

# OFFICIAL OPENING OF BOTSWANA SAVINGS BANK LIMITED HUKUNTSI BRANCH

Keynote Speech

By

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## **Salutations**

It is with great pleasure and honour for my delegation and I to be joining the Hukuntsi community and the Managing Director of Botswana Savings Bank (BSB) and his staff for the official opening of a branch here in Hukuntsi.

Director of Ceremonies, let me mention that I gladly accepted the invitation from the Managing Director, Mr Marumuloa, to perform the official opening because of the significance of this occasion to the people of this region, which extends beyond the narrow confines of a bank branch building.

**First**, it is important to acknowledge that, save for the Botswana Postal Services, this is the first permanent physical branch of any bank in Hukuntsi and the surrounding Matsha villages. Hitherto, notwithstanding its population, geographic size, proximity to wildlife conservation areas, importance of cattle farming, as well hosting many Government and sub-district facilities, the entire Kgalagadi North constituency had only one bank branch in Kang and two ATMs providing financial services.

Therefore, the opening of this branch is expected to make a huge beneficial impact to the inhabitants of the area, many of whom have historically had little or no access to formal financial services.

**Second**, the opening of a BSB branch in this area within two weeks of that of the Palapye one by the Minister of Finance and Economic Development, Honourable Dr Thapelo Matsheka, is a clear demonstration of commitment and forward-looking business strategy on the part of BSB towards expansion and provision of convenient access to banking services in towns and villages, while meeting commercial objectives. **Third**, the development we are celebrating today is fully aligned and resonates well with the Government strategy on financial inclusion. The strategy, Making Access Possible, is designed in recognition that cost-effective access to financial services by all citizens is positive for financial sector development and inclusive economic growth. Access to banking and financial services eases the ability to meaningfully pursue economic activities that are desirable for individual welfare enhancement, employment creation, raising living standards, and, hence, sustainable national economic development. As you would be aware, financial inclusion is part of the United Nations Sustainable Development Goals number 8 on Decent Work and Economic Growth.

### **Financial inclusion and value addition**

Director of Ceremonies, financial inclusion has, at a minimum, four elements, namely, access to a savings account, credit, insurance, and facilitation of payments at reasonable cost and minimal impediments. The ultimate objective is for such access to add economic value in terms of increase in welfare and living standards for the individual, the community and the broader economy.

To illustrate, **first**, savings products entail value addition in terms of safety of funds; possibility to earn interest income and protection against value erosion; and the saved funds are available for lending to others for productive use, based on properly assessed credit worthiness and prospects for a positive return.

**Second**, credit eases the financial constraints and, used appropriately, it creates additional value in many respects. As examples, a shop owner is able to get credit to buy stock, serve the community, earn a profit and pay back the bank; a good cattle farmer can get credit to buy a pedigree bull, breed and sell higher value cattle and repay the bank loan; a young engineer, after a few years of working, is able to borrow to build a house and repay the loan from future earnings, over a period of time, as she progresses in life (technically referred to as consumption smoothing); a young public officer may see an opportunity to pursue higher education after working hours and borrow for this purpose, potentially improving his/her livelihood. Ladies and gentlemen, examples are abound. In the process all these generate added income and welfare for the borrowers, the bank and savers, as well as employment, for the store owner, farm workers, builders, teachers and so on.

**Third**, insurance is obtained for the purpose of mitigating risks. It enables unconstrained pursuit of economic activity and productive use of resources premised on the knowledge that related and incidental risks are covered; and that there will be compensation for the insured losses. Examples of insurable risks are also many such as risks of fire, accidents, theft, etc, as well as mortgage protection, life assurance and medical insurance. **Fourth**, the facilitation of payments eases the conduct of trade and person to person transfer of funds and affords convenience. Therefore, it has a positive influence on the decision to pursue economic activity. This is particularly pertinent in the advent of new technology and payments platforms.

Director of Ceremonies and Distinguished Guests, from the perspective of what I just said, it is evident that being financially excluded or lack of convenient access to financial services could otherwise be debilitating and constrain development and growth. That is, even with an abundance of resources in terms of land, livestock, labour, skills and ability, as well as public infrastructure and services, their productivity and benefit to society will be suboptimal in the absence of cost-effective access to financial services.

## **Financial technology**

Traditionally, the key elements of financial inclusion and access have been anchored on physical presence of institutions (brick and mortar), such as the branch that is being opened today; payments instruments such as cheques and banknotes and coin; paper statements of account, passbooks and agreements; as well as personal contact between a customer and a bank official. While these channels and instruments remain relevant and important in many respects, the advent of technology, electronic means of payments, mobile money and other digital platforms offers greater opportunities for more efficient, adaptive and sustainable means for provision of financial services, particularly in the context of low-population density countries, such as Botswana.

I, therefore, wish to take this opportunity to implore the Hukuntsi community to adapt and embrace these new normal in order to enter or retain the financial inclusion status. There are several reasons for this. The **first** is that the traditional approaches will, over time, likely to disappear due to lack of patronage and support, as the demand and supply of new approaches accelerate and become the new normal. **Second**, digital and mobile banking affords greater convenience for managing and executing payments and concurrent linkages to other services, including instant remittances. For example, the ability to order and pay remotely for plumbing, veterinary and other services in Hukuntsi while you are in Gaborone; access account information and pay for utilities while sitting at home or as you travel (the so called 24/7 access). Once you are digitally-connected, it becomes possible to transact everywhere, anytime and subject to adherence to advised protocols, in a safe and secure manner.

**Third**, the backbone service infrastructure, including access to government services, utilities and enabling platforms to access and/or purchase basic goods and services are fast becoming electronic and digital. As it has always been, financial inclusion stimulates economic inclusion; but now the combination includes digital inclusion (connectivity). Significantly, digital, electronic and mobile phone services transcend the traditional barriers to access and financial inclusion (that is, distance, physical infrastructure, population density, education and

income levels). In this context, it is true that the future of finance is technology.

Director of Ceremonies, at this juncture, it is pertinent to highlight some of the undesirable aspects that come with digitilisation and financial technology that the community should be aware of. This includes the susceptibility to cybercrime, card fraud and identity theft. In this instance, such crime can happen with speed, with wider reach and impact, resulting in financial loss, disable key processes and, potentially, reduce public trust in the banking system. Customers, therefore, need to be vigilant in safeguarding their personal and account access credentials and in responding to unsolicited offers and requests for personal information. Such vigilance and risk awareness are attributes of financial inclusion.

### **Enabling Factors for Financial Inclusion**

Distinguished Guests, the broadening of access to financial services or financial inclusion is, however, not in a vacuum. To be meaningful and effective, there should be some key enabling factors. While not exhaustive, I will highlight four of these.

### **Infrastructure and government services**

The first of this is the provision of infrastructure and key services to enable uninterrupted functioning of financial services to meet service level assurances by banks/vendors and expectations of customers. In the modern day, this involves 24/7 availability of, and access to, internet, Wi-Fi and mobile connectivity. In addition, there is need for adaptability in the provision of government services; for example, the introduction of biometric identification (Electronic/Digital Omang) could potentially generate a leap in the provision of financial services and management of important safeguards and risks, as well as adherence to the Know Your Customer (KYC) requirements. Similarly, digital records and access with respect to ownership of assets, such as land, property and livestock, would complement access to financial services.

## **Financial sector policies, regulation, macroeconomic and financial stability**

The second relates to the cluster of financial sector policies, maintenance of macroeconomic and financial stability and effective regulation and oversight. A conducive environment in this regard catalyses the growth and patronage of financial services. For example, the policy posture in Botswana is to promote financial development and inclusion, involving financial technology and digitalisation in order to accelerate economic development. For such a policy posture to be effective, macroeconomic and financial stability are essential to safeguard deposits, integrity of the financial system, minimise value erosion and to promote productive investments. In addition, effective regulation fosters sound governance, as well as prudent and beneficial operations of financial institutions and, therefore, maintenance of trust; hence greater use of financial services.

## **Role of banks beyond products**

A third aspect is the value added by banks or specifically bankers beyond "cold" availing of savings, loan and insurance products and payments platforms. Ideally, bankers are partners in ensuring optimum benefits from the products they offer (including maximising benefits and minimising costs). This is through the advice they give customers, monitoring of performance of accounts and funded projects, as well as customer counselling and taking corrective action to address emerging account maintenance challenges. In so doing bankers help sustain value addition and productivity of financial resources and services towards welfare enhancement and positive impact on overall economic growth. I implore bankers to (and indeed trust they will) prioritise and elevate these roles in their operations, which to date appear to be peripheral, in order to amplify the impact of their products and services on welfare, livelihoods and economic performance, broadly.

## **Financial literacy and discipline**

A fourth factor in ensuring meaningful financial inclusion is financial literacy and discipline at the individual or customer level. This entails knowledge of banking products, their value in terms of impact on welfare, related costs and risks. It also involves understanding and execution of responsibilities such as repayment of loans in accordance

with the agreed terms, good conduct and honesty in handling financial matters. Ultimately the backbone of financial discipline is reasonable spending that is aligned to one's income. Notably, it is also financial discipline and good conduct of accounts that contribute to soundness of a bank, financial stability and prospects for monetary policy undertaken by the Bank of Botswana and government programmes to have a meaningful impact on welfare and economic activity. Inversely, financial indiscipline, such as borrowing from multiple sources and over-indebtedness has the potential to undermine macroeconomic stability and, more broadly, the safety and soundness of banks.

Distinguished Guests, against this background, it is appropriate that Botswana Savings Bank has responded positively to the need to extend the reach of financial services to an otherwise underserved part of the country. This is within its mandate. Botswana Savings Bank, a wholly owned Botswana Government entity, was established by an Act of Parliament in 1992, with the mandate to mobilise affordable financial services, mostly savings, and grant loans on commercial terms and provide efficient banking and financial services to meet the needs of the rural and urban dwellers in Botswana.

In fulfilment of this mandate, the bank has three standalone branches in Gaborone, Francistown and Palapye. It has four co-branded branches (with BotswanaPost) in RailPark Mall (Gaborone), Mahalapye, Serowe and here in Hukuntsi. BSB also delivers banking services and products through the BotswanaPost network of one hundred and twenty-four offices country wide. It also has thirteen automated teller machines (ATMs) across the country. In the fifteen years between 2005 and 2020 (September), the value of BSB's assets has increased almost ten times; from P255 million in 2005 to P2.4 billion, with a staff complement of one hundred and ninety-six (196).

I also note that, fittingly, Botswana Savings Bank annually commemorates a World Savings Day in order to sensitise the nation about the importance of savings. In addition, the bank plays a part in corporate social responsibility initiatives including donating computers to various schools, installation of geysers at Lehututu Junior Secondary

School and donating an assembly shelter at Lecha Assembly Area at Mphinyane Primary School at Hubona village. These corporate social responsibility programmes make the bank visible and help project the value of its services to the community. For this, I commend the Board and Management of BSB; and encourage them to continue investing in the communities where they operate or reside; and please do whatever you can to look after the environment.

Distinguished Guests, as I conclude, I take the opportunity to express sincere gratitude to the Board and Management of BSB for having responded positively to the Government's desire and objective to expand financial service to previously unbanked communities. We thank you Rre Marumuloa and your team for this foresight, innovation and dynamism as you continue to expand the footprint of the bank, making access to financial services possible; not only physically, but digitally as well. I, therefore, encourage the local communities to take advantage of proximity of the bank and availability of its digital platforms to make use of the financial services the bank is offering, now and in the future.

Distinguished ladies and gentlemen, it is now my pleasure and privilege to declare the BSB Hukuntsi branch officially open. I thank you all for your kind attention and for being part of this important occasion.