

BARCLAYS BANK OF BOTSWANA LIMITED LAUNCH OF MADI MAJWANA SEASON 4

Keynote Address

by

Moses D Pelaelo
Governor, Bank of Botswana

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Let me start by thanking the Board and Management of Barclays Bank of Botswana Limited, for the invitation to be the Keynote Speaker on the important subject of money management. I gladly accepted the invitation for the simple reason that financial literacy initiatives, such as Madi Majwana educational programme, are a welcome development as they help empower Batswana with the knowledge necessary for financial security. Evidently, good financial management skills enable smooth transition through successive life stages as the income, spending and saving nexus is appropriately managed, in the context of well-informed decisions and disciplined execution. This speaks to common challenges facing all of us, in making decisions such as how much to save for retirement; reduce or increase debt; taking a mortgage loan or saving for your child's education.

Distinguished Ladies and Gentlemen, it is worthwhile highlighting the background to, and achievements of, the Barclays Bank's Madi Majwana programme. I am informed that Madi Majwana is a sequel to the show called Pula! Money Matters. The show was

a platform that Maitisong Theatre Group used to educate the youth at all levels on issues of money and personal financial control. Indeed, the show tackled financial situations that we all face using song, dance, interviews and other interactive ways. As I understand it, Barclays Bank has invested over P3.5 million in the development and implementation of Madi Majwana; a clear indication of the commitment to, and passion for, this subject matter. To Barclays Bank and other financial institutions doing the same, I can assure you that this is an investment in a worthy cause and its return, in the medium term, will not disappoint. There is no doubt that a more financially-literate bank customer is, on the one hand, more likely to manage a business on a sustainable basis and, on the other, a better banking supervisor.

Ladies and Gentlemen, this will be the fourth season of the Madi Majwana radio drama production, which started in 2013/4 and in this season, the theme, I am advised, would be on saving. I am informed that, last year, the show reached more than 400,000 people through radio and 7,000 through theatre performances. The performances were conducted in 11 towns and villages across Botswana. In the process, Madi Majwana has created employment for more than 250 young people as scriptwriters, stage actors, voice-over artists, graphic designers, fashion designers and musicians. These efforts and outcomes are commendable and should be indeed encouraged.

As regards messaging, it is significant that, in addition to content, the dialogue in the show includes various indigenous languages, thus enabling wider coverage of the message transmission. In the process, the drama is more effective as an educational tool in imparting knowledge and life skills.

Distinguished Guests, the Bank of Botswana is mandated, among other things, with ensuring financial stability, which is intrinsically linked to the quality of financial decision-making by both businesses and households which, in turn, is an artefact of financial literacy. At the same time, Government, through the Ministry of Finance and Economic Development and the Bank, is committed to enhancing financial inclusion. It is against this background that the message and aspirations for financial inclusion should be accompanied by financial education and consumer protection. In this sense, Madi Majwana programme complements and facilitates effective execution of the financial inclusion agenda.

Distinguished Guests, as we applaud the Madi Majwana initiative, it is important to also outline the parameters for measuring the adequacy of the message in imparting financial knowledge and, therefore, the potential for success in enhancing the quality of decisions on financial matters. There are at least three elements in this regard. First, I would suggest that the initiative is successful to the extent that it addresses knowledge, skill,

attitude and behaviour necessary to make sound financial decisions. Thus, awareness of the range of financial products and associated uses, benefits and risks. Second, an adequate level of financial literacy should foster consumer (self) protection, enforcement of rights and beneficial interaction of clients with service providers. Third, financial literacy and discipline transcends formal education levels, such that the target audience should be wide ranging; thus going beyond the youth, low-income earners and those that are financially excluded.

Among others, these sets of attributes and factors enable informed and disciplined assessment of the impact of financial decisions, in particular choices with respect to saving, borrowing and spending on consumption and assets, which when used well, are all positive for individual welfare and broader national economic activity. Even then, this is in the context of a mind-set that appreciates that the ultimate outcome of the financial decisions should be an increase in welfare and wealth accumulation, as embodied in financial resources, physical assets and enhanced human capital. Indeed, in an ideal world, financial planning and execution of related decisions through a life cycle should entail, in sequence, establishing secure sources of income; engaging in affordable borrowing to achieve well-being and accumulation of income earning assets; and saving for maintenance of well-being beyond working life.

Distinguished Ladies and Gentlemen, as a monetary and regulatory authority, the Bank of Botswana considers financial literacy key to three areas of policy performance. First, financial literacy fosters financial stability. Notably, financial literacy and related financial inclusion enables diversification of funding sources for banks given the potential for saving by a wide spectrum of households, in particular. For Botswana, this is relevant to diffuse the concentration of funding of commercial banks by large value, highly volatile deposits. In addition, financial literacy is associated with responsible borrowing, such that the risk of wide spread loan default and threat to financial stability is reduced. Responsible borrowing, in this respect, encompasses discretionary and considered response to marketing by financial institutions, including unsolicited increase in loan and credit card limits. Moreover, informed consumers would appreciate the benefits of risk mitigation in terms of insurance and long-term discretionary saving; therefore, reducing the need for taxpayer funded compensation and alleviation of distress through social transfers.

Second, financial literacy that includes an understanding of monetary policy facilitates policy transmission through both discretionary reaction and helping to enforce commensurate response by banks, in particular. In essence wider financial inclusion, as engendered by financial literacy, enhances the potency of monetary policy, as the extensive interaction with

financial institutions makes it more likely for changes in interest rates, in either direction, to influence saving and borrowing decisions as intended. In the circumstances, informed customers interested in optimising the value of financial resources are more likely to adjust their financial exposures, as desired by policy, and also ensure that banks effect policy decisions.

Director of Ceremony, the third aspect, and related to the first two, is that the productivity of finance is likely to be higher where the community is financially literate and there is a disciplined approach to financial decisions and execution. For example, there is an enhanced likelihood that saving and investments are placed in instruments that generate positive real returns; thus funds being productive and welfare enhancing from the depositor or investor perspective. In turn, the placements of funds in formal financial institutions contributes to intermediation, transformation and allocation of funds to productive use by both businesses and households in higher return enterprises, welfare enhancing consumption and asset accumulation. Moreover, financial literacy helps to ensure that borrowers seek or engage in activities with financial and in-kind returns that are higher than the cost of credit, therefore, enhancing the productivity of finance.

As I conclude, I need to allude to Fintech, by noting that these days financial literacy also encompasses awareness of information and communications technology, its use in managing

bank accounts and in transacting, as well as beneficial use of the peripheral and associated services offered by non-banks. At the same time, there is a need for greater level of awareness of the risks involved and the mitigation measures individuals can use to avert loss of funds through fraud and misuse of their personal data and property.

Distinguished Guests, it is apparent that the interactive dialogue with society through the drama production that is facilitated by the Madi Majwana programme accords well with the national policy agenda. The sponsors and participants in the programme contribute in a significant way to informed financial inclusion, financial stability, effective monetary policy transmission and, therefore, productive use of finance. This effort need to be supported and sustained. It is, therefore, pleasing that the programme is set to continue and I congratulate all stakeholders, in this regard.

Distinguished Ladies and Gentlemen, with these few remarks, it is my singular honour and privilege to declare the Madi Majwana Series 4 launched.

I thank you for your kind attention.