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Informal Financial Services Utilization in Zambia

FinScope 2020 Focus Note



ABOUT

FSD Zambia is a Zambian organization working closely with key players throughout the economy to ensure that all Zambians are financially healthy, particularly the most excluded and underserved. We help rural families, women, youths, low-income people, and other households in Zambia to understand and access a wide range of sustainable, comparable, and affordable financial services. To expand financial inclusion, we collaborate with both public and private sector institutions to make financial markets work better. FSD Zambia enhances trust between clients and suppliers of financial services by increasing their understanding, expanding innovation, and lowering costs. FSD Zambia enjoys the active support of financing partners UK Aid, Swedish Sida, Comic Relief/Jersey Overseas Aid, GiZ and the Rural Finance Expansion Programme (RUFEP). More information is available on our website, www.fsdzambia.org

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LIST OF ABBREVIATIONS

BoZ	Bank of Zambia
DFS	Digital Financial Services
FinScope	Financial Scoping
FSD Zambia	Financial Sector Deepening Zambia
MoF	Ministry of Finance
NFIS	National Financial Inclusion Strategy
NGOs	Non-Governmental Organisations
PPI	The Progress out of Poverty Index
RUFEP	Rural Finance Expansion Programme
SBFIC	Savings Banks Foundation for International Cooperation
SGs	Savings Groups
UNCDF	United Nations Capital Development Fund

EXECUTIVE SUMMARY

There is generally a low utilization of informal financial services in Zambia amongst the adult population. The FinScope 2020 findings indicate that overall Informal Inclusion has been on a decline. The report reveals that 32.2 per cent of the adult Zambian population utilizes informal financial services relative to 37.9 per cent in 2015. When disaggregated by gender, it was observed that 34.8 per cent of women use informal financial services more than their male counterparts (29.5%). Further, it was observed that 34.1 per cent of Zambian adults who reside in urban areas use informal financial services compared to 30.6 in rural areas. There is still much work to be done, as many barriers still hinder men's and women's informal financial inclusion in Zambia. Looking at the specific informal financial services, the following are the key findings:

Chilimba: We observe low utilization of chilimba services in Zambia among the adult population. Only 8 per cent of the adult population in Zambia utilizes chilimba. Among those who use chilimba services, the Survey revealed that there are more females (70.8%) than males (29.2%) and that there are more adults in urban areas (73.3%) than those in rural areas (26.7%). The Survey also revealed that adults in the richer/richest PPI category utilize chilimba more than adults in any other PPI category. Saving money is the most significant driver of chilimba utilization for both men (64.1%) and women (59.2%). At the same time, not having money to save is the most significant barrier to chilimba utilization for both men (26.4%) and women (30.2%) in Zambia.

Savings Groups: In the 2020 FinScope, the proportion of the adult population that belong to a Savings Group (SG) stood at 5 per cent. Among those who use SGs, the survey results show that there are more females (64.3%) than males (35.4%) and fewer urban dwellers (36.9%) than those in rural areas (63.1%). We also note that adults in the poor PPI category utilize SGs more than their counterparts in any other PPI category. Women (54.1%) and men (55.4%) are driven to use Savings Groups services mainly to save money, while not having money to save is the most significant barrier to SG utilization for both men (27%) and women (31.1%).

In Zambia, 2.2 per cent of the adult population belongs to a village bank. When disaggregated by gender, more females (64.6%) are part of village banks than males (35.4%). Further, fewer adults in urban areas (33.4%) than in rural areas (66.6%) utilize village banks. Furthermore, survey results showed that adults in the poor PPI category use village banks more than adults in any other PPI category. Regarding barriers, not having money to save is the most significant barrier to village bank utilization for men (23.4%) and women (26.6%).

Kaloba: In the FinScope 2020, we observe that only 3 per cent of the Zambian population utilizes kaloba financial services in their daily financial lives. Males (52.3%) are the majority of those using kaloba services relative to their female counterparts (47.7%). Further, fewer adults in rural areas (47.6%) than those in urban areas (52.4%) utilize kaloba. We also note that adults in the poor PPI category use kaloba more than adults in any other PPI category. In terms of drivers, being the quickest access to money is the most significant driver for men (32.2%) and women (34.9%). Being worried about failure to pay back is the most significant barrier.



01 INTRODUCTION

This report investigates the extent of informal financial services used by adult Zambians. We disaggregate the use of these services by gender, economic status, age, geographical location, and level of education. Further, we seek to demonstrate the impact of informal financial inclusion initiatives over the years and support informed intervention design and implementation by financial inclusion stakeholders. We derive the analysis of this report from the Zambia 2020 FinScope dataset.

The Financial Scoping (FinScope) Survey is a research tool developed by FinMark Trust to address the need for credible financial sector information. The Survey aims to provide stakeholders and regulators in the financial sector with strategic information regarding market opportunities and the financial services that different markets need. Survey results would enable providers to extend their reach and broaden the range of services they offer. Implementing FinScope surveys over time further provides the opportunity to assess whether and how financial inclusion in a country develops.

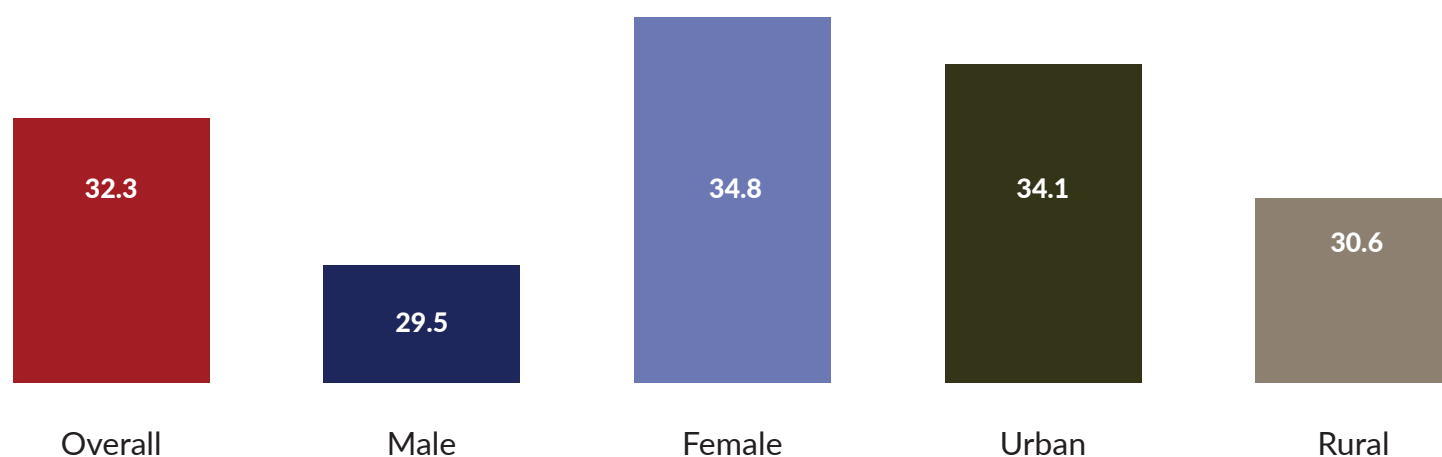
In collaboration with Financial Sector Deepening Zambia (FSD Zambia), the Bank of Zambia (BoZ); the Rural Finance Expansion Programme (RUFEP); Savings Banks Foundation for International Cooperation (SBFIC); Ministry of Finance (MoF); and the United Nations Capital Development Fund with advisory support from FinMark Trust, implemented the FinScope Zambia 2020 Survey. The objectives of the Survey were to: Track overall trends in financial inclusion over time in terms of changes in the levels of both formal and informal inclusion and the types of financial services offered and assess whether Zambia is on track in terms of achieving national financial inclusion targets set out in the National Financial Inclusion Strategy (NFIS) (2017–2022). The FinScope 2020 Survey considered a nationally representative sample of 12,990 households, with one usual adult member aged 16 or older selected in each household. The Survey was designed to produce reliable estimates for critical national and provincial indicators and urban and rural domains for each of the ten provinces. The Survey considered the following specific segments: 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; and access to infrastructure (FinScope 2020 Report).



02 OVERVIEW OF INFORMAL FINANCIAL SERVICES

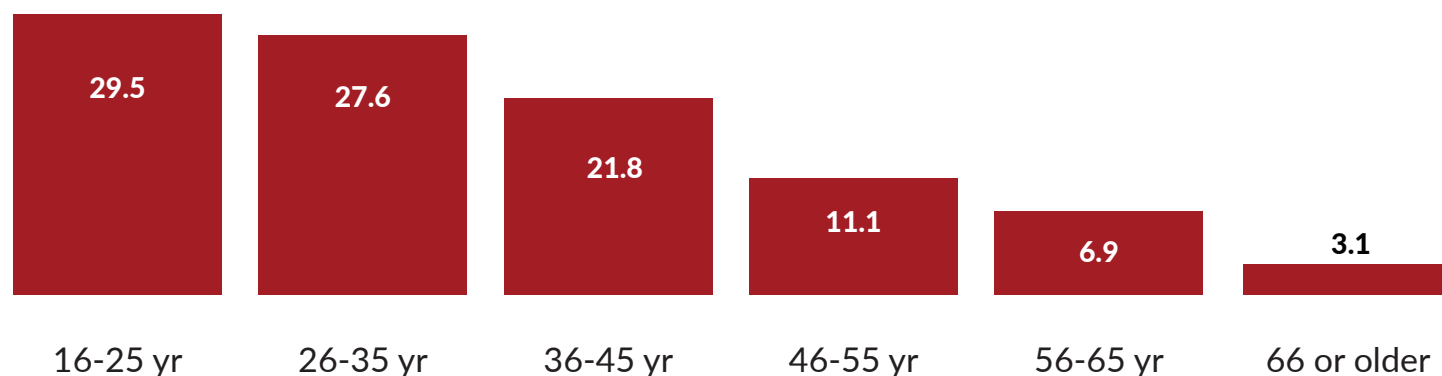
According to FinScope 2020 survey, 32.3 per cent of the Zambian adult population use informal financial services to manage their financial lives. More females (34.8%) than males (29.5%) use informal financial services. The Survey further revealed that fewer adults in rural areas (30.6%) than those in urban (34.1%) utilise informal financial services. (Figure 1)

Figure 1: Informal financial service utilisation sex and urban/rural (%)



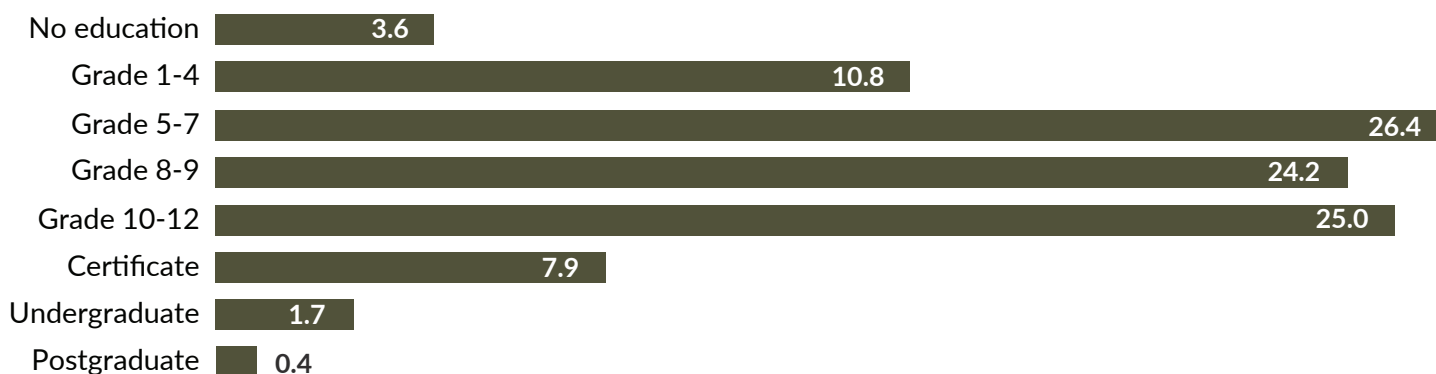
As shown in Figure 2, there are significant differences in informal financial services utilisation among the adult population in different age groups. More than 50 per cent of the Zambian adults utilising informal financial services are below 35 years (30% 16 -25 years and 28% 26 – 35 years).

Figure 2: Informal financial services utilisation by age (%)



The 2020 FinScope survey shows that informal financial services are used mainly by the Zambian adult population who have attained grade 5 up to grade 12 (76%). Furthermore, only about 1.7 per cent of adults who have attained undergraduate education utilise informal financial services compared to 0.4 per cent of those who have achieved a postgraduate degree. (Figure 3)

Figure 3: Informal financial services and level of education (%)



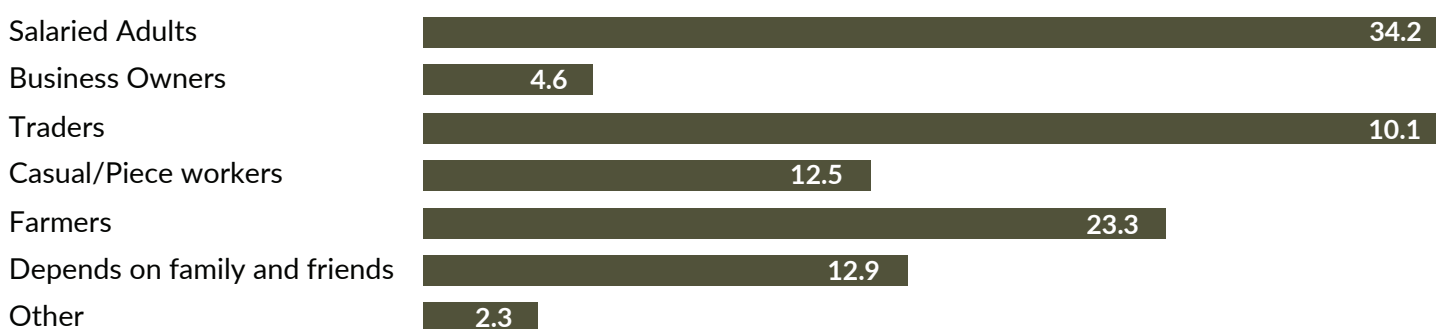
In comparing the utilisation of informal financial services and socio-economic status as measured by the Progress Out of Poverty Index (PPI), the survey results show that informal financial services are used mainly by the poor (33%) and rarely used by the richest (2.7%). (Figure 4)

Figure 4: Informal financial services utilisation and socio-economic status (%)



As shown in Figure 5, informal financial services are mainly used among salaried adults (34%) and farmers (23%) than any other category among different sources of livelihood. The minor source of livelihoods categories in utilising informal financial services are business owners (4.6%) and others (2.3%).

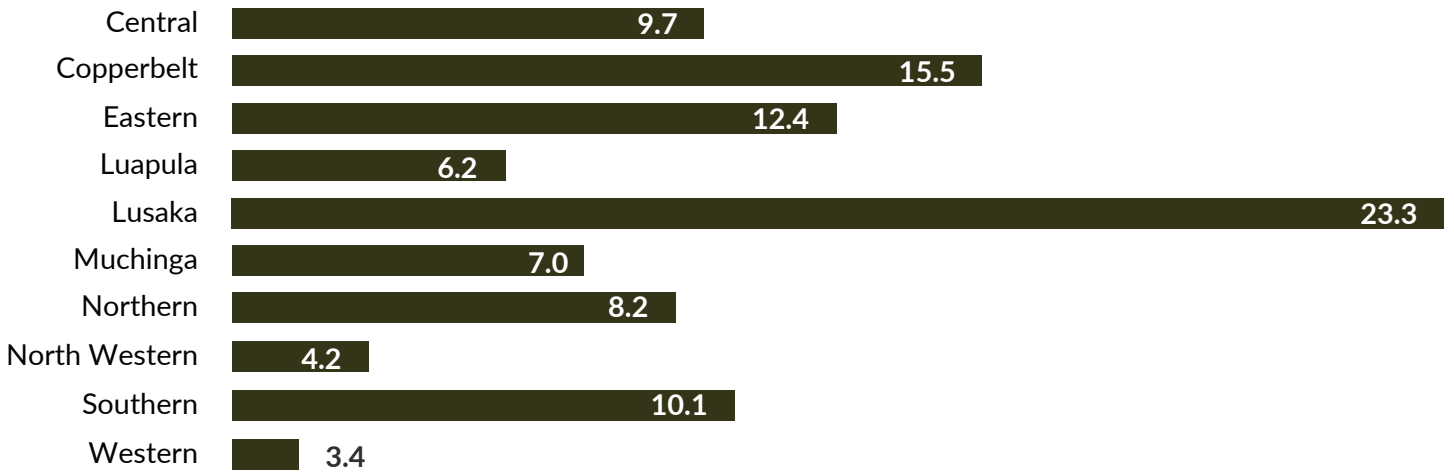
Figure 5: Informal financial services utilisation and source of livelihood (%)



There are different levels of utilisation of informal financial services among Zambia's ten provinces. 2020 FinScope survey shows that adults in Lusaka utilise informal financial services more than adults in any other province at 23 per cent. Few adults in the Western province use informal financial services (3.4%). (Figure 6)

As measured in the FinScope Survey, informal borrowing comprises credit sources from; SGs, village banks, moneylenders/kaloba/shylocks, family/friends, and getting goods in advance. As shown in Figure 8, only 18 per cent of the adult population in Zambia utilise informal borrowing services compared to 82 per cent of the adult population who do not use these services.

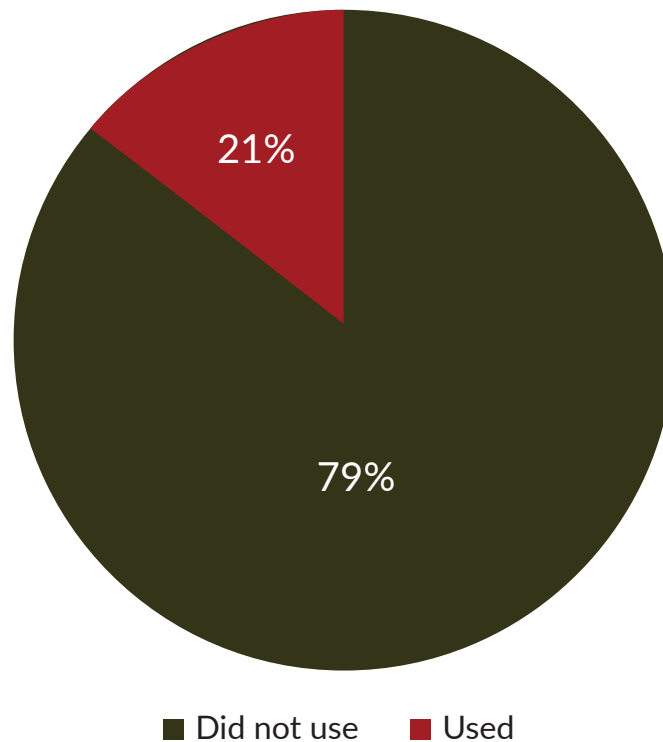
Figure 6: Informal financial services utilisation and Province (%)



2.1. INFORMAL SAVING SERVICES

To manage their financial lives, the Zambian adult population uses not only formal channels of savings but as well as informal mechanisms. In the FinScope survey, informal savings services comprised the following: chilimba, SGs, village banks, other community groups, employers, household/community members and buying stock in the form of business/agricultural. Generally, there is low utilisation of informal saving services in Zambia among the adult population. As shown in Figure 9, only 21 per cent of the adult population in Zambia utilise informal financial saving services compared to 79 per cent of the adult population who do not use these services.

Figure 7: Overall informal saving services



2.1.1. Characteristics of Informal Savers

Slightly less than a quarter (24%) of the female adult population uses informal saving mechanisms compared to only 18 per cent of males. Adults residing in urban areas are more likely to save using informal means than their rural counterparts (23% for urban and 20% for rural). A quarter of the adult (25%) population in Lusaka and Northern provinces are saving using informal means. In the rest of the regions, less than a quarter actively uses informal means as a saving platform. There is low usage of the informal saving platform in Western (13%) and North-Western provinces (16%).

The utilisation of informal savings by the Zambian adult population increases with the level of socio-economic status, as shown in Table 1. More than 25 per cent of the adult population in both rich and most affluent categories (PPI 4 and PPI 5) are active informal savers. However, less than 16% of the poorest adults use informal means of saving. In comparing Informal savings and sources of livelihood, most traders (37%) and salaried workers (30%) have the highest proportion of the adult population actively saving using informal channels.

Informal saving is less common among the youthful (15%) and oldest (16%) population, while the adult population aged between 36 – 45 years of age have the highest proportion of informal savers. Furthermore, results from the 2020 FinScope survey show that informal saving is highly correlated with one's level of education. Zambian adult population who has attained undergraduate or higher are saving more using informal means. This contrasts with low uptake among those without formal education. (Table 1).

Table 1: Profile of Informal savers

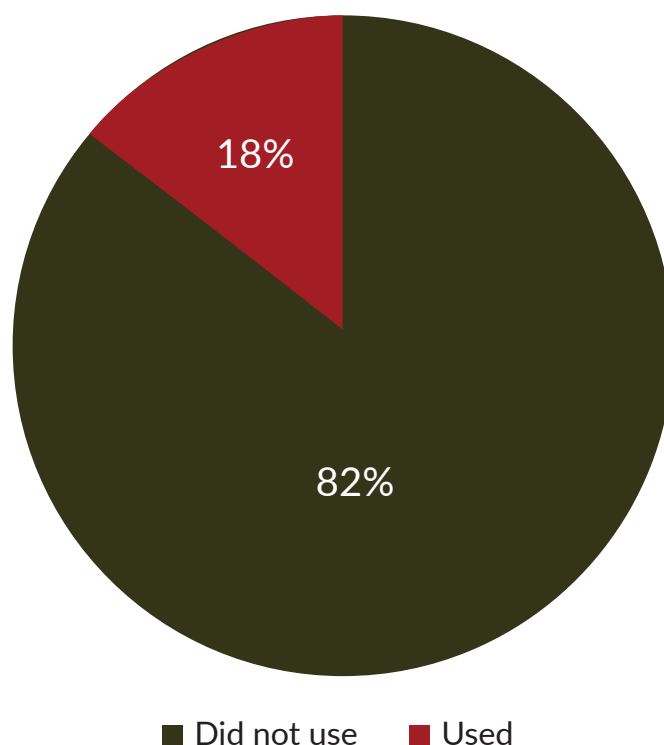
Category	Population (%)	Informal savers (%)
Sex		
Male	47.4	17.7
Female	52.6	24.0
Region		
Rural	53.4	19.5
Urban	46.6	22.7
Progress out Poverty Index		
PPI 1	24.5	15.6
PPI 2	33.1	21.1
PPI 3	21.2	22.9
PPI 4	19	25.2
PPI 5	2.1	26.5
Source of Livelihood		
Salaries/wages	25.1	29.9
Business owners	3.7	27.8
Traders	7.1	36.8
Casual/piecework	15.6	14.3
Farmers	21.2	24.2
Depends on family/friends	25.5	8.5
Other	1.9	29.7

Age		
16-25 yr	38.9	14.8
26-35 yr	24.3	24.5
36-45 yr	17.1	27.6
46-55 yr	9.5	25.7
56-65 yr	6	24.9
66 yrs and above	4.2	15.9
Education		
No formal education	4.9	15.1
Grade 1 - 4	12.1	18.2
Grades 5 - 7	27.2	20.4
Grade 8 - 9	22.8	21.6
Grade 10 - 12	25.4	21.3
Certificate/Diploma	6	31.0
Undergraduate	1.4	33.6
Postgraduate	0.3	36.3
Province		
Central	10.1	21.1
Copperbelt	16.9	20.5
Eastern	11.1	22.2
Luapula	6.8	17.0
Lusaka	19.3	24.7
Muchinga	6.4	22.0
Northern	8	24.5
North Western	5.2	16.0
Southern	11.3	19.6
Western	4.9	12.8

2.2. INFORMAL BORROWING SERVICES

As measured in the FinScope Survey, informal borrowing comprises credit sources from; SGs, village banks, moneylenders/kaloba/shylocks, family/friends, and getting goods in advance. As shown in Figure 8, only 18 per cent of the adult population in Zambia utilise informal borrowing services compared to 82 per cent of the adult population who do not use these services.

Figure 8: Overall informal borrowing



2.2.1. Characteristics of Informal Borrowers

There is marginally more utilisation of informal credit among females than males (18.4% for females and 17% for males). As was the case with informal savings, adults residing in urban areas are more likely to borrow from informal credit than their rural counterparts (18.3% for urban and 17.3% for rural). The use of informal credit is more prevalent in Lusaka (23%) than in any other province in Zambia, while it is the lowest in the Copperbelt province (14%).

The Survey shows higher usage of informal credit among the adult population in the richest category (PPI 5) at 24 per cent compared to the poorest (PPI 1) at 16 per cent. Regarding the source of livelihood, salaried adults (24%) and traders (23%) have the highest proportion of the adult population actively saving using informal credit services. The adult population between 36 – 45 years of age has the highest proportion compared to the other age groups in the usage of informal credit. As is the case with most financial services, few adults with no formal education (11%) are using informal credit compared to those who are highly educated (27%). See Table 2.

Table 2: Profile of Informal Borrowers

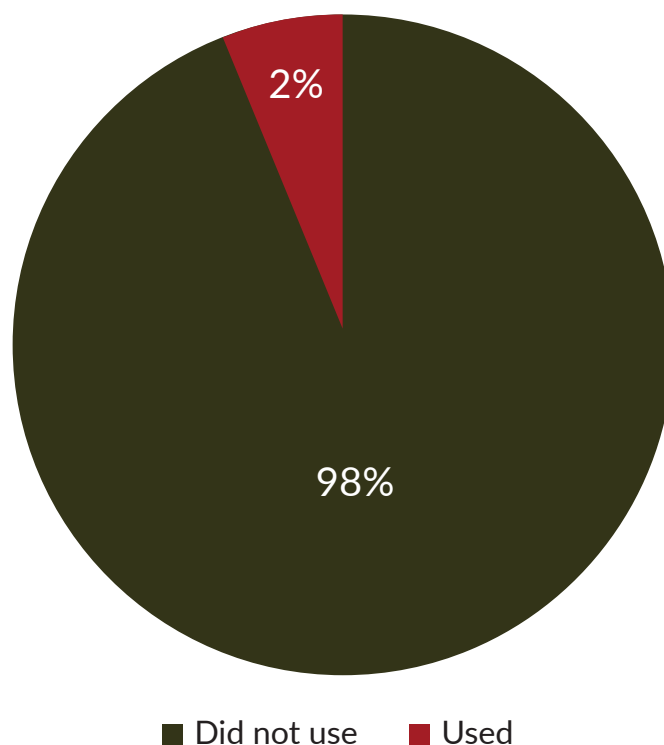
Category	Population (%)	Informal savers (%)
Sex		
Male	47.4	17.0
Female	52.6	18.4
Region		
Rural	53.4	17.3
Urban	46.6	18.3

Progress out Poverty Index		
PPI 1	24.5	16.1
PPI 2	33.1	17.0
PPI 3	21.2	19.2
PPI 4	19	19.0
PPI 5	2.1	24.4
Source of Livelihood		
Salaries/wages	25.1	23.7
Business owners	3.7	21.4
Traders	7.1	23.3
Casual/piecework	15.6	16.5
Farmers	21.2	20.0
Depends on family/friends	25.5	9.3
Other	1.9	17.5
Age		
16-25 yr	38.9	14.1
26-35 yr	24.3	19.9
36-45 yr	17.1	23.5
46-55 yr	9.5	20.4
56-65 yr	6	16.4
66 yrs and above	4.2	11.9
Education		
No formal education	4.9	11.3
Grade 1 - 4	12.1	16.3
Grades 5 - 7	27.2	17.8
Grade 8 - 9	22.8	20.5
Grade 10 - 12	25.4	16.1
Certificate/Diploma	6	22.0
Undergraduate	1.4	20.5
Postgraduate	0.3	27.4
Province		
Central	10.1	15.2
Copperbelt	16.9	13.8
Eastern	11.1	19.8
Luapula	6.8	17.0
Lusaka	19.3	22.9
Muchinga	6.4	19.9
Northern	8	17.7
North Western	5.2	16.0
Southern	11.3	16.6
Western	4.9	14.8

2.3. INFORMAL TRANSFER SERVICES

Generally, informal transfer services in Zambia are less utilised among the adult population. As shown in Figure 9, only about two per cent of the adult population in Zambia utilise informal transfer services compared to 98 per cent of those who do not use such services.

Figure 9: Utilisation of Informal Transfers in Zambia



2.3.1. Characteristics of Informal Transfers

As shown in Table 3, there is only a marginal difference in the utilisation of informal transfers between male and female adults in Zambia (1.6% for females and 1.7% for males). Adults residing in urban areas do more informal transfers than their rural counterparts (2.1% for urban and 1.2% for rural). This may be attributed to their improved socio-economic status in urban areas. At the provincial level, informal transfers are more prevalent in Lusaka (2.7%) and the least in the North-western province (0.3%).

As expected, the Survey shows a higher uptake of informal transfers among adults in the richest category (PPI 5) at 3.2 per cent compared to the poorest (PPI 1) at 0.8 per cent. Regarding the source of livelihood, salaried adults (2.9%) and casual/pieceworkers (1.9%) have the highest proportion of the adult population using informal credit transfers. Adults who have attained postgraduate education perform more informal transfers (18.7%) than any other education category.

Table 3: Characteristics of the adults making informal transfers (%)

Category	Population (%)	Informal savers (%)
Sex		
Male	47.4	1.7
Female	52.6	1.6
Region		
Rural	53.4	1.2
Urban	46.6	2.1

Progress out Poverty Index		
PPI 1	24.5	0.8
PPI 2	33.1	1.1
PPI 3	21.2	2.8
PPI 4	19	2.1
PPI 5	2.1	3.2
Source of Livelihood		
Salaries/wages	25.1	2.9
Business owners	3.7	1.3
Traders	7.1	1.7
Casual/piecework	15.6	1.9
Farmers	21.2	0.6
Depends on family/friends	25.5	1.1
Other	1.9	1.9
Age		
16-25 yr	38.9	1.7
26-35 yr	24.3	1.7
36-45 yr	17.1	1.9
46-55 yr	9.5	1.1
56-65 yr	6	1.7
66 yrs and above	4.2	1.5
Education		
No formal education	4.9	0.2
Grade 1 - 4	12.1	1.1
Grades 5 - 7	27.2	1.1
Grade 8 - 9	22.8	1.6
Grade 10 - 12	25.4	2.3
Certificate/Diploma	6	3.5
Undergraduate	1.4	2.0
Postgraduate	0.3	18.7
Province		
Central	10.1	2.5
Copperbelt	16.9	1.3
Eastern	11.1	1.3
Luapula	6.8	1.7
Lusaka	19.3	2.7
Muchinga	6.4	0.8
Northern	8	1.4
North Western	5.2	0.3
Southern	11.3	1.5
Western	4.9	0.8

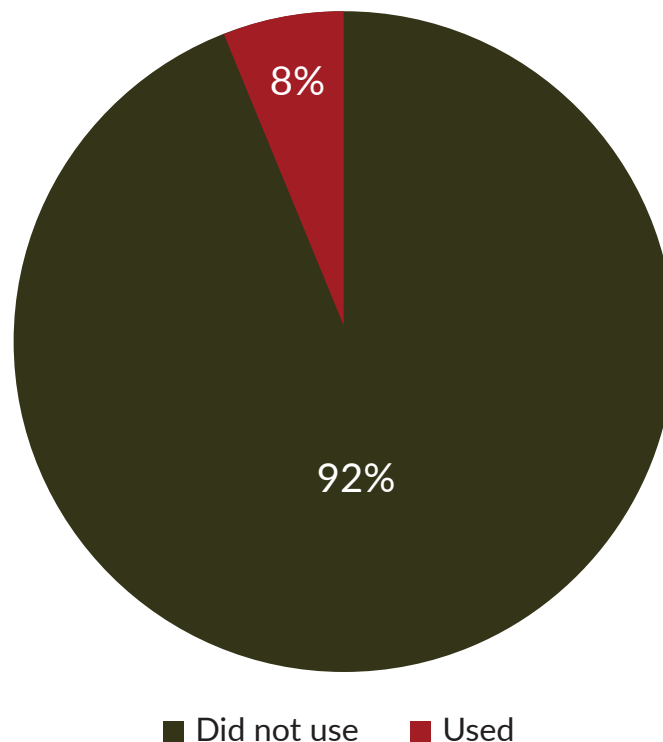
USAGE AND UPTAKE INFORMAL FINANCIAL SERVICES IN ZAMBIA

3.1. CHILIMBA

3.1.1. Uptake among the general population

Generally, there is low utilisation of chilimba in Zambia among the adult population. As shown in Figure 10, only 8 per cent of the adult population in Zambia utilise chilimba compared to 92 per cent of the adult population who do not use these services.

Figure 10: Utilisation of Chilimba services among Zambian adults (%)



3.1.2. Characteristics of the chilimba users

Age: As shown in Figure 11 below, there are significant differences in chilimba utilisation among different age groups of the Zambian population. Among the adult population, those in the 16-25 age group who utilises chilimba are more than any other age group (33.2%). Chilimba services are least used by adults who are 66 years and older (1.4%)

Figure 11: Chilimba usage by age (%)



Gender: As shown in Figure 12, among those who use chilimba, it was observed that there are more females (70.8%) than males (29.2%).

Figure 12: Chilimba usage by gender (%)



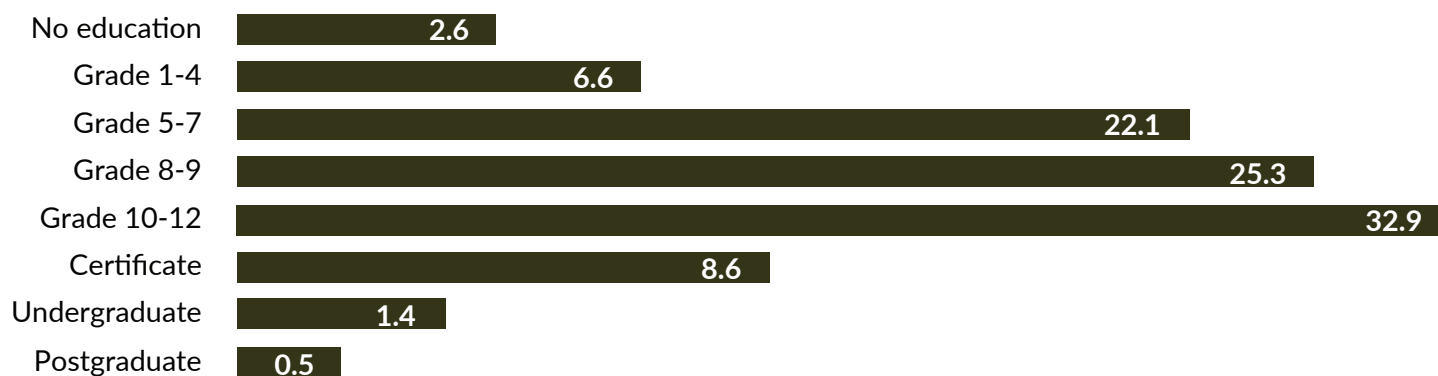
Rural/Urban: As shown in Figure 24, Chilimba utilisation among the Zambian adult population is more in urban areas (73.3%) than in rural areas (26.7%).

Figure 13: Chilimba usage by rural/urban (%)



Education: Among those who are not educated, it is observed that those who utilise chilimba are less (2.6 per cent). For adults that have attained Grade 10-12 level of education, about 32.9 per cent utilise chilimba. Further, the Survey revealed that only 1.4 per cent of adults who have attained undergraduate education level utilise chilimba while 0.5% of those who have reached postgraduate education use chilimba. See Figure 14

Figure 14: Chilimba usage by level of education (%)



Income source/PPI: As shown in Figure 15, Chilimba usage among the Zambian adult population is more prevalent among those who depend on family and friends (26.4%), followed by salaried adults (24%). Chilimba services are least utilised by farmers and others at 3.3 per cent and 1.7 per cent, respectively.

Figure 15: Chilimba usage by source of income (%)



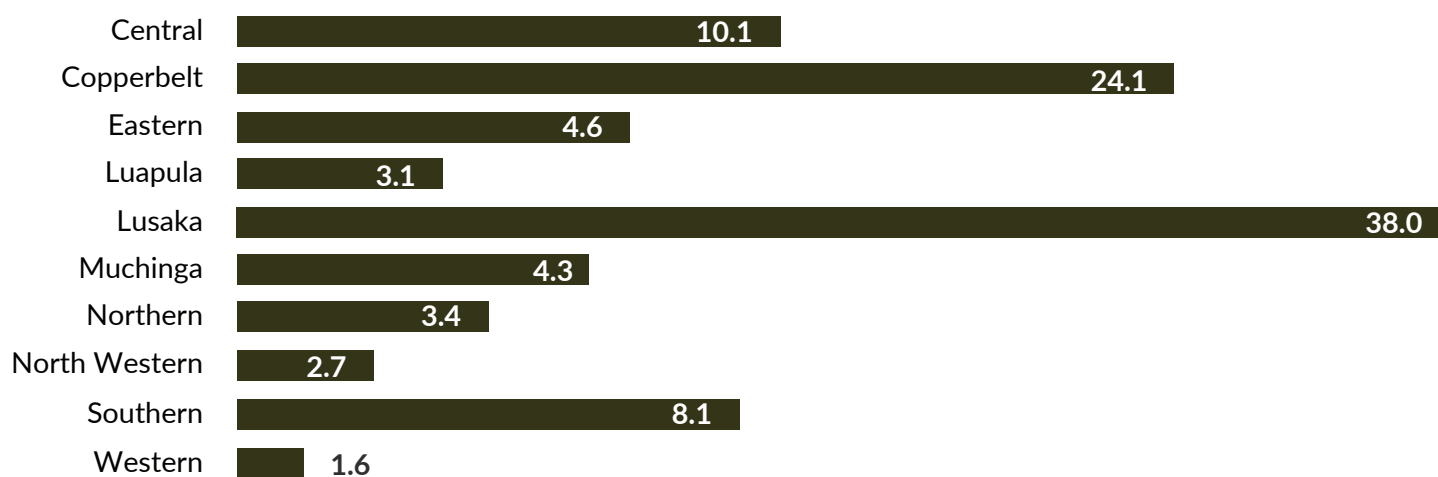
Chilimba usage is more common among adults classified under the middle and affluent categories of the PPI (32.2% and 32.8%). Uptake is low among the richest (PPI 5) at 3.5 per cent. See Figure 16.

Figure 16: Chilimba usage by PPI (%)



Province: As shown in Figure 17, more adults in Lusaka province utilise chilimba (38 per cent) than any other province in Zambia. Chilimba uptake is the least among adults in Western Province at only 1.6 per cent.

Figure 17: Chilimba usage by Province (%)

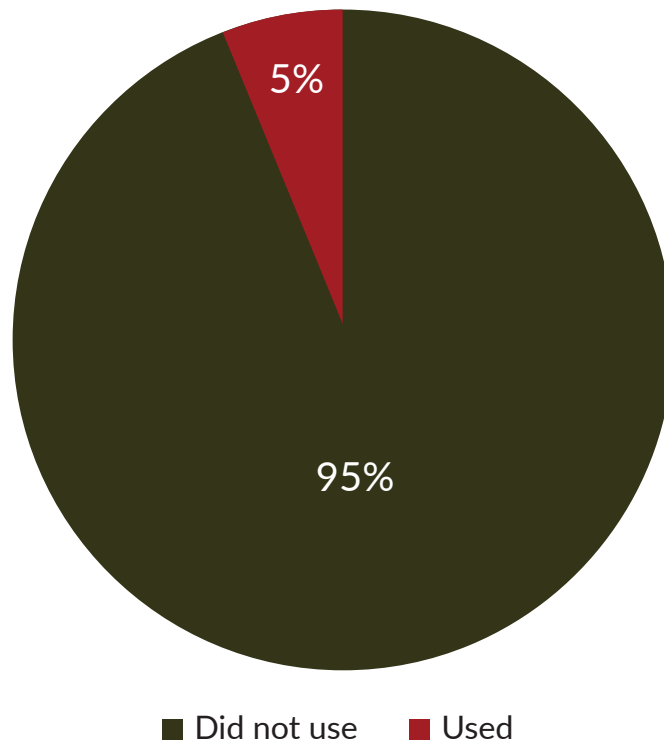


3.2. SAVINGS GROUPS

3.2.1. Uptake among the general population

The 2020 FinScope survey revealed that there is, generally, low utilisation of Savings Groups in Zambia among the adult population. As shown in Figure 18, only 5 per cent of the adult population utilises SGs compared to 95 per cent of the adult population who do not use them.

Figure 18: Overall Use of Savings Groups



3.2.2. Characteristics of the Savings Group Users

Age: As shown in Figure 30 below, there are significant differences in Savings Group utilisation among different age groups of the adult population. Those in the 16-25 age group utilising SGs are more than any other age group among the adult population. The Survey further revealed that SGs services are used more by adults below 45 years (79%). Only a tiny proportion (1.8%) of adults aged 66 years and older use SGs services.

Figure 19: Uptake of Savings Groups by Age (%)



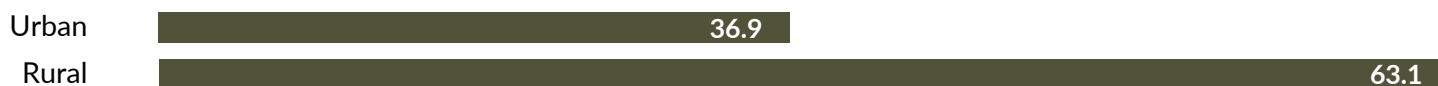
Gender: As shown in Figure 20, among those who use Savings Groups, there are more females (64.3%) than males (35.4%).

Figure 20: Savings Group Uptake by Sex (%)



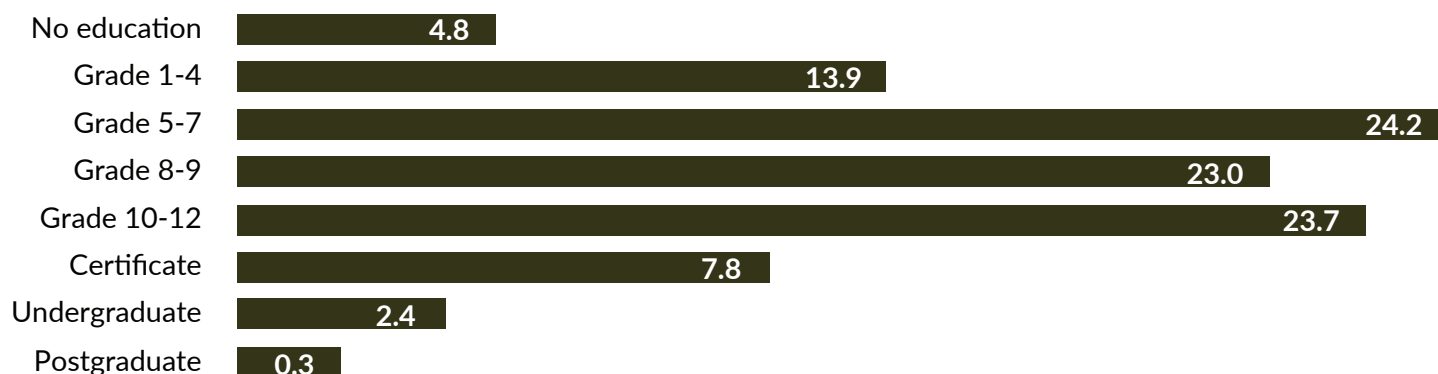
Rural/Urban: There are fewer adults in urban areas (36.9%) than in rural areas (63.1%) utilising SGs services among the Zambian adult population. See Figure 21.

Figure 21: Savings Groups uptake by rural/urban (%)



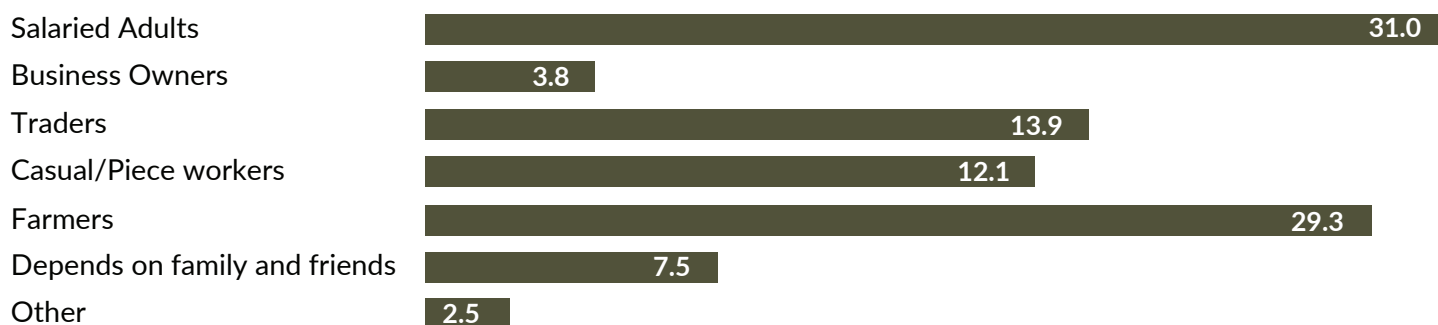
Education: As shown in Figure 22, among those who have no formal education, only 4.8 per cent are utilising SGs services. For adults that have attained grade 10-12 level of education, about 23.7 per cent use SGs services. Furthermore, the survey revealed that only 2.4 per cent of adults that have reached the undergraduate education level utilise Savings Groups compared to 0.3 per cent for those with postgraduate degrees.

Figure 22: Usage of Saving Groups by Education (%)



Income source/PPI: Salaried adults (31%) and Farmers (29.3%) who utilise Savings Groups are more than any source of livelihood among the Zambian adult population. The least utilisation of SGs services was observed among business owners (3.8%) and others (2.5%)— Figure 23.

Figure 23: Savings Groups uptake by source of livelihood (%)

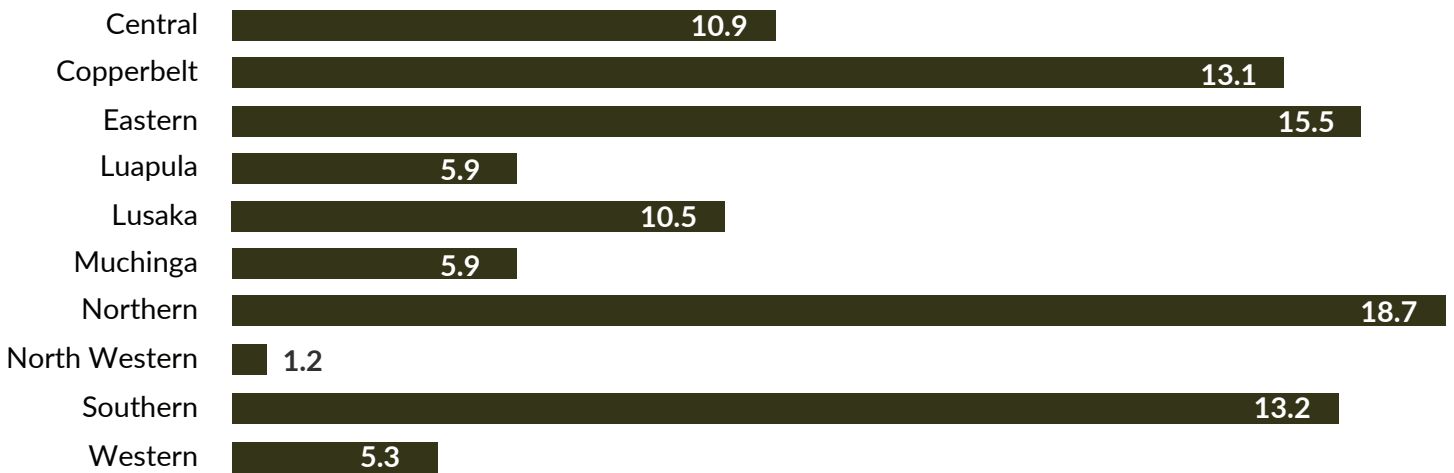


As shown in Figure 24, in PPI 1 category, 26.9 per cent utilise Savings Groups compared to 36.2 per cent recorded in PPI 2, which was the highest proportion among all PPI categories. In PPI 4 and PPI 5, 16.5 per cent and 1.4 per cent are using SGs services.

Figure 24: Usage of Savings Groups by PPI categories (%)

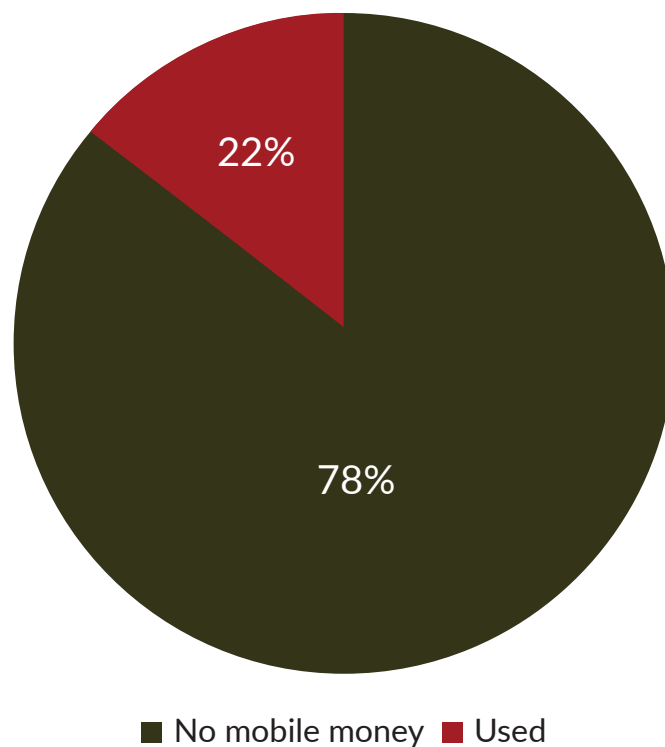


Figure 25: Usage of Saving Groups by province (%)



Mobile money: The 2020 FinScope survey revealed low uptake of Mobile Money services among adults who belong to SGs. As shown in Figure 26, only 22 per cent of the adults who belong to SGs are utilising Mobile Money.

Figure 26: Usage of Mobile Money among Savings Groups



Regarding the frequency of contributions among the SGs members, most of them contribute monthly (44.5%), followed by weekly (28.7%). Figure 27.

Figure 27: Frequency of Savings Groups contributions (%)

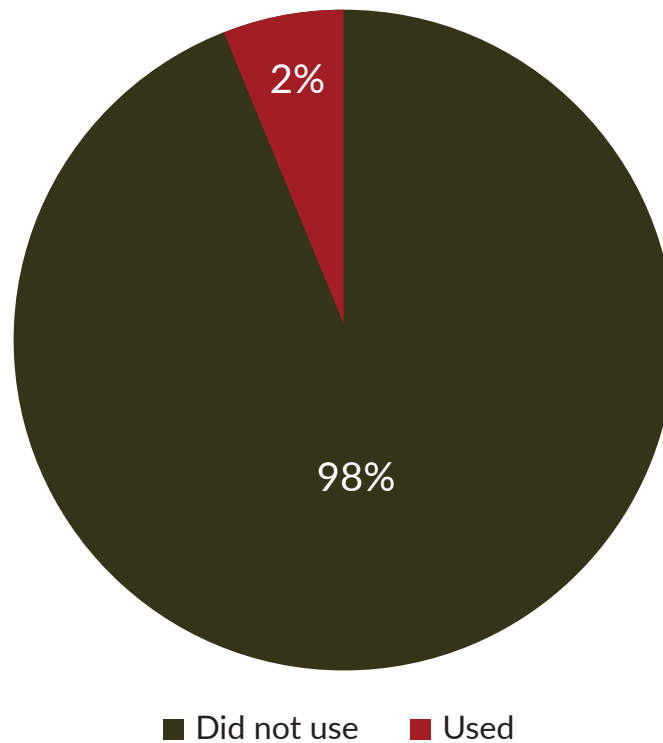


3.3. VILLAGE BANKS

3.3.1. Awareness among the general population

Generally, village banks in Zambia are less utilised among the adult population. As shown in Figure 28, only 2 per cent of the adult population in Zambia are using village banks compared to 98 per cent of the adult population who do not utilise these services.

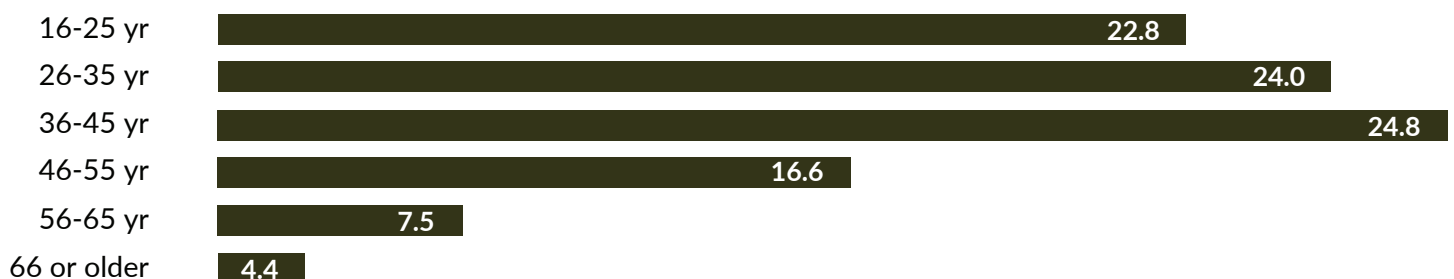
Figure 28: Overall usage of village banks



3.3.2. Characteristics of village bank users

Age: In Zambia, there are significant differences in terms of village bank utilisation among the adult population. Those in the 36-45 years age group utilise village banks more than any other age group among the adult population. Like SGs, Village Banks are less used by 66 yrs and older (4.4%). See Figure 29.

Figure 29: Usage of village banks by age (%)



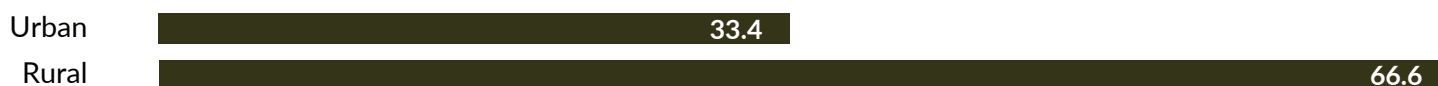
Gender: As shown in Figure 20, among those who use Savings Groups, there are more females (64.3%) than males (35.4%).

Figure 30: Usage of village banks by gender (%)



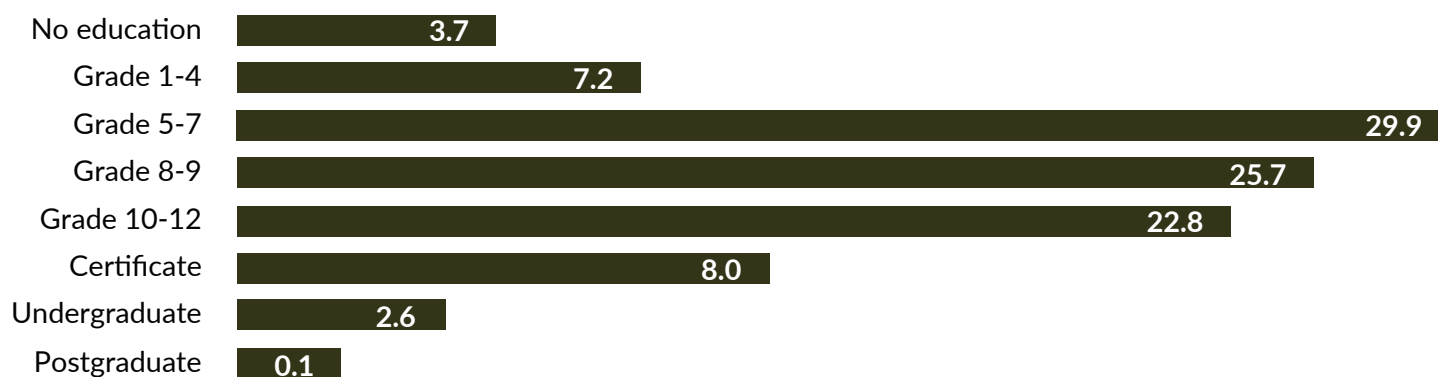
Rural/Urban: As shown in Figure 42, there are fewer adults in urban areas (33.4 per cent) than those in rural areas (66.6 per cent) utilising the services of Village Banks.

Figure 31: Usage of village banks by rural/urban (%)



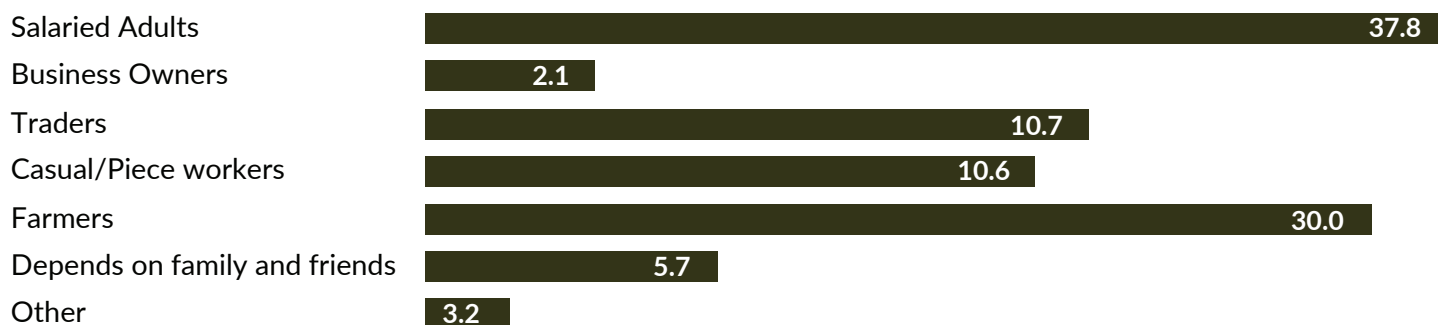
Education: Village banks' services are utilised more by the Zambian adult population who have only attained grades 5-7 (29.9%) than any other education category. This is followed by those who have only attained grades 8-9 at 25.7 per cent. Adults with postgraduate degrees are least utilising Village banks (0.1%). See Figure 32.

Figure 32: Usage of village banks by education (%)



Income source/PPI: As shown in Figure 44, among the salaried adults, those who utilise village banks are more (37.8 per cent) than any other livelihood source. It can also be noted that few business owners (2.1%) are utilising Village Banks' services in Zambia.

Figure 33: Usage of village banks by income source (%)



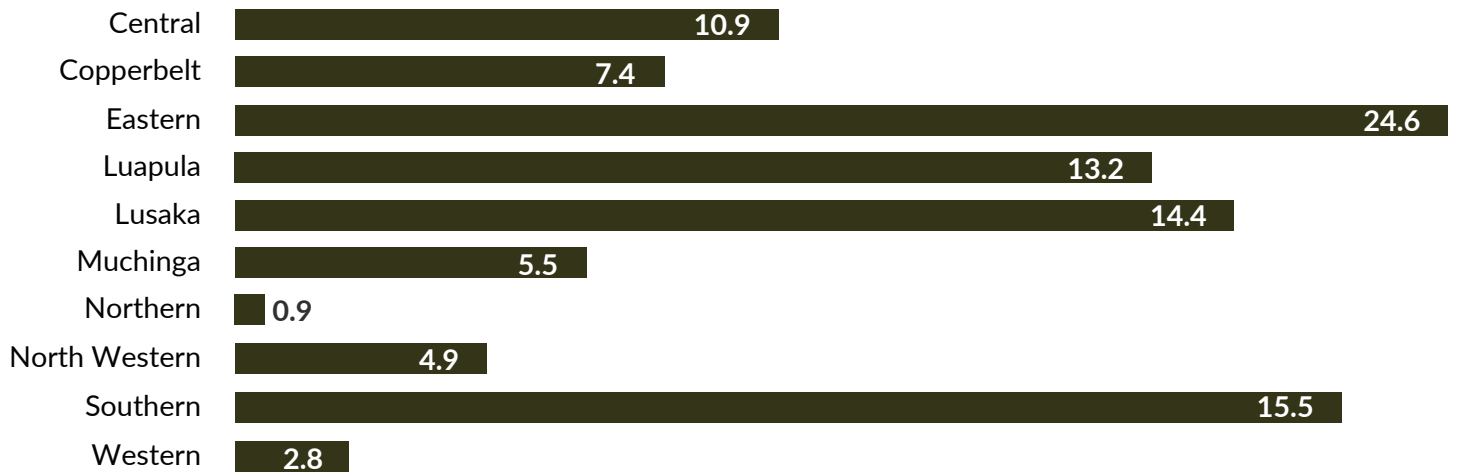
Usage of Villages Banks is common among the poor adult population in Zambia. As seen from Figure 34, the poorest (PPI 1) and poor (PPI 2) account for more than 61 per cent of adults utilising Village Banks.

Figure 34: Usage of village banks by PPI categories (%)



Province: As shown in Figure 46, more adults in the Eastern province utilise village banks (24.6 per cent) than any other province in Zambia. This is followed by Southern Province (15.5%) and Lusaka Province (14.4%). Fewer adults are utilising Village Banks from Northern Province (0.9%).

Figure 35: Usage of village banks by province (%)

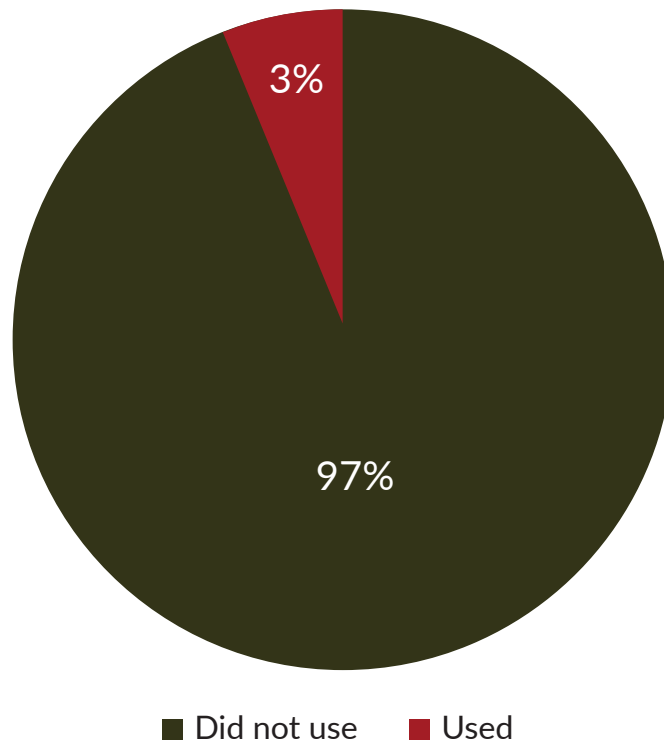


3.4. KALOBA

3.4.1. Uptake among the general population

Generally, there is low utilisation of kaloba in Zambia among the adult population. As shown in Figure 36, only 3 per cent of the adult population in Zambia utilise kaloba services compared to 97 per cent of the adult population who do not use these services.

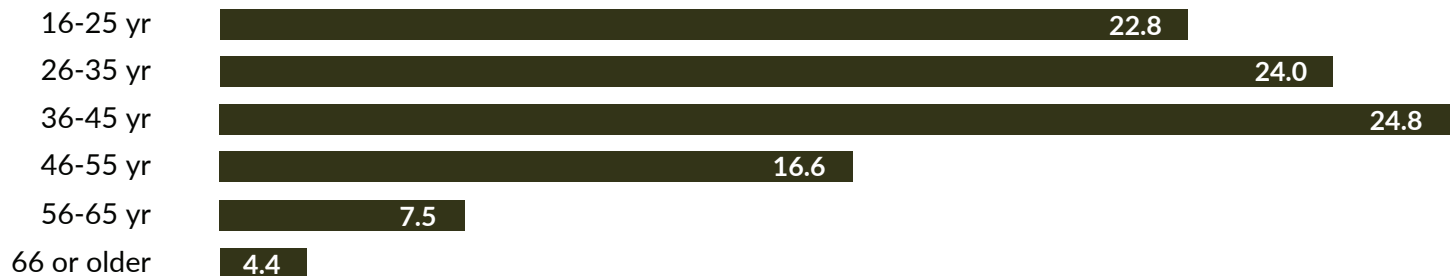
Figure 36: Overall usage of kaloba services



3.4.2. Characteristics of the kaloba users

Age: As shown in Figure 37 below, Koloba usage in Zambia is mainly by the adult population below the age of 45, accounting for 80 per cent. The older adult population above the age of 56 only accounts for less than 10 per cent.

Figure 37: Usage of kaloba by age (%)



Gender: As shown in Figure 38, among those who utilise kaloba, the Survey revealed more males (52.3%) than females (47.7%).

Figure 38: Usage of kaloba by gender (%)



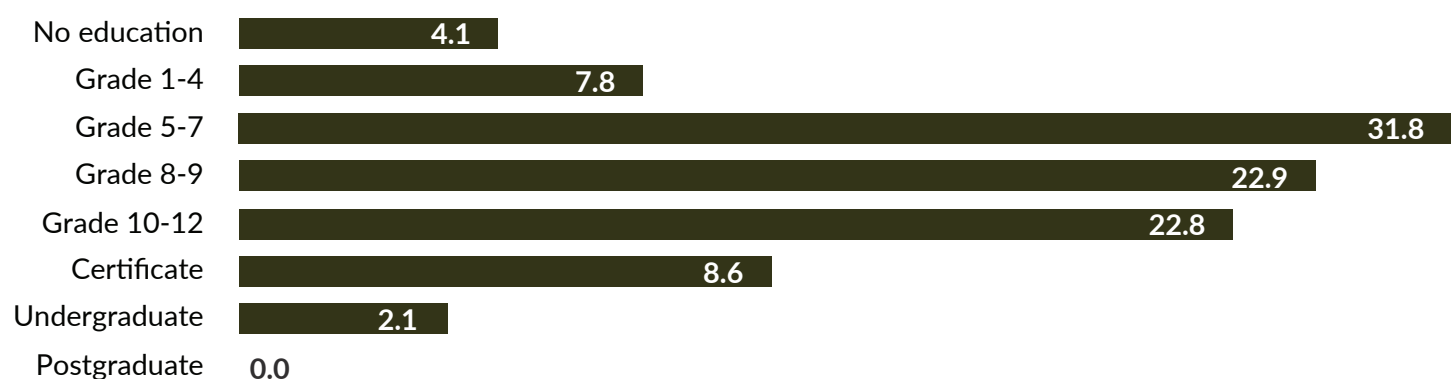
Rural/Urban: As shown in Figure 50, fewer adults in rural areas (47.6%) than those in urban areas (52.4%) utilise kaloba.

Figure 39: Usage of kaloba by rural/urban (%)



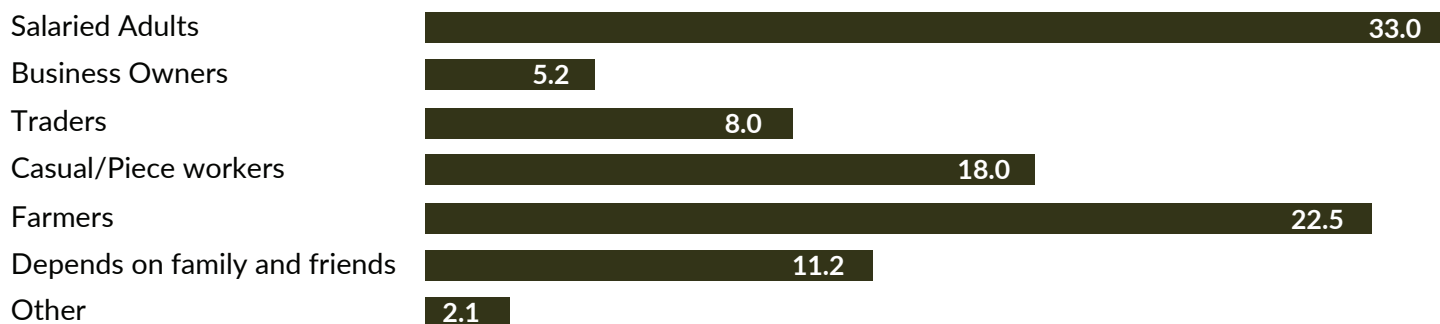
Education: Among those with no formal education, it is observed that those who utilise kaloba are 4.1 per cent. For adults that have attained grade 10-12 level of education, about 22.8 per cent use kaloba. The utilisation of Kaloba services is high among the Zambian adult population who have attained grades 5-7. Furthermore, the Survey revealed that only 2.1 per cent of adults that have attained undergraduate education level utilise kaloba. See Figure 40.

Figure 40: Usage of kaloba by education (%)



Income source/PPI: As shown in Figure 52, more salaried adults (33%) utilise kaloba services than any other income source among the Zambian adult population. Business owners (5.2%) and Others (2.1%) are the least categories in utilising Kaloba services.

Figure 41: Usage of kaloba by income source (%)



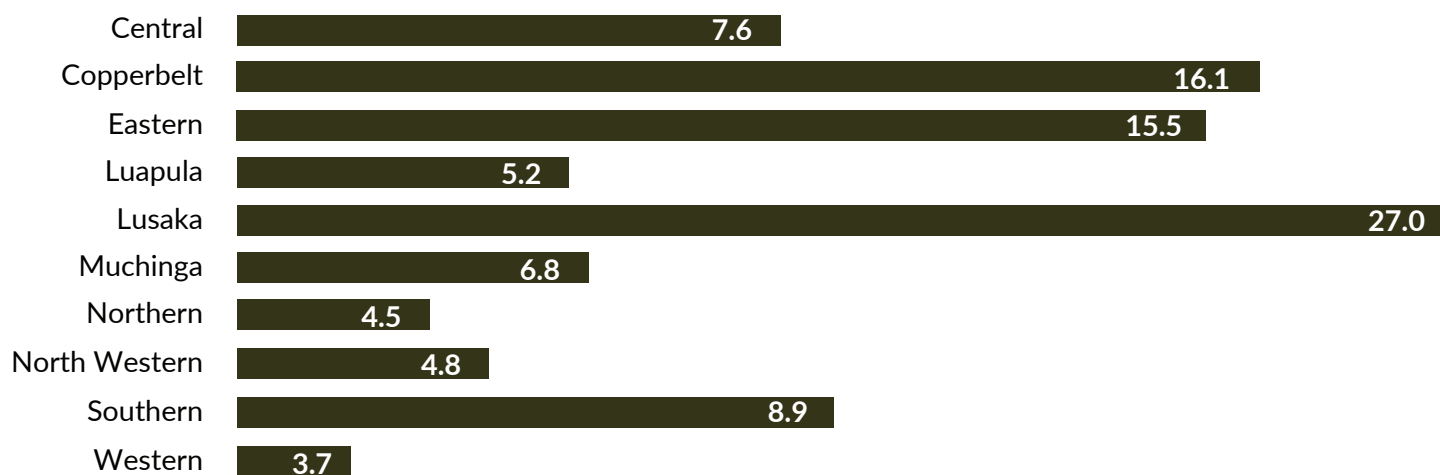
Kaloba services in Zambia are utilised more by the poor adult population (PPI 2), accounting for 31.4 per cent. The 2020 FinScope survey revealed that the wealthiest Zambian adults rarely use Kaloba services, with only 3.1 per cent.

Figure 42: Usage of kaloba by PPI category (%)



Province: As shown in Figure 54, more adults in Lusaka province utilise kaloba (27 per cent) than any other province in Zambia. The least Kaloba utilisation was recorded among adults from Western Province (3.7%).

Figure 43: Usage of kaloba by province (%)



MOTIVES AND BARRIERS OF NOT USING INFORMAL FINANCIAL SERVICES

4.1. CHILIMBA

Drivers of chilimba use: There are several drivers for Zambian women and men to utilise savings groups. As shown in Table 4, saving money is the most significant driver of chilimba utilisation for both men (64.1%) and women (59.2%). Trust for the members is the least important driver for men (0.1%) and women (0.7%).

Table 4: Drivers for chilimba use (%)

Chilimba Drivers	Females	Youths
To save money	59.2	64.1
I can turn to them in financial need and loss	20.7	18.1
They give financial and business advice	4.5	6.3
To borrow money	4.0	4.0
To socialise or meet with friends	4.3	3.3
Other reasons	2.4	3.2
It forces me to save	4.2	1.1
I trust the members	0.7	0.1

Barriers to chilimba use: As shown in Table 5, lack of money to save is the most significant barrier to chilimba utilisation for both men (26.4%) and women (30.2%). The share amount/share price is too high, which is the least significant barrier to chilimba for men (0.1%) and women (0.2%).

Table 5: Barriers to chilimba use (%)

Chilimba Barriers	Females	Males
I do not have any money to save	30.2	26.4
I do not have enough money to save	21.5	20.2
There are no such groups in my community	17.6	15.9
Does not trust them	7.7	9.8
I cannot see the benefits for me	8.2	9.4
I save money on my mobile phone	6.3	8.0
Other reasons	6.0	6.7
Their activities are too time-consuming	1.0	1.8
I get the services they offer from FSPs	0.8	1.1
The share amount is too low	0.7	0.6
The share amount/share price is too high	0.2	0.1

4.2. SAVINGS GROUPS

Drivers of SG use: There are many drivers for Zambian women and men to utilize Servings Groups services. As shown in Table 3, women (54.1 per cent) and men (55.4 per cent) are mainly driven to utilise Savings Group services to save money. The least significant driver for females to use Savings Group services forces them to save (0 per cent of women), while the least significant drivers for the males to utilise Savings Group services are because they trust the members and borrow money (0 per cent of the men).

Table 6: Drivers for savings group use (%)

Saving group drivers	Female	Male
To save money	54.1	55.4
To socialise or meet with friends	8.7	16.5
I can turn to them in financial need	25.5	13.6
Other reasons	1.9	8.5
They give financial and business advice	2.7	4.0
It forces me to save	0.0	2.0
To borrow money	5.8	0.0
I trust the members	1.4	0.0

Barriers to SG use: There are several barriers for Zambian women and men to utilise Savings Groups. As shown in Table 4, lack of money to save is the most significant barrier to SGs utilisation for both men (27%) and women (31.1%). The share amount/share price is too high and is the least significant barrier for men (0.1%) and women (0.2%).

Table 7: Barriers to savings groups use (%)

Saving group barriers	Females	Males
I do not have any money to save	31.1	27.0
I do not have enough money to save	21.3	20.3
There are no such groups in my community	17.4	15.6
Does not trust them	7.8	9.8
I cannot see the benefits for me	8.0	9.3
I save money on my mobile phone	6.1	8.0
Other reasons	5.9	6.6
Their activities are too time-consuming	0.9	1.7
I get the services they offer from FSPs	0.8	1.1
The share amount is too low	0.6	0.5
The share amount/share price is too high	0.2	0.1

4.3. VILLAGE BANKS

Barriers to village bank use: As shown in Table 8, there are many barriers for Zambian women and men to utilise village banks. Lack of resources to save is the most significant barrier to village bank utilisation for men (23.4%) and women (26.6%). The share amount/share price is too high, and the share amount being too low are the least significant barriers for men (0.3%) and women (0.2%).

Table 8: Barriers to village bank use (%)

Village bank barriers	Female	Male
Do not have any money to save	26.6	23.4
Do not have enough money to save	23.5	22.4
There are no such groups in the community	22.1	20.9
I see no benefits for me in what they h	7.0	8.3
I save money on my mobile phone	6.4	8.3
Do not trust them	7.2	8.2
Other, specify	5.1	5.2
Their activities are too time-consuming	1.0	1.5
I get the services they offer from a financial institution	0.7	1.2
Share amount/share price is too high	0.2	0.3
Share amount is too low	0.2	0.3

4.4. KALOBA

Drivers of kaloba use: The primary reason why most Zambian adults use Kaloba is that it offers the quickest access to getting money for men (32.2%) and women (34.9%). This implies that women utilise kaloba more than men. Secrecy, or being sure no one knows about it, is the least significant barrier for men (0.4 per cent) and women (0.5 per cent).

Table 9: Drivers to kaloba use (%)

Kaloba Drivers	Female	Male
Quickest access to money	34.9	32.2
Proximity/convenience	9.5	20.7
Repayment terms suit me	13.2	15.8
Easy/simple to use	15.9	14.8
Other reasons	14.2	7.8
I trust them	8.7	6.0
Low-interest rates	3.1	2.5
Secrecy/I have to be sure no one knows about it	0.5	0.4

Barriers to kaloba use: There are several barriers for Zambian women and men to utilise kaloba. As shown in Table 7, being worried about failure to pay is the most significant barrier to kaloba utilisation for both men (52.1%) and women (55.8%). Not getting a loan because of their current credit is the least significant barrier to kaloba for the men (0.1%) and women (0%).

Table 10: Barriers to kaloba use (%)

Kaloba Barriers	Female	Male
Worried I would fail to pay	55.8	52.1
Do not need to borrow money	14.3	16.0
I do not believe in borrowing	13.4	14.5
Not allowed to borrow by my spouse	7.5	6.9
High-interest rates	2.2	2.5
Do not have security or collateral	2.0	2.5
I do not know where to borrow from	1.9	2.3
The service provider refused me	1.3	1.6
Do not have the correct documentation	0.8	1.0
I do not know how to apply for a loan	0.9	0.7
I cannot get a loan because of my current credit	0.0	0.1

05 CONCLUSIONS AND RECOMMENDATIONS

5.1. CONCLUSIONS

The FinScope 2020 findings indicate that overall informal financial inclusion has declined as the economy moves toward formalisation. The Survey revealed that 32.2 per cent of the adult Zambian population utilises informal financial services relative to 37.9 per cent in 2015. When disaggregated by gender, it was observed that 34.8 per cent of the women use informal financial services more than their male counterparts (29.5%). Further, survey results show that 34.1 per cent of Zambian adults who reside in urban areas use informal financial services compared to 30.6 in rural areas. There is still much work to be done, as several barriers hinder men's and women's informal financial inclusion in Zambia. To ensure improved informal financial inclusion and the impact of these services on consumers, the following are our recommendations:

Supporting income-generating activities: As demonstrated in our key findings, a lack of income/ income-generating activities remains one of the main barriers to utilising most financial services in the market. In this regard, stakeholders should focus on supporting women and rural dwellers in income-generating activities. Without losing the significant components of development work and ensuring sustainability beyond the project lifespan, stakeholders should consider investing more indirect support towards enhancing income-generating activities and wealth-building by the most marginalised segments (women, youth, and rural dwellers).

Continued informal-to-formal financial linkage: As has been established in the literature and this report, those using formal or a combination of the two are more likely to invest in income-generating activities and have better financial health scores. Therefore, stakeholders should continue facilitating informal-to-formal financial service linkage in the market. The proportion of informal groups using formal channels is still minimal but on the rise. On the supply side, financial innovation should be encouraged to ensure that they meet the product expectations of informal financial service users and run the product's costs downwards. The cost of formal products remains an issue that should be addressed, as observed in the prominent barriers to formal service.

Financial capabilities: There is a need to strengthen financial education and awareness programmes among users of informal financial services in the country. This can be done by scaling up current interventions, reviewing their impact and approach and finding other opportunities of ensuring the message is delivered effectively.

Supporting the development of informal services: There should be continued support and scale-up in informal group formation, such as Savings Groups. This report shows that the proportion of excluded individuals is still high relative to other countries. In this regard, stakeholders should lamp up efforts aimed at scaling up SG formation, as the groups act as the first step to financial inclusion.

Information sharing: Financial inclusion stakeholders, especially NGOs, should continue sharing information with policymakers on the relevance of informal services and their needs.

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3. National Strategy on Financial Education NSFE 2012-2017



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