

FinScope Zambia

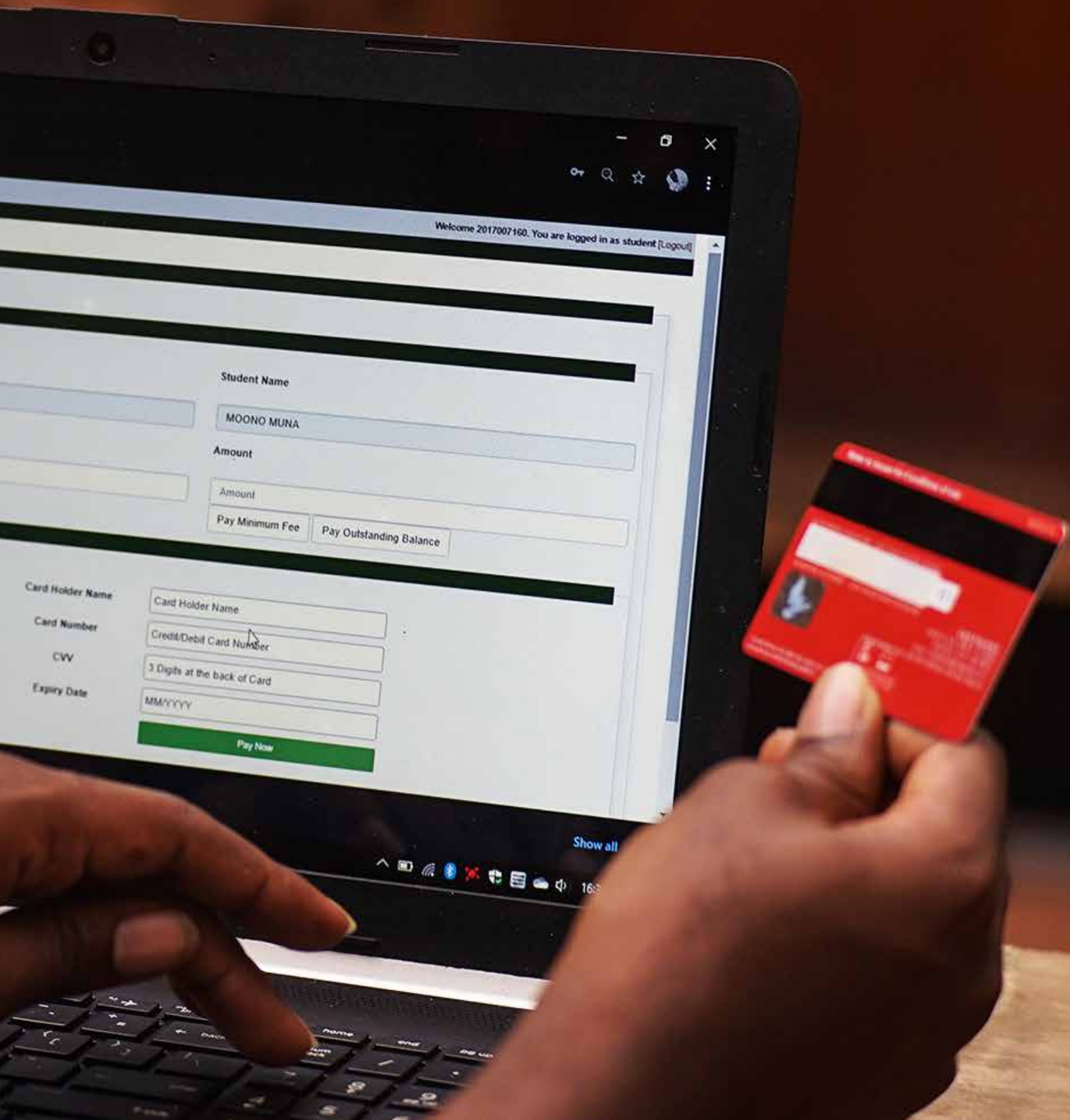
2020 Survey Report



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Bank of Zambia

FinScope Zambia
2020 Survey Report

FOREWORD

The Government of Zambia has acknowledged the importance of financial inclusion as an enabler of economic development. As a result, the National Financial Inclusion Strategy (NFIS) 2017 – 2022 was developed to accelerate progress towards an inclusive, stable and competitive financial sector. The Bank of Zambia has also included financial inclusion as the second pillar in its 2020 – 2023 Strategic Plan.

To assess the level of financial inclusion in the country the Bank of Zambia in collaboration with other financial sector stakeholders implemented the FinScope 2020 Survey, in September - October 2020. The FinScope Survey is an important research tool developed by FinMark Trust to provide credible national information on the demand, access, use of and behaviour towards financial services by the adult population. It also enables policy makers and financial service providers to develop a more targeted response to the gaps and barriers that have been identified with regards to access and usage of financial services.

This Report provides the findings of the FinScope 2020 Survey, which was the fourth cycle¹ of the FinScope surveys conducted amongst the adult population in Zambia. The Survey results indicated that the level of financial inclusion rose to 69.4 percent from 59.3 percent recorded in 2015, largely because of policy reforms and interventions which led to the increased uptake of digital financial services. This increase in financial inclusion is quite significant when compared to the results of the first survey undertaken in 2005, which showed low levels of inclusion at 33.7 percent.

The FinScope 2020 Survey was the first to be managed and conducted by a local project team. The survey was also designed to produce more detailed provincial estimates which will be reported in provincial reports. As coordinators of this Survey, the Bank of Zambia wishes to thank Financial Sector Deepening Zambia, Rural Finance Expansion Programme, German Sparkassenstiftung, Ministry of Finance, and United Nations Capital Development Fund for the financial support and participation in the study.

We wish to acknowledge the role played by the Zambia Statistics Agency in providing technical expertise and structures for data collection, as well as ensuring that the Survey was undertaken in accordance with best international practice. Special thanks are extended to FinMark Trust for their technical advice as well as Pensions and Insurance Authority, Securities and Exchange Commission, Bankers Association of Zambia and Association of Microfinance Institutions of Zambia, for providing technical and logistical support.

We encourage all stakeholders to use the survey information to develop innovative interventions, strategies, and customer centric products to overcome the barriers that have been identified and improve financial service delivery. This will result in greater outreach, facilitate higher economic activity and improve the economic welfare of the Zambian population.



Mr Christopher M. Mvunga
GOVERNOR



¹Previous surveys undertaken in 2006, 2009, and 2015

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ACRONYMS AND ABBREVIATIONS

AMIZ	Association of Microfinance Institutions of Zambia
ATM	Automated Teller Machine
BOZ	Bank of Zambia
CAPI	Computer Assisted Personal Interview
EA	Enumeration Area
FAS	Financial Access Strand
FSDZ	Financial Sector Deepening Zambia
GRZ	Government of the Republic of Zambia
ZMW	Kwacha (Zambian currency)
KYC	Know Your Customer
MFI	Microfinance Institution
MOF	Ministry of Finance
NFIS	National Financial Inclusion Strategy
NRC	National Registration Card
PIA	Pensions and Insurance Authority
PPI	Progress out of Poverty Index
POS	Point of Sale
PSU	Primary Sampling Unit
ROSCA	Rotating Savings and Credit Association
SACCO	Savings and Credit Cooperative
SEC	Securities and Exchange Commission
RUFEP	Rural Finance Expansion Programme
UNCDF	United Nations Capital Development Fund
ZAMSTATS	Zambia Statistics Agency

DEFINITIONS

Access strand

A measurement of financial inclusion across the formal-informal institutional provider groups.

Adult

A person of age 16 years and above for the purposes of this survey.

Banked

Individuals using one or more financial products/services supplied by banks.

Chilimba

This is an informal savings activity practised in Zambia, involving a group of people who agree to make regular, fixed cash contributions which go to each member, in a pre-determined order.

Credit

Obtaining funds or goods by a borrower from a lender with the promise of repayments of principal and, in most cases, with interest and arrangement charges at an agreed future date or period.

Demand-side barriers

Characteristics inherent to individuals that prevent them from accessing financial products/services, such as perceived insufficient income, low levels of financial literacy and lack of proximity to and/or trust in financial institutions.

Financial access

A measurement of usage of both formal and informal financial products/services across the main categories of financial services: savings, credit, payments, insurance and investments.

Financial health

The ability to manage expenses, prepare for and recover from financial shocks, have minimal debt, and ability to build wealth.

Financial inclusion

Access to and informed usage of a broad range of quality and affordable savings, credit, payments, insurance and investment products and services that meet the needs of individuals and businesses (formal or informal).

Financial literacy

Represents the ability to understand personal finance. It refers to awareness and knowledge of key financial concepts required for managing personal finances.

Financially excluded

Individuals who are not using any formal or informal financial product/service.

Financially served

Individuals using one or more formal and/or informal financial products/services.

Formal other

Individuals using one or more financial products/services provided by formal financial institutions which are not banks (e.g. MFIs, insurance companies, formal payment service providers).

Formally included

Individuals primarily using formal financial products/services provided by institutions formally regulated. This is not exclusive usage, as these individuals may also use informal products/services.

Informal products/services

Financial products/services provided by service providers that are not formally regulated.

Informally included

Individuals who are not using any formal financial products/services but who use one or more financial products/services offered by an informal provider.

Insurance

Payment of a premium for risk of an event happening, where pay-out is made if, or when the event occurs.

Investment

The act of allocating money with the expectation of earning an income or profit in the future. An investment can be an asset, shares, collective investment schemes and bonds (among others) which is expected to increase in value over time.

Kaloba

Informal credit that is provided by moneylenders.

Pension

A fund into which a sum of money is added during an employee's employment years. Once the person retires from work he/she receives regular (monthly) payments from this fund.

Pension Scheme

A type of organised saving plan for retirement and it is not an insurance contract.

Regulated Institution

Financial Service Providers regulated by either Bank of Zambia, Pensions and Insurance Authority and Securities and Exchange Commission.

Remittances

The sending and receiving of money between a sender in one place and a receiver in another place using formal or informal means.

Saving

Putting money aside today for future use.

Savings Group

A closed self-selected user group that pools savings which are shared out at the end of the savings cycle (usually 12 months). The savings are also used to offer credit within the group at an agreed interest rate and the interest earned is then shared by the members in proportion with their respective savings.

Supply-side barriers

Factors inherent to financial service providers that prevent individuals or businesses from accessing their services, such as proximity and the cost of products/services.

Transfers

Financial services that use cash or other electronic means (such as cheques, credit cards, debit cards, mobile money) to send or receive payments.

Village bank

A group of low-income entrepreneurs who come together to share and guarantee one another's loans, outside the formal financial sector.

1. EXECUTIVE SUMMARY

The vision for financial inclusion in Zambia is to have all citizens enabled with access and usage of a wide range of affordable financial products and services that meet their needs. This will facilitate income-generating activities, build financial security and ultimately enhance the quality and well-being of the population. Addressing financial inclusion is therefore important as a means of uplifting the livelihoods of the poor and vulnerable societies, particularly in rural areas. In this regard, the National Financial Inclusion Strategy (NFIS) targets to increase the level of financial inclusion to 80 percent and the level of formal financial inclusion to 70 percent by 2022.

The objectives of the FinScope 2020 Survey included providing information for:

- 1) Assessing the financial landscape since the last survey in 2015;
- 2) Measuring the level of financial inclusion in the country; and
- 3) Developing responses to the needs of the population by identifying the gaps and barriers in the financial sector as well as stimulating innovations in product design and digital financial services.

The FinScope 2020 Survey also added four new dimensions to capture information on financial literacy, financial health, climate change and the effects of the COVID-19 Pandemic.

A response rate of 98.4 percent was achieved from the sample of adults aged 16 years and above in the 10 provinces of Zambia. The survey results indicated that financial inclusion rose to 69.4 percent (6.6 million) out of a population of 9.5 million adults, from 59.3 percent (4.8 million) out of a population of 8.1 million, in 2015. Subsequently, the level of financially excluded adults decreased to 30.6 percent (2.9 million adults) from 40.7 percent (3.3 million adults) recorded in 2015. This reduction in financially excluded adults was largely as a result of policy reforms and interventions by Government, and other financial sector stakeholders that had a positive influence on the uptake of digital financial products and services. This milestone was achieved despite a general slowdown in economic activity.

Table 1: Summary of Top Line Findings

Description	2020	2015
Total population of Zambia ² (million)	17.9	15.5
Total adult population ³ (million)	9.5	8.1
Adults living in rural areas (%)	52.6	54.8
Adults living in urban areas (%)	47.4	45.2
Male adults (%)	47.5	49.0
Female adults (%)	52.5	51.0
Level of financial inclusion	69.4	59.3
Financial inclusion amongst males (%)	71.2	61.2
Financial inclusion amongst females (%)	67.9	57.4
Financial inclusion in urban areas (%)	83.8	70.3
Financial inclusion in rural areas (%)	56.9	50.1
Formal financial inclusion (%)	61.3	38.2
Informal financial inclusion (%)	32.3	37.9
Adults financially healthy (%)	13.6	-
Adults financially literate (%)	23.6	-
Adults who experienced climate change effects (%)	65.8	-

Comparing the landscape of access for types of financial services, Zambian adults are most likely to have or use electronic payment or money transfer services and /or savings services, whose uptake increased to 48.7 percent and 54.8 percent from 36.8 percent and 32.5 percent, respectively, in 2015. However, access to credit services, declined to 21.8 percent from 22.3 percent in 2015. The usage of pension and insurance services improved slightly to 8.2 percent and 6.3 percent from 3.8 percent and 2.8 percent, respectively.

There is a general need for financial service providers to understand the behavioural patterns and barriers of the excluded population in order to provide appropriate financial services that meet their needs and improves access to all segments of the population.

²Population and Demographic Projections 2011 – 2035, Zambia Statistics Agency (formerly Central Statistics Office of Zambia), July 2013

³For purposes of the FinScope Survey, an adult is defined as a person of age 16 years and above

Notwithstanding the gains made in the level of financial inclusion, the following were identified as the main barriers to the use of formal financial services by the adult population:

- Insufficient money to access services of the commercial banks and microfinance institutions;
- Lack of money and knowledge about how capital markets work;
- Lack of awareness about insurance products and services;
- Unemployment for the low uptake of pension services; and
- Low levels of financial literacy.

These barriers call for a more coordinated approach by the government, regulators, Financial Services Providers (FSPs) and other financial sector stakeholders to develop strategies and interventions that would lead to a more financially inclusive country.

Recommendations

Implementation of the following recommendations could spur actions that would contribute to addressing the identified barriers and lead to the achievement of a more inclusive financial sector:

1. Deeper analysis of survey data and discussions with financial sector stakeholders to identify and design targeted interventions;
2. Development of strategic partnerships to facilitate financial education and awareness campaigns on various financial products and services, including insurance and capital markets, as well as on the usage of digital financial services;
3. Research studies for greater understanding of behavioural patterns to facilitate the development of customer centric products and services;
4. Development of regulatory frameworks/Infrastructure to facilitate implementation of widespread digital systems and financial access points at affordable pricing across the country;
5. Promotion of innovation, FinTech and targeted design of products/services leveraging on digital platforms;
6. Coordinated cyber security awareness programs by financial service providers, regulators and other stakeholders;
7. Rural finance initiatives to empower productive capacity of poor communities (particularly farmers) and the SME sector;
8. Collaboration between Government, donors and stakeholder to support SMEs development targeting, capacity building (basic business skills, financial education) and financial support such as credit guarantee schemes to empower productive activities particularly by the youth and women, hence contributing to economic growth and poverty reduction;
9. Conducting household financial surveys and collection of sex-disaggregated data on accessibility of different financial services, the informal sector and financially excluded to facilitate evident based policies/strategies/initiatives for increasing financial inclusion;
10. Development and implementation of sustainable green finance policies/strategies to mitigate the risks of climate change;
11. Collaboration of private sector and the Government to improve widespread access of affordable mobile phones; and
12. Implementation of Government policies/development plans to improve the macroeconomic environment and stimulate economic activity.

2. SURVEY BACKGROUND AND METHODOLOGY

2.1 Survey Background

The Financial Scoping (FinScope) Survey is a research tool developed by FinMark Trust to address the need for credible financial sector information. The survey aims to provide stakeholders and regulators in the financial sector with strategic information regarding market opportunities and the financial services that different markets need. This would enable providers to extend their reach and broaden the range of services they offer. Implementing FinScope surveys over time further provides the opportunity to assess whether, and how, financial inclusion in a country develops.

The Bank of Zambia, in collaboration with Financial Sector Deepening Zambia; Rural Finance Expansion Programme; German Sparkassenstiftung; Ministry of Finance; and United Nations Capital Development Fund with advisory support from FinMark Trust successfully conducted the FinScope Zambia 2020 Survey. The objectives of the survey were to:

1. Track overall trends in financial inclusion over time, in terms of changes in the levels of both formal and informal inclusion as well as the types of financial services offered; and
2. Assess whether Zambia is on track in terms of achieving national financial inclusion targets set out in the National Financial Inclusion Strategy (2017–2022).

Zambia Statistics Agency (ZamStats) provided the expertise and structures for data collection while the Survey instruments were developed through a multi-stakeholder consultative process.

Table 2: Survey Implementation Stages

Capacity Building	Questionnaire design	Sample design and fieldwork preparation	Fieldwork	Data processing	Analysis, reporting and dissemination
<ul style="list-style-type: none"> Training of project team on FinScope Survey methodology and data analysis by FinMark Trust 	<ul style="list-style-type: none"> Stakeholder workshop Preparation of draft survey questionnaire 	<ul style="list-style-type: none"> Sample design Pre-test of questionnaire Preparation of field manual Training of Trainers Finalisation of questionnaire Training of field staff 	<ul style="list-style-type: none"> Household listing Face-to-face Interviews (CAPI) Quality control 	<ul style="list-style-type: none"> Data cleaning, weighting and validation 	<ul style="list-style-type: none"> Data analysis Report writing and editing Dissemination of the FinScope 2020 Topline findings

2.2 Survey and Instrument Design

The FinScope 2020 Survey was designed to provide reliable estimates for key indicators at national and provincial level by sex, as well as urban and rural domains for each of the 10 provinces. The questionnaire covered the following areas:

- Demographics;
- Wealth of households;
- Getting and spending money;
- Planning, cash-flow and risk management;
- Financial literacy;
- Financial health;
- Savings and investments;
- Borrowing;
- Pensions and insurance;
- Capital Markets;
- Climate Change and impact of COVID -19 Pandemic;
- Payment systems – transfers;
- Informal saving mechanisms;
- Financial service providers; and
- Access to infrastructure.

2.3 Sampling Frame

The sampling frame used for the FinScope 2020 Survey was based on the Census of Population and Housing of the Republic of Zambia (CPH) conducted in 2010, and updated to accommodate the changes in districts and constituencies that occurred between 2010 and 2019. The 10 provinces of Zambia were subdivided into districts; each district into constituencies; and each constituency into wards. Each ward was then subdivided into smaller areas called census supervisory areas (CSAs) which, in turn, were subdivided into enumeration areas (EAs). EAs have a census map delineating boundaries, with identification information and a measure of size (the number of households enumerated in the 2010 CPH). This list of EAs was used as the sampling frame for the Survey.

According to the sampling frame, Lusaka Province had the highest percentage of households in Zambia at 18.3 percent (514,080), followed by the Copperbelt at 15.2 percent (426,889). North-Western Province had the least share of households at 5.0 percent (Table 3).

Table 3: Distribution of Households by Province and Rural/Urban Segmentation

Province	Households			Percent		
	Urban	Rural	Total	Provinces	Urban	Rural
Central	76,002	198,744	274,746	9.8	27.7	72.3
Copperbelt	336,672	90,217	426,889	15.2	78.9	21.1
Eastern	47,371	295,534	342,905	12.2	13.8	86.2
Luapula	44,254	199,656	243,910	8.7	18.1	81.9
Lusaka	422,029	92,051	514,080	18.3	82.1	17.9
Muchinga	26,585	127,665	154,250	5.5	17.2	82.8
Northern	44,296	196,260	240,556	8.5	18.4	81.6
North-Western	31,460	110,464	141,924	5.0	22.2	77.8
Southern	79,551	206,791	286,342	10.2	27.8	72.2
Western	27,196	163,099	190,295	6.8	14.3	85.7
Total	1,135,416	1,680,481	2,815,897	100	40.3	59.7

2.4 Sample Design and Implementation

The FinScope Survey is a stratified cluster survey with two sampling stages. The first stage involved the selection of clusters in each province, and 866 EAs were selected using probability proportion to population size approach.

In the second stage, a household listing operation was carried out in all the sampled EAs. The resulting lists of households served as the sampling frame for the selection of 15 households per cluster, using the linear systematic sampling method. A nationally representative sample of 12,990 households was selected with one adult usual member aged 16 or older selected in each household (Table 4).

The Survey adopted the modified Kish Optimal Square Root allocation method. This method oversamples undersized domains (provinces) and moderates the oversized ones to have reasonable provincial estimates, given the variations in the sizes of the provinces. The modified Kish allocation formula is given by:

$$n_d = n \frac{\sqrt{\frac{1-I}{D^2} + I [\theta_d^2]}}{\sum \sqrt{\frac{1-I}{D^2} + I [\theta_d^2]}}$$

Where

n_d is the sample size in the domain;

n is the sample size;

D is the number of domains;

N_d is the total number of households in domain d ;

N is the total number of households in Zambia, as per the 2010 Census of Population and Housing;

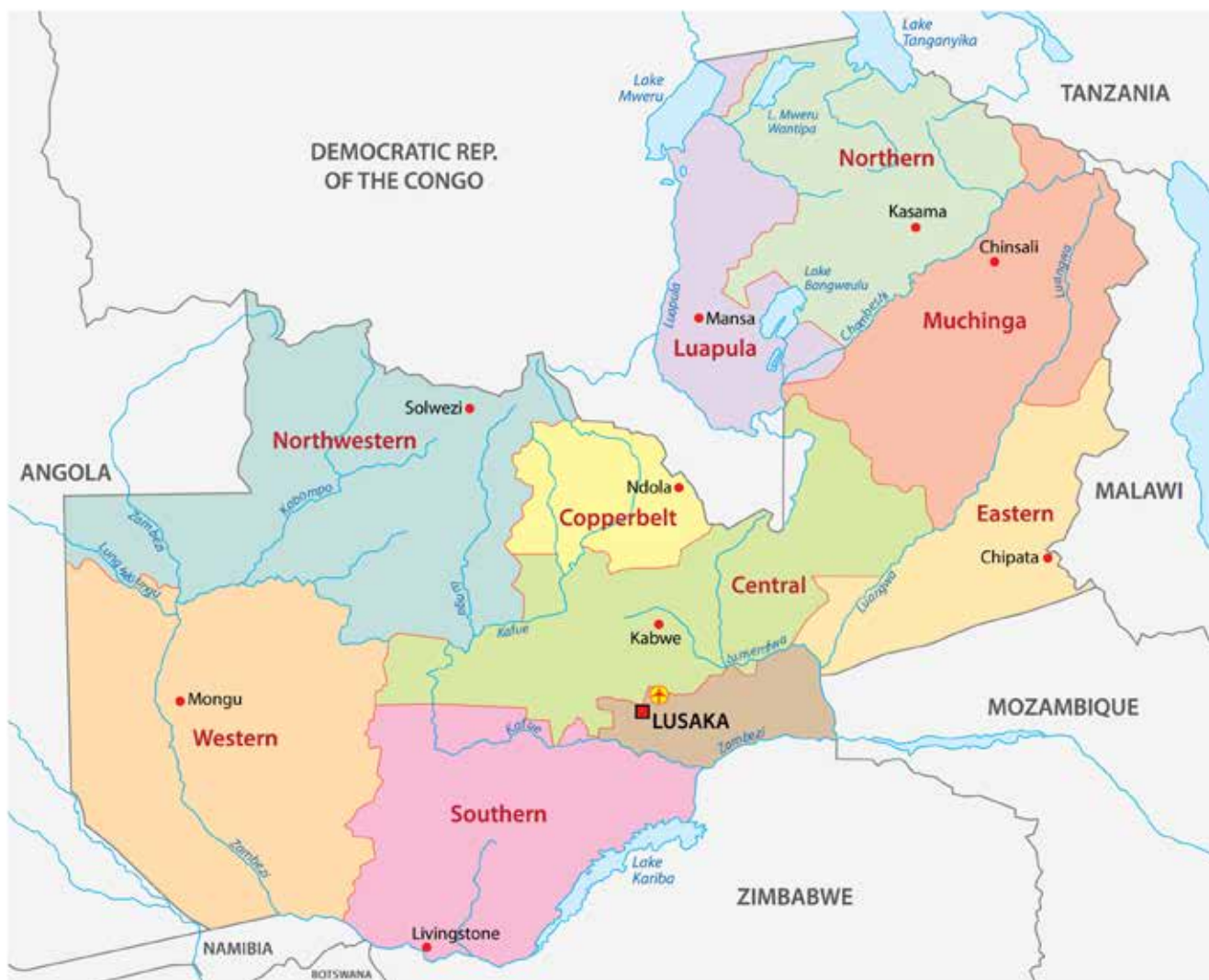
θ_d is the proportion of households in domain; and

I is the Kish allocation index denoting the relative importance assigned to estimates at the national or subgroups that cut across domains.

Table 4: Allocation of Clusters and Households by Province and Rural/Urban Segmentation

Domain / Stratum	Allocation of EA			Allocation of households		
	Urban	Rural	Total	Provinces	Urban	Rural
Central	26	61	87	390	915	1,305
Copperbelt	77	23	100	1,155	345	1,500
Eastern	15	78	93	225	1,170	1,395
Luapula	17	66	83	255	990	1,245
Lusaka	85	21	106	1,275	315	1,590
Muchinga	15	59	74	225	885	1,110
Northern	18	66	84	270	990	1,260
North western	18	54	72	270	810	1,080
Southern	27	62	89	405	930	1,335
Western	13	65	78	195	975	1,170
Total	311	555	866	4,665	8,325	12,990

Figure 1: Provincial Map of Zambia



2.5 Fieldwork

Fieldwork was carried out in September/October 2020 over a period of 4 weeks by 300 enumerators (data collectors). A total of 12,781 face-to-face interviews were conducted representing a 98.4 percent response rate. Data was captured electronically using Computer Aided Personal Interviews (CAPI). Extensive quality control measures were put in place to ensure accuracy and reliability of the data collected. These measures included:

1. Use of Computer Aided Personal Interview for data collection:
 - Questionnaire flow was enforced and skip routines were more effectively applied as it was built into the questionnaire script (i.e. the programmed version of the questionnaire on the tablet) and
 - Consistency checks were in-built into the application to facilitate the flagging of any inconsistent responses that required an enumerator to rectify before proceeding to the next question.
2. Pre-testing of the application prior to the training of field staff:
 - A pilot survey was conducted to enable enumerators to test the flow of questions on the computers.
3. A 12-day training of field staff in 10 provincial capitals.
4. Survey checks:
 - Master trainers undertook random spot-checks of field staff carrying out interviews in various EAs; and
 - For quality control purposes, field supervisors monitored on a daily basis the data received from the enumerators for completeness before being uploaded to the ZamStats server.

2.6 Data Processing, Analysis and Reporting

Data processing involved tabulation and analysis using SPSS and STATA. Survey weights were applied to the data in order for the final dataset to be representative of the Zambian adult population (i.e. 16 years or older). This was done by ZamStats who produced the final validated datasets that were used to produce the Topline Findings of the FinScope 2020 Survey Bulletin and the main Study Report. In addition, provincial reports will be produced to provide information on the financial inclusion landscape at regional level.

3. DEMOGRAPHIC COMPOSITION

This section highlights key demographics of the adult population as well as their income generating activities. Demographics and livelihoods are important for understanding the potential financial landscape in Zambia. This information is the basis for product design and marketing, as well as strategies and/or policy interventions to expand financial inclusion.

3.1 Adult Population at a Glance

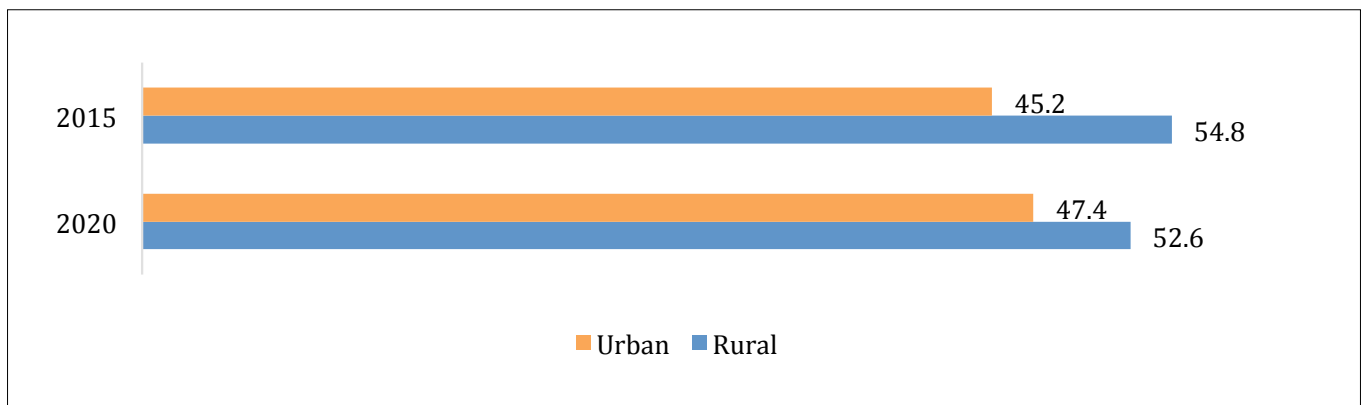
In 2020, the adult population size increased to 9.5 million from 8.1 million in 2015. A summary of the demographic characteristics of this adult population shows the following as illustrated in Figures 2-5:

- The adult population remains predominantly rural-based; Majority (63.1 percent) of the adult population is young, aged 35 years or younger;
- Female adult population stood at 52.5 percent compared to 47.5 percent males; and
- About a quarter of the adult population (25.4 percent) had achieved grade 10-12 level of education (2015: 21.0 percent), 7.6 percent attained tertiary levels of education (2015: 11.1 percent) and 4.9 percent had no formal education (2015 6.5 percent).

3.1.1 Rural-Urban Distribution of Adults

Most of the adult population resides in rural areas at 52.6 percent (2015, 54.8 percent) compared to the urban population at 47.4 percent (2015, 45.2 percent). It is therefore important to consider this aspect in the development of strategies to increase financial inclusion. The rural to urban drift is also illustrated with the decline in rural population and rise in urban population between 2015 and 2020 (Figure 2).

Figure 2: Rural-Urban Distribution of Adults (Percent)



3.1.2 Distribution of Adults by Province

Lusaka Province continued to have the highest proportion of the adult population at 19.3 percent, followed by Copperbelt Province at 16.9 percent, while Southern and Eastern Provinces were evenly distributed at 11.3 percent and 11.1 percent, respectively. Western Province had the lowest proportion of the adult population at 4.9 percent (Table 5).

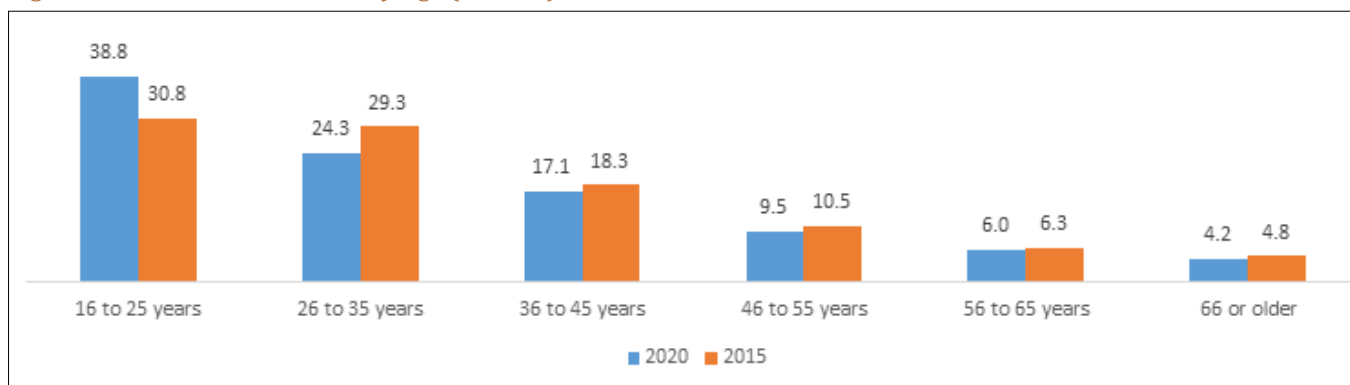
Table 5: Distribution of Adults by Province

Province	2020		2015	
	Number of adults	Percent	Number of Adults	Percent
Lusaka	1,838,908	19.3	1,563,300	19.3
Copperbelt	1,615,204	16.9	1,344,600	16.6
Southern	1,079,153	11.3	931,500	11.5
Eastern	1,061,034	11.1	915,300	11.3
Central	959,991	10.1	777,600	9.6
Northern	763,127	8.0	639,900	7.9
Luapula	647,481	6.8	567,000	7.0
Muchinga	614,782	6.4	437,400	5.4
North Western	491,842	5.2	405,000	5.0
Western	466,570	4.9	518,400	6.4

3.1.3 Distribution of Adults by Age

The adult population was largely youthful, aged 35 years and younger, at 63.1 percent (6 million) and made up the highest proportion of the working-age population. This was an increase when compared to 60.1 percent (4.9 million) recorded for this age group in 2015 (Figure 3). There were more males (50.2 percent) in the age-group 16 – 25 years compared to females (49.8 percent). However, there were more females (53.4 percent) than men (50.0 percent) aged 35 years and older.

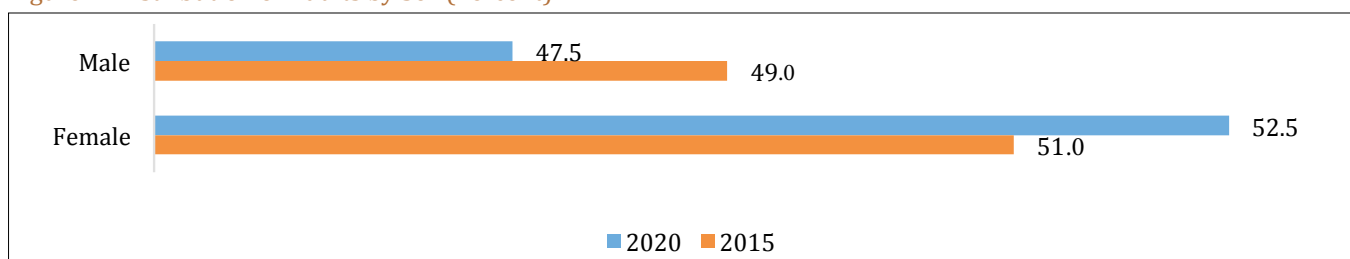
Figure 3: Distribution of Adults by Age (Percent)



3.1.4 Distribution of Adults by Sex

Out of the total adult population, the proportion of males at 47.5 percent (4.5 million) (2015: 49.0 percent, 4.0 million) remained lower than the females at 52.5 percent (5.0 million) (2015: 51.0 percent, 4.1 million).

Figure 4: Distribution of Adults by Sex (Percent)

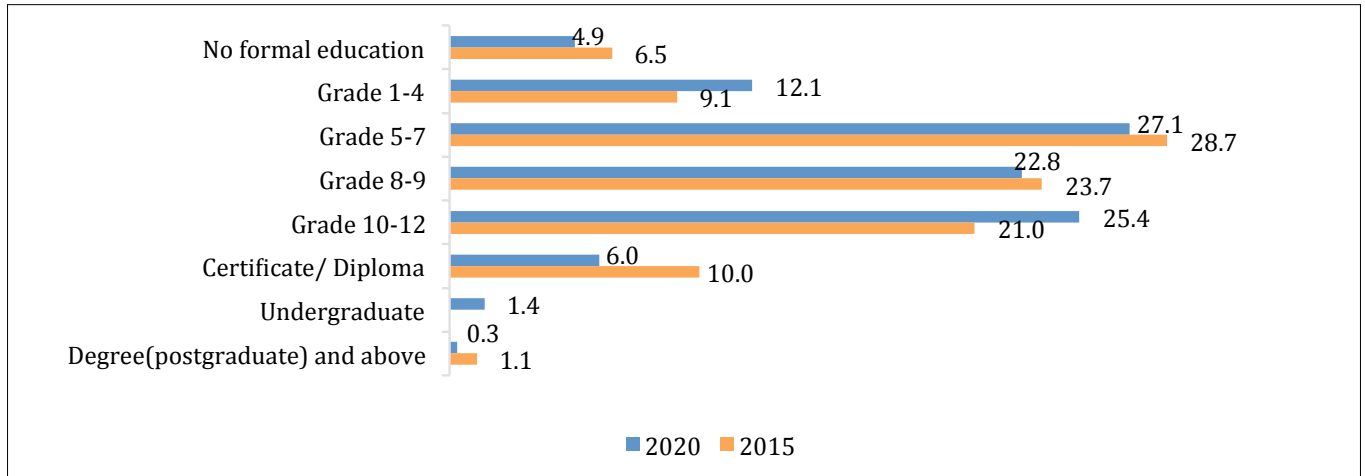


3.1.5 Distribution of Adults by Education

Education levels have substantial influence on the uptake of financial products and services. In this regard, it is important to measure the education levels of the adult population.

The Survey results showed that most of the adult population had achieved grade 5-7 level of education at 27.1 percent, although the percentage was lower than 2015 (28.7 percent). However, there were more adults (25.4 percent) who completed grades 10-12 when compared to 2015 (21.0 percent). Only 1.4 percent of the adult population had completed an undergraduate degree and 4.9 percent of the adult population had no formal education (Figure 5).

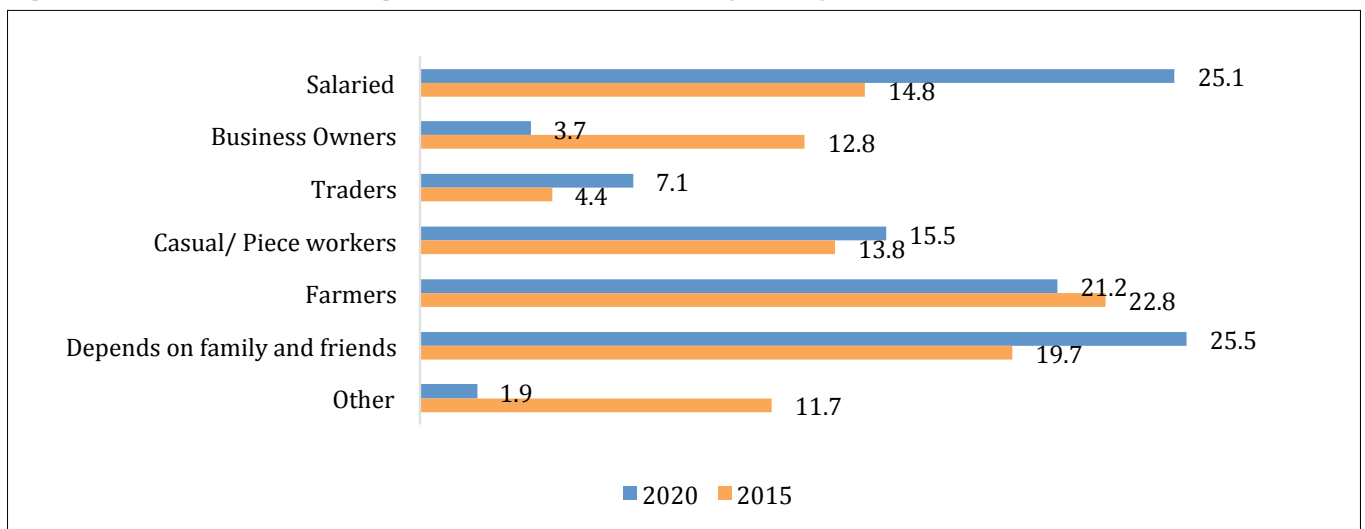
Figure 5: Distribution of Adults by Education (Percent)



3.2 Main Livelihood Activities and Income

In terms of income sources, Figure 6 illustrates that most adults mainly relied on family and friends as well as salaries/wages for money to pay for their expenses at 25.5 percent (2015, 19.7 percent) and 25.1 percent (2015, 14.8 percent), respectively. This is a reflection of the weak economic conditions that have led to loss of jobs as well as the extended family dependence syndrome. The Survey also showed that 21.2 percent of the population (2015, 22.8 percent) relied on farming or fishing activities for income.

Figure 6: Main Income Generating Activities of Zambian Adults (Percent)



The average and median monthly incomes of salaried workers and business owners remained significantly higher than those who depended on family and friends, farmers and casual workers in both 2020 and 2015 (Table 6).

Table 6: Income Per Main Income Generating Activity (ZMW)

	2020		2015	
	Average Monthly Income	Median Monthly Income	Average Monthly Income	Median Monthly Income
Salaried Adults	2,381	1,050	1,727	775
Business Owners	1,547	1,000	2,018	600
Dependants	769	375	519	250
Farmers	752	350	856	300
Casual/Piece workers	670	400	432	200

The frequency of receiving income per main income generating activity for the adult population in Zambia continues to be consistent with the findings of the FinScope 2015 Survey. The Survey showed that most salaried workers (49.8 percent) mainly received their income monthly while business owners received their income on a daily basis (40.2 percent).

Farmers received their income annually (20.4 percent) and seasonally (34.7 percent) while casual or piece-workers received income occasionally or upon completion of a specific job (14.3 percent) (Table 7).

Table 7: Frequency of Receiving Main Income (Percent)

	Salaried		Business Owners		Traders	Casual/ Piece Workers		Farmers		Depends on Family & Friends	Other
	2020	2015	2020	2015		2020	2015	2020	2015		
Daily	11.7	3.0	40.2	44.0	36.7	9.3	9.0	5.9	2.0	3.6	2.7
Weekly	8.3	3.0	17.9	15.0	16.6	14.3	15.0	7.9	6.0	5.8	2.0
More than once a month but not weekly	2.7	-	2.0	-	5.0	5.7	-	3.6	-	5.8	1.3
Monthly	49.8	86.0	18.0	16.0	13.5	19.1	15.0	8.3	7.0	37.9	76.2
Every 2 months	1.0	-	0.0	-	3.0	2.2	-	2.6	-	3.5	3.6
Annually	8.5	-	0.0	-	2.1	1.9	-	20.4	-	1.3	4.4
Seasonally	10.9	6.0	1.5	8.0	5.5	6.6	10.0	34.7	75.0	6.1	2.7
Occasionally - no particular schedule	5.7	-	16.6	-	16.0	26.8	-	15.7	-	31.4	2.8
Upon completion of job	1.1	1.0	3.1	12.0	1.2	14.1	46.0	0.7	-	1.1	0.0
Other	0.3	1.0	0.7	5.0	0.4	0.2	5.0	0.2	10.0	3.6	4.4

The Progress out of Poverty Index (PPI) is used to estimate household poverty levels in this report. It is a quantitative tool based on a set of ten questions standardised and consistent with an individual country’s circumstances. The FinScope 2020 Survey questionnaire used the same Zambian PPI questions that were used in the previous survey (FinScope 2015), permitting the data collected to be used as a standard wealth indicator.

The PPI scores were segmented into 5 intervals (quintiles) to determine the share of the adult population that fell into each quintile. According to the Survey, 25 percent of adults fell into the PPI 1 quintile and 33.0 percent in PPI 2, representing the poorest and the poor adult population, respectively. The proportion of the adult population in the middle income, PPI 3 quintile and high income, PPI 4 quintile were almost equally distributed at 21.0 percent and 19 percent, respectively. Only 2.0 percent of the adult population fell into the highest income, PPI 5 quintile (Figure 7).

Figure 7: PPI Quintile Distribution of Zambia Adults



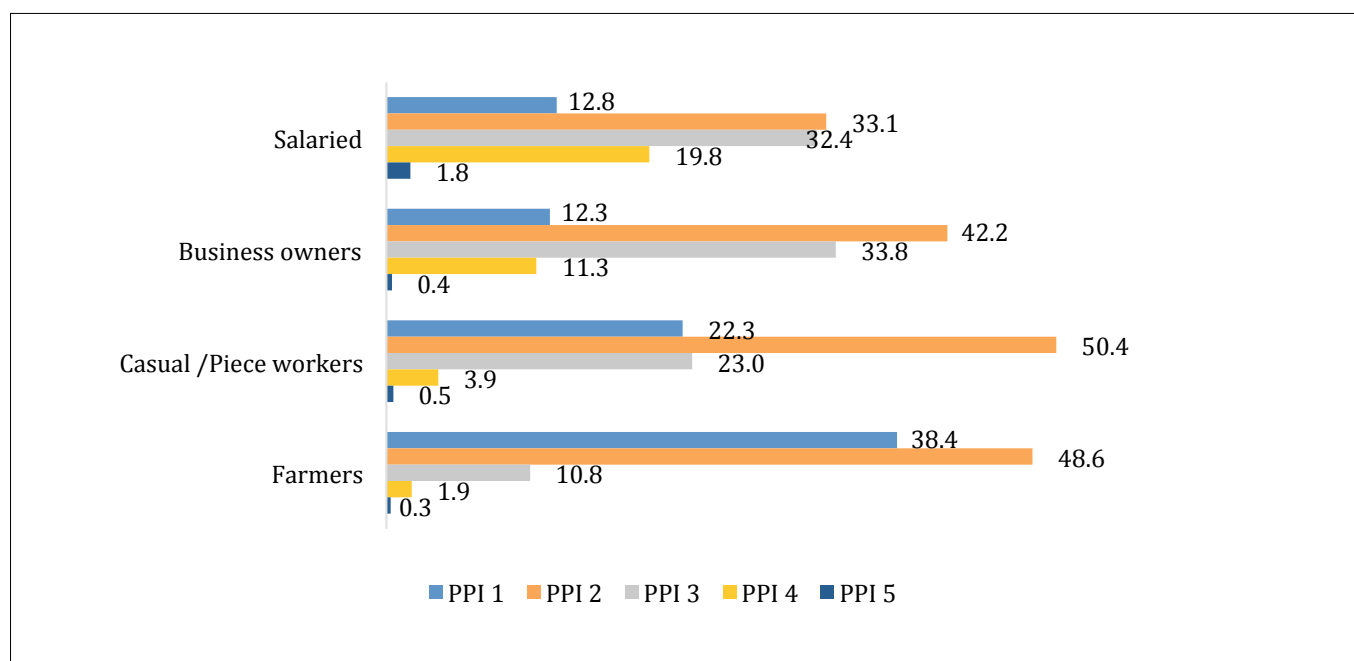
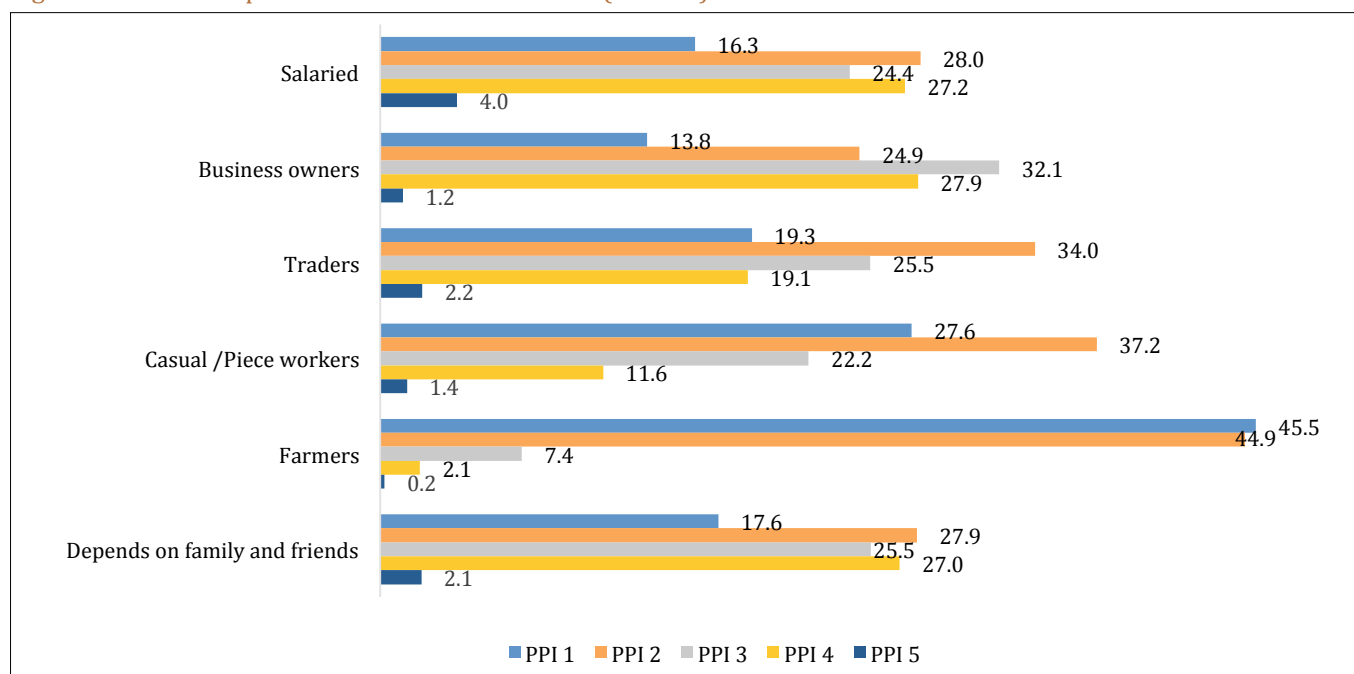
The average income per month for all quintiles increased apart from PPI 2 and PPI 5 that declined in comparison to findings of the FinScope 2015 Survey (Table 8).

Table 8: Average Income Per PPI Quintile (ZMW)

	2020		2015	
	Mean	Median	Mean	Median
PPI 1	551	288	542	250
PPI 2	826	400	961	300
PPI 3	1,722	1,000	1,175	500
PPI 4	2,879	1,500	2,707	1,400
PPI 5	2,892	1,900	3,274	1,800

The Survey showed that most Zambian adults were in the low income quintile of PPI 2 for all income categories except business owners. Farmers, casual/piece worker and traders comprised the majority of low income earners in PPI 1 and PPI 2. Business owners, salaried workers and dependants were largely under the middle income household PPI 3 (Figure 8).

Figure 8: Relationship Between Livelihoods and PPI (Percent)



4. FINANCIAL INCLUSION IN ZAMBIA

4.1 Defining Financial Inclusion

Financial inclusion is defined as access to and informed usage of a broad range of quality and affordable savings, credit, payment, insurance, and investment products and services that meet the needs of individuals and businesses ⁵.

The benefits of financial inclusion include the ability to:

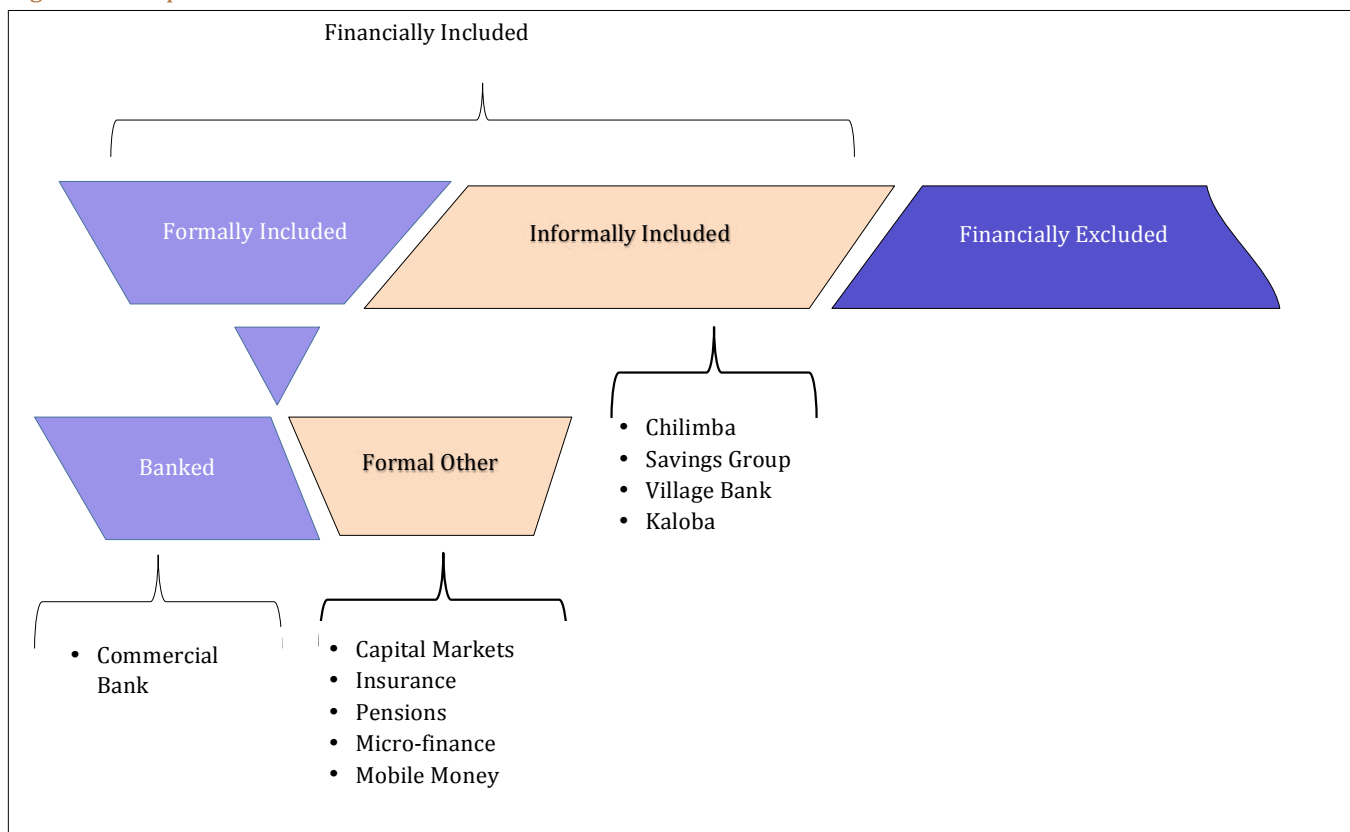
- Make day-to-day transactions, such as sending and receiving money with ease;
- Safeguard savings, which can help households and enterprises to manage cash flow spikes, smoothen consumption and build working capital;
- Access credit to finance micro, small and medium enterprises (MSMEs), helping owners invest in assets and grow their businesses;
- Plan and pay for recurring expenditures such as utility bills; and
- Mitigate shocks and manage expenses related to unexpected events such as medical emergencies, death, theft or natural disasters through insurance, investment and pension products/services.

The ultimate goal of financial inclusion is to improve the welfare of citizens by reducing financial vulnerability and increasing potential for participation in economic activities. The FinScope Survey methodology segments the adult population into those who are “financially included” and “financially excluded”. Of those who are financially included people can be formally or informally included.

Formal financial inclusion relates to the use of financial products/services offered by regulated financial service providers (FSPs). The formally included population can be segmented into the “banked” and the “formal other”. The banked population comprises individuals using financial services offered by commercial banks. The “Formal other” use financial services supplied by formal FSPs, such as microfinance institutions (MFIs), payment service providers and other regulated institutions in the financial sector.

Informal financial inclusion, on the other hand, is the use of informal financial products/services such as saving with an employer, membership in a savings group or borrowing from an informal moneylender/Kaloba. These concepts are graphically depicted in Figure 9.

Figure 9: Components of Financial Inclusion



⁵Adopted from the Zambia National Financial Inclusion Strategy 2017-2022

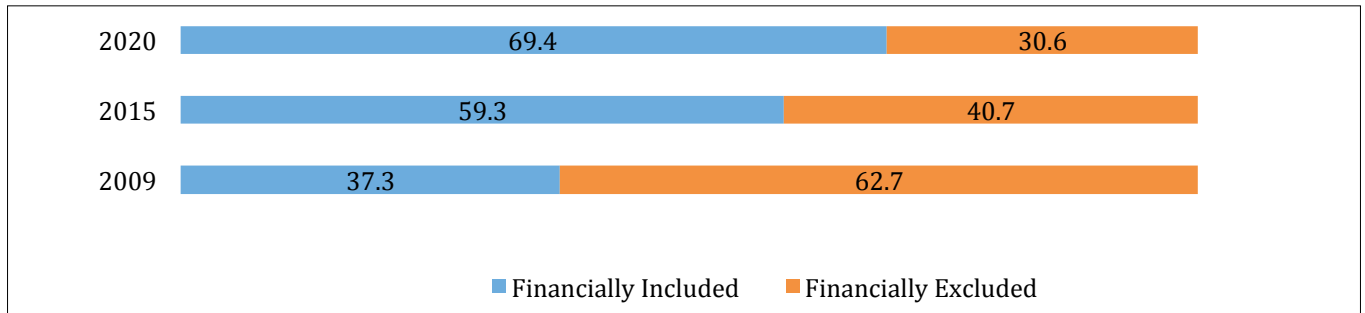
4.2 Developments in Financial Inclusion

The level of financial inclusion is segmented as follows:

- Adults who have or use financial products/services to manage their financial lives – financially included adults; and
- Adults who do not use financial products/services to manage their financial lives – financially excluded adults.

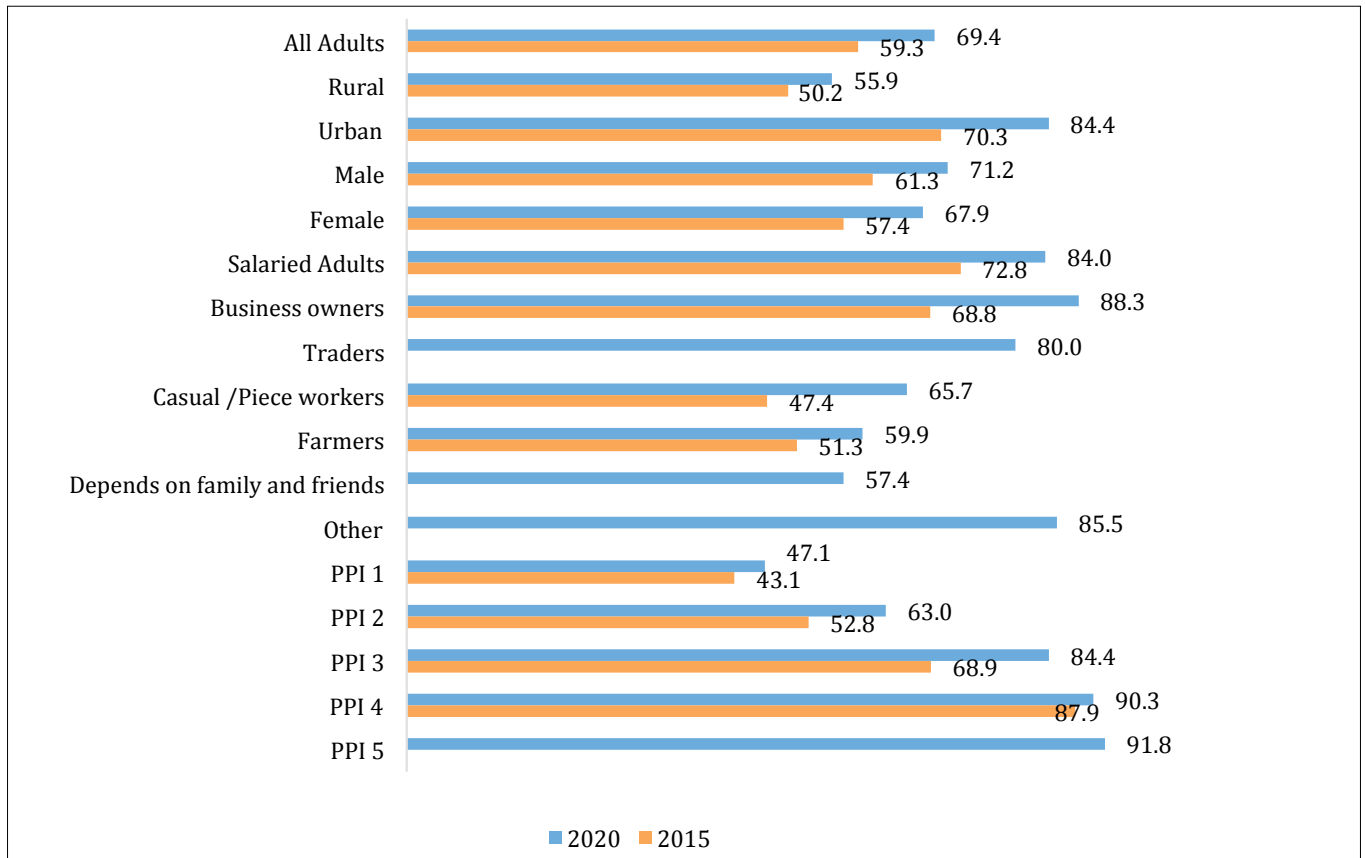
The Survey findings showed that the level of financial inclusion rose by 10.1 percentage points to 69.4 percent (6.6 million adults) in 2020 from 59.3 percent (4.8 million adults) in 2015. Subsequently, financially excluded adults decreased to 30.6 percent (2.9 million adults) from 40.7 percent (3.3 million adults) during the same period.

Figure 10: Developments in Financial Inclusion (Percent)



In determining the characteristics of financially included adults in Zambia, the level of inclusion continued to be higher in urban areas at 84.4 percent (8.0 million) compared to 55.9 percent in rural areas (5.3 million); amongst the male (71.2 percent), in high and middle income households of PPI 3 - PPI 5; and mostly business owners (88.4 percent), salaried workers (84.0 percent) and traders at 80.0 percent (Figure 11).

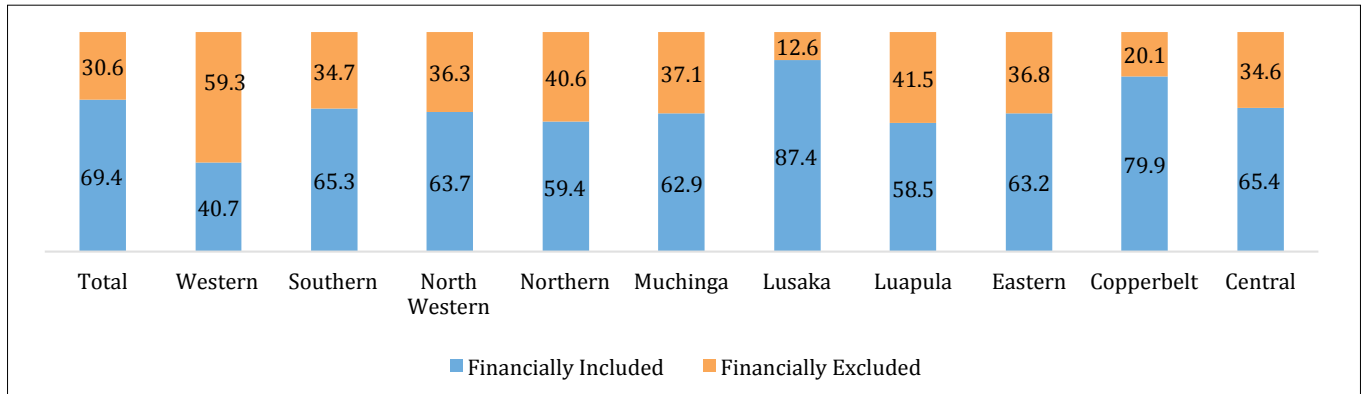
Figure 11: Financially Included Adults (Percent)



4.2.1 Financial Inclusion by Province

Financial inclusion at provincial level was highest in Lusaka (87.4 percent) and the Copperbelt (79.9 percent) with figures above the national average of 69.4 percent. The rest of the provinces were below the national average with Western Province being the lowest at 40.7 percent (Figure 12).

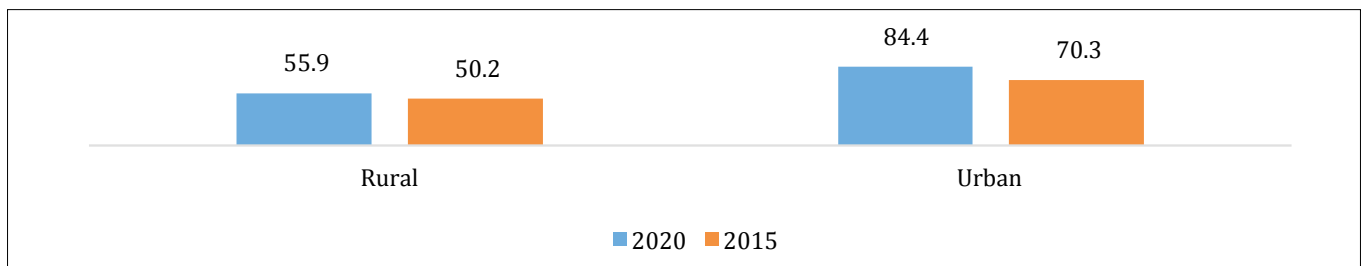
Figure 12: Financial Inclusion by Province (Percent)



4.2.2 The level of financial Inclusion by Rural/Urban Segmentation

Financial inclusion was higher in urban areas at 84.4 percent (2015: 70.3 percent) compared to rural areas at 55.9 percent (2015:50.2 percent). Therefore, the financial inclusion gap between urban and rural areas widened to 28.5 percentage points in 2020 from 20.1 percentage points in 2015 (Figure 13).

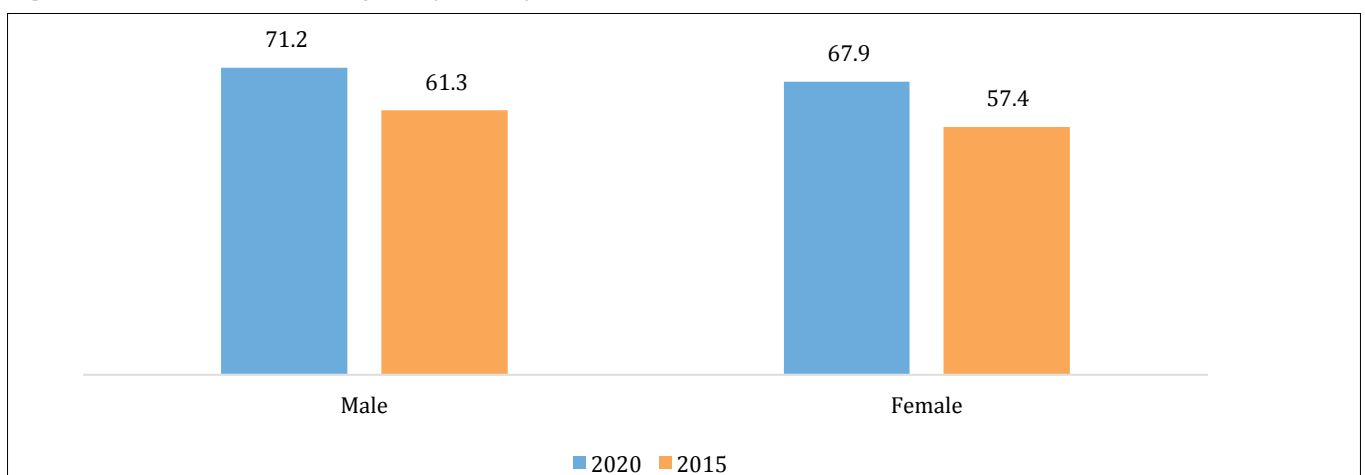
Figure 13: Financial Inclusion by Rural/Urban Segmentation (Percent)



4.2.3 Financial Inclusion by Sex

The Survey results showed that the level of financial inclusion amongst male adults increased to 71.2 percent from 61.3 percent in 2015 while that of females increased to 67.9 percent from 57.4 percent in 2015 (Figure 14).

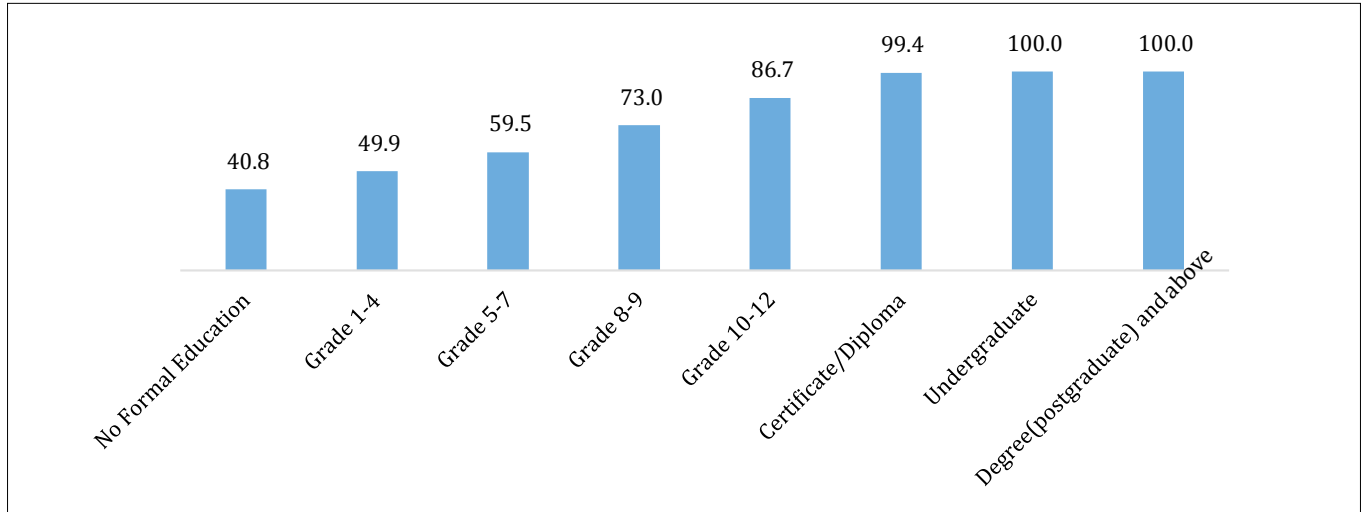
Figure 14: Financial Inclusion by Sex (Percent)



4.2.4 Financial Inclusion by Level of Education

The FinScope 2020 survey data showed a positive correlation between the level of education and financial inclusion. All adults who had achieved undergraduate or postgraduate levels of education were financially included, while those adults with no formal education had the lowest level of financial inclusion. (Figure 15).

Figure 15: Financial Inclusion by Level of Education (Percent)

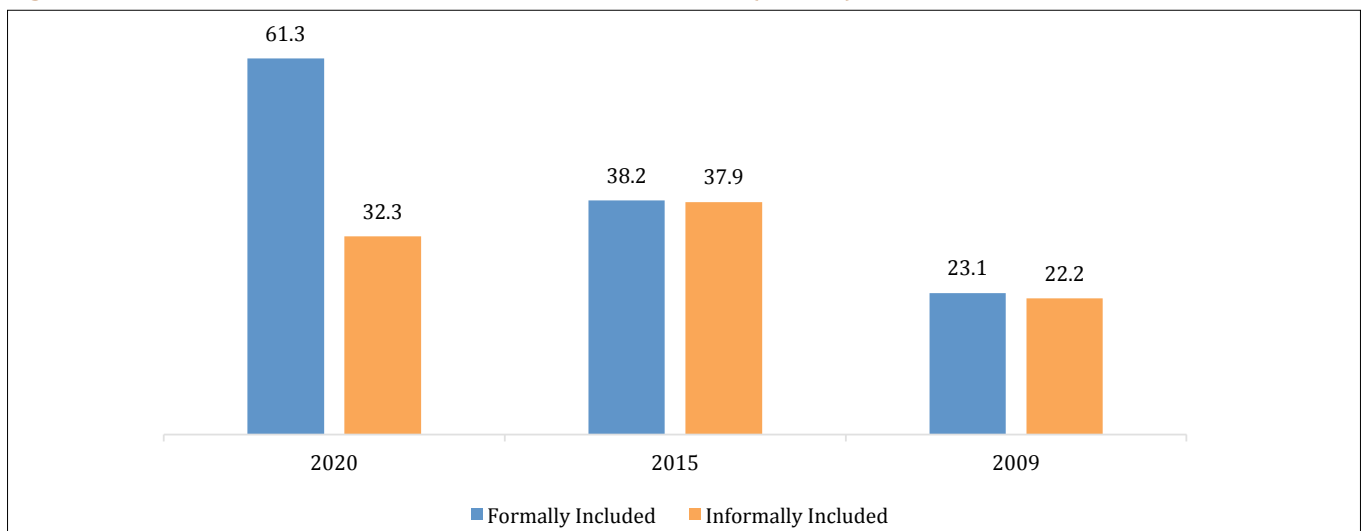


4.3 Trends in Formal and Informal Financial Inclusion

Formal inclusion relates to the proportion of adults who have or use financial products/services provided by a service provider that is regulated or officially supervised. Informal inclusion on the other hand refers to the proportion of adults who use financial services provided by a service provider that is not regulated.

Formal financial inclusion amongst adults increased significantly to 61.3 percent (5.8 million) from 38.2 percent (3.1 million) in 2015. The rise in formal inclusion was mainly attributed to a surge in penetration of mobile money services, which more than quadrupled to 58.4 percent from 14.0 percent in 2015. On the other hand, informal financial inclusion declined to 32.3 percent (3.0 million) from 37.9 percent (3.1 million) in 2015 as more people were using formal services (Figure 16).

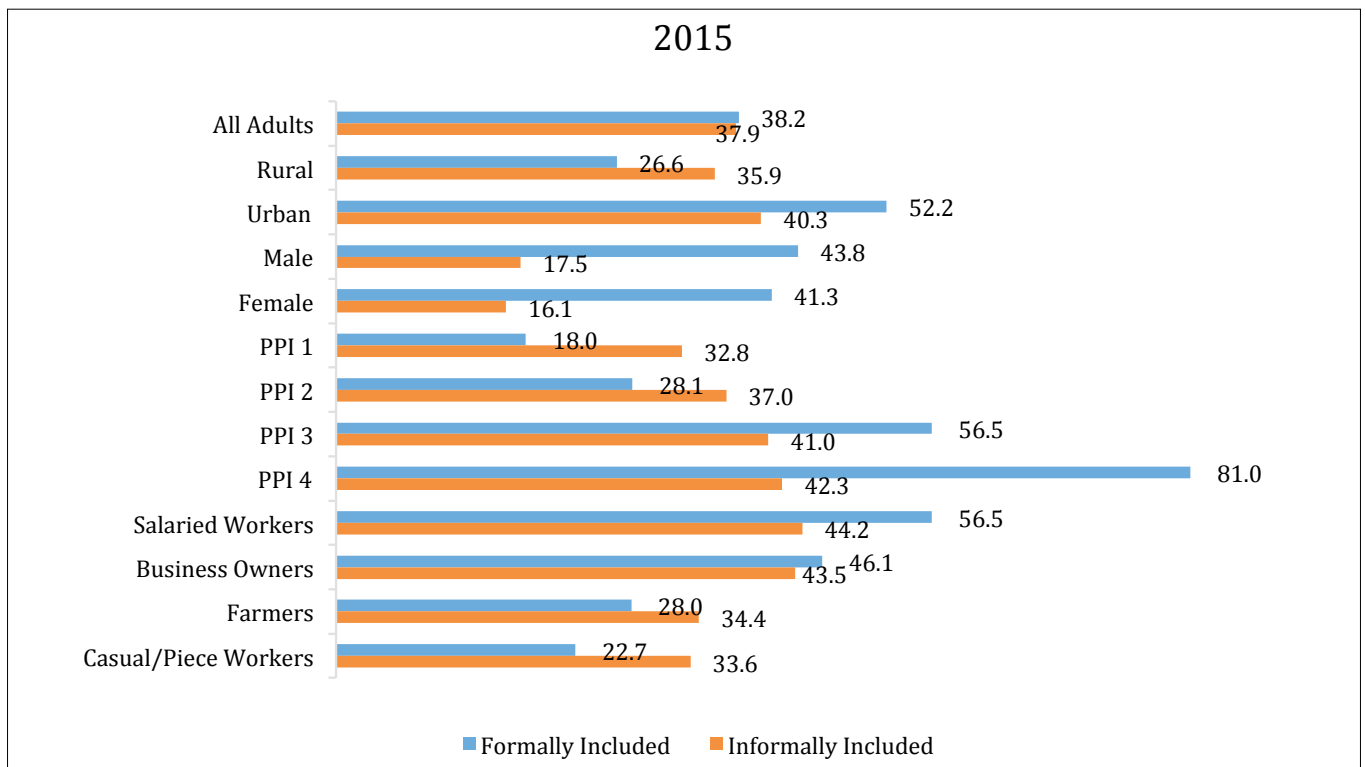
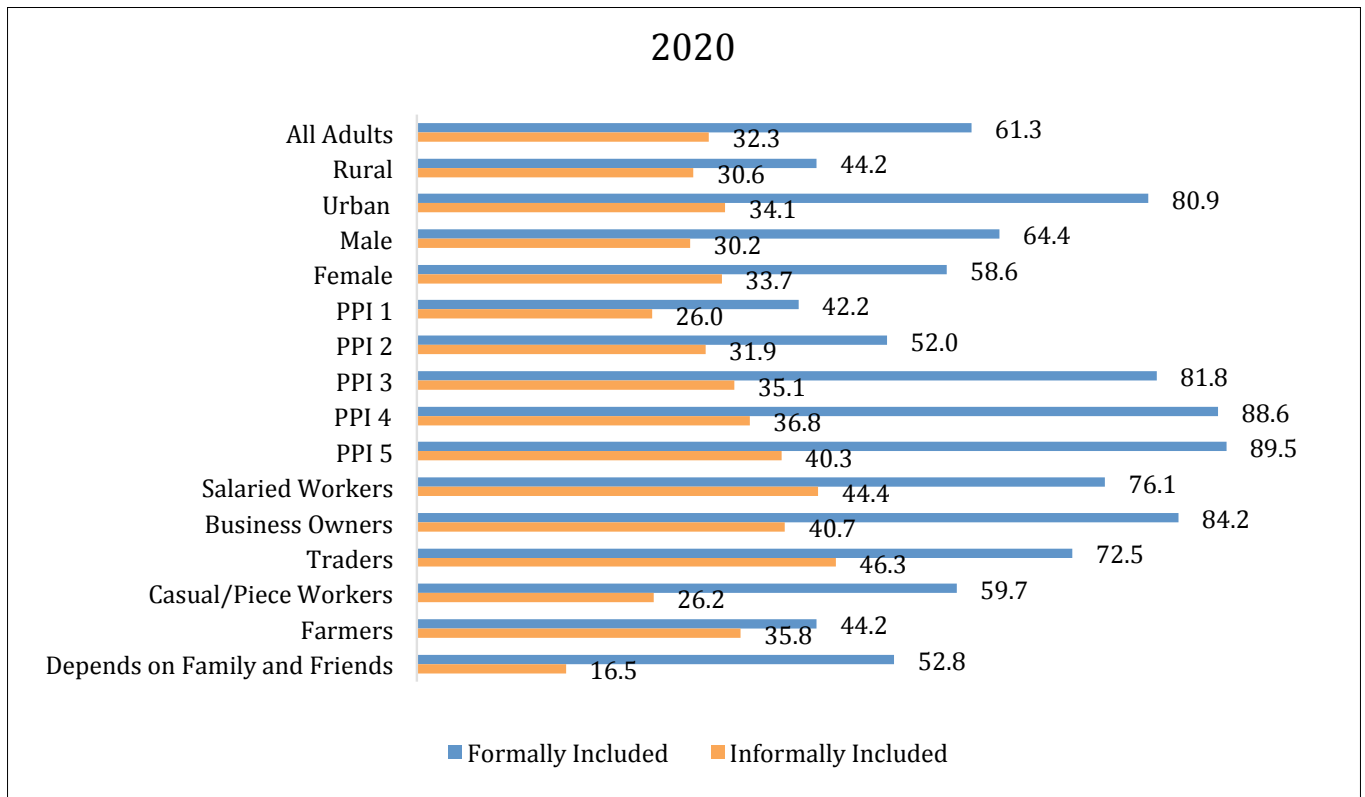
Figure 16: Trends in Formal and Informal Inclusion, 2009 – 2020 (Percent)



Both formal and informal inclusion were higher in urban areas. The survey showed that there were more formally included adults in urban areas at 80.9 percent (2015: 52.2 percent) compared to the 44.2 percent (2015: 26.6 percent) recorded in the rural areas. Similarly, informal inclusion was higher in the urban areas at 34.1 percent (2015: 40.3 percent) compared to rural areas at 30.6 percent (2015: 35.9 percent).

There were more formally included males at 64.4 percent compared to females at 58.6 percent. On the other hand, there were more females who were informally included compared to their male counterparts. Both formally and informally included adults were most likely to be business owners, traders and salaried workers from the middle to higher income quintiles of PPI 3, PPI 4 and PPI 5. (Figure 17).

Figure 17: Formal and Informal Financial inclusion (Percent)



4.4 Financial Access Strand

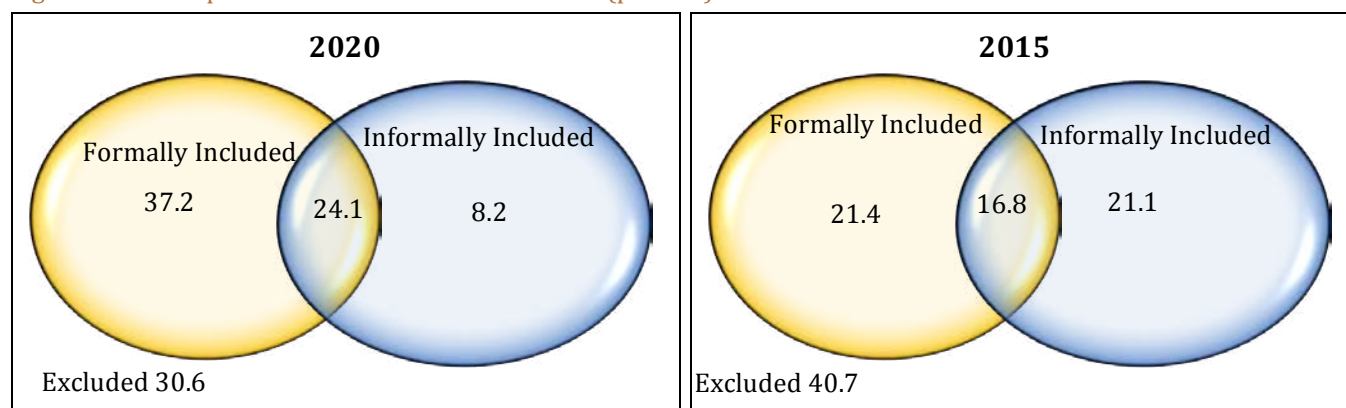
The financial access strands are useful in comparing levels of financial inclusion over time or between different population segments. In Zambia, adults are grouped into four (4) financial access strands. Those who:

1. Have or use only formal financial products/services;
2. Have or use only informal financial products/services;
3. Have or use both formal and informal financial products/services; and
4. Do not have or use any financial products/services to manage their financial lives.

4.4.1 Overlap in Formal and Informal Inclusion

The survey findings indicated that the percentage of adults using only formal financial products/services increased to 37.2 percent from 21.4 percent in 2015, while the percentage of adults using only informal financial products/services shrunk to 8.2 percent from 21.1 percent.

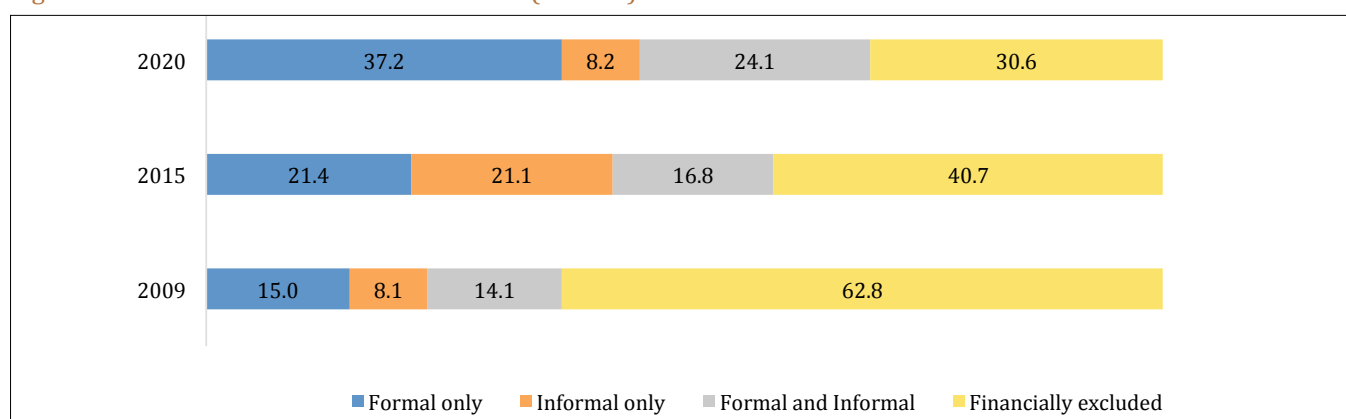
Figure 18: Overlap in Formal and Informal Inclusion (percent)



4.4.2 Trends in Financial Access Strands

The proportion of adults using both formal and informal services increased by 7.3 percentage points to 24.1 percent from 16.8 percent in 2015, while financial exclusion dropped to 30.6 percent from 40.7 percent (Figure 19).

Figure 19: Trends in Financial Access Strands (Percent)

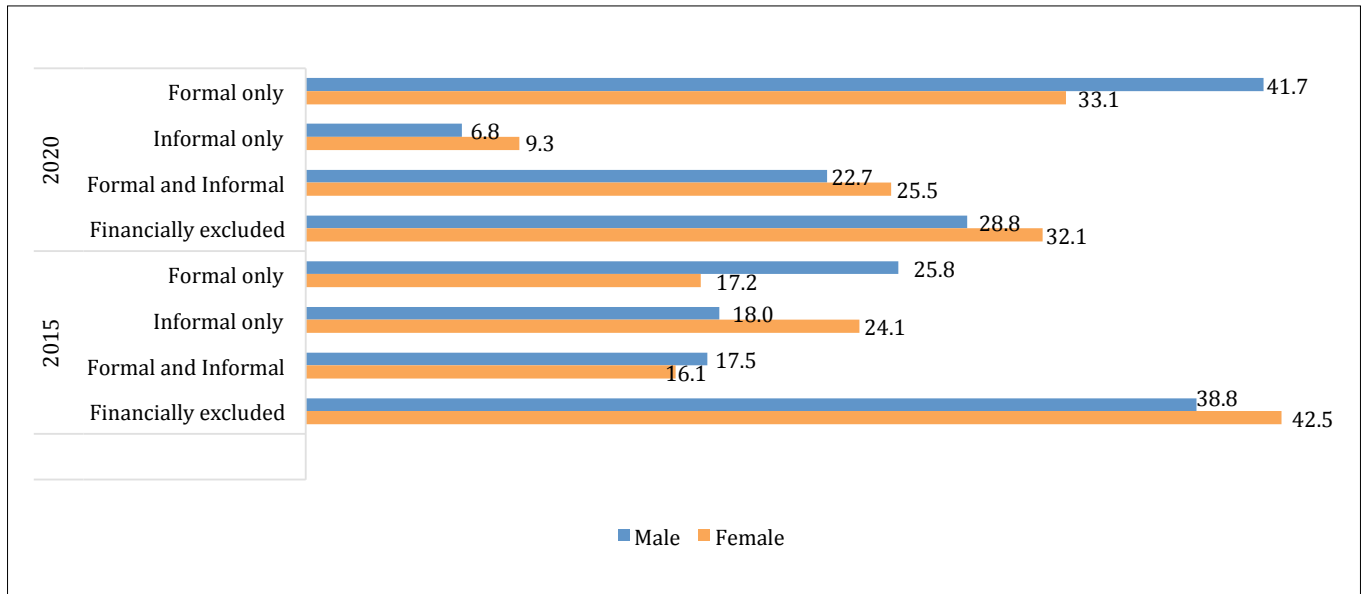


4.4.3 Financial Access Strands by Sex

Analysis of access strands by sex showed that more males at 41.7 percent (2015: 25.8 percent) used only formal financial services. More females used only informal financial services at 9.3 percent (24.1 percent) and were most likely to be financially excluded at 32.1 percent (2015: 42.5 percent). These findings are similar to the 2015 FinScope survey.

More females used both formal and informal services at 25.5 percent (2015: 16.1 percent) compared to males at 22.7 percent (2015: 17.5 percent) (Figure 20).

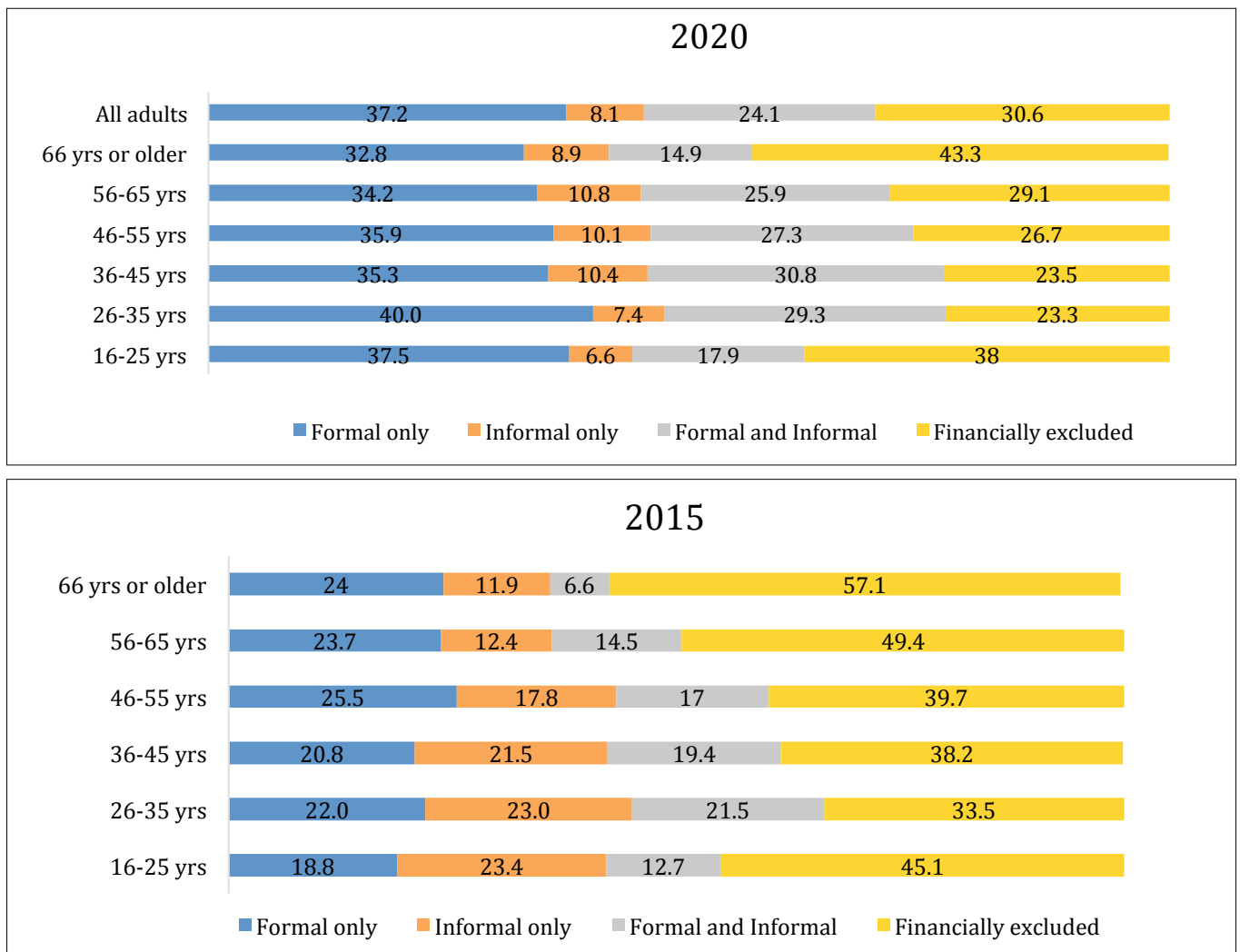
Figure 20: Financial Access Strand by Sex (Percent)



4.4.4 Financial Access Strands by Age

The highest proportion of adults that used only formal financial services were in the age group 26-35 years. In terms of informal financial inclusion, the highest proportion of adults were in the age group 36 - 65 years. The most financially excluded age group was above 65 years (Figure 21).

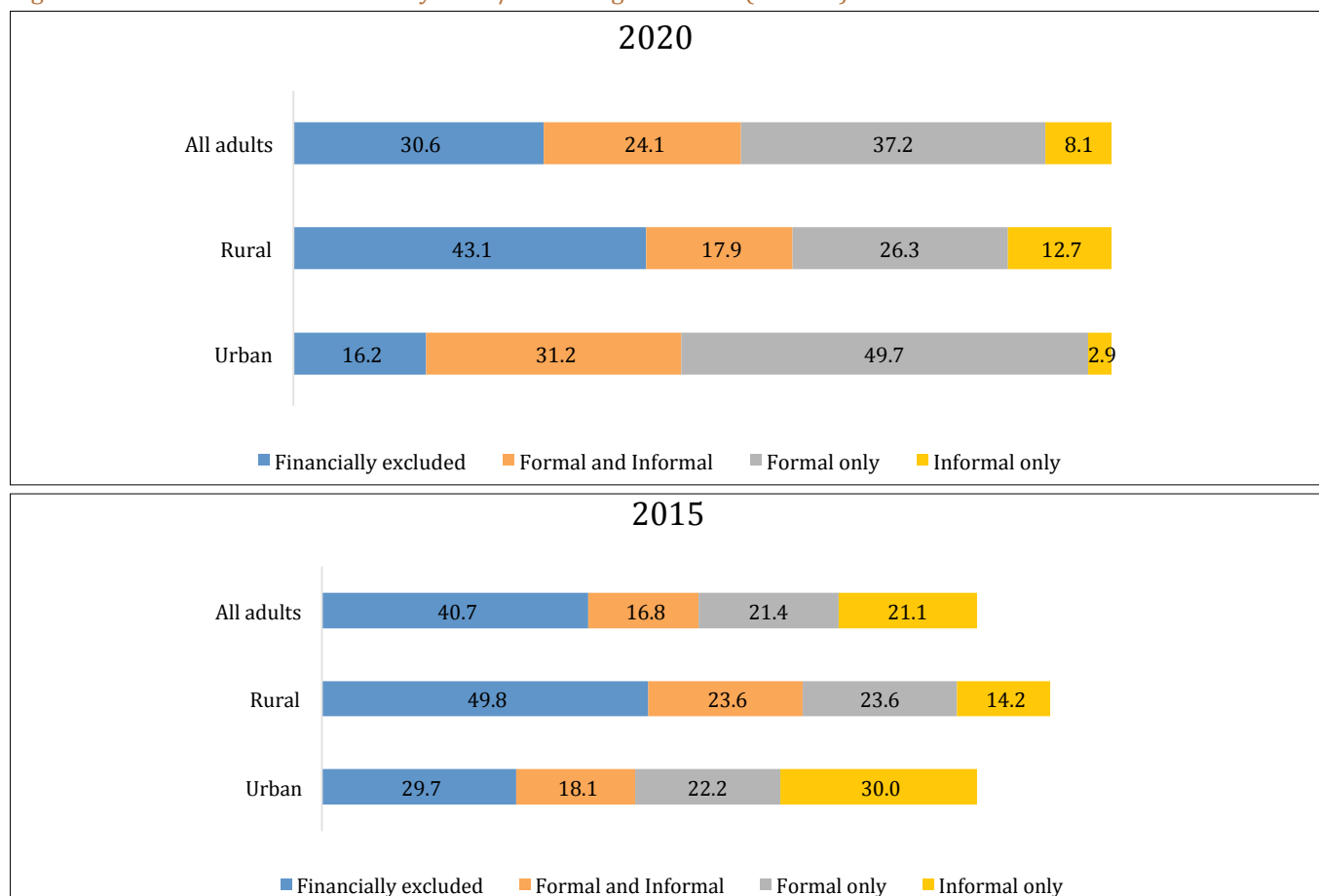
Figure 21: Financial Access Strands by Age (Percent)



4.4.5 Financial Access Strands by Rural-Urban Distribution

The Survey findings in Figure 22 illustrate that the percentage of adults using only formal financial products/services was higher in urban areas at 49.7 percent (2015: 30.0 percent) than in rural areas at 26.3 percent (2015: 14.2 percent). Similarly, the proportion of the adult population using both formal and informal financial products/services was higher in urban areas at 31.2 percent (2015: 22.2 percent) compared to rural areas at 17.9 percent (2015: 23.6 percent). The use of only informal services was higher in the rural areas at 12.7 percent (2015: 23.6 percent) compared to urban areas at 2.9 percent (2015: 18.1 percent).

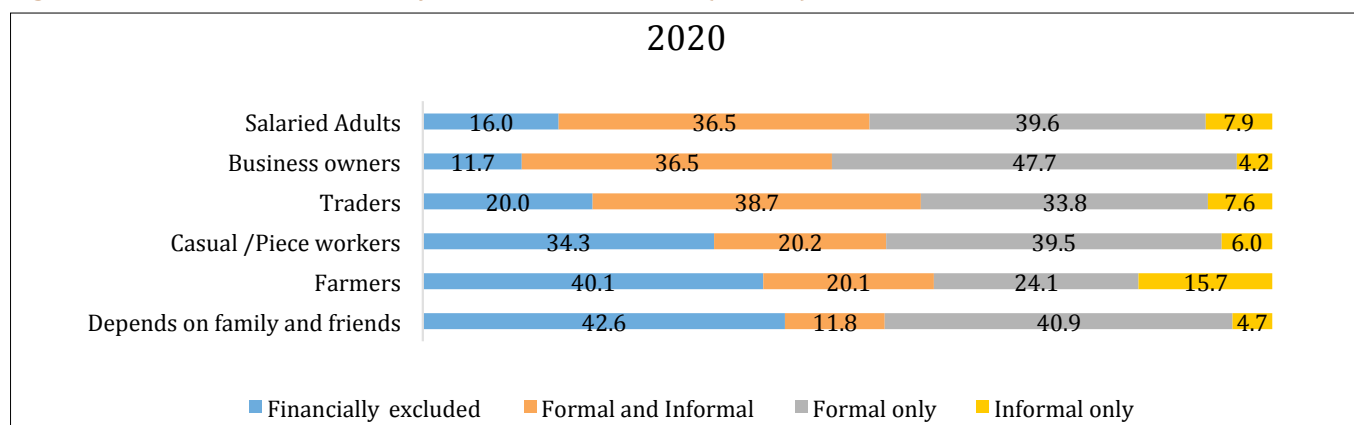
Figure 22: Financial Access Strands by Rural/Urban Segmentation (Percent)



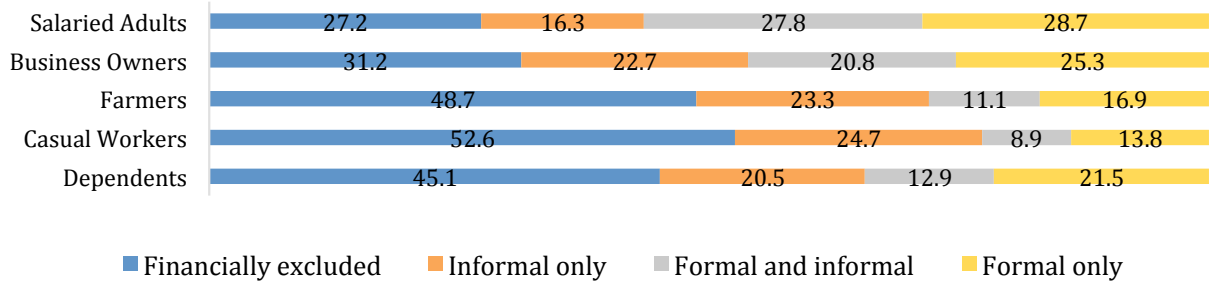
4.4.6 Financial Access Strands by Main Source of Income

Analysis of financial access strands by main income source showed that most business owners and salaried adults used only formal financial services, while most farmers and dependants were financially excluded. These characteristics were consistent with the survey findings of 2015. Most traders used both formal and informal financial services (Figure 23).

Figure 23: Financial Access Strand by Main Source of Income (Percent)



2015

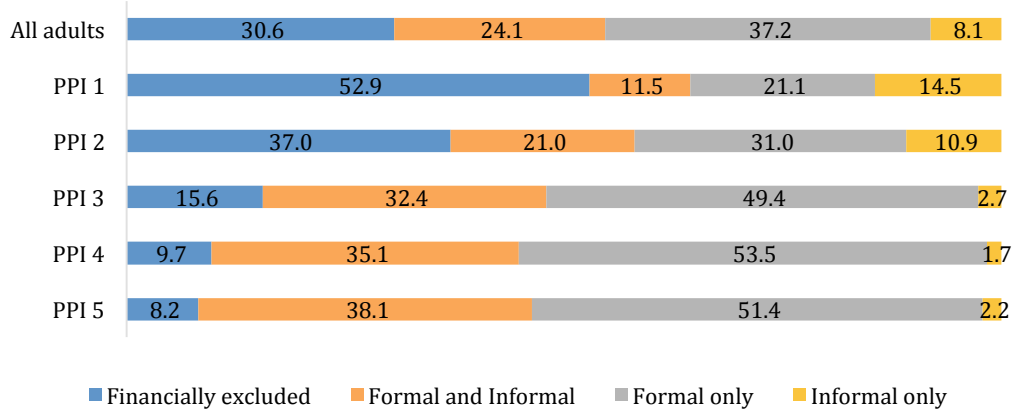


4.4.7 Financial Access Strand by PPI Quintile

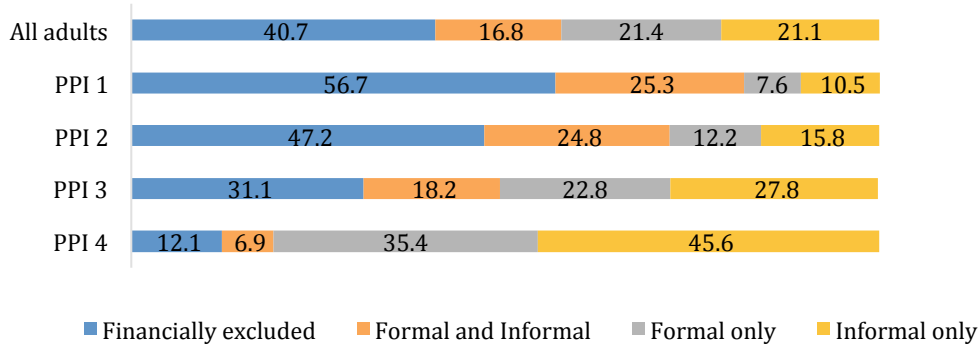
The Survey results showed a positive correlation between the level of income and financial inclusion. Most adults in lower PPI 1 and PPI 2 quintiles, which are associated with lower incomes, were financially excluded while those in the middle (PPI 3) to higher incomes (PPI 4 and 5) mostly used either formal financial services only or both formal and informal financial services (Figure 24).

Figure 24: Financial Access Strand by PPI Quintile (Percent)

2020



2015



5. UPTAKE OF FORMAL FINANCIAL SERVICES

As earlier indicated most of the adult population use products/services provided by FSPs⁶. This section provides details of products/services used by the formally included adult population, which stands at 61.3 percent.

5.1 Levels of Formal Financial Services

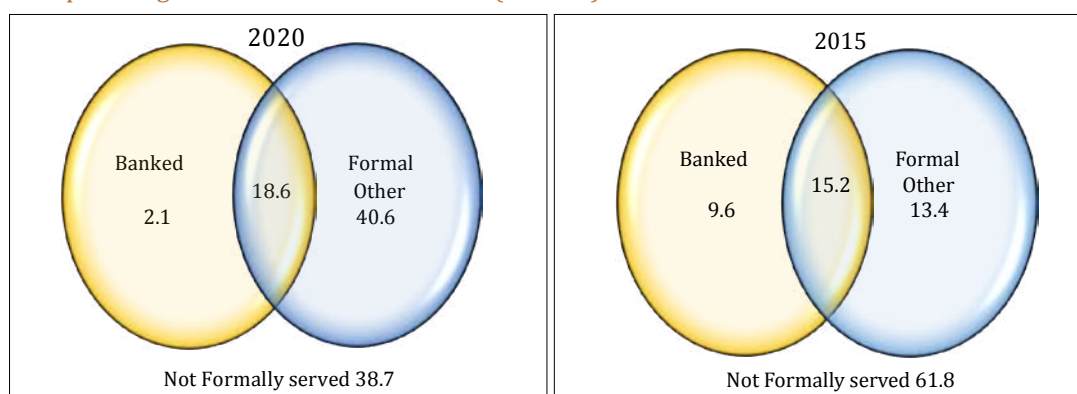
Formal financial services relate to products and services offered by institutions that are regulated by the following:

- Bank of Zambia (for commercial banks, micro-finance service providers, and payment service providers⁷);
- Pensions and Insurance Authority (for pensions and insurance providers); and
- Securities and Exchange Commission (for capital markets).

Formal financial services are provided by two main types of institutions; commercial banks and non-bank service providers defined as “formal other”. The survey findings indicated that the level of uptake in the commercial bank services reduced to 20.7 percent (1,967,500 adults) from 24.8 percent (2,008,800 adults) recorded in 2015.

Although 20.7 percent of adults were banked only 2.1 percent used products/services provided by commercial banks exclusively (2015: 9.6 percent). The proportion of adults who used products/services provided by both commercial banks and formal non-bank service providers increased to 18.6 percent from 15.2 percent in 2015. Those who exclusively used non-bank service providers rose to 40.6 percent from 13.4 percent (Figure 25).

Figure 25: Overlap in Usage of Bank and Formal Other (Percent)



The usage of non-bank formal services (formal other) rose to 59.2 percent (5.6 million adults) from the 28.5 percent (2.3 million adults) in 2015. Table 9 illustrates that mobile money was the most used non-bank service at 58.4 percent (2015: 14.0 percent) while money transfer and capital markets were the least at 0.6 percent (2015: 3.0 percent and 0.3 percent respectively).

Table 9: Levels of Access/Use of Formal Other (Percent)

	2020	2015
Adults	59.2	28.5
Mobile money	58.4	14.0
Pensions	8.2	3.8
Insurance	6.3	2.8
Micro finance	2.1	3.8
Money transfer	0.6	3.0
Capital markets	0.6	0.3

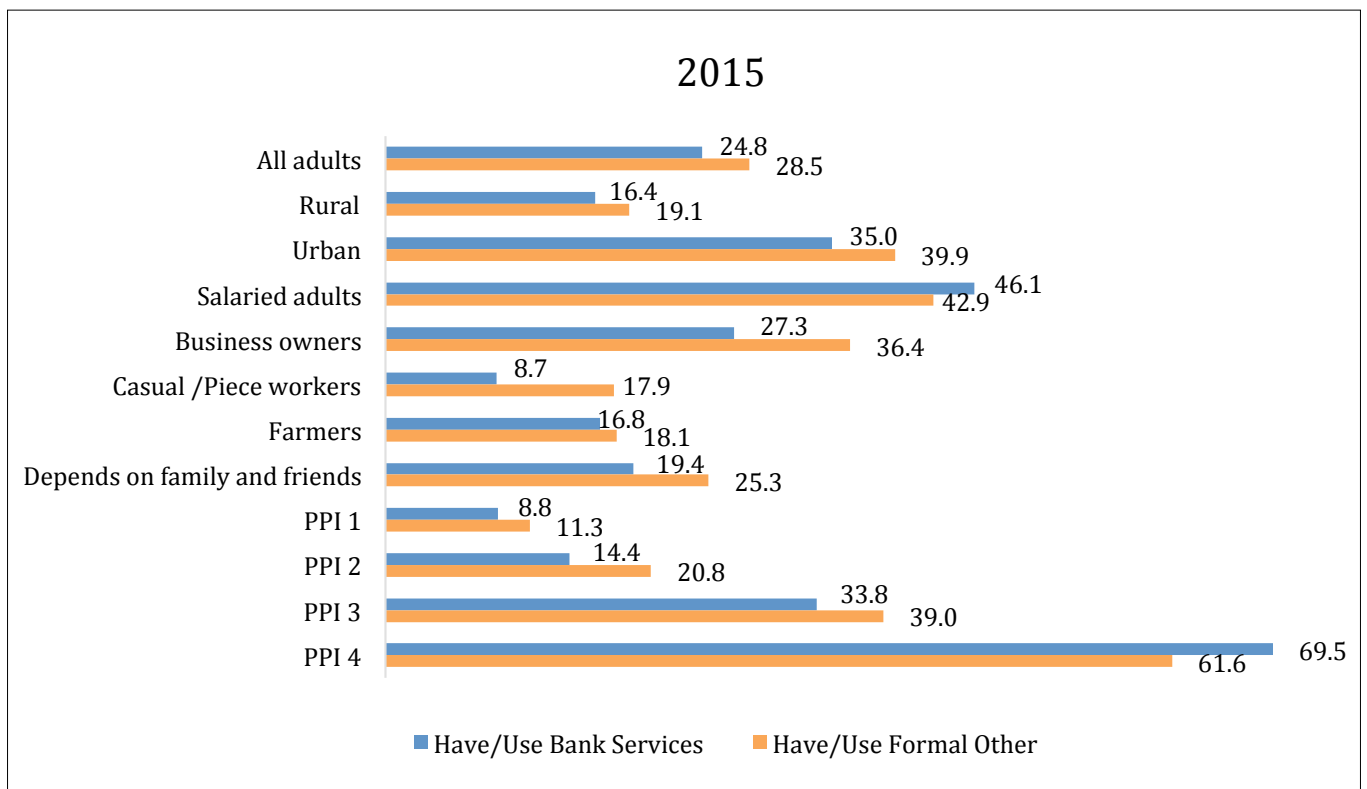
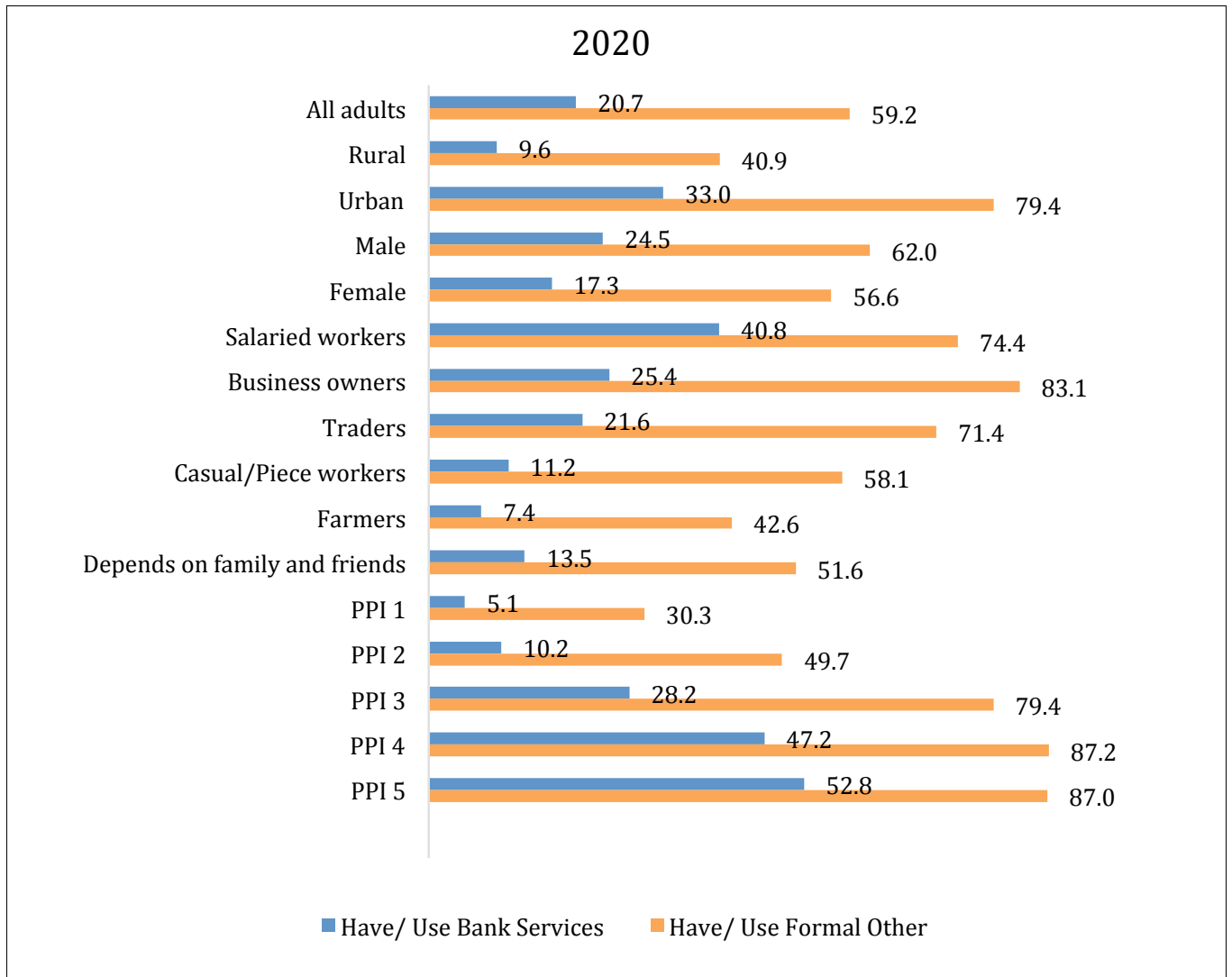
The uptake of commercial bank services was highest amongst adults in urban areas at 33.0 percent (2015: 35.0 percent). The profile of adults who used commercial bank financial products and services was as follows: mostly male, salaried workers, business owners and those from high-income quintiles of PPI 4 and PPI 5.

Similarly, usage of non-bank services was highest amongst adults in urban areas at 79.4 percent (2015: 39.9 percent). The characteristics of adults who used formal other products were mostly male, business owners salaried workers, traders and those from middle to high income households of PPI 3, PPI 4, and PPI 5. (Figure 26).

⁶FSPs are commercial banks and non-bank financial institutions regulated by BoZ including micro-finance service providers.

⁷Payment Service Providers include mobile money and money transfer service providers.

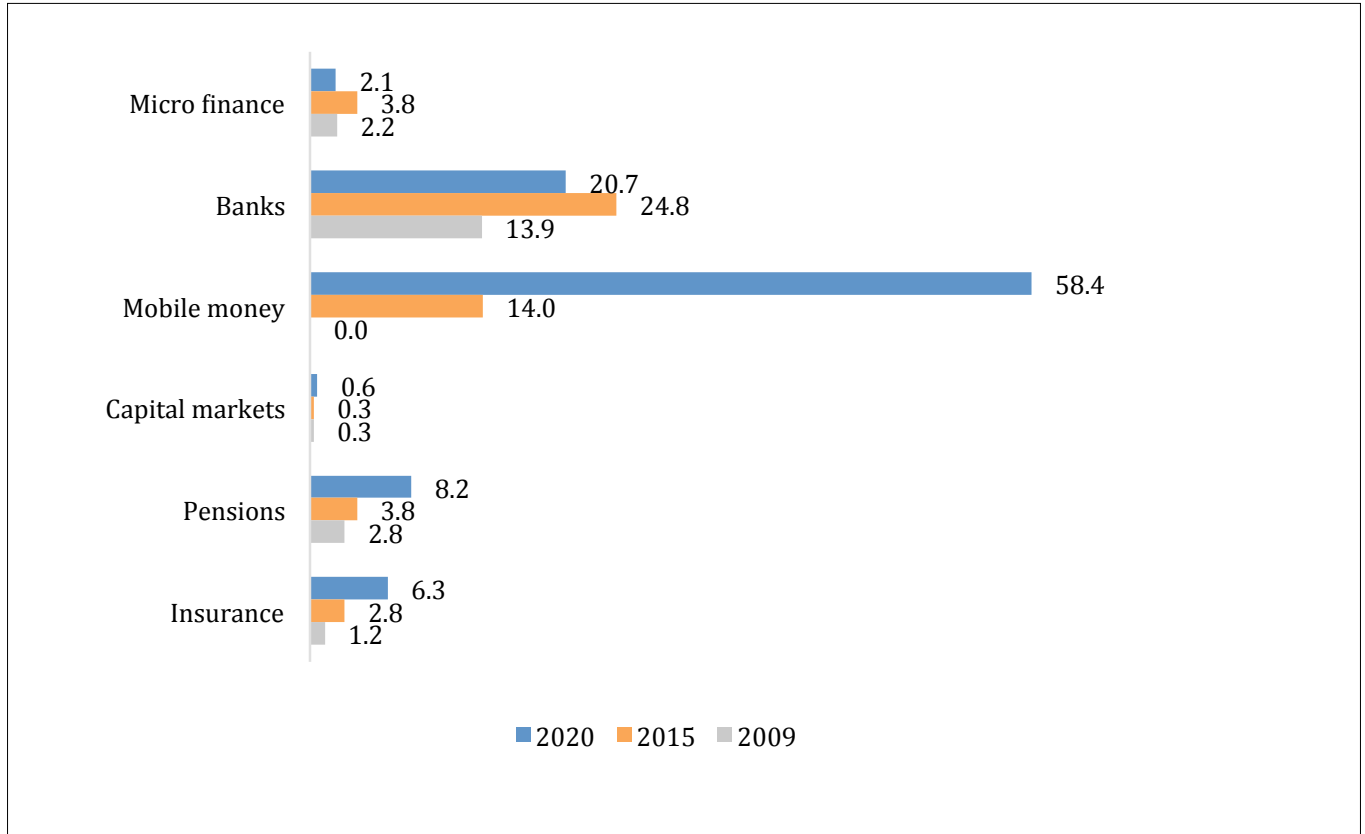
Figure 26: Adults Who Have/Use Bank/Non-Bank (Formal Other) Services (Percent)



5.2 Uptake of Formal Financial Services

The growth in the formal financial sector was mainly driven by increased uptake of mobile money products/ services (58.4 percent) as well as insurance (6.3 percent) and pensions (8.2 percent). A decline was noted on the usage of commercial banks and micro-finance services (Figure 27).

Figure 27: Trends in Use of Formal Financial Services (Percent)

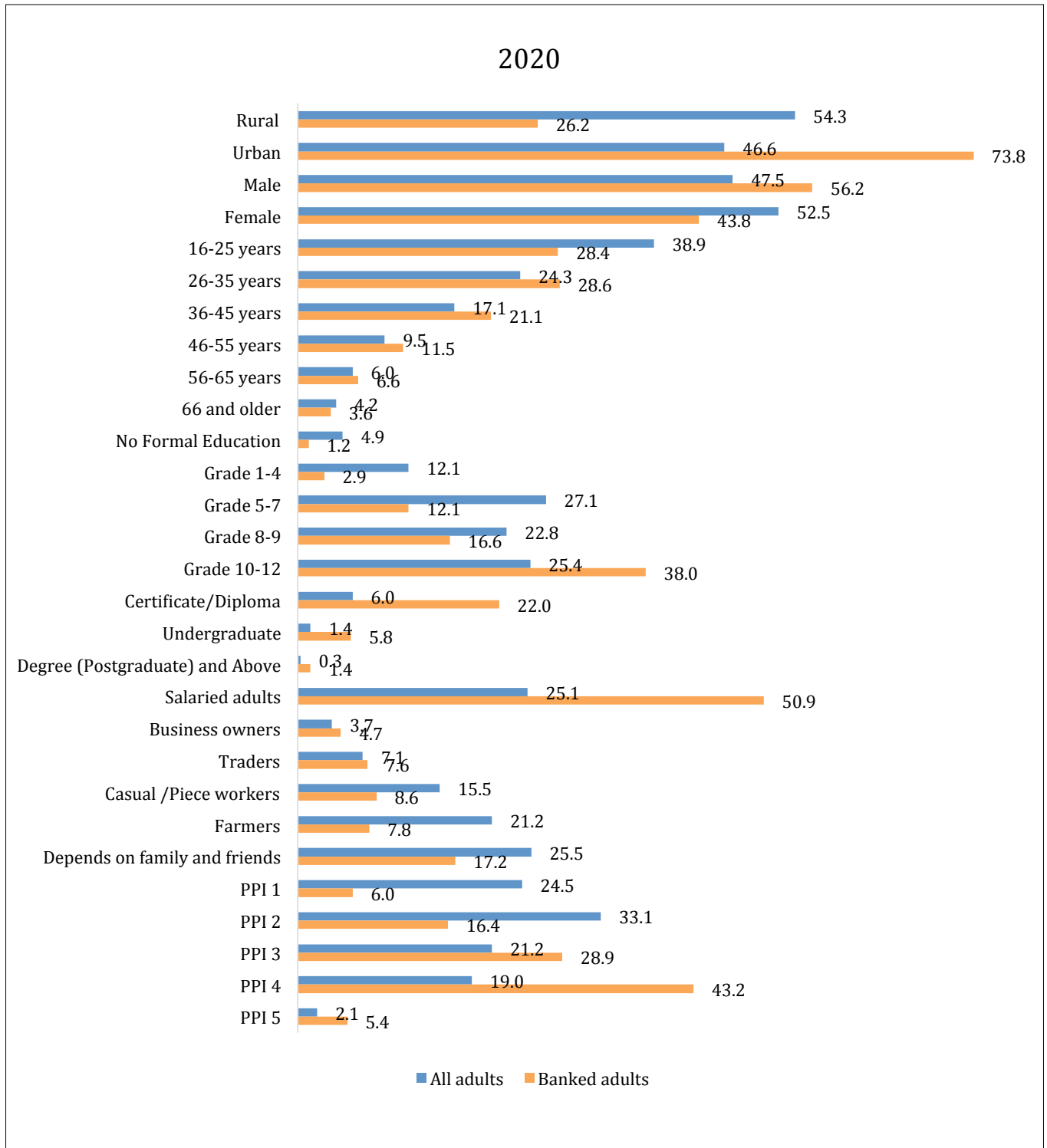


5.2.1 Uptake of Commercial Bank Services

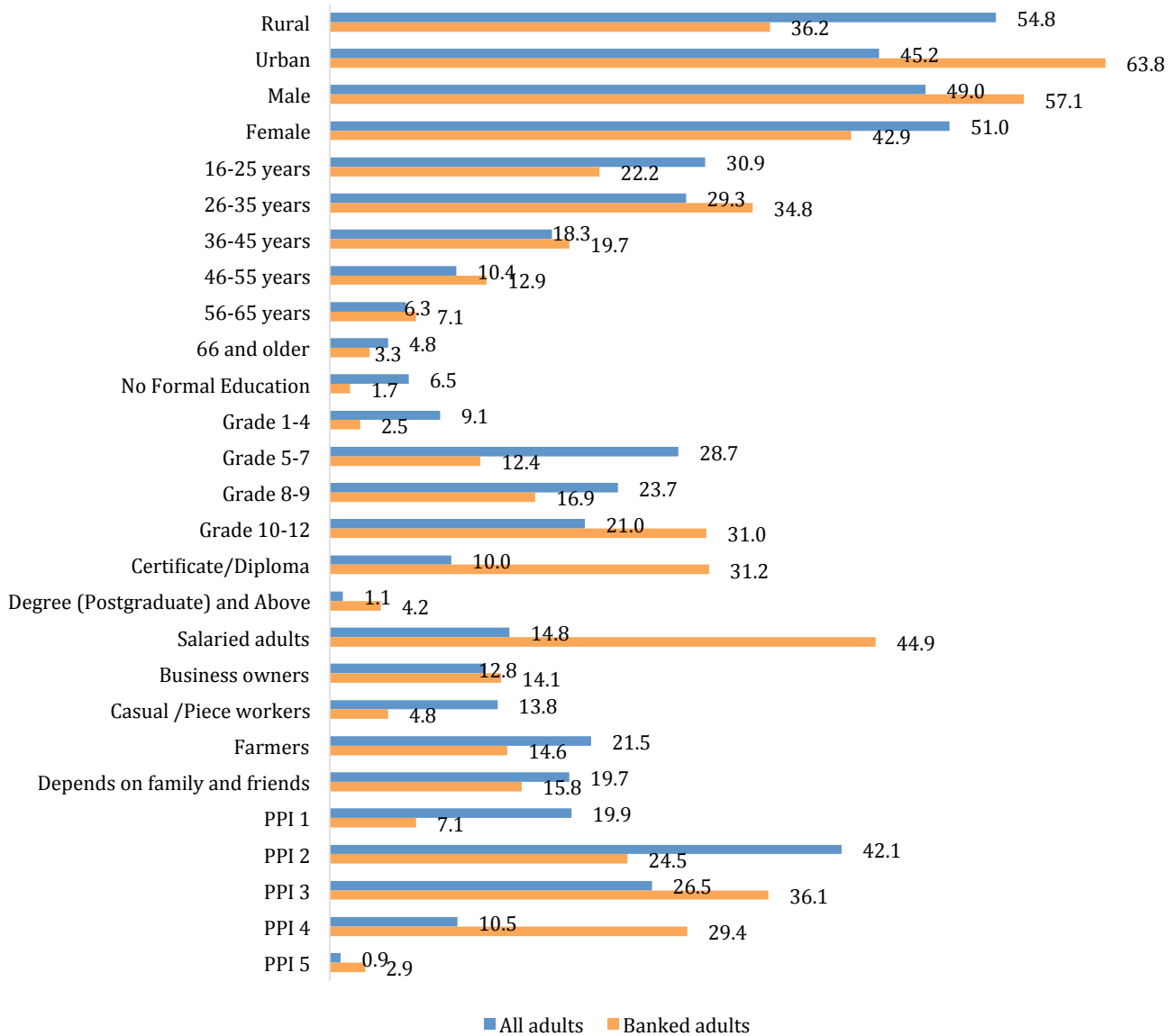
As illustrated in Figure 28, the Survey indicated that 20.7 percent (2015: 24.8 percent) of adults who had and /or used the services of commercial banks were most likely to have the following characteristics:

- Urban based;
- Male;
- In the age range 16-35 years;
- Having attained Grade 10 – 12 and diploma level;
- Salaried workers; and
- From households in the middle and higher income quintiles of PPI 3 and PPI 4.

Figure 28: Comparing the Profile of Adults Using Commercial Bank Services with the Total Adult Population (Percent)



2015

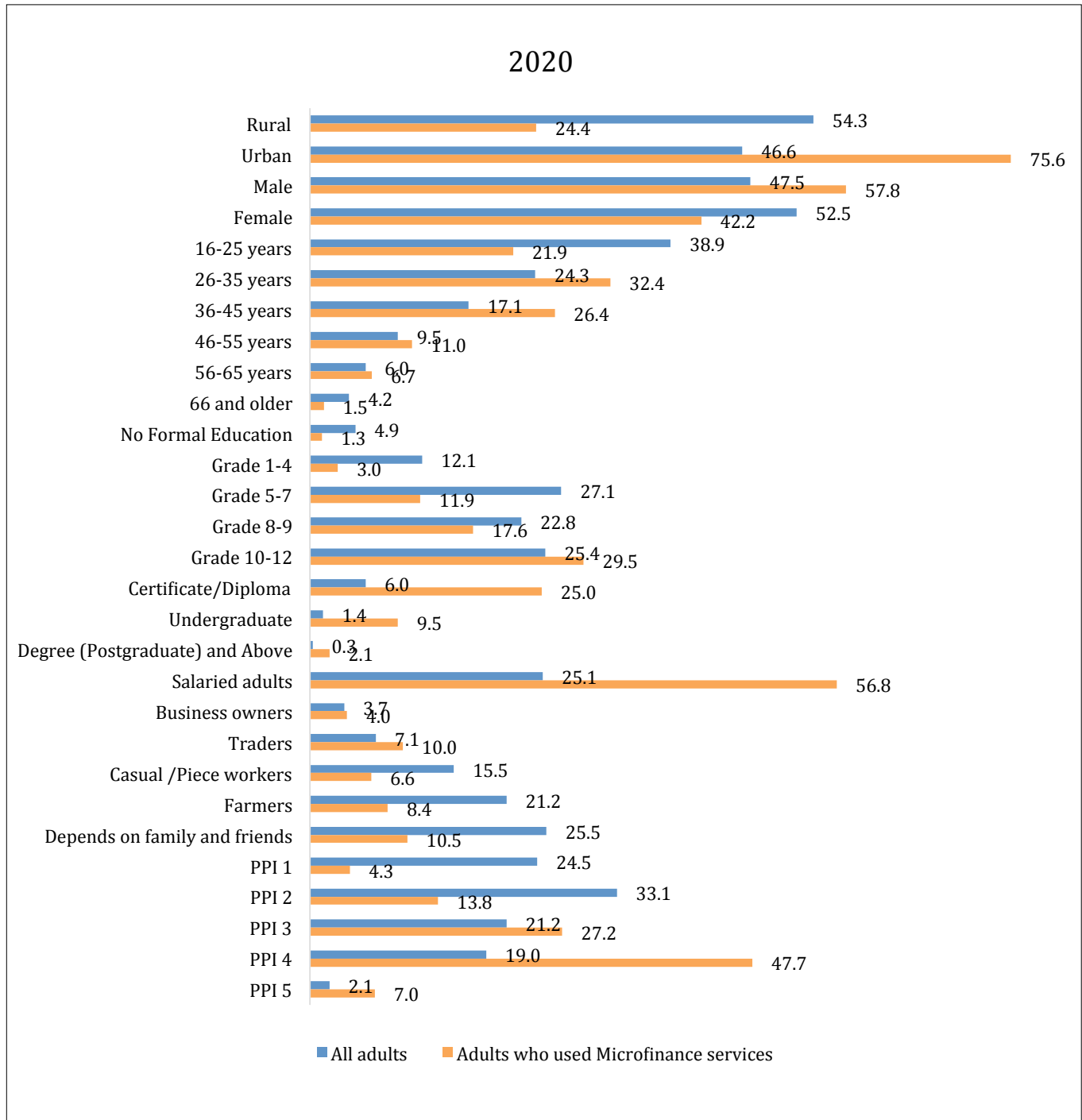


5.2.2 Uptake of Microfinance Services

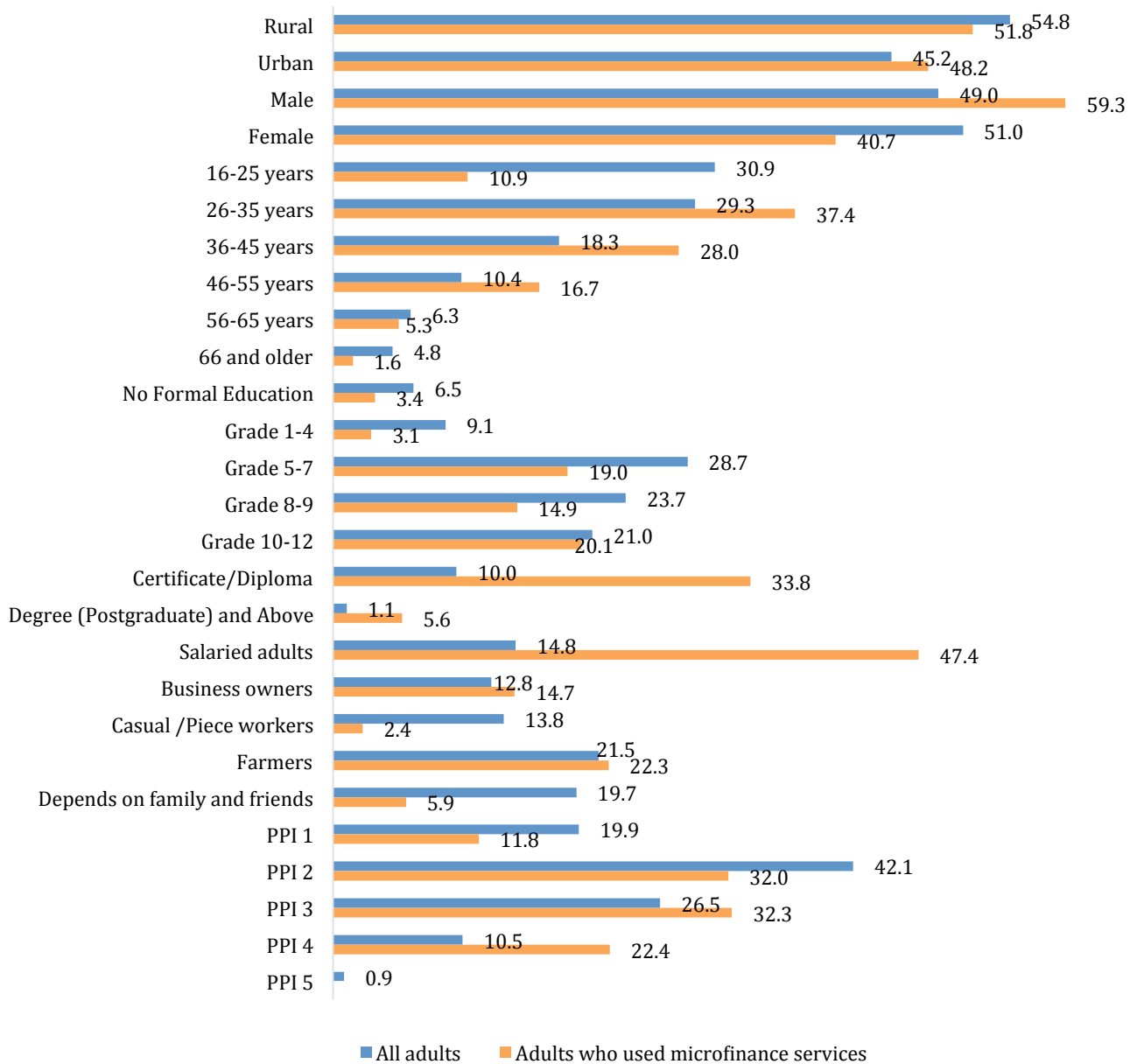
The uptake of microfinance services decreased to 2.1 percent in 2020 from 3.8 percent in 2015 (Figure 29). Adults most likely to use microfinance services had the following profile:

- Urban based;
- Male;
- In the age range 26 - 45 years;
- Those that had attained grades 10-12 and diploma levels of education;
- Salaried workers; and
- From households in the high-income quintile of PPI 4.

Figure 29: Comparing the Profile of Adults Using Microfinance Services with the Total Adult Population (Percent)



2015

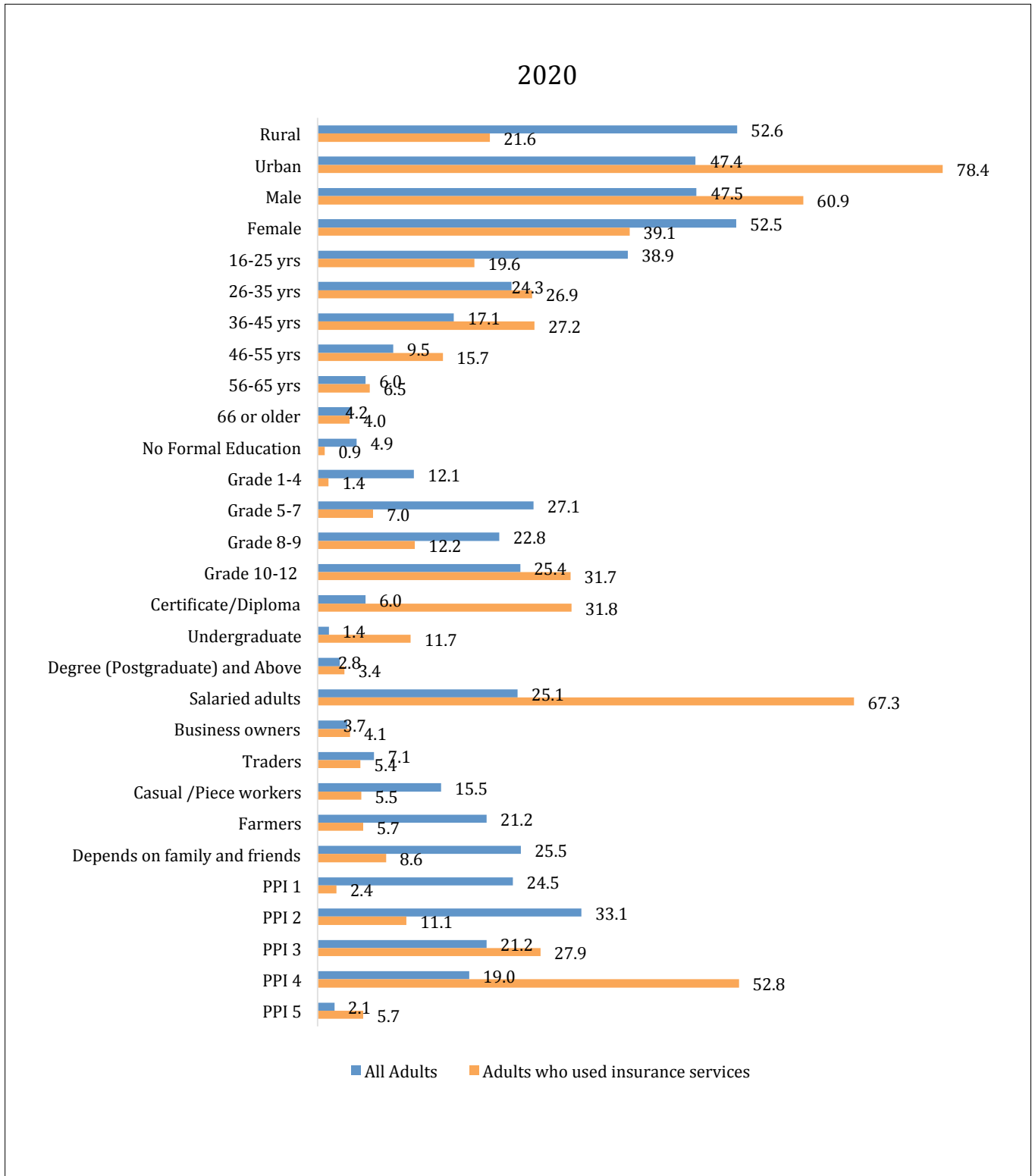


5.2.3 Uptake of Insurance Services

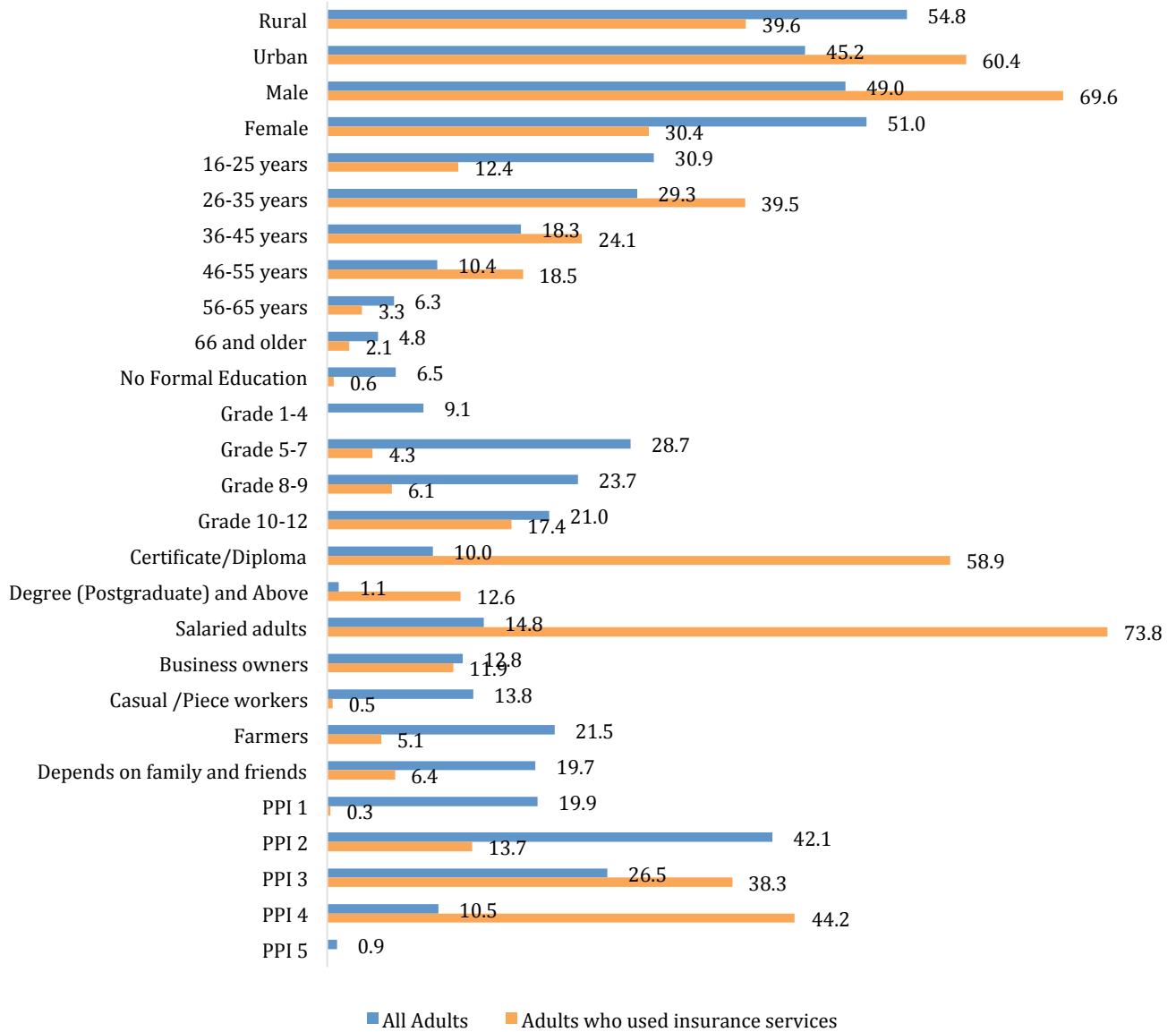
The uptake of insurance services increased to 6.3 percent from 2.8 percent in 2015 (Figure 30). These adults were most likely to be:

- Urban based;
- Male;
- In the age range 26 - 45 years;
- Had attained grade 10-12 and certificate/diploma levels of education;
- Salaried workers; and
- From households in the higher income quintiles of PPI 4.

Figure 30: Comparing the Profile of Adults Using Insurance Services with the Total Adult Population (Percent)



2015

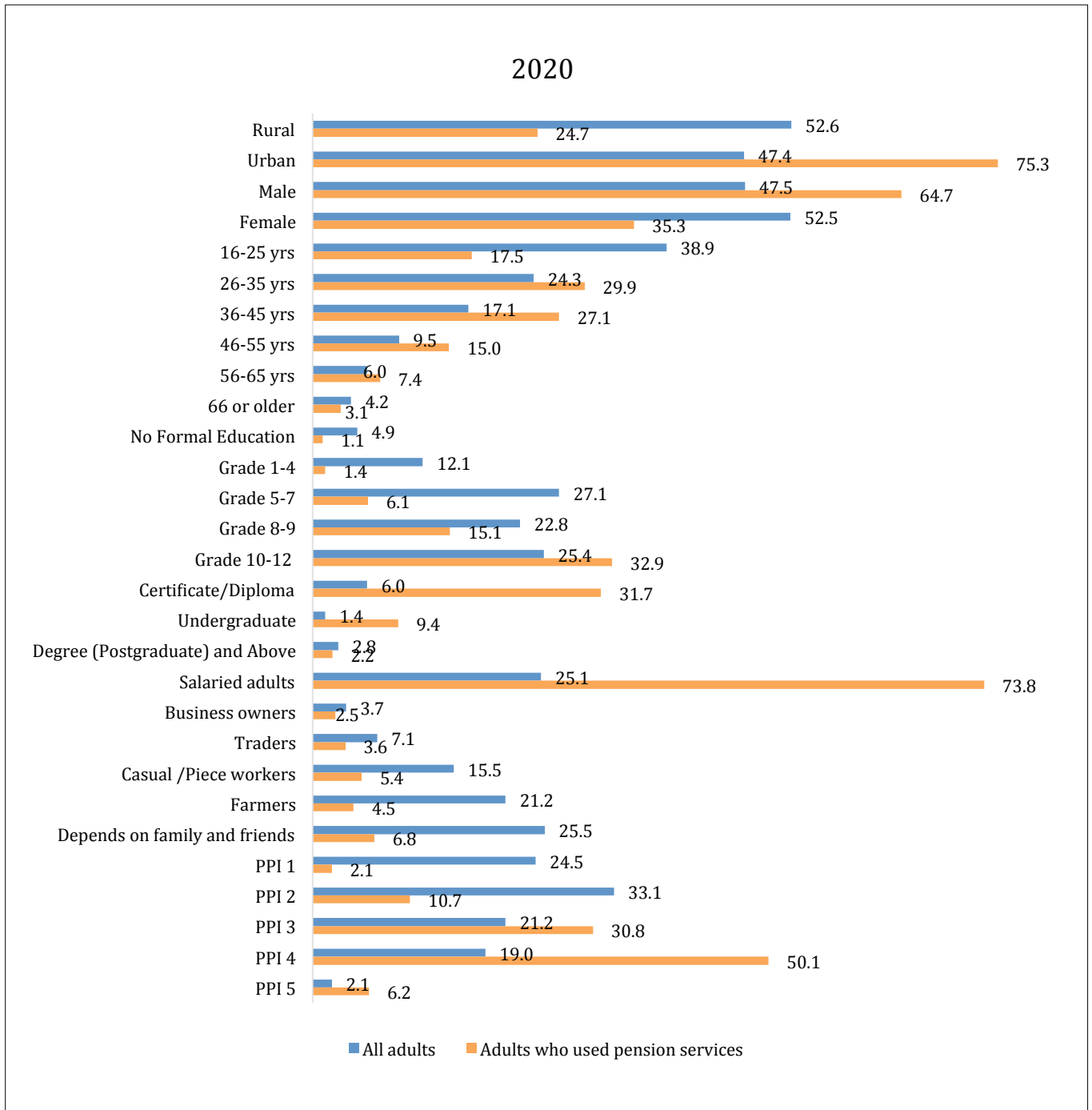


5.2.4 Uptake of Pension Services

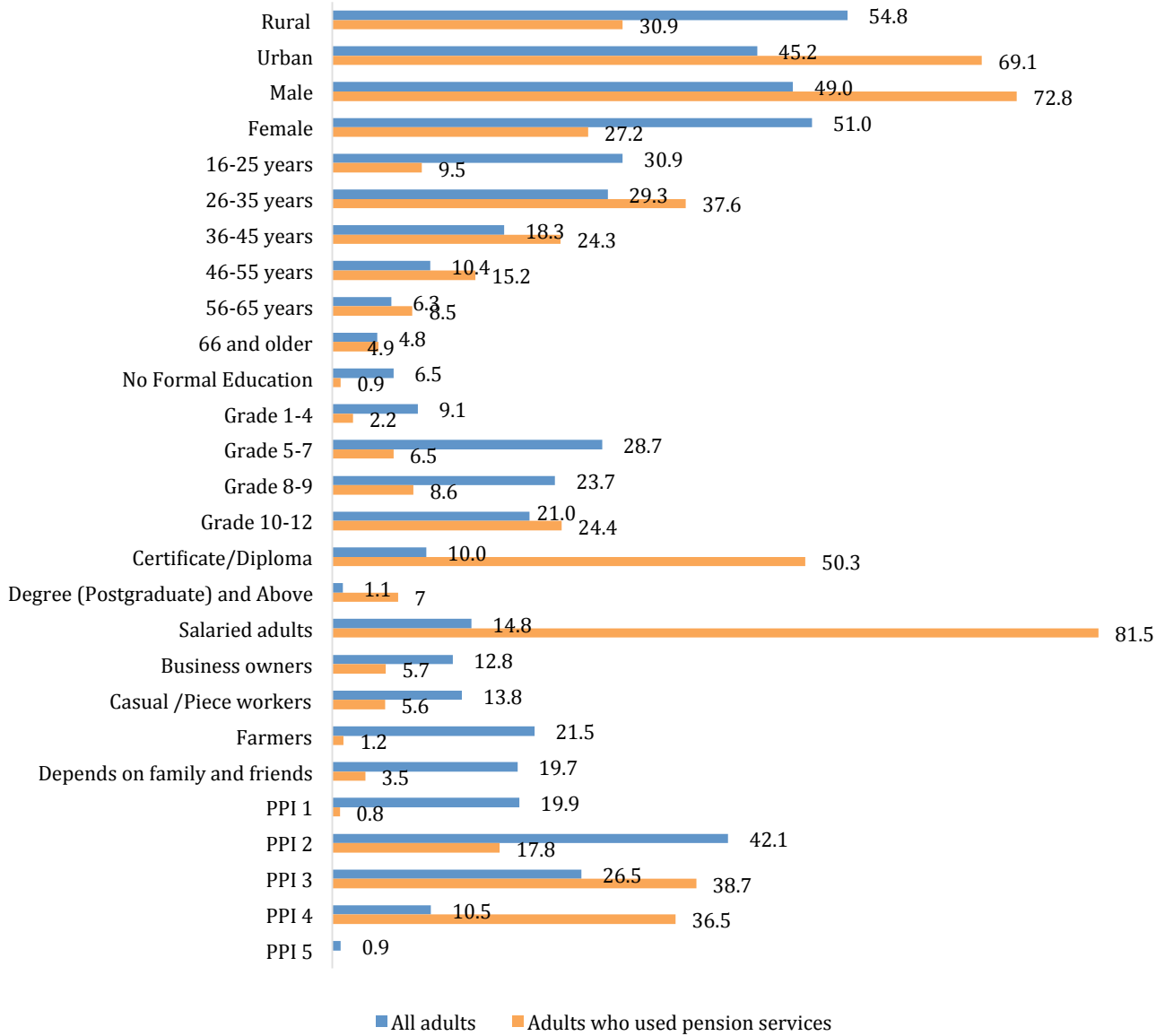
The uptake of pension services increased to 8.2 percent in 2020 from 3.8 percent in 2015 (Figure 31). The survey findings indicated that adults with pension services were most likely to be:

- Urban based;
- Male;
- In the age ranges 26 - 45 years;
- Having attained Grade 10 - 12 and diploma levels of education;
- Salaried workers; and
- From households in the middle and higher income quintile of PPI3 and PPI 4.

Figure 31: Comparing the Profile of Adults Using Pension Services with the Total Adult Population (Percent)



2015

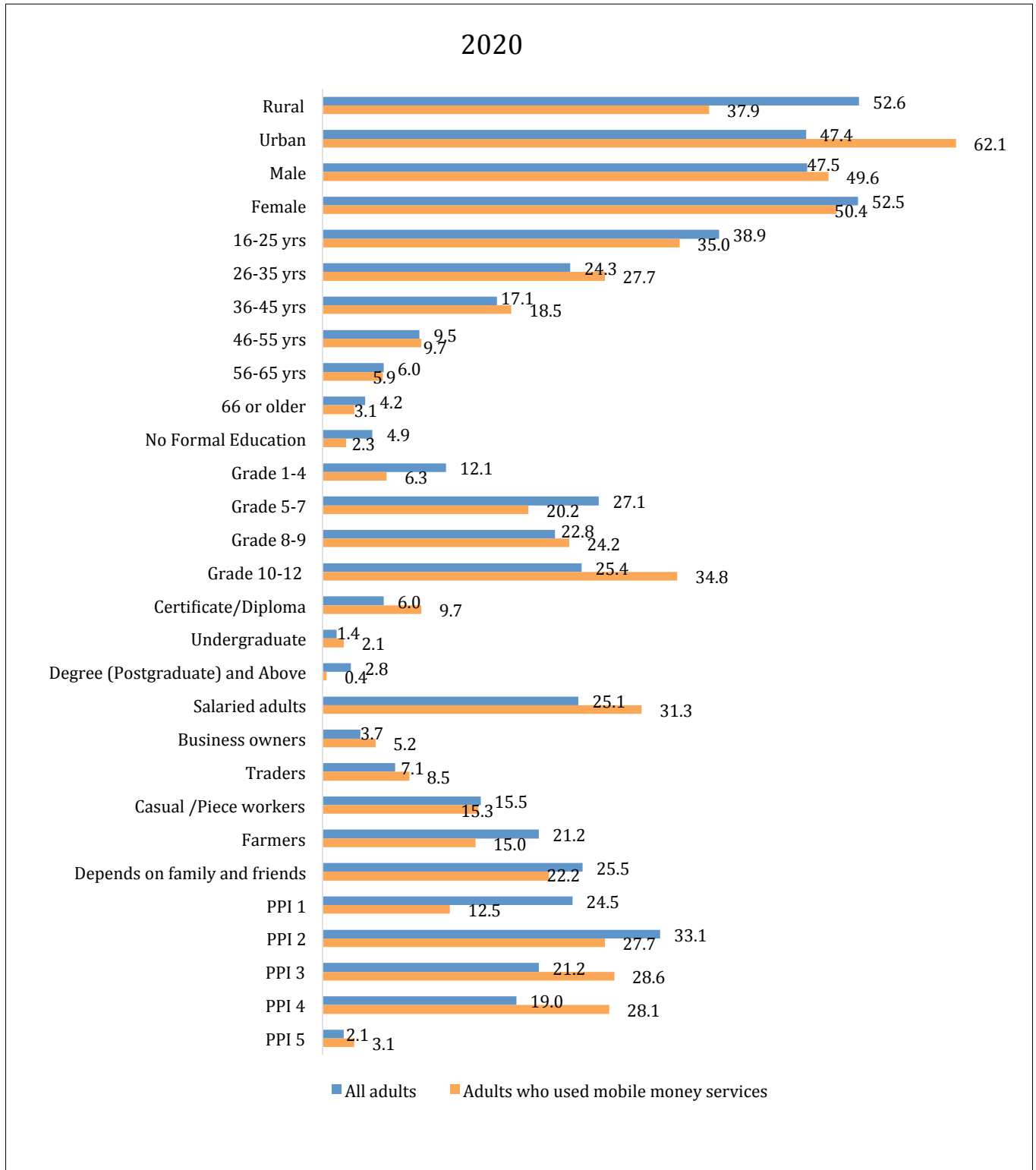


5.2.5 Uptake of Mobile Money Services

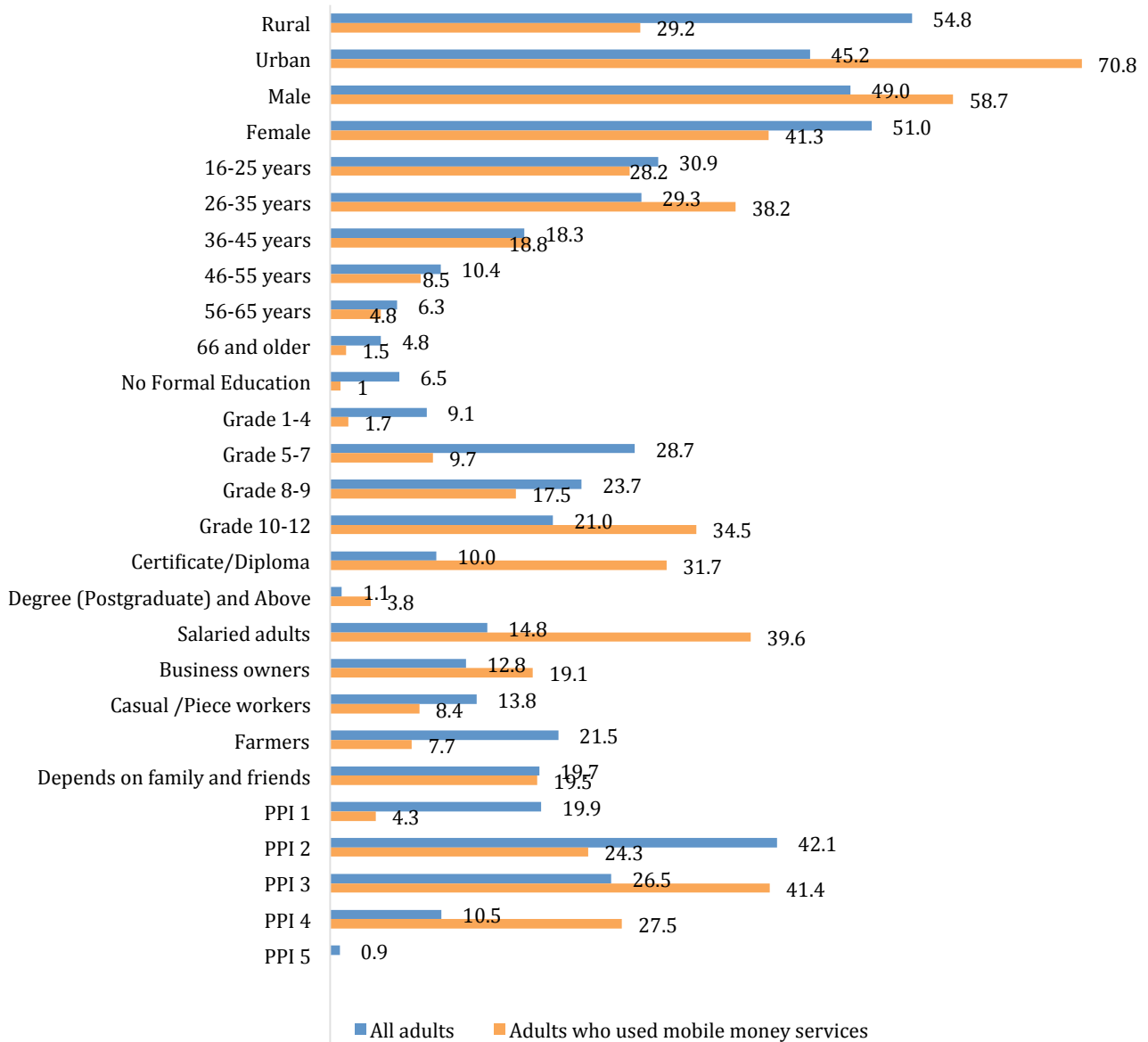
The Survey showed that adults who had/used mobile money services increased to 58.4 percent from 14.0 percent in 2015 and were most likely to be:

- Urban based;
- Female;
- In the age range 16 – 35 years;
- Having attained Grade 10 – 12 level of education;
- Salaried workers and dependants; and
- From households in the lower to higher income quintiles of PPI 2, PPI 3 and PPI 4.

Figure 32: Comparing the Profile of Adults Using Mobile Money Services with the Total Adult Population (Percent)



2015



5.2.6 Uptake of Capital Market Products

The use of capital market products increased to 0.6 percent from 0.3 percent in 2015. The number of adults using capital markets products in the sample was small (77). Therefore, this did not allow for a disaggregated analysis by demographic characteristics.

5.3 Perceived Barriers to Using Formal Financial Services

Demographic factors play a major role in determining access to formal financial services. Most financially excluded adults in Zambia reside in rural areas, are female, aged 66 or older, not formally educated, farmers, depend on family and friends for income and are in the low-income quintiles of PPI 1 and PPI 2.

5.3.1 Barriers to Using Commercial Banks

The main factors that inhibited the use of commercial banks' products/services were: insufficient money to justify an account at 37.5 percent (2015: 60.9 percent), and the long distance to banks at 18.7 percent (2015: 5.5 percent) (Table 10).

Table 10: Barriers to Using Commercial Bank Products/Services by Unbanked Adults (Percent)

Barriers	2020	2015
Insufficient money to justify it	37.5	60.9
Banks are too far away	18.7	5.5
Cannot maintain the minimum balance	10.9	12.1
Bank service charges are too high	7.9	2.6
Does not understand benefits of having a bank account	6.6	2.4
Does not have the documentation required	4.7	1.7
Do not know how to open a bank account	4	3.0
Can get the same services elsewhere in the community	2.1	-
Bank products are complicated	2.1	-
Do not trust banks	1.6	-

5.3.2 Barriers to Microfinance Products/Services

The main barriers reported by most adults who did not use microfinance products/services were insufficient money at 32.6 percent (2015: 79.1 percent), lack of understanding the benefits of using microfinance products/ services at 19.8 percent (2015: 9.7 percent) and distance from microfinance institutions at 16.1 percent (2015: 17.7 percent).

Table 11: Barriers to Using Microfinance Products/Services by Unserved Adults (percent)

Barriers	2020	2015
Insufficient money to justify it	32.6	79.1
Does not understand benefits of having an account	19.8	9.7
They are too far away	16.1	17.7
Cannot maintain the minimum balance	8.2	20.1
Service charges are too high	5.1	9.9
Does not have the documentation required	3.7	7.2
Does not trust them	3.4	6.8
Does not know how to open an account	3	10.6
They do not provide the products or services I need	2.4	-
Can get the services elsewhere in the community	1.9	-
Hours are not convenient	0.4	-

5.3.3 Barriers to Using capital market products

The main barriers to uptake of capital market products/services were lack of money to invest (26.9 percent) and awareness on how capital markets work (26.2 percent). In addition, 21.9 percent of the adults indicated that they had never heard about capital market products.

Table 12: Barriers to Using Capital Market Products

Barriers	Percent
Do not have money to invest	26.9
Do not know how it works	26.2
I have never heard of it	21.9
Do not know the benefits of investing	10.7
Do not know where the product is offered	4.8
I am scared to lose my money	3.9
Do not trust the companies that provide the services	1.4

5.3.4 Barriers to Using Insurance Products/Services

The main barrier to uptake of insurance products was lack of awareness (never heard of insurance) reported by 40.9 percent of the adults (2015: 88.3 percent). Some respondents (24.9 percent) could not afford insurance products while 12.5 percent of the adults did not know how insurance works. Therefore, lack of information and the perception that insurance is not affordable were primary barriers inhibiting uptake of insurance products and services.

Table 13: Barriers to Using Insurance Products by Unserved Adults

Barriers	2020	2015
Never heard of insurance	40.9	88.3
Cannot afford it	24.9	3.0
Does not know how it works	12.5	2.3
Does not know the benefits of insurance	10.8	1.1
Do not know where to get it	4.0	-
Don't need it – protect self in other ways	2.9	-
Do not trust the insurance companies	1.5	-
Insurance companies don't want to pay-out claims	1.2	-
Does not want to think about bad things happening	1.0	-

5.3.5 Barriers to Using Pension Services

The main barrier to usage of pension services was unemployment (66.6 percent) as indicated in Table 14 below.

Table 14: Barriers to Using Pension Services by Unserved Adults

Pension barriers	Percent
Not employed / don't have a job (both formal and informal)	66.6
I don't have money to contribute to a pension scheme	12.2
No specific reason	7.4
Never thought about it	5.5
Don't know pension services	2.7
Don't know how to get it	2.1
Have other ways of getting money when old	1.2
Don't know where to get it	0.8

5.3.6 Barriers to Using Mobile Money Products/ Services

Lack of ownership of mobile phones was the main factor that prevented the usage of mobile money products/services 39.5 percent.

Table 15: Barriers to Using Mobile Money Services by Unserved Adults

Barriers	2020	2015
I do not have a mobile phone	39.5	-
Do not need it - do not make any transactions	11.2	4.2
Do not know how to get it	6.6	7.0
Do not know what it is	5.2	12.4
No point of service / agent nearby	4.9	-
Do not have required documents	4.7	-
Do not trust that my money is safe on mobile money account	2.8	-
Using it is difficult	2.6	-
Transaction fees are high	1.2	-
No one amongst my friends or family use it	0.7	-
Mobile money does not provide any advantage	0.7	-
Registration is too complicated	0.6	-
Don't understand the service/what you can use it for	2.3	2.3
My spouse, family, in-laws do not approve of me using it	0.3	-
Have never heard of mobile money services	-	54.2

6. USE OF INFORMAL FINANCIAL SERVICES

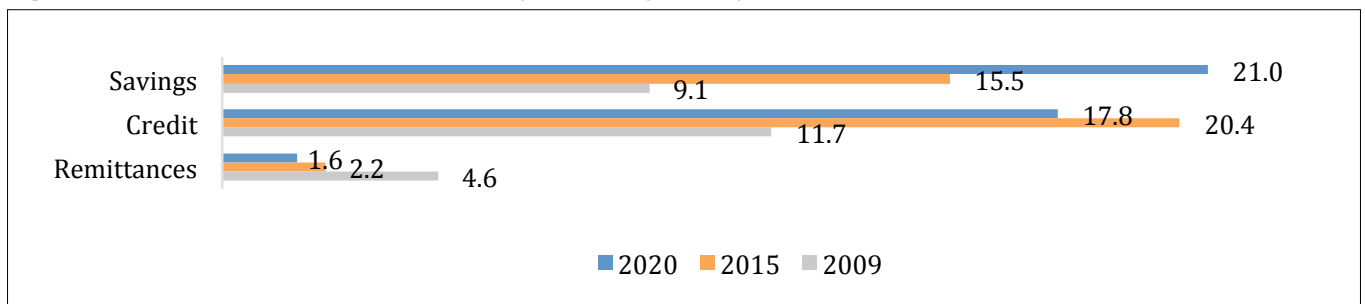
Informal financial services are products/services provided by service providers that are not regulated such as, savings clubs (Chilimba), savings groups, village banks, SACCOs and informal money lenders (Kaloba).

This section provides details of the survey findings on products/services accessed by the informally included adult population, which stood at 32.3 percent.

6.1 Uptake of Informal Financial Products/Services

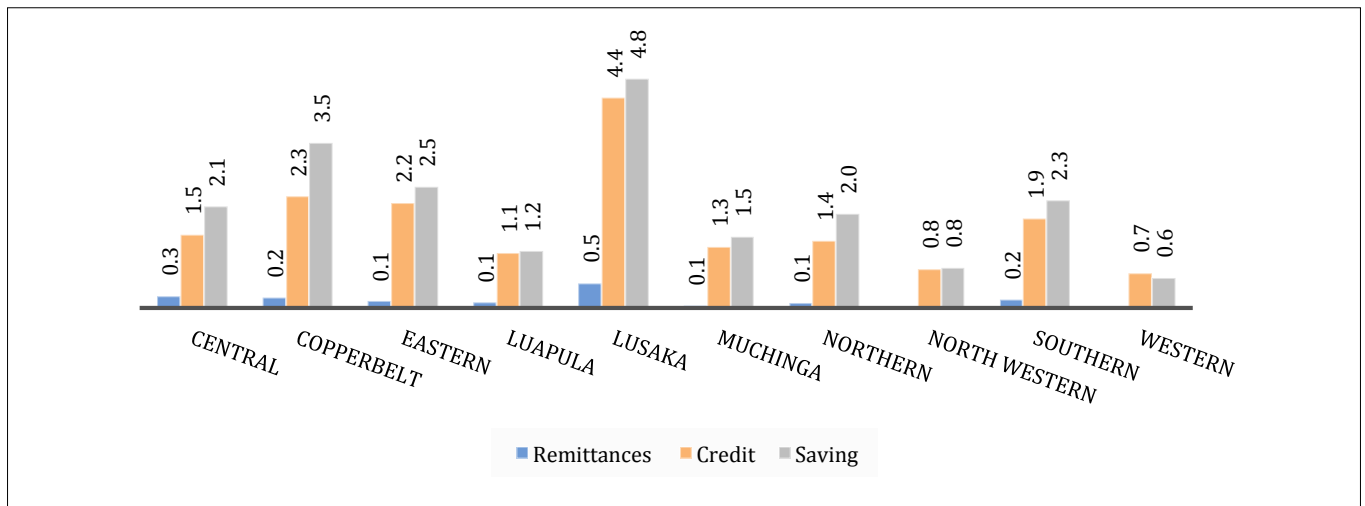
The uptake of informal financial products/services decreased to 32.3 percent from 37.9 percent in 2015. This was mainly attributed to higher usage of formal mobile money services. Within the types of informal products/services, there was a decline in the use of informal credit and remittances to 17.8 percent and 1.6 percent from 20.4 percent and 2.2 percent, respectively, in 2015. However, uptake of savings products increased to 21.0 percent from 15.5 percent in 2015 (Figure 33).

Figure 33: Use of Informal Financial Products/ Services (Percent)



Lusaka had the highest uptake of informal financial products/services followed by the Copperbelt and Eastern provinces. Western and North Western provinces recorded the lowest levels of uptake for informal products/services (Figure 34).

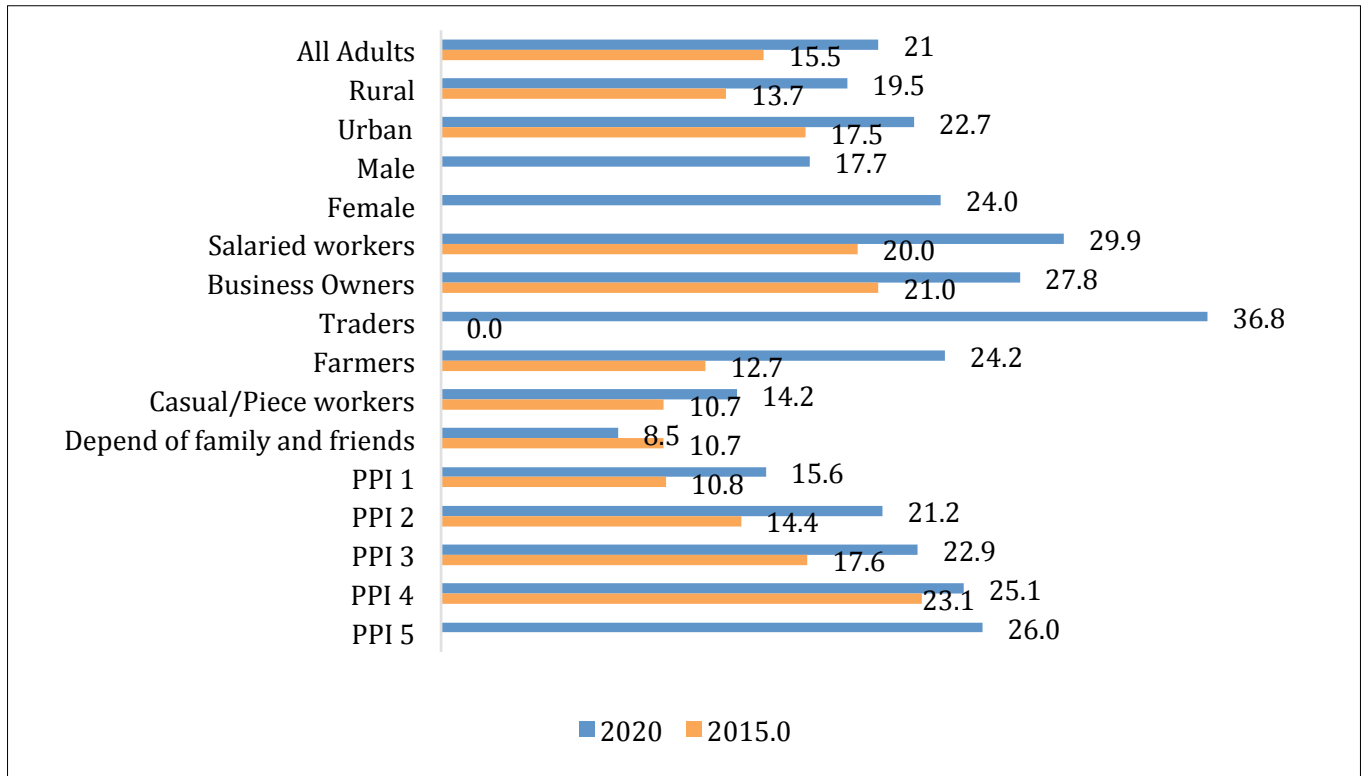
Figure 34: Usage of Informal Financial Services by Province (Percent)



6.1.1 Informal Savings Services

The Survey indicated that the use of informal savings services rose to 21.0 percent from 15.5 percent in 2015 largely due to the use of village banks and other savings mechanisms such as keeping money with employers, other community groups and churches. The uptake of informal saving services was mostly by female adults in urban areas; traders, salaried workers and business owners; from low to high income households- PPI 2, PPI 3, PPI 4 and PPI5 (Figure 35).

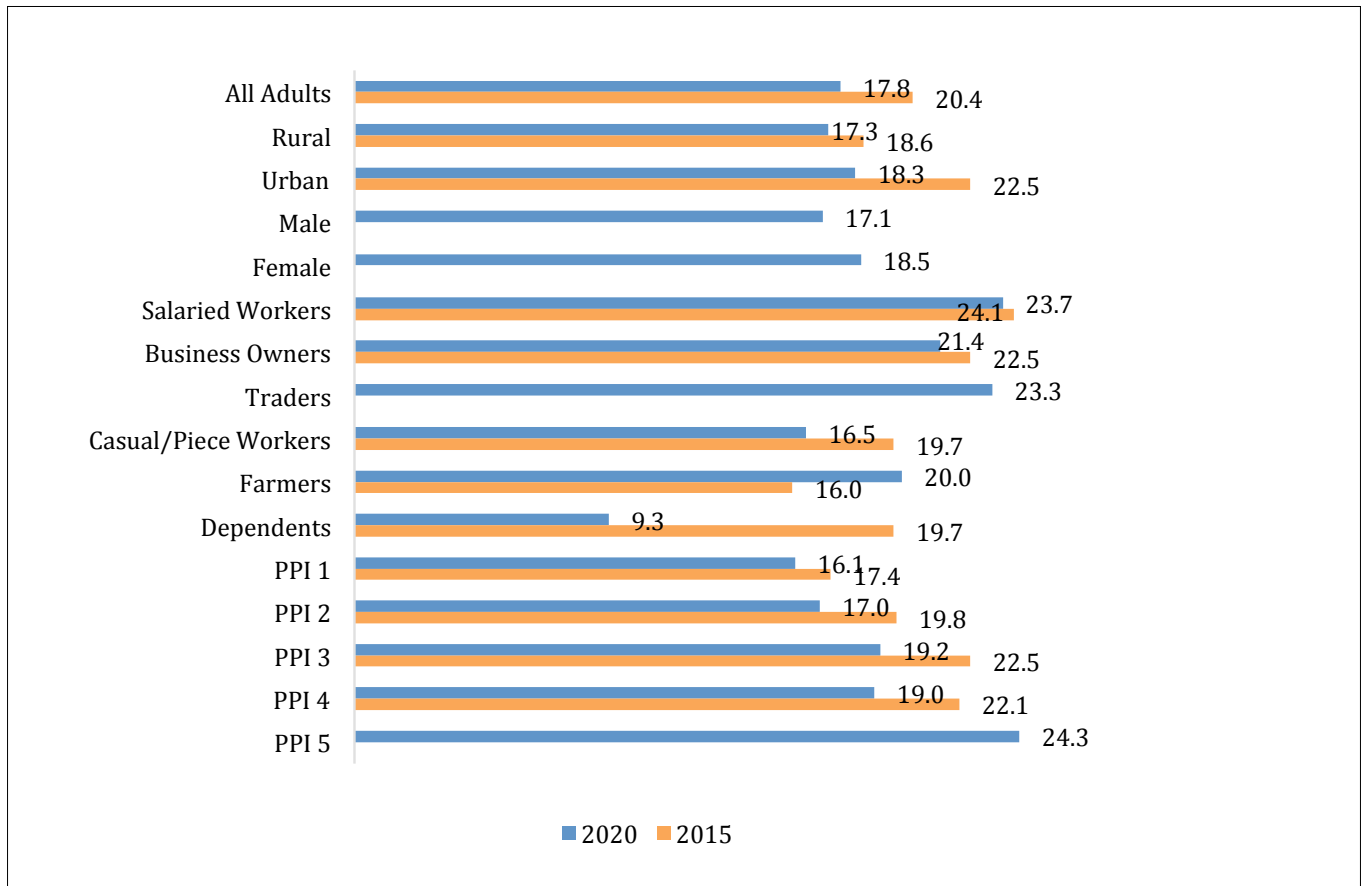
Figure 35: Comparing the Profile of Adults Who Use Informal Savings Services (Percent)



6.1.2 Informal Credit Services

The percentage of adults that had access to informal credit services decreased to 17.8 percent from 20.4 percent in 2015. Uptake of informal credit services was observed in both rural and urban areas; by both males and females, mostly amongst salaried workers, traders and in the middle to highest income quintile PPI 3, PPI 4 and PPI 5 (Figure 36).

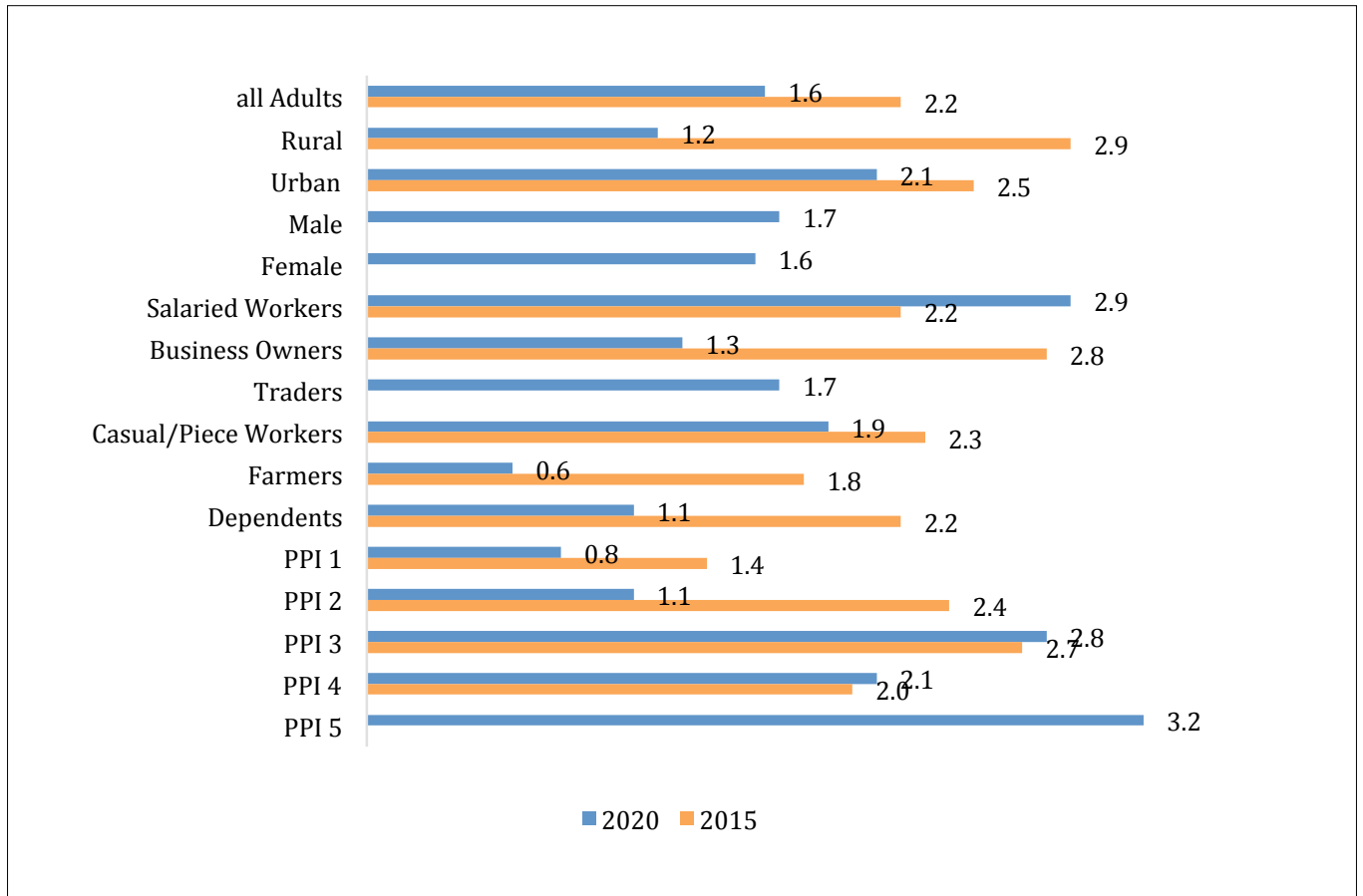
Figure 36: Comparing the Profile of Adults Who Use Informal Credit Services (Percent)



6.1.3 Informal Remittance Services

The percentage of adults that used informal transfer services declined to 1.6 percent in 2020 from 2.2 percent in 2015. Both male and female adults used informal remittances and they were mostly in urban areas, amongst salaried workers and those in the highest-income households PPI 5 (Figure 37).

Figure 37: Comparing the Profile of Adults Who Use Informal Remittance Services (Percent)



6.1.4 Informal Credit and Community Savings Groups

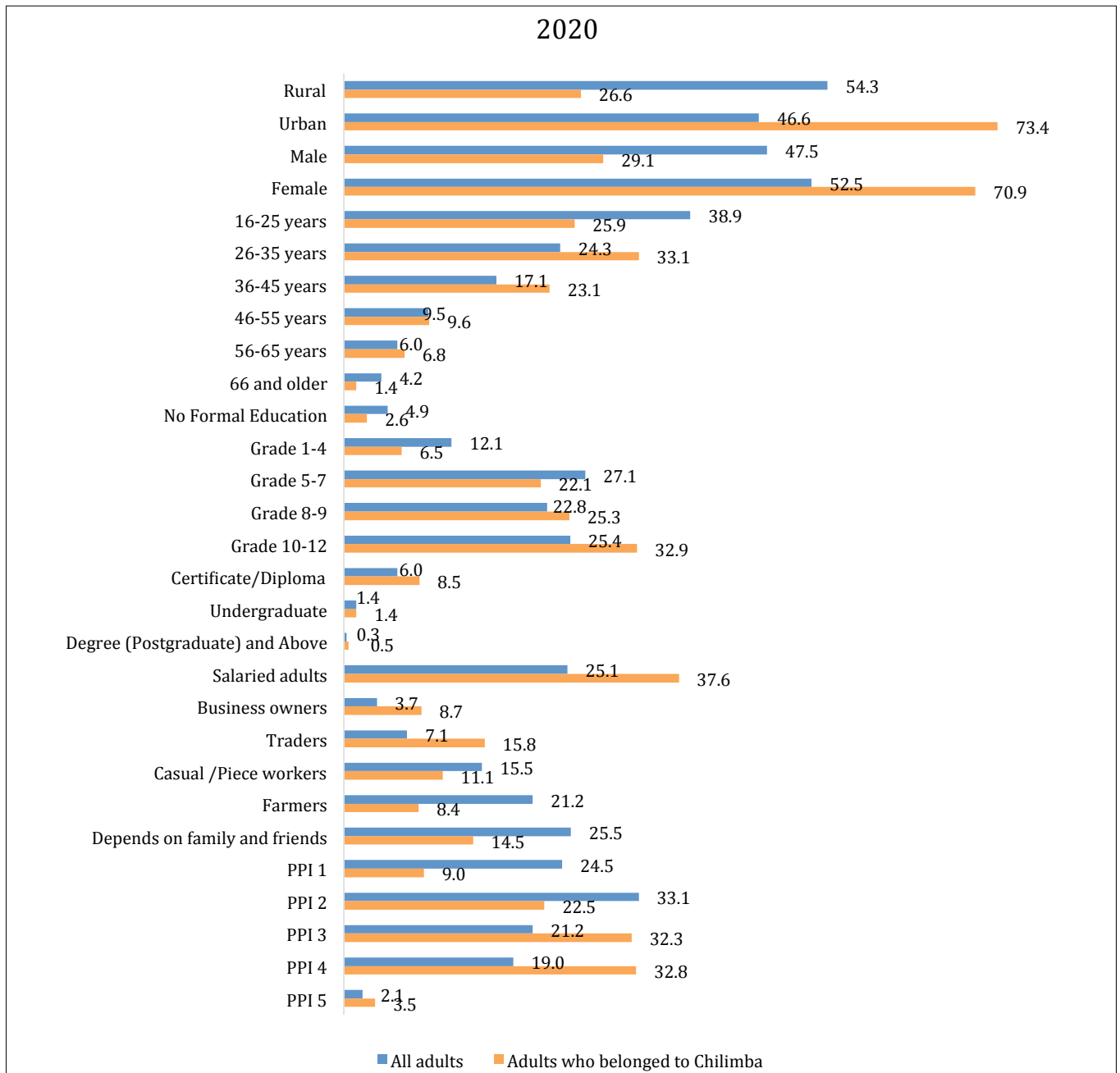
The sections below compare the demographic profile of adults that accessed informal credit and belonged to community savings groups. The Survey indicated that 13.5 percent of the adult population belonged to community savings groups such as Chilimba, Savings Groups and Village Banks while 3.3 percent used Kaloba.

6.1.4.1 Chilimba

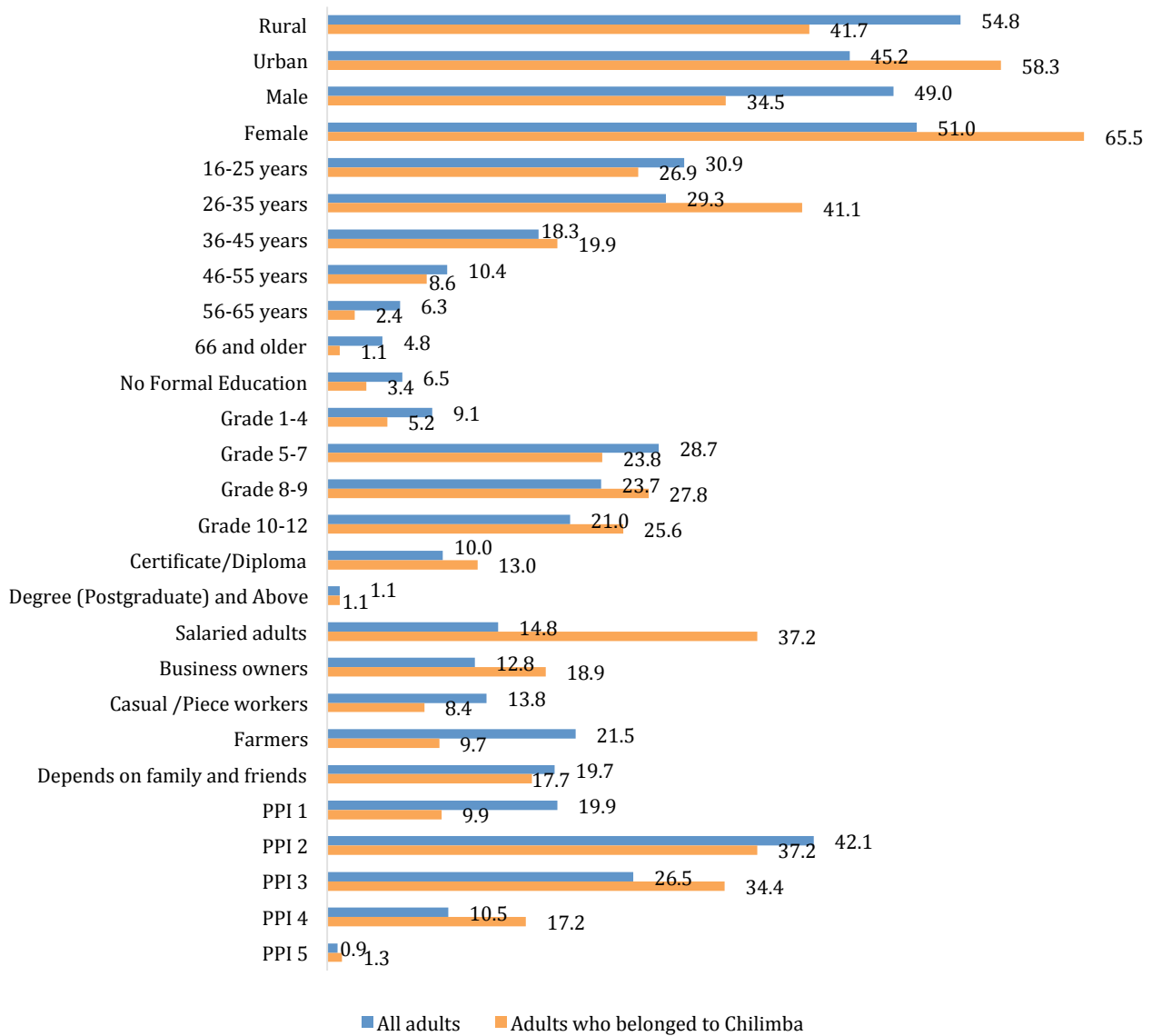
Chilimba refers to an informal rotating savings scheme in which a group of people agree to make regular fixed cash contributions, which go to each member, in a pre-determined order and period. In 2020, the total adult population that belonged to a Chilimba decreased to 8.0 percent from 12.4 percent in 2015 (Figure 38). Comparing the adults that belonged to a Chilimba with that of the total adult population showed that they had the following common characteristics:

- Urban based;
- Being female;
- In the 26 to 35-year age group;
- Having attained grade 10 to 12 level of education;
- Salaried workers and traders; and
- Belonging to the middle and higher income households of PPI 3 and PPI 4.

Figure 38: Comparing the Profile of Adults Who Belong to a Chilimba with the Total Adult Population (Percent)



2015

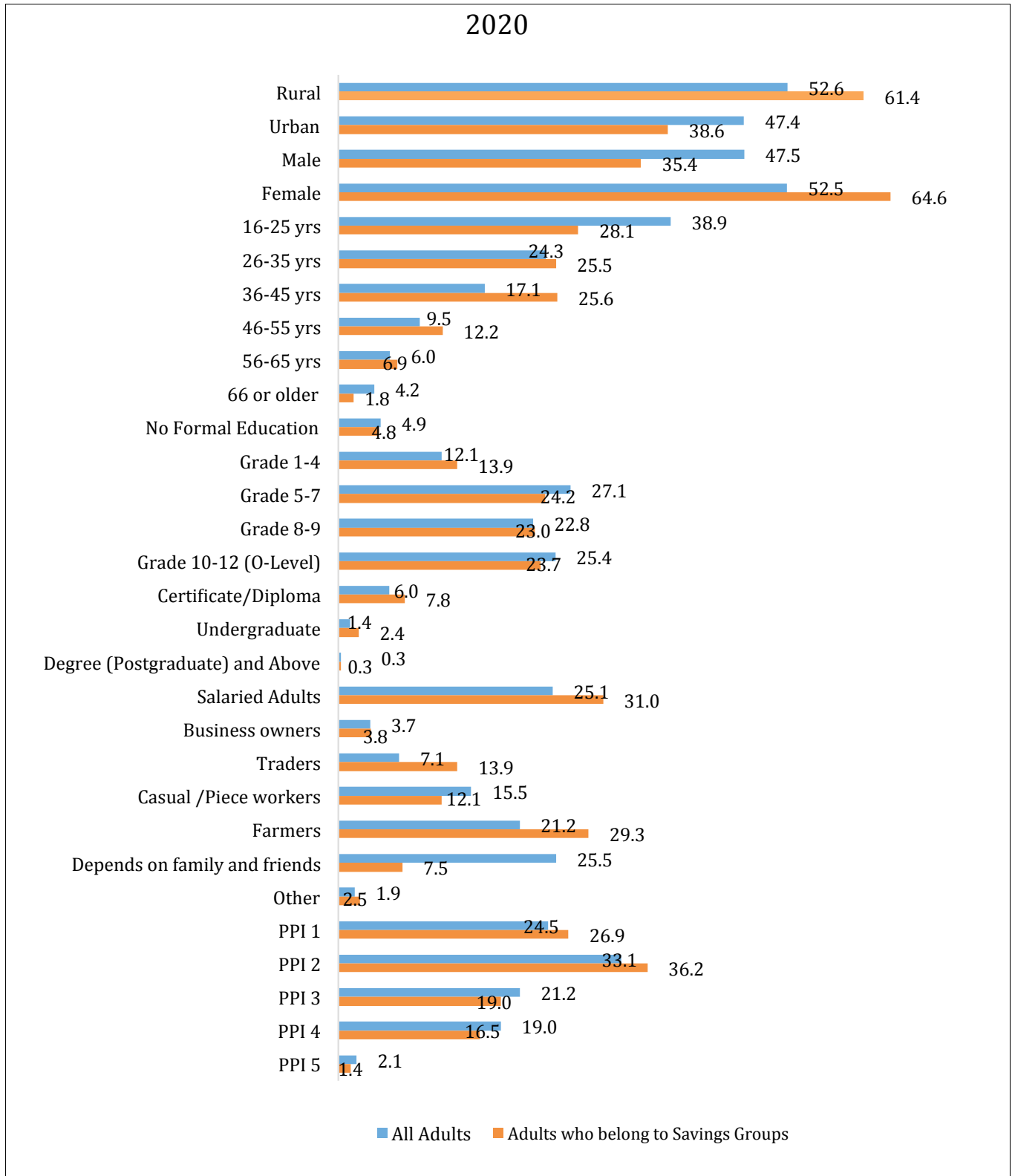


6.1.4.2 Savings Groups

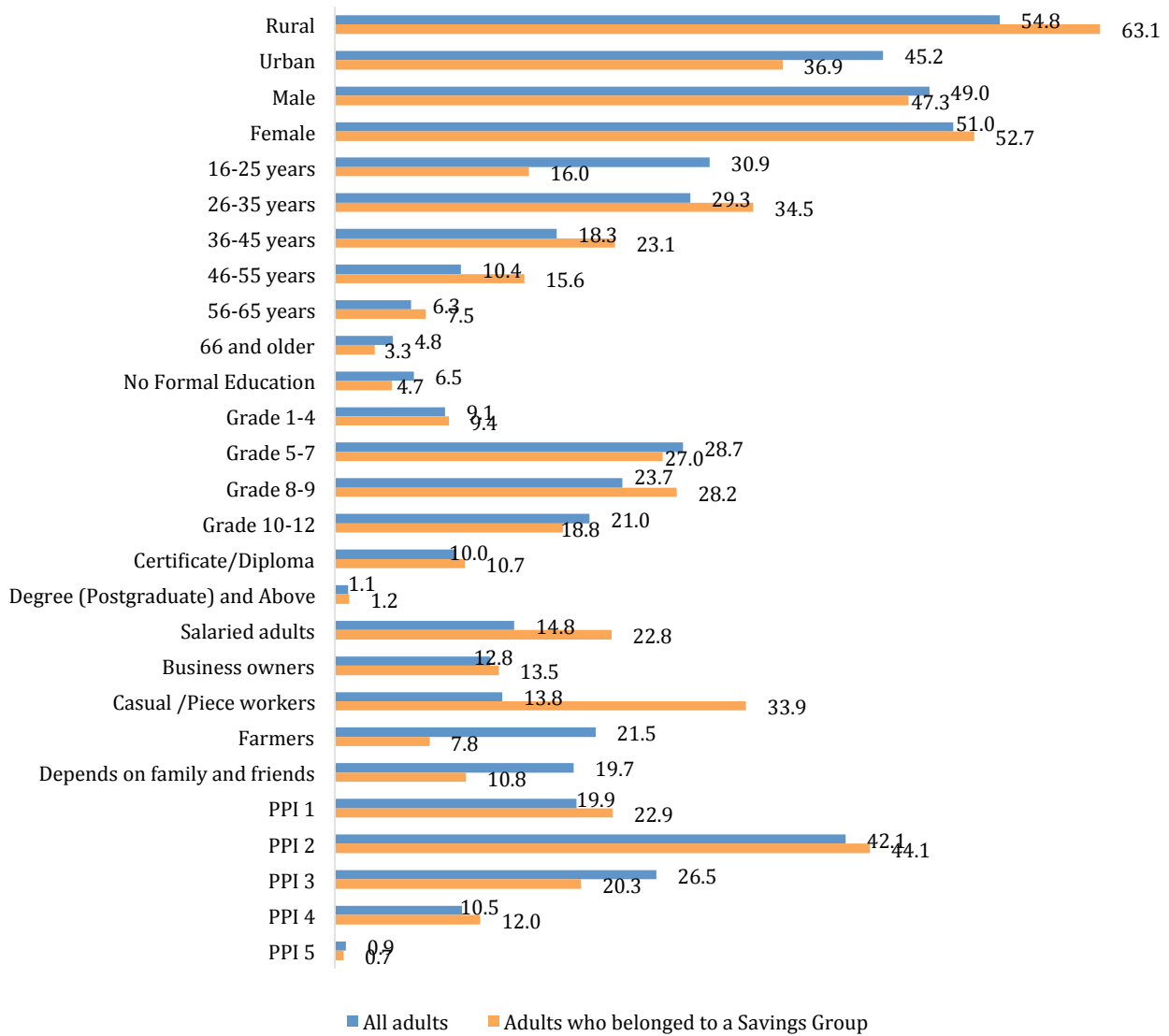
As earlier defined, Savings Groups (SGs) are closed self-selected user groups that pool savings which are shared out at the end of the savings cycle (usually 12 months). The savings are also used to offer credit within the group at an agreed interest rate, which is then shared by the members in proportion with their respective savings. The percentage of adults who belonged to a SG reduced to 5.3 in percent in 2020 from 6.5 percent recorded in 2015. This could be a reflection of the hard economic times, which have been worsened by the covid-19 pandemic resulting a slowdown in economic activity, loss of jobs, and rising inflation, affecting the low-income groups ability to save. The proportion of adults who were members of SGs, as shown in Figure 39, was highest amongst:

- Rural-based;
- Females;
- In the age range 16 to 45 years;
- Having attained grade 8-9 and 10 to12 level of schooling;
- Salaried workers and farmers; and
- Households in the lower income quintiles of (PPI 1) and (PPI 2).

Figure 39: Comparing the Profile of Adults Who Belong to a Savings Group with the Total Adult Population (Percent)



2015

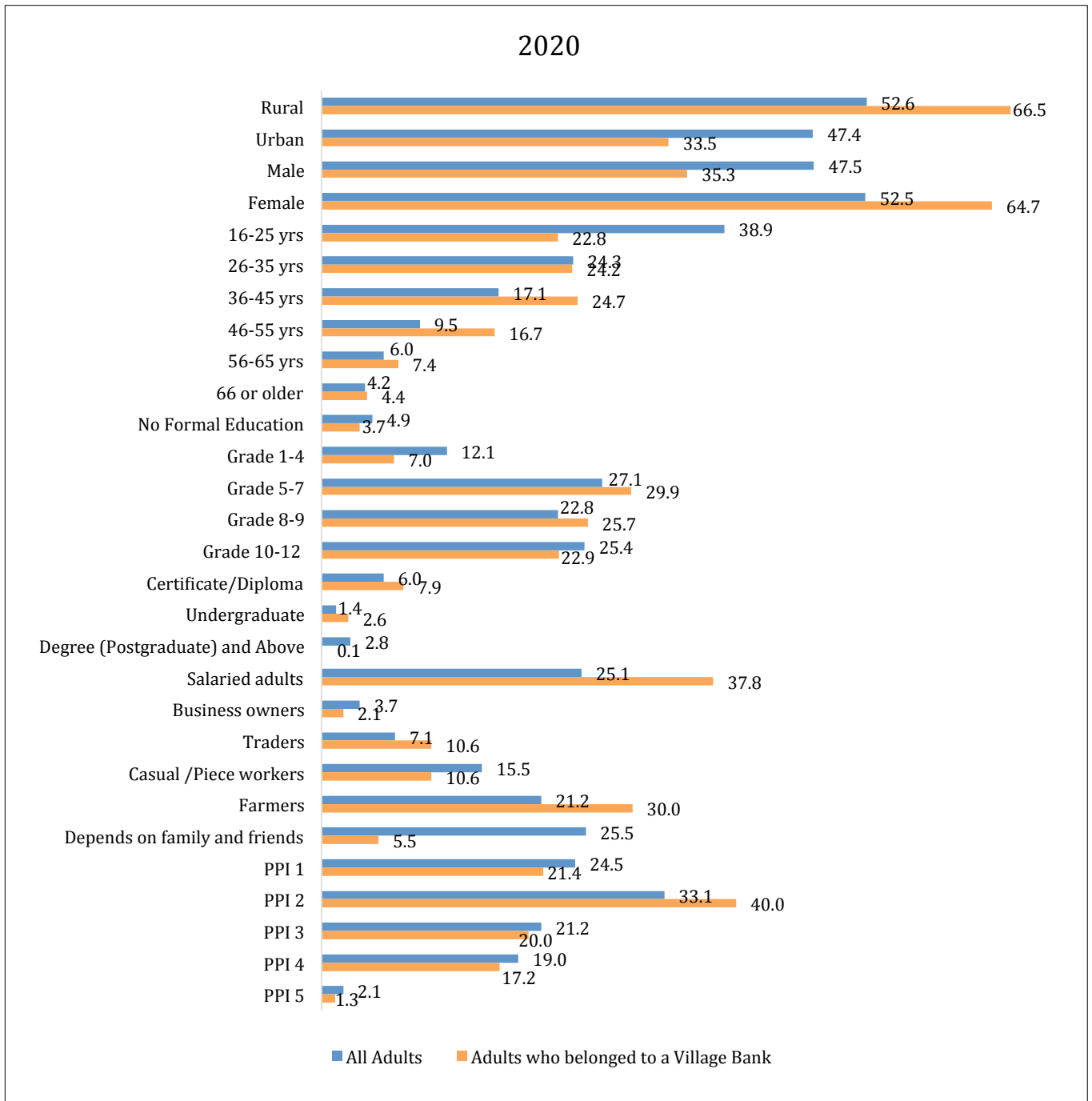


6.1.4.3 Village Bank

This is a microcredit methodology designed to reach the working poor and help lift them out of poverty. A village bank is a group of low-income entrepreneurs who come together to share and guarantee one another's loans. The Survey indicated that 2.2 percent of adults belonged to a village bank. The demographic profile of village banks, as shown in Figure 40, largely comprised the following adults:

- Rural-based;
- Females;
- In the age range 26 to 45 years;
- Salaried workers and farmers;
- Attained Grades 5 to 7 and 8 to 9 level of education; and
- Households in the lower income quintile of PPI 2.

Figure 40: Comparing the Profile of Adults Who Belong to a Village Bank with the Total Adult Population (Percent)

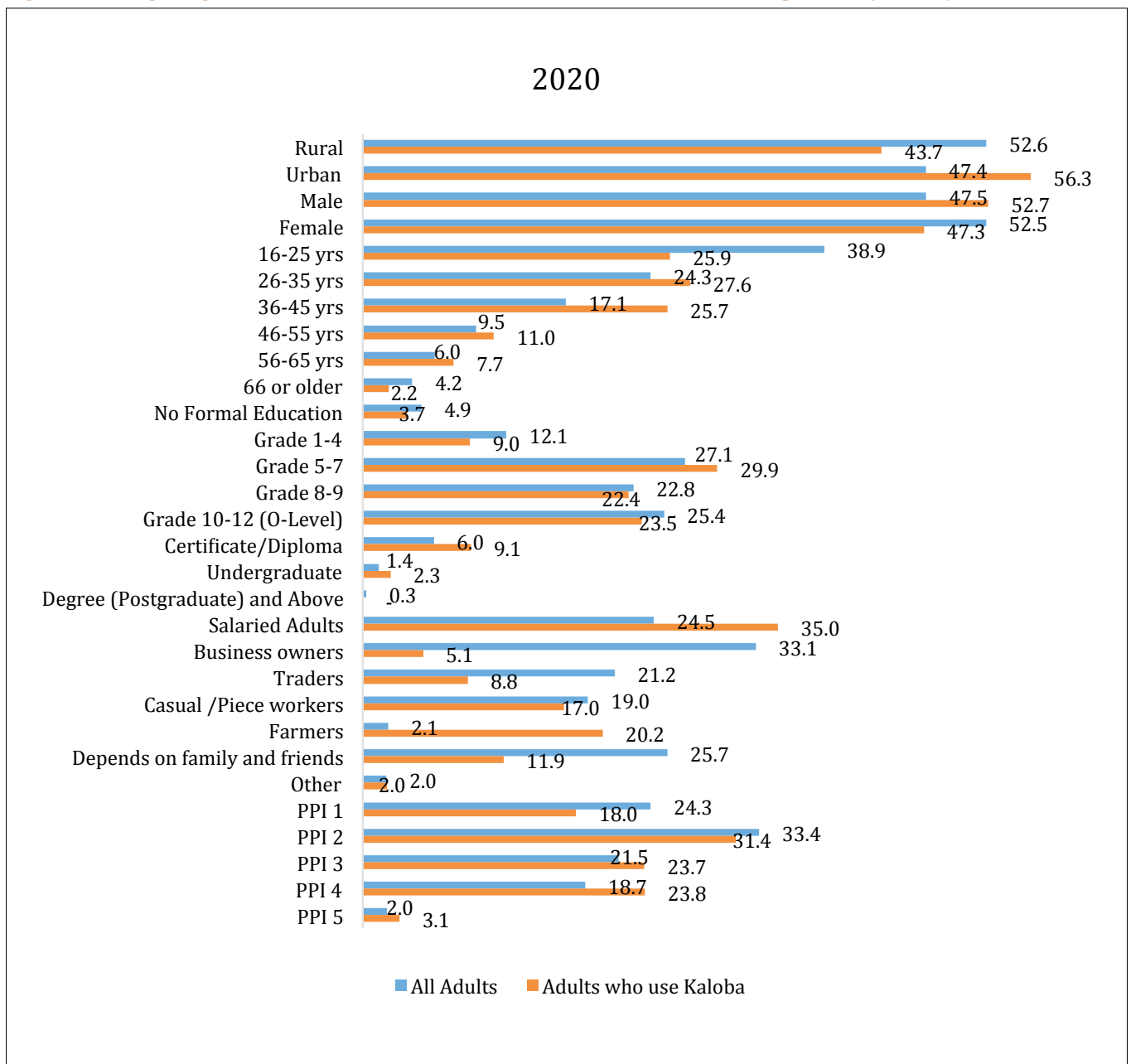


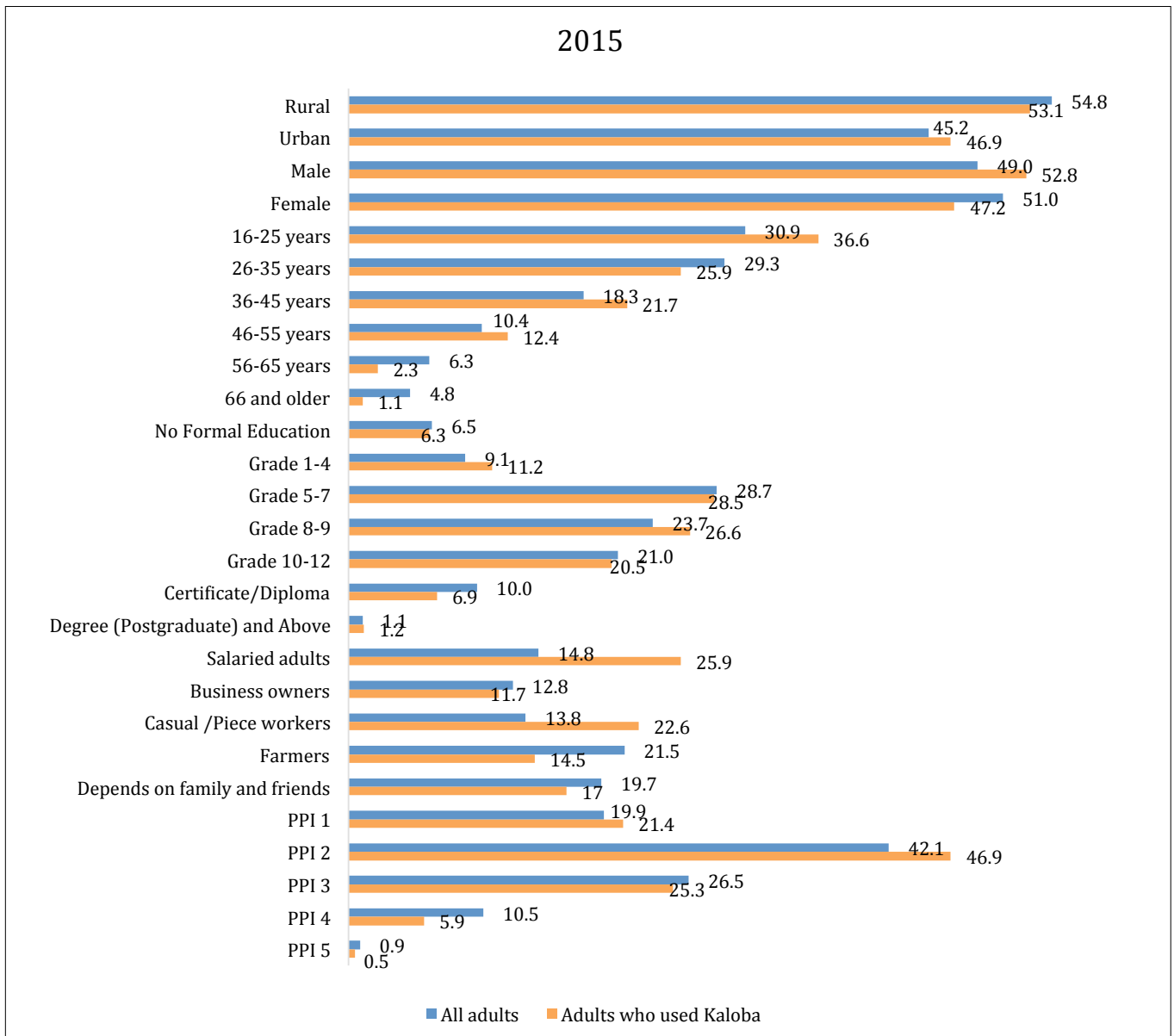
6.1.4.4 Kaloba

This represents informal credit that is provided by moneylenders. Adults using Kaloba were 3.3 percent compared to 5.5 percent in 2015. Figure 41 illustrates the demographic profile of adults using Kaloba as follows;

- Rural-based;
- Male;
- In the age range 16 to 45;
- Salaried adults and farmers;
- Attained Grade 5 to 7 level of schooling; and
- Households in the lower income quintile of PPI 2.

Figure 41: Comparing the Profile of Adults Who Use Kaloba with the Total Adult Population (Percent)





6.2 Barriers to Usage of Informal Services

The survey results indicated that the main barrier to accessing informal financial services was lack of money to save, as reported by those who belonged to a Chilimba savings group or a village bank. (Table 16).

Table 16: Barriers to Usage of Informal Services (Percent)

Perceived Barrier	Chilimba		Savings Group		Village Bank
	2020	2015	2020	2015	2020
Do not have any money to save	28.3	33.9	26.9	30.9	25.0
Do not have enough money to save	20.9	-	23.6	-	23.0
There are no such groups in the community	16.7	21.6	17.7	28.4	21.4
Do not trust them	8.8	13.6	7.6	9.4	7.7
I see no benefits for me in what they have to offer	8.8	6	8.1	5.3	7.7
I save money on my mobile phone	7.2	-	7.5	-	7.4
Other reasons	9.4	-	8.6	-	7.9

7.0 FINANCIAL SERVICES NEEDS

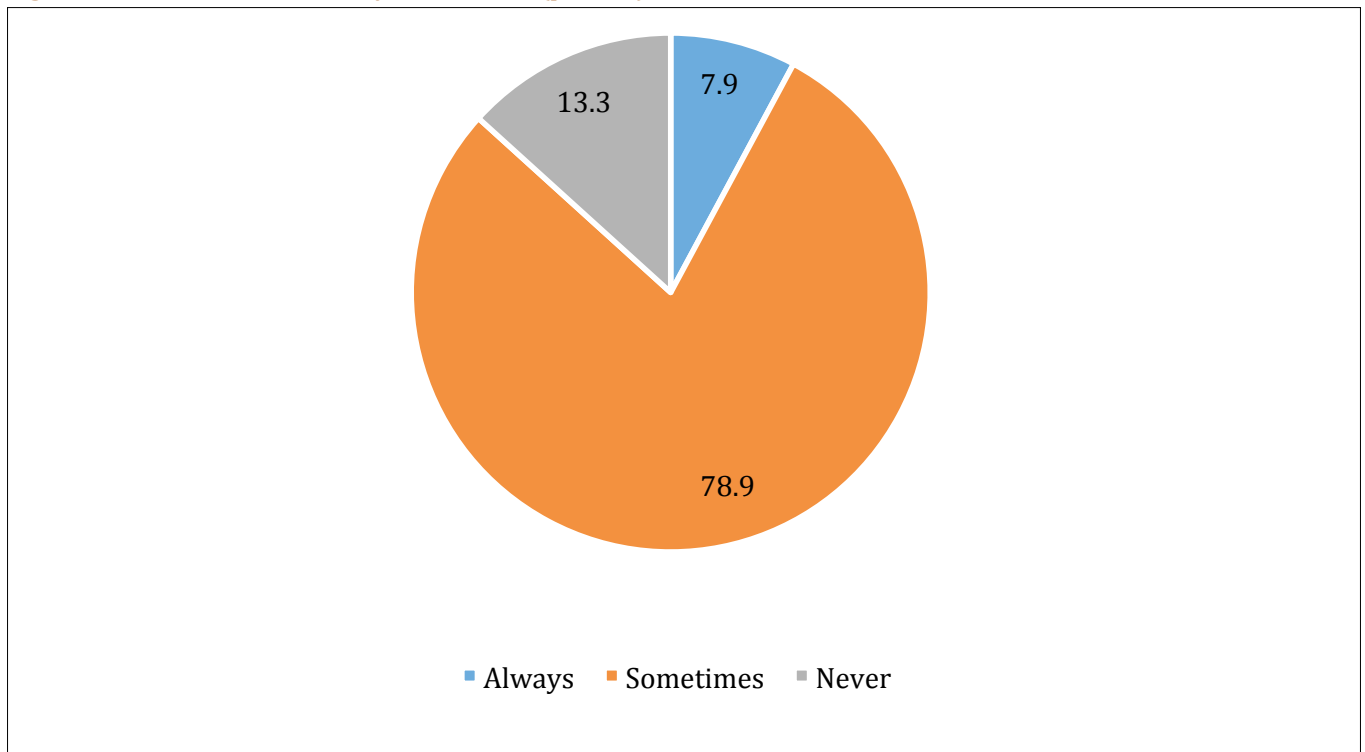
Financial services are primarily needed for cash flow management, risk management, asset building and productive investment. The Survey explored the following dimensions of financial capabilities.

- Financial sufficiency;
- Financial decision making;
- Financial management; and
- Financial advise.

7.1 Financial Sufficiency and Decision Making

As illustrated in Figure 42, only 7.9 percent of adults always had money of their own to use as they wished compared to 78.9 percent who had money occasionally. The percentage of adults who reported that they never had money of their own to spend as they wished was 13.3 percent. This was mainly due to lack of income.

Figure 42: Adults who had money of their own (percent)



7.1.1 Adults Who Had Money of Their Own to Use as They Wish

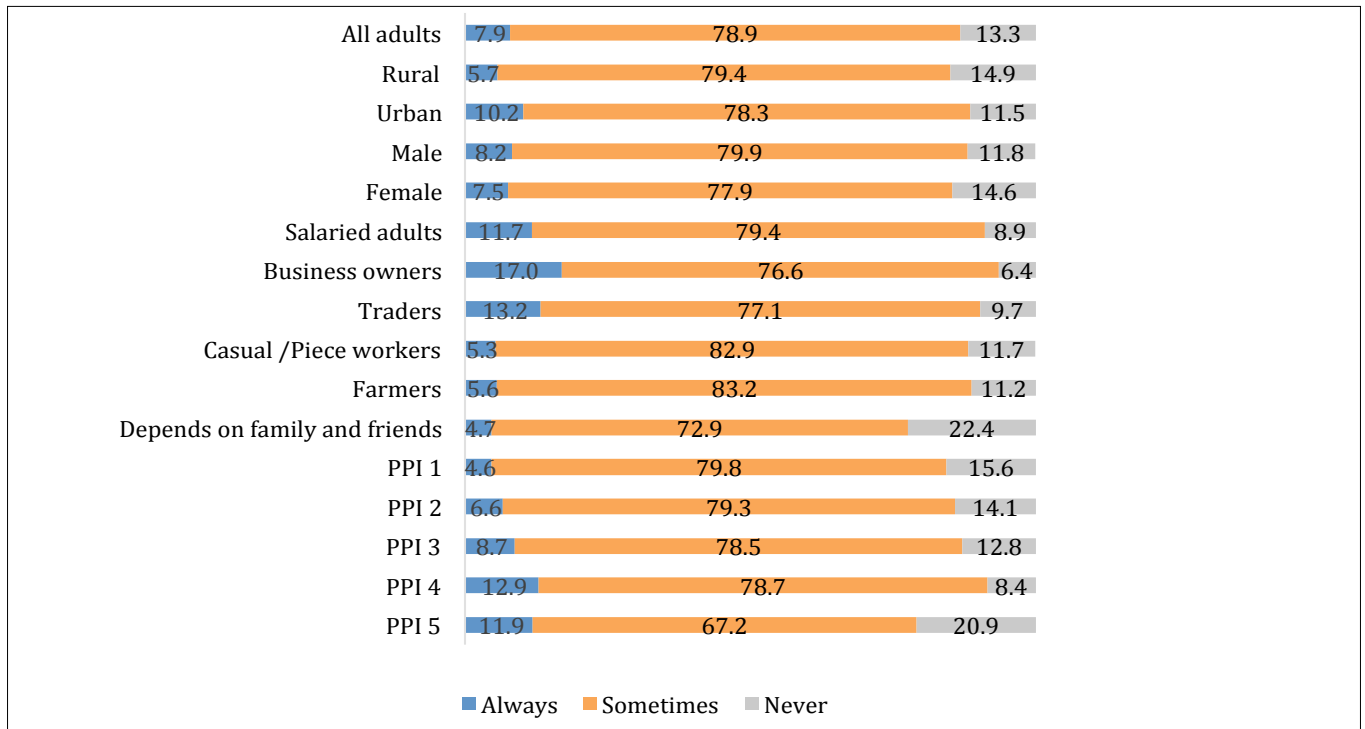
The survey showed that adults who always had money of their own to use were more likely to be:

- Males;
- Urban based;
- Business owners and traders; and
- From households in the high income quintiles of PPI 4.

Adults that occasionally had money of their own to use were more amongst;

- Male
- Both rural and urban based
- Casual/piece workers and farmers; and
- From households in all income quintiles.

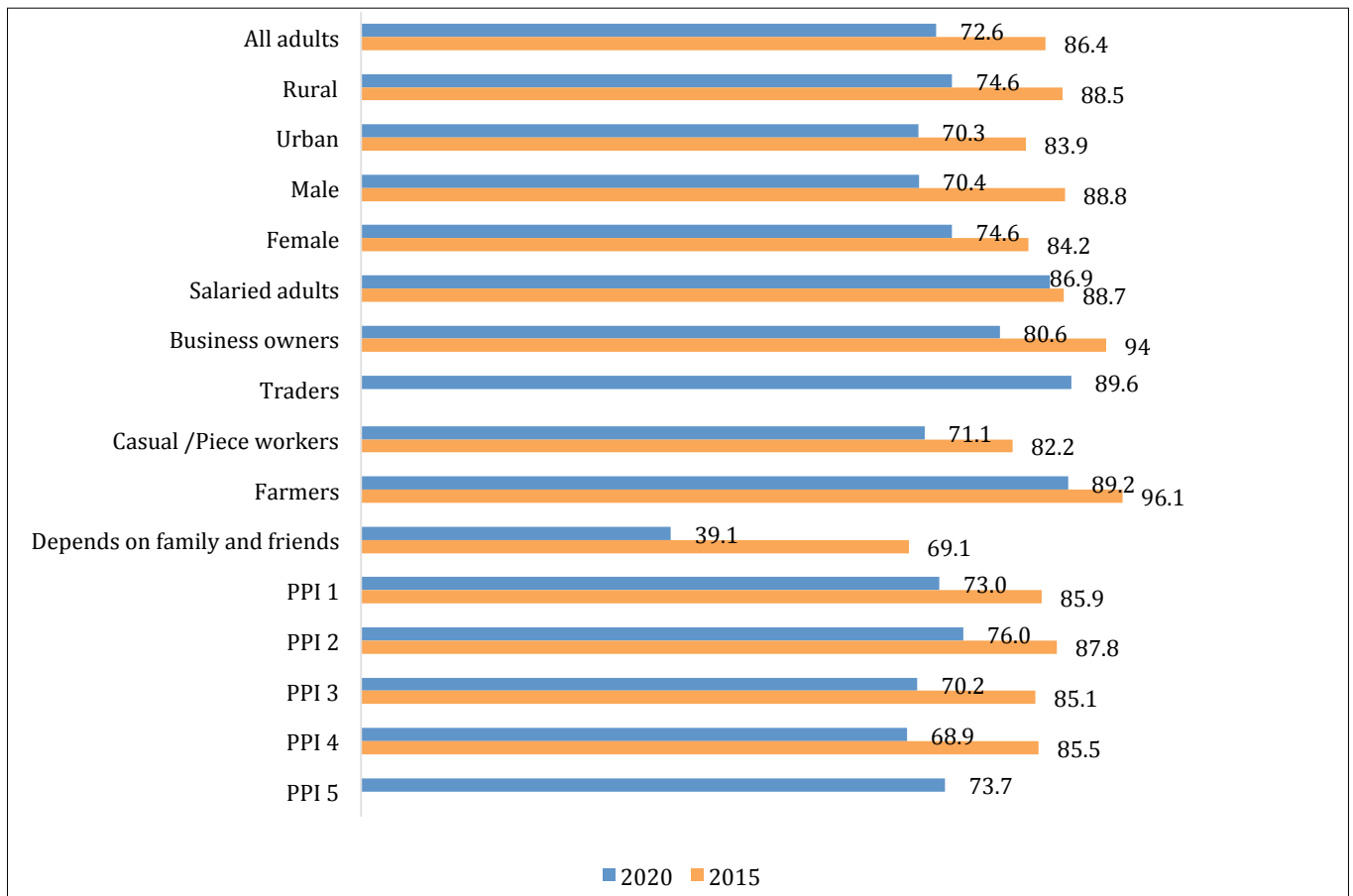
Figure 43: Adults Who Had Money of Their Own to Use as They Wish (Percent)



7.1.2 Adults Involved in Financial Decision Making

Most adults were involved in household financial decision-making, although the percentage declined to 72.6 percent when compared to, 86.4 percent, recorded in 2015. Female adults at 74.6 percent (2015, 84.2 percent) were more likely to be the financial decision makers compared to males at 70.4 percent (2015, 88.8 percent). The proportion of adults involved in decision making was highest in the rural areas and amongst the lower income households - PPI 2 (Figure 44).

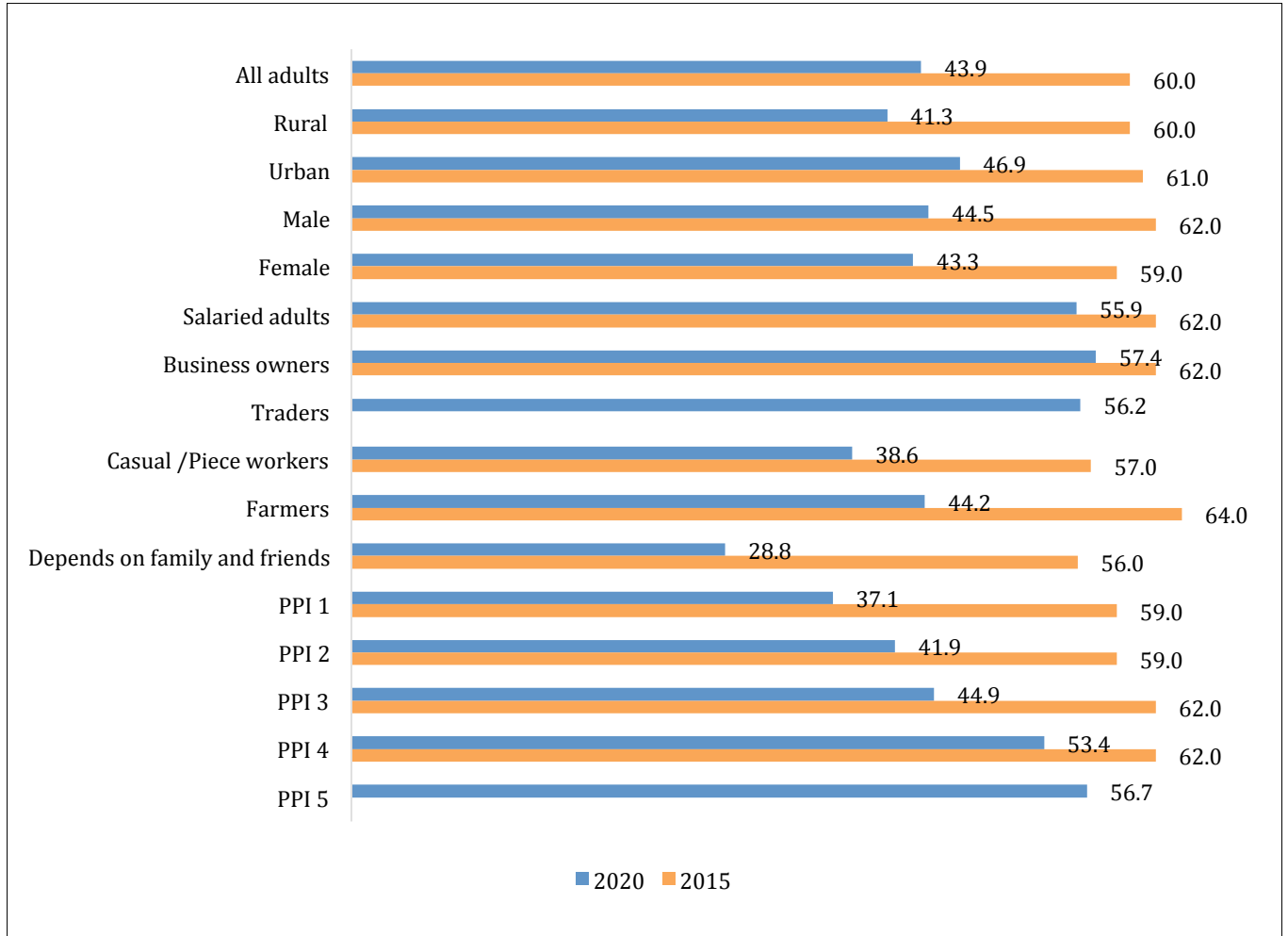
Figure 44: Adults Involved in Financial Decision-Making (Percent)



7.1.3 Adults Who Kept Track of the Money They Received and Spent

The percentage of adults that reported keeping track of the money they received and spent decreased to 43.9 percent from 60.0 percent in 2015. Rural based adults, mostly dependants and casual piece workers were less able to keep track of the money they received and spent as well as the adults in the lowest income distribution of PPI 1. This could reflect the deteriorating economic conditions with rising inflation (Figure 45).

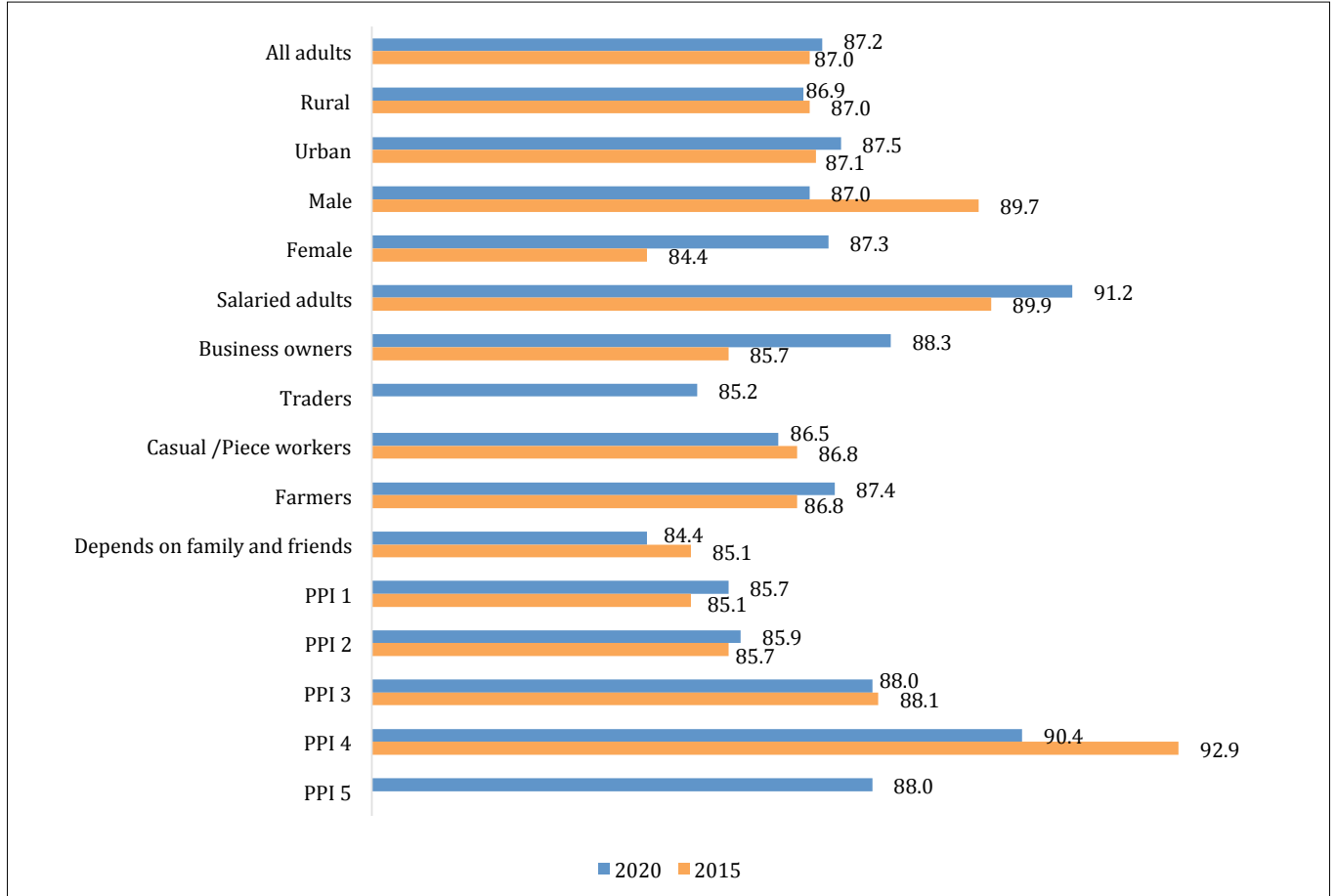
Figure 45: Adults Who Kept Track of the Money They Received and Spent (Percent)



7.1.4 Adults Who Had Someone to Turn to for Financial Advice

The percentage of adults who indicated that they had somewhere/someone to turn to when they needed financial advice at 87.2 percent was almost the same as the 87.0 percent in 2015. This is depicted in Figure 46, by the high level of access to financial advice across all segments of the population.

Figure 46: Adults Who Had Someone to Turn to for Financial Advice (Percent)



7.2 Cash-flow Management

Table 17 shows the average and median amount of money that adults live on per day in Zambia. The median income for Zambian adults decreased to USD 0.92⁸ from USD 2.1 in 2015. This reduction in the median income was observed for both rural and urban adults at USD 0.69 and USD 1.75 from USD 1.5 and USD 3.0, respectively in 2015. The Survey indicated that farmers, casual/piece workers, dependants and adults from the lowest income quintile of PPI 1 were more likely to live on between USD 0.5 to USD 0.7 a day.

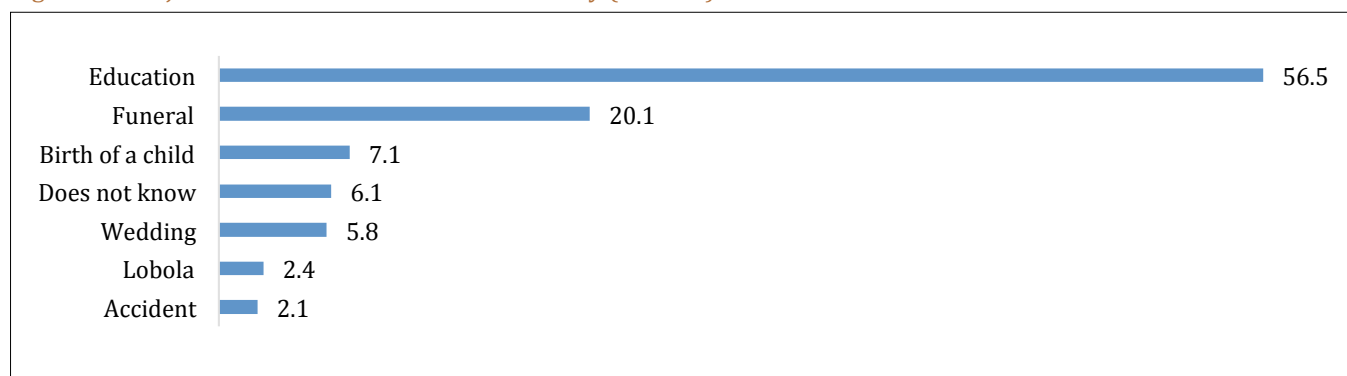
Table 17: Income Per Main Income Generating Activity and PPI Quintile

	ZMW				US dollar			
	Average		Median		Average		Median	
	2020	2015	2020	2015	2020	2015	2020	2015
All adults	45	38	18	14	2.3	5.7	0.92	2.1
Rural	27	32	13	10	1.4	4.8	0.69	1.5
Urban	67	45	34	20	3.4	6.8	1.75	3.0
Salaried Adults	79	58	38	26	4.0	7.8	1.96	3.9
Business owners	52	67	33	20	2.7	10.1	1.72	3.0
Traders	57	-	31	-	2.9	-	1.61	-
Casual /Piece workers	22	14	17	7	1.1	2.1	0.85	1.1
Farmers	25	29	13	10	1.3	4.4	0.69	1.5
Depends on family and friends	25	17	15	8	1.3	2.6	0.76	1.2
PPI 1	18	18	10	8	0.9	2.7	0.52	1.2
PPI 2	27	32	15	10	1.4	4.8	0.80	1.5
PPI 3	56	39	33	17	2.9	5.9	1.72	2.6
PPI 4	96	90	50	47	4.9	13.5	2.58	7.1
PPI 5	91	109	50	60	4.7	16.4	2.58	9.0

7.2.1 Major Life Events Considered Most Costly

The Survey findings indicated that most adults considered education (56.5 percent) and funerals (20.1 percent) as the most expensive life events (Figure 47).

Figure 47: Major Life Events Considered Most Costly (Percent)

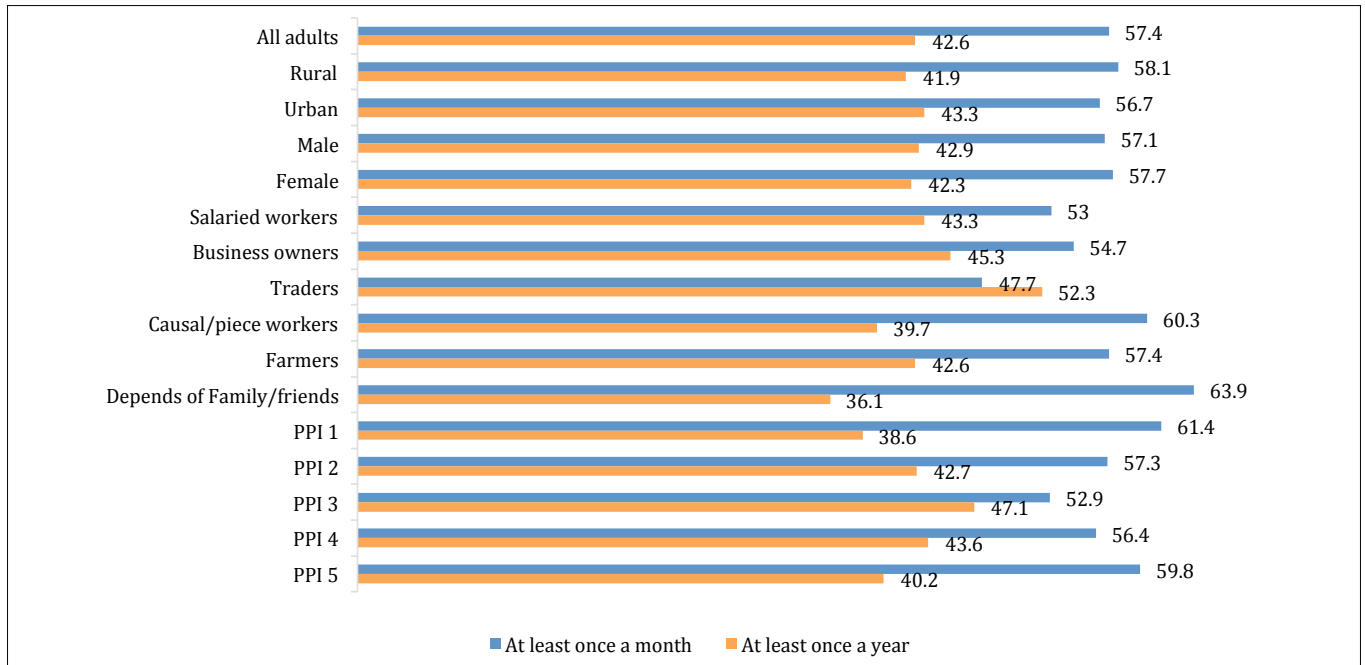


⁸Based on the exchange rate as at mid-August 2020

7.2.2 Adults with a Child/Dependant Sent Home for Lack of School Fees

In the 6 months prior to the Survey, 57.4 percent of adults had a child/person they support sent home due to non-payment of school fees at least once a month. Further 42.6 percent had a child/dependant sent home at least once during the year (Figure 48).

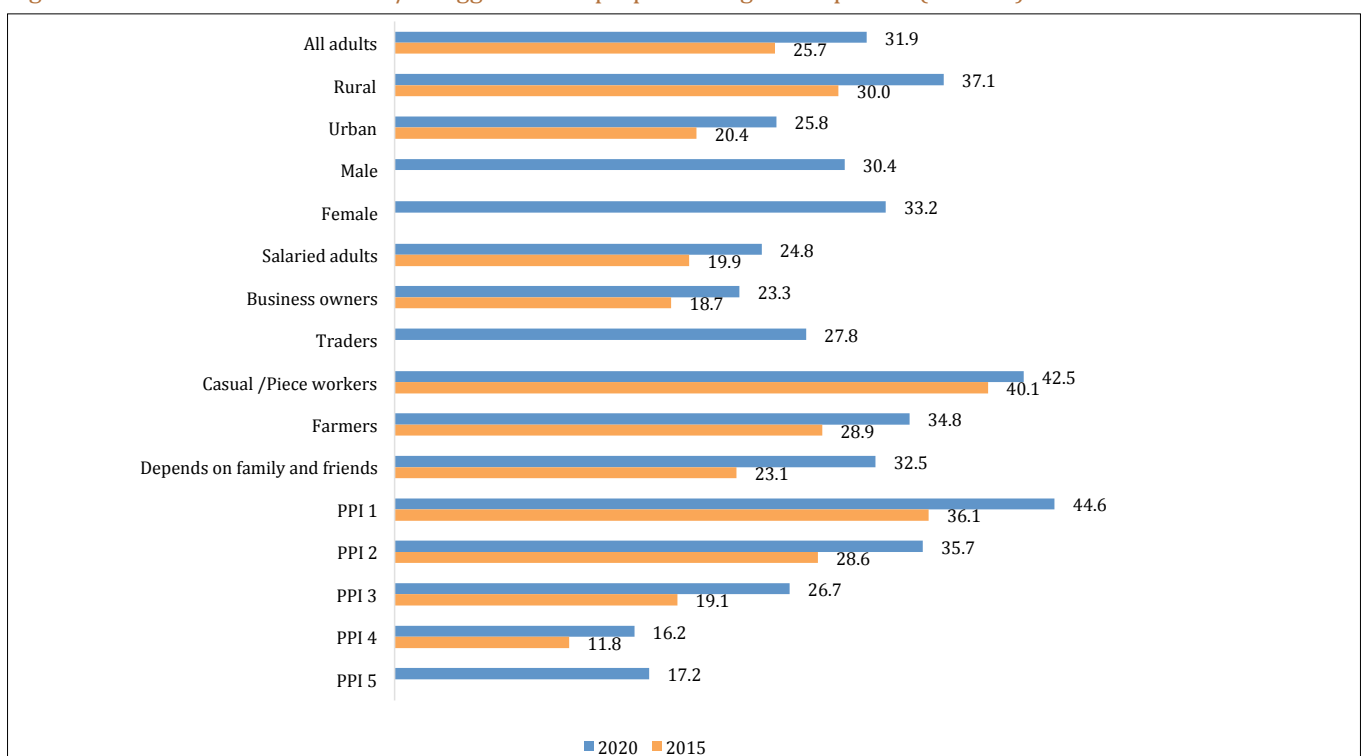
Figure: 48 Adults with a Child/Dependant Sent Home for Lack of School Fees (Percent)



7.2.3 Adults Who Fell Behind/Struggled to Keep Up with Regular Expenses

Adults who had fallen behind or were struggling to manage regular expenses increased to 31.9 percent from 25.7 percent in 2015. This increase was mostly observed in rural populations and amongst females. Adults from the low-income households (PPI 1 and PPI 2) and casual/piece workers were most affected (Figure 49).

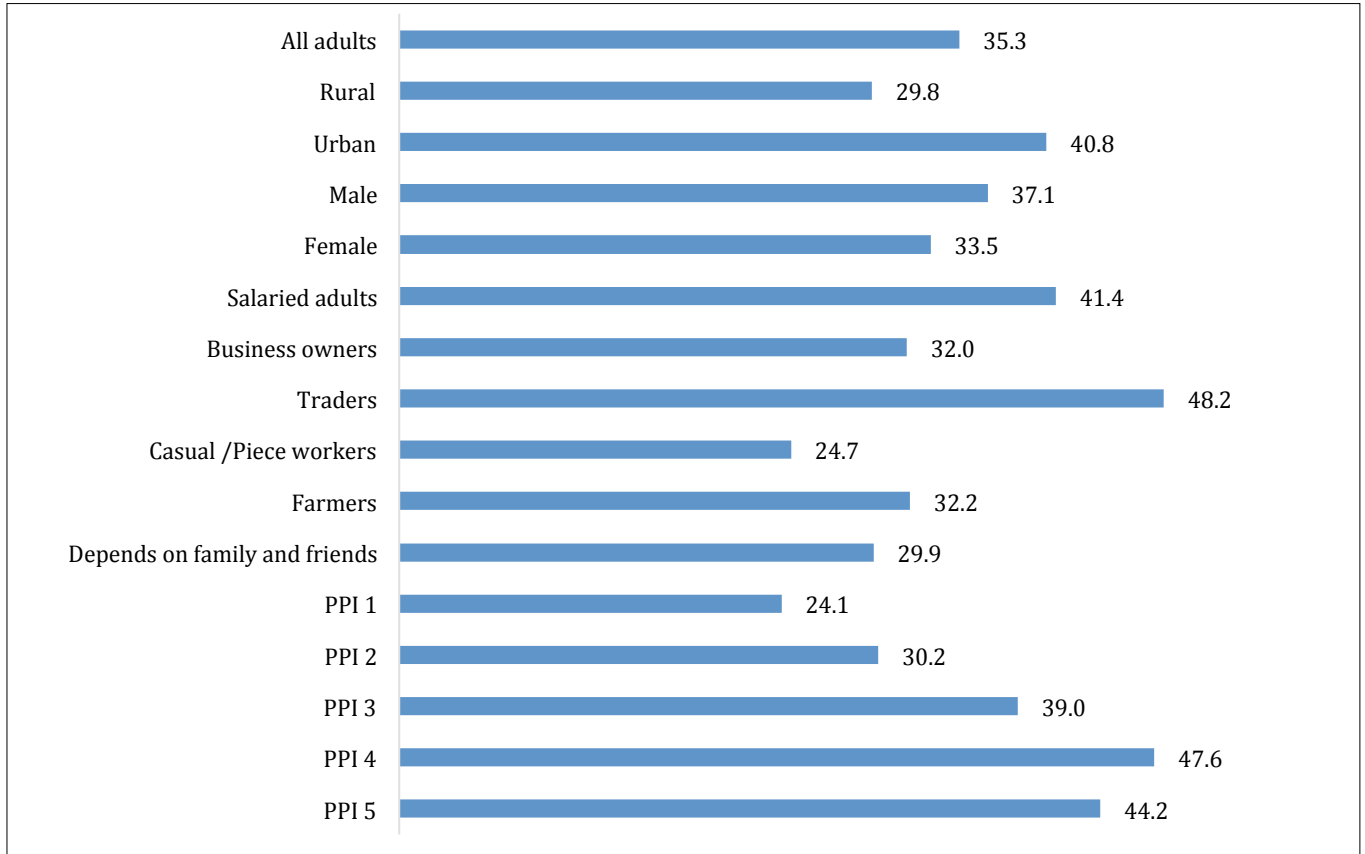
Figure 49: Adults Who Fell Behind/Struggled to Keep Up with Regular Expenses (Percent)



7.2.4 Adults Who Kept a Record of Their Money

Figure 50 illustrates that only 35.3 percent of the adult population kept a record of their money. These were largely amongst adults in the urban areas males, traders and from households in the high income quintile of PPI 4.

Figure 50: Adults Who Kept a Record of Their Money (Percent)



7.3 Risk Management

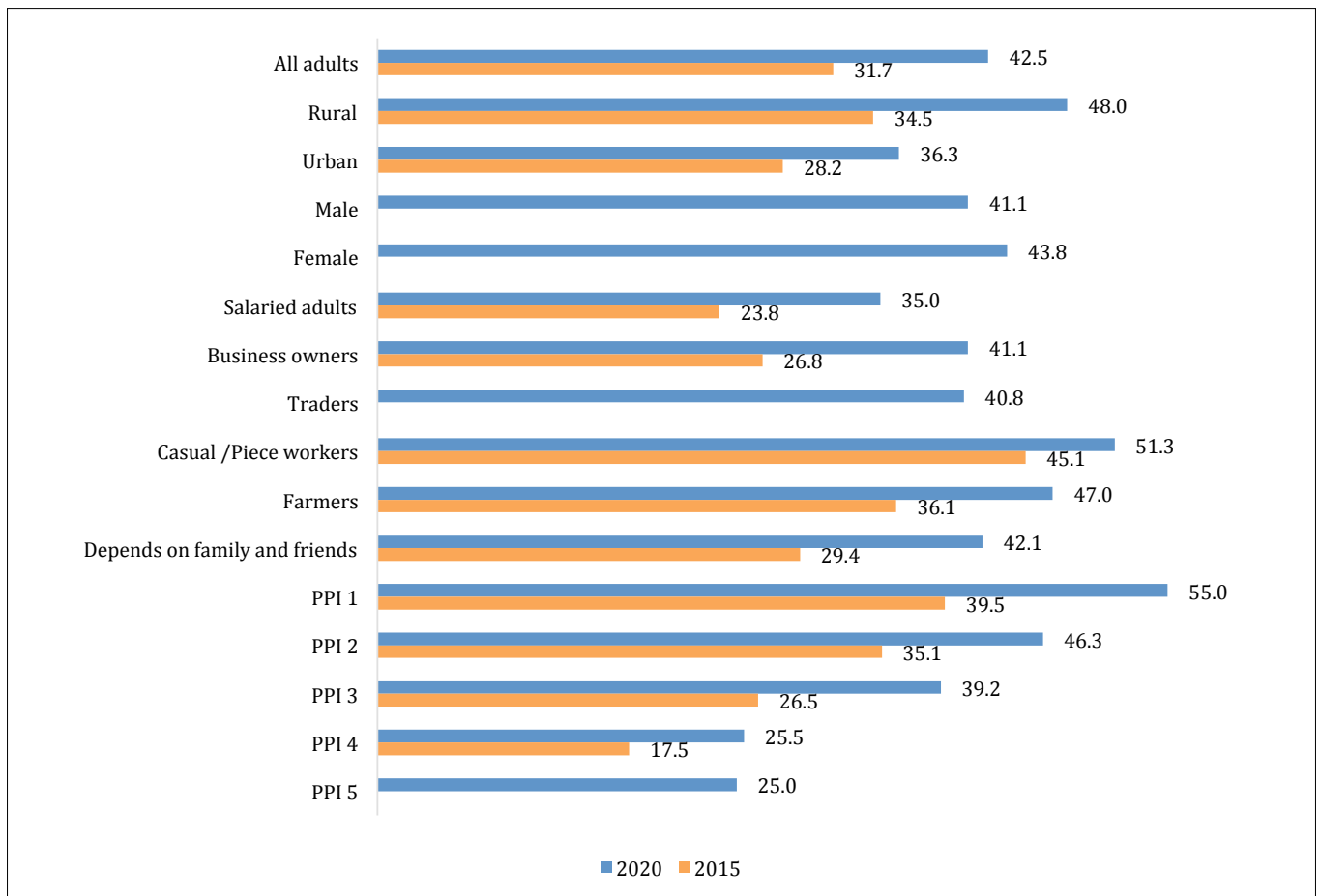
7.3.1 Adults Who Fell Behind/Struggled to Manage Unexpected Expenses

Risk management refers to the ability of the adult population to meet unexpected financial events that current income cannot support.

The proportion of adults who fell behind or were struggling to manage unexpected expenses rose to 42.5 percent from 31.7 percent in 2015 (Figure 51). The highest proportion of adults who fell behind or were struggling with unexpected expenses was amongst:

- Those in rural areas (48.0 percent);
- Females (43.8 percent);
- Casual/piece workers (51.3); and
- Those from households in the lowest income quintile of PPI 1.

Figure 51: Adults Who Fell Behind/Struggled to Manage Unexpected Expenses (Percent)

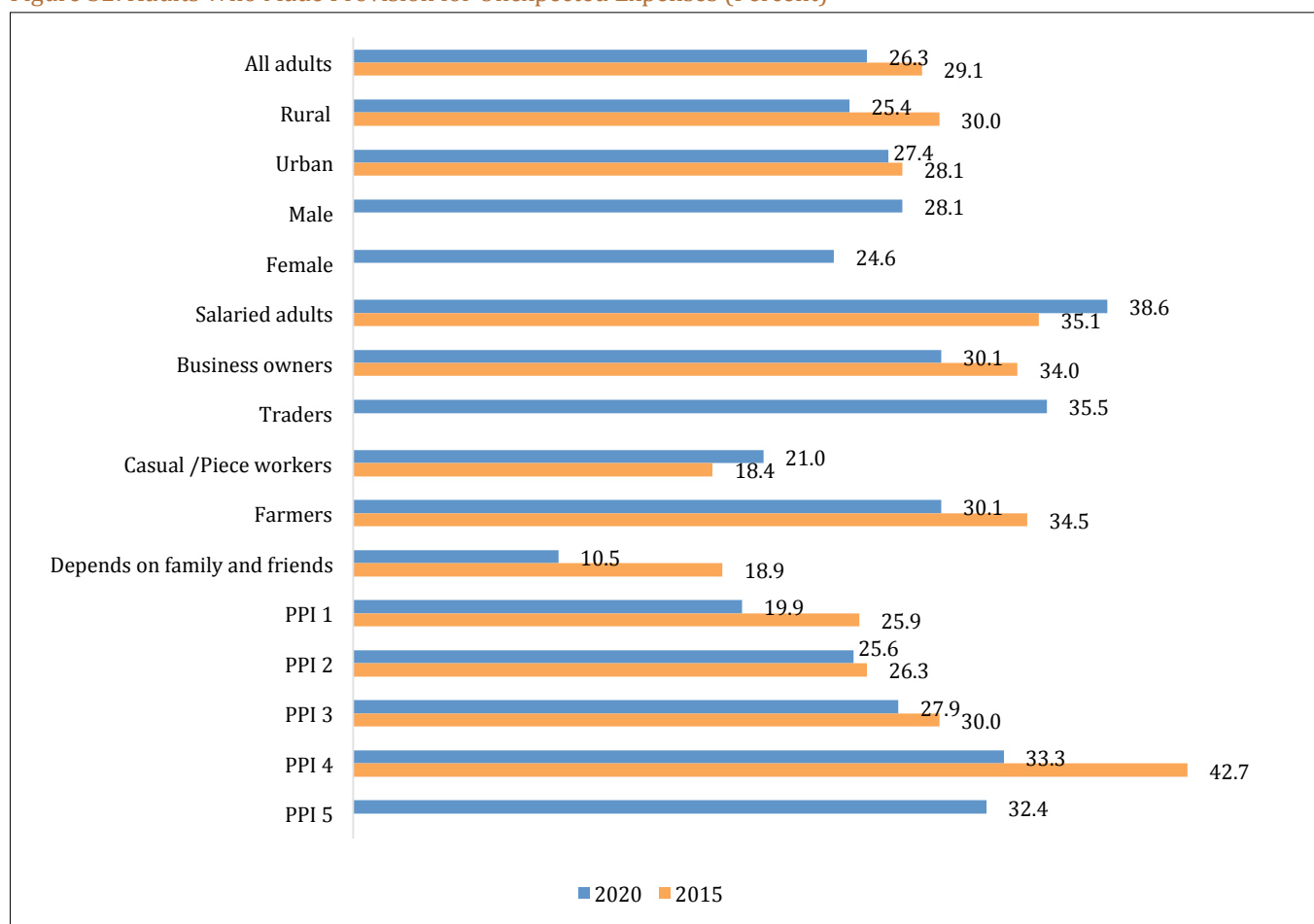


7.3.2 Adults Who Made Provision for Unexpected Expenses

The Survey results also showed that fewer adults were able to make provision for unexpected expenses at 26.3 percent compared to 29.1 percent in 2015 (Figure 52). These were mostly amongst:

- Urban based adults (27.4 percent);
- Females (24.6 percent);
- Salaried adults (38.6 percent); and
- Those from households in the high income quintile of PPI 4.

Figure 52: Adults Who Made Provision for Unexpected Expenses (Percent)



7.3.3 Strategies to Cope with Unexpected Expenses (Percent)

The Survey showed that 62.7 percent of adults relied on gifts and expense cutbacks to cope with unexpected expenses while 28.3 percent relied on savings (2015, 34.3 percent) and 9.0 percent on borrowings (2015, 23.3 percent). Both female and male, rural and urban-based adults mostly relied on gifts and expense cutbacks to cope with unexpected expenses and were less likely to borrow. The demographic characteristics of these adults are indicated in Table 18 below.

Table 18: Strategies to Cope with Unexpected Expenses (Percent)

	Savings		Borrowed		Rely on gifts & expenses cut back
	2020	2015	2020	2015	2020
Adults	28.3	34.3	9.0	23.3	62.7
Male	29.7	-	9.0		61.2
Female	27.0	-	9.1		63.9
Rural	27.3	32.8	9.1	24.2	63.6
Urban	29.4	36.2	9.0	22.2	61.6
Salaried Adults	45.2	38.7	11.4	26.6	43.4
Business owners	33.2	41.1	10.1	23	56.7
Traders	33.5	-	8.1		58.5
Casual /Piece workers	24.9	24.9	11.1	23.3	64.0
Farmers	29.8	37.3	9.5	25.5	60.7
Depends on family and friends	10.2	23.4	4.8	18.1	84.9
PPI 1	23.6	30.8	8.8	27.2	67.6
PPI 2	26.3	32.5	9.5	22.6	64.2
PPI 3	30.5	36.6	8.6	21.3	60.8
PPI 4	34.1	40.8	8.7	23	57.1
PPI 5	37.5		12.3		50.2

7.4 Assets and Asset Building

Asset ownership is important for income generation, risk mitigation, collateral and protection against inflation. Individuals are able to achieve potential savings using assets. In the case of business owners, traders and farmers, asset ownership helped to create value and facilitate the running of their businesses.

The survey showed that the percentage of adults who reported that one of the members of the household owned the current dwelling increased to 67.1 percent from 44.5 percent in 2015. This was higher amongst:

- Rural based adults;
- Males;
- Farmers; and
- Those from households in the lowest income quintile of PPI 1.

The percentage of adults with access to the internet rose to 21.9 percent from 15.6 percent in 2015. Most adults owned a mobile phone (61.6 percent), although the percentage had declined by 15.3 percentage points when compared to 2015. These were most likely to be salaried workers, business owners, traders and households in the middle to higher income distribution of PPI 3, PPI 4 and PPI 5 (Table 19).

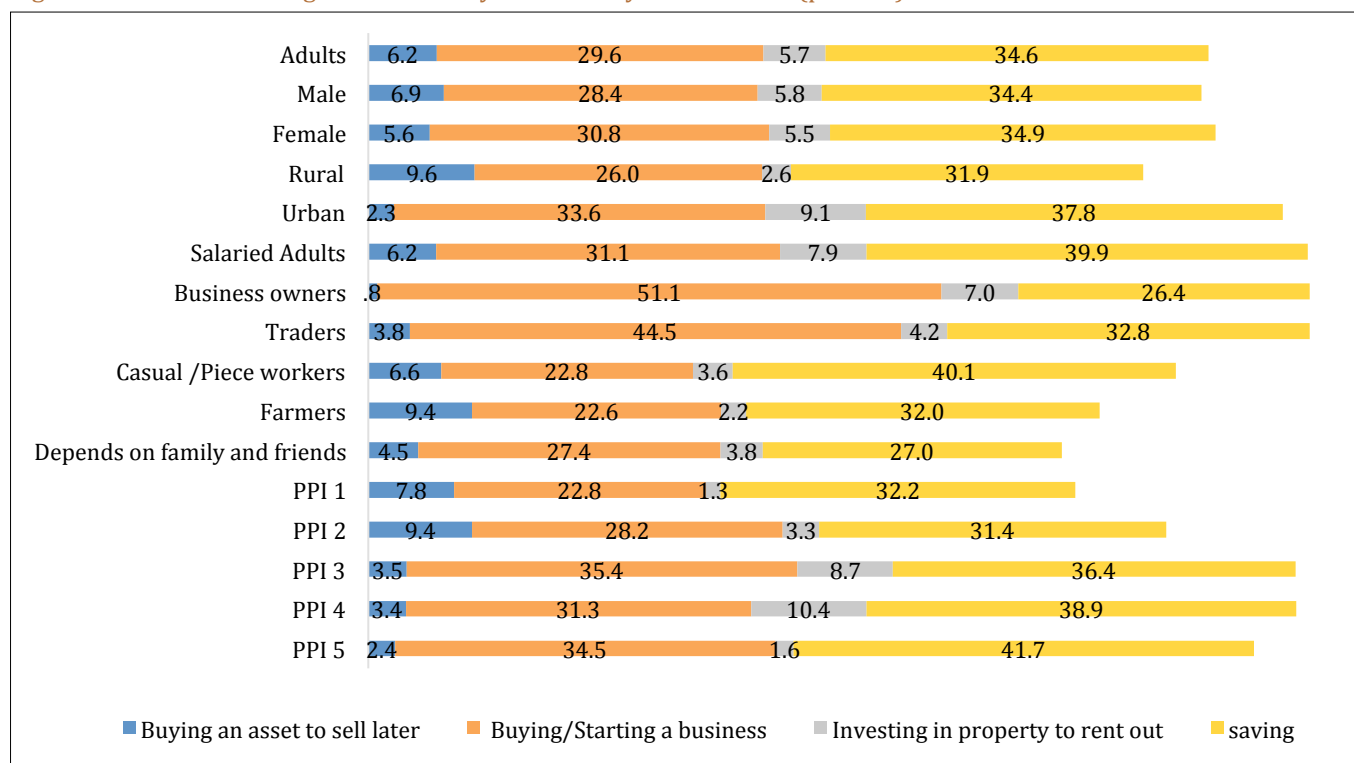
Table 19: Asset Ownership and Connectivity of Adults (Percent)

	Own Current House		Member of Household Owns the House	Personally Own (any/another) House		Personally Own Agriculture Land (for Crop and Livestock)		Personally Own a Mobile Phone		Have Access to a Computer		Have Access to the Internet	
	2020	2015		2020	2015	2020	2015	2020	2015	2020	2015	2020	2015
Adults	25.6	44.5	41.5	30.3	16.9	23.9	48.4	61.6	76.9	6.7	11.4	21.9	15.6
Male	32.2	-	34.6	36.5	-	26.7	-	65.9	-	8.7	-	25.7	-
Female	19.6	-	47.7	24.7	-	21.4	-	57.7	-	4.9	-	18.5	-
Rural	35.4	57.3	47.3	40.9	14.5	37.1	64.0	48.9	63.5	3.7	7.6	7.6	9.1
Urban	14.3	29.0	34.9	18.0	19.8	8.7	29.4	76.1	85.2	10.4	16.1	38.3	23.4
Salaried Adults	27.4	30.5	27.5	33.4	18.7	24.8	35.0	76.7	85.8	8.2	22.2	33.5	28.2
Business owners	20.1	45.3	33.0	26.5	18.9	14.7	41.7	79.2	85.1	10.4	12.9	35.0	17.9
Traders	29.3	-	36.2	34.8	-	23.5	-	73.4	-	7.0	-	25.4	-
Casual /Piece workers	20.9	44.9	44.2	24.6	12.6	17.9	43.1	58.5	69.6	5.8	6.3	18.2	10.6
Farmers	48.6	75.4	40.3	55.0	16.4	51.8	88.6	49.7	65.7	2.1	3.9	4.3	4.6
Depends on family and friends	6.2	-	58.4	8.0	-	5.3	27.2	51.6	74.6	9.2	11.4	24.1	16.9
PPI 1	35.9	52.5	51.9	40.6	11.6	38.1	69.0	38.6	57.4	1.8	2.3	2.6	3.7
PPI 2	32.3	52.5	43.3	37.3	15.9	31.3	54.9	52.9	73.0	2.9	4.6	7.3	7.4
PPI 3	15.4	30.1	37.5	19.5	20.4	11.9	33.9	75.6	85.2	11.1	16.8	32.0	21.6
PPI 4	13.9	17.0	31.5	18.7	21.1	8.0	21.6	87.6	96.2	16.0	40.1	55.8	52.1
PPI 5	7.4	-	23.8	13.5	-	6.8	-	88.9	-	13.3	-	66.7	-

7.5 Investing in Income Generating Activities

Investing involves putting money aside with the expectation of realising some benefit in the future. The survey indicated that most adults used the following strategies to make sure they had money for the things they wanted in the future; buying an asset to sell later (6.2 percent); buying or starting a business (29.6 percent); investing in property to rent out (5.7 percent); and saving (34.6 percent). Females were more likely to save or start a business, while males were more likely to buy an asset to sell later or invest in property to rent out. Rural based adults were most likely to buy an asset to sell later while urban adults were more likely to engage in all the three investing categories. Figure 53 below shows the demographic profile of these adults.

Figure 53: Adults Investing to Ensure They Have Money in the Future (percent)



7.6 House Occupancy Status

The Survey showed that 20.4 percent of adults paid to live in a rented house, while 10.6 percent lived in a house that was provided rent free (Table 20). The highest proportions of adults who lived in a rented house were amongst:

- Males;
- Salaried or business owners; and
- Adults from the highest income quintile of PPI 5

Table 20: House Occupancy Status (Percent)

	You/your household rent this house	House provided rent free
	2020	2020
Adults	20.4	10.6
Male	20.4	11.0
Female	20.5	10.3
Rural	4.6	10.6
Urban	38.6	10.6
Salaried Adults	30.3	13.1
Business owners	30.5	14.5
Traders	23.6	9.2
Casual /Piece workers	21.4	12.0
Farmers	3.0	5.9
Depends on family and friends	22.7	10.9
PPI 1	3.1	7.0
PPI 2	11.4	10.8
PPI 3	32.9	12.5
PPI 4	40.6	12.6
PPI 5	55.5	12.7

7.7 Strategies to Meet Future Needs When Old and Cannot Work

The survey indicated that most adults considered farming/ agriculture (19.0 percent) as a means to ensure that they had money when they were old and unable to work. Other common strategies included starting a business (18.4 percent), savings (13.8 percent) and relying on children (13.4 percent). The least common strategies included pensions (1.6 percent), insurance (0.2 percent) and shares (0.1 percent).

Analysis by income generating activities showed that farmers (39.0 percent) and rural based adults (29.3 percent) comprised the largest group that would invest in farming to meet future needs when old and unable to work. Urban-based adults were more likely to own a business (23.9 percent) to meet their future needs. Adults who did not have a plan or knowledge on how to make money when they were old and unable to work were mainly dependant (33.4 percent) (Table 21).

Table 21: Strategies to Meet Future Needs When Old and Cannot Work (Percent)

	Savings	Children	Land/ property	Own business	Rental income	Shares	Farming/ agriculture/ livestock	Pension	Insurance policy	Don't know/ have no plans
Adults	13.8	13.4	7.7	18.4	3.4	0.1	19.0	1.6	0.2	19.3
Male	15.0	12.0	8.3	18.7	3.3	0.2	19.5	2.0	0.2	18.1
Female	12.7	14.6	7.2	18.1	3.6	0.1	18.5	1.3	0.2	20.3
Rural	11.1	15.7	6.0	13.6	1.9	0.1	29.3	0.7	0.0	19.0
Urban	16.8	10.7	9.7	23.9	5.2	0.1	7.2	2.7	0.3	19.7
Salaried Adults	21.8	11.8	9.9	19.1	4.3	0.1	15.8	4.0	0.3	11.5
Business owners	10.9	12.0	10.0	30.3	6.2	0.0	8.7	0.8	0.0	17.0
Traders	13.1	13.3	5.4	27.4	6.0	0.1	15.1	0.6	0.6	14.9
Casual /Piece workers	13.2	12.5	8.4	20.9	3.1	0.2	16.5	0.5	0.2	21.1
Farmers	8.8	18.3	6.8	10.1	1.2	0.1	39.0	0.2	0.1	13.0
Depends on family and friends	10.9	11.3	5.9	19.1	2.4	0.1	10.8	1.3	0.1	33.4
PPI 1	8.5	17.4	5.6	12.8	1.3	0.1	30.0	0.3	0.0	21.3
PPI 2	12.4	14.8	6.0	15.9	2.6	0.1	25.1	0.4	0.0	19.9
PPI 3	15.4	11.3	10.0	22.3	5.5	0.1	9.5	2.2	0.2	19.6
PPI 4	19.7	9.1	10.9	24.6	5.3	0.2	6.4	4.4	0.5	15.8
PPI 5	26.8	4.8	8.4	24.8	4.4	0.0	5.3	5.4	0.3	14.4

8. ACCESS TO FINANCIAL SERVICES

There are various dimensions to access such as, physical access to points of service, eligibility to take up services offered, as well as the suitability, affordability and awareness of services, which makes it a complex concept to measure.

For the purposes of this Survey, access refers to physical close proximity to a financial access point and fewer barriers for product uptake, such as Know Your Customer (KYC) documentation.

8.1 Physical Access to Points of Service

The Survey showed that 41.2 percent of adults were able to reach one access point within 30 minutes by road, 32.4 percent by bicycle and 23.1 percent by foot.

In terms of proximity, schools were much closer to the population followed by mobile money agents and health centres. The Survey showed that 84.9 percent of adults were able to reach the nearest school within 30 minutes by motor vehicle, 77.6 percent by bicycle and 62.3 percent on foot. Access to mobile agents by adults within a 30-minute reach was 69.0 percent by motor vehicle, 61.3 percent by bicycle and 53.6 percent on foot (Table 22).

Table 22: Adults Able to Access Service Points Within 30 Minutes (Percent)

ACCESS POINT	MODE OF TRAVEL		
	FOOT	BICYCLE	ROAD
Adults	23.1	32.4	41.2
Bank agent	25.9	33.8	41.9
Bank branch or ATM	17.8	29.8	41.2
Building society	5.1	10.9	19.9
Capital Markets Operator (stockbroker, fund manager)	3.9	6.5	10.4
Filling station	23.3	35.9	48
Health Centre	46.5	64.8	77.6
Insurance company	6.2	13	21.3
Microfinance institution	7	12.9	20.1
Mobile money agent	53.6	61.3	69
Post Office	11.9	22.9	36.2
School	62.3	77.6	84.9
Supermarket	24.5	37.1	47.3

Mostly adults perceived physical access to financial and payment service providers as a significant barrier to the uptake and usage of financial and payment products/services. Generally, access to mobile money agents, bank agents and branches was much higher than microfinance institutions, insurance companies and capital market operators.

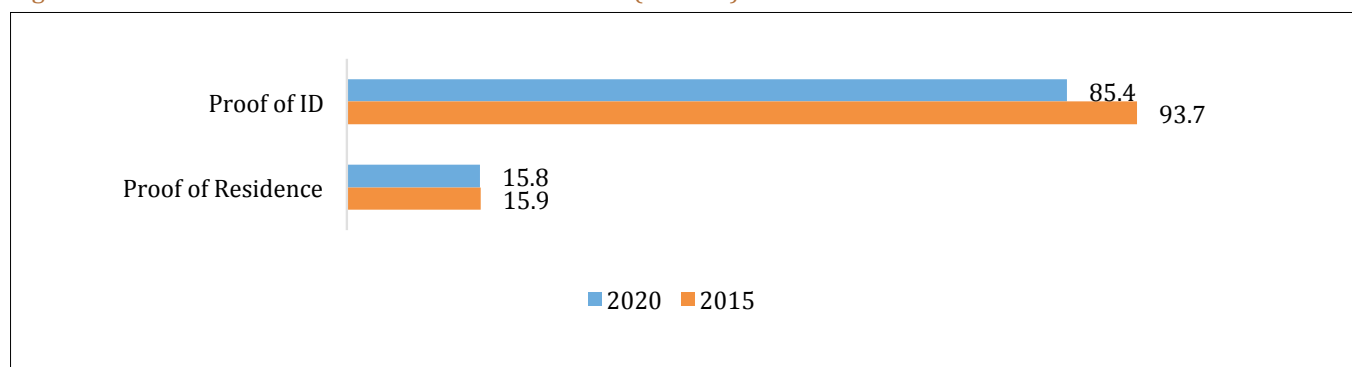
The percentage of adults who were able to access a bank agent within 30 minutes was 41.9 percent by motor vehicle, 33.8 percent by bicycle and 25.9 percent on foot.

However, over 70 percent of the adults indicated that they did not know how long it would take them to reach the nearest capital markets access point.

8.2 Eligibility to Access Services

The Survey indicated that 85.4 percent of adults had proof of identification (ID) compared to 93.7 percent in 2015. However, only 15.8 percent (2015, 15.9 percent) of adults had proof of residential address (Figure 54).

Figure 54: Adults able to Provide Valid Documentation (Percent)



The Survey revealed that the main constraint in meeting full KYC requirements by potential customers was failure to provide proof of residence.

For the purposes of simplified KYC, the Survey indicated that the percentage of adults who had a passport, driver's license, payslip, lease agreement, T-PIN and Electricity/water/subscription bill had increased when compared to 2015, but remained below 10 percent. These adults were mainly urban based (see Table 23).

Table 23: Adults with Documentation to Prove Identity and/or Residence (Percent)

Type of Document	National		Rural	Urban
	2020	2015		
National registration card (NRC)	85.4	93.5	83.4	87.6
Bank Statement	-	7.9	-	-
Driver's licence	6.8	4.0	2.2	12.0
Passport	5.3	3.4	1.4	9.7
Pay-slip from employer	6.4	3.6	3.1	10.3
Lease/rental agreement	4.2	1.1	1.3	7.5
Subscription for satellite TV	10.7	3.5	3.2	19.2
Taxpayer identification number	8.9	0.9	3.1	15.6
Electricity/water bill	6.5	4.6	1.9	11.9
Insurance policy	3.4	2.1	1.7	5.3
Telephone - Zamtel	2.8	0.9	0.8	5.1
Title deed	6.2	7.4	3.8	9.0

9. FINANCIAL PRODUCTS AND SERVICES USED BY ZAMBIAN ADULTS

The usage of financial services amongst Zambian adults are grouped into five main categories:

- Money transfer and payments
- Savings and investments
- Credit/ loans
- Insurance
- Pensions

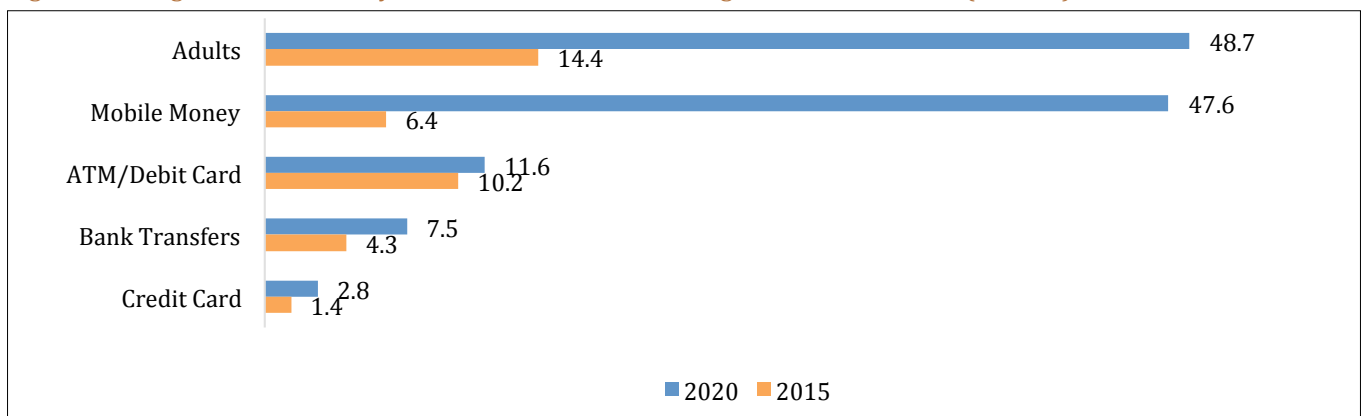
9.1 Money Transfer and Payment Services

The use of electronic payment platforms for the purchase of goods and services, to make bill payments and conduct money transfers, has gained prominence in the recent years. This has been partly driven by the efforts and campaigns of the Central bank to promote a cash-lite society and enable the delivery of financial services to rural and remote areas. The onset of the covid-19 pandemic has also provided greater impetus for usage of digital financial services to facilitate contactless financial transactions and hence reducing the spread of the disease.

9.1.1 Purchasing Goods and Services Using Electronic Channels

The purchase of goods and services using electronic payment methods increased to 48.7 percent from 14.4 percent in 2015. Mobile money was the most widely used electronic payment channel at 47.6 percent compared to 6.4 percent in 2015, while credit cards were the least utilised at 2.8 percent compared to 1.4 percent in 2015 (Figure 55).

Figure 55: Usage of Electronic Payment Channels for Purchasing Goods and Services (Percent)

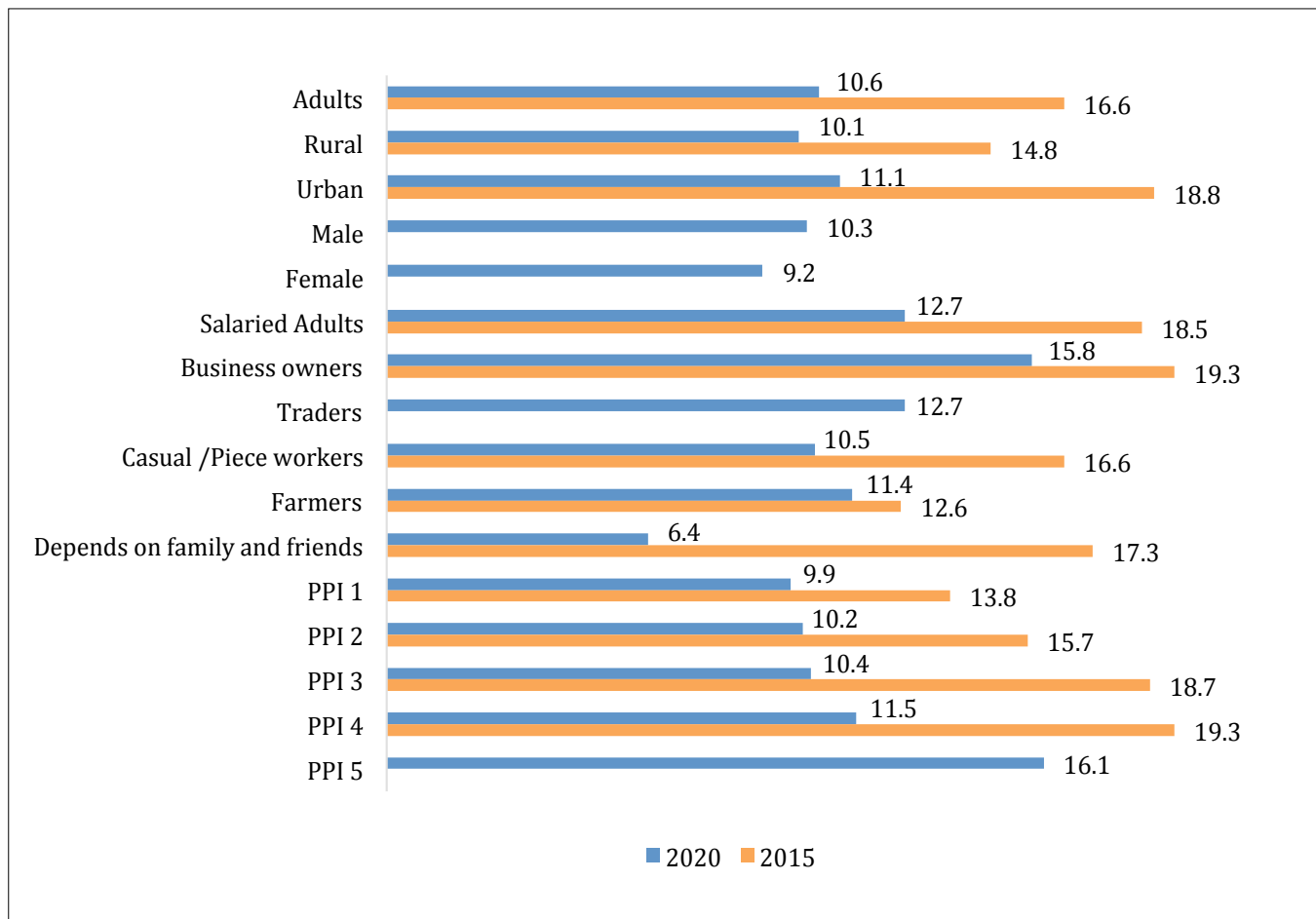


9.1.2 Adults Buying Goods and Services on Credit

The percentage of adults who bought goods and services on credit, 12 months prior to the Survey declined to 10.6 percent from 16.6 percent in 2015 (Figure 56). These adults were more amongst:

- Urban areas;
- Males;
- Business owners; and
- Individuals from households in the highest income quintile PPI 5.

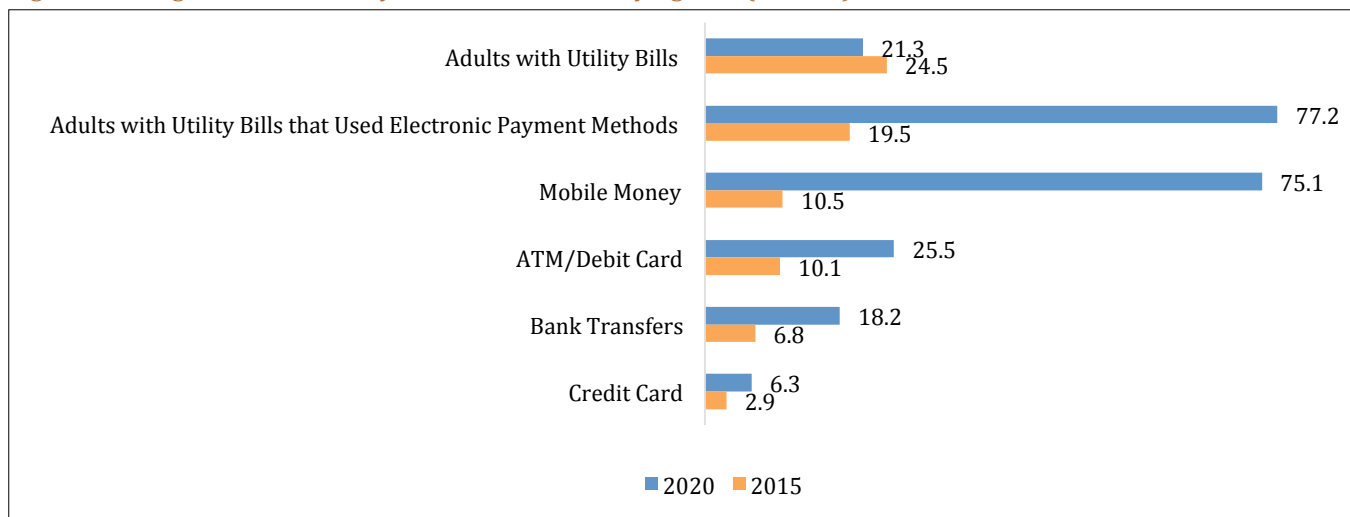
Figure 56: Adults Buying Goods and Services on Credit in the 12 Months Prior to FinScope 2020 Survey (Percent)



9.1.3 Bill Payments

Adults who had utility bills to pay in the last 12 months prior to the Survey accounted for 21.3 percent in 2020 (2015: 24.5 percent) of whom 77.2 percent used electronic payment channels. Mobile money continued to be the most widely used channel for bill payments at 75.1 percent compared to 10.5 percent in 2015. The least utilised electronic payment channel for bill payments was the credit card (6.3 percent), as shown in Figure 57.

Figure 57: Usage of Electronic Payment Channels for Paying Bills (Percent)

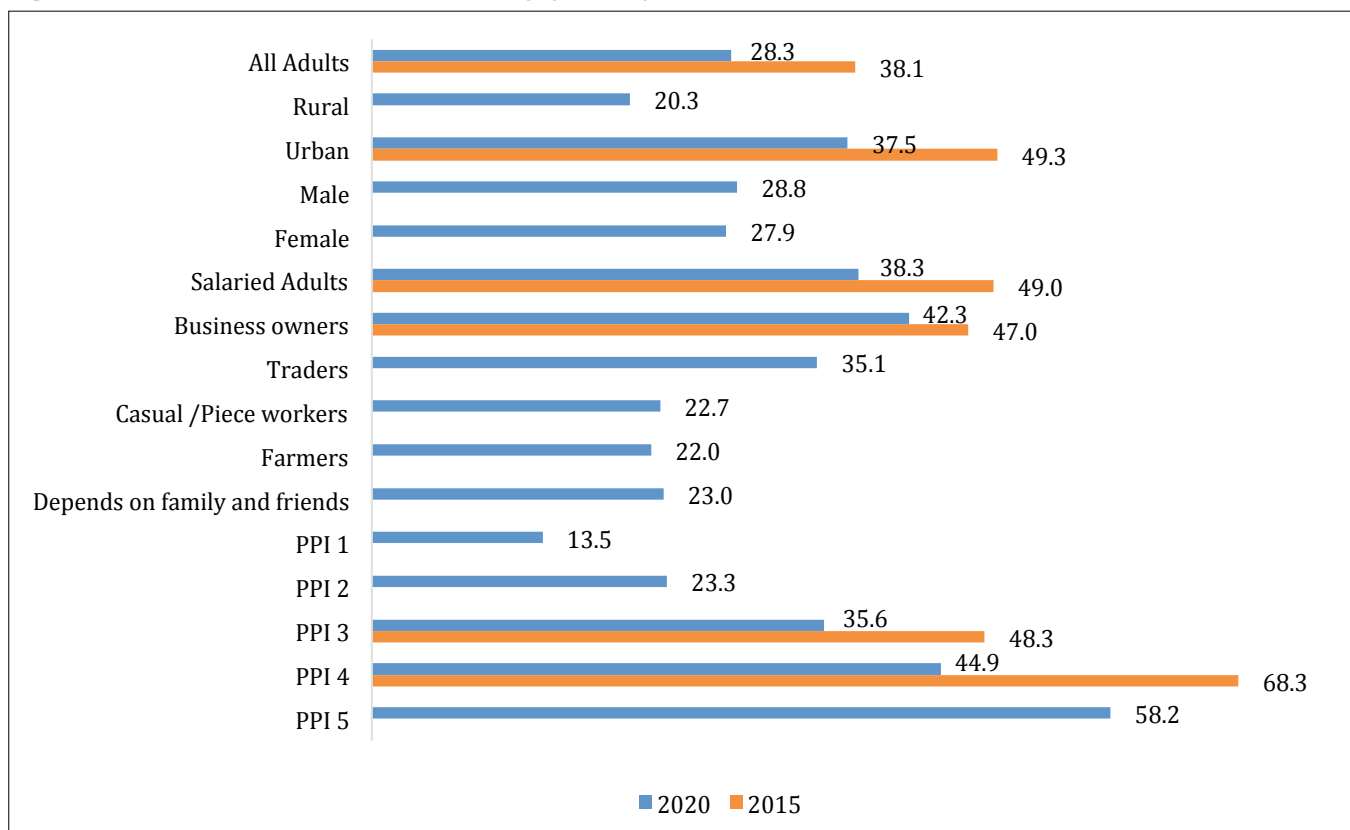


9.1.4 Remittances

During the 12-month period prior to the Survey, 28.3 percent (2015: 38.1 percent) of adults sent money to/ or received from someone (Figure 58). These activities were largely observed amongst the following:

- Adults in urban areas;
- Males;
- Business owners; and
- Individuals from households in the highest income quintile, PPI 5.

Figure 58: Adults Who Sent or Received Money (Percent)



Mobile money was the most widely used channel for sending (56.8 percent) and receiving (88.4 percent) money. This was a significant increase when compared to the previous survey where remittances sent and received through mobile money accounted for 22.1 percent and 18.1 percent, respectively (Table 22). Informal channels such as through friends and family and taxi drivers were the least utilised methods.

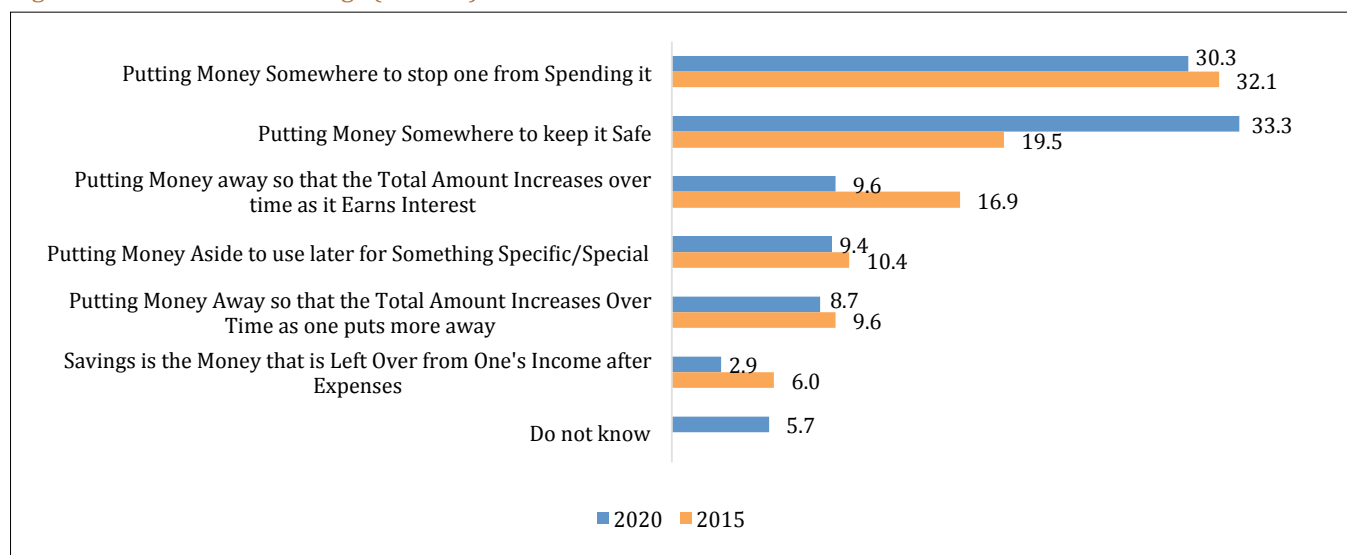
Table 24: Remittances (Percent)

Channels used to send money	Senders	
	2020	2015
Post Office	0.2	22.6
Mobile money	56.8	22.1
Bank transfer/Pay into bank account	2.7	17.0
Friends or family takes it there	2.0	16.6
Bus/taxi driver takes it there	0.5	5.0
Western Union/Money gram/Swift cash	0.8	4.9
Others	2.0	-
Channels used to receive money	Receivers	
Post Office	0.4	22.2
Mobile money	88.4	18.1
Bank transfer/Pay into bank account	5.1	15.4
Friends or family takes it there	7.4	13.3
Bus/taxi driver takes it there	0.5	4.4
Western Union/Money gram/Swift cash	1.5	6.2
Others	6.1	-

9.2 Savings

According to the Survey, most adults, 33.3 percent (2015: 19.5 percent) defined saving as “putting money somewhere to keep it safe” while 30.3 percent (2015: 32.1 percent) defined it as “keeping it somewhere to avoid spending it”. Only 9.6 percent of adults (2015: 16.9 percent) saved to earn interest over time, while 5.7 percent indicated that they did not know the definition of savings (Figure 59).

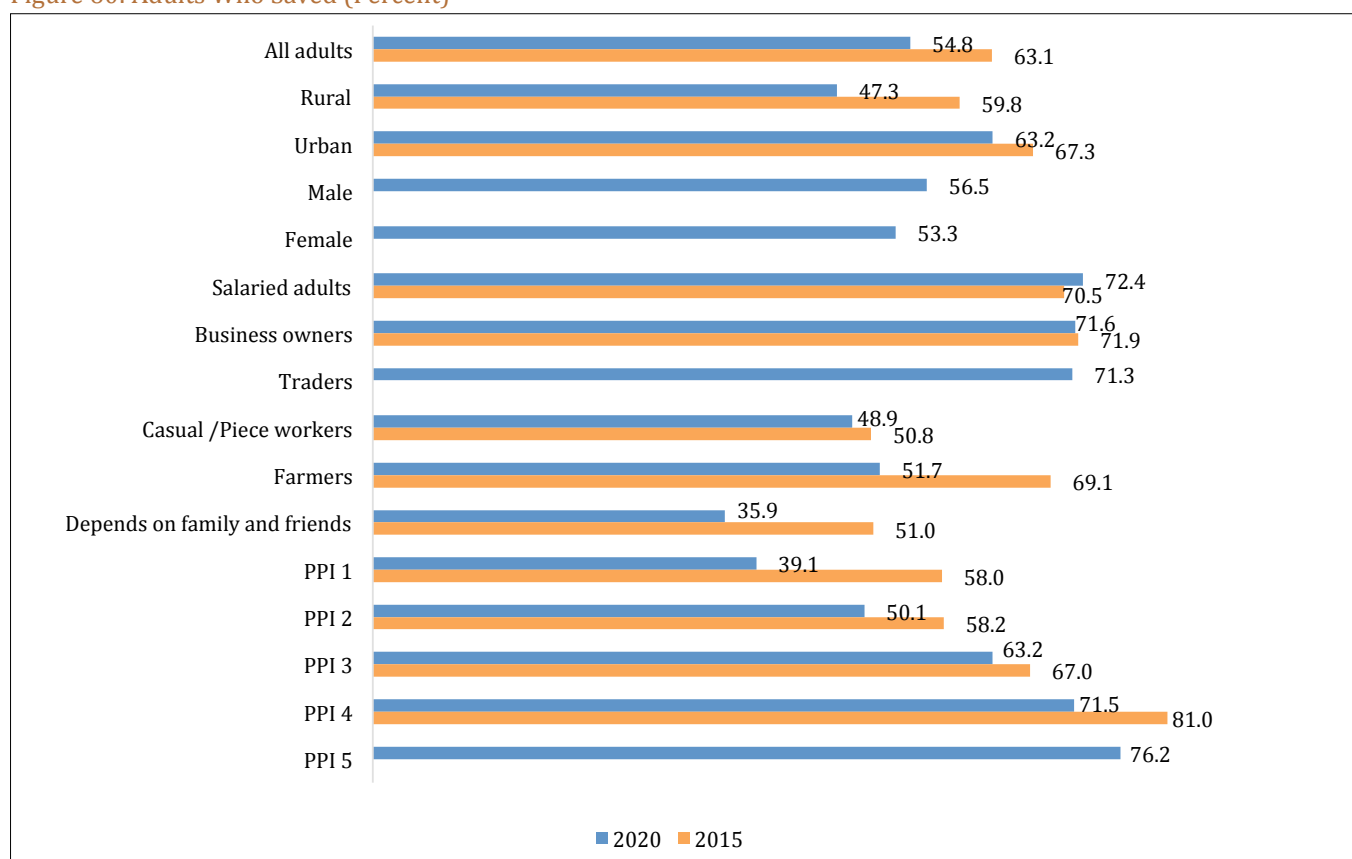
Figure 59: Definition of Savings (Percent)



The proportion of adults who claimed to save or put money aside declined to 54.8 percent from 63.1 percent in 2015 (Figure 60). Those who claimed to have saved or put money aside were mostly amongst:

- Urban-based;
- Males;
- Salaried workers; business owners and traders; and
- Adults from middle and high income households of PPI 3, PPI 4 and 5.

Figure 60: Adults Who Saved (Percent)



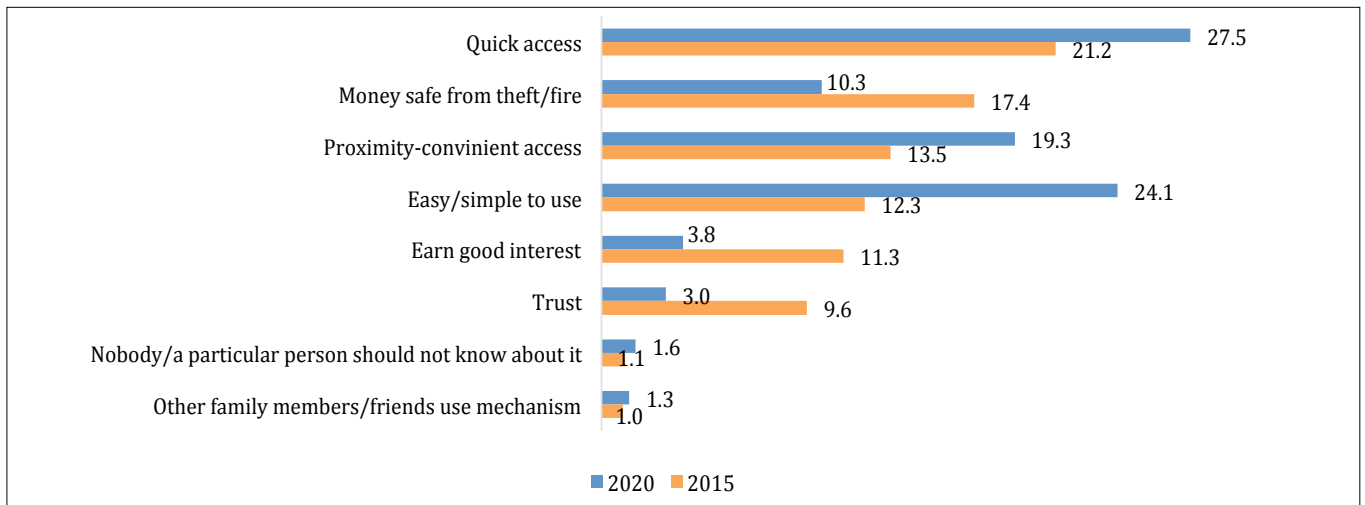
The findings summarised in Table 25 indicated that most adults saved or put money away in order to smoothen cash-flow and mitigate risk.

Table 25: Main Drivers of Savings Behaviour (Percent)

Purpose	Drivers	Savers	
		2020	2015
Cash-Flow Management	Living expenses for when you do not have money	78.3	32.4
	Education or school fees	19.5	15.6
	Farming expenses such as seeds or fertilizer	46.1	4.7
	Business expenses such as additional stock	2.9	2.2
Risk Management	An emergency other than medical	12.2	20.8
	medical expenses	39.4	4.8
Investing Assets and Productive Activities	Buying or building a house to live in	-	3
	Buying household appliances, goods or furniture	-	1.5
	Buying business equipment such as a printer or sewing machine etc.	7.7	-
	Buying a bicycle, motorcycle, car, truck or other means of transport for personal use	1.2	-
	Starting or expanding business	14.9	1.8
	Buying land	12.6	1.4

The most important criteria for choosing a savings mechanism as illustrated in Figure 61 was speed of access, 27.5 percent (2015: 21.2 percent), easy to use, 24.1 percent (2015: 12.3 percent) and proximity, 19.3 percent (2015: 13.5 percent).

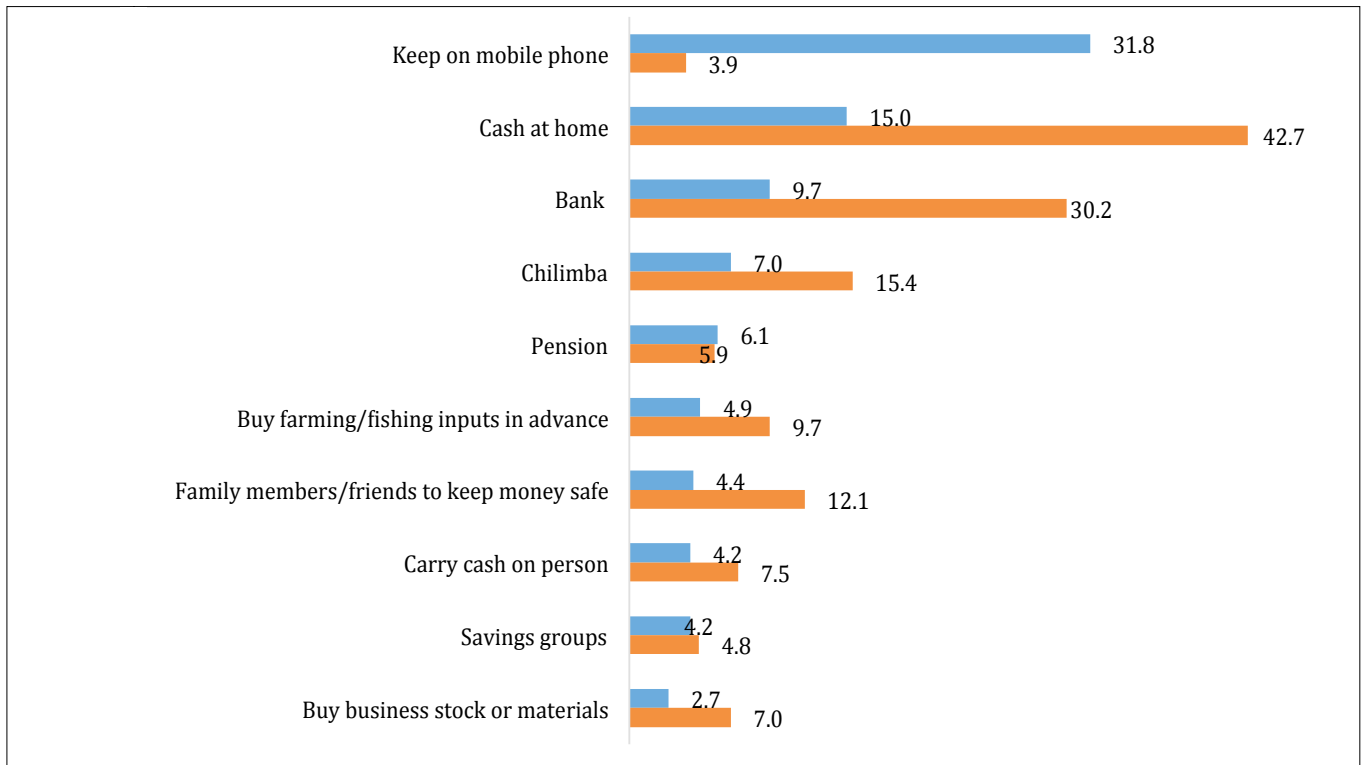
Figure 61: Most Important Criteria for Choosing a Savings Mechanism (Percent)



9.2.1 Types of Saving Mechanisms

The survey findings indicated that 31.8 percent of adults used mobile money to save compared to 3.9 percent in 2015. This was followed by 15.0 percent of adults (42.7 percent) who saved by keeping cash at home and 9.7 percent who saved at the commercial bank (Figure 62).

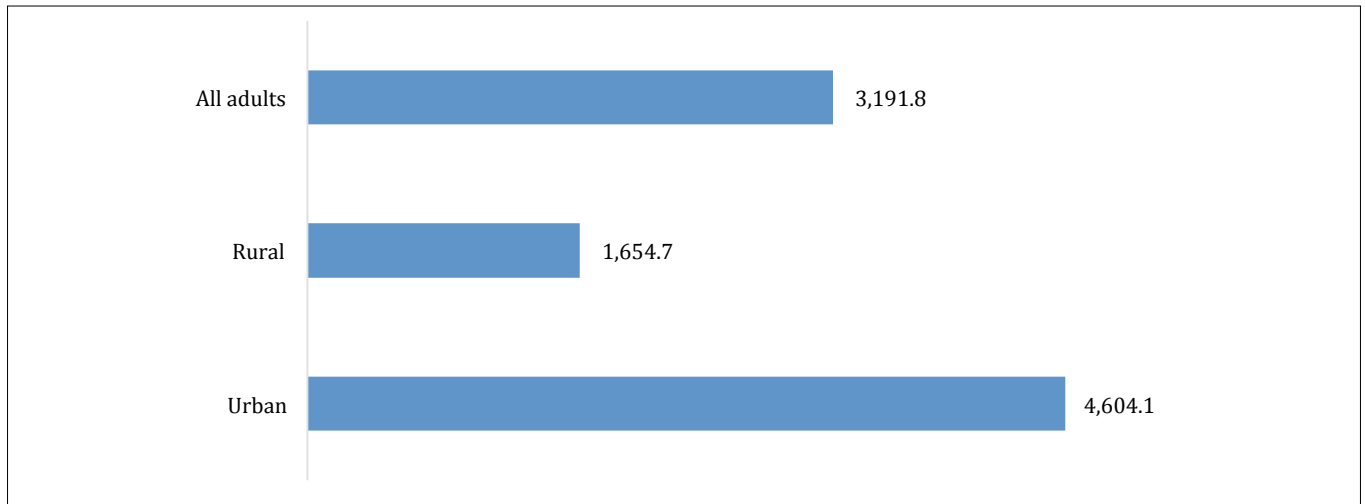
Figure 62: Types of Saving Mechanisms Used by Savers (Percent)



9.2.2 Average Savings

According to the survey findings, the average amount saved by the adult population was K3,191.83. Those in urban areas saved an average of K4,604.10 compared to K1,654.68 in the rural areas (Figure 63).

Figure 63: Average Savings by Adults (ZMW)



9.3 Credit Services

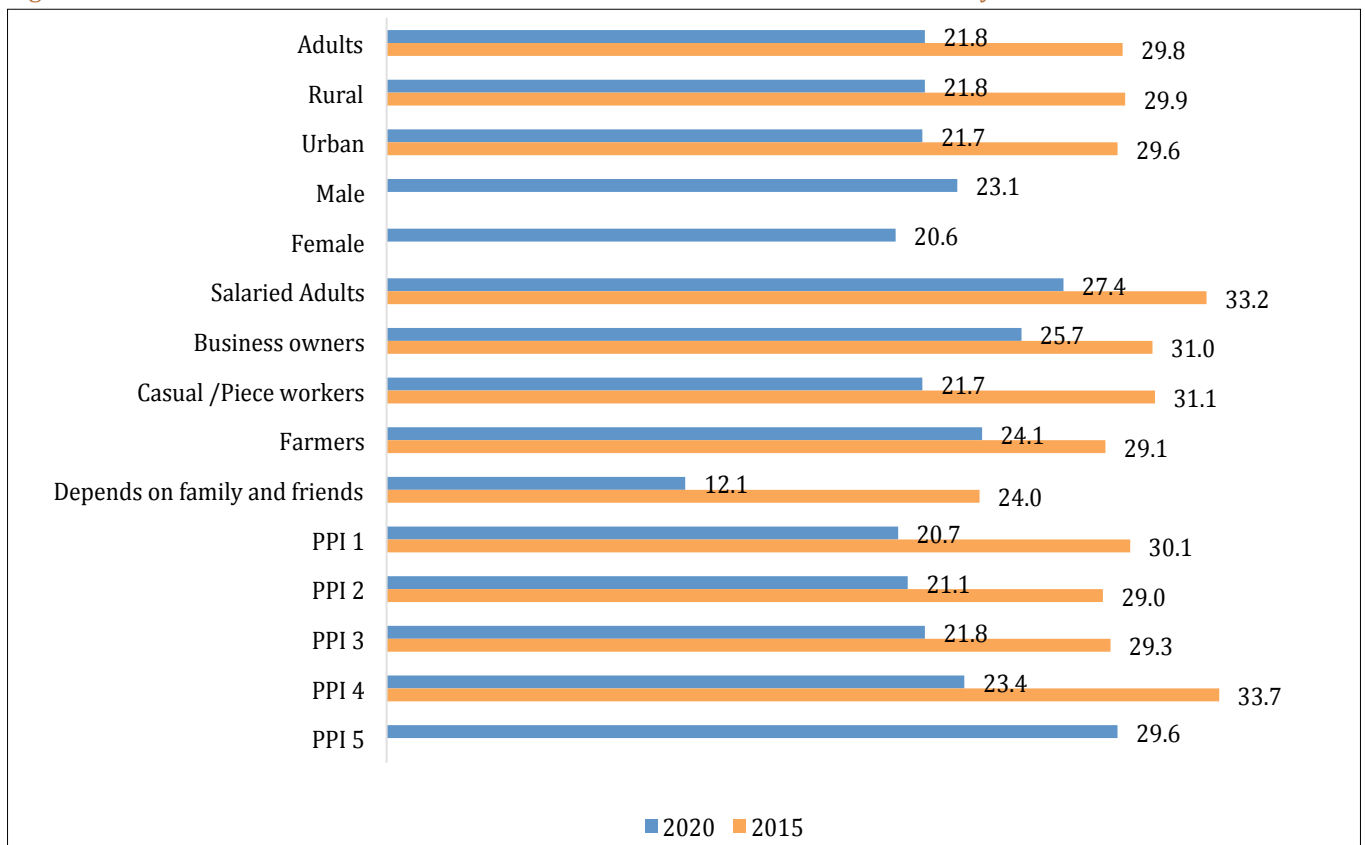
During the 12-month period prior to the Survey, access to credit declined with 21.8 percent of adults indicating that they borrowed money (Figure 64) compared to 29.8 percent in 2015.

9.3.1 Adults Who Borrowed in the 12 Months Period Prior to the Survey

The adults who borrowed were mostly amongst:

- Rural based;
- Males;
- Salaried workers; and
- From households in the highest income quintile of PPI 5.

Figure 64: Percent of Adults Who Borrowed in the 12-Month Period Prior to the Survey

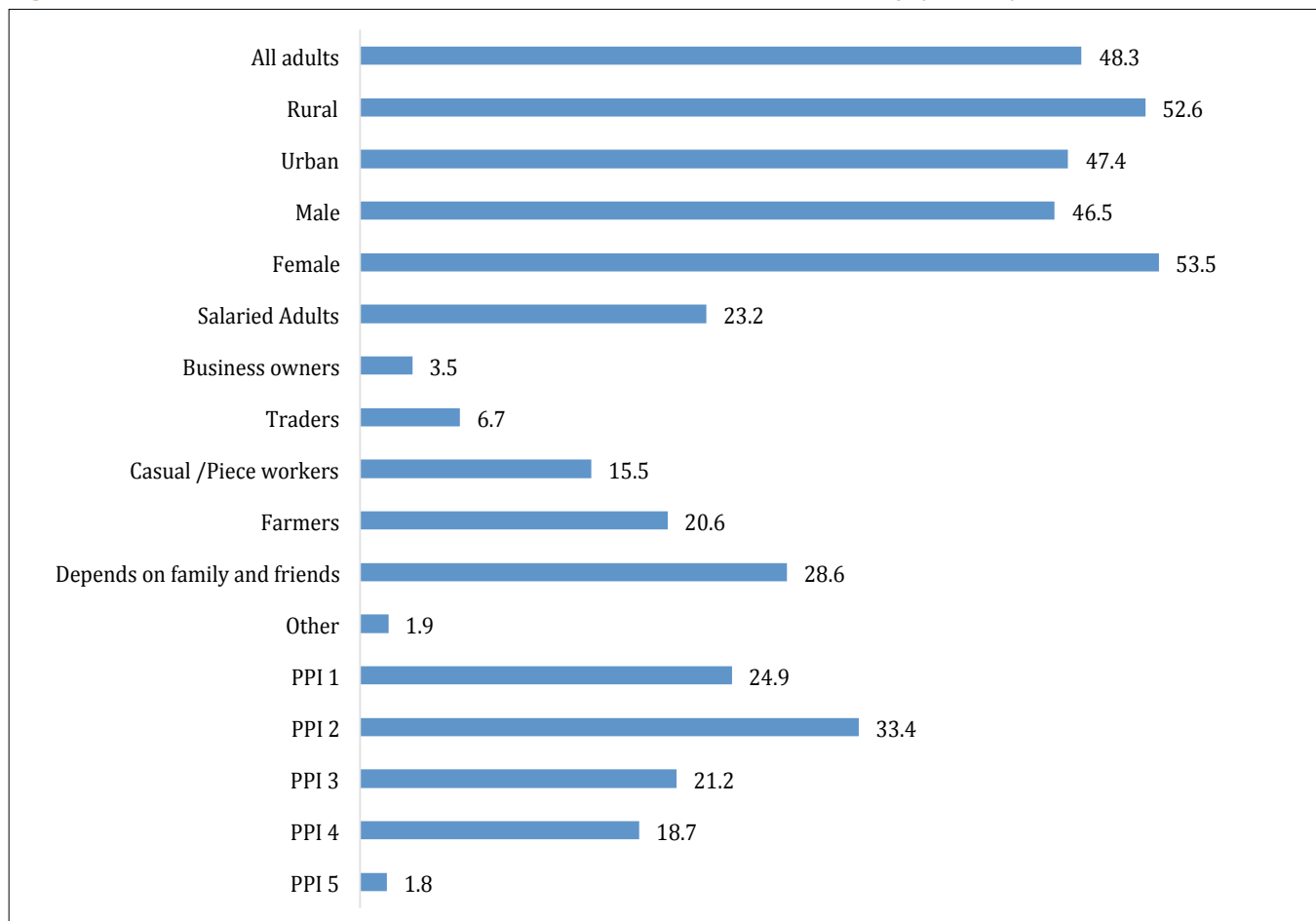


9.3.2 Adults Who did not Borrow in the 12 Month Prior to the Survey

Most adults (81.4 percent) stated that they would avoid borrowing if they could and preferred to save for something rather than borrow (75.8 percent). Adults who did not borrow (48.3 percent) were concerned that they would not be able to meet their repayments. Adults with the tendency not to borrow were most likely to be:

- Rural based;
- Females;
- Those who depended on family and friends;
- From households in the lower income quintile of PPI 2.

Figure 65: Adults Who did not Borrow in the 12-Month Period Prior to the Survey (Percent)



9.3.3 Drivers of Borrowing Behaviour

For the majority of adults, borrowing was a means of smoothening cash-flow to pay for living expenses when they did not have money, 83.2 percent (2015: 22.5 percent) and to cater for farming expenses such as seeds or fertiliser, 75.6 percent (2015: 6.0 percent) (Table 26).

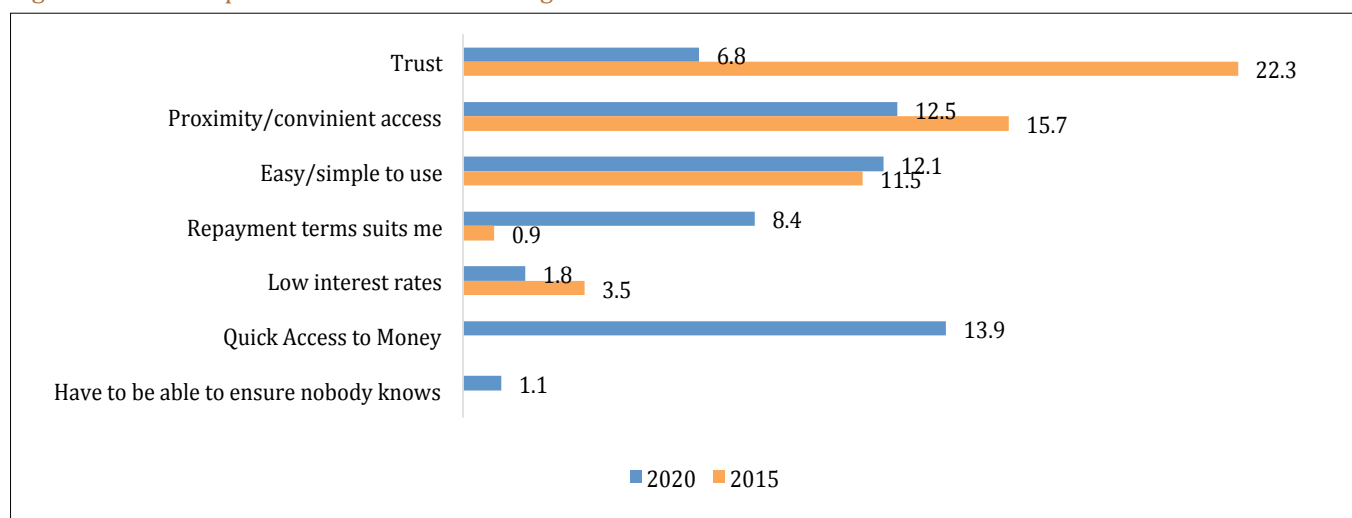
Table 26: Drivers of Borrowing Behaviour (Percent)

Purpose	Drivers	Savers	
		2020	2015
Cash-Flow Management	Living expenses for when you do not have money	83.2	22.5
	Education or school fees	13.9	15.9
	Farming expenses such as seeds or fertiliser	75.6	6.0
	Buying household goods	-	1.5
Risk Management	Business expenses such as additional stock	5.2	5.1
	An emergency other than medical	3.9	6.5
Investing Assets and Productive Activities	medical expenses	8.9	8.7
	Funeral expenses	-	3.5
	Buying business equipment such as a printer or sewing machine etc.	6.1	-
	Buying farming/fishing equipment or implements	-	1.1
	Buying or building a house to live in	-	2.3
	Buying a bicycle, motorcycle, car, truck or other means of transport for personal use	1.0	1.2
	Starting or expanding business	12.6	2.8
	Buying land	9.6	-

9.3.4 Most Important Criteria for Choosing a Lender

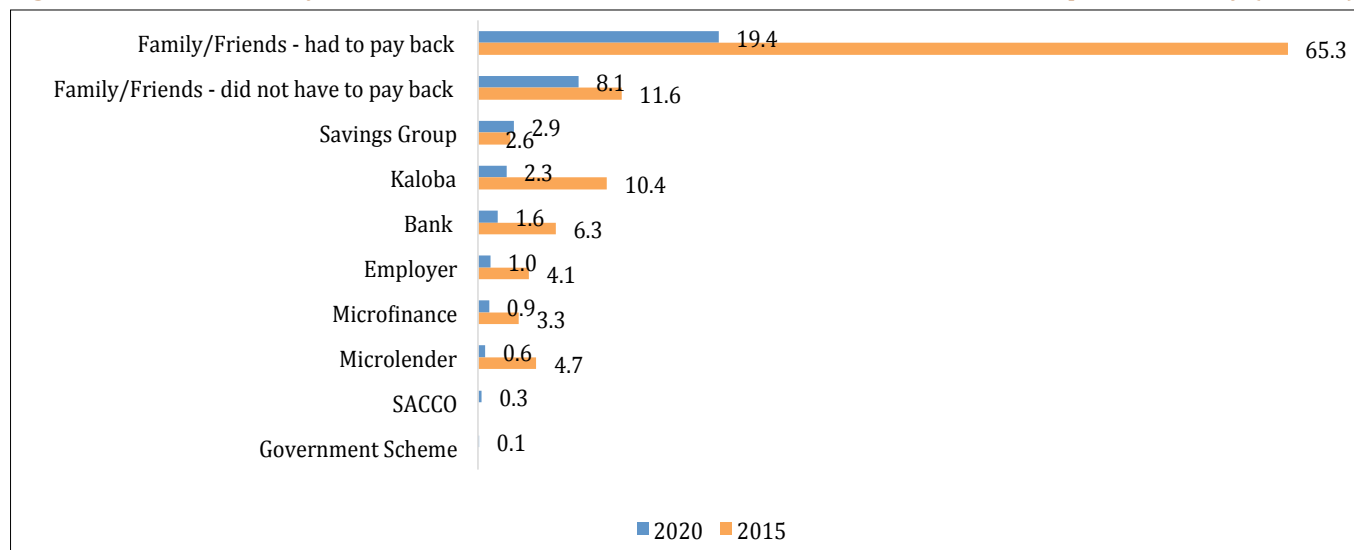
The most important criteria for choosing a lender was the quick access to money (13.9 percent) and proximity/convenient access, 12.5 percent (2015: 15.7 percent). Consideration of low interest was the least important factor for selecting a lender (Figure 66).

Figure 66: Most Important Criteria for Choosing a Lender



The primary source of borrowing by 62.9 percent of adults was from family/friends (2015: 76.9 percent). Of these, 19.4 percent (2015: 65.3 percent) had to pay back while 8.1 percent (2015: 11.6 percent) did not have to pay back (Figure 67).

Figure 67: Lenders Used by Adults Who Borrowed in the 12-Month Period Prior to the FinScope 2020 Survey (Percent)



The highest proportion of adults who borrowed from family and friends was from urban areas at 25.6 percent. Adults who borrowed from family and friends were more likely to be:

- Urban based (26.0 percent);
- Males (51.1 percent);
- Salaried employees (30.4 percent); and
- From households in the lower income quintile of PPI 2 (30.5 percent).

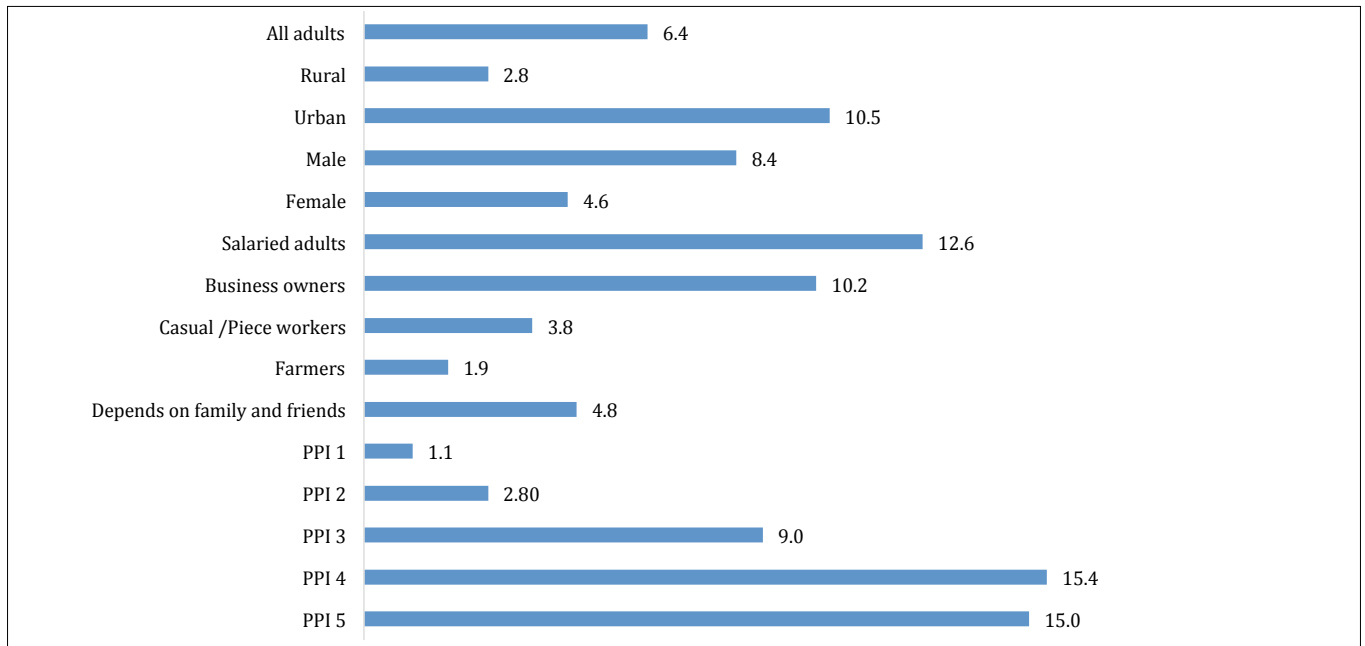
Only a few adults borrowed from formal institutions such as microfinance institutions (0.9 percent) and micro lenders (0.6 percent) in the 12 months prior to the Survey.

9.3.5 Awareness of Credit Reference Bureau Services

The Survey indicated that only 6.4 percent of adults were aware of the Credit Reference Bureau (CRB) (Figure 68). The profile of adults most aware about CRB services were as follows:

- Urban based;
- Males;
- Salaried workers; and
- Those from households in the higher income quintiles of PPI 4 and PPI 5.

Figure 68: Awareness and Usage of CRB Services (Percent)

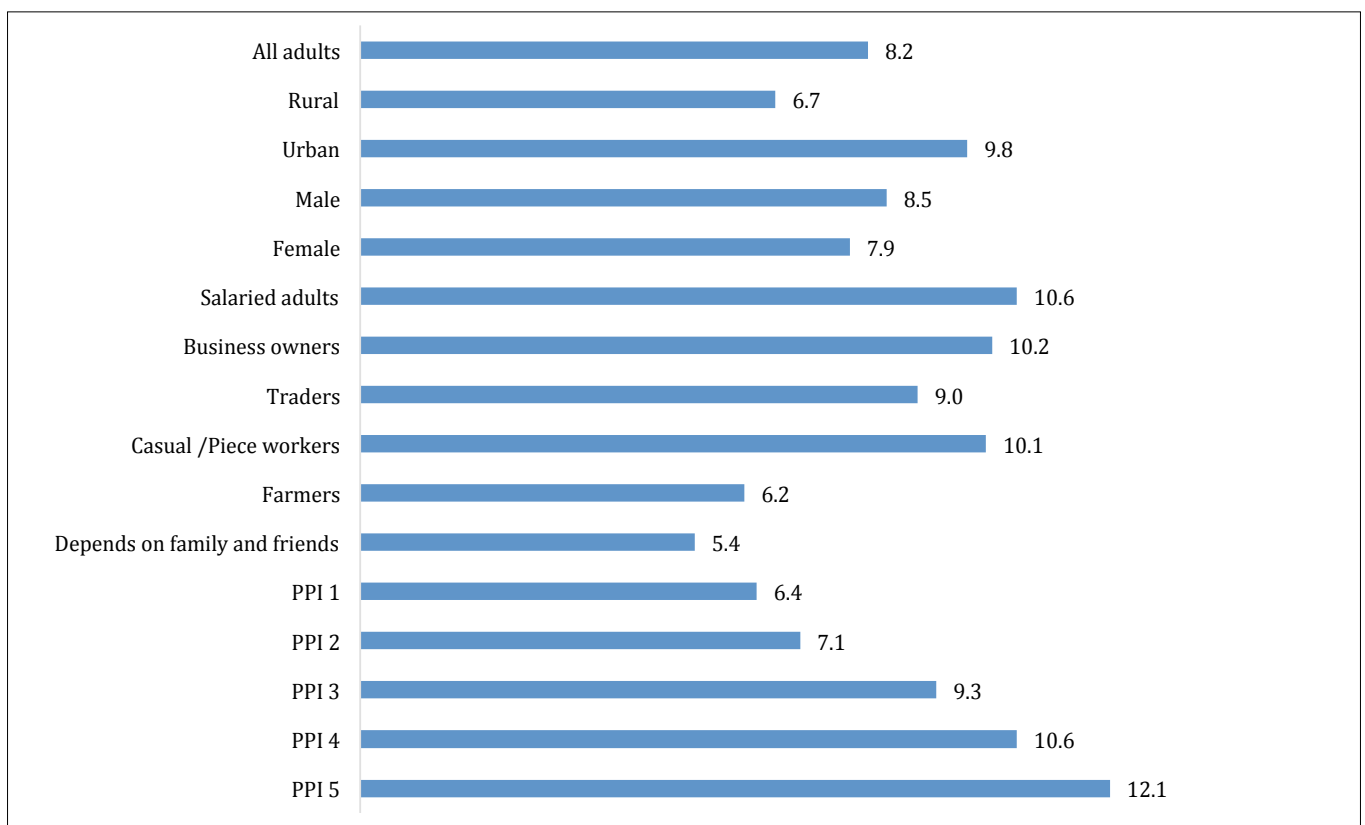


9.3.6 Reasons for Missing Loan Repayments

Adults that missed loan repayments accounted for 8.2 percent (Figure 69). The highest proportions of adults who missed loan repayments were amongst:

- Urban based;
- Males;
- Salaried workers; and
- Individuals from households in the highest income quintile of PPI 5.

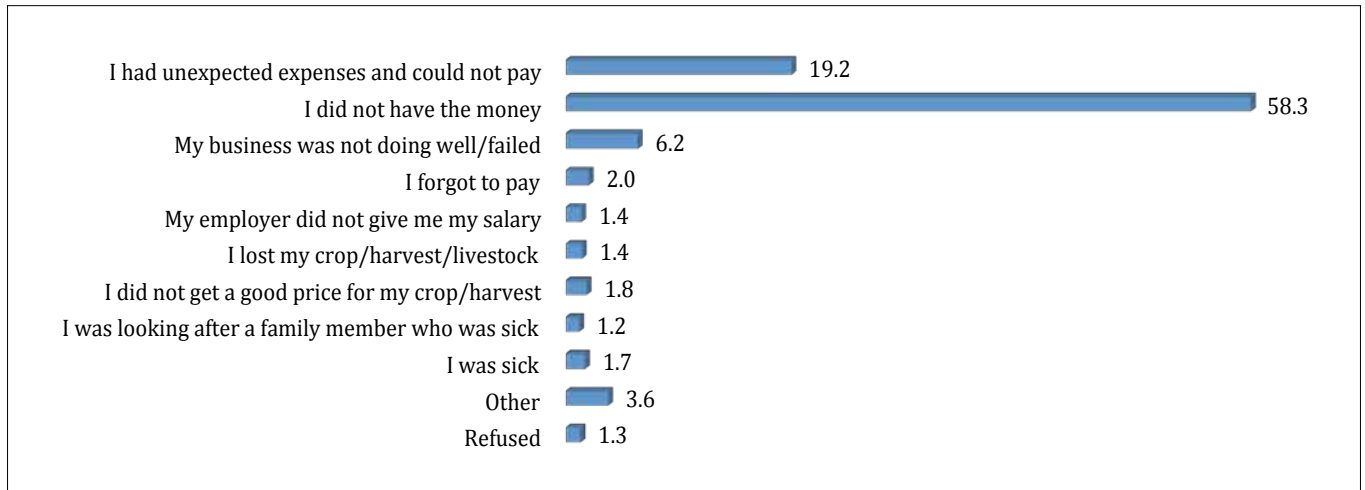
Figure 69: Profile of Adults Who Missed Loan Repayments (Percent)



The Survey findings indicated that most adults missed loan repayments for the following reasons (Figure 70):

- Did not have the money to meet loan repayments (58.3 percent);
- Had other unexpected expenses (19.2 percent); and
- Businesses were not doing well or had failed (6.2 percent).

Figure 70: Reasons for Missing Loan Repayments (Percent)



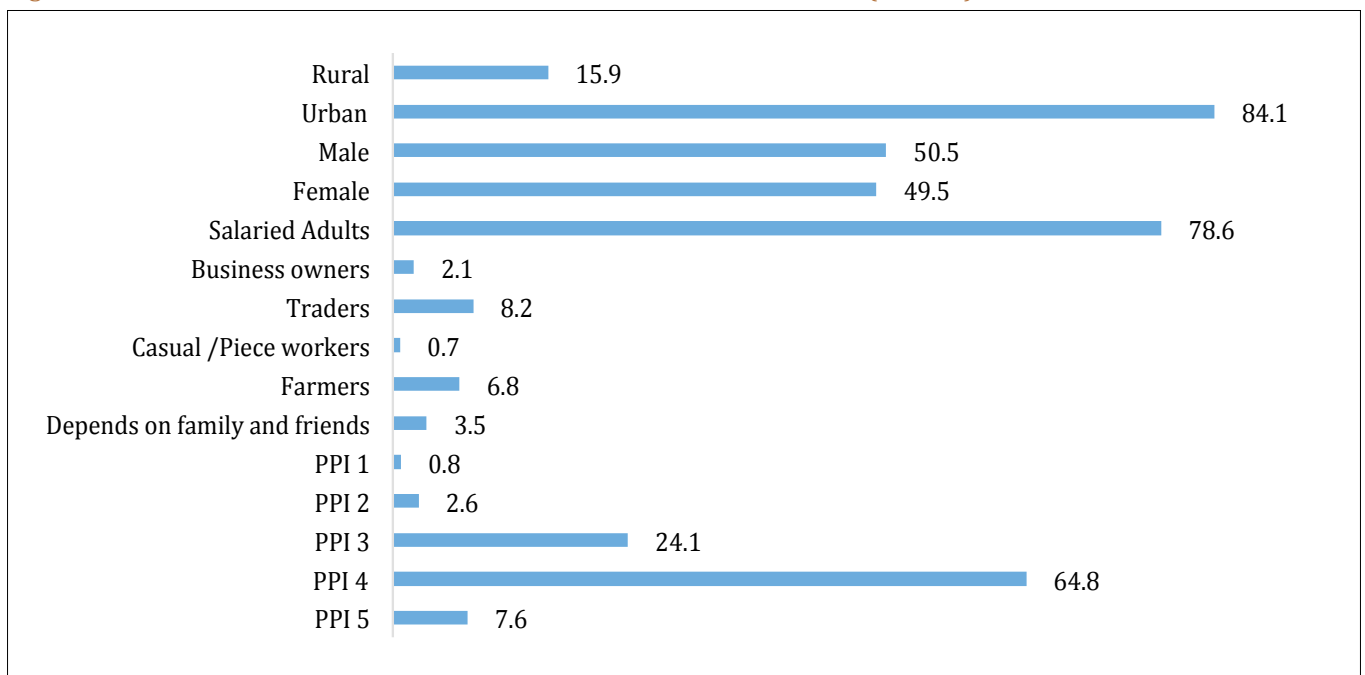
9.3.7 Reasons for Refusal to Grant Loans to Applicants

9.3.7.1 Commercial Banks

The Survey indicated that 21.7 percent of adults who applied for loans from commercial banks were unsuccessful. Most of these adults were:

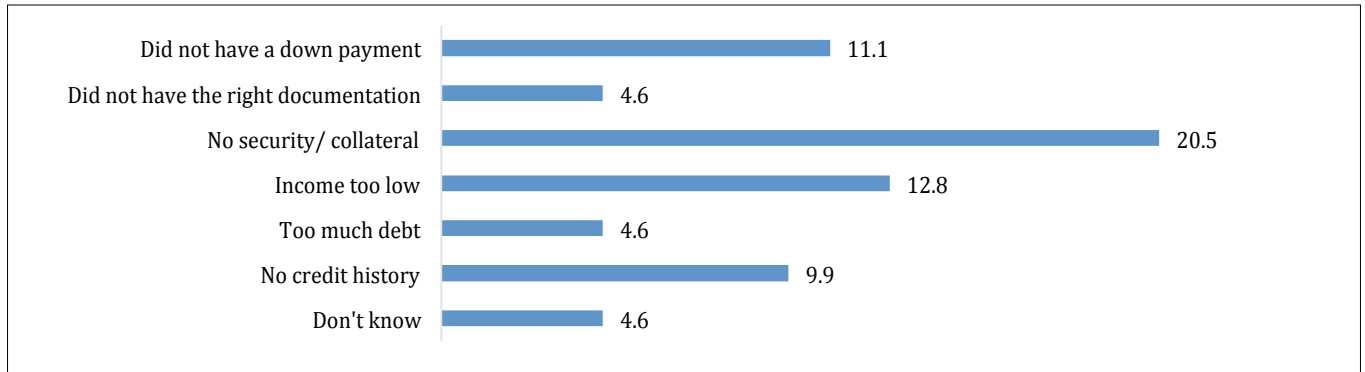
- Urban based;
- Male;
- Salaried workers; and
- Individuals from households in the high income quintile of PP1 4.

Figure 71: Profile of Adults Unable to Access Loans from Commercial Banks (Percent)



According to the Survey, lack of collateral (20.5 percent) and low income (12.8 percent) levels were the main reasons why applicants were unable to access loans from commercial banks (Figure 72).

Figure 72 Reasons for Refusal to Grant Loans to Applicants by Commercial Banks (Percent)

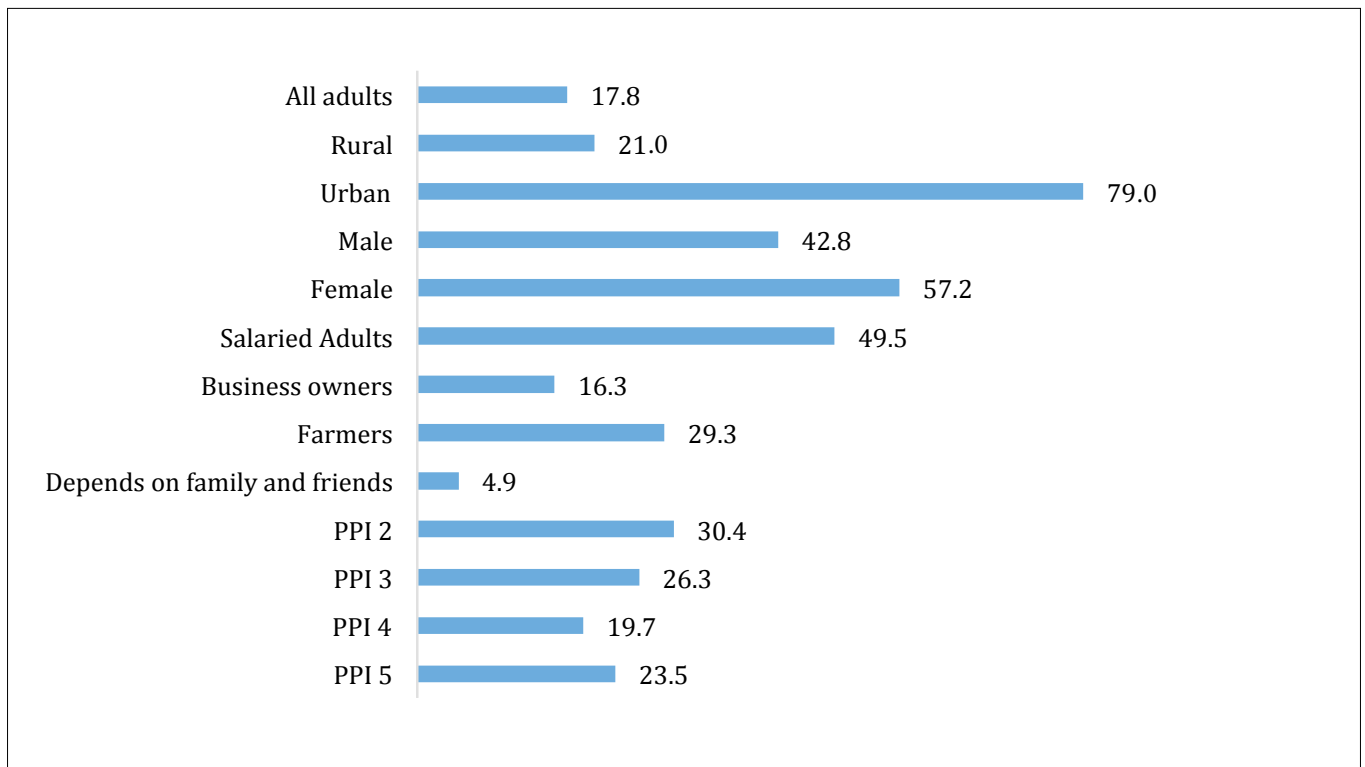


9.3.7.2 Micro Financial Institutions

The Survey indicated that 17.8 percent of adults who applied for loans from MFIs were unsuccessful. Most of these were:

- Urban based;
- Females;
- Salaried workers; and
- Adults from households in the lower income quintile of PPI 2.

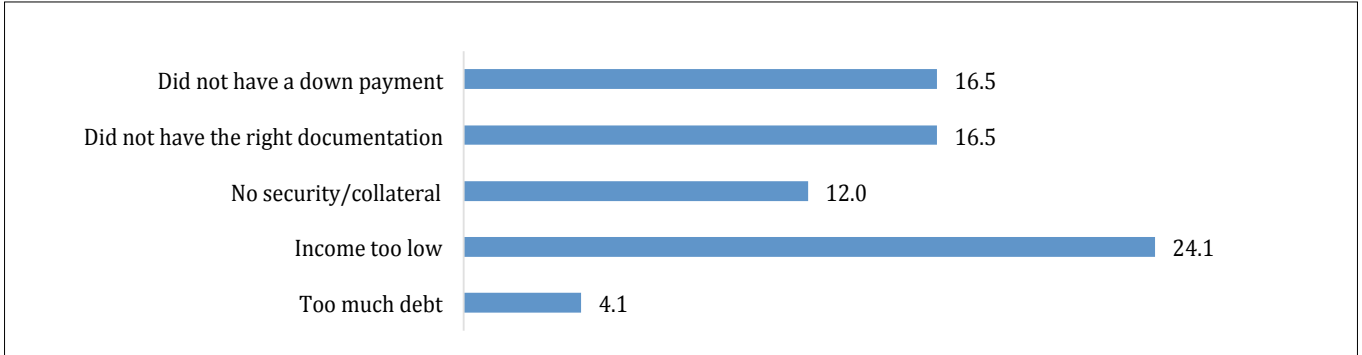
Figure 73: Profile of Adults Who Failed to Access Loans from MFIs (Percent)



The reasons for refusal by MFIs to grant loans as reported by most adults were (Figure 74):

- Low income levels(24.1 percent);
- Lack of money for down payment (16.5 percent); and
- Lack of correct documentation (16.5 percent)

Figure 74: Reasons for Refusal to Grant Loans to Applicants by Micro-Financial Institutions (Percent)

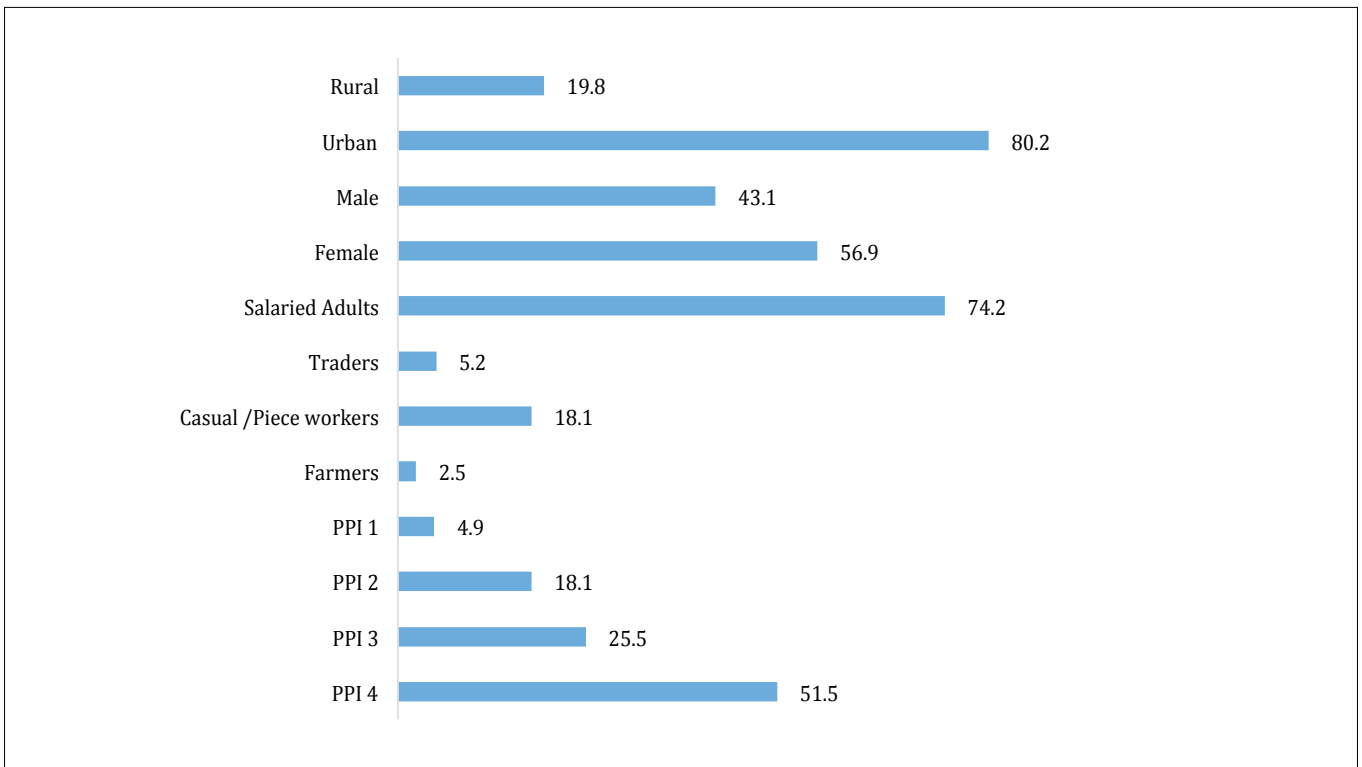


9.3.7.3 Micro-Lenders

The Survey indicated that 11.6 percent of adults were denied loans by micro lending institutions. These were mostly (Figure 75):

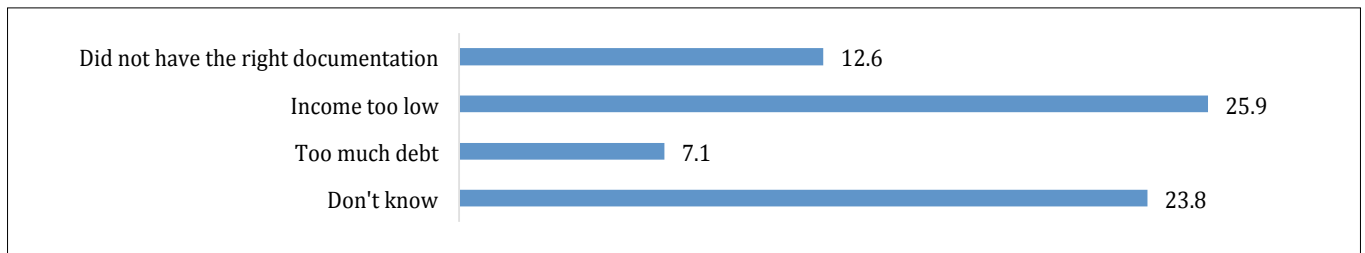
- Urban based;
- Females;
- Salaried workers; and
- Individuals from households in highest income quintile of PPI 4.

Figure 75: Profile of Adults Denied Loans by Micro Lending Institutions (Percent)



As shown in Figure 76, the main reasons for the failure to access micro loans were low-income levels and lack of correct documentation. In addition, 23.8 percent did not know why their loan applications were unsuccessful.

Figure 76: Reasons for Refusal to Grant Loans to Applicants by Micro-Lenders (Percent)



9.4 Insurance Services

The Survey indicated that 6.3 percent of adults were insured compared to 2.8 percent in 2015. Most of these adults were (Figure 77):

- Urban based;
- Male;
- Salaried; and
- From households in income quintile PPI 4.

Figure 77: Profile of Adults Who Used Insurance Services (Percent)

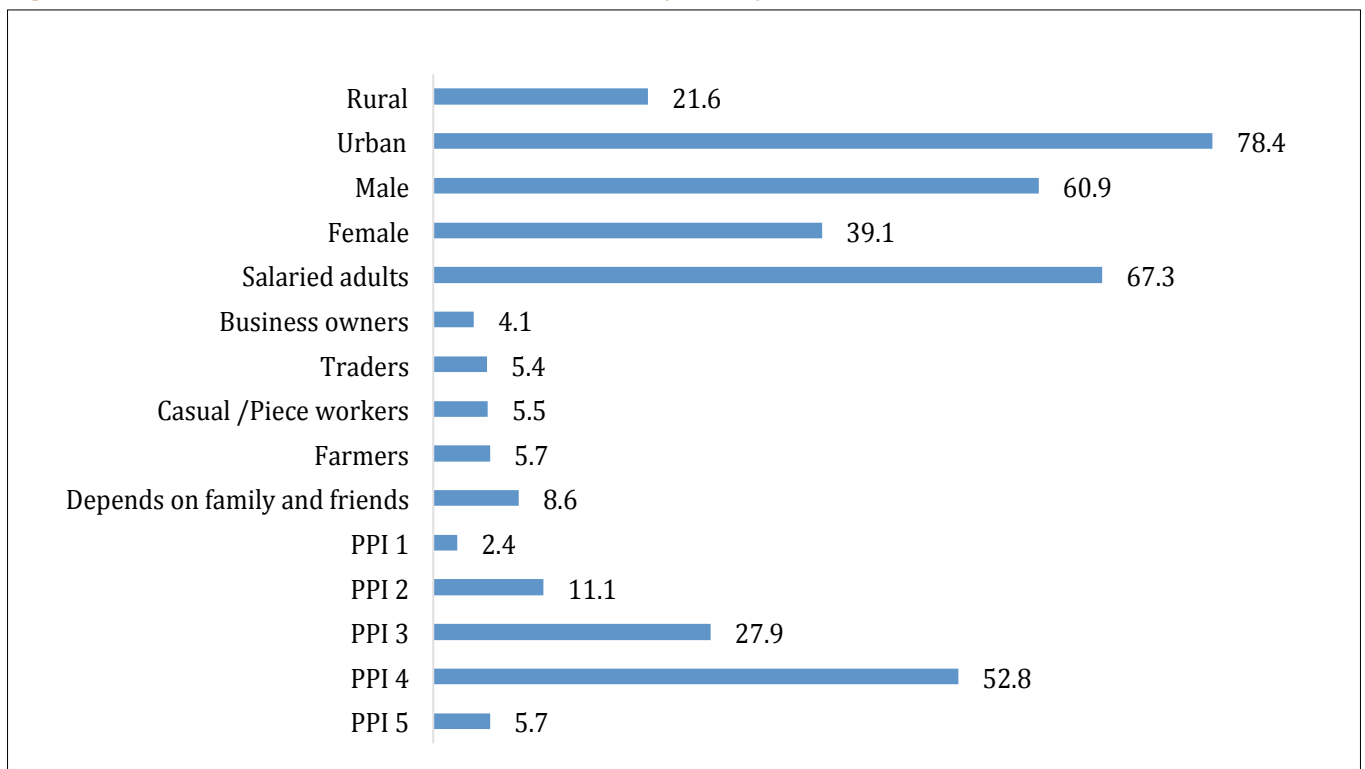
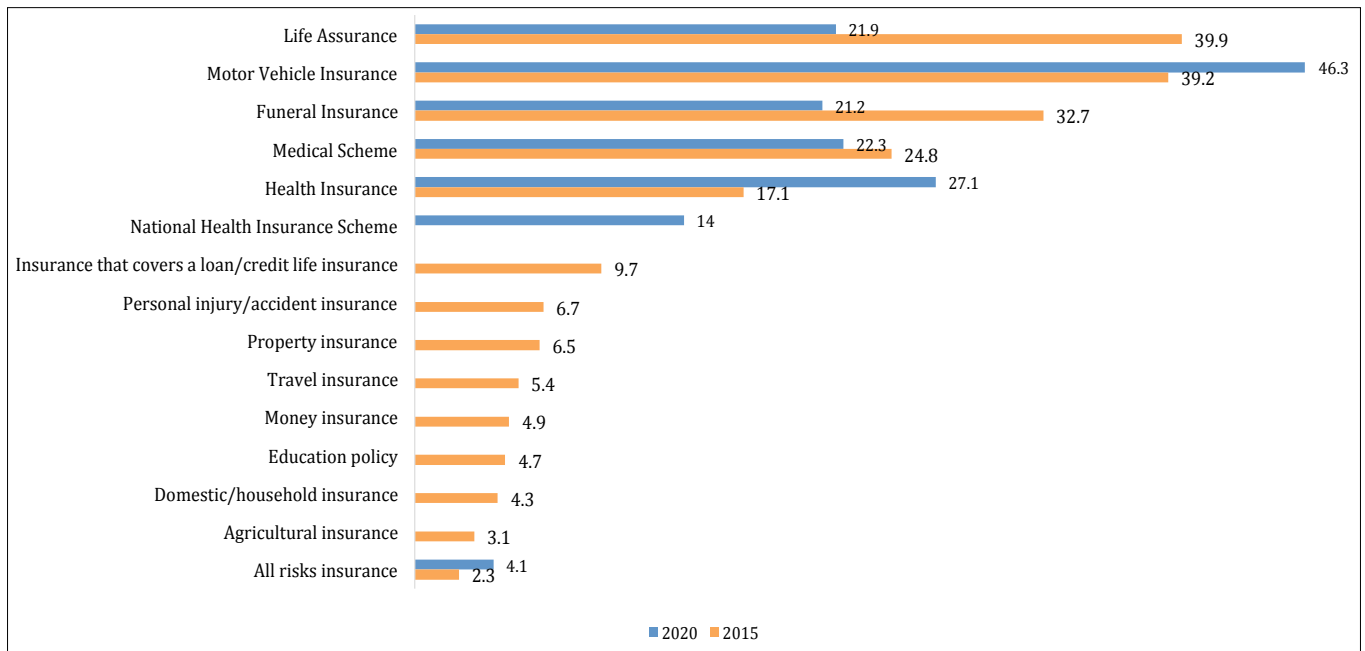


Figure 78 illustrates that most adults have motor vehicle insurance, 46.3 percent (2015: 39.2 percent), which is mandatory for vehicle owners, health insurance, 27.1 percent (2015: 17.1 percent) and belongs to a medical scheme, 22.3 percent (24.8 percent).

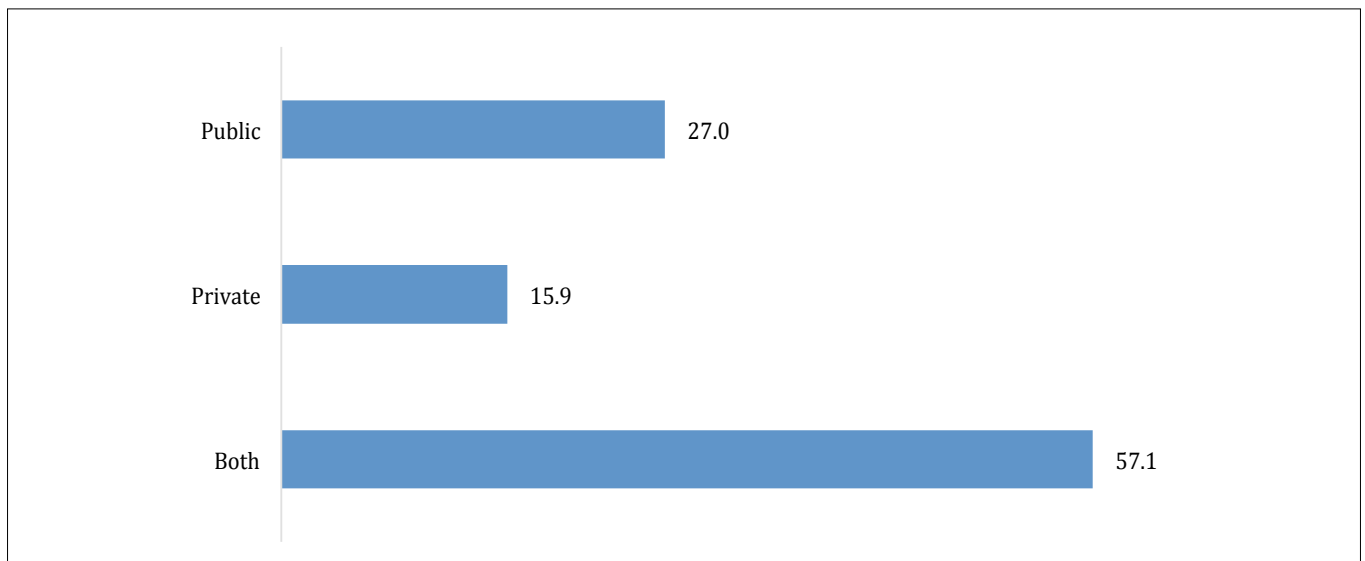
Figure 78: Type of Insurance Products Held by Adults (Percent)



9.5 Pension Services

The Survey revealed that 8.2 percent of adults were contributing to a pension scheme compared to 3.8 percent in 2015. The largest proportion was for adults who were contributing to both public and private pension schemes, at 57.1 percent. Of these, 27.0 percent were contributing to a public pension scheme while 15.9 percent were contributing to a private pension scheme (Figure 79).

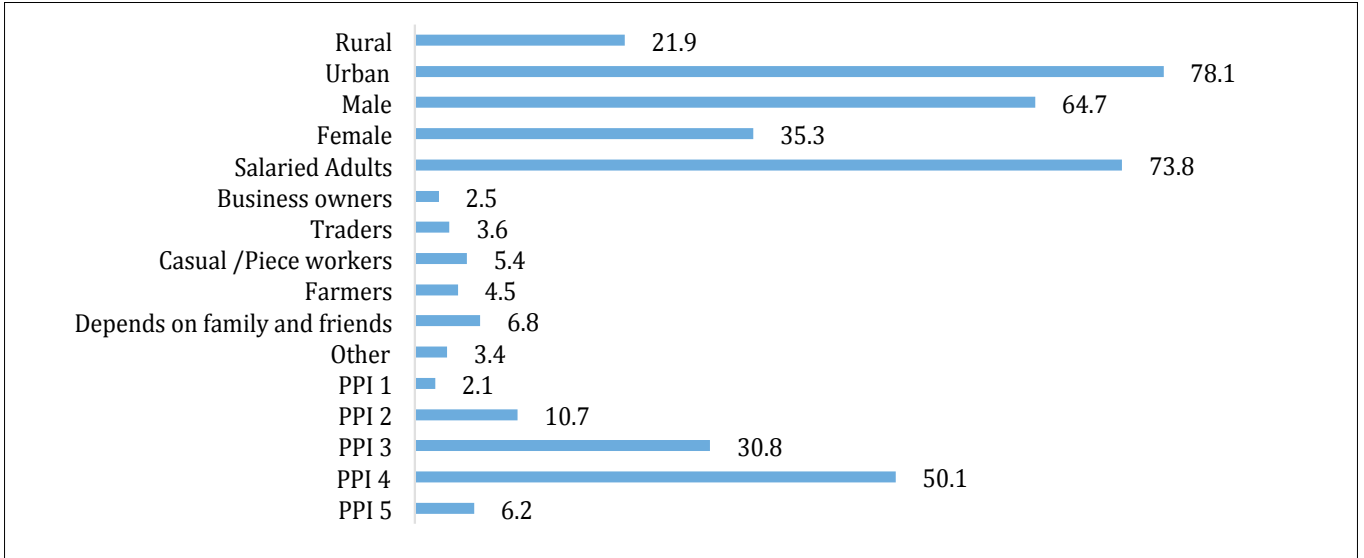
Figure 79: Adults Who Contribute to Pension Schemes (Percent)



The survey indicated that adults contributing to a pension scheme were most likely to be:

- Urban based;
- Male;
- Salaried; and
- Individuals from households in middle and higher income quintiles of PPI 3 and PPI 4.

Figure 80: Profile of Adults Who Contribute to Pension Schemes (Percent)



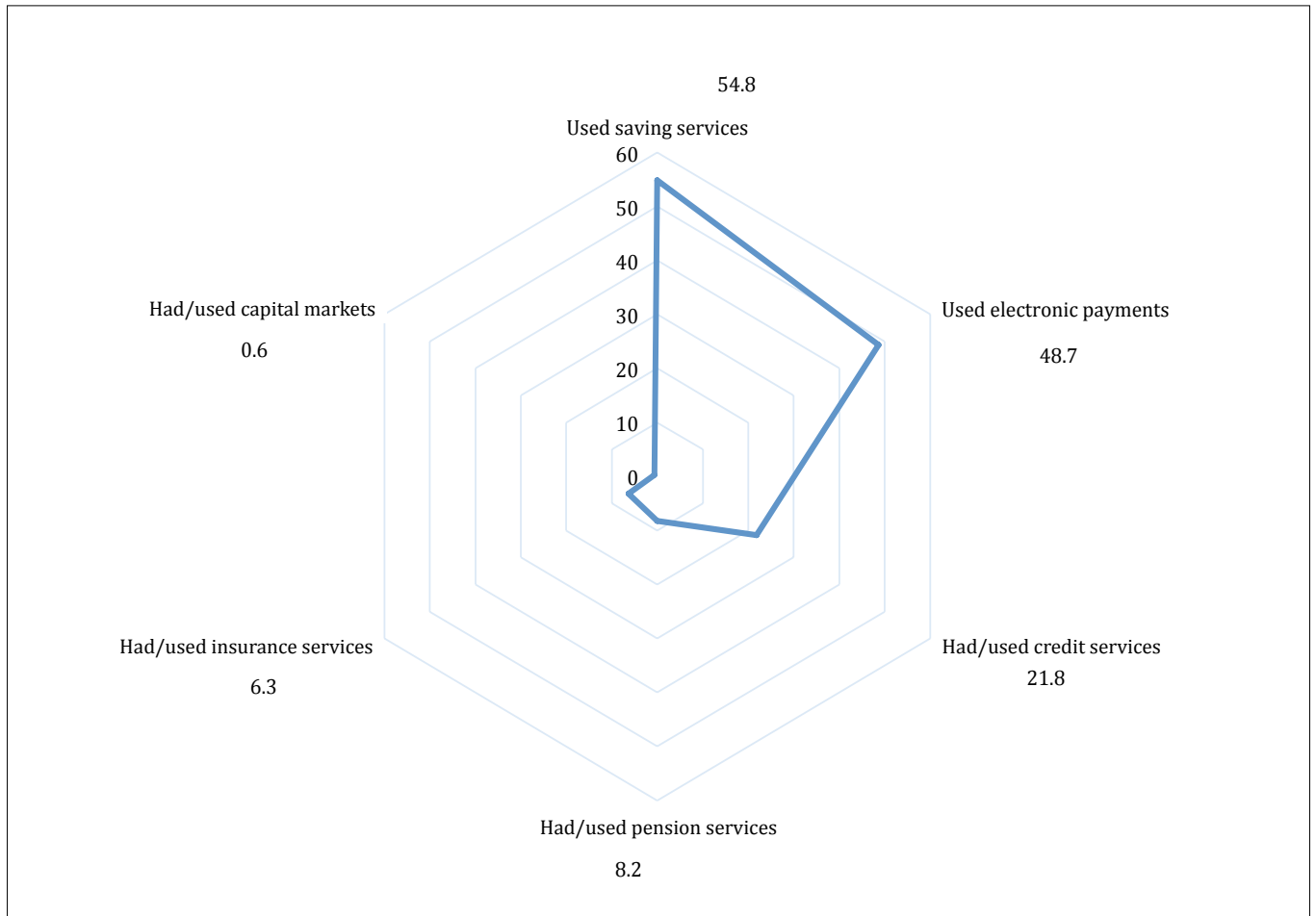
9.6 Landscape of Access

The landscape of access (Figure 81) provides a summary of the FinScope 2020 findings discussed in Sections 9.1 to 9.5 of this report (i.e. of the types of financial services used by adults). The most significant increase since 2015 in terms of the proportion of adults who have or use financial services has been with regard to:

- Use of electronic payment methods for the purchase of goods and services which increased to 48.7 percent (4.6 million adults) from 14.4 percent (1.2 million adults) in 2015; and
- Bill payments using electronic channels that increased to 77.2 percent from 19.5 percent in 2015.

There was a decrease in respect to the proportion of adults having or using savings products to 54.8 percent from 63.1 percent in 2015. Similarly, the proportion of adults who have or use credit services declined to 21.8 percent from 29.8 percent in 2015. However, there was a marginal rise on the proportion of adults who have or use insurance to 6.3 percent from 2.8 percent in 2015 as well as pension services to 8.2 percent from 3.8 percent.

Figure 80: Landscape of Formal Financial Access (Percent)



10. FINANCIAL HEALTH AND LITERACY

10.1 Financial Health

Financial health is the ability to manage expenses, prepare for and recover from financial shocks, have minimal debt, and ability to build wealth. This measure helps us assess whether increases in financial inclusion are enabling households to have better financial health. It also provides the Government and financial stakeholders with information that can help devise measures for economic recovery.

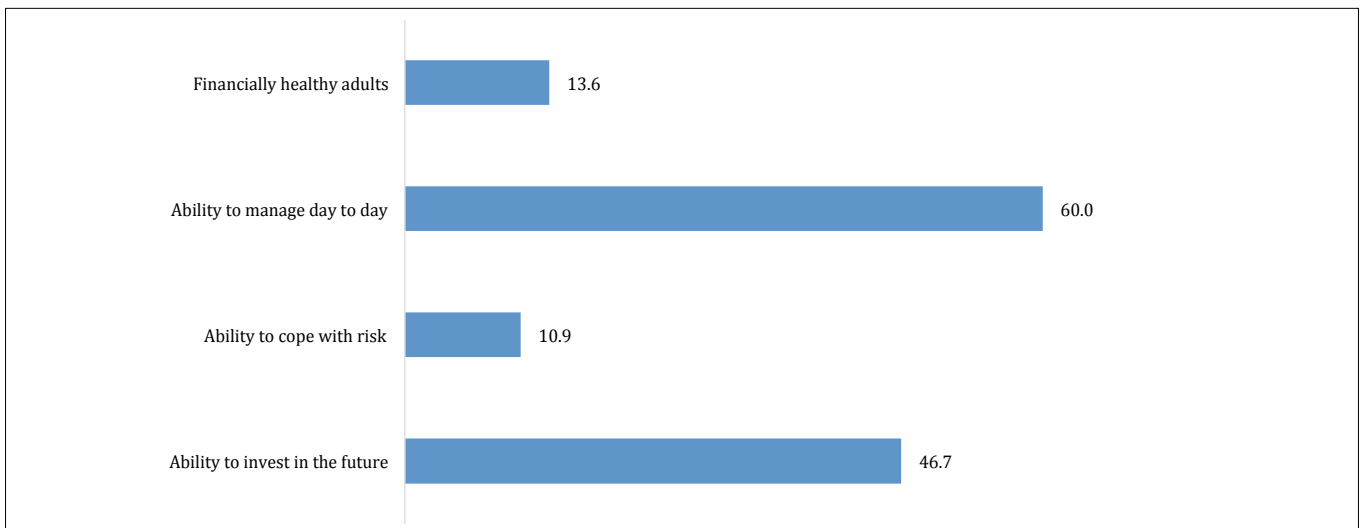
Financial health is measured by a multidimensional score made up of three dimensions:

1. Ability to manage everyday finances;
2. Ability to cope with risk; and
3. Ability to invest in livelihoods and the future.

The Survey estimated the financial health status of the adult population by summing up equally weighted scores from 11 survey questions mapped to the three dimensions. An individual was financially healthy if they satisfied six out of the 11 dimensions.

The results of the Survey indicated a generally low level of financial health at 13.6 percent, with a lot of variation across the three dimensions. The ability to manage the day-to-day needs stood at 60.0 percent of the adult population. Less than half of the population (46.7 percent) indicated that they had the ability to invest in the future, while ability to cope with risk was the lowest amongst the three dimensions at 10.9 percent (Figure 82).

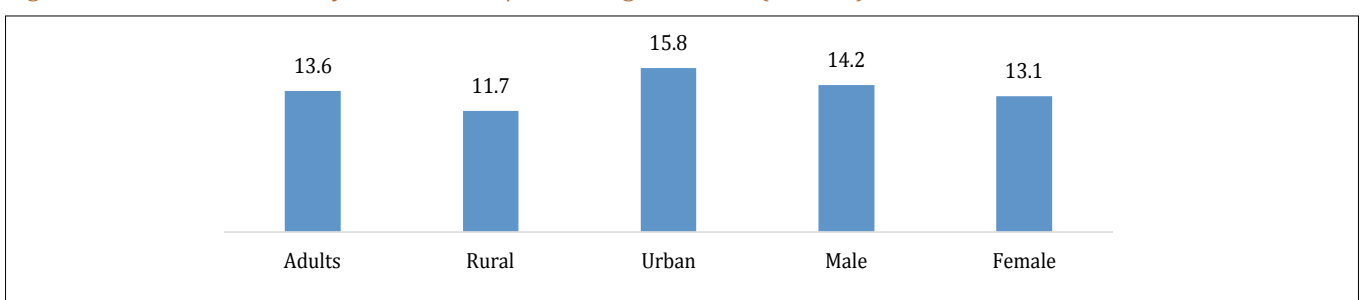
Figure 82: Financial Health Status (Percent)



10.1.1 Financial Health by Sex and Region

The urban population were found to be more financially healthy at 15.8 percent compared to rural adults at 11.7 percent. Further, the Survey revealed that the males were more financially healthy at 14.2 percent compared to females at 13.1 percent (Figure 83).

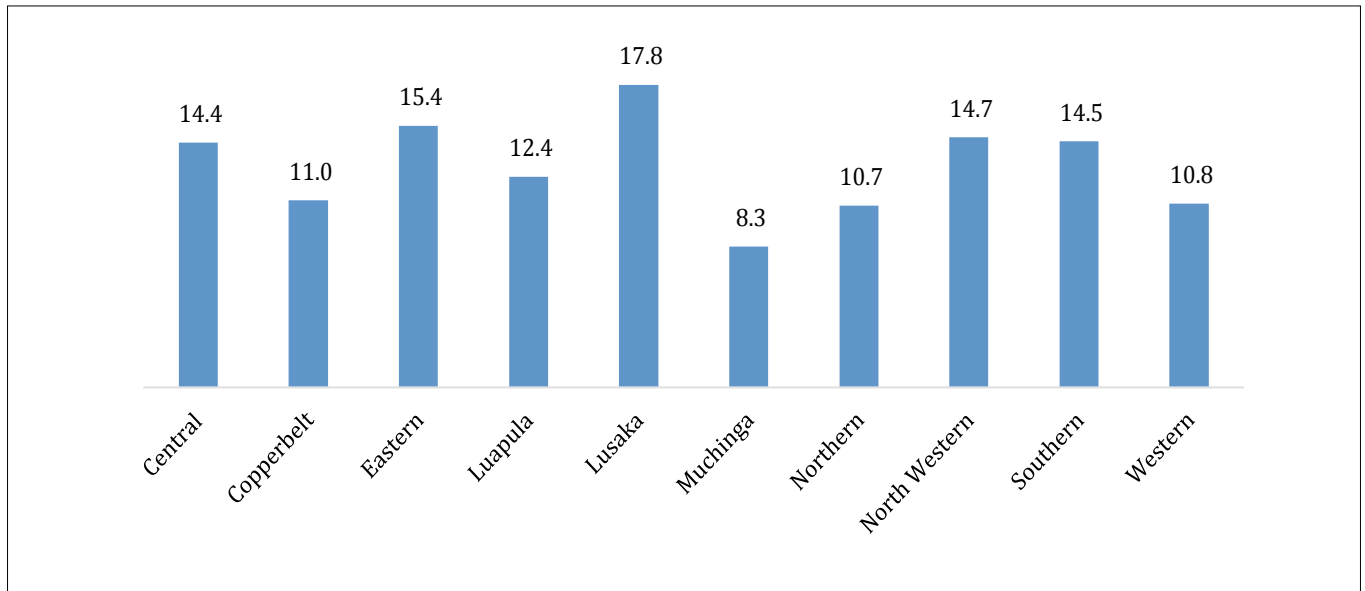
Figure 83: Financial Health by Sex and Rural/Urban Segmentation (Percent)



10.1.2 Financial Health by Province

At provincial level, adults residing in Lusaka Province were the most financially healthy at 17.8 percent, while the least financially healthy were adults from Muchinga Province at 8.3 percent (Figure 84).

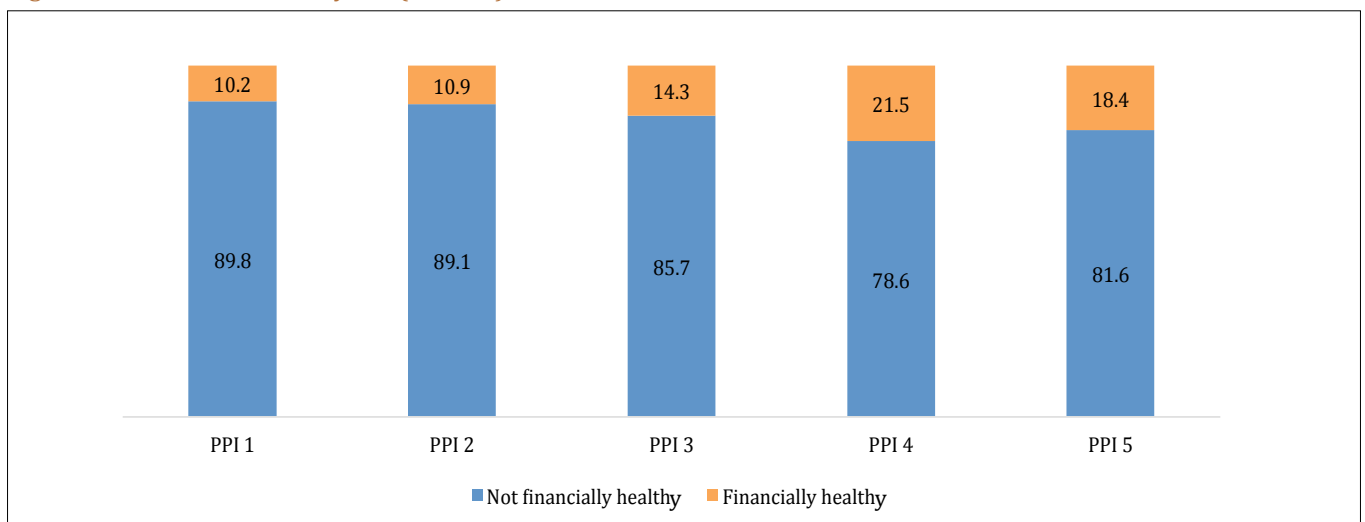
Figure 84: Financial Health by Province (Percent)



10.1.3 Financial Health by Progression out of Poverty Index

On average, 85 percent of adults were not financially healthy. This notwithstanding, the level of financial health amongst adults rose in line with progression into the higher income levels. Only 10.2 percent of the poorest adults (PPI 1) were financially healthy compared to 14.3 percent in the middle-income quintile (PPI 3) and 21.5 percent in the higher income category (PPI 4) (Figure 85).

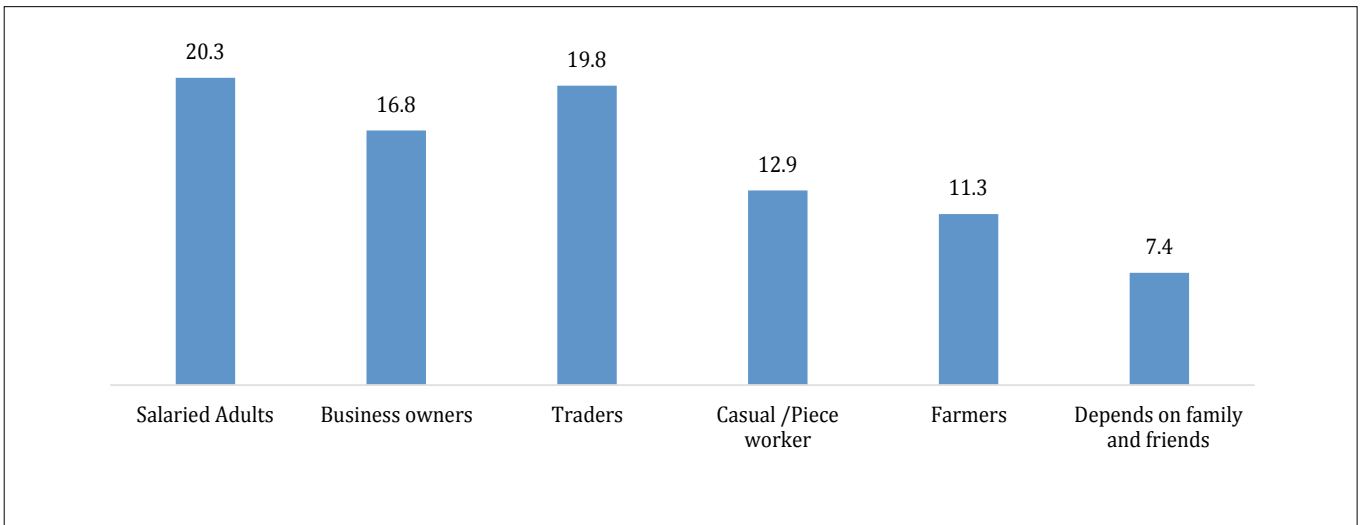
Figure 85: Financial Health by PPI (Percent)



10.1.4 Financial health and Source of Livelihood

Salaried employees (20.3 percent) and traders (19.8 percent) were the most financially healthy while those who depended on family members were the least at 7.4 percent (Figure 86).

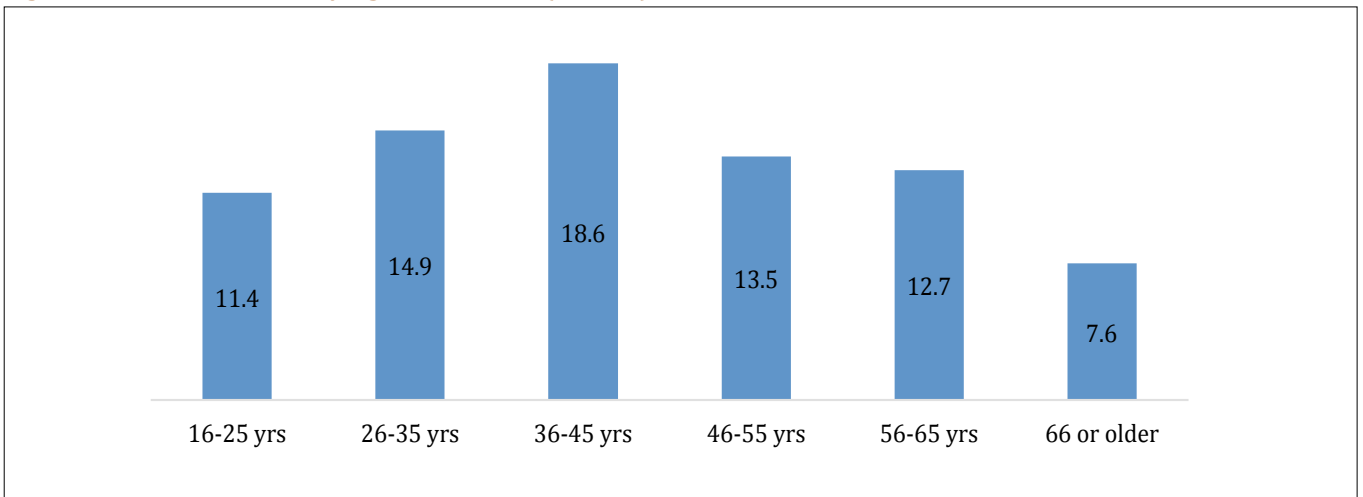
Figure 86: Financial Health by Livelihood (Percent)



10.1.5 Financial Health by Age

The adult population in the age group 36-45 years were the most financially healthy compared to other age groups. The least financially healthy population was in the age group 66 years and older (Figure 87).

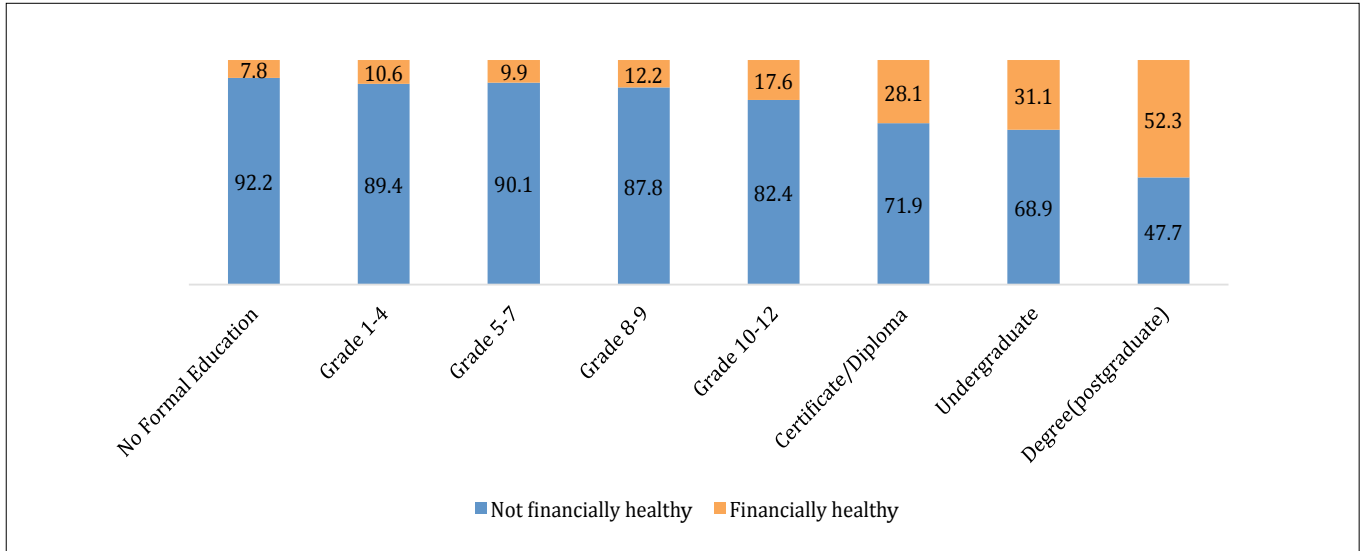
Figure 87: Financial Health by Age Distribution (Percent)



10.1.6 Financial Health and Level of Education

The level of financial health improved with progression in the level of education. The Survey indicated that 52.3 percent of the adult population with postgraduate degrees were the most financially healthy. This was followed by those who had attained undergraduate education (31.1 percent). Adults without formal education (7.8 percent) were the least financially healthy (Figure 88).

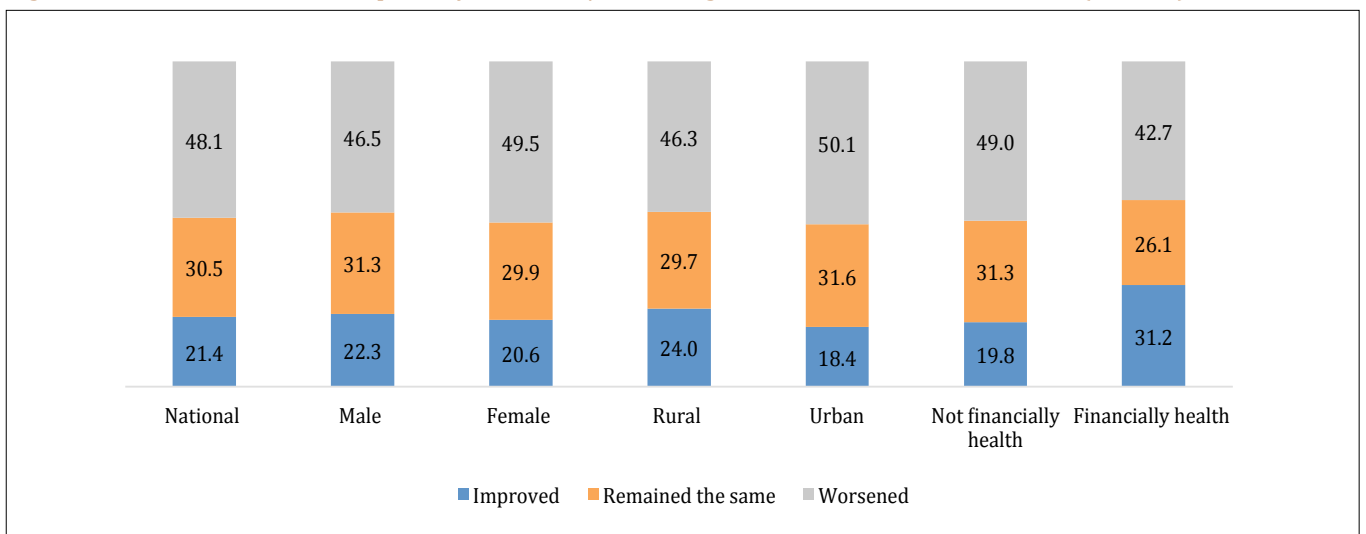
Figure 88: Financial Health by Level of Education (Percent)



10.2 Self-Reported Financial Status

With respect to self-reported financial status, 48.1 percent of the adult population reported that their financial status had worsened in the 12 months prior to the Survey. This was in line with 49.0 percent of the adult population that indicated that they were not financially healthy. More females (49.5 percent) reported that their financial status had worsened compared to males (46.5 percent). In terms of regional distribution, a greater proportion of adults residing in the urban areas (50.1 percent) reported worsened financial status compared to 46.3 percent in rural areas (Figure 89).

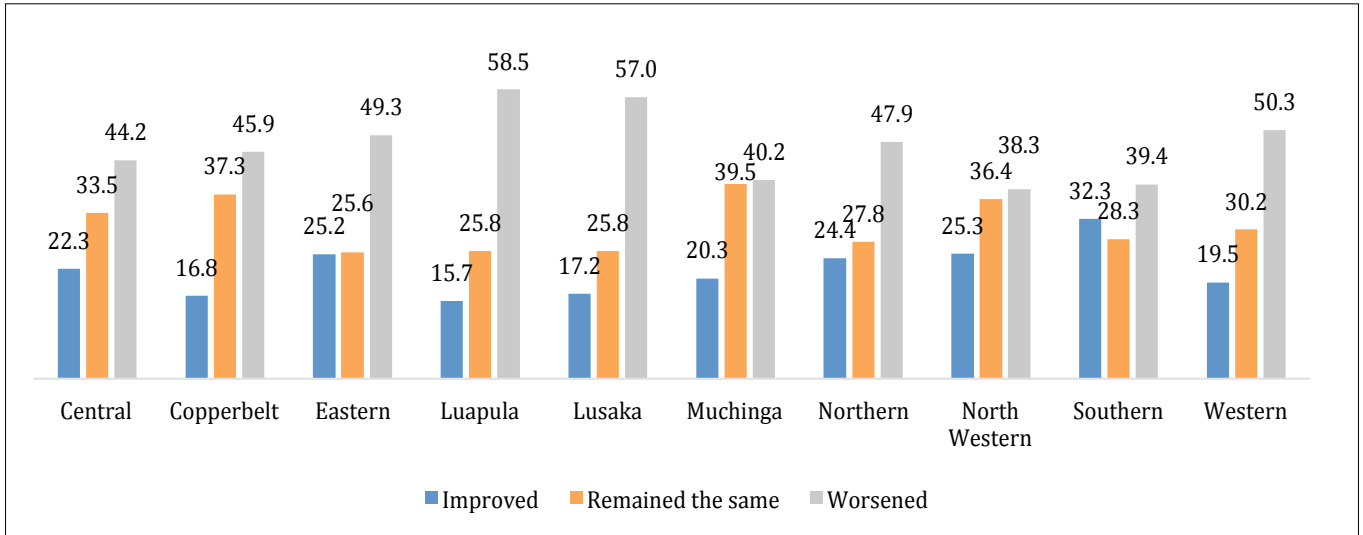
Figure 89: Financial Status Perception by Sex, Rural/Urban Segmentation and Financial Health (Percent)



10.2.1 Financial Status Perception by Province

More than 50 percent of the adult population perceived that their financial status had worsened in the last 12 months prior to the Survey in the following provinces: Luapula (58.5 percent), Lusaka (57.0 percent) and Western province (50.3 percent). Southern Province, at 32.3 percent, recorded the highest proportion of the adult population who perceived their financial status to have improved (Figure 90).

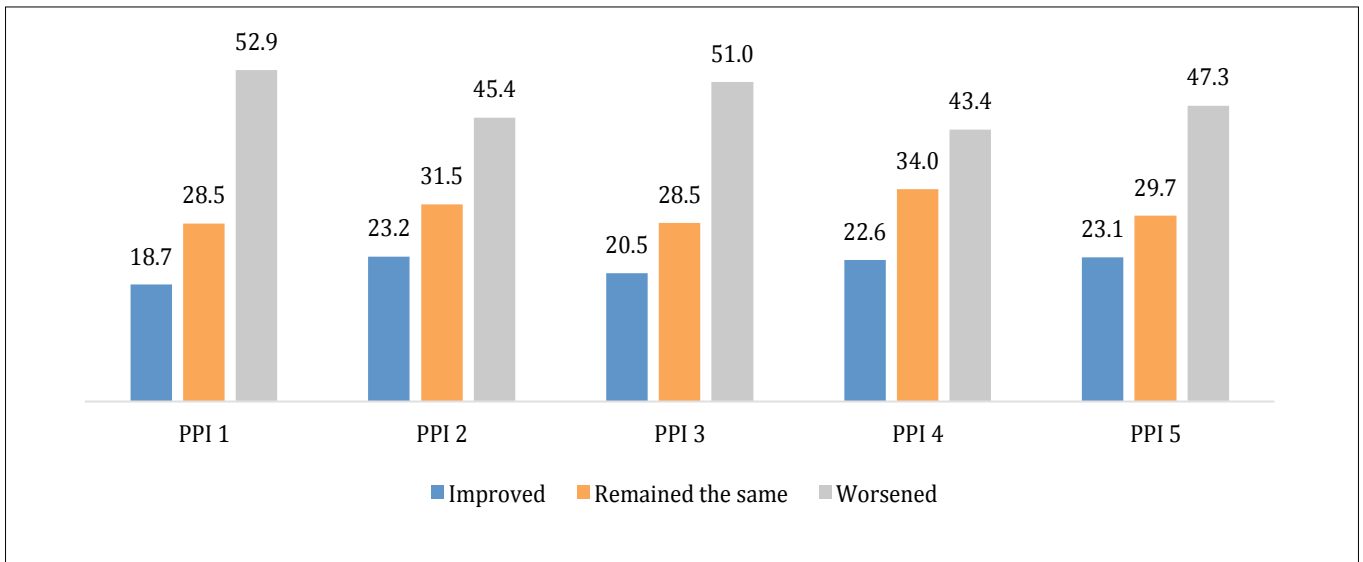
Figure 90: Financial Status Perception by Province (Percent)



10.2.2 Financial Status Perception and Progression Out of Poverty Index

Most of the adult population across all the income categories (PPIs) perceived that their financial status had worsened in the 12 months prior to the Survey (Figure 91). The highest proportion of adults who reported that their financial status had improved were in PPI 2 (23.1) and PPI 5 (23.1 percent). Adults in PPI 4 had the highest proportion of those who reported that their financial status had remained the same, at 34 percent.

Figure 91: Financial Health Status by PPI (Percent)



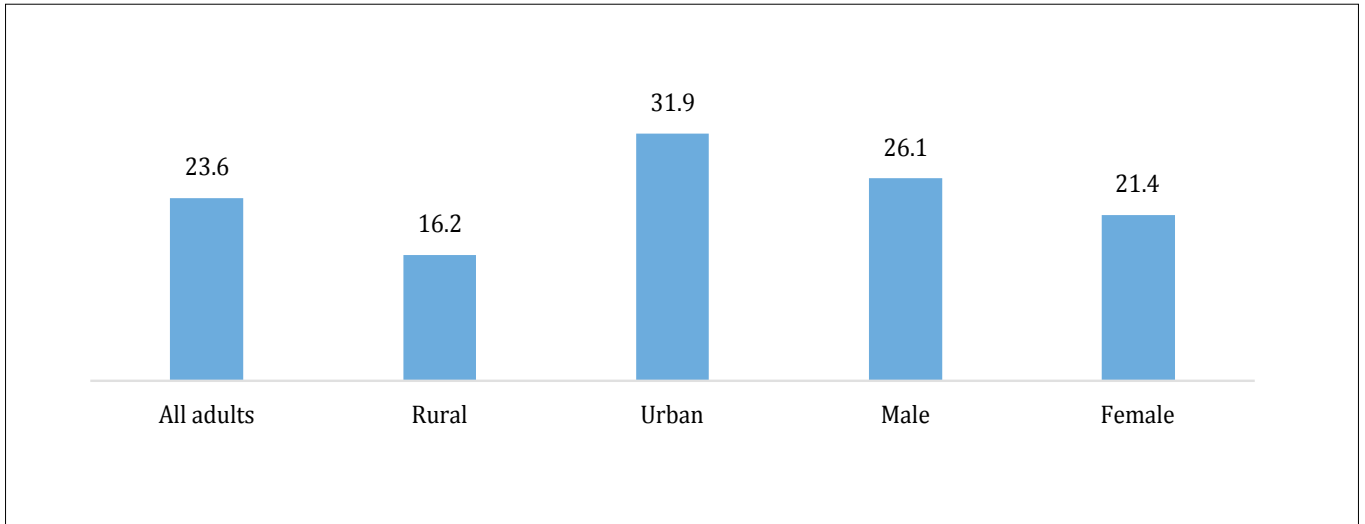
10.3 Financial Literacy

Financial literacy represents the ability to understand personal finance. It refers to awareness and knowledge of key financial concepts required for managing personal finances. In the Survey, financial literacy was measured by assessing the ability to understand and effectively apply various financial skills and concepts, including personal financial management and budgeting.

10.3.1 Financial Literacy by Rural/Urban Segmentation and Sex

The results of the Survey indicated that almost a quarter of the adult population (23.6 percent) were financially literate, mostly urban-based (31.9 percent) and male (26.1 percent).

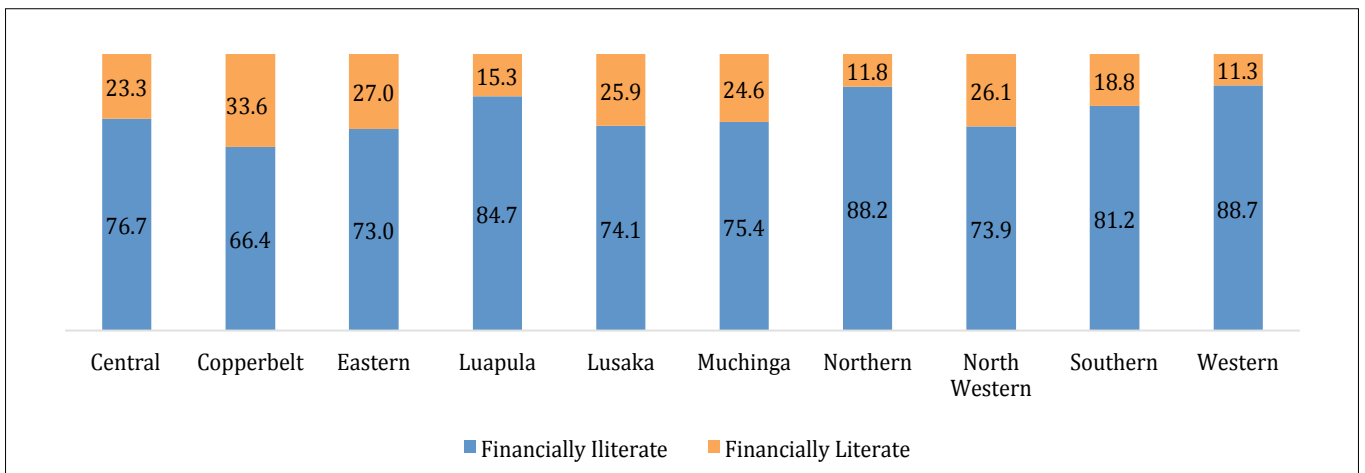
Figure 92: Financial Literacy by Rural/Urban Segmentation and Sex (Percent)



10.3.2 Financial Literacy by Province

The level of financial literacy was highest amongst the adult population from the Copperbelt Province (33.6 percent) followed by Eastern Province (27.0 percent) and North Western Province (26.1 percent). The least financially literate adults were from Western (11.3 percent) and Northern Provinces (11.8 percent) (Figure 93).

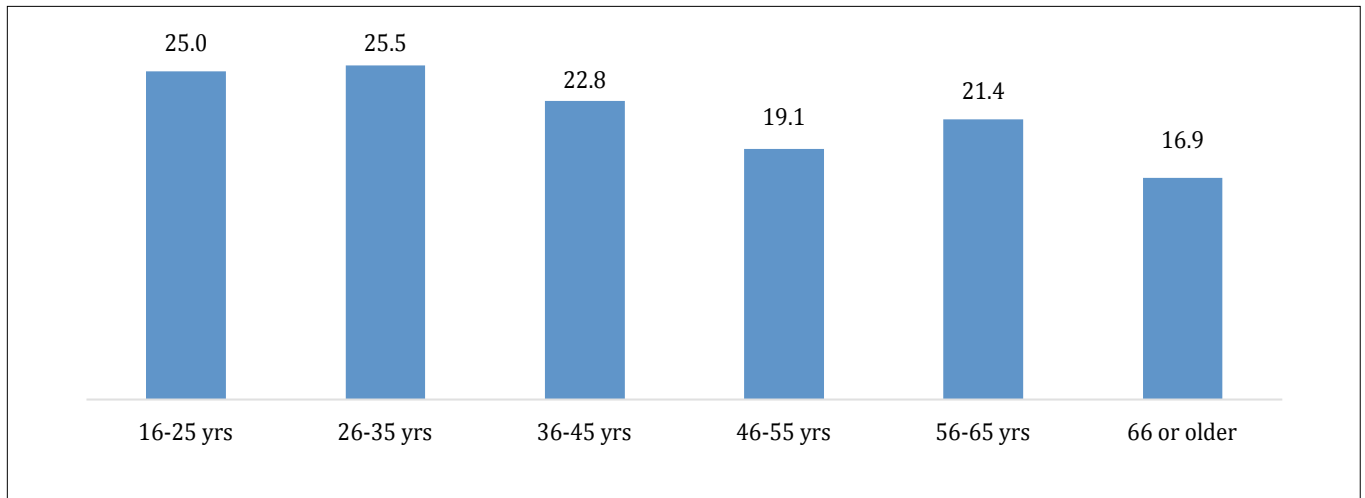
Figure 93: Financial Literacy by Province (Percent)



10.3.3 Financial Literacy by Age

The most financially literate adults were in the age range 16-35 years, while the least financially literate were in the age group 66 years or older (Figure 94).

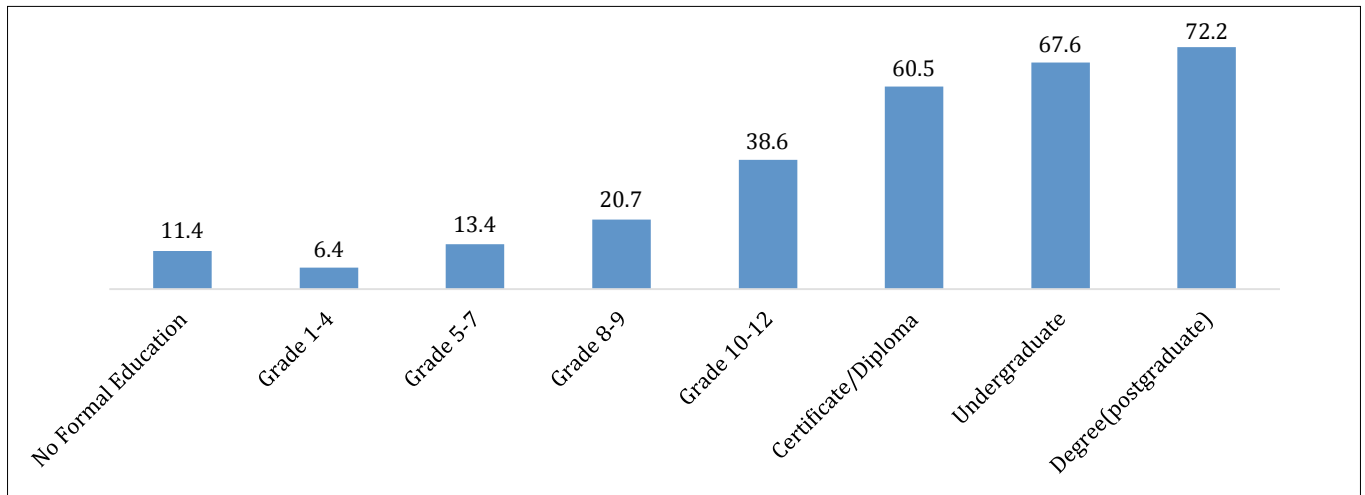
Figure 94: Financial Literacy by Age (Percent)



10.3.4 Financial Literacy by Education

Financial literacy improved as the level of education progressed. The survey showed that the most financially literate adults had attained a postgraduate degree at 72.2 percent (Figure 95).

Figure 95: Financial Literacy by Education (Percent)



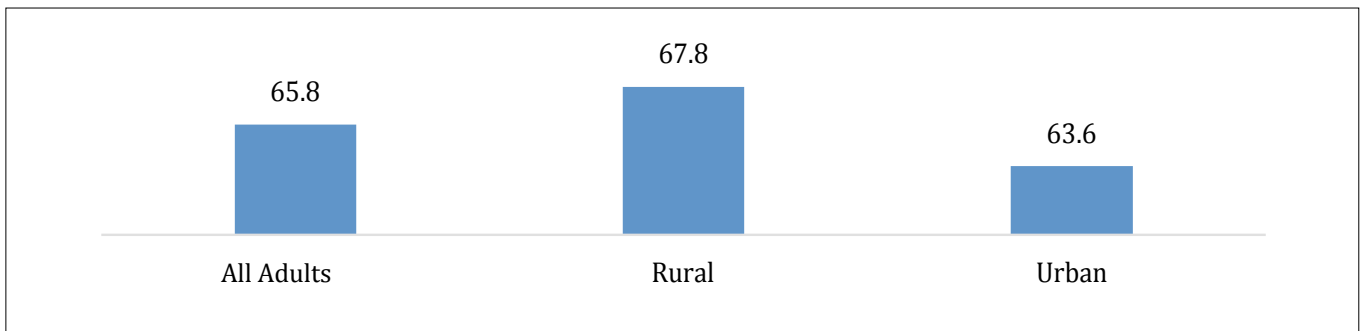
11. CLIMATE CHANGE

11.1 Climate Change Experience

Climate change refers to the long-term shift in typical weather patterns such as temperature and rainfall, which affect the climate in a region. It is different from weather, which can change from day to day, or from year to year. Effects of climate change include more frequent and intense droughts, heat waves, rain storms, rising sea levels and melting glaciers. Climate change can have negative impacts on wildlife, agriculture, water resources, landscapes, human health, ecosystems, energy and infrastructure. The effects of climate change can pose challenges to Zambia's efforts to reduce poverty, food insecurity and ensure sustainable management of natural resources.

The proportion of the adult population that experienced effects of climate change such as heat waves, drought, crop failure, pollution or excessive rainfall was 65.8 percent, largely in rural areas (67.8 percent) (Figure 96).

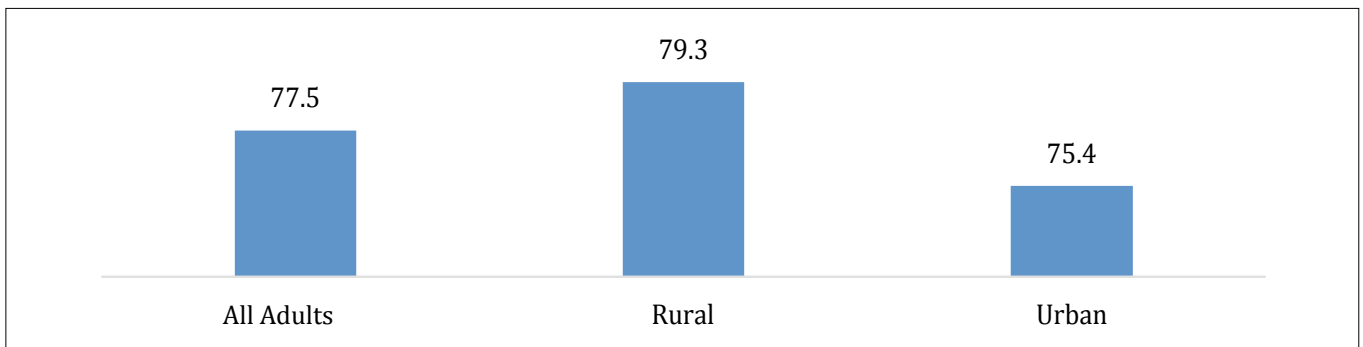
Figure 96: Adults who Experienced Climate Change Effects (Percent)



11.2 Climate Change Hardships by Rural/Urban Segmentation

The effects of climate change resulted in hardships such as: rise in prices of goods and services; loss of crop, business or employment, illness and death of family a member. Survey findings indicated that 77.5 percent of the adult population experienced hardship related to climate change and these adults were mostly from rural areas at 79.3 percent (Figure 97).

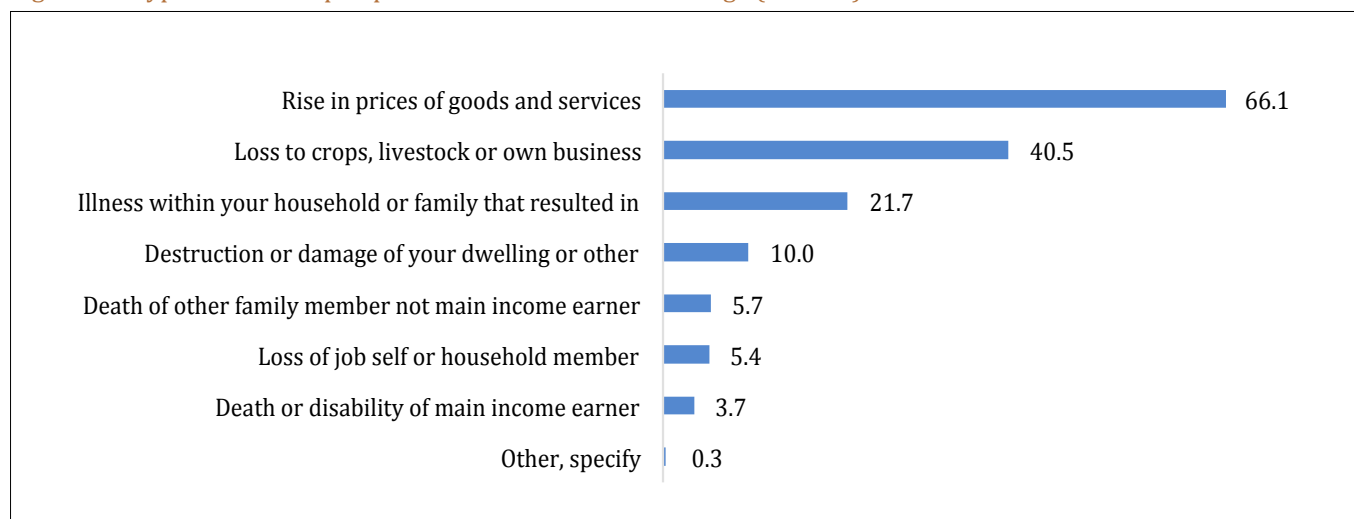
Figure 97: Adults Who Experienced Hardship Due to Climate Change (Percent)



11.3 Types of Hardship Experienced Due to Climate Change

The main hardships experienced by adults because of climate change were, the rise in prices of goods and services at 66.1 percent and the loss of crops, livestock or own business at 40.5 percent (Figure 98).

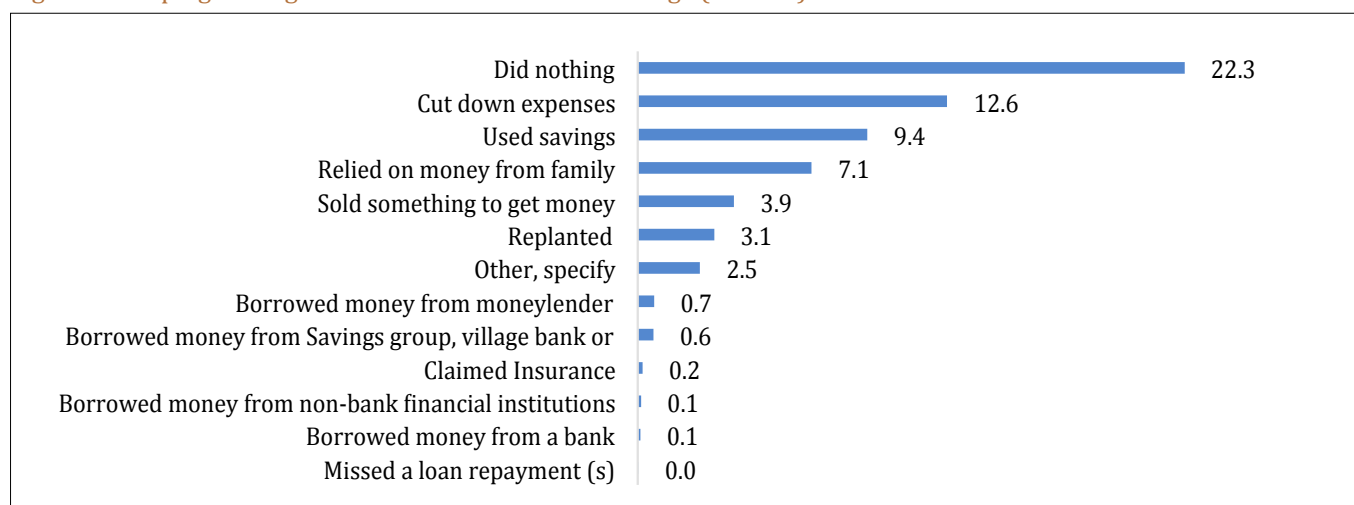
Figure 98: Types of Hardship Experienced Due to Climate Change (Percent)



11.4 Coping Strategies to the Effects of Climate Change

Most adults (22.3 percent) reported that they had no coping strategies to tackle the effects of climate change. Some of the reported coping strategies included cutting down expenses (12.6 percent), using saved funds (9.4 percent) and getting money from family and friends (7.1 percent) (Figure 99).

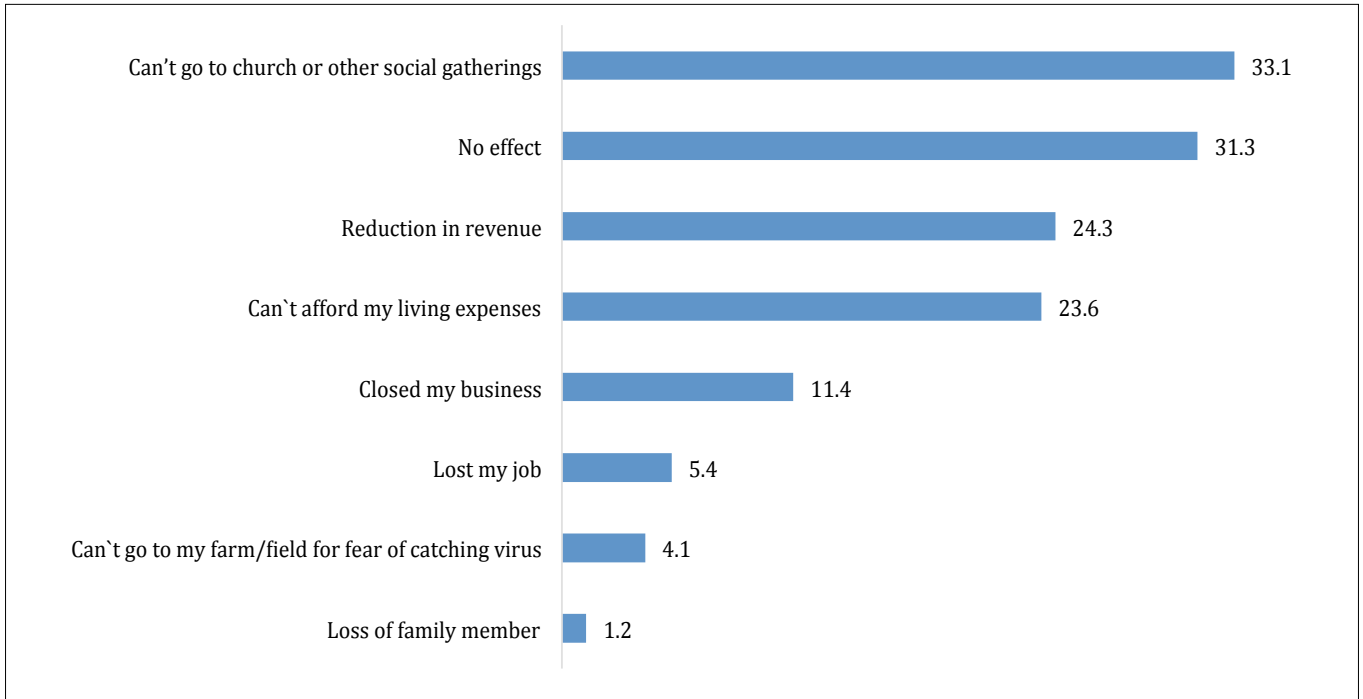
Figure 99: Coping Strategies to the Effects of Climate Change (Percent)



12. EFFECTS OF COVID-19 PANDEMIC ON THE ADULT POPULATION

The biggest effect of the COVID-19 pandemic on the adult population was the prevention of church attendance and other social gatherings, as reported by 33.1 percent of the population. Other significant effects were the reduction in revenue (24.3 percent) and failure to afford living expenses (23.6 percent). However, 31.3 percent of the adult population reported that they did not experience any hardship because of the pandemic (Figure 100).

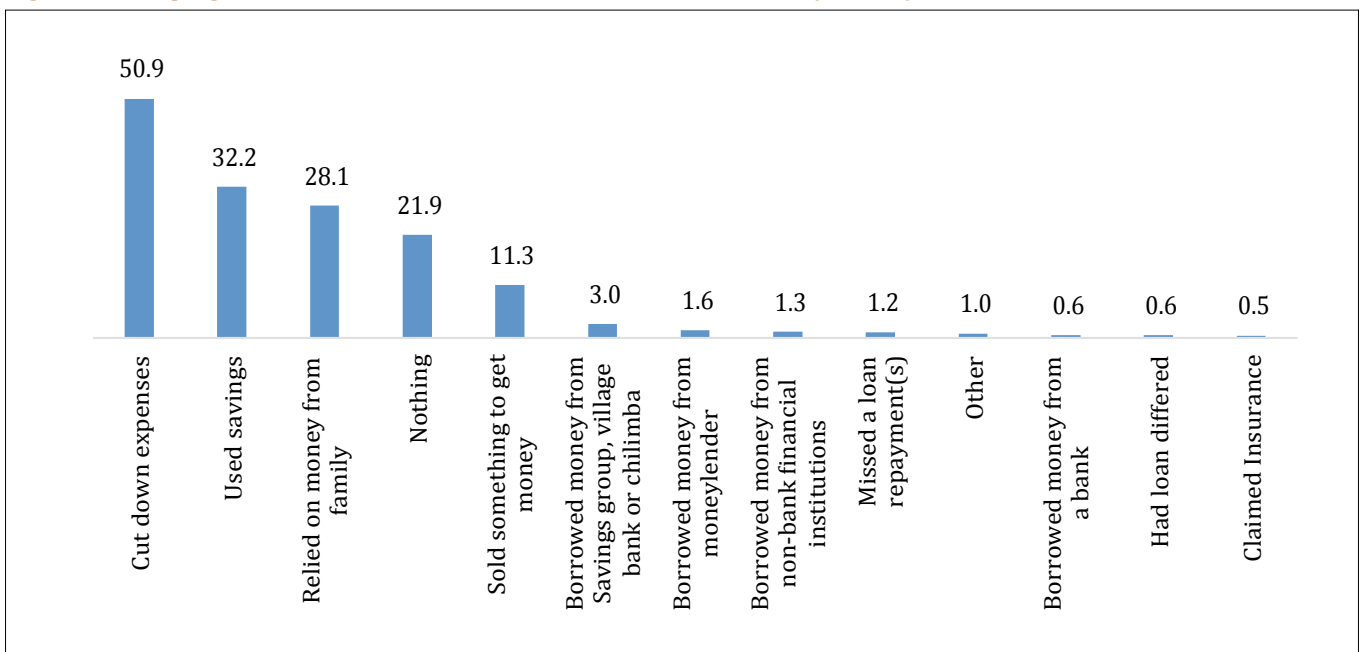
Figure 100: Effects of COVID -19 Pandemic on the Adult Population (Percent)



12.1 Coping Mechanisms to the Effects of COVID - 19 Pandemic

The most utilised coping mechanism against the effects of the COVID-19 pandemic was to cut down expenses, reported by 50.9 percent of the adult population. Other coping mechanisms included the use of savings, adopted by 32.2 percent of the adults, and reliance on money from family and friends (28.1 percent) (Figure 101).

Figure 101: Coping Mechanisms to the Effects of COVID - 19 Pandemic (Percent)



13. CONCLUSION AND RECOMMENDATIONS

The level of financial inclusion increased significantly to 69.4 percent from the low level of 33.7 percent that was recorded in the first survey conducted in 2005. This is a reflection of the efforts by the Government and financial stakeholders to broaden financial access in line with the National Financial Inclusion Strategy (2017-2022), which targets to achieve 80 percent overall financial inclusion and 70 percent formal financial inclusion by the year 2022.

The FinScope 2020 Survey results showed that while there was an improvement in formal financial inclusion to 61.3 percent from 38.2 percent in 2015, access remained largely amongst the male adult and urban population. The female adults mostly used informal financial services and were also most likely to be financially excluded, when compared to their male counterparts. This notwithstanding, the gender gap for formal financial inclusion narrowed to 5.8 percent (2015: 9.9 percent), which is below the global average of 7 percent and 9 percent for developing countries. This was mainly attributed to the increased uptake of mobile money services, particularly by females. The use of commercial bank services, including access to credit declined.

The survey findings also showed that only about a quarter of the population was financially literate. In addition, there was a generally low level of financial health amongst the adults at 13.6 percent. While 60 percent of the adult population reported having the ability to manage day to day needs, 46.7 percent reported having the ability to invest in the future, and only 10.9 percent were able to cope with risk (unexpected expenses), amongst the three dimensions of financial health. With regard to climate change, 65.8 percent of adults experienced negative effects such as, heat waves, drought, crop failure, pollution and excessive rainfall, largely in rural areas.

Most adults indicated that the largest impact of the COVID-19 pandemic was the restriction on attending church and social gatherings, followed by a reduction in revenues and failure to afford living expenses. Hence about half of the population (50.9 percent) reported cutting down expenses as the main coping mechanism.

Financial inclusion can contribute to helping the most vulnerable communities to build resilience as well as mitigate losses caused by climate change and the impact of the COVID -19 pandemic. Further, a more coordinated approach by the Government and financial sector stakeholders to understand the behavioural patterns and barriers of the excluded population would facilitate provision of appropriate interventions and improve access to appropriate financial services.

The following recommendations would provide greater momentum to achieving financial inclusion and contribute to economic development in Zambia:

1. Deeper analysis of survey data and discussions with financial sector stakeholders to identify and design targeted interventions;
2. Development of strategic partnerships to facilitate financial education and awareness campaigns on various financial products and services, including insurance and capital markets, as well as on the usage of digital financial services;
3. Research studies for greater understanding of behavioural patterns to facilitate the development of customer centric products and services;
4. Development of regulatory frameworks/Infrastructure to facilitate implementation of widespread digital systems and financial access points at affordable pricing across the country;
5. Promotion of innovation, FinTech and targeted design of products/services leveraging on digital platforms;
6. Coordinated cyber security awareness programs by financial service providers, regulators and other stakeholders;
7. Rural finance initiatives to empower productive capacity of poor communities (particularly farmers) and the SME sector;
8. Collaboration between Government, donors and stakeholder to support SMEs development targeting, capacity building (basic business skills, financial education) and financial support such as credit guarantee schemes to empower productive activities particularly by the youth and women, hence contributing to economic growth and poverty reduction;
9. Conducting household financial surveys and collection of sex-disaggregated data on accessibility of different financial services, the informal sector and financially excluded to facilitate evident based policies/strategies/initiatives for increasing financial inclusion;
10. Development and implementation of sustainable green finance policies/strategies to mitigate the risks of climate change;
11. Collaboration of private sector and the Government to improve widespread access of affordable mobile phones; and
12. Implementation of Government policies/development plans to improve the macroeconomic environment and stimulate economic activity.

ANNEX I: PROJECT STAKEHOLDERS

Lead Institutions/Sponsors
Bank of Zambia
Ministry of Finance
Financial Sector Deepening Zambia
Zambia Statistics Agency
German Sparkassenstiftung (formally Savings Banks Foundation for International Cooperation)
Rural Finance Expansion Programme
United Nations Capital Development Fund
Other Stakeholders
Association of Microfinance Institutions of Zambia
Bankers Association of Zambia
FinMark Trust
Pensions and Insurance Authority
Securities and Exchange Commission
Zambia Institute for Policy Analysis and Research

ANNEX II: LIST OF PROJECT TEAM MEMBERS

NAME	ROLE	INSTITUTION
Dr. Francis Chipimo	Project Sponsor	Bank of Zambia
Ms. Freda Tamba	Project Owner	Bank of Zambia
Ms. Brenda Mwanza	Project Manager	Bank of Zambia
Mr. Godwin Sichone	Project Team Lead	Bank of Zambia
Mr. Joseph Tembo	Project Team Lead	Zambia Statistics Agency
Mr. Webby Mate	Project Member	Association of Microfinance Institutions of Zambia
Mr. Kennedy Mukuka	Project Member	Bank of Zambia
Ms. Phenyster K. Chikwashi	Project Member	Bank of Zambia
Mr. Martin Mwiinga	Project Member	Bank of Zambia
Ms. Mundia Alifeli Lufafa	Project Member	Bank of Zambia
Mr. Mpooma Hichilema	Project Member	Bank of Zambia
Mr. Taonga Chisamanga	Project Member	Bank of Zambia
Ms. Precious Kaela Kalusha	Project Member	Bankers Association of Zambia
Mr. Floyd Mwansa	Project Member	Financial Sector Deepening Zambia
Ms. Angel Njunju	Project Member	German Sparkassenstiftung
Mr. Eric Nsofu	Project Member	Ministry of Finance
Ms. Aissata Mwansa Bah	Project Member	Ministry of Finance
Mr. Emmanuel Sakanyi	Project Member	Ministry of Finance
Ms. Ireen Fwalanga	Project Member	Ministry of Finance
Mr. Eliya Kamana Mvula	Project Member	Pensions and Insurance Authority
Mr. Maurice Kalaluka Lubasi	Project Member	Pensions and Insurance Authority
Mrs. Womba Kawanu Phiri	Project Member	Rural Finance Expansion Programme
Mr. Mubanga M. Kondolo Jr.	Project Member	Securities and Exchange Commission
Mr. Brian Katimbo	Project Member	United Nations Capital Development Fund
Mr. Caesar Cheelo	Project Member	Zambia Institute for Policy Analysis and Research
Ms. Chewe Mwila	Project Member	Zambia National Commercial Bank
Mr. Nkandu Kabibwa	Project Member	Zambia Statistics Agency
Ms. Bertha Nachinga	Project Member	Zambia Statistics Agency
Mr. Tabo Simutanyi	Project Member	Zambia Statistics Agency



Munkuye village banking group leader with her fellow village bankers, showing off her interest gained from saving. Western province, Nkeyema District



Nalucha

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Kenya
Ministry of Health
Government of Kenya

