Promoting Women and Youth Financial Inclusion For Entrepreneurship and Job Creation: Comparative Study of Selected Sub-Saharan African Countries.

**ZAMBIA COUNTRY REPORT: SEPTEMBER 2019**

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Acknowledgements

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Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>2G</td>
<td>Second-generation cellular technology</td>
</tr>
<tr>
<td>3G</td>
<td>Third-generation cellular technology</td>
</tr>
<tr>
<td>BoZ</td>
<td>Bank of Zambia</td>
</tr>
<tr>
<td>CCPC</td>
<td>Competition and Consumer Protection Commission</td>
</tr>
<tr>
<td>CMMR</td>
<td>Credit Market Monitoring Reports</td>
</tr>
<tr>
<td>CSO</td>
<td>Central Statistics Office</td>
</tr>
<tr>
<td>CRA</td>
<td>Credit Reference Agency</td>
</tr>
<tr>
<td>FISF</td>
<td>Financial Inclusion Support Framework</td>
</tr>
<tr>
<td>FSDZ</td>
<td>Financial Sector Deepening Zambia</td>
</tr>
<tr>
<td>GRZ</td>
<td>Government of the Republic of Zambia</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>NFIS</td>
<td>National Financial Inclusion Strategy</td>
</tr>
<tr>
<td>NFS</td>
<td>National Financial Switch</td>
</tr>
<tr>
<td>NPS</td>
<td>National Payments System</td>
</tr>
<tr>
<td>PIA</td>
<td>Pensions and Insurance Authority</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-Private Partnership</td>
</tr>
<tr>
<td>ROSCA</td>
<td>Rotating Credit and Savings Association</td>
</tr>
<tr>
<td>RUFEP</td>
<td>Rural Finance Expansion Programme</td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium enterprises</td>
</tr>
<tr>
<td>UNCDF</td>
<td>United Nations Capital Development Fund</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>ZECHL</td>
<td>Zambia Electronic Clearing House</td>
</tr>
<tr>
<td>ZICB</td>
<td>Zambia Industrial Commercial Bank Limited</td>
</tr>
<tr>
<td>ZICTA</td>
<td>Zambia Information and Communications Technology Authority</td>
</tr>
</tbody>
</table>
The latest round of Global Findex data show that two particular groups – women and youth – consistently have lower economic and financial representation than adult and youth males.
The latest round of Global Findex data show that two particular groups – women and youth - consistently have lower economic and financial representation than adult and youth males. Zambia is one sub-Saharan African country that exhibits this trend: according to the 2017 Global Findex report, despite a doubling of financial accounts access since 2011, the gap between men and women in accessing financial services remains at 12% (in favour of men); that of the youth population is half of the gender gap. This underrepresentation of Zambian women and youth in the financial sector represents a massive loss of output and potential for the economy.

Under a grant provided by the International Development Research Center (IDRC), Canada, the African Center for Economic Transformation (ACET) – an economic policy institute headquartered in Accra, Ghana – partnered with Afriqlnsights in Zambia to undertake a study in 2018 to assess the effectiveness of financial sector initiatives in advancing women and youth financial inclusion in Zambia. The emphasis of the study was diagnosing the state of financial inclusion of adult women and youth in Zambia to draw lessons for policy makers, regulators, and service providers with a view to increasing entrepreneurship and job opportunities for women and youth. The study sought views and perspectives from the demand side, supply side and the regulatory side of the financial services space.

**Approach**

Following the African Union definition, this study defined youth as individuals between the ages of 15 and 35 years. An analytical framework was developed to guide the focus of the study. It was based on the Alliance for Financial Inclusion’s definitive framework that helped gauge the extent of financial inclusion among women and youth with four indicators: access, usage, quality, and welfare improvements. The data collection phase involved a survey of Zambian women and youth in both rural and urban settings. Experts from the regulatory bodies and government ministries as well as the private sector – including commercial banks, microfinance institutions, mobile network operators (MNOs) and other non-bank financial institutions – were also engaged and their experiences, perspectives and findings documented for the study. The research phase culminated in the production of an extensive report that describes the study and its methodology, presents a detailed analysis of the findings and identifies the gaps within the system in dire need of attention by the regulatory agencies and the private sector.

**Key Findings**

The study uncovered a number of latent issues confronting Zambian women and youth with respect to accessing and using financial services:

**ACCESS:**

Limited rural infrastructure and rural population density dynamics affect the business case for offering financial services to rural communities

Ecosystem factors such as low mobile phone penetration, limited infrastructure, weak network signals and low population densities in rural areas collectively serve as leading indicators of low transaction volume and hamper the business decision of deploying services and products for underserved communities – of which women and youth dominate. These factors increase the cost of delivery in rural areas for the provider who naturally looks to maximize returns among competing alternatives.

**Inclusive finance laws and infrastructure are absent or largely underdeveloped**

Zambia lacks key inclusive finance legislation that enables the provider community to profitably offer financial services to underserved segments such as women and youth: national agency banking guidelines are still in draft form; there is no common national identity scheme that allows those without a formal ID to open accounts; no mobile money interoperability exists yet (although interoperability between banks has commenced); and as of now, only formal financial institutions can contribute to the credit reference bureau, not informal and non-bank financial service providers like MNOs. All these represent missed opportunities to expand access to financial services to the least privileged.
Current pricing of key financial delivery channels is a major barrier to uptake

Demand-side interviews with women and youth respondents revealed that transaction costs of current financial services are perceived to be high, especially for rural participants. Young people and rural women in particular tend to be most price-sensitive and are torn between using relatively inexpensive informal financial services, (or none at all) or formal financial services which have hidden fees, regressive transaction tariffs and minimum account balances. On the supply side, licensing costs of key delivery channels (such as USSD) are prohibitively high for young fintechs that wish to leverage such channels to develop targeted offerings for women and youth.

Culture and local perceptions of women as barriers to financial inclusion

Culture and social norms expressed in Zambian law and customs affect women’s ability to access financial products and services because they involve control and access to resources. For instance, women are not allowed to own land (although some laws are being drafted to change this) and some communities have entrenched negative views of the ability of women to manage finances and own property. Such biases constrain women’s financial empowerment.

Usage and quality:

Low use of gender- and age-disaggregated data to inform product development

There is a great opportunity for the private sector to leverage gender- and age-disaggregated data and its concomitant insights to inform the development of financial products and services that speak to their needs. Despite recent efforts by the central bank to collect this segmented data, very little disaggregation of data on women and youth exists in the private sector, limiting a deep understanding of their behaviour, preferences and needs.

Reducing cost of using financial services with payments interoperability

The Bank of Zambia (BoZ) has begun work on the National Financial Switch (NFS), to facilitate interoperability of ATM and point-of-sale (POS) transactions from the VISA platform to the local switch. The intention is to reduce overall cost of transactions for the public, increase service providers’ transaction volumes, and trigger foreign exchange savings for Zambia. There is a great need to expand interoperability to mobile money services, which are very popular among the women and youth cohort in this study. This can result in increased usage of retail payments and remittances across different telecom network providers.

Poor communications hinder uptake of financial service and products

Key findings revealed that many FSPs rely on general ‘push’ communication strategies for their products and not word-of-mouth or other informal methods when targeting the mass market. The women and youth cohort, however, may require more nuanced approaches such as showing familiarity with and esteem for community leaders, leveraging opinion leaders, using local languages and door-to-door tactics, due to mobility restrictions and sometimes, the absence of electronic media infrastructure. Additionally, the failure of providers to communicate changes in tariffs for commissions or fees to agents or end users has brought unpleasant surprises that affected trust in the provider and further use of their products.

Mobile money awareness is high in retail, yet cash is still king

Despite the rise of alternative financial channels like mobile money (over 60% of respondents report possessing a mobile money account), most transactions are still conducted in cash. Cash remains the payment instrument of choice for the majority of transactions such as paying for food, school fees, utilities, transportation and purchase of drugs. Digital payments are relied on for specific purposes such as remittances and some pressing bill payments but are virtually absent in the retail space.

Trust and security are of top concern to users of formal financial services

Trust and security are critical decision-making factors for both women and youth when it comes to using formal financial services. Most are aware of the possibility of fraudulent actions performed on their accounts and a few expressed concerns about having their PINs compromised by a third party or being victims of fraud (7.5%). The youth are quite proactive in alerting their banks to any potential security threats on their accounts; others indicated they would inform their provider in case of a security breach.

Welfare:

Adapting the school curriculum to incorporate financial education

Zambia has incorporated financial education in the national school curriculum and works through the Financial Education Coordination Unit in the central bank to use school and media initiatives to improve
young minds and continually reinforce this approach in subsequent years. The Securities and Exchange Commission (SEC) also organises and sponsors investment competitions in schools to stimulate interest and reward proficiency in financial education and practice.

**Income generation for women and youth through digital financial services**

Agent banking, mobile money and the fintech revolution are promising financial frontiers that offer great promise for women and the youth in terms of employment and entrepreneurship opportunities. Fintechs typically recruit youth as remote sales and marketing agents of their products or as technical staff; many mobile money and bank agents are youth and also increasingly, women. Empirical evidence also suggests that while women are underrepresented in the ownership of mobile money agent businesses in Africa and South Asia, they excel in customer interactions compared with their male counterparts.

**Digital financial services are pioneering credit innovations for women and youth**

Recent innovations in digital finance include short-term credit for welfare and business needs, primarily from MNOs (such as MTN Kongola) and from other fintechs such as Jumo World. Such unsecured financing is needed to supplement smaller funding sources such as Chilimbas and other informal savings services.

**Recommendations**

The report concludes with a number of policy and strategic recommendations for the regulatory and supply side of the market.

**On access and usage,**

1. Regulators and policy makers are urged to address gaps in digital infrastructure by reducing taxes on mobile devices, reviewing pricing of key delivery channels such as USSD and promoting shared infrastructure within the provider community.

2. Regulators should break down barriers to youth and women’s access to financial services by enforcing laws that establish moveable collateral registries and developing laws on digital lending based on alternative credit scoring schemes.

3. Banks and MNOs should test innovative pricing to make their products more accessible and employ creative marketing tactics that appeal to youth and overcome mobility restrictions of women.

4. Regulators are encouraged to fast-track development of agency banking laws to allow the banking community to offer financial services to remote regions sustainably.

**On quality,**

1. Service provider communities are urged to adopt a culture of collecting and using gender- and age-disaggregating data to inform the product development process.

2. Governments should leverage gender- and age-disaggregated information on customers’ financial habits to inform women- and youth-oriented policies.

3. Regulators should address financial consumer protection and capabilities gaps by enforcing penalties for anti-competitive practices and fraud in the financial services space.

**On welfare and job creation**

1. The effort to boost financial literacy for special interest groups should be shared between the private and public sector with emphasis on starting at early ages and employing a variety of teaching approaches.

2. Financial service providers are encouraged to develop products to meet the short-term financing needs of adult women and the youth who tend to be small-scale entrepreneurs with short-term liquidity requirements.
1.1 Introduction and background

A little over 10 years ago, the World Bank launched the Global Findex, the world’s most comprehensive database on financial behaviour. One very important issue that the Global Findex has brought to light is the general lack of access to and usage of formal financial services by young people and women. Data show that these two groups consistently have a lower economic and financial profile than their adult male counterparts. Zambia is no exception: despite the increased access to financial accounts (the 2017 Global Findex report shows a doubling of financial account holders since 2011), a gender gap still exists in favour of men. Although women make up 51% of the Zambian population, they access and use formal financial services less frequently than men (17% vs 26%); the opposite is true for informal services (24% vs 18%) (FSDZ, 2015). Finscope findings also show that among the total adult population, significantly more men (59%) use mobile financial services than women (41%).

The youth constitute another marginalised group often entirely excluded from financial sector studies. This is a serious missed opportunity as Africa’s youth are set to become the fastest growing and biggest population group in the world (Figure 1). Therefore, the market needs to assess their requirements and behaviour and adapt accordingly to this burgeoning segment. While adult women may resort to informal mechanisms to address their unmet savings and credit needs, the youth tend to save less and may remain outside the formal and the informal financial system with detrimental social and economic consequences. Although countries have made great strides over the past decade in women’s financial inclusion, much more needs to be done to facilitate financial access for the youth.

1.2 Research Aims and Objectives.

The objectives of the study were to assess the effectiveness of financial sector initiatives in advancing women’s and youth financial inclusion in Zambia and to draw lessons for policy makers,

Figure 1: Global Youth Population Growth, 1950–2060

regulators and service providers with a view to increasing entrepreneurship and job opportunities for women and youth. More specifically, the study aimed:

1) On the regulatory side, to take stock of the scope of public policy initiatives and the regulatory environment to accelerate progress towards greater access to financial services for target groups;

2) On the supply side, to take stock of the process and product innovations intended to deepen and to broaden financial inclusion beyond the traditionally male clients;

3) On the demand side, to document the experiences of target groups in terms of access, quality, usage and welfare; and how entrepreneurship opportunities, especially micro-enterprise start-ups, are being made more accessible through financial inclusion for women and youth; and

4) To identify the financial inclusion initiatives and evaluate their relative success or failure in achieving desired goals.

In line with the Alliance for Financial Inclusion policy paper on defining and measuring financial inclusion, the study assessed the extent of financial inclusion in terms of access, usage, quality and welfare improvements. These categories form the basis of the analytical framework that underpinned all aspects of the study, from the design of data collection to the presentation of findings.

1.3 Methodology and Analytical Framework

Following the African Union, this study defines youth as individuals between the ages of 15 and 35 years. An analytical framework (based on the Alliance for Financial Inclusion’s definitive framework) was developed to guide the focus of the study on the extent of financial inclusion among women and youth with the following four indicators:

- **Access** measures the ability of women and the youth to access financial services touch points or access products from financial institutions. It gives insights into potential barriers to opening and using financial accounts for any purpose.

- **Usage** measures the actual use of financial products among women and the youth. It includes the combination of products and services, the behavior and usage patterns that are unique to this cohort, paying attention to the frequency and duration of use of specific products and services.

- **Quality** is the measure of relevance of financial services or products to the needs of clients. One aspect is evaluated from the perspective of the clients judging from their experience the extent to which available services meet their needs. Another aspect is determining the fit of financial products by assessing the extent to which their provisions address the unique circumstances of women and the youth.

The table below describes the analytical framework for the study, with indicators categorized into access, usage, quality, and welfare, underpinned by data collection methods.

**Figure 2: Analytical Framework for the Study**

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>INDICATOR CATEGORY</th>
<th>REGULATORY</th>
<th>SUPPLY SIDE</th>
<th>DEMAND SIDE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACCESS</strong></td>
<td>Ability to access tailored financial services</td>
<td>Proximity</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Channels</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Barriers (legal, cultural, economic)</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td><strong>USAGE</strong></td>
<td>Actual use of financial services</td>
<td>Products (combination of products/services in use)</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Patterns (frequency, duration)</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Behavior</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td><strong>QUALITY</strong></td>
<td>Appropriateness of financial services for peculiar circumstances of women and the youth</td>
<td>Security</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Products (attributes, fit with customers’ needs)</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Consumer Protection</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td><strong>WELFARE</strong></td>
<td>How access, usage and quality have impacted the livelihoods of customers in areas such as entrepreneurship and personal / business productivity</td>
<td>Individual consumption levels/productivity</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business productivity</td>
<td>✗</td>
<td>✗</td>
</tr>
</tbody>
</table>

= Primary Data Source = Contributory Data Source

To find out more, visit ACET at www.acetforafrica.org
• Welfare gauges how access, quality and usage have helped clients in starting up and scaling businesses, created jobs, and contributed to general household wellness

1.4 Data collection

The country field study focused on the three dimensions of the financial services landscape: the regulatory, supply side and the demand side with respect to women and youth. All field research tools and interview guides were built on the findings and outstanding questions from the desk research. They were developed in English but localised to factor in the nuances of each market. The research instruments can be found in the Annex section. The country researchers, together with the ACET team, decided on the representative sample size applicable (with the least margin of error) based on Zambia’s adult women and youth population as well as the nuances of the country’s demographics. During July 2018, ACET staff embarked on field trips to Zambia to supervise all data collection activities conducted by the country researchers.

The data collection phase involved a combination of surveys, focus group discussions (FGDs) and expert interviews. Table 1 shows a list of stakeholders consulted during the field study.

On the supply side, key experts from the regulatory bodies and relevant ministries as well as the private sector – including commercial banks, non-bank financial institutions and mobile network operators (MNOs) – were engaged through one-on-one sessions and their experiences, perspectives and findings documented in the study. Fifteen institutions from both the regulatory and supply side were consulted.

On the demand side, a survey of 470 women and youth was undertaken; for the qualitative study, there were six focus group discussions in both urban and rural communities. Each focus group had between eight to 10 participants.

The quantitative survey was administered using licensed survey software operating on android tablets. The results were subsequently subjected to quality checks to ensure the data were accurate, reliable and within the quotas agreed upon. The results were tabulated, exported into a clean database, and analysed for meaningful and relevant insights. The primary research phase culminated in the production of this report.

Table 1. List of Stakeholders consulted for ACET Primary Research

<table>
<thead>
<tr>
<th>Study Lens</th>
<th>Stakeholder Category</th>
<th>Name of Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory</td>
<td>Central Bank</td>
<td>Bank of Zambia (BoZ)</td>
</tr>
<tr>
<td></td>
<td>Government Ministries</td>
<td>Ministry of Finance Commission for Inclusion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Securities and Exchange Commission (SEC)</td>
</tr>
<tr>
<td></td>
<td>Telecom Regulator</td>
<td>Zambia Information and Communications Technology Authority (ZICTA)</td>
</tr>
<tr>
<td></td>
<td>Development Partners/Donors</td>
<td>UN Capital Development Fund (UNCDF)</td>
</tr>
<tr>
<td></td>
<td>Policy Advocacy</td>
<td>Mercy Corps</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Graça Machel Trust</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>Financial Sector Deepening Zambia (FSDZ)</td>
</tr>
<tr>
<td>Supply Side</td>
<td>Commercial Banks</td>
<td>First Commercial Bank</td>
</tr>
<tr>
<td></td>
<td>Mobile Network Operators (MNOs)</td>
<td>MTN</td>
</tr>
<tr>
<td></td>
<td>Fintechs</td>
<td>Kazang Spargris</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cgrate 543</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Zoona</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>Fenix International</td>
</tr>
</tbody>
</table>
2.1 The state of the financial system and its inclusiveness in target countries

With a population of over 16 million, Zambia is one of the most highly urbanized countries in sub-Saharan Africa. Close to 44% of the population is concentrated in a few urban settlements along the major transport corridors. Most of the rural areas are sparsely populated and most rural Zambians are subsistence farmers. According to the 2016 IMF Financial Access Survey, Zambia has a lower overall density of financial access points compared with South Africa, Botswana, Kenya and Zimbabwe, among other Southern/Eastern African countries. About 60.5% of Zambians live below the national poverty line, with rural poverty rates standing at about 77.9% and urban poverty rates at about 27.5%. Financial inclusion currently stands at 46% and the adult population is 9.8 million.

The 1990s saw a change in the political and economic landscape of Zambia, with the new government shifting the economy from state control to one led by the private sector. Various banks, unprofitable branches and government financial institutions (in particular, those set up for the lower income segments) were shut down whereas several bank charges were introduced and branches in highly urban areas were set up, consequently excluding a large proportion of the population from financial services. With the implementation of the 2004 Financial Sector Development Programme (FSDP), the financial industry experienced a revival.

The FSDP identified and sought to eliminate key bottlenecks in the financial sector. These included the need for better governance in the banking sector, where the dominance of foreign banks could enable activities unfavourable to Zambia’s economic interests. The myriad issues plaguing the economy included an overdependence on copper exports, rising public debt and a constricted private sector. To help address the situation, the Bank of Zambia (BoZ) signed a memorandum of understanding (MoU) with Financial Sector Deepening Zambia (FSDZ, an independent organization that is part of a family of UK-funded FSDs across Africa). This involved FSDZ

Figure 3: Zambia: Economic and Political Indicators
Source: UNDP, Global Economy; Global Findex (2017); Borgen Project; and Better than Cash Alliance

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (estimate)</td>
<td>16.5 M (2016 estimate)</td>
</tr>
<tr>
<td>Human Development Rank 2016 (out of 188)</td>
<td>0.58 (2017 estimate)</td>
</tr>
<tr>
<td>Percentage of rural population</td>
<td>56%</td>
</tr>
<tr>
<td>Percentage under poverty line</td>
<td>60.5%</td>
</tr>
<tr>
<td>GDP/Capita current prices</td>
<td>$3,982</td>
</tr>
<tr>
<td>Literacy rate</td>
<td>55.3%</td>
</tr>
<tr>
<td>Percentage with access to financial services (2017)</td>
<td>59%</td>
</tr>
<tr>
<td>Number of bank branches per 100 000 inhabitants (2016)</td>
<td>4.68</td>
</tr>
<tr>
<td>Number of ATMs per 100,000 inhabitants (2017)</td>
<td>11.29</td>
</tr>
<tr>
<td>Percentage of mobile penetration</td>
<td>79%</td>
</tr>
</tbody>
</table>
support to BoZ to meet its multiple commitments for full financial inclusion under the Maya Declaration, the Bank of Zambia's Strategic Plan 2016-2019, and the upcoming National Financial Inclusion Strategy.

Important steps included capping lending rates and drafting a framework report on branchless banking to support digital financial services such as mobile money and third-party operators. The report notes the impact of innovative products and campaigns that have helped to increase the volume of transactions on mobile money platforms. One appealing feature of the emerging digital financial services (DFS) scene was the recently introduced provision of small loans among mobile money products and services.

According to the latest Credit Market Monitoring Report (CMMP) published by the central bank, although there has been a notable rise in total credit disbursement, aggregate credit for women has moved in the opposite direction, from 12.5% to 10.5% in 2016 and 2017 respectively. This report discusses in later sections, the demand-side concerns regarding accessibility of financial services due to the high fees and service charges. Research has shown that women organise themselves financially in a different way from men, and better understand financial language and use informal financial networks (i.e.: Chilimba in Zambia, Charmers in Kenya and Ekub in Ethiopia) much more than their male counterparts.

The World Bank is helping the Zambian government to promote financial inclusion through the Financial Inclusion Support Framework Country Support Program (FISF-CSP). This support involves developing and implementing the National Financial Inclusion Strategy (NFIS); developing financial infrastructure; strengthening financial consumer protection and financial literacy; and promoting diversified financial services.

On November 8, 2017, the government disseminated three documents—the NFIS (referred to above), the Financial Sector Development Policy, and Financial Capability Survey Report. All three documents are the product of extensive consultations with the public and private sector, civil society organizations and academia. By 2022, the NFIS aims to increase the rate of financial inclusion from 59% (according to Finscope, 2015) to 80% in 2022 (this includes formal and informal financial services). It also aims to improve physical access to high-quality financial services—such as bank branches, agents, and ATMs—so the number of financial access points per 10,000 adults increases from about 7 to 10.
Access is considered a binding constraint to the inclusion of women and youth in financial services. With expanded access, the three other factors – usage, quality and welfare – become more tractable. This chapter discusses access to financial services and examines three key issues: (a) policy and regulatory initiatives; (b) supply-side issues; and (c) demand-side issues. It also summarises the gaps in the financial services landscape in providing access to women and youth.

3.1 Policy, regulatory and institutional overview: initiatives and measures

Legal Overview

Zambia has launched initiatives over the past few years to unlock access to financial services, some legislative, others in central bank policy documents. Laws such as the National Payments System Act, 2007 were enacted to empower the Bank of Zambia to regulate safe, secure and reliable transactions involving traditional and non-traditional payment instruments. Non-traditional payments such as electronic money instruments are regulated by the Bank of Zambia’s (BoZ) National Payments Systems Directive on Electronic Money Issuance in 2015 (as part of the National Payments System Act). This directive dictates the rules of engagement for all mobile money-related services, many of which target underserved populations.

To deepen the participation of women and youth in the formal economy, the Ministry of Finance (MoF) issued the Movable Assets Act (2016). The Act has given financial institutions the confidence to increase credit to SMEs and to women and youth, and to “enhance the availability of low-cost secured credit to allow debtors the use of the full value inherent in their assets to support credit.” Historically, assets used as collateral (land or buildings) were immovable. With the Moveable Assets Act, more women and youth should be able to leverage their assets – mostly moveable – to access credit for consumption or income-generating activities.

Policy Overview

The BoZ implemented the Financial Sector Development Programme I & II as five-year programmes running consecutively between 2004 and 2015, with a specific focus on financial inclusion and financial literacy. Closely related to this is the National Financial Inclusion Strategy (NFIS), spearheaded by the MoF with close support from the BoZ and the Securities and Exchange Commission (SEC). Its objective is to have 80% of the population financially included and 70% of adults formally included by 2022, through a variety of applications such as rural finance and micro-small enterprises. Key areas of focus include delivery channels, appropriateness of products, SME and agriculture, and consumer protection.

To address the persistent gender gap issues, the Ministry of Gender and Child Development issued the National Gender Policy in 2014. Among other objectives, this policy seeks the repeal and amendment of legislation that discriminates against women, and increased access to credit and control of resources such as land. As more women begin to own land, they can use the land as collateral to obtain credit to grow their businesses.

Oversight Institutions

State institutions mandated to oversee the financial and technology sectors and create an inclusive financial community include the Ministry of Finance (MoF), which is responsible for economic policy as well as management of state assets. The Bank of Zambia has the core responsibility of managing the financial sector, including commercial banks, microfinance institutions and non-bank financial institutions such as insurance companies. A Financial Intelligence Center (FIC) leads efforts against money laundering, and strengthens consumer protection.

The Zambia Information Communications Technology Authority (ZICTA) regulates the telecom sector and supports the development of mobile financial services. The Securities and Exchange Commission (SEC) plays a key role in capital markets and in the national financial inclusion strategy. It also raises investment awareness among the public.

Key Regulatory Issues

Foundational inclusive finance laws remain largely underdeveloped

The regulatory and governance framework required for expanding access for women and youth to a
variety of formal financial services is nascent in Zambia. For instance, there are no national agency banking guidelines. This means that most commercial banks cannot use moderately inexpensive third-party agents to extend their presence to underserved regions. Other constraints include the lack of a national identity scheme, which restricts those without a formal ID from opening financial accounts. There is no mobile money interoperability, which limits the ability of financially excluded women and youth to use mobile services seamlessly and cost-effectively. All these represent missed opportunities to expand access to financial services.

There are some promising developments, however. Zambia makes up for its lack of agency banking guidelines (purported to be in draft form but yet to be approved at the time of compiling this report) by occasionally granting no-objections to institutions that request it and demonstrate the ability to deliver on expectations. Currently, Investrust, Zanaco and FINCA are the only three financial institutions permitted to offer agency banking services. Additionally, Zambia recently began work on interoperability. In early 2018, the first phase of National Financial Switch project, spearheaded by BoZ in collaboration with the Zambia Electronic Clearing House (ZECHL), was implemented to interconnect payment systems between mobile payments, ATMs and POS machines, and to lower transactions costs.

Culture and local perceptions of women as barriers to financial inclusion

Culture and social norms shape women’s access to and control over resources and consequently their ability to access financial products and services. In Zambia, some of these norms and perceptions are expressed in law and constrain women’s ability to access finance. For instance, women are not allowed to own land (although some laws are being drafted to change this). However, research suggests that women-owned firms outperform those owned by males and female entrepreneurs tend to be more successful because of their trusted status in the community. Eliminating some of these provisions in law inspired by cultural biases against women can positively impact women’s financial empowerment.

Stringent account opening requirements

The issue of identity proof documentation was a minor deterrent in Zambia compared to the other two study countries (Sierra Leone and Guinea) potentially due to the proliferation and maturity of mobile money and agent banking, which tend to use more “flexible” requirements than the traditional banking channels. However, despite the National Payments Systems Directive on Electronic Money Issuance (2015, which has lowered requirements for account opening of electronic products, the typical Zambian FSP still requires the prospective customer to provide details such as proof of a physical address, which for many rural dwellers remains a challenge.

3.2 Key supply-side issues

Limited rural infrastructure and rural population density dynamics affect the business case for offering financial services to rural communities

The primary reasons why most underserved Zambians remain financially excluded are economic: they are costly to serve from the FSP point of view. The high costs are due to their geographical inaccessibility, poor infrastructure, and sparse population densities. These combine with the absence of agency banking regulations translating into time costs involved in waiting for no-objections from BoZ. Even mobile financial services (i.e. mobile money), which have shown tremendous promise for financial inclusion in the past decade has had their growth in these areas hampered by ecosystem factors such as low mobile phone penetration, weak network signals, limited infrastructure and low technical literacy, usually leading indicators of low transaction volume. All these factors contribute to increasing the cost of delivery for the provider who will naturally look twice at offering services to this demographic.

It makes more business sense to concentrate and promote products where there is higher population density, typically urban areas. Zambia has one of the highest levels of urbanization in Africa, the cities being Lusaka, Ndola, Kitwe, and Mufulira. FSP and MNO expansion plans tend to focus on Lusaka City (Province: Lusaka), with the greatest number of services, followed by Ndola (Province: Copperbelt). Third-party operators such as Zoonza are attempting to close this gap and push into rural areas, but the challenge of sparse population remains (in 2017, Zambia had a population density of 23 people per square km). Additionally, the government has recently made significant efforts (championed by ZICTA and Zamtel) to install towers over the next two years, aiming for 100% coverage as part of the Universal Access Fund project. More such public sector initiatives are required to lower the cost of entry and ensure sustainable and inclusive financial services cohort.
Current pricing of key financial delivery channels is a major barrier to uptake

An analysis of the tariff for mobile money found it to be largely regressive, putting a greater burden of transaction costs on the economically disadvantaged\(^{20}\). For instance, price sensitivity among youth and women to mobile money withdrawal (cash-out) costs was confirmed by interviews to be very high, limiting uptake of remittances and ultimately mobile money itself. Another pricing barrier is the licensing cost of acquiring and testing delivery channels. The annual licensing cost of a dedicated Unstructured Supplementary Service Data (USSD) code is at least $4,000, which is prohibitively high for a young fintech intending to deliver an innovative financial service via this near-ubiquitous mobile channel.

Providers actively exploring alternative financial delivery channels

Notwithstanding the above challenges, some financial services providers continue exploring alternative (digital) channels and access points to expand their current base. Although MNOs and third-party operators have primarily relied on agents with kiosks, they are now increasing partnerships with “mom-and-pop” retail stores. However, each outlet requires different levels of investment such as equipment, training, understanding language barriers, and access to sufficient funds to support cash transactions (i.e. cash or float), which can be daunting.

3.3 Key demand-side observations

The mobile money agent is the most accessed financial access touchpoint

In any given month, the mobile money agent (45.6%), mobile phone (11.7%) and bank branch (11.4%) were the three financial services most accessed by survey respondents (Table 15). Overall, 73% of respondents access financial services through a mobile money agent in a given month. Among adult women, 81% use this service to access money. Most respondents (85%) who accessed money through mobile money agents cited ease of location and convenience of usage as principal factors.

Trust and security are central factors for accessing commercial bank branches

While approximately 46% of respondents use commercial banking services for reasons of trust and security, less than 4% use mobile money agents and mobile phones for those reasons (Figure 5). Notably, a third of respondents use village savings and loan associations because of trust and security. Within rural settings, these have earned more trust than commercial bank branches.

Figure 4: Channels respondents use to access financial services in a given month

<table>
<thead>
<tr>
<th>Urban Male Youth</th>
<th>Rural Male Youth</th>
<th>Urban Female Youth</th>
<th>Rural Female Youth</th>
<th>Urban Female Adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank branch</td>
<td>21%</td>
<td>72%</td>
<td>78%</td>
<td>67%</td>
</tr>
<tr>
<td>Bank agent</td>
<td>6%</td>
<td>3%</td>
<td>5%</td>
<td>13%</td>
</tr>
<tr>
<td>Merchant/School access point</td>
<td>5%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Mobile phone</td>
<td>1%</td>
<td>7%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Mobile Money agent</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Savings cooperative in the locality</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Village Savings and Loans Association</td>
<td>5%</td>
<td>6%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Debit card (swipe)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>ATM</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Other specify</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Kindly indicate which of the following ways you access financial services in a given month

To find out more, visit ACET at www.acetforafrica.org
Insufficient funds/collateral and high transaction costs are major deterrents to financial services access

A significant number of rural females (69%) did not open an account simply due to lack of funds or collateral, likely due to not being allowed to own land or landed properties. Enforcement of Zambia’s Movable Property (Security Interest) Act 2016 is expected to help women leverage other movable assets. Almost a third of respondents reported transaction fees as another restriction, primarily among youth. Specifically, recurring charges on bank accounts and the regressive nature of the mobile money tariff structure are two major complaints of most respondents.

Figure 5: Reasons respondents prefer one financial channel to another
This chapter reviews policies, regulations, as well as products and services offered by financial service providers (FSPs) for their clients, particularly women and youth. On quality, the chapter discusses the appropriateness of financial products and services—security, product fit and consumer protection. The chapter then looks at the gaps in the regulatory, supply and demand sides in terms of spurring the use of quality financial services by women and youth.

4.1 Policy and regulatory overview: initiatives and measures

Policy and Regulatory issues

Using disaggregated data to guide inclusive finance policy

The practice of collecting data disaggregated by gender and age from regulated financial institutions and other key stakeholders is important for one key reason: it enables regulators and policy makers to craft evidence-based policies that address the needs of women and youth.

The Bank of Zambia (BoZ) began collecting gender-disaggregated data in 2018, triggered in part by the support of the Alliance for Financial Inclusion (AFI) and the 2017 launch of an AFI toolkit that guides members on how to collect and use gender-disaggregated data for women’s financial inclusion. Data collection covered 64 institutions regulated by BoZ. Among the main findings was that most institutions, especially non-banks, had either no or limited gender differentiation in their products. In addition, despite having worse repayment records than women, men with loan accounts among every 1,000 adults numbered 27 at the end of 2014 compared to 12 women.

Furthermore, women-owned small business accounts had a far lower proportion of non-performing loans – ranging between 1% -3% during this period and on average, 17 percentage points lower than that of men – showing that women and women-owned businesses are more prudent borrowers. At a dissemination workshop on the baseline survey on gender-disaggregated financial inclusion data in Lusaka, BoZ Deputy Governor Dr. Tukiya Kankasa-Mabula said that next steps for the BoZ would be to devise age-specific products and services within the gender-disaggregated products and services. The collection of gender and age disaggregated data also helps build the business case for developing products and services for women and youth and how product information should be packaged to make the greatest impact.

Reducing cost of using financial services with payments interoperability

To increase the usage of digital financial services by reducing transaction costs, BoZ has set up the National Financial Switch (NFS), which will facilitate interoperability of digital payments throughout the country. Interoperability is important because it allows mobile money users to send money directly from their wallet to any receiver’s wallet in real-time across all service providers. Interoperability also enables service providers to increase transaction volumes, lower their cost and promote financial inclusion hopefully with reduced fees and charges to users.

According to Executive Director of Zambia Electronic Clearing House Limited (ZECHL) Francis Lwanga, when fully implemented, benefits of the NFS will include reduced transaction fees and charges to customers because of the removal of international switching fees. Prior to this, all domestic card transactions were switched outside the country and priced as international transactions. This will be a major cost and forex saving for Zambia. The NFS is being been implemented in two phases, first switching ATM and point-of-sale (POS) transactions from the VISA platform to the local switch and then switching mobile payments transactions.

Public-private partnerships to boost financial services among underserved groups

Discussions with supply-side actors revealed that government agencies, the development community and the private sector have been collaborating on initiatives to stimulate the adoption of financial services across multiple sectors. Mercy Corps, a global humanitarian organisation, aims to help Zambian cotton farmers cope with the once-a-year farming season. Partnering with MTN, Mercy Corps enables farmers to digitally purchase raw materials in bulk by pooling resources, thereby activating a volume-based discount and registering a digital transaction record.
The next step is to develop a savings product to keep farmers’ money in a digital wallet.

FSDZ supports other institutions to conduct research into girls’ and women’s financial behaviour and needs and develop appropriate outreach services with the aid of other stakeholders. One initiative that has undergone initial pilot testing is a partnership with Zazu (a local fintech) that provides training courses for women (cost K14; 1 USD) to learn basic financial literacy.

**Regulators’ mandates and enforcement of consumer protection laws**

The institutions involved in protecting the safety of consumer data and safeguarding their rights comprise Bank of Zambia (BoZ), Zambia Information and Communications Technology Authority (ZICTA), Competition and Consumer Protection Commission (CCPC), and Financial Intelligence Centre (FIC). These institutions enforce regulations and cover issues such as:

- Know Your Customer (KYC) requirements;
- Transaction limits;
- Transparency and fair treatment of customers;
- Quality of service offered by mobile money operators and mobile network operators;
- Guidance on unclaimed e-money, Anti-Money Laundering (AML), and Criminalising Terrorist Financing (CTF).

The study noted the overlapping mandates between financial regulators (BoZ, Securities and Exchange Commission, Pensions and Insurance Authority and the CCPC), which complicate the implementation of consumer protection measures. Additionally, the meteoric rise of mobile and digital financial services requires that financial sector regulators collaborate with ZICTA on consumer protection, but such collaboration is slow in coming. The National Financial Inclusion Strategy, 2017-2022, states that financial sector regulators must have separate functions dedicated to market conduct supervision, not alongside prudential functions as is currently the case, and for consumer protection rules to be enhanced, closely monitored and enforced.

**4.2 Supply-side issues**

**Providers overlook collection and use of disaggregated data in product development**

Circumstantial data are the main source of information for supply-side actors on usage patterns of financial products. Several providers noted that transaction numbers tend to soar from the middle to end of the month, generally when bills are paid and salaries received. Third-party operators also observe effects in line with agricultural seasons among marketers and traders.

However, many providers lack disaggregated data that help to gain a better understanding of spending and savings attitudes and behaviour of women and youth. Youth are perceived as early adopters of new digital products (i.e. mobile money) but have poor savings habits. Women are generally responsible for domestic bills and tend to be good at managing finances and saving for specific needs. These conjectures are primarily anecdotal and only a few providers (MNOs and some commercial banks) said they were beginning to collect segmented data through digital means. These initiatives will take time to provide trends and patterns for product development.

**Poor communications hinder uptake of financial service and products**

Several financial service providers (FSPs) said they publicise their products through various media, but uptake is low partly due to how the message is communicated and inadequate financial education. Few FSPs communicate in the local vernacular or use community opinion leaders as product ambassadors. Others use general “push” communication strategies and not word-of-mouth or door-to-door methods, which may resonate more with women who may have mobility restrictions in rural communities. Similarly, the failure to communicate in time or at all, changes in tariffs for commissions or fees to agents or end users has brought unpleasant surprises that affected trust in the provider and further use of their products. These negative experiences are shared in consumers’ social networks, with knock-on effects on prospective users, particularly in rural areas where income and education levels are generally lower.

**Providers use sophisticated methods to safeguard consumers’ financial assets**

MNOs and third-party operators usually provide customers with a PIN to safeguard their digital products and require them to confirm their ID using valid documentation or respond to basic security questions (e.g. address). Other third-party operators have fraud units or internal security departments to investigate security concerns (i.e. money sent to a wrong number). Commercial banks require PINs at ATMs and online passwords (both of which banks force customers to change periodically). A few security measures like electronic receipts, alerts, and staff training are taken to ensure protection and safety of clients. Firms are required by law (Government of Zambia, 2010) to preserve client data, which the CCPC regulates, and typically have internal measures to ensure data are protected.
4.3 Demand-side observations

Mobile money awareness is high in retail, yet cash is still king

Among the overall sample population, more than half (64%) of the respondents report having a mobile money account; despite this, cash remains king. When probed on the preferred method of payment for various expenditures, respondents indicated cash: food (96.4%); school fees (62.1%); transportation (30.4%); medicine (89%); agricultural equipment (21.2%); life events (i.e. marriage, funerals) (69.2%); remittances (28.3%); solar energy (76.5%). The low acceptance of mobile money among merchants is a likely cause of this phenomenon: with few or no small-to-medium scale merchants willing to accept mobile money as a form of payment, consumers are forced to cash out their digital money in order to make purchases. Mobile money is thus used for very specific purposes – for remittances, some pressing bill payments – but is highly underutilised in the retail space.

Mobile money cash-in, cash-out and airtime purchases dominate usage

Mobile money deposits, withdrawals and airtime purchase are the most prevalent weekly financial activities among respondents (Figure 7 page 20) with the exception of rural female adults and youth, who rarely made such transactions. Paying for bills (utility and school) and making purchases via mobile money were transactions that the cohorts used the least. Rural respondents also rarely use mobile money for bill payments although MNOs and third-party operators offer these services, often only for electricity, water and TV. About 24.2% of respondents used their accounts once a month for savings, with the urban female adult using this facility the most (43%). Across the board, urban respondents made more use of their financial accounts for transactions than their rural counterparts. Rural respondents were more likely to use cash.

Figure 6: Payment types used to settle expenditure items

Now for each major household expenditure center, kindly specify how you usually pay these expenses – based on 467 interviews, in %

<table>
<thead>
<tr>
<th>Category</th>
<th>In cash</th>
<th>By cheque</th>
<th>In kind (e.g. foodstuffs)</th>
<th>I don’t pay for this expenditure</th>
<th>With mobile money</th>
<th>Others (Please Specify)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>96.4%</td>
<td>62.1%</td>
<td>62.1%</td>
<td>4.3%</td>
<td>30.4%</td>
<td>3.6%</td>
</tr>
<tr>
<td>School fees</td>
<td>62.1%</td>
<td>89.3%</td>
<td>89.3%</td>
<td>6.9%</td>
<td>4.3%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Transportation</td>
<td>89.3%</td>
<td>83.5%</td>
<td>83.5%</td>
<td>76.4%</td>
<td>1.7%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Medicine</td>
<td>83.5%</td>
<td>69.2%</td>
<td>69.2%</td>
<td>1.3%</td>
<td>4.3%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Purchase of agricultural equipment</td>
<td>69.2%</td>
<td>51.4%</td>
<td>51.4%</td>
<td>1.9%</td>
<td>28.3%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Loan repayments</td>
<td>51.4%</td>
<td>28.3%</td>
<td>28.3%</td>
<td>2.8%</td>
<td>69.6%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Lifecycle events (e.g. marriage, funerals, etc.)</td>
<td>28.3%</td>
<td>69.6%</td>
<td>69.6%</td>
<td>11.8%</td>
<td>9.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Rent</td>
<td>28.3%</td>
<td>69.6%</td>
<td>69.6%</td>
<td>11.8%</td>
<td>9.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Remittances</td>
<td>69.6%</td>
<td>6.9%</td>
<td>6.9%</td>
<td>2.4%</td>
<td>27.2%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Discretionary items (alcohol, gifts, etc.)</td>
<td>6.9%</td>
<td>2.4%</td>
<td>2.4%</td>
<td>27.2%</td>
<td>3.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Utilities (solar water, etc.)</td>
<td>2.4%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>
Trust and security are of top concern to users of formal financial services

Trust and security are key decision-making factors for using formal financial services. Women and youth are comfortable using a PIN to protect their accounts. PIN-enabled access to accounts was very common (70.2%), especially among the youth (91.2%) (Table 3) although 9.2% expressed concern about having their PINs compromised by a third party or being victims of fraud (7.5%). The youth are quite proactive in alerting their banks to PIN-related issues. While 28% of the youth reported never having had their PIN compromised, around 26.3% said they would inform their provider in case of such an event. The most proactive are the urban youth (37.8%), with virtually no distinction between male and female. Notably, urban females would rather change their PIN or password (30.2%) immediately than inform their providers in the event of a compromised PIN.

Figure 7: Frequency of use of accounts

![Figure 7: Frequency of use of accounts](image)
This chapter discusses the impact of the legal, policy and institutional framework of the financial sector on entrepreneurship, job creation and productivity. It also explores the impact of financial, non-financial institutions and private sector partnerships on the livelihoods of women and youth.

5.1 Policy and regulatory overview: initiatives and measures

Policy and regulatory issues

The government has a clear financial literacy strategy targeted at women, and particularly the youth who tend to have less financial savvy. The revised 7th National Development Plan 2017-2021 (aimed at implementing the Vision 2030 programme) seeks to improve livelihoods and create decent employment by prioritising education and job-related training.

Adapting the school curriculum to incorporate financial education

In 2009, the Ministry of Education, Science and Vocational Training supported the incorporation of financial education in the national school curriculum following inputs from the Financial Sector Development Programme (FSDP) and the Bank of Zambia’s National Strategy for Financial Education. The Strategy’s main objective was to ensure “the people of Zambia will have improved knowledge, understanding, skills, motivation and confidence to secure positive financial outcomes for themselves” (Aprea, 2016) with a focus on children and youth. The Financial Education Coordination Unit (launched in 2012 and housed within BoZ) uses school and media initiatives to improve youth financial literacy. The SEC has helped by having students take part in an investment competition simulating listed companies on the Lusaka Stock Exchange (LuSE).

Financial education for underserved groups through public-private partnerships

Zambia’s financial education framework has spurred a healthy mix of public and private sector initiatives. For example, ZAZU, a payments technology company, partnered with FSDZ in 2018 to launch digital courses on income, loans, savings, insurance and mobile money to increase public confidence in financial services. The courses, through USSD, SMS and voice channels, reached over 6,000 people who took over 15,000 courses in credit, insurance, investments and budgeting.

The Global Banking Academy (through Zanaco Bank and Stanbic) proposed loans, insurance and financial literacy programmes but progress has been slow and is yet to move out of urban areas. Zanaco also implemented a Financial Fitness project in 2008. By 2011, it had reached 6,000 school children and 4,500 student teachers as an extracurricular activity (Zanaco, 2011).

5.2 Supply-side issues

Income generation for women and youth through digital financial services

Emerging inclusive finance models and technologies like agent banking and mobile money offer outstanding income-generating opportunities for women and youth, who conduct most of the transactions at agency outlets. The fintech revolution across sub-Saharan Africa is expected to offer more opportunities for the youth as remote sales and marketing agents of fintech products.

The Helix Institute of Digital Finance finds that while women are underrepresented in the ownership of mobile money agent business in Africa and South Asia, they excel in customer interactions compared with their male counterparts and manage their liquidity needs (float/e-cash) just as well as men, if not better. If more women were encouraged to participate in the mobile money or agency banking business as well as own their own businesses, this could easily translate into viable financial opportunities and their economic and social empowerment.

Low access for women in SME and agricultural financing

It is very difficult for women to access credit to expand their SME or agricultural business due to the rigid documentation and collateral requirements. Innovations in digital finance include short-term credit for welfare and business needs, primarily from MNOs (MTN Kongola) and from fintechs such as Jumo World (a South African fintech with presence in Zambia), which uses consumer data and analytics to bring short-term loan products to the mass market. Such
unsecured financing is needed to supplement smaller funding sources such as Chilimba and other informal savings services. Supply-side actors can bolster the effectiveness of these informal but popular short-term savings vehicles through linkage banking and by reducing risk.

5.3 Demand-side observations

Income

While only 13.3% of respondents reported monthly household income under ZMW500 (USD42), about 64.9% reported earning ZMW500–ZMW3,000 (USD42–USD251) per month. More respondents (37.9% vs. 27.0%) earned ZMW1,001–3,000 (USD84–USD251) than those who earned ZMW500–ZMW1,000 (USD42–USD84). The sample base is approximately in line with the income distribution of Zambia’s working force population, which includes male adults (Figure 8).

Salaries (Figure 13) were most commonly paid on a monthly (44.5%) or daily basis (26%). Very few respondents (4.9%) reported a weekly wage. About 60% of rural adult females were likely to receive a daily income against 23.8% of urban adult females, not only due to location but also the nature of the income of rural adult females, typically from casual work or trading. Urban adult females were more likely to receive a monthly income than their rural counterparts.

Occupation

Most respondents (38.1%) reported being “self-employed” (i.e. business owners) or gained their income through “informal work” (17.6%). Private sector employees (80.8%) were mostly urban and mostly youth.

Ownership of assets/finances

About 69.6% of respondents used own funds or borrowed from a family/friend to set up their business (Table 3 below).

Over a third (34.2%) of business owners/self-employed respondents felt they needed a loan to improve their businesses (Figure 10, page 25). Financial literacy training was also a popular choice of 24% of respondents.

Income from self-owned SMEs is the main source of household income especially among rural adult females (90%). Although only 39% of respondents were breadwinners, about 68% said they had some control of how household money is spent. About 45% of respondents had a steady monthly income, notably among young, urban females (65%). About 66% of those in informal employment were paid in cash, of whom 30% were paid through mobile money or a bank account.

Loans

For critical payments, 67% of respondents (and 80% of urban male youths) borrowed from family or friend. The second source of credit was a bank loan (10% of respondents). Small business owners (82% of the sample population) reported that a loan would be more useful for improving their business (34%) than financial training (24%), remittance (18%), or an investment (8%).

Table 3: Financial Services Used to Fund Business

<table>
<thead>
<tr>
<th>Category</th>
<th>URBAN</th>
<th>RURAL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FEMALE</td>
<td>MALE</td>
<td>FEMALE</td>
</tr>
<tr>
<td></td>
<td>YOUNG</td>
<td>ADULT</td>
<td>YOUTH</td>
</tr>
<tr>
<td>Loans, or other means</td>
<td>19.4%</td>
<td>12.5%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Personal funds/loans from family/friends</td>
<td>21.2%</td>
<td>6.6%</td>
<td>30.9%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>20.7%</td>
<td>8.4%</td>
<td>27.8%</td>
</tr>
</tbody>
</table>

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POLICY BRIEF
Figure 8: Labour Force Survey Report (2014): Income Distribution

Percentage Distribution of Income Groups for Paid Workers, Zambia 2014

<table>
<thead>
<tr>
<th>Income Groups</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than K50</td>
<td>19.0%</td>
</tr>
<tr>
<td>K50-K649</td>
<td>8.5%</td>
</tr>
<tr>
<td>K750-K849</td>
<td>4.0%</td>
</tr>
<tr>
<td>K950-K999</td>
<td>6.5%</td>
</tr>
<tr>
<td>K1,000-K1,199</td>
<td>9.0%</td>
</tr>
<tr>
<td>K1,200-K2,499</td>
<td>4.9%</td>
</tr>
<tr>
<td>K2,500-K3,499</td>
<td>5.8%</td>
</tr>
<tr>
<td>K3,500+</td>
<td>24.9%</td>
</tr>
</tbody>
</table>

Figure 9: Income frequency

Kindly describe your income flow pattern? – Based on 467 interviews, in %

<table>
<thead>
<tr>
<th>Income Groups</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total sample</td>
<td>25.9%</td>
</tr>
<tr>
<td>Urban Male Youth</td>
<td>30.4%</td>
</tr>
<tr>
<td>Rural Male Youth</td>
<td>28.7%</td>
</tr>
<tr>
<td>Urban Female Youth</td>
<td>13.5%</td>
</tr>
<tr>
<td>Rural Female Youth</td>
<td>4.8%</td>
</tr>
<tr>
<td>Urban Female Adults</td>
<td>24.6%</td>
</tr>
<tr>
<td>Rural Female Adults</td>
<td>23.8%</td>
</tr>
</tbody>
</table>

Daily | Weekly | Monthly | Irregular | Other (Please Specify)
Figure 10: Financial services to improve business

What financial products/services do you need to improve your business?

- Urban Male Youth
  - Current account: 46%
  - Savings: 28%
  - Loan product: 28%
  - Financial literacy/training: 19%
  - Investments: 17%
  - Pensions: 14%
  - Remittances: 10%

- Rural Male Youth
  - Current account: 31%
  - Savings: 31%
  - Loan product: 31%
  - Financial literacy/training: 19%
  - Investments: 17%
  - Pensions: 10%
  - Remittances: 8%

- Urban Female Youth
  - Current account: 31%
  - Savings: 28%
  - Loan product: 23%
  - Financial literacy/training: 10%
  - Investments: 8%
  - Pensions: 3%
  - Remittances: 4%

- Rural Female Youth
  - Current account: 20%
  - Savings: 16%
  - Loan product: 20%
  - Financial literacy/training: 3%
  - Investments: 4%
  - Pensions: 7%
  - Remittances: 0%

- Urban Male Adults
  - Current account: 50%
  - Savings: 36%
  - Loan product: 36%
  - Financial literacy/training: 21%
  - Investments: 7%
  - Pensions: 0%
  - Remittances: 0%

- Rural Male Adults
  - Current account: 27%
  - Savings: 27%
  - Loan product: 27%
  - Financial literacy/training: 27%
  - Investments: 27%
  - Pensions: 27%
  - Remittances: 27%

Figure 11. Sources of credit (previous 12 months)

In the past 12 months, have you, by yourself or together with someone else, borrowed any money from any of the following sources- Based on 467 interviews, in %

- Urban Male Youth
  - From a bank or another type of formal financial institution: 6%
  - From family, relatives, or friends: 11%
  - From a store by using installment credit or buying on credit: 11%
  - From another private lender (e.g., pawn shop, loan shark): 3%
  - Other (please specify): 13%

- Rural Male Youth
  - From a bank or another type of formal financial institution: 15%
  - From family, relatives, or friends: 5%
  - From a store by using installment credit or buying on credit: 5%
  - From another private lender (e.g., pawn shop, loan shark): 15%
  - Other (please specify): 15%

- Urban Female Youth
  - From a bank or another type of formal financial institution: 4%
  - From family, relatives, or friends: 4%
  - From a store by using installment credit or buying on credit: 13%
  - From another private lender (e.g., pawn shop, loan shark): 4%
  - Other (please specify): 17%

- Rural Female Youth
  - From a bank or another type of formal financial institution: 5%
  - From family, relatives, or friends: 5%
  - From a store by using installment credit or buying on credit: 9%
  - From another private lender (e.g., pawn shop, loan shark): 18%
  - Other (please specify): 9%
Chapter 6: Recommendations

**Recommendations**

Women and youth are marginalized segments of the population on many levels, and the financial sector is no exception. The knock-on effects limit this cohort’s ability to grow economically and socially, in entrepreneurship and job opportunities, both critical to national development. The following are recommendations for governments, policy makers and business leaders to improve the financial opportunities available to women and youth.

### 6.1 ACCESS

#### 6.1.1 Address gaps in digital infrastructure

Digital financial services (DFS) more readily address gaps in financial inclusion than the traditional financial institutions. The nationwide growth of DFS, however, is predicated on the penetration of handheld devices, particularly in rural underserved areas. The government can directly promote the uptake of low-cost phones and energy devices such as solar panels – which are often mobile money-enabled – by reducing taxes on these critical devices. Tax incentives such as two-year tax holidays for importing DFS equipment can increase MNO confidence to expand digital infrastructure into remote areas, guaranteeing access to basic telecoms, and more importantly, to financial services for the financially excluded.

Telecommunication regulator, ZICTA, should review the pricing of key delivery channels to influence the business case of serving the women and youth cohort. Annual USSD licensing costs were around $4,500, a cost that can easily overwhelm a young, low-capital fintech wanting to use this near-ubiquitous channel to develop an inclusive financial product. Proposing a tiered pricing scheme will ensure that such important delivery channels are available not only to banks and MNOs but also to other smaller players.

MNOs should be encouraged to collaborate on sharing signal towers in order to reduce the initial capital outlay and improve the business case for infrastructure in remote rural communities in order to improve network coverage. This is already going on in Zambia and some East and West African countries. Donors and the government can also share pilot locations with MNOs to guide their tower expansion plans.

MNOs should be encouraged to market low-cost handsets with flexible repayment plans, akin to what is popular with the lease-to-own solar devices. The study makes abundantly clear the need to make mobile phones more accessible through private and public sector initiatives.

#### 6.1.2 Remove barriers to youth and women’s access to financial services

Traditional lending relies on pledging immoveable assets as collateral. This excludes women because of the biases in customary, common and statutory law. The government should enforce laws that establish moveable collateral registries such as the Moveable Property (Security Interest) Act 2016 so that excluded groups can leverage their moveable assets to access credit. It can also develop laws on digital lending with alternative credit scoring using “reputation collateral” such as a record of repayments to microfinance institutions or retailers, which would help women build credit histories and ultimately access finance.

Banks and MNOs should test innovative pricing to make their products more accessible. Accounts with low or no minimum balances and zero maintenance fees are good entry points to attract adult females and youth. Similarly, creative marketing that overcomes mobility restrictions of women by visiting them at home or places of business (like Diamond Bank did with their BETA account in Nigeria) can greatly reduce access restrictions for women.

#### 6.1.3 Fast-track development of agency banking laws

Currently, regulation of agency banking is pending, and this is a major determinant of unfettered access to financial services for women and youth. BoZ grants interested banks no-objection approvals to launch ventures in this area but this is insufficient to enable the banks to catch up with MNOs who have sped away with their agent model and have expanded into remote areas to serve customers. Passing legislation on this issue and operationalising it in the financial sector with technical assistance is likely to give hesitant banks the confidence to experiment with this lean model of serving non-traditional customers cost-effectively.
6.2 USAGE and QUALITY

6.2.1 Promote a culture of gender and age data disaggregation

The central bank already collects and analyses gender-disaggregated data from 64 financial institutions, which has led to a set of targeted reforms in the financial and social sectors. Adding an age dimension to this data is important for appreciating the barriers the youth face and for developing appropriate policies to address the gaps. Close monitoring and evaluation of the NFIS and similar policies on access to financial services should be maintained to ensure that stated goals are attained or corrective action is taken as needed as part of an evidence-based approach to removing obstacles to women and youth financial inclusion.

Providers should be encouraged to disaggregate data by age, gender and location to obtain insights into habits and attitudes and allow for rigorous user segmentation. Some firms may require some demand-side research on their customers’ behaviour and usage patterns. Others may need to digitise their products (for example, digital delivery channels) and rely on data analytics to make sense of the highly varied and real-time data on their customers.

6.2.2 Promote customer-centric product development

One way the government and development partners can contribute to financial inclusion is by promoting innovative digital products particularly relevant to women and youth such as for remittances, savings and government payments. Empirical data suggests that women represent half of all international remittances globally and tend to send a higher proportion of their income regularly even though they typically earn less than men.27

An important next step after collecting gender- and-age-disaggregated information on customers’ financial habits, attitudes and challenges is to develop products and offer services focused on women and the youth. Key data points such as age, sex, location, income and employment status, pain points when accessing current services, goals and objectives that inform their decision making can make the difference between a product that meets a woman’s or young adult’s needs and one that is generic in nature.

6.2.3 Address financial consumer protection and capabilities gaps

The government should clarify institutional governance and mandates for financial consumer protection and education. BoZ should also ensure that there is greater use of research data and effective learning methods to design financial education programmes. Enforcement of penalties for anti-competitive practices and fraud is also crucial for a fair and trustworthy financial environment respectful of marginalised customers’ rights and protections.

FSPs and MNOs should bolster their efforts to sensitise customers on dispute resolution and avoiding fraud. They should also couple product sales with financial education, particularly of the youth. This is important to complement government efforts for faster progress in developing the financial capability and awareness.

6.3 WELFARE

6.3.1 Bolster financial literacy for special interest groups

The study shows weak financial literacy among women and youth respondents, particularly young rural women. Of the financial literacy initiatives for the general population, few focus solely on women and youth. It is important to have a coordinated multi-party effort to develop financial literacy (including training on access to credit and working capital) for individuals and business owners. Financial education should be adapted to target groups such as women, smallholder farmers, youth, business owners, employ a variety of teaching approaches (e.g. using village chiefs as financial literacy ambassadors), communicate clearly (if possible, in local languages) and be held frequently to ensure deep and sustained impact.

6.3.2 Develop financial products to meet short-term financing needs

Financial service providers should be strongly encouraged to meet the needs of women and youth by developing appropriate business products. The study showed that a large proportion of adult women are small-scale entrepreneurs needing short-term financing as working capital. Structured financing coupled with financial education can make a big difference in helping to capitalise the informal sector for growth and development.
References


Endnotes

1 Global Findex 2017 defines youth as those between the ages of 15 and 24 years
4 Ibid.
5 World Bank Global Findex 2017 report.
6 UN World Population Prospects, 2018
7 https://www.theglobaleconomy.com/Sierra-Leone/
8 http://borgenproject.org/widespread-poverty-sierra-leone/
13 Formal inclusion refers to access and usage of regulated financial institutions such as banks, MFIs, whereas informal inclusion pertains to unregulated financial institutions such as savings groups, savings clubs, and SACCOs.
17 https://allafrica.com/stories/201612280189.html
20 Tariff schemes range from K2.5 to K30 (BoZ, 2018a)
26 Other reported concerns included: ‘making a mistake and losing money’, ‘financial loss when business shuts down’
27 https://www.ifad.org/documents/36783902/4a5640d9-e944-4a8c-8007-a1bc461416e6
Promoting Women and Youth Financial Inclusion For Entrepreneurship and Job Creation: Comparative Study of Selected Sub-Saharan African Countries

Zambia Country Report: September 2019