

Ipumbu Shiimi: Financial capability and the role of the financial services industry – achievements, challenges and opportunities

Statement by Mr Ipumbu Shiimi, Governor of the Bank of Namibia, at the launch of the Financial Literacy Initiative, Windhoek, 15 March 2012.

* * *

Director of Ceremonies,

Honourable Samuel Nuyoma; Governor of Khomas Region

Honourable Saara Kuugongelwa-Amadhila; Minister of Finance

Honourable Members of Parliament,

Dr. Romeo Bertolini, Counsellor for Development Cooperation; Embassy of the Federal Republic of Germany

Your Worship Elaine Trepper; Mayor of the City of Windhoek

Members of the Diplomatic Corps,

Industry Captains

Members of the Media,

Distinguished Ladies and Gentlemen

Good Morning

It is my pleasure to join you this morning and to be associated with the official launch of the national Financial Literacy Initiative (F.L.I). This event is a remarkable milestone in the annals of our financial landscape. The launch and roll-out of the financial literacy program here today will serve as a catalyst for financial inclusion for all. I, therefore, wish to congratulate you Honourable Minister and all fellow F.L.I partner institutions for the conceiving of, and embarking on this program.

The Bank of Namibia has had the privilege to play a key role in the formulation of the Financial Sector Strategy, whose overarching objective is to elevate the role of the financial sector in the economy. Financial education is an important part of the financial sector development Strategy and the Financial Sector Charter adopted by the industry way back in 2009. Indeed, the financial literacy initiative constitutes a transmission channel for the expanded participation in the mainstream financial system. I am therefore gratified that this initiative has kicked-off at the time when we are preparing for the launch of the Financial Sector Strategy.

Honourable Minister,

Ladies and gentlemen,

The objectives of this initiative and the tasks ahead should be understood in the wider context of the potential role of the financial services sector in the economy. Finance is a key catalyst for economic development and wealth creation. Financial products and services such as secure savings and insurance play an important role to absorb changes in income during difficult economic times as well as reducing poverty and vulnerability. In fact, secure savings is a source of financial security for households and individuals.

Director of Ceremonies

A week ago, I have had the honour to officiate at the launch of the findings of the 2011 FinScope Survey. This Survey follows on the similar survey undertaken in 2007 and it is the third such survey conducted in independent Namibia. The survey assesses the level of

access to, and use of financial services by the adult population as well as the underlying reasons. For the first time in Namibia, 2011 FinScope also assessed the level of financial literacy in the country, which is a critical benchmark for planning purposes and, indeed, for the execution of the financial literacy initiative.

The findings of 2011 FinScope Survey reveal an array of progress in expanding the frontiers of financial inclusion. Of particular significance is the level of financial inclusion, which is now assessed to have increased from 48 percent in 2007 to 69 percent by 2011. Put differently, financial exclusion, which stood at an estimated 51.7 percent in 2007, has significantly fallen to 31 percent by 2011. This quantum of progress in a space of four years is a result of the effectiveness of policy and concerted efforts by the financial services industry to bring services to the doorsteps of the previously unserved and underserved. I therefore wish to seize this opportunity to commend the financial services industry for moving in the right direction.

Honourable Minister,

Ladies and gentlemen,

The survey findings also unravel the challenges and opportunities for targeted interventions going forward. Access *per se* may have improved, but the picture is not entirely rosy to warrant us to be smiling all the way to our workplaces.

Relatively high bank fees hit hard low-income earners and discourage formal banking as a safe haven for saving and other financial transactions. Unbanked persons are especially exposed to the vulnerabilities and risks associated with the cash economy and high service fees of alternative financial services. Still, about two-thirds of the population, that is 64 percent, do not have access to insurance. Therefore, we still have a long way to go.

To address some of these challenges, the Bank is working closely with the commercial banks for the establishment of the basic bank account for low-income earners and SMEs. Among its features, the basic bank account will attract low transactional fees and provide for a bundle of free transactional services per month. When finalized, this product innovation is expected to improve access to banking for the unbanked as well as cost-effective services for low-income clients. We will not stop here, Director of Ceremonies, but will continue to look at other bank fees and charges that warrant further attention in line with the Payment System Vision 2015, launched some time ago.

In conclusion, I wish to congratulate you, honourable Minister, for steering this program from infancy to fruition. Investment in financial education is an investment in financial stability. It is an investment in financial security, quality of life and poverty reduction for the broad majority of Namibians.

I thank you for your kind attention.