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# Youths and Financial Inclusion in Zambia

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FinScope 2020 Focus Note  
May 2022



# 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](http://www.fsdzambia.org)

**Acknowledgements:** Financial Sector Deepening Zambia Limited (FSD Zambia) acknowledges significant contributions from Rose Namukwai and Tendai Madondo

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**Disclaimer:** This document is part of a larger effort by FSD Zambia to provide insights into inclusive finance for enhanced decision-making and a more significant impact. Such materials address challenges in both financial inclusion and linkages between the financial and real sectors. Use of any part or all the information in this document should acknowledge FSD Zambia. Any queries on rights and permissions should be addressed to FSD Zambia via email [info@fsdzambia.org](mailto:info@fsdzambia.org).

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# LIST OF ABBREVIATIONS

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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
UNCDF	United Nations Capital Development Fund

# EXECUTIVE SUMMARY

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**Profile of the youth in Zambia:** In the 2020 FinScope, it is observed that the youth are in the majority of the Zambian adult population at 63 per cent, and a larger proportion (64.6 per cent) live in urban areas. The Zambian youth are relatively more educated than older adults. Regarding economic status, youths are highly dependent on an irregular income, casual piece works, and family and friends.

**Financial inclusion among the youths in Zambia:** This report shows that the overall financial inclusion gap between the youth and older adults stands at 4.9 per cent. Focusing on the use of specific financial services, the following are the key findings:

**Banking:** Older adults (24.1%) than youths (18.7%) are banked across all variables (rural/urban, level of PPI). The most significant barrier to unbanked youths and older adults opening a bank account is the perception of insufficient money to justify a bank account.

**Savings and investments:** The percentage of youths' savers (60.7%) is lower than that of older adult savers (71.1%). The most significant proportion of youths (67.9%) and older adults (81.9%) savers fall in the richer/richest PPI category compared to any other category. Saving to help with regular expenses is the most significant driver of saving for both older adults (42.8%) and youths (44.2%).

**Borrowing and credit:** Older adults (22.9%) are more likely to borrow than youths (20.6%). About 22.1 per cent of youths and 27 per cent of older adults in the richer/richest category opt to borrow more than those in any other PPI category. It is also observed that youths in rural areas borrow more than those in urban areas, while older adults in urban areas borrow more than those in rural areas. Not managing to pay back is the most significant barrier to Borrowing for both youths (55.7%) and older adults (59.8%), while borrowing to meet living expenses is the most significant driver of borrowing for both older adults (54%) and youths (55.1%).

**Insurance:** Older adults (9.2%) use insurance services compared to 4.7 per cent of youths. The number of insured older adults and youths in urban areas is higher compared to those in rural areas. Never heard of it is the most significant barrier to insurance utilization for both older adults (41.8%) and youths (40.1%), while older adults are driven to utilize insurance mainly because they cannot afford to lose things (15.7% of older adults).

**Remittances:** About 69.1 per cent of the youths make DFS remittances compared to 73.8 per cent of older adults. Older adults and youths in urban areas make DFS remittances more than those in rural areas.

**Mobile money:** Fewer youths (58%) use mobile money services compared to older adults (59%). Most youths (84.8%) and older adults (88.8%) who use mobile money services are in the richer/richest category compared to any other PPI category. Not having a mobile phone is the most significant barrier to mobile money utilization for both older adults (36.8%) and youths (43.3%), while receiving money from another person is the most significant driver of mobile money utilization for both older adults (31.1%) and youths (34.3%).

**Informal mechanism:** Older adults (40.2%) in comparison of the youth (30.8%) utilize informal financial services. The majority of youths that utilize informal services fall in the richer/richest category (34.3%)





# INTRODUCTION

This report aims at identifying and addressing age-oriented (being youths) financial inclusion inequalities. This is achieved through acknowledging financial service utilisation differences between the population segments (older adults and youths) based on the unequal distribution of resources, opportunities, constraints, and socio-economic status. Further, the report seeks to demonstrate the impact of financial inclusion initiatives over the years and support informed youths-focused intervention design and implementation by financial inclusion stakeholders. The analysis produced in this report is based on 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 financial sector regulators with strategic information regarding market opportunities and the financial services that different markets need. This 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).

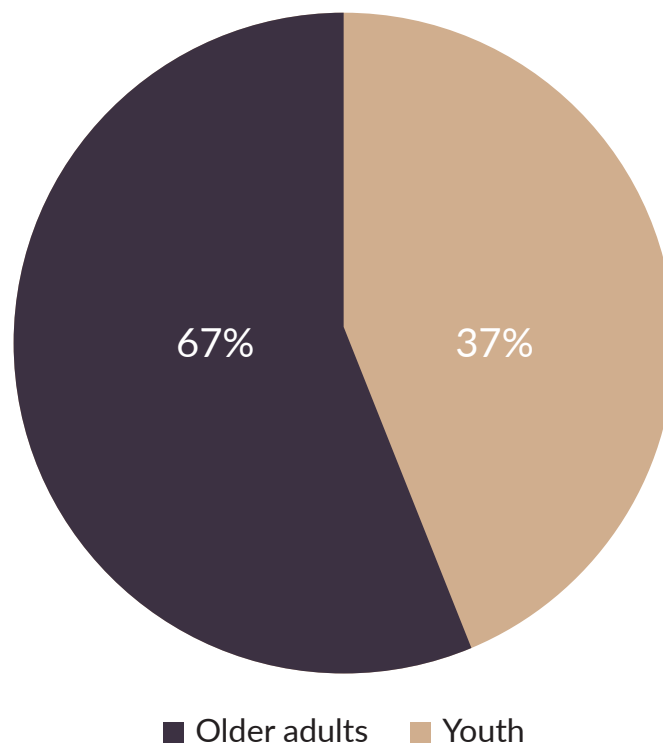


# SOCIOECONOMIC AND DEMOGRAPHIC PROFILES

## 2.1. YOUTHS/OLDER ADULTS' SOCIO-ECONOMIC DEMOGRAPHIC DISTRIBUTION

In our study, the youth are the individuals in the population that are 35 years and younger, while those above 35 are categorised as older adults. Figure 1 below clearly shows that there are significant differences in terms of the demographic profile of youths and older adults. Figure 1 shows more youths (63%) than older adults (37%).

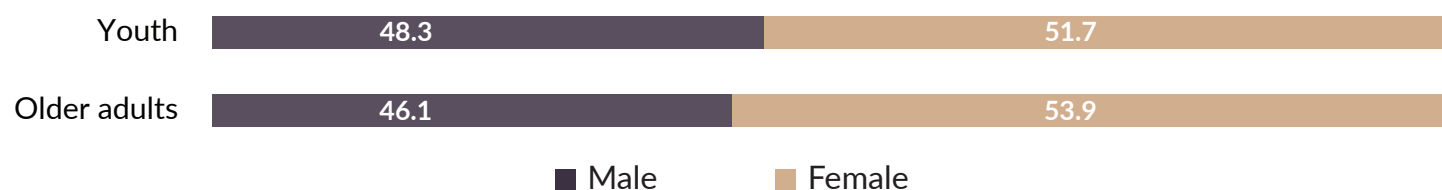
*Figure 1: Youths/older adults' distribution by age*



### 2.1.1. Youths/Adults' Distribution by Gender

As shown in Figure 1, about 53.7 per cent of the older adults are females, while 46.3 per cent are males. On the other hand, 51.4 per cent of the youths are females relative to 48.6 per cent of males.

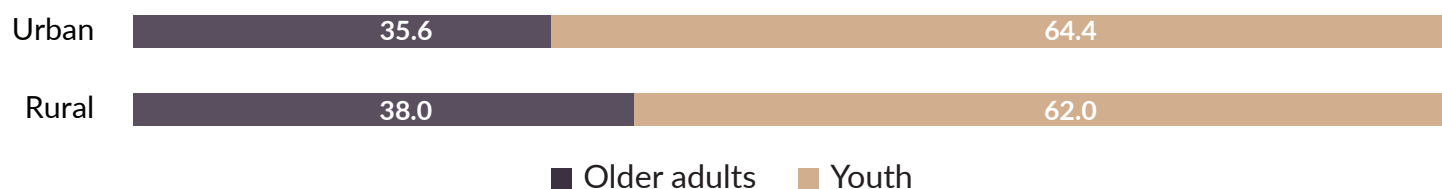
Figure 2: Youths/adults' distribution by gender (%)



### 2.1.2. Youths/Adults' Distribution by Geographic Location (Rural/Urban)

Figure 3 shows that, out of the total adult population of 9.5 million, there are more youth than older adults in rural and urban areas. In rural areas, 62.0 per cent are youths relative to 38.0 per cent of older adults, while in urban areas, 64.4 per cent are youths relative to 35.6 per cent of older adults.

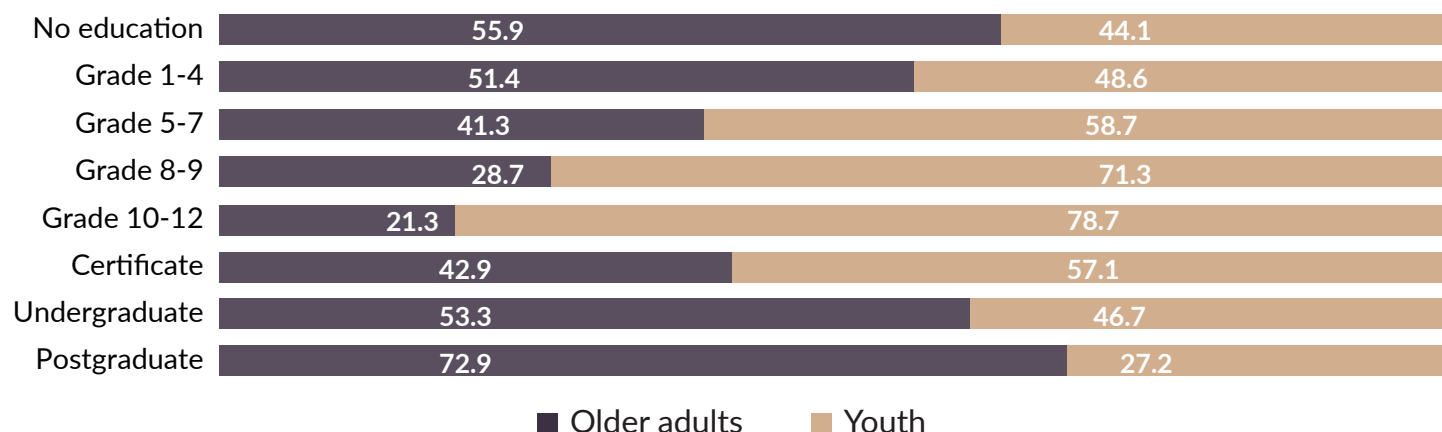
Figure 3: Youths/adults' distribution by geographic location (rural/urban) (%)



### 2.1.3. Youths/Adults' Distribution by Education

As shown in Figure 4, the education profile of youths and older adults is also skewed. Youths are less likely to have no formal education compared to older adults, 44.1 per cent to 55.9 per cent, respectively. A higher proportion of youths (78.7%) have enrolled for grades 10-12, relative to older adults (21.3%). Further, the Survey revealed that youths are less likely to have a postgraduate degree (27.2%) compared to older adults (72.9%).

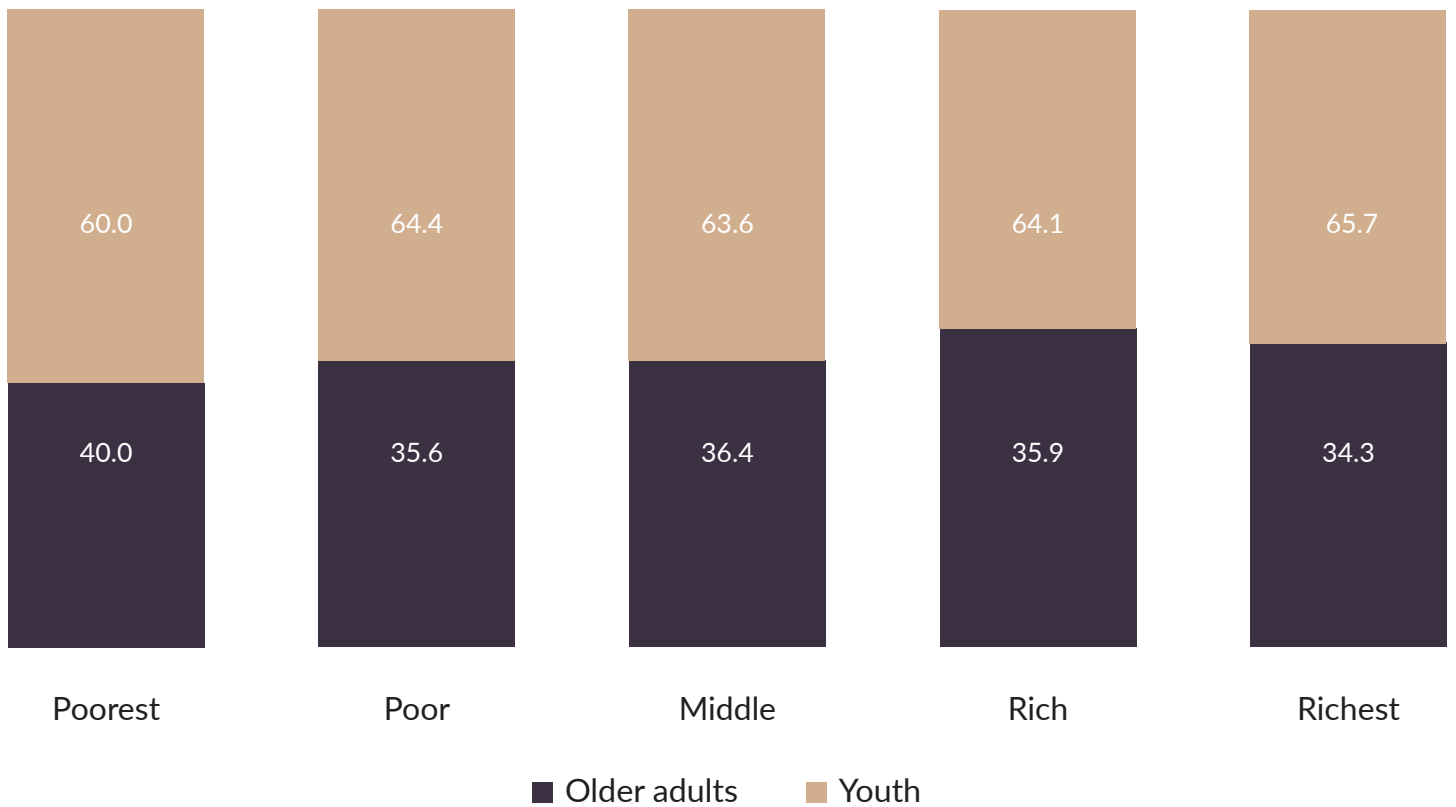
Figure 4: Women distribution by education



### 2.1.4. Youths/Adults' Distribution by PPI Groups

As shown in Figure 5, for the Zambian adult population in the poorest category (PPI 1), about 60 per cent are youths relative to 40 per cent of older adults. Furthermore, a greater proportion of youths (65.7%) are in the richest category compared to older adults (34.3%). A similar distribution was observed in all other PPIs, where more than two-thirds are youths.

Figure 5: Distribution of adults by PPI categories



### 2.1.5. Youths/Adults' Distribution by Income Source

The 2020 FinScope survey revealed that more youths depend on families and friends (33%), followed by farming (23%), while a smaller proportion is business owners. The source of the income distribution of youths is different when compared to older adults, where the majority fall in the salaried category (30%). See Figure 6.

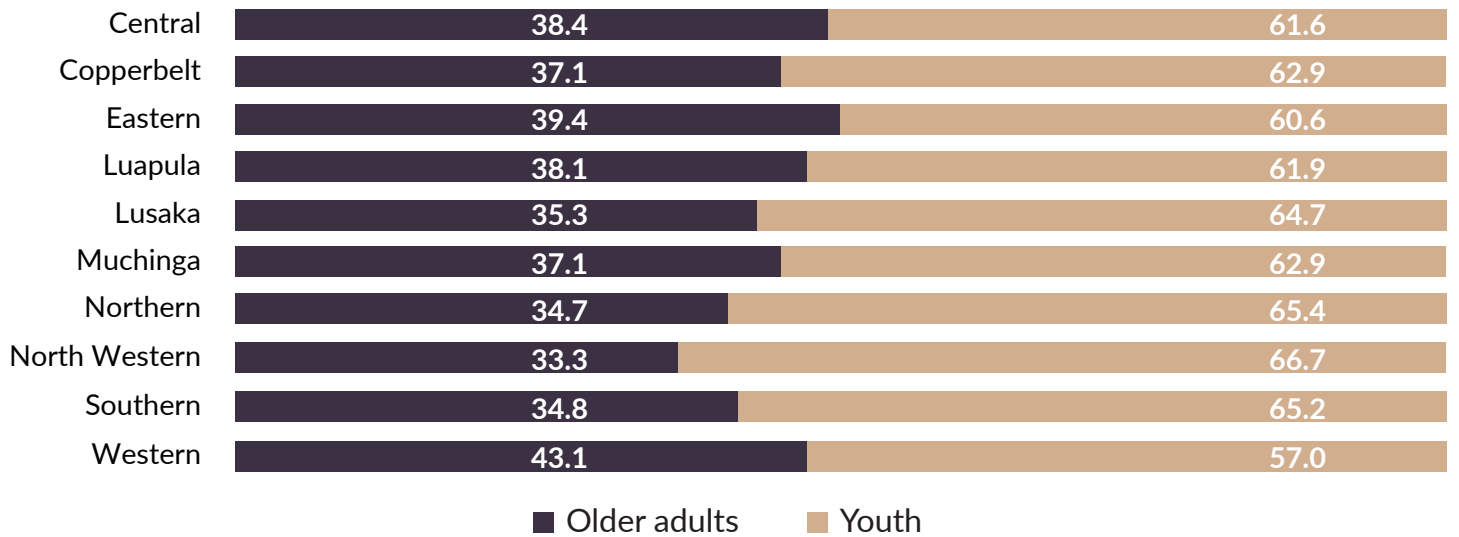
Figure 6: Distribution of source of livelihood and youths/older adults (%)



### 2.1.6. Youths/Adults' Distribution by Province

As shown in Figure 7, the proportion of youths relative to older adults in all the provinces is high, with the highest being North-Western province, which has 66.7 per cent of youths relative to 33.3 per cent of older adults. Western province has the lowest proportion of youths, with 57 per cent of youths relative to 43.1 per cent of older adults.

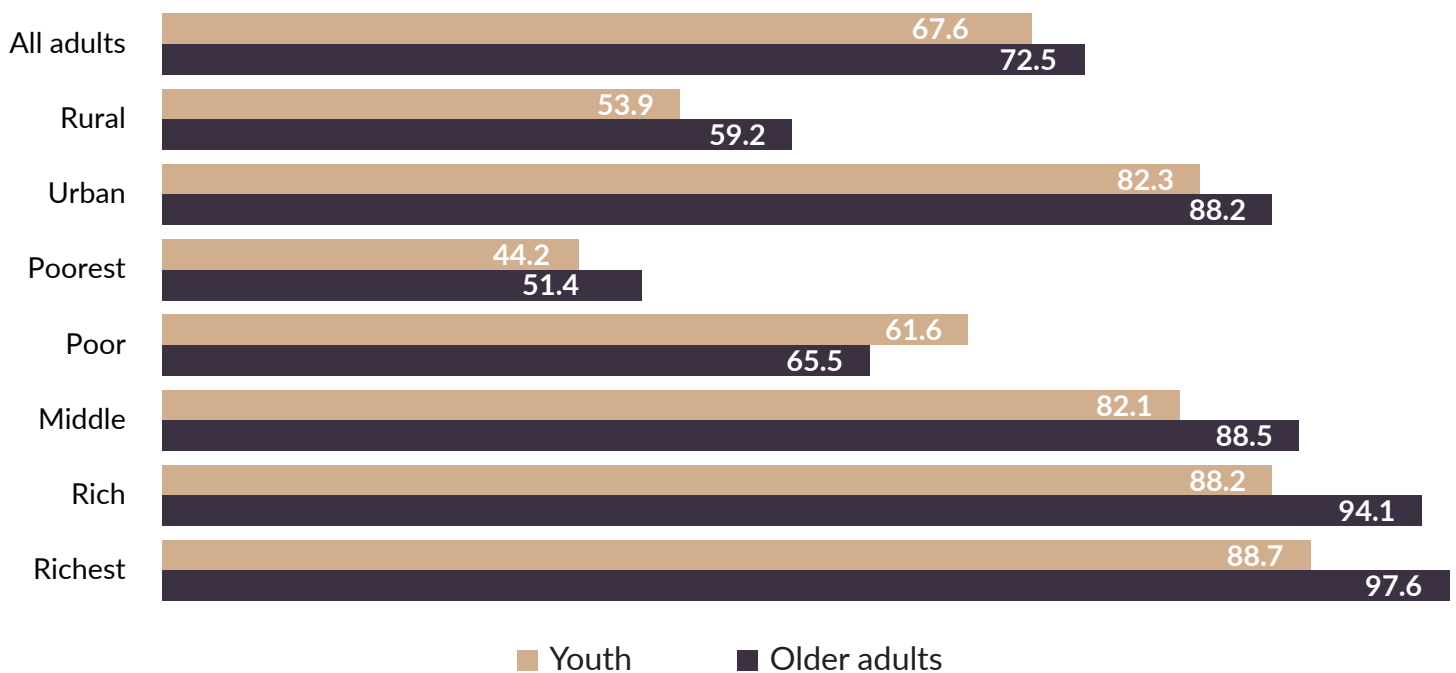
Figure 7: Youths/adults' distribution by province (%)



# WOMEN/MEN FINANCIAL INCLUSION IN ZAMBIA

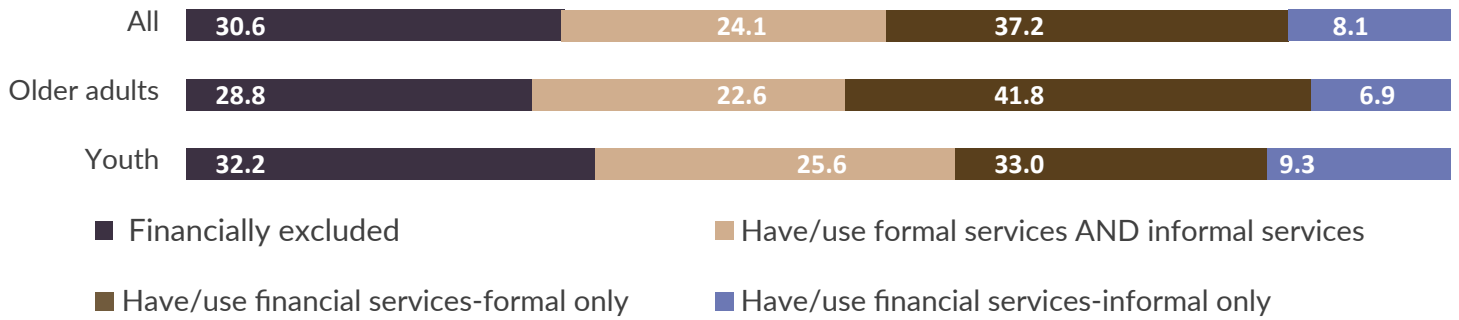
In recent years, financial inclusion in Zambia has been on the rise. FinScope 2015 found that 60 per cent of adults were financially included, while in 2020, about 69.4 per cent of Zambian youths and older adults experienced some level of financial inclusion. Figure 8 clearly shows that older adults have an advantage over youths, as 72.5 per cent of older adults are included compared to 67.6 per cent of youths. Furthermore, Figure 8 indicates that less than the least financially included youths are in the poorest category (44.2%) compared to other PPI categories. Of the total individuals in rural areas, 53.9 per cent of youths are financially excluded compared to 59.2 per cent of older adults. In urban areas, 82.3 per cent of youths are financially excluded compared to 88.2 per cent of older adults. In urban areas, 82.3 per cent of youths are financially excluded relative to 88.2 per cent of older adults. This shows that Zambia's poorest rural youths are the most excluded group.

Figure 8: Levels of financial inclusion by Youths/Older adults in Zambia (%)



According to FinScope 2015, the access strand showed that youths were more likely than older adults to be financially excluded across formal and informal services. This is consistent with our findings, as illustrated in Figure 43 below. About 32.4 per cent of the youths compared to 27.5 per cent of the older adults are excluded. Figure 43 further illustrates an overlap between those that use both formal and informal financial services, with 22.3 per cent of youths and 27.3 per cent of older adults utilizing both informal and formal services. Similarly, more youths (38.4 per cent) than older adults (35 per cent) use formal financial services only. Finally, we observe that older adults (10.2 per cent) use informal financial services more than the youths (6.9 per cent).

Figure 9: Financial Access Strands youths and older adults (%)

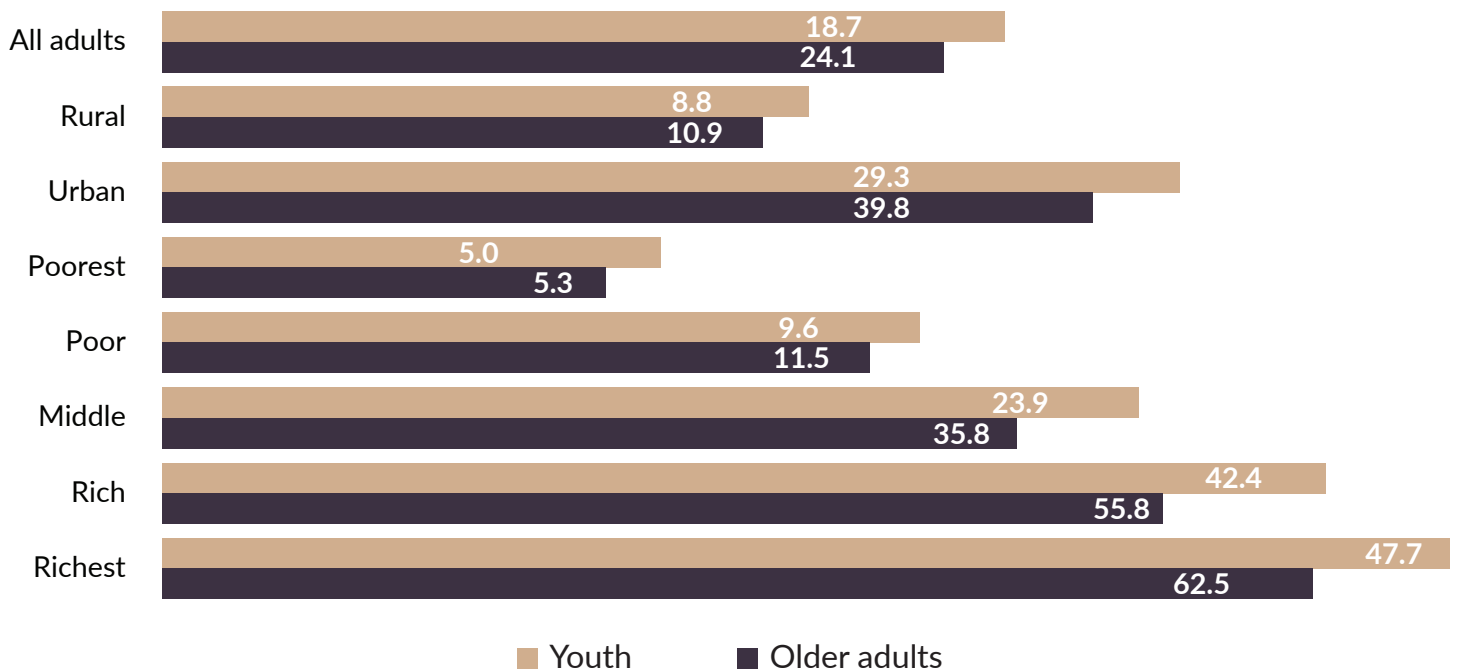


### 3.1. YOUTHS/OLDER ADULTS USE FORMAL FINANCIAL SERVICES.

#### 3.1.1. Banking

As shown in Figure 10, the proportion of youths who use banking services is less compared to older adults. At the national level, about 20.7 per cent of adult Zambians are banked (those who use bank services)<sup>1</sup>. Older adults (24.1%) than youths (18.7%) are banked across all variables (rural/urban, level of PPI). Similarly, older adults and youths at higher PPI levels exhibit the highest rate of being banked; and rural populations are at a disadvantage compared to their urban counterparts.

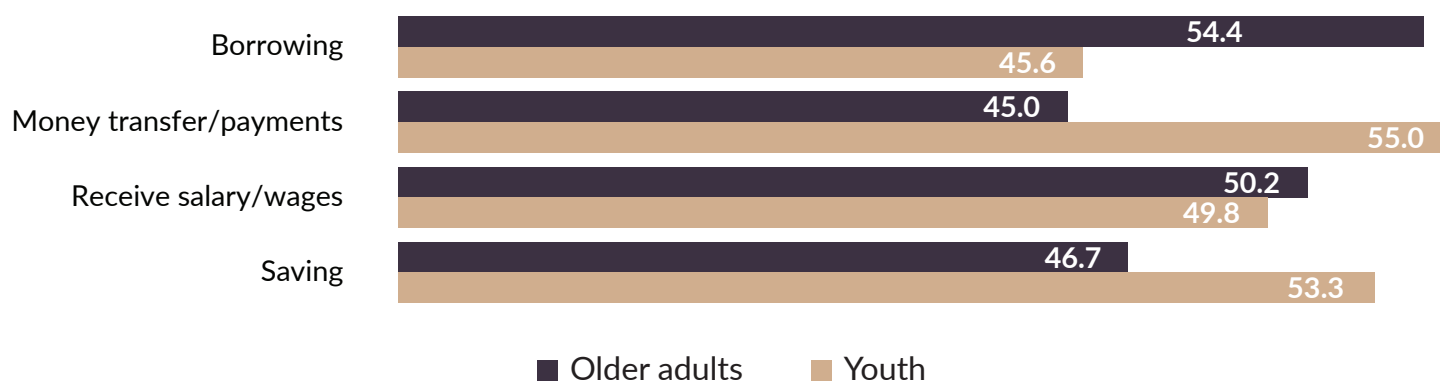
Figure 10: Percentage of banked youths and older adults



**Banking services used - youths and older adults:** Figure 11 below shows several bank services used by youths and older adults. Most youths are more likely to use banks for money transfers/payments (55%) than any other service; this is the least utilized service by older adults (45%). Older adults primarily utilize banks for borrowing (54.4%), while this is the least utilized service by the youths (45.6%).

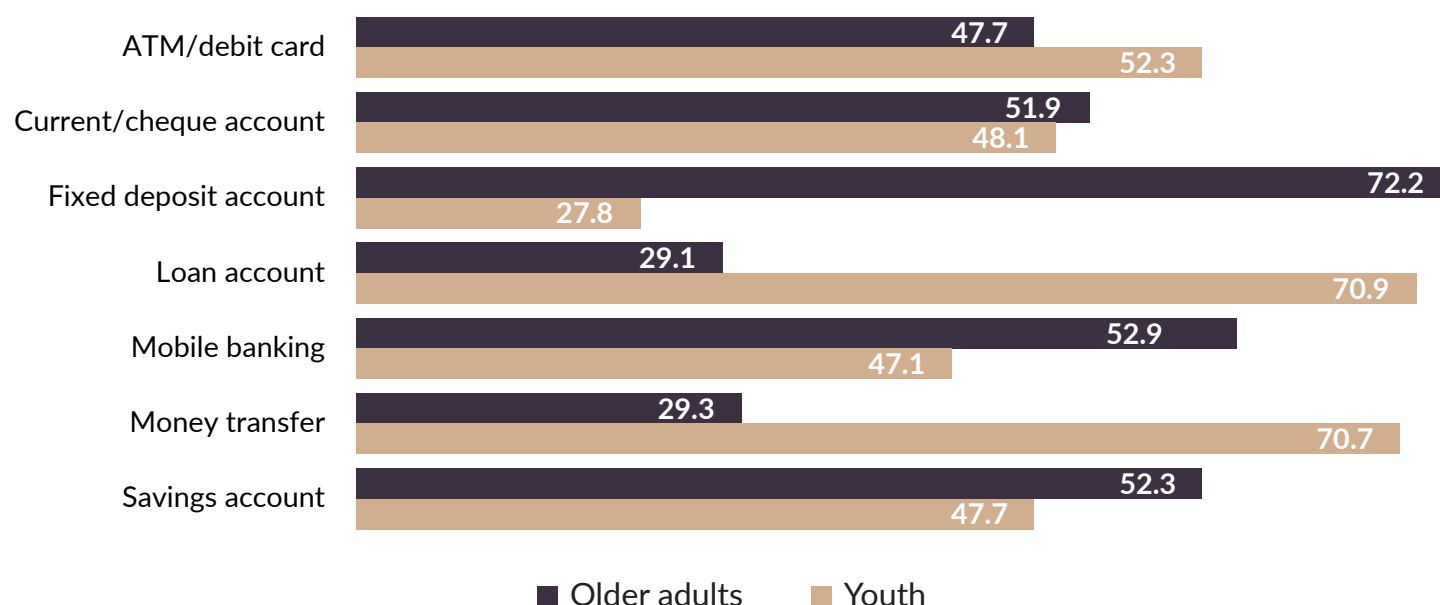


Figure 11: Bank services utilization by youths and older adults (%)



**Specific banking products - youths and the older adult:** Figure 12 below shows that youths and older adults use a number of specific bank products. The youths' most utilized specific bank product is having a loan account (70.9%), which turns out to be the lowest utilized bank product by the older adults (29.1%). The youths least utilize fixed deposit accounts (27.8%), which turns out to be the most utilized

Figure 12: Specific bank products used by youths and older adults (%)



**Banking services barriers:** According to the FinScope 2015 study, the most significant barrier to unbanked adults opening a bank account is the perception of insufficient money to justify a bank account. As shown in Table 1, the findings in the FinScope 2015 are consistent with the 2020 findings, as this is the main barrier for both older adults (35.7%) and youths (37.1%). Getting permission from someone to open an account is the least significant barrier to banking for unbanked youths (0.4%). In comparison, the least significant barrier for unbanked adults is a lack of trust in banks (1.3%).

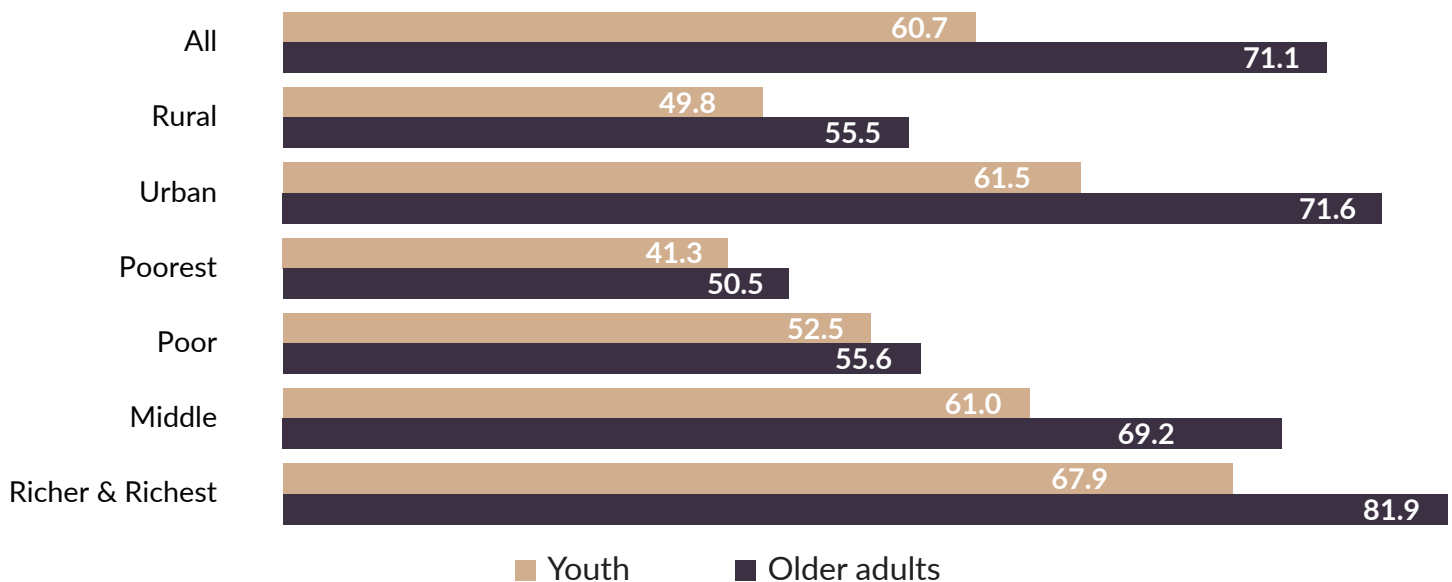
**Table 1: Barriers to banking for youths and adults (%)**

Youths' Barriers to Banking	Older adults	Youths
Insufficient money to justify it	35.7	37.1
Banks are too far	22.4	20.4
Cannot maintain the minimum balance	13.1	11.9
Bank service charges are too high	9.0	7.6
Does not understand the benefits of	8.8	7.7
Does not have the documentation requested	3.4	6.0
Does not know how to open a bank account	3.3	4.4
Bank products are complicated	2.2	2.4
Do not trust banks	1.8	1.3
Need permission from someone to open an account	0.4	1.4

### 3.1.2. Saving and Investments

The percentage of older adult and youth savers today stands at 57.8 per cent<sup>2</sup>. Figure 13 shows that the proportion of older adult savers is generally high compared to the youths. The percentage of youth savers (60.7%) is lower than the percentage of older adult savers (71.1%). The greater proportion of youths (67.9%) and older adults (81.9%) savers fall in the richer/richest PPI category compared to any other category. The percentage of urban savers for older adults and youths is higher than that of rural savers.

**Figure 13: Saving practices youths and older adults (%)**



**Saving and investment drivers:** As shown in Table 2, saving to help with regular expenses is the most significant driver of saving for both older adults (42.8%) and youths (44.2%). Saving for farming/fishing purposes is the least significant driver for the youths (8.5%), while saving for business purposes is the least significant driver for the older adults (9.0%).

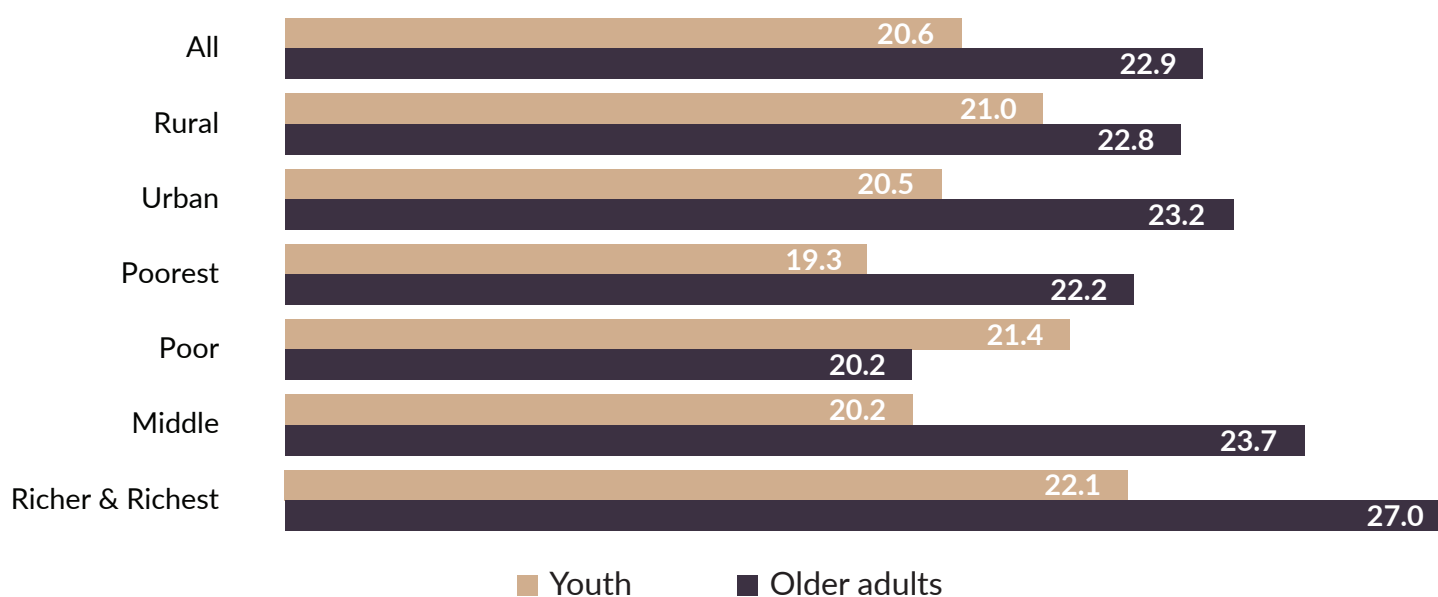
**Table 2: Drivers of Saving and Investment (%)**

Drivers to savings and investment by	Older adults	Youths
Help you with regular expenses	42.8	44.2
Cope with unexpected expenses	22.0	20.0
Farming/fishing purposes	13.2	8.5
Other developmental purposes	13.0	16.4
Business purposes	9.0	10.9

### 3.1.3. Borrowing and credit

The 2020 FinScope Survey revealed that about 21.6 per cent of older adults and youths that borrow had money 12 months prior to the Survey. A greater proportion of adults in Zambia avoid borrowing due to several reasons. Older adults (22.9%) are more likely to borrow than youths (20.6%). About 22.1 per cent of youths and 27 per cent of older adults in the richer/richest category opt to borrow more than those in any other PPI category. The Survey further illustrates that youths in rural areas borrow more than those in urban areas, while older adults in urban areas borrow more than those in rural areas.

**Figure 14: Percentage of youths and older adults who borrowed in the prior 12 months.**



**Borrowing and credit drivers:** There are several drivers for Zambian youths and older adults to borrow. As shown in Table 3, borrowing to meet living expenses is the most significant driver of borrowing for both older adults (54%) and youths (55.1%). Borrowing for other developmental purposes is the least significant driver for borrowing for the youths (5.5%) and older adults (5.8%).

**Table 3: Drivers for borrowing for youths and adults (%)**

Drivers borrowing	Older adults	Youths
Living expenses	54.0	55.1
Cope with unexpected expenses	16.4	20.2
Business purposes	15.0	12.6
Farming	8.8	6.6
Other developmental purpose	5.8	5.5

Borrowing and credit barriers: As shown in Table 4, anticipating failure to pay back is the most significant barrier to borrowing for both youths (59.9%) and older adults (54.6%). Borrowing being too expensive is the least significant barrier to borrowing for the youths (2%), while lack of collateral or bad credit history is the least significant barrier to borrowing for older adults (3.5%).

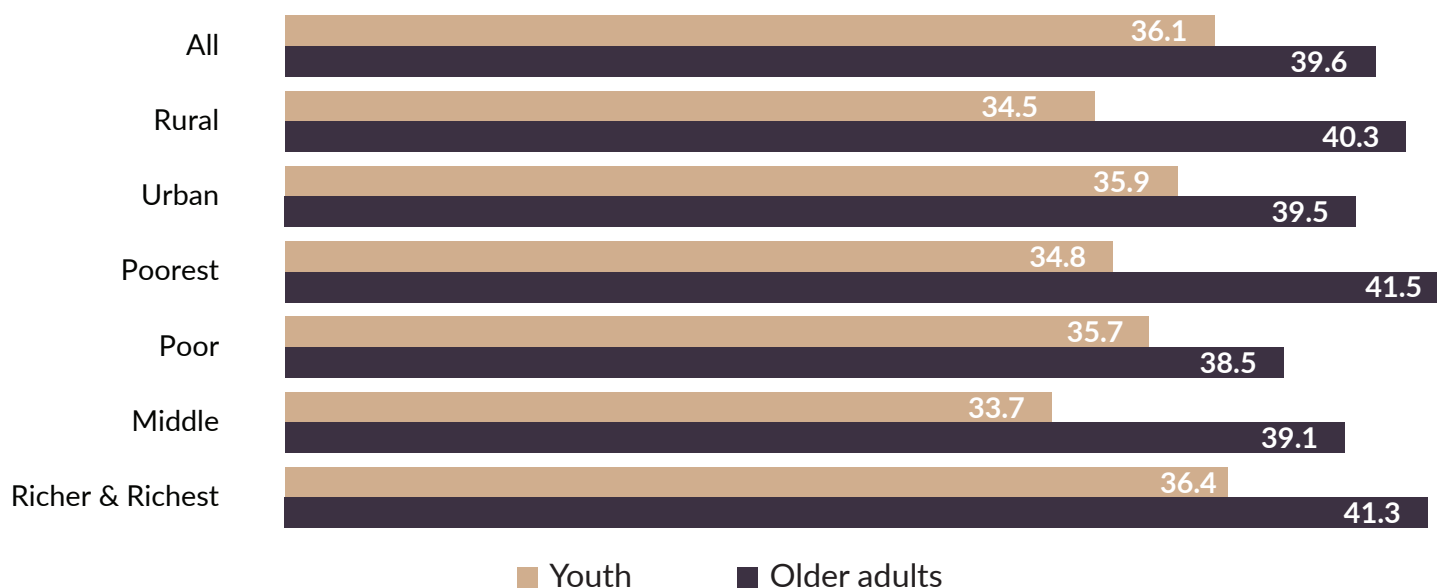
**Table 4: Barriers to borrowing for youths and adults (%)**

Barriers borrowing	Older adults	Youths
Will not manage to pay back	54.6	59.9
No need to Borrow	34.3	31.2
Do not know where to borrow money from	4.1	2.9
Too expensive	3.6	2.0
No collateral/bad credit history	3.5	4.0

### 3.1.4. Insurance and Risk

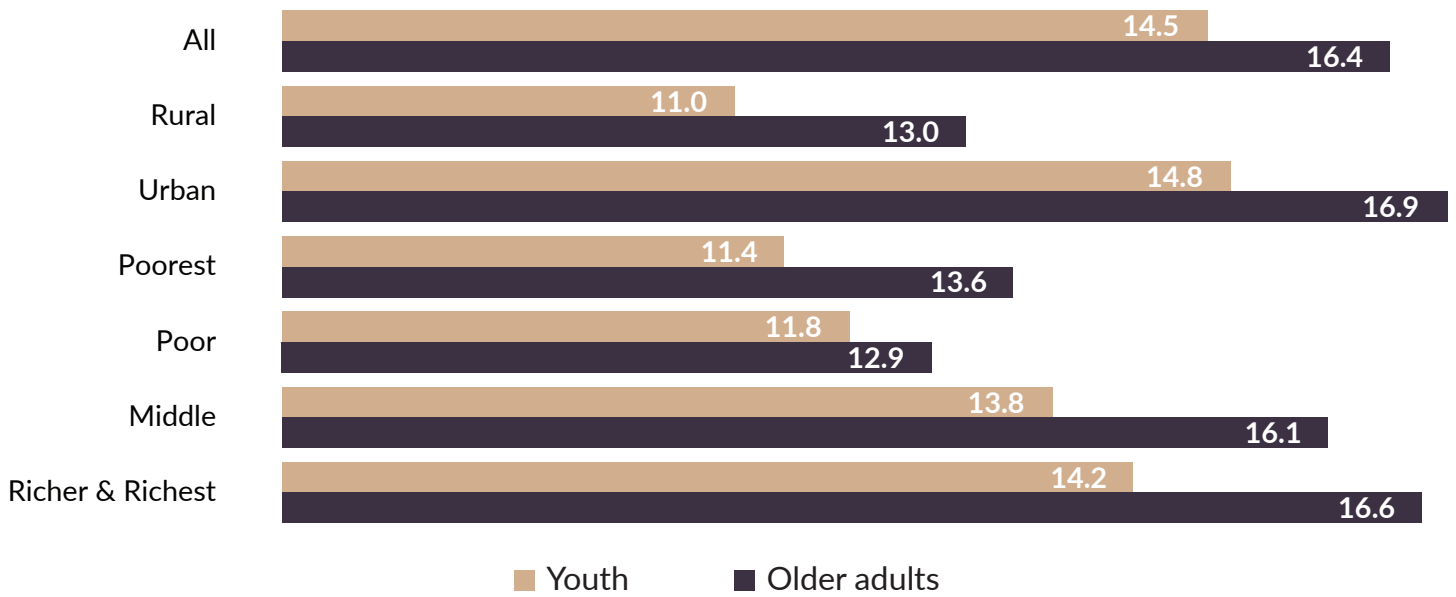
**Illness experience:** As shown in Figure 15, older adults (39.6%) experienced more illness in a household than the youths (36.1%). Most youths who experienced illness are in the richer/richest category (36.4%) compared to other PPIs. For older adults, the majority of those who experience illness are from the poorest category (41.5%) compared to any other category. Illness experience for the youths in urban areas (35.9%) is higher compared to those in rural areas (34.5%), while illness experience for the older adults is higher in rural areas (40.3%) compared to those in urban areas (39.5%).

**Figure 15: Illness experience in the 12 months prior to the FinScope Survey (%)**



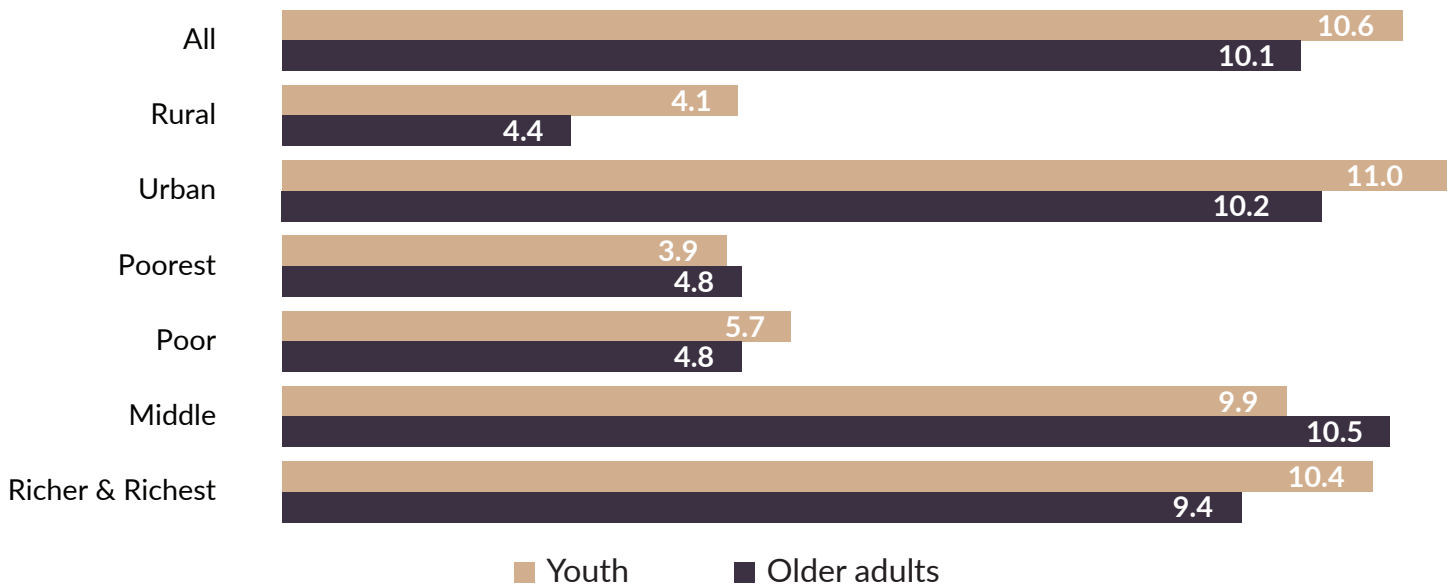
**Death experience:** Figure 16 older adults (16.4%) experienced death in a household more than the youths (14.5%). Most youths who experience death in a household fall in the richer/richest category (14.2%) compared to other PPIs. For the older adults, the majority of those who experience death in a household is also from the richer/richest category (16.6%) compared to other categories. Death experience in a household for older adults and youths in urban areas is higher than in rural areas.

Figure 16: Death experience in the 12 months prior to the FinScope Survey (%)



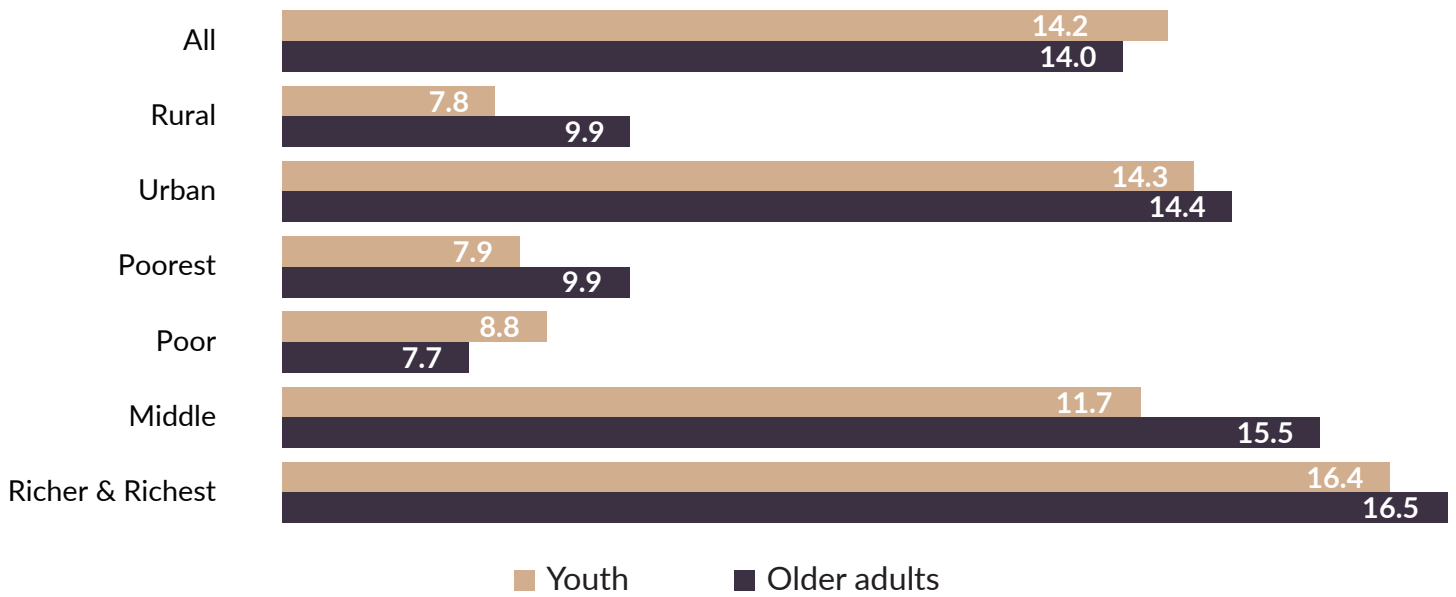
**Loss of income:** As shown in Figure 17, the loss of income by youth income earners (10.6%) is slightly higher than that of older adults (10.1%). The loss of income by youth income earners is higher in the richer/richest category (10.4%) compared to youth income earners in other PPI categories. The loss of income by older adult income earners is higher in the middle category (10.5%) compared to older adult income earners in other PPI categories. Loss of income for both the youths and older adults in urban areas is higher compared to those in rural areas.

Figure 17: Loss of income in the 12 months prior to the FinScope Survey (%)



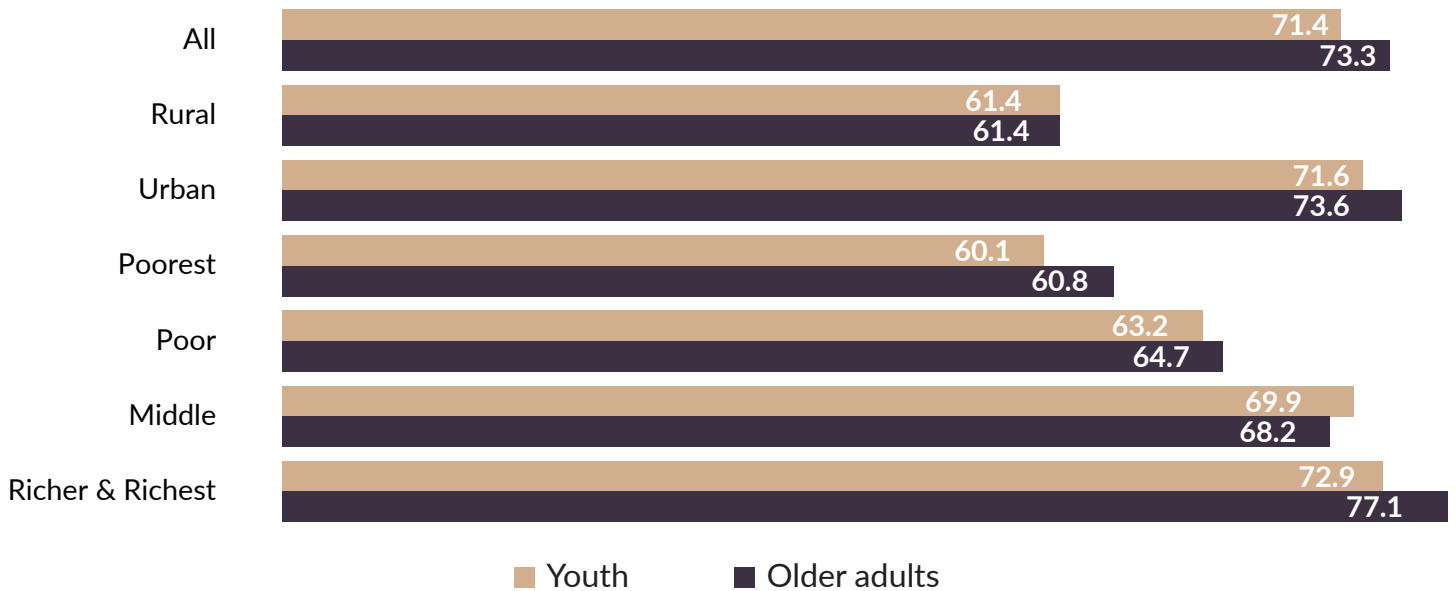
**Significant unforeseen school expenses:** As shown in Figure 18, more youths (14.2%) incur unforeseen large school expenses than older adults (14%). Most youths who incur unforeseen school expenses fall in the richer/richest category (16.4%) compared to any other PPI category. Many older adults who incur unforeseen school expenses fall in the richer/richest category as well (16.5%) compared to any other PPI category. Significant unforeseen expenses are higher for older adults and youths in urban areas than those in rural areas.

Figure 18: Large unforeseen school expenses in the 12 months prior to the FinScope Survey (%)



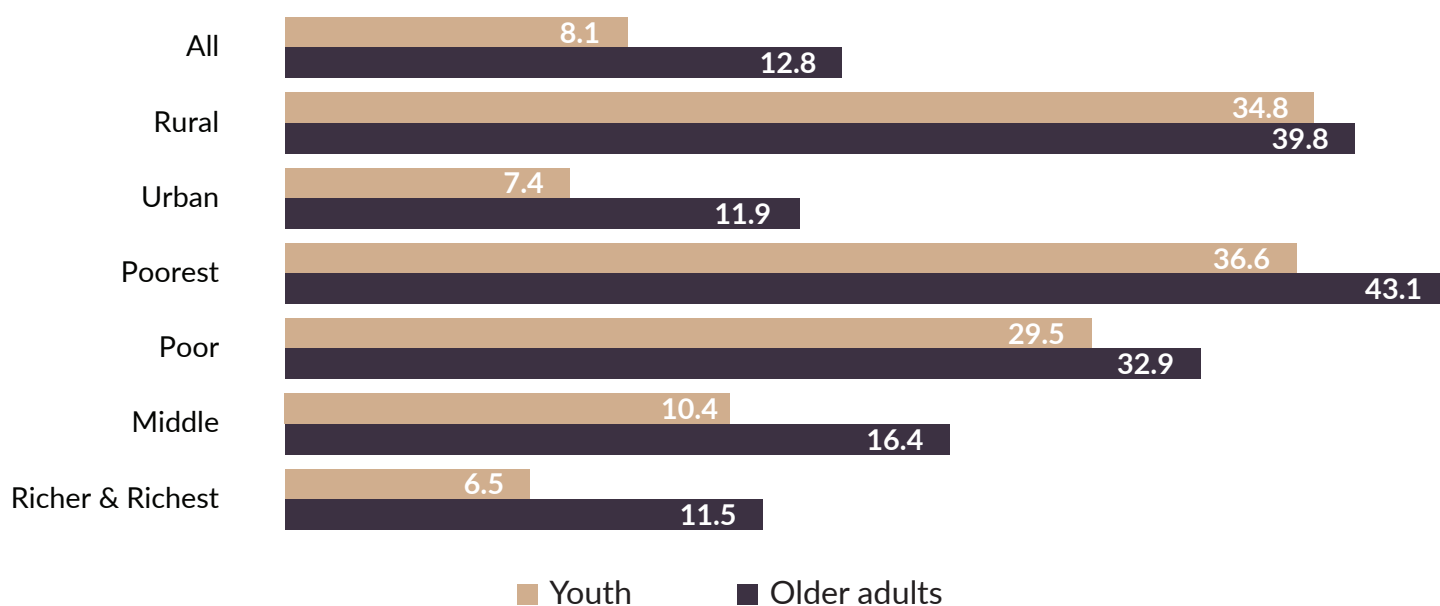
**Unexpected rise in the price of goods:** As shown in Figure 19, older adults (74.7%) experience a rise in the price of goods more than the youths (71.1%). Most of the youths who face a rise in the price of goods fall in the richer/richest category (73.7%) compared to any other PPI category. Most older adults who face a rise in the price of goods in the PPIs also fall in the richer/richest category (77.3%) compared to any other PPI category. For both older adults and youths in urban areas, the unexpected rise in the price of goods is higher compared to those in rural areas.

Figure 19: Unexpected rise in the price of goods in the 12 months prior to the FinScope Survey (%)



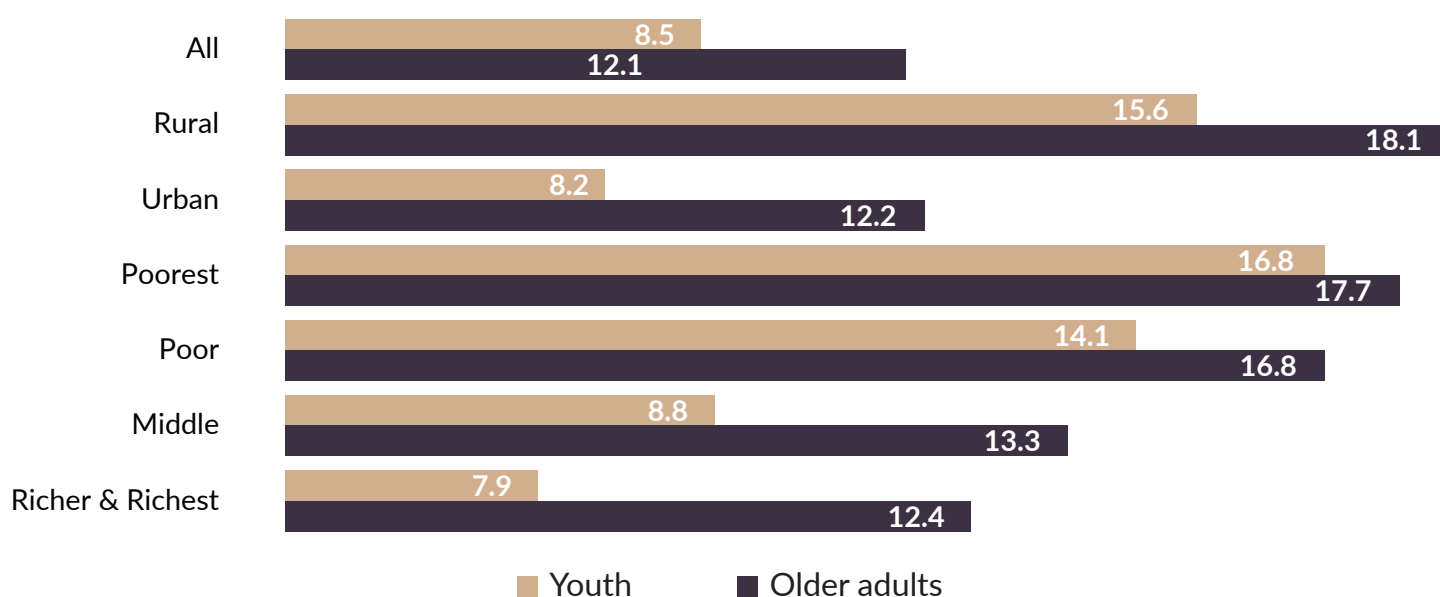
**Harvest/crop failure/loss of livestock:** Older adults (12.8%) experience a harvest/crop failure/loss of livestock more than the youths (8.1%). Most youths who experience a harvest/crop failure/loss of livestock fall in the poorest category (36.6%) compared to any other category. Many older adults who experience a harvest/crop failure/loss of livestock also fall in the poorest category (43.1%) compared to any other category. For older adults and youths, the experience of a harvest/crop failure/loss of livestock in rural areas is higher than those in urban areas. (See Figure 20)

Figure 20: Harvest/crop failure/loss of livestock (%)



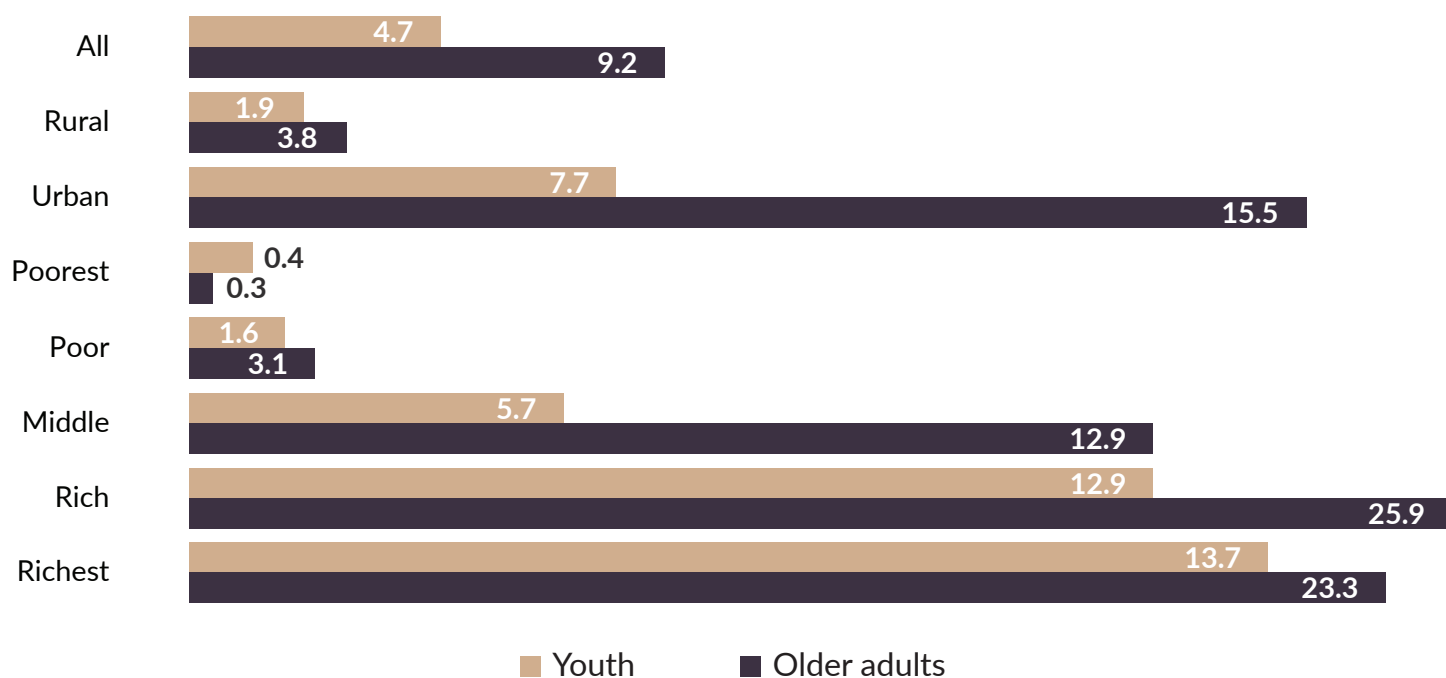
**Loss of income as a result of an unexpected drop in the price you get for produce/harvest/products you sell:** Figure 21 shows that older adults (12.1%) experience a loss of income because of an unexpected drop in the price you get for produce/harvest/ products you sell than the youths (8.5%). Most youths who experience a loss of income because of an unexpected drop in the price you get for produce/ harvest/ products you sell fall in the poorest category (16.8 %) compared to other PPIs. Most older adults who experience a loss of income as a result of an unexpected drop in the price they get for produce/ harvest/ products you sell fall in the poorest category (17.7%) compared to other PPIs. For older adults and youths who experience a loss of income due to an unexpected drop in the price you get for produce/harvest/ products you sell, rural areas are higher compared to those in urban areas.

Figure 21: Loss of income as a result of an unexpected drop in the price you get for produce/ harvest/ products you sell (%)



**Insurance uptake:** As shown in Figure 22, there is low usage of insurance services amongst youths and older adults in Zambia, with only about 6.3 per cent of adults using insurance services. Older adults (9.2%) use insurance services more than the youths (4.7%). Most of the youths (13.7%) and older adults (25.9%) who utilize insurance services fall in the richer/richest category compared to any other PPI category. The number of insured older adults and youths in urban areas is higher compared to those in rural areas.

**Figure 22: Percentage of insured adults by gender**



**Insurance cover by type:** Table 5 clearly shows that there are several types of insurance cover for Zambian youths and older adults. For youths (22.9%) and older adults (24.7%), motor vehicle insurance is the highest type of insurance cover taken. On the other hand, for older adults, domestic/household insurance cover (0.4%) is the least taken. For youths, insurance cover for personal injuries/accidents is the least significant type of cover (0.7%).

**Table 5: Insurance cover by type used by youths and older adults (%)**

Insurance cover	Older adults	Youths
Motor vehicle	24.7	22.9
Health	16.5	12.7
Life	16.0	22.4
National Health Insurance Scheme	10.3	9.6
Medical	7.2	8.4
Funeral	5.2	4.4
Property/house	3.9	2.6
Money	3.5	2.9
Loan/Credit life	3.3	2.4
Other	2.9	3.8
Personal injury/accident	2.3	0.7
Agricultural	2.1	1.7
All risks	0.9	2.7
Travel	0.8	1.3
Domestic/household	0.4	1.5



**Barriers to insurance utilization:** Several barriers hinder Zambian youths and older adults from utilizing insurance. As shown in Table 6, lack of awareness about insurance is the most significant barrier to insurance utilization for both older adults (41.8%) and youths (40.1%). 'Does not want to think about hard things' is the least significant barrier to insurance utilization for the youths (0.9%) and older adults (1.2%).

*Table 6: Barriers to insurance uptake for youths and older adults (%)*

Barriers to Insurance Utilization	Older adults	Youth
Never heard of it until now	41.8	40.1
I cannot afford it	22.2	22.1
Does not know how it works	11.0	11.9
Does not know the benefits of Insurance	8.8	10.3
Other reasons	7.0	7.7
Does not know how to get it	3.3	3.9
Does not trust it or companies providing	2.0	1.1
Protects self in other ways	1.4	1.1
They do not pay out when you claim	1.3	1.0
Does not want to think about hard things	1.2	0.9

**Drivers of Insurance:** There are several drivers for Zambian youths and older adults to utilize insurance services. As can be seen from Table 7, older adults are driven to utilize insurance mainly because they cannot afford to lose things (15.7%). Conversely, the youths mainly utilize insurance because insurance stops them from worrying (16.2%). The least significant driver for youths (1.2%) and older adults (0.8%) to utilize insurance is to cover their loans in case something happens.

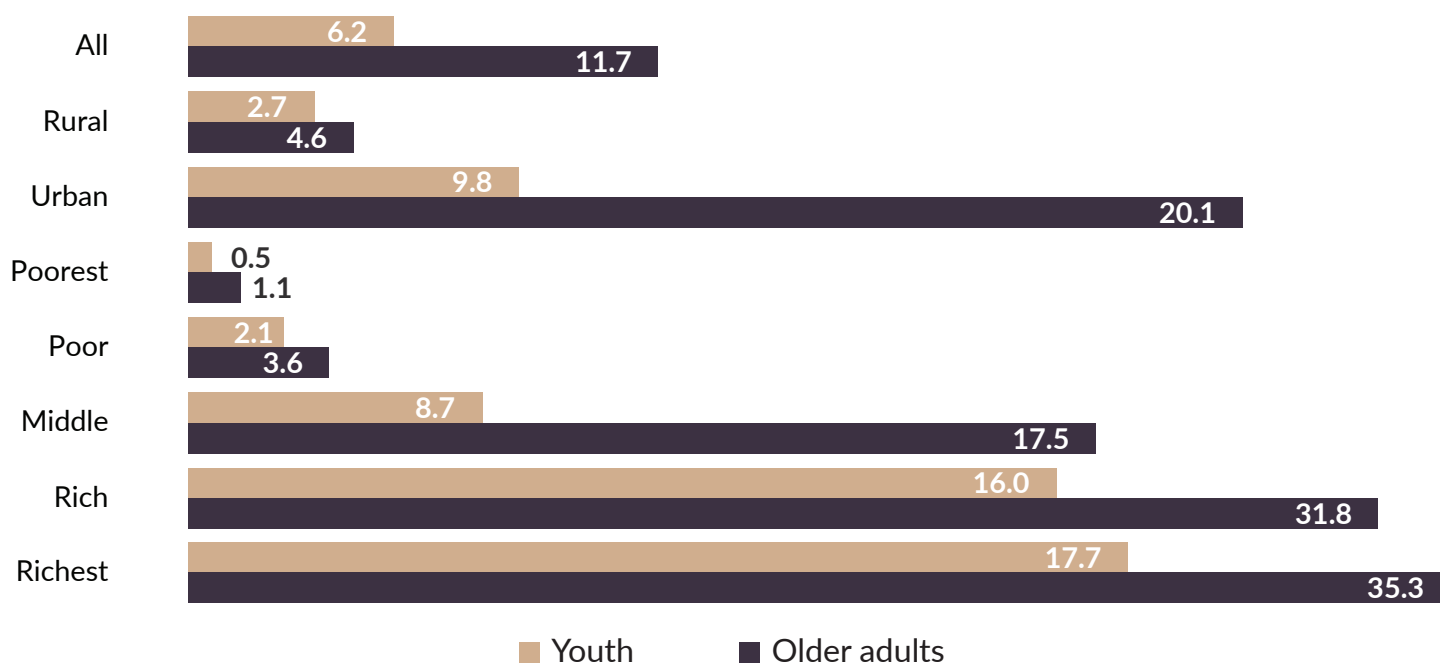
*Table 7: Drivers to Insurance uptake for Youths and older adults (%)*

Drivers of Insurance Utilization	Older adults	Youths
Cannot afford to lose things	15.7	12.6
Being insured stops you from worrying	15.3	16.2
It is better to be safe than sorry I	13.6	15.3
It is a requirement by law	12.9	13.6
I have to make provision for when things are hard	10.3	11.5
The cost is low compared to the cons	9.9	9.6
To make sure my family has money to	9.4	6.4
Do not know	5.4	5.8
To make provision for old age	3.3	3.0
Other reasons	3.2	5.0
To cover my loan, something happens	0.8	1.2

### 3.1.5. Pension

There is low usage of pension schemes amongst youths and older adults in Zambia, with only about 8.2 per cent of the total adult population utilizing pension schemes. As shown in Figure 23, fewer youths (6.2%) use pension schemes than older adults (11.7%). Most youths (17.7%) and older adults (35.3%) who use pension schemes fall in the richest category compared to any other PPI category. The number of pension scheme users for older adults and youths in urban areas is higher compared to those in rural areas.

Figure 23: Uptake of Pension services by youths and older adults (%)



**Barriers to pension scheme use:** There are several barriers to pension utilization by Zambian youths and older adults. As shown in Table 8, not being employed, or not having a job is the most significant barrier to pension scheme utilization for both older adults (41.7%) and youths (45.1%). Having other ways of getting money is the least significant barrier to pension scheme utilization for the youths (0.6%). Older adults' least significant pension scheme utilization barrier is not knowing where to get it from (0.7%).

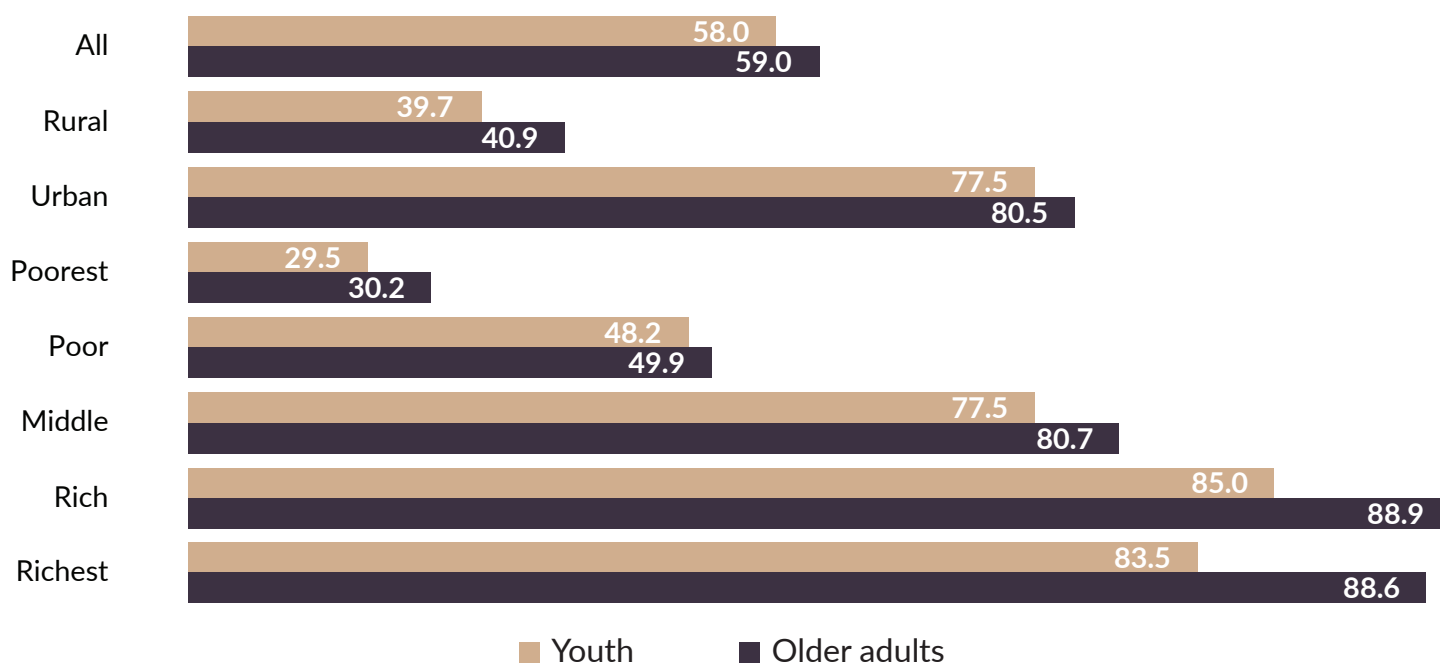
Table 8: Barriers to pension utilization (%)

Barriers to pension scheme use by youths	Older adults	Youths
Not employed/Do not have a job	41.7	45.1
Not employed in the formal sector	20.9	17.7
I do not have money to contribute to a p	11.7	11.3
I have never thought about it	6.7	4.9
No specific reason	6.6	7.1
Other, specify	5.9	7.4
Do not know what pensions are	2.9	2.6
I do not know how to get it	1.6	2.5
Have other ways of getting money when I	1.4	0.6
I do not know where to get it	0.7	0.8

### 3.1.6. Digital Financial Services

**Mobile Money utilization by youths and older adults:** Over the past decade, Zambia has been largely a cash-based society, with electronic payments picking up slowly in recent years. FinScope 2020 survey revealed that about 58.4 per cent of adults utilize mobile money services. As shown in Figure 24, slightly fewer youths (58%) use mobile money services compared to older adults (59%). Most youth (85%) and older adults (88.6%) who use mobile money services are in the richer/richest category compared to any other PPI category. Older adults and youths in urban areas use mobile money services more than those in rural areas.

Figure 24: Uptake of Mobile money services by youths and older adults (%)



**Drivers for Mobile Money Use:** Zambian youths and older adults have several drivers for mobile money use. As shown in Table 26, receiving money from another person is the most significant driver of mobile money utilization for both older adults (31.1%) and youths (34.3%). Getting a discount on talk-time is the least significant driver for mobile money utilization for youths (0.1%) and older adults (0%).

Table 9: Drivers to mobile money utilization (%)

Mobile money drivers	Female	Male
I had to receive money from another	31.1	34.3
I had to send money to another person	21.1	15.8
I wanted to start saving with a mon	13.5	15.8
I wanted a safe place to store my m	10.6	10.9
it is convenient to send and receive money	5.7	5.2
Somebody/a person requested I open a	5.5	5.0
Other reasons	3.3	3.9
A person I know who uses mobile money	2.9	2.8
An agent or salesperson convinced money	2.7	2.4
I saw other people using it, and I was attracted	2.0	1.9
I saw a poster/billboard/radio/TV ad	0.6	0.4
I had to send money to an organisation	0.4	0.3
Most of my friends/family members a	0.3	0.5
An organisation/government requested	0.2	0.2
I had to receive money from an organ	0.1	0.4
I got a discount on talk time	0.0	0.1

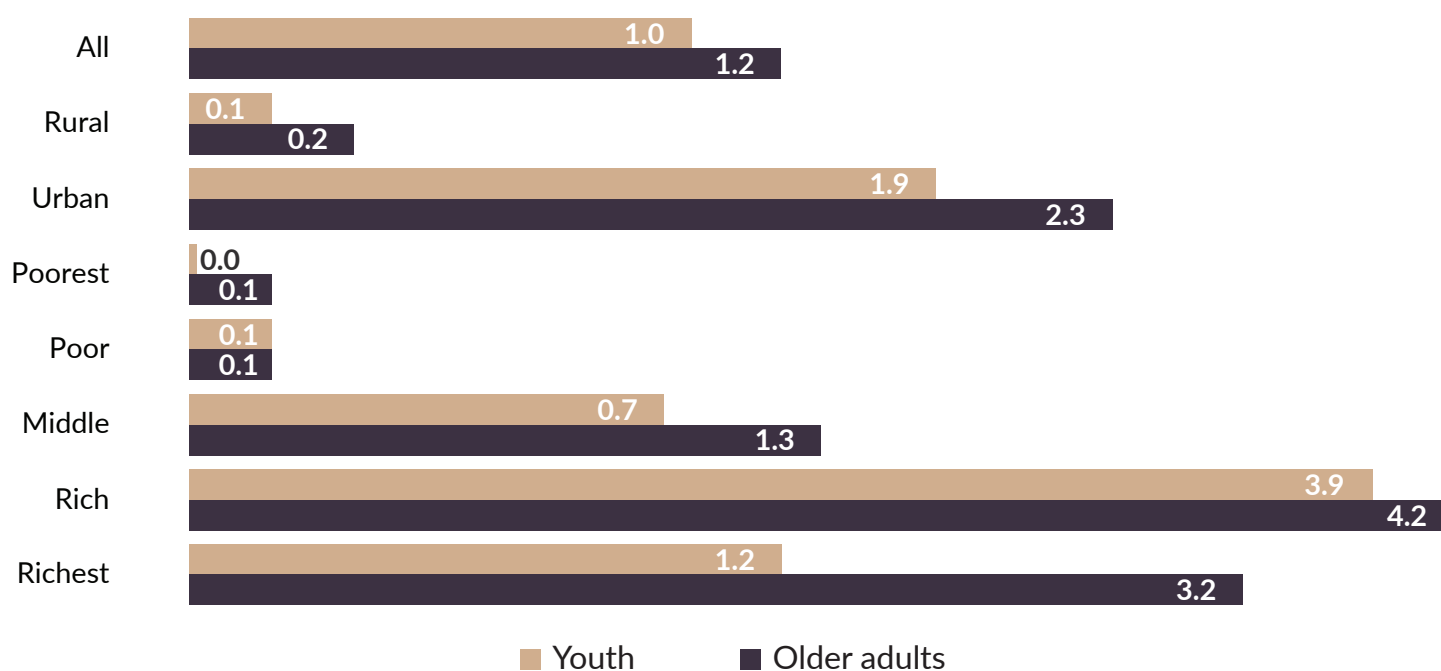
**Barriers to Mobile Money Use:** There are a number of barriers to mobile money use by Zambian youths and older adults. As shown in Table 10, the lack of a mobile phone handset is the most significant barrier to mobile money utilization for both older adults (36.8%) and youths (43.3%). Being against religion and because all agents are men are the least significant barriers to mobile money utilization for the youths (0%). Older adults' least significant mobile money utilization barrier is only being against their religion (0%).

**Table 10: Barriers to mobile money utilization (%)**

Barriers to Mobile money use	Older adults	Youths
I do not have a mobile phone	36.8	43.3
Other reasons	15.6	14.9
I do not need it; I do not make any	13.3	10.3
I do not know how to get it	9.4	7.1
There is no point-of-service/agent c	5.9	4.8
I do not know what it is	3.6	3.3
I do not trust that my money is safe	3.4	2.2
I do not understand this service, I	2.9	2.6
Using it is difficult	2.9	1.9
I do not have the required documents	2.8	6.5
Mobile money does not provide anything	0.9	0.4
No one among friends or family uses t	0.8	0.7
Fees for using this service are too	0.7	0.9
Registration is too complicated	0.7	0.8
My spouse, in-law, and family do not approve	0.2	0.4
I do not use it because all agents a	0.1	0.0
It is against my religion	0.0	0.0

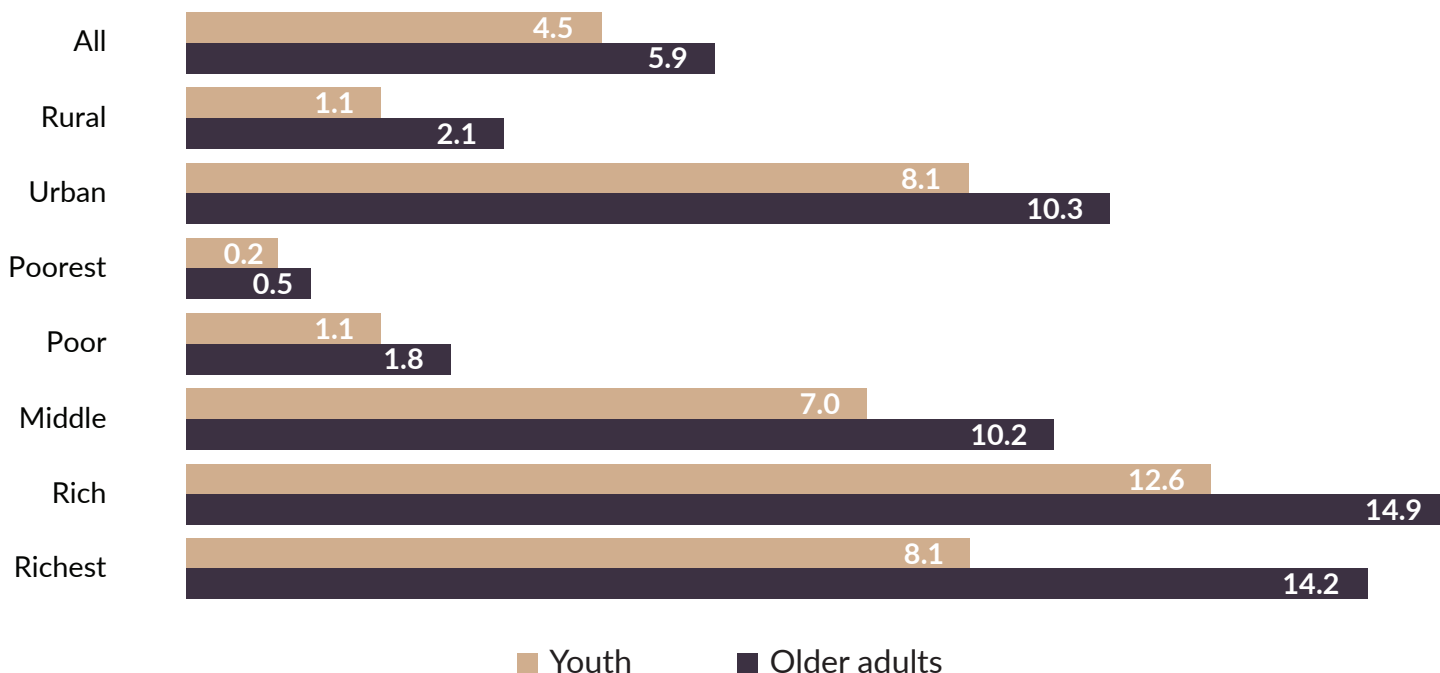
**Banking Digital financial services utilization:** DFS bank services utilization is very low in Zambia, with only about 1 per cent of the total adult population utilizing this service<sup>3</sup>. As shown in Figure 25, fewer youths (1%) use DFS bank services compared to older adults (1.2%). Most youths (3.9%) and older adults (4.2%) who use DFS bank services are in the richer/richest category compared to any other PPI category. Older adults and youths in urban areas use DFS bank services more than those in rural areas.

**Figure 25: Percentage of youths/adults using DFS banking services**



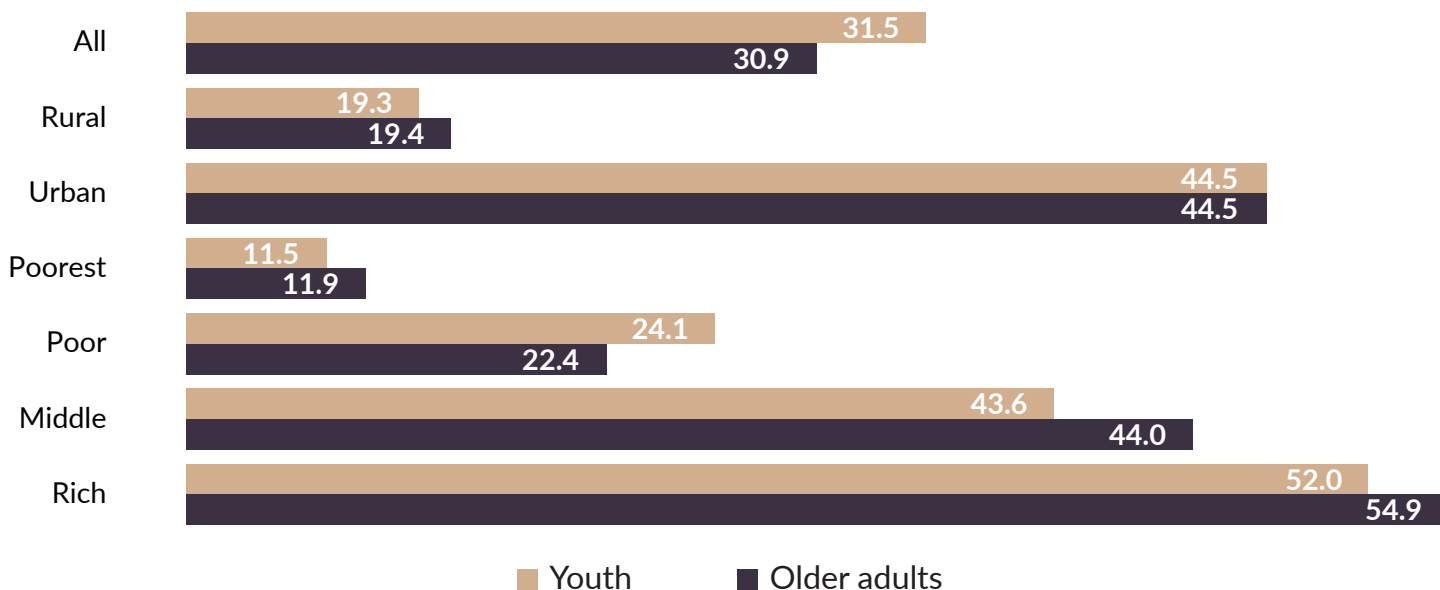
**DFS payments:** In Zambia, there is low utilization of DFS payment services, with only about 5 per cent of the total adult population utilizing this service. As shown in Figure 26, fewer youths (4.5%) use DFS payment services compared to older adults (5.9%). The majority of both youths (12.6%) and older adults (14.9%) who use DFS payment services are in the rich category compared to any other PPI category. Older adults and youths in urban areas use DFS payment services more than those in rural areas.

*Figure 26: Percentage of adults using DFS payment services*



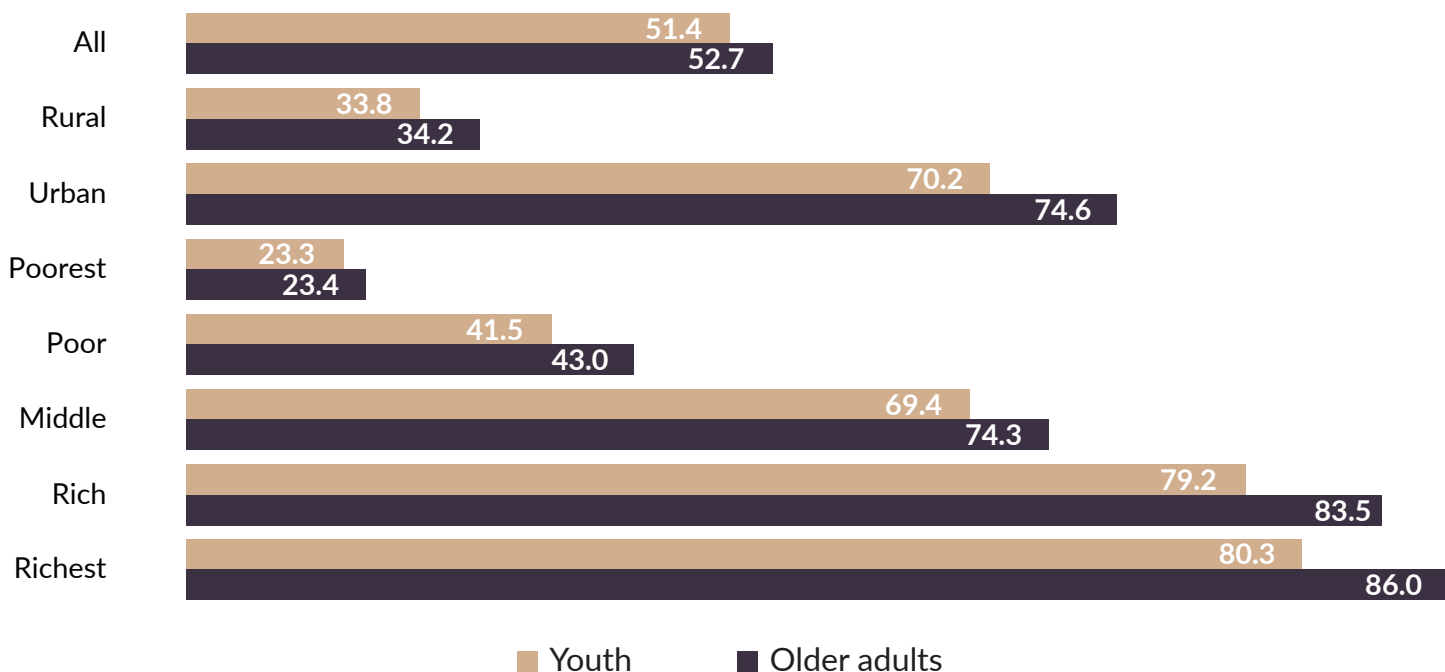
**DFS saving:** In Zambia, about 31.3 per cent of adults use DFS saving services. As shown in Figure 27, slightly more youths (31.5%) use DFS saving services compared to older adults (30.9%) for saving purposes. Most youths (52.0%) and older adults (54.9%) who use DFS saving services are in the richer/richest category compared to any other PPI category. Older adults and youths in urban areas use DFS-saving services more than those in rural areas.

*Figure 27: Percentage of adults using DFS Saving services.*



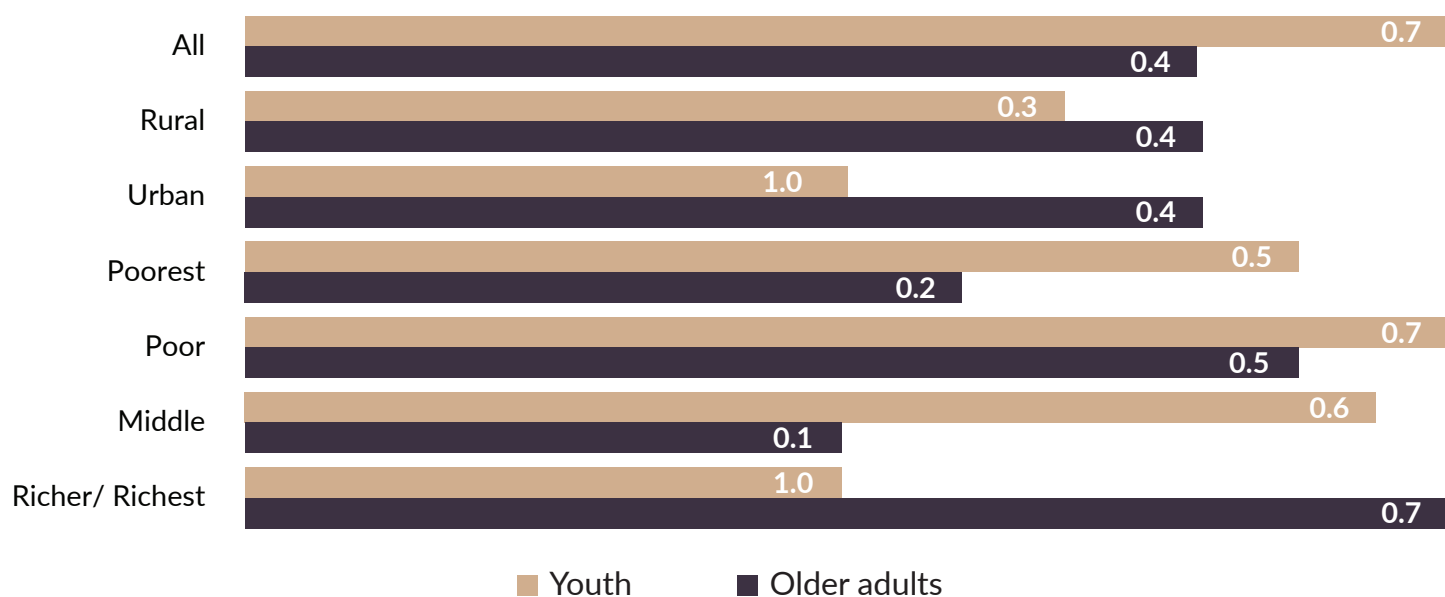
**Remittances:** Remittances are sent or received by a significant number of Zambian older adults and youths in Zambia and are argued to be the most utilized DFS service. The 2020 FinScope survey revealed that about 51.6 per cent of the adult population utilizes DFS remittance services. As shown in Figure 28, fewer youths (51.4%) make DFS remittances compared to older adults (52.7%). The majority of youths (80.3%) and older adults (86%) who make DFS remittances are in the richer/richest category compared to any other PPI category. Both older adults and youths in urban areas make DFS remittances more compared to those in rural areas.

*Figure 28: Percentage of adults using DFS remittance services by gender*



**Government remittances:** In Zambia, only about 0.6 per cent of the total adult population utilize this service. As shown in Figure 29, more youths (0.7%) make government remittances compared to older adults (0.4%). The majority of youths (1%) and older adults (0.7%) who make government remittances are in the richer/richest category compared to any other PPI category. Older adults and youths in urban areas make government remittances more than those in rural areas.

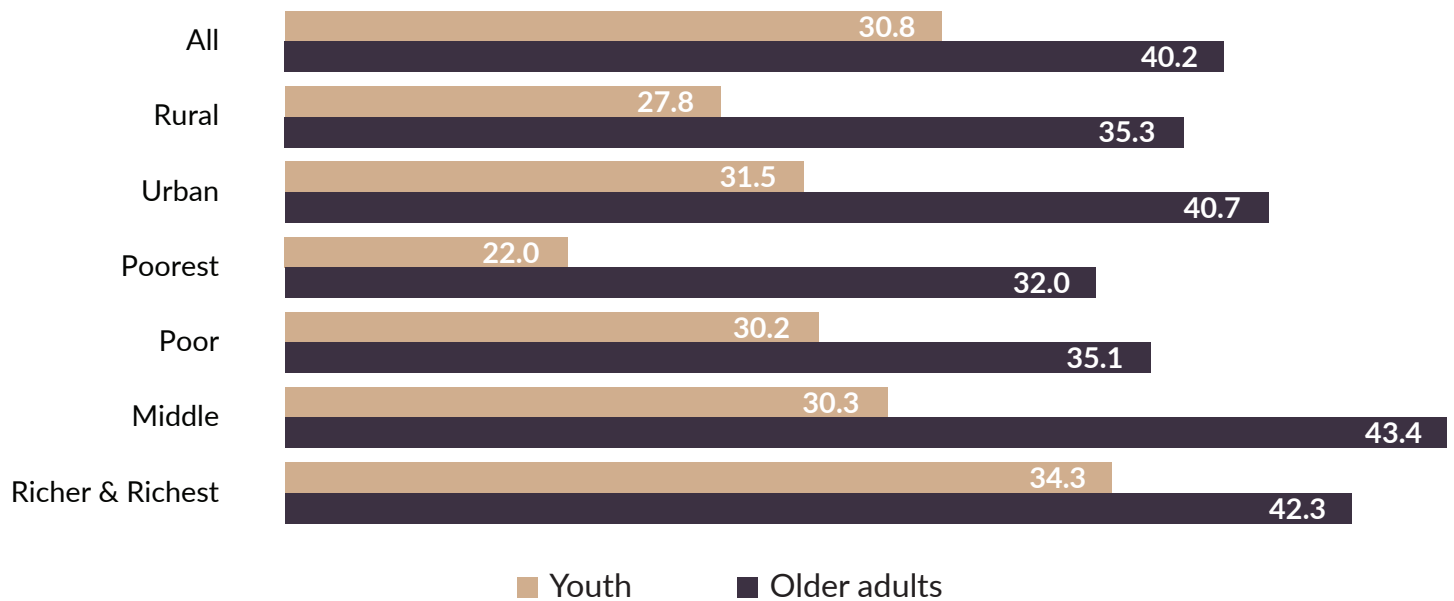
*Figure 29: Percentage of adults using government remittance services*



## 3.2. USE OF INFORMAL FINANCIAL SERVICES

About 32.3 per cent of the adult population in Zambia utilize informal financial services. Figure 30 shows that older adults (40.2%) than youths (30.8%) utilize informal financial services more. Most youths that utilize informal services fall in the richer/richest category (34.3%) compared to any other PPI category, while the majority of older adults (43.4%) that utilize informal services fall in the middle category compared to any other PPI category. The proportion of youths and adults in urban areas who utilize informal financial services is higher compared to those in rural areas.

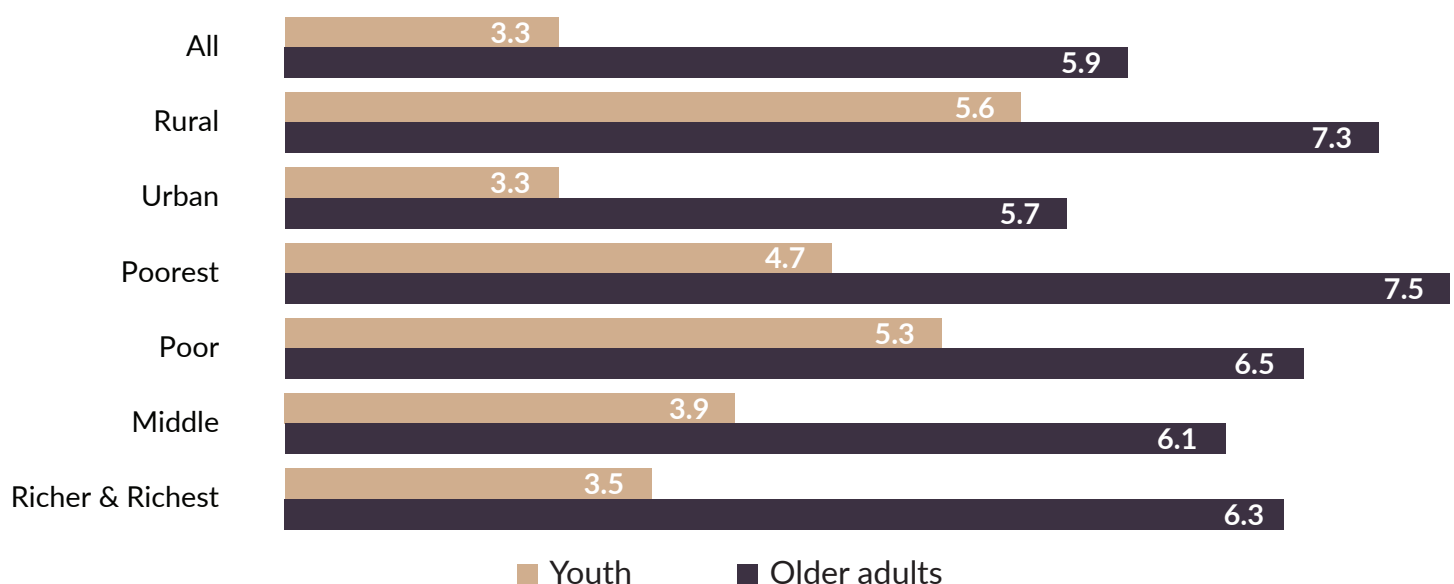
*Figure 30: Percentage of youths and older adults using informal financial services*



### 3.2.1. Savings Groups

There is relatively low usage of Savings Group services in Zambia<sup>4</sup>. 2020 FinScope survey revealed that only about 5.3 per cent of adults belong to Savings Groups. Figure 31 shows that fewer youths (3.3%) than older adults (5.9%) utilize Savings Group services. The majority of youths that utilize Savings Group services fall in the poor category (5.3%) compared to any other PPI category, while the majority of older adults (7.5%) that utilize Savings Group services fall in the poorest category compared to any other PPI category. The proportion of youths and older adults in rural areas who utilize Savings Group services is higher than those in urban areas.

*Figure 31: Percentage of Youths and Older Adults Using Savings Groups*



**Barriers to savings group use:** There are several barriers for Zambian youths and older adults to utilize Savings Groups. As shown in Table 11, lack of money to save is the most significant barrier to Savings Group utilization for both older adults (24.3%) and youths (31.7%). That the share amount/share price is too high is the least significant barrier for older adults (0.3%) and youths (0.1%).

*Table 11: Barriers to savings group utilization (%)*

Barriers to SG use	Older adults	Youth
I do not have any money to save	24.3	31.7
I do not have enough money to save	19.7	21.4
There are no such groups in my community	18.4	15.4
Does not trust them	11.0	7.6
I cannot see the benefits for me	9.3	8.2
I save money on my mobile phone	6.8	7.2
Other reasons	6.2	6.3
Their activities are too time-consuming	1.8	1.0
I get the services they offer from F	1.3	0.7
Share amount is too low	1.0	0.3
Share amount/share price is too high	0.3	0.1

**Drivers to savings group use:** Like other financial services, several reasons drive the utilization of SGs uptake in Zambia. FinScope 2020 survey revealed that youths (47.2%) and older adults (61.9%) are driven to utilize savings group services mainly for the purpose of saving money. The least significant driver for youths to utilize savings group services is that it forces them to save (0%), while the least significant driver for the older adults to utilize savings group services is because they trust the members and other reasons.

*Table 12: Drivers to savings group utilization (%)*

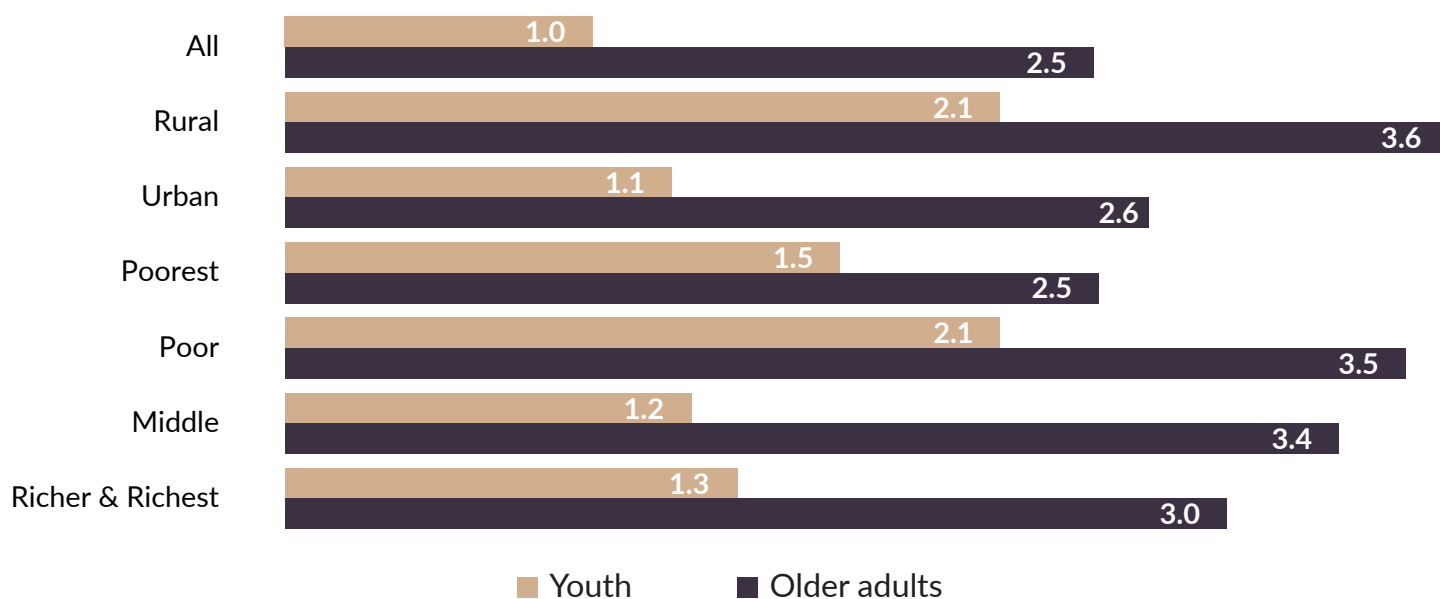
Drivers of SG use	Older adults	Youths
To save money	61.9	47.2
I can turn to them in financial need	18.5	25.2
To socialize or meet with friends	11.5	10.5
They give financial and business advice	4.7	1.6
To borrow money	2.1	5.9
It forces me to save	1.3	0.0
I trust the members	0.0	1.9
Other reasons	0.0	7.7

### 3.2.2. Village banks

There is relatively low usage of village bank services in Zambia, with only about 2.2 per cent of adults utilizing village banks. The Survey revealed that older adults (2.5%) than youths (1%) utilize village bank services. Most youths that utilize village bank services fall in the poor category (2.1%) compared to any other PPI category, and the majority of older adults (3.5%) that utilize village bank services fall in the poor category compared to any other PPI category. The proportion of youth and older adults in rural areas who utilize village bank services is higher than those in urban areas. (See Figure 32)



Figure 32: Percentage of youths and older adults using village banks (%)



Barriers to village banks: There are several barriers for Zambian youths and older adults to utilize village banks. As shown in Table 13, lack of money to save is the most significant barrier to village bank utilization for youths (22.9%). Lack of money to save and not having such groups in the community are the most significant barriers to village bank utilization for older adults (23.0%). That the 'share amount/share price is too high', and the 'share amount is too low' are the least significant barriers for older adults (0.4%) and youths (0.2%).

Table 13: Barriers to village banks utilization (%)

Barriers to village bank use	Older adults	Youths
Do not have enough money to save	23.0	22.9
There are no such groups in the community	23.0	20.7
Do not have any money to save	21.2	27.3
Do not trust them	9.0	6.9
I see no benefits for me in what they have	8.7	7.0
I save money on my mobile phone	6.6	7.7
Other, specify	4.9	5.3
I get the services they offer from a financial institution	1.5	0.6
Their activities are too time-consuming	1.4	1.2
Share amount/share price is too high	0.4	0.2
Share amount is too low	0.4	0.2

### 3.2.3. Chilimba

A chilimba is a traditional merry-go-round mechanism where a group of trusted individuals pools an agreed-upon sum of money at regular intervals, each receiving a payout in turn. Based on the 2020 FinScope survey, only about 8 per cent of the adult population uses chilimba. Figure 33 shows that older adults (14.5%) than youths (11.6%) utilize chilimba services. Most youths and older adults that utilize chilimba services fall in the richer/richest category (13.1% and 14.8%, respectively) compared to any other PPI categories. The proportion of youths and older adults in urban areas who utilize chilimba services is higher than those in rural areas.

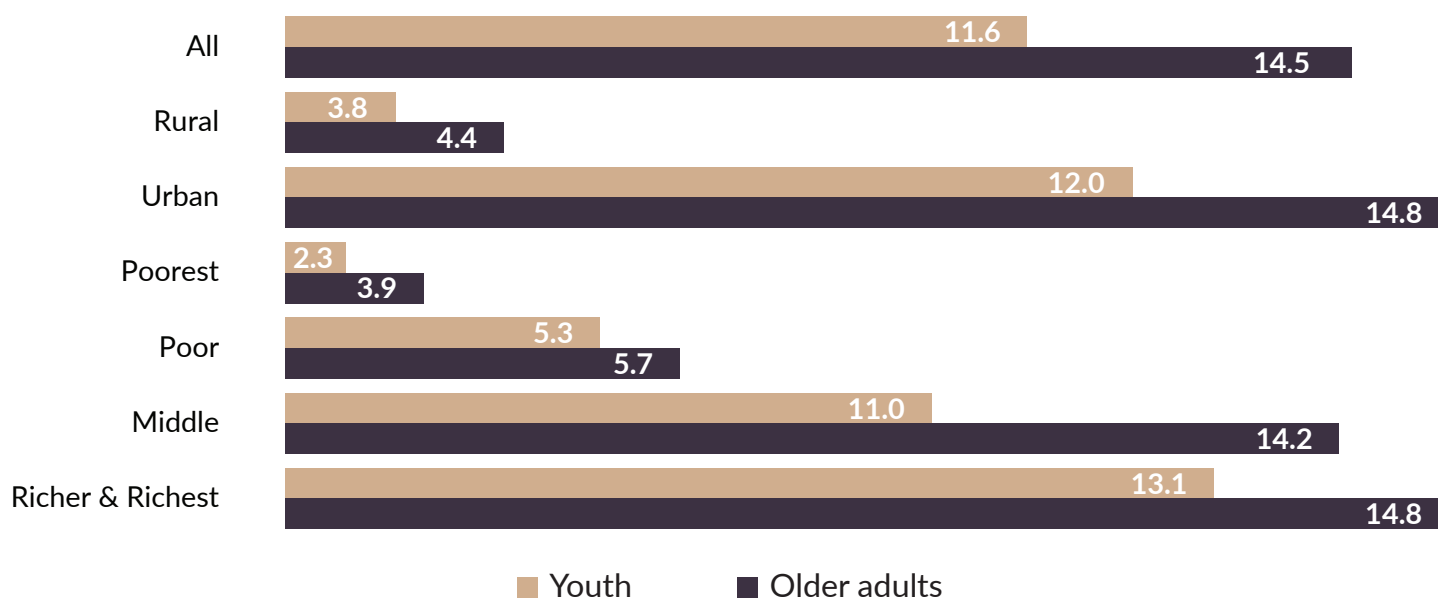


27,410

26,718

26,190

Figure 33: Percentage of youths and older adults using chilimba services (%)



**Chilimba barriers:** There are several barriers for Zambian youths and older adults to utilize chilimba. As can be seen from Table 14, lack of money to save is the most significant barrier to Chilimba utilization for both older adults (23.6%) and youths (31%). That the share amount/share price is too high is the least significant barrier to Chilimba for older adults (0.3%) and youths (0.1%).

Table 14: : Barriers to chilimba utilisation (%)

Barriers to chilimba use	Older adults	Youths
I do not have any money to save	23.6	31.0
I do not have enough money to save	19.9	21.4
There are no such groups in my community	18.7	15.6
Does not trust them	10.8	7.6
I cannot see the benefits for me	9.4	8.5
I save money on my mobile phone	6.8	7.3
Other reasons	6.4	6.3
Their activities are too time-consuming	1.9	1.1
I get the services they offer from F	1.2	0.7
Share amount is too low	1.1	0.3
Share amount/share price is too high	0.3	0.1

**Chilimba drivers:** There are a number of drivers for Zambian youths and older adults to utilize savings groups. As shown in Table 15, saving money is the most significant driver of chilimba utilization for both older adults (58.5%) and youths (62.1%). Trust for the members is the least significant driver for older adults (0.8%) and youths (0.4%).

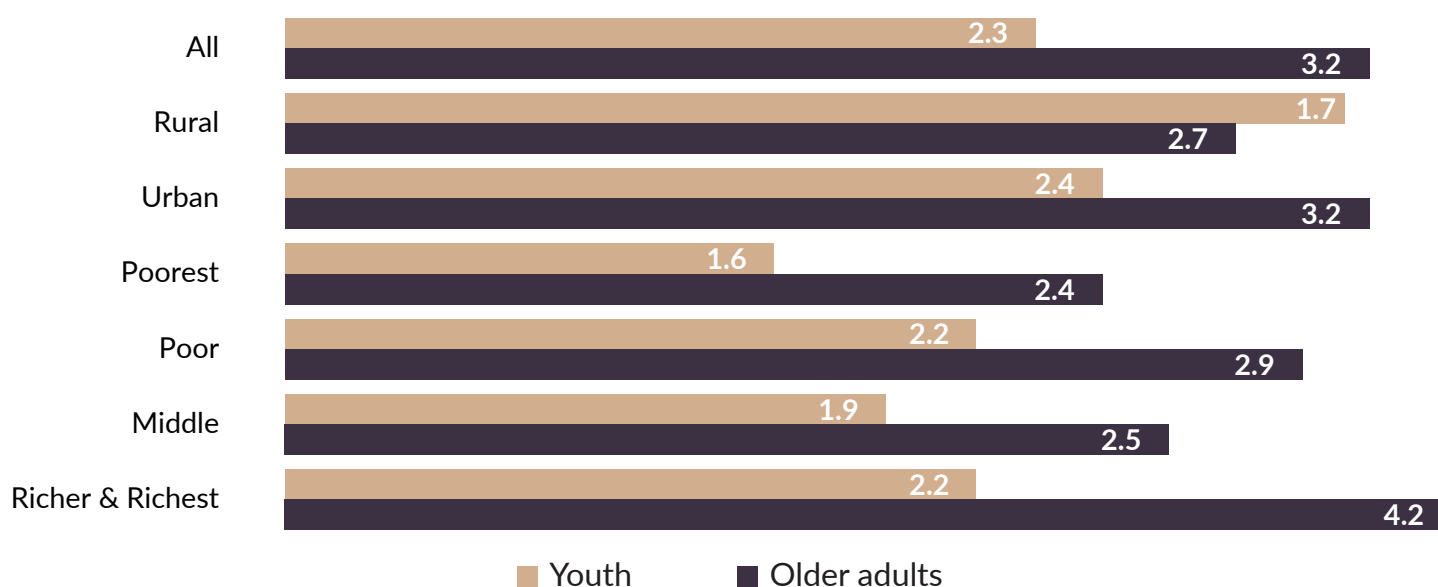
**Table 15: Drivers to chilimba utilization (%)**

Drivers of Chilimba use	Older adults	Youths
To save money	58.5	62.1
I can turn to them in financial need	23.0	17.8
They give financial and business advice	5.6	4.6
To borrow money	3.9	4.1
To socialize or meet with friends	3.8	4.1
Other reasons	2.5	2.8
It forces me to save	2.0	4.3
I trust the members	0.8	0.4

### 3.2.4. Kaloba

Kaloba is the traditional moneylender in Zambian society. 2020 FinScope survey revealed that only about 2.3 per cent of the adult population use kaloba. Figure 34 shows that older adults (3.2%) than youths (2.3%) utilise kaloba services. Most older adults that utilize kaloba services fall in the richer/richest category (4.2%), while most youths fall in the richer/richest and poor categories (2.2%) compared to any other PPI categories. The proportion of youths in rural and urban areas that use kaloba services is lower than that of older adults.

**Figure 34: Percentage of adults using kaloba services by youths/adults (%)**



**Kaloba barriers:** There are several barriers for Zambian youths and older adults to utilize savings. As shown in Table 16, worrying about failure to pay is the most significant barrier to kaloba utilization for both older adults (53.6%) and youths (54.3%). Being unable to get a loan because of their current credit is the least significant barrier to kaloba for older adults (0%) and youths (0.1%).

**Table 16: Barriers to kaloba utilization (%)**

Kaloba barriers	Older adults	Youths
Worried I would fail to pay	53.6	54.3
Do not need to borrow money	18.0	13.4
I do not believe in Borrowing	14.3	13.7
High-interest rates	3.5	1.6
I do not know where to borrow from	2.7	1.7
Not allowed to borrow by my spouse	2.3	10.0
Do not have security or collateral	2.1	2.3
The service provider refused me	1.7	1.3
I do not know how to apply for a loan	1.0	0.6
Do not have the correct documentation	0.8	0.9
I cannot get a loan because of my current financial status	0.0	0.1

Kaloba drivers: The Survey revealed that the Zambia adult population are driven to utilize Kaloba services because it is one of the most accessible informal financial services. As can be seen from Table 17, both older adults (31.8%) and youths (34.9%) are driven to use Kaloba because it offers quick access to credit when in need. This implies that youths utilize kaloba more than older adults. Secrecy, or being sure no one knows about it, is the least significant barrier for older adults (0%) and youths (0.8%).

**Table 17: Drivers to kaloba utilization (%)**

Kaloba drivers	Older adults	Youths
Quickest access to money	31.8	34.9
Proximity/convenience	17.4	13.6
Easy/simple to use	15.0	15.6
Repayment terms suit me	14.3	14.7
I trust them	9.3	5.5
Other reasons	8.9	12.5
Low-interest rates	3.2	2.3
Secrecy/I have to be sure no one knows	0.0	0.8

# FINANCIAL HEALTH AND LITERACY

## 4.1. YOUTH FINANCIAL HEALTH

Financial health is understood as one's ability to manage expenses, prepare for and recover from financial shocks, have minimal debt, and ability to build wealth. This measure helps us assess whether increases in financial inclusion are enabling households to have better financial health.

Aspects of the impact of Covid-19 on the adult population's financial access and usage provide the Government and financial stakeholders with information that can help devise measures for economic recovery<sup>5</sup>. Generally, In Zambia financial health levels are low in Zambia. Table 36 below shows that the national financial health level stands at 13.6 per cent. Youths (12.8%) are less financially healthy compared to older adults (15.1%).

*Table 18: Financial health and literacy (%)*

Financial Health parameter	National	Older adults	Youth
<b>Financially healthy adults</b>	<b>13.6</b>	<b>15.1</b>	<b>12.8</b>
<b>Ability to manage day to day</b>	<b>60.0</b>	<b>62.6</b>	<b>58.5</b>
<b>Manage:</b> Adjust expenses according to the money available	72.4	75.9	70.4
<b>Manage:</b> Spend much less or a bit less than income	34.9	33.5	35.8
<b>Manage:</b> Do not have to sell assets or borrow to repay the loan	34.8	35.4	34.4
<b>Manage:</b> Did not go without food to eat at any point in the last six months	33.7	35.4	32.7
<b>Ability to cope with the risk</b>	<b>10.9</b>	<b>12.5</b>	<b>10.1</b>
<b>Risk:</b> Saved to cope with unexpected expenses	10.8	11.8	10.3
<b>Risk:</b> Able to raise money in 3 days in case of emergency	22.8	26.8	20.5
<b>Risk:</b> Did not go without medicine or medical treatment at any point in the last six months	22.3	23.4	21.6
<b>Risk:</b> Do not struggle to pay for unexpected expenses	4.9	4.0	5.4
<b>Ability to invest in the future</b>	<b>46.7</b>	<b>48.1</b>	<b>45.8</b>
<b>Invest:</b> Regularly set aside money for a specific purpose in the future	61.9	62.9	61.3
<b>Invest:</b> Uses savings or credit to invest in assets, education	63.7	64.8	63.1
<b>Invest:</b> Intend to use savings, pension or investment income to make ends meet in old age	12.9	13.8	12.5

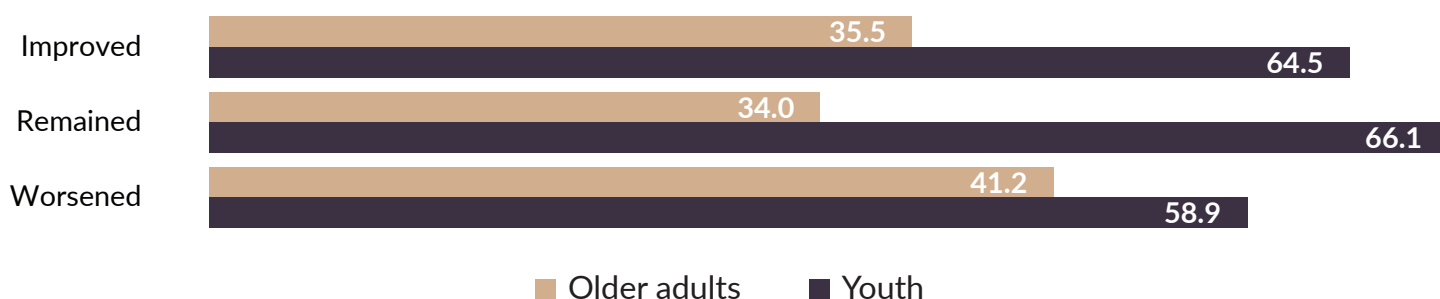
On ability to manage, youths (58.5%) have a lower ability to manage compared to older adults (62.6%). For example, the table shows that youths (70.4%) have a lower ability to adjust expenses according to the money available compared to older adults (75.9%).

About 10.9 per cent of the adults in Zambia have the ability to cope with risk. On the ability to cope with risk, youths (10.1%) have a lower ability to cope with risk compared to older adults (12.5%). For example, the table shows that older adults (26.8%) have a higher ability to raise money in three days in case of an emergency compared to youths (20.5%).

## 4.2. SELF-REPORTED FINANCIAL STATUS

Financial health status is used as an additional parameter to estimate one's level of financial health, as the two are highly correlated. To understand further the financial health status among Zambian adults, analysis was also performed on the youth and older adults' sub-samples. Under the worsened self-reported financial status, youths have a higher percentage (58.9%) than older adults (41.2%). Those who self-reported that their financial status remained the same were 66.1 per cent youths and 34 per cent older adults. The percentage of youths who self-reported that their financial status has improved is more than the older adults at 64.5 per cent and 35.5 per cent, respectively. See Figure

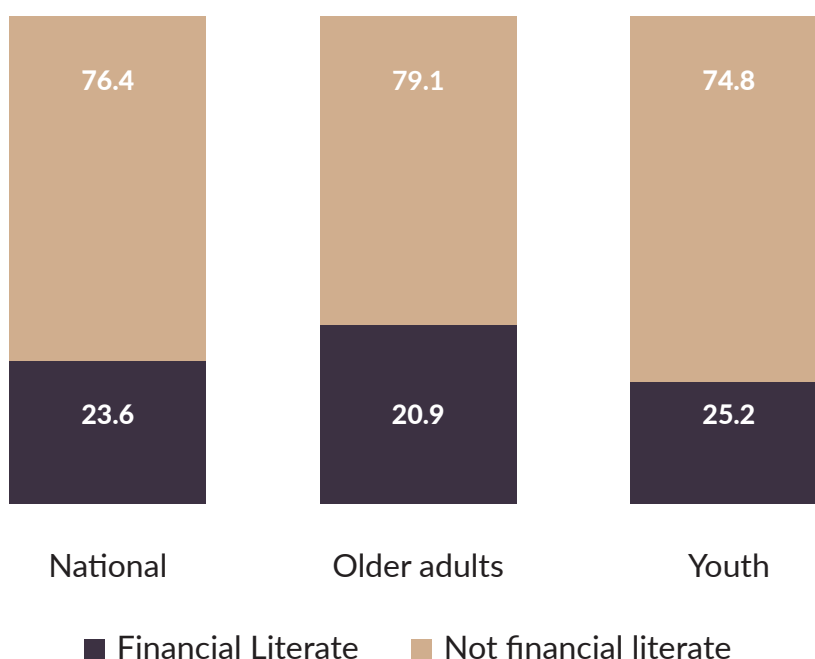
*Figure 35: Self-reported financial health status of youth and older adults (%)*



## 4.3. FINANCIAL LITERACY

The 2020 FinScope survey revealed low levels of financial literacy (23.6%). A further comparison between two subgroups of youth and older adults indicates that youths (25.2%) are more literate than older adults (20.9%).

*Figure 36: Financial literacy for youths and adults (%)*



# CONCLUSIONS AND RECOMMENDATIONS

## 5.1. CONCLUSIONS

This report revealed that the utilization of financial services is skewed toward adults rather than youths. This is despite the youths being more financially literate than the older adults (youths (25.2% and older adults 20.9%). On overall financial inclusion, there exists a gap where financial service utilization is skewed toward older adults. Though the financial inclusion gap appears minimal (4.9%), financial inclusion stakeholders still need much work to reach desirable results. The utilization of the financial services gap is far greater in savings and investments, where it was revealed that 60.9 per cent of youth are currently saving as compared to 71.1 per cent of older adults (10.4% gap).

Conversely, the gap is at least one per cent in the uptake of Mobile Money services (58% youths and 59% older adults). Similarly, as observed in the FinScope main report, this report establishes that age can be the primary determinant in influencing financial inclusion in Zambia. This is very consistent with the current literature on financial inclusion.

## 5.2 RECOMMENDATIONS

**Financial education and awareness campaigns:** There is a need for increased youth financial education in the country. This report shows that financial capability and product awareness, especially regarding formal financial services such as insurance, are crucial barriers to youths' use of these services. Therefore, access to information and financial education is essential, recognizing that finance is insufficient, as illiterate youths might need financial awareness training. Financial inclusion stakeholders should therefore scale up current initiatives, monitor and evaluate, and consolidate their approaches to ensure greater outreach and impact. These efforts should be led by both the private and the public sector if it is to succeed.

**Economic empowerment of youths:** Youths are the largest dependent on irregular income and family and friends for their income. Further, regarding barriers to financial use, the youth sub- population accounted for the highest proportions of those who indicated a lack of income to justify the use of various financial services. Given this background, stakeholders should consider initiating and scaling up projects aimed at supporting income-generating activities amongst this population segment. Without losing the aspect of sustainability, development organizations and other stakeholders should consider the following specific initiatives:

- Subsidize youths' initiatives to enable them to start their businesses and help them in capacity-building initiatives. Youths should be encouraged to participate more actively in the trade environment.



- Support youths' linkage to the market to ensure a ready market for different sectors, such as farming, where the majority of them are involved. Stakeholders should identify and improve supply chains that can best support women and youths, especially those residing in rural areas.

#### **Further demand research:**

- Research in to social norms that might impede youths' access and financial services. A more detailed qualitative research should be conducted to explore further some of the quantitative figures observed in this research.
- Conduct financial behavior research to understand the low levels recorded in the financial health score. The low numbers recorded are worrying because the financial health index can be viewed as the impact of financial services on an individual's or household's well-being. Moreover, the low number has been recorded despite the increase in the proportion of adults using financial services in the country. Despite the increase in financial inclusion, the financial health number is low.

#### **Financial service innovations/market innovation:**

- There is a need to support market innovation, especially on products and services that promote savings and investments. As observed in the report, savings and investments are very low. With a low financial health score recorded, efforts aimed at increasing the proportion of adults saving and investing should be lamped in the country.
- Promote and refine DFS products for savings and investment purposes. Most of the DFS products in the market are used mainly for sending and receiving money.

**Supply-side information dissemination:** Financial inclusion stakeholders (policymakers, NGOs, and the private sector) should proactively share the FinScope results widely, specifically on youth's financial needs. Given the COVID-19 pandemic, creative ways of reaching influential stakeholders should be considered.

**Demand-side information sharing:** Sharing financial products and service information with the youths and women is critical. Sometimes these segments of the population may not know that certain services are within their reach, where it is available, what their attributes are or how they can be relevant to them. Therefore, ensuring that the youths have the correct financial awareness information is critical.

# REFERENCES

1. FinScope Zambia 2020 Survey Report, Bank of Zambia, 2021
2. National Financial Inclusion Strategy 2017 - 2022
3. National Strategy on Financial Education NSFE 2012-2017



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