



RESERVE BANK OF MALAWI

REMARKS

BY

DALITSO KABAMBE, PhD

GOVERNOR

AT THE INAUGURAL FINANCIAL
INCLUSION INDABA AND LAUNCH OF THE
NATIONAL STRATEGY FOR FINANCIAL
INCLUSION

AT BINGU INTERNATIONAL CONFERENCE CENTRE (BICC)

LILONGWE

27 JULY, 2017

- ❖ **The Secretary to the Treasury, Mr. Ben Botolo;**
- ❖ **Senior Private Sector Development Economist, World Bank Country Office, Mr E Chilima;**
- ❖ **The Deputy Governor, Economics and Regulation, Reserve Bank of Malawi, Dr Grant Kabango;**
- ❖ **Representatives of all Development Partners here present;**
- ❖ **Representatives of FinMark Trust;**
- ❖ **Senior Government Officials here present;**
- ❖ **Chief Executive Officers and Representatives of Financial Institutions;**
- ❖ **Representatives of Non-Governmental and Civil Society Organizations here present;**
- ❖ **Distinguished Guests;**
- ❖ **Ladies and Gentlemen:**

I am delighted to be part of this Indaba where the country's Strategy for Financial Inclusion for the period 2016 to 2020 is being launched.

Firstly, I wish to agree with other speakers that this meeting could never have taken place at such an opportune time other than this. Our country has just weathered off some of the major shocks of our time. First was the historic devaluation in 2012, then cashgate in 2013 which led to withdrawal of general budget support and then the effects of climate change in 2015 and 2016. As a result of these shocks, inflation persistently remained high over the years, interest rates were also high, Kwacha was volatile and public debt soared.

However, the Malawi economy has now weathered off these shocks. The economy is now steadily recovering. Inflation, at 11.3 percent is now the lowest in 7 years, and is expected to be in single digit very soon, Kwacha has been stable for the past 15 months and is expected to remain so. Foreign exchange reserves are at 3.3 months of imports and are expected to remain above 3 months of imports. Lending rates are now on a

downward trajectory and growth which was subdued in the previous years is expected to rebound to 4.5 percent or higher this year. These are all hallmarks of a recovering economy.

The Indaba therefore is coming at such an opportune time that we can discuss how we can consolidate these gains going forward and deepening of financial inclusions is one such option to support the needs of a growing economy.

The case for financial inclusion can never be over emphasized. The country has many people who are not yet reached with financial services. The Strategy being launched today therefore highlights what can be done to ensure that all Malawians regardless of their geographical disposition are reached with financial services. On one hand, we know that Malawi is predominantly a cash based society to the extent that 75% of the cash in the economy is outside the banking system leaving only 25% in the banking system. Going

forward, we need to reverse this trend and ensure that all Malawians are reached with various financial services and products so that people can intelligently invest their money and also be able to access capital for their various needs.

A practical example is where if one had K100 in 1996, then he/she decided to keep it in the pocket, it could remain K100 today but with inflation, that money could have lost value in terms of how much that money could buy today. If it was put in savings account in the Bank, it could be around K2,300 with interest by now. If it was invested in Treasury Bills, it would be around K13,000 while if it was invested in shares, the value of those shares in one of the companies could be around K23,000 by now. These are the issues which must be brought to the attention of all Malawians so that they can make intelligent and informed decisions at all times whether they choose to keep their money in the home,

invest in business, buy shares or deposit in Banks. Financial Inclusion is therefore critical in this regard.

On the other hand, if one wishes to access capital to do a business or otherwise, financial inclusion is also critical so that people across the country can access capital for their various needs including running of businesses. Our country needs to grow and as it grows, create jobs most needed especially by the youths. As such, our investments decisions and how we use our money is very critical. The economy could do better if all the resources around us are intelligently invested so that the Private Sector, the engine of growth, should use the resources to develop our country. Hence, the issue of access and cost of capital to all Malawians across the country are the issues the Strategy is addressing.

On our part, as a Registrar of Financial Institutions, the Reserve Bank of Malawi is involved in drafting various pieces of legislation and regulations for the smooth running of the financial sector. The Bank is also

involved in enforcing the various pieces of legislation that have been approved by the National Assembly. We will continue to play this role and do it better all the time.

As part of this, we take pride in some of the efforts which have been made over the years in this area including modernization of existing financial sector laws, such as the banking, insurance, securities, microfinance, pension, financial cooperatives, agent banking, credit reference bureau, payment systems, introduction of the National Switch which has promoted mobile money banking, which have all improved the architecture of our financial systems and advanced the financial inclusion agenda.

The Reserve Bank continues to play this pivotal role and is currently championing the Microfinance Processing Hub, the Automated Trading System for the Malawi Stock Exchange, the Central Securities Depository system for securities and equities. These

initiatives will benefit the public through increased access to finance and, most importantly, at affordable cost.

The Bank is also active in consumer protection and financial literacy. The importance of the consumer protection and financial awareness needs no emphasis here. It aims to empower the consumer so that they transact in the financial sector with confidence. In keeping with this, the Reserve Bank created a Unit to be responsible for Financial Consumer Complaints and Literacy matters. The Reserve Bank, in collaboration with its stakeholders, has implemented financial awareness campaigns in order to empower financial services consumers. But, I must mention that the implementation of the financial awareness program requires a lot of financial resources. The Reserve Bank will therefore put in place a sustainable way of implementing the program.

Distinguished Guests, Ladies and Gentlemen, let me conclude my remarks by congratulating and commending the Ministry of Finance, Economic Planning and Development for coming up with the 2016 – 2020 Strategy for Financial Inclusion. This strategy will surely provide a guided direction to achieving and promoting inclusive finance in this country. This being the second strategy, we trust that it has built on the shortfalls of the initial strategy.

I thank you all for your kind attention and may God bless our country.