



# Malawi: Business Registration Impact Evaluation

The global rate of informal firms is high, especially for those that are women-owned and in the poorest countries. One assumption to explain this is that people do not want to register their firms, and another is that if only they registered, it would lead to great benefits for their businesses.

Through an experiment in Malawi, we established an effective and replicable design to offer informal firms support to formalize, costing much less than the typical private sector development intervention. Take-up of business registration was extremely high for both men and women-owned firms, with about 75 percent of those offered assistance obtaining a business registration certificate. However, firms were not interested in tax registration, which could be relevant for efforts to formalize them in some countries in Africa that do not separate business and tax registration.



## Context

The World Bank is assisting the Government of Malawi to improve the business environment and to streamline the process of business registration as part of the Business Environment Strengthening Technical Assistance Project.

Interestingly, Malawi, like a large number of countries in Africa, separates the process of business registration from that of tax registration. Business registration provides the government with information about the existence of a firm, and the firm with a business registration certificate, which is the main form of identification needed to open a business bank account, register land, and apply to government assistance programs. Tax registration allows the firm to provide tax invoices to customers and access government procurement systems, but also requires them to pay national taxes.

## Interventions

Three levels of interventions were offered in this impact evaluation, each being composing a treatment group.

1. **Treatment Group 1** was offered costless registration with the Department of the Registrar General to obtain a Business Registration Certificate (BRC).
2. **Treatment Group 2** was offered costless registration and assistance in obtaining a Tax Payers Identification Number (TPIN).
3. **Treatment Group 3** was offered costless registration and information sessions on the benefits of separating household and business finances, and offered business savings accounts with NBS Bank.

## Impact Evaluation Design

The sample of this study consists of approximately 3,000 informal firms located in Blantyre and Lilongwe, the major commercial cities in Malawi, identified through several rounds of listing exercises, and selected based on a pre-defined set of criteria including the number of employees, location and revenues. The three treatment groups and the control group were divided as follows:



## Policy Relevance

Informality is particularly pervasive in poor African countries - In Malawi, estimates from the second Integrated Household Survey (2004-2005) suggest that the informal sector represents 93% of the non-farm small scale enterprises in the country, and the 2009 Enterprise Survey of Malawi found that 79% of surveyed firms (all formal) had started operations without being registered.

These firms are largely small and unproductive, and the informal status of these firms is often associated with a number of costs to firms, including lack of access to external finance. Governments around the world have attempted to reduce informality by making it easier to formally register a business, with the Doing Business project finding 368 reforms took place in 149 economies between 2003 and 2012 (World Bank, 2013).

## Results

The study finds that all three treatments had extremely large impacts on take-up of business registration, with 75 percent of those offered assistance receiving a business registration certificate. This is in stark contrast to 8 percent of control group firms obtaining registration. Among the three treatment groups, the BRC alone intervention yielded 52 percentage point increase in business registration while the BRC + bank information session treatment yielded 64 percentage point increase. The take-up of BRC + TPIN was not significantly different from the BRC alone intervention, indicating that firms find more value in bank information sessions, but not much in obtaining a TPIN.

The researchers also measured the short-term impacts of formalization on financial access and usage. Business registration alone has no impact for either men or women on bank account usage, savings, or credit. However, the combination of formalization assistance and the bank information session results in significant impacts on having a business bank account, financial practices, savings, and use of complementary financial products.

In terms of economic impact, registration alone had no effect on firm outcomes, but combining registration and bank information session had an impact of 20% on firm sales and 15% on profits. The newly gained access to formal financial services relieved the firms' credit constraints, but also addressed firm demands of savings and business insurance products.

## Materials

[Methodology Note](#)  
[Business Screening Form](#)  
[Midline Survey 1 / Survey 2 / Survey 3](#)  
[Midline Report](#)  
[Midline Policy Note](#)  
[Endline Survey](#)  
[Protocols](#)  
[Endline report](#)

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## Research Funding Partners

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