



COUNTRY RESEARCH DISSEMINATION WORKSHOP REPORT

ON

FINANCIAL LITERACY AND MOBILE FINANCIAL TRANSACTIONS USE IN

MALAWI

Organized by
Economics Association of Malawi (ECAMA) with support from Africa Economic
Research Consortium (AERC)
At Capital Hotel, Lilongwe
11th December 2018

ACKNOWLEDGEMENT

Economics Association of Malawi would like to thank Africa Economic Research Consortium for the financial support towards the dissemination workshop. The Association applauds Ms. Mirriam Matita and Ms. Takondwa Chauma for sharing their research findings with the membership. We are indebted to participants at the workshop for their invaluable comments and critical reflections on the research.

1.0 INTRODUCTION

The Economics Association of Malawi (ECAMA) with financial support from the Africa Economic Research Consortium (AERC) organized a research dissemination workshop on 11th December 2018 at Capital Hotel in Lilongwe. The objective of the workshop was to share findings from a research paper titled 'Does financial literacy affect use of mobile financial transaction' conducted by Ms Mirriam Matita and Ms. Takondwa Chauma. Apart from its annual conferences ECAMA holds such workshops to provide platform to its members to disseminate research findings, debates as well as build consensus on economic issues using evidence. The workshop attracted participants from Ministry of Information, Communication and Technology, the financial sector – bankers, finance marketers; the telecommunication sector – Telekom Networks Malawi, Airtel; from the academia –University of Malawi, Lilongwe University of Agriculture and Natural Resources (LUANAR), Catholic University; World Bank, regulators of the sector such as Reserve Bank of Malawi (RBM) and Malawi Communication Regulatory Authority (MACRA) and media. Detailed description of participants and their contacts are presented in Appendix A. The workshop was officially opened by ECAMA president, Mr Chikumbutso Kalilombe who reiterated the role of ECAMA as a professional think-tank and the importance of generating evidence to support policy and development interventions for Malawi.

2.0 RESEARCH PRESENTATION

Researchers Ms Matita and Ms Chauma took turns to present findings that expose gaps in use of mobile financial transactions. Below is a summary of the presentation.

The researchers noted that mobile financial services are gaining prominence and could be a possible solution to fast-track financial inclusion in developing countries including Malawi. However, adoption and usage of such services remains low among Malawi population. This study investigated the influence of financial literacy on financial behaviour of individuals in Malawi, specifically use of mobile phone based financial transactions. Descriptive and econometric analyses were conducted using cross-sectional data obtained from the Reserve Bank of Malawi. The researchers reported that the findings reveal the likelihood of using mobile financial services increases with increasing levels of financial literacy, type of employment and urban residence. Furthermore, men are more likely to transact on mobile phones than females and that although income levels matter in the use of mobile financial transactions, the magnitude of effect is negligible. Results suggest opportunities for creating effective demand for mobile financial transactions such as differentiation in financial literacy education by characteristics of population including gender lens to financial product innovation, addressing rural resident's constraints to access mobile financial services and expand digital payments in informal employment and enterprise settings.

3.0 DISCUSSANT FEEDBACK

Two discussants were identified: Assistant Professor at Chancellor College, University of Malawi Levison Chiwaula and Principal Analysts, Payment Systems from Reserve Bank of Malawi Ms Chikondi Chigamba. The session was moderated by Mr. Maleka Thula, ECAMA Executive Director. While commending authors for the work they made the following observations;

- The regulators Reserve Bank of Malawi and MACRA are working on improving the business environment for uptake of mobile financial transactions. For instance, recent developments include the inter-bank operability – that you can get money from any bank ATM, use any bank point of sale device, transfer money to and from bank to wallet. The launch of the Financial Sector Development Strategy that highlights digital payments enhancement as one of the key goals and legislation on payment systems. The RBM did not have a payments system department until 2010.
- RBM also reported that in a bid to support the financial sector development and protect consumers, Regulations to protect consumers were formulated
- On the paper recommendations, it was observed that there is a need to debate on strategies that can encourage women to take up financial services and how to increase use of mobile financial services for such activities as bill payments, and money transfers that are inadequately used.
- Policy recommendations arising from the research should be drawn from the objectives and findings of the study
- Methodology used in the paper can be reworked to use Poisson regression since the data is count data and not censored per se. Further education of household head is not a plausible instrumental variable. This is despite authors referring to literature that uses business and economics education. Alternative instrument could be ‘distance to school’. Consider also Propensity Score Matching where you look at those that use and do not use and their outcomes.
- The research framework should be indicated; is the study addressing financial literacy or financial inclusion and what are the linkages. Should we conclude that when we achieve financial literacy then people are likely to be financially included?
- Which services represent more ‘mobile financial services’ than the other e.g. buying and sharing of airtime would be used more because everyone with a phone needs airtime at some point; however, payment of bills – could be more in urban because there in need for paying utility bills. In that case would the results be different if we look at different mobile financial services? Operators would be interested in how to raise the proportion using their phone for example to pay bills.
- The adoption model by Rogers that has been used misses associated constraints such as costs, infrastructure to the services. The supply side while not handled in the paper is important

4.0 PLENARY SESSIONS

Plenary session was conducted to allow participants provide their reflection, ask questions or make pertinent comments. This session was moderated by Mr Andrew Kumbatira, Secretary General of ECAMA and has previously worked as executive director of MACRA. Several observations were made including;

- MACRA
 - The need for incentives to operators for innovative approaches to stimulate uptake of Mobile financial transactions
 - On regulation of Mobile Financial Operators, MACRA reported that a Memorandum of Understanding exists between MACRA and RBM since telecommunication operators are registered with MACRA but operate in environment regulated by RBM for mobile money transactions.
 - With introduction of KYC, anyone can register for mobile money on their phone than was previously the case that they needed to go to the operator
 - The area this research delves into is wide; might require different disciplines to understand effect of financial literacy from various professional perspectives. However, it was stressed that for purposes of clarity of this paper, financial literacy should be defined in relation to Mobile Financial services.
 - The study fails short to address efficiency of transactions, the technology itself which are very important for uptake of services
 - MACRA is dealing with the costing of telecommunication services issue; we are changing the base model to have acceptable pricing and more coverage in rural areas
- Bankers Association of Malawi
 - Financial literacy without underlying economic activity would not motivate users; need to have vibrant economic activities. Same models of mobile financial transactions have successfully worked in Kenya but failed in South Africa hence need for localized experiments on uptake of some of these technologies. The use of digital identify is also important because it may not be demanding in financial literacy; users can access services using biometrics.
- Blantyre News Papers Limited
 - Research is useful to explore areas of mobile financial transactions that are underutilized. However, to promote paperless economy need to have the right infrastructure in place. The question is what synergies are we building to take advantage of existing infrastructure. For instance, Electricity Supply Corporation of Malawi (ESCOM), Malawi Telecoms Limited (MTL) and World Bank are all developing/upgrading the fibre optic network for Malawi in isolated projects.
 - USSD based technologies like basic cellphones - what mobile financial transactions can be conducted on such phones that can be popularizes to counter cost of smart phones?

- Airtel
 - Supply side issues are important for adoption and usage of services. The mandatory SIM card registration is a step to enhance security features of mobile money services.
- Standard Bank
 - Observed that the high use of mobile airtime purchases and sharing could be because these services have no cost attached to them unlike mobile money where you pay a fee to withdraw money for example. We need to learn from countries that are doing better – where people pay for a min-bus/matatu with mobile money; what are they doing differently?
- FINCA
 - Often, we have budget allocated to financial literacy and we include issue of mobile financial transactions as topics. We may however, need to differentiate the approach by type of customer. We work with people at the bottom of the pyramid - where their use/non-use of these services may have less to do with financial literacy but rather opinion of leaders/gate keepers. We need to engage community leaders more.
 - Thanks for making the presentation simple. I was able to follow. We need user friendly materials we can use in our work.
- LUANAR
 - The cost of mobile financial services should be fair; students are now paying tuition fees using mo626; a development towards increasing

5.0 CLOSING REMARKS

In concluding the discussion applauded the research and asked researchers to update their work with the feedback received. For instance, the regulatory sector has seen many developments that are not captured in current draft of the paper. Financial and telecommunication sector players need to be more innovative to be inclusive in the spirit of Sustainable Development Goals aspiration of 'not leaving anyone behind'. Prof. Chiwaula observed that the research gaps can be addressed as future studies especially the supply side constraints which stakeholders agreed are critical. Services offered through mobile transactions must also be relevant to the populous to ensure uptake e.g. those in rural areas have no need to pay utility bills therefore may not use that particular service; but what are those services/items that can be purchased in rural areas by mobile financial transactions; can we encourage their use? There is a possibility for instance, to digitize payment systems in village savings and loans association that are common in rural areas including making them mobile money agent.

In his closing remarks, the President of ECAMA encouraged members to share findings and lessons in their work; aim at effectively communicating research results as it has been

done in this workshop. ECAM looks forward to similar engagements in future to get practitioners together and discuss pertinent issues for development. Researchers will revise their paper with comments received, share the power point presented and a policy brief on the same. The meeting ended with cocktail where participants interacted with the researchers and among themselves.