

OFFICIAL OPENING OF FIRST NATIONAL BANK OF BOTSWANA LIMITED SHAKAWE BRANCH

Keynote Speech

by

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May 8, 2023

Salutations

It is an honour and privilege to have been invited to be part of this ceremony, marking the official opening and launch of the Shakawe Branch of First National Bank of Botswana Limited (FNBB). It is indeed significant for FNBB to have found it necessary to establish a physical presence in Shakawe, during an era when financial services are increasingly delivered through digital platforms, especially in sparsely populated areas such as the Okavango region. I, therefore, wish to commend and thank you most sincerely, Mr Bogatsu, Chief Executive Officer of First National Bank of Botswana and through you, Sir, the Board, Management, and staff of FNBB for what I believe is a farsighted strategic decision.

Distinguished Guests, Ladies and Gentlemen, I recognise that today's event is primarily about the opening of a banking facility in Shakawe. However, there is significance and substance beyond that, being an opportunity to reflect and recognise the broader economic, developmental and welfare implications of expansion and access to banking services. Accordingly, the theme of my message today is, **“Broadening Financial Inclusion as a Way to Accelerate Botswana's Economic Growth and Achieve High-Income Status by 2036”**. This theme is anchored on the view that financial sector development is crucially linked to economic growth, employment creation and poverty reduction and, in the context of today's ceremony, improving competitive access to banking and financial services, potentially by previously unbanked and/or underserved communities. This is about building an inclusive and competitive financial system.

To provide a context, the latest available financial inclusion indicators show that 68 percent of the adult population in Botswana have access to formal financial services and a further 8 percent use informal services, while 24 percent are totally excluded. Overall, this represents significant progress

enabled by Government, regulators, the growing financial sector and active consumer participation. That said, there is a need for recognition and ownership of **the implications** of these financial inclusion indicators. One is that the magnitude of financial exclusion is manifested by lower levels of income, lower income earning opportunities and income inequality rates, evident in many communities in some parts of this country including this region. Therefore, the related implication is the need to expend efforts towards 100 percent financial inclusion, which ultimately will be a key component towards realisation of the desirable Vision 2036 Goals and high-income status, and at the same time raising welfare and living standards across the board; in other words, inclusive economy and durable economic growth.

In that regard, Distinguished Guests, Ladies and Gentlemen, allow me to **identity four key facilitators of financial inclusion**, namely, availability of basic infrastructure and utilities; facilitative policies and regulation; market initiatives and awareness of community needs; and consumer participation and patronage. Taking these in order, the relevant message with respect to infrastructure is that the physical component,

such as availability of electricity, roads, the iconic Mohembo bridge, and enablers of air and water borne travel remain important and critical. However, in the modern day this needs to be augmented and complemented by internet connectivity made possible by access to energy and functional bandwidth, providing 24/7 accessibility to services. This is increasingly fundamental to accessing banking services and benefitting from technological and digital enhancements. It is pleasing to note that these aspects of development are well recognised and represented in the national economic transformation and policy reform agenda.

In the realm of policies and regulation, the key words or facets are facilitative, clarity, consistency, transparency and balance (impartial) in application or implementation. Therefore, sound and transparent legal framework, aligned to best international practices and global standards for financial sector regulation and supervision, is critical. In this respect, I wish to bring to your attention the recent practical steps to promote financial sector development and financial inclusion. These include the recent passage of the Credit Information Act to regulate credit reference bureaux and ensure orderly, ethical and fair

treatment of customers; the Bank of Botswana (Amendment) Act, - which enhances the Bank's governance arrangements, providing clarity to the Bank of Botswana's dual but ranked mandates of price and financial stability as well as introduction of a deposit insurance scheme; the re-enactment of the Banking Act, which, for example, introduces niche, tiered-banking licence categories such as deposit-taking finance institutions and prospects for digital and community banks. The new Banking Act also establishes a robust legal framework for resolution of problem banks and systemic banking crises. These legal reforms are intended and designed to sustain the safety, soundness and integrity of the financial system; balanced access to good and "bad" credit information to foster productive access to credit; to better protect public deposits in banks in the event of a bank failure and, in general, allow the Bank of Botswana to continuously adapt regulations and supervisory practices to new innovative ways and ever-changing banking products and services, including democratisation of retail payment systems and other digital banking platforms.

Distinguished Guests, to the extent that the first two elements I have just addressed prevail, they provide an opportunity and conducive environment for the third aspect, which is market initiatives and vibrancy to address community needs. Here, it is worth reflecting on the words of the pioneering Economist, Adam Smith, that, “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard for their own interest”. Thus, the leadership of First National Bank of Botswana Limited and, indeed other banks, acting in the interest of generating value for their shareholders, steadfastly and competitively pursue satisfaction of community needs for banking services. They do this by facilitating access and convenience, in a prudent manner. In this regard, FNBB has determined that the infrastructure and policy support make it possible for its interest and that of the community to coincide here in Shakawe and broader Okavango. In so doing, the sum becomes greater than the individual parts, that is, added economic value for the bank, the community and the broader economy.

This view of taxonomy of relationships leads me to land safely on the fourth dimension, which is consumer participation and

patronage. Bagaetsho, through this branch, FNBB is offering you a facility to access banking services. While it represents a physical building to come to, it also involves supportive interaction with staff of FNBB and linkage/integration with the bank's digital offerings; your phones are part of the equation. In this regard, let us remind ourselves what the value addition and welfare benefits of access to financial services and financial inclusion are. First, is that *savings products* availed by banks offer safety of funds; possibility to earn interest income and protection against value erosion; and the saved funds are available for lending to others for productive use, based on properly assessed credit worthiness and prospects for a positive return.

Second, *credit* eases the financial constraints and used appropriately, it creates additional value in many respects. For emphasis, I will repeat the examples I used on a similar occasion two years ago. Thus, a shop owner is able to get credit to buy stock, serve the community, earn a profit and pay back the bank; a good cattle farmer can get credit to buy a pedigree bull, breed and sell higher value cattle and repay the bank loan; a young engineer, after a few years of working, is

able to borrow to build a house and repay the loan from future earnings, over a period of time, as she progresses in life (technically referred to as consumption smoothing); a young public officer may see an opportunity to pursue higher education after working hours and borrow for this purpose, potentially improving his/her livelihood. In all these examples the result is additional income and welfare for the borrowers, the bank, and savers, as well as employment, for the store owner, farm workers, builders, teachers and so on.

Third, access to financial services eases and enable *payments* and, therefore, easing the conduct of trade and person to person transfer of funds and affords convenience. Lately, this involves digital platforms that offer convenience, integration with other communication channels and are relevant and practical for the community and link well with the global community. In this regard, a native of Shakawe living in Gaborone or Dubai, can hire a local electrician to wire and fit his house, communicating by mobile phone. When done the electrician can send videos and photos of a job well done and invoice for payment. The person in Gaborone or Dubai (owner of the house in Shakawe) can then transfer the payment

through the variety of digital platforms and business is concluded. Thus, the positive influence on the decision to pursue economic activity (among locals, including the youth), while other costs such as for travel and delayed payments are eliminated.

Related to these core banking services, another fourth service included in the measure of financial inclusion is *insurance*, obtained for the purpose of mitigating risks. It enables unconstrained pursuit of economic activity and productive use of resources premised on the knowledge that related and incidental risks are covered; and that there will be compensation for the insured losses. Examples of insurable risks include fire, accidents, theft, etc., as well as mortgage protection, life assurance and medical insurance.

There is, nevertheless, a fifth dimension that relates to *behaviour*, that is safe and responsible use of financial services (referred to as economic and financial literacy). This relates to discipline with respect to balancing (through the life-cycle) consumption/asset acquisition with saving; responsible and productive use of credit; refraining from being gullible and

falling prey to fraudsters and get rich quick schemes; and safeguarding your banking details, documents and other asset holdings and financial information. Noting that these attributes of economic and financial literacy extend beyond knowledge and education, but are fundamentally behavioural, you now have access to additional well-meaning banking staff and the broader reach of the bank's expertise to handhold you in using financial services to promote individual and collective welfare enhancements, alongside the fostering of employment generating business pursuits.

Distinguished Guests, Ladies and Gentlemen, having said all that, let me pull it together, to illuminate the potential for **financial inclusion to impact accelerated and inclusive growth** towards transition to high income status and realisation of the Vision 2036 Goals. In this regard, primarily, it is that the combination of the various financial services I have outlined make financial inclusion to be a catalyst for economic activity and welfare enhancement; essentially the lack of finance or financial services as a constraint to economic activity is eased. Related thereto, or to stretch the point, financial inclusion enables harnessing, beneficiation and value addition of, and

to, local resources, including monetisation of knowledge, arts and culture, as they are marketed beyond the immediate surroundings, including globally. Because this contributes to expansion of production and provision of services, it adds to the rate of economic growth, while being inclusive.

I have also demonstrated the role of payments and importance of an individual's connectivity or access to payments platforms in the conduct of transactions and trade. In this regard, proximity (for example, to a bank branch), convenience and enhanced certainty and security eases the strain of being in business, frees time for creating actual economic activity (production and provision of services); in a word, this attribute potentially enhances productivity. Inclusion with respect to payments platforms also means that it is easier to operate businesses beyond those that you have physical access to, providing an opportunity to scale up your enterprise and market, and contribute to local economic and income earning opportunities.

Distinguished Guests, while financial inclusion tends to be associated with the lower income cohorts of society (referring

to individuals and households), let me refer you to two areas that I consider to be important. The first is access to financial services by small and medium scale enterprises. They are important because they are often the sources of creativity and enterprise at lower research and development costs and collectively, in many countries, and to the extent that they are viable, are the largest employer and generate more inclusive growth. They also exist in communities such as where we are today.

The second one is enhanced access to finance that helps to grow the middle class, such as housing or mortgage finance. In many jurisdictions the middle class is key to economic activity. This is because, if sufficiently resourced, the middle-class consumption and investment patterns, and levels provide a viable market for a variety of businesses and can also be a sustainable source of taxes and resource mobilisation by government.

My last point in relation to the potential impact of financial inclusion is to say that internal financial sector dynamics such as strategies to better compete, meet consumer needs, link

with other market and business model developments (such as Fintech disruptions) results in sectoral growth, which adds to overall economic growth, with attendant backward and forward linkages. In other words, financial inclusion inherently entails sectoral growth, with multiplier effects that potentially generates inclusive growth. If appropriately attended to through adequate infrastructure provision, facilitative policies and regulation, vibrant and competitive entities, disciplined adaptation and use of financial services, it is one of the paths to carve and tracks to follow towards high income status and realisation of Vision 2036 Goals.

Distinguished Guests, to the extent that FNBB expertly and sustainably provides the services I have just articulated, the effort will be a demonstration and actualisation of its commitment to support economic activity in Botswana across a range of income groups, business categories, geographical areas and digital spheres. In so doing, this helps accelerate efforts towards promoting financial inclusion and the economic well-being of Botswana. I observe that it is extremely positive that the bank's physical presence in Shakawe adds to the already laudable progress it has made

since its entry in the Botswana market in 1991, opening branches throughout the country and continuously making improvements to the delivery of banking services. The Shakawe branch becomes the 24th in the country, complemented by 163 automated teller machines (ATMs), 78 automatic deposit-taking machines, 12 425 point of sale machines and 1 014 cash plus agents. The bank directly employs 1 402 people, and, by the way, developed many in the leadership positions in other financial institutions as well as other sectors of the economy.

A further demonstration of the bank's connection to economic activity is the rapid growth in deposit mobilisation and assets. For example, the bank's customer deposits grew from P12.7 billion in 2012 to P 21.6 billion in 2022, while its total assets increased from P15.3 billion to P28.2 billion between 2012 and 2022.

That said, it would be remiss of me not to highlight the important and commendable social responsibility initiatives undertaken by FNBB, through the FNB Foundation established in 2001. To date, the Foundation has committed P71 million

towards uplifting and changing the lives of the many less privileged members of our society. These include the refurbishment of a community park in Gaborone, contribution amounting to P25 million to charities between 2016 and 2021, and provision of funding to youth start-up companies in partnership with the Botswana Digital and Innovation Hub. FNBB has admirably supported worthy social causes in Botswana, including sponsorships of various sporting activities such as the FNBB Kazungula Bridge Marathon, partnership with Botswana Football Association and, of course, the recent FNBB Botswana Golden Grand Prix. These initiatives provide a good foundation to achieve the goal of making Botswana an internationally competitive sporting nation with globally recognised and well rewarded athletes (demonstration of export-led growth model). I congratulate you on this tremendous and impactful effort.

Distinguished Guests, Ladies and Gentlemen, in conclusion, I take this opportunity to once again express my sincere gratitude to the Board and Management of FNBB, this time, for continuing to support the development aspirations of the country through promoting financial inclusion, offering of a

wide variety of banking products and facilitating digitalisation, which, in turn, contributes to trade and economic development.

At this juncture, let me urge you, members of the public, to embrace banking services to improve welfare, and in a secure manner as you traverse the digital banking landscape. With these remarks, Distinguished Ladies and Gentlemen, it is my pleasure and privilege to declare the FNBB Shakawe branch officially opened.

I thank you for your kind attention and for being part of this historic event.