

Cash-only Malawi moving forward to digital payments

LILONGWE, MALAWI: On Thursday, 30 April Malawi took a significant step towards creating a digital payment ecosystem in order to address poverty and drive inclusive growth...



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An event organised by the government of Malawi with the United Nations Capital Development Fund's (UNCDF) Better Than Cash Alliance and Mobile Money for the Poor, brought together digital payments players to accelerate the progress of digital finance in Malawi.

This convening of government, private sector, mobile operators and development organisations also marks the release of an in-depth analysis of the country's readiness to transition from a nearly cash-only economy to one where digital payments are widely available through an ecosystem approach.

Honorable Goodall Gondwe, MP, Minister of Finance, Economic Planning and Development stated that the transition to digital payments is part of the government's commitment to achieving social and economic goals within the Malawi Growth and Development Strategy. "This is part of our mandate to realise balanced and sustainable economic growth and to reduce poverty," said Gondwe. "We believe creating an economy where digital payments are widely available is the right path for us to embark on and we are doing so based on sound economic and fiscal policies."

The Opportunities for Malawi's Transition Away from Cash

The research was conducted through a partnership between the Malawian Ministry of Finance, the Reserve Bank of Malawi, and the Better Than Cash Alliance, and is entitled *The Opportunities for Malawi's Transition Away from Cash*. The report detailed the current state of Malawian digital payments, providing an important baseline to track progress. The study also identified four potential opportunities for Malawi, including the Government advancing on digitizing its centralized payment system with support from banks, and merchants accelerating digital payment acceptance via mobile money and debit card at the point of sale.

"Malawi is moving forward to build a strong digital ecosystem that will respond to the needs of the people in the country," said Tillman Bruett, Advisor and Programme Manager, Mobile Money for the Poor (MM4P), a UNCDF initiative undertaken in Malawi with the support of the US Agency for International Development. "We expect that as a result, Malawi will progress from 3.5% of total active adult population using digital financial services at the start of this year to 15% by 2019." As part of the programme, UNCDF plans to provide technical and financial assistance to build capacity in public and private sector organisations to support the switch from cash to digital for the most promising payments streams identified in the research.

Making payments in cash can be expensive and inefficient for governments, companies and international organisations. Cash is also difficult to trace, and extremely vulnerable to theft and loss. Many people living in poverty only use cash, and this is a key barrier to broader financial inclusion because cash makes it costly to provide financial services. According to UNCDF, in least developed countries such as Malawi mobile penetration is at 30% while access to a bank account is at 14%. Mobile payments can therefore be one way to accelerate this shift.

Malawi's approach can set an example for other countries in the early stages of transitioning to digital payments. "Digitisation is an important development tool for many countries looking to reduce the cost of delivering payments, increase transparency and increase access to financial services for citizens," said Dr Ruth Goodwin-Groen, MD at Better Than Cash Alliance. "By undertaking this research and by using it to plan its shift, Malawi has taken a bold step in increasing transparency and moving towards an economy where the government, businesses and people can pay and get paid electronically."

Transitioning from cash to digital payments is a complex process, however, and requires collaboration between the government and businesses, as well as building trust and increasing familiarity among citizens. That reality is why leading figures came together last week to discuss the diagnostic data and develop a blueprint for the country's digital payments future. Participants noted that by working collaboratively to address the barriers to transitioning payments from cash to digital, they would be able to accelerate the shift and ensure that it brings real benefits to citizens in the form of greater financial inclusion.

USAID/Malawi Mission Director Doug Arbuckle noted in his remarks that, "The US government is glad to join many other governments and international organisations in encouraging a transition away from cash to digital payments in Malawi. This can be a long road, but the benefits are clear and overwhelming."

Mia Seppo, United Nations Resident Coordinator and United Nations Development Programme Resident Representative, who spoke at the event, noted: "The introduction of digitisation is timely as Malawi is currently going through public service reforms that will ensure equitable access to financial and payment services in a manner that is transparent and efficient."

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