

Tukiya Kankasa-Mabula: Modernising Zambia's payment system

Remarks by Dr Tukiya Kankasa-Mabula, Deputy Governor Administration of the Bank of Zambia, at the Ecobank Launch of Financial Products, Lusaka, 16 December 2009.

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- Members of the Ecobank Zambia Limited Board of Directors present;
- The Managing Director of Ecobank Zambia Limited, Mrs Charity Lumpa;
- Members of the Diplomatic Corps;
- Ecobank Zambia Limited Customers;
- Management and Staff of Ecobank Zambia Limited;
- Members of the Press;
- Distinguished Invited Guests;
- Ladies and Gentlemen.

It is with great joy and gratitude that I stand to address you at this important launch of the "Ecobank Rapid Transfer" and the "Non-Resident African Account". I am informed that the two products are designed to transfer money faster and in real time while meeting the needs of customers resident in countries other than those where their accounts are domiciled. I am also pleased that these two products are aimed at promoting the efficient transmission of remittances at an affordable cost.

Distinguished Ladies and Gentlemen, allow me to briefly highlight the importance of remittances to our economy. Remittances are increasingly growing to be one of the most important sources of finance in Zambia. Such funds are not simply an expression of fondness by people in the diaspora to assist their families in adverse situations. They also represent an important source of finance that augments capital inflows and investments in the economy. Formal remittance inflows into the country for the three quarters to September 2009 were estimated at K221 billion. This emphasizes the growing significance of globalisation and thus the need to intensify efforts to improve and establish, an environment that could enhance the impact of remittances and their effectiveness on the economy.

Furthermore, remittances when compared to other forms of capital inflows, can have a positive impact not only on the volume but also on the quality of investments.

People in the diaspora or their relatives are more familiar with the local economic and social environment and therefore can make a better use of the capital brought into the country. Infact, the recent few years has seen a growing number of Zambians who were in diaspora, returning and trying to set up their own small or medium size businesses, bringing in, not just funds, but also a lot of know-how.

The downside to remittances is the possibility of the recipients remaining dependant on money transfers. In Zambia remittances are mainly used to secure daily family needs and to improve life style, as well as to construct or reconstruct houses, and to finance family ceremonies like weddings and funerals. Only a small portion goes into banks as savings. However in order to alleviate poverty, it is important that remittances are utilized in an effective manner that will contribute to economic development.

It is therefore imperative that some of these funds are channeled into the financial sector and invested in meaningful projects like real estates, manufacturing and agricultural sectors. To achieve this, it is key that commercial banks are involved in the transmission of such funds.

In addition, money transfer companies like Western Union and Money Gram have played a significant role in transferring remittances. Their wide geographical extension throughout the country covering many rural areas has complemented adequately the rather slow expansion of the banking sector in facilitating money transfers. The recent development of the payment

system in Zambia has also played a key role in the movement of funds through official means.

Nevertheless, unofficial flows still remain high signifying a business opportunity for banks. However, banks and other financial institutions, despite being safer, are perceived to be more expensive than the alternative unofficial means to the point of inducing many people in diaspora to stick to unofficial means. It is therefore important for banks to be mindful of their cost structures for such services.

In this regard, the Bank of Zambia welcomes the introduction of the “Ecobank Rapid Transfer” and the “Non-Resident African Account which we have been informed will be lower cost products. This will no doubt increase the level of access to financial services in the country as well as enhance the level of competition by increasing the number of participants in the market. We hope that the introduction of these lower cost products will push the transfer commissions in this market downwards.

On its part, the Bank of Zambia, working with several stakeholders, including Bankers Association of Zambia, has over the years made progress in modernising the payment system. The information technology which serves as a major platform for modern payment systems to operate has also advanced. These developments have set the stage for the development of innovative payment systems capable of serving consumers in a cost effective way.

Further, the growth of the number of players as well as the increasing number of initiatives require a robust supporting legal infrastructure to govern the payment system. To this end, the National Payment Systems Act No.1 (NPSA) was enacted in 2007. The NPSA empowered the Bank of Zambia to develop and implement the national payment systems policy so as to promote the efficiency, stability and safety of the Zambian financial system.

The Bank of Zambia thus designates players wishing to provide payment services such as money transfer services, mobile banking and other payment services. This process has strengthened the capacity of the BoZ to monitor transactions and to ensure that only safe and efficient institutions are allowed to provide payment services.

Distinguished Guests, allow me to conclude by congratulating Ecobank Zambia Limited for the innovative products that we are launching today. We hope that our people can send and receive money conveniently, safely, and at a reasonable cost. I also wish to call upon all banks and financial institutions to emulate Ecobank by introducing such products which contribute to increasing access to banking services for the Zambian people.

The opportunity, primarily for banks and other financial institutions, is to find ways to leverage Zambians in the diaspora to use remittance services that will both be profitable for the banks and will also provide them and their families with greater financial access.

I thank you for your attention.