

Creating an enabling environment for “Financing for Sustainable Economic Growth”

Introduction

It is a pleasure for me to speak on the Central Bank of Swaziland’s perspective on financial inclusion. As alluded to in the topic, the role of the Central Bank leans more toward “Creating an enabling environment for Financing Sustainable Economic Growth.”

The delivery of financial services at affordable cost to people who may be disadvantaged or in low income segments of society remains a global challenge, and even more so in the developing world. As a result, addressing financial exclusion remains fundamental to the social agenda of reducing income inequality and poverty. There is evidence from literature that there is a positive correlation between financial inclusion and economic growth - this is why the regulatory environment needs to enable initiatives that drive financial inclusion.

BANK REACH

I am aware that from the FinScope Swaziland (2014) Consumer Survey 64% of adults are formally served by financial institutions, which include banks and other formal non-bank institutions. This is a considerable increase from 50% in 2011. I am likewise mindful that 54% of adults are banked, meaning that they have access to transactional products or services.

The study identifies the main barrier to banking as relating to affordability of formal banking services and this may include the cost of those services. The study shows that the 46% of adults that are unbanked comprise individuals that are identified as being unable to maintain minimum bank balances. Some of the unbanked adults further reported that banks were too far away from them. The same Study also indicated that most of those clients that are banked do not have sufficient awareness on how the bank charges are levied and more often would have bank accounts that are inappropriate for their needs. What we see

is that deeper Bank reach and consumer education could enhance security of and therefore the use of financial services.

There is also a role for the non-bank financial services providers to play in this regard. We already see that MTN Mobile Money, with its 478 thousand customers and 2400 agents, has complemented the reach of commercial banks into our society. As we start to see more initiatives to drive interoperability between all the financial services participants, we will surely start to see a higher financial inclusion ratio.

CBS CONTRIBUTIONS TO FINANCIAL INCLUSION

The Bank commends the Ministry of Finance for actions taken to create the enabling environment required to achieve this goal. The Ministry has recently obtained Cabinet approval for the National Financial Inclusion Strategy and has further mandated the Micro Finance Unit to champion this Agenda in collaboration with all the relevant stakeholders, including regulators, financial institutions, the private sector and other relevant government agencies.

As one of those stakeholders, the CBS's policy actions support financial inclusion by promoting trust in the financial system and in the stability of money. This supports financial inclusion because a safe financial system is a precondition for people to use the services provided in the sector.

We are also happy to report that the Central Bank has embarked on a series of initiatives to enhance financial inclusion in the country. The *Global Money Week* hosted by the CBS will improve financial education amongst the youth and thereby raise a financially literate generation that is financially included. Financial education on financial services and products remain a key focus area for the Bank, extending beyond just the youth. Other actions include the reduction in banking fees and encouraging banks to come up with "Low Cost Transaction" bank accounts with lower 'Know Your Customer' requirements.

Furthermore, the Bank supports financial market infrastructures and the development of capital markets in the country. The Bank is, for example, working on a business case to motivate for the issuance of a Government

Bond Retail Program. The idea is to ~~which will be~~ create a -more consumer focused and easily accessible savings product by leveraging on already existing infrastructure provided by the Post Office and mobile money transfers.~~ed by consumers.~~

ROLE OF THE BANKING SECTOR

Another aspect of the financial inclusion discussion touches on the extension of credit to MSMEs. It is recognized that this could contribute to employment, economic growth and alleviation of poverty. However, maintaining the integrity of the financial system and protection of depositor's money requires that credit providers extend credit to those MSMEs with a significant growth potential i.e. those projects considered as best options to allocate financial resources to and that will contribute to economic growth. This needs to be addressed by both the banks and the aspiring business owners. The banks must be able to identify those projects that are bankable and viable, while aspiring business owners

must have the sufficient business management and financial skills to make the projects work in order to service debt.

INFORMATION ASYMMETRY

The FinScope Swaziland SME National Survey (2017) established that only 42 percent of the SME businesses maintain financial records, which underscores the need to improve information management in the sector to in order to better access credit. There is a need for an efficient credit referencing and reporting system that will assist financing institutions to screen and select prepared or well deserving MSME.

Nevertheless, I still want to commend the local banks for creating dedicated SME Departments to better understand and extend to the needs of this target segment, especially agriculture and farming.

Although up to 80 per cent of small businesses are informal and do not have proper registration and records, this sector still makes a significant contribution to the economy - creating 54 750 jobs and making an

average monthly turn-over of US\$ 1 350 according to the FinScope Swaziland SME Survey 2017. My appeal would be to the relevant agencies, government, business and development partners to support the development of means to provide credible information to support the bankability and viability of the sector to better enhance access to credit.

FINANCING OPTIONS

The Bank notes that the Seminar will discuss some of the financing options that might be available for development finance. One of the key indicators of financial system development that the Bank always reports on is the share of credit to the private sector. This indicates the capacity in which the level of deposits and investment is transformed to productive use by the economy and hence stimulate economic growth.

This has over the years remained below 20 percent, and I am optimistic that with such Seminars and sharing of international experience we can start to see this ratio improving.