



BANK *Of* ZAMBIA

**LAUNCH OF THE CREDIT REPORTING EDUCATION AND
AWARENESS CAMPAIGN**

SPEECH BY

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GOVERNOR – BANK OF ZAMBIA**

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SALUTATIONS

Ms Madalo Minofu, Resident Representative for Zambia and Malawi, International Finance Corporation;

Senior Officials from Government and Regulatory Bodies;

Representatives from the Japanese International Cooperation Agency;

Representatives from the World Bank / International Finance Corporation;

Representatives of Industry Associations;

Chief Executive Officers of Financial Service Providers;

Colleagues from the Bank of Zambia;

Members of the Media; and

Ladies and Gentlemen

It is an honour for me to officiate at the launch of the **Credit Reporting Stakeholder Education and Awareness Programme**. Today, the Bank of Zambia in collaboration with the International Finance Corporation, a member of the World Bank Group, is launching a national public awareness campaign designed to raise levels of financial literacy and awareness around credit reporting with a view to increase the use of Zambia's credit reporting system. This financial literacy and consumer awareness programme is part of a broader drive to promote financial literacy and increase financial inclusion in Zambia to 80 percent by 2022 from nearly 60 percent in 2015, when the last comprehensive survey was done.

As you are aware, financial literacy is an important part of the overall credit information system. This particular campaign will highlight the basics of credit reporting, including what a credit report is, why it matters to borrowers and lenders, and how consumers can access - and improve - their credit report.

The credit reporting system in Zambia came into effect with the issuance of the Credit Reference Bureau Licensing Guidelines and Data Privacy Code in 2016 under the Banking and Financial Services Act. This enabled the licensing of the Credit Reference Bureau Africa Limited, now trading as TransUnion, which started issuing credit reports in 2008. Over the years, the Bank of Zambia has been working on further enhancing the credit reporting system for the purpose of improving risk mitigation, access to credit, and financial inclusion. This involved, among other things, seeking and obtaining technical assistance from the World Bank Group (WBG) in four broad areas, namely:

- i) Strengthening the Bank of Zambia's regulatory, oversight and supervisory capabilities over credit reporting;
- ii) Facilitation of the integration of microfinance and other non-regulated credit providers into the credit reporting regime;
- iii) Support to the improvement of stakeholder education and public awareness on credit reporting; and
- iv) Support to the evolution of the Credit Provider's Association.

Today's launch signifies the start of our concerted efforts to provide the stakeholder awareness on the credit reporting system. It is envisaged that, through the awareness campaign, the various categories of stakeholders will become aware of the benefits of utilising the credit reporting system. The messaging will be targeted at both the lenders and borrowers in order to foster an entrenched appreciation of the credit reporting tool and the benefits to both stakeholders.

The awareness campaign comes at an opportune time as this follows the recent enactment of the Credit Reporting Act in July 2018. The Act provides a robust legal framework for the effective and efficient assessment of a borrower's character by providing for the establishment, oversight, and operations of credit reference agencies in Zambia.

It is important to point out that with these efforts and especially in respect to the credit infrastructure, Zambia is currently considered as the premier reformer in Sub-Saharan Africa and second on the *World Bank's ease of getting credit category* for 2018. These achievements would have even more significant meaning if stakeholders respond positively to the enabling environment.

I am therefore making a direct appeal to all stakeholders, particularly, the financial service providers, to participate in the communication and awareness raising activities as well as the effective use of both the credit reporting system and the Movable Property Collateral Registry established under the Movable Property (Security Interest) Act. The Bank of Zambia has observed that utilisation of both systems has continued to be below expectation. Sub-Registration of movable property secured transactions has continued to be low while the credit reporting system has recorded adult coverage of less than 10 percent.

In addition, the Bank of Zambia has noted that lenders have tended to black list people who have a negative entry in their credit report. This is evident from the number of complaints of denial of credit to persons that are credit worthy, in spite of having a negative entry in the reports. The negative listing has been used to deny credit. This is not the intention of the credit reporting system. The system is meant to be a tool that enables lenders to efficiently obtain information about the credit behaviour of borrowers so that the lenders can make an informed decision on how to treat a borrower. The system aims to reduce information asymmetry between a lender and a borrower and enable the lender to apply an appropriate risk price. In this way credit to a person with a negative report may attract a higher interest or more stringent conditions than that to a less risky borrower.

We see that the utilisation of the credit infrastructure will be a significant consideration in the assessment of respective institutions' credit risk management. The Bank of Zambia will, therefore, be looking to see that facilities are adequately underwritten with due diligence involving the utilisation of the credit reporting system and the movable property security registry.

I would like to acknowledge and thank several organizations for their support in the development and implementation of the credit reporting awareness and financial literacy programme in Zambia. We also wish to express our gratitude to the Swiss Confederation and Japan for the commitment to the programme as donors.

In addition, we express our deep thanks to the International Finance Corporation for working closely with the Bank of Zambia as we strengthen the credit information system in Zambia. We appreciate all of IFC collaboration as well as ongoing support and commitment to this programme.

Lastly, our thanks go out to you all for making time to witness this launch. With these remarks, it is now my singular honour and privilege to declare the Credit Reporting Education and Awareness Campaign officially launched.

Thank you and God bless you all.