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A Contextual Analysis of the Growth of Financial Inclusion in Zambia

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ABSTRACT

This study analyses the spectre of financial inclusion which has seen its drive of embracing several individuals, households and community or citizens of Zambia in general. The issue of poor communities in developing countries such as Zambia has been of concern, where the vast majority of the populations have for a long time been financially excluded. However, the coming of new platforms such as mobile money transactions have made a difference in the livelihoods of so many people in Zambia by bringing them into formal financial systems. By and large, they have for many years depended on informal financial systems such as “Kaloba” and “Cilimba” which attracted huge amounts of sacrifices and were not registered in the formal financial systems. The vast majority of the citizens in Zambia failed to approach formal banking institutions to obtain credit, which they would plough into their businesses, this is because they lack collateral against which to guarantee their loans. And this has been the major reason why the majority of the population resorted to informal banking systems used by private credit lenders of finances who charged them high rates of interest and offered no prospects of future sustainability. The study found that women were more financially excluded than men, the more educated people were, the more they participated in financial inclusion and urban areas were more financially included than rural areas.

Keywords: Financial Inclusion, Livelihoods, Poverty, Financial Exclusion, Gender

INTRODUCTION

Despite Africa recording some growth in its financial sector, many people and firms are highly excluded from accessing financial services, especially in Africa (World Bank, 2008). Finscope (2020) describes financial inclusion as the access and usage of a wide range of quality and affordable savings, credit, payment, insurance and investment products and services which meet the varying requirements of both individuals and companies. Financial inclusion is an area of concern in recent years where attempts have been made to bring people outside the banking sector into the financial system. In a well-functioning system, inclusive financial systems provide access to financial services to benefit poor people and other disadvantaged groups (Demirguc-Hunt and Klapper, 2013). In countries where financial inclusion is high, there are more people saving, borrowing, making and receiving payments and also managing risks. They further postulate that it is in the interest of every government in a country to have many of their people have wide access to financial systems to help alleviate poverty and inequalities found among them (Demirguc-Hunt and Klapper, 2013). A well-functioning financial system is one that removes physical, bureaucratic and financial barriers which inhibit the citizens of respective countries from accessing and making use of financial systems. The people need to increase awareness and financial literacy to capture the unbankable population and have access to cheap and flexible financial packages. Leyshom & Thrift (1995) brought out the importance of regulations which keep on being revised from time to time in order to position their products and services for access and usage to the people they are intended to serve with finance and credit.

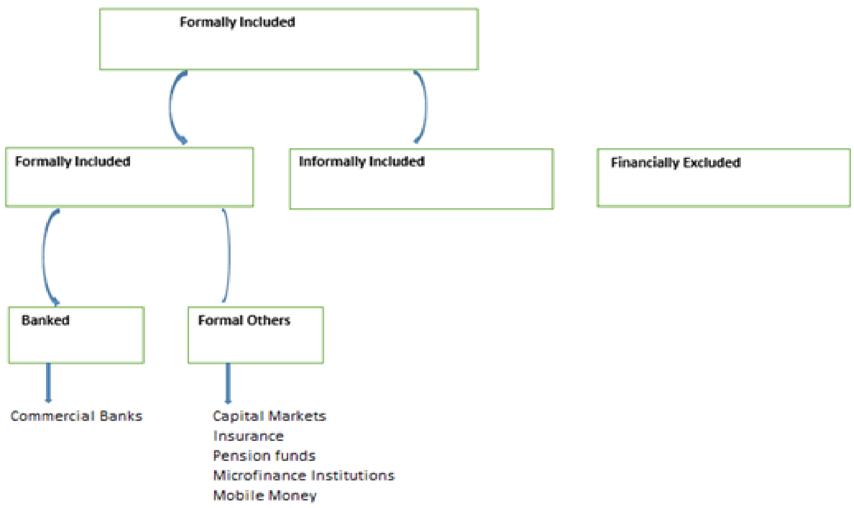
Adjasi et al (2023) observed that financial inclusion is a major driver of sustainable development and therefore is a prerequisite for social and economic development of any nation in the world. However, it is common to find that several developing countries are confronted with many barriers which exclude the vast majority of their populations from accessing formal financial inclusion platforms. Stiglitz et al (1970) found that there were higher levels of asymmetric information in many developing countries. This would occur when financial systems feel confident that they know so much about their target population, the products and services they need, especially the rural villagers lacking information about financial inclusion.

The Bank of Zambia (2022) points out that they have a mandate of administering financial sector development which ensures that there is improved efficiency and competitiveness in the sector while at the same time providing increased choices to the citizens and companies of financial products and services. Hence, the Zambian financial sector has to offer increased financial inclusion through the use of different institutions operating in the financial sector while providing enhanced regulation and stability in the sector and offering high level financial intermediation in the financial system too. In executing the regulatory role of the financial sector, it is the institution which is mandated to regulate the various providers of financial services in the country including commercial banks, building societies, leasing and finance companies, credit and forex bureaux, development finance institutions, mobile money services and microfinance institutions.

According to FinScope (2020) Zambia, there has been an increase in the levels of financial inclusion in the country's population from 2009 to 2020. The comparative figures during this period indicate that in 2009, financial inclusion stood at 37.3 percent while financial exclusion was at 62.7 percent. There was an improvement in financial inclusion from 2009 to 2015 when it increased from 37.3 to 59.3 percent while financial exclusion decreased from 62.7 to 40.7 percent. As of 2020, improvements in financial inclusion rose from 59.3 to 69.4 percent with financial exclusion decreasing from 40.7 to 30.6. Such developments indicate that there have been some successes achieved in financial inclusion except that it is the urban areas which recorded the high improvements at the expense of the rural areas where financial inclusion takes place as low as 35 percent with the majority of the population still being excluded at 65 percent. On one hand, financial inclusion is higher in male adults compared to female adults such that in 2015 and 2016 it stood at 61.3 and 71.2 percent while for female adults it stood at 57.4 in 2015 and 67.9 percent in 2016. However, it is the statistics coming from urban areas which give an improved position about financial inclusion as the rural population have much lower rates for women engaged in financial inclusion with the majority of them being financially excluded.

Financial inclusion as a phenomenon is geographically distributed in Zambia. There are more people who are financially included in urban areas and more people who are financially excluded in rural areas. In addition to that it is women in rural areas who are more excluded than their urban counterparts whose statistics show a high proportion of financial inclusion. The rate of financial exclusion for rural women in Zambia stands at 65 to 75 percent while their rural male counterparts are at about 45 to 60 percent. Beck et al (2014) argued that financial inclusion has continued to grow in prominence in African policy circles mainly because of the recent African renaissance in which several countries are pledging to move the vast majority of their populations out the myriads of abject poverty through sustainable financial empowerment and financial literacy. This would involve taking a pivotal role in cross-border banking in financial deepening and access together with financial innovation of products and services which supports the households in their daily livelihoods.

Figure 1: Components of Financial Inclusion



Source : Finiscope Report, 2020

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According to AFDB (2013), Africa is the continent with the second largest annual gross domestic products (GDP) of about 5 percent per annum, following behind Asia in the last decade. However, despite Africa's growth trajectory coupled with the "Arab Spring" uprisings of North between 2008 and 2012, these revolutions ushered into governments new regimes which managed to produce good economic growth higher than 5 per cent in Africa but did not culminate into shared prosperity and better livelihoods for their populations. However, this high level of economic growth needs to be inclusive so that it comprises the social, political and sustainability benefits trickling down to populations in the respective countries. Annual growth of 5 per cent for Africa is not in itself sufficient, it should be accompanied by effective financial inclusion, an area that Africa has lagged behind other continents. Formal financial institutions have concentrated on broadening access to their financial services by mobilising greater household savings, pooling capital investments, expanding the groups of entrepreneurs and enabling more people to invest in themselves and their families. However, this study found that less than one adult out of four people in Africa has access to an account in a formal financial institution. Out of three out of four people left outside a formal financial institution, it is found that these would be women or youths in most African countries. It is found that they have little or no access to access, use and frequency of financial products and services.

For many years communities especially in rural areas of Zambia have lagged in terms of access to financial services. Such rural communities have been regarded as unbankable and poor while the reality is that some rural populations have better livelihoods than town dwellers (Makoni, 2012). It is common knowledge that there is the absence of adequate infrastructure in rural areas to support banking activities in such locations and the notion by financial institutions that they would operate at losses in rural areas with high numbers of unbankable populations. Hence banks neglected to encompass the rural population into financial inclusion by failing to provide access to these areas, thereby perpetuating financial exclusion, especially for women and youth-headed households.

The World Bank observes that Africa's financial sector is primarily characterised by lagging financial systems compared to developed economies. The World Bank used an international comparison of financial systems using two (2) indicators of private credit to GDP ratio and the ratio of market capitalization to the GDP to measure financial depth in African countries. By the ratio of private credit to the GDP, the results showed 24 per cent of the GDP in Sub–Saharan Africa, 39 per cent in North Africa, 77 per cent in all other developing countries and 172 per cent in high-income countries. In addition to that, non-bank segments of Africa's financial systems show even lower development than banking. Despite less than half of African countries having stock markets, only a few of them are liquid (Beck, et. al.2011). By Market Capitalisation to the GDP, the World Bank found that several African stock exchanges (excluding South Africa) pitched Africa at 38 per cent on average for Africa, 44 per cent for other developing countries and 62 per cent for high-income countries. Furthermore, African Stock Markets were found to be the most illiquid in the world, with fewer stocks or shares traded on the stock exchange.

If there are larger numbers of people who are financially excluded from the financial system in Sub - Saharan Africa, Zambia is among those countries with low levels of financial inclusion. The majority of people who are not financially included are women and are the ones who experience high levels of poverty and inequalities.

The Government of Zambia is being implored to ensure that all citizens have access to financial systems. It is mainly the women and youths who are excluded from the formal financial system such that they comprise the majority of the people wallowing in poverty (World Bank, 2008). It would be difficult for the government to eliminate poverty levels as long as there are many women who are socially excluded from the financial system. Meanwhile, the government needs to be aware that there are many households that are headed by women and youths such that excluding them from the financial system implies that poverty and inequality would be amplified. This is because they have no access to borrowing from financial institutions despite requiring a huge amount of resources to support their households. Leyshom and Thrift (1995) define financial exclusion as those processes that prevent certain social groups and individuals from gaining access to the formal financial system. Kuznets (1955) observed gender inequality is driven by the accumulation of savings at the end of the income distribution since the process of industrialisation and urbanisation shifted away from agriculture toward more productive activities in urban centres. Even in an international context, inequality in Zambia was ranked the seventh most unequal country globally based on a 2010 Gini coefficient. Since the mid-1990s, Zambia has remarkably reduced poverty despite inequality remaining high. Much of the poverty and inequality affect women more than men fork at 80 per cent. Such people live below the poverty data line and do not have access to financial systems, education and health services. Such vulnerable people ended up being relegated to subsistence agriculture or serving as a marketer selling merchandise at local markets to earn their livelihoods. Hence an effective financial inclusion system should enable poor people such as women to manage their irregular incomes, resulting from shocks they experience in their daily livelihoods such as breadwinners, widows, divorcees, or any other occupation status rendering them vulnerable. The most common version of financial inclusion mainly used by the Zambian people is mobile money services followed by other models of using informal financial inclusion methods of village banking, cooperative groupings, and money lenders or shylocks (Kaloba). Although many people are unable to borrow from the formal financial institutions of microfinances and commercial banks due to the lack of collateral to tie their borrowings to.

Financial inclusion activities are being championed by governments around the world as a way of advancing women's empowerment for their citizens. The emphasis has been on women because they are the most vulnerable as far as financial inclusion is concerned who have been marginalised to levels highly classified as extreme poverty.

THEORETICAL FRAMEWORK

The financial sector reforms in Africa and the globe have positioned financial institutions and countries to pursue several engines for financial growth sectors of their countries. Finance like capital has become an important factor of production leading to economic growth of respective countries. Finance leads to economic growth by promoting financial inclusion which demonstrates growth of financial development which in turn increases financial intermediation channels through the following methods:

i. Mobilisation and Pooling savings

A trader receives funds from several depositors while they also make payments to several people looking to withdraw money they wish to use in their personal or family affairs. The more depositors a trader has, the larger the amount of money they accumulate to pay out to clients seeking to withdraw some money.

ii. Allocating savings to productive investments

Some depositors use mobile money activities to keep money they use as working capital in their daily transactions. This is the ultimate objective of savings which is to deploy resources to users in need of the money at a given time. Some are depositing money because they have surplus to store but there are others in need of money to invest or jump start their businesses.

iii. Leading to risk reductions for savers

There must be a high degree of surety to savers or depositors that their money under formal financial inclusion models would be safe. When it is proven that it is safe, then more depositors would be attracted to come keep their money too. If it is unsafe, then other depositors would shy away from coming to deposit their funds to these centres.

iv. Maturity Transformation of savings in the long term

The vast majority of the depositors expect that when they have deposited their money in a financial institution, they expect a return when their funds have been kept for a duration of time. Although, this is not very common under mobile money where funds are stored for safekeeping and this would be due to the keeping of funds done at no cost to the depositor.

It is well known that in some 20 years ago, financial inclusion was not there and in the present days, it has reached many areas in the world. Many development financial institutions such as the World Bank are in the forefront actively driving financial inclusion to reach several areas in the world. Financial inclusion has become a business imperative inside existing organisations. In the current environment, all governments have no choice but to pursue financial inclusion as ways of soliciting for deposits at several institutions. For institutions, the more inclusive it is, then the more profitable it becomes, and this would be deposit taking institutions, micro finance institutions, building societies, cooperatives or any other institutions.

One of the real functions of banks is to help depositors make and receive payments involving several transactions. And it is common knowledge that financial services would be administered to people who have accounts with them for banking institutions. However, financial inclusion has included low income groups who have opened accounts even with mobile money accounts too. World Bank (2020) reports that only about 30 percent of the adult population have accounts with the traditional banking institutions, which is way too low by the global development index.

Dutkiewicz and Ellis (2018) observed that less than 40 percent of women in the G20 had access to formal bank accounts. In addition to that, there are no G20 member countries which currently possess national inclusion strategies which adequately addressed gender issues. Overally, there are almost 80 million women around the world who still don't have access to banks so that whenever they have to receive wages, they have to be paid in cash when there are electronic avenues of transferring the money. In fact, making such payments digitally becomes a confirmation to expansion of financial inclusion.

On One hand, research has shown that mobile phones would increase the statistics with a 30 percent increase in people accessing finance, thereby increasing the financial inclusion drive to higher heights. Economic and Political weekly journal (2006) observed the emergency of developments in the banking industry in the past which exposed banks's high levels of moral hazardness by their inability to upscale bank products and services (including health products and services) had it not been for interventions coming from central banks. Lately, many central bank objectives were to progressively deregulate financial systems of their countries such that they have to operate very competitively and efficiently.

Some scholars have called it banking for all institutions where there is delivery of services to all the people at affordable costs to the vast majority of the disadvantaged and the low income groups.

World Bank (2022) states that financial inclusion is the delivery of financial services at an affordable cost to the vast majority of the disadvantaged and low income population groups which are historically excluded from the financial sector. The delivery of financial services has to be affordable to these groups by way of:

1. Savings
2. Credit
3. Insurances
4. Remittance facilities

Financial inclusion goes beyond access to the funds to credit to encompass enhanced savings and risk mitigation products in a well-functioning financial infrastructure which allows both individuals and companies to engage more actively in economic activities while protecting the user rights. Nowadays, countries have no choice but to urge companies, small and medium entrepreneurs and citizens in general to engage in high levels of financial inclusion in order to attract both deposits and withdrawals of cheap funds which they require in their daily trading activities.

Dimensions of Financial Inclusion

Financial inclusion is a measure which is meant to ensure that the financial services reach all levels of the population in an economy. These are some of the methods by which formal financial services are:

1. Availability of financial services
2. Accessibility of financial services
3. Affordability of financial services

These are initiatives which make formal financial services readily available and at the disposal of the users. There are mainly three (3) dimensions of financial inclusion which are meant to be provided to the low income groups and these are:

1. Access - there is a need to ensure that there are available regulated financial services which have a physical proximity to the low income groups and also have terms which are affordable to such groups. While the financial services are available, they should also be formal and regulated by the financial sector regulators of a country.
2. Usage - the low income groups really need to benefit from the actual usage of the products and services which are offered regularly by financial institutions and are regularly available, they have a confirmed frequency and have a durability of time when the funds would be used.
3. Quality - The products and services of financial inclusion should be tailor made to specifically meet the requirements of the low income groups and the needs have to be segmented to products and services for all levels of income. The products should be appropriately segmented to develop products which fit the needs of the disadvantaged populations and low income groups at all income levels.

METHODOLOGY

The research paper was based on primary and secondary sources of data which documents activities of financial inclusion as a vehicle for improving the livelihoods of the population in both rural and urban areas of Zambia. Some key informants and participants in financial services (banks, mobile money dealers and the members of the public) were interviewed to provide data on how the financial inclusion phenomenon had improved the livelihoods of mainly the poor communities within Lusaka. For the assignment, the paper adopted a qualitative approach method and used a desk review of findings made by different studies conducted in various countries from the globe in order to obtain a deeper and clearer understanding of how financial inclusion has improved lives of people in their households and subsequently works as a tool for poverty alleviation. In doing this, multiple sources of data namely, journals, articles, books, official documents, newspaper articles and internet blogs were employed to discern patterns, themes, and analyse commonalities or disparities and constraints experienced by the poor communities as they were generally financially excluded at a time when traditional banks and micro lending institutions were the major financial services institutions giving credit to the public. The most excluded from such financial institutions were the poor people who did not have any collateral to present as security when borrowing money to use in their livelihoods. Kuznets (1955) pointed out that economic growth and income inequality arise from farfetched long run processes which are unable to provide for the needs and wants of the majority of the households.

Statement of the Problem

Dutkiewicz & Ellis (2018) postulated that almost all the countries are still lagging behind in terms of gender equality and that out of 10 countries, it would be found that 9 of them have laws which still discriminate against women to be economically active, therefore, women are far more financially excluded than men.

The FiniMark Trust developed FinScope Zambia which carried out a Survey Report (2020) in collaboration with the Bank of Zambia in assessing the levels of financial inclusion in Zambia. Such a Survey Report is used by the Bank of Zambia to assess the levels of depth for financial inclusion in Zambia. The information provided by the FinScope Survey Report helps countries through their respective central banks in providing credible national information on demand, access, usage of and behaviour of the adult population towards financial services. This information is highly needed by both policy makers and the financial service providers themselves in order to develop an enhanced mitigation response to the gaps and barriers that were identified in the adult population with regards to access, usage and depth of the financial services. Makoni (2023) called for increased emphasis on embracement of financial inclusion by developing countries as it is a phenomenon whose impact culminates into improved livelihoods for the citizens in every country. The growth of enhanced financial inclusion feeds into the high level support in the activities of the growth of microfinance institutions in respective countries.

The biggest problem lies with the people who are in the lower income bracket; marketeers, hawkers, peddlers and many others earning earnings. They are the ones keeping much of their monetary savings in their merchandise they use in daily trading errands so that when they earn something excess they save in mobile money centres and withdraw it maybe the following day in order to cash in on new orders for new merchandise for sale on this particular day.

Although there has been significant improvement in financial inclusion levels among the adult population in Zambia by about 10% margin from 59.3% in 2015 to 69.4% in 2020 implying that 31.6% of the population is still being financially excluded. The levels of financial inclusion are segmented between adults who use financial products / services in their financial lives (the financially included adults) and those who do not use financial products / services in their financial livelihoods (financially excluded adults).

Despite significant developments which Zambia has recorded in financial inclusion from 2009 to 2020, more work remains to be done. As in 2009, only 37.3% of the population in Zambia were financially included while 62.7% were financially excluded, in 2015 the statistics rose up to 59.3% for the financially included adult population and financially excluded stood at 40.7% and in 2020 the statistics rose to 69.4% were financially included while 30.6% were financially excluded. Even if the financially included population showed a marked increase in 2020, the vast majority of the people financially included lived in urban areas standing at 70.3% while at 50.2% in rural areas in 2015 and 84.4% in urban areas while it was at 55.9% in rural areas in 2020. There is still a big gap of about 35% which still has to be filled in order to level the degree of financial inclusion in rural areas to urban areas. In addition to that, financial inclusion by gender or sex among the male population was at 61.3% in 2015 and 71.2% in 2020 but for the female population it was at 57.4% in 2015 and 67.9% in 2020. In spite of the increases in the statistics for financial inclusion in box sexes in Zambia, a gender gap in financial inclusion of 3.3% (71.2% - 67.9%) pitching male population higher than the female population. Therefore, a research question is coined around investigating the major barriers causing gender financial inclusion to financial services among communities in the rural and urban areas of Zambia? It is the aim of this research paper to propose and suggest a panacea to greatly improve financial inclusion levels in Zambia so that it leads to massive growth for financial inclusion in the Zambia communities so that many households are financially empowered thereby driving out poverty levels. It is presumed that when communities are financially empowered, they are then capable of making more sound decisions to help them in improving their livelihoods.

LITERATURE REVIEW

The terminology of financial inclusion refers to access to and informal usage of a broad range of quality and affordable savings, credit, payment, insurance and investment products and services which meet the needs of both individuals and businesses. Yap et al (2023) clearly state that financial inclusion is a critical phenomenon which would assist nation states to reduce income inequalities and poverty among the citizens of nations and also contribute to nations endeavours to the achievement of the sustainable development goals (SDGs). AFDB (2013) retorted that despite Africa being the world's second growing region of the world after Asia with annual growth higher than 5 percent in the last decade, this form of growth did not automatically translate into shared prosperity and better livelihoods of the majority of the populations of the respective countries. If economic growth has to be inclusive, it has to be socially and politically sustainable in their respective countries. One key indicator of the evidence of inclusive development would be financial inclusion which is highly embedded in the vast majority of the populations of the respective countries. It has been deduced that Africa as a continent is the least developed financial system which would be providing access, usage and depth in embracing the hallmarks of financial inclusion. In Africa, it was found that less than one adult out four would have access to an account at a formal financial institution. When access to finances has been broadened, then and only then would financial services be able to mobilise greater household savings, marshalling capital for investments, expansion of the classes of entrepreneurship, enabling more people to invest in themselves and their families.

The genesis of financial inclusion around the world is said to be the late 1990s and early 2000s when several organisations saw the need for diversification from solely offering microcredit services to offering basic access to financial services such as savings and insurance. Hence many non-governmental organisations extended their services by obtaining further licences from authorities to allow them to accept deposit savings and also provide other added financial services especially to the lower income people in their communities where they operate. Worldbank (2022) states that financial inclusion is a pathway through which households are able to improve their livelihoods by obtaining the means and tools for saving their finances which they have access to at any other time.

World Bank (2022) further observes that there are lower levels of financial inclusion in Africa due to the following reasons:

1. Long distances to be covered by would be depositors or clients and lower population densities in some locations especially the rural areas of villages or smaller towns.
2. There have been historically high bank costs relative to incomes which populations in the disadvantaged groups needed to use or save in such institutions.
3. Also there are low education levels and illiteracy such that the population would not comprehend the benefits of engaging in financial services transactions.
4. At times the financial products and services are poorly designed or are not well aligned to the needs of the low income groups instead would be suited to middle and high income groups.

On one hand, there are factors bordering on gender and access to financial inclusion, there are major challenges facing women are:

1. Women have competing demands on their time and they tend to focus on unpaid domestic work as their priority.
2. They are the major culprits lacking assets for collateral to access finances for investments in financial services activities.
3. They have reduced mobility due to time constraints and social norms limiting them from going for some business ventures.
4. Women often engage in lower paying economic activities such as domestic work, farming in non-cash crops or focusing on nurturing their families.

Vehicles Driving Financial Inclusion

Financial inclusion is under the financial services which are regulated by authorities falling under the ministry of finance. Hence, disadvantaged and low income groups historically excluded from the financial sector need to access credit from the formal financial institutions of commercial banks, capital markets, insurance companies, pension funds, microfinances and mobile money services (figure 1 above). The major players easily accessible by the unbanked and underbanked populations are mobile money services and microfinances which are formal financial services while they would have difficulties dealing with commercial banks, capital markets, pension funds, and insurance companies whom they would feel that they have high conditions which they would not afford to abide to if they borrowed finances from them.

The structure of Financial Markets in Africa

The financial markets in Africa mainly consist of financial institutions, financial instruments, and markets which facilitate transactions of goods and services. Mishikin (2013) describes financial systems as being complex in their structures as well as their functions in different countries in the world. It is common to find different types of institutions in the respective countries such as banks, insurance companies, mutual funds, stocks (capital) and bond markets, micro lending institutions and mobile phone providers. However, it is worthwhile to state that financial systems are regulated by the government through the respective central banks. Despite financial systems handling large amounts of money yearly from savers to people with productive investment opportunities using the different established structures of a respective financial market in the world.

Regulations of the financial system

Financial systems are one of the most heavily regulated sectors by governments through central banks. Government regulate financial markets mainly for two (2) reasons:

1. It is a way of increasing information which is available in the public domain for investors to be motivated to invest their money in a market showing a high sense of organisation.
2. It is a way of ensuring that there is soundness and decency in the financial systems of a respective country.

There is asymmetry information when financial institutions do not know their customers and their needs at any given point in time. This is very common nowadays such that financial institutions have at times failed to lend out their finances due to ignorance of the right customers to lend the money to. Sometimes this has culminated into adverse selection of clients to lend money to and then this has led to moral hazards when the customers have failed to pay back the borrowed finances from financial institutions, thereby hindering the efficient operations of financial institutions in the respective country. It is the adverse selection of borrowers in financial markets in which the borrowers produce the most undesirable outcomes which results in bad credit risk management on the part of the lending institutions. The presence of transaction costs in financial markets which are incurred by intermediaries and indirect financiers perpetuates the asymmetric information to a high degree that they fail to make accurate decisions about their clients or customers.

Technology and Financial inclusion

International Banker (2021) postulates that technology is an enabler and accelerator to financial inclusion in that it helps firms to reach out to both unbanked and underbanked who are predominantly found in remote locations of nations. It should be the goal of financial institutions to ensure that they reach out to the hugely unbanked and under banked populations of the rural areas as ways of enhancing their activities of financial services so that they would be accessible, available and deep in permeating both urban and rural areas. Asian Development Bank (2017) agrees that digital technology occurs to be a most significant driver of innovation, competition and economic growth in the world. It further observes that there are many people who are still financially excluded from the digital economy and would need to be brought into the fold in order to broaden the financial inclusion phenomenon to the vast majority of the population, especially in developing countries. Digital technology happens to be a tool which would clearly revolutionise the financial services platform by spreading to many places at a high speed. For the developing countries in the Asia and the Pacific Rim nations, they keep seeking for better modalities of encouraging all of their populations to actively use the four key instruments of financial inclusion of the availability of payment systems, credit, insurance and investment.

Cull et al (2013) observed that it is access to financial services in a country which are highly regarded as essential economic programmes which uplift the livelihoods of households of the low income countries. This is done through access to credit, savings and payments which are made available at any time to facilitate household consumptions. In addition to that, the Asian Development Bank (2017) observed that digital technology has become a special purpose vehicle in the world to spur economic innovation, competition and economic growth. It is cognisant of the fact that many people globally still remain excluded from the digital economy which needs to be used as a tool for broadening the financial inclusion drive of the vast majority of their populations. Hence digital technology remains a key driver for transforming the financial services sector of the country when it comes to empowering people with the levers for jump-starting their livelihoods. It is for this reason that some developing countries in Asia and in the pacific rim decided to explore modalities of

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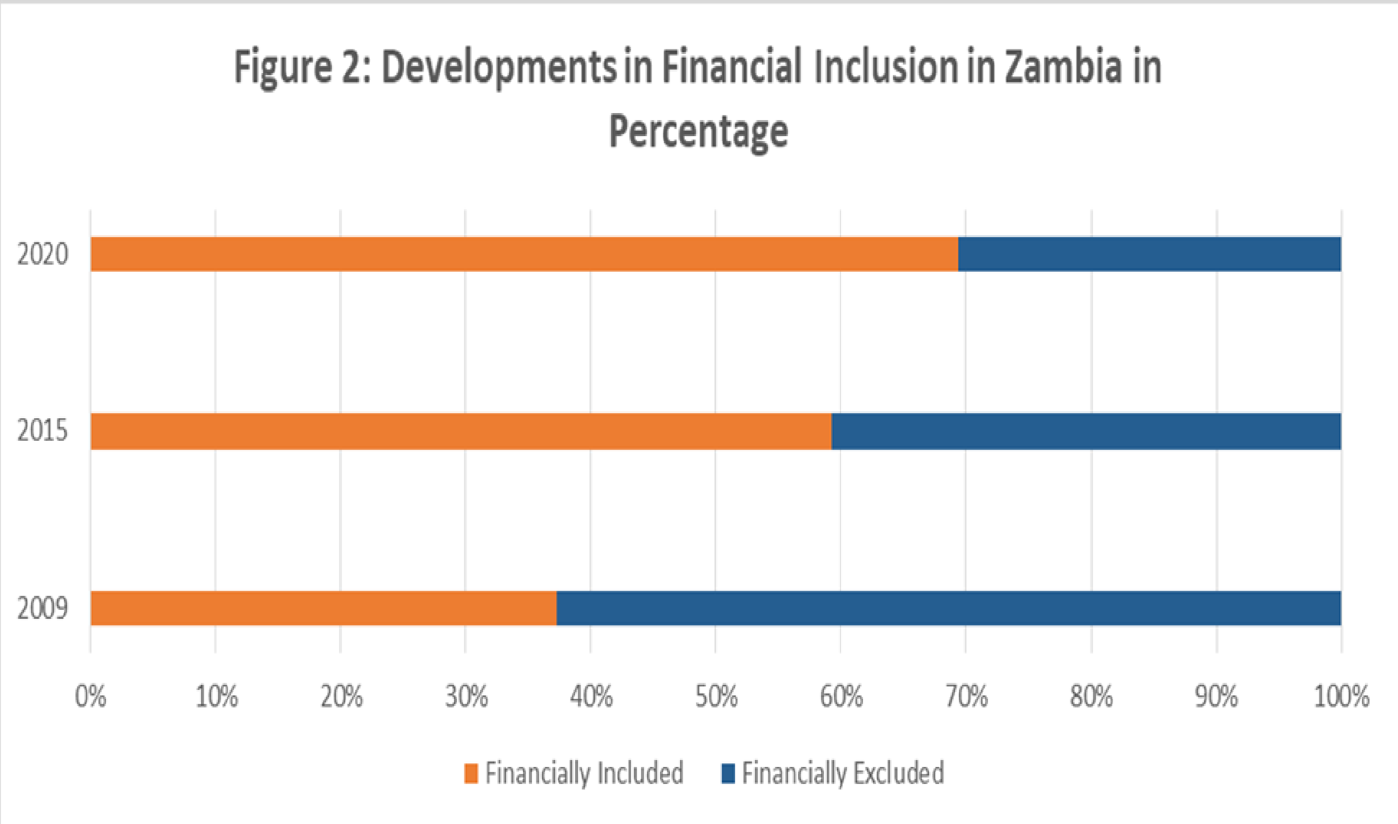
encouraging their populations to regularly use the four key instruments of financial inclusion viz a viz access to payment systems, credit, insurance services and investments. Yunnus (2003) and his Bangladeshi Grameen Bank contributed to the microfinance revolution which has pushed to greater extent the financial markets and introduced new products, new providers of credit or finance and introduced new markets for the credit providers. This revolution has been a global one whose drive in the field microfinance spread globally and has now been supported by other initiatives such as the worldwide spreading of mobile banking which has brought about an increase in the activities of financial inclusion with great penetration in developing countries too after its high success in the developed countries.

An Overview of Financial Inclusion Activities in Zambia

There are many pointers in Zambia which attest the high level efforts from both the private and public sectors of sensitising members of the public about benefits of financial inclusion. The common case of financial inclusion is the widely used mobile money which has helped many people in the communities in Zambia to transact at every point in the country with the use of mobile phones.



(Source: Finscope Report, 2020)

Major Developments in Financial Inclusion in Zambia

There are significant developments which have taken place in Zambia and they have been segmented into classes of adults who use financial products and services to manage their financial lives who are regarded as financially included adults, while the other segment is for adults who do not use financial products and services to manage their financial lives and they are referred to as financially excluded adults.

The Finscope (2020) survey also found that financial inclusion by provinces in Zambia was highest in Lusaka province at 87.4 percent which was followed by the Copperbelt province at 79.9 percent. These two provinces were found to be above the national average of 69.4 percent while the other eight (8) provinces of Zambia were found to be below the national average with Western provinces recording the lowest level of financial inclusion at 40.7 percent.

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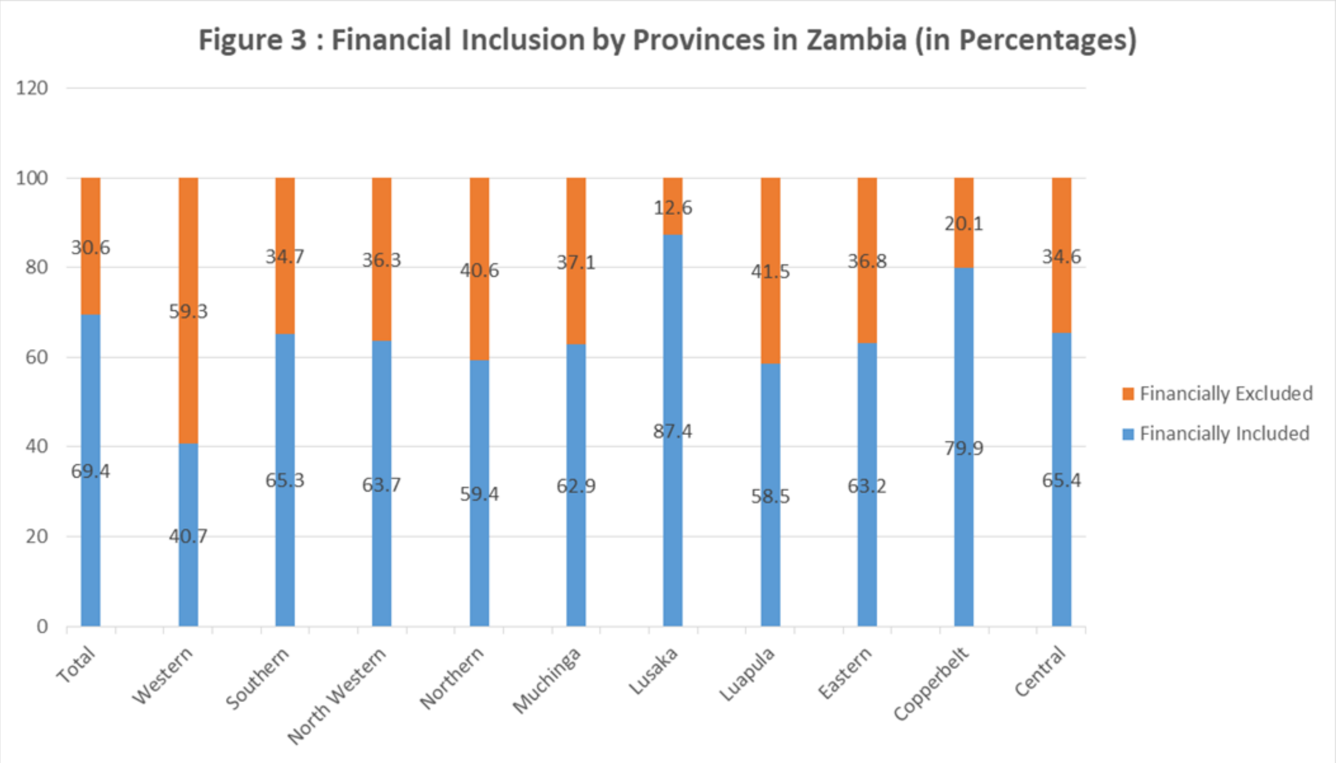
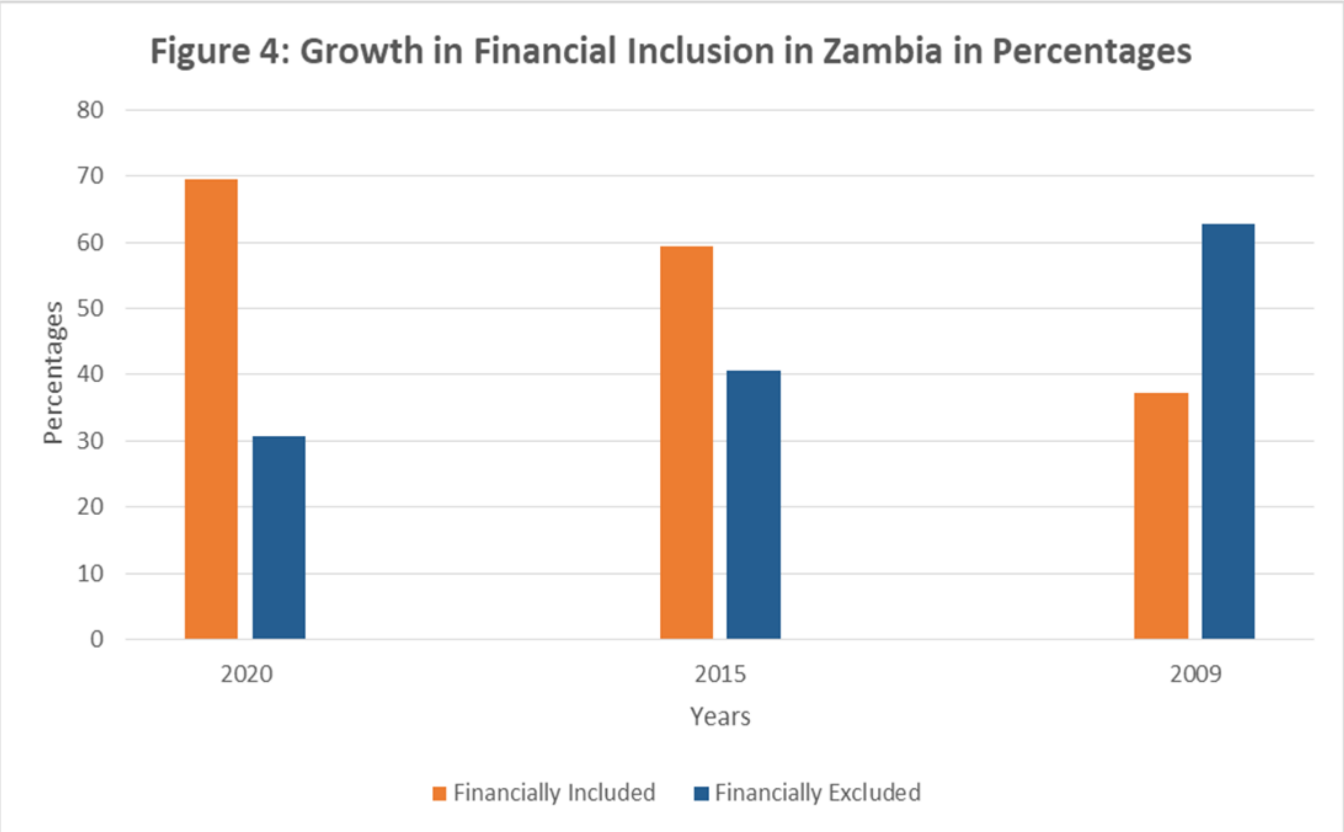


(Source: Finscope Report, 2020)



(Source: Finscope Report, 2020)

On one hand, it was observed that financial inclusion activities were higher in urban areas of Zambia standing at 84.8 percent in 2020 when compared with 70.3 percent in 2015. For rural areas, financial inclusion stood at 55.9 percent in 2020 and it was 50.2 percent in 2015. In the same time period, the gap between urban and rural areas widened from 20.1 percent in 2015 to 28.5 percent in 2020.

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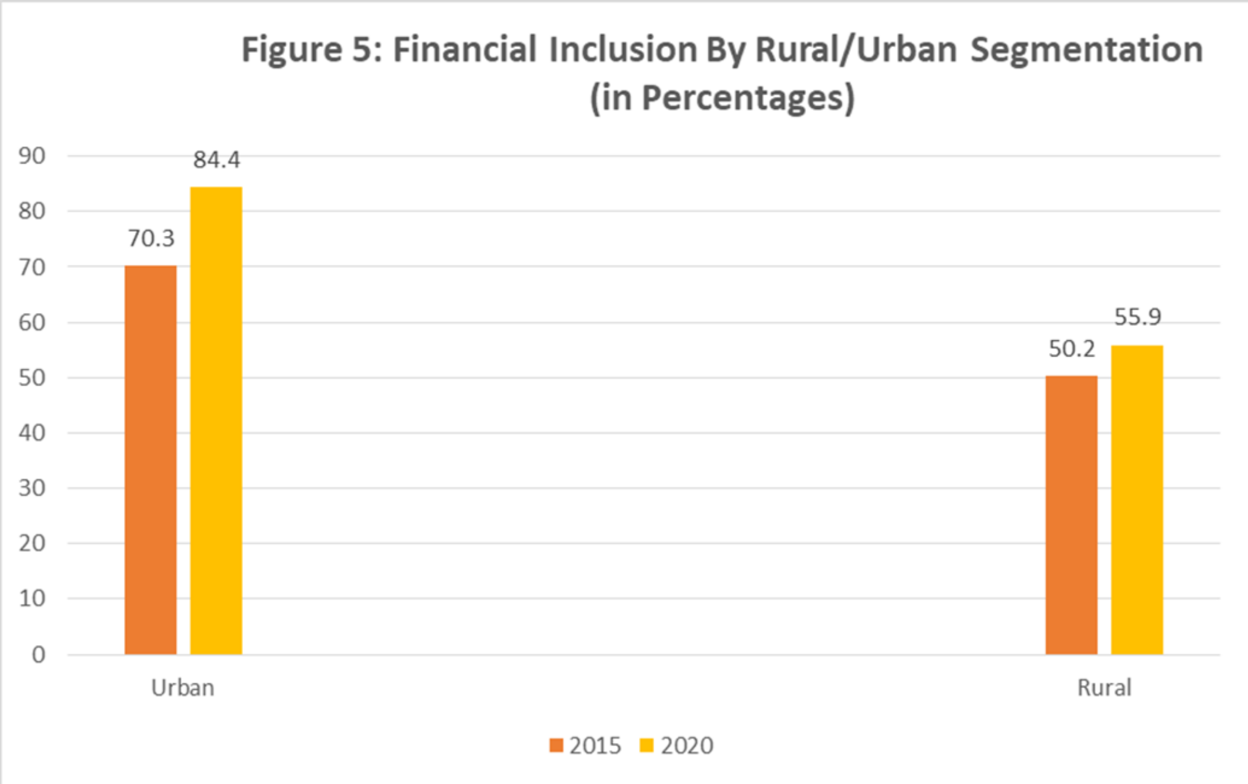
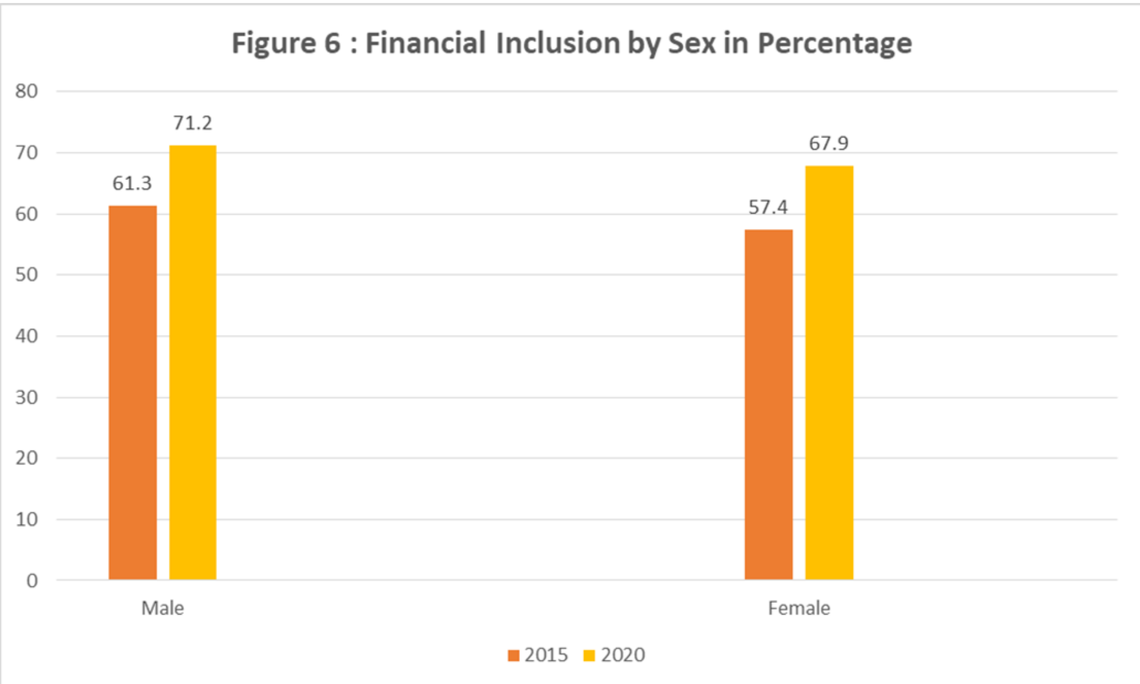
Financial Inclusion by Urban or Rural Areas



(Source: Finscope Report, 2020)

The Financial inclusion pattern by gender in Zambia revealed that male adults increased in numbers of usage from 61.3 percent in 2015 to 71.2 percent in 2020. For female adults, the rise in usage of financial inclusion was from 57.4 percent in 2015 to 67.9 percent in 2020. Hence, the pattern indicates that more men employed the usage of financial inclusion than women generally in Zambia.

Financial Inclusion by Gender



(Source: Finscope Report, 2020)

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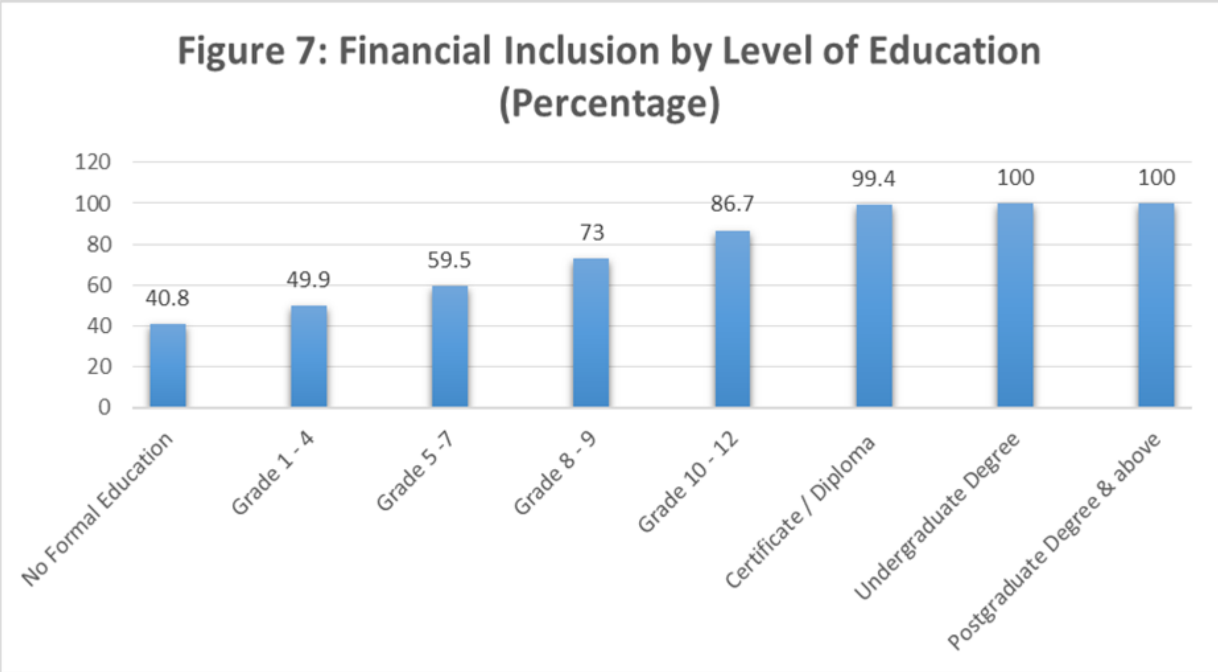
However, financial inclusion is to some extent influenced by levels of education of a population (Finscope Survey Report 2020). For Zambia, the survey report observed that there was a positive correlation between the level of education and financial inclusion of the population. It revealed that adults who attained undergraduate or postgraduate levels of education were more financially included in comparison to those adults who lacked any form of formal education and had the lowest levels of financial inclusion.

Financial Inclusion by Education



(Source: Finscope Report, 2020)

Consequently, financial inclusion in Zambia also reveals that there are formal and informal financial inclusion trends emanating from the usage of financial products or services which are provided by varying service providers who are regulated or officially supervised. Financial inclusion relates to the proportion of adults who use financial products and services which are provided by service providers with the aim of improving their livelihoods. Finscope Survey Report (2020) demonstrates that in Zambia formal financial inclusion among adults increased significantly from 38.2 percent (3.1 million) in 2015 to 61.3 percent (5.8 million) in 2020 representing a 60.3 percent increase. This rise in financial inclusion was mainly attributed to surges in the penetration of mobile money services, which increased four (4) times from 14 percent in 2015 to 58.4 percent in 2020. On the other hand, informal financial inclusion declined from 37.9 percent (3.1 million) in 2015 to 23.3 percent (2.8 million) in 2020 representing a 9.7 percent indicating an increase in the usage of formal financial services.

Generally, both formal and informal inclusion in Zambia were found to be higher in urban areas of the country. There were more financially included people in urban areas which stood at 52.2 percent in 2015 and rose to 80.9 percent in 2020, representing an increase of 79.9 percent participation by citizens of Zambia. For rural areas, formal financial inclusion was at 26.6 percent in 2015 and increased to 44.2 percent in 2020 indicating an increase of 43.2 percent participation margin. The margin of increase in financial inclusion between urban areas at 79.9 percent and rural areas at 44.2 percent is too large to ignore because it shows an 80 percent level of difference between locations. In addition to that, even informal financial inclusion was found to be higher in urban areas standing at 40.3 percent in 2015 and 34.1 percent in 2020 giving a decrease of 39.4 percent. This should show to policy makers that there is more work to be done to increase the numbers of citizens joining the financial inclusion platform in the rural areas. There are more incentives which policy makers would have to dangle to the rural areas in order to motivate citizens living in those locations to take advantage of enhanced services which are readily available to be performed on their phones at the comfort of their homes.

RESULTS

Yap et al (2023) found that financial inclusion has a positive correlation with three (3) of the sustainable development goals. Therefore, there is a significant and positive correlation which has been identified as existing between financial inclusion and sustainable development goals. Niaz (2022) observed that financial inclusion is a tool to use for tackling long-term poverty reduction through social - economic growth in nations.

Formal financial inclusion stood at 70.3 percent in 2015 and increased to 84.8 percent in 2020 in urban areas, while in rural areas it was 50.2 percent in 2015 and rose to 55.9 percent in 2020 in Zambia. In addition to that, Zambia had more financially included people in Lusaka province standing at 87.4 percent followed by Copperbelt province at 79.9 while Western province had the lowest levels of financial inclusion at 40.7 percent. There were more men financially included at 71.2 percent in 2020 against 61.3 percent in 2015 while women stood at 67.9 percent and 57.4 percent in 2015. The study also found that the more educated citizens of Zambia were, the more likely they were to engage in formal financial inclusion. Hence, educated people with college certificates, diplomas, undergraduate and graduate degrees engaged in formal financial inclusion at the highest level ranging from 95 to 100 percentage points.

Generally, the results indicate that there is an upward positive correlation between financial inclusion and its growth in the Zambian market although there is still more room for improvement especially in the rural areas where the numbers are lower than the urban areas. There are still more breakthroughs which need to be made in the rural areas so that more people would be recruited into the formal financial inclusion drive which offers people the opportunity to become self-reliant on their own.

FINDINGS AND DISCUSSION

Findings for this study have deduced that there has been a marked improvement in the citizens of Zambia in joining the drive of being financially included. As has been demonstrated in figures employed in the study, the majority of the population have realised that being financially included helps them to make or receive payments to people of your choice at any time so long as you have deposited funds in a mobile phone device. Although commercial banks have also joined in allowing depositors to extensively use mobile banking too, they are not readily available in the rural areas such that they still keep the majority of the rural people financially excluded. But mobile money services respond much better to eradicating and reducing financial exclusion by taking a broader network coverage in terms of access, usage and depth of the users whether in urban or rural areas where they are readily available.

And the most common form of financial inclusion people have taken up into large usage is mobile money. With mobile money, people have found it easier for sending money from urban areas to rural areas, from urban to urban areas

However, in addition to the mobile money services which have been widely taken up as a vehicle for financial inclusion in Zambia, citizens also still use other forms of formal financial inclusion modes such as savings or borrowings from commercial banks, building societies, and microfinances. But to some extent, they tend to be sceptical about the terms and conditions which they are given on accessing funds from these institutions as they have conditions which they have to abide by. In addition, they need to have collateral to borrow large sums of money which many poor people rarely have access to and this is why many of them rush to use mobile money savings.

On one hand, financial inclusion in Zambia is still being advanced by other modalities which are common to the ordinary people who are the majority such as villagers, marketters, farmers, youths and more groupings who engage in informal financial inclusion methods of village banking, Kaloba and cooperatives groups. These modalities have helped the Zambian citizenry in reducing poverty in the communities by offering people some means of earning livelihoods instead of just waiting for handouts to be given to them by the government or from well-wishers. Such informal financial inclusion modes do contribute to the reduction of financial exclusion of a population such that the numbers of financially included people have kept on increasing.

However, the findings revealed that there was a marked increase in financial inclusion among the adult population in Zambia such that it was 59.3 percent in 2015 and it rose to 69.4 percent in 2020 representing an increase of 68.4 percent. This shows that the population has been making steady progress in joining the financial inclusion drive platform to use in making or receiving payments.

In addition to the foregoing, the study observed that financial inclusion by gender revealed higher statistics of male adults than female adults. In 2015, the male adults were 61.3 percent and rose to 71.2 percent in 2020, while there were 57.4 percent female adults in 2015 which rose to 67.9 percent in 2020. Male adults participating in financial inclusion increased by a 70.2 percent margin in comparison to women adults who increased by 66.9 percent increase.

Consequently, an evaluation of all the 10 provinces of Zambia, reveals that the financial inclusion is highest in Lusaka province at 87.4 percent and is followed by the Copperbelt province at 79.9 percent with the 2 provinces exceeding the financial inclusion national average of 69.4 percent. The study found that the national average for the rest of the 8 provinces was 59.9 with Western provinces having recorded the lowest level of financial inclusion of 40.7 percent.

Despite the foregoing, it is interesting to note that much of the financial inclusion occurring in all the 10 provinces of Zambia, it was found that the majority of the stakeholders taking part largely in financial inclusion were the education population who scored 100 percent when they were educated to either undergraduate or postgraduate degree levels. The converse is also true that that those with no education levels scored a paltry 40.8 percent score in participation in financial inclusion activities due to many reasons including lack of access to devices for financial inclusion, lack of knowledge about it, lack of interest in it, the fear of the unknown and some other personal factors.

However, it is interesting to note that there were higher levels of financial inclusion activities in the urban areas at 52.2 percent in 2015 and 80.2 in 2020 demonstrating the analogy citizens of Zambia have kept on the momentum of utilising financial inclusion modalities in their quest to improve their daily livelihoods. At the sametime, financial inclusion statistics for rural areas stood at 26.6 percent in 2015 and at 44.2 in 2020. This shows that there was a 77.9 percent increase in financial inclusion activities in the urban areas in comparison with the rural areas where the increase was at 43.2 percent.

Therefore, it remains very important for policy makers, pressure groups and other major stakeholders to do more ground work in the rural areas to keep on sensitising the public about the benefits of joining the financial inclusion bandwagon in their communities or villages or other residencies.

This is in line with Yunnus (2003) who postulated that there was need by the government to create a separate legal framework and a separate microcredit regulatory commission which would operate to support the provision of the much needed financial services to the poor people who cannot access these services from the mainstream financial sector.

Despite everything which has been discussed above, Zambia has made a tremendous progress of accelerating financial inclusion in recent years where statistics of financially included adult population have kept on rising from 59.3 % in 2015 to 69.4 % in 2020 indicating marked increase of people participating in financial inclusion services of some kind.

CONCLUSION AND RECOMMENDATIONS

The study observes that financial inclusion is in Zambia to stay and to further penetrate in the country so that livelihoods will be enhanced for the vast majority of the Zambian citizens. It also inferred that there was still more ground breaking work to be performed by both policy makers and other stakeholders not to relent in carrying out campaign programmes mostly targeting the rural areas where the proportions of usage for financial inclusion were still lower especially with women and the youths who are more vulnerable than men.

Despite the many opportunities of financial inclusion offers being readily available, the platform remains a facility which needs to be utilised by citizens to improve their livelihoods when performing various trading transactions**.**

Despite the growing numbers of people on formal financial inclusion, the vast majority of them are on mobile money services where they would be making or receiving payments to or from their relatives in towns or to rural areas. Many people are still apprehensive to engage in formal financial services with traditional financial institutions of banks, insurance companies, capital markets or pension funds as they do not have collateral to use to borrow finances from them. In addition to that they resort to informal financial inclusion when they engage in activities of village banking services as a way of raising funds to use for their immediate needs in their homes. They also resort to another informal financial inclusion source of raising money through shylocks (money lenders or traditionally known as “kaloba") to meet some family needs which would be pressing at some given time.

It can be deduced that financial inclusion has come to stay both in Zambia and in Africa. Additionally, it keeps on improving the livelihoods of the majority of the populations by giving them the opportunity to engage in activities which would provide them with the levers of earning their livelihoods. It improves their livelihoods by making sure that they have access to financial systems which enables them to trade in various trading activities. The vast majority of the beneficiaries are those who trade in merchandise which is a source of investments in their livelihoods.

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Holds a Bachelor of Science degree in Production Management from the Copperbelt University (BSc. PM - CBU) in Kitwe in Zambia. John holds a concurrent dual Master of Business Administration in International Business and Management from Anglia Ruskin University in Cambridge in England in the United Kingdom and from Hanze University in Groningen in the Netherlands. In addition John holds a Master of Philosophy in Development Finance from the University of Stellenbosch in Cape Town in South Africa. John has several years of experience in both industry and academia and is currently a full time lecturer at the University of Lusaka in Zambia in the school of Business, Economics and Management lecturing International Business and some other courses. Prior to joining the University, John worked at TEVETA (department of technical education at the Ministry of Science and Technology) as Quality Assurance Inspector/Specialist, York Farms Limited as Packshed / Production Coordinator and Galaun Holdings Limited (Crest Chicken / Luscold division) as Quality Controller / Operations Officer. Outside formal employment, John Sichuundu practises small scale livestock farming in beef cattle, arable farming and goat rearing on a small scale basis in Zimba district of Zambia.

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