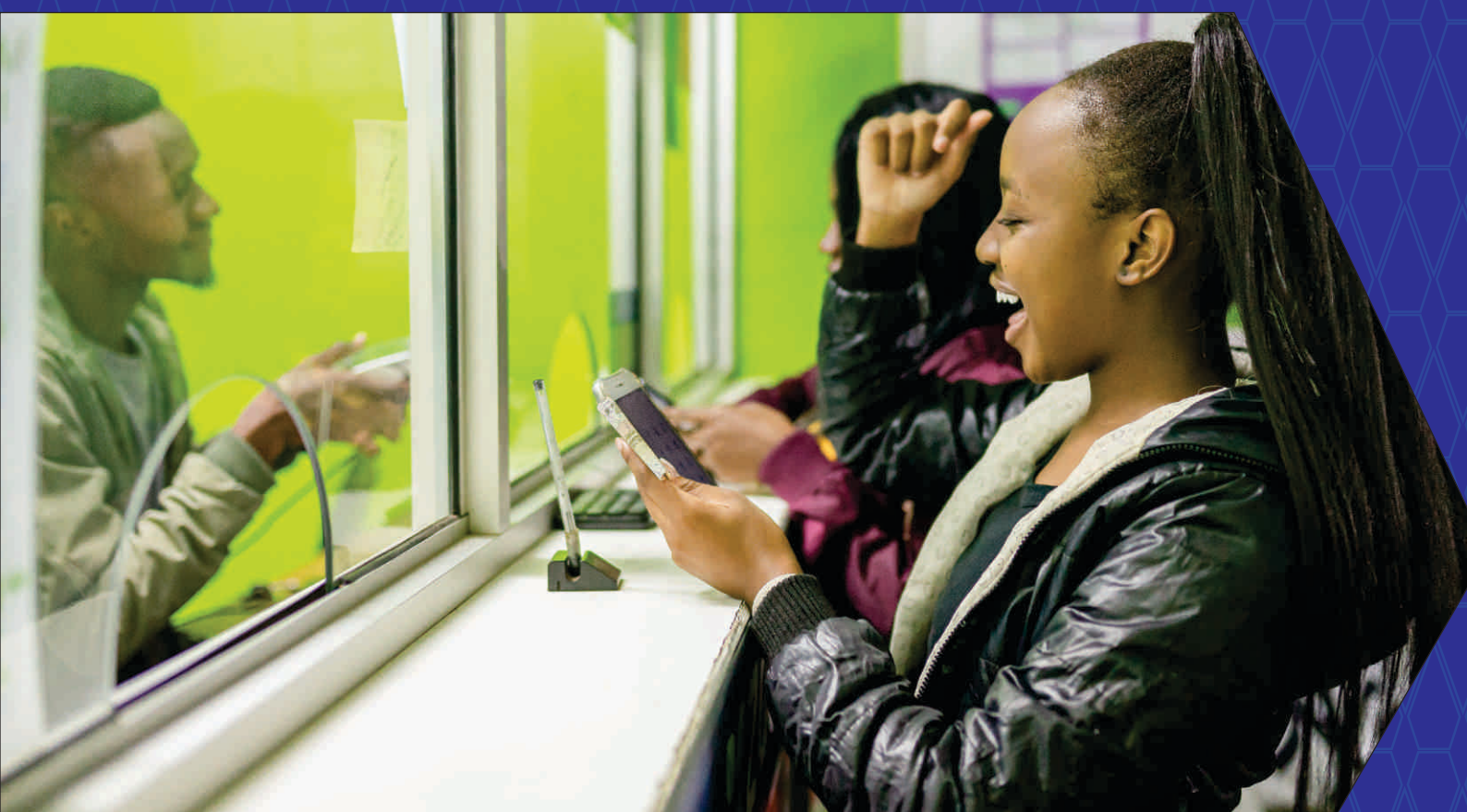


Bank of Zambia



NATIONAL PAYMENT SYSTEMS IN ZAMBIA

ANNUAL REPORT FOR THE YEAR 2020

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Bank *of* Zambia



NATIONAL PAYMENT SYSTEMS IN ZAMBIA

ANNUAL REPORT FOR THE YEAR 2020

TABLE OF CONTENTS

Preamble	i
Governor's Statement	iii
Executive Summary	v
INTRODUCTION	1
DEVELOPMENTS AND TRENDS IN INTERNATIONAL PAYMENT SYSTEMS	2
DEVELOPMENTS IN THE ZAMBIAN NATIONAL PAYMENT SYSTEMS	3
Increase in the use of Digital Financial Services and Financial Inclusion	3
National Financial Switch	3
COVID-19 Policy Response	4
Licensing of Payment Service Providers (PSPs)	5
PAYMENT SYSTEMS OVERSIGHT ACTIVITIES AND RISK ASSESSMENT	7
The Bank's Offsite Activities in 2020	7
On-site Inspections and Compliance Assessments of Payment Service Provider	7
PERFORMANCE OF THE VARIOUS PAYMENT SYSTEMS STREAMS	8
Systemically Important Payment Systems (SIPS)	8
Zambian Interbank Payment and Settlement System (ZIPSS)	9
Lusaka Securities Exchange	10
The Zambia Electronic Clearing House (ZECHL) Operated Systems	10
Non-Systemically Important Payment Systems	11
Automated Teller Machines (ATMs) Transactions	12
Point of Sale Machine Transactions	13
Remittances (Money Transfer Transactions)	14
Local Remittances	15
Mobile Money Transactions	16
Mobile Money Subscribers versus Mobile Phone Subscribers	16
Cross Border Mobile Payments	17
Regional Cross Border Payment Systems	17
Currency In Circulation	18
New Currency Issued into Circulation	19
Withdrawal of Unfit Banknotes	19
Financial Inclusion	20

Findings of the Finscope Survey Report 2020	20
Consumer Protection	22
Bank of Zambia Strategic Plan	23
Financial Stability (Pillar 1)	23
Financial Inclusion (Pillar 2)	23
What Success will Look Like	24
<hr/>	
CONCLUSION AND OUTLOOK FOR 2021	25
<hr/>	
Appendix I: Consolidated Statistics	26
<hr/>	
Appendix II: Designated Entities as at 31 December 2020	28
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Preamble

The National Payment Systems Act (NPSA), No. 1 of 2007 mandates the Bank of Zambia to regulate and oversee the National Payment Systems in Zambia to ensure that the payment systems are safe, reliable and efficient.

The Bank of Zambia's role as overseer of the National Payments Systems in Zambia is guided by the Principles for Financial Market Infrastructures (PFMIs) issued by the Bank for International Settlements (BIS) and the International Organization of Securities Commission (IOSCO) to ensure that payment systems and the infrastructure supporting the financial markets are safe, reliable, robust and resilient to withstand financial shocks. The PFMIs were issued by the Bank for International Settlements (BIS) and International Organization of Securities Commission (IOSCO) to standardise risk management frameworks for Systemically Important Payment Systems (SIPS) and these were formally adopted by the Bank of Zambia in 2015.

SIPS are payment systems which have the characteristic that a failure of any one of them

could potentially have a significant impact on other systems and the economy as a whole. SIPS in Zambia include the Bank of Zambia operated Zambia Interbank Payment and Settlement System (ZIPSS) commonly referred to as the Real Time Gross Settlement System (RTGS) as well as the Central Securities Depository (CSD) for Government Securities, the Direct Debit and Credit Clearing (DDACC), the Cheque Image Clearing System (CICS) operated by the Zambia Electronic Clearing House Limited (ZECHL) and the Central Securities Depository for bonds and shares at the Lusaka Securities Exchange (LuSE).

The publication of this report is intended to inform the public on the developments in the payment systems landscape in Zambia in 2020 and the Bank's oversight activities over the National Payment Systems. The Bank continues to monitor new developments in the national payment systems and whenever necessary, adjusts its oversight activities to respond to new developments aimed at enhancing the performance of the national payment systems and promotion of financial inclusion in Zambia.



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Governor's Statement

The year 2020 commenced with the COVID-19 pandemic challenges that did not spare the National Payment Systems and its players. Despite the challenges brought about by the COVID-19 pandemic, the Bank remained focussed and resolute in its activities to ensure that a suitable environment was created to facilitate for the promotion and growth of the National Payment Systems. In view of the COVID-19 challenges, the Bank deliberately undertook activities that focussed on the promotion of digital financial services to overcome some of the challenges brought about by the pandemic. The COVID-19 pandemic therefore accelerated the use of digital financial services as a form of payments.

Significant growth was witnessed in all the payment streams and in particular the mobile payments. The value of transactions processed on the mobile money platform increased by 114.4% to K105.8 billion from K49.4 billion in 2019 while the volume of transactions increased by 35.8% to 750,514,157 transactions from 552,638,552 transactions recorded in 2019. Some of the measures that contributed to the noted increase included the continued sensitisation activities undertaken by the Bank and other stakeholders to promote the use of digital financial services, the upward adjustment of transaction and holding limits for wallets as well as the waiver of fees on person to person (P2P) electronic money transactions on amounts up to K150.

During the year, the Bank and other key stakeholders concluded the implementation of the second and final phase of the National Financial Switch (NFS), which involves the switching of mobile payments. With the implementation of the mobile payments module on the NFS, users are now able to conduct Bank-to-Wallet, Wallet-to-Bank, Bank-to-Bank, ATM Cash-Out, Agent Cash-in and Cash-Out and Wallet-to-Wallet transactions. This is a significant milestone which allows for interoperability and ensures the creation of more payment solutions amongst various stakeholders who include commercial banks, non-bank financial institutions and payment systems service providers.

The Board continues to attach significant attention to ensuring that the payment systems are resilient, reliable, safe and efficient. In this regard, the Bank



Dr. Denny H. Kalyalya - Governor

commenced work on the upgrade of the Zambian Interbank Payment and Settlement System (ZIPSS) and the Bank operated Central Securities Depository (CSD) to comply with the SWIFT ISO20022 messaging standard and to make them more operationally resilient. The Bank also commenced works towards the formulation of cybersecurity guidelines for the financial sector in recognition of the increased adoption of digital financial services. Therefore, a baseline survey of the status of cyber risk measures among different participants in the financial sector was conducted. The survey results formed a basis for formulating appropriate cyber risk guidelines for the market which are expected to be concluded in 2021.

To ensure continued promotion of innovations in the payments arena, the Bank commenced the development of the Regulatory Sandbox Guidelines to be issued to the market. The guidelines will apply to any person or institution willing to apply for admission to the regulatory sandbox whether already in operation and holding a license or as a prospective licence applicant. The guidelines will be finalised and issued to the market in 2021.

During the year, the Bank launched its 2020-2023 Strategic Plan. The strategy focuses on two key pillars, namely, Financial Stability and Financial Inclusion. Under the pillar for financial stability, the Bank aims to achieve a stable and resilient financial sector while under the pillar for financial inclusion, the Bank has adopted initiatives aimed to

contribute towards reducing the proportion of financially excluded individuals in Zambia. The measures adopted will focus on promoting formal financial inclusion, resolving the gender gap, resolving the urban-rural imbalance, paying particular attention to inclusion of children and youths as well as leveraging DFS in a bid to accelerate achievement of financial inclusion targets.

In conclusion, in line with the Bank's strategic objective of promoting financial inclusion, the Bank will continue to promote innovations in the financial sector, undertake financial education campaigns in collaboration with industry players aimed at promoting the use of digital financial services. The Bank will also continue to discharge its mandate in a way that ensures that payment systems are efficient, reliable, safe and secure.



GOVERNOR

Executive Summary

The National Payment System in Zambia continued to grow in 2020. Overall, the national payment system, both the Systemically Important Payment Systems (SIPS) and the Non Systemically Important Payment Systems (NSIPS) respectively grew by 15% and 27.7% in value and volume of transactions processed in the year compared to the previous year. The systemically important payment systems (SIPS) accounted for 78.9% of the total value of all payment streams in 2020 compared to 84% in 2019. On the other hand, NSIPS accounted for 21.1% of the total value of all payment streams compared to 16% in 2019. The improvement in the performance of NSIPS was attributed to the substantial increased usage of mobile payments and remittances.

The SIPS namely the Zambia Interbank Payment and Settlement System (ZIPSS), the Cheque Image Clearing (CIC) system and the Electronic Funds Transfers (EFTs) system grew in both values and volumes of transactions processed. The value of SIPS transactions increased by 8.2% to K1,140,502 million in 2020 from K1,054,303 million in 2019 while the volume of transactions increased by 0.9% to 10,291,842 in 2020 from 10,202,465 in 2019. The increase in value of transactions in 2020 was mostly notable on the EFTs which increased by 14% from the previous year. This was partly attributed to increased adoption of electronic payment methods following the onset of COVID-19 pandemic. On the other hand, the values and volumes of transactions processed through the CIC payment stream continued to decline, reducing by 17.1% and 21.9% respectively. The decline in use of cheques was partly driven by changing customer preferences towards digital payment systems.

The NSIPS, namely, the Automated Teller Machines (ATMs), Point of Sale (PoS), remittances and mobile payments accounted for 21.3% of the total value of transactions conducted on the national payment system compared to a contribution of 16.1% in 2019. The NSIPS grew in both the value and volume of transactions processed. The value of transactions increased by 52.3% to K308,264.44 from K202,418.64 million recorded in 2019 while the volume of transactions processed through the NSIPS increased by 27.8% to 1,395,420,366 from 1,091,806,080 processed in 2019. The shift was mainly on account of the growth in mobile payments, remittances and PoS transactions.

The value of Currency In Circulation (CIC) increased by 44.7% to K12.3 billion in 2020 compared to 4.1% (K8.5 billion) in 2019. The bulk of this currency was in banknotes, which accounted for 98.4% (K12.1 billion) while coins constituted 1.6% (K0.2 billion). The Bank also issued 204.4 million pieces of mint banknotes and coins valued at K8.7 billion into circulation in 2020 compared to 145.3 million pieces valued at K6.1 billion in 2019. The highest proportion of currency issued was in high value banknotes. During the same period, the Bank withdrew a total of 153.7 million pieces of unfit banknotes valued at K5.9 billion from circulation in 2020, compared to 138.4 million pieces valued at K5.6 billion in 2019. The bulk of the currency withdrawn was in high value banknotes (K100 and K50), which accounted for 86.8%.

The Bank continued to review various laws, regulations, policies and to facilitate developments relating to payment systems and ensure a safe and efficient national payment system. As part of COVID-19 Policy response, the Bank and industry stakeholders implemented a number of measures that were aimed at preventing the spread of the COVID-19 pandemic through minimizing person-to-person contact, decongesting banks and reducing the use of cash in the economy. Some of the measures implemented included the upward revision of the transaction and balance limits for electronic money and money transfers. Transaction and balance limits on agents and corporate wallets were removed while transaction and balance limits for individuals, small scale farmers and enterprises were adjusted upwards. The upward revision to the limits was intended to encourage increased use of digital financial services in the country. The other measures included the waiver of fees for person to person transfers for amounts up to K150, provided incentives to the commercial banks by reducing transaction processing fees for the Real Time Gross Settlement (RTGS) and heightened the sensitization efforts on the use of digital financial services. The Bank also capped the Merchant Discount Rate (MDR) for transactions on the Point of Sale machines to no more than 2% of the value of the transaction for Micro, Small and Medium Enterprises (MSMEs).

The Bank of Zambia conducted a FinScope Survey to measure the level of financial inclusion in the

country. The FinScope Surveys are conducted every five years to determine the level of financial inclusion in the country. According to the FinScope Survey of 2020, financial inclusion rose by 10.1 percentage points to 69.4% (6.6 million adults) in 2020 from 59.3% (4.8 million adults) in 2015. Subsequently, financially excluded adults decreased to 30.6% (2.9 million adults) from 40.7% (3.3 million adults) during the same period. Financial inclusion at provincial level was highest in Lusaka (87.4%) and the Copperbelt (79.9%) with figures above the national average of 69.4%. The rest of the provinces were below the national average with Western Province being the lowest at 40.7%.

In the continued effort to enhance consumer protection, the Bank issued directives on Customer Complaints and Handling. The directives provide

for DFS providers to have an effective Internal Dispute Resolution mechanism to ensure efficient complaints and redress mechanism. The Bank continued to monitor all financial service providers to ensure that the directives were accordingly implemented.

In 2021, the Bank will focus on its core mandates of ensuring financial stability and financial inclusion. In this regard, the Bank in line with its strategic objectives will continue to implement policies that will support growth, modernisation, safety and efficiency of payment systems in Zambia. The Bank will also continue to monitor developments in the market to enhance the resilience of the payments ecosystem in order to safeguard public interest and support innovation.

1.0 INTRODUCTION

This report outlines developments in the National Payment Systems in Zambia between January and December, 2020. The Payment Systems landscape in Zambia recorded some notable growth, arising mainly from the advent of the COVID-19 pandemic which resulted in an increase in the use of digital financial services as opposed to cash. The Payment Systems in Zambia continued to evolve through the successful implementation of the National Switch and initiatives that propelled financial inclusion and consumer protection in the year. A number of new products were launched by service providers aimed at addressing customer needs. The Bank of Zambia continued to collaborate with various stakeholders to ensure that safety and efficiency were maintained in the national payment system.

2.0 DEVELOPMENTS AND TRENDS IN INTERNATIONAL PAYMENT SYSTEMS

According to the World Payments Report 2020, the payments industry is coming to grips with the digital shift of retail and business to business (B2B) customers. The report noted that the success for Payment Service Providers (PSPs) lay in providing differentiated offerings that feature speed, convenience, and end to end customer experience. Abundant options and innovations sparked competition, and as the market consolidates, revenue models and cost structures are being affected. As the payments horizon broadens, players move digital capabilities to offering customer-centric products and services to remain competitive.

The report indicates that financial service providers are prioritizing technology transformation, as 68% of the traditional players showed that the loss of existing clients and prospects is the most significant threat to their plan. Banks are developing in-house capabilities by partnering with new players to achieve technology transformation. In addition to developing in-house capabilities, 60% of bank executives believe that working with partners/third parties throughout the value chain would help them augment portfolios with ecosystem-based propositions.

Further, the report highlights that global non-cash transaction volumes grew by 14% (2018-2019) to reach 708.5 billion, the highest surge in the past decade. The Asia-Pacific region recorded the highest growth of nearly 25% (2019) to become the non-cash transaction leader, driven by the wide-spread adoption of mobile payments and digital wallets. COVID-19 aftershocks are expected to tap down global non-cash volumes as 2019-2023 growth is expected to shrink to 11.5%. It is anticipated that e-commerce growth, enthusiastic adoption of transparent payment experiences, and alternative payment methods will drive non-cash transaction momentum, which is on course to reach 1.1 trillion by 2023.

The report notes that COVID-19 has encouraged innovation and digitisation, triggered security awareness and safety efforts, particularly on Anti-Money Laundering efforts, data protection, and cybersecurity focused on payment ecosystems resilience. Resultantly, a unified industry framework to combat fraud, including digital identity and authentication, is needed especially in open networks. Consequently, open banking, the FinTech ecosystem, digital and crypto currencies are now on the regulatory agenda to support payments sector modernisation.

Finally, the report observes that regulators are driving standardisation and interoperability to boost trust and allow collaboration among countries. Global and regional standards are now being implemented to foster trust in e-payment systems and encourage digital payment adoption.

¹World Payments Report, 2019, Capgemini Financial Services

3.0 DEVELOPMENTS IN THE ZAMBIAN NATIONAL PAYMENT SYSTEMS

As part of its mandate of ensuring a safe and efficient national payment system, the Bank continued to review various laws, regulations, policies and to facilitate other developments relating to payment systems. The section below highlights developments undertaken in 2020.

3.1 Increase in the use of Digital Financial Services and Financial Inclusion

Zambia continued to make significant progress in the digital transformation agenda especially in the area of digital financial services. For example, the number of active MNO based mobile money users increased by 77% from 4,852,040 as at 31 December 2019 to 8,607,461 as at 31 December 2020. According to the FinScope Survey of 2020, the reported increased Financial inclusion of 10.1 percentage points to 69.4% from 59.3% in 2015 was mainly attributable to mobile money. It is worth noting that these digital payment options were also instrumental in reducing person to person contact during the COVID-19 pandemic.

3.2 National Financial Switch

During the year, the National Financial Switch (NFS) project accomplished its final major milestone of ushering into production the switching of mobile payments. This module provides great opportunities for everyone as it enables customers to conduct instant payments across networks and financial service providers without handling cash. This was particularly important, with the advent of the COVID-19 pandemic in 2020.

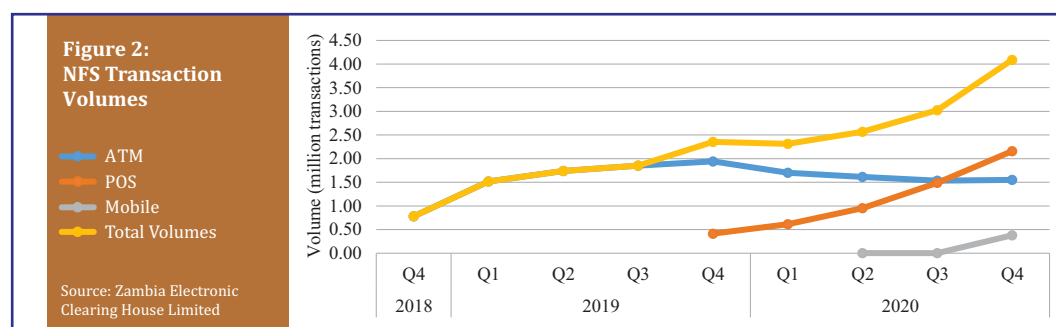
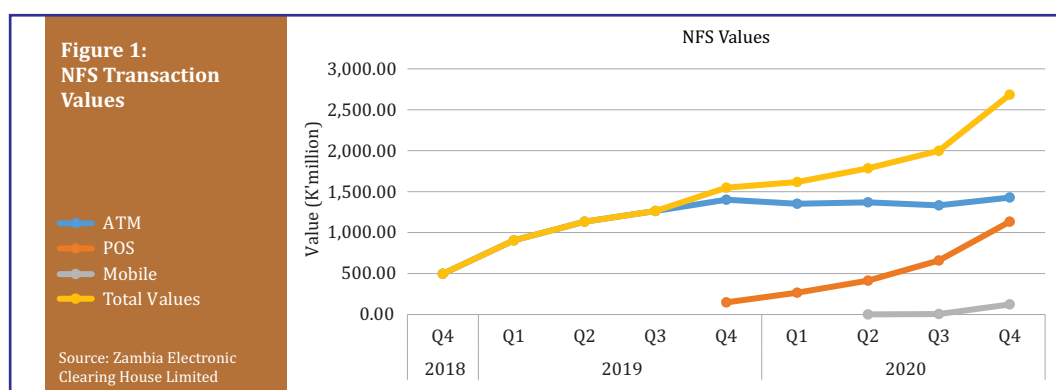
The NFS enabled interoperability and instant payments across e-wallet providers and bank accounts. Customers can now process the following transactions instantly through the NFS:

- E-wallet to e-wallet;
- E-wallet to bank;
- Bank to e-wallet;
- Bank to bank; and
- Cash-in and cash-out transactions from Agents and ATMs.

The availability of these services on the NFS provided for efficient payment processing and interoperability between the service offering of commercial banks, non-bank financial institutions and payment service providers within Zambia. In the future, the NFS will also open up to regional payment systems within SADC and COMESA.

In the long run, the anticipated benefits of the NFS include reduced infrastructure acquisition and transaction costs through shared centralized infrastructure, promotion of innovation, e-products and delivery channels that will extend the coverage of financial services in Zambia and reduction in the usage of cash and paper based payment instruments in Zambia.

A total of 12 million transactions with a value of K8 billion were processed through the NFS compared to 7 million transactions with a value of K5 billion processed during 2019. This represented increases of 61% in the volume and 67% in terms of the value of transactions processed between 2019 and 2020 respectively. Figures 1 and 2 below show NFS transaction values and volumes.



The increase in both transaction values and volumes on the NFS, as depicted in the graphs above, was mainly attributed to a number of factors including: the higher number of PoS participants and transactions recorded as a result of more banks coming on board in 2020 and to a lesser extent, the on-boarding of the mobile payments stream in 2020.

It is however worth noting that the volume of ATM transactions declined by 9% from 7 million in 2019 to 6 million in 2020 as shown in the graph above. This is despite the value of ATM transactions increasing by 17%. These changes were mainly attributed to the shift in the use of cash to digital payment methods coupled with the increase in the transaction limits executed on the various payment streams.

It is expected that the transaction values and volumes will continue to increase as more participants are on-boarded and the benefits accruing from the implementation of the NFS continue to be realized by all stakeholders.

3.3 COVID-19 Policy Response

The Bank of Zambia and industry stakeholders implemented a number of measures in response to the COVID-19 pandemic. The measures were aimed at preventing the spread of the COVID-19 pandemic by minimizing person to person contact, decongesting banks and reducing the use of cash in the economy.

Some of these measures undertaken include the following:

(i) Adjustment to Transaction and Balance Limits for Electronic Money Issuers and Money Transfer Businesses

The Bank revised the transaction and balance limits for electronic money and money transfers. Transaction and balance limits on agents and corporate wallets were removed while transaction and balance limits for individuals, small scale farmers and enterprises were adjusted upwards. The upward revision to the limits was intended to encourage increased use of digital financial services in the country.

(ii) Waiver of Fees for Person to Person Transfers for Values up to K150

The financial service providers waived the transaction fees for person to person transfers for amounts up to K150. This response was aimed at encouraging people especially the most vulnerable segments of society to migrate to digital payments as opposed to using cash in order to reduce person to person contact.

(iii) Reduction of Transaction Processing Fees for the Real Time Gross Settlement System

The Bank provided incentives to the commercial banks by reducing transaction processing fees for the Real Time Gross Settlement (RTGS). Resulting from this, participating banks were exempted from paying processing fees for transactions processed before 10:00 hours. Banks were urged to pass on this benefit to their customers .

(iv) Sensitization Campaigns on Use of Digital Financial Services

The Bank, in conjunction with other stakeholders, continued with the efforts towards creating awareness on the need to migrate to digital financial services so as to reduce person to person contact. The Bank collaborated with financial service providers to develop sensitization messages that were aired using various media houses and digital platforms. The sensitization campaign was financed using funds from the interest earned on trust accounts.

(v) Merchant Discount Rate

The Bank capped the Merchant Discount Rate (MDR) for transactions on the Point of Sale machines to no more than 2% of the value of the transaction for Micro, Small and Medium Enterprises (MSMEs). This was aimed at encouraging such entities to deploy digital payment options by ensuring affordability of such services.

(vi) Purchase of Protective Equipment

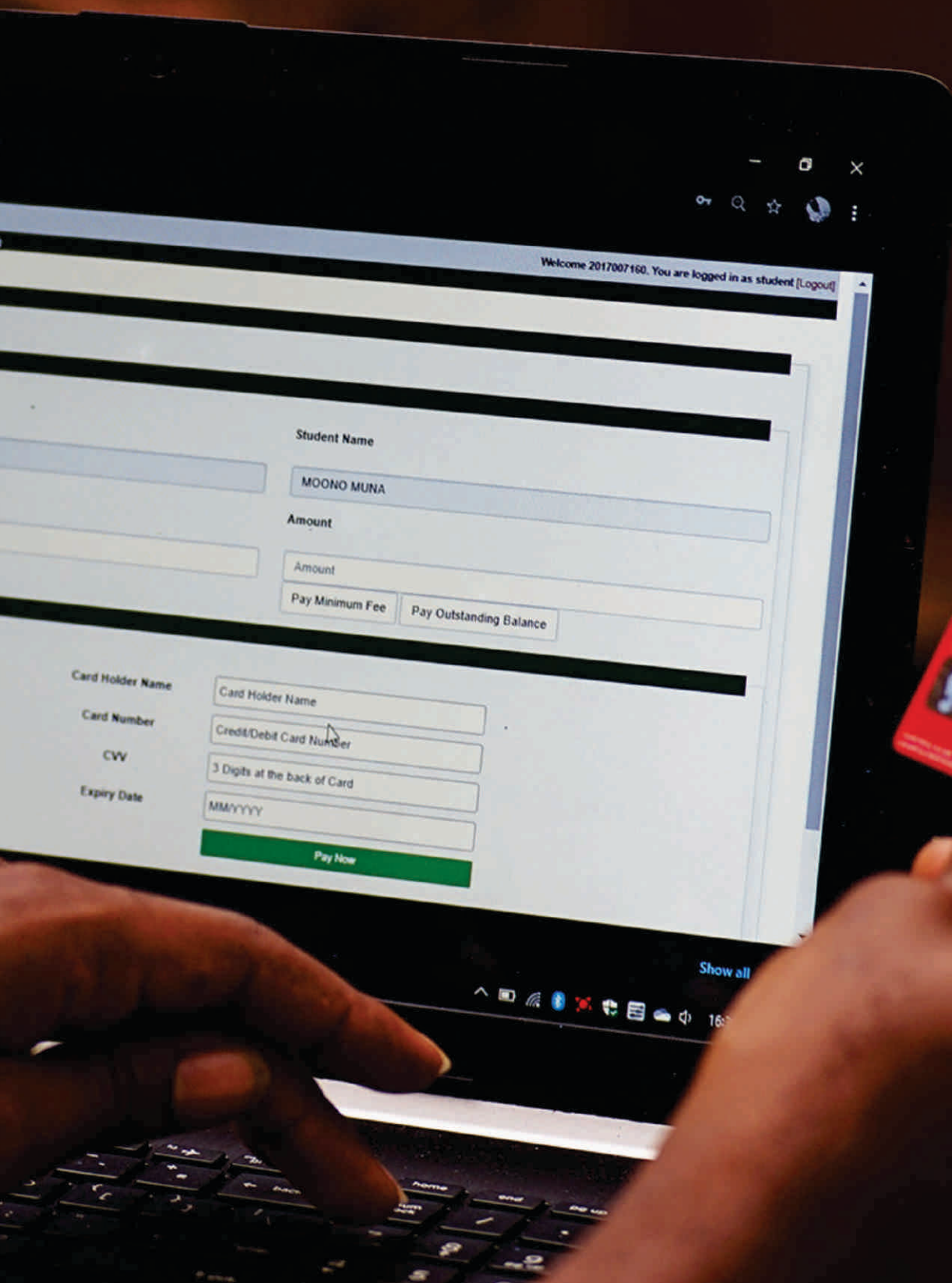
The Bank approved for interest earned on trust account balances to be used to purchase protective equipment for agents. This initiative was well received and financial service providers that use agent networks were required to continue ensuring that the outlets adhere to the guidelines given by the Ministry of Health.

3.4 Licensing of Payment Service Providers (PSPs)

The Bank granted licences to six (6) institutions namely; Zynle Technologies Limited, Probase Limited, Billford Zambia Limited, Mypay Zambia Limited, Serengeti Technologies Limited and Redstone Zambia Limited the table below shows the licensed entities and the services to be offered.

Table 1: Licensed Entities and Services to be Offered

Name	Services
Zynle Technologies Limited	Payment Aggregation
Probase Limited	Payment Gateway, Aggregation and Integration
Billford Zambia Limited	Payment System Business
Mypay Zambia Limited	E-Money Issuer
Serengeti Technologies Limited	Payment System Business
Redstone Zambia Limited	Payment System Business



4.0 PAYMENT SYSTEMS OVERSIGHT ACTIVITIES AND RISK ASSESSMENT

The activities relating to the oversight of the National Payment Systems by the Bank are guided by the Bank's oversight framework which is hinged on the NPSA and the PFMIs. Oversight activities are undertaken through offsite and on-site activities. The oversight activities undertaken in 2020 are highlighted below:

4.1 The Bank's Offsite Activities in 2020

The Bank continued to conduct its offsite activities which involve the analysis of monthly returns submitted by licenced Payment Service Providers (PSPs). The returns contain information which includes the values and volumes of transactions processed from different payment streams, access points, accounts and amounts held in trust accounts and payment system availability. The analysis of the various returns forms the basis for periodic reports generated by the Bank to monitor developments in the national payment systems and also help in instituting necessary policy changes.

In order to enhance the conduct of offsite activities, the Bank continued to work on improving the collection of offsite reports from PSPs through the Digital Financial Services (DFS) data automation platform. The DFS platform which is an automated system for submission of returns by PSPs was recently implemented by the Bank to ease the process of collecting returns from PSPs.

4.2 On-site Inspections and Compliance Assessments of Payment Service Provide

The Bank's on-site activities which involve conducting examinations at the payment service providers premises were greatly hampered by the COVID-19 pandemic due to the need to minimise physical interactions normally done when conducting on-site examinations. In light of the challenges brought about by COVID-19 pandemic, the Bank conducted limited on-site examinations to assess compliance with the National Payment Systems Act, 2007 and the Bank of Zambia Directives for Electronic Money Issuance, 2018. The inspections revealed some infringements and appropriate recommendations were made as corrective action.

5.0 PERFORMANCE OF THE VARIOUS PAYMENT SYSTEMS STREAMS

The national payment system, Systemically Important Payment Systems (SIPS) in conjunction with the Non Systemically Important Payment Systems (NSIPS) recorded growth in both the values and volumes of transactions in 2020 with a 15.3% and 27.6% increase respectively. SIPS accounted for 78.7% of the total value of all payment streams in 2020 compared to 83.9% in 2019. On the other hand, NSIPS accounted for 21.3% of the total value of all payment streams compared to 16.1% in 2019. The improvement in the performance of NSIPS was attributed to the substantial increased usage of mobile payments, point of sale (PoS) terminals and remittances. The tables below show a comparative analysis of the values and volumes in the SIPS and NSIPS between the years 2020 and 2019.

Table 2: Comparative Analysis of Transaction Values for the different Payment Streams(2020/2019), K'millions

Payment Stream	2020	2019	Change (%)	Proportion (%)
ZIPSS	1,053,189.36	975,283.00	8.0%	72.7%
EFT	78,017.35	67,812.80	15.0%	5.4%
CIC	9,295.40	11,206.90	-17.1%	0.6%
SIPS Totals	1,140,502.11	1,054,302.70	8.2%	78.7%
PoS	35,234.90	20,094.80	75.3%	2.4%
ATMs	50,112.67	48,054.90	4.3%	3.5%
Mobile	105,815.05	49,353.10	114.4%	7.3%
Remittances	117,101.82	84,823.19	38.1%	8.1%
NSIPS Total	308,264.44	202,325.99	52.4%	21.3%
Grand Total	1,448,766.55	1,256,628.69	15.3%	100.0%

Source: Bank of Zambia

Table 3: Comparative Analysis of the Transaction Volumes for the Various Payment Streams (2020/2019)

Payment Stream	2020	2019	Change (%)	Proportion (%)
EFT	8,181,743	7,800,720	4.88%	0.58%
CICS	1,401,153	1,794,631	-21.93%	0.10%
ZIPSS	708,946	607,114	16.77%	0.05%
SIPS Total	10,291,842	10,202,465	0.88%	0.73%
PoS	33,981,488	26,942,944	26.12%	2.42%
ATMs	37,038,762	41,773,995	-11.34%	2.63%
Remittances	573,885,959	470,450,589	21.99%	40.83%
Mobile	750,514,157	552,638,552	35.81%	53.39%
NSIPS Total	1,395,420,366	1,091,806,080	27.81%	99.27%
Grand Total	1,405,712,208	1,102,008,545	27.56%	100.00%

Source: Bank of Zambia (CICS in this table means Cheque Imaging Clearing System)

5.1 Systemically Important Payment Systems (SIPS)

Overall, the Systemically Important Payment Systems namely; the Zambia Interbank Payment and Settlement System (ZIPSS), the Cheque Image Clearing (CIC) system and the Electronic Funds Transfers (EFTs) system grew in both values and volumes of transactions processed in 2020. The value of SIPS transactions increased by 8.2% to 1,140,502 million in 2020 from K1,054,303 million in 2019 while the volume of transactions increased by 0.9% to 10,291,842 in 2020 from 10,202,465 in 2019.

The increase in value of transactions in 2020 was mostly notable on the EFTs which increased by 14% from the previous year. This was partly attributed to increased adoption of electronic payment methods. On the other hand, the values and volumes of transactions processed through the CIC payment stream continued to decline, reducing by 17.1% and 21.9% respectively.

The ZIPSS continued to increase in the value of payments processed accounting for 92% of total payments of the SIPS.

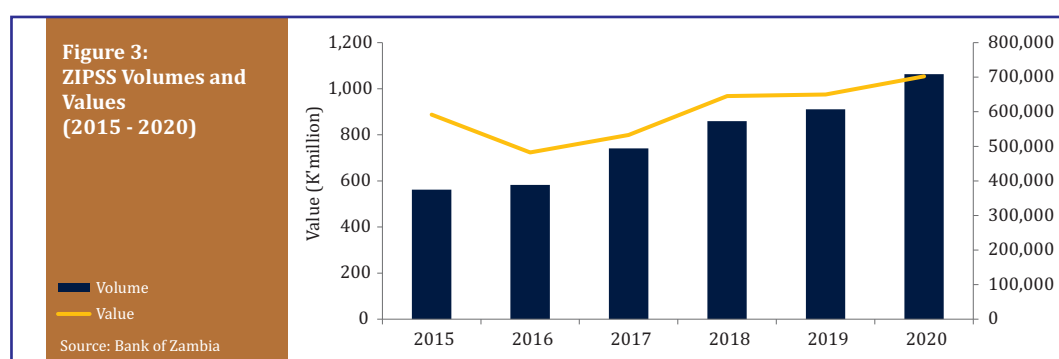
Table 4: Systemically Important Payment Systems (SIPS)

Payment Stream	2020		2019		% Change (Volumes)	% Change (Values)
	Volumes	Values (K' millions)	Volumes	Values (K' millions)		
ZIPSS	708,946	1,053,189.35	607,114	975,283.00	16.8%	8.0%
EFTs	8,181,743	78,017.35	7,800,720	67,812.80	4.9%	15.0%
CICS	1,401,153	9,295.40	1,794,631	11,206.90	-21.9%	-17.1%
TOTAL	10,291,842	1,140,502	10,202,465	1,054,303	0.9%	8.2%

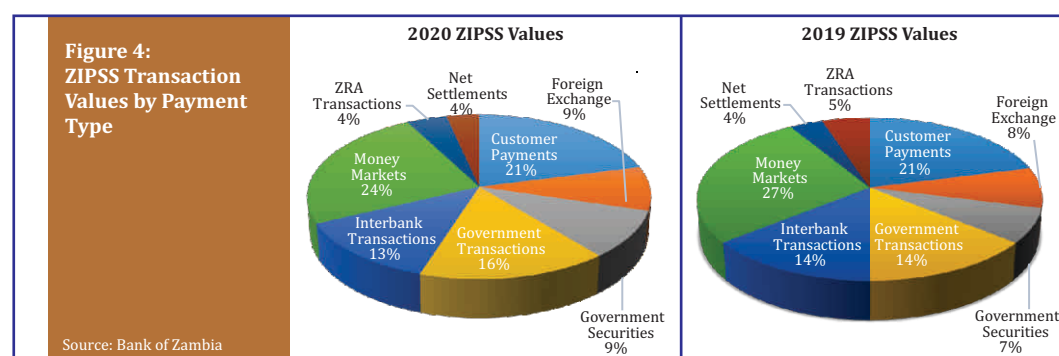
5.1.1 Zambia Interbank Payment and Settlement System (ZIPSS)

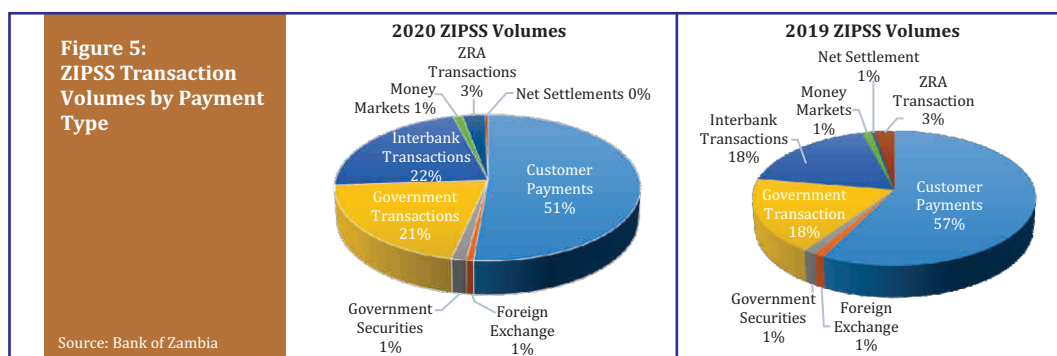
The Zambia Interbank Payment and Settlement System (ZIPSS) recorded an average availability level of 99.3%, slightly higher than 98.7% recorded in 2019.

The value of transactions processed on ZIPSS rose by 8.0% to K1,053.6 million in 2020 from K975.3 million in 2019. The volume of transactions processed on ZIPSS increased by 16.8% to 708,946 transactions from 607,114 transactions in 2019. The increase in the volume of processed transactions was mainly due to the increase in Government payments, interbank foreign currency settlements and Government securities transactions. The value of ZIPSS transactions in 2020 as a proportion of nominal GDP decreased to 297% from 310% in 2019.



The transaction values of the ZIPSS by payment type are as depicted in figure 4 below while transaction volumes by payment type are depicted in figure 5





5.1.1.1 Lusaka Securities Exchange

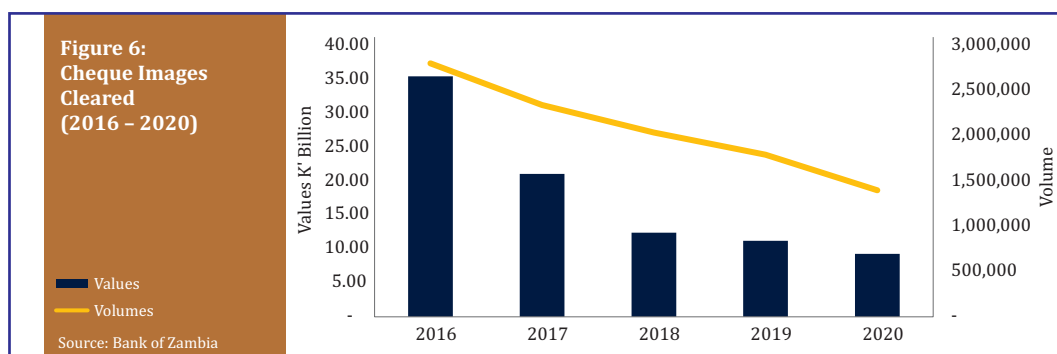
The transaction value of net settlement obligations for Lusaka Securities Exchange (LuSE) processed on ZIPSS reduced in 2020 from K148,173.96 in the previous year to K79,219.93. Similarly, the total number of settlement instructions decreased to 16 in 2020 from 32 in the previous year.

5.1.2 The Zambia Electronic Clearing House (ZECHL) Operated Systems

5.1.2.1 Cheque Image Clearing System (CICS)

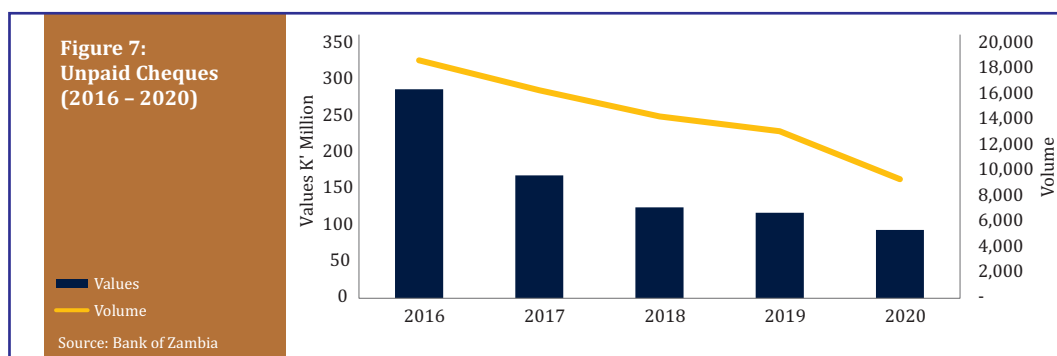
The volume and value of cheques cleared in 2020 continued to decline as the utilisation of electronic payment methods increased. The volume of cheques cleared reduced by 21.9% to 1,401,153 in 2020 from 1,794,631 in 2019. The value of cheques cleared also decreased by 17.1% to K9,295.4 million in 2020 from K11,206.9 million in 2019.

The value of cheques cleared as a proportion of nominal GDP declined to 2.6% from 3.7% in 2019.



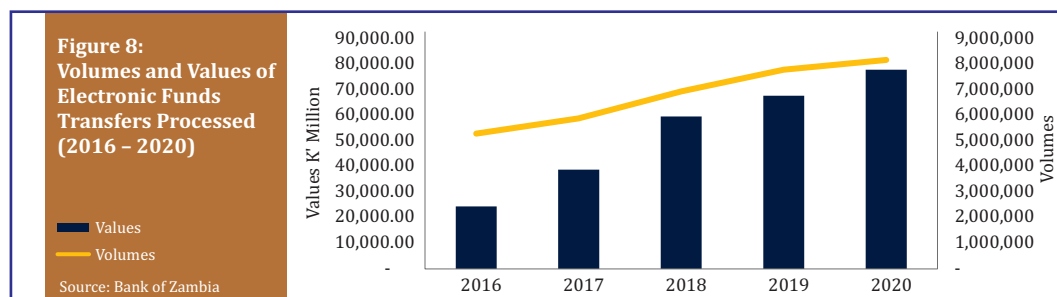
5.1.2.2 Cheques Returned Unpaid on Account of Insufficient Funds

The volume of cheques returned unpaid due to insufficient funds decreased by 28.7% to 9,350 from 13,122 in 2018 while the value decreased by 20.1% to K93.9 million from K117.5 million in 2019 (Figure 7). This was partly due to the reduction in the usage of cheques and increased adoption of electronic payment methods.



5.1.3 Electronic Funds Transfer System (EFTs)

The value of transactions processed on the Electronic Funds Transfer (EFT) Clearing System increased by 15% to K78,017.35 million from K67,812.85 million in 2019 while the volume of transactions grew by 4.9% to 8,181,743 from 7,800,720 in 2019 (see Figure 8). The increased use of digital financial services largely explained the increase in EFT transactions. The value of transactions processed through EFTs/DDACCs as a proportion of nominal GDP increased to 22% from 21.6% in 2019.



5.2 Non-Systemically Important Payment Systems

The Non-Systemically Important Payment Systems, namely, the Automated Teller Machines (ATMs), Point of Sale (PoS), remittances and mobile payments grew in both the value and volume of transactions conducted during the year. The value of transactions increased by 52.3% to K308,264.4 million from K202,418.6 million recorded in 2019 while the volume of transactions processed through the NSIPs increased by 27.8% to 1,395,420,366 from 1,091,806,080 processed in 2019.

The payment streams that experienced the largest growth in both value and transaction volumes among the NSIPs were mobile payments, remittances and PoS transactions. ATM transactions decreased in value partly due to customers opting to use electronic payments methods such as the PoS, which grew by 75.3% in value terms and by 26.1% in volumes of transactions. Table 5 depicts the performance of NSIPs in 2020 and 2019.

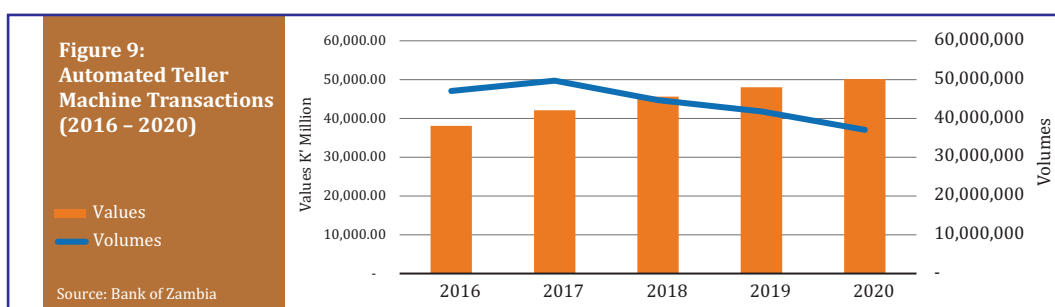
Table 5: Non Systemically Important Payment Systems (NSIPs)

NSIPS	2020		2019		Change (%) Volumes	Change (%) Values
	Volumes	Values (K'millions)	Volumes	Values (K'millions)		
Remittances (Domestic)	572,655,310	113,453.62	469,416,539	82,109.60	22.0%	38.2%
Remittances (International)	1,230,649	3,648.19	1,034,050	2,713.59	19.0%	34.4%
ATM	37,038,762	50,112.67	41,773,995	48,054.88	-11.3%	4.38%
PoS	33,981,488	35,234.90	26,942,944	20,094.82	26.1%	75.34%
Mobile Payments	750,514,157	105,815.05	552,638,552	49,445.75	35.8%	114.0%
NSIPS Total	1,395,420,366	308,264.44	1,091,806,080	202,418.64	27.8%	52.3%

Source: Bank of Zambia

5.2.1 Automated Teller Machines (ATMs) Transactions

The value of transactions processed on the Automated Teller Machines (ATMs) increased by 4.3% to K 50,112.7 million from K48,054.9 million in 2019 while the volume of transactions decreased by 11.3% to 37,038 from 41,774 in 2019. The increase in value was mainly as a result of the increase in the average amount drawn per transaction to K1,352.8 from K1,150.4 in 2019. The number of ATM cards issued to customers reduced by 1.8% to 2,723,615 from 2,773,616 in 2019. The decrease in the number of cards issued was due to withdrawal of debit and prepaid cards by some banks. The value of transactions processed at ATMs as a proportion of GDP decreased to 14.1% from 15.3% in 2019.



5.2.1.1 Number of Automated Teller Machines (ATMs)

The number of ATMs increased by 3% to 1,032 in 2020 from 1,006 in 2019. However, the distribution of the ATMs by province across the country remained unchanged with Lusaka and the Copperbelt provinces having the majority of ATMs at 48% and 23%, respectively. Table 6 below shows the nationwide provincial distribution of ATMs.

Table 6: Nationwide Deployment of ATMs by Province

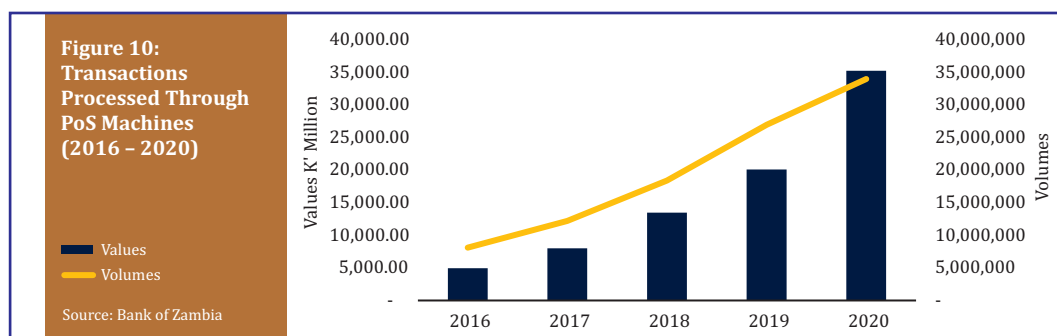
Province	2020	2019	Share (%)
Lusaka	492	466	48%
Copperbelt	240	230	23%
Southern	74	76	7%
North-western	61	61	6%
Central	46	47	4%
Eastern	40	45	4%
Northern	21	22	2%
Luapula	20	21	2%
Western	19	19	2%
Muchinga	19	19	2%
Total	1,032	1,006	100%

5.2.1.2 Number of Cards Issued

The total number of cards in circulation as at end December 2020 decreased by 1.8% to 2,723,615 from 2,773,616 as at end December 2019. Of these, the number of debit cards issued were 2,345,609 while the number of credit and prepaid cards in issue were 10,190 and 367,816 respectively.

5.2.2 Point of Sale Machine Transactions

The volume of transactions processed on the Point of Sale (PoS) terminals in 2020 increased by 26.1% (2019: 46.0%) to 33,964,326 from 26,942,944 in 2019. The value of transactions processed on the PoS terminals increased by 75.3% to K35,234.9 million from K 20,094.8 million recorded in 2019. The promotion of digital financial services to help reduce the spread of COVID-19 coupled with the increase in the number of terminals to 22,822 from 17,795 in 2019 largely accounted for the significant growth in the use of PoS terminals. Figure 10 depicts the volumes and values of transactions processed through PoS terminals.



The distribution of PoS terminals across the country remained largely the same with Lusaka province having the highest number and Western Province and Luapula Province having the lowest number of PoS deployed.

Table 7: Nationwide Deployment of PoS Terminals by Province (2019 – 2020)

Province	2019	2020
Lusaka	8,829	11,364
Copperbelt	3,392	4,534
Southern	1,636	1,867
Central	971	1,274
Eastern	1,024	1,191
North-western	643	769
Luapula	316	500
Muchinga	330	475
Northern	366	438
Western	288	410
Total	17,795	22,822

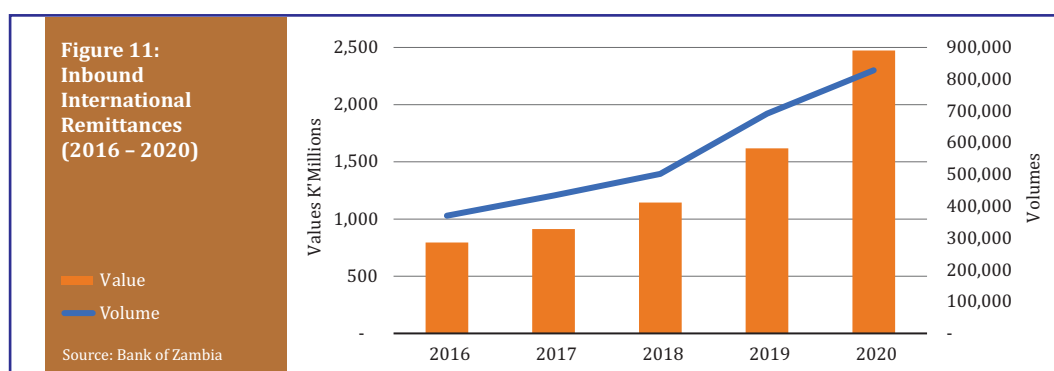
Source: Bank of Zambia

5.2.3 Remittances (Money Transfer Transactions)

The remittances market recorded growth in both values and volumes of transactions during the period under review. The transaction values increased by 38.1% (2019: 77.9%) to K117,101.8 million from K84,823.0 million in 2019. The volume of transactions processed increased by 22.0% (2019: 54.5%) to 573,885,959 transactions from 470,450,589 transactions recorded in 2019. The increase was mostly notable in the local money transmission services which increased by 38.2% and 22.0% (2019: 55%) in value and volume of transactions respectively.

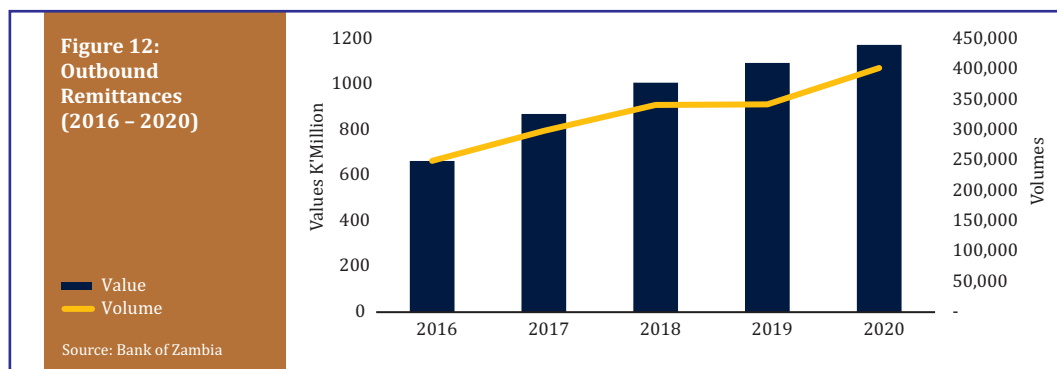
5.2.3.1 Inbound International Remittances

The volume of inbound international remittances increased by 19.7% (2019: 38%) to 828,108 transactions from 691,617 transactions recorded in 2019 while the value rose by 52.9% (2019: 41%) to K2,473 million from K1,618 million in 2019 (see Figure 11). This was partly due to upward adjustment of the daily maximum Kwacha limit and the depreciation of the Kwacha (raised the domestic value of remitted funds). The United States of America (USA), United Kingdom (UK), Canada, and Australia continued to be the main source countries. The values of inbound remittances as a proportion of GDP marginally increased to 0.7% from 0.5% in 2019.

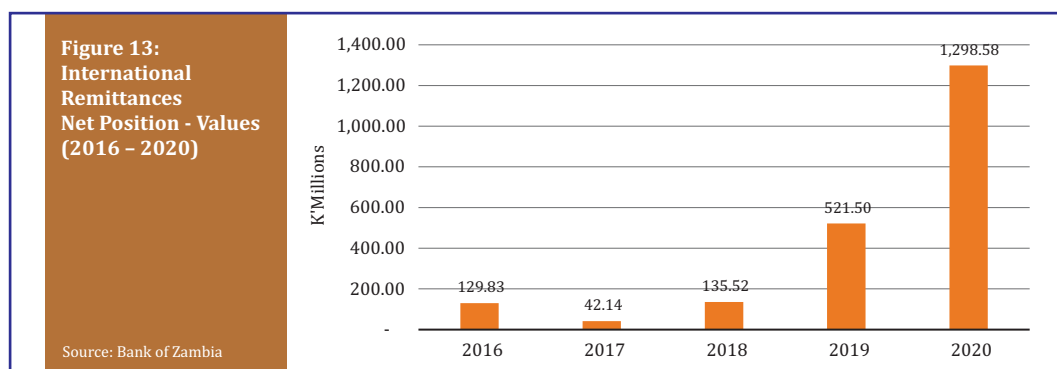


5.2.3.2 Outbound International Remittances

The value of outbound international remittances increased by 7.2% (2019: 9%) to K1,174.8 million from K1,096.0 million in 2019 while the volume of transactions increased by 17.6% (2019:0.3%) to 402,541 from 342,433 in 2019 (See Figure 12). This was partly due to the upward adjustment of the daily maximum Kwacha limit and the depreciation of the Kwacha. The major recipient countries were India, Tanzania, Zimbabwe and the Democratic Republic of Congo. The values of outbound remittances as a proportion of GDP marginally decreased to 0.3% from 0.4% in 2019.

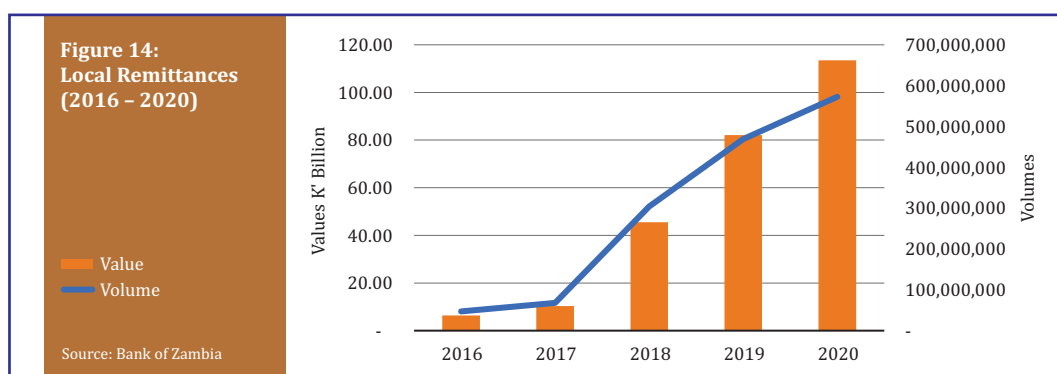


Zambia continued to be a net receiver of funds amounting to K1,298.6 million (2019: K521.5 million) as highlighted in Figure 13 below.



5.2.3.3 Local Remittances

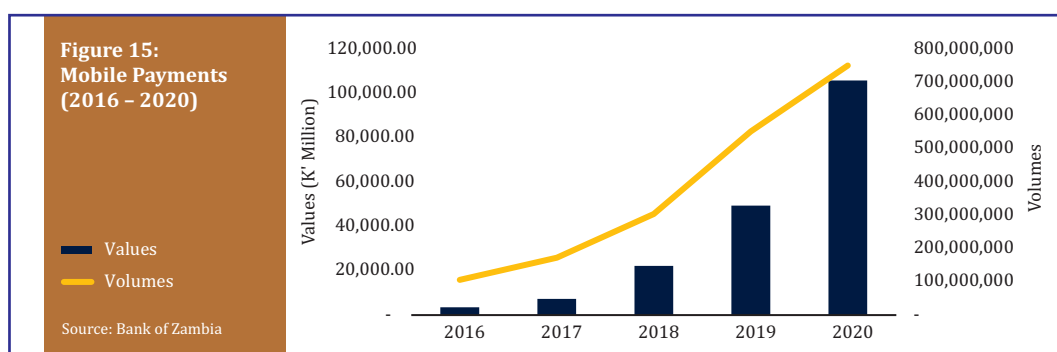
The value of local remittances grew by 38.2% (2019: 80%) to K113,453.6 million from K82,109.6 million in 2019 (See Figure 14). The volume of transactions increased by 22.0% (2019: 55%) to 572,655,310 from 469,416,539 recorded in 2019. The increase in both value and volume of transactions was on account of growth of mobile based transactions. Local remittances as a proportion of GDP decreased to 12.1% from 26.1% in 2019.



5.2.4 Mobile Money Transactions

The value of transactions processed on the mobile money platforms increased by 114% (2019: 123%) to K 105,815.1 million from K 49,445.8 million in 2019 whereas the volume of transactions increased by 35.8% (2019: 82%) to 750,514,157 transactions from 552,638,552 transactions recorded in 2019. This largely followed measures taken by the Bank to sensitise the public on the use of digital channels and contactless mobile payment mechanisms, including the upward adjustment of holding limits for wallets as well as the waiver of fees on charges on all person to person (P2P) electronic money transactions on amounts up to K150. The value of mobile payments as a proportion of GDP increased to 29.9% from 15.7% in 2019.

Active mobile wallet holders and active agents increased by 77% to 8,609,265 and 55.7% to 128,789 respectively. This was mainly due to the upward revision of transaction and holding limits on mobile wallets, promotion of electronic payment methods that formed part of the measures to reduce the use of cash during the COVID-19 pandemic.



5.2.4.1 Mobile Money Subscribers versus Mobile Phone Subscribers

The total number of registered mobile phone subscribers in 2020 reported by the mobile money operators (MTN, Airtel and Zamtel) increased by 11% to 19,103,374 from 17,218,310 in 2019. The total number of mobile money subscribers increased by 36% to 19,271,567 from 14,119,115 in 2019 out of which 8,607,461 were active mobile money subscribers. This movement represents an increase of 77% in the number of active subscribers from the previous year. Active wallets that had customer initiated transactions in the last 90 days constituted 28% of the total number of registered mobile phone subscribers.

Table 8: Mobile Money Subscribers versus Active Mobile Money Subscribers

Description	% Change (2020/2019)	2020	2019	2018	2017
Number of Mobile Phone Subscribers	11%	19,103,374	17,218,310	15,442,108	12,598,289
Number of Mobile Money Subscribers	36%	19,271,567	14,119,115	13,910,712	11,704,822
Number of Active Mobile Money Subscribers	77%	8,607,461	4,852,040	3,443,973	1,450,533

Source: Bank of Zambia

5.2.5 Cross Border Mobile Payments

Cross border mobile money payments aggregate value and volume of transactions recorded during the year increased by 287% to K613.0 million from K158.4 million in 2019 while the volume increased by 327.3 % to 496,877 from 116,290 in 2019. The inbound cross border mobile money remittances accounted for 74.25% (2019: 79.5%) and 59.5% (2019: 63.1%) of the values and volumes respectively. The increase in remittances was most notable in receipts from United Kingdom, United States of America and Australia while the increase in the outbound cross border mobile money remittances was mostly notable in the remittances to Tanzania, Uganda and Kenya.

5.2.6 Regional Cross Border Payment Systems

In 2020, the volumes and value of payments processed on the SADC Real Time Gross Settlement System (SADC RTGS) by Zambian commercial banks declined by 33.0% and 20.9% to 13,703 and ZAR5,240.8 million, respectively (Figures 16 and 17). The reduction was mainly attributed to subdued intra-regional trade in light of the COVID-19 pandemic.

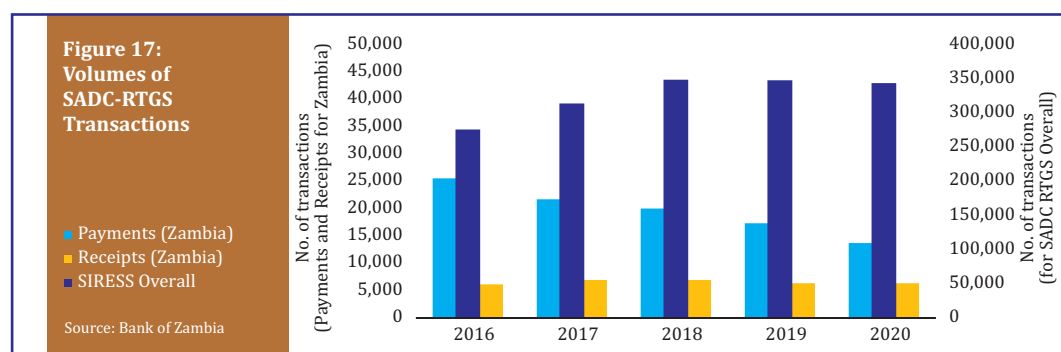
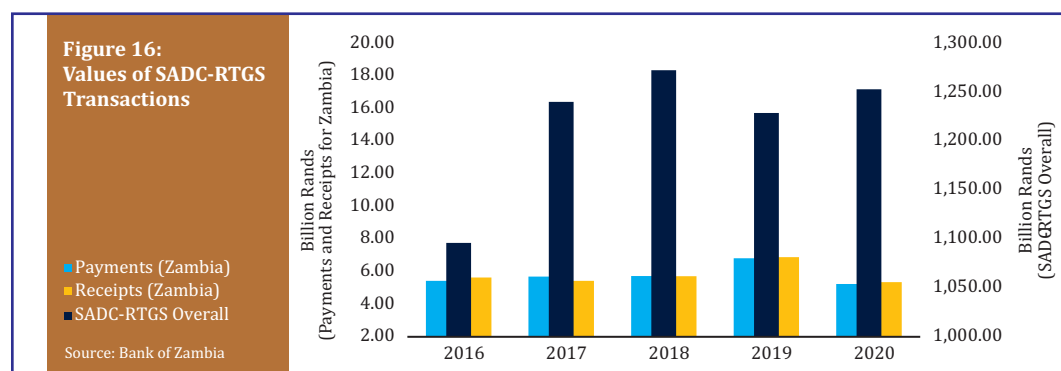


Table 9: Volumes of SADC-RTGS Transactions

Year	Values (ZAR' million)			Volumes		
	Payments (Zambia)	Receipts (Zambia)	SADC RTGS Overall (Zambia)	Payments (Zambia)	Receipts (Zambia)	SADC RTGS Overall (Zambia)
2016	5,425.8	5,630.3	1,095,923.7	25,525	6,166	275,883
2017	5,688.4	5,432.1	1,240,084.1	21,716	6,946	313,790
2018	5,723.9	5,716.0	1,272,358.5	20,008	6,942	348,620
2019	6,884.7	6,818.8	1,228,662.1	17,330	6,368	347,850
2020	5,240.8	5,356.1	1,252,589.8	13,703	6,355	343,659

Source: South African Reserve Bank

The volume of transactions received by Zambian banks on the COMESA Regional Electronic Payments and Settlement System (REPSS) increased to 121 transactions in US dollars from 85 and 1 transaction in euros from zero in the previous year. The value of US dollar receipts increased to 18.4 million from 14.7 million. The euro transaction was worth 0.3 million. There were no payments made from Zambia on this platform. Zambia and Kenya were the major users of the COMESA REPSS due to increased trade between the two countries as well as preference by Kenyan importers to capitalise on the efficiency of the system for cross-border payment.

For trends of the various payment streams, including currency in circulation, during the period 2012 to 2020, see Appendix 1

5.3 Currency In Circulation

Currency in circulation increased by 44.7% to K12.3 billion in 2020 compared to 4.1% (8.5 billion) in 2019 (Figure 18 and Table 10). The bulk of this currency was in banknotes, which accounted for 98.4% (K12.1 billion) while coins constituted 1.6% (K0.2 billion).

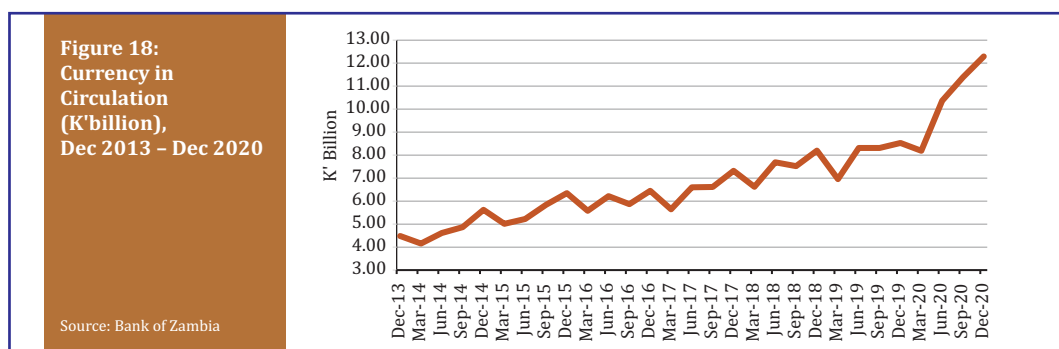


Table 10: Currency in Circulation, 2018 – 2020

Description	Values (ZMW)			Pieces		
	2018	2019	2020	2018	2019	2020
K100	5,266,779,300	5,814,103,200	8,913,139,700	52,667,793	58,141,032	89,131,397
K50	2,159,563,300	1,980,858,350	2,368,547,250	43,191,266	39,617,167	47,370,945
K20	281,913,660	295,299,360	501,754,540	14,095,683	14,764,968	25,087,727
K10	108,725,660	130,650,780	163,774,310	10,872,566	13,065,078	16,377,431
K5	120,835,505	90,101,670	99,656,335	24,167,101	18,020,334	19,931,267
K2	49,173,344	31,447,319	49,503,319	24,586,672	15,723,660	24,751,659
K1	132,235,024	109,494,990	115,438,992	132,235,024	109,494,990	115,438,992
50N	63,123,927	62,246,428	67,238,928	126,247,854	124,492,856	134,477,856
10N	8,452,672	8,685,472	8,685,472	84,526,724	86,854,724	86,854,723
5N	3,722,859	3,723,059	3,723,059	74,457,189	74,461,189	74,461,189
Total	8,194,525,250	8,526,610,629	12,291,461,906	587,047,871	554,635,997	633,883,187

Source: Bank of Zambia

5.3.1 New Currency Issued into Circulation

The Bank issued 204.4 million pieces of mint banknotes and coins valued at K8.7 billion into circulation in 2020 compared to 145.3 million pieces valued at K6.1 billion in 2019. The highest proportion of currency issued was in high value banknotes: K100 (68.8%) and K50 (20%). The middle value (K20 and K10) and low value (K5 and K2) banknotes both accounted for 11.1% while coins accounted for 0.1% (Figure 19 and Table 11).

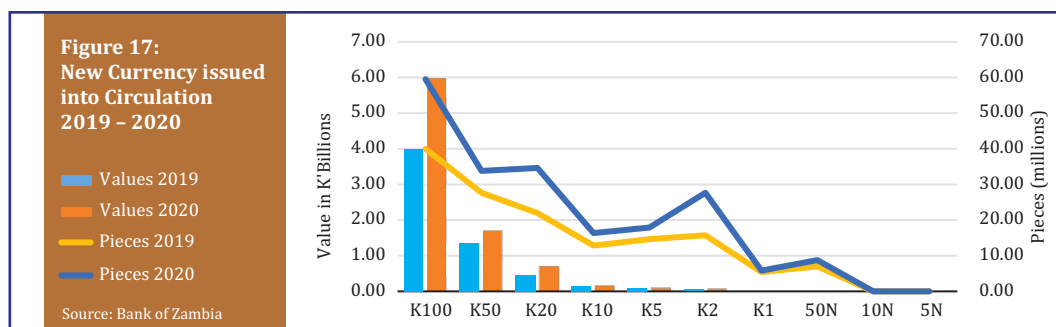


Table 11: New Currency Issued 2018 - 2020

Description	Values (ZMW)			Pieces		
	2018	2019	2020	2018	2019	2020
K100	1,296,800,000	3,997,600,000	5,954,000,000	12,968,000	39,976,000	59,540,000
K50	1,500,750,000	1,383,900,000	1,690,000,000	30,015,000	27,678,000	33,800,000
K20	277,140,000	439,570,000	692,390,000	13,857,000	21,978,500	34,619,500
K10	85,490,000	128,630,000	163,450,000	8,549,000	12,863,000	16,345,000
K5	96,745,000	73,280,000	89,410,000	19,349,000	14,656,000	17,882,000
K2	37,804,000	31,446,000	55,272,000	18,902,000	15,723,000	27,636,000
K1	15,071,000	5,419,000	5,822,000	15,071,000	5,419,000	5,822,000
50N	5,359,000	3,502,000	4,390,000	10,718,000	7,004,000	8,780,000
10N	110,900	2,100	0	1,109,000	21,000	0
5N	7,600	200	0	352,000	4,000	0
Total	3,315,287,500	6,063,349,300	8,654,734,000	130,890,000	145,322,500	204,424,500

Source: Bank of Zambia

5.3.2 Withdrawal of Unfit Banknotes

The Bank withdrew a total of 153.7 million pieces of unfit banknotes valued at K5.9 billion from circulation in 2020, compared to 138.4 million pieces valued at K5.6 billion in 2019. The bulk of the currency withdrawn was in high value banknotes (K100 and K50), which accounted for 86.8% (Figure 20 and Table 12).

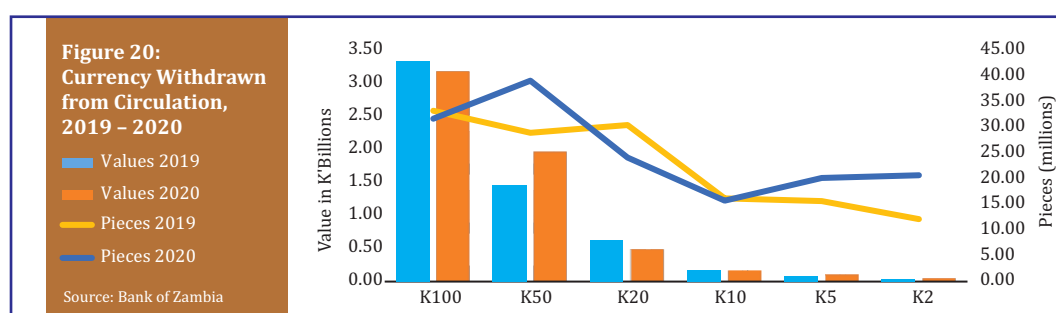


Table 12: Currency Withdrawn from Circulation, 2018 – 2020

Description	Values (ZMW)			Pieces		
	2018	2019	2020	2018	2019	2020
K100	1,615,045,300	3,323,418,900	3,167,709,800	16,150,453	33,234,189	31,677,098
K50	985,543,200	1,447,743,250	1,954,084,900	19,710,864	28,954,865	41,338,633
K20	277,468,600	609,074,120	482,465,720	13,873,430	30,453,706	24,123,286
K10	94,645,000	161,855,000	157,440,000	9,464,500	16,185,500	15,744,000
K5	63,968,500	78,286,305	100,715,500	12,793,700	15,657,261	20,143,100
K2	20,551,000	24,294,000	41,353,000	10,275,500	12,147,000	20,676,500
Total	3,057,221,600	5,644,671,575	5,903,768,920	82,268,447	136,632,521	153,702,617

Source: Bank of Zambia

5.4 Financial Inclusion

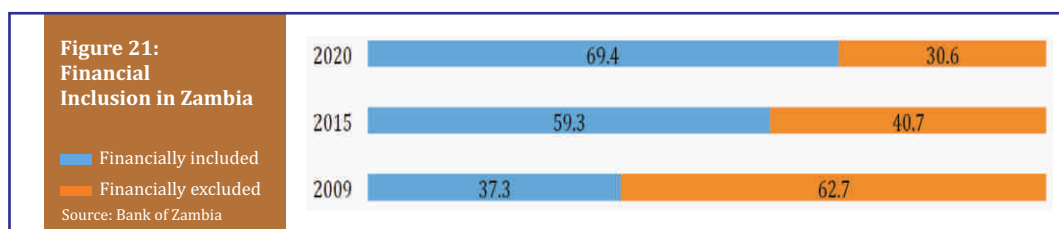
The vision for financial inclusion in Zambia is to have all citizens enabled with access to and usage of a wide range of affordable financial products and services that meet their needs. This will facilitate income-generating activities, build financial security which will in turn enhance the quality 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% and the level of formal financial inclusion to 70% by 2022.

According to the FinScope Survey of 2020, 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. The section below highlights the findings on financial inclusion in the FinScope Survey of 2020 by province, sex, level of education as well as formal and informal financial inclusion.

5.4.1 Findings of the Finscope Survey Report 2020

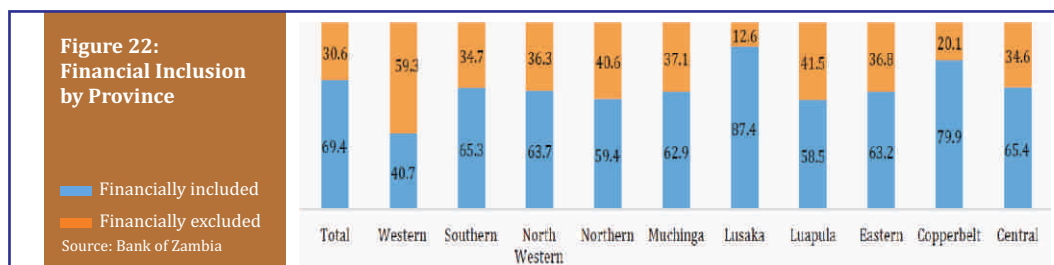
The 2020 Finscope Survey indicates that the level of financial inclusion rose to 69.4% from 59.3% recorded in 2015, largely on account of policy reforms and interventions which led to the increased uptake of digital financial services. This increase in financial inclusion is quite significant when compared 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. Figure 21 below shows levels of financial inclusion in Zambia for the period between 2009 to 2020



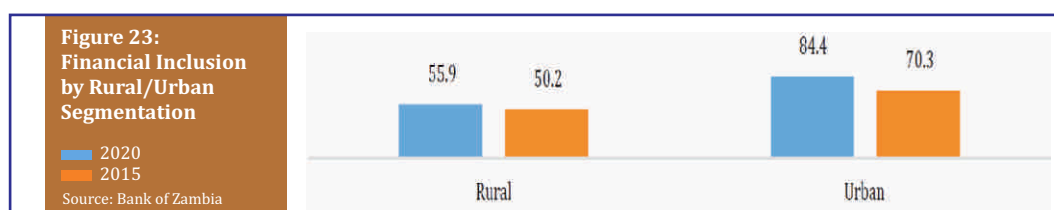
5.4.1.1 Financial Inclusion by Province

Financial inclusion at provincial level was highest in Lusaka (87.4%) and the Copperbelt (79.9 %) with figures above the national average of 69.4%. The rest of the provinces were below the national average with Western Province being the lowest at 40.7% (see Figure 22 below).



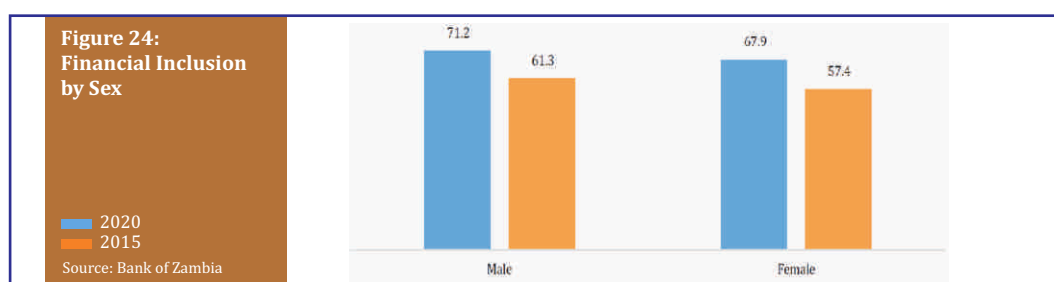
5.4.1.2 Financial Inclusion by Rural/Urban Segmentation

Financial inclusion was higher in urban areas at 84.4% (2015: 70.3%) compared to rural areas at 55.9% (2015:50.2%). 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 (See Figure 23 below).



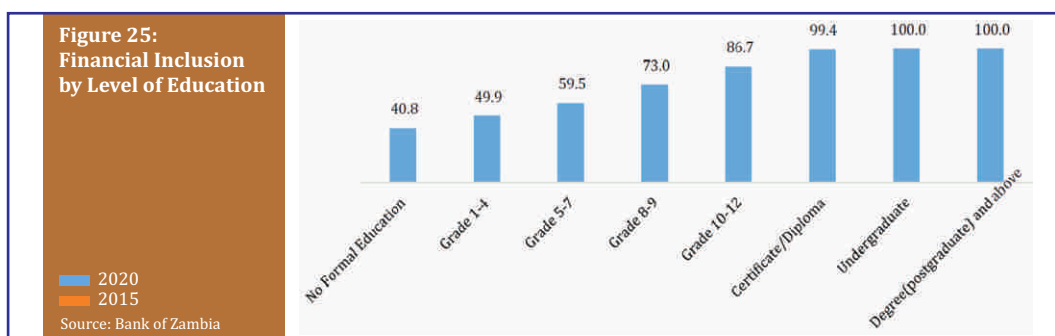
5.4.1.3 Financial Inclusion by Sex

Financial inclusion amongst male adults increased to 71.2 % from 61.3% in 2015 while that of females increased to 67.9% from 57.4% in 2015 (See Figure 24 below).



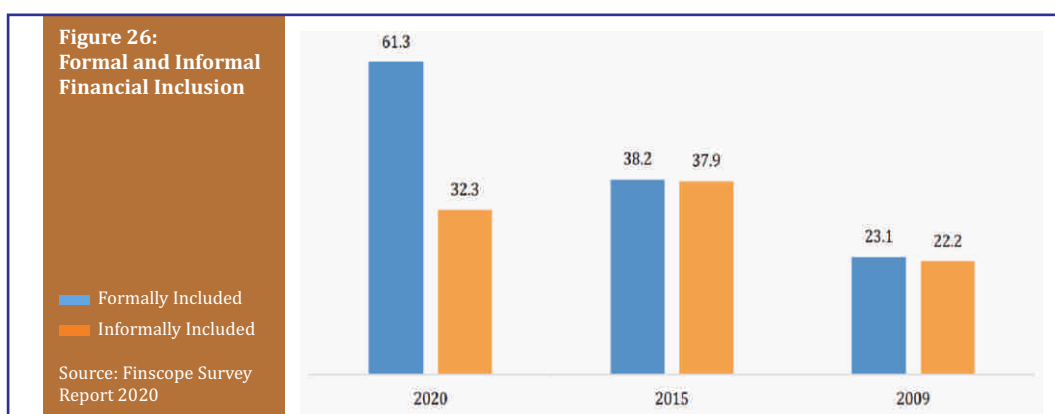
5.4.1.4 Financial Inclusion by Level of Education

In terms of financial inclusion by level of education, the report 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 at 40.8% (see Figure 25 below).



5.4.1.5 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 % (5.8 million) from 38.2 % (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 % from 14.0 % in 2015. On the other hand, informal financial inclusion declined to 32.3 % (3.0 million) from 37.9 % (3.1 million) in 2015 as more people were using formal services (see Figure 26 below).



5.5 Consumer Protection

Consumer complaint and redress mechanisms are important to Consumer Protection for digital financial services. An efficient complaints and redress mechanism enhances confidence in digital financial services. In this regard, the Bank of Zambia in 2020 issued directives on Customer Complaints and Handling. The directives provide for the following:

- Mandates DFS providers to have an effective Internal Dispute Resolution mechanism in place;
- Has provided for a reporting framework and guidelines on DFS for both Internal Dispute Resolution and External Dispute Resolution;
- Provides a framework in a standardized format (e.g. indicators, reporting template, scope of data, scope of reporting etc.) and timeline (periodic);
- Requires DFS providers to incorporate reported /analyzed data in product/service improvements;
- Mandate DFS providers to develop strong internal complaint management systems; and
- Define reasonable timelines for resolution of customer complaints.

These directives are expected to be adhered to by all financial service providers.

5.6 Bank of Zambia Strategic Plan

The Bank of Zambia Strategic plan 2020-2023 focuses on two main (Pillars) areas that is Financial Stability and Financial Inclusion.

5.6.1 Financial Stability (Pillar 1)

A stable and resilient financial sector is a precondition for a well-functioning economy. Initiatives under this focus area include the following:

5.6.1.1 *Strengthen Microprudential Regulation and Supervision*

- a) Implement a Microprudential Stress Testing Framework
- b) Implement Supervisory Technologies (SupTech) to Digitize Reporting and Regulatory Processes
- c) Develop and Implement a Framework on Proportionality for the Regulation and Supervision of Financial Service Providers
- d) Develop and Implement Customised Basel III Liquidity Regulations based on Proportionality Concept
- e) Develop and Implement a Framework for Cyber Security

5.6.1.2 *Strengthen Macroprudential Regulation and Supervision*

- a) Enhance the Analytical Framework to Effectively Monitor Stability of the Financial System
- b) Establish an Appropriate Governance Framework for Macroprudential Policy Making, Implementation and Communication
- c) Develop Macroprudential Policy Toolkit
- d) Strengthen Crisis Management and Resolution Framework to Enhance Crisis Preparedness

5.6.1.3 *Develop and Strengthen Financial Market Infrastructures and Oversight*

- a) Strengthen the Resilience of key Financial Market Infrastructures
- b) Develop Sandbox Regulations in order to Promote FinTech
- c) Enforce Compliance of Systemically Important Payment Systems to the Principles for Financial Market Infrastructures
- d) Facilitate Development and Implementation of a Centralised KYC Infrastructure for Financial Service Providers
- e) Adopt ISO 20022-1: 2013 Standard for Electronic Data Interchange
- f) Develop and Implement an Online Government Securities Application Platform

5.6.1.4 *Enhance Data Collection, Management and Application*

- a) Strengthen Collaboration with other Data Collection Agencies
- b) Develop and Implement Data Management Standards and Protocols
- c) Establish a Data Warehouse

5.6.2 Financial Inclusion (Pillar 2)

The Bank has adopted several initiatives in this Strategic Plan to contribute towards reducing the proportion of financially excluded individuals in Zambia. The measures adopted will focus on promoting formal financial inclusion, resolving the gender gap, resolving the urban-rural imbalance, paying particular attention to inclusion of children and youths as

well as leveraging DFS in a bid to accelerate achievement of financial inclusion targets. During the strategic plan period, the Bank will focus on the following initiatives under financial Inclusion:

5.6.2.1 Formulate a Financial Inclusion Strategy for the Bank

- a) Formulate a Financial Inclusion Strategy to focus on Digital Financial Services, Rural Finance and Children & Youth
- b) Enhance use of Digital Financial Services
- c) Contribute to Increased Penetration of Rural Finance
- d) Promote Financial Access and Protection for Children and Youth
- e) Disseminate Financial Inclusion Information about Zambia
- f) Monitor the Progress of Financial Inclusion

5.6.2.2 Mainstream Gender in the Financial Sector

- a) Strengthen Accountability for Gender Mainstreaming and Diversity in the Bank
- b) Contribute to Reducing the Gender Gap for Formal Financial Inclusion

5.6.3 What Success Will Look Like

The Bank envisions that the successful implementation of this Strategic Plan will lead to:

- a) A more resilient financial sector that can better withstand economic and financial shocks.
- b) Enhanced data analytics leading to better data for decision making purposes.
- c) Enhanced identity management leading to simplified KYC.
- d) At least 70 percent of Zambians having access to formal financial services.
- e) An increase of 10 percent of retail investors in Government securities.
- f) Improved mainstreaming of Gender in the financial sector.
- g) A reduction from 9.9 percent to 5 percent in the formal financial inclusion gender gap.

6.0 CONCLUSION AND OUTLOOK FOR 2021

In 2021, the Bank will focus on its core mandates of ensuring Financial Stability and Financial Inclusion. In this regard, the Bank in line with its strategic objectives will continue to implement policies that will support growth, modernisation, safety and efficiency of payment systems in Zambia. The Bank will also continue to monitor developments in the market to enhance the resilience of the payments ecosystem in order to safeguard public interest and support innovation.

Appendices: Payment Systems Statistics

Appendix I: Consolidated Statistics

Currency in Circulation (2012 – 2020)

Year	Currency in Circulation (K'million)
2012	3,841.7
2013	4,600.8
2014	5,727.0
2015	6,347.1
2016	6,451.5
2017	7,315.3
2018	8,194.5
2019	8,526.6
2020	12,291.5

Source: Bank of Zambia

Values of Systemically Important Payment Systems (SIPS) (2012 – 2020)

Year	ZIPSS (K'million)	Cheques (K'million)	EFTs (K'million)
2012	388,322.5	30,787.1	12,750.7
2013	528,950.7	38,011.0	17,109.1
2014	657,203.2	39,185.3	20,908.1
2015	887,544.4	37,958.9	21,829.2
2016	723,489.3	35,530.2	24,451.1
2017	799,745.0	21,075.6	38,863.6
2018	968,306.0	12,417.0	59,689.0
2019	975,283.0	11,206.9	67,812.8
2020	1,053,189.4	9,295.4	78,017.4

Source: Bank of Zambia

Volumes of Systemically Important Payment Systems (SIPS) - (2012–2020)

Year	ZIPSS	Cheques	EFTs
2012	240,564	2,800,759	4,027,061
2013	294,503	3,200,202	4,643,599
2014	319,836	3,184,446	4,955,572
2015	374,661	3,045,211	5,171,982
2016	388,176	2,807,390	5,297,462
2017	493,964	2,346,707	5,895,397
2018	573,071	2,040,530	6,952,305
2019	607,114	1,794,631	7,800,720
2020	708,946	1,401,153	8,181,743

Source: Bank of Zambia

Automated Teller Machines and Cards (2012 – 2019)

Year	No. of Automated Teller Machines (ATMs)	No. of Cards	ATM Transaction Values (K'million)	ATM Transaction Volumes
2012	643	1,676,982	18,134.1	34,152,340
2013	744	2,104,860	21,855.4	38,152,320
2014	896	2,552,949	28,404.0	43,926,555
2015	1,000	2,586,036	32,880.3	61,102,749
2016	1,045	2,929,438	38,066.4	47,081,469
2017	1,066	3,272,713	42,113.6	49,726,580
2018	1,104	3,492,750	45,582.5	44,726,867
2019	1,006	2,773,616	48,054.9	41,773,995
2020	1,032	2,723,615	50,112.7	37,038,762

Source: Bank of Zambia

Points of Sale Machines (2012 – 2020)

Year	No. of Point of Sale (PoS) Machines	Values of PoS Transactions (K'million)	Volumes of PoS Transactions
2012	2,025	790.6	1,677,179
2013	2,578	885.0	1,983,089
2014	3,266	1,551.8	2,937,453
2015	6,915	3,015.0	5,043,801
2016	9,356	4,948.4	8,103,127
2017	12,522	8,008.2	12,193,060
2018	13,090	13,459.3	18,409,724
2019	17,795	20,094.8	26,942,944
2020	22,822	35,234.9	33,981,488

Source: Bank of Zambia

Remittances (2012 – 2020)

Year	Remittances into Zambia		Remittances out of Zambia		Local Remittances		Total Remittances	
	Volume	Value (K'm)	Volume	Value (K'm)	Volume	Value (K'm)	Volume	Value (K'm)
2012	261,330	368.8	233,729	399.9	1,314,026	457.8	1,919,494	1,270.8
2013	278,972	413.5	246,543	480.3	3,980,145	896.9	4,505,660	1,790.8
2014	297,135	462.6	274,168	545.8	9,484,650	1,559.6	10,055,953	2,568.0
2015	342,273	656.2	287,386	625.6	24,835,333	3,409.3	25,464,992	4,362.7
2016	370,466	794.8	249,488	664.9	47,111,023	6,369.6	47,730,977	7,829.3
2017	434,122	913.0	298,978	870.9	67,761,202	10,336.1	68,494,302	12,120.0
2018	502,368	1,144.5	341,474	1,008.98	303,728,843	45,539.0	304,572,685	47,692.9
2019	691,617	1,617.5	342,433	1,096.0	469,416,539	82,109	470,450,589	84,823.2
2020	828,108	24,733.9	402,541	1,174.8	572,655,310	113,453.6	573,885,959	139,362

Mobile Payments (2012 – 2020)

Year	Value (K' million)	Volume
2012	1,163.60	17,430,411
2013	957.30	24,412,326
2014	1,574.39	35,457,948
2015	2,498.50	63,985,618
2016	3,561.10	105,934,181
2017	7,287.74	172,429,911
2018	22,191.56	303,955,243
2019	49,353.10	552,475,284
2020	105,815.05	750,514,157

Source: Bank of Zambia

Appendix II: Designated Entities as at 31 December 2020

DESIGNATED PAYMENT SYSTEM					
No.	Operator Institution	Payment system(s) designated to participate on	Date of Designation	Physical Address	
1	Zambia Electronic Clearing House LTD	CIC/DDACC Clearing	Apr-08	COMESA Hse, Ben Bella Rd, Lusaka, Zambia	
2	Financial Transaction Services Zambia LTD	Switching	Apr-12	Radian Retail Park, 8357-Great North Road, P.O. Box 3679, Lusaka, Zambia	
3	ZamLink (Z) eSwitch Zambia LTD	Switching services	Apr-08	Zambia Red Cross Society Building, 2837 Los Angeles Boulevard, Longacres, P.O. Box 38138, Lusaka, Zambia	
4	Cellulant	Switching services	May-08	Cellulant Zambia Limited, P.O. Stand no. 4658/A Chikwa road, Ridgeway, Lusaka	
5	Bank of Zambia	ZIPSS/RTGS	Apr-08	Head Office, Cairo Road, Bank square, P O Box 30080	
6	Real Pay Zambia Limited	Payment System - Direct Debit Solution/ Online Payment Card Acceptance	2019		
7	Linknet Zambia Limited	Payment System	2019		
8	NetOne Payment Systems Limited,	Payment System	2019		
9	PayNow Zambia Limited	Payment System	2019		
10	Digital Shared Services Limited	Payment System	2019	Digital Shared Services Limited Garden City Mall Office Park Unit B6 Great East Road Waterfalls	
11	Probase Limited	Payment System	2020	ZCCM-IH Office Park Stand 16806 Alick Nkhata Road Lusaka	
12	Zynle Technologies Limited	Payment System	2020	Stand No. 190003 Olympia Lusaka	
DESIGNATED PAYMENT SYSTEM PARTICIPANTS					
No.	Name of Payment System Designated to Participate	Payment systems designated to participate on	Date of Designation	Physical Address	
1	AB BANK	CIC, DDACC & ZIPSS/RTGS	Aug-11	Plot No. 7393, Chainda Place, Off Cairo Road, PO Box 38173, Lusaka, Zambia	
2	ACCESS BANK	CIC, DDACC & ZIPSS/RTGS	Oct-08	Plot 682, Cairo Road Northend, Lusaka	
3	ATLAS MARA	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot 746B, Atlas Mara House, Cnr Church & Nasser Road, PO Box 39501 Ridgeway	
4	BANK OF CHINA	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 2339, Kabelenga Road, Po Box 34550	
5	BARCLAYS BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 4644 Elunda Park, Cnr Tito Road & Nasser Road, Private bag E308, Lusaka	
6	CAVMONT CAPITAL	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 2374 Thabo Mbeki Road, Po Box 38474 Lusaka	
7	CITIBANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Citibank house, Plot No. 4646, Addis Ababa Roundabout, Cnr Chikwa / Nasser Rds, Po Box 30037	
8	ECOBANK	CIC, DDACC & ZIPSS/RTGS	Dec-09	Stand No. 22768, Corner Great East / Thabo Mbeki Roads, Po Box 30705, Lusaka	
9	FIRST ALLIANCE BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 627, Alliance House Cairo Road, Po Box 33959	
10	FIRST CAPITAL BANK	CIC, DDACC & ZIPSS/RTGS	May-11	Kwacha Pension Hse Ground floor, plot No. 4604, Tito Rd of Church Rd	
11	FIRST NATIONAL BANK	CIC, DDACC & ZIPSS/RTGS	Jun-09	Stand No. 22768, Corner Great East / Thabo Mbeki Roads, po box 36187, lusaka	
12	INDO ZAMBIA BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 6907, Cairo Road, Po box 35411, Lusaka	
13	INVESTTRUST BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 190286, Ody's Park, Great East Road, po box 32344, Lusaka	
14	STANBIC BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 2375, Addis Ababa Drive, Rhodespark, po box 31955, Lusaka	
15	STANDARD CHARTERED BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot 108, Lusaka Chartered House Cairo Road	
16	UNITED BANK FOR AFRICA	CIC, DDACC & ZIPSS/RTGS	Mar-10	Stand No. 22768, Corner Great East / Thabo Mbeki Roads	
17	ZANACO	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 33454, Cairo Road, Po Box 33611	
18	ZAMBIA INDUSTRIAL COMMERCIAL BANK	CIC, DDACC & ZIPSS/RTGS	Oct-18	Farmers House, Central Park, Corner of Church road and Cairo road, P.O. Box 30228, Lusaka	

Appendix II: Designated Entities as at 31 December 2020 (Cont'd)

DESIGNATED PAYMENT SYSTEM BUSINESSES					
No.	Payment Systems Businesses	Type of business designated to operate	Date of Designation	Physical Address	
1	Airtel Mobile Commerce Zambia LTD	Mobile Payments (Mobile Payment services and money transmission services)	Mar-11	Airtel House, plot No. 2375 CNR of Addis Ababa & Great East Rd, Box 320001, Lusaka, Zambia	
2	Zoona	Mobile Payments (Mobile Payment services and money transmission services)		Plot No. 1 Chila Rd, Kabulonga, Lusaka, Zambia.	
3	MTN Mobile Money LTD	Mobile Payments (Mobile Payment services and money transmission services)	Jan-12	Plot no. A2/55//609 Zambezi road, Roma, Lusaka.	
4	National Savings and Credit Bank	Proprietary Money Transfer (money transmission services)	Jul-09	P O Box 30067, Savers House Plot NO. 248B, Cairo Road, Lusaka, Zambia	
5	Zampost	Western Union International Money Transfer (money transmission services), Local Money Transfer (money transmission services)	Sep-08	Corner of Moffat & Broadway Provident Hse, PO Box 71845, Ndola	
6	Bayport	Mobile Payments Solutions (MPS) Money Transfer (money transmission services)	Dec-09	Plot No. 68, Bayport House, Independence Avenue, P.O. Box 33819, Lusaka, Lusaka	
7	United Bank of Africa	Money Gram International Money Transfer (money transmission services)	Dec-09	Stand No. 22768, Acacia Park CNR of Great East Rd & Thabo Mbeki Rd, PO box 36794, Lusaka, Zambia	
8	First Capital Bank	RIA International Transfers (money transmission services)	May-11	Kwacha Pension Hse Ground floor; plot No. 4604, Tito Rd of Church Rd	
9	Finance Bank Zambia	Money Gram International Money Transfer (money transmission services)	Sep-08	Finance Hse, Cairo Rd PO Box 36762, Lusaka, Zambia	
10	Stanbic Bank	Money Gram International Money Transfer (money transmission services)	Jan-09	Plot No. 2375, Addis Ababa Drive, Rhodespark, Lusaka	
11	ZANACO	Money Gram International Money Transfer (money transmission services)	Sep-08	Cairo Rd, PO Box 32111, Lusaka, Zambia	
12	Investrust	Money Gram International Money Transfer (money transmission services)	Jul-09	Ody's Building, Great East Rd, PO Box 32344, Lusaka, Zambia	
13	Ecobank	Western Union International and Rapid Transfer Money Transfer (money transmission services)	Dec-09	Plot NO. 22768 Acacia Park, CNR of Great East Rd & Thbo Mbeki Rd, Lusaka, Zambia	
14	PostDotNet	Western Union International Money Transfer (money transmission services)	Oct-09	Suite 106, Foxdale courts, Zambezi Road, Roma, Lusaka Zambia	
14	Cactus Financial Services	Western Union International Money Transfer (money transmission services)	Sep-08	shop no. 3 Luangwa house, Cairo road, opposite building society, lusaka, Zambia	
16	Access Bank	Western Union International Money Transfer (money transmission services)	Jul-09	Plot NO. 682, Cairo Rd, PO Box 35273, Lusaka, Zambia	
17	AB Bank	RIA International Transfers (money transmission services)	Aug-11	Plot No. 7393, Chainda Place, Off Cairo Road, PO Box 38173, Lusaka, Zambia	

Appendix II: Designated Entities as at 31 December 2020 (Cont'd)

DESIGNATED PAYMENT SYSTEM BUSINESSES				
No.	Payment Systems Businesses	Type of business designated to operate	Date of Designation	Physical Address
18	UAE Exchange Money Transfer services LTD	money transmission services	Jun-14	Plot NO. 9471 Kafue Road, P.O.Box 36774, Makeni, Zambia
19	Touch4Pay Zambia Limited	Payment services	Aug-14	192 Green Lane, Kabulonga, Lusaka, Zambia
20	Kazang Spargis Zambia LTD	Mobile Money	Mar-13	Shop NO. 3 Acacia Park, Arcades, Great East Road, Lusaka, Zambia
21	SmartPay	Mobile Payment services	Mar-13	Plot No. 9037 Buluwe Road, Woodlands P.O.Box 31514, Lusaka, Zambia
22	Zambia National Building Society	Proprietary Money Transfer (money transmission services)	Dec-14	Century House, P.O.Box 30420, Lusaka, Zambia
23	Zamtel Kwacha	Mobile Payments (Mobile Payment services and money transmission services)	Feb-15	ZAMTEL Limited, Zamtel House, Corner of Church/ Chilubi road, PO Box 37000, LUSAKA
24	Mukuru money transfers	money transfer	May-15	Mukuru Money Transfer, PO Box 36038, Lusaka
25	Speedpay Zambia Limited formerly known as Netcash Mobile Payments Zambia Limited	E-Money issuance	Sep-15	Nettcash Mobile Payments Limited, Villa 10 Cresta Golf View Grounds, Lusaka.
26	Broadpay Zambia Limited	Payment services	Sep-15	BroadPay Ltd, Corner of great east road and Katopola Roads, unique House, 1st floor Rhodespark, LUSAKA
27	Vending Technologies Zambia Limited	Payment services	Sep-15	Vending Technologies Zambia Limited, P.O. Box 36730, Plot 55, Luwato road, Roma. LUSAKA
28	cGrate Zambia Limited	Payment services	Mar-16	CGrate Zambia Limited, Plot 35214, Alick Nkhata road, Kalingalinga, Lusaka
29	FINCA Zambia Limited	Money Transfer Services	Jul-17	FINCA Zambia Limited, Plot No. 609 Zambezi Road, Suite 111 Foxdale Court, P.O. Box 50061, LUSAKA.
30	Virtual Space Zambia Limited	E-Money Issuance and Money Transfer Services	Feb-2018	Virtual Space Zambia Limited, Plot 5402, Los Angeles Road, Makeni, Lusaka
31	Zazu Africa Limited	E-Money Issuance/Pre-paid Cards	Sep-2018	Zazu Africa Limited, Counting House, Unit C, Thabo Mbeki Road, Lusaka
32	SamAfrica Online Zambia Limited	E-money issuer - web based	2019	SamAfrica Online Zambia Limited, Unit B, Jacaranda Mall. P.O. Box 71451, Ndola
33	LendMePay Zambia Limited	E-money issuer	2019	33 Mutende Road Woodlands LUSAKA
34	Redstone Zambia Limited	E-money issuer; Payment services	Dec-2020	Plot 106 Acacia Avenue Roma Park Lusaka
35	Serengeti Technologies Limited	E-money issuer; Payment services	Sep-2020	Stand No. 4897 Los Angeles Boulevard 2nd Floor Office Complex, Longacres Lusaka
36	Mypay Zambia Limited	E-money issuer	Aug-2020	4th Floor-Finance House Heroes Place Cairo Road PO. Box 34376 Lusaka
37	Billford Zambia Limited	Payment services	Jun-2020	C/O Bongohive Technology and Innovatoin Hub Plot No. 1694 8B Thabo Mbeki Road Lusaka

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