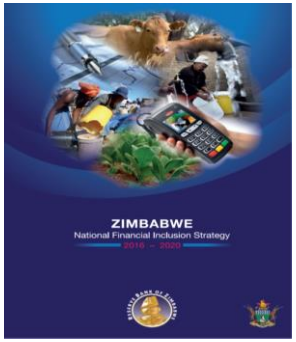


FINANCIAL INCLUSION STRATEGY IN ZIMBABWE:

WHERE FROM AND WHERE TO?

PRESENTATION AT

THE NFIS II, 2022-2026 LAUNCH

BY

DR. J.T. CHIPIKA, DEPUTY GOVERNOR

RESERVE BANK OF ZIMBABWE

31 OCTOBER, 2022

PRESENTATION OUTLINE

1. **WHAT IS FINANCIAL INCLUSION & WHY DO WE NEED IT?**

2. **ZIMBABWE FINANCIAL INCLUSION JOURNEY, 2016 TO 2020.**

3. **PROGRESS ACHIEVED UNDER NFIS I**
   - ✓ **Finscope Consumer Survey Results, 2022**
   - ✓ **Finscope MSMEs Survey Results, 2022**

4. **CROSSING OVER FROM NFIS I (2016-2020) TO NFIS II (2022-2026).**


NATIONAL FINANCIAL INCLUSION STRATEGY II
(2022-2026)
WHAT IS FINANCIAL INCLUSION & WHY DO WE NEED IT

WHAT IS FINANCIAL INCLUSION?

- **DEFINITION**

"The effective and informed use of a wide range of:

- ✓ **quality,**
- ✓ **affordable, &**
- ✓ **accessible financial services by all Zimbabweans,**
- ✓ **on a sustainable basis,**
- ✓ **provided in a fair and transparent manner**
- ✓ **through formal/regulated entities".**

WHY DO WE NEED FINANCIAL INCLUSION IN ZIMBABWE?

- According to the 2022 Zimbabwe National Census, the majority of Zimbabwe's population of 15.18 million (52% women), 61.4% of the population reside in rural areas.

- Historically, these were largely de-linked from accessing formal finance!

- Poverty levels remain high at 70.5% (Rural 86%, Urban 37%). (ZIMSTAT PICES, 2017).

WHY DO WE NEED FINANCIAL INCLUSION IN ZIMBABWE?……

- **Zimbabwe is a signatory to the 2030 SDGs. Globally, Financial Inclusion has been identified as a key enabler to 11 out of the 17 SDGs.**

  - ✓ **Leave no one & no place behind!**

- The **Overarching Goal of the NDS1 is, to ensure high, accelerated, inclusive and sustainable economic growth, as well as socio-economic transformation and development.**

WHY DO WE NEED FINANCIAL INCLUSION IN ZIMBABWE?.....

- **Zimbabwe like many other African countries was historically characterised by the enclave development model which excludes the majority of the people, BUT**

- **NOW Zimbabwe is transforming into the broad-based, inclusive and sustainable development model, "LEAVING NOONE BEHIND"!**

- **Financial Inclusion is a key strategy in this socio-economic transformation process!**

- **MSMEs, for example, contribute around 60% to the country's GDP!**

ZIMBABWE FINANCIAL INCLUSION JOURNEY, 2016 TO DATE

Baseline Information

- 2011- FinScope Consumer Survey
- 2012- FinScope MSME Survey
- 2014- FinScope Consumer Survey

2016

NFIS I

Launch

2016-2020

NFIS I Implementation

2020

Financial Inclusion Journey Report.

2021-2022

Finscope MSME & Consumer Surveys 2022

Drafting NFIS II

Towards a Financially Included Society

1) To increase the overall level of access to formal financial services within the country from 69% in 2014 to at least 90% by 2020; and

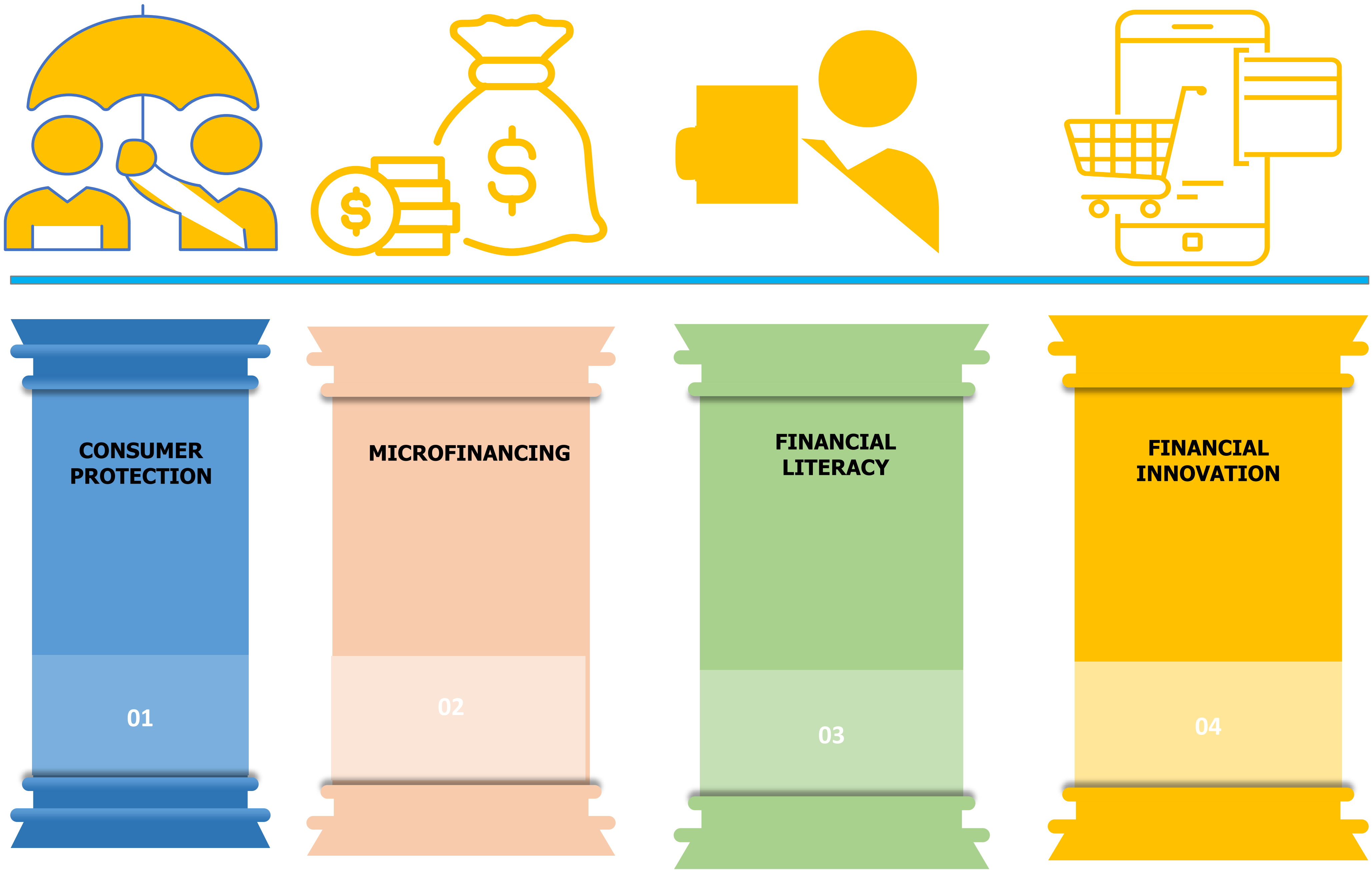
2) To increase proportion of banked adults from 30% in 2014 to at least 60% by 2020.

Consultations, Study Tours, Best Practice

NFIS I - STAKEHOLDERS

The strategy provided for coordinated actions by various stakeholders to achieve the country's financial inclusion objectives.

PILLARS UNDER NFIS I, 2016-2020



TARGET GROUPS UNDER NFIS I

WOMEN

YOUTH

MSMEs

RURAL COMMUNITIES & SMALLHOLDER FARMERS

PEOPLE WITH DISABILITIES

COLLABORATIVE INTERVENTIONS UNDER NFIS I

9 THEMATIC WORKING GROUPS

01 Women Financing and Development

02 SME Finance and Development

03 Youth Finance Development

04 People With Disabilities

05 Rural and Agricultural Finance Development

06 Digital Financial Services;

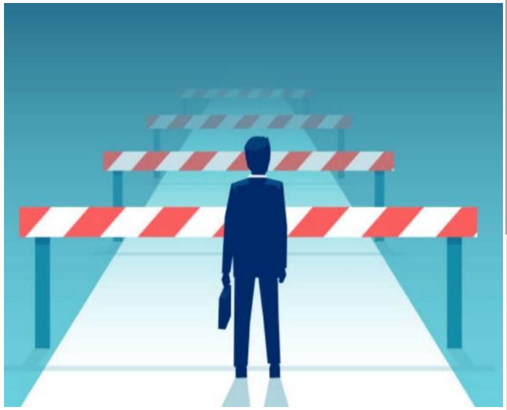
07 Financial Literacy & Consumer Protection

08 Microfinance

09 Insurance & Capital Markets

BARRIERS & CHALLENGES IN ACCESSING FINANCE UNDER NFIS I

- Low levels of financial literacy
- Inadequate Entrepreneurship Skills
- Initially, Target Groups Perceived to be High Risk by Bankers
- Inappropriately designed Financial Products
- High Levels of Poverty & Unemployment
- Bureaucratic Loan Processing Procedures
- Lack of Acceptable Collateral Security



- High Levels of MSMEs Informalisation
- M&E Challenges - Lack of disaggregated data
- Lack of data on community-based financial inclusion initiatives e.g SACCOs & ROSCAS
- General low confidence in the financial sector
- Inadequate Financial Inclusion Co-ordinating Structures
- Inadequate Resources to run Program
- Initially, Stringent Account Opening Requirements

INITIATIVES TO ENHANCE ACCESS AND USAGE OF FINANCIAL SERVICES UNDER NFIS I

Improved Access to Financial Services

Improved Usage of Financial Services

INITIATIVES TO ENHANCE ACCESS TO FINANCIAL SERVICES

- ✓ Facilitate innovative technologies in banking and payments systems (Fintech Regulatory Sandbox) – bridge to innovation
- ✓ Registered Women's Bank (ZWMB) & Empower (Youth) Bank;
- ✓ Mobile money interoperability;
- ✓ Credit Registry; Collateral Registry Development; Warehouse Receipt System.
- ✓ SME Foreign Currency Auction;
- ✓ Bureau De Change forex allocation;
- ✓ Low KYC Account; etc.
- ✓ SME Desks & Women's Desks in FIs.
- ✓ Empowerment Facilities
- ✓ Micro-insurance & MSME Equities

Wealth Creation, Improved Welfare & Poverty Reduction

EXPECTED OUTCOME

INITIATIVES TO ENHANCE USAGE OF FINANCIAL SERVICES

- ✓ Credit Guarantee Scheme;
- ✓ Issued a Consumer Protection Framework in 2017;
- ✓ Financial Literacy Framework;
- ✓ Monitor bank charges;
- ✓ Innovation and Incubation Hubs;
- ✓ Financial Literacy incorporated in New Curriculum; etc

ADDRESSING BARRIERS TO ACCESS AND USAGE OF FINANCIAL SERVICES

- **Financial illiteracy** – **financial literacy programs, Global Money Week Celebrations, outreaches, school curricula etc.**

- **Lack of requisite Collateral** – **Establishment of MSME Guarantee under ECGC, operationalisation of Collateral Registry, group lending schemes, order financing, value chain financing etc.**

- **Stringent account opening requirements** - **low KYC and low cost accounts.**

FINANCIAL INCLUSION RECOGNITION AWARD

Reserve Bank of Zimbabwe was officially recognised as one of the AFI Gender Ambassadors in 2019. The award was in recognition of the women gender inclusive initiatives undertaken by the Reserve Bank of Zimbabwe since the launch of the NFIS I in March 2016

LESSONS LEARNT

UNDER NFIS I

LESSONS LEARNT UNDER NFIS I

Effective Stakeholder Coordination framework involving all relevant stakeholders is critical for the pursuit of goals and objectives of a NFIS.

Robust Monitoring and Evaluation Framework is critical; During the first phase of NFIS it was noted that not all banking institutions were able to provide key information in respect of the target groups

Entrepreneurship Capacity Building and Development of business and technical skills of the entrepreneurs is key in driving financial inclusion of the micro, small and medium enterprises.

Rural Outreach - Financial services and products targeting remote communities are essential to drive financial inclusion.

There is need for sufficiently **Disaggregated Data.** Lack of data perpetuates gender, age, area gaps in financial inclusion.

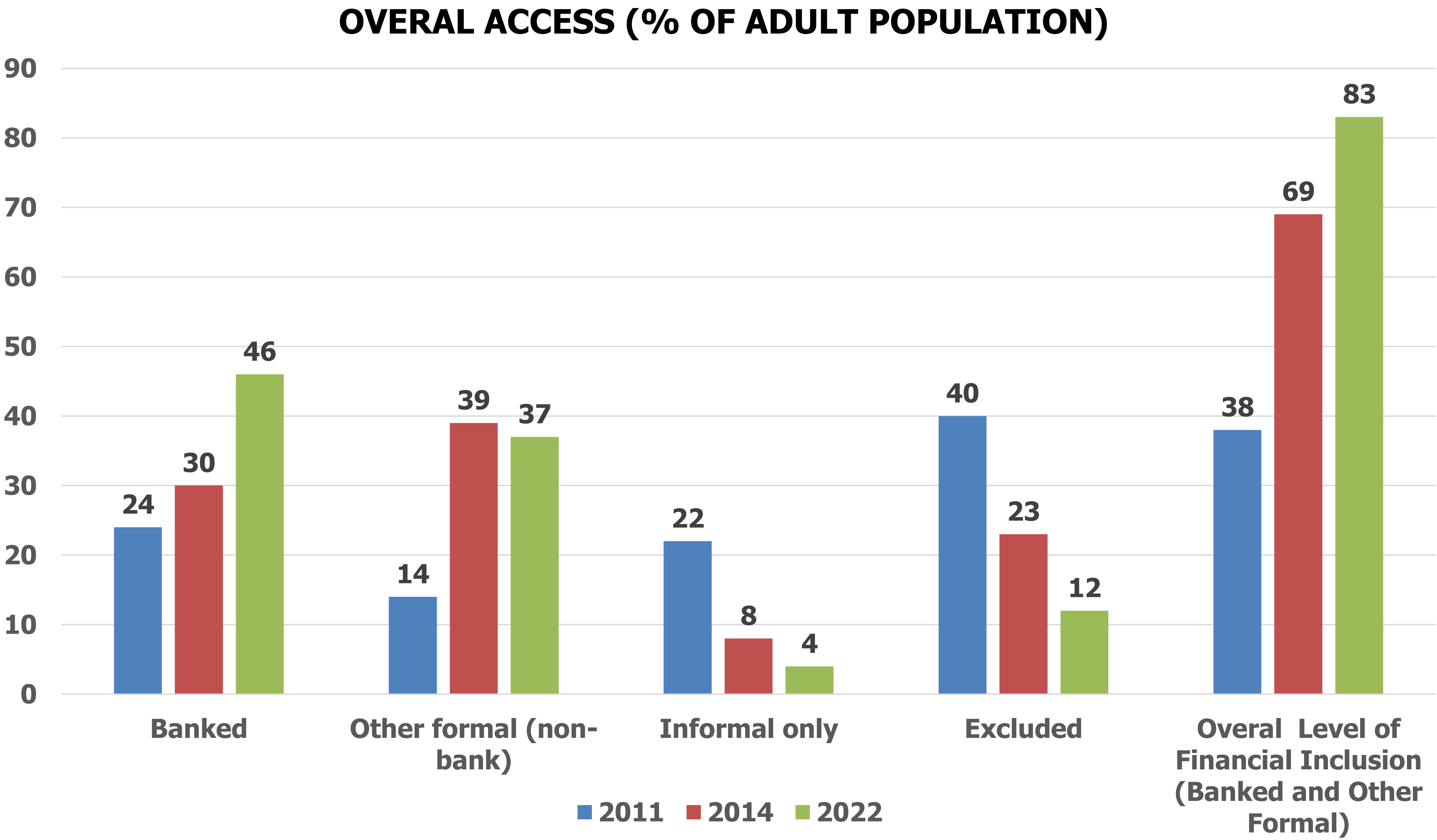
NFIS Communication Strategy is key. It is critical to come up with a NFIS Communication Strategy to facilitate dissemination of information on national financial inclusion initiatives so that all stakeholders

PROGRESS ACHIEVED UNDER NFIS I

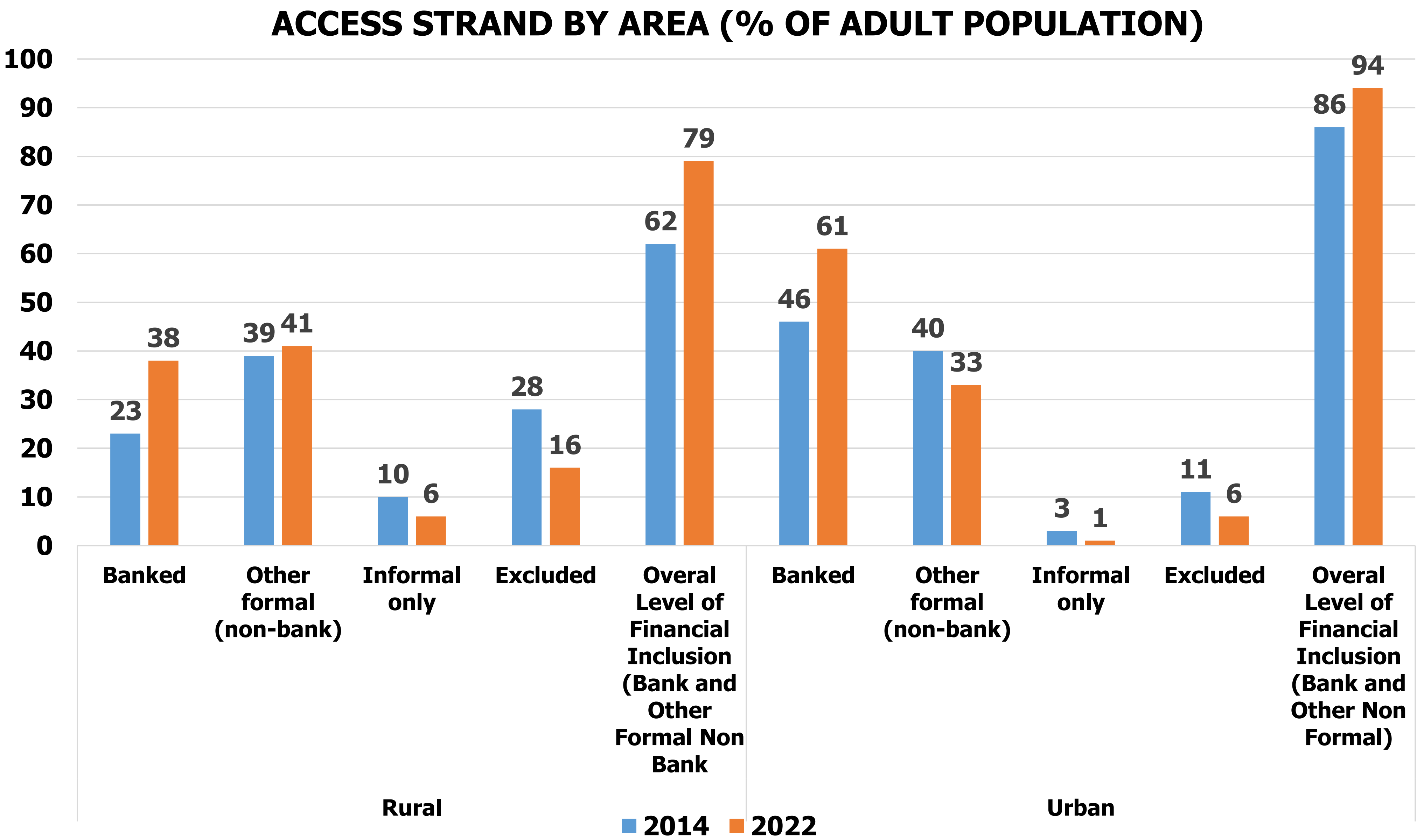
FINSCOPE CONSUMER SURVEY RESULTS, 2022

(DEMAND SIDE INDICATORS)

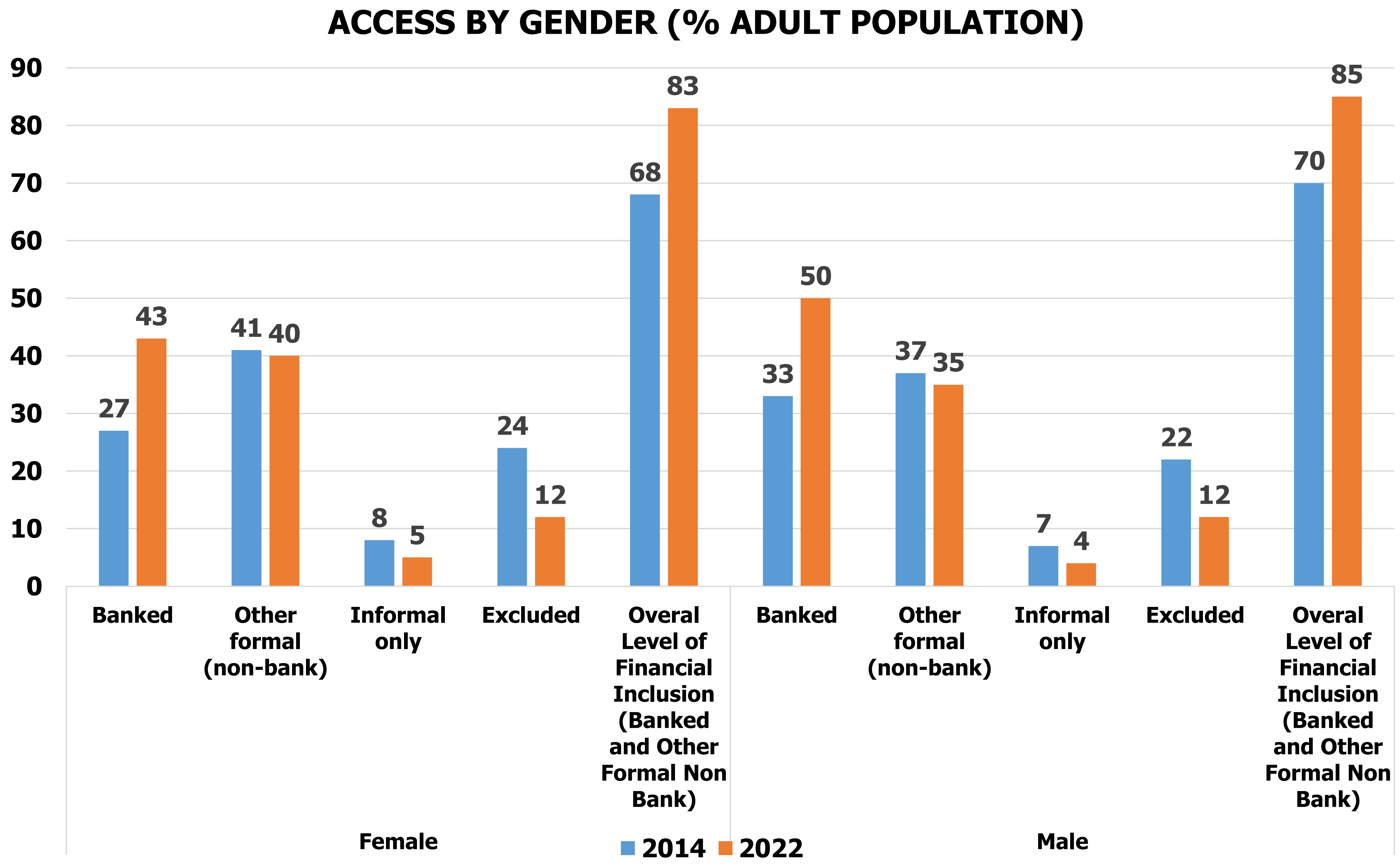
FINANCIAL ACCESS STRAND



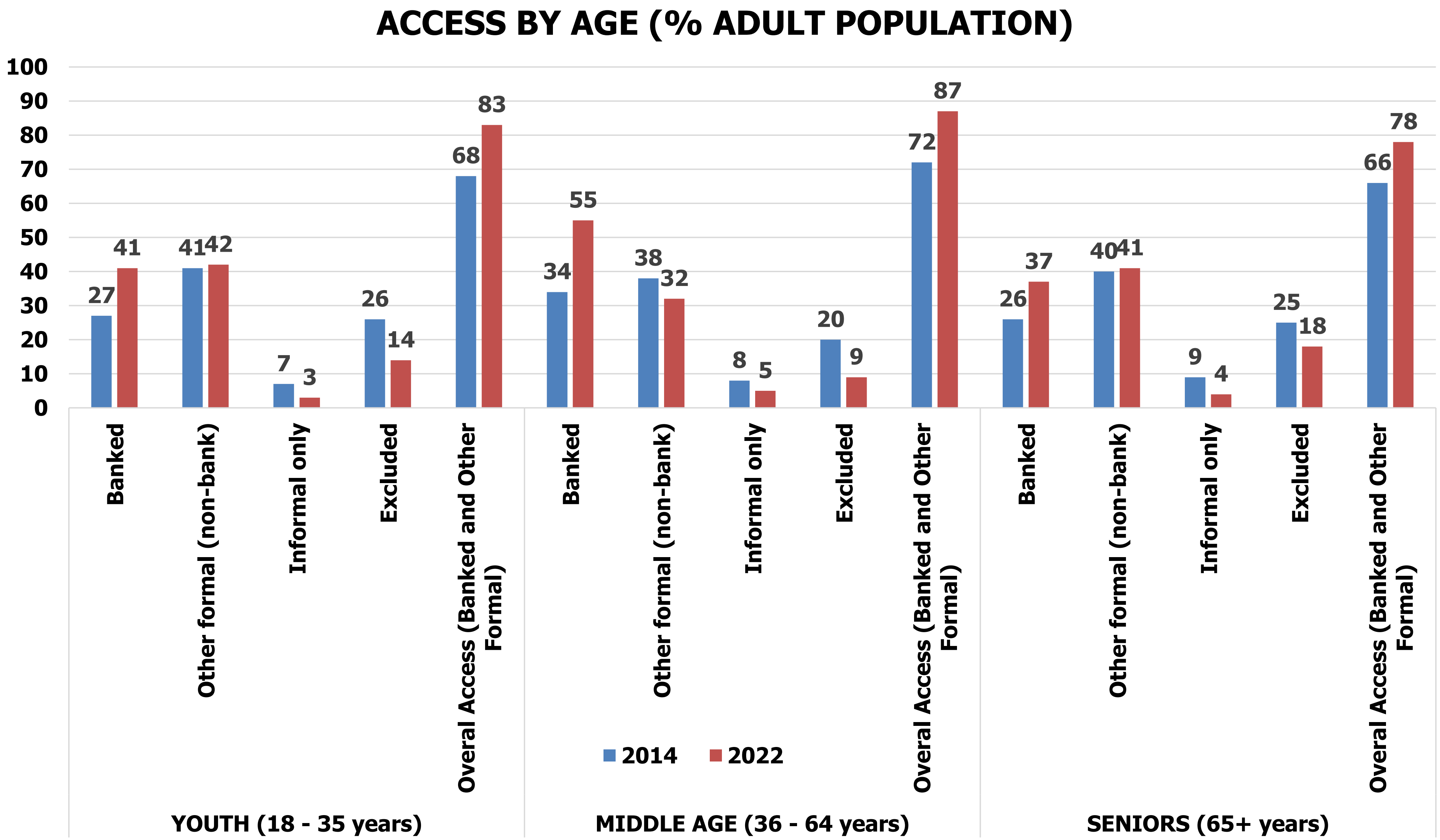
FINANCIAL ACCESS STRAND



FINANCIAL ACCESS STRAND - GENDER

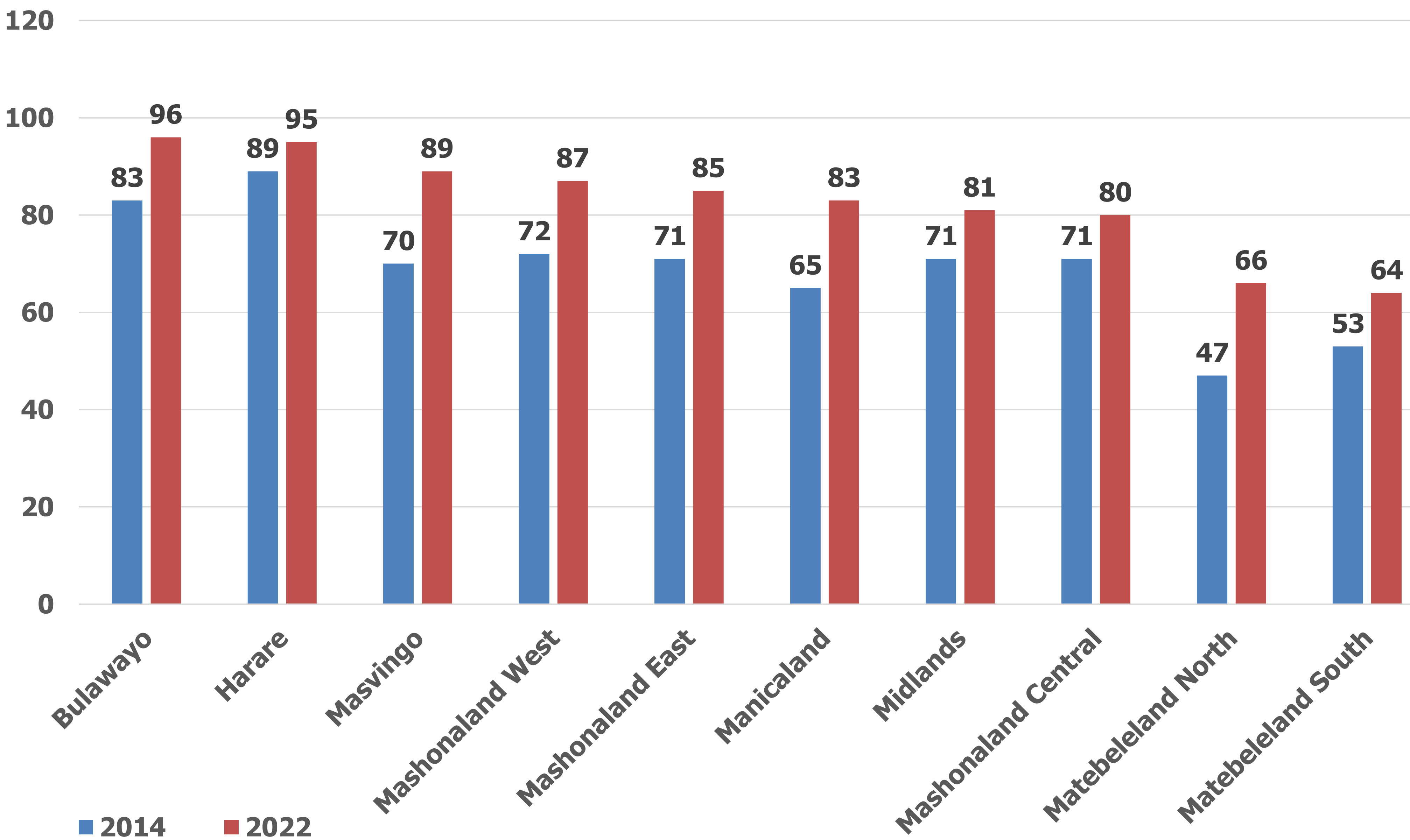


FINANCIAL ACCESS STRAND BY AGE

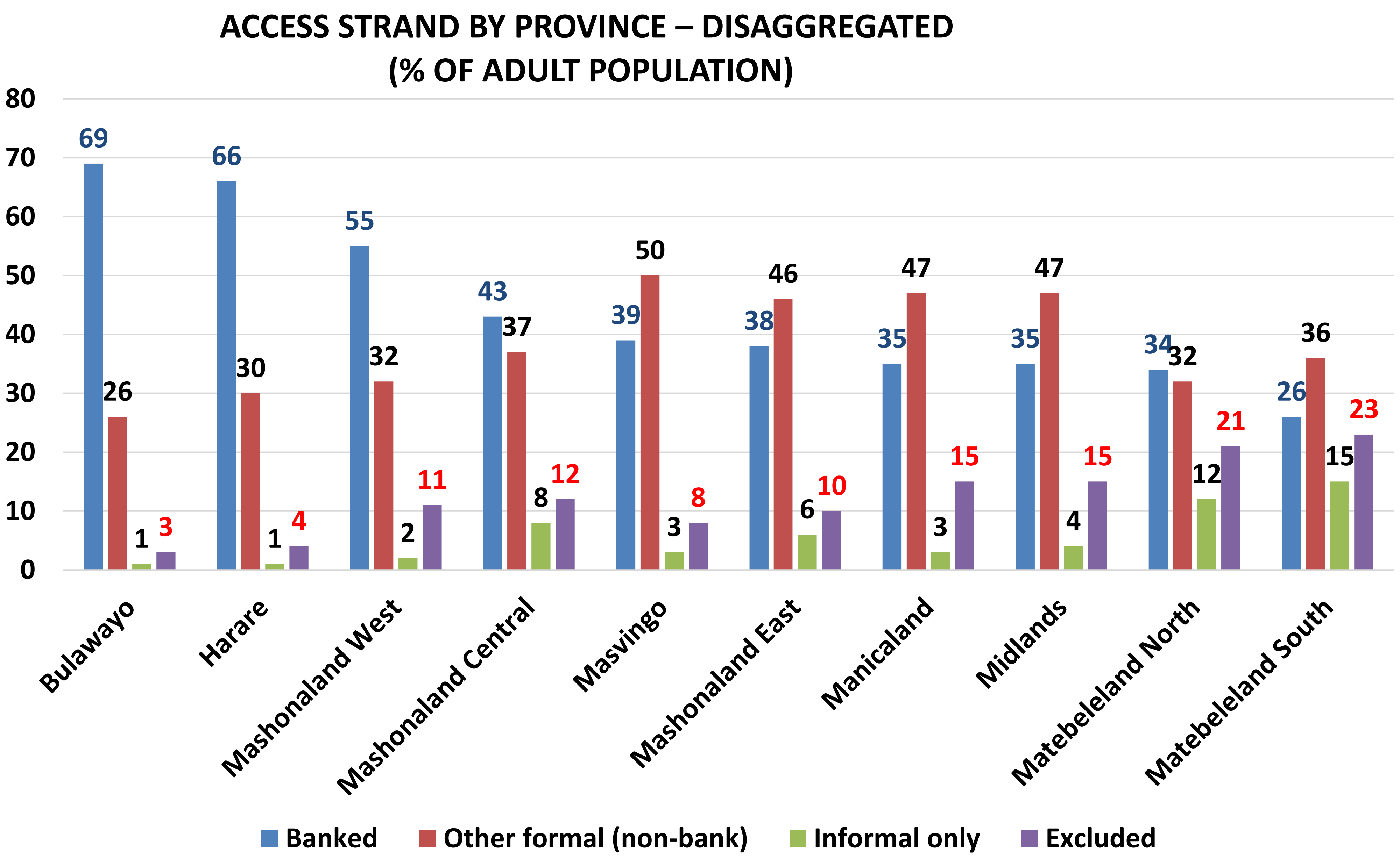


FINANCIAL ACCESS STRAND

ACCESS BY PROVINCE - TOTAL (% OF ADULT POPULATION)



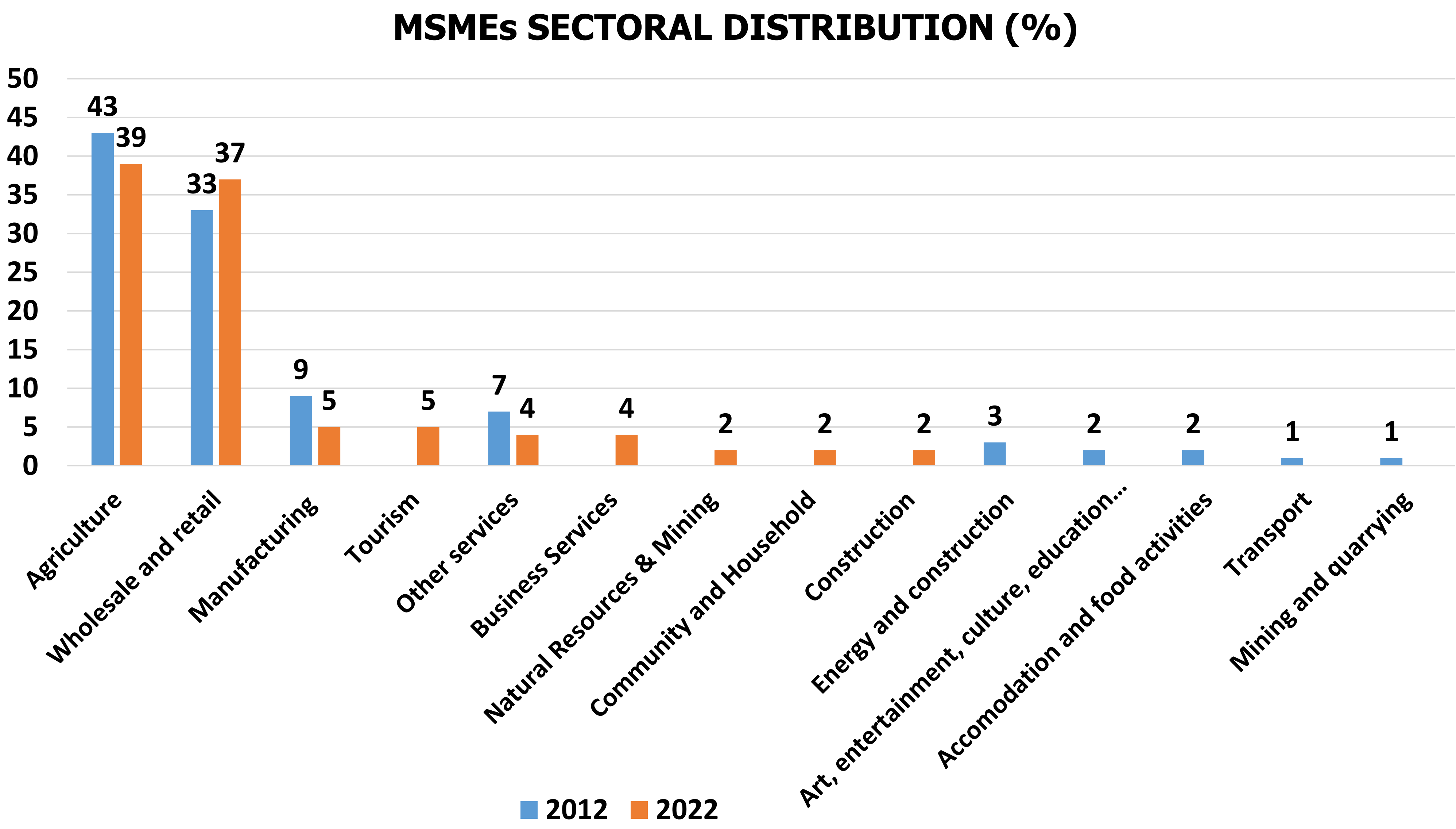
FINANCIAL ACCESS STRAND....



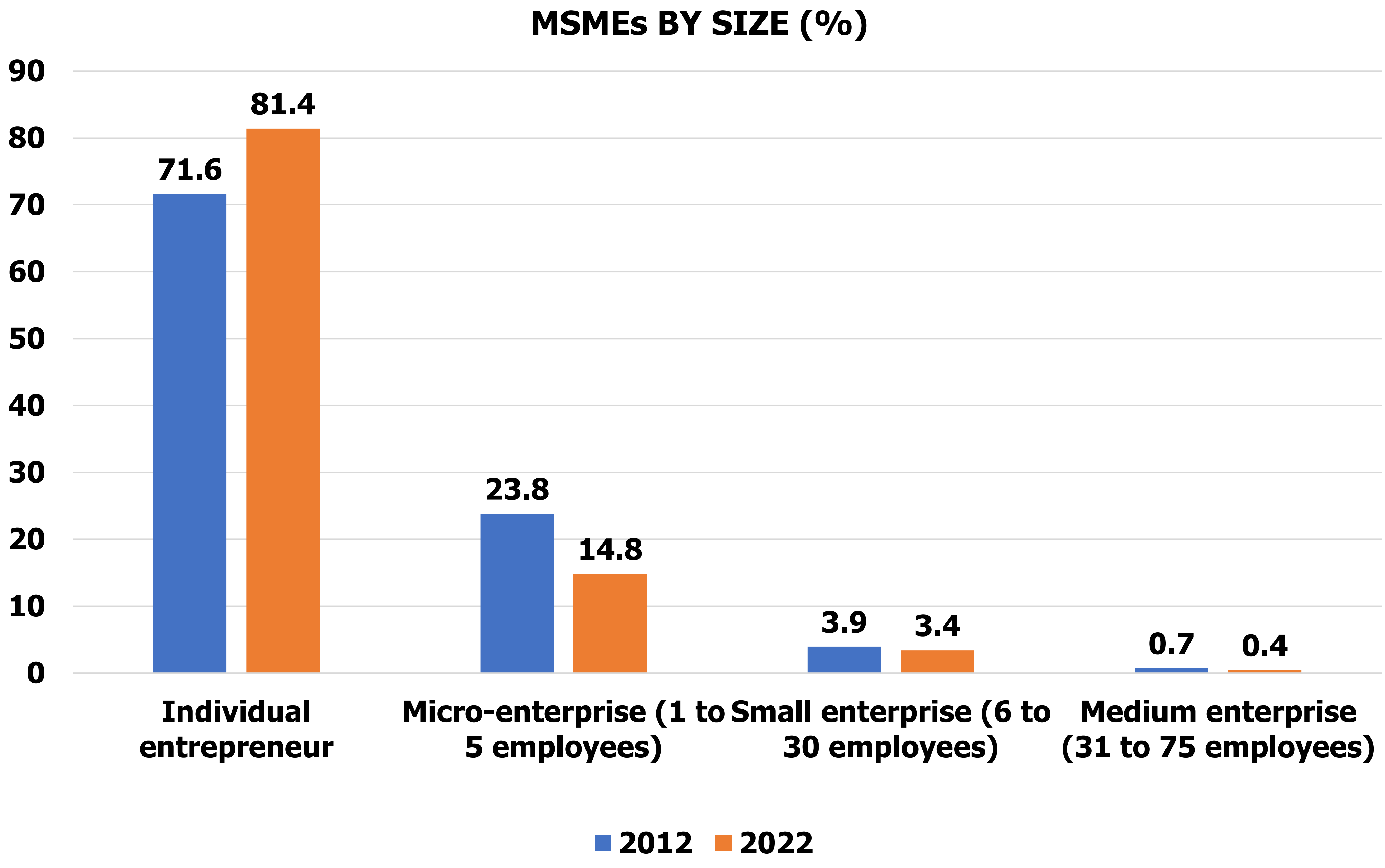
FINSCOPE MSMEs SURVEY RESULTS, 2022

(DEMAND SIDE INDICATORS)

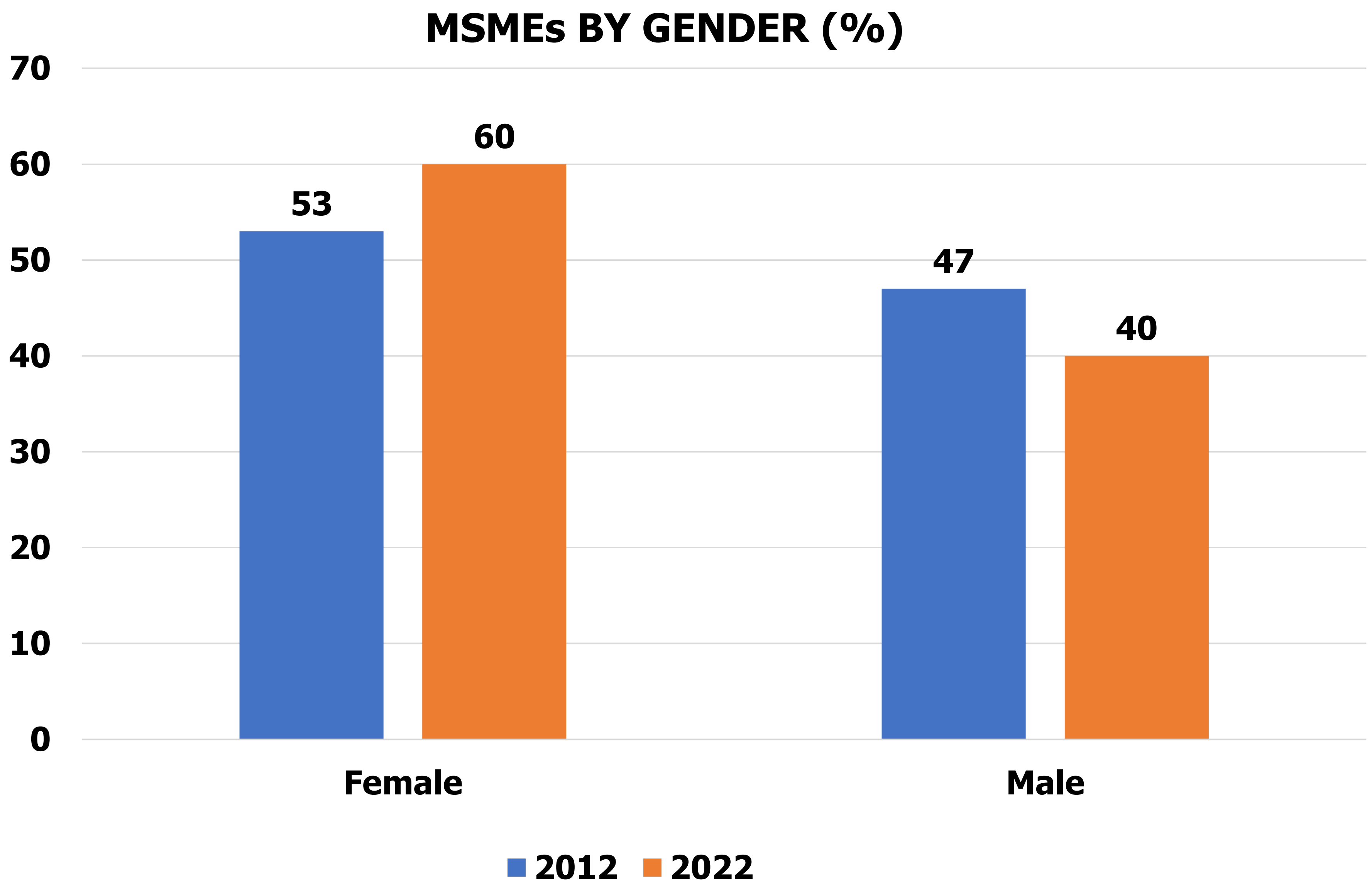
MSMEs BY SECTOR



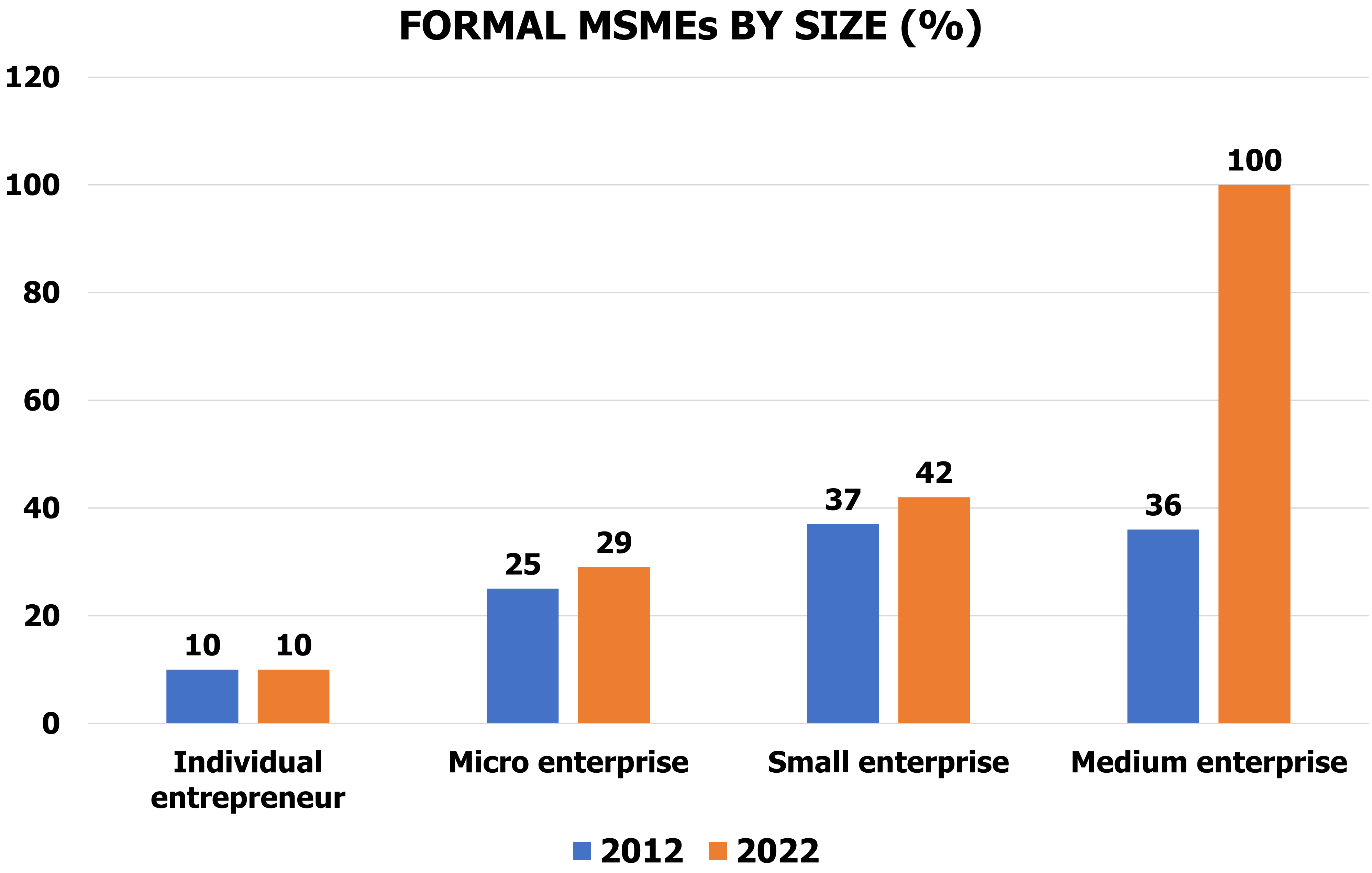
SIZE AND SCOPE OF MSMEs



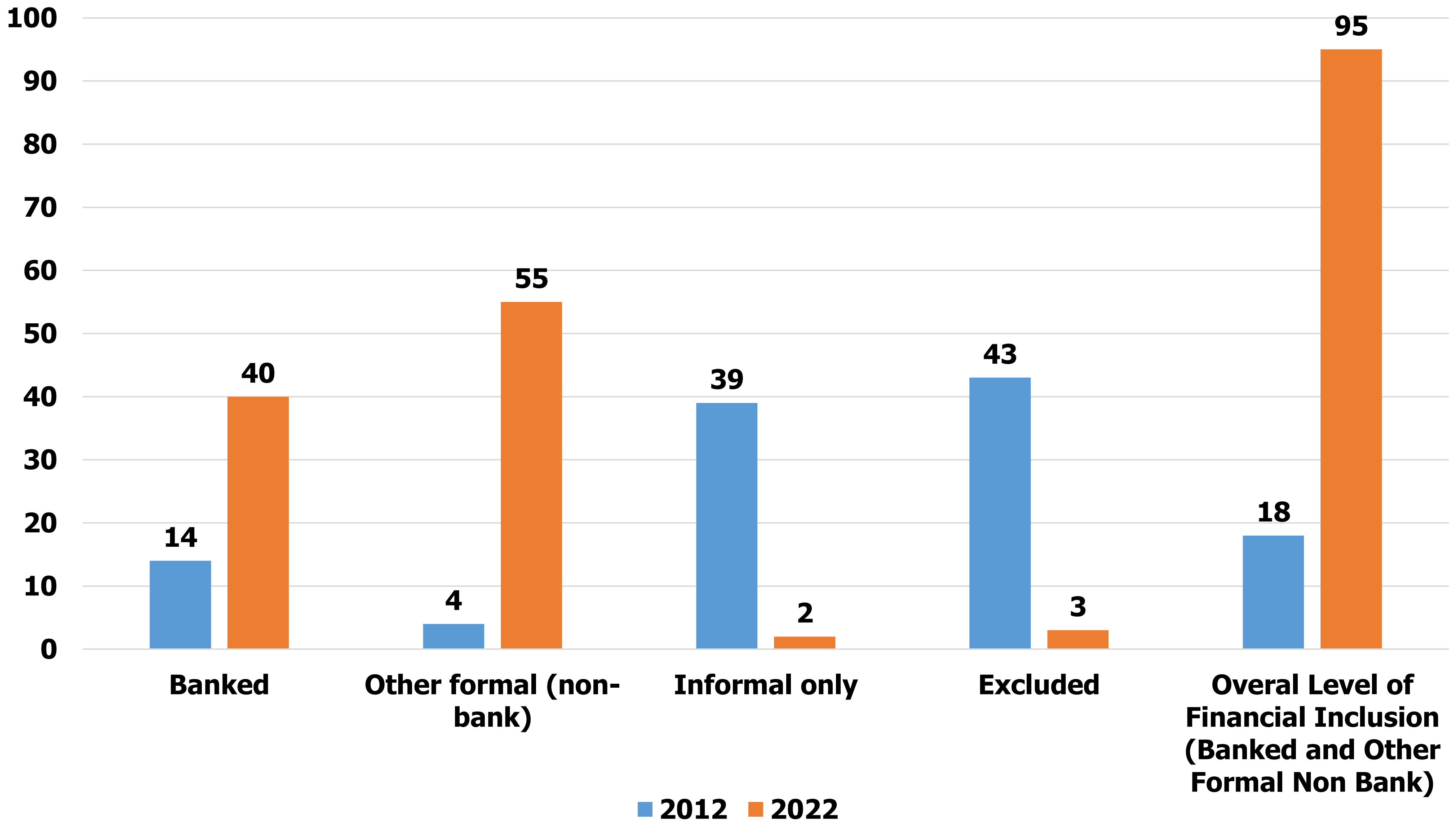
SIZE AND SCOPE OF MSMEs



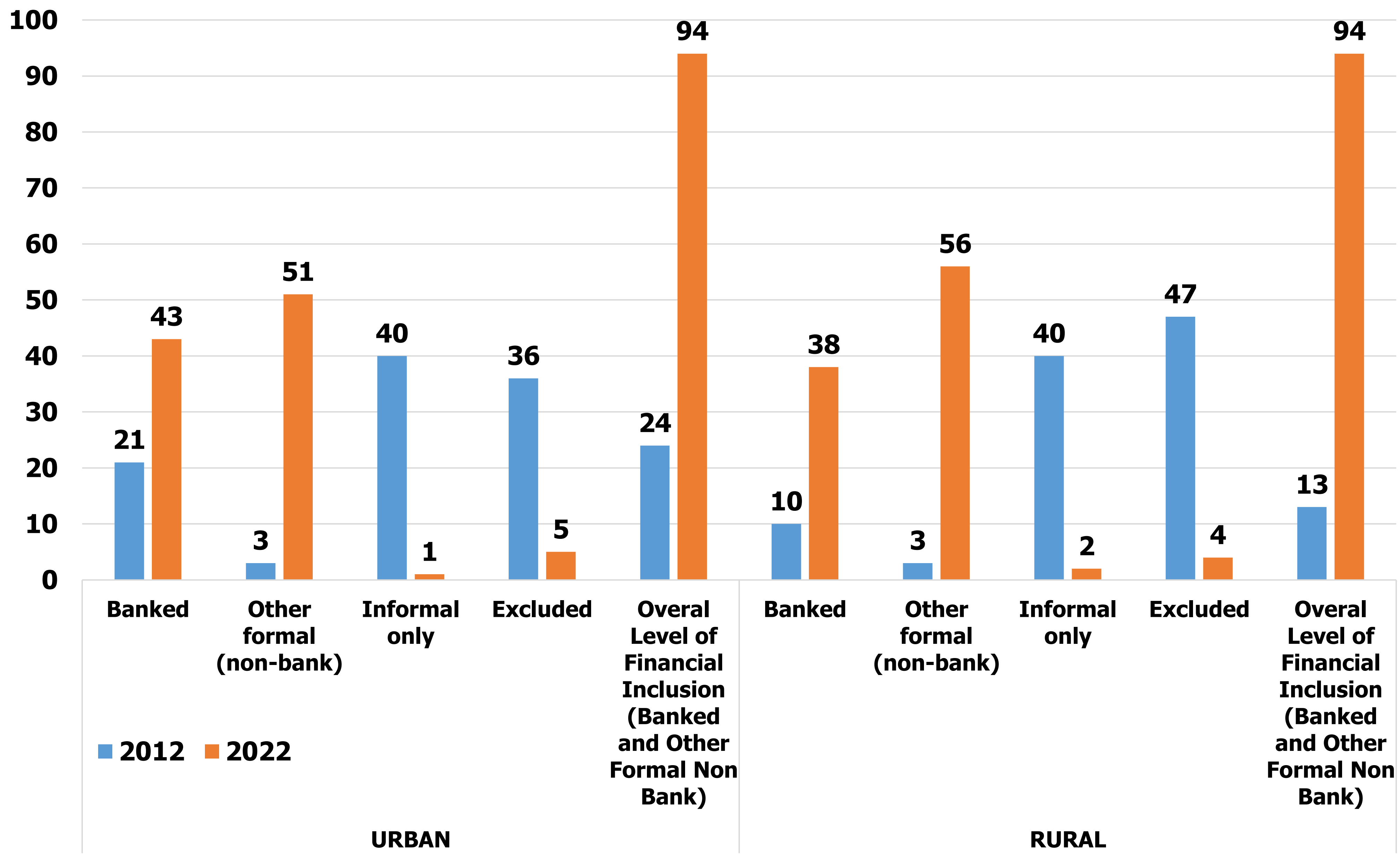
STATE OF FORMALIZATION



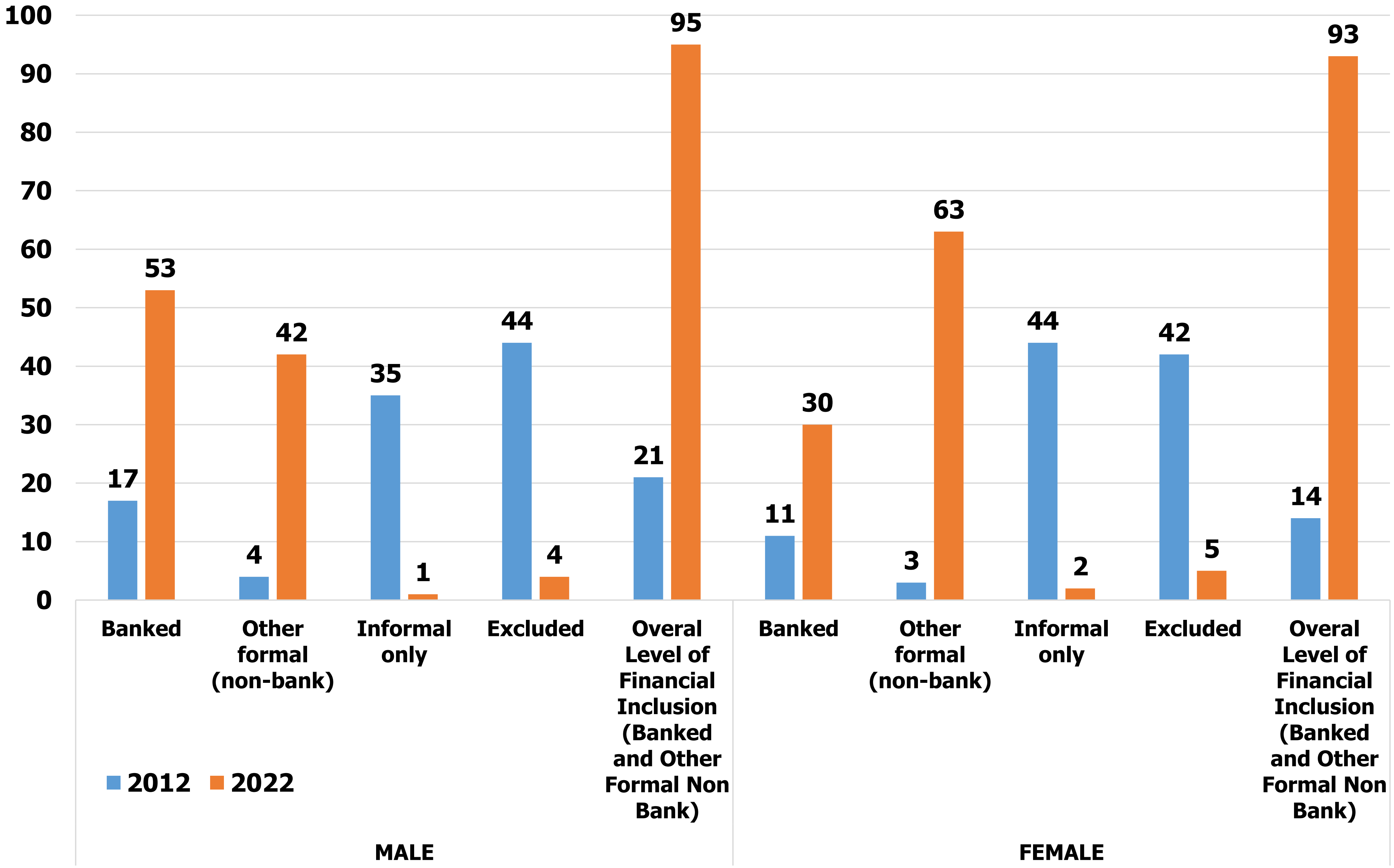
FINANCIAL ACCESS STRAND (% OF MSMEs)



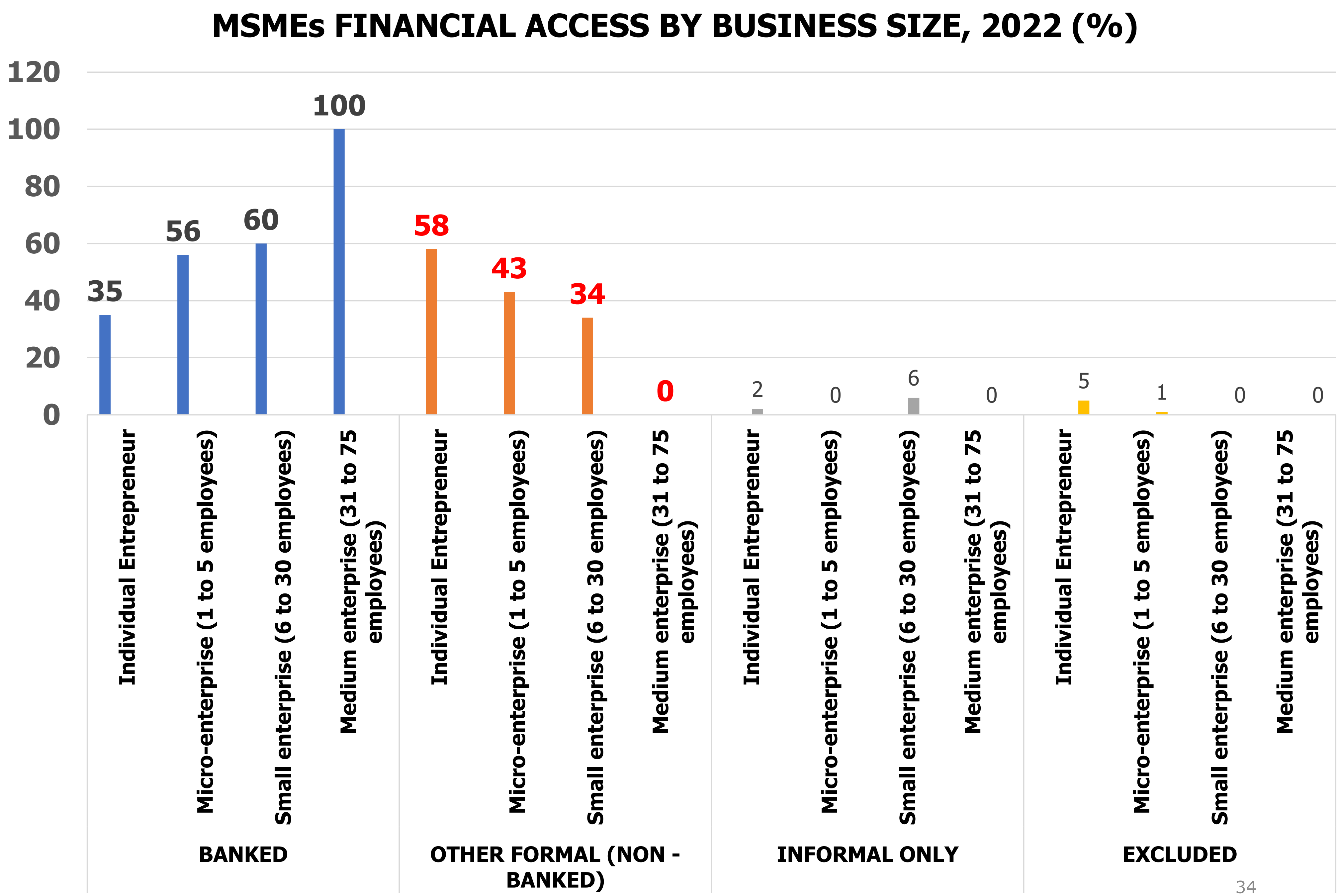
MSMEs FINANCIAL ACCESS BY AREA (% of MSMEs)



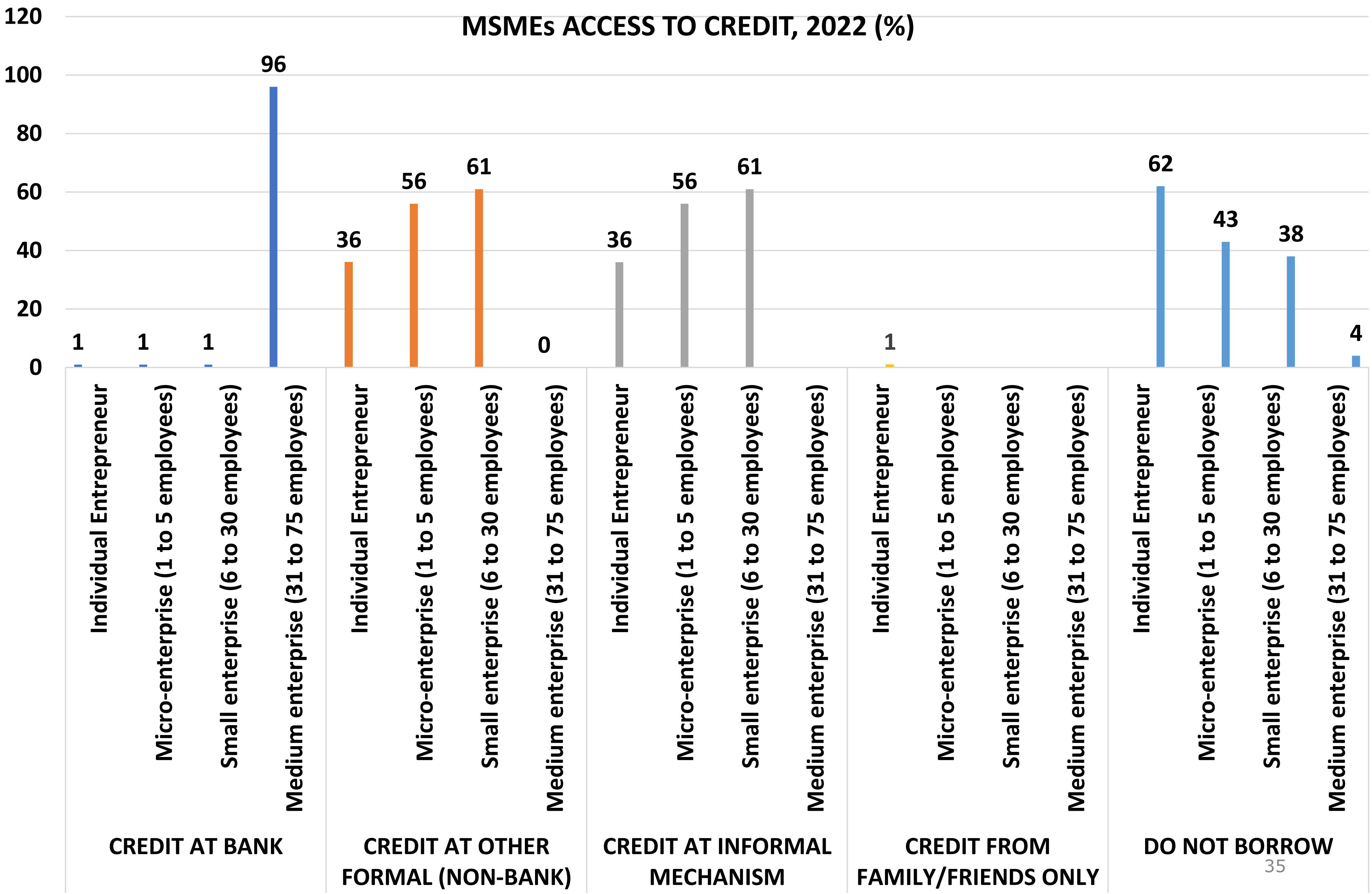
MSMEs FINANCIAL ACCESS BY GENDER (% OF MSMEs)



FINANCIAL ACCESS STRAND



FINANCIAL ACCESS STRAND



FINANCIAL ACCESS - SUPPLY SIDE INDICATORS

Indicator	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Number of Loans to MSMEs	24,129	24,681	35,224	35,224	22,657	37,590
Nominal Value of loans to MSMEs (ZW$ Million)	3,967.00	5,511.15	7,164.95	10,280.92	13,928.18	34,021.15
Inflation-adjusted - Value of loans to MSMEs (ZW$ Million)	1,164.88	2,667.03	4,727.78	6,395.99	8,064.96	11,668.66
Average loans to MSMEs as % of total bank loans	3.79	3.85	3.89	3.9	4.63	5.54
Number of Loans to Women	514,492	486,672	523,550	173,810	178,897	189,861
Nominal Value of Loans to Women (ZW$ Million)	5,039	6,716.62	11,905.96	14,666.06	16,296.10	42,972.89
Inflation-adjusted Value of Loans to Women (ZW$ Million)	1,479.67	3,250.40	7,856.13	9,124.09	9,436.07	14,738.95
Average loans to women as a % of total bank loans	4.82	4.69	6.47	5.57	5.42	7.00
Number of Loans to Youth	68,452	72,924	77,446	75,188	77,864	85,562
Nominal Value of Loans to Youth (ZW$ Million)	2,719	3,825.46	5,488.16	6,249.97	8,132.97	12,717.06
Inflation-adjusted Value of Loans to Youth (ZW$ Million)	798.41	1,851.27	3,621.35	3,888.25	4,709.31	4,361.73
Average loans to the youth as a % of total bank loans	2.6	2.67	2.98	2.37	2.7	2.07
Total number of Active Bank Accounts (Million)	9.06	7.17	6.69	8.17	7.76	6.95
Number of Low Cost Bank Accounts (Million)	5.82	4.41	4.45	4.78	4.83	4.22

CROSSING OVER

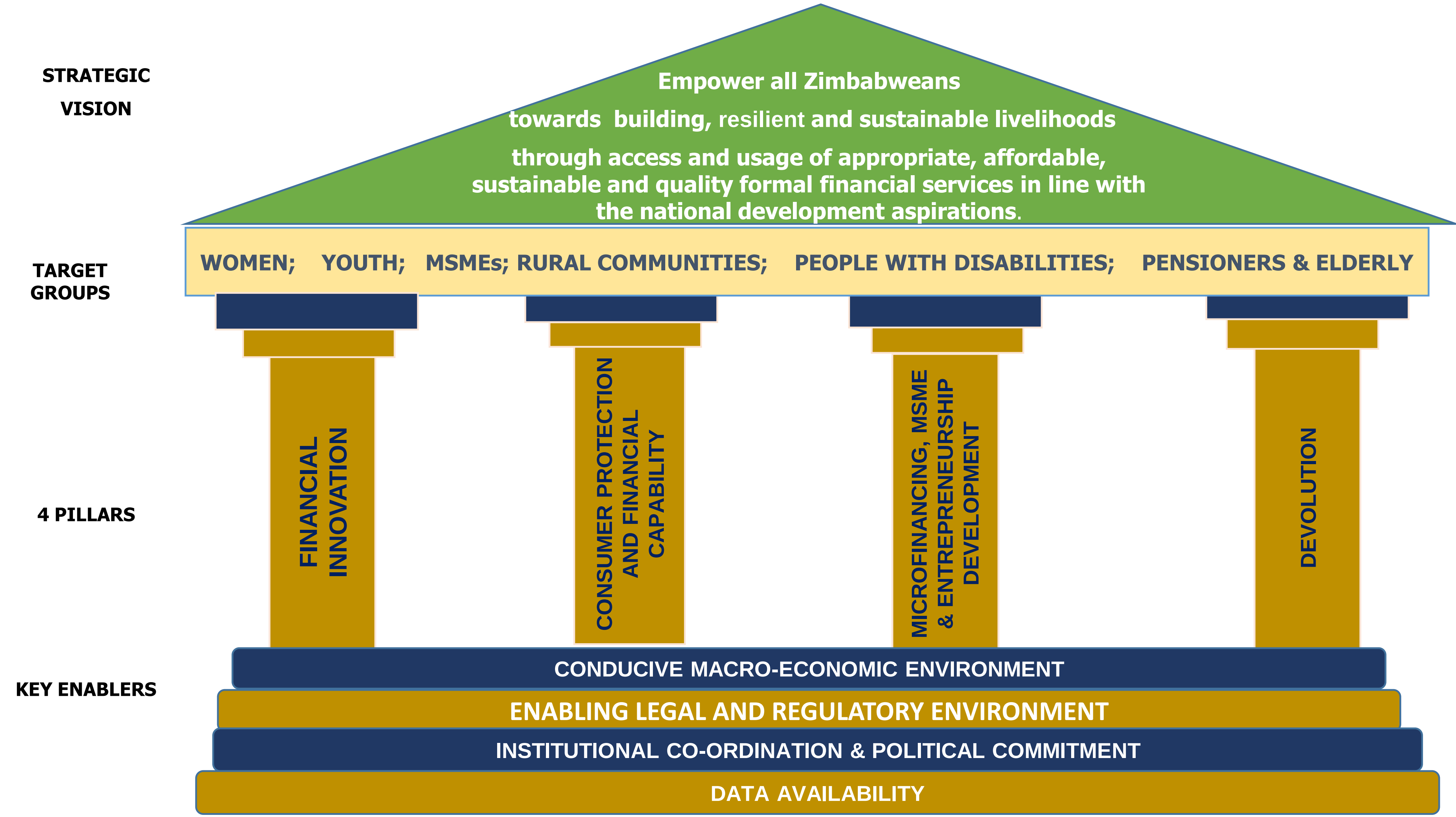
FROM

NFIS I (2016-2020)

TO

NFIS II (2022-2026)

NFIS II, 2022-2026, FRAMEWORK



NFIS II EXPECTED OUTCOMES

01

Financial Deepening through increased uptake and usage of quality customer-centric financial products and innovative distribution channels to meet life cycle financial needs on a sustainable basis.

02

Improved Livelihoods and Financial Capability of the target segments through sustainable usage of financial services & a combination of knowledge, skills, attitudes and confidence to make sound financial decisions.

STRUCTURE OF THE NFIS II DOCUMENT

INTRODUCTION	The Introduction answers the question "why financial inclusion" and provides a background focusing on architecture of the financial sector, achievements and challenges under National Financial Inclusion Strategy I.
STATUS OF FINANCIAL INCLUSION IN ZIMBABWE	The content and priorities of the NFIS are framed around an assessment of the current state of financial inclusion in Zimbabwe. The 2022 surveys results identified obstacles and opportunities relevant to achievement of the vision.
NFIS II FRAMEWORK	The NFIS Framework is established on the basis of the above mentioned assessment. The framework consists of key enablers, pillars, performance targets and targeted groups.
GOVERNANCE AND COORDINATING STRUCTURES	A well-structured and inclusive Coordination Structure with a clear mandate and dedicated resources is critical to guide implementation of the NFIS.
MONITORING AND EVALUATION	A robust Monitoring & Evaluation System to track implementation and ensure that targets set are achieved at both the national and institutional level

NFIS II TARGET GROUPS

01 WOMEN.

02 YOUTH

03 MSMEs

04 RURAL COMMUNITIES & SMALLHOLDER FARMERS

05 PEOPLE WITH DISABILITIES

06 PENSIONERS & THE ELDERLY

NFIS II FOCUS AREAS

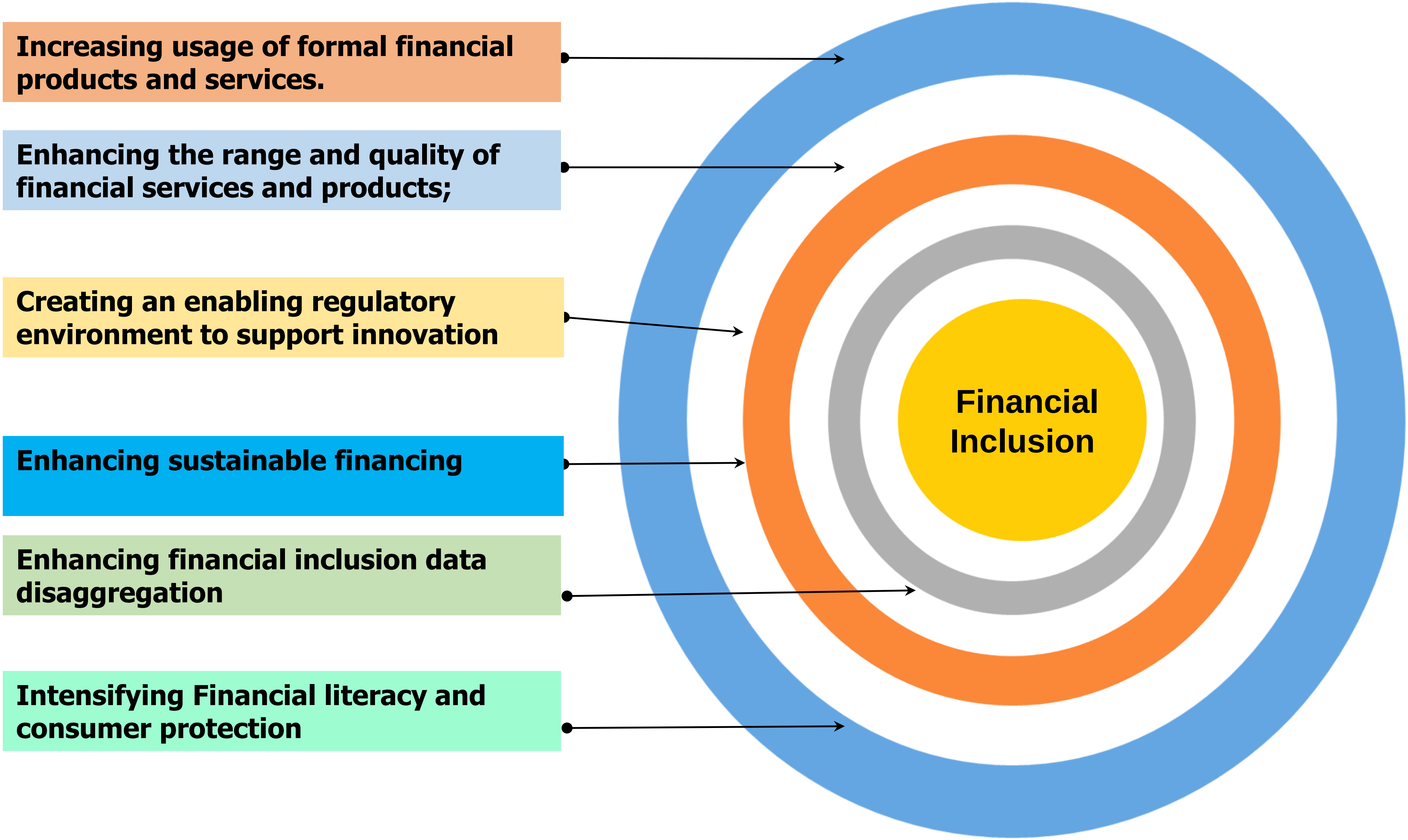


TABLE 2: FINANCIAL INCLUSION TARGETS!

Financial Inclusion Dimension	Indicator	Baseline (2022)	Target (2026)
Usage	Percentage of population with transactional accounts	70%	80%
	Percentage of population with active (used at least once in 60 days) formal savings accounts	36%	45%
	Percentage of population with active (used at least once in 30 days) credit accounts	39%	45%
	Percentage of population covered under an insurance policy	22%	35%
	Percentage of population with active (used at least once in 30 days) mobile account	63%	75%
	Percentage of population with investments in capital markets	2%	5%
Access to financial services by the urban adult population	Percentage of urban population formally served	94%	98%
	Percentage of urban population formally banked	61%	80%
	Percentage of urban population accessing other formal non-bank financial services	33%	60%
Access to financial services by rural adult population	Percentage of rural population formally served	79%	85%
	Percentage of rural population formally banked	38%	50%
	Percentage of rural population accessing other formal non-bank financial services	41%	60%

COLLABORATIVE INTERVENTIONS UNDER NFIS II

10 THEMATIC WORKING GROUPS

01 Women Financing and Development

02 MSME Finance & Entrepreneureship Development

03 Youth Finance Development

04 People With Disabilities

05 Rural and Agricultural Finance Development

06 Digital Financial Services;

07 Financial Literacy & Consumer Protection

08 Microfinance

09 Insurance & Capital Markets

10 Pensioners and the Elderly

FINANCIAL INCLUSION II IMPLEMENTATION

- **For each of the Target Groups:**
  - **What are the barriers to effective usage of quality financial services on a sustainable basis?**
  - **What strategies do we need to put in place?**
  - **What actions as a stakeholder are you going to take towards attainment of NFIS objectives?**
- **For each Pillar:**
  - **What actions can be done to facilitate attainment of the vision.**

CONCLUSION

- ✓ **Successful implementation of NFIS II requires effective co-ordination, collaboration and taking ownership of the financial inclusion initiatives by all stakeholders.**

THE RACE TO FINANCIAL INCLUSIVITY CONTINUES!!....

"Leave Noone and No Place Behind!"

TATENDA
SIYABONGA
THANK YOU