

FinScope Zambia 2009

Presentation of Top Line Findings



FINSCOPE



AFRICAN HEIGHTS



FINMARKET TRUST

Making financial markets work for the poor



Bank Of Zambia



**Republic of Zambia
CENTRAL STATISTICAL OFFICE**

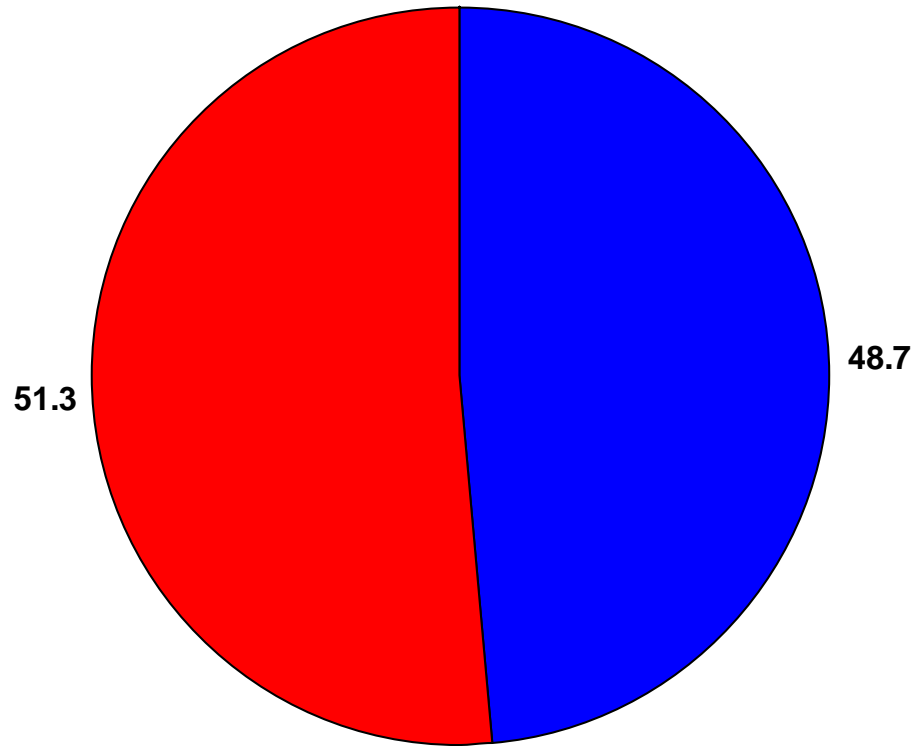
**M & N
ASSOCIATES
LIMITED**

- Introduction
- Who are the Zambian people?
 - How do they live?
- How do they generate an income?
 - What do they do with the money?
- Financial Inclusion
- Has there been a difference since 2005?
- Conclusions
- Recommendations discussion

Scope

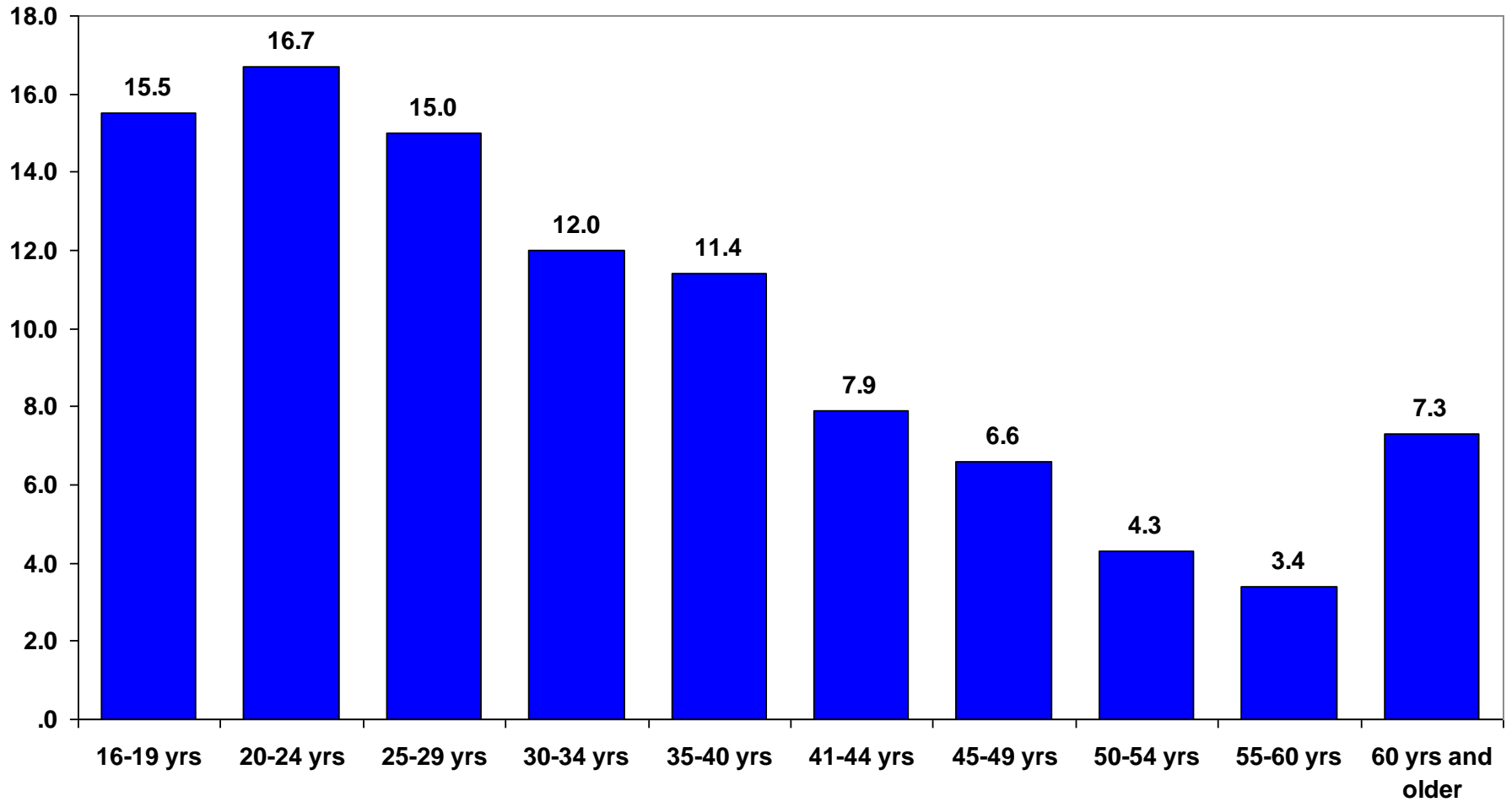


Demographics of Adult Population

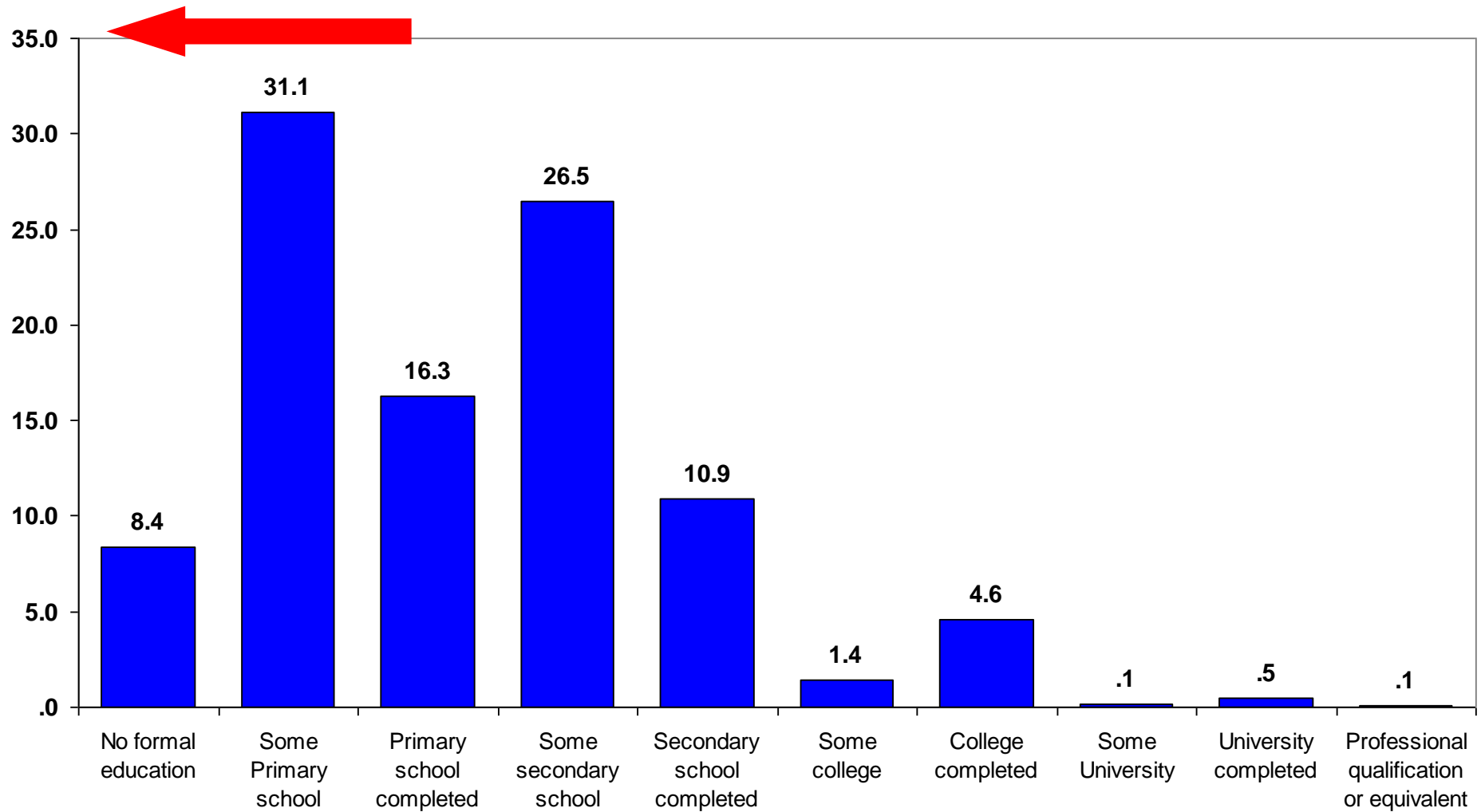


■ Male ■ Female

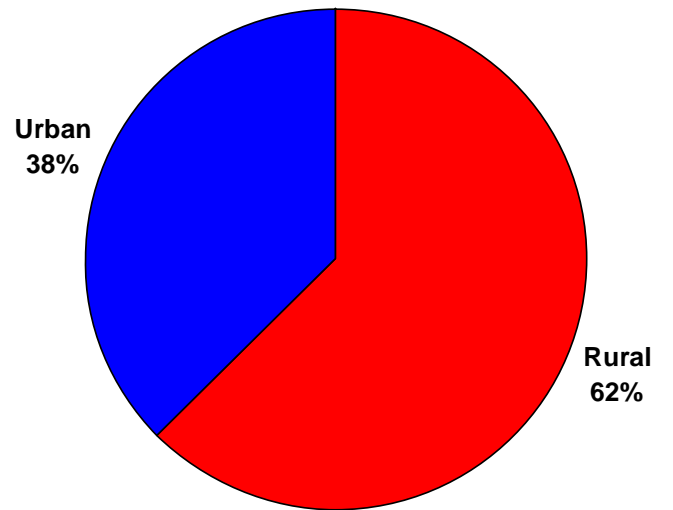
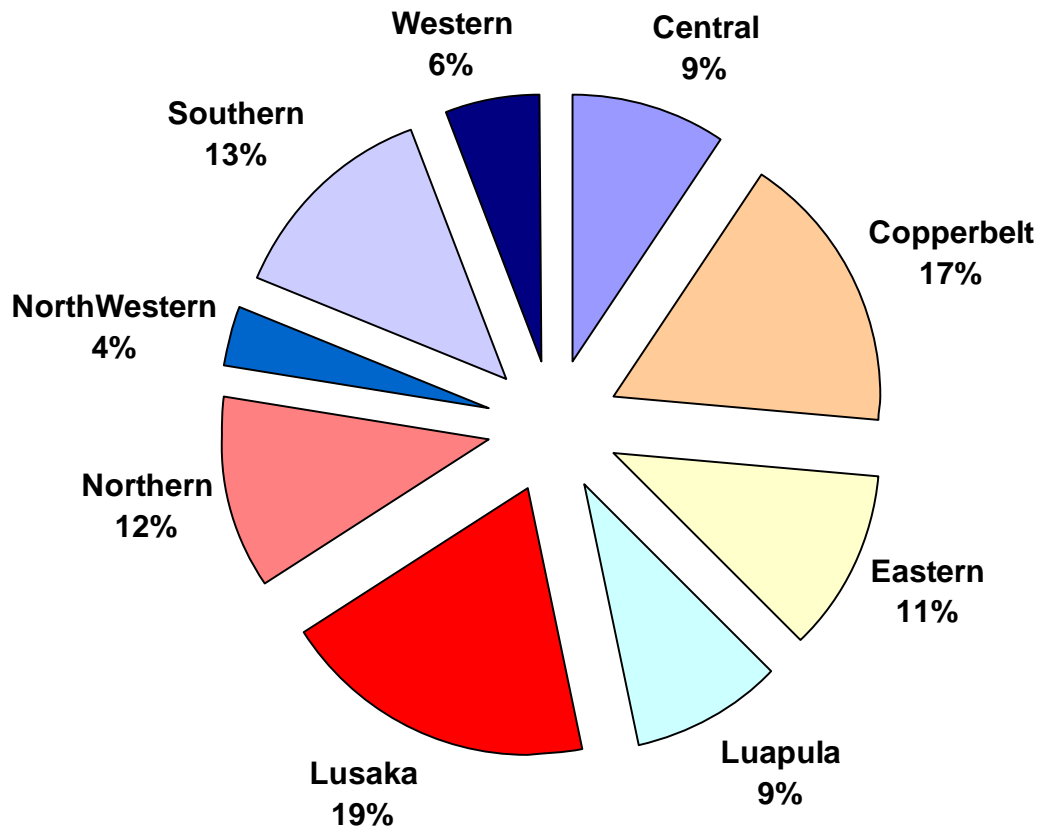
Gender Distribution



Age Distribution



Education Levels



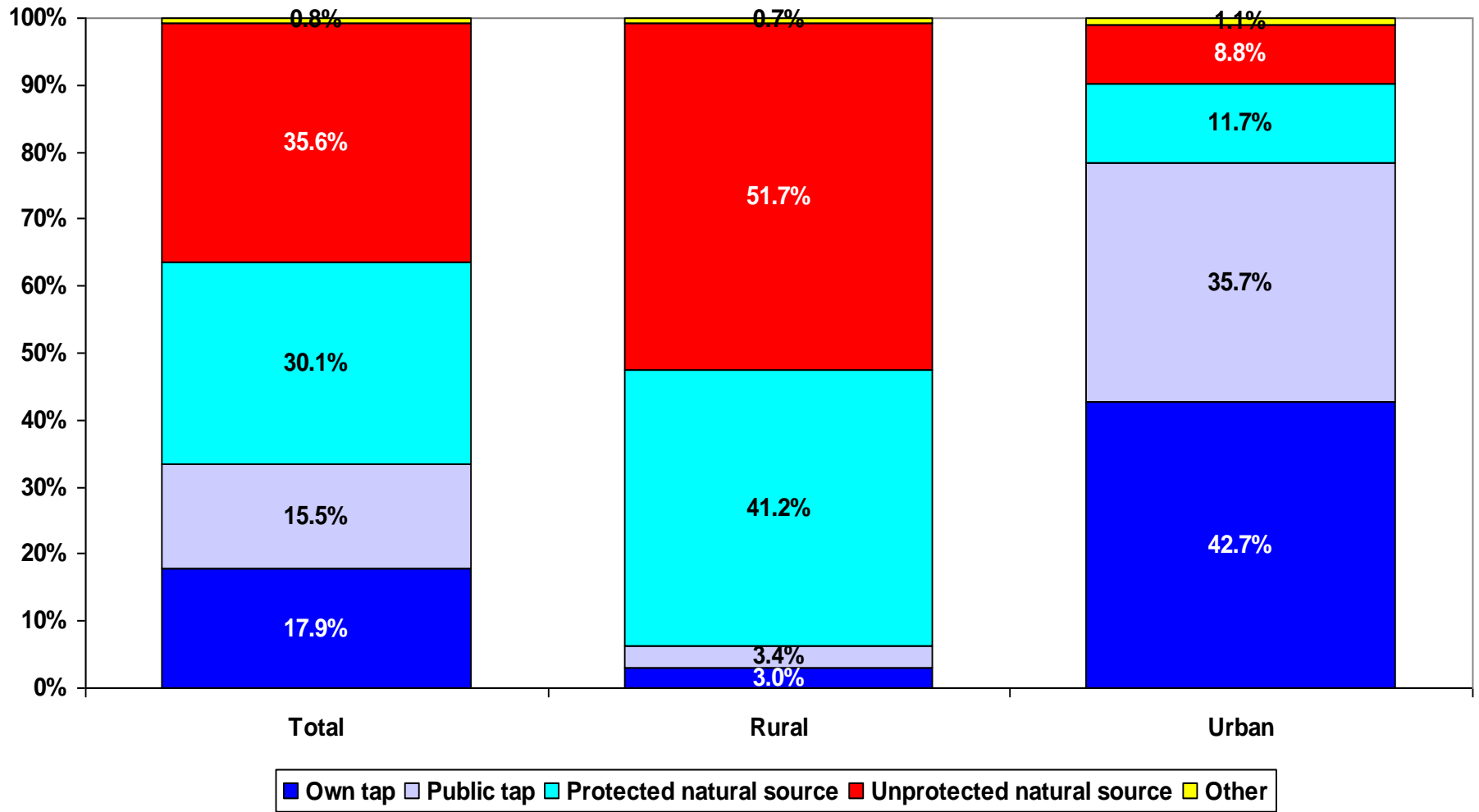
Geographical Distribution



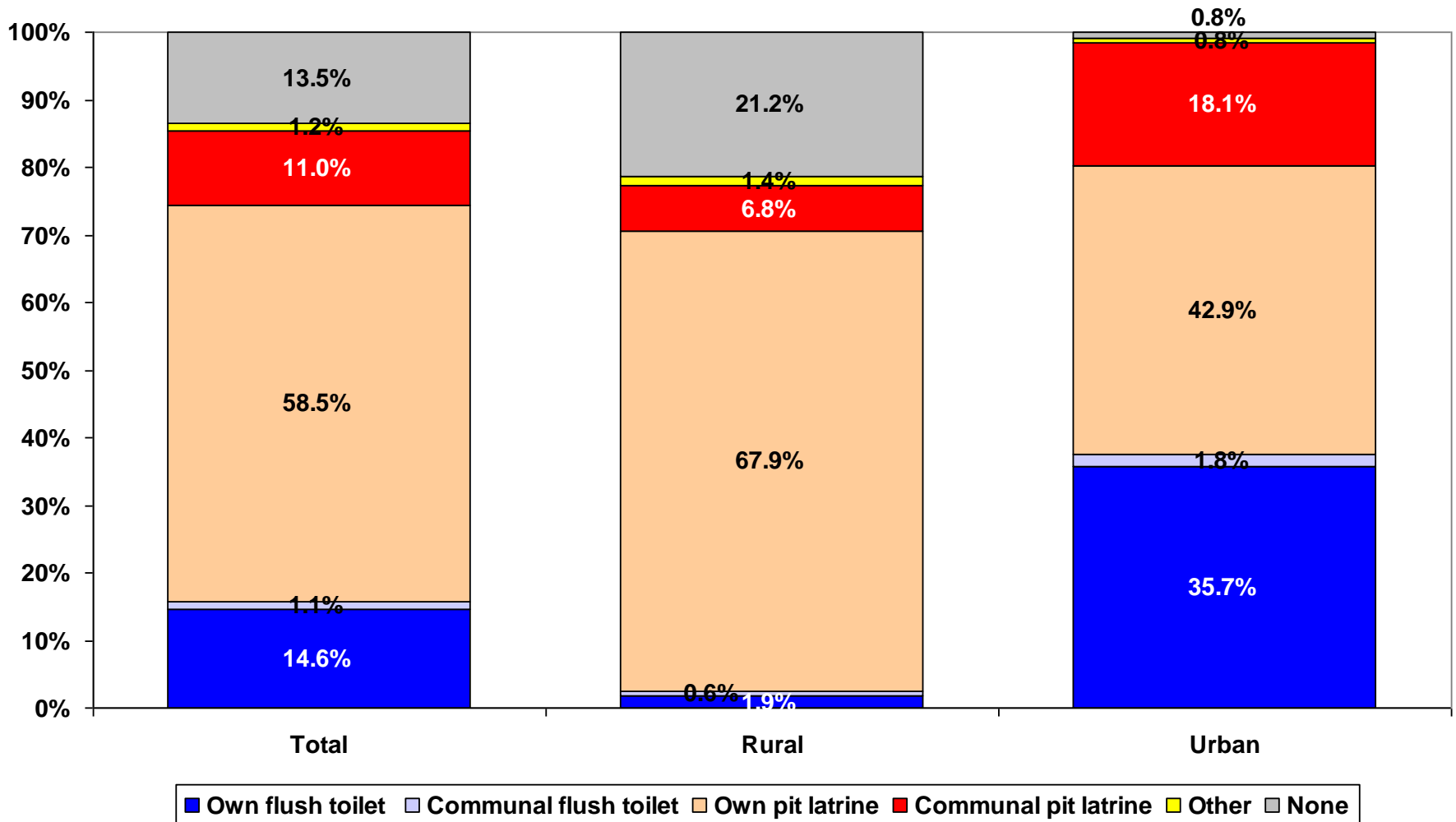
- **Amenities**
- **Wealth/poverty indicators**
- **Access to infrastructure**



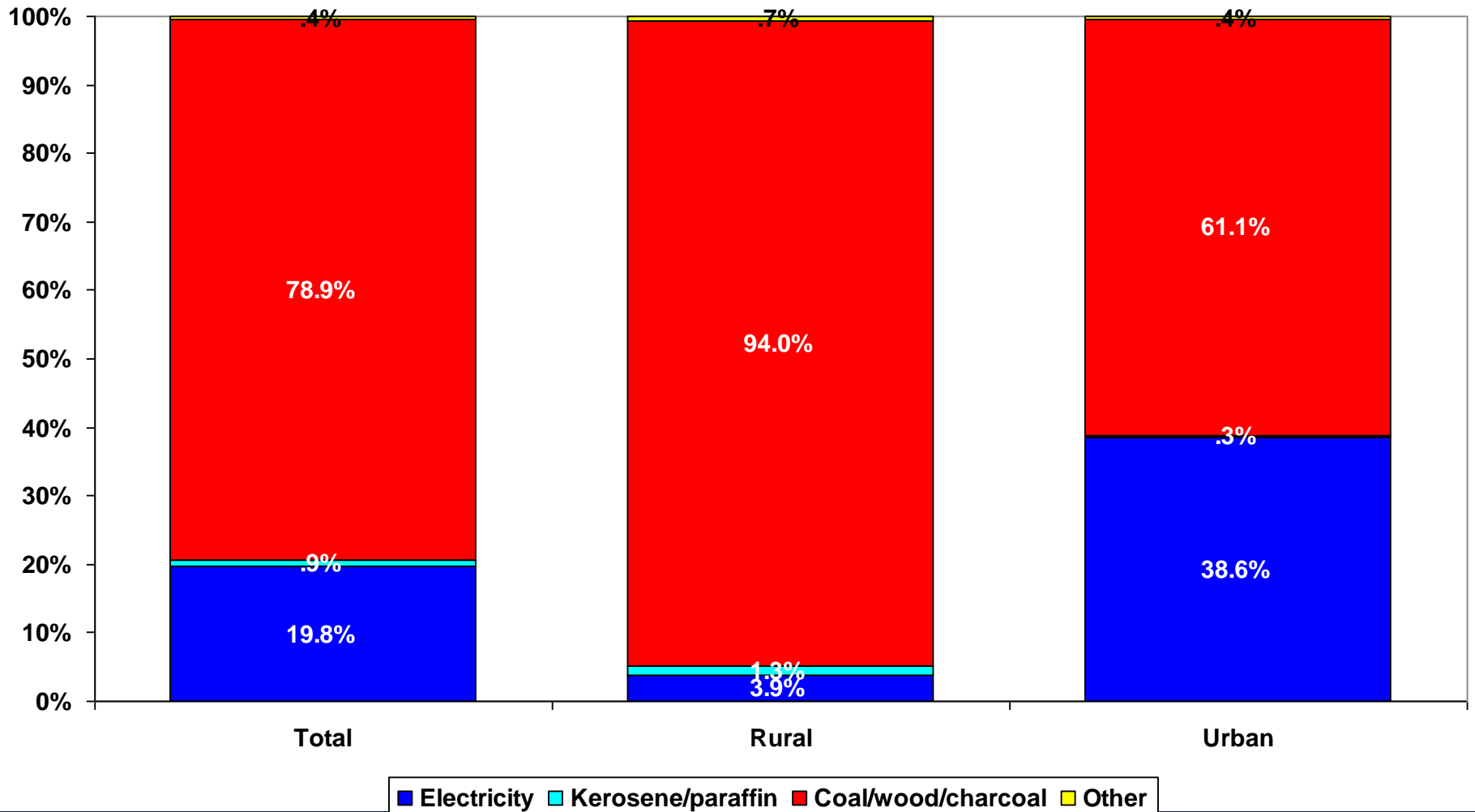
Understanding People's Lives



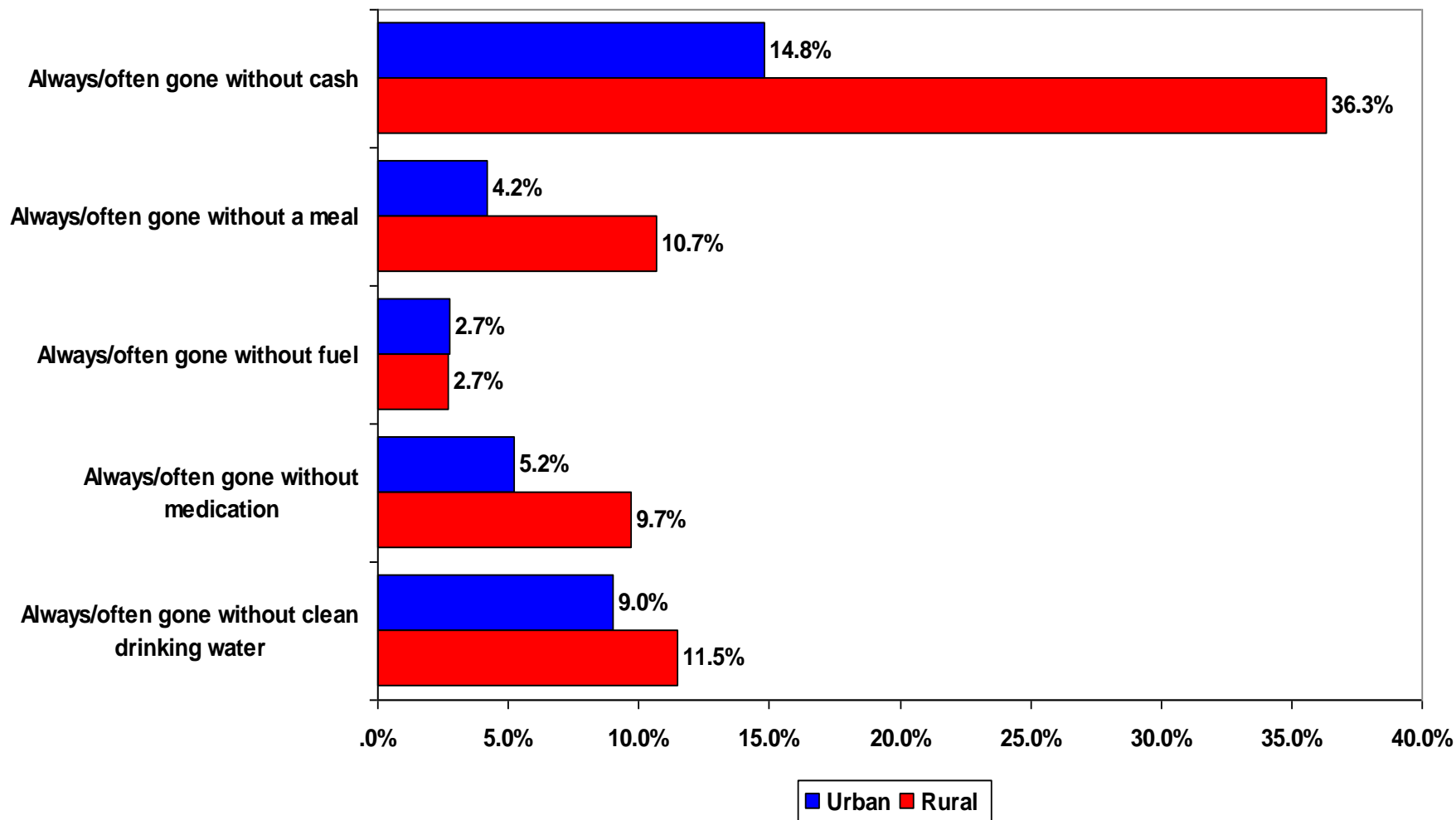
Access to Drinking Water



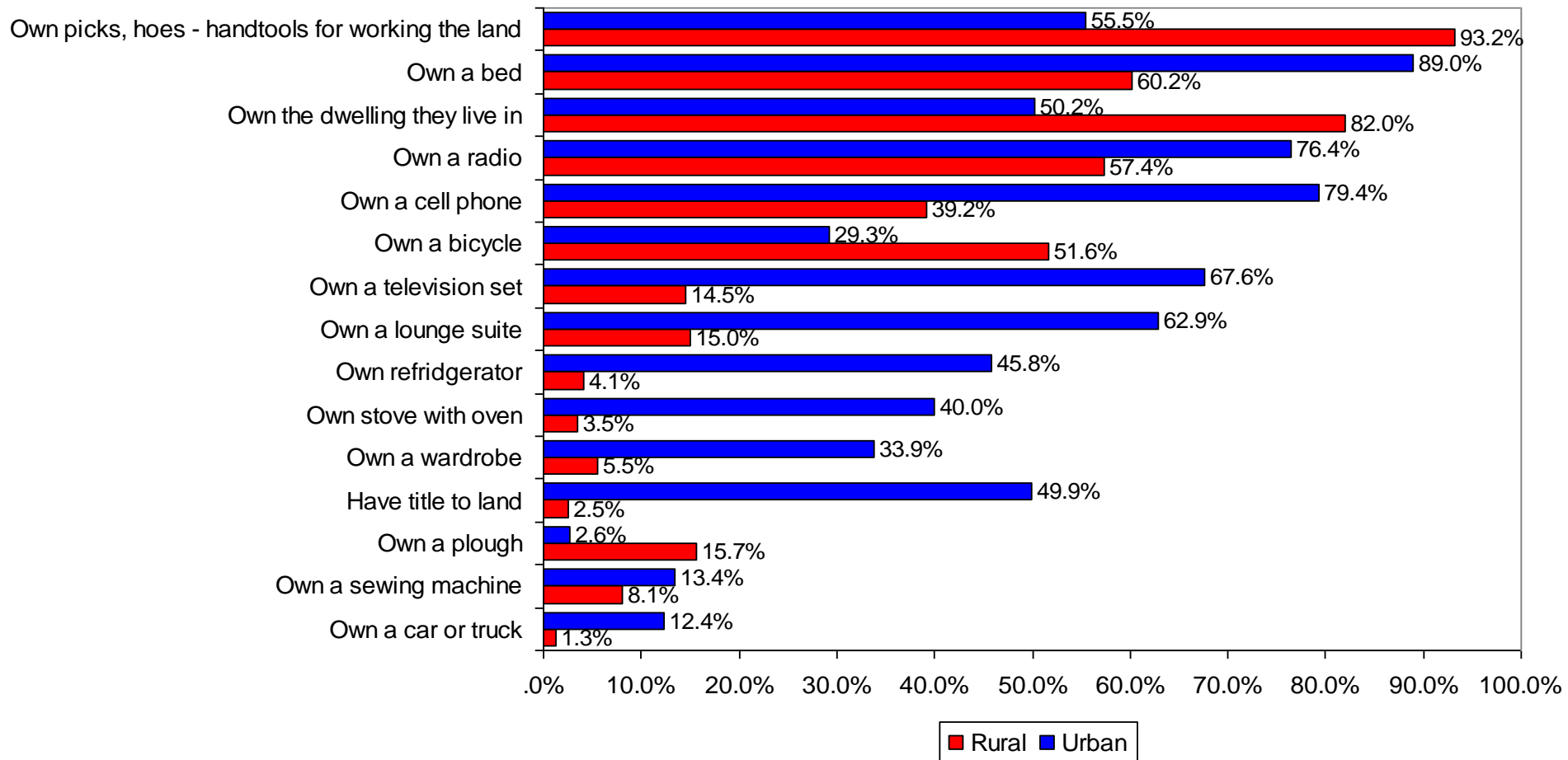
Access to Sanitation Facilities



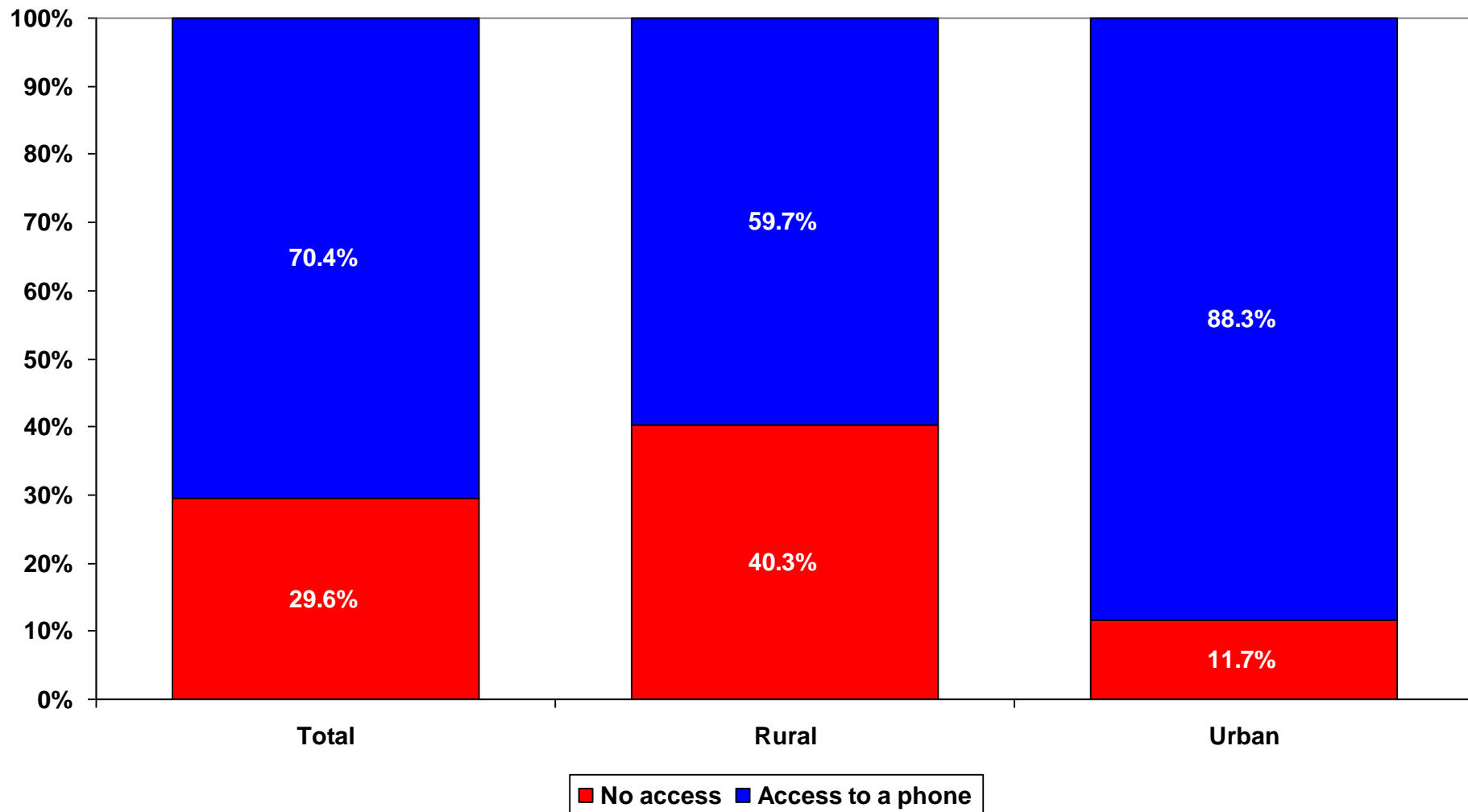
Energy Sources used for Cooking



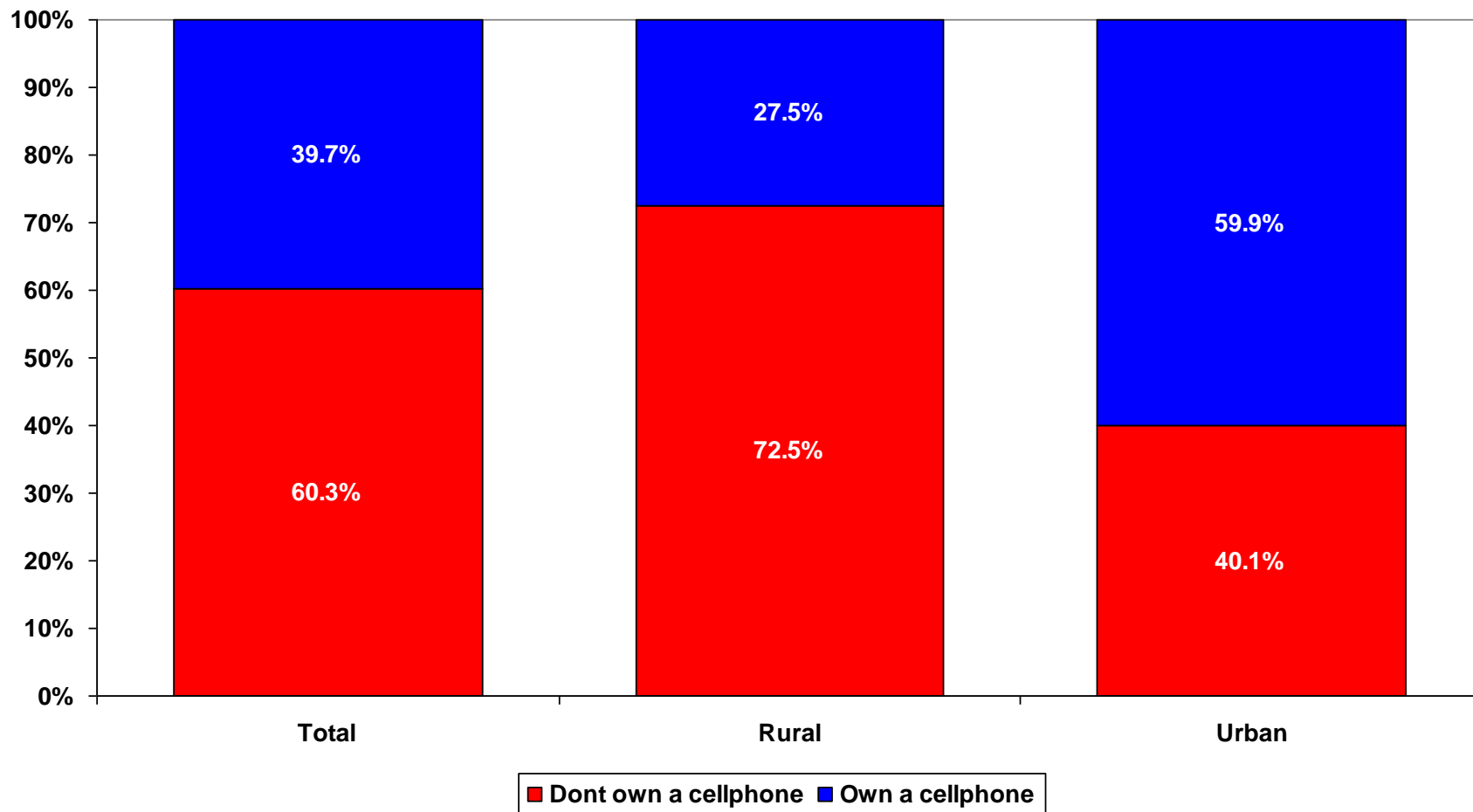
Poverty Indicators



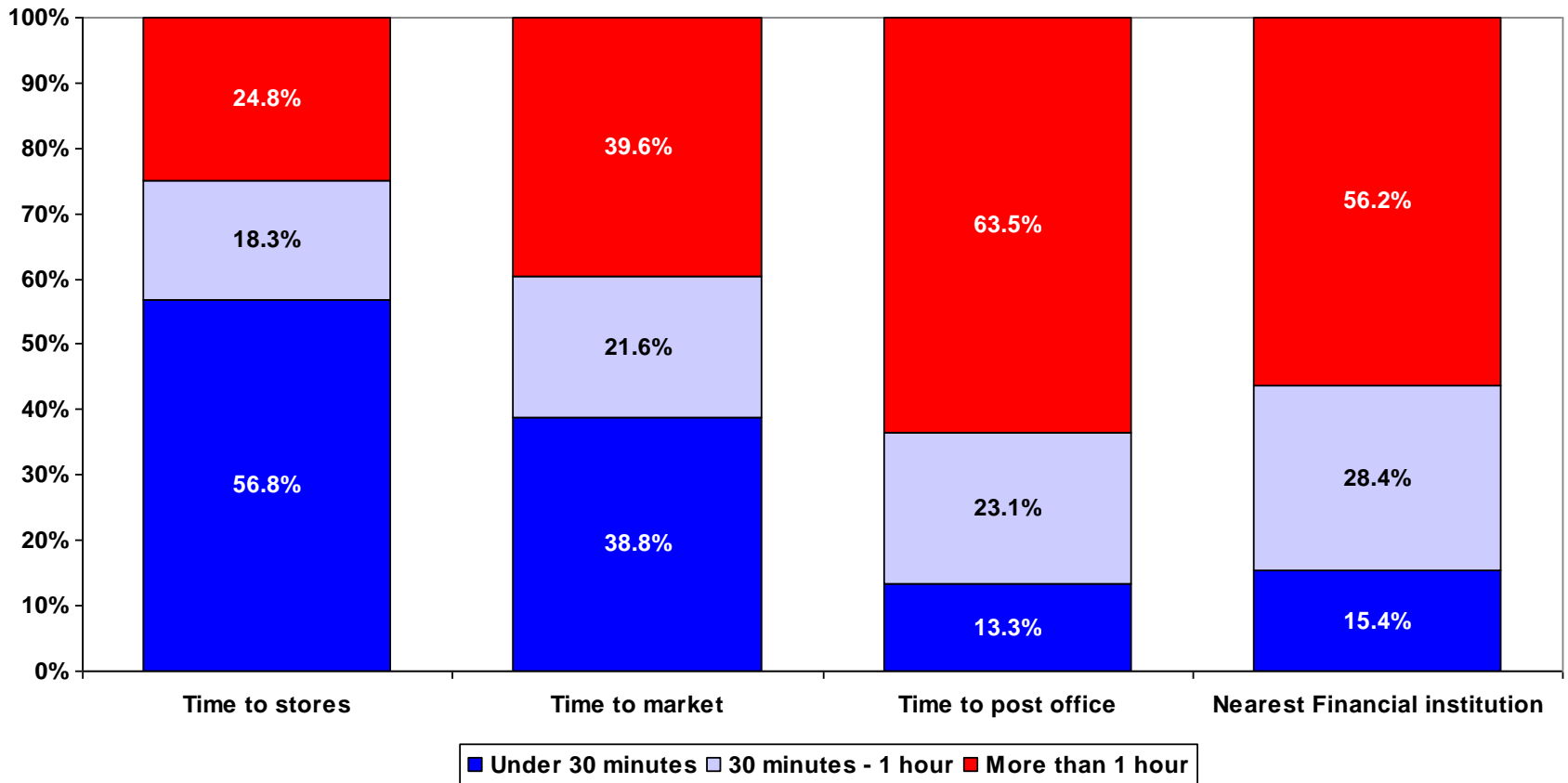
Household Owned Assets



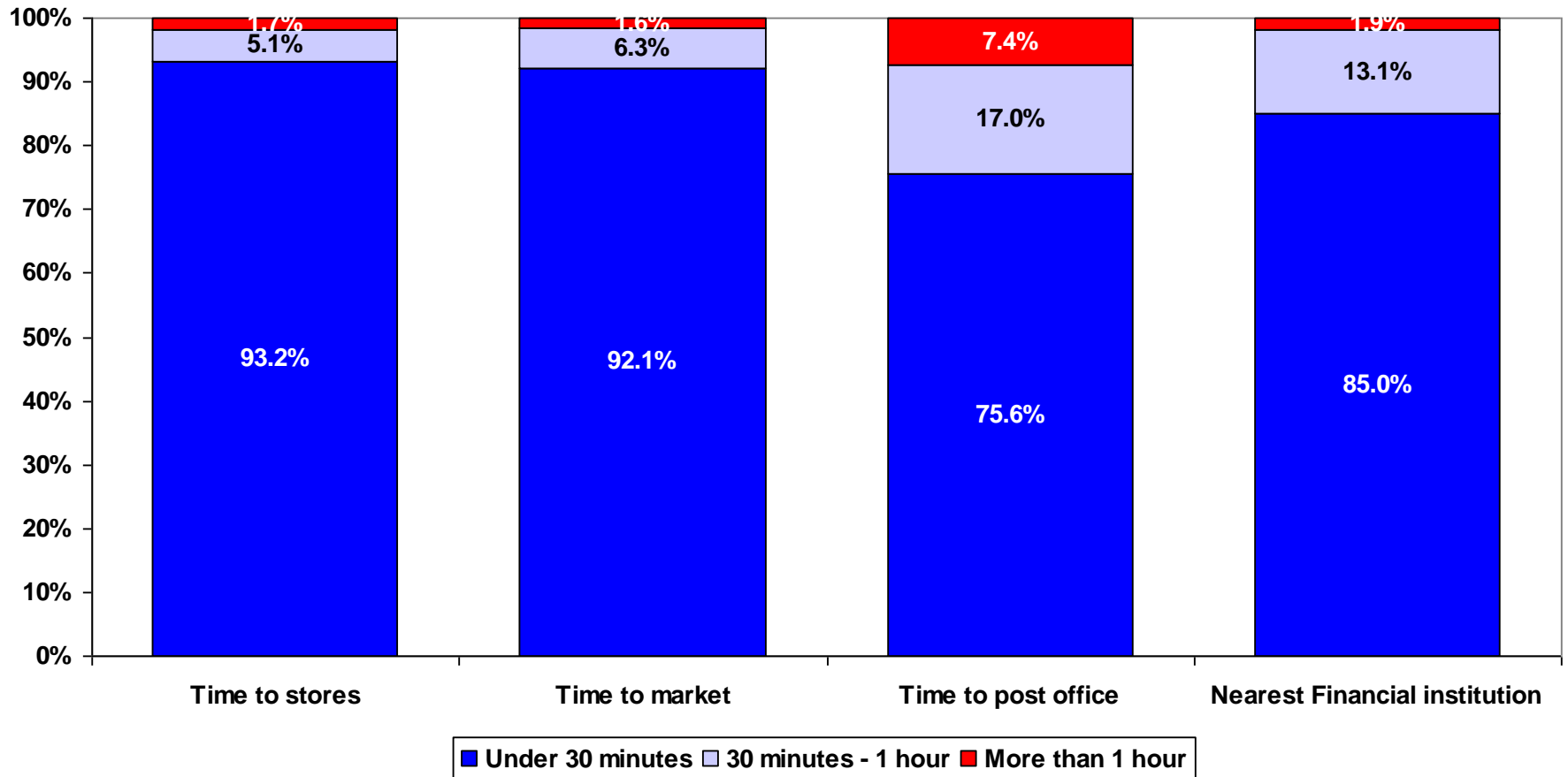
Access to Telephones



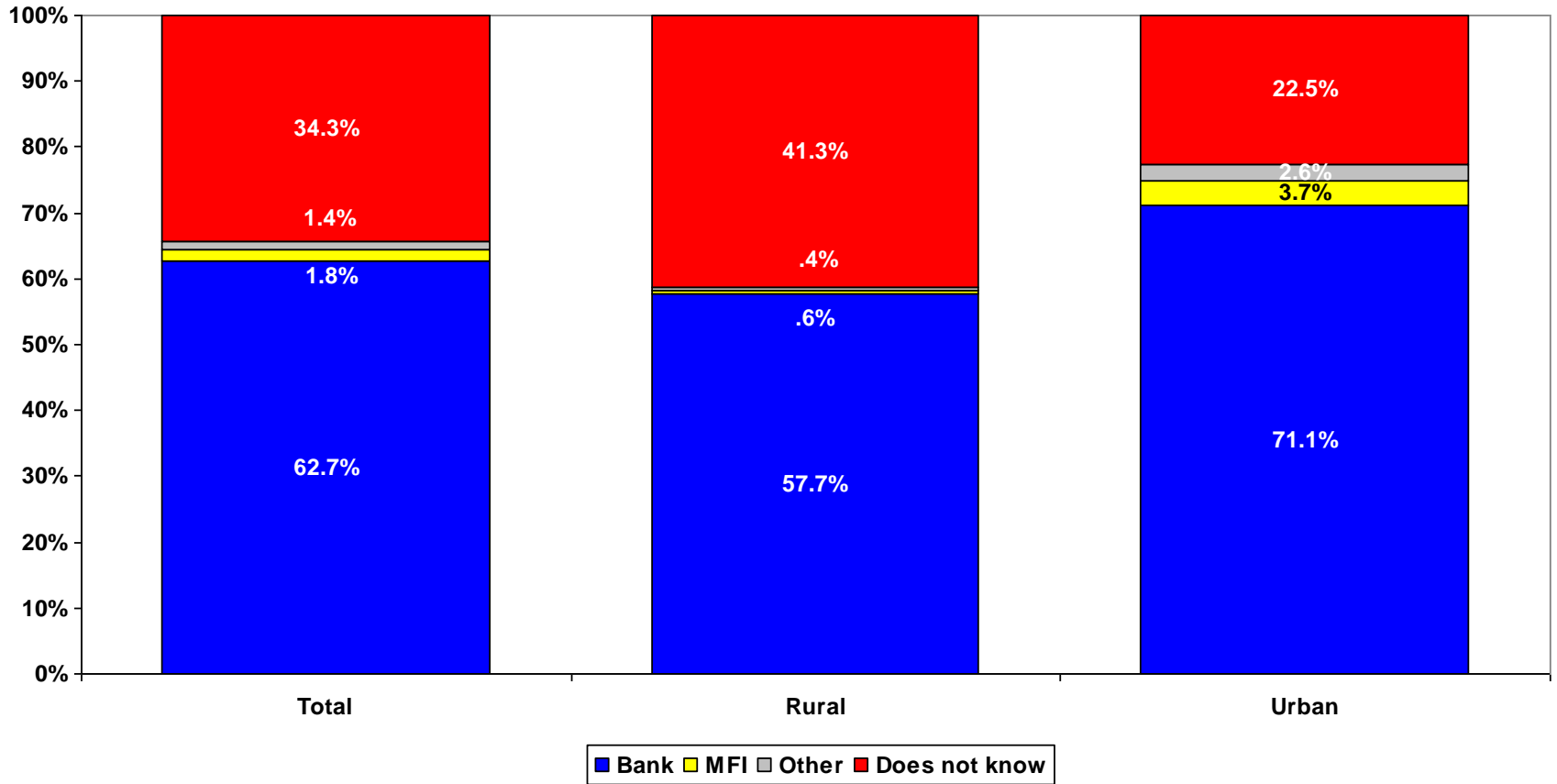
Cellphone Ownership



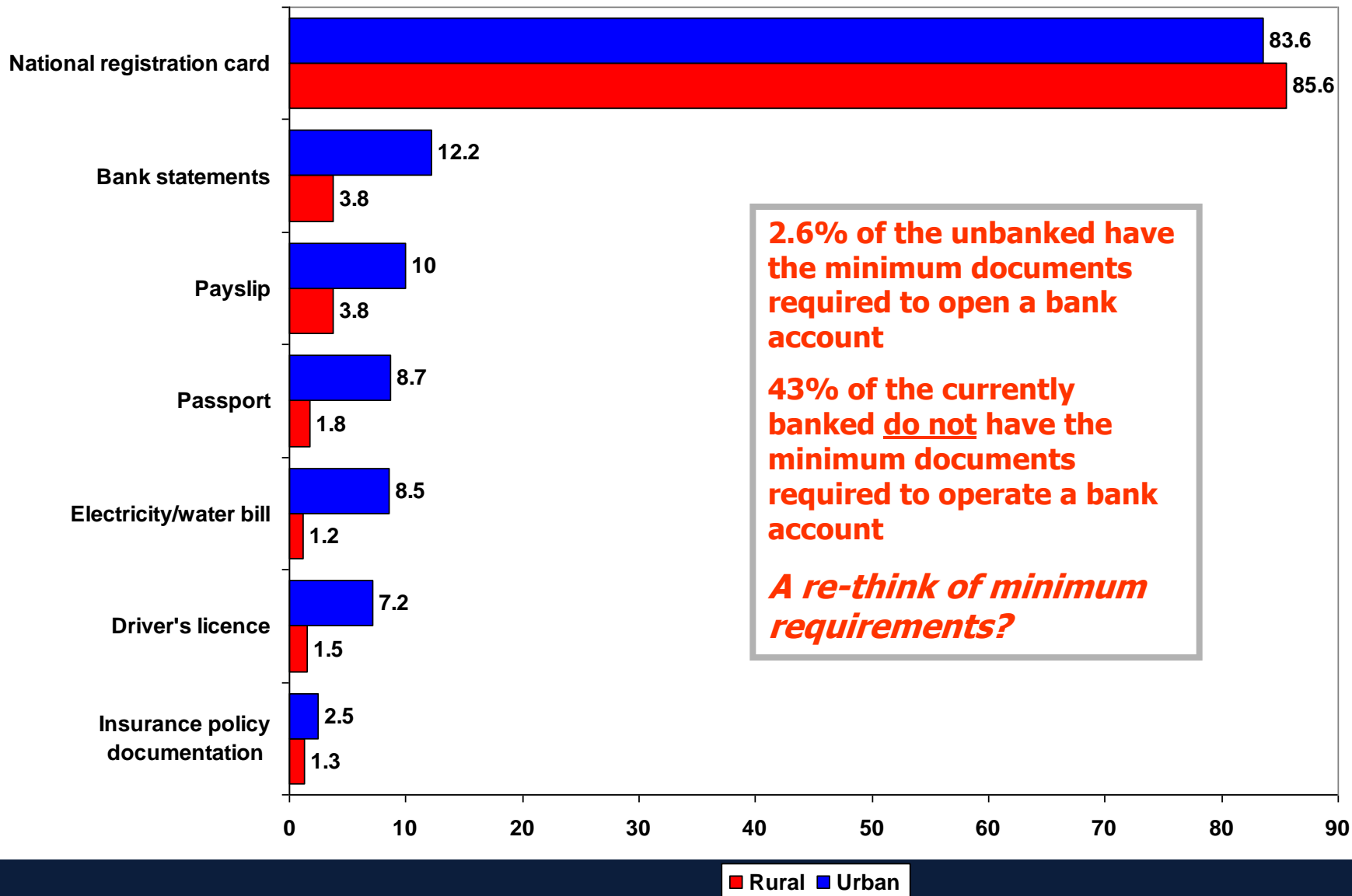
Access to Facilities - Rural



Access to Facilities - Urban



Nearest Financial Institution

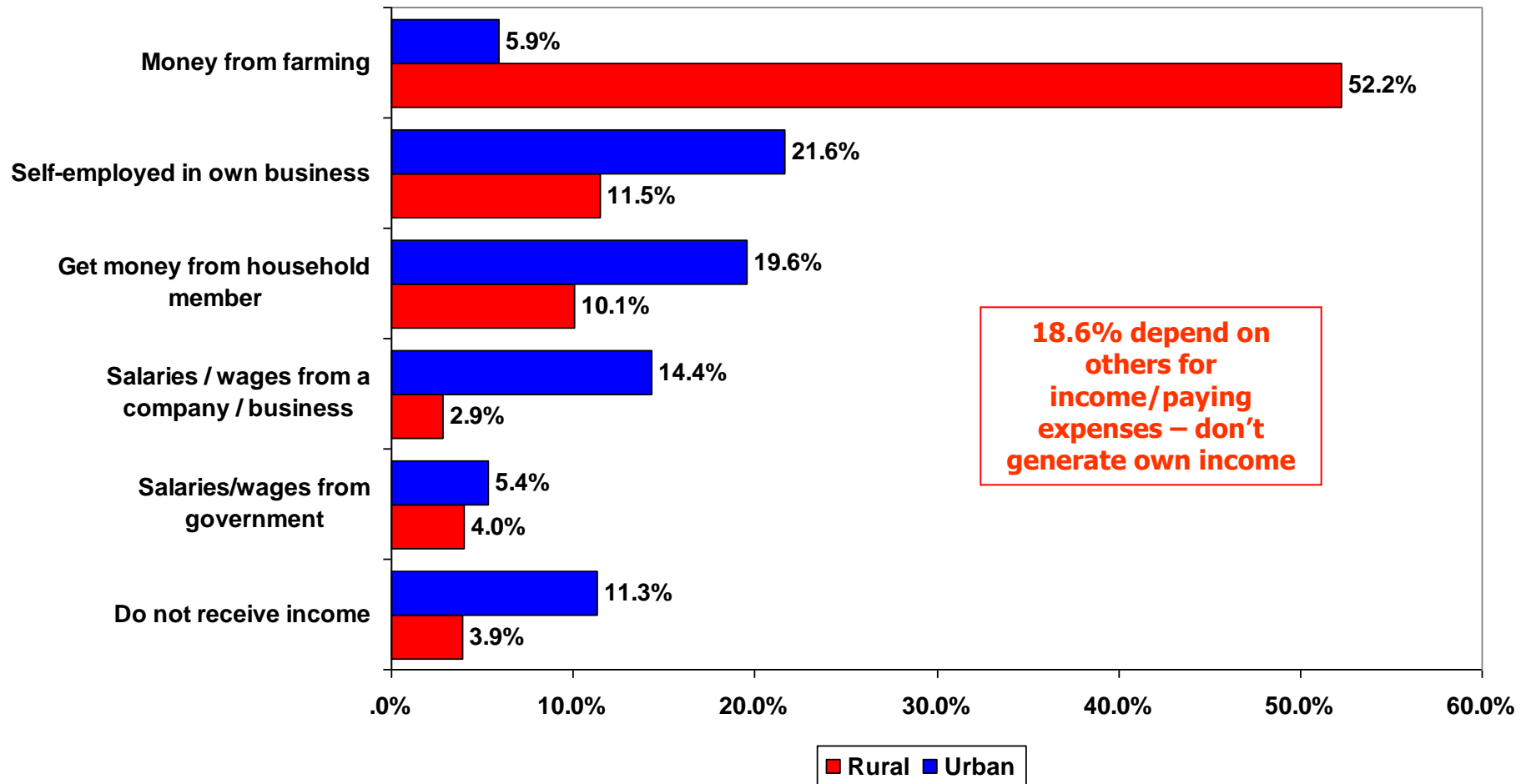


KYC - Access to Documentation

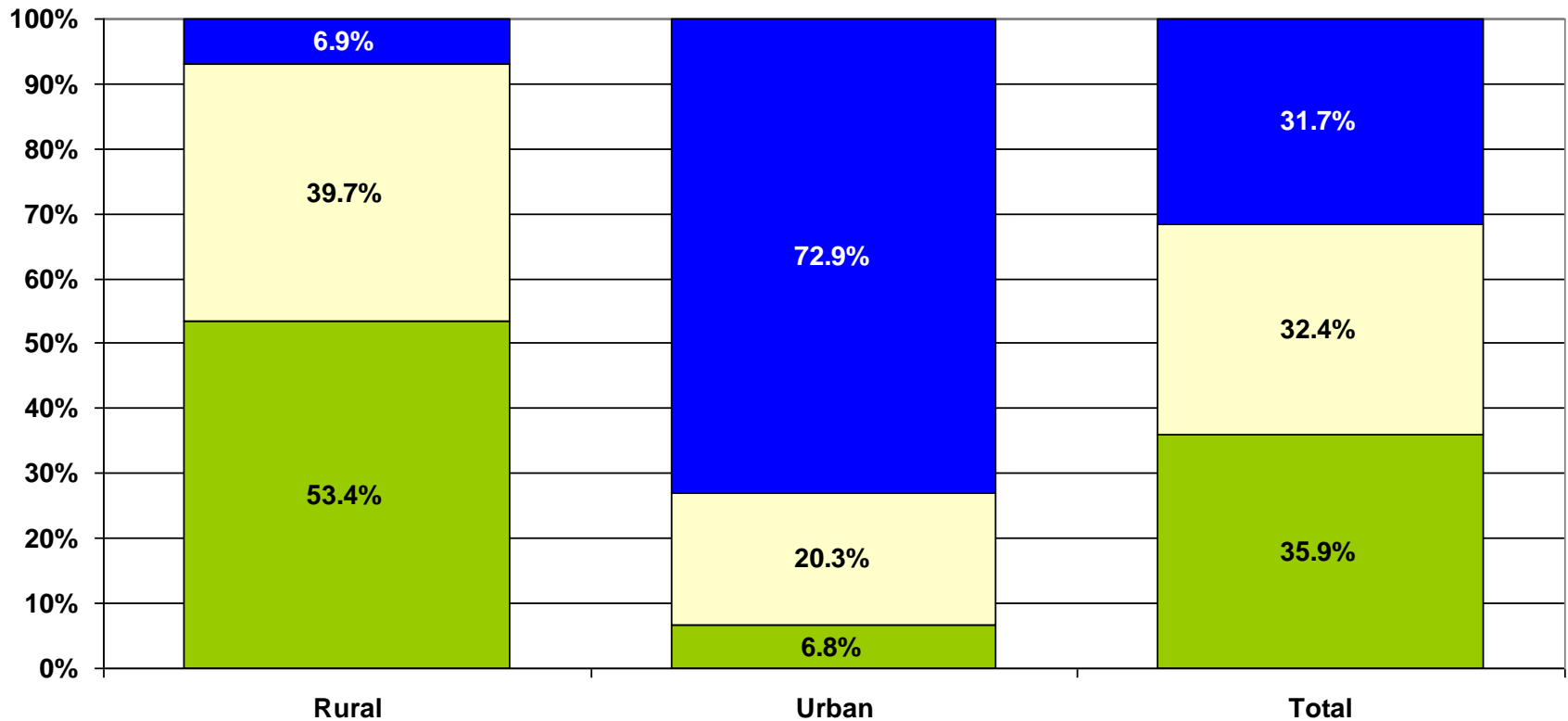


- **Income generating activities**
 - **Consistency/Regularity of income**
- **Level of dependency on others**
- **Personal Monthly Income**

Income Generating Activities

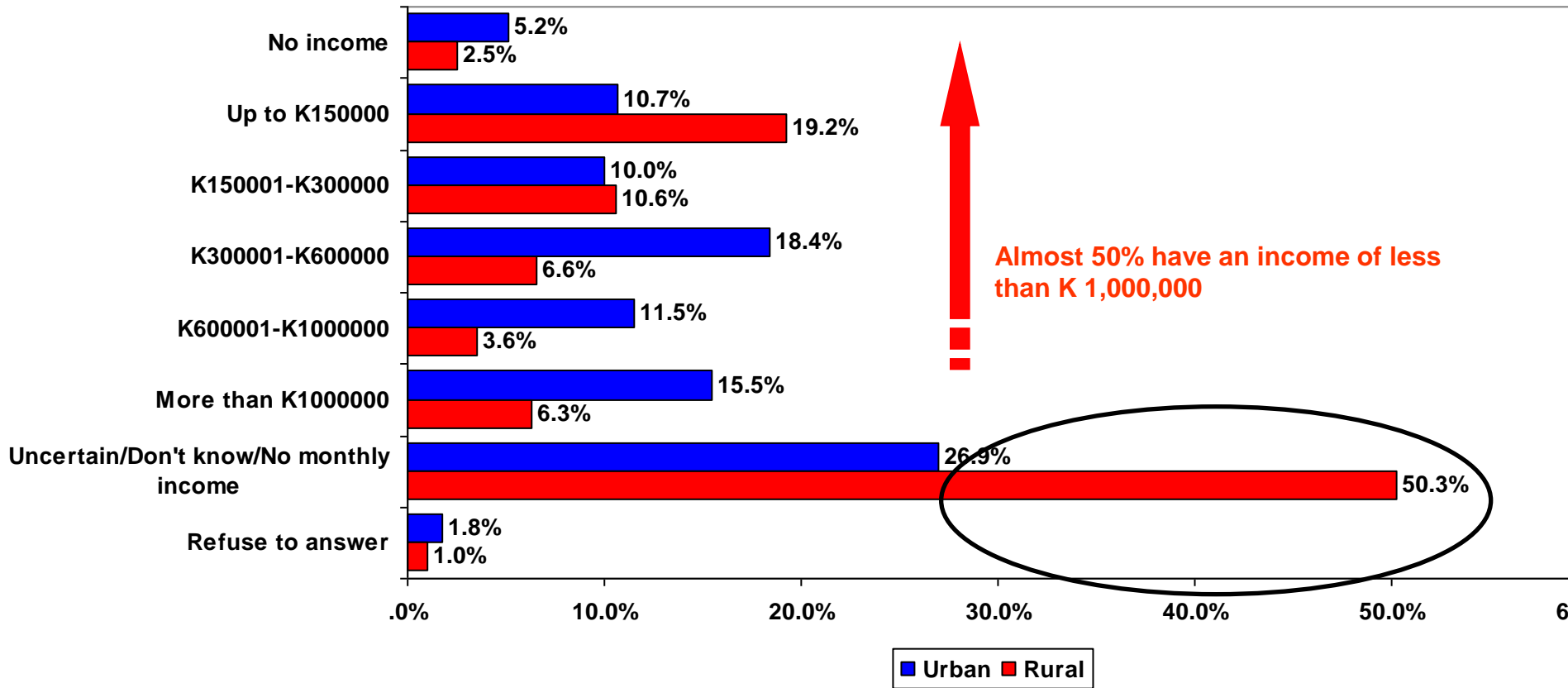


Income Generation Activities



■ Your household is NOT involved in farming or fishing at all
■ Your household is involved in farming/fishing and other work
■ Your hh is only involed in farming/fishing

Household Farming Activity

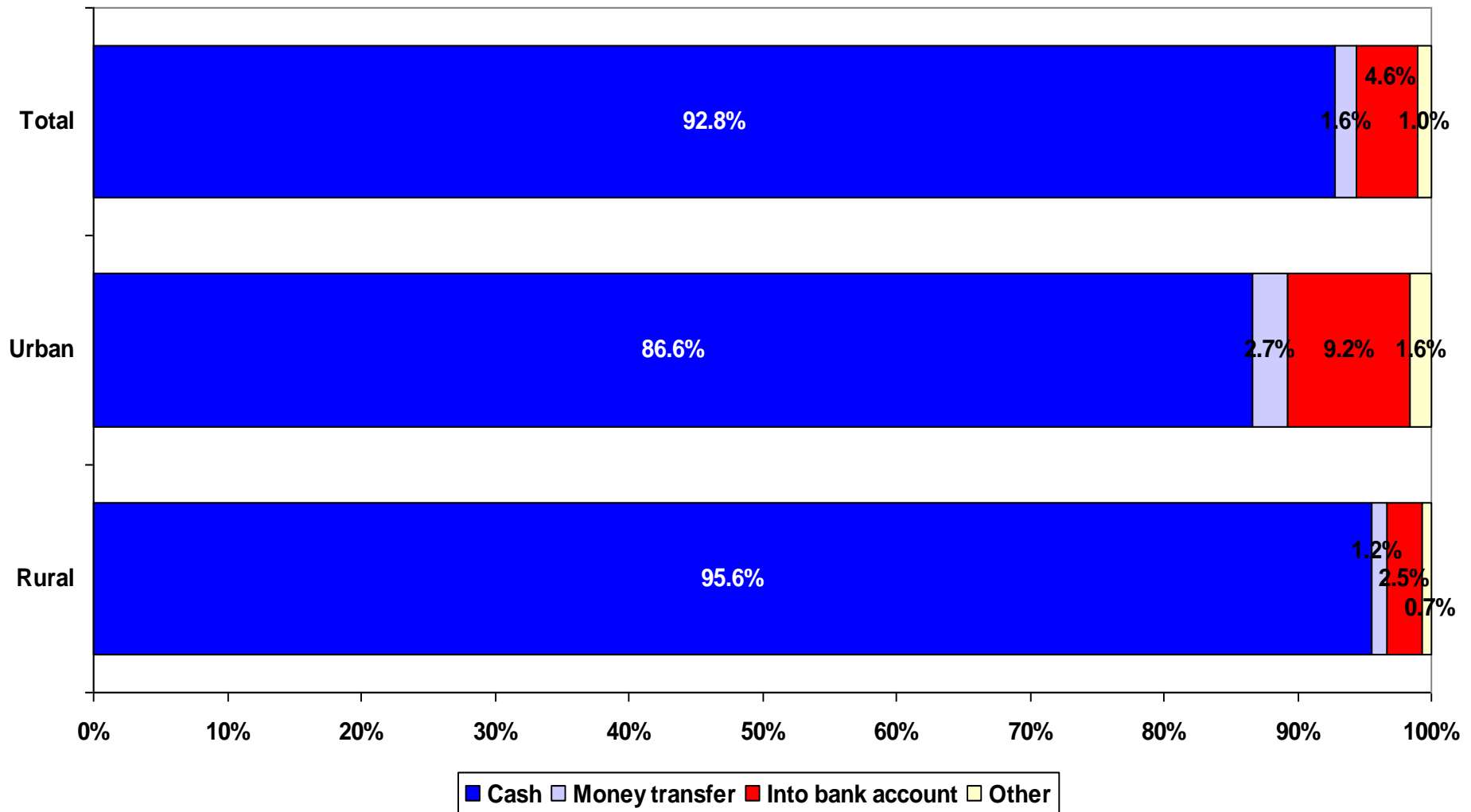


Personal Monthly Income



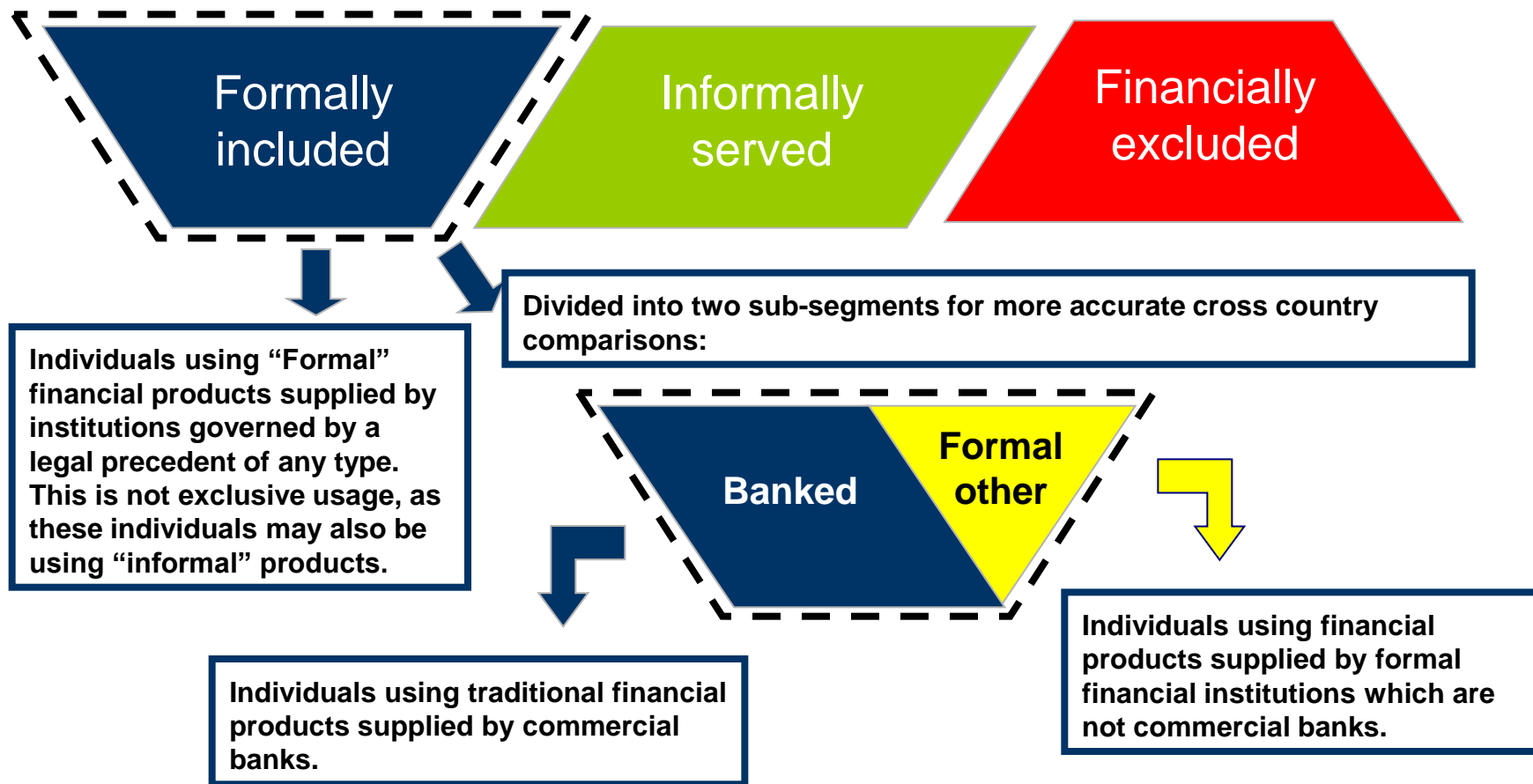
- How do people receive their income
- What do they do with their money?

Money Management



How Income is Received

The FinScope methodology uses financial product usage to segment the adult population



Defining Financial Inclusion

Formally
included

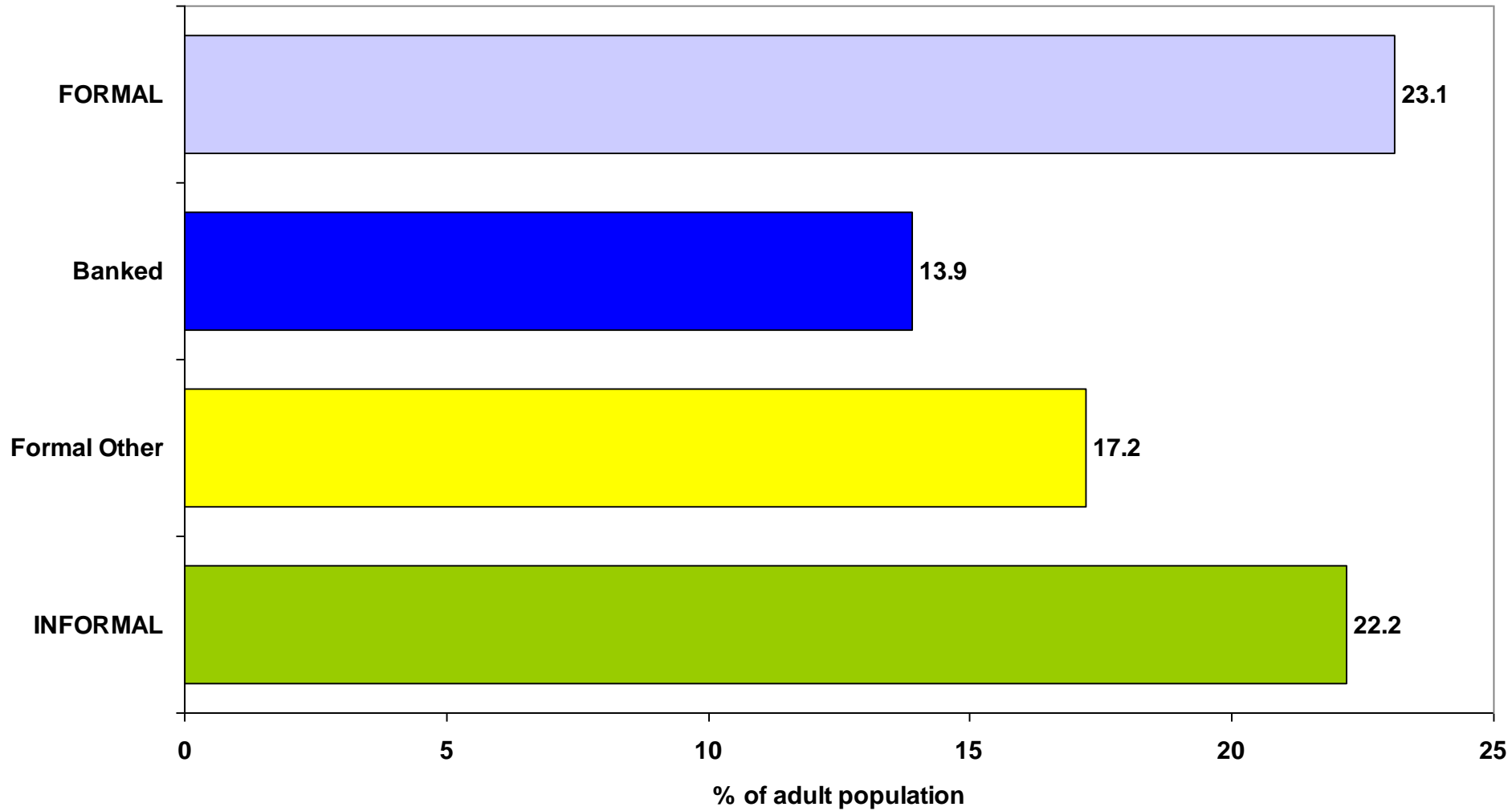
Informally
served

Financially
excluded

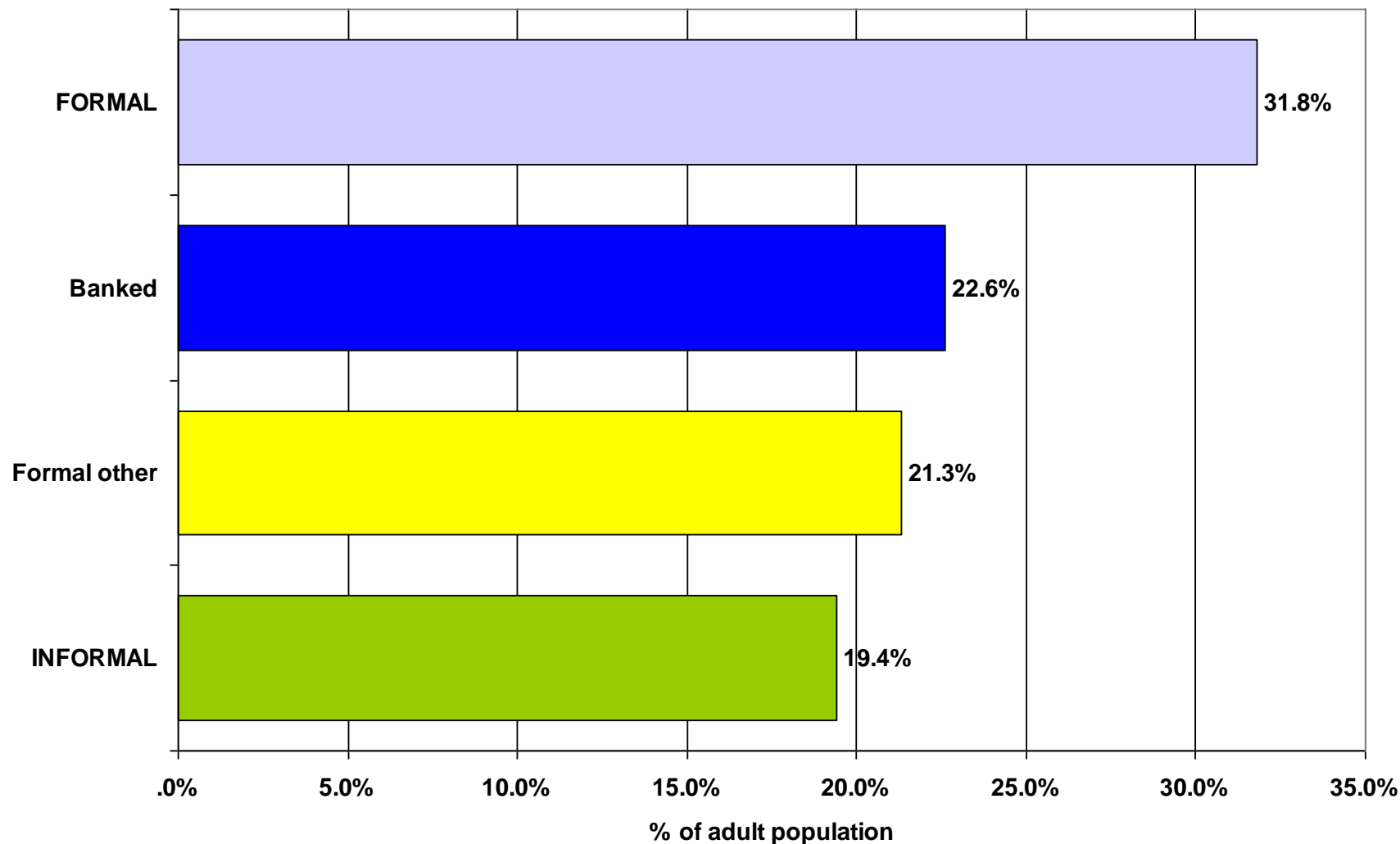
Individuals using “informal” products – i.e. products without recognized legal governance e.g. *savings with an employer or savings group.*

Individuals who use no financial products - neither “formal” nor “informal” – to manage their financial lives

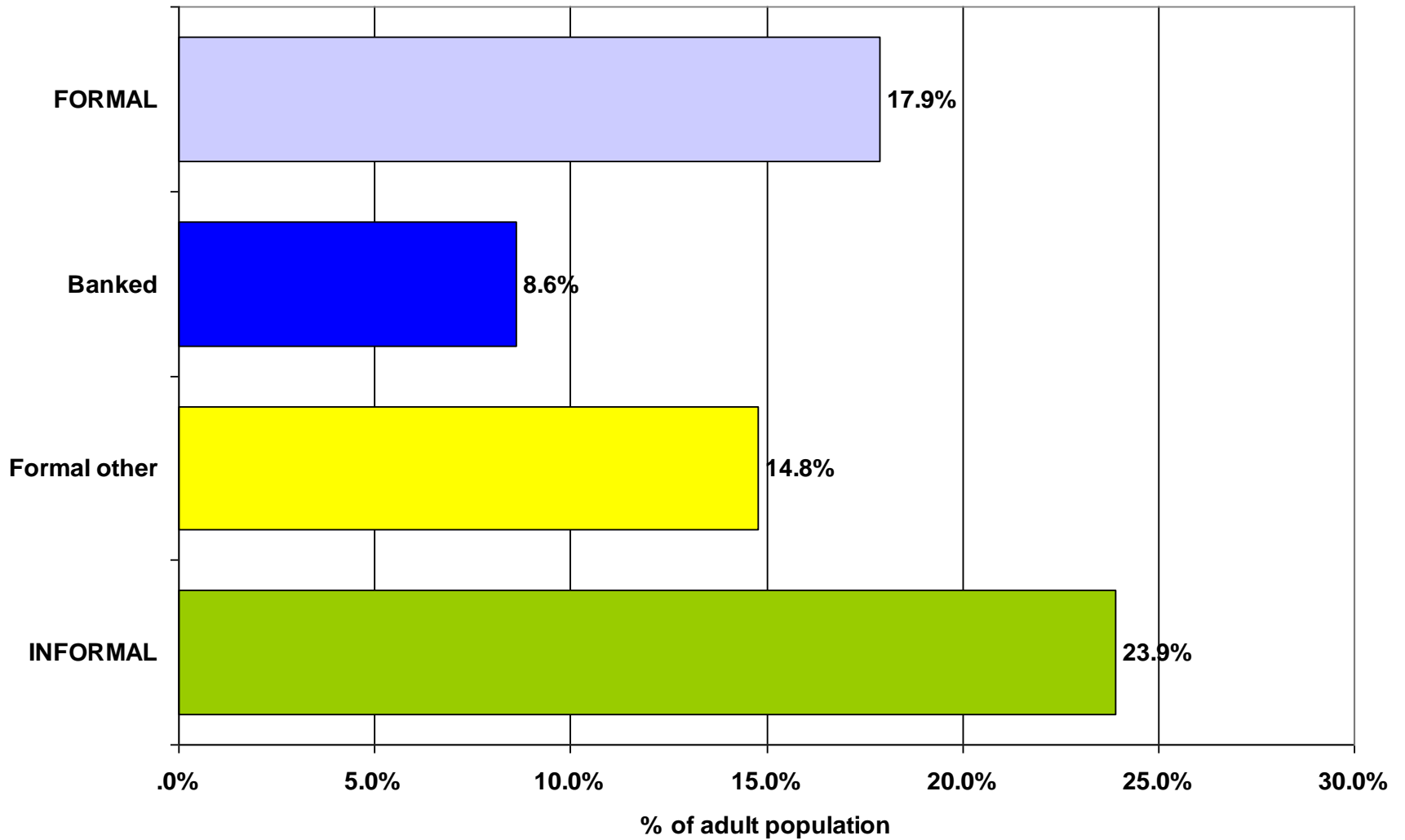
Defining Financial Inclusion (continued)



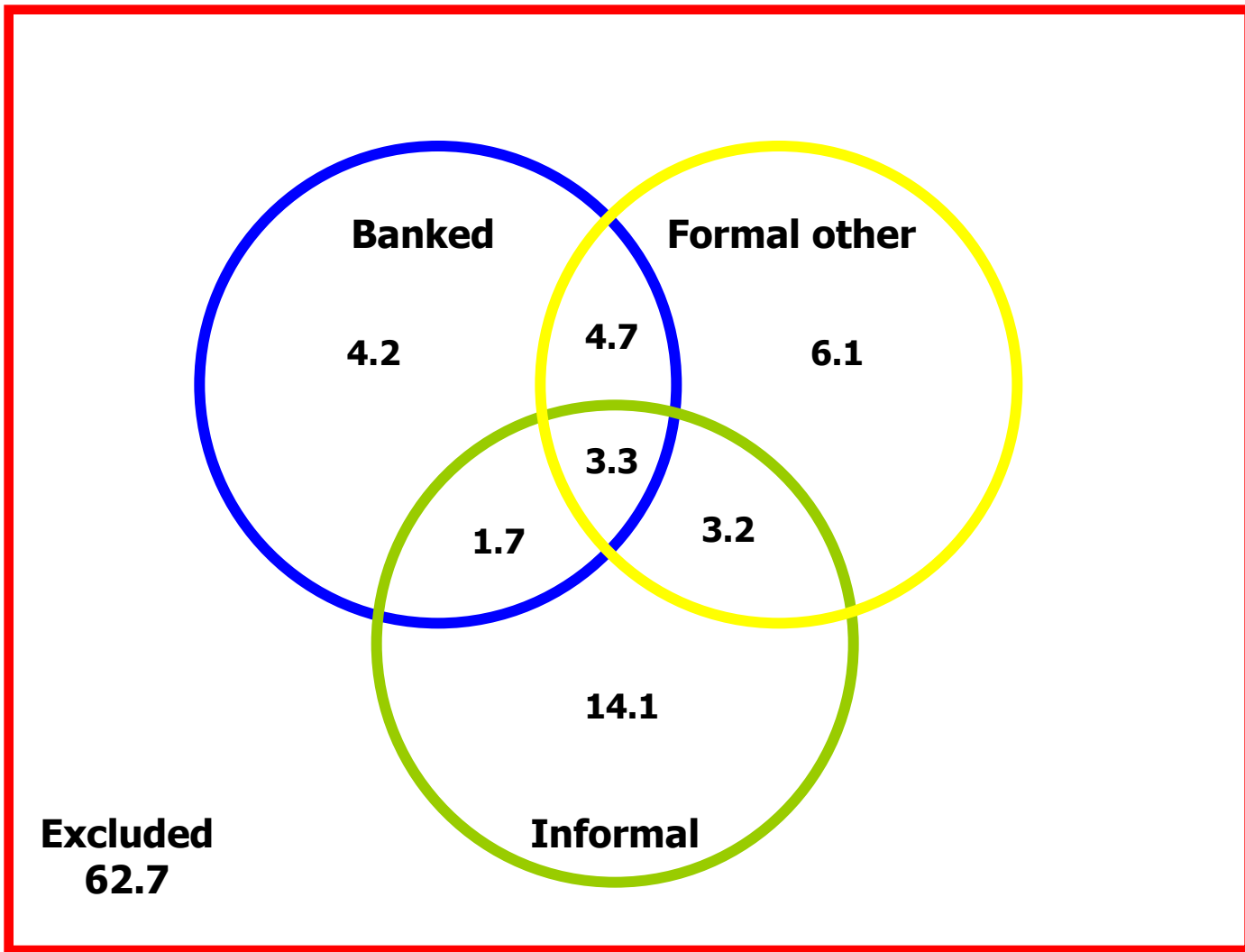
Use of Financial Products



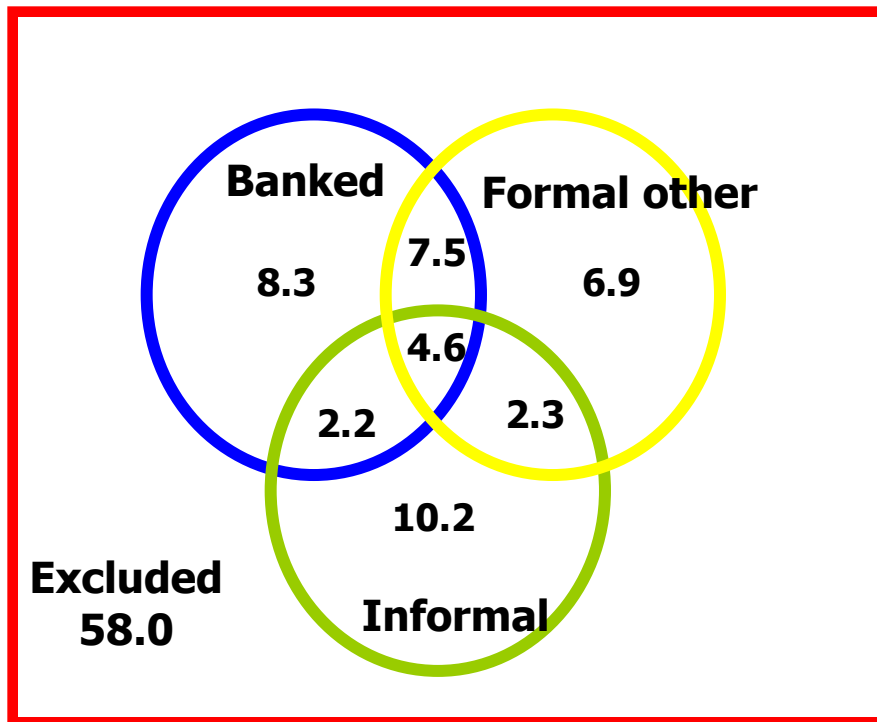
Use of Financial Products - Urban



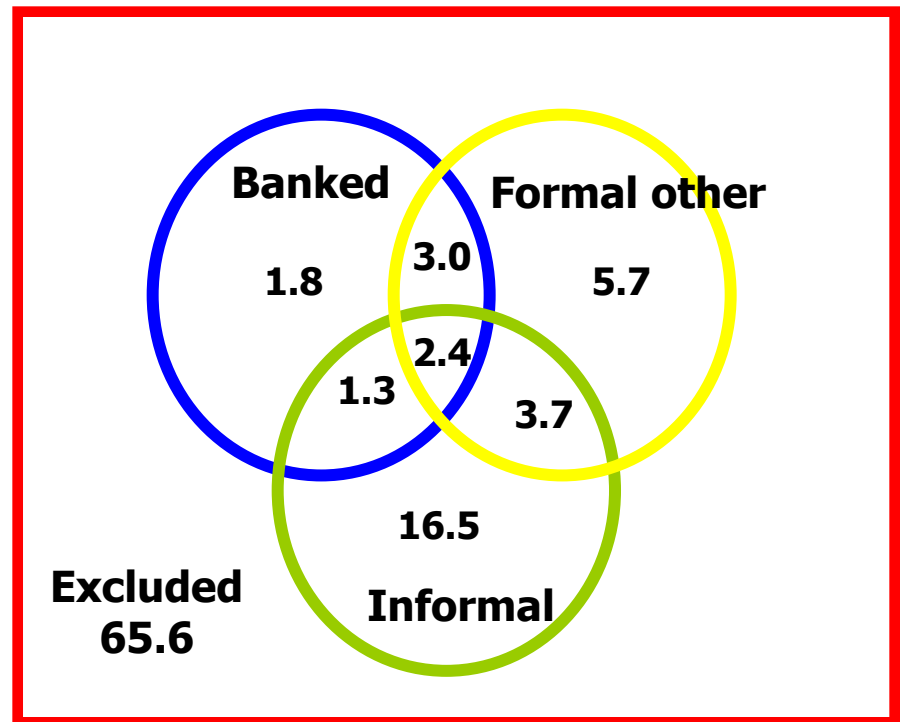
Use of Financial Products – Rural



Financial Inclusion



Urban



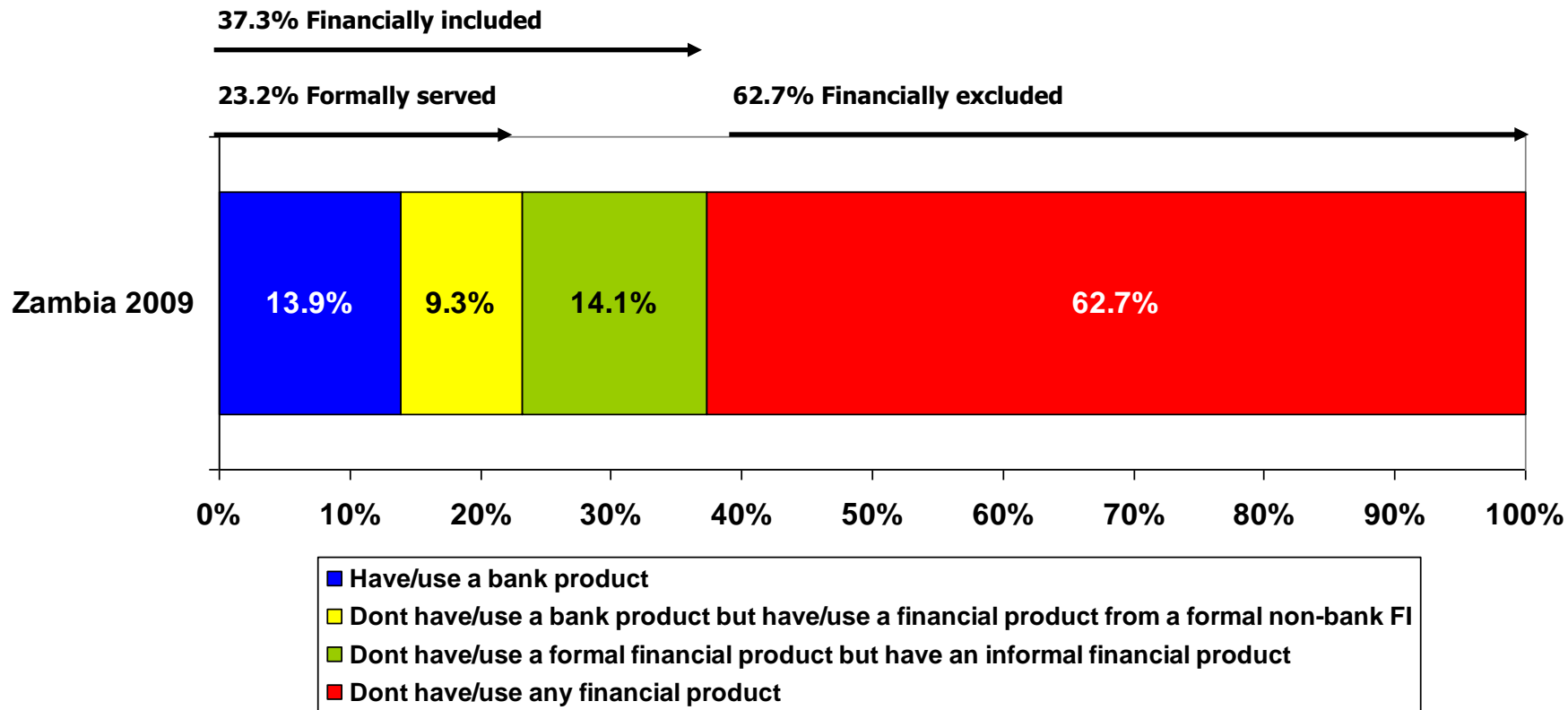
Rural

Financial Inclusion – Urban vs. Rural

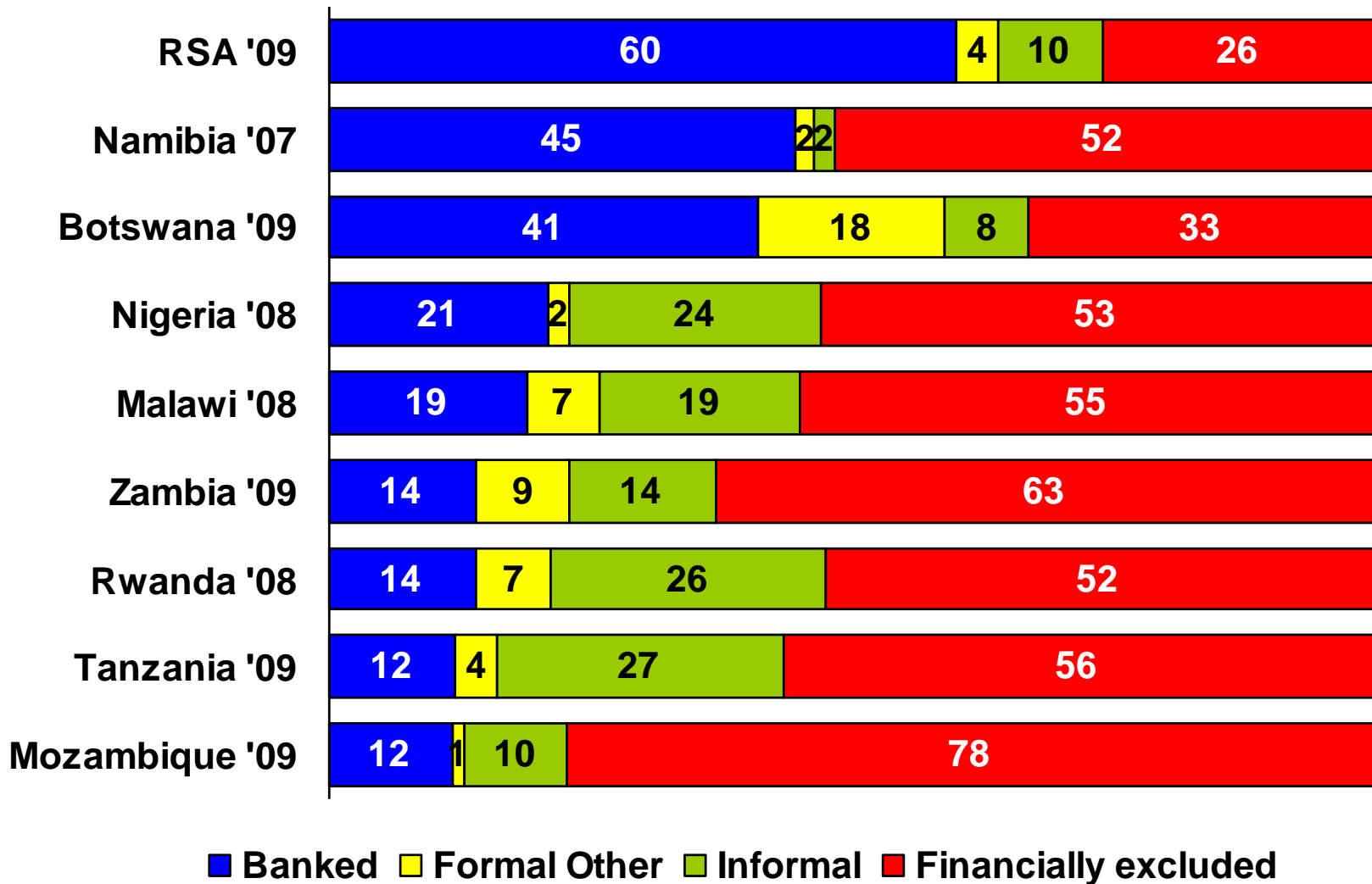
For the purpose of comparing financial inclusion levels across countries, FinScope uses the **Financial Access Strand (FAS)**. The FAS segments the adult population as follows:

- **Banked** - Individuals using commercial bank products. This is not exclusive usage - these individuals could also be using financial products from other formal financial institutions or informal products.
- **Formal other** – Individuals using financial products from formal financial institutions which are not commercial banks such as micro finance institutions or insurance companies. This is not exclusive usage as these individuals could also be using informal products.
- **Informal** – Individuals using informal financial products only.
- **Excluded** – Individuals using no financial products to manage their financial lives – neither formal nor informal

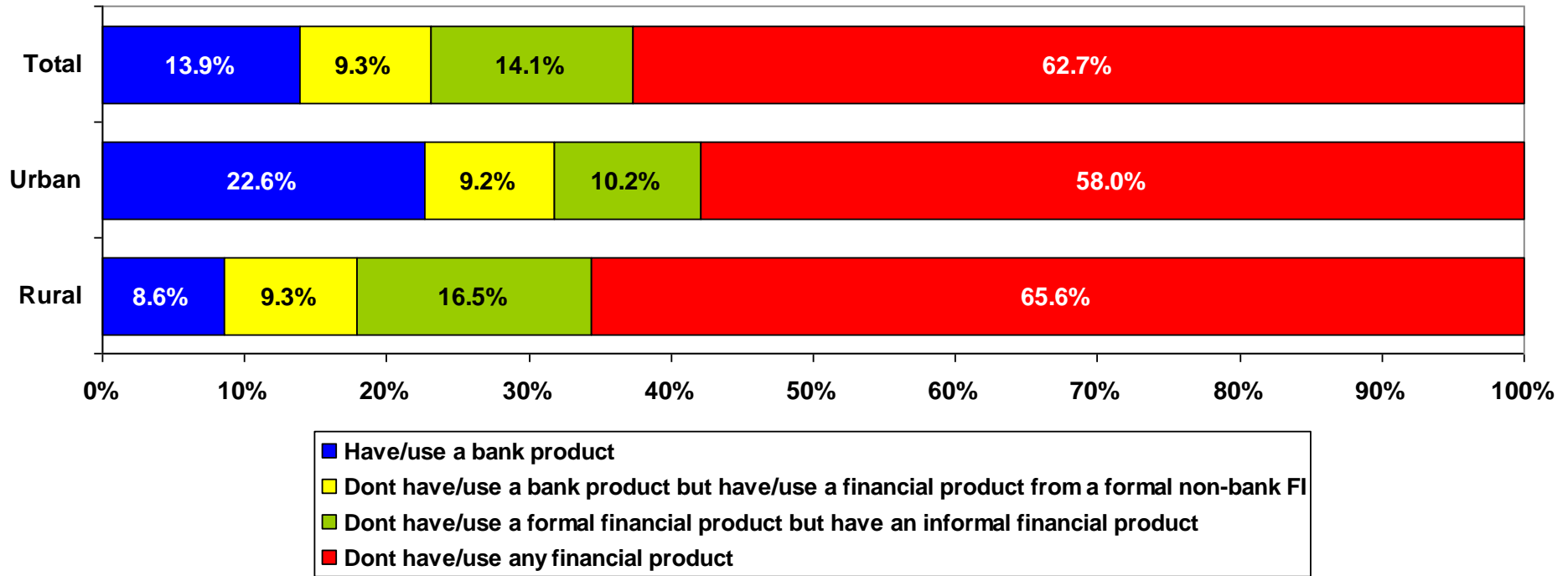
The Financial Access Strand



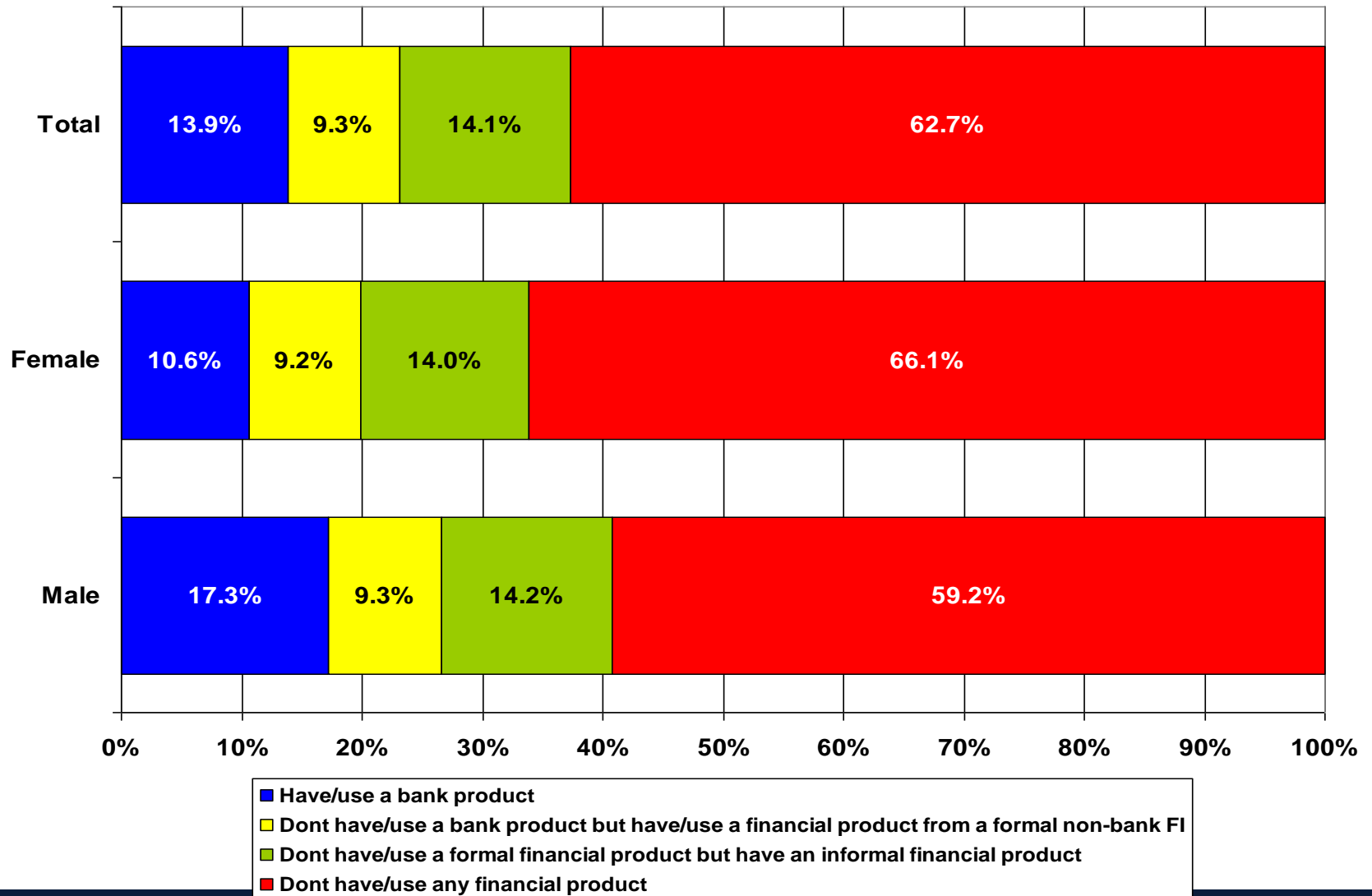
Access Strand Zambia 2009



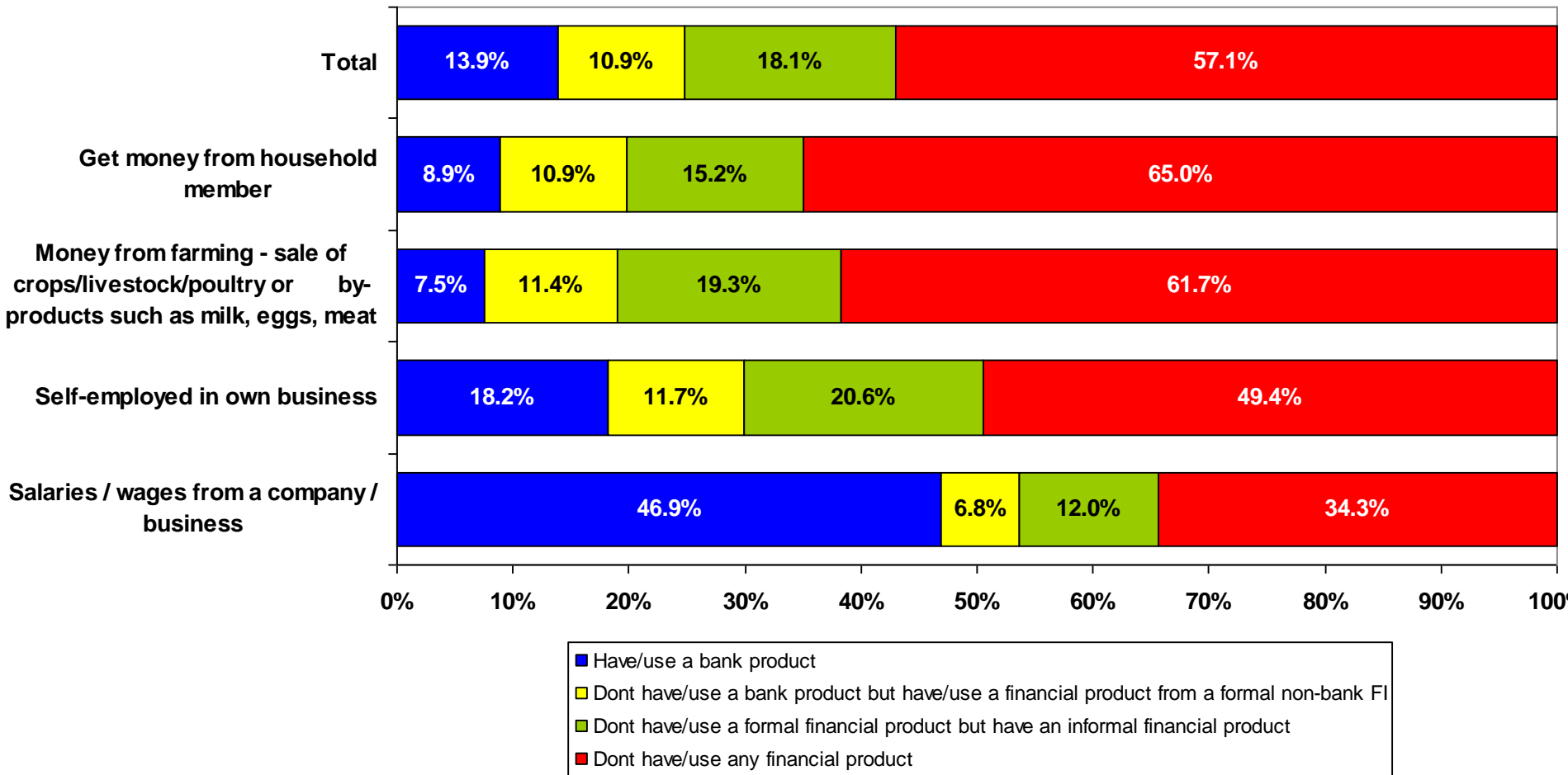
Comparing Access across Countries



Comparing Access – Urban vs. Rural



Comparing Access - Gender

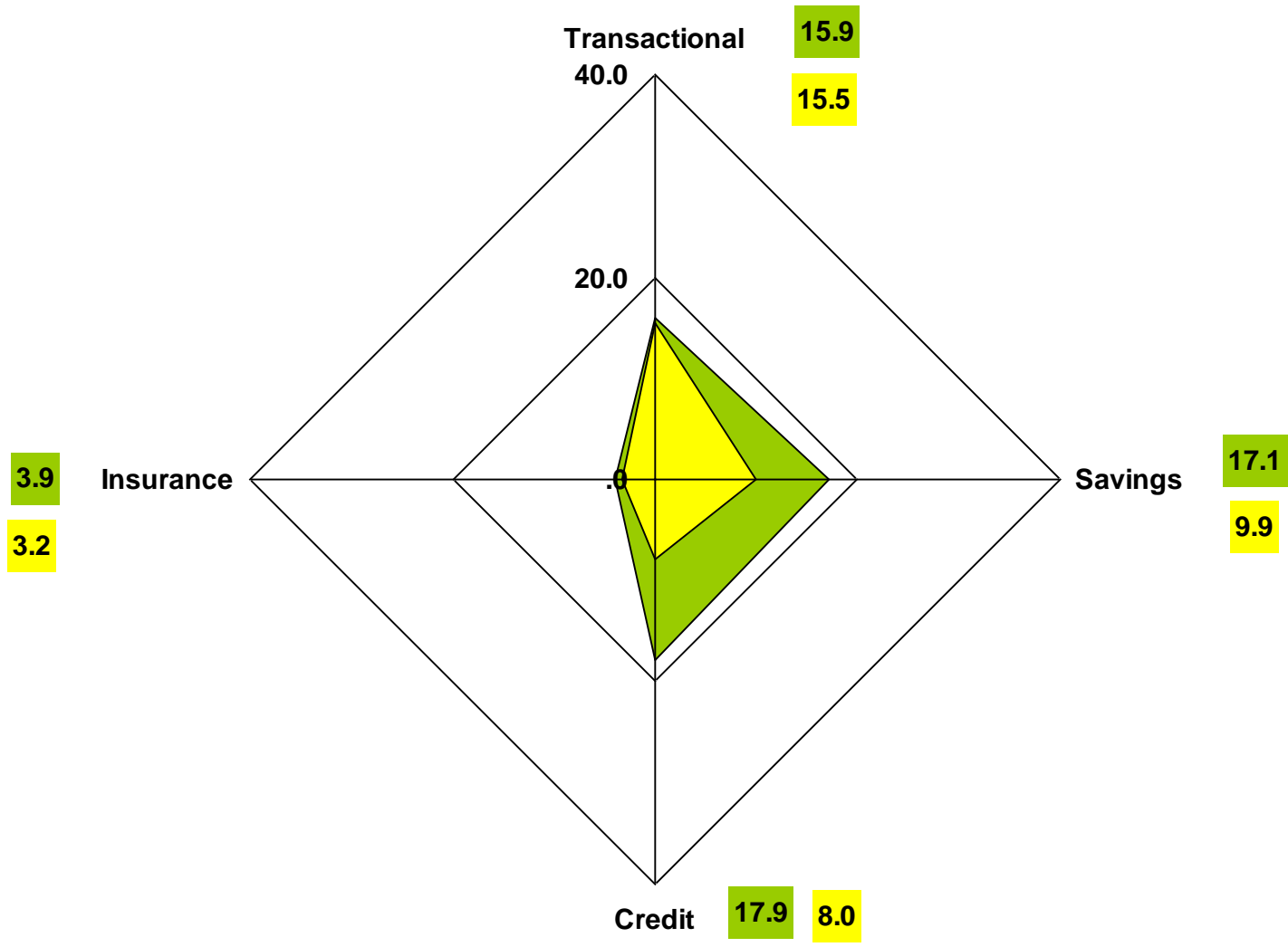


Comparing Access – Income Generating Activities

The FinScope **Landscape of Access** describes the percentage of the adult population:

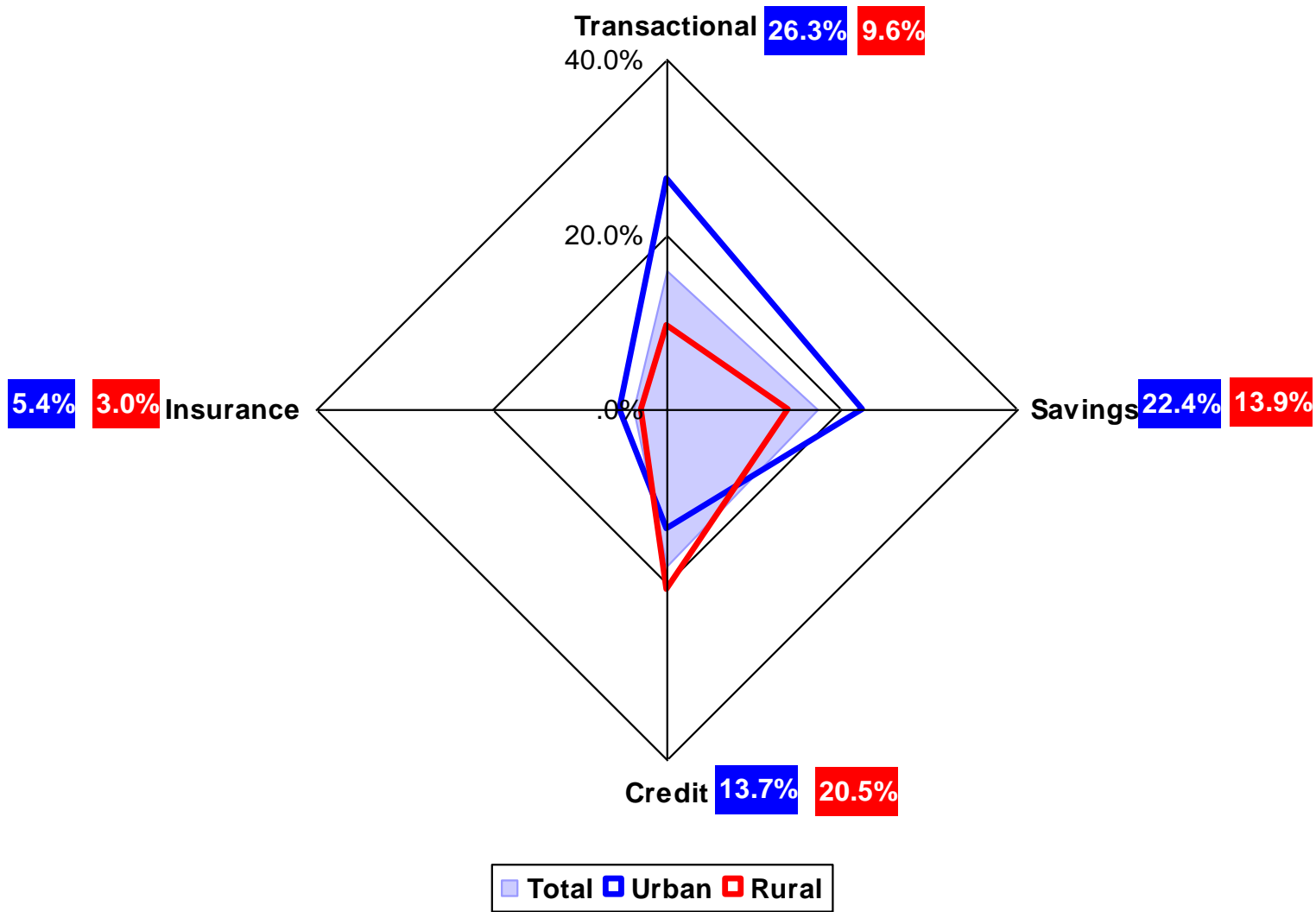
- who have TRANSACTIONAL products formal or informal
- who have CREDIT products - formal or informal
- who have SAVINGS products - formal or informal
- who have INSURANCE products - formal or informal

Landscape of Access

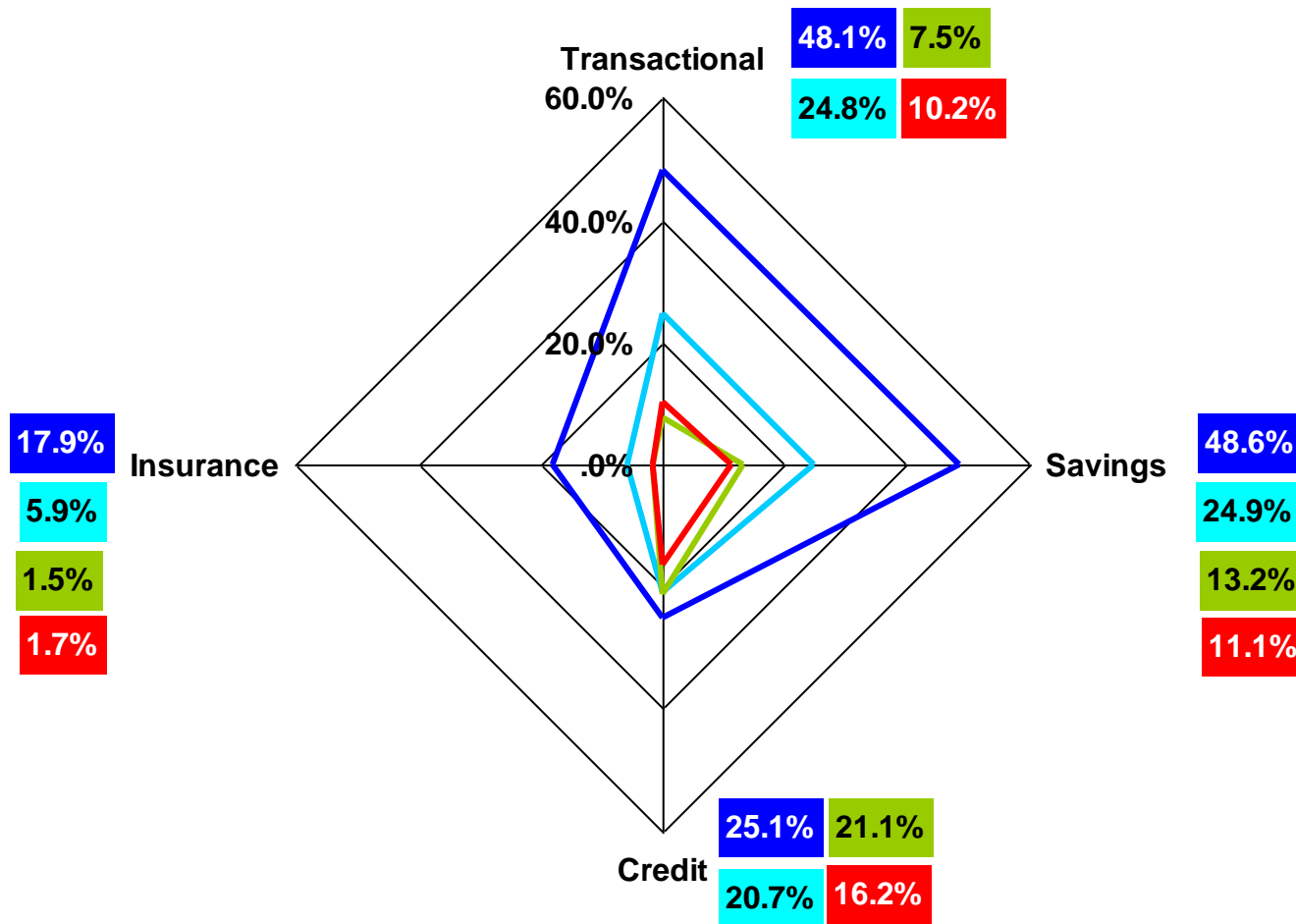


■ Total - showing informal sector role ■ Formal

Landscape of Access - Zambia 2009

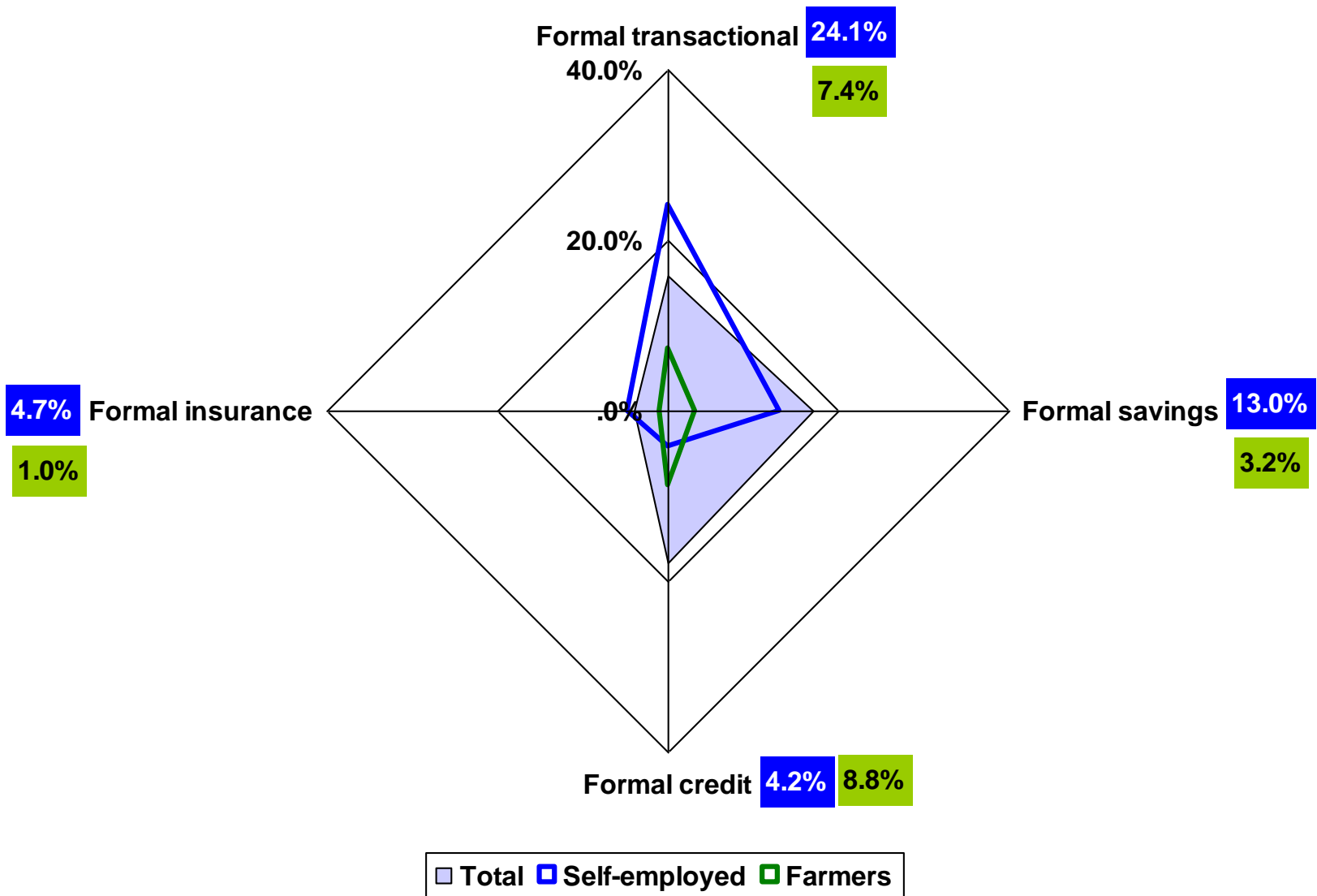


Comparing Landscapes of Access – Rural vs. Urban

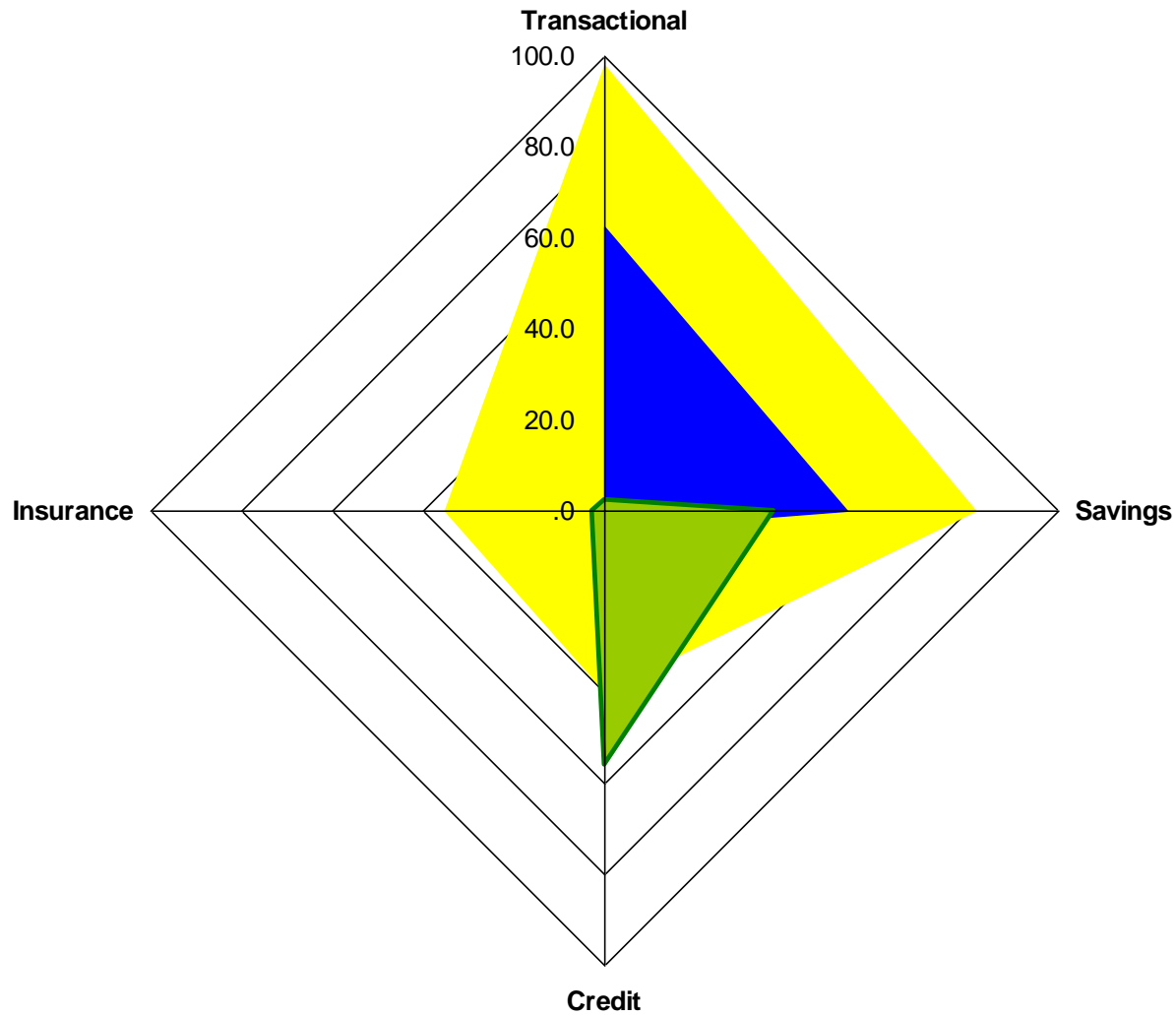


— Salaries / wages from a company / business
 — Self-employed in own business
— Money from farming
 — Get money from household member

Comparing Landscapes of Access – Income Generating Activities



Comparing Formal Landscapes of Access – Business owners vs. Farmers

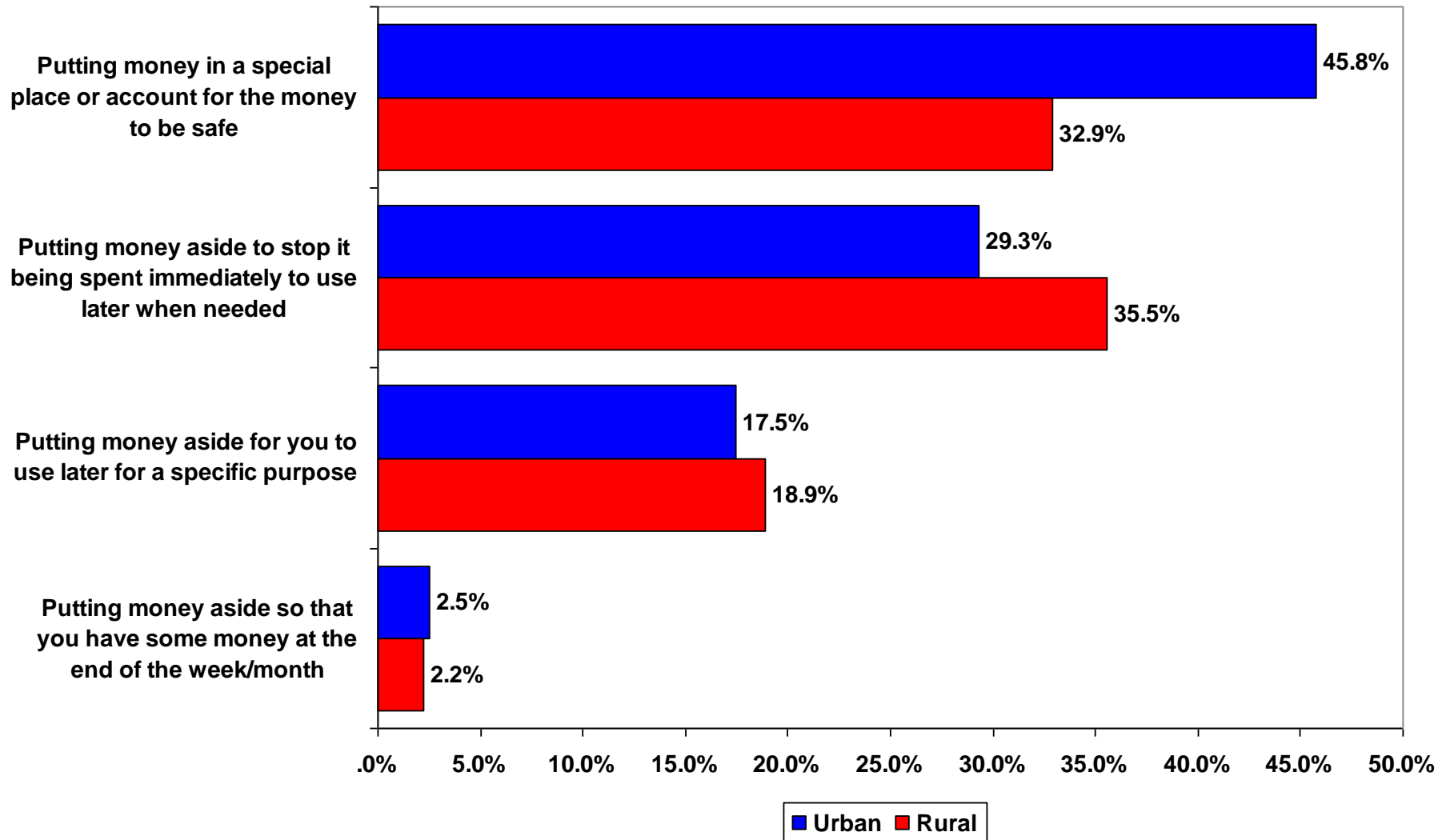


■ Formally served
 ■ Banked only
 ■ Informally served

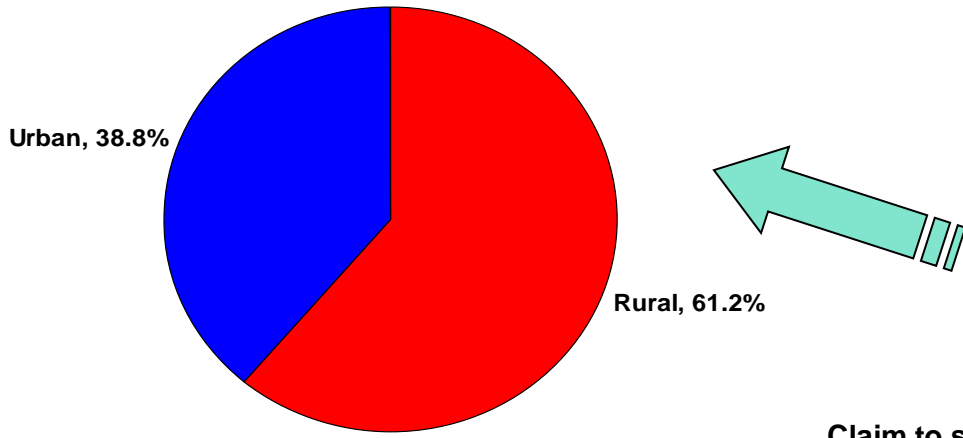
Comparing Landscapes of Access – Banked Only
 vs. Formally Served vs. Informally Served

- **Savings**
- **Borrowing**
- **Banking**
- **Remittances**

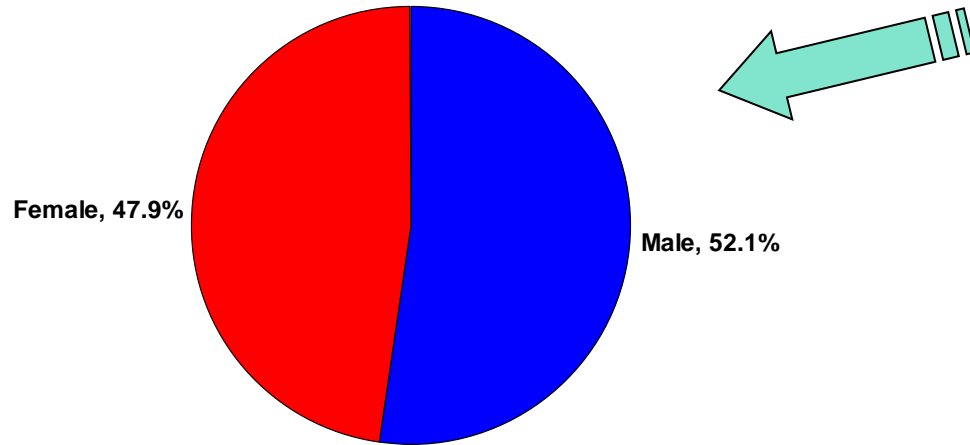
Financial Behaviour



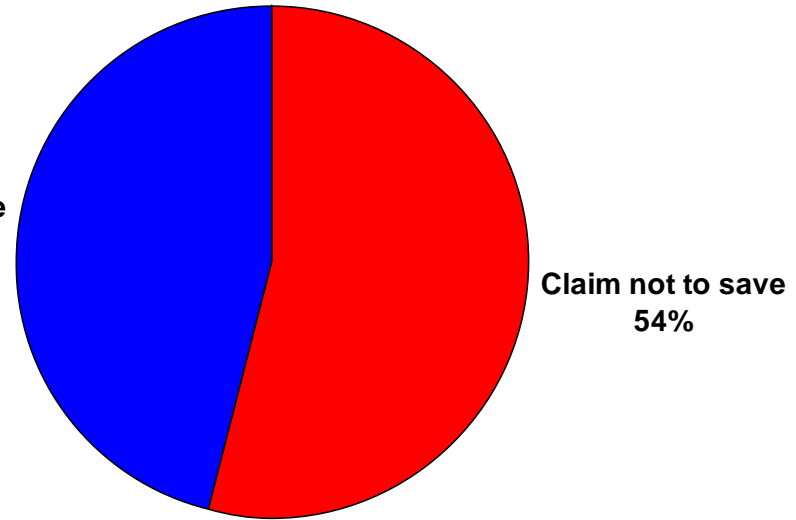
Understanding of 'saving'



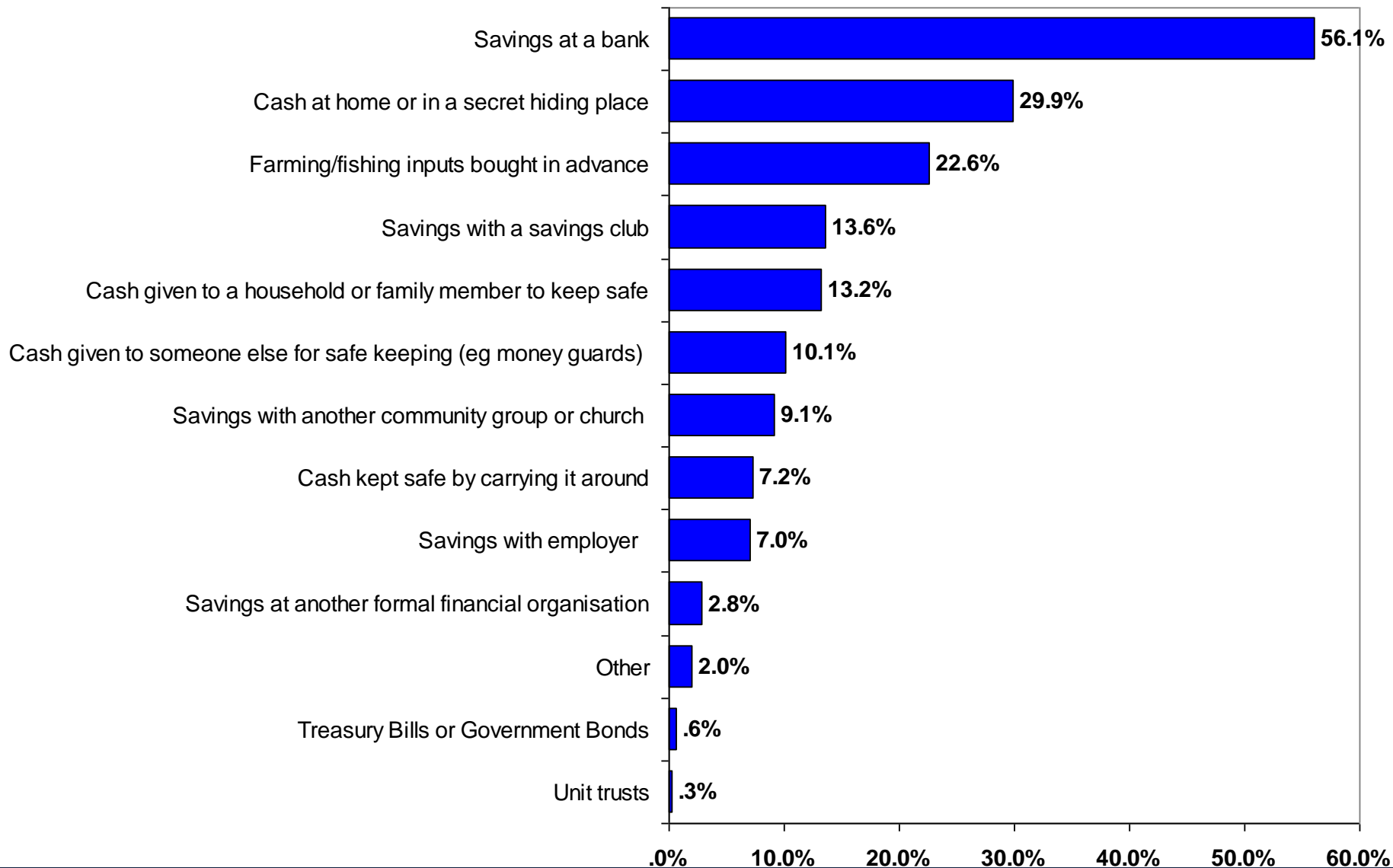
“Savers”



Claim to save
46%



Claimed Savings

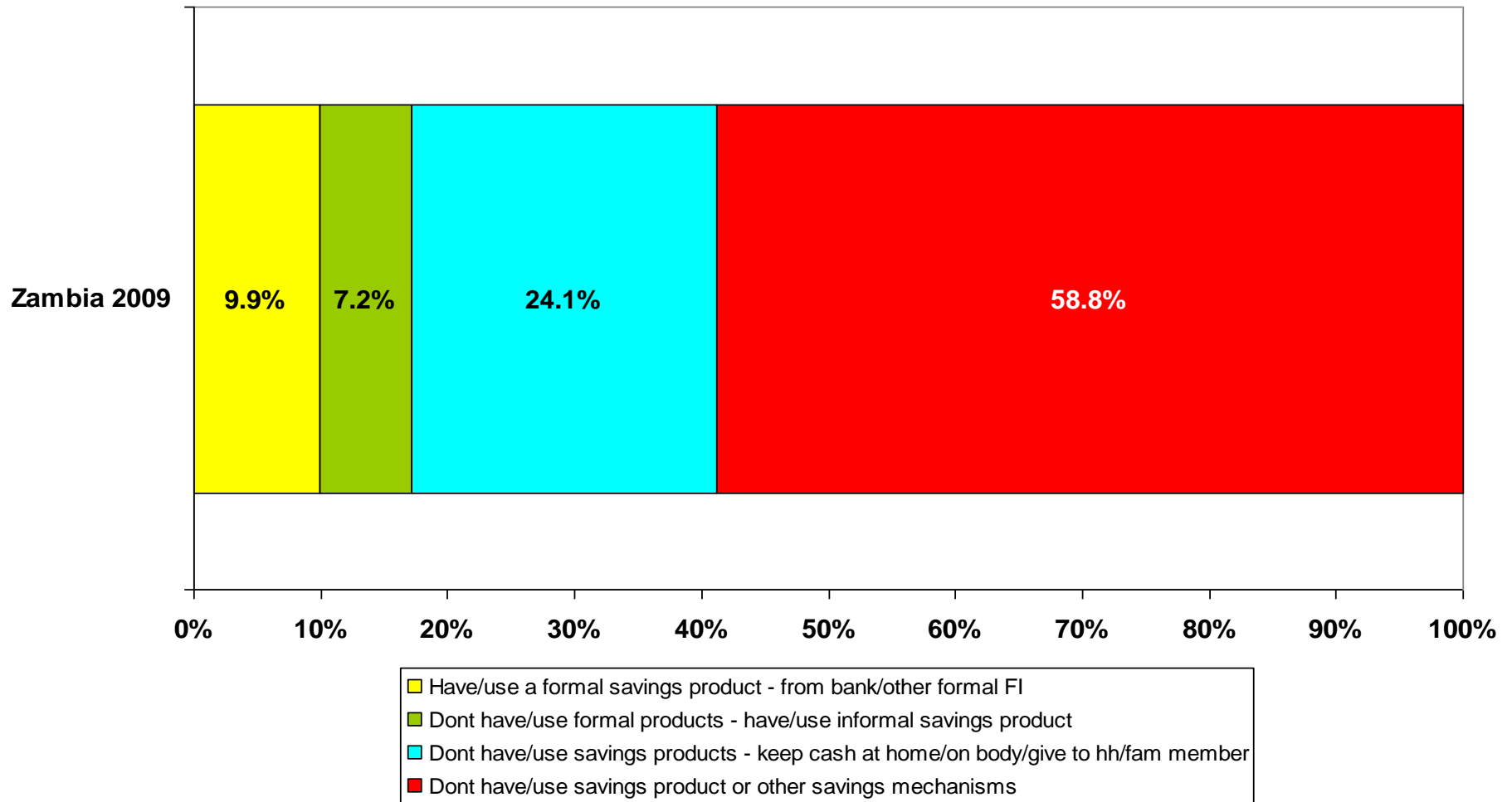


Savings Mechanisms

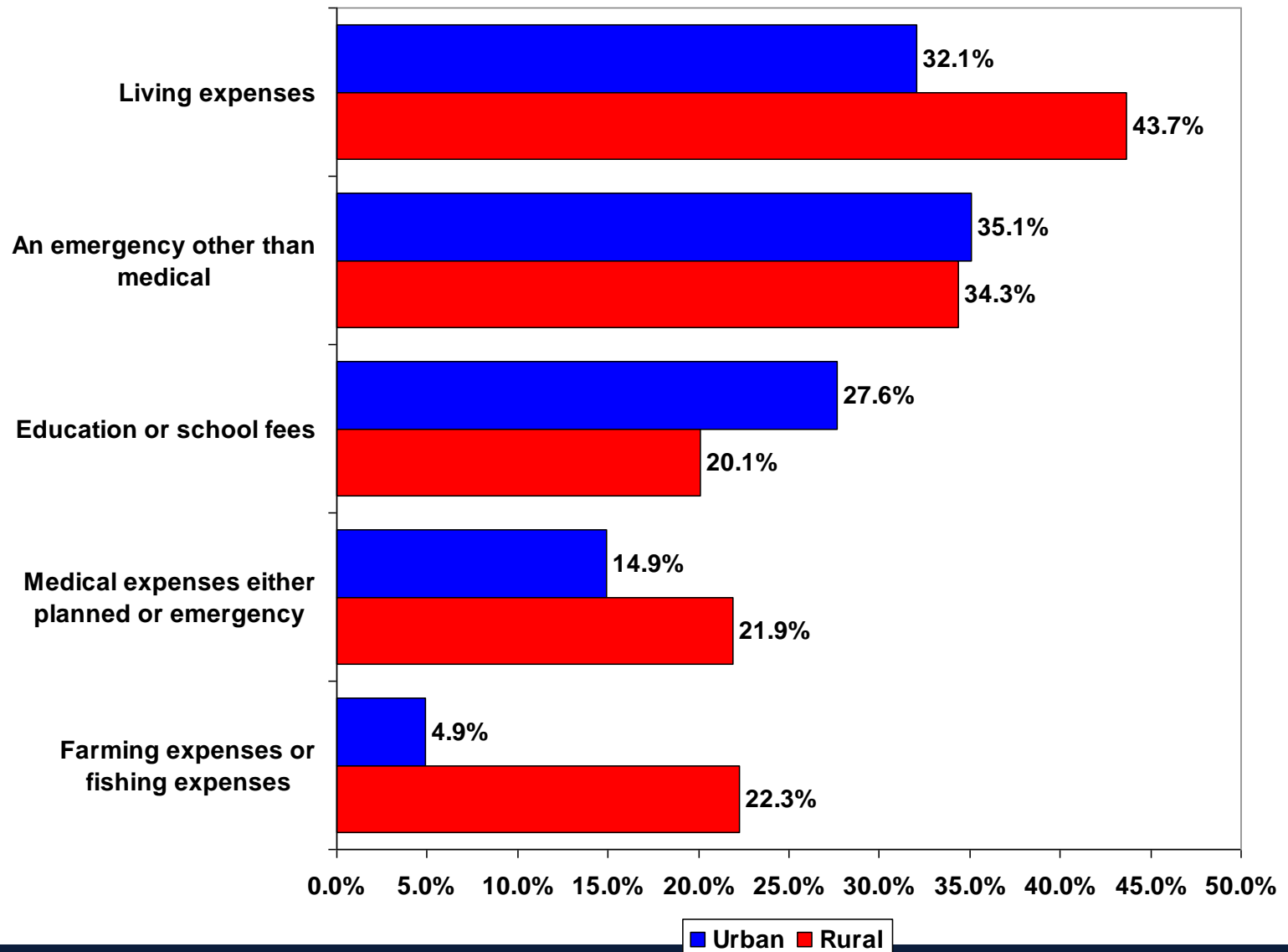
The Savings Strand segments the adult population based on their usage of savings products/mechanisms:

- **Have/use formal savings products** – individuals who save by means of using financial products from a formal financial institution (these individuals may also be saving by other means such as using informal products or saving by keeping cash at home)
- **Have/use informal products** - individuals who save by means of informal products (these individuals could save by other means as well for example saving by keeping cash at home, but they do not have any savings products from commercial banks or other formal financial institutions)
- **Don't have/use savings products but keep cash at home or giving cash to family member to keep**
- **Don't have any savings products/mechanisms**

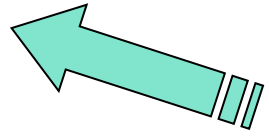
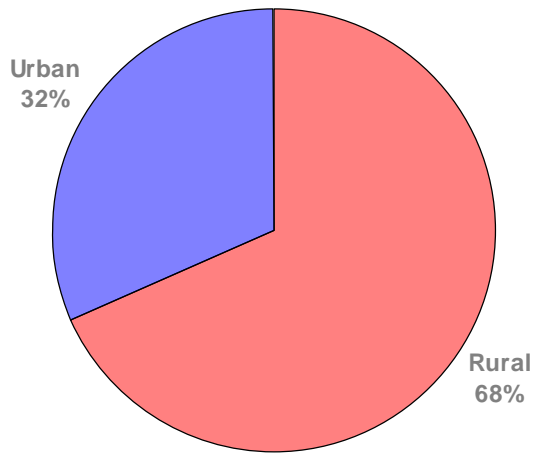
The Savings Strand



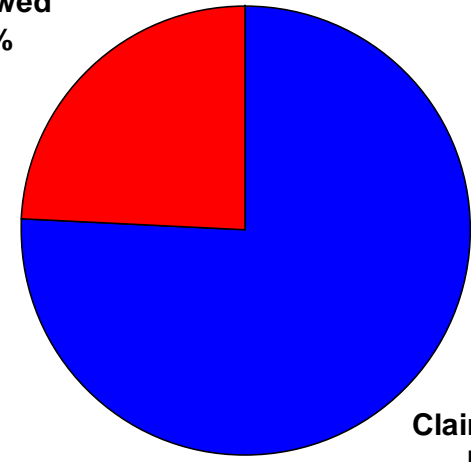
Savings Strand Zambia 2009



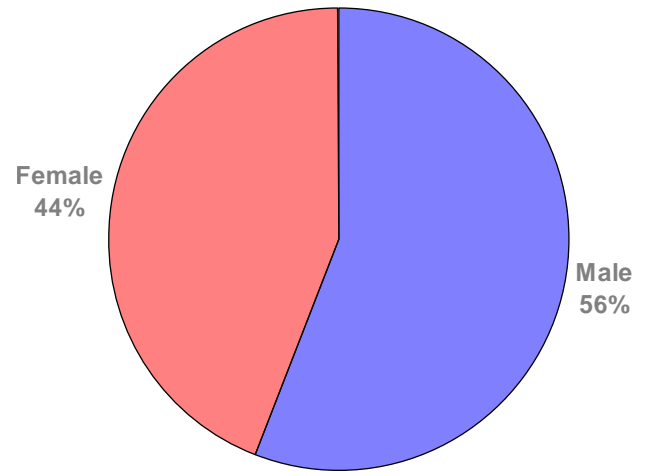
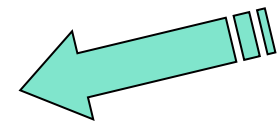
Reasons for Saving – Rural vs. Urban



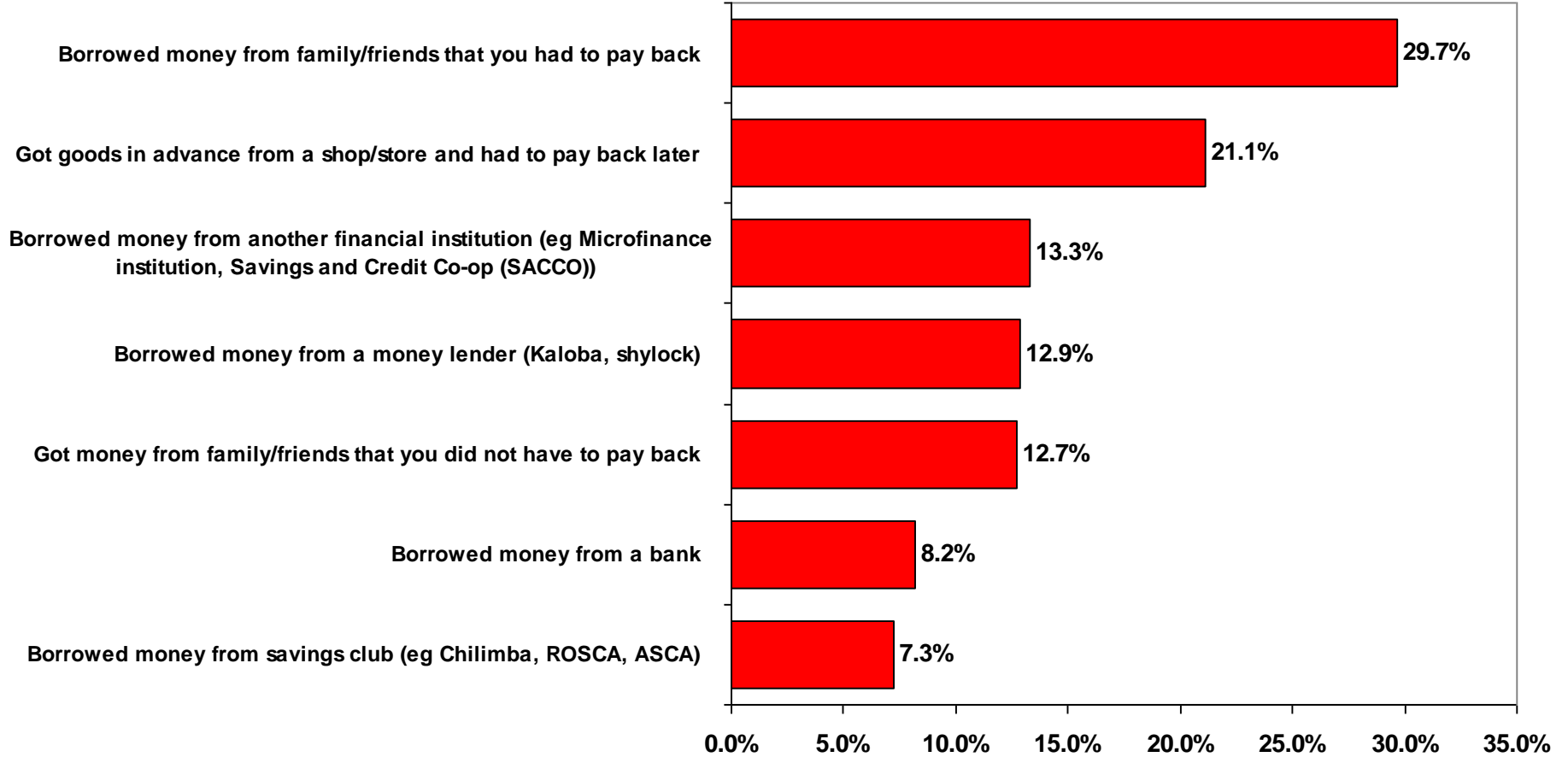
**Admit to have
borrowed
24%**



“Borrowers”



Claimed Borrowing

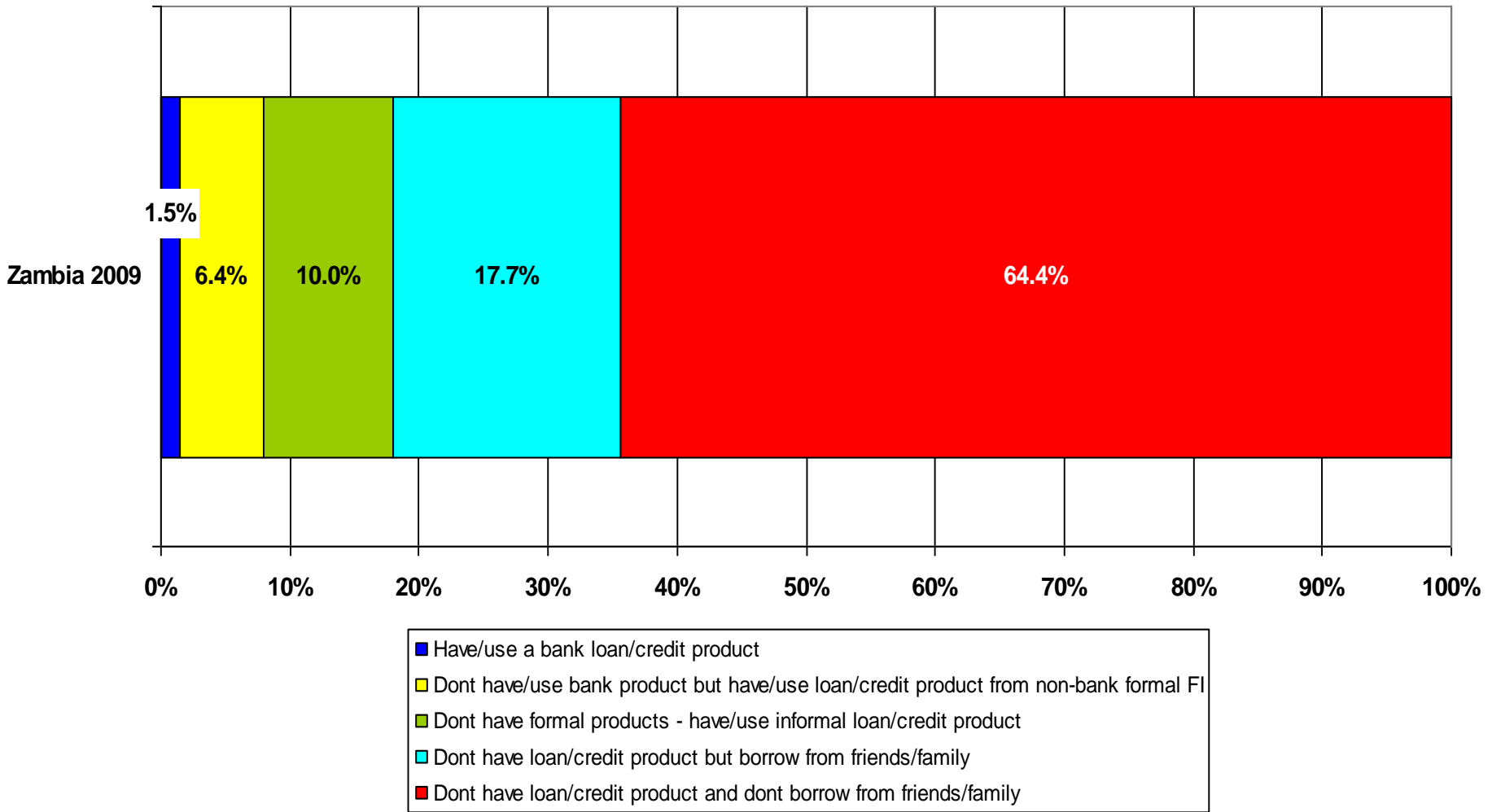


Sources of Borrowing

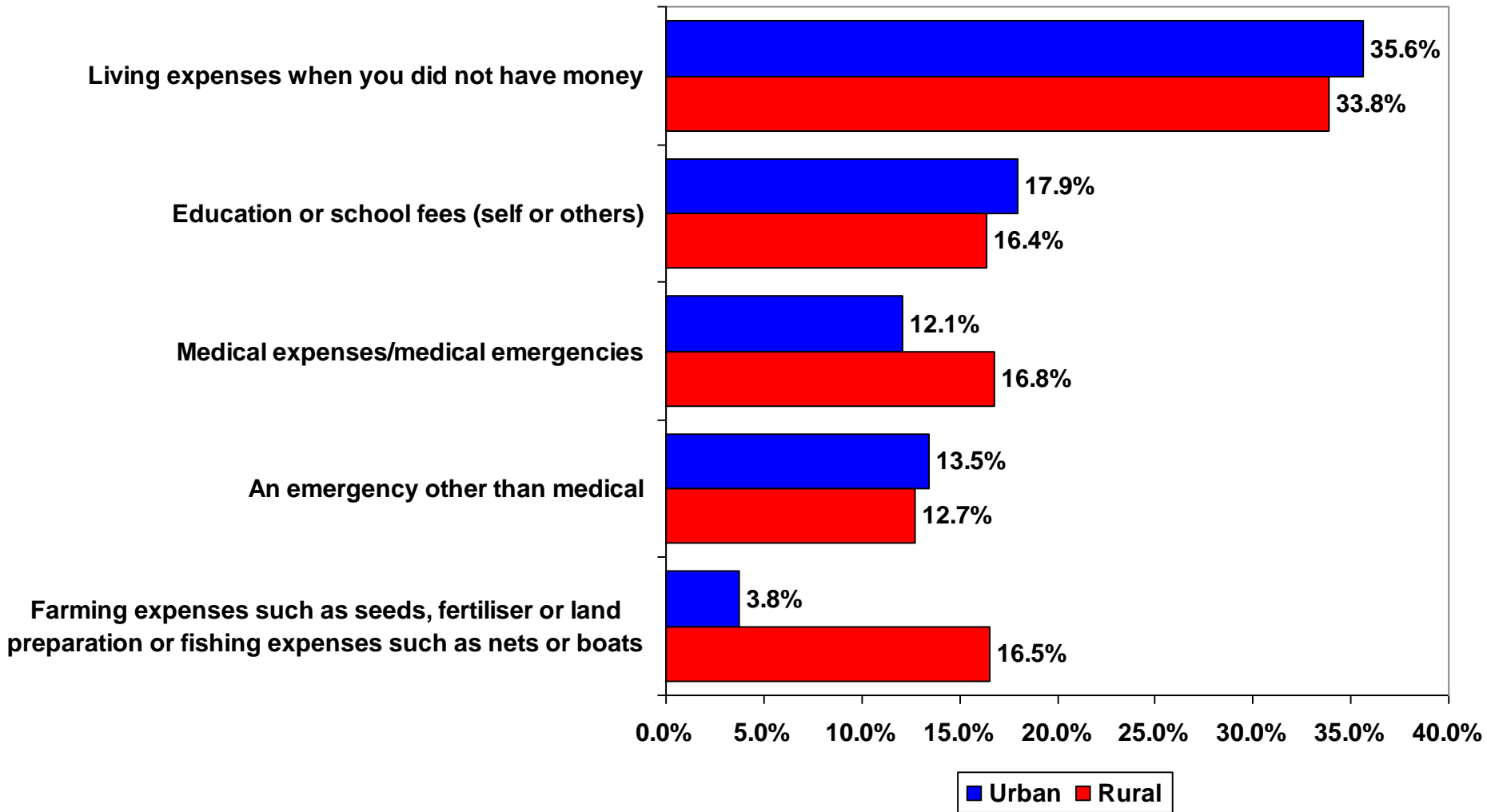
The Credit Strand segments the adult population based on their usage of credit products/mechanisms:

- **Have/use commercial bank credit/loan products** – individuals who accessed a loan from a commercial bank (these individuals may utilise other loan products as well for example loans from other formal financial institutions, informal credit products or borrowing from family and friends)
- **Have/use credit/loan products from other formal financial institutions** – individuals who accessed a loan from other formal financial institutions such as micro finance institutions (these individuals may utilise other loan products as well for example informal credit products or borrowing from family and friends, but not products from commercial banks)
- **Have/use informal credit products** - individuals who use informal credit products (these individuals could also be borrowing from family and friends but make no use of any products from any formal institutions)
- **Have/use no credit products but borrow from family/friends** - individuals who borrow money *only* from family and/or friends
- **Don't have/use credit products and do not borrow from family & friends**

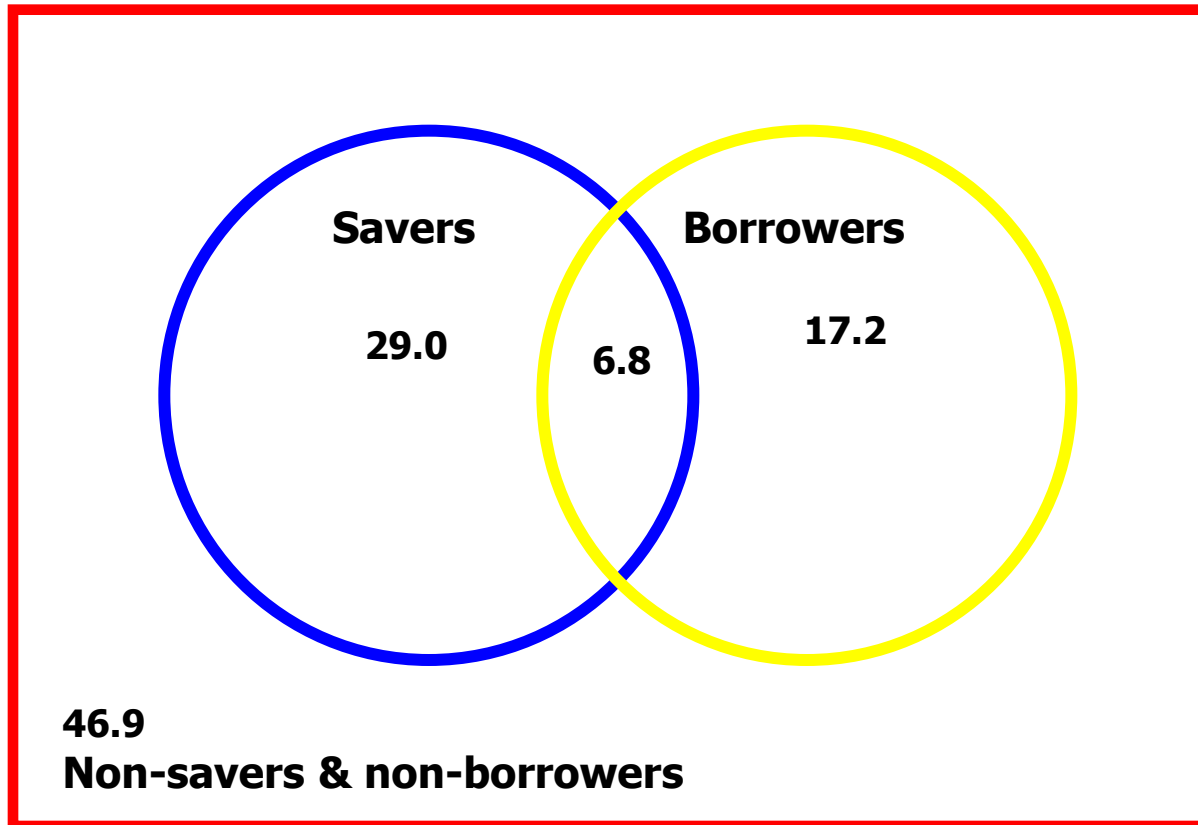
The Credit Strand



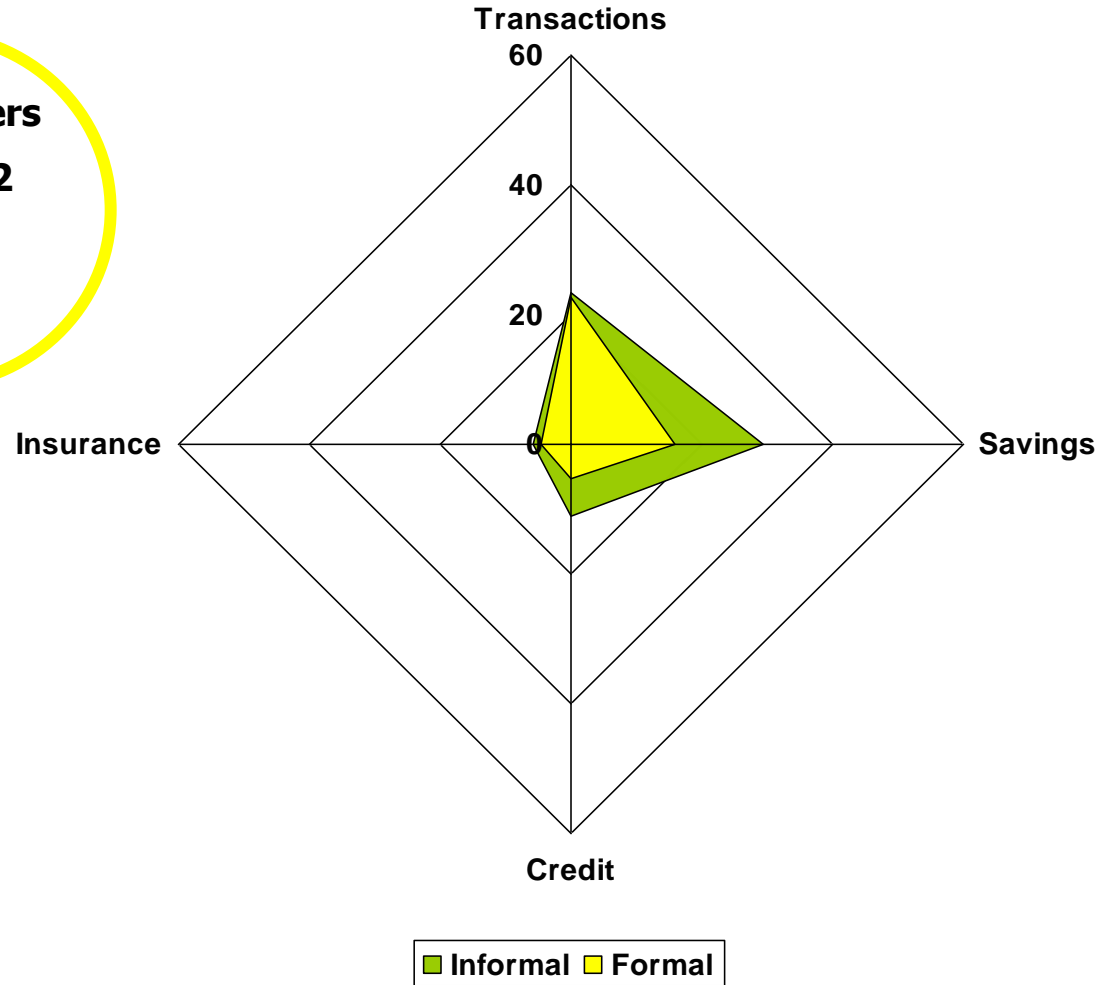
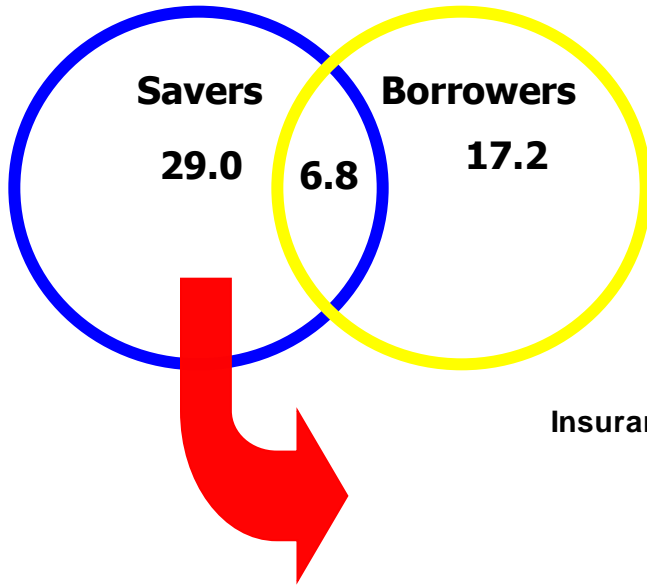
Credit Strand Zambia 2009



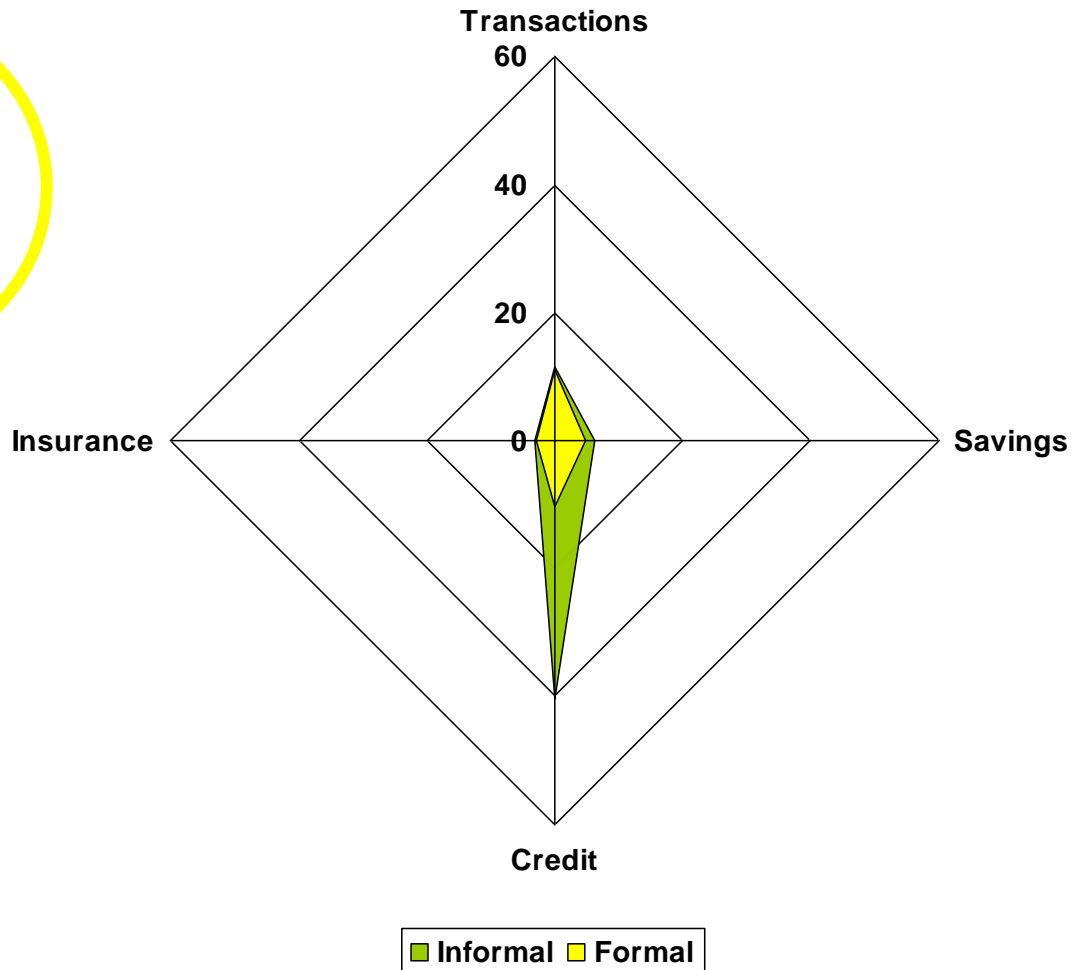
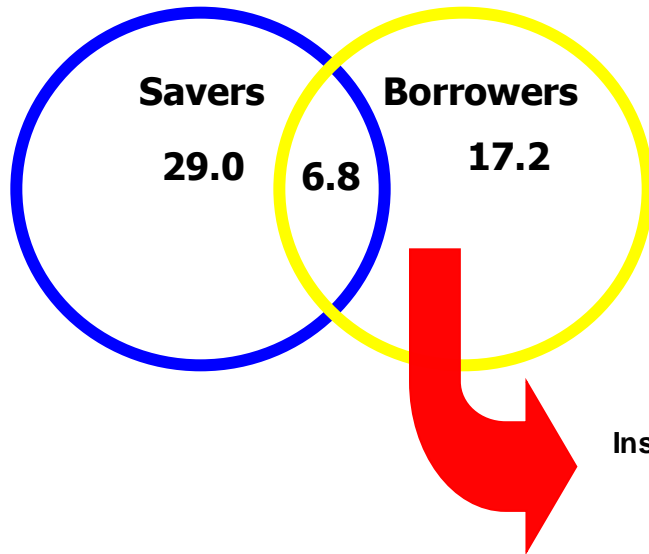
Reasons for Borrowing – Rural vs. Urban



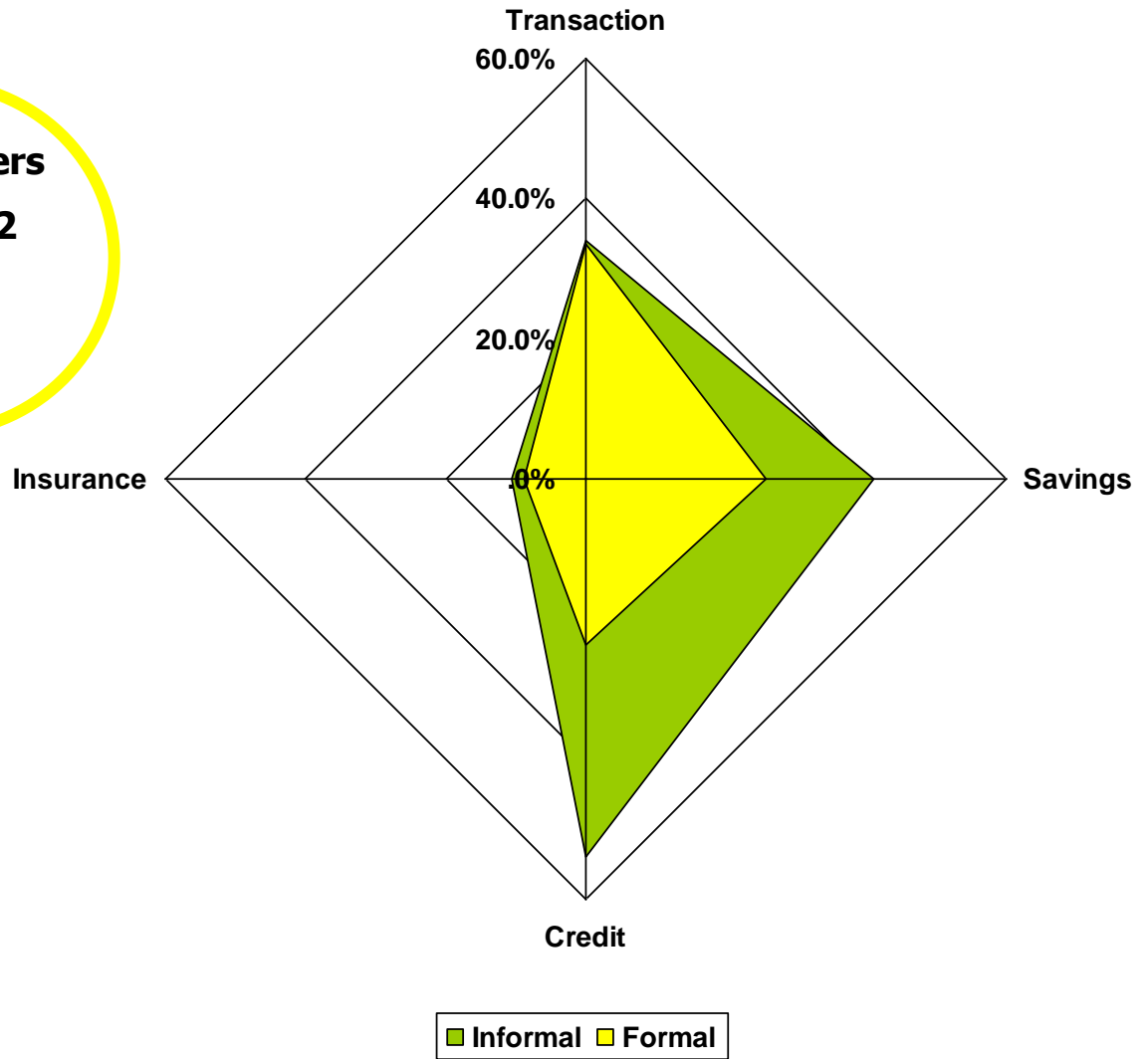
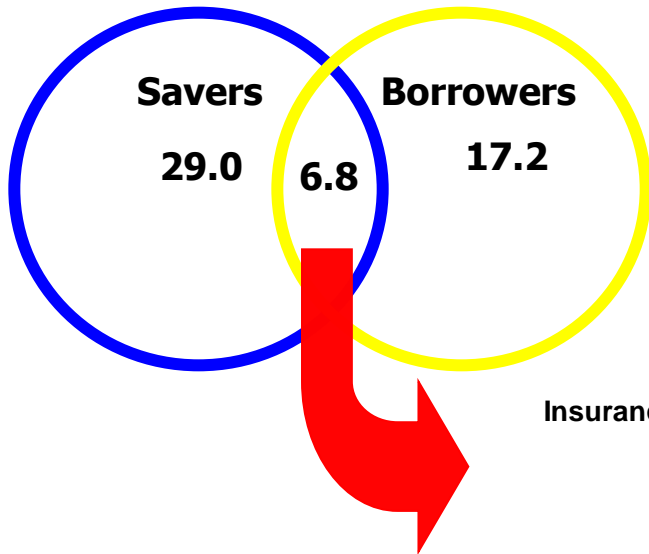
Saving & Borrowing Segmentation



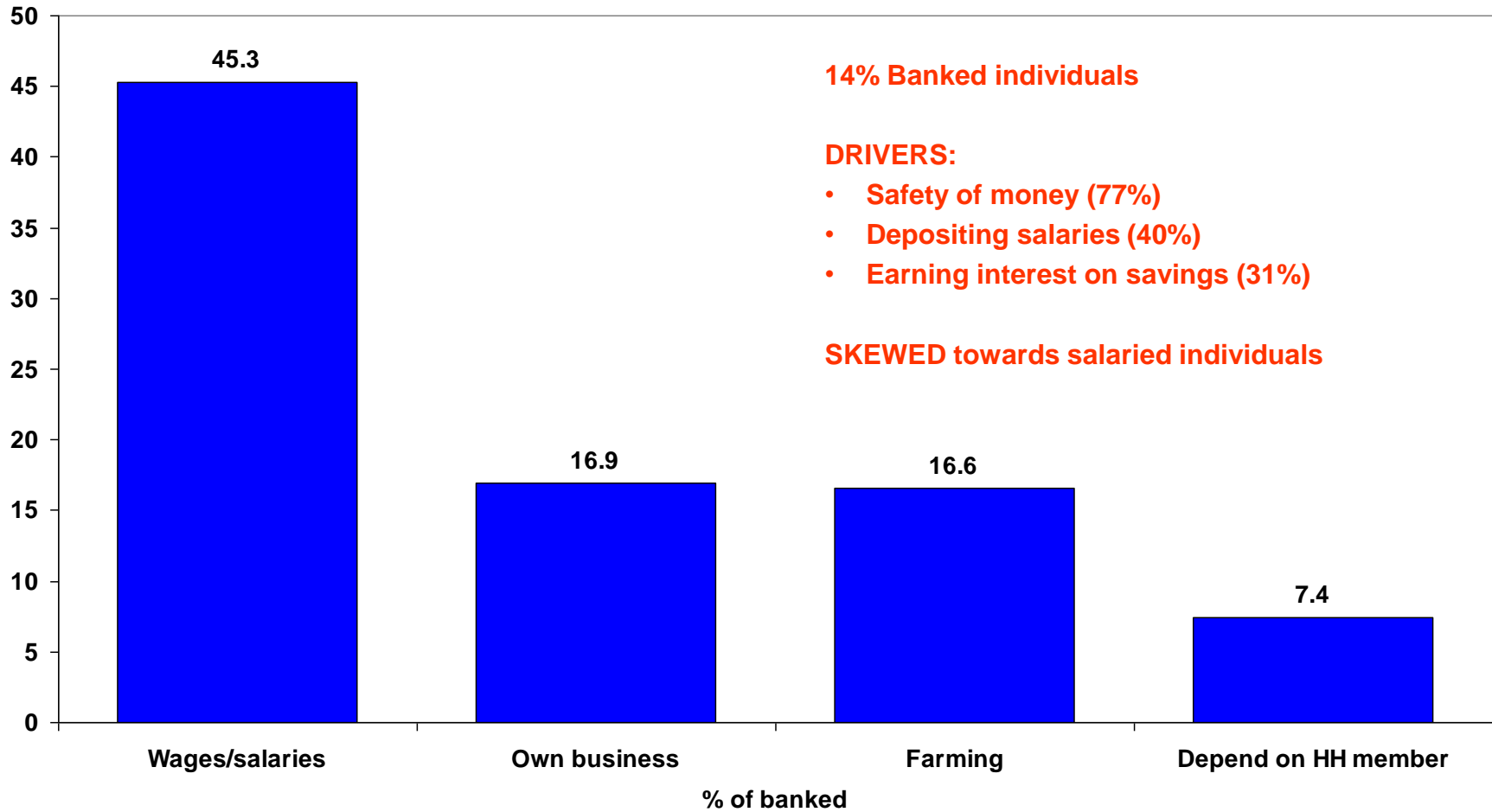
'Savers' Landscape of Access



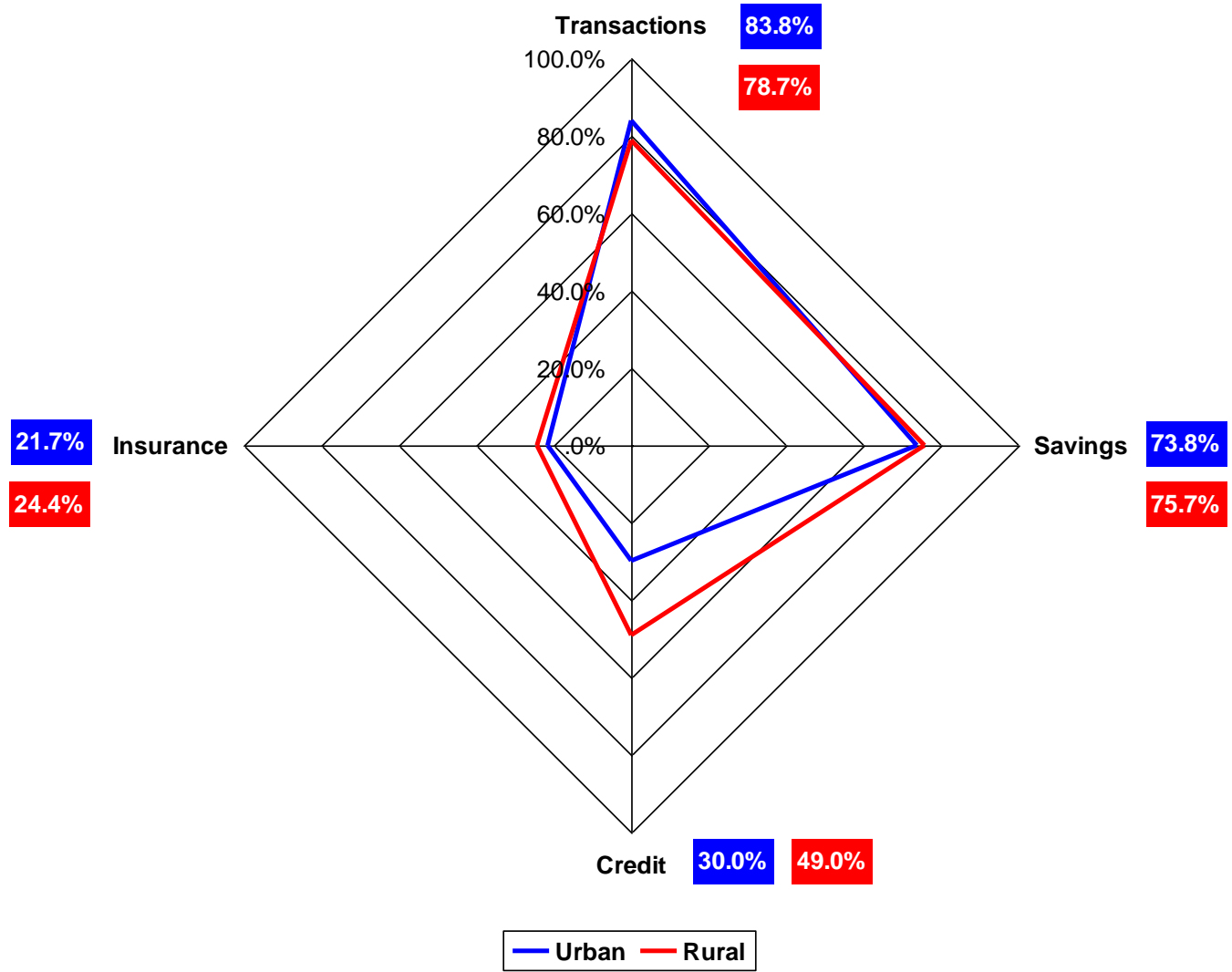
'Borrowers' Landscape of Access



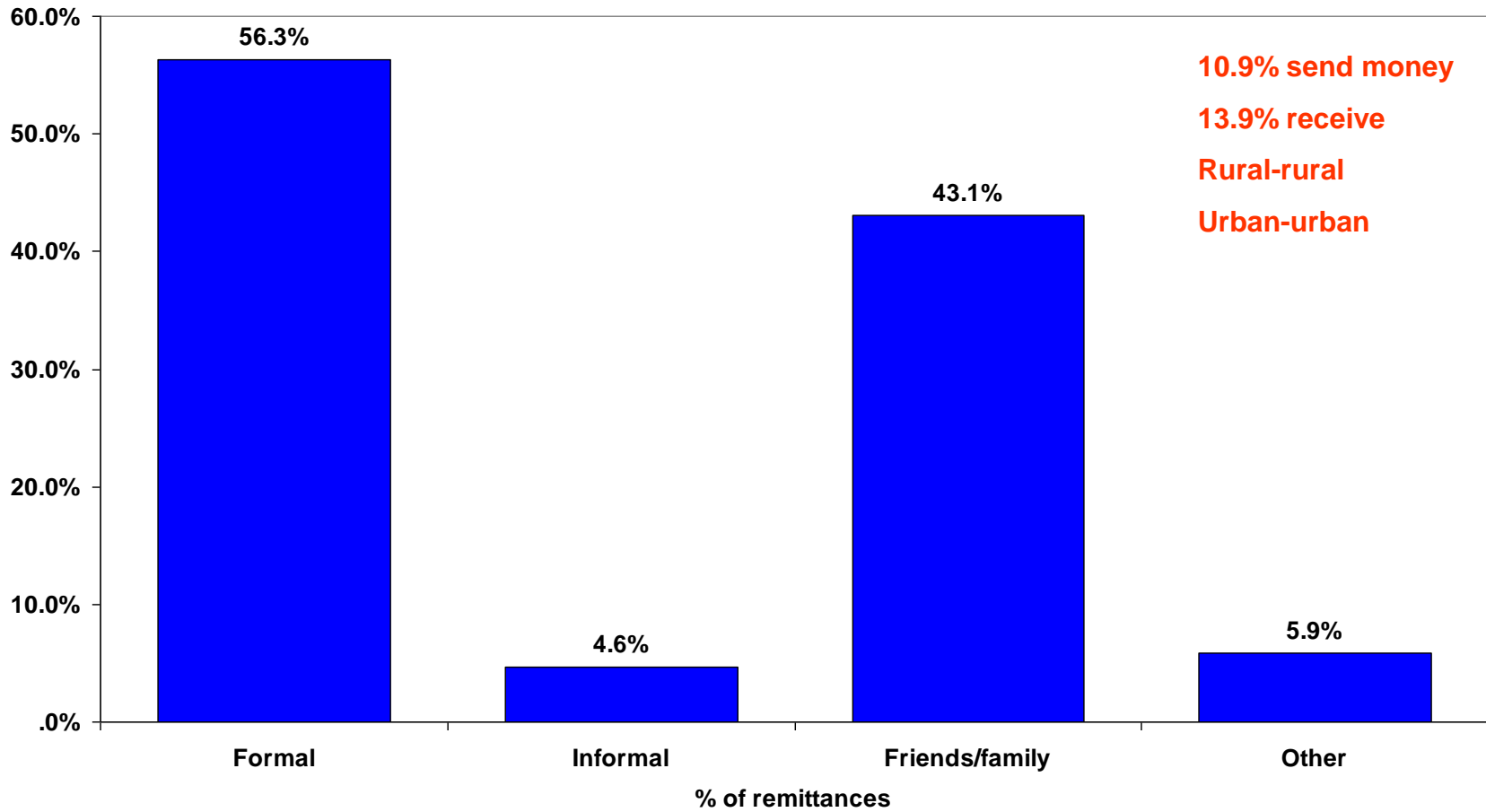
'Savers & Borrowers' Landscape of Access



Banking



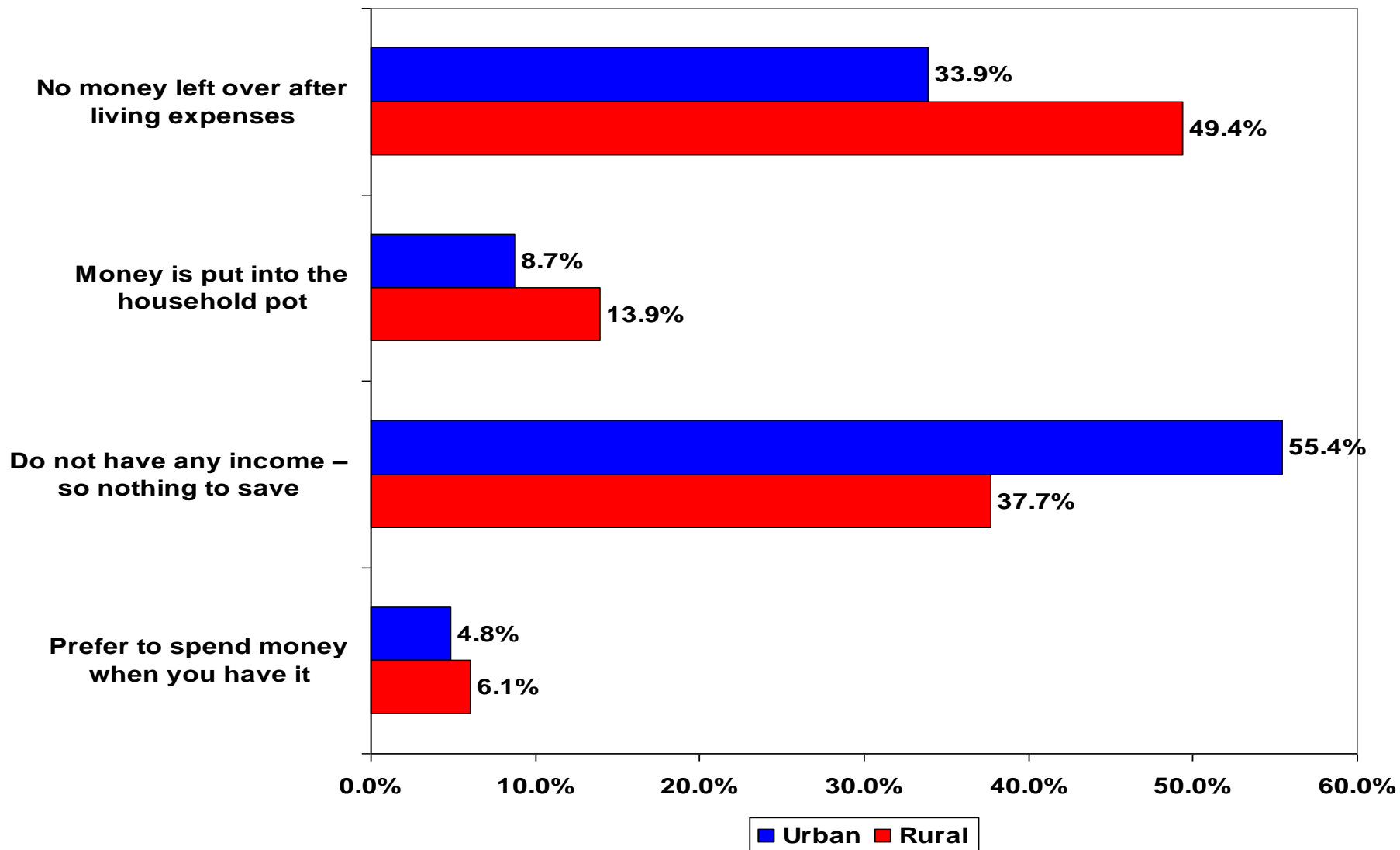
LAS - Banked



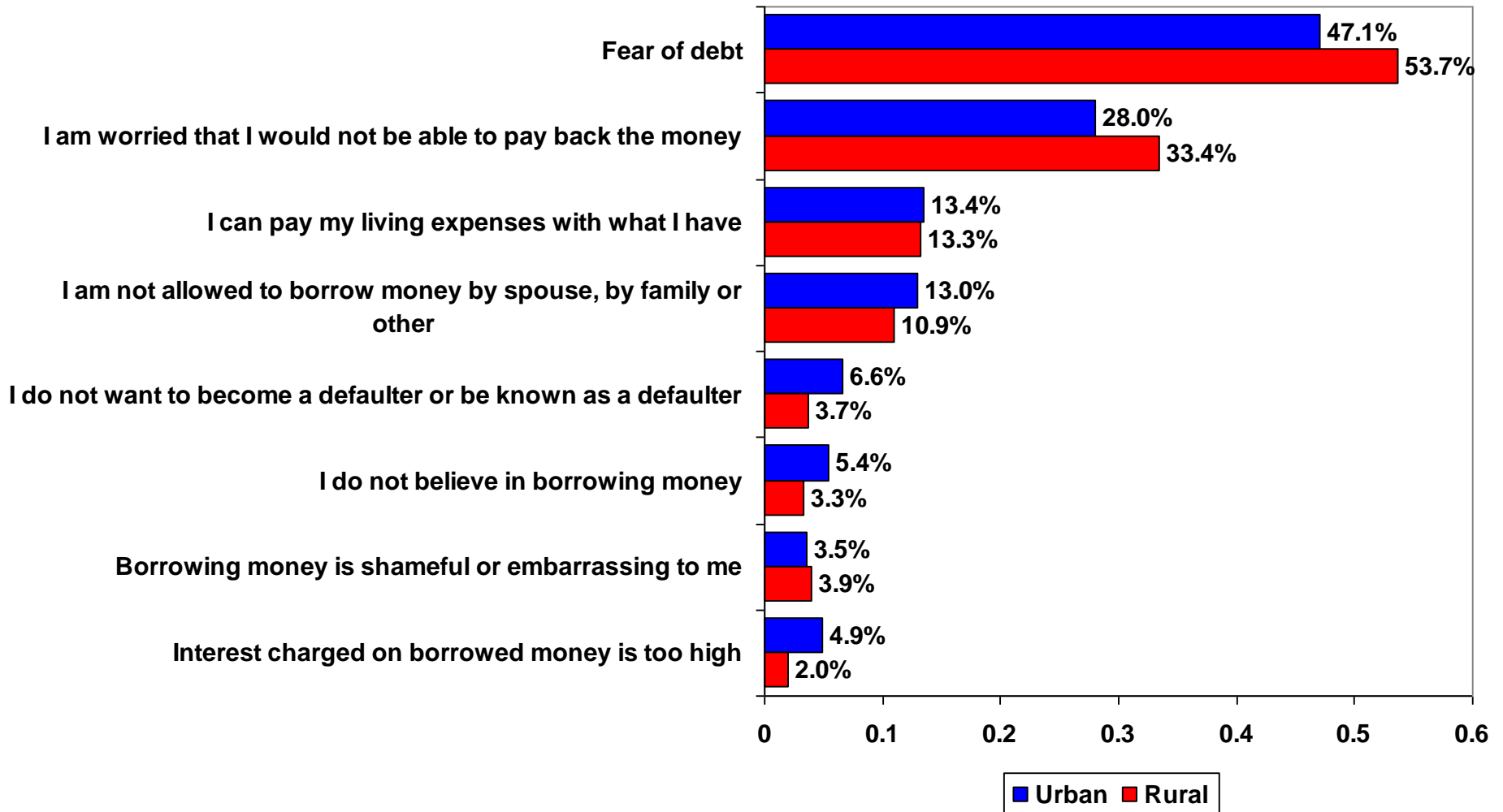
Remittances



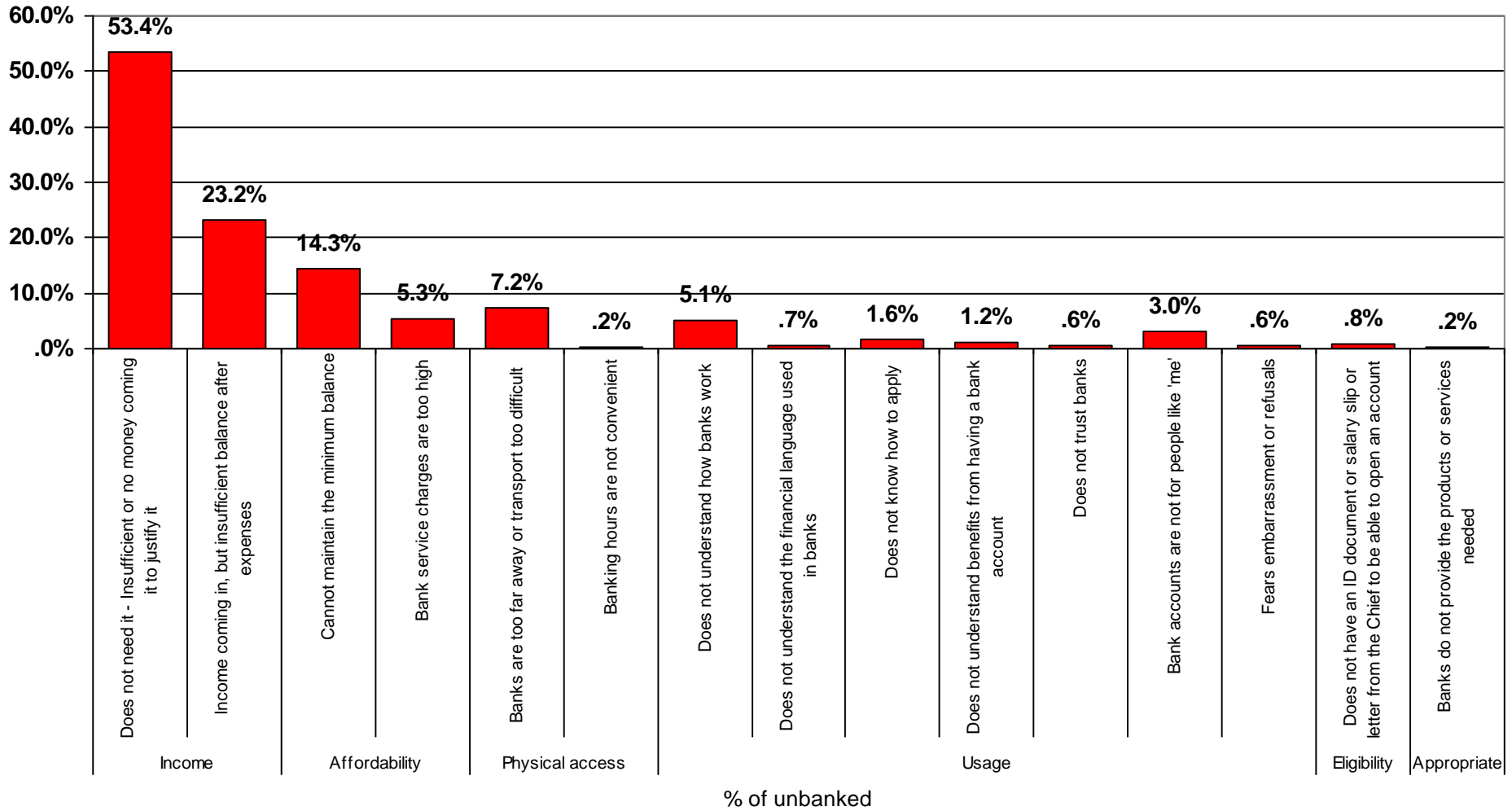
Barriers to Inclusion



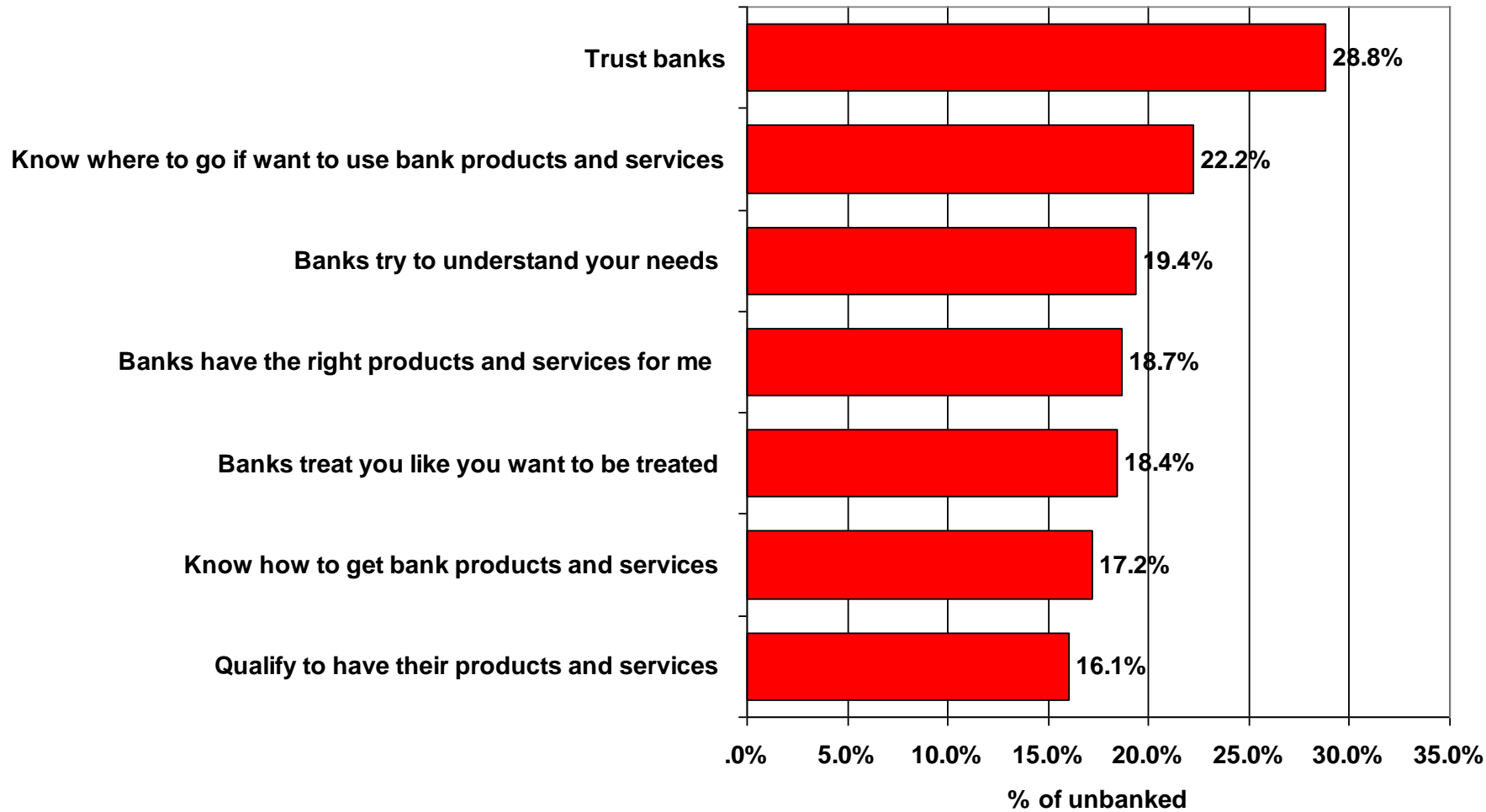
Perceived Barriers to Saving



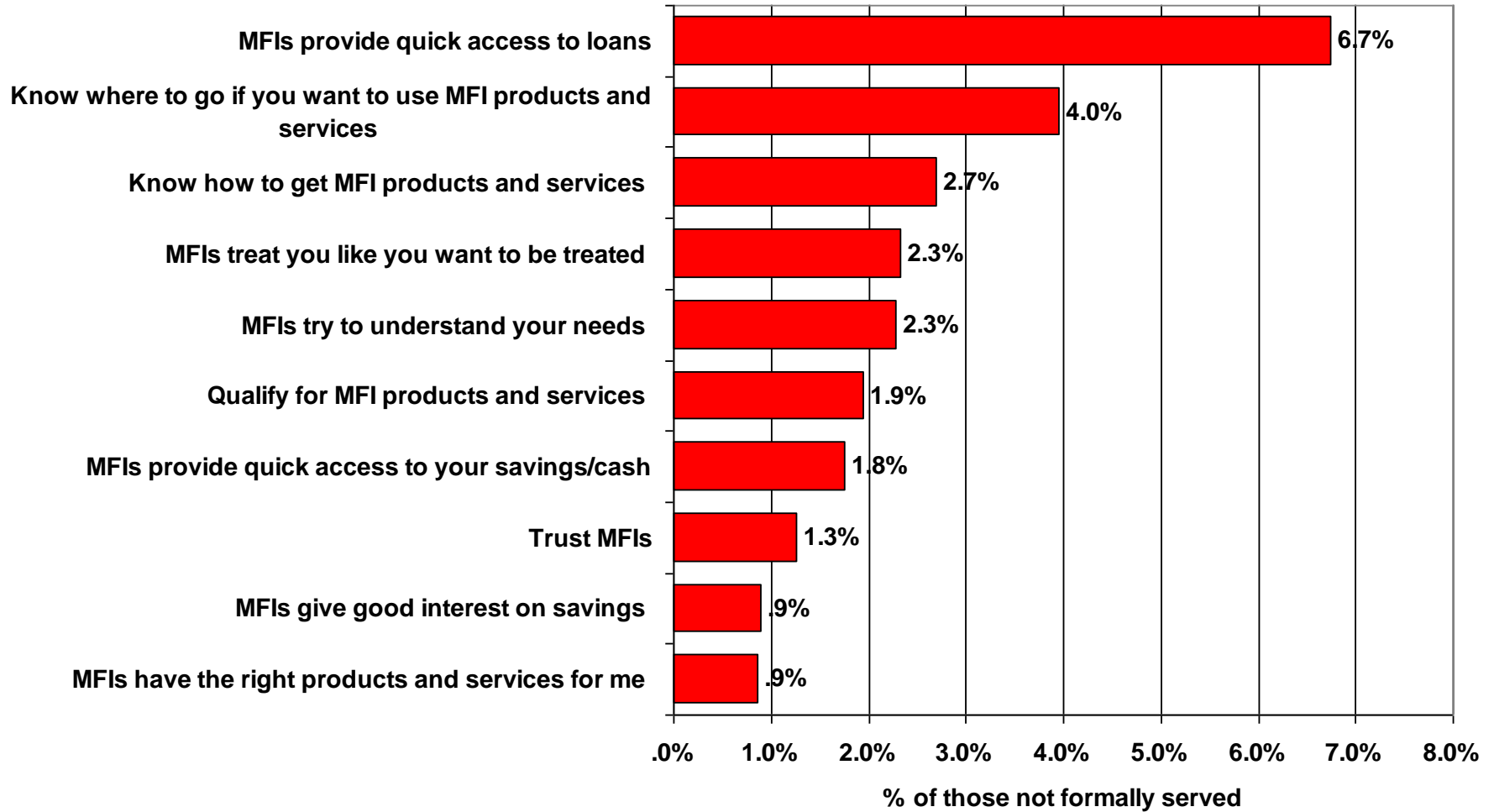
Perceived Barriers to Borrowing



Perceived Barriers to Banking



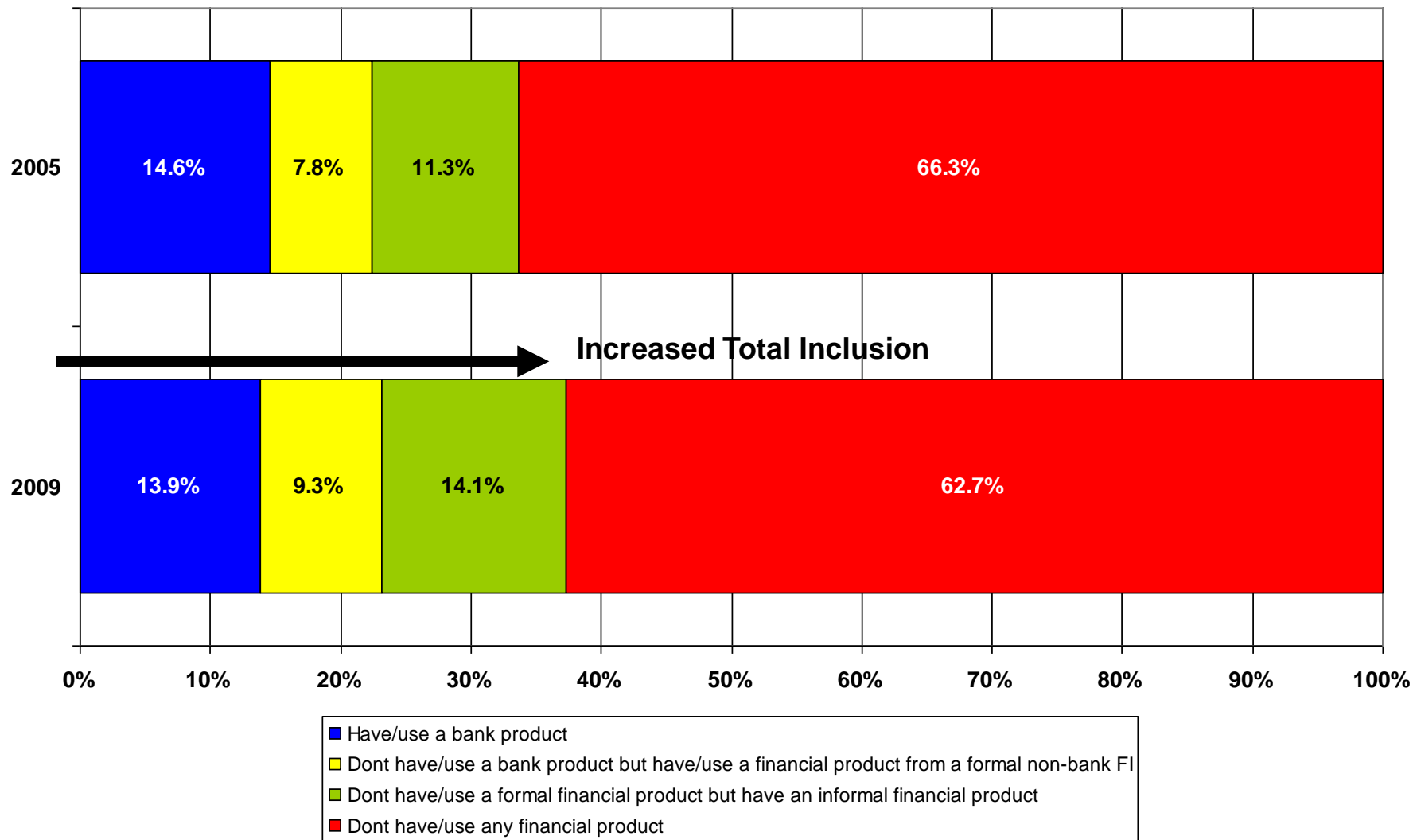
Additional Usage Barriers



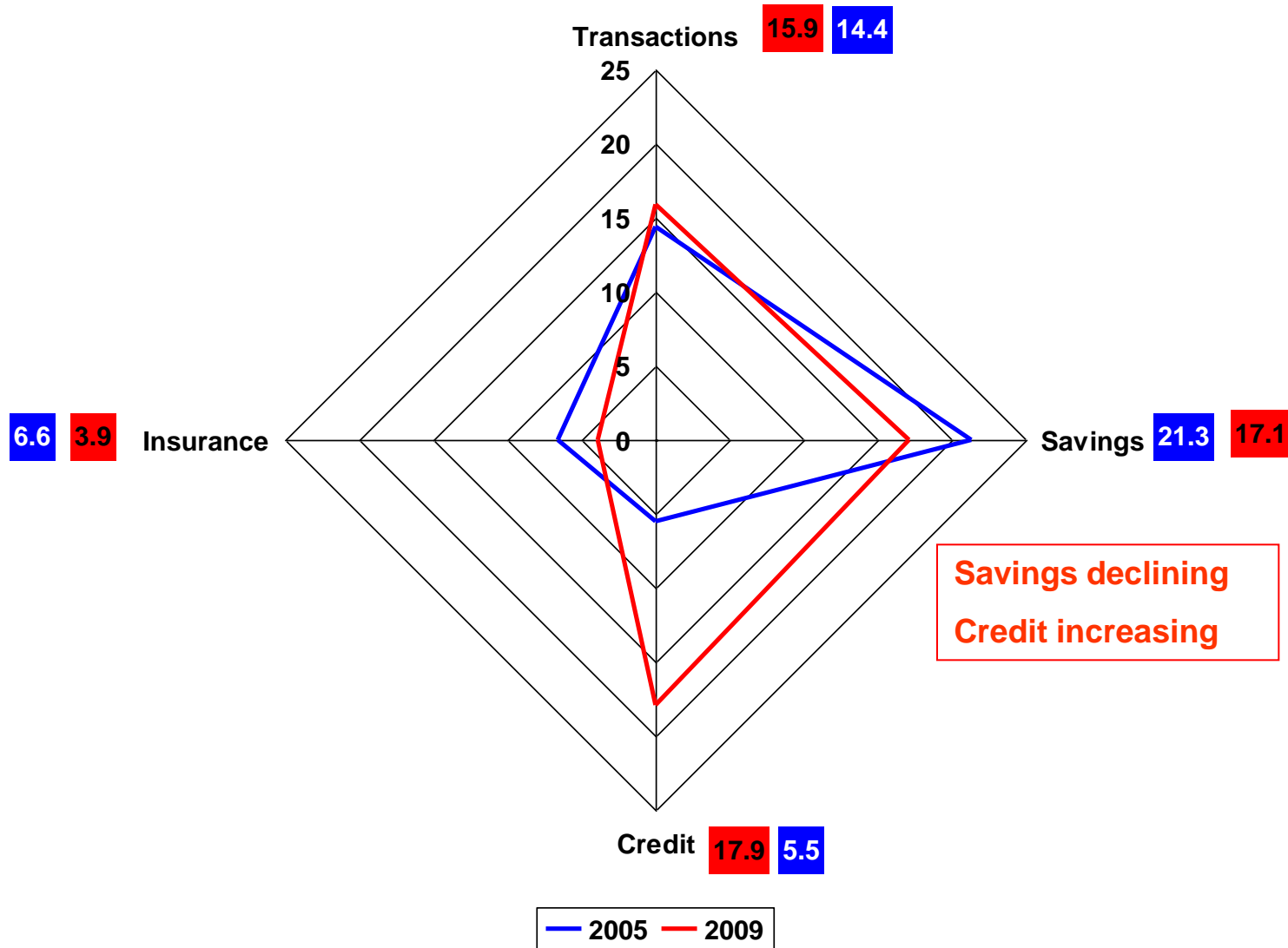
Additional Usage Barriers



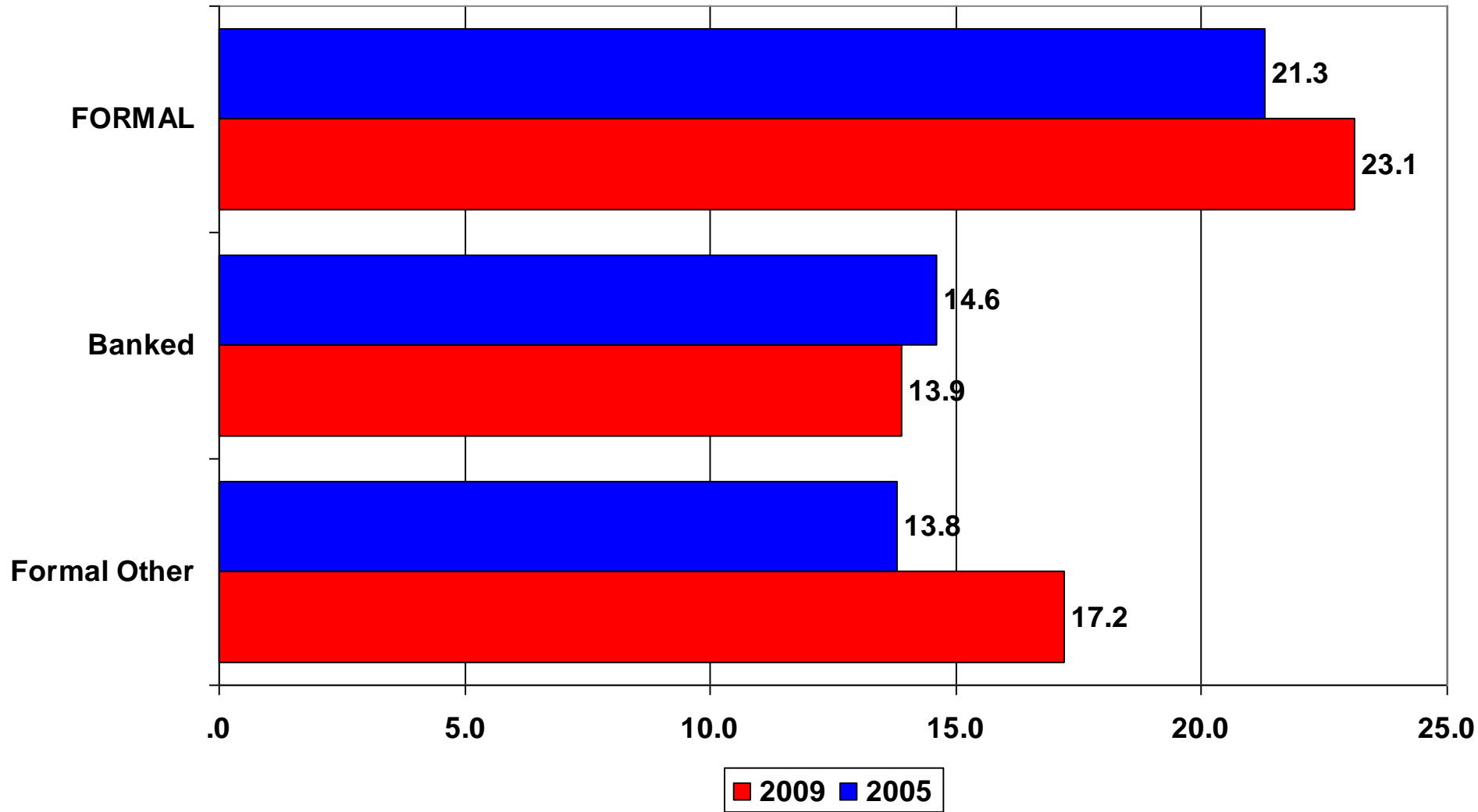
Financial Inclusion - 2005 & 2009



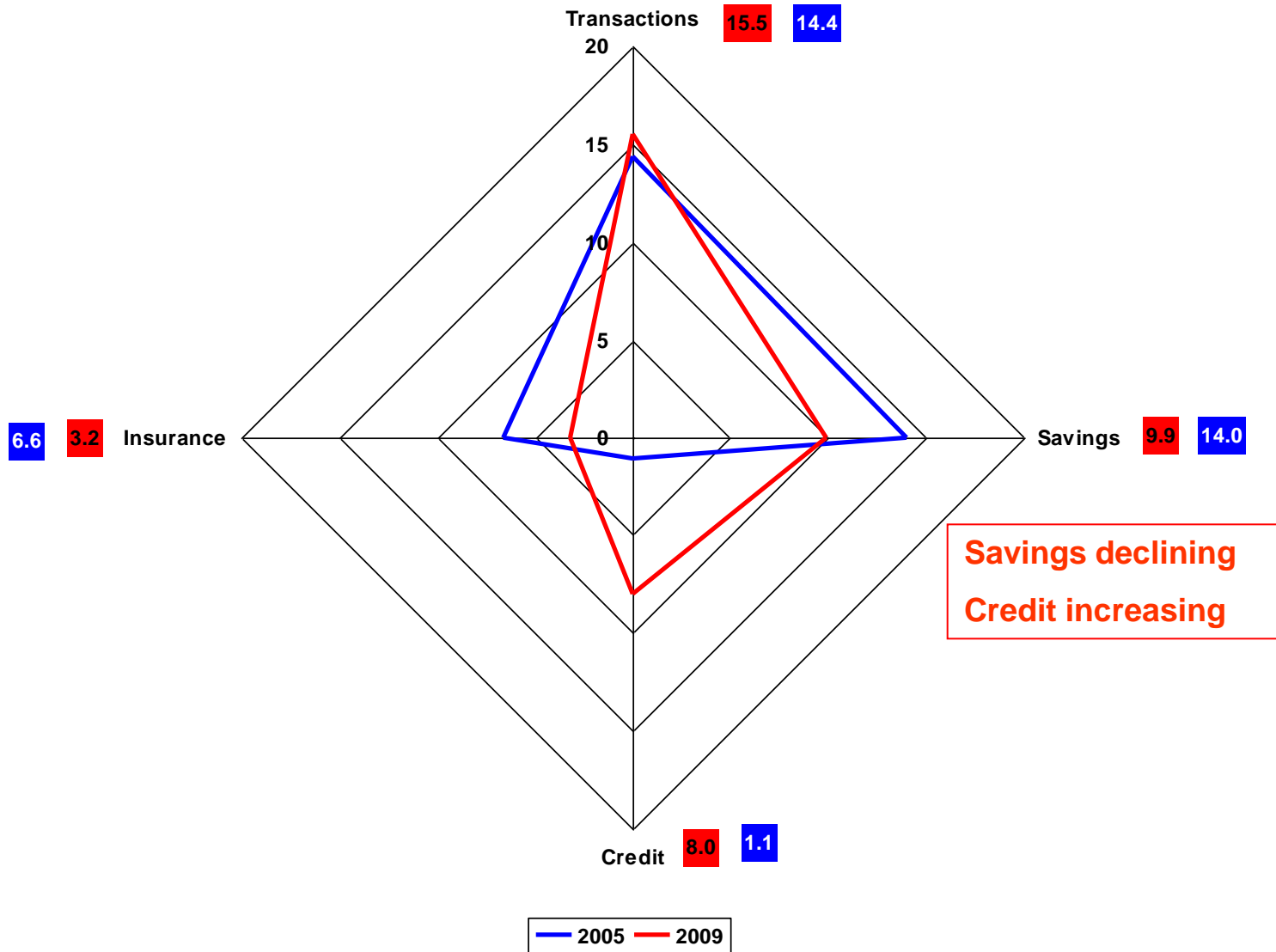
Increased Financial Inclusion



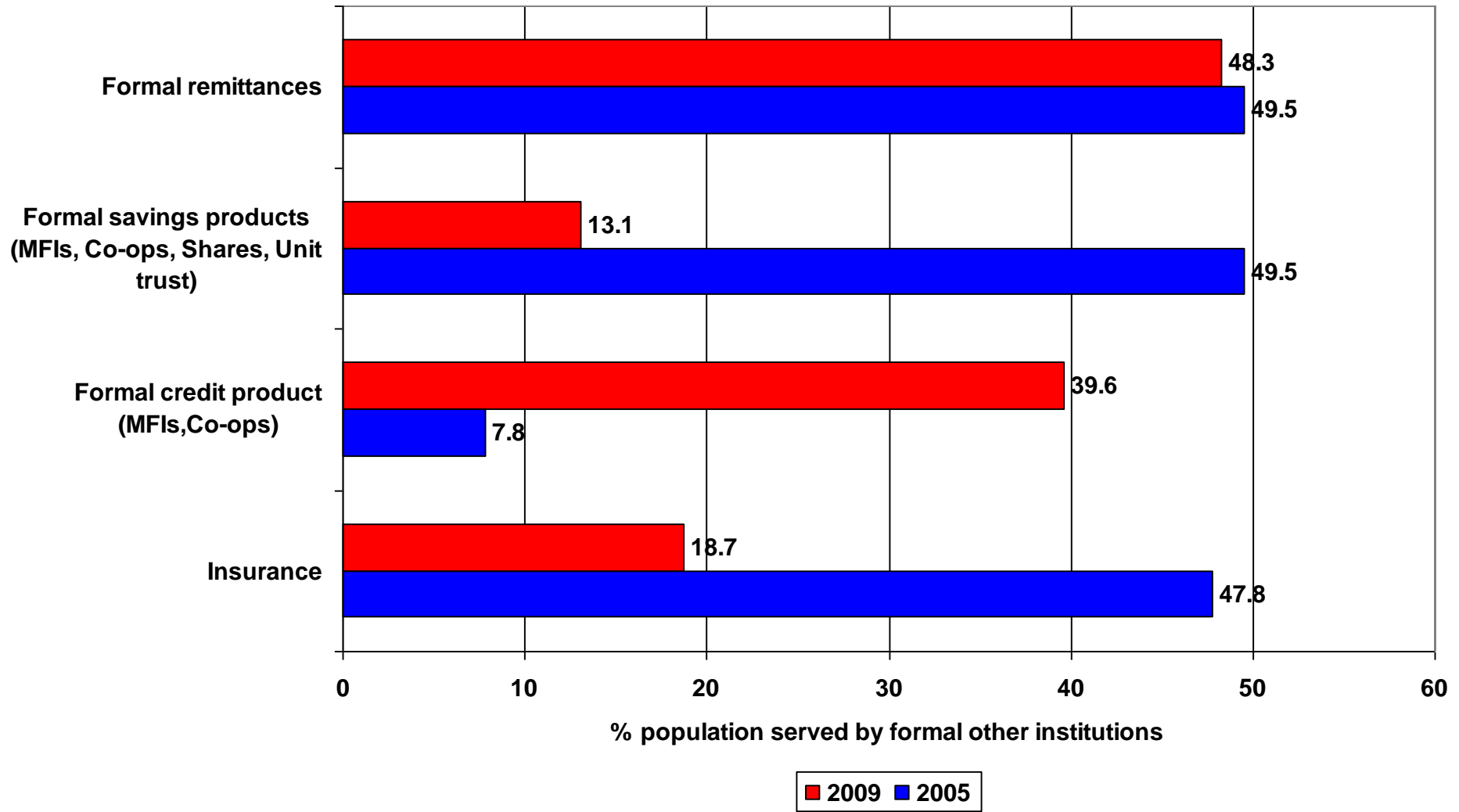
Landscape of Access



Use of Financial Products - Formal



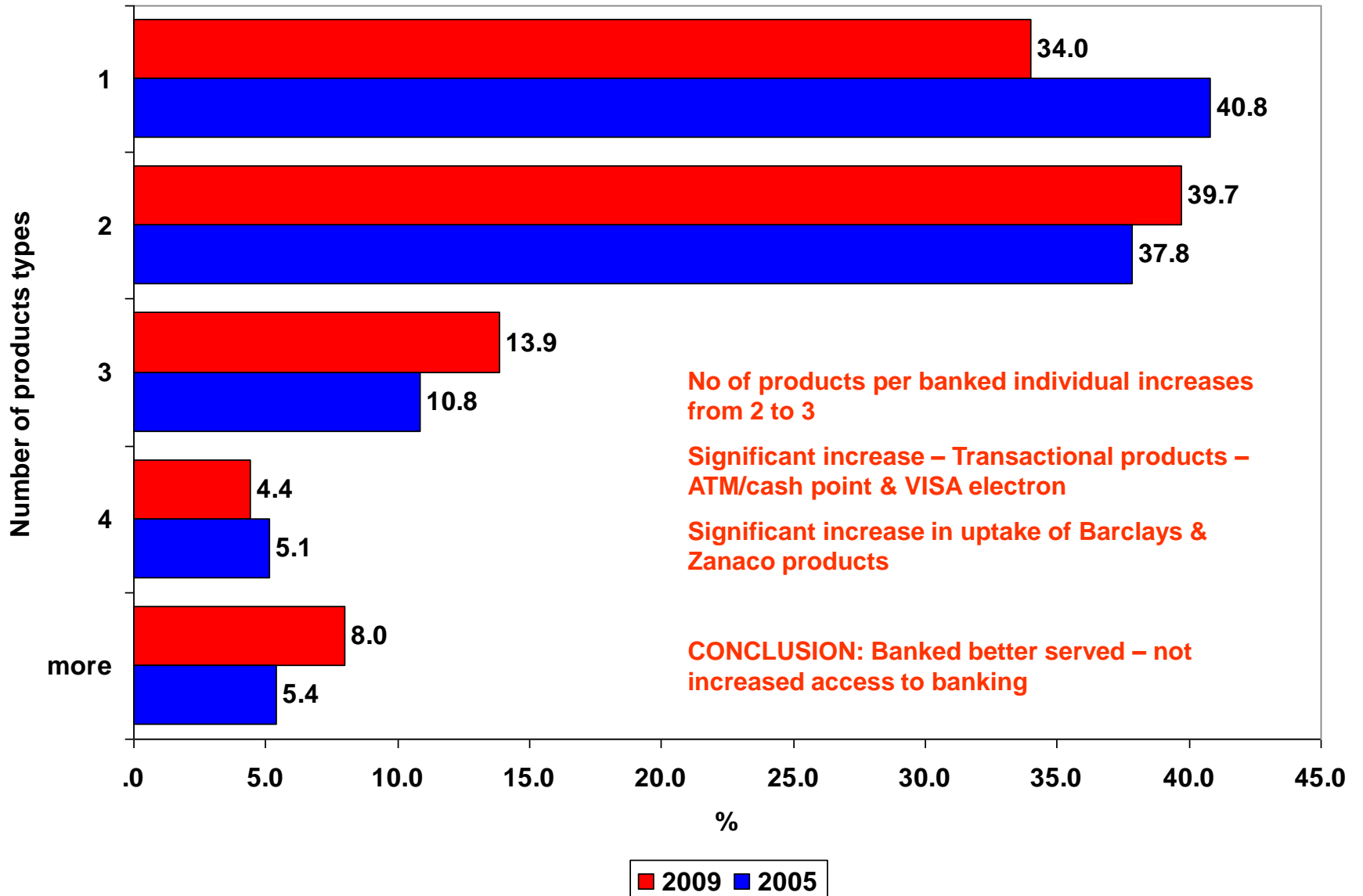
Landscape of Access - Formal



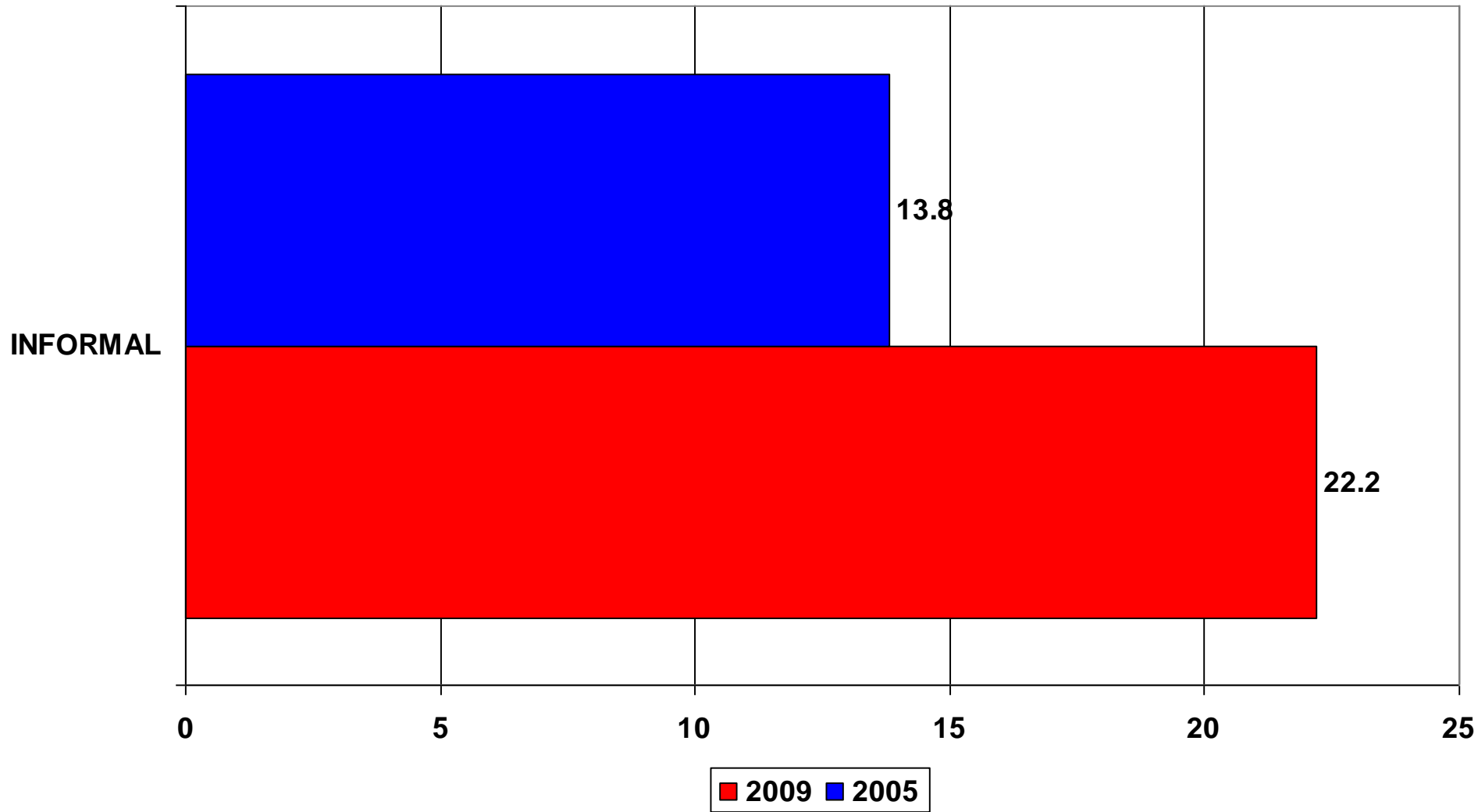
What changed in terms of those who are saved by non-bank formal FIs?

Why did the banked population not change in spite of interventions in terms of new products and new banks?

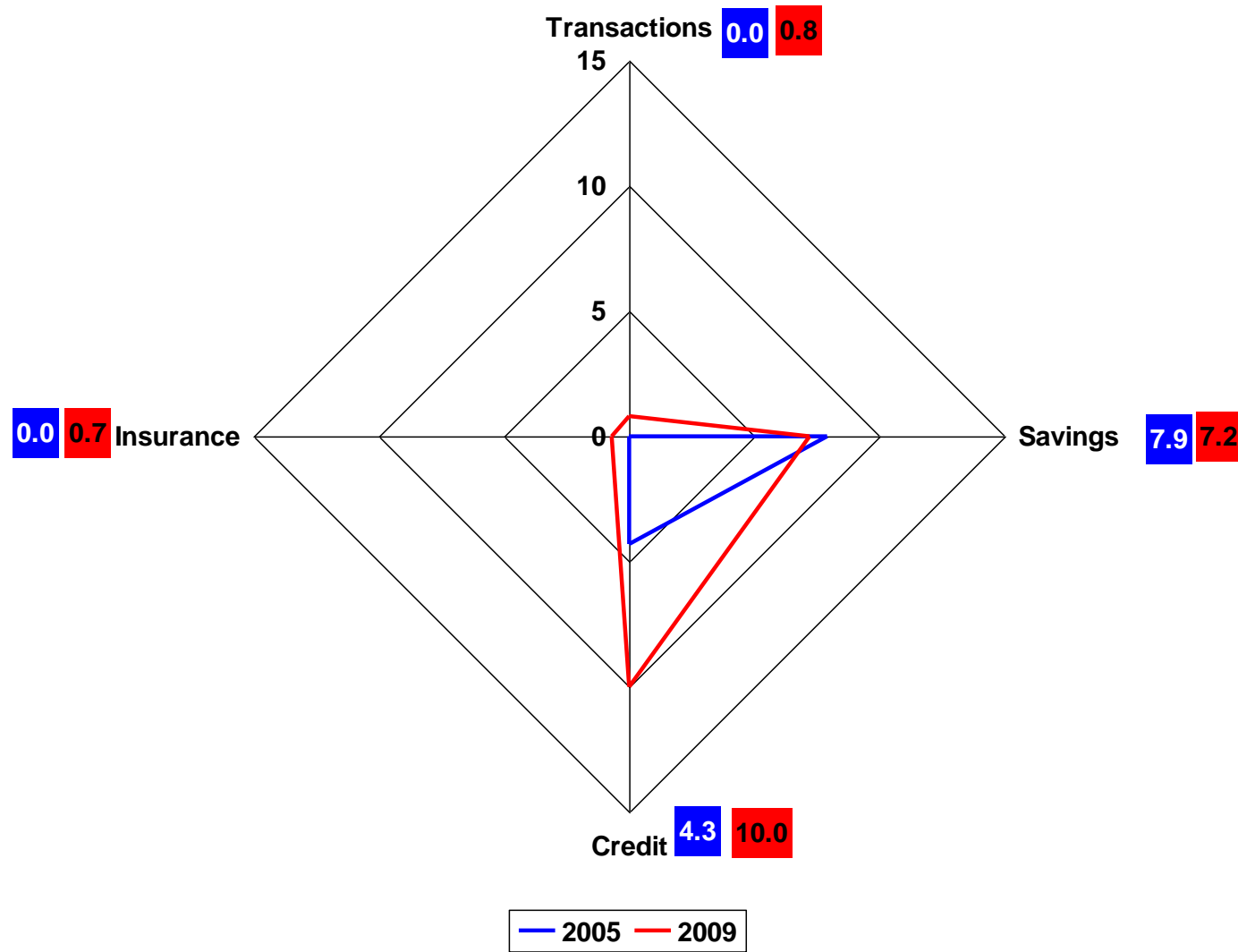
2005-2009 Banking



'Banked' – number of product types



Use of Financial Products – Informal



Informal Landscape of Access

- Financial inclusion has increased
- The increase is driven by a growth in the take up of 'formal other' products and 'informal' products
 - The growth in 'formal other' is mostly driven by formal money transfer mechanisms
 - The growth in 'informal' inclusion is driven mostly by a highly significant increase in the take up of informal credit in both rural and urban areas
- There is no change in the banked population
 - Although more banks have been licensed and new products have been introduced, it appears that the take up is by those already banked
 - Positive: The banked are better served with the wider range of products
 - Negative: It has not expanded access to banking or increased financial inclusion
- The 'formal' and 'informal' sectors both play significant roles in serving the Zambian population in both the urban and rural areas
 - At present, financial inclusion is at 37%
 - Discounting the role of the informal sector, financial inclusion would be at 23%
- Although perceived BARRIERS to inclusion are mostly related to INCOME, USAGE barriers seem to be significant and should be addressed

Conclusions (discussion points)