



RESERVE BANK OF MALAWI

SPEECH

By

THE GOVERNOR

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ICAM ANNUAL LAKESHORE CONFERENCE

**SUN 'N' SAND HOLIDAY RESORT,
MANGOCHI**

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- Mr. Bwighane Joel
Mwenelupembe, ICAM President
- Mrs. Phyles Tatha Kachingwe,
ICAM Vice President
- Council Members present here
- Dr. Francis Chinjoka Gondwe,
ICAM CEO and Secretariat staff
- Members of the Press
- And Distinguished Ladies and
Gentlemen.

A good evening to you all.

1. I am delighted to address the Institute of Chartered Accountants in Malawi (ICAM) conference on the theme **“PRUDENT FINANCIAL MANAGEMENT: KEY TO BUSINESS RESILIENCE IN THE MIDST OF COVID-19”**.

2. **Mr President, Ladies and Gentlemen**, Corona Virus (Covid-19) pandemic has had an adverse effect on our day-to-day lives and also on the economy at large. Many businesses have suffered in several ways. The theme of this year’s conference is therefore, very timely. This is the time

we ought to be talking about where we are, and where do we go from here?

3. Covid-19 has caused havoc to most economies. Our country has not been spared either. A number of sectors have been adversely affected, specifically tourism and hospitality in general. As you are aware, some organisations have scaled down their operations and others have either reduced or cut salaries and benefits of their staff. Others have closed shop with many jobs lost. For those that have survived, and we thank God for that. Institutional companies that have sound

financial management policies will continue to survive.

4. This is indeed the time we needed to find solutions for our economy to be resilient. This is the time we needed to conduct our businesses in an unusual way. The time we needed to manage our resources prudently.

5. To limit the impact of the COVID-19 pandemic, on the economy, the Reserve Bank of Malawi has implemented a number of policies. The Policy rate was recently reduced to 12.0 percent, in order to support economic recovery. In April 2020, the domestic currency Liquidity Reserve

Requirement (LRR) was reduced by 125 basis points to 3.75 percent (aligned with the foreign currency LRR) and the Lombard Rate was reduced by 50 percent to 0.2 percentage points above the policy rate. An Emergency Liquidity Assistance (ELA) framework was introduced to support banks in the event of worsening liquidity conditions and to provide support to banks on a case-by-case basis. However, financial sector buffers, including banks' capital and liquidity buffers, are expected to counter risks to the banking system. To support small and medium enterprises (SMEs), commercial banks and micro-finance institutions, on a case-by-case

basis, restructured SME loans and provided a moratorium on their debt service until end-2020. Fees on mobile money transactions were temporarily waived to encourage cashless transactions.

6. Despite the Covid-19 outbreak, the banking system remains stable and resilient. The banking industry remained well capitalized, with aggregate core capital ratio of 17.6 percent and total capital ratio of 20.6 percent as at end September 2020, above the prudential benchmarks of 10.0 percent and 15.0 percent, respectively.

7. The banking industry maintained sufficient liquidity levels. Overall, the banking industry registered a liquidity ratio of 59.9 percent in September, against the prudential benchmark of 25.0 percent. All banks reported liquidity above the regulatory minimum benchmark.

8. The foreign exchange market continues to experience foreign exchange supply shortages and the COVID-19 has exacerbated the situation. Meanwhile, the Reserve Bank of Malawi is committed to maintaining exchange rate flexibility to help absorb external shocks. Reflecting these development, the kwacha has been

depreciating gradually against currencies of major trading partners. Against the US\$, the local currency depreciated by 2.2 percent to K759.47 per US\$ as of end October 2020, from K743.05 in June 2020.

9. It is against this background that prudence in financial management ought to be at the centre of our business models. We need to walk the talk. It is disheartening that as we are trying our level best to properly utilise the dwindling resources we have, we see in some other quarters the very same resources are abused at the expense of millions of fellow citizens.

10. We cannot maintain the ostrich approach on matters that are affecting us. We have to face the huddles head on, and more especially during these tough times when the resources are even more scarce. This conference therefore should provide a forum for the convergence of great ideas to shape the management of finances of the country.

11. **Mr President, Ladies and Gentlemen,** it is common knowledge that for every corrupt act, tax evasion, and in general misuse of resources, there is usually an accountant behind it. The question is - what has happened to the noble profession

that was back in the day, the gate keeper of national resources? Now if our esteemed accountants are failing to be the gate keepers of our purses, then who will? **Mr. President, Ladies and Gentlemen** let us ponder on the question and do some soul searching on this matter, whether indeed we are living by the values and ideals of professional accountants.

12. Accountants are at the heart of financial transactions. You work in organisations, which thrive on your financial advice. My plea to you is that should not only be stuck in the world of International Financial Reporting Standards and their applications.

Engage yourselves in innovative solutions, particularly now that we are operating in a Covid environment. Let us bring in companies that can manage resources prudently.

13. **Mr President, Ladies and Gentlemen,** ICAM remains one of the best advisers to Government on matters of fiscal policy. ICAM comes up with well researched pre-budget policy advice to the Minister of Finance. The advice cuts across many economic and financial areas – from tax administration to resources utilisation. On behalf of the Minister of Finance, I would like to thank you for making such

contributions. It is in that development-centred spirit that I request you accountants to also be at the heart of supporting the recovery process.

14. **Mr President, Ladies and Gentlemen,** In conclusion, I would like to raise the following questions, which need be answered;

- What new financial models can we develop to ensure that our businesses are resilient to domestic and external shocks?
- Information Technology has become the gateway to the new models of

operation. What do we need to do now to ensure that we remain relevant to the new business world and the digital economy?

15. **I thank you for your attention and have a greatly blessed conference.**

God bless