



**PROMOTING ACCESS AND USAGE OF CREDIT
THROUGH FINANCIAL EDUCATION**

MALAWI CASE STUDY

**5TH AFRICA CREDIT INFORMATION SHARING
CONFERENCE**

NAIROBI, KENYA

13 TO 14 FEBRUARY 2020

PRESENTATION OUTLINE



- ❑ Background of the National Financial Literacy Program
- ❑ Governance
- ❑ National Strategy for Financial Literacy
- ❑ Financial Education Initiatives
- ❑ Credit Awareness Program
 - (a) Core messages
 - (b) Target group
 - (c) Stakeholders
 - (d) Implemented activities
 - (e) Challenges
 - (f) Next steps

BACKGROUND: MALAWI NATIONAL FINANCIAL LITERACY PROGRAM



ESTABLISHMENT

- 2012
- Informed by Financial Literacy and Capability Baseline surveys, 2018,2015,2008
- Surveys revealed low financial literacy and capability levels of Malawians
- Low financial literacy indexes of 3.5 (2015), 3.9(2018)
- Low financial literacy levels leading to low uptake of financial services and products
- Low access to credit: Formal Credit 2014: 0.7%, 2018: 3%; Mortgage 2014:0.04%; 2018:0.7%
- Negligible voluntary access and analysis of credit reports by financial consumers

BACKGROUND: MALAWI NATIONAL FINANCIAL LITERACY PROGRAM



• OBJECTIVES



- To empower Malawians with financial knowledge and skills for informed financial decisions
- To promote access to financial services and products by all Malawians, specifically low income and other vulnerable segments of population
- To promote economic and social transformation of Malawians

GOVERNANCE



- High Level Steering Committee

- The Governor, Reserve Bank of Malawi, Chairs the Committee
- Bankers Association is Vice Chair
- Membership is determined by interest and willingness to support and implement financial education initiatives
- Composition: Reserve Bank, all industry associations, Ministry of Education, Malawi Stock Exchange
- Provides strategic direction
- Oversees implementation of financial education initiatives

GOVERNANCE



TECHNICAL COMMITTEE

1. Support and report to HLSC
2. Develops and executes FE initiatives
3. Reviews initiatives to choose the best

SECRETARIAT

1. Central Bank's Consumer Protection and Financial Literacy Division is the Program's Secretariat
2. Coordinate and support implementation of FE initiatives
3. Funding proposals

NATIONAL FINANCIAL LITERACY STRATEGY



5 YEAR FE ROAD MAP WITH FIVE STRATEGIC PRIORITIES

1. Integrate FE in school curriculum

2. Community leaders FE

3. Partnerships and collaboration

4. Media

5. Develop core and standardized messages

- Integrated FE in Sec School curriculum since 2015
- Introduced rural community financial literacy program - 2018
- Multi-stakeholder Program
- Ongoing media programs
- Workplace program for employees-2019
- Targeted awareness weeks – credit, insurance, investments

CREDIT AWARENESS PROGRAM



DRIVERS

1. Low uptake of formal credit despite existence of many lenders
2. Very few had seen their credit reports
3. High rate of informal borrowing – loan sharks,
4. A high rate of over indebtedness among that borrow
5. High rate of NPLs
6. Loss of securities to lenders due to default
7. Proportion of Malawians using credit reports very low
8. In some cases, consumers look for credit reports when applying for loans

TARGET GROUPS



CORE FINANCIAL LITERACY MESSAGES



1. Attributes of good credit - borrow for a productive purpose, have repayment plan, pay back- loan is not a gift;
2. If possible avoid borrowing for consumption. Use credit for investments
3. merits of accessing and borrowing money from licensed or registered lending institutions – banks; MFIs, SACCOs
4. Ask for credit terms/conditions, read and understand them (interest rate, repayment period, consequences of default) before signing any credit agreement

CORE FINANCIAL LITERACY MESSAGES



1. Understand your rights and obligations when accessing credit;
2. Benefits of accessing, analysing and using credit reports from credit reference bureaus
3. Tips on how borrowers can avoid falling into credit traps or non-performing loans and realize the most from personal or household or business credit.

STAKEHOLDERS INVOLVED



1. COLLABORATION

2. “Together we can do more”

- Reserve Bank of Malawi
- Ministry of Finance
- Institute of People Management
- Credit Reference Bureaus (2)
- Bankers Association
- Institution of Bankers
- Malawi Microfinance Network
- Malawi Union of Savings and Credit Cooperatives
- Consumer Association of Malawi
- Representatives of some institutions

Implemented Activities



1. OFFICIAL LAUNCH

1. Governor and other high level press briefing (radio, tv, print) on the objectives of the program and core financial literacy messages
2. High Level Panel Discussion- Live media coverage
3. News paper publications

Implemented Activities



2. WORKPLACE SESSIONS

- Developed a standard presentation depicting the core messages in local and English languages
- Developed brochures/posters/leaflets
- Trained of 30 facilitators
- Formulated small groups of facilitators – 3 per group who visited and made presentations to employees of 120 big organizations
- The workplace awareness sessions were for a maximum of 1hour 30 mins and a
- An average of 50 employees attended each session making a total of 6,000

Implemented Activities



3. TOWN HALL MEETINGS

- Conducted separate townhall meetings for MSMES and religious leaders in the rural areas
- 1,000 MSMES and religious leaders participated in the sessions
- The religious leaders were selected for replication of the messages in their congregations
- All sessions were covered by the media for increased out reach
- A total of 7,000.000 were physically reached

PROGRAM KEY HIGHLIGHTS



1. A total 7,120 employees, MSMEs, religious leaders were physically reached through 1 hour 30 mins seminars per group of 50 participants
2. The general public was reached through the media - mainstream and community radios, television and newspapers
3. Out of the 7,120 people physically engaged, less than 50 had heard about credit reporting and credit data
4. Malawians are legally allowed to view their credit reports, at no cost, once a year. However, only 20 out of the 7,120, including the facilitators had seen their credit reports.
5. In terms of access to loans, many people complained of high processing fees and interests
6. Inadequate transparency and disclosure on credit terms and conditions
7. Delayed disbursement of loan by formal lending institutions – many opt for informal lending institutions eg VSLAs

CHALLENGES FACED



CHALLENGES

1. Unconfirmed appointments with some of the targeted workplaces
2. Some participants, especially civil servants were demanding allowances
3. Limited resources – both financial and human capital

PROPOSED SOLUTIONS

1. Maximum stakeholder preparations
2. Continuous engagement for increased understanding and political buy in
3. Collaboration and effective coordination of the program to leverage stakeholders resources and expertise. And submission of funding proposals to potential development partners- WB

NEXT STEPS



1. The National Financial Literacy Steering Committee has adopted the Credit Awareness Program as a standalone program under the National Strategy for Financial Literacy, 2020-2024
2. The Credit Awareness Week to be repeated in 2020 – target groups will be:
 - (a) Civil Servants
 - (b) Women MSMES
 - (c) Farmers
3. Program impact evaluation to be conducted in 2021

THANK YOU