



Official Launch of the Investor Education Week

Speech

By

The Deputy Governor, Economics and Regulation,
Reserve Bank of Malawi

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LILONGWE, BICC

- The Representative from the Ministry of Finance, Mr. Alfred Kutengule;
- The Chief Executive Officer of Malawi Stock Exchange, Mr. John Kamanga
- The Director General of the National Planning Commission, Dr. Grace Kunchulesi;
- The Representative from the Malawi Confederation of Chambers of Commerce and Industry;
- The Representative from Consumer Association of Malawi;
- The Representative from Bankers Association of Malawi;
- The Representative from Insurance Association of Malawi;
- The Representative from Capital Markets Association of Malawi;
- All senior Government officials;
- Directors at the Reserve Bank of Malawi;
- Heads of private sector institutions present here;
- Members of the press;
- Distinguished invited guests;
- Ladies and gentlemen.

Good morning.

1. It is a great honour for me to welcome you all this morning to this function, which marks the start of a weeklong event packed with various investor education and awareness activities. The event is held under the theme “*Investor Education, a Catalyst to Wealth Creation*”. The objective of the event is to enhance public awareness regarding investment opportunities in capital markets, but also to disseminate information that will help potential investors to make informed investment decisions.

2. **Honourable Ladies and Gentlemen**, over the years, capital markets investment instruments (which include treasury bills, shares, bonds, collective investment schemes) have generally been considered a space for the elite and high net-worth individuals. In addition, the rising number of illegal Pyramid Schemes in the country, where many individuals are being defrauded of their hard-earned money, serves to highlight the need and importance of raising public awareness of credible avenues for investment.

Capital Markets Regulation and Landscape

3. Honourable Ladies and Gentlemen, the last 10 years have seen a major shift in the landscape of financial sector development, regulation and supervision, particularly in the capital markets sector. These have included;

- The enactment and implementation of the Financial Services Act, the Securities Act, and the Pension Act. All these have facilitated in bringing the progressive changes we see today in this sector.
- The capital market now operates in an environment that is well and effectively regulated and supervised. What is more pleasing is that our supervision and regulation standards are in conformity with international best practices.
- The capital market has also shifted from a situation of limited capital market instruments mainly dominated by shares to a wide range of instruments that now includes Treasury notes, corporate notes, and Unit trusts.
- Further, there is an efficient improvement in the operations of the capital markets, as we are all aware

that the exchange trading system was automated and went live on 7th June 2018.

- We have also done away with physical issuance of security certificates by establishing and upgrading the Central Securities Depository housed at the Reserve Bank of Malawi, catering for all securities. This development has made transacting in listed securities more efficient and safer because the risk associated with paper certificates has been eliminated.

Individuals and SMEs participation in the Capital Markets

4. **Honorable Ladies and Gentlemen**, while we speak of all these positive strides, we realize that this may not be enough to meaningfully contribute to national development, if the public and individual Malawians do not fully participate in capital markets.
5. **Ladies and Gentlemen** increased participation by retail investors, including small and medium enterprises (SMEs), in capital markets is more important now than

ever as we move to a new long-term development agenda, the Vision 2063.

Gross Domestic Savings and Long Terms Investments

6. **Honorable Ladies and Gentlemen**, mobilization of savings has been generally low, with gross domestic savings as a percentage of GDP estimated at **6.9 percent in 2019**. This compares unfavourably with the Sub-Saharan region, which recorded **19.5 percent** during the same period. Nevertheless, we have seen a steady growth of savings particularly from pension funds, since the enactment of the Pension Act in 2011. As at 30th September 2020, pension assets stood at **K1.0 trillion**. Going forward, the relatively young labor force guarantees a steady supply of such funds which can be meaningfully put to use for long-term development projects.

7. Currently, investment managers in the capital markets are grappling with shortage of long-term investment instruments that can absorb the steadily growing funds under management. Efforts by both government and the

Reserve Bank are underway to develop policies and implement strategies that will ensure a favourable environment for public and private institutions to access long-term finance from capital markets. This will ultimately increase availability of long-term investment instruments, providing the much-needed investment home for long-term funds.

The Space for Investor Education and Awareness

8. **Honorable Ladies and Gentlemen**, key to fostering a saving and investing culture is equipping the public with the necessary information on safer and effective saving and investing.
9. Investor education is therefore very important more especially in today's digital era. We all know that in as much as digitalization has many potential benefits to the economy, it has also exacerbated risks associated with investing. Further, investment products have become increasingly diverse, and this can make choosing the right investment, a dilemma. More importantly, those who are financially vulnerable are often overwhelmed with the need to make quick and easy money and in the process,

throw caution to the wind. This therefore calls for continued investor education.

Stakeholder Involvement and Collaboration in Investor Education

10. **Honorable Ladies and Gentlemen**, investor education is a daunting task that requires long-term commitment from all stakeholders. Let me take this opportunity to applaud our stakeholders for their contribution towards investor protection. We could not have reached this far without your input to our investor protection program.

11. Most importantly, the role of the media in educating investors on our behalf cannot be over stressed. We have organized several activities to be implemented over the next four days of this week. These activities range from print and electronic media adverts, jingles, panel discussions, investor education sessions at various public and private institutions, and town hall meetings. Our valued partners from the media, please know that we are counting on you to take the overriding messages far and wide, beyond the duration of this investor education and awareness event.

12. **Honorable Ladies and Gentlemen**, at this juncture, I therefore declare the Investor Education and Awareness Week officially open!

Thank you for your attention, I look forward to our continued partnership to take financial literacy of the people of Malawi to greater heights.