

## **THE POST OFFICE TODAY**

### ***ZAMPOST MICROFINANCE LIMITED: GROWING YOUR MONEY BY 30% PER ANNUM!!***

To a growing number of individuals and families, ZamPost Microfinance Limited (ZMFL) has come to represent an ideal investment vehicle. The daily investment report generated by ZMFL management not uncommonly shows individual depositors electing to place their savings, retirement packages, contract gratuities, children's school funds, project funds ad infinitum into Term Deposits of between 90 days to 730 days.

From the placements maturing in recent months, 85% of our investors chose to roll – over their investments. There is patently hardly another investment vehicle in Zambia's money and capital markets which currently matches ZMFL'S high yield rate of about 30% per annum. This attractive rate has been buttressed by ZMFL's lean cost structure due to synergies with the holding company and an impressive low proportion of non – performing loans at less than 2% of the loan book over the past 3 years. Moreover, all the loans are insured against the borrower's possible loss of employment or death. Our depositors, therefore, enjoy high rates of returns at very low risk as ZMFL grows their money!

First, let us stare into the attractive possibilities that stand before ZMFL in catering to the high unbanked population in Zambia through the Post Office. Government workers and other communities in rural areas lack financial and banking services. This vexatious reality comes to the fore when one visits rural areas and is confronted by the sheer fact that teachers, nurses, police officers and other government workers travel hundreds of kilometres to access their salaries, loans and other financial services.

During our recent assessment tour of Luapula Province for instance, we traversed the 11 districts of Luapula and were staggered to learn that at least 4 districts were currently not serviced by any bank whatsoever. The districts included Chembe, Milenge, Chipili and Chienge – an interesting place over which Easterners usually taunt their “technologically savvy” cousins by referring to a one - off incidence of an irregular “laptop”.

The lack of banking and financial services in several districts of Luapula Province is mirrored by Western, Muchinga, Eastern, Northern, North-western, Central and Southern Provinces. For the “unbanked districts” in these Provinces, it is a misstatement to say that the Post Office is one of the options for providing financial services. It is, as a matter of fact, the only means.

Now, prior to the fission of ZamPost and National Savings and Credit Bank (NATSAVE) the latter operated through Post Offices across the country. The Post Savings Banks its associated orange “ordinary savings account book” issued at Post Offices remain a fond memory among middle – aged persons. “Our parents opened those savings accounts for us at the Post Office”, they recount rather nostalgically.

Notably whenever Government builds administrative offices to seat a BOMA in newly created district, the Post Office is included as part of essential government infrastructure. The countrywide branch network of Post Offices to date remains a strategic tool available to all



McPherson Chanda  
Postmaster General

stakeholders who bear the mandate of facilitating financial inclusion especially in rural Zambia. Banking and Financial services are a habitat for savings, investment, entrepreneurship and economic development to survive and thrive.

The existence of Post Offices spanning all districts in the country endows ZMFL with unmatched access. Consequently, growing numbers of civil servants are opening their savings accounts for receiving their salaries at Post Offices. This year, ZMFL is poised to register exponential growth of over 200% in its client base. When our depositors invest, they will benefit from this exponential growth.

In addition, ZMFL has stringent loan vetting procedures which are adhered to in order to safeguard investors' funds. Into the foreseeable future, ZMFL will still largely provide *low risk* payroll – lending anchored by Memoranda of Understanding (MOUs) signed with Organisations. ZMFL has therefore executed various MOUs with large employers, among them, the Road Transport and Safety Agency (RTSA), TAZAMA Pipelines, Zambia Airports Corporation (ZACL), Competition and Consumer Protection Commission (CCPC), Zambia Bureau of Standards (ZABS), Indeni Oil Refineries and La Farge cement. Add to this list, the Civil Service. Employees of these institutions are able to borrow from ZMFL. The Institution also intends to facilitate trade finance and invoice discounting by July 2017.

The art of investing requires doing some “financial arithmetic”. When selecting an investment vehicle, there are some quantitative and qualitative financial considerations that one must look at. These considerations include but are not limited to the following:

- 1) The rate of inflation;
- 2) The return from comparable investments in the market;
- 3) The return from alternative investments which one would forego;
- 4) The perceived risk of the investment and the investor's own risk – aversion or propensity;
- 5) The choice of the investor to delay the immediate consumption or use of the funds in preference for future gain;
- 6) One's stage in the life cycle.

Inflation is the average percentage at which the prices of goods and services are rising in an economy. Inflation consequently reduces the value or buying power of money. Zambia's annual rate of inflation stood at 6.8% in February 2017 – a laudable showcasing of the success of monetary policies at facilitating relative price stability against the volatility of the 2016 fiscal year. Unless an investment is growing at a rate which is higher than the rate of inflation, the investor is losing value because the *real return* on the investment will be negative. Nearly all fixed deposit accounts are offering way above 6.8% and, therefore, meet our first criterion.

In addition, when picking an investment vehicle one must compare the rate of return on the chosen investment with the return to be gained from investing the same funds in comparable investments in the same sector or of similar risks. Comparisons between yield rates and the associated risks of Term- Deposits across banking and financial institutions should be fairly sufficient in this regard. The subject of risk is multifaceted involving operational, financial, reputational risks et cetera. Fortunately, the banking and financial services sector is highly regulated and the Central Bank is arguably proactive in identifying and curtailing risky

behaviour in the sector. Against average yields of 17% on most fixed deposit accounts, ZMFL's yield to maturity hovering around 30% represents a rate of return which is over 60% higher than comparable investment vehicles. This superior rate of return is enlisting a rock - solid pool of depositors whose hue comprises entrepreneurs, business executives, government officials, retirees, speculators et al.

Investing funds for use in a business is a common investing process that many families in Zambia participate in. Industry data on rates of return on investment for most business sectors however does not seem to be readily available. For most sectors notwithstanding, a return on investment of over 20% is considered acceptable or outstanding. By comparison, the investor's return from ZMFL will be over 50% higher than most businesses! Entrepreneurs would therefore wish to prudently place some of their funds in ZMFL as a way to diversify their income streams.

As a given most families invest in housing units. An executive apartment or flat in Lusaka, Kitwe or Ndola costs in the range of K250, 000 to K350, 000 to build depending on the size, labour cost, quality of materials and furnishings used. Rental income in the two Copperbelt cities currently have a ceiling of about K4, 000 for a flat whereas Lusaka might avail rental income of up to K6, 000 in high cost areas. During the months for construction and finding a quality tenant, funds will be tied up and income will not be generated.

In addition, there will be maintenance costs and other cash flow leakages. Ignoring most of these factors in our simplistic model, the average return on a housing unit or apartment will be about 20% in the second year. Depending on one's available investment funds therefore, it is prudent to build a house for the security of the family while placing some funds in an investment vehicle that can generate income from *year one*. A rarely sanguine kinsman recently averred that he had invested his K1, 000,000.00 contract gratuity in ZMFL and would earn interest income of K320, 000.00 in 12 months. "On average this amount", he said confidently, "translates into a monthly income which is higher than my take home pay of K25, 000.00". I only urged him not to feel that he could now retire and take a long vacation.

As for the risk – aversion of a potential investor there is little to be done in placating one's psychological orientation. The mantra that there is no return without taking a chance is however, unassailable. As for retirees, we are pleased to offer a solution to their tormenting fears of not knowing what to do with their terminal dues.

In this article, we have highlighted the investment opportunity offered by ZMFL enacted on a unique value proposition of "low risk, high return". We are committed to creating wealth for our depositors and are growing towards the goal of creating a PostBank by December 2019. For opening your investment account, simply visit your nearest Post Office today.

*The author is an Executive Board Member on the ZamPost Microfinance Limited Board. He is the Postmaster General/Chief Executive Officer for ZamPost. He offers consultancy services on strategic management to business organisations.*