

Electronic banking prepares the way for e-commerce in Zambia

By Michael Malakata

Michael Malakata explains how Zambia's banks are modernizing by offering electronic services to their customers, thus laying the infrastructure for secure and efficient e-commerce in the country. Technology applications such as electronic and mobile phone banking speed up investment in the economy and could accelerate economic growth.

Electronic commerce (e-commerce) is basically the use of the Internet for buying and selling. It is commerce for the era of globalisation, an era in which telecommunications networks, and in particular the Internet, make it possible to buy and sell without exchanging bundles of paper banknotes, in an electronic market operated through telephones and computers. E-commerce can be applied to any of the steps involved in commerce: from finding a buyer, negotiating the sale, handling of tariffs, taxes, insurance and transportation, payment, and notification of delivery of the product or service. All of these operations can now be done securely on the Internet.

While lack of infrastructure and weak technologies are a major hindrance to ecommerce development in Zambia, Zambian banks have taken the lead in developing electronic services to support e-commerce and to ease the difficulties experienced by clients in accessing bank services. Electronic services are gaining ground in Zambia among commercial banks that are providing telephone banking, Internet banking and e-tracer.

ICT policy

The growth of e-commerce depends on good communications infrastructure, effective legal and regulatory framework and the development of electronic banking solutions by financial services providers. Zambia has a draft Information and Communication Technology (ICT) policy that is currently under scrutiny after which it will become the country's ICT policy. The draft policy acknowledges that the banking sector plays an important role in the development of e-commerce solution and as such there is need to develop ICT infrastructure. The draft ICT policy says, "With the adoption of Internet services, some of the financial institutions are already offering Internet banking and international cash payment via electronic cards such as VISA to customers."

New services by major banks

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One of Zambia's largest banks is Finance Bank, which has its headquarters in Lusaka and branches throughout country. Finance Bank has more than 5000 clients and about 2000 clients are benefiting from the bank's electronic services. Information Technology Director Shahzad Ghazi says that apart from issuing Automated Teller Machine (ATM) cards to clients, the bank has introduced the 'Customer Access System' and 'MoneyGram' services, both of which are computer-based.

The bank is using its resources to develop ecommerce for the betterment of the clients and to adapt to the growing trend in e-commerce that is taking root in today's business, says Ghazi. "The Customer Access System allows customers with a computer connected to the Internet to access their accounts from anywhere in the country or in the world, permitting them to find out their bank balances, among other uses," said Ghazi.

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The Zambia National Commercial Bank (ZANACO) not been left behind. The bank has introduced Internet banking, e-tracer, and ZANACO Short Message Service (SMS), all of which make banking easier. ZANACO also provides Internet banking to customers connected to the Internet. According to ZANACO Marketing Manager Daisy Diangamo, to access one's account one simply needs to go to ZANACO website, click a link to select the service required, type one's personal identification number and security password for that service, and then use the service.

Diangamo says that ZANACO Internet banking allows customers to verify, among other things, their bank balance, foreign exchange rates and the status of cheques. With an e-tracer service, an account holder can receive up-to-date bank statements by email.

Security and confidence

Many people are nervous about e-commerce because the transactions are paperless and the communications take place on public networks such as the mobile phone network and the Internet. There are always fears that cyber-criminals might hack the system and steal money. However, technology is also at the heart of the security measures that are taken by the banks. Ghazi of Finance Bank says so far no single case fraud has been recorded. Daisy Diangamo of ZANACO explained that electronic services are safe as all the e-mails are encrypted, meaning that only the client is able to read them; hence the system is not under threat.

Appropriate technology

A growing proportion of the clients of Zambian banks are using electronic services, but there is potential to expand the services to clients in rural areas. The services are only available to those who have bank accounts. Electronic commerce needs to be adapted to the local situation, including the large number of people who need financial services but who have a very small income.

E-commerce via mobile phones has great potential in the Zambian market mainly owing to convenience, flexibility, and increase in the use of mobile phones. Mobile telephones let customers carry their bank in their pocket. Daisy Diangamo of ZANACO bank said that hundreds of retailers for beverages from Zambian Breweries now pay delivery drivers by sending text messages on mobile phones to the bank. The bank then verifies the message and the payment is made.

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Sector impact

Profitability of the banking sector in Zambia is hindered by high labour costs and very small markets, making it difficult to achieve economies of scale. E-commerce enables the banking sector to cut costs by reducing the amount of labour involved in processing transactions on paper and handling bundles of cash. The greater efficiency and lower costs offered by ecommerce is therefore an important contribution to the country's economic infrastructure.

The example of the Zambia shows that ecommerce and electronic banking has potential in low-income countries. Not only can it help the banking sector to cut costs and operate more efficiently, but also the emergence of applications such as mobile phone banking mean that financial services can be made available even to clients in remote regions where there are no bank branches.

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