



AfricaNenda
ACCELERATING INCLUSIVE PAYMENT SYSTEMS

INSTANT AND INCLUSIVE PAYMENTS

Consumer research insights

Focus on Zambia ●

SIIPS 2022



INTRODUCTION

The State of Instant and Inclusive Payment Systems (SIIPS) in Africa report is an [AfricaNenda](#) initiative, together with the World Bank and the United Nations Economic Commission for Africa. It is an annual think piece that is developed from a detailed assessment of instant payment systems in Africa, through mixed research methods that involve conducting an in-depth industry analysis to establish key trends, best practices, and benchmarks, to inform the development and scaling of instant and inclusive payment systems to accelerate financial inclusion in Africa.

The State of Instant and Inclusive Payment Systems in Africa report, SIIPS – Africa 2022, is the inaugural edition. The report aims to inform public-sector and private-sector players in Africa and beyond about the developments in the instant retail payment system (IPS) ecosystem in Africa, including an assessment of the inclusivity of such systems, both in functionality (the extent to which they are accessible to all end-users) and governance (the extent to which all licensed payment providers have fair access and design input opportunities). For this report, only systems with live transactions and functionality as of June 2022 were included. The data in this report was gathered from publicly available resources from March to July 2022, and it was supported by extensive stakeholder interviews during the same period.

The consumer research was conducted between May and June 2022. It involved extensive in-country qualitative and quantitative research covering low-income adult individuals and MSMEs across seven countries namely; The Democratic Republic of Congo, Egypt, Ghana, Kenya, Nigeria, Tanzania, and Zambia. This consumer research exercise will be replicated in different countries each year, and insights will contribute to the annual SIIPS report content.

This is the **Zambia focus report**. The sample is not nationally representative, as this exercise was intended to draw out insights to inform how IPS can be designed to better meet the needs of end-users.

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Glossary

For the purpose of fieldwork, the data collection tools use consumer-friendly terms to collect feedback. The payment term and corresponding consumer term are shown in the table below.

Consumer research term	Instrument [channel]
Mobile money wallet	MM [USSD/app]
Mobile money agent	MM [agent]
Payment application	PSP [USSD/app/browser]
Banking application	Bank [USSD/app/browser]
Banking agent	Bank [agent]
Credit/debit card	Card [POS/browser]
Cash	Cash



MM: Commercial E-Money scheme; Bank: Interbank EFT debit/credit;
Card: Debit Card; PSP: Payment service provider.

SECTION 1



RESEARCH METHODOLOGY OVERVIEW



Research objectives & process



RESEARCH OBJECTIVES

The objective of this research was to provide a consumer perspective that will add to the IIPs knowledge base by:

Understanding which payment methods are used and for which purposes

Identifying motivators and barriers consumers face when using digital payments

Defining challenges experienced in accessing digital payments and opportunities for adoption

Exploring use cases, desired features, and unmet needs and expectations of digital payments



FIELDWORK ITINERARY

Fieldwork location: Lusaka and Ndola in the copper belt region

Quantitative data collection: May 13–20, 2022

Qualitative data collection (in-depth interviews, focus group discussions, & immersions): May 16–25, 2022



RESEARCH EXECUTION PROCESS



Quantitative tool design

- Respondent Recruitment Screening Tool
- Survey Questionnaire Tool



Quantitative fieldwork

- Survey scripting and programming for mobile data collection
- Enumerator training
- Data collection
- Quality checks



Qualitative tool design

- Data review from quant. process



Qualitative data collection

Focus group discussions

In-depth interviews

Immersions

Approach

QUANTITATIVE RESEARCH: Identify customer behavior trends

Quantitative survey n=60 individuals, 49 MSMEs

- Take stock of digital payment patterns and determinants in general, and of instant payments in particular
- Allow comparison across countries and set a baseline on which time series data can be built up

- In-depth interviews are interviews with individuals instead of a group.
- Immersions are interviews with individuals around specific trends and scenarios discovered through the focus group discussions and in-depth interviews.

QUALITATIVE RESEARCH: Understand key drivers of shifting consumer behavior towards IIPS

Focus group discussions n=5

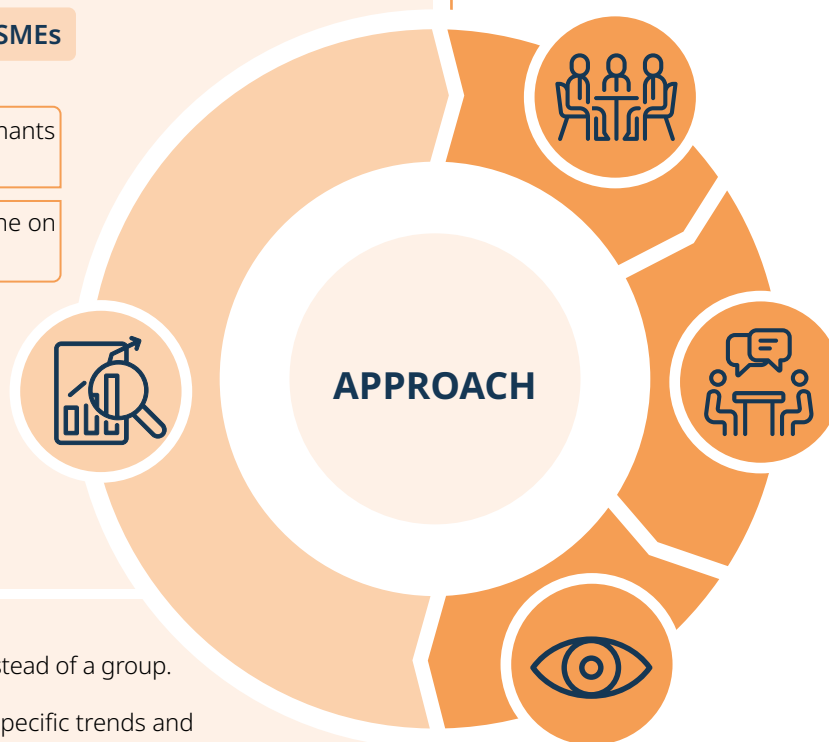
- Identify key decision-making patterns
- Identify key trends in terms of customer behavior
- Spontaneously explore generalized perceptions

In-depth interviews n=15

- Gain an in-depth understanding of the person's/ business's socioeconomic and household reality
- Understand individual reasons for customer behavior

Immersions n=5

- In-depth understanding of customer journey and user experience



Sampling Approach

DEFINITION

Lower-income and infrequent income earners



Include urban poor who live “hand to mouth” and lack regular employment and stable earning opportunities; intermittent piecework/gig workers; and people who are dependent on others in the family/community and/or on social grants.

Lower-income but frequent income earners



Are the slightly more affluent part of the lower-income mass market, earning a steady income (wages) or a salary, in the formal or informal sector.

Micro entrepreneurs*



Individual traders/merchants like hawkers, fruit and vegetable sellers, cobblers, and other craft traders.

Small businesses*



Traders/service providers who have small, fixed premises or (mostly informal) shops, as well as smallholder farmers and small agribusinesses.*

75% of the total sample for the quantitative survey are digital payments users (individuals and businesses), and 90% of the total sample for the qualitative research components are digital payments users (individuals and businesses).

QUANTITATIVE RESEARCH [100 respondents]

Quantitative	Respondent type	Total	Male	Female	18-29 years	30-45 years	45-55 years	Infrequent income/ micro businesses	Frequent income/ small businesses
Zambia (Lusaka & Ndola)	Individuals	60	30	30	24	21	15	30	30
	MSMEs	40	20	20	16	14	10	20	20

QUALITATIVE RESEARCH [40 respondents]

Qualitative	Location	Focus group discussion	In-depth interview	Immersion/ Observation
Zambia	Lusaka	5	15	5

* Monthly turnover number cutoff applied was USD 1,000 and formality of premises.

SECTION 2 ●

ASSESSMENT OF PAYMENT INSTRUMENTS: ADDRESSING NEEDS AND USAGE

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Leading payment needs are purchasing airtime (individuals) and receiving customer payments (MSMEs)

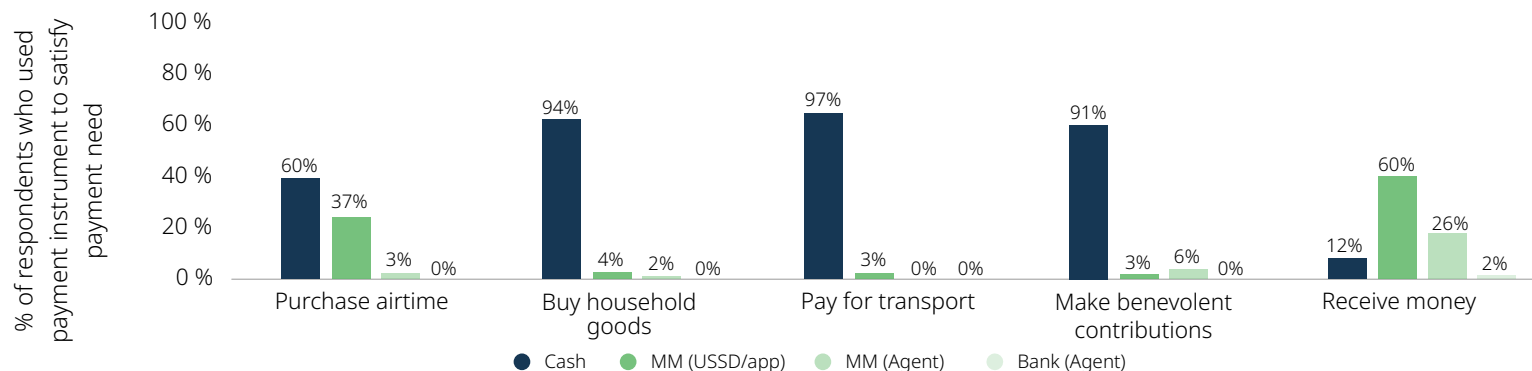
		Individuals	MSMEs
Ranking of payment needs [proportion of individual respondents that had the payment need at least once a week]*	1	Purchase airtime (90%)	Receive customer payments (60%)
	2	Buy household goods (57%)	Pay suppliers (40%)
	3	Pay for transport (44%)	Send staff money for transport (38%)
	4	Make benevolent contribution (26%)	Send staff airtime money (33%)
	5	Receive money (16%)	Pay staff salaries (13%)
	6	Receive income (3%)	Pay for utilities (5%)
	7	Pay for utilities (3%)	To settle recurrent bills (5%)
	8	Settle recurrent bills (3%)	Pay for government services/permit (3%)
	9	Sending money (2%)	Loan repayments (3%)
*Payment needs that were not experienced by respondents over the past 7 days are not included in the ranking above – individuals: repaying loans, payment of hospital bills, receiving govt. payments.			
Most digitalized use case		Sending money	Paying for utilities

- Opportunity to increase the level of digitalization for a majority of individual and MSME payment needs.
- Airtime purchase, a key payment need for individuals, has a significant opportunity to digitalize.
- Sending and receiving money have the highest level of digitalization for individuals.
- Opportunity to incentivize MSMEs to embrace more digital payment for their key needs: receiving customer payments, staff payments, and supplier payments where adoption is “very low” and “low.”

Proportion of respondents using primarily digital payments to satisfy the respective payment need	No usage	Very low	Low	Medium	High	Very high
	0%	1–20%	21–40%	41–60%	61–80%	81–100%

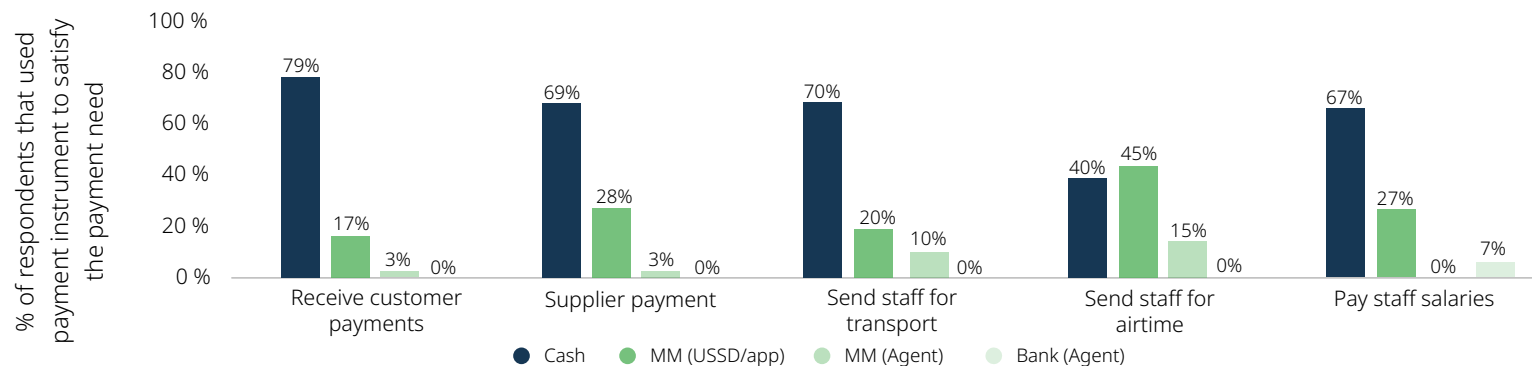
Cash usage is prevalent in addressing leading payment needs for individuals and MSMEs; opportunities to drive digital payments include merchant payments, payments for daily transport, among others

Top individual payment needs: overview of primarily used payment instruments and channels



- Receiving money is the most digitalized use case, followed by airtime purchases.
- Mobile money agent use is dominant in remittances at 28%.
- Day-to-day purchases have high potential for digitalization, including payments for household goods and daily transport.

Top MSME payment needs: overview of primarily used payment instruments and channels

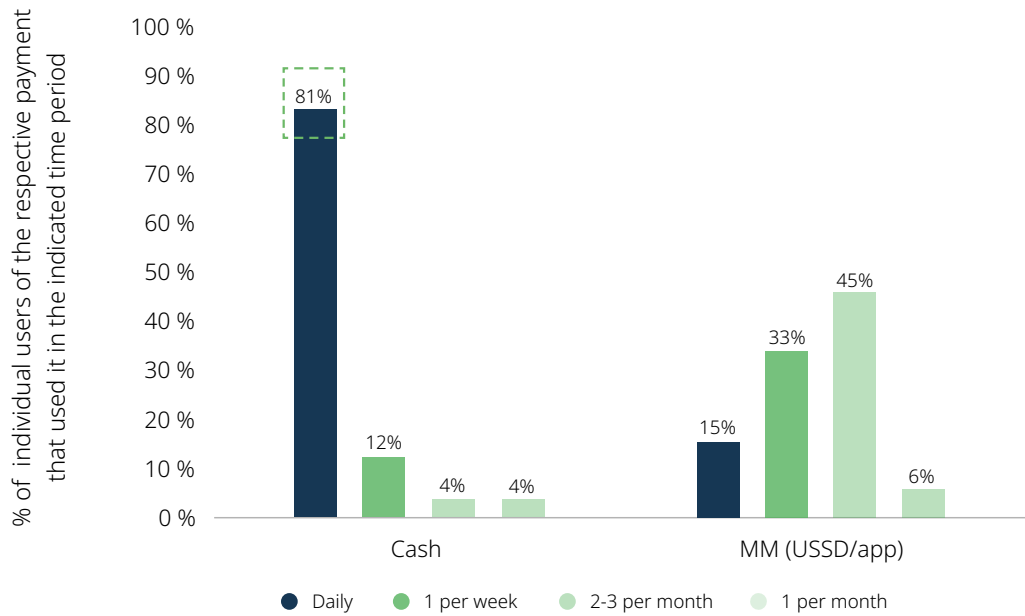


- MSMEs are en route to embracing digitalization of payments, especially for receiving customer payments and sending staff money for transport.
- Mobile money agents are especially relevant as a channel for airtime payments.

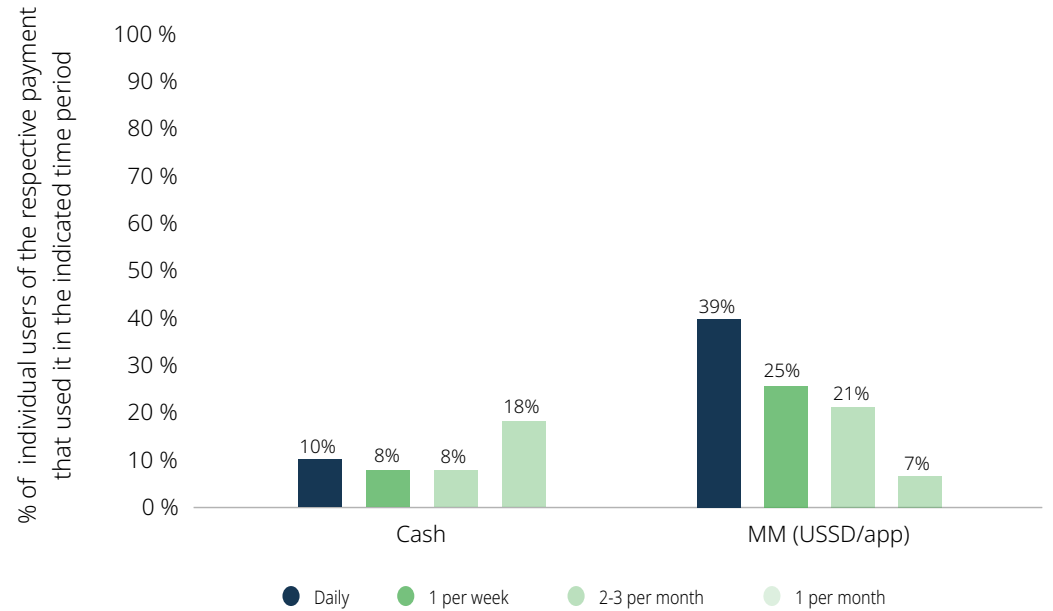
Total No. respondents sampled (n=100): Individuals = 60; MSMEs = 40

Mobile money usage among individuals and MSMEs occurs on a monthly basis

Frequency of usage of main payment instruments by individuals



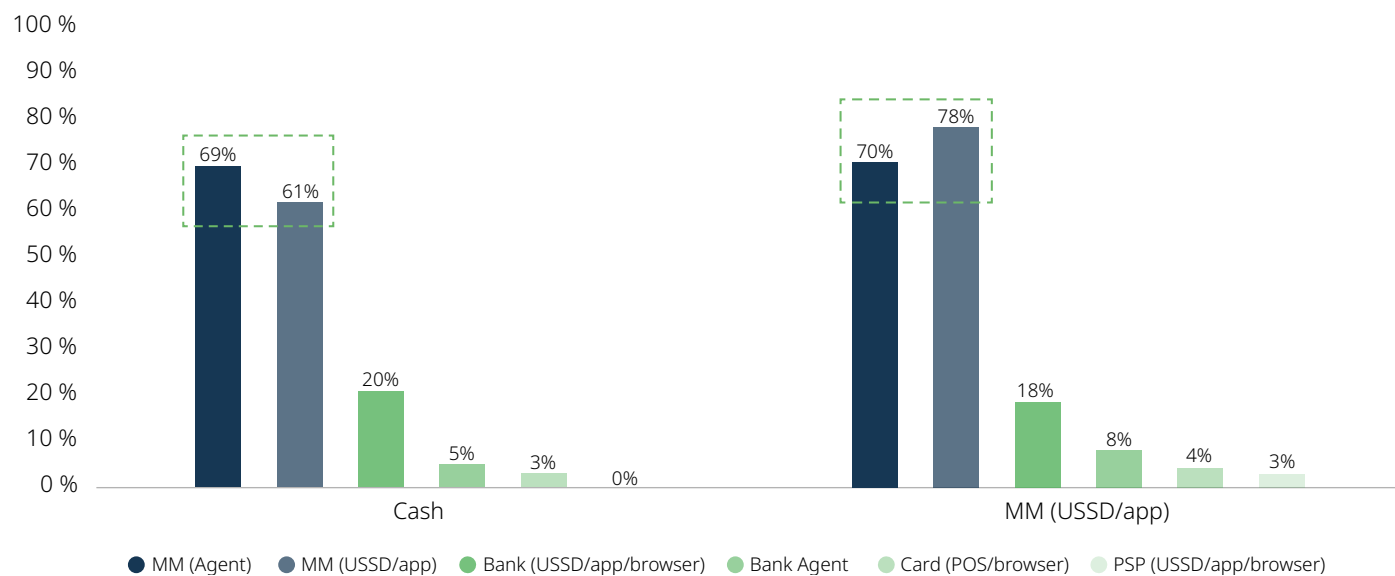
Frequency of usage of main payment instruments by MSMEs



Total No. respondents sampled (n=100): Individuals = 60; MSMEs = 40

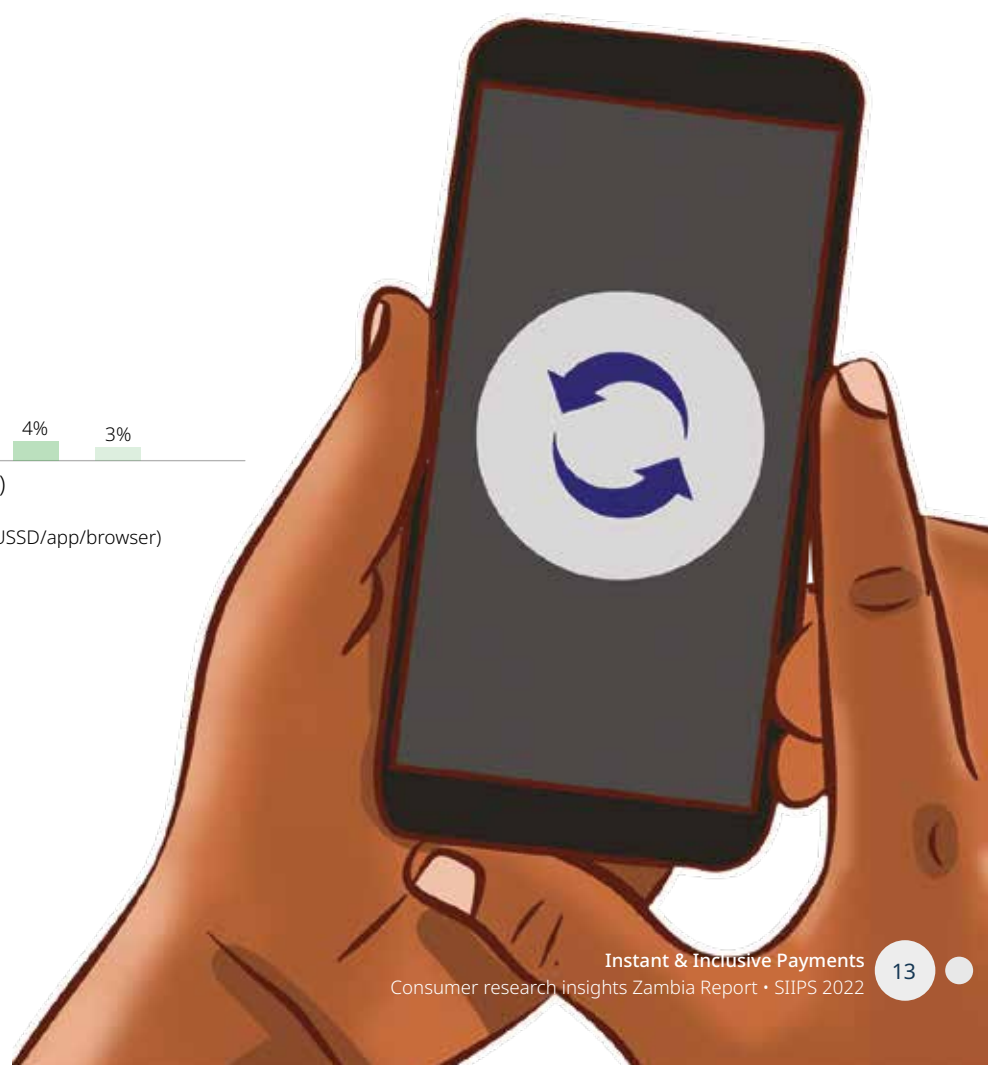
Digital payments are predominantly made through USSD and agent network channels

Usage of payment instruments through the respective channels in the past 30 days



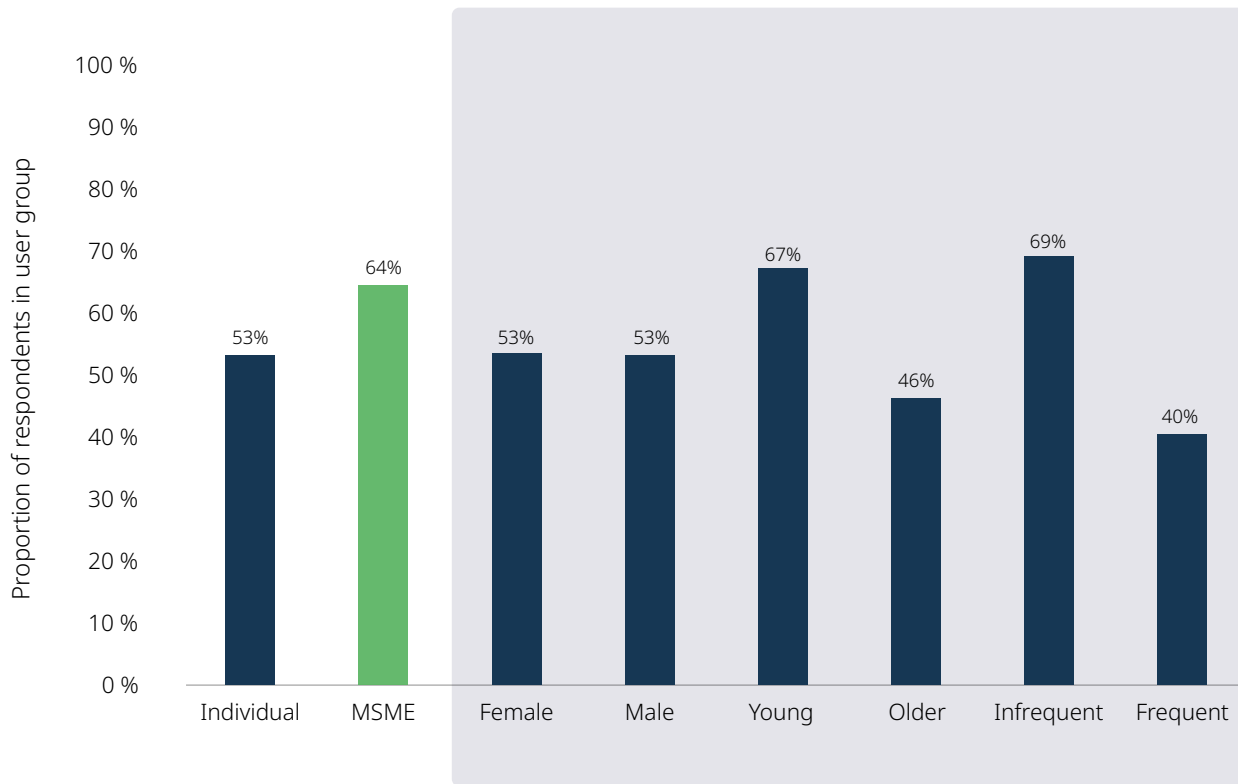
Digital payments mostly occur through mobile money USSD and agent channels, for both individuals and MSMEs.

Total No. respondents sampled (n=100): Individuals = 60; MSMEs = 40

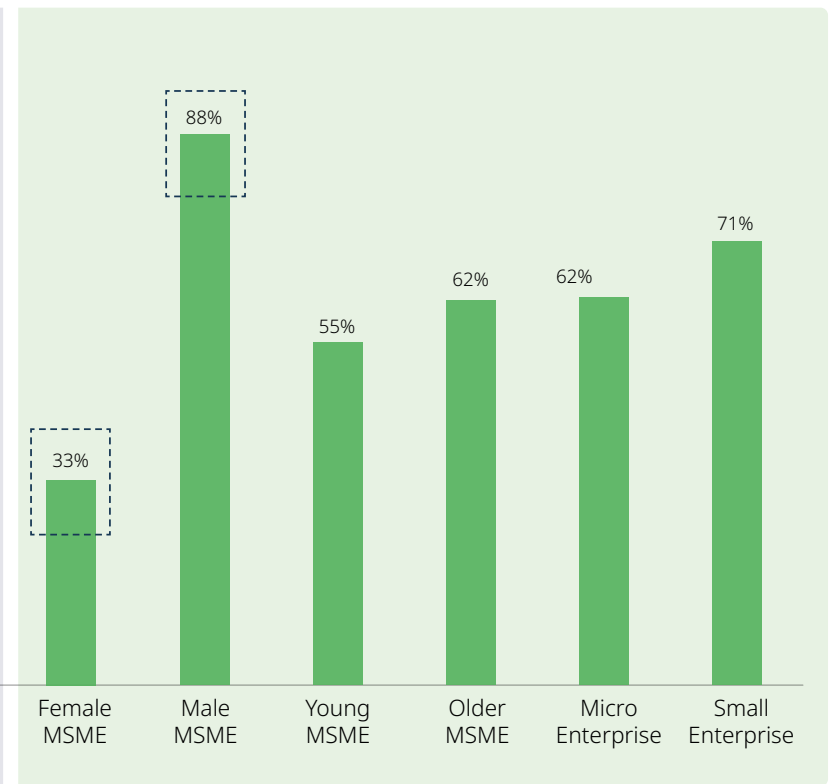


Female-led MSMEs lag in the usage of mobile money USSD and app channels by a difference of more than 50% from their male counterparts

Group differences in mobile money [agent] use among individuals over past 7 days



Group differences in mobile money [USSD/app] use among MSMEs over past 7 days



SECTION 3 ●

**UNDERSTANDING CONSUMER
BEHAVIOR: PERCEPTIONS,
DRIVERS, AND BARRIERS TO
MAKING DIGITAL PAYMENTS**

3

Awareness of mobile money is high among individuals and MSMEs; however, there is room for improvement in usage

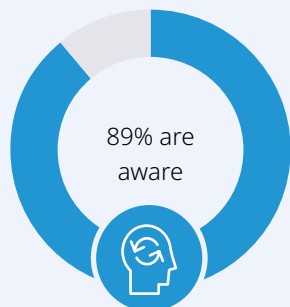


AWARENESS OF MOBILE MONEY

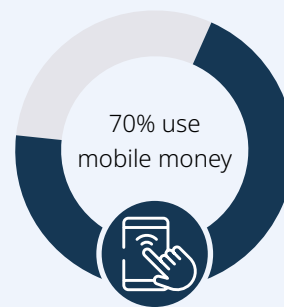


USAGE OF MOBILE MONEY

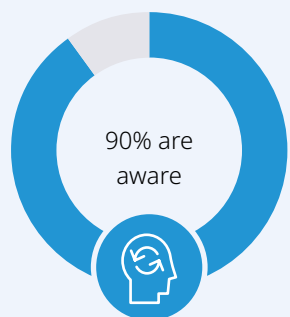
Individuals



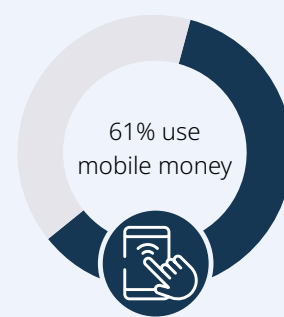
Out of these



MSMEs



Out of these



Beneficiary receiving options, transaction traceability, and payment amounts are key determinants of whether payments are in cash or digital



BENEFICIARY TERMS & CONDITIONS

Beneficiary's terms and preferences on how they want to receive payment, e.g., public schools require payments be made in cash or digitally.

MSMEs may also require their customers to pay in cash (withdraw funds from mobile wallet at a mobile money agent) to pay for goods and services.

“ It depends on the demand from my suppliers from where I buy my things...”

– Female small business owner

“ These small businesses, they don't accept money through cell phones. They would want hard cash.”

– Male small business owner



TRACEABILITY

Traceability is key in cases where users feel vulnerable, where perceived proof of payment may be required in future, or in cases where the beneficiary may not be a trusted entity.

“ ...we are given receipts (by banks)...I prefer doing a bank transfer because it is more evident than using cash which is verbal.”

– Female respondent



TRANSACTION AMOUNT/VALUE

Individuals prefer to use cash to make payments that are low in value (small denominations).

When transaction amounts are of larger value, mobile money wallets and bank accounts may be considered ideal to avoid risks associated with cash handling.

“ If it's giving me a lot of money then I will go for bank.”

– Female small business owner

Key considerations for cash or mobile money usage include perceived convenience and security, government policies, perceived transparency and accountability



SECURITY

Reduces risks associated with carrying cash

"...(Digital) is safer because no one will even know that I've got a 4,000 kwacha in my phone." – Female respondent



GOVERNMENT POLICY

Some government institutions are regulated by government policy in how they can receive payments.

"...The government refused public schools to receive school fees in hard cash." – Male respondent



MANAGING PERSONAL FINANCES

Mobile money wallets are considered beneficial in helping one manage personal finances.

"If you don't have financial discipline, digital payment is the best." – Male respondent



CONVENIENCE AND BUSINESS BENEFITS

- Allows users to transact from anywhere at any time and in the comfort of their homes.
Digital payments help save on time and costs associated with travelling to make payments.
Small businesses benefit from the ability to do micro-savings of business income, especially where banks are considered inaccessible.
- Saves small business owners time buying and stocking goods.

"I see it to be quick...I may be home at night, and I run out of electricity units. I will be able to buy using mobile money."

– Male small business owner

"I order secondhand clothes while I am at home and the goods are delivered to my business place." – Female small business owner

"It is also a means to save money." – Female small business owner



TRANSPARENCY AND ACCOUNTABILITY

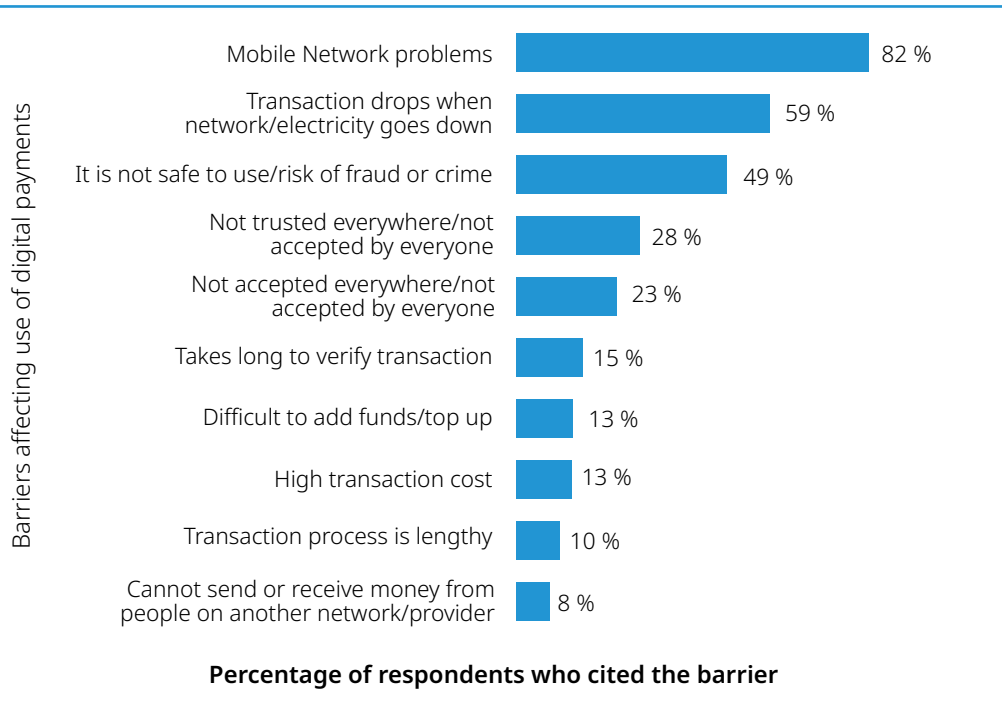
- Allows transparency and accountability when paying for services.
- Receipts strengthen the usage, because they provide a basis for future reference.

"When there is an issue, you have evidence that you really paid to this individual or to this company." – Male small business owner

Cashless Transactions

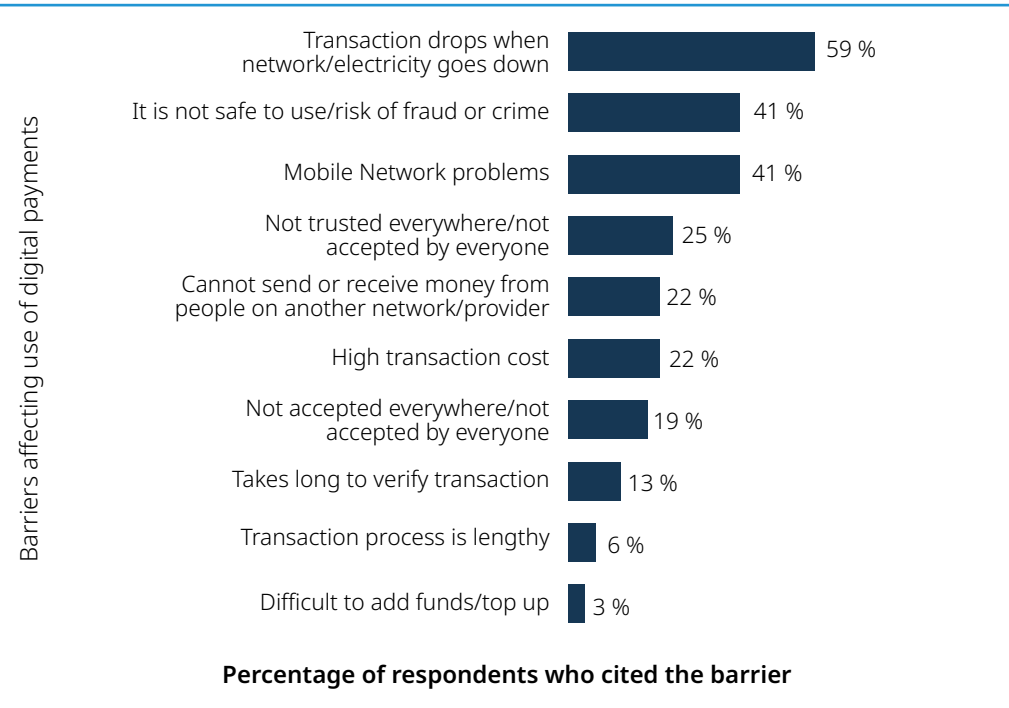
Network challenges and poor connectivity are the leading barriers to the usage of digital payments among individuals and MSMEs

INDIVIDUALS



“...Sometimes you can pay using mobile money, but it won’t indicate [whether the transaction is successful] ...It takes long.....so you would rather go side to pay cash.” – Female respondent

MSMEs



“...The network at times trips when you want to send money or when you want to access money and the network is down.” – Male small business owner

Total No. respondents sampled: n=100 Individuals = 60; MSMEs = 40

Cash is still king because of several issues, including the unavailability of valid account registration documents, inadequate access points, and poor customer experience with digital payments



LACK OF NATIONAL IDENTIFICATION OR VALID REGISTRATION DOCUMENTS

"If I want to open an account with a bank, the process is too long...it takes a lot of time, an account holder needs to refer you. If you look at the place where I source my fish from, no one can be my referee from there..."

– Female respondent

"I am still waiting to replace my ID; I can't open a mobile account because I don't have it."

– Female respondent



INADEQUATE ACCESS POINTS

"The outlets for mobile money providers that I like do not exist in some places, they are only found in urban places... so it will be very hard for me to do mobile money transactions with them."

– Female small business owner

"In some places you find that there are no agents, like facilities that can help you withdraw cash or make a deposit."

– Male small business owner



POOR CUSTOMER SUPPORT AND ISSUES RESOLUTION BY MNOs

"When you send money to the wrong person, the reversal procedure is too complex, they will ask you to come to the office and you don't have transport fare." – Female respondent

"In some places you find that there are no agents, like facilities that can help you withdraw cash or make a deposit."

– Male small business owner

"...Most of the people that do these small businesses are semi-literate. They don't have the knowledge to punch the ATM machine. It is definitely worse for mobile money. Even if you send them mobile money transfers, they will not understand." – Male small business owner

User experience: Understanding how drivers and barriers play out along a user journey



NAPHTALI ZULU

- Operates a cybercafé in Lusaka
- Also operates as a mobile money agent within premises



"About a year ago I started using a mobile banking solution to access my bank account.

Before I opened a bank account, my customers would pay me in cash and then I would go to a mobile money agent to deposit the cash into my mobile money wallet.

I now use my bank account to receive money and save money through mobile money. I use this because it is easy and fast. I save my money on mobile money because I am busy and I don't have time to move around much going to the bank to deposit savings.

Also, there are zero charges when transferring money from your bank account through your phone to your mobile money wallet. It is free of charge to transfer money from your bank to your phone so I can use the service without worrying about the charges.



Drivers in the user journey experience

No transaction charges for bank-to-wallet transfers

Speed and simplicity of usage

"[mobile money] is very easy to use"

Ability to activate micro-savings

"It allows someone to save starting from as little as 5 kwacha and make ends meet"

Potential to earn from mobile agent commissions

"If a person wants to pay with mobile money... I'll say please make a withdrawal instead so that it appears as an agent transaction, and I receive e-float"



Barriers in the user journey experience

Network connectivity challenges

"the network is usually down, it's constantly bad, and we're forced to turn to cash"

Erratic electricity supply

"When your phone is off because of no battery charge, you cannot access the money until you charge your phone"

Delays and difficulty in verifying transactions

"Sometimes when you conduct a mobile money transaction, the message will come but the money won't reflect"

SECTION 4 ●

CONCLUSION AND RECOMMENDATIONS

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Summary

State of digital payment use in Zambia



Cash use dominates the payments landscape for individuals (93%) and MSMEs (98%)



Unlike in other markets, transaction charges are not a major barrier for individuals and MSMEs. This is because government policy proactively regulates charges on the use of digital payments



Mobile money is the most **accessible digital payment instrument** and is on the rise, with **mobile money agents** playing an **intermediary role** in the conversion of cash to digital money



Male-owned MSMEs show a higher use of **mobile money through the USSD/app channels than women-owned MSMEs**



Rigid banking processes (opening an account requires one to have an existing bank customer as a referee); this forces low, infrequent income-earning individuals and MSMEs to seek financial services solutions from mobile wallets

Key drivers and barriers to digital payment use



DRIVERS

- **Government policy** for all telcos to adopt a **uniform USSD code (*115#)** has increased uptake across the board, with 95% using USSD for bank or mobile money transactions
- Consumers' positive perception of digital payment instruments as being inclusive: *"Can be used anywhere anytime"*
- Simplicity and ease of use of USSD codes make digital payments straightforward to adopt



BARRIERS

- **Network issues, dropping of transactions, distrust, and transaction costs** are barriers to usage of digital payments for customers
- **Lack of in-depth awareness** of digital payments due to **low literacy levels and limited exposure to technology** is another obstacle to digital payment adoption

CONSUMER VOICES: RECOMMENDATIONS ON EXPANDING DIGITAL PAYMENT OPTIONS



TARGETED MARKETING CAMPAIGNS

“ They should improve on marketing... in terms of sensitizing people on digital transactions so that everyone would be aware.”

– Male MSME respondent

In your opinion, what should be done to make digital payments more instant and inclusive?



BANKING SECTOR COULD IMPROVE ACCESS POINTS

“ In the remote areas, there are no banks. You will find that mobile money agent outlets are there. It means that mobile money is more inclusive...”

– Male respondent



ENSURE ROBUST CONSUMER RECOURSE MECHANISMS ARE IN PLACE

Inaccessible customer support and lack of proactivity in resolving user challenges around digital payments threaten usage.



AfricaNenda is an African-led team of experts committed to unlocking the potential of digital financial services for the financially excluded across the continent by accelerating the scale-up of instant and inclusive payment systems. AfricaNenda's approach is to provide public and private sector stakeholders with technical expertise and the capacity to reduce barriers to digital payments. AfricaNenda wants to enable everybody in Africa to make digital transactions seamlessly and at a low cost wherever they are on the continent by 2030.


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