



**FINSCOPE**  
**FinScope Zambia 2015**



## Quick Facts

- Total population of Zambia<sup>1</sup> – 15.5 million
- Total adult population – 8.1 million
  - 54.8% of adults live in rural areas; 45.2% in urban areas
  - 49.0% of adults are male; 51.0% female
- The Government of Zambia's national target of 50% financial inclusion has been exceeded
- In 2015, 59.3% of adults are financially included – this represents a significant increase from 2009 (37.3%) and 2005 (33.7%)
- Inclusion in urban areas increased more significantly than in rural areas
- Inclusion amongst females increased more significantly than inclusion amongst males

<sup>1</sup> Population and Demographic Projections 2011 – 2035, Central Statistics Office of Zambia, July 2013

## Definitions

- Financially included – Individuals 16 years or over who have/use financial services from formal and informal financial service providers
- Financially excluded – Individuals 16 years or older who do not use financial services from formal or informal financial service providers and rely only on family and friends
- Formally included – Individuals 16 years or older who have/use financial services provided by a financial service provider that is regulated or officially supervised
- Informally included – Individuals 16 years or older who use financial services provided by a financial service provider that is not regulated or supervised (excluding services provided by family and friends)

## Introduction

The Zambian economy has grown significantly over the past decade. However, Zambia continues to face challenges relating to ongoing poverty particularly in rural areas where more than half of the population lives. Achieved economic gains have largely excluded rural areas, and high levels of financial exclusion still exist throughout the country, which diminishes economic prospects. The last FinScope survey (2009) found that only 14% of adults were formally banked with more than two-thirds of the population lacking access to financial services. The situation for women was markedly worse in that only 11% of women were banked compared to 18% of men.

One reason for the low level of financial inclusion is the high cost of providing financial services, particularly in rural areas and to poorer populations. Furthermore, serving poorer communities generally results in lower revenue for financial service providers given poor households have limited investment opportunities and small transaction amounts. This often means banks and MFIs lack the incentives, information, and sometimes the ability to mitigate perceived risks of operating beyond urban markets or with poor clients. High levels of financial exclusion amongst low income individuals and those living in rural areas are a direct consequence for these populations.





## FinScope

FinScope is a research tool developed by FinMark Trust<sup>1</sup> to address the need for credible financial sector information. It provides insights to guide policy makers and regulators to address challenges to expand financial markets. It also provides financial service providers with crucial strategic information regarding market opportunities and the financial services different markets need—enabling providers to extend their reach and broaden the range of services they offer.

The FinScope survey provides an holistic understanding of how individuals manage their financial lives. It identifies factors that drive financial behaviour and those that prevent individuals from using financial products and services. Implementing the FinScope survey over time further provides the opportunity to assess whether, and how, financial inclusion in a country develops.

The FinScope Zambia 2015 survey is the third FinScope survey implemented in Zambia. The first FinScope survey was conducted in Zambia by FinMark Trust in 2005 to inform the Government of Zambia's financial sector reform programme as articulated within the Financial Sector Development Plan (FSDP). The findings of this survey showed that levels of financial inclusion amongst Zambian adults were very low – only 33.7% of adults being financially included. A follow-up survey conducted in 2009 showed that, while levels of financial exclusion had reduced since 2005, financial inclusion remained relatively low (with only 37.3% of adults being financially included) and therefore of significant concern to both policy-makers and financial service providers alike. In particular, the survey findings alluded to the impact of the global financial crisis in hampering Government reform efforts and highlighted the ongoing prevalence of a number of access and usage barriers that continued to prevent people from accessing and effectively engaging with Zambia's financial system.

The Bank of Zambia (as coordinators of the Government's FSDP), in partnership with Financial Sector Deepening Zambia (FSDZ) and with advisory support from FinMark Trust, implemented the FinScope Zambia 2015 survey with the following objectives:

- To track overall trends in financial inclusion over time in terms of:
  - Changes in the **levels of inclusion** – both formal and informal inclusion
  - Changes in terms of the **type of financial services** being used and the type of **providers**
- To assess whether Zambia is on track in terms of achieving national financial inclusion targets

<sup>1</sup> FinMark Trust was established in March 2002 with initial funding from the UK's Department for International Development (DFID). FinMark Trust is an independent trust whose purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'

# FinScope Zambia 2015

## Sample and Methodology

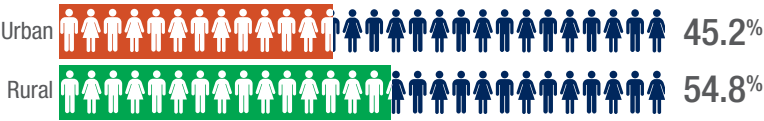


- The sample was drawn by the Central Statistical Office (CSO) of Zambia using the sample frame of the 2010 population census; the sample comprised 866 enumerator areas (EAs) within which the survey was conducted
  - The sample is representative at national and provincial levels, as well as representative of urban and rural districts within provinces
  - CSO's definitions of urban and rural were used for the survey
- The objective was to conduct 8 660 interviews; 8 570 were achieved representing a response rate of 98.96%
- Fieldwork was conducted by IPSOS Zambia during February – March 2015
  - 150 enumerators conducted the fieldwork after undergoing 10 days of intensive training
  - Quality control during fieldwork was conducted by a trained team of 10 quality controllers from IPSOS, whilst independent quality control measures were undertaken by FSDZ
  - To select the sample respondents, IPSOS enumerators carried out a listing of all households within each sample EA; using this list, 10 households were randomly selected through application of a systematic random sampling technique; a respondent was then selected from qualifying individuals (16 years or older) within each sample household using a random sampling technique (Kish grid)
- Interviews were conducted face-to-face using a structured questionnaire
- The average length of an interview was 45 minutes
- Interview data was captured electronically using a mobile phone-based platform during the interview
- The sample data was weighted to represent the adult population – 8.1m individuals 16 years or older

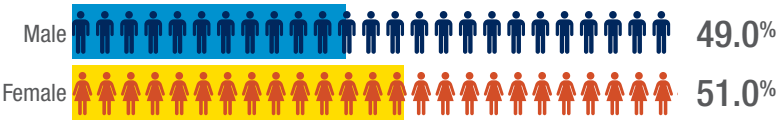


# Demographics of the adult population

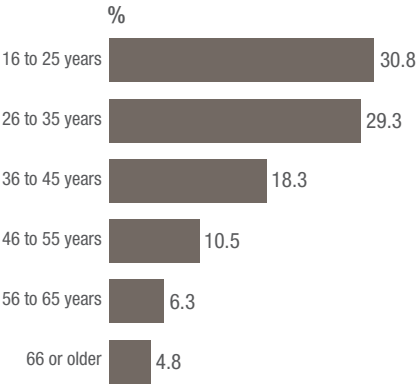
## Urban/Rural distribution



## Gender distribution

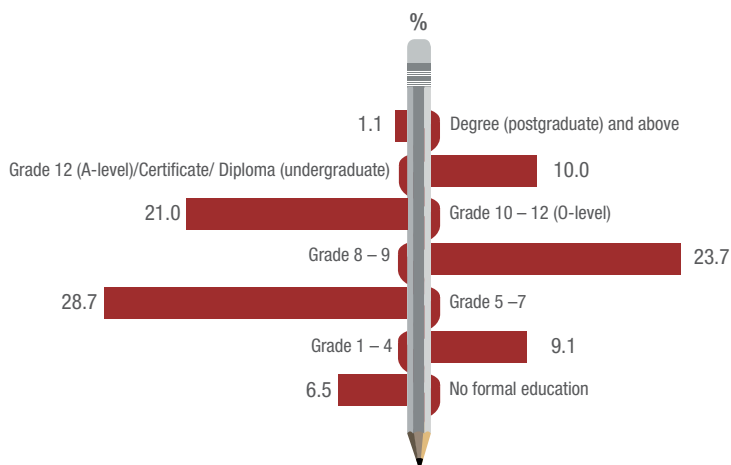


## Age distribution



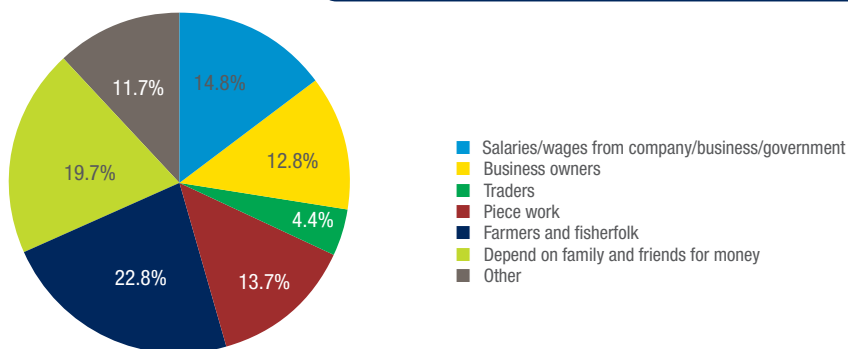
- More than half of the adult population live in rural areas
- 51.0% of the adult population is female
- 60.1% (4.9 m) adults are 35 years or younger

## Education distribution



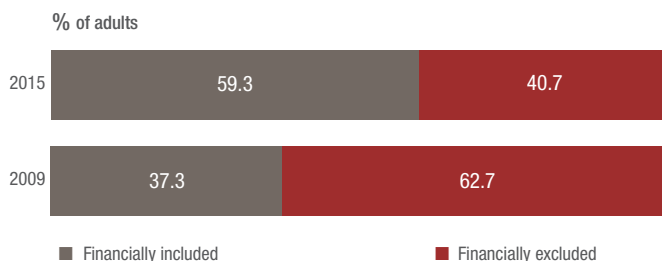
- 44.2% (3.6 m) of adults have achieved at most primary school education
- 56.6% of adults in rural areas have achieved at most Grade 7 levels of education

## Livelihood distribution



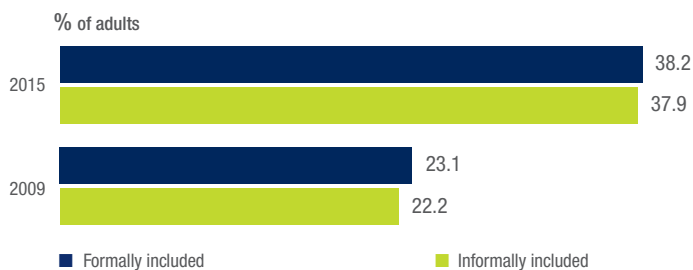
- 22.8% (1.9 million) of adults mainly rely on farming or fishing activities for income (36.8% of rural adults)
- 19.7% (1.6 million) of adults mainly depend on others for money
- Only 14.8% (1.2 million) of adults rely on salaries or wages from a company, business or government for money

## Trends in financial inclusion



There has been a significant increase in financial inclusion since 2009 resulting in the Government of Zambia's national target of 50% financial inclusion having been exceeded:

- In 2009, 37.3% (1.5 m) of adults were financially included; 62.7% (4 m) financially excluded
- In 2015, 59.3% (4.8 m) adults are financially included; exclusion dropped to 40.7% (3.3 m)

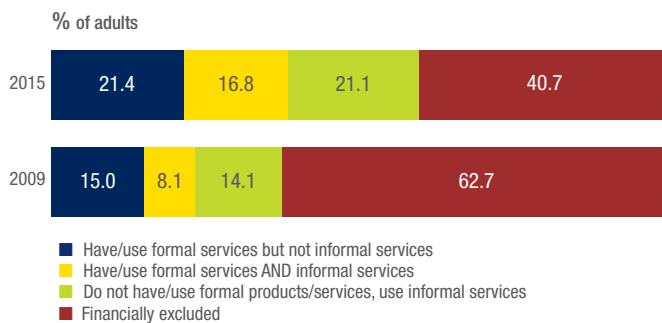


The drop in exclusion was driven by growth in the use of formal as well as informal financial services:

- Formal inclusion has increased from 23.1% in 2009 of adults to 38.2% of adults in 2015
- Informal inclusion has increased from 22.2% in 2009 to 37.9% in 2015



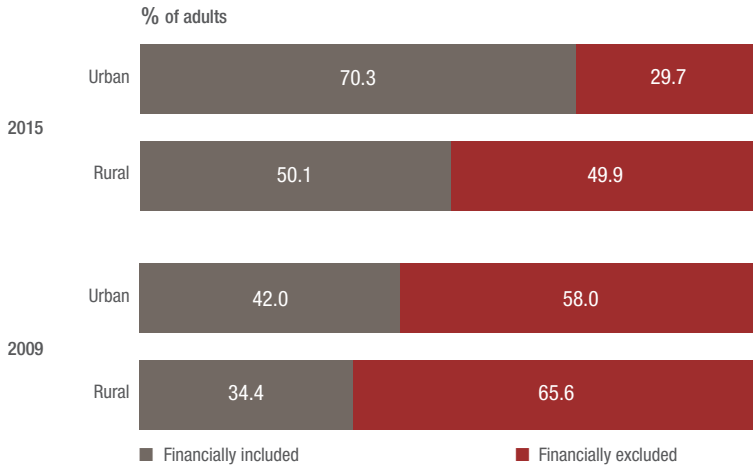
## Access strand



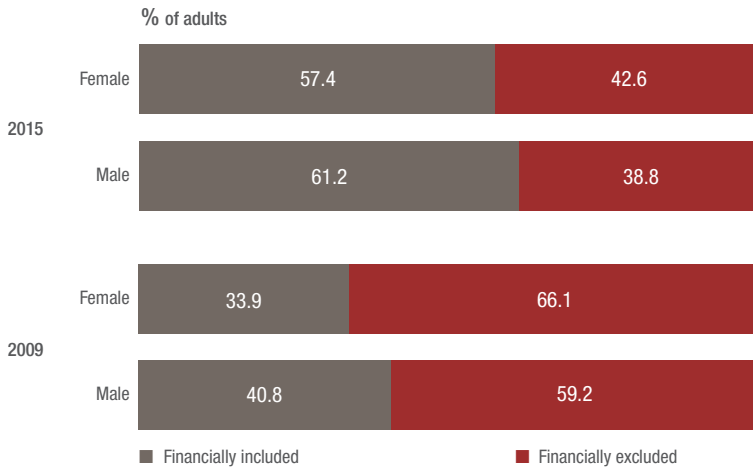
- 21.4% of adults have/use formal services but not informal services – this proportion has increased from 15.0% in 2009
- 21.1% of adults use informal services but not formal services – increasing from 14.1% in 2009
- The proportion of adults who have/use both formal and informal services has increased from 8.1% to 16.8% in 2015



## Where did the most significant increase in financial inclusion occur?



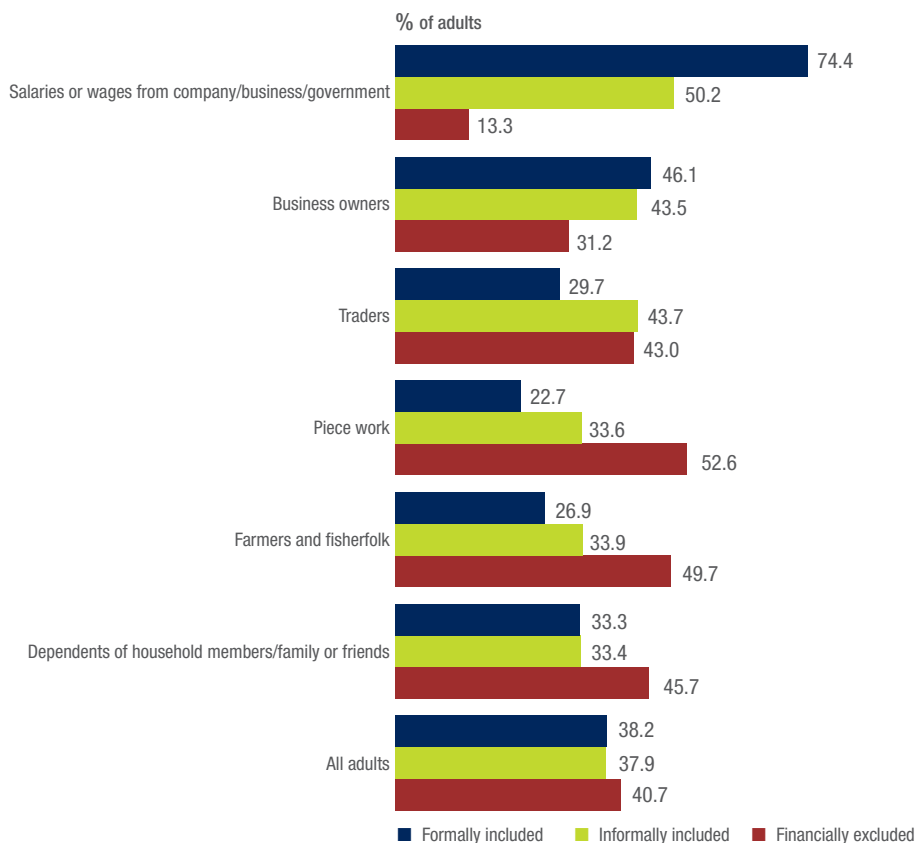
■ Inclusion in urban areas increased more significantly than in rural areas



■ Inclusion amongst females increased more significantly than inclusion amongst males



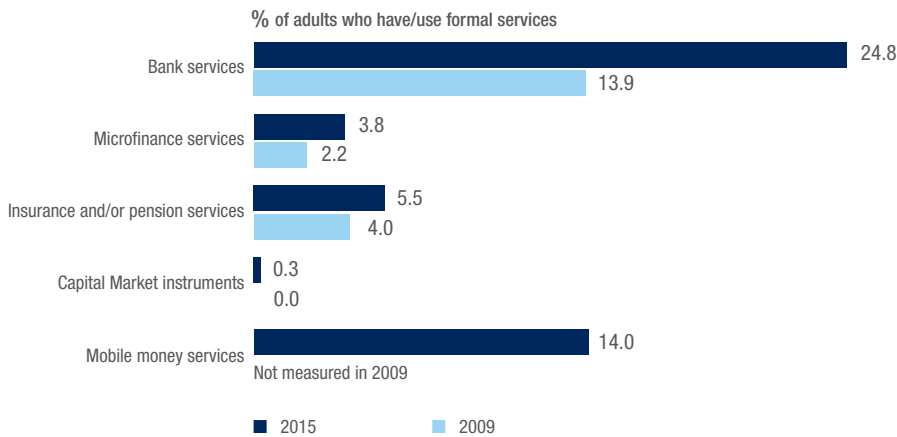
## Financial inclusion per livelihood



In terms of livelihood activities:

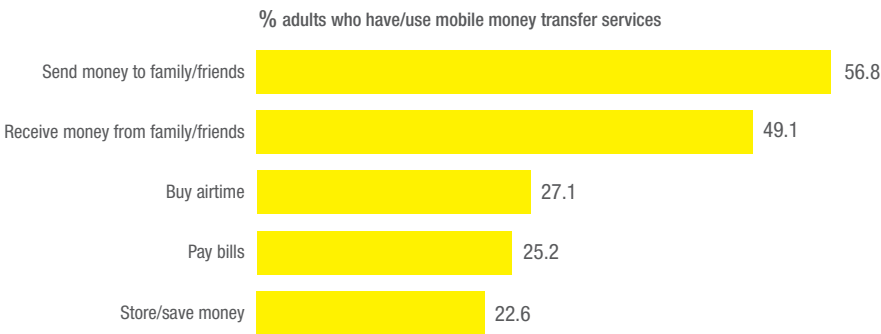
- Financial inclusion is skewed towards adults who get salaries or wages from companies, businesses or government, as well as business owners
- Financial exclusion is skewed towards farmers, fisherfolk, traders and those who rely on piecework or others for money
- Adults who receive salaries or wages and business owners are more likely than other adults to be formally included
- Adults who receive salaries or wages, business owners and traders are more likely than other adults to be informally included

# Trends in uptake of formal services



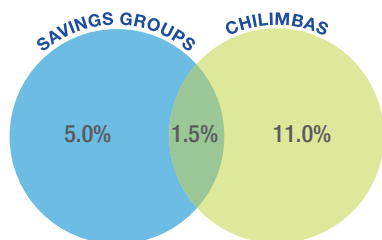
- Growth in the formal sector was driven by growth in bank services as well as growth in non-bank financial services
- Currently 24.8% (2.0 m) adults have/use bank services and 28.5% (2.3 m) have/use non-bank formal services
- Growth in the non-bank formal sector was mainly driven by the uptake of mobile money services
- 14.0% of adults (1.1m) adults currently have/use mobile money services

## What are mobile money transfers being used for?



- 75.1% of users of mobile money used it to send or receive money
- 22.6% of users use mobile money to store/save money
- 25.2% of users use mobile money to pay bills

## Informal providers

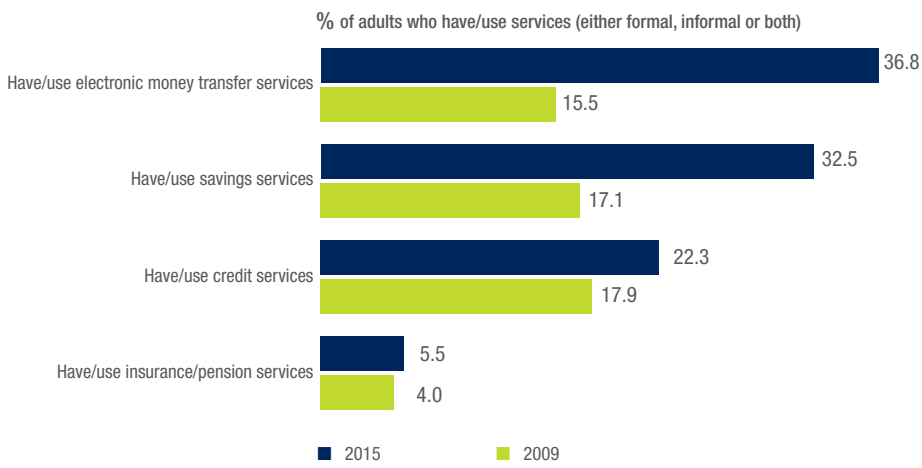


- 6.5% of adults (0.4 million) belong to Savings Groups
- 12.5% (1.0 million) are members of Chilimbias
- 1.5% of adults (0.1 million) are members of both Savings Groups and Chilimbias



Savings Groups in Zambia

# Trends in uptake by type of services

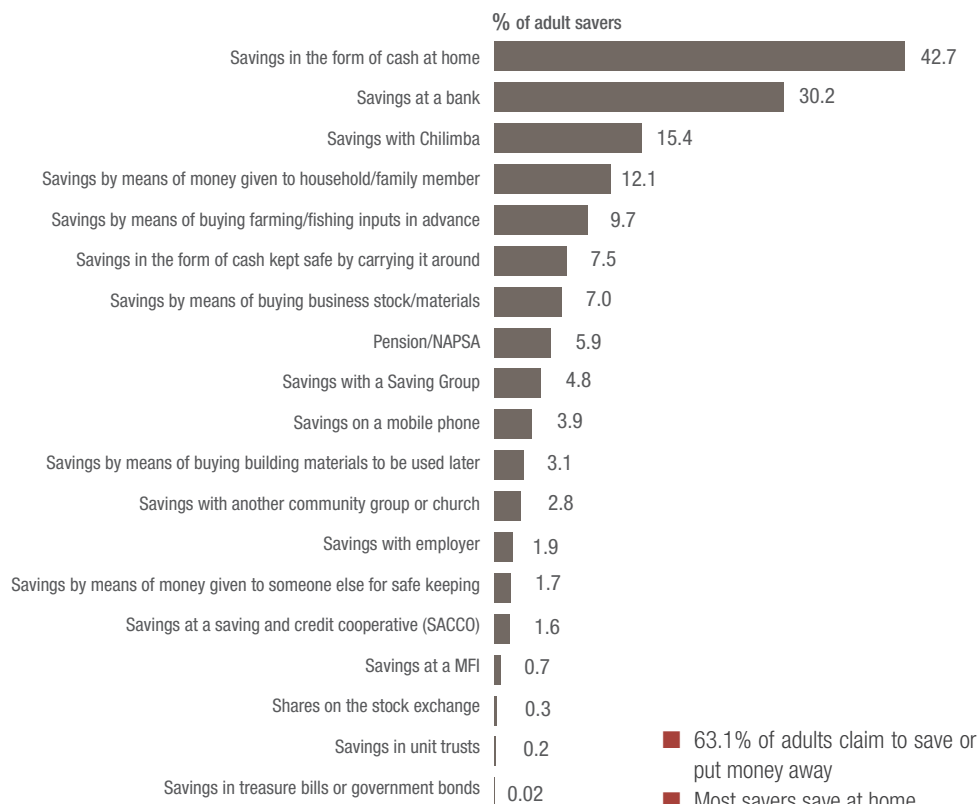


The most significant increase has been in terms of access to electronic money transfer services and savings services:

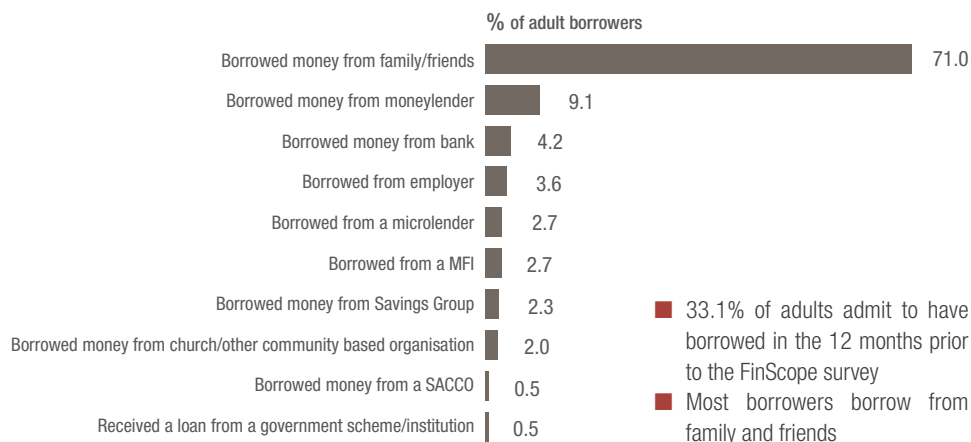
- Access to electronic money transfer services increased from 15.5% (1.0 million) adults in 2009 to 36.8% (3.0 million) adults in 2015
- Access to savings services increased from 17.1% (1.1 million) adults in 2009 to 32.5% (2.7 million) adults in 2015
- Access to credit services also increased. In 2009 17.9% (1.2 million) adults had access to credit services; this proportion increased to 22.3% (1.8 million) in 2015



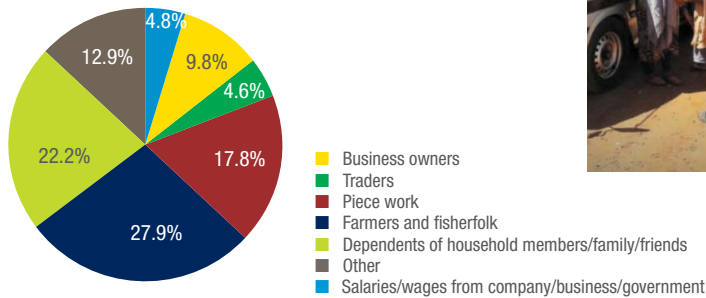
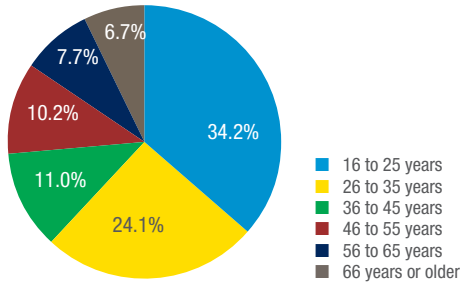
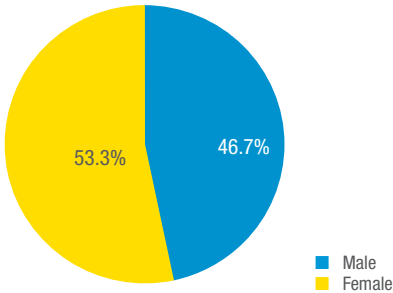
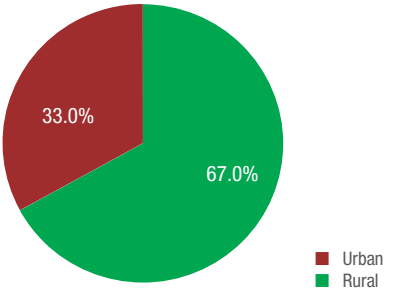
## Savings mechanisms



## Credit mechanisms



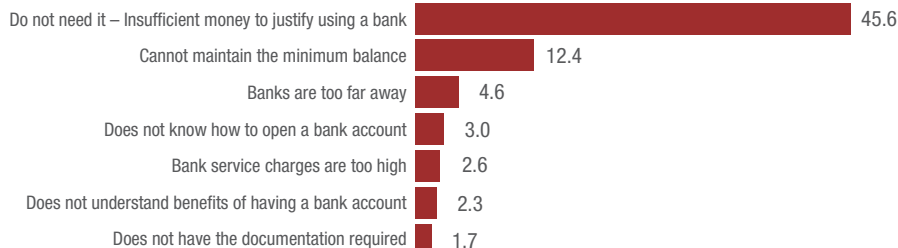
# Demographic profile of the financially excluded



## Barriers to uptake of formal products/services

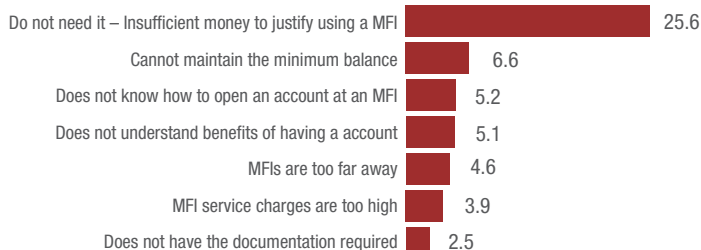
### Bank services

% of adults who do not have/use bank services



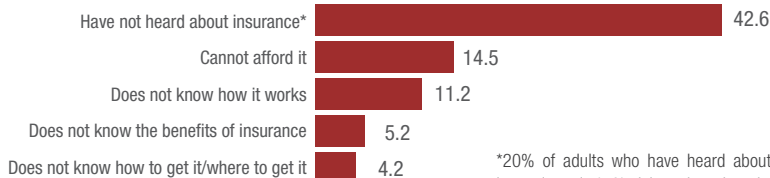
### Microfinance services

% of adults who do not have/use microfinance services



### Insurance products

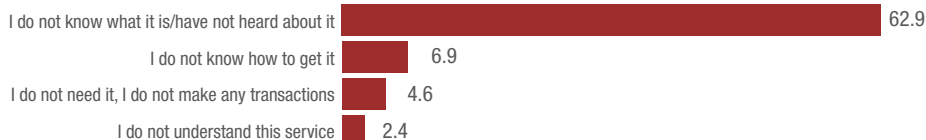
% of adults who do not have/use insurance services



\*20% of adults who have heard about insurance are insured – only 15% claim to have heard of insurance

### Mobile phone based money transfer services

% of adults who do not have/use mobile phone based money transfer services



## About FSDZ



Financial Sector Deepening Zambia was established in 2013 by the UK's Department for International Development (DFID) with the mandate to increase financial inclusion in Zambia. FSDZ aims to support public and private sector efforts to develop an efficient and vibrant financial sector offering a wide range of financial services through diverse channels to individuals, households and micro, small and medium enterprises. FSDZ provides temporary and catalytic support to key stakeholders with the ultimate goal to support the development of a financial market system that works better for lower income communities.

The Zambian financial services market operates in an information-poor environment. In particular, there is very limited understanding of demand – how low-income households manage their financial lives and the type of financial services they need – and the service and policy implications that flow from this. Addressing these fundamental information constraints is at the heart of the market development challenge and therefore of FSDZ's mission. FSDZ's work is shaped by a common, central role: knowledge generation. To this end, FSDZ seeks to provide independent, high quality, insightful analyses on financial services (and especially financial inclusion). Specifically, it seeks to better understand demand and supply through quantitative and qualitative research.

## About Zambia's FSDP



The Government of Zambia's Financial Sector Development Plan (FSDP) Project was set up in recognition of the strategic importance of the financial sector to Zambia's development and poverty reduction efforts. The FSDP project has been implemented under the coordination of the Bank of Zambia (BoZ) in collaboration with the other financial services regulators, notably the Securities and Exchange Commission (SEC) and the Pensions and Insurance Authority (PIA) on behalf of the Government of the Republic of Zambia. The FSDP represents a vision statement and a comprehensive strategy by the country to address various weaknesses as well as broaden and strengthen the Zambian financial system. In this regard, the FSDP project has been aimed at guiding efforts to realise the vision of a financial system that is 'stable, sound and market-based and that would support efficient resource mobilisation necessary for economic diversification and sustainable growth'.

In working with the Zambian Government, the Government of Finland, in partnership with other lead donors has been supporting the implementation of financial sector development reforms under the FSDP Phase II which has run from 2010 to 2015. It is envisaged that the development and implementation of a national financial inclusion strategy will be considered as a successor to the positive reforms that have been achieved under the FSDP Project to date.

Broad-based access to finance has remained a challenge in Zambia, though, as highlighted by the FinScope 2015 findings, there are significant signs of improvement. These positive results represent the stakeholder partnership and engagement between the public and private sectors in driving the agenda for an inclusive financial sector that supports all aspects of the economy.





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