

## Caleb M Fundanga: Promoting financial inclusiveness

Opening remarks by Dr Caleb M Fundanga, Governor of the Bank of Zambia, to the second AFRACA Central Banks' Forum, Livingstone, 23-25 September 2008.

\* \* \*

- The Guest of honour; Honourable Ng'andu P. Magande, MP Minister of Finance and National Planning;
- Your Worship the Mayor, Mrs Grace Shafik;
- Provincial Minister, Hon Daniel Munkombwe;
- Permanent Secretary, Southern Province, Mr Darius Hakayobe;
- Deputy Governor-Operations, Dr Denny Kalyalya;
- Chairperson;
- The Secretary General of the African Rural and Agricultural Credit Association (AFRACA), Mrs Mary Nandazi;
- Co-operating partners;
- Distinguished invited guests from Central Banks;
- Resource Persons;
- Chief Executive Officers of Banks and Non bank financial institutions;
- Distinguished invited guests;
- Ladies and gentlemen;

On behalf of the Bank of Zambia and indeed on my own behalf, I would like to extend a very warm welcome to you all to this important African Rural and Agricultural Credit Association (AFRACA) Conference. To our colleagues from outside Zambia, I wish to extend a special welcome to you to Zambia, in particular to Livingstone, our tourist capital.

Like the rest of Zambia, Livingstone is a city of tranquility with an easy-going African charm. The city is not short of interesting sites and places to visit. It hosts the Victoria Falls, also known among the locals as "Mosi-o-Tunya, the Smoke that Thunders" and is one of the world's seven natural wonders! There is also a game park, a well stocked curio market and the Mukuni Cultural Village, among the many attractions. I therefore urge you to find time or indeed stay an extra day or more to sample this special menu that Livingstone has to offer.

Chairperson, Central Bank of Zambia is honoured and delighted to co-host the second AFRACA Forum that begins today, the 23rd and ends on 25th September, 2008.

AFRACA is an association of Central Banks and financial institutions involved in the provision of financial services to the rural population in Africa and increasing access to financial services in general. Its membership of 94 institutions consists of central banks, commercial banks, agricultural banks, development and cooperative banks, other financial institutions and microfinance operators whose networks spread throughout 26 African countries. It is through workshops and fora of this nature, among other events, that AFRACA endeavours to disseminate information and share experiences among members and other industry stakeholders across the continent.

Following the first Central Banks Forum held in Accra, Ghana and in view of the need to deliberate further on the topical issue of financial inclusiveness, AFRACA felt it necessary to hold the second Central Banks Forum under the theme, "*Promoting Financial Inclusiveness*". The main objectives of this second forum are to harness current views on promoting financial inclusiveness, draw lessons and recommend strategies for improvement of the levels of access to financial services, particularly among the rural communities in our countries.

This year's theme, "*Promoting Financial Inclusiveness*", is also very topical for us in Zambia. Only two months ago, Zambia hosted the Smart Partnership Dialogue that brought together

over 500 delegates from different parts of the world (including current and former Heads of State and Government) to discuss several developmental issues under the theme “realisation of national visions”. The conference had a session focusing on financial inclusion.

Chairperson, in recognition of the importance of the financial sector towards national development, the Zambian Government formulated a five year Financial Sector Development Plan (FSDP). The FSDP is aimed at addressing various weaknesses in the Zambian financial system, among them being the low financial intermediation and limited access to finance and financial services.

As a matter of fact, in recognition of the key role that financial inclusion plays in the development of the financial sector, the Bank of Zambia has in its strategic plan for 2008-2011 adopted financial inclusion as one of the strategic objectives.

In order to determine the existing gaps in the provision of financial services in the Zambian economy, a market knowledge study called the “Finscope Demand – Side Survey” was conducted in 2005 to review the inclusiveness of the Zambian financial system under the auspices of the FSDP. Significant findings from the survey were that 66.3% of the Zambian adult population did not have access to financial services and that only 33.7% used banks, other formal and informal financial services and products (such as those offered by microfinance and savings clubs). Above all, only 15% of the adult population had access to commercial banking services.

This low level of financial access therefore constitutes one of Zambia’s main challenges in facilitating economic empowerment of every citizen. Arising from these findings, the Government has since set targets or performance monitoring indicators. One such target is to increase the level of access to financial services to 48% by 2008 and 50% by the end of 2009.

Following the earlier survey, a subsequent study called the “Finscope Supply – Side Survey” was conducted in 2007. Some of the key findings were that:

- a. bank charges are unaffordable for 90% of the rural adult population in Zambia;
- b. Zambian banks generally have high operating costs and interest rate spreads; and
- c. the physical coverage of financial outlets may not increase at current cost levels.

It is therefore, my hope that this Forum will address these and other challenges that slow the pace of financial inclusion in our countries.

Honourable Minister, over the past two years, we have noted with delight that financial institutions in Zambia are beginning to rise up to the challenge by beginning to broaden the scope of their financial services and extending their services beyond the traditional customers to include previously unbanked communities. In addition, the Zambian financial sector has in recent years experienced growth in numbers of both registered commercial banks and non – bank financial institutions.

We in Zambia, therefore, see this Forum as being timely and providing a unique opportunity for African financial institutions to share knowledge and experiences on how best to promote financial inclusiveness, particularly among our rural and peri-urban communities who have since not been fully integrated in the financial systems of most of our countries. This entails that they are not effectively participating in the economic growth that is being experienced in these countries.

This Forum also comes at a time that we in Zambia have just lost a statesman who was passionate about rural development and empowerment of all citizens. The conference theme therefore, is appropriate for us as we carry on the vision of our beloved late President, Dr. Levy Patrick Mwanawasa, SC (M.H.S.R.I.P). In this respect, we would also like to acknowledge the many expressions of sympathy extended to us during our time of mourning.

Distinguished delegates, on behalf of AFRACA, I would like to thank our various presenters and panelists for accepting to facilitate our deliberations over the next two days. I would therefore, like to implore all delegates to engage fully in these discussions and make the most of the wealth of knowledge and experience represented in the house.

Ladies and Gentlemen, it is my pleasure and privilege once again to welcome you to the second AFRACA Central Banks' Forum. I now wish to invite our distinguished Guest of Honour, the Minister of Finance and National Planning, Honourable Ng'andu P. Magande MP, to officially open this Forum.

Honourable Minister!