

## **Caleb M Fundanga: Moderating the impact of the global meltdown on the Zambian financial system**

Speech by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the official opening of Standard Chartered Bank Zambia Limited Ody's Excel Centre, Lusaka, 22 April 2009.

\* \* \*

The Chairman, Standard Chartered Bank Zambia Limited, Mr Michael Mundashi  
The Managing Director of Standard Chartered Bank Zambia Limited, Mrs Mizinga Melu  
Distinguished Guests  
Members of the Press

And may I simply say Ladies and Gentlemen

I am pleased to be here today at the official opening of the new Excel Centre of Standard Chartered Bank Zambia Limited. This event is taking place at a time when our economy is faced with challenges emanating from the impact of the global financial and economic crisis. Although the Zambian financial system is not fully integrated with the world's financial markets, the impact of the crisis is already clear.

**Mr Chairman**, the financial turmoil has resulted in a reduction in projected global economic growth and a decline in demand for commodities. As a commodity exporting country, Zambia has experienced a decline in her export receipts due to the decline in commodity prices reflecting a weak demand for these commodities. The declining export earnings and reversals in portfolio investments have been reflected in the depreciation of the local currency and consequent inflationary pressures towards the end of 2008.

**Ladies and Gentlemen**, the financial turmoil facing the world today has affected all of us and we as regulators are trying to ensure stability in the financial markets. In this regard, the Bank of Zambia has put in place measures to moderate the impact of the global meltdown on the Zambian financial system. The Government also remains resolved to continue with prudent fiscal policies and economic management, which have seen a buoyant financial sector in Zambia, thereby resulting in the mushrooming of branches in different locations of the country, such as the one we are inaugurating today.

In spite of the uncertainties in the global economy, **Distinguished Guests**, we remain confident that the financial sector in Zambia will rise above the challenge and continue to provide services to the communities where they operate.

**Ladies and Gentlemen**, I have stated at various fora that it is important for banks in Zambia to take actions which support the development of our economy:

- Banks need to open more outlets such as this one, to increase our people's access to banking services, thereby empowering our citizens
- Banks should provide more loans to the productive sector, such as Agriculture and SMEs.

In striving to meet these demands, banks must always comply with the regulations as stipulated in the Banking and Financial Services Act to ensure the safety of customers' deposits. I am proud of the stability that has been exhibited by our economy.

However, **Mr Chairman**, I am disappointed that the cost of borrowing has remained high in spite of the improvements in the fiscal management of our economy. As you know, the high cost of borrowing stifles the growth of the productive sector.

I therefore appeal to all the banks operating in Zambia to show more commitment to the growth and development of our country by:

- Opening more branches
- Providing more loans to increase the productivity of our economy, and
- Encouraging more Zambians to open bank accounts through provision of easily accessible and affordable products and services

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 observe Standard Chartered Bank's commitment to growth and reinvestment. You will all agree with me, however, that those who have more should do more. I therefore look forward to seeing more from Standard Chartered Bank Zambia Limited, as it is one of the leading banks in this country.

I thank you.