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## **Country Survey Malawi: Gender Differences in the Usage of Formal Financial Services**



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## Abbreviations

<b>ASCA</b>	Accumulating Savings & Credit Association
<b>BOM</b>	Bank of Malawi
<b>BMZ</b>	Federal Ministry for Economic Cooperation and Development
<b>CRB</b>	Credit Reference Bureau
<b>FCS</b>	Financial Card System
<b>FHH</b>	Female-headed households
<b>FIMA</b>	Financial Inclusion in Malawi
<b>GDP</b>	Gross Domestic Product
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
<b>MAMN</b>	Malawi Microfinance Network
<b>MDIs</b>	Microfinance Deposit-taking Institutions
<b>MFW4A</b>	Making Finance Work for Africa
<b>NGO</b>	Non-governmental Organization
<b>NPL</b>	Non-performing Loans
<b>NSSF</b>	National Social Security Fund
<b>POS</b>	Point of Sale
<b>OIBM</b>	Opportunity International Bank of Malawi
<b>RBM</b>	Reserve Bank of Malawi
<b>ROSCA</b>	Rotating Savings & Credit Association
<b>SMME</b>	Small, Medium, and Micro Enterprise
<b>VSLA</b>	Village Savings & Loan Association

## I. Executive Summary

This study is part of a series on gender finance in Sub-Saharan Africa, conducted by GIZ and Making Finance Work for Africa (MFW4A). The study aims to explain the reasons for differences in the usage of formal financial products in Malawi, in order to inform policy makers and stakeholders about these reasons and to support them with practical recommendations for gender sensitive financial sector development interventions. The full set of countries under this study comprises Botswana, Malawi, Namibia, Rwanda, Uganda and Zambia.

The Malawi Country Report focuses on the analysis of the use of formal financial services (credit, savings, and insurance products). The primary data sources for the report were the 2008 Finscope survey conducted in Malawi, and the GIZ/MFW4A 2011 study ‘Gender differences in the usage of formal finance in six Sub-Saharan countries’<sup>1</sup>, which provides a gender-disaggregated analysis of the Finscope data. Our study also incorporates findings from the FinScope MSME Survey Malawi 2012<sup>2</sup>, which captures perceptions of self-classified business owners, i.e. those who consider themselves business owners and/or engaged in business activities. This assessment was conducted through a small number of interviews with individuals in both urban and rural areas<sup>3</sup>, and in consultations with key stakeholders such as women’s associations, business associations, and financial institutions (FIs).

This study reviews how and why women and men are using credit, savings, and insurance products in order to explain gender differences in the usage of formal finance products. It was conducted through extensive interviews in urban and rural areas, and in consultations with key stakeholders such as women’s and business associations, and financial institutions. The information collected through focus groups and individual interviews has been complemented with a review of the investment climate, financial sector, as well as gender roles in society.

Despite its limited size, our sample of interviewees was very diverse, by including women and men from different employment and education backgrounds both in urban and rural areas. As a result, a variety of financial behaviors were identified. Overall, our key findings were the following:

1. The level of income and education seem to have the strongest impact on women’s access and usage of financial services. The two often go in parallel so that well-educated women are in better and more stable jobs or run more successful businesses. They also tend to have a higher level of independence in making their financial decisions. This trend was valid in both urban and rural areas;
2. Meeting bank collateral requirements is usually a bigger challenge for women. For loans above Malawian Kwacha (MKW) 500,000-750,000 (approx. USD 1,850-2,770<sup>4</sup>) most banks require hard collateral, such as land and property. While in urban areas land is titled and leased by urban authorities, in rural areas where most of the population lives, land is customary owned and not titled. Under customary ownership, land is traditionally vested in men so this inevitably limits women’s opportunity to access credit amounts above a certain threshold. As such, while women might, at least in urban areas, access formal credit services at almost the same level as men, they tend to take out or be granted smaller loans.
3. Women tend to be more time constraint than men and have less time to gather sufficient information on available financial services to be comfortable approaching a bank. This, combined with the fact that men are still widely regarded as head of the household, leads to a reality where many women, particularly in the

<sup>1</sup> GIZ/MFW4A. 2011, published under <http://www.mfw4a.org/documents-details/giz-bmz-2012-gender-differences-in-the-usage-of-formal-finance-in-malawi.html?dl=1>

<sup>2</sup> The survey is based on a total of 1997 face-to-face interviews conducted with MSME owners (18 years and older, employing less than 100 people, including individual entrepreneurs) during January to March 2012.

<sup>3</sup> A total of 66 individuals were interviewed in Malawi.

<sup>4</sup> Exchange rate as of Sept 14<sup>th</sup>, 2012

low-income bracket and those financially illiterate and without collateral, would default to their husbands or male relatives for making their financial decisions.

4. Low levels of income restrict savings and particularly formal savings. While women seem to be very diligent in trying to save on a regular basis, more women than men indicated that their income did not allow them to save much and that the amount they could save was too little to justify a trip to the bank. Also, in case of married women, some might just keep their savings in their husband's bank account to avoid the hassle of opening a new account and to save on bank fees.
5. For both men and women the awareness and understanding of insurance products increases with the level of education and income. When women can afford it, they seem more interested than men in health insurance packages as well as tuition insurance for their children. On the other hand, as more men tend to be in wage employment and more men own cars, this might explain the slightly higher number of men covered as compared to women.

The report is structured in four main parts. Firstly, we present the research approach and methodology used to carry out this study. Secondly, we provide background information on Malawi's investment climate, women's role in society and the economy, as well as on its financial sector and mobile banking landscape. This was primarily based on an extensive literature review. Thirdly, we discuss our research findings by presenting the profile of women and men interviewed as well as the specific findings related to their usage of credit, savings, and insurance products. Lastly, we propose our recommendations to policy makers and development partners to

address identified gaps and challenges in women's usage of finance. The goal is to help meet women's financial needs and support them in reaching their full economic potential.

The key policy recommendations are the following:

### **1. Support improved market intelligence**

The collection of sex-disaggregated data from specific financial institutions as well as overall data on women's access to finance markets is crucial to gain a sound understanding of the sector at the national level and guide stakeholders' interventions.

### **2. Promote a more enabling legal and administrative framework**

Weaknesses in the legal and administrative framework can have considerable impact on women and men's ability to use financial services. We suggest that policy makers: i) increase their efforts to create a national identification system; ii) decentralize business registration process to avoid business owners having to travel to Blantyre, the commercial capital, for this purpose; and iii) develop a modern land registration system at the national level to enable many individuals that now fall under the customary land regime to acquire land titles. Similarly, other measures that have the potential to dramatically increase women's access and use of formal credit services would be: a) better information and widespread awareness campaigns on the 2011 Deceased Estates Act that guarantees equal inheritance and property rights to widows and daughters; and b) the enactment of the proposed law to make joint ownership of property the default system for married couples.

### **3. Promote the regular provision of gender-sensitive capacity building for women clients**

It is recommended that policy makers and development partners further promote and support current

efforts to increase their outreach to low-income customers, with a special focus on women, through targeted capacity building programs. The provision of regular financial training and business development services to women clients can be very effective in improving women's familiarity with financial services offered and making them more *bankable*.

#### **4. Invest in the research & development of high-potential financial products**

While the development of financial products for women is left to financial institutions' own strategic business considerations, it is advisable that policy makers and development partners explore investing in the research and development of products that are considered to be of particularly high-potential value for women in the region. Finscope findings as well as our field survey indicated that micro health insurance might be one of such products.

#### **5. Promote men's participation in gender awareness campaigns**

It is recommended that policy makers and development partners make a stronger effort to include the male population in gender-awareness campaigns or to promote dedicated men-only forums. The objective would be to engage the whole community in discussing gender issues, such as gender roles within the households, the division of household labor, decision-making, etc. in order to build a more supportive environment for women to pursue their businesses and for them to gain a more equal stand within the household.

#### **6. Explore promoting financial literacy courses for girls and young women**

Another area to explore would be the provision of financial literacy courses for girls and young women. As about 55 percent of young women and girls in Malawi work, it is important that they are equipped with proper financial management tools to better accumulate assets and manage risks, and to keep their money in a safe place. This is also an opportunity for financial institutions to learn more and possibly invest in a new market segment.

## II. Research Approach

The assignment and field research used **individual and focus group interviews** as the main instrument to explore reasons for the results of the Finscope gender analysis. The research focused on the use of formal credit, savings, and insurance products. The fieldwork was preceded and complemented by a comprehensive literature review of the gender finance landscape in Malawi, which included an analysis of the investment climate, the financial sector, as well as gender roles within society and in the economic context. Our objective was to gain a deeper understanding of the roles men and women play in the economy, as well as in urban and rural households, and to gather all available information that might influence the use of financial services in the focus countries.

The following main themes have been explored through individual and focus group interviews:

1. **Access & Usage:** Are women and men accessing credit, savings, and insurance services?
2. **Priorities:** How are women and men using the loans and savings they have accessed?
3. **Decision-making:** How do women and men make decisions about the use of their loans and savings?
4. **Benefits, Challenges and Barriers:** What have been the benefits and challenges of accessing credit and savings services? What prompted the choice between borrowing/saving formally or informally?
5. **Gender differences:** Do men and women access and use financial services at different levels and for different purposes?

Special attention was paid to investigating and probing those specific issues arising from the study *Gender differences in the usage of formal finance in Sub-Saharan countries* (GIZ/MFW4 2011), for which no plausible explanation could be found in available secondary data and literature, i.e. why women were approximately as likely to use credit and insurance as men, but much less likely to use savings<sup>5</sup>. Also, women considered financially illiterate and women without collateral were much less likely than their male peers to use financial products.

The field research was carried out over a one-week period. To reach out to a larger number of beneficiaries in a cost- and time-efficient manner, we leveraged on women's associations and financial institutions to contact interviewees. Specifically, NBS Bank facilitated interviews with a number of their clients and potential clients in rural areas as well as in Lilongwe. We also carried out random interviews in shopping malls and shopping areas to diversify our sample. In total, we conducted 66 interviews, of which 44 percent were in Lilongwe and 56 percent in peri-urban and rural districts. The experiences of two women have been selected as case studies. A detailed profile of interviewees is provided in section IV.

Including men in our interviews was important as it offered a different point of view on the reasons for identified gender differences in the use of formal finance. However, their share out of the total sample of interviewees was purposely limited (it accounts for 42 percent of total interviews) to be able to focus more in-depth on the analysis of women's financial behavior, which is the main objective of this report in line with our goal to inform policy makers on how and why women are using specific formal financial services.

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<sup>5</sup> The GIZ/MFW4A 2011 study includes the following formal financial services: Credit card; Overdraft on bank account; Personal or consumer loan; Business loan; Education loan; Agricultural loan; Housing loan (Credit); Current account with cheque book; Current account with ATM card; Debit card; Savings account with ATM card; Cash card; Savings account with fixed term deposit (Savings); Medical insurance; Motor insurance; Household insurance; Life insurance; Crop/weather insurance; Funeral insurance; Travel insurance; Personal accident insurance; Legal expense insurance; Pension/retirement fund; Life insurance policy (Insurance).

It is to note that while this study attempts to explain the reasons for gender differences identified by the 2008 Malawi Finscope surveys, resource constraints enabled us to interview only a very small sample in a restricted geographical area whereas Finscope interviewed a large number of individuals across the national territory. Indeed, as this study covers six countries, only one week of field visits was allocated for each one of them.

In this context, our findings provide some anecdotal evidence of how women and men are using financial services but cannot be considered conclusive to draw general and definitive patterns about the population's financial behavior. Similarly, as different groups of people (salaried workers; self-employed; unemployed; rural; urban; married; single; educated; uneducated; etc.) use finance differently, our findings vary substantially across the spectrum of interviewees. For this reason, our analysis of women's financial behavior does not provide findings valid for the overall sample, but rather insights on each specific sub-group. By narrowing down the selection of the target group of interviewees, the analysis could have been more in-depth and, as a result, our recommendations better tailored to the needs of a specific group.

The primary and secondary research was complemented with information collected through consultations with key stakeholders, such as the National Association of Women in Business, the Financial Inclusion Malawi task force, NBS Bank, Standard Bank, and Opportunity Bank, and the microfinance institution FINCA. These consultations provided better and deeper understanding of the cultural, legal, and economic environments that might be affecting women's financial behavior as well as attitudes towards financial services. Their points of view have also provided useful insights to complement information collected through interviews.

## III. The Country Context

### A. Investment Climate & Legal Environment

The business environment in Malawi is challenging. Malawi is ranked 145<sup>th</sup> out of 183 countries, down 7 spots since 2011, and 21<sup>st</sup> out of 46 Sub-Saharan African countries according to the Doing Business (DB) 2012.

Starting a business requires ten procedures and costs 91 percent of per capita income, both well above the regional average, which requires eight procedures and 81.2 percent of per capita income. Malawi's slight decline in the DB ranking since 2011 came amidst some positive reforms, such as the easing of property transfers by cutting the wait for consents and registration of legal instruments by half, and the simplification of enforcing contracts by raising the ceiling for commercial claims that can be brought to the magistrates court. Malawi also established a private credit bureau in 2012 although no data is currently available. Indeed, access to finance constitutes one of the top constraints to investment in Malawi.

In 2011, the parliament passed the Deceased Estates (Wills, Inheritance and Protection Act) Act No. 14 of 2011 to provide widows and daughters equal inheritance rights and address problems of widows being denied their inheritance upon the death of a spouse. The treatment of widows has been noted as a particularly serious problem in Malawi. The Women and Law in Southern Africa group report that the practice of dispossession and 'property-grabbing' from widows is common.<sup>6</sup>

Malawi has both common law and customary law frameworks; moreover, traditional society is divided into both patrilineal and matrilineal societies, each having different rules governing societal norms

and the treatment of women. Women have few or no independent rights to land property due to the mixture of traditional customs and market economics. Customary law provides men with a superior status and, accordingly, gives them greater power in political and family leadership and land holding. Customary land accounts for 70 to 80 percent of the country's total land and is where most of the smallholder farmers are located. A high illiteracy rate among the female population further hinders women's access to land as they are often uninformed or unaware of their rights.<sup>7</sup>

The HIV/AIDS pandemic increases the land tenure insecurity for women and children who are increasingly being dispossessed by patrilineal kin upon the death of male household heads. It is believed that the pandemic will lead to an increase in child-headed households or grandmother-headed households that are likely to be landless because both land and inheritance laws focus on marriage-based families only, leaving out the interest of people who are outside of formal marriage arrangements.<sup>8</sup>

### B. Women's Role in Society & Economy

Malawi remains one of the poorest of the least developed countries in the world, ranking 153<sup>rd</sup> out of 169 countries on the Human Development Index (2010).<sup>9</sup> Similarly, it is ranked 107<sup>th</sup> out of 128 total countries in the Women's Economic Opportunity Report 2012 Index.<sup>10</sup>

Malawi is heavily reliant on the agriculture sector that supports the majority of livelihoods in the country and provides employment for nearly 90

<sup>6</sup> WLSA is an organization seeking to contribute to the sustained wellbeing of women and girls in Southern Africa. The organization is part of a sub regional network incorporating Zimbabwe, Botswana, Lesotho, Zambia, Malawi and Mozambique and Swaziland. More information is available at <http://www.wlsazim.co.zw>.

<sup>7</sup> FAO Gender and Land Rights Database

<sup>8</sup> Ibid

<sup>9</sup> FAO, 2010

<sup>10</sup> The Index defines women's economic opportunity as a set of laws, regulations, practices, customs and attitudes that allow women to participate in the workforce under conditions roughly equal to those of men, whether as wage-earning employees or as owners of a business.

percent of the population. As in many other traditional societies, Malawian women are seen as caregivers, bearing the brunt of the responsibility to care for the sick and elderly, in addition to their own children. Women seem to have limited access to, and control over, production factors such as land, agricultural inputs and technology. While men are involved in cash crop production, women are mainly involved in growing food crops. Besides subsistence farming, women are primarily self-employed in small, informal sector activities. Small-scale enterprises are an important source of income for many households.<sup>11</sup>

In Malawi, women head 23 percent of the households, with 24 percent and 15 percent female-headed households in rural and urban areas, respectively.<sup>12</sup> Rural Malawi, where nearly 85 percent of the 15.3 million total population lives, has a sizeable female population. More women live in rural areas (51.7 percent) than men (48.3 percent), while the figures are reversed in urban areas. In 2004/05, 78 percent of rural households in Malawi were poor – 25 percent of which were female-headed. Poorer households, in particular female-headed households (FHHs), are more involved in agricultural wage labor, which is likely low paid and casual. FHHs have on average about one-third less working members than male-headed households. They are also particularly disadvantaged in terms of education – e.g. in the lowest wealth quintile they have, on average, one year of education compared with four years for their male counterparts.

The literacy rate for adult women (ages 15 and above) is 67 percent, as opposed to 80 percent for adult men. The younger population (ages 15-24) has managed to close this gap and nowadays there is virtually no difference in the literacy levels between boys and

girls. The ratio of female to male enrolment however, declines with higher levels of education, from 99 percent at the primary level, to 87 percent at the secondary level to 61 percent for tertiary education. The attendance rate for girls seems also lower, probably due to the fact that girls often have concurrent household responsibilities to take care of. Education is a key factor for empowering women and has repercussions on their overall role within the household and in society, particularly when it comes to women's participation in wage employment.

On the other hand, female political involvement has seen some improvement. For the first time in Malawi's electoral history, 2009 witnessed a female presidential candidate, a female running mate for the Democratic Progressive Party's presidential candidate and the highest number ever of female parliamentary candidates. A total of 234 female candidates ran in the election and won 22 percent of all parliamentary seats. But despite progress made, deep gender disparities persist in participation in politics and decision-making positions.<sup>13</sup> Just recently, following the sudden death of Mr. Bingu wa Mutharika in April of 2012, Ms. Joyce Banda was sworn in as the first female president. Prior to becoming president, she served as the country's first female vice-president.

About 58 percent of all adults infected with HIV in Malawi are women. Females tend to contract HIV at a younger age than males. Indeed, more females are reported to have AIDS in the 15-29 age group than males and in general AIDS-related deaths are highest amongst women in their 20s. Additionally, HIV/AIDS has presented an extra burden to women's intensive working day, given that women and girls are usually the ones responsible to care for AIDS sick relatives and/or support orphaned children. Girls are dispropo-

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11 Mathiassen, A., 2007

12 FAO, 2011

13 Ibid

portionately withdrawn from school to assist their mothers in caring for those with HIV/AIDS. The responsibility for care provision of HIV/AIDS victims has significant impacts on the economic and health lives of women as it denies women equal opportunities for education and work, thus perpetuating women's low socio-economic status.

### C. Financial Sector

The financial sector is inextricably linked to the wider Malawian economy. Real GDP growth, which was averaging an impressive annual rate of 8.3 percent during 2007-10, slowed down to about 4.3 percent in 2011. As the country was unable to meet some of the targets set by the Extended Credit Facility secured from the IMF in 2010, this led to reduced donor inflows, foreign exchange difficulties and shortages of essential commodities such as fuel and inputs for manufacturing. The situation was made worse by disappointing earnings from tobacco, the country's top export earner. Agriculture continues to be the main economic activity, while mining and construction have recently begun to account for a larger share. The outlook is for a continued slowdown in 2012 with substantial recovery and growth prospects in 2013 and onwards.<sup>14</sup>

As of December 2011, the banking sector of Malawi was comprised of 12 commercial banks that dominate the financial sector. It is relatively small and highly concentrated, with the National Bank of Malawi and Standard Bank of Malawi accounting for 48 percent of banking system assets and deposits.<sup>15</sup> Financial stability indicators suggest however a sound system with non-performing loans as a share of total loans at 4 percent in 2011. However, the deterioration in the macroeconomic environment in the last two years has elevated the risks to banks' portfolios. The

Reserve Bank of Malawi (RBM) has intensified its monitoring and surveillance of the financial system, including of non-bank financial institutions. The RBM recently adopted a risk-based supervision approach to examine bank performance and is working to enhance stress-test capacities. Malawi also benefits from two credit reference bureaus that are underpinned by sound legal and regulatory framework for sharing of credit information.<sup>16</sup>

As of year-end 2011, the insurance industry comprised 4 companies licensed to operate in the life insurance sector and 7 companies licensed in the non-life insurance sector. The assets of life insurance companies outstrip those of the non-life by 6 times, with life accounting for over 85 percent of the total insurance sector assets, roughly equal to 25 percent of assets of banks or 7.6 percent of GDP. Notably, the passing of the Pension Act 2010 has made group life insurance cover mandatory for each employee and the sector is expected to experience substantial growth in premiums written as employers comply.<sup>17</sup>

Malawi has an underdeveloped finance sector in terms of serving the poor. Even though banks have continued to explore channels to downscale to the bottom of the pyramid and the country counts on a vibrant microfinance sector, at present about 55 percent of the adult population is financially excluded altogether.<sup>18</sup> Access to and availability of financial services in the rural areas is particularly limited. To deepen financial intermediation and ensure financial inclusion, the government of Malawi launched a National Strategy for Financial Inclusion with approval expected at the end of 2012. In 2010, the Government established the Microfinance and Capital Markets Supervision Department within the Reserve Bank of Malawi. Before the

<sup>14</sup> IMF, 2012

<sup>15</sup> Reserve Bank of Malawi, 2011

<sup>16</sup> IMF, 2012

<sup>17</sup> Reserve Bank of Malawi, 2011

<sup>18</sup> World Bank, 2011

establishment of this supervisory authority, banks with microfinance operations remained the only category subject to prudential supervision since they offered savings deposits services. The savings and credit cooperatives (SACCOs) were largely supervised by the Malawi Union of Savings and Credit Cooperatives (MUSCCO). The other categories of microfinance service providers remained unsupervised.

**Table 1:** Loan Market Share by Category (2010-2009)

Category	2009	2010	Percent(+/-) in loan share
Moneylenders	33 %	21 %	-36 %
State-owned Programs	29 %	30 %	+3 %
NGO-MFIs	8 %	11 %	+38 %
Banks	14 %	18 %	+29 %
Cooperatives	16 %	20 %	+25 %

Source: Reserve Bank of Malawi, 2011

Opportunity International Bank of Malawi (OIBM) has been the pioneer in pushing for mobile banking services having endured the arduous process of building a mobile banking system in a country without any existing mobile banking infrastructure. It brought a mobile banking product to the market in 2010. Zain, a mobile service provider, concurrently launched its own mobile banking platform in the same year partnering with National Bank of Malawi and NBS Bank.<sup>19</sup>

Mobile banking services enable access to a variety of financial and informational services including bill pay, airtime purchases, reminders for loan payments, and new services. Customers are also capable of receiving remittances. Given the relatively recent foray into mobile banking by few financial institutions, penetration of the market is still quite low and only OIBM is targeting lower income and rural individuals. Recently, the Financial Inclusion in Malawi (FIMA) project, implemented by the Ministry of Finance with support from the United Nations Development Program (UNDP) and the United Nations Capital Development Fund (UNCDF), has aggressively championed cell phone banking among the innovations it is supporting, and mobile operator Zain continues to aggressively market its network services to banks and MFIs in Malawi.<sup>20</sup> In early 2010, FIMA partnered with Zain in a dissemination project to *sensitize* financial institutions to services offered by Zain.

Country-wide data regarding uptake of mobile banking services by consumers is sparse but the service has been marketed to clients of larger banking institutions. According to the Malawi Microfinance Network (MAMN), three obstacles to the expansion of cell phone banking tend to be reported: 1) illiteracy among consumers; 2) agent networks need to be set up on an ambitious scale; and 3) network coverage in rural areas may be questionable.

<sup>19</sup> Ferguson, M., 2011

<sup>20</sup> Ibid

# IV. Research Findings

## A. Finscope Findings

According to the 2008 Finscope Survey, about 55 percent of the adult population is financially excluded from the use of either formal or informal financial products. Of those that are included, 19 percent have a bank account, 7 percent use formal financial

institutions other than a bank, mainly microfinance institutions, and 19 percent use informal products. A detailed breakdown of the Financial Access Strand is presented in the chart below.

Table 2: Malawi Access Strand

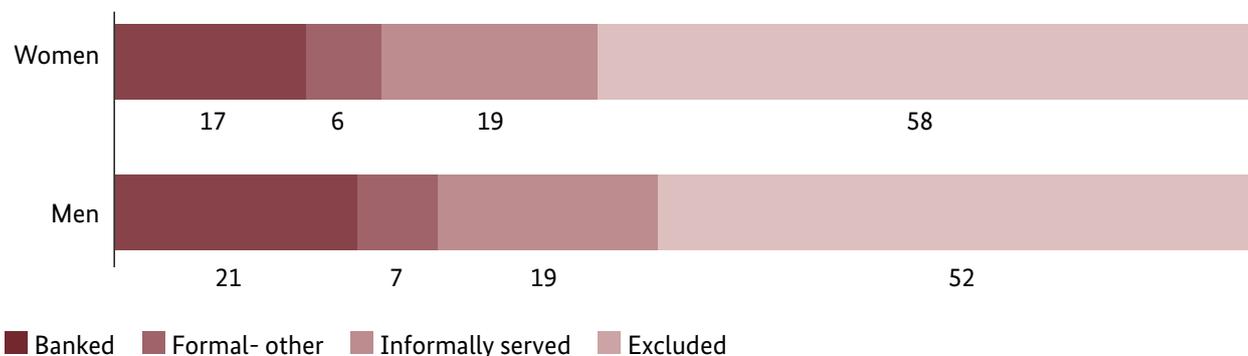
Group	Service use				
	Formal bank	Formal other	Informal only	Unbanked	Total (as % of population)
Banked	100%	0%	0%	0%	19%
Financially served	73%	27%	0%	0%	26%
Financially included	42%	16%	42%	0%	45%
Financially excluded	0%	0%	0%	100%	55%

Source: Finmark Trust, 2008

Amongst the adult population, there is a slight bias towards men, 21 percent of which are formally banked versus 17 percent of women. Overall, 23 percent of women have access to formal financial services as opposed to 28 percent of men. Nineteen percent of the adult population – with an equal share of women and men – is using the informal sector, i.e. borrowing from employers, getting credit at shops, receiving agricultural inputs from processors or in-

put suppliers as accredit, etc. The survey results indicate that while the percentage of banked individuals is high at 19 percent, being in the top half amongst its peers (of countries where FinScope surveys were conducted)<sup>21</sup>, Malawi still has a high percentage of financially excluded population. Interestingly, the level of indirect banking is high (22 percent of banked adults), i.e. those making use of bank accounts not registered in their names.

Chart 1: Malawi Access Strand by Gender (in percentage)



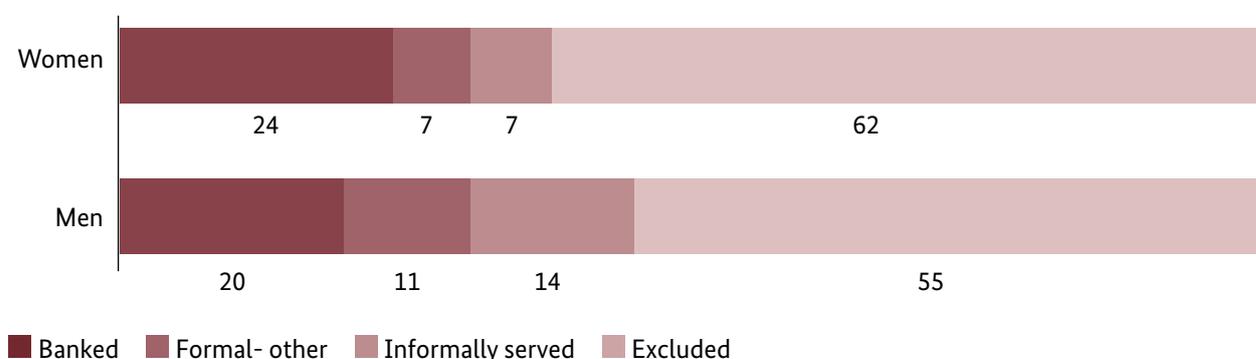
Source: Finmark Trust, 2010

21 FinScope survey included: Botswana, Kenya, Malawi, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia.

The Finscope Small, Medium, and Micro Enterprise (SMME) Survey carried out in the first quarter of 2012 found that there are over 750,000 business owners in Malawi, owning a total of close to a million businesses. Eighty-seven percent of these businesses are retailers while the remaining 13 percent are service providers. For about 35 percent of them, insufficient access to finance is the biggest constraint to growth. Similarly to what was found in the 2008 Survey of adult Malawians, 59 percent of small, micro, and medium business owners are financially excluded; 22 percent are banked; 9 percent use other non-bank formal financial institutions, and 10 percent are informally served.

The Finscope SMME Survey found that women account for 46 percent of SMME business owners and that women entrepreneurs have low levels of education as well as limited business and managerial experience prior to start up. Eighty-one percent of them indicated to have either learned from family members or taught themselves about business skills. Women in small businesses have less experience using banks and other non-bank formal financial services, with almost a third using informal mechanisms to manage their business financials. Thirty-one percent of women in business indicated that *it is difficult to open a bank account* and 58 percent felt that they could manage without a bank account. Men-owned businesses are more likely to be banked but are also more likely to be excluded as women seem to make more use of informal mechanisms.

Chart 2: Malawi SMMEs Access Strand by Gender (in percentage)



Source: Finmark Trust, 2010

The top reason given by individuals for not having bank accounts is income-related with 54 percent citing not having enough funds. A further 21 percent cited minimum balance requirements as key barriers. Although physical accessibility was not cited as a main constraint, it likely plays a signifi-

cant role as public transportation was the primary mode of transport to reach a bank. The Finscope survey also appears to shed light on behavioral bias against professional financial advice as more than 30 percent stated they would not ask anyone for financial advice.

Insurance has a low penetration rate with only 3 percent of adult Malawians reported to have some type of insurance product in the survey. On the other hand, the FinScope 2008 Malawi Survey illustrates a country of savers. However, a relatively high percentage of respondents indicated they were saving in cash or in kind, with 62 percent saving in the form of cash only. The majority of savers save by hiding cash in a secret place (56 percent) compared to a bank (17 percent). The predominance of saving at home rather than at the bank suggests there is plenty of unmet demand for savings products.

Owing to the agriculture-based economy of Malawi, the majority of respondents cited farming as their most important source of income (60 percent) and overall more than 88 percent of Malawians are involved in some type of agriculture related activity. While the most common crop is maize, the most common farmer receiving bank services is involved in tobacco due to the requirement that registered sellers have a bank account.

**B. Profile of Women and Men Interviewed**

The sample of individuals interviewed is quite heterogeneous. It includes women and men of different age active in a wide array of employment sectors, as well as students and unemployed adults, with different levels of education, both in urban and rural areas. Of the 66 interviews, 44 percent live in Lilongwe and 56 percent in a peri-urban district<sup>22</sup>. Women comprised 58 percent of the interviewees.

**Table 3:** Interviewees by Gender and Geographical Area

	Women	Men	
Rural	14 %	42%	56%
Urban	44 %	0%	44%
	58 %	42%	

Source: A2F Consulting Malawi Survey, 2012

About 13 percent of women interviewed have a first or a postgraduate degree, while this is true for none of the male interviewees. All men interviewed live in rural areas and close to 80 percent of them do not have more than a primary level of education<sup>23</sup>. Similarly, the overwhelming majority of women with a primary level of education or less lives in rural areas. Most men interviewed are business owners of mostly micro-businesses with very few or no employees. Their low level of education is in line with the 2012 Finscope SMMes Survey, which shows that the majority of small business owners have low levels of education (67.9 percent primary education and 10.9 percent no education).

<sup>22</sup> Interviews were conducted in the Chinsapo district. Malawi is divided into 28 districts.

<sup>23</sup> Interviews were facilitated by a local financial institution. Men participated in our research only in rural areas while the majority of interviews in urban areas focused on women.

**Table 4:** Interviewees by Gender and Level of Education

	Women	Men
Postgraduate	2.63 %	0.00 %
Degree	10.53 %	0.00 %
Certificate/diploma	28.95 %	7.13 %
Secondary	34.21 %	14.29 %
Primary	23.68 %	39.29 %
None	0.00 %	39.29 %

Source: A2F Consulting Malawi Survey, 2012

The majority of women and all men interviewed are either married (68.4 percent of women and almost 93 percent of men) or single (18.4 percent of women and 7.1 percent of men). A small percentage of women are separated (7.9 percent) or widows (5.3 percent).

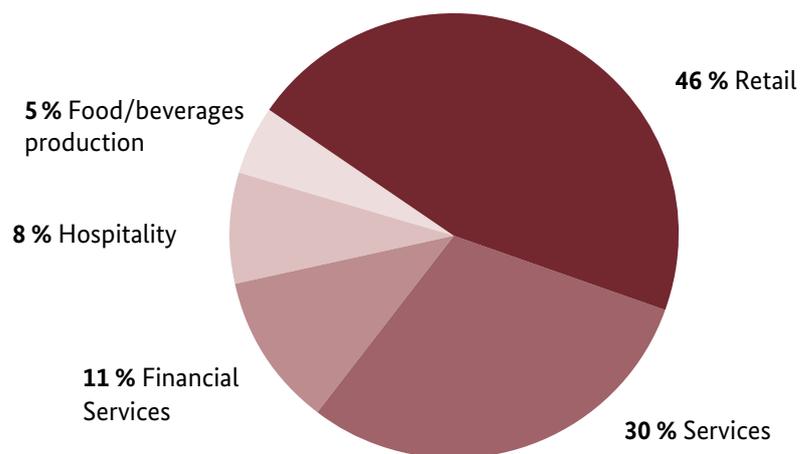
**Table 5:** Interviewees by Gender and Civil Status

	Women	Men
<b>Married</b>	68.4 %	92.9 %
<b>Single</b>	18.4 %	7.1 %
<b>Separated</b>	7.9 %	0.0 %
<b>Widow</b>	5.3 %	0.0 %

Source: A2F Consulting Malawi Survey, 2012

All men indicate that they are currently employed. With the exception of one, all women interviewed are also working. Almost half of the female sample interviewed work in the retail sector, followed by 30 percent in services, 8 percent in hospitality, five percent in the production of food and beverages, and 11 percent in the financial services sector. The 2012 SMME Finscope survey confirms that women are more likely than men to be involved in retail activities, and that a strong gender focus is noticeable when looking at products being sold. Fifteen percent of women-owned businesses sell cake and 14 percent sell beer.

**Chart 3:** Women Interviewees by Employment Sector



Source: A2F Consulting Malawi Survey, 2012

Most married interviewees indicated that they take household financial decisions jointly with their spouse when both of them work. If they are the main bread-winner, they usually still consult the other spouse even if they end up making their own decisions. Better-educated women in high-income jobs tend to have higher levels of financial inde-

pendence and control of financial decisions. Based on the recent World Economic Report, as many as 34 percent of married women in Malawi are not involved in decisions about spending their earnings. In Malawi, 13 percent of married women in the richest quintile have no control, compared with 46 percent in the poorest quintile.<sup>24</sup>



#### Case Study: Towera-Natural Rose

Towera bought a piece of land around Blantyre in 2006, when she was still a full-time employee at a regional financial consulting company. Soon enough she started making baobab juice out of the several baobab trees on the land and brought it to Sunday mass to offer to fellow church-goers. The product was an immediate hit so that Towera began producing more of it and selling it to an increasing pool of customers - on Sundays first, and then during the week as well. She hired two ladies from church to help produce more baobab juice. Given this demand, Towera inquired about the option of selling it in stores and the response was again positive.

In 2007/08 she was approached by National Bank of Malawi, which was promoting a new SME loan product, about the possibility of supporting her business. The requirement was that she presented a sound business

plan. She developed one and applied for a loan. With the loan she secured from National Bank, she purchased a vehicle to transport the baobab juice to supermarkets and large retailers in Blantyre. As she kept diligently reinvesting her earnings into the business, she was also able to move juice production, which was originally homemade, to a factory in Blantyre. Her product was now called *Khathi Khathi*, which means *nice and smooth* and could be found in large retailers such as Shoprite.

The next step for Towera was to expand to the Central region. Using the earning from her sales rather than asking for a new loan, she bought another second hand vehicle and started distributing in the Lilongwe area every two weeks. However, she also opened a savings account at NBS bank as she knew that the bank had a special program and loan products to support women entrepreneurs, which could come handy as her business was growing. In parallel, she set up her own consulting firm that provides her with an additional source of income to invest in her juice making business. As the demand for the *Khathi Khathi* baobab juice has proven to be higher in Lilongwe, she is now in the process of building a factory in the capital, where she plans to move her headquarters. For the time being, she employs 14 employees in Blantyre and 12 in Lilongwe and has an annual turnover of MWK 20 million<sup>25</sup>.

<sup>24</sup> World Economic Report, 2012

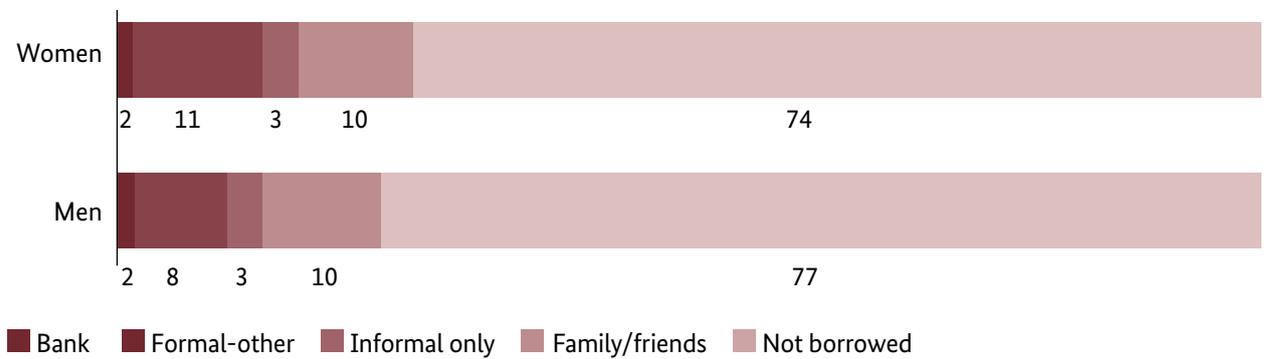
<sup>25</sup> Approximately USD 74,000 as of Sept 14th, 2012

**C. Usage of Credit**

According to the 2008 Finscope Survey, less than a quarter of the adult population seems to be borrowing and 40 percent of those that are, do so from family or friends – 29 percent at no interest. Another 17 percent have a loan from a microfinance institution and 4 percent from a bank. The main reasons

for borrowing are: for medical expenses (26 percent), farming expenses (22 percent), living expenses (21 percent), and to invest in their business (18 percent). The most common reason given for not borrowing was fear of indebtedness, as indicated by nearly 45 percent of Finscope’s sample.

**Chart 4:** Malawi SMME Borrowing Strand by Gender (in percentage)

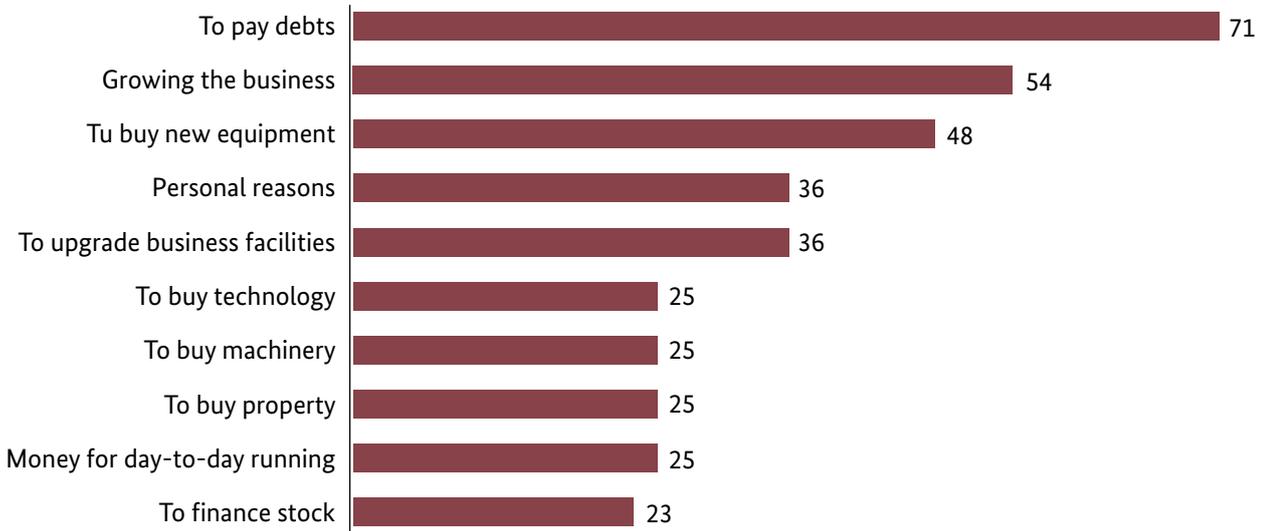


Source: Finmark Trust, 2012

Similarly, the 2012 SMME Finscope Survey shows that about 76 percent of businesses did not borrow in the past 12 months for fear of not being able to repay loans. The largest source of credit remains friends and family, which account for just over 10 percent of loans to small, medium, and micro businesses. Over 11 percent of businesses have a loan or a credit line from a formal financial institution – about 2 percent of which is from a commercial bank. According to the survey, only 26 percent of women entrepreneurs reported having borrowed for business purposes, although this might be underestimated given the reluctance of individuals to say they borrow. Women in business seem to borrow more than men from village banks/cooperatives and MFIs/microlenders.

In our limited sample of interviews, more women than men have borrowed. Specifically, 47 percent of them have taken a loan – 32 percent from a bank and 15 percent from a microfinance institution. In contrast, only 11 percent of men interviewed have borrowed – 4 percent from a bank and 7 percent from a microfinance institution. This large disparity in the percentage of women and men with access to formal credit might be correlated to the disparity in the level of education between the female and the male sample. The experience of the Finscope surveys across several countries has shown that access to formal finance seems to be highly influenced by an individual’s level of education so that better educated people find it easier to access formal credit. In this particular sample, a much larger percentage of women than men have secondary or tertiary education and a larger share of women are salaried employees, which is another factor linked to easier access to formal finance.

Chart 5: Reasons for Borrowing in Malawi



Source: Finmark Trust, 2012

While the 2008 Finscope survey reported that women are slightly less likely to borrow formally than men, the 2011 Findex<sup>26</sup> Malawi survey found no difference in the share of women and men that had borrowed in the previous 12 months - both at about 51 percent of the population older than 15 years of age. However, there are considerable differences in the source of the loan for men and women. Specifically, Findex indicates that women tend to borrow more than men from financial institutions - over 11 percent of women versus only 6.5 percent of men had done so - while men tend to borrow more from private lenders, employers, as well as family and friends.

As expected, banking credit services and opportunities are widely available in the city centers but much less so in peri-urban and rural areas where over 80 percent of the population live. Village Loan and Savings Associations, Microfinance institutions,

and informal lenders bridge these gaps. In general, microfinance institutions seem to be perceived as operating on very stringent terms and conditions, with tight repayment schedules, high interest rate and stringent recovery procedures. Several individuals interviewed indicated that MFI terms are quite onerous and unattractive in comparison to those offered by commercial banks.

Business registration is a key requirement for opening business accounts and access business credit from banks. However, there is only one business registry in Blantyre, which can make registration a very burdensome endeavor, particularly for women who tend to have smaller businesses and less time available to travel. As such, women are less likely to have registered businesses and may have to operate under businesses registered in the names of their spouses, which limits their individual ability to access business financing.

<sup>26</sup> The World Bank's Global Financial Inclusion Database (Findex) provides 506 country-level indicators of financial inclusion summarized for all adults and disaggregated by key demographic characteristics—gender, age, education, income, and rural or urban residence. Covering 148 economies, the indicators of financial inclusion measure how people save, borrow, make payments and manage risk.

A common view expressed by most women interviewed is that, while bank requirements to access credit are the same for men and women, having sufficient collateral is a bigger challenge for women. Women therefore tend to be disadvantaged when it comes to accessing formal finance. For loans above MWK 500,000-750,000 (approx. USD 1,850-2,770)<sup>27</sup> most banks require hard collateral, such as land and property. While in urban areas land is titled and leased by urban authorities, in rural areas where most of the population lives, land is customary owned and not titled. Under customary ownership, land is traditionally vested in men so this inevitably limits women's opportunity to access credit amounts above a certain threshold.

Similarly, our interviews revealed that it is customary in Malawi to put property in the husband's name even when the wife has shared the costs of acquiring the property. Men hold a position of prestige in Malawian society and many women feel that putting property in their husband's name is a way of showing them respect. It goes without saying that this practice is more common among the low-educated population, where women are not aware of their rights and that they can ask to add their names on the title deeds. Things seem to be slowly changing, particularly in urban areas and in better-educated households, as more women participate in gender-awareness campaigns and learn about their inheritance and property rights. However, in practice, women's ability to add their names to title deeds depends on their husband's willingness to do so. If men resist such changes, many women might just give in to avoid family conflict.

Additionally, consultations with stakeholders and findings from our interviews indicate that women tend to earn less than men, which would inevitably make it more difficult for women to access formal financial services. Also, men tend to be more represented among salaried employees and have therefore better access to salary-based loans. The level of education is another important factor that affects individuals' access to formal finance. As highlighted in section III, adult women are much less likely to be literate than men and more men than women attend tertiary education. Finally, the unequal balance of power between husband and wife within the household and the fear of family conflict might be one of the reasons why women seem to be more reluctant to take out larger loans and fear not being able to repay them and lose their possessions.

In conclusion, as detailed gender-disaggregated banking data is very hard to come by, it is quite challenging to confirm reasons for the Finscope findings in relation to the use of credit services. Consultations with stakeholders and our sample of interviews seem to lead to the conclusion that while women might, at least in urban areas, access formal credit services at almost the same level as men, they tend to take out or be granted smaller loans due to difficulties in meeting the collateral requirements. At the same time, women tend to be more time constrained than men and have less time to gather sufficient information on available financial services to be comfortable approaching a bank. This, combined with the fact that men are still widely regarded as head of the household, leads to a reality where many women particularly in the low-income bracket and those financially illiterate and without collateral would default to their husbands or male relatives for making their financial decisions.

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27 Exchange rate as of Sept. 14<sup>th</sup>, 2012

**Case Study: Quail Rearing in Malawi**

Mercy is a full-time employee at a large commercial bank in Lilongwe, who was looking to set up her own business to supplement her salary. During one trip to Zambia, she decided to try quail rearing as quails are not produced in Malawi and she purchased 60 quail eggs. With the 8 eggs that hatched, she started her own hatchery in Lilongwe out of her home. She rears 1000 quails at a time, which she sells every three months, mostly to individuals or to hotels on request. Eggs are sold on a daily basis. She now employs two full-time employees to help her with the hatchery.

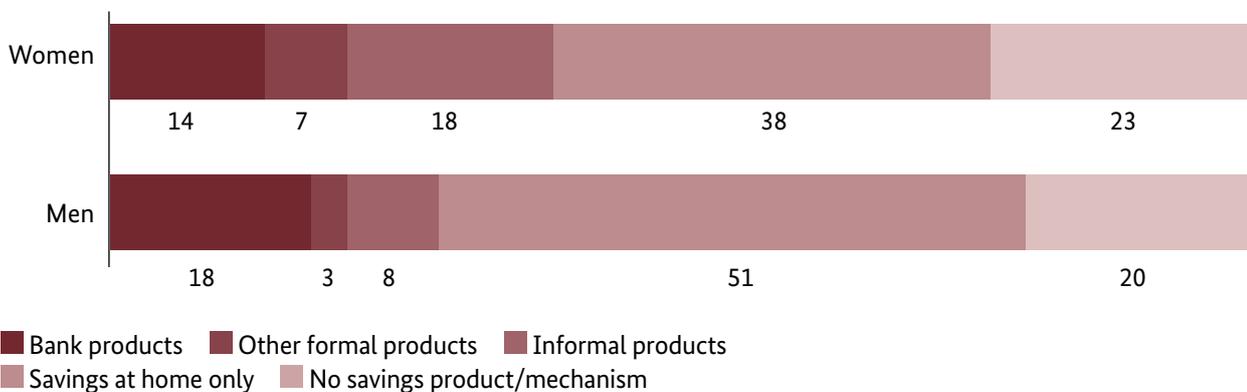
Mercy is now planning to buy an incubator so that quails can grow more quickly. This would allow her to keep up with increasing demand for both quail meat and quail eggs. She has requested a MWK 700,000 (approx. USD 2,600)<sup>28</sup> loan from NBS Bank, from which she had previously secured a mortgage and a car loan. The bank did not grant her loan request but asked her to wait a bit longer while she keeps repaying the other two loans as she can't provide any additional collateral to secure the third loan.

**D. Usage of Savings**

Based on Finscope findings, about two-thirds of the adult population saves, mostly in cash only (62 percent) or in a mixture of cash and in-kind (12 percent). Only 17 percent save at a bank, while the majority (56 percent) keeps their savings at home or in a secret place. The main considerations when choosing where to save are convenience and ease of access. The majority saves for farming (19 percent) or typical household expenses (15 percent) or for future emergencies. A very small percentage of the adult population (less than 5 percent) seems to save for future investment purposes, such as a house, a business, or collateral for a loan.

The 2012 survey on small, medium and micro businesses found that the majority of women entrepreneurs (77 percent) save, mainly at home or through informal mechanisms such as ROSCAs and savings clubs. Only 21 percent of women entrepreneurs save formally – 14 percent through bank products and about 7 percent use other non-bank formal savings products. Men seem to save more for business purposes, which might reflect the fact that men-owned businesses tend to be larger than women-owned enterprises and might generate more profit. Men also tend to save more in banks.

**Chart 6:** Malawi SMME Savings Strand by Gender (in percentage)

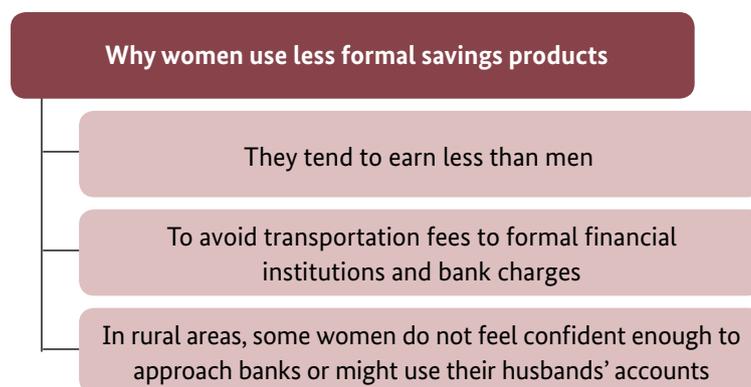


Source: Finmark Trust, 2012

In our limited sample of interviews, all men had a bank savings account while only 84 percent of women did. This result can be explained with the fact that all men interviewed were either current clients or in the process of becoming NBS Bank loan clients,

which requires opening a savings account as a precondition to be considered for a loan application. The sample of women interviewed is much more diverse and this explains the wide disparity in access to bank saving services.

**Chart 7:** Possible Reasons for Gender Gap in Usage of Formal Savings Services



Source: A2F Consulting Malawi Survey, 2012

While the findings from the 2008 Finscope survey indicate that women are less likely to save formally than men (a four percentage-point difference), the 2011 Findex database reached the opposite conclusions, i.e. close to 9 percent of women but only 7.5 percent of men save at a financial institution. Findex data however indicates that men save more than women overall, most likely at home or in a safe place since women make larger use of both financial institutions for savings as well as savings clubs.

Overall, our survey showed that savings decisions are driven by prospects of access to credit. People bank to keep accounts active for credit purposes and, if they can, they open various accounts to increase their opportunities to borrow. At least in urban areas, having a savings account seems quite common, particularly among business owners. As Malawi has no national identification system, work place identity cards, passports, voter cards, and letters from

village chiefs are largely used by banks as proof of identity. This can pose an obstacle for low-income individuals and some interviewees mentioned it as a challenge to access formal savings services. In the case of letters from the village chiefs, women are more likely to be required their husband's consent or to have to pay a higher price for such letter in absence of clear consent from their spouse. The government is currently working on creating a national identification system although it is not clear when this will be available to the general public.

While the network of bank branches is much more limited in rural areas, several banks are trying to increase their outreach by using mobile vans, point of sale devices (POS) at merchants, and agent banking models. This fits within the Financial Inclusion program promoted by the Ministry of Finance, and is likely to considerably increase banks' outreach in

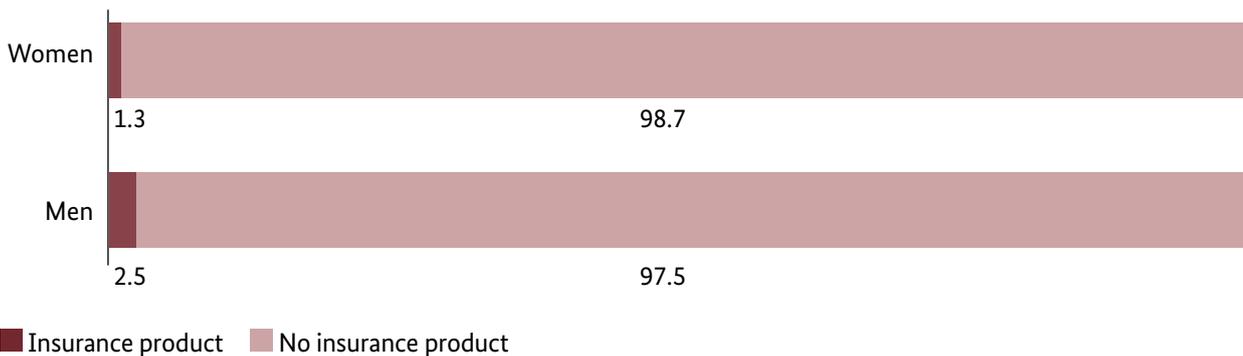
rural areas in the near future. It is also expected to benefit women particularly as the time spent on domestic chores and family needs makes it more difficult for them to travel to bank branches in rural and peri-urban areas.

Low levels of income restrict savings and particularly formal savings. While women seem to be very diligent in trying to save on a regular basis, more women than men indicated that their income did not allow them to save much and that the amount they could save was too little to justify a trip to the bank. Also, in case of married women, some might just keep their savings in their husband’s bank account to avoid the hassle of opening a new account and to save on bank fees. These are considered the key reasons for the disparity in access to formal savings services between women and men identified by the 2008 Finscope survey.

**E. Usage of Insurance**

Based on Finscope data, only 3 percent of the adult population and 2 percent of small business owners in Malawi have some type of insurance product (1.3 percent of women-owned businesses). Over 35 percent of Malawians responded that medical emergencies for themselves or a member of their household and funerals were their most costly events. Also, while over 35 percent of Malawians rely on the community to help them pay for funerals, medical expenses are more likely to be paid by borrowing money (34 percent) or asking the immediate family to pay for it (nearly 25 percent). Business owners identified the following as their main risks: natural disasters, such as drought, fire, floods and rain damage (over 40 percent of businesses); and theft of business stock, equipment, or livestock (31 percent).

**Chart 8:** Malawi SMME Insurance Strand by Gender of Owner (in percentage)



Source: Finmark Trust, 2012

Nearly 50 percent of individuals surveyed by Finscope in 2008 claimed not to be aware of how insurance products work and their benefits. Truly, our survey as well as consultations with stakeholders indicated that low awareness and understanding of insurance are a challenge to increase the number of insured people. Similarly, even those individuals that are using insurance products seem often to be uninformed about it. Several financial institutions in Malawi require mandatory life or credit insurance for their loan clients, such as NBS Bank and Standard Bank for example. However, very few among our interviewees who are clients at NBS Bank were aware of having a life insurance policy.

In general, unless insurance is provided by the employer or required by a financial institution, there is very little demand for it. The general perception is that insurance is applicable to only salaried or wealthy people. Specifically in the case of health insurance, care is provided free of charge at public hospitals so some people do not see the need for taking health insurance.

Based on Findex data, the percentage of women that personally paid for health insurance is less than for men, and similarly more men than women purchased agricultural insurance. However, in both cases the share of adults covered is minimal.

Overall, as in the case of usage of formal credit and savings products, the level of income and education are key factors in determining the usage of insurance. For both men and women the awareness and understanding of insurance products increases with the level of education and income. When women can afford it, they seem more interested than men in health insurance packages as well as tuition insurance for their children. On the other hand, as more men tend to be in wage employment and more men own cars, this might explain the slightly higher number of men covered as compared to women.

## V. Conclusions and Proposed Interventions

For the purpose of this report, which is to inform policy makers and financial sector stakeholders on possible reasons for some of the gaps in women’s use of formal financial services, we will focus exclusively on financial sector interventions that have the potential to address some of women’s current challenges in accessing formal finance.

The following is a framework to reinforce the women’s access to finance work currently undertaken in Malawi:

**Table 6:** Proposed Policy Recommendations Framework

Target group	Type of intervention
Financial institutions/ Policy makers	<ul style="list-style-type: none"> <li>• Support improved market intelligence</li> <li>• Promote a more enabling legal and administrative framework</li> <li>• Invest in the research &amp; development of high-potential financial products</li> </ul>
Women	<ul style="list-style-type: none"> <li>• Promote the regular provision of targeted capacity building</li> <li>• Explore promoting financial literacy courses for girls and young women</li> </ul>
Other beneficiaries	<ul style="list-style-type: none"> <li>• Promote men’s participation in gender awareness campaigns</li> </ul>

### 1. Support improved market intelligence

This would include both the collection of sex-disaggregated data from specific financial institutions as well as overall data on women’s access to finance markets to gain a sound understanding of the sector at the national level and guide stakeholders’ interventions. Our research has revealed that collecting disaggregated data from financial institutions, even those that seem to be more active in reaching out to women clients, is very difficult. When available, the information is also extremely limited, providing only a partial picture on women’s financial behavior and usage of finance.

A full set of data would include: key gender-disaggregated personnel indicators relating to current work force statistics, recruitment, retention, promotion and professional development, as well as gender-disaggregated portfolio data by loan size, geographical area, new/repeat clients, portfolio at risk, type of product; and number of training days received by training type, as a minimum.

Having this data and making it visible is a crucial step toward understanding men and women clients’ behaviors and attitudes and it is important that in-

ternal reporting systems are structured in such a way as to capture and provide insights on specific women’s financial patterns, and guide FIs in developing appropriate products and services. This could help introduce new products, such as supplier finance, where financial institutions could explore the option of negotiating preferential conditions and making payments directly to suppliers’ accounts. This would likely have an immediate positive impact in expanding qualifying women entrepreneurs’ access to finance. Simply providing data on the percentage of women borrowers as a total of an institution’s loan portfolio is not sufficient to do so.

Similarly, improving market intelligence is key to developing a better understanding of the market and to advise development partners in prioritizing interventions. Practically, this effort would require liaising with other development partners and organizations active in the region to possibly join efforts and/or raise funds for gender baselines and other relevant gender finance studies. Market segmentation studies and efforts to quantify women’s economic contribution in Malawi would be particularly useful.

## 2. Promote a more enabling legal and administrative framework

As highlighted in the report, weaknesses at the legal and administrative framework can have considerable impact on women and men's ability to use financial services. Specifically, the lack of a national identification card is an obstacle for low-income people that cannot afford one of the other methods of identification currently accepted by commercial banks. While this has been on the government radar for some time and consultations with the Ministry of Finance indicate that a task force is currently on-going, there is a need to increase and speed up efforts in this area.

Similarly, the current centralization of business registration in Blantyre is not a viable proposition for the myriad of small businesses in the country that would potentially like to register. A more sustainable and efficient approach would be to decentralize business registration so that as a minimum all main urban centers are equipped to do so.

Finally, the absence of a national land registration system that keeps the majority of land under customary ownership is a key obstacle to women's access to formal credit services, as land is traditionally vested in men depriving women of the most common form of collateral required by banks and other formal financial institutions. A modern land registration system at the national level would enable many individuals that now fall under the customary land regime to acquire land titles. At the same time, other measures that have the potential to dramatically increase women's access and use of formal credit services would be: a) better information and widespread awareness campaigns on the 2011 Deceased Estates Act that guarantees equal inheritance and property rights to widows and daughters; and 2) the enactment of the proposed law to make joint ownership of property the default system for married couples.

## 3. Promote the regular provision of gender-sensitive capacity building for women clients

Commercial banks, such as NBS Bank, have already been providing free capacity building to increase their outreach to low-income customers, with a special focus on women. The current Financial Inclusion Task Force is also pushing in this direction and more banks are expected to introduce some form of capacity building or financial literacy training for currently underserved or unserved clients. It is recommended that policy makers and development partners further promote and support these efforts, particularly as they relate to increasing outreach to women.

For those financial institutions interested in increasing their outreach to women, the provision of regular financial training and business development services to women clients can be very effective in improving women's familiarity with financial services offered and making them more *bankable*. The World Bank is assisting the government of Malawi in conducting a financial literacy survey at the national level, which is expected to be completed by November-December 2012. Its findings could be used to rollout national financial literacy programs covering savings, credit and insurance.

Our research has identified the following key training needs: a) financial literacy courses to increase women's ability to budget, book-keep, prioritize and make business decisions; b) breaking negative stereotypes when it comes to women's ability to manage businesses and finances; c) increasing awareness among women of the legal framework on inheritance and marital property, as well as their options; and d) mentoring and networking opportunities, where women can share their experiences, learn from others, and develop valuable business contacts. International experience has shown that promoting regular networking and mentoring opportunities can be an effective way to support women in business. Organizing such events is also relatively

easy, either at headquarters and/or at key branches, and can be leveraged by financial institutions as an additional marketing opportunity.

It is recommended to strive for efficiency and replicability when it comes to delivering training as well as for marketing and promotion purposes when targeting women clients. In rural areas, the preference for oral communication combined with the low, average literacy levels of the target groups, as well as the challenges to reach a large number of target participants and deliver training in remote areas, are all factors to be taken into consideration. To overcome such challenges, options such as the use of technology (mostly radio and TV) should be explored to maximize efficiency and outreach. Indeed, radio plays a key role in informing Malawians as roughly half of the population owns one. Information dissemination through radio and television continues to be the main form of communication in Malawi.<sup>29</sup> Also, the use of drama, role plays and exhibitions might be a strong instrument for reaching out to the rural population to disseminate information and increase awareness on specific topics, such as to promote female role models and initiate rethinking of gender stereotypes.

#### **4. Invest in the research & development of high-potential financial products**

While the development of financial products for women is left to financial institutions' own strategic business considerations, it is recommended that policy makers and/or financial institutions explore investing in the research and development of those selective products that are considered to be of particularly high-potential value for women in the region.

The Finscope findings as well as our field survey seem to indicate that micro health insurance might be one such product. Indeed, medical emergencies and funerals represent their most costly events for over 35 percent of Malawians, and these costs are usually met by either relying on the community, asking for family's support, or by borrowing money. Given the current high levels of HIV/AIDS infection among the Malawian population, this situation is most likely not going to improve in the short-term. One insurance company, NICO, is currently trying to develop a low-cost insurance product to cover funeral expenses and hospitalization costs for serious illnesses. Once this product is fully tested and introduced on the market, there is the potential for replicating its model to include more extensive health coverage.

#### **5. Promote men's participation in gender awareness campaigns**

Interviews have highlighted that traditional gender roles at the household level are still widespread in Malawi. Even when women push for changes and for a more balanced distribution of power, men often resist such changes, for example, when women request adding their names to property title deeds and/or sharing household chores when they work outside the house.

Past and current gender sensitive campaigns have generally focused on women only audiences while men have for the most part been excluded. As such, it is more difficult for women to push for changes when their spouses and male relatives have not been exposed to the same information. It is therefore recommended that policy makers make a

stronger effort to include the male population in gender-awareness campaigns or to promote dedicated men-only forums. The objective would be to engage the whole community in discussing gender issues, such as gender roles within the households, the division of household labor, decision-making, etc. in order to establish a more supportive environment for women to pursue their businesses and gain a more equal stand within the household.

#### **6. Explore promoting financial literacy courses for girls and young women**

Another area to explore would be the provision of financial literacy courses for girls and young women.

About 55 percent of girls and young women aged 15-24 are employed in Malawi. As they accrue and manage money, they might be interested in learning how to better accumulate assets and manage risks, and most likely want to know where they could save their money in a safe way. It is thus important that they are equipped with the proper knowledge and tools to do so from the onset.

No public data is currently available on the amount of money managed by girls and young women in Malawi. They represent nonetheless a pool of potential clients for financial institutions and extending financial literacy courses to this group would be a first step to understand this segment better and to decide whether to further invest in it.

Trainings could be delivered in schools, starting from as low as primary level education. For the delivery of training to girls and young women in

rural areas, it is advisable to follow the same *community-based approach* suggested for training of adult women, to be able to identify the most appropriate channels and modalities to effectively target this group. As in the case of capacity building for adult women, we suggest that training for girls and young women include a gender awareness and self-esteem component, aimed at breaking negative stereotypes regarding women's ability to manage businesses and finances, while also promoting positive female role models. When delivered in schools, training modules should be adapted to encourage boys' participation. For example, the gender awareness component could be folded into a more general literacy course aimed at both boys and girls.

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