

Denny H Kalyalya: Zambian financial sector – responding to the needs of business

Speech by Dr Denny H Kalyalya, Deputy Governor-Operations of the Bank of Zambia; at the opening of Standard Chartered Bank Zambia Solwezi Branch, Solwezi, 10 December 2008.

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The Minister of Commerce, Trade and Industry, Hon. Felix Mutati
The Minister, North-Western Province, Hon. Joseph Mulyata
The Chairman of the Board of Standard Chartered Bank Zambia, Mr. George Sokota
His Worship the mayor of Solwezi
The Managing Director of Standard Chartered Bank, Mrs. Mizinga Melu
Distinguished guests
Members of the press
Ladies and Gentlemen

I am pleased to be here at the official opening of the new Solwezi Branch of Standard Chartered Bank Zambia Limited.

Ladies and Gentlemen, recent times have shown a proliferation of commercial bank branches in areas which had previously been considered unattractive for business. Rural areas had even experienced closures where banks felt that they were unable to establish a case for business. The economic environment that the Government created through the reforms instituted in the early 1990's has given new confidence to investors and has provided an opportunity for businesses to grow, thereby attracting banks to the areas which were deprived of basic financial services. The opening of this branch today, in a town which has attracted major investments, is a demonstration that the financial sector is indeed, now responding to the needs of business.

The world's financial markets have been plunged into turmoil which some say is unprecedented, or at least comparable to the levels experienced in the most severe financial crises of the last century. Notwithstanding this, our financial system has demonstrated a level of stability which to an extent has been derived from the strong capital positions that have characterised the Zambian banking industry in the past few years. However, this turbulence has already resulted in a reduction in projected global economic growth and a decline in demand for Africa's exports. Notwithstanding this, we remain confident that the banking sector will continue to show resilience and expansion through branch networks, thereby acting as a channel through which services will be extended to the financially excluded.

Ladies and Gentlemen, a recent survey established that fewer than 15% of the Zambian adult population have access to the services provided by commercial banks. The key reasons for this low level of access were cited as the distance that needs to be overcome in order to access the services and the cost of these services. It is therefore a welcome development that commercial banks have responded to these challenges by reaching out through new branches. However, banks need to be mindful of the fact that the many of our people who need these services most of all are not able to bear the heavy charges that are sometimes levied, and the goal of inclusion will stand to be compromised if this matter is not addressed. The Bank of Zambia is in the process of engaging the banks with a view to finding a solution to the high cost of banking which is often cited as the main hindrance to access to finance. I therefore appeal to all the banks operating in Zambia to critically assess the level of their charges and to continue playing the supportive role to development that they have in the past.

In this regard, I am particularly pleased to make mention of the spirited efforts that Standard Chartered Bank continues to make in financing SME's and Micro-finance. The experiences of many economies show that these sub sectors have the capacity to create a middle class and

to emancipate both rural and urban dwellers from their poverty trap. Zambia has many promising entrepreneurs whose only constraint is affordable funding. As you explore the opportunities that this new venture will bring you, I urge you to focus on the customers who may appear small today, but could grow with the bank if they are given the right support.

I wish you every success as you embark on this journey into North Western Province.