



Bank of Zambia

REMARKS BY

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The Launch of the 2018 State of the Zambian DFS Industry Report

Intercontinental Hotel, Lusaka

Thursday, 11th April 2019

Senior Government Officials

Senior Bank of Zambia Officials here present

Senior ZICTA officials here present

Senior official from Digital Financial Services Providers and other Financial Institutions

The Regional Technical Specialist – UNCDF

Members of the Press

Distinguished Guests, Ladies and Gentlemen

GOOD MORNING

We meet this morning to witness the launch of the 2018 Zambia Digital Financial Services State of the Industry Report for 2018. The very first report of this series of reports was produced and launched in 2015. As with the previous reports, the 2018 Report is a collaborative effort between the Bank of Zambia and the United Nations Capital Development Fund (UNCDF). We are particularly grateful to the UNCDF for co-authoring and co-producing this report as well as co-hosting this morning's launch with us. We are further indebted to the UNCDF for providing continuous technical assistance to regulators, financial service providers and customers of financial services and products on matters relating to Digital Finance Services (DFS) eco- system. It is this support, which has made it possible to achieve many of the successes that are reflected in this report. I would like, therefore, to acknowledge our strong partnership with the UN Capital Development Fund, which is contributing so much to the advancement of DFS in this market.

I think it is also appropriate that we thank and congratulate the team of the hard working professionals from the BOZ and UNCDF who worked tirelessly to put this report together.

The Digital Financial Services State of Industry Report is an annual report that attempts, as its major objective, to document and highlight growth and innovations taking place in the Digital Financial Services market. This report presents information in a comprehensive and structured way so that it can be used as a tool for making pointed and evidence based decisions. The report also informs major players in the DFS space about global best practices on how to design customer-centric products, to manage better agent relationships and to formulate appropriate policies and regulations in order to create an environment that is conducive to improving wider access to financial services.

Another key objective of the Report is to help bridge the information and data gap that exists in the market. For this reason, this Report draws from the work that UNCDF has been involved with in building a comprehensive picture of the state of the DFS market in Zambia starting from the time it conducted its first Annual Provider Survey some years back.

The 2019 Report demonstrates some of the true strengths of the emerging Zambian Digital Economy. This is exemplified by the tremendous growth in the number of agents and active DFS accounts or wallets that have been activated. As you be told by the presenters, the number of agents has increased by 104% from about 23,000 in 2017, to 47,000 in 2018. The Report also shows that, as at December 2018, there were 4.3 million active DFS customer accounts, representing 89% growth in active DFS accounts compared to 2.3 million in 2017. The Report shows that the demand for digital financial services is growing at a very fast rate.

The report further indicates an increase in the number of employees that are dedicated to DFS activities with most of them focussing on the distribution channels. From these findings, we can infer that expansion in the agent networks will make it possible to reach more people resulting in increased access and usage of financial services.

Another encouraging finding from the survey, ladies and gentlemen, is that the number of partnerships driving DFS in Zambia is also on the increase. We are witnessing more partnerships between DFS providers but also between DFS providers and other financial and non-financial service providers. Indeed, it is only through forging more commercially viable and sustainable partnerships that we will be able to drive expansion and make more products available and attractive. We note, for instance, that these partnerships have encouraged an increase in the flow of funds back and forth between bank accounts and wallets and this trend is likely to grow further on account of its simplicity and convenience.

These statistics that I have shared with you are just a tip of the iceberg but they highlight just how much DFS in Zambia has progressed over the last few years. I believe that we are just at the tipping point and the Zambian market is ripe for innovation and continued growth. What this Report is telling us is that the provision of digital financial services (DFS) is proving to be an

effective tool for achieving the objectives of the financial inclusion agenda as noted from the positive results achieved thus far. Such technology driven innovations are providing a pathway for uplifting the unbanked and under-served marginalised people across the developing world by providing them with a safe, cheap and convenient means of accessing formal financial services ranging from savings, payments and transfers to credit and insurance.

Without taking away anything from the gains highlighted in the Report, there are a number of shortcomings revealed. For example, while agent networks are growing and becoming increasingly more profitable, reaching the rural areas is still a challenge. Cost-effective and sustainable agent network management structures, that enable service providers to deliver digital financial services to the unbanked and underserved communities across rural Zambia need to be developed.

Another key challenge that the report reveals is the overall customer inactivity rate. This remains high with over 70% of registered accounts being inactive. In order to devise appropriate interventions, service providers may need to focus on gaining insights into customer behavior, to scale up consumer education awareness campaigns and even introduce customer incentives that can drive usage.

This report is a source of useful information which regulators must use to support their policy intervention efforts. Service providers will also find it invaluable in helping them gain insights into customer behaviour which can then feed into their growth and product expansion strategies. Lastly, customers must also read this report so that they can be better informed about the products that institutions are putting out in the market in order for them to use them to their advantage.

I highly recommend this Report as a must read for all and I am delighted to officially launch the 2018 State of the Digital Financial Services Industry Report.

Thank you.