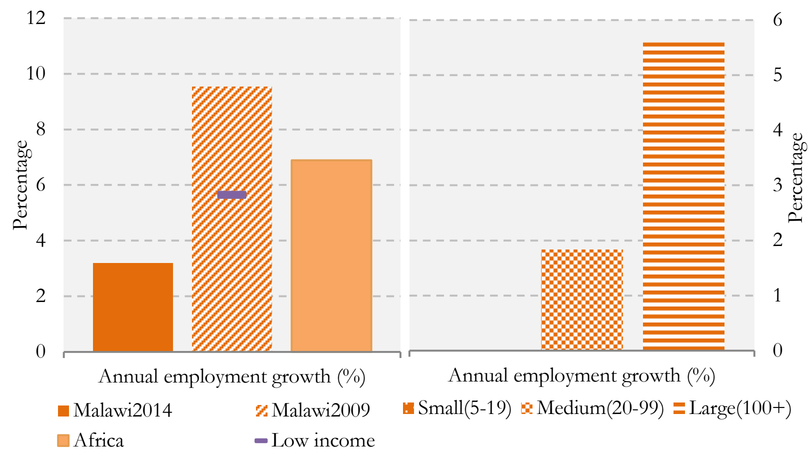
MALAWI 2014

The World Bank interviewed a representative sample of the private sector in six of the most active economic regions in **Malawi**. The sample consisted of 523 business establishments surveyed from April 2014 through February 2015. The Enterprise Survey (ES) covers several topics of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

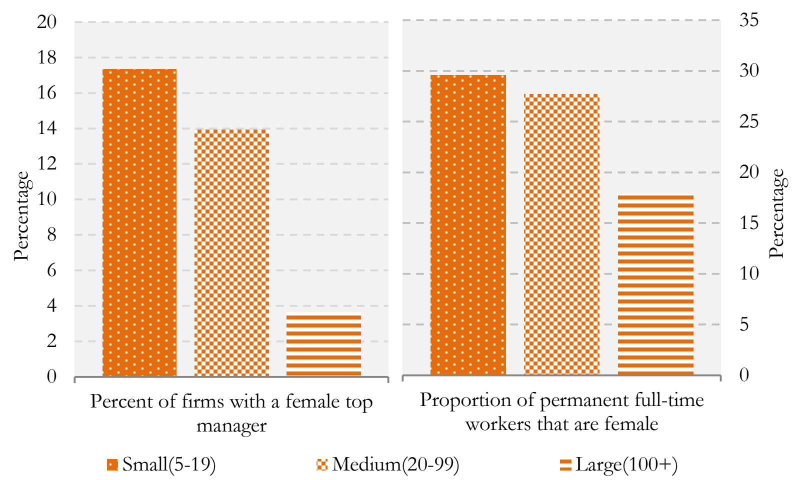
Malawi's private sector experienced moderate employment growth

Between 2011 and 2013 **employment growth** in Malawi reached the annual rate of 3.2%, lower compared to a much higher 9.5% between 2006 and 2008 and lower than the averages for Africa (6.7%) and for low income economies (5.7%). Within Malawi, annual employment growth rate varies sharply by firm-size. Large firms (100 or more employees) experienced the highest growth rate (5.6%), followed by small firms (5-19 employees) with a growth rate of 3.2%. Medium firms (20-99 employees) exhibited the lowest employment growth rate, adding jobs at an annual pace of 2%.



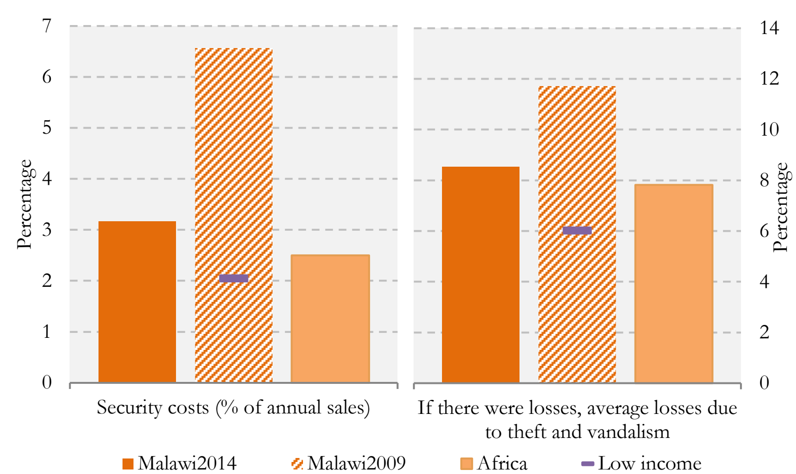
In Malawi, small firms are more likely to employ women at all levels

Firms with a **female** top manager constitute about 14% of all firms in Malawi, similar to the average in Africa (15%) and economies with similar income levels (16%). Within Malawi, the likelihood of being run by a female top manager decreases with firm-size with 17% of small firms, 14% of medium firms and only 4% of large firms having a female top manager. The proportion of workers at the firm that are women also follows a similar trend – 30% of the workers among small firms on average are women compared with 28% among medium firms and only 17% among large firms.



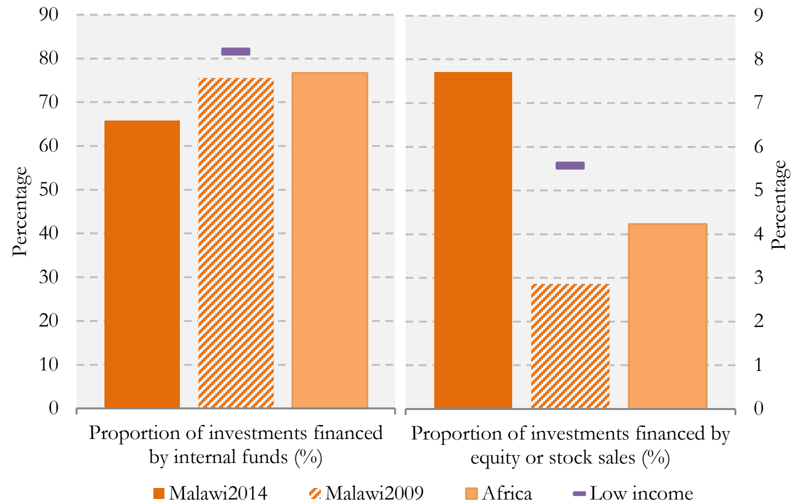
Security costs and losses from crime have fallen in Malawi since 2009

The percentage of firms paying for **security** services has declined from about 90% in 2009 to about 70% in 2014. Along with this decline, firms in Malawi report lower average costs of security (about 3% of annual sales) that are similar to the averages for Africa (about 2.5%) and for other low income economies (about 2%). These costs were more than twice as high and about 6.5% of annual sales in 2009. Similarly, losses due to theft and vandalism have dropped from nearly 12% of sales in 2009 to under 9% in 2014, in line with the average for Africa but higher than in low income countries.



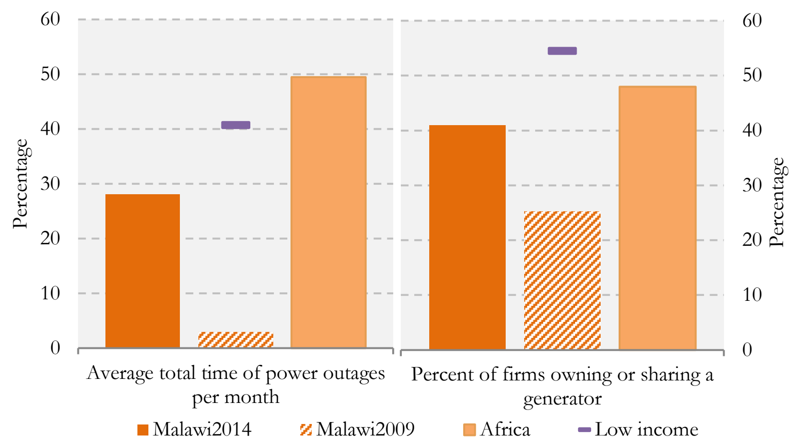
Firms in Malawi engage in more sophisticated financing compared to 2009

Between 2009 and 2014, the proportion of investment capital financed by internal funds decreased from 75% to 66%. Correspondingly, more firms in Malawi used banks to **finance** investments (30% in 2014 vs. 21% in 2009), higher than the averages for Africa (18%) and for low income economies (13%). During the same period, firms also doubled the use of equity schemes to about 7.5% of financing, compared to under 3% in 2009. The shift away from internal financing and toward these non-bank financing arrangements, rather than bank financing, may be a reflection of more stringent conditions for granting loans on the side of banks as shown by the higher collateral requirements which approach nearly 300% of loan value in 2014 compared to about 160% in 2009.



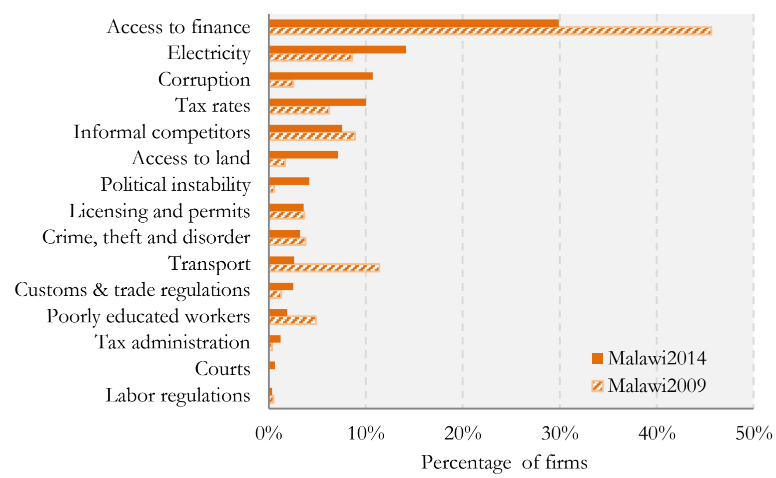
The provision of electricity in Malawi deteriorated since 2009 but is still better than elsewhere in Africa

The average total time of **power** outages in Malawi is much higher than in 2009 but is still lower than elsewhere in the region and in countries with the same income level. In 2014, firms in Malawi experienced about 28 hours of power disruption per month compared with 3 hours in 2009 and with an average of 50 hours per month in Africa and 40 hours in low income economies. During the same period, the proportion of firms in Malawi owning generators has increased from 25% in 2009 to 41% in 2014. However, fewer firms in Malawi own generators compared to Africa (48%) and other low income economies (55%).



Access to finance and electricity are the most cited biggest obstacles to private firms' operations

Enterprise Surveys ask business owners and top managers to name the biggest **obstacle** that they face in their everyday operations. In 2014, the most frequently chosen top obstacle was access to finance, identified as the biggest obstacle by 30% of firms, compared to 46% in 2009. Consistent with the worsening in power supply and increase in power outages over time, the second most frequently cited biggest obstacle in 2014 was electricity (14% of firms compared to 9% of firms in 2009). The third and fourth most cited biggest obstacle were corruption and tax rates at 11% and 10% of firms, respectively.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit http://www.enterprisesurveys.org

Generated using Enterprise Survey data as of Jun 26, 2015