## STATE OF FINANCIAL INCLUSION IN ZAMBIA INFOGRAPHIC





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## What is financial inclusion?

**Financial inclusion** is when individuals and businesses have access to useful and affordable **financial** products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.

The 2015 Finscope Report indicates that financial inclusion is significantly skewed towards urban areas at **70.3**% of adults, compared to rural areas that experience lower levels of at **50.2**%.

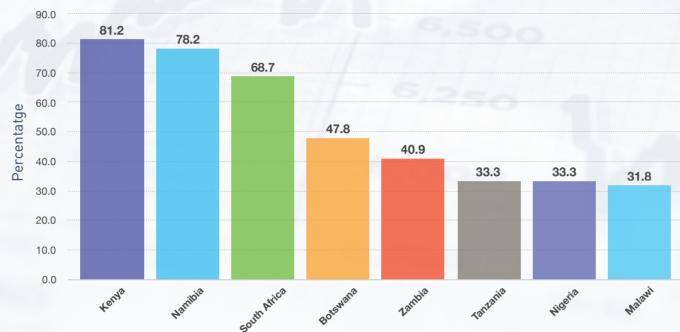
Account ownership, rural (%age 15+) for Zambia



## Account ownership, rural (%age 15+) for selected countries

Figure below shows the percentage of respondents who have an account (by themselves or together with someone else) at any financial institution or personally used a mobile money service in the past 12 months (% age 15+).

Account ownership, rural (%age 15+) in 2017 for selected countries



Statistics above indicate that Kenya has done well, compared to other countries, because of the recent success of mobile money in Kenya and East Africa in general. Innovations can bring about drastic changes in how people engage in financial transactions by;







Lowering entry barriers Reducin

**Reducing costs** 

**Expanding access** 

Some of the interventions/strategies stated in the Rural Finance Policy document and implemented by the Government so far, include the following, among others:

- 1. Enacted the Credit Reporting Act in 2018 to provide for the establishment of a Credit Registry and the overall governance and management of credit reporting agencies including the protection of data subjects.
- 2. Supported efforts to enable inter-operability of the national payment switch to reduce the cost of financial services and modernize payment systems.
- 3. Revision of the National Payment Systems Directives on Electronic Money Issuance in 2018. The key changes to the directives include the following:
  - Permitting customers to hold multiple wallets.
  - Permitting both commercial banks/non-bank financial institutions to host Holding Accounts for electronic money.
- Guidance on the use of interest earned on the Holding Accounts.
- Provisions for consumer protection.

- 4. Supported the implementation of micro-insurance products in the agriculture sector. The Zambian Government had awarded Mayfair Insurance Company a contract to offer weather-based index insurance to all farmers who benefited from Government input subsidies.
- 5. In September 2018, Government established the Rural Finance Unit to coordinate rural finance, under the Department of Investment and Debt Management at the Ministry of Finance (MoF).
- **6. Enacted the Movable Property Security Interest Act**, MPSI which seeks to make movable property a reliable form of collateral.
- 7. The Bank of Zambia has also been at the fore of **promoting the Financial Literacy Week**.

## Recommendations

In order to upscale financial inclusion in rural areas, Government is urged to implement the following recommendations:

- The Central Bank of Zambia needs to urgently develop Agency Banking regulations.
- The Development Bank of Zambia needs to play an active role as an apex financial institution providing finances to micro-financial institution for onward lending to rural areas.
- Government is urged to put in place measures to guarantee smallholder farmers' active participation in the agriculture commodity exchange.
- The Pensions and Insurance Authority (PIA) needs to upscale its efforts in ensuring that the necessary microinsurance guidelines/principles are promptly put in place.
- Patents and Companies Registration Agency (PACRA) and other stakeholders are urged to increase sensitization in rural communities on the options available to smallholder farmers regarding use of a movables sets as collateral to access finance.
- The Zambia Statistics Agency needs to include "financial inclusion variables" in its routine national surveys.
- MOA needs to decisively deal with complaints specifically relating to inconsistencies in Weather Insurance Index payouts.
- Some of the key activities during the Financial Literacy Week should be extended for the rest of the year.



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