



This is the third in a series of Key Facts sheets that IFPRI is producing based on the third and fourth Integrated Household Surveys (IHSs). The purpose of the series is to present data relevant to key policy issues on agriculture, food systems, and development topics in Malawi. Other Key Facts sheets will be produced in the near future.

Highlights

- The percentage of households benefiting from formal social safety nets increased from 17 percent in 2010/11 to 36 percent in 2016/17.
In 2016/17, half of Malawian households received remittances in cash or in kind, up from just over a third in 2010/11.
The total value of remittances equaled the value of formal social safety nets in 2016/17, having surpassed it 10 times in 2010/11.
The percentage of credit constrained households decreased from 51 percent in 2010/11 to 35 percent in 2016/17.

Background to the Integrated Household Surveys (IHS)

This analysis draws from the third and fourth Integrated Household Surveys (IHS3 and IHS4), conducted by the Government of Malawi's National Statistical Office (NSO) as part of the World Bank Living Standards Measurement Study - Integrated Surveys on Agriculture (LSMS-ISA) initiative. The IHS3 was conducted between March 2010 and March 2011, covering a total of 12,271 households, while the IHS4 was conducted between April 2016 and April 2017, covering 12,447 households. Both surveys used four questionnaire instruments: (1) household, (2) agriculture, (3) fisheries and (4) community questionnaires. Once appropriately weighted, the IHS surveys are representative at national, district and urban/rural levels. All values presented in this Key Facts series have been adjusted using the sampling weights provided by the NSO. All prices have been adjusted for inflation using NSO's Consumer Price Index, and are reported in January 2017 values.

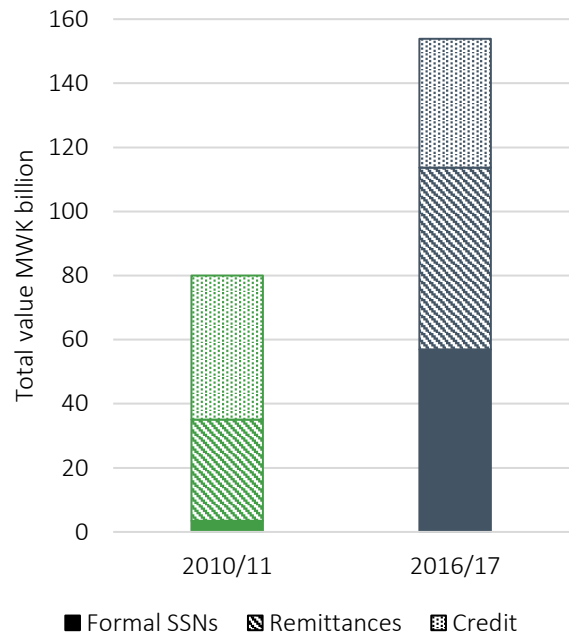
Introduction to social safety nets

Social safety nets (SSNs) are mechanisms which protect families from the impact of economic shocks, natural disasters, and other crises.

In the context of this key facts sheet, formal SSNs are understood to be institutionally organized programs provided by the government or the civil society. They include centrally distributed food aid, direct cash transfers, etc. They are not, however, the only mechanism on which people rely to overcome shocks; informal SSNs are equally important, if not more. The main informal SSNs are remittances - money or things sent by family and friends. Credit serves not only as a source of productive investment, but also to smooth and supplement consumption. Savings are used in similar ways to credit (but not covered in detail by the IHS). This key facts sheet therefore contains information on formal SSNs, remittances, and credit.

In 2010/11, credit was by far the most important of the three in terms of total value, followed by remittances and formal SSNs. By 2016/17, the order was reversed, due mainly to a large increase in the value of benefits from formal SSNs (which in turn was mostly due to a response to two consecutive years of bad harvests). The total value of benefits from all three monitored types of social safety nets combined nearly doubled in the same time period (Figure 1).

Figure 1. Types of social safety nets



Note: The values of benefits from formal SSNs exclude nutritional programs such as school feeding, nutritional rehabilitation centers, and free distribution of Likuni Phala as these cannot be retrieved from the IHS.

## Formal social safety nets

In 2010/11, the most commonly accessed formal SSN were school feeding programs, with 12 percent of households benefiting from it (Figure 2). In 2016/17, following two consecutive bad harvests, this was surpassed by the percentage of households receiving free food (maize and otherwise). The percentage of households receiving free maize and other food increased from 2 percent to 20 percent and from 1 percent to 15 percent respectively, with the value of the median benefit increasing MWK 7,263 to MWK 29,322 and from MWK 4,762 to MWK 12,315 (adjusted for inflation to January 2017 prices) (Table 1). Much of this increase was due to the lean season Food Insecurity Response Programme (FIRP), which supported a population of 6.7 million in 2016/17, up from just over 0.5 million in 2010/11. Similarly large increases (though from lower initial levels) were also seen in participation in direct cash transfers from private organizations as well as from the government, and in cash-for-work programs (predominantly through the Malawi Social Action Fund). Unfortunately, the IHS does not allow for more precise mapping of specific programs.

Figure 2. Coverage of formal social safety nets

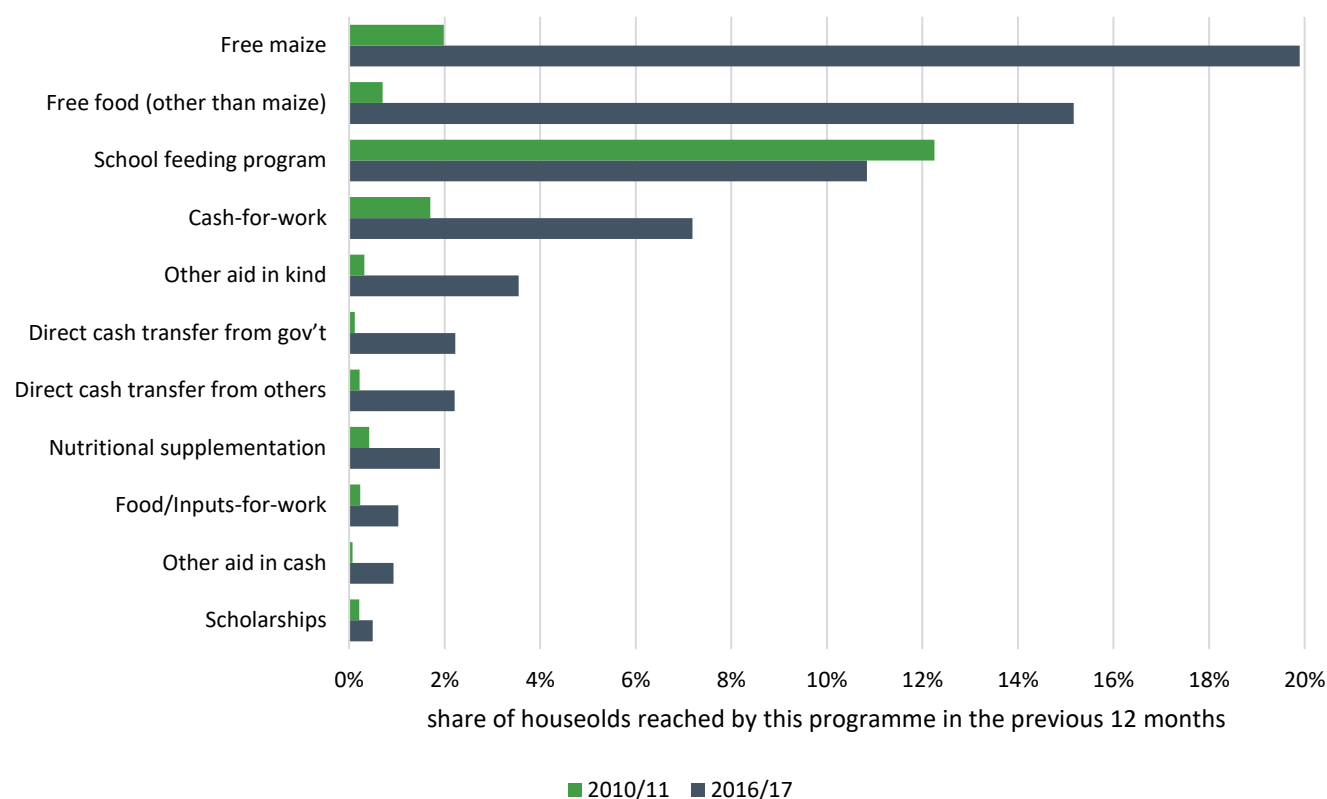


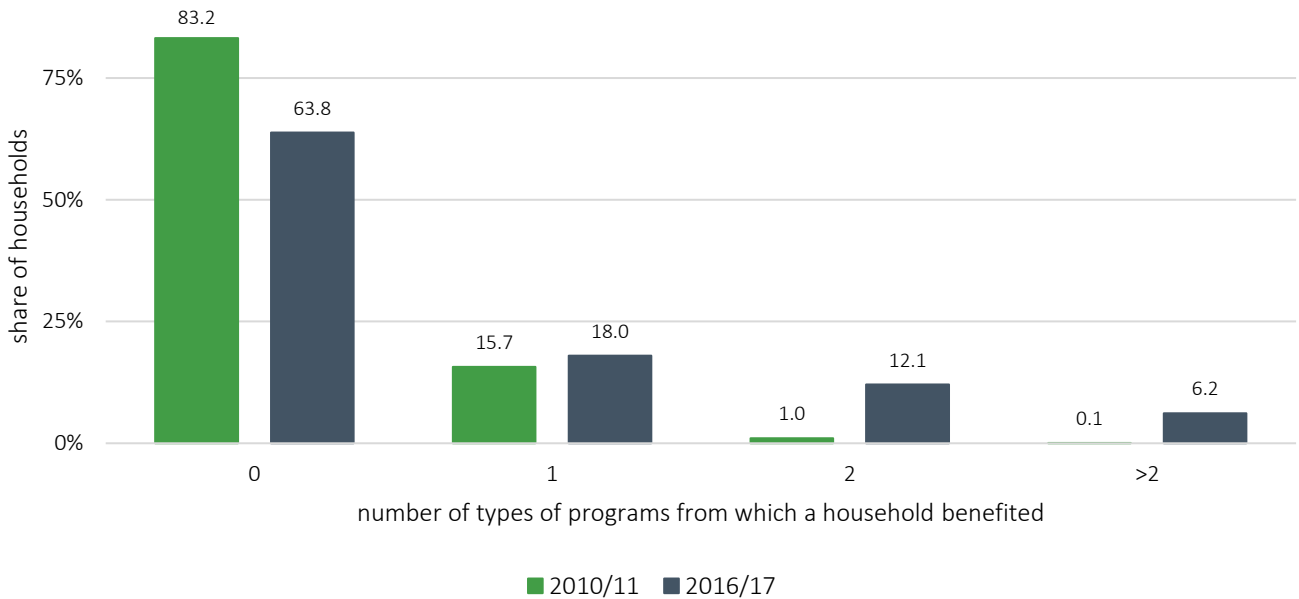
Table 1. Benefits from formal social safety nets

Program	2010/11		2016/17	
	Coverage	Benefit	Coverage	Benefit
Free maize	2.0%	7,263	19.9%	29,322
Free food (other than maize)	0.7%	4,762	15.2%	12,315
Cash-for-work	1.7%	7,818	7.2%	15,248
Other aid in kind	0.3%	9,868	3.6%	6,674
Direct cash transfer from gov't	0.1%	19,293	2.2%	58,559
Direct cash transfer from others	0.2%	6,757	2.2%	42,874
Food/Inputs-for-work	0.2%	15,969	1.0%	23,016
Other aid in cash	0.1%	9,709	0.9%	16,796
Scholarships	0.2%	34,014	0.5%	59,890

**Notes:** Coverage is the percentage of households who benefited from the type of program in the 12 months preceding the interview. Benefit is the median value (in MWK adjusted for inflation to January 2017 values) that households participating in the program received over the 12 months preceding the interview. The IHS surveys do not specify benefit size for school feeding programs or for nutritional supplementation programs.

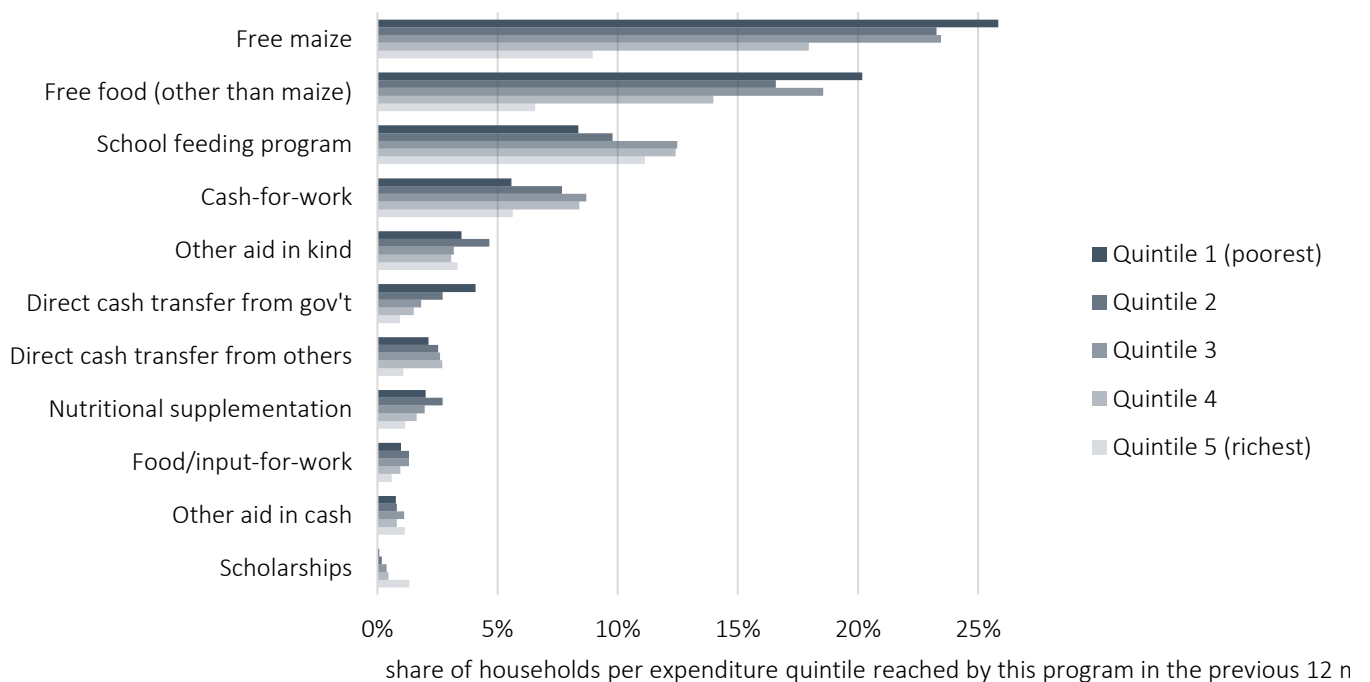
There was a marked increase in both the width and the depth of coverage by formal safety nets between 2010/11 and 2016/17. In 2010/11, 17 percent of households directly benefited from any formal social safety net program. This number more than doubled to 36 percent by 2016/17. The share of households benefiting from more than one program increased from 1 percent to 18 percent in the same time period (Figure 3).

Figure 3. Coverage of formal social safety nets



The distribution of free maize and other food (done mostly under FIRP) is in its nature clearly skewed towards the poorer parts of the population, with households from the poorest expenditure quintile (measured using an index of assets in absence of expenditure data) more than twice as likely to benefit from the program than households from the richest quintile. However, the targeting of food transfers was still not very precise, reaching (in the case of free maize) 9 percent of households in the richest quintile while missing 74 percent of households in the poorest quintile in 2016/17. Other types of programs – with the exception of direct cash transfers – were even skewed towards the richer strata of the population, reaching richer households more often than poorer ones (Figure 4).

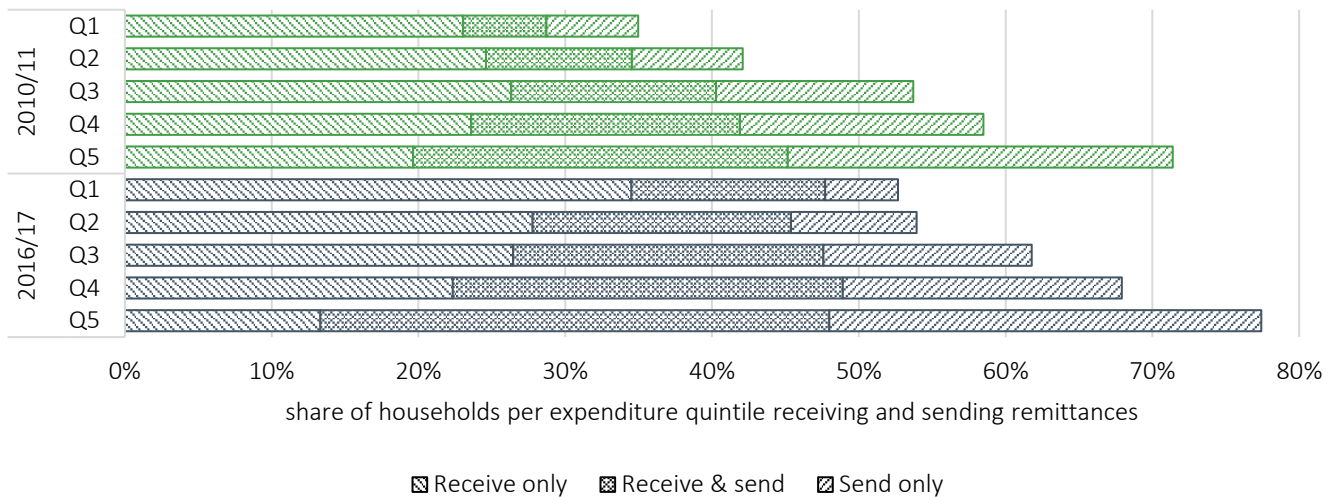
Figure 4. Targeting of formal social safety nets in 2016/17



## Remittances

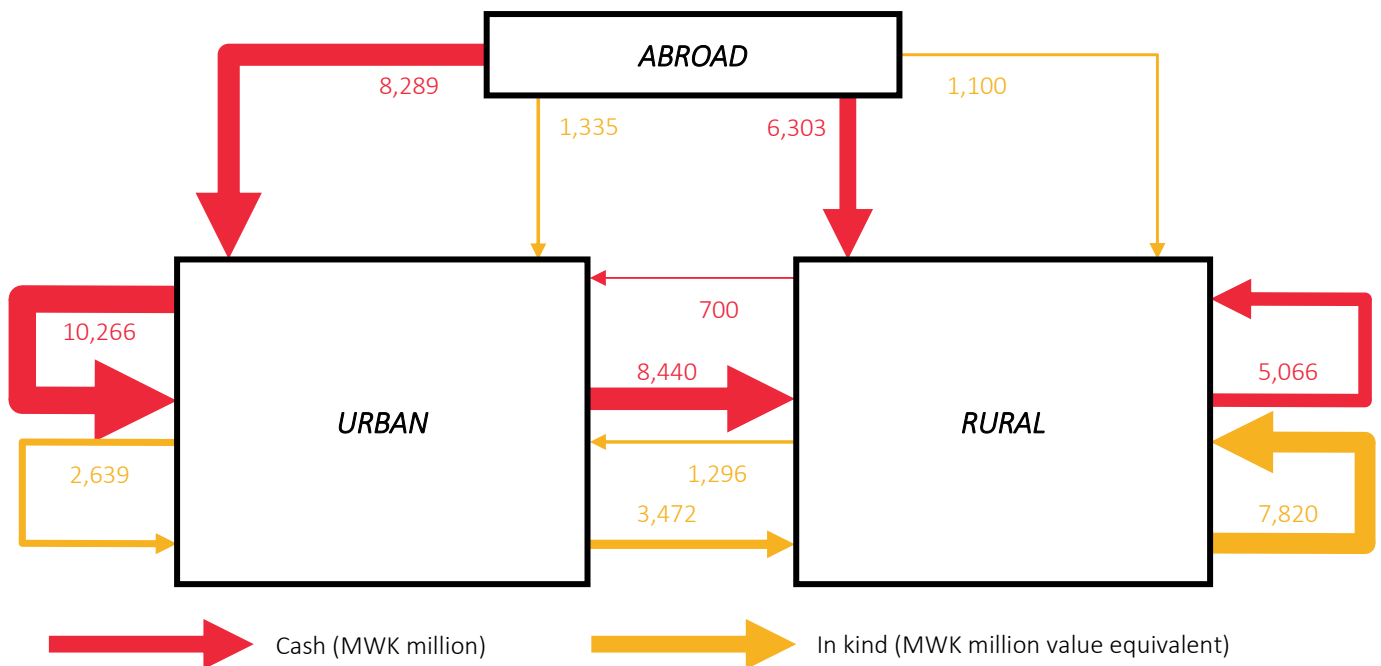
Remittances help households smooth or top up their consumption. In 2010/11, more than a third of households (39%) received remittances either in cash or in kind. By 2016/17, this share increased to nearly one half (48%). The share of households sending remittances increased from 31 percent to 38 percent in the same time period. Urban households were more likely to participate in remittance exchange than rural ones. Unsurprisingly, richer households were more likely to send remittances than poorer households. However, richer households were also more likely to receive remittances than poorer ones.

Figure 5. Households receiving and sending remittances by expenditure quintile



The total value of remittances received by households in Malawi reached MWK 57 billion (USD 79 million) in 2016/2017, up from MWK 32 billion (adjusted for inflation) in 2010/11. The value of cash remittances (MWK 23 billion in 2016/17) was more than twice the value of remittances in kind (MWK 9 billion). As shown by the width of the red arrows in Figure 6, most cash was remitted by urban households or received from abroad, mainly from South Africa and Mozambique. Most remittances in kind (yellow arrows in Table 6) were sent by rural households to other rural households.

Figure 6. Remittance flows in 2016/17



A rural household received on average MWK 10,080 in 2016/17, up from MWK 5,809 (adjusted for inflation) in 2010/11. The corresponding numbers for urban households are MWK 40,802 and MWK 43,856 respectively. Thus, although urban households receive remittances of much higher values than their rural counterparts, the value of remittances received by rural household jumped by 74 percent between the two survey rounds, while that of urban households increased by a relatively modest 7 percent.

## Credit

Credit – from both formal sources like banks, and informal ones like family or money lenders – is used not only for productive investment, but also to smooth or supplement consumption. The share of Malawian households accessing credit has increased from 13 percent in 2010/11 to 23 percent in 2016/17 (Figure 7). Much of this increase was due to more households getting credit for consumption from informal and especially formal sources. However, while the volume of informal credit nearly tripled in this time period, the volume of formal credit shrank by half, causing the total credit drawn by Malawian households to decrease from MWK 45 billion (adjusted for inflation) in 2010/11 to MWK 40 billion in 2016/17, with each household receiving significantly less in credit in 2016/17 (MWK 44,363 on average) than in 2010/11 (MWK 125,360 on average). The decreases were largest for larger loans, so much that the median value of credit received remains practically unchanged (Table 2).

Figure 7. Total credit

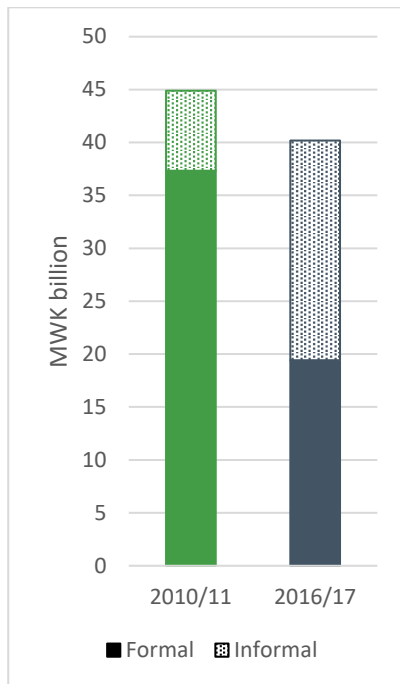


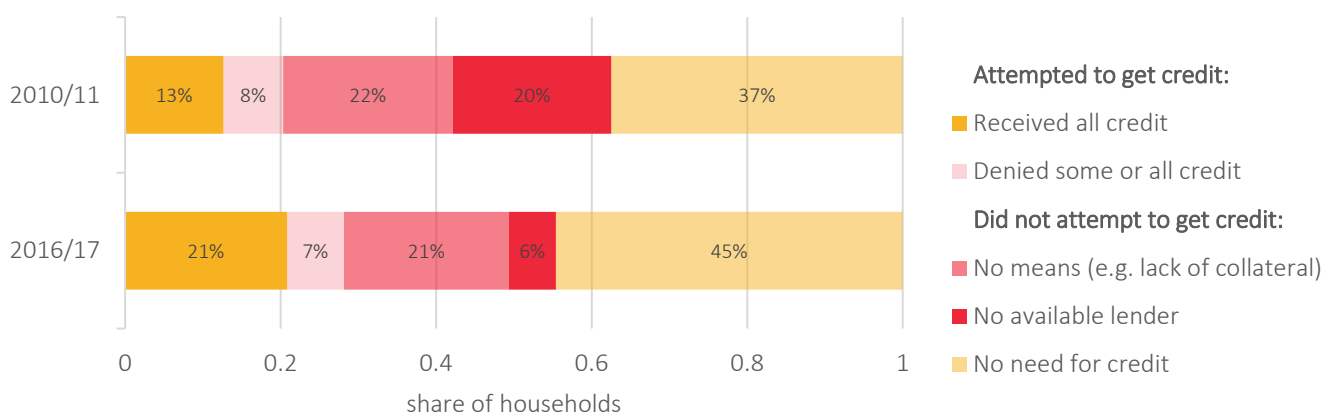
Table 2. Credit utilization

	2010/11			2016/17		
	Coverage	Amount		Coverage	Amount	
		Median	Mean		Median	Mean
Consumption						
Formal	0.9%	26,403	97,361	4.9%	12,121	26,561
Informal	4.9%	6,757	20,169	8.4%	6,460	16,368
All sources	5.7%	6,826	31,808	13.1%	8,899	20,357
Investment						
Formal	4.0%	49,020	286,524	5.7%	25,413	66,608
Informal	3.8%	10,135	39,051	4.5%	13,514	89,801
All sources	7.7%	23,026	166,469	13.4%	22,247	77,409
All purposes						
Formal	4.8%	39,216	255,213	10.6%	20,270	48,804
Informal	8.6%	6,873	28,760	12.9%	10,011	43,154
All sources	13.3%	13,158	125,360	23.2%	12,500	44,363

**Notes:** Coverage is the percentage of households who received the specified type of credit for the specified purpose in the 12 months preceding the interview. Median and mean amounts of credit obtained during the 12 months preceding the interview are only reported for loans taken out, and adjusted for inflation.

Despite the lower total volume of credit taken out, the satisfaction of credit needs of Malawian households increased between 2010/11 and 2016/17. The share of households who received all the credit they sought has increased from 13 percent to 21 percent, and the share of households who felt that they did not need credit increased from 37 percent to 45 percent. This reduced the share of credit constrained households (those unable to access credit or denied all or some credit) from 50 percent to 34 percent. Most of this reduction is due to the share of households reporting lack of suitable lender dropping from 20 percent in 2010/11 to 6 percent in 2016/17 (Figure 8). Overall, richer households were less credit constrained than poorer ones. However, the increase in credit access meant that the poorest fifth of households in 2016/17 had access to credit comparable to that of the richest fifth of households in 2010/11.

Figure 8. Credit access



**Notes:** Households who did not receive any credit nor were denied credit, but did apply for credit and were still awaiting decision were excluded from the sample in this figure, as were household who did not specify why they did not attempt to get credit.

## Summary

*Of the three types of social safety nets described in this key facts sheet, credit was the most important in terms of total value in 2010/11, closely followed by remittances, and vastly surpassing formal social safety nets. In 2016/17, following a large increase in the value of benefits from formal social safety nets, this order was reversed, with formal social safety nets providing most value, closely followed by remittances and credit.*

*The percentage of households benefiting from formal social safety nets increased from 17 percent in 2010/11 to 36 percent in 2016/17. Much of this increase likely resulted from responses to bad harvests in 2009 and 2010. The depth of coverage increased too, with the share of households benefiting from more than one formal social safety net program increasing from 1 percent to 18 percent over the same time period. The value of the median annual benefit from receiving free maize and other free food – the two most common types of social safety nets – increased from MWK 7,263 to MWK 29,322, and from MWK 4,762 to MWK 12,315 respectively (adjusted for inflation to January 2017 prices). Free food programs targeted the poor more heavily than the rich, but still failed to exclusively target only the poorest segments of the population.*

*The percentage of households receiving remittances to help smooth or top up their consumption increased from 39 percent in 2010/11 to 48 percent in 2016/17, more important in terms of reach than formal social safety nets. In 2016/17, half of Malawian households received remittances in cash or in kind, up from just over a third in 2010/11. Remittances are thus relied on more often than formal social safety nets. Richer households are more likely to receive and send remittances than poorer households. The largest flows of remittances in cash are within urban areas, from urban to rural areas, and from abroad (mostly South Africa and Mozambique). The largest flow of remittances in kind is within rural areas.*

*The percentage of households with access to credit – which is not only used for productive investment but also for consumption smoothing – increased from 13 percent in 2010/11 to 23 percent in 2016/17. Over the same time period, the total credit taken out by Malawian households decreased from MWK 45 billion to MWK 40 billion. The decrease was driven by reductions in formal credit. The mean amount borrowed (from any source) decreased from MWK 125,360 to MWK 44,363. However, the percentage of credit constrained households decreased from 50 percent in 2010/11 to 34 percent in 2016/17. This was driven both by an increase in households who received all the credit they applied for and a simultaneous increase in the households who did not feel the need to borrow.*

Note that this Key Facts sheet represents a small fraction of the analyses that can be conducted using the IHS data. IFPRI Malawi has already produced Key Facts sheets on agriculture and on food and nutrition security, and plans to produce another one youth and employment. Please visit the IFPRI Malawi website to stay up to date on Key Facts sheets and other outputs: [massp.ifpri.info](http://massp.ifpri.info)



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