

Women's financial empowerment and financial inclusion in Zambia's informal sector: Evidence from a mixed-methods study

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ABSTRACT

This study examines the direct and mediated pathways through which financial literacy and financial empowerment influence financial inclusion among women traders in Lusaka's informal markets, Zambia. The target population comprised 4,028 registered women traders across three major Lusaka markets - Lusaka Food Market, Lusaka City Market, and Soweto Market. Employing a mixed-methods sequential explanatory design underpinned by the Ford Financial Empowerment Model, the Inclusive Financial Wellbeing Empowerment Model, and Sen's Capability Approach, the study collected quantitative data from 273 women traders using stratified random sampling across three major markets, supplemented by three focus group discussions. Structural equation modelling and thematic analysis were used for quantitative and qualitative analyses respectively. Results demonstrate that financial literacy significantly predicts financial empowerment ($\beta = 0.550, p < .01$) - the strongest of all pathways tested across the three-paper series - and that financial empowerment significantly predicts financial inclusion ($\beta = 0.389, p < .05$). The indirect effect of financial literacy on financial inclusion through financial empowerment was 0.355 ($p < .01$), establishing empowerment as a powerful mediator that exceeds the capability-mediated indirect effect of 0.250 documented in the companion paper. Qualitative findings from three focus group discussions corroborate these results, with participants identifying confidence in financial management, decision-making autonomy, and savings group participation as key empowerment-driven inclusion pathways, while social norm constraints emerge as the primary boundary condition attenuating the empowerment-to-inclusion relationship. The study concludes that women's financial empowerment is the most potent mediating mechanism in the financial literacy–inclusion nexus in informal markets and recommends the integration of empowerment-building components - specifically confidence development, peer mentoring, and savings group strengthening - into all financial inclusion interventions targeting women in Zambia's informal sector.

Keywords: Financial Empowerment, Financial Inclusion, Financial Literacy, Mixed-Methods, Women Traders, Zambia

I. INTRODUCTION

Women's financial empowerment has emerged as a central agenda in global development discourse, recognised as both an intrinsic good and an instrumental driver of broader financial inclusion (Kabeer, 2016; Sen, 1999). Financial empowerment encompasses psychological agency, decision-making autonomy, confidence in financial management, and the practical ability to save and invest for business growth (Ford et al., 2011; Jorgensen, 2020). In the context of Sub-Saharan Africa, where gender gaps in financial inclusion remain structurally embedded, women are approximately nine percentage points less likely than men to hold a formal financial account, with gaps in active account usage, digital payment adoption, and savings product utilisation even more pronounced (World Bank, 2022). Understanding the pathways through which empowerment drives financial inclusion is therefore of critical policy importance, particularly as African governments and development partners scale their national financial inclusion strategies.

Zambia presents a particularly compelling case for studying the empowerment-to-inclusion nexus. Despite being classified as a lower-middle income country with a rapidly expanding mobile money ecosystem, Zambia's National Financial Inclusion Strategy II (2024–2028) acknowledges persistent gender disparities in formal financial participation, especially among informal sector women (Bank of Zambia, 2024). Women traders in Lusaka's major informal markets operate within patriarchal social structures that restrict financial autonomy and decision-making, despite possessing significant economic activity and market knowledge. These structural constraints create a context in which financial empowerment - understood as the activation of latent agency through knowledge and institutional



support - may be the critical mechanism linking financial literacy to actual inclusion outcomes. The companion paper (Paper 1) established that financial capability fully mediates the literacy-to-inclusion relationship (indirect effect = 0.250), with no significant direct path. This paper tests whether financial empowerment, which captures the psychological and agency dimensions of the literacy-to-inclusion conversion, is an even more potent mediating mechanism.

Building on recent empirical contributions from Zambia's informal sector - including Mwange and Mumba (2025), Chibesa and Mwange (2025), Mugala and Mwange (2025), Musana et al. (2023), and Banda et al. (2026) - this study fills the remaining gap by employing a mixed-methods sequential explanatory design to test the empowerment mediation pathway using SEM and to explore its qualitative manifestations through focus group discussions with women traders at three major Lusaka markets. The study constitutes Paper 2 in the three-paper series examining the financial literacy–capability–empowerment–inclusion nexus. Paper 3 examines digital financial access as the institutional moderating condition that contextualises both the capability and empowerment mediation pathways.

1.1 Statement of the Problem

The gender gap in financial inclusion in Zambia persists despite government-led literacy programmes, microfinance interventions, and policy commitments to women's economic empowerment (Bank of Zambia, 2024; Lweendo, 2022). A fundamental challenge is that many existing programmes focus on knowledge transfer without adequately addressing the psychological and behavioural dimensions of empowerment that enable women to translate knowledge into formal financial participation (Kumari & Azam, 2019; Nawaz et al., 2023). In Zambia's patriarchal informal market environment, women traders frequently report high awareness of financial products but continue to rely on informal savings mechanisms such as Chilimba, suggesting that confidence, autonomy, and agency dimensions of financial empowerment are the binding constraints rather than financial literacy deficits per se (Mwange & Mumba, 2025; Mugala & Mwange, 2025). The mediating role of financial empowerment in the literacy-inclusion relationship has been theorised extensively (Jorgensen, 2020; Ford et al., 2011) but rarely tested using rigorous structural models in Sub-Saharan African informal market contexts. This study directly addresses this gap, positioning financial empowerment as the agency-activating mechanism that translates financial literacy into formal financial participation.

1.2 Research Objectives

- i. Examine the impact of financial literacy on financial empowerment among women traders in Lusaka's informal markets.
- ii. Determine the effect of financial empowerment on financial inclusion among women traders in Lusaka's informal markets.
- iii. Test the mediating role of financial empowerment in the relationship between financial literacy and financial inclusion.
- iv. Explore through focus group discussions how financial empowerment facilitates financial inclusion among women traders in Lusaka.

1.3 Research Hypotheses

H_{01} : Financial literacy has a significant positive effect on financial empowerment.

H_{02} : Financial empowerment has a significant positive effect on financial inclusion.

H_{03} : Financial empowerment significantly mediates the relationship between financial literacy and financial inclusion.

II. LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 The Ford Financial Empowerment Model

The Ford Financial Empowerment Model (Ford et al., 2011) constitutes the first foundational theoretical pillar of this study. The model conceptualises financial empowerment as an inherent capacity that, when activated through financial knowledge and supportive environmental conditions, translates into positive financial behaviours, enhanced agency, and improved financial outcomes. The model positions financial empowerment as a process in which individuals develop financial self-determination, confidence, and the practical ability to control their financial lives. In the context of informal market women in Zambia, the model predicts that financial literacy programmes function as activation mechanisms: by building knowledge, they stimulate the latent empowerment capacity that women possess but may not be able to express under structural constraints. Mwange and Mumba (2025) provide empirical support for an analogous activation pathway in the Zambian context, finding that digital financial literacy activates self-efficacy — a core empowerment dimension — which then drives digital financial inclusion. The Ford model positions empowerment activation as a richer and more psychologically complete mechanism than practical capability alone,

directly motivating this paper's prediction that the empowerment mediation effect will exceed the capability mediation effect documented in the companion paper.

2.1.2 The Inclusive Financial Wellbeing Empowerment Model

The Inclusive Financial Wellbeing Empowerment Model (Jorgensen, 2020) extends the Ford Financial Empowerment Model by positioning financial empowerment within an intersectional framework that explicitly acknowledges the role of gender, socioeconomic status, and social norms in shaping empowerment trajectories. The model argues that financial empowerment is constituted by three interacting dimensions: access - the availability of financial tools and services; action - the practical utilisation of those tools; and emotional agency - the psychological confidence and autonomy required to act. For women traders in Zambia's informal markets, these dimensions correspond respectively to institutional access, practical capability, and psychological empowerment. The model's intersectional framing is particularly relevant to the Zambian context, where gender, poverty, and social norms interact to constrain all three empowerment dimensions simultaneously. Mwange and Mumba (2025) found that trust - an emotional dimension - and digital financial literacy - the action dimension - jointly mediate the trust-to-inclusion relationship in Lusaka's informal markets, providing Zambia-specific validation of the model's multi-dimensional empowerment architecture. The model's prediction that social norms constitute a boundary condition on the empowerment-to-inclusion pathway is directly tested through the qualitative focus group discussions in this study.

2.1.3 Sen's Capability Approach

Sen's (1999) Capability Approach provides the overarching normative framework, conceptualising financial inclusion as a dimension of human freedom rather than a merely instrumental economic outcome. The approach distinguishes between resources - financial literacy as an input; capabilities - financial empowerment as the freedom to engage in financial life; and functionings - actual financial inclusion as the achieved outcome. In Sen's framework, the conversion of resources into capabilities requires enabling conditions, including freedom from social constraints, access to institutional supports, and the social basis for self-respect and dignity. These enabling conditions are precisely the factors most constrained for women in patriarchal informal market environments, making the empowerment mediation pathway both theoretically predicted and practically significant. Nussbaum's (2011) extension of the Capability Approach - emphasising bodily integrity, emotional freedom, and social affiliations as central human capabilities - reinforces the study's attention to the psychological and agency dimensions of empowerment, and directly motivates the focus group investigation of how social norms constrain the expression of financial empowerment among women traders.

2.2 Empirical Review

2.2.1 Financial Literacy and Financial Empowerment

The empirical literature consistently supports a positive relationship between financial literacy and financial empowerment. Kumari et al. (2020) found in Sri Lanka that financial literacy significantly enhances women's economic empowerment, with the effect operating through improved confidence, savings behaviour, and investment decision-making autonomy. Jain et al. (2024) similarly found that financial literacy improves savings management and decision-making autonomy among working women in India, with the effect being partially mediated by financial self-efficacy. In the Sub-Saharan African context, Eseza et al. (2025) demonstrated that financial literacy training through cooperative structures significantly enhances women's financial empowerment in Uganda, with the effect operating through practical financial product utilisation. In Zambia specifically, Mwange and Mumba (2025) found that digital financial literacy positively activates financial self-efficacy, which then mediates the trust-to-digital-inclusion relationship. Chibesa and Mwange (2024) extend this evidence to entrepreneurial decision-making, demonstrating that financial literacy predicts entrepreneurial decision quality through enhanced confidence and analytical competence ($\beta = 0.54, p < .01$), both of which are empowerment dimensions. Banda et al. (2026) demonstrate that participation in informal savings and lending groups - a context in which financial literacy is applied collectively - strengthens empowerment through peer learning and mutual accountability mechanisms, confirming the group-based empowerment activation predicted by the Ford model.

2.2.2 Financial Empowerment and Financial Inclusion

The relationship between financial empowerment and financial inclusion is well-documented across diverse geographical contexts. George and Thomachan (2018) demonstrated a significant positive relationship between financial empowerment and women's financial inclusion in India, with confidence and agency functioning as the specific empowerment dimensions that drive formal financial participation. Mahwish et al. (2024) provided evidence from 30 developing economies showing that governance quality and financial empowerment jointly determine women's financial inclusion, confirming the interactive role of institutional conditions in enabling empowerment expression. Mabrouk et

al. (2023) established a bidirectional relationship between digital financial inclusion and women's empowerment across developing economies, indicating that empowerment both drives and is reinforced by formal financial participation. In the Zambian context, Mugala and Mwangi (2025) found that formal financial product utilisation by clients of non-banking financial institutions - an expression of empowerment-driven participation - significantly improved institutional financial performance, confirming the systemic value of individual empowerment-to-inclusion outcomes. Musana et al. (2023) demonstrated that inter-firm cooperation among digital financial service providers significantly enhances digital financial inclusion by expanding the accessible platform environment, creating the opportunity structures within which empowered women can translate their agency into formal financial participation. Mumba and Mwangi (2025) found that 73.2% of MSMEs with limited financial inclusion during COVID-19 relied on informal mechanisms, confirming that low financial empowerment and limited formal inclusion are mutually reinforcing conditions that require integrated intervention.

2.2.3 Mediation by Financial Empowerment

Theoretical and empirical support for the financial empowerment mediation hypothesis is substantial. Kumari and Azam (2019) established that financial empowerment mediates the relationship between financial literacy and financial inclusion, with the indirect effect being significant and larger than the direct effect. Nawaz et al. (2023) demonstrated partial mediation in Pakistan, showing that financial inclusion is mediated by the association between financial literacy and women's empowerment, with empowerment capturing the psychological transformation necessary for knowledge to produce behavioural inclusion outcomes. Sundarasan et al. (2023) found that empowerment amplifies the financial literacy–capability pathway, particularly in contexts where strong social norms constrain female financial agency independently of knowledge levels. These mediation findings collectively predict the superiority of the empowerment mediation pathway over the capability mediation pathway, a prediction that the current study tests directly in the Zambian informal market context.

2.2.4 The Golden Thread: Literacy → Empowerment → Inclusion

The theoretical frameworks and empirical literature converge on a second articulation of the golden thread that links this paper to the three-paper series. Where Paper 1 establishes the literacy → capability → inclusion chain grounded in Sherraden's (2013) framework, Paper 2 extends this to the literacy → empowerment → inclusion chain grounded in the Ford Financial Empowerment Model and the Inclusive Financial Wellbeing Empowerment Model. Both chains share the same starting point (financial literacy) and endpoint (financial inclusion), but differ in the mediating mechanism: capability represents the practical skills and competencies through which knowledge is translated into behaviour, while empowerment represents the psychological agency, confidence, and self-determination through which knowledge is translated into autonomous financial action. Both mediators are necessary for a comprehensive understanding of the literacy-to-inclusion pathway. The comparison of the two indirect effects - 0.355 (empowerment-mediated) versus 0.250 (capability-mediated) — establishes empowerment as the more potent thread, with significant implications for the design of women's financial inclusion interventions that must prioritise agency alongside competence.

III. METHODOLOGY

3.1 Research Philosophy and Design

The study employed a post-positivist research philosophy with a mixed-methods sequential explanatory design (Creswell & Creswell, 2022), in which quantitative findings were first generated through SEM and subsequently explained using qualitative data from focus group discussions. This design enables statistical relationships to be explored at the population level and then contextualised through participants' lived experiences, motivations, and interpretations (Johnson & Gray, 2021). The sequential explanatory approach ensures that the qualitative phase is theoretically grounded in the quantitative findings, with focus group discussions specifically designed to probe the empowerment mediation pathway and its qualitative manifestations in the Lusaka informal market context.

3.2 Study Area and Target Population

The study was conducted across three major informal markets in Lusaka, Zambia: Lusaka Food Market, Lusaka City Market, and Soweto Market. These markets collectively represent the most economically significant informal trading environments in Zambia's capital city. The total estimated population of registered women traders across the three markets was 4,028, derived from market management records. The study population was restricted to women traders because women in informal markets constitute a demographically distinct group with specific financial inclusion barriers related to gender, social norms, and institutional exclusion (Kabeer, 2016).



3.3 Sampling Procedure and Sample Size

Stratified random sampling across the three markets proportional to their registered trader populations yielded 273 valid responses from an estimated population of 4,028 traders, consistent with Cochran's (1977) formula for appropriate sample sizing at 95% confidence and a 5% margin of error. The achieved sample size exceeds the minimum of 200 recommended for SEM (Kline, 2023) and satisfies the ten-observations-per-parameter rule recommended by Hair et al. (2019). For the qualitative strand, three focus group discussions were conducted with eight to ten participants each, selected purposively to ensure diversity in age, education level, market tenure, and digital access, consistent with the recommendation of Braun and Clarke (2006) for purposive sampling in qualitative research.

3.4 Quantitative Data Collection and Analysis

The quantitative strand used a structured Likert-scale questionnaire (1 to 5) measuring financial literacy (9 items, adapted from Ozili, 2020), financial empowerment (10 items, adapted from Ford et al., 2011, and Jorgensen, 2020), and financial inclusion (7 items). Construct validity was confirmed through confirmatory factor analysis with PCA extraction (KMO > 0.79, Bartlett's test $p < .001$), and reliability was confirmed with Cronbach's alpha exceeding 0.70 for all scales. Discriminant validity was established using the HTMT ratio, with all values below the 0.85 threshold (Henseler et al., 2015). SEM with maximum likelihood estimation in AMOS 25 was used for quantitative analysis, with mediation tested using Baron and Kenny's (1986) process supplemented by bias-corrected bootstrapping with 2,000 iterations (Hayes, 2022). The quantitative instrument and analysis procedures are parallel to those described in the companion studies, ensuring comparability across the three-paper series.

3.5 Qualitative Data Collection and Analysis

Three focus group discussions, each comprising eight to ten women traders, were conducted after the quantitative survey phase. Discussions were audio-recorded with participants' consent, transcribed verbatim, and analysed thematically using Braun and Clarke's (2006) six-phase thematic analysis process. Discussions specifically explored how participants experienced financial empowerment as a pathway to formal financial inclusion, the role of savings groups in facilitating empowerment, the constraining effects of social norms, and the specific empowerment mechanisms that had enabled participants to engage with formal financial services. Trustworthiness was established through member-checking, peer debriefing, and reflexive journaling by the research team, consistent with best practice guidelines for qualitative rigour in social science research (Haq et al., 2023).

3.6 Ethical Considerations

Ethical clearance was obtained from the University of Zambia Ethics Review Board. All participants provided informed consent prior to participation in both the survey and focus group discussions, were assured of voluntary participation and confidentiality, and were informed of their right to withdraw at any point without penalty. Focus group recordings were anonymised during transcription. The study was conducted in accordance with the principles of the Declaration of Helsinki.

IV. FINDINGS & DISCUSSION

4.1 Quantitative Findings: SEM Results

Table 1 presents the SEM structural path coefficients for the three hypotheses tested in this study. The model demonstrated excellent overall fit ($\chi^2/df = 1.045$, RMSEA = 0.013, CFI = 0.983, TLI = 0.982, IFI = 0.984, GFI = 0.899, AGFI = 0.883, PNFI = 0.664, $R^2 = 0.445$), consistent with the fit indices reported for the companion study and confirming the model's adequacy for drawing valid inferences about the empowerment mediation pathway.

Table 1

SEM Results for the Financial Empowerment Mediation Model (N = 273)

Hypothesis	Path	β (Std.)	B (Unstd.)	SE	z-value	p-value	Result
H1	FinLit \rightarrow FinEmp	0.550	0.424	0.117	3.617	< .01	Supported***
H2	FinEmp \rightarrow FinInc	0.389	0.836	0.289	2.889	< .05	Supported**
H3	FinLit \rightarrow FinEmp \rightarrow FinInc (indirect)	—	0.355	—	—	< .01	Supported***

Note. *** $p < .01$; ** $p < .05$. FinLit = Financial Literacy; FinEmp = Financial Empowerment; FinInc = Financial Inclusion. Indirect effect estimated with 2,000-iteration bias-corrected bootstrapping.

4.1.1 Ho₁: Financial Literacy and Financial Empowerment (Supported)

Hypothesis 1 was supported: financial literacy significantly predicts financial empowerment ($\beta = 0.550$, $z = 3.617$, $p < .01$). This represents the strongest path coefficient in the entire model and in the three-paper series, confirming that financial literacy is a powerful antecedent of women's financial empowerment in the Lusaka informal market context. This result is consistent with the Ford Financial Empowerment Model's prediction that financial knowledge activates latent empowerment capacity, and with Jorgensen's (2020) Inclusive Financial Wellbeing Empowerment Model proposition that financial literacy stimulates the action and emotional dimensions of empowerment. In the Zambian context, this finding aligns with Mwange and Mumba's (2025) evidence that digital financial literacy activates financial self-efficacy among Lusaka traders, and with Chibesa and Mwange's (2024) finding that financial literacy significantly predicts entrepreneurial decision quality. The magnitude of the literacy-to-empowerment coefficient (0.550) exceeds the literacy-to-capability coefficient (0.497) reported in the companion study, suggesting that empowerment is a more sensitive and responsive construct to literacy inputs than capability in this context, confirming the Ford model's positioning of empowerment as the primary activated outcome of financial education in settings where structural constraints limit capability expression.

4.1.2 Ho₂: Financial Empowerment and Financial Inclusion (Supported)

Hypothesis 2 was supported: financial empowerment significantly predicts financial inclusion ($\beta = 0.389$, $z = 2.889$, $p < .05$). This positive and significant effect confirms that women traders who exhibit higher levels of financial empowerment are significantly more likely to be formally financially included. The magnitude of the empowerment-to-inclusion effect ($\beta = 0.389$) substantially exceeds the capability-to-inclusion effect ($\beta = 0.303$) reported in the companion study, confirming the Ford Financial Empowerment Model's theoretical positioning of empowerment as the proximal driver of formal financial participation. This finding is consistent with the international evidence from George and Thomachan (2018), Mahwish et al. (2024), and Mabrouk et al. (2023), all of whom document significant positive effects of financial empowerment on women's financial inclusion across diverse developing economy contexts. Musana et al. (2023) demonstrate that inter-firm competition among digital financial service providers significantly expands the accessible digital financial ecosystem in Zambia, creating enabling conditions within which empowered women can translate their agency into formal financial participation. The comparative magnitude advantage of the empowerment-to-inclusion path over the capability-to-inclusion path reinforces the golden thread articulated in this paper: literacy \rightarrow empowerment \rightarrow inclusion is the more potent causal chain in the Lusaka informal market context.

4.1.3 Ho₃: Mediation by Financial Empowerment (Supported)

Hypothesis 3 was supported: the indirect effect of financial literacy on financial inclusion through financial empowerment was 0.355, with the 95% bias-corrected bootstrapped confidence interval excluding zero ($p < .01$). This significant indirect effect establishes empowerment as a potent mediating mechanism. The indirect effect of 0.355 is substantively larger than the corresponding capability-mediated indirect effect of 0.250 documented in the companion study, confirming that empowerment is the more powerful mediating mechanism in this population. The predominance of the empowerment mediation pathway suggests that the psychological and agency dimensions of empowerment - captured by the Ford Financial Empowerment Model and the Inclusive Financial Wellbeing Empowerment Model - are particularly important drivers of financial inclusion in patriarchal informal market contexts where structural constraints on women's financial agency are pronounced. This conclusion is consistent with Ilukena et al.'s (2023) finding that enabling environmental conditions significantly moderate the performance effects of intangible organisational resources in Zambia, directly analogous to the empowerment-to-inclusion pathway being conditional on supportive institutional and social conditions.

4.2 Qualitative Findings: Focus Group Discussion Themes

Theme 1: Confidence and Decision-Making Autonomy as Empowerment Mechanisms

Across all three focus group discussions, participants consistently identified confidence and decision-making autonomy as the primary pathways through which financial literacy translated into financial inclusion. Women who had participated in financial literacy programmes described experiencing what they termed a new kind of boldness in approaching banks and mobile money agents, seeking credit from formal institutions, and making investment decisions for their businesses. This qualitative evidence directly corroborates the Ford Financial Empowerment Model's positioning of self-determination and confidence as the key activation dimensions of financial empowerment, and is consistent with the quantitative finding that the empowerment-to-inclusion path ($\beta = 0.389$) exceeds the capability-to-inclusion path ($\beta = 0.303$) from the companion paper. The theme of confidence as an empowerment mechanism also resonates with Nussbaum's (2011) emphasis on the emotional capabilities necessary for human flourishing, confirming

that financial inclusion is not merely a transactional outcome but a dimension of the broader freedom to participate in economic and social life on equal terms.

Theme 2: Social Norms as Constraints on Empowerment Expression

A second prominent theme across the focus group discussions concerned the constraining role of social norms, particularly spousal control over financial decisions, in limiting the translation of empowerment into formal financial participation. Several participants described possessing both the knowledge and the confidence to open formal savings accounts but being deterred by household dynamics that assigned financial decision-making authority to husbands. This qualitative finding aligns with the Inclusive Financial Wellbeing Empowerment Model's intersectional framing and with Kabeer's (2016) theorisation of gender as a structural constraint on financial agency. It contextualises the mediation pattern by identifying social norm constraints as a moderating boundary condition that attenuates the empowerment-to-inclusion pathway for women facing the most restrictive household dynamics. This theme directly motivates the study's recommendation for gender norm change programming as a complementary intervention pillar alongside financial literacy and empowerment initiatives.

Theme 3: Savings Groups as Empowerment Scaffolds

A third significant theme concerned the role of informal savings groups - specifically chilimba - as empowerment scaffolds that bridge informal and formal financial participation. Participants described the savings group environment as providing both the practical financial management skills and the peer support and social validation needed to take the step towards formal financial inclusion. Several women described using accumulated chilimba savings to open formal bank accounts or mobile money wallets, consistent with the institutional bridging function of savings groups highlighted by the Bank of Zambia (2024) in the NFIS II policy framework and documented by Banda et al. (2026) through their desk review of informal savings and lending groups in Zambia. This finding reinforces the recommendation that savings group strengthening programmes should be prioritised and linked to formal financial service providers through the NFIS II savings group linkage framework, creating a structured pathway from informal empowerment-building to formal financial inclusion.

V. CONCLUSION & RECOMMENDATIONS

5.1 Conclusion

This study establishes financial empowerment as the most powerful mediating mechanism in the financial literacy-to-financial inclusion nexus among women traders in Lusaka's informal markets. The indirect effect of financial literacy on financial inclusion through financial empowerment (0.355) exceeds the corresponding capability-mediated indirect effect (0.250) documented in the companion paper, confirming that the psychological, agency-enhancing dimensions of empowerment captured by the Ford Financial Empowerment Model and the Inclusive Financial Wellbeing Empowerment Model are more proximal drivers of financial inclusion than practical capability alone. The qualitative focus group discussion evidence triangulates these findings, identifying confidence, decision-making autonomy, savings group participation, and the constraining role of social norms as the specific qualitative manifestations of the empowerment mediation pathway.

These findings carry three major theoretical contributions. First, they advance the empirical validation of the Ford Financial Empowerment Model and the Inclusive Financial Wellbeing Empowerment Model in the Sub-Saharan African informal market context, demonstrating that the empowerment activation logic specified by these frameworks operates as predicted in Zambia's specific cultural and institutional environment. Second, they establish the superiority of the empowerment mediation pathway over the capability mediation pathway, contributing to ongoing debates about whether psychological empowerment or practical capability is the more important intermediate mechanism in financial inclusion interventions. Third, they demonstrate the value of mixed-methods triangulation in capturing both the structural determinants and the lived experience dimensions of the empowerment-to-inclusion pathway, advancing methodological practice in the field. Within the three-paper series, Paper 2 establishes that empowerment is the more potent thread in the golden thread, while the companion Paper 3 contextualises both mediation pathways by demonstrating that digital financial access specifically amplifies the capability-to-inclusion relationship — but not the empowerment-to-inclusion pathway - confirming that empowerment operates through channels that are largely independent of digital platform availability.

5.2 Recommendations

Based on the study's quantitative and qualitative findings, the following recommendations are advanced for policymakers, financial service providers, and development partners in Zambia and comparable Sub-Saharan African contexts. Financial inclusion programmes targeting women traders in informal markets should explicitly integrate

empowerment-building components alongside financial literacy training. Given that the empowerment mediation effect (0.355) substantially exceeds the capability mediation effect (0.250), the design of financial inclusion interventions should allocate at least equal attention to confidence-building, decision-making autonomy, and peer support mechanisms as to knowledge transfer. Savings group strengthening programmes - which serve as empowerment scaffolds as documented in the focus group discussion evidence and confirmed by Banda et al. (2026) - should be prioritised and linked to formal financial service providers through the NFIS II savings group linkage framework.

The Bank of Zambia and gender-focused development partners should invest in community-level gender norm change programming that complements financial literacy and empowerment interventions. The focus group discussion evidence demonstrates that social norms restricting women's financial decision-making autonomy function as a binding constraint that attenuates the empowerment-to-inclusion pathway. Without addressing these structural gender constraints, even well-designed empowerment programmes may fail to produce the anticipated inclusion gains for women facing the most restrictive household dynamics. Community engagement, male partner involvement workshops, and social norm change campaigns should be integrated with financial literacy and empowerment programming as complementary intervention pillars.

Digital financial service providers and regulators should expand the accessible, affordable, and trustworthy digital infrastructure that enables empowered women to translate their agency into formal financial participation. Reducing mobile money transaction fees, expanding agent networks in informal market areas, strengthening consumer protection mechanisms, and improving platform usability for low-literacy users are the specific digital infrastructure priorities that will most effectively amplify the empowerment-to-inclusion pathway documented in this study. The companion paper's (Paper 3) finding that digital financial access specifically amplifies the capability-to-inclusion path ($\beta = 0.206$, $p < .01$) while not moderating the empowerment-to-inclusion path confirms that empowerment programmes can generate inclusion gains independently of digital infrastructure, but that digital access investment will maximise returns when capability-building components are simultaneously delivered.

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