FINANCIAL INCLUSION THROUGH VILLAGE BANKS: THE GATEWAY TO WOMEN'S ECONOMIC EMPOWERMENT IN MALAWI

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Abstract

Women economic empowerment is an important aspect towards attaining gender equality in society. Through women-only spaces in self-help village savings and loans groupings, also known as village banks, women in Malawi are able to gain and exercise more personal (power within), relational (power to), and collective (power with) power and control over their own lives. These platforms do not overturn or remove arrangements that institutionalise deprivation, exploitation, and gross disparities in wealth and income but they provide an opportunity towards unmaking some of the effects of gender and economic inequality. Village banks contribute to financial inclusion – a key factor to financial access and resources necessary to interact with others as peers and to exercise agency. This is the feminist goal for women's economic empowerment. This paper analyses how these village banks operate and contribute to economic empowerment. It establishes that the lack of formal regulatory frameworks directly guiding and controlling these village banks results in opportunities for greater financial inclusion for rural women, thus, contributing to economic empowerment. It argues that the lack of regulatory frameworks also leaves the village banks with the risk of being used as conduits for money laundering by criminals. Through social-legal research, our paper offers an example of how to maximize benefits for women's economic empowerment through village banks, having regard to the law and its limits.

Key Words: financial inclusion; village banks; women economic empowerment

Introduction

In 2016, only 34% of the adult population in Malawi had access to formal financial services that are provided by formal financial institutions such as commercial banks, financial cooperatives, and microfinance institutions (Malawi Government, 2017). The figure rose to 40% as of June 2018 (World Bank, 2021). A large number of people in the country, especially women, do not have access to formal financial services in Malawi due to low incomes, long distances to the formal financial institutions, a lack of identification documents needed to open a bank account, and financial illiteracy (Malawi Government, 2017). Furthermore, Malawi is a predominantly cash-based economy; most financial activities, therefore, take place outside the formal financial system.

In recent years, there has been an influx of informal financial institutions, popularly known as village banks, which offer savings and credit schemes in both rural and urban areas in Malawi. Village banks, also referred to as village savings and loans associations, (VSLAs) are member-based groups aimed at pooling money from the members and lending it at an interest to those who need it (Allen, 2006; Karlan et al., 2017). The funds accumulated over time are distributed to the members at the end of the cycle. The concept was pioneered by CARE International and has become an increasingly popular tool among development practitioners in many countries. (VSL Associates, 2018). CARE International introduced village banks in Malawi in 1999 with the aim of helping households change from subsistence to commercial farming and thus improve their nutritional and health practices (Chipeta, 2010). Through these village banks, members are encouraged to build their financial assets and skills through savings rather than debt. Most of the village banking programmes are conducted in rural areas where the majority of the people do not have access to formal financial institutions. In the rural areas these programmes are mainly supported by non-governmental organisations (NGOs) as part of the economic empowerment of the rural masses. In Malawi in 2015, 67 organizations were implementing VSLA programmes with a total of 37,461 savings groups (Ministry of Finance, Economic Planning and Development, 2015).

Apart from village banks, which are promoted by NGOs in rural areas, there is another group of village banks that are formed by individual members of the community without any guidance from any NGOs. These self-promoted village banks are pervasive in urban areas. The membership of these urban village banks includes people who have access to formal financial institutions but use the village banks as an alternative place for keeping their savings and obtaining credit.

Section 30 of the Constitution of Malawi guarantees the right to economic, social, and cultural development and women are identified among those for special consideration. In 2017, the Government of Malawi recognized financial inclusion as essential to economic development and committed to expanding savings and investment opportunities, especially through savings groups (Malawi Government, 2017).

Village banks are recognized in the Malawi National Strategy for Financial Inclusion 2016-2020 (Malawi Government, 2017) for ensuring equitable access and use of financial services in their current nature as informal financial institutions. The Strategy also recognizes the dangers of leaving the village banks as informal and although it offers ways of ensuring some form of monitoring, it does not require the registration of village banks which would facilitate monitoring. To-date, there are no laws directly regulating or formalizing village banks in Malawi.

This paper investigates how spaces predominately occupied by women in self-help village savings and loans groupings operate to ensure access to financial services and contribute to economic empowerment. The research also examines the role of the law in enhancing the benefits from the village banks and minimizing the risks that emanate from being informal institutions.

The paper is organized in four main sections, including the introduction. Next, the paper will clarify the conceptual framework by reviewing literature on financial inclusion and by analysing financial inclusion as an enabler for women's economic empowerment and contributor to gender equality. The third Section will look into how village banks operate in Malawi, identifying strengths and weaknesses in contributing to women's economic empowerment and gender equality. Finally, the paper will provide an overall analysis, recommendations, and a conclusion.

[2]Constitution of Malawi, 1995. For a discussion on the justiciability of this right, see Kapindu,R.E. (2013) Courts and the Enforcement of Socio-Economic Rights in Malawi: Jurisprudential Trends, Challenges and Opportunities. African Human Rights Law Journal, 13(1), 125-151.

Conceptual Framework of Financial Inclusion and Women's Economic Empowerment from a Feminist Perspective

There are several definitions of 'financial inclusion'. Most scholars define it narrowly in terms of access to and/or use of formal financial services (Allen et al., 2016; Demirgüç-Kunt & Klapper, 2012; Zins & Weill, 2016) while others describe it broadly as equitable access to financial services (Mawuko Agoba et al., 2017). The constant association of financial inclusion with formal finance institutions is slowly being eroded in Africa where the majority of poor people do not predominantly access financial services from formal financial institutions but informal institutions such as the village banks (Klapper & Singer, 2015; Lindvert, 2015; Zins & Weill, 2016; Bongomin et al., 2018; Demirgüç-Kunt et al., 2020; Oji, 2015; World Bank, 2017). As already alluded to above, formal institutions also perpetuate exclusion to low-income populations due to various requirements (financial or documentary) and limited physical availability. Financial inclusion must, therefore, recognize the complementary role of informal financial institutions for the poor in Africa. Financial inclusion can be defined simply as access to financial services which may be mediated through both formal and informal institutions although the ultimate goal may remain that of ensuring access to formal financial services (Ndanshau & Njau, 2021, p.173).

Hendrick (2019, p. 1030) asserts that "*being financially included can have transformative effects for women*". Similarly Allen, et al., (2016) assert that *"financial inclusion is key to economic empowerment for financially excluded women".* Access to and use of financial services such as savings and loans help women develop their economic situation. Economic development is increasing women's empowerment by allowing women to control and derive benefit from resources, assets, and incomes. Women's economic empowerment (WEE) is one way of improving women's lives, as well as the lives of their families, communities, and the nation. It *"enables women to better manage risk, fund household expenditures, and contribute to development, including stronger GDP growth and gender equality"* (Abbot, 2017, p.10). Where women are able to engage in income-generating activities that help them become financially independent, this also strengthens their decision making-power within the household and society (Zhang & Posso, 2017). A study by Zhang & Posso established a link between access to microfinance and women's increased agency and autonomy. Kwarteng & Sarfo-Mensah (2019), writing on VSLAs in Northern Ghana, and Tura, et al., (2020) on VSLAs in Mozambique, provide clear evidence that there is power gained at a personal level, with others, and collectively by participation in savings and loans groups. The women's agency is evidenced by self-efficacy, their comfort with public speaking, and decision-making autonomy. The studies also identified that the women become more economically and socially active. This is demonstrated in increased mobility, decision making, contribution to family and community livelihoods, courage to face officials and influence decisions, vote independently, and contest in elections within associations. Expanding women's assets and their capabilities to exercise autonomy, improve their position relative to men within the household or society, and being able to participate in decision-making and influence choices that affect them, is indeed a marker of women's empowerment.

Feminist scholars have identified that limitation or restrictions to women's agency and achievement of gender equality is linked to economic achievement and it is caused by the patriarchal cultural characteristics that govern relationships between men and women (Ashe & Neilan, 2014). Kabeer (2016; 2012), for instance, argues that economic empowerment itself does not necessarily lead to greater gender equality unless the traditional customs and practices that have subordinated and marginalized women are challenged and moderated. WEE must go hand-in-hand with challenging patriarchy, which is recognized as the main cause of gender inequality. Patriarchy may be defined as *"a system of male authority which legitimizes the oppression of women through political, social, economic, legal, cultural, religious and military institutions"* (Charter of Feminist Principles for African Feminists, 2007, p.4). It is a framework of the totality of oppressive and exploitative relations which affects African women. Matandela (2020, p.13) states that *"this system of power and inequality monitors and instils behaviour that counteracts women from attaining civil, political, and socio-economic rights"*. While patriarchy manifests itself differently in different contexts, characteristics of this are similar across the continent, including the exclusion of women in decision making at all levels and inhibiting autonomy.

Women's economic empowerment, from a feminist perspective, must go beyond improving income and welfare and also focus on power imbalances and giving women more control to manage their own lives. Financial inclusion and WEE are transformative from a feminist perspective if they contribute to a change of power relations in the society through a process by which women denied power gain power, in particular the ability to make strategic life choices (Esnasshri, 2014). "*WEE must, therefore, also contribute to gaining power: personal (power within), relational (power to), and collective (power with) for gendered outcomes"* (Nwankwo, 2017, p.19). According to Rowlands (1998), 'power within' is self-confidence, self-awareness, and assertiveness; 'power to' is about decision making and participation; and 'power with' is collective agency or collective action and solidarity. It is, therefore, not enough to only ensure a provision of credit and other financial services to women who are deprived of formal financial services. Although this helps low-income or non-earning women to obtain a financial loan and benefits their earning capabilities to help them meet their living standards, feminists are interested in gendered outcomes, especially increased agency at individual and collective levels, to gain more power.

Gender inequality is pervasive. Gender discrimination remains prevalent, particularly against women, although feminists' advocacy, particularly in areas of legislative measures in recognizing women's rights and increased economic opportunities, has achieved significant progress (African Development Bank and United Nations Economic Commission for Africa, 2020). Feminism, according to Koboré (2017, p. 413), *"fights to establish social justice and to get rid of gender inequality"*. For Ebunoluwa (2009, p. 227) it is *"a label for a commitment or movement based on the belief in sex equality and seeks to achieve equality for women and to transform society"*. Ebunoluwa (2009, p. 229) states that *"African feminism is grounded in African culture and focuses on the unique experiences, struggles, needs, and desires of African women".* It is committed to gender justice and equality and seeks to enhance women's emancipation in a predominantly patriarchal world (Kourany et al., 1998). Two things in achieving gender equality for women are emphasized, namely, improving the lives of African women and challenging the legitimacy and the basic underpinnings of patriarchal institutions and values. Financial inclusions which lead to WEE are one way of improving women's lives and contributing to gender equality because disempowered women are both subordinated and experience poor human welfare.

Both the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa and the Southern African Development Community Gender Protocol recognize the right to economic development. There is emphasis on ensuring not only opportunity but also benefit for women through legal and other measures. The state parties have obligations to ensure there are optimal conditions for women in both the formal and informal sector to engage and be supported in occupations and economic activities. Economic independence of women is crucial as it counteracts exploitation, feminization of poverty, discrimination, and disregard of their fundamental human rights. Furthermore, there is a legal basis for claims against government and other actors that impact the enjoyment of rights through greater opportunity to participate in decisions and equitable distribution of benefits (Uvin, 2007; Sitta, 2010). Women have the right to development which is realized through financial inclusion, among other things. Therefore, from a feminist perspective, financial inclusion is key to gender equality when it ensures empowerment which results into greater agency and autonomy for women to act independently or with others to change their lives. We now move to look at what is happening in Malawi to ensure financial inclusion of women and their empowerment in village banks.

Research Methodology

A socio-legal study was undertaken to investigate the role of village banks in WEE and the role of the law in these informal financial institutions. Analysis of the law required the examination of both primary and secondary sources that included statutes, policy documents, scholarly articles, and official statements and reports from Government as well as non-governmental and international organisations.

The main technique for this method was library and desk-based research. The study also adopted an entirely qualitative approach in soliciting the reactions, comments, and perceptions of respondents concerning the lived experiences of women who benefit from the village banks. This involved key informant interviews which were held with five VSLAs from Lilongwe rural areas as well as five VSLAs from Lilongwe urban areas with informants who were randomly selected. During these interviews, the key informants were asked a series of unstructured open-ended questions on how they operated their VSLAs. This was done to acquire as much detail as possible on how the VSLAs conduct their business and their impact on WEE. Other key informants interviewed were drawn from five non-governmental organisations responsible for promoting VSLAs in order to appreciate how their programmes are conducted. This approach was chosen because it enabled the researchers to assess the operation and impact of VSLAs.

Key Findings

In this study, a field research was conducted in Lilongwe rural and Lilongwe urban in order to compare how village banks are operated in rural and urban areas, as well as to assess the benefits and risks which these village banks pose. One study was done in Traditional Authority (T/A) Malili area where five village banks, which are promoted by NGOs, were targeted. The research involved unstructured key informant interviews with members of five different village banks in the five villages of Chimwamadzi, Chimbowa, Msilani, Msipu, and Mgwata.

The research was also conducted in urban areas of Lilongwe and it also involved key informant interviews with members of five different village banks in Lilongwe urban (none of which were promoted by any NGO). Four village banks under the study from Lilongwe urban had resident participants from four areas while one village bank was composed of employees at one of the companies in Lilongwe with members from different locations of the city.

Operation of Village Banks

The findings of the study presented below are demarcated into two categories representing the rural and the urban village banks.

Table 1. Summary findings on village banks in rural and urban Lilongwe

	Rural	**Urban**
How the village bank started	Some by NGOs. Others self-promoted	Self-promoted
Membership	Both male and female	Both male and female
Memberships' access to formal financial institutions	None	Yes
Geographical area of members	One village	Different areas
Requirement to disclose source of income	Yes	None
Multiple memberships to village banks	Prohibited	Allowed
Share value or amount for opening account	K1000 – 2000 (USD1.2-2.5)	K3,000 – K50,000 (USD 3.7 - 62)
Requirement for weekly deposits	Yes	No
Share or deposits limits	Yes (maximum is 5 shares)	None
Loan interest rate	10 to 20%	20 to 30%
Loans to non-members	Not allowed	Allowed
Limits on amount to borrow	Yes, in 3 out of 5 groups (maximum of three times one's share)	None
Requirement for collateral before obtaining a loan	None	None
Where money is kept	In a box at the treasurer's house	The treasurer's bank account
Cycle period	Six months	1 year
Frequency for meetings	Weekly	Monthly
Sharing of interest	Equally amongst the members	In some groups, every member receives his/her accumulated interest on loans obtained, while in some groups interest is shared equally
Determining leaders	Voting	Voting
Gender of main leader	Both men and women	Both men and women

Village Banks in Rural Lilongwe

The study established that rural village banks were composed of both men and women who did not have access to formal financial institutions. Some of the cited reasons for failure to access formal financial institutions by the members of the rural village banks were long distance to the formal financial institutions as well as a perceived insufficiency of money to save with the formal financial institutions. In these village banks, every member was required to have an income generating activity and was required to be buying shares in the group whose values ranged from K1000 to K2000. At the end of the cycle, every member received the total value of the shares bought in that cycle. Members of the rural village banks also had access to loans from the money contributed by the members in buying shares, which were payable with interest ranging from 10% to 20% per month. The accumulated interest was shared equally among the members at the end of the cycle. Any excess funds were kept in a box which was kept at the treasurer's house. In order to mitigate the risk of embezzlement of funds, the box had three locks whose keys were kept by three different members of the group.

Village Banks in Urban Lilongwe

As regards urban village banks, the study found that they were also composed of both men and women. However, unlike rural village banks, whose members had no access to formal financial institutions, the members of urban village banks had access to formal financial institutions but preferred to use the informal village banks because of the benefits offered by the village banks. In the urban village banks, all that a member was required to do was to be able to make regular deposits with the group and to pay back loans obtained with interest, which in some groups was credited to the member's account, while in other groups, it was shared equally among the members. Any excess funds in the urban village banks were deposited in the treasurer's bank account.

Role of Village Banks in WEE

Like numerous other relevant studies conducted in Malawi, this study found that there were several benefits derived from the village banks and that there was opportunity for women to gain power. Firstly, the rural village banks offer financial inclusion to people who normally cannot access formal financial services. Unlike the formal financial sector, village banks are very accommodative to the population with low income and with no formal identification papers. Although there is a requirement for members to join the rural village banks with a minimum account balance or share, this is minimal. They offer close and timely financial services, including access to loans at any time to be used as business start-up capital and to expand their businesses without the need for collateral. The requirement of collateral was stated as one of the reasons the members in village banks did not or could not obtain credit from formal financial institutions. This is similar to the findings by other studies in Malawi such as the one conducted by Maganga (2020). Unlike commercial banks, village banks operate on trust and give out loans to their members without the need for collateral. All that is required is assurance that the money will be paid back. According to Thuysbaert and Udry (2017), the savings which members of informal savings groups such as the village banks accumulate insulate them from adverse aggregate shocks on their economic activity and also stimulate investments to extend and expand businesses operated in their households.

Although both rural and urban village banks had both female and male members, the women dominated these groups and demonstrated enhanced agency and participatory living. The rural village banks, predominantly in this study and the study by Waller (2014), expressed personal growth evidenced by self-confidence, new financial skills, and active participation in collective problem solving within the groups. Women were able to support and contribute not only to finances in the family but also to decision-making. With improved financial security, women reported more cooperation with their spouses but also the ability to take action where needed or to negotiate with their husbands on how to spend money or make other decisions. Open discussion and mutual agreement on decisions was also reported by Waller (2014) in her study of village banks. However, she also found that women required approval from their husbands in most aspects of their lives, including activities in the village banks, and that their husbands remained final decision-makers as heads of the household and main income providers. The effects of patriarchy, particularly the deprivation and exploitation of women economically, are slowly being eroded though it will take time, consistency, and multiple deliberate strategies to reach the goal of gender equality. In the meantime, we celebrate the small gains being made.

The opportunity to serve in elected positions and to vote for a preferred candidate is also valuable to the exercise of agency. Women dominated not only in membership, but also in the leadership of the village banks. This enhances self-confidence and the ability to speak out on matters (Waller, 2014). The village banks also provide solidarity among members who, through regular interactions, became partners or sources of advice in other aspects of life besides business or other productive ventures. Some of the groups had been running for several years with the same members hence the unity and collective agency in supportive problem-solving.

Overall, the village banks have positive impact on women and others excluded from formal financial services. The financial inclusion enhanced through village banks results in WEE as women gain personal, relational, and collective power in these groups besides their economic development.

The Legal/Regulatory Framework Governing Village Banks

Village banks are informal in nature and are, therefore, not directly regulated by the legislation for financial institutions. Several Acts of Parliament regulate financial institutions. However, village banks are not recognised or listed as financial institutions under section 3 of The Financial Services Act. Furthermore, they do not meet the definition of a bank under section 2 of the Banking Act as they do not receive deposits from the public to keep and pay back upon demand. Village banks are also exempted from the application of the Microfinance Act under section 4 of the Microfinance Act because they operate as mutual benefit small member-based schemes for saving and credit in a single locality.

By their nature, village banks are financial cooperatives. Financial cooperatives in Malawi are regulated under the Financial Cooperatives Act, 2011, as well as the Financial Services Act, 2010. According to section 3 of The Financial Cooperatives Act, the Act applies to all persons providing member-based savings and credit services as a whole or as part of their business unless exempted by the Registrar pursuant to his/her authority under the Financial Services Act. For a group (or any other person) to be allowed to engage in the business of receiving deposits, extending credit, and providing other financial services to its members as a financial cooperative, it is required under section 4 (1) of the Financial Cooperatives Act to be incorporated under the provisions of the Cooperative Societies Act and to be licensed under the provisions of the Financial Services Act, 2010 as a primary SACCO or a secondary SACCO. The term 'person' in the Financial Cooperatives Act refers to an individual, a body cooperate, a partnership, an association, and any other group of persons acting in concert whether incorporated or not.

The principal object of the village bank is to accept deposits in the form of savings from its members and to advance loans and provide other financial services to its members; village banks are, therefore, financial cooperatives. However, since village banks are neither registered under the Cooperatives Societies Act nor licensed as SACCOs under the Financial Services Act, it can be argued that the Financial Cooperatives Act does not apply to them. The Financial Cooperatives Act only applies to formal financial cooperatives which are both registered by the Registrar General and licenced by the Registrar of Financial Institutions.

The formalization of village banks could lead to the loss of advantages associated with informality such as transparency, no costs, and trust among a small group. Concerns have also been raised in relation to how turning informal financial institutions into legal entities may reduce their efficiency in meeting their objectives because of the formal rules and regulations that the members would have to follow as well as the additional volume of internal documentation and correspondence with the relevant government institution or agent that would be required. It is also believed that formalizing informal financial institutions like village banks would be costly to operate because of the additional paperwork and the payment of registration fees.

On the other hand, this lack of regulation of village banks puts them at a higher risk of being used in money-laundering pursuits. According to Article 6 of the United Nations Convention against Transnational Organised Crime, money laundering is the process of making illegally obtained money to appear legitimate. Criminals move their money from the formal financial institutions where there are regulatory measures in place for preventing and detecting money laundering activities, to the unregulated informal institutions. "Village banks provide a high level of anonymity and can be abused by money launderers to escape the scrutiny of financial regulators and law enforcement agencies" (Moshi, 2007, p. 2). Since Malawi has a predominantly cash-based economy with not much paper trail to follow during financial investigations, the prevalence of informal financial institutions like village banks makes the financial system more vulnerable to money laundering. It is a general understanding that money-laundering activities can take place through various abuses of informal banking and financing channels, which generally operate outside the regulatory system that applies to financial institutions (Moshi, 2007, p. 2).

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Money laundering risk factors were observed in the study, in the operation of village banks, especially the urban village banks. These risk factors include the lack of proper identification of members, the lack of limits on cash deposits which a member can make, multiple memberships to different village banks, and the allowance of third-party transactions.

The legislation analysed above has mechanisms for preventing money laundering that the village banks do not benefit from. For instance, under section 10 (e) of the Financial Services Act, the Registrar of Financial Institutions (the Registrar) has functions aimed at achieving the reduction and deterrence of financial crime in financial institutions. Additionally, village banks do not benefit from the Financial Crimes Act that regulates financial institutions to combat financial and related or consequential crimes. According to section 2 (1) of the Financial Crimes Act, 2016, the term 'financial institution' in the Act bears the meaning ascribed to it under the Financial Services Act.

Besides money laundering, village banks face several other risks in their operations such as the risk of defaulting on repayment of loans. As earlier stated, village banks operate on trust. There is no requirement in village banks for a member to provide collateral before s/he can be given a loan. Because of the lack of collateral, when one defaults repayment of the loan it is difficult for the members to recover the money. Village banks are also not able to commence legal proceedings to recover debts from defaulters because they have no legal personality under the law since they are not registered.

Village banks, especially rural village banks, also stand a risk of having their funds stolen. As was stated earlier, in the rural village banks under study, the excess funds were kept in a box that was placed in the custody of the treasurer. This means that if the box is to be stolen from the treasurer's house, all the members would lose their savings (Le Polain. 2018).
As stated before, the Strategy (2017) recognised the potential risks and abuses of the village banks, however, it did not proceed to call for actual direct regulation. It proposes that the nature of village banks should remain informal but that village banks should have regulator monitoring with graduating levels of supervision based on the assessed level of risk. Considering that there are over 30,000 village banks in Malawi, direct supervision of all village banks would be costly on the part of the Registrar but it would also not be feasible. The Strategy does not propose the requirement for registration of village banks which would facilitate monitoring. There is a need to put in place user-friendly regulatory measures which do not stifle financial inclusion but at the same time address the risks of village banks being used for money laundering and other abuses or crimes.

Conclusion and Recommendations

Village banks offer women a means to economic empowerment through access to financial services that contribute to economic development, agency, and autonomy. Women are able to contribute to their families' welfare and decision-making as well as to solve problems with others. The exercise of agency individually, by acting or negotiating for action, besides collective agency promotes the participation of women in decisions that affect them and help them in gaining autonomy. These informal financial institutions offer a wide range of services for low-income earners and women in the informal sector inclusion in accessing loans, in saving and in gaining ideas and solidarity in the pursuit of livelihoods. The decision to not monitor or directly regulate the village banks poses the risk of these platforms becoming conduits for money launderers, especially in the urban areas where the people involved and the rules used open them up to such abuse. Therefore, a balance is necessary where legislation must be relied on in a limited way to ensure supervision of, protection from abuse, and accountability in village banks while guaranteeing financial inclusion and gendered outcomes of gaining power and economic development.

[3] For more on identifying the risk of theft of village bank funds, see Le Polain, M., Sterck, O., &Nyssens, M. (2018). Interest Rates in Savings Groups: Thrift or Threat? World Development, 101, 162-172.

We recommend that there should be supervision and monitoring of all village banks in Malawi by the Registrar and that village banks should acquire a semi-formal nature of a financial institution. The Registrar should issue a directive requiring all village banks to be registered as financial cooperatives under the Financial Cooperatives Act. Furthermore, the Financial Services Act should be amended so as to exempt the village banks once registered as financial cooperatives from the provisions of the Financial Cooperatives Act, which are costly to attain and thus impede financial inclusion.

Once village banks are registered as financial cooperatives, they will acquire legal personality with obligations to implement mechanisms against money laundering. The legal personality of village banks will also be relied on to commence legal proceedings for recovery of any debts owed or money stolen by any member. This recommendation, however, requires further investigation.

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