Charles S R Chuka: Review of the financial sector in Malawi

Address by Mr Charles S R Chuka, Governor of the Reserve Bank of Malawi, at the Guest of Honour at the Inauguration of CDH House, Blantyre, 24 June 2014.

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Protocol

Mr Franklin Kennedy, Chairman of the Board of Directors of CDH Investment Bank (CDHIB) and your fellow directors

Mr Misheck Esau, Chief Executive Officer, Management and Staff of CDHIB

Dr Grant Kabango, Deputy Governor, Supervision

Mr Eldin Mlelemba, Director of Bank Supervision and Officials from the Reserve Bank of Malawi

Distinguished invited guests, CEO’s of banks, private and public institutions

Blantyre City Chief Executive Officer Mr Ted Nandolo Ward Counsellor, Counsellor Noel Chalamanda

The Officiating Clergy

Director of Ceremonies, Mr Benedicto Malunga Members of the press

Ladies and gentlemen

I wish to begin by thanking you Chairman and the Board for inviting me to perform the honourable task of inaugurating the CDH House. Taking tour of the building convinced me that you mean business, that you intend to grow your bank and to be a significant player in contributing to the economic growth of this country.

Indeed, the transformation from a discount house which operated for fourteen years to a bank in April 2012 is a remarkable achievement. I recall in 1998, when we licensed Continental Discount House, there had not been such a financial institution before. However, in view of the need that the Central Bank saw in the market, we found room in the banking laws to license a discount house.

The need was to encourage the trading of financial instruments such as Treasury Bills and others. At the time money market investors were not able to access liquidity from their investments in financial instruments before maturity. With the licensing of Continental Discount House then, now CDHIB, a platform was created for a secondary market in financial instruments to develop.

The institution, as we were shown today through the displays, not only traded government financial instruments, but also originated other financial instruments such as commercial paper, negotiable promissory notes, corporate medium term notes and bonds. It is pleasing to note the amount of work that the institution performed in the capital market. In the displays, we saw the milestones in equity issues in various forms such as bonus issues, rights issues and the listing of shares on the Malawi Stock Exchange. It is very clear that the foundation to becoming an investment bank was laid over time.

I have the confidence that CDH Investment Bank will continue to approach banking in this innovative way in order to make a difference in our financial sector. As we all know, investors, whether local or foreign, require professional financial advisory services to undertake their investments. I would therefore like to encourage CDHIB to continue developing capacity in this area of banking i.e. investment banking and financial advisory, which are evidently under-served in our financial market. The Central Bank would like to see
the development of a robust capital market which is capable of attracting both local and international capital investment.

I would like to see banks and financial institutions playing their rightful role in the development of this country. It is said, and rightly so, that the development of any country depends largely on the robustness of its financial sector. I am pleased to note that banks in Malawi are strong enough to be able to foster the development that we all desire to have. But perhaps, more needs to be done to make banking more accommodating of the needs of the private sector.

I would also like to see banks applying more innovation in serving some of the important but under-served sectors such as agriculture, tourism, to name but a few. The financing for the production of exports is really what will take this country forward. I am pleased to note that there are a few investors in Malawi who have taken up production for exports. I would like all banks to support them with the right financing products as one way of promoting production for exports. I have also gladly noted some businesses investing in value addition to agricultural products. Again, this needs to be supported because it is through value addition that exports start to earn more foreign exchange.

The country’s yawning balance of payments deficit will not be closed by government. It is through private sector exports that we will be able to deal with this huge gap between imports and exports. The trade deficit is one of the biggest enemies of our economy. It is this trade gap that threatens our exchange rate stability. Therefore, it requires concerted efforts to improve our export base.

The Reserve Bank, on its part will do all it can to achieve macro-economic stability which among other things includes a lower interest rates environment to enable businesses to thrive. We have the capacity to deliver on our constitutional mandate.

Distinguished ladies and gentlemen, this function is therefore a very important one. As we have heard, the building was constructed in 1991 with only 22 parking bays. Perhaps, that was adequate then considering the purpose the building was put to. With the renovations and improvements made by the new owners, CDH House now has 53 parking bays. For this, I would like to thank the board and management of CDHIB for ensuring that the bank’s customers are provided with modern facilities.

Mr Chairman, the acquisition of the building by your bank demonstrates your strong commitment as a long term investor in Malawi. Malawi requires committed strategic investors if the country is to progress economically. The inauguration of CDH House today is one testimony of investor confidence in the country.

The renovation of the building to the new look we see today has greatly enhanced the beauty of the City of Blantyre. I do not want to remind you the look of this building just over a year ago. You all wondered whether it deserved to be in the City of Blantyre, the commercial city of Malawi. On that note, please join me in congratulating the City of Blantyre for having CDH House as one of its prime business properties that will beautifully symbolize the development of commerce and industry.

I want to take this opportunity to assure our city authorities that banks will continue to contribute to your efforts in enhancing the beauty and general environment of this city. Banks invest enormous resources to justify the money they make.

I am very pleased to see banks ensuring that customers are accorded the respect they deserve through the provision of a conducive environment for doing business. During my tour of the banking hall and other offices of CDH House this morning, I saw for myself the modern facilities that have been put up for customers. I have also seen how customers have been provided with special parking bays to make their banking an enjoyable experience.

We have noticed recently that as the economy grows, and as the number of people accessing banking services increases, banking halls are becoming congested. Customers
pay such a price to obtain banking services through the discomfort experienced in crowded spaces. And so the investment we see here, is well timed and serves to remind us all of the need to invest in our city.

With the foregoing few remarks and in closing, Mr Chairman, Director of Ceremonies, distinguished ladies and gentlemen, let me once again thank you all most sincerely, for according me this opportunity to speak to you today on this occasion of the official inauguration of CDH House here in the City of Blantyre. Please accept my sincere congratulations for the magnificent building that now houses CDH Investment Bank Head Office, its Blantyre Banking Centre and other CDH Group companies.

It is now my singular honour and privilege to declare CDH House officially inaugurated today, 24th June 2014.

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