



THE MM4P STORY OF DIGITAL FINANCIAL SERVICES IN MALAWI

The journey of MM4P in the warm heart of Africa

February 2018
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US\$320

Gross domestic product per capita¹
(2nd lowest in the world in 2016)

71%

Poverty headcount ratio
US\$1.90 a day²



0.476

Human Development Index³
(170th out of 188)

84%
Percentage rural
population⁴



17.8m

Total population⁵

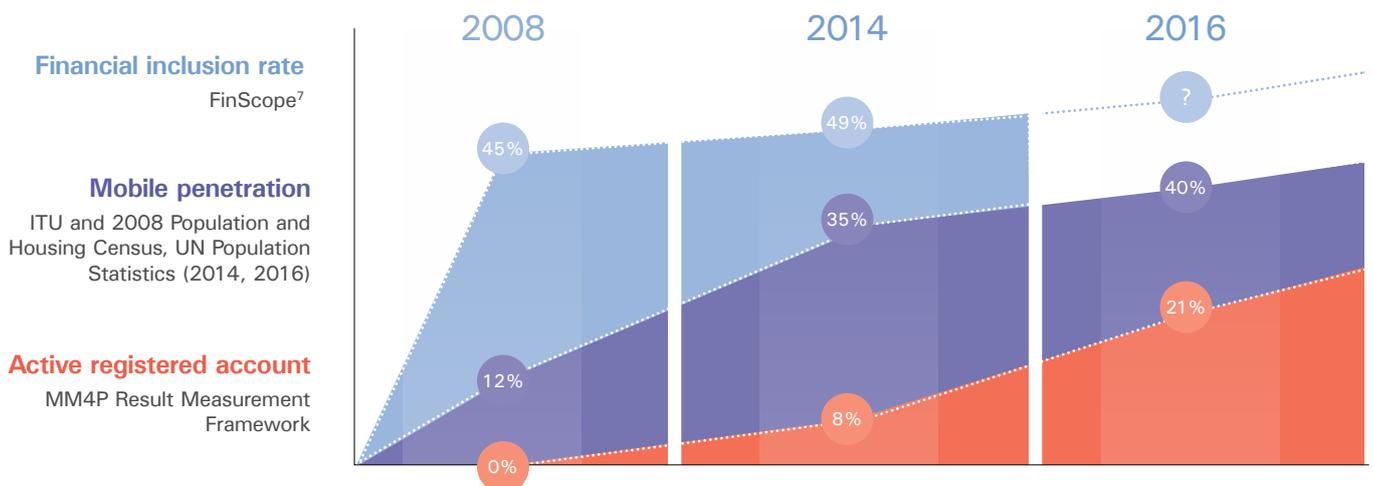


9.8m

Adult population⁶

A vulnerable country...

...where financial inclusion matters



¹ Malawi has the lowest gross domestic product per capita of any country in the world, based on 2016 World Bank data. World Bank, 2016

² World Bank, 2010

³ Human Development Report, 2016

⁴ World Bank, 2016

⁵ UN Population Statistics, 2016

⁶ Ibid

⁷ FinMark Trust, 2014; The [FinScope Consumer Survey](#) defines financial inclusion as the people that 'have/use financial products and/or services – formal and/or informal.' Source: FinMark Trust and Millennium Consulting Group, 'FinScope Consumer Survey Malawi 2014,' p. 18 (n.p., 2014).

Digital financial services market development 2012–2017

MM4P market development measurement

To determine a country's stage of digital financial services (DFS) market development, MM4P has identified eight indicators, for which it set milestones, that correspond to the four stages of development. This framework allows the programme to measure progress in the level of market development in its partner countries.

MM4P has characterized the evolution of the DFS market as having four stages:



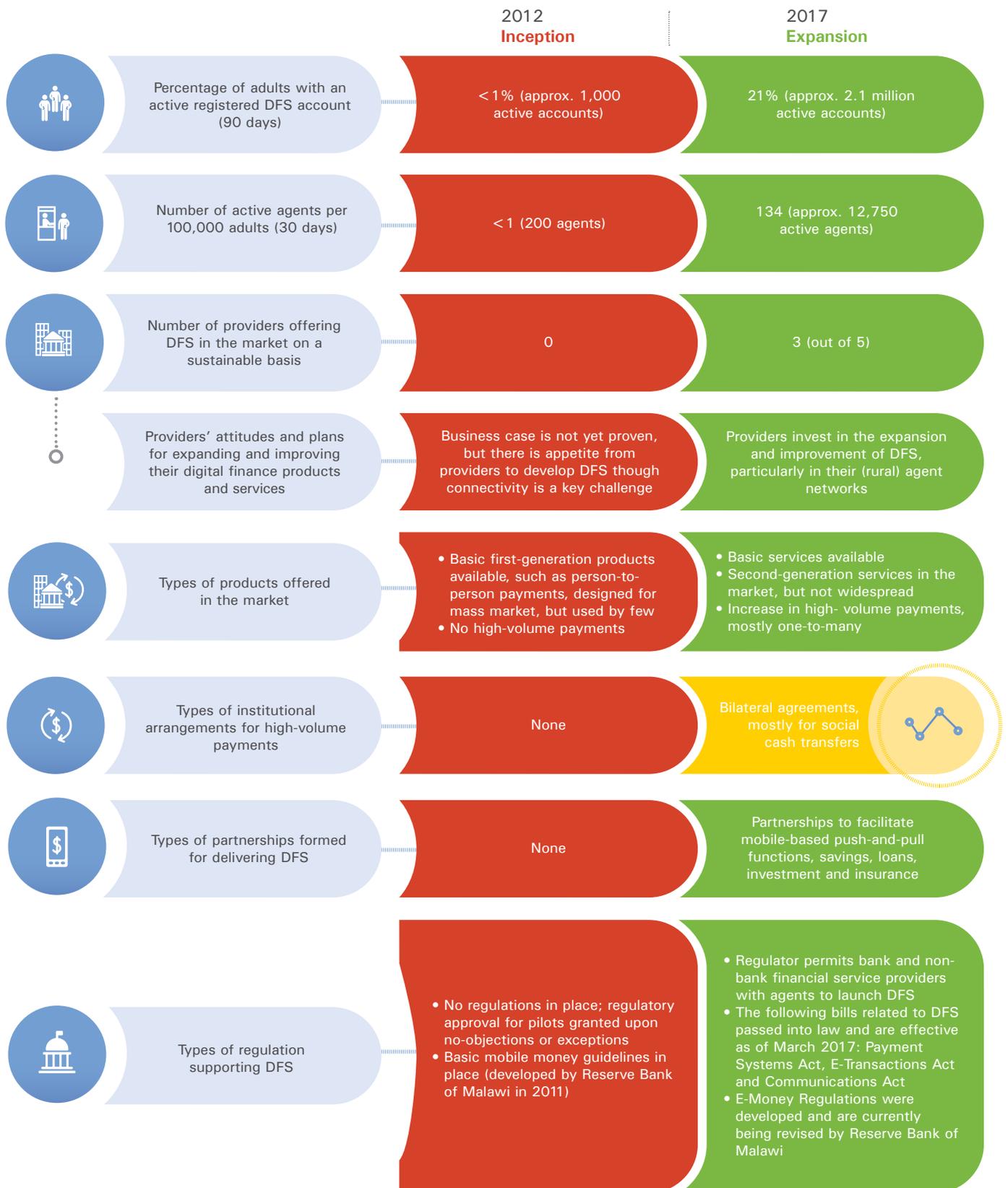
Inception stage is when there are no or few DFS providers active in the market, achieving limited outreach and working without clear policies or supportive DFS infrastructure.

In **Start Up** stage, one or a few DFS providers offer basic 'first generation' products, available through a proprietary network of agents. Providers reach a moderate number of customer registrations, but there is low customer activity other than airtime top-ups. Regulatory issues begin to be resolved during this stage, enabling a greater range of products and agents.

In **Expansion** stage, DFS providers start massive expansion. More advanced DFS are offered, the use of high-volume payments increases, and partnerships for distribution emerge. The regulator offers clear guidance and regulation on key issues.

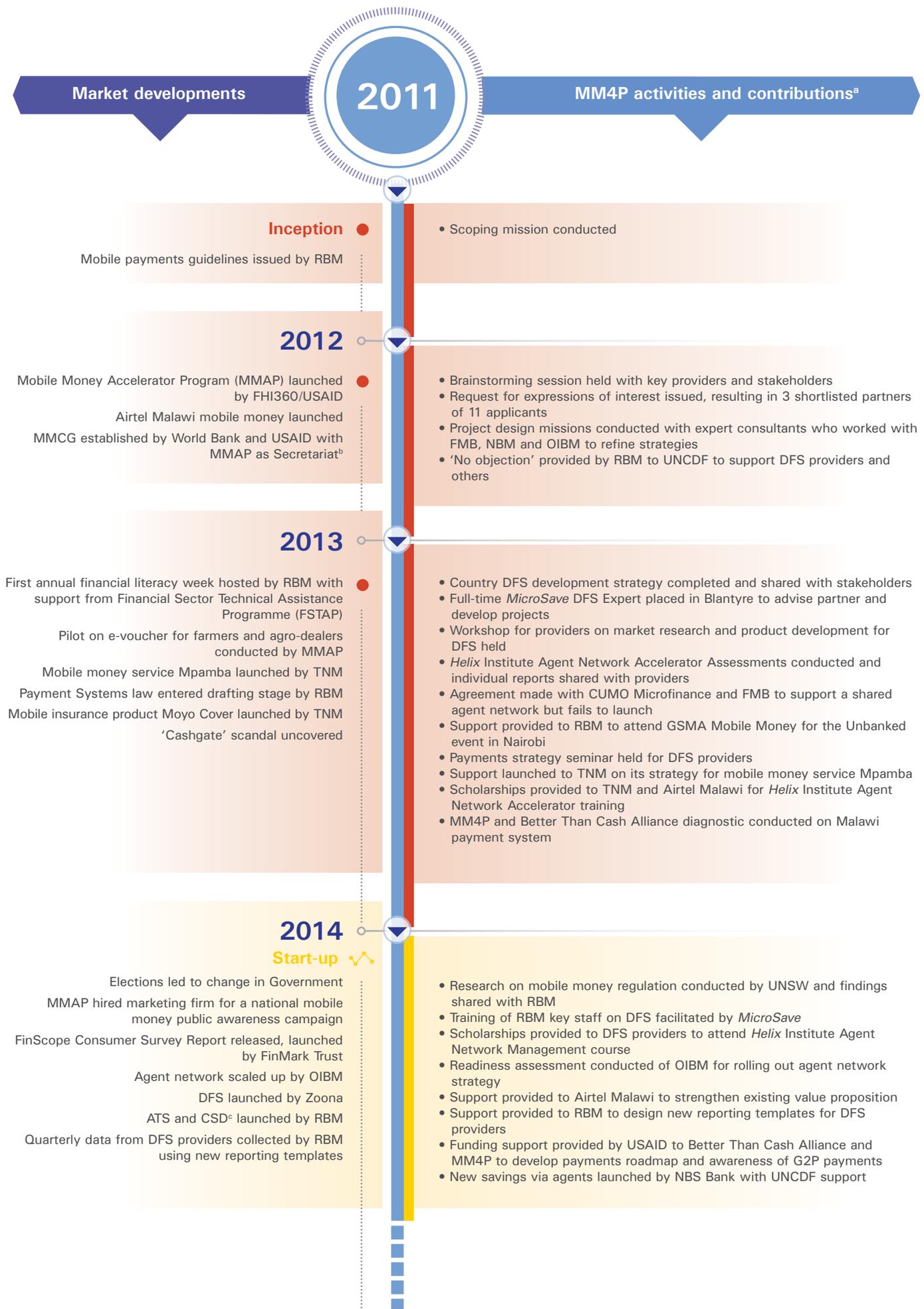
Consolidation stage is when a market has a range of competitive actors and services that are clearly regulated and interconnected. More than 35% of the adult population is actively using DFS.

Market development in Malawi: 2012–2017



Source: MM4P Result Measurement Framework, 2017

Digital financial services market development timeline



2015

NatSwitch launched by BAM and RBM
National Taskforce on Electronic Payments (NTEP) established by RBM to acceleration usage of electronic payments
Legal and regulatory framework for financial consumer protection developed by FSTAP



- Training for key providers on innovations for rural DFS agents facilitated by *Helix* Institute
- Making Access Possible (MAP) study report finalized by Cenfri, FinMark Trust and UNCDF
- Six representatives from MSB, NBS Bank, OIBM and TNM participated in MM4P conference #DFSGoRural to learn sustainable strategies to serve rural customers
- DFS Expert placed at MoF to support digitization of payment system
- Support provided to RBM and Zoono on Zoono licensing
- Exposure visit for key government stakeholders to South Africa conducted on digitization of government payments
- Support provided to Airtel Mobile Money to improve its agent network
- MM4P served as Chair of DFSCG^d

2016

Expansion



Mobile-based loan service Kutchova launched by Airtel
Mobile-based investment service Mpamba Fesa launched by TNM
Study on Assessment of DFS Regulatory Environment conducted by MMAP

- UNCDF and NBS Bank workshop on downscaling in Malawi through agent banking conducted with nine African partners
- Key staff from DFS providers chosen to attend DFI Digital Money course
- With USAID and FHI360, local government payments to chiefs identified and piloted in two districts
- Four representatives from Airtel Money and TNM participated in MM4P conference #DFS4Women to better understand how to leverage assets of women in DFS

2017

Expression of interest provided by Airtel, TNM and Zoono to adopt human-centred-design approach to employ women agents and foster women's financial inclusion
Payment Systems, Communications and E-Transactions Acts passed
Directive on interoperability developed by RBM
National Financial Inclusion Strategy 2016–2020 launched



- MM4P served as Secretariat of DFSCG^e
- With USAID and MoF, Malawi Government Payments Roadmap launched
- Better Than Cash Alliance peer exchange visit to India conducted on digitizing social protection payments
- Technical assistance provided to Airtel to improve quality of recruitment, retention and management of its agent networks
- Oxford Faculty of Law assignment made with RBM to assess functional risks of DFS

^a See annex 1 for details on workshops, events and exposure visits supported by MM4P, annex 2 for details on scholarships for trainings provided by MM4P, annex 3 for details on publications made by MM4P, annex 4 for details on technical assistance agreements made and other support provided by MM4P.

^b The Mobile Money Coordinating Group, or MMCG, was renamed Digital Financial Services Coordinating Group, or DFSCG, in 2015.

^c The Automated Transfer System, or ATS, is used for settling and clearing digital transactions efficiently. The Central Securities Depository, or CSD, facilitates electronic settlement of primary issues of government securities, RBM open-market operations and interbank money-market operations.

^d *ibid.*

^e *ibid.*

The story continues...

Success is not self-evident. The road from 2012 to 2017 has been hilly and winding, with devaluations, delayed launches, frozen donor funds, cancelled projects and failed partnerships. In November 2014, an independent review of work by UNCDF in Malawi noted 'a premature end to MM4P activities ... would undoubtedly affect the sustainability of results to date: mobile money in Malawi is currently at a fragile stage in its trajectory, with a rising risk of stalling.'

At the end of 2017, both the demand for and the supply of DFS are now on a fast track. There is a saying that 'success has many parents while failure is an orphan.' There are many significant contributors to the recent success in Malawi with whom MM4P has had the privilege to work, most of all the Malawian people themselves who are now beginning to embrace this new way of managing their money. MM4P gratefully acknowledges everyone's contributions to this effort.

There are still several major barriers to advancing the financial resiliency of Malawians through DFS. Some of those barriers are being addressed by donor funding, but many are not. If these challenges are not overcome, the growth trend could easily plateau and become a case study of 'what could have been,' especially for those traditionally underserved and in rural areas.

MM4P hopes to continue its 5-year tradition of being an honest, trusted broker in Malawi in the DFS ecosystem. Counting on partnerships with donors and other stakeholders on the ground, MM4P looks forward to applying the ecosystem development approach through the following efforts:

- Helping smallholder farmers and urban migrants access financial services through digital means by helping DFS providers find sustainable ways to serve rural populations.
- Facilitating women's financial inclusion and consequently bettering socio-economic opportunities.
- Helping youth to build brighter economic futures, whether it be by building digital businesses or simply using digital services to find good work for fair pay.
- Supporting the Malawian Government and the regulatory ecosystem to keep up with global fintech regulatory trends, complementing the National Financial Inclusion Strategy, following the Payments Roadmap and improving innovative methods of databased decision-making.
- Building on these digital 'rails' to provide the critical services, such as quality education, health and energy, that people need to attain their sustainable development goals.

The programme is excited to move forward to the next breakthrough, and to share the story of DFS in Malawi with others.

The MM4P programme launched in 2012 in Malawi as the first focus country because UNCDF saw that the gains in DFS were not reaching the least developed countries. MM4P was created to demonstrate how the correct mix of financial, technical and policy support can build a robust DFS ecosystem that reaches low-income people in these countries. In doing so, it has helped accelerate growth in several countries, identified some of the levers to help markets develop and supported efforts to reach the last mile.

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