

Denny H Kalyalya: Broadening financial services provision

Opening remarks by Dr Denny H Kalyalya, Deputy Governor-Operations of the Bank of Zambia; at the opening of the Pilot Financial Inclusion Advisers (FIA) Programme, Lusaka, 6 April 2009.

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Chairperson

The Deputy Minister of Finance and National Planning, Ms Chileshe Kapwepwe, MP
Dr Mahaela Smith, Co-Founder and CEO, the Commonwealth Partnership for Technology Management (CPTM)

Deputy Governor – Central Bank of Swaziland

Distinguished Resource persons and representatives from Bank Negara Malaysia

Regional Central Bank representatives

Distinguished Participants

Ladies and Gentlemen

On behalf of the Bank of Zambia and indeed on my own behalf, it gives me great pleasure to welcome you all to this pilot Financial Inclusion Advisers programme and to Zambia for our colleagues from other countries. Before going any further, please allow me to convey the Governor's regret for not being able to be with us. He is attending to another important assignment, the AERC Senior Policy Seminar on the Global Financial Crisis and its implications for African Economies, also here in Lusaka. Nonetheless, he extends his welcome and good wishes for a successful programme.

This important conference has brought together practitioners and regulators of microfinance institutions from different countries to share experiences. I also note that participants have been drawn from Central Banks in the region, the public sector, commercial banks, microfinance institution and other non-bank financial institutions.

Chairperson:

The Bank of Zambia, in conjunction with the Bank Negara Malaysia (the Central Bank of Malaysia) is pleased and greatly honoured to co-host this pilot Financial Inclusion Advisers Conference. We have no doubt that this Conference will provide the necessary impetus to advance the frontiers of financial services provision to our people in the region.

Ladies and Gentlemen:

The genesis for this important forum goes back to the Langkawi International Dialogue, in 2007 at which the Governor of the Central Bank of Malaysia proposed this initiative. The purpose was to bring together practitioners and regulators of microfinance to learn from each other on how to deepen and broaden financial services provision.

The proposal was concretized at the Global Southern Africa International Dialogue under the CPTM SMART Partnership Movement, held here in Lusaka, in August 2008 following an agreement between the Bank of Zambia and Bank Negara Malaysia to conduct the first Financial Inclusion Advisers Programme in Zambia.

Distinguished Guests and Participants:

As you may know, the debate on financial inclusion has been going on for some time now. A common understanding arising from this debate is that financial exclusion has negative economic and social effects on society. For instance, lack of access to financial services tends to restrict the economic opportunities open to the poor and makes them vulnerable to adverse events. The absence of savings products in particular makes it difficult to build up capital.

This Conference is therefore, aimed at enhancing financial inclusion by equipping practitioners and regulators with tools to promote financial literacy and to expand the provision of financial services.

Chairperson:

Allow me to give some highlights of the status of financial inclusion in Zambia. Like in many other developing countries, the financial sector in Zambia still faces a number of challenges.

The joint IMF/World Bank, Financial Sector Assessment Programme (FSAP) Report of 2002, highlighted a number of these, including limited access to financial services by the rural and peri-urban population and doubtful sustainability of financial services in Zambia.

In light of these findings, and in recognition of the strategic importance of the development of the financial sector in contributing to sustainable economic growth and poverty reduction, the Government of the Republic of Zambia developed and launched the Financial Sector Development Plan (FSDP) in 2004.

The FSDP is a comprehensive five year strategy to build and strengthen the financial sector infrastructure to enable it to support economic diversification and sustainable growth. Under the FSDP, two important studies, namely, the FinScope™ Surveys of 2005 and 2007, on the demand for and supply of financial services in Zambia have been undertaken. These studies have augmented the earlier findings of the FSAP with respect to the key developmental challenges for the financial sector in Zambia.

The key findings of the Finscope Survey on the demand for financial services included the following:

- Only one third (33.3%) of the population were “financially served”, i.e., used formal and/or informal financial products, whilst two thirds (66.7%) had no access to financial services;
- 77.5% of Zambians report to have never had a bank product or service;
- 40% of salaried staff reported not having bank accounts, signifying that they received money in cash rather than through the financial system; and
- The barriers to accessing financial services include cost, distance, time and transport to reach the bank or financial service provider.

In addition, the FinScope™ Survey noted that microfinance institutions although used by only 5% of the adult population plays an important role in increasing levels of access to financial services; and that the informal sector in Zambia played a significant role in the provision of financial services catering for 11% of the population.

Distinguished Participants:

An important point to note is the fact that the majority of those who had no access to financial services are the rural poor, with women being more disadvantaged than men. These are worrisome results, which call for concerted efforts by all stakeholders to expand the frontiers of financial services.

In furtherance of the objectives of the FSDP, the BoZ Strategic Plan for 2008-2011 has made financial inclusion as one of its key strategic objectives. Government has also set a financial access target of 50 percent by the end of 2009 under the Performance Assessment Framework (PAF).

The holding of this Conference is therefore, consistent with our aspirations to increase levels of financial access in the country. As earlier alluded, the aim of this Forum was to bring together practitioners and regulators of microfinance to learn from each other in order deepen and broaden financial services provision. In this regard, the forum has a number of eminent persons who will share with us their unique experiences.

Ladies and Gentlemen:

This FIA programme is customized and among the issues that will be addressed include the following:

1. Emerging best practice in microfinance;
2. Self-help group models for microfinance, which may be viable for countries in our region;
3. Microfinance product development knowledge and risk management strategies; and
4. Specific micro-credit practices for agricultural-related businesses, which is relevant for most our countries' strategies to diversify into agriculture.

Distinguished Participants:

We consider the timing of this workshop appropriate given the impact of the on-going global financial crises. I therefore, call upon all of you to take advantage of this unique opportunity to learn and share experiences, so that we can come up with efficient and effective ways of advancing financial inclusion in our respective countries.

Ladies and Gentlemen:

At this point, kindly allow me to call upon our Guest of Honour, Honourable Ms Chileshe Kapwepwe, MP, the Deputy Minister of Finance and National Planning to deliver the key note address and to officially open this Conference.

Honorable Minister Sir!