



RESEARCH HIGHLIGHTS
INSIGHTS INTO ACTION

Consumer Behaviours and Digital Financial Services in Zambia: Analysis and Findings

Know and love your customer: Leveraging Zambian consumer insights

In Zambia, poor people cope with chronic financial volatility, which drives every aspect of their short- and long-term decision-making. Zambians embrace a culture that upholds values of responsibility and caution in the light of this volatility and the widespread difficulty of making ends meet. They value the importance of savings, and store money away whenever they can. They are careful about taking a line of credit, for fear of the social stigma and their ability to pay it back. They budget, even though realities might force them off course.

Informal financial services still play a crucial role within this context. Consumers use them to hedge against uncertainty and smooth consumption because they often are more accessible than formal financial service providers, including those offering digital financial services (DFS). Banks are associated with savings and security, rather than credit, and they are mostly located far from rural areas and largely perceived as 'only for the rich.' Mobile money is still considered a distant innovation for many, mostly unfamiliar to the 39 percent of the Zambian population that does not own a mobile handset. Yet there is growing interest in formal finance to improve management of the household budget. If properly leveraged, this willingness to explore technological and

business innovations can potentially lead to a significant uptick in DFS usage, increased profits for providers and expanded financial inclusion.

Low digital financial service awareness

To build on this promising environment, the UNCDF Mobile Money for the Poor (MM4P) programme, in partnership with Financial Sector Deepening Zambia (FSDZ), commissioned InterMedia to analyse the 2015 FinScope data and conduct exploratory qualitative research with Zambian consumers to surface behaviours, needs and aspirations within their financial lives. InterMedia's findings reveal a population committed to financial stability and at the same time distanced from DFS. **The study shows that adoption of DFS mostly relates to two issues: building valuable knowledge of the products among all consumers, and increasing the relevance of the services for those consumers who are aware of them.** Just half of Zambians, mostly urban men with higher income and education, are familiar with mobile money, and only one quarter of them have used it.

Cash is king but also a nuisance

The study highlights that cash is still king in Zambia, particularly for paying for basic expenses, including the most onerous and

relevant of them all: school fees. However, there is a strong correlation between using mobile money and earning a salary income (19 percent of Zambians). Almost half of salaried Zambians (42 percent) are paid digitally, which hints at the potential of employers as drivers of adoption. In contrast, among those who receive a non-salary income (73 percent of Zambians), only a tiny minority of them (7 percent) are paid through digital methods. The limited knowledge of digital money leads to security concerns (such as losing all the money in the mobile wallet if the device is stolen or lost) that undermine overall trust of the system.

Enhancing awareness, highlighting value

The study also reveals that, for many Zambians, carrying cash is a hassle. And, the **overwhelming majority (86 percent) admits to being keen to learn new technologies.** Providers may build upon these data by enhancing awareness of their products through increased marketing activities, specifically by speaking to the interest of Zambians to learn new technologies. The strategy would be to emphasize the relevance of DFS, a concept that people mostly attach to the ability to track money in and out.

A snapshot of customer behaviour in Zambia

To support the evolution and expansion of DFS in Zambia, MM4P and FSDZ conducted research on both agents and customers. To learn more about the customer research, access the full **report** produced by InterMedia on the MM4P website or meet the MM4P team in Zambia to discuss opportunities and new ideas to address some of the challenges through meaningful partnerships, potentially supported by the UNCDF MM4P programme, FSDZ or others.



Mobile money usage



Bank usage

One quarter of Zambians are bank users. They are

- More urban than rural
- Both male and female
- Above and below the poverty line

Top reasons for...

using a bank account

- To keep money safe
- To save/earn interest on savings
- To receive salary/wages



saving

- Living expenses for when there is no money
- Non-medical emergencies
- Education and school fees

Top reasons for **NOT** using...

Mobile money

- I do not know what it is
- I do not know how to get it
- I do not need it; I do not make any transactions

Bank account

- I do not need it (insufficient or no money coming in to justify it)
- I cannot maintain the minimum balance
- Banks are too far away

This InterMedia research for Zambia was funded by the UNCDF Mobile Money for the Poor (MM4P) programme, in partnership with



February 2015.
Copyright © UN Capital Development Fund
All rights reserved.

The views expressed in this publication are those of the author(s) and do not necessarily represent those of the United Nations, including UNCDF, or their Member States.