



MOBILE MONEY FOR THE POOR

# Promoting savings for the poor in Malawi

## FACTS & FIGURES

TOTAL POPULATION OF MALAWI

15,910,000

REGISTERED MOBILE MONEY CUSTOMERS

730,000

ACTIVE MOBILE MONEY CUSTOMERS

310,602

TOTAL AGENTS

13,091

## FOR MORE INFORMATION

Check out our website [www.uncdf.org/mm4p](http://www.uncdf.org/mm4p)

Contact Fletcher Chilumpha in Malawi at [fletcher.chilumpha@undp.org](mailto:fletcher.chilumpha@undp.org)



## Understanding saving habits among the poor in Malawi

In Malawi, mobile money services have only recently been introduced and mainly consist of money transfers (i.e., person-to-person). These services can evolve rapidly to satisfy a latent demand for financial products, especially **savings products**.

A study conducted by FinMark Trust with Oxford Policy Management Ltd. and Kadale Consultants Ltd. analyses **saving practices and mechanisms** (formal and informal) used by the poor, in both rural and urban areas in Malawi.

It reveals that a striking 74 percent of savers in Malawi primarily save in cash by keeping their money at home or in a secret place. At the same time, most respondents do not consider home a safe place to save. Saving at a bank is the second most common response and the most trusted choice for savers in Malawi; however, less than a quarter of respondents have access to a bank account from a formal financial institution.

When comparing saving practices of urban and rural areas, the study shows that **rural households are twice as likely to save in cash and informal saving mechanisms than urban households**. Bank charges are perceived to be too high and the distance to branches too far for most rural Malawians. This situation has led to the rapid growth in the past five years of informal saving mechanisms, such as village savings and loan associations (VSLAs). It also suggests there is great potential for the future of mobile services for saving in underserved rural areas.

The growing success of informal saving mechanisms is tied, among other factors, to the unmet demand for saving solutions that match the seasonality of revenues in rural areas. Informal mechanisms are also highly valued for their access and convenience, high returns and social-capital aspects that clients are not finding from formal providers. These recent developments shed new light on market segmentation and value propositions, which should be considered when trying to reach unbanked Malawians with innovative digital financial services.

Mobile money has the potential to overcome the real and perceived disadvantages of formal savings accounts by offering convenient solutions for transfers and transactions as well as **saving safely in very small amounts and in a disciplined manner**. As one focus-group member said, "To get money from the bank means you have to consider transport to and from the bank. Maybe this [m-banking] can be good in that you would not have to go to the bank often and your money is saved up without having to buy the simplest thing that is available."

Following a series of workshops on strategy and product development, **Mobile Money for the Poor (MM4P) is supporting banks and mobile network operators** interested in developing or improving innovative savings products for the poor in Malawi with the launch of a series of pilots. To follow our progress, visit [www.uncdf.org/mm4p](http://www.uncdf.org/mm4p).

## Savings in Malawi

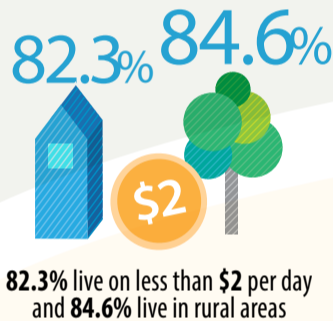
UNDERSTANDING THE CHALLENGES AND OPPORTUNITIES FOR SAVING AMONG LOW-INCOME INDIVIDUALS IN MALAWI

### ABOUT THE STUDY

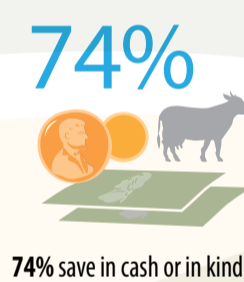
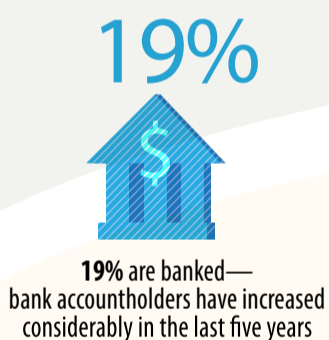
FinMark Trust, in partnership with UNCDF-MM4P, commissioned a study in Malawi to investigate the various saving mechanisms currently used by the poor and to identify the main challenges and opportunities for the expansion of savings. This study, undertaken by Oxford Policy Management Ltd. in association with Kadale Consultants Ltd., was also conducted in Lesotho and South Africa.

SAVINGS ARE DEFINED HERE AS FINANCIAL INSTRUMENTS THAT ALLOW INDIVIDUALS TO KEEP FUNDS SAFE OR TO PUT MONIES IN NON-CASH FORM ON A REGULAR BASIS FOR FUTURE USE AND/OR TO EARN A RETURN.

### Malawian context



### Financial access in Malawi



### Evolution of savings in Malawi

KEY REASONS FOR SAVING IN BANK ACCOUNTS:

- To keep money safe from theft or overspending
- For planned purchases or emergencies

“*‘Having a bank account’ is commonly seen as synonymous with ‘saving’ no matter what that account is used for.*”

FinMark Trust report

### What can policymakers do?

- Shift from promoting credit to promoting savings in order to stimulate a change in household behaviour.
- Develop regulations that enable banks and mobile money providers to work together to provide low-cost, small-size savings accounts.
- Ensure the right level of oversight of microfinance institutions (MFIs) and savings and credit co-operatives (SACCOs).
- Put in place greater safeguards for deposits (with SACCOs and deposit-taking MFIs, as well as banks).
- Support and strongly promote VSLAs and other informal financial services.
- Ensure financial literacy goes beyond banks/formal products and educates people on the benefits of savings and basic cash management.

### What can savings providers do?

- Revisit linkages in the formal sector between variants of VSLAs and rotating savings and credit associations, specifically for rurally focused MFIs.
- Design more tailored products that sufficiently address low-income savers' needs and behaviours—for example, urban traders (e.g., regular daily deposits, slightly less regular weekly withdrawals for purchases) and farmers (e.g., input savings products like lump deposits with occasional top-ups, limited withdrawals, different 'project' savings accounts).
- Develop digital financial services by taking into consideration successful and sustainable savings solutions for mobile money within Malawi and from abroad.

For more details go to [www.finmark.org.za](http://www.finmark.org.za) and read the full report: 'Understanding the Challenges and Opportunities in Promoting Savings among Low Income Individuals in Lesotho, Malawi and South Africa.'

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