



**Terwilliger Center for
Innovation in Shelter**



Research on barriers to access and usage of housing finance in Zambia

Market Research Report

**APRIL
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HFHZ initiated discussions with various stakeholders nationwide, after which MSC scheduled talks and held interviews. We interviewed several stakeholders, including representatives of banks, microfinance institutions (MFIs), building societies, policymakers, donors, development partners, and investors in Zambia. We thank all stakeholders for their views on the status of housing finance and the potential of financial inclusion in the country.

The MSC (MicroSave Consulting) team, comprising Anup Singh, Pauline Katunyo, Albert Bundi, Aakash Mehrotra, and Ashish Singh, wrote this report for HFHZ.

The views expressed in this report reflect the opinions of the authors alone. They do not necessarily reflect those of HFHZ or its development partners.

List of abbreviations

Acronym	Detail
8NDP	Eighth National Development Plan
AfDB	African Development Bank
AMIZ	Association of Microfinance Institutions Zambia
BADEX	Bonds and Derivatives Exchange
BFSA	Banking and Financial Services Act
CAHF	Centre for Affordable Housing Finance in Africa
CASH	Creating Access to Safe Housing
DFS	Digital Financial Services
EFC	Entrepreneurs Financial Centre
FSPs	Financial Service Providers
HFH GB	Habitat for Humanity Great Britain
HFHZ	Habitat for Humanity Zambia
LTV	Loan-to-Value Ratio
LuSE	Lusaka Stock Exchange
MFIs	Microfinance Institutions
MIHUD	Ministry of Infrastructure, Housing, and Urban Development
MIV	Microfinance Investment Vehicles
MSC	MicroSave Consulting
MSMEs	Micro, Small, and Medium Enterprises
NFSDP	National Financial Sector Development Policy
NGOs	Non-Government Organizations
NHA	National Housing Authority
NHEF	National Housing Empowerment Fund
NLP	National Land Policy
PPHPZ	People's Process on Housing in Poverty in Zambia
ROSCAs	Rotating Savings and Credit Associations
SACCOs	Savings and Credit Cooperatives Organizations
SEC	Securities and Exchange Commission
TCIS	Terwilliger Center for Innovation in Shelter
URP	Urban and Regional Planning
ZHL	Zambian Home Loans
ZHPPF	Zambia Homeless and Poor People Federation
ZNBS	Zambia National Building Society
ZNHP	Zambia's National Housing Policy

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Executive summary

The government of Zambia continues to grapple with providing decent and affordable housing for all, in line with the vision of the National Housing Policy 2020-2024. The housing deficit is more than **1.5 million** housing units, a trend expected to increase to a projected 3.3 million by 2030¹. The country produces approximately 73,000 housing units a year, of which only 40% meet minimum health and sanitation requirements per the Zambia Public Health Act, and this falls tremendously short of the 220,000 new houses that need to be constructed to meet the backlog². Furthermore, the government built only 3,152 low and medium-cost homes from 2017 to 2019³.

As of 2022, 46% of the population lived in urban areas, a 4.09% increase from 2021. This rapid urbanization has accelerated the growth of informal settlements, and 70% of urban residencies are characterized by inadequate basic services such as, but not limited to, decent housing, security of tenure, roads, reticulated water, and sewerage. The ineffective implementation of existing housing policies, limited financial resources, low financial literacy, and limited access to financial services exacerbate poverty in Zambia⁴. The study aimed to identify systemic barriers limiting access to housing finance, understand the needs and preferences of low-income households, and develop a baseline survey for the Creating Access to Safe Housing (CASH) project.

The study applied the market assessment, MI4ID (Market Insights for Innovation and Design), and root cause analysis frameworks to identify and understand systemic barriers and develop effective housing finance solutions. A mixed-method approach combined qualitative and quantitative research to gain comprehensive insights into the housing finance landscape. Data collection involved Focused Discussion Groups, Key Informant Interviews, secondary data review, and thematic analysis using tools like SPSS and R.

The sample size of 681 respondents included diverse perspectives, ensuring the representation of women, youth, MSMEs, and persons with disabilities. The study focused on four major provinces in Zambia, capturing the various housing finance dynamics in rural, peri-urban, and urban areas. Key research findings are summarized as follows:

- The low- and middle-income categories represented 75% of the population. Income categorization revealed that 36% of respondents were in the lowest income category, of which 71% were women.
- Adopted from the World Bank income categorization, the categories served as a standardized system to effectively analyze and interpret income levels among the respondents in the study. Where category 1 (36%) represents the low-income category earning ZMW 3,542 (< USD 154), category 2 (18%) is the lower middle-income earning ZMW 3,542 - 8855 (USD 154 - 385), category 3 (21%) is the middle-income ZMW 8,855 – 26,542 (USD 385 – 1,154), and category 4 (25%) is the high-income ZMW 26,542 (> USD 1,154).
- Approximately 66% of the population is employed informally, with females (63%) dominating this sector. Surprisingly, only about 2% of the sampled population have accessed formal housing finance products.
- Most respondents (68%) lived in permanent houses, yet more than 67% were dissatisfied with their current living conditions, mainly due to house size.
- Gender inclusivity was a critical focus, with 64% of survey participants being female. The research recommends that solutions and interventions be tailored to address the gender-specific barriers to housing finance.
- Educational attainment varied, with higher levels of education corresponding to greater financial literacy. Urban areas showed higher education rates compared to rural areas and peri-urban areas. While urban dwellers registered the highest rate of tertiary education (71%), rural areas had the highest proportion of respondents with no education (66%).
- Income levels significantly impacted the ability to access housing finance, with men's average income being twice that of females. Informal employment was prevalent, influencing housing finance accessibility.
- About 50% of respondents lived in rented houses, with a higher percentage of females renting (71%). Homeownership varied by residence type, with higher ownership rates in rural areas due to land inheritance.
- Homeownership varied by residence type, where, in urban areas, renting remains dominant (61%), while in rural areas, many respondents live in their own homes due to higher land ownership rates and cheaper building costs. However, 47% of respondents in rural areas reside in semi-permanent and 39% in temporary structures.

The report highlights significant barriers to housing finance in Zambia, especially for low-income and informally employed populations. It emphasizes the need for inclusive and targeted housing finance solutions, considering the diverse socioeconomic and demographic profiles of Zambians.

- The key systemic barriers to accessing housing finance identified include the inability to meet collateral requirements set by lenders, lack of good credit history, lack of secure tenure/ land titles, and inconsistent cash

¹ UN-HABITAT Zambia Evaluation Country Report

² CAHF 2023 Africa Housing Finance Yearbook 2023: [Zambia Country profile](#)

³ UN-HABITAT 2022: [Implementation of the New Urban Agenda in the sub-Saharan Africa](#)

⁴ UN-HABITAT Country Brief: [Zambia 2023](#)

inflows, proof of consistent income. These challenges are compounded by unfavorable loan terms, where the conditions, repayment schedules, and amount of loan provided are not aligned with the operational realities and financial capacities of the low and middle-income earners. Additionally, the high cost of housing loans, high interest rates, and loan charges further exacerbate the situation, making borrowing a less viable option for many low and middle-income segments due to the increased financial burden and additional costs, such as processing fees, associated with securing loans. These factors indicate that the cost of borrowing is a significant consideration for individuals, and it can be prohibitive for some.

- Findings on challenges women, youth, and persons with disabilities (PWDs) face in accessing housing finance reveal systemic, societal, and informational barriers. Systemic financial obstacles, such as inadequate support services and lack of financial inclusion, suggest that financial systems do not meet their needs/ financial systems to assist with housing finance are not effectively reaching or serving these segments. Informational gaps, including limited access to relevant information and a lack of knowledge about housing finance products, hinder the ability to explore and use available financial options. Insufficient incomes, lack of credit history, and property ownership issues also reflect structural economic challenges that limit eligibility for housing finance.
- Additionally, PWD's leading challenge is discrimination and bias. PWDs noted they frequently encounter negative prejudices by financial institutions that affect their treatment. Such bias leads to unfair creditworthiness assessments or unwarranted skepticism about their ability to meet financial commitments despite legal protections intended to prevent such discrimination.
- Financial institutions looking to increase access to housing finance must address these key obstacles, particularly by revising their collateral requirements and loan terms to be more inclusive and accessible to a broader range of borrowers.

The research provides several strategic recommendations to address barriers and improve access to housing finance for low- and middle-income segments:

- **Product innovation and client-specific products:** Product development and innovation to match the needs of Zambia's low- and middle-income population. Financial institutions must invest in market research to generate demand-side insights to drive product development. Develop and offer housing finance solutions tailored to match the needs of low-income earners who build homes incrementally as financing becomes available.
- **Policy reforms such as developing a housing finance strategy:** Support Zambia's national housing sector. A housing finance policy/strategy that prioritizes affordable housing loans, innovative housing finance mechanisms, infrastructure development, and strengthening housing microfinance to reach underserved populations.
- **Investment in research and development to strengthen Zambia's data landscape for housing finance.** Developing a robust, comprehensive data infrastructure is critical to better understand the housing finance market's dynamics, needs, preferences, and opportunities for innovation. Additionally, a robust data landscape will drive informed decision-making by policymakers, financial institutions, and other stakeholders, ultimately leading to the design and implementation of tailored housing finance solutions.
- **De-risking housing finance through public-private partnerships.** To address liquidity issues by offering long-term and affordable financing to financial institutions. A housing credit guarantee fund should be established to make housing credit more accessible.
- **Technical assistance and capacity building to address supply-side capacity constraints.**
- **Building borrowers' capacity and education:** Invest in targeted financial education programs for low- and middle-income customers to increase awareness and uptake of housing finance solutions. Formalize MSMEs to encourage financial institutions to serve this market segment. Onboard community-level VSLAs for group lending models to co-guarantee each other, increasing savings and access to loans.
- **Business models for serving the low- and middle-income segment:** Invest in credit risk-sharing facilities and collaborative lending mechanisms between public and private sector players and financial institutions. Develop alternative credit assessment methods, particularly for the low- and middle-income segment.
- **Explore innovative housing finance:** Tap into digital financial service (DFS) opportunities to connect with mobile network operators (MNOs) and FinTechs and develop technology services that enable payments and seamless disbursement of housing finance services.
- **Digitization and decentralization:** Digitize and decentralize the land registry processes to reduce the time required for approvals from the government for acquiring documentation, registering, and transferring property to quicken loan disbursement processes.

1.0 Introduction

1.1 Study background and context

Like many countries across southern Africa, Zambia struggles to provide **affordable housing finance**⁵ solutions to the low-income population. The lack of **affordable housing**⁶ has led to most residents living in substandard homes within informal settlements. Statistics indicate that **up to 70%** of urban dwellers live in these informal settlements (UN-Habitat, 2023)⁷. These informal settlements are full of makeshift, low-quality houses, with most residents unable to afford to improve their homes. Residents living in informal settlements find it challenging to afford the necessary documents for secure land tenure, which hinders their efforts to improve living conditions or obtain services from formal financial institutions.

The country currently faces a housing deficit of **1.5 million units**, which is expected to reach 3.3 million units by 2030 (National Housing Authority, 2022, UN-HABITAT, 2023)⁸. Despite government intentions to resolve the housing crisis, Zambia lacks functional policies and financial resources to address this housing crisis effectively (Policy Monitoring and Research Centre, 2018). The 2023 IMF Zambia country report highlights that enhancing access to finance is still a work in progress, facing substantial hurdles, including limited access to financial services and low financial literacy levels, significantly contributing to poverty in the country⁹. Moreover, significant challenges such as the low savings rate, low levels of formal banking among adults, and inadequate financial literacy and awareness hinder access to housing finance. Poverty and housing are interlinked as housing costs, quality, and stability can significantly affect an individual or family's economic well-being. High housing costs and inadequate living conditions exacerbate poverty. Addressing housing-related challenges such as affordability, quality, and stability is a foundation for improving overall well-being and economic security for vulnerable populations.

In Lusaka's central business district (CBD), a one-bedroom apartment typically rents for ZMW 4,900 (USD 296) monthly, while a three-bedroom unit rental costs up to ZMW 12,730 (USD 768). Outside the city, one and three-bedroom units rent for about ZMW 3,580 (USD 216) and ZMW 8,200 (USD 495), respectively¹⁰. Housing affordability, the high cost of rentals, mortgages, construction, and access to housing finance are challenges to low-income earners and those in the informal sector with unstable incomes.

About **90%** of Zambia's population engages in informal work or is employed in the informal sector¹¹. This directly influences housing affordability and the ability to access formal financial services. Moreover, in Zambia, salaries range from an average low of ZMW 1,520 (USD 92) to the highest average of ZMW 26,800 (USD 1,617). An average Zambian's monthly income is around **ZMW 6,000** (USD 362), with average incomes ranging from ZMW 4,010 (US\$227) for formal workers to ZMW 1,597 (US\$90) for workers in the informal sector¹² (**CAHF, 2023**). The mandated minimum wage is lower, including allowances between ZMW 1,699 (USD 103) and ZMW 3,159 (USD 190)¹³. Around **80% of Zambians** fall within the low-income bracket¹⁴. As a result, formal financial services and housing in the formal market become comparatively unaffordable to the lower-income segment, mainly due to various competing household expenses.

As of December 2022, the Zambian mortgage market comprised **10,436**¹⁵ outstanding residential mortgages valued at **ZMW 23.5 billion** (USD 1418 million), while the value of net mortgages stood at ZMW **10.2 billion** (USD 615 million)¹⁶. The typical mortgage interest rates range from 16% to 34.5% (CAHF, 2022, **AfDB, 2022**)¹⁷. With a significant portion of the population living in inadequate housing conditions, there is a pressing need to address this issue and enable access to safe and decent housing. In response to the challenges, Habitat for Humanity Zambia (HFHZ), HFH Great Britain, and the Terwilliger Center for Innovation in Shelter (TCIS), in conjunction with its partners, Zambia National Building Society (ZNBS), DreamStart Labs and Entrepreneurs Financial Centre (EFC), came together to embark on a project. The study aimed to identify systemic barriers limiting access to housing finance, understand the needs and

⁵ **Affordable housing finance** refers to financial tools and services that help individuals and families with limited finances access, build, renovate, or rent homes, with the goal of making housing finance more affordable for low and moderate-income households.

⁶ Affordable housing: According to the **National Housing Policy of 2020-2024**, affordable housing is defined as housing that costs 30% or less of one's income.

⁷ **UN HABITAT, 2023 Zambia Country Report Final**

⁸ **UN HABITAT Zambia Evaluation Country Report**

⁹ IMF Country Reports July 2023. **Zambia: Selected Issues**

¹⁰ **CAHF, 2022 Housing Finance Yearbook: Zambia Country profile**

¹¹ HUD USER 2023: **Global Cities and Affordable Housing: Lusaka**

¹² **CAHF, 2023 Housing Finance Yearbook: Zambia Country profile**

¹³ **Wage indicator. Minimum wage – Zambia.**

¹⁴ **Habitat for Humanity 2022: Zambia Capacity Overview**

¹⁵ **Statista Research Department 2023, Jun 12, 2023**

¹⁶ **Bank of Zambia 2022 Annual report**

¹⁷ **AfDB 2022. Promoting Affordable Housing in African Cities**

preferences of low-income households, and develop a baseline survey for the Creating Access to Safe Housing (CASH) project.

The project recognizes that affordable housing finance has the potential to be a powerful tool in enabling low-income households to improve their living conditions and access sustainable housing solutions. Access to financial resources and support allows individuals and families to undertake home construction, renovation, and improvement activities. However, to effectively address the needs of low-income households, a market systems approach will be applied to gain a deep understanding of the demand and supply dynamics and the regulatory and policy environment surrounding housing finance in Zambia.

The project will undertake a comprehensive research initiative to gain these critical insights. The research will involve a mix of desk-based analysis and on-the-ground assessments, combining qualitative and quantitative research techniques. The study will uncover the target population's needs, preferences, capacities, product needs, and aspirations based on market assessment, client segmentation, and client satisfaction evaluations. Additionally, a thorough analysis of the competitive landscape and regulatory framework will provide valuable insights into the challenges and opportunities in the housing microfinance sector.

This research aims to develop new affordable housing finance products and services or enhance existing ones to serve low-income households in Zambia better while considering gender dynamics. The study seeks to inform these financial solutions' design and delivery processes by leveraging data-driven research findings to inform policy for a favorable regulatory and policy environment that promotes affordable housing finance and financial inclusion for low-income populations.

1.2 Purpose and objectives of the study

1.2.1 Purpose of the Study

This research aimed to unearth the systemic barriers that limit access to housing finance in Zambia. The study considered both supply and demand perspectives to understand these barriers. On the supply side, the study explored the perspectives of housing finance (including affordable housing finance and housing microfinance) value chain actors who directly or indirectly provide the needed financial services. This included bank and non-bank financial institutions, wholesale funds providers, and other actors enabling financial services to target the housing sector, such as FinTechs and other digital innovators. The demand side primarily focused on understanding the needs, aspirations, journeys, and challenges of the low- and moderate-income households seeking housing finance.

While analyzing the supply and demand side, the research also dug into the policy, regulatory, and institutional environment around housing finance in Zambia. The interactions between the financial service providers and the potential and current borrowers happen within a particular context. This context is shaped by the existing policies and regulations, the type of institutions that make or implement/enforce these policies and regulations, infrastructure systems, and market capacity. Other actors, such as development partners, also have an intervening role in the housing finance ecosystem. The study sought to show their influence on the housing finance market dynamics. A clear understanding of these influences will help formulate recommendations on pathways to increase the positive influence of the intermediary actors on the regulatory frameworks and market dynamics to accelerate access to affordable housing finance within the low- and moderate-income segment. Ultimately, the study seeks to develop a roadmap of interventions and recommendations that HFHZ and financial institutions can implement to create products and solutions that the Zambian low and moderate-income population can access.

1.2.2 Objectives of the study

The primary goal of the research was to address the barriers hindering access and usage of housing finance in Zambia, particularly for low-income households. The specific objectives formulated to guide the study are as follows:

- To identify the systemic barriers (including cultural barriers that limit access to formal financial products or services for women from low-income households) preventing access and usage of housing finance in Zambia.
- Understand the needs, preferences, and capacities of low-income households for improving their houses, client satisfaction for housing finance solutions, including affordable housing finance products offered by partner financial institutions, and the dynamics around household decision-making related to construction.
- Conduct a baseline survey by designing data collection methodologies and collecting data on all indicators of the CASH project (Creating Access to Safe Housing: Building Financial Inclusion and Resilience for Women in Zambia).
- Identify product needs/aspirations for different income levels and propose possible product features.
- Build on the baseline for the CASH project.

1.3 Conceptual grounding of the study

The conceptual grounding of the research applied three frameworks: a market assessment framework, MSC's MI4ID framework, and the root cause analysis framework. By utilizing market systems and human-centric approaches, the study aimed to identify and understand the systemic barriers that impede the growth of housing finance and develop effective housing finance products or solutions to overcome these barriers, thereby making a market-wide impact.

1.3.1 Market assessment framework

We developed a market assessment framework (*Figure 1*) to guide the study based on the latest research and our extensive industry experience in providing technical assistance in financial inclusion and digital financial services innovations. It involved two main stages with various specific activities at each stage.

The first stage relied on secondary data from credible government and non-government records, including academic journals and development partner publications. This stage provided a comprehensive view of Zambia's housing finance value chain and ecosystem. Information obtained at this stage helped us understand various nuances and data gaps that helped form the data collection tools to collect more targeted information.

The second stage utilized primary data from a quantitative survey and engagements with key informants from various relevant sectors. Gender and youth lenses were included at each assessment stage, adding people with disabilities to the sample. The figure below shows the study market assessment framework:

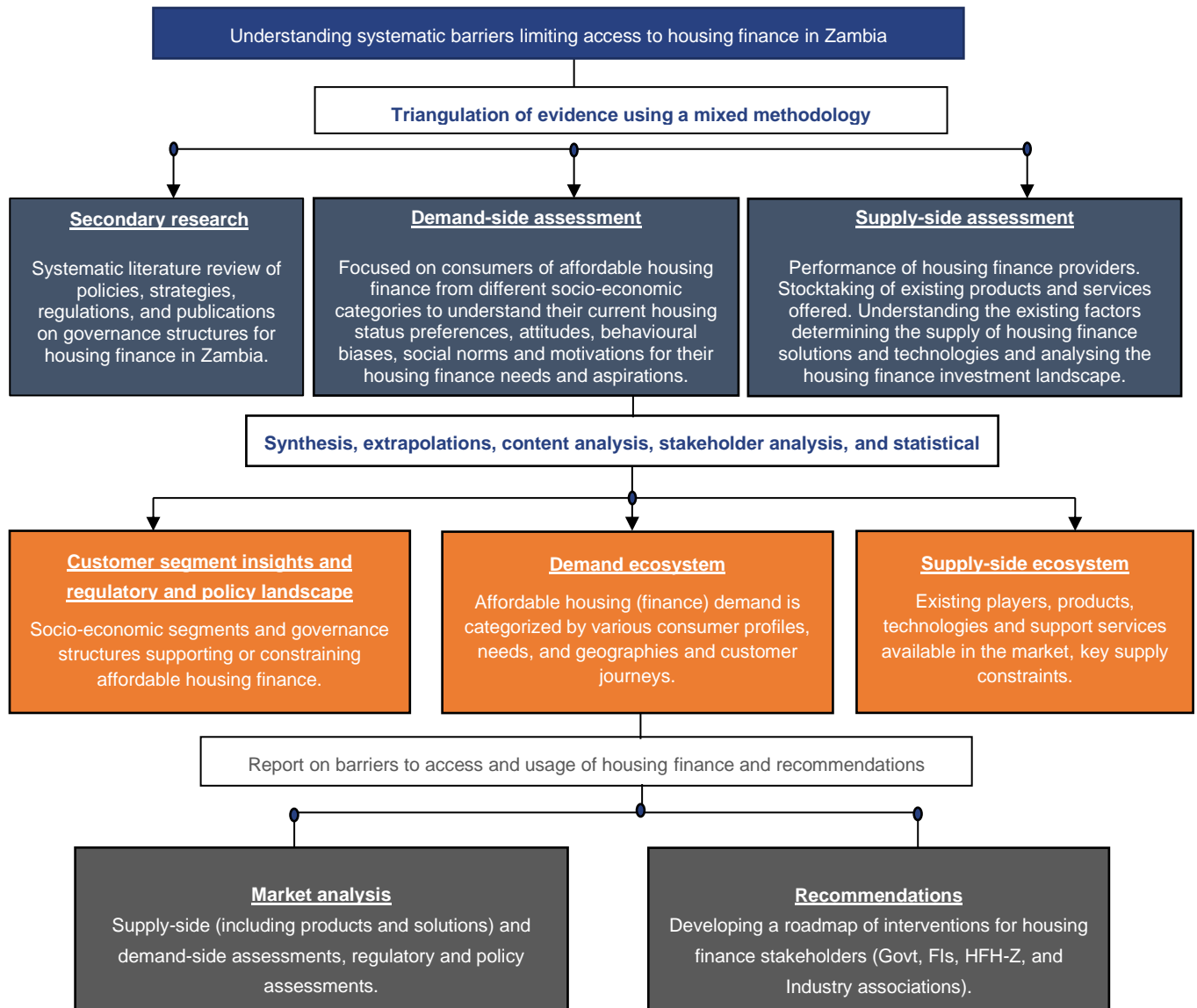


FIGURE 1: MARKET ASSESSMENT FRAMEWORK

1.3.2 MI4ID framework and Root Cause Analysis framework

The study also applied MSC’s Market Insights for Innovation and Design (MI4ID) and root cause analysis approach for conceptualization and analysis. The frameworks were central to our research, enabling us to bridge the gap between users and solutions. This structured approach ensured stakeholder insights informed the recommendations and addressed the target consumers’ priority challenges and needs.

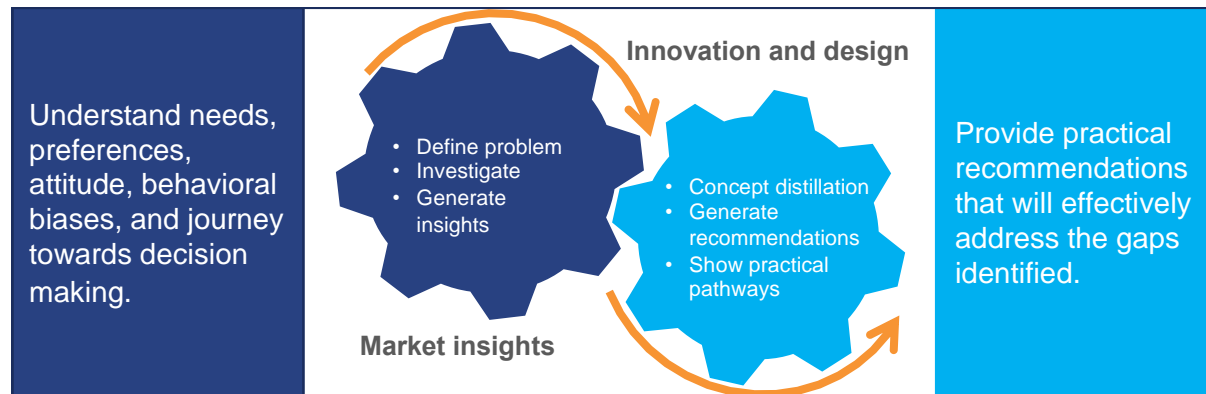


FIGURE 2: MARKET INSIGHTS FOR INNOVATION AND DESIGN (MI4ID) FRAMEWORK

Using the root cause analysis framework enabled us to go beyond surface-level observations and delve into the core issues hindering housing finance access in Zambia. This approach allowed us to develop specific recommendations that address the underlying problems limiting the provision and accessibility of housing finance in the country and aiming to provide practical solutions that can bring about positive and sustainable change in the housing finance system, ultimately improving housing finance accessibility.

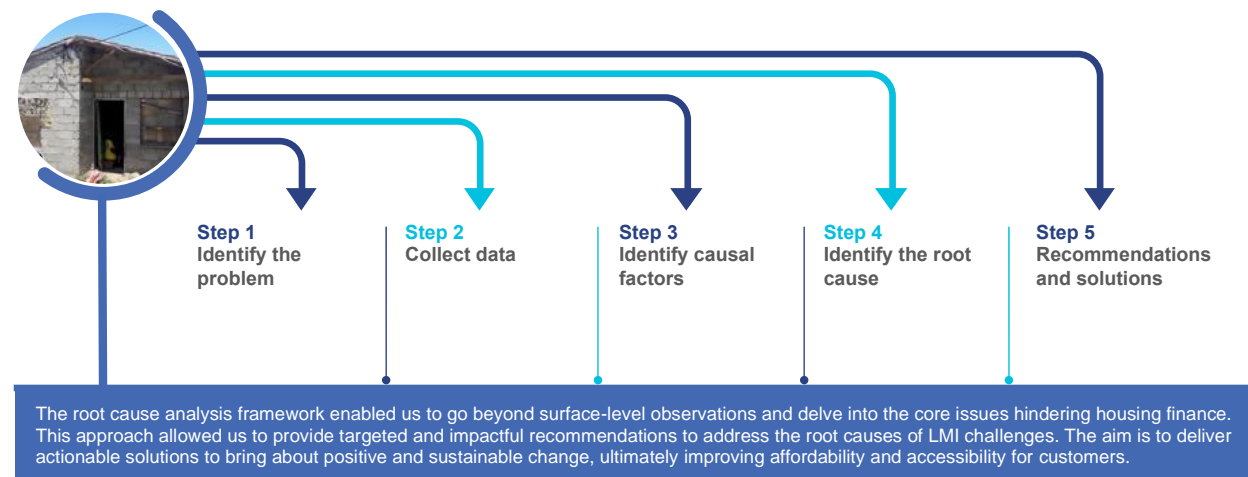


FIGURE 3: THE ROOT CAUSE ANALYSIS (RCA) FRAMEWORK

1.4 Approach and methodology

1.4.1 Research design

The study adopted a mixed-methods approach, incorporating qualitative and quantitative research methods. Combining these two data collection techniques, the study aimed to gain a more robust empirical insight into the research area. This integration facilitated the triangulation of evidence, leading to a more comprehensive understanding of the study's objectives.

1.4.1.1 A mixed-method approach

A mixed-method approach was used to analyze the barriers to access and usage of housing finance in Zambia as follows:

1. Target respondents

- Housing finance customers (current and potential) both salaried and those in informal sector.
- MSMEs (including entrepreneurs, both registered and non-registered businesses etc.).
- Banks and MFBs, MFIs, SACCOs, and FinTechs
- Regulators and other intermediaries.
- Investors, development partners, and wholesale lenders.

2. Sampling

Multi-stage sampling was used for the demand side quantitative survey and purposive sampling for the key informants and focused discussion groups.

- Segmentation/clustering/stratification: Geographic and demographic.
- Multistage sampling for quantitative survey
 - First stage was segmentation and stratification.
 - Random sampling per stratum.
- Purposive sampling for qualitative data collection

3. Data collection method

- The quantitative data was collected through in-person survey administered using Kobo Collect.
- For qualitative data, was collected through Focused Discussion Groups (7 to 10 participants per session) and Key Informant Interviews for FSPs, MFIs, and regulators.
- Secondary data was collected through review of relevant literature, public records, and reliable online database.

4. Data analysis

The team analyzed data using the following tools:

- Qualitative data using thematic analysis.
- Quantitative data using SPSS and R.

1.4.1.2 Gender inclusivity and ethical consideration

Ensuring gender inclusivity was a critical priority in our approach. Therefore, we deliberately promoted the active participation of women in the study. To achieve this, we proposed to sample 45% of female respondents as part of the overall sample. We worked closely with our local partners and enumerators to identify and recruit female respondents, employing targeted strategies that encouraged their involvement. This included conducting outreach activities in collaboration with local women's organizations, community leaders, and relevant HFHZ partners to create awareness about the research and emphasize the importance of women's participation.

Ethical considerations: During data collection and analysis, we observed confidentiality, anonymity, informed consent, and full disclosure of the research purpose. The team ensured that participants were fully informed about the study's details, that their identities would be protected, that they knew the research purpose, and that access to their personal information was restricted to maintain confidentiality.

1.4.1.3 Sample size and sample size distribution

Sample size: We targeted a sample size of 600, which was estimated considering a 95% confidence level, 5% margin of error, a conservative estimate of 50% population proportion, and 1.5 design effect (as we proposed multi-stage sampling). We over-achieved our target numbers and sampled a total of 681 respondents. A larger sample size allowed us to capture the studied population's diversity better. With 681 respondents, we ensured that our sample included a broader range of perspectives and experiences from a wide range of respondents representing all categories, including women, youth, MSMEs, and persons with disabilities.

Sample distribution: Sampling was done at multiple levels.

- Stage 1: 4 provinces out of the ten provinces of Zambia (Lusaka, Southern, Central, and Copperbelt provinces) were selected.
- Stage 2: 1 district in each province.
- Stage 3: 5-6 branch offices/villages/towns in each district.
- Stage 4: 5-6 key informants and FDGs from each branch office/village/town (total 93) and 566 household survey respondents.

The research focused on major population centers and economic zones, including rural, peri-urban, and urban areas in regions such as Lusaka, Kabwe, Kitwe, and Livingstone, to ensure comprehensive coverage of the housing finance landscape in Zambia. By targeting these key areas, we captured a representative sample of the Zambian population and gained insights into different regions' diverse housing finance dynamics.

We conducted comprehensive research through survey respondents, key informant stakeholder consultations, and focused discussion groups (FDGs) on the financial inclusion landscape in Zambia. The primary research, stakeholder consultations, and desk research formed the basis of this report.

The study sample was collected from four regions, with at least one district per region. Multi-stage sampling was used, including both purposive and random selection, to ensure the representation of diverse demographics, including youth, men, women, low- and middle-income individuals, rural and urban dwellers, people with disabilities, MSMEs, construction workers, and other relevant groups.

The research team designed the sampling method to ensure the respondents were at least 45% female. The total sample size was 681 individuals across the four regions as follows: Lusaka (Lusaka 180), Central (Kabwe 101), Copperbelt (Kitwe 148), and Southern (Livingstone 137). The demand side quantitative survey had a total of 566 survey respondents. The sample encompassed male (36%), female (64%), rural (26%), peri-urban (25%), and urban (49%) dwellers. The qualitative survey comprised 76 FDG participants, 17 supply-side key informants, and 22 intermediaries (MSMEs, builders, and construction workers) offering valuable insights. Figure 1 shows the geographical distribution of the sample.

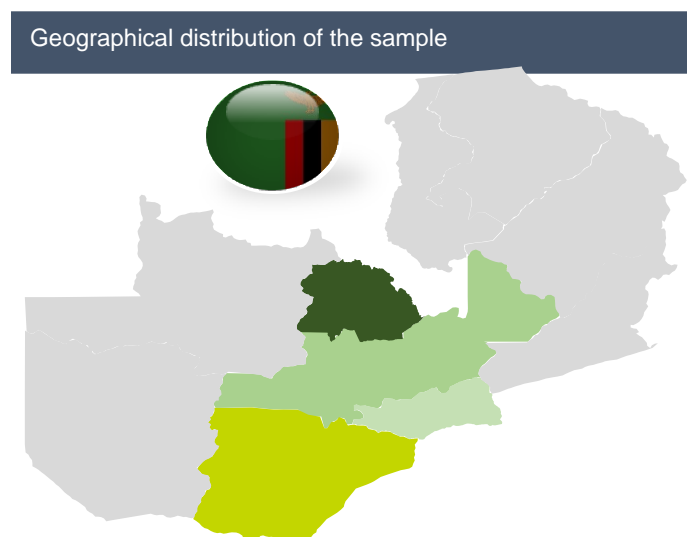


FIGURE 4: MAP OF SAMPLE DISTRIBUTION ACROSS THE STUDY GEOGRAPHIES

According to the World Bank, there are different income ranges and corresponding levels of formal employment in various population segments. These are defined as follows:

TABLE 1: SEGMENT DETAILS

Segment	Income range and share of formally employed
Middle to high-income segment	Income range: >USD 1,154 (ZMW 26,542) Share of formally employed: <3%
Mortgage gap segment	Income range: USD 385 - 1,154 (ZMW 8,855 – 26,542) Share of formally employed: >22%
Low-cost segment	Income range: USD 154 – 385 (ZMW 3,542 - 8855) Share of formally employed: >71%
Social segment	Income range: <USD 154 (ZMW 3,542) Share of formally employed: >2%

The World Bank income categorization was adopted to provide a clear framework for classification. On this basis, the income categories from the study sample were as follows:

- Category 1 (36%): respondents earning ZMW 3,542 (< USD 154)
- Category 2 (18%): respondents earning ZMW 3,542 - 8855 (USD 154 - 385)
- Category 3 (21%): respondents earning ZMW 8,855 – 26,542 (USD 385 – 1,154)
- Category 4 (25%): respondents earning ZMW 26,542 (> USD 1,154)

Category 1 represents the low-income category, category 2 is the lower middle-income category, category 3 is the middle-income category, and category 4 is the high-income category. The sample constituted about 36% of the

respondents in the lowest income category, of which 71% were women. These categories served as a standardized system to effectively analyze and interpret income levels among the respondents in the study.

Analyzing the distribution of respondents based on the nature of their dwelling place, we found that 68% resided in permanent¹⁸ houses, 22% in semi-permanent structures¹⁹, and 10% in traditional or temporary²⁰ housing. Despite a significant prevalence of permanent housing, more than 67% of respondents are dissatisfied with the current nature and condition of their dwelling place. The percentage of permanent houses was significantly higher in urban areas while temporary houses were highest in the rural areas.

The study sample showed that approximately 66% of the population is informally employed, with females dominating the informal sector employment. Of the 66% who are informally employed, 34% are financially illiterate or have not received any financial education before (chart 62). Surprisingly, only about 2% of the respondents have accessed and used formal housing finance products. Currently, most respondents rely on personal savings or village savings groups to finance their housing needs. However, those who accessed housing finance (2%) had received loans from banks (private and government), local MFIs, and VSLAs. Men mainly accessed from government banks, while women accessed from private banks, VSLAs, and local MFIs. Respondents reported that these loans were primarily used to build incrementally, including house extension (7.7%), house repairs (2.3%), and constructing a new house (0.6%), as shown in chart 50.

Table 1 shows the categorical distribution of the study sample, and Table 2 illustrates the distribution of survey respondents by region.

TABLE 2: STUDY SAMPLE

Respondent categories		Sample size (N)	
Supply-side	Banks	3	17
	Microfinance Institutions (deposit taking and credit only)	4	
	Building societies	2	
	Investors and development partners	4	
	Donors	1	
	Regulators (Bank of Zambia)	1	
	FinTechs and MNOs	2	
Intermediaries	Builders and construction workers	7	22
	MSMEs	15	
Demand-side	Survey respondents	566	642
	Focused Discussion Group (total participants)	76	
Total sample		681	

TABLE 3: SAMPLE DISTRIBUTION ACROSS VARIOUS REGIONS

Region	District	Number of respondents (N)
Lusaka	Lusaka	180
Central	Kabwe	101
Copperbelt	Kitwe	148
Southern	Livingstone	137
Total sample		566

1.4.2 Segmentation approach

To effectively conduct the research, we employed a segmentation approach to ensure a comprehensive understanding of the diverse market landscape. This enabled us to identify target groups and tailor our research efforts to their unique characteristics and needs. The segmentation analyzed various demographic, geographic, and socioeconomic factors influencing finance patterns and preferences across different regions. We considered factors such as income levels,

¹⁸ **Permanent structures:** refer to buildings constructed with high-quality durable materials such as concrete, brick, or steel, intended for long-term durability and use. These structures are designed to provide long-term accommodation and withstand various environmental conditions.

¹⁹ **Semi-permanent structures:** are housing units or shelters constructed with less durable materials such as prefabricated panels, wood, metal frames, or lightweight materials like canvas or plastic. While semi-permanent structures can provide shelter for some time, they are not intended for long-term habitation and may require maintenance or replacement over time.

²⁰ **Temporary structures:** are lightweight shelters, often made of fabric or metal frames, designed for immediate or short-term shelter needs, lacking the durability and amenities of permanent or semi-permanent housing. These are buildings, such as tents, or stands, and often do not comply with the same building standards as permanent or semi-permanent structures. These structures can be created quickly, often within days or weeks, and are often more temporary settlements, sometimes used during emergencies or renovations.

employment sectors, urban versus peri-urban and rural populations, and cultural aspects that may impact housing finance behaviors.

Distinct groups represented different market segments within the housing finance ecosystem. This segmentation allowed us to gather specific insights from each segment, understand their challenges and opportunities, and tailor recommendations accordingly.

Through this segmentation approach, we captured the diversity and complexity of the Zambian housing finance market, ensuring that our research findings and recommendations address each segment’s unique needs and circumstances. Ultimately, this targeted approach will contribute to developing effective and impactful solutions to improve housing affordability and access to finance for low-income households in Zambia.

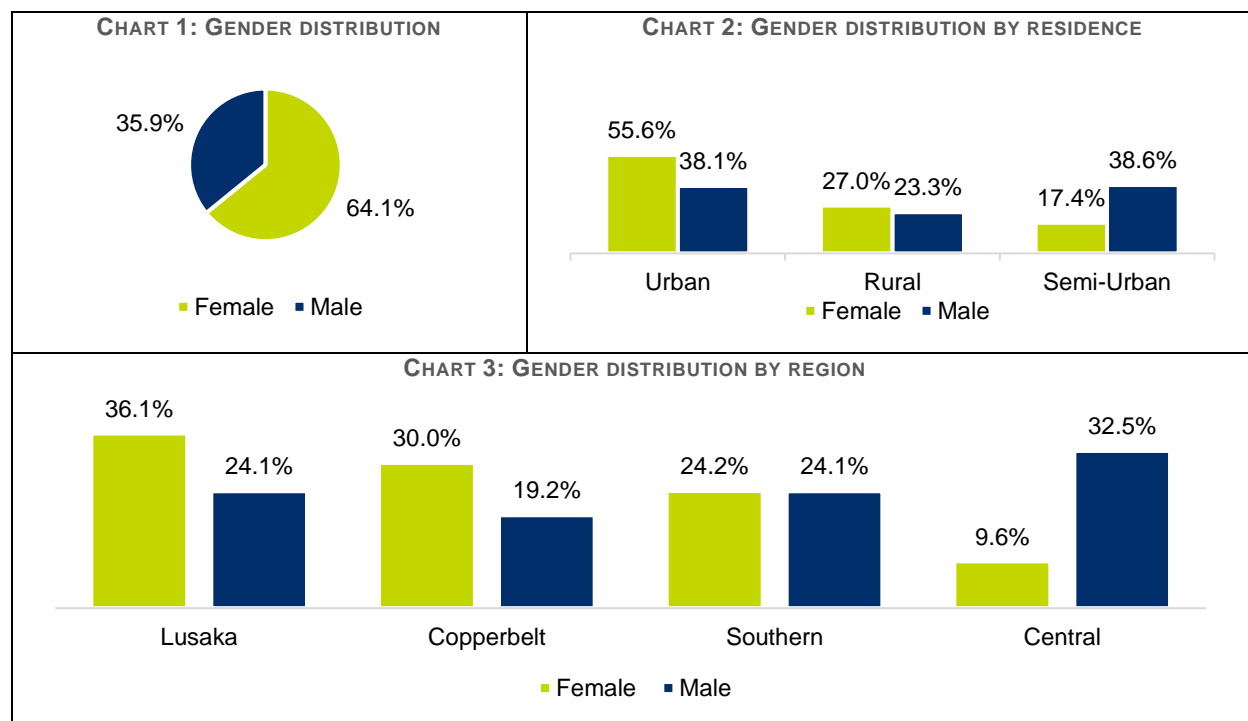
1.5 Socioeconomic characterization of respondents

1.5.1 Socioeconomic profiles of respondents

This section presents the socioeconomic characteristics of the respondents who participated in this study. Demographic and socioeconomic factors analyzed included gender, age, education level, livelihoods and income, home ownership, nature of dwelling, income categorization, and financial behaviors.

1.5.1.1 Gender profiles

The quantitative demand side survey participants constituted 363 females and 203 males, making up the total number of respondents. Female participants accounted for 64% of the respondents, and the trend was high across all locations, including urban, peri-urban, and rural. Besides the study aiming to achieve a gender balance to understand the unique gender-specific needs and barriers, the pattern indicated that women were more available at the household level. The Global Findex database (2022) shows that women in Zambia are financially excluded, with only 45% having access to formal financial services²¹. Therefore, a more inclusive approach provided useful insights and supporting evidence to develop gender-intentional housing finance solutions.



1.5.1.2 Respondents age

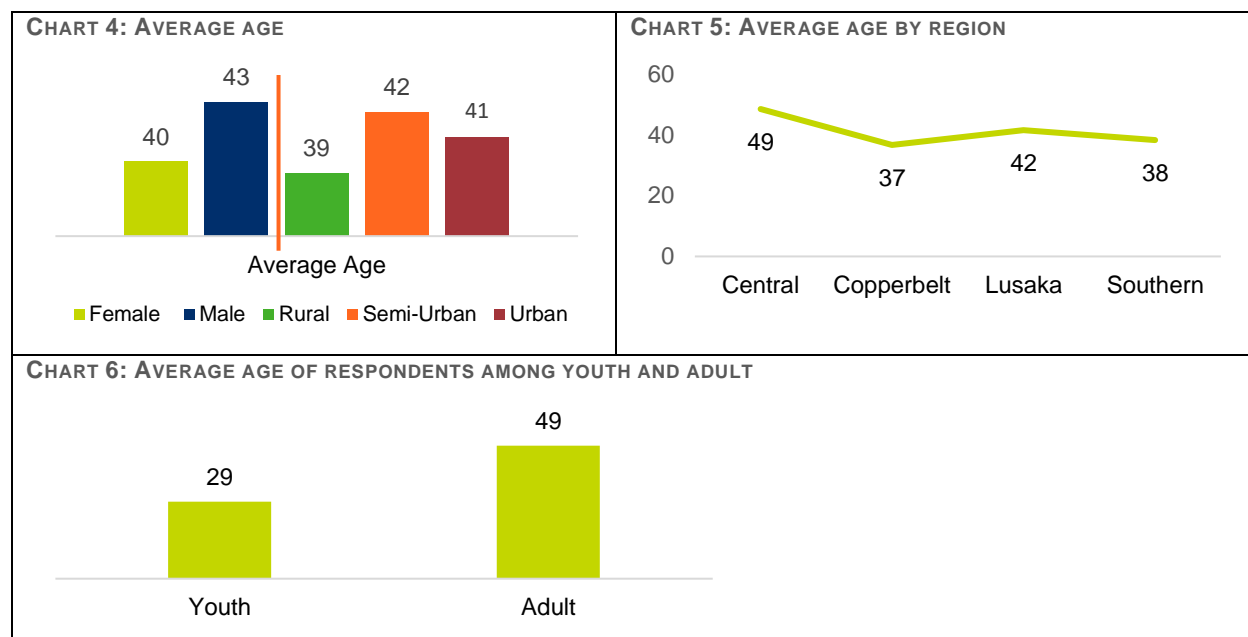
The average age of the total survey sample is 41.5 years. A cross-tabulation of the average age by region showed that the Copperbelt region (Kitwe) had the youngest population, with an average age of 37 years (chart 5). Interestingly, the

²¹ [Global Findex Database, 2022](#)

findings show that female respondents had a slightly younger average age of 40 years, while male respondents' average age was 43 years (Chart 4).

Further analysis of population age characteristics by residence revealed that the rural population had the youngest average age of 39 years, followed by urban areas at 41 years and the semi-urban regions at 42 years (Chart 4). The survey results reflect the high urbanization rate in Zambia, with 45% of the population residing in urban areas²². Categorization of age by youth (18-35 years) and adults (above 35 years) indicated that the average age of youth respondents was 29 years, while that of adults was 49 years. These findings suggest that the youth in Zambia are primarily in their prime age. This age group is crucial for economic growth and development, as they contribute to the workforce and consumer markets.

On the other hand, the adult respondents are likely to have financial stability, which can influence their housing finance needs and preferences. Different age groups may have different requirements and choices. For instance, the younger population may require more accessible and affordable housing options that cater to their growing housing finance needs. In comparison, the older population may seek more advanced and luxurious homes.

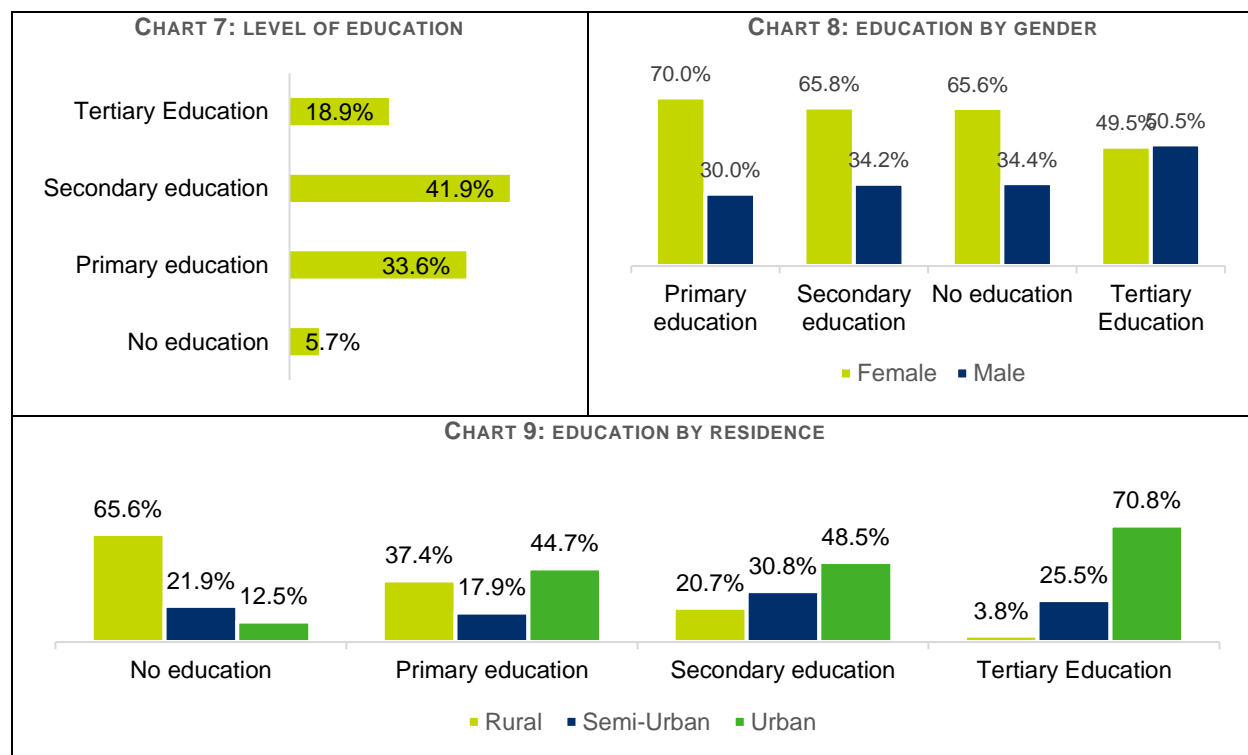


1.5.1.3 Educational attainment

Survey results show that most respondents have at least secondary education (42%), followed by primary level (34%) (Chart 7). These findings resonate with insights that 63% of the respondents could correctly calculate loan interest rates and interpret transactional messages (Chart 60). Respondents with the highest education attainment reside in urban areas, while the opposite is evident in rural areas. Chart 9 indicates that urban dwellers have the highest rate of tertiary education (71%), while rural areas have the highest proportion of respondents with no education (66%). The survey also revealed that financial literacy access increases with the level of education, with the adult population with tertiary education being the most financially literate.

Regarding educational attainment by gender, the survey data indicate no significant difference in tertiary education attainment. Additionally, about 66% of the female respondents had no education compared to 34% of males. These findings suggest that well-educated people are more likely to understand and make sound decisions about financing home improvement or construction projects. However, the high levels of women lacking formal education will likely put them at risk of disproportionate access to housing finance. The survey results highlight the importance of education in understanding and accessing housing finance, especially for women and those in rural areas.

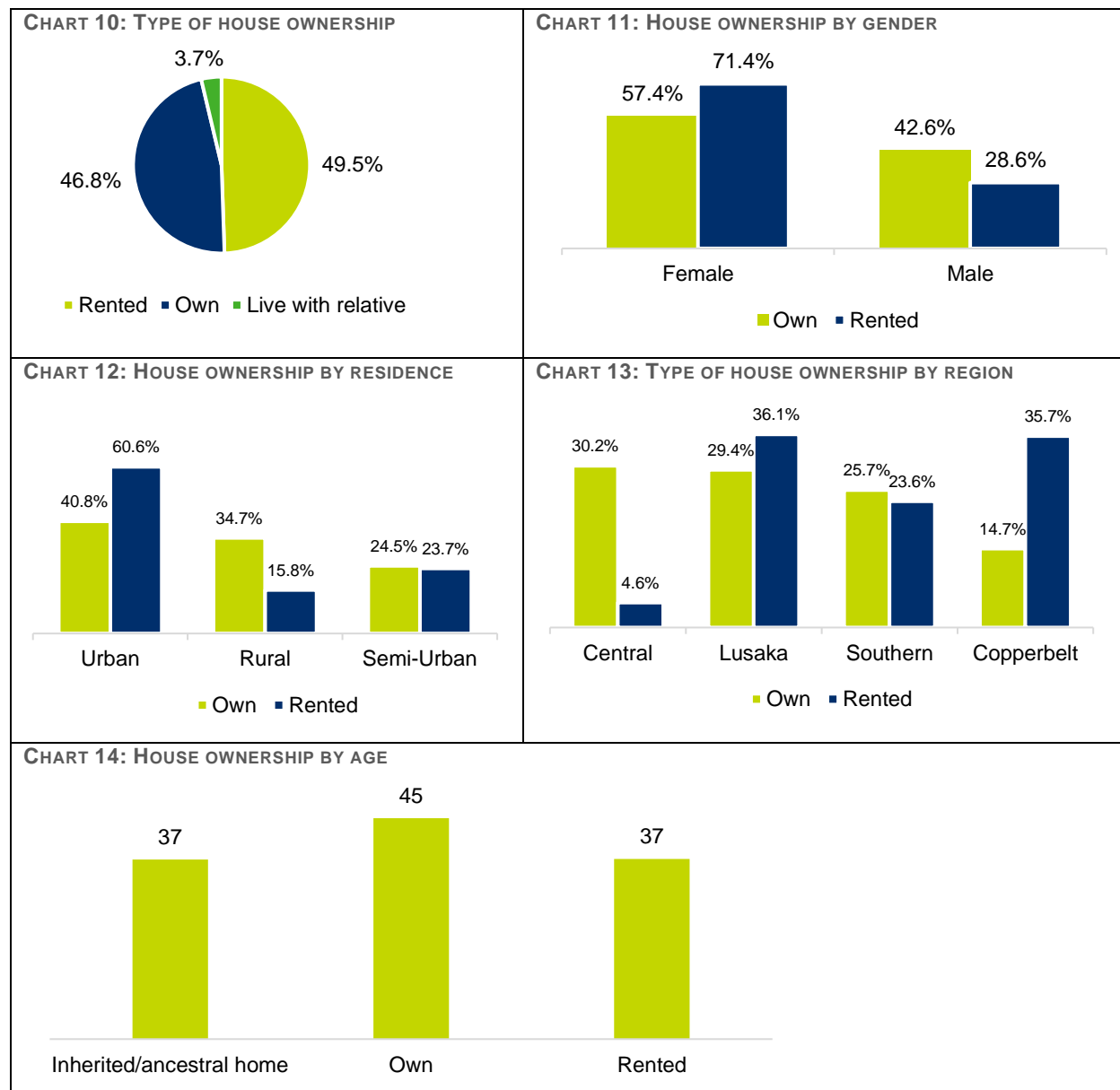
²² [Zambia High commission](#)



1.5.1.4 House ownership

The analysis below represents the status of house ownership, ownership by gender, the type of residence, and the region of the respondents. Approximately 50% of the respondents live in rented houses, 47% in owned homes, and 4% with their relatives (chart 10). A significantly higher percentage (71%) of the females interviewed reported renting the houses they live in. The lower prevalence of female home ownership may be attributed to limited access to land ownership and tenure security, with most properties predominantly owned by men (chart 11). In Zambia, patriarchal principles often characterize the customary land tenure system. It is important to note that most women who reported living in their own homes were married and reported joint homeownership with spouses when asked.

Homeownership by type of residence shows that in urban areas, renting remains dominant (61%), while in rural areas, many respondents live in their own homes. The tendency to own houses in rural areas is attributed to higher land ownership rates, including ancestral land inheritance (see chart 12).

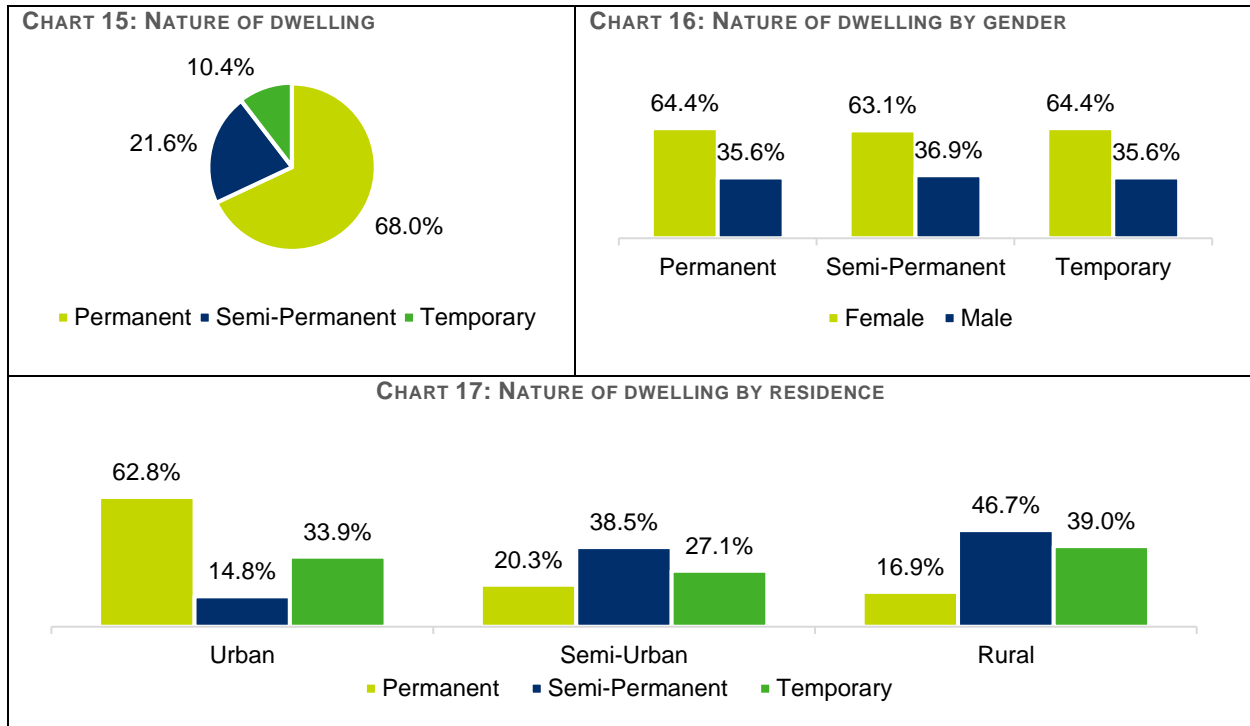


Results in chart 13 indicate that the highest percentage of people renting houses (about 36%) was in both Lusaka and Kitwe regions. Further, Central and Lusaka regions registered the highest number (approximately 30%) of people owning the houses they live in; however, semi-permanent housing structures were dominant.

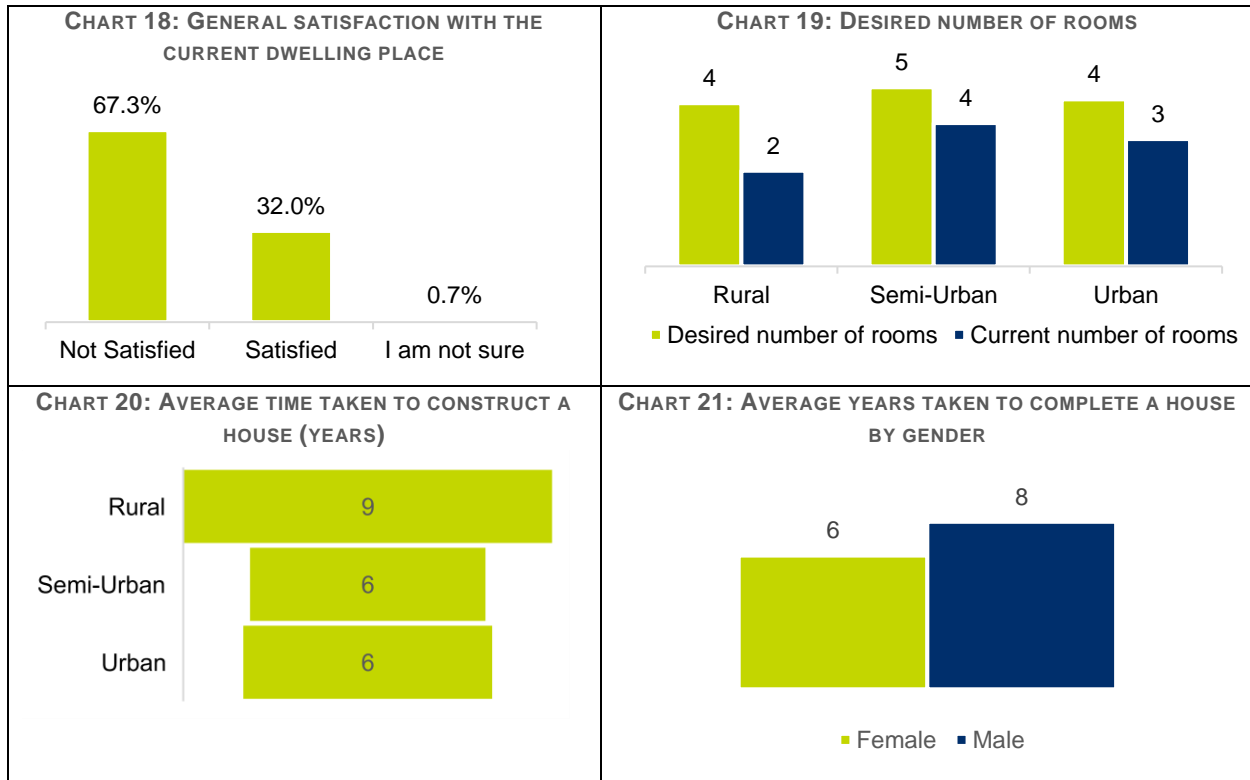
Data shows that the average age of homeowners is 45 years, higher than those in rented houses at 37 years (chart 14). This indicates that achieving home ownership often comes later in life due to the need for financial stability and the accumulation of sufficient resources to purchase or build a home. The equal average age of individuals living in rented and inherited/ancestral homes (37 years) reflects a stage in life where individuals either benefit from family assets or opt for the flexibility that comes with renting.

1.5.1.5 Dwelling place (Housing)

The survey data in Chart 15 indicates that 68% of the respondents lived in permanent structures. Even though the percentage of permanent houses is higher, it is significantly higher in urban areas (63%), as shown in Chart 17.

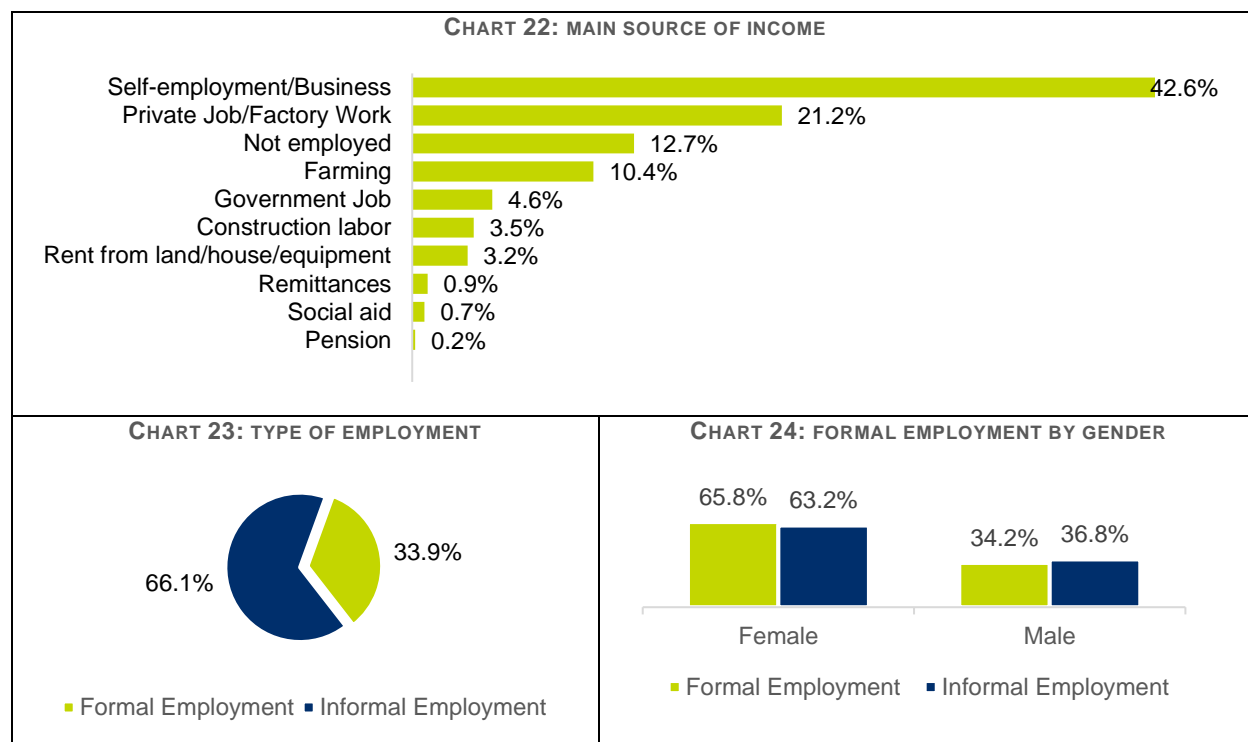


Despite a significant prevalence of permanent housing, more than 67% of respondents are dissatisfied with the current nature and condition of their dwelling place. The primary cause of dissatisfaction among residents was the small size of their houses, among other factors. Respondents expressed their desire to have a minimum of four rooms on average. The current average number of rooms is three, while the average household size is six. This indicates a gap between the desired number of rooms, the household size, and the current number of rooms they have. Dissatisfaction also stemmed from other factors such as poor construction quality, lack of basic amenities and utilities (e.g., running water, toilets, electricity), old condition of house needing renovations, unfinished homes, and safety concerns. This suggests a demand for affordable housing finance solutions for home construction, room additions/extensions, and house improvement needs. Additionally, results show that the average time to complete the construction of a house is seven years, indicating that most of them are building incrementally. Respondents expressed their need for financing to construct incrementally.



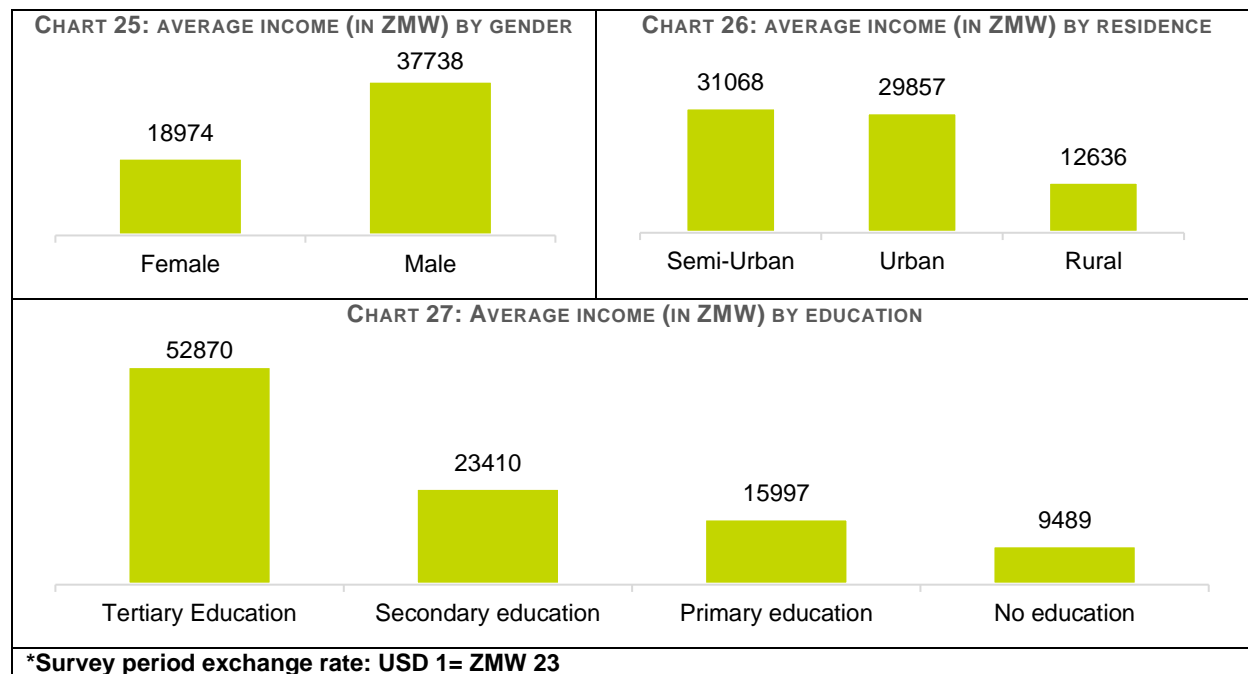
1.5.2 Livelihoods and income

Approximately 66% of the survey sample were informally employed, with 63% of the females dominating the informal sector. The survey's sampling strategy highly targeted the low- and moderate-income categories. Therefore, it is expected that the majority are not formally employed. Chart 22 illustrates the categorization of the respondents' primary livelihood sources. Most of the respondents, about 43%, earn income from running their businesses (MSMEs). Other sources of income reported by the respondents included factory work, casual work, farming, government jobs, construction labor, rent from land/house, pension and remittances, and social aid. The source of livelihood is significant in the context of access to housing finance, as access to financing is often tied to income levels and stability.



Men’s average income was twice that of the female respondents at ZMW 18,974 (USD 825) and ZMW 37,738 (USD 1,641) respectively. Respondents residing in rural areas had the lowest average income ZMW 12,636 (USD 549) compared to urban ZMW 29,857 (USD 1,298) and semi-urban ZMW 31,068 (USD 1,351) counterparts. Evidence shows that income increases with educational attainment (chart 27). The study also found that respondents with higher income levels were more stable and preferred formal sources to access loans, while those with lower income levels chose to access loans from more informal sources (chart 57). The respondents who reported having formal employment as their primary source of income (such as government jobs) have better chances of accessing housing finance because they have a steady and predictable income that makes them more attractive to financiers.

The results highlight the impact of informal employment and income levels on the ability to access housing finance. The prevalence of informal employment and the dominance of informal sector employment by females further emphasize the need to address barriers to housing finance for those in the informal sector, particularly women. The study’s findings underscore the importance of considering individuals’ specific livelihood sources and income levels when designing housing finance solutions to ensure inclusivity and accessibility, especially for those in the informal sector and with lower income levels.



1.5.3 Housing needs

The data on housing finance needs indicates a strong preference for improving existing homes, with 79% of respondents identifying the need for repairs and 77% indicating a desire for extensions. These findings show that most people seeking housing finance want to invest in their current properties rather than purchasing new ones. The need for construction of a new house, while still significant, is lower at 64%, indicating that while there is a market for new home construction, the primary focus in housing finance may be on renovation and expansion of existing homes. The need for house repairs includes flooring, painting, and fixing windows and doors, while house extension needs were for extra rooms and sanitation facilities like toilets. The emphasis on repairs and extensions shows that existing housing conditions are inadequate and that family sizes are growing beyond the capacity of current homes. Chart 29 shows that 71% of respondents described their housing conditions as insufficient. These results concur with chart 19, which indicates that the desired number of rooms is more than the current ones available.

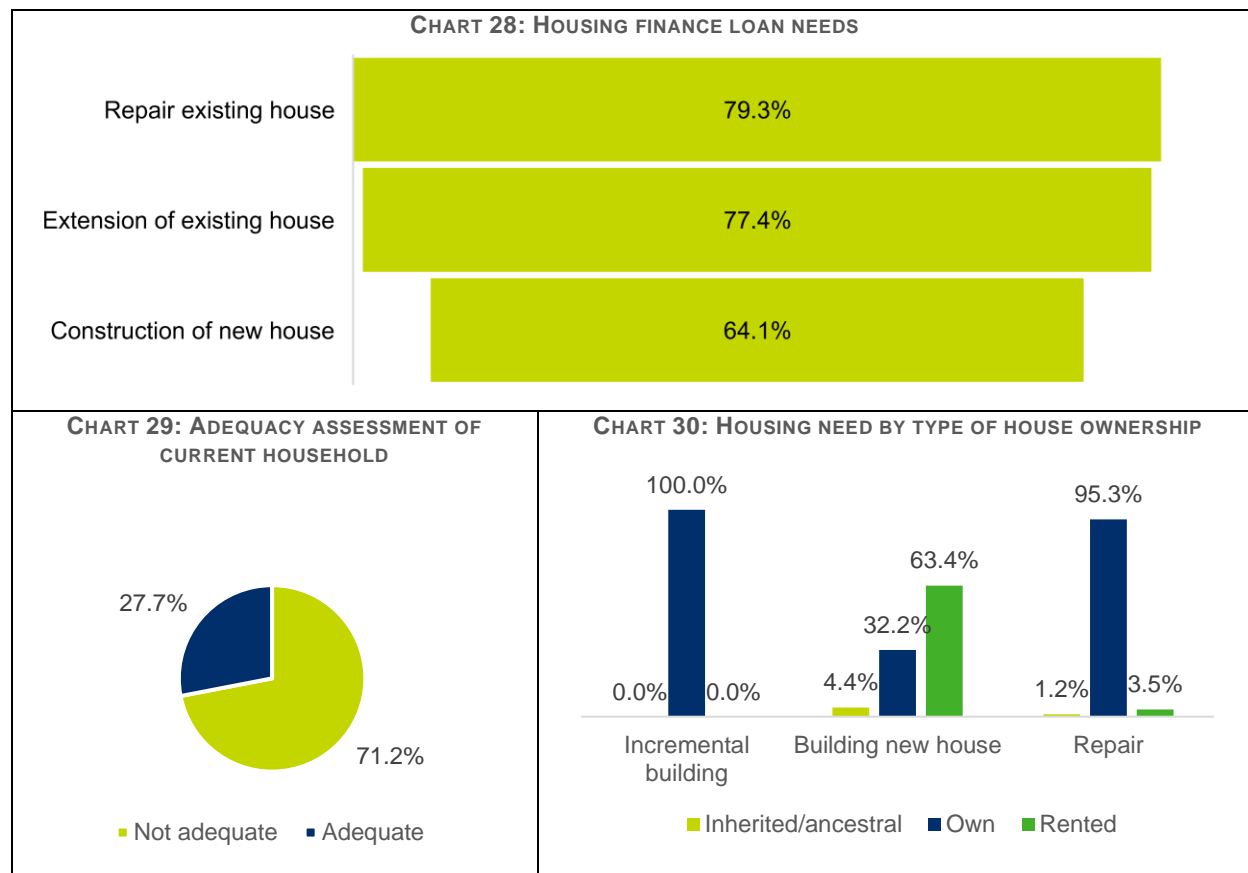
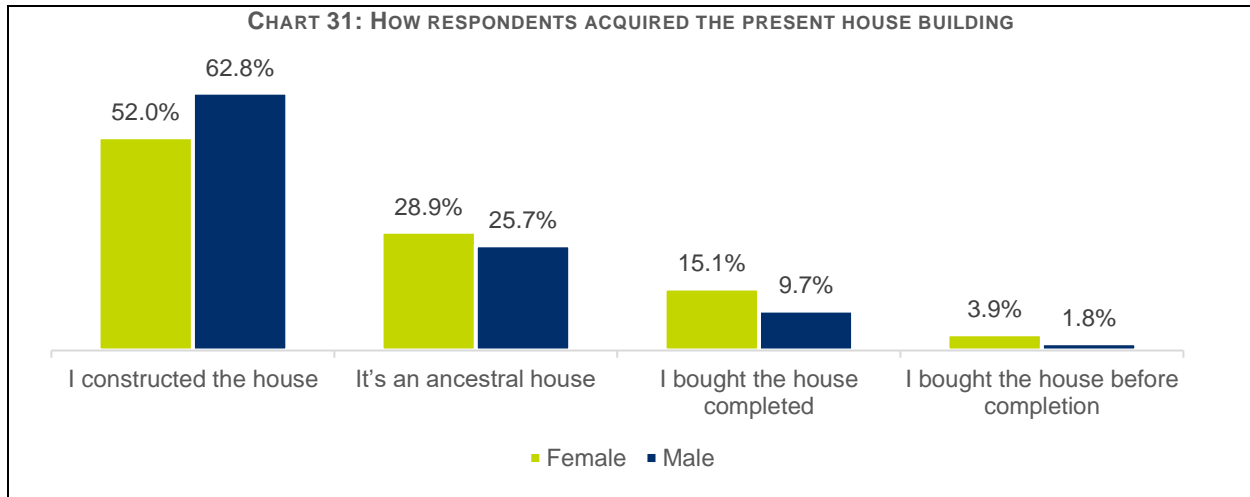


Chart 30 reveals that all individuals owning their homes universally recognize the necessity for gradual construction. This pattern emphasizes a preference for incremental building, allowing individuals to adapt construction as financial resources become available. Among those aiming to build a new house, 63% are renters, showcasing their aspiration towards homeownership, while 32% already own homes. Remarkably, 95% of those planning repairs are homeowners, which indicates a dedication to improving living conditions. The findings illustrate a strong link between house ownership, housing finance affordability, and the preference for a phased approach to home improvement and construction.

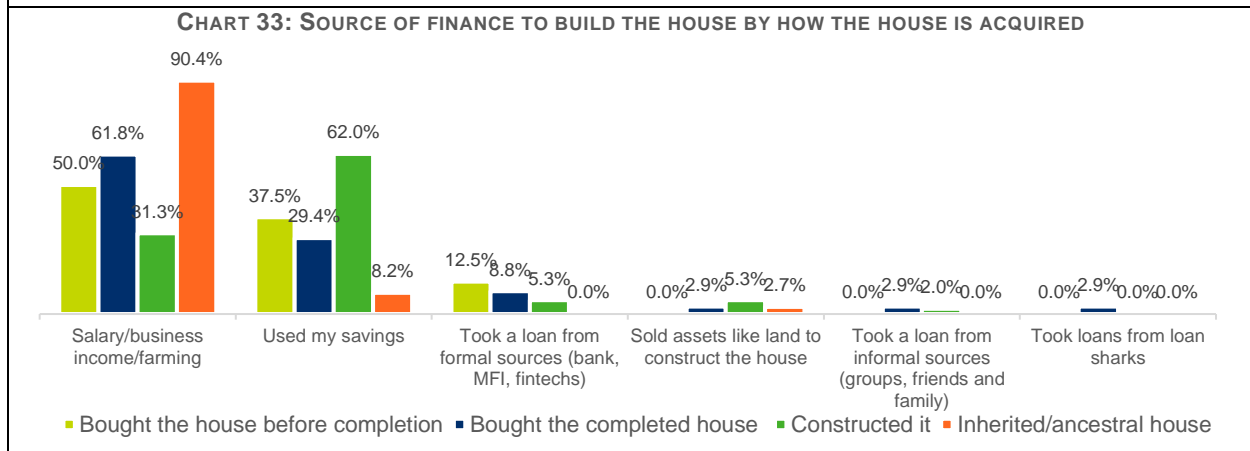
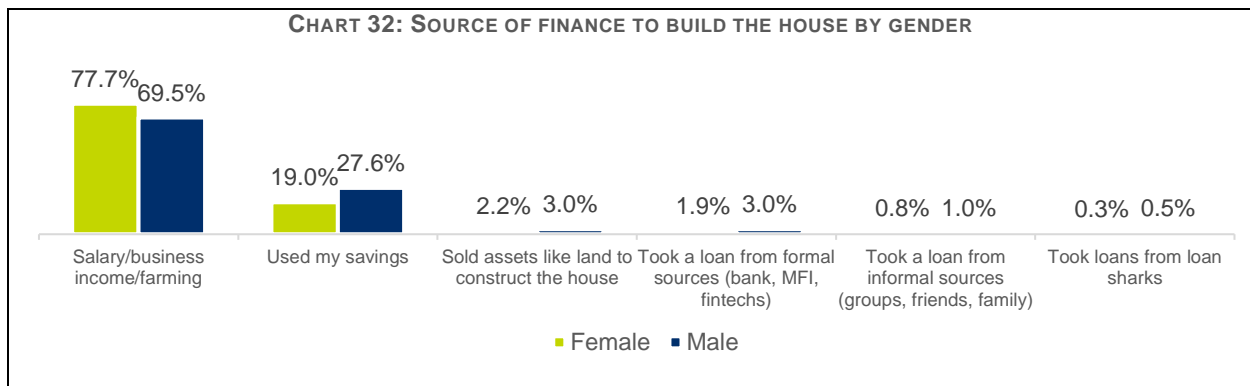
1.5.4 House acquisition and financing construction

The **FinScope Zambia 2020 survey** findings revealed a noteworthy increase in the percentage of adults in Zambia reporting ownership of their current dwelling, rising from 44.5% in 2015 to 67.1%. This trend is particularly prominent among rural-based adults, males, individuals engaged in farming, and those from households in the lowest income quintile. These insights suggest a growing demand for housing finance in Zambia, especially among rural and lower-income populations, as more households seek to secure and improve their residential properties.

As presented earlier (chart 10), the current study findings show that 50% of the survey respondents rented, and 47% owned their house. Chart 31 shows how respondents have acquired their current dwelling place by gender. Respondents mainly constructed their current dwelling place, and many live in ancestral homes. Disaggregation by gender shows that 63% of men had built a house compared to 52% of women. In contrast, 29% of women lived in an ancestral place compared to 26% of men. Data shows low rates of individuals who bought an already built home, indicating low uptake of mortgage financing.



Findings show that individuals financed their housing activities majorly through employment income and savings for both men and women (Chart 32). Financing through loans from formal financial sources is still very low; therefore, there is a need to develop inclusive financing products that cater to the needs of the low- and middle-income population. The same trend follows on the source of finance to build the house by how the home is acquired, as shown in Chart 33. This points towards a cautious approach towards borrowing from formal financial sources, which remains notably low. The cautious approach is influenced by factors such as fear of bank loans, cultural norms, lack of knowledge, and accessibility issues related to housing finance products, alongside challenges in meeting the stringent requirements set by banks.



As shown above, many respondents rely on personal savings, including village savings groups, to finance their housing needs. They favor and depend on these methods primarily because of the accessibility and flexibility they provide. Low

and middle-income earners see personal savings as a straightforward, risk-free method to accumulate funds without formal banking procedures. VSLAs offer a community-based saving and borrowing model, creating a supportive network that is often more approachable and less intimidating than formal financial institutions. Respondents noted that they prefer these methods as they can manage their finances within their means without pressure to pay back or fear of defaulting.

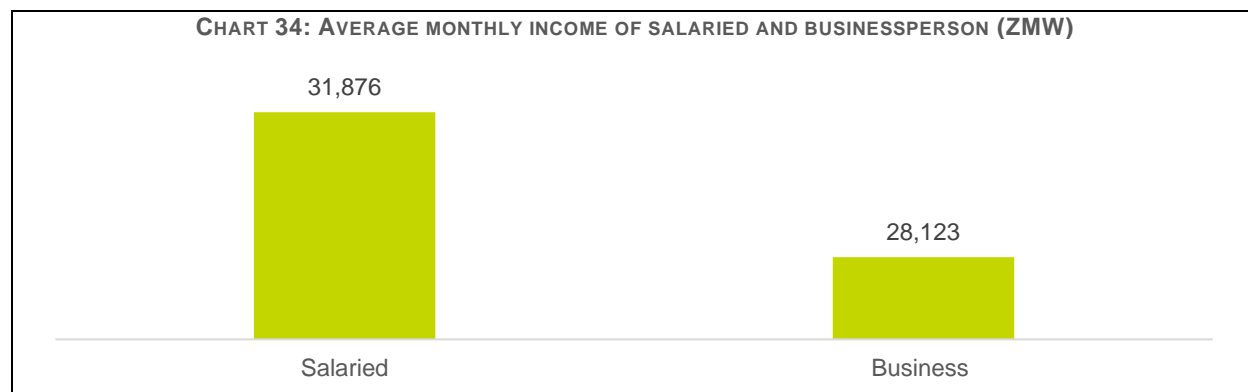


Chart 34 highlights the differences between formal and informal sources of housing finance by the average monthly incomes individuals earn. Salaried individuals earn slightly more on average, ZMW 31,876 (USD 1,386), than business individuals who earn ZMW 28,123 (USD 1,223). This implies that those with formal employment (salaried workers) have more stable and predictable income streams, which makes them more likely to access and service loans from formal financial institutions. While employment income and savings are primary financing sources for housing, there is a potential untapped market among business individuals who can benefit from tailored financial products.

The slightly lower average income for businesspersons also explains why formal financing uptake is low in this group, emphasizing the need for inclusive products that cater to variable income patterns typical of self-employment.

1.6 Financial Behavior

1.6.1 Income categorization

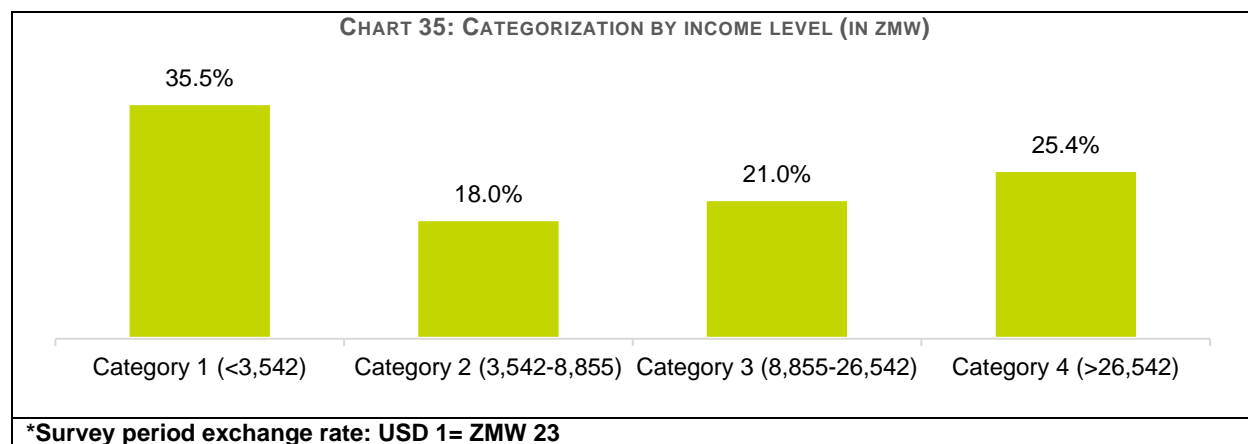
According to the World Bank, there are different income ranges and corresponding levels of formal employment in various population segments. These are defined as follows:

Middle to high-income segment	Income range: >USD 1,154 Share of formally employed: <3%
Mortgage gap segment	Income range: USD 385 - 1,154 Share of formally employed: >22%
Low-cost segment	Income range: USD 154 – 385 Share of formally employed: >71%
Social segment	Income range: <USD 154 Share of formally employed: >2%

The World Bank income categorization was adopted to provide a clear framework for classification. On this basis, for this study, the categories were defined as:

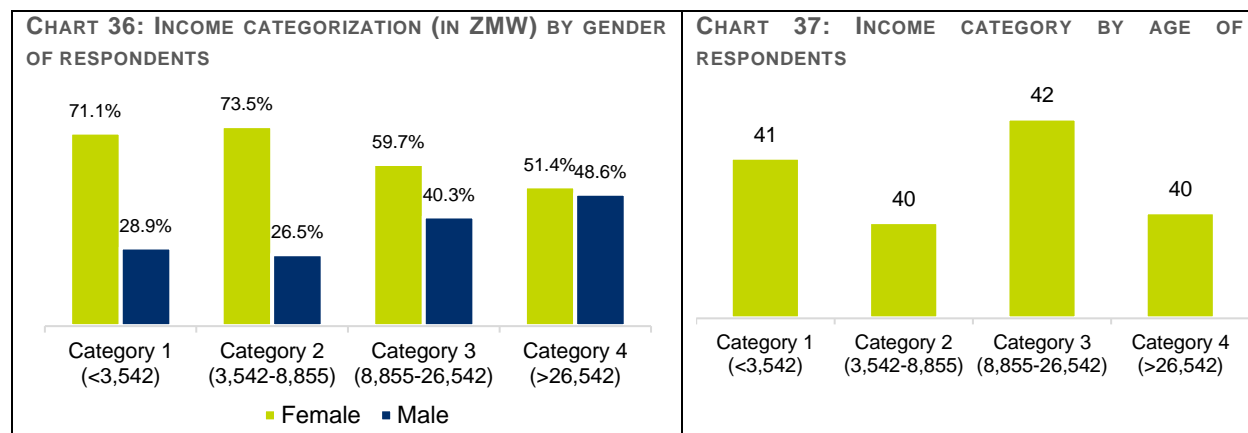
- Category 1: low-income ZMW 3,542 (< USD 154).
- Category 2: lower-middle-income ZMW 3,542 – 8,855 (USD 154 - 385).
- Category 3: middle-income ZMW 8,855 – 26,542 (USD 385 – 1,154).
- Category 4: high-income ZMW 26,542 (> USD 1,154).

On this basis, the income categories from the study sample were as shown in Chart 27. The sample constituted about 36% of the respondents in the lowest income category, of which 71% were women.



1.6.1.1 Income categorization by gender and age

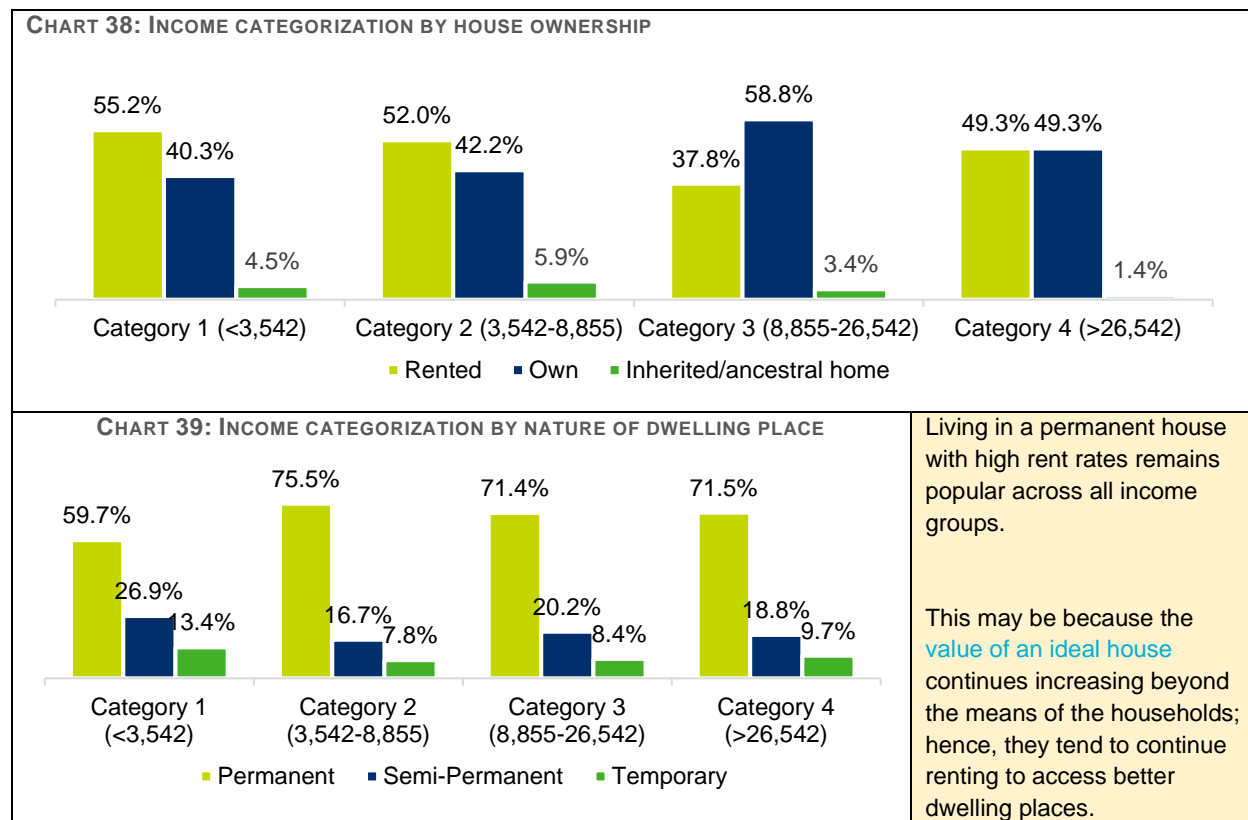
Categorization of income by gender provides critical insights into how this impacts access and usage of housing finance. Many females are in the low and lower-middle-income categories one and two, while men dominate the middle and high-income categories (Chart 36). The results suggest that women are financially constrained and disproportionately impacted due to limited education, lack of skills, inequality in access to productive resources, lack of job/income opportunities, cultural norms and biases, or other factors. As a result, women may face challenges in accessing housing finance due to a lower income level.



1.6.1.2 Income categorization by home ownership and nature of dwelling place

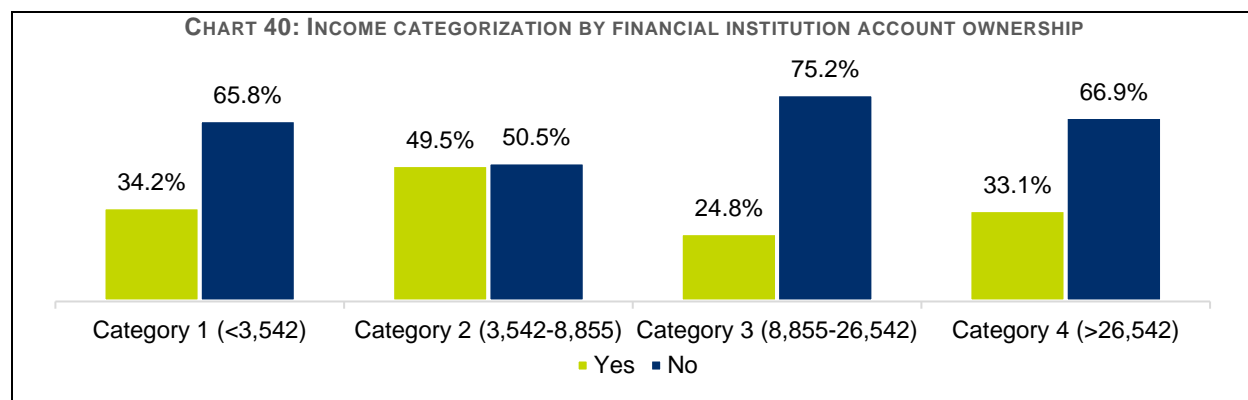
The survey results in Chart 38 show that most of the low and middle-income category mainly live in rented houses. The findings show that the percentage of respondents renting increases with increased income. Most of the survey respondents' high-income earners reside in urban areas where renting is more prevalent. Uniquely, Category 4 distribution of homeowners and those renting is evenly distributed.

Chart 39 shows income categorization by the nature of the dwelling place. The proportion of respondents living in permanent houses was higher in all other categories except for the low-income category. Semi-permanent and temporary structures were common in the low-income category. This demonstrates that the low-income category has a greater need for home improvement and is likely to seek financing to enhance their shelter. However, they struggle to prove their ability to pay due to their comparatively lower incomes.



1.6.1.3 Income categorization by financial institution account ownership

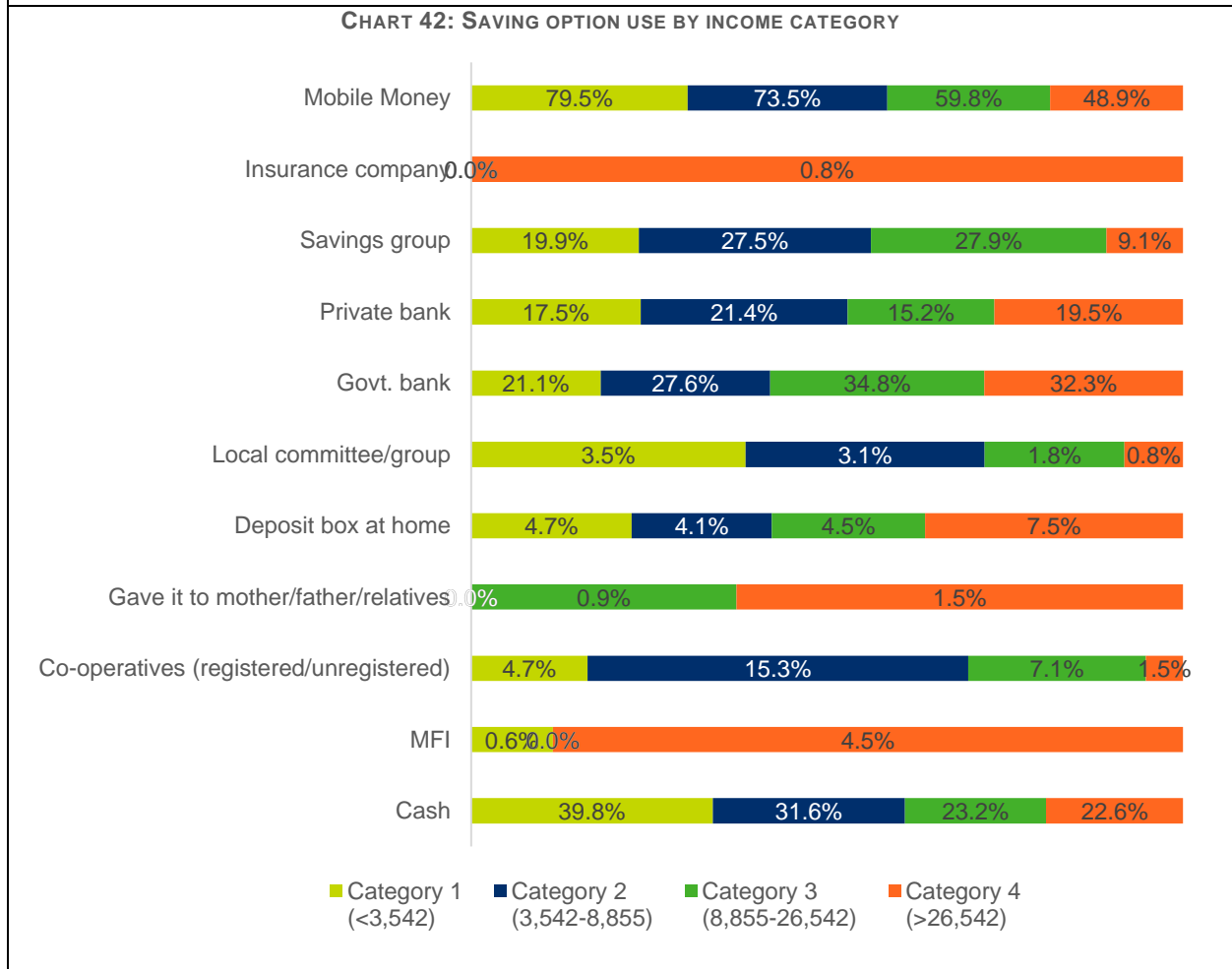
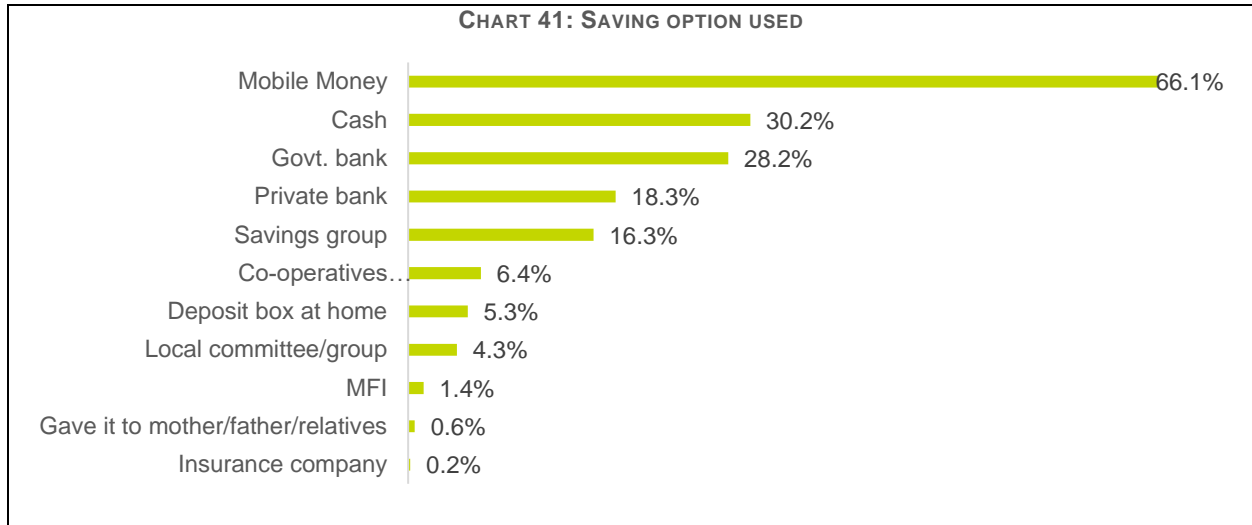
The findings in Chart 40 show the trend in financial institution account ownership (including banks, building societies, MFIs, and SACCOs). Generally, the results demonstrate that the rates of respondents owning an account with a formal financial institution were lower than those who did not. Category 2, representing the low-middle-income bracket, had a significantly higher percentage of account ownership, with 50% of individuals holding an account. Low and middle-income populations face barriers to formal account ownership due to inadequate banking infrastructure, especially in rural areas, and extensive involvement in the informal economy, which results in a lack of documentation and consistent income required for formal financial services access.



Notably, 66.9% of those in the highest income category (Category 4) do not have formal financial accounts. This contrasts with the expectation that higher income correlates with higher financial account ownership. It is important to note that 66% of the survey respondents participated in the informal sector. Individuals who are informally employed yet earning higher incomes accounted for the lower formal financial account ownership rate.

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However, chart 41 below shows that mobile money is the most preferred saving method with a 66% usage rate, followed by cash at 30%, government banks at 28%, private banks at 18%, and VSLAs at 16%.

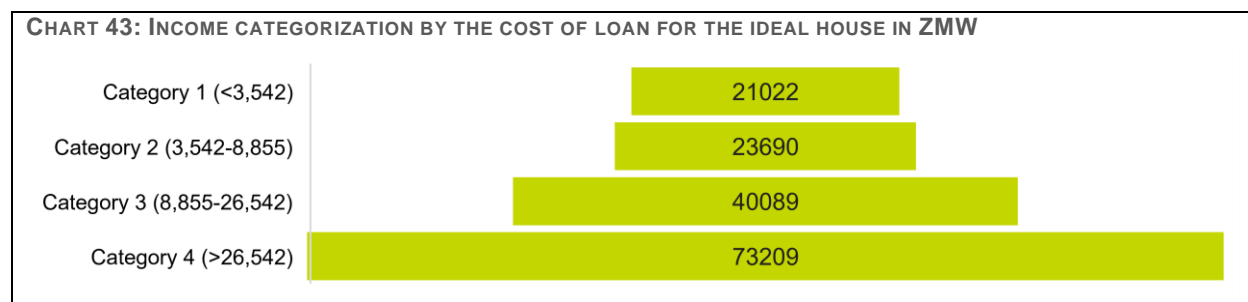


Analyzing savings options by income category shows that mobile money usage for savings is high across all income categories. Low and middle-income categories prefer cash and VSLAs, while higher-income groups lean towards banks or cash for savings (see chart 42).

The preference for mobile money reflects the easy accessibility, trust, and convenience it offers. For higher-income individuals, using banks indicates a preference for the security and additional services banks provide. The fact that VSLAs are more popular among lower-income groups indicates they are a vital tool for those without access to formal banking.

1.6.1.4 Income categorization by the cost of the ideal house and the ability to borrow

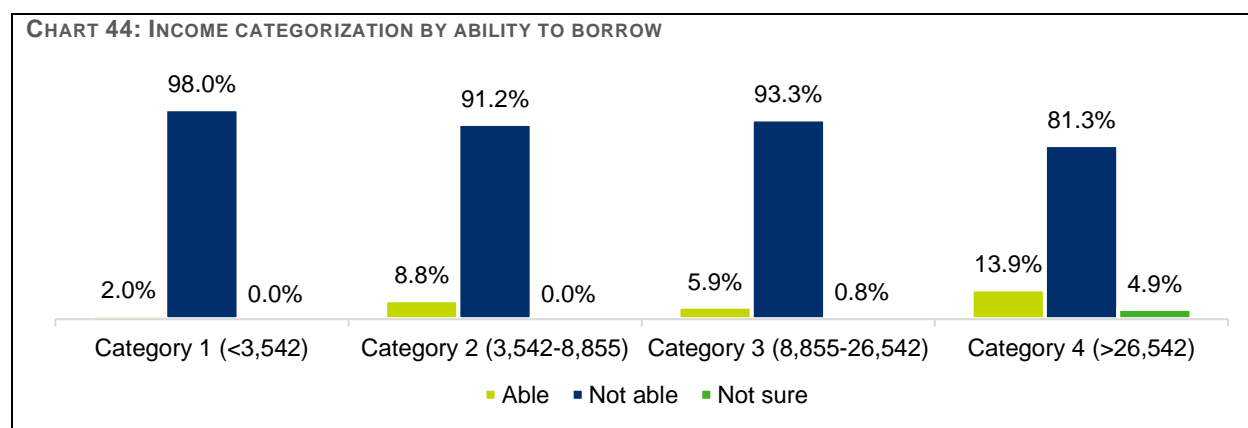
Respondents were asked to estimate how much they would spend constructing their ideal house. The cost of an ideal home is an indicator of the respondent’s aspirations. Respondents with higher incomes had higher aspirations and were more likely to improve their houses or build new ones. High aspirations are generally prevalent across the income groups but more evident in the higher income groups (see chart 43). The cost of a loan associated with an ideal house increases with increasing income. This indicates that the credit appetite is determined by the income level and the ability to borrow and pay. Higher-income individuals are generally more willing to take on larger loan ticket sizes.



Findings show that the ability to borrow was low across all income categories (Chart 44). 14% of the high-income category four can borrow and meet the qualification criteria. The rate is alarming for the low-income category, with only 2% of the respondents able to borrow. Respondents also reported aspirations by the amount they are willing to borrow (ranging from ZMW 35,600 (USD 1,548) to ZMW 45,157 (USD 1,963) for low- and moderate-income earners. Unsurprisingly, those in lower income category 1 are willing to borrow significantly lower amounts of money.

The results suggest that income level impacts individuals’ borrowing and repayment behavior. Category 4 respondents who have stable and consistent income sources and meet financial institutions’ borrowing requirements and qualification criteria such as collateral, land titles, a stable and consistent income, a good credit history, salary slips, or proof of business. Meeting these requirements demonstrates a higher willingness and ability to borrow and repay, indicating higher aspirations.

Most Zambians, including those in the high-income category, cannot borrow, which is concerning. Most people work in the informal sector, resulting in irregular income. Further, the high cost of housing finance and housing makes it unaffordable for many.



1.6.1.5 Housing aspirations, loan needs, and loan repayment categorized

Based on the survey data, there is a clear trend that households in higher-income groups are generally willing to pay higher loan amounts monthly than those in the lower-income categories.

Table 4 presents a clear positive correlation between income levels and housing aspirations, showcasing that as income increases, so does the ability and willingness to invest in housing—evidenced by higher costs for current house improvements, ideal house costs, and monthly payment capacities. Based on the survey data, there is an upward trend in financial commitments towards housing as income rises. These results indicate that income levels directly influence the respondents' desire for better housing. This highlights the economic divide in housing affordability and aspirations, emphasizing the importance of financial empowerment in achieving housing goals.

TABLE 4: INCOME CATEGORIZATION BY COST OF IDEAL HOUSE AND ABILITY TO PAY

Income category (Survey period exchange rate: USD 1= ZMW 23)	Approximate cost of current house improvements in ZMW	Approximate cost of the ideal house in ZMW	Average amount willing to pay monthly in ZMW
Category 1= < USD 154 (< ZMW 3,542)	21,019 (USD 914)	104,730 (USD 4,553)	350 (USD 15)
Category 2 USD 154-385 (ZMW 3,542 -8,855)	23,700 (USD 1,030)	136,814 (USD 5,948)	997 (USD 43)
Category 3 USD 385-1154 (ZMW 8,855-26,542)	40,083 (USD 1,743)	127,954 (USD 5,563)	1,059 (USD 46)
Category 4 > USD 1154 (ZMW 26,542)	73,205 (USD 3,183)	198,594 (USD 8,635)	1,399 USD (61)

Table 5 compares current and ideal housing costs and the average monthly payment willingness among youth versus adults and females versus males. Data shows youth have higher aspirations for more expensive houses and a greater willingness to invest monthly than adults. This means youth are very ambitious and optimistic about their future. Meanwhile, males exhibit a higher financial commitment towards housing aspirations than females. These comparisons reveal significant differences in housing aspirations and financial capabilities across different population segments, highlighting the need for tailored housing finance solutions and support mechanisms.

TABLE 5: COMPARATIVE ANALYSIS OF HOUSING ASPIRATIONS AND ABILITY TO PAY AMONG DIFFERENT DEMOGRAPHIC GROUPS

Youth versus adults	Approximate cost of current house improvements in ZMW	Approximate cost of the ideal house in ZMW	Average amount willing to pay monthly in ZMW
Youth	38,464 (USD 1,672)	169,841 (USD 7,384)	1,262 (USD 55)
Adults	41,874 (USD 1,821)	117,732 (USD 5,119)	1,094 (USD 48)
Female versus male			
Female	45,157 (USD 1,963)	134,231 (USD 5,836)	906 (USD 39)
Male	35,665 (USD 1,551)	148,296 (USD 6,448)	1,435 (USD 62)

1.6.2 Access to housing finance

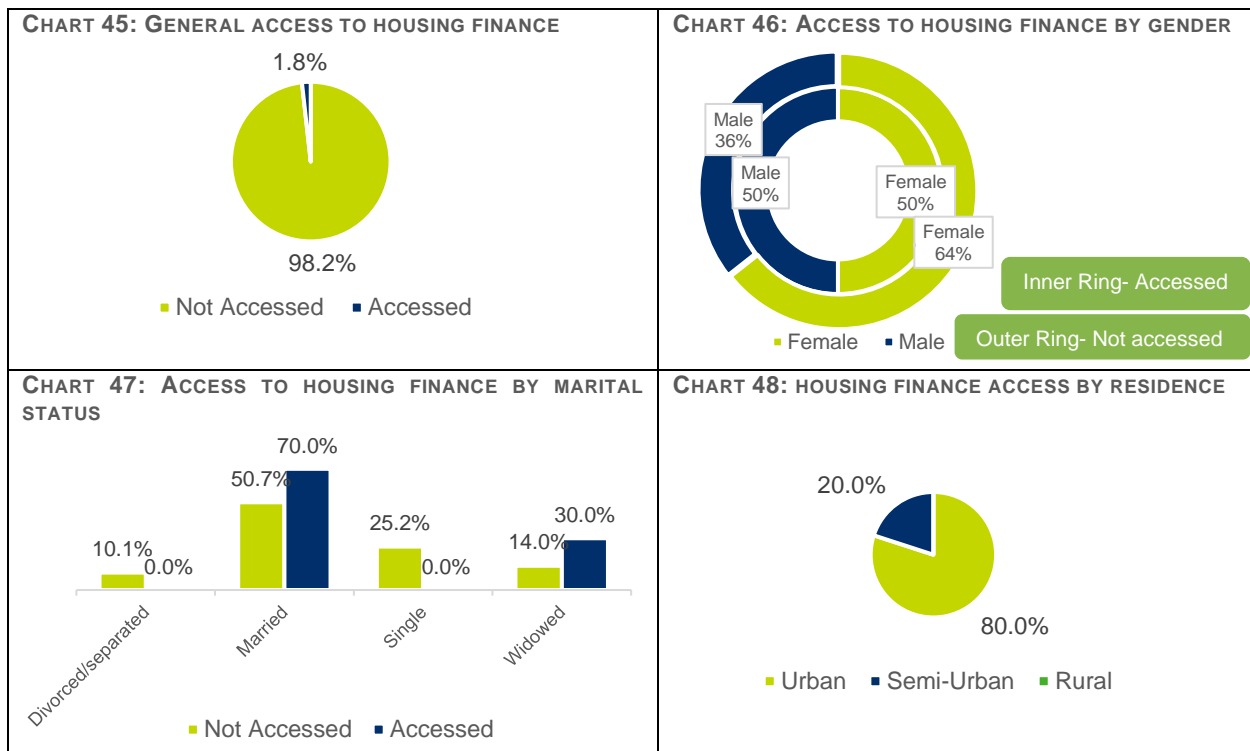
1.6.2.1 Housing finance access insights

Surprisingly, only about 2% of the survey sample respondents had accessed and used housing finance loan products (Chart 45). This implies that a significant portion of the population encounters difficulties securing housing financing due to the inability to meet borrowing requirements and low awareness of housing finance products.

A significant difference exists between males and females who did not access housing finance (Chart 46). The gender disparity is evident given that more females (64%) have not accessed housing finance compared to males (36%). The male respondents were more likely to access housing finance than their female counterparts. This suggests that there are underlying factors that disproportionately impact females' access to housing finance, such as gender-based discrimination, unequal access to economic opportunities, and unequal ownership of assets used as collateral.

Respondents residing in rural areas are financially excluded. Access to housing finance is highest in urban areas compared to rural areas (20%), as shown in Chart 48. People who are married (70%) and widowed (30%) are more

likely to secure financing for housing activities. This is because they are more likely to have required collateral, such as assets and land.



1.6.2.2 Sources of housing finance

Chart 49 shows the sources of accessing housing finance products and services. The results reveal that the 2% of respondents who had accessed formal financial services received loans from private banks (50%), government banks (20%), and MFIs (10%). Those who accessed housing finance from informal sources had received loans from friends and VSLAs. Men mainly accessed financing from government banks, while women accessed from private banks, VSLAs, and local MFIs.

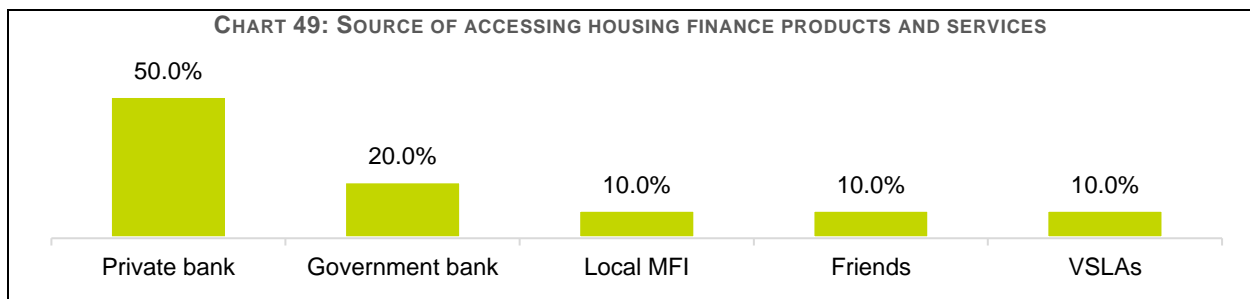


Chart 50 describes housing finance access by housing needs. Results reveal a significant disparity between those who have accessed housing finance and those who have not across three categories: incremental building, building a new house, and repair. A vast majority have not accessed housing finance, with the percentage of those who have being notably low across all three categories. For individuals who had accessed housing finance solutions, the highest loan use was for incremental building (7.7%), followed by repairs (2.3%), and 0.6% for building a new house.

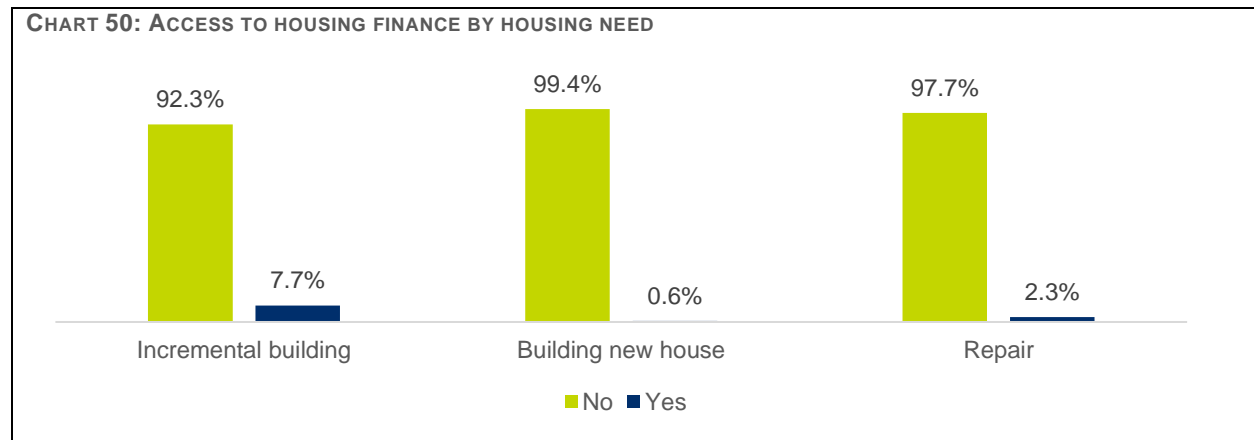
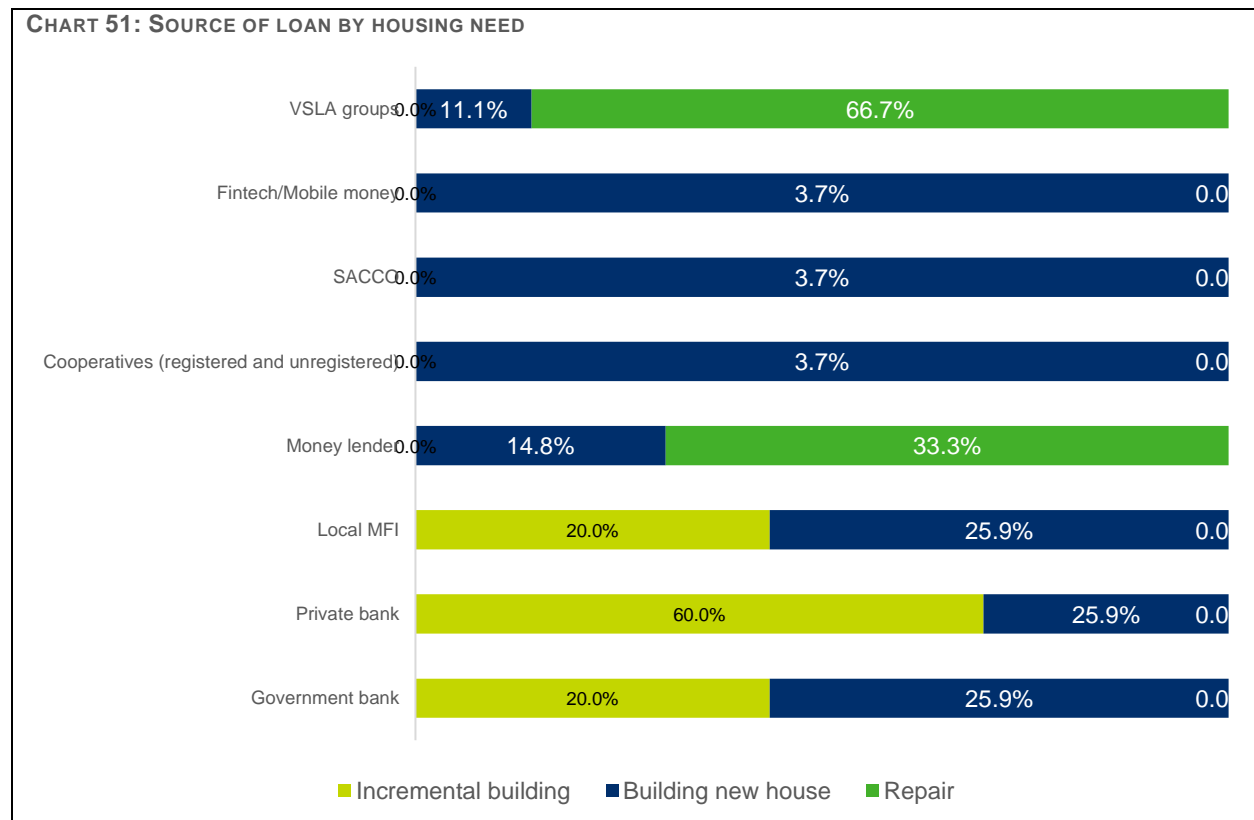


Chart 51 details how individuals obtain loans for different housing needs. It highlights a diverse range of sources, including government banks, private banks, MFIs, money lenders, cooperatives, SACCOs, fintech/mobile money, and VSLA groups, with the distribution varying significantly depending on the housing need.

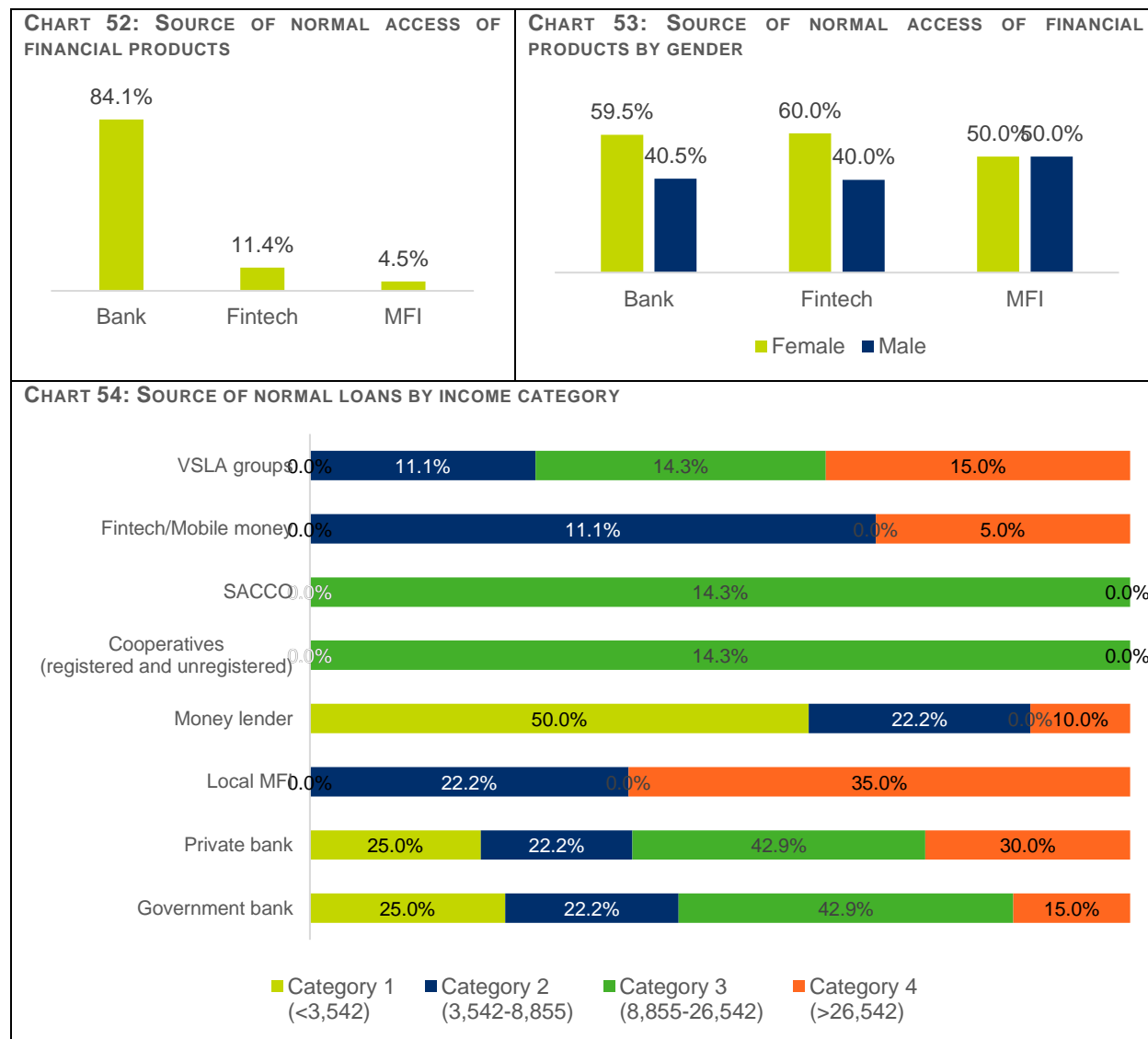
Individuals aiming for incremental building mainly borrow from private banks (60%), government banks (20%), and local MFIs (20%). Those who require loans for house repairs often rely on VSLAs (67%) and money lenders (33%). Meanwhile, financing for constructing a new house is more evenly spread among private banks (26%), government banks (26%), MFIs (26%), and, to a lesser extent, moneylenders (15%).



Access to other general financial products / Source of other financial products

For accessing other general financial products and services, 84% of respondents rely on banks, with both genders equally accessing MFIs but women slightly favoring banks and fintech solutions. Chart 54 illustrates the diversity in financial sources across income categories, showing a shift from informal sources like money lenders and VSLAs in lower income brackets to formal banking and MFIs in higher income categories. The trend reflects higher financial

literacy and access among higher-income individuals, alongside formal institutions' requirements that favor those with stable incomes and solid credit histories.

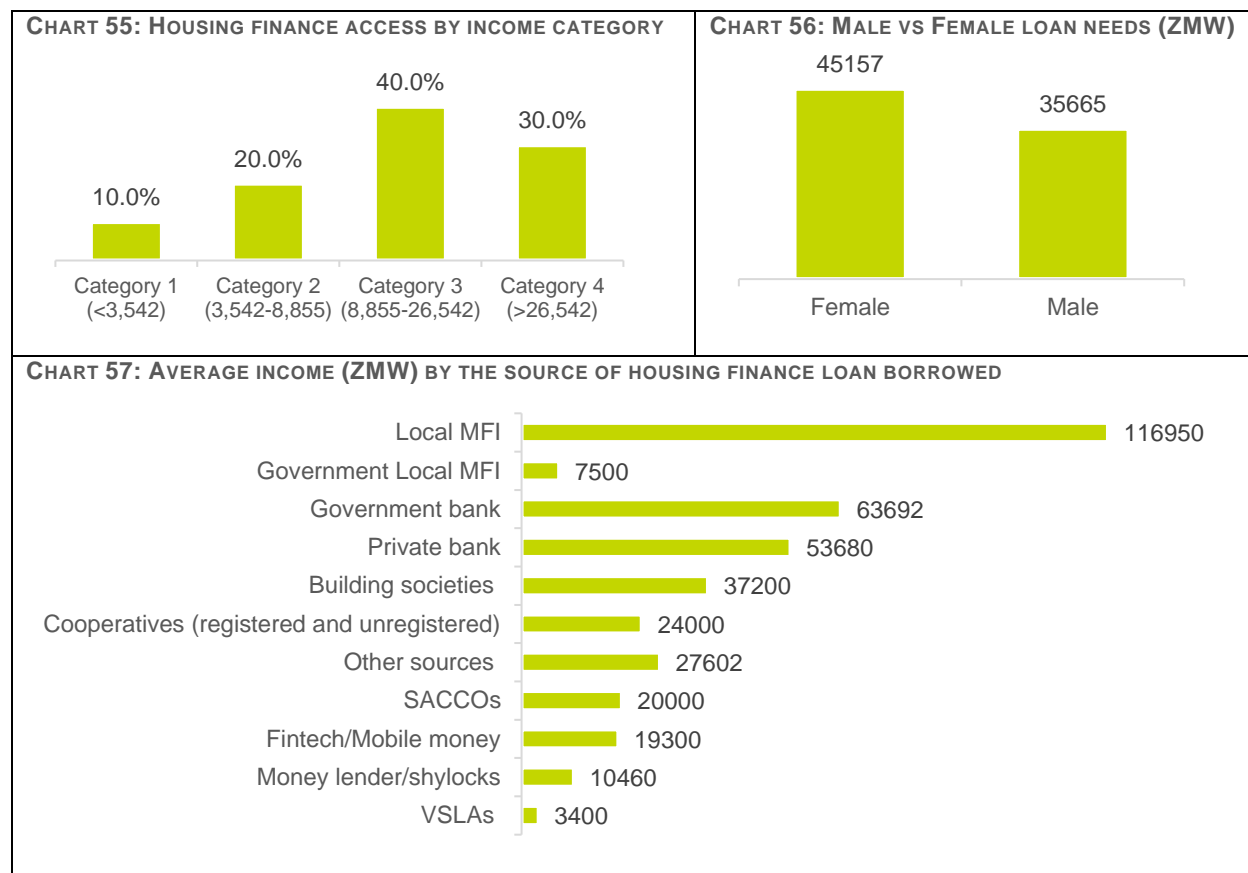


1.6.2.3 Access to housing finance by income categorization

Respondents in the higher income levels preferred formal sources to access loans. Those with lower income levels chose to access loans from more informal sources. Results also show that females have a higher need for housing finance solutions than males.

Chart 57 compares the average monthly incomes of respondents with the sources of housing finance loans. The results reveal that higher-income respondents, ranging from ZMW 37,200 (USD 1,617) to ZMW 116,950 (USD 5,084), preferred borrowing from formal financial institutions like banks, building societies, and MFI banks. These traditional credit sources are typically more accessible to higher-income earners, who are more likely to be formally employed. Respondents in the middle-income group, ZMW 10,460 (USD 455) – ZMW 24,000 (USD 1,043), mostly borrowed from registered and unregistered cooperatives, private money lenders, SACCOs, and FinTechs. Whereas those who belonged to the low-income category, ZMW 3,400 (USD 147) largely borrowed from VSLAs. Respondents in the middle to high-income categories had higher access to housing finance at 40% and 30%, respectively.

Data shows that higher-income individuals primarily access credit from traditional and established formal sources, while middle-income households secure financing from formal and informal sources. In contrast, lower-income households are more inclined to access informal loans from VSLAs. These findings highlight the importance of improving financial inclusion and facilitating access to formal credit sources for lower-income earners.



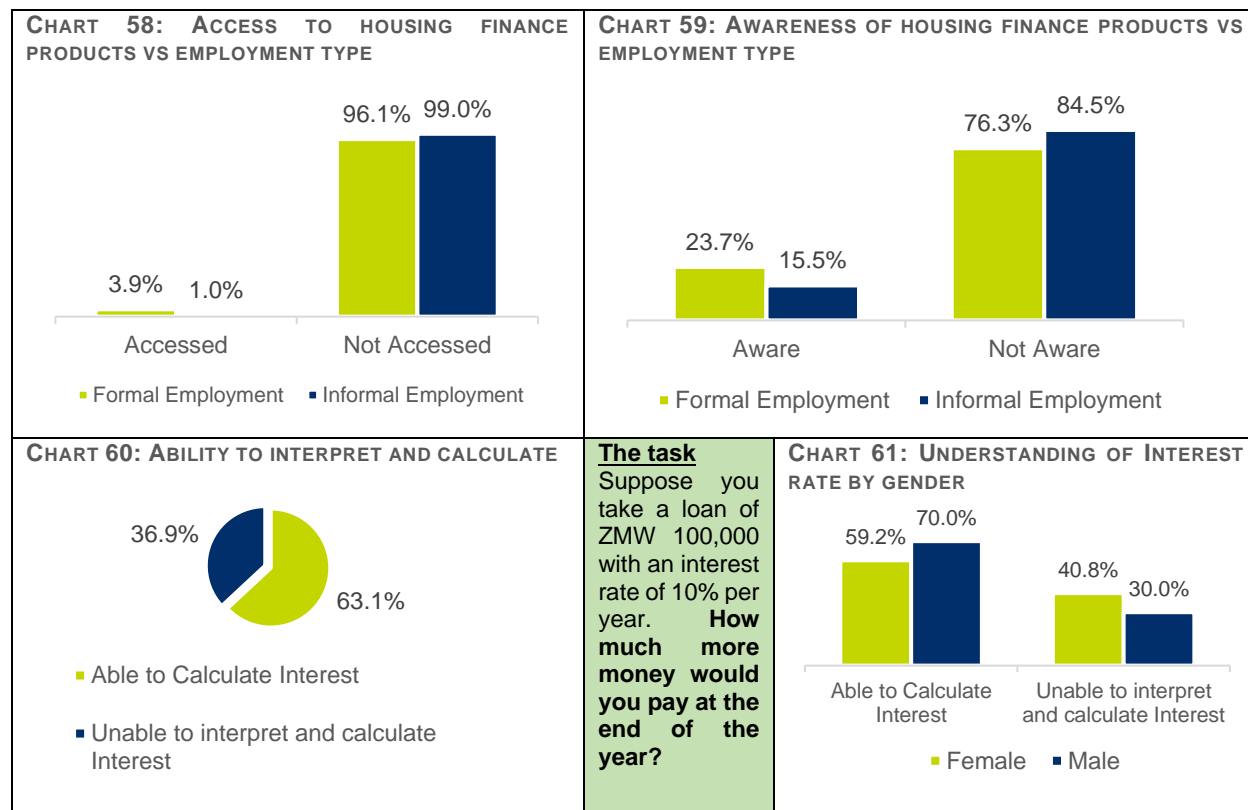
1.6.3 Awareness of housing finance solutions

Overall, very few had accessed housing finance solutions from formal sources. Data from the survey (Chart 58) shows that 1% of those who reported being informally employed had access to and used housing finance products compared to about 4% for formally employed people. Housing loans were particularly used for home construction and home improvement.

Those who rely on informal sources of income have a lower rate of access to housing finance products and services due to the perceived higher risk and volatility associated with their income sources. Lenders generally charge higher interest rates for this category and apply more stringent qualification criteria. Respondents with formal employment as their primary source of income, such as salaried jobs, have better chances of accessing housing loans because they have a stable and predictable income that makes them more appealing to lenders.

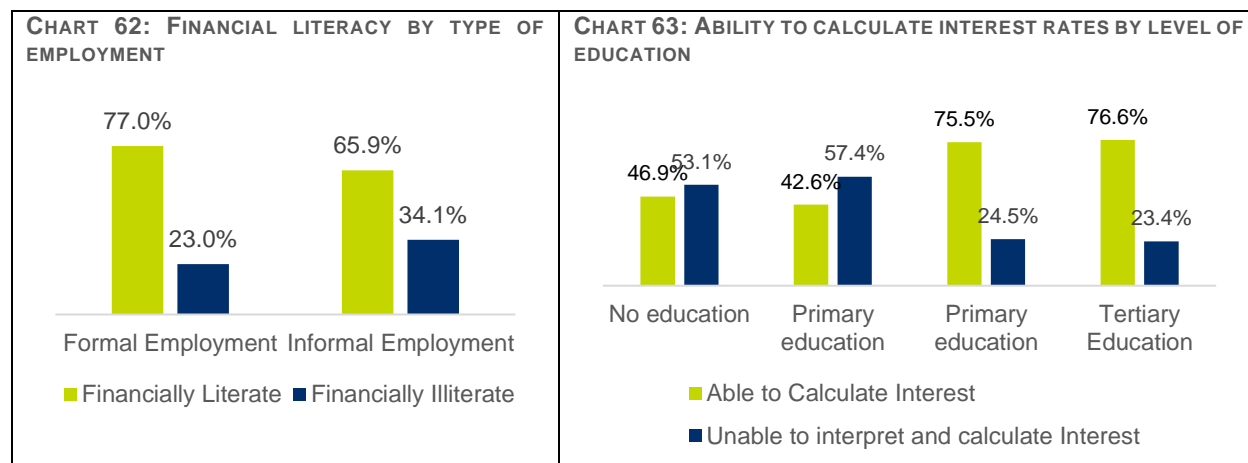
Chart 59 below presents the awareness of housing finance products offered by financial institutions by type of employment. Formally employed individuals had higher awareness (24%) than their informally employed counterparts (16%). The research explored the sources of information respondents rely on to make decisions and the role social norms play in shaping attitudes towards housing finance (see Chart 64).

Financial literacy was analyzed by understanding interest rates and transaction advice (Chart 60). Financial literacy was measured by understanding interest rates or transaction messages. About 63% of respondents in the sample responded correctly to the prompts, while 40% did not. Male respondents had a better understanding compared to women. Of the 63% who were financially literate, 59% were women.



1.6.3.1 Financial literacy across employment types and education levels

Chart 62 shows that formally employed individuals have higher financial literacy (77%) than those in informal employment. The informally employed represent 34% of the financially illiterate individuals. Similarly, those with secondary and tertiary education levels exhibit higher financial literacy and can correctly calculate interest rates than those with primary or no education. These findings suggest that formal employment and higher education levels provide better opportunities for financial education and access to resources, leading to improved financial literacy.

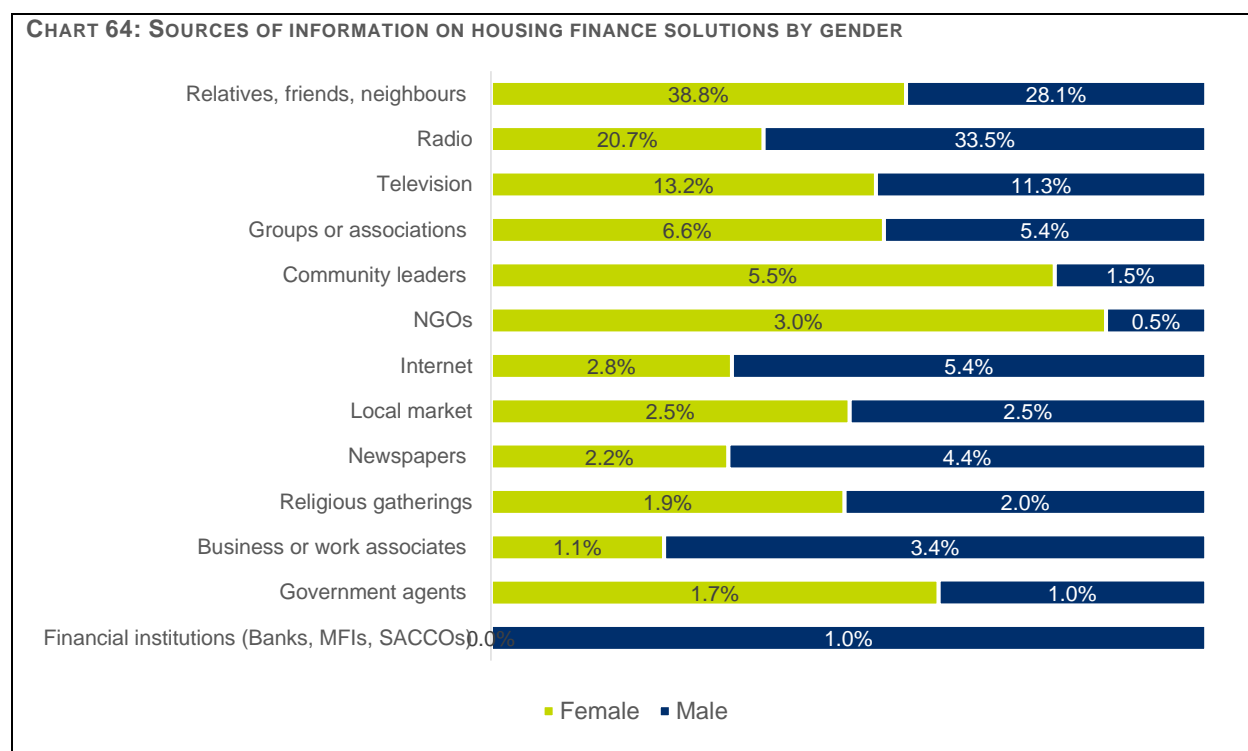


1.6.4 Sources of housing finance information

Generally, the findings reveal that family and friends are the primary and most influential sources of information, followed by radio, television, and groups. Respondents highly trust word-of-mouth recommendations and advice from peers and relatives. Some TV stations mentioned included ZNBS TV, Diamond TV, and Prime TV, while radio stations included Radio ZNBS (Radio 1, 2, 4), Hot FM, QFM radio, and Radio Phoenix.

Respondents highlighted that the local media stations are critical in providing information that shapes their perceptions and decisions about housing finance products and services. Groups and associations were among the top sources of knowledge, mainly trusted and preferred by women. This shows the importance of leveraging existing group networks, trust, and credibility in disseminating housing finance-related information.

Chart 64 presents the percentages of female and male respondents on the sources of information on housing finance. The findings show that female respondents relied more on relatives and friends (39%), radio (21%), television (13), and VSLA groups (7%). Male respondents relied more on radio programs (34%), peers (28%), and TV programs (11%)—different sources of information on housing finance appeal to different genders. Male respondents rely more on mainstream media and digital sources, while female respondents rely more on community-based and interpersonal sources of information.



On the other hand, financial institutions accounted for only a meager percentage of information sources (1%), indicating the need for product marketing and education programs for the low- and middle-income segment to increase their awareness of housing finance products.

The key insights reveal that recommendations from family and friends, local media platforms, and group associations are the most potent channels for disseminating information about housing products and services. By understanding the preferred sources of information, financial service providers can tailor their communication strategies to reach their targeted audience and increase their outreach effectively.

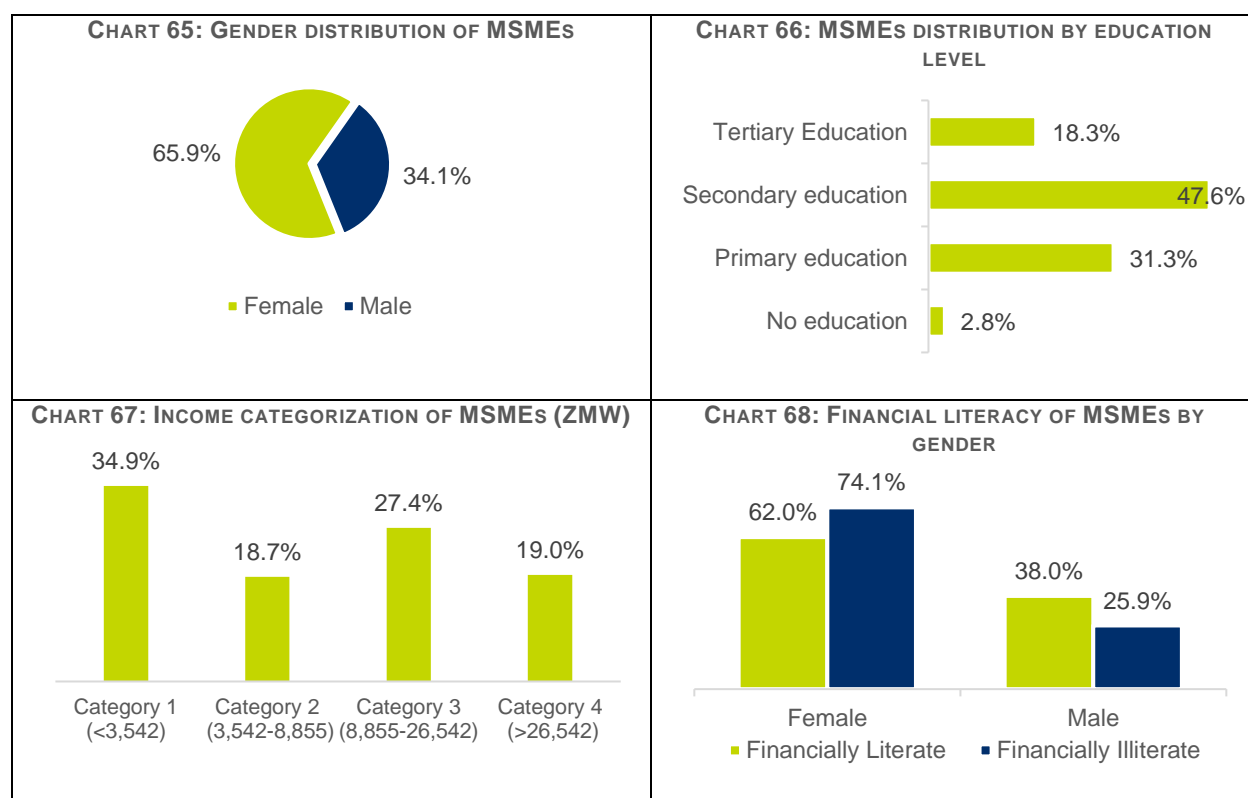
1.7 Exploring the MSME landscape

Housing micro, small, and medium enterprises (MSMEs) refer to small and medium-sized businesses and entrepreneurial ventures in the housing and real estate sector. These enterprises primarily engage in various aspects of housing-related activities, including construction, renovation, real estate development, property management, and the provision of products and services for residential properties. Housing MSMEs play a crucial role in the housing

industry by contributing to the construction and maintenance of homes, developing housing projects, and providing essential goods and services that support the housing needs of individuals and communities. These businesses are typically smaller in scale compared to large corporations but collectively form a significant part of the housing ecosystem, often catering to local and regional markets.

1.7.1 Insights from the demand-side survey

This section highlights insights on self-employed individuals who own a business, referred to as the MSMEs. We look at their socio-demographic distribution, income categorization, and financial literacy. Among the respondents surveyed, 43% identified self-employment or running their own business as their primary source of income, while the rest were distributed across various employment categories. Notably, females constituted most of this group, accounting for 66% of the respondents (chart 65). This data is crucial as it aims to shed light on women’s unique barriers in accessing and using housing finance. Chart 66 shows that a significant proportion, 48% of the MSME respondents, had obtained at least a secondary education. However, a further deep dive into financial literacy by gender results indicates that most women-MSMEs (74%) are financially illiterate²³. The men’s category shows more financially literate men than those who are not. Furthermore, many MSMEs belonged to the low-income category (Category 1), further highlighting the unstable and informal nature of their businesses.



Access to finance is crucial for MSMEs primarily because it enables them to secure capital for growth, maintain working capital, create jobs, invest in innovation and technology, and compete effectively in the market. The main obstacles that hinder MSMEs from accessing formal financing include the high interest rates and the requirements for collateral, which hamper business expansion²⁴. Financial literacy is crucial for MSMEs in accessing finance, as those with a solid understanding of financial concepts are more likely to access formal financial resources, make informed decisions, and appear creditworthy to lenders and investors²⁵. Additionally, education was pivotal, as SMEs owned by individuals with secondary and tertiary levels are more likely to access formal financial resources.

²³ Financial literacy, for this study, is measured by an individual’s grasp of basic financial concepts and their ability to apply this understanding in real-world financial contexts, such as evaluating the terms of a loan, interest rates, or interpreting financial advisories.
²⁴ Masaka 2022. Challenges Being Faced by Small and Medium Enterprises in Accessing Credit Facilities in Lusaka Province, Zambia ([link](#))
²⁵ Kaulu et al., 2023. Factors Affecting Access to Finance by Small and Medium Enterprises: Evidence from Kitwe Zambia

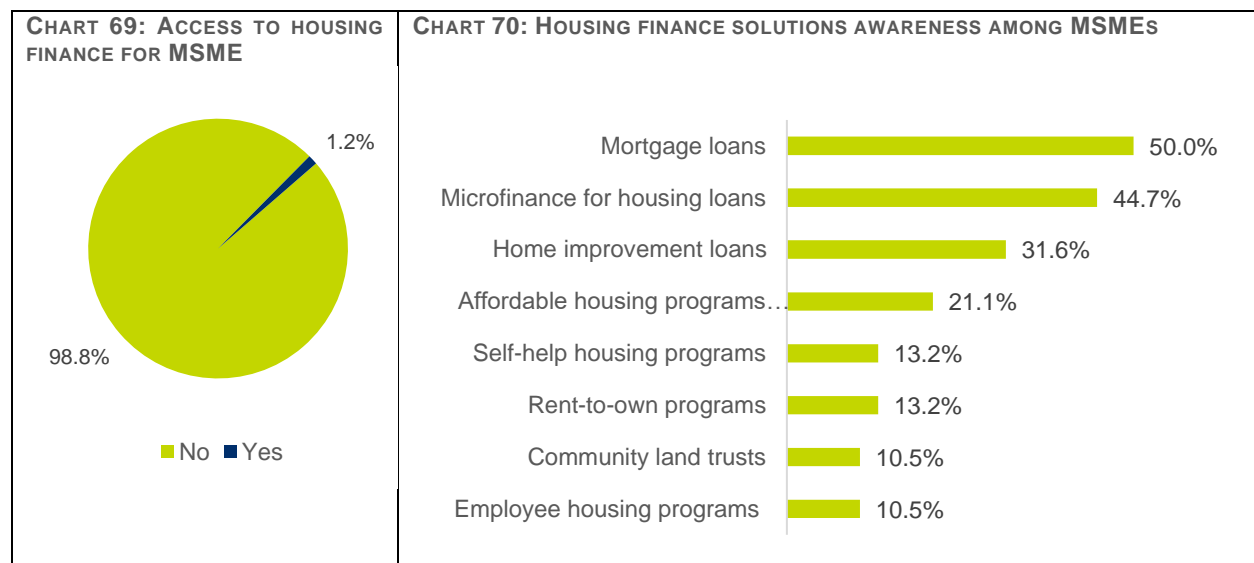
Compliance with financial management regulations is crucial for MSMEs’ access to finance, necessitating an enabling regulatory environment to support MSMEs’ compliance and integration into the formal financial system. Still, business planning remains vital for overall success and operational efficiency.

1.7.2 Access to housing finance for MSMEs

The data shows that only a very small percentage (1.2%) of MSMEs have accessed housing finance loans, indicating a significant gap in the housing finance market for MSMEs (see chart 69). Chart 70 on the awareness of housing finance solutions among MSMEs shows a clear understanding of traditional and formal lending options. Half of the MSME respondents (50%) are aware of mortgage loans, making it the most recognized housing finance solution among them. This highlights their familiarity with traditional banking products and the widespread nature of mortgage loans in the housing finance sector.

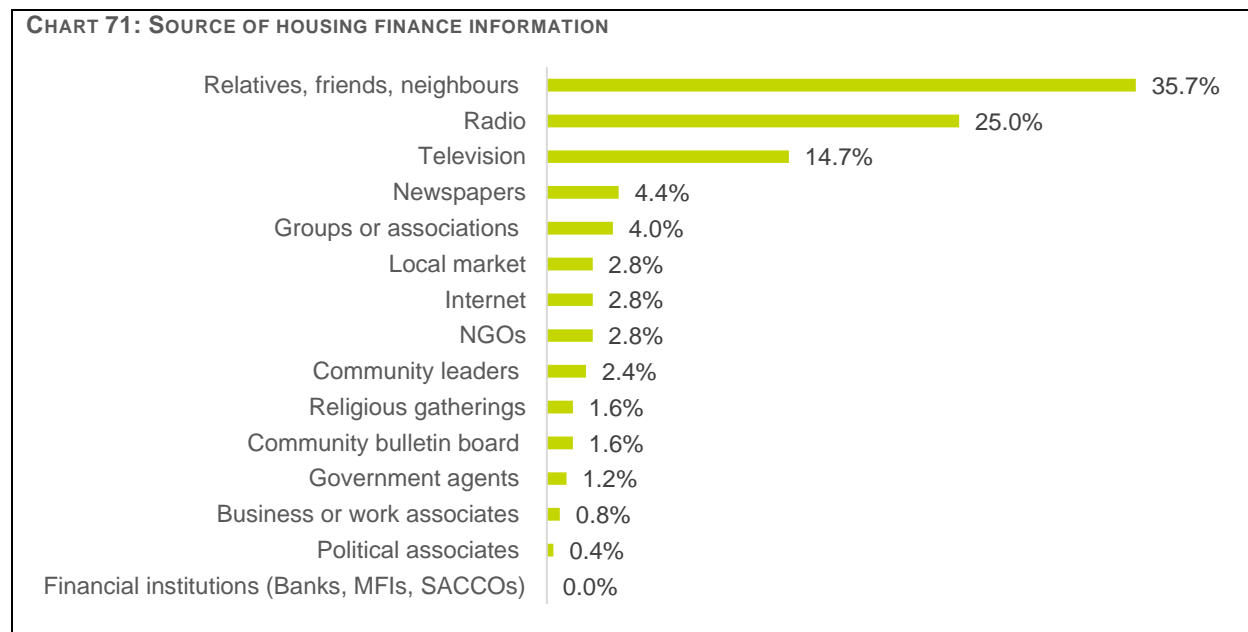
A significant 45% of MSMEs are aware of MFIs as a source of housing finance. This reflects the role of MFIs in providing financial services to smaller enterprises that do not have access to traditional banking services. It also indicates an openness to alternative lending sources, likely due to their more accessible loan requirements than traditional banks.

The lower awareness of affordable housing programs and rent-to-own schemes indicates a potential gap in outreach and education efforts targeting MSMEs. This signifies that enhancing information dissemination and awareness about these programs can be beneficial.



1.7.3 Sources of housing finance information

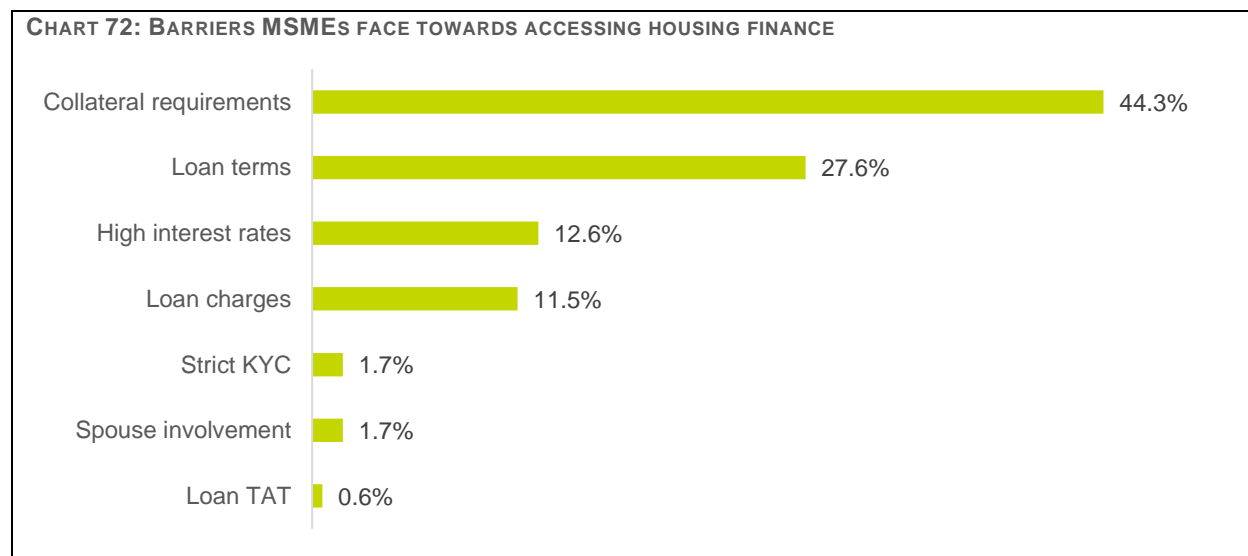
The primary sources of information about housing finance for MSMEs are relatives, friends, and neighbors (36%), followed by radio (25%) and television (15%). This shows a reliance on informal networks rather than professional or institutional advice for financial information. This further emphasizes that personal networks and traditional media play a crucial role in disseminating information about housing finance to MSMEs.



1.7.4 Barriers to accessing housing finance

MSMEs encounter significant barriers in accessing housing finance, predominantly from stringent financial requirements and operational constraints. A notable 44% of MSMEs cannot meet collateral requirements set by lenders, such as good credit history, land titles, proof of consistent income, and providing property or valuable assets as security for loans. This challenge is compounded by unfavorable loan terms (28%), where the conditions, repayment schedules, and amount of loan provided are not aligned with the operational realities and financial capacities of these enterprises. Additionally, high interest rates (13%) and loan charges (12%) further exacerbate the situation, making borrowing a less viable option for many MSMEs due to the increased financial burden and additional costs, such as processing fees, associated with securing loans.

The findings indicate a substantial need for tailored financial products and more accessible housing finance solutions for MSMEs. This includes adopting alternative credit scoring mechanisms, lowering collateral requirements, offering favorable loan terms, and improving the dissemination of reliable information through various channels.



2.0 Status of Zambia's housing finance market landscape

2.1 Overview of Zambian financial inclusion context and background

With a population of almost 20 million²⁶, Zambia is one of the most highly urbanized countries in Sub-Saharan Africa, with 46% of the population concentrated in urban areas²⁷. However, most of the rural areas are sparsely populated²⁸. Zambia's rapid population growth poses serious problems for poverty levels and resources. According to the [Zambia Statistics Agency](#), Zambia's poverty rate was 60% in 2022²⁹. In comparison, rural poverty rates stand at about 78%, and urban poverty rates at about 28%³⁰. Financial inclusion in Zambia stood at 49% in 2022, with the adult population being 9.8 million³¹.

Housing poverty is a significant issue in Zambia, with close to 64% of Zambians living below the poverty (under \$2)³². Zambia's urban housing deficit is 1.5 million housing units, projected to reach 3.3 million by 2030³³. The country's housing challenge is acute for low-income earners, and delivery will especially need to respond to the growth in the number of new households that require adequate housing. About 70% of urban dwellers live in unplanned settlements with inadequate access to safe and clean water, sanitation, hygiene, and extension facilities due to the lack of affordable housing³⁴.

2.1.1 Zambia's financial inclusion landscape

Financial inclusion has been at the forefront of policy discussions in Zambia. The country recognizes financial inclusion as a long-term, sustainable, inclusive growth³⁵ pillar. Zambia launched its [first National Financial Inclusion Strategy 2017-2022](#) as part of a wider effort to bolster the development of the country's financial sector. The strategy guides Zambia in its plan to achieve universal access and usage of a broad range of affordable financial products and services.

The NFIS strategy aimed to increase Zambia's overall financial inclusion rates (formal and informal services) from 59% to 80% by 2022 and formal financial inclusion from 30% to 70% by 2022³⁶. According to the World Bank [Global Findex 2022 report](#), Zambia's overall account ownership remained mostly stagnant, from 46% in 2017 to 49% in 2021. Financial institution account ownership decreased by 12%, from 36% to 24%, and mobile money account ownership doubled, registering a 14% increase from 28% to 42%. Adults in urban areas are almost twice as likely to have an account as adults in rural areas, and 67% of unbanked adults live in rural areas.

Overall, Zambia has made significant progress in financial inclusion over the years, but there are still challenges to overcome, particularly regarding gender and low financial capabilities. Women are still more financially excluded, with only 45% having access to formal financial services³⁷. Low financial capabilities and little willingness to use formal financial products and services are key challenges to increasing the usage of formal financial services in Zambia³⁸. Financial literacy remains low in many areas of Zambia. According to the [FinScope 2020 Zambia survey report](#), financial literacy stood at 23.6% and is skewed towards the urban population at 31.9%, while rural households at only 16.2%³⁹.

²⁶[World Population Review \(2023\). Zambia population 2023 \(Live\)](#)

²⁷[World Bank \(2023\). Urban population \(% of total population\) - Zambia](#)

²⁸[Urban Transformations, 2022: Food systems and rural-urban linkages in African secondary cities](#)

²⁹[Zambia Statistics Agency, 2023: Highlights of the 2022 poverty assessment in Zambia](#)

³⁰[Draft Zambia country strategic plan 2023-2028](#)

³¹[Global Findex Database, 2022](#)

³²[Habitat for Humanity UK](#)

³³[UN HABITAT, 2023 Zambia Evaluation Country Report](#)

³⁴[UN Habitat 2023, Zambia Country Report Final](#)

³⁵[Zambia National Financial Inclusion Strategy \(2017-2022\)](#)

³⁶[Zambia National Financial Inclusion Strategy 2017-2022](#)

³⁷[Global Findex Database, 2022](#)

³⁸[Digital Ecosystem Country Assessment \(DECA\), 2022](#)

³⁹[FinScope Zambia 2020 Survey Report](#)

TABLE 6: FINANCIAL INCLUSION IN ZAMBIA

Attributes	Account (% age 15+)	Financial institution account (% age 15+)	Digital payments (% age 15+)	Digital payments, women (% age 15+)	Mobile money account (% age 15+)	Account ownership, women (% age 15+)	Outstanding housing loan (% as of 2017)
Country data (Overall population)	49	24	46	44	42	45	8
Lower-middle income segment	62	59	38	32	14	59	5

Source: [Global Index Database](#), 2022

2.1.2 Institutional analysis of Zambia's housing finance ecosystem

Zambia's banking sector consisted of 17 licensed commercial banks in 2022. Of these, ten were subsidiaries of foreign banks, the government partially owned four, and three were privately owned. The sector continued to be dominated by subsidiaries of foreign banks in terms of total assets, loans, deposits, and profit before tax.

The number of licensed non-bank financial institutions (NBFIs) **reduced to 121** in 2022 from 125 in 2021 as license cancellations exceeded new issuances. The NBFIs sector includes 28 consumer lending microfinance institutions, two building societies, and one savings and credit institution. The Association of Microfinance Institutions of Zambia comprises 16 member organizations and has provided over 100,000 microfinance loans with an average of about ZMW 4,357 (USD 263). However, according to the Centre for Affordable Housing Finance in Africa (CAHF) [yearbook](#), the uptake of microfinance products and services in Zambia remains low, including for housing.

As of December 2022, the sectoral distribution of credit shows that households (personal loans) accounted for the highest proportion of loans (18.3%), while the construction sector accounted for only 1.3% of loans⁴⁰. The sectoral distribution of non-performing loans (NPLs) shows that personal loans were the second highest, making up 17% of NPLs. This suggests that many households are overstretched and indebted. Although the construction NPLs were only 3.8% in 2022, the construction sector registered a negative growth of 7.3% as public spending on capital projects reduced.

Of the 17 banks in Zambia, ten offer residential mortgages⁴¹. However, other institutions such as building societies and finance businesses like Zambian Home Loans (ZHL) are major mortgage lenders⁴². Some organizations have dedicated housing finance products, including conventional secured mortgages, and un-secured products, including home improvement loans. The latter tend to be the most popular for smaller amounts and, therefore, more accessible. The housing microfinance market is slightly lower downstream from the mortgage sector, although only two of the 28 Bank of Zambia-registered MFIs offer dedicated housing products. The majority tend to be payroll lenders, concentrating on the relatively small formally employed group, at higher rates than offered through the banks but better than on other MFI products. Interest rates can be over 50%. Therefore, most of their customers are individuals who do not qualify for products from commercial banks and building societies or find funding from MFIs generally more accessible.

2.1.3 Zambia's digital ecosystem

Zambia has made significant progress in increasing access to financial services in recent years, particularly through the **growth of digital financial services** (DFS), such as mobile banking. This has helped to bridge the gap between urban and rural areas and has increased access to basic financial services, such as savings accounts and loans, for millions of Zambians⁴³. Technology is helping to drive inclusive access to finance in Zambia, especially for women. The COVID-19 pandemic caused increases in the adoption of mobile money as people embraced the ease of using mobile phones for financial transactions. The 2017 **NFIS** identified widespread and accessible (digital) delivery channels and diverse, innovative, customer-centric products as key drivers for the framework.

Zambia's DFS encompass payment solutions, transfers, insurance, and savings solutions, primarily offered by the 17 licensed commercial banks, the three major mobile operators (Airtel, MTN, and Zamtel), and, to some extent, insurance firms⁴⁴. Mobile money has emerged as the **prevailing** method through which Zambians interact with the financial

⁴⁰ [Bank of Zambia Annual Report, 2022](#)

⁴¹ [Bizswana. Mortgages businesses in Zambia.](#)

⁴² [Mdala, H. \(2022\). Zambia: Real estate comparative guide](#)

⁴³ [Daily Nation Zambia, 2023](#)

⁴⁴ [FinScope Zambia 2020 Topline findings](#)

system⁴⁵. The **significant** rise in mobile money usage in 2020, with a 14% growth, has advanced financial inclusion. This DFS landscape has created new prospects for FinTech solution providers. The FinTech’s Digital Investment market in Zambia is projected to grow by **22.66%** (2023-2027), resulting in a market volume of USD 315.10 million in 2027⁴⁶.

While DFS has made accessing financial services easier for many Zambians, they face several challenges in their financial inclusion journey. According to the USAID 2022 **Digital Ecosystem Country Assessment (DECA) report**, some challenges include low financial literacy levels, limited access to finance for Small and Medium-Sized Enterprises (SMEs), lack of trust in the financial system, digital divide, and regulatory challenges.

The country’s housing and urban development system is mainly centralized. The Ministry of Local Government is the main national government ministry working on housing and settlements development and infrastructure provision⁴⁷. The **Ministry** is responsible for developing and implementing key urban development projects in Zambia. The **National Housing Authority Act** mandates the NHA to make better provisions for developing public housing in the country.

The National Housing Policy and its Implementation Plan (2020-2024) aims to promote housing affordability, decent housing, and improved living conditions. Hence, it is seen as a prerequisite for closing the housing deficit. Zambia launched its **Eighth National Development Plan (8NDP)** (2022-2026), which guides urban development in the country. In 2021, the **Lands and Deed Registry Act No. 39 of 2021** was amended by the Government of Zambia to provide for electronic and digital signatures in land registration and a certificate of title in electronic form, which should streamline land registration processes.

Besides developing the National Financial Inclusion Strategy 2017–22 (NFIS), Zambia also developed and implemented other strategies, such as the National Financial Sector Development Policy 2017 (**NFSDP**) and the National Payment System Vision and Strategy (NPSVS) 2017 – 2022, to develop digital financial services and enhance financial inclusion. One of the anchor principles of the NFSDP is inclusivity, which is complemented by the NPSVS’ goal of improved access and use of electronic payment methods. These policy documents seek to “**grow and transform the financial sector**, as well as promote inclusiveness in the financial system to support efficient resource mobilization and investment for sustainable economic development”⁴⁸.

Table 7 below shows Zambia’s legal and institutional frameworks that provide a solid basis for affordable housing and an efficient housing finance market.

TABLE 7: POLICIES AND REGULATIONS REVIEW

Policies and regulations	Overview
The Constitution of Zambia	<ul style="list-style-type: none"> The Constitution of Zambia recognizes citizens’ rights to adequate housing.
Zambia National Housing Policy and its Implementation Plan (2020- 2024)	<ul style="list-style-type: none"> Aimed at promoting housing affordability, decent housing, and improved living conditions. Ensures increased delivery of social and public housing, with “a vision for the development of adequate, affordable housing for all income groups in the country”.
National Land Policy (2021-2026)	<ul style="list-style-type: none"> The 2021 National Land Policy ensures increased access to land for housing development.
National Financial Sector Development Policy 2017 (NFSDP)	<ul style="list-style-type: none"> The NFSDP drives the policy focus of the financial sector and includes housing finance as a focus area. It aims to develop digital financial services and enhance financial inclusion, with one of the anchor principles being inclusiveness. The policy aims at creating a more conducive environment for private sector participation. Strengthening of the banking and microfinance sectors and the Building Societies through regulatory reform is seen as critical to the expansion of the financial sector.
Eighth National Development Plan (8NDP) (2022-2026)	<ul style="list-style-type: none"> The plan aims to increase access to decent and affordable housing for all by facilitating the provision of affordable housing finance, providing incentives for private sector participation, and promoting investments in research on alternative building materials and technologies. The 8NDP aims to reduce the housing deficit from 1,539,000 to 1,378,000 housing units by 2026.

⁴⁵ [FinScope Zambia 2020 Survey Report](#)

⁴⁶ [Statista FinTech Zambia](#)

⁴⁷ [Ministry of Local Government](#)

⁴⁸ [Ministry of Finance of the Republic of Zambia](#)

HABITAT FOR HUMANITY ZAMBIA: RESEARCH ON BARRIERS TO ACCESS AND USAGE OF HOUSING FINANCE IN ZAMBIA – MARKET RESEARCH REPORT

Policies and regulations	Overview
Zambia's National Housing Authority Act of 1972 CAP 195	<ul style="list-style-type: none"> Recognizes the need to deliver decent and affordable housing for all, and aims to promote decent housing development.
The Banking and Financial Services Act ⁴⁵ , and the Building Societies Act ⁶⁷ ,	<ul style="list-style-type: none"> The Banking and Financial Services Act and Building Societies Act establish the framework for the operation and regulation of housing finance providers by the Bank of Zambia (BoZ).
Urban and Regional Planning (URP) Act of 2015	<ul style="list-style-type: none"> Recognizes the need to have planned human settlements for improved service delivery and upgrading the substandard informal settlements. It streamlines the entire planning system, planning frameworks, and planning processes and prioritizes affordable housing delivery. The Act also extends planning to customary areas to ensure more land is opened up for housing development.
<u>Housing Act</u> Chapter 194	<ul style="list-style-type: none"> The Housing (Statutory and Improvement Areas) Act Chapter 194 of the Laws of Zambia provides for the control and improvement of housing in Statutory Housing Areas.

3.0 The demand side landscape

3.1 Demand-side housing finance situation

For this study, the demand side refers to the individuals, households, or entities seeking financial resources or services to make housing-related investments. It represents the perspectives of those who require housing financing to buy, build, or renovate homes instead of the supply side, which encompasses institutions and mechanisms providing these financial services. Other actors, such as Micro, Small, and Medium Enterprises (MSMEs) and developers, are also part of the demand side. This study focuses more on individuals and households and analyzes the current and future needs of MSMEs and developers and their role in the housing finance ecosystem.

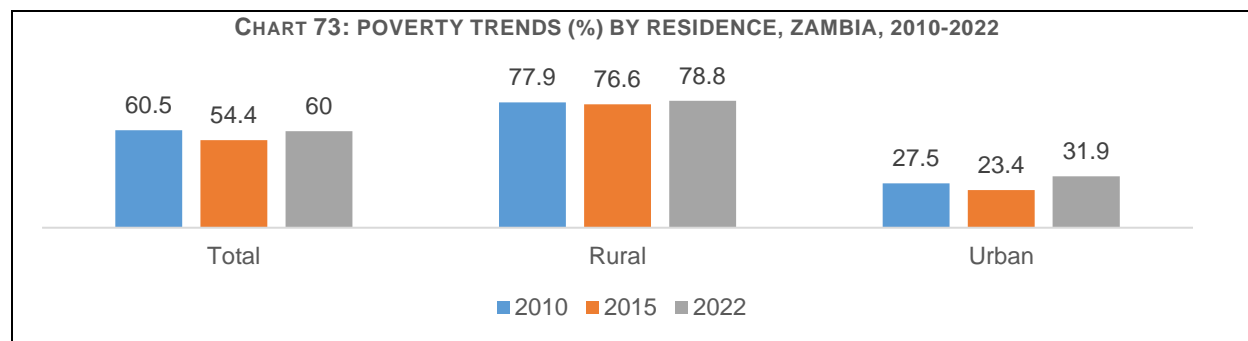
The study analyzed households' and individuals' journeys and experiences as they sought housing finance solutions. Through this analysis, the study uncovers challenges they encounter, focusing on those related to systemic establishments. Further, the study takes a human-centered approach to understanding the behaviors, attitudes, and motivations that influence decision-making and action on the demand side (individuals and households). The goal is to clearly understand the constraints, especially systemic ones, and recommend remedial approaches to reduce or eliminate them.

MSMEs and developers play a crucial role in determining the availability and affordability of housing. Research has shown that access to housing finance alone is inadequate if housing is unaffordable and unavailable⁴⁹. When applying for a facility to build a house, individuals or households fit within certain limits based on their incomes. The loan offer loses its utility when they cannot find homes priced within their limits. The MSMEs and developers still play a crucial role in self-building and incremental construction cases. They provide construction, materials, and other services critical to adequate shelter. To complete the housing finance loop, all categories of the demand side actors need some access. Therefore, it is essential to understand the demand side characteristics and needs deeply.

3.1.1 Exploration of Zambia's demand side

3.1.1.1 Characterization by income and employment

Zambia's Gross National Income per capita was ZMW 68,250 (USD 3,250) PPP⁵⁰ in 2021. The 2023 UNDP **Multi-dimensional Poverty Report** shows that 47.9% of the population in Zambia is multi-dimensionally poor, while 23.9% is classified as vulnerable to multi-dimensional poverty⁵¹. According to **Zambia Statistics Agency 2023**, Zambia's poverty rate was calculated to be 60% in 2022, up from 54.4% in 2015. When examining rural and urban areas separately, it was found that 78.8% of the rural population lived in poverty, compared to 76.6% in 2015 (Chart 73).



Source: [Zambia Statistics Agency 2023](#)

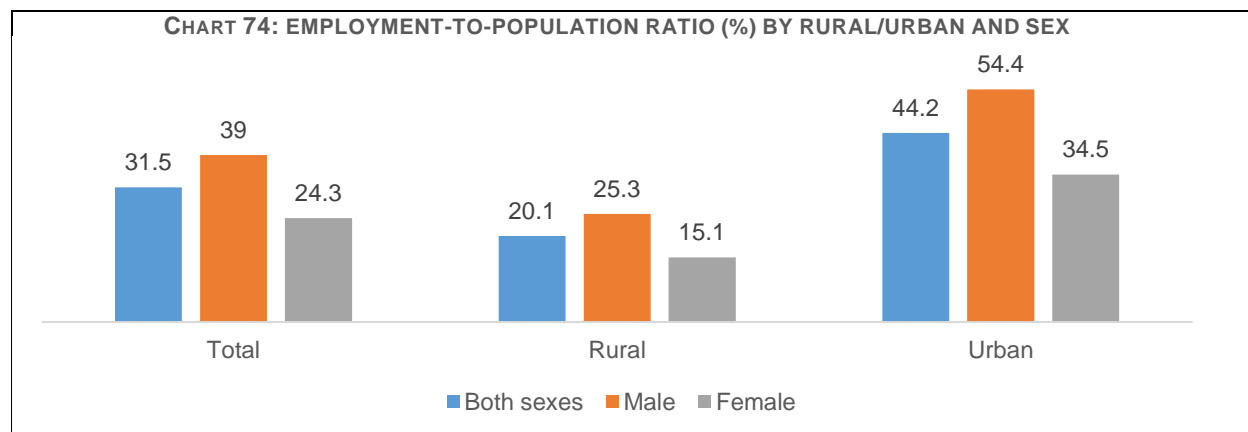
Chart 74 shows the employment-to-population ratio in Zambia based on rural/urban classification and gender. The **employment-to-population ratio** is a measure that indicates the percentage of a country's working-age population currently engaged in employment. A high ratio signifies that a significant portion of the population is actively employed, while a low ratio suggests that a substantial portion is not participating in market-related activities. The employment-to-population ratio in Zambia, standing at 31.5% overall, signifies that a relatively smaller part of the working-age population is employed. Gender disparities are evident, with men having a higher employment rate (39.0%) compared

⁴⁹ See research conducted in Kenya by the [World bank](#) and by [Habitat for Humanity](#)

⁵⁰ **Purchasing Power Parity (PPP)**: PPP dollars considers differences in the cost of living between countries. It adjusts for the fact that the same amount of money can buy different amounts of goods and services in different countries. So, 3,250 PPP dollars in Zambia is adjusted to reflect the relative purchasing power in Zambia compared to other countries.

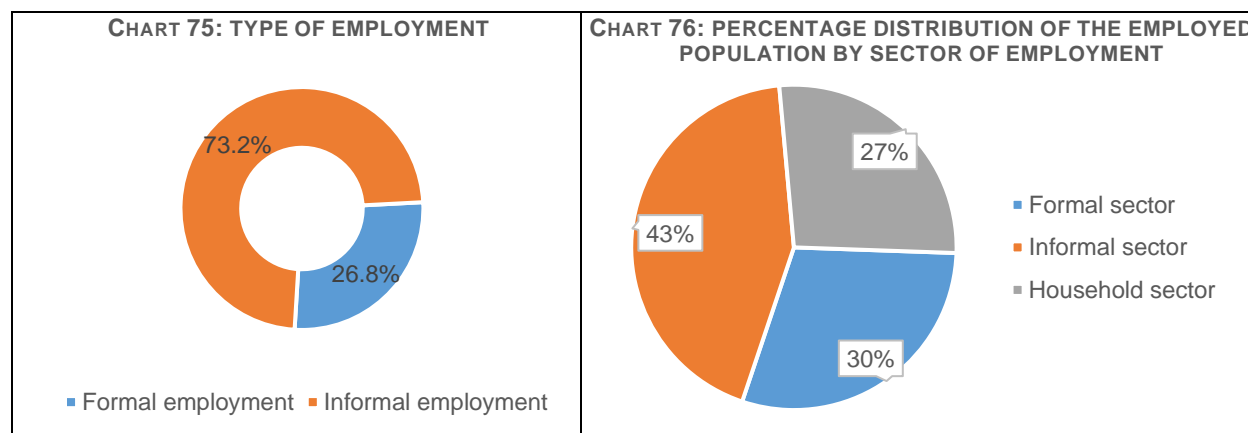
⁵¹ [UNDP 2023. Zambia Multi-dimensional Poverty Index](#)

to women (24.3%). Additionally, urban areas exhibit a notably higher employment rate (44.2 %) than rural areas (20.1%). These figures suggest that access to housing finance in Zambia is influenced by employment status, with those employed having better access, and variations may exist between genders and geographical regions, potentially impacting housing demand and financing options.



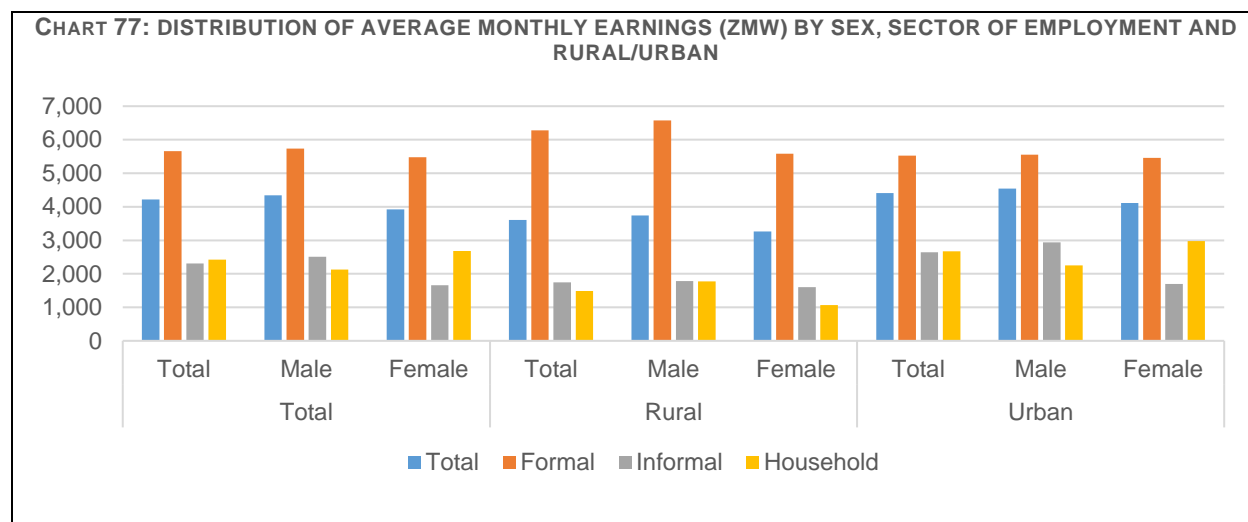
Source: [Zamstats labor force survey, 2021](#)

In **2021**, approximately 26.8% of jobs were categorized as formal, while the majority, at 73.2%, fell under informal employment. Zambia’s labor market comprises three distinct employment sectors: formal, informal, and household. In the formal sector, employment encompasses all jobs within registered establishments or enterprises licensed by the authorities. Conversely, informal sector employment includes all jobs within unregistered enterprises, while employment in households refers to work for private households. Chart 76 represents the distribution of the employed population across these sectors. Notably, the informal sector constitutes the largest share at 43.3%, surpassing the percentages of both the formal sector at 29.6% and the household sector at 27.0%. This data suggests that a significant portion of the workforce is engaged in informal employment, which may have implications for their access to long-term housing loans, given the potential differences in income stability and documentation often associated with these employment sectors.



Source: [Zamstats labor force survey, 2021](#)

The national average monthly earnings stood at ZMW 4,215 (USD 183). Notably, the formal sector registered higher monthly earnings at ZMW 5,658 (USD 246), while the household sector recorded the lowest at ZMW 2,425 (USD 105). Urban areas generally reported higher average monthly earnings at ZMW 4,410 (USD 192) compared to rural areas, where earnings averaged ZMW 3,607 (USD 157) (see chart 77).



Source: [Zamstats labor force survey, 2021 \(1 USD = 21 ZMW\)](#)

When considering gender, a distinct pattern emerges: males, across all employment sectors, consistently earned more than their female counterparts, with one exception—within the household sector, females earned more than males at the national level, with earnings of ZMW 2,679 (USD 116) for females and ZMW 2,125 (USD 92) for males. In urban areas, females earned ZMW 2,980 (USD 130), surpassing the earnings of males, who averaged ZMW 2,252 (USD 98) in the household sector.

This income disparity, particularly the discrepancy in earnings between the formal and household sectors, may significantly impact access to housing finance. Individuals with higher incomes from formal employment may have less difficulty qualifying for and repaying long-term housing loans. Conversely, those in the household sector, with lower earnings, could face more significant challenges in accessing housing finance or may require specialized financial products tailored to their income levels.

As various economic and social factors indicate, Zambia encounters substantial obstacles in facilitating access to housing finance. Many Zambians face financial limitations that may impede their ability to afford housing and secure long-term loans. Additionally, the UNDP Multi-dimensional Poverty Report for 2023 highlights that nearly half of Zambia’s population is multi-dimensionally poor, suggesting that a significant portion of the population may encounter difficulties accessing adequate housing and financial solutions. Furthermore, disparities in employment rates, particularly between genders and rural and urban areas, play a significant role in shaping access to housing finance.

The dominance of informal employment poses challenges due to its instability and lack of documentation, potentially restricting eligibility for long-term housing loans. Income disparities across employment sectors further influence housing finance access, with those in the formal sector benefiting from more favorable conditions. Finally, the rise in Zambia’s poverty rate from 54.4% in 2015 to 60% in 2022 exacerbates housing affordability issues. It impedes access to housing finance, particularly among the rural population, where poverty rates remain high at 78.8%. Addressing these multifaceted challenges is essential to enhance housing affordability and broaden access to housing finance for all Zambians.

3.1.1.2 Financial inclusion in Zambia

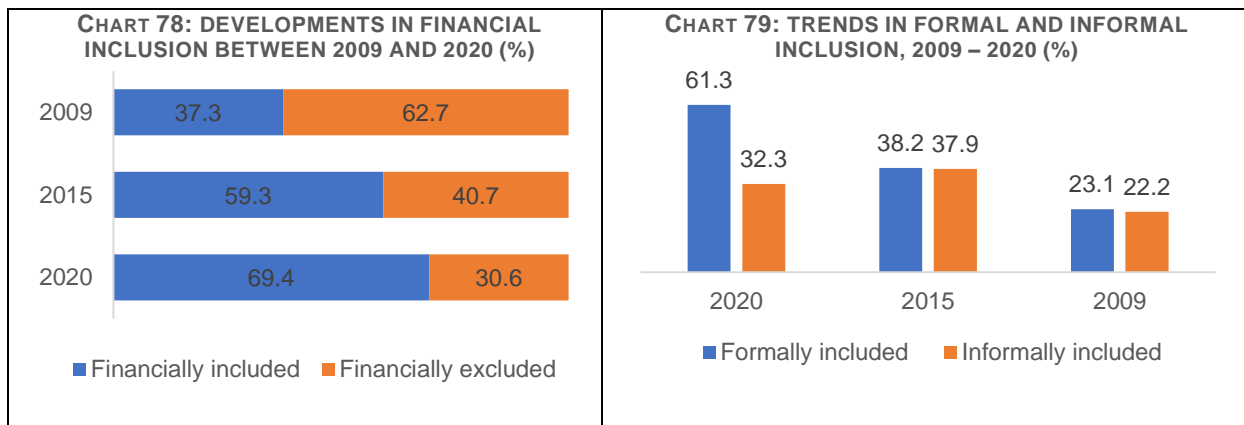
3.1.1.2.1 Trends in formal and informal inclusion

The [FinScope Zambia 2020](#) survey revealed that financial inclusion increased by 10.1%, reaching 69.4% (6.6 million adults) in 2020, up from 59.3% (4.8 million adults) in 2015. Consequently, the proportion of financially excluded adults declined to 30.6% (2.9 million) from 40.7% (3.3 million) during the same period. Urban areas registered a higher level of inclusion at 84.4% (8.0 million), while rural areas had a lower rate of 55.9% (5.3 million). The level of financial inclusion among male adults increased to 71.2% compared to that of females (67.9%). Financial inclusion was higher among individuals in higher and middle-income households and mainly among business owners (88.4%), salaried workers (84.0%), and traders (80.0%).

The **formal financial inclusion** rate among adults substantially increased to 61.3% (5.8 million) from 38.2% (3.1 million) in 2015 (Chart 79). This surge was primarily attributed to the rapid adoption of mobile money services, which

increased more than fourfold to 58.4% from 14.0% in 2015. The usage of **informal financial products** and services declined to 32.3% (3.0 million) from 37.9% (3.1 million) in 2015. A greater preference for formal mobile money services primarily drove this decline.

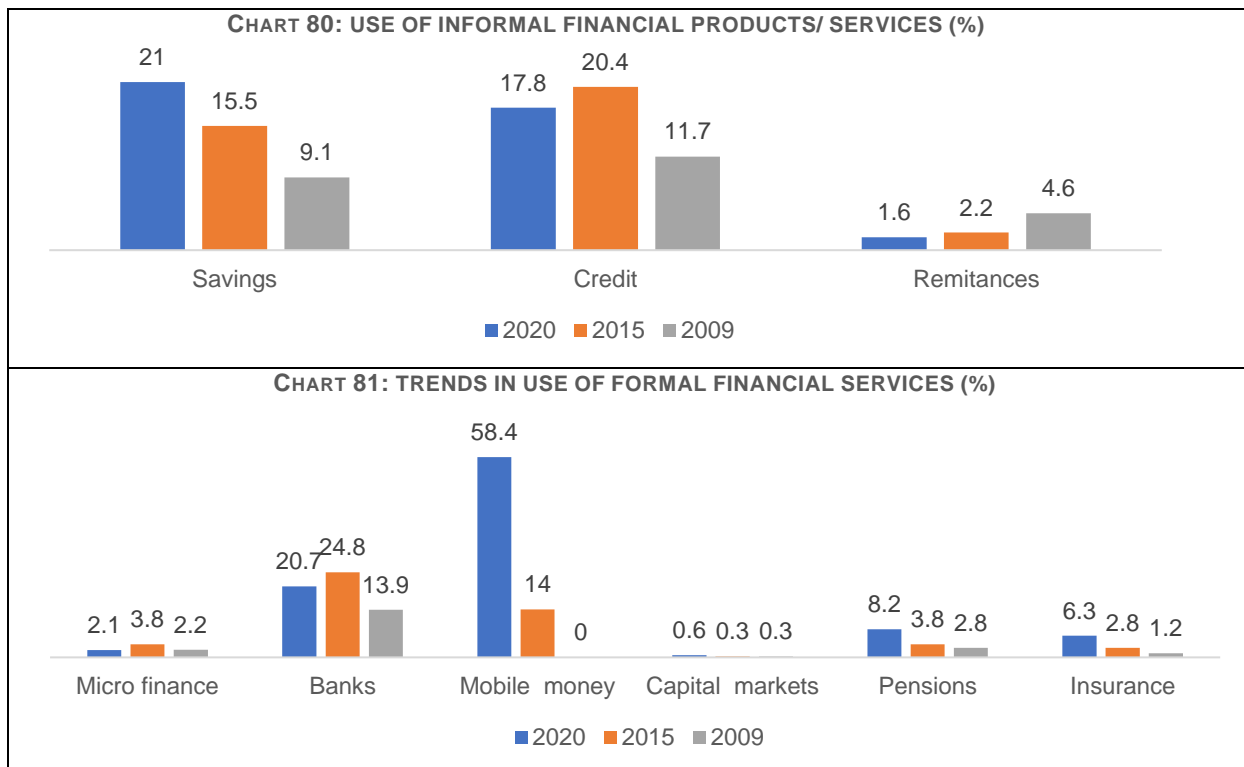
More males were formally included at 64.4% compared to females at 58.6%. On the contrary, more females were informally included compared to their male counterparts. Both formally and informally included adults were more likely to be business owners, traders, and salaried workers from the middle to higher income brackets.



Source: [FinScope Zambia 2020 survey](#)

3.1.1.2.2 Trends in the use of formal and informal financial services

Among the various categories of **informal financial products and services**, there was a decrease in the use of informal credit, dropping to 17.8% from 20.4% in 2015, and a decline in remittances to 1.6% from 2.2%. However, there was a rise in the adoption of savings products, which increased to 21.0% from 15.5% in 2015 (Chart 80).



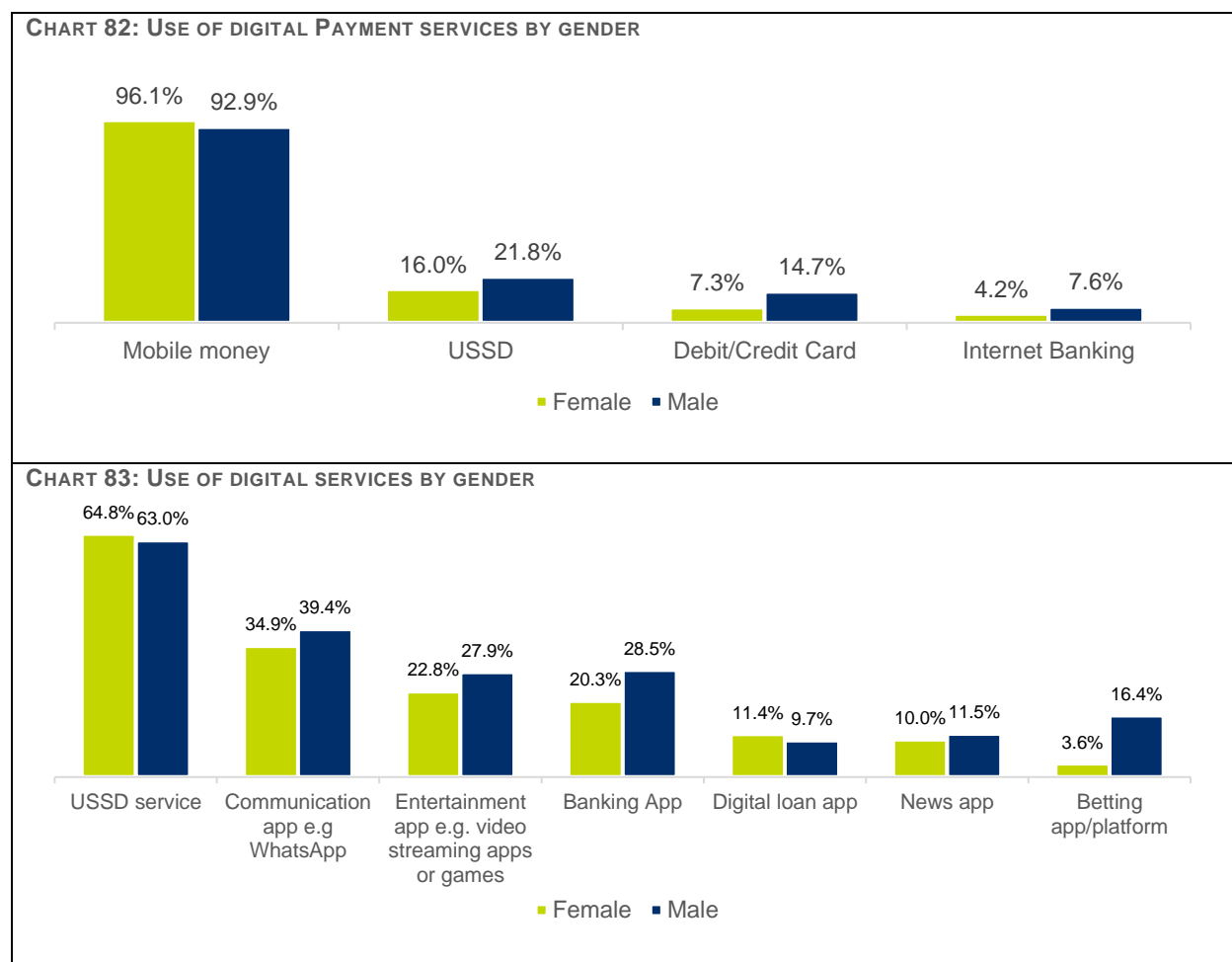
Source: [FinScope Zambia 2020 survey](#)

The expansion of the formal financial sector was primarily fueled by a rise in the adoption of mobile money services, which increased significantly to 58.4%, along with a notable uptake of insurance (6.3%) and pensions (8.2%). Conversely, a decline was observed in the use of commercial banks and microfinance services.

3.1.1.2.3 Digital financial services inclusion

The continued expansion of digital payment services in Zambia reflects the increasing adoption of mobile money and other digital payment methods. Mobile money services, the use of USSD, digital banking (use of ATMs, debit cards, and credit cards), and Internet banking have enhanced the use of digital financial services in Zambia. Mobile money transactions in Zambia reached ZMW **219.4 billion** (USD 10.3 billion) by March 2023, from ZMW (USD 8 billion) in 2022. The study findings show mobile money was the most used mode of payment, registering a slight difference among women (96%) and men (93%) (see Chart 82). Zambians extensively use digital payments for transactions, bill payments, retail purchases, and remittances. Mobile money purchases include person-to-person transfers, bill payments, and retail purchases.

Regarding banking, the most used digital service channel was the USSD code, followed by banking apps and digital loan apps. The results further affirm that a large part of the Zambian population relies heavily on USSD technology, and the bulk of the bank’s customer activity still happens on its **mobile banking USSD platform** rather than its apps. This highlights the importance of USSD technology in serving a significant low- and moderate-income segment of the Zambian population who may not have access to smartphones or mobile apps.



Source: Survey data

Regarding implications for access to housing finance in Zambia, the growing popularity of mobile money services may have a positive impact. Mobile money platforms can serve as channels for facilitating digital payments, including mortgage payments, making it more convenient for individuals to manage their housing finance-related transactions.

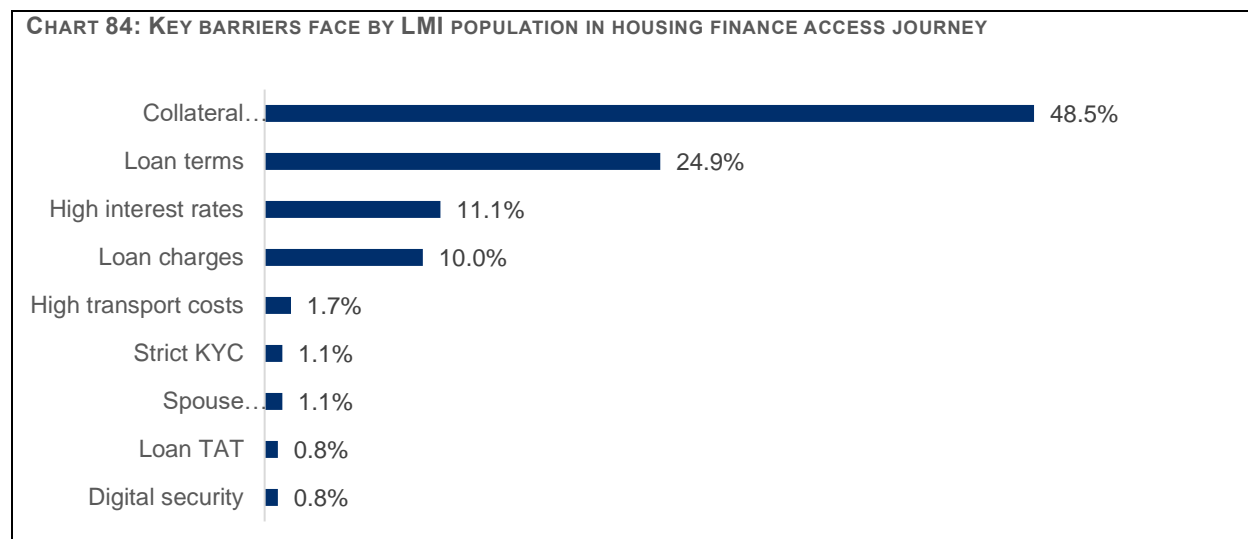
However, the decline in the usage of commercial banks and microfinance services may suggest that traditional banking channels could face challenges in serving as primary sources of housing finance, potentially leading to increased reliance on digital financial solutions in the housing finance sector. This may also indicate an opportunity to leverage the existing digital solutions through partnerships with financial institutions to serve the low – and moderate-income segment.

3.2 Systemic barriers that hinder access to affordable housing

3.2.1 Demand side barriers faced by the low -and middle-income population in accessing housing finance

Housing development across the country, particularly in urban areas, has mainly been driven by entities such as the National Housing Empowerment Fund, the National Pensions Scheme Authority, the Zambia National Building Society, and banking institutions. However, these opportunities remain largely untapped, especially by low-income households, due to the perceived high interest rates and unfavorable lending conditions. Synthesis of factors hindering access and usage of housing finance solutions for low- and middle-income segments in Zambia is shown in Chart 84. The study findings reveal challenges in accessing and using housing finance products and services for construction, land acquisition, renovations, and home improvements.

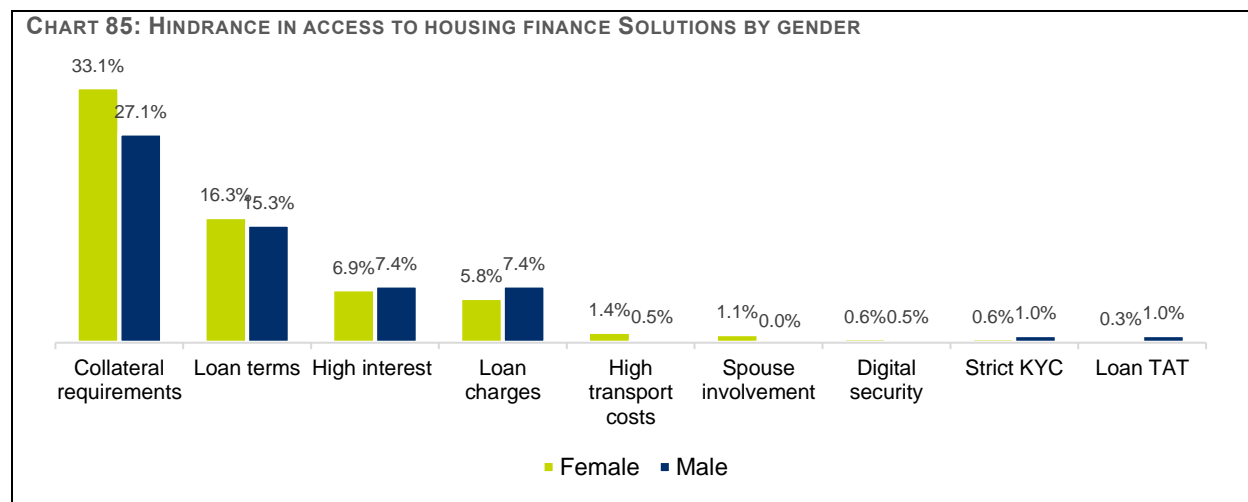
Key results show that the most significant challenges encountered by respondents were collateral requirements, loan payment period, high interest rates, and loan charges. Nearly half of the respondents (48.5%) mentioned the requirement to provide collateral as a barrier. This indicates that potential borrowers lack sufficient assets and tenure security required by formal lenders to obtain a housing loan, or they find the collateral requirements too stringent. Loan terms (24.9%) are the second most significant concern, indicated by approximately one-quarter of respondents. This implies that the terms offered by financial institutions, such as the lending agreement and repayment schedules, are not favorable or flexible enough for borrowers. The current loan terms of existing housing products can be prohibitive, making it difficult for the LMI people to undertake housing projects. Loan terms also include the complex processes at the banks, involving several steps and requirements such as credit checks and income verification. The process can be time-consuming and requires applicants to provide extensive financial information and documentation, which most people in the LMI category fail to meet.



Other main challenges discouraging Zambian LMI earners from taking housing loans include the high lending rates (11%) and high loan charges (10%), including transactional costs. This indicates that the cost of borrowing is a significant consideration for individuals and can be prohibitive for some. The lower percentages for factors such as high transport costs (1.7%), strict KYC (1.1%), spouse involvement (1.1%), loan TAT (0.8%), and digital security (0.8%) suggest that while these are issues for a small proportion of respondents, they are not as universally challenging as the top-listed obstacles. The low percentage for digital security as a pain point indicates that while it is a concern in the digital era, it is not a primary factor deterring people from accessing housing finance, or there is confidence in the digital security measures of financial institutions.

Comparing the access to housing finance by gender, results show that more female respondents (33%) are discouraged from using financial products and services due to a lack of collateral requirements and tenure security

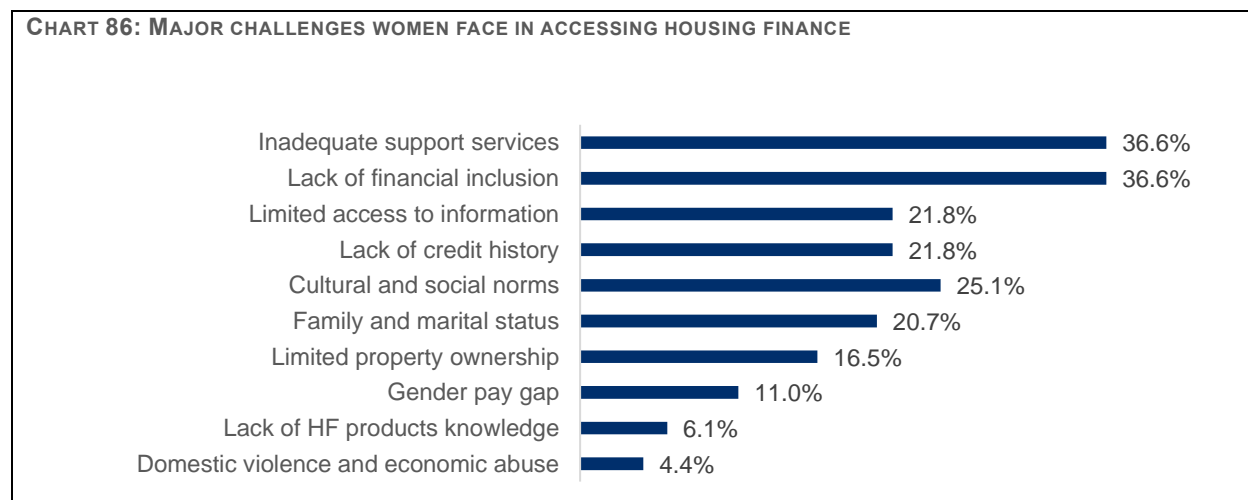
compared to male respondents (27%). The second most significant challenge for women is the loan payment period - which accounts for 16% and 15 % of male and female respondents, respectively.



These findings suggest that addressing the collateral requirements (land tenure issue), loan terms (complex processes), and high interest rates should be prioritized in improving access to affordable housing finance services for the LMI. Some strategies that can be used to increase access to affordable and sustainable housing finance include designing a housing finance de-risking fund and a mortgage refinancing company to develop housing finance products that offer single-digit fixed rates for a longer tenure. This can help to make mortgage loans more affordable and accessible to borrowers who might not be able to afford them at the prevailing market rates.

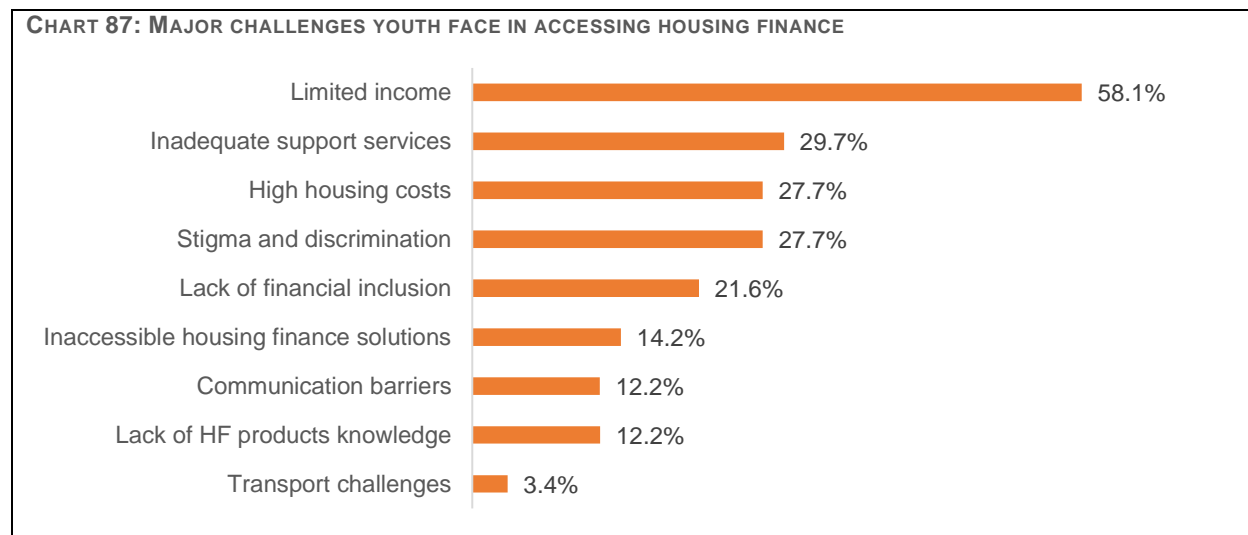
3.2.1.1 Key systemic barriers faced by women

The data on challenges women face in accessing housing finance reveals systemic, societal, and informational barriers. Systemic financial obstacles, such as inadequate support services and lack of financial inclusion, suggest that financial systems do not meet women’s needs. Societal and cultural norms and family and marital status further complicate access, pointing to the significant impact of traditional roles and legal constraints on women’s financial independence. Informational gaps, including limited access to relevant information and a lack of knowledge about housing finance products, hinder women’s ability to explore and utilize available financial options. Credit history and property ownership issues also reflect structural economic challenges that limit women’s eligibility for housing finance. The gender pay gap underscores broader economic disparities, while the least cited challenge, domestic violence and economic abuse, highlights severe personal and financial vulnerabilities. Together, these challenges emphasize the need for multifaceted solutions that address the financial industry’s shortcomings and the societal changes necessary to empower women in accessing housing finance.



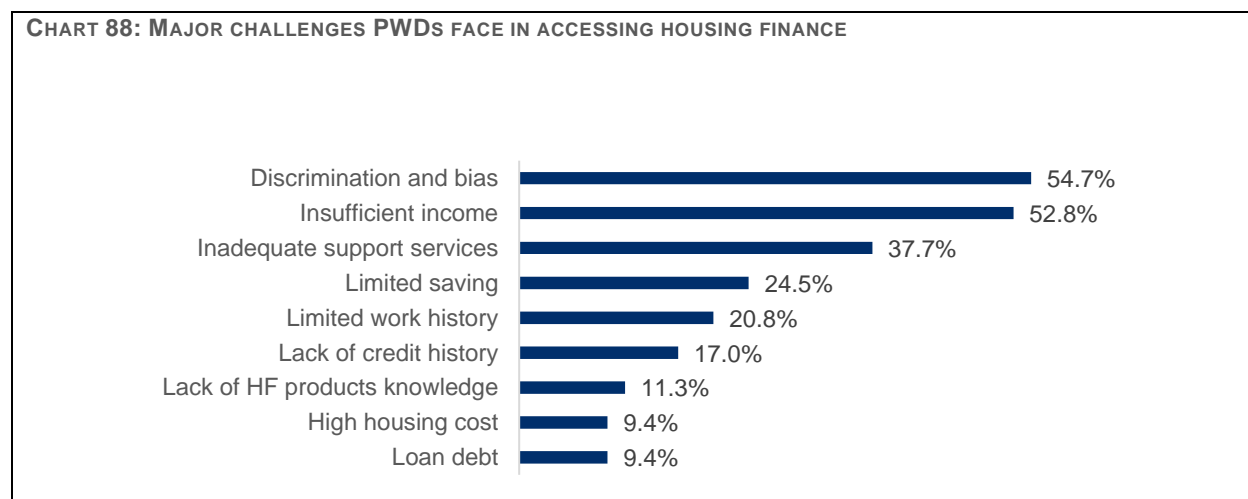
3.2.1.2 Key systemic barriers faced by youth

Limited income is the most significant barrier for the youth, cited by 58.1% of respondents. This challenge shows that young people are struggling to meet the financial requirements for housing loans due to lower earnings, which could be due to the high youth unemployment rate in the country (11%). Inadequate support services (29.7%) and a lack of financial inclusion (21.6%) indicate that the systems to assist with housing finance are not effectively reaching or serving young people. This challenge could be due to a lack of targeted financial products or services that cater to the unique needs of younger demographics. High housing costs (27.7%) and inaccessible housing finance (14.2%) point to market conditions that make it difficult for youth to afford housing.



3.2.1.3 Key systemic barriers faced by persons with disability (PWD)

The leading challenge is discrimination and bias at 54.7%. This challenge indicates that PWDs frequently encounter negative prejudices that can affect their treatment by financial institutions. Such biases may lead to unfair creditworthiness assessments or unwarranted skepticism about their ability to meet financial commitments despite legal protections intended to prevent such discrimination. Closely following is insufficient income, cited by 52.8% of respondents. This challenge could indicate higher rates of unemployment and underemployment among PWDs, as well as potential additional costs associated with living with a disability, such as healthcare expenses, assistive devices, or personal support. Inadequate support services (37.7%) suggest that the systems designed to aid individuals in accessing housing finance are not effectively accommodating the unique needs of PWDs, such as accessibility requirements or understanding of different income patterns associated with disability benefits or part-time work.





3.2.3 Unpacking the demand-side challenges limiting access to and usage of housing finance


Zambia's low- and middle-income populations remain largely underserved because of several challenges and systemic barriers, as outlined below.


- **High cost of housing loans:** High lending and borrowing rates and tenure requirement terms prevent low- and middle-income earners from taking longer-term housing loans. The financial institutions focus on serving high-income clients that meet the requirements of the products offered. Even for the salaried borrowers in the lower income bracket, the minimum wage for salaried employees is not appealing for them to qualify for housing finance products.
- **Complex application processes and lack of collateral:** Most low- and middle-income earners cannot demonstrate the ability to pay as they cannot meet collateral requirements and qualification criteria. Most own traditional customary land but lack formal land tenure security titles. Financiers do not recognize land without a title deed. The quality of the collateral determines the size of the loan a customer gets. Lack of collateral hinders borrowers from accessing larger ticket loans.
- **Low supply of affordable housing and high cost of housing units:** There is a desire for housing but a mismatch between available loans and affordable housing units in the market. Borrowers qualify for loans that fit their ability to pay but cannot afford property available at the market that matches their loan offers. The low- and moderate-income population and MSMEs are most affected since they lack collateral for bigger ticket loans.
- **Inconsistent cash inflows and low-income levels:** Most low and middle-income customers participate in informal sector employment. Financial institutions typically require applicants to be salaried or have a stable business to be granted a housing finance loan. Low-income earners have irregular and unstable incomes, while most MSMEs are startups and do not demonstrate evidence of consistent cash flows. Banks and MFIs are reluctant to serve this segment as it is considered riskier.
- **Slow process in land registry:** The process of land title transfers and registration takes long periods. The complex process of approvals from the government for acquiring documentation, registering, and transferring property makes land transactions lengthy and expensive and slows down the housing finance loan disbursement process.
- **Lack of appropriate customized housing finance products for the low- and middle-income population:** Customers' negative perception of housing loans and poor knowledge of housing products have contributed to low uptake, particularly the fear of the consequences of default. Most financial institutions do not offer any outright housing products but believe the returns realized by their clients (from other business loans) have been used for home improvement and building houses. Further, the available few products from financial institutions largely cater to salaried people who meet qualification criteria.


3.2.4 Persona profiles: Housing finance access journey, needs, and experience

Persona profile: Resilient Determined Woman		
<p>Basic Information:</p> <ul style="list-style-type: none"> • Age: 38 • Gender: Female • Marital Status: Widow • Location: Kitwe, Zambia • Household size: 3 (Mary and her two children) 	<p>Background:</p> <ul style="list-style-type: none"> • Occupation: Artisanal Miner. • Income range: Variable and modest. • Education level: No formal education. • Housing situation: Rents a dilapidated house. 	
<p>Goals and needs:</p> <ul style="list-style-type: none"> • Immediate need: School fees for her 6-year-old child. • Aspiration: Start a business for a more stable income. <p>Concerns:</p> <ul style="list-style-type: none"> • Believes house construction is too expensive, unaware of housing finance solutions. <p>Loan priority:</p> <ul style="list-style-type: none"> • If she were to take a loan, her priority would be to finance a business, though she is unsure about the business she wants to start. 		
<p>Financial situation:</p> <ul style="list-style-type: none"> • No bank account. • Limited experience with mobile money. • Borrowed small consumption loans from Village Savings and Loan associations. 	<p>Information sources:</p> <ul style="list-style-type: none"> • Relies on friends and neighbors for information. • Limited exposure to financial institutions and services. 	
<p>Challenges and fears:</p> <ul style="list-style-type: none"> • Afraid of returning to her village due to property disputes with her late husband's relatives. • Sees land acquisition as a significant obstacle due to high costs. • She is unsure about her loan eligibility due to her lack of financial history and stable income. <p>Housing conditions:</p> <ul style="list-style-type: none"> • The current house is old and in disrepair (rusty roof, old wooden door, dilapidated floor). • Lacks basic amenities (no running water, in-house toilet, fridge, TV, or comfortable seats). 		

Persona profile: Person with disability		
<p>Basic information:</p> <ul style="list-style-type: none"> • Age: 42 • Gender: Female • Marital status: Single • Location: Kabwe, Zambia • Household size: 9 (Nzali, 2 Sisters, 4 Brothers, and Parents) 	<p>Background:</p> <ul style="list-style-type: none"> • Occupation: Not active - disabled (hunchback and leg). • Income range: Social cash transfer of ZMW 400 every two months. • Education level: General Certificate Education (GCE). • Housing situation: A family house built by her brother, a 3-bedroomed house. 	
<p>Goals and needs:</p> <ul style="list-style-type: none"> • Immediate need: Build a house to live by herself. • Aspiration: Start an easy business for a more meaningful income. <p>Concerns:</p> <ul style="list-style-type: none"> • She cannot afford any housing finance solutions if given as loans. <p>Loan priority:</p> <ul style="list-style-type: none"> • If she were to take a loan, her priority would be to build a house, though, in her disabled state, she would prefer a grant to avoid obligations. 		
<p>Financial situation:</p> <ul style="list-style-type: none"> • Currently, she has no bank account, but she held one with FNB from 2018 to September, 2023. It was closed due to failure to maintain the book balance. 	<p>Information sources:</p> <ul style="list-style-type: none"> • Relies on the radio, posters, friends, and neighbors for information. • Limited exposure to financial services. 	
<p>Challenges and fears:</p> <ul style="list-style-type: none"> • Feels neglected and unconsidered by the community due to disability. • She sees her lack of finances as an obstacle to having her voice heard, thereby holding her back from participation. • Fear of never owning a home due to lack of stable income and inability to do most work. <p>Housing conditions:</p> <ul style="list-style-type: none"> • The house is in good condition, painted inside and out, but not fully finished as it has no ceiling or floor. • All basic amenities are inside. 		

Persona profile: MSME		
<p>Basic information:</p> <ul style="list-style-type: none"> • Age: 38. • Gender: Male. • Marital Status: Married. • Location: Lusaka, Zambia. • Household Size: 5 (Chisanga, wife and 3 children). 	<p>Background:</p> <ul style="list-style-type: none"> • Occupation: Business - Runs a Barbershop • Income Range: K5,000/month • Education Level: General Certificate Education • Housing Situation: Renting at ZMW 1,000/month. 	
<p>Goals and needs:</p> <ul style="list-style-type: none"> • Immediate Need: To grow the business. • Aspiration: To own a house. <p>Concerns:</p> <ul style="list-style-type: none"> • His income is too low for his expenses. • He does not have any collateral to enable him to access finance. • Loan priority: • He would want to buy land, building, and fitting materials for his house. 		
<p>Financial situation:</p> <ul style="list-style-type: none"> • No bank account. • Limited experience with mobile money. • Borrowed small consumption loans from VSLA group. 	<p>Information sources:</p> <ul style="list-style-type: none"> • Relies on friends and neighbors for information. • Limited exposure to financial institutions and services. 	
<p>Challenges and fears:</p> <ul style="list-style-type: none"> • Worried about the sustainability of his barbershop business in the competitive market of Lusaka. • Fears that his lack of collateral and formal financial history will limit his opportunities to access finance for both his business and personal housing needs. • Concerned about the increasing rental costs and the impact on his family's living standards and business operations. <p>Housing conditions:</p> <ul style="list-style-type: none"> • The family rents a modest home that meets their basic needs but lacks space. • The house is in a relatively good condition but could benefit from minor repairs and improvements to better accommodate the family. • Desires a home that can provide a better work-life balance, with a dedicated space for his barbershop to grow his clientele and income. 		

Persona profile: Cileshe Banda (Informally employed)		
<p>Basic Information:</p> <ul style="list-style-type: none"> • Age: 38 • Gender: Female • Marital Status: Married • Location: Lusaka, Zambia • Household size: 5 (Chileshe, husband, 2 daughters, 1 son) 	<p>Background:</p> <ul style="list-style-type: none"> • Occupation: Market vendor (selling vegetables and fruits) • Income Range: ZMW 2,000-5,000/month • Education Level: Completed high school • Housing Situation: Owns a small home with the need for repairs and expansion 	
<p>Goals and needs:</p> <ul style="list-style-type: none"> • Immediate Need: To repair and extend the existing house to accommodate her growing family and to potentially start a small side business from home. • Aspiration: To secure a better future for her children through education and to improve her business to become a well-known supplier in the local markets. <p>Concerns:</p> <ul style="list-style-type: none"> • Income fluctuations make it difficult to save and plan for large expenses such as home improvements. • Market competition is increasing, and she needs to differentiate her business to retain and grow her customer base. <p>Loan priority:</p> <ul style="list-style-type: none"> • Chileshe would prioritize a loan for home improvement, specifically for the addition of a new room and repairing the roof, which has been leaking during the rainy season. 		
<p>Financial situation:</p> <ul style="list-style-type: none"> • Uses a local credit cooperative for savings and has limited experience with formal banking institutions. • Relies heavily on cash transactions and mobile money for business operations. • Has never taken a formal loan but has participated in local community savings groups. 	<p>Information sources:</p> <ul style="list-style-type: none"> • Gets financial advice from family members and fellow market vendors. • Occasionally listens to the radio for news and information. 	
<p>Challenges and fears:</p> <ul style="list-style-type: none"> • She is worried about the rising cost of living and its impact on her family's well-being and her business's profitability. • Concerned about the complexity and accessibility of formal loans, fearing hidden costs or not qualifying due to her informal work status. <p>Housing conditions:</p> <ul style="list-style-type: none"> • The house is structurally sound but requires significant maintenance work. • Basic amenities are present, but the family is outgrowing the current living space, necessitating expansion. 		

Persona profile: Mike (Formally employed)		
<p>Basic Information:</p> <ul style="list-style-type: none"> • Age: 45 • Gender: Male • Marital Status: Married • Location: Lusaka, Zambia • Household size: 3 (John, his wife and son) 	<p>Background:</p> <ul style="list-style-type: none"> • Occupation: Teacher. • Other sources of income: Businessman (sausage making). • Income range: ZMW 7,000 to 15,000 p.m. • Education level: Master's in public administration. • Housing situation: Renting at ZMW 2,500 p.m. 	
<p>Goals and needs:</p> <ul style="list-style-type: none"> • Immediate need: Buy a car and build a house. • Aspiration: To develop his college or university and own a food processing company. <p>Concerns:</p> <ul style="list-style-type: none"> • His income is too low for his expenses. • He keeps losing clients as some clients cannot afford his products and services due to poor economic conditions. <p>Loan priority:</p> <ul style="list-style-type: none"> • He would want to buy building materials and be able to pay for labor for his house. 		
<p>Financial situation:</p> <ul style="list-style-type: none"> • Currently banking with Indo Bank with a monthly stable income. • Using mobile money on both Airtel and Zamtel. • Borrowed from Barclays Bank about 20 years ago to purchase a loan and fully repaid it. 	<p>Information sources:</p> <ul style="list-style-type: none"> • Research on the internet for most financial institutions and information from peers and social media. • Excellent exposure to financial services. 	
<p>Challenges and fears:</p> <ul style="list-style-type: none"> • Fears that the state of the economy is not improving and affecting the income levels. • Afraid to access financing to build his own school as lending institutions' requirements and interest rates are unfavorable for start-ups. <p>Housing conditions:</p> <ul style="list-style-type: none"> • The house is in good condition and habitable. • All basic amenities are inside. 		


3.2.5 Supply-side challenges to housing finance delivery


Zambia's housing finance sectors face several challenges that hinder financial institutions from optimally serving the low and middle-income population. Various factors contribute to the low performance of the housing finance sector in the country:

- **High lending costs to the low- and middle-income segment:** High lending costs to the low- and middle-income segment are a significant challenge due to the high operation expenses involved in reaching and lending to this segment, combined with the perception of a higher credit default risk
- **Slow processes in land registry:** The lengthy approval process from the government for acquiring documentation, registering, and transferring property in the land registry significantly delays the disbursement of loans. The slow land registration process can also lead to substantial delays that impact property transactions.
- **The informality of the low- and middle-income segment:** The low- and middle-income market segment operates informally, making it difficult for financial institutions to assess the creditworthiness of low-income earners as their income is inconsistent.
- **Information asymmetry:** Limited understanding of LMI customer needs and lack of proper structures to engage with them. The informality of the LMI segment makes it difficult for lenders to take a credit view.
- **Lack of funding and liquidity issues:** limits the financial institutions' ability to provide affordable and accessible housing finance options for the low- and middle-income segment. Further, capital for onward lending is costly, leading to high interest. MFIs' interest rates are higher as they serve riskier low-income populations, while banks focus on the middle to high-income segment.
- **The Zambian housing finance sector is still in the initial stage,** and thus, it has limited capacity for product development. Banks and MFIs face a more significant learning curve adapting to housing finance lending. Housing finance is unique, unlike typical business loans requiring long-term financing.
- **Lack of documentation:** Often, low- and middle-income borrowers cannot provide documentation to meet the minimum criteria to show the business performance, such as proof of business registration, business location, profit and loss statements, bank account statements, etc. This makes it difficult for financial institutions to serve them.


- Negative attitudes:** The negative attitudes of individuals towards borrowing for housing are influenced by several factors. People prefer business and consumer loans over mortgages due to discouraging product terms and conditions. Additionally, low- and middle-income earners prioritize growing their businesses to enhance their ability to repay loans for housing. There is a fear of being unable to generate enough income for loan repayments, leading to reluctance to take on loans for building or improving houses, especially due to income inconsistencies. This aversion to perceived risk and concerns about repayment contribute to the reluctance to borrow for housing.

3.2.6 Zambia supply- side case studies

Zambia Home Loans	
About the organization	<p>Zambia Home Loans (ZHL) is a specialized lender providing construction mortgages to Zambians. The low level of formal housing delivery in Zambia means that most low- and middle-income households still build their houses themselves incrementally. The lack of finance has meant that many homebuilding projects get stalled and remain incomplete when the homebuilder runs out of funds.</p> 
Products and services	<ul style="list-style-type: none"> ZHL addresses this by offering mortgage products, including construction loans, equity release loans, and land purchase loans. Building loans are paid out in tranches according to the various building stages, i.e., foundations, walls, roof, fixtures and fittings, and the complete house. Once a stage has been completed, a tranche payment is made for the next construction stage. This financing structure guarantees that the final product will be delivered as per the agreement and the required quality standards, ultimately resulting in physical collateral to put against the building loan. By disbursing the loan in tranches, ZHL can manage its risk while reducing the borrower's financing costs. Requirements: borrowers must meet the standard KYC requirements, collateral requirements, proof of capacity to pay (bank statement, pay slip, title deed), and be able to demonstrate a consistent monthly income if not salaried.
Partnerships and collaborations	<ul style="list-style-type: none"> ZHL has previously partnered with various building material supply companies, such as Builders Warehouse, Sunshare, MicMar, NDS Glass and Aluminium, Vaal Sanitaryware, Union Tiles, and MAT Floors, and can secure bulk discounts. Recently, ZHL partnered with Bosso Africa to address the housing challenge.
Lessons	<ul style="list-style-type: none"> With innovations and solutions, the private sector and development partners are crucial in helping the government alleviate the housing shortage. Opportunities for Zambians exist for the low- and middle-income segment in incremental home construction. Financial literacy for customers is necessary. Customers prefer personal loans with higher interest rates and divert to housing use to avoid the collateral requirements for housing loans.
Recommendations	<ul style="list-style-type: none"> It is a key requirement to expedite the process of land titling and registry. Alternative credit scoring can be explored to bring the informal sector on board.

Bosso Africa	
About the organization	<p>Bosso Africa is an innovative construction tech company with a mission to help solve Africa's housing crisis. The Tech is committed to alleviating the housing shortage in the country by empowering builders with innovative and affordable access to construction materials to build their dream homes. Bosso partners with construction supply stores, contractors, and developers to offer a one-stop-shop solution for home builders via its Bosso App.</p> <p>The rising cost of constructing a home in the country has been of great concern over the past few years and has led to a growing housing shortage problem. Bosso's innovative solution enables customers to order and get quotations for all building material supplies. Bosso's App offers a faster, easier, cheaper, and more sustainable way of sourcing building materials, reducing construction costs.</p> 
Approaches to making the cost of materials affordable	<p>Bosso significantly transforms home construction through digital technology by making sourcing building materials safer, easier, and more affordable for Zambians.</p> <ul style="list-style-type: none"> Bosso was formed against the background that the cost of building materials and financing for housing was too high.

Bosso Africa	
	<ul style="list-style-type: none"> Realizing that the market was offering about a 30 - 60% markup on materials, Bosso developed a solution to provide a lower but viable markup (16-18%) to enable affordability for their clients. Provides quotations to their clients, allowing access to finance from institutions such as ZHL and Zambia National Building Society (ZNBS). Once funds are accessed, the contractor gets on-site to commence construction. However, due to the inability of the majority to access finance, Bosso introduced the FlexiPay product, which allows individuals to enter directly into a contract with Bosso for the supply of materials and construction to be paid over time. A 50% down payment of the total amount is required for Bosso to commence construction. After that, the cost of materials is recalculated every three months to avoid losses in case of price fluctuation. Initially, the challenge with the product was that clients were paid directly by the financiers, and they would divert financing. This was only resolved after the financing was agreed to be paid directly to Bosso. There is a higher uptake of their products and services by the high net worth since they started with agreements directly with the financial institutions. More clients are expected to benefit from FlexiPay, which is getting higher demand than other products that require individuals to source financing from financial institutions.
Partnerships and collaborations	<ul style="list-style-type: none"> Bosso has partnered with financial institutions and suppliers while offering their products and services to B2B (business-to-business) and B2C (business-to-customer). Bosso has partnered and signed MoUs with institutions such as Zambia Home Loans and ZNBS, adding to its finance partnerships to enhance customers' access to affordable construction materials.
Lessons	<ul style="list-style-type: none"> Partnerships are crucial to deliver housing solutions and solve the housing crisis in Zambia and Africa. Financial institutions should consider reducing their pricing of housing finance. The products come with a markup and higher pricing, which is a burden to clients rather than a solution.
Recommendations	<ul style="list-style-type: none"> Financial institutions tailor the products and requirements to serve the wider low-income community.

Vision fund Zambia	
About the organization	<p>Vision Fund Zambia is a microfinance institution that provides financial services to the low- and middle-income segments in rural and urban areas. The institution caters to those who have difficulty accessing financing from larger commercial banks, with a particular emphasis on women, who make up over 75% of its beneficiaries. Vision Fund offers a range of products, including business loans, SME loans, solidarity loans, agricultural loans, WASH financing, and education loans.</p> <p>Informal savings practices are common in Zambia. Vision Fund is piloting new ways to support savings mechanisms through mobile technology and savings groups in partnership with the local mobile network operator, Airtel. The digital platform allows savings groups to conduct all their usual transactions, including savings, loans, and repayments, but in a digital format using mobile money.</p> 
Products and services	<ul style="list-style-type: none"> The FAST loan (Finance Accelerating Savings Group Transformation). One of its key products is the FAST loan, offered digitally to help customers access safe shelter, meals, and school fees and empower their businesses. Customers use the FAST loan for home improvement, flooring, roofing, fixing windows, and house extensions to ensure space and sanitation facilities. The immediate needs of low- and middle-income people are to i) improve their businesses to have a consistent income flow and ii) put up shelter with good-quality structures. The loan is mainly for the informal savings groups trained in savings methodology. Groups can get a loan of up to 50% of their savings and qualify for a minimum of ZMW 1,000 (USD 43.48) up to ZMW 22,000 (USD 956.52). The interest rate is 5,5% and is lower than the savings group's service charge (10%), so the group makes a profit on the loans, increasing their funds available for share-out during and at the end of the cycle.

Vision fund Zambia	
	<ul style="list-style-type: none"> • A digital savings group linkage loan is provided to the savings group as a top-up to the group's loan fund when a group is digitized.
Partnerships and collaborations	<ul style="list-style-type: none"> • Vision Fund Zambia has partnered with World Vision International and DreamStart Labs to digitize all savings groups. This will also allow their ledger books to be done digitally and enable credit scoring. The institution focuses on providing sustainable livelihoods, increased economic well-being, and improved community well-being to decrease dependence on outside aid and restore hope and dignity to the communities it serves.
Key lessons derived	<ul style="list-style-type: none"> • Carrying out a client-centric, stakeholder, and client-consultative market research and product development process is important, as it helps to create products and services that meet the target market's needs. • The need for financial literacy among the low- and middle-income segments empowers individuals to make informed decisions about their finances and access financial services more effectively. Vision Fund and its partners provide financial education to groups, ensuring they understand savings and loan mechanisms on the new digital platforms.
Recommendations	<ul style="list-style-type: none"> • It is important to carry out a client-centric stakeholder and client-consultative market research and product development process. • Financial literacy is needed for the LMI segment: Vision Fund and its partners also provide financial education to the groups, ensuring they are equipped to understand savings and loan mechanisms on the new digital platforms.

3.3 Product research

3.3.1 Introduction

Housing finance products in Zambia encompass a range of options tailored to meet diverse needs. These offerings typically include mortgage loans, which allow individuals to purchase or construct homes by providing a substantial portion of the property's cost upfront, with the remainder repaid over a specified period. Interest rates on mortgages may vary, affecting the overall cost of homeownership. Additionally, home equity loans or lines of credit allow homeowners to leverage the value of their property by borrowing against the equity they have built, often to fund home improvements or other financial goals.

Zambian financial institutions also provide housing finance through savings and investment platforms. Individuals can save with financial institutions, building societies, or credit unions to accumulate the necessary funds for housing-related goals. These savings accounts may offer competitive interest rates and have flexible terms. Furthermore, government-backed programs, subsidies, and incentives are sometimes available to support housing affordability and finance accessibility, particularly for low and middle-income individuals. These housing finance products aim to cater to a broad spectrum of the population, promoting homeownership and addressing housing needs in Zambia.

In Zambia, there are housing finance products specifically designed to facilitate incremental construction. These products acknowledge that not all individuals can afford to build or purchase a complete home upfront and instead offer financing for step-by-step construction. This approach allows borrowers to gradually construct or expand their homes while making manageable payments at each stage of development. Such products often feature flexible terms and disbursement options, enabling homeowners to adapt their construction projects to their financial capabilities. Incremental construction financing promotes affordable housing solutions and gradually empowers individuals to achieve their homeownership goals without overwhelming financial burdens.

3.3.2 Demand evaluation

The increasing urbanization in the country has led to a growing demand for housing in urban areas. However, the challenge lies in that 54.6% of the urban population lived in informal settlements in 2018, highlighting the need for affordable and improved housing options. Despite the urbanization trend, the proportion of the adult population that borrowed formally in 2021 was relatively low at 7%, indicating that there is potential for increased demand for housing finance. This suggests room for expansion in the housing finance market, especially if financial institutions can tailor their products to address potential borrowers' specific needs and circumstances.

In 2022, 10,436 residential mortgages were outstanding, with a total value of USD 1,418 million (ZMW 29,778 million), reflecting the existing demand for housing finance. The value of net mortgages stood at ZMW 10.2 billion (USD 615 million)⁵². With a significant portion of the population living in inadequate housing conditions, there is a pressing need to address this issue and enable access to safe and decent housing. However, the prevailing residential mortgage rates ranging from 18% to 35% indicate that accessibility and affordability remain significant challenges, potentially limiting the growth of the housing finance market. Despite these challenges, the ratio of mortgages to GDP in 2020 was 6.15%, suggesting that housing finance plays a notable role in the country's economy. Furthermore, 12 residential mortgage providers and 116 microfinance providers in 2021 suggest a competitive financial landscape that could respond to the evolving demand for housing finance products, particularly those tailored for the urban population seeking to escape informal settlements living conditions. Overall, while there is significant potential for growth in the housing finance sector in Zambia, addressing affordability and accessibility issues will be crucial in meeting the rising demand for adequate and secure housing.

3.3.3 Client segmentation

Income disparities: The most prominent segmentation factor is income disparities. Zambia's Gross National Income per capita is relatively low, and a significant portion of the population faces multi-dimensional poverty or is vulnerable to it. This highlights the need for segmentation strategies that consider income levels. Housing finance products should be tailored to accommodate the economically vulnerable and those with more stable incomes. Segmentation may include income-based eligibility criteria and interest rates corresponding to income levels.

Employment status and location: Employment status and location are crucial in client segmentation. The employment-to-population ratio varies significantly between urban and rural areas, with urban areas having higher rates. This suggests that those in urban areas may have better access to housing finance due to their higher employment rates. Housing finance institutions segment their offerings based on urban and rural markets, with tailored

⁵² [Bank of Zambia 2022 Annual report](#)

products for each segment. Additionally, gender disparities in employment should be acknowledged, and efforts should be made to ensure equitable access for both men and women.

Formal vs. Informal employment: The distinction between formal and informal employment is another segmentation factor. Those in the formal sector typically earn more than those in the household sector, and this income gap can affect access to housing finance. Housing finance providers should consider offering specialized products for individuals in the household sector, considering their lower income levels and potentially less stable employment.

Urban vs. Rural housing: The division between urban and rural areas in income, employment rates, and poverty levels is significant. Housing finance institutions segment their products to address the specific housing needs in each area. For example, rural housing finance may focus on incremental construction, while urban housing finance could target more conventional home purchases.

Segmentation by gender: Gender disparities in income and employment levels should be considered. Housing finance providers consider gender-specific products or initiatives to promote equal access to housing finance.

3.3.4 Client's affordability

To assess client affordability for housing finance in Zambia, we must consider a combination of economic factors and income disparities in the country. Zambia's Gross National Income per capita was 3,250 PPP dollars in 2021, indicating the average income of its citizens. However, it is crucial to recognize that a significant portion of the population faces challenges in terms of multi-dimensional poverty. The United Nations Development Program (UNDP) reports that in 2021, 47.9% of Zambia's population (approximately 9,329,000 people) is considered multi-dimensionally poor, with an additional 23.9% classified as vulnerable to multi-dimensional poverty (around 4,649,000 people).

Income disparities are further highlighted by the employment-to-population ratio, which stood at 31.5% overall in Zambia. This disparity suggests that a relatively smaller portion of the working-age population is currently employed, which can impact their capacity to access housing finance. Gender disparities also play a role, with men having a higher employment rate (39.0%) than women (24.3%). The urban-rural divide is also significant, with urban areas exhibiting a notably higher employment rate (44.2%) than rural areas (20.1%).

The disparities in average monthly earnings across different employment sectors and regions are also essential to consider. Males consistently earn more than females, except in the household sector. Urban areas generally report higher average monthly earnings than rural areas, affecting individuals' financial capacity to access housing finance. The income gap between formal employment and the household sector can significantly impact access to housing finance, as those in the formal sector may find it easier to qualify for and repay long-term housing loans.

Furthermore, the high poverty rate in Zambia, which increased from 54.4% in 2015 to 60% in 2022, emphasizes the country's economic challenges. This rise in poverty may exacerbate housing affordability issues and limit access to housing finance, particularly for the impoverished rural population, where poverty rates remain high at 78.8%. To address affordability and expand access to housing finance in Zambia, it is essential to develop tailored financial products that consider the income disparities and challenges faced by different population segments, especially the vulnerable and those living in poverty.

3.3.5 Competition analysis: housing finance products currently available in the market

Competition in Zambia's housing finance sector is characterized by a diverse landscape of financial institutions vying to serve the population's housing needs. These institutions compete not only on interest rates and mortgage terms but also on accessibility, customer service, and innovative financial products. Given the income disparities and segmentation factors, competition analysis becomes crucial to tailor offerings to specific market segments. Housing finance providers must remain agile and responsive to changing market dynamics, addressing the unique needs of various segments, including the economically vulnerable, formal and informal sector workers, and those in both urban and rural areas. This competitive landscape necessitates focusing on customer-centric strategies, financial inclusion initiatives, and technological advancements to meet the diverse demands of Zambia's housing market. The table below lists banks that provide various forms of housing loans with some of the features published on their websites.

Financial Institution ⁵³	Product name	Product features
Zambia National Building Society	<ul style="list-style-type: none"> Construction Mortgage Outright purchase, equity release, balance transfer, home improvement mortgage 	<ul style="list-style-type: none"> 18% (25 years) 16% (25years) 28% (6 years)

⁵³ List of Banks obtained from Bank of Zambia [website](#)

HABITAT FOR HUMANITY ZAMBIA: RESEARCH ON BARRIERS TO ACCESS AND USAGE OF HOUSING FINANCE IN ZAMBIA – MARKET RESEARCH REPORT

Financial Institution ⁵³	Product name	Product features
	<ul style="list-style-type: none"> • Building materials loan • Building materials loan (GRZ new recruits) • Friendly loan 	<ul style="list-style-type: none"> • 24% (6 years) • 33% (6 years)
Access Bank Zambia Limited	<ul style="list-style-type: none"> • Home asset and device loan 	<ul style="list-style-type: none"> • 2% flat management fee • 1% facility fee • 1.5% flat credit life insurance fee • Interest rate – 29.5% p.a. subject to change.
Absa Bank Zambia Plc	<ul style="list-style-type: none"> • Home loan 	<ul style="list-style-type: none"> • 20% minimum deposit. • 25% interest rate. • 20 years maximum.
Ecobank Zambia Limited	<ul style="list-style-type: none"> • Mortgage loan 	Maximum 30 years.
First Alliance Bank Limited	<ul style="list-style-type: none"> • Mortgage loan 	
First National Bank Zambia Limited	<ul style="list-style-type: none"> • Traditional home loan • Building loan • Smart bond • Completion loan • Homeowner's loan 	
Indo-Zambia Bank Limited	<ul style="list-style-type: none"> • Indo home loan 	<p>For salaried borrower</p> <ul style="list-style-type: none"> • The bank can finance up to 90% of the project cost. <p>Non-salaried borrower</p> <ul style="list-style-type: none"> • The bank can finance up to 80% of the project cost.
Stanbic Bank Zambia Limited	<ul style="list-style-type: none"> • Home loan 	<ul style="list-style-type: none"> • Up to 20-year tenor.
Standard Chartered Bank Plc	<ul style="list-style-type: none"> • Home loan 	<ul style="list-style-type: none"> • Up to 25 years repayment period. • 90% mortgage financing. • The range of loan amounts from ZMW 125,000 to ZMW 5.5 million.
Zambia National Commercial Bank Plc	<ul style="list-style-type: none"> • Scheme loan 	<ul style="list-style-type: none"> • Unsecured loan backed by salary. • Minimum period of 6 months and a maximum period of 5 years. • The minimum loan amount is ZMW 5,000, and the maximum is ZMW 150,000. • Negotiated interest rate by employer.
EFC	<ul style="list-style-type: none"> • Home improvement loans 	<ul style="list-style-type: none"> • Min 2 years • Max 4 years • Interest rates and loan amounts <ul style="list-style-type: none"> ○ ZMW 50.000 6.5% per month ○ ZMW 50,000 to 150,000 6% per month ○ ZMW 150,000 to 250,00 5.4% per month • ZMW 250,00 and above 4.58% per month
Vision Fund	<ul style="list-style-type: none"> • WASH financing (Tanks, pit latrines, water and sanitation facilities) 	<ul style="list-style-type: none"> • Period: 3 to 12 months • Interest rate is 5.5% per annum • Minimum amount ZMW 1,000 • Maximum amount ZMW 250,000
My bucks	<ul style="list-style-type: none"> • Payroll based salaries (32% of portfolio used the loan for buying land, home improvement or building a house) 	<ul style="list-style-type: none"> • Interest rate 35% to 42% per annum • Maximum period 5 years • Loan amount ZMW 1000 to 300,000

4.0 Mapping of players in the housing finance sector

4.1 Zambia’s housing financing value chain

The Zambian housing finance landscape can be divided into public and wholesale finance and retail or end-user finance⁵⁴. Public and wholesale finance meets the financing needs of retail financial institutions and large-scale developers. Retail or end-user finance provides the financial products and services consumers need to access housing finance. These could be dedicated housing finance products or other finance and credit facilities that are not specific for housing but end up being used for housing.

Zambia’s housing financing value chain, as shown in Figure 5, represents the movement of funds from a relative surplus source at the wholesale level, by way of debt and equity financing, down to a deficit towards the bottom of the value chain where retail finance institutions satisfy the demand for only a small segment of the market. The dis-functionality of the chain, as it exists at present, means that at the bottom of the chain, demand outstrips the supply of housing finance, and consumers resort to other sources of finance other than dedicated housing finance, such as payroll-based lenders to meet the housing finance needs. As the supply of finance reduces as one cascades down the value chain, the price or cost of funds rises, represented by an increase in interest rates and transaction costs relative to the financing.

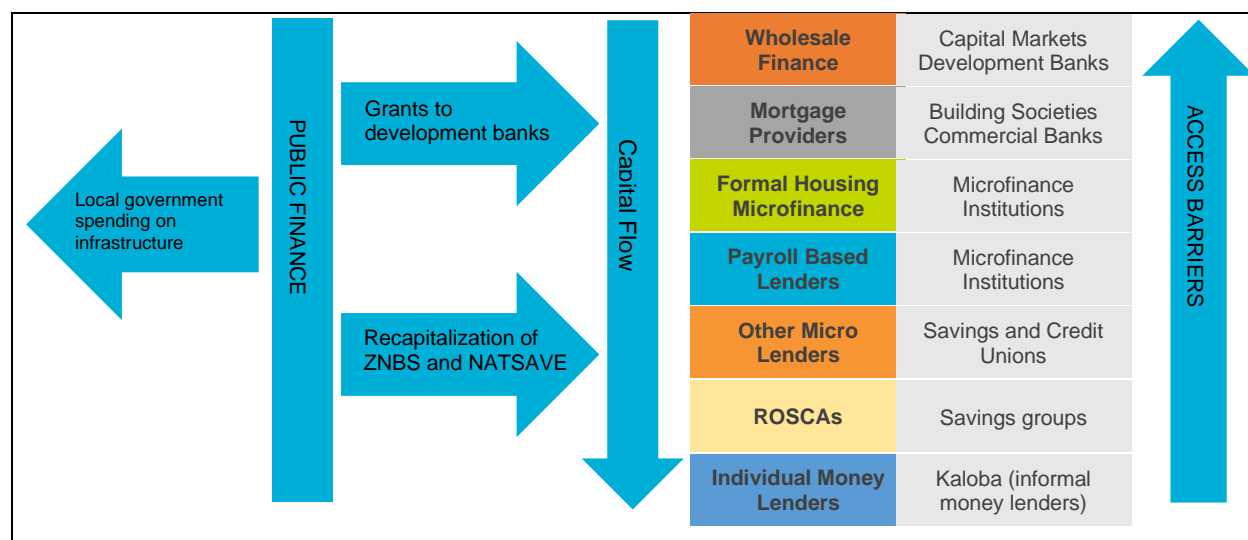


FIGURE 5: ZAMBIA HOUSING FINANCE VALUE CHAIN

Source: FINMARK Trust Scoping Study: an overview of the housing finance sector in Zambia

4.1.1 Public finance

Public finance also includes funding from the central government to local authorities and dedicated housing agencies. Public finance for housing from the central and local government is channeled directly towards developing new housing stock or to housing-related infrastructure and support services such as roads, sanitation, and utilities. The funding from the government can take the form of subsidies and grants or loan financing directly through appropriate institutions for onward lending in the form of revolving funds. The public financing to housing and housing infrastructure in Zambia was ZMW 2.58 billion (USD 152 million), representing 1.5 percent of the total budget in the 2023 national budget⁵⁵.

4.1.2 Wholesale finance

Wholesale finance provides debt capital in the form of long-term credit lines for onward lending for mortgage finance, incremental house construction, and home improvement by a financial institution to retail financial institutions such as banks, building societies, microfinance institutions, or other financial institutions (or developers in the case of development finance). The Zambian wholesale finance sector, particularly the capital market, remains relatively underdeveloped. Hence, retail finance institutions and real estate developers struggle to access the required long-term

⁵⁴ Scoping Study: Overview of the housing finance sector in Zambia, FINMARK TRUST, 2023.

⁵⁵ 2023 Budget Address by Minister of Finance and Development Delivered to the National Assembly

financing, which impedes their ability to provide mortgage loans and develop real estate, respectively. Reduced availability of funds has meant that only the highest income segment of society (high net-worth individuals) can access formal housing finance through building societies and commercial banks⁵⁶. The NFSDP recognizes the lack of long-term development and housing finance and the limited number of monetary policy instruments as major weaknesses of the financial sector.

Potential sources of wholesale finance in Zambia include the African Development Bank (AfDB), Shelter Afrique, and other DFIs. The AfDB is involved in various development projects in Zambia, including providing lines of credit to commercial banks, building societies, and other housing development agencies such as the National Housing Authority (NHA). For instance, the AfDB approved a 15-year (including a three-year grace period) senior loan of up to USD 25 million, including USD 1.5 million for the technical assistance component, to the Zambia National Building Society (ZNBS) in 2017⁵⁷. The bank's funding provided ZNBS with much-needed long-term liquidity to expand its operations and support mortgage market development. This aimed to enhance ZNBS's capacity to broaden the mortgage market in Zambia and extend affordable mortgage products to lower-middle and middle-income households. Shelter Afrique has significant investments in the housing finance sector in Zambia. Shelter Afrique has in the past partnered with the NHA and the private sector to develop 1,000 low and medium-cost housing estates at a cost of over USD 68.8 million in Lusaka⁵⁸.

4.1.3 Retail and end-user finance

The retail section of the Zambian housing finance landscape is segmented into six categories, including residential mortgages, formal housing microfinance, payroll-based lenders, other financial institutions, ROSCAs, and individual money lenders.

4.1.3.1 Residential mortgages

The residential mortgage sector in Zambia is dominated by commercial banks and ZNBS, and to a lesser extent, a few non-bank financial institutions such as MFIs that offer home improvement loans. The size of the sector is constrained by the low proportion of Zambians who can afford mortgage finance and who satisfy the risk requirements of the lenders (i.e., are in formal employment and receive a monthly income). Those who are self-employed or in the informal sector can seldom provide proof of a regular income on which they can qualify to access credit, let alone mortgages, which require significantly large levels of monthly income. On average, a minimum monthly income of ZMW 25,800 (USD 1,200) is required for a mortgage since institutions will typically not offer installments exceeding 35% to 40% of net income⁵⁹. The average minimum monthly installment is around ZMW 8,600 (USD 400).

When home improvement loans and incremental self-build housing are considered, a lower income bracket is served as the loan sizes are as low as ZMW 6,450 (USD 300) and with the installments being more affordable.

4.1.3.2 Formal housing microfinance

As of April, 2023, there were 35 microfinance institutions licensed by the Bank of Zambia⁶⁰. There are two main types of microfinance providers: payroll-based consumer lenders and “developmental” microfinance lenders (“conventional” microfinance). Formal housing microfinance refers to access to low-value, short-term loans from formal financial institutions (licensed and regulated), which are used for self-build housing over several loan cycles. The loans are mainly unsecured but backed by a salary or a stable source of income. The main difference between the housing loans that banks and building societies provide and the ones that MFIs offer is that the latter cannot rely on the property being developed for collateral due to a lack of enforceable title and/or the property's value is too low. This generally increases borrowing costs. Providing housing loans by MFIs is a relatively new practice, with a couple of MFIs first testing the waters by providing home improvement loans. MFIs providing home improvement loans include EFC, Vision Fund Zambia, and Madison Finance.

4.1.4 Other intermediary micro-lenders

Other intermediary micro-lenders include non-government organizations (NGOs) and community-based and managed associations with membership ranging from hundreds to thousands. These actors and credit routes are the most commonly available to the informally employed and groups within informal settlements. Because they are member-owned, relatively small in size (members and asset base), and do not mobilize deposits from non-members, they pose

⁵⁶ FINMARK TRUST Scoping Study: [overview of the mhousing finance sector in Zambia](#)

⁵⁷ [African Development Bank](#)

⁵⁸ Promoting affordable housing in African Cities, AfDB Sustainable Urban Development Action Plan (SUDAP), 2022

⁵⁹ [Accessing home financing in Zambia](#): Zambia Real Estate

⁶⁰ Bank of Zambia

less of a systemic risk to the financial sector and, hence, are not regulated nor licensed by the Bank of Zambia under the Banking and Financial Services Act (BFSA). However, as some of these associations have grown, to operate more efficiently, they tend to formalize their existence by registering with the Ministry of Community Development and consequently appoint and elect an executive or management team, put in place a constitution, and open a bank account.

While it is possible for these groups who are presently excluded from traditional retail lenders to gain indirect access to formal credit lines through micro-finance and micro-enterprise loans, access is still limited. In addition, low-income earners said they are made to feel unwelcome when they visit the premises of mainstream commercial lenders and feel they get poor service. This has resulted in local, community-based, and member-owned intermediaries to fill the gap. Two main types of these member-owned financial structures are SACCOs (Savings and Credit Cooperatives) and ROSCAs (rotating savings and credit associations – locally referred to as *Cilimba*).

One major distinction between credit access from these institutions and other retail sources higher up in the value chain is that the purpose of the loan is rarely specifically for housing. The loan would typically be accessed for microenterprise lending purposes, and then the proceeds of the micro-enterprise loan would be channeled towards incremental self-built housing. A few savings associations have been set up specifically to provide low-cost credit for members using a revolving fund for housing construction. The largest one in Zambia is the People's Process on Housing and Poverty in Zambia, affiliated with Slum Dwellers International, which has a nationwide presence⁶¹.

4.1.5 Individual/informal moneylenders

Informal moneylenders are found in most urban areas and are known by the locals to have excess cash, which they are willing to lend. These are lenders of last resort charging 50% to 100% interest rates for short periods and filling a financing gap in the market mainly for emergency loans. These types of loans are locally known as *Kaloba*. Those most exposed to these market gaps are people working in the informal sector and living in informal settlements. This group often cannot produce pay slips and other documentation required to open a bank account and access credit.

Housing finance loans from informal money lenders would normally be used to cover rental arrears as a very last resort to avoid eviction. Individuals do not seek loans through *Kaloba* for buying land and building materials due to the high risk of default from the high-interest rates. Property can be used as collateral for those seeking large loans from informal money lenders where pre-signed contracts of sale allow the money lenders to dispose of the property. Money lenders in this sector also sometimes operate as informal sector estate agents.

⁶¹ [SDI: Global network of slum-dwellers](#)

4.2 Housing finance products characterization

Housing finance products in Zambia include mortgages offered by commercial banks and building societies, home improvement loans, and incremental house construction loans.

4.2.1 Building societies housing finance products

4.2.1.1 Mortgages

Building Societies offer mortgages that seem to target only high and medium segments of the market, although they purport to serve the low-income segment, too. Mortgage loans offered by ZNBS include⁶²:

- Land purchase finance: A loan used to finance the purchase of a plot or land.
- Construction loan: A loan for construction purposes where the whole property or part of it is still to be constructed. Construction can be funded from the foundation level.
- Outright purchase: A loan for the purchase of an existing house.
- Home improvement loan: A loan for refurbishments, renovations, and extensions to an existing home.
- Equity release: A loan where equity can be removed from the property if it has adequate value to release funds that the customer can use for any purpose. The customer must indicate on the application the purpose of the funds.
- Balance transfer: Where the customer has an existing mortgage loan with another institution, the society may take over that existing mortgage and refinance other loans depending on the customer's financial capacity to meet the monthly repayments.

While the maximum loan tenor is between two and 30 years, the average tenor is around five years, making these extremely short-term mortgages. The lowest average mortgage size is USD 16,000, and the highest average is USD 50,000, with the maximum amount around USD 140,000. The amount an applicant can qualify for depends on several variables, which include:

- The disposable income of the applicant is indicated by the basic pay on the pay slip or other regular and verifiable income as indicated in a bank statement.
- An applicant's age, especially in the case of employed applicants, such as retirement age (55 years), will be considered.
- The value of the property to be purchased. Building Societies do not finance 100% LTV; the maximum loan-to-value offered is 90%.

The interest rates charged on mortgages range from 20.7% to 22.5%. Up-front fees required to obtain a mortgage, by default, exclude access for the average Zambian. Administrative requirements, valuation reports of property to be financed, and loan administration fees increase the upfront costs to amounts outside the affordability of most Zambians. This is because these administration costs are disproportionately higher for smaller loan amounts, making obtaining a low-value mortgage less cost-effective.

Typical up-front costs that are included are:

- Administration/processing/origination fees: 1%
- Attorney fees: 1-2.5%
- Mortgage lodgment fees: 1-2.5%
- Valuation charges: 1.5-6%

4.2.1.2 Home improvement loans

Home improvement loans are accessed by individuals who have a stable source of income but who are not able to qualify for a mortgage primarily because they are not able to provide titled security, hence resorting to taking the more expensive option of home improvement loans, (which in essence are just large 'consumer' loans). Despite being more expensive than traditional mortgages, home improvement loans (or, in this case, incremental housing construction loans) are popular as they enable the most popular home ownership route, which is self-build housing.

Home improvement loans and variations, such as house extension or renovation loans, are primarily assessed based on the applicant's capacity to repay and less on the intended purpose or actual value of the intended use. Loans in this category typically range from USD 600 to USD 30,000, with tenors of up to 36 months.

As the loan amounts are lower and the requirements for qualifications are less, more people can qualify for these loans and, over multiple loan cycles, can acquire a plot and self-build their houses.

⁶² [Zambia National Building Society \(ZNBS\)](#)

4.2.1.3 Commercial banks housing finance products

The mortgage accessing requirements of the bank are the same as the ones required by the building societies. The housing loans include a combination of mortgages and pension-backed lending. Pension-backed lending enables individuals close to retirement age and the ones who do not have sufficient years of employment to obtain a mortgage on the understanding that they will repay the mortgage upon retirement and receive the terminal benefits.

Due to the uncertainty around the resale value of properties, the banks prefer that applicants not only provide security of the property being financed but also confirm that they are also in pensionable employment. Consequently, by default, commercial banks exclude the lower income segments due to income levels and those in short-term, contract employment.

Housing finance bank product options offered by banks include:

- Ordinary home loan or outright purchase, buying a completed house
- Refinancing: financing a home loan held with another financial institution
- Equity release: converting part of the value of the house to cash to renovate the house
- Vacant land/plot purchase
- Up-front bond: pre-approved certificate indicating how much a client qualifies for and can be used as a basis for 'shopping' for a house

Of these products, the ordinary home loan and up-front bond pre-approved comprise the largest portion of the banks' housing portfolios and are deemed least risky by the banks and promoted more.

Variations in the product features with the different banks have to do with the loan-to-value ratio (LTV) depending on whether one is buying a fully completed house, a partially completed house, or an undeveloped plot. A fully completed house has an LTV of up to 90%, while undeveloped land has an LTV of up to 50%. None of the banks offer 100% financing for any housing product.

The geographical distribution of housing products banks offer is concentrated in Lusaka and the Copperbelt provinces. Mortgages provided by banks range from USD 20,000 to USD 600,000, with the maximum tenor being 20 years.

4.2.1.4 Housing microfinance products

4.2.1.4.1 Home improvement loan

Microfinance institutions offer home improvement loans, which target the upper end of their target (low-income) market. These individuals are in formal employment and earning a regular but low income. An applicant usually has to show proof of regular income by way of at least three month's pay slip. In the case of self-employed applicants, they must provide proof of regular income as evidenced by activity on the bank account and at least more than one source of income. The MFIs have also implemented more stringent measures to reduce the loss in case of default by requesting security in the form of pledging collateral and third-party guarantees.

Home improvement loans range from USD 600 to USD 40,000, with a maximum loan tenure of five years. Interest rates by microfinance institutions tend to be monthly, with some institutions providing home improvement loans charging between 2.5% - 6.5% per month.

4.2.1.4.2 Microenterprise Loans

Another means through which MFIs indirectly facilitate access to housing and housing finance is through the provision of microenterprise loans. These target individuals who are self-employed or have less regular and low levels of income generated from micro-enterprises. Access to these loans follows the traditional tenets of microcredit which include solidarity group lending, lowering the access barrier to credit.

This appears to be a common route for lower-income groups to gain access to housing finance despite not being the intended purpose of the loan. The individuals who access the microloans can use the funds to improve their business and generate sufficient surplus income, which, over several loan cycles, they use to buy a piece of land and building materials, and eventually build the house incrementally.

Often, a micro-loan is used to recapitalize a micro-enterprise after the owner draws money from the business to fund certain high-value stages of the house construction, such as purchasing a plot or putting up a roof. Key characteristics of microenterprise loans are:

- Received by either groups or individuals. The amount can range from as low as USD 50 per borrower in group lending to as high as USD 20,000 for individual business loans.
- Borrowers normally engaged in informal activities.
- No collateral is required for smaller group loans; instead, group guarantee (peer pressure) is relied upon to enforce repayment.
- Interest rates are high and can range from 35% to as high as 85%. They are usually quoted monthly instead of annual interest rates, as in the mainstream financial sector (e.g., 4% per month). However, they are not as high as individual money lenders (Kaloba - described later), who are known to charge interest rates as high as 100% per month.
- Loan repayment periods are short and range from a couple of weeks to 24 months. The smaller group loans typically have weekly or bi-monthly payments.
- Loans obtained for income-generating activities, as well as the revenue made, are not used for the purposes applied for and are instead diverted to purchasing building materials, topping up on the cost of a plot of land, or purchasing a property. This is most common among the more affluent microfinance clients that obtain individual loans.

4.3 Understanding housing finance business models in Zambia

Housing finance business models in Zambia include public financing, public-private partnerships, and private-sector financing.

4.3.1 Public financing

The National Housing Authority (NHA) has a prime mandate to expand the provision of affordable housing in Zambia. The National Housing Policy made provision for allocation for allocating 15% of Zambia's national budget towards housing. However, in 2023, only 1.5% was allocated⁶³. The country's housing deficit in 2021 was estimated at 1,539,000 units, which is expected to rise to 3.3 million by 2030 if not adequately addressed. Some estimates suggest that 110,000 units are required annually to close the housing backlog over the next decade.

The government has plans to reduce the housing deficit to 1,378,000 units in the next four years. Although various initiatives continue to target affordable housing developments, inadequate funding and budgetary allocations have exacerbated the large gap in affordable housing, fueling the growth of informal settlements. Over half (55%) of Zambia's urban dwellers were estimated to be in informal settlements housing in 2018.

4.3.2 Public-private partnership models

The Zambian government is leveraging public-private partnership models to reduce the housing deficit. With financing and technical support from the Ministry of Infrastructure, Housing and Urban Development (MIHUD), housing cooperatives are being trained in Chadiza to make stabilized soil bricks, which are economical for low-cost, quality housing. The aim is to expand the use of this construction technique across different areas of the country. In Chongwe, Lusaka province, 36 affordable housing units with flexible payment schemes were constructed by Emerald Hill Housing and handed over to MIHUD. MIHUD has also partnered with Horizon Properties and Habitat for Humanity Zambia to deliver low-cost units for households in informal settlements. The units to be built by Horizon Properties will be environmentally friendly, while Habitat for Humanity is scaling efforts to provide adequate housing for the most vulnerable groups in society.

A government initiative under the Multi-Facility Zone (MFEZ) has also designated land to construct staff houses south of Lusaka. The National Housing Empowerment Fund (NHEF) is implementing an Affordable Housing Development Project to deliver 130,000 affordable homes in Lusaka. In its various developments, the Fund is also in the process of selling plots with title deeds. Following a partnership between Stanbic Bank Zambia and the Zambia Homeless and Poor People Federation (ZHPPF) and People's Process on Housing in Poverty in Zambia (PPHPZ) and with support from MIHUD, 67 low-cost houses were built in Kasupe, Lusaka. On August 23, 2022, the PPHPZ signed a memorandum of understanding (MoU) with the Zambia Institute of Architects to design low-cost housing that builds climate adaptation capacity at the community level⁶⁴.

4.3.3 Rent-to-own models

Rent-to-own models are emerging as an opportunity for households to own homes more affordably. An MoU between the Zambia Union of Government and Allied Workers (UG) and Collins Mutual was signed to provide 40,000 affordable

⁶³ 2023 Budget Speech, Ministry of Finance and National Planning

⁶⁴ <https://pphpz.org/>

housing units over the next decade, at a total investment of USD 1.4 billion. This enables civil servants (on low to moderate incomes) who cannot afford housing at current market prices to own a home without purchasing land or access mortgages. A 400m² plot in Lusaka can cost USD 4,345. This rent-to-own empowerment scheme will spread monthly rentals over a defined period and go towards home ownership. The project will also create thousands of jobs in the housing construction value chain. Urban housing in Zambia highly depends on concrete blocks and iron sheets. Cement, therefore, is a key input in the construction of housing. Due to the cost of materials, building standards are not adequately adhered to and are often of substandard quality. The MIHUD has implored local developers to adhere to construction standards and the National Council for Construction (NCC) to enforce standards per the law.

4.3.4 Mortgage finance model

There were 17 commercial banks in Zambia as of the end of 2022, and 10 issued mortgages. Other institutions such as ZNBS and finance businesses such as Zambian Home Loans Limited (ZHL) are major mortgage lenders. Across mortgage lenders, the minimum and maximum mortgage rates offered are 16% and 34.5%, respectively. The maximum loan value on a residential mortgage is 100% offered by banks such as Standard Chartered, while ZHL provides one of the lowest loan-to-value rates at 50%. Mortgage loans extended can range from USD 3,182 (in the case of ZHL) to USD 350,000 (in the case of Standard Chartered). Most mortgages in Zambia are offered up to 25 years.

Products offered include outright purchase mortgages, financing for undeveloped land, construction mortgages, equity release mortgages, and building materials loans for incremental housing finance.

4.3.5 Incremental housing construction model

The low level of formal housing delivery in Zambia means that most middle-class households still build their houses themselves incrementally. The lack of finance has meant that many home-building projects get stalled and remain incomplete when the home builder runs out of cash. Finance companies such as Zambian Home Loans (ZHL) address this by offering an alternative to the conventional mortgage finance instrument: a building loan, which is converted to a mortgage once construction of the house has been completed⁶⁵. ZHL is a specialized mortgage institution owned by African Life Financial Services and Sofala Capital. It specializes in building loans, paid out in tranches according to the various building stages (i.e., foundations, walls, roof, fixtures and fittings, and the complete house). Once a stage has been completed, a tranche payment is made for the next construction stage. This financing structure guarantees that the final product will be delivered as per the agreement and the required quality standards, ultimately resulting in physical collateral to put against the building loan.

Zambian Home Loans has partnered with various building material supply companies, such as Builders Warehouse, Sunshare, MicMar, NDS Glass and Aluminum, Union Tiles, and MAT Floors, and can secure bulk discounts. ZHL offers standard house plans for 1 to 4-bedroom houses. Borrowers can choose their contractors, but ZHL does keep a list of those who have performed poorly in the past so that they are not used again. ZHL charges a one-off fee for these services, built into the overall loan amount. All borrowers are required to take credit life insurance.

Zambian Home Loans capitalizes on the fact that its loan immediately lowers the loan-to-value ratio as the improvements it finances increase the property's value. By disbursing the loan in tranches, ZHL can manage its own risk while reducing the borrower's financing costs. Specialist lending means that ZHL understands the home-building process very well and can assess risk with greater precision while offering the borrower useful advice and construction support. ZHL's interest in the quality of the structure acts as a useful mechanism to support housing quality in an unregulated construction sector.

4.4 Exploring the housing finance capital and investments landscape

The main institutions involved in the capital market in Zambia are the Lusaka Stock Exchange (LuSE) and the Securities and Exchange Commission (SEC). Their main role has been for LuSE to act as a source of capital through floating shares on the secondary market and SEC as the regulator. Of the 22 companies listed on the LuSE, only four are commercial banks (Absa, Zanaco, Investrust, and Standard Chartered Zambia). None of the financial institutions directly involved in housing finance are listed on LuSE. Equity finance may not be the most attractive form of financing loan capital compared to debt financing, which can be better structured to meet specific capital needs without diluting the shareholding and control of the financial institution. Currently, the primary source of funds for on-lending by commercial banks is the intermediation of savings. However, savings usually have short-term maturities and are not an effective source of funds for longer-term instruments such as mortgages. Due to the limited source of long-term capital, commercial banks and building societies can serve only a small segment of the market.

⁶⁵ Africa Housing Finance Year Book 2022, CAHF

Similarly, the bond market has not been a reliable source of long-term capital for retail institutions. The maximum term, seven years, has been insufficient for the long-term financing required for mortgages. Also, high inflation rates and volatile interest rates challenge the pricing of long-term instruments such as bonds on the capital market. However, a 15-year Government bond provides renewed confidence in the stability of the financial sector and will indicate the pricing of similar long-term bonds that may follow. Also, the BADEX (Bonds and Derivatives Exchange) has been licensed and, when fully operational, will play a central role in developing the bond market and be a potential and more suitable source of capital for financial institutions and developers involved in the provision of housing finance and housing in Zambia. Housing finance providers in Zambia rely on offshore borrowings from development financial institutions and regional banks such as the AfDB and Shelter Afrique for long-term financing.

The Zambian government actively supports the real estate sector and affordable housing finance through various initiatives and programs. Some ways the government supports affordable housing include The National Housing Empowerment Fund, which is in its second phase of the Affordable Housing Development Project and aims to deliver 130,000 affordable homes in Lusaka⁶⁶. Zambia's National Housing Policy made provisions for allocating 15% of the national budget towards housing. However, in 2020, 3.3% was allocated⁶⁷, and only 1.5% was allocated in 2023. The African Development Bank is supporting the Zambia National Building Society (ZNBS) to enable institutional capacity and financing of affordable housing in the country⁶⁸.

⁶⁶ [Housing finance Africa- Zambia](#)

⁶⁷ [Government portal](#)

⁶⁸ [AfDB project portal](#)

5.0 Way forward, opportunities, and entry points for housing finance interventions

5.1 Emerging lessons and opportunities

Below, we provide critical insights from emerging lessons and corresponding recommendations:

Key insights and emerging lessons	Recommendations
Housing finance policies	
<ul style="list-style-type: none"> The government launched its National Housing Policy 2020-2024 alongside its Implementation Plan. The policy vision is to provide “affordable and decent housing for all.” The National Housing Policy identifies sustainable partnerships through public-private partnerships for housing construction and housing finance due to the financial and technical challenges in delivering housing. The government will focus on providing an enabling policy and macroeconomic environment so that non-state players can effectively deliver housing. 	<ul style="list-style-type: none"> There is a need to develop a housing finance policy/strategy that prioritizes affordable housing loans, innovative housing finance mechanisms, infrastructure development supporting the housing finance sector and strengthening housing microfinance to reach underserved populations. Ensure mortgage accessibility by addressing barriers such as high interest rates, lengthy approval processes, and limited mortgage products for the low- and middle-income category, and expand the range of mortgage providers. By creating a Mortgage Refinancing Company, the government can respond to the growing mortgage market needs, especially those of low- and middle-income earners. Promote stakeholder collaboration to involve relevant government entities, regulators, financial institutions, housing developers, consumer groups, and community representatives. Consultative forums, public-private partnerships, and task forces can facilitate effective collaboration.
<ul style="list-style-type: none"> In 2021, the government launched the long-awaited National Lands Policy through the Ministry of Lands and Natural Resources. The policy has the vision of “A transparent land administration and management system for inclusive, sustainable development by 2025”, providing eight policy objectives and a series of policy measures. 	<ul style="list-style-type: none"> The long approval process from the government for acquiring documentation, registering, and transferring property slows loan disbursement. Improving the land registry and titling process can address the issue of collateral. Potential solutions involve geo-tagged land databases and digital record-keeping. This will enhance loan eligibility for low- and middle-income earners.
<ul style="list-style-type: none"> The government has developed a draft National Urbanization Policy. The policy aims to manage urbanization in towns and cities nationwide sustainably. The draft policy strategically takes advantage of the urbanization in Zambia to derive socioeconomic benefits such as improved housing and supporting basic services. 	<ul style="list-style-type: none"> Effective implementation can improve the quality of the housing units, ensuring compliance with health and sanitation parameters. The government can ensure sustainable housing by providing resilient buildings and plans for disaster and climate risks. Policies should encourage energy-efficiency measures.
Informality and the lack of collateral	
<ul style="list-style-type: none"> Most low- and middle-income segment customers operate informally. Individuals have irregular and unstable incomes, while most MSMEs are startups and don’t demonstrate evidence of consistent cash flows. Banks and MFIs are reluctant to serve this segment without collateral. Low- and middle-income borrowers often cannot provide documentation to meet the minimum criteria to show the business performance, such as proof of business registration, business location, profit and loss statements, bank account statements, etc. This makes it difficult for financial institutions to assess their creditworthiness. 	<ul style="list-style-type: none"> MFIs serve the lower-income segment largely through the group lending model and individual lending for some products. Therefore, they can develop specialized HF products, allowing low- and middle-income segments to access loans without collateral. Promoting digital transactions through concerted efforts to link individuals with formal accounts and encouraging G2P payments can generate the financial records necessary for borrower profiling. Financial institutions should consider developing and utilizing alternative credit scoring mechanisms to assess the creditworthiness of the borrowers in the informal economy. For example, a dairy farmer’s

Key insights and emerging lessons	Recommendations
<ul style="list-style-type: none"> • Most own traditional customary land but lack formal land tenure security titles. The lack of collateral hinders borrowers from accessing larger ticket loans or, at best, limits the loan size. • Some MFIs, like Vision Fund Zambia, offer specialized housing finance-related group loans utilizing a group guarantee approach without collateral. 	<p>livestock ownership or milk production can be an alternative to traditional collateral.</p> <ul style="list-style-type: none"> • Encouraging FSPs to provide smaller loan amounts and gradually increase the loan amount over time may help build trust and generate the borrower's credit history.
Insufficient capital and high transaction cost	
<ul style="list-style-type: none"> • Lack of funding and liquidity issues limit the financial institutions' ability to provide affordable and accessible housing finance options to the low- and middle-income segments. Capital for onward lending is costly, leading to high-interest rates. MFIs' interest rates are higher as they serve riskier low-income populations, while banks focus on the middle to high-income segment. • High operational expenses in reaching and lending to the low- and middle-income segment and a higher credit default risk perception are challenging. 	<ul style="list-style-type: none"> • Establish a housing finance guarantee fund from development partners, donors, and private-public partnerships such as the African Guarantee Fund for de-risking housing finance for this segment. The funds can offer a first-loss guarantee to catalyze private capital. • These funds can also provide technical assistance, including skills and business development services, to strengthen clients' capacity to manage and repay their loans, thus reducing default risk. • Origination incentives can partly offset the transaction cost borne by the FSPs when serving the LMI segment. This can encourage FSPs to offer incremental loans to create trust and generate transactional data, thus building the borrower's credit profile • Digital products and channels can improve outreach while reducing costs. Automating certain processes around customer acquisition and risk assessment can further reduce transaction costs.
Market research for a deeper grasp of the client's needs	
<ul style="list-style-type: none"> • There is a need for financial institutions, especially MFIs, to adopt a client-centric approach to understand the end user dynamic needs. • The qualifying criteria do not enable irregular-income populations to participate, such as those in the informal sector. 	<ul style="list-style-type: none"> • SACCOs, MFIs, banks, and digital financial service providers should deepen research on HF market prospects for these underserved communities to better satisfy the needs of low-income people. • Before launching new housing finance solutions, financial institutions should conduct a market demand assessment to gauge the customers' varied/diverse needs. • Conducting comprehensive market studies will be necessary to identify and understand their customers' needs, challenges, and associated risks to design relevant products for each segment.
Innovative housing finance products for the low-income and middle-income segment	
<ul style="list-style-type: none"> • Financial institutions should use market research to design new HF products and continue improving the existing products. • There are innovation points along the value chain that are worth prioritizing, also contributing to broader sector gains. These include construction financing, housing microfinance, and incremental building. • The 'standard' bank loans do not suit the low-and middle-income segment. The interest rate is high, the process is burdensome, repayment terms are short, and most collateral requirements pose a challenge. • The private sector is increasingly expressing interest in the affordable housing sector. New players are entering the market, addressing niche opportunities, and improving the investment 	<ul style="list-style-type: none"> • Financial institutions should consider designing differentiated housing finance products and solutions for the low- and moderate-income segments. • Financial institutions should also tap into the DFS opportunities to connect with MNOs and FinTechs and develop technology services that enable payments and seamless disbursement of housing finance services. • DFS providers such as FinTechs can partner with FIs and development partners to develop solutions – such as one provided by Bosso Africa. The Bosso Africa model brings together housing ecosystem players- financial institutions, developers, construction companies, MSMEs, and individuals - to enable customers to access building materials. • Digitizing alternative data sources related to informal incomes will allow lenders to evaluate low- and

Key insights and emerging lessons	Recommendations
<p>environment. These include FinTech and developers with solutions linking HF value chain players.</p> <ul style="list-style-type: none"> For example, Bosso Africa’s digital platform brings together an ecosystem of players, including banks, homeowners, contractors, and building materials suppliers. 	<p>middle-income borrowers’ creditworthiness more comprehensively than traditional methods that depend on paychecks and formal credit records.</p> <ul style="list-style-type: none"> HFHZ can explore the potential for developing housing finance products by partnering with FSPs on housing microfinance and financing options for incremental building
Housing microfinance	
<ul style="list-style-type: none"> Findings show that MFIs provide microloans to improve housing conditions. These include house improvement loans for flooring, roofing, room additions, incremental building, painting, and WASH. There is still untapped potential for incremental building to address the housing finance needs of a significant portion of the low-income population. 	<ul style="list-style-type: none"> Microfinance institutions offer microloans that are specially designed to meet the housing needs of the low- and middle-income segment. HFHZ can collaborate with financial institutions that offer housing finance products to the LMI segment to i) provide technical assistance to develop affordable housing products, housing microfinance products, and services that serve this segment and ii) provide lending and advisory support for customers
Financial and digital literacy	
<ul style="list-style-type: none"> The low- and middle-income groups have low levels of financial literacy and lack an understanding of existing housing finance products and the right attributes that serve their specific needs. Most potential borrowers avoid formal financial service providers, such as banks, as they find the processes complex with long turnaround times. Borrowers fear asking too many questions or sounding ignorant in front of others, which mars their understanding and, consequently, their user experience. They have a negative perception of loans and have limited information channels. Loan information is received from friends and peers; they lack other ways to verify it. Due to limited or bad experiences in the past (rude staff, defaults, and scams), the low- and middle-income segment lacks trust in formal financial service providers. 	<ul style="list-style-type: none"> Government and financial institutions must invest in consumer education for improved financial literacy, better protection of their rights, greater awareness of products and services, and increased trust. Through these training programs, potential borrowers will understand the options available, the costs and benefits of borrowing, and the importance of responsible borrowing and repayment There is a need to financially support institutions that serve underserved populations to enable them to develop and roll out training programs. HFHZ can collaborate with AMIZ to create training materials in housing finance. Improve technology skills through digital literacy programs. Increased borrowers’ trust and awareness of digital financial services will improve its uptake. FSPs can strengthen consumer protection and enhance transparency, implementing robust consumer protection measures to ensure fair treatment of clients. This can include clear disclosure of terms and conditions, transparent pricing, interest rates and fees, repayment schedules, and effective mechanisms for handling grievances.
Strengthening the data landscape for housing finance	
<ul style="list-style-type: none"> There is a significant lack of available data on the housing investment landscape, which continues to pose barriers to the functioning of efficient housing markets. The inability to quantify the low- and middle-income segment revenues, cash flow patterns, spending habits, and payment history limits the ability of key players to make informed decisions. It limits financial institutions’ ability to plan, budget, and implement projects effectively. This is especially problematic for low-cost and affordable housing finance due to the narrow profit margins that offer little room for error/risk-taking. 	<ul style="list-style-type: none"> The availability of market data is a crucial infrastructure for the HF market. Providing housing finance data makes a case for investment in underserved markets. Housing finance data should include housing finance lending, lending terms, interest rates, loan-to-value ratios, repayment terms, and affordability indicators. The data would help provide insights into the availability, accessibility, and affordability of HF options, therefore identifying the underserved areas and making an investment case. HFHZ can focus on enhancing the availability of reliable data to enable all key players (government, the private sector, and households themselves) to foster a more conducive policy environment and encourage great private sector participation in affordable housing markets. This can be done through developing tools such as advocacy platforms, housing data working groups,

Key insights and emerging lessons	Recommendations
	research data, and updating housing finance databases, dashboards, methodologies, and frameworks.
Business models for serving the low-and middle-income segment	
<ul style="list-style-type: none"> Customers trust banks and would wish to get financing from them. However, in most cases, low-income customers do not meet the criteria for funding and, therefore, opt for other options. MFIs are better positioned to serve this segment as they have extensive outreach to urban, peri-urban, and rural populations. However, interest rates are high and have shorter repayment periods, primarily because of liquidity issues/lack of funding. While MFIs have proved a business case in serving the low-income segment, they face challenges securing funding due to a mismatch between their lending approach and funding sources. 	<ul style="list-style-type: none"> There is a need to invest in credit risk-sharing facilities. The core function of this instrument is its incorporation of an alternative credit assessment platform into a housing finance guarantee fund Another innovative approach is a collaborative lending mechanism between banks and MFIs/ SACCOs. The former's higher liquidity can be combined with greater outreach and experience serving the low- and middle-income segments.

5.2 Key recommendations for strategic interventions

Supply-side interventions

Address the need for liquidity issues/lack of funding by MFIs: It is recommended that interventions that offer long-term and affordable financing to microfinance institutions and building societies are supported. Such patient capital aligns well with the financing needs of the LMI borrowers.

Key actors: development partners, government (through recapitalization of the Development Bank of Zambia), HFHZ, DFIs, and Microfinance Investment Vehicles (MIVs).

Digitization of affordable housing finance solutions: minimize lending costs to the low- and middle-income segment. Traditional lending approaches make it expensive to reach and lend to this segment. Digital channels reduce the cost of outreach and customer acquisition. Automating the risk assessment process can further reduce the transaction cost.

Key actors: Banks, MFIs, SACCOs, Building Societies, HFHZ, and FinTechs.

Enhanced collaboration between financial institutions and the Zambia Loan Guarantee Scheme: de-risk lending to the low- and middle-income segment can help catalyze increased private sector lending for the affordable housing sector.

Key actors: Banks, MFIs, SACCOs, Building Societies, Zambia Loan Guarantee Scheme, and HFHZ.

Digitization and decentralization of the land registry processes: reduce the time required for approvals from the government for acquiring documentation, registering, and transferring property to quicken the loan disbursement processes.

Key actors: Government.

Product innovation and the need to develop client-specific products suggest new opportunities to overcome systemic housing finance barriers. FSPs should invest in market research to generate demand-side insights to drive product development.

Key actors: Development partners, HFHZ, and FSPs.

Capacity building: Training and technical assistance for banks and microfinance institutions and development and delivery of housing finance, which is unique and different from normal business loans. Institutions can benefit from skills to leverage market insights to develop appropriate products and effectively engage borrowers.

Key actors: HFHZ and development partners.

Products development: Banks, SACCOs, and MFIs should develop and offer housing finance solutions uniquely tailored to match the needs of most low-income earners, who will build homes incrementally as financing becomes available. The first step should be conducting market research and engaging with target customers to understand their unique needs and preferences. Based on these insights, FIs can develop and tailor housing finance products designed

explicitly for incremental house construction, renovation, land purchase, or site improvement. These products should feature flexible repayment terms, low interest rates, and simplified application processes to accommodate low-income earners' financial capabilities and cash flows.

Key actors: Financial institutions, technology providers, and development partners.

Demand-side Interventions

Building borrowers' capacity and education on existing housing finance solutions: Learning initiatives to educate customers on available solutions. Encourage incremental building. Product awareness to customers

Key actors: FSPs, development partners, Bank of Zambia, HFHZ, and consumer groups.

Formalization of MSMEs: Often, low- and middle-income borrowers cannot provide documentation to meet the minimum criteria to show their business performance, such as proof of business registration, business location, profit and loss statements, bank account statements, etc. This makes it difficult for financial institutions to serve them. Formalizing the MSMEs will encourage financial institutions to serve this market segment.

Key actors: FSPs, consumer groups, PACRA, BDS providers, HFHZ, and development partners.

Group lending model: onboarding community-level VSLAs for group lending models to co-guarantee each other. This can increase their savings, enabling them to access loans from formal financial institutions.

Key actors: FSPs, VSLAs, and HFHZ.

Policies and regulations interventions: The government should provide a conducive environment through more interventions, such as developing an affordable housing program. The government will increase funding for housing and urban development in its annual budgets, including funding to the National Housing Authority to construct affordable housing units in urban and peri-urban areas. The Bank of Zambia should incentivize financial institutions to increase lending for housing finance.

The recommended interventions have been categorized into short-, medium-, and long-term strategies based on their ease of implementation. The strategies and their potential impact are represented in Figure 6, and the guiding criteria are in Annex B.

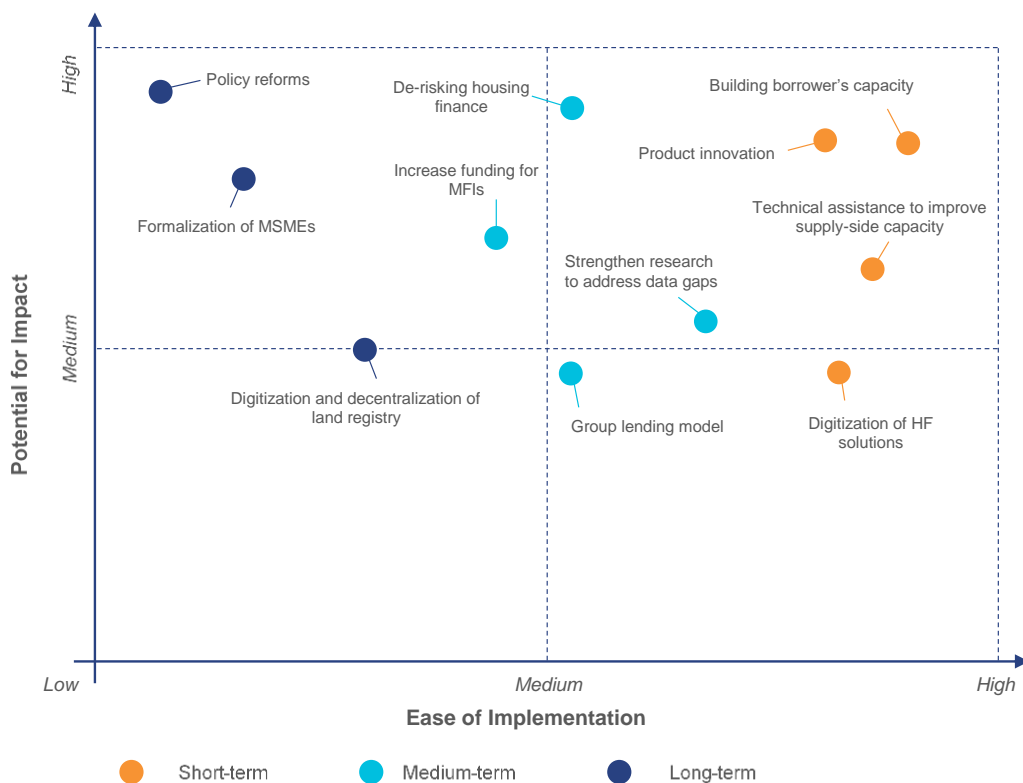
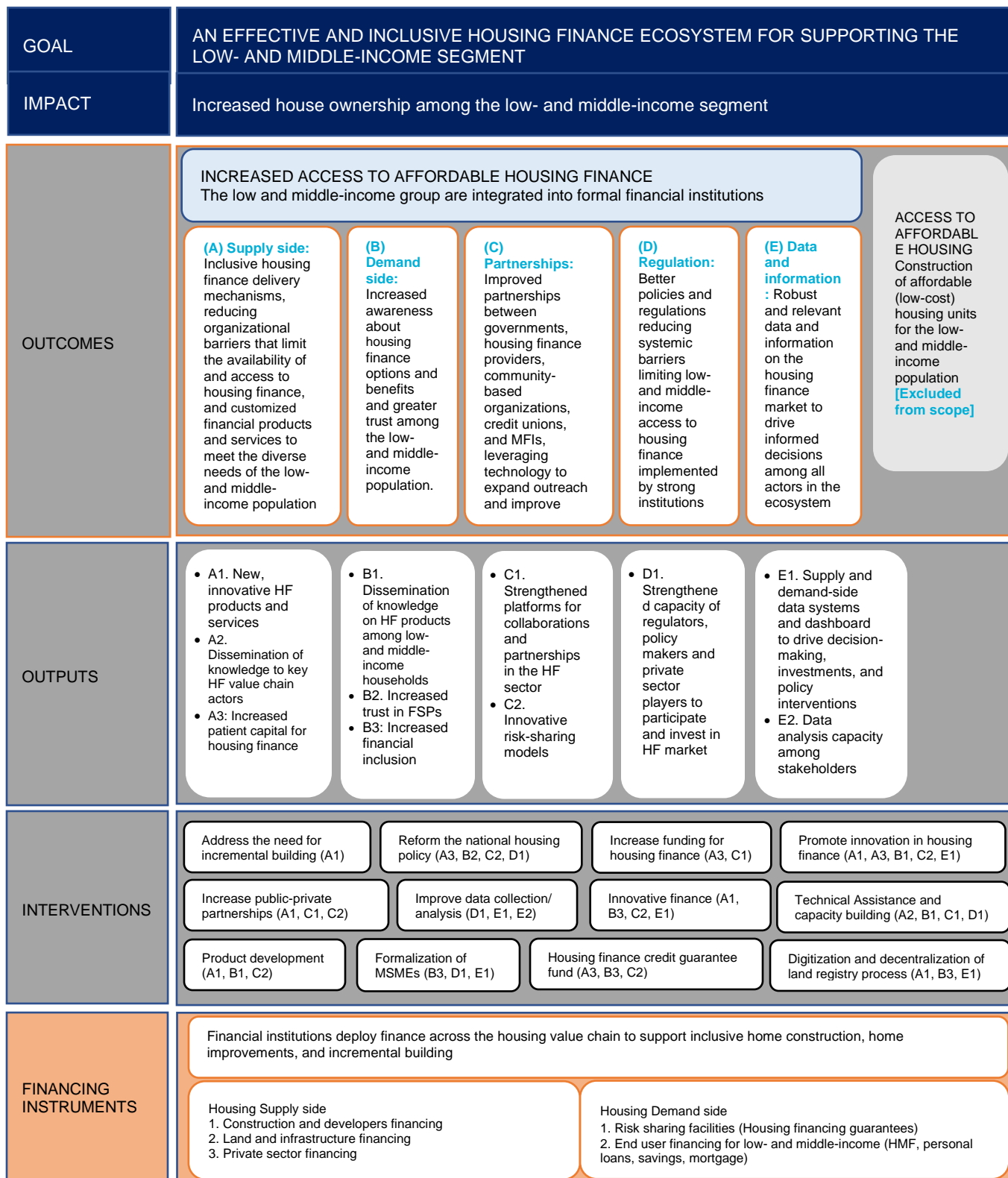


FIGURE 6: RECOMMENDED INTERVENTIONS CATEGORIZED INTO SHORT-, MEDIUM- AND LONG-TERM STRATEGIES

5.3 Interventions roadmap and proposed theory of change



Annex A: List of the stakeholders

The stakeholders played a significant role. They shared their views on the status of the country's housing finance market and the approaches the government and organizations follow in serving low- and middle-income groups.

#	Name	Organization	Email ID
1.	Webster Mate	Association of Microfinance Institutions (AMIZ)	webster3110@gmail.com
2.	Vladimir Bousrez	AB Bank	vladimir.bousrez@abbank.co.zm
3.	Phillip Mungambata	ZNBS	Phillip.mungambata@znbs.co.zm
4.	Angela Lihusa	EFC Zambia	angela.lihusha@efczambia.com.zm
	Kelvin Mayonga	EFC Zambia	kelvin.mayonga@efczambia.com.zm
6.	Ephraim Chindima	My Bucks	EphraimC@mybucks.co.zm
7.	Justine Chanda	NATSAVE	Justine.Chanda@natsave.co.zm
8.	Kapeso Kabamba	Vision Fund	Kapeso_kabamba@visionfund.org
9.	Mwenda Kwendakwema	Vision Fund	mwenda_kwendakwema@visionfund.org
10.	Alexander Zulu	World Vision	alexander_zulu@wvi.org
11.	Ethel Mulenga	World Vision	ethel_mulenga@wvi.org
12.	Mr Banji Milambo	Bank of Zambia	BMILAMBO@boz.zm
13.	Patrick Zulu	Bank of Zambia	pazulu@boz.zm
14.	Luka Mhango	Bank of Zambia	lmhango@boz.zm
15.	Fred Mwiya	Airtel Zambia	fred.mwiya@zm.airtel.com
16.	Mweene Shikapaya	ZANACO Bank	mweene.shikapaya@zanaco.co.zm
17.	Monje Nakamba	ZANACO Bank	monje.nakamba@zanaco.co.zm
18.	Chongo Chama	Zambia Home Loans	chongoc@zambianhomeloans.com
19.	Naward Kabo	Zambia Home Loans	nawardk@zambianhomeloans.com
21.	Chozi Lungu	LUPIYA	chozi.lungu@lupiya.com
22.	Michael Mbulo	RUFEP	Michael.mbulo@rufep.org.zm
23.	Ibn Kafwanka	Bosso Africa	ibn@thebosso.com

Annex B: Scoring Criteria for the Intervention Priority Matrix

PRIORITY MATRIX

The following scoring criteria were used to develop the intervention priority matrix, as shown below. The assessment was based on secondary research and expert opinions from internal and external experts. The following criteria guided the scoring:

- Ease of implementation is estimated based on the existing stakeholder interest and the degree of complexity
- The impact is estimated based on the key issue(s) being addressed and the systemic nature of the interventions (multi-pronged approaches tend to create greater impact)
- The color coding is based on the ease of implementation, while the position in quantiles is based on both impact and ease of implementation.

We have used our discretion to resolve overlapping points into discretely presented solutions. For example, while "group lending model," "address the lack of fund for MFIs," "digitization and decentralization of land registry," and "strengthen research to address data gaps" are all scored similarly, they have been resolved into three distinct positions on the matrix based on their relative ease of implementation and potential impact. Standard MS Excel graphing features do not allow replicating the Eisenhower matrix (priority matrix) in the desired format. As a result, we manually created the pictorial representation of the matrix.

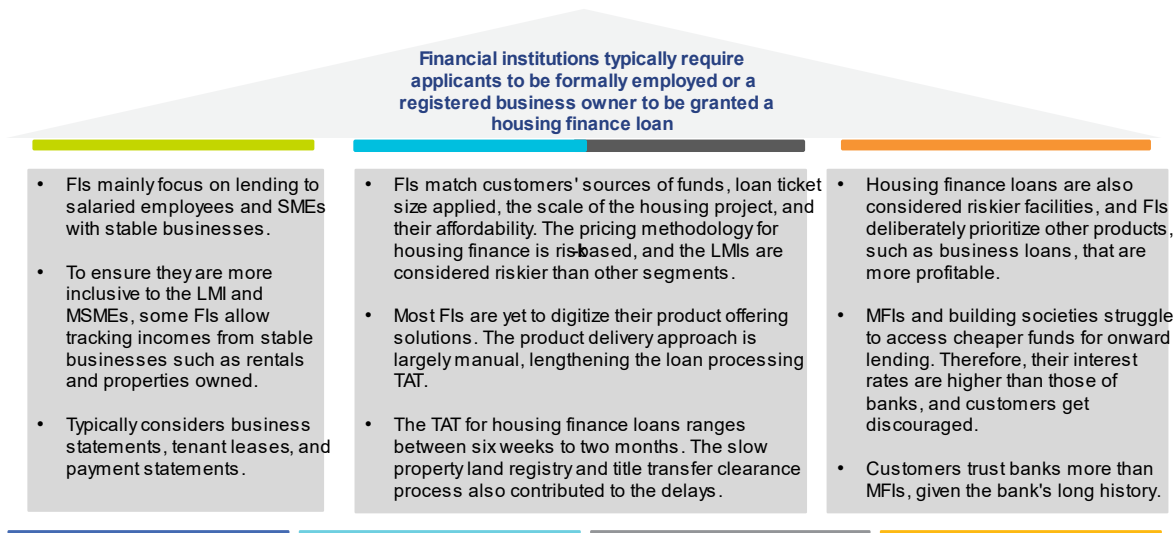
Recommendation	Ease of implementation	Impact	Total
Building borrowers' capacity	3	3	6
Formalization of MSMEs	1	3	4
Group lending model	2	2	4
Policy reforms	1	3	4
Address the lack of funding for MFIs	2	2	4
Digitization of HF solutions	3	2	5
De-risking housing finance	2	3	5
Digitization and decentralization of land registry	2	2	4
Strengthen research to address data gaps	2	2	4
Technical assistance to improve supply-side capacity	3	2	5
Product innovation and client-specific products	3	3	6

* 1,2,3 represents Low, Medium, and High, respectively

Annex C: Insights from key informant interviews (KIIs) and focus group discussions (FDGs)

I. Key Informant Interview Insights

Supply-side insights from key players



Challenges Identified:

- Borrowing for housing finance presents significant barriers, notably high-interest rates and unfavorable repayment terms for low-income earners. This demographic often struggles with accessing loans due to insufficient collateral and challenging land titling and registration processes.
- Developing Housing Microfinance (HMF) products is hampered by the high cost of capital, making it difficult for Microfinance Institutions (MFIs) to lend affordably. The high cost of housing and funding exacerbates these challenges, limiting customer qualification for existing products.
- There is a notable gap in long-term financing options. FSPs do not have the liquidity to offer housing loans with a long tenure period.
- Most potential customers cannot meet the financial criteria for current housing finance products. Additionally, the properties available are often out of reach financially.
- Awareness among potential customers about HMF products is low, indicating a need for education and capacity building among Financial Service Providers (FSPs).

Recommendations:

- Establishing a credit guarantee fund could mitigate risks and subsidize housing finance for consumers, making it more accessible.
- Government intervention is critical to streamline and expedite the process of land title registration and property ownership, which would enhance the accessibility of housing finance.
- Developing partnerships with various stakeholders in the housing sector, including developers, building material suppliers, and the government, could lead to more affordable housing finance solutions.

Opportunities and Insights:

- There's a significant demand for housing among low- and middle-income earners, who currently fall short of the qualifications for existing financial products. Tailor-made housing finance products could bridge this gap.
- Incremental building, supported by construction mortgages and loans for building materials, is a viable path for homeownership in this segment.

- Financial literacy is crucial, as many customers opt for personal loans at higher interest rates due to less stringent collateral requirements, even when they use such loans for housing purposes.

II. Focus Group Discussion Insights

Challenges and Priorities:

- Participants identified a lack of title deeds, inconsistent income, and an absence of necessary documentation as major hurdles to accessing housing finance.
- The path to homeownership typically begins with land purchase, followed by incremental construction and eventually, renovations. However, knowledge of available financial products for these steps is minimal.
- A general aversion to loans for construction was noted, with a preference for loans to support small businesses perceived as less risky and more manageable.
- The process and interaction with formal financial institutions are intimidating for many, discouraging engagement and reinforcing a reliance on informal savings groups for financial needs.

Housing Finance Needs and Aspirations:

- The group discussed a wide range of housing finance needs, from securing land and constructing homes to renovations aimed at improving living conditions.
- There's a notable gap between the financial products available and the specific needs of the community, particularly for those with informal incomes or low financial literacy.
- Women's financial autonomy and decision-making in housing matters emerged as an area needing attention and support.

Preferred Solutions:

- VSLAs are a preferred source of borrowing due to their straightforward processes, but they fall short of meeting the significant financial requirements for housing.
- Microfinance institutions, with their perceived less stringent requirements, emerge as a preferred option over banks for accessing housing finance.
- Participants expressed a desire for housing loans with manageable repayment terms, highlighting the need for financial products that align with their economic realities and aspirations for business growth and housing improvements.

Demand-side insights from FDGs

Access to financial sources

- Sources for housing financing, including business loans, are from banks, microfinance institutions, and mobile money companies such as Zamcash .
- Their priority is to grow their businesses to improve their ability to repay loans and to build or improve their houses.
- Loans are not viewed as a good idea due to concerns about the inability to generate enough income for repayments.
- Keen to receive grants to address housing needs due to challenges in accessing loans.
- Some knowledge of existing financial institutions offering housing finance but have **low bank account ownership**.

Financial institution preference

- MFIs are prioritized and preferred for housing finance due to perceived less stringent collateral requirements than banks.
- Banks are preferred due to perceived lower pressure on repayments and longer repayment periods.
- They receive their loans in cash from non -bank financial institutions.

Housing finance needs

- Priority is on growing businesses to enhance the ability to repay loans for housing.
- Housing finance needs include construction, renovations and improvements, and land acquisition.
- They prefer to build their houses incrementally, a step at a time, due to the high cost of building materials.

Demand-side insights from FDGs (contd...)

Challenges and discouragements

- Major challenges include the inability to meet collateral requirements, lack of movable assets, expensive land, lack of tenure security, and expensive building materials.
- Zambian LMI earners are discouraged by high interest rates, high transactional costs, stringent terms and conditions, bad disbursement modalities, and defined repayment periods.

Information sources

- Social media, financial institution visits, radio, and peers are the primary sources of information about access to finance.
- Lack of familiarity with/limited knowledge of the terms and conditions of housing finance products.

Digital services

- Most had not received training for digital services but were willing to be trained if housing finance products and services were accessible.

Decision-making and spousal approval

- Women rarely make independent financial decisions without consulting their husbands.
- Approval of spouses is essential before applying for housing financing.

