



Opening Remarks

By

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**On the occasion of the 1st Stakeholders Meeting on the Development
of a National Financial Inclusion Strategy**

16 October 2015

SALUTATIONS

- **Representatives from the Ministry of Finance & Economic Development;**
- **Representatives from the Ministry of Small & Medium Enterprises and Cooperatives Development;**
- **Representatives from the Ministry of Women Affairs, Gender and Community Development;**
- **Representatives from the Ministry of Youth, Indigenization and Economic Empowerment;**
- **Fellow Regulators from the Securities Exchange Commission of Zimbabwe and the Insurance & Pension Commission;**
- **Deposit Protection Corporation;**
- **Bankers Association of Zimbabwe and CEOs of banking institutions here present;**
- **Zimbabwe Association of Microfinance Institutions ;**
- **National Association of Savings & Credit Unions of Zimbabwe;**
- **Consumer Council of Zimbabwe;**
- **Representatives of Women in Finance;**
- **Representatives of Mobile Network Operators & the Telecommunications Industry;**
- **Reserve Bank officials here present;**
- **Distinguished Guests;**
- **Ladies and gentlemen.**

INTRODUCTION

Good morning.

1. It is with great pleasure and appreciation that I welcome you all to this workshop which is focusing on proposals by the Reserve Bank to develop a **National Financial Inclusion Strategy** that seeks to promote an inclusive financial system, and spur inclusive economic growth and development.
2. Ladies and gentlemen, as you are all aware, there have been various initiatives by different stakeholders in the financial sector and beyond to promote financial inclusion in the country. The recent FinScope consumer survey of 2014 showed that there is still a large proportion of our population which is still outside the formal system. This underscores the need for a holistic and coordinated approach to the financial inclusion agenda.
3. The Reserve Bank recognised the importance of Financial Inclusion in order to attain sustained and inclusive economic development. To this end the Reserve Bank is championing and committing resources to the development of a National Financial Inclusion Strategy and its implementation in collaboration with key stakeholders – most of whom are gathered here today.

4. As most of you would be aware, the financial sector plays a very critical role in economic growth and development. Empirical evidence has confirmed that the sector will only contribute fully to economic growth when it engages the entire population and provides support to all economic activities. Further, there is increasing evidence that financial inclusion complements financial stability when properly implemented.
5. Financial inclusion, which is generally defined as the sustainable *cost-effective* provision of a wide range of financial services at affordable cost to the *majority of the population*, enables households and micro, small and medium enterprises to engage in income generating activities and *improve their economic welfare*.
6. Financial Inclusion has emerged as a global hot topic. The international community has long recognized financial inclusion as one of the main pillars of the global development agenda. The G20 member countries, for example, have created financial inclusion coordination platforms over the last few years such as the Financial Inclusion Action Plan and the Global Partnership for Financial Inclusion. Since then, many countries have made formal commitments or set targets for financial inclusion.

ONGOING FINANCIAL INCLUSION INITIATIVES IN THE BANKING SECTOR

7. **Financial inclusion is not a new phenomenon in our country.** As alluded to earlier, there have been notable efforts and strides to enhance the proportion of our adult population who are formally included.
8. The proportion of the population accessing formal financial services improved from 38% in 2011 to 69% in 2014 according to the FinScope consumer surveys of 2011 and 2014.
9. Over the years, banking institutions have instituted various initiatives and adopted models that make banking more accessible to the public.
10. A number of banking institutions have established SME divisions that provide financial services and capacity building to SMEs;
11. Further, a number of banks have broadened their product lines and are now offering low cost bank accounts to the banking public;
12. All operating banks are now offering mobile financial services while others have introduced agency banking.
13. On its part, the Reserve bank has also taken a number of initiatives which include:
 - a. Issuance of simplified risk-based KYC requirements in 2011 to

- facilitate opening of bank accounts by low income groups;
- b. Incorporation of consumer protection provisions in the proposed amendments to the Banking Act;
 - c. Periodic issuance of consumer awareness bulletins to educate the public on financial services and responsible access;
 - d. Constitution of the Microfinance Advisory Council in 2013 with representation from all financial sector regulatory authorities and other stakeholders;
 - e. The Microfinance Act [*Chapter 24:29*] gazetted in August 2013 provides for regulation of deposit-taking and credit-only microfinance institutions. To date two (2) deposit taking microfinance institutions have been registered, but are yet to commence operations.
 - f. The establishment of a Credit Reference System by the Reserve Bank is expected to improve credit risk management in the financial sector and reduce incidences of over-indebtedness among financial services consumers, and non-performing loans in banking and microfinance institutions. The resultant reduced information asymmetry is also expected to reduce the cost of access to financial services.

DESPITE ALL THESE INITIATIVES THERE IS MORE WORK TO BE DONE. THERE IS NEED FOR FURTHER FINANCIAL INCLUSION MEASURES

14. Although significant progress has been recorded in the area of financial inclusion in Zimbabwe, many of our people are still excluded from formal financial activities.
15. The 2014 FinScope Survey revealed that 23% of Zimbabweans are financially excluded.
16. In addition, the 2014 World Bank Consumer Protection & Financial Literacy Diagnostic Review determined that although Zimbabwe has a high rate of general literacy, there is low financial literacy.
17. Further, the 2012 FinScope SMEs Survey Zimbabwe revealed that only 14% of SMEs owners were banked, i.e. used formal financial products and services offered by banking institutions. This is despite the fact that SMEs are estimated to contribute more than 50% of the country's Gross Domestic Product. The provision of finance to SMEs has remained lower than what is required to support significant growth in this important sector of the economy.
18. In his State of the Nation Address on 25 August 2015 where he presented Government's Ten Point-Plan, His Excellency, the President of Zimbabwe challenged us to unlock the potential of

Small to Medium Enterprises, and restore and build confidence and stability in the financial services sector, among other expected deliverables.

19. It is, therefore, critical that as we pursue development in the country, we ensure that we create a fully inclusive economic environment in which all people can participate and derive benefit from it.

PROPOSAL FOR A NATIONAL FINANCIAL INCLUSION STRATEGY

20. **Ladies and gentlemen,** at the Reserve Bank we believe that strategies to address challenges behind the low levels of financial inclusion should be articulated in an all-inclusive National Financial Inclusion Strategy document to be crafted with the input of all stakeholders.
21. The National Financial Inclusion Strategy will enable in-depth analysis of barriers to financial inclusion and identification of corresponding core enablers that will be implemented in a coordinated manner.
22. The financial inclusion strategy should address access to credit and savings products; remittances and payment services; insurance; healthcare; mortgage; and financial advisory services; among other financial products and services.

23. The strategy should also consider all the four dimensions of financial inclusion namely – *access, usage, quality and welfare*. For this reason, ladies and gentlemen, we need to interrogate the improvement in the level of financial inclusion noted in the 2014 FinScope Survey, which was largely attributed to mobile financial services. This will ensure that our financial inclusion initiatives have positive impact on the lives of those accessing financial services.
24. Further, the National Financial Inclusion Strategy should aim to raise the level of awareness, appreciation and understanding of financial inclusion across stakeholders.
25. The development and implementation of the National Financial Inclusion Strategy is in line with the objectives of the Social Services and Poverty Eradication Cluster under the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset) blue print.
26. It is important to note that many countries in the region have already either developed or are in the process of developing national financial inclusion strategies. As such, in doing this, we are joining several other countries, that have also put financial inclusion at the heart of their economic and national development.
27. It is time for all stakeholders, to take our position collectively in the

economic development agenda of our economy, develop and implement a National Financial Inclusion Strategy that complements and facilitates the efforts of other policy makers.

COLLABORATION

28. **From the foregoing Ladies and gentlemen,** financial inclusion cannot be achieved with institutions working in silos, hence it is our collective responsibility. It requires a concerted cooperative approach to systematically address the challenges of financial exclusion in Zimbabwe.
29. **Colleagues,** financial inclusion cannot be achieved without the active involvement of all stakeholders such as the Reserve Bank, other financial regulators, banks, government, civil societies development partners etc. The policy objective of inclusive growth with financial stability cannot be achieved without ensuring universal financial inclusion.
30. Banks alone will not be able to achieve this unless an entire support system would be partnering with them in this mission. All the stakeholders need to join hands and make it possible.

IMPLEMENTATION MILESTONES GOING FORWARD

31. In order to ensure that we achieve the intended results, it is imperative that we develop our own **definition of financial**

inclusion which takes into account our local context, clearly **set our own targets** and state the **key performance indicators** which will be used to monitor progress and impact of the specific strategies being implemented.

32. In order to facilitate appropriate targeting and tailoring of products and services as well as delivery channels, data disaggregation will be critical. For example, the 2014 FinScope Survey revealed lower financial exclusion levels among women compared to their male counterparts.
33. As such, in the quest to promote financial inclusion, there is need to **address the needs of specific groups** including SMEs, women and youth. Given the crucial role of these population groups in the national economy, it is in the common interest to optimise their potential by developing enabling strategies including access to appropriate financial services.
34. In other countries, disaggregated data has enabled the development of specific financial inclusion objectives and targets in respect of the special groups – women, SMEs, youth etc.
35. **Ladies and gentlemen**, to facilitate effective formulation and implementation of a National Financial Inclusion Strategy, the Reserve Bank has set up a **Financial Inclusion Committee** and a

Financial Inclusion Unit. These structures will coordinate the efforts of the various stakeholders involved in the development and implementation of the National Financial Inclusion Strategy.

CONCLUSION

36. It is our expectation that the National Financial Inclusion Strategy will build more impetus to fulfill our objective of improving the level of financial inclusion in Zimbabwe.
37. I am aware that during this workshop, you shall discuss the interface with other processes that are already underway, such as the Making Access Possible Program.
38. My last humble message is if we want to develop our economy let us not leave anyone behind. With these few remarks, I wish you fruitful discussions as we work to increase the level of financial inclusion in Zimbabwe.

Thank You