



**BANK of ZAMBIA**

**REMARKS BY DR BWALYA K.E. NG'ANDU  
DEPUTY GOVERNOR – OPERATIONS  
AT THE  
OFFICIAL LAUNCH AND OPENING OF THE FIRST BRANCH OF  
ECSPONENT FINANCIAL SERVICES LTD,  
TRADING AS MYBUCKSZAMBIA**

**April 8, 2019**

**Lusaka**

**Justice Mathew Ngulube, Chairman of the Board of Ecspontent Financial Services Limited;**

**Mr Barkat Ali, Managing Director and Chief Executive Officer of MyBucks Zambia;**

**Board of Directors, Management and Staff of Ecspontent Financial Services Limited;**

**Ladies and gentlemen**

Thanks to the Board and management for inviting me to officiate at the launch of Ecspontent Financial Services Limited, trading as MyBucks Zambia Limited and for asking me to officially open its very first branch in the country. We welcome your entry into the market of financial service providers and are particularly grateful to the shareholders of the company for the confidence they have shown in the Zambian financial sector by making the bold decision to investing in it.

Mr. Chairman and Members of the Board, your company has entered this market as a micro finance institution. This segment of our financial sector currently has 34 other players out of whom 8 are deposit taking institutions, meaning they are involved in deposit mobilisation from the public. Overall, the sector has satisfactory levels of capital and profitability and all in all, the sector is doing reasonably well.

However, the sector is dominated by small players most which have not grown very much in terms of their asset base, profitability and share of market from the time they were licensed. In short, what we are not seeing are institutions which are outgrowing their initial sizes. Although they are able to meet the minimum capital requirements as stipulated by the Bank of Zambia, this requirement is there primarily to regulate entry into the market. After achieving market entry,

the capacity of an institution to meet the ever growing needs of customers demands that it too grows correspondingly.

But what can be done to begin the process of building strong micro finance institutions that are constantly growing in order to respond more appropriately to these customer needs? We think that the time is right for managements of micro finance institutions to consider mergers among themselves so that they can give their institutions the chance to evolve into large conglomerates that can benefit from economies of scale. These mergers are not only beneficial from the perspective of increased capital but they bring into one organisation the combined expertise from the individual institutions that come together. They can also give an institution capacity to withstand the pressure that arises from collecting small loans. When you lend small amounts, you need a buffer that can sustain you while you wait to collect your loans.

There is strength in size and we would like to see institutions harnessing this as part of their growth strategy. Micro finance institutions become more effective as financiers of micro finance businesses when they are financially strong and have grown beyond being micro finance businesses themselves.

I know that MyBucks is new in the market and is probably more focused on establishing a firm footprint before considering future growth strategies. I would like anyway to plant this seed because a time will come when this management will need to consider issues of growth and expansion. Apart from that, I am using this platform to speak to other micro finance institutions which I believe should be considering mergers as viable business strategies going forward.

The next comment I want to make has been inspired by Mr. Ali's earlier address in which he outlined the major products and services that MyBucks intends to

offer and the one product I want to focus on is savings. Estimates indicate that savings deposits were around 2.8 percent of GDP in 2016. Whichever way you look at it, this statistic speaks to our failure to save. I do not, however, think that we should draw from this the conclusion that Zambians are incapable of saving. On the contrary, I think that the incentives that financial institutions offer may be where the problem lies. I further think that MyBucks as new entrant into the market has the opportunity to put this proposition to test. We would like to see you focus on developing savings products that incentivise your segment of customers by satisfying their unique needs. The Bank of Zambia would like see institutions taking a lead in this space by demonstrating that if you structure your savings products in a manner that speaks to your customer needs you can get them to save.

The benefits of savings for financial institutions and the economy as a whole are well established. They provide a financial institution with cheap and reliable source of funds which enables the institution to lend more cost effectively and grow its business while maintaining a quality loan book. This helps to drive lending rates down which in turn drives growth in the economy. This economy can grow at levels above 7%, as it has done in the past. If all the ingredients that support growth are harnessed properly the economy can perform at its historical potential. I hope that MyBucks can contribute to this effort by effectively mobilising domestic resources through savings which can then be converted into investment to drive growth.

May I now conclude by wishing MyBucks a smooth entry into the market and subsequent success that will contribute to shareholder value while meeting the needs of customers who through the economic activities that you support will help the economy to prosper. I am greatly honoured to now declare Ecsponent

Financial Services Limited, trading as MyBucks Zambia, officially launched and declare the Branch open.

**I thank you**