Financial Inclusion in Zambia

Results from a 4 month pilot teaching people about financial services
When we started teaching people about how money really works in the form of a quiz using simple mobile technology, we didn’t quite know what the reception would be. Would people find the content useful and informative, or would the technology be a barrier?

In the early days, we would call each and every person that scored 100% on the baseline quiz, and also every person who scored 35% or below.

One day, we called James. James had just scored 100% and we were excited. Turns out that James was a 14 year-old boy, who had taken the assessment with his family, during breakfast. James and family had found a way to ‘gamify’ the platform. They were learning about money, as a family, on our platform.

Long gone are the days when financial inclusion activities were seen as remits of the Corporate Social Responsibility (CSR) teams. It should come front and centre. If profit making institutions are unable or unwilling to increase the capacity of their consumer base, then how can we justify their existence?

Financial inclusion is a human right. It has the potential to empower a whole generation.

Financial inclusion means belonging to a modern mainstream financial system that is fit-for-purpose for everyone, regardless of their income.

It is essential for anyone wanting to participate fairly and fully in everyday life. Without access to appropriate mainstream financial services, people pay more for goods and services and have less choice. The effects of exclusion are not just financial but also affect education, employment, health, housing, and overall well-being\(^2\).
Quick overview of our findings

1. Financial Inclusion is now a buzzword. Is that a good thing?

There are currently over 350 Million unbanked people across Africa. Governments and development financial institutions have committed huge resources and time in ensuring financial inclusion, but without raising financial literacy levels, these remain vanity projects, with severe consequences for those communities left behind.

2. Financial institutions are working in Silos

Financial institutions are busy competing for the same consumer.

This is not by deliberate design: with a vast majority headquartered in other jurisdictions, local branches lack power to influence group decisions.

Instead, local offices are left to function as an extension of the sales department. Short term gains are aggressively sought at the expense of meaningful collaboration (outside regulatory pressure), regardless of the long term potential. What’s worse, is that products promoted are often indistinguishable from competitors.

3. Financial Exclusion is an expensive reality

Lacking budgets to spend on speaking to rural customers and tailored product development, resources are inevitably directed towards the urban consumer. The end result is that rural consumers are systematically priced out of financial services.

Our pilot project sought to test if rural consumers would access financial literacy content via mobile phones. It also sought to test whether doing so would be cheaper than using traditional delivery methods, such as workshops and in-person training sessions.
# Top-line pilot results

<table>
<thead>
<tr>
<th>Count</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,185</td>
<td>People reached</td>
</tr>
<tr>
<td>15,797</td>
<td>Courses started</td>
</tr>
<tr>
<td>6,325</td>
<td>Courses finished</td>
</tr>
<tr>
<td>£7.35</td>
<td>Cost to reach a user</td>
</tr>
<tr>
<td>4m 18s</td>
<td>Average time spent on the platform by a user</td>
</tr>
<tr>
<td>54.9%</td>
<td>took the courses in less than a day</td>
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Department for International Development (DfID) programmes across Southern Africa spend an average of £14 to reach a beneficiary. In this pilot, Zazu managed to half that cost.

The pilot sought to reach 2,250 people and we ended up reaching 6,184 people, thus giving us confidence about scaling this across Zambia - see the ‘100 Days of Literacy’ section later in this report.

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3. In this context, reached means users who dialled to access the platform.
Who the learners are

Financial exclusion is a cross-cutting issue. We wanted to understand how different professions are affected by it.

Understanding how gender issues affect financial exclusion was of great importance to us.

In this pilot, 42% of people who completed courses were female.

During on-boarding, learners were asked to pick their profession from a pre-generated list. For gender, Zazu analysed their names. Where names could have been either male or female, Zazu called the learner to confirm.
Building on the success of Mobile Money

In late 2007, Safaricom partnered with DfID’s Financial Sector Deepening Kenya (FSD Kenya) to introduce a game changing platform: M-Pesa.

M-Pesa allowed people to move money via mobile and its introduction saw millions of unbanked adults embrace mobile money as they no longer needed to wait for bank branches to be built near them.

Since M-Pesa’s introduction, discourse about financial inclusion has gained pace but puzzlingly, the number of people getting mobile money accounts has not increased as hoped.

Financial Inclusion is more than having a mobile wallet

The success of mobile money platforms has opened the opportunity to integrate the unbanked into the financial system. Still, this is not enough. It is not accurate to say that having a mobile wallet amounts to financial inclusion.

There are still over 350 Million unbanked Africans and reversing this trend is not the responsibility of regulators and mobile money platforms alone. It is everyone’s job to ensure that accessibility is made easier and transparency and trust is increased.

Financial inclusion is about going much further than the legally required minimums.
Our identified opportunities

Transparency is lacking

In the wake of the 2008 financial crisis, regulators around the world have been taking measures to ensure the integrity of financial systems is restored. Transparency in financial services is explaining to the consumers, the ins and outs of the product.

Imagine you were buying a car at a used car lot. Not only would you ask about the previous owner, inspect the registration book and take it for a test drive, but you would also check if it were reported stolen or missing. You would do the same due diligence when buying fruit, inspecting it for damage. In financial services, consumers often feel powerless to ask for explicit information about their rights & entitlements, which means they are subscribing to services they do not sufficiently understand.
People want and need to make money simpler

Consumers do not often realise their rights when it comes to financial services. Each regulator has a hotline, webpage or contact details to use in times of disputes. Each institution is legally obliged to provide a dispute resolution mechanism. But consumers often feel powerless when complications arise.

This is why we are teaching people about how money really works. So that the next time you want to buy an insurance product, you will know what the jargon means, your rights under the law and what to do when a dispute arises.
Identifying the role of finance

Before developing the courses, it was important to understand how ordinary people interact with financial services.

1. Credit
   In Zambia, loan providers are still relatively traditional from a processing and operational perspective, even going to the extent of requiring a guarantor. Digital platforms that allow people to obtain credit online are still very nascent although they show great promise in allowing people to use their data to receive credit on the go. Such platforms will need to be transparently operated, showing users the expected fees and turnaround times.

2. Savings
   If someone is not in the formal financial system, when an emergency situation inevitably strikes, they are forced to rely on loan sharks “kalobas”.
   
   Having access to savings is crucial in ensuring people do not end up in a rabbit hole of poverty and continuous borrowing.
   
   Across the globe, many rural people are too far from banks or mobile agents, so they form saving groups within their communities.
   
   The challenge: to transition from these saving groups into formal systems that are more long term in nature and create lasting benefits.
3. Insurance
In truth, few people fully understand insurance. Yet, for people in remote areas who are excluded from financial or health systems, insurance can be a great tool to protect themselves from shocks. With 500 million smallholder farmers across the world, there are untapped opportunities to educate people on weather-based insurance, micro-insurance, health insurance, even on a pay as you go basis.

4. Transactions
a) Mobile Money
Banks are unable or unwilling to invest money into building branches in remote areas. Which means that the most cost efficient method to get people in the formal financial system becomes mobile money. The problem is that mobile money is a technology product and it requires someone to be comfortable using technology and be informed about the process, risks and opportunities.

b) Budgeting
Once someone is in the formal financial system, they must be confident of making the right decisions where their money is concerned. Most financial service providers in Zambia did not develop their own core banking platforms. This means that they are limited in terms of functionalities they can offer and their response times.

At this juncture, consumers are yearning for a platform that enables them to turn their data into actionable insights. Empowering them to do with more with their money.
Why we did this pilot

Making money simple has the potential to elevate the lives of billions of people across the world. It is not something that can be achieved behind closed doors. It is something that requires all of us to question the products we are served, the prices we are shown and the role we are playing within that financial ecosystem.

Making money simple starts with levelling the playing field, by making sure that everyone understands how money really works.
Prior to launching our own payments system business, we wanted to prove that a lack of information about financial services prevents people from interacting with them. To do that, we partnered with Financial Sector Deepening Zambia (FSDZ) to develop content that would teach people about the role of finance in removing barriers to success.

We piloted the delivery of the courses in the Copperbelt, Zambia. The content was accessible for free via USSD, which is Unstructured Supplementary Data, a technology compatible with any mobile phone in existence. We also made this content available on voice (i.e. IVR), which is a service that allows people to call a toll free number and listen to the content in stages.

The content we developed was also translated from English to Bemba, the main language in the Copperbelt.

This chart shows amount of courses taken in each language.

In creating this platform, we wanted:

1. To develop a standardised curriculum that other organisations across Zambia could use to teach more people about finance.

2. To create a platform that could incentivise banks and other financial service providers to increase their efforts in enhancing financial inclusion.

4. Unstructured Supplementary Service Data. It’s a communications protocol used by GSM cellular telephones to communicate with the mobile network operator’s computers.
How we rolled it out

The goal was to test two hypotheses:

1. Would people use phone-based technology to learn about money?
2. Is learning through the platform more effective than being taught in person?

In order to test the above, it was decided that the pilot would be conducted in Zambia’s Copperbelt Province, within the following areas: Luanshya, Masaiti, Mpongwe and Ndola.

To be considered a success, the pilot needed to reach 2,250 people.

The pilot also sought to measure the most cost effective way of reaching people. As such, the pilot would be rolled out in the following manner:

**Phase 1:**
Tell 15 Saving Group Community Based Trainers (SG Trainers) about the platform. Each SG Trainers would be required to introduce the platform to at least 100 other people a month, and see if word of mouth referrals could be a reliable growth strategy.

**Phase 2:**
Advertise on the radio and see if people would be willing to use the platform.

**Phase 3:**
Conduct M&E activities to analyse the results of the project.

5. (SG Trainers) Saving Group Community Based Trainers are people who mobilise, train and monitor saving groups.
Analysing the results.
1. Take up was better than expected

With 6,184 people reached and 15,797 courses started, each user, on average, took 2.55 courses (out of 5 available courses).

Every year, “Financial Literacy Week” brings together regulators and financial service providers to develop activities that increase financial inclusion. Sadly, a week long programme does not by any definition, amount to a concrete financial inclusion strategy. Our platform has shown that people are actively looking for quality material that enables them to navigate the complex world of financial services.

This graph shows how the people who finished courses were referred to the platform.

Going forward, a mixture of radio and a SG Trainers referral system is recommended as they are complimentary. Radio brings in a lot of learners and PSP’s are able to spend quality time with users who might be struggling with digital as

2. Time spent on platform

USSD is a very old technology. To access it, a user dials *619#. A menu is then presented on their phone, asking them to press a digit. This process is repeated until the user has accessed what they were seeking.

Traditionally, USSD is normally and only used when people are adding airtime to their phones. This process is normally less than 45 seconds. In using it as an educational resource, we saw users learn and adapt: spending an overwhelming 4 minutes and 18 seconds each, on the platform. This shows that as well as having an appetite to learn about finance, people were patient and willing to learn new ways of accessing information.
3. When are learners most engaged?

These courses were designed for a varied audience: from smallholder farmers, to traders, stay at homes and students. As such we wanted to understand the best possible moment for learners to engage with our content.

Understanding which days saw more engagement with the platform was crucial to us as financial service providers can plan around these ‘teachable moments’ in developing their consumer engagement strategies.
Once the platform was discovered, people couldn’t stop.

54% of learners took a second course in less than a day – proving that people were highly interested in the content.

What network did they use?

Zambia is home to three mobile network operators. In this pilot, most learners accessed the platform from their MTN sim cards (76%), followed by Airtel (15%) and Zamtel at 7%. Understanding this, can help inform partnership decisions in the future.
What the pilot product was

For a person to use the system, they were required to enter some details about themselves. This included the language they wanted to view the courses in (English or Bemba), their name and how they were referred (friends, SG Trainers, Radio). Once entered these details, set a user to ‘registered’ in our system. However, they were still not ready to complete a course.

They now had to complete an initial quiz (out of 5 questions) and choose a course they wanted to learn more about. After these steps, they were now ready to start ‘learning’ from the courses... This was our initial pilot onboarding.

Half way through the pilot, we decided that there were many ‘pain points’ with this system, this was illustrated by how many users we were losing during different stages of the onboarding process.

So we decided to simplify the process for people to get started on their first course. We changed the onboarding process to only asking for the users name and how they were referred. They were now ready to complete their first course.
Mobile Money

The benefits of mobile money are clear to see. It allows people to receive remittances, pay for electricity/school fees/bills over long distances. The challenges are also evident. It requires an agent nearby, who has sufficient access to cash to enable customers to make withdrawals anytime they want. It requires the consumer to be able to read and be tech-literate or, at least, trust that this phone will hold their money.

Mobile network operators have yet to successfully educate people about the benefits of mobile money. Zambia is probably the only country in the world in which mobile money’s market share is led by a start-up and not a mobile operator (MNO).

When people took our mobile money courses, they felt prepared to open mobile money accounts for the first time in their lives.

Opportunity

In order to see many people use mobile wallets, there needs to be significant investment in educating rural households about how they work and their benefits.

Results

Average completions per user*: 1.72 times.

* This is how many times this course was taken and completed by a user. As an indicator, it shows the interest in a particular course and how useful learners are finding it.
Savings

There were very few people who didn’t know what savings were. This can be attributed to the increase in third sector organisations which have spearheaded and encouraged the formation of saving groups - which are cheaper to form/run and require almost no capital investments to maintain.

Opportunity

There is room for technology to integrate into saving groups

Savings groups are formed between people with social bonds. The groups have constitutions from day one and encourage people (with a small bit of social pressure) to save more and regularly. However, saving groups are at an increased risk of robbery and the collapse of the groups: which prevent people from fully participating.

Technology should be used to hold money in regulated accounts, increase confidence in the security of the funds and encourage people to continue with these physical meetings for positive reinforcements.

Low levels of Financial Literacy

Few people scored in the top percentile of the saving course. In developing the content, we wanted to show people that saving is a good habit to get into, that requires very little to start - as long as people started to save anything, no matter how little.

However, behavioural change is not sufficient to enable people to save. Financial institutions need to do a much more better job of creating more tailored saving products and communicating those products and their benefits to this segment.

Results

Average completions per user: 2.56 times.
Loans

In developing this course, we were aware of the severe requirements by banks to lend money. For instance, a small business is required to have a guarantor for all loans when most small businesses are often family businesses who have no one else to vouch for them or willing to risk the loan not being paid off. The guarantor is often required to have a property 10x the value of that loan. Again, this is a big obstacle to credit access.

When people realise this, they often borrow money from loan sharks. These loan sharks often lend money at ~80% interest rates. Which makes it impossible to fully pay back.

Loans are contractual. As such, this course was designed to empower the would-be-borrower with information about how to manage this process from start to finish.

Opportunity

Access to savings products increases income by allowing individuals to accumulate assets. Given that a lot of people already struggle to satisfy KYC requirements for formal financial products and the strong interest in understanding how loans work, there is an opportunity to digitise this process.

In Zambia there are already well documented companies using a consumer’s phone usage history to determine their credit worthiness. Although the loans offered remain relatively low, it already proves how technology could be used to provide credit on a bigger scale.

Results

Average completions per user: 2.76 times.
Insurance

Although the benefits of insurance are somewhat understood, a lot of people had no concrete understanding of the various types of insurance available to them. For people in emerging markets, who are often dependent on agriculture, insurance has a big role to play to ensure that people’s livelihoods are protected.

Consumers lacked enough information about how/where to get insurance, the various types of insurances, meaning of the jargon used and more importantly, how to acquire and operate an insurance product.

Given that health centres, like financial services, are mainly located in urban centres, there is a significant opportunity to spread micro and other types of insurance in rural areas, especially on a pay as you go basis.

Opportunity

Insurance was, by far, the most completed course offered. Learners were particularly interested to hear about the different types of insurance products available. There is a real opportunity to partner with insurance companies who are interested in developing products for low-income rural segments. For example, an insurance company could develop a weather-based insurance product, where the customers pay monthly via mobile money or with agents and the payouts are determined by measuring the rainfall in that region. A company could also offer medical insurance in the same way.

Results

Average completions per user: 2.83 times.
Budgeting

Most households in Zambia are dependent on agriculture for sustenance. In between the farming season, households are typically involved in income generating activities. The challenge for these households, is therefore to ensure that money is budgeted and spent accordingly: whether it’s school fees, medical expenses, funeral costs or structural upgrades to their homes.

This course sought to communicate to the learner the value of careful planning and how to prepare for the future; by setting goals.

Opportunity

Whilst mobile money has made great strides, it has failed to develop helpful solutions around the user. Helpful solutions would include a platform that allows people to set budgets for their future goals and work towards meeting them.

Results

Average completions per user: 2.74 times.
Fin techs are developing platforms that can allow consumers to bank with one provider, and obtain a mortgage with another provider. Banks, despite their scale, are unable to open up their platforms because they are still assessing whether fin techs are friends or foes.

For Zambian institutions, it would be premature to start picturing how marketplace banking will work. Banks are still locked in the traditional mindset of owning the whole value chain, even if they are unable to meet consumers’ desires.

While regulators have made progress in requiring financial institutions to invest some money in financial literacy activities and interoperable products, these remain marginal and clustered in national-wide events such as the Financial Literacy Week or the Insurance Week.

Many consumers operate financial service products without fully understanding the offering and the related costs.

Zazu has identified one way to increase collaboration.
100 Days of Literacy

Zazu recognises that having spent considerable sums in developing, prototyping and piloting this tech platform, an opportunity now exists to massively increase the numbers of people accessing financial education.

Zazu will identify the largest working group of finance people in Zambia, to develop 100 unique courses on how money really works. These courses will vary from insurance, to investing, tenders, credit, interest, equity finance, etc., and each course will be developed by individuals or companies that are considered leaders in that field. Course developers will be strategically drawn from all willing finance players in Zambia.

A nationwide campaign will be launched, advertising #100DaysofLiteracy and #makemoneysimple, encouraging people from all walks of life to take these free courses. The addition of incentives for learners will only result in a committed base learning more about money.
What should you do with this information?
Individuals

It is our sincere hope that this report has inspired you to be a more prudent consumer.

At the time of writing, very few people fully understand the terms and conditions attached to their bank accounts, financial products or engagement with any service provider.

If more people were fully informed, we wouldn’t need to spend as much time queueing in bank branches, nor would we be content to be informed that ‘the system is down’. We would not especially accept that we should get charged for going to the branch, for requesting a bank statement or withdrawing our money. We would make sure our products and businesses are fully insured, and we would know what we were entitled to by law.

As long as we continue to fight the battles and injustices of financial exclusion in the dark, we cannot be reasonably expected to change how things work. We hope that this report will make you ask questions about loans you might take and become more confident about demanding better products and service from the people who you pay to look after your money.

As consumers, you wield considerable power to effect change.

First and foremost:

1. Ask your financial service providers to show you activities and their commitment to reducing financial exclusion. What are they doing to #makemoneysimple?

2. Write to the regulators and tell them the changes you want in the market

3. Question the financial products you are offered. Before making a decision on the provider and service, ensure that you have asked them all the information you need to make a choice that suits you.
We hope we have convinced you that the role of increasing financial inclusion cannot be down to one entity: it is everyone’s responsibility.

As far as we know, there are about 15 organisations working towards increasing financial inclusion in Zambia. All of these organisations are, at worst, using different content to teach people about simple money concepts and at best, they are partnering with at least one external organisation to do it together.

Not only is this expensive and unsustainable, it’s doing more harm than good. Imagine that in the space of 10 years, one village might see three different organisations, each with a different definition of insurance. Not only does it confuse people, it undermines the learning process.

We ask NGOs to:

1. Ensure that messages being delivered to beneficiaries are in harmony and follow internationally accepted best practices

2. Use your power to lobby regulators to ensure that they hold service providers accountable to #makemoneysimple

3. Send us information about how you would like to see the industry improve. Which partnerships would you like to see? We are in this together!
Governments & Policymakers

Zazu believes that regulators play a vital role in ensuring consumers are protected, innovations are vetted and players are compliant.

We hope this report helps to demonstrate the value of collaboration towards improving financial inclusion.

We ask governments & regulators to:

1. Legislate in the interests of the consumer. Always.

2. Use your power to make sure that financial inclusion is not seen as a CSR project, but at worst, a legally required minimum from each and every financial services company.
Get in touch to work together

Zazu

Africa is shamelessly unbanked. When we look at the current state of financial services, we see systems that are too rigid and not fit for purpose. Our vision is to create the most helpful digital money account. Ever. An account unique to your needs today and in the future. An account that gives you the data you need to make informed decisions. In short, a more helpful account.

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FSDZ

FSD Zambia is a Zambian organisation working closely with both public and private sector institutions. We open up financial markets so that all citizens, particularly the excluded or undeserved, have the opportunity to learn about, choose, and use a wide range of accessible, affordable, understandable, sustainable financial services according to their needs.

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