REPÚBLICA DE MOÇAMBIQUE

MOZAMBIQUE

FINSCOPE CONSUMER SURVEY REPORT

2019

FSDMo
INVESTINDO EM INCLUSÃO FINANCEIRA

FMT

FinScope

Contents

List of figures

Foreword

The Government of Mozambique is committed to the continuous improvement of the country's financial inclusion levels, having forecast, in the Government's Five-Year Program 2020-2024, inclusive economic and social growth as one of the governance priorities and implemented, over the years, significant reforms in the financial sector.

Within the framework of the implemented measures aimed to promote financial inclusion, stands out the approval of the National Financial Inclusion Strategy 2016-2022, approved by the Government in 2016, under the Financial Sector Development Strategy, which sets out the goals to be achieved by 2022: (i) 60% of the adult population with physical or electronic access to financial services offered by a formal financial institution; (ii) 100% of the districts with at least one formal access point to financial services; and (iii) 75% of the population with one financial services access point within 5 km of their place of residence or work.

The achievement of these objectives involves improving the production capacity, promotion and dissemination of economic and financial consumer-centered research and studies. It is within this context, that the government has embraced initiatives aiming to improve the collection of statistical data that can contribute to this desideratum to promote a stable, inclusive and resilient financial system.

The FINSCOPE Consumer Survey 2019 Report is a comprehensive and representative study with the main objective to transversally assess the needs of adults Mozambicans on their livelihoods, financial literacy and behavior, and the adoption and usage of financial services to meet their own needs. This is the third edition that the Government participates in a study of this nature, having also participated in all previous editions of 2009 and 2014, therefore allowing to assessment of financial inclusion evolution in-country over the time.

Based on the results of this study, the country recorded a general improvement in the levels of financial inclusion. There has been a reduction of financial exclusion levels from 60% in 2014 to 46% in 2019. The study also highlights the role played by the mobile financial services and insurance in improving the levels of financial inclusion, having increased from 4% in 2014 to 22% in 2019.

In view of the challenges presented by the study, the Government would like to reiterate its commitment to continue to implement financial reforms aimed at achieving the goals set out in the National Financial Inclusion Strategy through the promotion of financial services and products appropriate to the needs of the population supported by statistical data and monitoring and evaluation mechanisms.

Finally, I take this opportunity to thank everyone who directly or indirectly contributed to this study, namely the United Kingdom's Department for International Development (DFID), the Swedish International Development Cooperation Agency (SIDA), the Financial Sector Deepening Mozambique (FSDMoç), FinMark Trust, as well as the Government institutions that participated in the study, namely, the Ministry of Land and Environment, the Ministry of Agriculture and Rural Development, the Mozambique Central Bank (Banco de Moçambique), the Insurance Supervision Institute, the Mozambique Stock Exchange and the National Statistics Institute.

Adriano Afonso Maleiane

Minister of Economy and Finance

Acknowledgements

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The completion of this undertaking would not have been successful without the participation and assistance of so many individuals in their personal and institutional capacity. FMT and FSDMoç would like to express their deepest appreciation to:

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Ministério da Economia e Finanças
Ministério da Agricultura e Desenvolvimento Rural
Ministério da Terra e Ambiente

1. Obert Maposa, Tabitha Chamboko and Irma Grundling
2. Esselina Macome and, Silvio Chiau

Acronyms and Abbreviations

AFI	Alliance for Financial Inclusion
BdM	Bank of Mozambique
DAI	International Development Association
DFID	UK Department of International Development
EA	enumeration areas
FAS	financial access strand
FMT	FinMark Trust
FS	FinScope
FSD	Financial Sector Deepening Mozambique
FSP	Finance Service Provider
GDP	Gross Domestic Product
GOM	Government of Mozambique
ICT	Information communications technology
IMF	International Monetary Fund
INE	National Statistical Institute
KfW	Development Bank, Frankfurt, Germany (Kreditanstalt fur Wiederaufbau)
KYC	Know Your Customer
MAP	Making Access Possible
MF	Microfinance Institution
MSME	Micro, Small and Medium Enterprises
MT	Metical
NFIS	National Financial Inclusion Strategy
OTC	over-the-counter-transaction
P2P	Peer to Peer
PAYGO	Pay-As-You-Go
POS	Point-Of-Sale
SDG	Sustainable Development Goals
SADC	Southern African Development Community
SIDA	Swedish International Development Cooperation Agency
SIMO	National Payments System Switch
SME	Small and Medium Enterprise
SPSS	Statistical Package for Social Sciences

Glossary of Terms

TERM	DEFINITION
Access Strand	A measurement of financial inclusion across the formal-informal institutional provider continuum.
Adults	Those people aged 16 years or older.
Banked	Individuals using one or more traditional financial products supplied by commercial banks.
Credit	Obtaining funds from a third party with the promise of repayments of principal and, in most cases, with interest and arrangement charges in exchange for the money.
Demand-side barriers	Demand-side barriers to access financial services relate to characteristics inherent to individuals that prevent them from using financial services such as perceived insufficient income, low levels of financial literacy and lack of trust in financial institutions.
Enumeration Area (EA)	An enumeration area (EA) is a well identified territorial unit containing the prescribed population size (usually about 80 to 120 households) in which enumeration is to be carried out by a single enumerator within a specified period of enumeration.
Other formal	Financial products/services supplied by formal financial institutions, which are not banks.
Formal products	Products provided by government regulated financial institutions such as commercial banks, insurance companies and microfinance institutions.
Formally included	Adults using formal financial products supplied by institutions governed by a legal precedent of any type. This is not exclusive usage, as these individuals may also be using informal products.
Financial Access Landscape	A measurement of usage of both formal and informal products across the four main product groups: transactions, savings, credit and insurance.
Financially served	Adults using one or more formal and/or informal financial products/services.
Financially excluded	Adults who are not using any formal or informal financial products/services.
Financially inclusion	The extent to which the adults in the country engage with financial products and services, such as savings, transaction banking, credit and insurance, whether formal or informal.
Informal products	Financial services provided by individuals and/or associations, which are not regulated by government such as savings clubs and private moneylenders.
Informally only served	Adults who are not using any formal financial products but who are using one or more financial products/services supplied from an informal source, such as a savings club or informal moneylender.
Informally served	Adults who make use of informal financial products (regardless of whether or not they use formal financial services and products).
MSME	Micro, Small and Medium Enterprises.
Insurance	Payment of a premium for risk of an event happening, where pay-out is made if or when the event occurs.
Supply-side barriers	Supply-side barriers to access to financial services relate to factors inherent to financial service providers that prevent individuals from using their services such as location of access points and the cost of using their services. Supply-side barriers could also relate to macroeconomic factors such as legal systems and policy.
Transactional	Financial services that use cash or other means (such as cheques, credit cards, debit cards or other electronic means) to send, make or receive payments.
Formal MSME	MSME owners that have either registered their business with an authority such as the Ministry of Industry Trade and Tourism or have a license to operate from an authority such as the District Council, City Council and municipality.

Executive Summary

The country's on-going commitment to financial inclusion, and its financial sector's commitment to driving this initiative were demonstrated by the Government approving the National Financial Inclusion Strategy of Mozambique (2016-2022) in March 2016. The fundamental aim of policies and strategies for financial inclusion is to increase access to formal financial institutions and increase the uptake and usage of financial products and services (i.e. those provided by regulated service providers). It set as targets for the financial sector to reach 40 per cent of the Mozambican adult population with access to physical or electronic financial services by 2018, and 60 per cent by 2022.

Mozambique has enjoyed three waves of nationally representative financial inclusion surveys following the baseline of 2009 and repeats of 2014 and 2019. FinScope Consumer Surveys are comprehensive representative cross-section studies of adult Mozambicans concerning their livelihoods, financial behaviour, familiarity with financial terminology and their take-up and usage of financial services to serve identified needs. A total of 5,073 households were covered by the 2019 survey from which one person from each household aged 16 years or over was selected (with equal opportunity), for interviewing. In 2014, 3,928 households were covered, and 5,028 in 2009.

The working population has had minimal shifts with a smaller percentage of adults (9 per cent) working in the public and private sector, and the majority of the Mozambicans reliant on farming and self-employment (30 per cent). Agriculture is the most popular livelihood source for two in three households (64 per cent) but only 2 per cent are producing exclusively for selling. The survey findings reveal that Mozambican households still have low levels of access to some basic amenities, including piped water and electricity. Nevertheless, there have been notable improvements in the access of water in both urban and rural areas since 2014 with more improvements in pipe-water access (18 per cent) than electricity access (7 per cent).

The state of financial inclusion in 2019 has improved on many fronts since 2014. Financial exclusion has been reduced to 46 per cent in 2019 from 60 per cent in 2014. This represents about 2.3 million adults that have been brought into the fold of financial inclusion representing an increase of 14 percentage points. Financial exclusion among rural and female adults also reduced with 9 and 14 percentage points respectively. The main driver to this decrease is attributed to Mobile Money. Excluded adults are likely to be from Nampula and Zambezia provinces (1 in every 5), from rural Mozambique (4 in every 5), youth (3 in every 5), and those who sustain their lives from self-employment or farming activities.

Formalisation has largely been driven by the increase in uptake of other formal (non-bank) products and services, up by 31 percentage points from only 10 per cent in 2014. A huge uptake of Mobile Money has been witnessed in Mozambique over the last five years. About 1 in every 4 adults (29 per cent) currently uses Mobile Money, up from only 3 per cent in 2014. The increased usage of transactional and remittance products has been the main driver in the increase in formal financial inclusion. Mobile Money is used as an alternative to meet specific needs, as it does not entirely substitute bank account ownership. Noteworthy, remittances previously driven by bank products in 2014 are now mostly transacted through Mobile Money in 2019.

Half of the adult population in Mozambique experienced a major risk or an unforeseen event that had a negative financial impact on their lives (12 months prior to the survey). There was a significant rise in the number of adults having insurance products, to 17 per cent in 2019, from 8 per cent in 2014. Positively, the uptake of formal insurance products is slightly above that of informal insurance. Formal insurance and Mobile Money are the drivers of the other formal (non-bank) increase in 2019.

Banking has recorded an increase of about 190 thousand adults since 2014 to about 3 million adults in 2019. This records a marginal increase in the proportion of banked adults to 21 per cent in 2019, from 20 percent in 2014, still leaving most of the population as unbanked. Youth, aged between 16 and 20 years are not formally able to access banking services due to legislature, with only 17 per cent of this youth category being banked, and 41 per cent accessing other formal (non-bank) services. While bank products on savings, credit and remittances have decreased since 2014, transactional products have increased by about 500 thousand adults offsetting the drop in the other bank products. Rural adults that are accessing bank services remain unchanged at 10 per cent with females accessing bank services having increased to 18 per cent from 16 per cent in 2014. Maputo still has the highest proportions of banked adults with tertiary education or higher, male, and formally employed.

Informal financial products or mechanisms are also driving financial inclusion in Mozambique with about one in three adults' financial needs being met by the informal sector. Informal insurance increased to 8 per cent in 2019 by 5 percentage points mainly driven by church agreements and funeral association growth. Informal savings and credit both registered sturdy increases with more adults saving and accessing credit from savings groups, xitiques and money lenders.

Savings play a major role in increasing the level of financial inclusion as about 45 per cent of the adult population save money either formally or informally (including saving at home). Only a few adults (7 per cent) in Mozambique save money through formal devices, which include banks (3 per cent), and other formal (non-bank) products (5 per cent), showing a drop from 8 per cent in 2014. Formal savings have decreased overall which may be linked to harder economic times. The same trend is noticed in credit, with formal credit decreasing slightly to 4 per cent in 2019, from 6 per cent in 2014. Overall, only 7 per cent of the adults were borrowing in 2019, a decline from 10 per cent i

The priorities of financial inclusion in Mozambique should continue to ensure that the lives of Mozambicans are improved. Some of these priorities include:

- Adopting Financial Inclusion 2.0 (FI2.0) to embrace a focus towards addressing real economy needs through better financial solutions. Giving a clearer view of how the financial sector engages the real economy is one of the key changes in FI2.0
- The study showed that a large proportion of the adult population has a financial literacy deficit. Financial consumer education, through providing a comprehensive National Financial Consumer Education Strategy, should be prioritised. This would provide a framework to guide the implementation, facilitate the mobilisation of resources, coordinate stakeholders and monitor and evaluate financial education and consumer protection particularly for the target groups
- Identifying and facilitating the implementation of the financial interventions that will improve the resilience and sustainable livelihoods for the target groups as well as enhance the contribution to the macroeconomic indicators for the country, should be viewed as a priority for financial inclusion in the country
- Relooking the age to include youth aged between 16 and 20 years to access basic financial services and products as they are of official working age. This needs to be met with tailored financial education programmes to improve responsible usage.

1. Introduction

Mozambique has moderated its pace of economic growth[1], which, in 2018 was barely above the population growth. Real Gross Domestic Product (GDP) growth fell from an average of 7 per cent from 2010 to 2015, to 3 per cent from 2016 to 2018. Lower exports, fiscal consolidation, and a tighter monetary policy have contributed to the slowdown, which is expected to continue for the medium term. Growth has not been inclusive and reliance on the extractive and minerals sector is not expected to generate enough income opportunities for the annual inflow of job seekers. Efforts to allocate more resources to Small and Medium Enterprises (SMEs) and to diversify the economy are necessary to support more inclusive growth. Therefore, in December 2018, funding was approved (through the International Development Association (DAI)) aimed at supporting Mozambique's efforts to increase financial inclusion among underserved groups and SMEs, while also strengthening the overall financial safety net.

This grant is being used to increase financial inclusion by providing access to electronic transaction accounts to underserved segments of the population, to facilitate the digitisation of government payments and the development of a programme to improve the ecosystem for electronic transactions, particularly in rural areas. Furthermore, it also supports financial literacy and awareness campaigns among potential account holders and businesses, particularly those owned by women, and it will be used to finance the creation of a new registry for movable collateral to promote access to finance.

Since independence in 1975, the Government of Mozambique's (GoM) concern for inclusive growth has driven policy design. Various policies have been implemented to increase employment, household income and human development. Financial sector reforms were initiated as early as 1992 and during the period 2004 to 2007 this gained momentum with reforms in the microfinance framework and the rural development strategy that resulted in the presence of financial institutions across the country.

Since 2011 there has been a significant increase in the focus on financial inclusion and the financial sector's delivery of financial services to all individuals (including disadvantaged or low-income sections of the population), and all businesses (including those in the informal sector). This was demonstrated by the introduction of Mobile Money operators into the market and joining the Alliance for Financial Inclusion (AFI).

With the goal of promoting the development of a sound, diverse and inclusive financial sector the GoM approved its Financial Sector Development Strategy (2013-2022) in 2013. This strategy had the following objectives:

- To include and engage all stakeholders (public and private)
- To promote competition within the financial service providers
- To promote financial literacy amongst consumers
- To develop a consumer protection framework
- To deepen penetration of financial services
- To reduce transaction costs
- To increase Micro, Small and Medium Enterprises (MSME) access to finance
- To develop a financial inclusion strategy.

1. https://www.worldbank.org/en/news/press-release/2018/12/13/mozambique-to-increase-financial-inclusion-and-stability-with-world-bank-support

The GoM's on-going commitment to financial inclusion, and its financial sector's commitment to driving this initiative were therefore demonstrated by the approval of the National Financial Inclusion Strategy of Mozambique (2016-2022) in March 2016. The strategy has three pillars:

- **Access to and the use of financial services** – with the goal to ensure availability, proximity and effective use of a range of appropriate financial services for businesses and individuals in rural and urban areas. It set as targets for the financial sector to reach 40 per cent of the Mozambican adult population with access to physical or electronic financial services by 2018, and 60 per cent by 2022
- **Strengthening financial infrastructure** – with the goal to strengthen the security and efficiency of the national payment system, financial information infrastructure and the execution of guarantees
- **Consumer protection and financial education** – with the goal to ensure that financial consumers are informed, trained and protected.

The financial inclusion strategy, which builds on collaboration between various stakeholders, has (according to the World Bank[2]), to date, resulted in a number of reforms including:

- The approval of agent banking activities, which paved the way for the expansion of financial services in the country, particularly in rural areas
- The establishment of a single national network that unifies electronic payment systems which has resulted in a reduction in the cost of interbank transactions
- The development of new rules for banks to open their branches taking into account geographic proportionality which has helped expand the banking network to rural areas.

The continued efforts of the Government, regulators, financial service providers and partners like Financial Sector Deepening Mozambique (FSDMoc) has further contributed to increased financial inclusion levels. According to the BdM[3], by 2017, access to physical and electronic financial service had significantly increased and Mozambique's National Statistics Institute for the first time, measured financial inclusion during the 2017 population census.

Other initiatives demonstrating Mozambique's on-going commitment to ensuring that financial inclusion is a top priority, include *inter alia*:

- Preparation of new legislation for secured transactions as well as the finalisation of a new retail payments strategy leading to recent increases in the dissemination of electronic means of payment such as point-of-sale (POS), mobile banking and Mobile Money services
- The issuing of a calendar of public auctions to improve the transparency of government bond issuances in support of capital market development
- The rolling out of the pay-as-you-go (PAYGO) technology to low-income households. This technology combines a solar home system with a Mobile Money platform offering different payment plans to rural communities
- Financial service providers exploring cross sales through their agent networks (such as access to formal and digital loans, agri-value chain financing products, etc.) as well as the viability to use the network as a delivery channel to reach the informal sector (e.g. savings groups)
- FSDMoç commissioned a study on the ecosystem of digital financial services in Mozambique and the results were shared with the industry in May 2018. The study revealed that Digital Financial Services have allowed expansion and diversification of service offering ranging from Peer to Peer (P2P) transfers and bill payments, to merchant and bulk payments, credit, savings, insurance and value-added service such as Pay-As-You-Go (PAYGO) systems.[4]

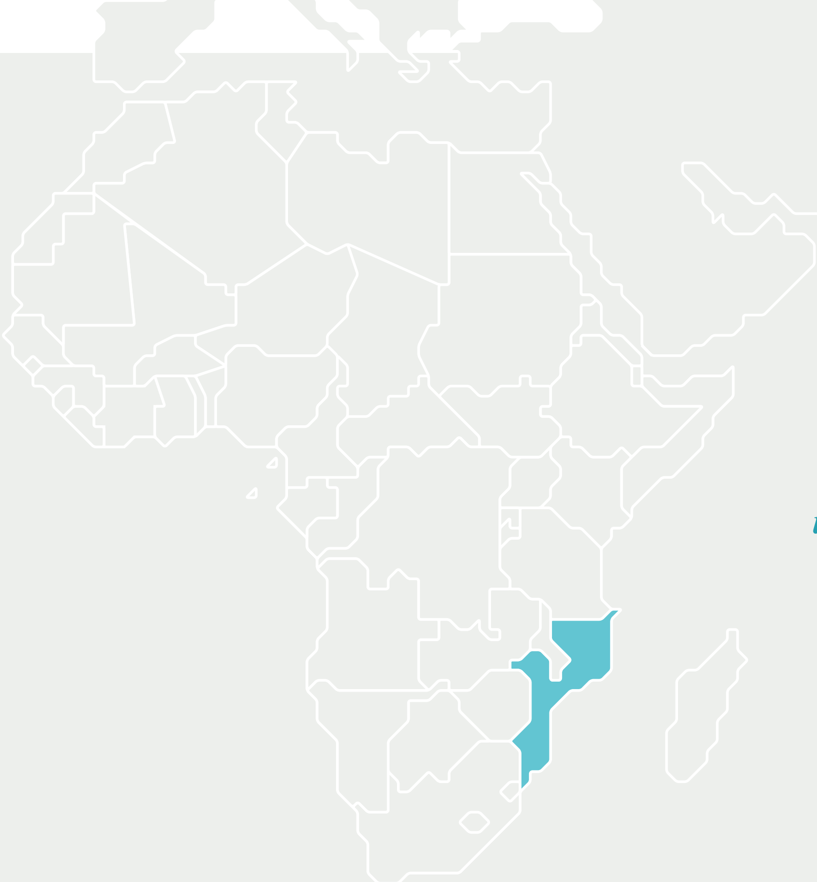
1.1. FinScope surveys in Mozambique

FinMark Trust (FMT) is an independent trust established in 2002 with the objective of making markets work for the poor. Driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems that can benefit all consumers, FMT has a catalytic role.

In pursuit of its objectives and challenged by a lack of information regarding the status quo, FMT developed the FinScope consumer survey. The FinScope survey is a nationally representative survey that looks at how individuals source money and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services and the usage thereof. To date, FinScope surveys have been conducted in 35 countries.

FSDMoc is a facility for financial sector development with a focus on expanding levels of financial inclusion in Mozambique. It is funded by the United Kingdom Department of International Development (DFID) and the Swedish International Development Cooperation Agency (SIDA). Key stakeholders are supported to both innovate and expand financial services, using technical expertise and targeted funding to boost their capacity and the people they serve.

2. https://www.worldbank.org/en/news/feature/2016/07/08/in-mozambique-world-bank-supports-financial-inclusion-strategy-for-greater-inclusion-of-growth
3. https://furtherafrica.com/2019/08/05/opentalk-mozambiques-financial-inclusion-with-esselina-macome/
4. FSDMoc 2018 Annual report



The key objective of FinScope is to measure levels of access to and usage of financial services by adults, across income ranges and other demographics, and making this information available for use by key stakeholders

FSDMoc, in collaboration with FMT, conducted the FinScope 2019 Consumer Survey in Mozambique (FS Mozambique 2019) funded by DFID. The first FinScope Consumer Survey in Mozambique was conducted in 2009 with the second survey in 2014 as an initiative of the Ministry of Economy and Finance and FMT co-funded by the DFID. Hence, the 2019 study aimed to update the 2014 study in order to track changes as well as to add new indicators in order to inform initiatives to further drive the financial inclusion agenda in Mozambique.

The key objective of FinScope is to measure levels of access to and usage of financial services by adults, across income ranges and other demographics, and making this information available for use by key stakeholders (such as policy-makers, regulators, and financial service providers) in order to stimulate evidence-based dialogue that could ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion strategies.

The information provided by this survey will help extend the reach of financial services in Mozambique as it provides an understanding of Mozambique's adult population (across demographics and geographical distributions) in terms of:

- How they generate their income
- Their financial needs and/or demands
- Their financial perceptions, attitudes and behaviour
- The obstacles they face and the factors that would have an influence on their financial behaviour and/or outcomes.

Specifically, the FS Mozambique 2019 survey tracks changes over time and provides the current status of the adult population (across demographics and geographical distributions) regarding:

- The levels of financial inclusion (i.e. levels of access to financial products and services – both formal and informal)
- The landscape of access (i.e. the type of products and services used by financially included individuals)
- The drivers of, and barriers to financial access as well as identifying their needs
- Stimulating evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion
- Comparison to survey results with the second FinScope Consumer Survey in Mozambique (2014), and to provide an assessment of changes and factors thereof (including possible impacts of previous interventions to enhance access).

This report documents the principal findings of the survey and presents recommendations for stakeholders of Mozambique's financial sector. The breadth of information collected in the survey allows analysis of the population across a multitude of different variables such as specific provincial, rural or urban, income level, household size, age group, gender, and so on.

This report captures the main findings in a manner comparable to past FinScope reports in Mozambique and other countries. However, further in-depth analysis could be performed on the data that has not been covered in this report. Stakeholders are recommended to review the data available in order to help them to address financial and development questions that are significant to them. This data is publicly available and can be downloaded on the FSDMoc, National Statistical Institute (INE) and FMT (i2i) websites.

2. Methodological Approach

The FinScope Consumer Survey Mozambique 2019 was carried out with a nationally representative sample of 5,822 adults that comprised 5,073 individuals allocated to the main sample and 749 adults allocated to a booster sample for the two districts of Homoine and Changara. Adults were selected at household level across the country. The sample was designed and weighted by the National Statistical Institute (INE). The main sample is also representative at national, provincial, urban and rural levels as with past surveys with the booster district sample representative at district and urban and rural levels.

A detailed technical report has been prepared that delves deeper into each of the following sub-sections.

2.1. Survey implementation

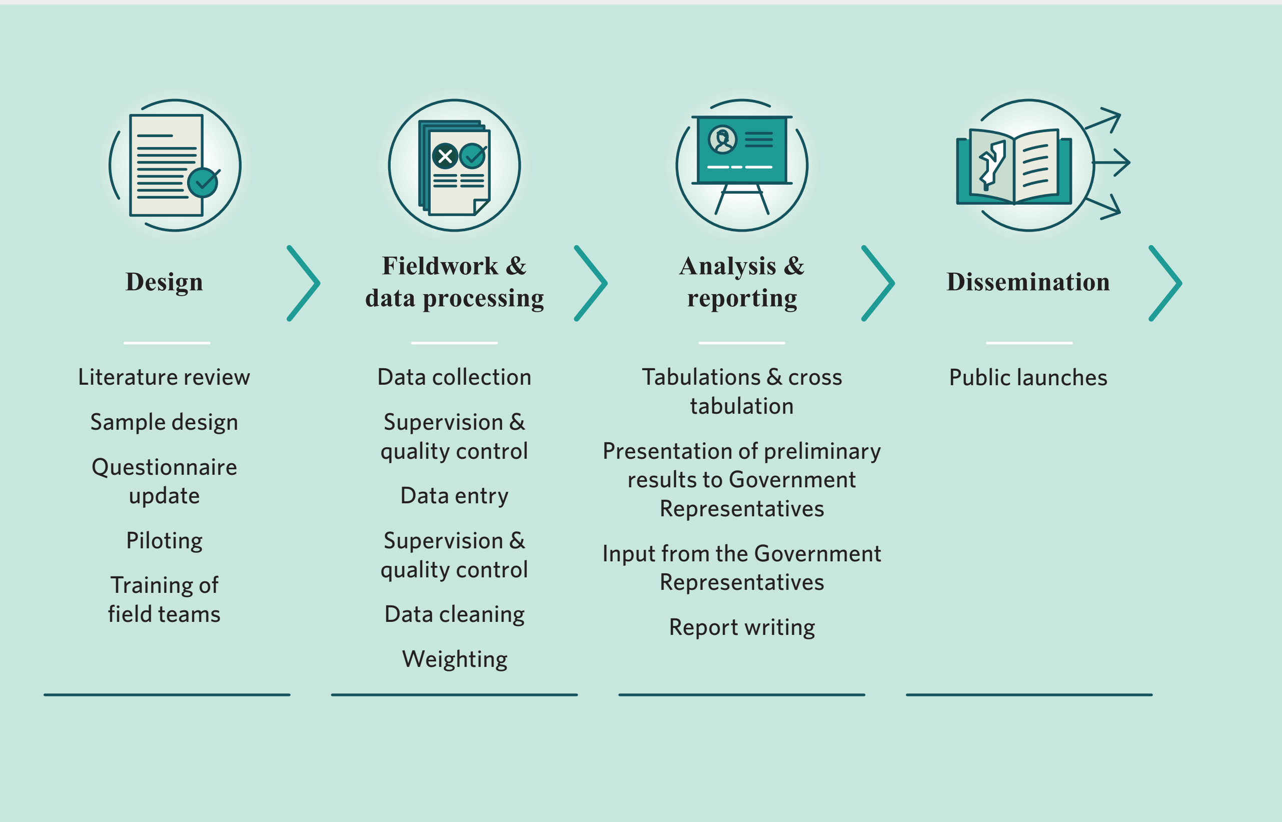
The survey was implemented in the four stages seen in Figure 1. As with past surveys, the design was overseen by the Government Representatives facilitated by the FSDMoc. Inputs were taken into the design to ensure that all stakeholders had weigh-in on the design. For example, INE designed the sample and deployed technicians to oversee the training and data collection quality control checks.

2.2. Sampling and weighting

A three-stage sampling approach (comparable with the sampling methodology applied for the previous FinScope Mozambique surveys) was applied. This approach ensured that all adults aged 16 years or older had an equal probability of being sampled.

The first level of sampling was done to ensure geographic representation of the country. As mentioned, INE was responsible for drawing a nationally representative sample of enumeration areas (EAs) using the national census as a sampling frame. A sample of 566 EAs was drawn using a probability proportional to population size approach, ensuring that the sample was robust and representative

FIGURE 1: Survey implementation stages | *Source: FinScope Consumer Survey Technical Report 2019*



of adults 16 years or older within urban and rural settings. It is noteworthy that there was a deliberate increase in the number of households included in the sample for 2019 from the 2014 sample to cater for better data and sub-national analysis.

In order to facilitate more depth analysis with regard to low levels of inclusion, a booster sample of 92 EAs in two districts was further drawn. For this purpose, the members of the Technical Committee decided on the districts of Homoine in the Inhambane province and Changara in the Tete province which illustrated significantly low levels of financial inclusion according to evidence from other surveys (including the 2017 census).

Table 1 provides a provincial overview of the sample EA distribution per urban-rural stratum.

TABLE 1: Provincial distribution of sample EAs per stratum

Source: FinScope Consumer Survey Technical Report 2019

NATIONAL MAIN SAMPLE

Provinces	Rural	Urban	Total
Cabo Delgado	29	19	48
Gaza	29	17	46
Inhambane	29	19	48
Manica	29	17	46
Maputo Cidade	0	50	50
Maputo Province	18	28	46
Nampula	39	33	72
Niassa	29	17	46
Sofala	24	22	46
Tete	29	19	48
Zambezia	38	32	70
Grand Total	**293**	**273**	**566**

DISTRICT BOOSTER SAMPLE

Provinces	Rural	Urban	Total
Inhambane	42	4	46
Tete	46	0	46
Grand Total	**88**	**4**	**92**

A listing exercise (the purpose of which was to compile the household sampling frame for the EA) was conducted as soon as the enumerator team entered an EA and permission was obtained to conduct the survey in the EA. It entailed moving from structure to structure within the EA boundaries determining and recording:

- Whether it was used for residential purposes or not
- The number of households per residential structure (using INE's definition of a household)
- The address and details of the head of the household for the purpose of identifying the household should it be sampled after listing had been completed
- The number of individuals 16 years or older in the household per gender.

2.3. Questionnaire design

Being a repeat survey, the FinScope Survey Mozambique 2019 was conducted with an updated version of the FinScope 2014 Mozambique survey questionnaire. A series of meetings of the Government Representatives were held for the process of revising and updating the survey questionnaire. The Ministry of Economy and Finance, BdM, INE, ISSM, and Ministry of Land and Environment, approved the final version of the questionnaire.

As with the previous surveys, the final English instrument was translated into Portuguese once the English version had been approved. The Portuguese questionnaire was back translated into English for quality control purposes.

Writing of the program to facilitate this was done by Ipsos Kenya taking care to building in validity and consistency checks to ensure data quality.

Ipsos Mozambique conducted a pilot survey in both urban and rural areas to:

- Test the electronic questionnaire/script in different settings
- Test the logistics and field assumptions which will enable more effective planning and execution of the main survey
- Test the methodology to be applied in areas where there is no mobile phone signal.

2.4. Fieldwork and quality control

Fieldwork was conducted using 43 teams (comprising of 3 interviewers and one supervisor each) recruited from the provinces where they were to conduct the FinScope survey. Table 2 provides a summary of the provincial deployment of the teams.

In addition to the field teams, there were 3 field coordinators (one coordinator each for the North, South and Central regions) and an overall field manager.

TABLE 2: Provincial deployment of interviewer teams
Source: FinScope Consumer Survey Technical Report 2019

Province	Interviewers	Supervisors	Total
Maputo City	9	3	12
Maputo Province	9	3	12
Gaza	9	3	12
Inhambane	12	4	16
Manica	6	2	8
Sofala	9	3	12
Tete	9	3	12
Zambézia	21	7	28
Nampula	21	7	28
Cabo Delgado	12	4	16
Niassa	12	4	16
Total	**129**	**43**	**172**

Quality control measures during fieldwork were conducted by an additional quality control team that included:

- 3 field quality checkers who were responsible for unannounced field visits to verify the survey implementation process
- 2 telephonic back-checkers who were office-based verifying the accuracy of the interviewing and data capturing process
- Real-time monitoring of the electronic data submitted to the Ipsos server (as well as feedback to the field teams) was done by Yakini development Consulting who acted as technical consultant for Ipsos Mozambique
- FSDMoc and FMT personnel visited field teams in Manhica and Chokwe
- INE officials visited field teams in Zambezia, Tete and Sofala.

Prior to the commencement of fieldwork, field teams underwent extensive training. Enumerators were split into two groups and training was conducted in two phases – phase one was done in Maputo and the second in the Nampula. Data was captured during the interview process using mobile phones.

Fieldwork commenced on 19 July and was completed on 24 November. Fieldwork had to be put on hold for the period 1-27 October due to national elections.

2.5. Data submission, cleaning and weighting

Once fieldwork was completed the data was converted to Statistical Package for Social Sciences (SPSS), cleaned and coded. A finalised dataset in SPSS format was submitted to INE for weighting and validation to ensure that the data reflected the population of Mozambique 16 years or older as at 2019 estimates.

3. Mozambique Economy and Financial Services

Mozambique has realised sustained economic growth in the last decade. This was, to a large extent, as a result of the inflow of foreign aid and investment. Regardless of the impressive growth performance, Mozambique remains a low-income economy. The majority of the population is rural-based and dependent on small-scale farming.

Early in 2016, the Bank of Mozambique revised down its economic projections. This was due to a number of factors including undisclosed and unpaid public debt, a decline in prices for key exports, lower inward investment, and foreign donors cutting their financial support, resulting in devaluation of the currency.

Furthermore, the agriculture sector was hit by a severe drought spanning large parts of Southern and Eastern Africa as a result of El Nino with a devastating effect on the rural population and food security in the region. This was further exacerbated by the outbreak of foot and mouth disease amongst livestock that not only affected small-scale farmers but the whole of the red-meat industry. How this affected livestock and agriculture-farmer households is reflected later in the savings mechanisms in the financial access chapter.

Efforts to rehabilitate the economy were just beginning to show results when tropical cyclones Idai and Kenneth hit the country during March and April 2019. According to the International Monetary Fund (IMF)[5], the economic growth was recovering gradually and inflation was decreasing. However, the productive capacity of the country was severely affected and economic activity decelerated sharply during 2019.

Credit institutions, especially those of systemic importance, have been affected by the weak performance of the economy and by non-compliance with obligations by a number of institutions within the banking system.

There has again been an increase in public debt as a percentage of the GDP constituting a major vulnerability to the country's financial system. Due to the weight of the State in the economy and the gap in the coverage of its commitments with high levels of overdue loans, the willingness of banks to grant loans to individuals and businesses has been severely restricted[6]. This, in turn, affected the economic activity of individuals and especially MSMEs as well as their ability to save, and recover from financial shocks. Ultimately this will have a negative effect on the country's ability to achieve short-term financial inclusion targets.

The discovery of large natural gas reserves in the Rovuma Basin and the projected economic boom associated with the development of the gas sector is expected to have multiple positive externalities for the rest of the economy and might likely be the long-term solution to Mozambique's financial problems. The Bank of Mozambique projected that the economy will gradually start recovering during 2020 although it will still not achieve its full potential.

However, there are major concerns about the global spread of COVID-19 (coronavirus) across the world. Quantifying the economic impact is complex, giving rise to significant uncertainty about the economic outlook and the associated downside risks. The pandemic has already caused global stock markets to crash, raising fears of a recession. Due to Mozambique's economic and trade relations with China, the epicentre of the outbreak, both imports and exports will be affected.

Similarly, countries hit by a sudden and unexpected public health emergency—as coronavirus is proving to be—can see their economies slow and their budgets squeezed as they spend more to counter the impact of the virus. At the same time, they may experience a drop in revenue from falling economic activity. Countries could also face lower export revenues due to falling tourism receipts or a decline in commodity prices. A sudden halt in capital inflows could exacerbate the situation further. Together, this could result in an urgent balance-of-payments needed to counter the mismatch between foreign exchange inflows and outflows. Even if an individual country is fortunate enough to escape widespread viral contagion, the spillover effects from global developments or broken supply chains may still lead to faltering economic activity, with Mozambique's economy being no exception.

3.1. The financial sector as of 2019

In 2019 with the implementation of the FinScope survey, the formal financial sector comprised the following entities:

5. IMF press release no 19/198 June 2019
6. https://macauhub.com.mo/2020/01/03/pt-sistema-financeiro-de-mocambique-vulneravel-a-elevada-divida-publica-afirma-banco-central/

- Regulators:
  - Bank of Mozambique
  - Insurance Supervision Institute of Mozambique
- Credit institutions and financial companies:
  - 19 commercial banks
  - 9 micro-banks
  - 9 credit unions
  - 3 electronic money institutions
  - 12 savings and loan organisations
  - 529 representations of Savings and Credit Unions, Micro-Credit operators
- Insurance and pension institutions
  - 22 insurance operators (including 1 micro-insurance operator)
  - 1 basic social security institution and 2 mandatory social security institutions
  - 8 pension funds and 6 pension fund management companies
- Capital market institutions
  - 1 Stock Exchange and 9 Stock Exchange operators

Table 3 gives an overview of the provincial distribution of commercial bank access points whilst the number of ATMs, points-of-sale devices, debit and credit cards and other supply-side indicators are reflected in Table 4.

As is illustrated by the data summarised in Table 4, most bank branches are concentrated in the population dense areas of Maputo city and province of Maputo. Banks in Mozambique have only recently started to implement banking agent programmes in an attempt to expand their footprint in a low-cost manner and to reach the unserved populations in rural areas. However, contracting bank agents by the banking system is limited by the list of entities that are eligible to be considered as agents, and the criteria for evaluating potential banking agents (which include facilities, security, technical capacity of employees).

Figure 2 gives an overview of the number of bank branches and the number of bank agents per province.

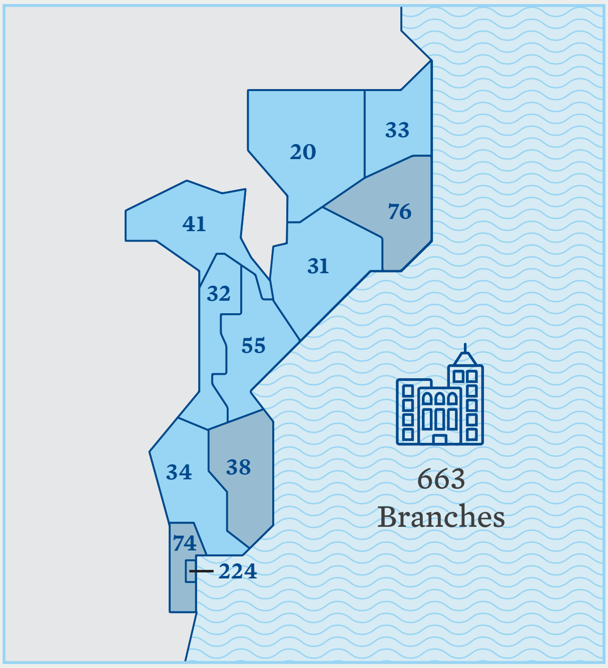
TABLE 3: Provincial distribution of bank branches | *Source: Banco de Moçambique and Monthly Summary of Statistical Information Trimester III 2019*

Provinces	Branches *(until Q3:2019)*	Bank agents *(until Q3:2019)*	Non- bank agents *(until Q3:2019)*	Micro- Banks & Credit operators *(until 12/2019)*	Representations of Savings & Credit Unions, Micro-Credit operators *(until 12/2019)*
Maputo - City	236	496	13 407	13	320
Maputo - Province	77	172	10 956	9	100
Gaza	33	34	2 505	3	24
Inhambane	38	68	3 865	5	17
Sofala	54	55	4 406	5	15
Manica	27	116	2 772	6	4
Tete	39	51	3 039	5	9
Zambézia	33	34	3 813	4	12
Nampula	79	85	5 670	8	12
Cabo - Delgado	38	19	1 940	2	12
Niassa	25	29	1 128	3	4
TOTAL	**679**	**1 159**	**53 502**	**63**	**529**

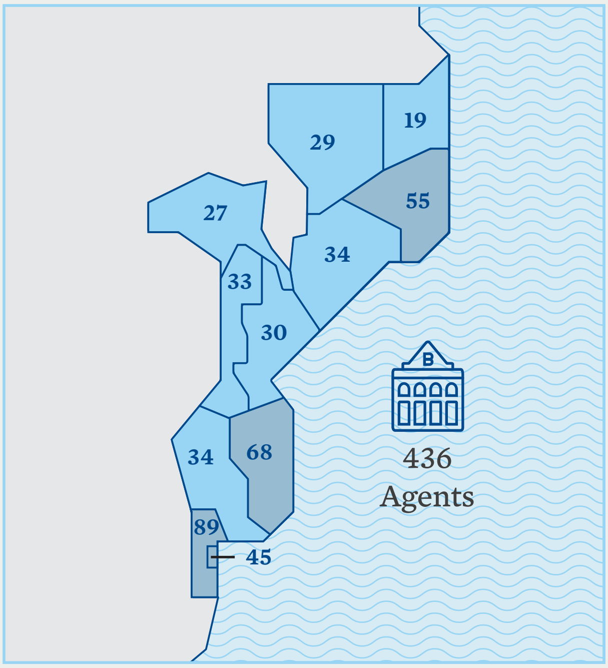
TABLE 4: Supply-side indicators: Trends 2014-2019 | *Source: Banco de Moçambique 2020*

	2014	2015	2016	2017	2018	2019
Number of ATMs	1 301	1 561	1 678	1 701	1 766	1 755
Number of POS	14 688	20 482	25 082	25 689	32 659	36 701
Number of debit cards	3 306 154	2 845 082	3 155 049	3 360 855	3 160 026	2 780 814
Number of credit cards	97 324	135 838	244 590	141 499	119 683	321 728
Total of cards	3 425 346	3 001 879	3 455 590	3 652 028	3 332 349	2 900 830
Number of bank accounts in MT	3 461 568	4 251 084	5 008 451	4 732 053	4 928 711	4 975 495
Number of bank accounts in FX	115 534	154 073	204 990	164 491	165 026	137 355
Total of bank accounts	3 577 102	4 405 157	5 213 441	4 896 544	5 093 737	5 112 850
Accounts/1000 adults	2 510	3 110	3 600	3 620	n/a	n/a

FIGURE 2: **Number of bank branches and bank agents (December 2018)**



100 to 250 banks and agents
Less than 100 branches and agents



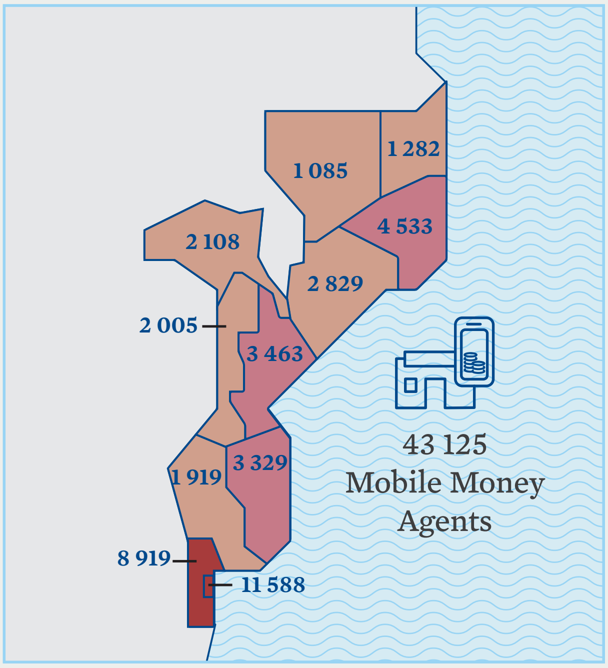
3.2. Other financial services initiatives

3.2.1. Digital financial services

Digital financial services are being used in order to expand the distribution of financial services outside of the traditional branch and ATM channels as well as to accelerate financial inclusion in Mozambique. The FinScope 2014 survey findings indicated that only 24 per cent of adults had access to formal financial services. However, since then supply-side measures have indicated that inclusion has been increasing due to digital innovations:

- Mobile Money (launched in 2011) is playing a significant role in accelerating access to financial services with Mobile Money agents covering 77 per cent of districts by 2016 and being the second most prevalent access point in Mozambique after POS. Figure 3 shows the distribution of Mobile Money agents with Maputo City and Province having a large proportion
- Integration technologies have allowed interoperability between banks and between banks and Mobile Money operators and have streamlined payments
- Biometric technologies simplified the compliance with Know Your Customer (KYC) requirements
- Branchless channels such as agents and mobile phones have brought financial services to the unserved populations in the remote areas of the country
- Automated data-collection allowed the financial sector to adopt a more customer-centric needs-based approach
- Virtual POSs have reduced transaction costs.

FIGURE 3: **Number of Mobile Money agents per province (December 2018)**



>=6,000
3,000 to 6,000
Less than 3,000

3.2.2. Rural financial sector developments

With more than 70 per cent of the population making a living primarily from agriculture (and the vast majority through subsistence farming), any serious efforts to advance financial inclusion needs to focus on the rural population, and more specifically, on smallholder farmers. Research amongst smallholder farmers[7] has demonstrated that the rural financial inclusion landscape is changing. Although there has been an increase in informal savings, group activities leading to increased access to informal services, positive support from BoM and the formal financial sector has also contributed significantly to these changes mainly through:

- The distribution of digital financial services and mobile-enabled information services
  - Mobile Money services grew significantly with substantial investments by mobile network operators to expand their coverage and to promote the use of these services

- In-acting of legislation enabling agent banking, micro-insurance and warehouse receipts

- The launch of the national payments system switch, SIMO, which allows for a more interoperable payment system – thereby reducing the costs of transactions specifically in rural areas

- Several companies in the agricultural sector working with smallholder farmers and financial institutions to provide them with technical and financial assistance

- Commercial banks continuing to look for ways to finance agriculture. These efforts have led to several new credit lines and guarantee funds having been set up
  - Several banks have also developed digital financial services and applications for mobile phones that permit remote client registration and transacting and some banks have entered into partnerships with Mobile Money operators to extend their services to rural areas.

Although the report on the Status of Agriculture and Rural Finance[8] noted that the dependence on donor funding is not sustainable, the willingness of donors to continue to implement large-scale projects in rural areas has led to real change in the agricultural sector. Such initiatives include *inter alia* credit for businesses involved in renewable energy administered by BoM and financed by Kreditanstalt fur Wiederaufbau (the Credit Institute for Reconstruction, Germany) (KfW) and the initiative to promote companies involved in solar systems, green-mini-grids and more efficient cooking stoves funded by DFID.

3.2.3. Youth development

Economic opportunities for Mozambicans have been limited, as high growth has not resulted in growth in formal or informal sector jobs. Creating enough jobs for young Mozambicans, who make up the majority of the population is therefore a significant problem. Mozambique has to make investments in its youth to ensure that they can live productive lives out of poverty.

There is a growing consensus among policy makers that increasing young people's financial access, and strengthening their ability to use financial services, will play a direct role in supporting their transition to employment and better livelihoods[9]. Creating their own employment through starting their own income-generating activities, financial services such as enterprise finance, insurance, leasing and payment services will help them start, sustain and grow their businesses. However, regulations such as KYC requirements and a minimum age for opening accounts with financial institutions are still barriers to inclusion for the youth although the new banking model that makes better use of digital technology has significantly improved the business case for serving young customers. Youths are likely to be adaptable and fast learners of using new technology. More analysis is explored across the report with regard to youth participation in the financial sector and their use of financial services.

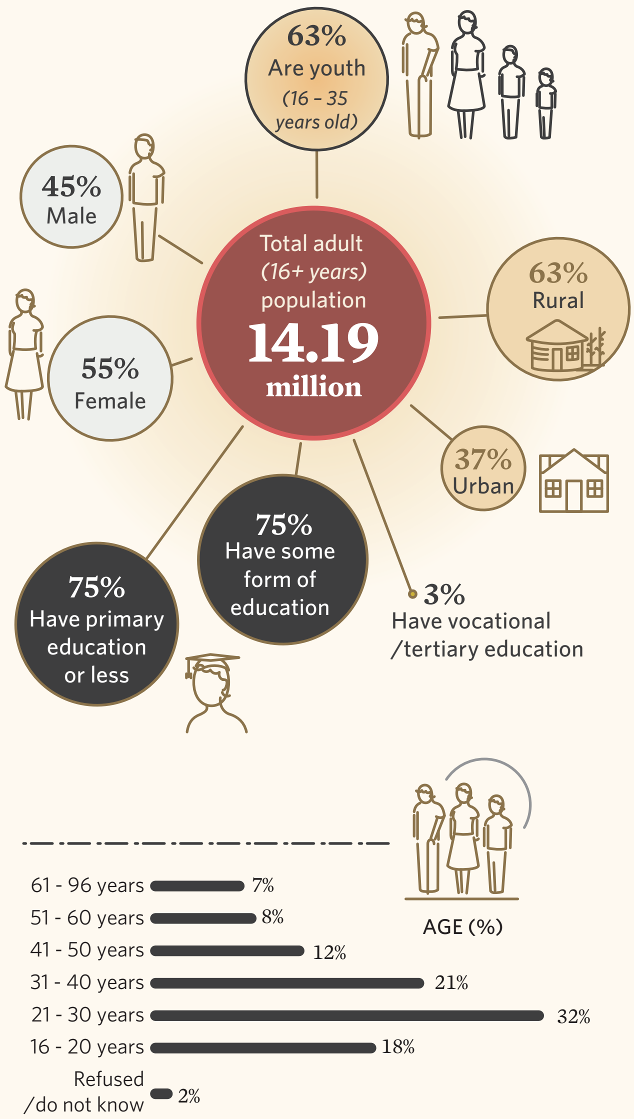
7. Advancing Financial Inclusion for Smallholder Households in Mozambique. CGAP, FSD Moz.
8. Status of Agricultural and Rural Finance in Mozambique, FinMark Trust 2012.
9. Investing in the Next Generation.

4. Mozambique Demographic Profile

The demographic profile provides valuable insights for consumer behaviour and potential interaction with the financial system. The FinScope Survey captures a range of information including data on individuals, as well as some household information. This section presents the findings of the demographic and household characteristics. It discusses the profile of individuals aged 16 years and above, and includes information on gender distribution, education, livelihoods and levels of education. In relation to household conditions, results are presented on access to amenities.

FIGURE 4: Demographic profile

Source: FinScope Consumer 2019 Survey



4.1. Demographic and household characteristics

A large proportion of Mozambican adults live in rural areas (63 per cent) which is not too different from past surveys, although there has been significant growth in the urban population since 2009. The adult population is young; about 63 per cent of the population is 35 years and younger. Three in every four Mozambicans (75 per cent) have attained secondary education and lower, with only 1 per cent having tertiary education in 2019. The demographics are displayed in Figure 4.

Table 5 shows a demographic profile of Mozambican adult population in 2019. This comprehensive profile of the population has the potential to assist in determining particular financial consumer education needs for the various strata of the society. Adult Mozambicans with higher educational attainments (secondary qualification and above) make up the

TABLE 5: Sex, age and education

Source: FinScope Consumer 2019 Survey

	Total 2014	Total 2019	Urban 2019	Rural 2019
Total adult population	14 431 915	14 198 237	5 293 827	8 904 410
Sex	%	%	%	%
Male	48	45	43	46
Female	52	55	57	54
Age	%	%	%	%
16-20	19	18	18	18
21-30	27	32	34	31
31-40	23	21	22	21
41-50	14	12	12	12
51-60	8	8	7	9
61+	7	7	6	7
Refused/do not know	3	2	1	2
Education level	%	%	%	%
No formal education	14	25	12	32
Primary	49	47	35	54
Secondary	18	25	46	13
Vocational/ specialised training	2	2	4	1
University/ tertiary	0.2	1	3	0.2
Other/do not Know	16	1	1	0.4

majority of the population in urban areas (53 per cent), versus 14 per cent in rural areas. There are slightly more females in urban areas than rural areas. The youth and middle-aged population are likely to stay in urban areas in search of better employment or economic opportunities.

4.1.1. Livelihoods (income sources)

Overall, the main source of income for adults in Mozambique is farming or agriculture (19 per cent). Worryingly, a large proportion (28 per cent) of the adults claim they do not generate an income but do get assistance from community or friends and family. Besides farming, 11 per cent of adults generate an income from their businesses and most of the businesses are not formally registered. The private and government sector employs about 9 per cent of the adults in Mozambique. Additionally, about one in every ten adults depends on a family member for support. The personal monthly income also shows that only a few (10 per cent) are earning more than 5000 MT (USD 80) per month.

The main source of income can be further grouped into target groups, which help in defining and prioritising measures to improve financial inclusion. This is done through a segmentation that merges groups of adults earning from similar income sources such as government and private sector employees who are both formally employed. As shown in Figure 6, there are clear distinctions between rural and urban adults' livelihoods as reflected by the number of farmers and those formally employed. Rural households tend to depend more on money from farming (25 per cent) versus only 6 per cent of adults in the urban areas. On the contrary, only a few rural adults are formally employed (3 per cent) compared to 18 per cent of the adults in the urban areas.

Moreover, a high proportion of adults (66 per cent) from the urban areas either generate an income from their own businesses or from piece jobs or they rely on friends and family for assistance (versus 73 per cent of rural adults). Further analysis indicates that in urban areas, more adults that are dependents are youth (68 per cent), who probably are studying and dependent on family or friends or remittances for their livelihood. Interestingly, there are more youth in all main-income segments (given their higher proportion to seniors at 62 per cent), with the highest proportion within the youth segment being involved in informal employment.

FIGURE 5: Main income source and personal monthly income (%) | *Source: FinScope Consumer 2019 Survey*

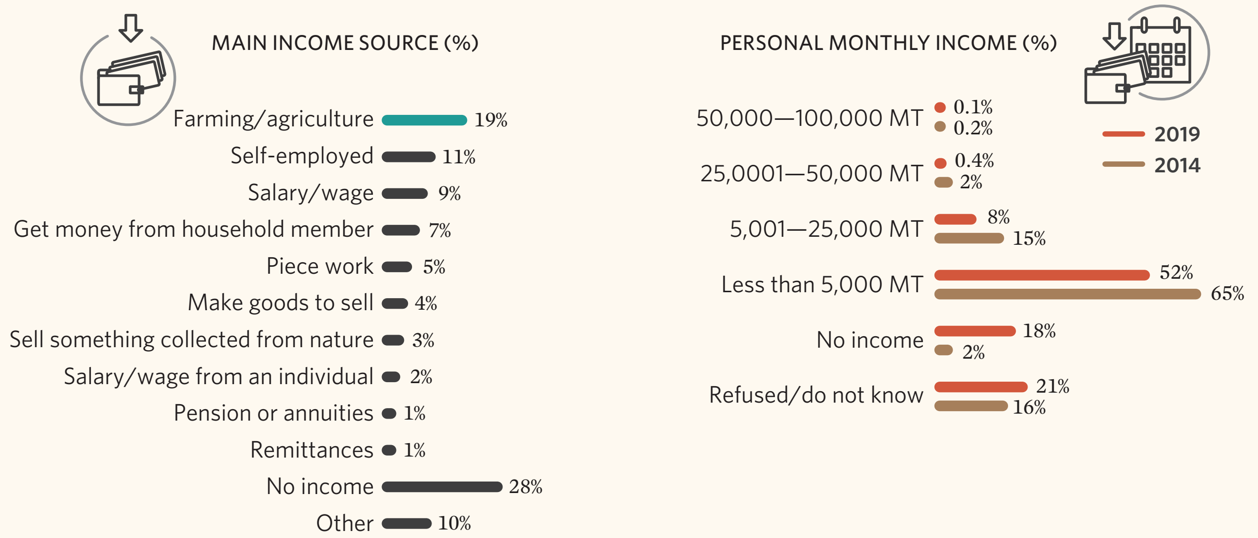
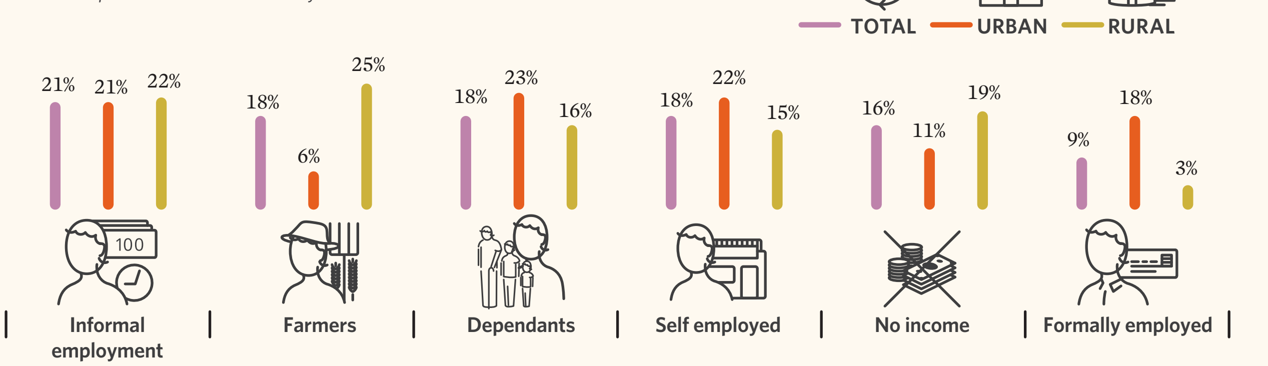


FIGURE 6: Target groups by location (%)
Source: FinScope Consumer 2019 Survey



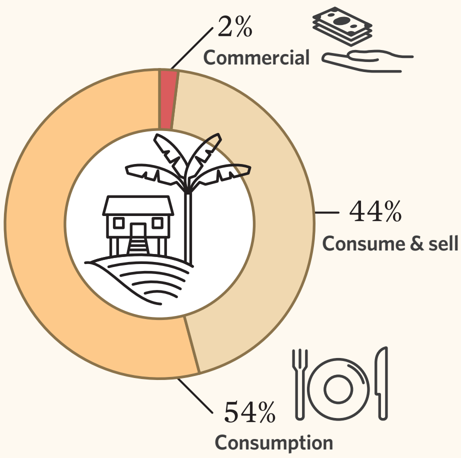
4.1.2. Farming

Agriculture is the most popular livelihood source for two in three households (64 per cent) while it is the sole livelihood for 35 per cent of the households. About 54 per cent of Mozambicans who are involved in farming, farm for consumption and to supplement other incomes. Only 2 per cent are fully commercial farmers who indicate that they sell most of their farm outputs, while the rest are mainly subsistence farmers (see Figure 7). A deep dive into the regions reveals that most of the households in Zambezia and Niassa provinces rely mostly on farming. Agricultural finance could be of relevance for these regions, and financial services such as transactional services, savings, credit and insurance for the farming community might help in expanding financial inclusion.

Despite agriculture being a major vocation for the rural population, only 2 per cent are producing exclusively for selling. Encouragingly, 45 per cent of those that are farming consume and sell their produce thus increasing the capacity of the households that use proceeds to increase household earnings. Productivity or yield improvements will likely increase the number of households that are engaged in meaningful agriculture and those who produce exclusively for the market. The creation of a strategic value chain ecosystem, and provision of appropriate financial services will improve the contribution of the sector to enhanced sustainable livelihoods through increased farm outputs, and thus incomes, and the provision of additional employment opportunities.

FIGURE 7: Household involvement in farming (%)

Source: FinScope Consumer 2019 Survey

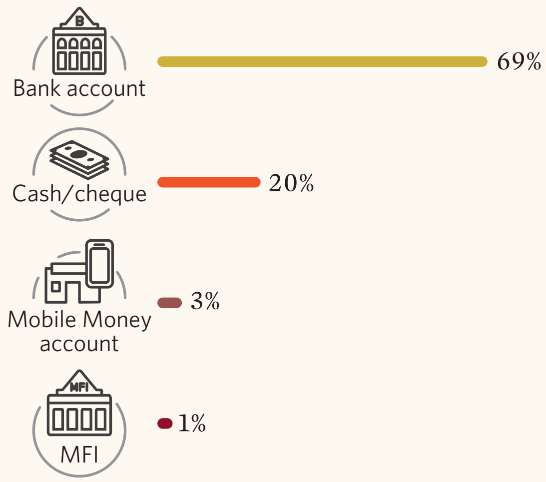


4.1.3. Government payment recipients

The study also explored the population of adults that are receiving payments from the Government. This included, and is not limited to, government employees, grant recipients and pension fund recipients. The total universe of this population is about 7 per cent of the adult population, that is, about one million adults. Fifty-six per cent of government recipients are male; 32 per cent are located in rural areas, and they are mostly youth (56 per cent). Figure 8 shows the channels through which they receive payments from the Government.

FIGURE 8: Government recipient payment channels (%)

Source: FinScope Consumer 2019 Survey

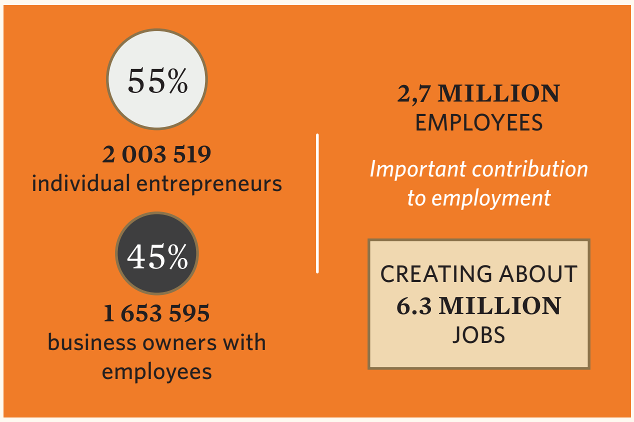


4.1.4. Size, scope and formality of business owners

While the FinScope Consumer 2019 survey is not designed to measure and quantify micro-enterprises or small and medium enterprises or their business owners, the survey went deeper into identifying adults who own businesses. Hence, the analysis in this section is in relation to the adults that claim to have businesses under which they are self-employed as a primary or secondary source of income.

FIGURE 9: Size, scope & formality of business owners

Source: FinScope Consumer 2019 Survey



The business owners (3.6 million) in the adult population of Mozambique employ a total of 2.7 million people (excluding the business owners themselves) as shown in Figure 9. As such, this sector contributes significantly to job creation with a total of about 6.3 million people working in the sector inclusive of business owners. Business owners are mainly involved in agriculture-related activities (54 per cent), this being livestock and agriculture farming as well as selling farm products and products collected from nature (firewood, minerals etc.), as well as wholesale and retail businesses (31 per cent).

Few businesses are involved in secondary or tertiary sectors such as manufacturing (5 per cent), but supporting the primary sector (mining, agriculture) is crucial in its early stage of development. Despite small businesses contributing to poverty alleviation, especially as a buffer against slipping into deeper poverty, and reducing individual and household vulnerability, they face problems at start-up and operation. Consistent to other studies on small businesses, access to finance (15 per cent), lack of skills (21 per cent) and access to markets (21 per cent) among others were the most common problems cited. Unpacking these challenges further for those in the sector in their different segments, and supporting small businesses will yield much change to the society.

4.1.5. Sustainable Development Goals (SDG's) and financial inclusion

In addition to understanding the demographic profile and livelihoods of the population, it is also important to assess the realities of everyday life and the challenges people face in terms of access to basic amenities, and access to infrastructure and wealth profiles. All these aspects are likely to affect how people interact with financial services, as these serve particular needs. People who have poor access to basic amenities and infrastructure, and who struggle to make a living and make ends meet, are unlikely to prioritise access or even usage of financial services with their limited means to afford these services.

The report highlights the link between financial inclusion and development. For instance, digital technologies have helped boost financial inclusion and thus assist in achieving SDG 1 – No Poverty. Digital financial payment products, such as a mobile phone linked to a bank or Mobile Money account, allow people to receive money, reducing the chance of incurring heavy debts during a crisis from which they are unable to recover. A study of Kenya's mobile phone-based money platform, M-Pesa, showed users are more likely to receive a remittance when hit with a financial shock, such as a job loss[10].

4.1.5.1. Access to basic amenities

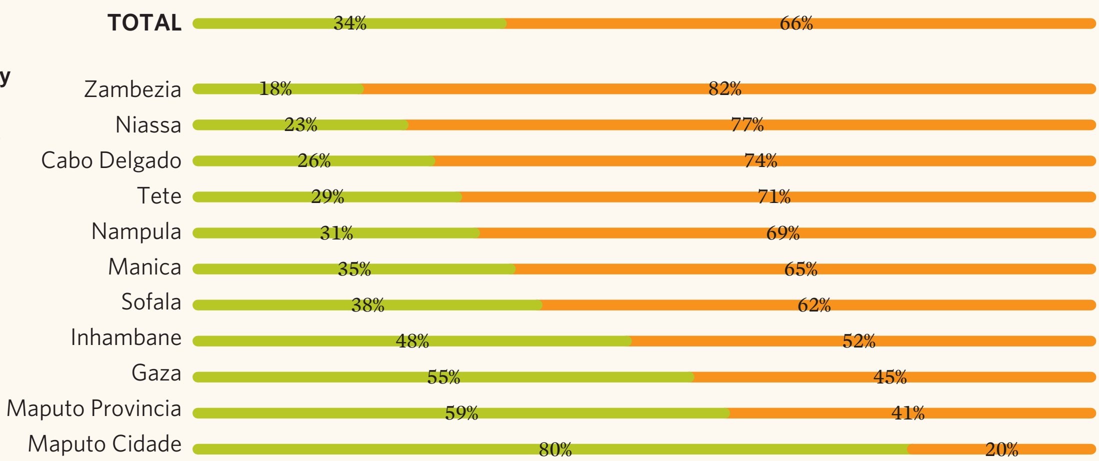
The survey findings reveal that Mozambican households have low levels of access to some basic amenities, including piped water and electricity, as illustrated in Figure 10, Figure 11 and Figure 12, respectively. However, the level of access varies per regions, with Zambezia region recording significantly lower access to piped water and electricity. Niassa, Cabo Delgado, Tete and Nampula provinces also record poor levels of access, below the national average of access to tap and piped water. Approximately, 80 per cent of adults in Maputo Cidade province have access to piped water. There is an improvement in the access to water in both urban (up 17-percentage points) and rural areas (up 18-percentage points), since 2014. However, access to electricity has been marginal with a 7-percentage point increase to 31 per cent in 2019.

Access to proper sanitation facilities and electricity in Zambezia, Tete, Inhambane, Niassa, Sofala, Cabo Delgado and Nampula provinces are below the national average. This could indicate higher levels of hardship and lower living standards for the population in these provinces.

The poverty indicators in Figure 13 include households that have either skipped a meal or forgone medical treatment or have not been able to send a child to school because of insufficient funds. It also reveals that households living in the provinces like Niassa, Zambezia, Sofala and Nampula have the highest proportions experiencing poverty-related symptoms, and poverty-alleviating interventions to these provinces could improve standards of living.

FIGURE 10: Access to piped water by province (%)

Source: FinScope Consumer 2019 Survey



10. http://mitmgmtfaculty.mit.edu/tsuri/

While poverty indicators were not measured in 2014, the current symptoms of poverty are visible. The most concerning symptoms being the households that forego medical treatment (43 per cent) and those with children skipping school (38 per cent). These speak directly to the SGDs with a clear overlap on how financial services assist in this regard. In the context of the economic status, demographics, and income sources of most adults being informal and having dependents, this leaves a considerable proportion of households susceptible to poverty, lack of basic amenities, and education.

FIGURE 11:
Access to sanitation (%)

Source: FinScope Consumer 2019 Survey

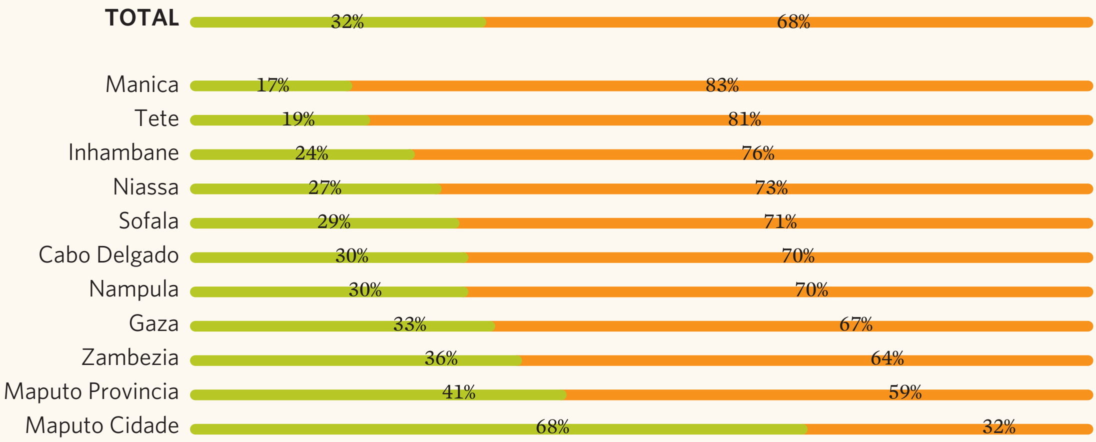
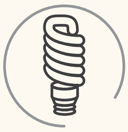


FIGURE 12:
Access to electricity

Source: FinScope Consumer 2019 Survey



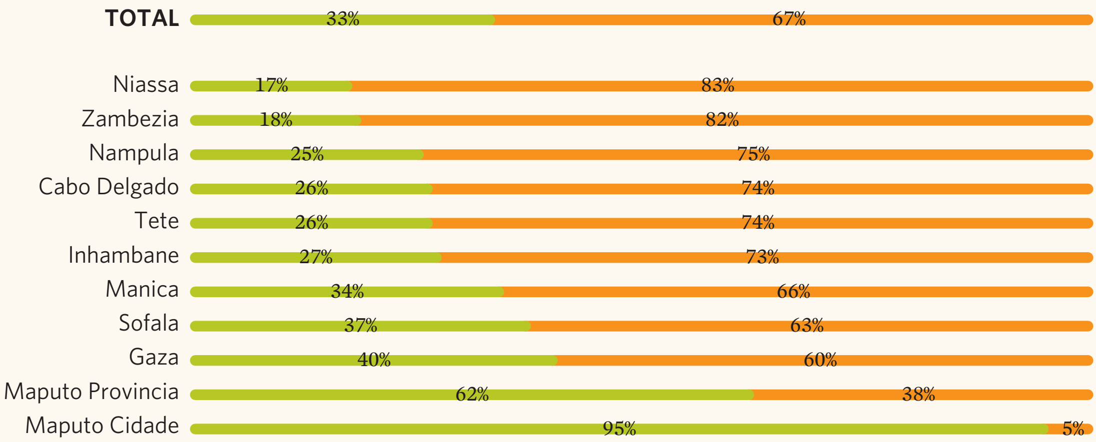
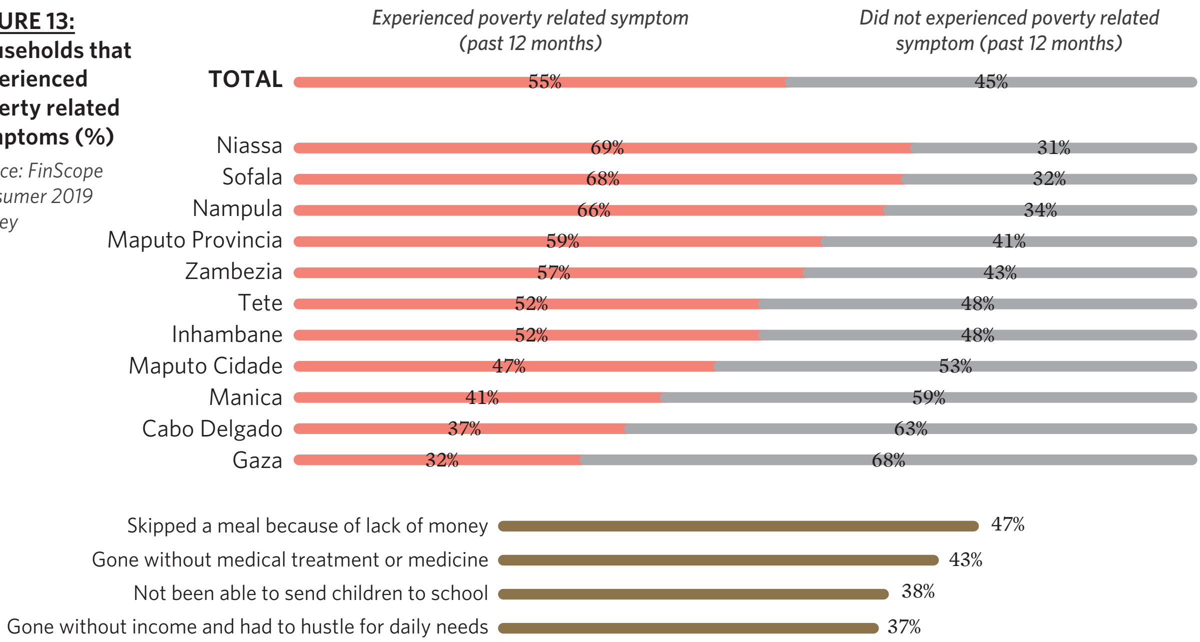


FIGURE 13:
Households that experienced poverty related symptoms (%)

Source: FinScope Consumer 2019 Survey



4.1.5.2. Assets ownership

There are many forms of poverty, with the most difficult to eradicate being hereditary poverty. Empowering poor households to own assets uplifts their standard of living. Assets at household level allow for increased productivity, thereby improving the earnings of households. Based on the livelihood framework, basic to average household assets allow adults to focus more on productivity. Figure 14 shows that ownership of assets such as mobile phones, televisions, computers, and solar panels increased whilst there was a drop in high net-worth assets such as motorcycles, cars and trucks between 2014 and 2019. There are huge variances between assets owned by urban and rural households, though the mobile phone and the radio are assets that are highly-owned by both. In rural areas there are higher proportions of households with fewer average and comfort assets that is indicative of lower incomes.

4.2. Information access and connectivity

A major constraint to accessing financial services in many areas is the limited telephonic or cell phone service including the capacity to afford them. There is a slight increase in the usage of basic phones and smartphones; access provides opportunities for formal financial inclusion mainly through mobile-based financial services. Figure 13 shows media platforms accessed in the past month prior to the survey, though access is generally low; using the radio and the TV for conveying important messages would help reach a larger audience. There is an increase in adults using the Internet although this figure may be slightly higher due to people not having the understanding of the Internet ,versus data or social media bundles.

FIGURE 14: Asset ownership (%) | *Source: FinScope Consumer 2019 Survey*

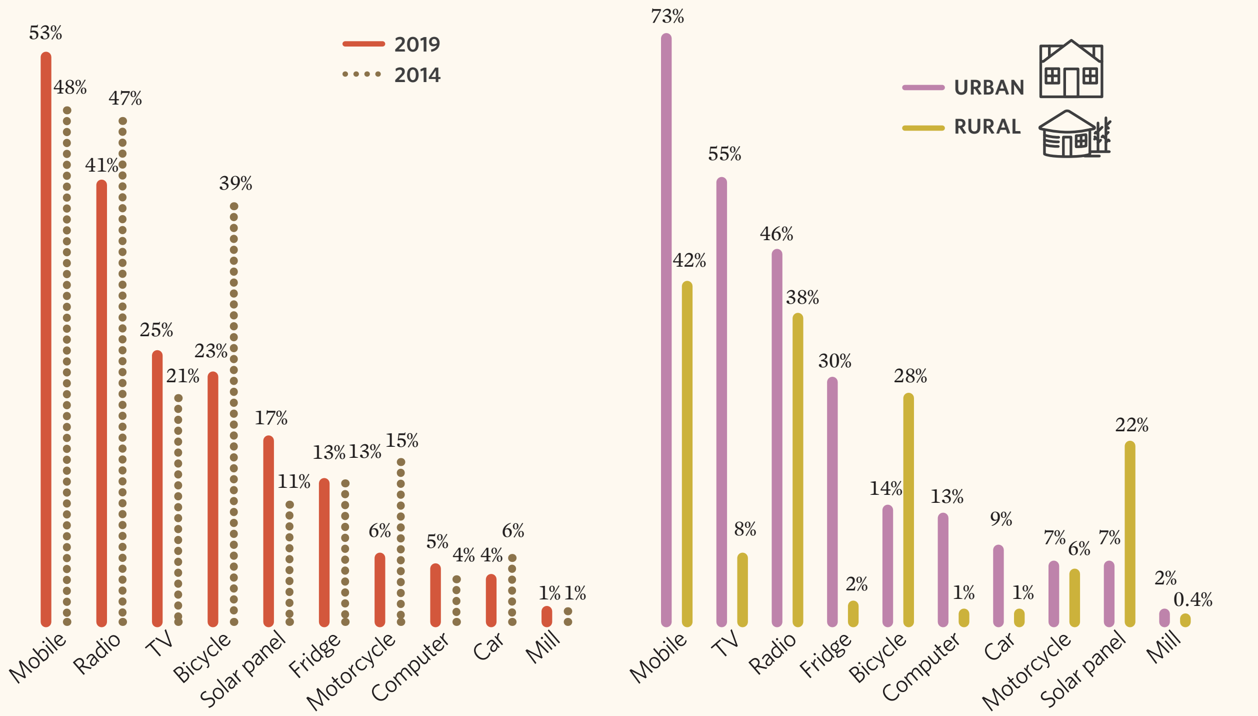
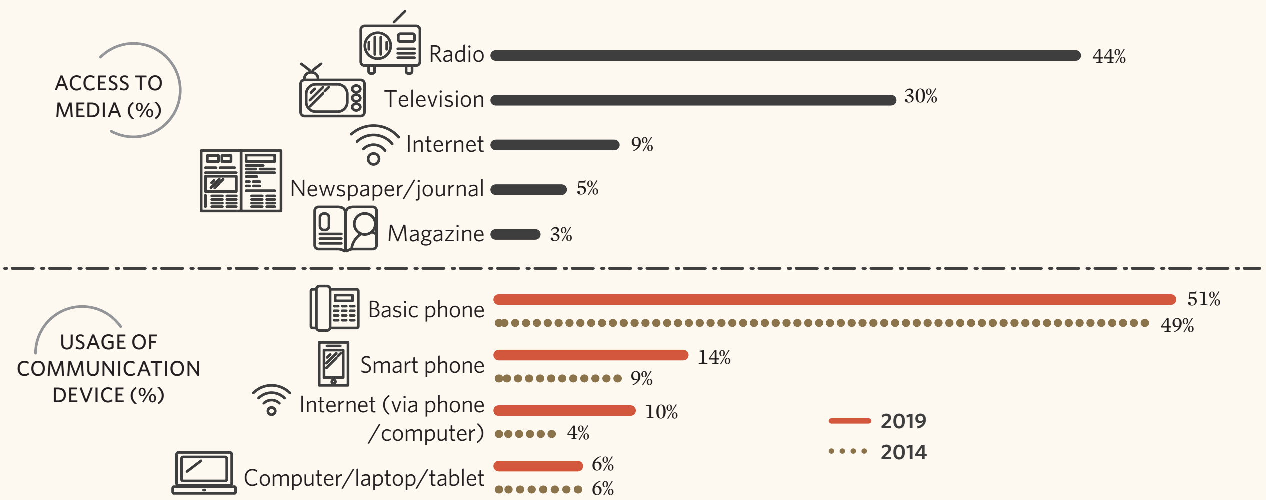


FIGURE 15: Access and usage of communication media in past month (%) | *Source: FinScope Consumer 2019 Survey*



5. Financial Capability

Mundy (2011)[11] states that being financially capable is about being able to compare product offerings with different characteristics and to reach a reasonable decision on whether they are good offers and which of those is likely to be most suitable, given one's personal situation and preferences. What constitutes financially capable behaviour, will to some extent, vary according to an individual's personal circumstances, which includes the knowledge and the ability to make the choice. Therefore, a clear understanding of the financial needs of the person, the personal circumstances at the time, and the factors that drive or inhibit the consumers' financial well-being and resilience is very critical.

5.1. Findings on financial capability dimensions

To this note, financial capability encompasses the knowledge, attitudes, skills, and behaviour of individuals with respect to understanding, selecting and applying financial concepts and tools, and the ability to access financial services that meet their needs. There are multiple dimensions that make up financial capability. To better understand the financial capability of Mozambicans, the report will present the findings from the survey on the following financial behaviour aspects, which are key drivers of financial capability dimensions discussed later in the report:

- **Meeting financial obligations** – or making ends meet. This dimension assesses consumers' ability to manage their personal and household finances to meet their financial obligations.
- **Planning for the future** – looks at budgeting, savings, investments and insurance. It assesses Mozambican attitudes, knowledge and behaviours as it relates to personal financial planning.
- **Understanding and use of financial products** – This relates directly to how people are using financial products and services to manage their finances. It also provides insight into behaviour as it relates to the selection of financial products and services to meet one's financial needs.
- **Financial decision-making** – refers to an individual's ability to apply the knowledge to make well-informed financial decisions.

5.2. Meeting financial obligations

This measurement of financial capability refers to an individual's ability to cater for their individual and/or household financial needs. It is also sometimes referred to as the ability to 'make ends meet'.

FIGURE 16: Distribution of personal monthly income (%)
Source: FinScope Consumer 2019 Survey

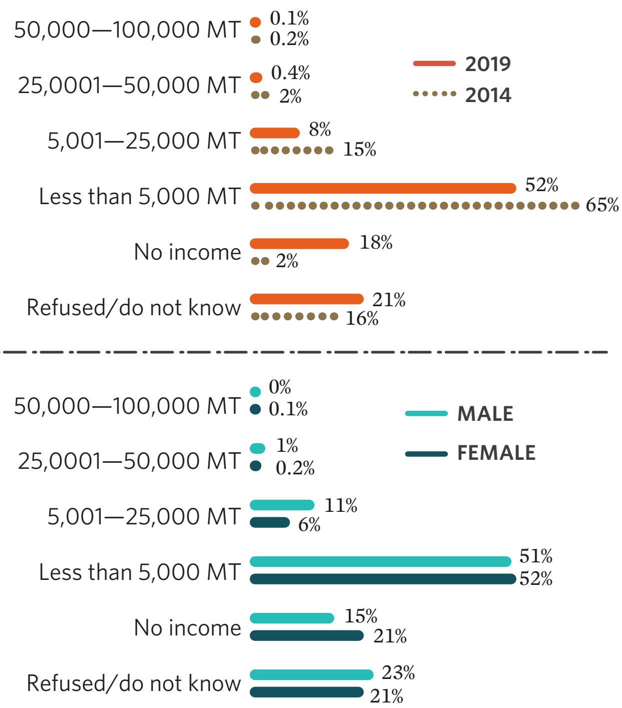


Figure 16 corroborates that a significant proportion of the adults in Mozambique face budgetary constraints considering that the national minimum wage in Mozambique is around MT 4 300[12] for the lowest paid category. Just about 9 per cent of the adults are earning above MT 5 000 in 2019 much lower than about 17 per cent of adults in 2014. When using gender lenses, it is observed from Figure 16 that a higher proportion of females does not receive an income and a lesser proportion earns income less than MZN 5 000 when compared to males. Low wage earnings are expected considering that about 1 in 10 adults are earning an income from formal channels such as government jobs, employment at private companies, or receiving payments from pension and state grants. This indicates regular and consistent income to most of these adult Mozambicans. Hence, the majority of the adults earn seasonal and lower incomes from the informal sector, for example, from piece jobs or farming or agriculture, and this might reflect that many households could be struggling to meet financial obligations. According to the study, 20 per cent, that is, 2,8 million adults, claim to have a regular income although it may vary from month to month.

11. Mundy S, Masok C (2011). Towards an Effective Framework for Financial Literacy and Financial Consumer Protection in Uganda.
12. Minimum wages in Mozambique with effect from 1 April 2019 to 31 March 2020

FIGURE 17: Frequency of being broke (%)

Source: FinScope Consumer 2019 Survey

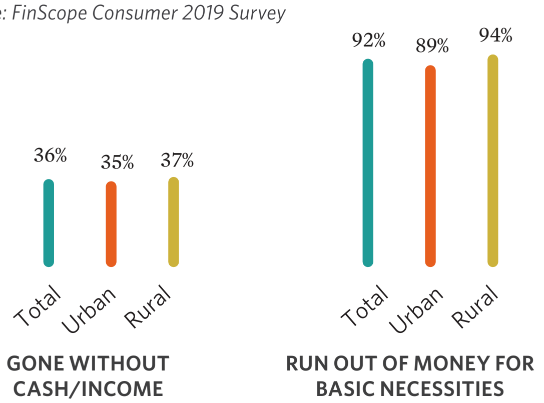
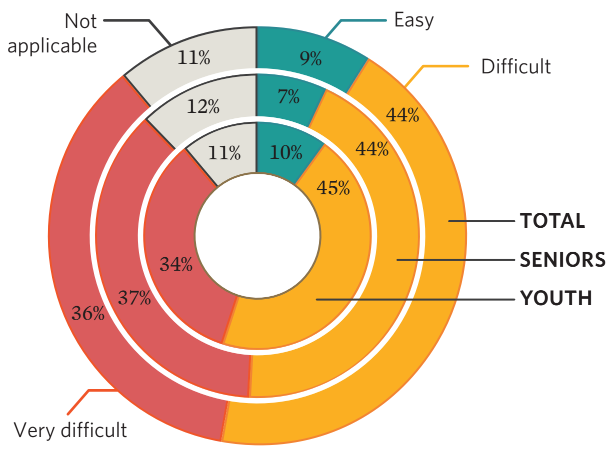


FIGURE 18: Keeping up with financial commitments (%)

Source: FinScope Consumer 2019 Survey



One in every three (36 per cent) adults in Mozambique have faced the challenge of having to go without cash or income, whilst 92 per cent claimed to have run out of money for basic necessities (see Figure 17). Adults residing in the rural areas seem to be struggling financially when compared with adults residing in urban areas when we look at funds for basic necessities. These figures are not surprising given that the majority of the adult population earns irregular income and about 80 per cent of the population earn below the national minimum wage.

Figure 18 further paints the same picture that the majority of the adults are facing financial challenges as only 9 per cent of the adult population can meet their financial obligations with ease compared to 80 per cent that either find it difficult or very difficult. Although both youth and seniors find it difficult to keep up with financial commitments, slightly more seniors (81 per cent) find it more difficult than youth (79 per cent). From a financial capability perspective, the inability to meet financial obligations in Mozambique can be expected, given the livelihood sources. The study continues to explore other dimensions of financial capability.

5.3. Planning for the future

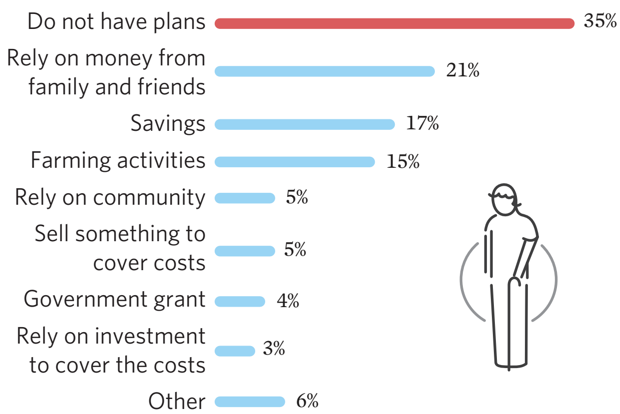
The ability to plan for one's future is deemed an important component of financial capability. The Survey assessed various components of respondents' attitudes and behaviours towards planning for the future. Planning starts with the basic practice of keeping track of income and expenditure, the basis of which is important to help individuals and households to better understand their financial status, to allocate resources to meet basic needs, to save and invest and as well as to protect themselves against risks. Therefore, having a budget is an important discipline. "Knowing how to track expenses and budget effectively are essential skills that enable people to live within their means and to feel in control of their financial lives."[13]

Two in five Mozambican adults (44 per cent) have reported to have saved or put money aside in the past 12 months prior to this survey. As shown in Figure 19, only 17 per cent of the adult population are planning to use their savings for old age.

Further analysing Figure 19 reveals that about a third of the population does not have plans for the future and an additional 26 per cent of adults are planning to depend on their family or friends or community.

FIGURE 19: Financial plan for old age (%)

Source: FinScope Consumer 2019 Survey



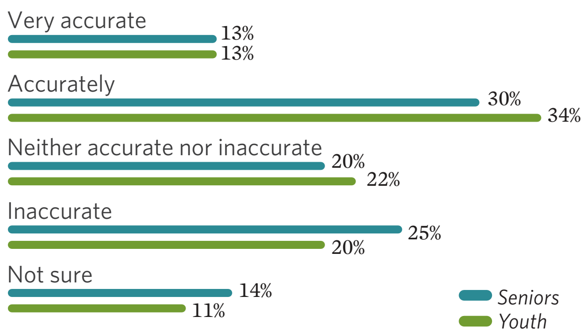
5.4. Budget/planning

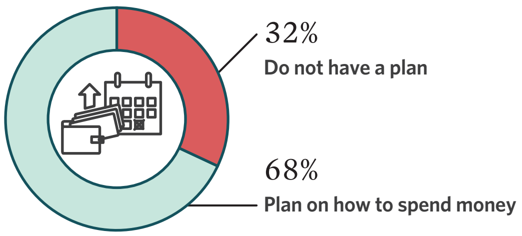
The ability to track one's income and expenditure is the first step in understanding one's financial status. A budget is the starting point for financial planning. The majority of adults (68 per cent) plan on how they will spend their money. Among those who plan, 46 per cent claim that they accurately follow the budget. Figure 20 reveals that youth are more likely to follow their budgets than seniors. This may be attributed to the fact that youth have fewer responsibilities and have to stick to monies they receive from parents. Not sticking to the plan or lacking financial discipline may contribute to difficulties in meeting financial obligations or to cater for one's basic needs.

13. Managing Money and Planning for the Future: Key Findings from the 2014 Canadian Financial Capability Survey; http://www.fcac-acfc.gc.ca/Eng/resources/researchSurveys/Documents/managing-money-key-findings.pdf

40% of adults seek financial advice

FIGURE 20: Planning behaviour & Accuracy to keep to plan (%) | *Source: FinScope Consumer 2019 Survey*





5.5. Financial decision-making

This dimension refers to an individual's attitude and knowledge as it relates to making sound financial decisions and key learning moments. Table 7 looks at the participation of adult financial decisions at household level.

About half of the adult individuals in Mozambique come from households where one person in the household makes decisions. Only 10 per cent of adults are involved in joint decision-making; joint decision-making is considered best practice and should therefore be encouraged. In some societies, children are involved in discussions around household budgets. Financial education experts encourage these types of conversations within households to create greater understanding among youth, of the challenges involved in managing finances, and the importance of having a budget, savings, and managing risks.

TABLE 6: Financial decision-making within households
Source: FinScope Consumer 2019 Survey

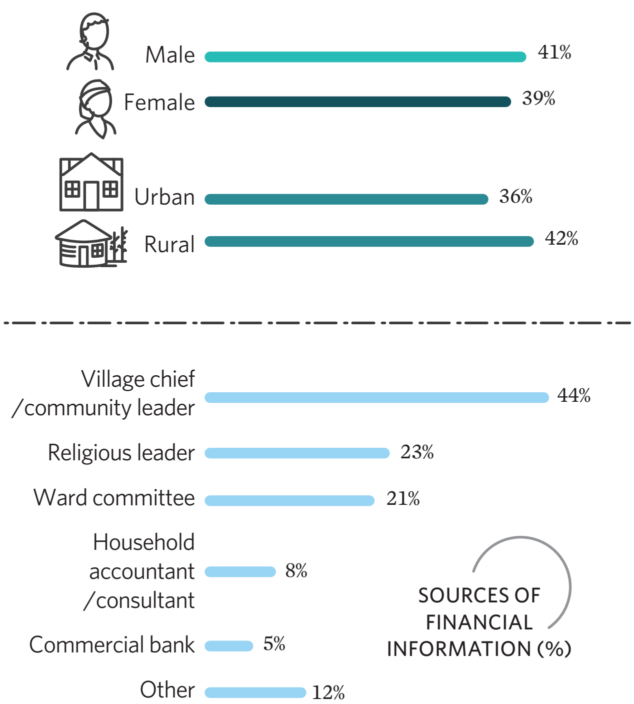
Financial decision-making within households	%
You alone	53
You and other family members/spouse	10
You are not involved	30
Do not know	8

5.6. Accessing information and sources of financial information

Information assists in the decision-making process, so the survey probed adults on financial products and services information, and sources of getting that information when they require to make better and sound decisions. Figure 21 shows that only 40 per cent of adults claim that they seek financial advice from other places excluding family members. Slightly more males sought financial advice as compared to females. Interestingly, adults residing in rural areas seem to seek financial advice from other sources excluding family members, more than adults residing in the urban areas.

It is also important to understand where people are sourcing their information. It is interesting to note that the main source of financial information, apart from family and friends, is the village chief or community leader (44 per cent). Only 5 per cent of Mozambicans indicated that they get financial information from financial professionals or banks, despite these being more reliable. The fact that 60 per cent of the people choose to seek advice from a spouse, a partner, a family member or a friend is not uncommon but may have an impact on the quality of information provided, which in turn can impact decision-making.

FIGURE 21: Sources of financial advice apart from family and friends (%) | *Source: FinScope Consumer 2019 Survey*



6. Financial Services Product Uptake and Usage

According to the Mozambique National Financial Inclusion Strategy (2016-2022), financial inclusion entails, 'Process of awareness, access and effective use of financial products and services offered by regulated institutions to the Mozambican population as a whole, contributing to enhance their quality of life and social welfare.'

Financial inclusion has to take into consideration the dynamic nature of the Mozambican market and consumers. Thus, the FinScope analytical framework assesses both formal product usage through commercially recognised banks and other formal (non-bank) financial institutions such as Mobile Money, insurance companies and retail providers and informal usage such as savings groups, burial societies, and so on. As depicted in Figure 14, the term financially included or served refers to the percentage of adults that have or use financial products (both formal and informal financial mechanisms) to manage their financial lives. Financial exclusion refers to those adults that do not use any financial product or service, including those that voluntarily choose not to. Those who do not access these products and services are considered to be financially excluded.

Consistent with the 2014 scope, this study focuses on four types of financial services:

- Transactions (e.g. deposits and withdrawals) and remittances
- Savings/investment
- Credit
- Insurance

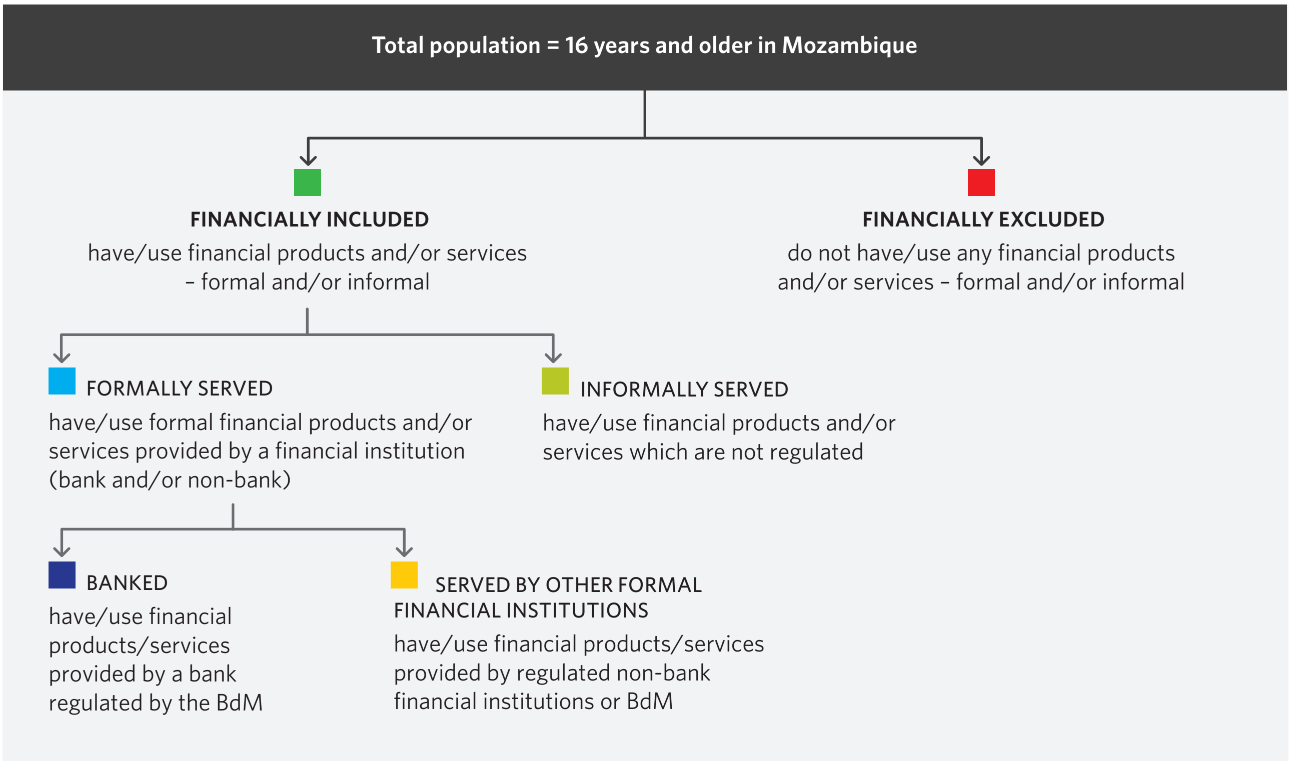
Each of these services is provided in varying degrees by the banks, other formal institutions (non-banks), such as micro-institutions or Mobile Money and/or informal service providers, whereas formal financial service providers tend to offer specialised services, for example, credit, insurance, pension schemes, and others .

The financial inclusion framework also seeks to assess the usage and overlap of services of both the formally served and the informally served.

Unpacking financial access

Overall, there are more adults financially included in 2019 compared to 2014 in all areas of access to financial products as shown in Figure 23. Financial inclusion increased from 40 per cent in 2014 to 54 per cent in 2019. Formally served adults increased from 23 per cent in 2014 to 43 per cent in 2019

FIGURE 22: Financial inclusion framework | *Source: FinScope Consumer 2019 Survey*



and the major driver being Mobile Money. There was a slight increase in the number of banked adults which now stands at slightly over 3 million. A huge uptake of non-bank financial products (especially Mobile Money) has been witnessed in Mozambique over the last five years. The usage of informal financial products or mechanisms is also driving inclusion in Mozambique with about one in three adults' financial needs being met by the informal sector.

Different to the classifications of 2014, banking is exclusively related to bank products and services. Microbanco, which is basically microfinance, is classified under other formal non-bank financial products, although regulated by the central bank. In 2019, 20.7 per cent of adults were formally banked, up from 19.7 per cent in 2014. This presents an increase of about 190 thousand adults that have been brought into banking between 2014 and 2019. The reclassification of microbanks to other formal (non-bank) could also explain the marginal increase of banking services uptake in 2019.

Other formal (non-bank) financial services cover a broad range of services, including microfinance from non-bank providers that are registered with the Bank of Mozambique or other regulatory institutions (in particular under the category credit operators), savings and credit cooperatives, savings and credit operators (known as OPEs), Mobile Money operators, insurance companies, pension funds, money transfer agencies, government funds, and so on. There was an increase of 31 percentage points from 10 per cent in 2014 to 41 per cent in 2019, largely attributable to Mobile Money.

The informal service sector forms a critical part of household financial access, linked to savings and credit, offered under the savings and credit groups, mainly known as Xitiques. There was a notable increase overall in informal services uptake from 27 per cent in 2014 to 32 per cent in 2019. There were some very sharp declines within one of the major savings mechanisms discussed later.

Though the excluded population has been declining over years from 78 per cent in 2009, 60 per cent in 2014 and now to 46 per cent in 2019, about half of the adult Mozambicans (6.5 million) are still financially excluded. The financially excluded comprise those individuals who are not using formal financial products or services and/or informal mechanisms to manage their financial lives. These adults, if they borrow, rely only on friends or family and if they are saving, they save at home. The next section looks closely at the products driving financial inclusion.

6.1. Mozambique Financial Access Strand

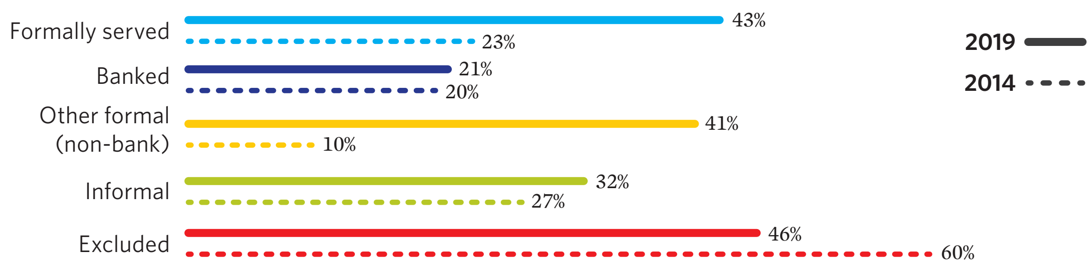
Financial inclusion can be viewed through the usage of formal versus informal financial services for the adult population, between urban and rural areas, or in terms of how people earn their income. The Financial Access Strand (see Figure 24) can be drawn up for the entire adult population or for various sub-categories. Together, these different perspectives build a coherent picture of financial inclusion in Mozambique, tracking consistently from 2009, 2014 and 2019.

The financial access strand (FAS) is one of the key measures of FinScope surveys. FAS is a device or indicator that separates the population of a country into four main discrete categories as defined in Figure 22, that is, banked, formally served (non-bank), informally served only, and the excluded who use no financial service, be it formal or informal. It illustrates the use of financial products and services available within the market. As noted earlier, those who do not access these products and services are considered to be financially excluded, due to the fact that they are physically, psychologically or circumstantially impeded from accessing such products and services.

The strand ranges from formal banking services provided by commercial banks at the one extreme, shifting to other formal financial services provided by a large variety of formal finance service providers (FSPs), and microbanks or microfinance institutions. Further along, at the other end of the access strand we find a vast range of informal services and products, which are adults that use these products only, and no formal product usage or ownership.

The FAS in Figure 24 reveals that there are several overlaps in product uptake. There is a slight decline, from 16 per cent in 2014 to 11 per cent in 2019, of adults relying only on informal mechanisms, and who do not have, or use, any formal financial products or services to manage their finances. About 22 per cent of adults have, or use, other formal financial products or services but are not banked (up from 4 per cent in 2014). Mobile

FIGURE 23: Financial product uptake - Overall (%) | *Source: FinScope Consumer 2019 Survey*



Money providers are playing a significant role in reaching out to the unbanked population. These individuals may, however, also use informal financial mechanisms. While 21 per cent of the adult Mozambicans are banked, they may also use other formal non-bank or informal financial products or services.

The FAS segmented into different groups reveals that the one-size-fits-all approach does not work in financial inclusion and suggests that the financial strategy interventions and targets should speak to specific segments with identified challenges. Figure 25 shows the need for female-centric products that speak to the needs of women, tailored specifically to their financial needs.

The high uptake of Mobile Money is driving financial inclusion between both males and females, though the gender gap has remained unchanged at 5 percentage points in favour of males on total formal financial inclusion. Fifty-seven per cent of males are financially included versus 52 per cent of females. In order to reduce the gap, empowering women economically might lead to more women demanding more financial products. Other formal (non-bank) uptake has females in a higher proportion than males, showing the impact of Mobile Money. As a result, a big leap is noted from 20 per cent formal access by females in 2014 to 41 per cent in 2019.

Differences in financial access, based on location, are intuitive based on infrastructural differences between urban and rural areas. The urban-rural financial inclusion gap continues to widen in favour of the urban population as the gap increased from 26 per cent in 2014 to 39 per cent in 2019. About 79 per cent of adults in the urban areas are financially included compared to only 40 per cent in rural areas. Financial inclusion among the urban dwellers is largely driven by usage of bank products as well as Mobile Money. Among rural households, uptake in Mobile Money and informal products

FIGURE 24: Mozambique Financial Access Strand 2019 and 2014 (%) | *Source: FinScope Consumer 2019 Survey*

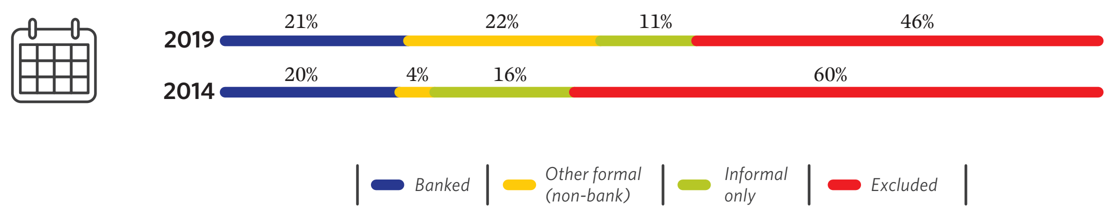


FIGURE 25: Financial Access Strand by gender (%) | *Source: FinScope Consumer 2019 Survey*

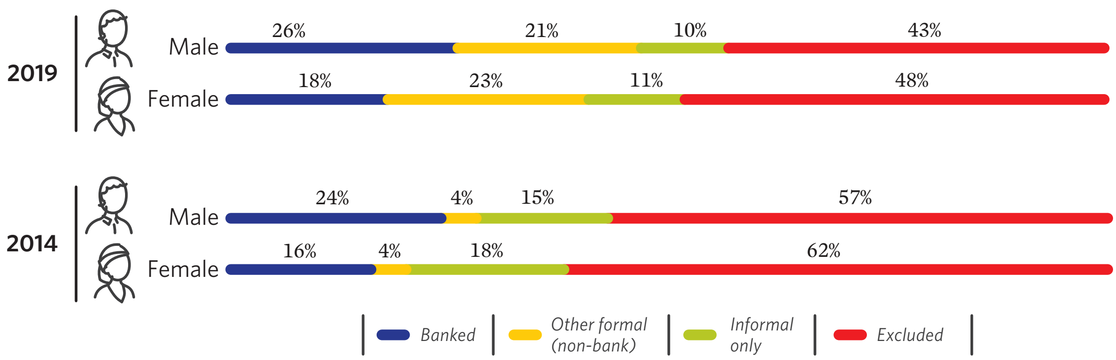
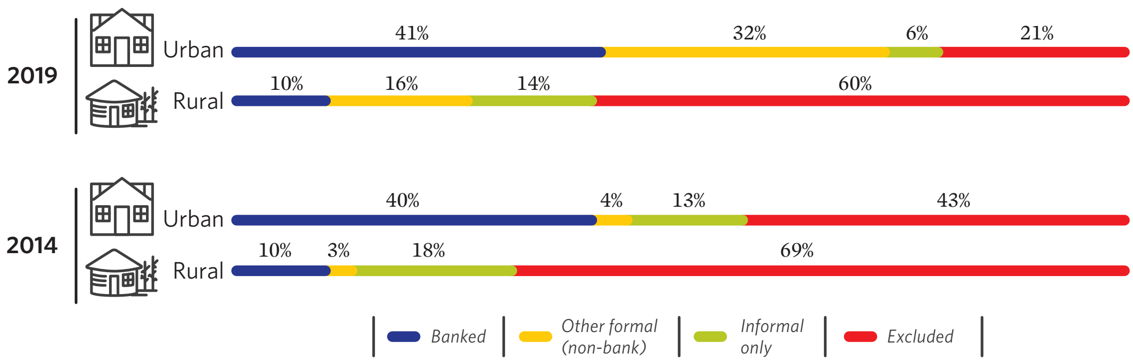


FIGURE 26: Financial Access Strand by area (%) | *Source: FinScope Consumer 2019 Survey*



has been reducing the financial-exclusion gap while bank access is increasing steadily in absolute numbers but appears stagnant in the proportions to overall rural population.

In an attempt to reduce the widening financial-inclusion gap, offering financial education, improving access to banking facilities or agents, and empowering rural households might improve their livelihoods thereby leading to demand of financial products. Governments are encouraged to continue designing policies and infrastructure that provide an enabling environment for the private sector to innovate and expand financial services to more distant places such as the agent model introduced in Mozambique, as well as advancements in ICT.

Figure 27 shows that there are large disparities among provinces, with almost 90 per cent of adults residing in Maputo city being financially included versus only 38 per cent adults in Niassa. Other provinces like Zambezia, Manica, Tete, Nampula and Cabo Delgado record higher proportions of adults who are financially excluded. Most of these provinces, with adults experiencing poverty symptoms and having poorer infrastructure, have higher proportions of financially-excluded adults. There is need to design targeted inventions, which empower households in these provinces at district level to improve their standards of living.

Education is an incumbent factor to the level of financial inclusion. Adults with higher levels of education are more likely to be financially included which might be linked to their better economic prospects. Educational attainments give a higher chance of successful entrepreneurship, the likelihood of formal employment and better financial capability. Figure 28 shows this to be true, where those with no formal education have the highest proportions of excluded adults.

- The banking sector is more likely to serve adults from the formal sector
- Beyond banking, other forms of formal options/non-bank (such as Mobile Money) are reaching out to informally employed adults, farmers, dependents and self-employed individuals
- Farmers and informally employed individuals (piece jobs) are likely to be financially excluded hence offering these individuals tailor made products such as insurance or health products is crucial.

In a targeted approach, the initiatives that will likely increase financial inclusion will be different across these target groups due to their differences in education, frequency and level of income, location among other key demographics.

FIGURE 27: Financial Access Strand by Province (%) | *Source: FinScope Consumer 2019 Survey*

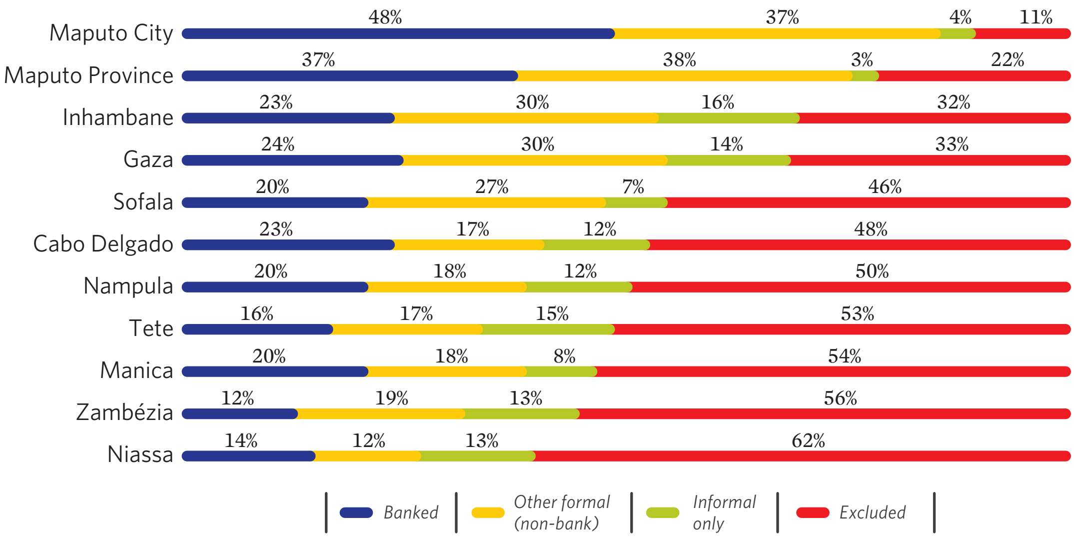


FIGURE 28: Financial Access Strand by level of education (%) | *Source: FinScope Consumer 2019 Survey*

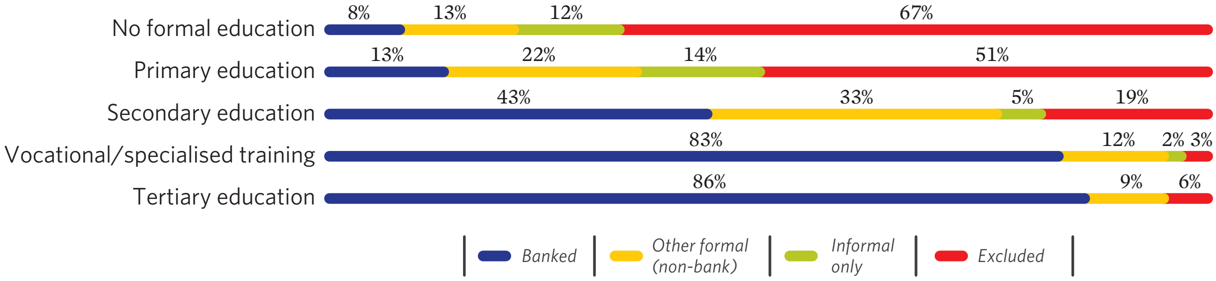
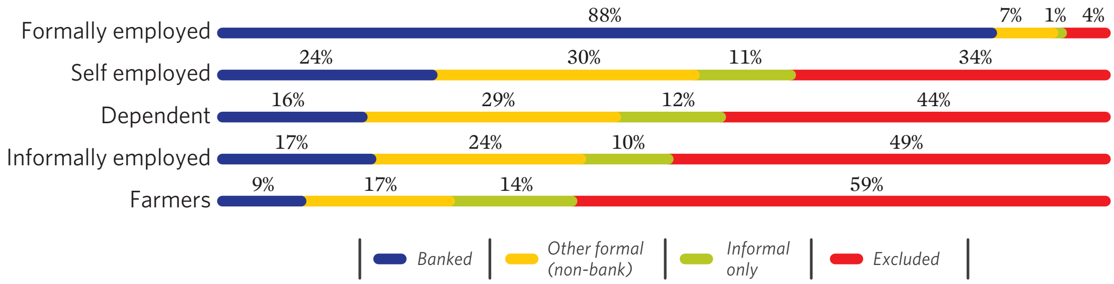


FIGURE 29: Financial Access Strand by employment activities (%) | *Source: FinScope Consumer 2019 Survey*

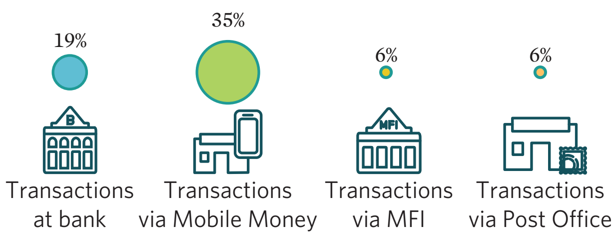


6.2. Transaction usage (bank and Mobile Money account)

Access to a transactional account is a first step towards broader financial inclusion since it allows people to store money, and to send and receive payments. In this report, transactional accounts are defined as those accounts offered by a bank, microbank or Mobile Money services providers. The underlying proposition of a transactional account is to help account holders manage their money. It enables the account holder to deposit and withdraw cash, make digital payments to third parties, and store electronic value. In addition, an account often, but not always, supports a money management objective by enabling users to keep track of money as it moves into, and out of, the account.

About 38 per cent of adults in Mozambique have a transaction platform mainly through either Mobile Money and/or bank account. Of these, 82 per cent of adults are using both Mobile Money and bank accounts to manage their financial needs. It appears that Mobile Money is used as an alternative to meet specific needs as it does not substitute bank account ownership. Figure 30 shows that Mozambican adults are largely transacting via mobile money than via bank. There are more adults that transact over the Mobile Money platform than those owning a Mobile Money account (29 per cent), reflecting over-the-counter transactions (OTC) of about 7 per cent. There is a gender gap of 6 per cent in favour of males transacting via Mobile Money, with a similar gap in bank transactional usage.

FIGURE 30: Transaction by service provider (%) | *Source: FinScope Consumer 2019 Survey*



6.3. Banking account

Financial inclusion is the central goal of the national financial inclusion strategy, whereby the strategy seeks to improve the range, quality and availability of financial services and products focusing on the under-served and financially excluded. Principles of financial inclusion include access, affordability, appropriateness, usage, quality, consumer financial education, innovation, diversification, and simplicity. The banking sector is one of the imperative enablers of financial inclusion in Mozambique.

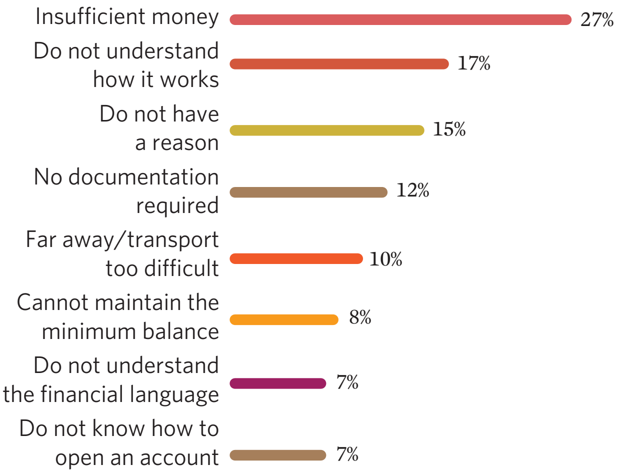
Only one fifth (3 million) of the adult population in Mozambique are banked, leaving most of the population as unbanked. Uptake of banking products is mainly driven by payments (adults who receive their income through a bank account or transactions as shown in Table 6. The proportion of adults saving, remitting and borrowing via a bank has declined since 2014.

TABLE 7: Drivers of the banked population (%)
Source: FinScope Consumer 2019 Survey

	2019 Number	%	2014 Number	%
Banked population	3 031 459	21	2 840 846	20
Transactions	2 622 198	87	2 120 228	75
Savings with a bank	479 920	16	992 445	35
Remittances	317 052	11	1 673 573	59
Loan with a bank	569 234	19	719 227	25

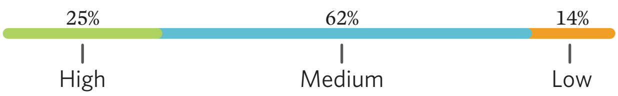
The main reasons given why people are banked were, to keep money safe, and to send and receive money. Looking at the barriers in Figure 31, the key reason for not having or using products and services offered by a commercial bank was having low or insufficient income. Other mentioned reasons were lack of financial awareness (do not understand how banks function), not having the documentation required, and the distance to get to the bank.

FIGURE 31: Barriers to banking (%) | *Source: FinScope Consumer 2019 Survey*



Bank account usage[14] can be seen as a reflection of client value; but is also significant for firm value. If adults do not use the accounts they own, then providers are unable to recoup the cost of opening and maintaining these accounts. Figure 32 shows that every 4 in 5 (86 per cent) banked adults use their account at least on a monthly basis. However, only 25 per cent of the banked adults use their bank account at least 3 or more times on a monthly basis and they are defined as 'high bank account users'. The 'low users' skews towards adults who are in the informal employment or adults who receive irregular incomes.

FIGURE 32: Bank accounts usage in Mozambique (%)
Source: FinScope Consumer 2019 Survey



6.4. Mobile Money

When considering what drives the usage of Mobile Money accounts it is important to do this by looking through the consumer lens, as it seeks to understand what the triggers, drivers and barriers to unlock usage are. About 55 per cent of adults in Mozambique have access to a cell phone with females (54 per cent) having slightly less access compared to their male counterparts (55 per cent). Only 1 in every 4 (29 per cent) of adults (see Figure 33) uses Mobile Money. Despite the usage still being low, there has been huge uptake since 2014 from 3 per cent to 29 per cent in 2019. Those not using Mobile Money indicated that the key barriers to the uptake relate to no access to a mobile phone, not having enough information about it and having no money to send or receive.

The innovation of Mobile Money has put payments as the first rung in the ladder of financial inclusion, but the trend currently is that it has moved beyond the sending and receiving of money to payment of goods and services. As shown in Figure 34, of those who used Mobile Money, 97 per cent transacted via the platform (i.e. buy mobile credit, pay utilities) whilst 76 per cent of them used the platform to send or receive money. Cash withdrawal remains one of the most used activities of Mobile Money at 91 per cent. Mobile Money users are also switching to broad activities, which include paying bills. There is need to encourage users to also consider this platform for saving as well as credit as much transactional data is being recorded on affordability.

FIGURE 33: Mobile Money uptake (%) | *Source: FinScope Consumer 2019 Survey*

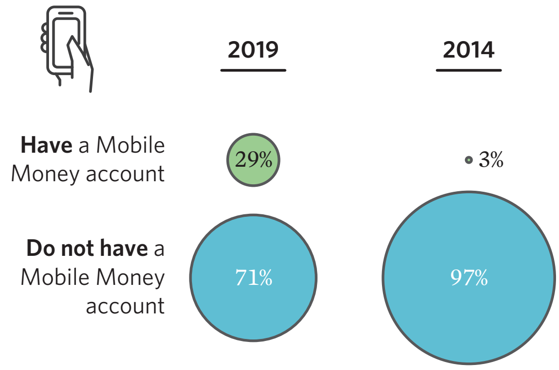
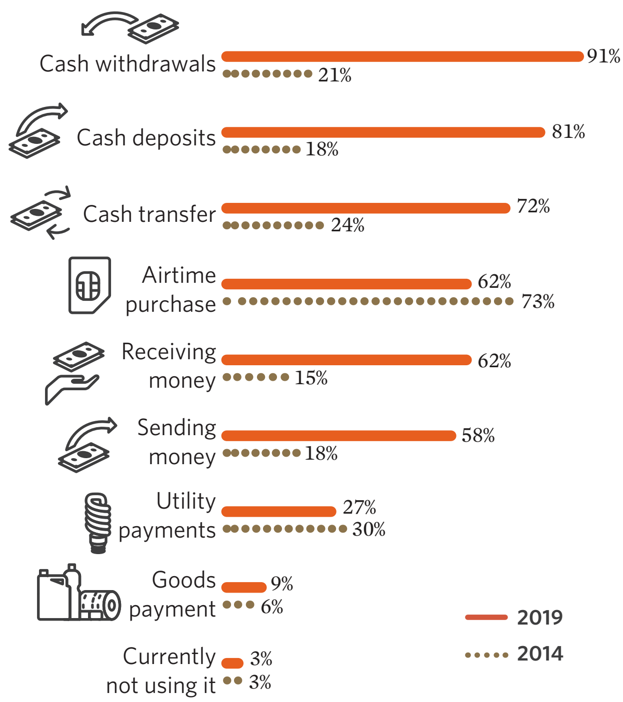


FIGURE 34: Activities conducted by Mobile Money users (%) | *Source: FinScope Consumer 2019 Survey*



14. Bank account usage defined through 3 segments, i.e., High users = Use the account weekly or fortnightly; Medium = Use the account monthly; Low = Use the account less often (seasonally, once a year, other)

6.5. Savings

The term, 'savings', for the purposes of this study, refers to money or a store of value that is set aside for paying for something other than normal expenditures or transactions. This meaning is different to investment that relates to money put into a medium, be it formal or informal, for the purpose of bearing interest with the risk of losing the amount invested. Methods or channels of savings vary according to individuals. This section presents findings on the demand and usage of both formal and informal savings products. It also reveals how and where the Mozambique people save by comparing different products and services. Also presented in this section are the drivers and the barriers for saving.

Figure 35 shows how the respondents define or understand the term, 'save', and reveals that 25 per cent of adults are not aware of what it means to save. Almost half of the respondents had an idea of what it means to save, with about 18 per cent being of the opinion that 'saving' means putting money aside in order to stop spending immediately, for use later when needed, and about 16 per cent having a similar opinion, that of putting money aside to use later for a specific purpose.

FIGURE 35: Understanding of savings (% agreeing)
Source: FinScope Consumer 2019 Survey

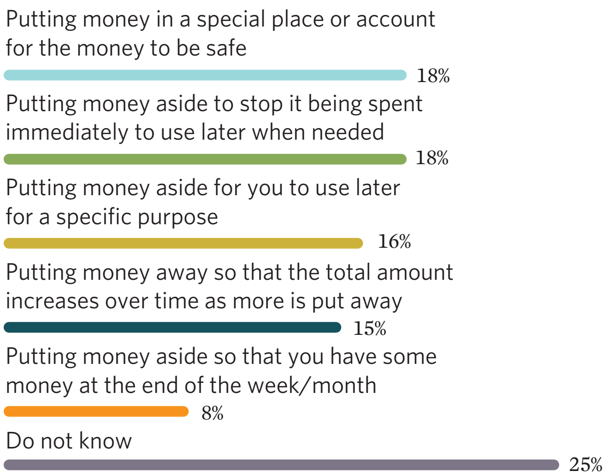
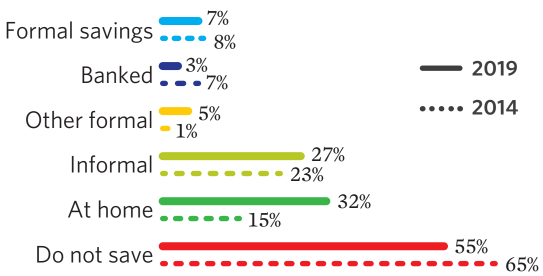


FIGURE 36: Savings overall (%)
Source: FinScope Consumer 2019 Survey



Overall, as shown in Figure 36, about 45 per cent of the adult population aged 16 years and above do not save money either formally or informally (including saving at home). Only a few adults (7 per cent) in Mozambique save money through formal devices, which include banks (3 per cent) and non-bank formal products (5 per cent). There was a decline in the number of adults saving formally due to a sharp decline in savings via bank.

Other saving mechanisms include informal savings groups, there was a slight increase in these groups from 23 per cent in 2014 to about 27 per cent in 2019. Most of the adults (32 per cent) are now keeping their savings at home, recording the highest increase in this form of saving since 2014 (15 per cent). Savings at home and informal savings groups are largely driving savings. As mentioned, there were larger increases in adults saving at home. This may be due to a higher liquidity need, lack of trust in formal savings mechanism or tougher economic times such as those caused by cyclones, droughts or tough economic climates.

There is a notable drop in the livestock saving mechanisms in 2019 owing to the foot and mouth disease, drought, and floods. Only 2 per cent of adults are currently saving in livestock, down from 27 per cent in 2014. This records a massive drop in this informal savings mechanism, which is most likely uninsured for the bulk of these adults who may decide to sell off before incurring a loss of savings altogether.

Looking at savings between urban and rural adults, Figure 38 reveals a 12-percentage saving gap in favour of urban adults. More than half of the urban adults are saving (52 per cent), compared to 40 per cent of adults in rural areas. There is need to encourage adults in the rural areas to save for old age and to protect themselves against financial shocks.

A 5 per cent gender gap exists in favour of males with 47 per cent of males having current savings versus 42 per cent of females. More males (9 per cent), than females (5 per cent), are saving formally. There is need to encourage both men and women to save with formal financial institutions, because their savings will be more protected than saved in livestock, at home or in a secret place. There might be

FIGURE 37: Savings strand (%) | *Source: FinScope Consumer 2019 Survey*

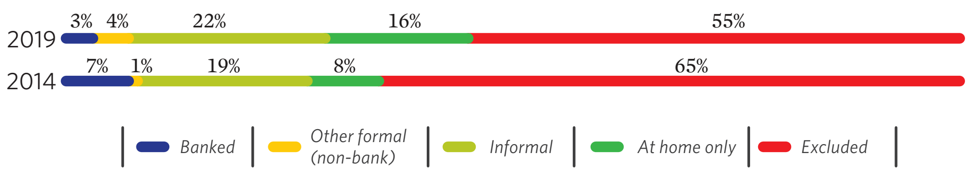


FIGURE 38: Savings strand by area and gender (%) | *Source: FinScope Consumer 2019 Survey*

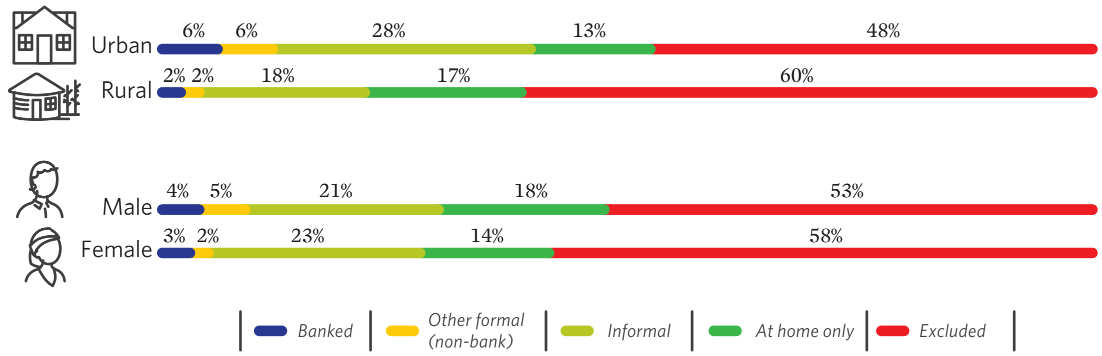


FIGURE 39: Mechanisms for old age (%) | *Source: FinScope Consumer 2019 Survey*

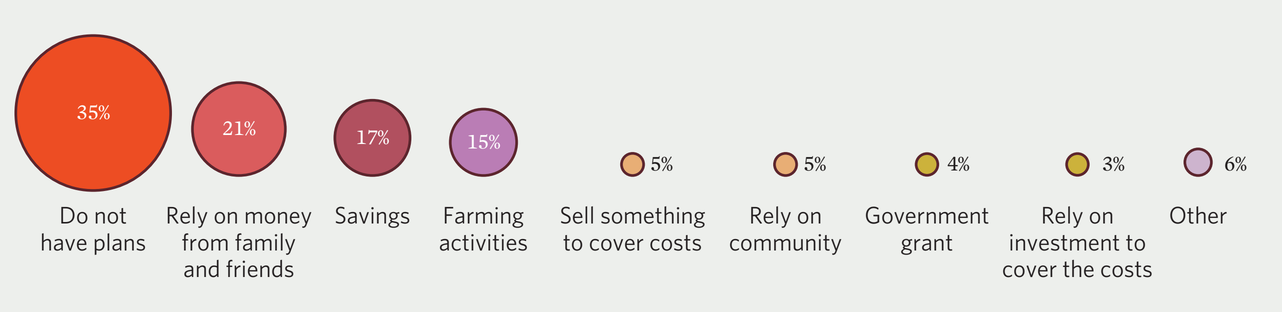
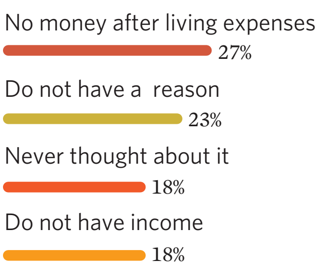


FIGURE 40: Main barriers to saving (%)
Source: FinScope Consumer 2019 Survey



an opportunity for financial providers to also understand why adults are being attracted to savings groups or saving at home. Products, designed to closely mimic the informal savings mechanisms, would likely attract more adults to the formal financial sector.

Adults who do not plan and save for their future are likely to face financial challenges and live in abject poverty or be dependent on others or the state when old age approaches. Figure 39 indicates that about one third (35 per cent) of adults currently do not have plans for how they will survive when they are old. Adults with plans indicate that they will mostly rely on family members or friends (21 per cent) and encouragingly, about 32 per cent are planning on using savings and generating income from farming activities. Only 3 per cent will rely on investments to cater for their expenses. It is essential to educate Mozambicans on how they can start to save and invest for the future in order to mitigate the risk of falling into abject poverty. Savings also present funds that can be invested and are important to motivate across all platforms, formal and informal.

As mentioned earlier, more than half of the adult population (55 per cent) do not save and Figure 40 shows the major reasons impeding adults from saving. The most cited obstacles were not having income or enough money after paying for living expenses (45 per cent). About 41 per cent of adults show lack of financial knowledge in terms of saving as 23 per cent claimed that they do not have a reason for not saving whilst the other 18 per cent cited that they did not think of saving for the future. Financial awareness of the benefits of saving would be vital. It may be beyond financial capability that a significant proportion of adults are not saving, largely attributed to low and seasonal incomes.

6.6. Credit

Credit is generally referred to as an agreement or obligation to receive money or goods with a promise to pay later. Credit can be acquired from formal financial institutions or informally, from sources such as moneylenders or friends and family. When acquiring credit, individuals have different objectives to meet; some might borrow for productive reasons while others for consumptive reasons. It is therefore important to understand the need that drives credit, bearing in mind, that consumers use a combination of financial products from different providers to meet any one need.

Only 7 per cent of Mozambican adults borrowed money in the past 12 months compared to 10 per cent in 2014 (see Figure 41). This seems lower than expected. It is possible that some were limiting their responses to only formal loans rather than the different forms of borrowing, especially all kinds of informal borrowing. Higher borrowing rates mean high interests on borrowed funds; this may deter people from borrowing formally, together with the affordability of servicing the loan.

Approximately, 9 in 10 adults (93 per cent), in Mozambique are not borrowing (see Figure 42). Despite funds such as those availed by the Government, there has been a declining uptake in banking credit. Just over six thousand adults have accessed these funds in the past and about four thousand currently have access to these government funds. The total number of government recipients is just over one million adults.

The survey explored the barriers to credit (Figure 43). About half of the adults who are not borrowing cited fear of debt as the main barrier to credit. There is a need to educate the Mozambicans about borrowing matters so as to eliminate fear amongst individuals, particularly highlighting that credit can be used for productive reasons and help improve livelihoods. Hand in hand, the cost of borrowing and collateral can be looked into to allow more productive lending.

FIGURE 41: Credit overall (%)

Source: FinScope Consumer 2019 Survey

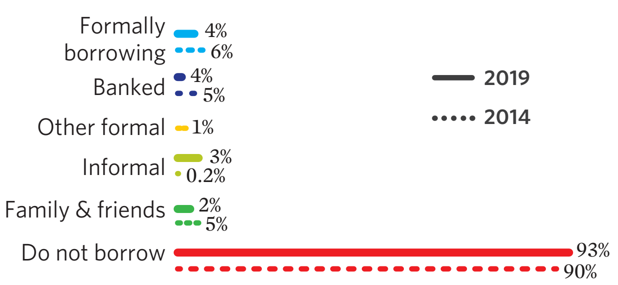
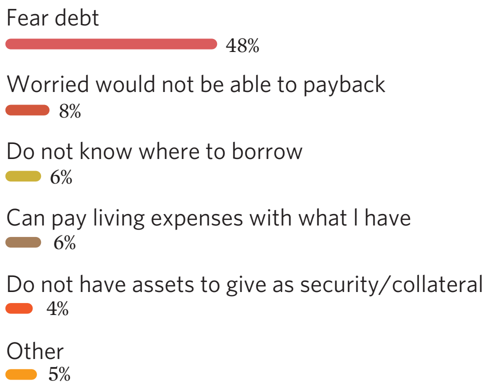


FIGURE 43: Barriers to borrowing (%)

Source: FinScope Consumer 2019 Survey



6.7. Insurance and risk management

Insurance is a risk management tool primarily used to offset any cost that would be incurred by the occurrence of an unplanned event. For this survey, insurance was categorised into formal (policies supplied by licensed insurance companies), and informal (being members of village burial and welfare groups).

In the day-to-day lives of individuals, unexpected events occur, and are likely to affect families differently. Approximately half of the adults (50 per cent), in Mozambique experienced a major risk or event in the past 12 months (prior to the FinScope 2019 survey). The biggest risk experienced among the households was facing a serious illness or health problem of family members (43 per cent), followed by death of a family member (36 per cent) and harvest failure (36 per cent), shown in Figure 44. Some of these unforeseen events could have been minimised if adults had insured themselves.

Individuals have different coping strategies. Of those adults who experienced a major event, the main coping mechanism was no action, as 64 per cent of adults did nothing to deal with the risk. Figure 45 also shows that adults had to cut down on expenses (18 per cent) or sell something to get money (15 per cent). Only a small proportion (4 per cent) of the adults

FIGURE 42: Credit strand (%) | *Source: FinScope Consumer 2019 Survey*

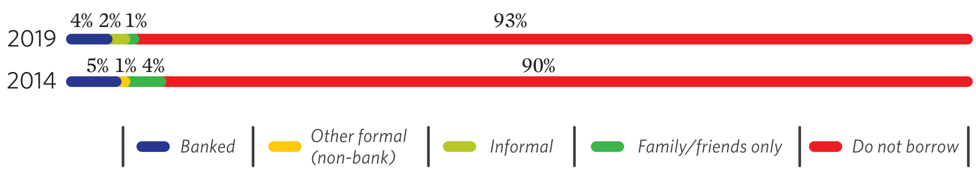


FIGURE 44: Risks experienced (%)

Source: FinScope Consumer 2019 Survey

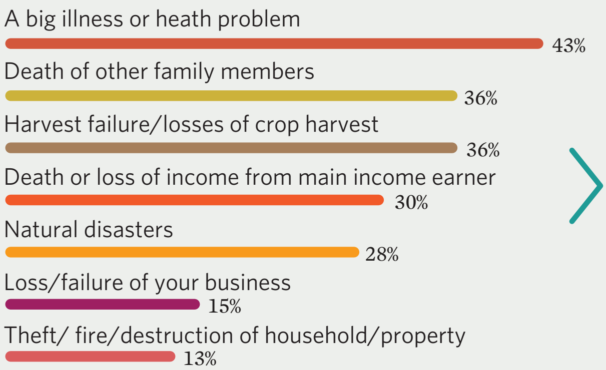


FIGURE 45: Main coping strategies (%)

Source: FinScope Consumer 2019 Survey

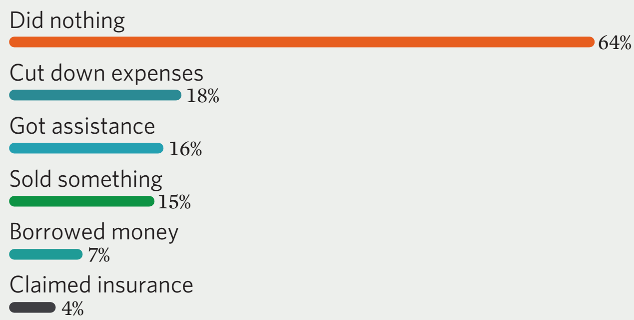
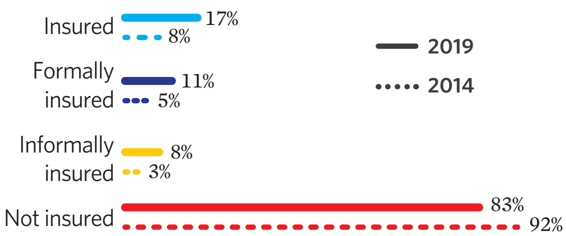


FIGURE 46: Insurance overall (%)

Source: FinScope Consumer 2019 Survey



claimed on their insurance policies. The fact that the majority of households did nothing, or even cut down expenses, reflects economic hardships that families might be succumbing to. There is an opportunity for micro-insurance providers to offer low cost tailored products that might help cope with shocks.

Insurance uptake: As displayed in Figure 46, there was an upsurge in the number of adults having insurance products from 8 per cent in 2014 to 17 per cent in 2019. Positively, the uptake of formal insurance products is slightly above that of informal insurance.

FIGURE 47: Insurance strands (%) | *Source: FinScope Consumer 2019 Survey*

Products driving insurance: Funeral insurance (both personal and employer), as well as life insurance are the major insurance products owned by those having some form of insurance (17 per cent shown in Figure 47). Other frequently used types of insurance products include medical insurance, motor vehicle insurance, and accident insurance. The majority of the uninsured adults claim that they cannot afford the insurance whilst others claim they have not thought about having insurance. Raising awareness of the benefits of the insurance products, and offering low costs tailor made products will be crucial to the Mozambicans.

Figure 47 shows the uptake of insurance by gender and province. Encouraging uptake of insurance amongst women. Although males have high uptake of formal insurance products, perhaps due to their higher numbers engaged in formal employment, females have lower proportions dependent on informal insurance mechanisms such as burial societies. The provinces, with higher formal insurance, are not, surprisingly, led by Maputo Cidade. Insurance remains perceived as unaffordable with more adults (68 per cent) claiming that they are unaware of the insurance.

6.8. Remittances

Mozambique continues to export migrant labour to neighbouring countries, especially South Africa for employment opportunities. Thus, it is believed that a significant proportion of the working members of the households living outside of Mozambique send money to their spouses or to their dependents back home. Urban-centred economic growth also leads to significant rural-urban migration. Remittances are believed to help households smooth their income flows and even fund small enterprises.

Slightly more adults (32 per cent) have either sent or received (remitted) money in 2019, compared to 23 per cent in 2014, as illustrated in Figures 48 and 49. The transfer of money is much more prevalent among adults in Mozambique than from adults outside the country. Approximately 15 per cent of adults (2 million) have sent money to their loved ones within the country, with only 1 per cent (160 thousand) having sent money outside the country. More adults residing in urban areas (26 per cent) have sent money in the past 12 months compared to their rural counterparts (9 per cent). As expected, more males have sent money compared to women. About 17 per cent (2.4 million) adults in Mozambique have received money in the past 12 months prior to the study, with only 3 per cent (about 380 thousand) receiving money from abroad. Recipients are more skewed towards females than males.

Figure 49 also reveals that adults used to send or receive money mainly via banks but after Mobile Money gained popularity, adults switched from using bank to using the Mobile Money platform. In 2014 about 12 per cent of adults were remitting via banks compared to only 2 per cent in 2019. Prior to this surge in Mobile money adoption, the usage was low in 2014 at 1 per cent but usage significantly rose to 26 per cent in 2019. Among those who are remitting, Figure 50 shows that 80 per cent of adults have used Mobile Money to transfer money to one another. Other channels used were informal, for example, through bus drivers (12 per cent), through family and friends (11 per cent) and via banks (7%). There is need to raise awareness of the benefits of using formal channels to remit as there is less risk of losing money than via informal channels or family and friends.

FIGURE 48: Remittances incidence (%)
Source: FinScope Consumer 2019 Survey

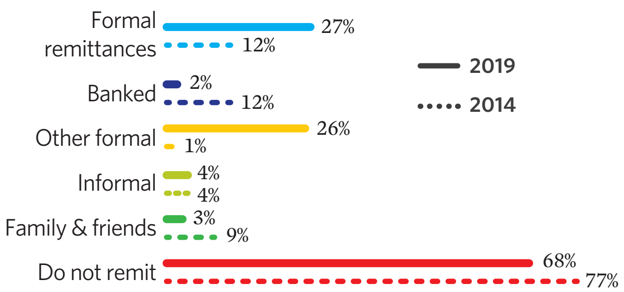


FIGURE 50: Remittance channels (%) | *Source: FinScope Consumer 2019 Survey*

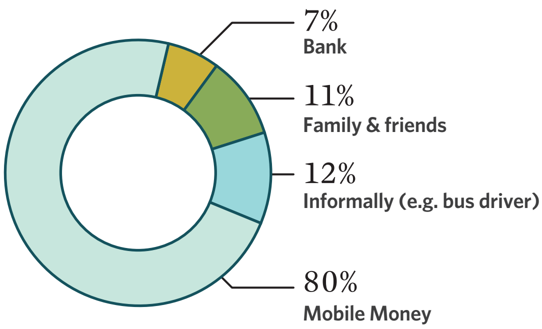
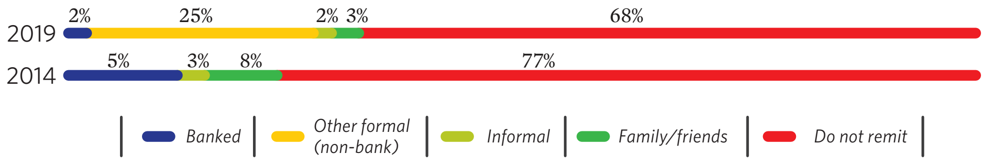


FIGURE 49: Remittances strand (%) | *Source: FinScope Consumer 2019 Survey*



Box 1:
Women and youth financial access

A large population of the adult population fall into the youth (63 per cent) category and are mostly female (55 per cent). This excerpt attempts to profile the levels of access to these population groups.

The table shows the main sources of income for the female and youth, which shows similarities between the two groups. While the youth have slightly higher proportions of formally and informally employed, females have a slightly higher proportion of dependents. Overall, self-employment (MSMEs), and farming absorb similar proportions of females and youth.

The similarity in access to regulated or formal payment, savings, credit, and insurance shows a similar pattern. The highest access form of services being used are payments largely driven by Mobile Money for both females and youth. Savings and credit from formal institutions is low largely due to a low proportion of females (7 per cent) and youth (10 per cent) having formal and regular income. Interventions, targeted at females and the youth, need to be tailored around their livelihood means, factoring in the frequency and low incomes associated with less formal forms of sustenance they mainly occupy. Deeper analysis will be done to look at the different aspects of the youth, explore gender, location, and education, and whether demographics are a factor in access levels.

	Female 55% (6,3 million)	Youth (16–35) 63% (8,7 million)
Farmer	21	20
Formally employed	7	10
Informal employment	23	26
Dependent	29	24
Self-employment	20	20
Access regulated Payments	37	42
Access regulated Savings	5	7
Access regulated Credit	3	4
Access regulated Insurance	9	11

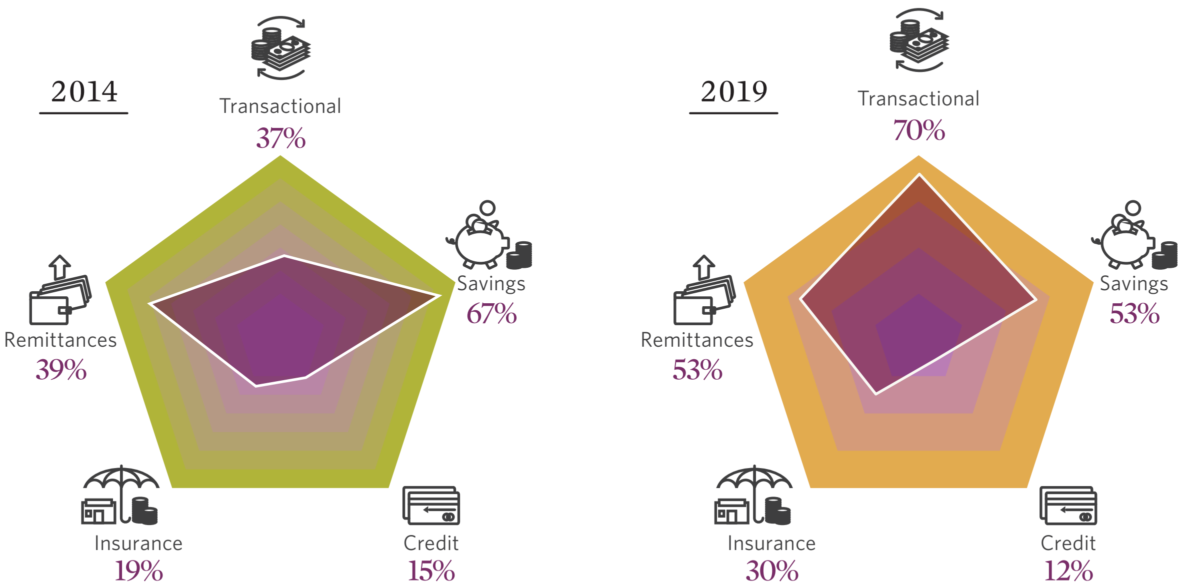
6.9. Landscape of Access

The vector diagrams that follow summarise the main findings of this study regarding the broadness of financial access. The quadrangles indicate the degree of access to the five main products provided: savings, credit, transactions, remittances, and insurance for 2014 and 2019.

Figure 51 shows that Mozambican adults have increased their uptake and usage in terms of transacting, remitting, and insurance since 2014. A broadening of financial services is observed. The major driver of usage of financial products is transactions.

There are more people borrowing and saving in 2019 in absolute numbers. The lower proportions in 2019 for savings (53 per cent) and credit (12 per cent) are due to the high number of included people in 2019, 7,7 million versus 5,7 million in 2014. Credit overall, increased from 860,000 adults in 2014 to 920,000 adults in 2019, although bank credit dropped. Savings overall, increased from 3,8 million adults in 2014 to 4 million adults in 2019, although bank savings dropped.

FIGURE 51: Landscape of access (of those with any financial product). 2014 vs 2019 | *Source: FinScope Consumer 2019 Survey*

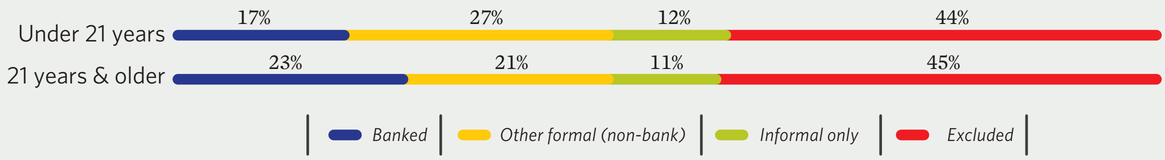


Box 2:
The 16—20 year-old adults and financial access

About 2,6 million adults (19 per cent) fall in the 16 to 20 year category. In line with the legislation, bank account ownership can only be attained when one turns 21 years of age. While we have the economic participation at 15 years of age, it shows that many youth in this segment are excluded from banking services. Findings from the survey show that although this legislation exists there is an uptake of banking products together with, being the main driver of formal financial product access in this category.

The financial access strand below shows the youth aged 20 years and under versus those older than 21 years. Looking specifically at bank access, 17 per cent of this youth segment has access to bank products and is deemed economically active. Of those accessing banking products, the main usage is transactional (84 per cent), while bank credit and savings are much lower at 16 per cent and 12 per cent respectively. The higher than national average uptake of other formal (non-bank) from the access strand shows 27 per cent. This is mainly driven by Mobile Money, and is consistent with the higher proportion of youth that has adopted Mobile Money. It is therefore important for legislation to allow this segment to access broadly and freely the banking products and services.

FIGURE 52: Financial Access Strand | *Source: FinScope Consumer 2019 Survey*



7. Conclusions and Recommendations

In summary, the report provides an overview of Mozambique's financial sector and the way in which the general population engages with it while tracking the changes in their interaction from the 2014 survey. A few concluding points are given below.

7.1. Financial inclusion

Mozambique is one of the least financially-included countries in the Southern African Development Community (SADC). This makes the financial inclusion journey in Mozambique a crucial one. There has been a substantial increase in formal financial inclusion since 2014, reducing adults who are exclusively dependent on informal mechanisms from 16 per cent in 2014 to 11 per cent in 2019. Progressively, the number of excluded adults has been reduced from 60 per cent in 2014 to 46 per cent in 2019.

Some of the highlights of the positive financial inclusion figures seen in Mozambique include:

- Increased usage of transactional accounts as the main driver in the enhanced financial inclusion:
  - 35 per cent of adults in Mozambique have at least a formal account (29 per cent Mobile Money and 21 per cent bank accounts)
- The use of Mobile Money has significantly increased other non-bank formal financial inclusion from 10 per cent in 2014 to 41 per cent in 2019. Additionally, the innovation of Mobile Money has placed payments as the first step in the process of financial inclusion. Mozambicans are also sending and receiving money on this platform
- The majority of those with a bank account are medium users (they use their accounts at least once on a monthly basis).

7.1.1. Measuring progress

The Mozambique Financial Inclusion Strategy 2016-2022 seeks to increase access, and diversification of providers, products, and services through financial inclusion and lays out a vision for the enhancement of financial inclusion in Mozambique. Progress and challenges across the different indicators are summarised below:

Access to financial institution's indicators

The number of Mobile Money agents seems to be increasing, allowing the majority of adults to access the points within 30 minutes. Access to Mobile Money agents in the rural areas within 30 minutes is still lagging below the national average. Mobile Money facilities are the closest formal financial service providers, bank branches, and ATMs remain the least accessible.

Growing e-money

Looking at the percentage of adults with transactional accounts (bank and Mobile Money accounts), it can be seen that this uptake is reported at 35 per cent in the reporting period (2019) compared to 2014, where this was reported at 20 per cent of the adult population. The uptake of transactional accounts led to a growth in the total monetary values of transactions going through the payments system.

Deepening the bank reach

About one in three adults who are banked are from rural areas. This gap is still the same from 2014. Progress in the provision of banking services has focused on the most obvious commercial opportunities, including the formally employed and the salaried market, and the rollout of branches and ATMs in easier-to-reach urban areas. Efforts that have looked at the deepening bank reach, for example, agent banking in more remote areas, such as the rural areas, should be encouraged. Leaner structures of banking, where costs of infrastructure setup use existing structures such as post offices, and supermarkets, have also proved to increase penetration of banking services to marginalised communities in other markets.

It can be suggested that this indicator should focus more on the banked population that has embraced the banks' digital journey. It could also focus on the banks' reach to unbanked consumers using innovative channels such as wallet money and agents. The integration of the Mobile Money transactions with banks may allow account holders to transfer directly from their account to Mobile Money. Issues of interoperability are also critical, hence the need to provide an environment that will allow more players within the financial space to participate in the national payment system.

Low cost remittances to support vulnerable dependents

About 18 per cent of adults in Mozambique rely on money from other people and about 32 per cent of adults have sent money to, or received money from, someone who does not live with them.

The potential for remittances to reduce poverty and promote human development is well documented and often reported as beneficial to overall development. Ratha and Shaw, 2007 state "Remittances directly augment the income of recipient households. In addition to providing financial resources for poor households, they affect poverty and welfare through indirect multiplier effects and also macroeconomic effects".

Expand insurance to better manage impact of risk

The FinScope Consumer 2019 report reveals that 1 in 2 adults experienced unforeseen or unexpected risk events that caused financial loss. This included significant medical costs due to a sickness or accident, the death of a family member, or a natural disaster in which assets or livelihood was lost within the last 12 months prior to the FinScope Mozambique Consumer 2018 survey. Of those who experienced shocks, only 4 per cent used formal mechanisms (insurance) to cope with the shock, whilst the majority used non-financial mechanisms to cope with unexpected risks.

Tracking this helps policy makers understand the proportion of adults who are financially resilient, and whether financial inclusion policies and approaches have been successful in building resilience.

Support farmers

The results show that about 22 per cent of adults rely on farming activities to generate their income. Government should take a strategic lead in designing policies that incentivise provision of insurance for rural and agriculture communities. Offering affordable agriculture insurance to farmers can play a crucial role in securing farmers' livelihoods and boosting the efficiency of the agriculture sector.

Expand productive credit

An environment for banks to lend to MSMEs remains a priority. Lack of access to credit is a major concern and is a clear need for business owners. It is however, also noted that any interventions will require the provision of an enabling environment that will bridge the gap between these businesses and the financial institutions in terms of improving the data to open these businesses, have and use technology, and develop the value chain ecosystem to reduce transaction costs.

7.2. Priority areas

The priorities of financial inclusion in Mozambique continue to ensure that the lives of Mozambicans are improved. To this end the following areas could be prioritised:

- Adopt Financial Inclusion 2.0 (FI2.0) and embrace a focus towards addressing real economy needs through better financial solutions. Embedding the part of the financial sector role in a clearer view of how it engages the real economy is one of the key changes in FI2.0. One possible development under FI2.0 would be to amend or extend the FinScope survey tool to pick up more of the dimensions relating to labour force and MSMEs and barriers to employment which may include lack of skills, education, and job opportunities among other considerations, as a way of getting a clearer picture on employment patterns across an economy. Identify and facilitate the implementation of the financial interventions that will improve the resilience and sustainable livelihoods for the target groups as well as enhance the contribution to the macro-economic indicators for the country.

- Operationalise the implementation of the country's Making Access Possible (MAP) Financial Inclusion Diagnostic and Synthesis note into a Roadmap with updates from 2019, and at the same time, enhance agriculture finance to improve the contribution to livelihoods and economic growth.

- Develop and expand the roadmaps that will support the implementation of the emerging thematic areas within the financial inclusion agenda. This includes expanding the gender financial inclusion pillar within the NFIS through establishing specific interventions for implementation, inclusive green financial inclusion as well as the inclusion of vulnerable groups, e.g. the youth, refugees.

- Emphasise the focus on the usage and quality of the financial services and come up with specific indicators to monitor these. The use of digital financial services and economic platforms has the potential to unlock the opportunities and contribute positively to financial inclusion.

- Prioritise financial consumer education through providing a comprehensive National Financial Consumer Education Strategy. This will provide a framework to guide the implementation, facilitate the mobilisation of resources, stakeholder co-ordination and monitoring and evaluation.

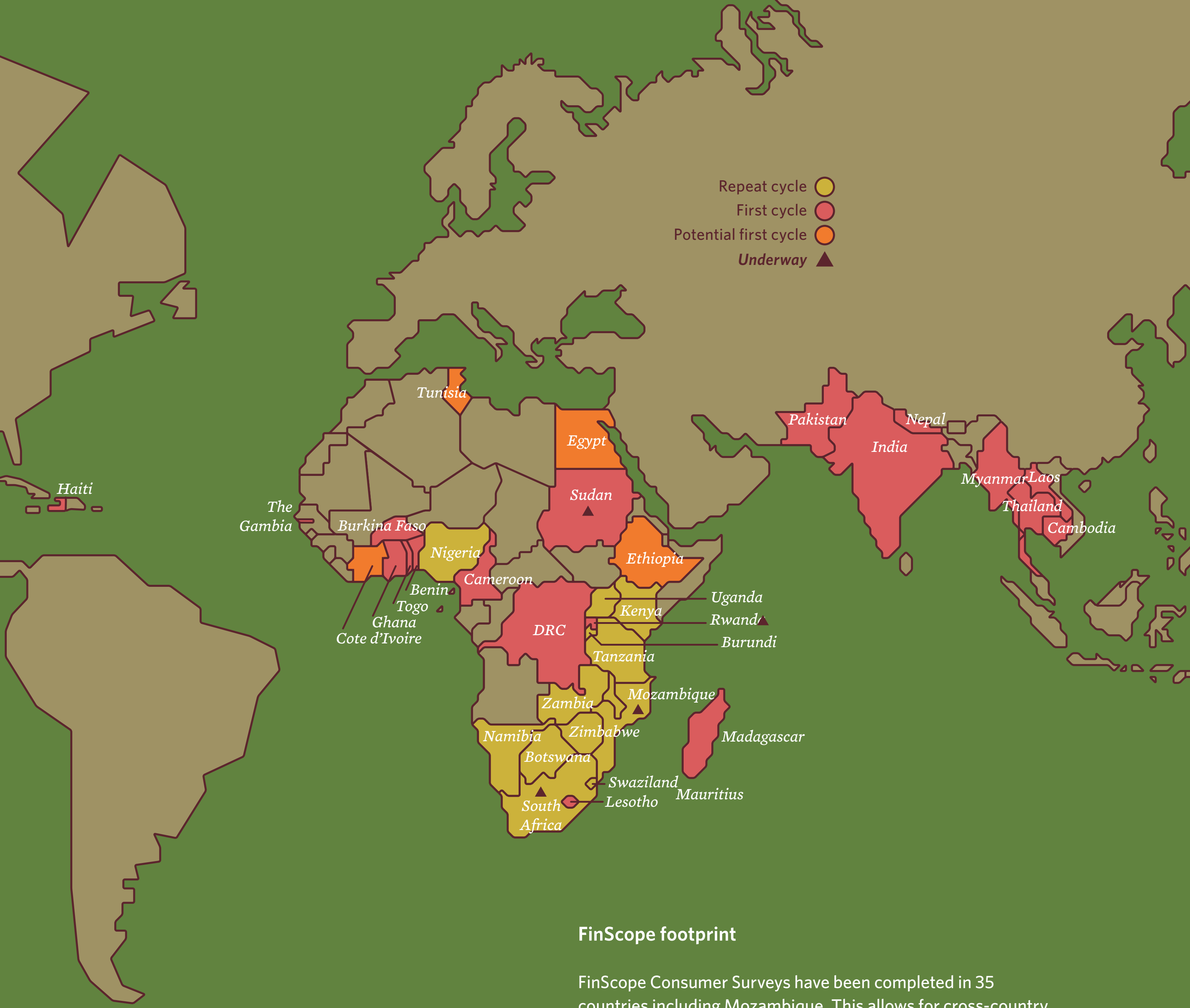
- Ensure credit provision that enables productive capacity or improves the quality of life.

- Improve the provision of insurance products and regulations to overcome industry challenges. The example of confronting industry challenges could include expanding access to health insurance to the broader population. Currently, the available health and medical insurance products are limited to those who are formally employed. The FinScope Mozambique research indicates that, given the absence of, or barriers to formal insurance products, most adults depend mainly on their savings and credit to cover healthcare and medical expenses. Since healthcare and medical costs comprise a major part of household expenses, it is appropriate to consider extending health and medical insurance products to the majority of the population. However, if uptake is to be increased, it is important that premiums for such insurance are affordable and are tailored to suit different groups.

- Make the case for the payment of interest on Mobile Money wallet balances to customers, to test the elasticity of customers to use interest on savings (via mobile wallets).

- Explore and support alternative cost-effective mechanisms for financial inclusion data collection, analysis and the dissemination of the information. This can include increased collaboration with the regulators to collect the supply-side data and the use of platforms for the demand-side data

- Continued monitoring and evaluating of financial inclusion targets, as well as considering the need to use landscape product-suites (i.e. transaction products, savings, credit, and insurance) instead of a number of formal products to serve the market.



FinScope footprint

FinScope Consumer Surveys have been completed in 35 countries including Mozambique. This allows for cross-country comparison regionally and sharing of findings which are key in assisting on-going growth and strengthening the development of financial markets. Surveys are currently underway in 5 countries – 2 in SADC , 1 in West Africa and 2 non-SADC.

FinScope Mozambique 2019 contains a wealth of data based on a nationally representative sample of the adult population of the Mozambique.

For further information about FinScope Mozambique 2019 please contact:

Esselina Macome
CEO – Chief Executive Officer
Address: Av. Armando Tivane. No 849, Maputo, Moçambique
Tel: (+258) 21 485 955
Skype: esselina.macome03
www.fsdmoc.com

Dr Kingstone Mutsonziwa
kingstonem@finmark.org.za

Obert Maposa
obertm@finmark.org.za

FMT FINMARK TRUST
Making financial markets work for the poor

Tel: +27 11 315 9197
www.finmark.org.za