



microloan
foundation

Malawi
June 2022

MicroLoan Foundation Malawi

MicroLoan Foundation Malawi (MLF Malawi) has been delivering financial services to women in rural communities since 2002, and was the first country of operations for MicroLoan Foundation.

Malawi ranks 174 in the Human Development Index, reflecting the depth of poverty that clients face.

MLF Malawi provides loans and ongoing business and financial literacy training to clients across its 22 branches and eight satellites. With a large proportion of clients engaging in farming, MLF Malawi also offers agricultural and irrigation loans.

The loan book outstanding at the end of Q2 2022 was MWK 2,585,494,239 (US\$2,505,243) and MLF Malawi had a total of 37,603 active clients.



Leadership Team

Joseph Kaipa

Acting Chief Executive Officer

Joseph Kaipa joined MLF Malawi in 2008 as a Loan Officer. He excelled in the organisation taking on roles including Branch Manager, Senior Social Performance Management Officer, and Senior Regional Manager. In 2017, he was appointed as Chief Operations Officer. Joseph has been instrumental in the growth of MLF's operations across Malawi and more recently in overseeing the company's thrust towards operational sustainability. Joseph holds a BBA in Strategic Management from Columbia Commonwealth University and a Diploma in Community Development from ABMA. In 2019 he completed an executive development course at the University of Cape Town and in 2018 he

completed the Rural and Agriculture finance program with Boulder Institute of Microfinance.

Joseph is the Acting CEO of MLF Malawi as of May 2022.

Majora Somba

Chief Financial Officer

Majora is a knowledgeable finance leader with extensive experience in the audit, banking and financial sectors with companies including First Capital Bank, Opportunity International Bank, New Finance Bank, Malawi Revenue Authority and KPMG. Majora is a Fellow of the ACCA (2011) and qualified with ACCA in 2005.

Saulos Mjojo Mhlanga

Head of Shared Services

Saulos has a strong background in project management, financial management, operations management and business development, acquired through working with different organizations including the British Council and the United Nations Development Program.

Randall Williams

Technical Advisor

Randall Williams was the CEO for MLF Malawi from 2020-2022. In this role he was responsible for leading the implementation processes of the organisation's strategies aimed at achieving their goals. With over 18 years of leadership experience in banking, mobile payments and programme development, Randall brings a wealth of knowledge and expertise to the role. Randall obtained his bachelor's degree in Management Studies and Economics from the University of the West Indies (Jamaica), and holds a Masters in Finance from the University of London (UK). He also recently completed an Executive Certificate in Financial Inclusion from Harvard University (USA).

Randall is now Technical Advisor, supporting the management of MLF Malawi.

Social Performance Management

MLF Malawi works towards achieving a long-term outcome that permits poor rural women to cope better with the challenges and stresses they face. MLF Malawi monitor activities and progress towards social and economic goals for their beneficiaries using rigorous and globally recognised systems. Their Social Performance Management model is often cited as an example of best practice, and is recognised by TrueLift, a global initiative pushing for accountability and learning in pro-poor programmes.

Key Products and Services

£ Four - six month business loan

This product has a flat interest rate of 6% per month. It is designed to support women intending to start small businesses or to provide additional capital to those that are already in business. No collateral is required.

Eight month agriculture loan: rice

The eight month agriculture loan is mostly used by the Nkhotakota branch for clients who grow rice. It takes longer to grow, yield, process and sell rice than crops like maize and soya. It has a grace period of four months and four bullet payments with a 5% interest rate.

Irrigation loan

The irrigation loan runs for seven months with an interest rate of 6%. It has a grace period of four months and finishes with three bullet payments. The loan is intended for clients, primarily in Ntcheu, Dowo and Ntchisi, who grow cash crops such as Irish potatoes all year round.

Cheka seed product

This product is for clients in Ntchisi who are members of a co-operative known as Cheka, which is involved in the seed multiplication of soy bean and groundnuts. The loan term is seven months and the interest rate is 6%. The loan repayment is done in one bulk payment at the end of the seven months once the yield has been processed and sold to the buyer.

Seven month agriculture loan: soya and maize

This agricultural loan is offered to clients who grow crops such as maize and soya beans during the rainy season and take business loans during the dry season. Soya rotates well with maize and offers nutritional value to women and their families. Seven month agricultural loans have a 5.5% interest rate per month.

££ FInES agriculture and business loan

For repeat/existing clients, this loan product has an interest rate of 4% reducing balance with a 2.5% up front fee. The loan term for FInES business is four to six months and for agriculture it is eight months.

££ Savings

In addition to loans, MLF Malawi facilitates savings among clients. As a non-deposit taking organisation, clients are linked to third party providers for savings accounts. Savings are withdrawn at any time, with consent from the group.

Financial literacy and business training

MLF Malawi offer pre and post loan disbursement training modules which aim to help clients understand the purpose of the loans and ensure they are equipped to run and manage their businesses. Training modules include: market research, profit analysis, budgeting and the importance of savings. All training is taught through song, dance and role play due to high illiteracy rates.

Customer Hotline

This is to provide clients with ongoing support on any operational issues. It is monitored monthly to analyse any common issues coming from clients.

Operational highlights as of 30th June 2022



Source: MicroLoan Performance Report. Exchange rate based on Oanda at 30th June 2022.

MLF Malawi News

Macroeconomic situation

Malawi's macroeconomic conditions continue to worsen, characterized by seasonally low foreign reserves and increasing inflationary pressure. On 26th May 2022, the Malawi Kwacha was devalued by 25%, triggering additional price increases. Despite entering the post-harvest period, food prices continue to be atypically high due to several factors, including below-average harvest, the government's announcement of a higher farmgate price, and a general increase in goods and food commodities prices.

Centre model and mobile money

In Q2 MLF Malawi made a study visit to MLF Zambia to replicate the centre model to increase efficiency and implementation of mobile money services and systems. Over 8,000 clients have taken part in training on using mobile money and repayments are already made via the platform. This new development incorporates individual sim cards for clients to facilitate direct disbursements and more effective reconciliation processes. In July 2022, the centre model and individual sim cards were successfully tested in Lilongwe.

Funding

MLF Malawi has secured Technical Assistance from WE4F - a joint international initiative of the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Union (EU), the Ministry of Foreign Affairs of the Government of the Netherlands, the Swedish International Development Cooperation Agency (Sida), and the U.S. Agency for International Development (USAID). In Q4 2022, WE4F and MicroLoan are embarking on an innovative project to design and develop an ESG compliant loan product for female smallholder farmers in Malawi.

Key Partnerships

The Grameen Foundation contributes to the fight against poverty and exclusion through microcredit and equity investments in companies with high social impact in developing countries. Grameen supported MLF Malawi with a MWK 250 million term loan facility during the last quarter of 2020 to strengthen MLF Malawi's liquidity position. This facility has a 6 month grace period and quarterly repayments started in April 2021.

Lendwithcare is a microfinance organisation that has partnered with MicroLoan Foundation in Malawi, Zambia and Zimbabwe. They solicit individual or group loans for people across the world from the general public through their online fundraising platforms. With their support, MLF Malawi have access to loan capital which helps to expand their reach.

KIVA During Q3 of 2020 Kiva supported MLF Malawi with a COVID Crisis Support Loan of US\$250,000 which provided liquidity support. MLF Malawi were able to use the facility to offset expenses that were due whilst revenue suffered a dramatic fall. As a result, MLF Malawi did not have to lay off any staff and were able to continue providing ongoing support to clients whilst ensuring that the management of portfolio at risk continued largely unaffected. Importantly, the facility is unrestricted and has a 24 month repayment period with an initial 9 month grace period which allows sufficient breathing space to recover somewhat from the vestiges of the pandemic before repayments are due.

FDH Bank During the early stages of the pandemic MLF Malawi received a three month moratorium from FDH bank on an existing term loan facility. This enabled us to better manage our liquidity position as revenue was negatively impacted, particularly in April 2020 when loan disbursements paused.

ADA is a Luxembourgish NGO supporting microfinance institutions with access to technical assistance and funding opportunities. In 2021 they supported MLF Malawi with Technical Assistance funding for two projects to strengthen internal processes and digitalisation. In 2021 they provided a two-year loan facility of EUR 230,000 to MLF Zambia.

Global Partnerships is an impact-first investment fund manager dedicated to expanding opportunity for people living in poverty. Global Partnerships have extended a loan facility of US\$750,000 repayable in June 2024.

Cheka Cooperative and MLF Malawi entered into a partnership to tackle issues surrounding food security. The cooperative will receive a loan from MicroLoan Foundation to support their work with Chitedze Research Station in groundnut seed multiplication and seed services.

The Financial Inclusion and Entrepreneurship Scaling (FinES) Project is a multi-year World Bank funded initiative which provides affordable wholesale financing to financial intermediaries (banks, MFIs, SACCOs, and MAIC) in Malawi. This funding is then channelled to MSMEs at concessionary rates thereby increasing their access to financial services. Administered through the Reserve Bank of Malawi, the project is expected to generate significant benefits for Malawi's economy in the long run while providing liquidity support for small businesses to weather the COVID-19-induced economic shock in the short term. MLF Malawi finalized a line of credit amounting to MWK2,500,000,000.00, over a period of five years, of which MWK1,500,000,000.00 has been drawn down to date. The remaining portion is expected to be drawn down in quarterly tranches over the lending period.

If you would like any further detail about the information included in this document please contact MicroLoan Foundation's Group Chief Executive Officer, Medha Wilson.

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