

STATE OF FINANCIAL INCLUSION IN ZAMBIA INFOGRAPHIC



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.

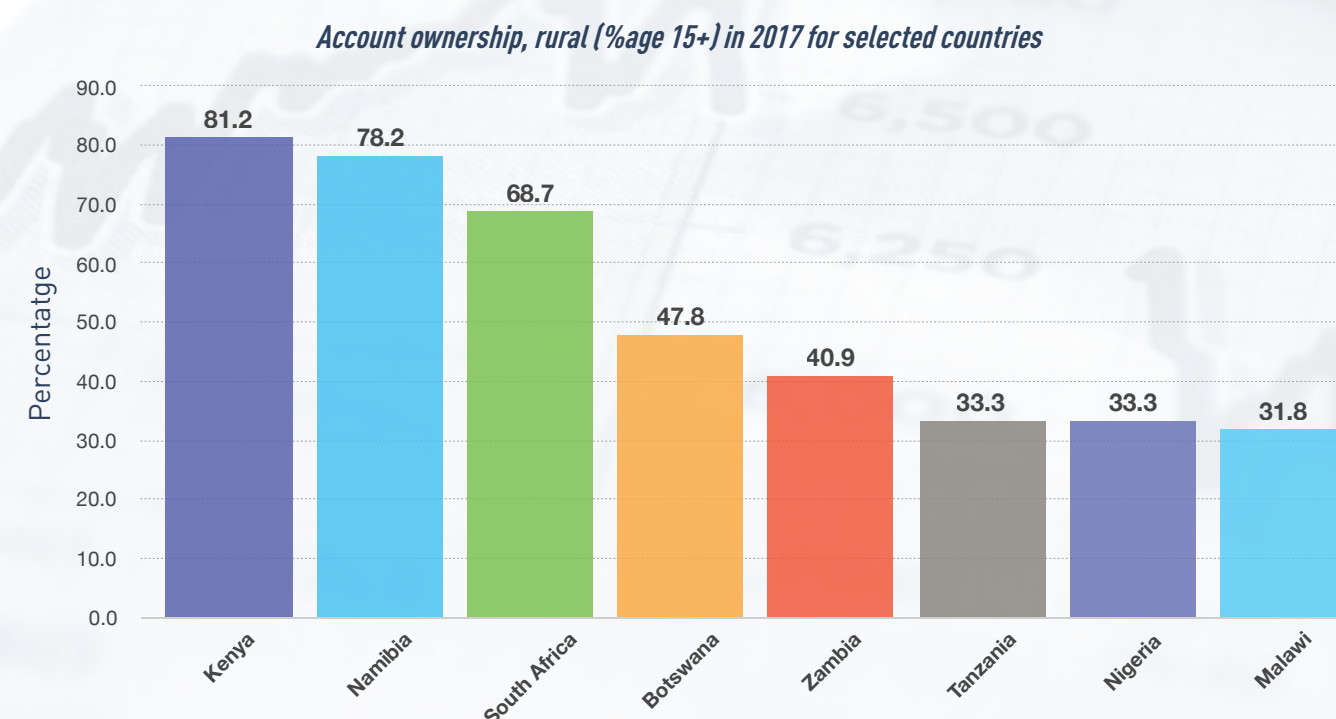
The 2015 Finscope Report indicates that financial inclusion is significantly skewed towards urban areas at **70.3%** of adults, compared to rural areas that experience lower levels of at **50.2%**.

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+).



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;



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

- 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.**
- Supported efforts to enable inter-operability of the national payment switch to reduce the cost of financial services and modernize payment systems.**
- 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.

- 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.**
- 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).**
- Enacted the Movable Property Security Interest Act, MPSI** which seeks to make movable property a reliable form of collateral.
- 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.

