Collaborating with Multiple Stakeholders to Measure Financial Inclusion-the Case for Zambia

Norbert Mumba – Assistant Director Regulatory Policy
Strategic Policy Formulation

- Financial Sector Development Plan 2004-2009
- Bank of Zambia Strategic Objective
- Vision 2030
Financial Sector Development Plan

• National Policy Plan to guide the development of the financial sector – Phase I 2004 to 2009 Phase II to 2012

• Background to FSDP

1. IMF/WORLD BANK Poverty Reduction Facility Paper

2. Financial Sector Assessment Program FSAP 2002
Key Weakness From FSAP 2002

1. Low Financial Intermediation
2. Lack of Financial Services in Rural Areas
3. High bank Charges & Account Opening Requirements
4. Poor Credit Culture
5. Multiple and conflicting Roles of Government
6. Lack of Long term funds
7. Weak Regulatory Framework for Non-Bank Institutions
8. Lack of Knowledge of financial services and products
High Level Objective of FSDP

- Project is expected to contribute Zambia becoming a middle income country by the year 2030.
- Goal Calls for Policies that accelerate & sustain economic growth and which enable poor to participate in and benefit from growth process.
- Broad based wealth and job creation through citizenry participation and technology advancement.
- Develop a dynamic and inclusive financial sector that supports all aspects of the economy.
- Provide for financial literacy programs.
KEY STAKEHOLDERS

Ministry of Finance

Bank of Zambia

FinMark Trust
Collaborative Structure

Ministry of Finance

IMF/World Bank FSAP

Monitoring & Evaluation

BOZ-FSPD Secretariat

Finscope™

Sector Teams
Ministry of Finance

Overall custodian of the coordination of the various activities under the Financial Sector Dev. Plan. Provides; funding and platform for reporting achievements.
Also established structures such as sector specific committees on banking and insurance.
Bank of Zambia

- Overall coordinating role for financial sector issues.
- Houses Secretariat for FSDP
- Sources consultancy in relevant areas such as legal, banking and insurance consultancy including Finscope.
FinMark Trust

- A partner to provide technical expertise in provision of survey data on the state and extent of financial inclusiveness in Zambia from both demand and supply side.
Survey Methodology

1. Area Based Sampling Frame
   - Zambia has 9 provinces and 72 districts
2. Enumerator Areas (EA’s) constituted primary sampling units.
3. Sample robust enough to ensure findings could be generalised
Reporting Domain Representing Sample

- National Population of Adults 16+
- Urban and Rural Population of Adults 16+
- Adult Population 16+ for each of the 9 provinces
Sample Description

- Sample consisted of 400 Enumerator Areas
- Selected 10 households from EA’s selected at random
- 1 individual 16+ selected at random from each EA for face to face interview
- 4000 face to face interviews completed
# Socio-Demographic Data

<table>
<thead>
<tr>
<th>Population</th>
<th>2007 Projections</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>12,160,000</td>
<td>Census due 2010</td>
</tr>
<tr>
<td>Labour Force/Unemployment</td>
<td>4,902,000 (2006)</td>
<td>Refers to 12 years and above</td>
</tr>
<tr>
<td>Unemployment</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Poverty</td>
<td>64% (2006)</td>
<td>% of total Population</td>
</tr>
<tr>
<td>Extremely Poor</td>
<td>51%</td>
<td></td>
</tr>
<tr>
<td>Moderately Poor</td>
<td>13 – 14% (2006)</td>
<td>% of total Population</td>
</tr>
<tr>
<td>Geographical Area</td>
<td>750,000 Sq Km</td>
<td></td>
</tr>
</tbody>
</table>

Source: Central Statistics Office - Zambia
Finscope definition of Financially Excluded — Individuals who use no financial products (neither “formal” nor “informal” to manage their financial lives
Who is excluded by Gender & Occupation

<table>
<thead>
<tr>
<th>GENDER</th>
<th></th>
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<tbody>
<tr>
<td>Female</td>
<td>51%</td>
</tr>
<tr>
<td>Male</td>
<td>48%</td>
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</table>

<table>
<thead>
<tr>
<th>OCCUPATION</th>
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<tbody>
<tr>
<td>Self-employed</td>
<td>33%</td>
</tr>
<tr>
<td>Salaried</td>
<td>11%</td>
</tr>
<tr>
<td>Housewife/Student/Pensioner/Other</td>
<td>32</td>
</tr>
<tr>
<td>Unemployed</td>
<td>24</td>
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</table>
## Financially Excluded by Education

<table>
<thead>
<tr>
<th>EDUCATION</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>No Formal Education</td>
<td>13</td>
</tr>
<tr>
<td>Primary Education</td>
<td>36</td>
</tr>
<tr>
<td>Secondary Education</td>
<td>47</td>
</tr>
<tr>
<td>Tertiary</td>
<td>4</td>
</tr>
</tbody>
</table>
Access Physical Barriers

Cost

Distance

Physical Access Barriers

Mode of Transport

Time
Cost to Banking Service
Access to facilities – Rural: Finscope 2009

- Time to stores
  - More than 1 hour: 24.80%
  - 30 minutes to 1 hour: 56.80%
  - Under 30 minutes: 18.30%

- Time to market
  - More than 1 hour: 39.60%
  - 30 minutes to 1 hour: 38.80%
  - Under 30 minutes: 18.60%

- Time to post office
  - More than 1 hour: 63.50%
  - 30 minutes to 1 hour: 23.10%
  - Under 30 minutes: 13.30%

- Nearest financial institution
  - More than 1 hour: 56.20%
  - 30 minutes to 1 hour: 28.40%
  - Under 30 minutes: 15.40%
Policy Analysis Framework

- Goal analysis
- Problem Diagnosis
- Selecting Options

Supporting & Evaluating the Policy Choice
Problem Diagnosis

- Low access to financial services
- High cost of financial services
- Poor disclosure obligations
- Poor credit culture
- Weaknesses in the regulatory environment for the non-bank sector

Key Players MoF, IMF/World Bank, BoZ, Finscope, Central Statistical Office
Goal Analysis

What needs to be achieved?

1. Increased Access
2. Improve intermediation
3. Enhance disclosure
4. Reduce Non Performing Portfolio
5. Enhance confidence in financial sector

Key Players BOZ, SEC, PIA, CRB, USAID
Policy Response

1. Establishment of The Credit Reference Bureau
2. Publication of Bank Charges in Print Media
3. Micro finance regulations
4. Reduction of statutory reserve ratio
5. Draft Layman’s Bill on Deposit Protection
6. Draft Concept paper on regulations for branchless banking
Key Challenges to Policy Formulation

1. Lack of current socio-demographical data to inform policy (national census due this year)
2. Low literacy levels resulting in;
   - Slow information absorption rate
   - Slow adaptation to information communication technology
3. High poverty levels resulting in low disposable income
Acknowledgements

- Republic of Zambia, Central Statistical Office
- Finscope™ Zambia 2005
Thank you

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