# UN CDF | MM4P
## MOBILE MONEY FOR THE POOR

# Malawi Annual Monitor

# 2015

Malawi, a landlocked country in Southern Africa with 17 million people, has started the journey to digitizing their cash-based economy and introducing digital financial services to thousands of previously unbanked customers. With 18 percent of its population financially included and mobile penetration of 35 percent, Malawi is currently making the shift from the Start-Up to Expansion phase of the digital financial service market. There are several providers in the market competing with each other with slow growth in activity rates. The Reserve Bank of Malawi (RBM) has issued basic guidelines for digital financial services(DFS), although there is room to provide more specific regulations for DFS. To address this, the central bank has drafted an E-Money Regulation and Payment Systems Law that will govern all e-payment and will replace Mobile Payments Guidelines.

UNCDF's Mobile Money for the Poor (MM4P) program uses a theory of change approach to DFS development, which focuses on making shifts between stages of market development, moving from Inception to Start-up to Expansion and eventually a mature market known as the Consolidation phase. Through each stage, MM4P uses interventions at the Policy & Regulation, Provider, Agent, High Volume and Customer levels to improve market conditions and facilitate shifts.

Hexagon diagram: Policy & Regulation, Infra-structure, Customers, Ecosystem Development, Providers, High Volume, Agents

MM4P began its program in June 2012, while the market was still in the Inception phase with one nascent provider, Airtel with only 1,000 customers and a limited regulatory environment.

## Since that time, MM4P has supported the market through conducting the following activities:

- ☑ Conducted and published a payment diagnostic with Better Than Cash Alliance

- ☑ Provided direct technical assistance to Airtel, TNM, Malawi Savings Bank and Opportunity Bank of Malawi

- ☑ Facilitated a workshop on payment strategies

- ☑ Provided scholarships to participants at the Helix Institute agent training program in Nairobi, Kenya

- ☑ Supported the University of New South Wales on the "Regulation of Mobile Money in Malawi" study

- ☑ Conducted secondary research studies and disseminated through workshop

- ☑ Conducted an agent network accelerator research

- ☑ Facilitated training, workshops and development of new data collection templates for RBM

- ☑ Conducted in country Helix Innovative and Shared Agent Models Course for Malawi DFS players and stakeholders

- ☑ Participated, facilitated and chaired the Mobile Money Coordinating Group

- ☑ Conducted an induction course and training for Government stakeholders on DFS and payments system

- ☑ Recruited a National DFS expert to support Malawi Government in transitioning payments system to digital

- ☑ Facilitated a high level digital payments ecosystem launch event

- ☑ Provided support on development of quality agents to Airtel - ongoing

Since 2012, the market has grown significantly and is now shifting from a Start-Up phase to an Expansion phase. TNM and Zoona have launched a mobile money service and NBS, Malawi Savings Bank (MSB) and Opportunity Bank of Malawi (OBM) are in the development stage of developing new services.
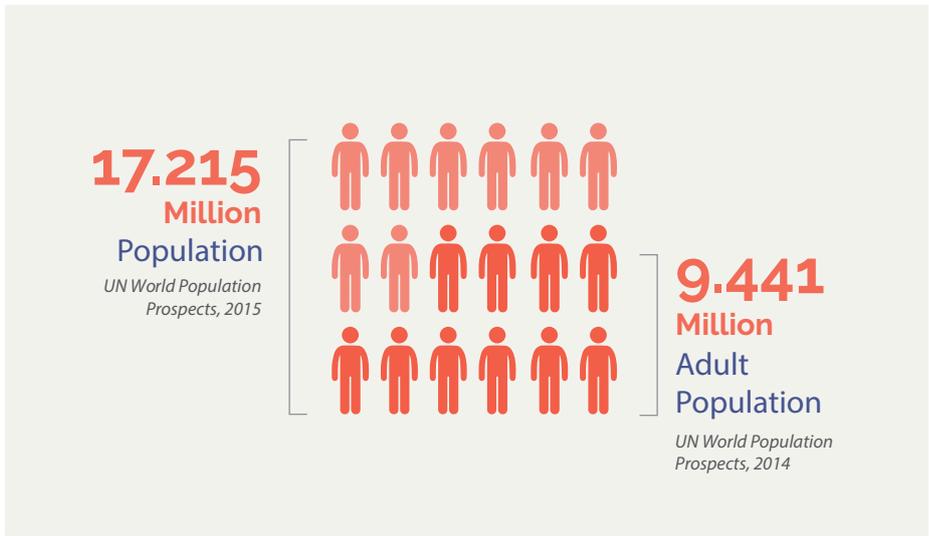
Over the next five years, MM4P plans to continue to invest in the Malawian DFS market with the goal of moving the market fully into an Expansion phase with at least 15% active users among the adult population.

## In 2016, MM4P has planned the following activities:

- ☐ Conduct "Bank a village" pilot test including research

- ☐ Continue technical assistance to DFS providers

- ☐ Support the coordination of the market through the Mobile Money Coordinating Group

- ☐ Identify priority payment streams for digitization and implementation of pilots in the Government of Malawi

- ☐ Implement the shift from cash to electronic for one priority payment system

- ☐ Co-develop the Roadmap with the Government of Malawi for digitizing payments

- ☐ Support RBM in strengthening DFS supervision procedures, as well as facilitating innovative data-based decision making

- ☐ Organize local exposure visits for senior regulatory and private sector stakeholders

# Facts & Figures
## Malawi

**17.215 Million** Population
*UN World Population Prospects, 2015*

**9.441 Million** Adult Population
*UN World Population Prospects, 2014*

| | where we were **2012** | where we are **2015** | target by end of **2019** |
|---|---|---|---|
| **Active DFS users** *90 days* | **< 1 %** *of adult population* 1000 *in number* | **8 %** 749,926 | **15 %** 1,416,150 |
| **Active agents** *30 days* | **< 1** *per 100,000 adults* 200 *total* | **98** 9,258 | **105** 9,913 |

**35%** Mobile penetration rate
*GSMA, 2014*

**18%** Financial inclusion rate
*Findex, 2014*

## Providers engaged in DFS

| MNOs | Banks | Others |
|---|---|---|
| Airtel | OBM | Zoona |
| TNM | NBS Bank | |
| | MSB | |

|  | Opportunities | Challenges |
|---|---|---|
| **Policy** | • RBM a champion of financial inclusion<br>• Regulation for all types of providers | • Higher KYC in banks than in MNOs<br>• Low wallet limit sizes<br>• Agent outlet restrictions |
| **Providers** | • Several providers in the market<br>• Several banks committed to mass market | • Airtel & TNM facing challenges in active usage |
| **Agents** | • MNOs, Banks and 3rd Parties are rolling out agency networks<br>• Providers trained by Helix & MM4P | • Few large retail chains with national presence<br>• High levels of inactivity at agent level |
| **Customer** | • Moderate levels of financial access | • Fairly high levels of illiteracy, including financial illiteracy |
| **Infrastructure** | • National switch rolled out to improve interoperability | |

| *Where We Were*<br>**2012**<br>Inception Phase | *Where We Are*<br>**2015**<br>Start-up phase<br>Transitioning into expansion phase | *Where We Want to be*<br>**2019**<br>Expansion phase |
|---|---|---|
| Pilots for banks and MNOs approved by RBM | Bank or non-bank DFS with agents allowed to launch by RBM | Tiered KYC, agent, customer protection enabling policy |
| Guidelines for DFS issued by RBM; prohibitive agent guidelines | National switch in place; interoperability for ATMs | Several transformative and competing services |
| Airtel, TNM, NBS pilot launched | Basic services available (wallets, bill payments, air time, cash in/ cash out) | Financial services available (credit, insurance, savings) |
| <1 active agents / 100,000 adults | 98 active agents / 100,000 adults | 105 active agents / 100,000 adults |
| <1% active users / adult population | 8% active users / adult population | >15% active users / adult population |