

## **Caleb M Fundanga: Growth and development of the Zambian economy**

Opening remarks by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the official opening of the Standard Chartered Bank Plc, Livingstone, 7 January 2009.

\* \* \*

The Deputy Minister of Southern Province, Hon Daniel Munkombwe;  
The Standard Chartered Bank – Acting Managing Director, Mr. Robin Bairstow  
Members of the Press;  
Distinguished Guests;  
Ladies and Gentlemen

Allow me to begin by thanking Mr Bairstow and his Colleagues for inviting me to this occasion which marks the official opening of the Standard Chartered Bank Plc , Livingstone Falls Park Agency. I congratulate Standard Chartered Bank Plc for yet another milestone achievement.

Hon. Minister, I have stated at various fora that it is important for banks in Zambia to take actions which support the growth and development of our economy. We need banks to open new branches, such as this one, to increase the convenience for our people to access banking services; thereby increasing the efficiency of our economy and empowering our citizens. In particular, I have been encouraging banks to expand their services to areas with vast economic potential like Livingstone, which represents a Win-Win situation for both the bank and the City.

I am glad that, although, Standard Chartered Bank already has an established branch in Livingstone, it has chosen to expand its services to other areas of the City in order to bring its products and services to the customer's door step. This strategic move speaks louder than words and confirms that there are enormous opportunities here, which the bank can benefit from, despite the stiff competition in the market.

Ladies and Gentlemen, another issue that the Bank of Zambia continues to challenge commercial banks on, is the cost of borrowing which continues to be high in spite of the efforts by the Bank of Zambia and the Government in ensuring that these costs come down. As you are no doubt aware, the Bank of Zambia reduced the Statutory Reserve Ratios from 14% to 8% in October, 2007 with a primary aim of bringing the cost of borrowing down. Further, in the recent few years, the Bank had managed to contain inflation to low levels in order to further reduce the lending rates. Coupled with this, in the recent past, the Government adopted prudent fiscal policies that enabled the private sector to access more credit from the financial system. Despite these efforts, credit is still not affordable to the majority of our people. This high cost has in turn stifled the growth of the productive sector and in particular Agriculture and the SME sector, which are the engine for the economic growth of our country.

Hon Minister, I am however, glad to note that credit to the private sector has increased significantly with the Personal loans category accounting for the largest beneficiary of credit followed by the Agriculture sector. I must hasten to mention however that in striving to increase credit, banks must always comply with the regulations as stipulated in the Banking & Financial Services Act to ensure the safety of customers' deposits. Furthermore, much more credit needs to be directed to sustainable productive sectors like Agriculture, Manufacturing and Tourism. This entails increasing borrowing options available to the small scale farmers and the SME sector. At current levels, interest rates are too high for the SMEs to access credit and venture into meaningful projects.

In order to reduce the incidences of default, the Bank of Zambia has through NB Circular 3/2008 of December, 2008 made it mandatory for every lender in Zambia to go through the Credit Reference Bureau. Any loans approved without passing through the Credit Reference

Bureau will attract Regulatory Action. This will undoubtedly help to reduce the cost of borrowing. I therefore, urge banks and other financial institutions to continue reviewing the cost of borrowing as part of the process to improve SMEs access to the much needed finances to expand their operations, employ more people, and thereby provide impetus to significantly reduce poverty rates in the country. It is also my hope that the coming on board of the Citizens Economic Empowerment Commission will significantly aid the development of the SME sector.

Hon Minister, Distinguished ladies and Gentlemen, As a direct consequence of being an open economy, Zambia has not been spared by the effects of the current global financial turmoil. As you are aware, the decline in the copper prices on the world market has negatively affected the operations of the mining sector, leading to downsizing and job losses. Contributions by the mining sector to Government revenue is also expected to decline in the 2009 while foreign exchange in the market has declined. The unprecedented high prices of fertilisers and other agricultural inputs also contributed to the current high food prices. These and several other factors have resulted in the depreciation of the Kwacha against other international currencies as well as high inflation which closed the year at 16.6% from 8.9% in 2007.

Hon Minister, the economic outlook may not be rosy now. The challenges may be huge but at the same time not insurmountable. You will agree with me that as a country with vast arable land and water resources as well as a huge market of eight neighbouring countries, we cannot afford to sit and wait for assistance from other countries. We need to work extra hard so that we can feed our children as well as export the surplus to neighbouring countries. We need to look within ourselves and determine how each one of us can help overcome the challenges that we face today. It is therefore my appeal to all of us present here today to show more commitment to the growth and development of our country.

Further, I call upon all banks to partner with the Government in alleviating the suffering of our people by contributing to the development of our nation. After all a growing and more developed economy will contribute more to the banking sector and therefore increase more profits. Banks need to seriously engage in activities that will contribute to the environment in which they are benefiting. This can be achieved in many ways including;

- By making available more loans that will increase the productivity of our economy;
- By encouraging more Zambians to open bank accounts through provision of easily accessible and affordable products and services;
- By providing products and services that suit the needs of the various customers across the country and not only those that suit people in Lusaka;
- By opening more branches across the country; and
- By installing more ATMs

All this, Ladies and Gentlemen, will greatly contribute to the emergence of a middle class in Zambia, which will bring real economic development and lead to poverty reduction.

I am pleased to note that despite the recent challenges facing the financial sectors in the world, Standard Chartered Bank's commitment to growth and re-investment is unwavering. The bank continues to be adequately capitalised with its total assets accounting for 14.4% of the banking sector's total assets while its deposit base remained strong at 16.3% of the total industry deposits. Infact, not so long ago on December 10, 2008, I was invited to officially open the Standard Chartered Solwezi Branch. I have no doubt that with the current expansion strategy; the bank will reach greater heights. However, you will all agree with me that those who have more should do more. I therefore look forward to seeing more from Standard Chartered Bank Zambia, it being such a leading bank in Zambia.

Hon. Minister, it is my sincere hope that the Falls Park Agency will live up to the expectations of the Livingstone community.

Once again, I would like to thank Standard Chartered Bank Zambia Plc, through the acting Managing Director, Mr Bairstow for inviting me to witness the official opening of this agency.

I thank you.