

By William Kunnwembe

In Malawi, where access to finance remains top on the list of hindrances to doing business and growth of most start-ups, inequality is also glaringly prevalent.

Despite the micro, small and medium enterprises (MSMEs) sector being touted as a significant source of employment—providing jobs to over 1.6 million people—most players are left out of the financing spectrum.

Loan standards and conditions are perceived to be tight for MSMEs in the country, making credit expensive or unreachable.

This, coupled with low financial literacy levels, especially among people living in the remotest stretches of the country, has left many out of the equation.

Some years ago, the government conducted a study, under the ‘Making Access Possible Research Programme’, to inform the financial inclusion agenda in the country.

At the time, it was revealed that access to financial services was still a challenge in Malawi, with the rate of formal financial inclusion being 34 percent, which was below the regional average.

To fill in the gap, the government is implementing the Financial Inclusion and Entrepreneurship Scaling

(Fines) Project—a five-year initiative being implemented by the Reserve Bank of Malawi (RBM) under the Project Implementation Unit (PIU) with support from the World Bank.

The project is aimed at increasing access to financial services, promoting entrepreneurship and capabilities of MSMEs in Malawi including addressing Covid implications.

Its cost is \$86 million (about K87 billion) with the entire amount financed by the International Development Association loan.

The project’s core purpose is to create more vibrant businesses according to Fines Project Financial Sector specialist Gifford Kadzakumanja.

Speaking during a sensitisation meeting with members of National Association of Business Women (Nabw) in Blantyre last week, Kadzakumanja said since the project rolled out in 2020, financial institutions have accessed K46 billion for onward disbursement to businesses.

“The numbers [of beneficiaries] have grown, an

Breaking access to finance fences



TARGETED—Business women under Nabw

indication that there is demand for the loans. The purpose is to ensure more vibrant businesses,” Kadzakumanja.

Statistics show that through the project, about 32,962 MSMEs have been reached with loan facilities, of whom 46 percent are women, 42 percent are men while 12 percent are the youth.

Kadzakumanja said specific focus is on supporting women-run business capabilities to enhance their potential to access financing as they have potential to grow their businesses once they are fully supported with capital and capacity building.

“Loans under this project have flexible repayment periods, with an interest rate of 11 percent per annum for those accessing these loans from banks and three percent per month for micro finance institutions,” he said.

NABW Board Chairperson Susan Mkandawire touted the project as an ideal tool for breaking existing disparities in access to finance.

“Access to finance, especially among women, is really a

challenge in Malawi. Most don’t have collateral, which commercial banks demand or require.

“But now that Fines has come up with this idea of giving loans to women and at a small rate, it will help them develop their business and contribute to the national economic development agenda,” she said.

In implementing the project, the central bank is working with financial institutions including NBM Development Bank, NBS Bank, MyBucks Bank, NBS Bank, Standard Bank, Malawi Agricultural Bank, Industrial Investment Corporation (Maitec), Comserv Limited, Neef Limited, Microloan Foundation Limited, Saitle Financial Services Limited, Fina Malawi, Wealthnet Finance plc, Cumo and Vision Fund.

Fina Malawi Regional Sales Manager Monase Chinamali rated the partnership with RBM in implementing the project as a game-changer.

“We have thus far provided over 50 percent of the



KADZAKUMANJA—There is demand for the loans

funds under the project to entrepreneurs,” she said. The project runs up to 2025 with a possibility for extension.