



THEME Customer Friendly Banking

Features

- 1 Editorial: "Freeway"
- 2 Stanbic Bank
- 3 Investrust Bank
- 4 Finance Bank
- 4 Barclays Bank
- 5 Big Bank befriends Small Savers
- 6 A Customer's Suggestions
- 6 Quotation on Banking

Regulars

- 6 Topical Article-
Mauritius outshines S.Africa
- 7 Obituary:
Ralph Harris
- 8 Economics without tears:
Creative Destruction
- 9 Notes

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Editorial- Freeway

Freedom works best. That is ZIPPA's view of human activity. Individuals, no less than countries, are entitled to freedom. Personal freedom, like national freedom, needs to be respected and extended, with the proviso that it must not harm others or limit their freedom

That is why in the economic sphere ZIPPA favours free and competitive markets. Free markets are integral to the modern exchange economy. They extend freedom and enlarge choice. Restrictions are the enemies of freedom. There is a place for regulations in order to protect the community and prevent harmful actions; but we must always view them with a critical eye. The best way, almost always, is the free way. Hence our choice of title for this and future editorials.

Freedom of choice, freedom of action, benefits both the individual and the community. It is not negotiable. Nor is it final. It needs constant protection,

constant enlargement. It is a cause worth fighting for. Freedom fighters are still needed. The battle for Zambia's national independence has been fought and won. The battle for individual freedom can never be completely won. Lutta continua.

The fight for economic freedom is a vital part of the war against poverty. Poverty will not be defeated by governments, but by individuals. Still, governments have a vital role to play. The countries where governments facilitate economic freedom are the ones which develop fastest and become the most prosperous, and vice-versa. This is demonstrated by the Economic Freedom of the World Index, which is discussed in an article that follows. Freedom must always be our guide as we examine problems and opportunities in today's world.

Every theme, every issue, to be addressed in this Journal will be examined in the light of freedom, because that will indicate how Zambia can best make progress. Does it apply even to 'Customer Friendly Banking'? Yes, freedom is enhanced by respect and consideration for the individual.

A final word; freedom is useless unless we make use of it. Every bank in Zambia was invited to contribute a short article to this issue. Only four responded to the opportunity.

The opportunity to exercise freedom, or to promote the freedom of others, is a frequent visitor. It knocks at the door of every reader of this journal. We either use it or lose it.

Customer Friendly Banking



Are Zambia's banks customer friendly?

The negative perception about customer service in the banking sector has lingered for a long time, essentially because among service organizations, the banking sector was the last to embrace customer service. Just a few years ago banks used to close at 1245hrs and never opened during weekends!

Over the past few years, with stiff competition arising from more and more banks in the market place, coupled with a more discerning customer culture, most banks have embraced initiatives that have greatly enhanced customer service.

Only four years ago, Stanbic Bank could have been correctly ranked among banks that were impersonal, formal, elitist, bureaucratic and over-centralized, and, yes ...only interested in big customers.

That perception has now more or less been erased, with the bank opening its doors to all segments of the banking clientele, from the biggest multinationals, to the smallest personal account holders.

This dramatic transformation has resulted from the re-positioning of the group's vision. The Standard Bank Group, to which Stanbic belongs, wishes to be recognized as a strong bank with African roots and global reach, and as a bank which, understands the African people and provides financial solutions to meet the special needs of the various segments in this market.

Stanbic Bank has crafted specific strategies that help to make the bank a uniquely customer friendly bank, among which are the following:

i) Business hours.

Stanbic Bank maintains the most customer friendly business hours of any bank in Zambia. We are open Monday to Friday from 0815hrs to 1530hrs and every Saturday, from 0830hrs to 12hrs.

ii) AutoBanks.

Though a latecomer in automated banking, Stanbic now provides outstanding AutoBank availability.

The Bank has witnessed a very rapid increase in the number and distribution of ATMs in major centers of the country, from Mazabuka right through to Solwezi. With just 2 AutoBanks to its name only 3 years ago, the total number of 24hour service AutoBanks is now 24, and it will total 27 by year-end, and increase to 42 units in 2007.

Autobank is the special brand name given to Standard Bank/Stanbic Bank ATM. Apart from the regular ATM features, our machine has a unique deposit feature which allows customers to deposit cheques and cash at any time of day without going into the banking hall.

iii) Customer Information Consultants (CICs)

To further enhance the quality of its customer service, the Bank has employed the services of Customer Information Consultants, whose main area of operation is in the banking halls and the ATM Centres. The CICs are easily identifiable by their bright blue Stanbic sashes. They help direct unsure customers to the correct teller points or assist first time users of the AutoBank machines.

iv) Customer Evaluation of Branch Service

Head Office in Johannesburg repeatedly conducts impromptu Customer Evaluation of Branch Service surveys. This is a type of 'mystery shopper' initiative, where customers are secretly asked to rate customer service at various key branches of the bank, in an effort to gauge their perception of the bank's services. It is gratifying that several branches are now rated 'Club Nine' branches, which is the highest rating of a branch in terms of customer service.

v) **Executive Banking Suites**

Two years ago the Bank recognized the need to offer a premium service to its high net worth customers to show appreciation for their custom. The Bank then embarked on setting up two very up-market private banking suites for this market segment, one at Arcades Shopping Mall, and the other adjacent to Stanbic Bank, Kitwe..

vi) **Customer Service Department**

To confirm the bank's elevation of the customer service function,, a Customer Service Department, headed by a Country Service Manager, has been established to coordinate and direct all initiatives related to enhancing customer service throughout the network.



As Investrust Bank Plc celebrates its 10 anniversary this year it is befitting to reflect on what lessons the last decade provided.

One of the valuable lessons learnt over the years has been the importance and value of quality service. Service is the lifeblood of any financial institution. It must be performed in such a way as to provide complete satisfaction to clients. Our bank thrives on personalized customer service. Our aim is not only to satisfy our customers but rather to keep surprising them, to exceed their expectations!

The 3 P's - People, Processes and Physical appearance - have been vital to achieving excellent customer service.

People

The customer is central to all the organisation's activities. Products served by the Bank must be tailored to meet the customers' needs at the right price. Customer service is measured through the customer's eye. Customers today are knowledgeable and aware. This makes them more discerning and demanding. When a customer approaches us for a service, they are doing us a favour, not being a bother.

Management and staff are the team which has to deliver this service. Employees must be knowledgeable, welcoming, smart, passionate and willing to help. The bank encourages its employees to take a pro-active sales role in every transaction they handle.

Processes

Our systems and processes are designed to be customer-focused and to help us enhance the quality of service.

The Bank has continued to invest heavily in information and communication technology in order to speed up solutions for our customers. We are part of the ZAMLINK group of banks. Customers of the member banks can access cash from any member bank's ATM. This collaboration has brought great benefit to the public.

Physical Appearance

All of us want to get service in a clean, pleasant environment. The surroundings must be appealing. Over the years, we have invested in renovations of our premises to ensure an up-market image. In Kitwe, we are about to re-locate to more spacious premises. An ATM will be installed at the new Branch.

Investrust Bank Plc pays every attention to ensure the 3 P's are in balance. Customers must feel that they have made the right choice and receive value for their money at Investrust. This is the bottom line of customer service.

Being Customer Friendly

When a customer or potential client walks into a bank he/she would like to be greeted by a cool, clean environment with all the counters clearly labeled. This shows that the institution is organized and user friendly.

On entering the bank, the client should have access to information about all the bank's services, and that before even uttering a word to any member of staff. If the client is still in doubt as to what service they wish to use, they then approach the Enquires/Customer Services person who should be welcoming.

"Under-promise and over-deliver, not over-promise and under-deliver". All our staff have embraced this

ethos. For us, this is not a mantra. It is the very philosophy of the bank; the blood that flows in all we do because we are mindful that “Good service is rarely remembered but bad service is never forgotten”.

Corporate clients now have a dedicated relationship manager. This ensures that they have one point of contact with the bank where they can access the various products on offer.

We have continuously invested in streamlining our credit process, because customers require prompt credit decisions. That is why our turnaround time is 10 working days.

We have continued exploring means of making banking even simpler and more innovative, whilst ensuring maximum compliance with regulatory and prudential norms. At Investrust innovation and compliance are two sides of the same coin.



As the Bank races towards the milestone of our 20th anniversary of operations, it is exciting and commendable to note that during these two decades we have strategically evolved into Zambia's largest private indigenous bank, with a nationwide representation (42 locations), providing multi-layered products and services to every segment of the economy.

Our focus is to go beyond the traditional transaction management to interaction management and to build a customer centric programme around this. By introducing Unit Banking, we want to ensure that our staff are adequately up-skilled to provide the requisite customer services and products over the counter.

As we consistently strive to execute our brand, we have now developed into a single branch banking model with strong sales dialogue where all our employees are able to engage with customers to drive product and service offerings and ultimately customer satisfaction.

The ability of our staff to provide the 5 P's of Prompt, Positive, Polite, Perceptive and Personal service remains an essential element in the success of our operation as well as the customers' experience.

Therefore, the fundamental strategic question is; How can a retail bank simultaneously align its resources to adequately serve customers who want a relationship versus the more utilitarian set of customers who simply want convenience, products and service? Relationship Banking is the bedrock through which we can win with customers if we have a mindset of “Simple, Easy and Fast”.

We have invested substantial resources in upgrading our Information Technology operating platform to support ATM, SMS Banking and Internet Banking. Our next step will be to introduce a state-of-the-art banking software Flexcube - which will revolutionize back-office processing and improve our front-office efficiency.

The Bank has established long term relationships with all sectors, individuals, SMEs and large corporates, as well as NGO's, parastatal and government bodies.

Naturally, each requires specifically tailored product bouquets, which we have been able to provide because of our extensive local knowledge, flat decision making process and flexible approach.

Banking continues to progress, and international best practice methodology is constantly adopted and modified where applicable. Finance Bank Zambia Limited continues to ensure capacity building through training. This is the platform from which the Bank is able to continue growing market share.



Barclays Bank Zambia is about to launch a major contribution to customer friendly banking. Determined to make banking services accessible and affordable to Zambian customers who hitherto were unable to utilise banking facilities, Barclays has decided to open new branches throughout Zambia, starting in January 2007.

The bank will initially open 15 branches in Sinazeze, Kaleya smallholdings in Mazabuka, Mazabuka Sugar Estate, Chilenje and Soweto in Lusaka, Katete, Petauke, Kabwe, and Chimwemwe in Kitwe, Mufulira, Chingola, Solwezi, Lumwana, Mansa and Kawambwa

The target is to open 30 branches in various parts of the country before the end of 2007, with a view to increase this number to 100 new branches throughout the country. Barclays plans to invest between K10 billion and K15 billion to set up the initial 15 branches, and up to K50 billion for the next phase of the development.

These branches are being opened on the back of the good performance of the Zambian economy, which is set to grow further, judging by the current trends. This new branch network is an innovative banking concept that will bring affordable banking to various sectors of the Zambian economy.

The branch openings follow a review of the Bank's product offering to suit the target market in an effort to make banking easier and more accessible

The new branches will further enhance the Bank's ability to provide affordable service to a more diverse spread of customers, and to expand the existing customer portfolio where required.

All the new branches will offer Barclays products and services at competitive pricing and will be equipped with an Automated Teller Machine (ATM).

The branches will also create employment for people in areas where they will be established, because first priority for jobs will be given to local residents. The first 15 branches are expected to create an additional 80 jobs, and the whole project is expected to create employment for between 500 and 700 people

The branches are also expected to provide a much needed impetus for local business development. The resultant creation of local jobs and empowerment is in tune with the bank's community and business objectives.

Big Bank befriends Small Savers

Ever heard of African traditional banking? Probably not; but it exists in Ghana, the land of the Susu Collector. Susu means 'saving', and Susu Collection is a system which helps poor people to save.

It works on a monthly basis. The saver arranges to pay the Susu Collector a fixed amount each day of the month. The Susu Collector records all receipts in his book. At the month end he returns the total amount to the saver, less his fee of one day's payment. In this way people with small regular earnings, who would otherwise fritter them away in daily spending, are enabled to save a useful sum each month, just like an employee with a monthly salary.

The Susu Collector deposits his money in a bank. In the past this was an informal arrangement. But recently Barclays Ghana saw the possibility of formalising it into microbanking, the saver's equivalent of the microcredit we have in Zambia. In December 2005 Barclays launched a microbanking programme in order to "seek innovative ways to work with indigenous microfinance providers to tackle financial exclusion."

Through this programme Barclays Ghana has partnered with Susu Collectors to provide appropriate financial services and training to many 'unbanked' in the country, and thereby contribute to the Millennium Development Goal of reducing poverty.

To help the Susu Collectors become more efficient, Barclays devised the A, B, C of Microbanking.

A stands for Awareness creation. This involves a series of programmes and workshops to provide financial information directly to the clients of the Susu Collector to enable them to make informed financial decisions. To date over 250 clients, mainly women, have benefited.

B stands for Banking services. Barclays provides wholesale funding to Susu Collectors to enable them to on-lend to their retail clients. In addition they have a special account at their nearest Barclays branch in which to deposit their clients' savings. In the first month of the arrangement 250 clients

received small loans.

C stands for Capacity building. This is a series of training programmes run for all Susu Collectors that belong to the Microbanking programme, especially those that take the loans. To date 75 Susu Collectors have participated in the training programme, with over 250 signed up for the rest of the year.

This is a rare example of a global bank working with grass roots informal institutions to meet the 'unbanked' at their point of financial need. Interviews with some of the beneficiaries have shown the impact this programme has on their lives. One petty trader who received a loan of \$500 explained how she can now purchase another stall, increasing her income and providing employment for a relative. The banking programme has built into it a compulsory saving component, which was requested by the clients. A client running a small stall explained that with this saving she can have the school fees ready every term and provide good medical care for her daughters.

Staff have also benefited through providing training for Susu Collectors. The Bank's focus, which was mainly on the rich, is now also on the poor. Through conferences and workshops Barclays has championed financial inclusion in Ghana.

Microbanking is not about philanthropy. It is rather about creating a sustainable business for Barclays, the Susu Collector and the 'unbanked' client. It is a triple win for all parties, as well as for the community at large. This is a small step that demonstrates that global companies in Africa can learn from and work with 'informal' African institutions to contribute to the Millenium Goals and improve people's lives.

A Customer's Suggestions

Bruce and Julian Danckwerts

In order to make bank lending more transparent and therefore more customer friendly, each statement should show the following information:

A) The Nominal Interest Rate applied to borrowings.

- b) The annual Compounded Rate, which will be charged if interest is paid annually instead of monthly, for ease of comparison with the annual rate of inflation.
- c) The Agreed Limit on the account beyond which penalty interest will be charged, the rate of penalty interest and the amount of any penalty fee..

This will make it much easier for customers to ascertain the interest they are paying, and to verify the debits entered on their account.

Quotation

"The only true assets are satisfied customers."

- Jan Carlzon

Topical Articles

Mauritius outshines South Africa

Jasson Urbach

According to the latest Economic Freedom of the World report, South Africa slid dramatically down the rankings from 37th to 53rd. The index, published in Economic Freedom of the World: 2006 Annual Report, measures the degree to which the policies and institutions of countries are supportive of economic freedom. The foundations of economic freedom are personal choice, voluntary exchange, freedom to compete and security of privately owned property.

One of the key objectives in compiling the EFW index is to establish whether relationships exist between economic freedom and economic growth and wealth. The findings in the report unambiguously support the view that economic freedom is strongly related to prosperity and growth; countries that are economically free tend to grow faster and to be more prosperous.

Research in the 2006 report found that countries with more economic freedom have substantially

higher per capita incomes. The top 25% of the freest economies in the world have per capita incomes of \$24,402, while the least free economies for which data were available have per capita incomes of \$2,998. Furthermore, for nations scoring in the top quarter of the index, the average income of the poorest 10 percent of the population was \$6,519 compared to just \$826 in the least free nations. This shows that economic freedom benefits everyone poor and rich get richer together.

According to the index, South Africa has been getting progressively worse in the area of Freedom to Exchange with Foreigners. In 2002 SA received a rating of 7.6 out of 10 (with 10 being the best) in this area in 2005 it was rated at 7.3 and this year 6.9. The recent introduction of quotas limiting the amount of clothing imports from China is likely to lead to a further deterioration.

Quotas are a particularly damaging form of intervention. Governments arbitrarily decide on the level of restriction they deem necessary to protect local manufacturers. The restrictions open the door to corruption because customs officials are given the power to decide which importers' goods will be allowed entry and the quantities each will be entitled to import. Quotas will be worth millions of rand and the temptation to bribe and be bribed will be substantial. The result is that certain influential importers are given preference over others.

Instead of South African clothing manufacturers continuing to lobby for increased protection they should learn from their SADC counterparts based in Mauritius who have developed products for niche markets. Having invested in some of the most sophisticated manufacturing plants in the world, Mauritian manufacturers are able to quickly turn orders into finished goods.

While Mauritius has fallen from 35th to 40th on the EFW rankings, it remains well ahead of South Africa. It has a GDP per capita of \$5,260 against SA's slightly lower \$4,960. In order to counter its perceived loss of competitiveness Mauritius has embarked on reforms aimed at increasing economic freedom and improving the business environment.

Studies show that a country wishing to see its economy grow must take the direction of change seriously. A trend towards greater economic free-

dom results in increased economic growth, while the reverse trend reduces growth. The consequences may not be immediately apparent but they are no less certain.

In 1995 Mauritius ranked 17th on the index with a rating of 7.4 (now 7.0). South Africa's ranking was 48th in 1995 (rating 6.3) advanced to 37th (rating 6.9) and then fell back to 53rd (6.7) in the latest ratings. The Mauritian government is currently taking firm action to correct the situation, while from its actions the SA government does not appear to recognize the potential problems that await the country if economic freedom continues to decline.

The Mauritian government has openly admitted that it has set itself the target of achieving a top 10 position in the World Bank's "Doing Business" report. This announcement sends positive signals to international investors that Mauritius is committed to accepting and accommodating investments. Local investors also benefit from an environment that is conducive to doing business.

South Africa should take a leaf out of the Mauritian book of reform. Indeed, if the SA government really wishes to help manufacturers of clothing and textiles it should similarly make the environment in which they operate more conducive to doing business. This could be achieved by substantially reducing the taxes it imposes on the clothing manufacturers and reducing their costs of doing business.

Author: Jasson Urbach is an economist with the Free Market Foundation of Southern Africa.

Obituary- Ralph Harris

Ralph Harris, economist and freedom fighter, died on 19th October 2006, aged 81
(With acknowledgment to 'The Economist')

When he became general director of the Institute of Economic Affairs (of which ZIPPA is a descendant) in 1957, Ralph Harris was pushing ideas that were deeply out of fashion in the Keynesian post-war years. The IEA, set up by Antony Fisher in 1955, promoted deregulation, privatization, tax cuts, trade union reform and the free market. It attacked the welfare state, incomes policies and high public spending that unleashed inflation. These opinions were so outside the bounds that Mr. Harris com-

pared the IEA in those years to “a band of 30-year-old boys fooling with fireworks”.

Harris, fresh down from Cambridge in 1947, had fallen under the spell of Friedrich Hayek's “The Road to Serfdom”. Serfdom was all around him then: ration books, travel restrictions, wartime central planning, and most of all the depressing disposition of people to do what they were told and to suppose that this was modern life. He never believed it. The way to freedom was to unleash the millions of individual actions that made up a working economy, and never to seek to control them.

Slowly, these ideas caught on. Arthur Seldon, his chief collaborator, made the IEA's papers readable, while Harris proselytized among movers and shakers and, most usefully, raised money. The IEA stayed aloof from party politics - essential, Harris believed, to avoid embroilment in “vote-getting, lying and cheating”- but sought to change the intellectual climate in which politicians had to operate. Geoffrey Howe and Keith Joseph, the chief brains of the Conservative Party, deeply inhaled the new air; and Joseph passed the IEA's papers to his favourite pupil, saying, “Here, Margaret, read this.”

Mrs. Thatcher adored Harris's ideas. He admired her, and was amazed at the vigour with which she took on the unions and defended the free market through the 1980s. Yet he was not a Thatcherite in his bones. From his lowly beginnings, on a council estate in north London, he understood the “emotional case” for socialism, and worried about minimum levels of spending on the poor. He did not oppose safety nets, only “hammocks”. When Mrs. Thatcher made him a life peer he chose to sit on the cross-benches, where he could vote as he pleased, as a “radical reactionary” or, more accurately, a classical liberal. Offered a coat of arms, he refused it because he could not adorn it with Adam Smith's invisible hand.

He sometimes regretted that he had not lived in Smith's time. To him, economics, or at least his variety, the economics of freedom was a religious belief, the “moral science” that Smith had taught. The law of supply and demand, he once wrote, was the nearest social science approached to the laws that governed the universe. The modern conception of economics was much too small for him.

(Excerpts from 'The Economist' of 4th November 2006)

Economics Without Tears with DISH

Creative Destruction

Our last article was about scarcity as an inherent aspect of economics. To say that all goods and services are 'scarce' is another way of saying that they cost money. They are not free, but must be exchanged at a price. So we have to economise in our use of them, hence the word 'economics'. Economics is often called 'the dismal science', and no wonder, for economising is dreary. If only we could afford to forget about it and spend our way through life!

Fortunately, economizing is just one side of the coin. There is also another side, which the Austrian economist, Schumpeter, called 'creative destruction'. That sounds even worse than having to economise. But it expresses an important truth, and a very positive one.

For the other side of the economics coin is creation. This involves scientific invention and discovery, together with searching out and pioneering new methods of doing things. That is the role of the entrepreneur. It sounds creative all right: how can it also be destructive?

Because adopting new methods involves abandoning old ones. Replacement is an essential part of development. Muscle power was replaced first by steam power, and then by the internal combustion engine, which in turn gave way to electricity in many applications. More recently the typewriter has been replaced by the computer and the wired telephone by the cell phone.

None of these innovations stemmed from government planning. They were all pioneered by entrepreneurs, who abandoned loss-making products and activities in favour of profitable alternatives. This was not just a case of economizing, but of revolutionary change, of creative destruction!

Whether we like it or not, outdated methods have to be abandoned. Trying to protect and preserve them gets us nowhere. Sooner or later external forces, new inventions, new processes, will destroy the old. Rather than resist such changes, entrepreneurs

embrace them and seize new opportunities. That is what makes economics, the 'dismal science', exciting.

The views expressed in this newsletter are those of the authors. They are not necessarily shared by members or by ZIPPA, which has no official view.

Notes

Next Theme

The theme for the 1st Quarter 2007 will be **Social Security**.

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