

Perks Ligoya: Improving access to credit in Malawi

Speech by Dr Perks Ligoya, Governor of the Reserve Bank of Malawi, on the occasion of the official launch of Lilongwe branch of Malawi Savings Bank (MSB), Lilongwe, 27 February 2010.

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Our Guest of Honour, the Minister of Finance, Honorable Ken Kandodo, MP
The Chairman of the Board of Directors of Malawi Savings Bank, Mr. Joseph Mwanamvekha who is also the Secretary to the Treasury
The Chief Executive of Lilongwe City Assembly, Mr. Kelvin M'mangisa
The Chief Executive of Lilongwe District Assembly
Directors of Malawi Savings Bank here present
Valued Customers of the Bank
Management and Staff of the Bank here present
Members of the media
Distinguished Guests
Ladies and Gentlemen:

Our Guest of honour, on behalf of the Directors, Management and Staff of the Reserve Bank of Malawi and indeed on my own behalf, I would like to congratulate the Board, Management and Staff of Malawi Savings Bank Limited for their untiring efforts to influence the presence and outreach of the Bank. Some of us may have read in the papers last week that Malawi savings Bank moved out of Post Office premises to occupy modern and spacious office space in Ntaja, Mangochi and Monkey Bay. Furthermore, those of us who ply the Blantyre-Mulanje Road via Thyolo, may have seen a magnificent branch at Bvumbwe complete with modern amenities like an ATM. To put the icing on the cake, today we are here to bear witness to the official opening of Lilongwe Branch. These are major milestones.

The initiatives present solid evidence that the Bank is well poised to effectively perform its roles relating to savings mobilization and financing of investments in both the rural and urban sectors of our economy.

The business and economic environment is looking good for Malawi. The IMF has just approved a 3 year financial assistance program for the country. This is clear testimony that Malawi is pursuing good macro economic policies and fiscal discipline under the visionary leadership of His Excellency, Ngwazi Dr. Bingu wa Mutharika.

Government through the Reserve Bank of Malawi is sparing no effort in creating an enabling environment for banks to operate effectively in the country. As a result, more banks have come on the market and are willing to serve the rural, urban and semi-urban communities owing to the ever improving rural infrastructure and conducive fiscal policies. The increasing number of players in the banking industry entails stiff competition. Competition should normally favour customers because in the quest to win more customers, banks tend to relax terms and conditions for their products and improve service. However in Malawi the competition is yet to bear fruit by narrowing the gap between lending rates and deposit rates.

Recent statistics indicate that over 80% of the population of Malawi remains un-banked and many of these people are in the rural areas. It is therefore commendable to note that MSB has identified itself with the rural communities for a very long time and continues to establish its presence in new areas. I call upon all the authorized dealer banks in Malawi to emulate the example set by MSB in delivering new products and services on the door steps of the rural people. I would also like to urge management of the Bank to leverage on this network, which is a competitive edge, to roll out products and services that should be convenient and easy to use by ordinary customers. The FINScope study should render its usefulness in this regard.

Memories are still fresh on the economic meltdown that engulfed western economies in the recent past. From a regulatory point of view, the Reserve Bank of Malawi is proud to observe that our financial sector went through these hard times with a lot of resilience. This is because of the stringent supervision of the banks that RBM provides. Furthermore our banks are very well capitalized and managed. The World Bank and the IMF still believe that Malawian banks are the most profitable in Africa. As a regulator of the financial sector, the Reserve Bank of Malawi will continue to strengthen its supervision function. For example, the supervision of the non-bank financial institutions will grow to include pensions, macro-finance and insurance as stand alone departments.

We should all be very thankful to the present Government of His Excellency Ngwazi Dr Bingu wa Mutharika because it is now evident that security within Malawi has been enhanced. This is the major reason why banks should be even more confident to open branches in rural areas. Financial inclusion is one of the current major themes of the Reserve Bank of Malawi hence my happiness and gratitude to the Malawi Savings Bank for opening yet another branch today.

I therefore congratulate and commend the Board and Management of Malawi Savings Bank on this auspicious occasion. However, let them and all staff of the bank not relax considering the many challenges that the Bank and the industry at large face; particularly with the growing competition.

The Bank should therefore endeavour to keep its customers satisfied by offering superior products and delivering excellent service. Today's customers are becoming sophisticated and can only distinguish institutions through quality of service. I have no doubt that you will succeed in this endeavour.

I would like to challenge banks in Malawi to devise deliberate policies aimed at improving access to credit by our private sector, especially Malawians, as this is the only way Malawi can sustain its current level of social and economic development.

In conclusion, the Central Bank, as a stakeholder will continue to complement efforts by banks to improve service delivery systems for the betterment of all stakeholders especially the less privileged rural masses who struggle to access banking facilities as most banks concentrate in the urban areas.

Our Guest of Honour
Distinguished Invited Guests
Ladies and Gentlemen.

I thank you all for your attention.