

Caleb M Fundanga: Brief background to the FinScope Zambia 2005 Survey

Speech by Dr Caleb M Fundanga, Governor of the Bank of Zambia, as background to the FinScope Zambia 2005 Survey, Lusaka, 8 November 2006.

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Hon. Ministers and Deputy Ministers;
Secretary to the Treasury
Hon. Members of Parliament;
Your Excellencies and Members of the Diplomatic Corps;
Representatives of Development Agencies;
Chief Executives of Banks, Regulatory Authorities and Financial Institutions;
Distinguished Invited Guests; and
Ladies and Gentlemen.

On behalf of the Financial Sector Development Plan (FSDP) Secretariat, it is my pleasure to present a brief background to the FinScope Zambia 2005 Survey.

Ladies and Gentlemen - In recognition of the strategic importance of the financial sector to the country's development and poverty reduction efforts, in 2003 Government launched a project to formulate the first Financial Sector Development Plan (FSDP) which was approved by Cabinet in 2004. This followed the joint World Bank and International Monetary Fund (IMF) Financial Sector Assessment Programme (FSAP) report of 2002, which identified various weaknesses in the Zambian financial system including the following:

- Unstable macro-environment
- Low financial intermediation
- No formal structures for a financial safety net
- Poor credit culture
- Weaknesses in the regulation and supervision of non-bank financial institutions.

Since the approval of the FSDP in 2004, a number of weaknesses have been addressed. These include:

- Stable macroeconomic environment as reflected in single digit inflation, reduction in lending interest rates and a stable exchange rates
- Amendments/Harmonisation of financial sector legislation such as the Development Bank of Zambia (DBZ) Act, the National Savings and Credit Act (NSCA), the Pensions and Insurance Act, the Building Societies Act (BSA) and the Banking and Financial Services Act (BFSA) in 2005.
- Establishment of a credit reference bureau in 2006; and Promulgation of microfinance regulations in 2006.

Honourable Minister – The production of market knowledge on the supply and demand for financial services in Zambia was identified as one of the priority areas under the FSDP. In this regard, FinMark Trust of South Africa was contracted by our cooperating partners the Swedish International Development Agency (Sida) and the United Kingdom's Department for International Development (DFID) to undertake this important activity and subsequently, the FinScope Zambia 2005 Survey, a comprehensive demand-side survey of consumer interactions with financial markets in Zambia, was conducted in November 2005. The main objective of the survey was to measure access to and use of financial services, along with how people manage their finances and what drives their financial behaviour.

Honourable Minister and Invited Guests - This morning we are here to share with you, the findings of the FinScope Zambia 2005 Survey. These findings are expected to play an important role in profiling demand for financial services in Zambia. It is my hope that policy makers and financial service providers will utilise this information to develop strategies that will lead to the expansion and improvement of financial access for our people.

In Conclusion – May I emphasise that the nation is looking forward to the findings of the FinScope Zambia 2005 Survey which will help us fully understand the financial landscape in Zambia and therefore open up new market segments and allow us expand accessibility to financial services in Zambia necessary for reducing poverty.

The report of the FinScope Zambia 2005 Survey will be posted to the Bank of Zambia website, www.boz.zm, for public information.

Thank you.