



ACET African Center
for Economic
Transformation

**PROMOTING WOMEN AND YOUTH FINANCIAL INCLUSION FOR
ENTREPRENEURSHIP AND JOB CREATION:
COMPARATIVE STUDY OF SELECTED SUB-SAHARA AFRICAN COUNTRIES**

COUNTRY REPORT

Zambia

August 2019

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Executive Summary

Seven years ago, the World Bank launched The Global Findex, the world's most comprehensive data set on how adults save, borrow, make payments and manage risk. This data set has facilitated the ease with which individual countries, institutions, organizations, and businesses analyze trends and strategize on how to positively impact economic outcomes for countries and their citizens. Findex data shows that two particular groups – women and youth - consistently have lower economic and financial profile representation than adult and youth males. However, there are a few countries that show promising results, Zambia being among one of them: according to the 2017 Global Findex report, bank account penetration in Zambia has more than tripled amongst adults living in the poorest 40 percent since 2011¹. Nonetheless, there continues to be an underrepresentation of Zambian women and youth in the financial sector representing a massive loss of output and potential for the Zambian economy.

Under a grant provided by the International Development Research Centre (IDRC), the African Centre for Economic Transformation (ACET) – an economic policy institute based in Accra, Ghana – has partnered with Afriqinsights in Zambia to undertake a study to assess the extent to which the Zambian financial system is advancing women's and/or youth's financial inclusion. The emphasis is on evaluating how this increased access – if indeed it does exist – is supporting the ability of women and/or youth to establish or expand the entrepreneurial or income generating opportunities available to them. Specifically, the study aims to: (a) Identify and evaluate existing financial inclusion initiatives and their relative success or failures, focusing on women and youth, from three perspectives/players: demand side, supply side and regulatory agencies; (b) gain insight into the financial condition and entrepreneurial opportunities available to Zambian women and youth through the lenses of access to, usage of and overall quality of financial services leading to welfare improvements among women and youth; (c) take stock of the process and product innovations intended to deepen and broaden financial inclusion beyond the traditional male clients; and (d) assess the scope of public policy initiatives and the regulatory environment in Zambia meant to accelerate progress towards advancing adult women's and youth's access to financial services.

The study relied on a mixed methodology: the qualitative feature of the study involved face-to-face, in-depth interviews carried out with women and youth, members of NGOs, governmental, and regulatory agencies, and members from the private sector; while the quantitative feature of the study involved the survey of 467 Zambian women and youth. Each approach sought to explore the life-histories, demographics, financial awareness, and experiences of this cohort in relation to financial services and products as well as document the regulatory histories, agendas, and initiatives produced from the Zambian government, ministries and agencies in collaboration with the NGOs and the private sector. An analytical framework that helped gauge the extent of financial inclusion among women and youth with four indicators (namely access, usage, quality, and welfare improvements) was also developed to guide the focus of the study.

The study uncovered a number of latent issues confronting Zambian women and youth with respect to accessing and using financial services: (a) poor product knowledge of financial products

¹ *Global Findex 2017*

and services among this cohort, high transactional costs, and cultural issues are limiting factors in financial services and product uptake; (b) poor early financial education negatively impacts youth financial literacy and competency, consequently impacting proper earning, saving, and investing among this cohort; (c) very little disaggregation of data on women and youth exists in the private sector; this limits a deep understanding of their behaviors, preferences and needs which further constrains the development of targeted, relevant products; (d) Zambia's low population density coupled with the paucity of segmented data on women and youth weakens the business case for serving this cohort.

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

With respect to **access**, more research, monitoring and evaluation of gender and age programs and initiatives are encouraged in order to report on the progress and potential barriers hindering the creation of an inclusive financial environment for women and youth. On **usage**, the government and the private sector should lay more emphasis on data disaggregation (by gender and by age) and analysis to inform policy development and the development of targeted financial products and services. Additionally, steps should be taken toward increasing the amount and quality of financial literacy strategies and policies that target women and the youth. With regards **quality**, a more customer-centric approach to market research is required to unearth the latent financial needs and perceptions of existing financial products for the sake of developing products and offer services that resonate with focused groups like women and the youth. Data on customer base collected should be used to build out customer profiles and, thus, create a robust Product Development Process leveraging the data collected. On **welfare**, communication and positioning of products/services for the women and youth cohort should be improved, particularly as segmented data becomes increasingly available, jointly with developing and providing financial literacy training to business owners. Also, for effectiveness, stakeholders' especially financial service providers are encouraged to harmonize their actions and strive for more transparency in order to help them better engage with the community and more successfully achieve their objectives.

List of Abbreviated Terms

Institution and Program Abbreviations and Acronyms	
2G	Second-generation cellular technology
3G	Third-generation cellular technology
BoZ	Bank of Zambia
CCPC	Competition and Consumer Protection Commission
CMMR	Credit Market Monitoring Reports
CSO	Central Statistics Office
CRA	Credit Reference Agency
FISF	Financial Inclusion Support Framework
FSDZ	Financial Sector Deepening Zambia
GRZ	Government of the Republic of Zambia
IFAD	International Fund for Agricultural Development
MOF	Ministry of Finance
NFIS	National Financial Inclusion Strategy
NFS	National Financial Switch
NPS	National Payments System
PIA	Pensions and Insurance Authority
PPP	Public-Private Partnership
ROSCA	Rotating Credit and Savings Association
RUFEP	Rural Finance Expansion Programme
SME	Small and medium enterprise
UNCDF	United Nations Capital Development Fund
USAID	United States Agency for International Development
ZECHL	Zambia Electronic Clearing House
ZICB	Zambia Industrial Commercial Bank Limited
ZICTA	Zambia Information and Communications Technology Authority

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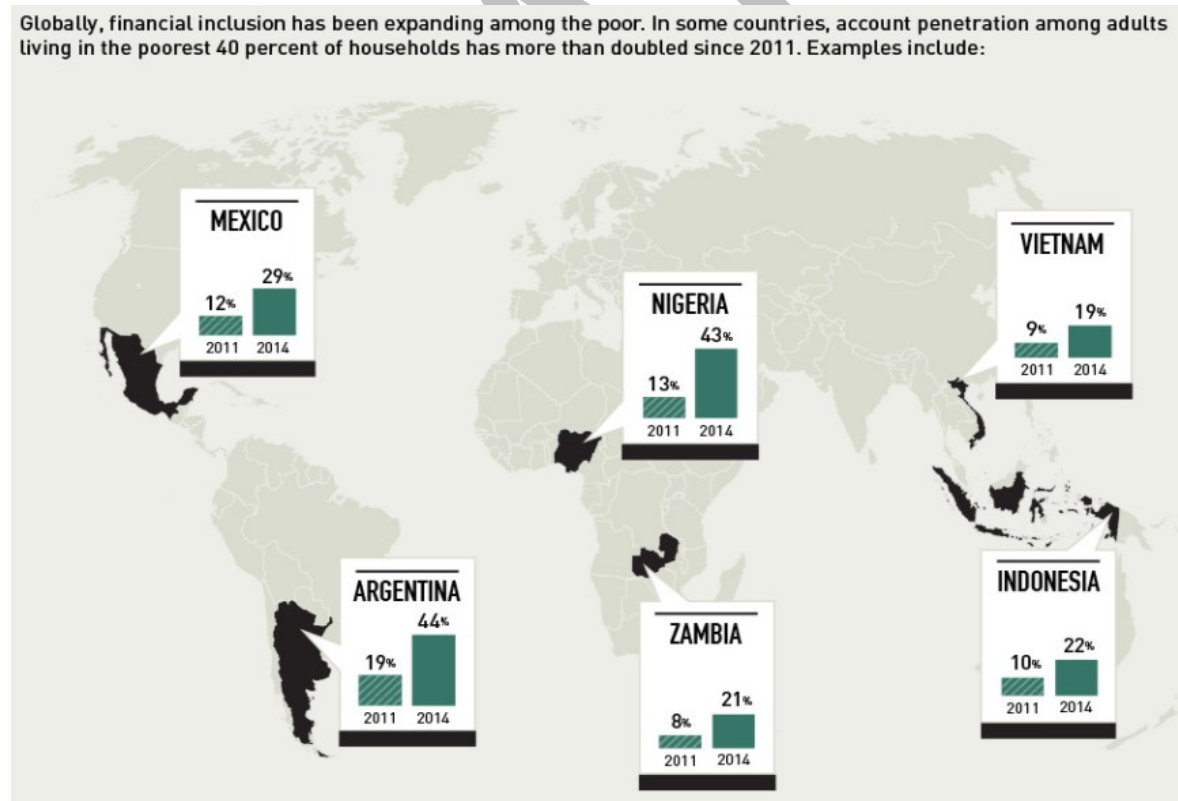
Chapter 1: Introduction and background

1.1 Introduction and background

A little over 10 years ago, the World Bank launched The Global Findex, the world's most comprehensive database of financial behaviors. It has been a leading provider of global financial data by facilitating the ease to which individual countries, institutes, organizations, and businesses can easily analyze trends and strategize on how to positively impact economic outcomes for countries and their citizens.

One very important issue that the Global Findex has brought to light is gaps in the access and usage of formal financial services amongst the poor and women. Data shows that these two particular groups consistently have lower economic and financial profile representation and presentation than adult males/ non-youth males. However, there are a few countries that show promising results, Zambia being one of them: according to the 2017 Global Findex report, since 2011, bank account penetration in Zambia has more than doubled amongst adults in the poorest 40% of households (Figure 1).

Figure 1. Global Findex: Examples of Promising Results



Source: (The World Bank, 2014)

Table 1. Relevant Zambia Demographics

Zambia Population, 2018(E): 17.6million¹	
Women	8.9 million (51% of total)
Urban, women	3.8 million (22% of total)
Rural, women	5.2 million (30% of total)
Youth Population	6.3 million (35% of total)
Financial Inclusion, Women (% of adults)²	
Formal and Informal Included	57%
Use Formal Services only	17%
Use Informal Services	24%

Source: (Finscope, 2010; FSDZ, 2015; The World Bank, IBRD, & IDA, n.d.)

1: UN World Population Prospects, 2018

2: Finscope reports adults as those over 16 years

Furthermore, the 2015 FinScope (FSDZ, 2015) reports that 59% (approximately five million) of Zambian adults are financially included, an increase from the 2009 survey results which showed only 37% of the adult population were financially included. Although, Zambian women make up 51% of the Zambian population (Table 1) they are relatively less financial included than men, 57% vs 61% respectively (FSDZ, 2015). In terms of access and/or usage of formal or informal services², women less frequently access and use formal services exclusively, in comparison to men (17% vs 26%), but in regards to informal services, the opposite is true (24% vs 18%) (FSDZ, 2015). FinScope findings also show that in comparison to the total adult population, significantly more men (59%) use mobile money services, than women (41%). Taking into consideration comparative data with other African countries, the Finscope Report reported that amongst ten Sub-Saharan African countries³, on average formal inclusion levels quite low in Zambia (excluding Malawi and DRC). However, they also report that the informal sector in Zambia (36%) plays a less significant role than in Uganda (42%). Generally speaking, financially excluded populations across Africa typically were rural adults or adults who rely on piece work, females, the young (less than 25 years of age) and old (older than 55 years of age), and farmers (FSDZ,

2 According to the definition provided by the FinScope report, Formal financial services are defined as any financial services supplied by institutions governed by a legal precedent of any type, and informal services are the converse. Examples of informal financial services include saving with an employer, membership in a village savings group (chilimba) or borrowing from an informal moneylender (kaloba) (FINSCOPE, PG 13)

3 South Africa, Uganda, Zimbabwe, Kenya, Tanzania, Rwanda, Nigeria, Zambia, Malawi, Democratic Republic of Congo

2015).

Zambia has a relatively young population: of the almost 80% of those whom are younger than 35, nearly half of this segment (45.5%) are 15-35 years of age (Central Statistical Office, 2015). According to a 2013 World Bank report, the low quality of basic education in Zambia means 30% of youth goes uneducated or have not completed primary school level. There is well-established evidence that shows that education has a significant, if not direct, impact on household income, evident through studies done by the UN, Brookings, OECD amongst other institutions. Thus already from an early beginning, youth are locked out of opportunities to accumulate wealth and contribute to the countries' economy and growth.

The FinScope 2015 reports that only 38% of women and men use formal financial services, with men (43%) experiencing much higher formal inclusion than women (33%). However, for the women who are financially included, their financial behaviors differ from men: they are significantly less likely to take up formal financial services and more likely to rely on informal services.

According to the National Financial Inclusion Strategy report (Table 2), Zambian women and youth (considered 15-35 years as per 2015 National Youth Policy from Zambia's Ministry of Youth and Sport) have similar representation in the formal and informal financial sector (57% and 55%, respectively) and is typically lower the total adult inclusion. Although percentage-wise financial inclusion amongst the Zambian population is lower, comparatively, to other African nations, the aforementioned reports indicate a positive trend.

Table 2 Overview of Financial Inclusion in Zambia and Comparator Countries

Indicator	Zambia	South Africa	Tanzania	Botswana	Namibia	Mozambique	Uganda	Kenya
% of adults financially included (formal & informal)	59	87	73	76	69	40	85	75
--- % of women	57	90	68	73	---	38	85	73
--- % of youth	55	---	---	72	---	---	---	74
--- % of rural residents	50	81	66	64	61	31	83	61
% of adults formally financially included	38	83	57	68	---	24	54	67
% of adults with a formal transaction account	36	70	41	52	59	---	44	75

Source: (Demirguc-Kunt, Klapper, Singer, & Oudheusden, 2015; FSDZ, 2015; MoF, 2017a; The World Bank, 2014)

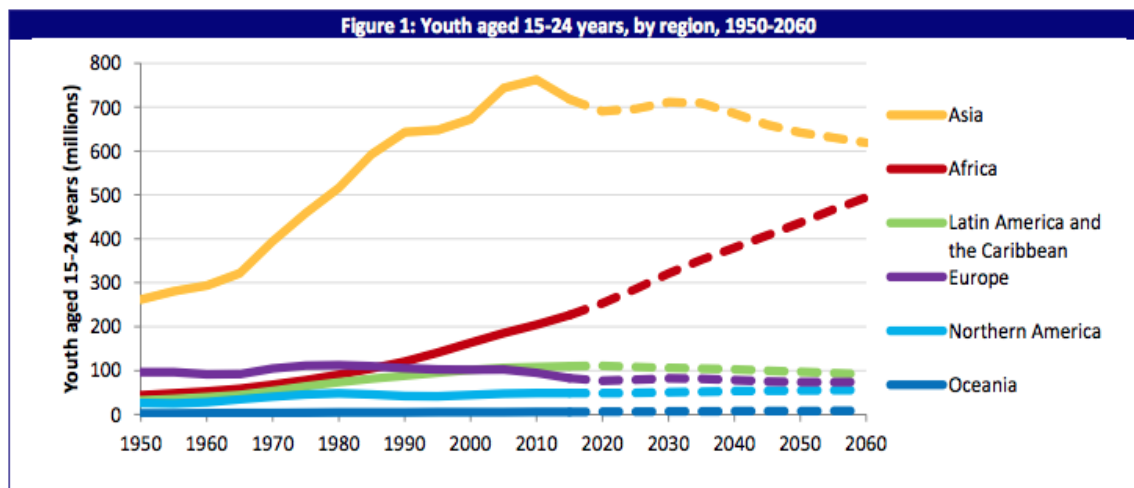
In our preliminary overview of the financial services sector in Zambia, we noted that with the rapidly growing opportunities for mobile-related services in Africa, and most particularly in Zambia, there is lack of sufficient, reliable and up-to-date data for segments of the Zambian

population that were less knowledgeable about financial services and as a consequence were not participating in such services. In recent years however, more reports have been published about the current financial services sector, in particular the Digital Financial Services (DFS) space in Zambia that have helped to better provide data that is not only current, but also relevant in understanding the demand side issues

Nonetheless there continues to be an under representation and marginalization of Zambian women and youth in the formal financial sectors (e.g. banking, mobile banking). By observing and documenting their knowledge, attitudes, and experiences in regards to finances and management of their finances, this report will be able to better identify how these dimensions of financial access, usage, quality, and welfare are relevant to them, and what steps need to be taken to improve services and products, and overall financial inclusion.

Another marginalized, and often entirely excluded group from financial sector studies, are youth. This is a serious missed opportunity as African youths are reported to be the fastest growing population group in the world. According to the UN, there will be 42 million more 15-24 year olds in Africa by 2020. There are numerous reports that indicate that this age group does not only make up a significant portion of the continent’s population but also is growing quickly (Figure 2) and, therefore, the market will need to assess their requirements and behaviors and adapt accordingly to this burgeoning segment.

Figure 2. Global Youth Population Growth, 1950-2060



Source: (United Nations Population Division, 2015)

Financial exclusion is typically high amongst women, youth, the poorest segments of society, and in post conflict economies. Adult women constitute a large segment of the marginalized and therefore remain a top priority of financial inclusion reform agendas. Research shows they lack financial management skills and business management systems and processes (i.e. poor record keeping and budgeting), but they have experience that only comes through business ownership, albeit typically small informal business (CBM, 2016). Africa’s youthful population is the

continent's greatest potential asset. While the statistics may be limited, the exclusion of the youth is becoming increasingly just as important. Africa has the highest "youth bulge" and this population is expected to grow faster than anywhere else (See Figure 2).

1.2 Objectives and scope of the study

This study's aim is to gain a holistic understanding of the financial inclusion landscape, focused on women and youth, by identifying and evaluating the existing financial inclusion initiatives and their relative success or failures:

- **Demand Side:** By speaking to women and the youth, this study sought to understand the depth of their financial inclusion in terms of access to and usage of financial services and the overall quality and impact of these services on their welfare; the entrepreneurial opportunities available to them; and how micro-enterprising is allowing for a better financial participation and inclusion in these two groups
- **Supply Side:** The interest was to take stock of the processes and product innovations within the financial services sector intended to deepen and broaden financial inclusion beyond the traditional male clients.
- **Regulatory side:** Speaking to policy makers and other related governmental institutions we took stock of the scope of public policy initiatives and the regulatory environment in Zambia meant to accelerate progress towards advancing adult women's and youth's access to financial services.

The United Nations Capital Development Fund (UNCDF) recently published a report (FSD Zambia, 2016a) that observed DFS experience of the general population and conducted a general comparison in the usage/knowledge differences between men and women, and differences between adult and youth's usage of this service. By looking specifically at women and youth's experiences, this study focused on these particular segments of the population which have even less access to and usage of financial services in general and not just DFS, and filling this gap in knowledge will help to inform financial inclusion decisions and policies. Youth, in particular, have a different and dynamic relationship with financial services in that their relationship with such services are user-oriented/specific, and their needs for these services are different from those of the adult population.

Another focus of this study is to address some practical questions relating to both adult women and youth financial inclusion. The study aims to address the following questions:

- a) To what extent are the financial systems in these countries advancing women's and/or youth's financial inclusion or addressing the unmet needs of women's and youth's enterprises through policy and regulatory innovations? How similar or how different are the cross-country policy and regulatory experiences?
- b) On the supply side, what are the key processes and product innovations in the recent past that improve women's and youth's access to and usage of financial services?
- c) What delivery methods and financial products are more effective in expanding entrepreneurship opportunities for the youth and are these cultural and gender sensitive?

- d) On the demand side, what strategies or opportunities are available to young men and young women to gain financial resources to start or to support income-generating activities in their specific circumstances?
- e) What policy changes and product innovations are needed to facilitate women and youth financial inclusion, and especially to cultivate the capacity of the youth again in their contrasting circumstances?

1.3 Methodology and Analytical Framework

Following the directions of ACET, this study has followed a research plan designed specifically for the three countries: Guinea, Sierra Leone and Zambia. The project involved a desk research component using secondary sources (reviewing previous research studies and data available for Zambia) and fieldwork research on the three main sides (regulatory, supply, and demand) in the financial services market, based upon a pre-defined Analytical Framework (see Figure 3 below). This framework clearly defines the key financial inclusion and job creation indicators considered for the study namely access to financial services, usage of financial services, quality and appropriateness of financial services and overall impact of financial inclusion on consumer and business welfare.

All four indicators or drivers are relevant to the demand side as this group is most directly impacted by the actions of the regulatory and supply side actors, and ultimately are the focus of the financial inclusion strategy (as will be described and analyzed in length later in this report). As Figure 3. (below) shows, a sub-indicator further defines each indicator, and not all are relevant to the regulatory, supply side and demand side actors. With respect to the regulatory side, the sub-indicators of the access drivers (i.e. access: proximity, channels, and barriers) are more relevant than others (i.e. patterns of usage for the usage driver) and will be explored further in this report. The supply side actors primarily play a contributory role across the grid but do so more from an impact standpoint as they are also affected by policy and regulation.

Figure 3. Analytical Framework

	DESCRIPTION	INDICATOR CATEGORY	REGULATORY	SUPPLY-SIDE	DEMAND-SIDE
ACCESS	<i>Ability to access tailored financial services</i>	Proximity	●	●	●
		Channels	●	●	●
		Barriers (legal, cultural, economic)	●	●	●
USAGE	<i>Actual use of financial services</i>	Products (combination of products/services in use)	●	●	●
		Patterns (frequency, duration)		●	●
		Behaviours		●	●
QUALITY	<i>Appropriateness of financial services to women and youth peculiar circumstance</i>	Security	●	●	●
		Products (attributes, fit with customers' needs)		●	●
		Consumer Protection	●	●	●
WELFARE	<i>How access, usage and quality have impacted the livelihoods of customers in areas such as entrepreneurship and personal / business productivity</i>	Individual consumption levels/productivity	●	●	●
		Business productivity	●	●	●

● = Contributory Data Source
— = Potential triangulation sources for assessment of access, usage, quality and welfare

In researching the demand side, the supply and the regulation and policy stakeholders, we obtained an in-depth understanding about the state of financial inclusion in Zambia. The project was segmented into five distinct phases:

1. Desk Research - Country Inception Report

The objective was to gain a high-level understanding of the status of financial inclusion in Zambia, particularly amongst youth and women. To this end, we began our desk research by defining the study’s methodology and refining ACET’s initial hypotheses. Data was sourced using publicly available and reputable sources (such as the UN, the World Bank, FinScope, Zambia CSO and the Central Bank, Consultative Group to Assist the Poor (CGAP), Women's World Banking, Groupe Speciale Mobile Association (GSMA), and the Helix Institute of Digital Finance). In addition, we leveraged our team’s knowledge on the topic from previous related projects.

We delivered a Country Inception report on the nature and state of women and youth financial inclusion in Zambia outlining: the current financial inclusion dynamics among the adult women and youth in Zambia; the market players and actors in the financial services space; relevant regulatory and policy frameworks in place; industry innovations and other key issues, among others. The inception report provided important context for the study, served as the initial draft for this country report, and was the key document that guided discussions at the inception meeting held in Accra with the researchers of all three countries and the ACET team. The inception meeting also served as the convening point for reviewing and ratifying all research instruments developed for the study.

2. Research Design and Methodology

a. Demand Side: Quantitative and Focus Group Discussions

After the inception meeting, we conducted a market research study on the demand side, talking directly to over 500 Zambian women and youth, to gain an understanding of their life-histories, financial awareness, and experiences in relation to financial services and products.

Based on the population of youth (est. 7million, 2010 Zambia Census) and of women 35 years and above (est.5.2m, Zambia Census), totaling 12.2m people, a representative sample of 450 was deemed suitable with a confidence interval of 95% and margin of error +/- 4.6%. Each survey took on average 35 minutes.

For the qualitative research we conducted six Focus Group Discussions (FGDs) with almost 60 women and youth, each lasting about two hours. The sampling methodology follows the agreed definitions in Table 3 below:

Table 3. Definitions

Term	Explanation
Women	Zambian women aged 35 years and above
Youth	Zambian youth aged between 15 and 35 years (African Union definition)
Urban and rural definition and classification	<p>As per national statistics, there are no predefined areas of rural and urban. We undertook an assessment to ensure the areas chosen were within the agreed definition, using population density from Central Statistic Offices as follows:</p> <ul style="list-style-type: none">• Zambia is divided into ten provinces and 106 districts (smaller division unit of the country) - Census 2010/National Statistics 2015• Urban population 2010 = 39% - World Bank Databank• The methodology used to categorize the districts into urban/rural was based on the population density of each of the 106 districts.• Listed all the districts in Zambia and sorted them based on population density, with official data. 39% of them with the highest population density was considered urban districts; the 61% outstanding, rural• Selection of PSUs (Primary Sampling Units) based on the sample and location criteria.
Geography	Surveys and Focus Group Discussions across Lusaka Province, both urban and rural.

b. Supply and Regulatory Side Methodology, Expert interviews: Financial Service Providers, Regulators and Policymakers, Telecom Companies and Industry Associations

During this phase we explored the current landscape of financial services providers and other key stakeholders from the supply side. At the same time, we consulted regulatory institutions and policy makers on a broad range of issues. The discussions with key players and stakeholders in this market provided a detailed perspective on the state of financial services and its level of uptake among the target population. It further highlighted the importance of sustained initiatives from the private sector, regulators and NGOs. The list of institutions interviewed is provided in Appendix 1.

3. Analysis and Reporting

The quantitative survey, focused on the demand side, was administered using our licensed survey software operating on Android tablets that were provided to each of our agents. Our Research Manager planned and oversaw the team of agents in the various geographies while the Quality Control Manager ensured that various quality checks were conducted on a daily basis to ensure data was accurate, reliable and was within the quotas agreed upon. The results were tabulated, exported into a clean database, and analyzed for meaningful and relevant insights.

The qualitative phase, which included focus group discussions and expert interviews, was conducted by our research team and involved interviewing key stakeholders within the regulatory and supply side spaces and recording conversations (where allowed). All notes and transcriptions were reviewed extensively by the team leads and then analyzed to glean key insights and patterns. The results and insights of the data collected are found in Chapter 3 of this report.

4. Validation Workshop

A validation workshop was organized in Zambia to ensure that the key stakeholders in the aforementioned spaces have the opportunity to appraise and validate the findings of the study. The workshop also allowed the research team to broaden the universe of consultations by hearing the opinion and views of other stakeholders who were not interviewed. The event was attended by key stakeholders within the supply and regulatory sector after which major inputs were made into the draft report.

5. Publication of results - Final Report

Following the completion of the validation workshop, the country report was updated to factor in key findings and outcomes of the workshop and submitted to ACET for final review.

1.4 Structure of the remainder of the report

In this report we provide a foundational account of Zambia's past and emerging history in regard to the financial inclusion agenda. In Chapter 2, we provide a description of Zambia's financial situation, much of which has come from the Country Inception report, highlighting the major legal and policy frameworks that have influenced and shaped the financial inclusion trends and behaviors in the country. In Chapter 3, we present the findings and any relevant analyses and

insights that came out of the qualitative and quantitative study, including gaps, challenges and potential opportunities that were identified. Finally, Chapter 4 provides a summary of findings and recommendations with regard to next steps. The references are cited throughout the report and detailed in the References section, followed by the Appendices, which provide further clarification and reference information.

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Chapter 2: Situational analysis of the country

2.1 Overview of the state of financial inclusion and the financial system in Zambia⁴

The 1990s saw a change in the political and economic landscape, with the new government shifting an 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.

With the implementation of the 2004 Financial Sector Development Programme (FSDP), the financial industry experienced a revival, leading to a creation of relevant policies and strategies targeting the marginalized segments of the population. The launch helped to eliminate major obstacles in the financial sector, identified key bottlenecks, one of them being the improvement of governance in the banking sector, concluding that dominance of foreign banks could create unfavorable legal set-ups (e.g. collusion) (Simpasa, 2013).

At the end of 2017, the International Monetary Fund (IMF) published a report based on work conducted through the Financial Sector Assessment Program (FSAP). The report identified some financial system risks such as high dependence on copper exports, outdated legal and regulatory frameworks, rising public debt and funding pressures, to name a few. Overall, there seems to be fair warning in the fragility of the financial systems as well as the lack of crisis preparedness frameworks, due to a lack of deposit insurance and resolution funding mechanisms (IMF, 2017).

Like the FSAP report, the Bank of Zambia's (BoZ) annual reports highlight the financial performance and condition within the banking and financial sector, its participation in the financial inclusion campaign; a commemoration of the Financial Literacy Week and World Savings Day and the launch of the **National Financial Sector Development (FSD) Policy** and the **National Financial Inclusion Strategy (NFIS)**). However, it did go into more detail on the challenges it faces in implementing a monetary policy which could provide access and expansion of private sector credit limits and stimulate economic growth. The reliance on borrowing from the domestic market to finance the fiscal deficit inhibits this process.

To help address these challenges, the BoZ signed a memorandum of understanding (MoU) with the Financial Sector Deepening Zambia (FSDZ, an NGO part of FSD Africa), for the latter to provide support to the BoZ in “meeting its multiple commitments for full financial inclusion under the Maya Declaration, in the Bank of Zambia's Strategic Plan 2016-2019, and in the upcoming National Financial Inclusion Strategy”. One important step was to put caps on interest rates for lending and preparing a draft framework on branchless banking, which is

⁴ The overview of the state of the financial system in Zambia is summarized from the BOZ annual report (BoZ, 2017) and the IFC Country Scope Report Zambia 2016 (Biallas, Fook, & Oulai, 2016)

currently under review and supports the digital financial services such as mobile money and third party operators (Villasenor, West, & Lewis, 2015). In the same report, there is also mention of the impact of innovative products and campaigning that have helped to increase the volume of transactions processed on mobile money platforms under the continued emerging DFS theme. One appealing feature reported was the provision of small loans provided through the mobile money operator's products and services, which is only recently been introduced to the market.

According to the Credit Monitoring Money Report (CCMP), although there has been a notable rise in total credit disbursements, the number of credit distribution amongst women has not shown a similar trend, noting that access to credit has been low between 2017 and 2016 (10.5% vs 12.5%). Later in this report, we will discuss the concerns of our demand side in accessing and using financial services due to the high fees and services charges. Research has shown that, financially, women organize themselves differently to men, and understand the financial language and utilize financial systems through informal networks (i.e.: *Chilimba* (Zambia); *Charmers* (Kenya); *Ekub* (Ethiopia)).

2.1.1 Legal and policy framework

Zambia has embarked on a number of policies and initiatives over the past few years to boost financial inclusion for the general population. While some have been legal, others have been enshrined in policy and strategy documents of the central bank. Between 2004 and 2015 the Government of the Republic of Zambia (GRZ), in coordination with the Bank of Zambia (BoZ) and the Ministry of Finance (MoF), implemented programme reforms and laws that contributed to broadening financial inclusion in Zambia. One of the areas covered from a number of these policies and also concerning this study is gender and youth. Much of the financial data analyzed in this period was based on data reported in the FinsScope Report 2009 (Finscope, 2010) and the 2017 IMF Report (IMF, 2017), and this data was used to inform further research and work associated with improving the financial conditions of women and youth, including the next FinScope Report in 2015. The following sections will highlight the most relevant and current legal and policy, and institutional (regulatory) frameworks that address financial inclusion in Zambia.

Financial Sector Development Programme I & II (FSDP)

The Financial Sector Development Programme (Finscope, 2010; FSDP, 2015) I & II is one such program and strategy that was implemented as two five-year programs, run consecutively between 2004 and 2015 led by BoZ. The overall strategy was to enhance the contribution of the financial sector to economic growth in Zambia with specific focus on financial inclusion and financial literacy (education). In 2009, the Ministry of Education, Science and Vocational Training was involved in revising the national school curriculum following inputs from the FSDP I and The Bank of Zambia's National Strategy for Financial Education to incorporate 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 focus on children and youth. The Financial Education Coordination Unit (launched in 2012 and housed within the BoZ), seeks to positively improve Zambian youths' financial literacy through school and media initiatives. Table 4 shows a summary of the financial inclusion and education related objective for this programme.

Table 4. Functions of FSDP I & II

FINANCIAL INCLUSION FUNCTION	EDUCATION FUNCTION
<ul style="list-style-type: none"> • Promote initiatives aimed at enhancing financial sector development; • Make policy proposals addressing barriers to financial inclusion as a vehicle for development; • Evaluate policy proposals for deepening the financial sector; • Identify incentive mechanisms for expanding access and outreach to formal financial services; and • Promote the development of appropriate financial products and non-traditional delivery channels for financial products and services. 	<ul style="list-style-type: none"> • Enhance the knowledge, understanding, skills, motivation and confidence of consumers to help them secure positive financial outcomes for themselves and their families; • Identify and advocate for stakeholders to undertake financial education activities to enhance financial inclusion; • Promote strategies for the integration of financial education into existing social, community and development programmes as part of the financial sector development agenda with Government; • Promote the development of financial education materials and conduct relevant trainings; and • Disseminate information on innovative and high-impact financial education programmes, pilot projects, activities and publications.

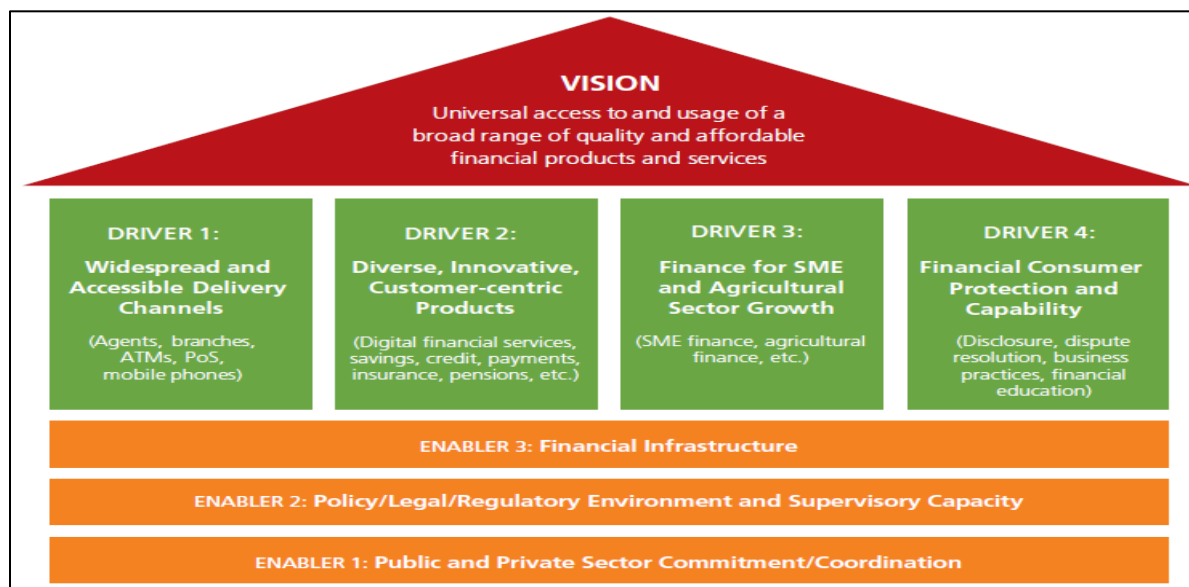
Source: (BoZ, 2016b)

In late 2017, with the technical assistance from the World Bank, the National Financial Sector Development Policy (FSDP) (MoF, 2017b) (NFSDP) and the National Financial Inclusion Strategy (NFIS) (MoF, 2017a) publications were released which outlined Zambia’s intention to update and address the legal and policy frameworks (arising from the FSDP). NFSDP is the umbrella policy that provides a framework that will lead to the development of a stable, resilient, competitive, innovative, and inclusive financial sector that contributes to broad-based wealth creation and sustainable economic development. The strategy that executes this policy is the NFIS.

The NFIS (MoF, 2017b) was created to accelerate financial inclusion and its overall objective is to increase access and usage of a broad range of quality and affordable financial services. This is important in promoting the participation of the marginalized populations in rural and peri-urban areas in the business and economic affairs of the country. The NFIS is spearheaded by a team within the MoF with close support from the BoZ and the Securities and Exchange Commission (SEC). Their aim is to have 80% of the Zambian population (formally and/or informally) financially included and 70% of adults formally included by 2022, through a variety of applications such as rural finance (MoF, 2012) and macro-small enterprises

(Ministry of Commerce, 2008). The NFIS framework below (Figure 4) shows the key drivers of focus, entailing delivery channels, appropriateness of products, SME and agriculture and consumer protection.

Figure 4. NFIS Framework



The Government is also currently reviewing the Bank of Zambia Act (MoLA, 1996, 2019) (see 2.1.2) and the 2007 National Payment Systems Act (MoF, 2007) (which provides a legal backing for the operation of the various payment mechanism in Zambia) in order to address the growing digital non-bank firms. The National Payments System Act empowers the Bank of Zambia to provide regulatory function that ensure safe, secure and reliable transactions. The BoZ released the National Payments Systems Directive on Electronic Money Issuance in 2015 (as part of the National Payments System Act) that ensures regulation of electronic money, with participation from the Zambia Information and Communication Technology Authority (ZICTA).

In 2014, the BoZ issued the National Gender Policy that seeks to repeal and amend legislation that discriminates against women and to enhance and increase access and control to resources like land and credit facilities, amongst other objectives, which will impact women’s economic status and financial participation. In the mid to long term, as more women begin to own land, for example, they will be able to use this to harvest their own agriculture or use the land as collateral to obtain credit to grow their businesses. In the Business of the House Meeting in Parliament in 2017, the gender gap issue was briefly mentioned, with responsibility falling in the hands of Ministry of Lands and Natural Resources in the National Land Policy; to ensure that women with and property then could use it as collateral, in line with the National Gender Policy (Ministry of Gender and Child Development, 2014).

The Zambian Government has implemented mechanisms and models to that aim to enhance employment and incomes amongst women and the growing number of youth entering the labor market. Economic diversification and job creation remain key in

transformation of women and the growing number of youth entering the labor market, particularly in the mining, agriculture, entrepreneurship and tourism sectors. Policies and legislations meant to support this goal of the government include: (a) as part of a movement towards sustainable economic empowerment through Commerce, Trade, and Industry, the Zambian Government worked with the private sector to set up the Agricultural and Industrial Credit Guarantee Scheme^{5,6,7} as part of the 2017 National budget to guarantee loans that facilitated access to affordable credit to small and medium enterprises (SMEs); (b) The Movable Assets Act (2016) (MoF, 2019) engage financial institutions to increase credit to SMEs, 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”; and (c) the launch of the African Growth and Opportunity Act (AGOA) Strategy for Zambia particularly looks to particularly help women and youth-led small-scale businesses to grow (MoH, 2018).

2.1.2 Institutional framework (regulatory)

The central regulatory institute for the financial services sector in Zambia is the BoZ, which is legislated by the Bank of Zambia Act (1964) and the 2017 Banking Financial Service Act (BFSA). Through these two pieces of legislation the BoZ is able to formulate monetary and supervisory policies which maintain prices and financial stability; license, supervise, and regulate activities of financial institutions, and provide safeguards for investors in and customers of banks and financial institutions. Regarding the scope of this study, financial inclusion, gender mainstreaming and human capital are two of the BoZ’s strategic focus areas, along with monetary policy, financial system stability, and Information & Communication Technology (ICT) internal processes efficiency (BoZ, 2016a).

The Credit Reporting Services is governed by the Credit Reference Services Licensing Guidelines and the Credit Data Privacy Code both of which were created in 2006, which are subsidiary pieces legislation drawn from BFSA and set forth requirements for a Credit Reference Agency (CRA) in Zambia. In other countries, the Central Bank maintains credit information which is then extended to Commercial Banks (and other lending institutions) setting thresholds for issued credit. As such, in Zambia, a private sector registry was licensed in mid-2006. In 2008, the BoZ issued the Banking and Financial Services (Provision of Data and Utilization of Credit Reference Services) Directive, which requires all financial services providers to submit credit data to a CRA and to use the services of a CRA before extending a loan to any person.

The Ministry of Finance (MoF), is charged with the responsibility of economic management to foster sustainable national development. The Ministry has developed a unit under the Economic Management Department called the Financial Sector Policies and

⁵ <https://www.dailynation.info/credit-guarantee-scheme-to-support-priority-sectors/>

⁶ <http://www.daily-mail.co.zm/agriculture-industrial-credit-for-smes-promises-affordable-loans/>

⁷ <https://www.znbc.co.zm/credit-guarantee-scheme-launched/>

Management Unit which has taken the lead in the recent development of the NFSDP and NFIS as well the NFIS Secretariat and part of the Implementation Committee on the strategy.

ZICTA is responsible for regulating the Information and Communications Technology (ICT) sector in Zambia, which includes telecoms, which are also providers of mobile money services. Referred to as “The Authority”, it is overseen by the Board of the Authority, which falls under the Ministry of Transport, Works, Supply and Communications, and is supported by a Board who have expertise in law enforcement, economics, engineering, information technology and finance. Some of ZICTA’s responsibilities are to promote competition, regulate tariffs charged by operators, and protect the rights and interests of consumers, service providers, suppliers and manufacturers.

As part of a cross-sector public agreement, BoZ and ZICTA have joined regulatory forces to encourage the exchange of information to facilitate a steadily growing mobile market in Zambia. By doing so, they are showing interest in providing a regulatory environment “that fosters innovation and financial inclusion.” The BoZ will act as a supervisory and regulatory agent of these mobile financial services (Malakata, 2014) Reports show that Zambia’s uptake of mobile e-payments has been lower than other neighboring countries. As a result, the World Bank has been a key player in encouraging cooperation between ZICTA, the Zambian government, and mobile service providers to establish and grow a sustainable e-money ecosystem⁸.

The Securities and Exchange Commission (SEC) is the capital markets regulator. It was established through an Act of Parliament, the Securities Act no. 41 of 2016, and is responsible for the supervision and development of the Zambian Capital Markets as well as licensing, registration and authorization for financial intermediaries, issuers of debt and equity instruments and collective investment schemes. Although the Securities Act faces some legacy issues, a revamped management team has made significant improvements of supervision and enforcement. The SEC have played a key role in consulting and developing the NFIS in 2017 and sits on the NFIS Steering and Implementation Committees.

In addition, there is the Financial Intelligence Centre, which acts as the Financial Intelligence Unit (FIU) of the Zambian Government. Established in 2010, the center is the designated agency mandated to “receive, request, analyze, and disseminate disclosure of information concerning suspected money laundering, terrorist financing and other serious offences to competent authorities for investigations with the view of assisting with combatting in these serious offences”. Also, in 2010, the Zambian Parliament passed the Competition and Consumer Protection Act (CCPA) that establishes the Competition and Consumer Protection Commission (CCPC), a statutory body with “a unique dual mandate to protect the competition process and also protect consumers.”

⁸ <http://www.zambiainvest.com/telecoms/world-bank-encourages-telecom-sector-to-grow-zambia-mobile-money-system>; <http://www.zambiainvest.com/finance/usd-1-million-deal-improves-access-to-zambia-mobile-financial-services>

2.1.3 Providers of financial services

Zambia's financial services sector is comprised of an array of institutions of which are described below.

Commercial Banks

There are 18 registered commercial banks in Zambia, as per BoZ (BoZ, 2018b). There are close to 600 commercial bank branches across the country and dominated by foreign banks (mainly South African) mostly with a focus on middle class working segments and above and not the mass market. The top banks by market share are Stanbic, Barclays, Standard Chartered and Zanaco (locally owned bank) each with approximately 14% market share (2016). Some of the commercial banks (most notably Standard Chartered, Investrust and Atlas Mara) are participating in the mobile banking market by creating mobile banking applications, which allow users to access their accounts, transfer funds and conduct any other basic financial services the bank offers remotely through mobile devices. Ecobank has an established partnership with Airtel, allowing customers to transact between the Airtel Money account and bank account with Ecobank. However, only those who have accounts with the banks are able to access and use these mobile services.

Agency Banking

As a function of some commercial banks, they provide similar services to the Third Parties (3Ps) and telecoms providers, allowing them to create a basic list of products (such as cash withdrawals and transfers) for the lower income class, establish a non-rigorous vetting process, and provide small loans as a banking agent, which are primarily located in a retail outlet. This model varies from the traditional banking model in that the services are basic (deposits, withdrawals and transfers with certain limits) and more affordable. Agency banking helps to eliminate the barriers of access to financial services by reducing the long distances that customers must cover in order to enjoy a service. There are draft agency banking regulations that are currently being reviewed and designed using guidelines such as cyber-security guidelines from African Union that ZICTA follow. The three banks in Zambia that operate an agency banking model are: Investrust, FINCA, and Zanaco.

- **Investrust** provides basic banking services such as cash deposits and withdrawals, account opening, bill payments and cash transfers on behalf of the bank (Nyati, 2015), was incorporated by the Companies Act of 1994, and has branches throughout Zambia;
- **FINCA** is one of the biggest Microfinance Deposit Taking institutions, offering Loans and Savings products. In 2017 it released a case study of the in which it highlighted its journey of in the deployment of agency banking in the past four years. It out-lined “ten lessons for deploying a successful agency banking network” (Were & Lin, 2017);
- **Zanaco** apart from its role as an agent bank plays a key role in the Zambian community by focusing in knowledge-building by investing in financial literacy programmes

Building Societies

There are a total of three building societies supervised by the BoZ (as of 2018), regulated by Zambia's Building Societies Act. The three institutions are: (a) Finance Building Society; (b) Pan African Building Society; and (c) Zambia National Building Society

Telecom Companies

Telecom companies provide GSM services (voice and mobile data) and mobile payment solutions that allow person-to-person (P2P) money transfer services. As of December 2018, UNCDF reports that 89% of active customers accounts came from MNOs compared with third party and commercial bank accounts. The three MNOs are:

- **MTN:** In 2017, MTN won the best mobile money provider award and is regarded as the biggest player in Zambia, with 49% market share (2017 estimates), over 6 million users on the GSM platform and with almost 1 million on mobile money. The telco provides various money transfer, bill payment, and transaction management services through 3 main services: MTN Tamanga, which allows the entrepreneur to sell airtime; MTN Mabsela, which provides all of their customers with 100% talk time bonus for every recharge via mobile money, and MTN Kongola, which offers a convenient way to access a cash loan, any time, day or night, for whatever purpose, from a mobile phone;
- **AIRTEL:** Its mobile commercial service allows its customers to use Airtel Money (its flagship mobile money product) across its 16 African country markets as though the clients were in their home country and is the only network that allows cross border transfers between Zambia, Rwanda and the DRC. Some of the more relevant services they provide are quick and easy post-paid bill payments, smart-savings accounts, and instant-account-opening. Airtel is the second largest telecom player in Zambia with about 36% market share (2017 estimates) and almost 5 million users; it is, however, the largest in the mobile money space with almost 1.3 million users;
- **ZAMTEL:** The sole national telecom provider in Zambia with an electronic mobile money service which allows for wallet transactions and cash transactions such as sending money, buying airtime, and making bill payments. Though not cross-network, Zamtel's customers can still send money to subscribers on other networks. Zamtel has about 15% market share (2017 estimates) with about 2 million users.

A summary of the MNO mobile money services is shown below, as per UNCDF's assessment in 2018:

Table 6. Summary of MNO mobile money services

	1st generation services	2nd generation services
MNO mobile money	<ul style="list-style-type: none"> - Person-to-person transfers - Cash-in - Cash-out - Airtime purchases - Bill (utility) payments - International remittances - Loan disbursements 	<ul style="list-style-type: none"> - Loan repayments - Digital loans (Microcredit) - Bulk payments - Merchant payments

Third Party Operators (3P)

Third party operators are directly involved, but not the principal party, in the contracting, processing and fulfilment of money transfer and bill payment services (via kiosks).

- **Zoona:** The most ubiquitous 3P money transfer company, it can be easily identified by its green kiosks. Zoona and the UNCDF have done a lot of work around kiosks, agents and their handlers. For example, in 2017 Zoona was awarded Most Creative DFS Provider for its e-wallet product *Sunga*, launched with the help the UNCDF’s MM4P programme;
- **Speedpay Mobile:** Aggregates multiple bills with various merchants in the market and allows both local and international P2P money transfers. According to their website, Speedpay “promotes financial inclusion by providing banking services to the unbanked, ‘under-banked’ and banked through a carefully selected agency footprint”⁹;
- **Cgrate (543):** allows individuals and businesses to sell airtime and settle bills electronically; also allows merchants, customers and dealers to purchase electronic vouchers through a wide range of distribution channels;
- **Zampost (Swift Cash):** is a local money transfer service. There is no available information (in the past, nor at the time our research was conducted) on their (direct) participation in the financial inclusion agenda.

A summary of the 3P operators’ services is shown below, as per UNCDF’s assessment in 2018.

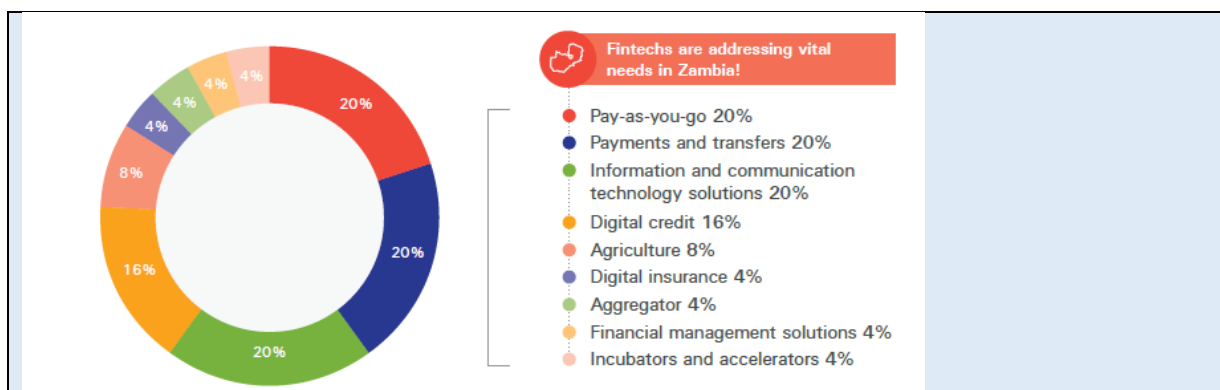
Table 7. Summary of 3P operators’ services

	1st generation services	2nd generation services
3P services	<ul style="list-style-type: none"> - Formal OTC Money transfers - Cash-out from bank account - Airtime purchases 	<ul style="list-style-type: none"> - Merchant payments - Bill/utility payments

There are other firms operating in Zambia that offer various fintech services that have an impact, aside from the MNOs, 3Ps and banks. The below Figure and Table highlight other firms that are addressing financial inclusion in some manner.

Figure 5. The vast spread of fintech services in Zambia

⁹ <http://www.speedpayzm.com/>



Source: (UNCDF, 2017)

Table 8. Key services and players in fintech

Source: (UNCDF, 2017)

Pay-As-You-Go	Payments and transfers	ICT solutions	Digital credit
Fenix International (solar power)	Zoona (3P)	Probase	MTN Money (MNO)
Vitalite (solar power)	Kazang (3P)	FinGen	Zoona (3P)
Kazang Solar (solar power)	543 CGrate (3P)	Necor	KwikFin (3P)
D.Light (solar power)	Speedpay (3P)	Zynlo	Lupiyo (3P)
	MTN Money (MNO)	Open CBS	
	Airtel Money (MNO)		

Microfinance Institutions

There are 34 Microfinance Institutions (MFIs) in Zambia who provide basic financial services such as savings accounts, insurance, credit and micro loans (the latter of which is their core business) and typically work with low-income individuals and micro entrepreneurs. MFIs form a relatively new financial service that has played a role in increasing financial inclusion particularly in the developing world. They are regulated by the BoZ under the Banking and Financial Services Act. The largest ones are: (a) FINCA; (b) EFC Pulse; (c) Bayport Financial Services and (d) Vision Fund

Other financial institutions

Other financial institutions in that country include:

- *Development Bank of Zambia*: A development finance institution, regulated by the Bank of Zambia, supervised by the Ministry of Finance, and mandated by the Government of

the Republic of Zambia to provide financial and non-financial solutions to enhance economic growth in the country.

- *National Savings and Credit Bank (NATSAVE)*: NATSAVE is a Government owned Non-Bank Financial Institution that was established in 1972 in accordance with the National Savings and Credit Act. It operates 38 branches and operates as a partner with the Government through Food Reserve Agency and the Fertilizer Support Programme under the Ministry of Agriculture in the handling of the bulk of the transactions in crops purchasing programmes subsidies.
- *Credit Reference Bureau Africa Limited*: The Company was founded in 2007 and is based in Nairobi, Kenya with a network of offices in East, West, North, and Southern Africa, including Zambia. Credit Rating Agency Limited (CRA) is a Zambian company, incorporated in 2011 and was licensed by the Securities and Exchange Commission (SEC) in 2014 to provide credit rating and related advisory services to institutions.

Informal financial markets

The informal financial markets are very popular, in particular in the rural areas, and are also very much used in more urban areas despite the access to more formal services. The most popular informal methods are a village savings group, called the *Chilimba*, and a short-term loan service, known as *Kolaba*. The *Chilimba* groups are a savings and loan method and common amongst women in Zambia and provide the opportunity for women to get together and pool their money, providing each other loans, charging interest, and receiving a return at the end of the year. The aspect of a trusted social network and meeting with each other socially makes this method unique by combining pleasure and informal access to credit and savings. *Kolaba* on the other hand is decreasing in popularity over recent years and can be described as a loan shark, which entails a very small short-term loan with extremely high interest rates, ranging from 25% upwards.

2.1.4 Inventory of current process and product innovations and the role of technology

Although there are no segment-specific products (i.e. women and youth), per the current providers, there have been a few initiatives and partnerships that are seeking to provide solutions to the general financial exclusion problem.

Table 9 below summarizes some the partnerships and initiatives that have happened over recent years.

Table 9. Inventory of Fintech Innovations

Partnership	Year	Initiative
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The World Bank's International Finance Corporation (IFC) and Airtel Zambia (ZambiaInvest, 2014)	2014	Provide Airtel Zambia with the assistance required to build a sustainable mobile money operation in the country with market research and advisory services on agent network management and business development strategies coming from the IFC.
Vodafone M-Pesa and MTN Mobile Money	2015	Announced an agreement to make their services interoperable, which will enable M-Pesa customers in Kenya, Tanzania and DRC to transfer money to and from MTN Mobile Money customers in Uganda, Rwanda and Zambia, further enhancing accessibility to international remittances.
Zoona and Woman of the year; Community Service Award winner Mwansa Bwale (Lusakatimes.com, 2016)	2016	#HelpingCommunitiesThrive The campaign was launched with the initial focus on discovering and rewarding female entrepreneurs, change agents, and managing self-made orphanages/organization in Lusaka who are helping their communities thrive. They sought out women below 35 years old.
MTN Zambia and Zimbabwe's EcoCash (LusakaTimes.com, 2016)	2016	Econet is the leading telecommunications service provider in Zimbabwe. The partnership will enable money transfers between people in the two countries who will be able to send and receive cash instantly using EcoCash in Zimbabwe and MTN in Zambia.
Fenix International and MTN with help from USAID and backed by Swedish Embassy ¹⁰	2017	Rural homes to be equipped with pay-to-own solar home systems expected to help eliminate use of candles; provides off grid customers access to affordable, expandable solar home systems to power households and small businesses.
MasterCard Foundation and UNCDF (Nyati, 2017)	2017	Providing support to Airtel, Zoona, Kazang Prepaid and MTN to build a robust DFS ecosystem that reaches low income people in least developed countries.
ZOONA Sunga ^{11,12}	2017	E-wallet product enables consumers to keep money safe at no charge; no paperwork, no minimum

¹⁰ <https://www.lusakatimes.com/2016/05/19/mtn-lands-partner-mobile-money/>

¹¹ https://medium.com/@Spore_Magazine_54746/mobile-money-field-report-in-zambia-zoona-innovative-mobile-finance-d5f8c3dad24d

¹² <https://ilovezoona.com/our-products/sunga-pockets/>

		balance, no monthly fees, only kwacha (less than \$1) to set up.
Pipeline innovation projects to boost financial inclusion in Zambia	2018	Discussions are currently under way to address the absence in inter-bank payment infrastructures that facilitate transactions across different banks and networks. In early of 2018 the BoZ, with the support of Zambia Electronic Clearing House (ZECHL) implemented the first phase of the National Switch project to address this issue opportunity.
Airtel Zambia and Standard Chartered Bank Zambia¹³	2018	Launched a new mobile money wallet platform dubbed “Straight2Bank” to give its customers the chance to instantly send money directly from their Standard Chartered Bank account to an Airtel money account as well as move funds from Airtel money account into the bank account.
Kazang Prepaid with UNCDF MM4P and HORUS Telecom & Utilities¹⁴	2018	Still in the very early developmental stage, Kazang Prepaid is piloting a quick and cost-effective application that will allow small organizations who seek to grow without spending a lot of capital up front.
ZAZU and FSDZ	2018	100 Days of Literacy: In October 2018 ZAZU announced a program as a result of a four month pilot study; a nationwide campaign to offer 100 unique courses on how money works (insurance, budgeting, investment and credit to name a few).

To give some context into what some other countries are doing, below is a brief description of current products that have been developed and are in use in Malawi, Kenya and Bangladesh. The table below shows a few countries that have launched products that seek to improve the financial opportunities for the mass market.

Table 10. Country Benchmarks

Country	Description
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¹³ <https://www.itnewsafrika.com/2018/02/zambia-airtel-and-standard-chartered-bank-launch-mobile-money-platform/>

¹⁴ <https://www.uncdf.org/article/3781/growing-big-while-still-small-kazang-case-study>

MALAWI	Pafupi Savings is a tailored savings account for low-income, unbanked rural people. This savings account was created by Women’s World Banking and NBS in Malawi and supported by the UNCDF’s MicroLead program. It relies on agent banking, mobile technology and community-based marketing to reach women (Womens World Banking, 2016).
KENYA	Launched using M-Pesa , a mobile phone-based money transfer, financing and microfinancing service launched in 2007 by Vodafone for Safaricom and Vodacom, M-Shwari a paperless bank account offering a combination of savings and loans through M-PESA (Mckee, Kaffenberger, & Zimmerman, 2015). According to Financial Inclusion Insights 15, more than half M-Shwari accounts were held by users without any other bank account, which clearly demonstrates the importance and penetration of mobile money services at this scale and impact on financial inclusion ((InterMedia, 2015) although currently there is no data on women and youth.
BANGLADESH	The country has been an early pioneer of microfinance for the rural poor, particularly with women, with huge efforts from the government including the launch of mobile financial services (MFS) in 2011, of which bKash and Rocket are the most prominent. The main difference is that bKash is a subsidiary of BracBank Company, and has received support from the IFC and the Bill & Melinda Gates Foundation, whereas Rocket is a banking process which does not require a bank branch, provides financial services, and was launched by the Dutch-Bangla Bank.

2.2 Women financial inclusion

It is a well-known fact that women around the world are at a disadvantage in accessing financial services when compared to their male counterparts. In Zambia, although the number of financially included adults has almost doubled between 2009 and 2015 (37.3% to almost 60%) (FSDZ, 2015), and the rate of financially included women, during this same period, was faster than men, the level of inclusion remained higher for men than for women, (61% men vs. 58% women) (FSDZ, 2018; Jones & Grundling, 2016), and geography (i.e. living in rural vs. urban areas) has a negative effect on financial inclusion for young women living in rural areas.

Even in formal and informal service usage, women continue to show low representation. Amongst those who use formal financial services (38.2%) women experience lower formal inclusion (33%) compared to men (43%). Nonetheless, this is not an unsolvable social problem and the Zambian government and institutions (i.e. BoZ) are making great strides to improve the financial situation of women across Zambia, and to close this gap by providing greater economic opportunity and reducing vulnerability (FSDZ, n.d.).

Women, by nature of social and cultural structures in many developing nations, are harder to identify and contact and therefore have less access to technological services in comparison to their

male counterparts (Zollmann & Sanford, 2016). To reach them is challenging for providers because it requires more investment of time and money, something that is not always an easy option for service when trying to make a quick assessment of service users. Consequently, providers are less incentivised to cater to women (Bin-Humam, 2017) due to the little data that is available on this segment leading to a lack of a thorough understanding of their attitudes and behaviors.

2.3 Youth financial inclusion

Per the 2015 FinScope Report, although they describe the adult characteristics of the Zambian population, they state that adults are “relatively young with 60.1% (4.9 million) 35 years or younger account”. However the 16-25 age group had much lower inclusion rates at about 54%. In 2009, this age group had the lowest inclusion levels at 24%, thus seeing a large increase in 2015.

Increasing and strengthening financial education for the whole population is necessary and important for the advancement of a strong economic market. Moreover, coordinating and implementing programmes that enhance a child’s financial literacy at the earliest point in their educational trajectory ensures long-term and sustainable economic results and growth for a country; an investment on investments, if you will. A key purpose for understanding youth’s experiences with financial services is due to their population density and growth and their potential to impact future economic growth. Collecting data on this group is important because, as the population ages, it will be necessary to observe the shifts and dynamics in their needs and behaviors when it comes to the financial services sector.

2.4 Summary

The overarching issue of financial inclusion for any group or population is the consistent presence of poverty. Without financial means or leverage, one is limited in accessing and benefiting from social, economic, and health services. In the context of education, those with lower levels of education typically demonstrate lower levels of financial literacy, which consequently affects the financial decisions they make.

There is evidence (as noted from the FinScope 2015 Report) of progress in financial inclusion from 2009 (37%) to 2015 (59%), and in particular youth segments of the population that have seen large changes in the period. Although women have showed fairly high rates of financial inclusion in the same period, the male counterpart continues to show higher levels of inclusion. However, taking the example of mobile money, the typical mobile money user as per the FinScope 2015 Report is a male, aged between 26-35, with secondary school education, located in urban areas working as a business owner or a salaried worker with middle to high income. It is clear there is much effort that needs to be made to reach the ambitious targets that the NFIS sets for 2022 (80% inclusion) that focusses on marginalized segments of the population (women and youth) in low income rural areas.

Perhaps, a result of this study and others to come will help providers and stakeholders to take on new and innovative approaches to reach these “hard to target” populations. Rather than creating a model that “forces” the women to leave their difficult social and familial structures that inhibit

them from accessing these services anyway, by better understanding their behaviors, mobile companies could find ways to imitate the women's informal strategies like implementing features of Rotating Credit and Savings Associations (ROSCAs), for example, into improving financial access and inclusion (Sachdev, 2016).

DRAFT

Chapter 3: Assessment of women and youth financial inclusion

3.1 Assessment of financial inclusion among women and youth

As indicated in Chapter 1, this study consulted women and youth from both rural and urban areas using quantitative methods (the quantitative data illustrated in this chapter is from this primary research) and six focus group discussions to gain an in-depth insight on their knowledge, awareness, and behavior with regard to financial products and services. This data was complemented by the results from interviews from the various categories of financial service providers (indicated in Chapter 1.3) and both government and non-government regulatory bodies.

3.1.1 Demographics

A total of 467 Zambians were interviewed for the quantitative research part of this study. Respondents for this research came from Lusaka province with a bit more than half (58%) residing in urban areas. Participation rates were representative of overall population distribution: slightly more women (51%) than men (48%) participated our research, and comparing geographic area and gender, urban females had the highest participation rate (31%), of the whole sample.

Table 11. Results: Demographics

GEOGRAPHIC AREA	URBAN		RURAL	
	FEMALE	MALE	FEMALE	MALE
Lusaka Province (n=467) (% of total)	147 (31%)	125 (26.8%)	94 (20.1%)	101 (21.6%)

As is generally expected, living in an urban community had a positive impact on education attainment (58.7%), when compared to those living in rural communities (41.3%). The dropout rate, however, did not seem to be impacted by geographic location with 40% “non-completion” in both rural and urban communities.

Educational attainment amongst young, rural males was higher than their counterparts, whilst this was also true amongst young, urban women. Whilst young, rural males were twice more likely to complete a senior secondary (67, 2%) and three times more likely to complete a university level education (75%) compared to rural youth female (32.7%; 25%); more urban youth female (58.7%) completed a senior secondary level education than men (43.8%), and were 1.5 times more likely to obtain a university level education (60.1% vs. 29.1%), than urban youth men.

Among the youths, we found that urban residents were almost six times more likely to achieve a university level education, than their rural residents (9% vs. 2%). Compared with national data shown in Table 14, this study shows a better ratio. At a national level as per the 2015 data shown below, a mere 6.1% have a university degree (or equivalent),

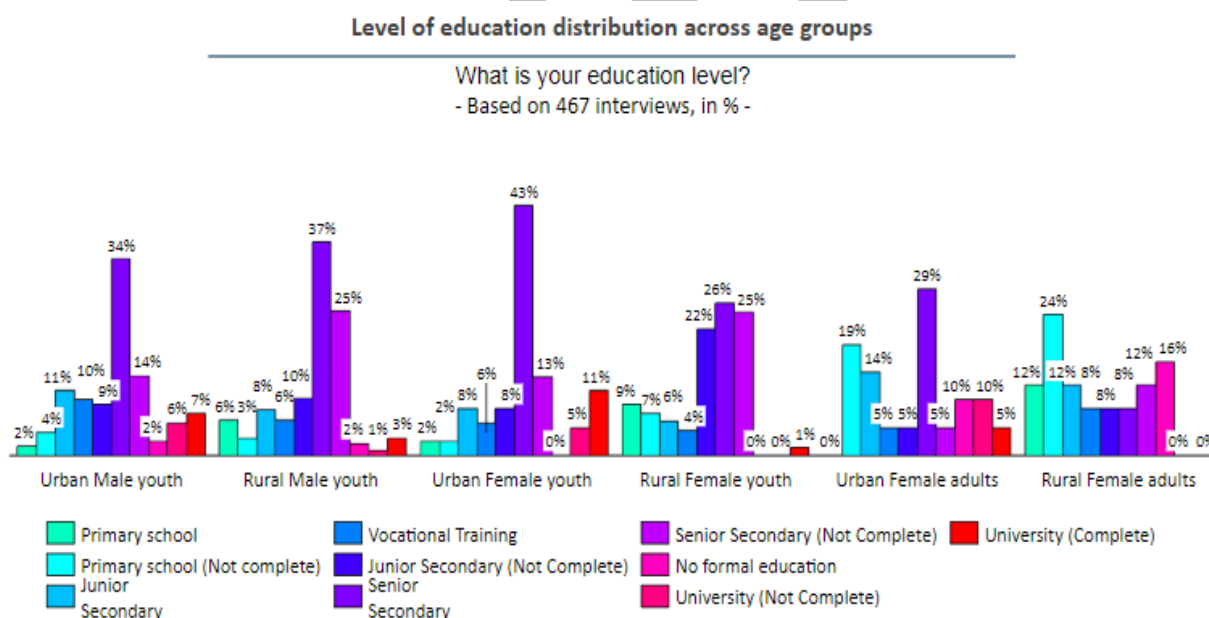
which is in line with the respondents surveyed at 6%. However less than 3% of the respondents reported not having any formal education compared to the national level at 27%.

Table 14. 2015 percentage distribution of population by highest level of education attained

Residence, Age Group and Sex	No Education	Grade 1-12 (O-Level)	Certificate / Diploma / Degree
Total Zambia	27.0%	66.8%	6.1%
Male	25.2%	66.9%	7.9%
Female	28.7%	66.8%	4.5%
Total Rural	33.4%	64.9%	1.7%
Male	31.4%	66.2%	2.5%
Female	35.3%	63.9%	0.9%
Total Urban	17.9%	69.6%	12.5%
Male	16.4%	68.0%	15.5%
Female	19.3%	71.0%	9.7%

Source: 2015 Living Conditions Monitoring Survey (Central Statistical Office, 2015)

Figure 6. Sample base level of education



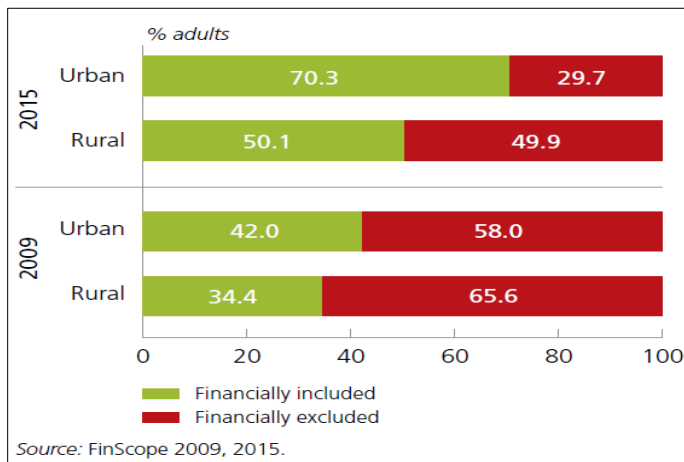
For our research we were not only interested in discussing the strict access and usage attitudes and behaviors of youth and women towards financial products and services, but also wanted to discover how our respondent’s education level, earnings, and occupations played a role in their financial attitudes and behaviors, and decision making. The following sections provide insights on these habits.

3.1.2 Access

a. Demand side

According to the NFIS (2017-2022) and the FSDZ FinScope 2015 report, the urban-rural gap is worse (in terms of financial exclusion) than that between gender. Only 50% of rural residents, compared to 70% of urban residents, are financially included. This gap seems more significant than that of men and women, which is 61% and 57% respectively. It is important to briefly point out that the urban-rural gap does exist and plays a significant role in the mission to achieve an inclusive financial environment and realizing the targets set forth in the NFIS.

Figure 7. Urban-Rural Gap in Financial Inclusion



Regarding which financial services are accessed in any given month, mobile money agent (45.6%), mobile phone (11.7%) and bank branch (11.4%) were the three most accessed financial services by survey respondents. It is evident using mobile money agents are by far the most popular way to access formal financial services, ranging from high income urban respondent to low income rural ones. The majority of the sample who reported having a financial account were from the 25-35 age bracket and living in urban areas. Compared to the rural area, urban female youths were almost nine times (35% vs. 4%) more likely to own an account.

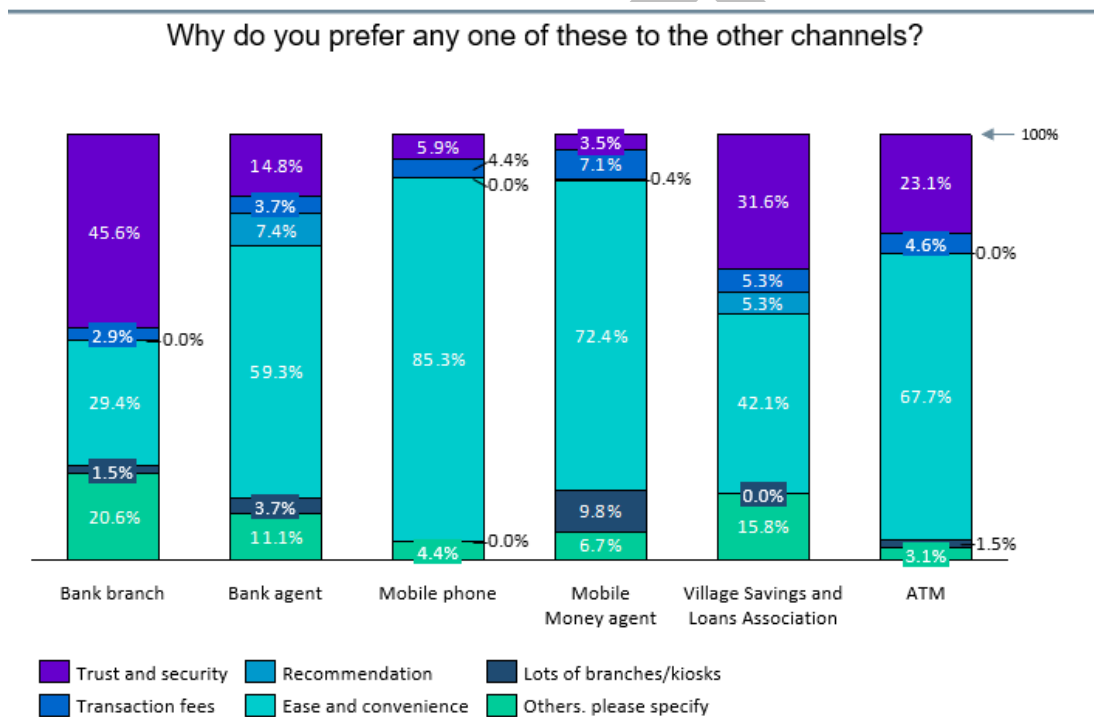
Trust and security are central factors for banking branch users amongst our sample, noted in Figure 7. Approximately 46% of respondents use these types of services, however a large number prefer to use mobile money agents and mobile phones due to its ease and convenience. Saying that, not many respondents reported trust and security as a major factor for using mobile money agents and mobile phones, in line with discussions in the focus group discussions from rural communities. It is worth noting a third of respondents utilize village savings and loan associations, which is primarily informal in Zambia, because of trust and security.

Interestingly, our qualitative interviews enlightened us to another concern regarding bank accounts. Some adult females from urban communities reported that their “money went missing”. Upon further probing we found this could be down to the lack of

information provided at point-of-service regarding the type of accounts (i.e. savings vs. current) they were opening and the conditions (i.e. transaction or account fees) related with that certain account, as one female bank worker explained:

“Bank charges, like when just checking balances and even transactions; high bank charges; high interest rates when you get loans, the banks never communicate on downward adjustments but only upwards adjustments and they continue cutting your account balances even when the period of payment is over.”

Figure 8. Reasons for preference of financial services channels



Location/proximity, transaction costs, and insufficient funds and/or collateral, play an important role in accessing financial services and products. A significant number of rural females (69%) reported that they simply did not open a financial account due to the lack of funds. Almost a third of the respondents reported transaction fees as another main restriction. Recommendations or word of mouth ranked

The three main reasons for saving money were primarily for emergency purposes (54.3%), business related expenses (30.4%) or to pay school fees (20.3%). Rural and urban male youths behaved similarly in terms of these areas of saving patterns. In the year prior, the majority of respondents had either saved money “at home” (38.1%) or using a Mobile Money wallet (48.2%).

Borrowing behavior was same between urban both urban and rural, youth males

and females, in that they reported borrowing money more frequently than adult females. The main purpose for borrowing funds was to cover household expenditures, or debts (59.6%), business related matters (24.1%) or for school fees (14.9%). Amongst those who were unsuccessful with obtaining a loan from a bank, 11% tried another provider.

b. Supply side:

The private sector, in particular the mobile network and fintech operators, play a key role in helping to find solutions that improve financial inclusion of women and youth. Our consultations with the key supply side agencies revealed the following:

There is little business case to be made for expansion into the rural areas or products that cater to the needs of women and youth. Business expansion into rural populations requires a positive and encouraging business case, amongst other things. The lack of well-defined data analysis (e.g. aggregated/segmented data) and poor rural infrastructure (e.g. roads, little to no access to electricity, low tech and financial literacy) affect rates of uptake thereby influencing potential profits and consequently result in the spread of access points in more densely populated areas.

From a business and commercial perspective, it makes more sense to concentrate and promote products where there is higher population density. Rural areas tend to be sparsely populated and difficult – thus, more focus is put on the mass market. Expansion plan tends to focus on Lusaka City (Province: Lusaka), with the greatest number of access points (i.e. ATMs and/or kiosks) for almost any type of financial services, followed by Ndola (Province: Copperbelt). Our research has shown that this consequently has led to no specific products that cater to youth and women. This has been the consensus from MNOs to commercial banks. Notably, third party operators such as Zoono are attempting to close this gap and push into rural areas, but the points of population density, and therefore a lack of a positive business case, brings forth limited results.

Nonetheless, financial services providers continue exploring alternative (digital) channels and access points to expand their current base – however, this process can be complex. Although MNOs and third party operators have primarily relied on agents (via kiosks, which are costly to set up) they are increasing channels through agency banking, partnering with Mom-and-Pop retail stores and existing retail outlets. Each outlet (whether a kiosk or a retail 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). To address some of these challenges, MTN and Zoono firms are piloting savings and loans products and, while not specifically targeted at women, it is thought that it is women who may make the most use of these products.

Another key part to accessing financial services, in particular DFS, is the communications network. Improvements in the quality of service are necessary, in general, but the shortage of towers in the rural areas, more specifically, presents a significant barrier to access of services and products. There is progress being made by ZICTA and Zamtel with

aggressive plans to install more than 1,000 towers in the next couple of years, with a key focus on rural areas, targeting 100% mobile coverage nationwide.

Knowledge, awareness and costs are noted as the primary hindering factors in financial service and product uptake. According to the financial service providers, they provide information about the products through various mediums, but the gap in product uptake is partly due to how the message is communicated, how consumers relate to it, and inadequate financial education. They also noted that added or hidden costs from taxes, transactions and commission fees that are passed down to the end consumer have created unpleasant surprises and experiences that result in the avoidance of financial services and products. These experiences are shared in their social networks, which consequently has a knock-on effect on prospective users, in particular in rural areas where income and education levels are generally lower.

Other financial education efforts have been put in place by other private sector players such as Zanaco Bank, which implemented a project called Financial Fitness, in 2008, that targeted pupils in grades 8 and 9, and was delivered as an extracurricular activity (C. Aprea, E. Wuttke, K. Breuer, N.K. Koh, P. Davies, B. Greimel-Fuhrmann, 2016) This project promoted and stimulated financial literacy among children and adults. In 2011, it reached 6,000 school children and 4,500 student teachers (Zanaco, 2011).

Another great initiative that is in the making is from ZAZU; in 2018, ZAZU, a relatively new player in the DFS space, partnered up with FSDZ to undertake a pilot study on teaching people about financial services, reaching over 6k people who completed over 15k courses ranging from credit and insurance to investments and budgeting. The plan is to launch a national campaign using this platform to help address the financial literacy challenge (noted in Table 9).

It is evident from most stakeholders that communication strategies will need to differ between urban and rural communities as they may influence attitudes towards using financial products and services. Among urban populations, advertising proximate products and services via electronic and print media is likely to create a substantial impact on service access, uptake, and usage. In comparison, sparse and isolated populations in deep rural communities, tend to more heavily, and effectively, rely on word-of-mouth as a form of passing knowledge and increasing awareness.

Consensus from supply side stakeholders indicated that sudden and unexpected life events (i.e. unplanned birth, funeral costs, medical emergencies) can hinder proper financial stability, especially among the already financially strained. Accessing financial services and products in these times of urgent need could potentially ease this financial burden by providing short-term and micro-loan products. Firms like Zoono and MTN have recently launched micro-loan products that attempt to address some of these noted challenges.

Some of these collaborations are in their early stages and will take time to realize impact. Airtel Zambia and Kazang Prepaid (see Table 9. Inventory of Fintech Innovations) are examples of products and services that are relatively in the early stages of their testing and launch paths, in which collaborations are occurring between the supply and the regulatory sector.

Nonetheless, more could be done to incentivize the supply side institutions to conduct research that explores the uptake and viability of specific product classes by gender and/or age.

c. Regulatory:

The financial inclusion **target has been set to 80% of Zambia’s population (formally and/or informally) and 70% of the adult population (formally) by 2022**, and policy and strategy frameworks like the NFIS are designed in such a way that each sub-sector is catered for, from the traditional commercial banks to the more recent digital financial services.

Women and youth segments, as well as rural areas, have been considered in developing this Strategy. The idea is to empower these groups by developing products that accommodate them. One key action pillar in the NFIS is to improve diverse, innovative, customer-centric DFS products and services.

In line with the NFIS, the BoZ has set specific objectives in its 2016-2019 strategic plan to increase formal financial inclusion to contribute to enhanced living standards, with a focus on non-cash payment systems (digital and mobile), ensure the implementation of National Financial Switch, improve financial inclusion in rural areas and ensure regulatory and supervisory functions are in place to protect consumers. Details of the numerous policies and strategies implemented by the regulatory sector can be found in Section 2.1.

“If such information [i.e. financial service access by small scale farmers, SMEs, youth, and women] is collected then the regulators can work with providers to ensure that there is proper coordination in providing the best services. Because regulators and providers have different agendas but [are] working towards the same goal of providing better Digital Financial Services, they need to be working together in implementing these policies. Working together will help avoid duplication of efforts and save on time and resources by complementing each other’s efforts in

Consensus between regulatory agencies and members revealed that it is difficult to conclude which specific factors from policy and legislation including the NFIS are hindering financial inclusion for women and youth. Lack of versatile data and information is a primary concern. Although FinScope (from FSDZ) is heavily relied upon to provide data on financial inclusion, data from the private financial service providers and more frequently collected data are essential to better understand the needs and problems faced by youth and women when accessing and using financial products and services. Gaining clarity on the “where, why, and how” of financial attitudes, knowledge, and behaviors is key when it comes to informing policy and strategy that will later impact overall financial inclusion objectives. Collecting more nuanced data from relevant stakeholders will shed more light into the specific needs and problems of this target group and influence product development decisions.

The NFIS has allowed regulators, providers, NGOs and development agencies to engage in dialogue and reforms are in place so the next essential step is to attract partners who are willing to commit resources that provide financial and technical support to this structure

to the NFIS; discussions are currently being held with various international partners to have a dedicated budget that will more successfully support the execution of actions outlined in the Strategy.

Across the board, there was little difference between the challenges affecting financial services deepening highlighted by the regulatory bodies and those uncovered during the quantitative and focus group phase of this study. Proximity, lack of proper infrastructure, poor financial education (literacy), poor/inadequate communication, and costs/fees were amongst some of the barriers that the target population reported they faced when confronting issues related to access to financial services. Proximity of financial access touchpoints is a key factor in accessing financial products and services. Some deeply rural communities in Zambia must travel long distances to access services, and do not have the time or financial means to do so.

Evidence shows that the farther away one is from a densely populated area (e.g. urban areas) the less likely there will be necessary infrastructure capacities to promote and influence uptake of financial products and services (Aslı Demirgüç-Kunt; Thorsten; Beck; Patrick Honohan, 2008; CGAP & The World Bank Group, n.d.; Chitedze et al., 2016; Fletschner & Kenney, 2014; InfoResources, 2008). This lack of expansion to rural areas and less densely populated areas seem to be in part due to the lack of focus on product development because of the perceived low business in such areas. In the 1980s, the BoZ imposed regulations that required commercial banks to open every fourth branch in a rural area. This was met with strong resistance as the banks claimed that expansion into rural areas would bring low profits to their investors/shareholders. There are attempts to do something similar in the digital front but the preference is to motivate DFS providers, rather than compel them. There is strong encouragement towards supporting private sector investments in off-grid energy in order to harness renewable energy sources in rural areas to improve access point.

Where they can, they will use more informal methods such as *Chilimbas*, the Zambian village savings group, which are very popular among women regardless of where they live. It is difficult to justify opening a bank account, to a customer, when the transactions or administration fees are out of proportion relative to their income – the average monthly maintenance fee for a basic bank current account is about \$5, with most requiring a minimum balance. Consequently, many hard-to-reach consumers prefer to keep and use cash over any formal account; even with the continuous uptake in usage of mobile money and similar DFS products, cash will be used simultaneously. Community strategies like *Chilimbas* help to avoid the costs placed on the customer during a single transaction on a debit card. However, some work is currently ongoing to make pricing of digital financial transactions more rational. In early 2018, the first phase of National Financial Switch project was implemented to interconnect payment systems between mobile payments, ATMs, and POS machines, and lower transactions costs; this was spearheaded by the BoZ, in collaboration with the Zambia Electronic Clearing House (ZECHL).

Cultural perceptions and practices present major barriers for women who attempt to access financial products and services. One major challenge from the regulatory

perspective is the general lack of interest to learn more about financial services and products. A suggested explanation points to their low wages and income frequency (e.g. financial participation) thus hinder their capacity to access these services. Historically, women in Zambia were not allowed to own land (although there are laws being drafted to change this) thus impacting their availability to use their land as a form of collateral for access loans.

"...perceived gender issues are a big disadvantage. One of the major challenges is the cultural perception that certain businesses...activities... can only be done by the male population. It is hard for a women to get funding compared to men.. everyone things a man is more capable and they use money more effectively. [Men are] perceived to have a better understanding of construction [like building a house] than women, so [are] more likely to get financing. [Differing] income levels and frequency of receiving income is another contributing challenge."

One important and current challenge faced by the regulatory side is the attempt to keep legislation up to speed with new technological innovations. At the moment, legislation is not up-to-date and information flow is a problem. Although Zambia has good policies and regulations, there has been poor implementation because of the weak structures in place and notably challenging to keep legislation up to date and in line with emerging trends. There are some signs of progress: the BoZ provides appropriate regulatory oversights to ensure the safety around areas such as agency banking (of which draft regulations are currently under review), and the Ministry of Home Affairs is pushing to improve and implement safety measurements with issues such as fraud and consumer data protection in the digital era.

A better understanding of a specific customer base through effective and relevant research can positively impact how product and service is catered and disseminated to those consumers. The regulatory perspective is that the supply side sometimes lacks an understanding of how to communicate with specific customers causing a communication breakdown in the servicing of rural areas, which leads to the offering of generic products. To enhance this pathway, the regulators and NGOs are seeking means to improve current educational proposals and marketing and communications solutions that not only enhance the financial experience but also inspire more engagement and thus awareness of the lifelong benefits of financial participation.

With the right financial knowledge, tools, and training, consumers can correctly and very effectively manage their own finances. Knowledge and awareness are key in driving the financial inclusion agenda and all stakeholders are aware that there is a deficit in financial literacy programmes and schemes that cater to women and youth, which ultimately impacts their path to successful financial inclusion and leads to poorer financial management, thus producing negative life outcomes. The TEVET programme is one area in which Zambia is seeking financial literacy solutions.

The MoF and the World Bank's strategy on financial education was used to improve knowledge, understanding, skills, attitudes and behaviors to support increased financial capabilities of low-income Zambians. There is a belief that the

inclusion of the financial education curriculum in schools is key to ensure young Zambians are exposed to best practices from an early age; current discussions are underway in pushing to include basic financial education into the primary school curriculum and will also be part of the second round of the National Strategy on Financial Education. In 2012, Zambia implemented this strategy as a five-year program which set out the direction and framework for improving financial literacy among Zambians. Upon its completion, at the end of 2017, a review and implementation phase is now underway to determine the next phase and steps.

The SEC has made some headway to boost financial literacy in schools and universities with a practical approach by providing students an opportunity to participate in an investment simulation using listed companies on the Lusaka Stock Exchange (LuSE). This provides students with an active participation in learning about capital markets and finance, from concepts such as profiting from a stock trade to learning about events that can cause stock prices to fluctuate.

“There are also discussions to open doors for children to have bank accounts as a way of starting to save early to have better financial skills throughout their lives. The inclusion of the financial education curriculum schools is key. The government is also looking at how payments are made to them, primarily school fees (public school)”.

The Government is working with civil society organizations and social networks to support capacity building programmes that are gender responsive, and more importantly, equal. The Ministry of Community Development and the Ministry of Gender, respectively, have developed a few programs which include the Girls Education and Women Empowerment Livelihood (GEWEL) project which seeks to improve the financial livelihood of women and give access to secondary education for disadvantaged adolescent girls. Graca Machel Trust (an NGO), through New Faces New Voices (NFNV), **aims to increase access to finance and financial services within Southern Africa for women, and most particularly in Zambia, where it is most active.** This network of women consults with BoZ, MoF and other regulatory groups to pull down barriers in finance and liaise with the private sector to develop specific products that cater to women.

There are rules and regulations that are being evaluated to reduce the cost of doing business and access to alternate channels. The BoZ has made it possible for financial and non-financial institutions to acquire a license to operate in alternative channels, creating a system where all players can enter the market and engage to deliver quality and effective financial services. The launch of the Zambia Industrial Commercial Bank Limited (ZICB) in 2018 by the Minister of Finance (MoF) hopes to address the challenges faced by local entrepreneurs in accessing financing which stimulates growth of SMEs and local businesses, by progressively evolving into a fully-fledged digital bank.

Agency banking regulations have been drafted and are under review, with active discussions and consultation with FSDZ. In addition, the Business Registry Division is looking at reducing costs of opening a firm and doing business in Zambia. Although the intention

is to improve the capital share ratio in order to make more credit available in the market, this has not resulted in more affordable credit.

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3.1.3 Usage

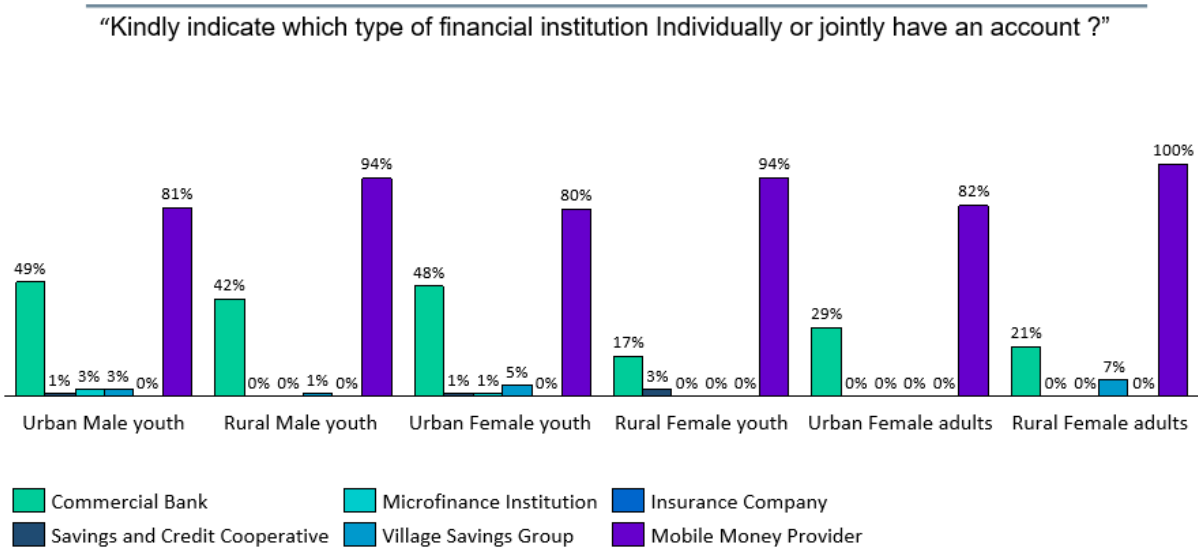
a. Demand side:

This section will provide an analysis of the outcomes from the questionnaire and focus groups discussions that covered usage of financial products and services.

PREFERRED USE OF FINANCIAL PRODUCTS/SERVICES

In the overall sample population, more than half (64%) of the respondents having a mobile money account, yet cash is still king. When probed on the preferred method of payment various expenditures, cash was the most preferred method: food (96.4%); school fees (62.1%); transportation (30.4%); medicine (89. %), purchase of agricultural equipment (21.2%), life events (i.e. Marriage, funerals) (69.2%); remittances (28.3%); solar energy (76.5%). Nonetheless, most (non-cash) financial activity (i.e. account access and usage) is through a mobile money provider, as noted in Figure 8. The majority of the respondents reported using a mobile money provider. Commercial banks are the second most used service, with the rural female youth utilizing this the least, in line with the access points of commercial banks available in more rural areas.

Figure 9. Financial Institution Accounts



Lack of access to sufficient funds was a barrier to opening an account for many. Almost half (45%) reported they could not own an account due to the lack of funds, of which most reported that money received was spent shortly after receiving it; liquidity is requirement, therefore only using cash. On a small scale, other reasons were due to lacking required documents (8.5%) or not knowing how to use the account (6.8%). When probed further about not using mobile money accounts, the most reported response was the lack of need of mobile money.

MOBILE OWNERSHIP & MONEY

Overall mobile phone ownership, in particular, smart phone ownership is very common amongst the respondents. Of the 75% of the respondents that report having access (owning) a phone, 59% reported owning a smart phone (Table 16). Almost 50% of youth have

smart phones while 57% of female respondents have basic phones.

The majority of smart phone owners were young, urban women (36%) and men (30%), and young, rural males (17.6%). Whilst older females, overall, had a very low (5%) representation in mobile ownership, phone ownership was almost equal between males and females. Nonetheless, males over dominated phone ownership across all types, supporting the established knowledge regarding the gender gap and mobile products and services (Jones & Grundling, 2016; UNCDF, 2017; UNCDF & MM4P, n.d.).

It was evident from our respondents that mobile money penetration was particularly strong between MTN and Airtel clients. A total of 91% of the respondents reported using one of these two services ‘multiple times within a month’, and around 85% hold an individual or joint account with a mobile money provider.

“It [Mobile Money] is convenient because the booths are found everywhere and also phones can be used. Charges are not much when withdrawing. Easy to send money and it has no book balance. The only challenge is lack of space and also withdrawing is not available all the time like 24/7 as banks [ATM] do.”

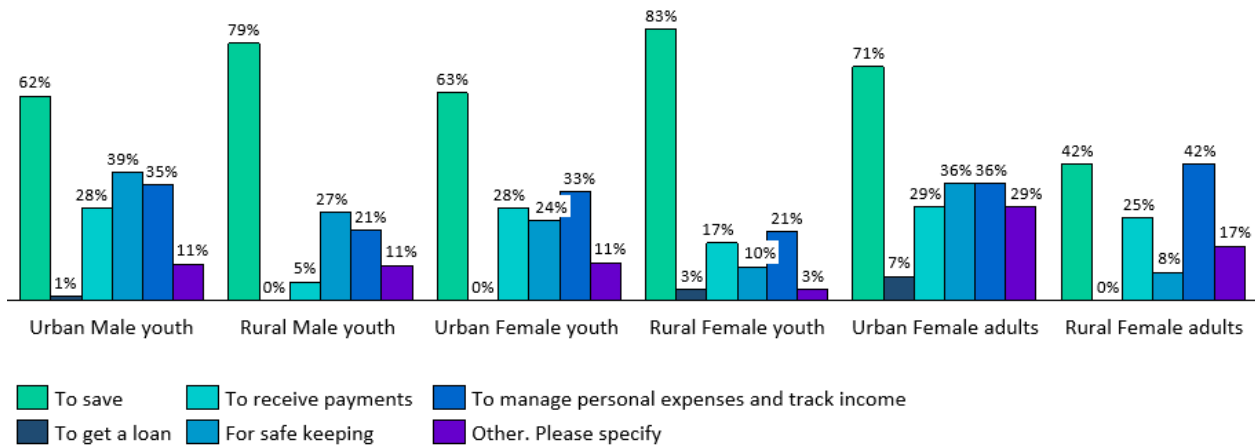
Almost all (94%) reported having used mobile money at some point. Over the past year, almost half (48%) of the respondents have saved money in a mobile money wallet, the highest concentration being amongst urban, adult females. No adult, rural females use mobile wallet because they prefer to keep cash at home, or in their physical wallet. Differences were noted only amongst the female adults in rural areas (21%) that use mobile money account to help them receive payments.

The majority of the respondents have mobile money accounts registered in their name and primarily use it to save money. Among the whole sample, it appears that friends/relative have the biggest influence on which financial account to prioritize, and the majority of the youth sample use this network to also access loans mainly for family emergencies (15%). However, household expenditures had a significant factor on why females borrowed money from family/friends.

Client uptake and retention appears to be quite successful for formal services, in particular mobile money. Amongst mobile money service client, around one-fifth (19%) have been long-term (e.g. three to five years) clients, and 76% are new clients, having just opened an account over the past two years. The key source of information for uptake across the board was general advice received from family, friends or word-of-mouth and the main reason for opening a mobile money account was to save money, as noted below in Figure 9.

Figure 10. Reasons for mobile money account registration

Why did you get/register for a mobile money account?



FINANCIAL ACTIVITY

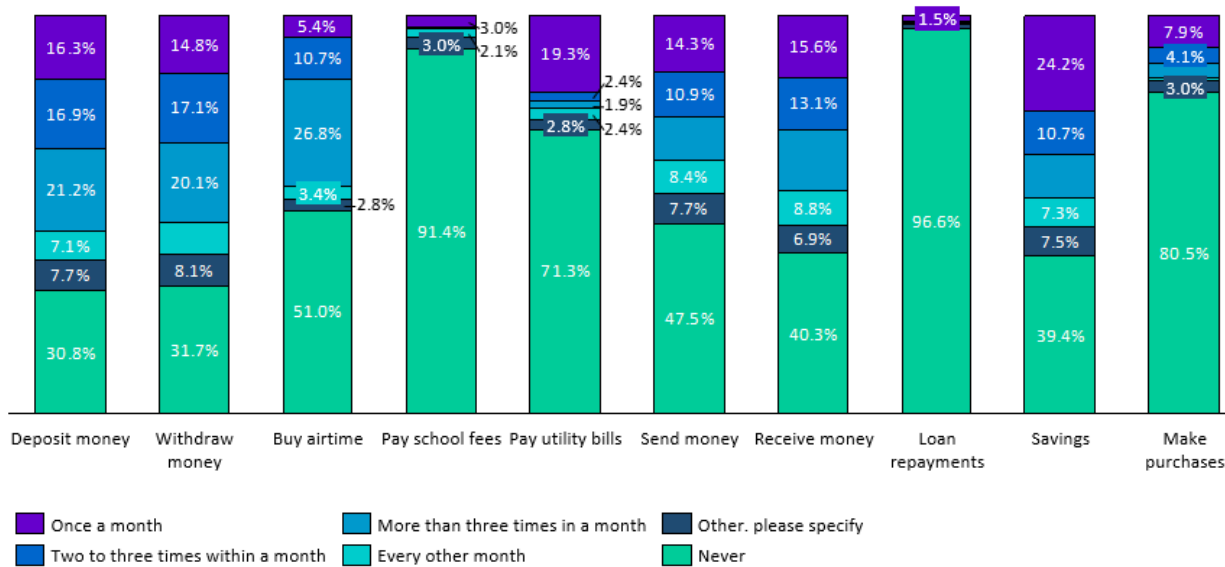
Deposits, withdrawals and buying airtimes appeared to be a preferred weekly practice amongst respondents, as noted in Figure 10, with the exception of rural female adults and youth, who rarely made use of these types of transactions. Paying for bills (utility and school) and making purchases were transactions that the cohorts used the least, with rural respondents not making use of this service; MNOs and third-party operators offer these services, albeit for limited providers, such as electricity, water and TV. Almost a quarter of the respondents (24.2%) used their accounts once a month for Savings, with the urban female adult utilizing this the most (43%) amongst the respondents. Across the board, the urban respondents made use of utilizing their financial accounts for the various transactions than their rural counterparts, in line with rural respondents more likely to use cash.

A significant number of the sample expressed that they do not use swipe cards (45%), savings (22%), and mobile phone (20%) due to the lack of information available on services and how to use them. During the focus group discussions, we gained further insight into additional challenges confronting the sample, apart from the well-known ones (i.e.: network infrastructure); some of the respondents commented about challenges of withdrawing at the ATM.

“Online banking has high cost when going to Internet cafe”; “Bank ATMs only give larger notes. They are not favourable when one wants a smaller note.”

Figure 11. Frequency of use of accounts

How often do you use any of the accounts mentioned previously for the following purposes?
 - Based on 467 interviews, in % -



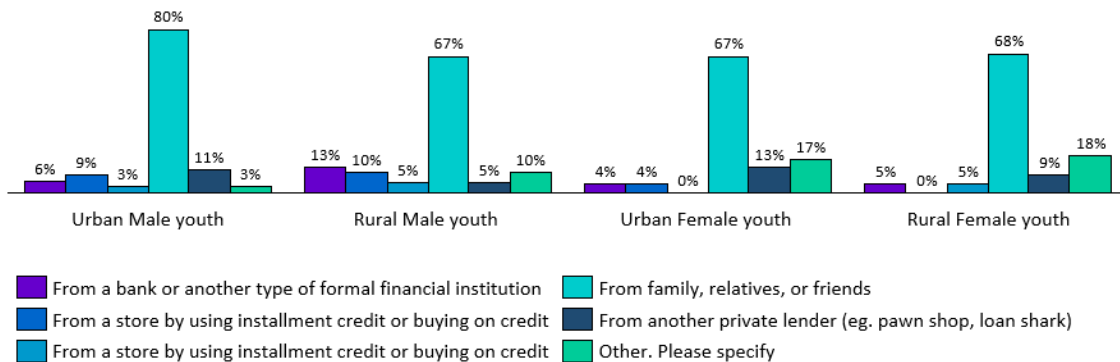
LOANS

Lack of access to loans hinders the ability to participate in the financial market for individuals and business owners. For critical payments, the respondents (67%) tended to borrow directly from a family/friend; 80% of urban male youth cohort used this form of credit. The second most used source of credit was a bank loan, at only 10% of respondents. Small business owners made up 82% of the sample population and they reported that a loan product would be *more* useful in improving their business (34%), more than financial training/literacy (24%), a remittance (18%), or an investment (8%).

Figure 12. 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 % -



Yet, lack of collateral, ability to demonstrate they could pay back the loan (i.e. stable income), and existing debt/no guarantor were the all equally given as reasons for being declined for a loan. A few also reported that they were aware of loan programs (i.e. microfinance/microcredit loans, they were unaware of the name of the program) that targeted women and found them to be effective.

“Another program by women for change. This program is aimed at empowering women to be involved in decision making...one program ...gives women loans to start businesses and they pay back little by little”

“Yes they are effective because we become active, socialize and learn to trust others. They have also seen those who participate benefit positively.”

b. Supply side:

Data is helping to better inform supply side stakeholders on usage patterns of available products. It has been noted that transaction numbers were mid and end of the month, generally when bills are paid and incomes are received. Third party operators have also observed a seasonality effect in line with the agricultural season, which occurs once a year, amongst marketers and traders that they deal with.

However, segmented data still sought after in order to gain better understanding of spending and savings attitudes and behaviors of women and youth. Youth are early adopters of digital (newer) products (i.e. mobile money) and demonstrate a higher usage of products and services but show poorer savings habits. Women are generally responsible for domestic bills and tend to be good at managing finances as well as saving for specific projects or needs. But whilst the older generation of women can be conservative in regards to adopting new

products this may not be so amongst the growing younger generation of women¹⁵, in particular DFS products, evident from this study that youth are more likely to be adept.

Products from MNOs and third-party operators at the moment are available for the mass market, and not yet targeted towards segments of the population, with commercial banks targeting institutions and middle class working population and above. For example, from the current financial products and services (including mobile money), cash withdrawals and paying for airtime are two of the most popular services used by both men and women. Although depositing or transferring money is usually at no or little cost, there almost always is a cost for withdrawing. Depending on the amount withdrawn, the fee is based on a tier system ranging from K2.5 to K30 (BoZ, 2018a). It was expressed that although efforts are being made to collect segmented data more effectively through digital means by some institutions (MNOs and third party operators) these initiatives are only starting and thus will take time to provide useful trends and patterns for product development purposes.

Unexpected events do not only affect the demand side, natural disasters or large-scale health alerts also impact financial services as well. During the 2018 cholera outbreak severely limited accessibility as kiosks were forced to shut down for a period of time consequently heavily impacting the flow of business for the providers as well as the customers rely on the uninterrupted functioning of these services for their personal or business related matters. Fortunately, the private sector and relevant ministries are in constant discussions about how to deal with these types of incidents in the future.

New and alternative energy sources are a promising solution to address the rural community issues, as well as cope with the aforementioned unexpected events. Companies have begun introducing products that provide alternative energy sources to Zambians living in rural areas that contribute to financial inclusion through their digital payments-enabled products:

- One example is Fenix International, which in 2017, partnering up with MTN and supported by USAID, launched a pay-to-own solar home systems as part of their ReadyPay Power product which provides solar power to rural residents;
- Similar to the pay-go style services, is VITALITE which created the first PAYGO (pay-as-you-go) product in Zambia to provide affordable SHS (Solar House Systems), also to rural residents;
- In August 2018, Kazang Solar received 1.6 million USD from the African Enterprise Challenge Fund (AECF), a development institute, to provide solar home lighting products to more than 7,000 off-grid customers in rural Zambia. This product was piloted in Nigeria in 2017 with great success and thus has been expanded to other African countries. It also appears that customers are willing to learn and use digital payment processes in order to access more affordable and reliable sources of energy.

¹⁵ There are conversations regarding on why this may be, and although no specific study has been conducted on the generational gap in financial product and service uptake, some contributing factors may be that more and more women are leaving rural communities to get jobs in the urban areas, and this impacts on their ability to have the resources to open accounts, or have the means to access products and services, that women in rural areas cannot afford.

c. Regulatory:

Organizations and agencies are using their specific mandates to address issues and challenges regarding financial inclusion, but also seek to strengthen their agendas by encouraging collaborations. NGOs and development agencies such as the UNCDF, Mercy Corps, Catholic Relief Services, FSDZ, and the United States Agency for International Development (USAID) indicated they play an active role in engaging with the government and private sector to promote the adoption and active usage of financial services among the underserved and financially excluded communities.

One example is a cross-stakeholder collaboration to create a “Bundle Service Approach”. By bundling products or services to sell a combined or linked unit, service delivery costs are reduced, and this engages multiple, private and public sector stakeholders to create partnerships, thereby providing alternate and significant value to the end consumer - an approach used by Mercy Corps.

- **Mercy Corps, a global humanitarian organization, is helping to accelerate the introduction and uptake of different types of products and programs.** One approach is directed toward Zambian cotton farmers to cope with the once-a-year farming season. Partnering with MTN, they created a service accessible to these farmers to be able to digitally purchase raw materials in bulk through pooling resources, thereby initiating a volume-based discount and in the process registering a digital transaction record. Typically, for those farmers that do have access and make use of DFS, they would cash out all the funds received, which usually attracts a fee. The next potential solution would be to introduce a savings product that would keep money in a digital wallet;
- **The UNCDF is working on various programmes such as Mobile Money for the Poor (MM4P) which supports digital finance programs and solutions with a focus on low income population and refugees.** YouthStart is a global initiative run by the UNCDF that aims to increase usage of financial services of low-income youth, with an emphasis on savings and financial education;
- **FSDZ supports practical research that aims to get a deep understanding of girls’ and women’s financial behaviors and needs and develops outreach services with the aid of other stakeholders to that effect.** One particular initiative that has undergone some initial pilot testing is training courses for women (cost K14; 1USD) to learn the basics of financial education and literacy. FSDZ has also consulted during the development of NFIS and provides specific and useful research and publications such as the FinScope Report amongst others, that other stakeholders rely on. Another input from FSDZ is they have created financial diaries for low income individuals in 2014, that track spending and income patterns over a period of 12 months; evident that stakeholders in private and public sector have knowledge of its existence, relating the points raised in 3.1.1 Access around better communication and marketing strategies from the regulatory and supply side.

The government is also looking at other ways to improve the manner in which families and individuals make payments, primarily for public school fees. The current process is lengthy and administrative, in that it involves physically taking the cash to the

bank to deposit in a specific account. Using DFS providers to undertake this transaction increases efficiency and reduces risks, such as losing money and safety concerns.

“Currently, there is some evidence by the private sector that school fees make up a large proportion of money transfers, so there are indications that DFS is being used and is working; the next step would be to apply this on a larger scale.”

The lack of specific data/information creates a challenge in understanding product and service usage attitudes and behaviors, amongst women and youth. Development agencies are advocating for increased collection of more disaggregated data, such as the FSDZ’s Financial Diaries (FSD Zambia, 2016b) study in which low-income individuals were followed for a year to better understand how they managed their financial lives.

Conversations regarding developing women focused programmes and products that serve specific age groups are broad and slow. Developments within the private sector and greater collaborations are needed to strengthen regulatory strategies, as well as create more effective marketing strategies within this particular space.

DRAFT

3.1.4 Quality

a. *Demand side:*

Trust and security are key decision-making factors for accessing and using formal financial services, according to respondents, as noted in 3.1.1 Access. Using a PIN is an effective way and convenient way to protect against unsolicited access to an account. PIN access was very common (70.2%) especially among the youth (91.2%) (Table 17).

Security and protection can be challenging when one does not own their own account. Although many (68%) claimed to have exclusive access to their financial account (i.e. personal account, and not joint), 41% of the respondents reported owning a personal or joint account at a financial institute.

In the realm of consumer protection fraud and identity theft is still a concern for the majority of youth. Albeit an overall small fraction expressed their concerns with having their PINs compromised by a third party (9.2%) or being victims of fraud (7.5%), all together they make up almost one-fourth (22.9%) of the whole sample¹⁶.

Youth are quite proactive in alerting their banks to any issues regarding their PIN. Whilst nearly one-third of the youth (28%) reported never having had their PIN compromised, almost another third (26.3%) expressed that they would inform their provider in case of such event happening (26.3%). The most proactive in taking this approach are the urban youth (37.8%), with fairly no distinction between male and female. If segmented and analyzed individually the youth cohort, it is worth noting that urban females would rather immediately change their PIN or password (30.2%) than informing their providers in the event of having their PIN compromised.

Alerts and notifications are a preferred method of communication for account holders to receiving information regarding their accounts. When discussing about **products**, almost one fifth (16%) of our respondents would like to receive SMS alerts notifications about any suspicious activity with their accounts, and about one half of them (9%) would want the providers to increase sensitization and education on account security issues.

Despite all the available measure to ensure effective protection and efficient communication, women and youth still expressed concern that the banks are not tailoring their services to their clients; there is a disconnect between the services that people need and the products provided by commercial banks. When probed to describe features that our respondents would like to be included in the products, some mentioned linking mobile money services to bank accounts in order to share transactions.

b. *Supply side:*

¹⁶ Other reported concerns included: 'making a mistake and losing money'; 'financial loss when business shuts down'

Conducting market research is ideal when there are major plans for expansion but however can be quite a costly undertaking. To address this head-on, companies seek internal consultations and feedback, sometimes using social media as a tool to get feedback from current customers on quality of service, product features or general concerns. Firms can, and do, also rely on additional learning drawn from experiences in other African countries they operate in, however there are financial constraints to undertaking such investigations.

The private sector utilize a variety of methods to ensure consumers financial assets are safe and secure. MNOs and third party operators usually provide customers with a PIN to safeguard their digital products, confirm ID through a National Registration Card (NRC) and respond to basic security questions (e.g. address). Some third party operators have fraud units or internal security departments to investigate ongoing security concerns (i.e. money sent to a wrong number). A few other security measures like electronic receipts, communication through alerts and staff training are taken to ensure protection and safety of clients.

Agent training, installation of security equipment and adherence to regulatory guidelines are a few the ways the supply sector ensure security and protection to their clients. Retail outlets that supply services or agency banking usually employ a variety of tools and resources to ensure physical security to their premises, operations and equipment such as security guards and Closed-Circuit TV (CCTV). Commercial banks require PINs at ATMs and online passwords (both of which banks force customers to change periodically). Firms are required by law (Government of Zambia, 2010)¹⁷ to preserve client data, which the CCPC regulates, and typically have internal measures to ensure data is protected, and thus mandate to who has access to certain information.

c. Regulatory:

The main concern regarding quality of financial services and products is safeguarding competition and ensuring consumer protection, and the Zambian regulatory authorities are well aware of that. This body of authorities) which enact laws and regulations covering financial services, including mobile money, comprises the Bank of Zambia (BoZ), Zambia Information and Communications Technology Authority (ZICTA), the CCPC, and the Financial Intelligence Centre (FIC). Although the CCPC focuses on the general population, being an evolving agency, new regulations are continuously being reviewed that cater to different channels (such as DFS) as well as segments of the population. These institutions enforce a cluster of regulations to adapt to the digital era and cover issues such as: (a) Know Your Customer (KYC) requirements; (b) transaction limits; (c) transparency and fair treatment of customers; (d) quality of service offered by mobile money operators and mobile network operators; and (e) guidance on unclaimed e-money, Anti-Money Laundering (AML), and Criminalizing Terrorist Financing (CTF)

The endeavor to provide mobile coverage to 100% of the population is also leading to revision of security laws and regulations. In partnership with Zamtel, ZICTA is managing the Universal Access Fund (UAF) project (a main player in the provision of funds toward building towers in rural areas) to ensure that digital payment platforms comply with key laws and regulations, and is involved in the revision and enforcement of cyber security laws as per the guidelines of the AU.

¹⁷ <https://www.ccpc.org.zm/index.php/legislation/ccpc-act>

Installing more towers in rural areas means better access and usage. Increasing access to service and products means wider financial inclusion. If successful, these towers will provide 3rd generation (3G) and Long Term Evolution (LTE) mobile services to all and this will allow for more effective and better quality services that will positively affect the experience of DFS users all geographical areas.

DRAFT

3.1.5 Welfare

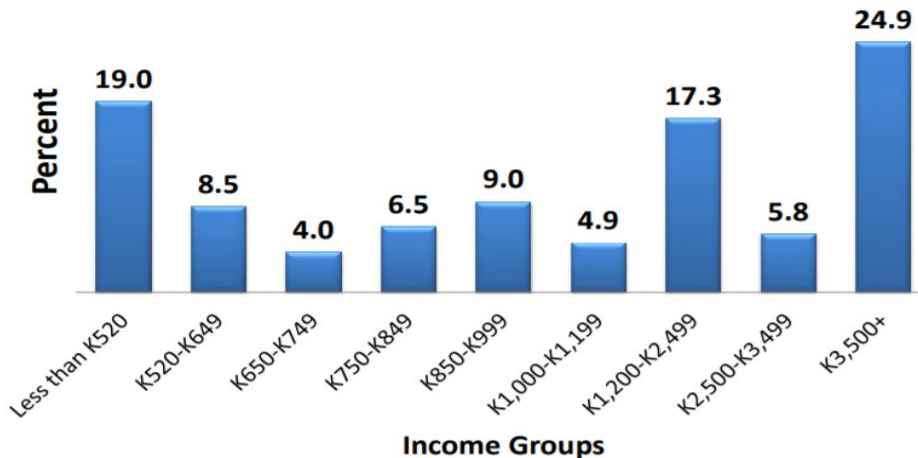
a. Demand side:

INCOME

Whilst a fairly small number (13.3%) of respondents' monthly household income was less than 500 ZMW¹⁸ (42 USD), more than half (64.9%) reported earning 500-3,000 ZMW (42 USD 251 USD) total per month. There were slightly more respondents (37.9% vs 27.0%) who earned 1,001-3,000 ZMW (84 USD 251 USD) than those who earned 500-1,000 ZMW (42 USD – 84 USD). The sample base is approximately in line with the income distribution of the Zambia's working force population (which include male adults), as seen in Figure 12.

Figure 13. Labor Force Survey Report (2014): Income Distribution

Percentage Distribution of Income Groups for Paid Workers, Zambia 2014



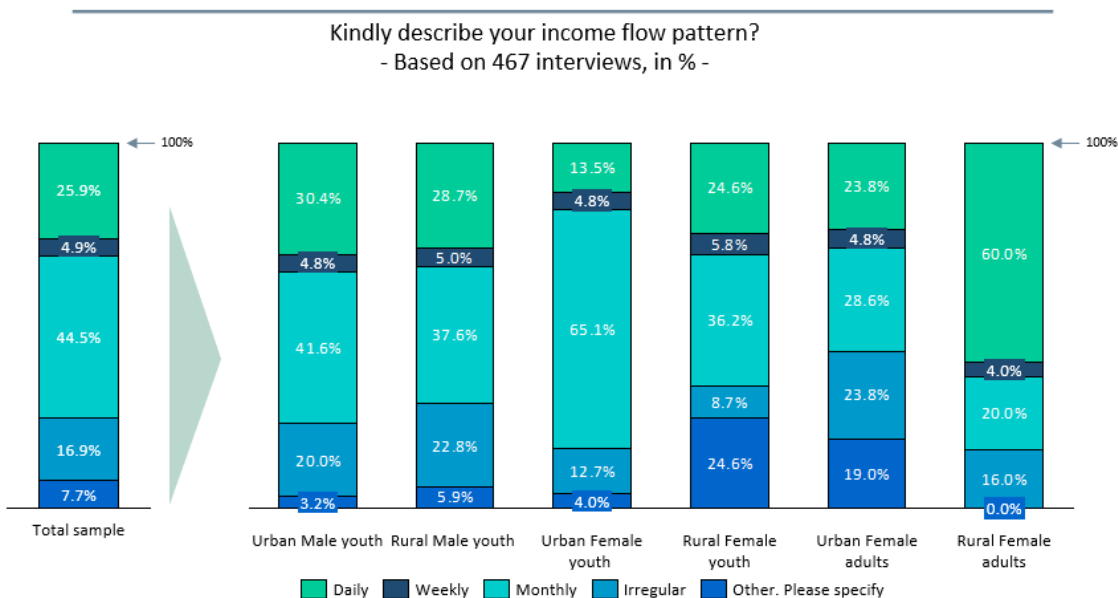
Source: Central Statistical Office, 2014 LABOUR FORCE SURVEY

Overall, salary payments (Figure 13) were most commonly paid on a monthly (44.5%) basis or daily (26%). Very few respondents (4.9%) reported receiving a weekly wage. Daily income payments were as likely in urban areas as in rural areas, the difference worth noting was in the relationship between adult females in urban and rural areas; rural adult female were almost three times more likely (60% vs. 23.8%) to receive a daily income than urban adult females. This is not only due to geography, but also due to the nature of income received in that the adult female residing in rural areas typically earn their income through casual work or informal trade. Overall and as expected due to increased occupation opportunities and economic

¹⁸ Exchange rate as of December 2018: 1 US\$ = 11.97 Zambian ZK

stability, the urban cohort were more likely to receive a monthly income, than those living in the rural areas.

Figure 14. Income frequency



OCCUPATION

Most respondents reported being “Self-Employed” (i.e. business owners) (38.1%) or gained their income through some form of “Informal work” (17.6%). A very small number of the respondents (14.6%) reported having no occupation (e.g. “Not working/Looking or Caring after the home”) or were currently “Looking or Apprenticing” (10.7%).

Urban community residents dominated most of the private sector employees (80.8%); the majority of whom were youth (male and female). The two least frequently reported (formal) occupations were within the “Private Sector” (16.7%) and “Public Sector” (2.4%).

Informal work was reported more among youth males than females, with almost 60% of youth males in this occupation. Very few female adults appeared to occupy some form of informal work, yet within the urban communities the youths amongst female and male were similar.

Table 18: Occupation (main source of income)

OCCUPATION (MAIN SOURCE OF INCOME)	URBAN		RURAL		TOTAL	
	FEMALE (% col)		MALE (% col)	FEMALE (% col)		
	YOUTH	ADULT		YOUTH		ADULT

Not Working/Not Looking/ Caring after Home	13.5%	14.3%	6.4%	34.8%	8.0%	13.9%	14.6%
Currently Looking/Apprentice	13.5%	0%	8.8%	17.4%	0%	9.9%	10.7%
Informal Worker	19.0%	14.3%	18.4%	7.2%	4.0%)	25.7%	17.6%
Self-Employed/Business Owner	27.0%	61.9%	36.8%	31.9%	84.0%)	41.6%	38.1%
Public Sector (Civil Servant)	4.0%	4.8%	3.2%	1.4%	0%	0%	2.4%
Private Sector	23.0%	4.8%	26.4%	7.2%	4.0%)	8.9%	16.7%

OWNERSHIP OF ASSETS/FINANCES

Amongst the respondents, half (50.7%) reported owning their own business and a little more than two-thirds (69.6%) used some form of personal equity (i.e. Own funds/savings) or borrowed from a family/friend to set up their own business (Table 19).

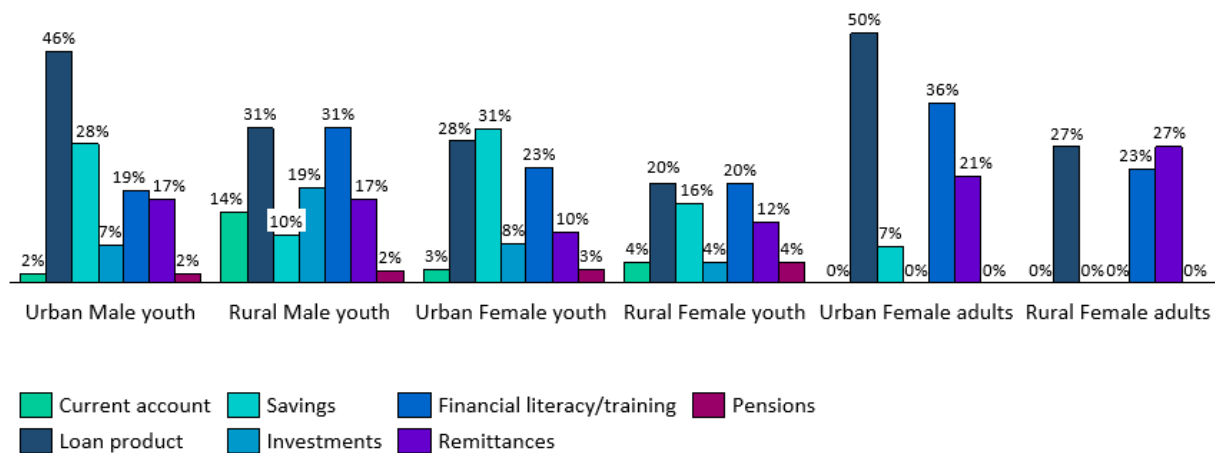
Table 19: Financial Services Used to Fund Business

FINANCIAL SERVICES USED FOR BUSINESS	URBAN			RURAL			TOTAL
	FEMALE		MALE	FEMALE		MALE	
	YOUNG	ADULT	YOUTH	YOUNG	ADULT	YOUTH	
Loans, or other means (% row)	19.4%	12.5%	20.8%	13.9%	16.7%	16.7%	30%
Personal funds/ Savings or loans from family/friends (% row)	21.2%	6.6%	30.9%	11.0%	7.3%	23.0%	69.6%

When business owners/self-employed respondents were queried regarding what financial products or services our respondents felt they needed in order to improve their businesses, over a third (34.2%) reported a loan product will assist and appears to be the most important aspect across the board, as noted in Figure 14. This is very much in line with the lack of availability of short-term, micro loans in the market; an area that some MNOs and third-party operators have focused on and have launched in the recent month. Undertaking financial literacy/training was also a popular choice, with 24% reporting that receiving this training will help them; the financial literacy aspect is very much a challenge noted in this study and other studies from the UNCFD and FSDZ.

Figure 15. Financial services to improve business

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



Income from personal-owned SMEs is at times the main source of household income, especially amongst rural adult females (90%). Although less than half (39%) of the respondents are the breadwinners of their household, many (68%) stated that they have some control or a say-so on how money is spent in their household. However, for 37% of the young female respondents, they reported having no control on how funds were spent in their household.

A steady monthly income is key for financial inclusion. Nearly half (45%) of the respondents had a steady monthly flow of income, with young, urban females (65%) showing the greatest evidence of prosperity, compared to the other segments in the sample. Amongst those who reported having informal employment, 66% were paid in cash, and 30% of those get paid either through mobile money or through a bank account. Of those in formal employment, some of respondents reported that their employers provide overdraft facilities (20%), provide loans (18%) and literacy training (8%).

Of the respondents who reported owning their own business, when queried about what financial product/service would help to improve their business, loans and financial literacy training were the most reported. This was particularly noted in the urban, adult females.

b. Supply side:

Firms play a key role in creating entrepreneurships and employment opportunities for youth and women. Women are typically the agents that operate and run many firms' (MNOs/third party operators) kiosks. The consensus is such that some of the most successful agents tend to be young women, are family oriented (have obligations and responsibilities) and hardworking, with an entrepreneurial mindset. MNOs/third party operators track agents with KPIs (e.g. money earned; hourly rate), which produces information on which agents are the highest performing, and this model is creating opportunities for agents/tellers, who in turn are able to earn a decent income.

DFS is showing great promise in regard to providing access to paying bills through kiosks/retail agents, and mobile money. There are quite a few examples showcasing private sector initiatives to provide and improve accessibility and welfare to rural residents in Zambia. DFS bill payments (such as electricity and pre-paid TV) through received positive feedback. NGOs, agency banking, and development agencies have provided a vast amount of information regarding financial inclusion, trends, and challenges, which is deemed very useful to private sector. Generally limited data/information is collected to track a client's personal financial welfare and growth. MNOs/third parties see the agency route as a key driver in entrepreneurship and employment creation and opportunities.

Finally, there are other social aspects that the private sector is involved in that contribute to welfare of customers; for example, one firm is partnering with local hospitals to improve the quality of the maternity wards by providing financing and provision of health care. Another example is a financial literacy programme, “Cha-Ching Programme”, launched in 2017 by Prudential Life Assurance Zambia Limited; it is a global financial education platform, which was implemented in five Lusaka primary schools to provide economic education focused on finance, mathematics, planning and analytical skills.

c. Regulatory:

Compared to other countries, generally Zambians tend to save more and borrow less; however, more specific information is needed regarding the specific financial behavior of Zambian women, and particularly youth. One major challenge encountered when studying women's financial habits and attitudes was their hesitation to disclose information about their finances and productivity, and this can impact the accuracy of the data that is collected on this group. They also demonstrated a lack of trust in the men in their lives (i.e. husband-wife dynamic), thinking they will take away their money.

This draws attention to the underlying cultural and socio-economic issue that as women tend to be less educated and thus earn less, they are further excluded financially, which has repercussions on their ability to gain access to a personal financial account (instead of sharing with their partners). However, without adequate data not much more can be known about these impacts.

Broadly speaking, access to finances (i.e. credit/loans) to start-up business and information on business opportunities is lacking which consequently pushes people into informal trade and does not provide alternative financing channels. Regarding individual consumption levels and productivity, the Zambian government's central regulatory bodies (i.e. BoZ, MoF) is advised on issues relating to the overall inclusiveness of underserved groups in the country (particularly adult women and the youth) through the Central Statistics Office (CSO). Data, political economy surveys (such as Labor Force Survey, Living Condition Monitoring Survey), MoF reports and FSDZ's FinScope report (which is conducted

every 5 years and heavily relied upon for financial inclusion data) are examples of the data that serves as the fodder to gauge and monitor the financial welfare of the citizenry.

If research and data collection was conducted more frequently, for example an interim FinScope report every two to three years, **this would provide more up-to-date data and improve the quality of progress that is monitored.** Segmented data collection could also be done through the Central Bank by measuring the extent of inclusion based on gender or age (i.e. gender or age disaggregated data) with the assistance from the Alliance for Financial Inclusion (AFI), as well as a credit market monitoring framework which could help provide disaggregated data in terms of geography and gender.

Data on usage of financial products, loans, and SME financing (although SME definition is too broad in Zambia), from a business productivity and/or entrepreneurship perspective, are indicators that help to determine rates of entrepreneurship. However, tracking and monitoring entrepreneurship opportunities and patterns is necessary in order to properly improve policies. If any data were available, it would be heavily under represent the reality; one significant factor that complicates proper observation and analysis is the informal trading market that makes up a large part of the economy.

Ideally stakeholders should harmonize their actions and endeavor for more transparency. Doing so would help them better engage with the community and more successfully achieve their objectives. One particular approach could be to work with the village Chiefs to understand how to serve the economy in the highly rural areas. The Ministry of Youth would be best equipped to design and implement specific policies pertaining to youth and women, to create a more enabling environment for entrepreneurs.

Other initiatives that are taking place are:

- The UNDP, through the Sustainable Development Goals (UN Economic and Social Council, 2018) are working on specific programmes that sustain economic growth and productivity that encourage job creation through entrepreneurship and technological innovation;
- The Technical Education, Vocational and Entrepreneurship Training (TEVET) Authority who focus on enhancing unskilled youths and SME/informal workers' productivity, efficiency and material utilization;
- The Securities and Exchange Commission has introduced an SME alternative market created to help small business to be innovative by aggregating them as a block market.

Interventions seek to support access to demand-driven approaches, promote a range of financial institutions, models, delivery challenges and encourage collaborations between partners. The International Fund for Rural Agriculture (IFAD)'s Rural Finance Policy, spearheaded by RUFEP (IFAD Southern Division, 2018), is such an intervention. It aims to address challenges by shifting focus to the development of diverse, viable

financial services, such as SaveNet¹⁹ that hope to increase the long-term access of rural poor people to a wide range of financial services. The overall objective is to create and contribute to long-term strategies that improve the financial livelihood and wellbeing of women, youth, and the Zambian population, as a whole.

3.2 Gaps

ACCESS

Delivery Channels Gaps

According to the 2016 IMF Financial Access Survey, Zambia has a lower overall density of financial access points compared to South Africa, Botswana, Kenya, and Zimbabwe, amongst other Southern/Eastern African countries. Our research shows that a lack of outreach by the private sector to un-represented segments of the population, such as those in deeper rural areas, and concentration of products and services in urban areas were major contributing factors to lack of access and usage.

The sparseness of the rural population combined with the lack of mobile network towers poses a challenging business case for the private sector. However these challenges must be addressed in order to achieve the overall goal of reducing inequalities by producing more opportunities for financial inclusion and participation. As noted in Chapter 3, there are significant efforts being made by ZICTA and Zamtel to install towers over the next two years with the intention of 100% coverage in the country, as part of the UAF project. It is evident that these physical infrastructure challenges are a key area that all stakeholders have raised; increased access to mobile reception nationwide helps to solve a key barrier of access to services such as mobile money. Although mobile penetration (75% of adults as per ZICTA stats, 2017) and mobile internet users (almost 80% of adults as per ZICTA stats, 2017) is high in Zambia, there is still a large segment of the population (both adults and youth) that do not own a mobile phone which precludes them from accessing mobile internet and services such as mobile money – very few respondents interviewed resided in rural areas utilize mobile money accounts, which is again primarily due to network coverage and phone affordability.

There is an additional gap in designing and enforcing specific regulations around agency banking and mobile. There are draft agency banking regulations that are currently being reviewed and designed using guidelines such as cyber-security guidelines from African Union that ZICTA follow. Until this is fully launched and operationalized, banks may struggle to profitably serve the rural and underserved groups like women and youth.

Although the National Payments Systems Directive on Electronic Money Issuance in 2015 introduced the Know-Your-Customer (KYC) requirements for electronic money, this process, albeit a regulatory requirement, can hinder access to financial services as some potential customers. Rural dwellers cannot provide basic details such as proof of a recognizable physical address. As more innovative and technological products are

¹⁹ <http://www.savenet.org.zm/>

introduced to the market, it becomes increasingly difficult to adhere to stiff regulatory requirements, such as KYC, unless they are flexed for specific segments of society.

Gender Gaps

According to data published from the 2014 Global Findex report (Figure 13), men continue to outnumber women in bank account ownership throughout Sub-Saharan Africa (data comparing 2011 and 2014). In the Zambia 2015 FinScope Report men were overall more financially included (61%) than women (57%). Although there has been an overall uptake from 2009, the gender gap still exists. Formal inclusion and mobile services favor men, as noted from our demand side research and further supported by the FinScope Report. The NFIS addresses the need to provide more evidence that will bring more awareness to gender gap issues. However, it is relatively too early to evaluate the total scope of the financial inclusion strategies and plans. According to the Ministry of Gender and Development Policy this is because there continues to be limited understanding of gender issues, inadequate monitoring frameworks, and limited coordination between ministries, to name a few; this is despite the implementation of the first National Gender Policy in 2014 which sought to improve upon these aforementioned issues and as evident from the NFIS released in 2017, still requires collaborative efforts from Ministry of Gender and Development, Ministry of Finance and Ministry of Land (the latter on topics such as women land ownership).

Age Gaps

Youth (inclusive of the UN's and the AU's criteria for youth) are another financially struggling segment of the Zambian population. As a consequence of the growing recognition of the vital socio-demographic and economic role and impact that Zambian youths play in society, NGOs and Zambian regulatory bodies have more recently increased their focus on this segment of the population.

Our research showed that whilst youth were less likely to make sound, well-informed decisions regarding their finances, this is most likely due to lack of or poor early (financial) education negatively impacting long-term financial attitudes, behaviors and competency (e.g. financial savvy), and ultimately a sound contribution and participation in the overall Zambian economy.

Elderly (+66 years) Zambians are another segment of the population that has shown little improvement regarding financial inclusion and participation. Figure 14 shows that females younger than 26 years and over 66 years are, on average, the most financially excluded segments of the population.

There have been positive initiatives and actions undertaken through policy to address these issues. The National Gender Policy (2014) implements interventions that overcome identified barriers and “develop special programmes that specifically target vulnerable members of the community including the disabled and the youth”. The revised 7th National Development Plan 2017-2021 (aimed at achieving objectives set out in the Vision 2030 of Zambia) outlines the importance of empowering youth and aims at achieving economic transformation for improved livelihoods and creation of decent, gainful and productive employment, especially for the youthful population. This includes through prioritization and mainstreaming of programmes in all sectors like primary-and-secondary education and job-related training; this is one of the few existing documents that directly addresses the youth cohort and the strategies necessary to close age gap.

USAGE

Products, Patterns and Behaviors Gaps

From the supply side perspective, studying this cohort would entail conducting some form of a market study which is both time consuming and costly to implement, as well as collecting disaggregated data on their existing user base. Understanding the various profiles of this user base would provide a foundation to understand attitudes and behaviors of users and the ability to pull metrics (such as average number of withdrawals, savings balance, average spend on bill payments, etc.) that will help to understand which services and products are being utilized by the various profiles. These, in turn, would inform product and service decisions during the development lifecycle or help to improve existing product targeting strategies. This lack of thorough understanding of the user base limits ideas on improving and creating new offerings.

Following this point, another area that needs to be addressed is the communication and marketing channels and methods used to engage this demographic. There are a variety of financial products and services available in the market with their own nuances, although the current channels speak more to the needs of urban and densely populated segments, as noted from our demand side respondents. In addition, the ease and simplicity of the service offering is not clear to many that have basic literacy levels.

Other products with room for improvement are savings and pension schemes for informal workers and farmers. Savings or pension programmes that support women who generally tend to be self-employed, particularly in informal employment remain limited. The few savings products that exist (e.g. with banks) are not favored. Many of the women we spoke with reported that poor finances, high account opening and maintenance fees are impediments and key barriers to usage. This observation is repeatedly demonstrated in other studies (such as those from FSDZ (year) and UNCDF (year)). However, some specific mobile money services, such as some recent savings products, have showed some promise in terms of uptake as they are receiving good response from the demand side, as reported by women and youth respondents in this study.

QUALITY

Products and Services attributes Gaps

A recurring theme throughout our study from all three perspectives (demand, regulatory, supply) was the need to design relevant products and improve the already existing services to address the financial needs of women and the youth.

Financial Consumer Protection and Capabilities Gaps

The primary underlying issue concerning financial consumer protection and capabilities appears to be the lack of adequate and available product information leading to poor knowledge, awareness, and incorrect or limited usage of financial products. Consequently, hesitation and resistance towards these products and services occurs amongst potential, and some existing, consumers.

Our study found that many women and youth simply do not trust some financial services and products. When probed further, their responses (if they had at some point used a service/product) touched on issues of transactions fees, customer service, or network issues, whilst others did not give any specific reason other than they had been “told by others”, appearing to be a consequence of word-of-mouth or misinformation passed between community members.

Some of the women we spoke with did not trust banking services as a result of conversations they had with various family members and/or friends about one person’s bad experience with money “disappearing” from their accounts, for example. What most likely occurred came down to

information not adequately communicated from agent to consumer, and a lack of proper understanding leading to the belief of being swindled by the banks (e.g. “money disappearing”).

Other issues that concerned consumers included the risk of fraud and the lack of transparency. Although the Zambian government is actively pursuing avenues and taking measures to improve consumer trust and supply side accountability, this is something that requires constant monitoring as the financial sector is continuously expanding and evolving.

While there is a strong push for cross regulatory-private sector collaborations and partnerships, it is not simply a matter of the public and private sector finding common ground on their separate agendas, but also ensuring that these agreements and mandates are taking meaningful consumer protection measures that are clearly and effectively communicated to customers through a variety of media.

WELFARE

SME and Agricultural Finance Gaps

Our study established that women found it very challenging to access credit to expand their SME or agricultural business, due to the rigid documentation and collateral requirements required for loan approval. Women in particular, also expressed difficulties in accessing these funds due to a lack of appropriate and adequate knowledge of products or services. As women’s businesses within the SME or agricultural business are typically informal, they were not able to provide evidence of the steady income or necessary collateral (often too high) that the banks requested. In a 2013 World Bank Enterprise Survey, access to credit was the main barrier to growing small businesses.

The 2008 Ministry of Commerce Enterprise Development Policy underscored the importance of improving services that encourage and support borrowing and why it is important to Zambia’s economic growth and stability: *“Micro, Small and Medium Enterprises cut across all sectors of Zambia’s economy and provide one of the most prolific sources of employment and wealth creation and are a breeding ground for industries”*.

There are limited services in the market with regards to micro-loans for those in informal employment/business owners; a recent launch of micro-loan service from a telecom operator (MTN) demonstrates this is an area that could create value for the demand and supply side. Investment products like savings accounts certainly need to be developed because they not only affect the livelihood and the likelihood that women will invest to grow their businesses, but also will support youth to build a more financially sound future. The youth and women we spoke with reported keeping their cash at home or using community based (informal) savings services, such as the *Chilimba*. These informal savings channels are not a new practice and not unique to Zambia, nor throughout other developing nations (Sachdev, S. 2016, April 21). However little remains to be seen by way of expanding their capacity, increasing their scale of operations and their efficiencies and reducing risk (concentration risk and that due to cash handling).

3.3 Opportunities

In any strategic plan it is well known that all acting members must fulfil their specific roles in order to reach the desired outcome. On the topic of financial inclusion, consumers, regulatory bodies, and the private sector have specifically designed roles and responsibilities to foster smooth coordination and cooperation that benefits all involved. From the demand side, it is

critical that, in whichever way consumers see fit and necessary, their needs and demands are addressed and met. Whether it is through grass-root organizations or local government (i.e. mayors, city council members), there can be ways to communicate their concerns and needs to relevant regulatory bodies, and potentially to the private sector, if such means are available.

In general, it is expected that empirical evidence borne out of research like this does much to provoke the larger (i.e. non-local) government bodies to respond to the concerns of their civil members (i.e. the demand side) and create strategies and policies that reflect the needs of these members of society. These policies, if well implemented and monitored, are those levers that will help create an enabling setting for inclusive finance ideas and initiatives to flourish and reach scale.

Also important is the private sector. Naturally, companies and investors seek opportunities that promote their specific economic agenda and usually do so by delicately weighing the risks and benefits of any action. While underserved groups like women and the youth represent a massive potential market to supply side actors, it is evident that any move to serve them – particularly those in the rural areas – will be fraught with risk, high economic costs and uncertainty for any one player to assume. Strong, elegant partnerships between the private sector, the development world and the regulatory agencies is that key binding agent that can help address these perennial concerns and produce an inclusive, fair, and prosperous society and market in a sustainable way. These three sides - demand, regulatory and supply - should seek an honest, transparent, and open dialogue and feedback loop towards an outcome that best suits and benefits all.

ACCESS

Appropriate and reliable access to financial services and products is one of the main priorities that will help to improve financial inclusion amongst marginalized populations. The private sector and the regulatory agencies are working together to enhance access points for rural areas, or “off-the-grid” populations, through the provision of affordable solar power mini-grids and the aggressive installation of telecom towers. Along with the efforts to provide mobile coverage for 100% of the Zambian population, solar power efforts parallel this campaign to ensure alternative resources that work around the challenges of poor infrastructure in rural areas impeding tower installation are availed to rural communities. Usually, these solar devices are mobile money enabled and introduce end users to mobile money payments – often a first for many.

USAGE

The absence of interoperability within the payment infrastructure represents a big opportunity that the introduction of the National Financial Switch – whose implementation is currently under discussion – can address to significantly improve overall transaction costs and the digital experience for end users.

There are also ripe opportunities to improve the financial literacy of consumers to increase awareness and understanding of financial products and services especially amongst primary school children. Literacy is a well-recognized underlying issue that

determines not only academic attainment but also significantly contributes to positive financial outcomes (e.g. sound borrowing and saving decision-making; comprehension and proper usage of products and services). Lack of knowledge and awareness can usually be traced back to weak financial literacy programs at an early-life stage, and as we have shown, causes a dependency on cash or preference to use insecure or unreliable ways of saving/investing money (i.e. keeping cash at home; community savings groups).

Improving financial literacy at a young age positively impacts life cycle outcomes and instils healthy spending and prudent savings behaviors in the early years. However, during the validation workshop discussion, multiple financial institutions and youth and women's groups called out the pervasive nature of low financial literacy among the target cohort as a stiff disincentive. Regulators made the point that while they usually offered some assistance of sorts, it was limited only to guidance, identification of gaps and general oversight of initiatives but not implementation; the expectation was the private sector to drive this change. Fortunately, a few companies - such as FINCA - have created deliberate financial programs to target customers, which help them to understand the products they are using as well as the basics in regular usage. Others, like Global Banking Academy (GBA), introduced in Zambia five years ago (Zanaco and Stanbic), began by offering loan products from the onset but evolved to include services like insurance and financial capability training programmes in their portfolio to address the low financial literacy issue. However, overall progress on this has been slow and focus is yet to transition out of the urban areas to the rural context.

Going hand in hand with this, there is a great opportunity for the regulatory and supply side to add more transparency when it comes to explaining financial services and products to the consumers, in order to ensure that consumers are in a position to understand the whole picture of any financial service/product offered.

QUALITY

The knowledge that women are more likely to use informal and precarious forms of borrowing and savings (e.g. *Chilimbas*) offers an opportunity to the provider community to design and develop robust, disposable, user-friendly and low-cost financial products that address their problem of risk and uncertainty. Costs and transactions fees were a big concern for not utilizing banking services; therefore, service providers can adopt approaches (such as leveraging open-source software and platforms) and use delivery channels that are familiar and cost-effective from the low-income user's point of view.

If first generation DFS products such as remittances, bill payments and P2Ps become a success story, it may then be easier to access second generation DFS products such as credit and other forms of financing through this the same channel. Many women we spoke with admitted that when they borrow money (done mainly through the informal channels) they use this money for basic household expenditures and school fee related expenses. Creating products or improving currently available credit sources that encourage borrowing amongst women using unconventional collateral sources is another great opportunity that directly impacts the women's lives and their businesses and feeds into Zambian economy.

Finally, the opportunity to improve financial consumer protection and capabilities is also key. It is believed that the lack of awareness and understanding of financial products and services impacts the end user's overall confidence in financial institutions which adversely affects financial product uptake and usage. Thus, there is a strong need and opening for supply side actors to strengthen consumer protection provisions, increase consumer awareness on appropriate dispute resolution approaches for products and be transparent where price and product features are concerned.

WELFARE

SMEs and agriculture in Zambia are two significant driving forces for job creation and growth. According to findings reported in the NFIS, the poorest are twice as likely to benefit from agriculture-related employment. Unfortunately lending to owners of agri-business, small-holder farmers, has declined over the past 10 years due to reasons such as recent weather uncertainty (Mercy Corps assessment) and the preference of using informal methods, although this sector shows great promise to reduce poverty, and is in fact the main sector where the poorest gain their livelihood.

Currently, the Government's policies indicate a prioritization towards finding solutions to improve financing for SMEs and agriculture through capacity building, government-supported SME and agricultural financial schemes, and improving knowledge and cash flow management, to name a few.

According to FinScope Report 2015, focusing on MSMES (micro, and small-medium enterprises) directly impacted women and the population living in rural communities. Much like our study, the FinScope Report 2015 respondents included a large proportion of the self-employed who obtained their primary income from a personal business, the majority of which was agriculture-related. Thus, there is a great opportunity to explore opportunities for using digital payments technology to pay for agricultural goods, for example. This focus area is key for NGOs such as Mercy Corps that work with the private sector to create financial solutions for small holder farmers; women small holder farmers tend to be the most financially underserved people in Zambia.

The Zambian Government's Ministry of Education in conjunction with TEVETA are seeking ways to facilitate entrepreneurship training through the education system to invigorate a culture of entrepreneurship among young citizens. There are promising opportunities in their collaboration as one strategy is to develop the capacity of Business Development Services (BDS) Providers in rural and urban areas to offer high quality training to the community.

Furthermore, the Zambian Government agencies and NGOs can join forces to support products that encourage savings amongst the youth and women, especially those that encourage the target group to invest towards their businesses, and eventually towards more financially sound and safe pension schemes.

According to the National Gender Policy, Zambia adopted the Information Communication Technology (ICT) Policy in 2007. This policy came out of the recognition that there was low

participation of women in the ICT workforce at the technical support levels due to ill-informed relegation of women towards administrative work which was perceived as better suited for them. This created an implicit discouragement towards the attainment of technical qualifications among women. Thus, this policy created the groundwork that rectifies this in the country by enhance women's familiarity with services offered in the ICT sector, from basic GSM services to DFS and job employment.

DRAFT

Chapter 4: Summary of Findings and Recommendations

Summary of Findings

Women and youth are marginalized segments of the population on many levels, financial inclusion being no exception. The statistics speak for themselves on lower inclusion levels in both these segments compared to the male counterpart. The knock-on effect of inadequate financial means and leverage limits this cohort's ability to grow economically and socially, through areas such as entrepreneurship and job opportunities, of which these segments are critical to national development.

The relevant findings of the study are listed below:

ACCESS

- Proximity
Financial access touchpoints is a key factor and it was revealed to be a significant problem among both young urban males and all females interviewed when trying to access financial services at their own convenience.
- Channels
Current channels (radio, TV, media) are not as effective in rural areas, as most of the population in these areas do not have access to them, **but financial services providers are consistently exploring alternative channels and access points to expand their current base** such as agency banking and partnering with Mom-and-Pop retail stores for wider reach.
- Barriers
Overall, **companies that understand their specific customer base through effective and relevant research and strategies know best how to disseminate products and services to catered to those consumers and can overcome more successfully these barriers.**
 - Legal: **Legislation is not up-to-date and information flow is a problem. The lack of versatile data and information is a primary concern** since it is essential to better understand the needs and problems faced by youth and women when accessing and using financial products and services. Gaining clarity on their financial attitudes, knowledge, and behaviors is key when it comes to informing policy and strategy that will later impact overall financial inclusion objectives.
 - Cultural: **Cultural perceptions, gender issues and literacy (financial) present major barriers to accessing financial products and services.** There is a deficit in financial literacy programmes and schemes that cater to women and youth, which ultimately impacts their path to successful financial inclusion; and leads to poorer financial management, thus producing negative life outcomes. The study has also revealed that **lack of awareness, information and knowledge, and unplanned events** (e.g. births, funeral costs, marriages) **are hindering factors in financial service and product uptake.**
 - Economic: From a macro perspective, **communications networks** (shortage of towers in rural areas and deficient infrastructure) **and an insufficient collaborative**

environment have been shown to hamper access to financial services. From a micro perspective, **transactions fees and costs are crucial in influencing access to formal financial services.** Also for the majority of rural females included in the study, insufficient money was the main reason for not opening a financial account (in particular with a commercial bank).

USAGE

- Products

At the moment, most products in the market are available for the mass market and there seems to be little or no interest to cater to the needs of marginalized segments further, at least from a business case perspective. The biggest representation amongst **financial account access and usage comes through a mobile money provider** (65%) and among the current financial products and services (including mobile money), **cash withdrawals and paying for airtime are two of the most popular services used.** The study also showed that **the most significant impact on uptake of (digital) financial services was lack of transparency, knowledge and awareness.**

- Patterns

Long-term (three to five years) **usage is below 20% but** the number of **newer clients** (having opened in an account over the past two years) **represents almost 80%** of the sample population. Overall, **the respondents make some type of transaction** (such as deposit/withdrawal, send/receive money, pay bills/school fees, buy airtime) **between once a week and once a month. Transaction numbers soar towards the mid and end of the month** due to bill payments and income receipts **and there is a seasonality effect**, in particular from the third-party operators, who serve marketers and traders and in line with the agricultural season (which is once a year).

- Behaviors

Cash is still king as mean of payment of school fees, food and utilities, despite more than half (64%) of the respondents have a **mobile money** account which is **mainly used to save money as a convenient tool.** Although **there is a significant lack of specific data/information** on the usage of these products and services, attitudes and behaviors amongst **women and youth**, data (including this study) show both of these marginalized segments are **steadily increasingly using available products.**

QUALITY

- Security

There are laws and regulations in place which cover the financial services sector, including mobile money. The quality of the financial services provided, particularly **security, is a priority for our sample** and, aware of that, **stakeholders are concerned with delivering consumer-safe financial offerings** and have several security mechanisms set up (e.g. PIN code, confirmation of ID, electronic receipts).

- Products

There is a disconnect between the services that people need and the products provided by commercial banks. The women and youths surveyed expressed concern that the banks are not tailoring their services to their clients. **MNOs and 3Ps offer mass-**

market products that do not always suit the growing demand for basic financial services and not easy to understand, both from a financial literacy and operational perspective.

- Customer protection
Safeguarding consumer protection and competition is the main concern regarding quality of financial services and products. Overall, respondents do fear being victims of fraud or having their PIN/passwords compromised by a third party, particularly when using mobile money.

WELFARE

- Individual consumption levels/ Productivity
The study shows **weak financial literacy and education amongst the women and youth respondents, with the young rural woman seemingly the least advantageous.** Although there are some **financial literacy initiatives** that exist for the general population, there are **few that focus solely on women and youth.** Also, there is an insufficient volume of financial education campaigns encouraged by the private sector, both in terms of frequency (not held often enough) and reach (limited to urban based people).
- Business productivity
Most respondents are Business owners (38.1%) or gain their income through some form of “Informal work” (17.6%). Respondents feel **they need to own a current or savings account, receive a loan, and/or take a financial literacy training in order to improve their businesses.** Additionally, **the agency route is shown to be a driver in entrepreneurship and employment creation and opportunities:** 3Ps and MNOS have reported that young women some of the most successful agents.

Recommendations

Based on the findings, a series of recommendations -sorted by indicators, key areas and stakeholders- have been suggested as follows:

ACCESS

Regarding the ability to use tailored financial services, and towards its achievement, the relevant stakeholders must explore the following areas:

REGULATORY

- **Increase and strengthen cooperation and collaboration with supply-side institutions to develop and implement financial inclusion strategies, policy, and products.**
- **Provide guidance and advice on new National Strategy on Financial Education (NFSE). To obtain valuable insights, the NFSE’s outcomes, success factors and areas for further development must be assessed.**

This can be done by requesting the implementers (i.e.BoZ) to release statistical information and ensure a clear monitoring and evaluation strategy is in place and executed for the next one.

- Create and implement monitoring and evaluation programs (i.e. survey that assesses feedback and knowledge of selected respondents), particularly to evaluate the new NSFE strategy, including assessment of progress.

SUPPLY-SIDE

- Conduct specific research that explores the needs and problems faced by youth and women (using reports like this to identify key needs and challenges) when accessing financial products and services. This will provide relevant insights and cast a light on the best solutions to mitigate access issues.
- Regularly launch targeted campaigns aimed at raising and improving financial awareness and knowledge. It is imperative that the relevant area focus (rural or urban) is applied to campaigns accordingly, taking into account education levels, income streams and levels, language and topic focus. The topics covered in these campaigns are crucial to ensure that women and youth financial understanding and capability are significantly improved. They should also cover not only the theoretical aspects but also how to apply them practically, which could include some role-play exercises. Some example topics include:
 - Budgeting, income versus expenses, saving
 - Types of services available: mobile money; current account; savings account and the differences between the services and the types of institutions
 - Accessing credit and how to manage it well
 - SME and entrepreneurship training, helping to enhance practical skill sets.
- Design financial literacy programs to focus on specific target groups (such as women, smallholder farmers or the youth), employ a variety of teaching approaches (potentially using village chiefs as financial literacy ambassadors), communicate clearly (if possible in the local language) and hold the events frequently to ensure that impact is deepened and sustained.
- Enhance financial literacy using available and efficient media channels in accordance to the areas targeted. For example, in urban areas it could be by displaying short clips on practical financial advice (such as Money Matters); in rural areas, by sending localized SMS or radio announcements with daily/weekly financial tips.

USAGE

As per the actual use of financial services, and in order to attain it, the relevant stakeholders must the following areas:

REGULATORY

- Reinforce existing financial knowledge and improve upon financial literacy and capabilities amongst the youth. This can be achieved, for example, by adapting school curricula to include financial aspects in primary school, with particular focus to usage of available financial products and their benefits; or by implementing global financial education platforms (such as the Cha-Ching Programme). In this line, another suggested action is to enhance existing investment simulation programs initiated by the SEC by assessing automation (i.e. transferring and updating data to the platform) and rolling-out the model, which will inevitably assist with wider reach.
- Collect more frequent data points on financial inclusion statistics and conduct a follow up interim study every two years, to illustrate the progress on financial inclusion, in particular as the NFIS undergoes implementation and monitoring. It is imperative that close monitoring and evaluation of the NFIS and other similar policies and strategies be sanctioned throughout their implementation period to ensure that stated goals are attained or corrective action is taken if needed at any point. Shorter periods between sanctioned studies provide a more transparent and accurate picture of implementation methods that are working and what needs improvement, allowing resources to be used more efficiently. The ideal scenario would be a database that is updated yearly highlighting key statistics on various segments of the population, in partnership with a telecoms operator for example, who would provide an active customer database of records.

SUPPLY-SIDE

- Develop training courses for women to learn the basics of financial education and literacy, with particular focus on the use of available financial services.
- Train agents to walk customers through the basics of utilizing the product base, its benefits, transaction charges and others. An incentive-based scheme could be set up for this knowledge sharing similar to the current money management operations which relies on transaction commissions. Firms (alongside NGOs) could also utilize their agent

network and staff to hold events and workshops that walk consumers through key financial topics, undertaken in various locations and languages as part of their sales and marketing strategies.

- Conduct research that explores not only the uptake and viability of specific product classes by gender/age but also as an initial step to assess services to be bundled collectively with those of the regulatory side to create a stronger value proposition in terms of financial inclusion.
- Disaggregate data by age, gender and location to obtain significant insight into habits and attitudes and allow for rigorous user segmentation and personas. For some firms, this may require some level of demand side research, which will provide a starting point from which to analyze and mine the data in order to gather meaningful insights about their customers' behavior and usage patterns. Others may need to digitally-enable their products (for example use digital delivery channels) and rely on data analytics to make sense of the highly varied, voluminous and real time data on their customers that is ever increasing over time. The advantages of disaggregating data are numerous: from shedding insights into the development of different personas to helping identify from the onset which customer segments are profitable and how to prioritize investments. Understanding customer profiles and behaviors in turn helps in product positioning and in the efficient allocation of resources. Yet another advantage of data disaggregation is the ability to provide useful data – whether summarized or disaggregated – to regulators and policy makers to allow them to track and evaluate progress on policy and strategies such as the NFIS.

QUALITY

Regarding the appropriateness of Financial Services to women and youth peculiar circumstances, and in order to achieve it, the relevant stakeholders must explore the following areas:

REGULATORY

- Conduct a national baseline survey on financial inclusion that is supported by all stakeholders, with clear indications and guidelines of data and insights that are required and an action plan for next phase solutions.

SUPPLY-SIDE

- Take a more customer-centric approach to market research in order to unearth latent financial needs and perceptions of existing financial

products in order to develop products and offer services that resonate with focused groups like women and the youth.

- Use data on customer base collected to build out customer profiles. As stated under “*Usage – Supply side*”, data disaggregation and segmentation will play a key role in uncovering relevant information to be used in designing appropriate products for women and youth.
- Create a robust Product Development Process leveraging the data collected. Understanding the user base’s challenges and financial habits and attitudes is imperative to build a segmented database of users, as well as illustrating the process which each customer segment goes through to acquire or use a service, usually referred to as the customer journey.

A useful method and tool to achieve this is developing potential buyer personas, which is based on real data and market research about existing and prospective customers. The buyer persona will outline a number of general and specific considerations related to their access to, usage and appropriateness of a financial service or product such as:

- Basic demographics of the persona, such as age, sex, geography, income levels and employment status
- Pain points, challenges and frustrations when accessing and using current services
- Goals and objectives including what informs their decision making process and why
- Buying characteristics and how they would access services

Once the various personas have been created, each will require an in-depth look at their typical customer journeys, which illustrates the full experience of being a customer from inception and awareness to purchase and continuous use of the service taking into account the various channels.

Pulling together this information will provide private sector players a clear understanding of who their customers are (existing and prospective) as well as the steps, attitudes and channels they utilize. In their product development process, this exercise will assist in creating and developing specific solutions that addresses pain points and challenges of current users, in areas such as lobola (e.g. dowry), pregnancy, school and working capital for MSMEs. In addition they will be able to create and design targeted marketing and communications for specific users, i.e. the buyer personas, taking into account geography, media channel, language and perception.

- Design and create targeted products and services for segments of the population that are generally underserved. Some examples are:
 - Savings products specifically for women/youth that pays interest, less or no penalties (cater for business owners and those with infrequent

monthly income) with targeted and marketed communications. Credit and microloans aimed at specific projects such as dowry, pregnancy, school fees and working capital for MSMEs, tied with a savings product to provide data on financial habits and linked with a credit score. Zoono and Finca are working on a product similar to this, incorporating a mobile wallet that offers a basic account for money transfer, a savings account, a loan product and a platform for other future services.

- **When it comes to women, in particular, supply side could work on providing digital services of the village savings groups (from *Chilimbas* to *Chilimbas 2.0*)** Giving the successful nature of Chilimbas it would be interesting to maintain the security and trust aspects while introducing a digital aspect to the borrowing circle.
- **Training for agents, staff and customers. This needs to be an integral part of service, ensuring all parties involved understand the product and that customers understand the benefits and are confident in using it.**
- **Products for young. Creating financial products for young people aged less than 20 years old is a practical method to help them to learn how to use basic financial products and encouraging them to save early. Dialogue has commenced to create these types of products from NGOs.**
- **Budgeting solutions.** Offering helpful solutions for planning the future, especially for those households who rely on farming activities. This could be done by developing a platform that allows people to set budgets for their future goals and work towards achieving them.
- **Bundled approach. Amongst the above suggestions, a bundled service approach is appropriate to incorporate products such as savings and loans (such as the Zoono and Finca mobile wallet), providing a balanced risk management approach for the private sector.**

WELFARE

About how Access, Usage and Quality have impacted the livelihoods of customers in areas such as entrepreneurship and personal/business productivity, and in order to achieve it, the relevant stakeholders must:

REGULATORY

- **Strive to harmonize their actions with other stakeholders, and endeavor for more transparency. Doing so, would help them better engage with the community and more successfully achieve their objectives. One particular approach could be to work with the village Chiefs to understand how to serve the economy in the highly rural areas.**

- **Develop and provide financial literacy training (including training on access to credit and working capital) to business owners.** Please refer to previous sections (i.e. “Access” and “Usage”) for further details on financial literacy trainings and campaigns.

SUPPLY-SIDE

- **Design and provide financial education courses and trainings adapted to specific target groups (such as women, smallholder farmers, youth, business owners), employ a variety of teaching approaches (potentially using village chiefs as financial literacy ambassadors), communicate clearly (if possible in the local language) and hold the events frequently to ensure that impact is deepened and sustained.**

It is clear that **women** shoulder responsibilities of key day-to-day activities in the household, overseeing all aspects of the children’s well-being including food, clothing, health and school fees. However, their importance in society continues to be undervalued due to their low-income earnings and limited access to financial services products and services. From a financial perspective, it is evident their priorities lie in improving their businesses or at least growing a side business whilst they are in employment, not only for themselves but to save and plan for their children’s future. Over the last couple of years, there has been more talk, studies and awareness of the placing more importance in women and mothers from various stakeholders in the financial inclusion space; the first step in taking action.

Youth, on the other hand, are a little less known, but as the next generation they are as vital to the economic and social future of Zambia. Like women, youth are very much on the low end of financially included. Various stakeholders, in particularly in the NGO space recognize this and several initiatives are being designed and implemented around the youth segment in financial inclusion, with rapid realization from stakeholders (primarily regulatory) that the area of focus is education, both general and specific financial literacy training. Providing the sufficient financial training and education better prepares them to be included financially, be aware and make use of the available and appropriate products, access to credit for their businesses or other projects, ultimately leading to better welfare.

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Appendices

Appendix 1: List of expert interviews conducted:

Number of supply side firms: 7

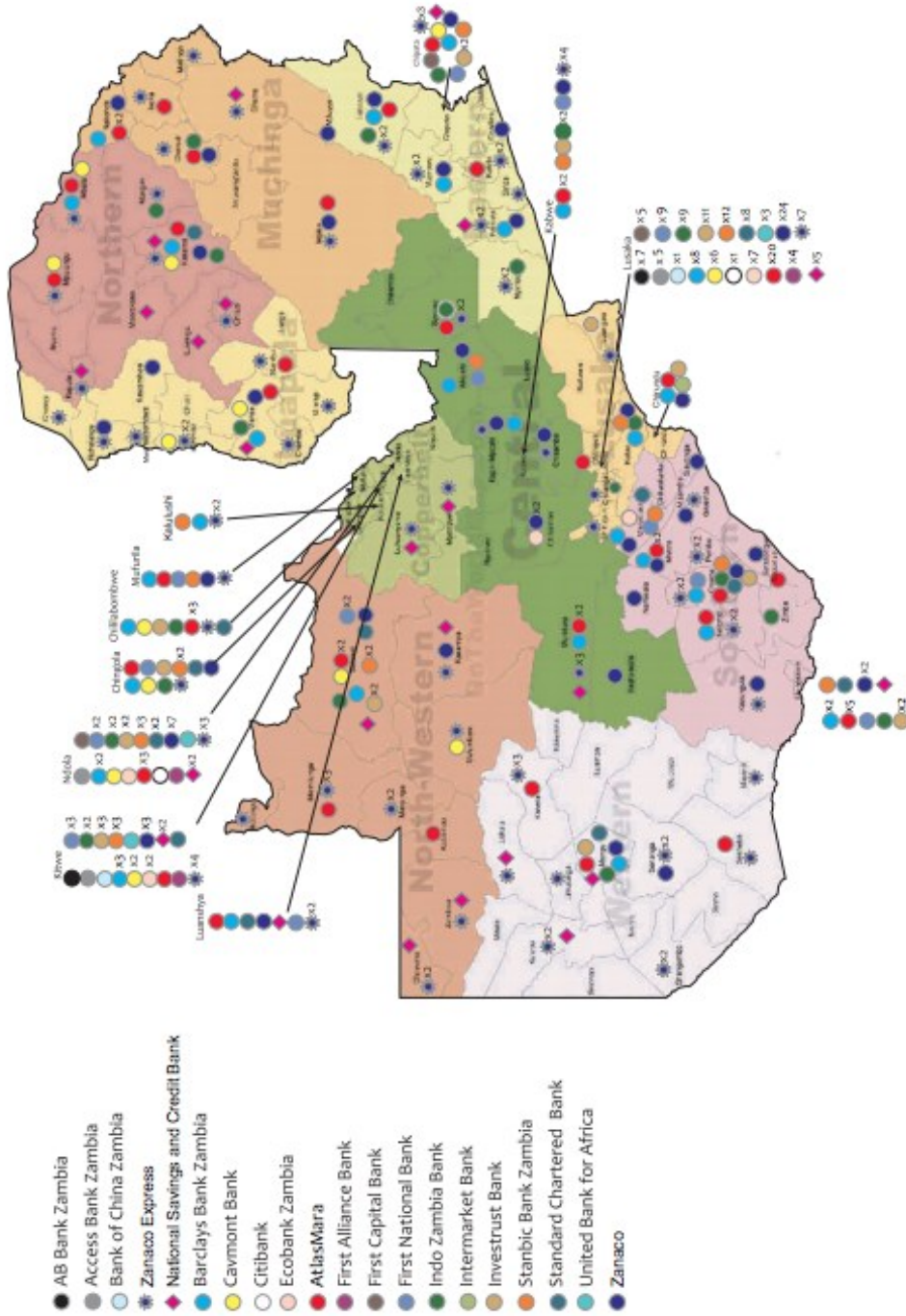
Number of regulatory side institutions: 9

Institution	Type	Position
Supply side providers		
MTN	Mobile network operator	Head of mobile money
Zamtel	Mobile network operator	Products Manager
Zamtel	Mobile network operator	Product Development Specialist
Zoona	3rd party providers	Head of Operations
Kazang Spargris	3rd party providers	Business Development Director
Cgrate 543	3rd party providers	Managing Director
First Capital Bank	Commercial banks	Chief Commercial Officer
Fenix International	Solar Energy	Managing Director Zambia
Fenix International	Solar Energy	Operations and Finance Manager
Regulatory side		
Bank of Zambia (BoZ)	Central Bank	Financial Sector Devt Unit Director
ZICTA	Telecom regulator	Director - Support Services
Ministry of Finance Commission for Inclusion	Ministry of Finance	Assistant Director – Financial Sector Management & Polices Unit
FSD Zambia	Think Tank/NGOs	CEO
Mercy Corps AgriFin	Think Tank/NGOs	Zambia Country Director
Graca Machel Trust	Think Tank/NGOs	Zambia Country Manager
Securities Exchange & Commission	Securities Exchange & Commission	Director of Market Supervision and Development
Securities Exchange & Commission	Securities Exchange & Commission	Financial Inclusion Manager
UNCDF - MM4P	Think Tank/NGOs	Knowledge Management Consultant
UNCDF - MM4P	Think Tank/NGOs	DFS Expert
FINCA	Public/private financing institution	Manager - SME Programs



Appendix 2: Bank Branch Concentrations throughout Zambia (source: BoZ)

Commercial Banks Branch network in Zambia in 2017



Appendix 3: Glossary of terms

Term	Definition
Airtime top-up	An airtime top-up is funded from a customer account.
Agent, Agent Outlet, Active Agent	<p>An agent may be a proprietary agent (an agent who is managed and branded exclusively by a deployment) or a third-party agent, both of who handles more than 30 transactions per month, including cash-in and cash-out. In many instances, an agent registers new customers too. In the case of mobile money, an agent outlet is a location where one or several provider-issued tills are used to conduct transactions for clients. Agent tills are provider-issued 'lines,' which can be SIM cards or point-of-sale machines, authorized and used to facilitate mobile money transactions. An agent outlet may operate tills issued by several providers; this type is generally referred to as shared or non-exclusive outlet.</p> <p>An active agent outlet is an agent outlet where any of the tills are used to facilitate at least one transaction within the last 30 days. The most important of the transactions conducted at an agent outlet are cash-in and cash-out (i.e., loading value into the mobile money system and then converting it back out again).</p>
Bank account to mobile money account transfer	This transaction is a direct transfer of funds made from a customer bank account to a mobile money account. It typically requires a commercial agreement and technical integration between the bank and the mobile money provider to allow the direct transfer.
Bulk payments/ collections	Bulk payments/collections are transactions that are conducted from one account to many accounts, or from many accounts into one account. The former, such as salary payments or government transfers, may terminate in an account or over the counter. They are referred to as 'one to many.' The latter, such as several

	customers paying for utilities, comprise collections by an organization from multiple payers. They are referred to as 'many to one.'
Bill payments	These transactions are the payment of bills using digital financial services, regardless of whether they originated from an account or were made over the counter.
Cash-in transactions	These transactions include transfers of any value from a customer to an agent. It is the process by which a customer credits his/her mobile money account with cash. It is usually conducted via an agent, who takes the cash and credits the customer's mobile money account with the same amount of e-money.
Cash-out transactions	These transactions include transfers of any value from an agent to a customer. It is the process by which a customer deducts cash from his/her mobile money account. It is usually conducted via an agent, who gives the customer cash in exchange for a transfer of e-money from the customer's mobile money account net of transaction fees.
CCTV	Closed-Circuit TV, or video surveillance, used to transmit a signal to a specific place
Digital financial services (DFS)	DFS refers to a range of formal financial services accessible via digital channels, such as mobile money, agency banking, ATMs and debit cards, as opposed to traditional financial services accessed through physical visits to a provider's outlet.
Financial inclusion	Financial inclusion is the end state of the goal of all eligible citizens having access to and using a range of affordable, convenient and appropriate financial services. These services could be formal financial products/services that are provided by a formal financial institution (bank and/or non-bank financial institutions bound by legally recognized rules) or informal financial products/services that are not regulated and operate without recognized legal governance (e.g., village banks or village development funds).

Handlers	Handlers are the individuals who directly interact with customers and facilitate transactions at the points of business.
Informal over-the-counter (OTC) transactions	These transactions occur when a customer provides cash to an agent who performs a transaction via an agent account to send funds to the wallet of a registered customer.
Long Term Evolution (LTE)	Long Term Evolution, or 4G (4th Generation) stands for the fourth generation of data technology for cellular networks.
Mobile Network Operators (MNO)	Wireless communications service that offer telecommunications services and some offer mobile money services.
Over-the-counter transactions (OTC)	These transactions include money transfers or bill payments that are conducted without a registered account. Some mobile money services (e.g., bill payments) are offered primarily OTC. In such cases, a mobile money agent performs the transaction on behalf of the customer, who does not need to have a mobile money account to use the service.
Person-to-person (P2P) transfers	These transactions originate from a customer DFS account and terminate in another customer DFS account.
Transaction	A transaction includes cash-in, P2P transfer, cash-out, bill payment and/or airtime top-up. A transaction does not include any other type of activity that does not involve the movement of value (e.g., balance inquiry).
Youth	African Union defines youth as persons aged 15-35years ²⁰
3rd/Third party operators	Third-party operators are master agents or others acting on behalf of a DFS provider or mobile network operator, whether pursuant to a service agreement, joint venture agreement or other contractual arrangement with the goal of enabling transaction fulfilment between parties.

²⁰ It should be noted that according to *Zambian Constitution*, “youth” are considered to be persons who have “attained the age of nineteen years, but is below the age of thirty-five years. A “young person” is a considered to be one how has attained the age of fifteen years, but is below the age of nineteen.

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