Zambia’s National Strategy for Financial Education.

Presentation By: Musapenda J Phiri
Project Coordinator – Financial Sector Development Plan (FSDP), BoZ.
Introduction and Overview

- Research shows that the majority of people the world over have inadequate knowledge about concepts related to personal finance and basic economics. This includes:
  - Banking;
  - Savings and budgeting;
  - Taxes;
  - Investing;
  - Pensions; &,
  - Insurance.
Introduction and Overview

- This means these consumers cannot make informed decisions about personal finance and consumer education concepts.

- Changes in technology have also contributed to the complexity associated with making appropriate financial decisions.

- Thus, anyone who knows about spending money is required to be financially literate including youth choices for cell phone tariffs.
Pay Day.. If you can't understand planning & budgeting concepts.. A few days after pay day, it's no longer hay day...
Components of financial capability

“..the ability to make informed decisions and take appropriate actions on matters affecting one’s financial wealth & well-being.” – ECI Africa 2004
Zambia’s Vision 2030

To address various national challenges, (including the financial sector), the Zambian Govt. launched its Vision 2030, a long-term plan, expressing the country's aspirations up to 2030.

It articulates development policy scenarios towards the attainment of desirable social economic indicators by the year 2030.

National Development Plans set the pace for improving economic infrastructure and investing in human development.

To become a prosperous middle income nation by 2030
Financial Sector Development Plan (FSDP)

- To address financial sector weaknesses, Government formulated the FSDP.

- The FSDP is one of the Governments sector reform programmes which feed into the National Development Plans and Vision 2030.

- The FSDP is domiciled as a project office at the central bank (Bank of Zambia) with a full time Secretariat.

- The FSDP is coordinated through a number of working groups and is aimed at broadening & strengthening Zambia’s financial sector.
The FSDP working groups comprise both public and private sector representatives and are responsible for developing activities and finding practical ways for the implementation of the reforms:

There are 6 Working Groups which are:

- 1. Access to Finance
- 2. Financial Markets
- 3. Legal Reforms & Corporate Governance
- 4. Market Efficiency & Contractual Savings
- 5. Payment Systems
- 6. Financial Education
The FSDP role is to develop a dynamic and inclusive financial sector that supports all aspects of the economy.

By providing for financial literacy programmes that will allow consumers make informed choices as well as access affordable financial services and products that suit their needs.

- 19 Commercial banks.
- 100+ Non-Bank Financial Institutions (incl. 30 reg. MFIs).
- Only 37% of the adult population are financially served.
- Commercial banks only service 14% (approx. 1 m top 20% end).
- MFIs and other NBFIs cater for under 10% but continue to play an expanding role.
- Barriers to financial inclusion include
  - cost for accessing services,
  - limited infrastructure,
  - distances to delivery centres, and
  - limited financial literacy & understanding of products.

- Total: 13.9% Have/use a bank product, 9.3% Dont have/use a bank product but have/use a financial product from a formal non-bank FI, 14.1% Dont have/use a formal financial product but have an informal financial product, 62.7% Dont have/use any financial product
- Urban: 22.6% Have/use a bank product, 9.2% Dont have/use a bank product but have/use a financial product from a formal non-bank FI, 10.2% Dont have/use a formal financial product but have an informal financial product, 58.0% Dont have/use any financial product
- Rural: 8.6% Have/use a bank product, 9.3% Dont have/use a bank product but have/use a financial product from a formal non-bank FI, 16.5% Dont have/use a formal financial product but have an informal financial product, 65.6% Dont have/use any financial product
Rationale for a strategy for financial education

- Financial Education Programmes in Zambia have been undertaken by few independent bodies, with limited outreach and scale, and fragmented.
  - NGOs: Media Briefs

- However, financial education is key to empowering the public to make informed financial management choices.

- It enables people to manage their incomes, expenditures, investments and savings effectively, and protect themselves from possible losses.

- In Zambia, financial management knowledge and skills remains a challenge with limited use of formal financial products and services (Maybe fear of aircons).

- Hence, a national strategy for Zambia was developed to set out the direction for improving financial education, and the mechanisms and tools to achieve this. (led by the FSDP F.E.W/Group & co-funded by the DFID Financial Education Fund, BoZ & FinMark Trust).

- The long-term and over-arching goal of this strategy (launched in July 2012) will be to improve the financial capability of the Zambian population.
Defining Financial Education

- The definition for financial education for Zambia’s strategy will be based on that of OECD, which embraces knowledge, skills, attitude and action:

- “Financial education is the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.

OECD (2005), Improving Financial Literacy: Analysis of Issues and Policies
Financial Education Strategy for Zambia – Development Process

1. Understanding the need for financial education
2. Insights into financial education needs in Zambia using FinScope and focus group data
3. Assessment of current programmes, practices, successes, gaps and requirements
4. Financial education stock take
5. In-depth investigation and development of an appropriate strategy for Zambia
6. Financial education analysis and strategy formulation
7. Developing a monitoring and evaluation framework for the strategy
Financial education in schools and other organised groupings provides a more systematic and sustainable way of achieving a financial literate Zambian population, taking into account international practices around the globe.
Principles behind the strategy

1. **Stakeholder engagement and partnerships** – incorporates views of stakeholders to ensure a well-coordinated approach in design and delivery.

2. **Maximising cost-effectiveness and inclusiveness** – reaching out to as many Zambians as possible within available resources.

3. **Fostering sustainable changes** - integrating financial education in existing structures to increase long-term sustainability.

4. **Client focused and need based approach** – ensuring that initiatives (delivery channels, content etc) are responsive to the real needs of Zambians.

5. **Effective communication** – ensuring clarity, simplicity, local relevance is reflected in all messages and materials with local ownership.

6. **Measuring and sharing success** – monitoring and evaluating what works, what doesn’t work as well as the impact of initiatives.
Financial Literacy Initiatives

- Mostly independently done and thus fragmented.
- BoZ Strategic Plan (2012 - 15) includes ‘fin. inclusion’.
- Print and electronic media awareness programmes by individual banks and Bankers Association of Zambia.
- Annual Media and MPs Seminars.
- Publication of comparative bank & NBFI charges.
- BoZ training scheme for journalists - business & finance.
- NGOs and Individual bank efforts.
- Rebasing Sensitisation countrywide (New Money, Same Value) - Zambia’s Biggest Financial education campaign ever.
Zambian Banknotes

Current Banknotes

New Banknotes

KWACHA, NGWEEE: NEW MONEY. SAME VALUE.

For further information on the banknotes, please contact the Bank of Zambia at:
Head of Public Relations, Bank of Zambia, P.O. Box 30086, Lusaka 10101 or Regional Director, Bank of Zambia, P.O. Box 71511, Ndola, Zambia or
Website http://boz.zm, email: rebasing@boz.zm Tel 211 228888 Fax 211 221764
Kwacha Rebasing

Current Price

K310,000

Rebased Price*

KR310.00n

The Value of your Kwacha Will NOT change at all!!

*KR for 6 months only
IT'S HERE

KWACHA, NGWEE: NEW MONEY. SAME VALUE.
Financial Literacy Initiatives – (PFEG Assessment: 2011 - 2012)

- School Attendance in Zambia
  - High enrolment (approx 90%) but few graduates (>10%)
- Employment market –
  - majority are self employed hence skills to run business key.
  - No distinction between household and business finance.
- Cell Phone Usage
  - High at over 70% but potential risk area for mobile banking
- Nature of Financial literacy
  - no right answer to questions of personal finance – depends on preferences and attitudes to risk.
Financial Literacy Initiatives –
(PFEG Assessment: 2011 - 2012)

- **International Practice**
  - Integrate financial education in schools, teacher training and adult learning resources (including workplaces).
  - Use of practical examples (What will our salaries be after rebasing? OR give school children money to go shopping as part of math class).*

- **OECD Guidelines & Framework – Suggested Topics**
  - Money and Transactions
  - Planning and managing Finances (*including saving & spending; credit and debt; interest, financial decision making, reading statements*)
  - Risk and Rewards
  - Financial landscape (*including consumer rights and responsibilities, understanding financial, economic & social systems*).
A retiree businessman, Mr Zed, submitted a funding request to a bank for a business to supply goods on credit. Following the assessment of his proposal he was called in by the Bank Manager.

Bank Manager: ‘We find your document not to be bankable as it does not demonstrate capital adequacy that is commensurate with your risk appetite. Furthermore, your asset quality makes you susceptible to the materialisation of credit risk given the insufficient earning assets. Further, we find that you are already highly geared with significant liquidity mismatches.

Our advice is that you first formulate appropriate risk management systems to also cover market sensitivities to forestall impairment resulting from non-performing assets. In providing finance to your industry, we need to ensure compliance with the prudential requirements under the existing regulatory framework which provides for amongst other things provisioning of non-performing assets in order to avoid systemic risk and contagion.’

If this collection of words/jargon does not convey a message, then it is noise, not communication

He was later approached by a money lender where he got credit after signing ‘a piece of paper.’
Measuring Financial Education

Need to measure knowledge, understanding, skills, motivation and change in behaviour as a result of financial education.

- **Triggering**
  - **Knowledge**
    - I know about the financial services, their benefits and how to access them.

- **Equipping**
  - **Skills**
    - I know how to use financial services and have access to the technology.

- **Change mind**
  - **Attitudes**
    - I trust the provider and am committed to using the financial service.

- **Action**
  - **Behaviour**
    - I am using the financial services.

**Time**
Challenges and Risks

- Failure by some policy makers to fully understand importance of financial education - Whose role is it?
- Pressures on priorities or limited appreciation by some leaders on the value of financial education for staff.
  - Differences on what is P1.
  - Should we really be spending money on it? (e.g. planning for retirement)
- Limited competencies to teach financial education effectively
  - Delivery channels and galvansing efforts countrywide.
- Sustainable Funding for financial education
  - Making it a national priority. Where there’s a way, is there always a will!
Next Steps: Actions for ensuring long term commitment and impact.

- Appointment of a high profile champion to carry the banner (The Governor).
- Firm up sustainable funding model for implementation.
- Setting up coordination framework to make this happen (FECU).
- Incorporating financial education in school systems and other specialised groupings like business associations & Unions.
- Expanding approach for media coverage of related activities (TV and radio programmes, newspapers articles, journals, posters, etc).
- Building in the growing role of technology.
- Strengthening networks and partnerships for sharing experiences.
- Introducing an annual Financial Literacy week. (piloting 2013).
- Developing Frequently Asked Questions (FAQ) on print/ web pages/ links.
Conclusion

- **Our target** – To increase financial inclusion from 37% (recorded in 2009) to at least 50% (within the FSDP timeline ending 2014).

- **Our Focus** - With increased financial education, a dynamic and inclusive financial sector that supports all aspects of the economy can be achieved.

- **Our Proposal** - to work through partnerships (such as OECD) to disseminate information to various target groups.

- **Our Key** - Forging efforts to educate the community….
  - to empower Zambians with the knowledge, understanding, skills, motivation and confidence to help them to secure positive financial outcomes for themselves and their families.

- **Our role** … to make it happen.
ASANTE SANA

CONTACTS:

Musapenda J Phiri – FSDP Project Coordinator.
Gladys Chongo Mposha – Acting Director – NBFIS.

Bank of Zambia, P.O. Box 30080, Cairo Road, Lusaka, Zambia
Tel: +260-211-228888/232157/221746. Fax: +260-211-223502
Email: fsdp@boz.zm