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Country Survey Zambia: Gender Differences in the Usage of Formal Financial Services

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Abbreviations

ASCA	Accumulating Savings & Credit Association
BoZ	Bank of Zambia
BMZ	Federal Ministry for Economic Cooperation and Development
CRBAL	Credit Reference Bureau Africa Limited
EFC	Entrepreneurs Financial Center
FCS	Financial Card System
FHH	Female-headed households
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
MDI	Microfinance Deposit-taking Institution
MFI	Microfinance Institution
MOL	Ministry of Lands
MFW4A	Making Finance Work for Africa
NAPSA	National Pension Scheme Authority
NBFI	Non-Bank Financial Institution
NGO	Non-governmental Organization
NPL	Non-performing Loans
PAR	Portfolio at Risk
ROSCA	Rotating Savings & Credit Association
VSLA	Village Savings & Loan Association

I. Executive Summary

This study is part of a series on gender finance in Sub-Saharan Africa, conducted by GIZ and Making Finance Work for Africa (MFW4A). The study aims to explain the reasons for differences in the usage of financial products in Zambia, in order to inform policy makers and stakeholders about these reasons and to support them with practical recommendations for gender sensitive financial sector development interventions. The full series of countries studied under this assignment are Botswana, Malawi, Namibia, Rwanda, Uganda and Zambia.

The Zambia Country Report focuses on the analysis of the use of formal financial services (credit, savings, and insurance products). The primary data sources for the report were the 2008 Finscope survey in Zambia, and the GIZ/MFW4A 2011 study 'Gender differences in the usage of formal finance in six Sub-Saharan countries'[1], which provides a gender-disaggregated analysis of the Finscope data.

This study reviews how and why women and men are using credit, savings, and insurance products in order to explain gender differences in the usage of formal finance. It was conducted through extensive interviews in urban and rural areas[2], and in consultations with key stakeholders such as women's and business associations, and financial institutions. The information collected through focus groups and individual interviews has been complemented with a review of the investment climate, financial sector, as well as gender roles in society.

Despite its limited size, our sample of interviewees was very diverse, by including women and men from different employment and education backgrounds both in urban and rural areas. As a result, a variety of financial behaviors were identified. Overall, our key findings were the following:

1. Most formal and bank loan recipients came from urban settings while all of those who reported having an informal loan came from rural settings. This corresponds to the Finscope survey that showed more rural inhabitants borrowing from friends and family;

2. Among the reasons mentioned by rural women for choosing to borrow informally were: a) overly cumbersome process to go through formal channels; b) not having sufficient collateral; c) high interest rates for Non-Bank Financial Institutions (NBFIs); and d) high bank maintenance fees;

3. Consultations with local women's organizations revealed that a key reason why women might borrow less from banks than men, is that more women than men are lacking the required collateral, such as land or property titles;

4. Our findings indicate that differences in income and education levels determine where people save. Well-educated individuals as well as those with a regular income prefer to save in formal financial institutions, and tend to diversify their saving options across two or more banks. The overwhelming majority of women interviewed claimed that women earn less than men. This was indicated as one of the reasons why some women might not consider opening and paying for a formal savings account if the amounts saved are small;

5. Our survey findings, in line with the Finscope results, point to lack of education on the topic of insurance as the key barrier for access to insurance products. This is true for both men and women. Many cited the fact that money is just so scarce in the first place that insurance is not something they prioritize.

1 GIZ/MFW4A. 2011, published under *www.mfw4a.org/documents-details/giz-bmz-2012-gender-differences-in-the-usage-of-formal-finance-in-zambia.html?dl=1*

2 A total of 61 individuals were interviewed in Zambia.

The report is structured into four main parts. Firstly, we present the research approach and methodology used to carry out this study. Secondly, we provide background information on Zambia's investment climate, women's role in society and the economy, as well as on its financial sector and mobile banking landscape. This was primarily based on an extensive literature review. Thirdly, we discuss our research findings by presenting the profile of women and men interviewed as well as the specific findings related to their usage of credit, savings, and insurance products. Lastly, we propose our recommendations to policy makers and development partners on addressing identified gaps and challenges in women's usage of finance. The goal is to help meet women's financial needs and support them in reaching their full economic potential.

The key policy recommendations are the following:

1. Support improved market intelligence

The collection of sex-disaggregated data from specific financial institutions as well as overall data on women's access to finance markets is crucial to gain a sound understanding of the sector at the national level and guide stakeholders' interventions.

2. Support the development of products more suitable for the lower-income population

While the development of financial products for women is left to financial institutions' own strategic business considerations, it is recommended that policy makers and development partners explore promoting among their partner financial institutions the development of new savings, lending, and insurance products with the needs of the low-income population in mind.

3. Promote the regular provision of gender-sensitive capacity building for women clients

It is recommended that policy makers and development partners further promote and support current efforts to increase their outreach to low-income customers, with a special focus on women, through targeted capacity building programs. For those financial institutions interested in increasing their outreach to women, the provision of regular financial training and business development services to women clients can be very effective in improving women's familiarity with financial services offered and making them more *bankable*.

4. Promote men's participation in gender awareness campaigns

It is recommended that policy makers and development partners make a stronger effort to include the male population in gender-awareness campaigns or to promote dedicated men-only forums. The objective would be to engage the whole community in discussing gender issues, such as gender roles within the households, the division of household labor, decision-making, etc. in order to build a more supportive environment for women to pursue their businesses and gain a more equal stand within the household.

5. Explore promoting financial literacy courses for girls and young women

Another area to explore would be the provision of financial literacy courses for girls and young women. As about 50 percent of young women and girls work in Zambia, it is important that they are equipped with proper financial management tools to run their economic activities.

II. Research Approach

The assignment and field research used **individual and focus group interviews** as the main instrument to explore reasons for the results of the Finscope gender analysis. The fieldwork was preceded and complemented by a comprehensive literature review of the gender finance landscape in Zambia, which included an analysis of the investment climate, the financial sector, as well as gender roles within society and in the economic context. Our objective was to gain a deeper understanding of the roles men and women play in the economy, as well as in urban and rural households, and to gather all available information that might influence the use of financial services in the focus countries.

The following main themes have been explored through individual and focus group interviews:

1. **Access & Usage:** Are women and men accessing credit, savings, and insurance services?

2. **Priorities:** How are women and men using the loans and savings they have accessed?

3. **Decision-making:** How do women and men make decisions about the use of their loans and savings?

4. **Benefits, Challenges and Barriers:** What have been the benefits and challenges of accessing credit and savings services? What prompted the choice between borrowing/saving formally or informally?

5. **Gender differences:** Do men and women access and use financial services at different levels and for different purposes?

Special attention was paid to investigating and probing those specific issues arising from the study *Gender differences in the usage of formal finance in Sub-Saharan countries* (GIZ/MFW4 2011), for which no plausible explanation could be found in available secondary data and literature, i.e. why women were less likely to use credit and insurance than men while there was no significant difference among women and men in the usage of savings. In this regard, it is to note that the GIZ/BMZ 2012 study was based upon the results of the 2005 Finscope survey while the results of the 2009 Finscope survey are somewhat different when it comes to usage of savings, credit and insurance products. Specifically, women were found to use less savings products than men, particularly formal products, and the gap between women and men's usage of formal credit and insurance products narrowed - by one percentage point in the case of credit products (3 percent rather than 4 percent as found in the 2005 survey) and by 1.5 percentage points in the case of insurance products (2.3 percent as opposed to 3.8 percent in 2005).

The field research was carried out over a one-week period. To reach out to larger number of beneficiaries in a cost- and time-efficient manner, we leveraged on women's associations and financial institutions to contact interviewees. Specifically, we conducted a number of interviews through the Women's Business association, the Women in Mining Association, and AB Bank. We also conducted random interviews in business centers and shopping malls to diversify our sample. In total, we conducted 61 interviews, 64 percent of which were in urban settings (Lusaka and Livingstone) and 36 percent in rural areas. The experiences of two women have been selected as case studies. A detailed profile of interviewees is provided in section IV.

Women comprise the overwhelming majority of the sample, about 66 percent, while men represent the remaining 34 percent. Including men in our interviews was important as it offered a different point of view on the reasons for identified gender differences in the use of formal finance. However, their share out of the total sample of interviewees was purposely limited to be able to focus more in-depth on the analysis of women's financial behavior, which is the main objective of this report in line with our goal to inform policy makers on how and why women are using specific formal financial services.

It is to note that while this study attempts to explain the reasons for gender differences identified by the 2009 Zambia Finscope surveys, resource constraints enabled us to interview only a very small sample in a restricted geographical area whereas Finscope interviewed a large number of individuals across the national territory. Indeed, as this study covers six countries, only one week of field visits was allocated for each one of them. In this context, our findings provide some anecdotal evidence of how women and men are using financial services but cannot be considered conclusive to draw general and definitive patterns about the population's financial behavior. Similarly, as different groups of people (salaried workers; self-employed; unemployed; rural; urban; married; single; educated; uneducated; etc.) use finance differently, our findings vary substantially across the spectrum of interviewees. For this reason, our analysis of women's financial behavior does not provide findings valid for the overall sample, but rather insights on each specific sub-group.

The primary and secondary research was complemented with information collected through consultations with key stakeholders, such as the National Association of Zambia, the Zambia Association of Chambers of Commerce and Industry, the Association of Zambia Women in Mining, AB Bank, and EFC microfinance institution.

These consultations provided better and deeper understanding of the cultural, legal, and economic environments that might be affecting women's financial behavior as well as attitudes towards financial services. Their points of view have also provided useful insights to complement information collected through interviews.

III. The Country Context

A. Investment Climate & Legal Environment

Zambia is ranked 84th globally according to the Doing Business 2012, down 4 spots since 2011 but still above the Sub-Saharan average of 137. The decline in rank can be attributed to the precipitous fall in *Starting a Business* category (58th to 69th) and *Registering a Property* (84th to 96th).

Some of the latest reforms, like increasing property transfer taxes, weakened the business environment. However, previous years reforms like eliminating the minimum capital requirement to ease business start-ups (2011); improvements at the land registry office that cut time to register a property by nearly half (2009); and the mandatory reporting by banks and non-bank financial institutions to use credit reference reports to the credit bureau (2010) have allowed Zambia to keep apace of the greater Sub-Saharan region. One noteworthy category where Zambia continues to be particularly strong is *Getting Credit,* ranked 8th globally. It should be noted that this does not translate to ease of credit by the greater population but instead refers to credit information systems and legal rights of borrowers/lenders in collateral and bankruptcy disputes.[3] The Credit Reference Bureau Africa Limited (CRBAL) and the Bank of Zambia as a regulatory entity have embarked on an intense sensitization campaign on the benefits of credit reporting to various stakeholders, which has increased credit data submissions and searches. During the year, the CRBAL also continued making improvements to its operations. While a significant step forward, the private credit bureau, which collets both positive and negative information, covers for the time being only just over 4 percent of the adult population.

Land is categorized as either statutory or customary – there is no private land in Zambia. Approximately 6 percent is statutory while 94 percent remains customary. Conversion of customary land to leasehold has been taking place since 1985; yet the pace since 1991 has remained steady at about 2000–4000 plots per year; the number is determined by the capacity of the Ministry of Lands (MOL). The MOL is reported to have a backlog of several years in handling applications for all types of leases.[4]

Land market pressure and individual registration processes are threatening the continuity of matrilineal inheritance systems that so far have seemed to protect women more than patrilineal systems. Indeed, while in communal land tenure systems women had significant access rights to communal resources because of their roles as household managers, land individualization processes have often excluded women because land was registered in the name of heads of household who are usually men. Due to lack of legal protection, women are at risk of suddenly becoming landless. This happens in divorces, when women have to prove in court their contribution to the marital home, and also when the husband sells the family land.[5]

B. Women's Role in Society & Economy

Zambia ranks 112th out of 128 countries in the 2012 Women's Economic Opportunity Index that cited educational achievements (or lack thereof) as a significant impediment to women's economic potential. It also ranks 164 out of 176 countries according to the Human Development Index[6], with a gender inequality index of 0.627.

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3 IFC/World Bank, 2012

4 FAO, 2009

5 Ibid

6 The UNDP's Human Development Index measures development by combining indicators of life expectancy, educational attainment and income into one single index.

There are about 6.4 million women in Zambia out of a population of 12.9 million, and 60 percent of them are in the workforce.[7] Women provide 70 percent of the labor in the Zambian agriculture sector and account for 17 percent of Zambia's unemployed. They are also more likely than men to be unpaid family workers (14.8 percent versus 5.8 percent, respectively) and homemakers (11.5 percent versus 0.9 percent, respectively) while men are more likely to be in paid employment (51.3 percent versus 35.6 percent of women). About 90 percent of women and 76 percent of men work in the informal sector. In urban areas, half of women are self-employed as opposed to 36 percent of men. Over a third of urban women are employed in wholesale and retail trade, and another 23 percent is employed in community, social and personal services. In rural areas, over 88 percent of women aged 12 and above work in agriculture, forestry, and fisheries. Unemployment rates for women and men are equal in rural areas, at 5 percent, but are much higher for women in urban areas, at 36 percent compared to 24 percent for men.[8]

Zambia is a signatory to a number of protocols protecting women and girls and has established a gender ministry to address issues related to gender and development. However, progress on gender equality has been slow. Women's representation in parliament stood at 14 percent in 2009 relative to the Millennium Development Goals (MDG) and Southern Africa Development Community (SADC) target of 30 percent. In 2011, this figure fell to 11.3 percent. Women represent 17 percent of Cabinet Ministers and 13.3 percent of Deputy Ministers. Some achievements have been made, especially in primary education. The ratio of girls to boys in primary education improved from 0.90 in 1990 to 0.96 in 2009 – but fell to 0.88 in 2009 from 0.92 in 1990 in secondary education. This figure suggests that the government's policy of allowing school re-entry for pregnant girls may not be fully understood. Early marriages based on traditional cultural and social factors have deterred girls from continuing in school and the policy was designed to enable them to return to education.[9] Overall, the level of literacy for adult women is much lower than men's, at 64 percent against 82 percent, respectively.

Similar to other countries in the region, traditional gender roles are prevalent in most rural households in Zambia: men are the heads of the household, authority figures, main financial providers, and decision-makers. Deep-rooted cultural practices and customary laws serve to undermine women's empowerment in many aspects of daily life especially in terms of property rights. The main disadvantages women face are the culturally accepted norms in customary proceedings that favor men in regards to property ownership.

Some of the key reasons for disparities highlighted by FAO include:

- The HIV/AIDS pandemic throws women into deeper hardship upon the death of their husband, due to dispossession by the husband's family. Such conflicts are not easily resolved since land held under customary tenure is excluded from the Inheritance Act and widows fighting for their property rights are often left with little legal recourse. Also, those widows who are suffering from HIV/AIDS are told that they should leave the land since they will die soon anyway or are subject to dispossession by the spouse's family.

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7 World Bank, 2011

8 Central Statistical Office, 2012

9 African Economic Outlook, 2011

- Very few women take matrimonial property cases to court. Lack of money, knowledge, and legal literacy, as well as pressure from families prevent women from taking their cases any further. Even those women that resist the pressure have to face the long and tedious legal systems. In addition to that, societal attitudes ostracize the woman who pursues her case through court.

- Domestic violence against women is a widespread problem in the country. Because there is no specific law to address it and because of traditional and cultural inhibitions, many cases of violence against women and children remain unreported.

- Property grabbing, the unlawful appropriation of marital property upon the death of a spouse by in-laws, is widespread in urban and rural areas of the country.

C. Financial Sector

Zambia's economic growth slowed to 6.6 percent in 2011 from 7.6 percent in 2010, mainly as a result of a weaker mining sector performance. However, the medium-term economic outlook appears favorable, underpinned by sustained expansion in agriculture, construction, manufacturing, transport, and communications, as well as by a rebound in mining.

The banking sector accounts for over 90 percent of the financial sector's total assets and is sound and profitable.[10] Lending to the private sector has recovered and exceeded pre-crisis (2008–09) levels, and is booming despite high base lending rates. Strong expansion in credit during 2011 was recorded in the following sectors: Financial Services, 147 percent; Mining and Quarrying, 73.7 percent; Transport Storage and Communications, 50.0 percent; Restaurants and Hotels, 45.2 percent; Personal loans, 42.6 percent and Agriculture, Forestry, Fishing and Hunting, 30.8 percent. The gross non-performing loans (NPL) ratio decreased to 10.4 percent at end-December 2011 from 14.8 percent at end December 2010. To encourage banks to lower their base rates in late 2011, the authorities lowered the upper corporate tax rate for banks by 5 percentage points, aligning the tax rate with the 35 percent paid by other non-agriculture firms. The government also plans to recapitalize the Zambia Development Bank to increase credit to sectors usually under-served by the traditional commercial banks. Among the reasons for the high lending rates and low level of credit to underserved sectors are: structural factors such as lack of information on potential borrowers, high transactions costs for creditors to deal with non-performing loans, and the high cost of doing business in Zambia.[11]

The banking sector recorded a positive growth trend in total deposits over the last three years. Demand deposits continued to be the largest component of total deposits, accounting for 63.9 percent despite a slight decrease, in comparison to 65.8 percent as of end-December 2010.[12]

Based on the proportion of total assets, loans and deposits held, Barclays Bank, Standard Chartered Bank, Zambia National Commercial Bank, Stanbic and Bank of China dominated the banking sector's market share. In terms of asset size, these five banks accounted for 71.2 percent of the industry's total assets. Subsidiaries of foreign banks continued to dominate the banking sector's market share in terms of assets, loans, and deposits followed by banks with Government stake and local private banks.

Table 1: Proportion of Total Assets, Loans and Deposits Held by Main Banks

	Assets	Loans	Deposits	Regulatory Capital
Barclays	16.4	16.1	17.3	21.8
ZNCB	16.6	16.4	16.1	18.9
Standard Chartered	16.5	15.7	17.0	16.2
Stanbic	15.1	17.7	16.1	12.9
Citibank	5.3	4.1	4.3	45.9
Indo Zambia	4.7	5.0	4.7	31.9
Finance Bank	4.1	4.7	4.8	5.6
Bank of China	5.5	1.3	6.3	22.1

Source: Bank of Zambia, 2011

Table 2: Proportion of Total Assets, Loans and Deposits Held by Bank Ownership

	2009			2010			2011		
	Assets	Loans	Deposits	Assets	Loans	Deposits	Assets	Loans	Deposits
Subsidiaries of foreign banks	65.8	64.2	64.2	70.1	62.5	71.1	69.0	67.7	68.5
Banks with government stake	21.2	19.4	22.5	19.5	24.5	19.8	19.5	24.5	19.8
Local private banks	13.0	16.4	13.3	10.4	13.0	9.2	10.4	13.0	9.2

Source: Bank of Zambia, 2011

The number of Non-Bank Financial Institutions (NBFIs) rose to 102 as of end 2011 from 91 as of end 2010. This development was mainly due to a rise in the number of bureaux de change and microfinance institutions to 55 (50; 2010) and 32 (24; 2010), respectively.

Table 3: NBFIs by Number and Category

	Number of institutions		
	2009	2010	2011
Leasing finance institutions	12	11	9
Building societies	3	3	3
Bureaux de change	44	50	55
Savings and credit institutions	1	1	1
Microfinance institutions	25	24	32
Development finance institutions	1	1	1
Credit reference bureau	1	1	1
Total	87	91	102

Source: Bank of Zambia, 2011

Mobile banking is a nascent market in Zambia. Hard data on mobile services, particularly as it relates to mobile banking penetration is not widely available. Infrastructure is one key impediment to the success of mobile banking in the short-term. Similar to other landlocked countries (e.g. Malawi), Zambia is without the possibility of direct connection to submarine fiber. Such countries will have to rely on expensive satellite links for their international traffic and may be unable to afford or access high bandwidth links.[13] Indeed, anecdotal evidence from our interviews indicates the service remains unreachable for the poor and rural populations and has instead been marketed towards business-to-business or medium-sized or larger owned enterprises.

Recent developments in policy and the private sector, however, point to a continued interest in pushing the service. Also, the share of the population with access to a cell phone has increased dramatically, from 28 percent in 2005 to 70 percent in 2009.[14] The Bank of Zambia has financial inclusion as one of its strategic objectives, partly borne out of the need to expand access to formal financial services in the country, which is currently estimated at 37.3 percent. Branchless banking, including mobile banking, is one of the initiatives that have been identified as having the potential to expand outreach for financial services, particularly in rural areas. It relies on the use of existing infrastructure such as trading outlets, which banks and financial institutions can leverage on to provide financial services in areas where they have no physical presence. The Bank of Zambia is developing a formal framework to guide the operations of financial service providers in contracting third parties (agents) to deliver financial services on their behalf. The framework is expected to be completed and to become operational in 2012, once the consultations with all key stakeholders have been finalized. Although the development of a framework for branchless banking is still ongoing, the Bank of Zambia has continued to grant approvals to commercial bank initiatives aimed at increasing access to financial services.[15]

M-payment and m-banking solutions are starting to emerge in Zambia. CAD International, an IT provider headquartered in South Africa, has been piloting Quick Pay Zoona in the Zambian cotton industry since July 2007. Zoona is an m-payments initiative that allows companies to make payments cost effectively to any mobile phone in Zambia, without the need for the person to hold a bank account. These payments are made on any network and customers then transact via their mobile phone or collect their payments from an authorized cash dealer. In addition to relationships with the formal banking sector for larger payments, Zoona uses a mass-market retail outlet as a branch network. Celpay, a mobile banking company owned by First Rand Bank in South Africa, offers an m-banking solution in Zambia that provides its subscribers with inter-bank transfers, airtime vending via its dealer network, mini ATM capabilities and cash on delivery with its built-in mobile ordering application. Only 0.05 percent of FinScope respondents surveyed have Celpay now and use it, and a further 0.025 percent have it but don't use it. The reason for this low level is that, until now, Celpay has focused on the corporate market in Zambia, though the company is now exploring ways to target the consumer market.[16]

13 World Bank, 2009

14 Finmark Trust, 2009

15 Bank of Zambia, 2011

16 Finmark Trust, 2009

IV. Research Findings

A. Finscope Findings

According to the 2009 Finscope Survey, financial inclusion has increased to 37.3 percent of the population compared to the 33.7 percent figure in 2005. Just over 23 percent of the population aged 16 and above (thereafter referred to as *adults)* has access to formal financial services – banks and other formal financial institutions[17], while 14.1 percent of the adult population has access to informal financial services[18]. Compared to other countries surveyed by Finscope, Zambia still ranks near the bottom based on financial exclusion with 62.7 percent excluded. This is a slight improvement from the 66.3 percent that Finscope registered in 2005. The Financial Access Strand is presented below.

Table 4: Zambia Access Strand by Group and Service Use

Group	Service use				
	Formal bank	Formal other	Informal only	Unbanked	Total (as % of population)
Banked	100 %	0 %	0 %	0 %	14 %
Financially served	60 %	40 %	0 %	0 %	23 %
Financially included	37 %	25 %	38 %	0 %	37 %
Financially excluded	0 %	0 %	0 %	100 %	63 %

Source: Finmark Trust, 2009

The biggest increase between the 2005 and 2009 surveys lies in the informal market, which now serves 14.1 percent of the market compared to 11.3 percent in 2005. Formal financial services usage is higher in urban than in rural areas: 32 percent of urban adults use formal financial products, versus 18 percent in rural areas. The reverse holds for informal financial services: such services serve 19 percent of urban adults and 24 percent of rural adults. Within formal services, banks and non-bank financial institutions have more or less equal penetration in urban areas, but in rural areas other formal services outstrip banking services.

Gender differences are not prevalent except for those that are banked[19], where men hold 17.3 percent versus 10.6 percent for women *(see Chart 1)*. Indeed, this mirrors our own research, in which men had a distinct advantage over women in terms of being formally banked.

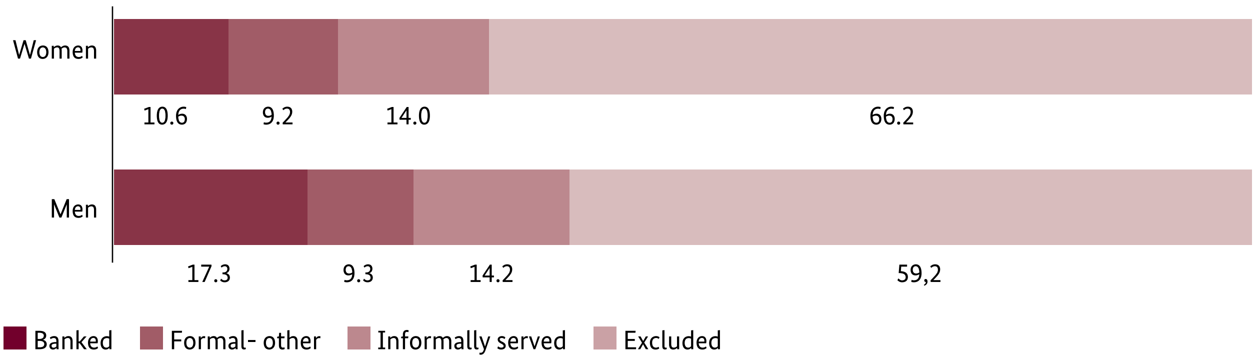
Some of the plausible barriers to finance that Finscope highlights, point to the banking industry's overtly strict lending policies and adherence to the Know Your Customer (KYC) rules. Similar to our own research sample, the documentation process can be frustratingly long and somewhat tedious and where individuals are often required to submit numerous forms of identification and vouchers from employers or people with accounts within the same institution.

17 Formal financial institutions, which are not banks (e.g. MFIs, insurance companies, formal remittance service providers).

18 Financial services provided by individuals and associations that are not regulated by government, such as savings clubs (chilimbas) and private informal moneylenders (kaloba).

19 The formal sector is divided into a banked segment (the percentage of adults with a bank account), and a formal other segment (the percentage of the adult population with a formal financial product, such as insurance or a microfinance loan, but no bank account). Together, these two groups are defined as formally included. The informal sector comprises all the organizations that provide financial services but are not legally registered to do this business. The informally serviced category in the access strand represents the percentage of adults with an informal product but with no bank account or a product from another formal financial institution. By adding the informal segment to the formally included segment we can derive the percentage of the adult population which is financially served.

Chart 1: Zambia Access Strand by Gender (in percentage)



Source: Finmark Trust, 2009

Rather than expanding access to finance, results indicate that since the 2005 Finscope survey financial institutions have cross-sold, leading to added products for those already serviced. The table below illustrates the expansion of available services, yet no significant impact on the broader access to finance data output follows.

Table 5: Zambia - Expansion of Available Banking Services (2005-2009)

	2005	2006	2007	2008	2009
Point of sale (POS)	342	405	420	726	850
ATMs	83	133	186	295	400
Branches	176	183	190	222	234

Source: Finmark Trust, 2009

Interestingly, there is minimal overlap between borrowers and savers. Only a 7 percent overlap exists, with 29 percent who save but do not borrow and 17 percent who borrow but do not save. Although, a caveat pointed out in the 2009 Finscope survey, is the tendency for Zambians to underreport borrowing based on negative perceptions of indebtedness.

B. Profile of Women and Men Interviewed

The sample of individuals interviewed is quite heterogeneous. It includes women and men of different age, active in a wide array of employment sectors, as well as students and unemployed adults, with different levels of education, although there is an overrepresentation of urban versus rural areas. It should be noted that once outside the city center of Lusaka, the demographics quickly shift to rural conditions. We also interviewed people at the annual agriculture trade show where the majority of people indicated they had travelled from their villages to showcase their work. Of the 61 interviews, 36 percent were conducted in rural areas with the remainder carried out in either Lusaka or Livingstone. Women comprised 66 percent of the interviewees.

Table 6: Interviewees by Gender and Geographical Area

	Women	Men	
Rural	23 %	13 %	36 %
Urban	43 %	21 %	64 %
	66 %	34 %	

Source: A2F Consulting Zambia Survey, 2012

The majority of women, totaling 62.5 of the sample, are not married and are of single, separated or widowed status. A very small percentage of women are separated (5 percent) while a considerable number are actually widows (22.5 percent). This was highly correlated to age. Married and single men were roughly split down the middle.

Table 7: Interviewees by Gender and Civil Status

	Women	Men
Married	37.5 %	52.4 %
Single	35.0 %	47.6 %
Separated	5.0 %	0,0 %
Widow	22.5 %	0,0 %

Source: A2F Consulting Zambia Survey, 2012

Most of the women interviewed had obtained a Certificate/Diploma or higher (60 percent) but none had a postgraduate degree while 40 percent had at least some secondary schooling. Our particular sample showed men having less higher education credentials than women and over 60 percent had either some primary or secondary schooling. Anecdotal evidence based on interviews outside of the Lusaka markets suggests high correlation between rural living conditions and educational attainment.

Table 8: Interviewees by Gender and Level of Education

	Women	Men
Postgraduate	0.0 %	0.0 %
Degree	27.5 %	14.3 %
Certificate/diploma	32.5 %	23.8 %
Secondary	27.5 %	28.6 %
Primary	12.5 %	33.3 %
None	0.0 %	0.0 %

Source: Consulting Zambia Survey, 2012

Most individuals interviewed ran their own business, predominantly trade based, for instance, unfinished raw materials (stones and metals from mining), agriculture, or retail such as clothing and handcrafts. Only two women out of the entire sample were formal salaried employees (this excludes the several sales staff employed in retail stores)[20] although quite a few of the older urban women interviewed had previously worked in the private or public sector. Most of the women and men interviewed work on their own, although some had a few employees. Case studies presented in the following text highlight a few peculiarities of self-employed women in different sectors, some of which employed a larger number of people than average. A small proportion of women are students (10 percent), and 5 percent of women interviewed are currently looking for a job. Men had a higher incidence of unemployment in our sample (as the male sample does not include students).

Table 9: Interviewees by Employment

	Women	Men
Employed	85.0 %	85.7 %
Unemployed	15.0 %	14.3 %

* Full-time students comprise 10 percent of the female sample (included in unemployed)
Source: A2F Consulting Zambia Survey, 2012

The difference in financial decision making across gender was quite small, with most interviewees indicating that decisions are taken jointly, when both spouses work, or predominantly made by the income earner in case only one person works. A few married men indicated that because they ran the business they should (and did) preside of major financial decisions.

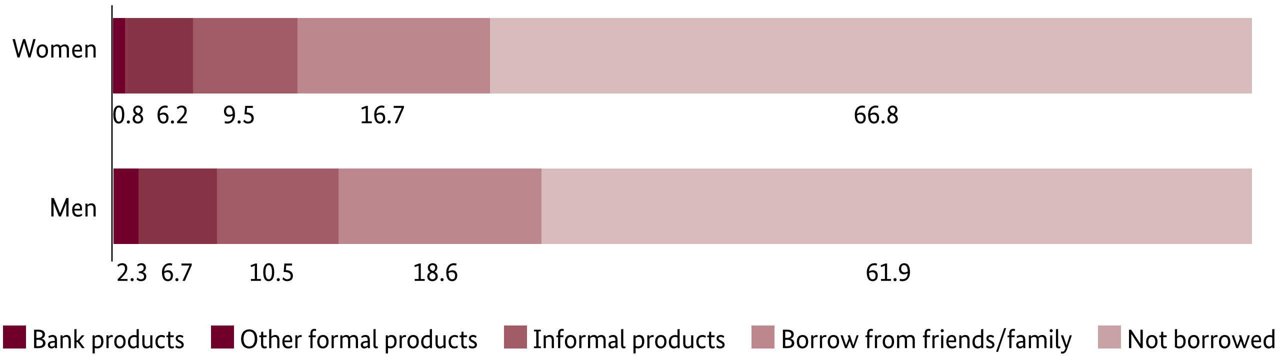
20 As per Finscope findings, even though they are salaried employees, 56 percent of urban workers and 55 percent of rural workers do not receive pay slips.

C. Usage of Credit

Based on the 2009 Finscope survey, 24 percent of the adult Zambian population is currently borrowing with no apparent skew in urban-rural demographics. The Finscope survey also hints that the incidence of borrowing might be understated due to negative perceptions within the community about indebtedness. We did not come across this bias in our interviews, presumably because of the familiarity each group member had with others and the one-on-one interview questions. The Finscope survey results show that 68 percent of borrowers are male, indicating that men tend to be slightly more likely to borrow than women. Specifically, men have more access to bank credit products than women (2.2 percent versus 0.8 percent, respectively).

The World Bank's Findex data[21] does not support these findings as it indicates that women are more likely than men to borrow (50 percent of women versus 46 percent of men), including from a financial institution (8 percent of women versus 4.5 percent for men). On the other hand, our limited field survey found that a majority of those who had obtained a bank loan were men, while the level of borrowing from the formal sector overall was the same for men and women. Indeed, 43 percent of men versus 23 percent of women interviewed borrowed from a bank. Including non-bank financial institutions (NBFIs) the incidence of borrowing rises to 43 percent for women with no effect on men.

Chart 2: Zambia - Access to Credit Products by Gender (in percentage)



Source: Finmark Trust, 2009

Informal credit services have had a big impact on the women in our sample. Fifteen percent of the women interviewed had used informal credit service, most of which came from friends and family. The funds primarily went to increase business capital, which often focused on procuring farming supplies or mining hand tools, as many businesses were agriculture or mining related. Only of the men surveyed claimed to have relied on informal credit service (also from a friend) to help repair his taxi car. According to the 2009 Finscope survey, 29.7 percent of borrowers relied on family and friends as their source of capital. An interesting contrast between the Finscope survey and our research in reasons cited for borrowing. Thirty-four percent of those surveyed in Finscope cited living expenses as their

21 The World Bank's Global Financial Inclusion Database (Findex) provides 506 country-level indicators of financial inclusion summarized for all adults and disaggregated by key demographic characteristics—gender, age, education, income, and rural or urban residence. Covering 148 economies, the indicators of financial inclusion measure how people save, borrow, make payments and manage risk.

main rationale for borrowing while we found no such incidence in our sample as most of our interviewees borrowed to expand their business. However the main caveat here is the sample demographics. Most of our interviewees were self-employed businesswomen and businessmen therefore the absence of living expenses as a reason for borrowing is not completely unexpected. Indeed, the framing of the question could play a role as well – presumably one borrows to fund a business that provides for living expenses.

Sex-disaggregated data on the usage of financial services by institution was challenging to procure. Based on interviews with stakeholders (AB Bank, and microfinance Entrepreneurs Financial Center (EFC)), there was not a significant difference in loan portfolios between men and women. Women account for 44 percent of EFC's loan portfolio and for about half of AB Bank's borrowers. The Mix Market data on Zambia, though, admittedly stale with few MFIs reporting up-to-date figures, indicates around 69 percent women representation. However, no commercial banks were included in the Mix Market data.

In our survey, of those women that have a formal loan from a bank or NBFI, the vast majority (67 percent) live in urban areas, whereas the figure is markedly higher if we only consider bank loans with 77 percent living in urban areas. Similarly, the majority of men with loans from other formal financial institutions are in urban areas. These figures both correspond and stand in contrast to the Finscope survey, which indicates that the incidence of bank borrowing is higher among the urban population (2.2 percent) than in the rural areas (1.1 percent) but formal borrowing (inclusive of NBFIs) tips the scales to the rural segment, 9.1 percent rural versus 6.1 percent urban. While, based on Finscope, education is the biggest determinant of credit usage, followed by physical location and other income related variables such as work and income source, our research unexpectedly found no correlation between higher education and credit usage. Given the limited size of our sample, we would caution against drawing conclusive evidence from it. A few higher educated people were retired individuals that might not have consistent income streams to qualify for loans (which was indeed the case in many circumstances).

Our sample included a limited number of salaried employees of which only one had an outstanding loan. Based on the latest Living Conditions Survey, 51.3 percent of men and 35.6 of women aged 12 and above are in paid employment. Based on Finscope data, close to a third of urban salaried employees are women; in rural areas over half of wage employees work for the government, while close to 75 percent of urban salaried employees work for a company/business. Our interviewees expressed frustration with bank bias towards these salaried employees and ease with which *people who already have money* can easily secure credit from commercial banks. It follows that those with consistent cash flow are also more likely to have the kinds of collateral banks demand than self-employed individuals. The Finscope 2009 survey indeed points to banks' overemphasis on pay-slips for lending, thereby excluding non-salaried workers. It also indicates that the formally employed population mostly borrows from banks. Interestingly, 72 percent of female urban salaried workers but only 57 percent of male urban salaried workers are banked. On the other hand, more self-employed men than women are banked in urban areas, at 47 and 21 percent respectively.

Physical access was not explicitly mentioned as a barrier to finance in our sample. This is also the case in the Finscope survey. However, half of the rural farmers have to commute for over an hour to reach the nearest bank, and both easy and quick processing were repeatedly mentioned as important factors in deciding where to apply for a loan.

In considering women who have access to credit, some expected results were revealed. Most formal and bank loan recipients came from urban settings while all of those who reported having an informal loan came from rural settings. This corresponds to the Finscope survey that showed more rural inhabitants borrowing from friends and family.

The majority of our interviewees were of the opinion that in general men borrow more from banks, as they tend to have larger businesses and therefore require bigger loan amounts. Similarly, it is widely believed that men are more ambitious and aggressive in pursuing their businesses and that drives them to borrow more. Indeed, even men who are salaried employees tend not to rely only on their salaries but to also have businesses to generate additional income. In fact, available literature on the use of finance in several Southern and Eastern African countries, confirms that firms with female ownership participation tend to be of smaller size, and smaller firms have, on average, less access to external finance. Additionally, women are more time-constraint than men due to their family and household responsibilities. At the same time, gender stereotypes might have affected interviewees' responses, as some of the findings mostly mentioned in relation to men – such as having a business in parallel with a wage job - seem to be true for women too.

A small number of interviewees mentioned that banks might trust men more and see them as better investors than women. However, there were also conflicting accounts that institutions preferred to lend to women because women repaid their loans better than men. A few of the women interviewed believed that men are untrustworthy so institutions are less inclined to lend to them. In general, however, women (and men) did not think that there were any substantial differences between men and women's experiences in borrowing from commercial banks. The difficulties between both sexes were shared.

A number of women running entrepreneurial activities on either a full-time or part-time basis indicated they would not want to borrow from banks due to the high interest rates and the risk of losing their assets in case of failure. Instead they preferred using their savings or leveraging friends and family support at no interest rates to grow their businesses, even though this meant a slower or more modest growth. In this regard, women seem to be more risk averse than men. This could also again point to male dominance in decision-making: a few women indicated asking for informal loans without their husband's knowledge.

Among the reasons mentioned by rural women for choosing to borrow informally were: a) an overly cumbersome process to go through formal channels; b) not having sufficient collateral; c) high interest rates (for NBFIs); and d) maintenance fees. Similarly, consultations with local women's organizations revealed that a key reason why women might borrow less from banks than men is that more women than men are lacking the required collateral, such as land or property titles. In most Zambian communities, land is traditionally inherited by sons or passed on to the man's side of the family. Very few people in Zambia actually hold title to land,[22] instead it is customary law dictated by village chiefs how land is appropriated. Therefore, women are further constrained by male dominance in rural settings. Laws and practices in the city have changed

22 Finscope 2009 survey indicates that 87 percent of the population does not have title deeds to land

so that now inheritance is passed on to both men and women. However, as spouses need to co-sign and guarantee credit for each other, women might not be able to borrow if their husbands do not support them. Another factor is that, apart from those who are better educated, many women tend to be less informed and/or confident in dealing with banks and might get quickly discouraged when applying for loans, particularly those that do not own fixed assets. This can be explained with the fact that less women than men are able to read and write (the literacy level for Zambians aged 16 and above is 64 percent versus 82 percent, respectively)[23]. Another issue highlighted during interviews is that both MFIs and banks tend to give female customers much less than what they request, which makes it very difficult to carry out their business plans.

Chart 3: Potential Reasons for Gender Gap in Usage of Formal Loan Products

Source: A2F Consulting Zambia Survey, 2012

23 www.undp.org.zm

Case Study: Mary Ann (Mining)
Mary Ann worked for 30 years in the banking sector before investing in the mining industry in the early '90s. She applied and acquired the necessary licenses for running small mining operations and now owns three small mines that produce zircon and a byproduct of iron ore in the Eastern Province. She employs a total of 35 people in the three mines. As many other owners of small mines, she was not able to access credit to support her mining work. Securing funds from financial institutions for small mining operations seems to be extremely hard in Zambia, as banks tend to see it as a risky business. Instead, she financed her operations through her savings, the sale of gemstones, and family support. As a result, the mining is mostly done with hand tools and the occasional hiring of government excavators and bulldozers when these come available. The use of excavators allows miners to reach deeper into the soil at a fraction of the time than is needed with hand tools. Cleaning and polishing of mined stones remain a key challenge though, as Mary Ann does not have the proper equipment to do so. Gemstones are sold as raw products, mostly to the local market. She is now exploring the option of borrowing from a microfinance institution to buy the needed machinery to be able to sell refined products at better prices. MFIs accept household goods and furniture as collateral but this needs to cover at least 125 percent of the value of the loan. She is not sure whether this will enable her to borrow the required amount to expand her business.

Mary Ann is also a senior member of the Zambia Association of Women in mining, which counts 235 members among miners, traders, jewelers, and stone crashers. She is very active in lobbying with the government to support women miners and in promoting women miners' attendance to trade fairs across the world to showcase their products. Their main export markets are Hong Kong, Thailand, and India, although the association is also trying to break into the US and EU markets, which demand high-quality stones rather than the raw product that they now export to Asia. As in the case of Mary Ann, securing funds to purchase machinery that would allow miners to refine the raw products and sell them at a higher value is their biggest challenge, as banks do not provide leasing facilities and most small miners cannot meet the collateral requirements. According to the Association of Women in Mining, faceting, grinding, and tumbling machines to clean and cut gemstones cost an average of USD 1,000. Excavators and bulldozers would require a much larger investment. While a few funding facilities sponsored by DFIs and development partners, such as the AFDB and the EU, have been put in place over the years to facilitate commercial lending to the small mining sector, results have allegedly been very modest and the challenge of accessing funds persist.

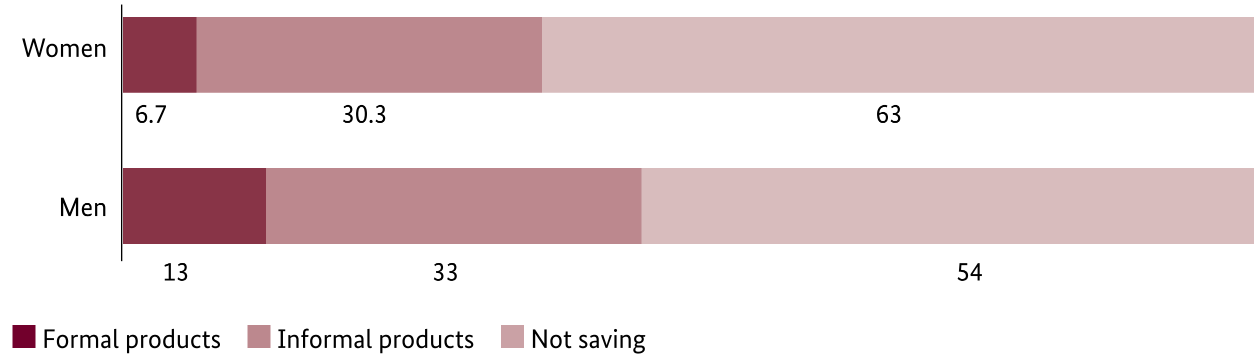
D. Usage of Savings

According to the 2009 Finscope survey, 41 percent of all Zambians aged 16 and above claim to save in some way, of which 61 percent live in rural and 39 percent in urban areas. In reality, only 17 percent of adult Zambians use saving products (formal or informal) of those the higher proportion lives in urban areas with 71 percent claiming to save in a bank account, versus 41.5 percent in rural areas; specifically, 88 percent of the banked urban salaried and 76 percent of the banked self-employed keep their savings in a bank. Amongst those 17 percent of Zambians using formal or informal savings products the second most popular savings mechanism is to keep money at home (urban and rural) or to save by buying farming inputs in advance (rural).

In contrast 24 percent of all Zambians claiming to save in some form, save at home or by giving money to a family member. The remaining 59 percent of Zambians do not save at all.

The overall savings strands (formally and informally) of urban and rural populations are relatively close. However, there are stark differences between men and women among all savers. Whereas 46 percent of men save, of which 13 percent formally, only 37 percent of women save and merely 6.7 percent formally.[24] The World Bank's Findex data supports these findings and indicates that overall men are more likely to save than women, including saving at a financial institution.

Chart 4: Zambia Savings Strand by Gender (in percentage)



Source: Finmark Trust, 2009

Our sample offers different results. We found that 73 percent of the women surveyed indicated they had formal savings and 15 percent informal savings accounts. Men on the other hand, had a 62 percent participation rate in formal savings and 19 percent in informal savings. Also, more men than women indicated they save informally, through loan and savings associations at work or with friends. Our limited sample size is likely to be the reason for this unexpected statistic. In general, presumably because of the large share of micro businesses, savings amongst both sexes were quite high.

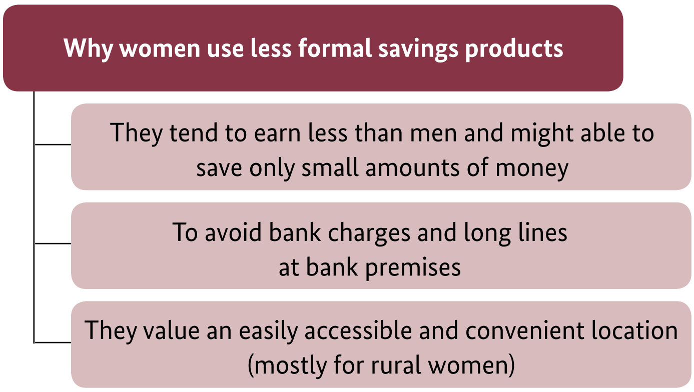
We found a diverse set of reasons for saving, from saving for educational needs to saving for business support, medical expenses, requirement for a loan,

24 Finmark Trust, 2009

and for future liabilities. While the reasons were many, most of the interviewees cited putting money aside for some future use as a key reason for saving. According to the Finscope survey, 23.6 percent cited living expenses and 20.7 percent cited emergency expenses (other than medical). Our results indicate that women were more concerned about family needs in their saving habits than business reinvestment reasons as cited by men.

In general, our research found a strong awareness among women about the importance of saving, particularly as our sample had a high proportion of individuals from business associations. Such associations disseminate information pertaining to financial advice and group members are generally more attuned to the benefits and costs of financial services. Single women seem to save to invest in a business or for professional development, such as obtaining a certificate or diploma in a certain skill. Married women from our sample are quite intent on saving for business needs as well in addition to meeting family expenses related to death or health. It was often mentioned that it is important for women to save, as in case of divorce or their husband's death, they might lose everything to his relatives unless they have sufficient resources to engage a lawyer.

Chart 5: Reasons forGender Gap in Usage of Formal Savings Products



Source: A2F Consulting Zambia Survey, 2012

Many of the individuals interviewed indicated that having an account with the bank not only brings in interest income (though many cited it was a paltry sum) but also establishes a relationship with the bank in case they were interested in obtaining credit. Many believed having a savings account at the bank would help them being approved for a loan. It is also considered a safer option than keeping it at home. Some women view it as a coping mechanism to avoid their spouses finding and spending their hard-earned cash. Our interviewees also expressed a preference for investing a good share of their savings, either in their own businesses or in partnerships with others. Overall, interviewees expressed the view that investing their money in businesses or assets that will appreciate overtime is a better way to put their money to work than leaving it idle in a bank, as interest rates tend to be low and charges high. A few interviewees mentioned that they use more than one bank for saving. In many of these cases, it was to take advantage of higher rates offered elsewhere. It might also be a matter of trust – based on Finscope, only 22 percent of adult Zambians trust banks with their money. Close to all individuals who had a formal savings account had it within Zanaco, the state run commercial bank. The reason most often cited for this choice was its affordability.

Our findings indicate that differences in income and education levels determine where people save. Well-educated individuals as well as those with a regular income prefer to save in formal financial institutions and tend to diversify their saving options across two or more banks, as mentioned above. The overwhelming majority of women interviewed claimed that women earn less than men. This was mentioned as one of the reasons why some women might not consider opening and paying for a formal savings account if the amounts saved are small. For this reason, even though some women have formal savings accounts, they might not be servicing them as the requirements for minimum balances and service charges discourage small savings accounts. Similarly, long lines at banks and withdrawal charges work as a deterrent for small savers.

As in Uganda and Malawi, whether men or women save more as a percentage of their income, and who spends more for household expenses, was subject of much debate and different opinions. In rural areas, most married women and/or women with children indicated that they took charge of household and children's expenses and therefore were not able to save much of their incomes, while their husbands could save more due to their limited contribution to family expenses. In urban areas, our research has highlighted three possible scenarios for married/cohabitating partners: a) the man takes care of all major expenses and women can save most of their income; b) the man does not contribute much to household and family expenses so that women have to bear such costs and have little left to save; and c) couples share expenses. The last option was not as common as in Malawi and Uganda. Overall, the most common view was that married women and/or women with children are more cautious about their spending than their male partners and try to make sure they save at least part of their earnings.

A close and convenient location was mentioned repeatedly among the urban population as an important criterion for choosing their financial institution. This is particularly relevant as few of the women interviewed own a car and would therefore have to rely on public transportation to reach their financial institution. This is also reiterated in the Finscope survey.

An interesting finding from our research is that secret savings accounts, unknown to their spouses, seem to be common for both men and women. Truly, it seems widely accepted that couples are not fully transparent about their level of earnings and expenses, and that people tend to understate how much they earn. This was also echoed in Uganda and, to a lesser extent, in Malawi. When it comes to married women, this was considered important to be able to save in case of divorce, as mentioned above. Also, some women might understate their income as allegedly most men would feel uncomfortable with a woman that earns as much or more than them.

Case Study: New Avondale Academy
Gracious teaches at Chainda government school in Lusaka, which accepts pupils from grade 1 through grade 9. She also owns and teaches at New Avondale Academy, a private pre-school and primary school (grades 1-7) nearby.

Seeing a high demand for high-quality teaching facilities, she used her savings to buy the house and land where she lived with her family in 1989 and started on a slow process of expanding the property to fulfill her dream of building a private school. She began hiring one teacher that taught five children in her living room. Then due to increasing demand, she closed off her veranda and converted it into a classroom. Little by little, she added new classrooms and built the necessary infrastructure. She now has 161 pupils and hires 13 teachers. The school was financed through her salary as government employee, part-time private classes, and some support from her children and friends. While she originally tried to request a loan from Zanaco Zambia National Commercial Bank, which is where her salary is deposited every month, she was not able to. The list of documents required was long and the process very time-consuming so that she got discouraged and gave up. She borrowed instead from a good friend.

She will soon retire from her teaching position at the government school and her plans are to build another larger private boarding school that can accommodate pupils from grade 1 through 9. She estimates that she will need about ZMK 2 billion (approx. USD 392,000)[25] to fund this project, which she hopes to borrow partly from a government fund using her pension as collateral and partly from a commercial bank.

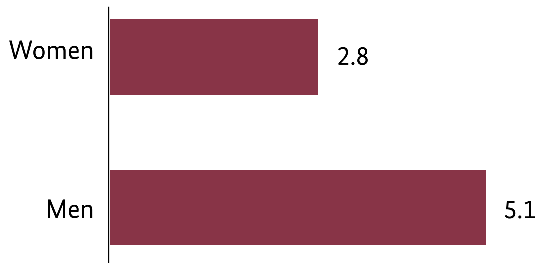
The area, where the two schools are located, is a high-income residential neighborhood in Lusaka and Gracious sees a steady demand for good private schools. While government schools tend to have an average of 80 pupils per class, her school has an average of 25-30 pupils per class. She has also made an effort to attract and retain high-quality teachers through an incentive scheme, which includes sponsoring further education, good salaries, and a free meal once a week. She also provides scholarships to cover tuition of pupils in case of death of the main income earner in their family, and that has helped boost her reputation within the community.

25 At September 14th 2012 exchange rate

E. Usage of Insurance

Based on the 2009 Finscope survey, only 4.9 percent of the adult population in Zambia has any form of insurance. Removing the insurance/pension provided by the government to its employees, i.e. NAPSA (National Pension Scheme Authority), the figure is significantly lower at roughly 3 percent of adults with any insurance. Insurance is skewed towards men, presumably because more men than women are formally employed. Specifically, 5.1 percent of men have insurance as opposed to 2.8 percent of women. Additionally, 5.4 percent of urban adults have insurance versus 3 percent of rural adults. Our research sample found some contradictory results, notably that more women than men had some form of insurance (38 percent of women versus 14 percent of men). However, it also found more urban adults than rural adults with insurance (38 percent in urban areas versus 18 percent in rural areas), in line with Finscope results.

Chart 6: Zambia - Usage of Insurance Products by Gender (in percentage)



Source: Finmark Trust, 2009

Our research found many instances where individuals would clearly benefit from insurance coverage especially in the agriculture sector that is particularly prone to business interruption. Many of the businesses we visited during our interviews also suggest that property insurance (for small and medium sized enterprises) would be advantageous, as many dealt in retail and trade.

Zambians in our sample universally accepted the notion that having a backup plan in case of illness (medical expenses) or death (funeral expenses) was high on their priority list. According to Finscope, 19 percent of adults indicated a medical emergency is the most costly event that could happen to them. Based on responses from interviewees, while some appeared to understand the payout structure of an insured event, quite a few had reservations about the product as a risk management tool. Many had heard of bad experiences relating to the process, timing of payouts, and documentation needed to claim insurance payments. As one participant exclaimed *I got paid out long after I urgently needed the money*. As such, mistrust of insurance companies was high in our sample. This is in contrast with the Finscope survey that found that only 6 percent of adults believe insurance companies do not pay and only 8 percent think the process is too complicated. Finscope also points out that people don't think of insurance as way of managing risk by citing that most people rely on family and friends for financial support in such circumstances.

The actual drivers of insurance behavior according to Finscope are the compulsory aspect from salaried employees (both government and private sector) followed by provision for old age. Our limited sample could not corroborate the findings related to age and insurance. We found that the key driver to insurance for our sample was car ownership – 78 percent of insured individuals carried car insurance. There was no substantial information regarding informal insurance, either in the Finscope survey or our own research sample. Available literature indicates that there is limited provision of informal insurance coverage in Zambia. There exist community-based risk pooling by funeral associations but they have limited reach. The only area in which insurance is provided informally is medical aid.[26]

Both the Finscope survey and answers from our respondents point to lack of education on the topic of insurance as the key barrier for access to the product. This is true among both men and women. Also, many cited the fact that money is just so scarce in the first place that insurance is not something they prioritize.

An initiative to develop and introduce microinsurance products in Zambia was launched in 2009. A working group meets once a month and includes representatives from the private sector, central bank, Ministry of Labor, microfinance institutions, and development partners. The Initiative aims at developing microinsurance products and investing in market education. Training for insurers and innovation seminars have been held and the next step would be to develop a consumer education strategy, for which private funding is currently sought. In parallel, Finmark Trust, ILO, and UNCDF have launched an innovation facility, which provides funding for innovative proposals from insurers based on a competitive basis. For the time being, insurance companies have mostly looked at developing accessible funeral plans.

Insurance companies do not collect sex-disaggregated data thus it was not possible to cross-check the data collected through the Finscope survey. Other databases, such as Findex, collect very few indicators on the insurance sector. Specifically, based on Findex Zambia, 1.2 percent of adult Zambians paid personally for health insurance, with the percentage of women that did so being slightly lower than the percentage of men, 1.1 percent versus 1.4 percent, respectively. Similarly, the common view among stakeholders consulted as well as the interview group is that men use insurance at a higher rate than women, although our results show otherwise.

The perceived disparity in usage of insurance products between men and women were explained by the following:

1. Insurance is usually marketed to the corporate sector and men make up a majority of corporate sector workers.

2. For couples with only one car, our findings indicate that it is usually registered in the man's name so that the corresponding motor third party insurance will also be in the man's name.

3. Salary loans are insured and, based on Finscope data, there are more men than women employed in the formal sector.

26 Access to Insurance Initiative, 2009

V. Conclusions and Proposed Interventions

For the purpose of this report, which is to inform policy makers and financial sector stakeholders on possible reasons for some of the gaps in women's use of formal financial services, we will focus exclusively on financial sector interventions that have the potential to address some of women's current challenges in accessing formal finance.

The following is a framework to reinforce the women's access to finance work currently undertaken in Zambia:

Table 10: Proposed Policy Recommendations Framework

Target group	Type of intervention
Financial institutions/ Policymakers	• Support improved market intelligence • Support the development of better financial products for the low-income population
Women	• Promote the regular provision of targeted capacity building
Other beneficiaries	• Promote mens' participation in gender-awareness training • Explore promoting financial literacy courses for girls/young women

1. Support improved market intelligence

This would include both the collection of sex-disaggregated data from specific financial institutions as well as overall data on women's access to finance markets to gain a sound understanding of the sector at the national level and guide stakeholders' interventions. Our research has revealed that collecting disaggregated data from financial institutions, even those that seem to be more active in reaching out to women clients, is very difficult. When available, the information is also extremely limited, providing only a partial picture on women's financial behavior and usage of finance.

A full set of data would include: key gender-disaggregated personnel indicators relating to current work force statistics, recruitment, retention, promotion, and professional development, as well as gender-disaggregated portfolio data by loan size, geographical area, new/repeat clients, portfolio at risk, type of product; and number of training days received by training type, as a minimum.

Having this data and making it visible is a crucial step toward understanding men and women clients' behaviors and attitudes and it is important that internal reporting systems are structured in such a way as to capture and provide insights on specific women's financial patterns, and guide FIs in developing appropriate products and services. This could help introduce new products, such as supplier finance, where financial institutions could explore the option of negotiating preferential conditions and making payments directly to suppliers' accounts. This would likely have an immediate positive impact in expanding qualifying women entrepreneurs' access to finance. Simply providing data on the percentage of women borrowers as a total of an institution's loan portfolio is not sufficient to do so.

Similarly, improving market intelligence is key to developing a better understanding of the market and to advise development partners in prioritizing interventions. Practically, this effort would require liaising with other development partners and organizations active in the region to possibly join efforts and/or raise funds for gender baselines and other relevant gender finance studies. Market segmentation studies and efforts to quantify women's economic contribution in Zambia would be particularly useful.

2. Support the development of financial products more suitable for lower-income individuals

While the development of financial products for women is left to financial institutions' own strategic business considerations, it is recommended that policy makers and development partners explore promoting among their partner financial institutions the development of new financial products with the needs of the low-income population in mind.

Bank requirements and fees, such as minimum balances, monthly charges, withdrawal fees, etc. seem to be one of the main reasons why people shy away from saving at banks, either entirely or on a regular basis. Long lines and complicated forms to fill were also cited as challenges by several interviewees. Minimizing bank costs, such as eliminating the minimum balance requirement and reducing monthly charges, could have the potential to attract new customers to the formal sector as well as increasing the use of their accounts by banked individuals.

Similarly, there is scope for exploring the use of alternative lending products that would ease the collateral requirement, widely indicated as a key constraint by small businesses and in particular by women in business. For example, the use of leasing for purchasing equipment and small machinery could help many small plot miners procure the necessary machines to add value to their raw materials, therefore dramatically increasing their potential earnings. Financial institutions can catalyze this process by leasing machines to either individual mining operators or through mining associations. Traditional lending products have proved ineffective based on the large initial collateral requirement and seasonality of the sector, which would require an adjusted rather than regular repayment schedule.

Additionally, it is recommended that policy makers and development partners support the on-going efforts to develop microinsurance products with a focus on women. While for the time being only a few funeral and life policies are being tested, products that provide at maternity coverage and other basic services could also be explored. The example of BancoSol in Bolivia shows that it is possible to offer a reasonably good coverage for affordable prices *(see Box).*

Case Study: BancoSol's Microinsurance program for Women

BancoSol in Bolivia offers a **comprehensive health microinsurance program to women** in conjunction with Zurich Insurance. The program provides full maternity coverage with a 7-month waiting period, so that pregnant women can purchase insurance to cover the birth of their child during the first two months of their pregnancy. BancoSol demonstrated the viability of such a program through a pilot test. Sales and premium payments are linked to savings accounts. The product, sold at bank offices, offers medical consultation coverage at 100 percent, ancillary services and maternity at 80 percent, and hospitalization and surgery at 70 percent plus life insurance. Zurich Bolivia invested in customized management information systems to automate premium collections and integrate them with banking functions. Monthly premium collection is flexible: if the savings account has insufficient funds when a scheduled premium payment is processed, the system retries every day to debit the account until 1) there are sufficient funds to pay the premium, or 2) sixty days have gone by, in which case the policy is cancelled. While most microinsurance programs exclude maternity benefits or impose waiting periods of at least 9 months to prevent pregnant women from enrolling, BancoSol's health microinsurance program had reached over 14,000 clients two years after the pilot. Of these clients, 62 percent are women, compared to just 45 percent of loan borrowers, emphasizing the high value of gender-sensitive microinsurance programs for women.

Source: *Microinsurance that Works for Women,* ILO, November 2009; *Micronsurance Paper No. 6*, ILO, September 2010.

3. Promote the regular provision of gender-sensitive capacity building for women clients

Commercial banks, such as NBS Bank, have already been providing free capacity building to increase their outreach to low-income customers, with a special focus on women. The current Financial Inclusion Task Force is also pushing in this direction and more banks are expected to introduce some form of capacity building or financial literacy training for currently underserved or unserved clients. It is recommended that policy makers and development partners further promote and support these efforts, particularly as it relates to increasing outreach to women.

For those financial institutions interested in increasing their outreach to women, the provision of regular financial training and business development services to women clients can be very effective in improving women's familiarity with financial services offered and making them more *bankable*.

Our research has identified the following key training needs: a) financial literacy courses to increase women's ability to budget, book-keep, prioritize and make business decisions; b) breaking negative stereotypes when it comes to women's ability to manage businesses and finances; c) increasing awareness among women of the legal framework on inheritance and marital property, as well as their options; and d) mentoring and networking opportunities, where women can share their experiences, learn from others, and develop valuable business contacts. International experience has shown that promoting regular networking and mentoring opportunities can be an effective way to support women in business. Organizing such events is also relatively easy, either at headquarters and/or at key branches, and can be leveraged by financial institutions as an additional marketing opportunity.

It is recommended to strive for efficiency and replicability when it comes to delivering training as well as for any marketing and promotion targeting women clients. In rural areas, a preference for oral communication together with the low, average literacy levels of the target group, as well as the challenges to reach a large number of target participants and deliver training in remote areas, are all factors to be taken into consideration. To overcome such challenges, options such as the use of technology (radio and TV mostly) should be explored to maximize efficiency and outreach. Indeed, radio plays a key role in informing Zambians as roughly half of the population owns one. Also, the use of drama, role plays and exhibitions might be a strong instrument for reaching out to the rural population to disseminate information and increase awareness on specific topics, such as to promote female role models and initiate rethinking of gender stereotypes.

4. Promote men's participation in gender awareness campaigns

Interviews have highlighted that traditional gender roles at the household levels are still widespread in Zambia. Even when women push for changes and for a more balanced distribution of power, men often resist such changes. This is the case for adding the wife's name to property title deeds as well as sharing household chores when women work outside the house.

Past and current gender sensitive campaigns have allegedly focused on women only audiences while men have for the most part been excluded. As such, it is more difficult for women to push for changes when their spouse and male relatives have not been exposed to the same information. It is therefore recommended that policy makers make a stronger effort to include the male population in gender-awareness campaigns or to promote dedicated men-only forums. The objective would be to engage the whole community in discussing gender issues, such as gender roles within the households, the division of household labor, decision-making, etc. in order to build a more supportive environment for women to pursue their businesses and gain a more equal stand within the household.

5. Explore promoting financial literacy courses for girls and young women
Another area to explore would be the provision of financial literacy courses for girls and young women.

About 50 percent of girls and young women aged 15-24 are employed in Zambia. As they accumulate and manage money, they might be interested in learning how to better accumulate assets and manage risks, and most likely they would want to know where they could save their money in a safe way. It is thus important that they are equipped with the proper knowledge and tools to do so from the onset.

No public data is currently available on the amount of money managed by girls and young women in Zambia. They represent nonetheless a pool of potential clients for financial institutions and extending financial literacy courses to this group would be a first step to understand this segment better and decide whether to further invest in it.

Training could be delivered in schools, starting from as low as primary level education. For the delivery of training to girls and young women in rural areas, it is advisable to follow the same *community-based approach* suggested for training of adult women, to be able to identify the most appropriate channels and modalities to effectively target this group. As in the case of capacity building for adult women, we suggest that training for girls and young women include a gender awareness and self-esteem component, aimed at breaking negative stereotypes regarding women's ability to manage businesses and finances, as well as promoting positive female role models. It is recommended that, when delivered in schools, training modules are somewhat adapted to encourage boys' participation. For example, the gender awareness component could be folded into a more general literacy course aimed at both boys and girls.

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