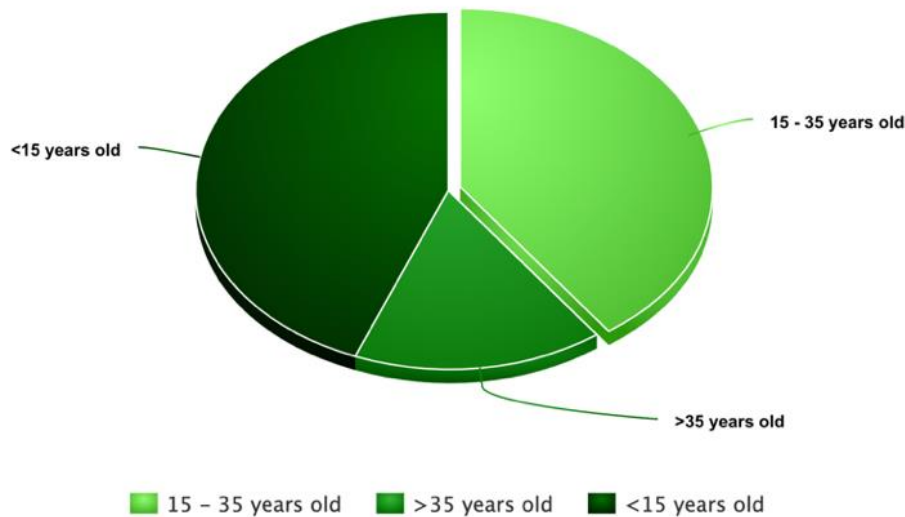


Figure 2: Malawi Population 2018 by Age Group

According to the Fifth Integrated Household Survey (NSO, 2020), the literacy rate for Malawi’s population improved to 75.5% from 65.4% in 2016. Literacy rate was higher for males (83.0%) as compared to 68.8% for females. Urban areas registered a higher literacy rate (91.8%) compared to rural areas (72.1%). At the regional level, the northern region had the highest literacy rate (89%) followed by the central region (65.1%) and then the southern region (63.3%). At the district level, Rumphi had the highest literacy rate (89.8%) while Mangochi registered the lowest literacy rate (57.8%).

While literacy levels improved, financial literacy remained low. The Malawi Financial Literacy and Consumer Protection Household Survey (2023) showed that financial literacy as measured by the financial literacy index<sup>4</sup> has remained constant at 3.9 since 2018. However, the percentage of people who had financial literacy index above 5 (those with an average of above 5 out of 7 correct answers) increased to 47% from 37.5% in 2018. On average urban respondents answered five (4.20) questions correctly. This was almost a full point more than rural respondents, who on average answered four (3.73) questions correctly. In addition, men recorded a higher financial literacy level of 51% compared with 36.1% for women. In addition, males answered 4.2 compared to females 3.7 questions out of seven.

Poverty levels are high in Malawi. The population that was poor in 2019/2020 was 50.8%, slightly lower than

51.5% reported during 2016/2017 (IHS4). This means that over half of the population in Malawi lived in poverty. The situation was worse in rural areas where 56.6% of the population lived in poverty (Malawi Poverty Report 2020 and Figure 3) and urban poverty rose to 19.2% from 17.7% in 2016/2017. Female-headed households are poorer in terms of income compared to male-headed households and more often have less means to move out of poverty.<sup>5</sup>

## Malawi’s Economy

Malawi is a low-income country with GDP per capita of USD 645 in 2022. The economy of Malawi is heavily dependent on agriculture, with the agricultural sector accounting for 22.1% of GDP in 2022 and 61.9% of total employment. This over-reliance on agriculture, especially rain-fed agriculture, contributes significantly to macroeconomic volatility. While Malawi’s real has grown at 2.4% per annum over the past 5 years since 2019, the per capita GDP growth rate has averaged -1.75% in the same period. This means that the economic growth rate in Malawi is not high enough to raise the average GDP per capita significantly.

Employment in agriculture as a percentage of total employment in Malawi was 61.9% as of 2022<sup>6</sup> but it has been hard to produce enough crops to maintain an income above the international poverty line. Firstly, most produce is grown for own consumption and not for a known market. The absence of a known market exposes smallholders, especially women, to

<sup>4</sup> A financial literacy index is obtained based on the number of correct responses provided by respondents to the seven financial literacy questions. The questions cover simple division, simple interest rates, compound interest rates, discounted amount, familiarity with insurance, and diversification in the capital market by creating a portfolio. This index ranges from 0 to 7, whereby 0 indicates respondents who

incorrectly answer all of these questions, while a score of 7 indicates respondents with a good understanding of fundamental financial concepts and the ability to perform simple mathematical calculations.

<sup>5</sup> Gender and Poverty Reduction in Malawi by Naomi Ngwira

<sup>6</sup> ILOSTAT Database – September 2029

exploitation by speculative vendors who buy their surplus produce at prices that are below production cost and government-stipulated minimum prices.

Secondly, the focus on food production is at the expense of cash crops that could guarantee a more decent income for the rural population. More land and effort are put into growing food for personal consumption and not for sale.

Thirdly, the obstacles that many Malawians face are abounding and include climatic shocks, disease, and crop failure, all of which worsen the country's poverty situation. This is probably the main reason why farming in Malawi is perceived to be too risky and not financially viable by the financial sector.

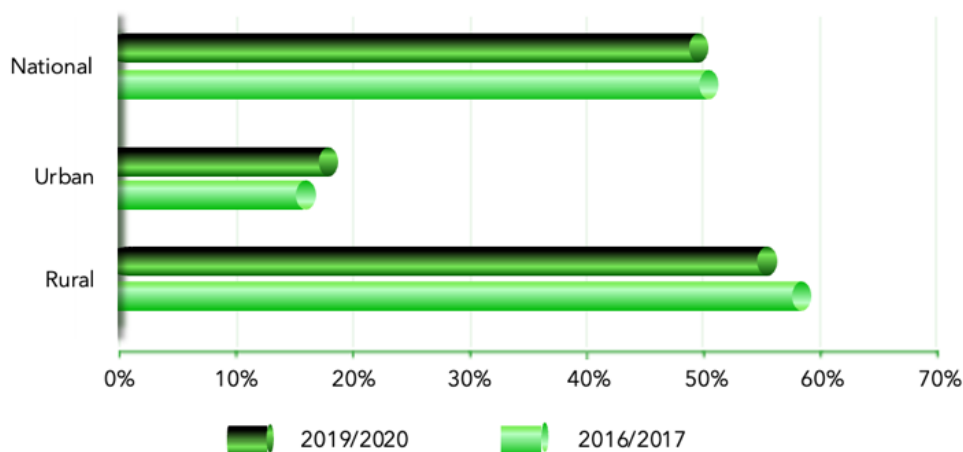


Figure 3: Poverty Head Count Ratio for Malawi in 2020<sup>7</sup>

## MSME Sector

According to the Malawi 2019 MSME Survey, there were 1,141,784 business owners in the country, up from 758,118 in 2012. Fifty-one percent (51%) of these were male-owned despite a 3% increase in female ownership of MSMEs. The MSMEs were a source of livelihood to 21% of Malawi's adult population and

contributed 24.5% towards employment in the country. In terms of location, 50% of the MSMEs were in the Central Region, 38% in the Southern Region, and 12% in the Northern Region. They were, however, heavily concentrated in urban areas with only 22% of the MSMEs being located in rural areas.

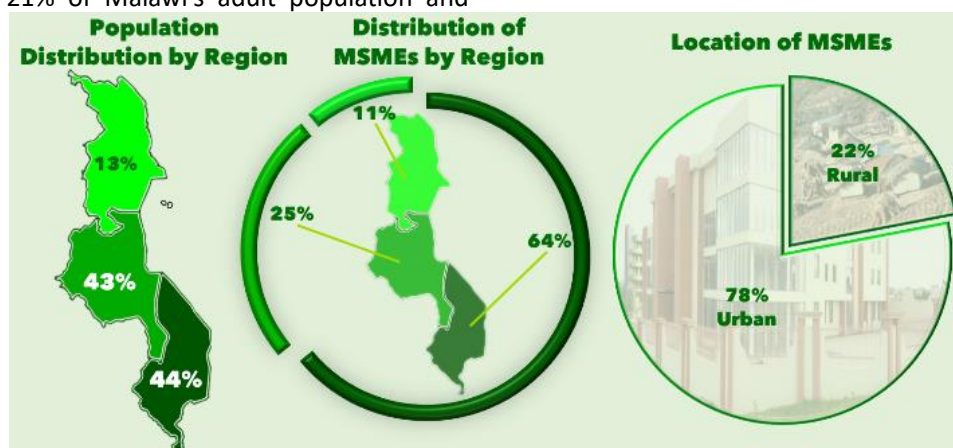


Figure 4: Malawi Population Distributions Vs Location of MSME Owners 2019

The Survey further shows that the majority (74%) of Malawi's MSMEs are micro-enterprises and that only 3% are medium-sized. The majority of the MSMEs

(62%) are started by people with no formal education or basic primary education. Only 2% of MSMEs are owned by university graduates.

<sup>7</sup> Source: Malawi Report 2020

### Level of education owners (%)

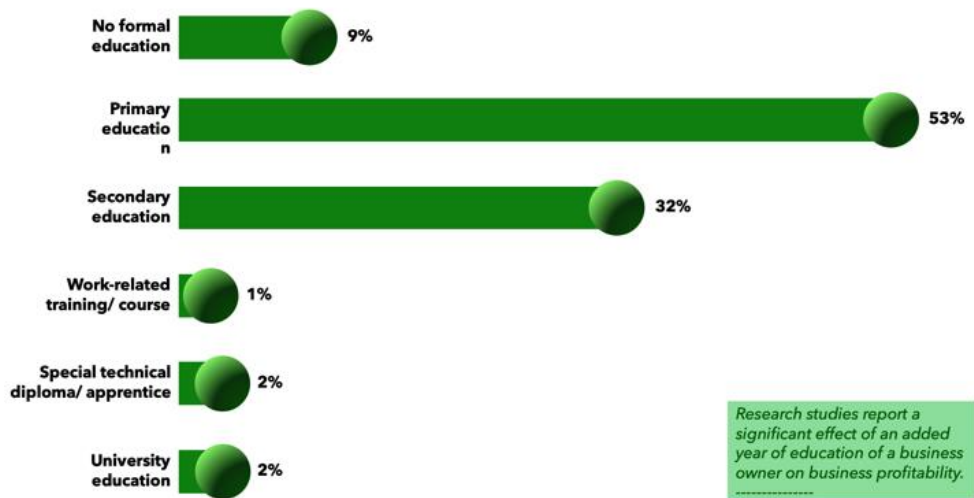


Figure 5: Level of Education of MSME owners (%)

While entrepreneurship can be loosely defined as starting a business, true entrepreneurs look outward to people’s needs or challenges. The Career Explorer (Sokano, n.d.) defines an entrepreneur as “an individual who has identified a need in the marketplace and has come up with an innovative business idea/solution to fill that need”. When this definition is used, entrepreneurship in the Malawi MSME sector is on the low side as reasons for starting the business were

mainly for the personal interests of the entrepreneur such as wanting to make money, failing to find a job, and loss of a job and not to satisfy the needs of the market. Only 27% started a business after identifying an opportunity in the market which might explain why access to markets is one of the major challenges faced by Malawian entrepreneurs (FinScope MSME Survey 2019).

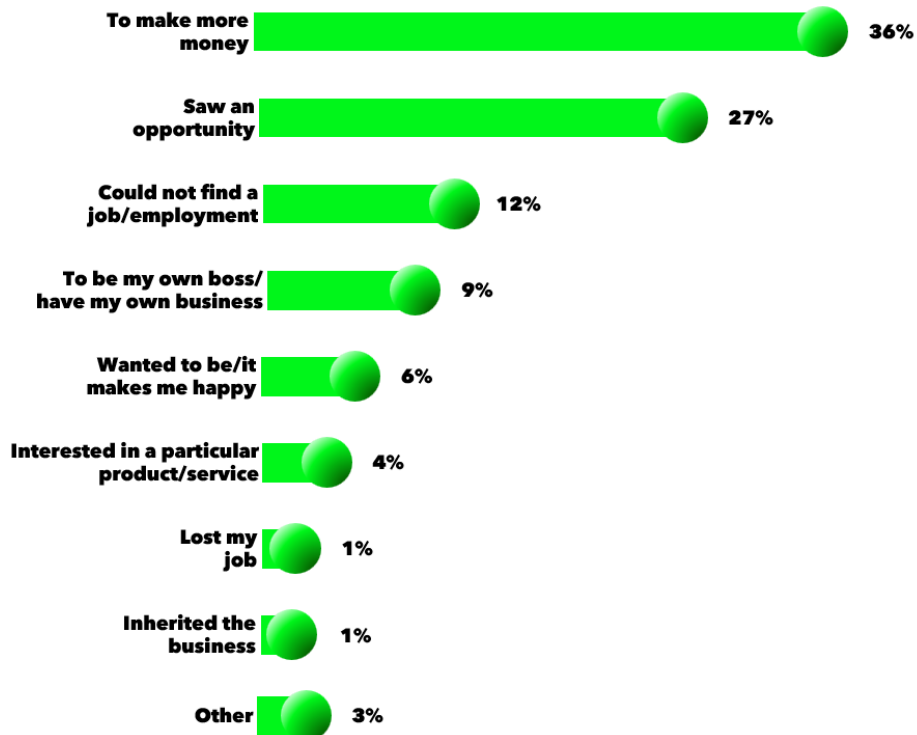


Figure 6: Reasons for Starting a Business in Malawi

In terms of source of start-up capital, the majority of the enterprises started with capital from their savings. The sources of capital point to a glaring inability of

Malawians to work together with business partners as a source of capital accounting for a mere 0.1% for the whole MSME sector.



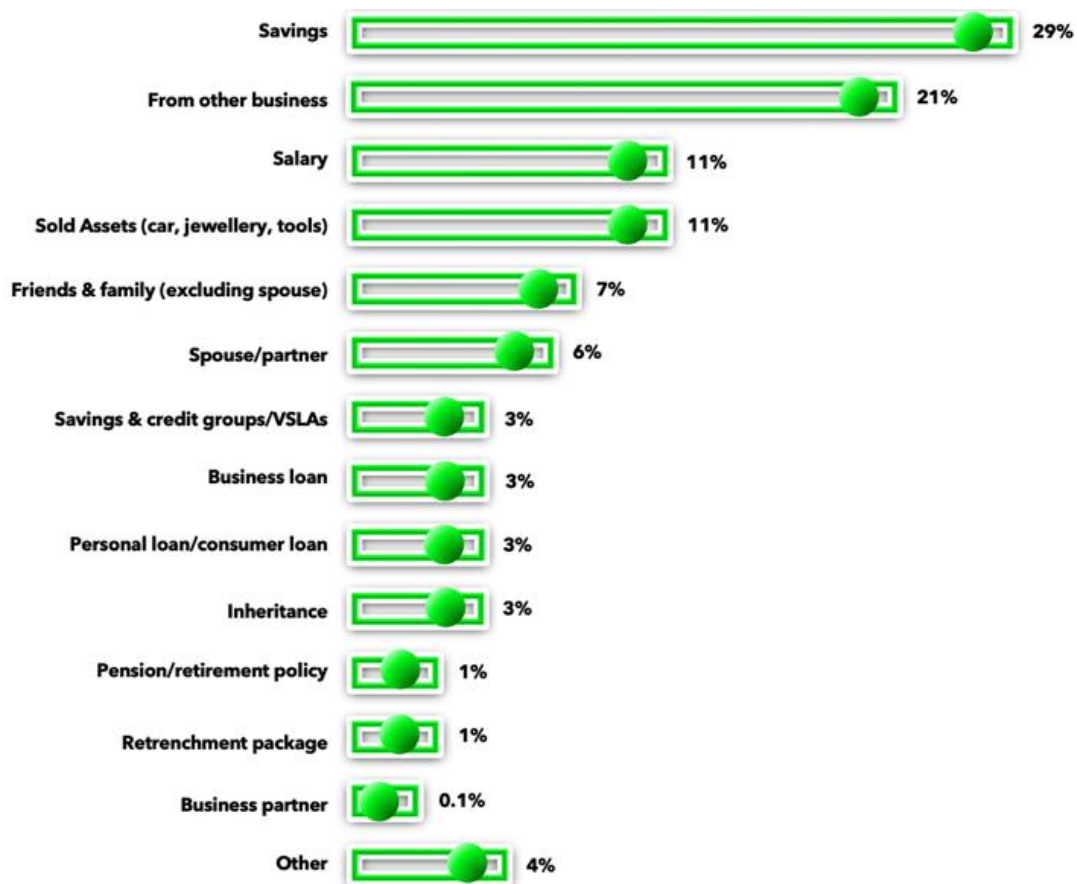


Figure 7: Malawi MSME Sources of Capital.

The findings show that the agro-processing sector has about 40,000 owners (a mere 4% of all MSMEs), of which 85% fall under micro-enterprises, 14% under

small enterprises, and 1% in the medium enterprise category.

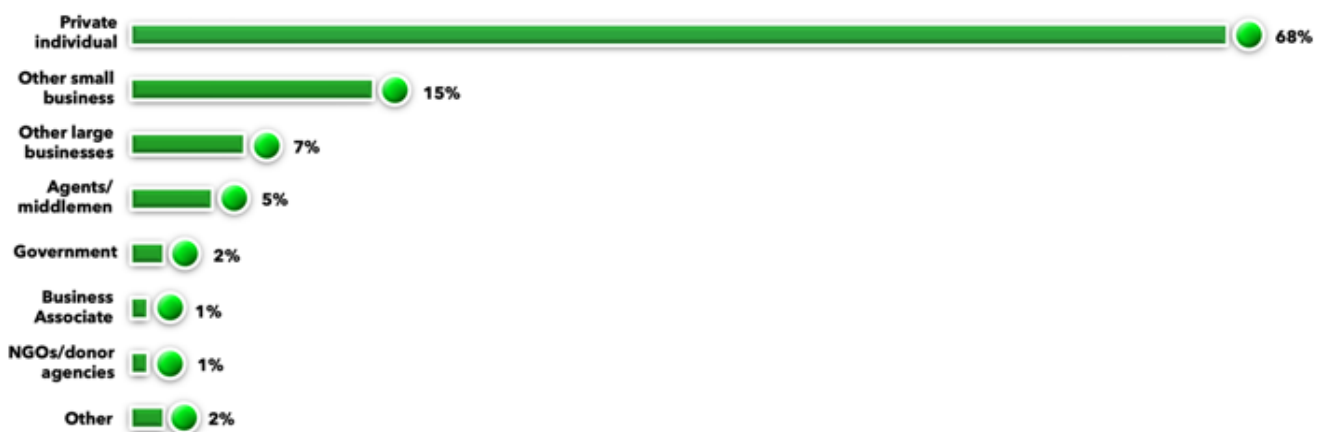


Figure 8: MSMME Access to Markets 2019

89% of Malawi's MSMEs are informal (not registered) and the majority are sole proprietors (86%).

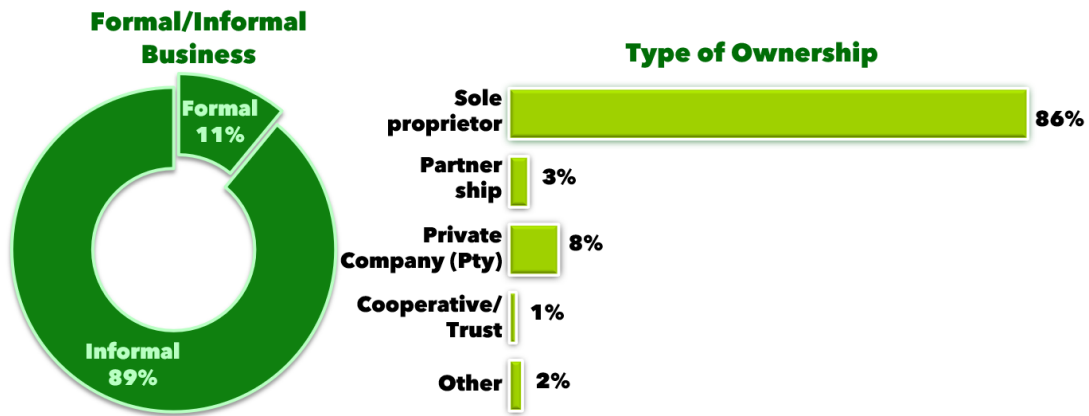


Figure 99: Formal and Informal Businesses and Type of Ownership<sup>8</sup>

Reasons for not registering businesses included perceptions of the business size being too small (47%) and lack of knowledge (25%).

### Malawi's Financial Sector

According to the 2023 Registrar of Financial Institutions Annual Report, Malawi's financial sector comprised:

#### a. The Banking Sector

The sector was made up of 8 commercial banks (the same as in 2022 but down from 9 in 2019 and 10 in

2016). Total assets of the sector were at K4.1 trillion (2022; K3.1 trillion). The banks lent out K1.1 trillion up by 14% from K990.8 billion in 2022. Non-performing loans (NPLs) ratio registered at 6.9 percent thereby indicating a deterioration from 6.3 percent in December 2022. Private sector loans remained concentrated in three sectors namely community, social and personal services; wholesale and retail trade; and agriculture, forestry, fishing and hunting collectively accounted for 68.0 percent of all loans in the banking sector, and individually at 34.3 percent, 17.3 percent and 16.4 percent, respectively.

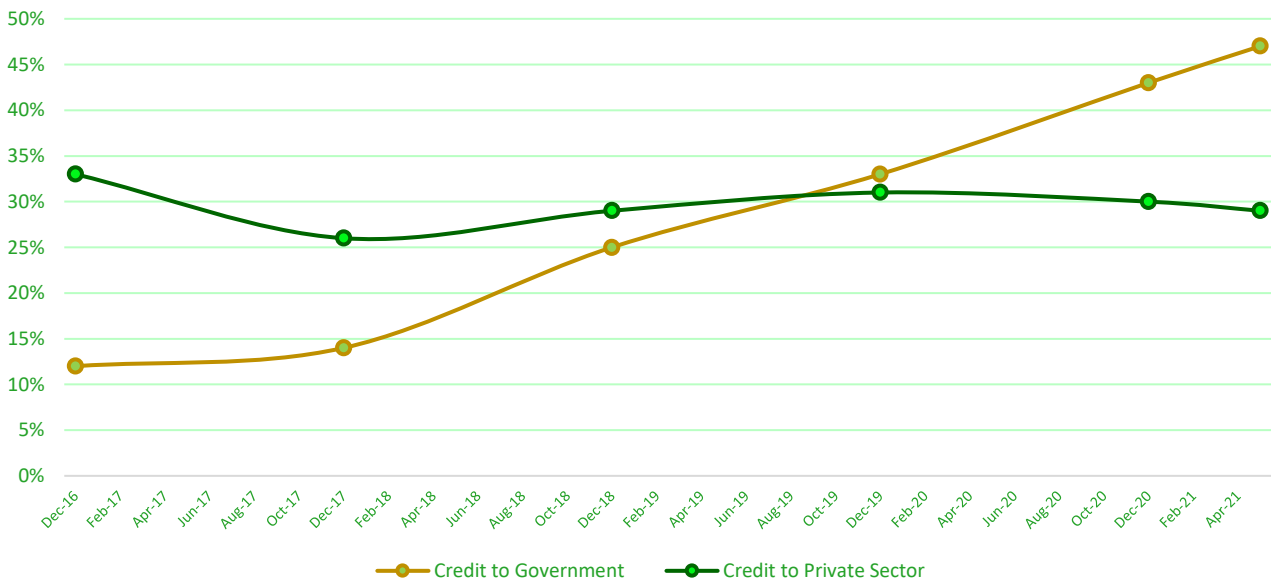


Figure 10: Commercial Bank Credit by Sector as a % of Total Assets

With regard to branch network, the banks had 116 branches up from 106 branches in 2020 and 110 in 2019. The number of agencies, kiosks, and vans across the country was 102 down from 112 in 2020 and 120 in 2019; Auto Teller Machines (ATMs) increased by four to

498 in 2021 from 494 in 2020; while the number of bank agents increased to 8,494 from 5,132.

<sup>8</sup> Source FinScope MSME Survey 2019

In addition, there were three development finance institutions, one discount house and two credit reference bureaus.

#### **b. The Microfinance Sector**

The sector had four deposit-taking MFIs that together served 189,081 clients (2020: 200,871 clients), of which 58.2% were females; 11 non-deposit taking MFIs; and 50 microcredit agencies. The non-deposit-taking microfinance subsector inclusive of the microcredit agencies served a total of 267,834 (2020: 274,333 clients), of which 38.6% were female. The financial cooperatives sub-sector had 38 SACCOs that had a total membership of 170,165 (2020: 155,632 members) of which 36.1% were female.

#### **c. Capital Market**

There was one stock exchange (with 16 listed companies), four brokerage firms, two collective investment schemes, nine investment advisors, four transfer secretaries, and six portfolio managers. The number of transactions increased to 3,304 deals from 3,114 in 2020. Market capitalization stood at K2,462.7 billion, up from K1,759.9 billion in 2020.

#### **d. The Pension Sector**

The sector had 7 pension services companies (up from 6 in 2019); 9 pension funds and 5 pension brokers. Pension scheme membership increased by 7.8% to 509,532 up from 472,347 in 2020 representing 8.6% of the employed labour force in 2020. Annual pension contributions increased to K141.7 billion from K122.1 billion in 2020 on account of the increase in pension membership. Pension fund assets totalled K1.3 trillion up from K1.1 trillion in 2020 representing an increase of 19.9%.

#### **e. The Insurance Sector**

The insurance sector comprises two subsectors, namely general insurance and life insurance. The general insurance subsector had eight companies with combined gross premium written amounting to K65.1 billion (2020: K59.8 billion). Motor insurance was the largest class of business, contributing 53.0% of total gross premium underwritten by the sector (2020: 54.5%). Total assets of the general insurance subsector amounted to K78.1 billion (2020: 70.0 billion)

On the other hand, the life insurance sector had 6 companies with 99,887 individual life policies (2020: 99,829), 2,686 group life policies (2020: 2,538) and 6,811 annuities (2020: 5,853) in force. A total of 470,281 lives were covered under the group life policies. Gross premium written for life insurance business grew by 19.5% to K55.2 billion from K46.2

billion in 2020 while total assets of the subsector amounted to K1 trillion (2020: K824.0 billion).

Other players in the insurance sector included 1 funeral insurance company, 1 reinsurance company, 23 insurance brokers, 1 reinsurance broker, 57 insurance agents, 527 tied life insurance agents, and 22 insurance loss assessors.

### **Informal Service Providers**

The informal sector, especially village savings and loans groups (VSLGs), continue to play a crucial role in the provision of financial services in Malawi. The majority of adults' financial services needs are met by VSLGs. For example, IHS5 shows that 42.1% of households reported having obtained credit from VSLGs in 2020 while only 1.8%, 1.5%, and 0.4% obtained credit from SACCOs, banks, and NEEF, respectively. Most rural financial services providers build their services upon the activities of village savings and loan groups.

### **Infrastructure**

Malawi has inadequate infrastructure that hampers the provision of various services including financial services, especially in rural areas. Electricity is vital for the development of financial services. For instance, mobile financial services depend on reliable electricity supplied to mobile networks, as does more traditional banking infrastructure. However, access to electricity in the country is very limited. According to the Fifth Integrated Household Survey (IHS5) of 2020, the proportion of households with electricity as the main source of lighting was 11.4% only. Apart from electricity, road and rail infrastructure across the country is poor and inadequate.

Telecommunications infrastructure is critical to enabling digital financial services. There are three mobile network operators in Malawi, Airtel, TNM and Access Communications. However, Airtel and TNM are the major providers. Digital financial services are therefore limited to the two networks in the country, making the market highly concentrated.

According to the 2018 Malawi Population and Housing Census report, 51.7% of households reported having a mobile phone up from 41.72% in 2016<sup>9</sup>. Despite this growth in mobile penetration, internet access is not widely available in Malawi. This has an impact on financial service providers wishing to offer services via smartphones or internet banking. Furthermore, there

<sup>9</sup> <https://www.researchgate.net/publication/277130716>.

have been integrity issues with reports of criminal acts against mobile users.

These infrastructure challenges result in limited financial infrastructure, especially in rural areas, and a high cost of provision of financial services.

## **Regulatory Framework for the Financial Sector**

The current legal and regulatory framework for the financial sector in Malawi comprises, the Financial Services Act 2010 (the umbrella law) and other financial services laws such as the Banking Act 2010, the Microfinance Act 2010, the Financial Cooperatives Act 2011, the Insurance Act 2010, the Pension Act 2011, the Securities Act 2010, the Credit Reference Bureau Act 2010 (As amended in 2016), and the Payment Systems Act 2016, among others

In addition, various regulations and directives have been issued to support financial sector regulation and supervision. Specifically, the following directives and regulations have been issued to support financial inclusion; agency banking, inclusive insurance, e-money regulations, and interoperability directives.

Furthermore, various consumer protection directives have been issued to protect consumers of financial services such as disclosure requirements for various financial products and services, fair treatment of financial consumers, and complaints handling requirements. The Financial Crimes Act 2017 was also enacted and provides for a simplified KYC regime that supports financial inclusion. Further work needs to be done on the regulations to support financial innovations, and address such issues as fraud, high user fees, agent licensing and real-time settlement of payments.

## PART 2

# Financial Inclusion in Malawi - 2023

## Situational Analysis of Financial Inclusion in Malawi (2023)

### Access

According to the 2023 FinScope Consumer Survey, only 12% of adult Malawians had no access to formal and informal financial services. This is a significant improvement from the 51% and 55% that was recorded in FinScope 2014 and 2008 respectively. The 2018 Malawi Financial Literacy and Consumer Protection Household Follow-up Survey showed that overall, only

29.1%<sup>10</sup> of Malawians had access to formal financial services; 34.6% had access to formal and semi-formal financial services; and 46.1% had access to formal, semi-formal and informal financial services. Those with no access to financial services stood at 22.0% in 2018 down from 51% in 2014.

When analysed by place of residence, the 2023 FinScope Consumer Survey shows that 67% of rural people, who constitute the majority at 84% of the country's population, have access to formal financial services compared to 93% in the urban area. In terms of gender, 82% of adult males have access to formal financial services compared to 69% of females.

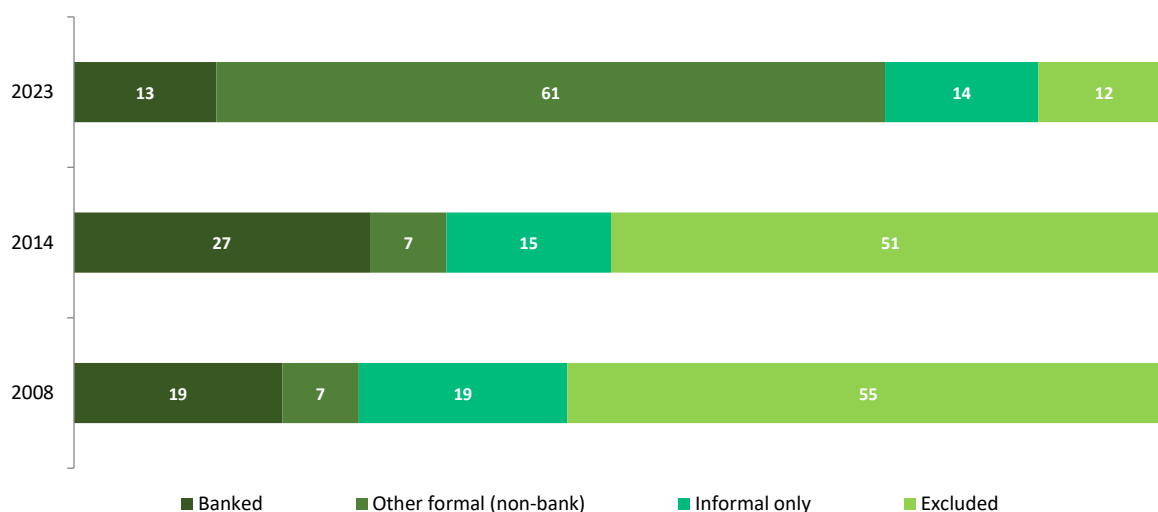


Figure 11: Financial Access Strand 2023, 2014, 2008

Table 1: Access to products and services<sup>11</sup>

Products and Services	Malawi	Urban	Rural	Male	Female
Formal products and services	29.1	53.1	24.7	37.5	22.5
Semi-formal products and services	05.3	07.2	05.0	06.9	04.1
Informal products and services	45.1	40.3	46.0	40.7	48.6
No financial products and services	22.0	13.4	23.6	22.0	22.1

<sup>10</sup> This figure only captures direct access and excludes indirect access as is the case with FinScope methodology. The figure also excludes mobile money accounts

<sup>11</sup> Malawi Financial Literacy and Consumer Protection Household Follow-up Survey (2018)

According to FinScope MSME Survey 2019, there was a notable increase of 23% in the proportion of business owners with access to formal financial services or products from 31% in 2012 to 54% in 2019. This however was largely driven by mobile money account

ownership and SACCOs. MSMEs in Malawi have a 40% adoption rate (uptake) of mobile money services. Bank access increased marginally in terms of the proportion of banked business owners, but a significant increase is noted in terms of absolute numbers, jumping from 169,000 in 2012 to 270,000 in 2019.

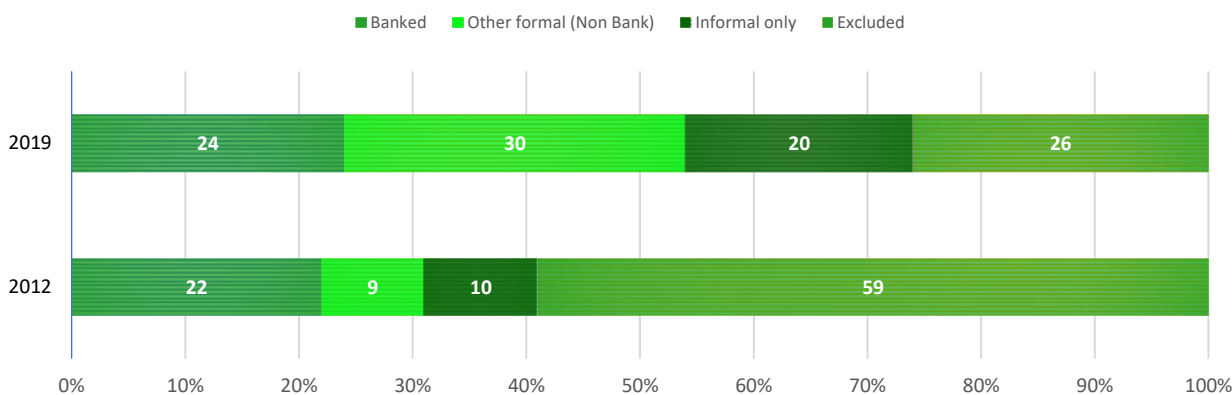


Figure 12: Financial Access for Malawi MSMEs<sup>12</sup>

When analysed by sector, the level of financial access varies according to the complexity of the business (due to intrinsic factors such as the development of the sector and the business life cycle phase). More developed sectors such as business services, tourism, and construction have a higher access rate to formal banking services while less developed sectors, such as

agriculture, wholesale and retail sectors, have lower levels of formal access. However, lower bank penetration opened opportunities for increased uptake of other formal, non-bank services and products as a result of the increased number of microfinance players, mobile money, and SACCOs, are all easily accessible.

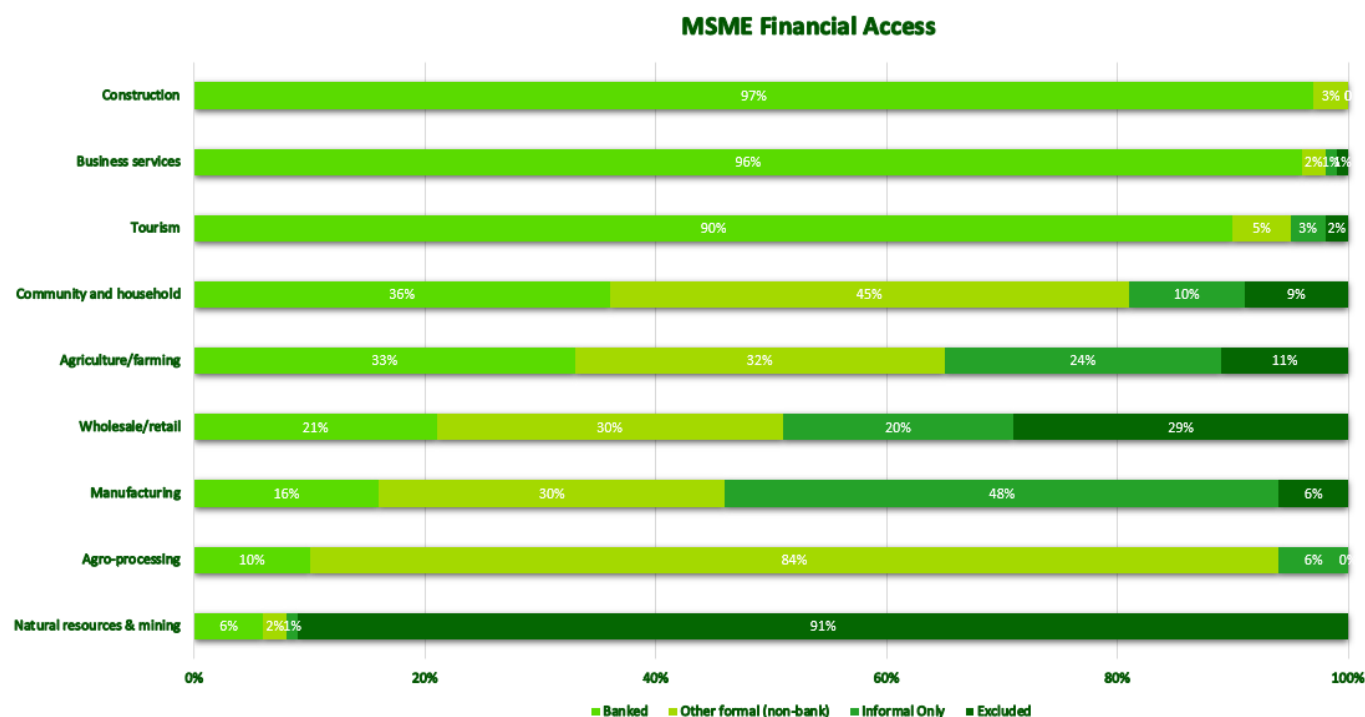


Figure 13: MSME Financial Access<sup>13</sup>

The FinScope MSME Survey 2019 indicated that MSMEs in Malawi have a 40% adoption rate (uptake) of mobile money services although only 9% of businesses use DFS

and this may be attributed to the high use of cash-in, cash-out transactions, and low usage of digital

<sup>12</sup> Source FinScope MSME Malawi 2019 Survey  
<sup>13</sup> Source: FinScope MSME Malawi 2019 Survey

platforms to transact with suppliers (2%) or receive customer payments (87%).

The FinScope MSME Survey 2012 showed that 34% of MSMEs cited access to finance as the biggest obstacle to growth. The FinScope MSME Survey 2019 showed that there had been no improvement in MSME access to credit as 36% of MSMEs also cited the same obstacle.

Access to formal credit finance (from banks and non-bank institutions) remained at 11% in both 2012 and 2019), although bank credit to the sector increased from 2% to 4% which was offset by a reduction in non-bank formal credit from 9% in 2012 to 7% in 2019. In absolute terms, access numbers increased from 86,500 in 2012 to 114,000 in 2019.

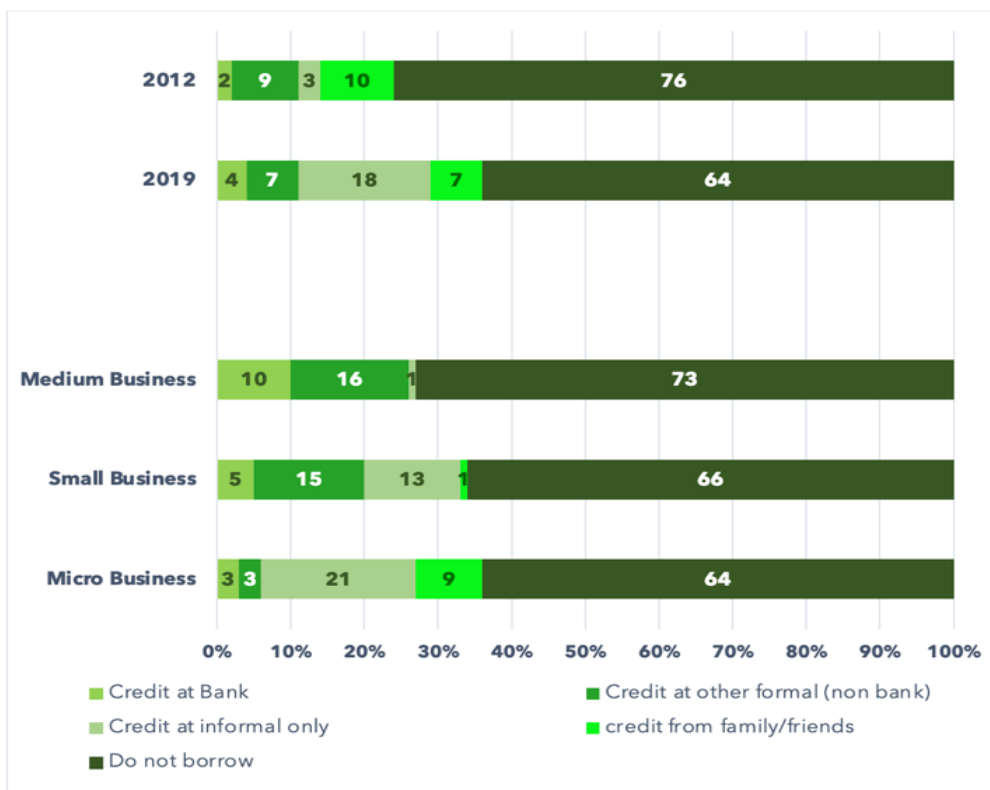


Figure 14: MSME Access to Credit 2012 and 2019<sup>14</sup>

Access to start-up capital is the greatest barrier to entry for MSMEs in any market. Although various financial tools are introduced as the business grows, credit remains an important source for growth. Unfortunately, the amount of start-up capital an MSME has can also limit its ability to access credit, lest the business becomes heavily indebted. The low literacy levels limit

partnerships as a means of raising start-up capital while the lack of markets limits the availability of bankable or viable business ventures. The IHS5 showed that 24.6% of Malawi’s households had requested credit from formal financial institutions; 17.7% obtained a loan and 5.7% were turned down representing a rejection rate of 23% (Figure 15).

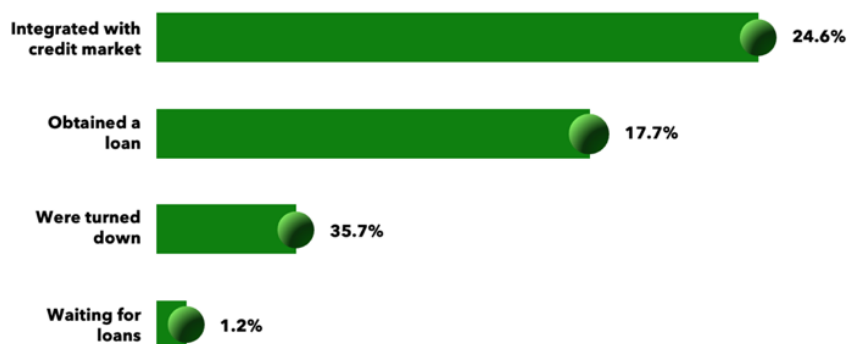


Figure 15: Household Interaction for Financial Institutions<sup>15</sup>

<sup>14</sup> Source: FinScope MSME Malawi 2019 Survey

<sup>15</sup> Source: National Statistical Office (NSO) of Malawi - The Fifth Integrated Household Survey (IHS5) 2019-2020

## Access to Formal Credit

Access to formal credit, particularly for tourism, construction, and business services is high although the three sectors do not borrow from other formal, non-

bank institutions. Agriculture, manufacturing and agro-processing, both deemed to be industrial drivers within the MSME sector have lower formal credit access. There is a high dependence on informal sector mechanisms such as VSLAs, ROSCAs, and money lenders in these sectors instead.

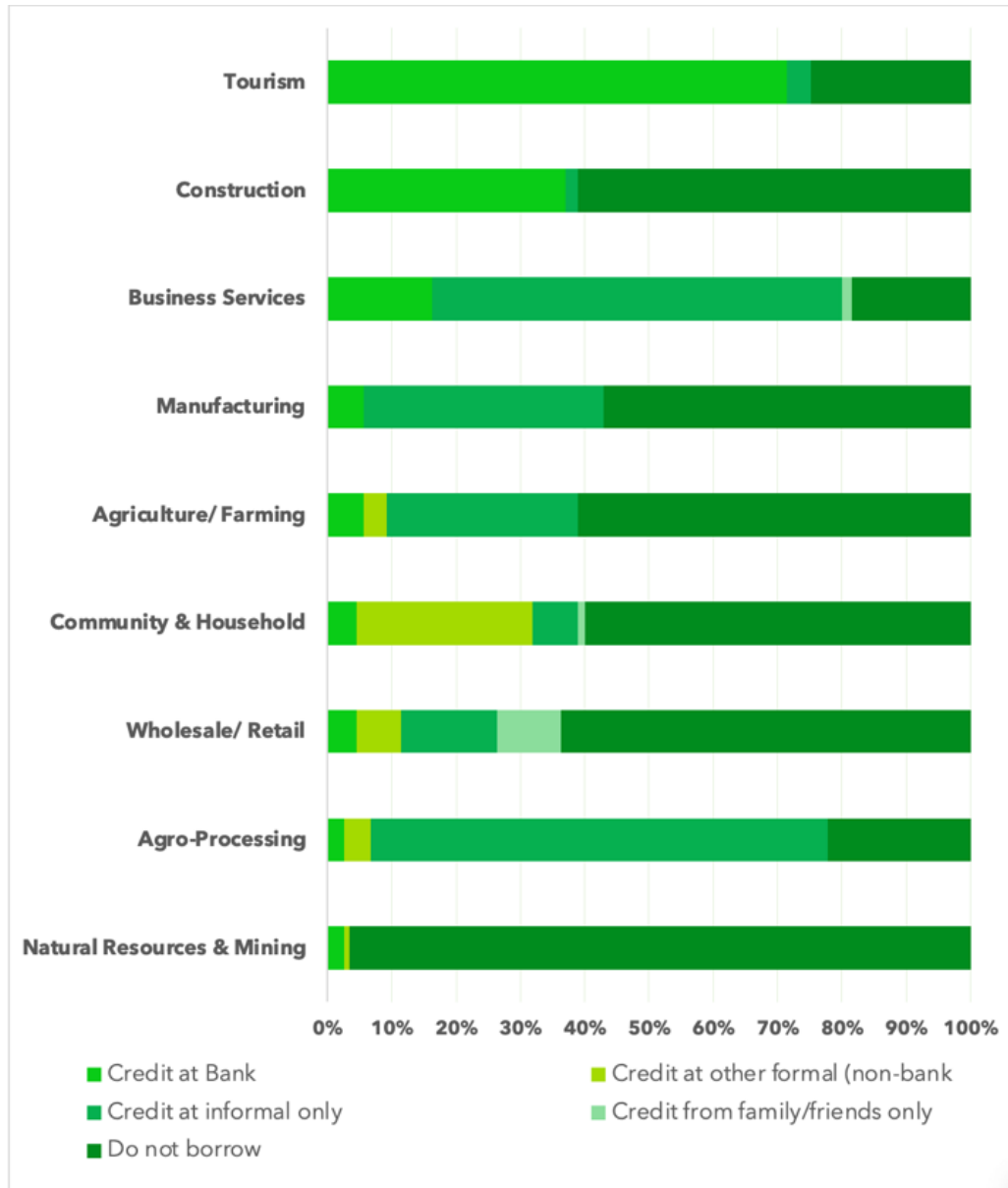


Figure 16: MSME Credit Access by Sector 2019<sup>16</sup>

While access to credit improved, credit to the most critical sectors of the economy such as agriculture/farming, manufacturing and natural resources and mining did not as shown in Figure 16 above. Furthermore, most of the credit on offer is short-term. A total of 736,000 businesses are not currently borrowing for their operations. Top three

barriers to access to credit sound odd, given that over 60% of business owners cite access to credit finance as an issue, but those who did not have access were simply afraid to acquire credit and were mostly in a start-up phase (34%), and in rural areas (78%) where reliable markets lacked.

<sup>16</sup> Source: FinScope MSME Malawi 2019 Survey



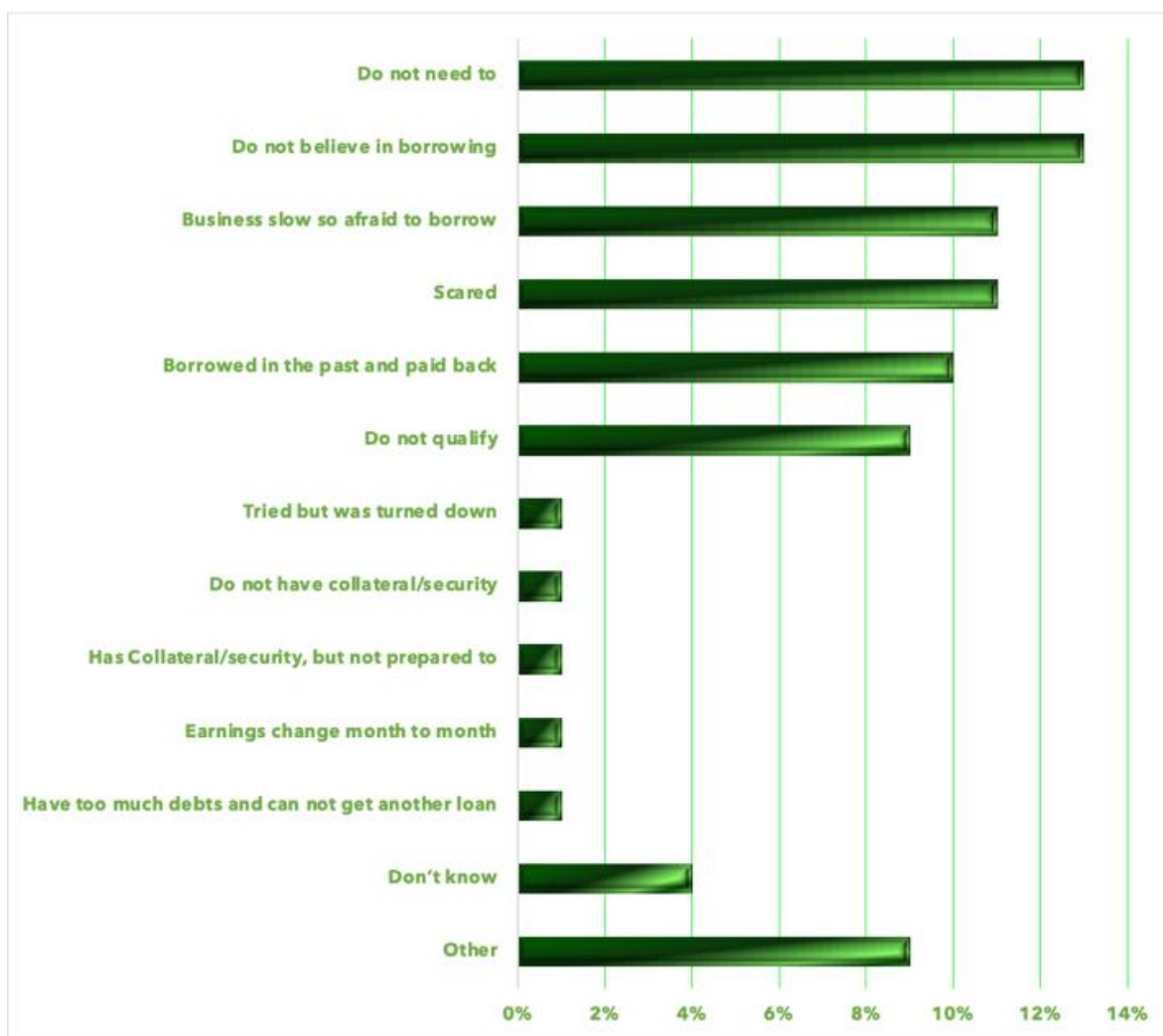


Figure 17: Barriers to Borrowing<sup>17</sup>

## Access to Savings and Investment

In 2019 only 2% of MSMEs saved through banks while overall 46% had access to formal and informal savings. VSLAs seem to be a preferred savings vehicle for individuals and informal business owners in rural areas because VSLAs offer better returns than banks. The survey showed that 54% of MSMEs do not save at all because all the money is reinvested into the business (21%) and the business was not making enough to save (18%).

## Access to Insurance Services

MSMEs as well as the country's population, face a myriad of risks that contribute to their overall financial services risk profile and resilience. According to the National Adaptation Plan of Action (NAPA), 16 of Malawi's 28 districts including Balaka, Chikwawa, Mangochi, Nsanje, Machinga, Phalombe, and Zomba are most prone to natural disasters such as droughts,

dry spells, floods, and crop pest outbreaks. With natural disasters being more frequent, the populations of such districts face food insecurity each year, which forces community members to deplete their asset base to cope with the food shortages, especially in lean periods.

The most common risks facing MSMEs are theft of business stock (34%), rain damage (24%), and fire, flood, or natural disaster (23%).

With the bulk of MSMEs being informal and sole proprietors, all risks like illnesses or deaths in family transfer to the household or the business. Whilst the bulk of risks facing the sector and the population are insurable, the uptake of insurance cover remains low at 2.5%.

Currently, sex-disaggregated data for the sector is not readily available. Further, there are limited products or services tailored to meet the needs of the various market segments. Most types of insurance products

<sup>17</sup> Source: FinScope MSME Malawi 2019 Survey

currently sold are life insurance and other risks are generally not covered.

## Demand for Financial Services

Access to finance is one of the most common factors contributing to or impeding MSME growth at various levels of their development. Finance is crucial to business start-up, operation, and growth. Despite the implementation of NSFII I and II, a large proportion of the population remains without access to basic financial services.

## Demand for Savings Services

The Malawi Financial Literacy and Consumer Protection Household Follow-up Survey (2018) shows an increase in the number of adults saving with banks as well as ROSCAs and VSLAs. Thirty-three percent (33%) of the adult population had saved with VSLAs/ROSCAs up by 8.4% from 24.9% in 2014 while 18.3% of adults had savings with formal banks up by 3.1% from 15.2% in 2014. The prevalence of ROSCAs and VSLAs points to a savings market the formal financial sector has not been able to tap into. This may be attributed to a lack of formal savings products that can either build on VSLAs' activities or compete with VSLAs in terms of returns. The increase in the number of people saving indicates a growing willingness to save.

## Demand for Credit/Loans

The IHS5 showed that 24.6% requested credit or loans in that one year. Of these, only 17.7% of the households accessed the credit or loans for business or farming purposes. The report further showed the majority of the credit went to male-headed households (18.4%) while only 16% of female-headed households accessed credit/loans. Chitipa had the least access to loans and credit with only 9.1% of the households accessing credit or loans while Ntcheu had the highest access at 33.4%.

About 81.4% are reported to have accessed loans to set up businesses in urban areas compared to 47.6% in rural areas. A higher proportion of households (32.4%) in rural areas obtained loans to purchase agricultural inputs for cash crops compared to 14.5% of the households in urban areas. All these point to the existence of unmet demand for credit and loans across the country.

## Demand for Insurance

MSMEs as well as the country's population, face a myriad of risks that contribute to their overall financial services risk profile as well as their resilience. The majority of farmers are smallholders, cultivating areas of one hectare or less of maize as the main food crop, and tobacco and groundnuts as principal cash crops. Over 90% of crop production is rain-fed, taking place during a single rainy season that tends to be highly erratic with recurrent problems of drought. An unpredictable climate presents a risk that hinders development.

Besides the farming-related risks, 15.7% of Malawi's households face a serious illness in the home, 8.4% face death in the family, and 6.3% face the death of a breadwinner in the home (Figure 18). The data also shows that women are more likely to be affected by drought, floods, crop pests, illness, death of a household member and breadwinner while men are more likely to be affected by animal disease and theft of an asset. To a large extent, women are more confined to subsistence agriculture given their lower literacy levels. Overall, 36.0% of households reported that they used their savings to overcome various shocks, 25.6% did nothing and 12.3% received assistance from their relatives and friends (source: IHS5 2019-2020).

Table 2: General Insurable Risks Faced by Malawian Households in 2020

General Insurance Related Shocks	National	Urban	Rural	Male	Female
Drought	31.1%	14.4%	34.3%	29.9%	33.7%
Floods	27.6%	10.0%	31.0%	26.2%	30.6%
Unusually High Levels of Crop Pests	42.9%	14.4%	48.4%	41.4%	46.2%
Unusually High Levels of Livestock Diseases	17.3%	6.0%	19.5%	18.1%	15.6%
Theft of Money/Valuables/Assets/Agriculture	11.0%	11.6%	10.9%	11.4%	10.1%

Table 3: Life and Health Insurable Risks Faced by Malawian Households in 2020

Life and Health Related Shocks	National	Urban	Rural	Male	Female
Serious Illness or Accident at households	15.7%	14.1%	16.0%	15.5%	16.1%
Death of a Household Member	08.4%	10.4%	08.0%	07.7%	09.8%
Death of Income Earner	06.3%	03.8%	06.8%	04.6%	10.3%

However, insurance companies have not taken advantage of the existing risk mitigation mechanisms for households to innovate and increase insurance access around what the population already does. Social and faith group activities around funerals could be a good basis for developing group life and funeral insurance products.

### Comparison with other Countries

World Bank's Global Findex data for 2021 shows that Malawi, with a financial inclusion index of 34%, is amongst the bottom 6 countries in the SADC region in terms of financial inclusion. Over half of the adult population (68%) living in the SADC region, is financially included<sup>18</sup>, hence Malawi's financial inclusion rate is far below the SADC average. On the other hand, Mauritius, Namibia, South Africa, and Lesotho have higher rates of financial inclusion.

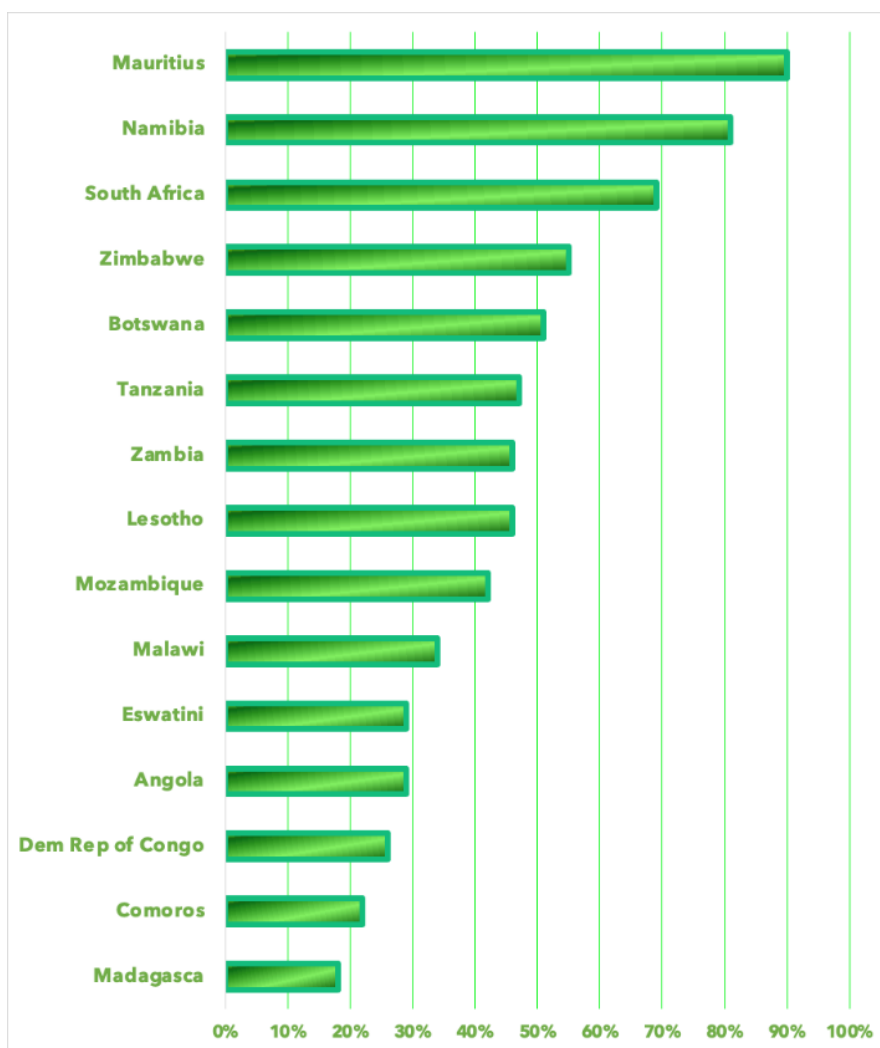


Figure 18: Global Financial Inclusion (Global Findex) Database <sup>19</sup> for various countries

### Overview of Achievements of 2016 - 2020 NSFI II

NSFI II had a vision to “Increase Financial Inclusion in Malawi from 34% (2014 FinScope) to 55% by 2020, and reduce the excluded from 52% to 26%, in order to support growth and improve household welfare”. This vision was seen to be consistent with the Malawi Growth and Development Strategy (MGDS) which

focused on transforming the country from being a predominantly importing and consuming economy to a predominantly manufacturing and exporting economy. Inclusive finance was expected to help achieve economic empowerment of Malawians who are excluded or have no financial access from the mainstream formal financial system. NSFI II expected that financial inclusion would create opportunities for generating wealth by increasing agricultural production and productivity, reducing vulnerability, ensuring food

<sup>18</sup> Source: SADC Financial Inclusion Strategy

<sup>19</sup> Source: World Bank Global Financial Inclusion (Global Findex) Database 2021

security, enhancing business activities, generating employment, and increasing incomes for rural households. The Strategy had the following key objectives:

- a. Expanding the reach of digital payments;
- b. Expanding savings and investment opportunities, especially through savings groups;
- c. Expanding finance for MSME and agriculture;
- d. Exploiting niche insurance opportunities to reduce vulnerability;
- e. Consumer empowerment and education; and
- f. Enhancing national coordination of financial inclusion.

The Financial Sector Development Strategy 2017-2021 also had financial inclusion as one of its pillars and aimed at ensuring access to financial services for low-income, weaker, and vulnerable groups at a cost they can afford. Another pillar was financial deepening, that is, increasing the provision of a wider choice of financial products and services at all levels of society.

Priority areas for NSFI II were: the promotion of digital payments; leveraging of VSLA savings; expansion of credit for MSMEs and farmers; expanding insurance opportunities; enhanced consumer empowerment and education; and enhanced national coordination of financial inclusion.

## Achievement of Key Targets of the NSFI

The proportion of adults with access to at least one financial services product from a formal provider increased to 46.1% in 2018 from 34% at baseline (2014). Similarly, women's access to at least one financial services product from a formal provider increased to 36% from 29% less than the 55% that was targeted. Over the same period, financial exclusion significantly reduced to 22% from 51% largely attributed to the ubiquitous Savings and Loans Groups. However, when compared to the baseline of 2016, some parameters remained stagnant. For example, women's access to formal financial services increased marginally to 29.8% from 29% in 2018 as reported by Financial Literacy and Consumer Protection Follow-up Survey 2018. The World Bank Global Findex 2021 data shows that adult financial access increased to 42.7% but institutional account access reduced to 20.2% from 23% in 2018. Women's financial access increased to

38.1% but the gender gap remained high at 10% in favour of men.

## Expanding the Reach of Digital Payments

The number of access points per 100,000 adults increased to 109.76 from 12.5 as a baseline in 2016, which was above the Strategy's set target of 25 access points per 100,000 adults. In addition, the number of 90-day active users of digital financial services<sup>20</sup> increased to 6.7 million in 2020 from 1.2 million in 2015, which was above the set target of 3 million. These achievements were enabled by the implementation of the Automated Transfer System (ATS) in 2014, the establishment of the National Switch in 2015, the integration of mobile network operators (MNOs) on the National Switch, and the enactment of the Payment Systems Act 2016 as well as the issuance<sup>21</sup> of subsidiary legislation such as the Interoperability Directive 2017 and E-money Regulations 2019.

The other key target under this priority area was to reduce the average cost of using a bank account (direct + indirect) to 5% from 17%. Unfortunately, the cost of using a bank account did not reduce as expected.

## Expanding Savings and Investment Opportunities

Some of the actions that had been undertaken included the promotion of savings group usage especially among women and the youth, linking VSLAs to the formal financial system, savings product development, and promotion of alternative savings channels. However, a significant improvement in savings was observed in the number and membership of savings and loan groups.

A comparison between formal financial service providers, savings, and loan groups at baseline showed that the latter had great success in encouraging savings given the limited footprint of the formal sector and better interest returns of the latter. Over the implementation period, there were concerns about the informality of VSLAs, numeracy levels of the members, fraud, and property seizures from VSLA loan defaulters. However, the Government in conjunction with the Registrar of Financial Institutions, adopted a policy position of non-regulation of the VSLAs to avoid stifling rural innovations, encouraging instead linkages between VSLAs to formal financial institutions.

<sup>20</sup> Digital Financial Services includes mobile money, mobile banking and internet banking. (Data Source: RBM – National Payment Systems Report, 4th Quarter 2020)

<sup>21</sup> <https://www.rbm.mw/Publications/AnnualReports/#>

## Expanding Finance for MSMEs and Agriculture

The key objective of this strategic priority was to increase access to formal loans, with at least 50% of the increase being productive credit to MSME / small-scale farmers, and to increase the percentage of people with formal credit who are registered in the credit reference bureau to 90% of all formal consumer and MSME creditors by 2020. Some of the successfully implemented activities included expansion of the distribution channels of credit, skills development and mentoring of MSMEs, leveraging on VSLAs as a conduit for formal provision of credit, enhancement of warehouse receipt system to address collateral concerns of farmers, introduction of the national IDs to improve loan collection, issuance of long-term treasury instruments to establish reference rate for corporate debt issuance and avoidance of interest rate capping.

A formal study would be needed to establish the percentage increase in access to formal loans for MSME/small-scale farmers. However, the cost of credit (annual interest rate and transaction fees) from formal financial service providers improved/went down from 240% at baseline to 25% as of 2019 due to the improvements in the general macroeconomic environment. There has also been a significant improvement in the utilization of credit reference bureaus after the enactment of amendments to the Credit Reference Bureau Act. More than 90% of people with formal credit were registered in the national credit reference bureaus as of 2020. However, the benefits of good credit information are yet to accrue to financial consumers as currently the risk profile/price is independent of credit history.

## Exploiting Niche Insurance Opportunities to Reduce Vulnerability

The objective of this priority strategy was to increase insurance penetration to 5%. Some of the strategic activities that were done include; the promotion of partnerships with MNOs, pharmacies, agro-dealers and SACCOs, and product development, including the provision of embedded insurance into other products. In addition, financial sector players increased the provision of agriculture insurance, developed a health finance framework including medical aid schemes, expanded-premium payment options including via mobile money, conducted insurance awareness campaigns and published AML/CFT guidelines with exemptions for low-value insurance to encourage

access. However, insurance companies failed to utilize social groups such as churches as alternative distribution channels. The companies also failed to develop tailor-made products to meet the needs of targeted market segments. As such insurance penetration remained at 2.5% as of 2019.

## Enhancing Consumer Empowerment and Education

To improve financial literacy, more coordinated efforts involving the Registrar of Financial Institutions, the Government, financial sector industry associations and some development partners were undertaken and 2,245,783 people were reached with various financial literacy programs resulting in an increase in the country's financial literacy index to 3.9 in 2018 from 3.5 in 2015. This is however still low and much work remains to be done. The Financial Consumer Protection Bill and Financial Services Ombudsman Bill were developed in 2017 to improve consumer protection and complaints handling but remain in draft form. However, awareness of consumer protection was enhanced but remains very low. In 2022, there was a decrease in financial consumer complaints handled by the Registrar of Financial Institutions totalling 432 per annum from 578 per annum in 2021. At recent engagement sessions with women entrepreneurs in both Blantyre and Lilongwe none of the entrepreneurs were aware of the national complaints handling process or how to engage the regulator if they are unsatisfied with a financial institution's handling of a complaint.

While financial literacy improved, entrepreneurial literacy in Malawi remains very low.

## Under-achievements in the Implementation of NSFI II

Despite the successes/achievements in the implementation of NSFI II outlined in section 3 above, the country did not attain the desired results in the following areas:

### i. Access to productive Credit

While access to formal financial services/products increased, much of the increase was on household and individual credit and public debt dominated commercial bank lending. An analysis of bank credit showed a significant increase in credit to government (public debt) which grew to 47% from 12% in 2016 of banking sector assets while private sector credit reduced to 29% from 33% of banking sector assets (Figure 10). Credit for productive purposes was only 2%

and manufacturing, agro-processing, natural resources, and mining were the least banked MSME strand.

**ii. Cost of financial services**

The cost of financial services has remained high despite the increase in access points which are now much closer to users.

**iii. Insurance Uptake**

Uptake of formal insurance has remained low at 4% according 2013 FinScope Consumer Survey.

## Challenges in the Implementation of NSFI II

The successful implementation and attainment of key objectives of the Strategy were hampered by several factors, which are briefly discussed below.

**i. Demand Side Challenges**

*a. Prevalence of Poverty*

The majority of the country’s population remains poor and financially and entrepreneurially deficient. According to the 2019/2020 Malawi Poverty Report, 50.7% of the population lived in poverty. The poverty headcount ratio was highest in the Central region (62.8%) followed by the Southern region (56%) – Figure 21. The Southern Region’s poverty situation can partly be explained mainly by migration into the Region and by the small size of cropland holdings per capita estimated at 0.176 hectares compared to 0.257 hectares and 0.256 hectares for Central and Northern regions respectively. As for the Central Region, poverty can be attributed to problems with the agricultural sector which are outlined in (b) below.

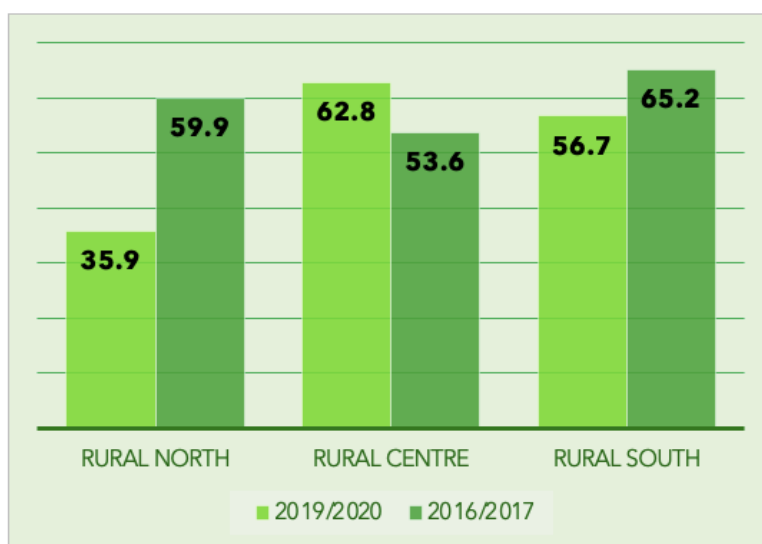


Figure 19: Proportion of Poor Population (Poverty Head Count Ratio) by Rural Areas in the Regions, Malawi 2020<sup>22</sup>

*b. Production Driven Agricultural and MSME Sectors*

The majority of the people NSFI II targeted are subsistence smallholder farmers who grow for their consumption, selling only when they have a surplus. The smallholder farmers do not grow for a known market and hence suffer losses every year. As a result, their incomes remain low. The Malawi Financial Literacy and Consumer Protection Household Follow-up Survey (2018) showed that 66% of the rural population had a monthly income of less than MK25,000 (US\$24 at 2022 exchange rates). For financial inclusion to be attained for this segment of the population, Malawi will have to change its farming strategy by first finding markets of agricultural produce before the farming season begins and then advising farmers to grow those products that are in demand.

*c. Undiversified Sources of Livelihoods*

A large proportion of the population lives in rural areas heavily relying on rain-fed agriculture. As such, their incomes are not only low but are also undiversified and irregular. Unless the rural people start producing more cash crops and are empowered to diversify their sources of livelihood, they will still suffer financial exclusion.

*d. Mistrust in Digital Financial Services*

While users of digital financial services increased, fraud affecting digital financial services has also been frequent and has somehow eroded people’s trust in digital finance. Further, delayed resolution of complaints related to transaction failure affects people’s trust in digital financial services.

<sup>22</sup> Source: Malawi Poverty report 2020

*e. Absence of Capital Pooling Mechanisms*

There is need to reduce reliance on credit as a source of capital. Reliance on credit for MSMEs means that financial services available are largely short-term and therefore incapable of driving high-tech industrial ventures. Resource pooling through business partnering as a source of capital is largely absent which is aggravated by the lack of transparency in MSMEs. Mechanisms for promoting joint ventures need to be explored and implemented with a particular focus on specific sectors and regions of the country where these opportunities can be scaled and cascaded outward for maximum impact.

*f. Lack of Entrepreneurial Literacy*

There is a need to complement financial literacy with entrepreneurial literacy. Entrepreneurial literacy or education or training will help Malawians, especially women, youth and those in rural areas to identify viable business opportunities that would be attractive enough to lenders. Entrepreneurial literacy will also support better business marketing, utilizing digital sales channels, identifying value-added products and services and looking at import/export opportunities.

**ii. Supply Side Challenges**

There is a lack of appropriate financial products and services targeting farmers and MSMEs.

**iii. Limited capital for on-lending for financial service providers.**

Some financial service providers, e.g. especially MFIs not only have limited sources of capital but they also access capital at high cost.

**iv. Inadequate institutional, legal and regulatory framework for consumer protection resulting in limited supervision of FSPs market conduct practices.**

**v. Coordination Challenges**

There was a lack of regular/annual coordination meetings for the strategy. These coordination meetings should have been able to re-orient implementing stakeholders to the Strategy and affirm planned activities and updates on implementation. Further lack of data also made progress tracking difficult, especially when trying to look underneath national headline figures. The other challenge was limited funding and understaffing at the Ministry of Finance, the coordinating institution for the Strategy.

**vi. Absence of Pre-implementation Buy-in and Commitments**

Despite having a clear implementation plan for the Strategy, there was no proper monitoring and evaluation mechanism.

## Lessons Learnt During Implementation of NSFI II

- i. The provision of financial services through financial inclusion initiatives should not be seen as an end in itself but rather as a means to wealth creation and improving people's living conditions. Financial inclusion outcomes that have high poverty reduction returns must be emphasized.
- ii. Regular stakeholder implementation or review meetings are critical to the successful implementation of a strategy/policy as it helps to remind or redirect stakeholders on their expected roles. A national body of key stakeholders needs to be meeting quarterly and an annual review of progress vs target needs to be undertaken along with an in-depth mid-term review of the whole strategy to see if any of the target/indicators need to be adjusted.
- iii. Financial inclusion is like a public good whose short-term benefits to financial institutions may be limited, but long-term benefits are numerous. Strong industry associations are essential for encouraging member financial institutions to implement financial inclusion initiatives. Regular engagement with representatives from the entrepreneurial community (both large and small) is also needed.
- iv. Strong policy coordination is vital for the successful implementation of any policy. Policy implementation structures as well as monitoring and evaluation capacities need to always be resourced and supported.
- v. Financial inclusion is a multi-sectoral issue with strong linkages to gender outcomes, land and agricultural issues, public infrastructure like electricity and internet connection, security and rural development. Robust coordination with other sectors and ministries is vital for successful implementation.
- vi. Internet and mobile technology accelerate the attainment of financial inclusion objectives. Technology-based innovations need to be supported through such mediums as technology hubs and clusters and provide venture capital and related financial support to innovation start-ups. Building the digital capability of the Malawian population is also needed.

# Strategic Framework for 2024 - 2028 NSFI III

## Introduction to the 2024 - 2028 NSFI III Strategic Framework

The NSFI III seeks to provide a coordinated framework for all financial inclusion activities in Malawi and to align all stakeholders to the common vision of **having an inclusive financial system that supports wealth creation and self-reliance by all Malawians as enshrined in the country's vision, the Malawi 2063 and its First 10-Year Implementation Plan (MIP-1)**. NSFI III provides continuity as it builds on the successes attained through the implementation of NSFI I, NSFI II and other financial inclusion initiatives, and endeavours to overcome the challenges or issues that were encountered in the process. Strategic priorities, objectives, actions as well as implementation and monitoring and evaluation mechanisms that will help the country attain the desired vision are based on the issues identified.

## Definition of Financial Inclusion and Focus of NSFI III

In line with past strategies, financial inclusion means that individuals and businesses have **access to and can effectively use financial products and services** (payments, savings, credit and insurance, etc) **that meet their needs and are delivered responsibly and sustainably**<sup>23</sup>. The new strategy recognizes that while an enabling environment, access, quality and usage of financial services are key to financial inclusion, Malawi's case requires increasing the capacity of individuals and MSMEs to create wealth and support economic development, increase incomes, employment and improve the standard of living as well as the resilience of Malawi's population.

<sup>23</sup> See World Bank definition at <http://www.worldbank.org/en/topic/financialinclusion/overview>

<sup>24</sup> Financial Capability is defined as capacity of an individual or household to adequately manage their finances, make sound financial decisions,

## Purpose/Mission of NSFI III

The purpose of NSFI III is to build financial capability<sup>24</sup> of the general public and create a vibrant MSME sector that can demand and attract financial services for growth and creation of employment.

## Vision

To have an inclusive financial system that supports aspirations of a wealthy and self-reliant nation.

## Goal

Increase financial inclusion of the adult population in Malawi to 90%<sup>25</sup> from 74% by 2028 and reduce the excluded to 5%<sup>26</sup> from 12% in order to support economic growth, creation of wealth, employment and improve household welfare and resilience. This goal will entail increasing rural access to 80% from 67% and urban access to 99% from 93%. In terms of gender, the goal will entail increasing women access to 85% from 69% and male access to 95% from 82%. Given that Malawi's population is youthful, the planned increase in financial inclusion will essentially entail increasing youth access to financial services.

## Objectives.

The objectives of NSFI III are to:

- a. Expand the reach, range and usage of financial services;
- b. Develop a strong and vibrant MSME sector that has access to diversified forms of financing;
- c. Grow the capacity of financial service providers to reach the rural poor and smallholder farmers, especially women and the youth;

and have access to and utilize financial products and services to improve their economic wellbeing.

<sup>25</sup> The percentage refers to the proportion using at least one formal financial service. Source: Malawi FinScope Consumer Survey 2023).

<sup>26</sup> This includes both formal and informal access to financial services.



- d. Enhance coordination of financial inclusion programs and strategy through improved legal and regulatory environment and implementation mechanisms;
- e. Enhance and expand the payment ecosystem;
- f. Promote financial consumer protection and empowerment;
- g. Increase access, usage and quality of digital financial services;
- h. Promotion of green financing initiatives to mitigate the effects of climate change;
- i. Strengthen an enabling regulatory environment for the development of the financial sector;
- j. Promote increased financial, entrepreneurial, and digital education for the population of Malawi.

Attainment of the vision and goal(s) of NSFI III indicated above is dependent upon the successful resolution of the issues outlined in the preceding sections.

NSFI III identifies the following four strategic priorities, namely:

- a. Creation of a financially capable population to demand and use various financial services;
- b. Increased demand for financial services by creating a strong MSME sector;
- c. Creation of strong and innovative financial service providers; and
- d. Enhancement of the legal and regulatory environment and implementation mechanisms.

The strategic priorities have been devised with a view of creating a vibrant financial eco-system that can result in increased access to financial services by all, enabling everyone to contribute positively to the country's economic development and ensuring fair distribution of the wealth in line with the country's aspirations as outlined in the Malawi 2063.

## Strategic Priorities

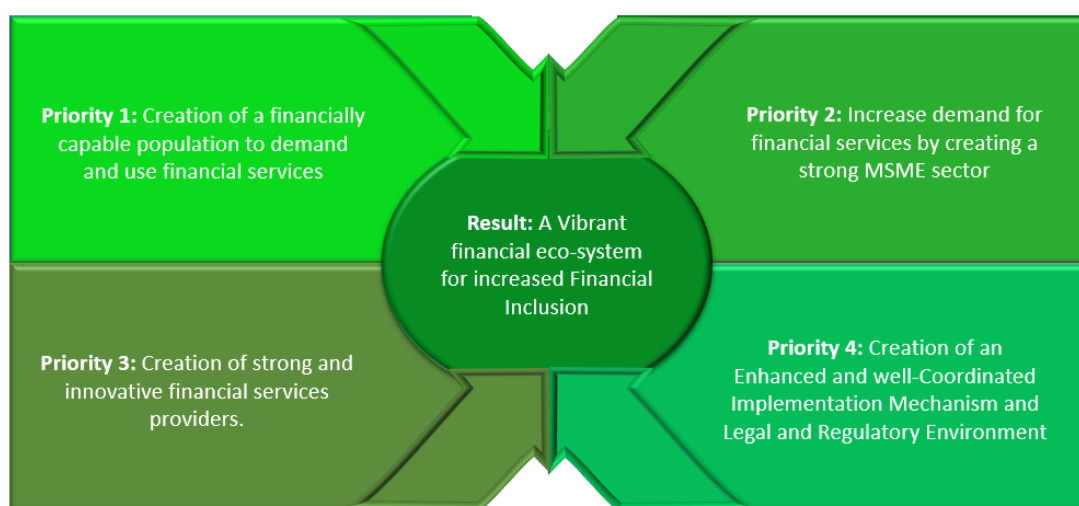


Figure 20: Strategic Priorities for NSFI III

### Strategic Priority 1

#### Creation of a Financially Capable Population to Demand and Use Financial Services

This priority area entails increasing the financial capabilities of Malawi's population as well as strategic target groups such as rural farmers, MSMEs and women-owned MSMEs by helping them to move out of poverty and empowering them to adopt and use appropriate financial services. The 2023 FinScope consumer survey showed that the uptake and usage of financial services by the Malawian adult population is limited by perceived insufficient income, low levels of

financial literacy and lack of trust in formal financial services and products. Furthermore, 88% of adults find it difficult to keep up with financial commitments, one in every three adults does not have a plan on how they will be meeting the expenses in their old age, two in three adults do not seek any financial advice and awareness of general financial terms is moderately high although financial understanding is much lower. Financial consumers lack information on financial consumer protection and dispute resolution mechanisms available in the country. Therefore, if consumers are to confidently and successfully engage formal financial service providers, they must be able to make informed choices and sound decisions about their use, or non-use, of financial products and services.

Confident consumers are better able to engage in markets in a way that influences the conduct of FSPs and promotes fair and responsible behaviour.

Consumer protection is critical to promoting increased and sustainable access and usage of formal financial services and products by the underserved and vulnerable segments of the population. A good consumer protection regime must have a sound legal and regulatory framework that provides for good market conduct and easily accessible dispute redress mechanisms. Financial consumers need to have confidence and trust in FSPs.

However, there are significant gaps in consumer protection and empowerment. These include:

- a. Inadequate institutional, legal and regulatory framework for consumer protection resulting in limited supervision of FSPs market conduct practices;
- b. Inadequate and little-known complaints and dispute resolution mechanisms;

- c. Low financial literacy levels among most Malawians puts them at a disadvantage when interacting with formal financial service providers. This increases the likelihood of miss-selling as customers, especially those from vulnerable population groups, do not understand the terms and conditions of products;
- d. Low digital financial literacy, especially among women and people living in rural areas;
- e. High transactional costs and charges on DFS;
- f. Increased fraud, especially in DFS; and
- g. Low entrepreneurial literacy for making appropriate investment decisions.

Strategies under this priority area will therefore focus on the following:

- a. Strengthen the institutional, legal and regulatory framework for consumer protection.
- b. Strengthen consumer protection and empowerment initiatives and strategies.
- c. Develop strategic and targeted financial literacy and capability programs



Figure 21: Demand Side Issues, Strategic priority and Strategic Actions from Malawi's General Public

**Strategy 1: Strengthen institutional, legal and regulatory framework for consumer protection and financial literacy**

Strengthening the institutional, legal and regulatory framework for consumer protection is important in creating consumer confidence in the financial system which is necessary for effective adoption and continual usage of financial services and products. Actions

required to strengthen the country's institutional, legal and regulatory framework for consumer protection include:

- a. Develop a separate financial consumer protection primary legislation to enhance the financial industry and the regulator's mandate in regulating and supervising FSPs market conduct; and

- b. Strengthen the consumer complaints resolution mechanism.

**Strategy 2: Strengthen consumer protection and empowerment initiatives and strategies**

To enhance consumer protection and empowerment, the following actions will be implemented.

- a. Automate the complaints handling and management system;
- b. Develop a web-based comparator to enable financial consumers to compare financial services and product terms and conditions;
- c. Strengthen transparency and disclosure of information on financial products and services including DFS;
- d. Strengthen mechanisms for preventing and mitigating fraud. While DFS offers a convenient and cost-effective way of accessing and using financial products and services, it is also exposed to the risk of fraud. There are increased reports of fraud resulting in the loss of money by DFS customers. This not only reduces the trust in DFS but also has the potential to reduce the usage of the services. To mitigate this risk, the Strategy proposes to:
  - i. Increase awareness about fraud;
  - ii. Conduct a study to understand the nature and extent of fraud and recommend measures to prevent and mitigate it;
  - iii. Enhance collaboration among stakeholders; and
  - iv. Review and enhance the regulatory framework for the prevention of financial fraud.

**Strategy 3: Develop strategic documents and programs on financial literacy and capability**

The actions required for this priority include:

- a. Develop a national financial literacy and capability strategy to provide a coordinated approach toward the implementation of financial literacy initiatives;
- b. Integrate financial literacy in primary school and tertiary education curriculum;
- c. Develop and implement an MSMEs financial literacy manual;
- d. Develop and implement savings and loan groups' financial literacy programs;
- e. Develop and implement a mass digital financial literacy awareness campaign;

- f. Develop and implement an agency banking financial literacy program to promote awareness and usage of agency banking services;
- g. Develop a robust financial literacy program aimed at raising awareness and understanding of financial consumer rights and responsibilities;
- h. Develop and implement financial literacy programs for smallholder farmers;
- i. Develop a gender-inclusive financial literacy and capability roadmap; and
- j. Review financial literacy materials to include digital financial literacy.

**Strategic Priority 2**

**Increase Demand for Financial Services by Creating Strong MSME Sector**

Malawi's MSMEs are not adequately served by lending institutions because they are considered too risky for the following reasons:

- a. Most MSMEs are not traceable because they are informal and not registered (89%);
- b. Most MSMEs are not viable because they lack reliable markets;
- c. Some MSMEs do not have a track record because they do not maintain proper business records;
- d. Most MSMEs cannot provide a secondary source of repayment because they do not have appropriate traditional collateral and/or insurance; and
- e. Some MSMEs do not have a formal credit history that could provide a risk profile for appropriate pricing.

Consequently, MSMEs have low access to credit and, if they are given access, they get charged high-interest rates that are set aside for the riskiest borrowers. Furthermore, the lack of business records robs MSMEs' of the trust they need to access other forms of capital such as equity or joint venture funds. As such there is a need to address these barriers to build a strong, vibrant, and productive market-driven MSME sector in Malawi. To achieve this, the following actions will be required:

- a. Increase formalization of MSMEs through simplified business registration processes;
- b. Improve MSME access to markets;
- c. Improve business management and record keeping through the provision of business management skills;
- d. Promote the use of insurance, moveable collateral and asset-based lending; and
- e. Improve MSME access to alternative sources of capital such as equity and venture funds.



Figure 22: Issues, Goals and Strategic Actions and Outcomes for Increasing Demand for Financial Services Through Strong MSMEs

**Strategy 1: Increase Formalization of MSMEs through Simplified Business Registration Processes**

The Malawi MSME Survey 2020 found that only 7% of MSMEs are registered and only 10% are licensed. The survey further found that the main reason for not registering the businesses was the belief that the businesses were too small. However, other studies suggest that another barrier to formalization and registration of business is the lack of awareness concerning the benefits of registration, which include easing the ability to open a business account with a bank; obtaining a loan and other business support services. Formalization can also attract investment partners. As such, the following actions will be implemented to improve registrations and licensing of Malawi’s MSMEs:

- Review and streamline business registration laws, processes as well as costs;
- Continuously sensitize MSMEs, with a focus on women MSMEs, as to the benefits of business registration as well as the disadvantages of not formalizing a business;
- Incentivize and promote business registration and licensing. Incentives could include lowering withholding tax rates; import duty breaks for

registered and licensed (formalized) MSMEs; and reducing the cost of formalization.

**Strategy 2: Improve MSME’s Access to Markets**

According to the MSME Survey 2019 lack of markets is one of the greatest challenges faced by Malawi’s MSMEs. Only 3% of MSMEs in Malawi were able to tender for government procurements but 79% of the applications were unsuccessful for failing to meet tendering requirements. Furthermore, only 2% of MSMEs export commodities while 6% import some of their inputs, resulting in a trade imbalance between imports and exports against the Malawian MSME sector. Increasing access to markets, and especially export markets, is needed if the MSME sector is to contribute better to economic development.

- NSFI III will, therefore:
- Strengthen value chains and integration;
  - Build and strengthen entrepreneurial culture amongst indigenous Malawians;
  - Increase knowledge of standards to improve the ability to meet product standards for local and international markets;
  - Establish agricultural MSME supplier development programmes, with targets for including women-

- led/women-owned SMEs, working with large retailers and large tourism companies;
- e. Increase ICT adoption to grow online marketing and e-commerce in the agriculture, wholesale and retail, and tourism sectors. Tailor initiatives to each of the specific vulnerable population groups such as women, the youth, forcibly displaced persons and those living with a disability;
- f. Identify and promote export markets for MSMEs. Set targets for increasing the number of women-owned/women-led businesses that export.

### *Strategy 3: Improve Business Management*

The majority of Malawi's MSMEs lack financial management skills and essential technical skills for business success. Despite the business owners knowing of the existence of business development services (BDS), the majority do not use BDS due to the absence of effective and appropriately tailored BDS systems. Coordination of BDS providers is thus required to ensure that support provided is appropriate.

NSFI III will, therefore:

- i. Identify targeted and adequately resource providers of BDS to deliver technical expertise in all areas of business management and across the maturity spectrum of MSMEs;
- ii. Develop women and youth friendly training programs in financial management and reporting, business planning and strategic planning, and, on how to formalize, start and grow an enterprise;
- iii. Develop specialized BDS to improve productivity in agriculture, agro-processing and manufacturing;
- iv. Sensitize MSMEs on the benefits of proper systems and having proper business management systems and procedures;
- v. Foster digitization of MSME business operations to produce sufficient data that can be used to build alternative credit scoring models. New digital fintech-led models are providing cost efficient ways of financing MSMEs by leveraging on digital technology to do loan origination, risk assessment, make loan disbursements and monitor repayments. Digitalization will also help in formalizing MSMEs and linking them to markets (e-commerce);
- vi. Incentivize FSPs to adopt digital data-led lending models for MSMEs. This will be done by introducing credit guarantee schemes to

- de-risk the piloting of such new lending models as a way to catalyse learning and scaling;
- vii. Develop linkages and partnerships between financial services providers/impact investors, DFIs, and BDS providers; and
- viii. Enable BDS providers to become a source of potential MSME clients for financial institutions.

### *Strategy 4: Promote the Use of Insurance, Moveable Collateral and Asset-Based Lending*

Most MSMEs do not own the type of property used as collateral traditionally. To help MSMEs overcome their lack of collateral and credit history, NSFI III will:

- a. Promote the use of insurance to manage risk and enhance resilience;
- b. Promote movable asset-based financing by FSPs to established and mature MSMEs;
- c. Strengthen the Personal Property Security Registry<sup>27</sup> and expand its usage;
- d. Improve the quality of data within CRBs and include financial non-credit defaulter information on things such as utility, city rates, government payments, university fees and mobile money payments to increase the richness of data and levels of integrity amongst borrowers;
- e. Establish a public credit registry to enhance credit referencing and reporting;
- f. Promote affordable credit referencing by reviewing NRB's fee structure/charges to CRB; and
- g. Promote warehouse receipt system and its acceptance amongst smallholder farmers as well as financial institutions.

### *Strategy 5: Improve MSME Access to Alternative Sources of Capital such as Equity and Venture Funds*

Most smallholder farmers and MSMEs rely on their savings and credit from informal sources to finance their businesses. The 2019 FinScope MSME Survey found that only 4% of the MSMEs borrow from banks, 7% from non-bank formal institutions, and 69% do not borrow at all. Other forms of financing, beyond traditional credit, could be suitable for supporting farmers and MSMEs.

Therefore, the NSFI III will:

- a. Promote alternative forms of financing like grants, equity, venture capital funds, resource pooling, crowdfunding, Islamic finance, green financing, and angel investments to start-ups and agricultural producers and processors;

<sup>27</sup> MPPSR - Home (registrargeneral.gov.mw)

- b. Strengthen leasing finance and facilitate micro-leasing;
- c. Promote the development of financial products that offer off-grid, pay-as-you-go solar solutions to tackle electricity constraints faced by MSMEs, particularly agro-processors and manufacturers;
- d. Develop a wholesale lending model for the MFI sector.

### **Strategy 6: Reduce cost of financial services**

The cost of financial services remains high in Malawi. For example, despite growing volumes of DFS transactions over the years which was expected to drive down costs, service provider costs remain high. Similarly, despite the reduction in the policy rate and liquidity reserve requirement (LRR), the cost of credit has not followed suit. Therefore, actions under this strategy will include:

- i. Conducting a comparative study and recommendations on the cost of financial services in Malawi to inform the engagement with stakeholders; and
- ii. Engaging stakeholders to find solutions to reducing the cost of financial services.

## **Strategic Priority 3**

### **Creation of Strong and Innovative Financial Service Providers**

While the financial sector has grown over the years, it still faces some challenges. Although access points of commercial banks per 100,000 people increased to 109.76 in 2019 from 12.5 in 2016, the sector's coverage is still limited and concentrated mostly in urban areas. Mobile money and network coverage is also limited and inaccessible in some parts of the country, particularly the rural areas while pro-poor MFIs that service rural areas do not have the financial capacity to increase their reach.

With regards to products and services, there is heavy reliance on short-term credit as the source of capital for MSMEs meaning that financial services available to MSMEs are incapable of driving high-tech industrial ventures. Therefore, mechanisms for promoting venture capital and other forms of long-term finance need to be explored and implemented.

Furthermore, insurance products, especially climate risk insurance, and delivery mechanisms that can

appropriately respond to the risks faced by Malawi's population as well as MSMEs are underdeveloped. Insurance coverage for these types of risks is very low.

Actions required to strengthen Malawi's financial sector to a level where it can effectively respond to the financial needs of the nation include:

- a. Increasing digital finance penetration;
- b. Promoting the use of alternative distribution channels;
- c. Promoting innovative and gender-sensitive financial products and services, including savings, insurance, venture capital and other forms of long-term finance;
- d. Increasing the financial capabilities of pro-poor MFIs that target rural areas; and

Concerning the digital finance ecosystem, Malawi has made significant progress in the area of improving the legal and regulatory framework and modernizing the payment infrastructure that supports the provision of digital financial services. The Payment Systems Act, of 2016 provides for the regulation and supervision of payment service providers. Malawi has also invested in a robust payment infrastructure comprising of the Automated Transfer System (ATS), Central Securities Depository (CSD) and the National Switch. Further to these, Malawi set up the MFI Hub, a shared core banking system for MFIs and SACCOs. All these initiatives have helped to drive digitisation in all spheres of financial services provision.

Significant progress has also been experienced in terms of the uptake of digital financial services and payments. About 7.4 million Malawians were using digital financial services by June 2023 and the Malawi Government has managed to digitize a number of its major payments including wages and salaries, allowances, payments to suppliers and tax collections among others.

However, challenges facing DFS include;

- a. The use of electronic payment platforms is still low, and a significant number of payments are still made in cash, e.g. social cash transfers, payment for some government services, chiefs' honoraria as well as fines;
- b. Mobile phone penetration is still low;
- c. Cost of digital financial services is relatively high;
- d. Access points are inadequate and the agency network is weak;
- e. Liquidity challenges in mobile money agents persist;
- f. Inadequate collaboration and partnerships between FSPs and DFS providers; and
- g. Lack of electronic KYC.



Figure 23: Issues, Goals and Strategic Actions and Outcomes for Creating Strong and Innovative Financial Service Providers

**Strategy 1: Increasing Digital Financial Services Penetration**

Increasing DFS penetration will be key to driving increased digitization and increased access to financial services, especially in rural areas. This will be achieved by:

- Increasing the number of agents in the rural areas, and setting targets for a minimum percentage of women agents;
- Improving telecommunication infrastructure to increase mobile network coverage;
- Incentivising registration of more DFS providers to increase competition;
- Enhancing partnerships and collaboration for delivering digital credit, savings, insurance, securities and investment products, especially to women, and ensuring all information about the products is also available in the local language; and
- Exploring the use of aggregators and partnering with major retailers to address liquidity challenges for agents.
- Increasing penetration of mobile phones;
- Increasing digitization of Government payments;
- On-boarding MFIs and SACCOs on the MFI Hub;
- Integrate other service providers/systems to National Switch;
- Facilitating e-KYC by leveraging NRB data;
- Promoting digital savings, credit, insurance services, etc;
- Strengthen legal and regulatory framework to promote the provision of DFS;
- Facilitating reduction of the cost of transacting on mobile network platforms;
- Build public trust in mobile money usage through effective gender-sensitive literacy programs and consumer protection initiatives delivered in the local language; and
- Enhance security to address fraud in mobile money.

**Strategy 2: Promoting the Use of Alternative Distribution Channels**

To fill the capacity gaps in making digital financial services accessible to all and to reduce the delivery cost of financial services. NSFI III will:

- Promote the use of existing structures such as wholesale and retail shops, agro-dealers, restaurants, and filling stations among others, as outlets for financial services;
- Facilitate the lowering of fees for inter-operability of ATMs;

- c. Reduce the resolution timeframe for failed transactions across different banks within 24 hours; and
- d. Support the expansion of ATM and POS infrastructure in the country.

**Strategy 3: Promoting Innovative Financial Products and Services**

Provision of accessible and affordable financial solutions such as mobile banking, microfinance and insurance to underserved and unserved population can enable individuals in rural and low-income areas to participate in the financial system, thus improving their economic opportunities. Additionally, tailored products can meet the specific needs of various groups, ensuring broader reach and more equitable financial participation.

This will be achieved through:

- a. Promoting innovation around informal savings groups

Savings are one of the most valuable financial services that can complement investments. However, the majority of Malawians do not save with formal financial services providers, and the rate of increase in savings has been low. The majority of Malawians have been saving with Savings and Loan Groups (SLGs).

To promote innovation around informal savings groups and rural populations, the following actions will be undertaken:

- i. Support the formation and restructuring SLGs;
- ii. Promote linkages between SLGs and formal financial service providers; and
- iii. Promote the design of tailor-made rural-centric and women-centric products by banks, MFIs, SACCOs, insurance companies and mobile money providers, to extend coverage. Product development will need to be gender sensitive and consider saving frequencies, the size of saving instalments, saving goals, formalities in the accessibility of savings, and insurance and loans tied up to savings.

- b. Promoting innovation around insurance offering and access

Insurance services are important for risk mitigation and for the promotion of resilience of the population against economic shocks and other natural disasters. However, compared to other financial services, insurance uptake is the least countrywide and it is concentrated in the urban areas, largely serving those

with motor vehicles. The larger group in rural areas is not accessing insurance. Lack of access to insurance derails the efforts of the poor to fight poverty as every shock takes them further backward.

To expand the reach and usage of insurance services, the following actions will be implemented:

- a. Promote innovation around the insurance needs of the population to increase the supply of cover for general risks including natural disasters;
- b. Review regulatory framework to facilitate the setting up and operation of micro-pension savings schemes that can benefit disadvantaged groups;
- c. Expand coverage of disaster risk insurance; and
- d. Promote awareness of insurance among Malawians.

**Strategy 4: Enhancing the Capacity of Pro-poor MFIs**

Infrastructure in Malawi's rural areas where the majority of its population live is poor with bad roads, limited access to electricity or household clean water, and poor or no mobile phone connectivity. As a result, most financial services providers shun the remotest parts of the country. The financial capacity of pro-poor MFIs is limited and inadequate to increase rural access to smallholder farmers and MSMEs in rural areas. There is a need, therefore, for mechanisms that can channel resources for increasing access to finance in rural areas through pro-poor MFIs. Cognizant of this challenge, the Government has been implementing financial inclusion programs such as the Financial Access for Rural Markets, Smallholders and Enterprises (FARMSE) and the Financial Inclusion and Entrepreneurship Scaling Project (FInES). The projects provided capacity-building support and on-lending resources that MFIs could use to increase credit access in rural areas. However, the sector requires more resources to effectively increase its reach.

Actions to help increase the financing capacity of pro-poor rural finance providers to increase their reach include:

- a. Establish an apex fund to cater for MFIs capital needs; and
- b. Review the current MFI regulatory framework to align with international best practices.

**Strategic Priority 4**

**Enhancement of the Legal and Regulatory Environment and Implementation Mechanisms**



Effective implementation of the financial inclusion strategy requires proper coordination. One of the major challenges experienced during the implementation of the previous strategies was the lack of proper coordination among stakeholders. Meetings of the Financial Sector Technical Working Group, which was the major coordinating forum for the implementation of the strategy were erratic.

The responsible department for coordination of financial sector policies including financial inclusion in the Ministry of Finance, has always been understaffed and underfunded, making it unable to execute the desired secretarial functions. The unit responsible for promoting MSME development in the Ministry of Industry and Trade faces similar challenges also.

Availability of financial inclusion data was also a challenge and where data was available, it related to periods that were often incongruent, making analysis of financial inclusion performance and tracking difficult

and it was frequently not fully disaggregated by age and sex so could only provide headline information.

Implementation of the NSFI II has shown that strong policy coordination regular stakeholder implementation and annual review meetings are critical for successful implementation. Such meetings remind stakeholders of their expected roles and help them to take corrective actions where expectations risk being missed. Therefore, the creation of strong coordination, and a well-structured institution framework, all adequately funded will help to anchor the implementation of this strategy. To achieve this, NSFI III will:

- a. Strengthen institutional capacities for coordinating financial inclusion activities;
- b. Promote timely, harmonized quality fully disaggregated data on financial inclusion;
- c. Enhance the support infrastructure for the delivery of the NSFI; and
- d. Promote a conducive legal and regulatory framework.



Figure 24: Strategic Issues, Goals and Strategic Actions and Outcomes for Enhancement of the Legal and Regulatory Environment and Implementation Mechanisms

### **Strategy 1: Strengthening Institutional Capacity for the Coordination of Financial Inclusion Activities**

Institutional capacity is crucial for the effective implementation of the strategy. The NSFI III will focus on strengthening the institutional capacity of the key implementing partners to address the coordination challenges that were faced during the implementation of the previous strategy through the following actions:

- a. Coordinate national financial inclusion forums;
- b. Coordinate regular sector/technical working group meetings for communication and information sharing;
- c. Mobilize resources for financial inclusion activities;
- d. Adequately staff the coordinating units at the Ministry of Finance as well as the SME unit at the Ministry of Industry and Trade;
- e. Build the capacity of the staff in the two units as appropriate;
- f. Build capacities at NSO for the tracking as well as evaluation of financial inclusion results;
- g. Obtain and ensure stakeholder commitments.

### **Strategy 2: Promoting Timely and Harmonized, Quality Data on Financial Inclusion**

Measurement of progress in the implementation of the NSFI programs relies on the availability of quality and easily accessible fully disaggregated data. Financial inclusion data must be not only accessible with authorities but also to all players in the financial sector. Financial inclusion surveys are sparsely conducted, consequently, the data is fragmented and not available in one place. Many stakeholders are active collectors of data but there is duplication and also glaring data gaps so a more coordinated and holistic approach is needed. To improve access and quality of financial inclusion data the strategy will:

- a. Develop a disaggregated financial inclusion database/portal to be used by all the key NSFI stakeholders;
- b. Coordinate periodic financial inclusion research/studies/surveys;
- c. Empower NSO for the collection of fully disaggregated financial inclusion data; and,
- d. Capacitate NSO to conduct disaggregated financial inclusion surveys;

### **Strategy 3: Promoting Support Infrastructure Development**

Infrastructure development is critical in the provision of rural financial services. The absence of roads, energy, telecommunication and transport inhibits FSPs from

entering rural markets while the lack of internet access inhibits the extension of DFS. Urban areas have a significantly higher proportion of households with mobile phones than in rural areas. Despite this growth in mobile penetration, internet access is not available to all areas in Malawi as some areas do not have connectivity and smartphone access is still limited. This is affecting FSPs wishing to serve rural areas through DFS. In addition, the high cost of internet data limits the use and advancement of digitization.

Another infrastructural issue in Malawi is the electricity supply situation. According to HIS5 2020, Malawi's electrification rate was as low as 11.4% meaning that the majority of the population in rural areas have no access to electricity. Electricity is important not only for driving production but also for the delivery of financial services, even more so for the delivery of digital finance. DFS depends on the availability of reliable electricity supply to mobile networks. Even traditional banking infrastructure requires dependable electricity. Several studies including the MAP Diagnostic Study (2015) and the MAP Refresher (2020), have reported the low generation capacity of electricity as an impediment to the provision of financial services. As such, Malawi will need to reduce the electrification gap by supporting micro grids and Pay-As-You-Go (PAYG) solar products in rural areas.

To address some of these challenges, NSFI III will:

- a. Increase competition in the ICT sector to reduce the cost of services;
- b. Introduce tax incentives for investment in network infrastructure;
- c. Promote financing of PAYG solar products or tax incentives
- d. Support internet access initiatives

### **Strategy 4: Creating and Enabling Legal and Regulatory Environment**

The legal framework, coupled with the supervisory standards and practices provides the oversight for financial sector, its safety and soundness. The degree and quality of access to financial services available to vulnerable groups, low-income rural households and their small businesses is influenced by the quality of the legal and regulatory framework.

Regulatory agencies have undertaken several interventions to support financial inclusion as indicated in section 1.1.7, the Registrar of Financial Institutions has improved the regulatory framework for inclusive insurance to cater to low-income households. The new framework has among other measures, lowered entry requirements for providers of inclusive insurance, opened up channels of distribution, allowed bundling

of products to increase value, and improved claim settlement processes.

Some of the actions for developing an enabling environment for financial inclusion include to:

- a. Develop and review regulations in line with technological advancements and opportunities that support the expansion of financial services outreach;
  - b. Promote and review regulations that enhance interoperability of access points in rural areas and
- c. reduce the costs associated with cross-border remittances;
  - d. Develop/review regulatory framework for deposit insurance schemes, medical aid schemes, and regulatory sandboxes;
  - e. Refine requirements on bank agents including approval processes; and
  - f. Streamline approval processes for new financial services providers, branches and bank agents for quick service delivery.

# Crosscutting issues, role of stakeholders, and Implementation arrangement

## Cross-Cutting Issues

### Vulnerable Groups

The reach and usage of financial services for women, youth, people living with disabilities, forcibly displaced persons and other vulnerable groups is lower than that of the general adult population. Although the implementation of NSFI I & II has shown that there has been significant progress in penetrating the underserved segments of our communities, there is a persistent gender gap (currently 18 percent) in access to formal financial products and services with males enjoying higher access rates to financial services than females despite females making up the majority of the country's population. The youth also are a majority of Malawi's population at 84% of the population.

Literature has shown that closing the gender gap and integrating other vulnerable groups in financial inclusion could have positive effects in smoothing consumption, lowering financial risks and costs, providing security, increasing saving and investment rates and facilitating new business opportunities. Women, youths and other vulnerable groups can contribute more to economic growth not only by building businesses but also by having the skills and opportunity to better manage their financial resources.

In implementing this strategy special attention will be given to the following groups:

- a. Women and youth
- b. People with disabilities
- c. Forcibly displaced persons
- d. Other vulnerable groups

The following strategies will be implemented for the inclusion of the mentioned groups:

**Strategy 1: Increasing Financial Access for Women and the Youth**

The 2023 Finscope Consumer Survey showed that about 69% of women have access to financial products and services compared to 82% of men. Therefore, the gender gap for formal products and services is estimated at 13% in favour of men. The 2018 Financial Literacy and Capability Follow up Survey showed that low financial literacy levels for women at 36.0% against 51.0% for men. According to the World Bank Global Findex Database 2021, account access was at 48% for males, 38% for females and 35% for youths meaning that the gender gap was at 10%. Low financial inclusion among women and youth is attributed to the following:

- a. Failure to meet the general credit conditions set by formal financial institutions such as collateral requirements, lack of deposits/savings, and lack of proper financial records and written business plans;
- b. Limited information about and access to viable markets;
- c. Low levels of education and financial literacy,
- d. Limited access to other forms of finance and a lack of quotas for women/youth whenever a fund is available;
- e. Lack of available time to be economically productive and active due to the burden unpaid domestic care places on women and girl children;
- f. High level of gender-based violence, including financial violence that reduces the participation of women in economic opportunities;
- g. Lack of women and youth participation in leadership roles and community decision-making as well as at district and national levels;
- h. Lack of financial products and services tailored to meet their financial needs;
- i. Lack of empowerment in household decision-making along with handling and making financial decisions, due to patriarchal cultural practices and beliefs.

In addressing the highlighted challenges NSFI III will:

- a. Promote alternative forms of financing MSMEs including equity and quasi-equity options for women and youth-promoted business ventures;
- b. Promote capital pooling mechanisms and joint ventures for MSMEs;
- c. Enhance collection and analysis of sex and age-disaggregated data;
- d. Support the development of customized value propositions of gender-smart products tailored to women and youth;
- e. Promote implementation of financial education initiatives for women and youth;
- f. Promote usage of alternative collateral registries;
- g. Support the development of fintech companies that could create new mechanisms to serve women's and youth's financial needs;
- h. Develop a gender-inclusive financial literacy, capability and inclusion roadmap;
- i. Promote inclusive insurance (micro-insurance), especially for women and youth;
- j. Promote delivery of tailor-made insurance products targeting women and youth through digital platforms.

### **Strategy 2: Increasing Financial Access for People with Disabilities**

Although people with disabilities have challenges so severe that economic participation becomes difficult, the majority of them can make use of and benefit from financial services. People with disabilities (PwDs) lack access to finance because of the following challenges:

- a. Lack of correct and comprehensive knowledge of disabilities in FSPs;
- b. Unsubstantiated high-risk perception of PwDs by FSPs;
- c. Inaccessible premises and materials of FSPs;
- d. Lack of tailor-made inclusive personal and business products;
- e. Community unwillingness to accommodate people with disabilities; and
- f. Limited empowerment to participate in economic activities.

To address the highlighted challenges NSFI III will:

- a. Increase correct and comprehensive knowledge of disability issues in FSPs;
- b. Enhance collection and analysis of PwDs disaggregated data;
- c. Support the development of customized inclusive value propositions of smart products tailored for PwDs;
- d. Promote implementation of financial education initiatives for PwDs;

- e. Support fintech companies so that they create new mechanisms for serving the financial needs of PwDs;
- f. Increase awareness of rights for PwDs;
- g. Facilitate the creation of platforms for developing practical tools for FSPs to integrate disability issues in their strategic agenda;
- h. Expose PwDs to entrepreneurial options they could embark on and support them with the necessary start-up grants;
- i. Promote PwDs-user-friendly infrastructure among FSPs.

### **Strategy 3: Increasing Financial Access to Forcibly Displaced Persons**

Forcibly displaced persons (FDPs) lack access to finance because of the following challenges:

- a. Lack of proper identification documents;
- b. Lack of collateral;
- c. High-risk perception by financial services providers; and
- d. Lack of specific regulations designed to support the delivery of financial services to forcibly displaced persons.

In addressing the highlighted challenges NSFI III will:

- a. Collect and analyse disaggregated data of FDPs;
- b. Support the development of customized value propositions of smart products tailored to FDPs;
- c. Promote implementation of financial education, cultural and language skills initiatives to FDPs;
- d. Review the legal and regulatory framework to support the provision of financial services to FDPs;
- e. Support fintech companies so that they create new mechanisms for serving FDP's financial needs; and
- f. Conduct sectoral AML/CFT risk assessment of FDPs.

### **Increasing Financial Access to Other Vulnerable Groups**

Special attention will also be given to other vulnerable groups including the elderly, those living with HIV/AIDs, child-headed households, etc. in the course of implementing NSFI III. These will require social cash transfers supported with entrepreneurial education until they develop capacities to become self-reliant.

### **Environmental Issues**

Malawi's economy being heavily dependent on rain-fed agriculture is prone to volatile climatic conditions that hinder agricultural productivity. As such, the success in

the implementation of NSFI III will require intensified environmental and climate change awareness amongst the whole population. Actions that restore nature and conserve water or increase the country's water table are essential if irrigation farming is to be promoted.

## Roles of Stakeholders

The implementation of the Strategy will involve all key players in the financial sector and their respective roles are outlined below:

### Roles of the Government

The responsibilities of the Government will be:

- a. Creation of a conducive regulatory environment: The Government of Malawi through the sector regulators (RBM, MACRA, FIA, MoFEA, MIT and MoAIWD) is primarily responsible for creating an enabling environment for stakeholders to provide the required range and quality services to all, including low-income and vulnerable populations. The regulatory bodies are entrusted to provide a conducive environment including an infrastructural framework that will help to attain an inclusive financial sector as well as develop demand side sectors to a level they can demand and be attractive for financial services.
- b. Incentivising service providers to increase or expand financial inclusion: Government incentives to service providers will be critical, including tax incentives, grant support to facilitate outreach to underserved areas, the use of government channels and business for scale (e.g. digitising its payments) as well as in the setting of targets for industry to serve the poor effectively and sustainably. This will stimulate existing and new finance providers to increase their scope and coverage to reach the excluded effectively.
- c. Creating a favourable macroeconomic environment: In addition to sector-specific issues that need to be addressed to support the development of a sustainable sector, the Government is also responsible for creating a favourable macroeconomic environment, as well as meso-level institutions and structures. A few examples are road infrastructure, energy supply, national identification system, and improving the efficiency of the judicial system.
- d. Leading the mobilisation of stakeholders in the implementation of the Strategy and the monitoring of results: The Ministry of Finance will be the leading institution to monitor and coordinate the implementation of the Strategy, with the support of the financial inclusion

stakeholders, and day-to-day support from the Pension and Financial Sector Policy Division.

- e. Avoiding crowding out FSPs in service provision: The Government of Malawi remains a key provider of microfinance services with a relatively good presence in rural areas. The government will continue ensuring that government-owned finance providers do not crowd out private-sector players. Therefore, Government support will be carefully designed targeting the industry to serve the poor more effectively rather than to distort the financial markets.

### The Private Sector

The private sector has the primary responsibility of providing services to all, including the poor and excluded, and hence has an important role in engaging the Government to help create the necessary environment. It also has an important responsibility to define its strategic objectives with financial inclusion in mind, taking into account social and other needs that will be important to long-term sustainability and good corporate citizenship.

The Government in implementing the Strategy will work closely with the private sector (banks, MNOs MFIs, SACCOs, insurers, retailers, etc.) their industry associations, other sector regulators (e.g. RBM, MACRA), and others to ensure that the necessary infrastructure and product enhancements are made by the private sector players.

Successful implementation is contingent on engagement with, and the role played by the private sector, especially the banks, insurance companies, MFIs, retailers and MNOs. It will be important to get the firm commitment of the private sector players through tailored engagement with industry associations, regulatory processes, as well as with individual players to resolve specific issues to enhance financial inclusion. The private sector will be expected to clarify the actions that they expect the Government to put in place for them to play their role in enhancing financial inclusion.

### Development Partners

Development partners have an important role to play in Malawi in the area of financial inclusion, especially in supporting the implementation of the strategy with both resources and technical assistance, to the Government and institutions that are well positioned to extend services to the low-income and the excluded. This role needs to evolve with national needs as well as the needs of the sector to ensure continued relevance of the financial sector's products and services.

There is a need for development partners to work together, pooling resources where possible, and ensuring that limited resources are not wasted on duplication. Existing projects and expertise should be leveraged. Where possible joint funding should be used to scale up activities.

Development partners also need to be well appraised of industry trends and Malawian realities, so that they can promote best practices and facilitate networking with the rest of the world. Thus, the internal capacity of development partners to support financial inclusion is a critical input. Development partners should also have clear exit strategies that take into account sustainability at the end of their initiatives.

Development partners do and will continue to play an important role in the governance of the institutions they fund. Sustainability, good business practices, and good governance should be emphasized to ensure that their efforts support broader market development.

### AML/CFT Authorities

Promotion of financial inclusion should be coordinated closely with AML/CFT authorities to ensure that AML/CFT risks are considered and managed, and perpetual loan defaulters are barred from accessing credit through robust credit referencing mechanisms. As such, the responsibility of AML/CFT authorities in the implementation of NSFI III will be to ensure increased integrity in the financial sector, preventing in as far as would be feasible fraud, money laundering, financing of terrorism and proliferation and other forms financial crimes as well as defaults.

## Implementation Arrangements

### Coordination Structure

The implementation of the Strategy will, as is the case for Malawi 2063, require the collective ownership and effort of all. Its success will be the responsibility of all stakeholders including Government ministries (especially the Ministry of Finance and Economic Affairs, the Ministry of Agriculture, Irrigation and Water Development, the Ministry of Industry and Trade, and the Ministry of Gender, Community Development and Social Welfare); the Reserve Bank of Malawi, financial sector players and development partners just to mention a few. There shall be a Steering Committee comprising various stakeholders that will work under

the leadership of the Ministry of Finance that will coordinate the implementation and monitoring of the Strategy. The Pension and Financial Sector Policy Division of the Ministry will assume the role of a secretariat, assisting the Ministry in championing and overseeing the entire process while the Ministry of Agriculture, Irrigation and Water Development will, in collaboration with the Ministry of Trade and Industry work to promote market-driven agriculture to create a financially capable population and a strong, vibrant and productive MSME sector.

The Steering Committee will generally function as a coordinating structure for financial inclusion in Malawi, with a mandate to engage key stakeholders including other Ministries, donors and the private sector to ensure that financial inclusion is progressed. Technical working groups will be revamped and reconstituted to enhance the implementation of the Strategy and will be reporting to the steering committee.

Actual implementation of tasks will be the responsibility of specific stakeholders, including regulators, financial service providers, supporting ministries and donors from whom the Steering Committee will solicit commitment to financial inclusion targets.

### Technical Working Groups

Specialized Technical Working Groups (TWGs) will be established to support the Steering Committee in the implementation of NSFI III to ensure targeted and efficient action. The TWGs will be as follows:

- 1. Regulatory and Policy Technical Working Group**  
Focus: Ensuring a conducive regulatory environment for financial inclusion.  
  
Key activities: Review and amend existing financial sector laws and regulations, develop policies to support inclusive financial services, enhance consumer protection laws, and streamline regulatory processes.
- 2. Digital Financial Services Technical Working Group**  
Focus: Expanding access to and usage of digital financial services.  
  
Key activities: Promote digital financial services, improve digital payment infrastructure, support fintech innovation, and enhance cybersecurity measures.
- 3. Financial Literacy and Consumer Protection Technical Working Group**

Focus: Enhancing financial literacy and ensuring consumer protection.

Key activities: Develop and implement financial education programs, conduct awareness campaigns, and establish robust consumer protection frameworks.

#### **4. MSME, Rural and Agricultural Finance Technical Working Group**

Focus: Supporting MFIs and micro, small and medium enterprises; and improving financial services in rural areas and for the agricultural sector.

Key activities: Strengthen MFIs, improve access to credit for MSMEs, provide capacity-building programs, and promote entrepreneurship, develop financial products tailored for farmers, and promote savings and insurance products for rural populations.

#### **5. Data, Monitoring and Evaluation Technical Working Group**

Focus: Enhancing data collection and analysis to inform policy and strategy; and overseeing the implementation and effectiveness of the NSFI.

Key activities: Conduct surveys and studies on financial inclusion, develop a comprehensive financial inclusion database, utilize data analytics to monitor progress and impact, develop monitoring and evaluation (M&E) frameworks, track progress against NSFI goals, conduct periodic reviews and assessments, and provide feedback for continuous improvement.

Finance will, in collaboration with the Ministry of Agriculture, Irrigation and Water Development, develop an Information, Education & Communication (IEC) strategy to create awareness and disseminate information regarding the targets, roles and benefits of the actions contained in this Strategy. The Ministry of Finance will take the leading role in sensitizing stakeholders to the objectives of the Strategy and encourage all players to play their rightful roles, while the Ministry of Agriculture, Irrigation and Water Development will be responsible for providing the information, in the local language, rural people need to increase their financial capacities including information on crops worth cultivating, economic utilization of food to free more land resources for cash crop farming, and the role of every individual needs to play in protecting themselves against exploitation from vendors.

The Ministry of Trade and Industry will be responsible for the creation of a strong, vibrant and productive MSME sector and hence will be disseminating information regarding value adding, benefits of business formalization and linkages to markets including export markets. The IEC strategy will, in as much as is possible and appropriate, utilize mass media channels including the radio, televisions, the internet and other means of mass communications. Social gatherings (churches, clubs, etc.) in rural areas should also not be left out and there should be a focus on communicating in the local language.

## **Financing Arrangements**

The financing of the implementation of this Strategy solely depends on the stakeholders who will be incorporating the actions listed in the strategy in their annual workplans. Over and above, stakeholders designated resources, the Ministry of Finance will continue soliciting or supporting stakeholders in soliciting finance, from development partners and other sources, for the implementation of the Strategy.

## **IEC Arrangements**

This Strategy contains actions that involve changing behaviours and mindsets, especially among those engaged in farming as well as in entrepreneurship (MSMEs). Information, education and communication will therefore be critical to the successful implementation of the Strategy. As such, the Ministry of



# Annexes

## Annex 1: Implementation Plan

### Strategic Priority 1: Creation of a financially capable population to demand and use financial services

Strategy	Actions	Responsibility	Duration
<b>Strengthen the country's institutional, legal and regulatory framework for consumer protection and financial literacy</b>	Develop a separate financial consumer protection primary legislation.	MoFEA, RBM	2024 - 2024
	Strengthen the consumer complaints resolution mechanism	MoFEA, RBM	2025 - 2024
	Automate the complaints handling and management system	MoFEA, RBM	2024 - 2028
<b>Strengthen consumer protection initiatives and strategies</b>	Develop a web-based comparator to enable financial consumers to compare financial services and products terms and conditions	MoFEA, RBM	2025 - 2028
	Incorporate entrepreneurship and digital literacy in training modules and ensure they are available in the local languages	RBM, MoTI	2024 - 2027
	Strengthen transparency and disclosures of information on financial services and products in FSPs	RBM	2024 - 2028
	Strengthen fraud mitigation measures in financial services.	RBM, MACRA	2024 - 2028
<b>Develop strategic documents and programs on financial literacy and capability</b>	Develop strategic documents on financial literacy	MoFEA, RBM	2024 - 2026
	Develop financial literacy programs targeting various groups	MoFEA, RBM	2025 - 2026

## Strategic Priority 2: Increased demand for financial services by creating a strong MSME sector

Strategy	Action(s)	Responsibility	Duration
Increase formalization of MSMEs through simplified business registration processes	Review and streamline business registration laws, processes as well as costs.	MoTI, MoJ	2024 - 2017
	Continuously sensitize MSMEs, with a focus on women MSMEs, as to the benefits of business registration as well as the disadvantages of not formalizing a business	MoTI	2024 - 2028
	Incentivize and promote business registration and licensing. Incentives could include tax incentives and reducing the cost of formalization	MoTI, MRA	2024 - 2025
Improve MSME's Access to Markets	Strengthen value chains and integration	MoTI, MoA	2024 - 2028
	Build and strengthen entrepreneurial culture amongst indigenous Malawians	MoTI	2024 - 2028
	Increase Malawian products compliant with local and international standards for local and international markets	MBS, MoTI	2024 - 2028
	Establish agricultural MSME supplier development programmes, with targets for including women led/women owned SMEs, working with large retailers and large tourism companies	MoTI, MoA	2024 - 2028
	Increase ICT adoption to grow online marketing and e-commerce in the agriculture, wholesale and retail, and tourism sectors. Tailor initiatives to each of the specific vulnerable population groups such as women, the youth, forcibly displaced persons and those living with a disability	MoTI	2024 - 2028
	Identify and promote export markets for MSMEs.	MoTI, MITC	2024 - 2028
Improve Business Management	Identify targeted and adequately resource providers of BDS to deliver technical expertise in all areas of business management and across the maturity spectrum of MSMEs	MoTI	2024 - 2028
	Develop MSMEs friendly training programs in financial management and reporting, business planning and strategic planning, and, on how to formalize, start and grow an enterprise	MoTI	2024 - 2025
	Develop specialized BDS to improve productivity in agriculture, agro-processing and manufacturing	MoTI, MoA	2024 - 2028
	Sensitize MSMEs on the benefits of proper systems and having proper business management systems and procedures	MoTI	2024 - 2028
	Foster digitization of MSME business operations to produce sufficient data that can be used to build alternative credit scoring models.	MoTI, RBM	2024 - 2028

Strategy	Action(s)	Responsibility	Duration
Promote Use of Insurance and Movable Asset-Based Lending	Enable BDS providers become a source of potential MSME clients for financial institutions.	MoTI	2024 - 2028
	Promote use of insurance to manage risk and enhance resilience	RBM	2024 - 2028
	Promote movable asset-based financing from banks and MFIs to established and mature MSMEs	RBM, BAM, MAMNE	2024 - 2028
	Strengthen the Personal Property Security Registry <sup>28</sup> and expand its usage	Registrar General, RBM	2024 - 2027
	Improve quality of data within CRBs and include financial non-credit defaulter information on things such as utility, city rates, government payments, university fees and mobile money payments to increase the richness of data and levels of integrity amongst borrowers	RBM	2024 - 2026
	Establish public credit registry to enhance credit referencing and reporting	MoFEA, RBM, MoTI	2025 - 2027
	Promote affordable credit referencing by reviewing NRB's fee structure/charges to CRB	NRB	2024 - 2025
Improve MSME Access to Alternative Sources of Capital such as Equity and Venture Funds	Promote warehouse receipt system and its acceptance amongst smallholder farmers as well as financial institutions	MoA, RBM, MoTI	2024 - 2026
	Promote alternative forms of financing like grants, equity, venture capital funds, private equity, crowd funding, Islamic finance, green financing, angel investments to start-ups and agricultural producers and processors	MoFEA, MoA	2024 - 2028
	Strengthen leasing finance and facilitate micro-leasing	RBM, MAMNE	2024 - 2028
	Promote development of financial products that offer off-grid, pay-as-you go solar solutions to tackle electricity constraints faced by MSMEs, particularly agro-processors and manufacturers	MoA, MoE, MoTI	2024 - 2026

<sup>28</sup> [MPPSRS - Home \(registrargeneral.gov.mw\)](http://registrargeneral.gov.mw)

### Strategic Priority 3: Creation of strong and innovative financial service providers

Strategy	Action(s)	Responsibility	Duration
Increasing Digital Financial Services Penetration	Increasing the number of agents in the rural areas.	RBM	2024 - 2025
	Improving telecommunication infrastructure to increase mobile network coverage,	MACRA	2024 - 2025
	Incentivising registration of more DFS providers to increase competition.	RBM	2024 - 2028
	Enhancing new partnerships and collaboration for delivering digital credit, savings, insurance, securities and investment products	MoFEA, RBM	2024 - 2026
	Exploring the use of aggregators and partnering with major retailers to address liquidity challenges for agents	RBM	2024 - 2028
	Increasing penetration of mobile phones	MACRA	2024 - 2026
	Increasing digitization of Government payments	E-government	2024 - 2026
	Onboarding MFIs and SACCOs on the MFI Hub	MFI Hub	2024 - 2026
	Integrate other service providers/systems to National Switch.	National Switch	2024 - 2026
	Include utility companies as reporting institutions to CRBs	RBM	2024 - 2025
	Facilitating e-KYC by leveraging on NRB data.	RBM	2024 - 2025
	Strengthen legal and regulatory framework to promote provision of DFS	MoFEA, RBM	2024 - 2025
Promoting the Use of Alternative Distribution Channels	Build public trust in DFS usage through effective literacy programs and consumer protection initiatives delivered in the local language	RBM	2024 - 2028
	Enhance security to address fraud in DFS.	MACRA	2024 - 2028
	Promote the use of existing structures such as wholesale and retail shops, agro dealers, restaurants, public institutions and filling stations among others, as outlets for financial services	RBM	2024 - 2028
Promoting Innovative Financial Products and Services	Reduce the resolution timeframe for failed transactions across different banks within 24 hours	RBM	2024 - 2025
	Support the expansion of ATM and POS infrastructure in the country	RBM	2024 - 2025
Promoting Innovative Financial Products and Services	Support the formation of Savings and Loan Groups (SLGs) and strengthen the existing SLGs	MoFEA	2024 - 2025
	Promote linkages between SLGs and financial service providers	RBM, MoFEA	2024 - 2028

Strategy	Action(s)	Responsibility	Duration
	Promote the design of tailor-made and rural centric and women centric products by banks, MFIs, SACCOs, insurance companies and mobile money providers, to extend coverage.	MoFEA, RBM	2024 - 2028
	Promote innovation around the insurance needs of the population to increase the supply of covers for general risks including natural disasters.	RBM, MoFEA	2025 - 2028
	Review regulatory framework to facilitate the setting up and operation of micro-pensions savings schemes for women, smallholder farmers and the self-employed	RBM, MoFEA	2025 - 2027
Increase the Capacity of Pro-poor MFIs	Expand coverage of disaster risk insurance	RBM, MoFEA	2025 - 2028
	Promote awareness of insurance among Malawians focusing on non-motor insurance	RBM	2024 - 2028
	Establish an apex fund to cater for MFIs capital needs	RBM	2025 - 2026
	Review the current regulatory framework to align with international best practices	RBM	2024 - 2026
Enhancing Consumer Protection and Empowerment	Strengthen the country's institutional, legal and regulatory framework for consumer protection and financial literacy	RBM	2024 - 2028
	Develop strategic documents on financial literacy and capability	RBM	2024 - 2025
	Incorporate entrepreneurship and digital literacy in training modules and ensure they are available in the local languages	RBM, MoTI	2024 - 2027
	Strengthen transparency and disclosures of information on financial services and products in FSPs	RBM	2024 - 2028
	Strengthen fraud mitigation measures in financial services.	RBM, MACRA	2024 - 2028

## Strategic Priority 4: Enhancement of the legal and regulatory environment and implementation mechanisms

Strategy	Action(s)	Responsibility	Duration
Strengthening institutional Capacity for the Coordination of Financial inclusion Activities	Coordinate national financial inclusion forums.	MoFEA	2024 - 2028
	Conduct regular sector/technical working group meetings	MoFEA	2024 - 2028
	Mobilize resources for financial inclusion activities.	MoFEA	2024 - 2028
	Adequately staff the coordinating units at the Ministry of Finance as well as the SME unit at the Ministry of Industry and Trade	MoFEA, MoTI	2024 - 2028
	Build the capacity of the staff in the two units as appropriate	MoFEA, MoTI	2024 - 2028
	Build capacities at NSO for the tracing as well as evaluation of financial inclusion results	MoFEA	2024 - 2028
Promoting Timely and Harmonize, Quality Data on Financial Inclusion	Develop a disaggregated financial inclusion database/portal to be used by all the key NSFI stakeholders	RBM	2024 - 2028
	Coordinate periodic financial inclusion research/studies/surveys	MoFEA, RBM	2024 - 2028
	Empower NSO for the collection of fully disaggregated financial inclusion data	MoFEA	2024 - 2028
Promoting Support Infrastructure Development	Increase competition in the ICT sector to reduce cost of services	MACRA	2024 - 2028
	Introduce tax incentives for investment in network infrastructure	MoFEA	2024 - 2028
	Develop and review regulation in line with technological advancements and opportunities that support expansion of financial services outreach	RBM, MoFEA	2024 - 2028
	Promote and review regulations that enhance interoperability of access points in the rural areas and reducing the costs associated with cross border remittances	RBM, MoFEA	2024 - 2028
	Develop/review regulatory framework for deposit insurance scheme, medical aid schemes, and regulatory sandboxes	RBM, MoFEA	2024 - 2028
Legal and Regulatory Frameworks	Develop regulations to facilitate creation and operation of micro-pension savings schemes	RBM, MoFEA	2024 - 2028
	Refine requirements on bank agents including approval processes	RBM, MoFEA	2024 - 2027
	Streamline approval processes for new financial services providers, branches and bank agents for quick service delivery	RBM	2024 - 2028

## Strategic Priority 5: Cross-cutting issues

Strategy	Action(s)	Responsibility	Start Time
Increasing Financial Access for Women and the Youth	Promote alternative forms of financing MSMEs including equity and quasi equity options for women and youth promoted business ventures	MoFEA	2024 - 2028
	Promote capital pooling mechanisms and joint ventures for MSMEs	MoTI	2024 - 2028
	Enhance collection and analysis of sex and age disaggregated data on financial inclusion	RBM, MoFEA	2024 - 2028
	Support the development of customized value propositions of gender-smart products tailored to women and youth	RBM, MoFEA	2024 - 2028
	Promote implementation of financial education initiatives for women and youth	RBM, MoFEA	2024 - 2028
	Promote usage of alternative collateral registries	RBM	2024 - 2028
	Support development of fintech companies that could create new mechanism to serve women and youth financial needs	RBM, MoFEA	2024 - 2028
	Develop a gender inclusive financial literacy, capability and inclusion roadmap	RBM, MoFEA	2024 - 2028
	Promote inclusive insurance (micro-insurance) especially for women and youth	RBM, MoFEA	2024 - 2028
Increasing Financial Access for People with Disabilities	Promote delivery of gender sensitive insurance products through digital platforms.	RBM, MoFEA	2024 - 2028
	Increase correct and comprehensive knowledge of disability issues in FSPs	RBM, MoFEA	2024 - 2028
	Enhance collection and analysis of PwDs disaggregated data	RBM, MoFEA	2024 - 2028
	Support the development of customized inclusive value propositions of smart products tailored for PwDs	RBM, MoFEA	2024 - 2028
	Promote implementation of financial education initiatives for PwDs	RBM, MoFEA	2024 - 2028
	Support fintech companies so that they create new mechanisms for serving the financial needs of PwDs	RBM, MoFEA	2024 - 2028
	Increase awareness of rights for PwDs	RBM, MoFEA, MACOHA	2024 - 2028
Facilitate creation of platforms for developing practical tools for FSPs to integrate disability issues in their strategic agenda	RBM, MoFEA	2024 - 2028	

	Expose PwDs to entrepreneurial options they could embark on and support them with the necessary start-up grants.	MoTI, MoFEA	2024 - 2028
	Promote PwDs-user friendly infrastructure among FSPs	RBM	2024 - 2028
	Collect and analyse disaggregated data on access and usage of financial services of FDPs	RBM	2024 - 2028
	Support development of customized value propositions of smart products tailored to FDPs	RBM, MoFEA	2024 - 2028
Increasing Financial Access to Forcibly Displaced Persons	Promote implementation of financial education, cultural and language skills initiatives to FDPs	RBM, MoFEA	2024 - 2028
	Review the legal and regulatory framework to support provision of financial services to FDPs	RBM, MoFEA	2024 - 2028
	Support fintech companies so that they create new mechanism for serving FDP's financial needs and	RBM, MoFEA	2024 - 2028
	Conduct ML/TF/PF sectoral risk assessment of FDPs	RBM, MoFEA, FIA	2024 - 2028



## Annex 2: Monitoring and Evaluation Matrix

### Strategic Priority 1: Creation of a Financially Capable Population to Demand and Use Various Financial Services

**Outcome:** Increased demand and usage of financial services due to increased financial capability of the population

#### Strategy 1: Strengthen the country's institutional, legal and regulatory framework for consumer protection and financial literacy

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Develop a separate financial consumer protection primary legislation.	Financial consumer protection primary legislation developed	Number of legislations formulated	1	0	MoFEA reports	Availability of resources
Strengthen the consumer complaints resolution mechanism	Consumer protection and complaints resolution mechanism strengthened	Percentage of complaints received and resolved	100%	88%	MoFEA/RBM reports	
		Percentage of providers complying with the disclosure requirement Directive	100%	50	MoFEA/RBM reports	

## Strategy 2: Strengthen consumer protection initiatives and strategies

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Automate the complaints handling and management system	Automated complaints handling and management system established	Number of automated complaints handling and management systems established	1	0	RBM/CFTC reports	Availability of resources
Develop a web-based comparator to enable financial consumers to compare financial services and products terms and conditions	Web-based comparator developed	Number of web-based comparators developed	1	0	RBM reports	Availability of resources
Incorporate entrepreneurship and digital literacy in training modules and ensure they are available in the local languages;	Entrepreneurship and digital literacy incorporated in training modules	Number of entrepreneurship and digital literacy modules introduced	10	0	MoTI reports, RBM reports	
Strengthen transparency and disclosures of information on financial services and products in FSPs	Transparency and disclosures of information on financial services and products strengthened	Number of guidelines/directives on transparency and disclosures reviewed	5	0	RBM reports	
Strengthen fraud mitigation measures in financial services.	Awareness campaigns on fraud mitigation increased	Number of awareness campaigns conducted	20	4	RBM reports	

## Strategy 3: Develop strategic documents and programs on financial literacy and capability

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Develop strategic documents on financial literacy	Strategic documents on financial literacy developed	Number of new strategic documents on financial literacy developed	2	0	RBM reports	Availability of resources
Develop financial literacy programs targeting various groups	Financial literacy programs targeting various groups developed	Number of new financial literacy programs targeting various groups developed	6	0	MoFEA/RBM reports	Availability of resources

## Strategic Priority 2: Increased demand for financial services by creating a strong MSME sector

**Outcome:** An empowered MSME sectors that can demand and use various forms of financial services

### Strategy 1: Increase formalization of MSMEs through simplified business registration processes

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Review and streamline business registration laws, processes as well as costs.	Online business registration payment gateway established	Number of business registration payment gateways established	1	0	MoFEA/RBM reports	Availability of resources
	Legislation to promote MSME business registration enacted	Number of laws enacted to promote MSMEs business registration	1	0	MoTI reports	Availability of resources
Continuously sensitize MSMEs, with a focus on women MSMEs, as to the benefits of business registration as well as the disadvantages of not formalizing a business	MSMEs sensitized on business registration and advantages of formalization	Number of programs/initiatives on business registration and formalization rolled out	8	4	MoTI reports	Availability of resources
	New MSMEs registered	Number of new MSMEs registered	10000	0	MoTI reports	
Incentivize and promote business registration and licensing.	Incentives to promote business registration and licensing introduced	Number of incentives to promote business registration and licensing introduced	6	0	MoTI/MoFEA reports	Resources for incentivizing cash crops available

### Strategy 2: Improve MSME's access to markets

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Strengthen value chains and integration	Value chain strengthened	Number of value chain studies conducted	6	0	MoA/MoFEA reports	Availability of resources
Build and strengthen entrepreneurial culture amongst indigenous Malawians	Entrepreneurial culture improved	Number of programs on entrepreneurship offered to MSMEs	6	3	MoTI reports	Availability of resources
Increase Malawian products compliant with	Malawian products compliant to local and	% Malawi products certified locally and internationally	70%	30%	MBS, MoTI reports	

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
local and international standards for local and international markets;	international standards increased					
Establish agricultural MSME supplier development programmes, with targets for including women led/women owned SMEs, working with large retailers and large tourism companies	Market links established	% of MSMEs lacking markets	5%	34%	MoTI reports	
Increase ICT adoption to grow online marketing and e-commerce in the agriculture, wholesale and retail, and tourism sectors.	Increased e-commerce	% Business using e-commerce	80%	10%	MoTI/RBM reports	
	e-commerce legal framework enhanced	Number of laws on e-commerce reviewed/enacted	1	0	MoTI/RBM reports	
Identify and promote export markets for MSMEs.	Export markets for MSMEs identified and promoted	Number of new export markets accessed by MSMEs	20	0	MoTI reports	

### Strategy 3: Improve business management

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Identify targeted and adequately resource providers of BDS to deliver technical expertise in all areas of business management and across the maturity spectrum of MSMEs	Business development service providers identified across the country	Number of established BDS providers identified	8	3	MoTI, MoA reports	
Develop MSMEs friendly training programs in financial management and reporting, business planning and	Training program in financial management and reporting, business planning and strategic planning developed	Number of training programs developed	5	1	MoTI reports	Availability of resources

strategic planning, and, on how to formalize, start and grow an enterprise						
Develop specialized BDS to improve productivity in agriculture, agro-processing and manufacturing	Sector specific training modules developed	Number of training modules developed	300%	100%	MoTI, MoA reports	Availability of resources
Sensitize MSMEs on the benefits of proper systems and having proper business management systems and procedures	MSMEs knowledge of the benefit/value of proper business management systems increased	% of MSMEs using proper business management systems	60%	10%	MoTI reports	
Foster digitization of MSME business operations to produce sufficient data that can be used to build alternative credit scoring models.	MSMEs business operations digitized	% of MSMEs business operations digitized	50%	10%	MoTI reports	
Enable BDS providers become a source of potential MSME clients for financial institutions.	BDS providers become regular suppliers of bankable investments proposals.	% of applications made through BDS providers	30%	0	MoTI SMEDI reports	

## Strategy 4: Promote use of insurance and movable asset-based lending

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Promote use of insurance to manage risk and enhance resilience;	Use of insurance for risk management promoted	Number of financial literacy campaigns on insurance conducted	6	1	RBM reports	Availability of resources
	Inclusive insurance products developed	Number of new inclusive insurance products developed	4	0	RBM reports	Availability of resources
Promote movable asset-based financing from banks and MFIs to established and mature MSMEs	Increased availability of movable asset financing	Number of banks and MFIs offering movable asset-based financing	1000%	0%	RBM, BAM, MAMN reports	
Strengthen the Personal Property Security Registry <sup>29</sup> and expand its usage;	Use of the Personal Property Security Registry by FSPs increased	Number of FSPs using PPSR	2500%	0%	RBM reports	Availability of data
Improve quality of data within CRBs and include financial non-credit defaulter information on things such as utility, city rates, government payments, university fees and mobile money payments to increase the richness of data and levels of integrity amongst borrowers	CRBs data coverage expanded to include non-bank credit defaulters	% Reduction in default rates	5%	17%	RBM reports	
Establish public credit registry to enhance credit referencing and reporting;	Public credit registry established	Number of public credit registry established	100%	0	MoF, RBM, MoTI reports	
Promote affordable credit referencing by reviewing NRB's fee structure/charges to CRB	NRB's fee structure/charges reviewed	% Reduction of NRB's charges				
Promote warehouse receipt system and its acceptance amongst smallholder farmers as well as financial institutions	Increased use of warehouse receipts	% Credit extended against WHRs	5%	0	MoA, RBM, MoTI reports	

<sup>29</sup> MPPSRS - Home ([registrargeneral.gov.mw](http://registrargeneral.gov.mw))

### Strategy 5: Improve MSME access to alternative sources of capital such as equity and venture funds

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Promote alternative forms of financing to start-ups and agricultural producers and processors;	Alternative forms of financing promoted	Number of new alternative forms of financing introduced	6	0	MoFEA reports	
Strengthen leasing finance and facilitate micro-leasing;	MFI enabled to offer micro-leases	Number of MFI offering micro-leasing	5	0	RBM, MAMN reports	
Promote development of financial products that offer off-grid, pay-as-you-go solar solutions to tackle electricity constraints faced by MSMEs, particularly agro-processors and manufacturers	Access to Pay-as-you-go for productive use of energy increased	% of new MSMEs accessing PYG kits	20%	0	MoA, MoE, MoTI reports	

### Strategic Priority 3: Creation of strong and innovative financial service providers

**Outcome:** A strong and innovative financial sector capable of providing access to finance for production and growth

#### Strategy 1: Increasing digital financial services penetration

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Increasing the number of agents in the rural areas.	Increased access points	Number of new access points per 100,000 adults	200	0	RBM reports	
Improving telecommunication infrastructure to increase mobile network coverage,	Mobile network coverage expanded	Mobile phones per 100 inhabitants	75	52	MACRA reports	
Incentivising registration of more DFS providers to increase competition.	Increased registration of DFS providers	Number of DFS providers registered	2200%	12	RBM reports	
Enhancing new partnerships and collaboration for delivering digital credit, savings, insurance, securities and investment products	New Partnerships and collaboration for delivering digital credit, savings, insurance, securities and	Number of new Partnerships and collaboration for delivering digital credit, savings, insurance,	4	0	RBM/MoFEA reports	

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
	investment products enhanced	securities and investment products enhanced				
Exploring the use of aggregators and partnering with major retailers to address liquidity challenges for agents	New Partnerships with major retailers and aggregators introduced	Number of new partnerships with retailers and aggregators	40	0	RBM reports	
Increasing penetration of mobile phones	Mobile phone ownership increased	Number of mobile phones per 100 inhabitants	75	52	Mol/MACRA reports	
Increasing digitization of Government payments	Governments payments digitized	% of Governments payments digitized	90%	50%	MoFEA reports	
Onboarding MFIs and SACCOs on the MFI Hub	MFIs, SACCOs onboarded on the MFI Hub	Number of MFIs and SACCOs onboarded	120	48	MAMN/MUSCO/MFI Hub reports	
Integrate other service providers/systems to National Switch.	Service providers/systems integrated to the National Switch	Number of service providers/systems integrated to the National Switch	16	13	National Switch Limited reports	
Include utility companies as reporting institutions to CRBs	Utility companies designated as reporting institutions to CRBs	Number of utility companies designated as reporting institutions to CRBs	11	0	RBM reports	
Facilitating e-KYC by leveraging on NRB data.	FSP sub sectors interfaced with NRB for e-KYC	Number of FSP sub sectors interfaced with NRB for e-KYC	6	0	RBM reports	
Strengthen legal and regulatory framework to promote provision of DFS	Legal and regulatory framework for DFS strengthened	Number of laws supporting DFS reviewed	1	0	RBM reports	
Facilitating reduction of the cost of transacting on mobile network platforms,	Tax on MNO wallets reviewed	Number of taxes on MNO wallets reviewed	1	0	MoFEA reports	
Build public trust in DFS usage through effective literacy programs and consumer protection	DFS usage promoted through awareness programs	Number of new DFS awareness programs conducted	10	0	RBM reports	



Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
initiatives delivered in the local language						
Enhance security to address fraud in DFS.	Sim card ownership per person restricted	Number of regulations restricting sim card ownership	1	0	MACRA reports	

### Strategy 2: Promoting the use of alternative distribution channels

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Promote the use of existing structures such as wholesale and retail shops, agro dealers, restaurants, public institutions and filling stations among others, as outlets for financial services	Existing structures as alternative distribution channels of financial services increased	Number of categories of institutions as alternative distribution channels of financial services	6	2	RBM reports	
Reduce the resolution timeframe for failed transactions across different banks within 24 hours	Resolution timeframe for failed transactions reduced	Number of regulations prescribing timeframe for resolution of failed transactions	1	0	RBM reports	
Support the expansion of ATM and POS infrastructure in the country	ATM and POS infrastructure expanded	Number of ATM and POS per 100,000 people	1000%	5	RBM reports	

### Strategy 3: Promoting innovative financial products and services

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Support the formation of Savings and Loan Groups (SLGs) and strengthen the existing SLGs;	SLGs formed and trained	Number of new SLGs formed and trained	5000	0	MoFEA reports/MoG	
	SLGs registered	Number of SLGs registered	10000	0	MoFEA/RBM reports/MoG	Availability of Resources
Promote linkages between SLGs and financial service providers (FSP);	SLGs and FSPs linked	Number of new SLGs accounts opened with FSPs	5000	0	RBM reports	

Promote the design of tailor-made and rural centric and women centric products by banks, MFIs, SACCOs, insurance companies and mobile money providers, to extend coverage.	Tailor made product design supported	Number of innovation facilities established	4	1	MoFEA, MAMN, MUSCO	
		Number of new products and services developed	10	0	MoFEA annual review	
Promote innovation around the insurance needs of the population to increase the supply of covers for general risks including natural disasters.	Regulatory framework for inclusive insurance reviewed	Number of regulatory frameworks for inclusive insurance reviewed	1	0	RBM reports	
Review regulatory framework to facilitate the setting up and operation of micro-pensions savings schemes for women, smallholder farmers and the self-employed;	Regulatory framework for micro pension schemes established	Number of regulatory frameworks for micro pension schemes established	1	0	RBM Registrar of Financial Institutions reports	
Expand coverage of disaster risk insurance	Disaster risk insurance coverage expanded	Number of new clients accessing disaster risk insurance increased	5000	0	RBM reports	
Promote awareness of insurance among Malawians	Awareness on insurance enhanced	Number of awareness campaigns conducted	10	1	RBM reports	Availability of funds

#### Strategy 4: Increasing the capacity of pro-poor MFIs

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Establish an apex fund to cater for MFIs capital needs	Apex fund established	Number of apex funds established	1	0	MoFEA/RBM reports	
Review the current regulatory framework to align with international best practices	Legal framework for microfinance reviewed	Number of legal frameworks on microfinance reviewed	1	0	RBM reports	

## Strategic Priority 4: Enhancement of legal and regulatory environment and implementation mechanisms.

**Outcome:** Capacity for effective implementation of financial inclusion initiatives enhanced

### Strategy 1: Strengthening institutional capacity for the coordination of financial inclusion activities

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Coordinate national financial inclusion forums;	National financial inclusion forum coordinated	Number of Financial inclusion forums conducted	4	0	MoFEA reports	Availability of resources
Conduct regular sector/technical working group meetings	Technical/Sector working group meeting conducted	Number of Technical/Sector working group meetings conducted	20	0	MoFEA reports	Availability of resources
Mobilize resources for financial inclusion activities;	Resource mobilization plan for financial inclusion developed	Number of Resource mobilization plans developed	1	0	MoFEA reports	
Adequately staff the coordinating units at the Ministry of Finance as well as the SME unit at the Ministry of Industry and Trade;	Ministry of Finance coordinating unit adequately staffed	Percentage of vacancies filled	80	53	MoFEA reports	
	Ministry of Industry and Trade coordinating unit adequately staffed	Percentage of vacancies filled	65	50	MoTI reports	
Build the capacity of the staff in the two units as appropriate;	Ministry of Finance staff trained	Number of staff trained	20	4	MoFEA reports	
	Ministry of Industry and Trade staff trained	Number of staff trained	20	5	MoTI reports	
Build capacities at NSO for the tracing as well as evaluation of financial inclusion results	Trainings conducted	Number of staff trained	20	5	NSO reports	

### Strategy 2: Promoting timely and harmonized, quality data on financial inclusion

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Develop a disaggregated financial inclusion database/portal to be used by all the key NSFI stakeholders;	Financial inclusion database/portal developed	Number of financial inclusion database/portal developed	1	0	RBM/MoFEA reports	
Coordinate periodic financial inclusion research/studies/surveys;	Financial inclusion research/studies/surveys conducted	Number of financial inclusion research/studies/surveys	2	1	RBM/MoFEA reports	
Empower and capacitate NSO for the collection of fully disaggregated financial inclusion data through financial inclusion surveys;	NSO mandated to collect disaggregated data on financial inclusion	Number of financial inclusion surveys conducted by NSO	1	0	NSO reports	
	Trainings conducted	Number of trainings conducted	4	0	MoFEA reports	

### Strategy 3: Promoting support infrastructure development

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Increase competition in the ICT sector to reduce cost of services;	Internet service providers increased	Number of internet service providers	15	10	MACRA reports	
Introduce tax incentives for investment in network infrastructure;	Tax incentives introduced	Number of new tax incentives introduced	2	0	MoFEA reports	

### Strategy 4: Legal and regulatory frameworks

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Develop and review regulation in line with technological advancements and opportunities that support expansion of financial services outreach;	Regulations that support expansion of financial services developed	Number of new regulations developed	4	0	RBM reports	
Promote and review regulations that enhance interoperability of access points in the rural areas and reducing the costs	Regulations that enhance interoperability of access points in the rural areas and reducing	Number of new regulations developed	2	0	RBM reports	

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
associated with cross border remittances;	the costs associated with cross border remittances developed					
Develop/review regulatory framework for deposit insurance scheme, medical aid schemes, and regulatory sandboxes;	Regulatory frameworks developed/reviewed	Number of regulatory frameworks developed/reviewed	3	2	RBM reports	
Develop regulations to facilitate creation and operation of micro-pension savings schemes;	Regulations on micro-pension savings schemes developed	Number of regulations on micro-pension savings schemes developed	1	0	RBM reports	
Refine requirements on bank and MNO agents including approval processes;	Bank and MNO agents' requirements reviewed	Number of requirements reviewed	10	0	RBM reports	
Streamline approval processes for new financial services providers, branches and bank agents for quick service delivery;	Approval processes for new financial services providers, branches and bank agents streamlined	Number of processes streamlined	10	0	RBM reports	

## Strategic Priority 5: Cross-cutting issues

**Outcome:** Financial access for women, youth and all vulnerable groups Increased

### Strategy 1: Increasing financial access for women and the youth

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Promote alternative forms of financing for women and youth MSMEs	Alternative forms of financing for women and youth promoted business ventures promoted	Number of new alternative forms of financing promoted	4	0	MoFEA/RBM reports, MoTI reports	
Promote capital pooling mechanisms and joint ventures for women and youth MSMEs	Capital pooling for joint ventures for women and youth MSMEs promoted	Number of awareness campaigns for capital pooling for joint ventures conducted	10	0	MoTI/RBM reports	
Enhance collection and analysis of sex and age disaggregated data on financial inclusion	Sex disaggregated data collected and analysed	Number of frameworks for sex disaggregated data collection developed	1	0	RBM reports	Availability of Resources
Support the development of customized value propositions of gender-smart products tailored to women and youth	Gender-smart products tailored to women and youth developed	Number of new gender-smart products tailored to women and youth developed	4	0	MoTI reports	Availability of Resources
Promote implementation of financial education initiatives for women and youth	Financial education initiatives for women and youth promoted	Number of new financial education initiatives for women and youth implemented	4	0	RBM reports	
Promote usage of alternative collateral registries	Usage of alternative collateral registries promoted	Number of regulations on usage of alternative collateral registries developed	1	0	RBM reports	
Support development of fintech companies that could create new mechanism to serve women and youth financial needs	New fintech companies developed	Number of new fintech companies to serve women and youth financial needs developed	2	0	RBM reports	Availability of Resources

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Develop a gender inclusive financial literacy, capability and inclusion roadmap	Roadmap for financial literacy, capability and inclusion roadmap developed	Number of roadmaps on financial literacy, capability and inclusion roadmap developed	1	0	MoFEA/RBM reports	
Promote inclusive insurance (micro-insurance) especially for women and youth;	Microinsurance for women and youth promoted	Number of women and youth accessing microinsurance	20000	2500	RBM reports	
Promote delivery of gender sensitive insurance products through digital platforms.	Gender sensitive insurance products promoted	Number of new gender sensitive insurance products developed	4	0	RBM/IAM reports	

## Strategy 2: Increasing financial access for people with disabilities

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Increase correct and comprehensive knowledge of disability issues in FSPs	Knowledge of disability issues in FSPs increased	Number of awareness campaigns on issues of disabilities in FSPs conducted	12	0	RBM/MACOHA reports	
Enhance collection and analysis of PwDs disaggregated data;	PwDs disaggregated data collected and analysed	Number of frameworks for PwDs disaggregated data collection developed	1	0	RBM/MACOHA reports	
Support the development of customized inclusive value propositions of smart products tailored for PwDs;	Smart products tailored to PwDs developed	Number of new products tailored to PwDs developed	2	0	MoTI reports	
Promote implementation of financial education initiatives for PwDs;	Financial education initiatives for PwDs promoted	Number of new financial education initiatives for PwDs implemented	4	0	RBM reports	
Support fintech companies so that they create new mechanisms for serving the financial needs of PwDs;	New products tailored for PwDs developed by Fintech companies	Number of new products tailored for PwDs developed by Fintech companies	4	0	RBM reports	Availability of Resources
Increase awareness of rights for PwDs in accessing financial services;	Awareness of rights for PwDs increased	Number of awareness campaigns of rights for PwDs	15	0	MACOHA reports	
Facilitate creation of platforms for developing practical tools for FSPs to integrate disability issues in their strategic agenda	Platforms for developing practical tools for FSPs to integrate disability issues in their strategic agenda developed	Number of platforms developed	2	0	RBM reports	
Expose PwDs to entrepreneurial options they could embark on and support them with the necessary start-up grants.	PwDs supported with start-up grants	Number of PwDs supported with start-up grants	1000	0	MoFEA reports	
Promote PwDs-user friendly infrastructure among FSPs	PwDs-user friendly infrastructure promoted	Number of new FSPs with user friendly infrastructure	30	0	RBM reports	



### Strategy 3: Increasing financial access to Forcibly Displaced Persons

Actions	Output	Performance Indicator	Target	Baseline	Data source/ verification	Assumptions/ Risks
Collect and analyse disaggregated data on access and usage of financial services of FDPs;	FDPs disaggregated data on access and usage of financial services collected and analysed	Number of frameworks for FDPs disaggregated data collection developed	1	0	RBM reports	
Support development of customized value propositions of smart products tailored to FDPs;	Smart products tailored to FDPs developed	Number of new products tailored to FDPs developed	4	0	RBM reports	
Promote implementation of financial education, cultural and language skills initiatives to FDPs;	Financial education initiatives for FDPs promoted	Number of new financial education initiatives for FDPs implemented	6	0	RBM reports	
Review the legal and regulatory framework to support provision of financial services to FDPs	Legal and regulatory framework to support provision of financial services to FDPs reviewed	Number of legal and regulatory frameworks reviewed	1	0	MoFEA/RBM reports	
Support fintech companies so that they create new mechanism for serving FDP's financial needs; and	New products tailored for FDPs developed by Fintech companies	Number of new products tailored for FDPs developed by Fintech companies	4	0	RBM reports	
Conduct ML/TF/PF sectoral risk assessment of FDPs	Risk assessment of FDPs ML/TF/PF conducted	Number of risk assessments of FDPs ML/TF/PF conducted	2	0	MoFEA/RBM/FIA reports	

