Making Access Possible (MAP) Malawi

Stakeholder workshop
Lilongwe, 23 April 2015
Presentation notes

This presentation sets out some of the key findings from the MAP diagnostic analysis. The presentation was done to solicit feedback from stakeholders to refine the diagnostic findings. The research behind the presentation is set out in detail in the diagnostic report to be released later in the year.
Agenda

• MAP overview
• Consumer experience
• Provider and product overview
• Priorities
• Towards a roadmap
• Next steps
Importance of financial inclusion for Malawi

Financial Inclusion for growth and welfare

Generate growth and employment
1. Farming as an employer and to sustain livelihoods.
2. Formal SMMEs as an engine of growth.
3. Remittances to facilitate reallocation of income.

Develop human capital
1. Financial services for access to education.
2. Financial services to mitigate of health risks.

Improve household welfare
1. New technologies reduce cost and improves access.
2. Financial services to mitigate households risks.
3. Asset accumulation.
MAP Process
An overview of the MAP process

1. **Establishment**
   - Stakeholder buy-in
   - Establish relationships
   - Gov’t commitment

2. **Diagnostic Inception**
   - Establish governance structures
   - MAP Steer Com

3. **Research & Engagement**
   - Stakeholder engagement
   - Stakeholders involved in diagnostic visit
   - Provide input at critical milestones in research

4. **Roadmap Formulation**
   - Roadmap engagement
   - Stakeholder workshop
   - Feedback on diagnostic
   - Roadmap development

5. **Implementation**
   - Facilitating implementation
   - Coordinate with existing initiatives
   - Support roadmap implementation

**Stakeholder Engagement**
- Diagnostic preparation
  - Desktop research
  - Appoint qualitative provider

- Info gathering, analysis and drafting
  - In-country diagnostic visit
  - Analysis and synthesis of findings

- Testing and refining diagnostic results
  - Submit final diagnostic report
  - Submit synthesis note
  - Drafting roadmap

- Results placement
  - Disseminate diagnostic and roadmap to feed into other local processes

**Groundwork**
- Kick-off workshop

**Duration**
- 8 – 12 months
- 2+ years
Where is MAP happening?
MAP implementation and pipeline countries

**MAP implementation countries:** Cote d'Ivoire, Lesotho, Malawi, Mozambique, Myanmar, Lesotho, Swaziland and Thailand

**MAP pipeline:** Botswana, Laos, Nepal, DRC, Senegal, Zambia and Zimbabwe

Where is MAP happening?
MAP implementation and pipeline countries
MAP analyses demand, supply and regulation – formal and informal

**Discrete target markets**
- FinScope 2008 and 2014
- FinScope MSME 2013
- Consumer interviews

**Product and provider landscape (informal and formal)**
- Interviews
- Annual reports
- Product data
- Mystery shopping
- Distribution

**Public policy objectives and Regulatory barriers**
- Review regulation and policy in FS and related areas
- Interviews

**Financial inclusion imperatives**
## Context drives FI realities

<table>
<thead>
<tr>
<th>Significant macro-economic challenges</th>
<th>Poverty stricken, limited education and health outcomes</th>
<th>Agricultural dependence</th>
<th>Large donor presence</th>
</tr>
</thead>
</table>
| • Toughest macro-economic situation per WEF  
  • Ltd growth, high inflation environment **26%**, volatile exchange rate  
  • Limited infrastructure  
  • **9%** access to electricity, mobile access **69%** of adults, irrigation **0.53%**, paved roads **45%**  
  • Constrained private sector - Ease of doing business: **164/189**, transport cost at **56%**, accessing electricity, acquiring financing | • **Poverty**: lowest GDP per capita in region  
• **Education**: Literacy improving, but educational attainment limited (**24%** > primary education)  
• **Health**: Life expectancy increased to **55 years**, but **50%** of children under 5 stunted  
• **Urbanisation & migration**: increasing (**3.8%**), urban unemployment **50%**, migration trends likely underestimated at **230k** | • **GDP**: **31%** from agriculture (but only 15% of agricultural goods reach market)  
• **Subsistence**: **90%** of population involved in farming  
• **Trade**: Exports mainly consists of agricultural produce (**65%**)  
• **Natural disasters**: Vulnerable to supply side shocks due to adverse weather conditions  
• **Unmonetised**: High levels of unmonetised income due to subsistence farming  
• **Land tenure**: **90%** communal land | • % of GDP: **$1bn** of **$4.3bn** GDP  
• Prior to cash-gate, ~ **33%** of budget donor funded  
• **Volatile**: Withdrawal in 2012 and 2014 |

**Sources:** World Bank, Government of Malawi, CAHF, WHO, WEF, FinScope – Details per Annexure
Existing policies and FI initiatives

**Relevant policies**
- The Malawi Growth and Development Strategy II
- National Export strategy, ASWAp
- Financial Sector Development Strategy (FSDS) 2010-2015
- National Strategy for Financial Inclusion (FIS) 2010-2014
- MSME policy 2012 (draft)

**Donor role in FI**
- FSAP and FSTAP (World Bank) – incl MFI Hub, National switch, Financial education
- The Mobile Money Accelerator Programme (USAID) – FHI360
- UNCDF
  - The Financial Inclusion in Malawi till 2011 & Youthstart programme till 2014
  - Mobile Money for the Poor (MM4P)
  - MicroLead
  - MFIs incl OIBM
  - CARE

**FI Regulation & initiatives**
- Unit responsible for FI
- Deposit taking MFI regulation
- Bank agency regulation
- E-money guidelines
- Credit bureau amendments underway
- Consumer protection and financial literacy initiatives
- Microinsurance legislation considered
- MFI Hub
Emerging regulatory issues

Judicial process ineffective

- Legal system affected by political change
- Disruptive changes from 1966-2011 caused: limited skills, lack of trust, lack of effective access
- Court cases take **2-3 years** to be heard
- Up to **70%** non-compliance with court orders on specific matters

Impact upon credit

Legislative process slow, limited transparency

- Small window to get legislation through parliament
- Technically strong Bills, changes occur from Bill to Act
- Technical assistance on legislative process useful
## Key regulatory gaps

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population Register and Identity Documents</strong></td>
<td>No current integral legal framework for the maintenance of a population register and database underpinning the issuance of formal identification documents.</td>
</tr>
<tr>
<td><strong>Legality of electronic communications and transactions</strong></td>
<td>No comprehensive legal framework for electronic documents, electronic commerce and the legal standing of transmitted documents e.g. email, faxes, electronic documents, mobile payments.</td>
</tr>
<tr>
<td><strong>NPS Bill</strong></td>
<td>Bill not yet enacted after a protracted period. The version reviewed does not formulate any inter-operability principle or requirement for NPS.</td>
</tr>
<tr>
<td><strong>Consumer protection</strong></td>
<td>Legislation is in place but uncertainty as to the overlap of regulatory bodies on issues concerning financial conduct.</td>
</tr>
</tbody>
</table>
| **Comprehensive credit regulation**           | Aspects of credit regulation appear piecemeal in various pieces of legislation but there is no comprehensive framework nor regulator.  
• Confusion with regard to prescription of debts.  
• Questionable legal basis for payroll deductions.  
• Credit reference bureau legislation in isolation to consumer rights, credit assessment and over indebtedness. |
| **AML/CFT Legislation Problematic**           | • Risk based approach seen as too onerous and a compliance risk by financial institutions.  
• Effectiveness of current approach is questioned given reported illicit capital flows. |
Consumer Experience
As you are aware, I haven’t done a lot of school, but I realize that my children can do better; all I need to do is to try and give them education.

The farming that I do is for both consumption and business.

We work on daily cash; we can’t afford a monthly budget.

[My husband] also brings in an income. In fact he brings in household items that we need.

As you are aware, I haven’t done a lot of school, but I realize that my children can do better; all I need to do is to try and give them education.
Rural, female population with short-term budgets

Potential financial products that could enhance welfare

Current financial products

For more regular, reliable remittances: formal remittance channels

Agnes

For increased farming production, input finance to purchase seeds and fertiliser

Saves under the mattress

K30,000

VSLA member

For security, store cash in a mobile money account

Receives self-delivered remittances
Overall access: Regional, Male vs. Female and Urban vs. Rural

Total Access: Region and change from 2008

- **South Africa '14**
- **Lesotho '11**
- **Swaziland '14**
- **Rwanda '12**
- **Namibia '12**
- **Tanzania '12**
- **Botswana '09**
- **Zimbabwe '11**
- **Malawi '14**
- **Mozambique '14**
- **Zambia '09**

Total Access: Female vs. Male

- **Female**
  - 43%
  - 57%
- **Male**
  - 30%
  - 70%

Female average income half that of males

Total Access: Urban vs. Rural

- **Urban**
  - 85%
  - 15%
- **Rural**
  - 21%
  - 79%

Total adults: 8,023,571

Malawi '14

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
<th>Banked</th>
<th>Other</th>
<th>Total Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>27%</td>
<td>7%</td>
<td>15%</td>
<td>52%</td>
<td></td>
</tr>
</tbody>
</table>

Total adults: 6,050,715

Malawi '08

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
<th>Banked</th>
<th>Other</th>
<th>Total Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>6%</td>
<td>5%</td>
<td>68%</td>
<td></td>
</tr>
</tbody>
</table>

Source: FinScope, 2008; 2014
“What mode of payment do you use and how many ways do you know?”
“I think it’s 2 or 3 ways that I know, the first I would say by carrying cash and that’s the way I mostly use and there is another way that I know and this is through your phone, Airtel money and TNM Mpamba, but I prefer using cash”

“I can’t afford insurance, because I have little money. I think my insurance is the “village bank” to which my wife belongs.”

“You said keeping money in village bank is the best can you shed light on this?”
“Well because money is put in one account and there after you can get the money at no interest and invest in other businesses like charcoal and some food items in our house and this helps so much.

“Was the loan fair and beneficial?
It brought problems to me because it was a small amount yet I pay bank a lot. I have realized that the longer the repayment period, the more you will end up paying in total.”

Source: FinScope, 2014
Introducing target markets - Breadth

Target markets

- **$68 (506 k)**
  - 50% rural
  - Males dominate, 52% mobile, educated (60% secondary or above)
  - 88%

- **$45 (1.2 mil)**
  - ~70% rural
  - Low education (70% primary or less)
  - 35% have two income sources
  - 79%

- **$34 (1.3 mil)**
  - 65% rural, females dominate, 30% mobile
  - Low overall education (66% primary or less), but half of tertiary%
  - 75%

- **$29 (2.6 mil)**
  - Mainly rural (95%)
  - 2nd lowest education (84% primary or less)
  - 50% have two income sources
  - 67%

- **$13 (2.1 mil)**
  - Mainly rural (93%)
  - Lowest education (86% primary or less), 62% have one income source
  - 57%

### Source
FinScope, 2008; 2014
Introducing target markets

**Average income**

- **$68**
  - 50% rural
  - Males dominate, 52% mobile, educated (60% secondary or above)
  - 88%

- **$45**
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- **$13**
  - Mainly rural (93%)
  - Lowest education (86% primary or less), 62% have one income source
  - 57%

**Target markets**

- **Farmers 2008**
  - 506 k
  - 80%

- **Farmers 2014**
  - 1.2 mil
  - 88%

- **Dependents 2008**
  - 1.3 mil
  - 75%

- **Dependents 2014**
  - 2.6 mil
  - 23%

- **MSMEs 2008**
  - 2.1 mil
  - 22%

- **MSMEs 2014**
  - 3.5 mil
  - 35%

- **Salaried Workers 2008**
  - 506 k
  - 80%

- **Salaried Workers 2014**
  - 1.2 mil
  - 88%

- **Ganyu 2008**
  - 1.3 mil
  - 15%

- **Ganyu 2014**
  - 2.1 mil
  - 15%

**Source:** FinScope, 2008; 2014

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“We medical insurance is being introduced by my employers so hopefully next time you come around I will be on MASM. I am aware of insurance types - medical, car, life insurance. I might get additional insurance ‘when I decide to have children’ or when I buy a car (for accident cover); I am not as about to die soon so I guess I do not need life insurance”

Tell me about your dreams and aspirations?

“I want to be independent and do my own business and help myself in a way that I want.”

What were the disadvantages and advantages of sending through a friend?

“The advantage was that this person was staying in our neighbouring village so there was no problem for him to deliver the money.”

In a situation where you want to send money and there is no one to send, what do you do?

“I would have to postpone sending.”

“I farm maize, cassava and vegetables, when it’s not time to grow these crops then I become a full time tailor. This helps me to pay for my day to day expenses. The size of my farm is about 1-and-a-half acres. It takes me one month to prepare it because I use a hoe. Last season, I used about 2 bags of fertilizer I can get up to 100 bags if I have enough fertilizer. 17 bags of maize are for food consumption only.”

“Most of the time, when we are doing casual work we take the money as a pre-payment so we can buy maize meal and relish and eat for the day and it’s gone. The following day you also have to do the same thing. By the time you finish all the work, all you have managed to buy is soap, so that you can at least, look presentable. Then you start your search again.”
Introducing the target markets - Depth

- 9.5% of adults use more than one formal financial service
- 2.6% of adults use more than two formal financial services

Salaried workers substantially better served than other target markets

Source: FinScope, 2014
Key target market needs

<table>
<thead>
<tr>
<th>Target Market</th>
<th>Size</th>
<th>Key Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaried Workers</td>
<td>506k</td>
<td>• Depth rather than breadth focus</td>
</tr>
<tr>
<td></td>
<td>7%</td>
<td>• Bank account as channel to distribute other financial services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Main potential market for insurance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Potential need for long term savings</td>
</tr>
<tr>
<td>MSMEs</td>
<td>1.2m</td>
<td>• Need a portfolio of financial services</td>
</tr>
<tr>
<td></td>
<td>15%</td>
<td>• Different types of MSMEs require different types of intervention</td>
</tr>
<tr>
<td>Dependents</td>
<td>1.3m</td>
<td>• Remittance receivers require cheap, reliable payments channel</td>
</tr>
<tr>
<td></td>
<td>17%</td>
<td>• High number of females: Those left behind by migrants, as head of house</td>
</tr>
<tr>
<td></td>
<td></td>
<td>hold, will require a portfolio of products.</td>
</tr>
<tr>
<td>Farmers</td>
<td>2.6m</td>
<td>• Key source of income to sustaining livelihoods</td>
</tr>
<tr>
<td></td>
<td>33%</td>
<td>• Underserved due to distance from financial services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Particular need for capital up front for inputs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Consumption smoothing of seasonal income</td>
</tr>
<tr>
<td>Ganyu</td>
<td>2.1m</td>
<td>• Most vulnerable group, state support required, FS limited role</td>
</tr>
<tr>
<td></td>
<td>26%</td>
<td>• Consumption smoothing of irregular income</td>
</tr>
</tbody>
</table>
Landscape of providers

Formal Provision
- Banks
- SACCOS
- MNOs
- Post Office
- Payroll lenders
- MFIs
- Agro dealers
- Insurers
- CIS
- MTOs
- Hawala traders
- Taxis
- VSLs

Informal Provisional
- Katapilas
- Informal savings groups
- VSLs
- Savings
- Credit
- Insurance
- Payments
- Retailers
- Post Office
- Casino
- Hawala
- Retailers
- Taxis
- VSLs
- SACCOS
- Medical schemes
- Retirement funds
- MTOs
## Provider overview

<table>
<thead>
<tr>
<th>Provider</th>
<th>Accounts/clients</th>
<th>Assets ($ million)</th>
<th>Profitability</th>
<th>Operating ratio</th>
<th>No. of institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank cluster 1</td>
<td>490 000</td>
<td>844</td>
<td>32%</td>
<td>36%</td>
<td>2</td>
</tr>
<tr>
<td>Bank cluster 2</td>
<td>932 908</td>
<td>113</td>
<td>15%</td>
<td>34%</td>
<td>5</td>
</tr>
<tr>
<td>Bank cluster 3</td>
<td>1,280,000</td>
<td>137</td>
<td>4%</td>
<td>41%</td>
<td>2</td>
</tr>
<tr>
<td>Bank cluster 4</td>
<td>30,484</td>
<td>58</td>
<td>6%</td>
<td>63%</td>
<td>2</td>
</tr>
<tr>
<td>Total Banks</td>
<td><strong>2,733,392</strong></td>
<td><strong>1,152</strong></td>
<td><strong>17%</strong></td>
<td><strong>37%</strong></td>
<td><strong>11</strong></td>
</tr>
<tr>
<td>SACCOS</td>
<td>93,196</td>
<td>11</td>
<td>64%</td>
<td>82%</td>
<td>58</td>
</tr>
<tr>
<td>Payroll Lenders</td>
<td>60,054</td>
<td>12</td>
<td>41%</td>
<td>11%</td>
<td>5</td>
</tr>
<tr>
<td>MFIs</td>
<td>98,315</td>
<td>18</td>
<td>5%</td>
<td>5%</td>
<td>8</td>
</tr>
<tr>
<td>Insurers - General Insurance</td>
<td>172,999</td>
<td>454</td>
<td>17%</td>
<td>11%</td>
<td>11</td>
</tr>
<tr>
<td>Insurers - Life Insurance</td>
<td>191,256</td>
<td>419</td>
<td>64%</td>
<td>5%</td>
<td>1,777</td>
</tr>
<tr>
<td>Pension Funds</td>
<td>1,162,732</td>
<td>12</td>
<td>41%</td>
<td>5%</td>
<td>65,000</td>
</tr>
<tr>
<td>VSLAs</td>
<td>1,136,538</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile money providers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post Office</td>
<td>55,000 pm</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*expense ratio

Source: Provider consultations and annual reports, 2014; RBM, 2014; MAMN, 2014; MUSCCO, 2014; FinScope, 2014
Landscape of distribution

Total distribution network per channel

- **Bank Channels**
- **MFI Channels**
- **Alternative Channels**

<table>
<thead>
<tr>
<th>Channel</th>
<th># of outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile vans</td>
<td>30</td>
</tr>
<tr>
<td>Bank branches</td>
<td>257</td>
</tr>
<tr>
<td>Bank Agents</td>
<td>327</td>
</tr>
<tr>
<td>ATMs</td>
<td>411</td>
</tr>
<tr>
<td>POS devices</td>
<td>771</td>
</tr>
<tr>
<td>SACCOs</td>
<td>58</td>
</tr>
<tr>
<td>MFI branches</td>
<td>155</td>
</tr>
<tr>
<td>MFI Loan Officers</td>
<td>487</td>
</tr>
<tr>
<td>Pharm.</td>
<td>34</td>
</tr>
<tr>
<td>Agro dealers</td>
<td>65</td>
</tr>
<tr>
<td>Petrol stations</td>
<td>123</td>
</tr>
<tr>
<td>Retailers</td>
<td>153</td>
</tr>
<tr>
<td>Post Office</td>
<td>180</td>
</tr>
<tr>
<td>Un-networked retailers</td>
<td>&gt;10000</td>
</tr>
<tr>
<td>Mobile money agents</td>
<td>~18000</td>
</tr>
</tbody>
</table>
Bank infrastructure low compared to region

**SADC ATM infrastructure**
- 19,500 adults per ATM

**SADC POS infrastructure**
- 10,500 adults per POS

**SADC bank branch infrastructure**
- 31,000 adults per bank branch

*Source: Red Flank, 2013; RBM, 2014*
CREDIT
**Credit usage: Formal decreased, informal larger role**

### Total credit usage: 2008 - 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Banked</th>
<th>Other formal</th>
<th>Informal only</th>
<th>Not borrowing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 (credit)</td>
<td>15%</td>
<td>11%</td>
<td>72%</td>
<td></td>
</tr>
<tr>
<td>2008 (credit)</td>
<td>5%</td>
<td></td>
<td>87%</td>
<td></td>
</tr>
</tbody>
</table>

### Total credit usage: Target markets

- **Salaried**: 20% formal, 13% informal, 59% total
- **SMMEs**: 17% formal, 12% informal, 65% total
- **Farmers**: 15% formal, 9% informal, 72% total
- **Ganyu**: 14% formal, 10% informal, 75% total
- **Dependents**: 10% formal, 11% informal, 77% total

### Total credit usage: Male vs. female

- 57% of total population is female
- 58% of total credit usage
- 42% of total credit usage

### Total credit usage: Urban vs. Rural

- 19% of total credit usage
- 81% of total credit usage

Source: FinScope, 2008; 2014

- **275,000** use formal credit
- **2.8m** use any credit
- **53%** have used credit in last 12 months
Overview of credit provision

- **Very high cost** of credit
- **Limited provision** of agricultural credit
- Potential to leverage VSLs as conduits for formal loans
- **Very short term**

PAYMENTS
## Uptake of transactional products

<table>
<thead>
<tr>
<th>Total transactional usage: 2008 - 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2008 (transactional)</strong></td>
</tr>
<tr>
<td>Banked: 18%</td>
</tr>
<tr>
<td>Formal: 82%</td>
</tr>
<tr>
<td>Excluded: 2%</td>
</tr>
<tr>
<td><strong>2014 (transactional)</strong></td>
</tr>
<tr>
<td>Banked: 17%</td>
</tr>
<tr>
<td>Formal: 81%</td>
</tr>
<tr>
<td>Excluded: 2%</td>
</tr>
</tbody>
</table>

### Total transactional usage: Target markets

<table>
<thead>
<tr>
<th>Market</th>
<th>Banked</th>
<th>Formal</th>
<th>Excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaried</td>
<td>63%</td>
<td>37%</td>
<td>2%</td>
</tr>
<tr>
<td>MSMEs</td>
<td>22%</td>
<td>76%</td>
<td>2%</td>
</tr>
<tr>
<td>Dependents</td>
<td>15%</td>
<td>83%</td>
<td>2%</td>
</tr>
<tr>
<td>Farmers</td>
<td>13%</td>
<td>84%</td>
<td>3%</td>
</tr>
<tr>
<td>Ganyu</td>
<td>6%</td>
<td>93%</td>
<td>1%</td>
</tr>
</tbody>
</table>

### Total transactional usage: Male vs. Female

- **57% of total population is female**
  - Male: 49%
  - Female: 51%

### Total transactional usage: Urban vs. Rural

- **15% of total population is Urban**
  - Urban: 38%
  - Rural: 62%

---

1.3m adults with bank accounts
1.5m adults with transaction accounts
99.7% of transactions in cash

Source: FinScope, 2008; 2014
Payment channels used in Malawi

- RTGS: 63
- Internet banking: 76
- POS: 77
- Post Office: 169
- Cheques: 459
- Mobile banking: 2,978
- ATM: 5,800
- Mobile Money: 11,429

Source: RBM; 2014; Provider consultations, 2014
NPS Landscape

Visa
Malawi National Net Settlement System (MNNSS)
First Merchant Bank
Standard Bank
NBS Bank
National Bank
National Switch

Reserve Bank of Malawi
Central Securities Depository (CSD)
Automated Transfer System (RTGS)
ACH (Retail Payments Module, EFT Dt, Cr)

SIRESS
REPSS

MALSWITCH
MITASS (RTGS)
ECCH (Cheque)
Smartcards (Card)

4 Banks (OIBM, Ecobank, Nedbank, MSB)
3 Banks (FDH, Indebank, CDH)

TNM
Airtel
Web
ATM
POS

Malawi National Net Settlement System (MNNSS)
Central Securities Depository (CSD)
Automated Transfer System (RTGS)
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Smartcards (Card)

4 Banks (OIBM, Ecobank, Nedbank, MSB)
3 Banks (FDH, Indebank, CDH)

TNM
Airtel
Web
ATM
POS
Remittances usage

**Total remittance usage: 2008 - 2014**

- Through a bank
- Other formal
- Informal
- Family & friends
- Not sending/receiving remittances

### 2014 (received)
- Through a bank: 11%
- Other formal: 75%
- Informal: 9%
- Family & friends: 7%
- Not sending/receiving remittances: 83%

### 2008 (received)
- Through a bank: 9%
- Other formal: 84%
- Informal: 15%
- Family & friends: 9%
- Not sending/receiving remittances: 84%

### 2014 (sent)
- Through a bank: 9%
- Other formal: 83%
- Informal: 11%
- Family & friends: 84%
- Not sending/receiving remittances: 84%

### 2008 (sent)
- Through a bank: 9%
- Other formal: 84%
- Informal: 18%
- Family & friends: 84%
- Not sending/receiving remittances: 84%

**1.2m adults send or receive remittances through formal channels**

**2.6m adults send or receive remittances through all channels**

**20% of all target markets (except Ganyu) send and receive remittances**

**Total remittance usage: Male vs. female**

- Male: 50%
- Female: 50%

57% of total population is female

**Total remittance usage: Urban vs. Rural**

- Urban: 33%
- Rural: 67%

15% of total population is Urban

Source: FinScope, 2008; 2014
SAVINGS
Savings usage: Overall savings decreased, informal increased

**Total savings usage: 2008 - 2014**

<table>
<thead>
<tr>
<th>Year</th>
<th>Bank</th>
<th>Other formal only</th>
<th>Informal only</th>
<th>Save at home only</th>
<th>Do not save</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>12%</td>
<td>3%</td>
<td>13%</td>
<td>15%</td>
<td>58%</td>
</tr>
<tr>
<td>2008</td>
<td>14%</td>
<td>2%</td>
<td>46%</td>
<td>1%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Source: FinScope, 2008; 2014

**Total savings usage : Male vs. female**

- 57% of total population is female
- 52% Total savers
- 48% Male
- 52% Female

**Total savings usage : Target markets**

<table>
<thead>
<tr>
<th>Category</th>
<th>Total savers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaried workers</td>
<td>38%</td>
</tr>
<tr>
<td>MSMEs</td>
<td>17%</td>
</tr>
<tr>
<td>Farmers</td>
<td>10%</td>
</tr>
<tr>
<td>Dependents</td>
<td>9%</td>
</tr>
<tr>
<td>Ganyu</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Total savings usage : Urban vs. rural**

- 15% of total population is urban
- 21% Total savers
- 79% Rural
- 21% Urban

Source: FinScope, 2008; 2014

**Total adults saving:**
- 2014: 3,365,379
- 2008: 3,791,079
Provider overview

Average monthly income: K13,484 (USD32)

Inflation: 23%

Net rate of return (%)

Average income (MK)

VSLAs (gross return)

Banks, MNOs and VSLAs dominant providers
Main product is short-term savings

Source: FinScope, 2014
INSURANCE
Insurance uptake: Low insurance penetration

FinScope Malawi does not capture informal insurance mechanisms.

Source: FinScope, 2014
Providers overview

<table>
<thead>
<tr>
<th>Providers</th>
<th>No. of institutions</th>
<th>Claims ratio</th>
<th>Expense ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life</td>
<td>4</td>
<td>15%</td>
<td>3%</td>
</tr>
<tr>
<td>General</td>
<td>7</td>
<td>62%</td>
<td>28%</td>
</tr>
<tr>
<td>Reinsurance</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Medical schemes: MASM (120,000 clients) + smaller providers such as Liberty, Metropolitan and Horizon

Total adults insured:
2014: 136 000
2008: 193 623

Source: RBM, 2013
PRIORITIES
Use cases across product markets

**Credit**
- Consumption smoothing (30%)
- Risk mitigation (11%)
- Investment:
  - Farming (8%)
  - Starting or expanding a business (7%)

**Payments**
- Bill payments (P2P, P2B, B2B)
- Spot payments (P2B)
- Remittances (P2P)
- Social welfare transfers (G2P, D2P)

**Savings**
- Consumption smoothing (17%)
- Investment - farming (7%)
- Risk mitigation
  - General (13%)
  - Health (5%)

**Insurance**
- Health risk (27%)
- Theft risk (22%)
- Natural disaster risk (18%)

Source: FinScope, 2014; BTCA, 2013
### Barriers to financial inclusion

<table>
<thead>
<tr>
<th></th>
<th>Access Barriers</th>
<th>Usage Barriers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proximity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Product features</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Eligibility</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Affordability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Doorstep barriers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hassle Factor</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Trust</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td><strong>Credit</strong></td>
<td>✓</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td><strong>Savings</strong></td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>✓ ✓</td>
<td>✓ ✓ ✓</td>
</tr>
</tbody>
</table>

**Low** ✓  **Med** ✓ ✓  **High** ✓ ✓ ✓

**Limited physical infrastructure**

**Cost of accessing services high (transport, lending rates, premiums)**

**Limited knowledge to effectively engage with financial services**

**Negative real returns on savings and lack of liquidity for effective payments**
Financial inclusion potential in Malawi

**Financial Inclusion for growth and welfare**

**Generate growth and employment**
1. Critical reliance on savings
2. Finance for MSMEs and agriculture

**Develop human capital**
1. Critical reliance on savings
2. Develop the payments ecosystem

**Improve household welfare**
1. Develop the payments ecosystem
2. Critical reliance on savings
3. Risk mitigation to reduce vulnerability
4. Consumer empowerment and education
Developing a payments ecosystem

Financial Inclusion for growth and welfare

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Improve household welfare
1. Develop the payments ecosystem
2. Critical reliance on savings
3. Risk mitigation to reduce vulnerability
4. Consumer empowerment and education
Banks’ business model credit based - limits incentive to increase distribution

### Distribution infrastructure
- 10,500 adults per POS devices
- 19,500 adults per ATM
- 31,000 adults per bank branch
- 25-30 mobile vans
- 327 bank agents between two banks

### Financial Breakdown

<table>
<thead>
<tr>
<th></th>
<th>Malawi current account</th>
<th>Malawi savings account</th>
<th>Swaziland</th>
<th>South Africa</th>
<th>Lesotho</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATM withdrawals--on us (w/d: $10 each)</td>
<td>$0.12</td>
<td>$0.12</td>
<td>$0.40</td>
<td>$0.43</td>
<td>$0.42</td>
</tr>
<tr>
<td>Deposit ($50) – counter</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$1.83</td>
<td>$1.08</td>
<td>$1.18</td>
</tr>
</tbody>
</table>

Source: RBM, 2014; mystery shopping, 2014
Many Malawians must travel long distances at great expense to access banks

Average time to touch point (in minutes)

<table>
<thead>
<tr>
<th>Provider</th>
<th>Never goes</th>
<th>Average time taken (minutes)</th>
<th>% within 30 mins</th>
<th>Most common method of travel</th>
<th>Cost using public transport (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>74%</td>
<td>65</td>
<td>33%</td>
<td>Public transport</td>
<td>801</td>
</tr>
<tr>
<td>Other formal</td>
<td>84%</td>
<td>49</td>
<td>53%</td>
<td>Walk</td>
<td></td>
</tr>
<tr>
<td>Post office</td>
<td>73%</td>
<td>60</td>
<td>41%</td>
<td>Walk</td>
<td></td>
</tr>
<tr>
<td>Market</td>
<td>5%</td>
<td>43</td>
<td>59%</td>
<td>Walk</td>
<td></td>
</tr>
<tr>
<td>Private money lender</td>
<td>83%</td>
<td>37</td>
<td>71%</td>
<td>Walk</td>
<td></td>
</tr>
</tbody>
</table>

Source: FinScope, 2014
Cost to access bank infrastructure the primary cost of using a bank account

**Opportunity cost** = average trip to a bank takes ½ a day (FinScope, 2015)

**Travel Cost** = average 2 trips monthly using public transport (FinScope, 2015)

**Basic account cost** = monthly fee + 2 ATM withdrawals + 1 deposit on a basic savings account

Increasing the cost of encashment would reduce the cost of banking for customers if it incentivised banks to increase infrastructure

**BUT** size of interchange fee accruing to the acquiring bank critical (opportunity for next 3 years limited)
Rapid uptake of mobile money...

- **230,000 subscribers**
- **1.1m subscribers**

- ~18,000 mobile money agents

Source: RBM; 2014
... as it meets a previously unmet need

- Reduced travel required to receive money transfers
- Limited documentation required
- Secure from risk of theft

Low average transaction value and rapid use suggests mobile channels meet a previously unmet need for low cost, low value formal payments

Source: RBM; 2014
... as it meets a previously unmet need

"Chief, these ways that are used now are better than those used in the past, because giving you the money by hand was risky and you might get attacked by thugs and even armed robbers would storm the DC’s office to rob teacher’s and pensioners salaries and pensions."

"Mobile banking is good because we can send money to our relatives that are very far away from us and our relatives can also send money to us easier than using banks, because banks have long processes and they require you to have proper documentation."

"There’s a problem of getting cash, you can sell....you can sell and people know you have cash of such and such an amount and then they rob you."

Source: RBM; 2014
However, initial growth has slowed

Liquidity issues
Limited business case

“Well, sometimes the time you want money is the exact time their network is down or sometimes you go to an agent and they tell you there is no money.”

Source: RBM, 2014
However, initial growth has slowed

- High proportion of **dormant agents**
- Average commission income per agent is **K2,500 ($6)** per month
- Agents of both MNOs unaware of what the commission is that they earn

“I do not know the actual commission rate. I only notice the additional money in my phone after on every transaction made.”

“I receive the commission at the end of the month. Though it’s not easy for me to remember the figures but I had the list but I lost it.”

Source: RBM, 2014
Rapid population growth and migration increasing demand for low cost, efficient remittances

- Population growth rate: 2.8%
- Rate of urbanisation: 3.5%
- 138 people per sq. km; 8th in Africa, more than twice the global average
- Farm sizes declining

### Domestic remittances

<table>
<thead>
<tr>
<th>Percentage cost</th>
<th>Time taken</th>
<th>No. of clients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Post Office</strong></td>
<td>10%</td>
<td>Immediate</td>
</tr>
<tr>
<td><strong>Banks (account)</strong></td>
<td>K219 ($0.53)</td>
<td>Up to 48 hours</td>
</tr>
<tr>
<td><strong>Banks (non-account)</strong></td>
<td>5%</td>
<td>Immediate</td>
</tr>
<tr>
<td><strong>Retailers</strong>*</td>
<td>5-10%</td>
<td>Same day</td>
</tr>
<tr>
<td><strong>Mobile money</strong></td>
<td>K250 ($0.60)</td>
<td>Immediate</td>
</tr>
<tr>
<td><strong>Informal</strong></td>
<td>~10-20%</td>
<td>Immediate</td>
</tr>
<tr>
<td><strong>Family &amp; friends</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Cross border remittances (SA to Malawi)

<table>
<thead>
<tr>
<th>Percentage cost</th>
<th>Time taken</th>
<th>No. of clients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Post Office</strong></td>
<td>3%</td>
<td>&gt;6 days</td>
</tr>
<tr>
<td><strong>MTAs</strong></td>
<td>13-16%</td>
<td>Same day</td>
</tr>
<tr>
<td><strong>Banks</strong></td>
<td>27%</td>
<td>3-5 days</td>
</tr>
<tr>
<td><strong>Informal</strong></td>
<td>~10-20%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Family &amp; friends</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

To send using a bank account the basic cost was calculated as the weighted average across all 11 banks of the monthly service fee of an account + the cost of a cash deposit + the cost of a cash withdrawal

**Zakika**

***Zoona & Peoples

Finance for MSMEs and agriculture

Financial Inclusion for growth and welfare

Generate growth and employment
1. Critical reliance on savings
2. Finance for MSMEs and agriculture

Develop human capital
1. Critical reliance on savings
2. Develop the payments ecosystem

Improve household welfare
1. Develop the payments ecosystem
2. Critical reliance on savings
3. Risk mitigation to reduce vulnerability
4. Consumer empowerment and education
## MSME Context

### MSME Policy (2012)
- Increase and diversify MSMEs’ contribution to GDP by increasing competitiveness
- Capacitate MSMEs and increase access to finance
- Coordinate stakeholders and reduce regulatory costs of doing business

### Training
- SMEDI acts as coordinator of government, donors and MSMEs to promote MSME development
- Private training providers
- MFIs linked to loans

### Enabling environment
- WB BESTAP: Reduce regulatory burden and cost of doing business

### Subsidised credit
- 10-15 providers
- 100,000 loans ($18m)
- Average loan size: $180 (range from $20 – $5,000)
- NPL ratio: 4%

### Biggest obstacle to growth

<table>
<thead>
<tr>
<th>Issue</th>
<th>% of MSMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to finance</td>
<td>34%</td>
</tr>
<tr>
<td>Lack of customers</td>
<td>9%</td>
</tr>
<tr>
<td>Bad weather</td>
<td>6%</td>
</tr>
<tr>
<td>Transportation</td>
<td>5%</td>
</tr>
<tr>
<td>Cost of finance</td>
<td>4%</td>
</tr>
<tr>
<td>Competition</td>
<td>4%</td>
</tr>
<tr>
<td>Supply of inputs</td>
<td>3%</td>
</tr>
</tbody>
</table>

### Ease of doing business (Rank out of 189)

- Starting a business, 157
- Resolving insolvency, 166
- Dealing with construction permits, 72
- Enforcing contracts, 154
- Trading across borders, 170
- Paying taxes, 103
- Protecting minority investors, 132
- Getting electricity, 181
- Registering property, 76
- Getting credit, 151

*Source: Government of Malawi, 2012; United Nations, 2013; World Bank, 2013*
Segmenting the MSMEs

### Ability

- **Primary education or less**
- **Secondary education or more**

#### Entrepreneurs from aspiration

**Struggling go-getters**
- Motivated to grow but most lack skills. Targeted skills development required
- 0.25 employees on average
- MK 157 457
- 43%

**Driven achievers**
- Have both skills and motivation. Should be primary initial target for finance
- 1.18
- MK 566 750
- 16%

#### Entrepreneurs from necessity

**Survivalist**
- Unlikely to ever be a major growth area
- 0.23
- MK 133 433
- 33%

**Reluctant entrepreneur**
- May have the ability to grow, but need to recognize potential
- 0.40
- MK 177 301
- 8%

Source: FinScope, 2012
MSMEs’ access to credit

Driven achievers

Reluctant entrepreneurs

Struggling go-getters

Survivalists

Source: FinScope, 2012
MSMEs’ access to credit

“I decided to take a loan at pride Africa to boost my business. I started firewood business I was transporting firewood on my bicycle the firewood to the markets and I would sell k10.00 a bundle I bought a machine and goats’ decided to take another loan again at (Finca Malawi) due to failure of paying back the loan I sold my machine and goats to repay and I went down to zero.”

Source: FinScope, 2012
Farmer context

Key issues for agriculture production:
- Land degradation and ownership (fragmentation)
- Large % of rain-fed crops
- Inadequate access to inputs
- Low output prices (as compared to inputs)
- Minimal access to credit
- Inadequate use of technology
- Production of cash crops & maize export ban
- Low beneficiation
- Infrastructure ltd
- Natural disasters

Gov support initiatives:

Draft NAP (National Agricultural Policy)

ASWAp (Agriculture Sector Wide Approach)

FISP (Farm Input Subsidy Programme)

NWDP (National Water Development Programme)

Ltd extension services (training)

Various donor schemes

Source: FAO, 2013; Malawi Government, 2014; Daudi, ND; FinScope, 2014
Farmer education dividend

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Primary education or less</th>
<th>Secondary education or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of</td>
<td>2,376,017</td>
<td>255,476</td>
</tr>
<tr>
<td>% of</td>
<td>43%</td>
<td>62%</td>
</tr>
<tr>
<td>Ave. $</td>
<td>MK 10,149</td>
<td>MK 25,278</td>
</tr>
</tbody>
</table>

**Overall access**
- Primary or less: 56% (Excluded: 21%, Bank: 7%, Other formal: 16%, Informal: 6%)
- Secondary or more: 34% (Excluded: 6%, Bank: 43%, Other formal: 17%, Informal: 6%)

**Credit access**
- Primary or less: 73% (Excluded: 14%, Bank: 3%, Other formal: 9%, Informal: 23%, Family & Friends: 3%)
- Secondary or more: 64% (Excluded: 2%, Bank: 23%, Other formal: 8%, Informal: 23%, Family & Friends: 3%)

Source: FinScope, 2014
Farmer education dividend

Key issues for farmer credit access:

- Cost of credit
- Farmer context increases credit risk
  - Income profile
  - Crop profile
  - Side-selling
- Natural disaster risk
- Value chains and beneficiation underdeveloped
- Incorrect product usage – capability and targeted product availability limited

Source: FinScope, 2014
## Financial services distribution through agriculture value chains

<table>
<thead>
<tr>
<th>Produce</th>
<th>No. of farmers</th>
<th>FS available</th>
<th>FS potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco</td>
<td>1,109,715</td>
<td><img src="image" alt="Bank accounts" /> <img src="image" alt="Bank credit" /> <img src="image" alt="Outgrower scheme" /> <img src="image" alt="Medical insurance" /></td>
<td><img src="image" alt="Extend current initiatives" /></td>
</tr>
<tr>
<td>Tea</td>
<td>15,956</td>
<td><img src="image" alt="Outgrower scheme" /></td>
<td><img src="image" alt="Formal payments need" /> <img src="image" alt="Extend outgrowers" /> <img src="image" alt="Extend coop. membership" /></td>
</tr>
<tr>
<td>Sugarcane</td>
<td>46,290</td>
<td><img src="image" alt="Outgrower scheme" /></td>
<td><img src="image" alt="Formal payments need" /> <img src="image" alt="Extend outgrowers" /> <img src="image" alt="Extend coop. membership" /></td>
</tr>
<tr>
<td>Cotton</td>
<td>355,878</td>
<td><img src="image" alt="Outgrower scheme" /></td>
<td><img src="image" alt="Formal payments need" /> <img src="image" alt="Extend outgrowers" /> <img src="image" alt="Extend coop. membership" /></td>
</tr>
<tr>
<td>Pulses</td>
<td>729,778</td>
<td><img src="image" alt="Warehouse receipt financing" /></td>
<td><img src="image" alt="Formal payments need" /> <img src="image" alt="Link to NASFAM (distribution) and SACCOs" /></td>
</tr>
<tr>
<td>Ground nuts</td>
<td>1,400,971</td>
<td><img src="image" alt="Warehouse receipt financing" /></td>
<td><img src="image" alt="Formal payments need" /> <img src="image" alt="Link to NASFAM (distribution) and SACCOs" /></td>
</tr>
<tr>
<td>Maize</td>
<td>2,115,341</td>
<td><img src="image" alt="Warehouse receipt financing" /></td>
<td><img src="image" alt="Formal payments need" /> <img src="image" alt="Leverage subsidy to extend access" /></td>
</tr>
</tbody>
</table>
Critical reliance on savings

Financial Inclusion for growth and welfare

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Develop human capital
1. Critical reliance on savings
2. Develop the payments ecosystem

Improve household welfare
1. Develop the payments ecosystem
2. Critical reliance on savings
3. Risk mitigation to reduce vulnerability
4. Consumer empowerment and education
Critical reliance on saving

% of adults expecting a large expense

- Savings: 36%
- Don't know (don't have a plan): 20%
- Other: 19%
- Sell something to cover the costs: 13%
- Rely on family and friends: 9%
- Borrow from a savings group: 1%
- Borrow from a money lender in the community: 1%
- Rely on community: 1%
- Borrow from another registered financier: 1%
- Borrow from the bank: 1%

“Why do you save money? For starters it is just a way of living, secondly I save because I want my things to move smoothly like farming, my home and my wedding.”

“Why do you save money? For starters it is just a way of living, secondly I save because I want my things to move smoothly like farming, my home and my wedding.”

“Why do you save money? For starters it is just a way of living, secondly I save because I want my things to move smoothly like farming, my home and my wedding.”

“Yes we have saved some money to build our own [house] (me and my husband). … The children are growing, so we are deciding to build.”

Source: FinScope, 2014; qualitative interviews, 2014
Increasing role of VSLAs

CARE VSLA definition: a group formed by a trainer in which members accumulate savings over time, keep funds in a box with three keys, and allow members to take loans (IPA, 2012)

Informal/VSLA savings: 2008-2014

Average contribution ranges from MK200-MK1000

Cycle of group: 10-12 months

Ave size: 18 members

Uptake of VSLAs by target market:

- Farmers: 408 262
- Ganyu: 279 757
- MSMEs: 227 415
- Dependents: 122 656
- Salaried: 96 069

Source: FinScope, 2014; IPA, 2012; qualitative interviews, 2014
## Barriers to uptake

**Accessible and affordable savings needed**

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proximity</td>
<td>Far from formal touch points</td>
</tr>
<tr>
<td>Value</td>
<td>Negative real returns</td>
</tr>
<tr>
<td>Capability</td>
<td>Incorrect product usage expensive</td>
</tr>
<tr>
<td>Affordability</td>
<td>Low incomes</td>
</tr>
</tbody>
</table>

“I do not believe it is expensive to use the banks just that I do not have free time to travel all this distance to Zomba or Blantyre just keep some money.”

“So what’s the disadvantage of keeping money in the bank? Uhm banks are far they require you to travel long distances. They also charge high interest rates, for example one time I was banking with xxx bank I left K5000 and I stayed for about four months without going to the bank. When I went there, I found that all my money was gone and I owed them k1050, I just left and never used that account again.”

“I know about banks but for me I keep my cash in the house because it is only for half a day then I use it. Sometimes money can get lost or a house can burn down. But I don’t have any money to keep at the bank.”

Source: FinScope, 2014; Qualitative interviews, 2014
Barriers to uptake
Accessible and affordable savings needed

Increased accessibility to access points
Product development to drive committed saving
Clear communication to avoid mis-selling

Proximity
Value
Capability
Affordability

Low incomes

“I know about banks but for me I keep my cash in the house because it is only for half a day then I use it. Sometimes money can get lost or a house can burn down. But I don’t have any money to keep at the bank.”

Source: FinScope, 2014; Qualitative interviews, 2014
Risk mitigation to reduce vulnerability

Financial Inclusion for growth and welfare

Generate growth and employment
1. Critical reliance on savings
2. Finance for MSMEs and agriculture

Develop human capital
1. Critical reliance on savings
2. Develop the payments ecosystem
3. Risk mitigation to reduce vulnerability
4. Consumer empowerment and education

Improve household welfare
1. Develop the payments ecosystem
2. Critical reliance on savings
3. Risk mitigation to reduce vulnerability
4. Consumer empowerment and education
Risk Mitigation in Malawi

- 45% of adults indicated a desire for insurance.
- 27% reported illness, with 0.66% of adults selling livestock to cope.
- 31% reported theft, with 0.04% using savings and another 6% using credit.
- 13% reported natural disasters, with 11% experiencing a rise in prices.
- 32% reported death or illness of an income earner, with 2% experiencing a loss of land.
- 11% reported death or illness of a family member, with 2% experiencing an increase in household size.

90% of adults rely on farming as a source of income and are therefore particularly vulnerable to nature disaster risks.

Funeral/life insurance is the most popular form of insurance in SADC, but significantly underserved in Malawi.
Consumer empowerment

Generate growth and employment
1. Critical reliance on savings
2. Finance for MSMEs and agriculture

Develop human capital
1. Critical reliance on savings
2. Develop the payments ecosystem

Improve household welfare
1. Develop the payments ecosystem
2. Critical reliance on savings
3. Risk mitigation to reduce vulnerability
4. Consumer empowerment and education
Consumer empowerment and education

Low education levels

Low financial literacy

But, understand financial concepts

"Let's say they have sent you money through phone, if any problem rise, it gets hard because it needs someone who understand English to make the whole thing straight just for you to get your money. So, because am not much literate, I always have problems with them."

"Do you have knowledge of the transaction costs at the bank? Other costs are not well understood; I think they don’t make deductions for every transaction. If they do, then I am not aware. While in ABC bank 500 is deducted every month."

"How do you go about if say I want to borrow a bag of maize, how do I pay back? When it is a bag then you pay back a bag plus a pail of maize as an addition to the bag."

Increased understanding of clients needed to design financial education initiatives.
Increase capability needed to help consumers benefit from finance.
VSLAs, MFIs and remittances natural links to financial education.

TOWARDS A ROADMAP
Different types of interventions required to serve different target markets

- Improved macroeconomic conditions & developed payments ecosystem
- Partnership, product innovation & education
- Current reach

Market redistributive zone: unlikely to reach

- Larger Farmers
- MSMEs
- Salaried workers
- Dependents
- Subsistence Farmers

Traditional channels

Alternative distribution methods: Agents, agro-value chains etc.

Informal, State provision and role of technology
Priorities and preconditions to achieve policy objectives with financial services

**Priorities**

1. **Payment eco-system development** (infrastructure, costing, mobile and agency)
2. **Enabling savings** (VSLAs, saving wallets, improve returns)
3. **Enable productive credit** (target MSMEs/Farmers, reduce cost, extend loan terms, training, agro-value chain development)
4. **Risk mitigation**
5. **Consumer empowerment** (financial literacy, consumer protection)
6. **Enabling policy and regulation**

**Pre-conditions**

- Political will & coordination
- Improve infrastructure, education, health, judicial process
- Stabilise macro-economic conditions
- Reality check on long term role of donor & government provision
Towards a roadmap

<table>
<thead>
<tr>
<th>Payment eco-system and distribution channel development</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Increase access points, urban and rural to reduce overall cost of access</td>
</tr>
<tr>
<td>- Hub and spoke of branches, ATMS, POS and agents</td>
</tr>
<tr>
<td>- Leverage partnership – banks, MNOs, retailers, super-agents</td>
</tr>
<tr>
<td>- Development strategy needed to incentivise rollout including approach to tax incentives, infrastructure development, interchange fees</td>
</tr>
<tr>
<td>- Revisit structure of bank costs to incentivise sustainable roll out</td>
</tr>
<tr>
<td>- Improve agent management approach (recruitment, training, support, rebalancing, incentives)</td>
</tr>
<tr>
<td>- NPS and mobile operator legislation needed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expand savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Leverage VSLAs and mobile money as savings vehicles</td>
</tr>
<tr>
<td>- Link informal savings to formal channels and develop a graduation path &amp; mobilise savings</td>
</tr>
<tr>
<td>- Develop committed products (e.g. wallets) that drive targeted savings</td>
</tr>
<tr>
<td>- Improve returns</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enabling productive credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Reduce cost of productive credit</td>
</tr>
<tr>
<td>- Increase term of productive loans for capital purchases</td>
</tr>
<tr>
<td>- Coordinate with MSME and Ag development initiatives to allow MSME and farmer to benefit from credit for productive use</td>
</tr>
<tr>
<td>- Target skills development, rather than purecredit</td>
</tr>
<tr>
<td>- Enable MFIs through Apex bodies and alternative capital</td>
</tr>
<tr>
<td>- Improve credit information sharing to reduce cost and increase access</td>
</tr>
<tr>
<td>- Consumer credit legislation potential</td>
</tr>
</tbody>
</table>
Towards a roadmap

Mitigating risks
- **Product innovation** to address health and natural disasters (savings and insurance) – retail, wholesale or MFI and government level
- Improve **awareness** of insurance options
- **Partner** for distribution (e.g. agriculture)
- Microinsurance regulation potential

Empowering consumers
- Revisit consumer protection **policies and legislation**
- **Targeted design** of financial literacy initiatives
- Enhance **provider communication** approach to improve client information
- **Transparency of fees and terms** of products provided

Enabling regulation and institutions
- Empower **MoF unit** to drive FI initiatives
- Introduce **key legislation** in consumer protection, credit, payments, AMLC/CFT and medical insurance to address gaps
- Introduce **IDs** or financial identity
- Improve efficiency and transparency of **judicial and legislative process**
- Appropriate FI **measurement** to drive implementation
What to prioritise?

<table>
<thead>
<tr>
<th>Products</th>
<th>Salaried Workers</th>
<th>MSMEs</th>
<th>Dependents</th>
<th>Farmers</th>
<th>Ganyu</th>
<th>Est potential clients ('000)</th>
<th>Impact:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (m)</td>
<td>0.6</td>
<td>1.2</td>
<td>1.3</td>
<td>2.6</td>
<td>2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Income (K)</td>
<td>28,153</td>
<td>18,963</td>
<td>14,153</td>
<td>12,144</td>
<td>5,427</td>
<td></td>
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</tr>
<tr>
<td>Payments Ecosystem</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8m Distribution networks to reduce access cost</td>
</tr>
<tr>
<td>Transactions</td>
<td></td>
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<tr>
<td>Remittances</td>
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<td></td>
<td></td>
<td>&gt;2m Distribution networks to reduce access cost</td>
</tr>
<tr>
<td>Dependence on savings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption smoothing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt;6m Secure store of value to manage risk</td>
</tr>
<tr>
<td>Capital accumulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt;3m Long term return to build assets</td>
</tr>
<tr>
<td>Credit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productive</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&lt;500k Low cost and appropriately targeted interventions for growth and employment</td>
</tr>
<tr>
<td>Consumption smoothing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt;100 Low cost to enable consumption smoothing</td>
</tr>
<tr>
<td>Risk mitigation</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Natural disaster</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt;2m Risk mitigation to enable farming</td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt;100 Risk mitigation to build human capital</td>
</tr>
<tr>
<td>Life</td>
<td></td>
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<td></td>
<td></td>
<td>&gt;200 Risk mitigation</td>
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<tr>
<td>Consumer empowerment</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial literacy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8m Enabling consumers to benefit from finance</td>
</tr>
<tr>
<td>Product awareness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8m Product price and conditions transparency</td>
</tr>
</tbody>
</table>
Next steps

- Share presentation
- Incorporate feedback in diagnostic
- Steering committee to comment on diagnostic
- Share diagnostic
- Develop roadmap
Priorities and preconditions to achieve policy objectives with financial services

Priorities
1. **Payment eco-system development** (infrastructure, costing, mobile and agency)
2. **Enabling savings** (VSLAs, mobile, saving wallets, improve returns)
3. **Enable productive credit** (target MSMEs/Farmers, reduce cost, extend loan terms, skills, agro-value chain development, MFI senabled)
4. **Consumer empowerment** (financial literacy, consumer protection)
5. **Enabling policy and regulation**

Pre-conditions
- Political will & coordination
- Improve infrastructure, education, health, judicial process
- Stabilise macro-economic conditions
- Reality check on long term role of donor & government provision

Making Access Possible
Payment eco-system and distribution channel development

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Reduce consumers’ overall payment cost by reducing travel time and cost through greater payments infrastructure roll-out</th>
</tr>
</thead>
</table>
| **Main challenges** | • Lack of incentive for distribution roll out by banks  
• Liquidity and business case challenges |

| Potential actions to realise opportunity | **Focus areas:**  
• Decrease cost of access to payments, increasing card and mobile use  
• Partnership incl mobile, retailers and agency to reach end clients  
• Get the interbank pricing right.  

**Banks**  
• Partner to develop infrastructure –ATM, POS and agency networks  
• Partner to improve interoperability with MNOs  
• Revisit bank charges for sustainable rural provision to reduce overall bank access costs  
• Evaluate potential for self-stocked and cash accepting ATMs housed with retailers  
• Third party service provider potential to reduce costs  
• Prepaid card potential for salary, grant, harvest payments  

**MNOs**  
• Partner with banks and super-agents to leverage distribution network and for rebalancing  
• Improve interoperability – with banks and between MNOs  
• Improve agent management approach for liquidity and consumer value  
• Consider broader mobile money benefits to drive internal business case  

**Post office**  
• Partner with banks for cash distribution and savings  
• Develop remittances to allow cross border sending and reduce time to cash out |
## Payment eco-system and distribution channel development

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Reduce consumers’ overall payment cost by reducing travel time and cost through greater payments infrastructure roll-out</th>
<th>Main challenges</th>
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</thead>
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<tr>
<td></td>
<td></td>
<td>• Lack of incentive for distribution roll out by banks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Liquidity and business case challenges</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Potential actions to realise opportunity</th>
<th>Retailers and Petrol stations</th>
<th>National switch</th>
<th>Regulation and policy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Extend mobile money agent and super agent role</td>
<td>• Encourage distribution roll out through levels and nature of interchange fees – favour acquiring to incentivise roll out</td>
<td>• Develop a rural payment distribution strategy including incentives for rural roll out (e.g. tax incentives, targeted infrastructure development of communication lines, transport and electricity)</td>
</tr>
<tr>
<td></td>
<td>• Partner with banks to extend card value proposition and increase footfall</td>
<td></td>
<td>• Provide guidelines for AML/CFT requirements to promote enhanced access</td>
</tr>
<tr>
<td></td>
<td>• Partner with cross border remittance providers to send and receive</td>
<td></td>
<td>• Finalise NPS bill and include interoperability requirement</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Evaluate bank premises regulation to create equal playing field for bank and MNO agents</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Collect distribution data to monitor and target access</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• License third party service providers to provide support services to banks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Leverage SIRESS to reduce cross border payment costs</td>
</tr>
</tbody>
</table>

- Evaluate sustainability of current government and donor provision
- Targeted design of grants and subsidies to develop digital use case
## Critical reliance on savings

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Main challenges</th>
</tr>
</thead>
</table>
| Encourage savings to smooth consumption, mitigate risks and accumulate capital to invest in productive activities | • Low return on formal savings products  
• Use of inappropriate products  
• Proximity |

### Focus areas:
- Enable VSLAs and mobile savings
- Improve access through development distribution channels and partnership

#### Leveraging VSLAs
- Expand VSLA use
- Link VSLAs to formal system to mobilise formal savings, provide graduation path and improve security (banks or mobile, training and simplicity key)
  - Link to MFI deposit-taking, existing rural approach and staff trained, cost if roll out at scale
  - Graduate to SACCOs if numbers grow, limit cost

#### Banks and mobile money providers
- Product development for targeted savings (e.g. saving wallets) – bank and mobile

#### Banks
- Banks to improve customer communication to direct clients to appropriate products
- Savings bank potential, given interest margin

#### Other formal institutions
- Post office saving account potential given reach, partnership ideal
- Expand farmer SACCOs, manage cost and ensure stability

#### Improve returns
- Capital market development and macro-economic change required
## Critical reliance on savings

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Main challenges</th>
</tr>
</thead>
</table>
| Encourage savings to smooth consumption, mitigate risks and accumulate capital to invest in productive activities | • Low return on formal savings products  
• Use of inappropriate products  
• Proximity |

### Potential actions to realise opportunity

**Regulation and policy**

- VSLA policy approach needed
  - Expand VSLA usage – village agent model potential for replication and training
  - Provide guidelines for use
  - Legal identity and framework for VSLAs
  - Develop graduation path for VSLAs
  - Avoid legislating small groups to encourage use

- Leverage mandatory pensions to allow productive access to credit, e.g. collateral for housing finance
- Monitor savings market to encourage access and use
# Finance for MSMEs and farmers

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Channel credit to MSMEs and farmers with the ability to absorb it and use it to increase their productivity</th>
</tr>
</thead>
</table>
| **Main challenges** | • High cost of credit  
• Short term of loans  
• Broader dev challenges |
| **Focus areas:** |  
• Coordination with MSME and Agriculture development strategies  
• Improve credit information  
• Enabling MFIs Banks and agro-dealers  
  • Expanded agro-value chain financing, particularly for ground nuts given number of farmers and growth potential  
  • Increased partnership for credit provision to target appropriate recipients  
  • Improve disclosure of product information (eligibility, costs and terms)  
  • Support credit information sharing initiatives  
| **Potential actions to realise opportunity** |  
| MFIs |  
• Improve coordination and policy environment for MFIs  
• Improve system capacity, incl link to MFI Hub  
• Investigate alternative sources of capital to donor funding/debt (e.g. crowd sourcing)  
| MSME initiatives |  
• MSME skills development, mentoring (potential for programs targeted at women)  
• Alternative capital opportunities beyond debt to graduate given cost (e.g. venture capital and private equity)  
• Leveraging VSLAs as a conduit for the provision of formal credit |
## Finance for MSMEs and farmers

### Objectives

Channel credit to MSMEs and farmers with the ability to absorb it and use it to increase their productivity

### Main challenges

- High cost of credit
- Short term of loans
- Broader dev challenges

### Potential actions to realise opportunity

#### Regulation and policy

- Legislation
  - Credit information sharing to be enabled
  - Prescription of debt legislation required
  - Improved contract enforcement to reduce cost of provision
  - Consumer credit legislation needed to empower consumers
- Contract enforcement strengthened to realise collateral
- Introduce ID to improve payment collection and assess risk
- Collaborate with MSME and Ag development committees
- Strengthen and support associations and coordination bodies (e.g. SMEDI, NasFam)
- Avoid politicising credit provision
- Avoid interest rate caps, not feasible given market constraints
- Develop capital market and improve macro-economic environment to reduce cost of credit
- Targeted credit monitoring to effectively supervise for targeted access, abuse and indebtedness
- Housing finance strategy potential given urbanisation
- Enable payroll lending for business development
- Improve credit information by bringing the credit reference bureaus online
- Improve consumer credit legal framework

#### Treasury bills

- Introduce longer term treasury bills to establish reference rate for longer term debt
## Risk mitigation to reduce vulnerability

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Ensure Malawian adults have access to appropriate products to mitigate their risks</th>
<th>Main challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>• Low incomes make insurance unfeasible</td>
</tr>
</tbody>
</table>

### Focus areas:
- Partnership and distribution innovation (e.g. mobile, MFIs, SACCOs, pharmacies/clinics, agro dealers)
- Product innovation and bundling
- Health insurance/finance framework

### Insurers and distribution partners
- Bite size health – hospital cash plans, hospital vouchers
- Explore partnership with MNOs, pharmacies, agro dealers, SACCOs for distribution
- Expand payment options (e.g. mobile, monthly instead of annual)

### MFIs
- Whole sale insurance for natural disasters to improve sustainability

### Regulators and policy makers
- Microinsurance framework potential
- Insurance data to be monitored to encourage value to customers (e.g. claims ratio)
- AML/ CFT guidelines to encourage access
- Develop regulatory framework for medical aid schemes
## Consumer empowerment and education

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Empower consumers to fully benefit from finance through education and protection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Main challenges</strong></td>
</tr>
<tr>
<td></td>
<td>• Low literacy levels</td>
</tr>
<tr>
<td></td>
<td>• Low financial literacy</td>
</tr>
<tr>
<td></td>
<td>• Cost of consumer protection</td>
</tr>
</tbody>
</table>

### Focus areas:
- Many activities in progress
- Focus design of private sector initiatives
- Revisit legal framework

### Formal providers
- Research target audience and train sales team for improved communication during teachable moments
- Make statements inexpensive and simple to obtain to encourage usage and trust (first time financial service users check balances often)

### Consumer protection
- Clarify lead authority to implement
- Ombud across services to reduce cost and improve access to fair treatment
- Empower traditional judicial structures to deal with minor financial service cases
- Strengthen legislation, bearing cost in mind (don’t protect consumers out of the market)

### Financial literacy initiatives
- Easy to get wrong. Targeted initiatives needed for impact, appropriate design critical (school, radio etc)
Enabling regulation and policy environment

Legislation and policy

- New FI policy needed, including objectives and measurement approach to drive implementation
- Introduce Consumer credit legislation, finalise credit reference bureau amendment
- Update Consumer protection act
- Extend AML/CFT guidelines to improve access
- Finalise electronic transaction and communication legislation
- Finalise NPS Bill, include interoperability
- Introduce Mobile money operator legislation in-line with emerging international guidelines for increased access
- Clarify Prescription of credit legislation
- Consider microinsurance and health finance framework
- Introduce framework for VSLA development
- Population registration legal framework to support the issuance of identity documents

Process

- Strengthen unit to drive FI, incl coordination
- Improve access to legislation (e.g. central platform for comprehensive set of latest legislation)
- Improve judicial efficiency for contract enforcement by promoting small claims courts and traditional court jurisdiction for lower value financial transactions
- Review legislative process to increase efficiency and improve cohesion of legislation
Thank You!

Please contact us at…

Tel: +27 (0) 21 913 5910
E-mail: miathom@cenfri.org
        jeremy@cenfri.org
ANNEXURES
Target market distribution per income bracket

Source: FinScope, 2014
Income and geographical distribution per target market

- Farmers
- Ganyu
- MSMEs
- Dependents
- Salaried employees

Size of bubble illustrates size of target market.
Remittances uptake per target market

- Salaried sent: 19% Bank, 15% Formal, 3% Informal, 7% Family & Friends, 56% Excluded
- Dependents received: 13% Bank, 2% Formal, 4% Informal, 14% Family & Friends, 67% Excluded
- Salaried received: 17% Bank, 9% Formal, 1% Informal, 6% Family & Friends, 67% Excluded
- MSMEs received: 6% Bank, 5% Formal, 2% Informal, 11% Family & Friends, 76% Excluded
- Farmers received: 6% Bank, 5% Formal, 2% Informal, 11% Family & Friends, 76% Excluded
- MSMEs sent: 5% Bank, 4% Formal, 3% Informal, 10% Family & Friends, 78% Excluded
- Dependents sent: 7% Bank, 2% Formal, 9% Informal, 81% Excluded
- Ganyu received: 2% Bank, 1% Formal, 11% Informal, 84% Excluded
- Farmers sent: 2% Bank, 2% Formal, 8% Informal, 86% Excluded
- Ganyu sent: 9% Bank, 4% Formal, 92% Excluded

Source: FinScope, 2014
## Key agriculture value chains

<table>
<thead>
<tr>
<th></th>
<th>Tobacco</th>
<th>Tea</th>
<th>Sugarcane</th>
<th>Pulses</th>
<th>Cotton</th>
<th>Ground nuts</th>
<th>Maize</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No. of farmers</strong></td>
<td>1,109,715</td>
<td>15,956</td>
<td>46,290</td>
<td>729,778</td>
<td>355,878</td>
<td>1,400,971</td>
<td>2,115,341</td>
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<td><strong>Input provider</strong></td>
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<tr>
<td><strong>Farmer</strong></td>
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<tr>
<td><strong>Producer association</strong></td>
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<td><strong>Processing, storage and sale</strong></td>
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<tr>
<td><strong>Buyer</strong></td>
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<tr>
<td><strong>Post purchase agro-processor</strong></td>
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</tr>
</tbody>
</table>

###紧链

- **Tight value chain**

###松链

- **Loose value chain**

###其他

- **Warehouse receipt finance**
- **Outgrower scheme**
- **Bank account provided**
Introducing the target markets

<table>
<thead>
<tr>
<th></th>
<th>Farmers</th>
<th>MSMEs</th>
<th>Salaried Workers</th>
<th>Dependents</th>
<th>Ganyu</th>
<th>Total Adults</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number and % of Adults</strong></td>
<td>2,647,633 (33%)</td>
<td>1,237,819 (15.4%)</td>
<td>562,924 (7%)</td>
<td>1,327,005 (16.5%)</td>
<td>2,053,818 (25.6%)</td>
<td>8,023,571 (100%)</td>
</tr>
<tr>
<td><strong>% Female</strong></td>
<td>55%</td>
<td>56%</td>
<td>41%</td>
<td>70%</td>
<td>56%</td>
<td>58%</td>
</tr>
<tr>
<td><strong>% Rural</strong></td>
<td>95%</td>
<td>68%</td>
<td>49%</td>
<td>65%</td>
<td>93%</td>
<td>81%</td>
</tr>
<tr>
<td><strong>Avg. monthly income (MK)</strong></td>
<td>12,144 (US $29)</td>
<td>18,963 (US $46)</td>
<td>28,153 (US $68)</td>
<td>14,153 (US $34)</td>
<td>5,427 (US $13)</td>
<td>13,484 (US $33)</td>
</tr>
<tr>
<td><strong>% with &lt; $1.25 a day income</strong></td>
<td>84.3%</td>
<td>73.8%</td>
<td>50%</td>
<td>82.3%</td>
<td>92.2%</td>
<td>81%</td>
</tr>
<tr>
<td><strong>% with &gt;1 income source</strong></td>
<td>58%</td>
<td>45%</td>
<td>32%</td>
<td>46%</td>
<td>38%</td>
<td>47%</td>
</tr>
<tr>
<td><strong>Average age</strong></td>
<td>37</td>
<td>34</td>
<td>36</td>
<td>33</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td><strong>Most common level of education</strong></td>
<td>Primary: Std 1-5</td>
<td>Primary: Std 6-8</td>
<td>Secondary: 3-4</td>
<td>Primary: Std 6-8</td>
<td>Primary: Std 1-5</td>
<td>Primary: Std 1-5</td>
</tr>
<tr>
<td><strong>% of population with primary education or less</strong></td>
<td>84.2%</td>
<td>69.5%</td>
<td>42.2%</td>
<td>66%</td>
<td>86.2%</td>
<td>76%</td>
</tr>
<tr>
<td><strong>% of adults with access to a cell phone</strong></td>
<td>67%</td>
<td>79%</td>
<td>88%</td>
<td>75%</td>
<td>57%</td>
<td>69%</td>
</tr>
<tr>
<td><strong>% that owns a car</strong></td>
<td>1%</td>
<td>4%</td>
<td>13%</td>
<td>5%</td>
<td>0%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>% that live in their home district</strong></td>
<td>89%</td>
<td>72%</td>
<td>47%</td>
<td>67%</td>
<td>88%</td>
<td>80%</td>
</tr>
</tbody>
</table>

Source: FinScope, 2014
Other presentation sources

Context

• Centre for Affordable Housing Finance (2014): Yearbook
• FinScope (2014): Malawi consumer survey
• Government of Malawi (2014): Annual economic report
• Reserve Bank of Malawi (2015): Exchange rate and Inflation data
• World Bank (2014): Ease of doing business report
• World Bank (2015): Indicators
• World Health Organisation (2014): Malawi health indicators