

Caleb M Fundanga: Setting new standards for cellphone banking

Opening remarks by Mr Caleb M Fundanga, Governor of the Bank of Zambia, at the Celpay 2010 Mobile Payments Conference, Lusaka, 27 October 2010.

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The Chief Executive Officer Celpay International BV
The Managing Director – Zain Zambia Limited
Managing Director, Celpay Zambia Ltd, Mr Miyanda Mulambo
The Conference Chairperson, Mr Maxwell Banda
Representatives of Commercial Banks and Financial Institutions present
Representatives of International Organizations present
Representatives of Zambian business associations
Distinguished invited participants
Members of the Press
Ladies and Gentlemen,

It is an honour and privilege for me to officiate at the 2010 Mobile Payments Conference. This year's conference follows the success of the inaugural 2009 conference and it is therefore my earnest anticipation that as in 2009, you will find the 2010 conference productive and beneficial. The conference provides an excellent opportunity for the exchange of views and sharing of ideas on how to continuously improve the functioning of our financial systems against the backdrop of the global financial turmoil.

Mr Chairman, Allow me to begin by commending Celpay Zambia Limited, for making the mobile banking conference an annual event. I hope that the Conference will provide a forum for long-term collaboration in the area of Mobile banking to provide sustainable banking solutions to our people. The Bank of Zambia applauds this initiative which is collaborative and consultative. It is only through such collaboration and consultation involving key stakeholders that we are able to improve our local situations as we seek to have a stable macroeconomic environment and an inclusive financial system. These are preconditions for achieving economic development and accordingly, one of the principal tenets of economic development is access to financial services. In this regard, a national payment systems development has a fundamental role to play to enhance access.

Chairperson, I have noted that the theme for this year's conference, "Setting New Standards for Cellphone Banking" is very fitting for Zambia as we face the challenge of ensuring that the majority of our adult population has access to formal financial services. As you may be aware, a large component of the work being undertaken under the Financial Sector Development Plan (FSDP) and the National Payment Systems Vision and Strategy 2007–2011 is focused on improving financial access and contributing to the establishment of inclusive financial markets in general. The recent Finscope Survey revealed that only 37.3% of the adult population have access to formal financial services leaving 62.7% of adult population financially excluded. Although significant strides have been made to improve financial access and introduce more convenient services, more work needs to be done.

Ladies and Gentlemen, this state of affairs hinders people's ability to establish financial transactions. Effectively, lack of financial access stifles entrepreneurship and holds back the country's economic growth. For instance, as at June 2010, there were only 258 bank branches and agencies in the whole country. In most cases, these branches or outlets are located in urban centres, with rural areas having few if any branches. Conversely as at June 2010 the three mobile phone operating networks in Zambia had a total of about 4.6 million subscribers.

Distinguished participants, this situation grants us an opportunity to develop innovative approaches of extending financial services. It will no doubt involve remodelling of traditional

products, service delivery channels and regulatory frameworks. It is important that all possible alternatives are critically examined for viability, safety and efficiency. Some of the alternatives that need urgent examination include bank partnerships with non-bank agents to provide wider distribution outlets for payments and other financial services, and leveraging new technologies such as a common national switch to extend financial services.

Mr Chairman, the Mobile Money Transfer has the potential to act as the fulcrum of branchless banking, which allows provision of transactional banking services without the need of a “brick-and-mortar” branch. Individuals are allowed to remotely access cash using different technologies, which may include automated teller machines, point of sale devices, mobile phones, payment cards or other smart technologies. To ensure that payment service providers take full advantage of the benefits that come with implementation of a Mobile Money Transfer, they must develop and embrace new business models. These models may be built around the existing large financial flows such as remittances, salary and wage benefits, pensions and other government social benefits transfer system.

Ladies and Gentlemen, although Mobile Money Transfer provides a solid platform upon which to anchor expansion in the coverage of financial services, this goal will not be realised unless all stakeholders participate and play their respective roles effectively. Accordingly, banks and other payment system businesses need to utilise this infrastructure to the fullest extent possible by ensuring that various products are developed to extend financial services coverage. At the same time, households and businesses need to change their attitude towards non-cash payment methods. It therefore goes without saying that financial education will be critical in shifting public attitudes and ensuring that the non-cash payment methods are widely utilised by the target market. In this regard, I am pleased to inform you that the FSDP has prioritised financial education so as to increase the level of financial literacy and awareness of alternative payment methods. I would like to urge all financial service providers to not only take advantage of this initiative but also to design their own programmes to sensitise their customers of the innovative products they offer or plan to offer which promote financial inclusion.

Furthermore, as Bank of Zambia we welcome the innovations by the banking sector and other financial service providers aimed at enhancing financial inclusion. However, it is our responsibility to ensure that these services are provided in a safe and efficient manner. In this regard, the Bank of Zambia reviews these banking products before their introduction to ensure that they comply with the existing prudential and statutory financial sector requirements. In particular, the Central Bank’s review process focuses on adherence to Risk Management Guidelines and the Anti-Money Laundering Regulations as well as Prudential Guidelines that detail minimum, “Know Your Customer” requirements that financial institutions should adhere to. The overarching objective of all this is to ensure that our financial system is safe sound and stable. In a nutshell, there is an existing supervisory framework to ensure the safety of mobile banking solutions. This framework will continue to be reviewed in line with the changes in the mobile banking space. As you may be aware, some of these innovations may require collaboration with the regulators in the telecommunication sector. As such it is our intention to work closely with the Zambia Information and Communication Technology Authority in promoting safe and sound mobile banking services.

Mr Chairman, it is also worth noting that since the last Mobile Banking Conference in 2009, a number of positive developments have occurred in the telecommunication sector. For instance the partial privatization of the Zambia Telecommunications Company (ZAMTEL) will result in intensified competition in the sector. This will no doubt lead to better quality service for the consumer. Further, following the liberalization of the International Gateway, we have already seen mobile service companies reducing their rates significantly. This, coupled with the now affordable cell phone handsets, will enhance access to mobile phone services and an opportunity for many of our people to be financially served.

Finally, Ladies and Gentlemen, given the innovations around mobile banking and its attendant challenges, it is our expectation that this workshop will encourage dialogue between different market players in Zambia and within the region. This Conference provides an opportunity for such dialogue and I am glad that it takes cognizance of a dynamic market environment, paying special attention to innovation that may have significant macroeconomic benefits to all involved. We are therefore keen to draw on the policy debate arising from this Conference to move financial services in Zambia to new frontiers. As Bank of Zambia, we will play a catalytic role and facilitate private sector led developmental initiatives.

I thank you.