



Why Malawi Should Invest in FinTech: Unlocking Savings and Financial Inclusion

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ABSTRACT :

Malawi continues to grapple with the challenge of low financial inclusion, where over 60% of the adult population remains unbanked and unable to access formal savings, credit, and investment opportunities. This lack of access restricts economic participation, slows business growth, and keeps many households in a cycle of poverty. Financial technology (FinTech) offers a timely and cost-effective solution to these barriers by providing innovative, mobile-based financial services that reach even the most remote areas.

This article explores why Malawi should strategically invest in FinTech as a driver of savings and economic empowerment. It highlights the critical role of digital savings platforms and micro-investment tools in building a culture of financial discipline, encouraging entrepreneurship, and strengthening economic resilience. Case studies such as Pharmacy Plus, which uses technology to simplify access to health-related financing, and Kenya's M-Pesa, which has revolutionized mobile money services, illustrate the transformative potential of well-designed FinTech solutions.

The discussion identifies key challenges to adoption — including low digital literacy, limited internet coverage, and regulatory hurdles — while emphasizing opportunities for innovation, public-private partnerships, and policy support. The paper concludes with actionable recommendations for government, banks, and innovators to collaborate in building an inclusive, technology-driven financial ecosystem that empowers Malawians to save, invest, and thrive.

Keywords: FinTech, Financial Inclusion, Digital Savings, Micro-Investment, Malawi

1. Introduction

1.1 Background of the Topic

Financial inclusion is a key driver of sustainable economic development, particularly in developing economies where the majority of the population is still excluded from formal financial services. In Malawi, this challenge is very pronounced. According to the Reserve Bank of Malawi's 2022 Financial Access Survey, only about 36% of Malawian adults are formally financially included, compared to over 80% in Kenya. This means that most Malawians continue to rely on cash-based transactions, informal savings groups, and non-formal lending systems.

This exclusion has significant economic and social consequences. Households without access to secure savings channels are more vulnerable to shocks such as medical emergencies, poor harvests, or sudden economic downturns. Many are forced to sell productive assets such as livestock or crops to survive, pushing them deeper into poverty. Small and medium enterprises (SMEs), which are critical for job creation, face challenges accessing working capital and credit facilities, which hinders growth and innovation.

Globally, Financial Technology (FinTech) has emerged as a solution to bridge this gap. FinTech refers to the use of technology to deliver financial services efficiently and inclusively. Solutions such as mobile money, digital savings wallets, micro-investment platforms, and online lending have transformed financial ecosystems in countries like Kenya, Ghana, and Nigeria. In Kenya, for example, M-Pesa has revolutionized the way people send, save, and borrow money, contributing to an estimated 2% reduction in poverty levels (Suri & Jack, 2016).

Malawi is uniquely positioned to benefit from a similar transformation. Mobile phone penetration has increased significantly, with GSMA (2023) reporting over 8.5 million mobile subscribers in the country. This provides a ready platform for digital financial services, which can reach rural and urban populations alike, bypassing the challenges of limited banking infrastructure.

1.2 Importance and Purpose of the Article

The purpose of this article is to demonstrate why Malawi must strategically invest in FinTech as a tool for improving savings culture, encouraging micro-investments, and driving national development. Unlike traditional banks, which are mainly concentrated in urban areas, FinTech solutions leverage mobile networks to reach remote villages and underserved populations. By digitizing financial services, Malawi can make saving easier, safer, and more rewarding.

Savings are often the starting point for financial empowerment. When individuals and households save, they build resilience against economic shocks, invest in their children's education, and create opportunities for starting small businesses. Unfortunately, Malawi's savings rate remains low, partly because of a lack of trust in formal financial institutions, high transaction costs, and limited access to banking facilities.

This article focuses on the potential of FinTech solutions to address these barriers. It highlights how mobile-based savings and micro-investment tools can encourage Malawians to save as little as MK500 per week and eventually invest in income-generating activities. It uses practical examples, including Pharmacy Plus, which has shown how digital platforms can be used to improve access to health services and financing, and Kenya's M-Pesa, which demonstrates the power of FinTech in transforming entire economies.

1.3 Objectives of the Research

The main objectives of this article are:

1. To examine the role of FinTech in improving financial inclusion in Malawi, particularly in savings and micro-investments.
2. To highlight practical examples of successful FinTech interventions from Malawi and other countries.
3. To explore the challenges that limit the growth of FinTech solutions in Malawi and propose ways to overcome them.
4. To provide recommendations for government, banks, and innovators on how to collaborate to build a strong, inclusive financial ecosystem.

1.4 Scope of the Discussion

This discussion focuses on FinTech solutions that promote savings and micro-investments among Malawians, both in rural and urban areas. While FinTech also includes areas such as digital lending, payments, remittances, and insurance, this article gives special attention to technologies that encourage regular savings and turn those savings into productive investments.

The scope also considers:

- The current state of financial inclusion in Malawi.
- Comparative lessons from regional leaders in FinTech adoption such as Kenya and Ghana.
- Case studies including Pharmacy Plus and community-driven savings platforms.
- The opportunities and challenges of adopting these solutions, including issues of regulation, trust, digital literacy, and infrastructure.

The article is aimed at policymakers, financial institutions, technology entrepreneurs, and development partners who are working to create an inclusive and sustainable financial sector in Malawi.

2. Literature Review

2.1 Concept of FinTech

Financial Technology, commonly known as FinTech, is a rapidly evolving sector that merges finance and technology to deliver financial services in more accessible, efficient, and user-friendly ways. FinTech solutions range from mobile money and digital banking apps to online lending, insurance, and investment platforms. The literature highlights that FinTech is particularly effective in expanding financial inclusion because it leverages mobile and internet technologies to reach underserved populations, reducing the need for traditional banking infrastructure (Arner, Barberis, & Buckley, 2016).

Studies by Demirgüç-Kunt et al. (2018) show that FinTech adoption can lower the cost of financial services, improve transparency, and encourage the use of formal savings mechanisms. In developing countries, where access to physical bank branches is limited, FinTech can bridge the gap between financial institutions and the unbanked population.

Key FinTech Solutions	Description	Example
Mobile Money	Send, receive, and store money using mobile phones	M-Pesa (Kenya)
Digital Banking Apps	Bank services via smartphone apps	Standard Bank Mobile App
Online Lending	Borrowing money through digital platforms	Tala, Branch
Micro-Investment Platforms	Small-scale investment opportunities	Acorns, PiggyVest
Digital Insurance	Insurance services delivered via mobile or web	BIMA

2.2 Financial Inclusion and Economic Growth

Financial inclusion is defined as the access to and use of formal financial services, including savings, credit, insurance, and payment systems. Research consistently links increased financial inclusion to economic growth, poverty reduction, and social development (Beck, Demirgüç-Kunt, & Levine, 2007). Households with access to secure savings accounts can better manage risks, plan for future expenses, and invest in small businesses or education.

In Malawi, however, financial inclusion remains low. According to the Reserve Bank of Malawi (2022), only 36% of adults are formally included in financial systems, while informal methods such as village savings and loan groups dominate. This scenario contributes to high vulnerability among households, limited capital for SMEs, and slow economic growth.

2.3 Digital Savings and Micro-Investment Platforms

A critical aspect of FinTech is its capacity to transform savings and investment behaviors. Digital savings platforms allow users to deposit and withdraw small amounts, often using mobile phones, creating a culture of regular saving. Micro-investment tools, on the other hand, provide opportunities for small-scale investments in government bonds, stocks, or community projects, allowing even low-income earners to participate in wealth creation. Pharmacy Plus, a Malawian health-focused platform, has demonstrated how technology can facilitate micro-payments and access to health services, helping families save on medical expenses while encouraging financial discipline. Similarly, M-Pesa in Kenya has been widely studied for its success in promoting savings and small-scale lending among low-income users. Ghana's MoMo (Mobile Money) has shown comparable results in facilitating transactions, saving habits, and micro-investments. These cases indicate that well-designed digital platforms can empower users economically while supporting national financial stability.

Platform	Country	Purpose	Impact
Pharmacy Plus	Malawi	Health service payments & savings	Improved access to medical financing
M-Pesa	Kenya	Mobile payments, savings, micro-loans	2% reduction in poverty (Suri & Jack, 2016)
MoMo	Ghana	Mobile money & micro-investments	Increased financial inclusion, especially rural users
Proposed Savings & Micro-Investment Project	Malawi	Small weekly savings pooled for investments	Encourage financial discipline, community investment

2.4 Challenges in FinTech Adoption

The literature also identifies barriers that limit FinTech adoption in developing countries, including Malawi. Digital literacy remains a significant challenge; many users are unfamiliar with mobile apps or digital banking processes. Limited internet coverage, particularly in rural areas, restricts access to online financial platforms. Regulatory frameworks are often underdeveloped, leading to trust issues among users who fear fraud or data breaches (Zins & Weill, 2016). Furthermore, cultural factors and reliance on informal savings mechanisms can slow the uptake of formal FinTech solutions.

2.5 Opportunities for Malawi

Despite these challenges, opportunities abound. Mobile phone penetration in Malawi is rising rapidly, creating a ready platform for digital financial services. Public-private partnerships, targeted financial literacy programs, and regulatory support can accelerate adoption. FinTech can also create jobs, promote entrepreneurship, and facilitate micro-investment projects that support local economic growth.

For instance, a proposed Savings & Micro-Investment project in Malawi aims to allow users to save small amounts, such as MK500 per week, which can later be pooled into community-based investments or used to fund small business ventures. This model has the potential to cultivate a culture of financial responsibility while driving grassroots economic development.

Despite challenges, opportunities exist for FinTech to drive savings, micro-investments, and economic growth.

Opportunity	Description	Example / Application
Mobile Penetration	8.5 million subscribers (GSMA, 2023)	Ready platform for digital finance
Public-Private Partnerships	Collaborations to fund and support innovation	Government + Banks + Tech Startups
Micro-Investment Projects	Small weekly savings pooled for investment	Proposed MK500 weekly savings project
Job Creation & Entrepreneurship	FinTech industry expansion	Digital platform developers, agents, and educators

3. Main Content / Discussion

3.1 Understanding FinTech and Its Importance

Financial technology, or FinTech, refers to the use of digital technology to provide financial services in a way that is efficient, secure, and inclusive. Its primary advantage lies in reaching populations that traditional banking cannot serve effectively. FinTech has the potential to transform the way individuals save, invest, and access credit, ultimately improving economic participation and resilience. Mobile money platforms, digital savings apps, micro-investment tools, and e-payment systems are some of the innovations that allow users to manage their finances conveniently, regardless of location or income level.

In Malawi, where banking infrastructure is limited, FinTech offers an opportunity to extend financial services to rural and underserved populations. For instance, mobile money services like Airtel Money and TNM Mpamba already allow people to make payments, receive funds, and save using basic

mobile phones. Digital savings platforms can help individuals cultivate regular saving habits even with very small amounts, such as MK500 per week, while micro-investment tools can enable low-income earners to grow their wealth gradually.

3.2 Malawi's Savings and Investment Challenges

Despite growing mobile penetration, Malawi faces structural challenges in promoting savings and investments. The country has a low savings rate, with most households relying on informal savings groups, largely due to distrust of banks and limited access to banking infrastructure. Rural populations are particularly underserved, as most commercial banks are concentrated in urban centers.

This lack of access leaves households vulnerable to economic shocks. Medical emergencies, poor harvests, or sudden downturns can force families to sell productive assets such as livestock or crops, pushing them deeper into poverty. Small and medium enterprises (SMEs) also struggle to access working capital, limiting business growth, innovation, and job creation. Furthermore, low levels of financial literacy prevent many Malawians from understanding the benefits of saving, budgeting, and investing in formal financial instruments. These combined factors hinder the country's overall economic development and individual financial resilience.

3.3 Case Studies of Successful FinTech Initiatives

Pharmacy Plus (Malawi) provides an excellent example of how FinTech can improve access to health services while promoting financial discipline. Through its platform, users can make digital payments for medical prescriptions and services, creating a structured savings habit for healthcare expenses. By allowing small, regular deposits, the platform encourages users to save while ensuring that essential health services remain accessible. Its integration with mobile apps ensures transparency and ease of use, which builds trust among users.

M-Pesa (Kenya) has become a global reference point for mobile money adoption. It allows users to send and receive money, access micro-loans, and save via their mobile phones. M-Pesa has significantly increased financial inclusion, particularly in rural areas, and has been associated with a measurable reduction in poverty. The extensive agent network and user-friendly interface ensure that even people with limited education or access to formal banks can participate fully in the financial system.

MoMo (Ghana) has similarly demonstrated the power of mobile money in promoting financial inclusion. Beyond payments, MoMo provides access to micro-investment opportunities and financial education, which empowers low-income users to save, invest, and grow their financial literacy. Such platforms highlight the importance of combining access to financial services with knowledge and education to ensure meaningful impact.

3.4 Proposed Savings & Micro-Investment Project (Malawi)

Building on these successful models, a proposed **Savings & Micro-Investment platform** could be transformative in Malawi. The platform would allow users to save small amounts weekly, starting from MK500, through a secure digital wallet. These savings could be allocated to personal or community-based micro-investments, such as small business projects, agricultural initiatives, or cooperative ventures.

The platform would also incorporate financial literacy modules, teaching users budgeting, saving, and investing strategies. Integration with existing mobile networks would ensure that both smartphone and basic phone users could participate. By providing secure digital receipts and transparent reporting, the platform would build trust among users while promoting a culture of regular saving and investment.

The conceptual workflow would involve users depositing small amounts weekly, pooling funds in a secure digital wallet, allocating savings to selected micro-investments, and receiving returns directly into their wallets. Educational content and financial tips would guide users on maximizing the benefits of their savings, ensuring that the platform contributes not only to financial inclusion but also to economic empowerment.

3.5 Opportunities for Malawi

FinTech adoption in Malawi presents numerous opportunities. First, it can create jobs in technology development, agent networks, and financial education programs. Second, it can extend financial services to rural areas where traditional banks are scarce, supporting entrepreneurship and small business growth. Third, by enabling small-scale investments and pooled savings, FinTech can foster community development and local economic empowerment. Public-private partnerships are essential in realizing these opportunities. Collaboration between government agencies, banks, and technology startups can help improve infrastructure, provide financial literacy training, and ensure that regulatory frameworks protect users while encouraging innovation.

3.6 Challenges to Adoption

Despite its potential, several challenges could slow FinTech adoption in Malawi. Low digital literacy remains a major barrier, as many users are unfamiliar with apps or digital financial tools. Limited internet and mobile network coverage in rural areas further restrict access. Users may also have concerns about security and fraud, which could reduce trust in digital financial platforms. Regulatory gaps in digital finance and cultural preferences for cash-based transactions or informal savings groups add additional layers of complexity.

These challenges, however, are not insurmountable. Targeted financial literacy campaigns, USSD-based applications compatible with basic phones, transparent reporting systems, and supportive government policies can significantly mitigate adoption barriers.

Perfect! Let's move on to **Section 4: Opportunities for Policy, Innovation, and Investment**. I'll write it fully in **narrative style**, building on the previous sections, and keep it detailed for your 15-page article.

4. Opportunities for Policy, Innovation, and Investment

4.1 Policy Opportunities

Effective policies are essential to create an enabling environment for FinTech growth in Malawi. The government can play a central role by introducing regulatory frameworks that protect consumers, encourage innovation, and ensure financial stability. Policies could focus on several areas:

1. **Digital Finance Regulation:** Establish clear guidelines for mobile money providers, digital savings platforms, and micro-investment tools. Regulatory certainty can increase trust among users and investors while preventing fraud and misuse.
2. **Financial Inclusion Incentives:** The government could provide tax incentives or grants for FinTech startups that target underserved populations. Such incentives can encourage innovation and expansion into rural areas.
3. **Consumer Protection:** Laws protecting users' funds, personal data, and privacy are crucial. These protections build confidence in digital platforms and reduce resistance to adopting FinTech solutions.
4. **Support for Digital Literacy:** National programs to promote financial and digital literacy can empower citizens to use FinTech products effectively, bridging the knowledge gap that limits adoption.

By aligning policies with the goal of financial inclusion, Malawi can create a structured and supportive environment for FinTech growth, ensuring that both innovators and users benefit.

4.2 Innovation Opportunities

Malawi has significant potential to leverage innovation in FinTech to boost savings and investments. Several strategies can be pursued:

1. **Mobile-First Platforms:** With over 8.5 million mobile subscribers, Malawi has the infrastructure to adopt mobile-first solutions that require minimal internet access. These platforms can reach rural populations and low-income users who lack access to traditional banks.
2. **Community-Based Savings Models:** Innovative platforms can combine digital technology with community savings groups, allowing users to contribute small amounts weekly and participate in micro-investment projects. This hybrid model strengthens social trust while promoting financial discipline.
3. **Integration with Other Services:** Platforms like Pharmacy Plus have shown that combining financial services with other essential services, such as healthcare, increases adoption and provides practical benefits to users. Future innovations could integrate education, agriculture, or micro-insurance into savings and investment platforms.
4. **Data-Driven Solutions:** FinTech platforms can use data analytics to understand user behavior, track financial patterns, and personalize financial advice. This approach improves financial literacy and helps users make informed investment decisions.

Innovation in these areas can create new business models, expand financial inclusion, and contribute to economic growth by encouraging entrepreneurship and responsible investment.

4.3 Investment Opportunities

Investors, both local and international, have strong incentives to support FinTech growth in Malawi. The country presents a largely untapped market with high mobile penetration and a growing demand for financial services. Investment opportunities include:

1. **Startups and FinTech Companies:** Funding early-stage FinTech companies can help them scale, expand into rural areas, and develop new solutions for savings, micro-investments, and payments.
2. **Technology Infrastructure:** Investments in mobile network coverage, secure digital wallets, and cloud-based platforms are essential to ensure smooth operations and scalability.
3. **Financial Literacy Programs:** Public-private partnerships can fund training programs that equip citizens with the knowledge to effectively use digital financial services.
4. **Micro-Investment Projects:** Platforms enabling pooled investments in agriculture, small businesses, or community projects provide opportunities for both social impact and financial returns. Investors can support these platforms while fostering economic development at the grassroots level.

The combination of policy support, technological innovation, and targeted investment can create a robust ecosystem where FinTech thrives, leading to greater financial inclusion and sustainable economic growth.

4.4 Collaboration Between Stakeholders

For Malawi to fully harness the benefits of FinTech, collaboration between multiple stakeholders is critical. The government, financial institutions, technology companies, NGOs, and community organizations must work together. Collaborative initiatives could include:

1. **Public-Private Partnerships:** Governments can collaborate with mobile network operators and fintech startups to expand access, particularly in rural areas.
2. **Shared Knowledge Platforms:** Workshops and training programs can be organized to improve digital and financial literacy for both users and FinTech entrepreneurs.
3. **Innovation Hubs:** Establishing technology hubs where startups can test and scale solutions will foster innovation and provide mentorship opportunities.
4. **Regulatory Sandboxes:** These controlled environments allow FinTech firms to test new solutions under supervision, reducing risk while

promoting innovation.

Through collaborative efforts, Malawi can build a resilient, inclusive, and technologically driven financial ecosystem that empowers citizens to save, invest, and participate fully in the economy.

4.5 Social and Economic Impact

Investing in FinTech and supporting these opportunities can have far-reaching social and economic effects. Citizens can gain access to secure savings mechanisms, reducing vulnerability to financial shocks. Micro-investment opportunities empower individuals to grow wealth and participate in entrepreneurship. At the national level, increased savings and investments can boost capital formation, stimulate business growth, and create jobs. Ultimately, FinTech can contribute to poverty reduction, economic diversification, and improved standards of living. By leveraging mobile technology, digital savings platforms, and community-driven investment projects, Malawi can accelerate progress toward a financially inclusive and economically empowered society.

Absolutely! Here's a **References** section in **APA style**, based on the sources and examples cited in your article. I've also included some credible general references to support the FinTech, financial inclusion, and Malawi-specific context. You can expand this later if you cite more studies.

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