

FinScope Zambia Launch Presentation 8 November 2006

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ZAMBIA



Profiling Demand For Financial Services

FINMARK TRUST
FINANCIAL MARKETS FOR ALL

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Profiling Demand For Financial Services

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FINANCIAL MARKETS FOR ALL

About FinMark Trust

- Independent, non-profit making trust formed in April 2002 with initial funding from DFID
- Mission of “*Making Financial Markets Work for the Poor*”
- SACU originally, now continent-wide mandate
- Facilitating and catalysing the next generation of development around access to financial services
- Transaction banking, insurance, housing finance - also savings, enterprise finance
- Research, facilitation, advocacy, innovation
- www.finmarktrust.org.za



Why do we need to focus on MFMW4P?



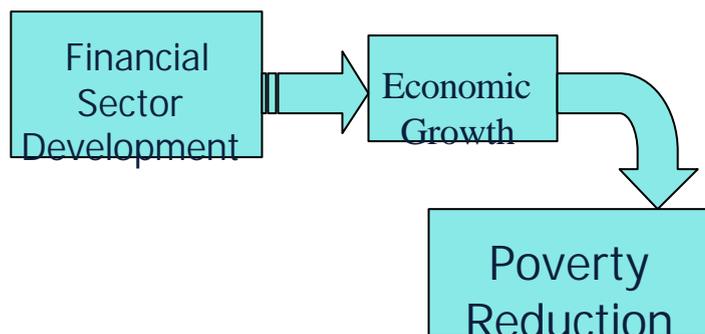
Rational for focusing on a making markets work framework

- Premise that a market is either not working or not achieving its potential
- Solution comes from *that particular* market, not from a blueprint imported from somewhere else
 - Information is the key to understanding
- Requires the involvement, and buy in, of the multiple stakeholders in that market
 - Governments, private sector, donors, NGOs

“Making Markets Work for the Poor “ – Gibson, Scott and Ferrand, available from www.commark.org



MFMW – strong link between FS development and growth



Doubling private credit as a share of GDP increases long term growth by 2%



MFMW...4P – requires pro-growth, pro-access policy focus

- Financial markets help the poor through:
 - *Indirect* benefits flowing from improved national prosperity
 - *Direct* benefits associated with access to financial services
 - ✓ Access to financial services allows people to contribute to, participate in and benefit from economic growth

Of themselves, working financial markets are not intentionally pro-poor; MFMW4TP requires that the poor have access to financial services



MFMW4P – demands responses from private sector, governments (and donors)

- Private sector
 - How can we deliver services profitably to the poor?
What products are appropriate for them?
 - Where are the new market segments?
- Governments
 - How should we support private/MFI/informal provision?
 - Can we change the regulatory regime to (i) remove market obstacles (ii) encourage competition
 - How can we encourage innovation?
 - Should we supply the services ourselves?



Measuring access to finance

Information *asymmetry* at the heart of poorly functioning markets

- In financial markets, must take into account:
 - Physical access
 - Appropriateness of products
 - Affordability
- Informal as important as formal – therefore demand-side measurement is key
- Should take into account the context in which financial decisions are made
- Spatial mapping completes the picture



What is FinScope?



A comprehensive demand-side survey of consumer interaction with financial markets

Recognises that information is central to the sound functioning of financial markets, relevant to policymakers and service providers alike



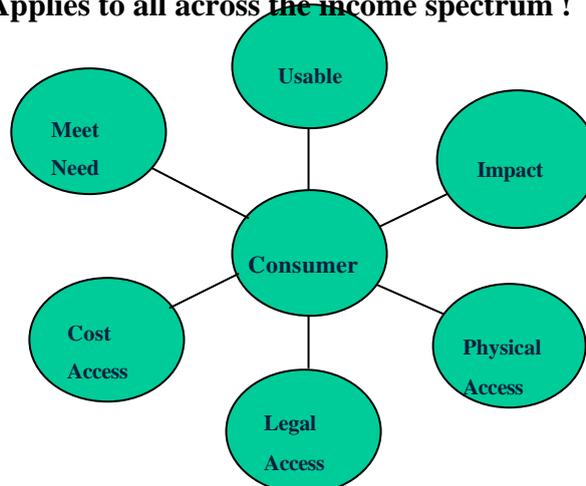
FinScope is rich source of information for both policy makers and service providers

- Profiles demand and needs of financial services
- Documents usage of financial products, both formal and informal
- Assesses financial behaviour, attitudes, interests, and household financial management
- Establishes credible benchmarks
- Supports collection of financial indicators of access
- Highlights new market segments and opportunities for innovation in product design and delivery
- Provides insights into regulatory and market obstacles to growth, innovation and competition



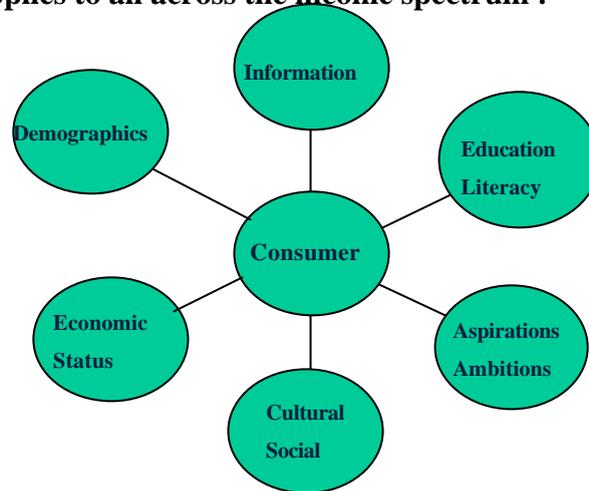
Dimensions of financial access - consumer perspective

Applies to all across the income spectrum !



Drivers of usage - consumer perspective

Applies to all across the income spectrum !

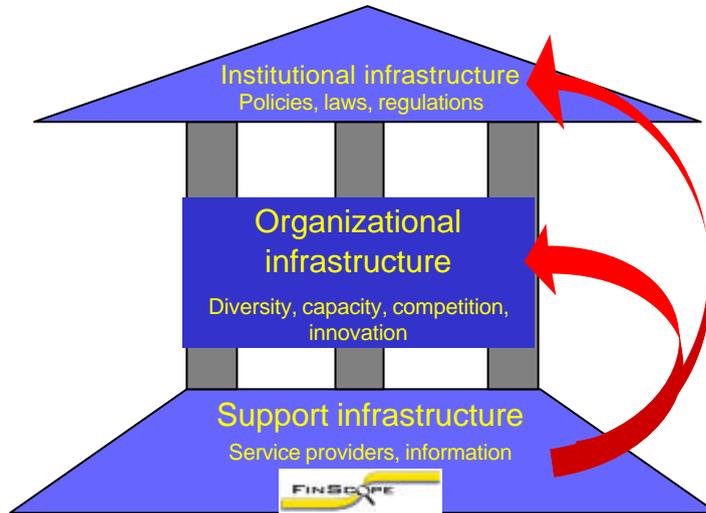


Measuring access to finance

- Access not the same as usage – usage is the best proxy
- Necessary for governments to know:
 - What the state of access is
 - How policy initiatives are improving access over time
 - How they are doing compared to other countries
- Private sector wants to know:
 - Who is using a particular product
 - Where they are (or aren't)
 - The opportunities for innovation and expansion



Towards supporting a financial sector to contribute to economic diversification and sustainable growth



FinScope milestones to date

2002	2003	2004	2005	2007
<ul style="list-style-type: none"> ▪Desk research ▪Pilot urban study in SA (sample of 800) 	<ul style="list-style-type: none"> ▪SA National survey (sample of 3000) ▪FSM prototype developed ▪Pilots conducted in BNLS countries ▪SA Financial Sector Charter launched 	<ul style="list-style-type: none"> ▪SA exercise enhanced and partially syndicated ▪FSM validated ▪Full surveys in Botswana and Namibia partially syndicated 	<ul style="list-style-type: none"> ▪SA exercise enhanced and fully syndicated ▪FinScope Africa strategy development ▪Surveys started in Uganda, Kenya, Zambia, Tanzania ▪Interest from Bangladesh, Benin, Ghana, Nigeria, India, Pakistan ▪WB/DFID/FMT Financial Indicators ▪FinScope SA SME Pilot starts 	<ul style="list-style-type: none"> ▪FinScope Africa strategy defined ▪Core questionnaire developed ▪Surveys will be completed in Uganda, Kenya, Zambia, Tanzania ▪Ghana and Nigeria to commence ▪Advice provided to Pakistan ▪New countries for 2007 Senegal, Benin, Mozambique, Malawi ▪FinScope Small Business SA





Summary of survey method

- DCDM Zambia contracted through competitive process to carry out FinScope Zambia survey and compile dataset
- Questionnaire developed by FinMark and DCDM in consultation with FSDP Working Groups and approved by FSDP Implementation Committee
- National representative sample developed by CSO:
 - 4,000 respondents, 16+ adult population, 50% male 50% female
- Face-to-face interviews carried out by 30 trained surveyors and 8 CSO supervisors, overseen by DCDM
- Dataset produced in SPSS and Excel
- Analysis conducted by FinMark Trust, Central Statistics Office, Bank of Zambia, and members of the FAWG



Summary of questionnaire themes



FinScope Zambia:
37 pages, 215 questions
1hr to 1hr 15 min

- General Banking
- Financial Perceptions
- General Money Matters
- Credits and Loans
- Investment and Savings
- Insurance
- Business
- Informal Finance
- Psychographics/Financial Sophistication
- Quality of Life
- Demographics/Other



Questionnaire themes in more detail (continued)

General Banking

- Knowledge of financial terms, banks and products
- Use of bank products and services and physical access
- Reasons for not being banked
- Build profile of banked and un-banked
- Assess demand for bank services and alternative financial services being used
- Identify opportunities to expand banking to un-banked

Financial Perceptions

- Consumer perceptions of financial services & providers
- Levels of awareness of providers
- Consumer preferences, needs and coping strategies

General Money Matters

- Sources of income
- Use of remittance services
- Methods and frequency of receiving money
- Extent to which people deal in cash
- Demand for transactions facilities
- Ways of receiving income and paying for agricultural activities



Questionnaire themes in more detail (continued)

Credits and Loans

- Use of loans and credit services and sources
- Repayment behaviour and determinants
- Product features that consumers look for
- Reasons for loan refusal
- Assess demand for credit and loans, and whether supply terms fit needs
- Shed light on repayment culture and indebtedness

Investment and Savings

- Consumer experience with investing and saving money
- Factors influencing decisions to keep money safe, store and accumulate wealth
- Alternative ways to save and invest for un-banked
- What nature of investment and savings behaviour means in terms of demand for better savings services

Insurance

- Consumer experience with insurance products and sources to determine penetration
- Compare demand for risk mitigating financial services with current supply



Questionnaire themes in more detail (continued)

Business

- Employment status and income generating activities
- Sources of funds used to start and manage businesses
- Use of banking and financial services amongst business owners and self-employed
- Reasons for not accessing bank loans for business
- Evaluate extent to which self employment/own business is an important source of income
- Provide insights into demand and opportunities for business-related finance

Informal Finance

- Consumer usage of alternative informal systems to assess penetration
- Extent to which savings clubs/Chilimbos are used as a savings and credit source
- How consumers cope with funeral expenses and whether financial services are used for this purpose
- Provide more insights into how Zambia's manage their money including savings culture and coping strategies



Questionnaire themes in more detail (continued)

Psychographics/ Financial Sophistication/ Quality of Life

- Assess consumer attitudes to financial services
- Understand consumer psychology, sense of being and life values
- Consumer beliefs, cultures and way of life is an important determinant of demand for financial services
- Useful in designing financial services
- Important in classifying consumers into segments other than wealth

Demographics / Other

- Access to and usage of communication technology, particularly cell phone
- Sources and volume of household income
- Type of dwelling
- Ownership of property and dwelling
- Perceptions of property as an asset
- Education, language and literacy



Sample methodology and results



Profiling Demand For Financial Services



A robust sample was designed and executed

- Area Based Sampling methodology used
- This is a methodology recommended by United Nations
- Sample constructed from Census sample framework
- It is Nationally representative
- 160 Enumeration Areas selected
- 25 households from the selected Enumerator Areas
- Random selection of eligible members in household



A robust sample was designed and executed

- Sample Weighted to Zambian population estimates and verified
- Data compared back to known Census numbers
- Total Zambian Population (Census) – 10.9 million people
- Sample of 16+ (FINSCOPE) represents 7.5 million people
- Gender breakdown matches Census profiles
- Provincial Breakdowns match Census breakdowns
- CSO: selected and verified sample and weighting



Sample compared well with the population census data

FinScope Sample	Zambia Census 2000
51% Male, 49% Female	Total Population: 50% Male, 50% Female 16+: 50.1% Male, 49.9% Female
41.8% 16-25 years, 73.4% 16-35 years	Total Population: 21.1% 16-25 yrs, 34.5% 16-35 yrs 16+: 40.4% 16-25 yrs, 65.9% 16-35 yrs
68% Rural, 32% Urban	Total Population: 65% Rural, 35% Urban 16+: 64% Rural, 36% Urban
16.8% owns the accommodation they live in; 28% lives in accommodation owned by household member	Total Population: 77.9% lives in accommodation owned by household member
74.4% uses coal/wood/charcoal	Total Population: 62.3% uses coal/wood/charcoal
36% self-employed in informal sector; 16% full-time salaried; 11% housewives, 11.7% students	Economically active population (12 years+): 39.7% self employed, 30.6% salaried, 16.1% housewives/home makers, 18.9% full time students
24% no income, 55.6% K300,000 or less	From 2004 Living Conditions Monitoring Survey: 24% earning on average K150,000 and K300,000, 7% less than K50,000
51% Married, 36% Single	
42% Head of Household	
44.5% main income earners	
10% no formal education, 29% some secondary education	
43% in traditional/low cost rural accommodation; only 2.7% in high cost urban accommodation	

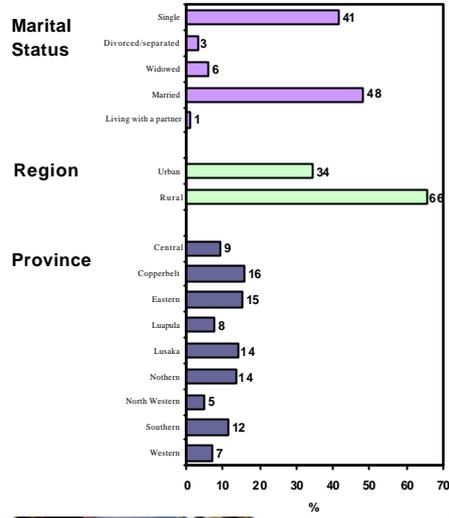
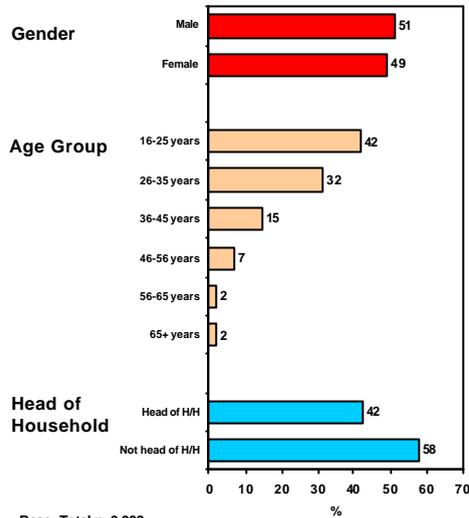


It also compared well with census data by Province

PROVINCE	CENSUS	FINSOPE
CENTRAL	10	9
COPPERBELT	15	16
EASTERN	14	15
L UAPU L A	8	8
L U S A K A	14	14
NORTHERN	13	14
NORTH-EASTERN	6	5
SOUTHERN	12	12
WESTERN	8	7



Sample profile

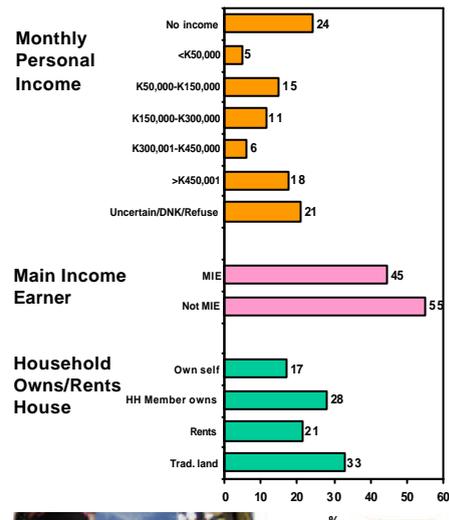
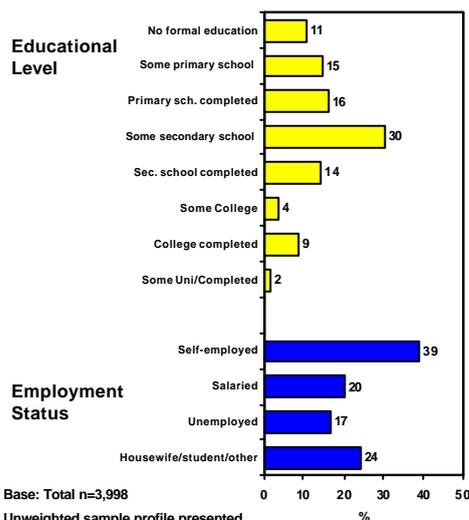


Base: Total n=3,998

Unweighted sample profile presented



Sample profile (continued)



Base: Total n=3,998

Unweighted sample profile presented



Top line Findings

- Levels of access to financial services in Zambia

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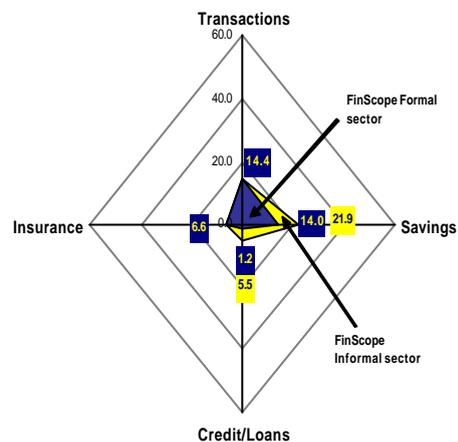
Some definitions that are used in the analysis

Term	Definition
Formal financial service providers	Banks, insurance companies, building societies, investment managers, and registered micro-lenders
Informal financial service providers	Unregistered micro-lenders, e.g. Kalobas, Savings Clubs/Chilimbas. Does not include family and friends
Banked/Un-Banked	Those that do or don't use one or more banking product
Formally Included	Those that use one or more formal financial product
Financially Served	Those who use one or more formal and/or informal financial product
Informally Served	Those that use one or more informal financial product only
Financially Excluded	Those who do not use either a formal or an informal financial product

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Landscape of Financial Access is a measurement of usage across four product categories



Base: Total n=1200; Urban n=501; Rural n=643

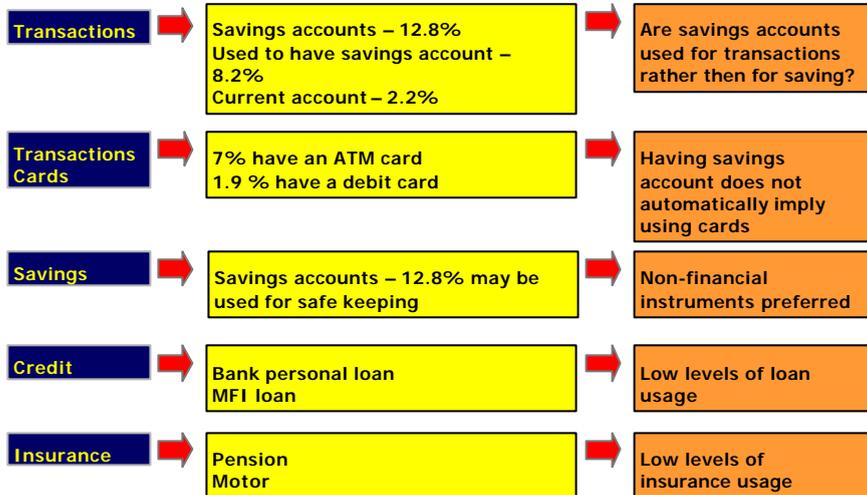


Levels of access across all formal product categories in Zambia are low

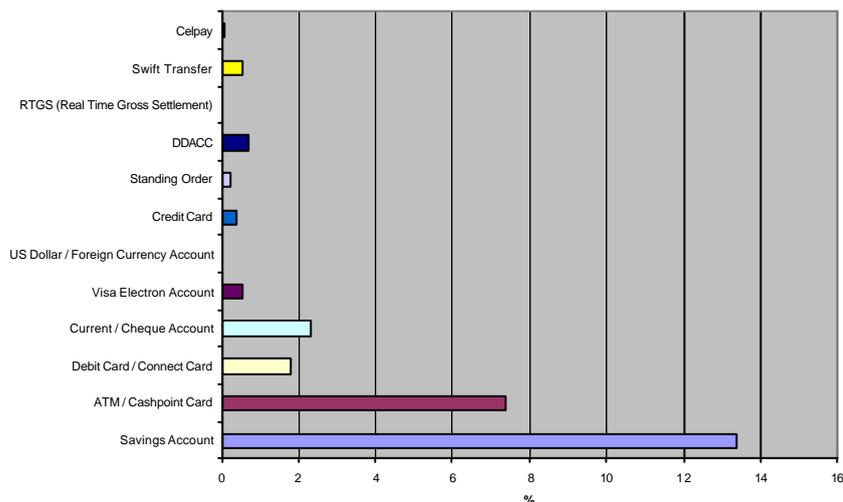
- Transactions and savings accounts from formal providers is the service that has the highest levels of usage although low at 14.4% and 14% respectively
- Usage of credit products from formal institutions is very low at 1.2% while insurance products are used by 6.6% of the adult population
- How to push the boundaries of the landscape of access is a question that needs to be further understood by looking at needs and opportunities to provide services in a sustainable manner



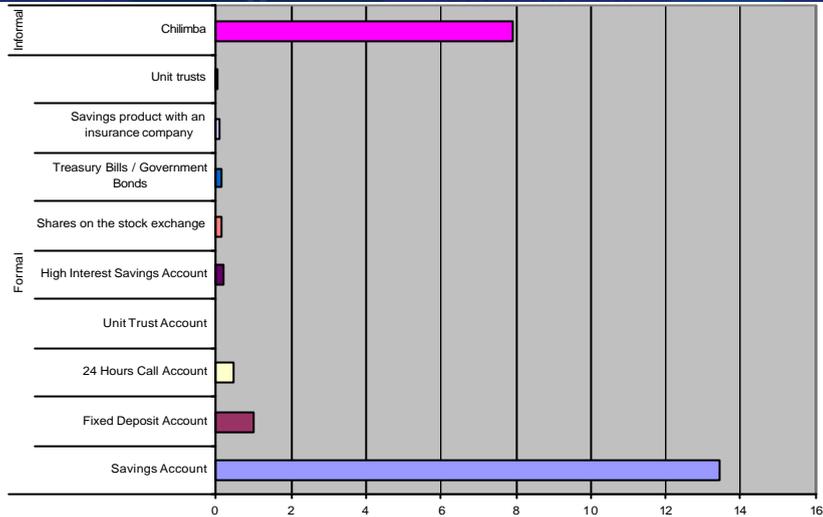
Narrow range of products typically used



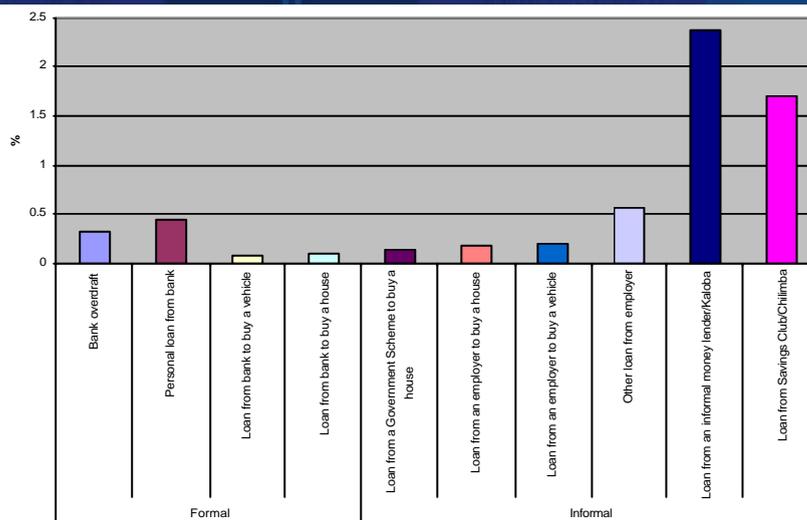
Analysis of transaction products and services shows higher use of savings accounts (currently have)



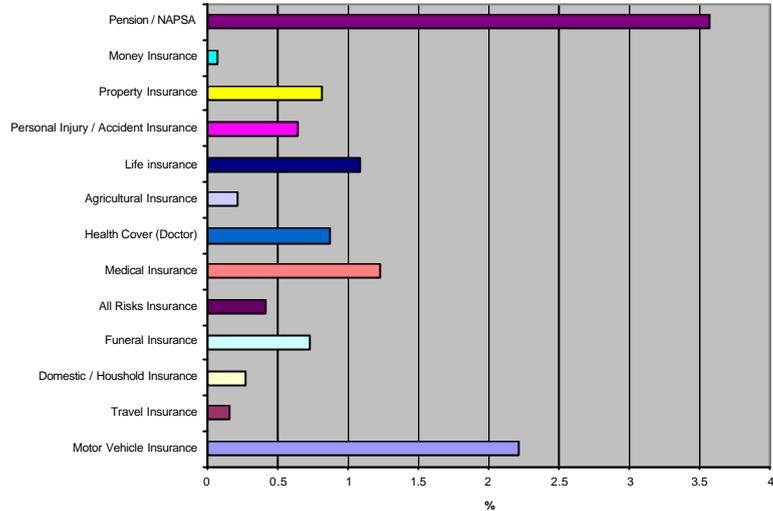
Analysis of savings products also show higher use of savings accounts, and chilimba (currently have)



Analysis of credit and loan products shows higher use of loans from informal providers (currently have)



Analysis of insurance products shows higher use of pension and motor insurance (currently have)



The landscape of access expands slightly when usage of informal products is included

- 14% of the adult population say they have an informal product, either a kaloba (loans) or chilimba (savings)
- For those that have a chilimba (7.5%) the main reason is that it allows them to save for a specific purpose, for emergencies and to buy goods
- 2% of the adult population say they have now a loan from a kaloba while 12% said they used have these loans

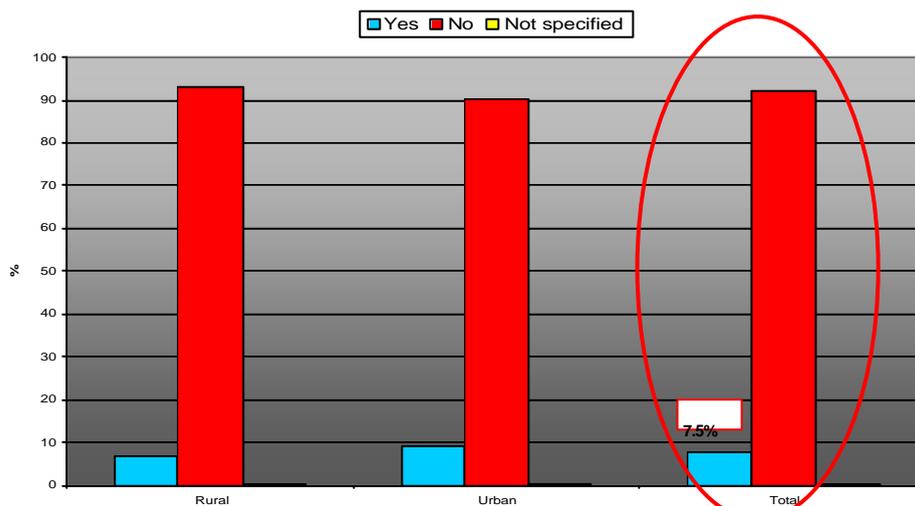


The landscape of access expands slightly when usage of informal products is included

- Chilimbas can also be used for loans with 8% of adults say they have take a loan before and 1% say they have a loan now
- Extent of usage of loans from informal providers is likely to be much higher than recorded as people usually do not want to admit they have such loans, a universal phenomenon



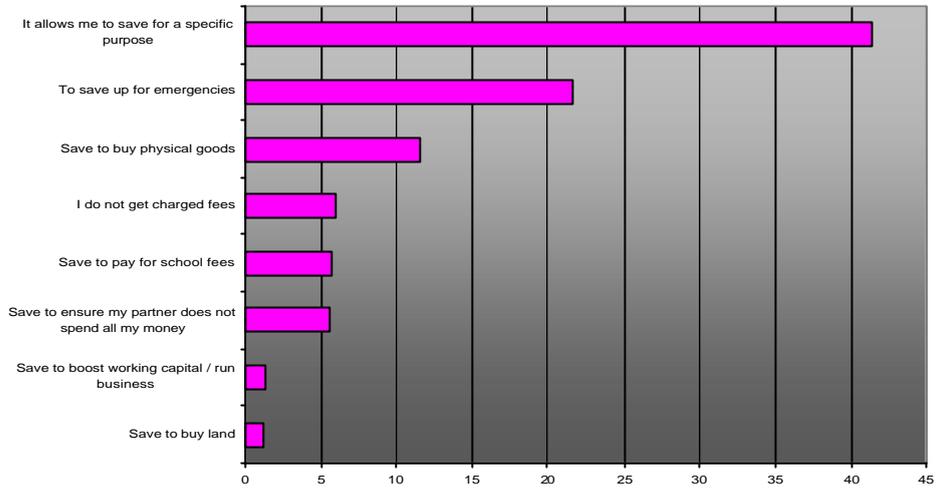
Membership of Saving Clubs/Chilimbas is not significantly higher in urban areas then rural areas



Base: N=3,998 Valid responses; Chi square=11.73; p<0.01



Main reasons for joining a Saving Clubs/Chilimba is to save for a specific purpose

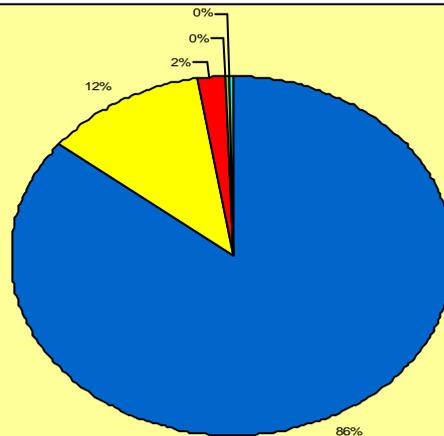


Base: N=302 Valid responses



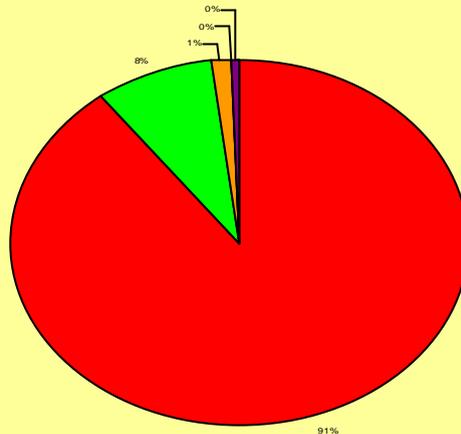
Loans from Kaloba

■ Never Had It
 ■ Used to Have It
 ■ Have It Now and Use
 ■ Have It Now But Don't Use
 ■ Not specified



Loans from Chilimba

■ Never Had It ■ Used to Have It ■ Have It Now and Use
■ Have It Now But Don't Use ■ Not specified



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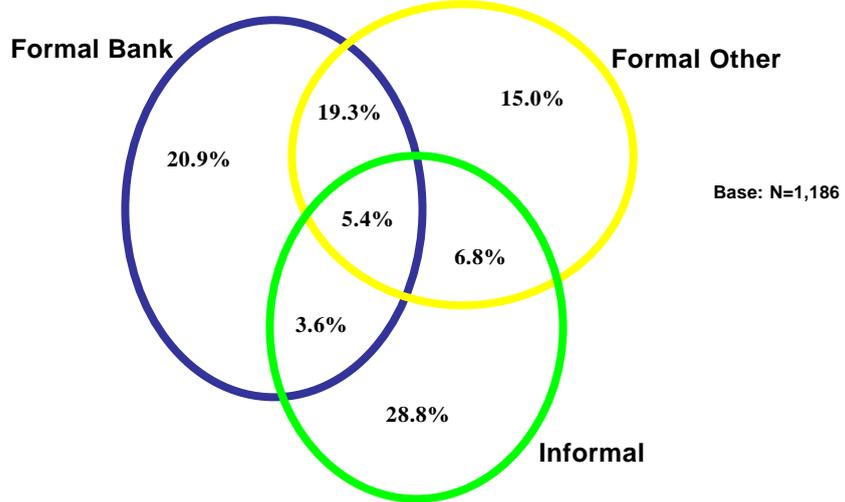
Informal products are not necessarily substitutes to formal product usage

- 15% of the adult population say they have a bank product, 14% say they have a formal other product, and 14% say they have an informal product
- Of the 33% of adults that have financial services from (formal and or informal), 5.4% use all three types of products, 3.6% use a bank product and an informal product, and 6.8% use a formal other product and an informal product
- The highest level of overlap is between bank products and formal other products

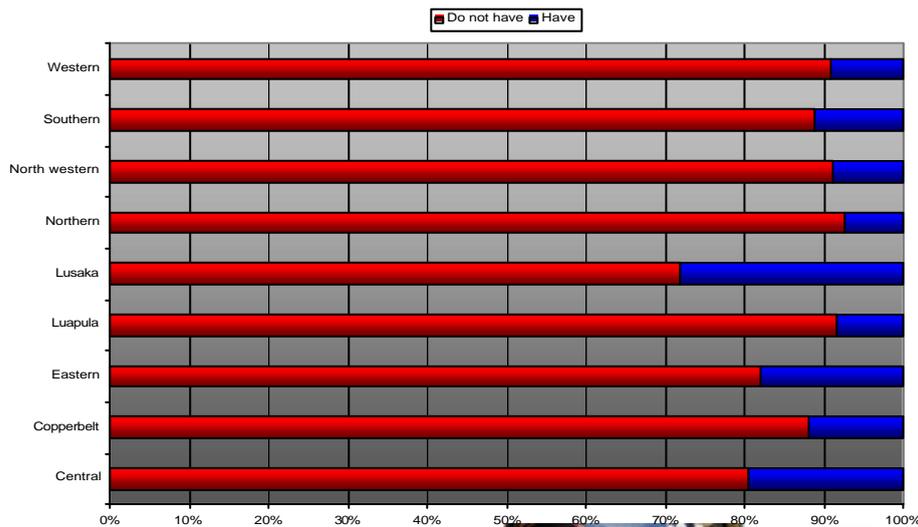


FINSCOPE
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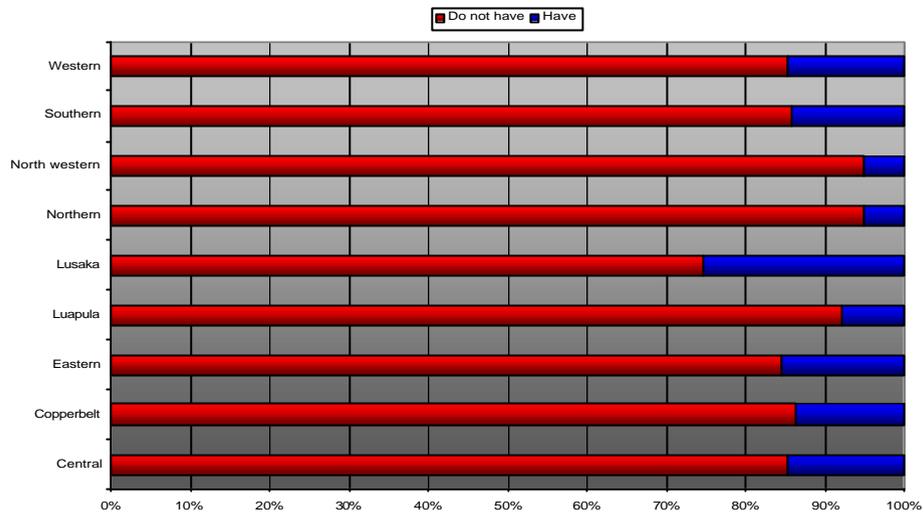
There is some overlap of product usage between formal, formal other and informal



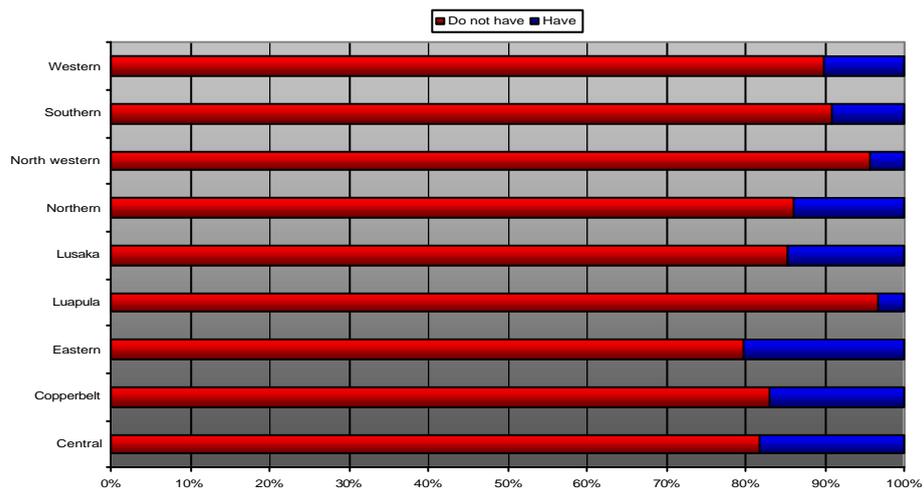
Lusaka Province has the highest usage of bank products



Lusaka Province again has highest usage of formal non-bank products



Eastern Province however seems to have highest usage of informal products

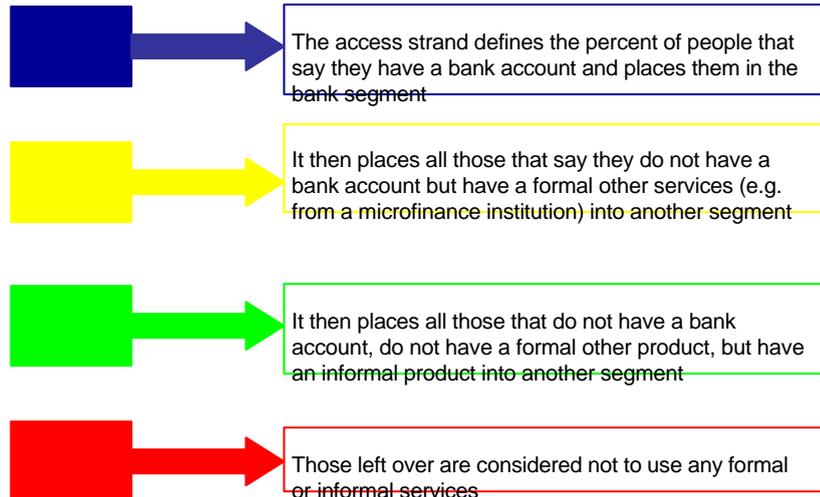


Measuring access across the formal-informal continuum – introducing the access strand

- The data allows us to place the adult Zambian population along a continuum of usage of financial services from bank, formal other to informal
- This gives us a picture of where provision is coming from, and draws attention to the number of adults that say they do not use any financial services from a formal or informal provider



Definition of the access strand



Definition of the access strand (continued)



= Banked



= Formally Included



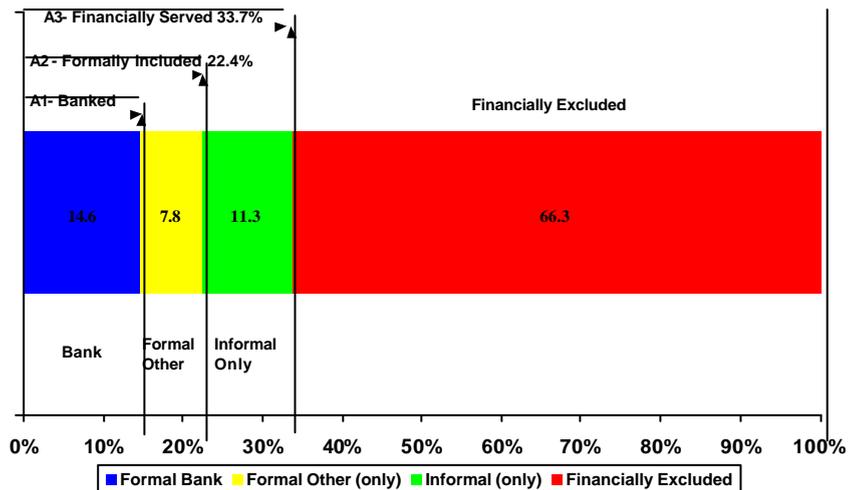
= Financially Served



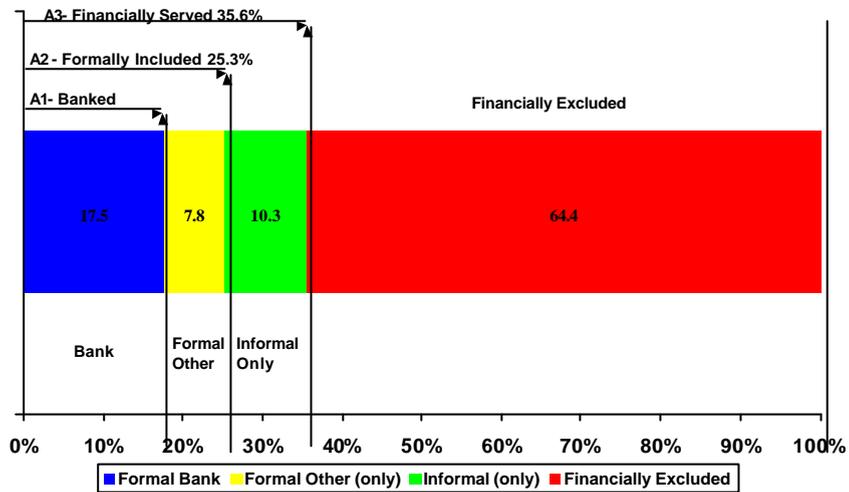
= Financially Excluded



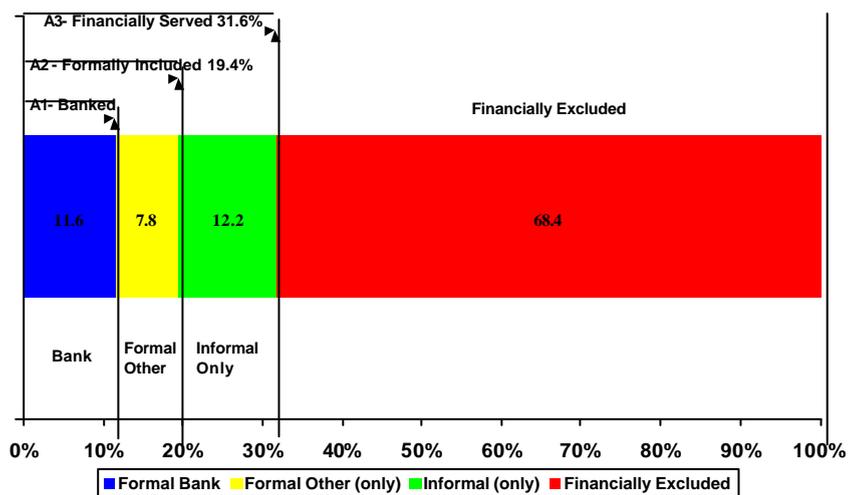
Financial Access Strand is a measurement of financial inclusion



There are slight differences when looking at the Access Strand by Gender - Males



There are slight differences when looking at the Access Strand by Gender - Females



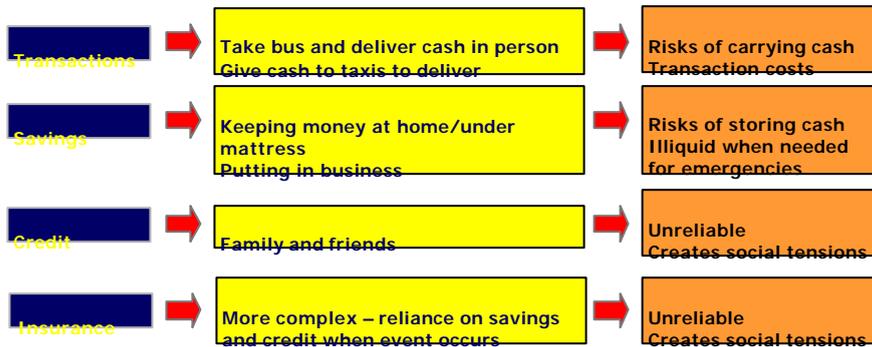
Overall levels of access to the formal financial system in Zambia is low

- According to the data, about 15% of adult Zambians report having any type of bank product or service (Q5)
- Levels of access to financial services increases because of usage of other formal products including those offered by microfinance institutions, as well as those offered by informal providers
- The Access Strand highlights the important role of other formal and informal services in the financial sector
- Women are less banked than men, and have more informal services than men

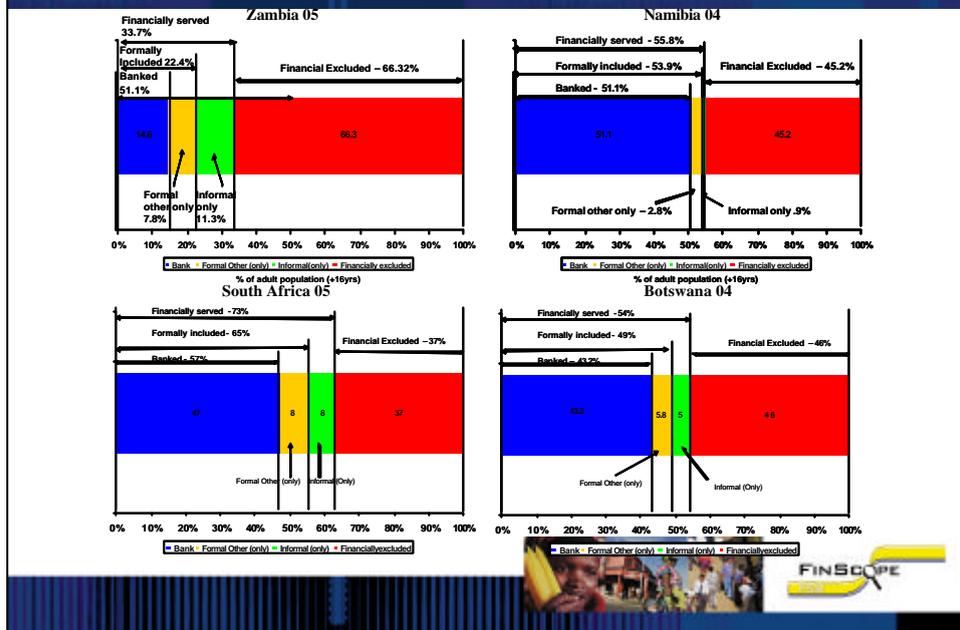


Over two thirds of adult Zambians do not use services offered by the formal and informal financial sector

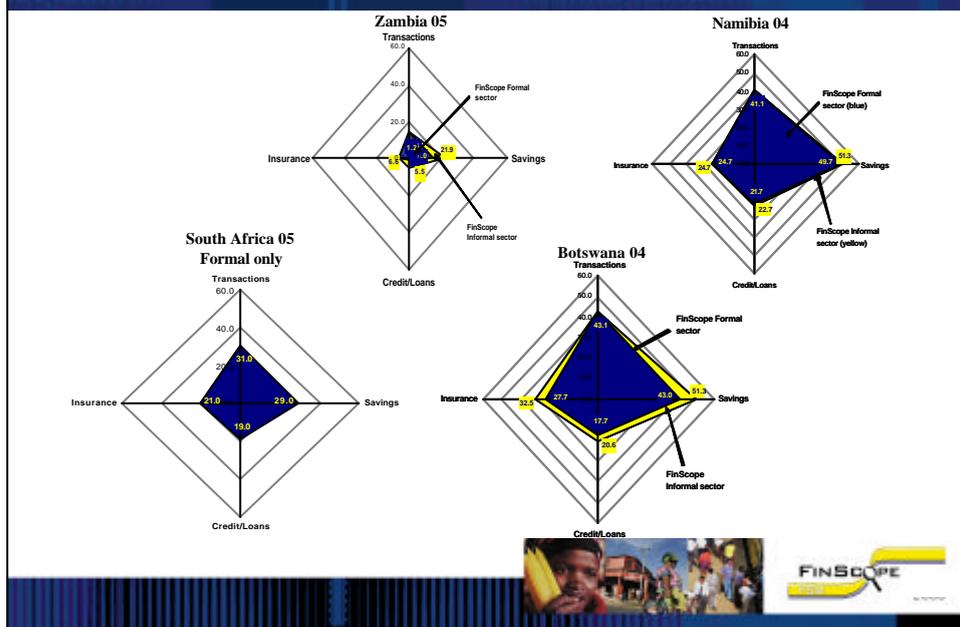
This does not mean there isn't a need, or that they are not engaging in activities that fulfil functions of transactions, credit, savings and risk mitigation. They are probably using sub-optimal alternatives or solutions.



Access to formal other and informal providers is much higher in Zambia than some of its wealthier neighbours



But overall levels of access are lower in Zambia



Snapshot on people's willingness to be banked

- When asked what they would do if they receive a large sum of money, 57% of adult Zambians would put it in a bank/open a bank account, but a significant number would put it under the mattress (16%) or give it to somebody for safe keeping (15 %)
- Of those that are financially excluded these figures are 52%, 18%, and 19% respectively
- This illustrates what people would do to keep money safe – it appears Zambians see banks as a safe place to keep but not to grow money

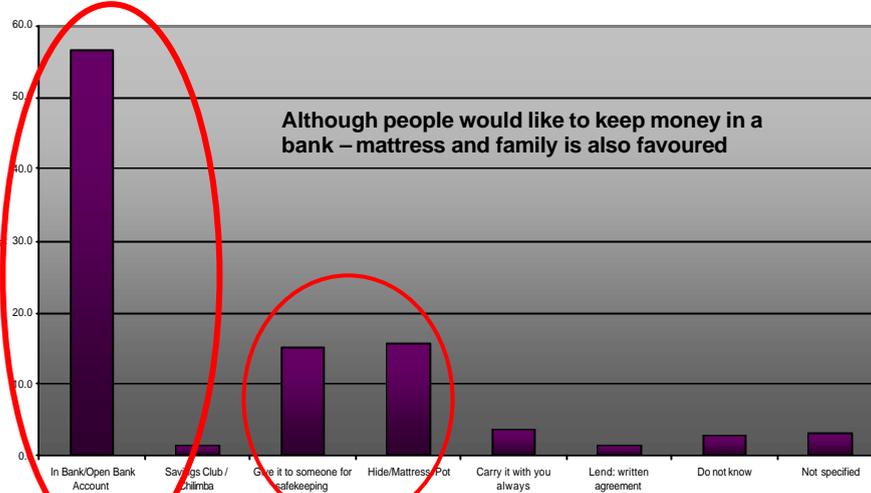


Snapshot on people's willingness to be banked

- When asked where they would spend it, most say they would put it into a business, this applies also to the financially excluded
- Females are more likely to spend by putting it in a business than males



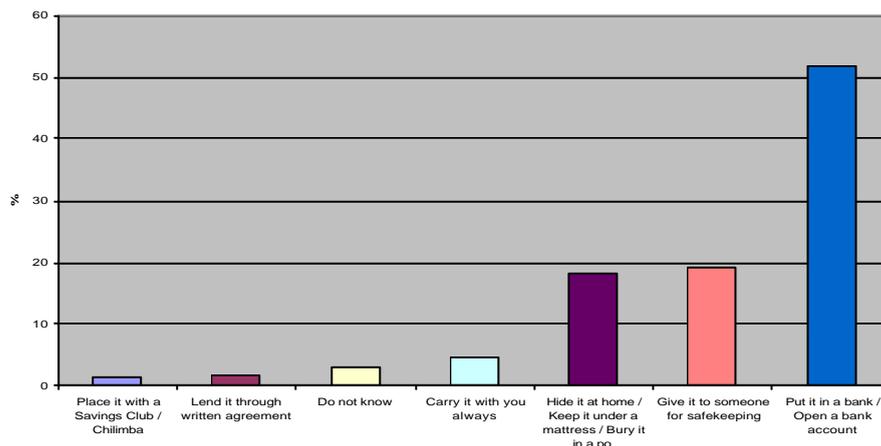
Where people would put an unexpected sum of money for safe-keeping before deciding what to do with it



Base: N=3,998



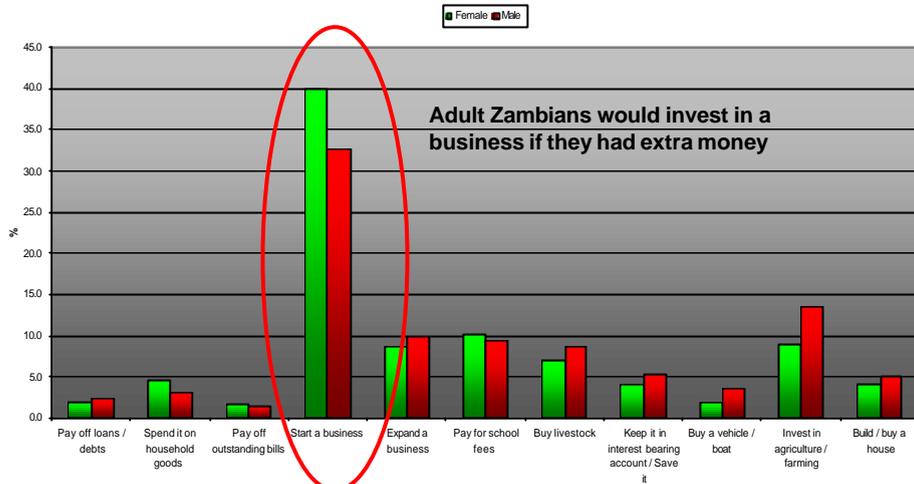
There is little difference in the preference of the financial excluded on where to keep this money



Base N=2705



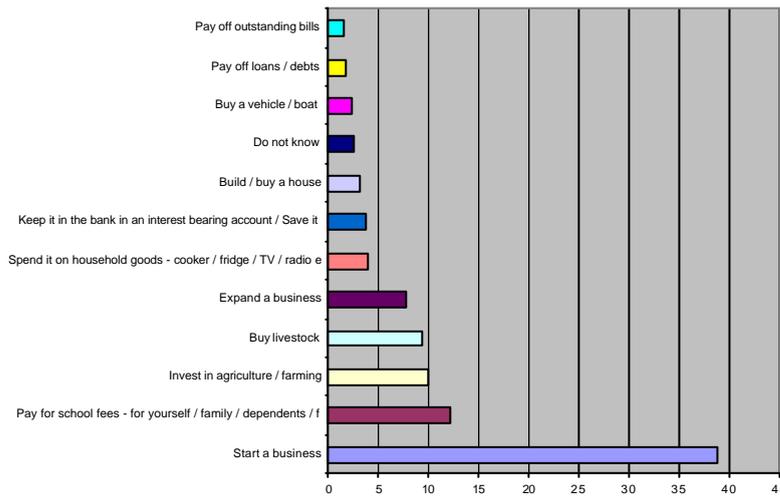
What people would do with the large sum of unexpected money



Base: N=3,998



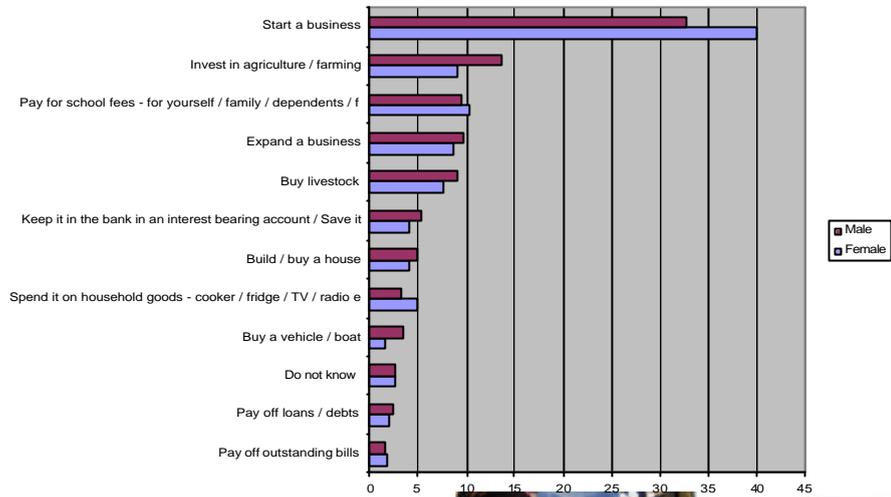
People's selected spending preferences of a large sum of unexpected money – financially excluded



Base N=2757



People's selected spending preferences of a large sum of unexpected money – by gender



N=3943



Top Line Findings

- Penetration of banking services in more detail



Profiling Demand For Financial Services



There is generally low usage of bank products by Zambians

- 15% of adult Zambians report having any type of bank product or service but there are another 8% that used to have a bank product/services leaving 77.5% that never had a bank product/service
- Only 4.5% use somebody else's bank account, but among those that are salaried, 7.7% use somebody else's bank account
- The majority of banked and used to be banked are urban

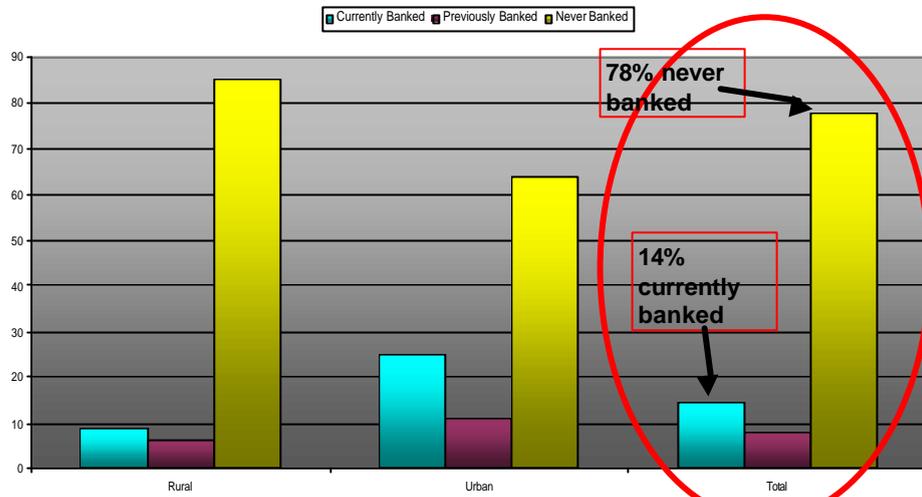


There is generally low usage of bank products by Zambians

- Usage of bank products is correlated with age, where younger and older people are less likely to have a bank account
- A higher percentage of older people tend to be previously banked
- Bank status is also correlated with employment status with the salaried more likely to have a bank account, however a significant percent of salaried people are still un-banked



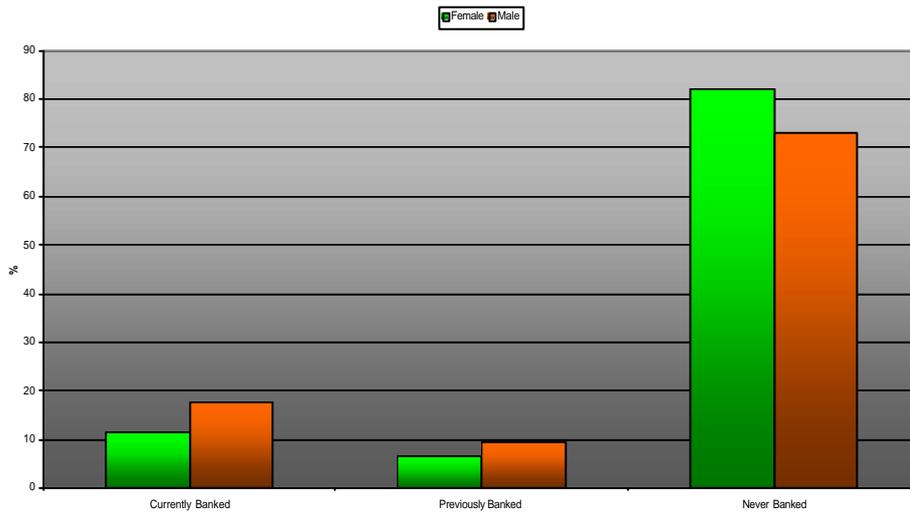
Banking status of adult Zambians



Base: N=3,998 Chi Square=246.3; p<0.01



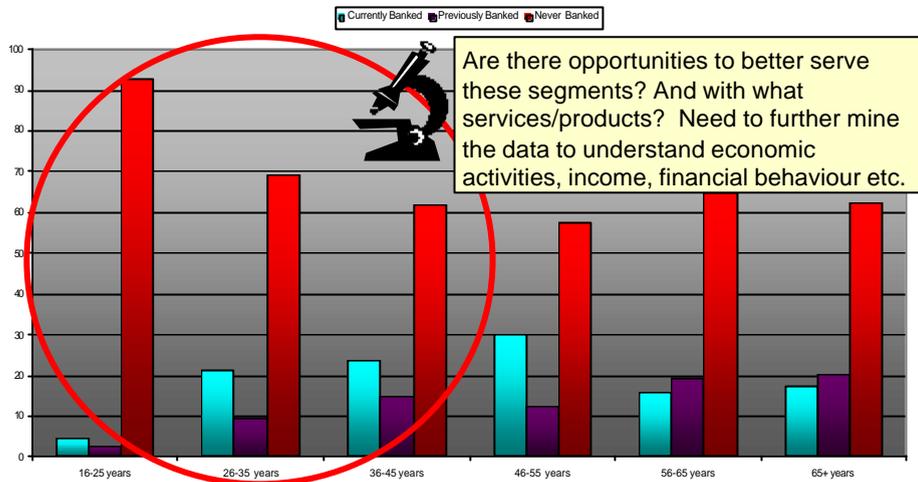
Banking status by gender



Base: N=3,998 Chi Square=45.3; p<0.01



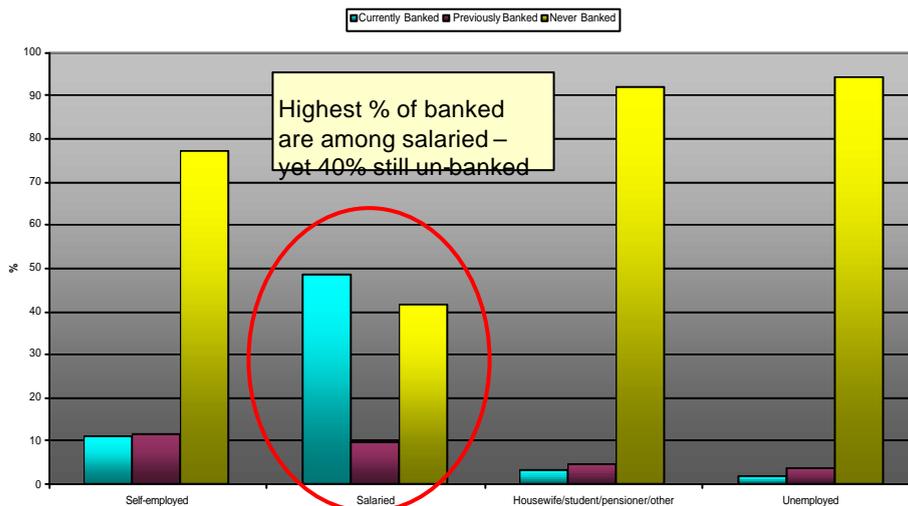
Banking status by age



Base: N=3,998 Chi Square=493.1; p<0.01



Banking status by employment



Base: N=3,998 Chi Square=1038.4.1; p<0.01



Understanding household income and usage of financial services

- Although a large percent of Zambia's say they have no income, household income is likely to be an important source for survival
- Average household size is 6 and each household has an average of 2 income earners
- A small percent of respondents (16%) report having more than 2 sources of income

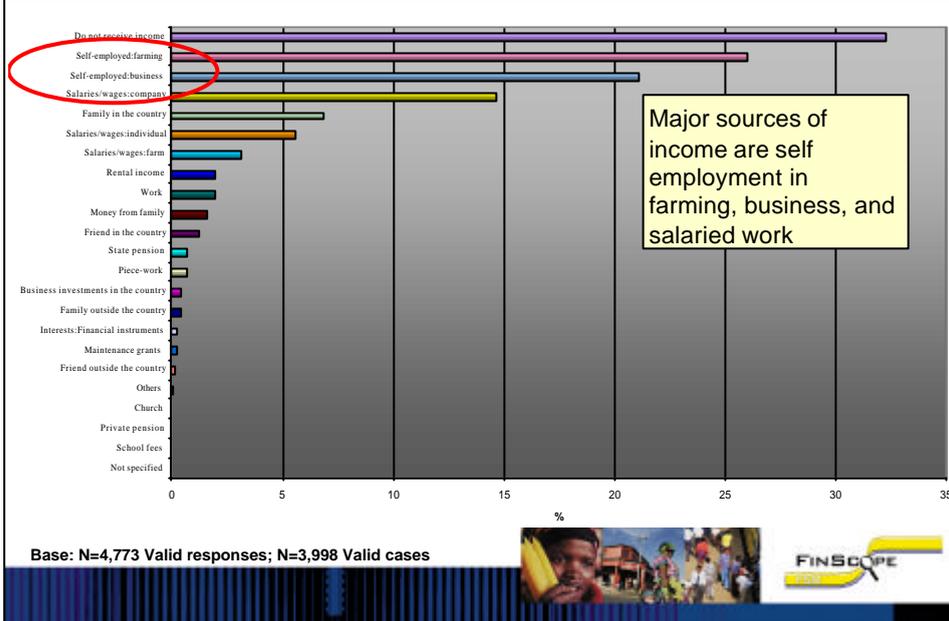


Understanding household income and usage of financial services

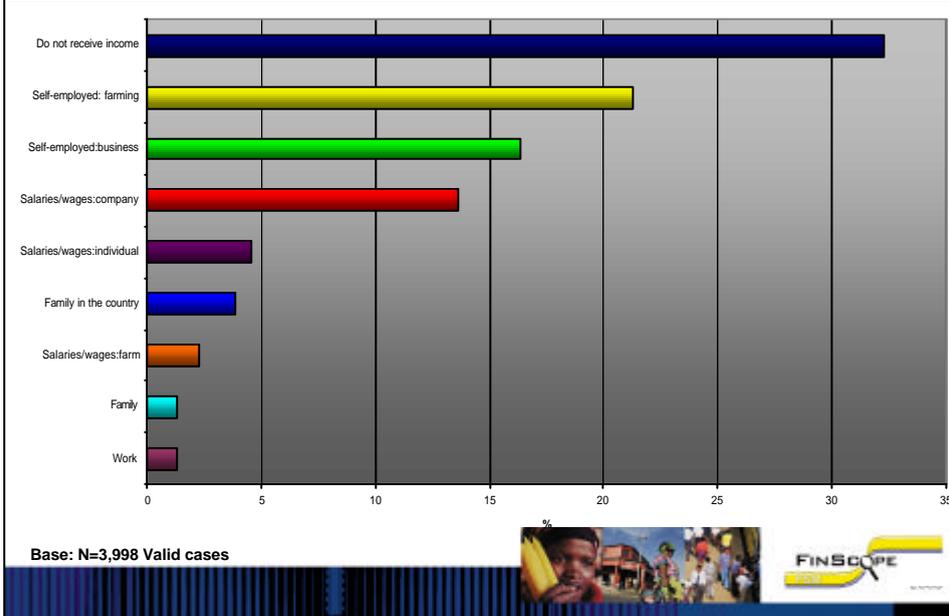
- In most cases Zambians receive their monies in the form of cash rather than through the financial system – even those that are salaried
- Banks tend to be used for the basic functions of cash deposit and withdrawing
- Previously banked and un-banked however are using bank services in the form of cheque cashing and depositing money in somebody else's account



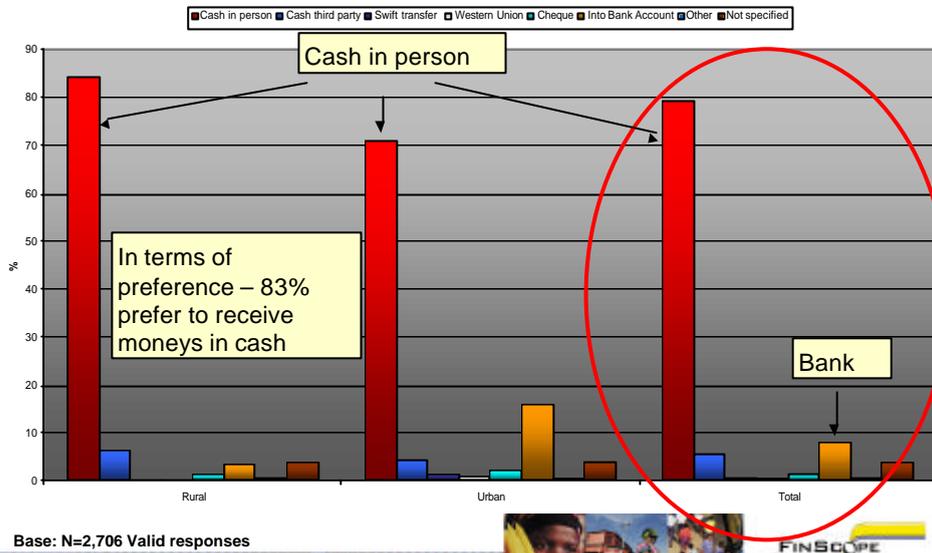
Zambians have multiple sources of income, if any



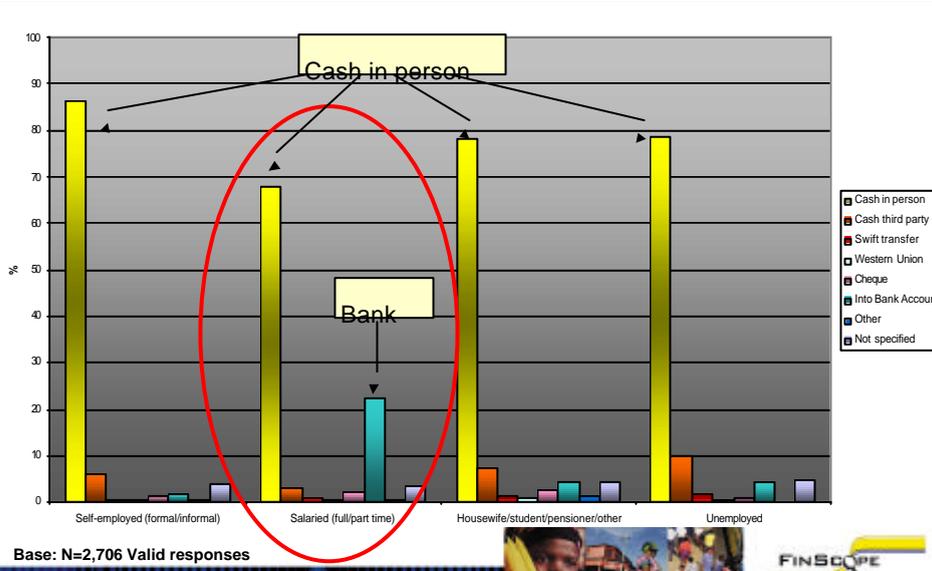
Main sources of money is from self employment (responses >1%)



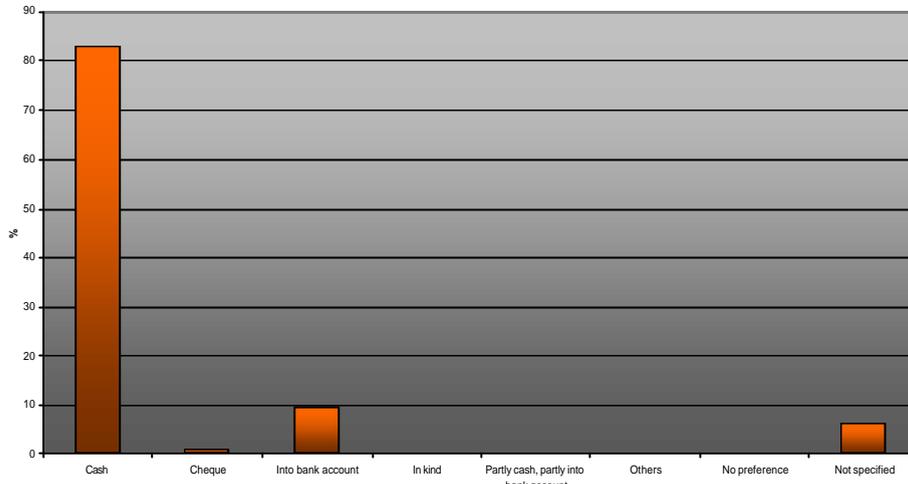
Cash is the ways of money is received from income (all sources) – Urban and Rural



Ways of receiving money (all sources) – Type employment



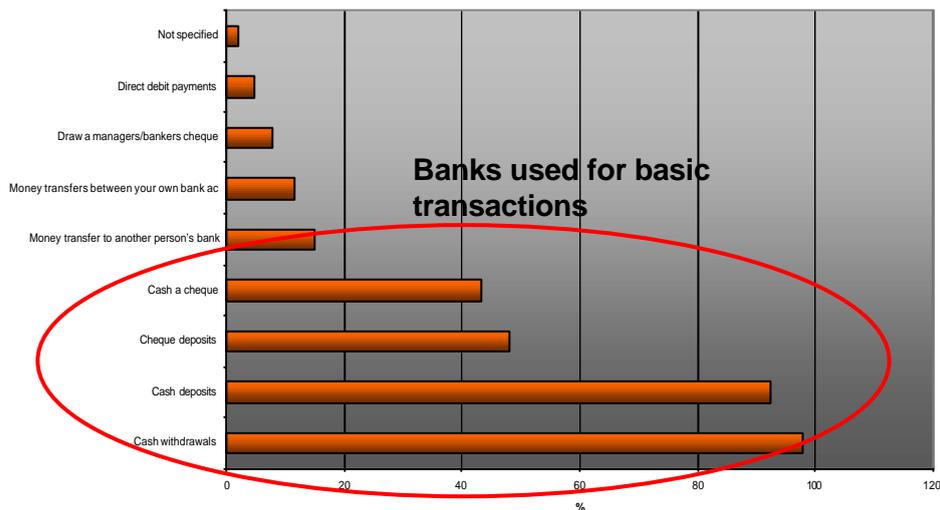
Cash is also preference payment method of income (all sources)



Base: N=2,707 Valid responses



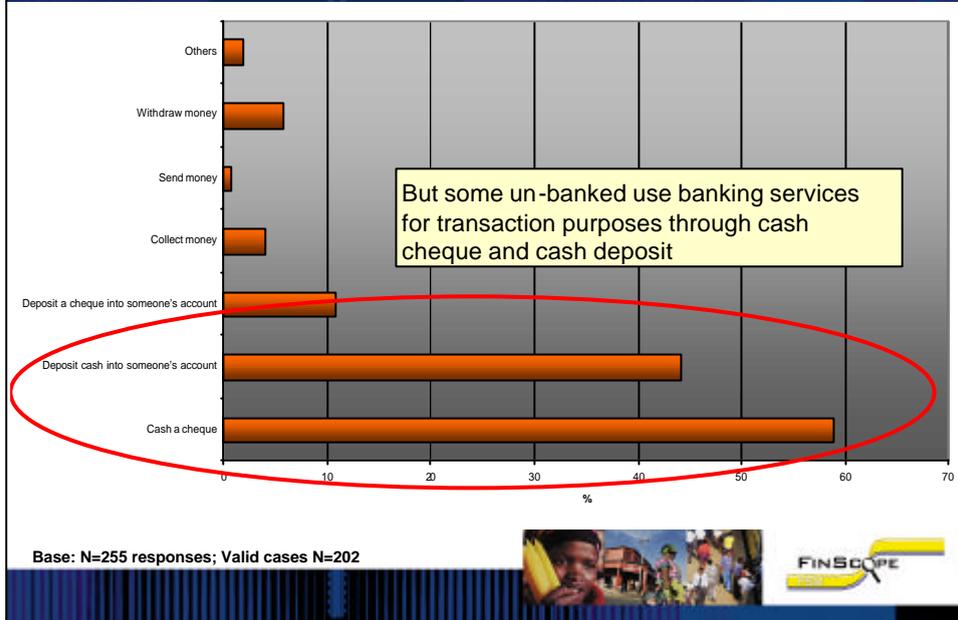
Banking activities among 'banked'



Base: N=1,864 responses; Valid cases N=578



Banking activities among 'previously banked' and 'never banked'

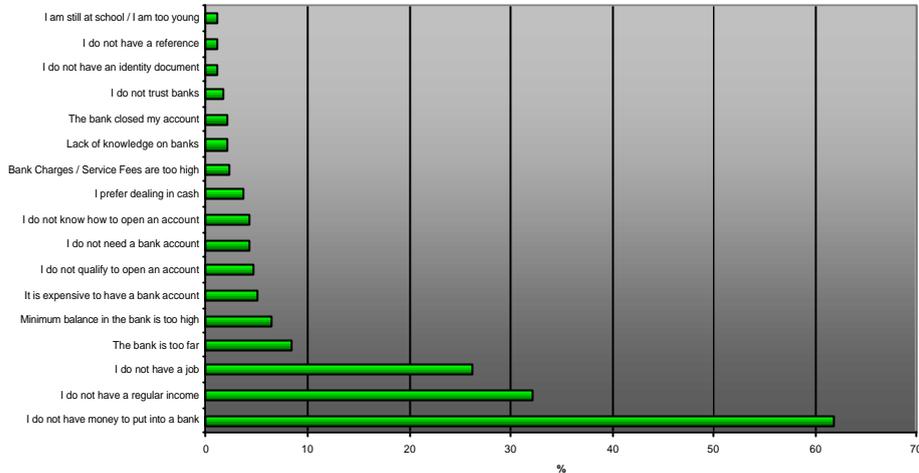


What are Zambia's looking for in a bank product/service?

- Main reason for not have a bank account given was no money, no regular income and no job
- Bank products and services up-take usually starts at around ZMK450,000 – 600,000 per month
- People look at product terms and conditions when deciding to open an account – could these be impediments to expanding access?



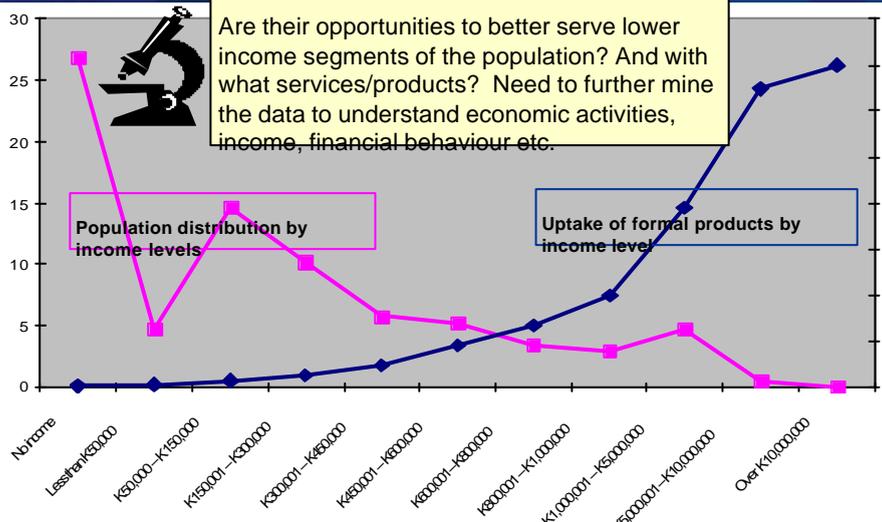
Reasons for not having bank account (all responses > 1%)



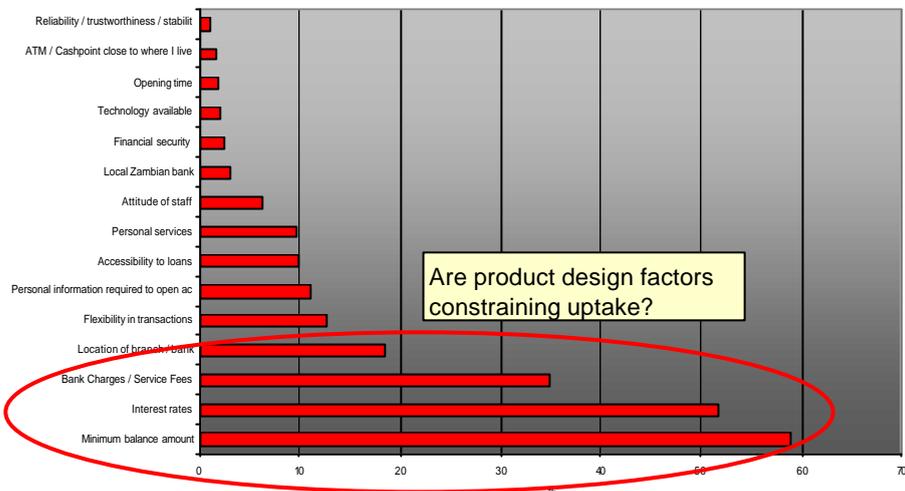
Base: N=5,754 responses; Valid N=3,350



Multiple use of formal product by income level



Factors taken into account when selecting a bank



Base: N=7,267 responses; Valid N=3,179

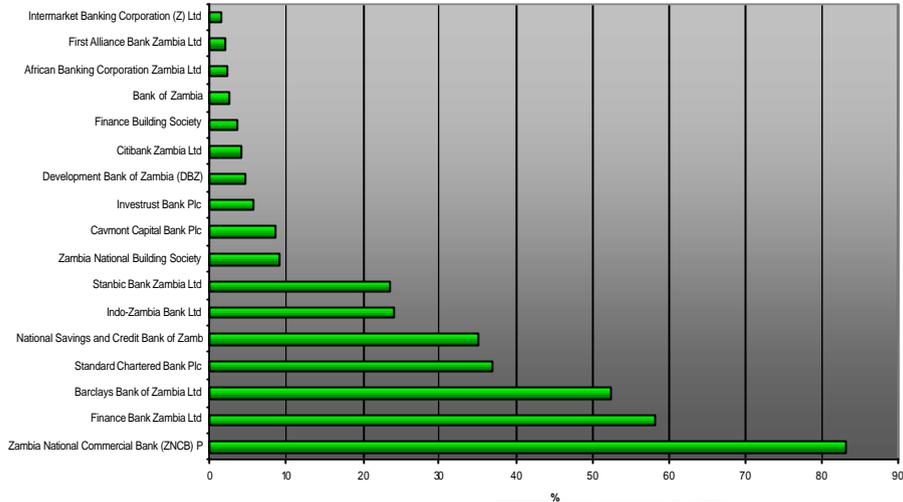


Usage and awareness of banks is concentrated amongst 4 to 5 banks

- 83% of the adult population is aware of Zambia National Commercial Bank – 4 other banks feature prominently in terms of awareness and include Finance Bank, Barclays Bank, Standard Chartered Bank, and National Credit and Savings Bank
- In terms of where accounts are held and which is the main bank used, ZNCB again has the highest market share, followed by Finance Bank and Barclays Bank
- In terms of concentration index, despite the large number of banks in Zambia, 5 major banks dominate the market, and 3.5 products out of the 15 on offer are mostly used



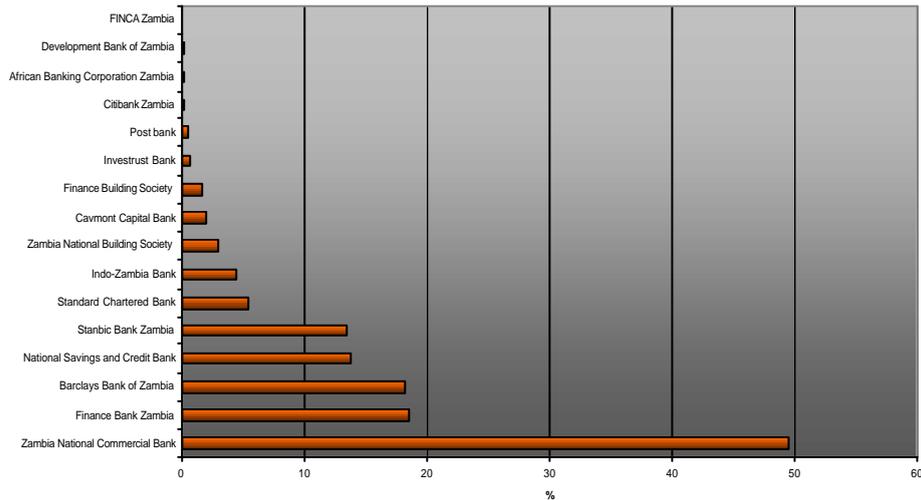
Awareness of individual banks (all responses >1%)



Base: N=12,873 responses; Valid N=3,560



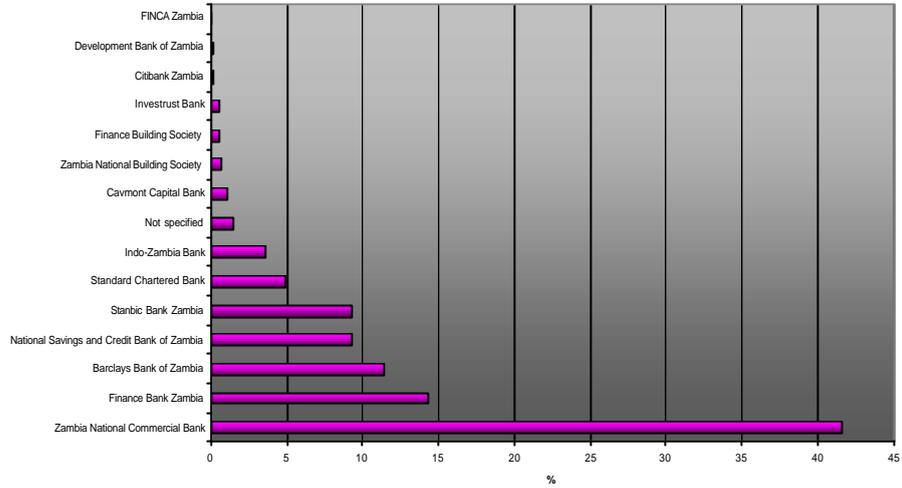
Banks at which accounts are held



Base: N=753 responses; Valid cases N=569



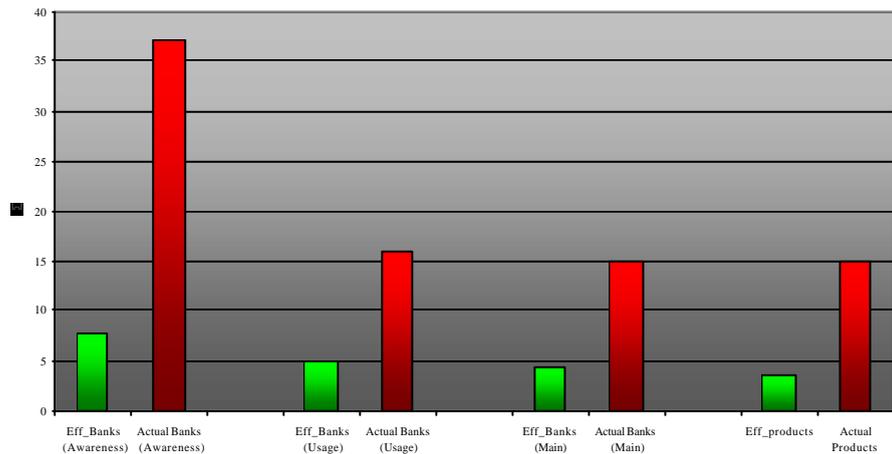
The main banks used by adult Zambians



Base: N=578



Concentration indexes of the banking sector





Top Line Findings

- More on the financially excluded

FINSCOPE
FSD

Profiling Demand For Financial Services

FINMARK TRUST
FINANCE • CREDIT • SAVINGS • INSURANCE • MICRO-FINANCE

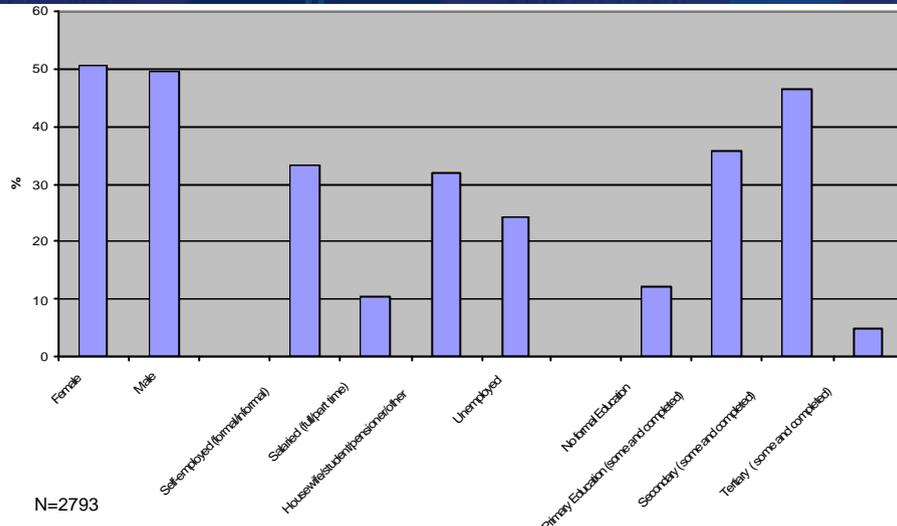
Who are the financially excluded?

- They tend to be young
- Most have some level of education
- They are equally male or female
- A high number are house wives or self-employed
- Most have no or little income

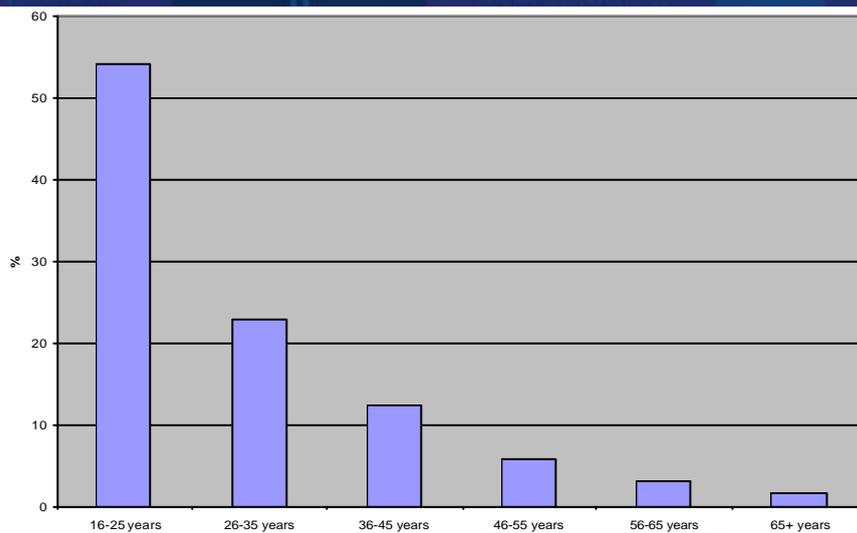


FINSCOPE
FSD

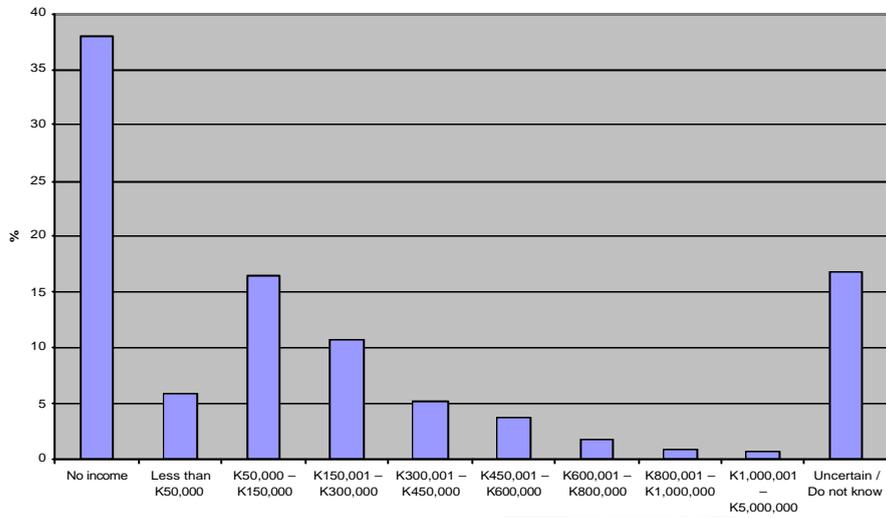
Who are the financially excluded?



Who are the financially excluded in terms of age?



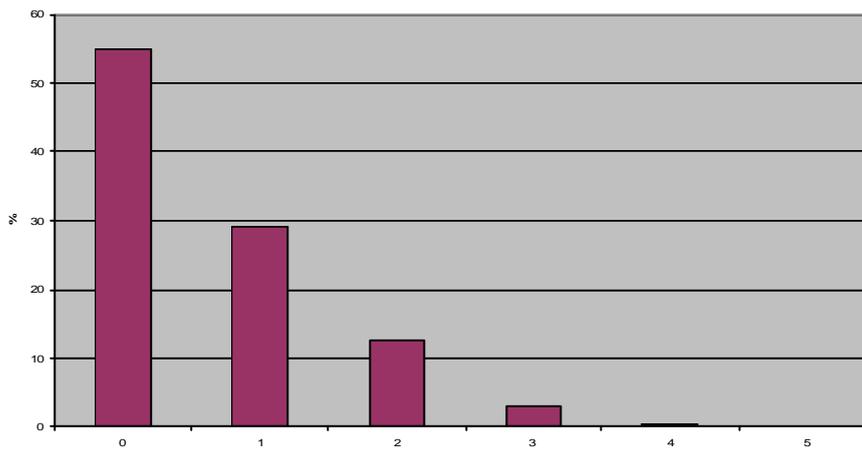
Who are the financially excluded in terms of personal monthly income?



N=2793

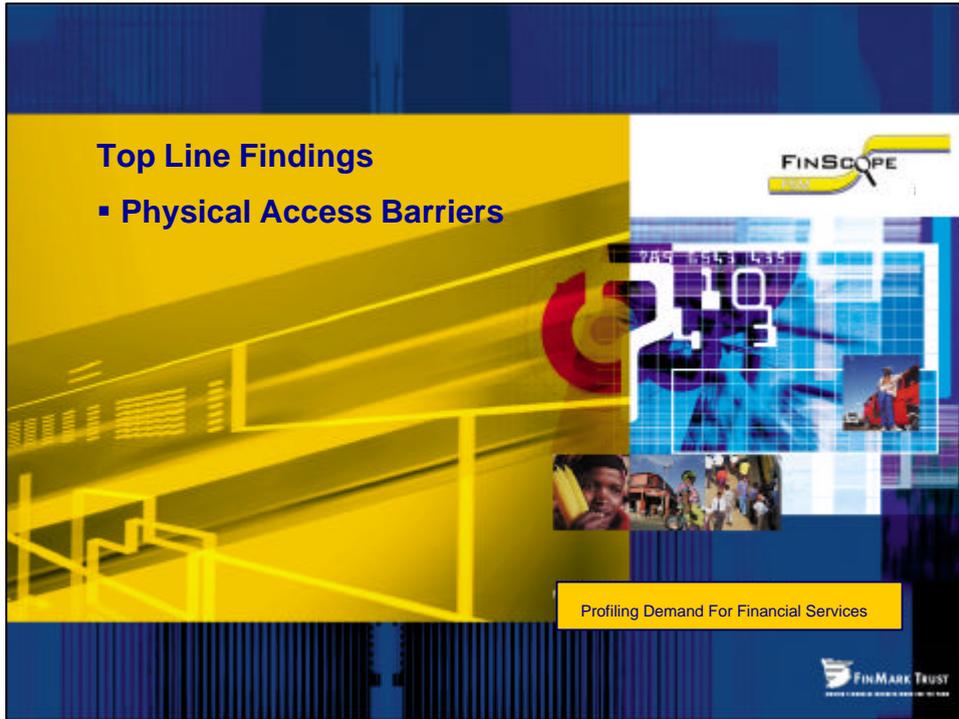


Who are the financially excluded in terms of multiple sources of monthly income?



N=2793





Top Line Findings

- **Physical Access Barriers**

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Profiling Demand For Financial Services

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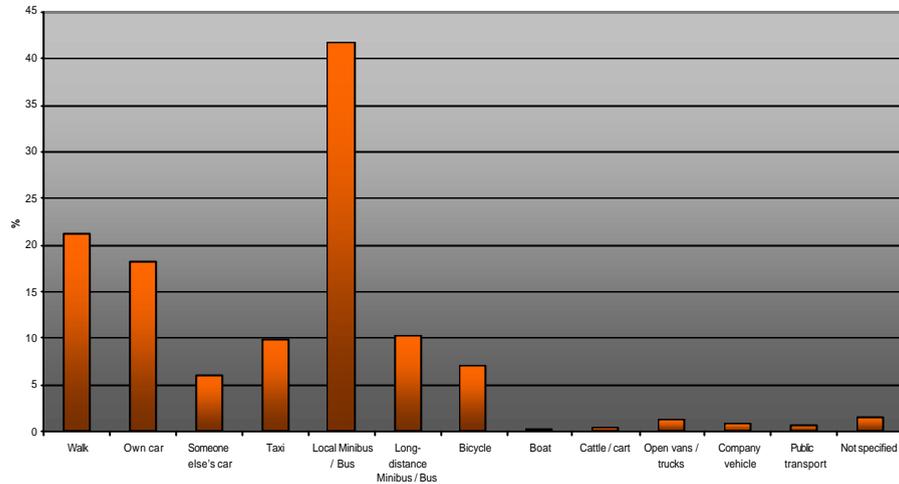
What are the physical access barriers?

- Cost
- Distance
- Time
- Mode of transport



FINSCOPE
FSD

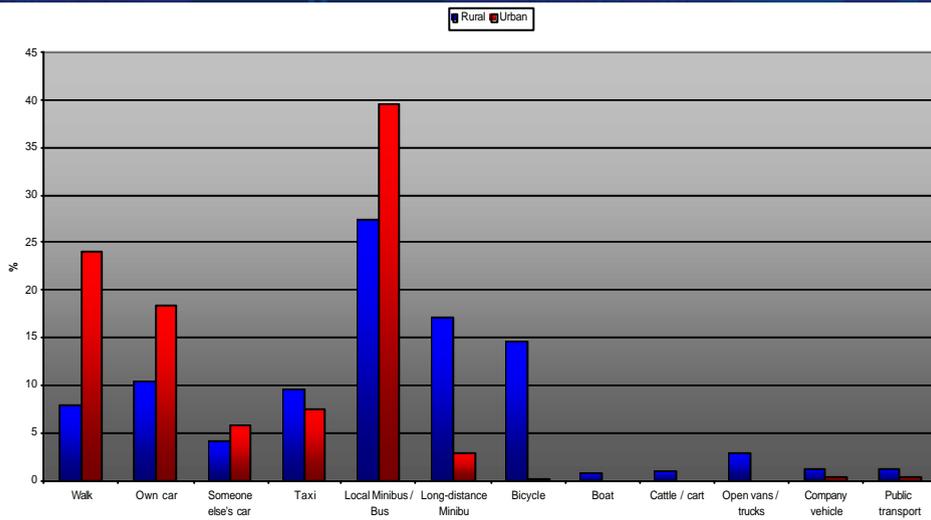
Means of getting to a bank



Base: N=694 responses; Valid cases N=578



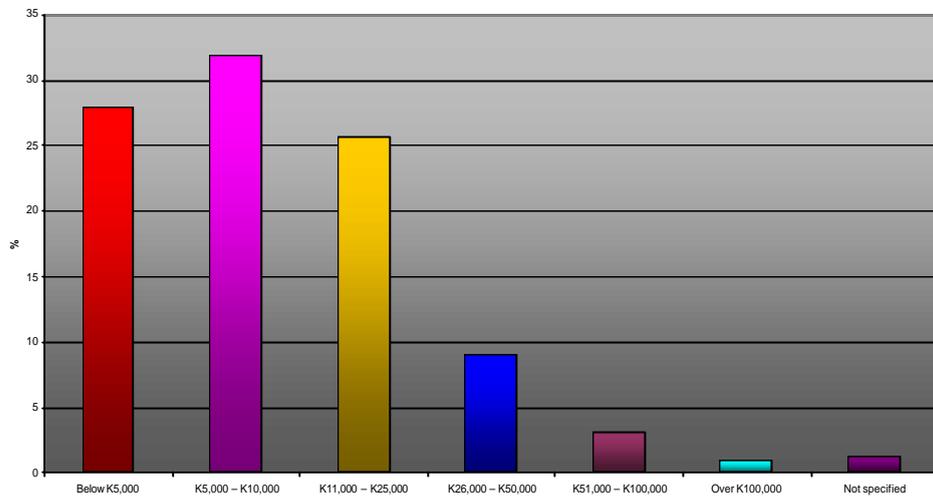
Means of getting to a bank – Urban and Rural



Base: N=694 Responses; N=578 valid cases



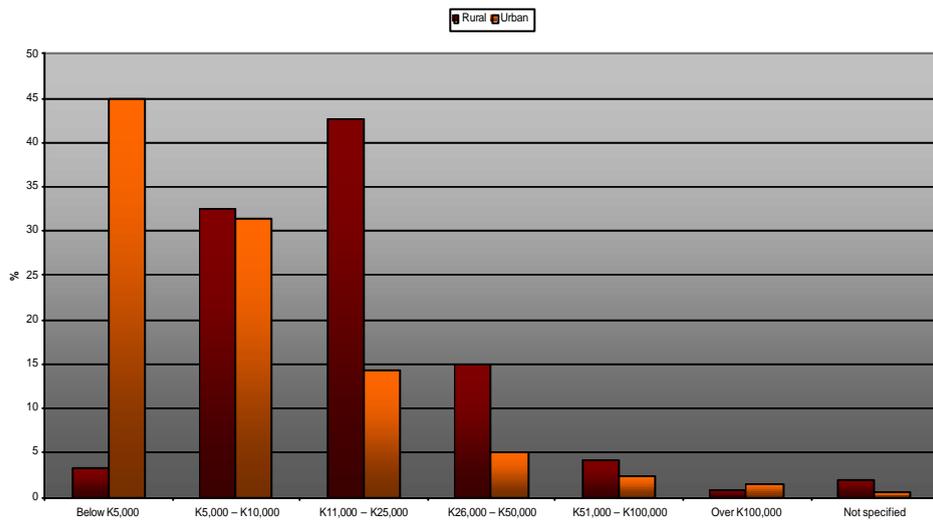
Cost of getting to a bank



Base: N=365



Cost of getting to a bank – Urban and Rural

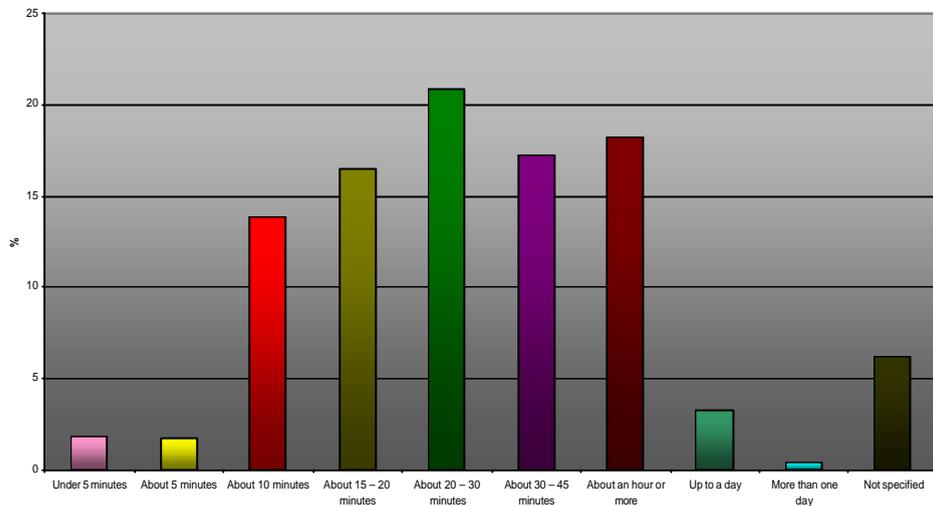


Base: N=365

Chi Square=93.6; p<0.001



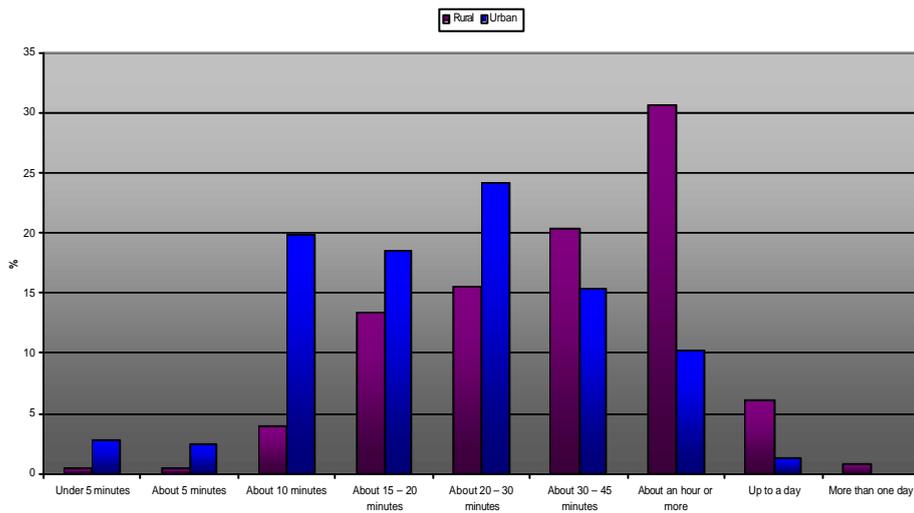
Time spent getting to a bank



Base: N=578



Time spent getting to a bank – Urban and Rural



Base: N=578 Chi square=88.18; p<0.001



Top Line Findings

- **Zambian savings and investment behaviour**

Profiling Demand For Financial Services

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PROVIDING FINANCIAL SERVICES TO THE PEOPLE OF ZAMBIA

Zambians prefer building assets than investing in financial instruments

- Rather than purchase T-bills, buy life insurance or stocks on the Zambia Stock Exchange, people would invest in agriculture or a business
- Only 22% of adults say they save regularly and most people would save monthly
- Men save more regularly than women

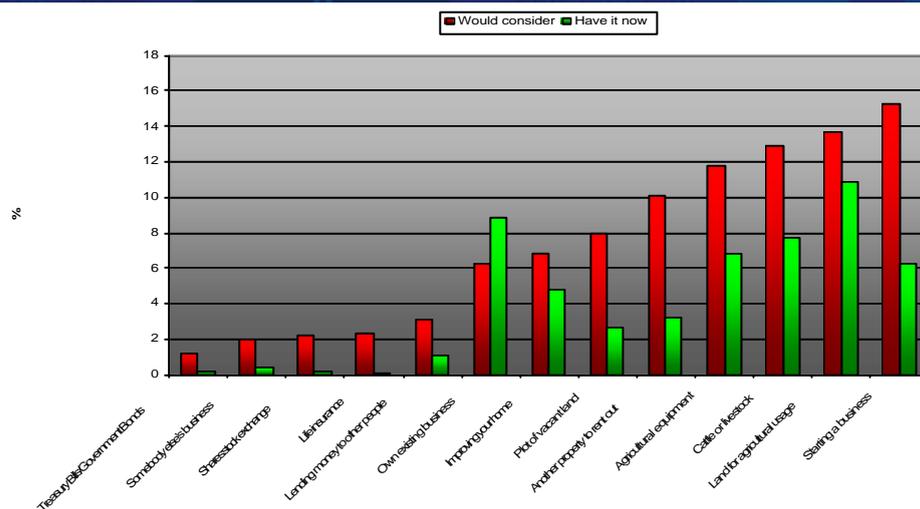
FINSCOPE
FSW

Zambians prefer building assets than investing in financial instruments

- Safety is the most important consideration given when deciding with which institutions to save money
- When making the decision on whether to save, invest or spend money, most people will consider price of goods and services
- A house is seen as a tradable asset by 54% of Zambians and the same percentage claim to have title deeds



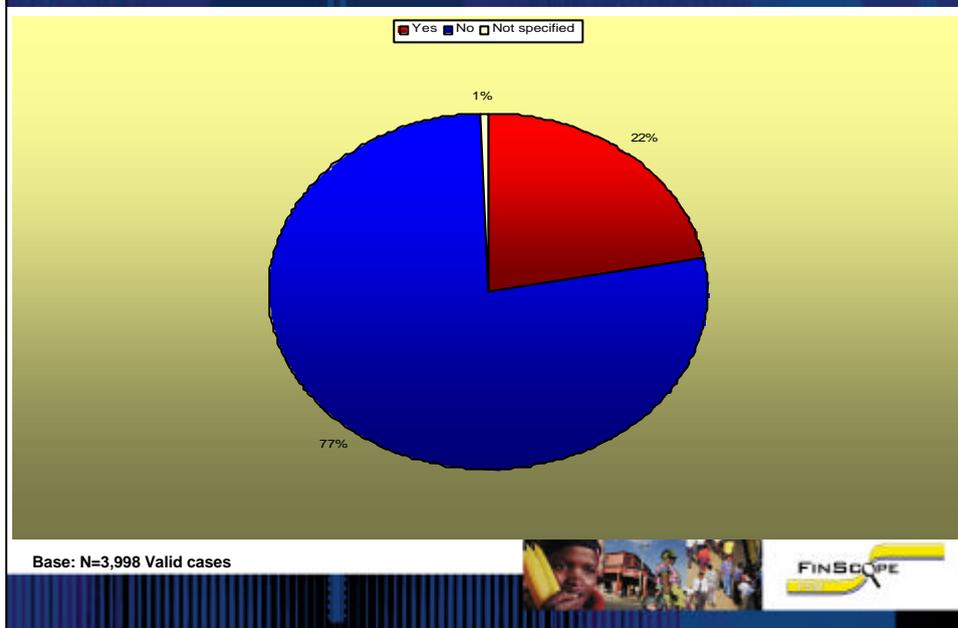
Types of investments would adult Zambians consider and have now



Base: N=3,998 Valid cases



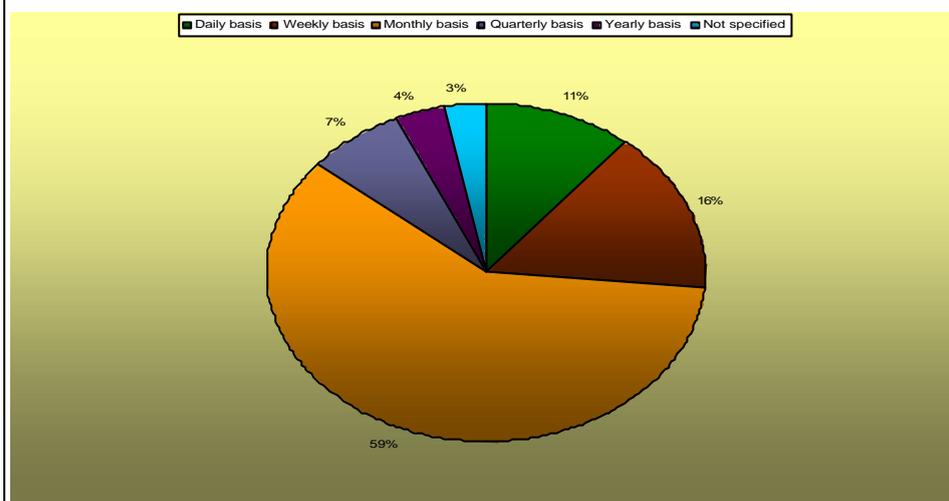
Do Zambian' save regularly?



Regular savings by gender



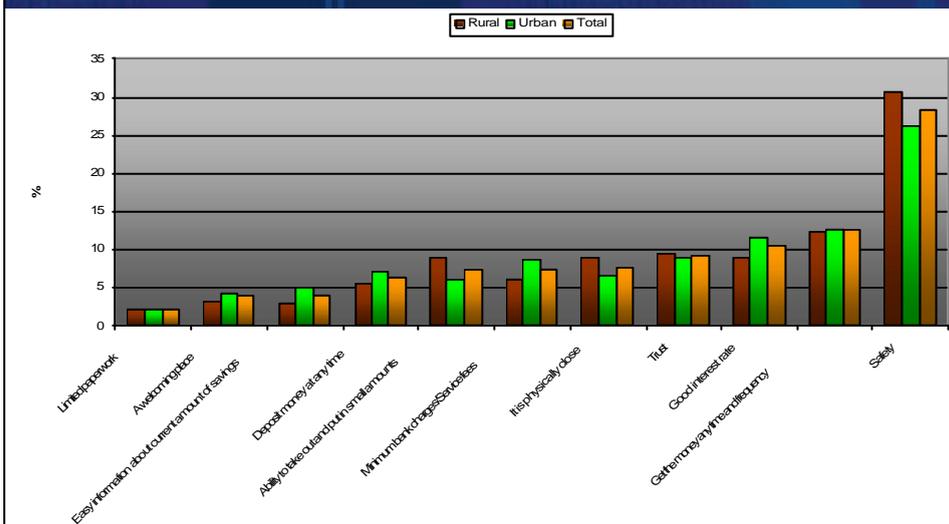
Frequency of savings



Base: N=882 Valid cases



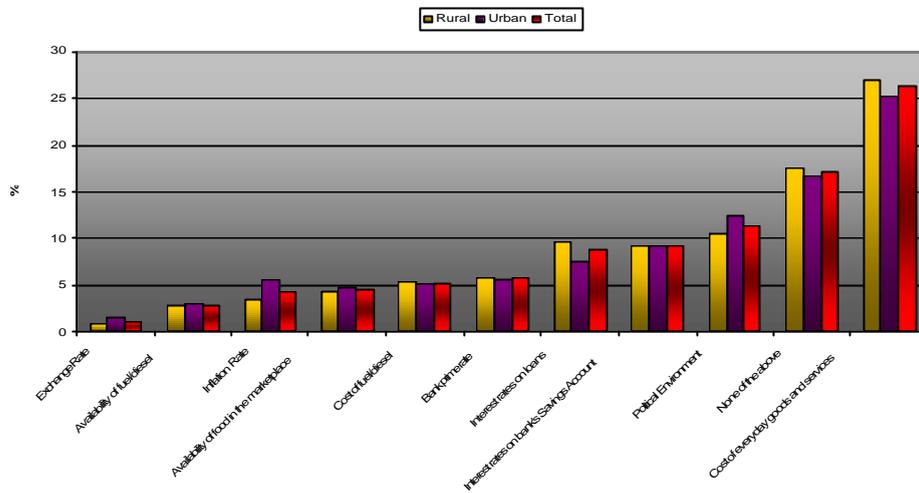
Factors considered when deciding where to save



Base: N=822 Valid cases



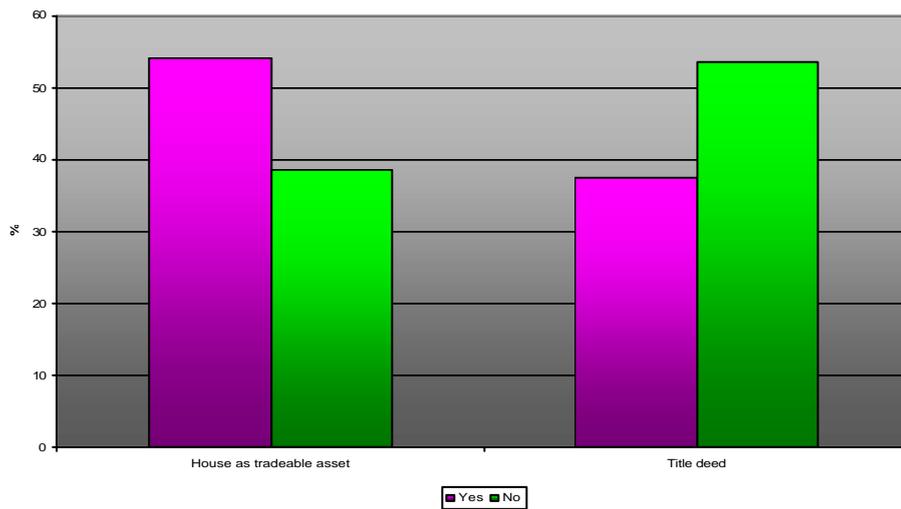
Important factors influencing decisions to save, spend or invest also showing urban and rural (responses >1%)



Base: N=3,998 Valid cases



Do adult Zambian view their house as tradable asset and do they have title deed?



Base: N=622



Top Line Findings

- Microfinance at a glance

Profiling Demand For Financial Services

FINSOPE
FSM

FINMARK TRUST
FINANCIAL MARKETS FOR THE PEOPLE

Use of micro-finance institutions

Microfinance institutions, although used by only 5% of the adult population plays an important role in increasing levels of access to financial services

There is no gender difference in usage of microfinance

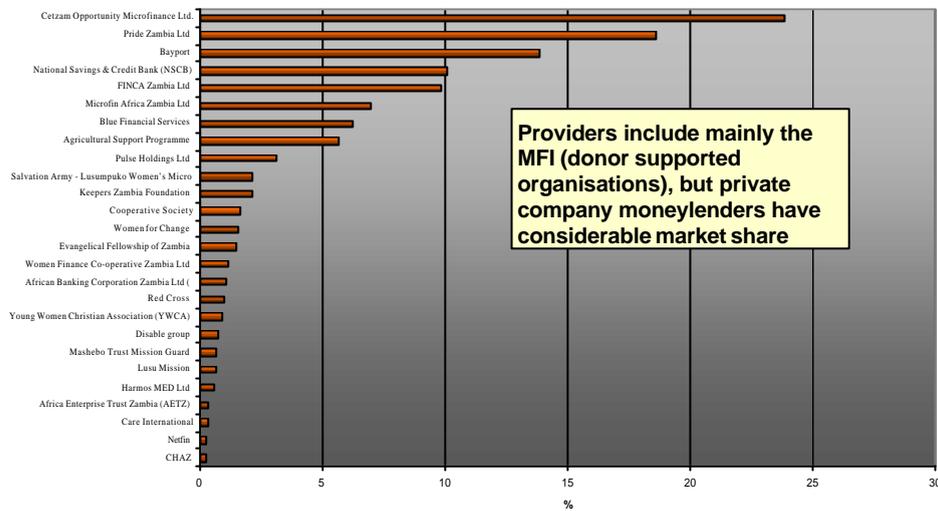
Response	Percentage
No	94%
Yes	5%
Not specified	1%

Base: N=3,998

FINSOPE
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FINANCIAL MARKETS FOR THE PEOPLE

The MFIs at which services are held



Base: N=218 Valid responses; N=121 valid cases



Top Line Findings

- Financial attitudes



Profiling Demand For Financial Services

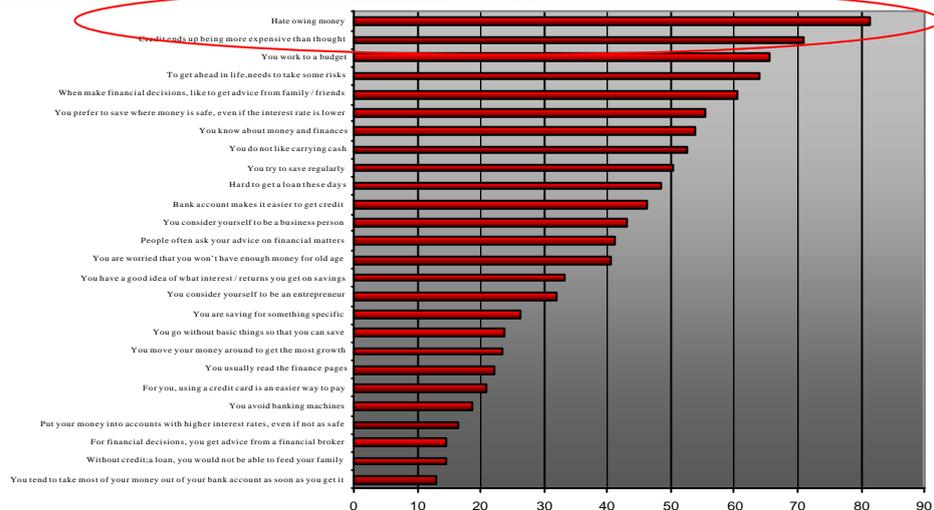


Financial psychographics

- The survey asked respondents to agree or disagree with a number of statements about financial behaviour
- This information can be used to understand financial attitudes and decision making
- This is relevant when looking to develop new products for new market segments
- The data shows that Zambians work to a budget and prefer not to take credit
- But they also see the need to take risks in order to get ahead in life but most do not consider themselves entrepreneurs



Attitudes to finance



Analysis of attributes associated to financial service providers may give clues for expanding financial access

- There are clear attributes that distinguish formal providers from informal providers
- Informal providers are associated with simplicity, ease, rapidity and absence of beaurocracy
- Banks and insurance companies are in a category of providers that are associated with more beaurocratic procedures
- MFIs are somewhat in the middle

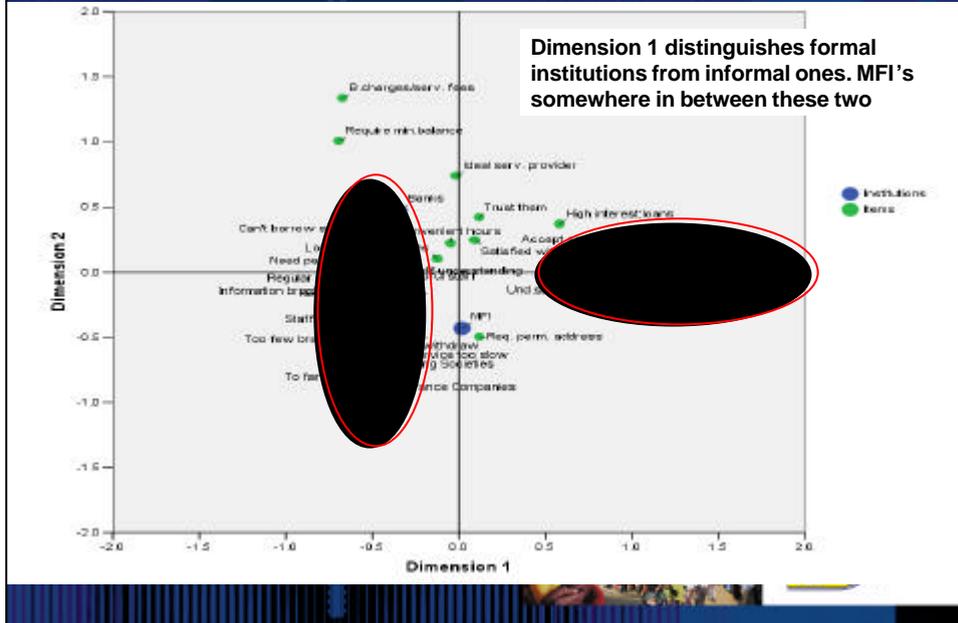


Analysis of attributes associated to financial service providers may give clues for expanding financial access

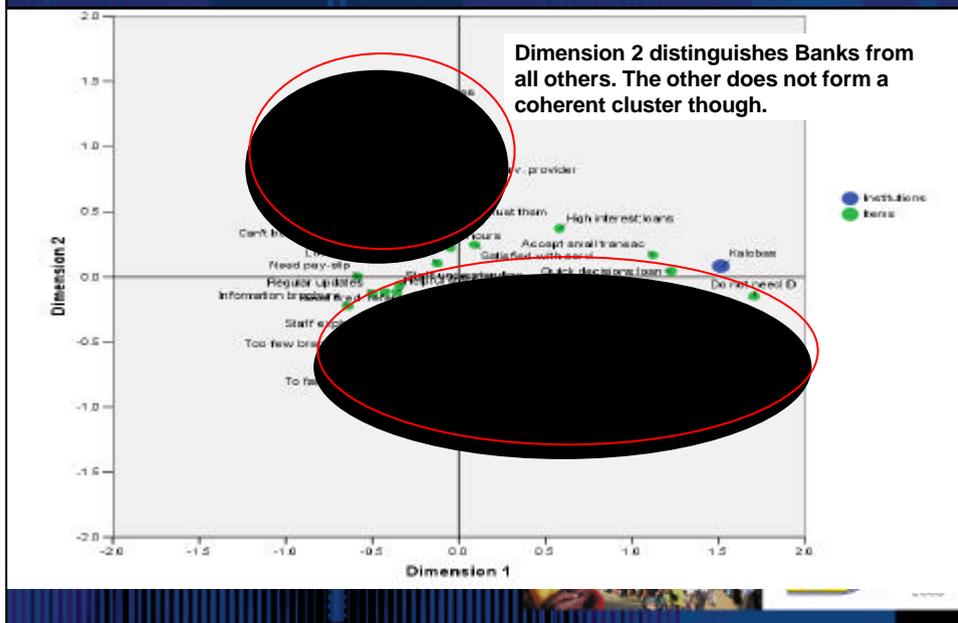
- People associate “too few branches”, “far away”, “difficult to withdraw” and “slow service” with insurance companies, and MFIs – suggesting distinction between these providers and bank
- Banks are associated more with the need to comply with certain administrative requirements (e.g.payslip), with high interest rates and low returns, but are trusted and a preferred provider

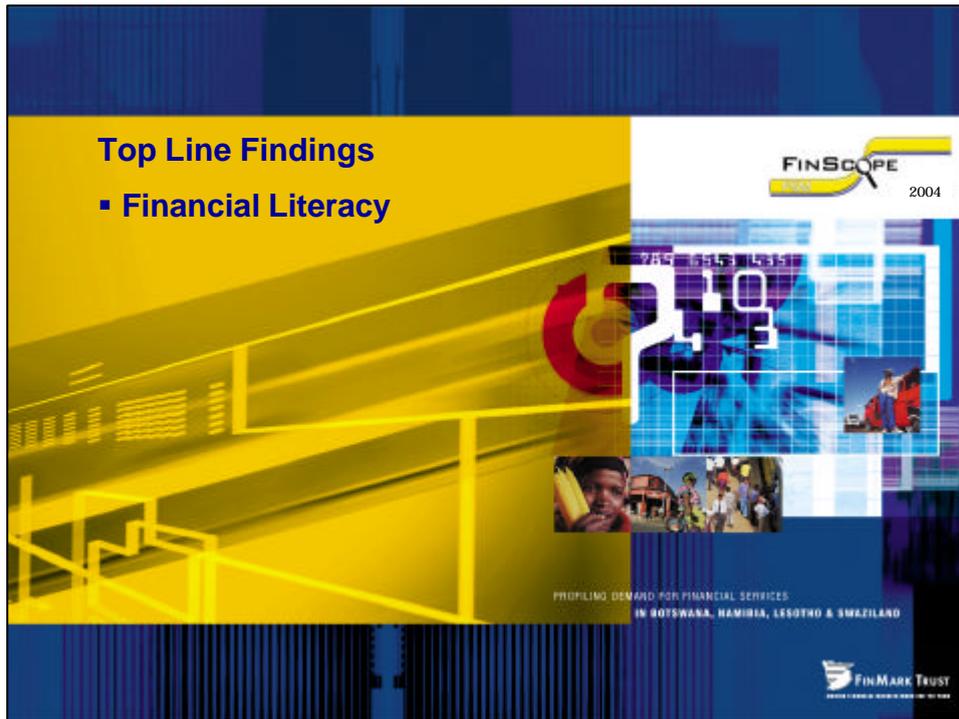


Correspondence analysis on the attributes of the different type of financial institutions



Correspondence analysis on the different attributes of financial institutions



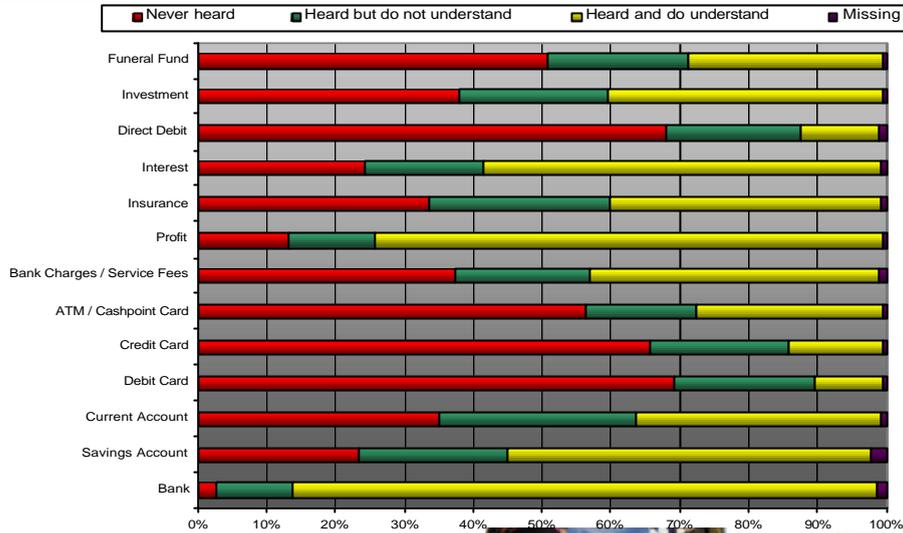


What are levels of financial literacy?

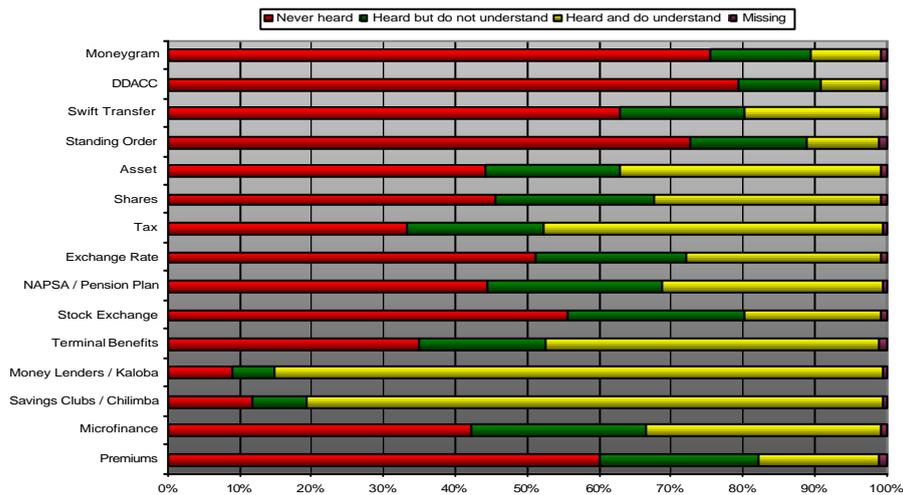
- Bank product names are often not known such as ATM, debit card, funeral fund
- Some technical terms such as premiums not known
- Concept such as business, profit, interest are known terms
- 35% of adult Zambians are interested in financial matters but 40% do not follow financial matters



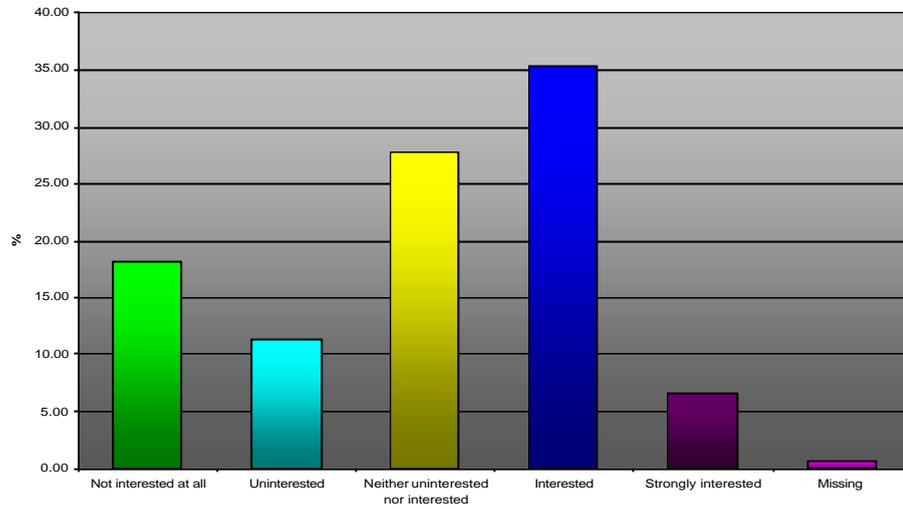
Self-reported knowledge of banking and financial terms (1)



Self-reported knowledge of banking and financial terms (2)



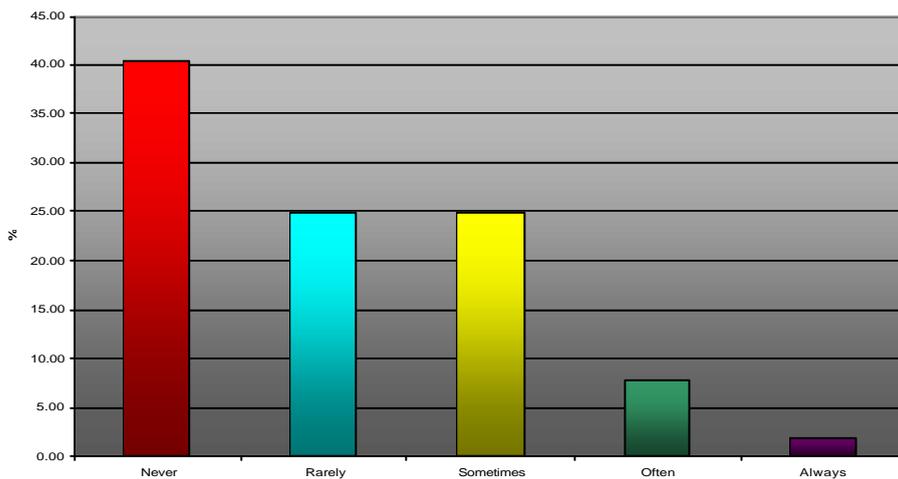
Interest in financial matters



Base: N=3998



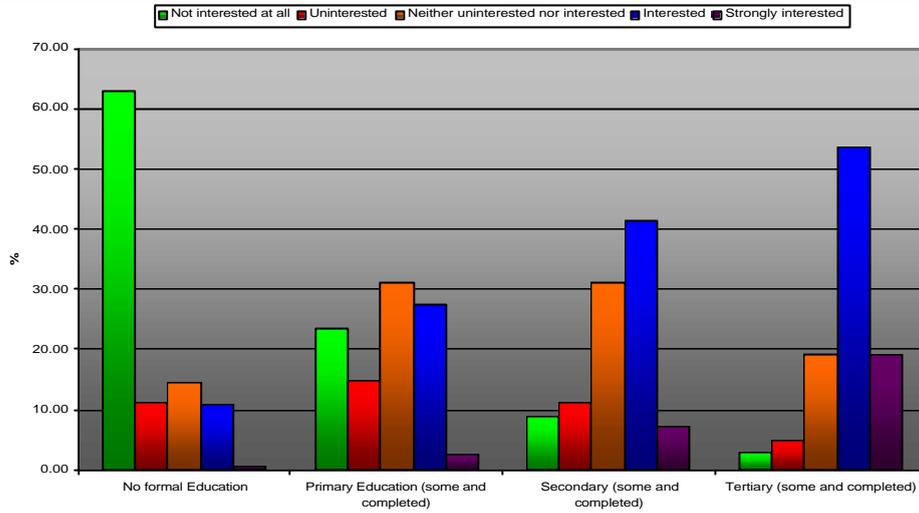
Follow financial matters



Base: N=3998



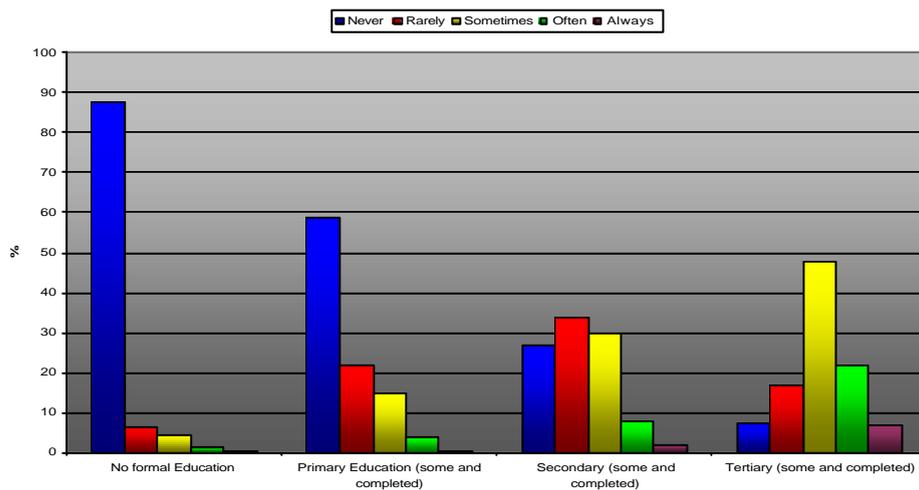
Interest in financial matters by education



Base: N=3998; Chi-square=1063.83; p<0.001



Follow financial matters by education



Base: N=3998; Chi-square=1220.10; p<0.001





Top Line Findings

- **Vulnerability and coping strategies**

Profiling Demand For Financial Services

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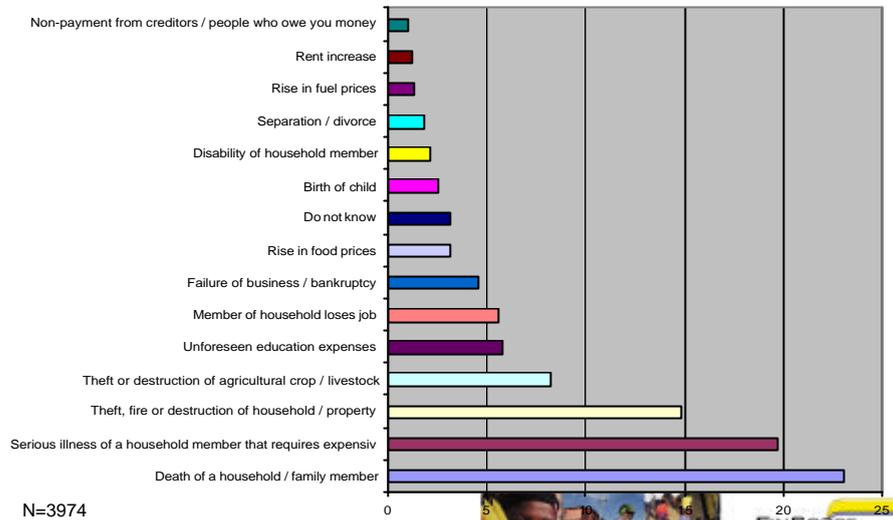
FINMARK TRUST
FINANCIAL MARKETS IN ZAMBIA

Vulnerability can suggest need for financial services

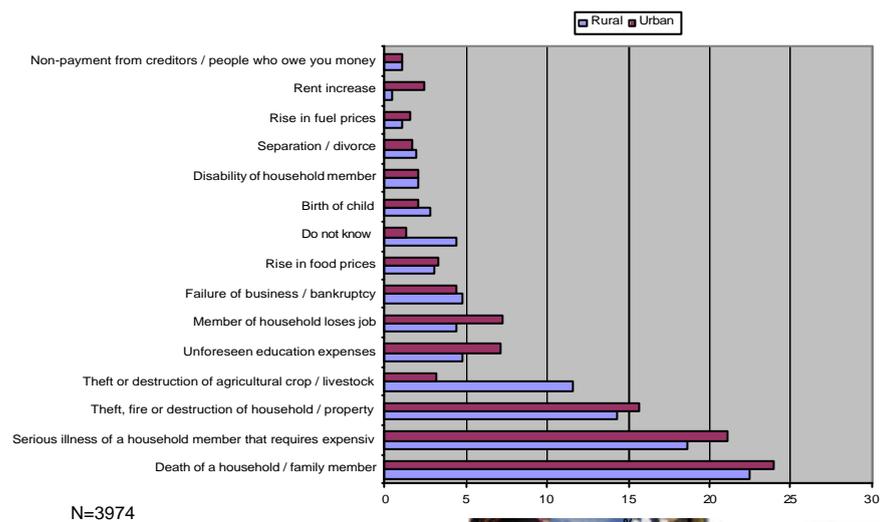
- Most Zambians see death and illness as an event that can destabilise financial stability
- Most will rely on family and friends in times of need
- Perhaps there are opportunities for better savings and insurance products to help households to deal with unexpected or even expected (life cycle) events



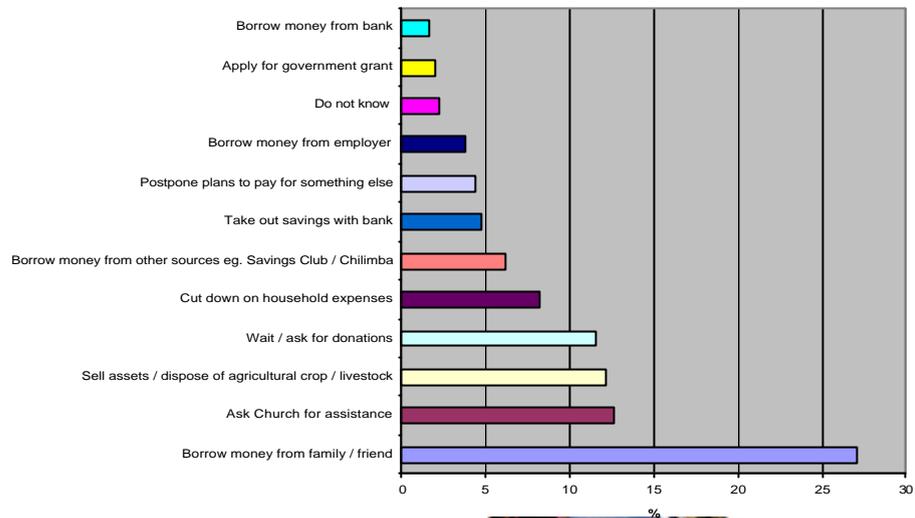
Sources of vulnerability (responses > 1%)



Sources of vulnerability – urban and rural



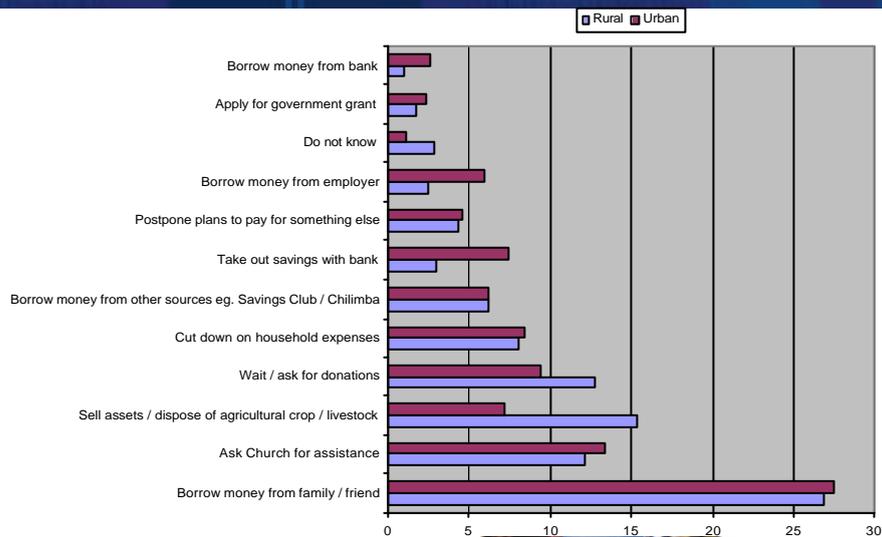
Financial coping strategies (responses >1%)



N=3548



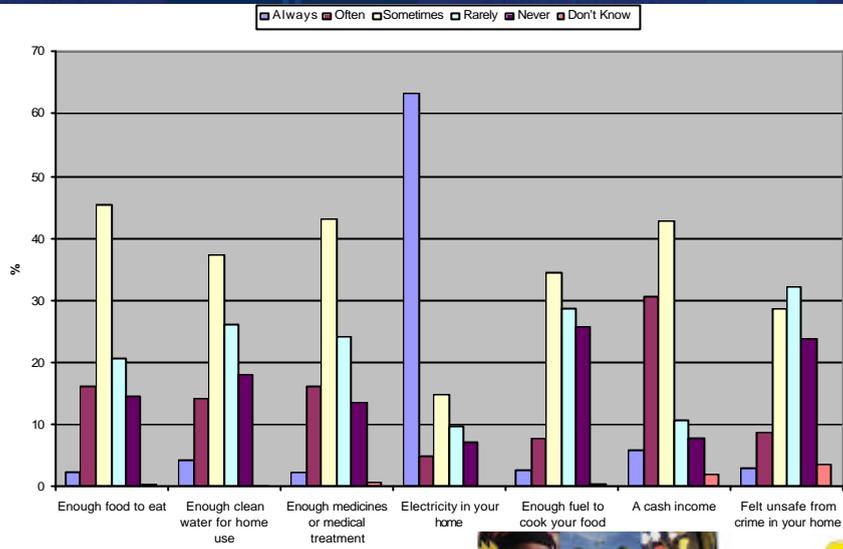
Financial coping strategies – rural and urban



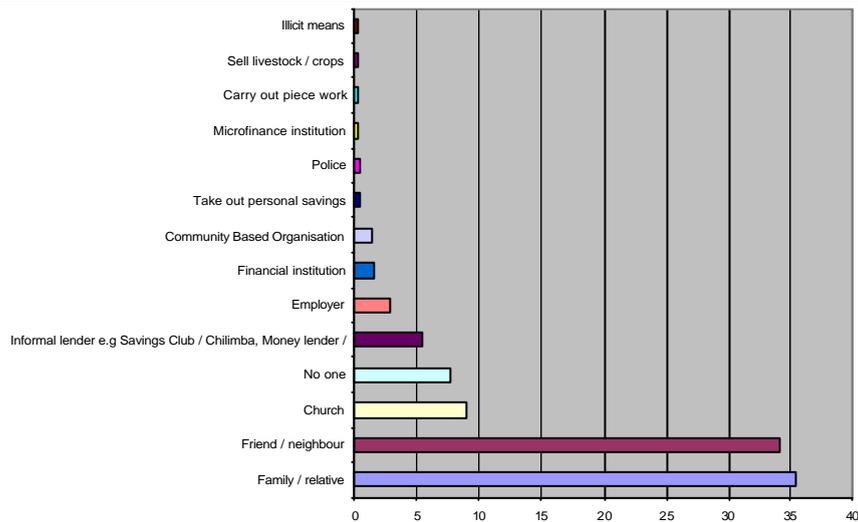
N=3548



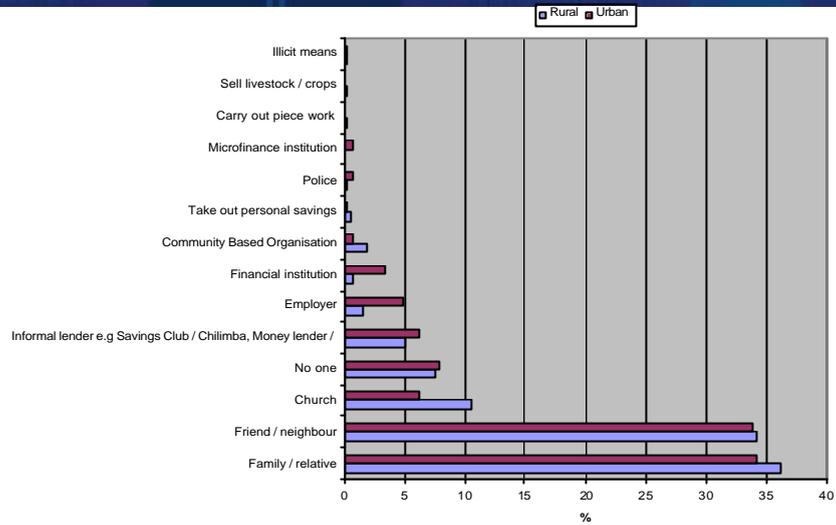
Lived poverty



Support networks



Support networks – urban and rural



Top Line Findings

- Access to technology and legal documents



PROFILING DEMAND FOR FINANCIAL SERVICES
IN BOTSWANA, NAMIBIA, LESOTHO & SWAZILAND

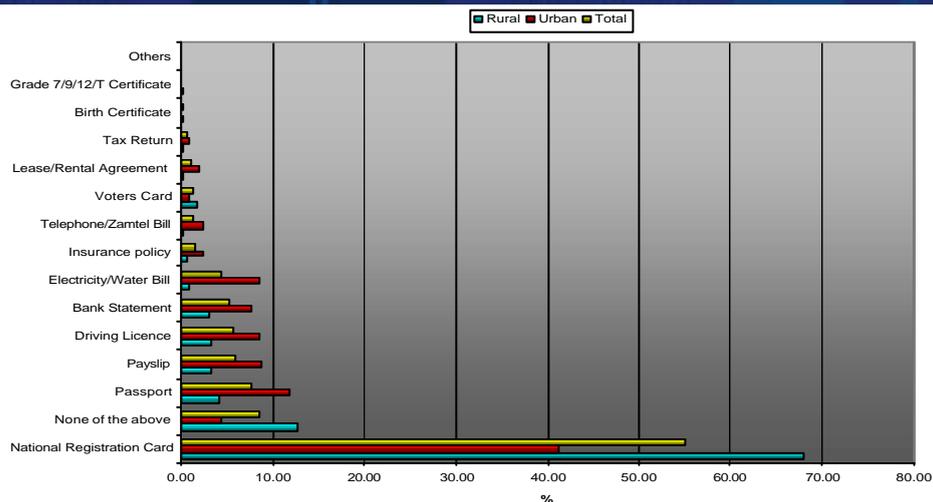


Understanding access to technology and legal documents is important in unbundling barriers to access

- Only 55% percent of adult Zambians have IDs – this will be a constraint for expanding bank access
- Cell phone penetration is still very low at 18% of adults. This will constrain use of cell phone technology in expanding financial access
- However 38% of adults say they use cell phones



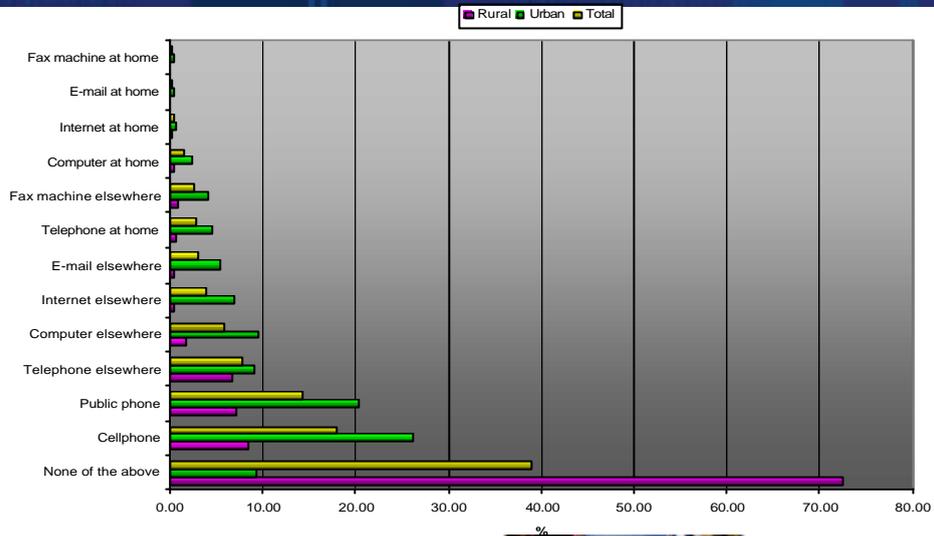
Access to key documents by Urban and Rural (responses >1%)



Base: N=3961



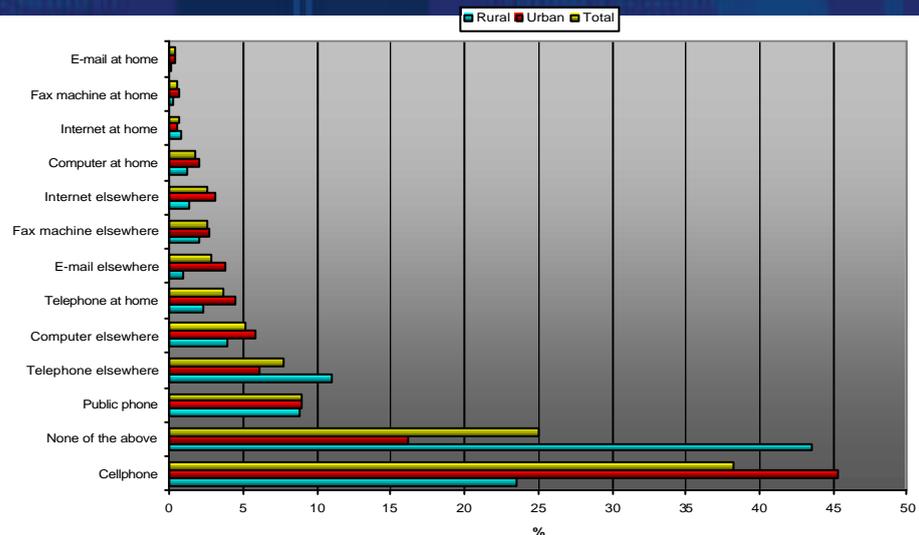
Access to technology by Urban and Rural



Base: N=3998

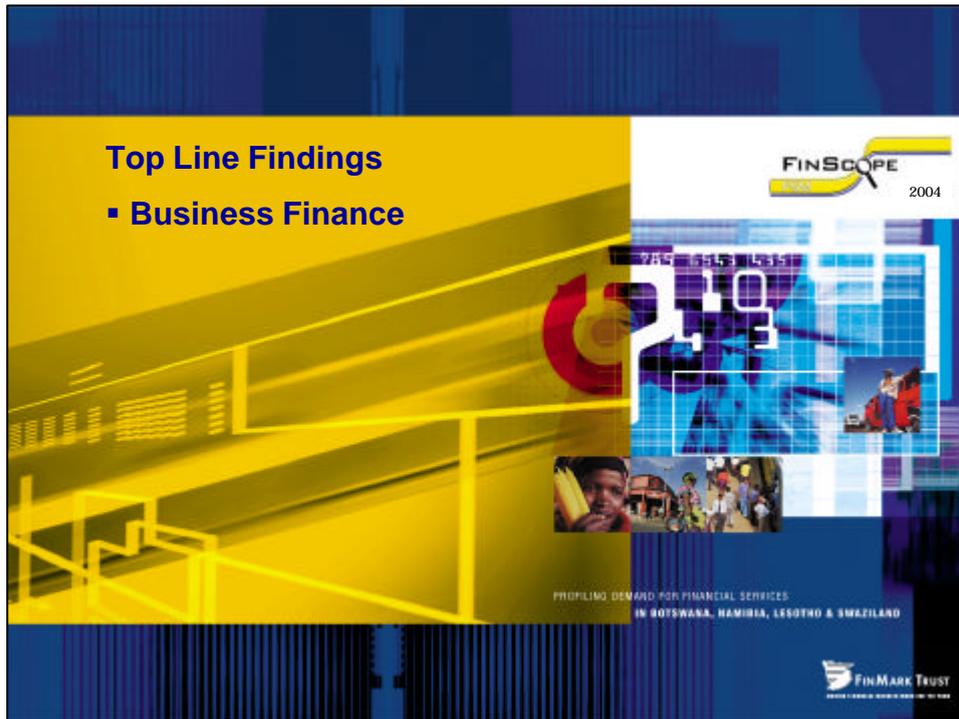


Regular usage of technology by Urban and Rural



Base: N=3998





Self-employed who say they own business have minimal interaction with financial system

- Most business are unregistered
- Decisions are made by the person owning the business
- The majority of business owners relied on savings and own capital to start a business
- Most have not even applied for a loan
- In many cases they did not know they could apply for loans



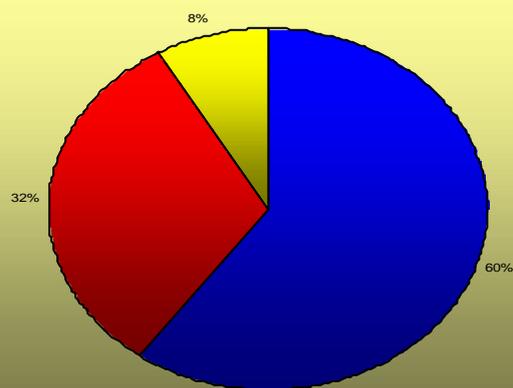
Self-employed who say they own business have minimal interaction with financial system

- Those that have employees pay these employees in cash
- They also pay suppliers in cash
- And cash is mostly kept at home
- Only a small percent of business have their own business account



60% of the self-employed consider that they have their own business

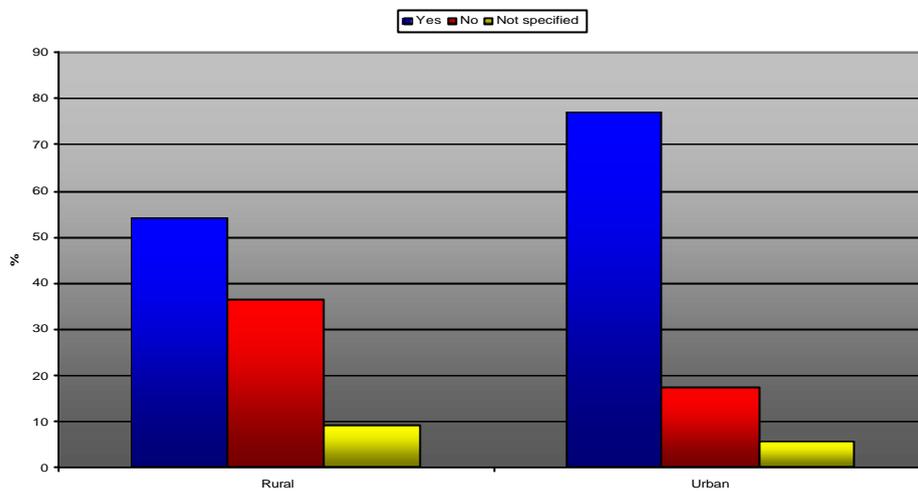
■ Yes ■ No ■ Not specified



Base: N=1,772 Valid responses



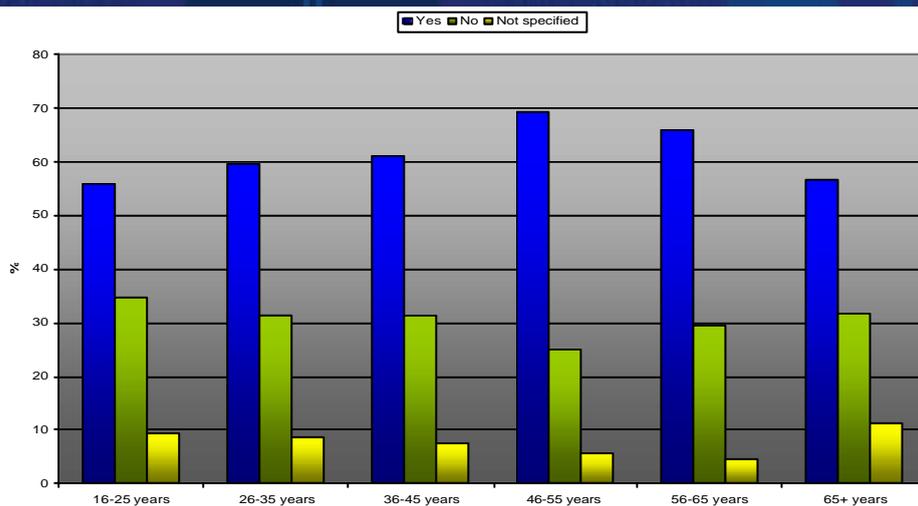
The self-employed who say they have their own business by Urban and Rural



Base: N=1,772 Valid responses



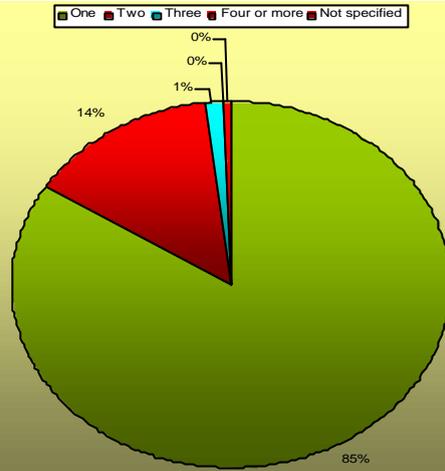
Self-employed by age who say they have their own business



Base: N=1,772 Valid responses



Number of business activities among the self-employed who say they have their own business

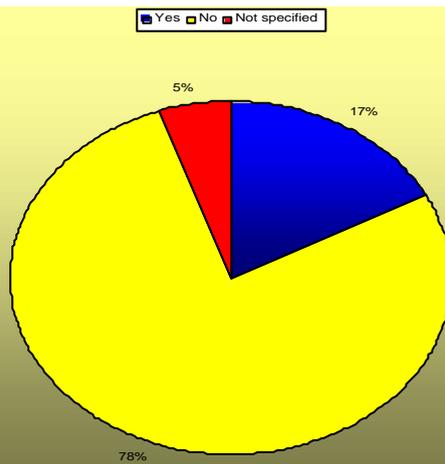


Base: N=1,060 Valid responses



FINSCOPE
FSM

Business registered of those that say they have their own business

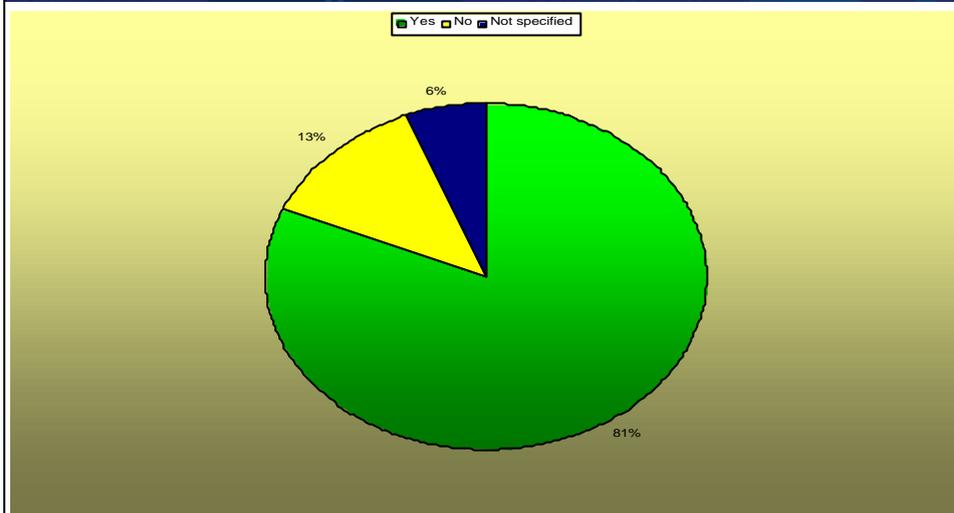


Base: N=1,060 Valid responses



FINSCOPE
FSM

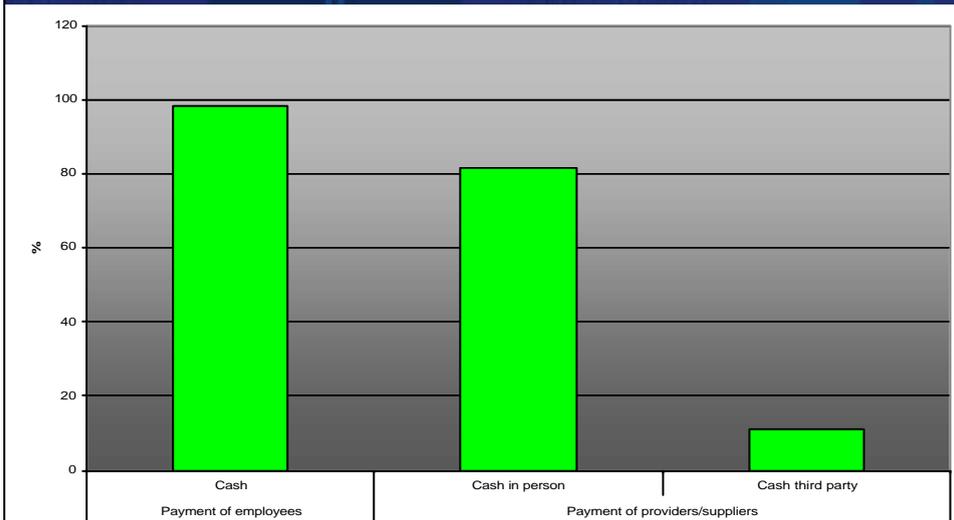
Sole or most important decision maker for those that say they have their own business



Base: N=1,060 Valid responses



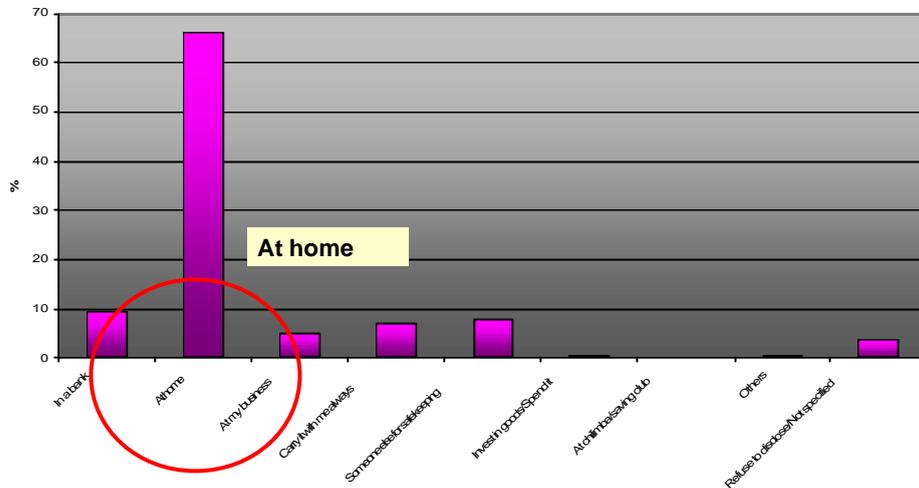
Method used for regular payments by those self employed that say they have their own business



Base: N=1060 Valid responses



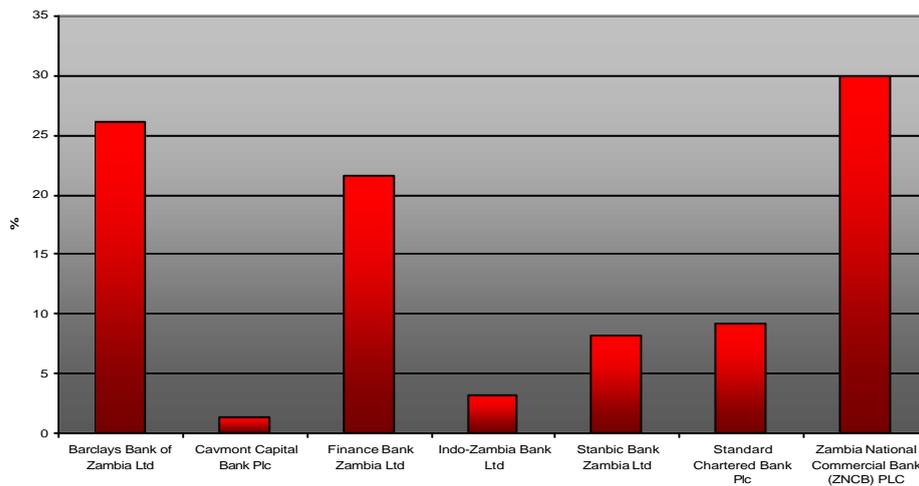
Where business cash is kept



Base: N=1060 Valid responses



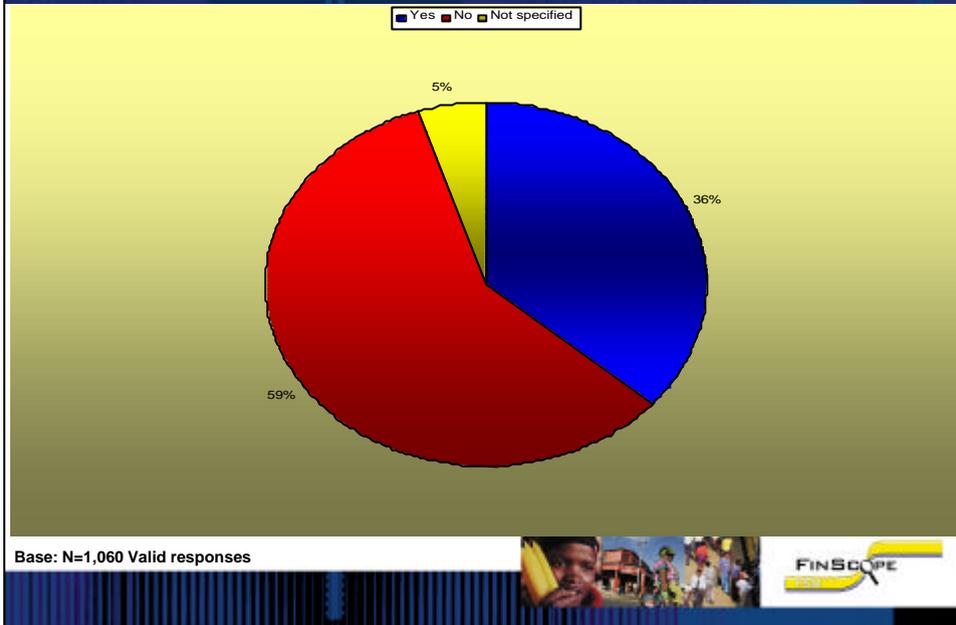
For those who say they have a business account, the main banks used are ZNCB, Barclays and Finance Bank Zambia



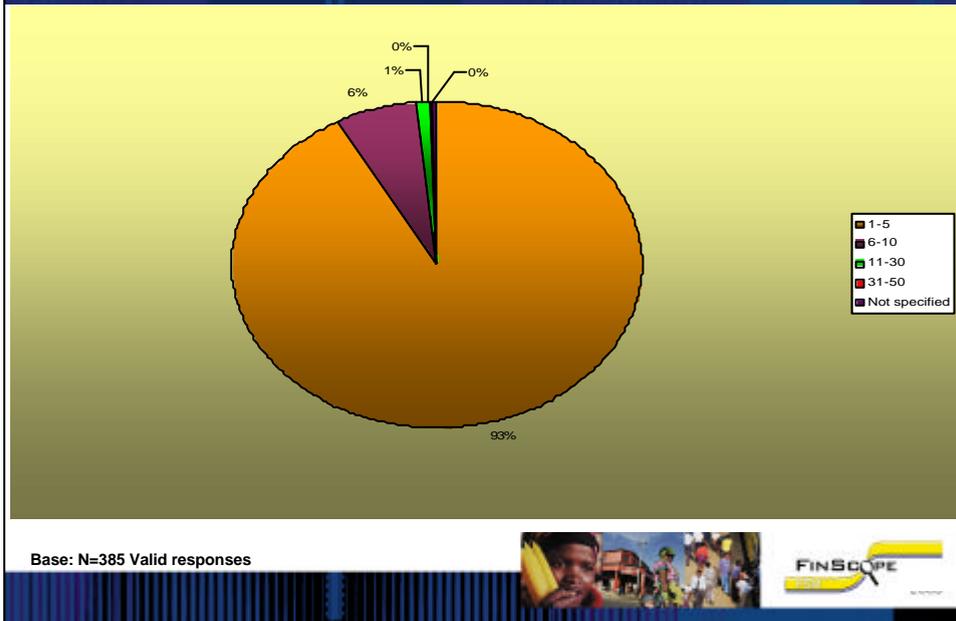
Base: N=40 Valid responses



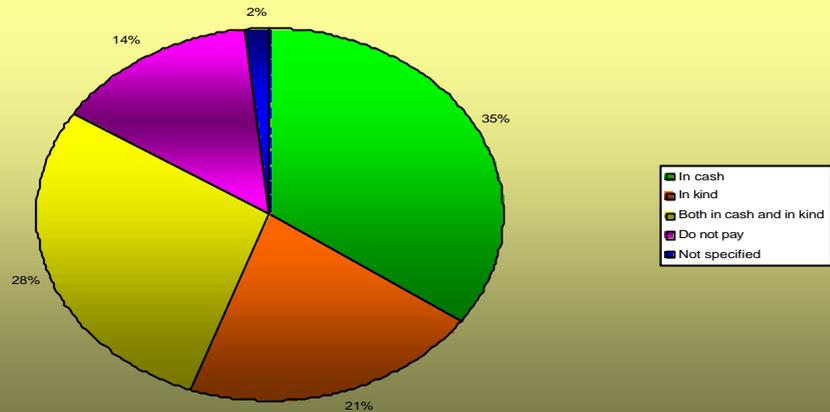
Businesses are mostly self-run



For the 36% that are not self-run, they employ usually 1-5 people



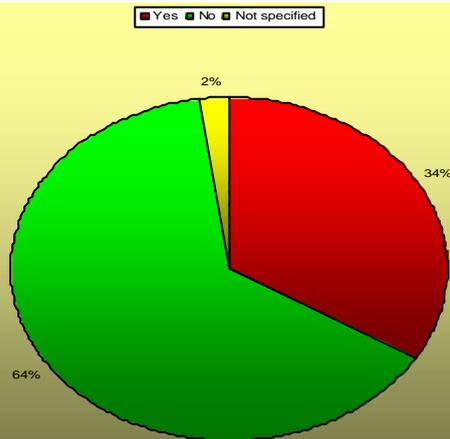
And employee are usually paid in cash and/or in-kind



Base: N=385 Valid responses



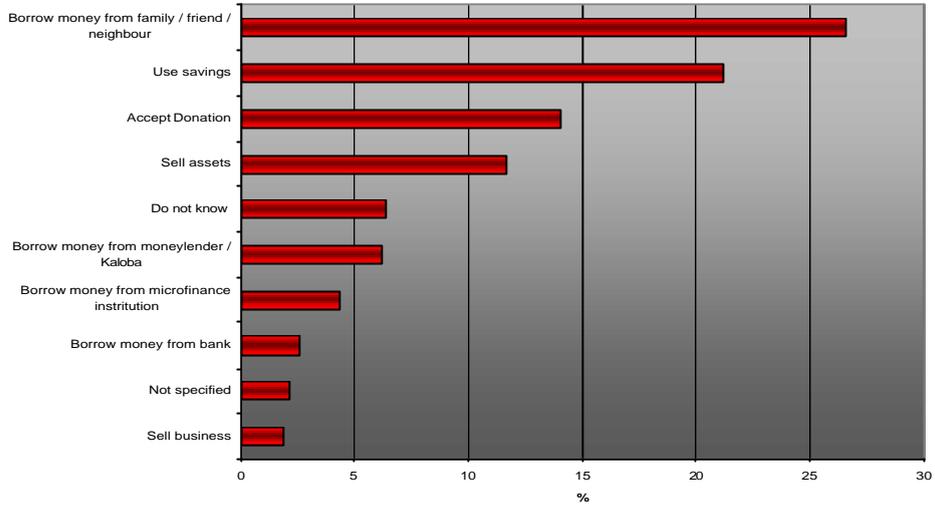
Most will not have separate business bank account, if they have a bank account



Base: N=118 Valid responses



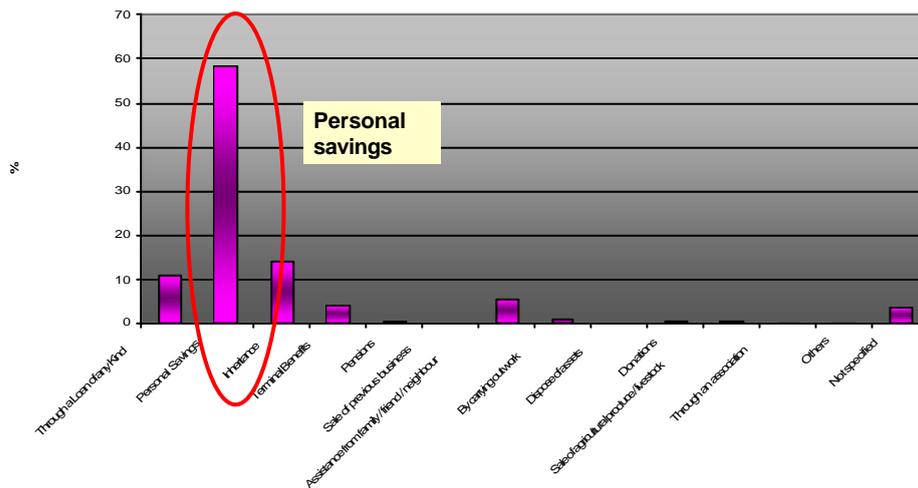
Dealing with crises in business (responses < 1%)



Base: N=1060 Valid responses



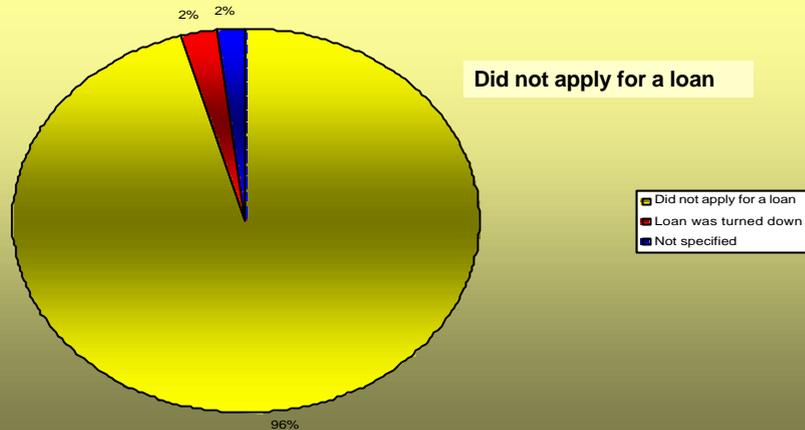
Personal savings main source of finance for business start up



Base: N=1060 Valid responses



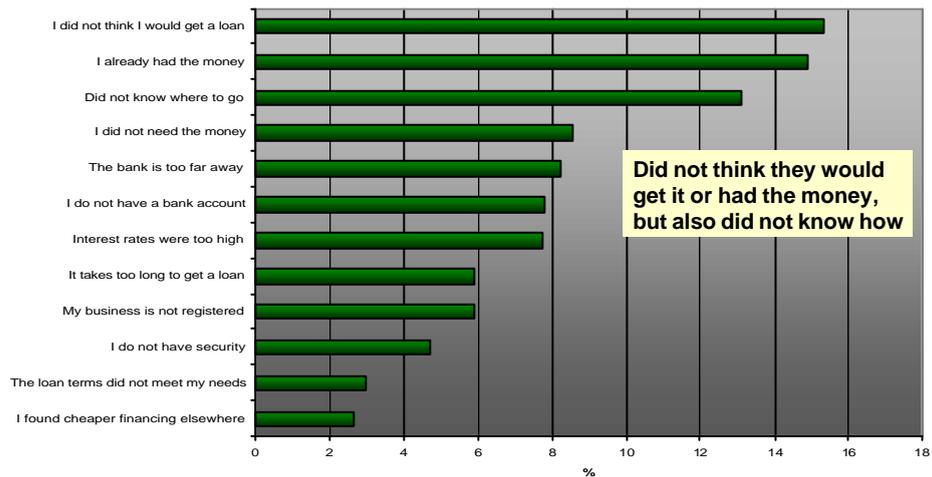
Majority never applied for a bank loan to finance their business



Base: N=897 Valid responses



Reasons for not applying for a loan (responses < 1%)



Base: N=858 Valid responses



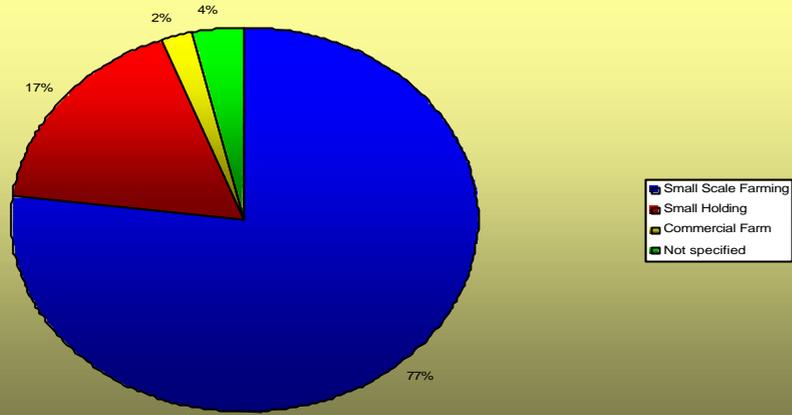


There appears to be little use of the financial system for agriculture

- Majority small scale farming
- Majority do not have title
- Small percent finance their inputs – 15%
- Use cooperative, out-grower and government schemes



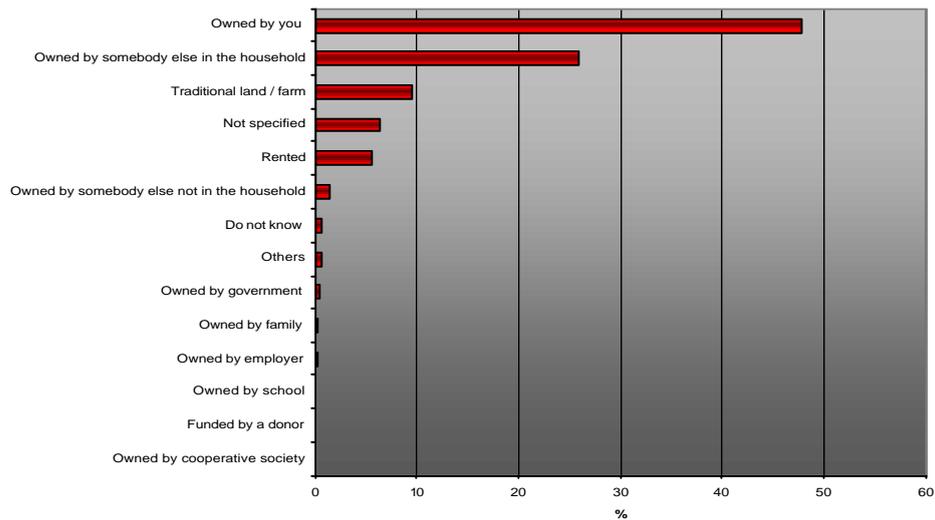
Most adults in agriculture have a small scale farm



Base: N=1,325 Valid cases



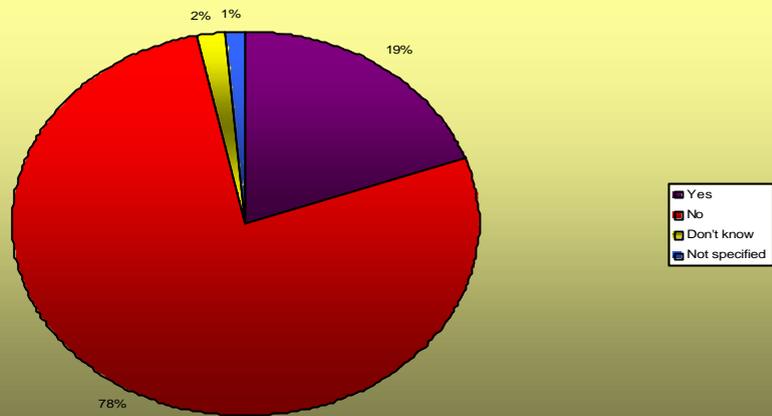
In the majority of cases the farmed is personally or by the household



Base: N=1,325 Valid cases



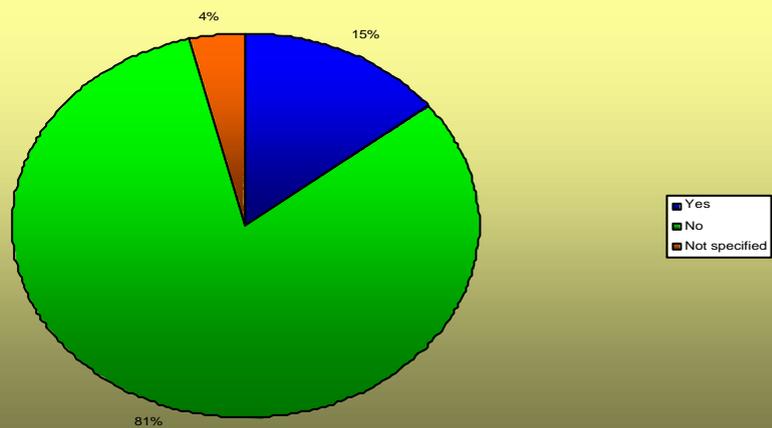
Of those that say they own their farm, only 19% have title



Base: N=634 Valid cases



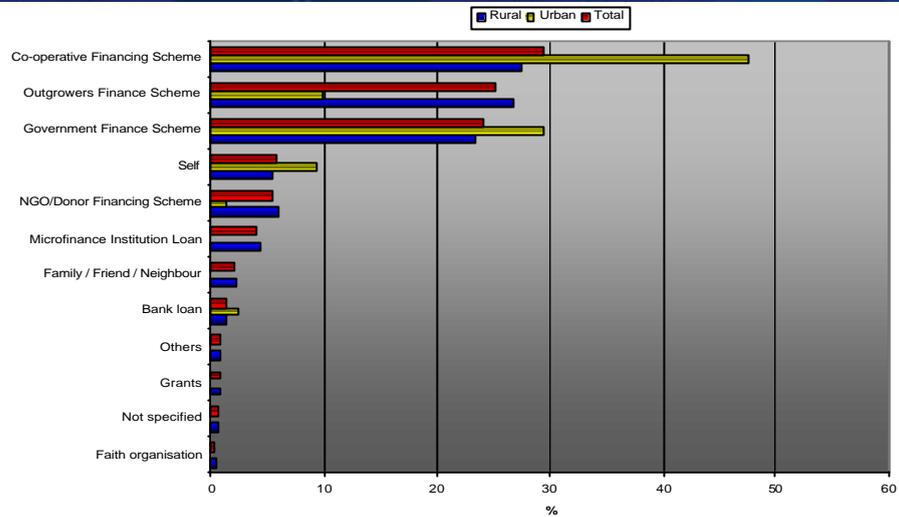
Of those engaged in agriculture, only 15% finance their inputs



Base: N=1,324 Valid cases



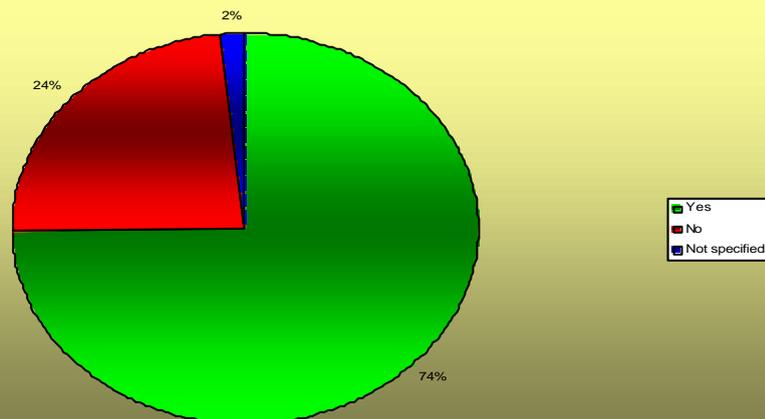
Sources of finance for inputs – Urban and Rural



Base: N=192 Valid responses



Of those that finance their inputs, 74% have been able to clear their obligations



Base: N=192 Valid responses



Thank You
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