Making Access Possible (MAP) Zambia: Key Findings Presentation

Lusaka, 19 April 2017
Presentation notes

This presentation sets out some of the key findings from the MAP diagnostic analysis. The presentation was done to solicit feedback from stakeholders to refine the diagnostic findings. The research behind the presentation is set out in detail in the diagnostic report to be released later in the year.
Agenda

1. Introduction to MAP
2. Contextual drivers
3. Understanding consumers and their needs
4. Provider and product overview
5. Priority focus areas
1. INTRODUCTION TO MAP
Why MAP? The value that MAP process provides

Holistic viewpoint
- Examines the inter-linkages across:
  - Financial sector: demand, supply & regulation
  - Product markets

Welfare focus
- Provides welfare prioritized recommendations
  - Recognises the value of formal and informal in the market
  - Localised financial services

Focused recommendations
- Pragmatic approach
- Identify opportunity in the market and assist with supportive regulation

Customer centricity
- Customer’s needs are the central driver of analysis

Departure point
- Current public policy – builds off established foundations
- Enabling the market
Where is MAP happening? MAP implementation and pipeline countries

MAP implementation countries
- Malawi
- Mozambique
- Lesotho
- Swaziland
- Côte d'Ivoire
- Thailand
- Nepal
- Laos

MAP in progress
- Madagascar
- Zambia
- Cambodia
MAP exists within existing policy processes: The National Financial Inclusion Strategy (NFIS)

NFIS definition of Financial Inclusion: “Access and informed usage of a broad range of quality and affordable savings, credit, payment, insurance, and investment products and services that meet the needs of individuals and businesses.”

NFIS Vision: “Universal access and usage of a broad range of quality and affordable financial products and services.”

MAP provides an evidence base to support both the development and implementation of the NFIS

Source: NFIS 2017-2022 Draft, 2017
MAP approach: Focused recommendations

- Public policy objectives
  - Understand client needs, behaviours and links to the real economy
  - Identify financial services with greatest potential to improve welfare
  - Identify products/delivery mechanisms to meet those needs
  - Identify institutions best placed to meet those needs
  - Recommend public policy imperatives & enable private sector provision
2. CONTEXTUAL DRIVERS
Context drives Financial Inclusion realities

Government borrowing
- Crowding out retail credit
- Budget cuts

Reliance on copper
- 77% of exports copper

Widespread informality and cash
- Cash is still king
- Informal savings widespread

Established Social safety nets
- Free gov’t primary healthcare
- Strong role of church and community

Citadel economy
- Low density in rural and poor areas constrain offerings
- Infrastructure developed in the urban centres

77% of exports copper
3. UNDERSTANDING CONSUMERS AND THEIR NEEDS
Meet the consumer: Highly urbanized population, but strong farming community

“[My mother] lives on a farm our late father left. She rears chickens and grows vegetables which she sells and makes some money.”

“I usually send her about K200”

“I have a savings account with Zanaco where I save some money for my children’s school fees”

“I have found value in keeping coins. I put them in a tin” “When I think of the interest, I think the bank might be good but then the interest is really low”

Mary

25% farmers

K400 per month

Source: FinScope (2015)
Meet the consumer: Broad range of financial service needs

Mary

- Sends remittances via a bus
- 25% farmers
- Saves at home
- K400 per month
- Chilimba member
- A potentially more effective savings vehicle for her children’s education fund might be a savings group
- For security, store cash in an account

Now uses Zoono to send money to her mother, which is a more efficient remittance method

Source: FinScope (2015)
Meet the consumer: Broad range of providers

Source: FinScope (2015)
Meet the consumer: Breadth of uptake per product category

- **Payments**: 34% Formal only, 66% Excluded
- **Insurance**: 5% Informal only, 97% Family & Friends
- **Credit**: 5% Formal only, 92% Excluded
- **Savings**: 12% Formal only, 24% Formal and informal, 55% Excluded

Source: FinScope (2015)
Zambia compared to the region

<table>
<thead>
<tr>
<th>Country</th>
<th>Banked</th>
<th>Other formal</th>
<th>Informal</th>
<th>Excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>75%</td>
<td>5%</td>
<td>5%</td>
<td>14%</td>
</tr>
<tr>
<td>Uganda</td>
<td>20%</td>
<td>34%</td>
<td>31%</td>
<td>15%</td>
</tr>
<tr>
<td>Kenya</td>
<td>32%</td>
<td>34%</td>
<td>7%</td>
<td>25%</td>
</tr>
<tr>
<td>Swaziland</td>
<td>54%</td>
<td>11%</td>
<td>10%</td>
<td>26%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>23%</td>
<td>19%</td>
<td>30%</td>
<td>28%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>12%</td>
<td>40%</td>
<td>17%</td>
<td>31%</td>
</tr>
<tr>
<td>Namibia</td>
<td>62%</td>
<td>3%</td>
<td>4%</td>
<td>31%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>36%</td>
<td>12%</td>
<td>12%</td>
<td>40%</td>
</tr>
<tr>
<td>Zambia</td>
<td>25%</td>
<td>13%</td>
<td>21%</td>
<td>41%</td>
</tr>
<tr>
<td>DRC</td>
<td>12%</td>
<td>24%</td>
<td>13%</td>
<td>52%</td>
</tr>
<tr>
<td>Malawi</td>
<td>27%</td>
<td>7%</td>
<td>14%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Source: FinScope Consumer Surveys
Introducing the target markets

- Formally employed: 16%
- Informally employed: 18%
- MSMEs: 18%
- Farmers: 26%
- Dependents: 22%

Source: FinScope (2015)
Introducing the target markets

**Formally employed**
- 1.2m adults
- Median average age (34)
- Mostly male

**MSMEs**
- 1.4m adults
- Median average age (36)
- Mostly female

**Dependents**
- 1.7m adults
- Youngest average age (30)
- Most female

**Informally employed**
- 1.4m adults
- Median average age (34)
- Most male

**Farmers**
- 2m adults
- Oldest average age (40)
- Mostly male

Source: FinScope (2015)
Comparing overall uptake of financial products: Depth vs Breadth

Source: FinScope (2015)
Comparing overall uptake of financial products: Depth vs Breadth

Size of bubble = number of adults in the target market

Source: FinScope (2015)
Widespread use of and reliance on informal financial services across target markets

<table>
<thead>
<tr>
<th>Group</th>
<th>Informal</th>
<th>Formal/Informal overlap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formally employed</td>
<td>13%</td>
<td>41%</td>
</tr>
<tr>
<td>Informally employed</td>
<td>24%</td>
<td>11%</td>
</tr>
<tr>
<td>MSMEs</td>
<td>24%</td>
<td>20%</td>
</tr>
<tr>
<td>Farmers</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Dependents</td>
<td>19%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: FinScope (2015)
# Key Target Market Needs

<table>
<thead>
<tr>
<th>Key Need</th>
<th>Formally Employed</th>
<th>Informally Employed</th>
<th>MSMEs</th>
<th>Farmers</th>
<th>Dependents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transfer of Value</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td>-</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td><strong>Resilience</strong></td>
<td>Primary target market for insurance</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td><strong>Meeting Goals</strong></td>
<td>Education</td>
<td>Education</td>
<td>Education + Productive assets</td>
<td>Education + Productive assets</td>
<td>Education</td>
</tr>
</tbody>
</table>
The role of consumer education

Understanding of complex financial terms lacking

- Compound interest
  - Correct: 28%
  - Incorrect: 47%
  - Do not know: 25%
- Compare bargain
  - Correct: 34%
  - Incorrect: 66%
- Simple interest
  - Correct: 46%
  - Incorrect: 24%
  - Do not know: 30%
- Risk diversification
  - Correct: 51%
  - Incorrect: 18%
  - Do not know: 31%
- Purpose of insurance
  - Correct: 61%
  - Incorrect: 39%
- Inflation
  - Correct: 65%
  - Incorrect: 35%
- Simple division
  - Correct: 91%
  - Incorrect: 9%

But, wide range of financial tools used to meet different needs

- 250,000 savings group members
- 790,000 members of Chilimbaz
- 140,000 save with a church
- 850,000 save by buying farming or business inputs in advance
- 2.2m save at home

“The other ways [than Zoon] are okay but because my mother is an elderly woman I don’t think she can manage to keep up with the processes that are required for her to receive the money”

“[the Chilimba] encourages investing/saving which is my first priority”

4. PROVIDER AND PRODUCT OVERVIEW
Uptake of non-cash payments products

**Total payments usage: 2015**

<table>
<thead>
<tr>
<th>Category</th>
<th>Banked</th>
<th>Formal</th>
<th>Excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formally employed</td>
<td>60%</td>
<td>18%</td>
<td>29%</td>
</tr>
<tr>
<td>Informally employed</td>
<td>7%</td>
<td>14%</td>
<td>80%</td>
</tr>
<tr>
<td>MSMEs</td>
<td>16%</td>
<td>21%</td>
<td>62%</td>
</tr>
<tr>
<td>Farmers</td>
<td>10%</td>
<td>9%</td>
<td>80%</td>
</tr>
<tr>
<td>Dependents</td>
<td>13%</td>
<td>17%</td>
<td>70%</td>
</tr>
<tr>
<td>Other</td>
<td>24%</td>
<td>18%</td>
<td>58%</td>
</tr>
</tbody>
</table>

**Total payments usage: Male vs. female**

- 51% of total population is female
- 44% of total payments usage
- 56% of total payments usage

**Total payments usage: Target markets**

- 45% of total population is Urban
- 36% of total payments usage

**Total payments usage: Urban vs. Rural**

- 64% of total payments usage

**Source:** FinScope (2015)
Relative use of payments instruments: Cash is still king

- 74% report using Cash
- 9% report using Debit/Credit card
- 8% report using Mobile money
- 5% report using Bank transfer
- 4% report using Post Office/Western Union etc.

Source: FinScope (2015)
Relative use of payments instruments: But Mobile is growing

Source: BoZ (2017)
 Payments infrastructure: ATMs and PoS Devices lag behind other SADC countries

Source: IMF, 2016; FSDZ GIS data, 2016
Total cost using banking infrastructure: Rural vs. Urban divide

- Basic account cost: K43.79
- Travel cost: K20.00
- Opportunity cost: K2.11

Urban:
- Cost: K65.90 (11% of income)
- Opportunity cost: K2.11
- Travel cost: K20.00

Rural:
- Cost: K168.27 (34% of income)
- Opportunity cost: K4.48
- Travel cost: K120.00

Source: FinScope, 2015; Qualitative interviews, 2016, BOZ, 2016

*Based on basic consumer usage profile – 2 ATM withdrawals & 1 deposit on a basic transactional account

>2.5x more expensive
Credit overview

**Total credit usage: 2015**

- Family and Friends
- Informal
- Formal
- Banked

**Total credit usage: Target markets**

- Other: 11% Banked, 83% Informal
- Dependents: 19% Banked, 76% Informal
- Farmers: 24% Banked, 69% Informal
- MSMEs: 21% Banked, 71% Informal
- Informally employed: 23% Banked, 72% Informal
- Formally employed: 20% Banked, 62% Informal

**Total credit usage: Male vs. female**

- Total credit usage: 53% Male, 47% Female
- 51% of total population is female

**Total credit usage: Urban vs. Rural**

- Total credit usage: 55% Rural, 45% Urban
- 45% of total population is Urban

Source: FinScope (2015)
Credit market provision: Growing, but still behind global benchmarks

Domestic credit as percentage of GDP


* Only 1.3% of adults have retail bank lows; down 27% from 2009 to 2015
Credit market environment: Some positive steps but challenges remain

- Contract enforceability
- Judicial process quality
- Resolving solvency
- Credit information reporting
- Collateral registry

- Gaps in regulatory framework
- Impact assessments not informing implementation

Enabling environment → Regulation
**Credit providers:** Formal provision limited to corporates and formally employed

*Number of credit borrowers*

- **Unregulated, formal source**
- **Informal**
- **Formal**

Source: FinScope 2015, Stakeholder interviews

* 1.7m adults (21%) borrow from family and friends
Credit products: Retail credit mostly payroll; limited SME and mortgage

<table>
<thead>
<tr>
<th>Mortgages</th>
<th>SME</th>
<th>Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely small mortgage market</td>
<td>Small SME loans market</td>
<td>Scheme/salary backed loans competitive</td>
</tr>
<tr>
<td>Recent high defaults</td>
<td>Expensive</td>
<td>Gov &amp; formal employees</td>
</tr>
<tr>
<td></td>
<td>Mostly medium to large business</td>
<td>Used as housing finance</td>
</tr>
</tbody>
</table>

Gov & formal employees

Used as housing finance
**Savings overview**

**Total savings usage: 2015**

<table>
<thead>
<tr>
<th>Category</th>
<th>Banked</th>
<th>Formal</th>
<th>Informal</th>
<th>Family and Friends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family and Friends</td>
<td>1.7m</td>
<td>5.4m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal</td>
<td></td>
<td></td>
<td>1.7m</td>
<td></td>
</tr>
<tr>
<td>Formal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banked</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total savings usage: Male vs. female**

- 51% of total population is female

**Total savings usage: Target markets**

- **Other**: 28% Banked, 18% Formal, 16% Informal, 36% Excluded
- **Dependents**: 12% Banked, 24% Formal, 19% Informal, 44% Excluded
- **Farmers**: 10% Banked, 20% Formal, 32% Informal, 36% Excluded
- **MSMEs**: 19% Banked, 31% Formal, 20% Informal, 26% Excluded
- **Informally employed**: 7% Banked, 26% Formal, 26% Informal, 39% Excluded
- **Formally employed**: 55% Banked, 20% Formal, 7% Informal, 15% Excluded

**Total savings usage: Urban vs. Rural**

- 45% of total population is Urban

**Source:** FinScope (2015)
Zambia’s savings culture

Comparatively high national savings, despite decline in recent years

Retail savings increased dramatically, but bank deposits declined since 2014

Non-formal savings far more widely used than formal accounts

- Saving at home (in cash)
- Formal savings
- Informal savings
- Saving in kind (asset-based)

Source: FinScope (2015)
Bulk of deposit value with banks, but most popular saving mechanism is at home

<table>
<thead>
<tr>
<th><strong>Formal Savings Products</strong></th>
<th><strong>Informal Savings Products</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominated by Banks</td>
<td>Dominated by Savings at Home</td>
</tr>
<tr>
<td>Largest collective book (K24.7b)</td>
<td>Most clients (3.3m); Book = K3.3b)</td>
</tr>
</tbody>
</table>

- Banks not expanding branches for deposits
  - Rising and smaller players are
- Bank products offer value only at higher amounts
  - Require larger deposits

- Savings groups realize positive returns at low values
- Low aggregated values intermediated informally
  - Efforts to mobilise informal savings may be misplaced
  - Higher aggregated funds retained in non-intermediated sector (family and friends)
Insurance overview

**Total insurance usage: 2015**

<table>
<thead>
<tr>
<th>Category</th>
<th>Excluded</th>
<th>Formal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formally employed</td>
<td></td>
<td>86%</td>
</tr>
<tr>
<td>Informally employed</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>MSMEs</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td>Farmers</td>
<td></td>
<td>99%</td>
</tr>
<tr>
<td>Dependents</td>
<td></td>
<td>99%</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>98%</td>
</tr>
</tbody>
</table>

**Total insurance usage: Male vs. female**

51% of total population is female

- Male: 70%
- Female: 30%

**Total insurance usage: Target markets**

- Other: 98%
- Dependents: 99%
- Farmers: 99%
- MSMEs: 98%
- Informally employed: 100%
- Formally employed: 86%

**Total insurance usage: Urban vs. Rural**

- Rural: 60%
- Urban: 40%

45% of total population is Urban

Source: FinScope (2015)
Insurance hardly used whilst many coping mechanisms are welfare reducing

Source: FinScope (2015)
Zambia’s insurance market dominated by compulsion and embedded products

<table>
<thead>
<tr>
<th>Country</th>
<th>Life insurance penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>0.04%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>0.08%</td>
</tr>
<tr>
<td>Uganda</td>
<td>0.10%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>0.11%</td>
</tr>
<tr>
<td>Zambia</td>
<td>0.35%</td>
</tr>
<tr>
<td>Kenya</td>
<td>2.20%</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>2.20%</td>
</tr>
<tr>
<td>South Africa</td>
<td>10.9%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>4.10%</td>
</tr>
</tbody>
</table>

Source: Chamberlain et al., 2017
Mismatch between provider and consumer reported for insurance policies

Provider reported*: > 1 million policies

Consumer reported: < 500 000

* The provider survey only covered products defined by the survey as microinsurance
5. PRIORITY FOCUS AREAS
PRIORITY 1: IMPROVE THE EASE WITH WHICH TO MAKE AND RECEIVE PAYMENTS
Biggest identified financial need is to transfer value

% of adults that indicated using specified financial provider to meet each use case

- Life events
- Resilience
- Sending over distance
- Growth
- Bill payments
- Liquidity
- Receiving income
- Local payments

Source: FinScope (2015)
Digitising different types of payments have different time horizons and complexity

- Government payments
- Individual payments over distance
- Merchant Spot Payments

Time and complexity to digitise
National payments: Digitise national payments where cash-out infrastructure exists, but not beyond

Cash out points included: Bank branches, ATMs, MFIs, Post offices, Bank agents and mobile money agents.

Proportion of people that live within 15km of at least one cash-out point

<table>
<thead>
<tr>
<th>Region</th>
<th>% of adults within 15km radius of cash-out point</th>
<th>% of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>58%</td>
<td>100%</td>
</tr>
<tr>
<td>Central</td>
<td>50%</td>
<td>10%</td>
</tr>
<tr>
<td>Copperbelt</td>
<td>84%</td>
<td>15%</td>
</tr>
<tr>
<td>Eastern</td>
<td>47%</td>
<td>12%</td>
</tr>
<tr>
<td>Luapula</td>
<td>37%</td>
<td>7%</td>
</tr>
<tr>
<td>Lusaka</td>
<td>95%</td>
<td>18%</td>
</tr>
<tr>
<td>Muchinga</td>
<td>34%</td>
<td>6%</td>
</tr>
<tr>
<td>Northern</td>
<td>37%</td>
<td>8%</td>
</tr>
<tr>
<td>North-Western</td>
<td>28%</td>
<td>5%</td>
</tr>
<tr>
<td>Southern</td>
<td>50%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Calculated from FSDZ GIS data
Individual payments over distance: Bill payments over distance an underdeveloped opportunity for digital payments

<table>
<thead>
<tr>
<th>Payment Type</th>
<th>Market Size</th>
<th>% of Adults Using Each Device</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remittances</td>
<td>1.9m adults</td>
<td>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</td>
</tr>
<tr>
<td>Bill payments</td>
<td>2m adults</td>
<td>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</td>
</tr>
<tr>
<td>Local merchant payments</td>
<td>8.1m adults</td>
<td>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</td>
</tr>
</tbody>
</table>

Source: FinScope (2015)
Merchant spot payments: Develop and coordinate long-term strategy to digitise merchant payments

**Phase 1:** Ensure consumers have access

**Phase 2:** Reduce barriers to digital payments

**Phase 3:** Incentivise merchants to accept and consumers to use digital payments

- **Infrastructure development**
- **Increase availability of cash to reduce barrier to digital**
- **Digitise merchant suppliers**
- **Merchant acceptance business case**
- **Consumer use case**

Size of bubble indicates relative population
PRIORITY 2: SAVINGS PRODUCTS NOT MEETING NEEDS OF SAVERS OR PROVIDERS
Zambians save to meet many needs

% of adults using savings to meet needs vs. credit and insurance

Savings used more by vulnerable income groups, who:

- Use more non-formal mechanisms
- Use these more frequently
- Rate quick access, proximity, ease of use, and simplicity higher

Source: FinScope (2015)
Formal products not designed or priced to meet savings needs

Saving to manage liquidity and resilience

Saving to meet goals

The cost of saving over time

I have a bank account in Kabwe, two hours away. I know that if I have to travel two hours to make a withdrawal from my bank account, I will not squander the money”

Female farmer

“You opened a baby account... for future planning and you don’t have a child?”

Interviewer to single government employee

Low income clients prefer transactional based fees to fixed fees

Source: MAP Zambia qualitative interviews; BOZ, 2016
Opportunities

Informal:
- Informal savings meeting broadest set of needs for majority of adults
- Explore further development of informal mechanisms, including replication, sustainability, aggregation and longer term mutualisation
- Explore formal recognition to encourage long term progression to larger structures

Retailers, value chain providers and non-financial providers:
- Explore options to meet liquidity management (including living expenses), short and medium term resilience, and achieving goal needs

Formal:
- Explore pricing models and product features that meet low income saver needs and behaviour
- Explore targeted, commitment devices. Products that are not easy to access except in an emergency, and are named after the purpose of saving.
- Product opportunities for targeted savings:
  - Education,
  - housing construction,
  - Productive investment for MSMEs and farmers

Increasing longer term deposits can alleviate mismatch on provider balance sheets, and support stronger credit market fundamentals over longer term
PRIORITY 3: ENSURING REGULATION AND POLICY THAT PRIORITISE FINANCIAL SERVICE MARKET DEVELOPMENT
Regulatory delays

Key pieces of legislation are either significantly out of step with contemporary financial regulatory best practice or there are material gaps.

- Insurance Bill 2012 – no Act
- Microfinance Services Bill (2014) – no Act
- The Companies (Certificates Validation) (Amendment) Bill – no Act

Pensions and Insurance Authority (PIA) severely impact by delayed insurance Act.

Financial services are not a core priority in policy overall

Need to fast-track the drafting process and prioritize the passing of key bills

- Secondment of technical drafting team to assist Ministry of Justice Drafting Unit
- Technical assistance provided throughout the drafting process to facilitate the turnaround of amendments

Increase the level of insight into financial matters in the legislature and broader executive spheres of government

- Appreciation of the sensitivity and impact of well drafted and timely financial legislation on development
Quick and unexpected changes in regulation

Tendency to impose snap, broad ranging regulatory changes on banking and other financial institutions, without consultation nor appropriate transitionary periods

Regulator can become a key source of risk to the financial services industry

Unrealistic timing for financial institutions to restructure their balance sheets and long term positions. For example:

- Increased capital requirements for banks (+800%)
- Leasing companies (+5000%)
- MFIs (+2500%)
- Savings and credit facilities (+2500%)
- Some banks are in a dire situation as they could not meet the sudden high capital requirements or were not given sufficient time to adjust, and their impact in the financial services sphere has been substantially curtailed

Increased statutory reserves

- Increase in statutory reserves curtailed the ability to lend and the appetite for deposits
Quick and unexpected changes in regulation

Enduring legacy of market conduct snap changes; lessons learned

Fallout of interest rate caps and reversal

- Snap implementation of interest rate caps against Regulatory Impact Assessment (RIA) advice materially eroded the capital of a significant number of financial institutions and their ability to expand market access.
- Smaller institutions most severely impacted, particularly those with a niche focus and a higher potential to enable access to medium to lower income consumers.
- Institutions have been severely weakened and it will take a considerable amount of consolidation and rebuilding of capital to effect broader access.
Quick and unexpected changes in regulation

Key need to follow and publish guidance of Regulatory Impact Assessments (RIA)

RIA International best practice (in line with IAL principles) to be considered

Consult banks and financial institutions and provide prudent space to adjust to regulatory changes

Legislators need to be more broadly aware of the impact of timing and degree of change in regulation upon the financial sector
Other key regulatory issues

**Competition and consumer protection**

**Consumers have inadequate access to redress**

The CPCC only handled a total of 923 consumer protection related cases between 1998 and 2010

- Currently there are far too few incidents of consumer redress for the size of the financial services sector which can cause erosion of trust as most consumer complaints are unseen and not effectively dealt with

**No overarching regulation of credit**

- Current framework is fragmented and doesn’t cover all institutions
- This has created gaps, especially in terms of credit information sharing and credit market conduct such as:
  - Definitions, degree, and manner of determining over-indebtedness, as well as measures against reckless lending (particularly in a very high interest market)
Opportunities to extend financial inclusion

1. Improve the ease with which to make and receive payments (including digital)
2. Savings products that better meet the needs of savers or providers
3. Regulation and policy that prioritise financial service market development
The **Making Access Possible (MAP)** programme in Zambia is a partnership between Cenfri and the **Financial Sector Deepening Trust Zambia (FSDZ)** with the **Bank of Zambia** and **Ministry of Finance** to provide relevant information and appropriate recommendations on the market for financial services that can inform their strategy going forward.

Cenfri (The Centre for Financial Regulation & Inclusion) is an independent think tank based in Cape Town supporting financial inclusion and financial sector development through facilitating better regulation and market provision of financial services.

Thank You!

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