

Financial decision-making, gender and social norms in Zambia

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Abstract

The aims of this project are to investigate the social norms that guide and constrain the financial decision-making of Zambian men and women, and to explore ways of incorporating knowledge about these norms into financial services, financial literacy programmes and policy design.

Using recently developed methods drawn from behavioural and experimental economics, which have been especially adapted for this project, we will **identify** the content of a range of social norms relating to money holding, money use and money management and **quantify** the strength of those social norms. In addition, we will investigate the extent to which such social norms are gender specific and whether the social norms that women acknowledge as guides to the way that they should behave differ from the social norms that men think should be guiding women's behaviour and vice-versa. Finally, we will investigate whether such social norms vary across ethnic groups (tribal groupings within the Zambian context).

By the **content of a social norm**, we mean the socially prescribed behaviour for an individual facing a particular set of behavioural choices. The **strength of a social norm** can be defined as the speed with which social approval declines as an individual's chosen behaviour moves away from the behavioural prescription. However, it can also be defined with reference to the likelihood of or severity with which an individual who deviates from the behavioural prescription is punished. Finally, it can be defined with reference to the strength of the correlation between the behavioural prescription and actual behaviour. We will investigate all three of these types of norm strength and how they relate one to another.

There are many reasons why an individual's behaviour might deviate from a social norm. Most notably it may be individually sub-optimal to adhere to a social norm. If this is the case, the individual might choose to deviate from the norm when they can hide their actions and adhere to the norm when they cannot. Further, they might be willing to compromise economic efficiency in order to generate and take advantage of opportunities to hide their actions, i.e., they may be willing to divert effort and resources away from more productive activities in order to increase the chances of keeping norm-violations hidden.

Often, social norms exist because if individuals act in a self-interested way it will be detrimental to their community or society. In this regard they serve the same purpose as formal rules of law, such as those prohibiting theft. However, some social norms may be not only individually but also socially sub-optimal. This can happen because social norms are self-reinforcing and, as a consequence, can be slow to change. So, a norm can emerge and "bed in" in an era when it is socially optimal, but then remain in place even after changes in circumstance have rendered it sub-optimal. In addition, social norms that are socially sub-optimal can emerge and remain in place because they favour the powerful at the expense of the weak.

The defining characteristic of this second type of socially sub-optimal social norm is that, within a given community, the socially prescribed behaviour and/or the strength of the norm depends on the identity of the decision-making individual i.e., they are discriminatory. It is this type of social norm that we are particularly (though not exclusively) interested in. We expect to find that the social norms guiding women's financial decision-making are more constraining than those guiding men's

financial decision-making and, in this regard, our research will inform the on-going debate about women's empowerment and how it can be achieved.

Social norms can also depend on identity without being discriminatory. They may, for example, vary across different ethnic groups who each reside in their own ethnically homogeneous communities. Further, the content or strength of specific discriminatory social norms may vary across ethnic groups. Such differences could be especially relevant in relation to gender in Zambia, owing to the presence of both patrilineal and matrilineal ethnic groups. Across these two types of ethnic group there are well documented differences in spousal responsibilities, especially with regard to the raising of children, and in the relationships between wives and husbands and the communities within which they are located. With these differences in mind, it is reasonable to expect that the extent to which social norms are gender discriminatory will also vary between matrilineal and patrilineal ethnic groups. We plan to investigate this and thereby guard against making false claims about the generalisability of our findings, while potentially strengthening the support for our primary thesis, that social norms are important and should be taken into account when designing financial services and interventions.

If social norms are guiding and constraining financial decision-making, those interested in promoting the use of financial services and improving the design of such services need to know about the content and strength of these social norms. Only then can they: (a) design services and interventions that work *with* those social norms, and so do not lead to unintended consequences, especially for the disempowered; and (b) make informed choices about the use and design of interventions aimed at changing the social norms. Ideally, social norms that are socially sub-optimal and discriminatory should be changed. However, if they are strong, the process of change can be complex, costly and slow. Under such circumstances, a mix of working with the norm in the short run and facilitating norm change for the long run might be appropriate.

Zambia's **National Financial Inclusion Strategy 2017-2022** signals a strong commitment among policymakers and regulators to investigate barriers to financial service access, especially for underserved groups including women, with the ultimate aim of eliminating those barriers. Our research findings will speak directly to this agenda.

Having generated a new body of knowledge about the social norms that guide and constrain the financial decision-making of Zambian men and women, we will devise innovative ways of presenting this knowledge with the aim of making it accessible to a diverse audience. Then, we will initiate stakeholder discussions about how best to incorporate the knowledge into the designs of financial services, financial literacy programmes and other complementary interventions. Discussing the findings with communities such as those that participated in the data generating activities will be an important part of this, but so too will be presentations to and discussions with representatives from both for-profit and non-profit financial service providers, advocates for the expansion of financial inclusion, policy makers and regulators.

Ultimately, the success of this project will be indicated by the designs of financial services and/or financial literacy programmes becoming more social-norm-aware and/or interventions being designed to facilitate appropriate changes in social norms. In the medium term, the success of the project will be indicated by the issue of social norms being increasingly present during discussions about financial services and financial inclusion.