

## **Michael Gondwe: Enhancing access to financial services in Zambia**

Speech by Dr Michael Gondwe, Governor of the Bank of Zambia, at the launch of the Mpongwe branch of the National Savings and Credit Bank Zambia Limited (NATSAVE), Mpongwe, 28 June 2013.

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***The Copperbelt Province Minister, Hon Mwenya Musenge, MP***

***The Mpongwe Area Member of Parliament and Deputy Minister of Foreign Affairs, Hon Gabriel Namulambe, MP;***

***The Copperbelt Province Permanent Secretary, Mr Stanford Msichili;***

***The Permanent Secretary, Ministry of Agriculture, Dr Shamulenge;***

***The Permanent Secretary Ministry of Agriculture, Mr Siazongo Siakalenge;***

***Your Royal Highnesses the Chiefs Present;***

***The Mpongwe District Commissioner;***

***The NATSAVE Chairman of the Board, Dr Chiselebwe Ngandwe;***

***The NATSAVE Managing Director, Mr Cephass Chabu;***

***Distinguished NATSAVE Customers;***

***Management and Staff of NATSAVE;***

***Colleagues from Bank of Zambia;***

***Members of the Press;***

***Distinguished Guests;***

***Ladies and Gentlemen.***

It is my honour and privilege to officiate at this very important launch of the National Savings and Credit Bank (NATSAVE), Mpongwe Branch. Let me begin by thanking the Board of Directors and Management of NATSAVE for inviting me to this momentous occasion, which marks the official opening of the Mpongwe Branch which is the first ever bank branch in this economically vibrant district. I commend the Board and Management of NATSAVE for the effort in opening this branch which will go a long way in supporting the Bank of Zambia's strategic objective of increasing financial inclusion.

***Distinguished Ladies and Gentlemen,*** the role of financial services in economic development cannot be over-emphasized. It is generally accepted that financial services play an important role in improving income-generating opportunities and overall living conditions among households. Furthermore, better access to finance not only increases economic growth, but also helps to fight poverty and reduces income inequality between the rich and the poor in society. It is for this reason that the role that financial services play in an economy is sometimes compared to the significant role that blood plays in the human body. It should be stressed that no economy can function efficiently, if at all, without financial products and services.

The opening of this branch by NATSAVE is therefore expected to spur economic growth and contribute to the ease of access to financial services which has for long time been a hindrance to economic development in this district. We therefore, expect that the opening of this branch will unlock the vast economic potential of this district.

***Honourable Ministers,*** the Bank of Zambia attaches great importance to initiatives that seek to enhance the provision of financial services to the underserved sectors of the economy. To

this effect, the Bank has continued to implement the Financial Sector Development Plan. The Financial Sector Development Plan seeks to address various weaknesses in the Zambian financial system, among them being the low financial intermediation and limited access to finance.

In addition, the Bank of Zambia has incorporated financial inclusion as part of its current strategic plan in which it has undertaken to achieve financial inclusion to 50% of the population of the land by 2015 from the current level of 37.3%. The rationale for this objective is that it responds to the need to bring the poor into the financial system and thereby avail them of the opportunities for financial access and growth. It is expected therefore that this branch we are opening today will play its part in enhancing savings mobilization and effectively channeling the savings to support financing of economic activities.

**Honourable Ministers, Distinguished Ladies and Gentlemen**, the Bank of Zambia has for sometime now, been discussing with commercial banks and financial institutions such as NATSAVE on the need to seek ways and means of introducing branches and agencies in districts which do not have any bank branches or agencies such as Mpongwe, Masaiti, Lufwanyama to name but a few.

I am pleased to inform you that, in November 2012, the Bank of Zambia sent a mission to Mpongwe and Masaiti to gather information which could assist in developing a business case for financial institutions to establish branches and support economic activities in these two districts. The report we obtained from the mission provided overwhelming evidence of a viable business case for not only one bank branch but several, to open up in these two districts, especially in Mpongwe district.

For instance, the mission observed that in Mpongwe, in the 2011 farming season, the Food Reserve Agency (FRA) paid out a total of K52 billion (Kr 52 million) to small-scale maize farmers while an additional K7 billion (Kr 7 million) was paid to commercial farmers. Coupled with this, total sales from maize alone exceeded about K80 billion (K80 million) if total sales to agents other than the FRA was included. It was further observed that the district produces more maize than the other nine districts on the Copperbelt put together.

In addition, it was noted that the payments made to the farmers were growing steadily as evidenced by the increase from K19 billion (Kr19 million) in 2010 to K58 billion (Kr 58 million) in 2011 while members of the Farmers Union had accessed about K2.4 billion (Kr2.4 million) in loans from banks outside the district for the 2010/2011 farming season alone.

Furthermore, the Mission reported that 2,700 residents of Mpongwe, comprising Government/Civil Service employees and registered farmers use the financial services located either in Kitwe, Ndola or Luanshya. It must be noted that this number did not include other persons in the productive sector such as private businesses.

**Distinguished Guests, Ladies and Gentlemen**, the report further observed that a total monthly wage bill of about K2.8 billion (Kr2.8 million) was paid out to the residents of Mpongwe in 2011. These funds did not include grants and other sources of funding utilized by various Government organs and private individual and businesses.

The area also has a number of commercial farmers including conglomerates such as Zambeef who are engaged in producing crops like wheat, soya beans, barley and maize in large scale and employ a large number of permanent and seasonal workers. The potential for increased investments in agriculture and agro-processing industries is also enormous. The Government's focus developing the country through infrastructure development will therefore lead to the realization of this potential in the near future.

**Mr Chairperson**, the Bank of Zambia is pleased to see NATSAVE taking up the challenge and setting up this branch where other banks have failed. I am certain that this branch we are unveiling today will very soon become one of the most profitable branches in the entire NATSAVE network.

Furthermore, it is heartening to note that NATSAVE is not stopping here but is earmarked to open another branch in Lufwanyama district on July 26, 2013 to increase its total branch network to 32. I wish to assure the Board and the Managing Director of the Bank of Zambia's utmost support as you expand your outreach to the areas which need financial services the most. I also wish to encourage other players in the banking sector to emulate NATSAVE and set up branches in other unbanked districts throughout the Country.

***Distinguished Guests***, an important element for effective financial service provision is to complement branch expansion with increased product innovation. The ability to offer different types of products to suit the local needs of Mpongwe district will go a long way in enhancing access to financial services in this area. The Bank of Zambia is determined to facilitate viable branch expansion, and the introduction of new and innovative financial products, to tap savings and channel these savings to investment. The Bank will therefore continue to work in close collaboration with the financial sector to cultivate partnerships in order to establish the frameworks and pursue policies that will drive financial innovation, build strong financial institutions and partnerships to ensure a stable financial sector in the country.

As I conclude, let me once again commend the Board and Management of NATSAVE for this enviable initiative of spreading the branch network throughout the country and having presence in economically viable areas such as Mpongwe. I wish to assure you that the opening of this branch will soon result in increased investment, creation of jobs and a growth in profits for the bank.

***Honourable Ministers, Distinguished Guests, Ladies and Gentleman***, it is now my singular honour and pleasure to declare the National Savings and Credit Bank, Mpongwe branch, officially opened.

***I THANK YOU***