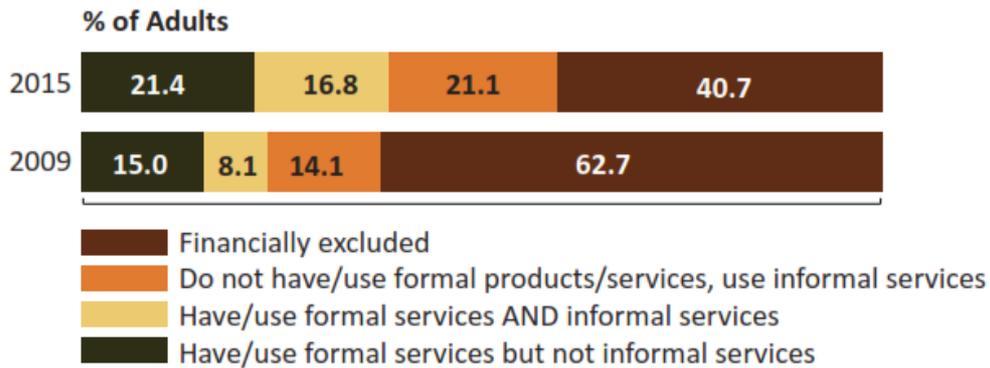


ZAMBIA: MARKET POTENTIAL AND AVAILABLE DATA SOURCES

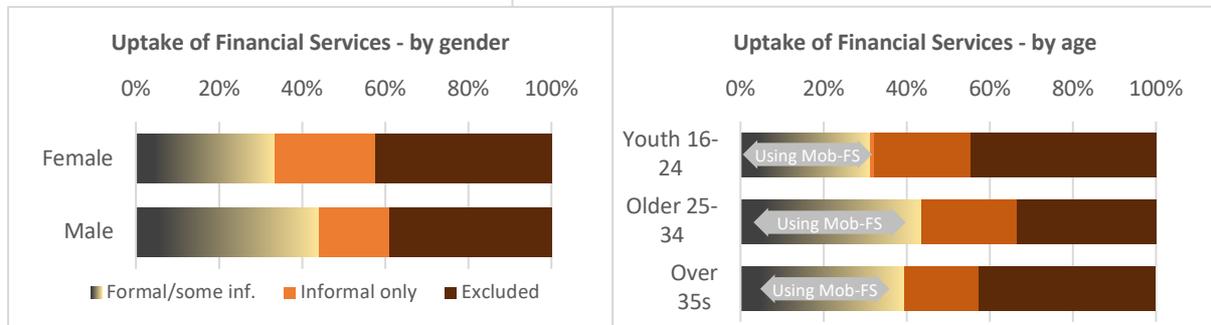
FinScope Zambia 2015

Uptake of formal financial services, including banking, money transfer, microfinance and insurance remains low overall - 38% in 2015 – but is increasing (23% in 2009) although 21% of all Zambian adults still only use informal financial services and another 41% are not using any financial services at all (formal or informal). This points to a significant opportunity for formal financial services providers (FSPs) to reach the 62% of the adult population (approximately 5 million people) who are not currently using their services.

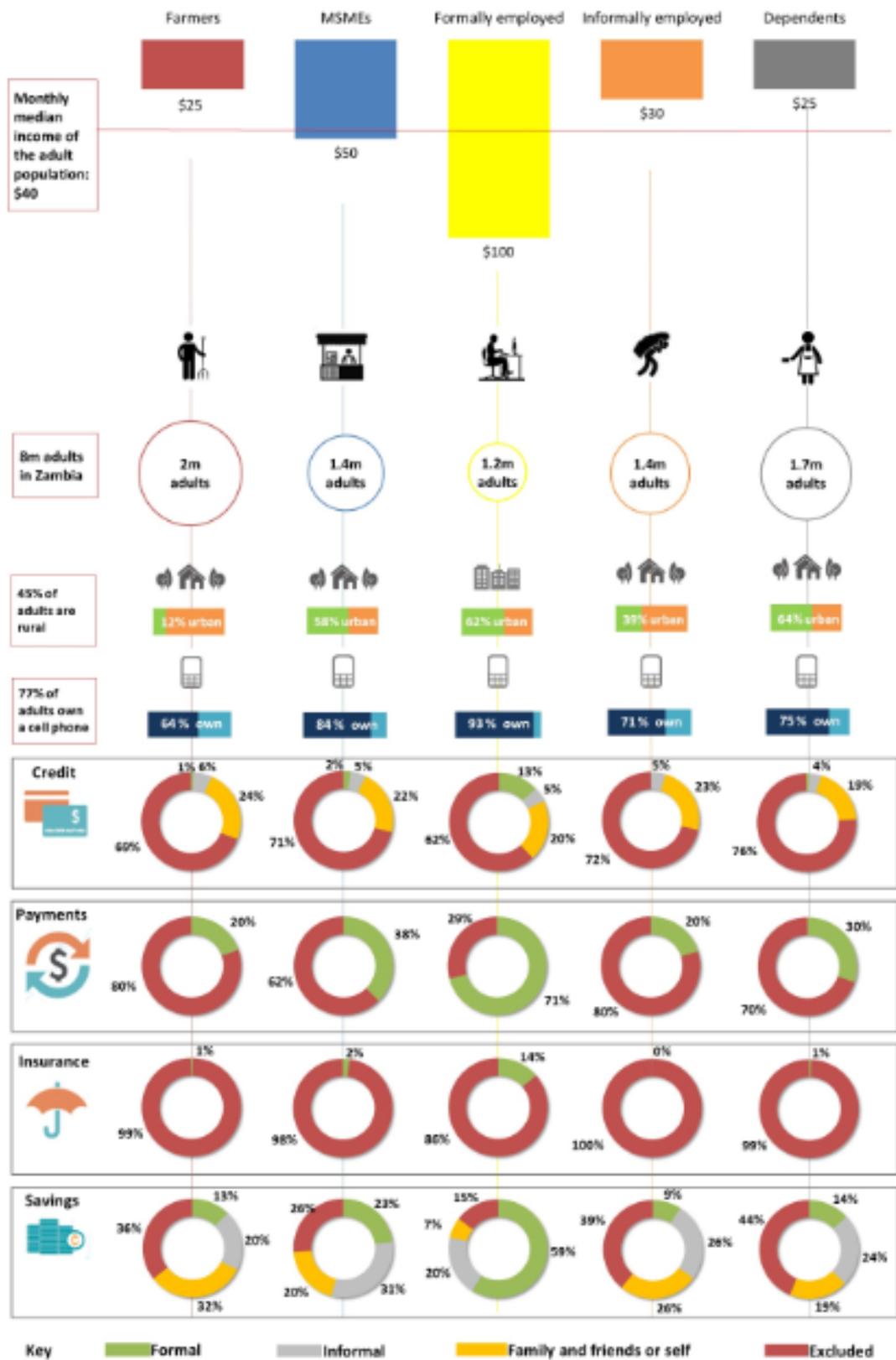


FinScope Zambia 2015 contains a wealth of information about the different market segments in Zambia and the infographic on the following page shows the penetration of formal and informal finance for different types of potential customer depending on how they earn their income. Salaried, mostly urban, individuals are, not surprisingly, the best served across all classes of product with micro and small business owners next best served, while farmers/fisherfolk and informal piece-rate workers are the least well served.

FinScope can also be used to look at the demographic and social characteristics of who is and is not served at all as well as who does and does not have formal access. DMAC's objective is to reach the un/underserved in significant numbers, with less of a focus on who is reached, but that goal will not be reached without at least beginning to address issues of disproportionate exclusion.



Opportunities for the Financial Sector



MAP Zambia: Target market infographic

Original source data: FinScope, 2015

Banking & MFIs

According to FinScope Zambia 2015, 24.8% of adults (2 million) have/use commercial bank services and 3.8% use MFIs. The demographic profile of those most likely to be accessing these services is male, over 25, urban, salaried and in the middle to higher income quintiles of the PPI distribution. The main barriers to using commercial banks and MFIs are the perception among the adults interviewed that they have insufficient money to justify using them, they would not be able to maintain the minimum balance and that branches are too far away. Perceived physical access to financial institutions is a significant barrier to accessing financial services. Most adults either do not know where their nearest financial institution access point is or do not think they can access these points within an hour, particularly in rural areas and among adults from low-income households.

Insurance & Pension services

Only 5.5% of Zambian adults use insurance services and these are almost entirely salaried (mostly urban) individuals. The big opportunity and the big challenge is to move people away from purely taking mandatory insurance and towards starting to take small amounts of voluntary cover. The primary barrier to doing this is a lack of information/ awareness, with the overwhelming majority (88.3%) of uninsured adults never having heard of insurance.

Mobile money & payments services

Mobile money service providers have the highest uptake levels of non-bank formal financial services (14% of adults), which increases if over the counter mobile transfer is included. However, uptake is still low by other country-comparator standards and limited by lack of information – 66.6% of adults who do not use mobile money services have never heard of them or do not know what they are and 7% do not know how to get them. The opportunities identified for other parts of the financial service industry will almost certainly have to have a digital element and this presents joint opportunities for both mobile operators holding information about what users are doing now and other FSPs that can put a value on activity that operators are not allowed to do in their own right. This is an area where fintechs sometimes see value that operators and financial institutions struggle to find, especially where the activity is via social media rather than phone-specific.

National Financial Inclusion Frameworks and public domain data/information sources

Zambia's **National Financial Inclusion Strategy** was launched in November 2017, along with the Financial Sector Development Policy and Financial Capability Survey Report. The three documents aim to strengthen the development of the financial sector in Zambia and address certain challenges identified in Zambia's financial sector, including low financial capabilities and low willingness to use formal financial products and services. It runs until 2022 and includes targets to:

- increase overall financial inclusion (formal as well as informal) from 59% to 80%;
- increase formal financial inclusion from 38% to 70%;
- address gender imbalances in financial inclusion;
- improve physical access to high-quality financial services, including bank branches, agents, and ATMs, so that the number of financial access points will increase from approximately 7 to 10 per 10,000 adults;
- develop a national switch capable of use by all FSPs, including MNOs to increase the number of access points at a lower cost across the entire network.

In addition, exclusivity on MNO masts has been removed, which has led to improved mobile penetration in rural areas and rural financial inclusion is necessarily a key strand of the Rural Finance Expansion Programme (RUFEP).

At this stage we are only providing a snapshot of the key findings from FinScope and encourage further reading:

- Visit http://www.fsdzambia.org/wp-content/uploads/2015/06/77_FSD_Zambia_Final-II.pdf to view a fuller presentation of FinScope survey findings;
- a good analysis of what it will take to make access possible can also be found on <http://www.fsdzambia.org/wp-content/uploads/2018/02/MAP-Zambia-Summary-report-final.pdf>

Useful examples of other data sources to better understand, and therefore develop products for, the under-served markets include:

Publication	Year	Source
FinScope Focus note: Women and Financial Inclusion in Zambia	Tbc	FSDZ
Microinsurance focus notes: Zambia	Tbc	FSDZ
Updated Geospatial map for financial service access points in Zambia	2017	FSDZ
Consumer Behaviours and Digital Financial Services in Zambia	2016	FSDZ
Financial Diaries	2016	FSDZ
Living Conditions Monitoring Survey Report	2015	ZAMSTATS
Zambia Demographic and Health Survey	2013-14	ZAMSTATS
Population and Demographic Projections	2010	ZAMSTATS
Census of Population and Housing (National + Regional Reports)	2010	ZAMSTATS