



# FINSCOPE CONSUMER SURVEY

Findings Report

# MALAWI 2023



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# Foreword

## FinScope Consumer Survey Malawi 2023 Report

*The FinScope Consumer Survey Malawi 2023 Report assesses the state of financial inclusion in Malawi from 2014 to 2023, following the expiration of the National Strategy for Financial Inclusion (2016-2020). The report evaluates the performance of the Government, private sector, and advocates in achieving financial inclusion targets.*



Ministry of Finance and  
Economic Affairs

This FinScope Consumer Survey Malawi 2023 Report on the state of financial inclusion draws a curtain on the period 2014 to 2023, which dovetails the next strategy since the lapsed National Strategy for Financial Inclusion of 2016-2020. It accounts for the performance of the Government, private sector and advocates in advancing financial inclusion against the strategy targets. The report reflects the key milestones achieved broadly by the sector in its quest to improve the lives of Malawians through the delivery of accessible, affordable and good-quality financial services. Most importantly, the report also reflects the limitations and constraints encountered during the period, which will have to be addressed going forward. It is paramount that we learn equally from our achievements as well as from our oversights and limitations.

The state of financial inclusion in 2023 has improved on many fronts since the last survey was conducted in 2014, upon which the 2016 financial inclusion strategy was based. Financial exclusion has decreased to 12% in 2023 from 51% in 2014. This represents about 2.6 million adults that have been brought into the fold of financial inclusion, representing an increase of 39 percentage points in financial inclusion from 2014. Financial exclusion among rural and female adults also decreased, with the main driver of this reduction attributed to mobile money.

Formal financial inclusion has experienced a significant increase over these years, surging by 40 percentage points – from 34% in 2014 to 74% in 2023. This has translated to greater financial inclusion for previously marginalised Malawians, particularly women and rural adults. More women are now accessing formal financial products with 69% in 2023 compared to only 30% in 2014.

Despite these advances, we still have several areas to improve access to basic financial services. This includes improving the financial literacy of our adult Malawians, making insurance more affordable and accessible, understanding the role and scope of informal finance, and improving access to financial infrastructure to better serve our people. The study shows that excluded adults are likely to be from the Southern Region, from rural areas, are female and youth, and those who sustain their lives through self-employment or farming activities.

Malawi has also weathered the Covid-19 pandemic, which has left lasting effects on our economy. Moreover, many people in our country, particularly in the Southern Region, have felt the impact of Cyclone Freddy. This event has served as a lesson, highlighting the need for greater awareness regarding the effects of climate change, especially considering that this tropical storm ranks among the worst in our nation's recorded history. It advocates for the urgent enactment of legislation for climate change mitigation and adaptation, as well as the promotion of green finance initiatives.

Considering this risk, the adoption of formal insurance has been slow, rising from 2% in 2014 to 4% in 2023. On a positive note, the adoption of formal insurance products is slightly higher than that of informal insurance. Savings, which increased from 43% in 2014 to 83% in the period of review, serve as the main coping strategy for Malawians. To build and sustain micro, small, and medium-sized businesses, which employ most adults, there is a need for better and committed financial deepening.



# Acknowledgements

## FinScope Consumer Survey Malawi 2023 Report

*This report was written by FinMark Trust (FMT) (Obert Maposa as lead author supported by Pearl Motete). From the onset, the survey intended to involve the government and a wide range of financial sector stakeholders in a collaborative process to obtain input for changes, assuring its applicability and relevance.*

The completion of this undertaking would not have been successful without the participation and assistance of many individuals in their personal and institutional capacities. FMT and the Ministry of Finance and Economic Affairs (MoFEA) would like to express their deepest appreciation.

We thank the National Statistical Office of Malawi for their vital contributions in providing statistical oversight of the survey, including sampling and weighting of the data, training of the enumerators and the quality control process during fieldwork.

Further, we appreciate the technical support from the Technical Review Committee comprising the Ministry of Finance and Economic Affairs; the National Statistics Office; the Ministry of Agriculture; the Ministry of Trade and Industry; the Ministry of Gender Community Development and Social Welfare; the Reserve Bank of Malawi; the Malawi Microfinance Network; the Malawi Union of Savings and Credit Cooperatives; and the Bankers Association of Malawi. Special appreciation goes to Davie Wirima, the Chairperson of the Technical Review

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Funded by



SADC

SADC stands for the Southern African Development Community. It is a regional intergovernmental organization and economic community in Southern Africa.

The organization's goal is to promote regional integration, cooperation, and sustainable development among its member states.



European Union

The EU, or European Union, is a political and economic union of member states primarily located in Europe. It was established with the aim of fostering economic cooperation.

The EU operates through a system of supranational institutions and intergovernmental decisions made by member states.



IFAD

IFAD stands for the International Fund for Agricultural Development. IFAD is an international financial institution and specialized agency of the United Nations dedicated to eradicating rural poverty in developing countries.



Ministry of Finance and Economic Affairs

The Mandate of the ministry is to formulate economic and fiscal policies that seek to manage government financial and material resources and provide strategic guidance on economic and development planning based on accurate and reliable statistics for attainment of socio-economic development.



# Glossary of Terms

Term	Description
<b>Access Strand</b>	Measurement of financial inclusion across the formal-informal institutional provider continuum
<b>Adults</b>	People aged 16 years or older
<b>Banked</b>	Individuals using one or more traditional financial products supplied by commercial banks
<b>Credit</b>	Funds from a third party with the promise of repayments of principal and, in most cases, with interest and arrangement charges in exchange for the money
<b>Demand-side barriers</b>	Access to financial services that relate to characteristics inherent to individuals that prevent them from using financial services such as perceived insufficient income, low levels of financial literacy and lack of trust in financial institutions
<b>Enumeration Area (EA)</b>	A well-identified territorial unit containing the prescribed population size (usually about 80 to 120 households) in which enumeration is to be carried out by a single enumerator within a specified period of enumeration
<b>Other formal (non-bank)</b>	Financial products/services supplied by formal financial institutions that are not banks
<b>Formal products</b>	Products provided by government-regulated financial institutions such as commercial banks, insurance companies and microfinance institutions
<b>Formally included</b>	Adults using formal financial products supplied by institutions governed by a legal precedent of any type – not exclusive to usage as these individuals may also be using informal products
<b>Financial Access Landscape</b>	A measurement of usage of both formal and informal products across the four main product groups: transactions, savings, credit and insurance
<b>Financially served</b>	Adults using one or more formal and or informal financial products/services
<b>Financially inclusion</b>	The extent to which adults in the country engage with financial products and services, such as savings, transaction banking, credit and insurance, whether formal or informal
<b>Financially excluded</b>	Adults who are not using any formal or informal financial product/service – this includes voluntary exclusion
<b>Informal products</b>	Financial services provided by individuals and or associations that are not regulated by the government, such as savings clubs and private moneylenders
<b>Informally only served</b>	Adults who are not using any formal financial products but who are using one or more financial products/services supplied by an informal source, such as a savings club or informal moneylender
<b>Informally served</b>	Adults who make use of informal financial products (regardless of whether they use formal financial services and products)
<b>MSME</b>	Micro, Small and Medium Enterprises
<b>Insurance</b>	Payment of a premium for the risk of an event happening, where the payout is made if or when the event occurs
<b>Supply-side barriers</b>	Access to financial services that relate to factors inherent to financial service providers that prevent individuals from using their services, such as the location of access points and the cost of using their services. Supply-side barriers may also relate to macroeconomic factors such as legal systems and policy.
<b>Transactional</b>	Financial services that use cash or other means (such as cheques, credit cards, debit cards or other electronic means) to send, make or receive payments
<b>Formal MSME</b>	MSME owners that have registered their business with an authority such as the Ministry of Trade and Industry and Ministry of Tourism or have a license to operate from an authority such as the District Council, City Council and municipality.

# Acronyms and abbreviations

Name	Description
<b>EA</b>	Enumeration Area
<b>EU</b>	European Union
<b>FMT</b>	FinMark Trust
<b>GDP</b>	Gross Domestic Product
<b>GoM</b>	Government of Malawi
<b>IFAD</b>	International Fund for Agricultural Development
<b>ILO</b>	International Labour Organisation
<b>MoFEA</b>	Ministry of Finance and Economic Affairs
<b>MSME</b>	Micro, Small and Medium Enterprises
<b>NPS</b>	National Payments System
<b>NSFI</b>	National Strategy for Financial Inclusion
<b>NSO</b>	National Statistical Office of Malawi
<b>OTC</b>	Over-the-counter transaction
<b>POS</b>	Point of sale system
<b>PPS</b>	Probability Proportional to Size
<b>PSU</b>	Primary Sampling Units
<b>RBM</b>	Reserve Bank of Malawi
<b>ROSCA</b>	Rotating Savings and Credit Association
<b>SADC</b>	Southern African Development Community
<b>SACCO</b>	Savings and Credit Cooperative Organisation
<b>SIBE</b>	Support to Improving the Investment and the Business Environment
<b>STE</b>	Short Term Expert
<b>TA</b>	Traditional Authority
<b>VSLAs</b>	Village-Based Savings and Loan Association
<b>WBG</b>	World Bank Group

# Executive summary

## Malawi has made significant strides in advancing its financial inclusion agenda.

*The National Strategy for Financial Inclusion (NSFI) seeks to foster an inclusive financial system through several legislative measures to formalise the informal financial sector and bank the 'unbanked'. The strategy upholds the purpose of providing more access to sound, responsible and creative financial organisations that offer high-quality, reasonably priced financial services.*

The conclusion of Malawi's second NSFI (2016-2020) aligns with the FinScope Consumer Survey 2023, which evaluates the financial landscape as a precursor to the next iteration of the NSFI.

FinScope consumer surveys are nationally representative financial inclusion surveys. Following the baseline survey of 2008 and repeats in 2014 and 2023, these surveys provide comprehensive cross-section studies of adult Malawians concerning their livelihoods, financial behaviour, familiarity with financial terminology and their uptake and usage of financial services to serve identified needs. The 2023 survey interviewed 3,000 households, where one adult (16 years of age or older) was chosen (equal probability) for an interview, consistent with the past two surveys.

According to the 2023 findings, formal employment has decreased since 2014, along with farming and reliance on other family members such as spouses. For most people, farming and piece work (ganyu), which employs two out of every five adults, continue to be the main sources of income. Only 3% of household farmers produce commercially, whereas 45% do so purely for consumption. This compounds to a majority of individuals earning an average of USD 46 per month, which is low and irregular.

The majority of adults find it difficult to meet their financial obligations. Being financially literate is crucial to managing finances. Financial literacy rates are improving and can assist with financial management and reducing risk and exposure to financial loss. Improvements in education levels have been recorded, which may contribute to the improved financial literacy rates. Four in five adults

require more information on managing money, primarily focused on savings and investment. The bulk of adults do not plan for retirement. This is indicative of the pressing day-to-day commitments that have shown an increase in poverty symptoms, particularly the adults who are skipping a meal or have children skipping school due to the lack of funds.

The state of financial inclusion in 2023 has improved on many fronts since 2014. Financial exclusion has reduced to 12% in 2023 from 51% in 2014. This represents about 4.3 million adults who have been financially included, representing an increase of 39 percentage points. Specifically, financial exclusion among rural and female adults reduced by 41 and 40 percentage points respectively. The main driver for this decrease is attributed to the rapid uptake of mobile money.

Malawi has achieved the targets set out in the NSFI 2016-2020 peaking a formally included population of 74% from the target of 55%. Formalisation has largely been driven by the increase in uptake of other formal (non-bank) products and services, up by 55 percentage points from only 18% in 2014. A significant uptake of mobile money has been witnessed over the past decade with about two in every three adults (69%) currently using mobile money (up from only 3% in 2014).

The main driver behind the increase in formal financial inclusion has been the heightened usage of transactional and remittance products. Mobile money is used as an alternative to meet most needs, with 1% of adults using only bank accounts. Notably, remittances previously driven by bank products in 2014 were mostly transacted through

mobile money in 2023. A decline in the proportion of banked adults is witnessed in 2023 with only 13% of adults being banked - a drop of about 700,000 adults, mostly those who owned savings and cheque accounts. Digital financial services (DFS) usage is increasingly fostered by the interoperability between bank and mobile money accounts. About 39% of adults use DFS mainly for the payment of utilities and airtime for mobile money-based DFS and receiving income for bank-based DFS.

Although the average adult Malawian is experiencing financial hardship and displaying more signs of poverty, the study demonstrates how financial inclusion assists in reducing poverty by promoting usage for borrowing, savings and remittances, which offer a safety net for most households as they can access funds at a time when they are needed. Reflecting on the past year, fewer adults in 2023 claimed to have gone without cash. The study observes a spur in the number of remittances received which helps buy food, pay for education and fund business compared to 2014.

The usage of informal financial services such as savings groups or moneylenders is at an all-time high with 67% of adults using them. However, fewer adults are purely dependent on informal financial services, which shows that people are using a combination of both formal and informal financial services to meet their needs.

Stakeholders should continue to prioritise financial inclusion, focusing specifically on the following key areas:

- Adopting financial inclusion 2.0<sup>1</sup>, which is a transition from not only broadening access but also improving usage of financial products, therefore impacting Malawians' livelihoods. The financial system should continue to innovate and create products that meet consumers' needs, enhancing their quality of life by offering affordability, suitability, convenience and safety. For instance, there could be wide adoption of crop

insurance by smallholder farmers, given that harvest failure is a significant risk for them.

- Digital literacy should be strengthened through consumer education. The ability to communicate with key audiences through various channels is necessary. Fintechs are essential to expand the availability of financial services and encourage market competition, which ultimately benefits consumers. To support fintechs as a component of the financial sector, policymakers and regulators must comprehend the fintech landscape in Malawi and create an enabling environment.
- Continued regulatory support for consumers with a focus on developmental credit. The accessibility of credit is expanding, which can assist individuals, farmers and MSMEs in building their human and material capital and engaging in entrepreneurial endeavours. The prevalence of over-indebtedness, however, necessitates that lenders guarantee consumer affordability and that regulators play a role in this regard.

*Financial literacy is improving, but many lack retirement plans. However, financial inclusion has improved, reducing exclusion to 12% in 2023, driven by mobile money.*



Chapter

**01**

**Introduction**

# Introduction

## Background

The Government of Malawi (GoM) recognises that a more inclusive financial system is crucial to developing the country's economy. It has identified financial sector development and financial inclusion as key policy objectives. Following the FinScope 2014 results, through the National Strategy for Financial Inclusion (2016-2020), GoM targeted over 70% of Malawians accessing financial services by 2021. The strategy anchors on the belief that inclusive finance will be essential to meeting the objectives of the development strategies as this is a key instrument for increasing agricultural productivity, starting or expanding micro and small enterprises, job creation, increasing household income and consumption smoothing.

Over the years, access to financial products and services has been an issue. FinScope Malawi 2008 indicated that 80% of the adult population was not able to borrow from any source to finance their activities. However, this figure went down to 71% in 2014.

To effectively track progress in achieving the set goals and other aspirations of inclusive finance in Malawi, it was decided to conduct another FinScope consumer survey. The last survey was conducted in 2014. The Ministry of Finance and Economic Affairs (MoFEA) and the Reserve Bank of Malawi (RBM) with technical assistance and partnership from FinMark Trust (FMT), initiated this important survey in the first half of 2023. This survey comes at an opportune time for the country. Not only will it update the general consumer status of financial inclusion following the 2014 survey, but it will also provide

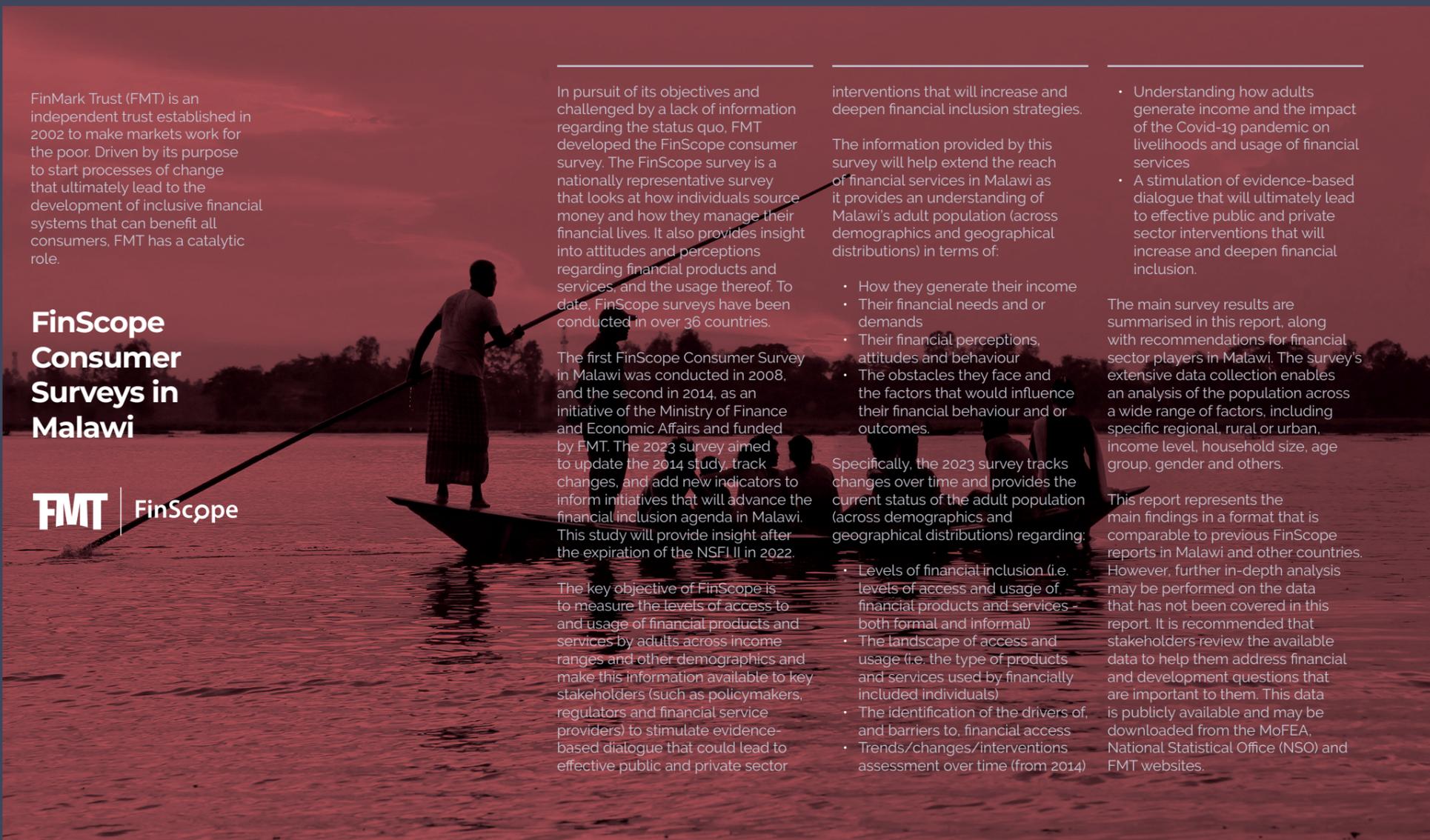
comprehensive feedback on the progress made in the financial inclusion targets set in the 2016-2020 National Strategy for Financial Inclusion in the country. The survey results will assist in refining the baseline data and ensuring the practicality of the targets set for the future.

The fast-changing financial landscape generally requires more frequent analysis and tracking to ensure timely policy interventions. Over the years, tracking the scope of access to financial products and services has presented challenges in most SADC countries, including Malawi. The 2014 survey revealed that only 34% of the adult population was included in formal financial services. Although the goal was set to reach 54% by 2020, no survey has been conducted since then, making it unclear to determine the current level of inclusion.

It should be noted that the inconsistencies in implementing repeat FinScope surveys in the SADC region, including Malawi, negatively impact financial inclusion policy interventions. To effectively track progress towards achieving the set targets and aspirations of inclusive finance, another FinScope consumer survey was conducted. The survey findings are particularly relevant at this time because, not only do they update the general consumer status of financial inclusion, but also provide comprehensive feedback on progress towards the country's financial inclusion targets as set in the National Strategy for Financial Inclusion, due for approval in 2023.

FinMark Trust (FMT) is an independent trust established in 2002 to make markets work for the poor. Driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems that can benefit all consumers, FMT has a catalytic role.

## FinScope Consumer Surveys in Malawi



In pursuit of its objectives and challenged by a lack of information regarding the status quo, FMT developed the FinScope consumer survey. The FinScope survey is a nationally representative survey that looks at how individuals source money and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services, and the usage thereof. To date, FinScope surveys have been conducted in over 36 countries.

The first FinScope Consumer Survey in Malawi was conducted in 2008, and the second in 2014, as an initiative of the Ministry of Finance and Economic Affairs and funded by FMT. The 2023 survey aimed to update the 2014 study, track changes, and add new indicators to inform initiatives that will advance the financial inclusion agenda in Malawi. This study will provide insight after the expiration of the NSFII in 2022.

The key objective of FinScope is to measure the levels of access to and usage of financial products and services by adults across income ranges and other demographics and make this information available to key stakeholders (such as policymakers, regulators and financial service providers) to stimulate evidence-based dialogue that could lead to effective public and private sector

interventions that will increase and deepen financial inclusion strategies.

The information provided by this survey will help extend the reach of financial services in Malawi as it provides an understanding of Malawi's adult population (across demographics and geographical distributions) in terms of:

- How they generate their income
- Their financial needs and or demands
- Their financial perceptions, attitudes and behaviour
- The obstacles they face and the factors that would influence their financial behaviour and or outcomes.

Specifically, the 2023 survey tracks changes over time and provides the current status of the adult population (across demographics and geographical distributions) regarding:

- Levels of financial inclusion (i.e. levels of access and usage of financial products and services - both formal and informal)
- The landscape of access and usage (i.e. the type of products and services used by financially included individuals)
- The identification of the drivers of, and barriers to, financial access
- Trends/changes/interventions assessment over time (from 2014)

- Understanding how adults generate income and the impact of the Covid-19 pandemic on livelihoods and usage of financial services
- A stimulation of evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion.

The main survey results are summarised in this report, along with recommendations for financial sector players in Malawi. The survey's extensive data collection enables an analysis of the population across a wide range of factors, including specific regional, rural or urban, income level, household size, age group, gender and others.

This report represents the main findings in a format that is comparable to previous FinScope reports in Malawi and other countries. However, further in-depth analysis may be performed on the data that has not been covered in this report. It is recommended that stakeholders review the available data to help them address financial and development questions that are important to them. This data is publicly available and may be downloaded from the MoFEA, National Statistical Office (NSO) and FMT websites.

*FMT developed the FinScope consumer survey, a nationally representative initiative examining individuals' financial behaviours, perceptions, and product usage, aiming to advance financial inclusion in Malawi. The 2023 survey, building on previous studies, provides crucial insights into income generation, financial needs, obstacles, and the impact of the Covid-19 pandemic, offering recommendations for stakeholders and enabling evidence-based dialogue for effective public and private sector interventions to deepen financial inclusion in the country.*

# 01

Chapter

# 02

**Methodological approach**

# 02

## Methodological approach

The FinScope Consumer Survey Malawi 2023 was carried out with a nationally representative sample of 3,000 adults. The NSO provided the sample frame based on the 2018 population census and carried out weighting of the data in collaboration with FMT to represent the current population of Malawi. A nationally representative individual-based sample of the adult population aged 16 years and older, at regional and urban/rural levels was drawn and implemented.

### Survey implementation

The survey was implemented in three stages shown in Figure 1. Similar to previous surveys, the design was overseen by the technical review committee facilitated by the MoFEA. The NSO also assisted in the sampling process and subsequent data weighting with FMT. Inputs were taken into the design to ensure that all stakeholders had weighed in on the design.

The SADC Secretariat, in support of the data collection phase, appointed six Short-term Experts (STEs) from Imani Consultancy, who implemented the fieldwork data collection and data management.

#### 1 Design

- Agreements (NSO)
- Questionnaire design
- Sampling, maps and field preparations

#### 2 Implementation

- Training of enumerators
- Pilot and questionnaire revision
- Fieldwork achieved sample size, n = 3,000

#### 3 Results

- Data management (data entry, cleaning, weighting)
- Data analysis
- Launch and dissemination

Figure 1: Survey implementation stages

### Sampling and weighting

Table 1 shows the sample distribution across each region, split between urban and rural areas. The allocation was further segmented into 28 districts to ensure comprehensive coverage. Implicit stratification variables, such as the Traditional Authorities (TAs) and the EA number, were used to improve the representativeness of the sample.

Region	Rural	Urban	Total
Northern	376	128	504
Central	928	304	1,232
Southern	976	288	1,264
<b>Total</b>	<b>2,280</b>	<b>720</b>	<b>3,000</b>

Table 1: Sample allocation by region (households)

A detailed technical report has been prepared that delves deeper into each of the following sub-sections.

A stratified multi-stage random sampling method was used to select households to ensure the sample is representative of Malawi residents aged 16 years and older.

representative of adults 16 years or older within urban and rural settings.

- The first level of sampling was carried out to ensure geographic representation of the country. The NSO, in collaboration with FMT, drew a nationally representative sample of enumeration areas (EAs) using the national census as a sampling frame. A sample of 375 EAs was drawn using a probability proportional to population size approach, ensuring that the sample was robust and

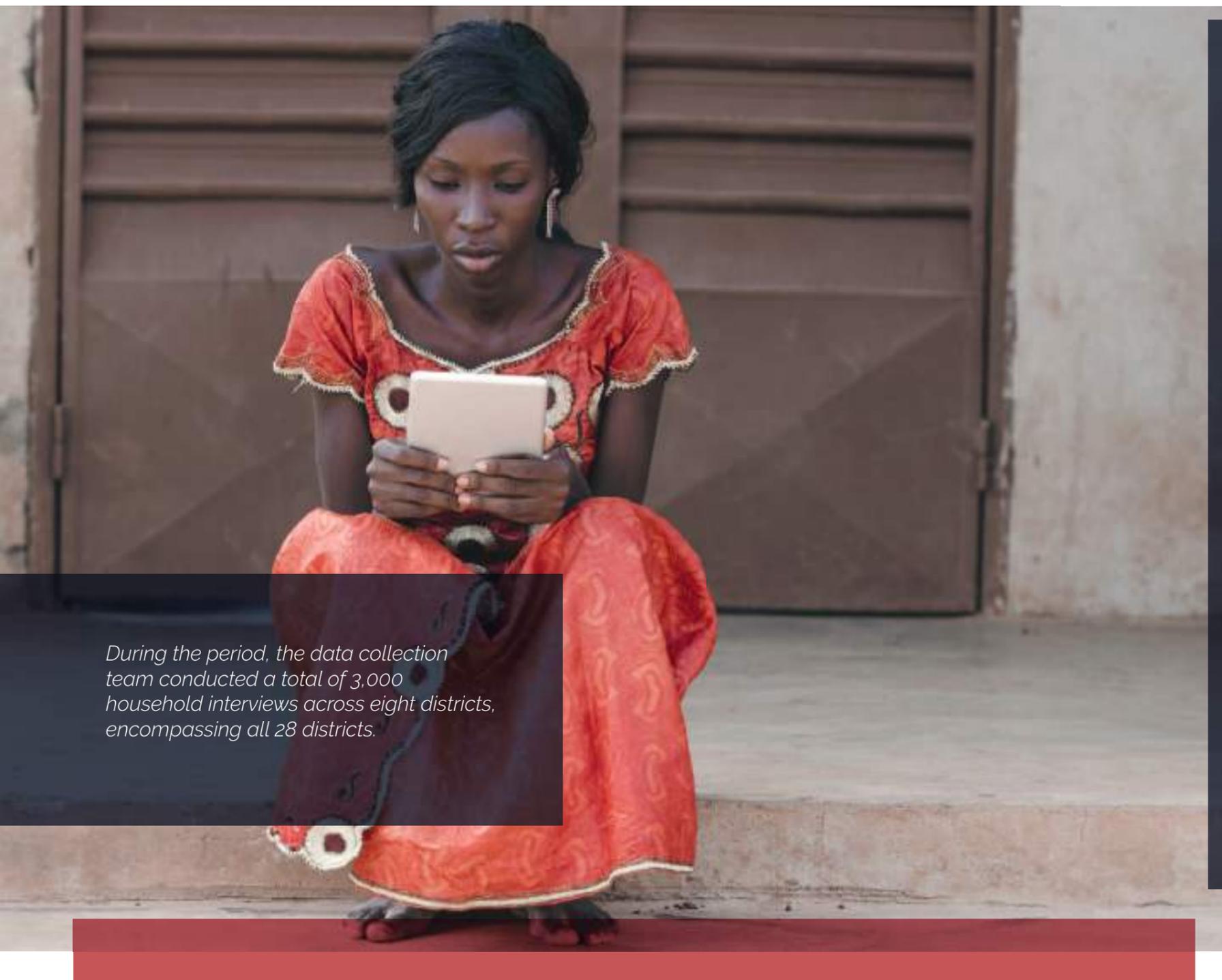
- It is noteworthy that the sample for 2023 purposefully has more households than the sample for 2014 to accommodate better data and sub-national analysis. The distribution of the sample in each region, segmented into urban and rural areas, is shown in Table 2.

Region	Rural	Urban	Total
Northern	376	128	504
Central	928	304	1,232
Southern	976	288	1,264
<b>Total</b>	<b>2,280</b>	<b>720</b>	<b>3,000</b>

Table 2: Regional distribution of sample EAs per stratum

The allocation was further divided into 28 districts to ensure comprehensive coverage. Variables such as the Traditional Authorities (TAs) and the EA number were used as implicit stratification variables to improve the representativeness of the sample.

The appropriate methodology, according to sampling theory, was followed to calculate the weights.



*During the period, the data collection team conducted a total of 3,000 household interviews across eight districts, encompassing all 28 districts.*

## Questionnaire design

FMT developed a new draft of the consumer survey questionnaire from 2014, considering the new iteration of questionnaires being deployed in the region and adding relevant modules. The draft was reviewed and updated with input from the STEs and TRC members to ensure that it was contextually appropriate and met all the objectives for the 2023 survey. The TRC approved the final version of the questionnaire for deployment. The review process aimed to ensure a high-quality and fit-for-purpose questionnaire.

The STE team, with support from NSO staff and FMT, conducted a pilot survey for household listing and sampling. The pilot test took place in four EAs, covering both rural and urban areas. A total of 50 interviews were conducted during the pilot phase.

The objectives of the pilot were to:

- Ensure that the survey team understands and can effectively implement the household selection methodology
- Evaluate the appropriateness of the questionnaire content for the Malawi context and identify any areas for improvement
- Assess the feasibility of administering the questionnaire to households and individuals, including understanding and interview duration, and identify any areas that need further modification
- Assess the enumerators' skill levels and ability to work under challenging conditions.

## Fieldwork and quality control

The fieldwork for the survey was conducted by seven teams, each comprising five enumerators and one supervisor. The teams were assigned to different regions, with two teams assigned to the Northern, Central and Southern Regions, and one team assigned to the Eastern/Lake Region. Specific districts, TAs and a selected number of EAs were allocated to each team. The final number of EAs assigned to each team

was determined after obtaining samples from the NSO, recruited from the provinces where they were to conduct the survey. During the period, a total of 3,000 household interviews were conducted by the data collection team across eight districts covering all 28 districts.

## Data submission, cleaning and weighting

After the fieldwork was completed, the data was converted to Statistical Package for Social Sciences (SPSS), cleaned and coded. A finalised dataset in SPSS format was submitted to NSO and FMT for weighting and validation. The weights were adjusted to compensate for non-response and were benchmarked against the

latest released estimates received from NSO to ensure that the final data accurately represents the adult population 16 years and older.

Chapter

# 03

**Malawi Financial Sector**



### Commercial Banks

Currently, Malawi has eight commercial banks, a decrease from 11 licensed banks in 2008.



### Banking Infrastructure

- The World Bank reports an increase in bank branches from two per 100,000 to three per 100,000.
- ATM density increased from two per 100,000 to four per 100,000.



### Bank Outreach

Bank activities tend to concentrate mostly on cities and towns, with limited outreach to rural areas.



### Challenges

Banks face challenges meeting the needs of low-income households, especially in rural markets.



### Insurance Initiatives

- Growing number of institutions offering insurance policies tailored for low-income individuals and households.
- Focus on managing health, funeral costs, and other hazards.
- However, these products are not widely available or accessible.



### Microfinance Services

- Government initiatives, such as the MoFEA's FinES Project, contribute significantly to microfinance services.
- Emphasis on credit services for individuals not typically served by the banking industry.

## Overview

Malawi currently has eight commercial banks, down from 11 licenced commercial banks in 2008. The World Bank<sup>2</sup> reports that there has been some progress in the country's banking infrastructure, with an increase in bank branches from two per 100,000 to three per 100,000 and an increase in ATM density from two per 100,000 to four per 100,000 between 2008 and 2012. However, the activities of Malawi's bank branches still have a propensity to concentrate mostly on cities and towns with very little outreach to the rural areas.

Beyond the issue of location and accessibility of bank branch operations, banks face other challenges to meet the needs of low-income households. According to the Oxford Policy Management report (2009) on the supply-side study of financial inclusion in Malawi, many banks had products that were not designed for the needs of low-income households, especially those based in rural markets.

The non-bank institutions that make up Malawi's financial industry are both private and government-owned. This comprises a variety of financial institutions that are currently under the RBM's supervision (Microfinance Act of 2010). The provision of microfinance services involves a sizable contribution from the governmental sector. Numerous government initiatives have either been registered as trusts or organisations or have kept operating as funds. These organisations mostly offer different types of credit with a focus on services offered to people who are not typically served by the banking industry. The MoFEA's Financial Inclusion and Entrepreneurship Scaling (FinES) Project, which is supported by the WB, focuses on scaling up women's and young people's businesses by providing access to funding and business support, as one example of such an endeavour.

Another group of financial service providers are the savings and credit cooperative organisations (SACCOs). There is a relatively sizable number of SACCOs in Malawi, but they are not commonly

found in local communities. A bill was passed in 2011 and signed into law, empowering the Central Bank to regulate and supervise SACCOs just like any other financial institution in Malawi. Most SACCOs in Malawi have restricted membership. For example, Mzimba Teachers SACCO's membership is limited to employees of the Ministry of Education, Science and Technology and Ministry of Health. However, there are others like the FINCOOP, which is open to any employed person and businesspeople.

A variety of unregulated or informal service providers also service the financial sector in Malawi. These include individual moneylenders (Katapila), village-based savings and loan associations (VSLAs), and rotating savings and credit associations (ROSCAs). The latter is where small groups of people regularly save tiny amounts, with each member receiving a lump sum payout at some point in the cycle. VSLAs are a common intervention used to boost neighbourhood financial intermediation. According to the Impact of VSLA report<sup>3</sup>, "there was a positive and significant intent-to-treat effect on the number of meals consumed per day, total household consumption and number of rooms in the dwelling over two years". This effect is linked to an increase in savings and credit obtained through the VSLAs, which has led to increased agricultural investments.

Eight general insurers, and six life insurance companies, along with several brokers and other agents constitute Malawi's insurance market. However, insurance services in Malawi are still underdeveloped in terms of product range, primarily catering to a limited segment of the population. Insurance products mainly serve individuals with substantial assets or high disposable incomes. Although there is a growing number of institutions offering insurance policies tailored to assist low-income people and households in managing health, funeral costs, and other hazards, these products are not yet widely available or accessible.

# 03

## Malawi Financial Sector

## Other financial services initiatives

Since 2014, the payment system landscape in Malawi has undergone a significant change with the introduction and quick expansion of mobile money services. The traditional banking system's dominance over payment systems has been challenged by the introduction of new transaction methods through these services. This section will examine and compare the current payment systems in Malawi, with a focus on conventional banks and mobile money services.

## Banking payments system

Traditional banks remain a crucial component of Malawi's financial system, even today. However, access to banking services has been limited due to several challenges, including geographical constraints as most bank branches are in urban areas, as well as high transaction fees and the nature of the banking system, which involves lengthy paperwork processes that cause delays for customers. Nonetheless, the banking payment landscape in Malawi has evolved significantly over time, with traditional methods co-existing alongside digital alternatives, like electronic wallets among others. Despite cash dominating daily transactions, digital payment systems such as Internet banking, ATMs and POS terminals are gaining momentum.

At the end of March 2023, the National Payments System (NPS) 2023 first quarter report showed a decrease in the volume and value of transactions conducted through Internet banking platforms by 5% in volume, totalling 1.1 million, and 13% in value amounting to K1.5 trillion, compared to the fourth quarter of 2022. The report suggests that businesses are the primary users of

Internet banking, indicating a need to make Internet banking services more accessible to a broader population of individuals.

Compared to the fourth quarter of 2022, the volume and value of ATM transactions processed by the National Switch in the first quarter of 2023 decreased by 6.9% and 6.7%, respectively. However, ATM transactions still accounted for 28% of the total volume and 22% of the total value of all transactions processed through the National Switch. This demonstrates that despite the decline, ATM transactions remain a crucial component of the financial system.

Users of POS machines, regardless of the bank operating them, are increasing. In the first quarter of 2023, the volume of POS transactions processed through the National Switch increased by 10%, reaching 902,786, while the value of transactions decreased by 1%, totalling K31 billion. This accounts for 63% of the total volume and 67% of the total value of all POS transactions processed by the industry during the same period.

## Mobile money payments system

The introduction of mobile technology has completely changed how financial transactions are carried out in Malawi. Telecommunications companies have partnered with local financial institutions to introduce mobile money platforms as an alternate payment method. Customers can now create virtual wallets on their mobile phones, which enables them to transfer money, make payments, and access other financial services. According to the National Payments System (NPS) 2023 first quarter report, the mobile money switch processed a total of 1.4 million transactions, valued at K10.6 billion, during the review period. This represents a 2% increase in the volume of transactions and a 12% increase in the corresponding value. These transactions were

processed across the two mobile money platforms, TNM Mpamba and Airtel Money.

In total, mobile money platforms accounted for 40% of the total number of transactions, but only 5% of the total transaction value during the review period. This indicates that mobile money platforms are becoming increasingly popular, but they typically handle smaller transactions than Internet banking channels. As a result, they serve more individuals than corporations.

With the overview of the financial sector discussed in the previous section, the next chapter provides the demographic profile of Malawians.

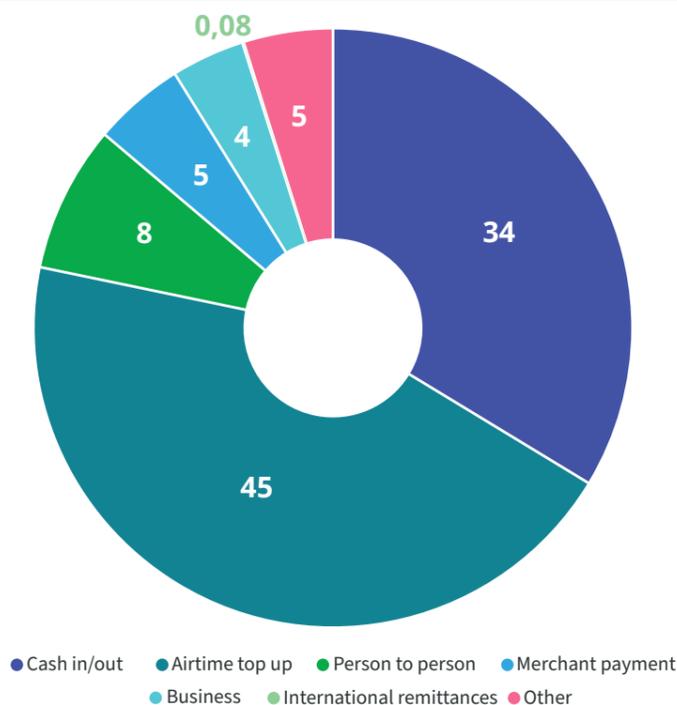


Figure 2: Mobile money transaction types

Source: National Payments report- Q1:2023

Chapter

# 04

**Demographic Profile**

The demographic profile in the survey is a crucial component for understanding the behaviours and financial needs of consumers. In addition to individual-level data, the FinScope survey also includes household information, offering insights into the financial landscape at the household level. It focuses on individuals aged 16 years and above and includes information on gender distribution, location, livelihoods and levels of education. In relation to household conditions, results are presented on access to amenities.

### Demographic and household characteristics

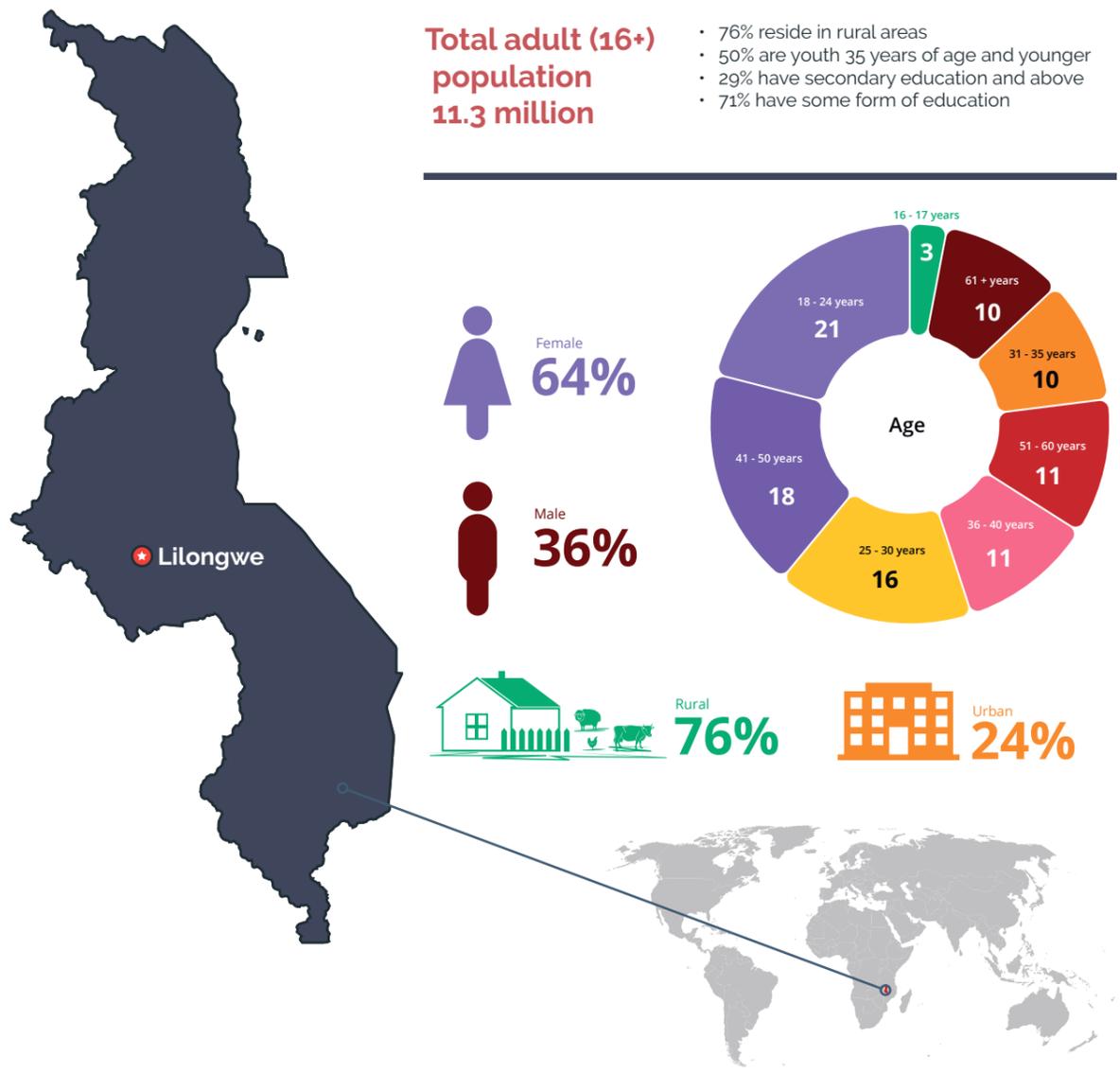


Figure 3: Demographic profile

Table 3 provides a comprehensive overview of the demographic profile of the adult population in Malawi. This information can be used to identify the specific financial consumer education requirements of different groups, including factors like gender, age and education level. The demographic profile is a valuable tool for tailoring financial education programmes to the specific needs of the population. The data shows a significant difference in educational achievement between urban and rural areas,

with 58% of adults in urban areas having secondary or higher education, compared to only 25% in rural areas. Furthermore, there is a slight gender distribution difference across locations, with urban areas having a slightly higher proportion of females. The youth and middle-aged population often migrate to urban areas to find better employment and economic opportunities.

Region	Total 2023	Total 2014	Urban 2023	Rural 2023
Total adult population	11,352,762	8,025,052	3,044,641	8,308,121
<b>Sex</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Male	36	43	33	37
Female	64	57	67	63
<b>Age</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
16-17	3	4	4	3
18-24	21	23	20	22
25-30	16	17	18	15
31-35	10	14	11	10
36-40	11	11	13	10
41-50	18	14	18	18
51-60	11	9	9	11
61+	10	8	7	11
<b>Education level</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
No formal education	9	15	3	10
Primary (1-5)	17	30	12	31
Primary (6-8)	35	31	27	34
Secondary (1-2)	11	11	13	10
Secondary (3-4)	14	10	28	12
Vocational/specialised training	1	2	4	1
University/tertiary	3	1	13	2

Table 2: Sex, age and education

### Demographic Profile

# 04

## Livelihoods (income sources)

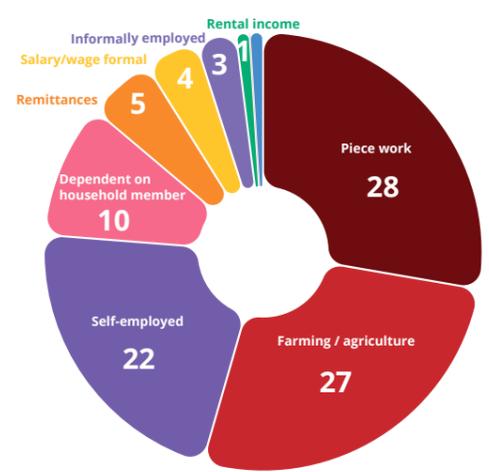
According to the data, a large proportion of the population in Malawi work in the informal sector, with the majority engaged in low-paying jobs (58%) such as piece jobs (28%), farming (27%) and informal employment (3%).

A significant proportion of the population relies on assistance from their community or friends and family to meet their basic needs. Other than farming, 22% of adults earn an income from

informal businesses. Many of these businesses are small, suggesting a need for financial products and services tailored to low-income workers. Moreover, findings show only 20% of adults in Malawi earn more than MK 50,000 (USD 43) per month. The average personal monthly income sits at USD 46.

This highlights the need for efforts to improve job opportunities and income levels, as well as support for those in need.

### Main income source



### Personal monthly income

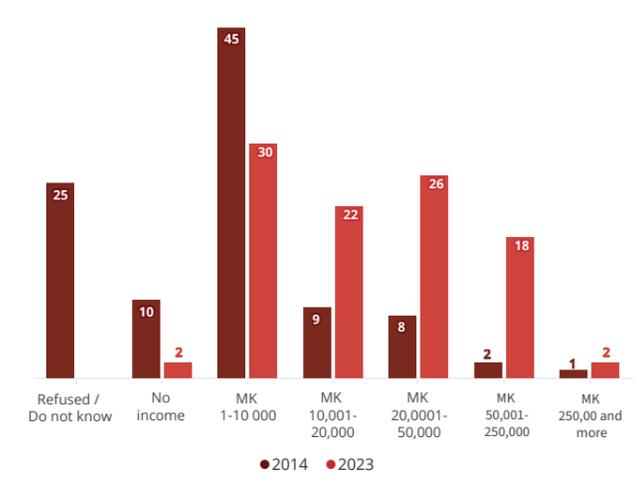


Figure 4: Main income source and personal monthly income (%)

Different target groups can be identified based on their primary source of income. This may be used to create and prioritise efforts to increase financial inclusion. Segmentation can be used to group adults by their source of income, such as government and private sector employees. This can help identify the specific needs and barriers to financial inclusion for each group. The means of subsistence for adults in rural and urban areas are different, as depicted in Figure 5. For instance, 34% of people in rural areas make a living from farming, compared to 5% of individuals in urban areas. Meanwhile, only 2% of rural adults are formally employed, compared to 10% of urban adults. These numbers show that the livelihoods of rural and urban adults differ significantly.

Moreover, a large proportion of adults (80%) in urban areas generate income in three main ways: from their businesses (self-employed), from piece jobs (ganyu), or by relying on friends and family (dependents). In rural areas, the proportion

of adults relying on friends and family is slightly lower. Further analysis of the urban population suggests that the majority of financially dependent adults are young people (aged 16 to 35 years). Many of these young adults are likely still studying and do not yet have a regular income source. They may rely on support from their families or friends or money sent from family members living in other areas (remittances).

These results imply that young individuals living in urban areas are more likely to be financially dependent. It is important to note that each main income segment has a higher proportion of young people than the general population. In addition, 53% of the urban population is made up of youth. Within the youth population, a significant proportion (the highest of all the income segments) is involved in informal employment. This suggests that young people in urban areas face challenges in finding stable and secure employment.

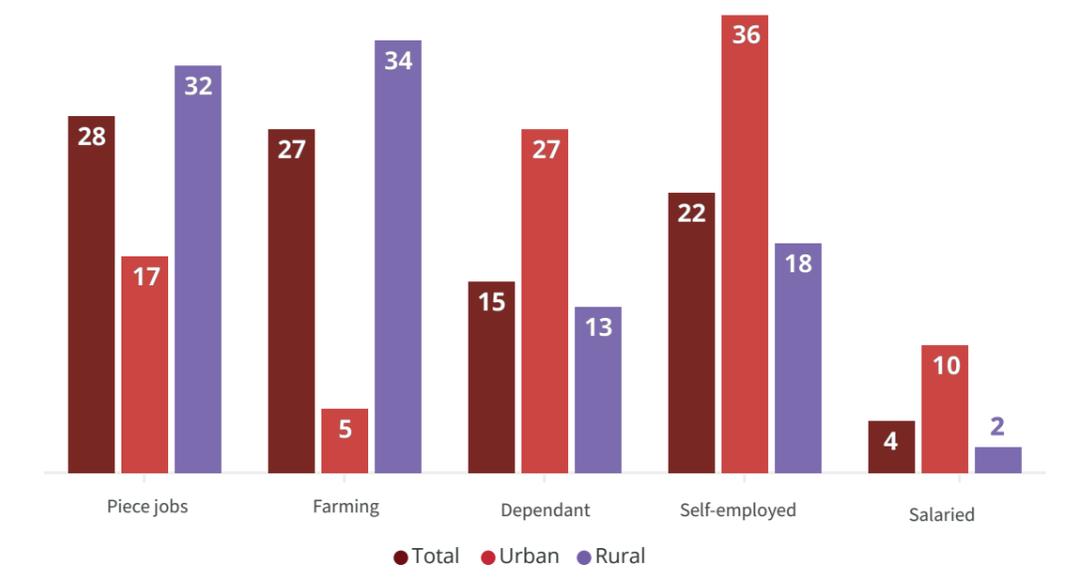


Figure 5: Target groups by location (%)

## Farming

Agriculture is one of the most popular livelihood sources for Malawian households (82%). For many of these households (97%), farming is mostly for consumption and to supplement other income with 3% being fully commercial farmers. This indicates that agriculture plays a crucial role in the sustenance of livelihoods. On the positive side, a sizeable portion of farmers consume and sell their produce (52%), allowing them to use the proceeds to increase household earnings. Achieving higher yields in meaningful agricultural production could lead to an increase in the number of households engaged in commercial agriculture.

Farmers can benefit from higher productivity, which can help generate enough income to meet their household needs without relying on subsistence farming. This could enable more farmers to produce exclusively for sale, leading to higher incomes and improved standard of living. By creating a strategic value chain ecosystem and offering appropriate financial services, it is possible

to improve the contribution of the sector to enhance sustainable livelihoods. This can be achieved by increasing farm outputs and incomes, as well as creating additional employment opportunities. Such efforts can have a significant impact on the economy and improve the quality of life for individuals.

By giving farmers access to agricultural financing, financial institutions may significantly improve their quality of life. Farmers can optimise their farm operations, insure against risk, and raise their income with the aid of financial tools like loans and crop insurance. Additionally, financial institutions can play a vital role in ensuring that these farmers have access to other essential financial services, such as insurance, which can shield them from the risks associated with farming. These services could prove particularly valuable for the farming communities in the central and southern regions.

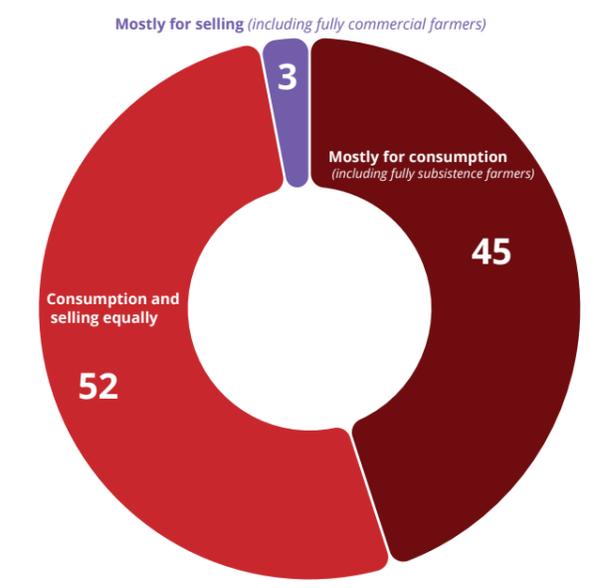


Figure 6: Household involvement in farming (%)

There are significant regional differences in the extent to which farming is used as a source of income. For example, there are higher proportions of households in the central and southern regions which are subsistence farmers. This indicates that these regions face different challenges concerning agricultural livelihoods households compared to the northern region.

## Size, scope and formality of businesses

Although the FinScope Consumer 2023 survey was not designed to measure the number of micro-enterprises or small and medium enterprises, it did gather data on adults who own businesses or are self-employed. It is noteworthy that this significantly biases the data towards household-based businesses and survivalist entrepreneurs, which are mostly micro in size, with very few small or medium-sized businesses (if any).

This section presents an analysis of the adults who are self-employed and derive their primary or secondary income from their businesses, constituting 54% of the adult population. Figure 7 illustrates the sector's contribution to livelihoods.

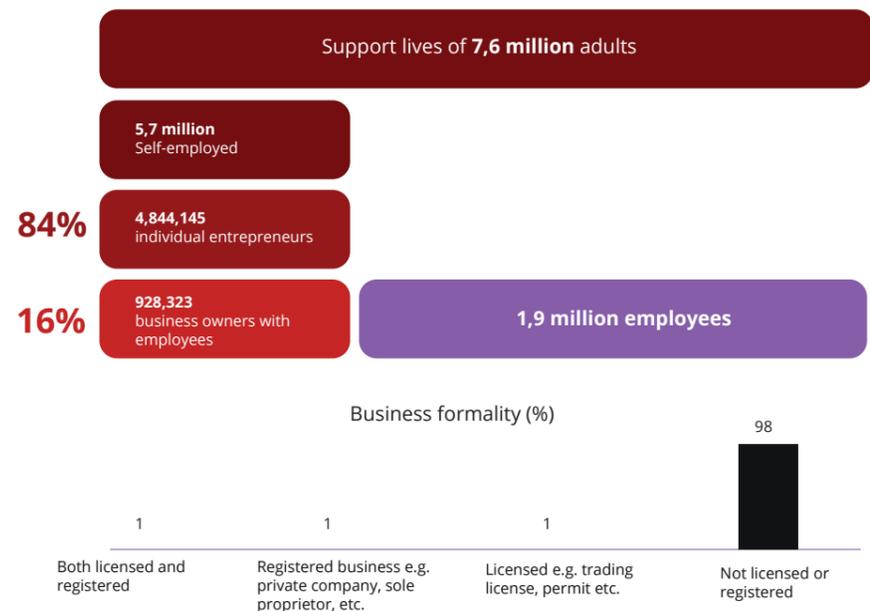


Figure 7: Size, scope and formality of businesses

The 5.7 million self-employed adults employ about 1.9 million employees, which is a significant contribution to job creation in the country (amounting to 7.6 million adults). Three in five entrepreneurs engage in agriculture-related activities, such as livestock and agriculture farming, selling farm products, and selling products collected from nature, and 24% engage in wholesale and retail businesses.

While the secondary and tertiary sectors, such as manufacturing, have only a small share of business activity, they play a crucial role in supporting the primary sector, which is in the initial stages of development. This

suggests that there is potential for the secondary and tertiary sectors to grow and diversify the country's economy.

Small enterprises are frequently confronted with a variety of difficulties, including restricted access to funding, a lack of certain skills, and trouble accessing markets, even though they have the potential to eliminate poverty and vulnerability. It might be possible to encourage the expansion and prosperity of small enterprises by recognising these issues, which might result in better outcomes for society as a whole.

## Sustainable Development Goals (SDGs)

Beyond demographic information and livelihoods, it is also important to consider the realities of everyday life, including access to basic amenities and infrastructure, as well as wealth profiles. These factors can have a significant impact on the quality of life and opportunities available to individuals and households. The availability of basic amenities and infrastructure, as well as an individual's economic situation, can have a direct impact on their ability to access and use financial services. In many cases, those who lack access to these basic needs may not have the means to take advantage of financial services, even if they were available. This highlights the need for a comprehensive approach that addresses both the lack of access to basic needs and the availability of financial services.

The report highlights the link between financial inclusion and achieving the SDGs, such as reducing poverty. Digital financial payment products, like mobile phones linked to a bank or mobile money account, have played a significant role in increasing financial inclusion and reducing the chance of incurring heavy debts during a crisis from which they are unable to recover. For example, a study of a mobile-based money platform, M-Pesa in Kenya, has helped users to receive remittances when facing financial shocks such as job loss.

## Access to basic amenities

According to the survey data, the central and southern regions have below-average access to tap and piped water. The data shows that the northern region has the highest level of access to piped water, at 37% as shown in Figure 8. This indicates a clear need to improve access to water in all regions, with particular focus on the regions with the lowest levels of access. Overall, the data shows that there has been a significant increase in access to water for both urban and rural households since 2014.

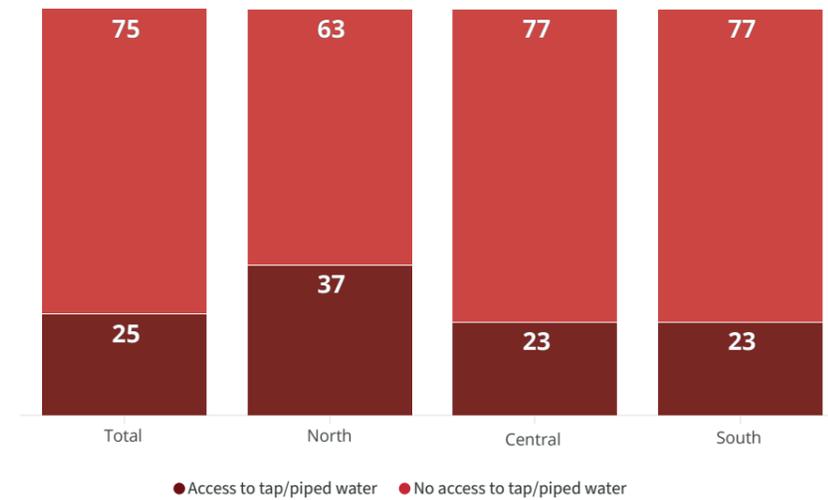


Figure 8: Access to piped water by province (%)

Only 5% of Malawian households have access to flush toilets, which shows that the majority of people lack access to adequate sanitation facilities. The increase in access to electricity has been more modest over the same period, largely skewed towards urban areas. Despite the improvements, access to electricity remains low overall, with only 31% of all households having access to electricity in 2023, up from 10% in 2014.

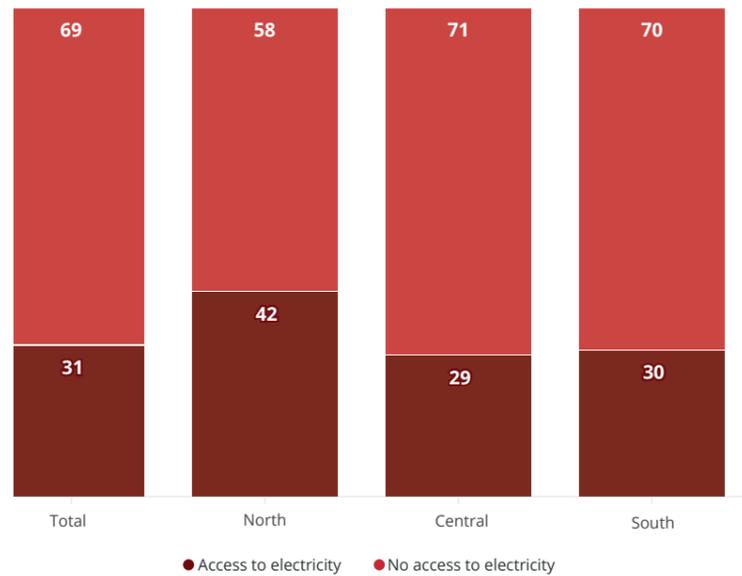


Figure 9: Access to electricity

### Assets ownership

There are various types of poverty, and ending hereditary poverty can be particularly challenging. However, giving low-income people the chance to own assets, including land or livestock, can raise their standard of living significantly. Over the period 2014 to 2023, the types of assets owned by households in Malawi have shifted significantly. There has been an increase in basic and average assets, such as mobile phones and televisions, while there has been a decrease in high-net-worth assets like cars. This shift may be the result of a change in income levels, or other factors such as the availability of credit.

The contrast shown in Figure 10 between urban and rural households, in terms of the assets they own, is quite significant. Urban households have greater access to assets like cars and computers, whereas rural households tend to possess fewer of these higher-value assets. However, mobile phones are one area where both groups have relatively high ownership levels. This suggests that mobile phones may be considered an essential asset for both groups, regardless of income levels.

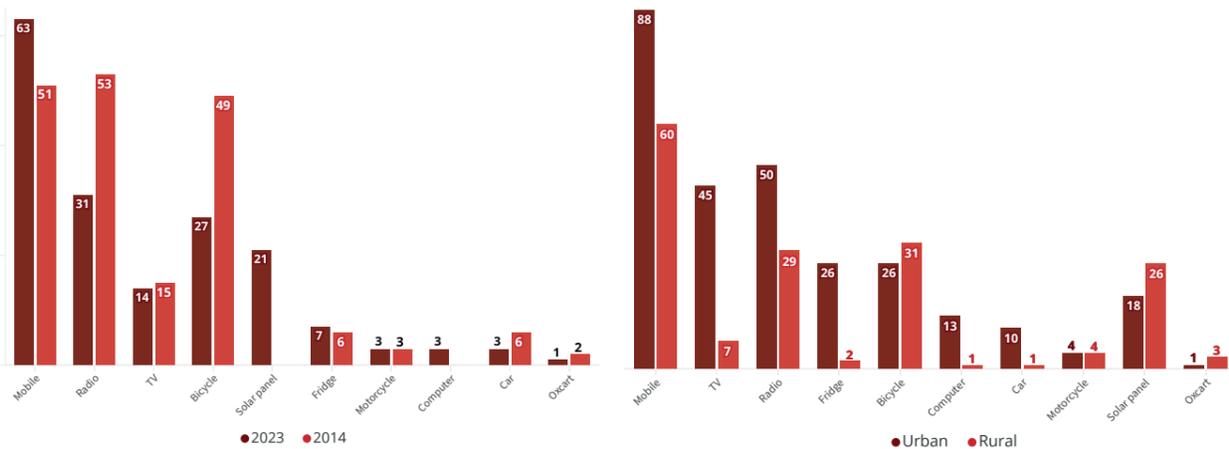


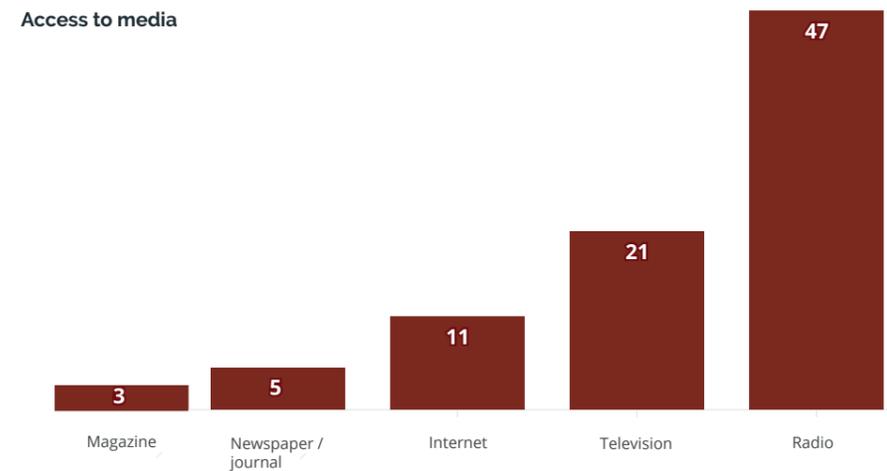
Figure 10: Asset ownership (%)

### Information access and connectivity

Mobile-based financial services have the potential to improve financial inclusion, particularly in rural areas where traditional banking services may be limited. However, the lack of affordable phones and reliable telephonic service can prevent people from accessing these services. This highlights the need to address the underlying infrastructure challenges to fully realise the potential of mobile-based financial services.

or smartphones, using traditional media platforms can be an effective way to share information and reach a wider audience. Although there has been an increase in the number of adults using the internet, this figure may be somewhat inflated due to a lack of understanding about the distinction between internet access and access to data or social media bundles. Therefore, it is important to consider this potential bias when interpreting the data.

The use of media platforms like the radio and television is generally low, as shown in Figure 11. These platforms have the potential to reach a large audience with important messages. Since many people do not have access to the internet



#### Communication device usage / ownership (%)

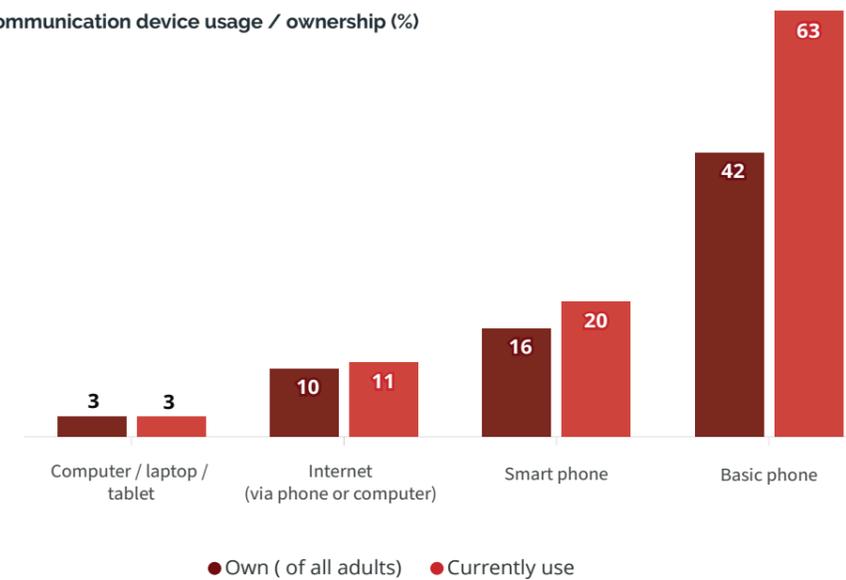


Figure 11: Access and usage of communication media in past month (%)

Chapter

**05**

**Financial Capability**

This report describes financial capability as the capacity of an individual or household to adequately manage their finances, make sound financial decisions, and have access to and utilise financial products and services to improve their economic well-being. Financial inclusion is crucial for decreasing poverty, fostering economic growth, and attaining sustainable development, with financial capability being a key component of this process.

The variables that constitute financially capable behaviour will, to some extent, vary according to an individual's circumstances, which include the knowledge and ability to make the choice. Therefore, a clear understanding of the financial needs of the person, the personal circumstances at the time, and the factors that drive or inhibit the consumers' financial well-being and resilience is critical. The report explores the findings related to key financial capability dimensions by examining the following:

- Managing money – or making ends meet. This dimension assesses consumers' ability to manage their personal and household finances to meet their financial obligations.
- Planning for the future – looks at

budgeting, savings, investments and insurance. It assesses Malawian's attitudes, knowledge and behaviours as it relates to personal financial planning and goal setting.

- Understanding and use of financial products – This relates directly to how people are using financial products and services to manage their finances. It also provides insight into behaviour as it relates to the selection of financial products and services to meet one's financial needs.
- Financial decision-making – refers to an individual's ability to apply the knowledge to make well-informed financial decisions. This dimension speaks to financial knowledge and awareness.

In the next chapter, other dimensions such as financial access and usage, debt management, saving and investment, risk mitigation and resilience will be explored. Additionally, aspects such as consumer rights and protection as well as financial literacy, will be examined in greater detail in the Household Financial Literacy and Capability Survey 2023.

## In March 2023, the Governor of the Reserve Bank of Malawi while hosting AFI convergence working groups, had the following opening remarks.

The Reserve Bank, in collaboration with key stakeholders, has been spearheading the implementation of the National Financial Literacy Program since 2012, aiming to foster financial literacy nationwide through targeted initiatives for diverse population.

In line with our Maya Declaration Commitments and other subsequent commitments, the Reserve Bank, in collaboration with other key stakeholders, is championing and coordinating the implementation of the country's National Financial Literacy Program whose main objective is to build a financially literate nation and ensure that all members of the population have access to and are using relevant financial services and products. Accordingly, since 2012 the Bank has, in collaboration with key stakeholders including financial industry associations, Government line ministries, civil society organisations and development partners, been coordinating the

implementation of various financial literacy initiatives targeting different segments of the population. These include targeted financial literacy programs for Micro Small and Medium Enterprises (MSMEs), farmers, the youth, women and members of Village Savings and Loan Associations (VSLAs). Further, the Bank has been implementing targeted financial literacy awareness weeks focusing on different financial literacy topical issues, i.e. insurance, credit management, pension, and investor education topics, among others.

Another milestone as far as financial literacy is concerned, is the integration of financial literacy in the Malawi National Secondary School Curriculum which was rolled out in September 2015. The country's financial literacy strategy is undergoing a review, and a copy will soon be shared with various jurisdictions for peer review.

## Findings on financial capability dimensions

### Meeting financial obligations

The measurement of financial capability considers a person's ability to meet their financial demands or those of their household. The aptitude to 'make ends meet' is another way to describe it. In Malawi, one in every three (34%) adults has found it very difficult to keep up with financial commitments, and a further 54% have found it difficult. This totals four in five adults, compounded by the highly irregular low-income earnings for most farmers and informally employed adults.

Figure 12 shows that only one in ten adults find it easy to keep up with financial commitments. The role of financial education is still very prominent in ensuring adults are using the right tools to keep up with financial commitments.

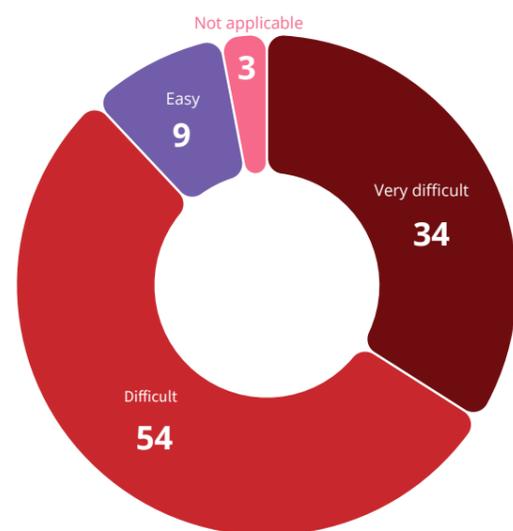


Figure 12: Difficulty in keeping up with financial commitments (%)



In 2023, only 52% of adults will have gone without money or income, down from 82% in 2014. According to the findings in section 4, a sizable portion of adults are primarily dependents (comprising mostly of youth and women). The next section covers the function of financial inclusion and remittances as a way of coping during the economic downturn.

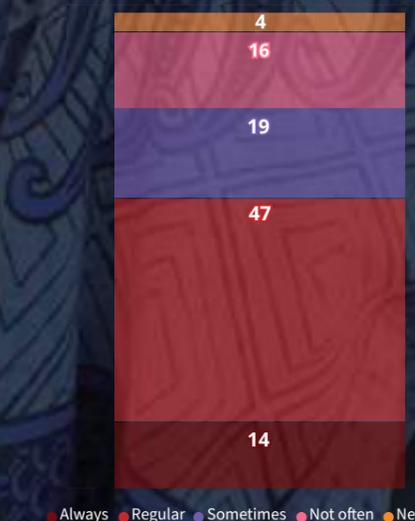


Figure 13: Frequency of running out of funds before next income (%)

## Planning for the future

The planning dimension (planned and unplanned) covers an individual's preparedness for upcoming events or occurrences. Examples include anticipated events, financial plans for individuals, and strategies to cover retiree expenses.

One in every three adults does not know how they will be meeting their expenses in their old age, as illustrated in Figure 14. Most adults (44%) rely on their investments and savings to cover expenses, while only about a quarter of adults plan to rely on family or friends. The latter is common in lower-income households, where the youth are expected to take care of their seniors financially.

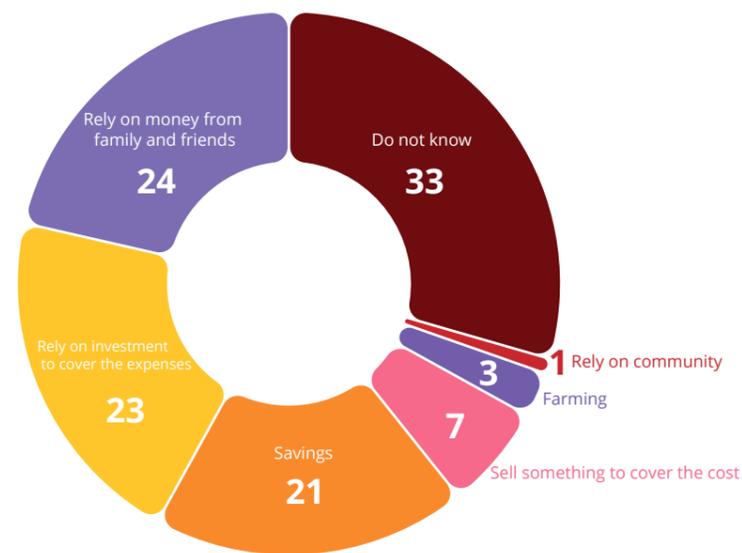


Figure 14: Plan to cover old age expenses (%)

Additionally, rainy day savings are essential to cover unforeseen immediate needs. However, only two out of five adults have a rainy-day reserve. It is evident that for most adults, covering more immediate and short-term expenses takes precedence over long-term planning.

## Budget and planning

The survey evaluated several aspects of respondents' attitudes and behaviours related to future planning. Keeping a record of one's income and expenses is the first step in any planning process, as discussed earlier.

This practice is fundamental to understanding one's financial situation, allocating resources for necessities, saving and investing, and safeguarding oneself from risks. Consequently, setting a budget is a crucial discipline. To live within their means and feel in charge of their financial lives, people need to be able to manage their spending and create an effective budget.



Figure 15: Planning and tracking (%)

While half of adults set spending goals or budgets (as shown in Figure 15), 59% frequently end up spending more than they intended, pointing to the challenges posed by a tough economy and rising commodity prices. When income is insufficient to cover expenses until the next earning period – 80% of individuals run out of money before their next pay period – managing finances can be challenging, even for those who have the self-control to implement financial planning and budgeting. This situation is symptomatic of a population that is mostly struggling financially.





## Financial decision-making

In some societies, women and youth are involved in discussions around household budgets. Financial education experts encourage these types of conversations within households to create a greater understanding among youth of the challenges involved in managing finances, and the importance of having a budget, savings, and managing risks. Almost all adult individuals in Malawi have control over their money with only 4% having no control over how their money is spent. There are minimal differences between males and females with 5% of females not having control over their finances versus 2% of males.

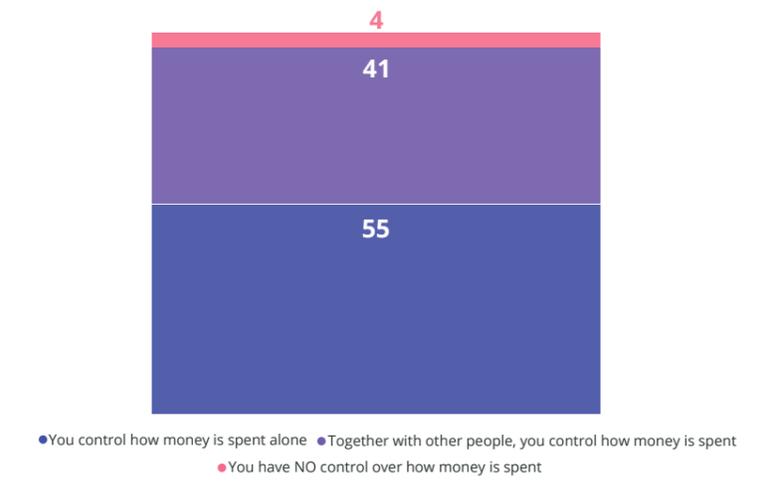


Figure 16: Level of control over own money (%)

## Accessing information and sources of financial information

Since information aids in decision-making, the study inquired about sources of information regarding financial products and services, as well as how to obtain it when needed to make wiser choices. Despite professional counsel being more reliable and the fact that consumers need financial knowledge on money management issues, Figure 17 reveals

that only 67% of adults claim they do not seek financial assistance from anybody and that only 2% do so from professionals. Most people requiring financial guidance consult a spouse, partner, member of their family, or a friend. While this is typical, it could impact the quality of the information provided, which influences decision-making.

About 85% of adults expressed that they needed more information about money management. The most common aspects of managing money required were about saving (60%), investing (42%) and budgeting (40%). The latter is in line with the findings earlier as half of the adults budgeted or planned their expenditure. One in five adults (21%) needed more information on how to obtain a loan as illustrated in Figure 18.

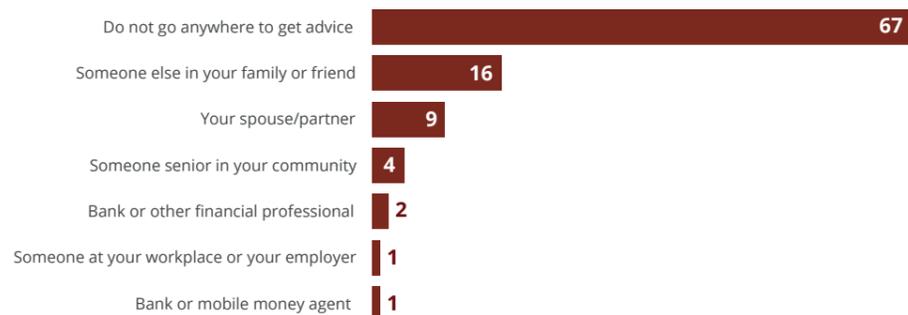


Figure 17: Source of financial information(%)

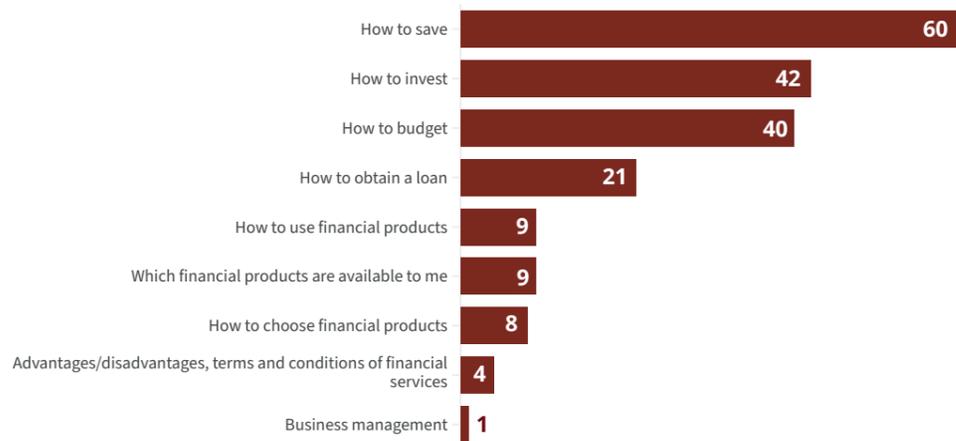
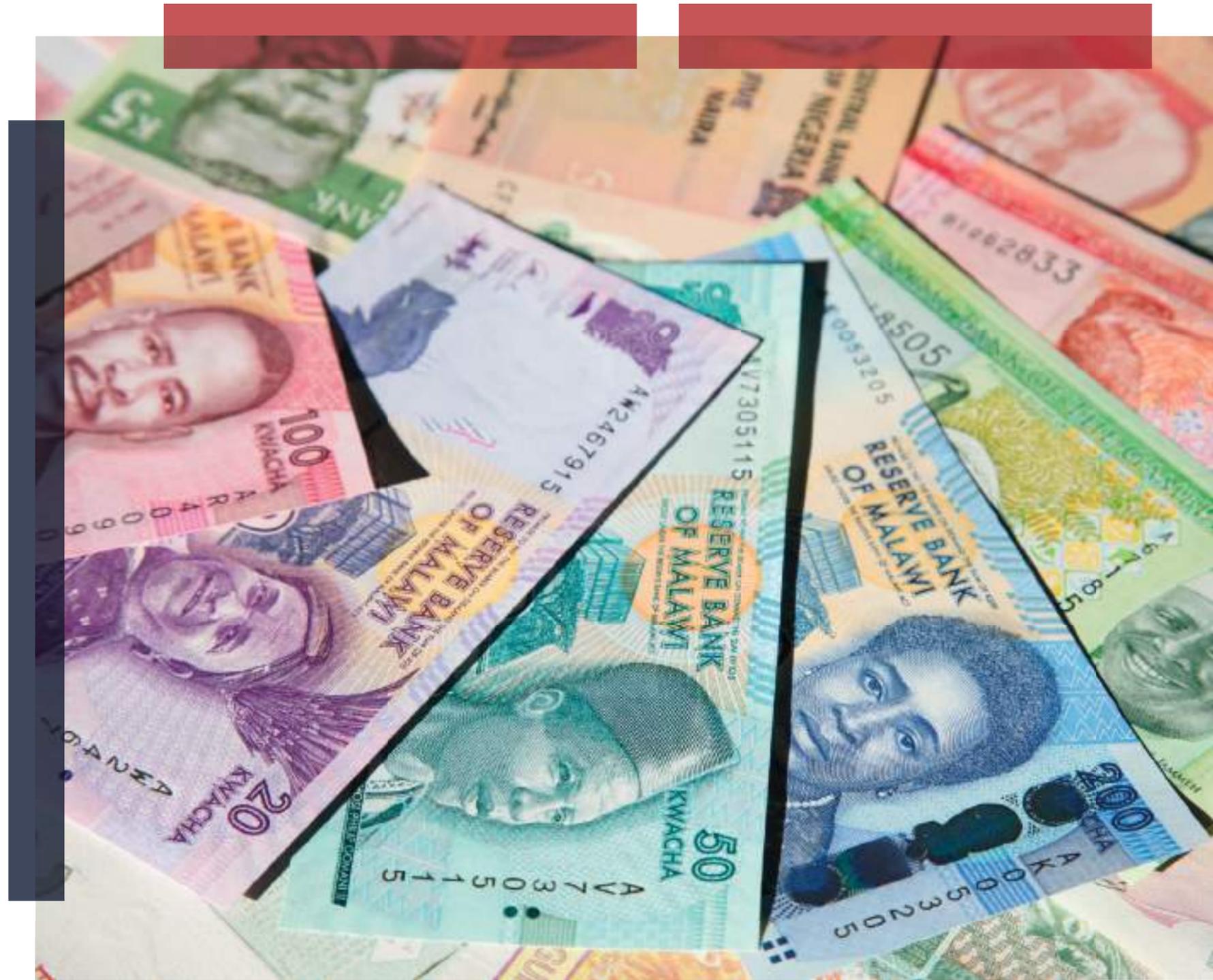


Figure 18: Information required (%)



Chapter

# 06

**Financial services product  
uptake and usage**

# 06

## Financial services product uptake

Malawi has demonstrated its commitment to promoting financial inclusion and prioritising this agenda, with the Reserve Bank of Malawi at the forefront. Several policy measures have been implemented, targeted at bringing the excluded and unbanked from the informal financial sector to the formal sector. These initiatives are crucial aspects of the National Strategy for Financial Inclusion II, designed to promote an inclusive financial system in the country.

Generally, Malawi's National Strategy for Financial Inclusion supports the agenda of increasing the availability of affordable and quality financial services that are provided by sound, responsible, and innovative financial institutions to the populace (AFI, 2023). The targets set out in the second iteration of the strategy were to achieve 55% formal inclusion and reduce exclusion to 26% by 2020. The report delves into financial access by first expanding on the measurement of financial inclusion.

Financial inclusion has to take into consideration the dynamic nature of the Malawian market and consumers. Thus, the FinScope analytical framework assesses both formal product usage through commercially recognised banks and other formal (non-bank) financial institutions such as mobile money, insurance companies and retail providers, and informal usages such as savings groups (chipeleganyu), burial societies, and other. As depicted in Figure 19, the term financially included or served

refers to the percentage of adults that have or use financial products (both formal and informal financial mechanisms) to manage their financial lives. Financial exclusion refers to those individuals who do not use any financial product or service, including those who voluntarily choose not to. Those who do not access or use any products and services are considered to be financially excluded.

Consistent with the 2008 and 2014 scope, this study focuses on four types of financial services:

- Transactions (e.g. deposits and withdrawals) and remittances (sending and receiving money)
- Savings/investment
- Credit
- Insurance

Each of these services is provided to varying degrees by the banks, other formal institutions (non-banks) such as micro-institutions or mobile money, and or informal service providers. Formal financial service providers tend to offer specialised services such as credit, insurance, pension schemes, and others.

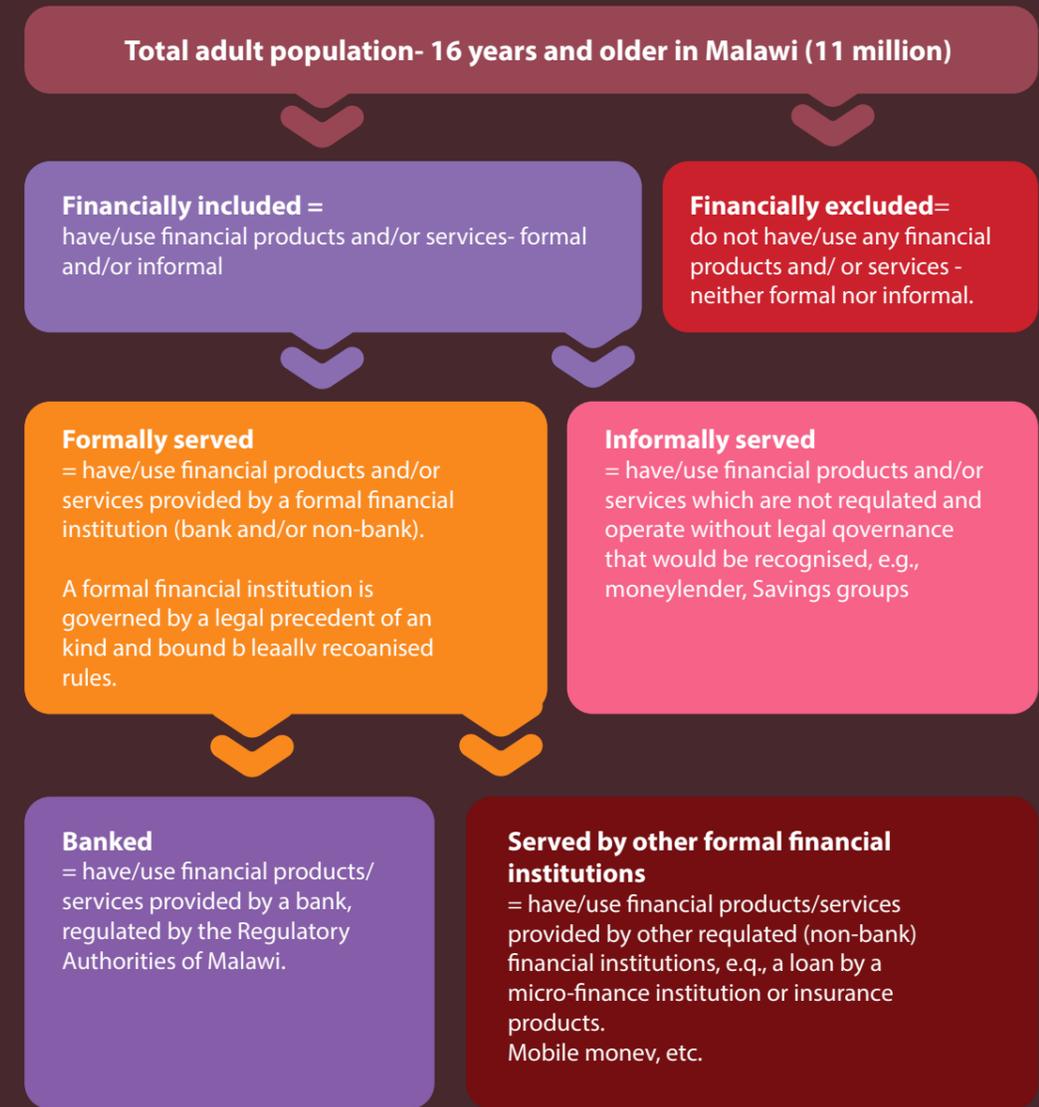


Figure 19: Financial inclusion framework



### Unpacking financial access

The targets of reducing financial exclusion to 21% and increasing formally served adults to 55% by 2020 were achieved. The study reveals that financial exclusion has decreased to 12%, and the proportion of formally served adults has increased to 74% in 2023. Due to the population increase of about 3.3 million adults since 2014, this represents an even larger proportion in the absolute number of adults who are formally served. As shown in Figure 20, the proportion of the financially included adult population has been increasing over the past few years.

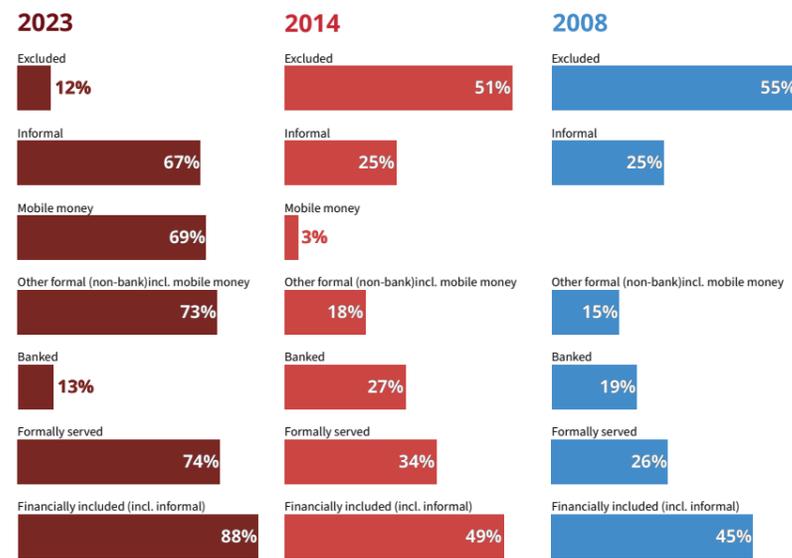


Figure 20: Financial product uptake - overall (%)

Financial inclusion increased from 45% in 2008 to 49% in 2014. In 2023, it increased to 88%. This represents about 9.8 million financially included adults, which is more than the total adult population in 2014 of approximately 8.08 million adults. The formally served adults increased from 26% in 2008 to 34% in 2014. Presently, this figure sits at 74% in 2023. This is one percentage point short of reaching the NSFII set target of 75% of adults using formal products or services by the year 2027 (AFI, 2023).

Despite the increase in the formally served population, the proportion of banked adults has dropped by 14 percentage points between 2014 and 2023, reaching 13% in 2023. However, in terms of the absolute population, this drop accounts for about 700,000 adults. The banking figures are expanded on in section 6.4. The uptake of mobile money plays a key role in increasing financial inclusion, increasing from only 3% in 2014 to 69% in 2023. The total number of excluded adults sits at 1,469,736 (12%).

Other formal (non-bank) financial services cover a broad range of services, including microfinance, mobile money operators, insurance companies, pension funds, money transfer agencies, and others. There was a significant increase of 55 percentage points from 18% in 2014 to 73% in 2023, largely attributed to adults using mobile money. The uptake of MFIs is also increasing with 4% of adults (just under 500,000 adults) using these institutions.

The informal service sector forms a critical part of household financial access, linked to the savings and credit group, burial societies, and similar. Usage or uptake of informal mechanisms almost tripled that of 2014 and 2008. Uptake and usage of formal products and services have mainly contributed to the reduction of financially excluded adults in 2023. However, these adults may be borrowing from friends and family, saving at home or remitting funds through a friend or family member.

## Malawi Financial Access Strand

The Financial Access Strand (FAS) is one of the main metrics used in FinScope surveys. According to Figure 21, FAS is a tool or indicator that divides the population of a nation into four main discrete categories in this order: those who are banked, those who are formally served in other ways (other than by banks), those who are only served informally, and those who are excluded and do not use any financial services at all. The utilisation of financial services and goods that are offered on the market, both formal and informal, is demonstrated. Since there are adults who are physically, psychologically, voluntarily or circumstantially prevented from accessing such products and services, it is important to underline that those who do not use these products and services are regarded as financially excluded.

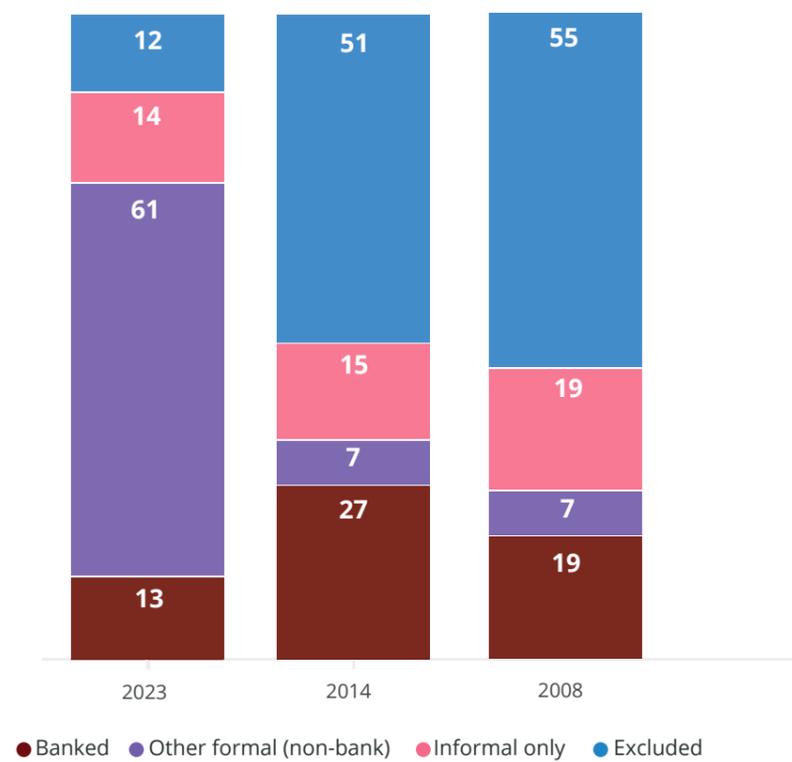


Figure 21: Malawi Financial Access Strand (%)

The FAS in Figure 22 reveals that there is a slight decline, from 15% in 2014 to 14% in 2023, of adults relying only on informal mechanisms, and who do not have, or use, any formal financial products or services to manage their finances. About 61% of adults have, or use, other formal financial products or services but are not banked (up from 7% in 2014). Mobile money providers are playing a significant role in reaching the unbanked population. These individuals may, however, also use informal financial mechanisms. While 13% of adult Malawians are banked, they may also use other formal non-bank or informal financial products or services.

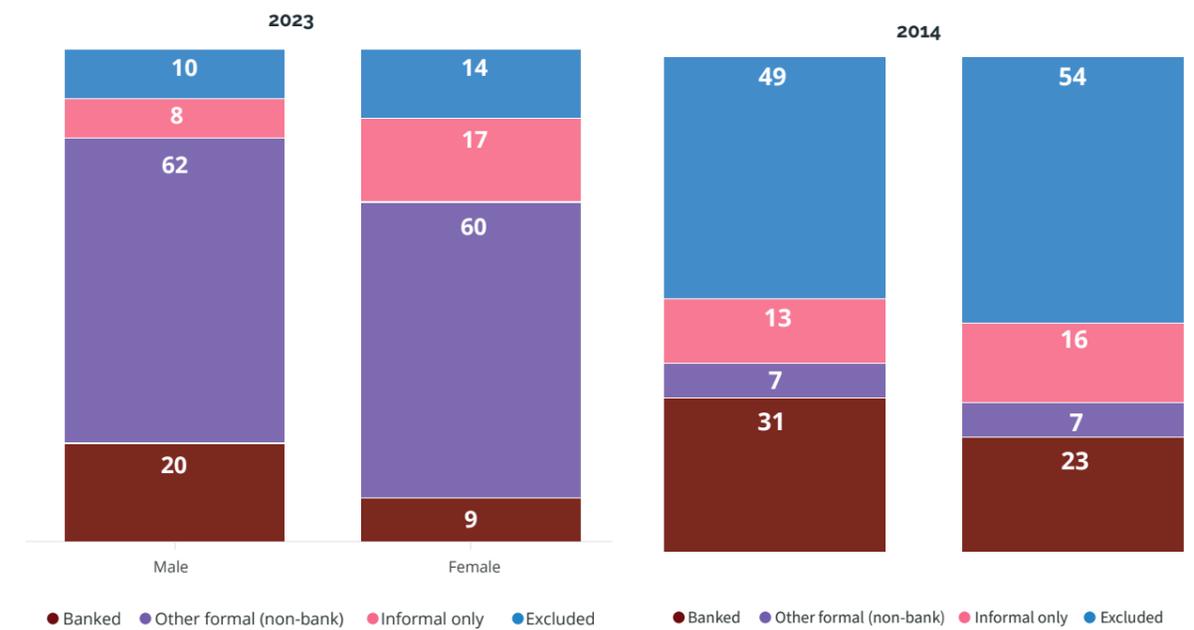


Figure 22: Financial Access Strand by sex (%)

Looking at the sex-disaggregated data between 2014 and 2023, it shows that while both males and females have more access to formal financial services, the gender gap is not closing. Both groups have a lower proportion of banked adults as well as those accessing other formal (non-bank) products in 2023. Females still show a higher dependency on informal only by double that of their male counterparts. The proportion of excluded females is still higher, compared to that of males.

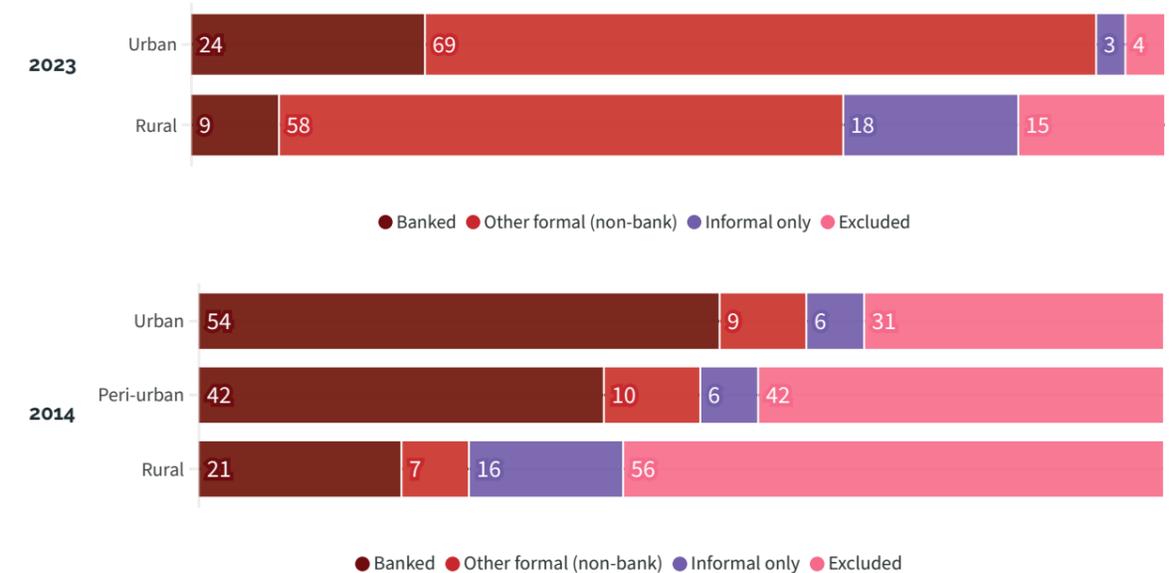


Figure 23: Financial Access Strand by location (%)

Given the infrastructure and economic disparities between urban and rural communities, inequalities in financial access based on geography seem logical. The urban-rural financial inclusion gap is observed in favour of the urban population. About 93% of adults in urban areas are formally included compared to 67% in rural areas. Financial inclusion among urban dwellers is largely driven by the usage of mobile money and bank products. Among rural households, the uptake of mobile money and informal products has been reducing the financial exclusion gap, while bank access is decreasing.

To reduce the financial inclusion gap, offering financial education, improving access to banking facilities or agents, and empowering rural households economically might improve their livelihoods. The government is encouraged to continue designing policies and infrastructure that provide an enabling environment for the private sector to innovate and expand financial services to more distant places, such as agent models that improve access.

Figure 23 shows that there are few disparities between the northern and central regions, with near identical proportions across the FAS. The southern region shows a lower uptake of other formal (non-bank) and higher proportions of adults using only informal products, which subsequently results in a higher excluded proportion of 16%, versus the 11% recorded in other regions.

Education plays a significant role in financial inclusion. Higher education levels among adults are associated with a greater likelihood of financial inclusion, which may be related to better economic prospects. Higher educational attainment increases the possibility of formal employment, successful entrepreneurship, and increased financial capability. This is supported by Figure 24, which shows that persons who have not received any formal education are more likely to be excluded, have lower formal access, and rely more heavily on informal financial products only.

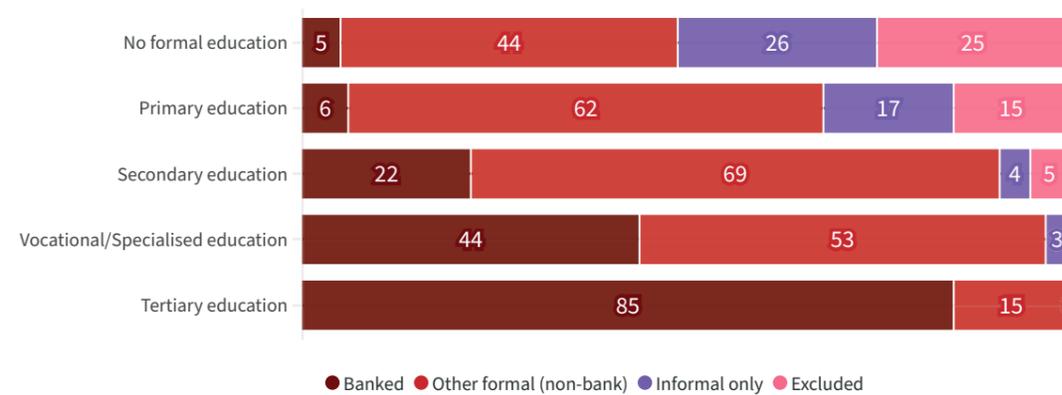


Figure 24: Financial Access Strand by level of education (%)

In line with educational attainments, the main income source target markets outlined in Figure 25 show that individuals with formal employment are fully formally included. Informal employment (ganyu and those employed domestically) shows the highest excluded rate (23%) and the lowest rate of being banked (4%). This group also has the highest dependency on informal-only products, followed by farmers. This data shows that traditionally, formally employed adults are mainly paid through banking channels, hence the higher banked proportion.

Adults engaged in MSME activities have the highest proportion of non-bank products, which is likely mobile money. The banking sector is more likely to serve adults

from the formal sector. Farmers and informally employed individuals (piece jobs) are likely to be financially excluded. Hence, offering these individuals tailor-made products such as insurance or health products can be beneficial.

Given the disparities in education, frequency and degree of income, geography, and other important variables among these target groups, a focused strategy will lead to initiatives that are likely to improve financial inclusion for each group.



Figure 25: Financial Access Strand by employment activities (%)

## Transaction usage (bank and mobile money accounts)

Access to a transactional account is the first step in broadening financial inclusion as it allows people to store money, and send and receive payments. In this report, transactional accounts are defined as those accounts offered by a bank, microfinance or mobile money services providers. The underlying proposition of a transactional account is to help account holders manage their money. It enables the account holder to deposit and withdraw cash, make digital payments to third parties, and store electronic value. In addition, an account often, but not always, supports a money management objective by enabling users to keep track of money as it moves into, and out of the account.

About 60% of Malawian adults primarily perform transactions through mobile money and or banking platforms. A negligible 1% of adults transact through MFIs. Of these, 81% use only mobile money services, 1% use banking services only, and 18% of adults use both mobile money and banking services to transact. Banking is used as an alternative to meet specific needs as it does not substitute mobile money transactions. These are mostly used in unison by those who have bank accounts. However, two in five adults do not transact through any formal platform, which makes them purely reliant on cash, as shown in Figure 26.

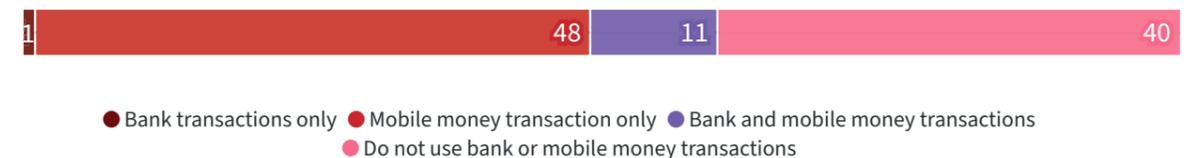


Figure 26: Transaction Strand (%)

Another dimension of transactions is digital financial services (DFS), which refers to end-to-end electronic transactions. Of those transacting (60%), three in five adults use DFS through mobile money accounts, and one in 10 perform DFS through banking. The use cases of DFS on mobile money and bank platforms are as follows:

Mobile money DFS is driven by payment of:	
Airtime	91
Utilities	25
Goods and services	15
Receiving income	12
Bank transfers	9

Bank DFS is driven by payment of:	
Receiving income (salary)	74
Insurance and pension payments	48
School fees	38
Airtime	21
Utilities	19

Table 3: Digital Financial Services usage (%)

The table above shows an interesting usage of bank versus mobile money DFS which relates to Figure 25 on FAS by main target groups. The banked are mostly salaried employees who use bank transactions and perform DFS payments specifically to receive their income and make payments towards their pensions, fees and other utilities. The purchase of airtime is more commonly performed on the mobile money platform, which is the most common transaction. It can be assumed that in the absence of inward salary payments through banking channels, almost all formally served adults would be utilising mobile money. Next, the report explores the decline in banking.

## Banking

Traditionally, the financial sector was predominantly occupied by the banks, which were brick-and-mortar establishments with few branches in rural areas, marginalising the rural and poor. With the advent of financial inclusion, MFIs were the first vehicles believed to reach the 'unbanked' population, as their products and services were adapted to a level that most banks found expensive or too risky to offer. In the present day, branchless banking has been introduced to ensure a lifeline in the retail sector as mobile money emerged. It not only met the needs of the poor and rural population but also offered more flexible services for those who were already banked. In Malawi, banks have also launched wallets to simulate the mobile money wallets, for example FDH wallet.

The findings indicate a decline in the number of adults who are banked in 2023. Table 4 compares the main banking products since 2008, but it is important to note that some products have been introduced, modified or discontinued in the retail space since then. The decline in banking can be attributed to an increase in drop-outs (adults who no longer have bank accounts) as well as the difference in methodology between 2014 and 2023 in terms of those adults who use someone else's bank account. In 2014, 7% of adults were using someone else's account, representing 24% of the banked population, which was reported in the banked figure of 27%. In 2023, the methodology was refined to exclude those who use someone else's bank account or any other formal account from the banked population. These represent only 0.3% reported to be using someone else's bank account in 2023.

	2023	2014	2008
<b>No. of banked adults in Malawi</b>	1,43 million (13%)	2,13 million (27%)	1,15 million (19%)
<b>No. of previously banked adults in Malawi</b>	1,11 million (10%)	469,000 (6%)	165,000 (3%)
<b>No. of unbanked adults in Malawi</b>	9,91 million (87%)	5,41 million (73%)	4,89 million (81%)
<b>Total adult population</b>	11,35 million	8,02 million	6,05 million

Table 4: Banking figures in absolute numbers

	2023	2014	2008
<b>Banking products/usage (of banked adults)</b>			
Savings account with ATM card	62	40	55
ATM/debit card/VISA	42	3	1
Current cheque account	16	5	
Savings account – fixed deposit	5	4	12
Malswitch card	n/a	3	3
<b>Landscape bank products (for all adults)</b>			
Save at bank	7	12	14
Borrow from bank	1	1	5
Remit through bank	1	8	3

Table 5: Banking landscape (%)

Looking at the total figures, the uptake of the following products has increased:

- Savings account: 884,000 in 2023 from 846,000 in 2014
- Current cheque account with ATM card: 220,000 in 2023 from 123,000 in 2014
- Credit from banks has increased to 106,000 in 2023 from 60,000 in 2014.

The decline in the total banked adults can be explained by the number of adults who no longer have certain banking products. The proportion of adults that reported they 'used to have' certain products in the past (with overlaps) is as follows:

- 549,000 adults used to have a savings account
- 500,000 adults used to have an ATM/debit card
- 83,000 adults used to have a current cheque account.

In light of the above, the main barriers to banking are illustrated in Figure 27 below. The main reasons given for the usage of bank products were to send and receive money and to keep money safe or accumulate it (save). Looking at the barriers, the main reason for no longer having or using banking products and services was the lack of a need for them due to low or insufficient income.

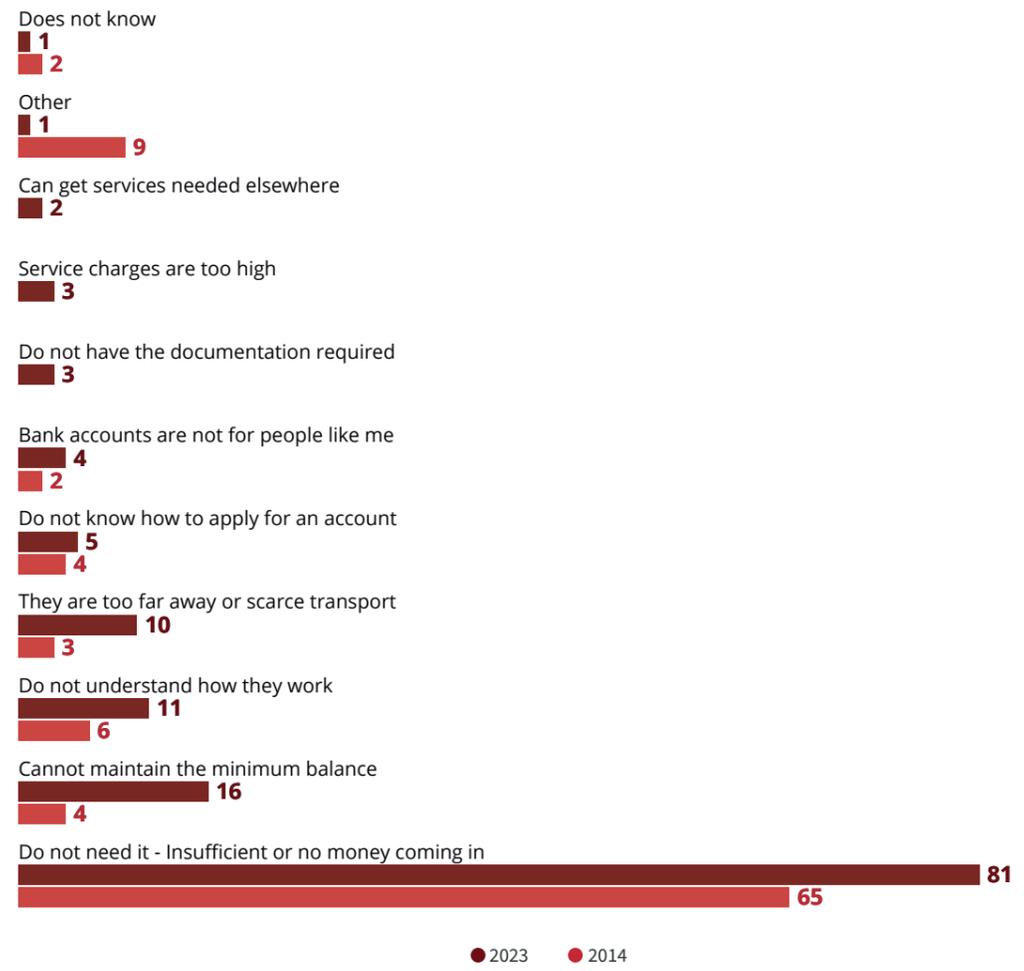


Figure 27: Barriers to banking (%)

Bank account usage<sup>4</sup> might be viewed as an indicator of both client and business value. If adults do not use the accounts they own frequently, then providers are unable to recoup the cost of opening and maintaining these accounts. Figure 28 shows that one in five banked adults use their account fortnightly or more often. These are referred to as 'high-users'. In addition, only 27% of people with bank accounts use them monthly. Those referred to as 'low users' are largely adults with informal jobs (32%) or those with inconsistent income, like farmers (29%) who use their accounts less frequently.

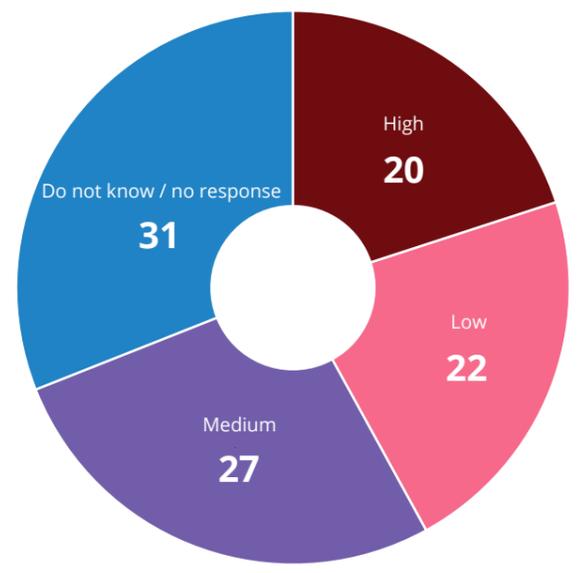


Figure 28: Bank accounts usage (%)

### Mobile money

It is crucial to view the usage of mobile money accounts through the consumer's perspective to understand the factors that lead to usage and the obstacles that stand in the way of utilisation. About 54% of adults in Malawi own a cell phone (basic or smartphone) with females (49%) having less ownership compared to their male counterparts (65%). About two in every three adults use mobile money. This records a significant uptake since 2014 from 3% to 69% in 2023. The main drivers of mobile money, aside from its convenience and high accessibility, were purchasing airtime and remittances shown in Figure 29.

Those who do not use mobile money indicated that the key barriers to the uptake relate to having no access to a mobile phone, not having a sim card and having no money to send or receive.

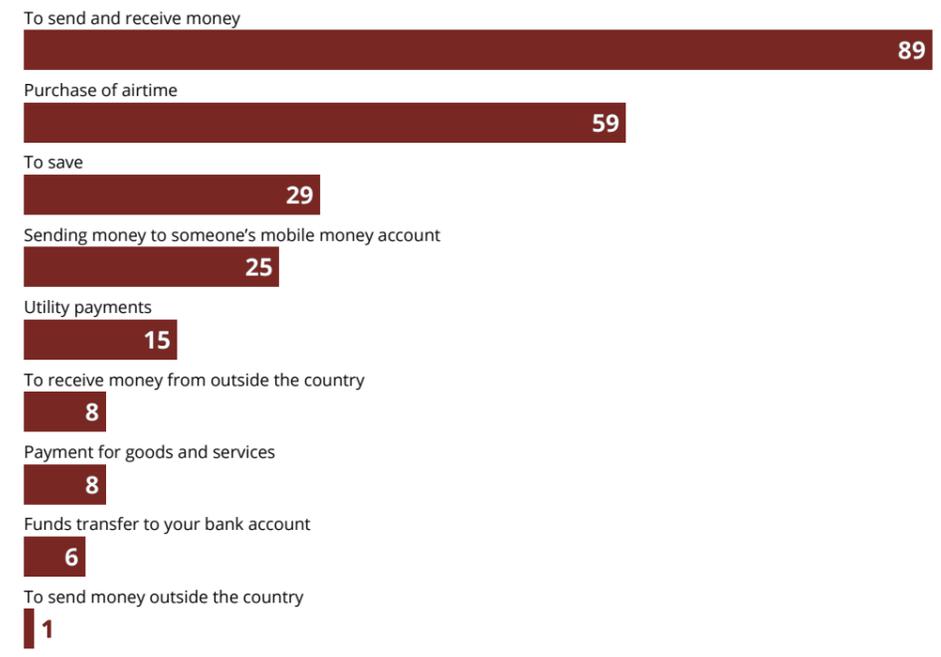


Figure 29: Transactions performed through mobile money (%)

Mobile money's innovation made payments the first rung on the ladder of financial inclusion, but the current trend is that it has expanded beyond simple money transfers to include payments for products and services as well as a savings mechanism (29%). Figure 29 demonstrates that of those who used mobile money, 89% used the platform to send or receive money, while just 59% did so to buy airtime.



# Savings

Savings are an important vehicle to raise funds for investment and credit. The propensity of adults to save depends largely on the ability to consume less of their disposable income, financial literacy and the availability of products and services for saving. For this study, the term 'savings' refers to money or a store of value that is set aside to pay for something other than normal expenditures or transactions. Methods or channels of savings vary according to individuals. This section presents findings on the demand and usage of both formal and informal savings products.

Overall, as shown in Figure 30, about 83% of the adult population aged 16 years and above do not save money either formally or informally (including saving at home). About two in five adults (44%) in Malawi save money through formal devices, which includes banks (7%) and non-bank formal products (43%). There was a notable increase in the number of adults saving informally due to an increase in the proportion of adults saving in informal groups (37%) and saving through livestock (25%).

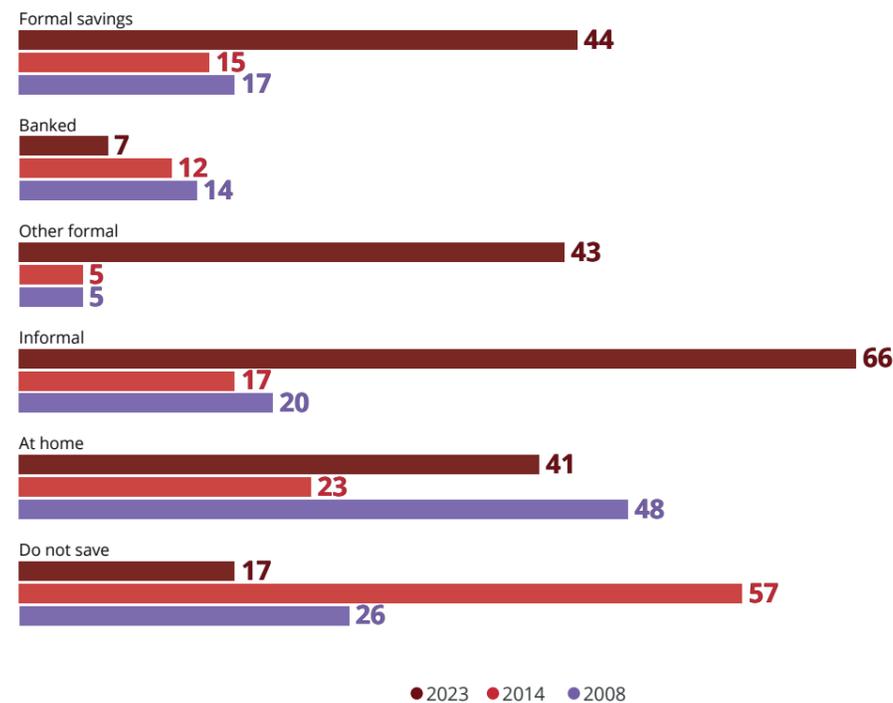


Figure 30: Savings overall with overlaps (%)

More adults (41%) are keeping their savings at home, resembling a similar proportion to that of 2008. This might be the result of a greater demand for liquidity, a lack of confidence in conventional savings mechanisms, or more challenging economic circumstances like those brought on by cyclones, droughts, or difficult economic conditions. Overall, savings have increased on both formal and informal mechanisms. The only decline in savings was of the banked where a 5-percentage point decrease was recorded. Mobile money-based savings increased the level of non-bank formal savings. When looking at location, formal savings are higher in the urban areas (67%) than in the rural areas (35%), while the uptake of informal savings mechanisms is higher in rural areas.

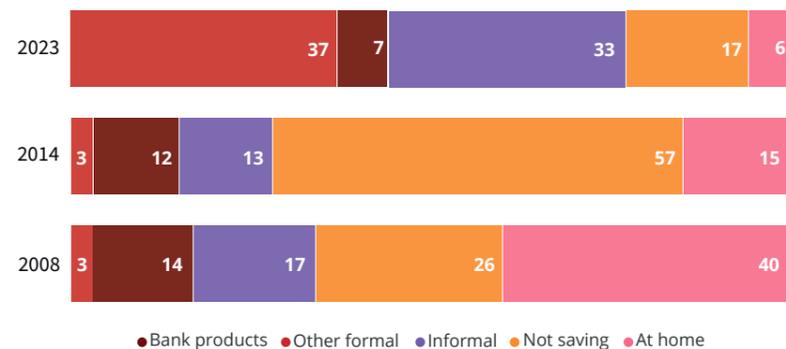


Figure 31: Savings Strand (%)

Malawian adults have reached an all-time high in both formal and informal saving. However, 17% of adults still do not have any savings at all. Figure 32 shows the primary reasons that impede adults from saving. The most common reason is 'not enough money after paying for living expenses' (76%). Cash consumption (56%), non-medical emergencies (31%) and farming expenses (26%) are the common reasons given for saving or having a savings product. Figure 33 illustrates the obstacles to saving that relate to the motivations for saving. The primary obstacle to saving is a lack of income or the need to fund living expenditures leaving no money to put away. This barrier is common across the SADC region and can be addressed by reducing unemployment and creating better jobs.

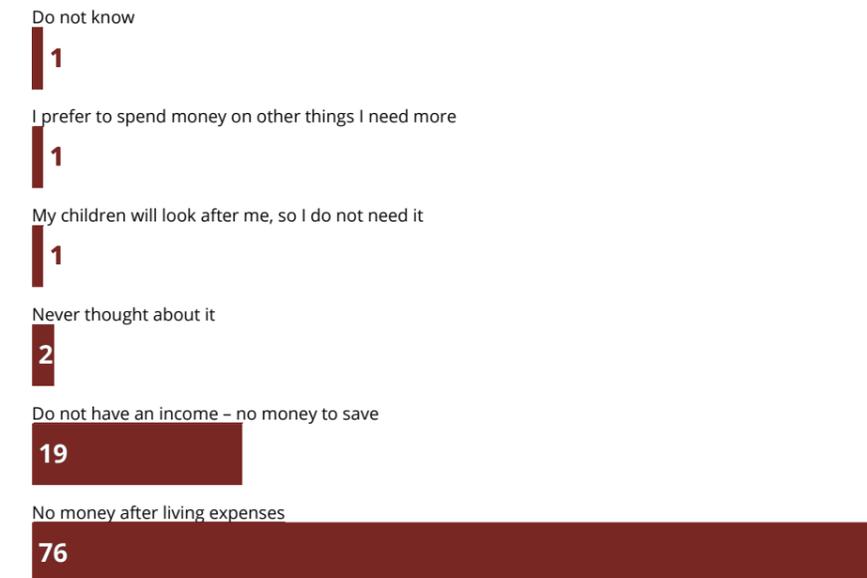
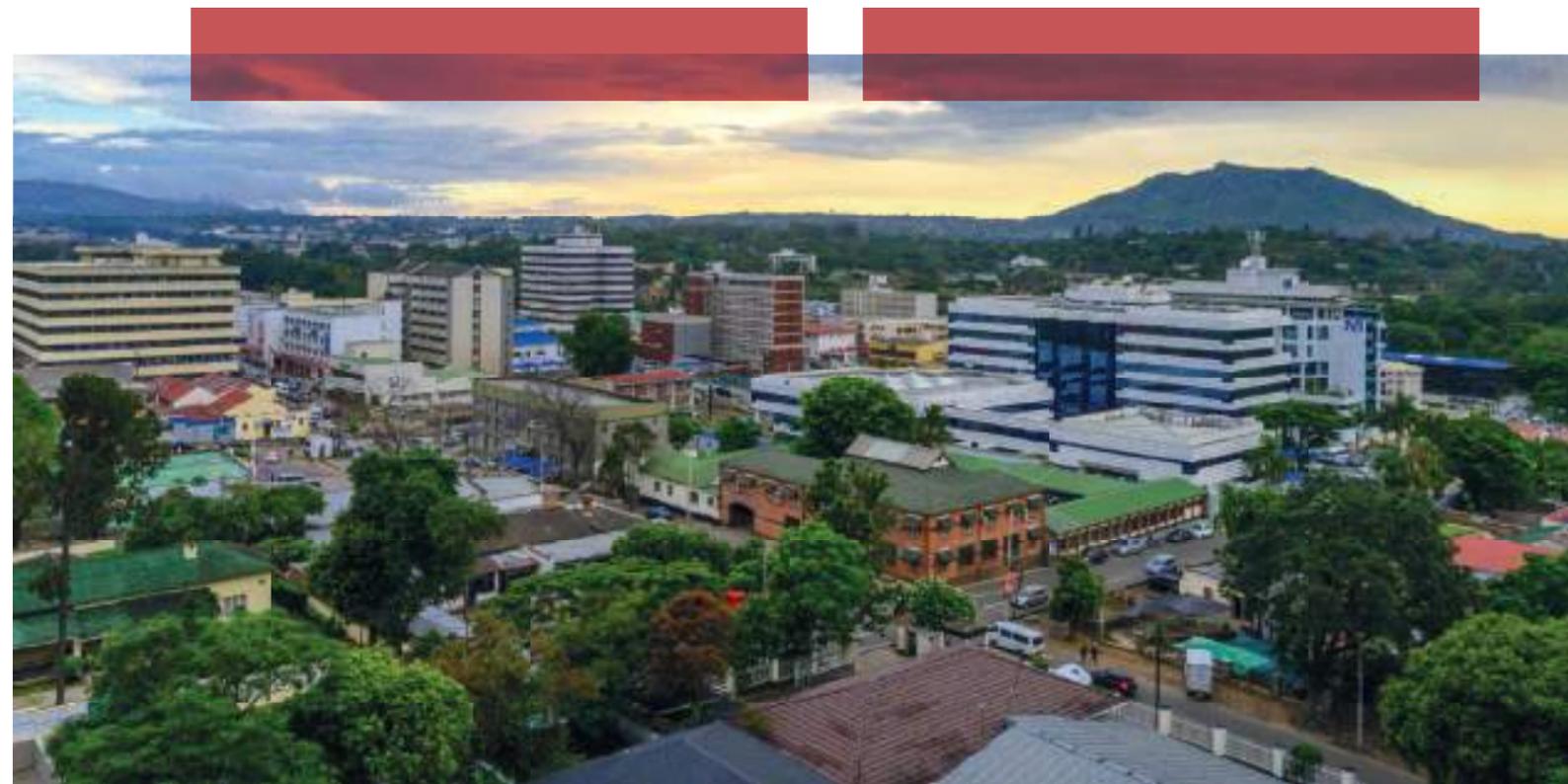
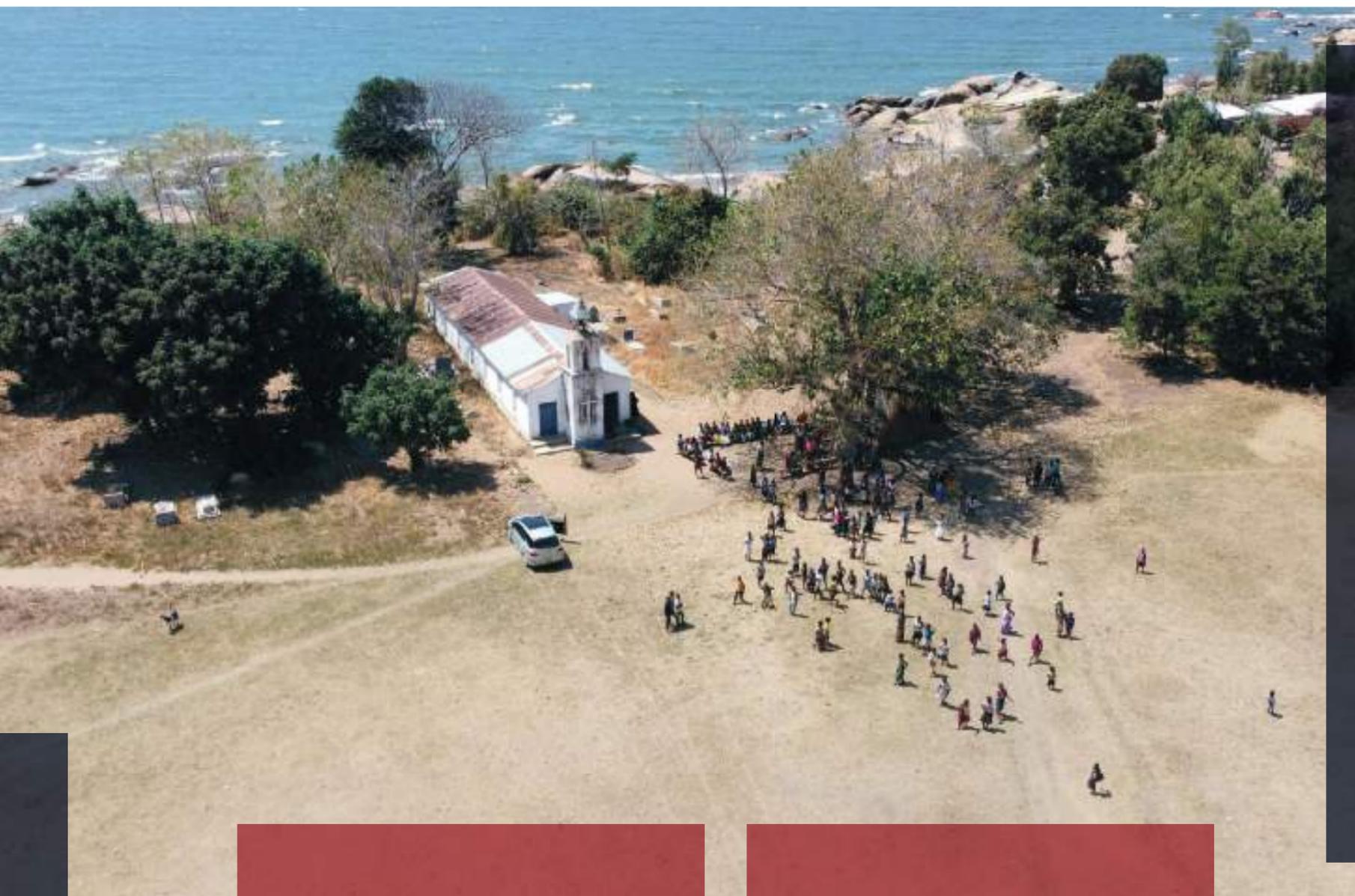


Figure 33: Barriers to saving (%)





### Credit and borrowing

The agreement or duty to accept money or things with the promise to make payment later is known as credit. Credit can be obtained formally, from financial institutions, or informally, from friends, family or moneylenders. People have varied goals to achieve while obtaining credit. Some may borrow for productive reasons while others may borrow for consumption purposes. Given that consumers sometimes combine financial goods from several sources to satisfy a single demand, it is important to understand the need that motivates credit.

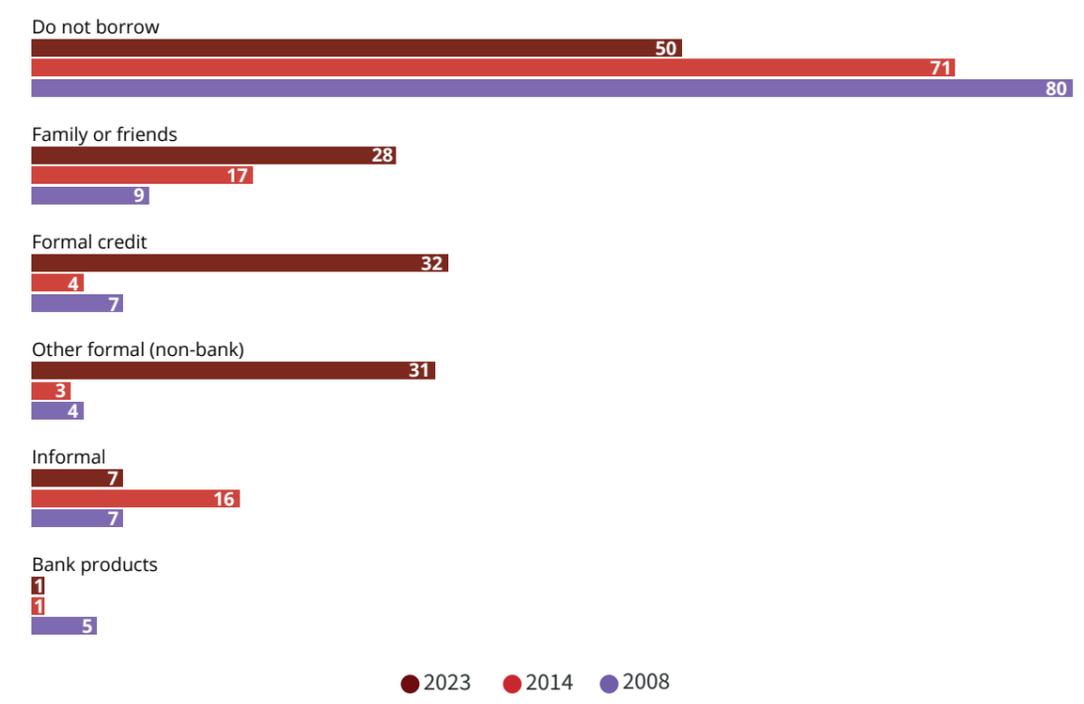


Figure 34: Credit overall with overlaps (%)

There is an increase in the proportion of adults accessing credit. From formal credit, which is up by 28 percentage points to 32%, and an increase in those borrowing from family and friends to 28% in 2023. Informal borrowing (from moneylenders or ASCAs/ROSCAs) has decreased by half to 7% in 2023. The main driver for formal credit is mobile money credit, which is shown in Figure 34 as the single biggest borrowing mechanism.

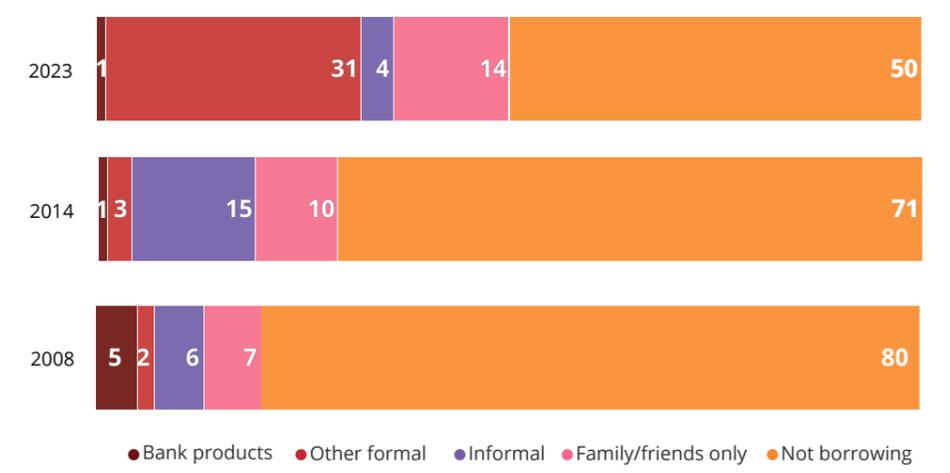


Figure 35: Credit Strand (%)

Borrowing is increasing. A high proportion of adults are exhibiting signs of being overindebted. In the last 12 months, almost 43% of borrowers missed a loan payment. The primary cause of missed payments is incapacity to pay, which raises concerns about the borrowers' ability to make payments and lender assessments. Additionally, roughly 12% of borrowers indicated credit had a negative influence on their lives, while 42% stated that credit has had no effect. This relates to the primary motivation for saving money, which is also the primary reason for borrowing money – to pay for living expenses (52%). Most borrowers use credit for business expansion and farming inputs, in addition to smoothing their consumption (both at 14%).

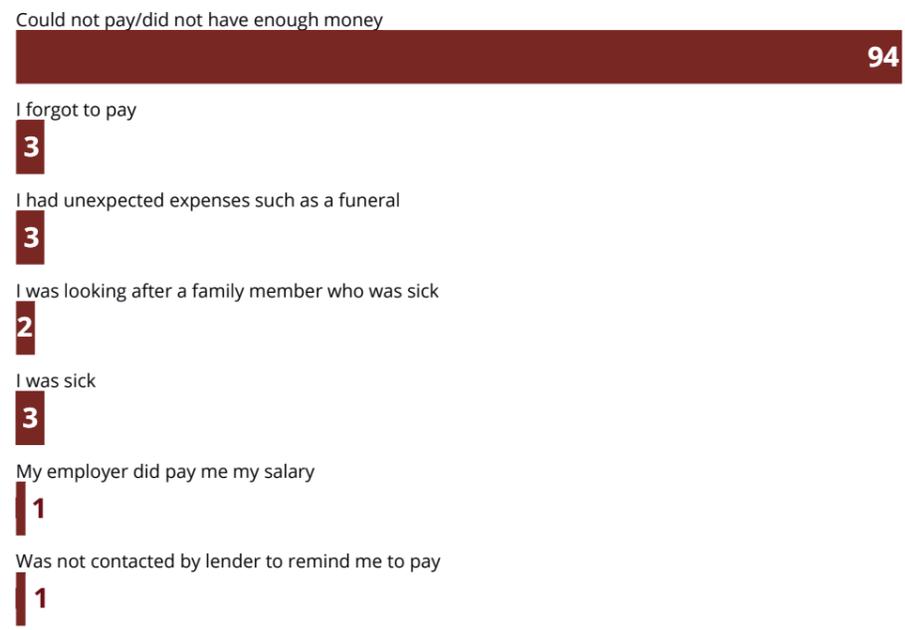


Figure 36: Reason for late debt repayments (%)

The study explored credit-related obstacles in Figure 37. Just over half of the adults who do not borrow identified debt anxiety as their top credit barrier, followed by doubts about their capacity to repay the loan. One-quarter of borrowers have taken out a second loan to settle the first, reflecting issues with affordability and the volume of missed loan payments. There is a need to educate borrowers on safe credit usage, given the current economic hardship that most Malawian adults and households are experiencing. Given the increase in borrowers and those who are exhibiting credit strain in Malawi, there is room for financial literacy to build on healthy borrowing.

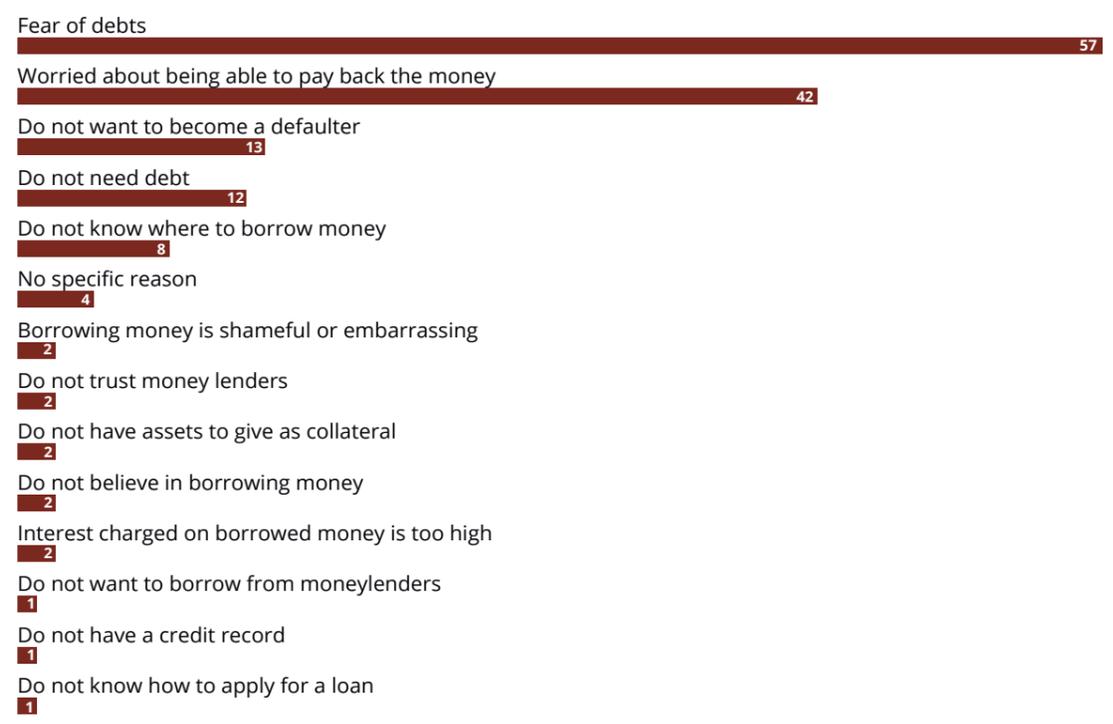


Figure 37: Barriers to borrowing (%)



## Insurance and risk management

In the day-to-day lives of individuals, unexpected events occur and are likely to affect families differently. Three in five adults (60%) in Malawi experienced a major risk or event in the past 12 months (before the FinScope 2023 Survey). The biggest risk experienced among the households was harvest failure (36%), natural disasters (19%), facing a serious illness or health problem among family members (16%), and the death of a family member (12%) shown in Figure 38. Some of these unforeseen events could have been minimised if adults had insured themselves. The mitigation instruments for the main risks encountered did not include a formal insurance claim as most adults did nothing (73%) when experiencing either harvest failure or natural disasters. Adults normally pawn their assets, use savings or borrow funds to weather risk.

As a risk management instrument, insurance is generally used to cover any expenses that might result from the occurrence of an unforeseen incident. In this survey, insurance was divided into formal (provided by authorised insurance companies) and informal categories (members of burial society and welfare groups).

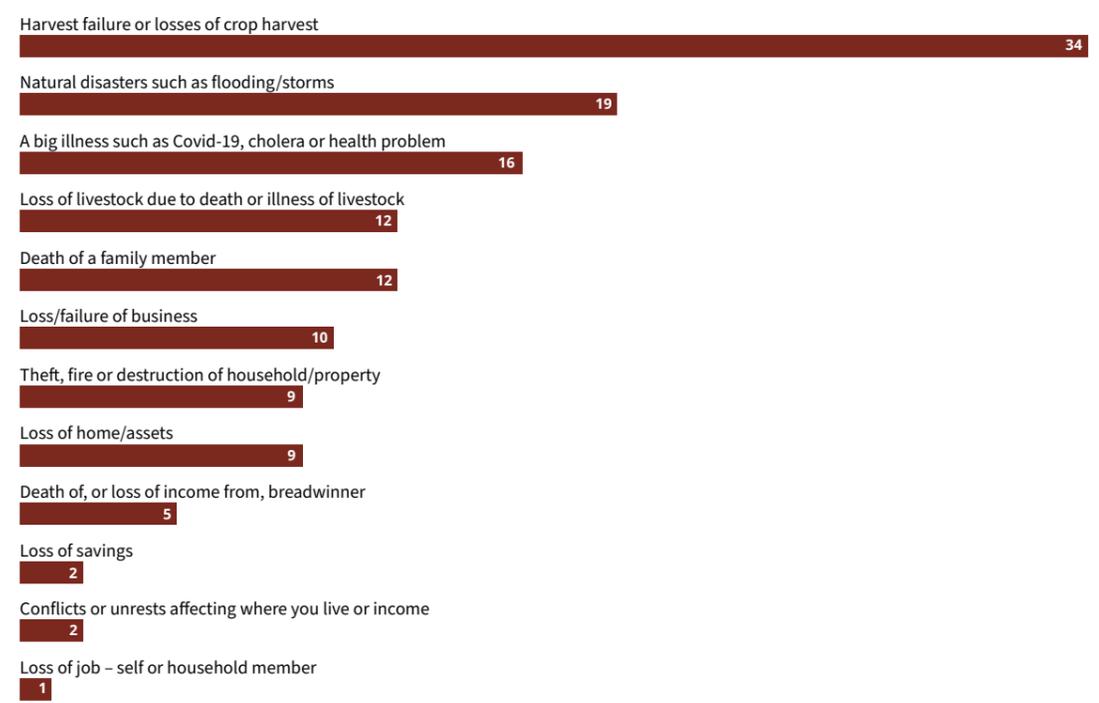


Figure 38: Risks experienced in the past 12 months (all adults %)

Examining insurance uptake reveals a slight increase in the percentage of adults who are covered. According to Figure 39, the percentage of adults who have insurance products increased from 2% in 2014 to 5% in 2023. Positively, formal insurance products are used slightly more commonly than informal insurance. While there is an improvement in the proportion of adults who do not have any insurance (95%), there are more uninsured adults since 2008 due to the increase in the number of adults in 2023.

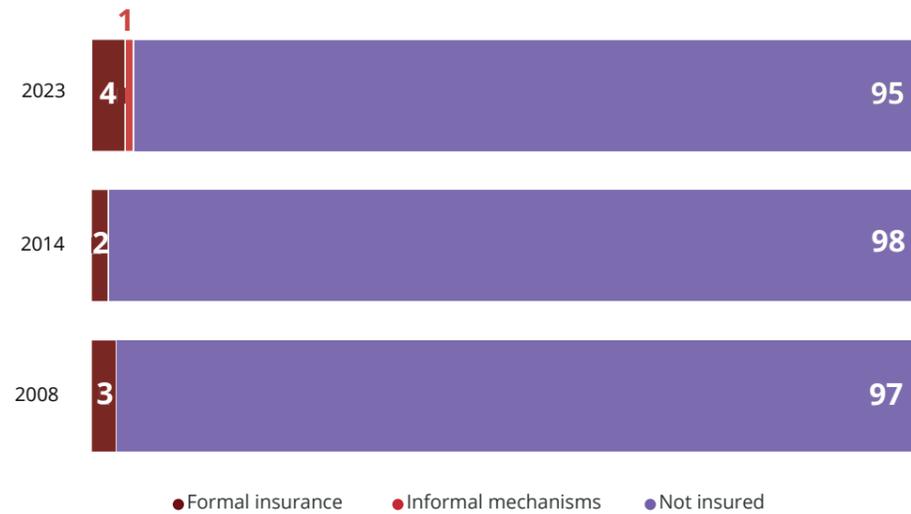


Figure 39: Insurance Strand (%)

Motor vehicle insurance (43%) as well as medical cover (20%) are the key insurance products owned by those who have some form of insurance. Motor vehicles increased by 8 percentage points while medical cover dropped by 19 percentage points, together with life cover dropping from 41% to 15% since 2014. This can be explained by the lower proportion of adults in the formal employment sector compared to 2014, where such policies or insurance are offered as part of a salary package. The increasing cost of living has shown in various markets to have a negative impact on the ownership of insurance products.

Most of the uninsured adults claim that they cannot afford the insurance (57%) while one in five adults (21%) claim they do not know how it works or where to get insurance. Additionally, 18% of adults have never considered purchasing insurance. To raise the percentage of insured Malawians, it will be essential to improve knowledge of the advantages of insurance products and to provide affordable, customised policies. The gender gap is prevalent in the uptake of formal insurance with females having lower (2%) proportions of them insured compared to males (7%).

## Remittances

Malawi continues to transfer migrant labour to its neighbours, mainly South Africa, for job opportunities, similar to other regional nations like Zimbabwe and Mozambique. The study recorded that a significant proportion of households (20%) have relocated with 8% of these relocating outside of Malawi. Significant rural-urban migration is also a result of urban-centred economic growth. Remittances are believed to help households smooth their income flows and fund small enterprises. There has been a rapid increase in the number of adults remitting in 2023 as shown in Figure 40.

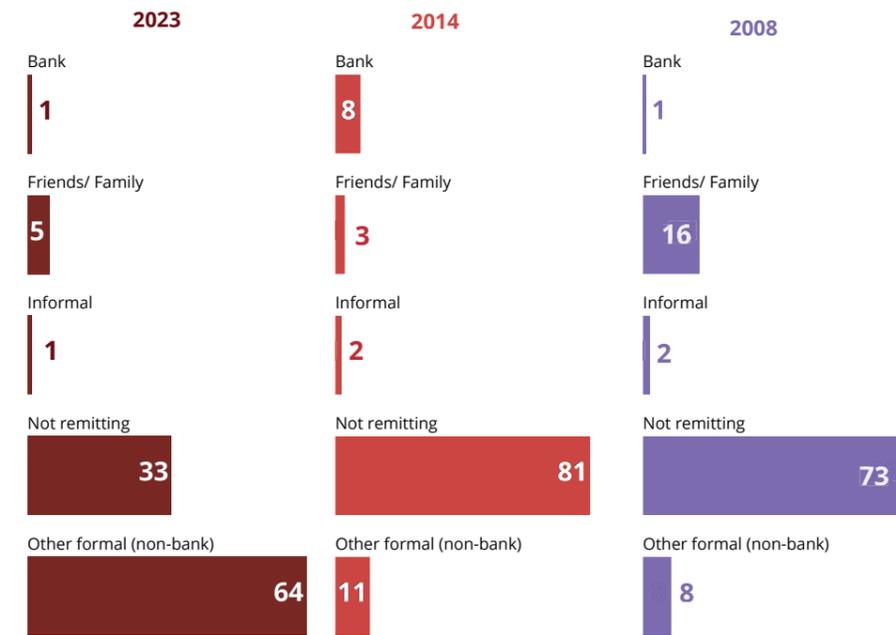


Figure 40: Remittances overall (%)

The proportion of adults remitting formally quadrupled from 16% in 2014 to 64% in 2023. Remittances spurred by the uptake of mobile money. The use of bank services as a remittance tool has decreased, suggesting a preference for the use of mobile money. The use of informal mechanisms and family or friends is low, although a marginal proportion still uses family or friends. According to Figure 41, adults who do not own or use any formal product in their name sit at 3%.



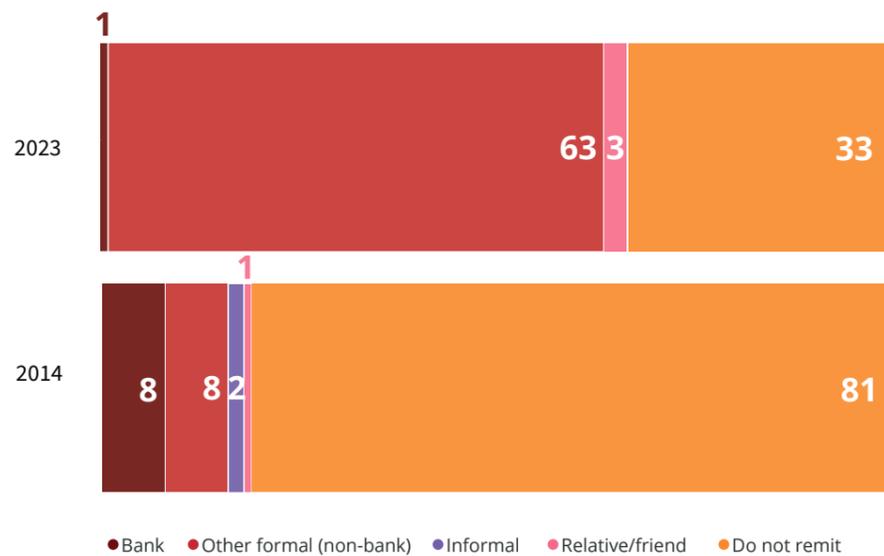


Figure 41: Remittances Strand (%)

The huge increase in mobile money remittances in 2023 is explained by the use cases in section 6.5 above, which indicates that 89% of mobile money users remit funds. The survey reveals that the proportion of remittance receivers (92%) is more than the proportion of senders (61%). This is likely because the proportion of dependents outnumbers those who generate or earn an income.

Comparing the ratio of domestic to international remittances can provide interesting insights. Generally, money is sent to domestic recipients 94% of the time, compared to cross-border receivers who receive 15% of the time. Of those receiving remittances, 79% received from domestic senders and 12% from abroad.

### Landscape of access

The diagrams depicted in Figure 42 summarise the main findings of this study regarding the breadth of financial access. The quadrangles indicate the degree of access to the five main products provided: savings, credit, transactions, remittances and insurance for 2014 and 2023. Overall, the extent of financial inclusion has increased across all five products, notably in transactional, remittances and savings products.

The graphs demonstrate that Malawians have improved their adoption in terms of transacting, remitting and saving since 2014 – despite a decrease in the share and number of banked individuals in 2023. Financial services are becoming more varied. Transactions fuelled by mobile money services are the main factor driving the use of financial goods.

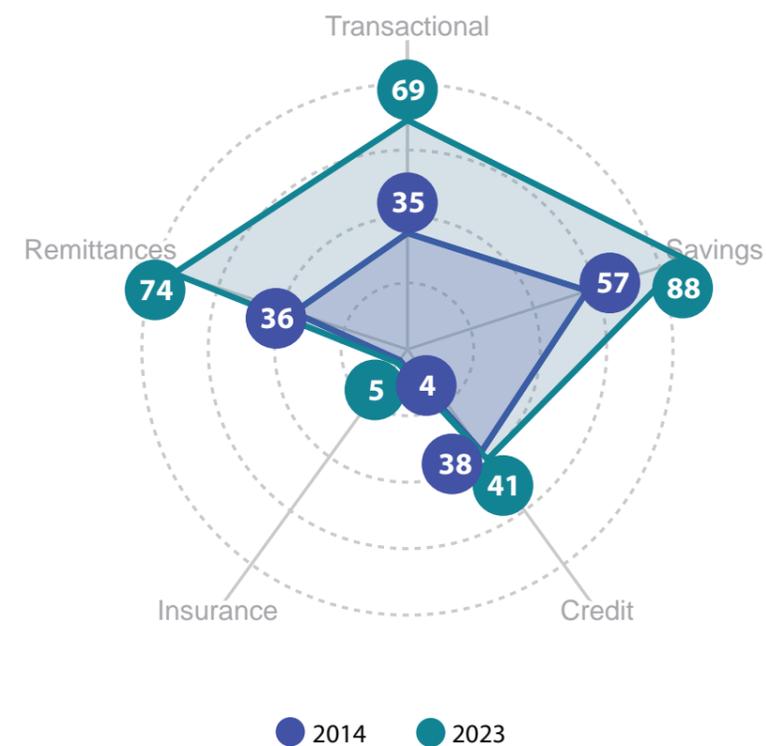


Figure 42: Landscape of access (of those with any financial product)

Chapter

# 07

**Conclusion and Recommendations**

*In conclusion, the report offers a comprehensive view of Malawi's financial system and the general public's interactions with it, while documenting the developments in those interactions since the 2014 survey.*

*The following section contains a few highlights on financial inclusion and suggests priority areas for the next strategy for financial inclusion.*

## Malawians' livelihoods and financial inclusion

- The study results show that Malawian households and adults have proven to be resilient in the face of the Covid-19 pandemic, declining formal employment and challenging economic conditions.
- An increase in the proportion of adults with basic education and the percentage of homes with electricity, running water and basic sanitation is a sign of progress in education and access to amenities. This indicates progress towards achieving SDGs 1, 4 and 6. It is crucial to examine the reality of daily life and the difficulties individuals face while trying to access infrastructure and basic services, in addition to comprehending the demographic profile and way of life of the population. The findings indicate a minor improvement in access to essential services, as evidenced by the proportion of households with flush toilets and access to water inside their homes or yards.
- Farming is still the mainstay of household livelihoods, which is primarily occupied by consumption farmers who have limited access to farming inputs and frequently experience shocks such as flooding, drought and harvest failure. Since climate change shocks are apparent, most farmers need help adopting climate-resilient crops and farming methods, including raising awareness of green finance.
- Remittances, self-employment (MSME), piece work and informal employment are the most prevalent income sources for adult females who, on average, typically have lower wages than their male counterparts.
- Most Malawians are in poor health, and poverty indicators are getting worse. Many adults find it challenging to meet their financial obligations and frequently run out of money before their next income. The level of financial literacy is rising, which helps with risk management and lowering vulnerability to financial loss. Improvements in educational attainment have been noted, which may also account for the higher percentages of financial literacy.
- While there is a need to increase the percentage of adults who are financially educated, boosting Malawians' sources of income is important for their welfare. The high percentage of adults who are financially dependent on other family members could limit the rise in living standards.
- Given that most individuals say they fully participate in decisions affecting their personal finances or their household, the agency does not seem to be a problem at the household level.
- Financial inclusion has improved in the past decade owing to a huge uptake of other formal (non-bank) financial products such as mobile money. Overall, the targets set out in the NSFI II have been surpassed.
- When examining both the proportion and the absolute number of individuals, the uptake of banking products has declined. The combined ownership savings and transactional products have witnessed a considerable drop (including remittances). The usage of banking services is driven by formally salaried adults (together with transactional accounts) which has shrunk. Despite the drop in savings and remittances through bank channels, the number of adults borrowing from the bank has increased.
- Mobile money services are leading the access frontier in both urban and rural areas, and among females and males. The common use cases of the tool are remittances, payment of utilities, savings and credit. There are opportunities to expand on investment and insurance products via mobile money. The following summarises the landscape products, as of 2023:
  - Savings and investments – despite a decline in bank savings, formal savings have surged, mostly because people are saving on their mobile wallets. Along with ROSCAs and ASCAs, the employment of informal procedures is also widespread. Overall, a bigger percentage of adults are saving mostly for business investments, unexpected risks like medical bills, and smoothing out their consumption.
  - Credit and borrowing – mobile money loans have increased the number of borrowers having formal credit. Findings reveal a rise in adults borrowing from family and friends and a decline in people borrowing from moneylenders. Bank credit slightly increased in the absolute number of borrowers.
  - Insurance and risk mitigation – there is a slight increase in insured adults, mainly driven by motor vehicle insurance (compulsory) and funeral cover or policy. The main barriers are affordability and awareness.
  - Transactions and remittances – more adults are using bank and MNO wallets, which is driving up the use of digital financial services. Bank remittances have dropped to an all-time low, paving the way for mobile money. The platform has proven to be efficient for those dependent on remittances.

## Priority areas

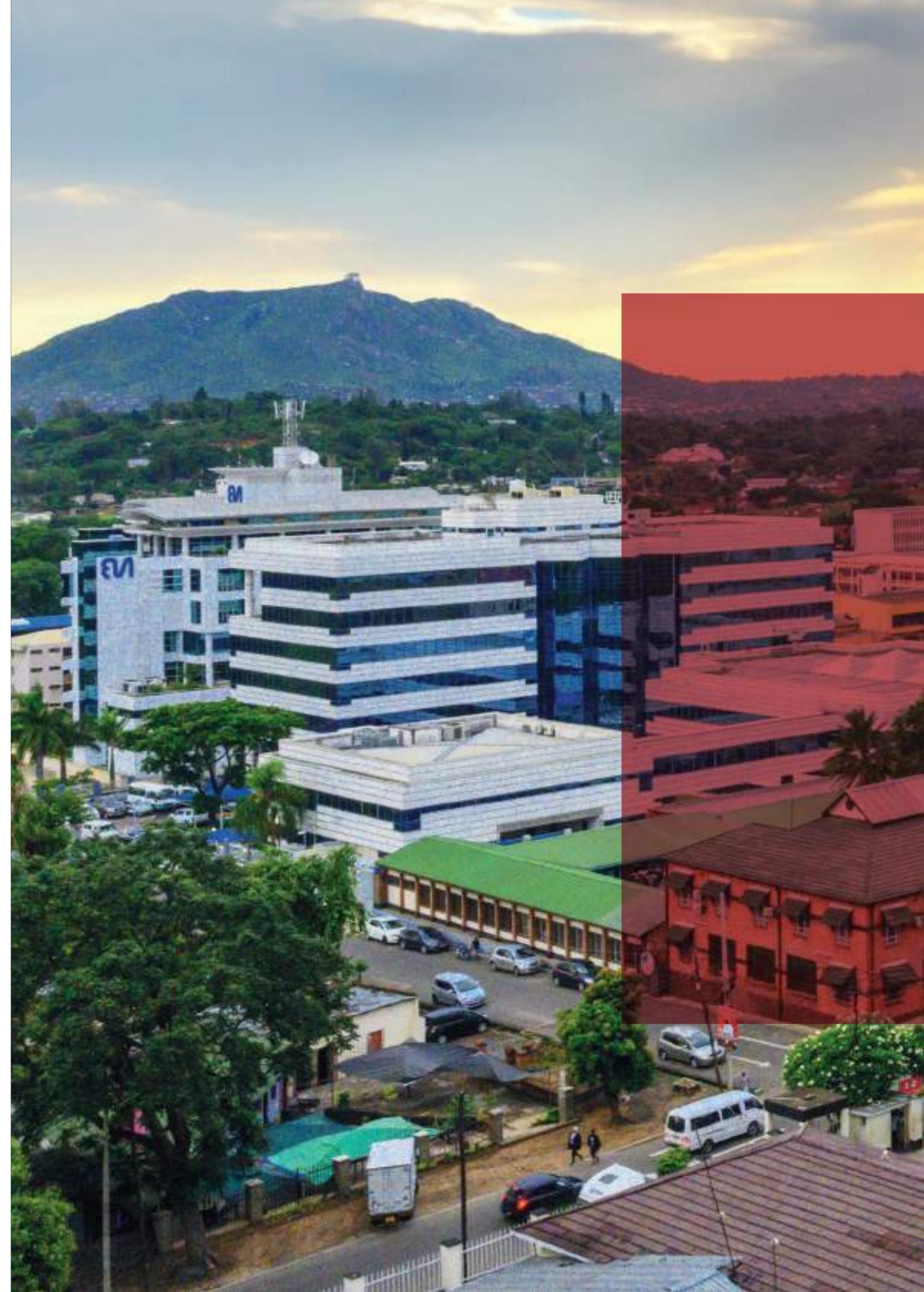
The improvement of Malawians' livelihoods remains a top priority on the financial inclusion agenda for Malawi. The following areas could be prioritised to achieve this goal:

- The utility that consumers obtain from financial goods can be increased by expanding their use. Due to the substantial breadth of formal financial inclusion, it is necessary to advance a secondary financial system, to serve as a launchpad for both traditional bank accounts and mobile money. This entails extending the product line to include investment and insurance goods in addition to transactional usage.
- The accessibility of credit is expanding, which can aid individuals, farmers and MSMEs in building their human and material capital and engaging in entrepreneurial endeavours that could open the way for more social mobility. The prevalence of over-indebtedness, however, necessitates that lenders guarantee consumer affordability and that regulators play a part in this regard.
- Fintechs are essential to expanding the availability of financial services and encouraging market competition, which benefits consumers. The supply of loans, particularly to farmers and MSMEs, is one area where fintechs may potentially have a disruptive impact in this market. To support fintechs as a component of the financial sector, policymakers and regulators must comprehend the fintech landscape in Malawi. Policy interventions that seek to expand access to credit for these segments are a priority for economic growth.
- Continued prioritising of financial consumer education through financial literacy programmes that will enable consumers to gain knowledge, skills, attitude and behaviour to become aware of financial opportunities, and make informed choices. Climate change issues should be considered for both households and MSMEs, given their importance.
- The growth of DFS indicates that a more digital future is imminent. Digital literacy should be strengthened through consumer education. The ability to communicate with the target audiences through various channels is essential.
- Adoption of Financial Inclusion 2.0 (FI2.0) and developing better financial solutions to address the needs of the real economy. To develop financial interventions that will strengthen the target groups' sustainability and resilience, it is important to undertake studies on MSMEs to help design products and policies that are centred on the requirements of business owners and foster a supportive business climate.
- Maintaining a supportive regulatory framework is essential to achieve the aims of financial inclusion, as is a favourable macroeconomic climate such as inflation targeting.
- To guarantee that financial inclusion priorities are streamlined in government ministries and agencies as well as development partner programmes, promoting sector and policy cooperation is required. Further, targets for financial inclusion must be continuously monitored and assessed.



## Footnotes

- **1** <https://www.cgap.org/blog/future-of-financial-inclusion>
- **2** World Bank – International Banking Statistics
- **3** <http://www.en.rff.dk/files/RFF-site/Publikations%20upload/Arbejdsrapporter/Study%20Paper%2056%20-%20Impact%20of%20village%20savings%20and%20loans%20associations.pdf>
- **4** Bank account usage defined through 3 segments, i.e., High users - Use the account weekly or fortnightly; Medium - Use the account monthly; Low - Use the account less often (seasonally, once a year, other)



Findings Report

# MALAWI 2023

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