

Consumer Behaviors in Zambia Analysis and Findings

February 2016

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Overview: Mobile Money for the Poor - Zambia

- A joint programme of Financial Sector Deepening Zambia (FSDZ) and UNCDF
- Five-year programme focused on digital financial services
- Goal is to increase access to financial services through the use of technology and agents
- Objective is to have 15 percent of the Zambian population actively using digital finance by the end of 2019
- This research was funded by the UNCDF Mobile Money for the Poor (MM4P) programme, in partnership with FSDZ, The MasterCard Foundation and UK aid (DFID).

Background

About this Consumer Research Assessment

- **InterMedia conducted secondary research analysis of the 2015 FinScope study of Zambian adults.**
 - ✓ FinScope Zambia is a nationally representative survey of adults, age 16 and older.*
 - ✓ A total of 8,579 adults were surveyed during February-March 2015.*
 - ✓ Interviews were conducted face to face, and interviews were approximately 45 minutes long.*
- **The purpose of this assessment is to identify relevant financial behaviors, interests and barriers to financial services access to optimize digital product adoption for private sector partners, including banks, mobile network operators (MNOs) and other financial services providers.**
- **This deck presents consumer-facing findings from FinScope, and focuses on the use of individual products (mobile phones and accounts), and general financial behaviors so as not to contradict the FinScope financial inclusion measurements.**
 - ✓ InterMedia examined six main areas of the FinScope study: income sources, fiscal responsibilities, attitudes and usage of accounts, savings and credit behaviors, funding education, and agricultural activities.
 - The full FinScope survey supports various topics.
 - ✓ InterMedia reviewed the initial analysis by FinScope, and also performed its own analysis of the dataset utilizing FinScope's nationally representative weights to preserve the authenticity of the sample.
 - ✓ InterMedia did not apply its own standard financial inclusion calculation to this study.

About FinScope Zambia

- The Bank of Zambia, in partnership with Financial Sector Deepening Zambia (FSDZ), and with advisory support from FinMark Trust, implemented the FinScope Zambia 2015 survey with the following objectives:
 - ✓ To track overall trends in financial inclusion over time in terms of:
 - Changes in the levels of inclusion – both formal and informal inclusion.
 - Changes in the types of financial services being used and the types of providers.
 - ✓ To assess whether Zambia is on track to achieve national financial inclusion targets.
- FinScope issued its report of findings in June 2015 and showed:
 - ✓ 59.3% of Zambians are currently financially included, having used either formal or informal financial services. This reflects an increase in financial inclusion from 37.3% in 2009.
 - ✓ 38.2% of Zambian adults are formally financially included, having an account with a regulated or supervised institution. This also reflects an increase from 2009 when 23.1% were formally included.
 - ✓ Financial inclusion increases span the population, and the biggest growth was in urban areas and among women.
 - ✓ Financial inclusion is skewed toward the employed.
 - ✓ Growth in bank services largely drove financial inclusion. In 2009, only 13.9% used banks. In 2015, 24.8% used bank services. Increases for MFIs, insurance/pensions, and capital market instruments were all within 2% of 2009 levels.

Insights & Implications

Harnessing Consumer Behaviors

- **Zambians' financial practices and aspirations reflect both responsibility and sensitivity to household needs.**
 - ✓ Zambians struggle to make ends meet, and may not often have any discretionary income at the end of a month, but they do not fall completely behind on expenses.
 - ✓ The vast majority adjusts expenses based on available funds, and will keep track of income and spending.
 - ✓ Savings is of critical importance for Zambians. They save to afford their needs, and as a reserve when in need of emergency funds.

Implication: Its important for providers and potential lenders to recognize responsible financial attitudes and behaviors in consumers when considering potential target audiences for products.

Implication: Products that help smooth income irregularities, facilitate saving for expenses, and remove the temptation to spend cash on hand will pair with consumer aspirations.

Harnessing Consumer Behaviors

- **Zambians recognize and want the benefits that accompany formal financial services.**
 - ✓ A large portion of consumers are cognizant of interest rates, keeping money safe in a financial account and working toward a goal.
 - ✓ Consumers utilize informal financial channels, largely due to proximity, availability and comfort.
 - ✓ There's a bifurcated view of the relevance of formal savings institutions.
 - Consumers believe that formal savings institutions are the best fit for their savings needs -- in theory.
 - But, they also feel current formal options are exclusionary, and or not intended for them.
 - This suggests that either consumer knowledge is not deep enough, and/or existing financial institution positioning is not connecting with consumer needs.
 - ✓ Proximity to formal channels is also challenging for adoption.

Implication: Consumers appear primed for a targeted formal savings proposition if distance to a point of service and minimum deposit/fee requirements also match their circumstances.



Harnessing Consumer Behaviors

- **Within a largely cash-based society, a sizable portion of the employed are paid digitally.**
 - ✓ Four in 10 salaried Zambians receive their payments digitally, and this includes some of the more disadvantaged consumer groups (lower income, rural, women).
 - ✓ There's interest in remitting payments for goods and services through digital channels, even though the infrastructure does not yet support this.
 - ✓ At the same time, close to half of adults (47%) are averse to carrying cash.
 - ✓ The vast majority of adults (86%) feel they personally are ready to learn a new technology.

Implication: Employers could be a channel for expanding digital accounts, and even building a more digital ecosystem, thus encouraging more noncash remittances.

Expanding Digital Finance

- There are three barriers to mobile money use: lack of mobile phones, the lack of general knowledge of the service among all consumers, and lack of product relevance for those consumers who have heard of it.
 - ✓ Four in 10 Zambians do not have a mobile phone, making it difficult for them to interact with mobile money platforms independent of someone else lending them a phone, or relying solely upon a mobile money agent. The trajectory in more mature markets shows that usage correlates with individual handset ownership.
 - ✓ Only half of Zambians are aware of the concept of mobile money. Awareness dips among lower income, less educated and rural Zambians, who are even farther away from other formal financial services.
 - ✓ Using a mobile phone to pay bills or transfer/receive funds is appealing to the majority of consumers who know of mobile money, including nonusers. Nonusers attribute lack of use to insufficient knowledge or need for the product, suggesting they do not connect mobile money to desired mobile phone activities.

Implication: Strategies for uptake should address the lack of solely owned mobile devices in the market place.

Implication: Mobile money growth will require building knowledge of the service.

Implication: Existing awareness needs to be advanced by imparting meaningful knowledge that emphasizes the mobile-money value proposition.

Expanding Digital Finance

- **Consumers have concerns about using mobile money that counter their own aspirations for their money.**
 - ✓ Fear of losing money if the mobile phone is stolen, or the transaction failing is greater than actual use or meaningful knowledge about mobile money. That means that any type of recruitment campaign has to allay fears if it is to effectively bring in new customers.
 - ✓ This suggests that a fear (or negative) might be defining mobile money more so than an attribute (or positive).

Implication: Consumers require assurances that their money is safe during transfer, storage, and even if they lose their phones.

Implication: Consumers need more positive messages about mobile money so that fears over money security do not define the product.

Income & Income Sources

```
graph LR; A[Income is:] --> B[Largely non-salaried]; B --> C[In the form of cash]; C --> D[Except when income is salaried]; D --> E[Which is often paid digitally];
```

Income
is:

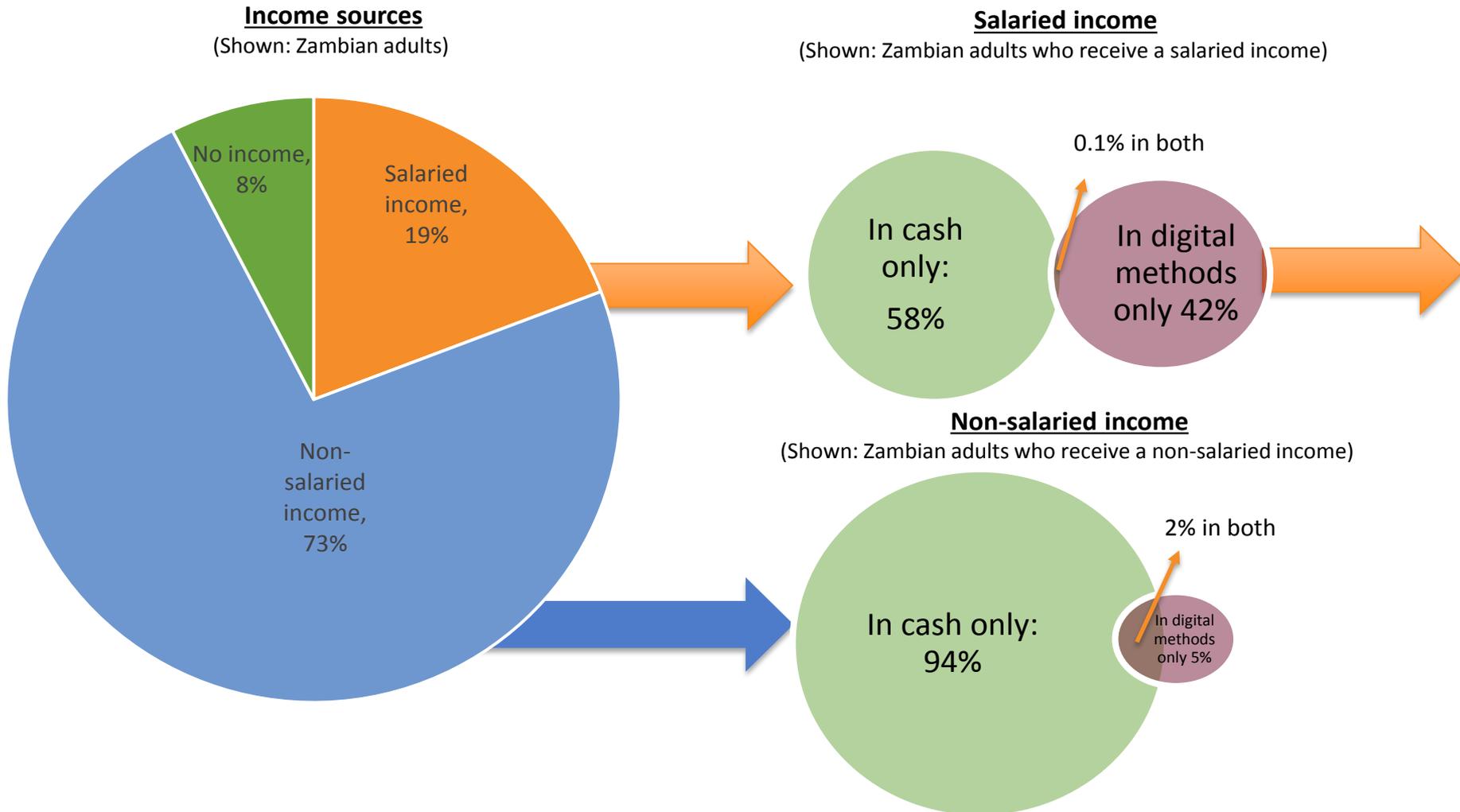
Largely
non-
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In the
form of
cash

Except
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is
salaried

Which
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paid
digitally

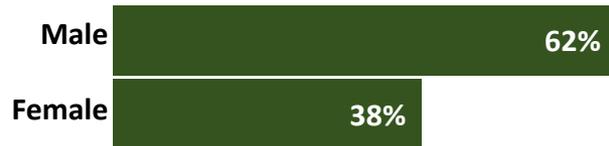
Zambians mostly live on non-salaried incomes, which come in the form of cash; a notable portion of salaried income comes digitally



There's even some digital salary receipt for rural, lower income, and less educated consumers

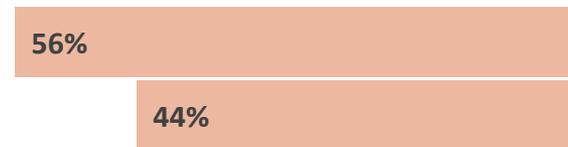
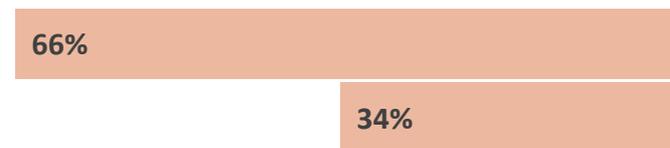
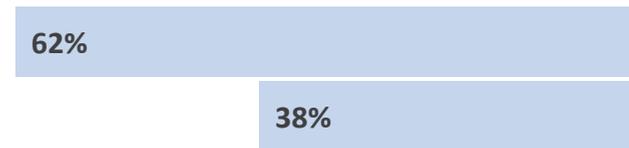
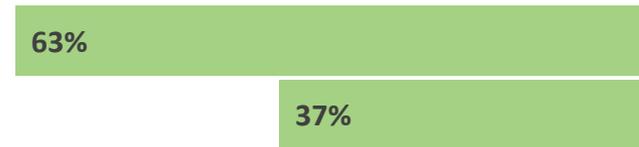
Demographics: Receiving salaried income

(Shown: Zambian adults who receive a salaried income)



Demographics: Receiving salaried income digitally

(Shown: Zambian adults who receive a salaried income digitally)

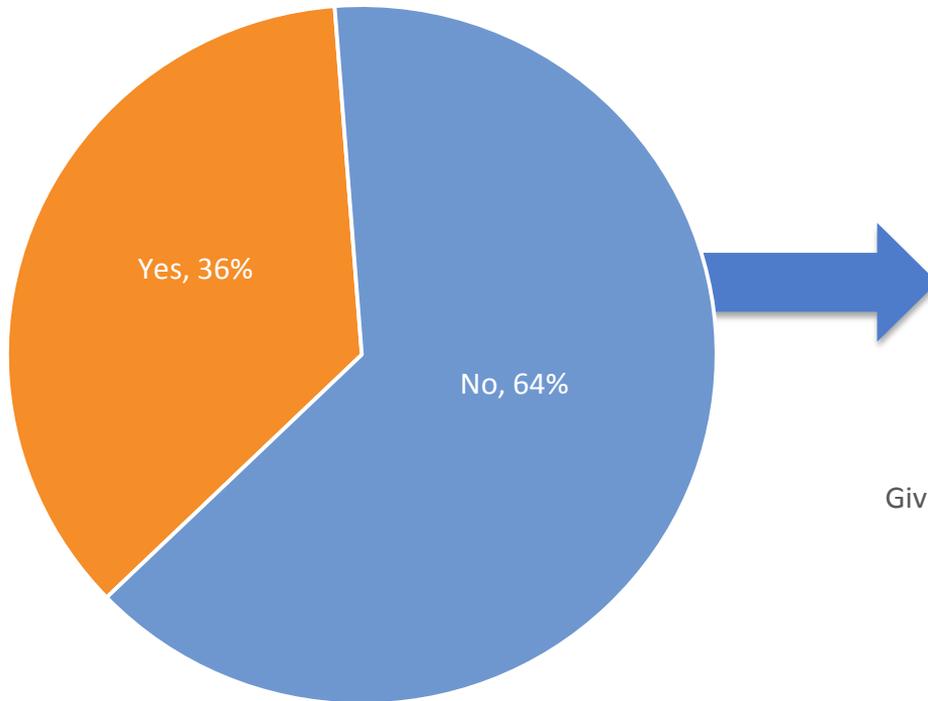


19% of Zambians receive a salaried income → 42% of them receive it digitally

There's some disposable income in the marketplace; Just over one-third have money to spend as they wish

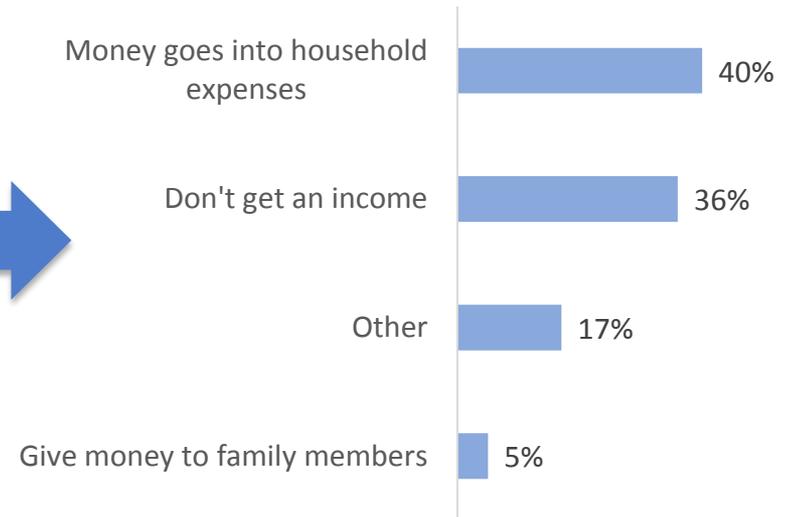
Have money of their own to spend "as they wish"

(Shown: Zambian Adults)



Main reason for not having money to spend "as they wish"

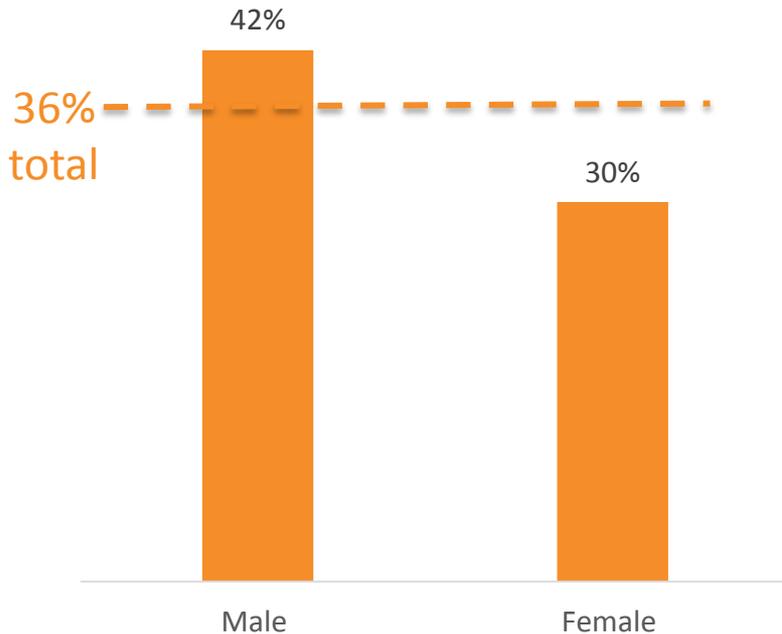
(Shown: Do not have disposable income)



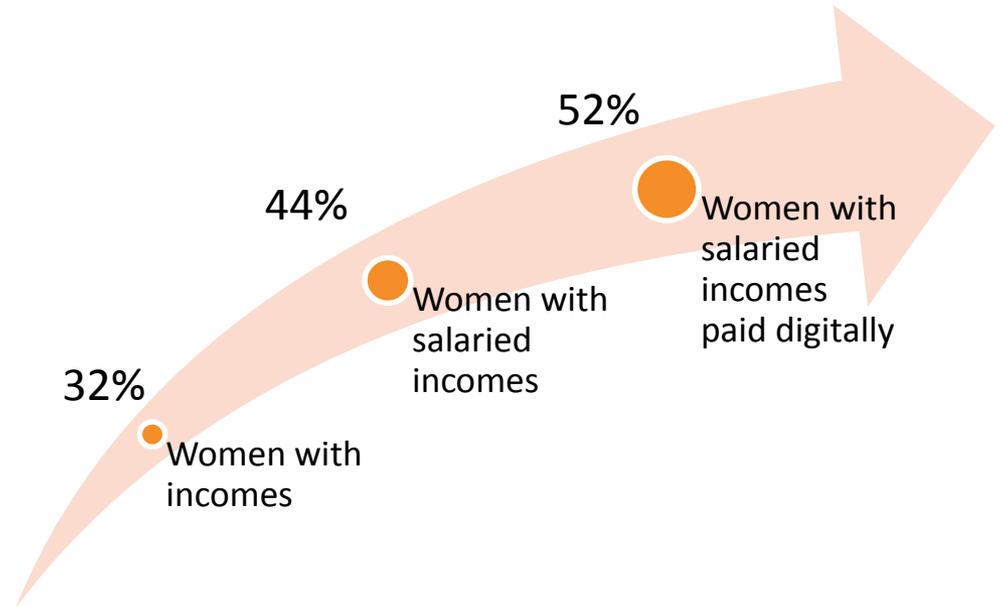
Women with salaried incomes, especially those who are paid digitally, are more likely to be able to spend money as they wish

Have money of their own to spend as they wish

(Shown: Zambian adults, by gender)

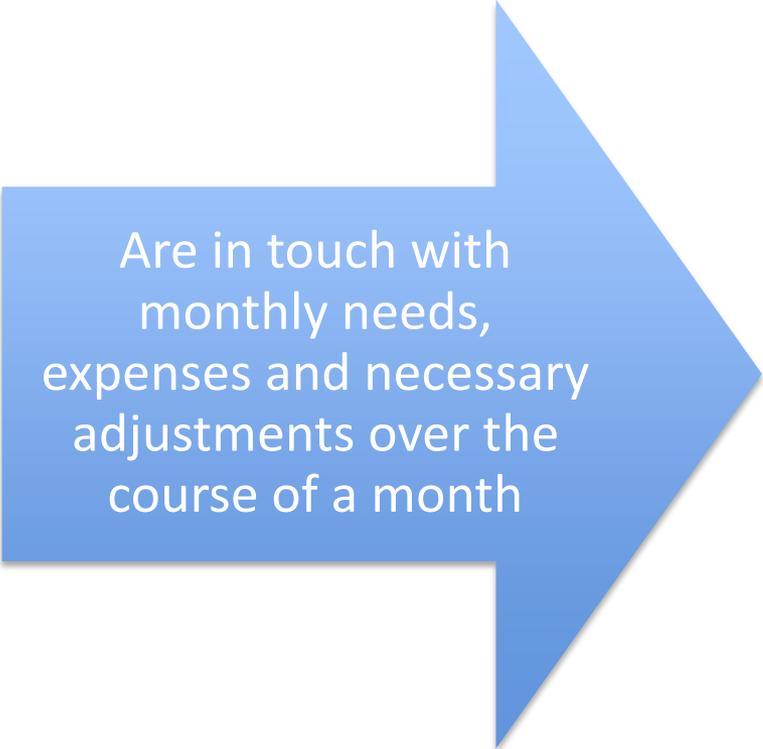


Women who have money of their own to spend as they wish



Fiscal Responsibilities & Realities

Zambians:



Are in touch with
monthly needs,
expenses and necessary
adjustments over the
course of a month



Struggle to get by each
month

Most Zambians adjust spending based on their available funds; many track and are conscious of spending

Indicators of financial awareness

(Shown: Zambian adults)

Adjust expenses according to the money available

87%

Keep track of money that you receive and spend

60%

Know how much money you spent last week

53%

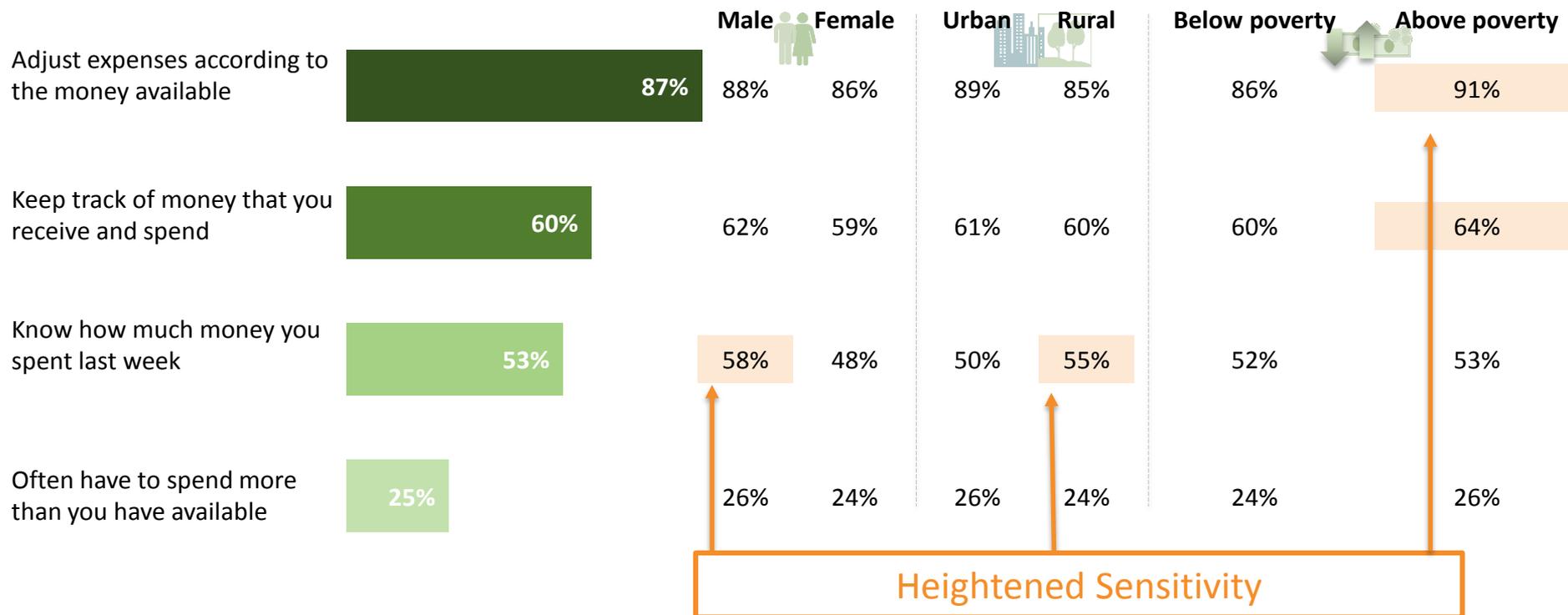
Often have to spend more than you have available

25%

Financial awareness is mostly static across demographics; there's greater expense management among men, rural, higher income groups

Indicators of financial awareness

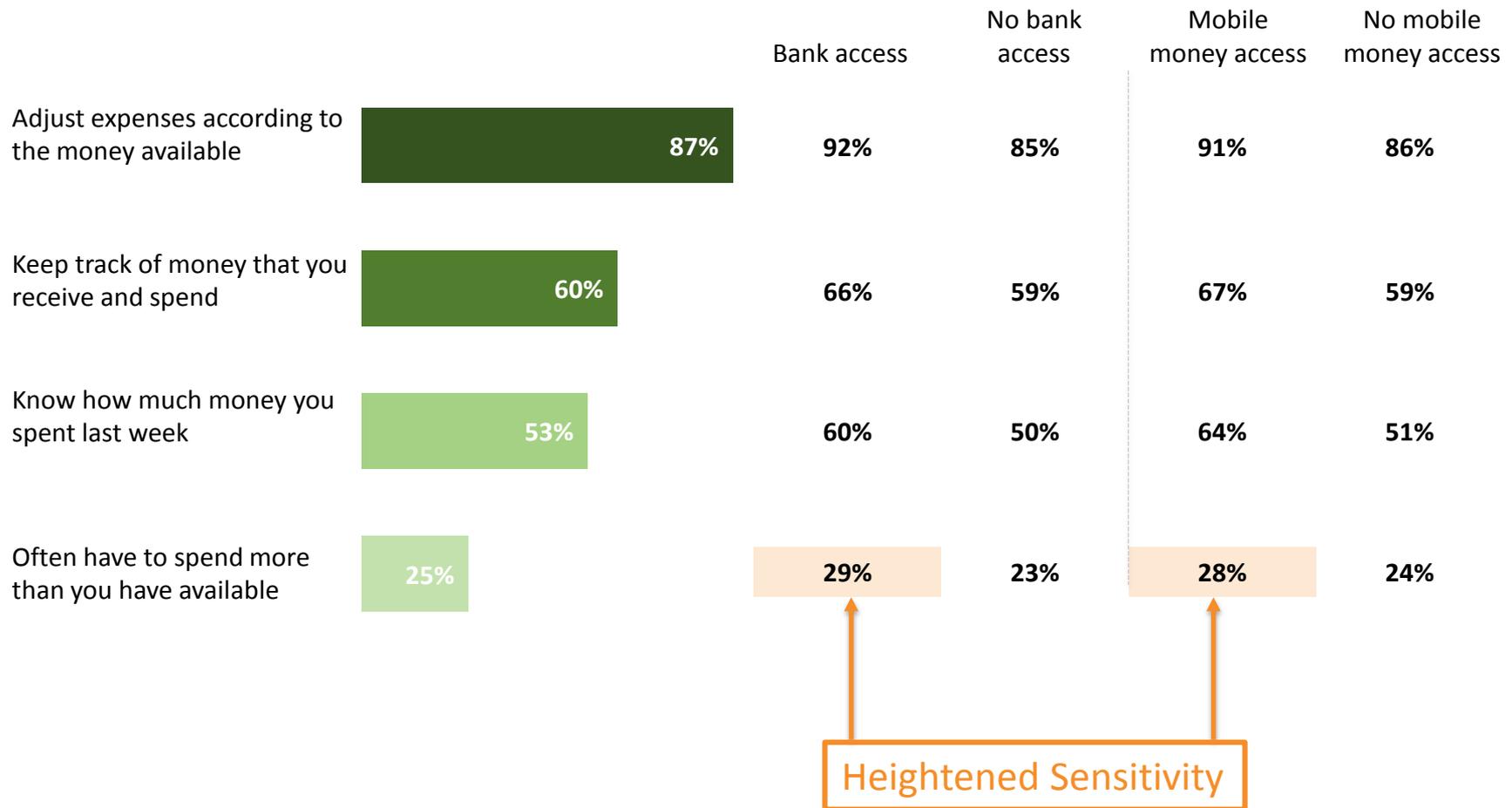
(Shown: Zambian adults)



Even consumers without bank, mobile money accounts still exhibit financial awareness

Indicators of financial awareness

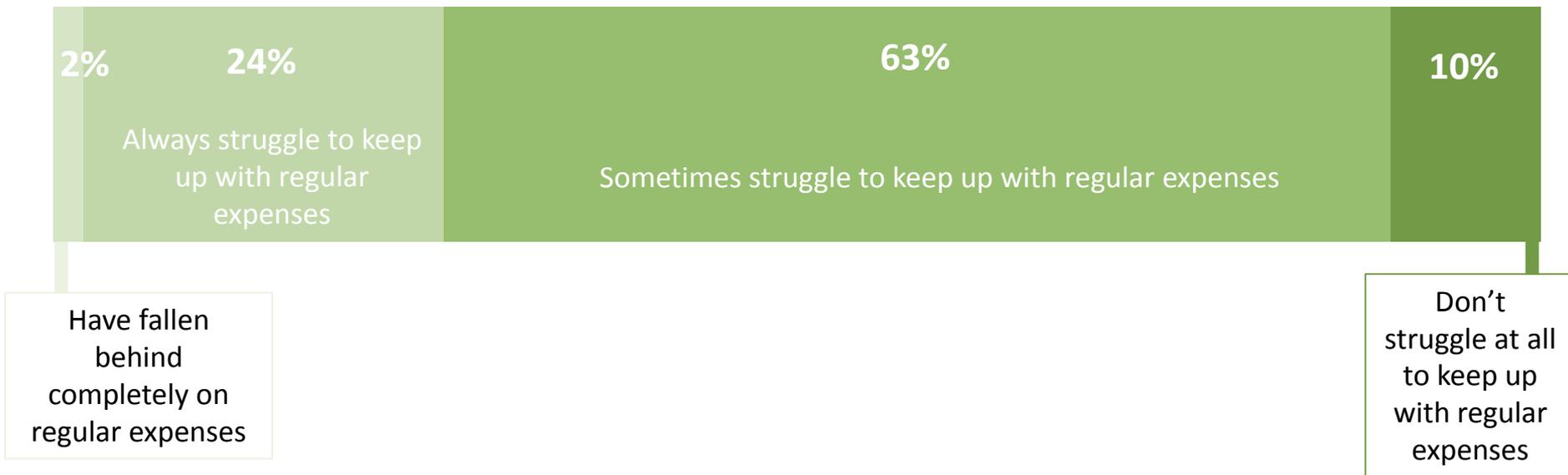
(Shown: Zambian adults by subgroup)



Many struggle financially, but do not fall completely behind on regular expenses

Indicators of financial well-being

(Shown: Zambian adults)



The rural and poor struggle more, and yet they still do not fall completely behind

Have fallen behind completely on regular expenses

Indicators of financial well-being (Shown: Zambian adults)

Don't struggle at all to keep up with regular expenses



Category	Have fallen behind completely on regular expenses	Always struggle to keep up with regular expenses	Sometimes struggle to keep up with regular expenses	Don't struggle at all to keep up with regular expenses
men	1%	25%	64%	10%
women	2%	24%	62%	11%
urban	1%	19%	65%	13%
rural	2%	28%	61%	8%
below poverty	2%	27%	62%	9%
above poverty	4%	11%	68%	19%

Mobile Money

Mobile money:



Knowledge

is **confined** to about half of the population, and may be shallow, not extending beyond general awareness



Usage

is limited, attributed to lack of need or meaningful knowledge



Interest

in using a mobile phone for transactions is evident

FinScope: mobile money characterization

Mobile money includes:

- Airtel
- MTN
- Amtel
- Zanaco
- Zoono

Distinction between mobile money and money transfer services

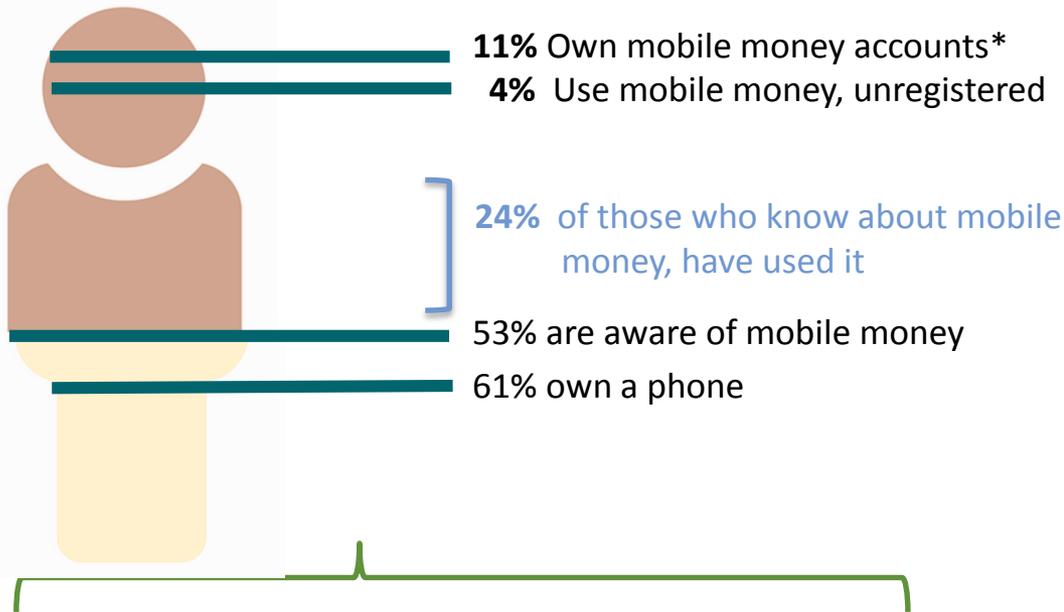
- At the provider level
- Incidence of money-transfer services limits analysis

Registered mobile money accounts

- Consumer PERCEPTION of whether or not they, themselves, are registered with all providers

Just over half of Zambians are aware of mobile money and only one-quarter of those have used it

All Zambian Adults:

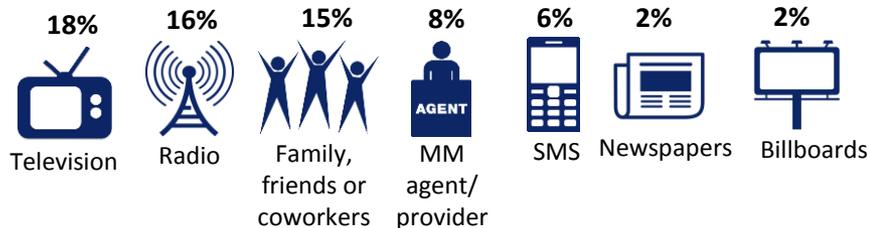


Indicates:

- Contained knowledge and use of mobile money**
- Limited handset ownership

Source of mobile money awareness

(Shown: Zambian adults)



*Own or joint account

**FinScope reports 14% having/using mobile money services, which is in line with these more incremental observations.

Source: 2015 FinScope study of Zambian adults, conducted February-March 2015, 8570 adults, nationally representative

Focus on: Women



10% of women have used mobile money at least once → Equates to 5% of all Zambian adults

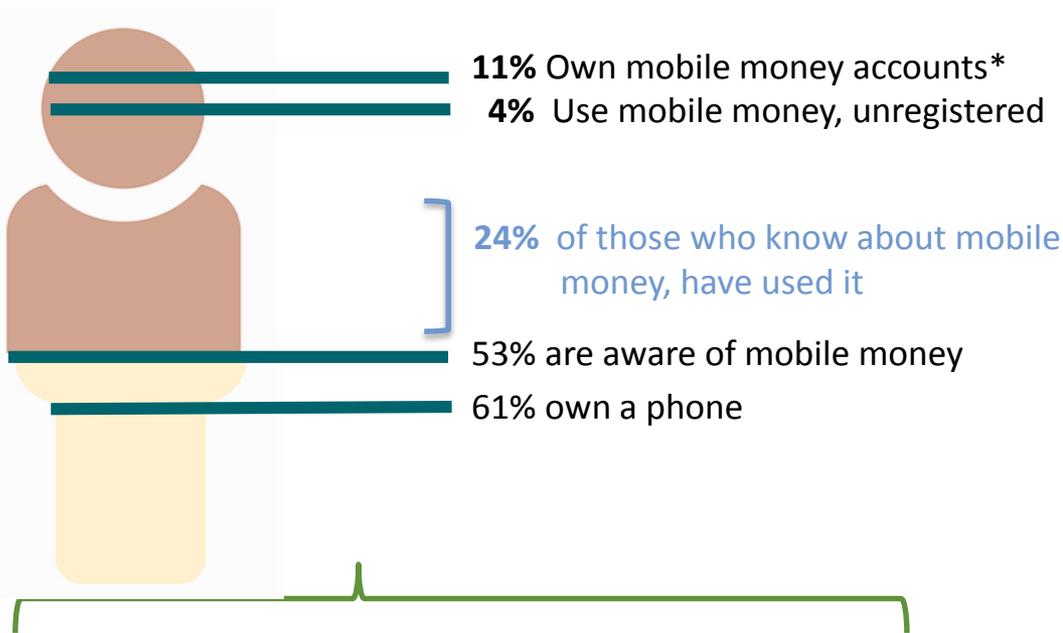


66% of women who have used it at least once, currently use it

63% of women who have ever used mobile money, own an account → Equates to 3% of all Zambian adults

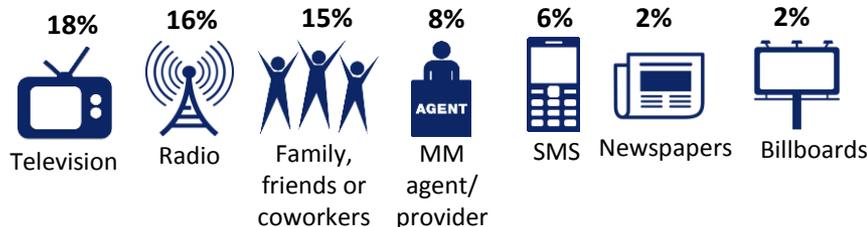
Mobile money features are both attractive, and cause some concern

All Zambian Adults:



Source of mobile money awareness

(Shown: Zambian adults)



Aware of mobile money and would like to use their phone to...

(Shown: Zambian adults who are aware of mobile money)

Pay utility bills:	69%
Pay for goods and services:	68%
Put money away for later:	65%

Aware of mobile money and believe the following to be true:

(Shown: Zambian adults who are aware of mobile money)

Easily lose money sending/receiving payments:	24%
Can not get money back if your phone is lost:	29%

*Own or joint account

**FinScope reports 14% having/using mobile money services, which is in line with these more incremental observations.

Source: 2015 FinScope study of Zambian adults, conducted February-March 2015, 8570 adults, nationally representative



86%

of Zambians are ready
to learn a new
technology

47%

Of Zambians do not like
to carry cash



Mobile money is not a consumer's exclusive financial tool

55% of mobile money account holders ***also have*** a bank account

40% of mobile money account holders ***still rely upon*** family or friends when they need help managing their finances.

18% of mobile money account holders ***also use*** a Chilimba*

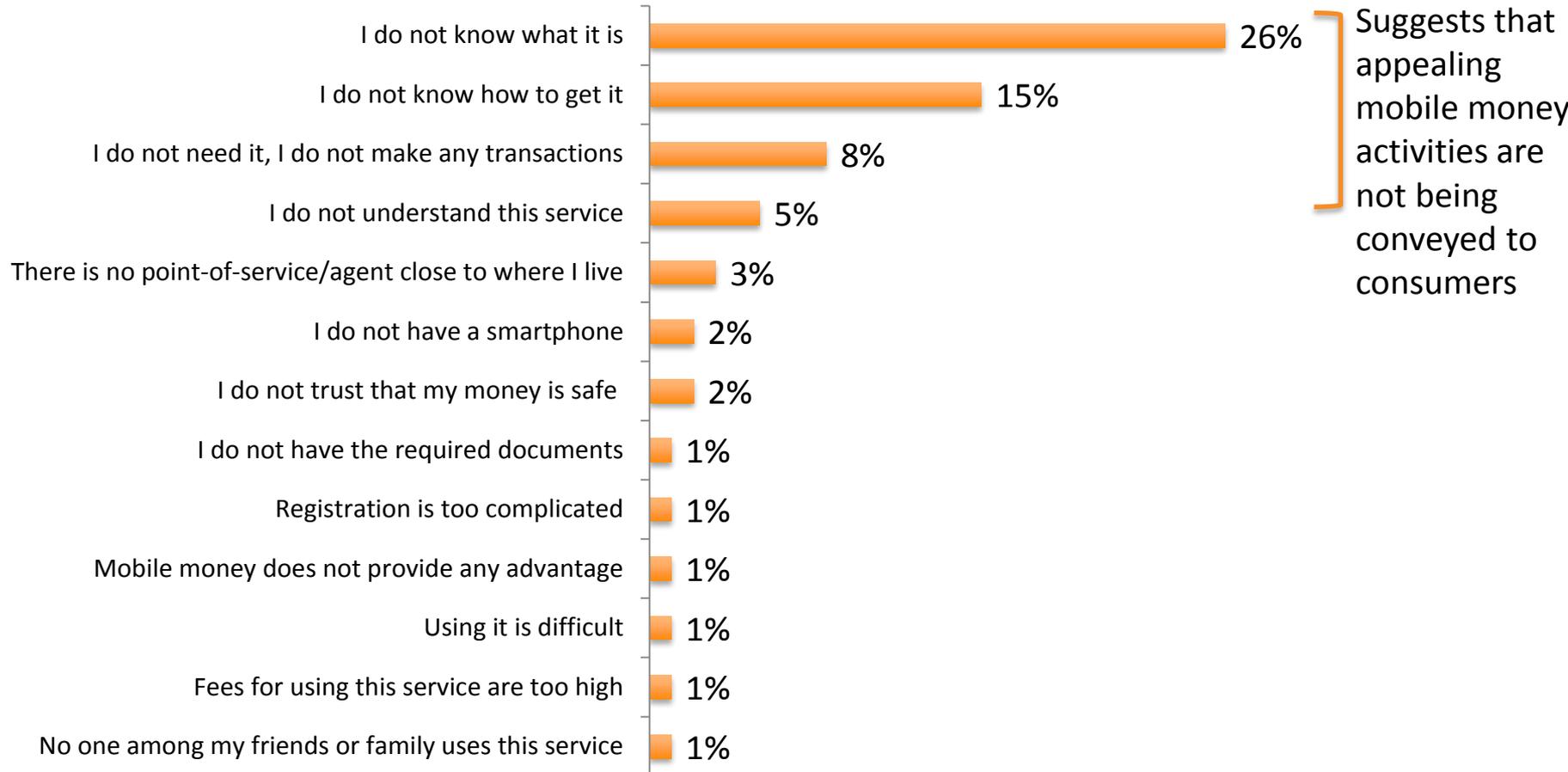
* Informal savings and credit group

Source: 2015 FinScope study of Zambian adults, conducted February-March 2015, 8570 adults, nationally representative

Lack of general mobile money knowledge, process for getting it, and knowing its utility are barriers to usage

Reasons for not using mobile money

(Shown: Zambian adults who are aware and do not use mobile money)



Proximity and awareness of mobile money agents correspond to use of services

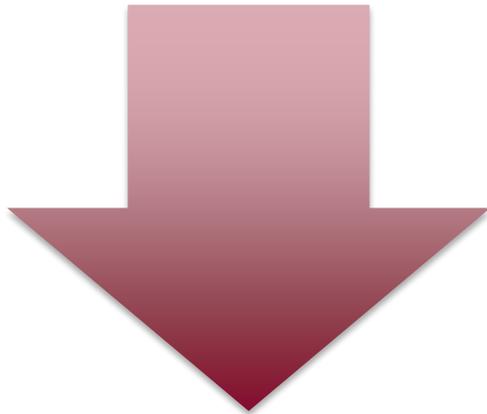
Proximity to mobile money agent	15 minutes or less	15-30 minutes	30 minutes – 1 hour	More than 1 hour	Don't know
Zambian adults	13%	8%	10%	18%	51%
...who use banks	28%	16%	12%	14%	29%
...who use mobile money	38%	20%	16%	18%	9%
...who do not use mobile money	10%	7%	9%	18%	57%
Above poverty level	36%	18%	10%	9%	27%
Below poverty level	8%	6%	9%	20%	56%
Men	14%	9%	10%	22%	44%
Women	12%	8%	9%	14%	57%
Urban	25%	14%	12%	7%	42%
Rural	4%	4%	7%	27%	58%

Bank Accounts

Bank accounts have:



High association with savings, safety



Low usage due to perceived:

- Lack of relevance
- Lack of need



Zambians connect bank accounts with savings and security, not lending or payments

What are banks used for?

(All Zambian adults)

Savings

80%

Keeping money safe

31%

Borrowing

15%

Salary processing

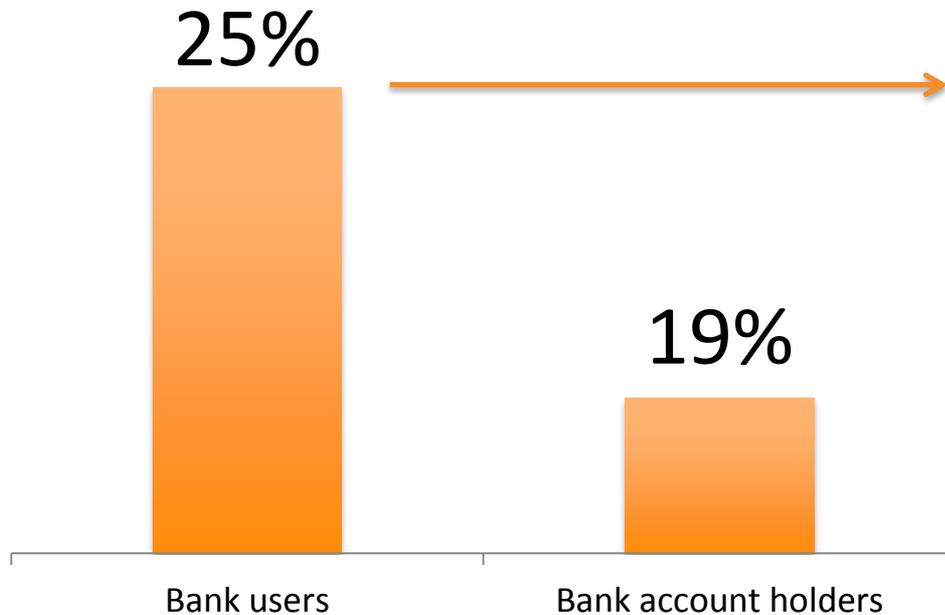
13%

Money transfers

11%

One-quarter use accounts and many use them at least once a month

Bank account usage (Shown: Zambian Adults)



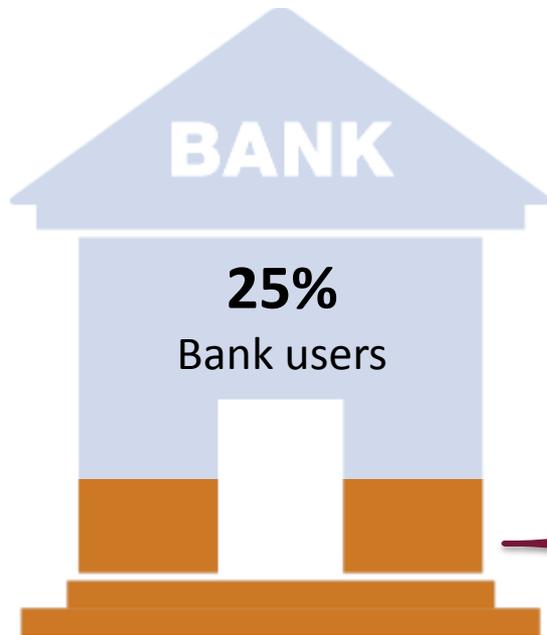
Last used bank:

Yesterday	7%
In the past 7 days	24%
In the past 30 days	45%
In the past 90 days	13%
More than 90 days ago but less than 6 months ago	4%
6 months ago or longer	6%

76%

Bank account users are:

Bank account usage (Shown: Zambian Adults)



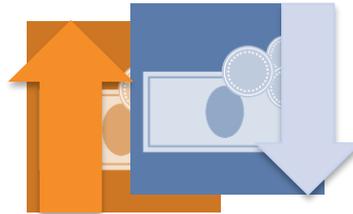
Urban/Rural

64%/36% ← more urban than rural



Female/Male

43%/57% ← more male than female



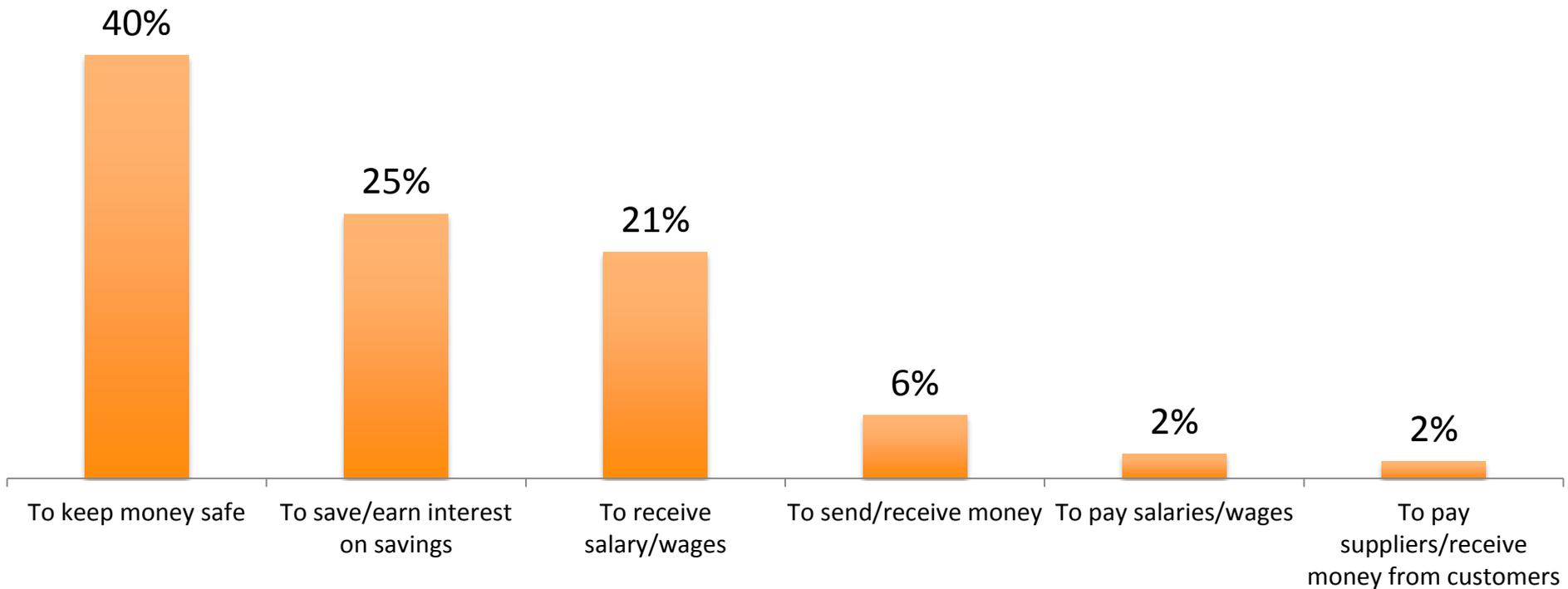
Above/Below Poverty

53%/47% ← above and below the poverty line

The prime reasons for using a bank account are security and earnings

Reasons for using a bank account

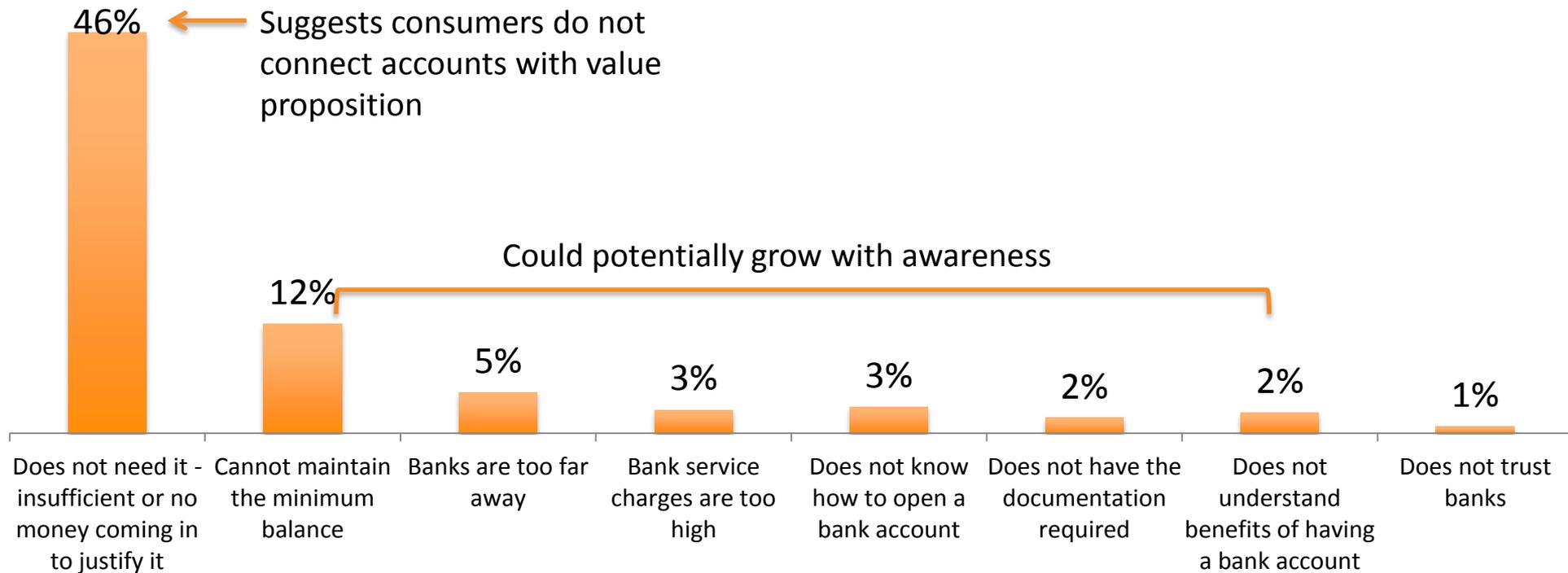
(Shown: Bank account users)



Perceived lack of need, knowledge is an initial barrier to bank usage, more so than bank requirements or locations

Reasons for not using a bank account

(Shown: Bank account non users)



Distance to ATMs and bank branches favor higher income, urban individuals

Distance to ATMS, branches	15 minutes or less	15-30 minutes	30 minutes – 1 hour	More than 1 hour	Don't know
Total	13%	14%	17%	34%	22%
Use bank	26%	24%	20%	24%	6%
Don't use bank	8%	10%	16%	37%	28%
Use mm	27%	24%	22%	22%	5%
Above poverty line	32%	26%	21%	13%	8%
Below poverty line	8%	11%	17%	39%	26%
Male	14%	14%	18%	39%	16%
Female	12%	13%	17%	29%	29%
Urban	24%	25%	24%	12%	16%
Rural	3%	4%	12%	53%	28%

Savings and Credit

Savings and Credit

Consumers:

Think the concept of savings is important



See savings in formal accounts as important, a good match for needs



Ultimately save

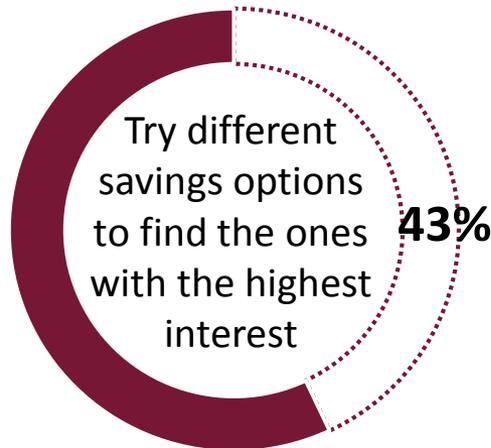
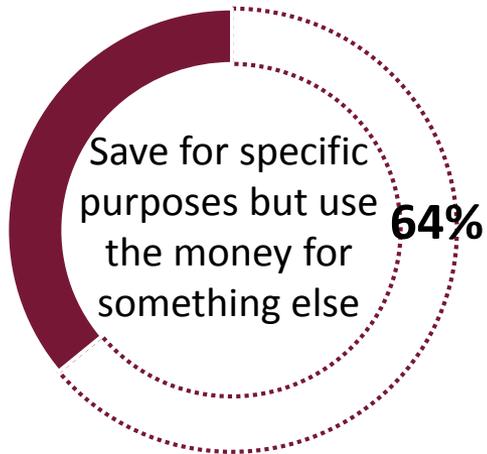
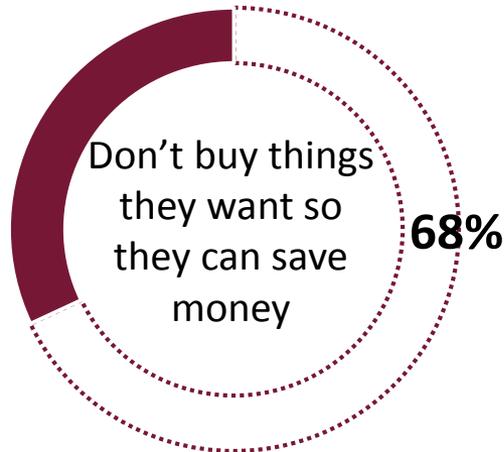


But do so using informal channels due to **access and ease of use**



And at the same time, are hesitant to reach out for a line of credit

There is a strong culture of savings in Zambia



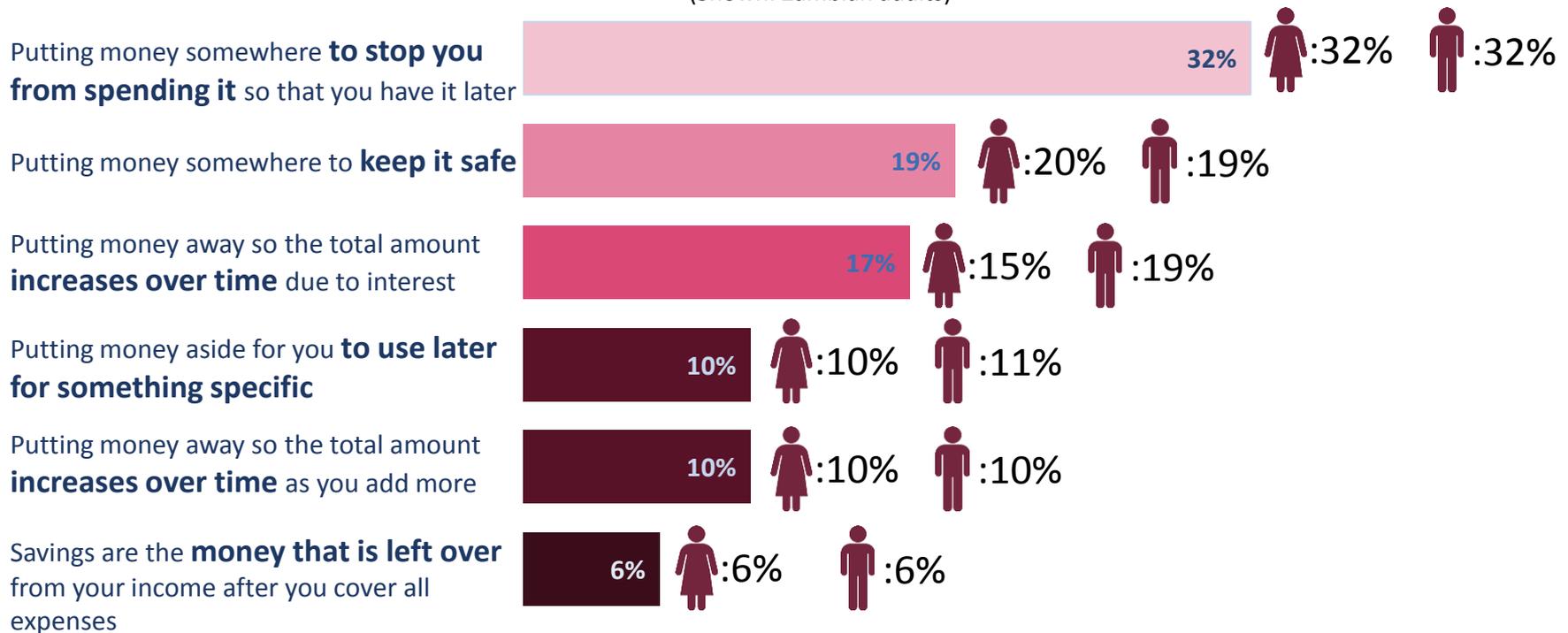
95%

agree with at least one of these statements

Consumers think of “saving” as preventing impulse purchases, keeping money safe, and growing it over time

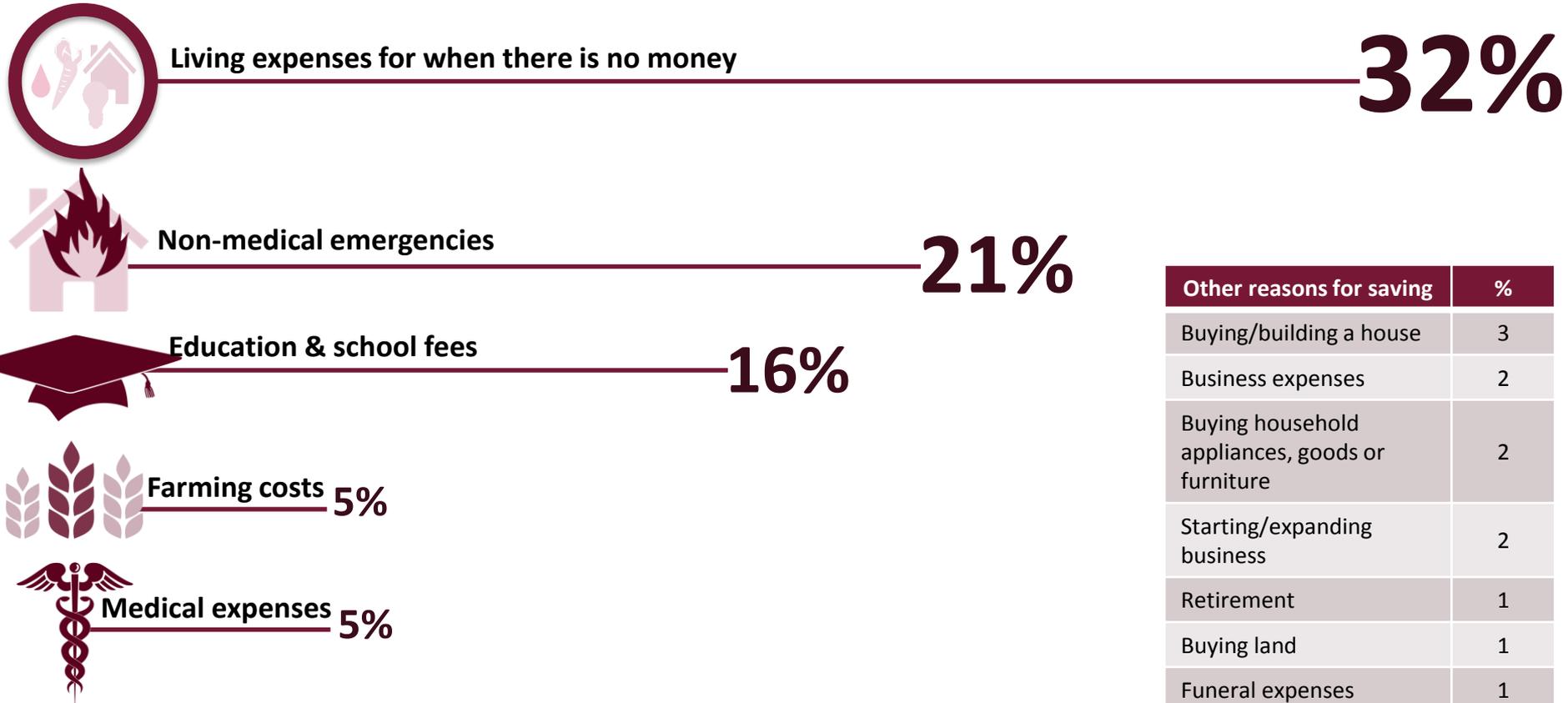
Most common definitions of “saving”

(Shown: Zambian adults)



Living expenses, emergencies and school fees are top savings motivators

Top reasons for saving



Other reasons for saving	%
Buying/building a house	3
Business expenses	2
Buying household appliances, goods or furniture	2
Starting/expanding business	2
Retirement	1
Buying land	1
Funeral expenses	1

Zambians recognize that formal accounts are important for managing daily finances

Most important for managing daily finances

(Shown: Zambian adults)

54%

9%

4%

3%

1%

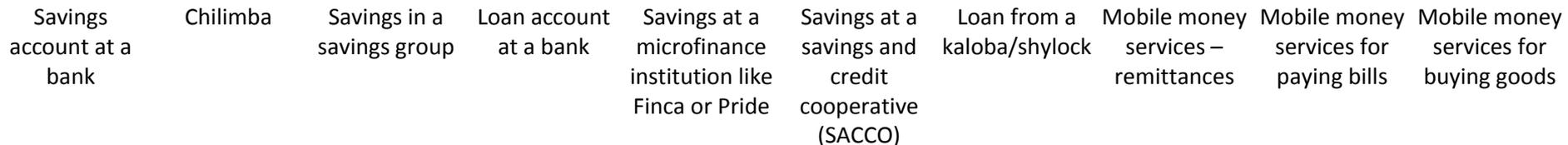
1%

1%

1%

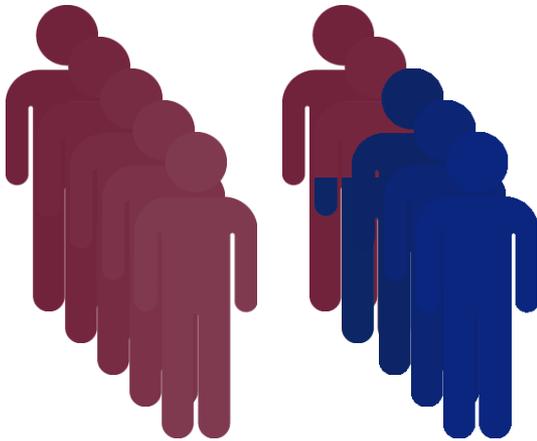
1%

1%



Close to two-thirds save money; saving is largely informal despite importance of formal channels

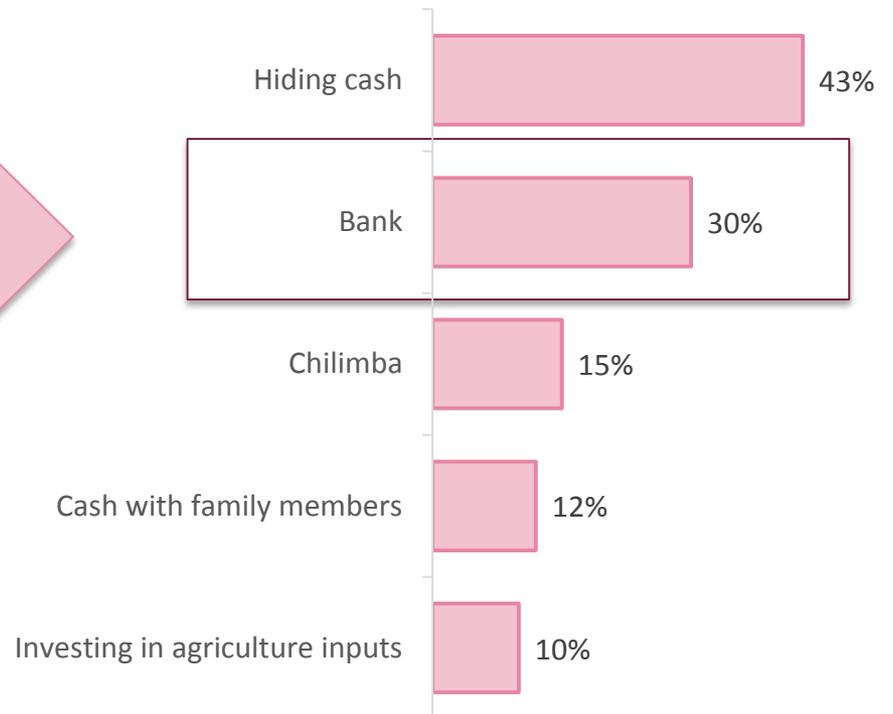
63%



of Zambians currently have savings through at least one formal or informal channel

Current savings channels

(Shown: Zambian adults who currently save)



Savers are male and female, urban and rural, and slightly older

Demographics of Zambian adults who save

(Shown: Zambian adults who save)



Demographics of Zambian adults who don't save

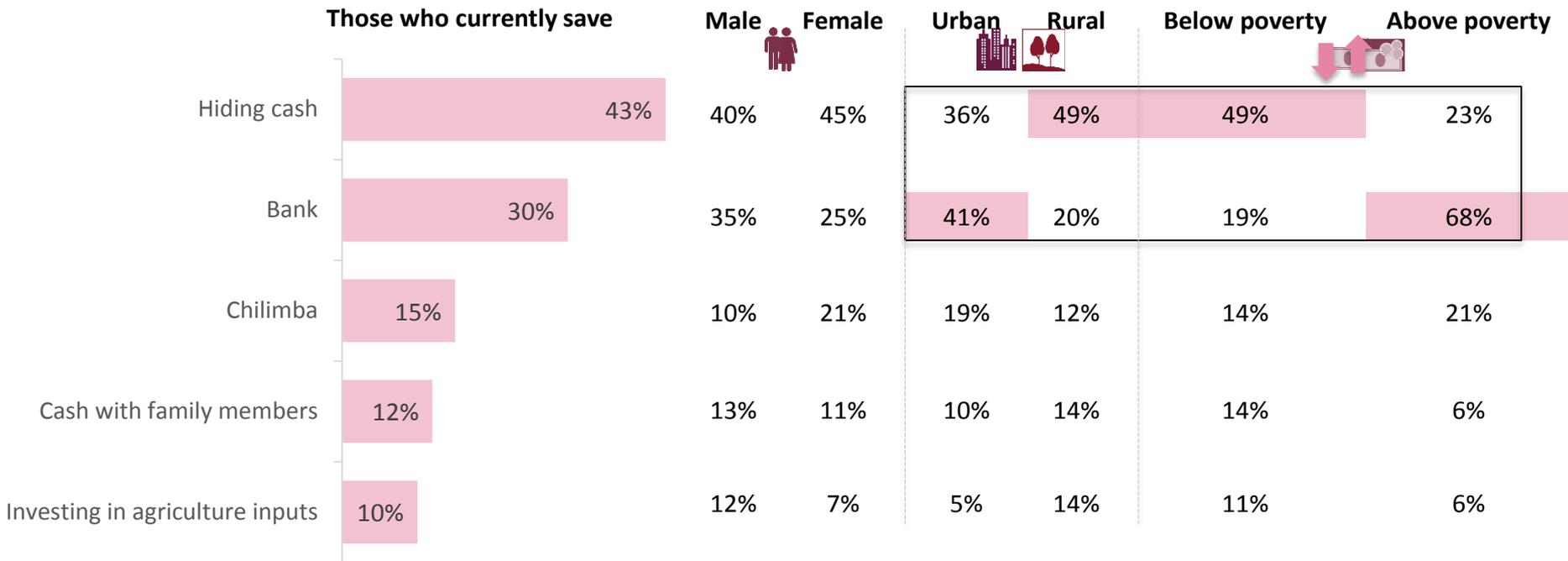
(Shown: Zambian adults who do not save)



Banks are *more commonly* used for savings by urban, above poverty groups

Current Savings Channels

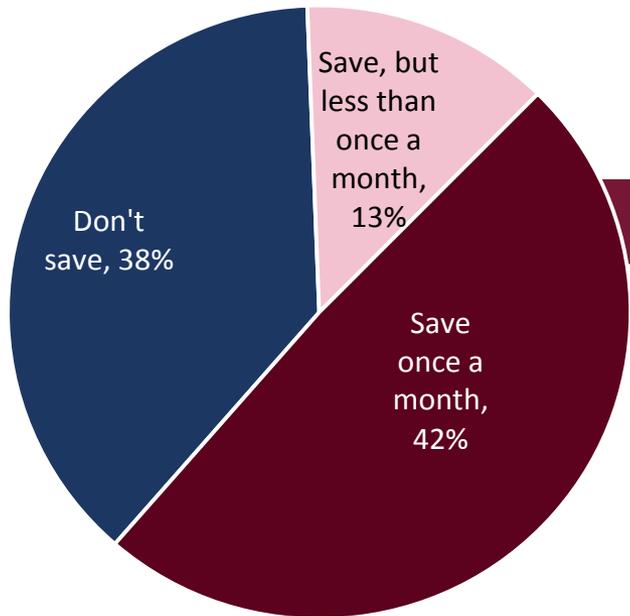
(Shown: Zambian adults who currently save)



Half save monthly; still mostly through informal channels

Monthly savings

(Shown: Zambian adults)



Preferred method of saving

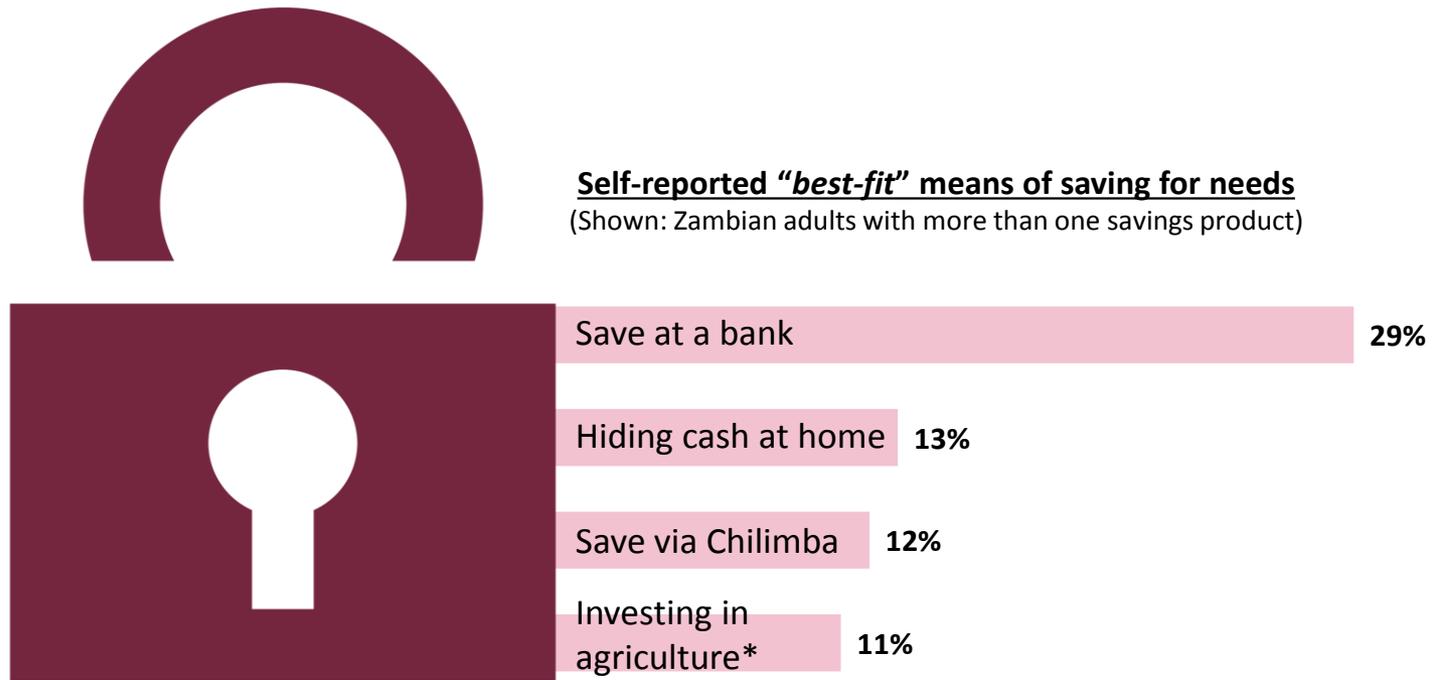
(Shown: Zambian adults who save monthly)

43% hide cash at home

34% save at a bank

19% save through a Chilimba

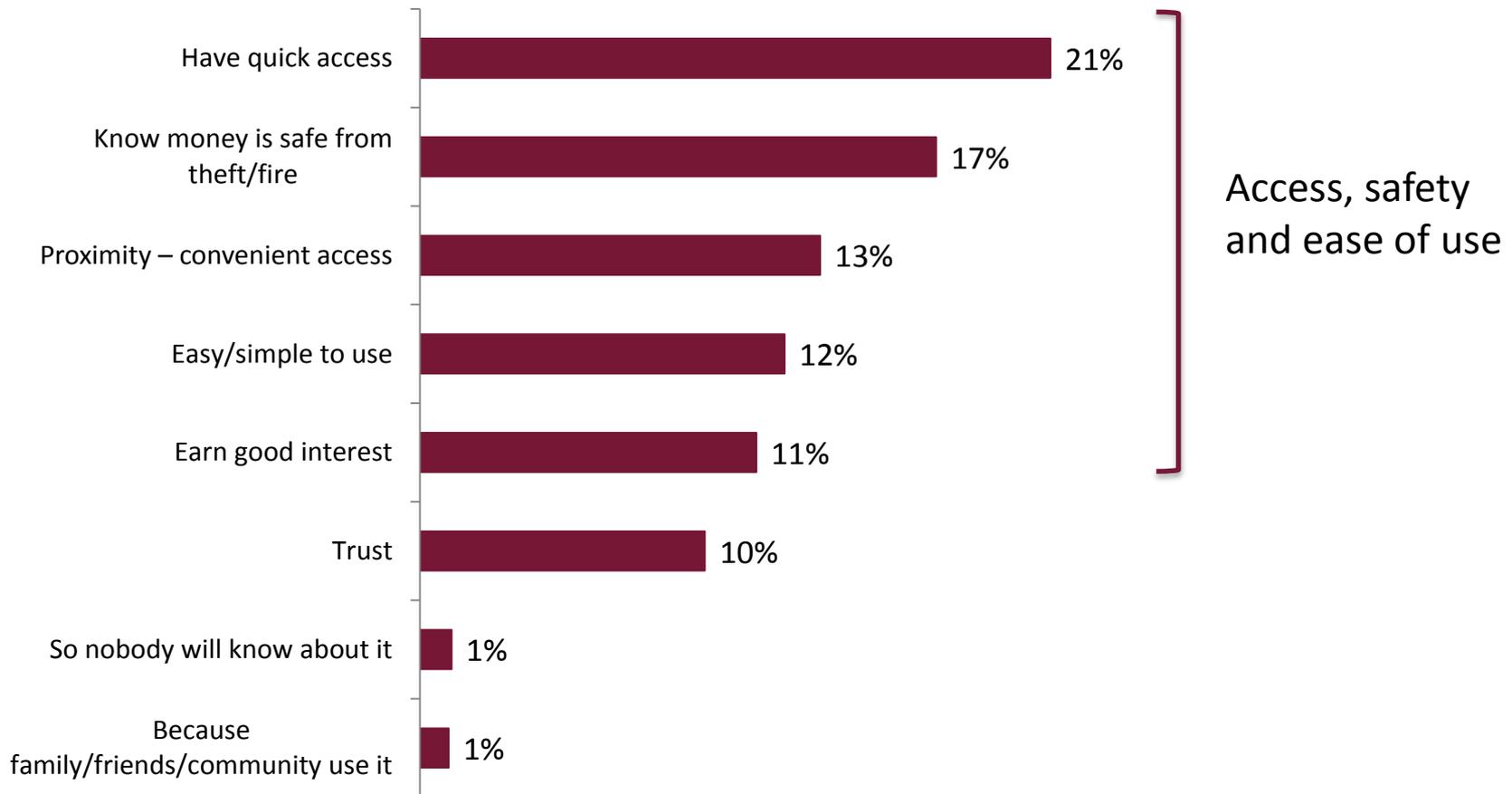
Zambians who have more than one savings product think saving at a bank is the best fit for them



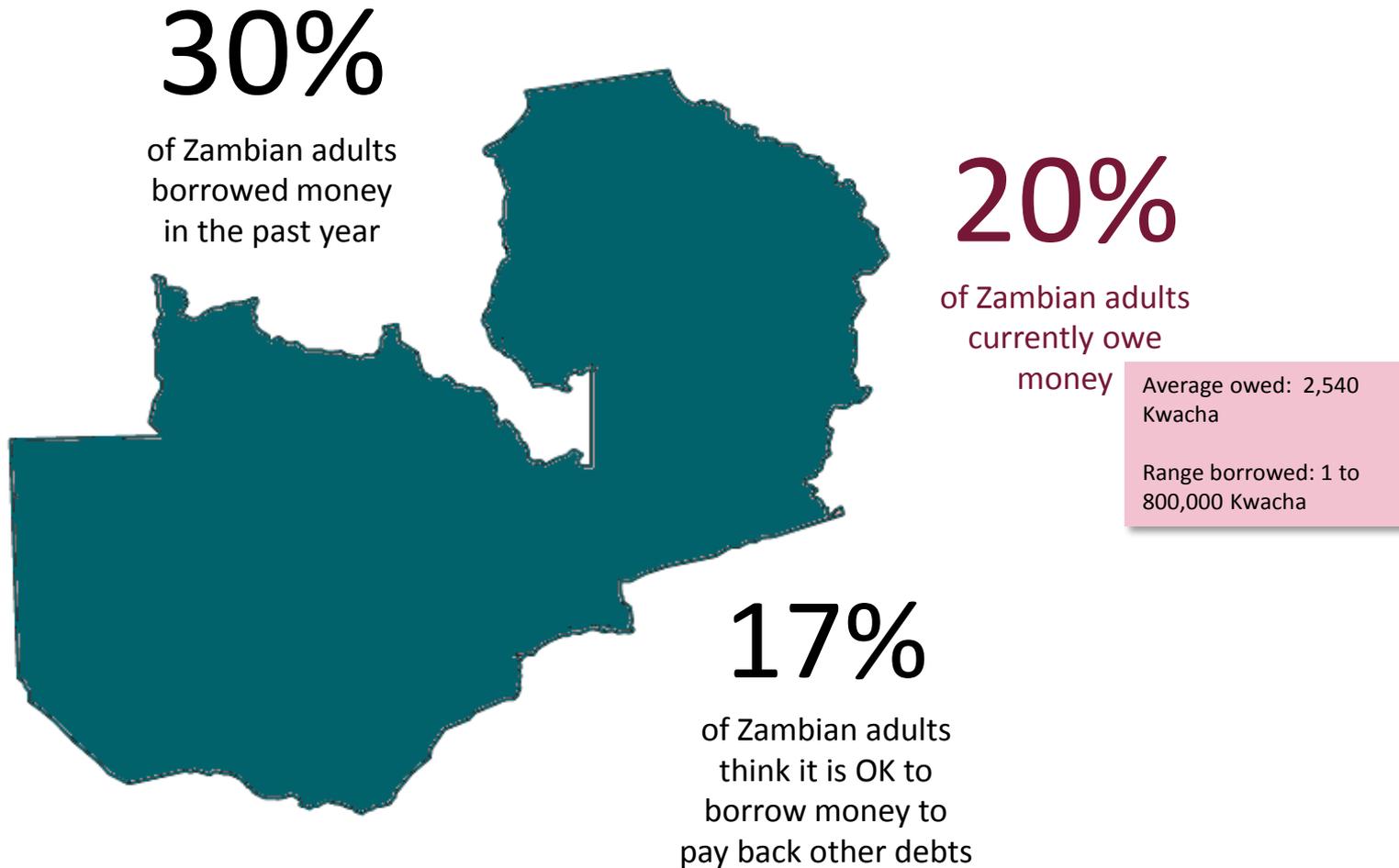
Choice of saving location is driven by access, safety and easy of use

Reason for choosing savings option

(Shown: Zambian adults with more than one savings product)



Credit tendencies are relatively limited, and social acceptability of credit even more so



Borrowing money brings with it a concern about the ability to repay the loan

Reasons for not borrowing money

(Zambian adults who did not borrow money in the past year)

➔ **Worried would not be able to pay back the money (48%)**

Didn't need to borrow money (20%)

Don't want to/believe in borrowing money (13%)

Don't know where to borrow money from (3%)

Interest charged on borrowed money is too high (2%)



Education & School Fees

Education and school fees are the...



Biggest
expense



Top
priority

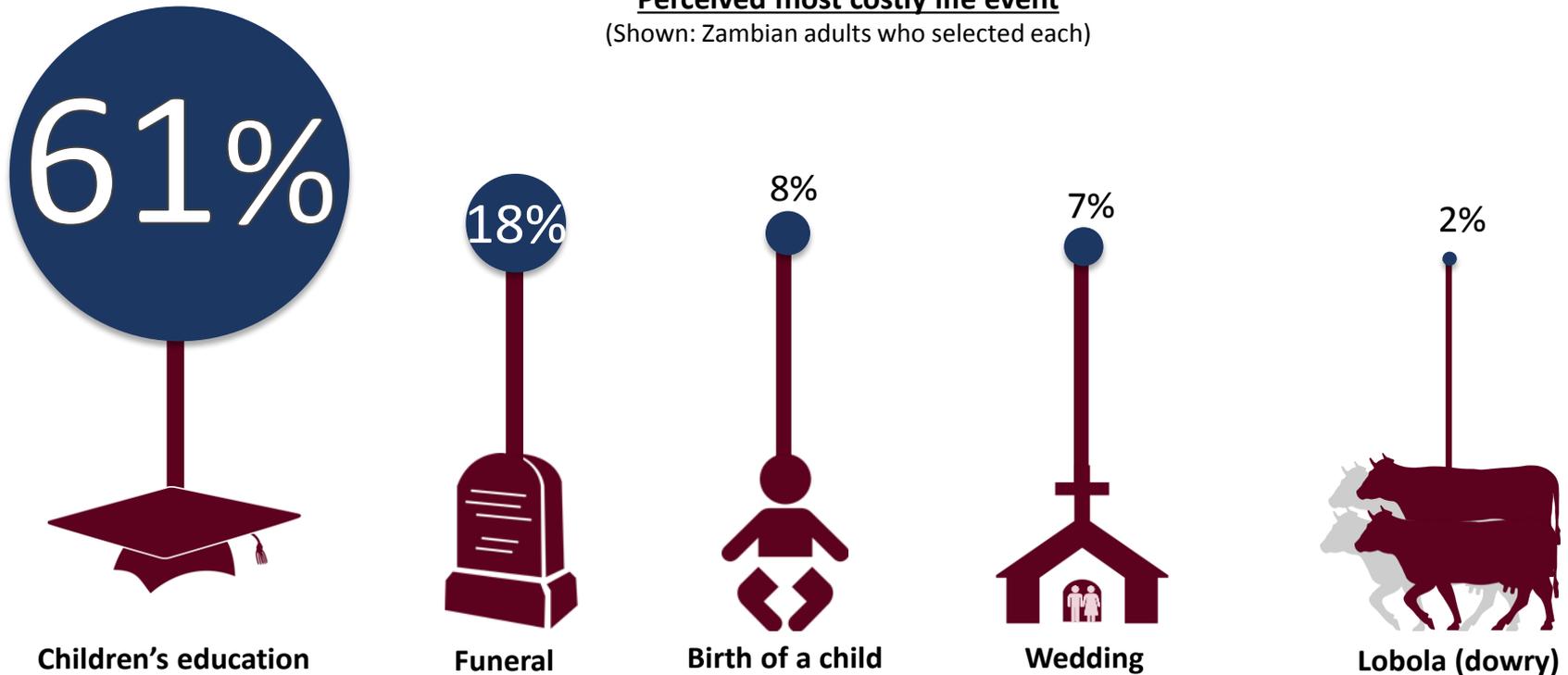


Reason
for
saving

... for Zambians

Children's education is perceived by far as the most costly life event

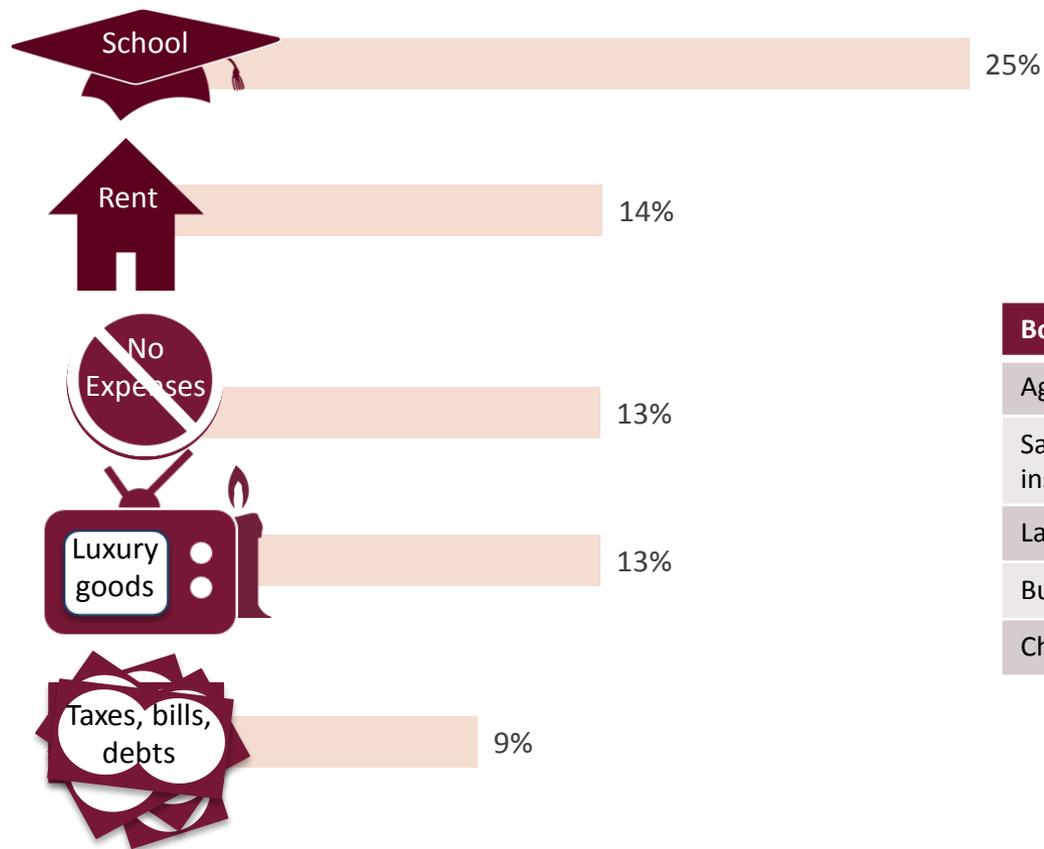
Perceived most costly life event
(Shown: Zambian adults who selected each)



Paying for school-related costs is the most important expense beyond food and clothing

Most important regular expenses, beyond food and clothing

(Shown: Zambian adults)



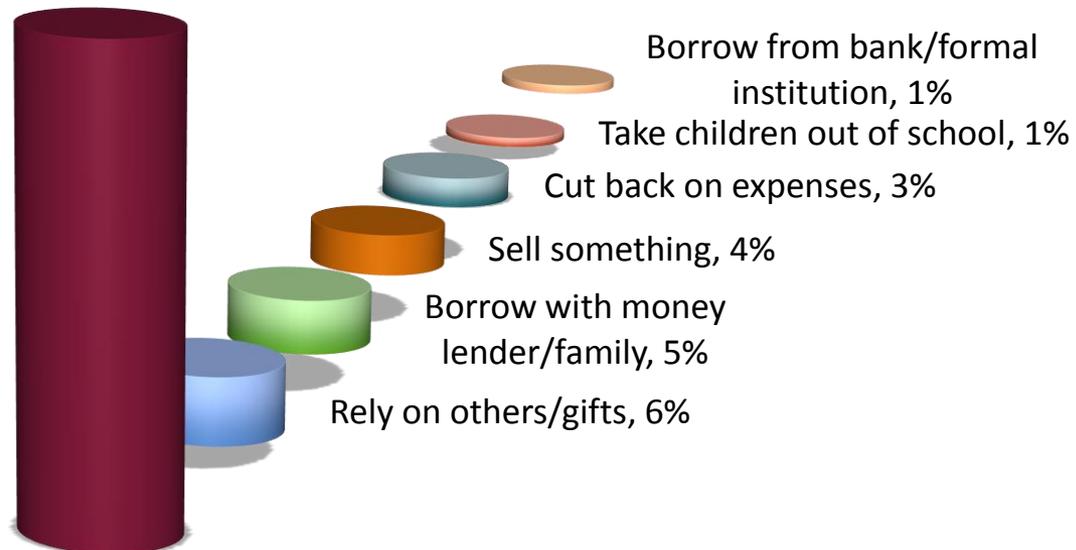
Bottom five most important:	%
Agricultural inputs and investments	9
Saving – through formal and informal institutions	4
Land and building materials	3
Business investments	2
Church tithes	0.8

Drawing on savings is the most common way to cover children's education

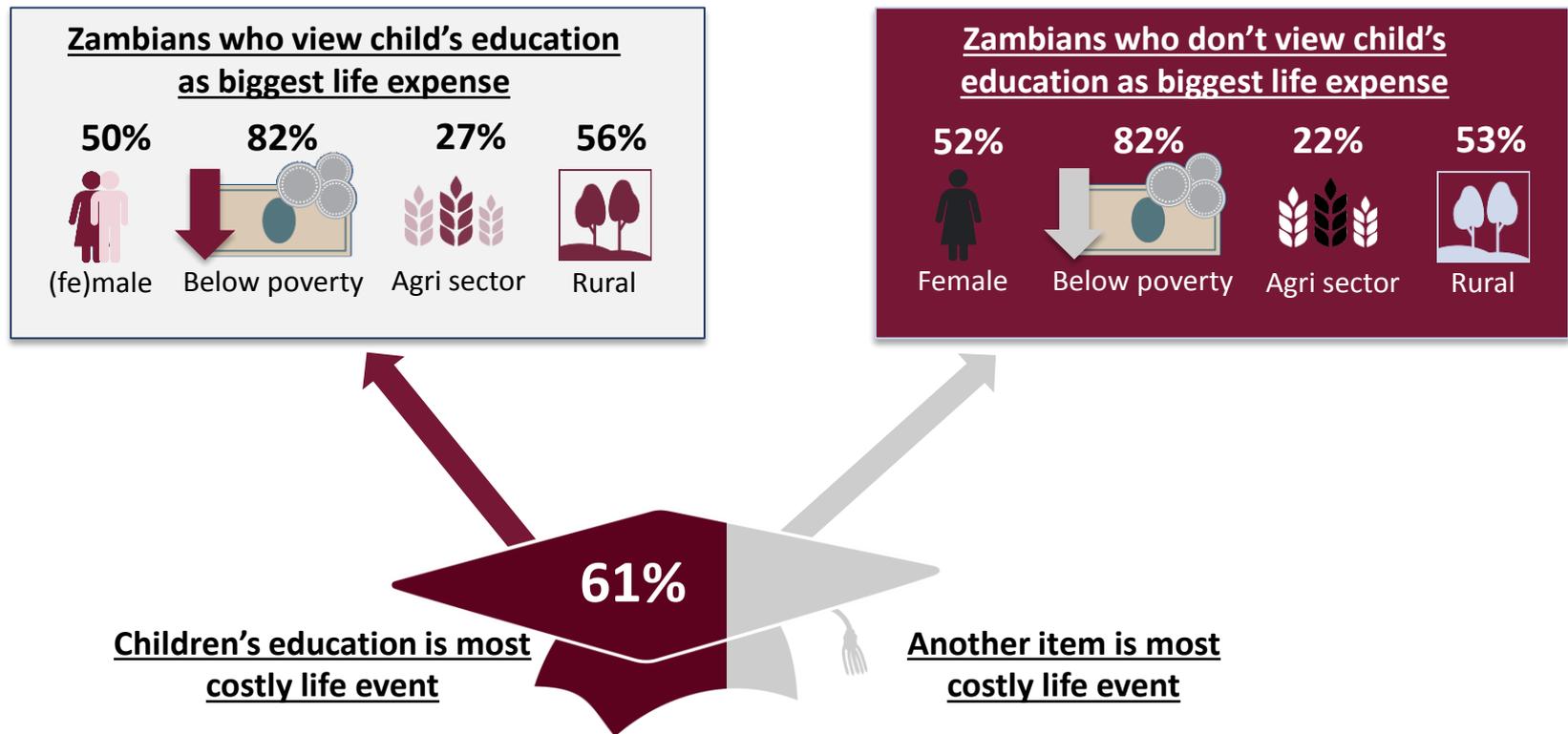
Methods for covering children's education

(Shown: Zambian adults who value children's education)

Savings, 39%

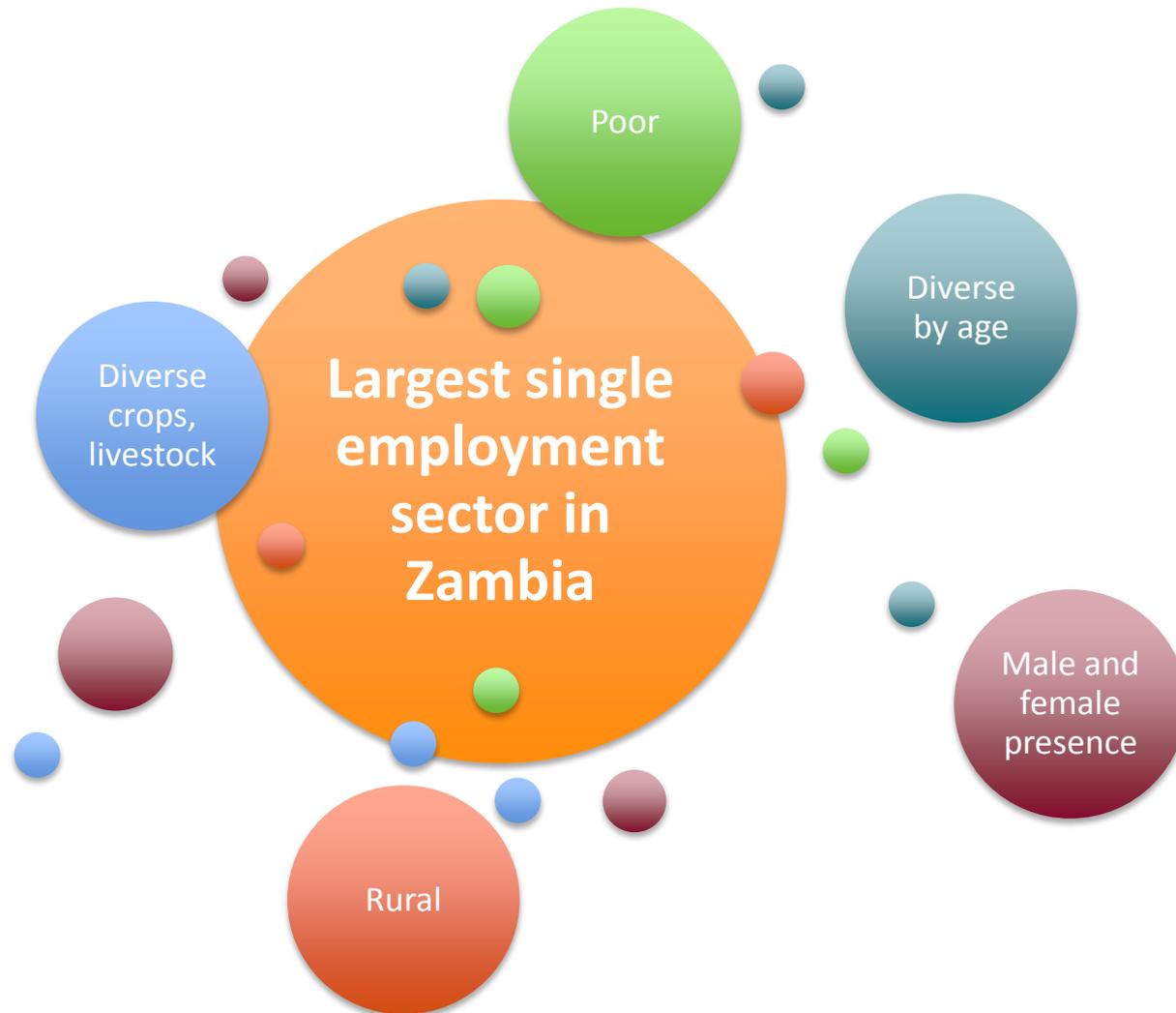


Rural and agricultural sector members place a greater emphasis on children's education than those outside the sector

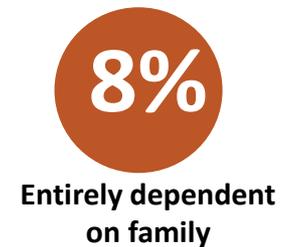
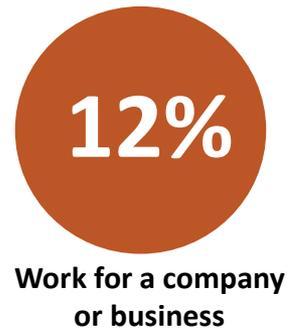
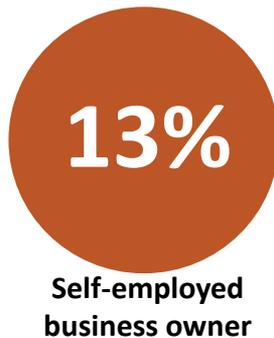
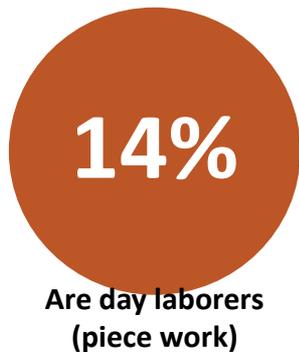
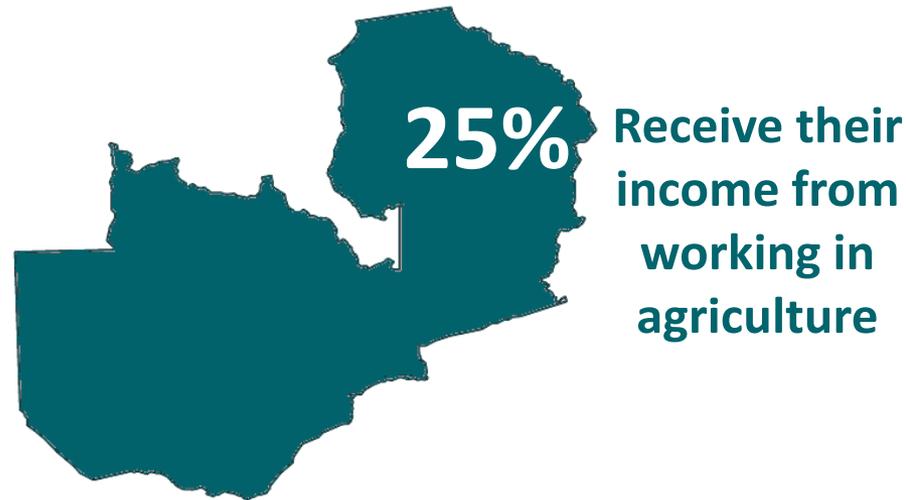


Agriculture

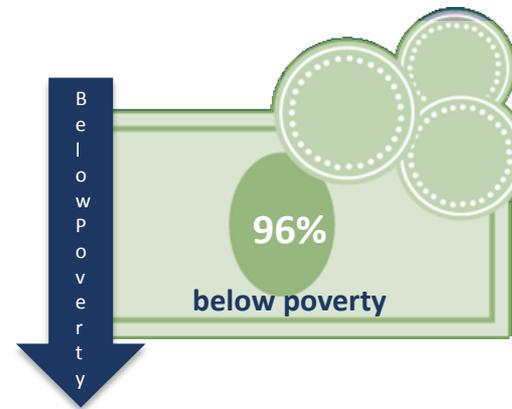
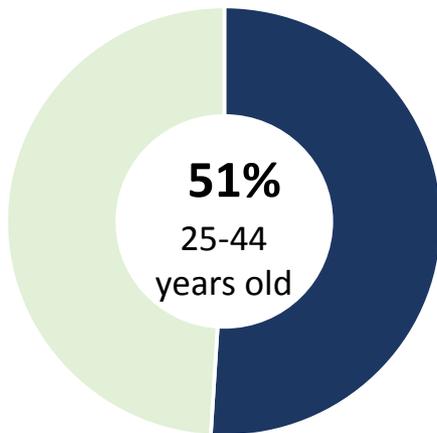
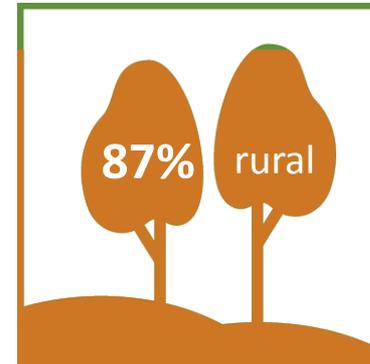
Agriculture is the...



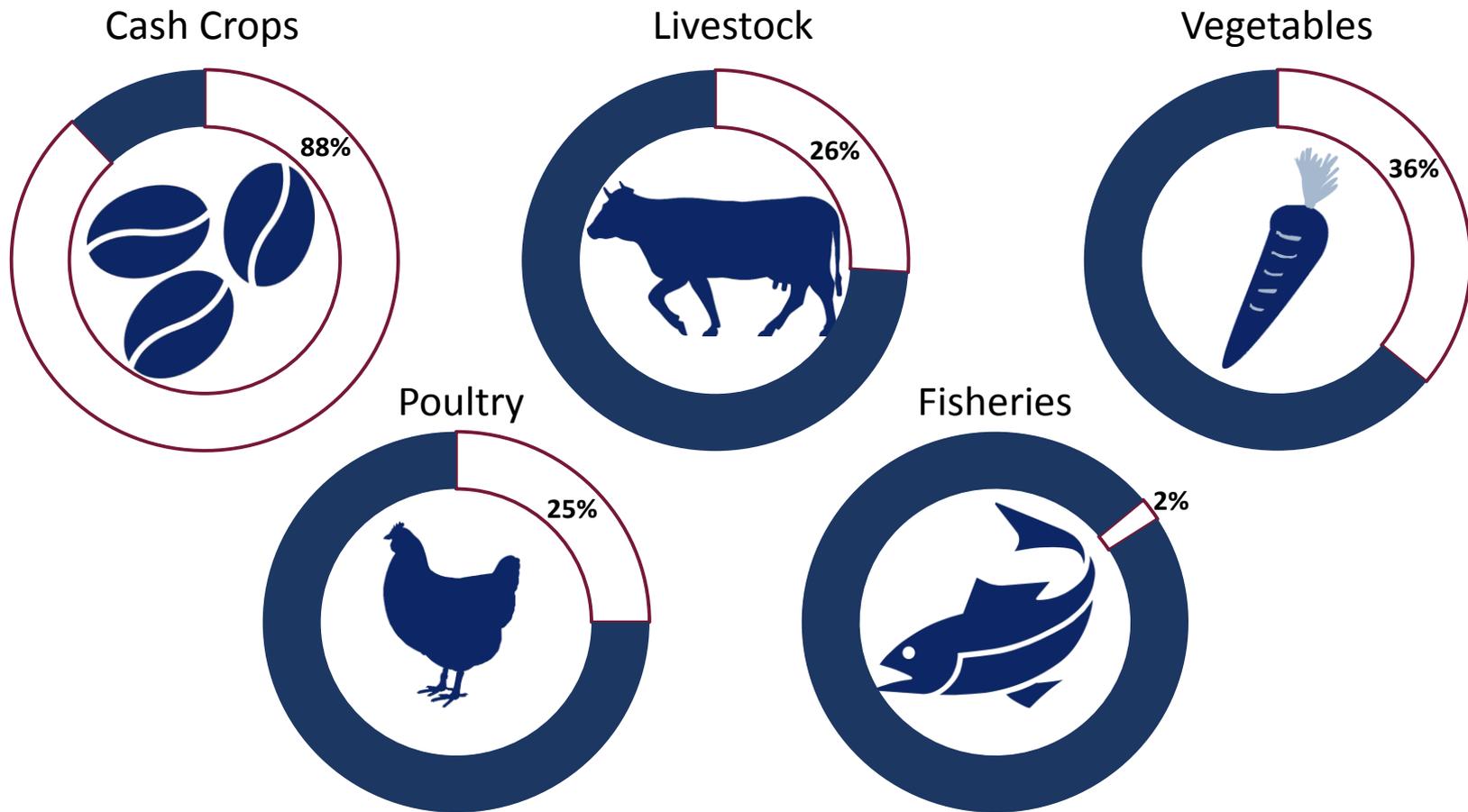
Agriculture is the largest single source of income for Zambians



The agricultural sector is both male and female, young and old; nearly all are rural and live below poverty



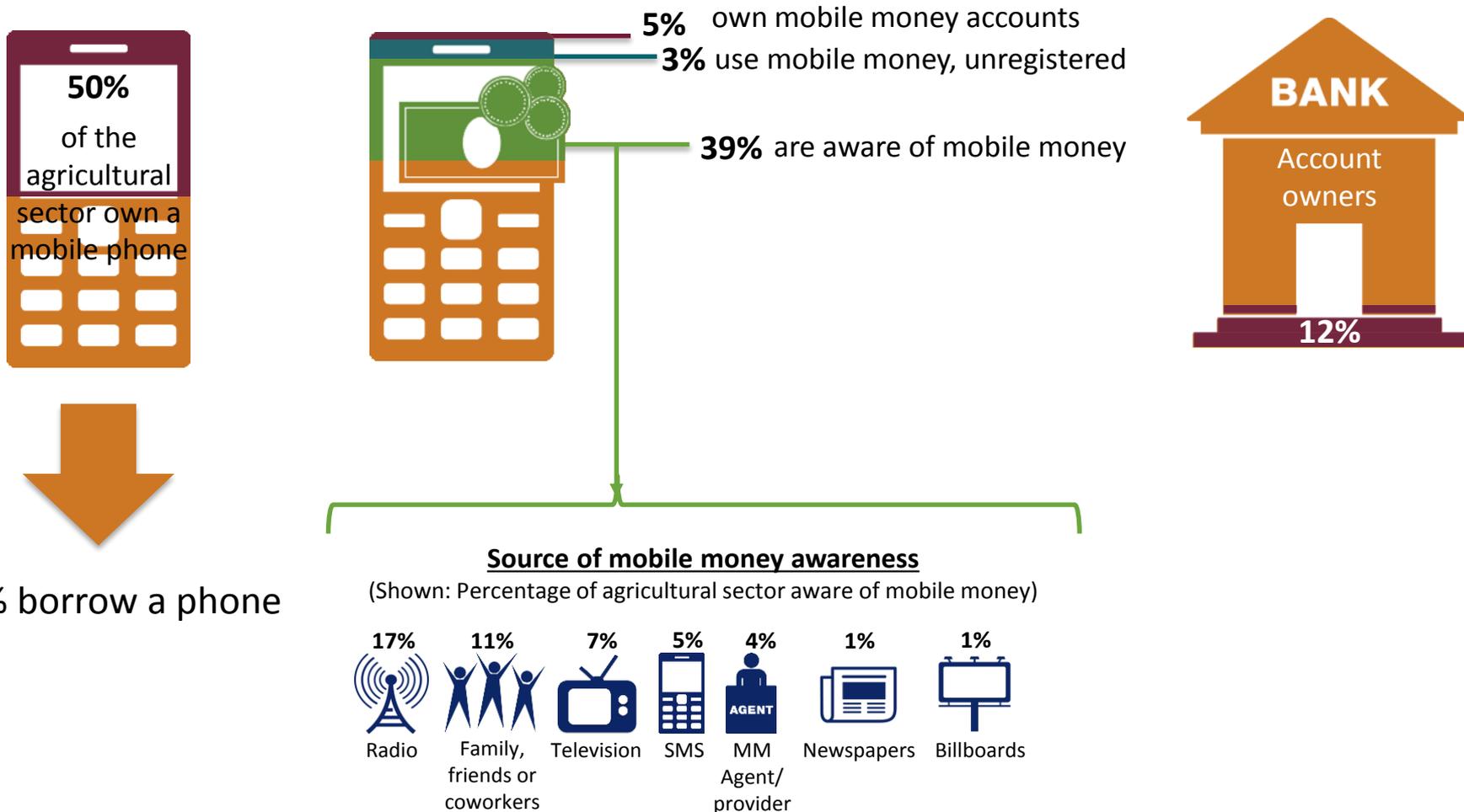
Most agricultural sector workers are involved with cash crops; fish farmers are the smallest group



[Shown: Agricultural sector workers]

Source: 2015 FinScope study of Zambian adults, conducted February-March 2015, 8570 adults, nationally representative

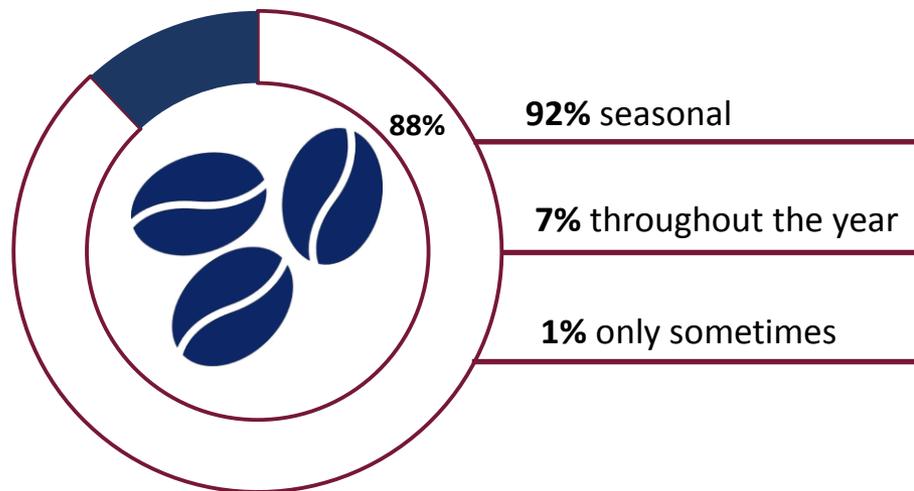
Half own mobile phones; fewer have bank accounts



Focus on: Cash Crop Farmers

Cash crop farmers

(n=1,707)



Cash crop farmer dynamics:

(n=1,707)



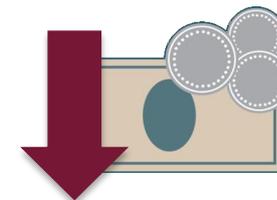
59% are male



52% own a mobile phone



15% own a bank or mobile money account



97% live below the poverty line

Financial Realities:

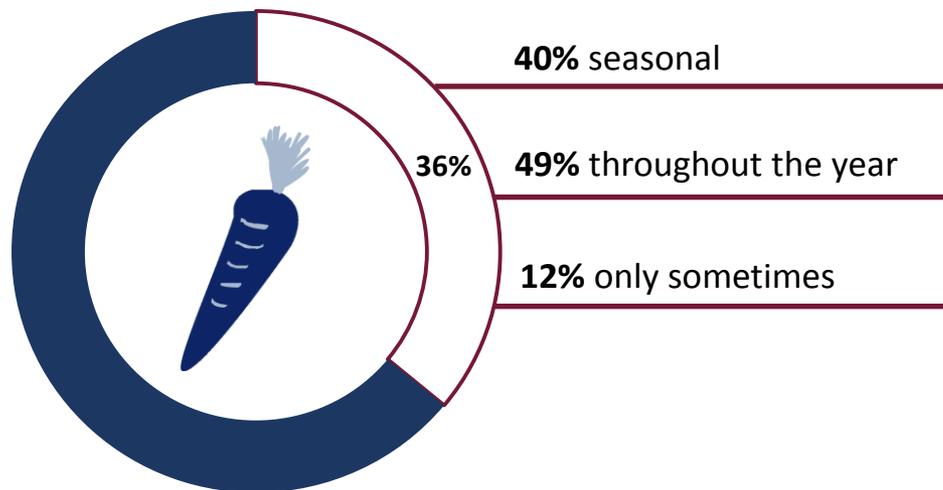
%

Always or sometimes struggle with regular expenses	90
Always or sometimes struggle with unexpected expenses	92
Most costly life event: children's education	66
Pay for most costly event with: savings	37

Focus on: Vegetable Farmers

Vegetable farmers

(n=626)



Vegetable farmer dynamics

(n=626)



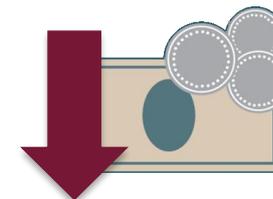
61% are male



51% own a mobile phone



18% own a bank or mobile money account



95% live below the poverty line

Financial Realities

%

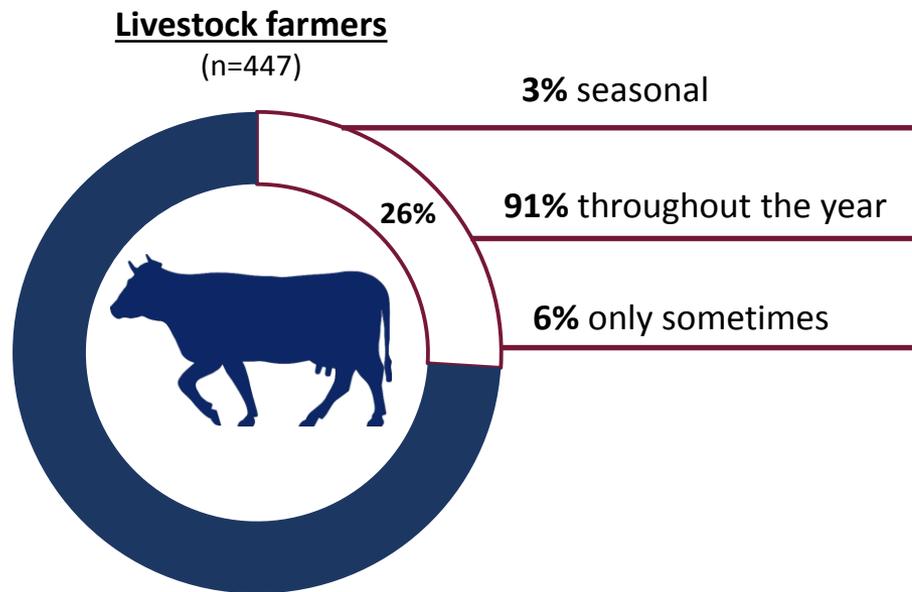
Always or sometimes struggle with regular expenses **89**

Always or sometimes struggle with unexpected expenses **92**

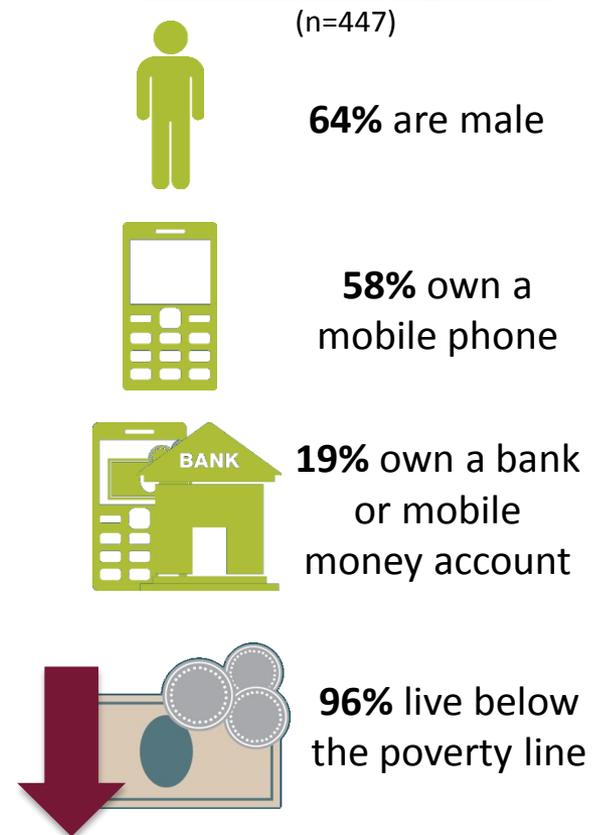
Most costly life event: children's education **66**

Pay for most costly event with: savings **43**

Focus on: Livestock Farmers

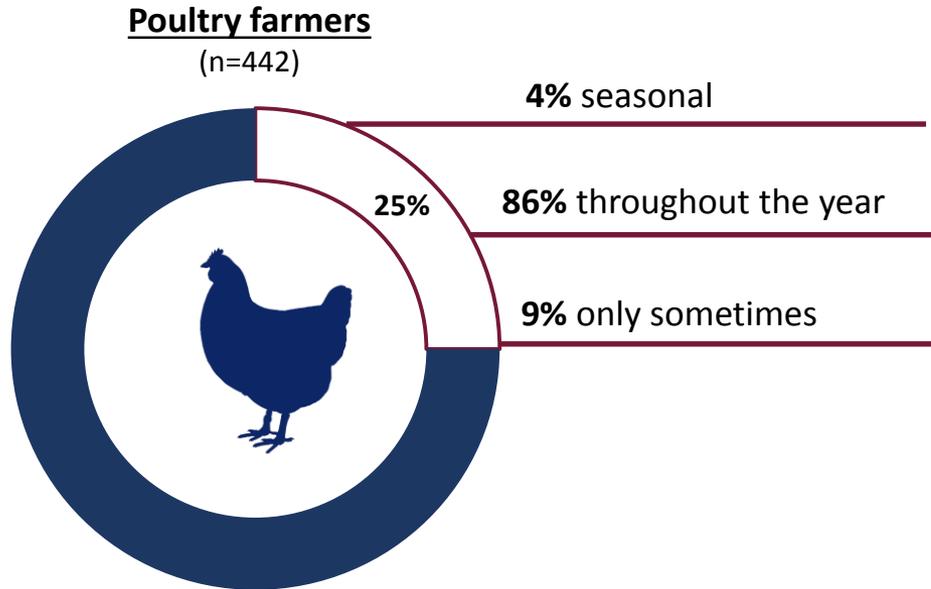


Livestock farmer dynamics



Financial Realities	%
Always or sometimes struggle with regular expenses	91
Always or sometimes struggle with unexpected expenses	93
Most costly life event: children's education	63
Pay for most costly event with: savings	33

Focus on: Poultry Farmers



Poultry farmer dynamics

(n=442)



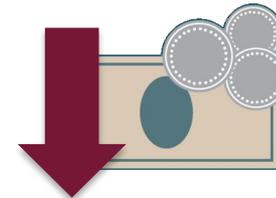
62% are male



55% own a mobile phone



17% own a bank or mobile money account



96% live below the poverty line

Financial Realities	%
Always or sometimes struggle with regular expenses	90
Always or sometimes struggle with unexpected expenses	91
Most costly life event: children's education	60
Pay for most costly event through: savings	29

