



Reserve Bank of Malawi

Address By

The Governor, Dr Wilson T Banda

5TH BANKERS CONFERENCE

Amaryllis Hotel, Blantyre

8th October 2020

- Mr Kwanele Ngwenya, President of Bankers Association of Malawi;
- Mrs Zandile Shaba, Chairperson of Institute of Bankers;
- Chief Executives of all banks in Malawi, here present;
- Speakers;
- Distinguished Delegates;
- Ladies and Gentlemen

Good morning

1. It gives me great pleasure to address the 5th Bankers Association conference on the theme “*Surviving Volatility, Uncertainty, Complexity and Ambiguity*” (VUCA) for short.

What happened?

2. **Ladies and gentlemen**, as we all know the Corona Virus (Covid-19) pandemic has significantly affected our day-to-day lives. I wish to express regret for the loss of lives and livelihood that the pandemic has

caused; and May Their Souls Rest in Peace.

3. Ladies and gentlemen, the Covid-19 has weighed negatively on our economies. Its effects have been evident in unprecedented decline in global consumption and output; triggered by lockdowns, travel restrictions, social distancing rules, and disruption to supply chains. There have been job losses and corporate closures, creating

uncertainty on the possibility of workers resuming productive work ever again. Disruption to supply chain has also affected goods and service availability, fueling uncertainty and price volatilities. Admittedly, we are not experts in Covid-19, but at least we know it has caused *Volatility, Uncertainty, Complexity and Ambiguity* in our banking operations.

4. The crisis has seen Authorities and banks steer through uncharted waters and unconventional business models have been adopted. Responses have included policy rate cuts, review of liquidity requirements, loan restructuring, and review of fees on digital platforms. All these have been deliberately aimed at remedying the impact of the health risk on the banking sector. The ultimate objective is that banks should continue to avail credit to the

common man amidst this unfriendly environment.

Where are we?

5. Ladies and Gentlemen monetary and regulatory interventions are so far helping remedy the situation. For instance, the banking sector has thus far remained sound and stable, largely anchored by collaborative responses adopted. Banks have restructured some loans and extended repayment moratoriums to

some customers affected by the pandemic. Fees and charges on digital banking were called to reduce by 40.0 percent, in a bid to increase customer utilization amid calls for social distancing. Recourse has also been provided for Emergency Liquidity Assistance to banks. I take this opportunity to commend our banks for the collaboration this far and commitment to continue implementing measures until we are out of the Covid-19 situation. I thank

banks for standing with the Reserve Bank of Malawi.

6. We have, and continue to witness increases in credit risk in the market, reflected through loan moratoriums extended to borrowers affected by the pandemic. Our recent assessment shows a total of 1,900 customers benefiting from this relief, with a consolidated balance of K103.0 billion. This constitutes nearly 15.0 percent of total gross credit of the

industry. Nearly all sectors have been negatively affected. However, the tourism, the wholesale and retail, as well as the manufacturing sectors have come out worse.

7. Ladies and Gentlemen, we are fully aware that banks have had to readapt to alternative channels of service delivery, in compliance with Ministry of Health Covid-19 containment measures. This has implied limited physical access to banking halls in

favour of digital channels. However, the rate of adaptability remains uneven across banks. Indeed, long queues outside banking halls remain a common sight and hardly a surprise. The low rate of adaptability of digital banking products is a challenge that we need to solve collectively.

8. The drive to digital channels has also come with increased cyber security risk and attempted frauds on

unsuspecting customers. This phenomenon has of course caught a few banks off-guard.

9. As a developing nation, the role of the banking sector in resuscitating the economy to a growth trajectory, and redirecting private sector towards economic activity that builds a self-sustaining Malawi, cannot be overemphasized. Therefore, the need for responsive business models, strategies and continuity plans thus

become crucial in addressing the future of banking in Malawi.

Where are we going?

10. Ladies and Gentlemen, I believe the pandemic has equally unveiled vulnerabilities and embedded opportunities that Malawi ought to seize for a better future. The hope, optimism and survival I wish to solicit will not be based on words, not even my words as Governor or Registrar, but our collective action.

11. Ladies and Gentlemen, against this background, I find this conference to have come at an opportune time, as both global and regional markets interrogate the future of doing business given many unfolding lessons from Covid-19. The common understanding that the banking sector is pivotal in driving economic recovery and securing future stability by providing finance, remains. This is a call to action for

Banks to deliver on the understanding.

12. Ladies and Gentlemen, we are headed into the future which by nature is uncertain; there are some questions that ought to be asked and addressed by us all, in the journey to survival.

- Are the business models and strategies still fit for purpose given the known vulnerabilities from the real and banking sectors? Do banks

have leverage to explore more adaptive and fit for purpose strategies supportive of national growth, while addressing the noted challenges and business opportunities from the crisis?

- Is Malawi ready for a digital financial services era? To what extent can the digital services be deployed vis-a-vis challenges in infrastructure, privacy rules, security and literacy level?

- Are the current business continuity frameworks adequate, versatile and practical enough to safeguard financial stability and on-going service delivery under unprecedented volatile conditions? What would this entail in terms of infrastructure, costs, security and resilience?
- As alluded to earlier, the banking sector is pivotal in driving economic recovery and securing future stability by providing

finance. However, is our service delivery amidst these conditions supportive to this role, more especially to the segment driving the economy-The SMEs?

- What about the common man at the bottom. Can we do it any differently?

13. **Ladies and gentlemen,** these and many more questions ought not be avoided, but addressed to inform the future of the banking and the

economy of Malawi. Covid-19 has redefined the environment, leaving limited room for conventional business models. Therefore, the path we take, shall inform the growth trajectory and adaptability of our economy to future shocks which are certain to come; and that future is now.

Let us plan a head for survival. I dare say, fall we may, but rise we must in

sync with the old adage that guarantees success from rising.

Thank you all for your attention.