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DIGITAL FINANCIAL SERVICE CONSUMER RISKS AND TRADE DYNAMICS: AN EXPLORATION OF WOMEN AND YOUTH OWNED MSMES IN ZAMBIA

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Abstract

In today's digitally interconnected world, the rise of Digital Financial Services (DFS) has revolutionised finance, offering pathways to financial inclusion and economic progress. However, this transformation has brought complex risks, especially for women and youth. Research suggests that social norms, lower digital literacy, and limited financial skills leave women and youth more exposed to associated DFS risks. Studies also show that these risks are as dynamic as financial technology advances, worsening and evolving with technological improvements. By combining different perspectives through semi-structured interviews, this study explored the implications of DFS consumer risks on digital financial inclusion and trade for women and youth-owned Micro, Small, and Medium-sized Enterprises (MSMEs) engaged in *cross-border trade in Zambia. Findings revealed varying levels of risk awareness and preparedness among MSMEs, with some expressing confidence in navigating DFS-related risks while others remained uncertain. Importantly, the research highlighted the pivotal role of DFS in enhancing digital financial inclusion for women and youth MSMEs. In addition, the study evaluated the effectiveness of the current regulatory framework and consumer protection measures in Zambia, shedding light on the perspectives of stakeholders involved in policy implementation. Findings underscored the need for continuous regulatory adaptation in response to evolving DFS risks. To conclude, recommendations were offered for policymakers, financial institutions, and MSMEs to harness the potential of DFS while safeguarding against emerging risks, fostering a more inclusive and secure digital ecosystem.*

Keywords: Digital Financial Services (DFS), Risks, Women, Financial Inclusion, Trade, Consumer Protection, MSMEs

INTRODUCTION

Background and Statement of the problem

In recent years, there has been a growing recognition of the pivotal role played by Micro, Small, and Medium-sized Enterprises (MSMEs) in the economies of both developed and developing nations. This recognition has become so profound that MSMEs now have their own day, designated as “Micro, Small and Medium-sized Enterprises” day, and observed annually on June 27th (UNCTAD, 2023). This day, globally acknowledged and declared by the United Nations General Assembly in 2017, is meant to emphasise the essential function these enterprises play not only in the global economy, but in the achievement of the Sustainable Development Goals (SDGs), and to investigate prospects for their continued progress (European Commission, n.d; UNCTAD, 2023; Financial Express, 2023).

MSMEs have been termed the “backbone” of many economies and the world of work, contributing to sustainable growth, job creation, increasing trade, development of entrepreneurial skills, and export earnings (Singh & NA, 2017). On a global scale, MSMEs constitute nearly 90% of all businesses worldwide. Furthermore, these enterprises are vital contributors to the workforce, providing employment opportunities to approximately 60% to 70% of the global workforce. Their significance extends to the economic front, where MSMEs contribute approximately 50% to the world’s total Gross Domestic Product (GDP) (Upadhyay, 2023).

In OECD countries, MSMEs dominate as the primary form of enterprise, generating an average of 50 to 60 percent of value added. Meanwhile, in emerging economies, MSMEs make an impressive contribution, accounting for up to 33 percent of the Gross Domestic Product (OECD, 2017). This widespread impact further underscores the crucial economic role of MSMEs worldwide.

UN-DESA (2020) reveals that MSMEs are responsible for up to 45 percent of total employment in emerging markets. Over the last two decades, the number of full-time employees engaged in MSMEs has nearly doubled on a global scale, surging from 79 million to a remarkable 156 million. These figures affirm the vital role of MSMEs in propelling job creation and spurring overall economic development. In Africa alone, MSMEs contribute to more than 80% of the continent's employment and contribute significantly to Africa's GDP, representing 50% of the entire economic output (De Villiers, 2023).

While MSMEs in general play a pivotal role in domestic and international economies, a subgroup within this entrepreneurial ecosystem demands special attention. Specifically, the endeavours of women and youth owned MSMEs have garnered increasing significance. These enterprises stand as vital instruments of economic empowerment (John, 2022; Oruma 2013). Notably, according to AFDB (as cited by COMESA Business Council, 2021), women and youth make up 70% of all cross-border traders, offering a promising avenue for economic growth. The importance of cross-border trade for MSMEs cannot be overstated. It not only contributes significantly to their growth by helping them expand their reach, but also benefits the broader economy by bolstering international commerce. Cross-border MSME traders serve as vital cogs in the economic machinery, facilitating trade flows, and fostering regional and global economic integration.

In recent times, the world has witnessed a transformative digital shift, accelerated by the COVID-19 pandemic. This shift has penetrated the realm of cross-border trade, offering MSMEs new avenues for financial inclusion and trade facilitation (ECLAC, 2021). The adoption of digital financial services (DFS) and technology-enabled solutions has reached unprecedented levels. A 2023 report by the Consumers International Organisation reveals that post pandemic, 57% of adults in developing nations now conduct or receive digital payments, reflecting a notable increase of 23% since 2014. Furthermore, two-thirds of adults worldwide are now utilising digital payment methods (CI, 2023).

The Alliance for Financial Inclusion defines digital financial services (DFS) as "the broad range of financial services accessed and delivered through digital channels, including payments, credit, savings, remittances, insurance and mobile financial services" (AFI, 2016, p. 3). These digital financial services, while promising in many respects, bring forth a suite of consumer risks – to which women and youth are some of the most vulnerable groups– which are as dynamic as financial technology advances, worsening and evolving with technological improvements (Chalwe-Mulenga, Duflos & Coetzee, 2022; AFI, 2021; CI, 2023; World Bank, 2020).

Digital financial service consumer risks encompass a wide range of challenges, including fraud, lack of appropriate channels to report issues, limited product awareness and sensitization, poor infrastructure, and connectivity issues, as well as data and privacy breaches, and complex user interfaces, among many others. Overlooking these constantly evolving risks associated with Digital Financial Services can lead to harmful outcomes, especially for marginalised consumers, such as women and youth. Specifically, disregarding these risks may erode the confidence of these vulnerable groups in DFS, potentially depriving them of the advantages that these services could otherwise provide (Chalwe-Mulenga, Duflos and Coetzee, 2022).

The Consultative Group to Assist the Poor (CGAP) has taken a significant step in understanding and addressing these risks by introducing a new risk typology. They have categorised 66 risks associated with the use of digital financial services into four broad risk types: fraud, data misuse, lack of transparency, and inadequate redress mechanisms. Additionally, CGAP identified two cross-cutting risk types that encompass agent-related risks and network downtime (Chalwe-Mulenga, Duflos, and Coetzee, 2022). These categorisations provide a structured approach to managing and mitigating these diverse risks.

This paper aims to explore the impact of digital financial services and associated consumer risks on the digital financial inclusion of women and youth-owned Micro, Small, and Medium-sized Enterprises (MSMEs) engaged in cross-border trade in Zambia. The study extends beyond understanding the implications of DFS risks to encompass the regulatory landscape. The study will involve examining the measures that Zambia has implemented or intends to put in place to mitigate these ever-evolving risks. By adopting a qualitative approach, using stakeholder interviews, this paper aims to offer a comprehensive view of this multifaceted issue.

This research focuses on Zambia, a landlocked country situated in the heart of Southern Africa, sharing its borders with eight neighbouring nations. As of September 2022, Zambia's population stands at approximately 19.6 million, and is one of the world's youngest countries by median age, with over 76.3% of its residents aged below 35 (ZamStats, 2022; World Bank, 2023; ZICTA, 2022; PMRC, 2019). This youthful demographic profile highlights the nation's significant potential for economic growth and dynamism.

Additionally, Zambia's population exhibits a noteworthy gender distribution, with approximately 10,007,713 females slightly outnumbering their male counterparts, who number 9,603,056 (ZamStats, 2022). This demographic feature holds profound implications for the participation of women in economic activities, including entrepreneurship and cross-border trade. Notably, Zambia has taken strides to acknowledge the vital role of Micro, Small, and Medium-sized Enterprises (MSMEs) in its economic development. In September 2021, the country established a dedicated ministry aimed at supporting and promoting the growth of MSMEs, job creation, and wealth generation nationwide (MSME, n.d.).

As previously mentioned, MSMEs make significant economic contributions at both global and continental levels. Zambia, in particular, presents a compelling case study, where MSMEs occupy a staggering 97% of all businesses, wielding significant influence over the economic landscape. These enterprises not only constitute 70% of the country's GDP but also serve as the primary source of livelihood for an impressive 88% of the population, emphasizing their essential role in employment (ZDA and ITC, 2020; Manchishi & Mpandamwike, 2022).

In recent years, Zambia has seen a significant surge in the adoption of Digital Financial Services (DFS). Despite the persistence of barriers to the uptake of these digital financial services, such as limited awareness of the services, a preference for cash transactions, and apprehension towards technology, among other factors, recent findings from a 2022 survey conducted by the Zambia Information and Communications Technology Authority (ZICTA) in collaboration with the Bank of Zambia, Zambia Statistics Agency (ZamStats), and the Ministry of Information and Technology present a promising picture. The survey reveals that, in comparison to 2018, the utilization of Digital Financial Services has witnessed a substantial increase across the country, rising from 48.9% of all households in 2018 to 73.1% in 2022 (ZICTA, 2022).

Further examination of the data reveals a gender-related disparity in the use of DFS platforms, with higher adoption rates among males than females. Specifically, the survey shows that 52.3% of males are using these services, in contrast to 47.2% of females (ZICTA, 2022). This increase in the usage of DFS has been accompanied by an increase in financial inclusion levels with the latest FinScope survey findings revealing an increase in financial inclusion of 10.1 percentage points to 69.4% from 59.3% over a period of 5 years (FinScope, 2020).

Zambia's strategic geographical location in Southern Africa has positioned it as a central hub for cross-border trade activities. With borders shared with multiple countries, including the Democratic Republic of Congo, Tanzania, and Zimbabwe, Zambia plays an integral role in regional trade dynamics. This geographical advantage provides a prime opportunity to investigate the implications of digital financial services (DFS) on the cross-border trade activities of women and youth-owned Micro, Small, and Medium-sized Enterprises (MSMEs).

Furthermore, Zambia offers a diverse landscape of MSMEs, characterized by enterprises owned by women and youth, who represent a significant share of the cross-border trade entrepreneurial ecosystem (Akibate, 2022). As outlined in the ZICTA 2022 National Survey, the uptake of DFS in Zambia has been on the rise, making it an ideal context to explore the interplay between digital financial inclusion, consumer risks, and the participation of women and youth-owned MSMEs in cross-border trade.

Justification/Significance of the Study

The findings of this research will be of use to various stakeholders, including women and youth owned MSMEs engaging in cross border trade as well as government agencies and regulatory bodies tasked with ensuring consumer protection and a sustainable DFS environment.

By serving as a foundation for practical recommendations aimed at improving or crafting DFS policies and practices that create a conducive and secure environment, this research could contribute to the enhancement of digital financial literacy programs, which are essential for ensuring consumers, especially women and youth, can confidently and securely navigate the digital financial landscape. By creating a more secure and inclusive digital financial ecosystem, this research has the potential to positively impact the lives of the underserved, drive economic growth, and foster financial empowerment, thus not only advancing financial inclusion but also bolstering the trade sector and overall economic vitality in Zambia.

On a general and not so direct level, the research conducted in this study has the potential to strengthen Zambia's Digital Public Infrastructure (DPI). As per GPFI (2023, p.1), Digital Public Infrastructure refers to 'interoperable, open, and inclusive systems supported by technology to provide essential, society-wide, public, and private services. Alternatively, Hong (2023) draws an analogy, likening DPI to physical roads that form a network, facilitating connections among individuals and granting access to a wide array of products and services. If a country's DPI are its "roads", then the Digital Financial Services can be likened to vehicles. Much like a road system ensures that every vehicle can navigate the country, DPI makes it possible for countries to deliver economic opportunities and social services (DFS included), to all residents, safely and securely.

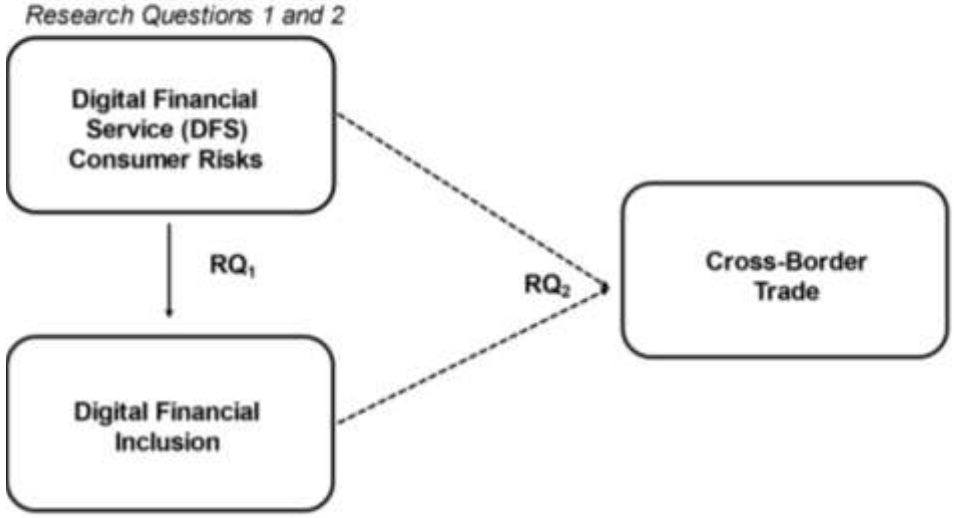
The findings of this research could therefore help in identifying strategies to mitigate consumer risks to enhance digital financial inclusion among women and youth-owned Micro, Small, and Medium Enterprises (MSMEs) in Zambia. By improving the safety and reliability of the vehicles (DFS) on the digital road network (DPI), this research indirectly contributes to the enhancement of Zambia's digital infrastructure. When DFS are improved, such as through increased security, it indirectly contributes to the overall quality and utilization of DPI. This is because a well-functioning DFS ecosystem relies on the underlying digital infrastructure. In other words, greater utilisation of DFS may require upgrades or enhancements to the underlying DPI.

Objectives

The main objective of this study is to examine the possible implications of digital financial service (DFS) consumer risks on digital financial inclusion and trade for women and youth-owned Micro, Small, and Medium sized Enterprises (MSMEs) engaged in cross-border trade in Zambia and to assess the regulatory framework and consumer protection measures in place.
More specifically, this study aims to understand how the consumer risks associated with the use of digital financial services affect the digital financial inclusion of women and youth-owned MSMEs in Zambia's cross-border trade sector, to explore how digital financial inclusion and consumer risks impact the participation of women and youth-owned MSMEs in cross-border trade, and to evaluate the regulatory framework and consumer protection measures in place in Zambia to address these challenges and risks.

Research Questions

Research Questions 1 and 2



Note. Adapted from "What Predicts Quality of Learners' Study Efforts? Implicit Beliefs and Interest Are Related to Mastery Goals but not to Use of Effective Study Strategies," by V.X. Yan and L. Wang, 2021, *Frontiers in Education*, *6*(643421), p. 5. Copyright 2021

Figure 1: Conceptual framework

RQ[1]: How do digital financial service consumer risks impact the digital financial inclusion of women and youth-owned micro, small, and medium-sized enterprises (MSMEs)? This pivotal question is represented by the solid arrow in Figure 1 (RQ[1]).

RQ[2]: Do digital financial service consumer risks and digital financial inclusion influence cross-border trade? Moreover, does this influence depend on their interplay? This research question seeks to ascertain whether DFS consumer risks bear any impact on women- and youth-led MSMEs engaged in cross-border trade and whether Digital Financial Inclusion acts as a mediating factor. It is denoted by the two dashed arrows in Figure 1 (RQ[2]).

RQ[3]: How does the current consumer protection regulatory framework in Zambia impact DFS risks and DFI, and what are the implications for cross-border trade?

LITERATURE REVIEW

The central focus of this chapter is to provide insight into existing literature that is relevant to this study. It comprises two sections: The first section, or the theoretical literature review, draws upon two theories: The Prospect Theory and Technology Acceptance Model (TAM). These theories aid in understanding the various underpinnings of this study's research questions. The subsequent section, referred to as the empirical literature review, is dedicated to examining findings derived from various academic sources, research papers, reports, and databases that pertain to the subject matter of the study.

Theoretical Literature Review

Prospect Theory

The prospect theory, also known as the loss-aversion theory was introduced by psychologist/economist Daniel Kahneman and cognitive and mathematical psychologist, Amos Tversky. This theory was introduced as a means to explain how individuals navigate decision-making amidst options characterised by risk, probability, and uncertainty. Since its inception, this theory has been used in various disciplines to explain phenomena such as risk aversion, investment behaviour, consumer choices, and public policy decisions.

In contrast to the expected utility theory's assumption that individuals opt for outcomes that maximise their utility, the prospect theory by Kahneman and Tversky (1979) reveals a different perspective. According to Levy (2003), people, under this theory, exhibit a strong aversion to losses, implying that they hate losses more than they love gains. Furthermore, they hold a higher regard for the possessions they currently own compared to their estimation of the worth of items they aspire to obtain. As a result, even when faced with choices of equal probability, individuals tend to prioritise risk avoidance and the preservation of their current assets over the prospect of increasing their wealth.

In the context of this study, Prospect Theory helps explain why MSMEs may respond to consumer risks in specific ways, influencing their adoption of DFS, their digital financial inclusion, and their participation in cross-border trade. Prospect Theory suggests that individuals' risk attitudes influence their decision-making. If MSMEs perceive higher risks associated with DFS, they may be less inclined to adopt these services, which could impact their digital financial inclusion negatively. Thus, the theory supports the research question indicating that consumer risks affect their use of digital financial services and their digital financial inclusion.

Furthermore, Prospect Theory introduces the concept of status quo bias, wherein people often favour maintaining their current financial practices, especially if they find them secure and less prone to consumer risks. This suggests that people may lean towards traditional financial methods over DFS, perceiving the former as less risky and more familiar. Consequently, this bias can impede the digital financial inclusion of women and youth-owned MSMEs, affecting their participation in cross-border trade. This supports quantitative research question RQ^2.

Technology Acceptance Model (TAM)

The Technology Acceptance Model is another theory that underpins the research hypotheses in this study. Developed by Fred Davis in 1989, the theory was initially used to explain the key factors influencing the acceptance of computer systems by prospective users. However, over time, this model's application has extended to other technologies beyond computers such as digital technologies and e-learning platforms among others (Burgess and Worthington, 2021).

The Technology Acceptance Model was built on the premise that the two factors that determine computer acceptance are *perceived usefulness* and *perceived ease of use*. As defined by Davis (1989), perceived usefulness refers to the extent to which someone believes that using a particular system would be advantageous. On the other hand, perceived ease of use refers to the extent to which an individual believes that using a particular system would require minimal physical and mental effort. When an individual perceives greater usefulness and perceived ease of use in a particular technology, their intention to use that technology also increases (Burgess and Worthington, 2021).

In relation to this study, the perceived usefulness of DFS could be explained by the level of consumer risks associated with these services. If consumers perceive high risks, they may question the usefulness of DFS, especially if they believe the risks outweigh the benefits. Similarly, the perceived ease of use can be influenced by consumer risks. High levels of perceived risk can make individuals believe that using DFS is complex, uncertain, or challenging, which in turn affects their perceived ease of use.

The Technology Acceptance Model provides a theoretical lens through which we can understand how these consumer risks may impact individuals' willingness to embrace digital financial services. It allows us to investigate whether these perceived risks hinder the acceptance and utilisation of DFS, shedding light on how risks can overshadow the perceived benefits and user-friendliness of these digital financial services. This perspective aligns with our research hypotheses, as it underscores the potential influence of consumer risks on digital financial service acceptance, digital financial inclusion, and cross border trade.

Empirical Literature Review

Due to a lack of literature, this empirical review focuses on two noteworthy studies that shed light on the dynamics of digital financial services and the associated risks, offering valuable insights into this crucial intersection.

In 2021, the Toronto Centre (TC) published a report based on a study they had done. This study was conducted on the premise of examining the impact of the COVID-19 pandemic on the delivery of financial services in Rwanda, Sierra Leone, and Zambia from a financial inclusion perspective. Among the specific objectives of the study was the need to investigate how the changes in financial service delivery mechanisms affected the financial inclusion of excluded groups, including women, youths, small and medium enterprises, smallholder farmers, and rural households.

Furthermore, the study the study aimed to recommend practical steps that financial supervisors and other authorities such as consumer associations in these countries can take to build resilience in financial services delivery and financial inclusion. The research approach included an initial online survey, which was supplemented by webinars and interviews with multiple participants. These additional methods were employed to delve deeper into the significant issues that surfaced during the survey. From the main findings, it was revealed that issues of trust and concerns around data privacy and transparency continued to be hindrances to quick adoption of digital delivery channels.

Another study carried out by Riquet-Bamba, Duflos, and Izaguirre (2022) sought to gain an accurate picture of the nature and scale of digital financial services consumer risks in Côte d'Ivoire. The study relied on survey data to address its main objectives and the findings unveiled a noteworthy trend: although digital financial services played a pivotal role in driving financial inclusion, the growth of this inclusion was threatened by the emergence of significant consumer risks. The study highlighted the fact that DFS users perceived their transactions as less secure due to these risks, with more than one in five users expressing concerns about the safety of their personal data in the hands of service providers. This trust deficit, driven by the identified risks associated with DFS, emerged as a significant obstacle to the broader adoption of digital financial services.

Regarding consumer protection measures, the study revealed that despite the presence of mechanisms to address these risks in Côte d'Ivoire, users made limited use of them. This pointed to a lack of consumer awareness regarding these mechanisms and a lack of confidence in the providers' capacity to effectively assist them in mitigating these risks.

METHODOLOGY

Research Design

The study employed a qualitative approach to achieve its objectives. The decision to employ qualitative research methods for this study was largely motivated by the fact that qualitative research prioritises participant expression. According to Stolle (2022), unlike with quantitative research, qualitative research combines data with explanations from people, and this provides in depth insight about the data being collected. In this case, that means that using qualitative research allows for a more nuanced exploration of the current consumer protection regulatory landscape, and the implications of digital financial service (DFS) consumer risks on digital financial inclusion and trade for women and youth-owned Micro, Small, and Medium-sized Enterprises (MSMEs) engaged in cross-border trade in Zambia. Unlike quantitative methods, qualitative research is not constrained by numerical data, providing the opportunity to uncover rich explanations and delve into the contextual complexities surrounding DFS adoption and consumer risk perceptions.

Sampling

This study includes insights from three relevant institutions, and its sample size for women-owned Micro, Small, and Medium-sized Enterprises (MSMEs) comprised 60 participants. MSMEs were conveniently selected (convenience sampling) due to the practical challenges associated with accessing women and youth owned MSMEs involved in cross-border trade, and other stakeholders were purposefully (purposive/judgmental sampling) selected to ensure a diverse range of viewpoints. The selection criteria considered expertise, experience, and relevance to the research topic so that participants' insights would be related to the research topic.

Data Collection

In this study, qualitative data were gathered through interviews involving participants from three different institutions as well as 60 MSME owners – all women – involved in cross border trade. According to Islam and Aldaihani (2022) there are three main types of interviews: unstructured, structured, or semi-structured. The choice of employing semi-structured interviews was grounded in two primary considerations. Firstly, like structured interviews and in contrast to unstructured ones, semi-structured interviews permit the interviewer to formulate questions in advance, rendering the interview more manageable and less prone to the potential disorganisation and time constraints associated with unstructured interviews.

Furthermore, the preference for semi-structured interviews over structured ones stemmed from the unique advantages offered by the former. While both types allow for pre-planned questions, structured interviews do not allow for follow-up inquiries. Hence, semi-structured interviews emerged as the optimal choice, offering the benefits of preparedness, maintaining interview focus for both parties, facilitating organised discussions, and enriching the interview by enabling deeper exploration of the subject matter (Islam & Aldaihani, 2022; Schmidt, 2004; Saunders et al., 2009; Evans & Lewis, 2018).

To ensure consistency in the topics covered during interviews, an interview guide was developed, and each person interviewed was given a sample of the questions to be asked to give them an idea of what the discussion would involve to ensure consistency in the topics covered during interviews. The interview guide/ sample questions were designed to address the research objectives, including exploring consumer risks, understanding digital financial inclusion, and evaluating the regulatory framework.

Prior to conducting interviews, consent was sought from each participant, emphasizing their voluntary participation, confidentiality, and anonymity. Interviews were audio-recorded to ensure accuracy in data capture, and notes were also taken during interviews to capture non-verbal cues and contextual information.

Data Analysis

Upon completion of data collection through semi-structured interviews with both MSMEs and institutional stakeholders, the recorded interviews were transcribed verbatim, then organized and prepared for analysis. Following this, the responses were analysed for key themes and findings related to the research objectives.

RESEARCH FINDINGS

Consumer Risks Associated with DFS & Digital Financial Inclusion

Finding 1: Risk Awareness and Preparedness

Out of the 60 MSME participants interviewed, only 43 expressed confidence in their ability to identify and effectively manage the risks linked to DFS. The others were unsure, acknowledging their awareness of these risks but not feeling entirely confident in their capacity to handle them.

On the other hand, when asked about their perspective on DFS-related risks, while recognizing the presence and evolving nature of these risks, the other stakeholders interviewed affirmed that these risks have not affected the uptake of Digital Financial Services negatively. This positive outlook was attributed to most service providers providing a high level of assurance regarding the safety and security of their products. Furthermore, the stakeholders noted that an increasing number of MSMEs were not only aware of the risks associated with DFS but also knowledgeable about measures to enhance their online safety.

One of the stakeholders highlighted that the uptake of these services is especially higher with the youth who seem keen to explore these new solutions. Nevertheless, a distinction was made concerning the uptake of these services in urban and rural areas. The stakeholder mentioned that sensitisation efforts play a significant role, particularly among women, with urban cross-border traders being more exposed to and consequently more likely to adopt these services compared to their rural counterparts.

Finding 2: Implications and Impact on Digital Financial Inclusion

When asked if they felt like the DFS-related risks made it more difficult for their businesses to access and use the services effectively, 36 MSME participants, all of whom had previously expressed confidence in their ability to identify and address DFS-related risks, indicated that although these risks could complicate the usage of digital financial services, they didn't personally perceive these challenges as significant. They attributed this to their familiarity with safe navigation in the digital space. They acknowledged their awareness of the potential negative consequences of these risks but affirmed their continued usage of these services, asserting that they believed the services had improved their digital financial inclusion. In addition, these participants agreed when asked if they believed that addressing and mitigating consumer risks associated with DFS would enhance Digital Financial Inclusion for MSMEs in general. In contrast, the other 24 participants did not clearly express a definitive stance, offering neutral responses to all three inquiries.

The question was posed to the other participants and like the 36 MSME participants, they also shared the view that the greater adoption or absence of Digital Financial Services does indeed result in an upswing or decline in Digital Financial Inclusion.

Impact on Cross-Border Trade

Finding 3:

When presented with the statement "The use of DFS has made it easy for my business to engage in cross-border trade," participants were given the options of responding with "strongly disagree," "disagree," "neutral," "agree," or "strongly agree," 27 MSME participants expressed strong agreement with the statement, 18 simply agreed, while the remaining 15 participants maintained a neutral stance. This neutral stance was mainly attributed to the fact that although the use of digital financial services had simplified their cross-border trade transactions, there were still a number of instances when challenges relating to transaction delays and security were experienced making it not as easy and efficient enough to strongly agree or disagree with the statement. These participants also noted that DFS has not necessarily eliminated all the complexities associated with cross border trade.

Furthermore, when asked if they believed that enhancing Digital Financial Inclusion through enhancing the uptake of Digital Financial Services would in turn lead to increased participation of women and youth MSMEs in cross-border trade, participants who expressed strong agreement with the first statement said they strongly agreed with this too while the other participants expressed were unsure and therefore did not give definitive responses.

Regulatory Framework and Consumer Protection

Finding 4: Regulatory Gaps

Participants expressed mixed views on the effectiveness of the regulatory framework and consumer protection measures in addressing DFS consumer risks in Zambia. While they all expressed that they are aware of the consumer protection mechanisms available to them as users of Digital Financial Services, some stated that they strongly believe that existing regulations are inadequate and that regulatory authorities and DFS providers ought to do more to protect consumers.

In contrast to the perspective that current regulations are insufficient, when asked about the current regulatory landscape and policies put in place with regard to DFS risk, participants affiliated with institutions responsible for consumer protection highlighted significant efforts to establish a secure digital environment in Zambia. They cited the implementation of various policies and emphasised their commitment to collaborating with multiple stakeholders while integrating international best practices into their strategies.

Moreover, they underlined their investments in capacity-building initiatives aimed at raising awareness about risks and educating consumers (who include MSMEs) on how to use Digital Financial Services, as well as on risk management. Furthermore, they stressed the continuous review and updating of existing regulations to align them with evolving risks, changing consumer needs, and international best practices. These participants also emphasized the inclusivity of their initiatives, as they are aware of the varying susceptibility to risks and digital financial exclusion among consumers. It is worth noting that these participants did admit that there is still more that needs to be done to ensure the safety of everyone using Digital Financial Services but that so far, institutions have made significant progress.

DISCUSSION

Understanding the Findings in Relation to the Research Questions

Implications of DFS Consumer Risks on Digital Financial Inclusion and Trade

The findings presented a nuanced perspective on how DFS consumer risks impact digital financial inclusion and trade for women and youth owned MSMEs in Zambia. The diverse responses from participants offer valuable insights.

The study revealed that while some MSME participants were confident in their ability to identify and manage DFS-related risks, others expressed uncertainty in their ability to identify and manage these risks. Interestingly, only those who expressed confidence reported improved digital financial inclusion. Thus, the divergence in risk awareness and management suggests that the impact of DFS consumer risks on digital financial inclusion is influenced by whether or not a consumer understands the digital environment and can confidently navigate their way through it.

In contrast, stakeholders responsible for consumer protection acknowledged the presence of risks but highlighted the measures in place to ensure consumer safety. Their efforts aimed at enhancing consumer awareness, collaborating with stakeholders, and adapting regulations to evolving risks emphasised a commitment to fostering a secure digital environment. This discrepancy between MSME participants and stakeholders underscores the importance of effective communication and engagement between users and regulators.

Finally, the study justified the notion that the uptake of DFS (influenced by risk awareness and ability to manage risk) , which in turn impacts digital financial inclusion, ultimately affects trade. Based on the findings, the two MSME participants who felt they could identify and manage these risks also believed that the use of DFS made it easy for them to engage in trade activities and that this would be the same for all other traders if they used the services.

Assessment of the Regulatory Framework and Consumer Protection Measures

The study revealed a divide in perspectives regarding the effectiveness of the regulatory framework and consumer protection measures in addressing DFS consumer risks. These divergent views were shaped by the roles and responsibilities of the participants.

Stakeholders engaged in consumer protection highlighted their substantial efforts to create a secure digital environment in Zambia. They emphasised the development of policies, collaboration with relevant parties, capacity building initiatives, and regular updates to regulations to remain responsive to emerging risks and international best practices.

Conversely, some MSME participants questioned the adequacy of existing regulations, advocating for stronger measures to protect consumers. Again, this difference in perception accentuates the need for regulatory authorities to actively engage with users to gain a holistic understanding of their concerns. It also underscores the importance of continuous policy refinement to address emerging risks effectively.

RECOMMENDATIONS

This section not only offers recommendations based on insights derived from the study, but also incorporates two Level One Design Principles from the Bill and Melinda Gates Foundation's Level One Project in the first and last recommendation.

Level One Principles, which are associated with the Bill and Melinda Gates Foundation Level One Project, are "A set of principles to guide countries, regions, or commercial organisations working to create digital financial services system designed to meet the needs of low-income consumers" (BMGF, 2019, p.9). Another report by the Bill and Melinda Gates Foundation defines these Level One Design Principles as "a set of principles and best practices to guide countries, regions, or commercial organisations working in DFS (digital financial services) to improve access to DFS, particularly for underserved populations" (BMGF, 2021, p.2).

Therefore, building upon the nuanced insights derived from this study, and incorporating Level One Design Principles, the following recommendations are proposed to enhance the digital financial landscape for MSMEs in Zambia:

More Targeted Sensitisation Initiatives and Tailored User Education Initiatives

Sensitisation efforts should be intensified, particularly in rural areas among women owned MSMEs. These campaigns should not only focus on raising awareness of DFS benefits, risk mitigation strategies, and available consumer protection mechanisms but also on providing user/consumer education tailored to the specific needs of women entrepreneurs.

User education programs should be designed to be more user-centric and should consider the unique social networks and community organisations that women groups rely on. By linking education into the social fabric and community structures, a more user-friendly and trusting environment for DFS adoption can be fostered.

This recommendation incorporates the User Education Principle which recognizes that women often trust their peers the most and prefer to learn about anything new through word-of-mouth (BMGF, 2021). It focuses on user education tailored to women owned MSMEs, considering their specific needs and their reliance on social networks and community structures for learning about digital financial services, aiming to create a more user-friendly and trusting environment.

Regulatory Strengthening

Regulatory bodies should engage actively with women owned MSMEs and other stakeholders to bridge the perceived regulatory gaps. This engagement should result in the refinement of existing policies and the introduction of new regulations where necessary. Prioritising transparency, accountability and regular updates will ensure regulations remain relevant and robust.

Youth-Centric Approach

Given the youths enthusiasm for digital solutions, stakeholders should explore youth-focused approaches to digital financial inclusion. Youth-centric programs, workshops, and initiatives can harness this potential and drive greater adoption of DFS among this demographic.

Integration of Quantitative and Qualitative Data

Researchers should explore integrating quantitative and qualitative data in future studies. The integration of quantitative and qualitative data for this study would play a pivotal role in comprehensively examining the implications of DFS consumer risks on digital financial inclusion and trade among women and youth owned MSMEs. This integration would not only strengthen research findings, but also enrich the understanding of the relationships between risk, inclusion, and trade, thereby guiding evidence-based policy recommendations and future research directions.

Gender-Disaggregated Data Collection and Analysis

To further advance digital financial inclusion for women owned Micro, Small, and Medium-sized Enterprises (MSMEs) engaged in cross-border trade in Zambia, it is imperative to prioritise the collection and analysis of gender-specific data. Collecting gender-disaggregated data allows for the identification of specific risks that primarily affect women-owned MSMEs, thereby assisting policymakers and financial service providers to design risk mitigation strategies that are customised to the distinct needs and circumstances of women in cross-border trade. By understanding these specific risks, interventions can be more effective in addressing and reducing them.

This recommendation aligns with the Level One Design Gender Disaggregated Data principle which encourages the use of gender specific data to support measurement of gender gaps and related research (BMGF, 2021).

CONCLUSION

In conclusion, this research has shed light on the critical issue of DFS consumer risks and their impact on digital financial inclusion among women and youth-owned MSMEs in Zambia's cross-border trade sector. The diverse perspectives uncovered during the research highlight the need for a multifaceted approach to address risk perceptions, regulatory enhancements, and targeted sensitisation efforts.

It is essential to recognise that addressing the challenges associated with Digital Financial Services for women and youth owned MSMEs requires effort from various stakeholders. By implementing the recommendations outlined in this chapter, Zambia can move closer to achieving a more inclusive and secure digital financial landscape, ultimately benefiting its entrepreneurs, and fostering economic growth.

This study contributes to the ongoing dialogue on digital financial inclusion and consumer protection, and it is hoped that future research will continue to explore and address the evolving dynamics of the digital financial ecosystem in Zambia and beyond.

LIMITATIONS

The study encountered significant limitations primarily related to data collection. Firstly, there was a challenge in securing the participation of MSMEs, which was a critical aspect of the research design initially intended to incorporate mixed methods. Mixed method was chosen for the many advantages associated with its use. Notably, it is lauded for ‘providing rich insights into the research phenomena that cannot be fully understood by using only qualitative or quantitative insights’ (Dawadi, Shrestha, & Giri, 2021). However, due to the reluctance of

MSMEs to participate and constraints in terms of time, the research ultimately relied solely on qualitative methods.

Secondly, all responses obtained from MSMEs came exclusively from women-owned enterprises. The research aimed to explore the perspectives of both women and youth owned MSMEs. Regrettably, the study was unable to capture the voices of youth entrepreneurs, and their insights were solely represented by other stakeholder perspectives. This limitation stemmed from the challenges faced in persuading MSMEs to partake in the study, ultimately leading to an underrepresentation of youth-owned businesses.

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