Assessment of the extent to which policies and strategies are designed to promote financial inclusion in Malawi

by

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Declaration

I, Hope Patience Mpata, declare that this dissertation, which I submit for the MAgric Degree in Rural Development at the University of Pretoria, is my own work and has not previously been submitted for a degree to this or any other university or institution of higher learning.

Signature:

Date: 30 January 2021

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Dedication

This research work is dedicated to my mother, Ida Kamanga, for her genuine love, care, and continuous support throughout my life. May God bless her abundantly.

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Abstract

Financial exclusion remains a challenge in Malawi despite government efforts to increase financial inclusion through the development of policies and the implementation of financial inclusion strategies. Limited information exists on the contribution of these policies and strategies to the promotion financial inclusion. The overall purpose of this study was to determine the extent to which policies and strategies in Malawi promote financial inclusion. The specific objectives of the study were to identify the relevant policies and strategies, determine their objectives, design, strengths and weaknesses, and their contribution to promoting financial inclusion.

The study used the Global Microscope 2019 tool on enabling environments for financial inclusion to assess the following policies and strategies: the microfinance policy, the National Strategy for Financial Inclusion – NSFI I (2010-2015), the National Strategy for Financial Inclusion – NSFI II (2016-2020), the National Agriculture Policy – NAP (2016), the National Agriculture Investment Plan – NAIP (2018-2023), the Malawi Growth and Development Strategy – MGDS III (2017-2022), and the National Multi-sector Nutritional Policy (2018-2022). Further, various conceptual frameworks were reviewed, which led to the development of a conceptual framework on the contribution of policies and strategies to financial inclusion.

It was determined that the extent to which policies and strategies promote financial inclusion in Malawi varies from high to low. The study concluded that policies and strategies that promote financial inclusion had action plans that focused closely on infrastructure development and government coordination and support. Policies and strategies that lacked stability and integrity in implementation, including those that failed to define financial inclusion clearly and describe the target groups, did not promote financial inclusion. The study recommended that financial inclusion should be mainstreamed in other development policies and strategies to ensure holistic support to the same cause.

Key Words: Financial Inclusion, National Financial Inclusion Strategy, policies and strategies, Malawi.

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List of acronyms and abbreviations

AFI	The Alliance for Financial Inclusion
EIU	The Economist Intelligence Unit
FI	Financial inclusion
FIEG	Financial Inclusion Experts Group
FSDS	Financial Sector Development Strategy
GoM	Government of Malawi
GPFI	Global Partnership for Financial Inclusion
MCI	Ministry of Commerce and Industry
MDGS	Malawi Growth and Development Strategy
MFP	Microfinance Policy
MoF	Ministry of Finance, Economic Planning, and Development
MRFC	Malawi Rural Finance Company
NAP	National Agriculture Policy
NAIP	National Agriculture Investment Plan
NMNSP	National Multi-sectoral Nutrition Strategic Plan
NSFI	National Strategy for Financial Inclusion
SWOT	Strengths, weaknesses, opportunities, threats
UFA	Universal financial access

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CHAPTER 1

INTRODUCTION

1.1 Background

Globally, research on financial inclusion has shown that one of the vital elements in reducing poverty and inequality is increasing access to financial products and services. However, access to financial services remains a challenge, especially in developing countries (Amidžic et al., 2014; Culpeper, 2012; Manji, 2010; Tambunlertchai, 2018). There is a worldwide improvement in access to and use of financial services. However, this is not widespread in many developing countries (Claessens and Feijen, 2007). This study focuses on Malawi, a country located in the south-eastern region of Africa. Malawi is a densely populated country with an estimated population of 18.6 million, of whom 85% live in rural areas (SATBHSS, 2018). About 51% of Malawians live below the poverty line of US$1 per day, and the most affected are in rural areas (IFAD, 2017). Malawians mainly depend on rain-fed agriculture for economic growth and livelihoods. It is this reliance on rain-fed agriculture that contributes to economic instability.

Malawi has a comparatively low level of financial inclusion in regional terms (UNCDF, 2015). Malawi is placed second-last for formal and informal access to finance among the 11 African countries where FinScope (2012) surveys were recently conducted. In view of the geographical location and population density of Malawi, a few bank branches are spread across the various districts in the country. However, the concentration and operations of banks, including mobile banks, are mainly in cities, towns, and trading centres, and not in the rural areas where roads are in a poor condition (FinScope, 2012). Malawi is mainly a cash-based society – the banking system only has 25% of the cash in the economy, as the remaining 75% of the cash is circulating outside the banking system (Kabambe, 2017). This has contributed to the financial exclusion of most people in Malawi, especially vulnerable groups and those living in rural areas.

In 2014, about 51% of the population in Malawi was unbanked; and this translated into the challenge of financial exclusion (FinScope, 2014). According to a FinScope Consumer Survey report that compares the percentage of the banked and unbanked population in 2008 and 2014, more people were formally served in 2014, with an increase of eight per cent compared with 2008 (Table 1.1). The percentage of the population who had accounts and formally banked increased by eight per cent. There was no sign of change for the population who used informal sources of finance between 2008 and 2014. Between 2008 and 2014, the percentage of the population that was financially excluded or unbanked reduced by four per cent, from 55% to 51% (FinScope, 2014).

Table 1.1: Results from FinScope 2008 and 2014 consumer surveys on the status of financial inclusion in Malawi

Description	**2008**	**2014**
Formally served (%)	26	34
Banked (%)	19	27
Other formal (non-bank) (%)	15	18
Informal (%)	25	25
Excluded (%)	55	51

Source: FinScope (2014)

According to the same FinScope (2014) report, consumers do not rely on only one source of financial services and products: they use a combination of formal and informal sources to meet their financial needs. About 88% of the formally served population in Malawi are thinly served, using only one service portfolio (e.g., transaction products) (FinScope, 2014). Mandiwa (2014) recognised the lack of financial literacy and knowledge as a major constraint on the goal of achieving financial inclusion in Malawi. Furthermore, poor infrastructure (i.e., roads, communication networks) and persistent power blackouts have increased the operating costs of financial institutions, resulting in most of them resolving to operate only within urban areas, and so neglecting the rural areas, in order to maximise profit.

Mobile money has proved to be an essential tool for reducing poverty as it offers a solution to the limitations between banks and rural people (Buckley et al., 2015). Malawi launched its mobile money sector in early 2012, which was followed by experiences of market and regulatory challenges that attacked other countries (Buckley et al., 2015). According to Buckley et al. (2015), about 90 percent of the Malawian population have a mobile signal and mobile penetration is about 33 percent, of which 45 percent is rural based. These percentages are lower than in other countries but higher than the percentage of banked people (19 percent) in Malawi (Buckley et al., 2015). This suggests that mobile phones can be used to increase access to formal financial services thereby increase financial inclusion. Nevertheless, the possibility of the occurrence of this may be limited by the fragility of mobile networks in

Malawi's rural areas, and high tariffs on internet and mobile phone services (Buckley et al., 2015). In addition, the scalability of mobile money services has also been affected by low levels of financial literacy and limited trust (Buckley et al., 2015). This has slowed down the outreach to the unbanked masses and affected the status of inclusion in the country.

While the proportion of those financially excluded remains high, more females than males are financially excluded. Most of these financially excluded females are illiterate and based in rural areas. In Malawi, the gender gap tends to be wider when usage rather than access is used to measure financial inclusion; for instance, the gap in bank account usage is 19%, while the gap in bank account access is only eight per cent (Fanta and Mutsonziwa, 2016). At the time of the FinScope survey, about 32% of urban respondents had a bank account, compared with the nine per cent of respondents in rural areas of Malawi who had an account. This suggests that the rural population has more limitations in accessing formal financial services (Chipeta and Kanyumbu, 2018). According to Nkuna et al. (2018), banks in Malawi have increased points of access by installing ATMs, embracing the use of an agent and of digital banking, and introducing the provision of financial literacy to customers in order to reach out to the excluded and to enhance financial inclusion significantly.

1.2 The problem statement

A comprehensive measure of financial inclusion is important for tracking the progress of policies and initiatives that are implemented to promote financial inclusion (Sarma, 2008). In his report, Mahendra-Dev (2006) emphasised the importance of developing and reviewing financial inclusion policies in India. He further questioned the inclusiveness of policies and programmes and the need for a separate policy on financial inclusion. This is because financial inclusion policies are perceived as promoters of inclusive growth and development. Most countries have developed policies and national strategies for financial inclusion; but is this enough? Park and Mercado (2015) argued that good governance and institutional quality increase financial inclusion; thus, strengthening and reviewing financial inclusion policies and laws in developing Asia will reduce financial exclusion.

In a study of the review of policies and practice on financial inclusion, Arun and Kamath (2015) reported that countries that had a lower ranking on financial inclusion had no guiding principles, and lacked consistent policies for an independent financial sector. The Government of Malawi implemented initiatives and national priorities that recognised the neglected problem of financial exclusion and sought relevant strategies to address the problem. However, according to FinScope (2012), "analysis of the financial sector policies and measures for its development are mostly absent".

Financial inclusion and other sector development policies should be viewed as a vehicle to achieving larger development objectives. For these to be achieved, they will depend on improved financial infrastructure, capacity building of financial service providers, and vibrant roles by governments to complement the efforts of the financial institutions (Culpeper, 2012). Policies and innovations will also be required to promote access to and use of financial services and products for all segments of the population and business enterprises. According to Zins and Weill (2016), mobile banking can act as a substitute for formal banking. The introduction of mobile banking has contributed to increased access to financial services in Malawi. However, this type of banking is mostly used for transactions, and the charges are high. If mobile banking charges are high, it means that the access dimension of financial inclusion in terms of affordability is not achieved, resulting in the involuntary financial exclusion of people who cannot afford the charges to use mobile banking services.

In an effort to increase financial inclusion, the Malawian government developed a microfinance policy and the National Strategy for Financial Inclusion I and II. However, there is limited information on the review of these policies and strategies in promoting financial inclusion. There is a need for a better understanding of the role of these policies and strategies in promoting financial inclusion, and a structured qualitative approach to assessing policies that ensure financial inclusion. There are no studies that have comprehensively reviewed policies to determine the extent to which they promote financial inclusion. Most of the studies on financial inclusion focus on defining financial inclusion and the determinants of financial inclusion, and on developing the index of financial inclusion. In Malawi, such studies only focus on the determinants, status, and impact of financial inclusion.

Information on the review of policies and strategies with regard to financial inclusion is important for informing policymakers and filling the policy gaps in relation to the role of policies in promoting financial inclusion.

1.3 Objectives

The overall objective of this study is to determine the extent to which policies and strategies in Malawi are designed to and do actually promote financial inclusion. The following specific objectives are addressed:

1. To identify policies and strategies for promoting financial inclusion.
2. To identify the objectives of policies and strategies for promoting financial inclusion.
3. To determine how the policies and strategies were designed to promote financial inclusion.
4. To assess the contribution of policies and strategies to the promotion of financial inclusion.
5. To identify the strengths and weaknesses of financial inclusion policies and strategies.

1.4 Definition of key terms

- **Financial inclusion** aims at increasing access to formal financial services that are affordable, customer needs-oriented, and used by various groups of the population (Arsyianti and Kassim, 2018; Hannig and Jansen, 2010; Triki and Faye, 2013).
- **Effective access** involves convenient and responsible service delivery, at a cost that is affordable to the customer and sustainable for the provider, with the result that financially excluded people should begin to use formal financial services rather than existing informal options (GPFI, 2016b).
- **Access** is the dimension of financial inclusion that refers to the effective ability to use formal financial services determined mainly by distance, cost and appropriateness to actual/potential consumer's needs (Triki and Faye, 2013).
- **Usage** is a dimension of financial inclusion, and refers to the frequent and regular use of, and the amount of time used for, financial services and products (Triki and Faye, 2013).
- **Quality** is one of the dimensions of financial inclusion, and refers to products and services that are transparent, reliable and tailored to customers' needs at all income levels (Triki and Faye, 2013).
- **Financial exclusion** refers to the unavailability of banking services to people with no or low income. It is the absence of financial inclusion.

- **A policy** is a government statement of intended actions and position on a public problem such as law, regulations, etc. (Birkland, 2015).

1.5 Organisation of the dissertation

Chapter 2 reviews the literature on financial inclusion, the importance of such inclusion, and its contribution to development. The dimensions and measurements of financial inclusion are considered. The chapter unpacks the role, importance, and relevance of financial inclusion in development. The chapter also outlines the policies and strategies in Malawi that are reviewed in this study. Specifically, the chapter explains the design process for such policies, and focuses on how they are assessed.

Chapter 3 looks at global policies and initiatives on financial inclusion. The policies and initiatives on financial inclusion in Malawi are discussed. The chapter reviews the literature on policy contribution to financial inclusion in Malawi, and explains a conceptual framework on the same.

Chapter 4 explains the methods and procedures that are used to address the objectives of the study. A brief description of the study data source is discussed. A detailed description of the methods and procedures for analysis is given to present a clear picture of the direction that the study followed.

Chapter 5 discusses the results, which show the extent to which the two policies and five strategies reviewed in this study promote financial inclusion. It ranks the policies and strategies, describes their strengths and weaknesses, and makes recommendations.

Chapter 6 summarises the findings, followed by the conclusion of the study. Recommendations, the limitations of the study, and possible areas for future research are also discussed.

CHAPTER 2

IMPORTANCE OF FINANCIAL INCLUSION AND OVERVIEW OF POLICIES AND STRATEGIES IN MALAWI

In this chapter, a review of the literature on financial inclusion and its importance is presented. The dimensions and measurements of financial inclusion are discussed. The chapter analyses the importance of financial inclusion and its relevance to development. The chapter also looks at the following policies and strategies in Malawi that are reviewed in this study: the National Strategy for Financial Inclusion – NSFI I (2010-2015; the National Strategy for Financial Inclusion – NSFI II (2016-2020); the National Agriculture Policy (NAP) 2016; the National Agriculture Investment Plan (NAIP) (2018-2023); the Malawi Growth and Development Strategy – MGDS III (2017-2022); and the National Multi-sector Nutritional Policy (2018-2022). The chapter explains the design process for the policies and strategies, and their areas of focus that are used for the review.

2.1 Financial inclusion dimensions and measurements

Financial inclusion has three dimensions: access, usage, and quality. Financial inclusion not only focuses on access to credit, it also focuses on different products that are tailored to customer needs (e.g., savings, crop insurance, life insurance); the proximity to financial infrastructure; and consumer financial literacy (Hannig and Jansen, 2010). According to Sarma (2008), it is important to have a comprehensive measure of financial inclusion in order to monitor progress and track the current situation of policies and initiatives that are implemented to promote financial inclusion. Sarma (2008) proposed a comprehensive index of financial inclusion that covers all its dimensions, in contrast with the previous index of the United Nations Development Program, which only covers access and usage. However, Sarma pointed out the unavailability of data to use for calculations as a limitation of the index, since most countries do not have data for all the dimensions of financial inclusion.

Understanding the dimensions of financial inclusion goes beyond identifying the index of measurement; it requires an in-depth understanding of what to measure – hence the need for indicators of financial inclusion for each dimension. According to Hannig and Jansen (2010), the number of open accounts and the percentage of the population with open accounts across financial institutions is used as a proxy indicator for access to financial services as a dimension of financial inclusion. Quality is measured by assessing the extent of knowledge, opinions, and attitudes that clients (users) have towards the financial services and products offered to them, the choices they make, and their implications (Hannig and Jansen, 2010). This dimension is difficult to measure, as most countries do not have data, and the existing indices mostly focus on the indicators of access and usage as dimensions of financial inclusion. Indicators of usage are derived from the percentage of adults with an open account, and the percentage of adults with at least one outstanding loan at a regulated financial institution (Hernandez-Cos and Goofben, 2012).

Hannig and Jansen (2010) stated that "collecting reliable financial data is not an easy task". Financial inclusion differs significantly across countries, since most countries do not have data trends from previous years, and the methods used to determine financial inclusion vary from one study to another. Most studies regard access as a goal of financial inclusion; however, according to Dhaka (2013), it is difficult to measure. Usage can be used as a proxy, even though it can underestimate those that have access, as it fails to account for those who have accounts that are currently not in use. The quality of financial services can be characterised by affordability, in which clients have the ability to pay for the services and product charges, and without which they are constrained from accessing financial services (Dhaka, 2013).

2.2 Why financial inclusion?

Even though the Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs) do not directly mention access to finance, access to financial services is nevertheless a significant contributor to the attainment of most of the goals, both directly and indirectly (Claessens and Feijen, 2007). According to Demirguc-Kunt et al. (2015), "out of 143 economies, 67 per cent have a mandate to promote financial inclusion and more than 50 countries have set formal targets and ambitious goals for financial inclusion". This emphasises the global awakening of countries to the importance of financial inclusion and its contribution to development goals. Dhaka (2013) stated that extending financial services to the unbanked population in rural areas of Bangladesh should be a priority for development, and it was thus essential for the government and regulating bodies to urge banks, mobile operators, and other financial service providers to implement and expand branchless banking. In their study of the determinants of financial inclusion in Africa, Zins and Weill (2016) found that higher education, higher levels of income, older age to some extent, and being a man, favours or positively influences financial inclusion. As a result, African countries have lower levels of financial inclusion than other countries in the world, translated from low income and low education levels (Zins and Weill, 2016). This is not unusual for Africa, considering the high levels of inequality and poverty that have created a huge gap between the rich and the poor, and between urban and rural areas.

The absence of financial inclusion (i.e., financial exclusion) is a global challenge; about 2.3 billion working adults do not have access to financial services offered by formal financial institutions (Atkinson and Messy, 2013). Financial exclusion can lead to social exclusion; the United Kingdom government thus regarded the reduction of financial exclusion as one of its priorities (Mitton, 2008). In India, a committee on financial inclusion was appointed specifically to address the issues and challenges of financial inclusion. Similarly, according to Aduda and Kalunda (2012), financial exclusion leads to social exclusion, and social exclusion results in greater social divisions, which is unhealthy for the economy. Therefore, financial inclusion is a great tool for bridging the gap between the excluded and the included, thus reducing social division. According to Oji (2015), financial exclusion can lead to extreme poverty The author adds that most of the financially excluded people in Africa lack the habit of saving as a result of poverty, which hinders their accumulation of capital.

Financial inclusion is important because it provides a necessary environment for sustainable and equitable economic growth. Access to financial services may facilitate people to build savings and engage in investments, and it insures them from shocks and emergencies. Financial inclusion also enables the government to give financial aid to the poor through proper channels that minimise transaction costs (Subbarao, 2009). Financial inclusion contributes to economic growth by empowering development that is localised. This mostly happens when people have access to financial services that allow them to get involved in economic activities that are beneficial (Oji, 2015). Results from a study by Park and Mercado (2015) on the relationship between financial inclusion, poverty, and income inequality show that there is a significant positive relationship between greater financial inclusion, less poverty, and income equality. They also discovered that increasing financial inclusion lowered income inequality in developing Asia.

According to the Maya Declaration, financial inclusion aims to improve the livelihoods of poor people and rescue them from poverty (AFI, 2018). Financial inclusion programmes that are tailored to the needs of the rural poor can help them to start and grow small businesses. Financial inclusion also increases investments by channelling the savings of the rural poor from the informal financial system into the formal financial system. In turn, the increased number of retail deposits will divert the dependence of banks on individual wholesale deposits. The difference in the desirability of reducing banks' dependence on wholesale deposits is an important aspect of the Basel II principles. Banks will thus be able to manage their liquidity risks (Subbarao, 2009). According to Leeladhar (2005), it is shown in studies that financial exclusion from the banking system results in a loss of one per cent to the GDP of a country. Damodaran (2013) argues that financial inclusion boosts the economy by increasing the quality of life of the people and reducing the gap between the rich and the poor.

Beck et al. (2005) noted that there is extensive evidence that financial development contributes to growth. Hannig and Jansen (2010) argue that there is a link between finance and income inequality. A relationship exists between financial development, reduced income inequality, and poverty alleviation, according to Beck et al. (2008). Allen et al. (2014) provide substantial evidence on the link between financial development and economic development. However, financial inclusion and financial development levels are still low in Africa. According to Evans (2015), African countries with higher economic growth have more inclusive financial systems. This is because economic growth substantially contributes to financial inclusion. Evans (2015) also found that a higher GDP per capita, higher deposit interest rates, a larger population, and greater literacy increase financial inclusion in Africa.

It is evident from the literature that financial inclusion increases capital for new businesses, improves profits for existing ones, and increases consumption levels, employment status, and income (Karlan and Zinman, 2009). According to Liew (2006), an inclusive financial sector can directly or indirectly reduce poverty because it widens access to finance to the poor, women, and rural areas, and fosters close relationships between financial sector development and inclusive growth. Globally, it is evident that access to, and the quality and usage of, financial services is improving; however, many developing countries are still struggling to achieve financial inclusion, and there are still several factors that constrain poor people and smaller businesses from using formal financial services fully (Claessens and Feijen, 2007).

In a study of the journey to financial inclusion in Malawi, Majanga (2016) concluded that a country's economic performance is influenced by financial inclusion, and vice versa, and that economic performance is to some extent reliant on the extent of the inclusiveness of the financial sector. These variables cannot be observed in isolation; policymakers should thus examine the level of inclusion in the financial sector when making decisions about the economy. In his paper, Sarma (2010) argues that the efficient allocation of productive resources is smoothened by an inclusive financial system that extensively improves the daily management of finances and assists in reducing the advancement of informal sources of credit, which are sometimes exploitative. Dupas and Robinson (2013) argue that, when individuals have access to formal savings, it increases their savings, empowers women, and leads to investments and consumption. Access to savings empowers people to invest in innovative ideas and mitigate risks, thus increasing their opportunities to access more financial products.

Financial inclusion contributes to development, empowers people, and is a vehicle for reducing poverty and inequalities. However, financial inclusion cannot be a stand-alone strategy for achieving development goals; it requires proper institutions and structures for effective implementation. To achieve the desired results in development successfully, financial inclusion needs a holistic approach. The developing region of Asia is successfully reducing poverty and inequalities through financial inclusion because of several initiatives that are implemented not only by governments, but also by all stakeholders (i.e., the private sector, non-governmental organisations, civil society organisations, etc.). Financial inclusion can change the social status of people and contribute to economic development when people are willing to participate in the initiatives and ensure sustainability (Park and Mercado, 2015).

2.3 Policies and initiatives on financial inclusion in Malawi

The Malawian government and Reserve Bank implemented several initiatives to improve financial inclusion. In the year 2002, the National Microfinance Policy and Action Plan were implemented, and revised in 2008. The purpose of the Microfinance Policy and Action Plan Statement was "to promote the development of a sustainable microfinance industry which provides credit, savings opportunities and other financial services to low-income people, which will create wealth and employment in Malawi" (MCI, 2002). According to Nkuna et al. (2018), regardless of the microfinance policy's implementation, microfinance services had a limited outreach due to insufficient financial resources. For instance, in 1993 the government established the Malawi Rural Finance Company (MRFC) to supply credit. However, its operations ceased as a result of financial management-related problems (Nkuna et al., 2018).

In its attempt to align the financial sector with other sectors that drive economic growth (e.g., the agricultural sector), the government established the Financial Sector Development Strategy (FSDS) for the period 2010 to 2015. The main goal of the FSDS was “to build a sector which supports financial services and stimulates sustainable economic growth” (GoM, 2010). The government also developed and implemented a National Strategy for Financial Inclusion (NSFI) in 2010. The focus of the strategy is “to improve the delivery of quality and diverse financial services to the excluded by emphasizing sustainability, accessibility, and affordability of financial services” (GoM, 2010). According to FinScope (2012), during the 2011 Global Policy Forum in Mexico the Government of Malawi made a national commitment to financial inclusion under the Maya Declaration.

The government recognised the critical role that access to financial services can play in reducing poverty and empowering vulnerable groups of people. Therefore, financial inclusion was made one of the development strategies in the Malawian financial sector. In 2016, the government launched a National Financial Inclusion Strategy – 2016-2020 (NFIS II) as the successor of the previous strategy. The NFIS II envisioned “an increase in financial inclusion in Malawi from 34% (FinScope, 2014) to 55% by 2020 and reduce the excluded from 51% to 26% in order to support growth and improve household welfare” (GoM, 2016). According to Nkuna et al. (2018), the Reserve Bank of Malawi is at present reviewing previous laws and designing new laws that will enable a favourable regulatory and supervisory environment to improve financial inclusion. In addition, in partnership with the central bank, the government is in the process of drafting a national strategy on financial literacy that will improve people’s financial literacy and enable them to embrace individual financial management practices that will indirectly lead in the long run to poverty alleviation and financial stability (Mandiwa, 2014; Nkuna et al., 2018).

This section contributes to the first and second objectives: identifying policies and strategies, and determining their objectives for promoting financial inclusion. The policies and initiatives on financial inclusion in Malawi may have been taking place in isolation. Financial inclusion should have been featured in other sectoral policies as a strategy. A single effort to implementing financial policies and initiatives will not achieve the development goals for Malawi effectively and efficiently. Financial inclusion must be mainstreamed in other sectoral policies to be promoted effectively and thus contribute to development.

The current study involved a review of seven policies and strategies, which were sourced from government offices and various websites. Below is a detailed description of each policy and strategy design, and the areas of focus for assessing them.

2.3.1 Malawi Microfinance Policy and Action Plan 2002

To guide government practitioners and donors in providing microfinance services, the Government of Malawi designed its microfinance policy and action plan in October 2002. The policy aimed to achieve its objective by implementing the following strategies (MCI, 2002): (i) creating an enabling legal and regulatory environment, as well as overall economic policies conducive to the development of microfinance; (ii) improving the capacity of the implementing institutions and their clients and other key actors, such as the Malawi Microfinance Network, the Reserve Bank of Malawi, and the Ministries of Commerce and Industry and Finance and Economic Planning; (iii) promoting best practices in the industry among microfinance institutions (MFIs), the government, and the donor community; and (iv) increasing coordination among the various actors in the microfinance sector. This study will review the extent to which the microfinance policy promotes financial inclusion, based on its objectives, strategies, and action plan. Further detailed information on the microfinance policy and its action plan can be accessed on www.findevgateway.org/paper/2002/10/ malawi-microfinance-policy-and-action-plan.

2.3.2 The Malawi National Financial Inclusion Strategy I (2010-2014)

To address the limited access to credit and savings mobilisation, and to expand inclusive finance at all levels in Malawi, the first National Financial Inclusion Strategy (NFIS I) was launched in 2010 (MoF, 2007). It had the following specific objectives: (i) to facilitate and expand the outreach of quality financial services offered by diverse providers to low-income people, mainly those involved in production activities; (ii) to increase the financial and investment capacity of the private sector in urban and rural areas; (iii) to create sustainable finance providers that are involved in real financial intermediation; (iv) to promote innovation in the financial sector; (v) to support the meso-level infrastructure; (vi) to create an enabling policy and regulatory environment at the macro level; and (vii) to educate society about financial services, money management (removing knowledge barriers), and client protection (MoF, 2010).

The NFSI I design followed the following guiding principles to develop the strategies that were used to implement the action plan (MoF, 2010);

a) Clear distinction and separation of charity (welfare policy) from finance, ensuring that financial discipline is in place in the sector;
b) The need for increased outreach to provide financial services to larger numbers of poor households;
c) Striking an appropriate balance between the social and economic (financial) objectives of inclusive finance providers;
d) The use of market-based pricing (avoiding subsidised interest rates) that can also promote savings mobilisation, foster competition, and reduce barriers to entry and exit. Sustainable inclusive finance providers should cover their full cost from the interest income they collect, and, to this end, microfinance providers need to separate the responsibilities of financial services from non-financial obligations;
e) Setting in place an appropriate regulatory and supervisory framework to ensure effective oversight of the activities of inclusive finance providers, the adoption of best practices, and the stability of the financial system;
f) Building the institutional and managerial capacity of inclusive finance providers;
g) Mobilising loan capital for inclusive finance providers through savings mobilisation, commercial funding (national and international commercial lending), donor funding, equity, etc;
h) Developing innovative financial products that are convenient, accessible, flexible, and affordable, and that respond to the needs of the excluded;
i) Developing transparent governance, management, accounting, internal control, and information systems;
j) Aligning inclusive finance with the wider financial sector development strategy;
k) Securing the independence of inclusive finance providers from political interference;
l) Limiting the role of government mainly to the creation of an enabling environment that facilitates inclusive finance, and pursuing policies that create incentives for greater private sector participation in the financial market;

m) Adherence to performance standards by measuring the outreach, productivity, efficiency, sustainability, and portfolio quality of inclusive finance providers; and
n) Agreeing/adhering to internationally accepted principles developed by CGAP (the Consultative Group to Assist the Poor) and its 28-member donors, and further endorsed by the Group of Eight leaders at the G8 Summit on 10 June 2004.

This study reviews the extent to which Malawi's National Strategy for Financial Inclusion I (2010-2014) promotes financial inclusion, based on its objectives, strategies, and action plan. Further detailed information on this can be accessed on https://dfsobservatory.com/content/malawi-national-strategy-financial-inclusion-2010-2014.

2.3.3 The Malawi National Financial Inclusion Strategy II (2016-2020)

To build on the foundation laid by NFIS I, the Government of Malawi developed the National Financial Inclusion Strategy II (2016-2020) with the following objectives (MoF, 2016): (i) to expand the reach of digital payments; (ii) to expand savings and investment, opportunities, especially through savings groups; (iii) to expand finance for Micro, Small and Medium Enterprises (MSME) and agriculture; (iv) to exploit niche insurance opportunities and reduce vulnerability; (v) to empower and educate consumers; and (vi) to coordinate financial inclusion nationally. The strategy aims to achieve the objectives through the following strategies or action plans (MoF, 2016); (i) providing poor people with a variety of financial services, not just loans; (ii) integrating financial inclusion efforts into the mainstream financial system; (iii) sustainability – charging enough to cover costs to overcome scarcity and uncertainty in the supply of subsidies from donors and governments; (iv) building local institutions that can attract domestic deposits, recycle them into loans, and provide other financial services; (v) making a clear separation between charity (welfare policy) and finance; (vi) setting market-based pricing; (vi) government enabling financial services, not providing them directly; (vii) complementing private capital with donor funds on a temporary basis, not competing with it; (viii) focusing donors on institution- and capacity-building; and (ix) measuring and disclosing performance – financial as well as social.

The study will assess the extent to which NFIS II promotes financial inclusion. The strategy will be assessed, based on its objectives, strategies, and action plan. The NFIS II can be accessed at the Malawi Government Offices – specifically, at the Ministry of Finance, Economic Planning, and Development in Capital Hill, Lilongwe, Malawi.

2.3.4 National Agriculture Policy (NAP) 2016

To transform the motivation of Malawian farmers to engage in agricultural production not as the primary means of securing a basic livelihood, but as a commercial enterprise, the Malawi National Agriculture Policy (NAP) 2016 was developed with the policy goal of achieving sustainable agricultural transformation that will result in the significant growth of the agricultural sector, expanding incomes for farm households, improving food and nutrition security for all Malawians, and increasing agricultural exports (MoAIWD, 2016). The NAP aims for Malawi to achieve the following by 2020 (MoAIWD, 2016); (i) consistently attain an agriculture gross domestic product growth rate of at least six per cent per year; (ii) double the contribution of legume and oilseed crops to overall agricultural production and to Malawi's agricultural exports, particularly in processed form; (iii) increase the yields of major crops by 100 per cent; (iv) sustainably increase the production and consumption of livestock, aquaculture, and capture fisheries by 50 per cent; (v) increase by 60 per cent the number of new agricultural technologies under development and being demonstrated to farmers; (vi) increase the amount of agricultural land area under irrigation by 20,000 ha; (vii) increase the use of machinery in farming and agro-processing activities by 50 per cent; (viii) increase the volume of processed output from agricultural raw materials by 20 per cent per year; (ix) increase the value of agricultural exports by 50 per cent; and (x) increase women's and youth's access to, ownership of, and control of productive agricultural assets by 50 per cent. Only objective (x) addresses some aspects of financial inclusion.

The NAP identified the following eight policy priority areas (MoAIWD, 2016): (i) sustainable agricultural production and productivity; (ii) sustainable irrigation development; (iii) mechanisation of agriculture; (iv) agricultural market development, agro-processing, and value-adding; (v) food and nutrition security; (vi) agricultural risk management; (vii) empowerment of youth, women, and vulnerable groups in agriculture; and (viii) institutional development, coordination, and capacity strengthening. Priority areas (iv) and (vii) partly focus on increasing access to financial services by different groups of people for agriculture. This study will assess the extent to which the National Agriculture Policy promotes financial inclusion – specifically, by reviewing the objectives, key priority areas, strategies, and action plan of the policy. Detailed information on the policy objectives, key priority areas, and action plan can be accessed on https://reliefweb.int/sites/reliefweb.int/files/resources/NAP_Final_Signed.pdf.

2.3.5 National Agriculture Investment Plan (NAIP) (2018-2023)

The National Agriculture Investment Plan (NAIP) was developed as the framework for guiding investment in Malawi's agricultural sector. The policy for the NAIP is mainly built on the foundations of the Malawi Growth and Development Strategy (MGDS), the National Agricultural Policy (NAP), the CAADP Compact, and the Malabo Declaration (MoAIWD, 2018). The NAIP adopted the following key priorities from NAP as objectives of the strategy (MoAIWD, 2018): (i) broad-based and resilient agricultural growth; (ii) improved well-being and livelihoods of Malawians; and (iii) improved food and nutrition security. The NAIP also strategised to improve inter-sectoral coordination between the agriculture and related sectors at both policy and programme levels in order to maximise the effectiveness of public investments (MoAIWD, 2018). The NAIP developed programmes that focus on increasing agricultural productivity, food security, and investments. One of the programmes that is using markets, value-adding, and finance for transformation in agriculture aims to enhance market access, value-adding, and access to finance, thus promoting financial inclusion (MoAIWD, 2018). The NAIP states that rural and agricultural finance is a complex area that requires strong coordination between various actors and policy frameworks. The NAIP, therefore, facilitates the coordination of rural finance policies with agricultural sector priorities regarding improved farmer access to financial services (MoAIWD, 2018). The study assesses the extent to which the NAIP promotes financial inclusion by reviewing the objectives, programmes, strategies, and action plans. More details on the NAIP design can be accessed on https://www.agriculture.gov.mw/Naip/NAIP%202018_Final_Signed%20to%20print%208.6.2018.pdf.

2.3.6 Malawi Growth and Development Strategy – MGDS III (2017-2022)

The Malawi Growth and Development Strategy III was developed as a successor to MDGS II, with the theme, "Building a productive, competitive and resilient nation" (MoF, 2017). The strategy identified the following five key priority areas (KPAs) (MoF, 2017): (i) agriculture, water development, and climate change management; (ii) education and skills development; (iii) transport and ICT infrastructure; (iv) energy, industry, and tourism development; and (v) health and population, in order to address the economic shocks in Malawi. Despite the strategy's emphasis on the KPAs, it focused its attention on other development areas that are essential and that complement the KPAs, such as financial services; vulnerability, disaster management, and social support; gender; youth development, persons with disability, and social welfare; human settlement and physical planning; environmental sustainability; HIV/AIDS management; and peace and security (MoF, 2017). One of the strategies of KPA 1 (agriculture, water and irrigation development, and climate change management) is to promote access to finance for women, youth, and vulnerable groups in agriculture, thus addressing an aspect of financial inclusion (MoF, 2017). The other development area of financial services addresses dimensions of financial inclusion. This study will assess the extent to which the Malawi Growth and Development Strategy III promotes financial inclusion, and review it, based on its objectives, priority areas, strategies, and action plan. Further information on MGDS III can be accessed on https://cepa.rmportal.net/Library/government-publications/the-malawi-growth-and-development-strategy-mgds-iii.

2.3.7 National Multi-sector Nutritional Policy (2018-2022)

The goal of the National Multi-sector Nutritional Policy (NMNP) is a well-nourished Malawian population that contributes effectively to the economic growth and prosperity of the country (MoH, 2018). The NMNP is one of the key vehicles to promote financial inclusion. The policy aims to achieve adequate nutrition in Malawi through the following objectives (MoH, 2018): (i) prevent undernutrition, with an emphasis on children under five, adolescent girls, school-going children, pregnant and lactating women, people living with human immunodeficiency virus, and other vulnerable groups; (ii) enhance gender equality, equity, protection, participation, and empowerment of adolescents, women, and children for improved nutrition; (iii) treat and control acute malnutrition among children under five, adolescents, pregnant and lactating women, people living with human immunodeficiency virus, and other vulnerable groups; (iv) prevent and manage overweight and nutrition-related Non Communicable Diseases (NCDs); (v) enhance nutrition education, social mobilisation, and positive behaviour change; (vi) improve the delivery of nutrition interventions during emergencies; (vii) create an enabling environment for the effective implementation of nutrition interventions; and (viii) enhance evidence-based programming through nutrition monitoring, evaluation research, and surveillance.

The policy identified the following eight priority areas that consolidate the aspirations contained in the goal and the policy objectives, none of which addresses financial inclusion (MoH, 2018): (i) prevention of undernutrition; (ii) gender equality, equity, protection, participation, and empowerment for improved nutrition; (iii) treatment and control of acute malnutrition; (iv) prevention and management of overweight and nutrition-related NCDs; (v) nutrition education, social mobilisation, and positive behaviour change; (vi) nutrition during emergency situations; (vii) creating an enabling environment for nutrition; and (vii) nutrition monitoring, evaluation, research, and surveillance. The study will assess the extent to which the National Multi-sectoral Nutritional Policy promotes financial inclusion, and review it, based on its objectives, priority areas, strategies, and action plan. Further information on the policy can be accessed on https://www.fantaproject.org/sites/default/files/resources/Malawi-National-Multi-Sector-Nutrition-Policy-2018-2022.pdf.

2.4 Chapter summary

This chapter explained the dimensions of financial inclusion: access, usage, and quality. The index of measurement for each dimension of financial inclusion was discussed. It was observed that financial inclusion differs significantly across countries because most countries do not have data trends from previous years, and so the methods used to determine financial inclusion vary from one study to another. Financial inclusion is important because its absence leads to financial exclusion, which results may in social exclusion and extreme poverty, which is unhealthy for economic development. The literature shows that financial inclusion is important because it contributes to the necessary environment for sustainable and equitable economic growth, and contributes to development. Having strong policies and strategies to promote financial inclusion that are implemented will therefore further promote financial inclusion and improve development in the long run.

The chapter also discussed the policies and initiatives on financial inclusion that are implemented in Malawi. The chapter outlined the goals, objectives, guiding principles, and strategies of the following policies and strategies that directly address financial inclusion: the Microfinance Policy, the National Strategy for Financial Inclusion – NSFI I (2010-2015), the National Strategy for Financial Inclusion – NSFI II (2016-2020), and the Malawi Growth and Development Strategy – MGDS III (2017-2022). A detailed description of key priority areas and strategies in the National Agriculture Policy (NAP) (2016), the National Agriculture

Investment Plan (NAIP) (2018-2023), and the National Multi-sector Nutritional Policy (2018-2022) that indirectly address financial inclusion are also discussed. The chapter indicates that the Government of Malawi and the Reserve Bank implemented several initiatives to improve financial inclusion. However, these were stand-alone initiatives. Financial inclusion must be mainstreamed in other sectoral policies to be promoted and to contribute to development effectively.

CHAPTER 3

HOW DO POLICIES CONTRIBUTE TO FINANCIAL INCLUSION?

In this chapter, a review of the literature on global policies and initiatives for financial inclusion is offered. The chapter also reviews the literature on the contribution of policy to financial inclusion. The chapter ends by explaining a conceptual framework for the relationship between policy and financial inclusion.

3.1 Global policies and initiatives on financial inclusion

Global policies and initiatives were developed and launched as leaders recognised that financial inclusion was one of the key pillars of the global development agenda. At the Pittsburgh Summit in September 2009, G20 leaders gathered to discuss financial inclusion and to establish the Financial Inclusion Experts Group (FIEG). The G20 leaders later defined nine principles for innovative financial inclusion at the Toronto Summit in June 2010 (AFI, 2012). In November 2010, the G20 leaders officially recognised financial inclusion as one of the key pillars of development, stating that, to address financial inclusion successfully, there was a need for political leadership and support. The leaders also endorsed a G20 Financial Inclusion Action Plan to promote financial inclusion, and established the Global Partnership for Financial Inclusion (GPFI) to manage and implement the action plan (GPFI, 2015).

The Maya Declaration was launched at the AFI Global Policy Forum in Riviera Maya, Mexico in September 2011. The Maya Declaration is a global commitment by governments, in partnership with the private sector, that is aimed at "reducing poverty and ensuring financial stability for the benefit of all" (AFI, 2018). As a response to the world's 2.5 billion unbanked population, the World Bank Group, with its partners, set a target to achieve universal financial access (UFA) by 2020. The UFA goal visualises that "by 2020, adults globally will be able to have access to a transaction account or electronic instrument to store money, send and receive payments as the basic building block to manage their financial lives" (World-Bank, 2014). In 2016, the G20's high-level principles for digital inclusion were designed and published so that national plans could take advantage of digital financial services. The aim is "to sustainably increase financial inclusion while fostering inclusive growth, sustainable development, and protecting users of digital payments" (Goosen, 2017).

The G20’s initiative on enhancing financial inclusion identified policy recommendations of making financial services more accessible to all people and businesses (Culpeper, 2012). At the first G20 Global Partnership for Financial Inclusion Forum, it was recognised that, to achieve comprehensive financial inclusion, both central banks and the private sector have to be involved. The government should create a favourable environment so that the private sector can develop products and services that meet the needs of the financially excluded. This is achieved through the implementation of the financial inclusion policy (GPFI, 2011). The Maya Declaration emphasises that peer-to-peer learning among financial regulators and policy-makers is important for developing and implementing relevant policy interventions that increase financial inclusion. This learning and collaboration helps to develop and implement innovative and relevant policy solutions to increase financial inclusion (GPFI, 2011). According to GPFI (2016a), “policy leadership and coordination across the public and private sectors are critical for expanding financial inclusion”. Policies that encourage innovation contribute to digital financial inclusion goals (GPFI, 2016a).

There has been an overwhelming response to global policies and initiatives on financial inclusion over the years. According to Claessens and Feijen (2007), the level of financial inclusion has improved globally, which suggests that policies and initiatives promote financial inclusion. However, in developing countries such as Malawi, financial inclusion is still a challenge, despite the policies and initiatives in place. What could possibly be wrong?

3.2 Policy and strategy implications on financial inclusion

In a study of financial inclusion, poverty, and income inequality, Park and Mercado (2015) argued that good governance and institutional quality increased financial inclusion in developing Asia. Strengthening policies and laws in a country thus contributes to the reduction of financial exclusion. Similarly, in the Global Microscope 2014, the Economist Intelligence Unit reported that countries that had a lower ranking on the financial inclusion index had no guiding principles, and lacked consistent policies for an independent financial sector (EIU, 2014). For example, the Mexican government passed a law in 2012 that all government payments to recipients should be done electronically in order to reduce corruption and increase efficiency. This had a profound impact on financial inclusion, as it increased access to and usage of formal finance products by all who were involved with government – employees, service providers, cash transfers, etc. (Dias, 2014). It is evident that such policies promote financial inclusion; however, only policies that mainstream financial inclusion will effectively promote it.

In a study of financial inclusion issues and challenges, Damodaran (2013) states that a public policy that promotes financial inclusion should include the following guiding principles: (i) provide access to basic financial services; (ii) the use of financial services should address people's needs; (iii) the financial product should be affordable: and (iv) the policy should promote the quality of products and services. Policies that empower banks to contract and collaborate with non-bank retail agents as channels for financial inclusion have proven to be vastly successful in advancing financial inclusion in places where banks are not economically feasible (Hannig and Jansen, 2010). For example, Malawi's Reserve Bank, a regulatory and supervisory body of banks and other financial institutions, issued an instruction to banks and microfinance institutions on the disclosure of information. The order was for the institutions to be more transparent by publishing their charges and tariffs on products and services in order to inform the public and help them make decisions that are informed, thus serving the unbanked (Nkuna et al., 2018). This greatly increased the number of people who accessed formal financial services.

In Malawi, about 75 % of the cash in the economy is found outside the banking system, with the remaining 25% inside the banking system (Kabambe, 2017). This shows the need for the establishment of relevant policies to address the supply and demand problems of financial inclusion in Malawi. In their paper, Chipeta and Kanyumbu (2018) noted that about 43% of individuals whose main income source was a salary, and about 55% of people whose main income source was pension benefits, owned bank accounts because the government had passed a bill that emphasised the receipt of benefits through the banks. In 2017, the Malawi government started issuing national identification cards that can be used in banks for personal identification during transactions (Nkuna et al., 2018). This has helped rural people who did not have passports, driving licences, or voter registration cards (previously the only eligible kinds of identification) to access formal services without problems. This shows how government directives in implementing policies play a major role in influencing people to access and use formal financial services in Malawi.

This section addressed objective four, which is to assess the contribution of policies and strategies to promoting financial inclusion. Policies that are coupled with laws and bills to ensure implementation can promote financial inclusion.

3.3 Conceptual framework

Figure 3.1 displays the relationship between policy and financial inclusion. Financial inclusion policies governing regulation and implementation can address issues around institutional capacities and infrastructure and financial literacy, which, in turn, promote the usage, access and quality of products and services. Effective implementation of policies requires a holistic approach that inclides relevant regulatory bodies or institutions, funding and policy analysis (see Figure 3.1). Policies are important for establishing acceptable standards and addressing relevant public problems. It is important to have finacial inclusion related policies in a country. Such policies stimulate the economic growth and development in a country. For policies to be implemented effectively this will depend on regulatory bodies and insitution which enables the environment for easy operation of the players. Such policies also requires sufficient funding, and regular reviews. Financing the implementation of policies results in achieving outputs and outcomes. The policy review process is critical for observing the implementation of policy objectives and tracing their outcomes and impact (Dunn, 2015).

The relationship between policy and financial inclusion is depicted in Figure 3.1. Financial inclusion may be enhanced by policies that promote financial literacy. Financial literacy is the financial education that financial institutions offer to clients. When clients acquire skills in and knowledge of the products and services offered by formal financial institutions and other non-financial institutions (e.g. NGOs), they make informed decisions and maximise their usage (Atkinson and Messy, 2013; Mindra and Moya, 2017). In Malawi, financial literacy has been recently considered for policy, and processes are in progress. Currently, all the services and communications that are required in opening an account are in English. This excludes people who do not understand English (Chipeta and Kanyumbu, 2018). Clients are not fully aware of the products and services offered to them, and fail to demand them; most rural populations are thus financially excluded. Current initiatives show that some banks are translating the communications into Chichewa, the national local language. According to Nkuna et al. (2018), one out of ten banks offers financial education to its customers. All these initiatives depend on policies being effectively implemented.

Increasing access to financial services will also depend on physical structures being constructed in remote areas as one of the solutions among other cost-effective options. Policies that promote infrastructure development can contribute to financial inclusion. Banks and other financial institutions need to increase their outreach in rural areas by building new branches or increasing points of access (e.g., ATMs). Formal financial institutions are likely to deliver effectively if roads, electricity, and communication networks improve in an area (Chipeta and Kanyumbu, 2018). This will reduce the operating cost of the banks. Affordable financial products and services will thus be offered to people in remote areas without their having to travel great distances. Policies that strengthen financial institutions' capacity increase financial inclusion. The capacity-building of staff and personnel from financial institutions is one of the relevant ways to enhance financial inclusion – specifically, the quality of the financial products and services offered. This relies on effective policies that produce a favourable environment for training. The capacity-building of banks' personnel and staff will help them reach out to all segments of the population so that the products and services match the customers' needs.

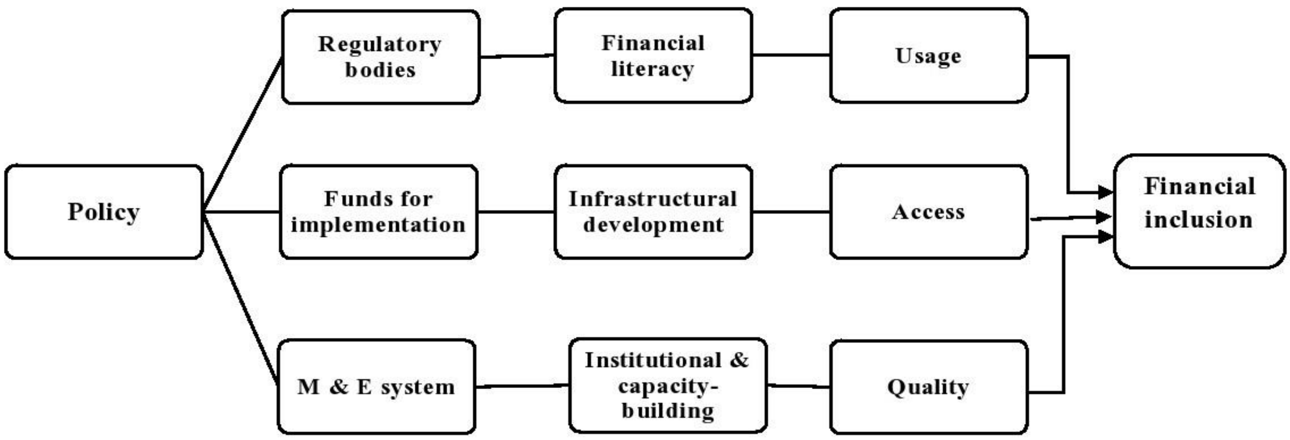

Figure 3.1: Conceptual framework for policies' contribution to financial inclusion (Author)

Financial inclusion policies that have an effective monitoring and evaluation system are likely to promote financial inclusion, especially when the action plans are implemented as intended. An effective monitoring and evaluation system for both financial inclusion policies and financial institutions is critical to promoting financial inclusion in Malawi. It is important that policies enforce the monitoring and evaluation systems in all financial institutions in order to keep track of the progress of financial inclusion. It is through monitoring and evaluation that loopholes are identified so that they can be fixed, and so that positive outcomes are encouraged. An enabling environment is key for policies to promote financial inclusion efficiently and explicitly to increase access to, use of, and the quality of financial products and services offered by financial institutions to all segments of the population in Malawi.

3.4 Chapter summary

This chapter focused on the contribution of policies to financial inclusion. It was observed that several global policies and initiatives were developed and launched as leaders recognised financial inclusion to be one of the key pillars of the global development agenda. This improved the status of financial inclusion globally. This implies that policies and initiatives promote financial inclusion. The chapter concludes that financial inclusion is an important policy issue and that, in countries where policies are implemented, there have been notable improvements in financial inclusion, according to the literature reviewed in this study. An enabling environment is thus key for policies to promote financial inclusion in Malawi effectively.

CHAPTER 4

METHODS AND PROCEDURES

This section of the study explains the methods and procedures that were used to analyse the objectives. A brief description of the data source is discussed to give a clear picture of the direction that the study followed. A systematic desk review was used to analyse part of the objectives while the other objectives were analysed using the Economist Intelligence Unit (EIU, 2019) Global Microscope 2019 benchmarking tool for enabling the environment for financial inclusion, which was customized based on guidelines used for assessing policies developed from the literature review of the study. The tool is used to analyse part of the objectives of the study. A summary section at the end gives the key points discussed in the chapter.

4.1 Data sources

The study involved a review of the Microfinance Policy, the National Strategy for Financial Inclusion – NSFI I (2010-2015), the National Strategy for Financial Inclusion – NSFI II (2016-2020), the National Agriculture Policy – NAP (2016), the National Agriculture Investment Plan – NAIP (2018-2023), the Malawi Growth and Development Strategy – MGDS III (2017-2022), and the National Multi-sector Nutritional Policy (2018-2022). The policies and strategies are openly available to the public and were sourced from the Malawi government ministries' websites. The selection of these policy materials was based on those most closely associated with agriculture and financial inclusion.

4.2 Methods and analysis

This section describes the methods used to address each of the specific objectives of the study.

4.2.1 Identifying policies and strategies to promote financial inclusion

The study used a comprehensive literature review approach by, first, reviewing the characteristics of good policy. Based on this review, a criterion for a good policy was identified and used to identify policies and strategies. Specifically, the following characteristics of good policy were adapted; (i) should be in writing; (ii) should state outcomes clearly; (iii) should have measurable outcomes; (iv) should be appropriately funded and resourced; (v) should reflect the objectives of the organisation; (vi) should have clear and explicit assumptions; (vii) should give public interest a high priority; (viii) should include an action plan; and (ix) should indicate responsible stakeholders in the action plan (Leonard, 2010). Second, using the criterion for a good policy and steps from the policy analysis process, the study selected policies and strategies from the agricultural and financial sectors. There are eight steps to policy analysis. For this objective, steps 1 and 4 of policy analysis –identifying the problem, and selecting alternative policies respectively – were adapted from Walker (2000). The study identified the problem as financial exclusion; and the solution is to promote financial inclusion through policies. In step 4, with the NFIS II considered as closely related to financial inclusion. In order to determine the extent to which policies and strategies promote financial inclusion, alternative policies were selected for analysis. Finally, the EIU Global Microscope 2019 tool was used to identify the policies and strategies that promote financial inclusion from among the selected range of policies and strategies.

4.2.2 Determining the objectives of policies and strategies that promote financial inclusion

The study followed step 3 of the policy analysis process, which is to identify and specify objectives (Walker, 2000) in order to determine the objectives of policies and strategies for promoting financial inclusion. In addition, the study conducted a comprehensive literature review and developed a criterion for determining objectives and analysing designs for financial inclusion policies and strategies. According to Sarma (2008), good criteria for measuring financial inclusion should be the following; (i) consider all dimensions of financial inclusion; (ii) be easy to calculate; and (iii) valid for all countries. As a result, the following guidelines for assessing financial inclusion policies and strategies were developed: (i) the objectives or strategy of the policy should incorporate information on as many aspects (dimensions) of financial inclusion as possible; (ii) the policy should clearly define financial inclusion by incorporating all the dimensions (usage, quality, access); (iii) the objectives or strategy of the policy must focus on the physical proximity to and affordability of financial services; (iv) the policy should have interventions that include the provision of quality financial products and services and consumer protection rights; and (v) it should have interventions that enhance consumers' usage (frequency, regularity, duration) of financial services and products (Hannig and Jansen, 2010). The objectives in the policies and strategies were reviewed based on those criteria to determine the specific ones that promote financial inclusion.

4.2.3 Determining how the policies and strategies were designed to promote financial inclusion

To determine how policies and strategies were designed to promote financial inclusion, the Global Microscope 2019 tool was customised and applied to this study. The Global Microscope 2019 tool was created by the Economist Intelligence Unit (EIU) in 2007 to evaluate the enabling environment for financial inclusion in all countries. In 2018 the tool was redesigned to incorporate digital finances and other changes in the field of financial inclusion (EIU, 2019). The Global Microscope 2019 tool was reviewed, and only the indicators that assist in reviewing policies and strategies were adopted. In addition, this study developed financial inclusion indicators, based on the literature that was merged with the Global Microscope 2019 tool, and formed the following categories of indicators that were used to assess policies and strategies:

1) **Clear definition of financial inclusion:** This category was developed by this study, following the literature that states that a comprehensive financial inclusion must comprise the following elements: financial inclusion dimensions (access, usage, quality), financial products and services, and the target or beneficiaries (AFI, 2015). In this study the indicator specifically includes the following sub-indicators: increasing access to financial institution (FI) products and services; increasing usage of FI products and services; increasing quality of FI products and services, and the target (all people).
2) **Government and policy support**: This category assesses the degree of coordination and the incentives that governments are putting in place to create favourable environments for financial inclusion (EIU, 2019). In this study, the indicator was customised to assess the degree to which the policies and strategies promote the creation of favourable environments for financial inclusion.
3) **Consumer protection**: This category assesses consumer protection and privacy regulation and enforcement (EIU, 2019). In addition, the category assesses the usage and quality dimensions of financial inclusion. In this study, the sub-indicators of this category included the following: the policies and strategies address frequency of use by clients; focus on the regularity of use by clients; account for the length of time used;

emphasise customer-tailored products and services; incorporate consumer literacy; and account for consumer protection rights.

4) **Stability and integrity**: This category assesses the regulation, supervision, and monitoring of financial services providers that serve low- and middle-income populations. The evaluation of this category incorporates a risk-based approach to balance financial inclusion goals with financial stability and integrity goals (EIU, 2019). In this study, the category evaluated policies and strategies to determine the degree to which they promote regulation, supervision, and monitoring of financial service providers.
5) **Infrastructure**: This category assesses the infrastructure that facilitates financial inclusion, as well as the policy and regulatory actions that governments can take to improve these types of infrastructure (EIU, 2019). Furthermore, the category assessed access as a financial inclusion dimension through the following sub-indicators: the policies and strategies address physical proximity to formal financial service providers; affordable costs for consumers; and increasing the number of financial service providers.

The study adapted the scoring and data analysis method from the EIU (2019). Each policy was assessed and scored using the detailed scoring guideline tool (Appendix 1). The scores were entered in an Excel spreadsheet under each sub-indicator and policy. Once the raw scores were assigned or determined, each score was normalised to a range of 0 to 100 using the min/max, and then aggregated across the indicators. The formula for normalisation was

$$x_{new} = \frac{x - x_{min}}{x_{max} - x_{min}}$$

where x is the score that the policy achieved, x_{min} is the minimum score, and x_{max} is the maximum score, under each indicator and category.

The normalisation was done to balance and standardise the qualitative ratings, which ranged from 0 – 1 and 0 – 2 to 0 – 3. The normalisation made the qualitative rating comparable across sub-indicators by scaling them up to a maximum of 100%. The scores were from 0 – 100, where 100 = ‘Promotes financial inclusion’, and the rank was out of seven policies and strategies, where 1 = ‘best’. The qualitative rating of 0 – 1 meant that 0 scored 0 and 1 scored 100; the qualitative rating of 0 – 2 meant that 0 scored 0, 1 scored 50, and 2 scored 100; and the qualitative rating of 0 – 3 translated into 0 scoring 0, 1 scoring 33.33, 2 scoring 66.67, and 3 scoring 100. Next, each category in the index was assigned equal weights to determine the contribution of a specific indicator to the final overall score. For further details on the Global Microscope 2019 tool, the Excel spreadsheet is available at www.eiu.com/microscope2019.

4.2.4 Assessing the contribution of policies and strategies to the promotion of financial inclusion

The study conducted a systematic literature review of various conceptual frameworks and processes on financial inclusion. In addition, the study reviewed the literature on financial inclusion, and identified different concepts relating to financial inclusion and policies. Thereafter, the study assessed the policies and strategies, using the previously developed guidelines (5.2.2) and the Global Microscope 2019 tool (5.2.3). These tools were combined and used to determine the contribution of policies and strategies in promoting financial inclusion.

4.2.5 Identifying the strengths and weaknesses of financial inclusion policies and strategies, and how to strengthen them

To identify the strengths and weaknesses of the financial inclusion policies and strategies, and to propose how to strengthen them, the Global Microscope 2019 tool (5.2.3) was used. After the scores were assigned and analysed for each policy across all indicators, the study reviewed the scores to determine the areas of strength and weakness. If the policy had a higher score and rank on the 'stability and integrity' category of indicators, then that policy's strength lay in that category. If the same policy scored and ranked low on the 'consumer protection' category of indicators, then that policy's weaknesses lay in that category. The policies' and strategies' scores were also reviewed on each sub-indicator to determine further their strengths and weaknesses, and also critically to propose ways of strengthening them. If a strategy scored high on the 'national identification system' sub-indicator and scored low on the 'access to records' sub-indicator under the same category of 'infrastructure' indicator, the study determined reasons for such outcomes, and recommended ways of improving that specific sub-indicator.

4.3 Chapter summary

The chapter focused on the methods and procedures used to analyse the specific objectives of the study. The study was literature-based research, and so it used qualitative methods to determine and analyse the objectives. The study assessed two policies and five strategies sourced from Malawi's government ministries' websites. The selection of these policy materials was based on those most closely associated with agriculture and financial inclusion. The study used a comprehensive literature review approach by reviewing the characteristics of a good policy and policy analysis process to identify policies and strategies for promoting financial inclusion. To determine the objectives of policies and strategies in promoting financial inclusion, the study developed a criterion for assessing a financial inclusion policy, based on the literature review. To determine how policies and strategies were designed to promote financial inclusion, the Global Microscope 2019 tool developed by the EIU was customised and used. The study also conducted a review of various conceptual frameworks and processes on financial inclusion and developed guidelines. The guidelines were combined with the Global Microscope 2019 tool and used to determine the contribution of policies and strategies to the promotion of financial inclusion. Finally, to identify the strengths and weaknesses of the financial inclusion policies and strategies, and to propose how to strengthen them, the Global Microscope 2019 tool was used.

CHAPTER 5

RESULTS AND DISCUSSION

This chapter provides the results from an assessment of the extent to which Malawian policies and strategies promote financial inclusion. The results are grouped and discussed, based on the specific objectives of the study: to identify policies and strategies that promote financial inclusion, and to determine their objectives and designs. The study used the Global Microscope 2019 tool on enabling an environment for financial inclusion to analyse the objectives of the study. The chapter interprets the findings of the study on each policy and strategy. The chapter also provides the results from an assessment of policies and strategies on the extent to which they promote financial inclusion. The study used the Global Microscope 2019 tool on an enabling environment for financial inclusion to analyse the objectives identified in the study. The results on the contribution of policies and strategies to the promotion of financial inclusion, as well as their strengths and weaknesses, are discussed. The chapter interprets the findings of the study for each policy and strategy. Finally, a summary gives an overview of the chapter.

5.1 Policies and strategies for promoting financial inclusion

The study identified the strategies of the National Strategy for Financial Inclusion – NSFI II (2016-2020), the National Strategy for Financial Inclusion – NSFI I (2010-2015), and the Malawi Growth and Development Strategy – MGDS III (2017-2022) as the most effective vehicles for promoting financial inclusion in Malawi. These strategies scored 100%, 93%, and 70% respectively (Table 5.1) in the EIU Global Microscope 2019 assessment tool on enabling an environment for financial inclusion. This makes the strategies suitable tools for promoting financial inclusion, as they emphasise financial inclusion in all its dimensions. The Microfinance Policy (63%), the National Agriculture Policy (40%), and the National Agriculture Investments Plan (7%) had medium, low, and lower financial inclusion scores respectively. The National Multi-sector Nutritional Policy – NMNP (2018-2022) had no score for financial inclusion.

Table 5.1: Summary of overall scores for policies and strategies

Overall Scores		
Rank	**Policies and strategies**	**Score**
1	National Financial Inclusion Strategy II (NFIS II)	100
2	National Financial Inclusion Strategy I (NFIS I)	93
3	Malawi Growth and Development Strategy (MGDS III)	70
4	Microfinance Policy and Action Plan	63
5	National Agriculture Policy (NAP)	40
6	National Agriculture Investments Plan (NAIP)	**7**
7	National Multi-sectoral Nutritional Policy (NMNP)	0

These policies and strategies were assumed to be ideal for promoting financial inclusion in Malawi, as more rural people are financially excluded than urban people, and their common goal was to reduce poverty and inequality and to ensure food security. The rural population mostly comprises smallholder farmers who depend on agriculture as a means of livelihood. The study identified the above policies and strategies for promoting financial inclusion, as they are mostly associated with agriculture and financial inclusion and were supposed to be promoting financial inclusion. However, this was not the case for all the identified policies and strategies.

5.2 Objectives of policies and strategies for promoting financial inclusion

The study determined that the objectives of the National Financial Inclusion Strategies I and II, the Microfinance Policy, and the Malawi Growth and Development Strategy promote financial inclusion. The design of these objectives followed the criteria (chapter 4.2.2) for good policy or strategy for promoting financial inclusion. The following are the objectives of each policy and strategy that had a high to a medium score for promoting financial inclusion.

1. **National Financial Inclusion Strategy I (MoF, 2010)**
    a. Facilitation and expansion of the outreach of quality financial services offered by diverse providers to low-income people, mainly those involved in production activities.

b. Increasing the financial and investment capacity of the private sector in urban and rural areas.
c. Creating sustainable finance providers who are involved in real financial intermediation.
d. Promoting innovation in the financial sector.
e. Supporting the meso level infrastructure.
f. Creating an enabling policy and regulatory environment at the macro level.
g. Educating society on financial services, money management (removing knowledge barriers), and client protection.

2. National Financial Inclusion Strategy II (MoF, 2016)

a. Expanding the reach of digital payments.
b. Expanding savings and investment, opportunities, especially through savings groups.
c. Expanding finance for MSMEs and agriculture.
d. Exploiting niche insurance opportunities and reducing vulnerability.
e. Consumer empowerment and education.
f. National coordination of financial inclusion.

3. Malawi Growth and Development Strategy III (MoF, 2017)

Under the ‘other development areas’ specifically, the financial services objective of the strategy was:

a. To create a vibrant, efficient, stable, and inclusive financial sector that will meet the financing needs of all in the country.

4. Microfinance Policy (MCI, 2002)

a. The creation of an enabling legal and regulatory environment, as well as overall economic policies conducive to the development of microfinance.
b. Improvement of the capacity of implementing institutions and their clients and other key actors, such as the Malawi Microfinance Network, the Reserve Bank of Malawi and the Ministries of Commerce and Industry and Finance and Economic Planning.
c. Promotion of best practices in the industry among microfinance institutions (MFIs), government, and the donor community.
d. Increase the coordination among the various actors in the microfinance sector.

5.3 Design of policies and strategies for promoting financial inclusion

The Global Microscope 2019 tool determined how far policies and strategies were designed to promote financial inclusion. This section presents the results for the policies and strategies for each category of the indicators that were used to assess them in this study.

5.3.1 Clarity of financial inclusion definition

This category of indicators was to assess the definitions of 'financial inclusion' in the policies and strategies, and whether the definition included all financial inclusion dimensions and the target group. The category of 'financial inclusion definition' was developed on the basis that a comprehensive financial inclusion must comprise the following elements: financial inclusion dimensions (access, usage, quality), financial products and services, and the target or beneficiaries (AFI, 2015). Financial inclusion involves all the initiatives that guarantee the availability, accessibility, and affordability of formal financial services to all sections of the population (Triki and Faye, 2013). According to AFI (2015), the definition of financial inclusion is a vital component of an NFIS, because it shows the boundaries for the strategy and regulates policy measures and actions that can be lawfully included in the strategy to achieve the set goals. When all the financial inclusion indicators are present in a definition, it is said to be comprehensive.

Table 5.2: Summary of policies' and strategies' scores in the 'clarity of financial inclusion definition' category

Rank	Policies and strategies	Score
1	National Financial Inclusion Strategy II (NFIS II)	100
2	Malawi Growth and Development Strategy (MGDS III)	67
2	National Financial Inclusion Strategy I (NFIS I)	67
4	Microfinance Policy and Action Plan	50
5	National Agriculture Policy (NAP)	0
5	National Agriculture Investments Plan (NAIP)	0
5	National Multi-sectoral Nutritional Policy (NMNP)	0

The total score of the National Financial Inclusion Strategy II in Table 5.2, under the category of ‘clarity of financial inclusion definition’, is 100%. This shows that the strategy comprehensively defines financial inclusion as multi-dimensional, as it includes all indicators and targets both suppliers and consumers in its definition on page 7 (2.3) of the strategy (MoF, 2016). Both the Malawi Growth and Development Strategy III and the National Financial Inclusion Strategy I score 67% under this category, which means that they do not comprehensively define financial inclusion in all its dimensions. Both MDGS III and NFIS I only include increasing access and quality dimensions, as well as targeting consumers as beneficiaries in the definitions on page 11 (2) and page 74 (7.1) respectively (MoF, 2010, MoF, 2017). The Microfinance Policy scored 50% under this category, as its definition on page 3 (2) does not directly define financial inclusion; it only defines microfinance (MCI, 2002). The Microfinance Policy only includes increasing access as a dimension of financial inclusion and targets the consumers. The National Agriculture Policy, the National Agriculture Investments Plan, and the National Multi-sectoral Nutritional Policy scored the lowest at 0% under this category because they do not directly or indirectly define financial inclusion.

5.3.2 Government and policy support

This category assessed the degree to which the policies and strategies promote the creation of favourable environments for financial inclusion. The NFIS I and II had the highest score of 100% in this category (Table 5.3) because they prompted the establishment of the Financial Sector Development Policy Unit within the Ministry of Finance and other national and technical committees for the development of the Malawi Financial Literacy Framework (MoF, 2007). The action plans in both strategies included an initiative to foster financial innovation, to digitise government payments, and to expand agent networks – hence the highest score of 100%. The Microfinance Policy scored 77% in this category, because it emphasised high stakeholder involvement and coordination as one of the key strategies of the policy; thus one of its objectives seeks to provide a favourable legal and regulatory environment in which several microfinance institutions can operate effectively (MCI, 2002). The policy has an action plan and a working committee called the Malawi Microfinance Network (MAMN), which was established as a result of the policy to champion the adoption of best practices by MFI players and to coordinate various interventions to do with the development of the microfinance industry in Malawi, thus promoting financial inclusion. Despite the score of 77%, higher than that of the NAP, the Microfinance Policy had no initiative to digitise government payments – hence a score lower than that of NFIS I and II.

Table 5.3: Summary of policies' and strategies' scores in the 'government and policy support' category

Rank	Policies and strategies	Score
1	National Financial Inclusion Strategy I (NFIS I)	100
1	National Financial Inclusion Strategy II (NFIS II)	100
3	Malawi Growth and Development Strategy (MGDS III)	77
3	National Agriculture Policy (NAP)	77
5	Microfinance Policy and Action Plan	54
6	National Agriculture Investments Plan (NAIP)	0
6	National Multi-sectoral Nutritional Policy (NMNP)	0

The MGDS III scored 77% in this category because its action plan included a target to expand agent networks, a plan for financial innovation, and an initiative to digitise government payments (page 153 in the strategy – see Annexure 3) (MoF, 2017). The strategy has an action plan that promotes financial inclusion; however, there is no working committee to promote financial inclusion as a result of the strategy. The strategy does not include the collection and publication of comprehensive data about financial services for low-income populations; hence the score. The NAP scored 50% under this category, compared with the NAIP and NMNP scores of 0%, because its strategies include a plan to expand agent networks and foster financial innovation (page 37 (3.1.6) in the policy) (MoAIWD, 2016). However, the lack of an initiative to digitise government payments and the absence of data collection and the publication of comprehensive data about financial services for low-income populations contributed to the lower score of 43%, compared with the NFIS I and II scores. Both the NAIP and NMNP had the lowest score of 0% under this category, as their objectives and strategies had no plans to expand agent networks, foster financial innovation, or digitise government payments, and no strategy or working committee to promote financial inclusion (page 15 (3.1) and page 13 (2.3) in the respective strategies) (MoAIWD, 2018; MoH, 2018).

5.3.3 Consumer protection

This category assessed the consumer protection, usage, and quality dimensions of financial inclusion. According to Hannig and Jansen (2010), ‘usage’ goes beyond the basic adoption of banking services, focusing more on the stability and depth of financial service and product use over a period of time, whereas ‘quality’ refers to the significance of a financial service or product to the lifestyle needs of the consumer. The measure of quality is therefore used to scale the nature and depth of the relationship between the consumer and the financial service provider; likewise, the available choices and their implications (Hannig and Jansen, 2010). The NFIS I and II scored 100% (Table 5.4) because, according to AFI (2015), Malawi is one of the countries that chose to include financial education in its NFIS, and developed a standalone financial education strategy; hence the highest score on this category. In addition, one of the objectives of the NFIS II is to empower consumer education and literacy (page 14 (4.2)).

The MGDS III had a score of 86% because the strategy included various financial products and a plan to ensure consumer protection rights (page 153 of the strategy – see Annexure 3). However, MGDS III only slightly emphasises the usage dimension of financial inclusion. The National Agriculture Policy had a score of 71% (Table 5.4), compared with MGDS III and NFIS I and II. The policy aims to promote various financial products and customer-tailored products and services (page 13 (3.1.6) and page 16 (3.4.8) in the policy). One of the policy’s strategies is to build the capacity of farmers’ organisations to facilitate the delivery of financial services to their members, which explains the score. However, the NAP fails to emphasise the usage dimension of financial inclusion. The Microfinance Policy had a lower score of 33% (Table 5.4) compared with the NAP, as it embraces the quality dimension but fails to emphasise consumer protection rights and the usage dimension, as most of the objectives’ focus (page 4 (4) in the policy) is on the microfinance service providers and not on the consumer.

Table 5.4: Summary of policies' and strategies' scores in the 'consumer protection' category

Rank	Policies and strategies	Score
1	National Financial Inclusion Strategy I (NFIS I)	100
1	National Financial Inclusion Strategy II (NFIS II)	100
3	Malawi Growth and Development Strategy (MGDS III)	86
4	National Agriculture Policy (NAP)	71
5	Microfinance Policy and Action Plan	33
6	National Agriculture Investments Plan (NAIP)	9
7	National Multi-sectoral Nutritional Policy (NMNP)	0

The NAIP had the lowest score of nine per cent (Table 5.4), compared with the NAP, because the strategy only recognised credit as a financial product. The NAIP does not aim to promote consumer financial literacy and capabilities, and does not have a plan to ensure consumer protection rights; hence the lower score. Despite that, the NAIP is not ranked the lowest in this category: the NMNP scored 0% (Table 5.4). The NMNP does not emphasise usage as a dimension of financial inclusion; nor does it aim to promote consumer protection rights and consumer literacy. In addition, the policy does not recognise any form of financial products and services to be promoted; it mainly focuses on nutrition and nutrition-related issues; hence the lowest score. Most of the strategies in this category only slightly emphasised the usage dimension, while others did not emphasise the usage dimension of financial inclusion at all; measuring usage is critical and complex, as the information represents the user's point of view. thus data collection is done via a demand-side survey (Hannig and Jansen, 2010).

5.3.4 Stability and integrity

This category evaluated the policies and strategies to determine the degree to which they promote the regulation, supervision, and monitoring of financial service providers. The NFIS I and II scored the highest score of 100% (Table 5.5), which indicates that the strategies included dedicated experts with the advanced capacity to supervise digital financial services, and that there was coordination between the strategies and the dedicated experts. The strategies also included monitoring of the market to reduce risk from non-regulated financial institutions. This highest score is not surprising because, in the year 2011, the Government of Malawi made a national commitment to financial inclusion under the Maya Declaration during the Global

Policy Forum in Mexico. Thereafter, the Government of Malawi developed the National Financial Inclusion Strategy I, which was later succeeded by NFIS II using the G20 nine principles and standards of financial inclusion (page 15 (7) and page 24 (6.7) in the respective strategies); hence the strategies' highest score in this category.

Table 5.5: Summary of policies' and strategies' scores in 'stability and integrity' category

Rank	Policies and strategies	Score
1	National Financial Inclusion Strategy I (NFIS I)	100
1	National Financial Inclusion Strategy II (NFIS II)	100
3	Microfinance Policy and Action Plan	67
4	Malawi Growth and Development Strategy (MGDS III)	50
5	National Agriculture Policy (NAP)	33
6	National Agriculture Investments Plan (NAIP)	0
6	National Multi-sectoral Nutritional Policy (NMNP)	0

The MGDS III ranked third with a score of 67% because there is evidence of coordination between the strategy and a unit of dedicated experts (page 153 (Annexure 3) in the strategy). The MDGS III does not have the capacity to supervise digital financial services; thus it gives the coordination responsibility to the Reserve Bank of Malawi, which has a technical unit on financial inclusion. However, the MDGS III did not achieve a full score because it does not include monitoring of the market to reduce the risk from non-regulated financial institutions. Furthermore, implementation is sometimes swayed by political dynamics, as it depends on the focus of the current government.

The Microfinance Policy and Action Plan scored 50% (Table 5.5), as it has evidence of coordination between the policy and the Malawi Microfinance Network (MAMN), which is a unit of dedicated experts. In addition, the policy included monitoring of the market to reduce the risk from non-regulated financial institutions (page 5, under the objective of enabling the legal and regulatory framework) (MCI, 2002). However, there is no evidence of a unit of dedicated technical experts to supervise digital financial services, as digital finance is not mentioned in the Microfinance Policy.

The NAP ranked number fifth with a lower score of 33% (Table 5.5), compared with NFIS I and II, because it does not include monitoring of the market to reduce the risk from non-regulated financial institutions, and does not have a dedicated unit of technical experts to supervise digital financial services, as the primary focus of this policy is to transform the motivation for engagement in agricultural production by Malawian farmers from simply being the primary means by which they secure their basic livelihood (MoAIWD, 2016). Furthermore, the implementation of the policy is sometimes swayed by political dynamics; however, there is coordination between the NAP and the Ministry of Finance to implement the financial inclusion-related strategies (page 51 (3.4.8) in the policy).

The NAIP and the NMNP together ranked sixth, with the lowest score of 0% (Table 5.5), as their implementation is sometimes swayed by political dynamics; and neither of them has a dedicated unit supervising digital finance and monitoring market to reduce the risk from non-regulated financial institutions. This is not surprising, as the primary focus of the NAIP and the NMNP is on public investments and reducing malnutrition respectively.

5.3.5 Infrastructure

This category assessed the extent to which policies and strategies promote access to infrastructure that facilitates financial inclusion, as well as the affordability of financial products and services. The NFIS I and II ranked position 1 with the highest score of 100% (Table 5.6) under this category. This implies that NFIS I and II strongly emphasise the access dimension of financial inclusion. This is in line with the literature, as most studies regard access as a goal of financial inclusion, even though it is difficult to measure (Aduda and Kalunda, 2012; Dhaka, 2013; Karlan and Zinman, 2009). Current studies in Malawi show that banks have increased their points of access by installing ATMs, embracing the use of an agent and digital banking, and introducing the provision of financial literacy to customers in order to reach out significantly to the excluded and enhance financial inclusion (Nkuna et al., 2018). This explains the highest score of NFIS I and II under this category, as they promoted access to financial products and services.

The Microfinance Policy ranked third after NFIS I and II with a score of 89% (Table 5.6), mainly because the policy aims at both increasing the number of financial service providers and enabling the environment for more financial service providers to operate in. The

Microfinance Policy was introduced to regulate microfinance service providers and provide operational standards that consider the consumer, thus enhancing the affordability of financial products for consumers. The policy also encouraged the use of a national identification system to access financial products and services, even though it took a decade for Malawi to implement the action plan. The Microfinance Policy scored lower than NFIS I and II because it does not include individual access to their records and the correction of individual errors without a fee. The MGDS III ranked fourth, as it scored 78% (Table 5.6), mainly because the strategy aims at enhancing the affordability of finance products and services, enabling the environment for financial service providers to increase their numbers (page 74 (Table 8) of the strategy) (MoF, 2017). The MGDS looks at financial services as an area of development that can contribute to economic growth and poverty reduction in Malawi. However, the strategy does not include the use of a national identification system to promote access to financial products and services, and permits individuals to access their records and correct any individual errors for a fee; hence its lower score than NFIS I and II.

Table 5.6: Summary of policies' and strategies' scores in 'infrastructure' category

Rank	Policies and strategies	Score
1	National Financial Inclusion Strategy I (NFIS I)	100
1	National Financial Inclusion Strategy II (NFIS II)	100
3	Microfinance Policy and Action Plan	89
4	Malawi Growth and Development Strategy (MGDS III)	78
5	National Agriculture Policy (NAP)	56
6	National Agriculture Investments Plan (NAIP)	22
7	National Multi-sectoral Nutritional Policy (NMNP)	0

The National Agriculture Policy, on the other hand, ranked fifth with a score of 56% (Table 5.6), mainly because it promoted ease of access to payments infrastructure and enhanced the affordability of financial products for low- and middle-income populations (page 38 (3.1.6) of the policy). However, the NAP does not aim at enabling the environment to have more financial service providers, nor does it promote individual access to records or the use of a national ID system to access finance; hence the lower score. The NAIP ranked sixth with a lower score of 22% (Table 5.6) because it only promotes ease of access to infrastructure payments, and fails to enhance the affordability of financial products or enable the environment for more financial service providers. The NAIP's main focus is to maximise the effectiveness of public investments in achieving overall development objectives and leveraging private investments (MoAIWD, 2018). The NMNP ranked seventh with the lowest score of 0%, compared with the rest of the strategies and policies. The NMNP does not promote access to financial services and products, does not enhance the affordability of financial products, and fails to promote the use of the national ID system in accessing financial services and products, as its primary focus is on reducing malnutrition and not financial inclusion (MoH, 2018).

5.4 Contribution of policies and strategies to the promotion of financial inclusion

The study developed a conceptual framework (Figure 3.1) that explains the contribution of policies and strategies in promoting financial inclusion. The study determined that policies that promote financial inclusion are critical in reducing financial exclusion. Policies that are properly funded tend to achieve the effective implementation of their strategies and action plans. Similarly, policies and strategies that have an effective monitoring and evaluation system promote financial inclusion because they hold financial service providers accountable. Policies and strategies that have relevant regulatory bodies or institutions in place are more likely to succeed. In addition, strategies play a major role in enabling a favourable environment in which financial institutions can operate. The study has identified the National Financial Inclusion Strategies I and II and the Malawi Growth and Development Strategy III as policies that contribute to financial inclusion in Malawi.

Policies and strategies that promote financial inclusion aim at increasing financial literacy. Policies that promote financial literacy result in an increased number of clients who have skills and knowledge relating to the products and services offered by financial institutions, and who thus can make informed decisions. Financial literacy has been recently incorporated into policy considerations in Malawi, and processes are under way to introduce a financial literacy and education strategy. This study has identified the National Financial Inclusion Strategies I and II and the Malawi Growth and Development Strategy III as those that promote consumer financial literacy, thus increasing financial inclusion in Malawi. Financial education is currently offered in secondary schools as an elective subject; however, there is a need to offer such a subject from the primary school level of education, given that most of the population who are financially excluded are from rural areas with only primary education or no education at all.

The implementation of policies that promote infrastructure development is likely to enhance financial inclusion in Malawi. Access to financial services depends on the construction of a payments infrastructure and of physical structures in remote areas as one of the solutions, however, there are other cost-effectiveness options. Formal financial institutions will effectively deliver if roads, electricity, and communication networks improve in an area (Chipeta and Kanyumbu, 2018). This depends solely on policy regulation and implementation by the government, the private sector, NGOs, and development partners. Infrastructure development contributes to the reduction of formal financial institutions' operating costs, thus offering affordable financial products and services to people in remote areas. This study has identified the NFIS I and II, the Microfinance Policy, and the MGDS III as policies and strategies that promote infrastructure development and increase access to financial services. To reduce financial exclusion effectively, there is a need to strike a balance by implementing strategies that favour both the suppliers and the consumers of financial products and services.

5.5 Strengths and areas for improvement in financial inclusion policies and strategies

The policies and strategies were reviewed using the Global 2019 Microscope tool for enabling the environment for financial inclusion, to determine their strengths and their areas for improvement. The results are discussed according to the score and rank of each policy and strategy.

5.5.1 National Financial Inclusion Strategy – NFIS II (2016-2020)

The National Financial Inclusion Strategy II ranked first among all the policies and strategies (Figure 5.1) with a score of 100% in all categories. The NFIS II scores in all categories are above the average score per category. The strengths of the NFIS II lie in all categories where almost all the sub-indicators are above 50%. Besides the 100% score in all categories, out of the sub-indicators the NFIS II only successfully scored 100% under the category of 'clarity of financial inclusion definition'; thus there are areas for improvement in the rest of the categories. In the 'government and policy support' category, the NFIS II scored high in all the sub-indicators, apart from a 33% score on sub-indicator 2.2, 'data collection' (Annexure 2). The strategy includes the collection of data about financial services for low- and middle-income populations and monitoring and evaluation of the strategy. However, its weakness lies in not publishing the data. Data publication is important, as it provides people with information and knowledge that can be used in research or in developing necessary interventions for financially excluded people. The Government of Malawi should be vigilant in working with the communication divisions in the Ministry of Finance to make sure that they publish the collected data while observing all ethical considerations.

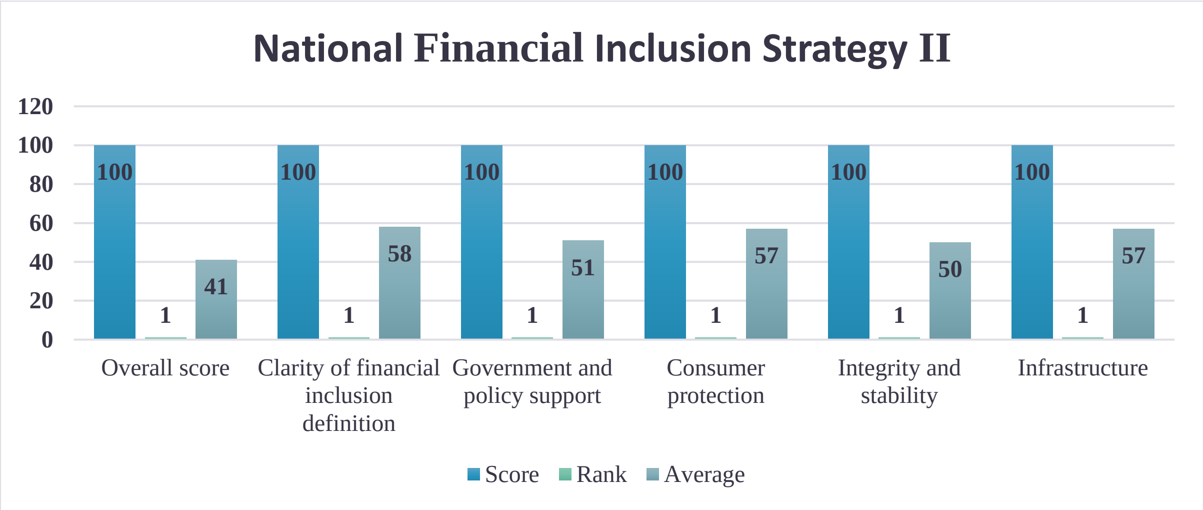

Figure 5.1: Summary of National Financial Inclusion Strategy (NFIS II) scores

The NFIS II scored 50% in the 'consumer protection' category, under the 'consumer usage of financial products and services' sub-indicator 3.4 (Annexure 2), which looked at the strategy's emphasis on the usage dimension of financial inclusion. The NFIS II partly emphasises the usage dimension because it involves the regularity, frequency, and duration taken by the consumer when accessing financial services and products, which is difficult to measure, as it depends a lot on the demand side. There is a need to digitise financial services and products in order for such information to be accessed online from the supply side, thus minimising the data collection cost from the supply side. On the 'stability and integrity' category, the NFIS II scored 50% under sub-indicator 4.1 (Annexure 2), which looked at the political independence of strategy implementation. The NFIS II implementation is sometimes swayed by political dynamics, as it depends on the development focus of the current government. Policies and strategies should be flexible enough to change only when the possible outcomes are not being realised, people are being disadvantaged, and harm is caused, but not as a result of political dynamics. Lastly, the NFIS II scored 50% under the category of 'infrastructure', on sub-indicator 5.5, which looked at consumer access to records (Annexure 2). The strategy includes individuals being able to access their records and to correct any errors for a fee. People should be able to access their records at minimal cost so that the affordability of financial services and products can be achieved.

5.5.2 National Financial Inclusion Strategy – NFIS I (2010-2014)

The National Financial Inclusion Strategy (NFIS I) ranked second among the policies and strategies with an overall score of 93% (Figure 5.2), as it scored 100% in all categories, except for the ‘clarity of financial inclusion definition’ category, where it scored 67% – just above the average of 58% – and was ranked second. This is mainly because the strategy’s definition of ‘financial inclusion’ only includes the dimensions of increasing access and quality, but fails to mention the usage dimension, and only includes consumers, not suppliers, as a target group. The strategy’s strengths lie in the ‘infrastructure’ category, where all the scores are above 50%. Despite a 100% score for the ‘government and policy support’, ‘consumer protection and stability’, and ‘integrity’ categories, the strategy still has specific sub-indicators in these categories that need improvement. The NFIS I scored high in all the sub-indicators under the ‘government and policy support’ category, except for a 33% score on sub-indicator 2.2, data collection, (Annexure 2). The strategy only includes the collection of data about financial services for low- and middle-income populations, and does not include the publication of comprehensive data about financial services for such populations. Data publication is important for sharing information on the current status of financial services for low- and middle-income populations. When such data is not published, it limits the development of interventions that can increase the financial inclusion of such populations.

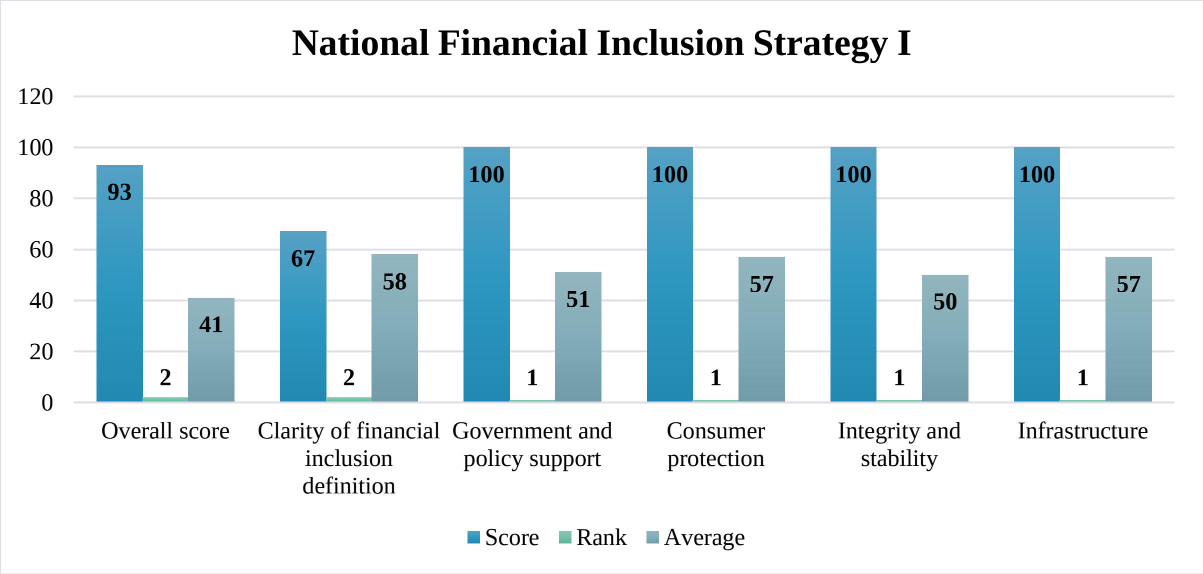

Figure 5.2: Summary of National Financial Inclusion Strategy (NFIS I) scores

The NFIS I also needs to improve on the consumer usage of financial products and services (sub-indicator 3.4 under the consumer protection category; Annexure 2). The strategy only slightly emphasises the usage dimension of financial inclusion, with a 50% score. This is mainly because – according to Hannig and Jansen (2010) – usage goes beyond the basic adoption of banking services to focus more on the stability and depth of financial service and product use for a period of time. Measuring usage is critical and complex because the information represents the user's point of view. This data collection is done through a demand-side survey. On the category of 'stability and integrity', the NFIS I had a score of 50% on the political independence of strategy implementation (sub-indicator 4.1). This implies that the implementation of the strategy is sometimes swayed by political dynamics. There is a need for the political will of leaders to ensure the successful implementation of such strategies that contribute to development. Lastly, the NFIS I scored 50% on the consumer access to records sub-indicator 5.5 under the 'infrastructure' category (Annexure 2). This implies that the strategy includes consumer access to their records and the correction of errors for a fee. Such costs contribute to the expense of financial products and services, which in turn leads to financial exclusion, especially of those who cannot afford to access the products and services for a fee.

5.5.3 Malawi Growth and Development Strategy – MGDS III (2017-2022)

The Malawi Growth and Development Strategy III (MGDS III) ranked third among all the policies and strategies with an overall score of 70% – above the average of 41% (Figure 5.3). The strengths of the MGDS III lie in the infrastructure category, where it has the highest score of 89%. The strategy scored above 50% on all the sub-indicators under the 'infrastructure' category, except for a score of 0% on sub-indicator 5.4 on a national ID system (Annexure 2): the MGDS III does not include the use of a national identification system to access financial services. Such a system is very important, because it would allow all people to access financial services without being limited to the use of only a passport or a driver's licence, which many people in Malawi do not have, as they are expensive to obtain. Currently, all banks in Malawi have adopted the use of a national identification system to access financial services.

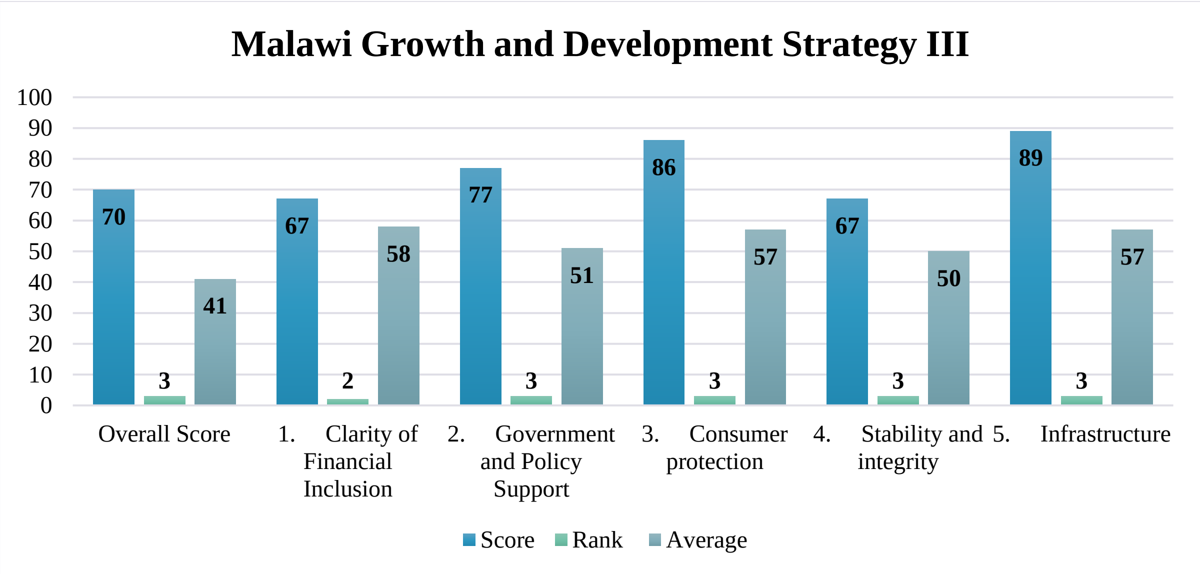

Figure 5.3: Summary of Malawi Growth and Development Strategy III scores

Another strength of the MGDS III is in the 'consumer protection' category, where it scored 86% (Figure 5.4). The strategy scored 100% on two sub-indicators and 50% on the other two sub-indicators under the 'infrastructure' category (Annexure 2). The MGDS III needs to improve on financial literacy (sub-indicator 3.2). The strategy aims to promote consumers' financial literacy and capabilities, but there is no evidence of its implementation. In the same category of 'consumer protection', the strategy only slightly emphasises consumer usage of financial products and services (sub-indicator 3.4) – hence the incomplete score of the MGDS III in this category. The strengths of the MGDS III also lie in the 'government and policy support' category, where it scored 77% – well above the average of 51% (Figure 5.3). Despite this score, the strategy has to improve on intra-governmental cooperation, strategy, and implementation (sub-indicator 2.1), where it scored 33% (Annexure 2). The MGDS III has an action plan that promotes financial inclusion, but does not have a working committee on financial inclusion to implement the strategy. A working committee is important for overseeing the implementation of the strategy and monitoring challenges and opportunities during implementation, thus achieving the strategy's outcomes. The MGDS III also needs to improve on data collection (sub-indicator 2.2), as it had a 0% score (Annexure 2). The strategy does not include the collection and publication of comprehensive data about financial services for low- and middle-income populations.

The weakness of the MGDS III lies in the 'clarity of the definition of financial inclusion' category, as it scored 67% – just above the average (Figure 5.3). The definition of financial inclusion in the strategy only includes increasing access to and the quality of financial products and services, but fails to address the usage dimension of financial inclusion in the definition. Furthermore, the definition of financial inclusion in the MGDS III only includes consumers as a target group, and fails to empower the suppliers of financial services in order for them to provide affordable and quality services and products while making a profit. Lastly, under the category of 'stability and integrity', the MGDS III scored 67% – just above the average (Figure 5.3). The strategy has to improve on the political independence of strategy implementation (sub-indicator 4.1; Annexure 2), as the implementation of the MGDS III is sometimes swayed by political dynamics – hence the 50% score. The strategy scored 50% on the technical capacity to supervise financial services that facilitate financial inclusion (sub-indicator 4.3). There is a need for the strategy to have a unit of technical experts with the advanced capacity to supervise digital financial services. The MGDS III had a 0% score for the monitoring and data collection of financial services providers that are not regulated as financial institutions (sub-indicator 4.4; Annexure 2). The strategy does not include monitoring of the market to reduce the risk from non-regulated financial institutions. It is important for a strategy that promotes financial inclusion to have an action plan to monitor the financial market to reduce the risk and to ensure that consumers are protected.

5.5.4 Microfinance Policy and Action Plan 2002

The Microfinance Policy and Action Plan ranked fourth with an overall score of 63% – above the average (Figure 5.4) for all the policies and strategies. The strength of the Microfinance Policy lies in the 'infrastructure' category, where it scored 89% – well above the average of 57% (Figure 5.4). Despite the policy's highest score of 100% in all sub-indicators, it scored 0% for consumers' access to records (sub-indicator 5.5). The policy does not include individuals' access to their records or the correction of errors because it strongly focuses on increasing the number of microfinance service providers. The other strength of the microfinance policy lies in the 'government and policy support' category, where it scored 77% – above the average of 51% (Figure 5.4). Besides the policy's score in this category, it scored 33% on the evidence of data collection (sub-indicator 2.2; Annexure 2). The Microfinance Policy included the collection of data on financial services for low- and middle-income populations in its action plan, but failed to include the publication of the data. In addition, the policy had a 0% score for government payments (G2 and P2G) (sub-indicator 2.4; Annexure 2). The Microfinance Policy does not have an initiative to digitise government payments; hence the score. Digital payments are an important tool for advancing financial inclusion, because they lower the cost of providing financial services to poor people, and increase the safety and convenience of using savings, payments, and insurance products.

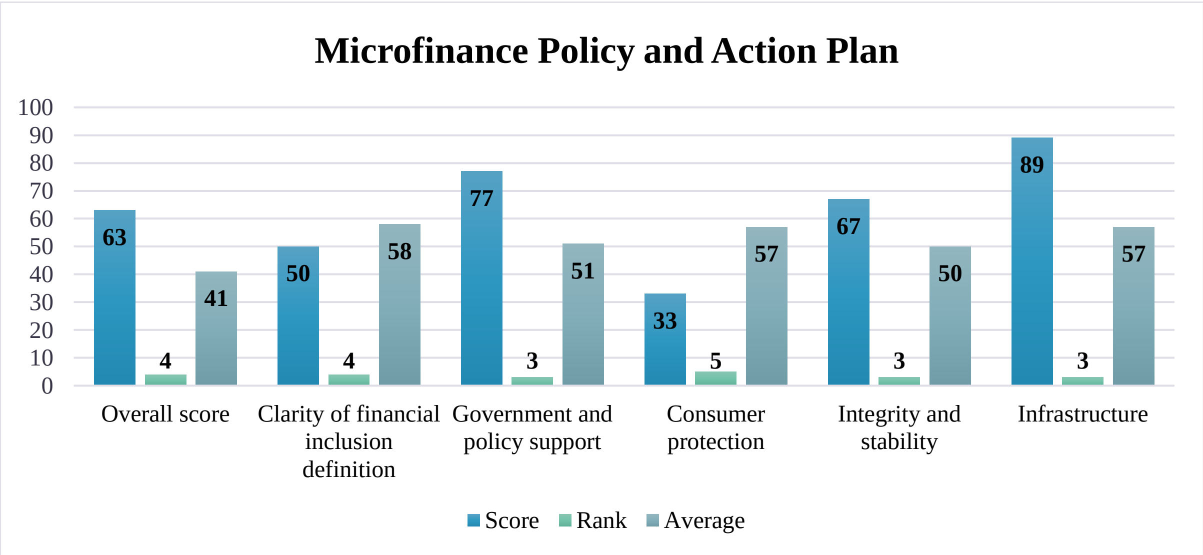

Figure 5.4: Summary of Microfinance Policy and Action Plan scores

The Microfinance Policy scored 67% under the ‘stability and integrity’ category – just above the average of 50% (Figure 5.4). The policy had a score of 50% for the political independence of strategy/policy implementation (sub-indicator 4.1; Annexure 2). The implementation of the policy was sometimes swayed by political dynamics. Africa has a problem with the politicisation of public policies and, in most cases, this has led to the formulation of extravagant policies by political parties to win elections, along with extremely bureaucratic procedures (Makinde, 2005). Furthermore, the Microfinance Policy had a 0% score for the technical capacity to supervise financial services that facilitate financial inclusion (sub-indicator 4.3; Annexure 2). The Microfinance Policy has no unit of dedicated experts to supervise digital finance services. Having such a unit is important, because it encourages financial innovation that lowers the cost of delivering financial services, thereby enhancing financial inclusion. The weakness of the Microfinance Policy lies in the category of ‘clarity of definition of financial inclusion’, which scored 50% – below the average of 58% (Figure 5.4). The Microfinance Policy needs to improve in sub-indicator 1.1 (Annexure 2), as it only includes the ‘access’ dimension of financial inclusion, and does not include the ‘quality’ and ‘usage’ dimensions. A policy that comprehensively promotes financial inclusion should include all three dimensions of financial inclusion.

Another weakness of the microfinance policy was in the category of ‘consumer protection’, as it scored 33% – below the average of 57% (Figure 5.4). The policy scored 0% for consumer rights protection (sub-indicator 3.3). The policy does not have a plan to ensure consumer protection rights, even though these are important because they promote a fair, accessible, and sustainable marketplace for financial products and services. They also provide improved standards of consumer information, thereby prohibiting certain unfair marketing and business practices. It is important for a policy that promotes financial inclusion to have a plan to protect consumers’ rights. The Microfinance Policy also needs to improve on consumer usage of financial products and services (sub-indicator 3.4), where it scored 0% (Annexure 2). Lastly, the policy scored 50% for financial literacy (sub-indicator 3.2; Annexure 2). The policy aimed to promote consumer financial literacy, but there was no evidence of implementation; most of the capacity-building efforts were offered to microfinance service providers.

5.5.5 National Agriculture Policy (NAP) 2016

The National Agriculture Policy (NAP) ranked fifth among all the policies and strategies, with an overall score of 40% – just below the average of 41% (Figure 5.5). Apart from the low score, the policy's strength lies in the 'consumer protection' category, where it scored 71% – above the average. Specifically, the NAP scored 100% on two sub-indicators and 67% on one sub-indicator in this category. The policy, however, scored 0% for consumer usage of financial products and services (sub-indicator 3.4; Annexure 2). The NAP does not emphasise the usage dimension of financial inclusion, as it mainly focuses on achieving overall sustainable agricultural transformation. The NAP also had a score of 56% – just below the average of 57% – for the 'infrastructure' category (Figure 5.5). This is because the NAP included promoting access to financial services as an action plan for key priority areas 4 and 7 (MoAIWD, 2016). Specifically, the NAP scored 100% on two, 50% on one, and 0% on two sub-indicators under the 'infrastructure' category. The NAP has to improve on financial service providers (sub-indicator 5.1), where it scored 50%. The policy aims only at increasing financial service providers, not enabling the environment to have more financial service providers. The NAP does not promote the use of a national identification system to access financial services (sub-indicator 5.4). Furthermore, the policy does not include individuals' access to their records or the correction of any errors; hence the 0% score for sub-indicator 5.5 (Annexure 2).

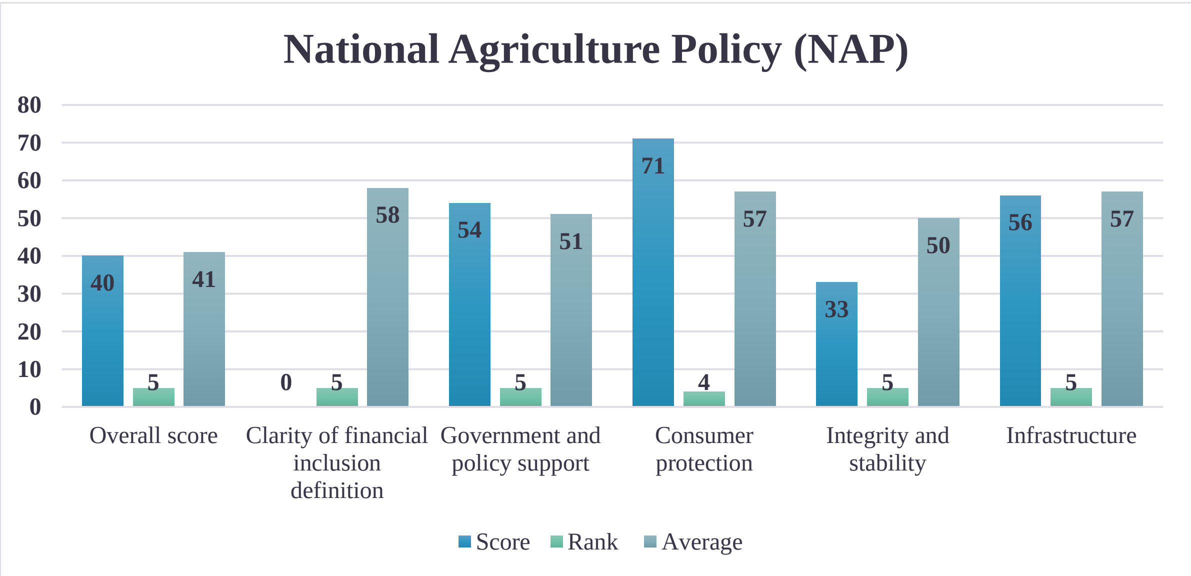

Figure 5.5: Summary of National Agriculture Policy (NAP) scores

The NAP scored 54% – just above the average of 51% – under the ‘government and policy support’ category (Figure 5.5). Distinctively, the policy scored 33% for intra-governmental coordination and implementation (sub-indicator 2.1). This implies that the NAP has an action plan to promote financial inclusion under specific key priority areas; however, it does not have a working committee to promote financial inclusion as a result of the policy. The policy does not include the collection and publication of comprehensive data about financial services for low- and middle-income populations, as it scored 0% on sub-indicator 2.2 (Annexure 2). In addition, the NAP scored 0% for government payments (G2P and P2G) sub-indicator 2.4). This implies that the policy does not include an initiative to digitise payments. The weaknesses of the NAP lie in the category of ‘stability and integrity’, where it scored 33% – well below the average of 50% – and in the category of ‘clarity of financial inclusion definition’, where it scored 0% (Figure 5.5).

Specifically, under the ‘stability and integrity’ category, the NAP scored 0 for sub-indicator 4.3, the technical capacity to supervise financial services that facilitate financial inclusion. This indicates that there is no evidence of a unit of dedicated technical experts to supervise digital finance services as a result of the policy. Furthermore, the policy does not include monitoring of the market to reduce the risk from non-regulated financial institutions, as it scored 0% for sub-indicator 4.4 (Annexure 2). Under the ‘clarity of the financial inclusion definition’ category, the NAP has to improve on sub-indicator 1.1, where it scored 0% (Annexure 2 (5)). This indicates that the policy does not have any definition that indirectly or directly describes financial inclusion, as it is not the primary focus of the policy, and only features as one of the action plans for the two key priority areas. Lastly, the NAP had a zero score for sub-indicator 1.2 because it does not define ‘financial inclusion’; therefore, it does not include all people (suppliers and consumers) as target groups for financial inclusion.

5.5.6 National Agriculture Investment Plan (NAIP) (2018-2023)

The National Agriculture Investment Plan ranked sixth with an overall score of 7% – significantly below the average of 41% for all the policies and strategies (Figure 5.6). There are only areas for improvement and no strengths in the NAIP, as it had the lowest scores in all categories. This implies that the National Agriculture Investment Plan does not promote financial inclusion, as it has an overall score that is less than 50%. In the category of ‘infrastructure’, the NAIP had a low score of 22%, well below the average of 57% (Figure 5.6).

Specifically, the NAIP had a 100% score on sub-indicator 5.3 and a 0% score on the rest of the sub-indicators in this category (Annexure 2). The strategy does not aim at increasing financial service providers and enabling their environment; it does not enhance the affordability of financial products; it does not promote the use of a national identification system to access finance services; and it does not initiate consumer access to records and the correction of errors, as it has 0% score in all these sub-indicators (Annexure 2). This is because the NAIP focuses on increasing public investments in agriculture.

The NAIP had a 9% score – well below the average – in the category of 'consumer protection' (Figure 5.6). The strategy had a 33% score for customer-tailored financial products and services (sub-indicator 3.1; Annexure 2). This is because the strategy aims to promote access to financial services and agricultural credit, particularly for producers and small- and medium-scale agro-processors, including women, youth, and persons living with disabilities. The NAIP needs to improve on sub-indicator 3.2, sub-indicator 3.3, and sub-indicator, where it had zero scores (Annexure 2 (VII)). The strategy does not promote consumers' financial literacy and capabilities; it does not ensure consumer protection rights; and it does not emphasise consumer' usage of financial products and services. Under the 'clarity of the definition of financial inclusion' category, the National Agriculture Investment Plan had a score of zero (Figure 5.6). Specifically, the strategy had zero scores for both sub-indicators in this category, as it does not have any direct or indirect definition of 'financial inclusion', and it does not include both consumers and suppliers as target groups for financial inclusion.

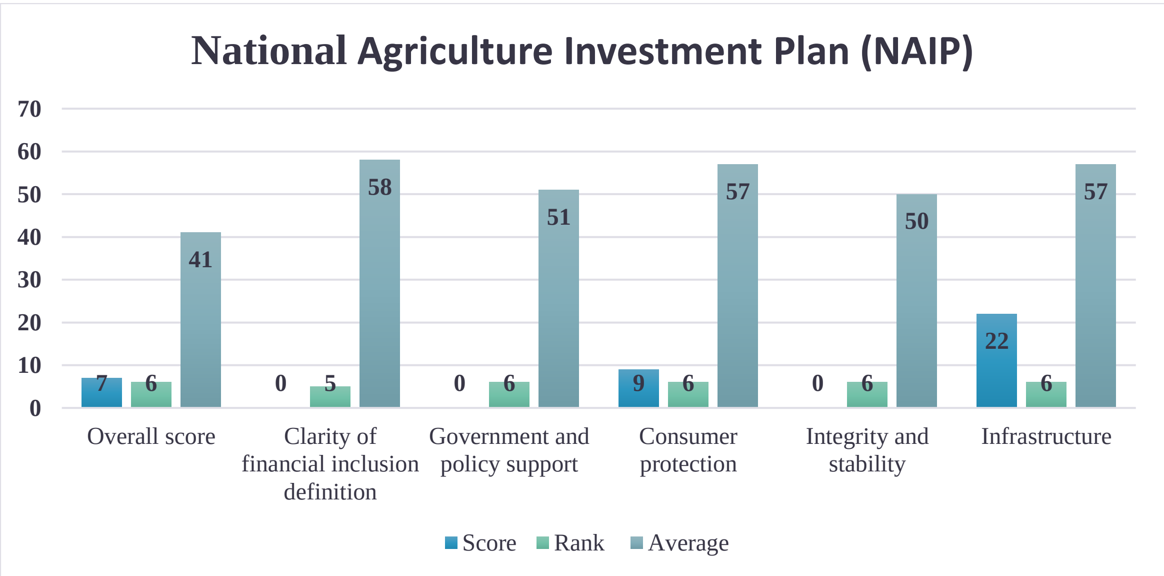

Figure 5.6: Summary of National Agriculture Investment Plan (NAIP) scores

The NAIP had a score of zero for the ‘government and policy support’ category (Figure 5.6). The strategy had a score of zero for sub-indicator 2.1, as there is no evidence among government agencies for financial inclusion as a result of the strategy. The NAIP does not include the collection and publication of comprehensive data about financial services for low-income populations, as it had a score of zero for sub-indicator 2.2 (Annexure 2). The strategy also has no target to expand agent networks and no initiative to digitise payments, as it had scores of zero for sub-indicator 2.3 and for sub-indicator 2.4. The NAIP had a score of zero for the category of ‘stability and integrity’ (Figure 5.6). Specifically, the strategy needs to improve in all the sub-indicators under this category. The strategy’s implementation is sometimes swayed by political dynamics, as it scored 50% for sub-indicator 4.1 (Annexure 2). There is no evidence of coordination between the strategy and a unit of dedicated experts on financial inclusion; the strategy has no unit of dedicated experts to supervise digital financial services; and it does not include monitoring of the market to reduce the risk from non-regulated financial institutions, as it had scores of zero for the respective sub-indicators (4.2, 4.3, and 4.4; Annexure 2).

5.5.7 National Multi-sector Nutritional Policy (2018-2022)

The National Multi-sector Nutritional Policy ranked seventh and last, with an overall score of zero per cent (Figure 5.7). This implies that the policy does not promote financial inclusion, as its overall score is below 50%. The primary focus on the policy is on eliminating all forms of malnutrition; thus none of its strategies are linked to financial inclusion. Under the ‘clarity of the definition of financial inclusion’ category, the NMNP scored zero on sub-indicator 1.1 and sub-indicator 1.2, as it does not include a definition of financial inclusion nor describe the target groups of financial inclusion respectively (Annexure 2). Under the ‘government and policy support’ category, the NMNP had a zero score because it does not coordinate government agencies on financial inclusion; it does not include the collection and publication of comprehensive data about financial services; it does not have a target of expanding agent networks, nor an initiative to digitise payments; hence the zero scores for sub-indicators 2.1, 2.2, 2.3, and 2.4 (Annexure 2).

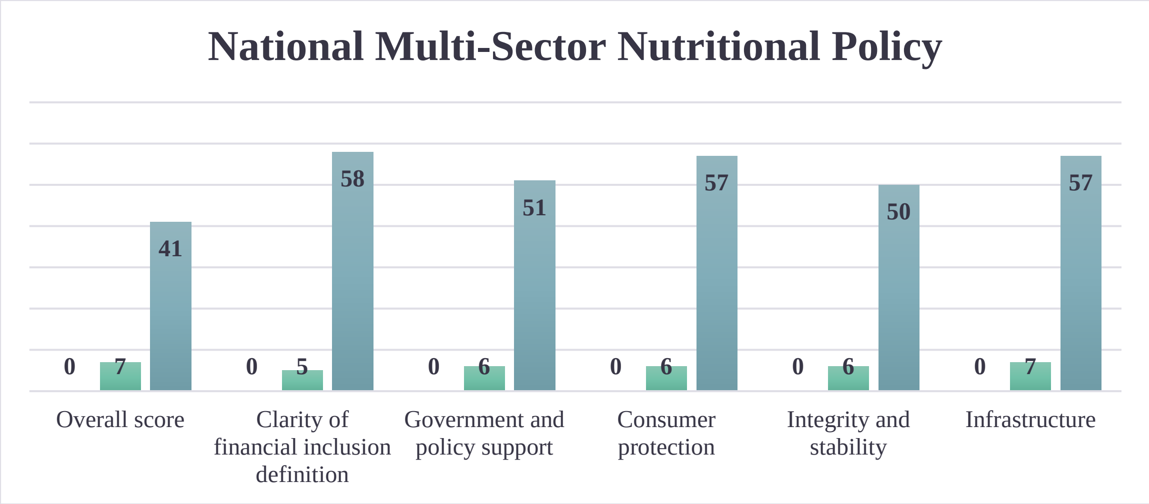

Figure 5.7: Summary of National Multi-sectoral Nutritional Policy scores

The National Multi-sectoral Nutritional Policy had a zero per cent score under the category of ‘consumer protection’ (Figure 8). Specifically, no forms of financial product are included in the policy; the policy does not aim at promoting consumer financial literacy and capabilities; it does not promote consumer protection rights; nor does it emphasise the usage dimension of financial inclusion, as it had zero scores for all the sub-indicators under this category (Annexure 2). Under the category of ‘stability and integrity’, the NMNP scored 50% for sub-indicator 4.1, as its implementation is sometimes swayed by political dynamics. Besides that score, the policy had zero scores for the remaining sub-indicators in this category, as it lacks coordination with a dedicated unit of technical experts on financial inclusion; it has no unit of technical experts to supervise digital financial services; and it does not include monitoring the market to reduce risks (Annexure 2). The NMNP needs improvement in the ‘infrastructure’ category, as it scored zero (Figure 5.7). The zero scores are evenly distributed across all the sub-indicators in the category (Annexure 2). The policy does not aim at increasing financial service providers and enabling their environment; it does not enhance the affordability of financial products; it does not promote ease of access to a payments infrastructure; it does not promote the use of the national identification system to access financial services; and it does not include consumers’ access to their records or correcting errors simply because financial inclusion is not included in the policy.

5.6 Chapter summary

The chapter discussed the results of each of the specific objectives in the study. Under objective one, the study identified the National Strategy for Financial Inclusion – NSFI II (2016-2020), the National Strategy for Financial Inclusion – NSFI I (2010-2015), and the Malawi Growth and Development Strategy – MGDS III (2017-2022) as the most effective vehicles for promoting financial inclusion in Malawi. On objective two, the study determined that the objectives of the National Financial Inclusion Strategies I and II, the Microfinance Policy, and the Malawi Growth and Development Strategy promote financial inclusion. On objective three, the study determined that goals, objectives, strategies, and an action plan are the elements in the design for policies that promote financial inclusion. Under objective four, the study determined that the National Strategy for Financial Inclusion – NSFI II (2016-2020), the National Strategy for Financial Inclusion – NSFI I (2010-2015), and the Malawi Growth and Development Strategy – MGDS III (2017-2022) contribute as the most effective vehicles for the promotion of financial inclusion in Malawi. The study developed a conceptual framework, and determined that the identified policies promote financial inclusion; thus there is a relationship between policy and financial inclusion. Finally, under objective five, the chapter described the strengths and weaknesses of each policy and strategy, and identified which aspects need to be strengthened.

CHAPTER 6

SUMMARY AND CONCLUSION

This chapter presents an integrated summary of the findings, following a review of the National Strategy for Financial Inclusion – NSFI I (2010-2015, the National Strategy for Financial Inclusion – NSFI II (2016-2020), the National Agriculture Policy (NAP) 2016, the National Agriculture Investment Plan (NAIP) (2018-2023), the Malawi Growth and Development Strategy – MGDS III (2017-2022), and the National Multi-sector Nutritional Policy (2018-2022). The chapter also presents the conclusion, which includes some recommendations. Finally, the chapter explains the limitations of the study, and suggests possible areas for future research.

6.1 Summary of the findings

To identify policies and strategies that promote financial inclusion in Malawi, the study used a comprehensive literature review approach, and identified the National Strategy for Financial Inclusion – NSFI II (2016-2020), the National Strategy for Financial Inclusion –NSFI I (2010-2015), and the Malawi Growth and Development Strategy – MGDS III (2017-2022) as the most effective strategies for promoting financial inclusion in Malawi. To determine the objectives of these policies and strategies in promoting financial inclusion, the study conducted a comprehensive literature review, and developed criteria for determining the objectives for financial inclusion in the policies and strategies. The study determined that the objectives of the National Financial Inclusion Strategies I and II, the Microfinance Policy, and the Malawi Growth and Development Strategy promote financial inclusion. The design of these objectives followed the criteria in section 4.2.2 for a good policy or strategy for promoting financial inclusion.

To determine how the policies and strategies were designed to promote financial inclusion, the Global Microscope 2019 tool for enabling an environment for financial inclusion was customised and applied to this study. The study identified that the NFIS II was designed to promote financial inclusion, as it had an overall score of 100% (Figure 9). The NFIS I was also designed to promote financial inclusion, as it had the second-highest score of 93%. The NFIS I and II were developed as a result of the Malawi Government's commitment to the Maya Declaration on financial inclusion; thus their designs followed the nine guiding principles on financial inclusion. The MGDS, with a score of 71%, has a design that promotes financial inclusion, as it specifically focuses on financial services and has an action plan to improve financial inclusion. The Microfinance Policy was designed to promote financial inclusion. Apart from its partial promotion of financial inclusion, it fails to include all the dimensions of financial inclusion – hence the score of 63% (Figure 6.1). The NAP, NAIP, and NMNP were not designed to promote financial inclusion, and so they scored 40%, 7%, and 0% respectively – well below the medium financial inclusion score range of 50 - 70%.

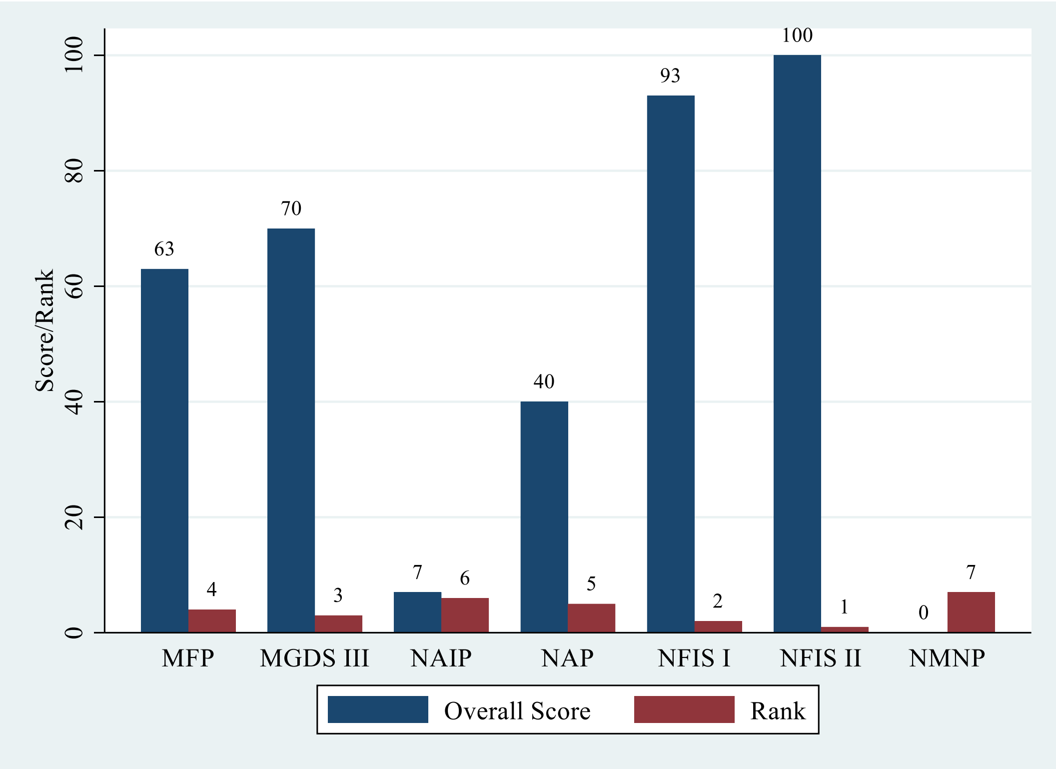

Figure 6.1: Summary of assessment of policies and strategies for financial inclusion

To determine the contribution of the policies and strategies to the promotion of financial inclusion, the study conducted a review of various conceptual frameworks and processes on financial inclusion. Consequently, a conceptual framework (Figure 3.1) was developed to explain the contribution of the policies and strategies to promoting financial inclusion. The study identified the NFIS I and II, the Microfinance Policy, and the MGDS III as policies and strategies that contribute to the increased quality, access, and usage of financial services and products by all segments of the population, thus contributing to greater financial inclusion. To identify the strengths and areas for improvement in the policies and strategies, and identified which aspects need to be strengthened, the Global Microscope 2019 tool was used (section

4.2.3). The NFIS II scored 100% in all the categories (Figure 6.2); thus, its strength lies in every category. The strength of the NFIS I lies in all the categories except for the 'clarity of the definition of financial inclusion' category, where it had a medium-range score of 67% (Figure 3.10). The strength of the MGDS III lies in the 'infrastructure', 'consumer protection', and 'government and policy support' categories, where it scored 89%, 86%, and 77% respectively (Figure 6.2). The areas for improvement in the MGDS III lie in the 'clarity of the definition of financial inclusion' and the 'stability and integrity' categories, where it scored 67% for both –in the medium range of financial inclusion.

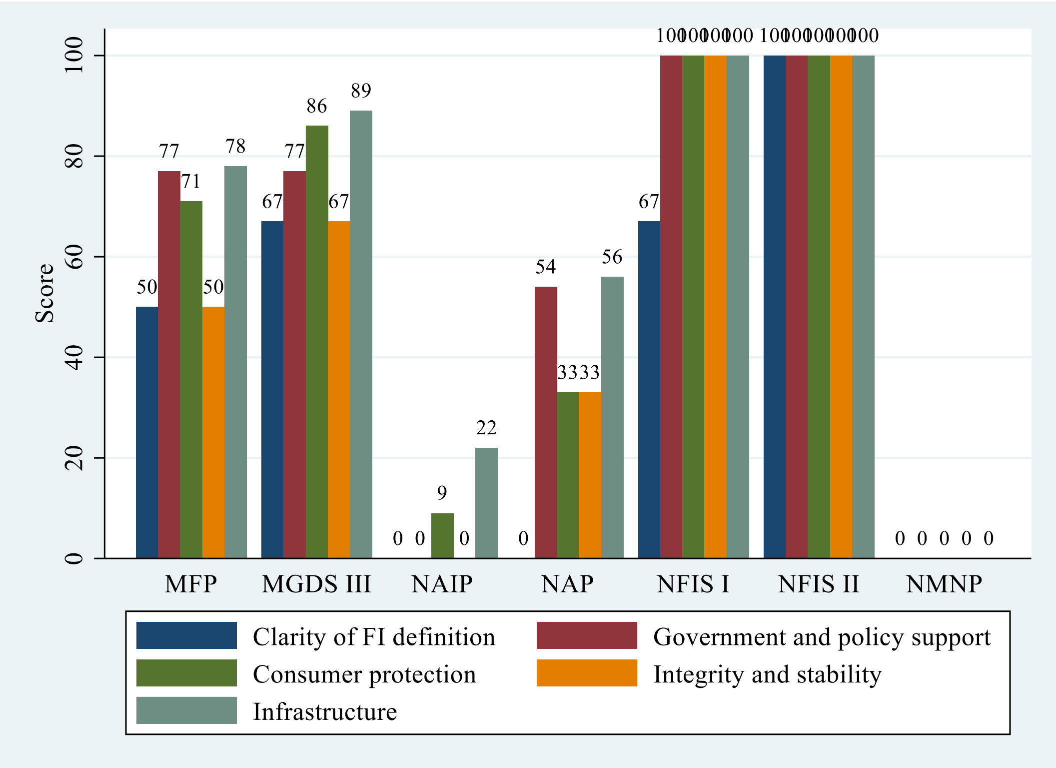

Figure 6.2: Summary of policies' and strategies' scores by category

The strengths of the Microfinance Policy (MFP) lie in the 'infrastructure', 'government and policy support', and 'consumer protection' categories, for which it scored 78%, 77%, and 71% respectively (Figure 6.2). The areas of improvement for the MFP lie in the 'clarity of the definition of financial inclusion' and 'stability and integrity' categories, where both scored 50%. The areas of improvement for the NAP lie in all the categories, which all scored below 60% (Figure 6.2). The highest category score of the NAP was 56% for the 'infrastructure' category. This score falls below the medium range of financial inclusion scores. Although the NAP has a low score, it is not the lowest: the NAIP had low scores in all the categories, which were all below 50%. The NAIP's highest score was 22% for the 'infrastructure category', which is also the lowest within the lowest range (49-0) of scores for financial inclusion. The lowest score among all of the policies and strategies was that of the NMNP: it had a zero score in every category of financial inclusion, and so has areas for improvement in every category. Apart from the highest- and lowest-scoring policies, each of the other policies and strategies had both strengths and areas for improvement on each sub-indicator in every category. For instance, the NFIS II scored below 100% for the sub-indicators under the categories that need to be improved. (Note that its overall score of 100% was as a result of normalisation).

6.2 Conclusion

This study showed the extent to which agricultural and finance-related policies and strategies promote financial inclusion, and how informed they are about financial inclusion. Some of these policies and strategies were developed when issues of financial inclusion were less pertinent, while some were developed when financial inclusion had become part of the global agenda. Nonetheless, the policies and strategies include some dimensions of financial inclusion, while some were found to be weak in mainstreaming issues of financial inclusion, and so do not directly promote financial inclusion. The study shows that there are policies and strategies that promote financial inclusion in Malawi; what is in question is the extent of that promotion. Specifically, the NFIS II, the NFIS I, and the MGDS III strongly promote financial inclusion in Malawi, while the Microfinance Policy promotes financial inclusion at a medium level, and the NAP and the NAIP promote financial inclusion at a low level. The NMNP does not promote financial inclusion in Malawi at all.

The specific objectives of the NFIS I and II and the MGDS III are what can be adopted to develop strategies and policies that promote financial inclusion. The NFIS I and NFIS II were designed to promote financial inclusion. This is because they recognise financial inclusion as multidimensional by incorporating all the dimensions of financial inclusion in their definitions, objectives, and action plans. However, the levels of financial inclusion in Malawi are still relatively low. The design of the MGDS III promotes financial inclusion but fails to recognise financial inclusion as multi-dimensional. The Microfinance Policy and the NAP designs promote financial inclusion to a moderate extent but fail to recognise all the dimensions of financial inclusion in their definitions, objectives, and action plans. The NAIP and NMNP designs do not promote financial inclusion, as they fail to include any of the financial inclusion dimensions in their definitions, objectives, and action plans.

Policies and strategies that have funding and an effective monitoring and evaluation system promote financial inclusion. Policies and strategies that are implemented by relevant regulatory bodies through a favorable environment increase the number of financial service providers. Policies and strategies that promote infrastructural development and financial literacy increase access to and the use of financial services and products by all segments of the population. In Malawi, the NFIS I, the NFIS II, and the MGDS III are the policies and strategies that contribute to increased financial inclusion. The literature reveals that policies that empower banks to contract and collaborate with non-bank retail agents as channels for financial inclusion have proven to be highly successful in advancing financial inclusion in places where banks are not economically feasible. Therefore, such policies contribute to the promotion of financial inclusion.

Most of the policies' and strategies' strengths lie in the 'infrastructure' category, followed by the 'government and policy support' category. Policies and strategies that promote financial inclusion have action plans that focus clearly on infrastructure development. Policies and strategies that promote financial inclusion have strong government coordination and policy support. The strengths of policies and strategies that promote financial inclusion lie in the 'consumer protection' category. This is because they focus on increasing consumers' access to financial services and products by protecting their rights. Policies and strategies that lack stability and integrity in implementation do not promote financial inclusion. Policies and strategies that fail to define financial inclusion and to describe the target groups are unlikely to promote financial inclusion. Low scores in the 'stability and integrity' category imply that the policies' and strategies' implementation is affected by political dynamics.

6.3 Recommendations

The study shows that policies and strategies play a role in promoting financial inclusion to different extents. Financial exclusion remains a challenge in Malawi. This study recommends the following ways in which comprehensively to improve the policies and strategies that promote financial inclusion:

- Financial inclusion should be mainstreamed in other development policies and strategies. This will help that resources are channeled to the same cause, thereby enhancing financial inclusion.

- There is need for consumer awareness on the Financial Literacy Act that was launched in 2018 so that consumers are aware of their protection rights and are able to demand them. The government need to enforce the implementation of the financial literacy act so that financial institutions are held accountable in providing services and products that ensure consumers are protected.

- To implement financial inclusion policies and strategies effectively, there is a need for the government to ensure that relevant regulatory bodies or institutions are in place to enable the environment for players. This means that suppliers should be involved and certified to operate in the financial markets while protecting consumers' rights.

- The government should ensure that basic infrastructure and services are available in rural areas in order to increase access to and the use of financial services. However, the government alone cannot carry this burden – hence the need for multi-stakeholder partnerships through which the private sector, NGOs, and development partners with the government ensure that these services are offered.

- There is a need for policy analysis before and after implementation. This will ensure that the guidelines for financial inclusion are included in the policy-making process and that progress is traced during policy implementation.

- An effective monitoring and evaluation (M & E) system for both financial inclusion policies and financial institutions is critical in promoting financial inclusion in Malawi. It is important that policies enforce M & E systems in all financial institutions in order to keep track of the progress of financial inclusion. Good policy requires an M & E plan that will help to track progress and impact after implementation. Most of the policies and strategies reviewed in this study lacked M & E plans; but they are essential in helping implementers, policymakers, and donors to acquire the information and understanding they need to make informed decisions about the strategy.

- There is a need to train parliamentary representatives on financial inclusion and its dimensions, as they are responsible for passing bills in Parliament. When the members of Parliament are aware of financial inclusion, policy advocacy on it will increase, and they will assist in mobilising funds for the implementation of the strategies.

6.4 Limitations and areas for future research

There are some limitations in this study that could be addressed in future research. First, the study assessed the policies in terms of how they were designed to promote financial inclusion. The study did not go further to determine whether the goals, objectives, and action plans of the policies were implemented in practice, or to assess their effectiveness in promoting financial inclusion. Therefore, future studies could explore this area. Furthermore, this study has been literature-based, in which the focus was on reviewing policies. However, there is a need to engage with the stakeholders involved in the policy-making processes to obtain a deeper perspective that could assist with policy review.

Second, the policy and strategies reviewed were selected based on those that most closely related to the financial inclusion criteria, and the number of them was limited by the time available to the researcher. The researcher had to meet the deadlines of the thesis and the study programme's requirements, which may have resulted in researcher biases. There is a need for more policy reviews on a longer-term basis. Third, the researcher customised the Global Microscope 2019 tool, developed by the Economist Intelligence Unit, by making it a financial inclusion policy indicator assessment tool that was used to review the policies and strategies. This tool was suitable for qualitative research; but this study could have been extended by using quantitative methods (e.g., by undertaking a cost-effectiveness analysis and a cost-benefit analysis).

Finally, the study concluded that Malawi currently has good policies on financial inclusion that are in operation and that promote financial inclusion. However, the level of financial exclusion is still relatively high. Further studies could focus on addressing this gap and identifying its causes, thus helping to improve the current status of financial inclusion in Malawi. The researcher also experienced the challenge of a limited amount of data, especially on the 'usage' dimension of financial inclusion. Thus, future studies could seek to address this gap.

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ANNEXURES

ANNEXURE 1: DETAILED SCORING GUIDELINES

Ref no.	**Sub-indicator name**	**Question**	**Scoring guidelines**
1.1	Clarity of financial inclusion definition	Does the policy or strategy comprehensively define financial inclusion in all its dimensions?	0 = The definition does not include any financial inclusion dimension. 1 = The definition only includes increasing access to financial products and services. 2 = The definition only includes increasing access and quality of financial products and services. 3 = The definition includes increasing all dimensions (access, usage, and quality) of financial inclusion.
1.2	Clarity of financial inclusion definition	Does the definition in the policy or strategy include the target group?	0 = The definition does not include the target group. 1 = The definition only includes service providers as a target group. 2 = The definition only includes consumers as a target group. 3 = The definition includes all people (both suppliers and consumers).
2.1	Intra-governmental cooperation, strategy, and implementation	Does the policy/strategy address the coordination and active implementation between government agencies to promote financial inclusion (EIU, 2019)?	0 = There is no evidence of coordination between government agencies. 1 = There is either a strategy, or an action plan, that promotes financial inclusion as a result of the policy/strategy. 2 = There is a working committee that promotes financial inclusion as a result of the policy/strategy. 3 = There is both a strategy/action plan and a working committee that promotes financial inclusion.

2.2	Data collection	Does the policy/strategy include the regular collection and publication of comprehensive data about financial services for low-income populations (EIU, 2019)?	0 = The policy/strategy does not include the collection and publication of comprehensive data about financial services for low-income populations. 1 = The policy/strategy includes the collection of data about financial services for low-income populations. 2 = The policy/strategy includes the publication of data about financial services for low-income populations. 3 = The policy/strategy includes both collection and publication of comprehensive data about financial services for low-income populations.
2.3	Target agent network	Does the policy/strategy include a target on the size of agent networks (EIU, 2019)?	0= There is no target to expand agent networks. 1 = There is a target for expanding agent networks.
2.4	Government payments (G2P and P2G)	Does the policy/strategy include a government initiative to digitise government payments (Bank, 2017a)?	0 = The policy/strategy does not include an initiative, strategy, committee, or action plan to digitise payments. 1 = The policy/strategy has an initiative, strategy, committee, or action plan to digitise payments.
2.5	Fostering innovation	Has the policy/strategy included a plan for financial innovation (EIU, 2019)?	0 = There are no plans for financial innovation 1 = There are plans for financial innovation
3.1	Types of financial products	Does the policy/strategy include various financial products? Does it emphasise customer-tailored products and services?	0 = There are no financial products included in the policy/strategy. 1 = The policy/strategy only includes credit. 2 = The policy/strategy includes both credit and savings. 3 = The policy/strategy includes various financial products (e.g., credit, savings,

			insurance) and customer-tailored products and services.
3.2	Financial literacy	Does the policy/strategy aim to promote consumer financial literacy and capabilities (EIU, 2019)?	0 = The policy/strategy does not aim to promote consumer financial literacy and capabilities. 1 = The policy/strategy aims to promote consumer financial literacy, but there is no evidence of implementation. 2 = The policy/strategy aims to promote financial literacy, and it is being implemented.
3.3	Consumer rights protection	Does the policy/strategy include a plan to ensure consumer protection rights (EIU, 2019)?	0 = The policy/strategy does not have a plan to ensure consumer protection rights. 1 = The policy/strategy has a plan to ensure consumer protection rights.
3.4	Consumer usage of financial products and services	Does the policy/strategy emphasise the usage (frequency, regularity, and duration) dimension of financial inclusion?	0 = The policy/strategy does not emphasise the usage dimension of financial inclusion. 1 = The policy/strategy slightly emphasises the usage of the dimension of financial inclusion. 2 = The policy/strategy emphasises the usage dimension of financial inclusion.
4.1	The political independence of policy/strategy implementation	Is policy/strategy implementation heavily swayed by political dynamics (EIU, 2019)?	0= Implementation is often swayed by political dynamics 1= Implementation is sometimes swayed by political dynamics 2 = Implementation is independent of political dynamics
4.2	Technical capacity and policy/strategy coordination	Is there coordination between policy/strategy and a dedicated unit of technical experts in the regulatory agency and/or Central Bank (EIU, 2019)?	0 = There is no evidence of coordination between policy/strategy and a unit of dedicated technical experts. 1 = There is evidence of coordination between policy/strategy and a unit of dedicated technical experts.

4.3	Technical capacity to supervise financial services that facilitate financial inclusion	Does the policy/strategy include a dedicated unit or dedicated technical experts in the regulatory agency and/or central bank to supervise digital financial services (EIU, 2019)?	0 = There is no evidence of a unit or of dedicated technical experts to supervise digital financial services. 1 = The policy/strategy includes a unit of experts but does not have the capacity to supervise digital financial services. 2 = The policy/strategy includes dedicated technical experts with the advanced capacity to supervise digital financial services.
4.4	Monitoring and data collection of financial services providers not regulated as financial institutions	Does the policy/strategy include regular monitoring of the market for providers that are not regulated as financial institutions, but that provide financial services that can impact the financial system and pose a risk to stability and integrity (EIU, 2019)?	0 = The policy/strategy does not include monitoring of the market to reduce the risk from non-regulated financial institutions. 1 = The policy/strategy includes monitoring of the market to reduce the risk from non-regulated financial institutions.
5.1	Financial service providers	Does the policy/strategy aim at increasing the number of financial service providers and enabling the environment to have more financial service providers (EIU, 2019)?	0 = The policy/strategy does not aim at increasing the number of financial service providers or enabling the environment to have more financial service providers. 1 = The policy/strategy aims at increasing the number of financial service providers. 2 = The policy/strategy aims at both increasing the number of financial service providers and enabling the environment to have more financial service providers.
5.2	Affordability of financial products	Does the policy or strategy aim at enhancing the affordability of financial products to consumers?	0 = The policy/strategy does not aim to enhance the affordability of financial products to consumers. 1 = The policy/strategy aims at enhancing the affordability of financial products to consumers.
5.3	Physical proximity to financial products and services	Does the policy/strategy promote ease of access to payment infrastructure for	0 = The policy/strategy does not promote ease of access to payments infrastructure for low- and middle-income populations.

		low- and middle-income populations (branches, ATMs, PoS devices, and mobile money/banking agents)?	1 = The policy/strategy promotes ease of access to payments infrastructure for low- and middle-income populations.
5.4	National ID system	Does the policy/strategy promote the use of a national identification system to access financial products and services (Bank, 2017b)?	0 = No, it does not promote the use of a national ID system to access finance products & services. 1 = Yes, it promotes the use of a national ID system to access finance products & services.
5.5	Access to records	Does the policy/strategy include individuals' access to their financial records, and correction of errors without a fee (EIU, 2019)?	0= Does not include individuals' access to their records or correct any errors. 1= Includes individuals' access to their records, and correction of any errors at a fee. 2= Includes individuals' access to their records, and correction of any errors without a fee.

ANNEXURE 2: DETAILED HIGHEST AND LOWEST SCORES OF POLICIES AND STRATEGIES

I. NATIONAL FINANCIAL INCLUSION STRATEGY – NFIS II (2016-2020)			
Strengths		**Areas of improvement**	
Indicator	**Rank**	**Indicator**	**Rank**
1.1) Definition includes financial inclusion dimensions	100	2.2) Evidence of data collection in the policy and strategy	33
1.2) Definition includes the target	100	3.4) Consumer usage of financial products and services	50
2.1) Evidence of intra-governmental coordination and implementation	100	4.1) Political independence of strategy/ policy implementation	50
2.3) Existence of targets on agent networks	100	5.5) Consumer access to records	50
2.4) Initiative to digitise government payments	100		
2.5) Plan for fostering financial innovation	100		
3.1) Evidence of customer-tailored financial products and services	100		
3.2) Promote consumer financial literacy and capabilities	100		
3.3) Strategy to ensure consumer protection rights	100		
4.2) Technical capacity and policy or strategy coordination	100		
4.3) Technical capacity to supervise financial services that facilitate financial inclusion	100		
4.4) Monitoring and data collection of financial services providers not regulated as financial institutions (FIs)	100		
5.1) Aims at increasing financial service providers and enabling their environment	100		
5.2) Enhance affordability of financial products	100		
5.3) Promote ease of access to payments infrastructure	100		
5.4) Promote use of national identification system to access finance services	100		
II. NATIONAL FINANCIAL INCLUSION STRATEGY – NFIS I (2010-2014)			

Strengths		Areas of improvement	
Indicator	**Score**	**Indicator**	**Score**
2.1) Evidence of intra-governmental coordination and implementation	100	2.2) Evidence of data collection in the policy and strategy	33
2.2) Evidence of data collection in the policy and strategy	100	3.4) Consumer usage of financial products and services	50
2.3) Existence of targets on agent networks	100	4.1) Political independence of strategy/ policy implementation	50
2.4) Initiative to digitise government payments	100	5.5) Consumer access to records	50
2.5) Plan for fostering financial innovation	100		
3.1) Evidence of customer-tailored financial products and services	100		
3.2) Promote consumer financial literacy and capabilities	100		
3.3) Strategy to ensure consumer protection rights	100		
2.3) Existence of targets on agent networks	100		
4.2) Technical capacity and policy or strategy coordination	100		
4.3) Technical capacity to supervise financial services that facilitate financial inclusion	100		
4.4) Monitoring and data collection of financial services providers not regulated as FIs	100		
5.1) Aims at increasing financial service providers and enabling their environment	100		
5.2) Enhance affordability of financial products	100		
5.3) Promote ease of access to payments infrastructure	100		
5.4) Promote use of national identification system to access finance services	100		
III. MALAWI GROWTH AND DEVELOPMENT STRATEGY – MGDS III (2017-2022)			
Strengths		**Areas of improvement**	
Indicator	**Rank**	**Indicator**	**Rank**
2.3) Existence of targets on agent networks	100	2.1) Evidence of intra-governmental coordination and implementation	33

2.4) Initiative to digitise government payments	100	2.2) Evidence of data collection in the policy and strategy	0
2.5) Plan for fostering financial innovation	100	3.2) Promote consumer financial literacy and capabilities	50
3.1) Evidence of customer-tailored financial products and services	100	3.4) Consumer usage of financial products and services	50
3.3) Strategy to ensure consumer protection rights	100	4.1) Political independence of strategy/policy implementation	50
4.2) Technical capacity and policy or strategy coordination	100	4.3) Technical capacity to supervise financial services that facilitate financial inclusion	50
5.1) Aims at increasing financial service providers and enabling their environment	100	4.4) Monitoring and data collection of financial services providers not regulated as FIs	0
5.2) Enhance affordability of financial products	100	5.4) Promote the use of national identification system to access financial services	0
5.3) Promote ease of access to payments infrastructure	100		
IV. MICROFINANCE POLICY AND ACTION PLAN 2002			
Strengths		**Areas of improvement**	
Indicator	**Score**	**Indicator**	**Score**
2.1) Evidence of intra-governmental coordination and implementation	100	1.1) Definition includes financial inclusion dimensions	33
2.3) Existence of targets on agent networks	100	2.2) Evidence of data collection in the policy and strategy	33
2.5) Plan for fostering financial innovation	100	2.4) Initiative to digitise government payments	0
4.2) Technical capacity and policy or strategy coordination	100	3.2) Promote consumer financial literacy and capabilities	50
4.4) Monitoring and data collection of financial services providers not regulated as FIs	100	3.3) Strategy to ensure consumer protection rights	0
5.1) Aims at increasing financial service providers and enabling their environment	100	3.4) Consumer usage of financial products and services	0
5.2) Enhance affordability of financial products	100	4.1) Political independence of strategy/policy implementation	50
5.3) Promote ease of access to payments infrastructure	100	4.3) Technical capacity to supervise financial services that facilitate financial inclusion	0

5.4) Promote the use of national identification system to access financial services	100	5.5) Consumer access to records	0

V. NATIONAL AGRICULTURE POLICY (NAP) 2016

Strengths		Areas of improvement	
Indicator	**Rank**	**Indicator**	**Rank**
2.3) Existence of targets on agent networks	100	1.1) Definition includes financial inclusion dimensions	0
2.5) Plan for fostering financial innovation	100	1.2) Definition includes the target	0
3.1) Evidence of customer-tailored financial products and services	100	2.1) Evidence of intra-governmental coordination and implementation	33
3.3) Strategy to ensure consumer protection rights	100	2.2) Evidence of data collection in the policy and strategy	0
4.1) Political independence of strategy/ policy implementation	100	2.4) Initiative to digitise government payments	0
4.2) Technical capacity and policy or strategy coordination	100	3.4) Consumer usage of financial products and services	0
5.2) Enhance affordability of financial products	100	4.3) Technical capacity to supervise financial services that facilitate financial inclusion	0
5.3) Promote ease of access to payments infrastructure	100	4.4) Monitoring and data collection of financial services providers not regulated as FIs	0
		5.1) Aims at increasing financial service providers and enabling their environment	50
		5.4) Promote use of national identification system to access finance services	0
		5.5) Consumer access to records	0

VI. NATIONAL AGRICULTURE INVESTMENT PLAN (NAIP) (2018-2023)

Strengths		Areas of improvement	
Indicator	**Rank**	**Indicator**	**Rank**
5.3) Promote ease of access to payments infrastructure	100	3.1) Evidence of customer-tailored financial products and services	33
		1.1) Definition includes financial inclusion dimensions	0
		1.2) Definition includes the target	0
		2.1) Evidence of intra-governmental coordination and implementation	0

		2.2) Evidence of data collection in the policy and strategy	0
		2.3) Existence of targets on agent networks	0
		2.4) Initiative to digitise government payments	0
		2.5) Plan for fostering financial innovation	0
		3.2) Promote consumer financial literacy and capabilities	0
		3.3) Strategy to ensure consumer protection rights	0
		3.4) Consumer usage of financial products and services	0
		4.1) Political independence of strategy/policy implementation	50
		4.2) Technical capacity and policy or strategy coordination	0
		4.3) Technical capacity to supervise financial services that facilitate financial inclusion	0
		4.4) Monitoring and data collection of financial services providers not regulated as FIs	0
		5.1) Aims at increasing financial service providers and enabling their environment	0
		5.2) Enhance affordability of financial products	0
		5.4) Promote use of national identification system to access finance services	0
		5.5) Consumer access to records	0

VII. NATIONAL MULTI-SECTOR NUTRITIONAL POLICY (2018 – 2022)

Strengths		**Areas of improvement**	
Indicator	**Score**	**Indicator**	**Score**
4.1) Political independence of strategy/ policy implementation	50	1.1) Definition includes financial inclusion dimensions	0
		1.2) Definition includes the target	0
		2.1) Evidence of intra-governmental coordination and implementation	0
		2.2) Evidence of data collection in the policy and strategy	0

		2.3) Existence of targets on agent networks	0
		2.4) Initiative to digitise government payments	0
		2.5) Plan for fostering financial innovation	0
		3.1) Evidence of customer-tailored financial products and services	0
		3.2) Promote consumer financial literacy and capabilities	0
		3.3) Strategy to ensure consumer protection rights	0
		3.4) Consumer usage of financial products and services	0
		4.2) Technical capacity and policy or strategy coordination	0
		4.3) Technical capacity to supervise financial services that facilitate financial inclusion	0
		4.4) Monitoring and data collection of financial services providers not regulated as FIs	0
		5.1) Aims at increasing financial service providers and enabling their environment	0
		5.2) Enhance affordability of financial products	0
		5.3) Promote ease of access to payments infrastructure	0
		5.4) Promote use of national identification system to access finance services	0
		5.5) Consumer access to records	0