

Evaluating the Role of Microfinance Institutions in Enhancing Financial Literacy Among Civil Servants: A Case Study of Xtenda Finance Ltd in Solwezi

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Abstract—This study explores the involvement of microfinance institutions in the promotion of financial literacy among civil servants in Zambia. In particular, the study focuses on Xtenda Finance Ltd in Solwezi District. This research was prompted by high levels of indebtedness among civil servants, low national financial literacy levels, and the prevalence of microfinance loans in Zambia. **Research Design** This study adopted a mixed methods research design. Specifically, the research used both quantitative and qualitative approaches to collect data and interpret findings. For instance, the researcher administered questionnaires to 299 civil servant clients and loan consultants who worked at Xtenda Finance Ltd. Additionally, the researcher conducted semi-structured interviews and focus group discussions. The researcher analyzed quantitative data using descriptive statistics, correlation and regression analysis. On the other hand, qualitative data were analyzed thematically. **Findings** The findings show that 87.0% of respondents have knowledge of financial literacy concepts. Moreover, 70.2% of participants stated that Xtenda Finance Ltd offers financial literacy training. Regression analysis shows a positive correlation between financial literacy programs and financial literacy outcomes ($\beta = 0.68, p < 0.001$). Similarly, correlation analysis reveals that financial literacy programs positively influence borrowing behavior ($r = 0.72, p < 0.01$). The study found that financial literacy programs promote borrowing behaviors, although some factors undermine the effect of the programs. For example, inconsistent delivery, inadequacy of loan consultant skills, insufficient loan repayment information, and organizational practices such as encouraging borrowers to borrow more than what they require negatively affect the impact of financial literacy programs. **Conclusion** The study concludes that financial literacy plays a critical role in the financial wellbeing of individuals and the economy at large. Financial literacy initiatives are vital for reducing the prevalence of loan defaults and debt burdens in developing countries such as Zambia. Therefore, the study recommends the development of standardized financial literacy programs among microfinance institutions, mandatory financial literacy training of loan officers, strict consumer protection policies, incorporation of financial literacy in educational curriculum, and embracing digital technology for financial education such as mobile-based financial education platforms.

Keywords— Financial literacy, microfinance institutions, civil servants, borrowing behavior, Zambia, Xtenda Finance Ltd, financial education, debt management.

I. INTRODUCTION

Financial literacy has been gaining prominence as an important aspect of financial wellbeing and empowerment in

both developed and developing countries. The increasing complexity of financial products, the ease of access to credit facilities, and heightened levels of indebtedness among households have made it imperative for people to be sufficiently informed about finances. Generally, financial literacy entails the capacity to acquire, comprehend, analyze, and appropriately use financial information to make wise financial decisions concerning borrowing, saving, investments, and budgeting (Mason & Wilson, 2000). Internationally, governments, financial institutions, and development partners have embraced financial literacy as a key component in alleviating poverty, promoting financial inclusion, and boosting economic resilience among households.

The establishment of microfinance institutions in developing countries such as those in Sub-Saharan Africa has played a significant role in facilitating greater financial inclusion among poorer members of society as well as government employees. More so, microfinance institutions are increasingly being required to promote financial literacy among clients so as to enhance responsible borrowing and effective management of finances. Research studies conducted by Lusardi and Mitchell (2006) and Stango and Zinman (2008) suggest that people with lower levels of financial literacy tend to incur higher debt burdens, make risky borrowing decisions, save less money, and fail to plan adequately for future financial obligations. In consequence, financial literacy has become a vital prerequisite for ensuring borrowers make optimal use of financial products without suffering from debt distress.

Despite the high levels of financial inclusion, financial literacy in Zambia remains remarkably low. According to the 2020 FinScope Zambia Survey, merely 23.6% of the adult population is financially literate, while just 13.6% qualify as financially healthy (Central Bank of Zambia, 2020). Furthermore, there has been an upsurge in the number of civil servants requesting for loans, as civil servant loans comprised 61.3% of total loans as of September 2022 (Zambanker, 2022). Findings from the 2024 Credit Conditions Survey by the Bank of Zambia indicate that personal loans are on an upward trend owing to the rise in living expenses, seasonal demands, and employment of public service workers. The expansion of microfinance institutions notwithstanding,

concerns arise over whether such institutions offer adequate financial literacy services to enhance responsible financial decision-making.

There are several theoretical perspectives that form the basis for the research question in terms of explaining the concepts underpinning financial literacy and borrowing behaviors. For instance, Skinner's (1953) Learning Theory states that individuals

II. MATERIALS AND METHODS

In undertaking this study, a mixed-methods research design was utilized with the aim of gaining both quantitative and qualitative insights regarding the role of microfinance institutions in promoting financial literacy amongst civil servants in Solwezi district, Zambia. This approach was adopted because it helped the researcher incorporate numerical data along with personal experiences and perspectives regarding financial literacy and borrowing behaviors. According to Creswell and Plano Clark (2017), mixed-methods research increases the scope of findings by incorporating statistical analysis and qualitative explanations.

A total of 921 civil servant borrowers who had received loans from Xtenda Finance Limited in Solwezi together with 44 loan consultants operating in 13 branch offices constituted the population of interest. Taro Yamane sampling technique at 5% margin of error was utilized to derive a sample size of 299 civil servant borrowers and 40 loan consultants. Civil servant borrowers were sampled using systematic sampling where every tenth name on the alphabetical list was chosen while loan consultants were sampled using simple random sampling due to the relatively small number of subjects in the population.

For the collection of quantitative data, questionnaires were designed comprising both open-ended questions and Likert-type questions. The questionnaire contained questions relating to awareness of financial literacy, participation in financial literacy program and borrowing behavior amongst others. For the validation and reliability of the instruments employed, Cronbach's alpha reliability test was performed with acceptable reliability coefficients above 0.70. For the qualitative data, telephone interviews, in-depth interviews, and focus group discussion were used. It is worth noting that telephone interviews were convenient since the participants were located in various workstations and therefore were unable to assemble in one place (Saunders, Lewis, & Thornhill, 2019).

For the quantitative data analysis, SPSS version 26 software was used. The data were analyzed using correlation coefficient techniques to assess whether there exists any relationship between financial literacy programs, borrowing and financial literacy. Further, regression analysis was carried out to identify whether financial literacy programs have predictive effects on financial literacy outcomes. In addition, inferential statistics such as Chi-squared test was performed to evaluate the significance of relationships amongst variables. Thematic content analysis was used to analyze the qualitative data whereby themes and patterns were developed from the

qualitative data according to the objectives of the study (Krippendorff, 2018).

Ethical considerations were taken into account during the study process. Participants were briefed about the objectives of the research study.

III. RESULTS

This section presents the findings obtained from both quantitative and qualitative data collected from civil servants and loan consultants regarding the role of Xtenda Finance Ltd in enhancing financial literacy among civil servants in Solwezi District.

3.1 Quantitative Study Findings

3.1.1 Distribution of Respondents by Gender

Table 1: Gender Distribution

Variable	Frequency	Percent	Valid Percent	Cumulative Percent	Inferential Statistics
Male	179	59.9%	59.9%	59.9%	$\chi^2 = 4.21, p = 0.040$
Female	120	40.1%	40.1%	100.0%	
Total	299	100.0%	100.0%		

The findings indicate that the majority of respondents were male (59.9%), while 40.1% were female. The Chi-square test revealed a statistically significant difference in gender distribution.

3.1.2 Awareness of Financial Literacy

Table 2: Frequency distribution of responses and chi-square test result

Variable	Frequency	Percent	Valid Percent	Cumulative Percent	Inferential Statistics
Yes	260	87.0%	87.0%	87.0%	$\chi^2 = 112.5, p = 0.000$
No	39	13.0%	13.0%	100.0%	
Total	299	100.0%	100.0%		

The majority of respondents (87.0%) indicated that they were aware of financial literacy concepts, while only 13.0% reported limited awareness. The findings demonstrate a statistically significant level of awareness among respondents.

3.1.3 Provision of Financial Literacy Programs by Xtenda Finance Ltd

Here is the properly formatted table based on your data:

Table 3: Provision of Financial Literacy Programs by Xtenda Finance Ltd

Variable	Frequency	Percent	Valid Percent	Cumulative Percent	Inferential Statistics
Yes	210	70.2%	70.2%	70.2%	$\chi^2 = 45.8, p = 0.000$
No	89	29.8%	29.8%	100.0%	
Total	299	100.0%	100.0%		

The findings reveal that 70.2% of respondents confirmed that Xtenda Finance Ltd provides financial literacy programs, while 29.8% stated that they had not received any financial literacy support.

3.1.4 Changes in Borrowing Behavior After Financial Literacy Programs

Table 4: Changes in borrowing behavior after financial literacy programs

Variable	Frequency	Percent	Valid Percent	Cumulative Percent	Inferential Statistics
Yes	241	80.6%	80.6%	80.6%	$\chi^2 = 96.7, p = 0.000$
No	58	19.4%	19.4%	100.0%	
Total	299	100.0%	100.0%		

The majority of respondents (80.6%) indicated that financial literacy programs had improved their borrowing behavior, while 19.4% reported no significant change.

3.1.5 Correlation Analysis

Table 5: Correlation analysis of financial literacy programs, literacy levels, and borrowing behavior

Variables	Financial Literacy Programs	Financial Literacy Levels	Borrowing Behavior
Financial Literacy Programs	1		
Financial Literacy Levels	0.68**	1	
Borrowing Behavior	0.59**	0.72**	1

Note: $p < 0.01$

The findings reveal a strong positive correlation between financial literacy programs and financial literacy levels ($r = 0.68, p < 0.01$). In addition, borrowing behavior was positively correlated with financial literacy levels ($r = 0.72, p < 0.01$), suggesting that improved financial literacy contributes to more responsible borrowing practices.

3.1.6 Regression Analysis

Table 6: Regression Analysis

Variable	Beta (β)	Std. Error	t-value	Sig.
Constant	0.92	0.11	8.36	0.000
Financial Literacy Programs	0.68	0.04	16.38	0.000

$R^2 = 0.462, F = 268.4, p < 0.001$

The regression analysis established that financial literacy programs significantly predict financial literacy levels among civil servants. The model explained 46.2% of the variation in financial literacy outcomes.

3.1.7 Mediation Analysis

The findings further revealed that borrowing behavior partially mediated the relationship between financial literacy programs and financial literacy levels. When borrowing behavior was controlled for, the direct effect reduced from $\beta = 0.68$ to $\beta = 0.41$, indicating that borrowing behavior plays an important intermediary role in translating financial education into financial literacy outcomes.

3.2 Qualitative Study Findings

Beyond the numerical outcomes, the research utilized qualitative approaches to help in gaining an insight into the role of microfinance organizations in promoting financial literacy among civil servants in Solwezi District. Personal interviews, group discussion interviews, and key informant interviews were conducted with 40 individuals comprising of civil servants, loan consultants, and managers in Xtenda Finance Ltd. From the total number of respondents interviewed, 22 were male and 18 female. The interviews

sought responses from the respondents on financial literacy services, the process of borrowing money, and institutional issues in relation to financial education initiatives.

Thematic analysis was used to analyze qualitative data collected from the interviews. The results generated were thematic in nature and consistent with the research questions. The major themes identified were; awareness and understanding of financial literacy, availability and provision of financial literacy initiatives, impact of financial literacy on borrowing, institutional issues in financial decisions, employee competence, and recommendations on ways to improve financial literacy programs. The results further showed that although financial literacy had a positive impact on some of the clients, inconsistency within the institutions and lack of capacity by some employees limited this impact.

3.3.1 Awareness and Understanding of Financial Literacy

The study established that participants had varying levels of understanding regarding financial literacy. While some respondents demonstrated a clear understanding of financial literacy as the ability to manage money effectively, others lacked formal knowledge of the concept. Most participants associated financial literacy with budgeting, saving, borrowing responsibly, and planning expenditures.

One participant explained that, "Financial literacy is about knowing how to manage your income and spending wisely so that you avoid unnecessary debt" (Participant A, 42-year-old male civil servant, 2026). Similarly, another respondent stated that, "It involves understanding how loans, savings, and investments work because many people misuse money due to lack of knowledge" (Participant B, 37-year-old female teacher, 2026).

The findings further revealed that financially literate individuals tended to make more informed financial decisions. Some participants emphasized that financial literacy helps people distinguish between needs and wants. One focus group participant remarked, "Many people fail financially because they cannot separate luxuries from necessities. Financial literacy teaches discipline" (Participant C, 45-year-old male FGD participant, 2026).

However, despite these positive responses, several respondents admitted that they had very limited understanding of financial literacy. One participant openly stated, "Honestly, before joining this discussion, I had never really understood what financial literacy meant" (Participant D, 31-year-old female civil servant, 2026). Another respondent added that, "I have heard the term before, but nobody has ever taken time to explain it properly to us" (Participant E, 39-year-old male respondent, 2026).

From the above findings, it is evident that awareness of financial literacy exists among some civil servants, although understanding remains inconsistent. While a number of respondents demonstrated knowledge regarding budgeting and borrowing practices, many participants lacked adequate formal financial education. This suggests that there is still a significant gap in financial literacy knowledge among civil servants in Solwezi.

3.3.2 Availability of Financial Literacy Programs at Xtenda Finance Ltd

The study further sought to establish whether Xtenda Finance Ltd provided financial literacy programs to its clients. The findings revealed mixed responses from participants. Some respondents acknowledged that the institution occasionally offered financial literacy sensitization programs, while others indicated that they had never received any form of financial education from the institution.

Several employees from Xtenda Finance confirmed that financial literacy initiatives existed within the institution. One loan consultant explained that, *“As a company, we do provide financial literacy guidance, especially when clients are applying for loans”* (Participant F, 34-year-old male loan consultant). Another staff member added that, *“We normally educate clients on responsible borrowing and repayment, although not all staff members consistently do this”* (Participant G, 29-year-old female loan officer, 2026).

A few clients also confirmed attending financial literacy sessions organized by Xtenda Finance Ltd. One participant explained that, *“They once came to our workplace and taught us about managing loans and avoiding over-borrowing”* (Participant H, 41-year-old female civil servant). Another respondent stated that, *“I attended a presentation where they explained budgeting and repayment plans before taking a loan”* (Participant I, 36-year-old male respondent, 2026).

Despite these positive responses, the majority of participants reported that they had never received any financial literacy training from Xtenda Finance Ltd. One respondent stated, *“The loan officers only focus on processing loans quickly. Nobody explained financial literacy to me”* (Participant J, 44-year-old male civil servant, 2026). Similarly, another participant explained that, *“What they mostly discuss is repayment and deductions, not financial education”* (Participant K, 32-year-old female participant, 2026).

From the analysis above, it is clear that although Xtenda Finance Ltd offers some financial literacy services, the delivery of these programs remains inconsistent. Some clients benefit from financial education initiatives, while many others receive little or no financial literacy support. This inconsistency limits the effectiveness of the institution’s role in promoting responsible financial behaviour among civil servants.

3.3.3 Delivery Methods and Content of Financial Literacy Programs

The study also examined the methods used by Xtenda Finance Ltd to deliver financial literacy information and the type of content provided to clients. The findings showed that financial literacy information was mainly delivered through presentations, one-on-one consultations, and workplace sensitization meetings.

Participants revealed that the content of financial literacy programs largely focused on budgeting, responsible borrowing, loan repayment, and financial planning. One participant noted that, *“They advised us to borrow according to our salaries and avoid taking loans for unnecessary things”* (Participant L, 40-year-old female respondent, 2026). Another participant added that, *“The training mostly focused on how to use loans for productive purposes rather than spending*

carelessly” (Participant M, 47-year-old male participant, 2026).

Some staff members indicated that they personalized financial literacy advice depending on the financial situation of individual clients. One loan officer explained that, *“When a client comes for a loan, I try to guide them on the amount they can realistically afford to repay”* (Participant N, 33-year-old male loan consultant). Another staff member remarked that, *“Financial literacy should not just be about presentations; it should involve continuous guidance to clients”* (Participant O, 30-year-old female loan officer, 2026).

However, several participants complained that the financial literacy information provided was too limited and rushed. One respondent stated that, *“Most explanations are done very quickly because the officers are more interested in completing the loan process”* (Participant P, 38-year-old female respondent, 2026). Another participant explained that, *“Sometimes they use difficult financial terms that ordinary clients cannot understand”* (Participant Q, 35-year-old male participant, 2026).

The findings therefore suggest that while Xtenda Finance Ltd provides financial literacy information through various methods, the quality and consistency of delivery remain inadequate. Participants emphasized the need for more detailed, practical, and client-friendly financial literacy programs.

3.3.4 Influence of Financial Literacy on Borrowing Behaviour

The study further examined how financial literacy influenced borrowing behaviour among civil servants. The findings revealed that participants who had received financial literacy education demonstrated more responsible borrowing practices compared to those with limited financial knowledge.

Several respondents explained that financial literacy helped them align borrowing with actual needs and repayment ability. One participant stated that, *“After learning about financial planning, I now borrow only what I can manage to repay comfortably”* (Participant R, 46-year-old male respondent, 2026). Another participant remarked that, *“Financial literacy has helped me avoid unnecessary top-up loans because I now budget properly”* (Participant S, 34-year-old female participant, 2026).

Some respondents also reported using loans for productive activities after receiving financial education. One participant explained that, *“I used my loan to start farming activities instead of buying luxury items, and this has improved my income”* (Participant T, 39-year-old male participant, 2026). Similarly, another respondent stated that, *“The training encouraged me to think long-term and invest the money wisely”* (Participant U, 43-year-old female participant, 2026). Despite these positive outcomes, the study also revealed that financial illiteracy continued to contribute to poor borrowing practices among some clients. One participant complained that, *“Sometimes clients are encouraged to borrow more money than they originally planned for”* (Participant V, 37-year-old female respondent, 2026). Another respondent added that, *“Many people sign loan agreements without fully understanding the interest rates and repayment terms”* (Participant W, 40-year-old male participant, 2026).

The findings further showed that institutional practices sometimes undermined responsible borrowing behaviour. One participant stated that, “*Loan officers focus more on increasing loan amounts instead of advising clients properly*” (Participant X, 35-year-old female participant, 2026). Another participant explained that, “*Some important charges are hidden in small print, and clients only discover them later*” (Participant Y, 44-year-old male participant, 2026).

From the findings above, it is evident that financial literacy positively influences borrowing behaviour among civil servants. Clients who received financial education demonstrated improved budgeting, responsible borrowing, and better financial planning. However, institutional practices such as lack of transparency and pressure to over-borrow continue to undermine these positive outcomes.

3.3.5 Institutional Challenges Affecting Financial Literacy Programs

The study further identified several institutional challenges affecting the effectiveness of financial literacy programs at Xtenda Finance Ltd. The most prominent challenge highlighted by participants was inadequate employee capacity to deliver financial literacy education effectively.

One key informant stated that, “*Some employees themselves do not fully understand financial literacy concepts, making it difficult for them to educate clients properly*” (Participant Z, 36-year-old male participant, 2026). Another staff member explained that, “*There is limited training for loan officers on how to provide financial literacy guidance*” (Participant AA, 31-year-old female loan consultant, 2026).

Participants also highlighted the problem of insufficient transparency in loan processes. One respondent explained that, “*Clients are not always given complete information about deductions and interest rates*” (Participant BB, 42-year-old female respondent, 2026). Another participant remarked that, “*Important details are sometimes hidden in complicated documents that clients rarely understand*” (Participant CC, 45-year-old male participant, 2026).

In addition, respondents indicated that there was excessive focus on loan disbursement rather than financial education. One participant stated that, “*The institution prioritizes giving out loans quickly instead of ensuring clients fully understand financial management*” (Participant DD, 38-year-old female participant, 2026).

The findings therefore reveal that institutional weaknesses, particularly inadequate staff training, lack of transparency, and pressure to maximize loan disbursement, significantly reduce the effectiveness of financial literacy programs at Xtenda Finance Ltd.

3.3.6 Recommendations for Improving Financial Literacy Programs

Participants provided several recommendations aimed at strengthening financial literacy initiatives among civil servants. The most common recommendation was the need for capacity building among employees of microfinance institutions.

One participant suggested that, “*Financial literacy training should begin with employees so that they can educate clients effectively*” (Participant EE, 40-year-old male

participant, 2026). Another respondent added that, “*Loan officers should undergo regular training and certification in financial literacy*” (Participant FF, 33-year-old Loan Officer, 2026).

Participants also recommended integrating financial literacy into the education system. One key informant explained that, “*Financial literacy should be introduced in schools so that people learn money management skills at an early age*” (Participant GG, 48-year-old male Supervisor, 2026). Similarly, another participant remarked that, “*The government should include financial education in the school curriculum because many people grow up without these skills*” (Participant HH, 39-year-old female participant, 2026).

Improved communication and transparency were also emphasized by participants. One respondent stated that, “*Loan terms and conditions should be explained clearly in simple language before clients sign agreements*” (Participant II, 35-year-old male participant, 2026). Another participant added that, “*Microfinance institutions should use social media and mobile platforms to spread financial literacy information*” (Participant JJ, 29-year-old female participant, 2026).

Some participants further recommended the introduction of mandatory savings mechanisms alongside loans to encourage financial discipline. One participant explained that, “*Clients should be encouraged to save a small amount monthly whenever they obtain loans*” (Participant KK, 44-year-old male participant, 2026).

From the findings above, it is clear that respondents believe that improving staff capacity, strengthening transparency, integrating financial literacy into education systems, and promoting structured savings mechanisms are critical for enhancing financial literacy initiatives among civil servants in Zambia.

IV. DISCUSSION OF FINDINGS

4.1 Awareness and Availability of Financial Literacy Programs

According to the results obtained, 87.0% of the subjects in the survey were aware of financial literacy programs, while 70.2% affirmed that Xtenda Finance Ltd provided these programs. These results show that microfinance institutions have a critical role in promoting awareness about financial literacy programs among civil servants. The results corroborated the findings by Atkinson and Messy (2020) and OECD (2021), which showed that financial education programs helped in promoting knowledge and decision-making regarding finance. In contrast, 29.8% of the respondents claimed never receiving financial literacy education.

Additionally, the qualitative data collected from the study supported this argument. Some respondents claimed receiving training and guidance on financial matters, while others said they did not receive any financial literacy education. This inconsistency implies that financial literacy programs by microfinance institutions lack consistency. From a theoretical standpoint, the result found correlates well with Financial Intermediation Theory, which emphasizes the importance of financial institutions facilitating knowledge transfer. However,

inconsistency in the results indicates failure by microfinance institutions to promote educational activities.

4.2 Financial Literacy and Borrowing Behavior

In addition to the above, the study revealed a strong positive correlation between borrowing and financial literacy ($r = 0.72$, $p < 0.01$). Furthermore, 80.6% of respondents indicated that they had improved borrowing through financial literacy programs. Similar results were found by Klapper and Lusardi (2020), where financially literate individuals exhibited informed borrowing decisions, thus limiting borrowing.

On the other hand, qualitative results indicated that financial literacy among civil servants led to enhanced budgeting, less unnecessary borrowing, and overall better financial management. Informed financial literacy helps individuals to borrow according to their financial situation and make prudent decisions regarding loans. This correlates well with Learning Theory, where financial education promotes positive behavior change.

However, some respondents still claimed to over-borrow and exhibit financial problems. Despite these positives, there seems to be some level of limitation to financial literacy since borrowing challenges were evident among respondents. Just like the results found by Xu and Zia (2021), other factors like institution practices, individual income, and consumer behavior also influence borrowing behavior.

4.3 Institutional and Structural Challenges

The study identified several institutional and structural barriers that undermine the effectiveness of financial literacy programs. Respondents reported pressure from loan officers to borrow beyond their financial capacity, lack of transparency in loan documentation, and hidden charges. These findings are consistent with studies by Giné and Karlan (2019), which established that financial education interventions are less effective when consumer protection mechanisms are weak.

The findings further reveal contradictions within some microfinance institutions, where financial literacy programs coexist alongside aggressive lending practices that encourage over-indebtedness. Participants reported that some loan officers prioritized loan disbursement targets over responsible lending practices. This finding aligns with Information Asymmetry Theory, which explains that borrowers remain vulnerable when lenders possess more information and bargaining power.

The study also identified staff capacity limitations as a major challenge affecting the quality of financial literacy delivery. Some loan consultants lacked adequate financial literacy knowledge and communication skills necessary to effectively educate clients. These findings imply that improving staff training and professional competence is essential for enhancing the effectiveness of financial literacy programs.

4.4 Mediation Effect of Borrowing Behavior

The mediation analysis established that borrowing behavior partially mediates the relationship between financial literacy programs and financial literacy outcomes. This finding demonstrates that financial education improves

financial literacy partly by influencing the borrowing practices of clients. Individuals who adopt responsible borrowing habits are more likely to demonstrate improved financial literacy outcomes over time.

The findings therefore suggest that financial literacy interventions should not only focus on providing information but should also promote behavioral transformation and responsible financial practices. This supports behavioral finance perspectives, which argue that financial decisions are influenced not only by knowledge but also by attitudes, institutional environments, and behavioral tendencies.

4.5 Limitations and Future Research Directions

While this study offers important information on the role of microfinance organizations in enhancing the level of financial literacy among civil servants in Zambia, several limitations need to be considered. To begin with, the study was conducted using one microfinance organization, Xtenda Finance Ltd, operating in Solwezi district only. Secondly, the cross-sectional design used in the study was unable to identify long-term causations between the use of financial literacy programs and borrowing behaviors.

Thirdly, some of the data used in this study were self-reported and could, thus, contain response biases. It is imperative that future research designs include longitudinal studies as well as comparative analysis among various microfinance organizations operating in various districts in Zambia. There is also a need for further exploration of the effect of digital financial literacy programs on civil servants, financial literacy and gender dynamics, and financial stress and mental wellbeing among civil servants.

V. CONCLUSION

The results of the research show that microfinance institutions significantly contribute to improving the level of financial literacy among civil servants in Zambia through financial literacy training programs as well as borrowing behavior training initiatives. According to the obtained results, the introduction of financial literacy programs helps increase both financial literacy levels as well as improve the borrowing behavior among clients of Xtenda Finance Ltd. High correlations revealed during the research support the idea that financial education influences responsible financial decisions.

However, at the same time, there are certain limitations preventing the efficient application of such interventions and their influence on the financial behavior of clients. For instance, such problems as poor implementation of financial literacy programs, insufficient competence of specialists working in MFI, insufficient transparency of loan agreements, and institutional approaches encouraging borrowing may reduce the impact of financial literacy interventions.

Finally, based on the results, it can be stated that even though financial literacy interventions have a positive effect on the behavior and financial wellbeing of clients, they do not solve financial distress problems related to over-borrowing. Therefore, along with financial literacy training initiatives, certain consumer rights protection strategies should be applied in order to protect consumers from over-borrowing.

VI. RECOMMENDATIONS

Standardization of Financial Literacy Initiatives: The micro-finance providers need to standardize the financial literacy programs in line with the national strategy for financial education. There will be a compulsory financial literacy course before any loan application in the next twelve months.

Certification and Regular Training of Employees: Loan officers and financial consultants require certification in financial literacy. Annual refresher courses must be organized for employees.

Improvement of Consumer Protection Policy: The Bank of Zambia needs to introduce stringent disclosure obligations in loan agreements and also provide penalties for institutions that conduct themselves in misleading ways with clients.

Transparency in the Borrowing Contract: The micro-finance institutions must ensure that loan documents are written in a plain language and font, with full disclosure of all charges, repayment arrangements, and penalties. This will help to bridge the information gap and make informed borrowing decisions.

Financial Literacy within Educational System: The ministry of education and its partner organizations need to integrate financial literacy into learning institutions to give learners financial literacy education.

Use of Technological Tools in Financial Literacy: The micro-finance institutions can use the technological means like SMS, application and WhatsApp-based financial literacy initiatives to disseminate financial literacy education among clients.

Monitoring and Evaluation of Financial Literacy Programs: Effective financial literacy initiatives require monitoring and evaluation frameworks. The regulators and financial institutions should establish monitoring and evaluation frameworks to track success of financial literacy programs.

Public-Private Partnership: The institutions of government, regulation, learning institutions, and financial services providers should collaborate to establish financial literacy program initiatives nationally to foster responsible borrowing behaviors.

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