

CEOs FORUM
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FINANCIAL INCLUSION IN ZIMBABWE

Presented by:

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Presentation outline

- The Status of Financial Inclusion (FI) in Zimbabwe
- Gender and Financial Inclusion
- Youth and Financial Inclusion
- Policy Framework for financial inclusion
- The National Financial Inclusion Strategy (NFIS 2016-2020)
- The role of DFIs in FI- current and future
- Lessons for DFIs
- Recap & Conclusion

The Status of Financial Inclusion in Zimbabwe



Financial Inclusion in Zimbabwe

- Financial inclusion is a priority for the Government of Zimbabwe.
- Stakeholders involved in driving the financial inclusion agenda include:
 - -financial institutions, Government Ministries, Government agencies, regulatory bodies, development partners, MNOs, and business associations.
- The above institutions play a critical role in the process of building inclusive financial systems which promote inclusive growth and development.

Assessing extent of FI in Zimbabwe

- This is done through FinScope Studies, which have been conducted as follows:
- 2011 – Baseline Financial Consumer Inclusion Survey
- 2014 - Repeat Financial Inclusion Consumer Survey
- 2012 – Baseline FinScope MSME Survey
- 2017-18 Repeat FinScope MSME Survey being planned

Status of financial inclusion in Zimbabwe

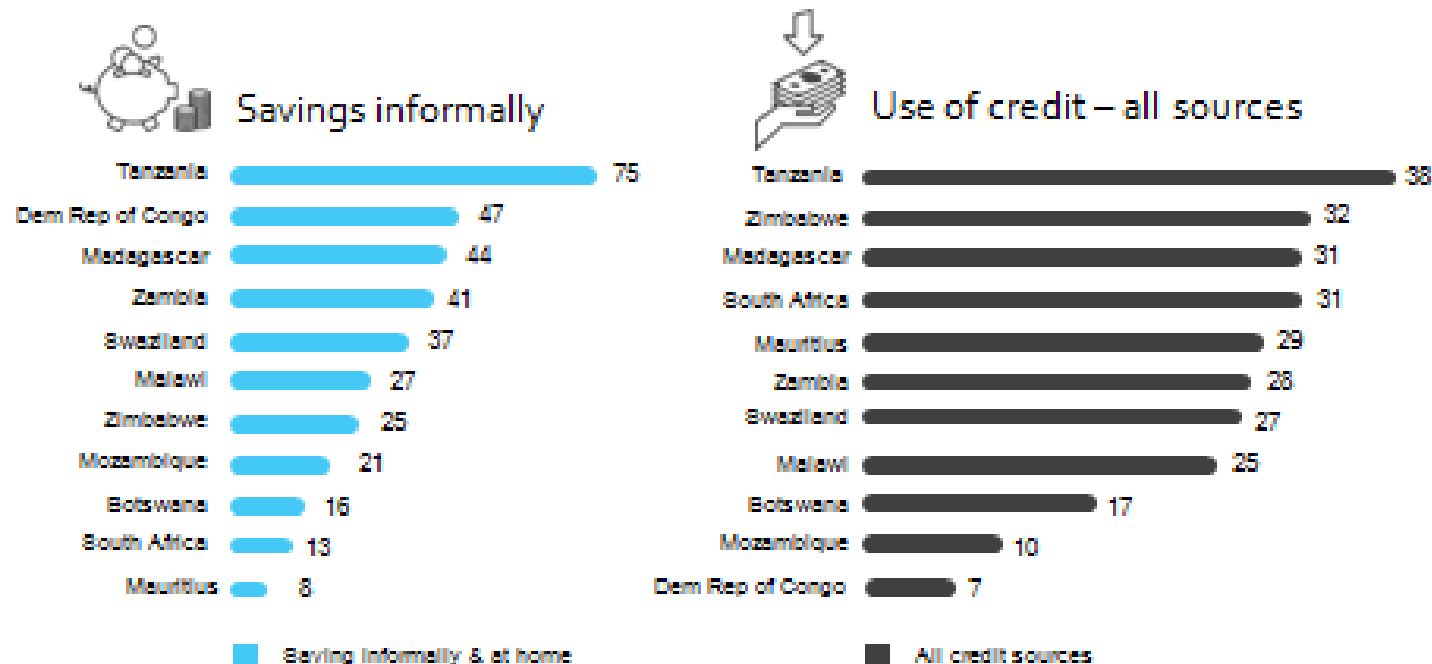
Indicator	2014	2011
Financially excluded	23%	40%
Formally served	69%	38%
Reliance on exclusively banked products	1%	8%
Reliance on exclusively non-bank products	23%	6%
No. of banked adults	2.17m	1.45m
Cell – phone banking adults	560,000	40,000
No. of people registered for mobile banking – 2 nd Quarter 2017	3.4m	-

From FinScope 2014



Selected FinScope Countries

FINANCIAL INCLUSION RESULTS



Understanding the informal sector is key in unlocking and understanding the environment the youth are operating in.

More research initiatives are utilising the 'human centred approach' to understand this phenomenon – especially by undertaking immersions (ethnographic studies)

Status of FI in **Zim.... contd**

- FinScope 2014 statistics reveal that FI is **skewed in favour of the urban population (89%)** as opposed to the **rural population (62%)**.
- The improvements are attributed to the concerted efforts by the stakeholders.
- **Technology and mobile money** have been the major contributors to the high level of financial inclusion.
- **Leveraging on technology** has also enabled **financial institutions to expand outreach** at reasonable costs.

Impact of FI – the visible evidence

Emerging new payment platforms.....



.....in a difficult economic environment.



FI must reach to the informal sector....



...and it **does**.



E-payment disease spreads to road side vendors



Cash or e-payment, the choice is yours.



Impact of FI - Dominance of mobile & plastic money

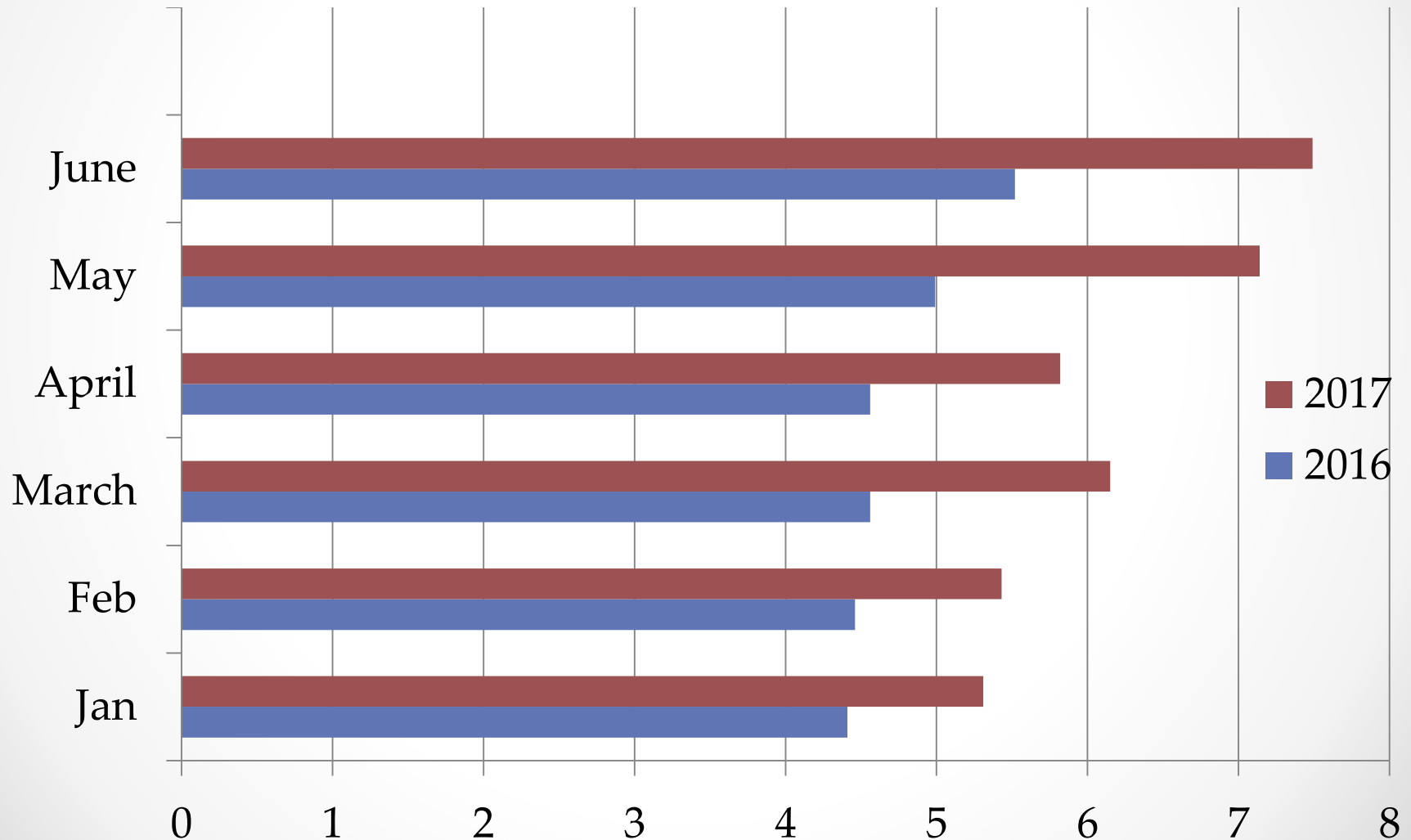
Mobile Money Scenario

- Meteoric rise in mobile money after 2011
- Driven by **mobile phone penetration**, and
- **Inadequacies of the banking system** (limited availability of cash, inaccessibility, transaction costs, etc.)
- Uptake of mobile money has extended the frontiers of Inclusion
- Banked population is 30%
- The extension to 69% national FI Level is explained by non-bank formal services, mainly mobile money

Plastic Money Stats

- Zimbabwe probably has the highest usage of plastic money in Africa
- Driven by shortage of currency/cash
- Ordinary man in the street uses plastic money

Comparison: Aggregate E-payment values (2016 & 2017)

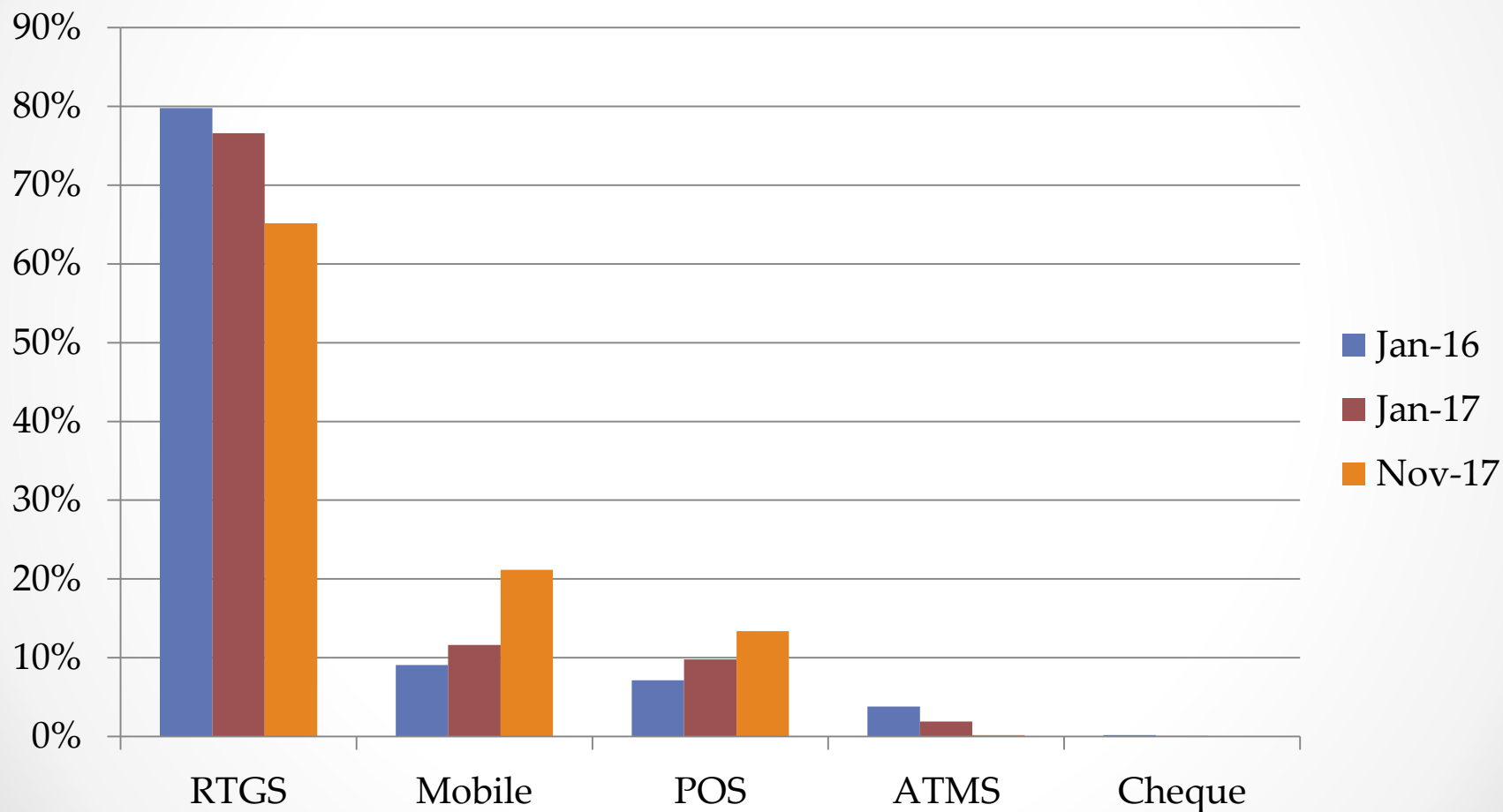


Aggregate Value of monthly Payment transactions

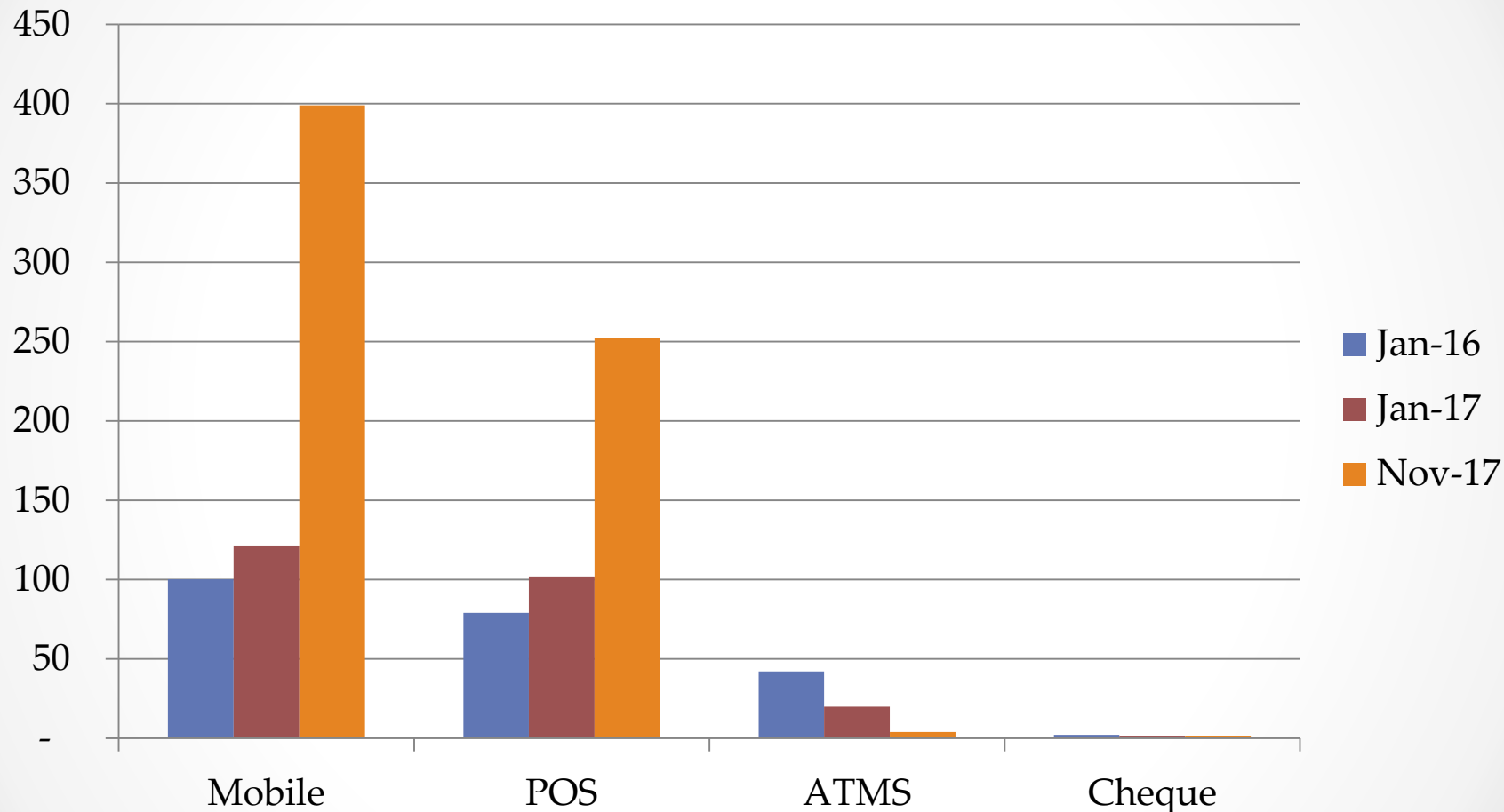
	Jan-16	Jan-17	Nov-17
RTGS	80%	77%	65%
Mobile	9%	12%	21%
POS	7%	10%	13%
ATMS	4%	2%	0%
Cheque	0%	0%	0%
Total Transaction Value (millions)	\$1,104	\$1,041	\$1,884
Source: RBZ Website (Downloaded 23/11/17)			

Aggregate value of monthly transactions

(from RBZ)



Closer look at mobile money & POS – exponential growth – (from RBZ)



Gender and financial inclusion

Gender and financial inclusion

- Looking at inequalities in access to financial products between women and men.
- FinScope studies show that **FI among women has increased** from 59%(2011) to 76%(2014) while **among men inclusion has also increased** from 64%(2011) to 79%(2014).
- During the period, **gender gap in FI reduced from 5% to 2%** showing an increasing ability of women to benefit from the financial system.

Financial Inclusion and the Youth

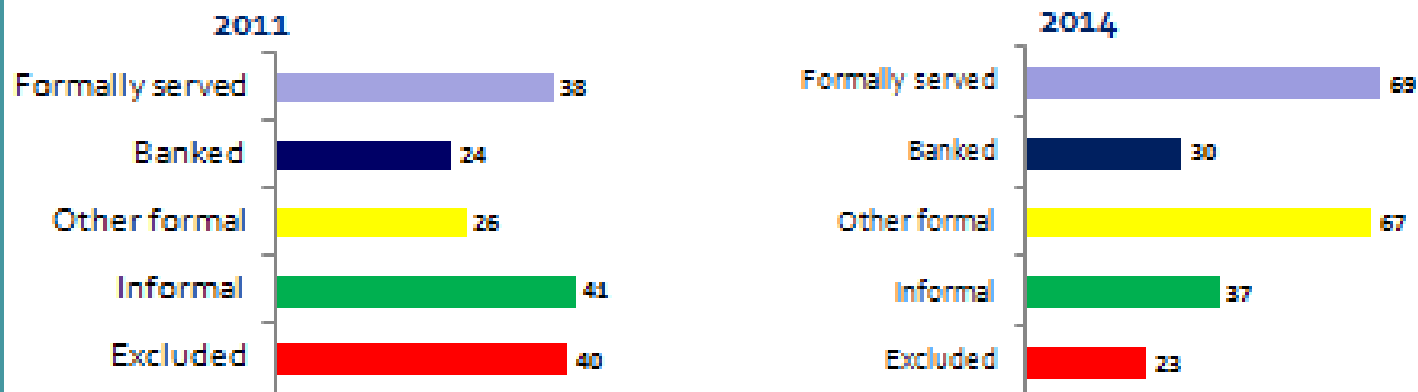
Zimbabwe: Stats on Youth & Child FI

- FinScope in Zimbabwe was targeting adults aged 18 and above
- So, Stats on Youth are included in the overall report shown above
- To get a clearer picture of FI for the Youth data mining was necessary

Zimbabwe – FI Overview

Financial inclusion:

"More people have been brought into banking/formally inclusion in 2014"



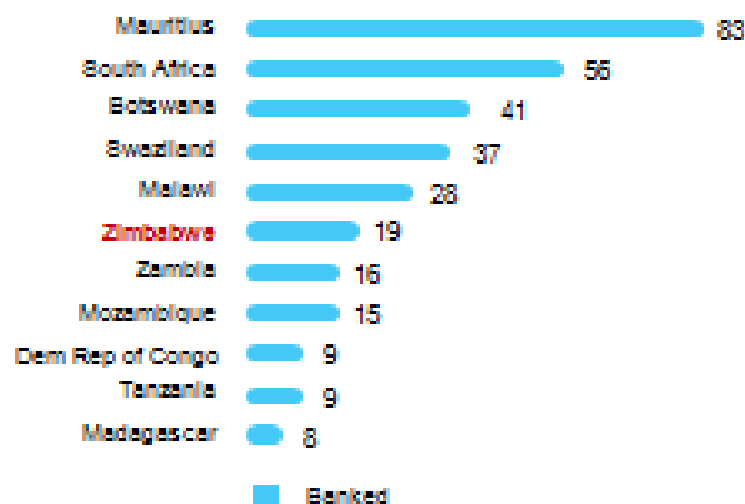
- Banking is up by 6 percentage points and continues to be mainly driven by the uptake of transactional products
- Uptake of other formal non-bank products is up by 41 percentage points and is largely driven by mobile money services and remittances
- Uptake of informal financial products/mechanisms is down by 4 percentage points
- Financial inclusion has been increased by 17 percentage points

Selected FinScope Countries

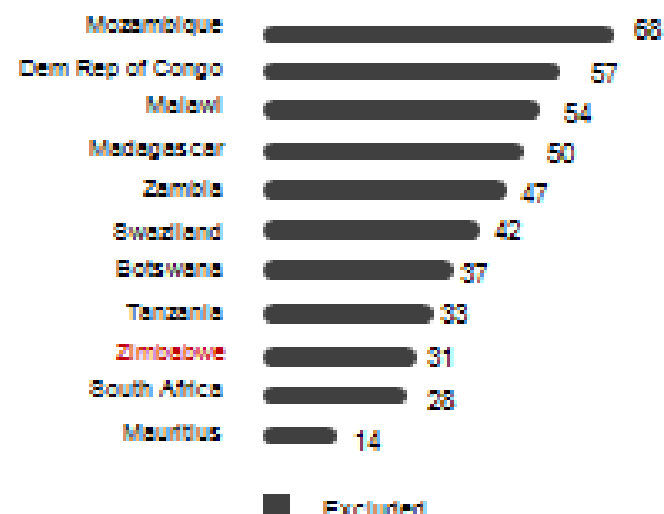
FINANCIAL INCLUSION RESULTS



Banked



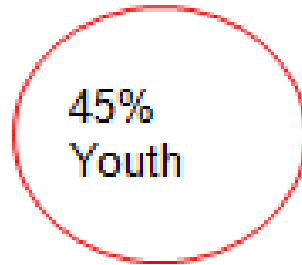
Excluded



In the past, there were known correlations between those accessing financial services and level of education

Now that has changed to issues of 'trust' and 'perceptions'. More trust in secure platforms like 'apps' as delivery channels

Zimbabwe Youth Stats from FinScope



General documentation held:

- National registration card 96%
- Passport 19%
- Driver's license 6%
- Pay slip 6%

Cellphone usage = 90%

Cellphone activities:

- 99% make & receive call
- 5% Access internet (????)
- 20% instant messaging applications
- 3% Pay bills
- 36% buy airtime
- 39% remittances

Access to infrastructure:

- Local television 33%
- Local radio 16%
- Newspaper 28%
- Cable television 20%

Financial advice sources:

- Do not get advice anywhere 51%
- Friend/other family member 24%
- Partner/spouse 19%

Financial information:

- How to save 22%
- How to budget 20%
- Financial products information 17%
- Investment 14%
- How to obtain a loan 13%

Level of keeping up with financial commitments:

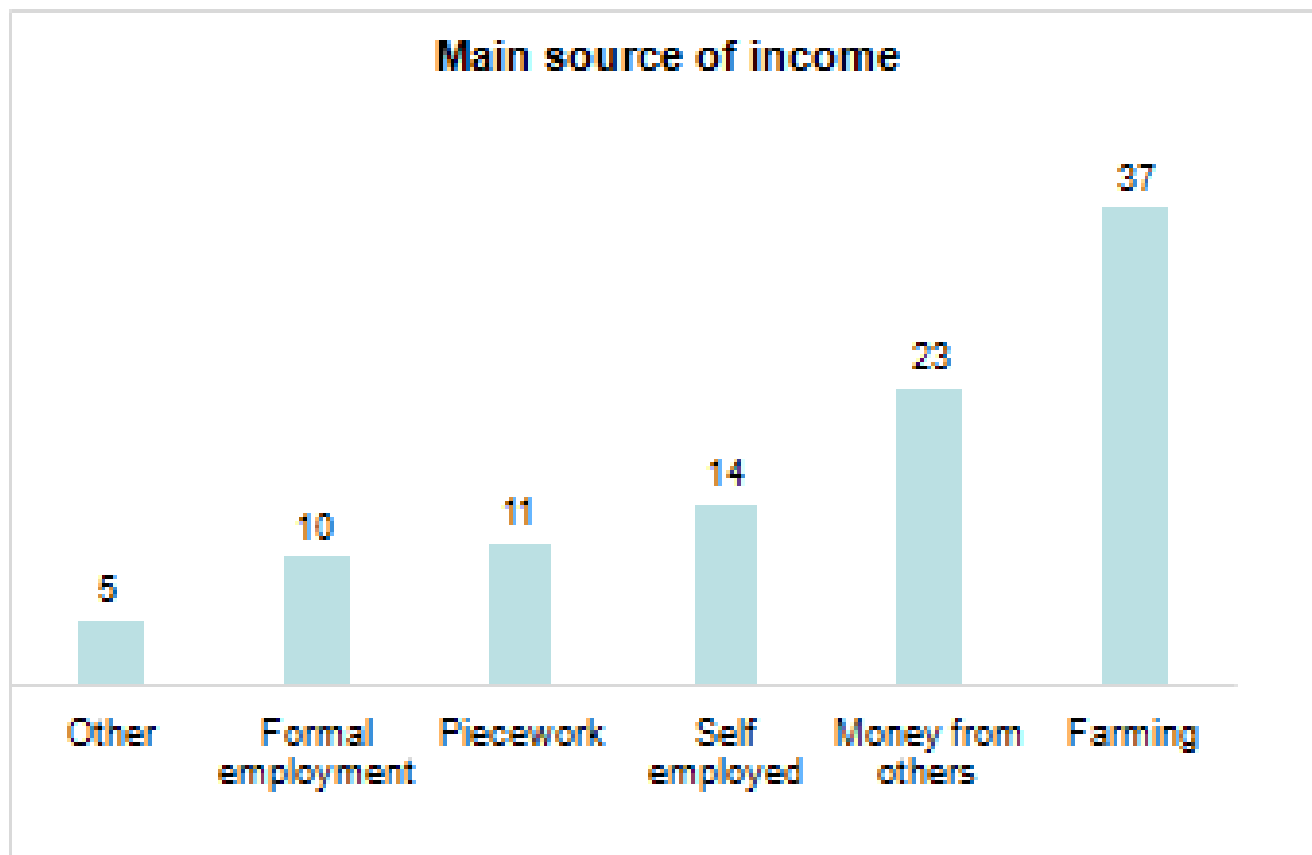
- Easy 4%
- Relatively easy 14%
- Difficult 45%
- Very difficult 36%

- **49% spend more money than they have available**
- 81% agree that their financial situation is not ideal
- 77% agree that dealing with finances is stressful or is a burden
- 80% adjust their expenses according to their income

69% have formal financial account:

- 49% Use mobile money
- 19 % banked
- 31% unserved or under-served
- 12% Formal credit
- 20% formal savings
- 23% informal savings
- 25% have formal insurance products

Zimbabwe Youth Stats - Contd



Opportunities for DFIs

Financial Literacy – the next frontier

- Zimbabwe has one of the highest literacy rates in Africa (more than 92%)
- But financial literacy still exhibits huge gaps between **rural** and urban and **among the youth**
- Still needs a lot to be done in respect of **capital markets knowledge & credit/loan mechanisms**
- The **effective cost of borrowing**
- **Redevelopment of a Savings** culture in the modern financial system
- “**the new normal**” i.e. informalisation demands that DFI be in the forefront of innovation.

OpportunitiesFunding of FI research

- **FI for FinScope Surveys (MSME Survey 2018)**
 - For 2 years we have been trying to conduct a FinScope MSME survey
 - A repeat FinScope Consumer Survey is due in 2019
- Despite access to technical expertise through FinScope/FMT, the problem is funding
- Government has no capacity to fund. Neither does RBZ, it appears.
- Private sector (banking & financial institutions, as well as Industry & commerce are similarly not yet prepared to fund research
- This is the window for DFIs to chip in – funding of tailor made surveys to enable development of products for their market segments.

Policy Framework for Financial Inclusion

Policy Framework for Financial Inclusion

- Policy framework is guided by the following:
 - **Ministry of Finance & Economic Development (MOFED)** – Responsible from a national policy point of view
 - **Reserve Bank of Zimbabwe** – has responsibility for implementation of National Financial Inclusion Strategy
 - **Making Access Possible (MAP) Steering Committee** – responsibility for overall national FI programme
 - **MAP Steering Committee** – chaired by MOFED - comprises key stakeholders (Bankers Association, RBZ, Securities Exchange Commission (SECZ); Association of Microfinanciers (ZAMFI.), Insurance & Pension Commission Ministry of Industry & Commerce (MOIC); Ministry of SMEs; Consumer Council of Zimbabwe (CCZ)

Policy instruments for FI

- **Consumer Protection Prudential Standards** now in place.
- **Deposit Insurance** through the Deposit Protection Corporation (DPC).
- **Enabling regulation** through allowing agents to perform certain transactions i.e. e-money, deposits among others.
- **National Policy** i.e. National Financial Inclusion Strategy (NFIS) now in place.

National Financial Inclusion Strategy 2016-2020 (NFIS)

- Overall goal is to **improve overall level of access to affordable and appropriate formal financial services from 69% (2014) to 90%(2020).**
- NFIS was developed and is being implemented by RBZ.
- It **defines parameters for on going measurement and evaluation** of the impact of specific actions and monitoring of progress over the implementation period.
- NFIS provides **an organising framework for financial inclusion policies and regulations** to be implemented.
- Development and implementation of the NFIS ensures the existence of **an inclusive financial sector that broadens access to and use of financial services by all.**

The future of financial inclusion

The future of financial inclusion

- The NFIS strategy will enhance the **access** and **usage** of a wide range of financial products.
- NFIS would also enable **in-depth analysis of barriers to financial inclusion**, identification and implementation of coordinated strategies.
- The strategy incorporates **financial inclusion measurement framework** which helps in monitoring and evaluating progress on the key performance indicators.

The future...cont.

- Financial inclusion figures are expected to have significantly improved in the country due to the **adoption of plastic money** by the general public.
- Although **access to financial services** has been gained through **digital means**, **gap still exist among the poor, elderly, youth and rural dwellers** hence the need for **urgent intervention by DFIs**.
- The NFIS will also assist in **reducing the costs of transactions i.e. payments**

Anticipation of NFIS in the future

- Increase the overall level of access to affordable and appropriate formal financial services within the country from 69% in 2014 to 90% in 2020.
- Increase the proportion of **banked adults from 30% in 2014 to 60% in 2020.**
- The strategy also recognizes **the needs of special interest groups**; namely **women, youth, MSME'S, rural** and small scale agricultural communities.
- Sustainability - The strategy will also focus on achieving the targeted level of financial inclusion in a sustainable manner.

Role of DFIs in the future of Financial Inclusion

Role of DFIs in Financial Inclusion

- DFIs in Zimbabwe include the Infrastructure Development Bank of Zimbabwe (IDBZ), AGRIBANK SMEDCO, and Industrial Development Corporation (IDC).
- The DFIs involvement in financial inclusion include **research, resource mobilisation** for the capital markets.
- **Resource mobilisation:** DFIs normally exists to address market failures in capital markets i.e. inability of market players to cater to the needs of the public at an affordable costs.
- The demand is for **foreign currency** for inputs.

Role of DFIs in Financial Inclusion

- DFIs are encouraged to go beyond the Zimbabwean market to raise funds **foreign lines of credit for their MSME clients.**
- **Research:** Embrace and work with international development agencies in executing FI programmes.
- The recommendation is for them to work as the DFI Network for the country – reduces the burden on individual institutions
- **Market/Value chain development** – many of the challenges faced by MSMEs are actually not directly financial – but have to do with access to markets.
- Large scale markets/off-takers are needed especially in agriculture. There is a need to revive the historical value chains

Role of DFIs in financial inclusion

- Strengthening and building FSPs that serve low-income markets.
- Strengthening retail financial sector players.
- Financing or strengthening the supply side in the financial services market i.e. **capacity building** especially in **financial literacy**
- The role of DFIs include provision of capital to individuals, firms and projects that are productive and/or facilitative of FI.

Lessons for DFIs in Financial Inclusion

Lessons for DFIs in Financial Inclusion

- Government may be well meaning but has limited financial capacity.
- DFIs are **better perceived in financial & capital markets** than their shareholder
- Use this capacity to assist with international fund mobilisation.
- The **profile of targets markets is changing** - Should encourage the participation of SMEs in the capital market as they are now the “new normal”.
- Intervention should only be there when there is market failure.
- Integration of financial services with development services is critical.

Lessons for DFIs in Financial Inclusion

- Collaboration with private market institutions & DFIs would be easier than with Government – Government – there are no authority issues
- Diversification of intervention programmes i.e. credit guarantee schemes, revolving loan funds among others – These are flexibilities that are open to private sector and DFIs.
- Investments to address the gaps arising in the digital divide in the elderly, women, rural dwellers and the poorest.
- Absence of DFIs in the FI Steering Committee has denied the FI initiatives of the value of knowledge of DFIs.

Role of DFIs in the future

Role of DFIs in the future

- In the future, DFIs may adopt/convert to normal financial institutions raising funds and lend them at concessionary rates.
- Investment in building financial service providers' (FSPs) capacity and financing their growth.
- Prioritisation of needed market changes or market driven approach.
- Facilitative interventions. DFIs—and other funders—need to think of themselves as facilitators who encourage changes to incentives in the market system that enable a broad range of market actors to perform market functions more effectively.

Role of DFIs in future ... *Cont.*

- Incentives and crowding-in - should work toward crowding in market actors, including private investors.
- Crowding-in often requires setting the right conditions (e.g., transparency) and incentives.
- Other: DFIs can significantly increase their contribution to financial inclusion by:
 - (i) expanding their lens to thoroughly review how their interventions affect the entire financial system,
 - (ii) growing their risk appetite to test new business models and delivery channels that help bring the poor into the financial system, and
 - (iii) leveraging their technical credibility to facilitate market development.

Recap & Conclusion

- The **cause of financial inclusion in Zimbabwe** has been spurred by the **economic, regulatory and capacity limitations** in Zimbabwe.
- In **operating in a difficult economic environment**, without a national currency, **financial service providers have had to be focused on creating instruments and ways of reaching out to their customers.**
- This, together with the rise in **use of technology, especially the mobile phone** penetration has **greatly enhanced in the extension of the frontiers of financial inclusion.**
- In future, however, what is required is dealing with the more specific softer issues of **effective financial literacy**. Therein lie opportunities for DFIs to play a part.
- However, the greatest opportunities lie in the **development of innovative ways of reaching to the small scale economic operators** (in agriculture, mining and retail) who require affordable, innovative services that cater to their specific requirements - **value chain redevelopment is critical in the process.**

Thank you

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