

# FINANCIAL LITERACY KEY TO THE DEVELOPMENT OF THE INFORMAL SECTOR

## PRESS STATEMENT

### FOR IMMEDIATE RELEASE

Financial literacy can be understood as the education and understanding of various financial areas with focuses on the ability to manage personal finance matters in an efficient manner. Financial literacy includes the knowledge of making appropriate decisions about personal finance such as investing and saving. Key financial stakeholders in Zambia hold awareness weeks on an annual basis. The aim of the Financial Awareness Week Campaign is to educate and sensitize the general public about various topics on financial matters. The campaign is adapted to meet the objective of our National Strategy on Financial Education (NSFE).

Financial inclusion is driven by financial literacy, as financial literacy increases so does the demand for financial services, therefore improving financial inclusion. Financial inclusion can be defined as making financial services accessible at affordable costs to all individuals and businesses, irrespective of net worth and size respectively. According to the Central Bank, Zambia's formal and informal rate of financial inclusion of its citizenry stands at 60% with 38 % being formal, while informal stands at 22%. This is a considerable improvement from the 40% (both formal and informal recorded) in 2009.

This year the Financial Literacy Week will run from 27 March to 2 April, 2017 under the theme: "Know and plan your finances to lead a better life". The aim of this year's Financial Literacy Week is to create public awareness of the Key Life Events so as to empower citizens with the knowledge, understanding, skills and confidence to meet the financial obligations associated with the events.

PMRC focuses on the second element which encourages citizens to plan for Key Life Events. Planning for Key Life Events involves encouraging citizens to save and make investments to smoothen future consumption. Various studies provide evidence which suggests that intervention such as financial education improves personal and household savings.

PMRC is further encouraged by plans to extend financial education to rural areas and schools as is contained in the Central Bank's Strategic Plan. PMRC believe these are key strategic focal points that must be included in efforts to increase financial literacy. The schools should ensure that a saving culture is inculcated in the youth who are the majority, while the rural areas account for the majority of those financially excluded.

Finally PMRC firmly believes that financial literacy is key to developing the informal sector. Zambia's informal sector is estimated at approximately 50% of GDP, this is uncharacteristically large and undermines domestic revenue collection which is below the regional average at 18%. Improving financial literacy could prove to be a useful tool in reducing the size of the informal sector and ultimately boost economic growth.



**BERNADETTE DEKA**  
Executive Director

For more details, interviews or queries about this PMRC Media Statement  
Please contact;

**POLICY MONITORING AND RESEARCH CENTRE**

Plot No. 32 Sable Road, corner Bishop and Sable Roads,  
Kabulonga, Lusaka, Zambia

Tel: +260 211 268 385 | +260 979 015 660

<http://pmrczambia.com>