

Tukiya Kankasa-Mabula: Accelerating women's economic empowerment – key to job and wealth creation; sub theme: financial inclusion

Keynote address by Dr Tukiya Kankasa-Mabula, Deputy Governor (Administration) of the Bank of Zambia, at the 2012 Month of the Woman Entrepreneur (MOWE) Conference, Lusaka, 26–27 September 2012.

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- The Chairperson, Zambia Federation of Associations of Women in Business
- Senior Government officials present
- Country Director UNDP
- Chairpersons of affiliated organizations
- Distinguished invited guests
- Members of the press
- Ladies and Gentlemen

Ladies and gentlemen, I wish to thank Zambia Federation of Associations of Women in Business (ZAFWIB) for organising this very important conference, with an emphasis on achieving greater financial inclusion for women in general and women entrepreneurs in particular.

We commend the focused attention being paid by the ZAFWIB to the subject of this year's theme for the month of the woman entrepreneur which is: "**Accelerating Women's Economic Empowerment – Key to Job and Wealth Creation**" under the sub theme: "**Financial Inclusion**".

Ladies and Gentlemen, it has been established in many countries that women entrepreneurs play an increasingly important role in the development process of an economy through job and wealth creation. According to the International Finance Corporation (IFC), an estimated 31 to 38 per cent of SMEs in developing countries are owned or run by women. The figures are between 21 and 26 per cent for Sub-Saharan Africa. In other literature, women have been credited with owning 48 per cent of MSMEs in Africa (NFNV). Therefore, women are increasingly being recognised as a powerful source of growth. Indeed, at the Second African Women's Economic Summit held in Lagos in July 2012, women were recognised as the New Emerging Market.

Chairperson, as you may be aware, the Zambian economy has been growing at an average rate of above 5% in the recent past. Most of this growth has been broad based with economic sectors, such as, agriculture, mining, manufacturing and tourism recording impressive growth rates. However, there is potential for further economic growth across all sub sectors if the potential of women entrepreneurs can be harnessed. Limited access to affordable financial services such as savings, loans, remittances and insurance services by the vast majority of the population, especially for women and the SME sector is acting as a constraint to the growth impetus.

It is recognised that many women, together with the businesses they run are financially excluded. This is also acknowledged in a 2011 Report by the Gender and Development Division on the study tour to Tanzania and Rwanda, regarding women's economic empowerment. The Report states that "*there is evidence that gender disparities in national development still exist in Zambia and one of the areas of concern is access to finance by women entrepreneurs. In order to address this situation, one of the objectives in the Sixth*

National Development Plan is to enhance the capacity of women to participate in national development".¹ The Report further states that "due to weak economic position such as lack of collateral required by most financial institutions, most women, especially the rural women, are unable to access investment capital to engage in business and other economic activities as individuals".

Access to affordable financial services – especially credit and insurance – enhances livelihood opportunities and empowers women and other marginalized groups to take charge of their lives as well as improve their social and economic equity.

This is why financial inclusion is considered to be critical for achieving inclusive growth and poverty reduction.

What do we mean by financial inclusion

Women's financial inclusion has been described as "a state in which women as individual, members of households and entrepreneurs, have access to the full range of financial products and services from convenient responsible formal service providers, offered effectively, responsibly and sustainably and at a reasonable cost to clients" These products include payments, savings, credit, insurance and pensions.

The Finscope survey of 2005 and 2009 showed that access to financial services in Zambia has been low with results indicating only a marginal increase from 33.7% in 2005 to 37.3% in 2009. This signifies that further efforts are required. The 2009 survey also revealed disparities in terms of financial access by gender, with male access at 41% while that of females was at only 34%. This was with regard to access to any financial product, formal or informal. With regard to the formal banking sector, only 14 per cent of Zambian adults were banked. Further broken down, 17 present of Zambian males were banked compared to 12 per cent of females.

Distinguished Guests, there are a variety of reasons that have been identified for financial exclusion in our country. In remote and sparsely populated areas with poor infrastructure, physical access itself acts as a deterrent. From the demand side, lack of awareness, low incomes, social exclusion, illiteracy, and lack of collateral among others act as barriers. From the supply side, distance from branches, high transaction costs and cost of borrowing, cumbersome documentation and procedures, as well as unsuitable products, are common reasons for exclusion.

Chairperson, some of the challenges faced by women entrepreneurs regarding access to finance have been specifically identified as follows:

- Lack of collateral/ discriminatory property rights;
- Financial illiteracy;
- Lack of awareness of development finance;
- Lack of financial confidence;
- Lack of appropriate products;
- Uncertain business climate;
- Inadequate financial skills;
- Lack of banking facilities;
- Cumbersome application procedures and complicated forms to complete;

¹ A Report on the Study Tour to Tanzania and Rwanda, 20–26 June, 2011, Gender in Development Division.

- High cost of finance.
- Poor gender disaggregated data which limits market information on what women want and need
- Most businesses are informal and in lower value areas

Bank of Zambia response

The Bank of Zambia has responded by putting in place measures to maintain a stable macroeconomic environment which have resulted in significant reduction in inflation; downward movement in interest rates; and a fairly stable exchange rate. The Bank of Zambia is also the lead implementer of the Financial Sector Development Plan on behalf of the Government of the Republic of Zambia.

As you may be aware, the Zambian government formulated the FSDP as a comprehensive strategy for addressing challenges in the Zambia financial sector. Under the second phase of the FSDP, access to finance by the various strata of society, including access based on gender is identified as a key weakness to be addressed.

The development of the FSDP and its implementation, therefore, reflects the priority attached by the government to this subject.

The Bank of Zambia as the lead coordinator for the Financial Sector Development Plan (FSDP) has also incorporated Financial Inclusion as one of the key objectives under its Strategic Plan for the period 2012 – 2015, namely; to increase financial inclusion to 50 per cent of the population by 2015.

The strategies under this objective include the following:

1. Develop an index to measure the depth and breadth of financial services in Zambia.
2. Promote agency banking and mobile banking.
3. Develop guidelines for branchless banking framework.
4. Establish a unified collateral registry framework.
5. Establish Financial Education Coordinating Unit (FECU).
6. Undertake financial education interventions specific to BoZ mandate.
7. Revise legal and regulatory framework to promote financial inclusion.
8. Develop incentive mechanisms to encourage outreach of financial services to rural areas and other financially excluded citizens.

In order to ensure that persons who are excluded, both in urban and rural areas do not encounter difficulties in opening bank accounts, the know your customer (KYC) procedures for opening and operating accounts has been simplified. The simplified procedure or relaxed „KYC“ note allows banks to use various forms of reference documentation such as community leaders other than the traditional approach used in the past.

In addition, over the years, there have been a number of positive developments in the economy. Some of these include easier access to banking services through lower bank account opening balances; relaxed KYC procedures for opening and operating accounts; improved payments systems through mobile banking, e-money, increased numbers of ATMs and point of sale terminals, and improved access to foreign exchange through various bureau de change across the country. We have also seen a broader range of financial services, including products tailored for women.

Under the **second phase** of the FSDP, Government is implementing a number of programmes, and building capacity for key stakeholders. Specific milestones include:

- (i) Development of a rural finance policy – a draft report has been developed and among others, focuses on proposals for developing warehouse certificate systems, supporting financial services providers towards rural banking as well as agency banking and initiatives for rural branch expansions (e.g. Natsave).
- (ii) Establishment of development fund – DBZ is now the appointed apex body for wholesale funds and is also expected to launch an enterprise development fund co-financed with the Zambia Development Agency (ZDA).
- (iii) Launch of the National Strategy on Financial Education – this strategy which was launched in July 2012 will centre on increasing financial literacy levels in the country with education programmes targeted at children (in schools); youth, male and female adults and MSMEs as well as teachable moments. The Bank intends to partner with Women’s organisations to ensure proper coverage of women.
- (iv) Development of awareness campaigns – related to the above, BoZ and other financial sector regulators are involved in awareness programmes through media briefs, trade and commercial shows, radio and TV programmes as well as road shows.

The Bank of Zambia has also entered into a partnership with the ILO to implement the FAMOS Check Tool which should assist banks to better serve their FAMOS clients. The Bank has also embraced many stakeholders, including some women’s organisations, onto the FAMOS Implementation Task Force.

The Bank has also licensed a credit reference bureau which will ultimately help to create credit histories for financial market participants that may serve as alternative to collateral.

Message to women entrepreneurs and women’s organisations

I am very pleased with your initiative to engage the central Bank. You should equally engage the financial service providers individually and through their associations to make them appreciate the needs of the women entrepreneurs.

You should facilitate training in assertiveness for your members and to take advantage of all available financial literacy education. You should encourage a good credit culture (which is already embraced by many women). You must aspire to grow from the informal to the formal and from SMEs to large corporations. You must not just wait for the targeted funds (which have a role to play) also seek to access other relevant products in the market. Seek to be informed. Make yourselves visible.

Message for banks and other financial service providers

- Explore the women’s market segment as a viable and profitable segment;
- Create innovate products that respond to the needs and wants of the women’s market segment;
- Find new ways of mitigating risk;
- Promote greater workplace diversity and promote more women into senior management positions; and
- Assist women to be more financially literate.

On our part, Bank of Zambia will continue to create an enabling environment through policies, legislation and regulation that facilitate greater financial inclusion of women.

Chairperson, once again, allow me to applaud the sponsors, led by ZAFWIB, for successfully organizing this important event on the Month of the Woman Entrepreneur for the 8th consecutive year as well as for holding this year’s annual conference. As Bank of

Zambia, we are delighted to play a positive role as it is a unique opportunity to build relationships amongst various stakeholders.

Let me also, in this regard, implore participants to visit the various stands in the Financial Exhibition and engage the financial service providers for additional insights into the theme for this year's Month of the Woman Entrepreneur which is: "*Accelerating Women's Economic Empowerment – Key to Job and Wealth Creation*" under the sub theme: "*Financial Inclusion.*"

Lastly, I wish to sincerely thank Lee Anne Singh, a woman entrepreneur for graciously providing the exhibition tent free of charge.

I would also like to thank the Banks and other financial service providers that have responded at short notice to mount the Financial Exhibition. Take full advantage of their presence here.

As I conclude, I wish you all the very best in your deliberations over the next two days, and declare, with these few words, this national conference officially open.

I thank you.