

Ipumbu Shiimi: Credit information management in Namibia

Welcoming remarks by Mr Ipumbu Shiimi, Governor of the Bank of Namibia, at the Credit Information Workshop, Windhoek, 19 August 2013.

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Director of Ceremony

Mr. Darrel Beghin, Executive Director, South African Credit Providers Association

Ms. Mojgan Derakhshani and Daniel Kanyi from FinMark Trust

Representatives of Credit Bureaus,

Representatives of Lending Institutions,

Distinguished invited Guests,

Members of the media,

Ladies and Gentlemen,

Good morning!

I am pleased to be here this morning and thank you for the invitation to open this important Workshop on *Credit Information*, a topical subject of interest to Namibia. Allow me therefore, *Director of Ceremony*, to extend my gratitude appreciation to *FinMark Trust* for this initiative. I am informed that the overarching objective of the workshop is to share the outcome of the fact finding mission to Namibia conducted by *FinMark Trust* in March this year and also to share the South African experience in credit information management.

Ladies and Gentlemen, this workshop comes at an opportune time for Namibia. Why do I say that? Three reasons come to mind. First, Namibia in general and the Bank of Namibia in particular, are vigorously pursuing a ***financial inclusion agenda***. This is underpinned by the launch of the Namibia Financial Sector Strategy in August 2012 by the Honourable Minister of Finance. This strategy represents a long-term development strategy for the Namibian financial sector. One of the goals of this strategy is to reduce financial exclusion from baseline of 51.7% financial exclusion determined in 2007 to 26% percent by 2021. The good news is that we have made significant progress in this regard, financial exclusion has fallen since 2007, it now stands at 31%. But we still have some work to do to achieve the goal of financial inclusion. A good credit information system is a necessity for financial inclusion and this is what I would like to talk about in my remarks today. First, what is the importance of a good credit information system? Three reasons:

- a. Research has shown that there is a positive correlation between the credit information system through the presence of credit registries/bureaus in an economy and access to finance. This is because credit information sharing plays a critical role in the financial sector in facilitating access to finance to people who are in need of funding. This is achieved by availing information on borrowers' credit worthiness to lenders. This helps lenders with credit assessment, meaning that well behaved borrowers may easily have access to credit.
- b. A good credit information system also enables well behaved borrowers to get cheaper credit in terms of low interest. This is because if the lender is satisfied with the credit record of a customer it will be willing to charge the customer reasonable interest rates. At the same time, it contributes to financial discipline at an individual level because those who are not disciplined to pay back borrowed money will have difficulties getting credit and if they get it, they will pay a high price.
- c. A good credit information system contributes to financial stability. Armed with consolidated records in the credit information system, regulators are better equipped

to assess the indebtedness of all individuals in the country. This enables regulators to be in a position to determine whether or not the financial stability of the country is under threat and whether or not necessary action needs to be undertaken to contain the situation.

The second issue, I would like to talk about today is whether or not credit bureau are illegal in Namibia. This issue has been a subject of speculation in the media recently. The Bank of Namibia's view is that the existing credit bureaus in Namibia are legal entities registered in accordance with the relevant laws by the Ministry of Trade and Industry. That means they are not illegal. What is missing in our legal system at the moment is a specific law regulating how these entities should manage the information under their care. This will be my next point, the third issue I would like to talk about.

How should Credit Bureau be regulated going forward? Ladies and Gentlemen, as required in the NFSS I cited earlier, the Bank of Namibia conducted a study on the organisation of credit bureaus in Namibia. The study recommended that credit bureau be regulated through a specific regulations of credit bureaus. To this end, the Bank of Namibia has commenced the process of drafting the Credit Bureau Regulations. We believe these regulations will be in force before the end of the year. In few days, the draft regulation will be available for public scrutiny and comments. We invite all stakeholders to present their input to Bank of Namibia in this regard. The regulation of credit bureaus through Regulations is an interim arrangement pending the finalization of the comprehensive Consumer Credit legislation, which is envisaged to be in place in the medium term.

In conclusion, let me once again commend FinMark Trust for organizing this important workshop and we keenly await the outcome. I look forward to a day when Namibia will be rated as one of the countries with the best credit information system in the world, where a credit score can be produced in five minutes. I believe this is possible if we all work together and we owe this to the future of our children.

Thank you for your kind attention.