

Michael Gondwe: Mobile payments and mobile banking in Zambia

Opening address by Dr Michael Gondwe, Governor of the Bank of Zambia, at the 4th Annual Celpay Mobile Payments Conference, Lusaka, 12 September 2012.

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- The Chairman of the Board of Celpay Zambia, Dr. Jacob Mwanza
- The Chief Executive of Celpay International, Mr. Lazarus Muchenje
- Senior Government officials
- Representatives of Embassies
- Chief Executives Officers of Commercial banks and Financial Institutions
- Representatives of International Business Organisations
- Representatives of Zambian Business Organisations
- Distinguished participants
- Members of the press
- Ladies and Gentlemen

It is an honour and privilege to officiate at the 4th Mobile Payments Conference being hosted by Celpay Zambia Limited under the theme “**1st Decade Mobile Payments, 2nd Decade Universal Mobile Banking services**”. The Theme for this conference is appropriate and timely as it provides an opportunity for participants, and especially stakeholders, to not only reflect on what has been a decade of tremendous achievement and growth, where major changes have occurred in banking due to the introduction of mobile payments and mobile banking, but also an opportunity to gaze into the future and take a pioneering role in charting out how mobile payments can ultimately provide more banking services remotely, and away from traditional banking. It is now accepted that the advent of the internet coupled with the emergence of mobile phones have greatly enriched the banking experience whilst simultaneously serving as the core technologies assisting Africans and most of the developed world to start accessing financial services.

Mr. Chairman, I am extremely proud that this mobile banking and mobile payments revolution that has changed the face of banking forever was started right here in Lusaka, Zambia by Celpay Zambia, who on April 24, 2002 made the very first mobile payment and in doing so ignited a banking revolution that is bringing affordable, accessible payments and banking services to previously financially excluded societies and families. I would like to congratulate Celpay on this momentous achievement and on their 10th Anniversary. I trust that as you go through your deliberations over the next two days, this pioneering spirit will be enthused into your discussions and debates and you will chart the way forward for the next decade so that more banking services can be delivered through this innovative channel to even more people.

Ladies and Gentlemen, I would like to take a moment to dwell on the global environment. Since 2008 the world has gone through an unprecedented financial crisis, which led to the collapse of some major global financial institutions and also resulted in some countries requiring significant amounts of debt to bail them out of the crisis.

This environment has ameliorated somewhat, but continues to simmer in the Eurozone, where Greece, notably, has gone through some major difficulties. The affected countries in many cases have been the traditional donor and investor countries. The knock on effect of these changes is that many corporations have scaled back on their corporate expansion

plans, donor countries and donor organizations have also put in place austerity measures resulting in less donor funding globally.

Chairperson, I am sure you would agree that against this background, it becomes imperative to ensure that the financial sector is sound and can withstand shocks, whether from within or external, as well as to have the capacity and capital to support local ventures including large corporate expansion programs.

We have seen moves aimed at ensuring stability of the financial sector in places such as Nigeria and Ghana, where the capital requirements for banks were raised in recent times. In Zambia we have also introduced new capital requirements for Commercial banks that have to be in place by the end of this year. I am happy to inform you that the Bank of Zambia is working with each Commercial Bank to ensure that this requirement is met in order to strengthen the banking industry in Zambia.

Ladies and Gentlemen, the Bank of Zambia has also embarked on some key projects that shall have a lasting and beneficial bearing on the Zambian economy, such as the rebasing of the Zambian currency as well as the branchless banking initiative.

The currency rebasing shall be implemented effective 1 January 2013, and is expected to bring efficiency in the Zambian currency as a medium of exchange and store of value. As you may be aware, the Bank is re-introducing coins which will encourage the use of mechanisms such as pay phones, vending machines, car parking meters and other related technologies.

Mr. Chairperson, According to the Finscope Zambia survey conducted in 2009 only 33,7% of Zambian adults have access to financial services, leaving 66,3% financially excluded. This is despite the growth in the number of banks and indeed branches in Zambia. It is obvious that at the current growth rate of the penetration of banking services, if this is left to traditional banks alone, it may mean that the majority of Zambians will be financially excluded for a long time to come.

Ladies and Gentlemen, given the above challenge, it is quite appropriate to conclude that the mobile payments industry provides Zambia with a unique opportunity to accelerate the provision of banking services in rural and remote areas at an affordable cost to the Zambian people. To this extent I am happy to inform you that since the enactment of the National Payments Systems Act of 2007, when we only had one designated Payments Business, which was Celpay, the Bank of Zambia has now registered 28 Designated Payments Businesses. The Bank continues to encourage growth of the mobile payments sector and other initiatives that promote financial inclusiveness. For instance, the Bank supports the initiative of Branchless Banking as an innovative way of growing the banking industry.

Mr Chairperson, another important facet in the development of the mobile payments industry shall be the ability of the individual payments systems to interoperate and settle real time across different payment systems through shared infrastructure. This should be one of the objectives of the Zambia Payments Systems Association, and therefore urge that the Association adopts this objective as part of their medium term plan. The Bank of Zambia welcomes initiative that will bring down costs and ultimately make mobile payments services affordable to the people.

Ladies and Gentlemen, the conference theme looks to the next decade in mobile banking and talks about universal mobile services, I am glad that this theme is being explored here. Our understanding of this theme is twofold: firstly, that in the next decade all adult Zambians will have access to financial services and secondly that financial services shall be available to the majority of our people through this delivery mechanism. This is indeed an ambitious target and can only be achieved through forums like this one where industry experts come together to share ideas and chart the way forward. As the regulator the Bank shall continue to provide policy guidance and regulations that are clear and unambiguous in support of the

growth of this industry. Further, our obligations extend to ensuring that as these technological advancements occur:

1. The consumer remains protected;
2. Anti Money laundering and Counter Terrorism Financing regulations are in place; and
3. Business continuity is assured.

Chairperson, I wish you good deliberations over the next two days, the Bank of Zambia will be expecting a report from the conference. I wish to thank Celpay for once again arranging and hosting this event, and I congratulate you on your 10th Anniversary.

I now declare the 4th Annual Celpay Mobile Payments Conference officially open.

I thank you and may you have inspired deliberations.