



ID4AFRICA 2025

ADDIS ABABA
ETHIOPIA

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MAY

**DIGITAL IDENTITY
AT SCALE**

PRIORITIZING USE,
ACCELERATING IMPACT

ID4AFRICA 2025 ANNUAL CONFERENCE

IDENTITY IN FINANCE: EMPOWERING INCLUSIVE FINANCIAL SERVICES

The Impact of the National Digital
Identity on the Financial Sector

Gertrude Kadumbo
National Switch Limited, Malawi

The Financial Landscape in Malawi

Enablers

Reserve Bank of Malawi (RBM)



Financial Sector Regulator

Relationship with NRB

- Collaborates on eKYC database and governance frameworks, among others

Payment Service Providers (PSPs)



- Composed of both commercial banks and non-banks PSPs e.g. mobile money operators, MFIs, SACCOs, Fintechs, etc.

Relationship with NRB

- Rely on the trusted NRB digital identity system for:
 - Identity verification of customers
 - Verification of financial transactions
 - Account aliases / proxies
 - Beneficiary verification

National Switch Limited



- Digital public infrastructure for all-inclusive interoperability of retail digital payment systems
- Integrated all PSPs for instant payments, including:
 - Account2Account
 - Wallet2Wallet
 - Account2Wallet
 - Wallet2Account
- Current participation
 - All commercial banks
 - Mobile money operators
 - MFIs & SACCOs
 - Fintechs
 - Working to integrate Government payments – G2Px

Supervised by RBM

Relationship with NRB & MACRA

- Collaborates with NRB on DPI & DPG national initiatives and with MACRA of cybersecurity, etc.

National Registration Bureau (NRB)



- Manages the civil registration & digital identity issuance system

Foundational enabler of digital identity verification

- ID/Account Mapper
- eKYC database
 - Provides secure APIs to financial sector for eKYC integration
- Beneficiary verification – in social protection programs - G2P

Malawi Communications Regulatory Authority (MACRA)



- Regulates and licences the telecommunications and ICT sector
- Data protection authority
- Data privacy authority
- Electronic transactions and cybersecurity authority

Relationship with NRB

- Use of national identities for SIM registration

Relationship with RBM

- Collaborate on mobile money operations among other areas

Background

Malawi had no federated national identity system until 2017

- No civil registration bureau responsible for national identity
- No foundational legal identity system
- No single source of truth

Establishment of National Registration Bureau (NRB)

- In 2007 a unit in the Office of President & Cabinet (OPC) was established to oversee implementation of an identity system
- National Registration Act No. 13 of 2010 was enacted, as a legal foundation for the national digital identity system
 - National Registration Bureau was established and became a department under the Ministry of Homeland Security in 2010
- Malawi leapfrogged from no federated identities at all to issuing federated digital identities - achieving about 97% registration by November 2017, and 100% registration of adult population as of 2025

Background ... cont'd

- The financial sector relied on traditional and manual methods for identity verification before implementation of the federated digital identity system in 2017

Identity Verification Methods Prior to 2017

Official Documents	Endorsement Letters Issued and Stamped By:
<ul style="list-style-type: none">• Passports	<ul style="list-style-type: none">• Village Headmen
<ul style="list-style-type: none">• Driver's licences	<ul style="list-style-type: none">• Employers
	<ul style="list-style-type: none">• Educational Institutions
	<ul style="list-style-type: none">• Religious Institutions
	<ul style="list-style-type: none">• Other informal authorities

- These methods required individuals to present physical documents for manual verification

Challenges of Lack of National Digital Identification System

Barrier to financial inclusion

- Only 34% of adults accessed formal financial services, limiting economic participation.
(Source: FinScope Malawi 2014)
- Without verified identities, most Malawians were limited to basic financial services (KYC-light customers) – led to an influx of ‘village banks’

Increase in Operational Expenses

- Higher costs due to inefficient manual processes

High compliance costs

- AML & CFT laws enacted in 2006. Customer due diligence became mandatory. FIU established. Financial institutions struggled to meet regulatory requirements without a reliable ID system
- Regulations - Appointment of Directors, Audit Committee members and senior management in the financial sector was to be approved by the central bank

Difficulties in Identity Verification

- The informal and inconsistent identification methods hindered accurate customer identification

Impediment to digital payments transformation

- Unverified identities slowed digital payments ecosystems from growth, slowing down the adoption of digital financial services

Impact of National Digital Identities on Financial Sector

Adoption of National Digital IDs for Customer Identification and Verification

- Financial sector adopted National Registration Bureau-issued identities as the primary form of identification.

A Boost in Financial Inclusion

- High uptake of formal financial services - financial inclusion improved to 74% in 2023 from 34% in 2014
- 93% of adult population in urban areas financially included in 2023 from 62% in 2014 and 67% in rural areas from 45% in 2014
- 69% of adult women were financial included in 2023 from 30% against 82% of male populations in 2023 from 38% in 2014
- 5.6 million mobile money subscribers in 2023 from 1.0 million in 2014. Usage grew from 247,000 to 7.23 million adults in 2023

Enhanced Know Your Customer (KYC) Processes

- API-based integrations by financial institutions to the national digital identity system enabling electronic and reliable identity verification
 - Faster onboarding of customers

Reduction in Compliance and Operational Costs

- Standardized identity verification led to cost savings in regulatory compliance and administrative operations because of:
 - Use of single source of truth
 - Reduction in manual verification processes
 - Improved compliance to legal and regulatory frameworks e.g. AML / CFT laws

Financial Use Cases Leveraging National Digital Identity System

The financial sector leverages the national ID system to enhance efficiency, security, and inclusion through:

1. **Registration of Customers**

- Registration of customers (Assisted and self)

2. **Electronic Know Your Customer (eKYC)**

- Streamlined onboarding and customer verification

3. **Beneficiary Verification**

- Accurate identification in fast / instant payments – full integration of banks accounts and mobile wallets

4. **Other Financial Processes**

- Use of digital IDs as account Aliases / Proxies in financial transactions, e.g. use of digital IDs for payments and verification of financial transactions

5. **Interoperability of Digital Wallets**

- Digital identities support interoperability between different digital wallets

6. **Credit Scoring**

- The Digital IDs an anchor linking non-traditional data sources to a verified individuals helping in building credit history for individuals, especially the marginalized

7. **G2P**

- Accurate identification of beneficiaries of social protection programs
- Mapping of digital identities to accounts / mobile wallets
- Verification of beneficiaries and financial transactions

8. **Revenue Collections** – both tax and non-tax revenue

Supporting Legal & Regulatory Frameworks

1. The financial Crimes Act designates the following forms of identification for use within the financial sector:

Primary Identification: The national identities issued by the National Registration Bureau

Secondary Identification Forms: Other recognized identification documents:

- i. Passports
- ii. Driver's Licenses
- iii. Birth certificates
- iv. Other traditional forms of identification e.g. stamped letters

2. Data Protection Act, 2023

3. Consumer Protection Act, 2023

4. Payment Systems Act, 2022 (A revision of the 2011)

5. E-Money Regulation, 2019