

FINSCOPE

2020

TOP LINE FINDINGS



QUICK FACTS

- Total population of Zambia – 17.9 million
- Total adult population – 9.5 million
 - 53.4% of adults live in rural areas; 46.6% in urban areas
 - 52.6% of adults are female; 47.4% are male
- Financial inclusion increased by 10.1 percentage points to 69.4% from 59.3% in 2015
- 71.2% of males are financially included compared to 67.9% of females.
- 83.8% of adults in urban areas are financially included compared to 56.9% of their rural counterparts
- Formal financial inclusion increased to 61.3% from 38.2% in 2015

Formal financial inclusion



MEN
71.2%



WOMEN
67.9%

FinScope 2020 Survey

Topline Findings



TABLE OF CONTENTS

Introduction	2
FinScope	3
Survey and Instrument Design	3
Sampling Frame	4
Fieldwork and Reporting	4
Demographics of the Adult Population	5
Trends in Financial Inclusion	7
Formal and Informal Inclusion	9
Financial Access Strands	10
Uptake of Formal Financial Products/Services	13
Financial Health	18
Financial Literacy	21

INTRODUCTION

Growth in the Zambian economy has been subdued since the last FinScope Survey in 2015, with real GDP growth projected at negative 4.2 percent in 2020. This situation has a direct impact on households as it speaks to fewer opportunities for income generating activities for households. In such times, the need for higher levels of financial inclusion cannot be over emphasised. Improved access to financial products/services not only contribute to economic growth, but also to reduction in income inequality and poverty.

The country continued to make significant gains in financial inclusion despite the prevailing economic challenges. The FinScope 2020 Survey findings indicated that financial inclusion increased to 69.4% from 59.3% in 2015. Consistent with this, formal financial inclusion rose to 61.3% (2015, 38.2%). This growth was mainly attributed to increased uptake of mobile money services to 58.5% from 14.0% in 2015. On the other hand, informal financial inclusion declined to 32.3% from 37.9% in 2015 as more adults were using formal financial services.

The main barriers to achieving higher levels of inclusion included lack of money, low awareness levels and unemployment. These barriers call for heightened interventions in terms of financial education, provision of infrastructure especially in rural areas, and a general improvement in economic activity.

FINSCOPE

The Financial Scoping (FinScope) Survey is a research tool developed by the FinMark Trust¹ to address the need for credible financial sector information. The survey aims to provide strategic information regarding market opportunities, challenges and financial services, thereby enabling providers to extend their reach and broaden the range of services they offer. Implementing FinScope surveys over time further provides the opportunity to assess and measure the level of financial inclusion in a country.

The Bank of Zambia implemented the FinScope 2020 Survey, in collaboration with Financial Sector Deepening Zambia (FSD Zambia), Rural Finance Expansion Programme (RUFEP), German Savings Banks Foundation for International Cooperation (SBFIC), United Nations Capital Development Fund (UNCDF), Ministry of Finance, Pensions and Insurance Authority (PIA), and Securities and Exchange Commission (SEC). The Fin-Mark Trust provided advisory support whereas the Zambia Statistics Agency (ZamStats) provided technical expertise and the structures for data collection.

The main objective of the Survey was to determine the levels of access to and use of financial products and services by the adult population and provide policy information needed for the development of the financial landscape.

SURVEY AND INSTRUMENT DESIGN

The FinScope 2020 Survey was designed to provide reliable estimates for key indicators at national and provincial level as well as urban and rural domains for each of the 10 provinces. The questionnaire covered the following areas:

- Demographics
- Wealth of households
- Getting and spending money
- Planning, cash-flow and risk management
- Financial literacy
- Financial health
- Savings and investments
- Borrowing
- Pensions and insurance
- Capital markets
- Climate change and impact of COVID -19 pandemic
- Payment systems – transfers
- Financial service groups
- Other service providers
- Access to infrastructure

SAMPLING FRAME

The sampling frame used for the FinScope 2020 Survey was based on the Census of Population and Housing of the Republic of Zambia (CPH) conducted in 2010, and updated to accommodate the changes in districts and constituencies that occurred between 2010 and 2019, provided by the ZamStats. The 10 provinces of Zambia were subdivided into districts; each district into constituencies; and each constituency into wards. Each ward was then subdivided into smaller areas called census supervisory areas (CSAs) which, in turn, were subdivided into enumeration areas (EAs). EAs have a census map delineating boundaries, with identification information and a measure of size, which is the number of households enumerated in the 2010 CPH. This list of EAs was used as the sampling frame for the Survey.

FIELDWORK AND REPORTING

Fieldwork was carried out in September 2020 over a 25-day period. A total of 12,781 face-to-face interviews were conducted out of a target sample of 12,990 adults, representing a 98.4% response rate. Data was captured electronically using tablets provided to each enumerator and uploaded to the ZamStats server via available mobile networks.

Quality control measures were put in place to ensure accuracy and reliability of the data collected. These measures included:

- Use of CAPI³ for data collection;
- Pre-testing of the application prior to the training of field staff;
- Training of field staff in 10 provincial capitals; and
- Data cleaning.

To adhere to health guidelines in the wake of the COVID-19 pandemic, several measures were put in place, including use of:

- i. Face masks and shields;
- ii. Hand sanitisers;
- iii. Hand washing facilities; and
- iv. Thermometers for regular temperature checks.

In addition, regular health breaks were taken during training and field staff maintained social distance when conducting interviews.

³Computer Aided Personal Interview

DEMOGRAPHICS OF THE ADULT POPULATION

Urban-Rural Distribution



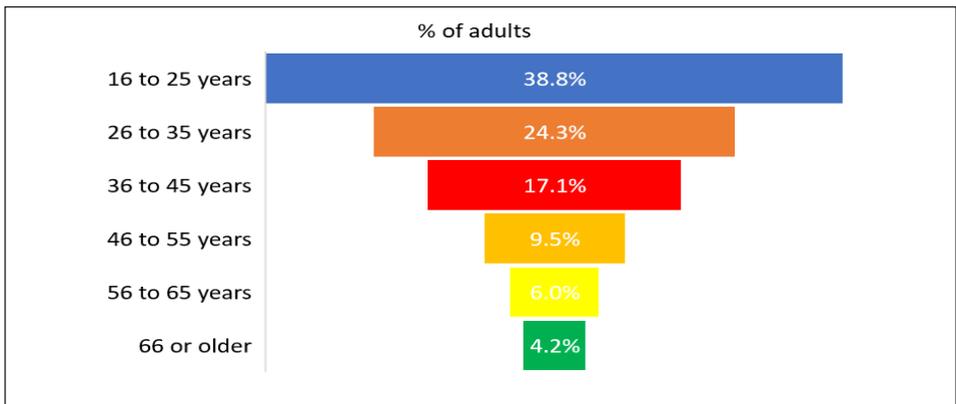
There were more adults in rural areas, at 53.4% (2015, 54.8%) than urban areas at 46.6% (2015, 45.2%).

Population by Sex



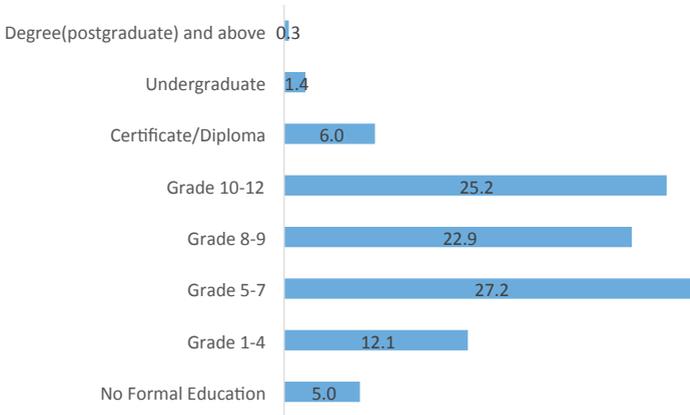
The female population increased to 52.6% (2015, 51.0%) while the male population declined to 47.4% (2015, 49.0%).

Population by Age



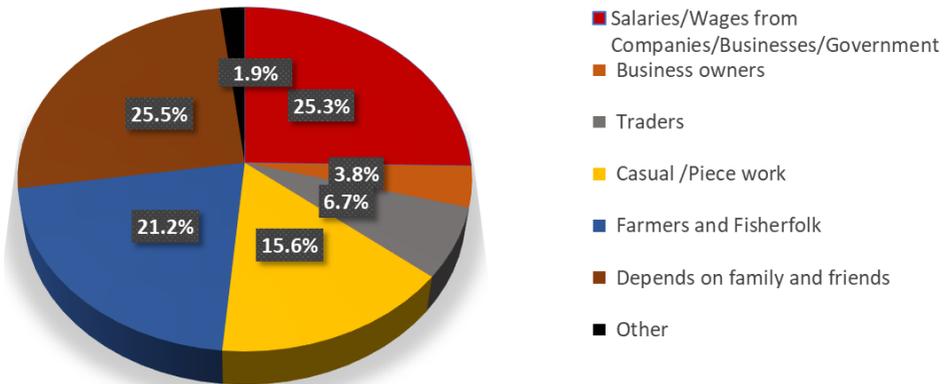
The adult population remains predominantly youth (16 – 35 years) at 63.1 percent (2015, 60.1 percent).

Distribution of Adults by Level of Education (Percent)



Of the adult population, 48.1% (2015, 44.7%) had secondary school education and 39.3% (2015, 37.8%) had primary education: and Only 7.7% (2015, 11.1%) had tertiary education.

Distribution of Livelihood Activities by and Income (Percent)



25.5% (2.4 million) relied on family and friends for money (2015, 19.7%)

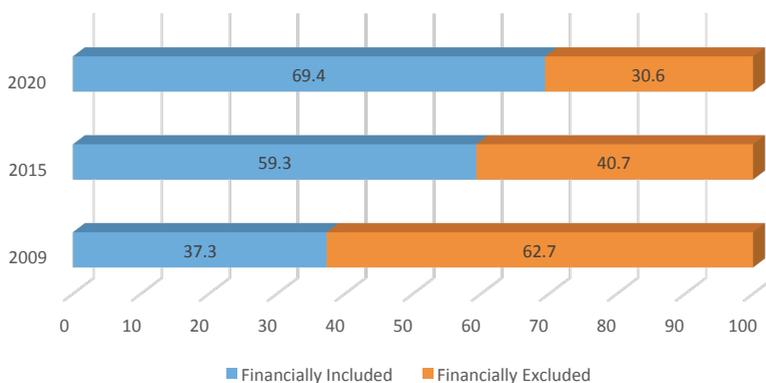
25.3% (2.38 million) relied on salaries/wages (2015, 14.8%)

21.2% (2.0 million) relied on farming or fishing (2015, 22.8%)

TRENDS IN FINANCIAL INCLUSION

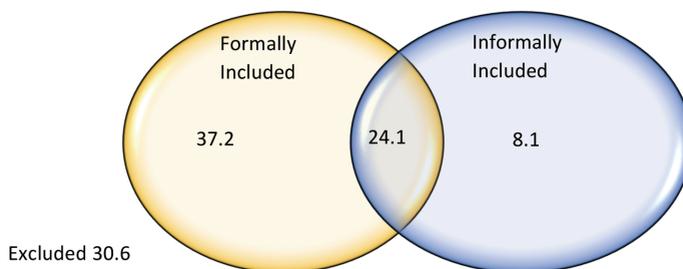
Digital Financial Services (DFS)	Financial services accessed and delivered through digital channels
Financial inclusion	Access to and informed usage of a broad range of quality and affordable savings, credit, payments, insurance and investment products and services that meet the needs of individuals and businesses (formal or informal).
Financially excluded	Individuals who are not using any formal or informal financial product/service.
Mobile money	Service provided by a financial service provider that allows its customers to conduct financial transactions remotely using a mobile device

Trends in Financial Inclusion (Percent)



Financial inclusion rose by 10.1 percentage points to 69.4% (6.4 million adults) from 59.3% (4.8 million adults) in 2015. Financially excluded adults decreased to 30.6% (3.1 million adults) from 40.7% (3.3 million adults) in 2015.

Adults Formally and Informally Included (Percent)



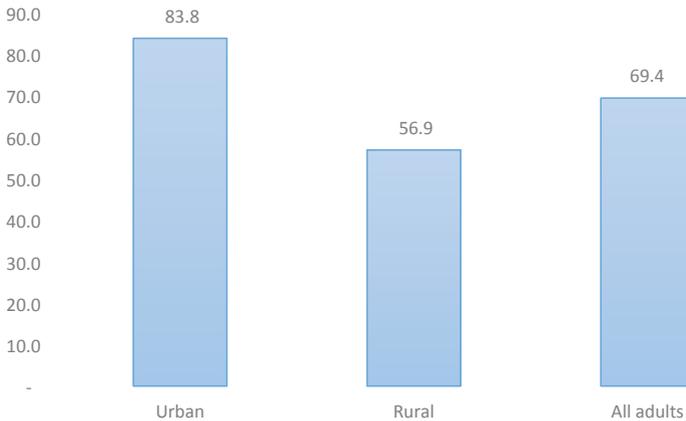
Formal financial inclusion rose to 61.3% (2015, 38.2%); Informal financial inclusion declined to 32.2% (2015, 37.9%); while 30.6% are excluded

Financial Inclusion by Province (Percent)



At provincial level, financial inclusion was highest in Lusaka (87.4%) and Copperbelt (79.9%) provinces and lowest in the Western Province (40.7%).

Urban – Rural Distribution (Percent)

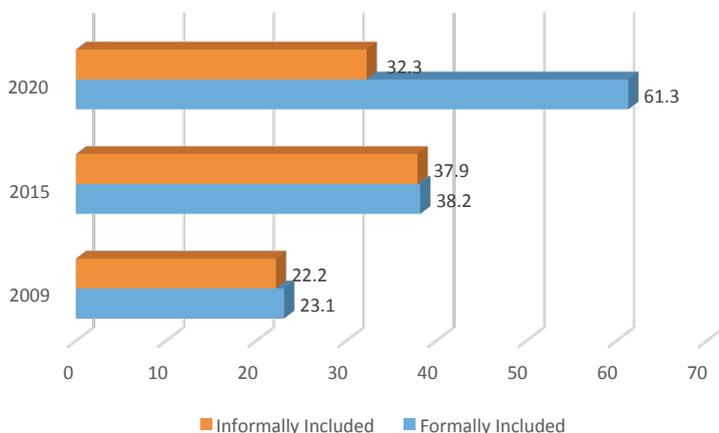


The level of financial inclusion was estimated at 83.8% (2015, 70.3%) in urban areas and 54.8% (2015, 50.2%) in rural areas, resulting in a gap of 29.0% compared to a gap of 20.1% in 2015.

FORMAL AND INFORMAL INCLUSION

Formally included	Individuals using formal financial products/ services provided by institutions formally regulated. This is not exclusive usage, as these individuals may also use informal products/services.
Informally included	Individuals who are not using any formal financial products/services but who use one or more financial products/services offered by an informal provider.

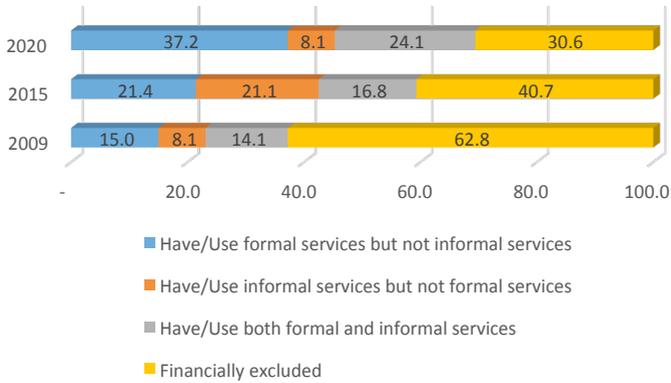
Formal and Informal Inclusion (Percent)



Formal financial inclusion among adults increased significantly to 61.3% (5.8 million) in 2020 from 38.2% (3.1 million) in 2015; while Informal financial inclusion declined to 32.3% (3.1 million) from 37.9% (3.1 million) in 2015.

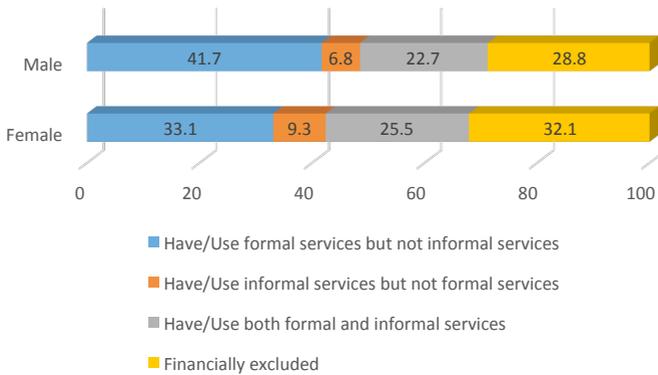
FINANCIAL ACCESS STRANDS

Financial Access Strands (Percent)



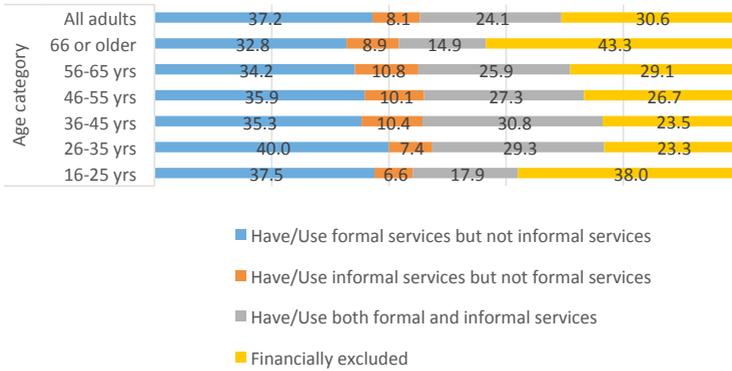
37.2% of adults used formal financial services only (2015, 21.4%); 24.1% of adults used both formal and informal services (2015, 16.8%); and 8.1% of adults used informal financial services only (2015, 21.1%).

Financial Access Strands by Sex (Percent)



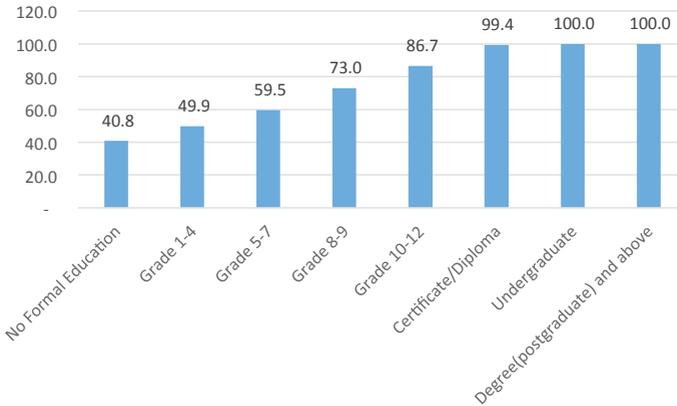
71.2% of male adults were financially included compared to 67.9% of females; 64.4% of males were formally included compared to 58.6% of females; and Formal financial inclusion gender gap reduced to 5.8 percentage points (2015, 10.0 percentage points).

Financial Access Strands by Age Group (Percent)



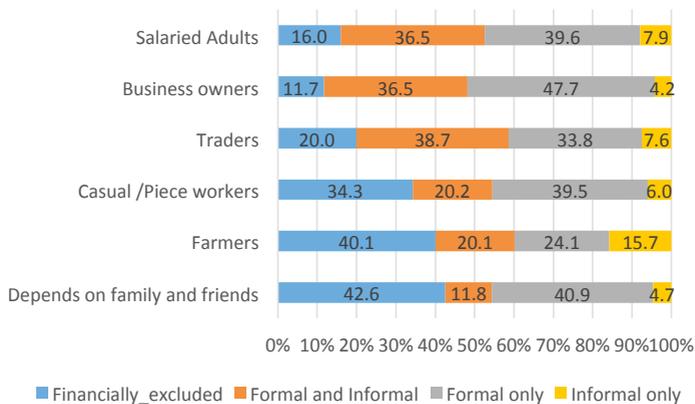
Formal financial inclusion was highest in the age group 26 – 35 years (69.3%); and The lowest inclusion levels were in the age group 66 years or older.

Financial Access Strands by Level of Education (Percent)



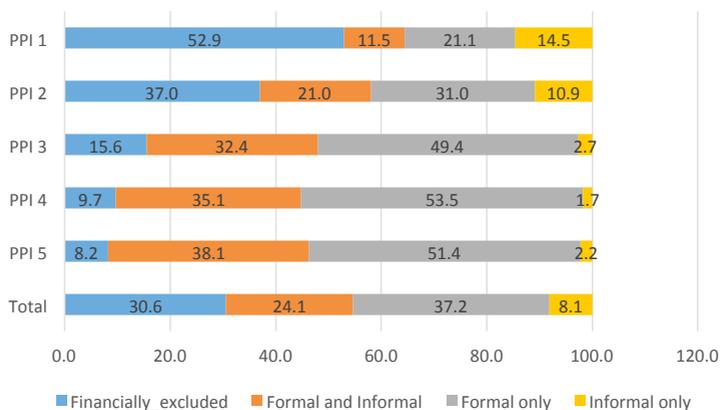
Financial inclusion was highest for adults with tertiary education; while Adults with no education had the lowest level of financial inclusion at 40.8%.

Access Strands by Main Source of Income (Percent)



Financial inclusion was highest among business owners at 88.3%;
 Financial inclusion for adults receiving salaries/wages was 84.0% and traders at 80.0%; while
 The lowest levels of financial inclusion were amongst dependents at 57.4%.

Financial Access Strands by PPI (Percent)



Progress out of Poverty Index (PPI) is a quantitative tool used as a proxy measure for poverty. Adults in PPI 1 and PPI 2 were associated with low-income and exhibit low levels of financial inclusion, averaging 55.0% (2015, 48.0%). Those in PPI 4 and PPI 5 are associated with high income and exhibit high levels of financial inclusion with an average of 91.0% (2015, 87.9%).

UPTAKE OF FORMAL FINANCIAL PRODUCTS/SERVICES

Banked	Individuals who use one or more traditional financial products/services offered by commercial banks.
Credit	Obtaining funds from a third party with the promise of repayments of principal and, in most cases, with interest and arrangement charges in
Insurance	Payment of a premium for risk of an event happening, where payout is made if or when the event occurs.
Pension	A monthly payment for a person retired from active service having reached retirement age.
Pension Scheme	A type of organised saving plan for retirement and it is not an insurance contract.

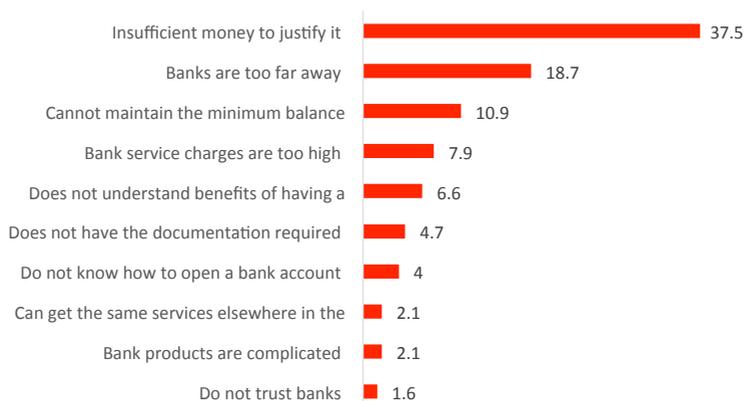
Formal financial products/services are provided by two main types of service providers:

Commercial bank products/services were used by 20.7% of adults (2.0 million); and Non-bank formal products/services were used by 59.2% of adults (5.6 million).

Use of Formal Financial Services by Adults (Percent)

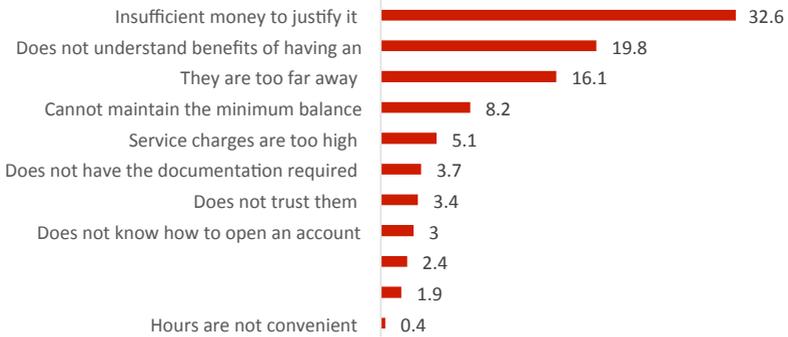
Description	2020	2015
Mobile money	58.5	14.0
Bank	20.7	24.8
Pension	8.2	3.8
Insurance	5.0	2.8
Micro-finance	2.1	1.3
Capital markets	0.6	0.3

Barriers to using Commercial Bank Products/Services (Percent)



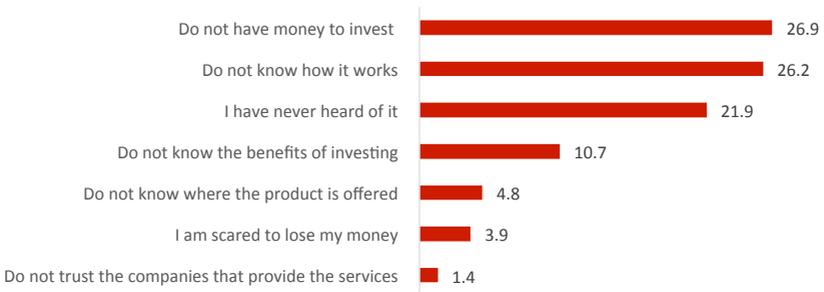
Insufficient money was stated as the main barrier to the use of commercial bank products/services at 37.5% (2015, 60.9%).

Barriers to using Microfinance Products/Services (Percent)



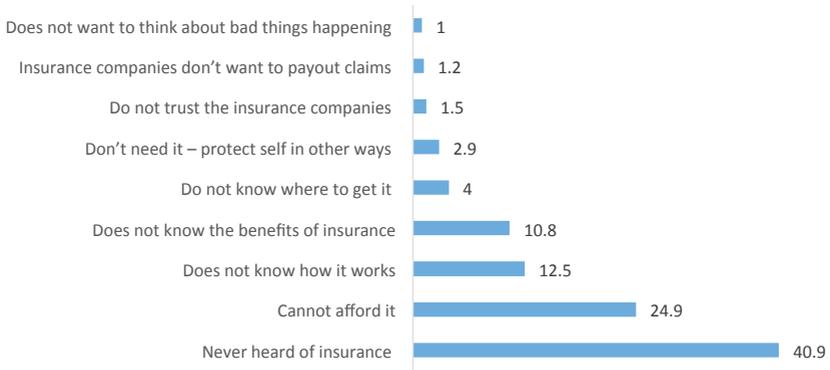
Insufficient money was stated as the main barrier to the use of micro-finance products/services at 32.6% (2015, 79.1%).

Barriers to using Capital Market Products (Percent)



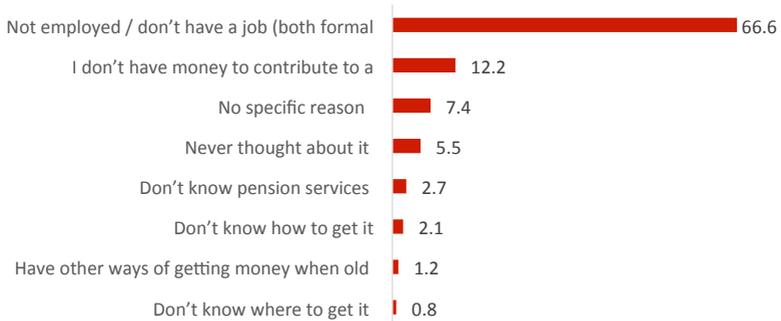
26.9% of adults stated that they did not use capital markets because they lacked money to invest; and 26.2% did not know how capital markets work.

Barriers to using Insurance Products/Services (Percent)



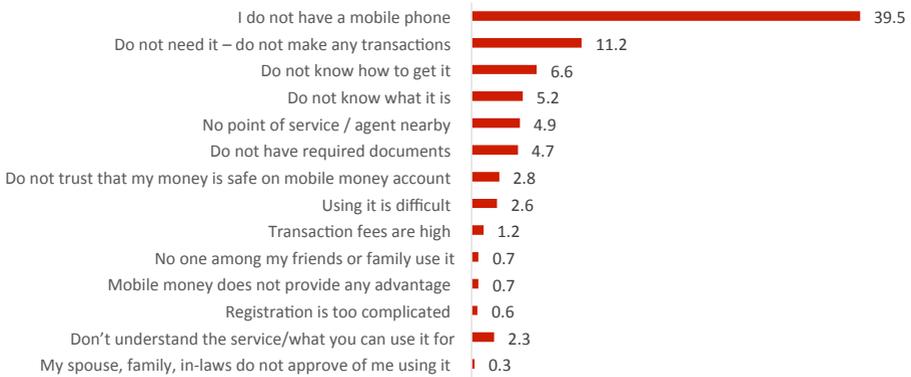
40.9% (2015, 88.3%) of adults stated that the main barrier to the use of insurance products was that they had never heard of insurance.

Barriers to using Pension Services (Percent)



Unemployment was identified by 66.6% of adults as the main barrier to using pension services.

Barriers to using Mobile Money Products/Services (Percent)

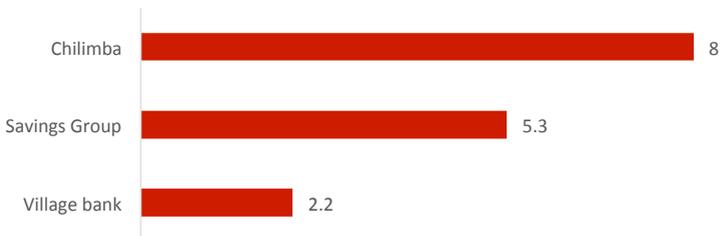


Lack of a mobile phone was stated to be the main barrier to using mobile money products/services by 39.5% of adults.

Uptake of Informal Financial Services

Uptake of informal financial products/ services decreased to 32.3% (2015, 37.9%).

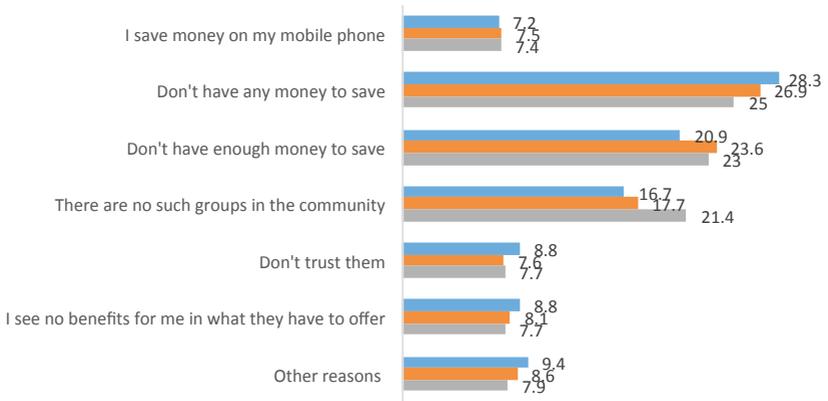
Uptake of Informal Saving Groupings (Percent)



The Survey showed that:

- 8.0% of adults belonged to a Chilimba (2015, 12.4%)
- 5.3% of adults belonged to a Savings Group (2015, 6.5%)
- 2.2% of adults belonged to a Village bank (2015, Nil)

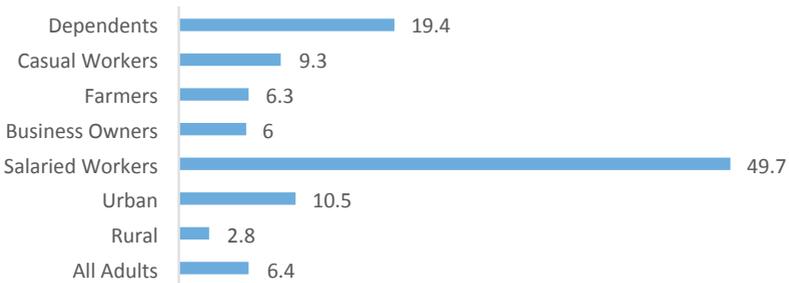
Barriers to using Informal Products/Services (Percent)



The main barrier to accessing informal financial products/services was lack of money as indicated by:

- 28.3% of adults who did not belong to Chilimba
- 26.9% of adults who did not belong to a Savings group
- 25% of adults who did not belong to a Village bank.

Awareness levels for CRB Services (Percent)

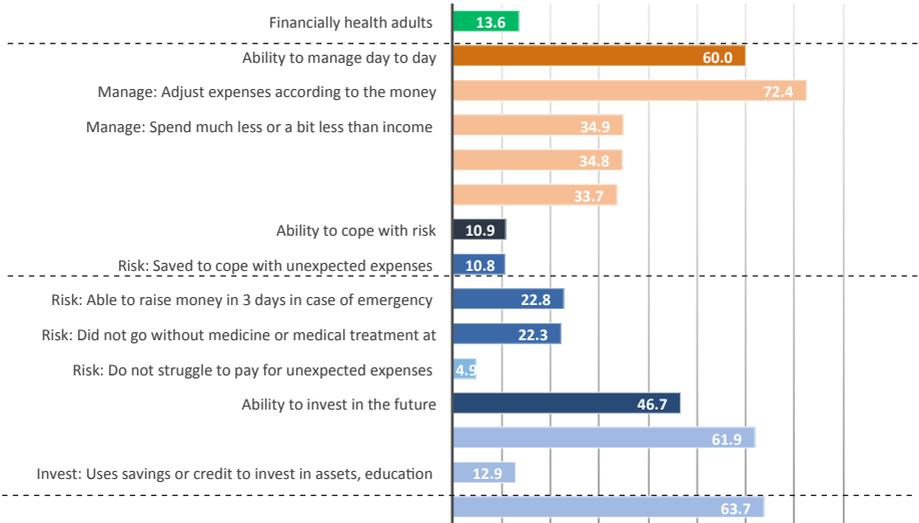


6.4% of adults were aware of the Credit Reference Bureau (CRB); and Awareness levels were highest amongst salaried workers (49.7%), adults in urban areas (10.5%) and those in rural areas (2.8%).

FINANCIAL HEALTH

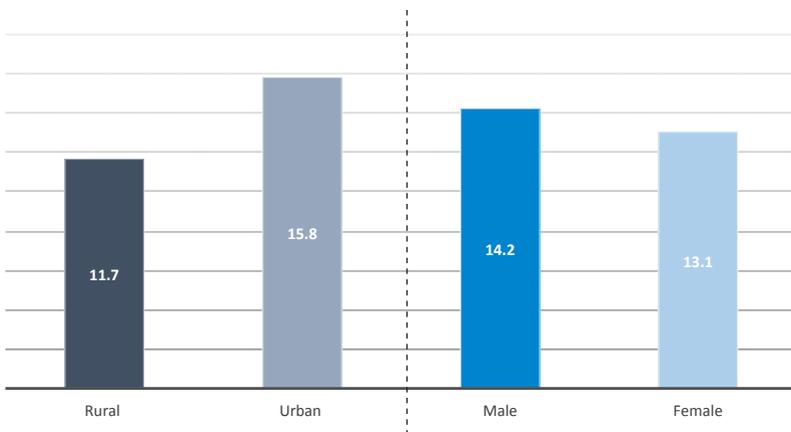
Financial health is the ability of individuals to use financial services to manage daily needs, protect themselves from shocks and help them achieve their main goals.

Financial health (Percent)



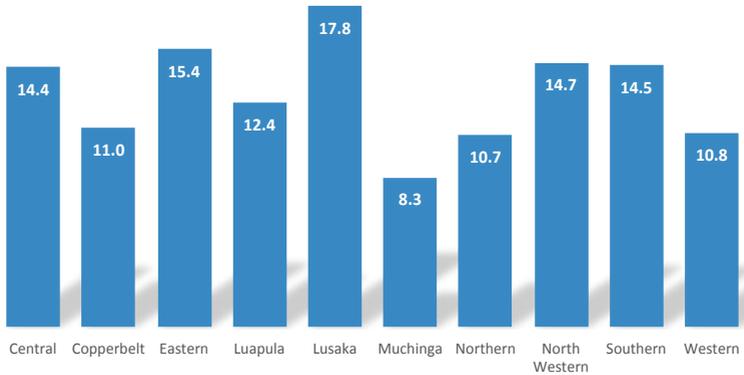
The Survey showed that only 13.6% of the adult population was financially healthy.

Financial Health by Urban-Rural distribution and Sex (Percent)



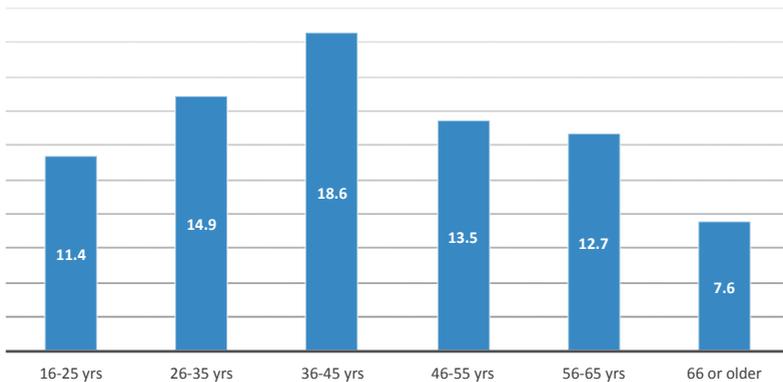
Adults in urban areas were found to be more financially healthy at 15.8% than their rural counterparts (11.7%). Males were more financially healthy at 14.2% compared to females at 13.1%.

Financial Health by Province (Percent)



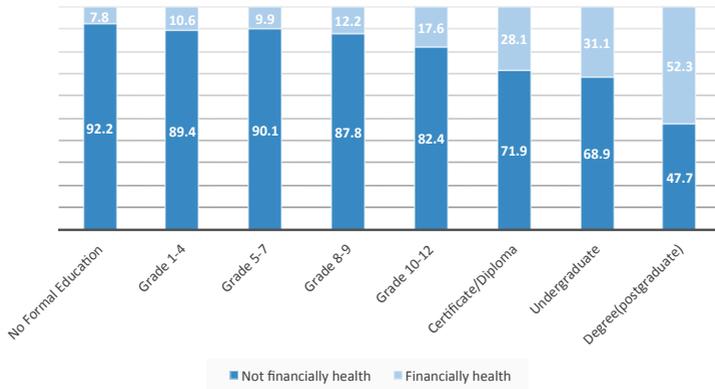
Adults in Lusaka province were found to be the most financially healthy at 17.8% while those in Muchinga province were the least financially healthy.

Financial Health by Age Group (Percent)



The adult population aged between 36-45 years (18.6%) was found to be the most financially healthy while the least financially healthy age group was 66 years and older (7.6%).

Financial Health by Level of Education (Percent)

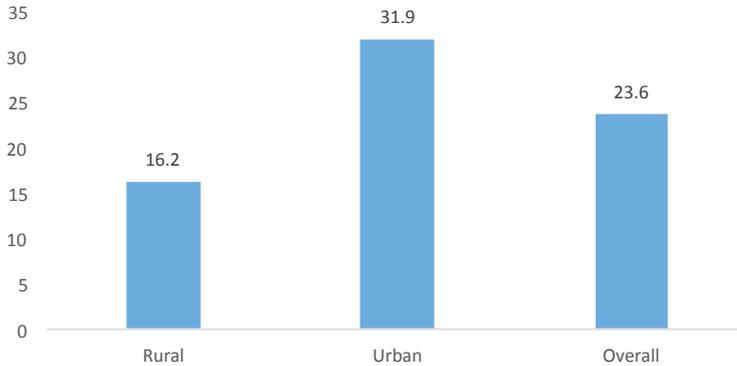


The adult population with postgraduate degrees was found to be the most financially healthy at 52.3%.

FINANCIAL LITERACY

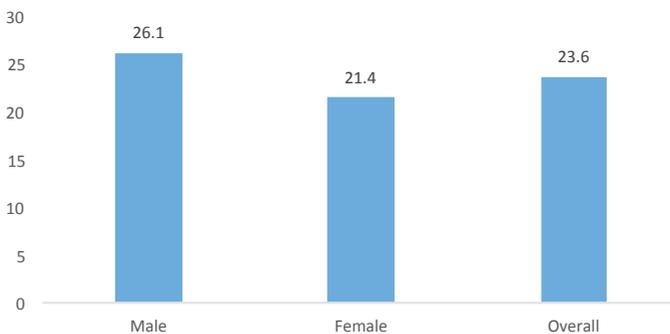
Financial literacy represents the ability to understand personal finance. It refers to awareness and knowledge of key financial concepts required for managing personal finances.

Financial Literacy by Rural-Urban (Percent)



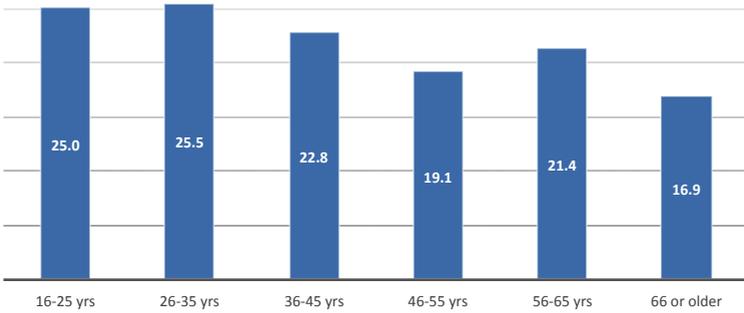
The Survey revealed that financial literacy was skewed towards the urban population at 31.9% (Rural, 16.2%).

Financial Literacy by Sex (Percent)



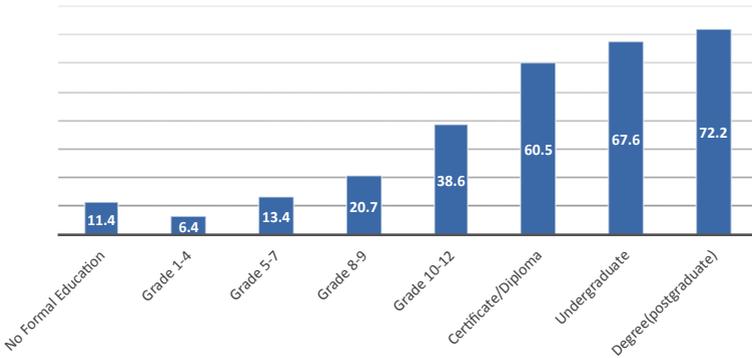
Males are more financially literate, at 26.1%, than their female counterparts (21.4%) were.

Financial Literacy by Age Group (Percent)



The adult population in the age group 26-35 years were the most financially literate at 25.5% while those in the age group 66 or older were the least financially literate (16.9%).

Financial Literacy by Level of Education (Percent)



The Survey revealed that financial literacy increases with the level of education. The adult population with postgraduate degrees were the most financially literate at 72.2%.

In Partnership with







Picture Courtesy of FSD Zambia

