

Caleb M Fundanga: Improved financial services in Zambia

Speech by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the official opening of The Barclays Bank Zambia Plc, Chilenje Branch, Chilenje, 9 January 2008.

* * *

- Mr Fritz Seegers – Barclays Global Retail and Commercial Banking Chief Executive
- Mr J J Sikazwe – Barclays Bank Zambia Plc Chairman
- Mr Ahmed Khan – Barclays GRCB Emerging Markets Chief Executive Officer
- Mr Michael Miebach – Barclays Sub-Sahara Africa Managing Director
- Mr Zafar Masud – incoming Barclays Bank Zambia Managing Director
- Mr Danie Nel – outgoing Barclays Bank Zambia Managing Director
- Invited Guests
- Ladies and Gentlemen

I am delighted to be the Guest of Honour at the official opening of the Barclays Bank Zambia Plc Chilenje branch. My appreciation of this opening is because it reflects a fundamental change in strategy by Barclays Bank Zambia over the last few years. I recall that only a few years ago, Barclays Bank Zambia closed a number of its branches in several towns and locations. We were greatly concerned because it meant that even the few that were serviced by commercial banks would have greater problems in accessing financial services. Barclays Bank Zambia obviously had its reasons for taking such an action and we cannot fault them for attempting to curb their costs.

However, it is now evident that there is a turnaround in the situation. I am reliably informed that the number of branches has increased from 17 at the beginning of April last year to 55 at the end of November 2007. What is even more impressive is that these branches are found in areas which were previously not serviced by commercial banks. This indeed is a bold move and for this we must commend Barclays Bank Zambia. I am aware that the expansion programme is backed by a capital injection of approximately K40.0 billion which will make it possible for Barclays Bank Zambia to increase its services in the country, particularly to the SMEs sector.

Ladies and Gentlemen, the 2005 Finscope Survey undertaken by FinMark Trust confirmed that levels of access to financial services in Zambia are low. Fewer than 15% of adult Zambians are reported to have had access to commercial banks. The reasons given for this low accessibility varied but some of the critical reasons included the distance to banks, the time spent getting to a bank and the cost of getting a bank service. With Barclays Bank Zambia opening branches closer to the people it is our conviction that the number of Zambians to have access to banking services will increase. We therefore encourage as many Zambians as possible to use these facilities. To the residents of Chilenje, I urge you to utilize the services offered by Barclays Bank, otherwise the bank may opt to close its branch due to lack of business and you will be left with no bank in your area. You must recognize that the era of keeping monies in mattresses is long gone.

We recognize that Barclays has obviously seen a window of opportunity in opening its branches in such localities. However, it is important to note that the level of incomes in such areas is not at the same levels as for those that obtain their services from high street locations. In this regard, we urge Barclays and other banks opening their branches in these communities to design suitable products. The banks should structure the related costs such that they take into account the lower income status of their clients. I have in mind the withdrawal of small sums of money without necessarily charging for the withdrawals. The challenge of extending access to financial services to the remaining adult population still remains, and for this unbanked population cost is a major consideration.

Ladies and Gentlemen, I am aware that the demand for banking services is high in Chilenje and therefore Barclays Bank should consider moving to bigger premises. There are a number of longstanding neighbourhood businesses in this location. I can point at Sir Jack, Janu Plaza, Karibu Bakery and Robert's Fish and Vegies. There are also business entities which were formally parastatals located here. I also know that private entities that have a national presence such as Zambeef Plc and Pama Meats have established branches here. This is a reflection of the economic viability of Chilenje Township and Barclays has done well to come here.

Ladies and gentlemen, as you are aware the Zambian economy has taken a turn for the better over the last few years. We are fortunate that the rise in copper prices has created a greater interest to invest in the mines. We have also witnessed increased investment in other areas such as agriculture, tourism, construction and manufacturing. This has culminated in a 25.6% increase in non-traditional exports to US\$845.1 million by November 2007. This obviously gives a wider spread of lending opportunities for the banking sector. It is important to note that this growth in non-traditional exports is to a large extent associated with small and medium scale enterprises. The commitment by Barclays Bank Zambia to upscale their support to the SMEs is thus very welcome. This commitment has been exemplified by your decision to locate a branch in Chilenje. I am also happy that your commitment to the community has extended to the renovation of the Community Centre, a building which carries a strong historical background for this country. We encourage you to extend this further by helping with other requirements such as the drainage system in the locality, street lighting for specific areas and enhancing other communal facilities as part of the Keep Lusaka Clean campaign.

Ladies and gentlemen, without further ado, it gives me great pleasure to declare the Barclays Bank Zambia Plc Chilenje Branch officially open.

I thank you!