Making Access Possible

Measuring Progress

Financial Inclusion in selected SADC countries

2019

SADC
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
TOWARDS A COMMON FUTURE

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About the cover

The cover design of this report extends the theme of the complex and evolving terrain of the landscape of financial inclusion. By collecting and accurately interpreting relevant data we are able to create an overview of the financial landscape that is layered with depth and dimension. Each new layer of information builds upon the next, revealing the peaks and troughs, growth and decline of inclusion in the region.

Our thanks to the efforts of the team on the ground, led by Nikki Kettles with Damola Owolade and Kgomotso Tolamo, who tirelessly work on a daily basis with our government counterparts to ensure that the national roadmap and financial inclusion policy is implemented. Thanks to the Government of Lesotho, the Ministry of Finance and Central Bank and country coordinator, Palesa Mamalala Sematlane, The Eswatini Central Bank, Centre for Financial Inclusion, Ministry of Finance and country coordinator, Sabelo Mabuza, the Malawi Ministry of Finance, and country co-ordinator, Innocent Njati and the Botswana, Ministry of Finance with country co-ordinator, Salvatore Coscione, Zimstat, Reserve Bank of Zimbabwe (RBZ), Bank Supervision, Zimbabwe Association of Microfinance Institutions, RBZ Foreign Exchange and National Payments Division with country co-ordinators Blessing Mautsa and Nkosi Ncube, The Coordination Nationale de la Finance Inclusive (CNFI) within the Ministry of Finance and Budget, represented by Mrs Tiana Ramparany Ramanarivosoa and The UNCDF DRC country representative, Monah Andriambalo. Thank you as well to the numerous donors who work with us regularly at country level, to make people's lives better.

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The Making Access Possible Programme

Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based country diagnostic and stakeholder dialogue, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recommended action. Through its design, MAP seeks to strengthen and focus the domestic development dialogue on financial inclusion. The global project seeks to engage with various other international platforms and entities impacting on financial inclusion, using the evidence gathered at the country level.

Background

This report is the third in an annual series that assess the level of financial inclusion in selected Southern African Development Community (SADC) countries where the Making Access Possible (MAP) programme has been implemented.

MAP is a multi-country initiative to support financial inclusion through a process of evidence-based country diagnostic and stakeholder dialogue, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recommended actions. This report provides a working methodology that other SADC countries can adopt in measuring and evaluating the impact of national financial inclusion strategies. The SADC Financial Inclusion programme at FinMark Trust supports the development and implementation of national financial inclusion strategies - which is one of the pillars of regional financial integration under the leadership of the SADC secretariat and the SADC Committee for Central Bank Governors (CCBG). To this end, regional M&E indicators have been developed as part of the SADC Financial Inclusion Strategy, which were integrated into country level MAP programmes, to track progress and enable region-wide diagnosis, and policy recommendations.

The SADC financial inclusion strategy and the MAP programmes assess financial inclusion with households and small businesses as the two key units of measurement. Households are further deconstructed into adults of the age group (18 years +) that can legally consume financial services. The MAP programme focus can be distinguished between the consumer (household/adults) and Micro, Small & Medium Enterprises (MSMEs) as areas of intervention for financial inclusion. This report follows the previous two MAP M&E reports by assessing progress on consumer access to financial inclusion as identified by the national roadmaps. The traditional measurement frameworks of access to, and usage and quality of financial services anchors the reporting approach. The effectiveness of implementing national financial inclusion strategies is assessed using data that assesses access to financial access points, usage of formal financial services and the enactment of new financial inclusion policy and regulation as recommended in the road map.

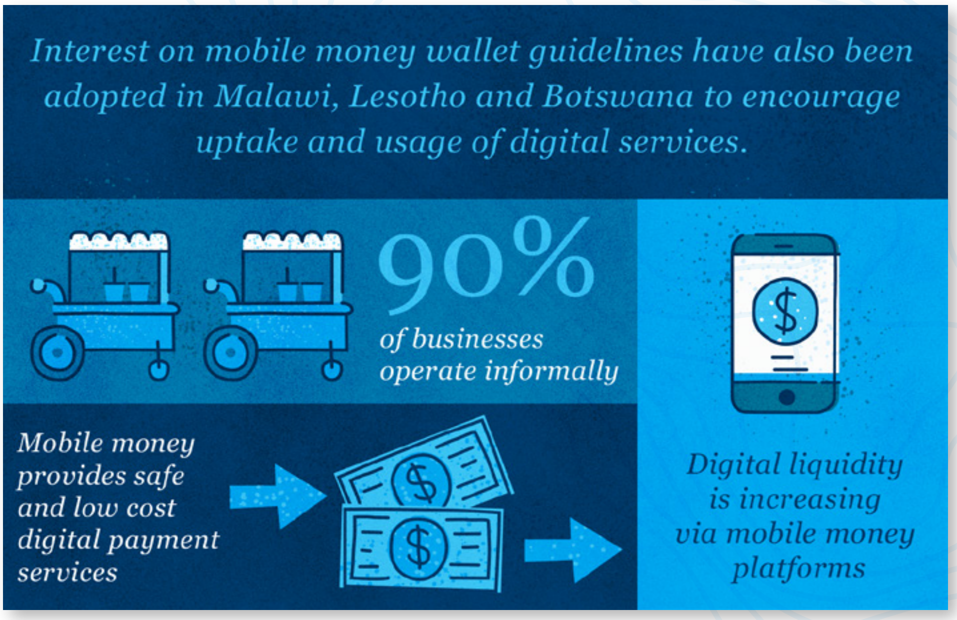
Between 2017 and 2020, the reporting approach, as informed by the SADC FI metrics, has not changed. However, the intersection between financial inclusion and the macroeconomic sphere is gaining more prominence and where applicable, this report relates observed financial inclusion metrics to potential implications for macroeconomic factors such as economic growth, employment, wages, and poverty through personal, business and government payments data. This can also be thought of as a way of aligning financial inclusion as a policy instrument in solving the challenges to meet the Sustainable Development Goals (SDGs).

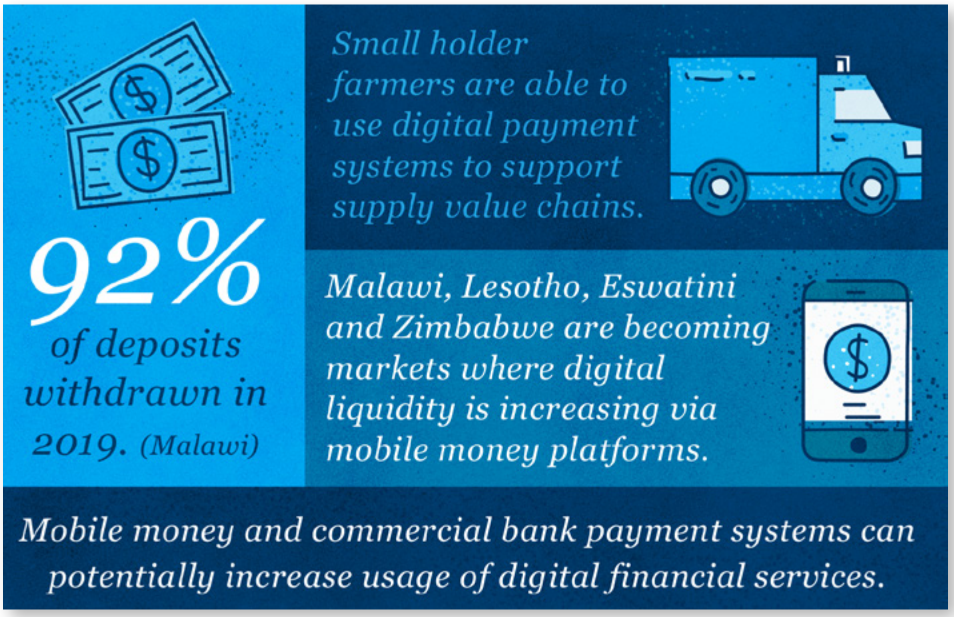
This report relies on data from bank supervision and national payment system units of central banks from Eswatini, Malawi, Zimbabwe, Botswana and Lesotho as at 2019 and will not show the impact of Covid 19 on access and usage patterns. This will be dealt with in the 2021 M&E report. Regulatory and industry data is used to populate the measurement domains of interest. Therefore, it is not comparable to a demand side survey (such as FinScope, FinDex, FinAccess) that is able to provide a cross section of information on access, usage and quality by unique users (adults) or disaggregated segments of unique consumers, as the supply side data may contain some duplication (people who have more than one account for instance will be counted twice).

Emerging themes

Increasing use of mobile money

The expansion of financial inclusion and digital inclusion through mobile money is one of the recommendation in the MAP roadmaps and mobile money has been a key driver of financial inclusion across the selected countries. Projects like the Scaling of Inclusion through Mobile Money (SIMM) in Lesotho was designed to drive the uptake and usage of mobile money. Interest on mobile money wallet guidelines have also been adopted in Malawi, Lesotho and Botswana to encourage uptake and usage of digital services. After 4 years of working on this in a sustained manner, this report starts to show the effect of mobile money in driving access to financial inclusion. In 2019, the Reserve Bank of Malawi started allowing interest on mobile money wallets to increase the value proposition of mobile money relative to cash in an economy that is mostly informal. About 90% of businesses operate informally according to a Malawi MSME MAP Diagnostic report. In Zimbabwe, mobile money is an important platform for payments, but given the hyper-inflationary environment in the country and the limits on amount withdrawable from mobile money agents, people tend to prefer to keep cash (especially in a more stable currency such as the US dollar). However, mobile money payments in the local currency Zimbabwe Dollar is prevalent for both Person to Person (P2P) and Person to Business (P2B) transactions.





Interoperability

In Malawi, commercial partnerships between cross border remittances service providers and mobile money operators is driving an increase in digitally enabled receipt of cross border payments by users of mobile money. Mobile money and commercial bank payment systems are inteoperable to potentially increase usage of digital financial services. Migrant labourers have safe and low cost digital payment services to send money to dependents in rural areas. Small holder farmers are able to use digital payments systems to support supply value chains.

Merchant payments

In Lesotho, P2B transfers are growing at a faster rate than P2P transactions via mobile money platforms. Merchant payments data depicts personal consumption and small business activity. However, the codification of the data (merchant codes) is insufficient to assess payment activities in sectors such as energy, education, and health which are targeted by the SDGs. Improved merchant payments data can enhance the understanding of the rate of expansion of uptake and usage of formal financial services which is an important link between the formal and the informal economy.

Increase in digital liquidity and macroeconomic implications

Net cash-in and cash-out volumes show that the incidence of digitising cash is more than de-cashing. Malawi, Lesotho, Eswatini and Zimbabwe are becoming markets where digital liquidity is increasing via mobile money platforms. In Malawi, 92% of deposits (cash-in) was withdrawn (cashed-out) in 2019. Further research is required to assess the role of mobile money and the velocity of money and the subsequent implication for monetary policy.

Zimbabwe

The Zimbabwe National Financial Inclusion Strategy lays out a vision for an inclusive financial system that is responsive to the needs of all Zimbabweans, and to facilitate access to usage of quality and affordable financial services by all Zimbabweans.

Access

As of September 2019, the total adult population in Zimbabwe was 8.9 million. This is an increase of only 0,04% since 2014, and the adult population has therefore remained largely stagnant over a period of 5 years. The number of financial access points per 100,000 adults increased from 984 to 1,228 per 100,000 between September 2018 and 2019. The total number of financial access points continue to increase due to suspended duties/tax on the importation of POS and other payment system gadgets such as MPOS, and mobile phone handsets. Although total active POS devices are declining, there was an increase in access points that offer digital payments with 119,810 merchant locations in September 2019. The total number of active merchants[1] in urban areas increased by 136% to 79,371 between September 2018 and 2019. In the same period, active merchants in rural areas increased by 69% to 43,123.

The number of mobile money agents per 100,000 adults increased from 427.1 to 453.7 between September 2018 and 2019. This shows the importance of mobile money agents in the cash distribution network of Zimbabwe's largely informal economy.

Active POS devices per 100,000 adults declined from 982.9 to 937.5 between September 2018 and 2019. m-POS per 100,000 adults increased by over 200% from 290 to 810.3 between September and December 2019. The m-POS device is cheaper to acquire and maintain compared to the standard POS machine. It was only introduced to the market in the second quarter of 2019 and can be used by informal traders, making it an important platform in connecting the formal and informal economy via the national payment system.

The cashless drive in Zimbabwe offers cards and mobile phone-based options for payments, depending on consumer preferences considering cost and convenience, while the role of commercial bank branches and ATMs have declined drastically. Commercial bank access points (branches and ATMs) have declined drastically between 2014 and 2018, but has shown little change between 2018 and 2019. For instance, the number of bank branches declined by 20% from 2014 to 2018 but stayed the same in 2019. ATMs declined far more, from 6,9 per 100,000 adults in 2014, to 0,7 in 2018, and further declined to 0,5 in 2019. As a result, ATMs are virtually non-existent in the country, and the ones that remain are mostly at the actual branches, especially in the central business districts of cities.

Micro finance institutions (MFIs) continue to extend their reach to provide much needed loans to households and small businesses. As of September 2019, there were 479 mobile transfer operator (MTO) branches in urban areas, while the number of rural branches remained unchanged at 20 between September 2018 and 2019. These MTOs serve domestic and cross border markets, as Zimbabweans depend on inflow of cross border remittances given the size of its diaspora, with about 1.7 million people in South Africa alone.

1 These are businesses that offer financial services particularly digital payments

The number of financial access points per 100,000 adults increased from 984 to 1,228 per 100,000 between September 2018 and 2019.

ATMs declined far more, from 6,9 per 100,000 adults in 2014, to 0,7 in 2018, and further declined to 0,5 in 2019.

Money transfer operator branches in urban areas was 479 as of September 2019 and 20 branches in rural areas remaining unchanged between 2018 and 2019 September.

Uptake

Despite the decline in bank and ATM access points, there has been a drastic increase in the number of low cost/light KYC accounts to drive up number of commercial bank accounts per 100,000 from 882 in 2014 to 6,525 in 2018. This further increased to 7,715 in September 2019.

The number of registered mobile money accounts increased considerably from 2014 (4.1 million) to 2018 (11.3 million), and continues to exceed the total adult population of 8.9 million at 12.9 million accounts in September 2019. This is a 14% increase over the last year. Of the total accounts, 39% are females and 60% are adults in the 16-35 age category – a substantial decline from 75% in this age group in 2014. The number of mobile money accounts, defined as the total number of 30-day active users, are still increasing substantially, from 2.7 million in 2014 to 5.9 million in September 2018, and increased further to 6.2 million by September 2019. However, active accounts seem to be decreasing over time, with 48% of total accounts used within 30 days in September 2019 compared to 52% of total accounts registered a year earlier, a further decrease from 66% of total accounts.

Usage

The usage of POS (card transactions) declined by 9% to 14.7 million transactions as of the end of September 2019, compared to 16.2 million transactions as of the end of September 2018. However, mobile money transactions reveal some interesting observations. For instance, person to business payments increased by 25% from 37.3 million to 46.7 million transactions between September 2018 and 2019. There were 2.7 million transactions on utility payments as of September 2019, with no significant change from September 2018. Person to Person (P2P) transactions declined by 17% as of September 2019 compared to 2018, from 69.5 million to 57.6 million. The level of P2P transactions remains the second highest on the mobile money platform (airtime purchase is the highest). The decline in P2P volumes is due to increased tariffs on P2P over the observed period, and limits on value that can be transacted.

During the period under review, cash purchases appear to dominate, with merchants offering cash payment discounts, resulting in more cashing-out than cashing-in. As of September 2019, the percentage of total numbers of cash-in and cash-out transactions cash-in rural areas were 60% and 61% respectively. The total number of mobile money transactions increased by 119% between September 2018 and 2019 (260 million transactions). More than half total mobile money transactions (60%) take place in rural areas which could serve as a pillar of rural development.

Total loans to the SMEs increased by 75%, from Z$131 million to Z$230 million between September 2018 and 2019. The Reserve Bank of Zimbabwe (RBZ) created empowerment facilities to support the SME sector during the period under review; however, the available data does not allow for profiling the classes of SMEs that were beneficiaries of the empowerment facilities.

The number of registered mobile money accounts increased drastically from 4.1 million to 11.3 million (2014 to 2018) and continues to exceed the total adult population of 8.9 million at 12.9 million accounts in September 2019.

Person to business payments increased by 25% to 46.7 million transaction from 37.3 million transactions between September 2018 and 2019.

Quality of Service

To assess quality of service, this report relies on response codes on payments made to inform aspects of service that might require intervention. The top three response codes for failed card transactions as of September 2019 were the following:

- "Insufficient funds" – the balance in the account is insufficient to conduct a transaction;
- "Invalid function" – the function used (e.g., using an incorrect USSD code) is invalid; and
- "Issuer/switch down"- the communication and electrical system of the payment service providers are down. This is an enabling environment issue in relation to mobile network operators and their infrastructure.

The response codes can signal areas to target for financial literacy to ensure that users (customers) are, for instance, aware of how to check account balances. The "Insufficient funds" code confirms the view that financial inclusion is ultimately about money and ensuring that people have sufficient income to drive sustainable livelihoods.

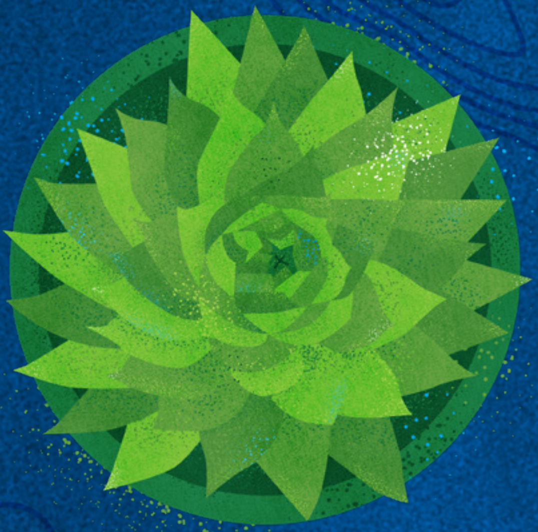
Institutional capacity for financial inclusion

There is a dedicated unit of 8 staff within the Reserve Bank of Zimbabwe mandated with coordinating the implementation of the National Financial Inclusion Strategy. One of the key events in the financial inclusion institutional ecosystem in 2019 includes the amendment made to the Microfinance Amendment Act in 2019, which reduced the variety of institutions that can operate as a microfinance business under the Act. That is, the Act now recognises only two institutions: credit-only microfinance institutions (namely companies that provide loans and credit to small-scale borrowers); and deposit-taking microfinance institutions, (namely companies that accept deposits from small-scale businesses and members of lower-income groups). The amendment on licensing tenures, now specifies a five-year period of registration by credit-only MFIs and indefinite registration for deposit-taking microfinance institutions. The National Financial Inclusion Strategy is currently undergoing a strategic review. Concurrently, there is a MAP refresh underway that will evaluate the progress of the National Financial Inclusion Strategy and market development.

Zimbabwe M&E Data

	BASELINE 2014	SEP-18	SEP-19
Total population			
	8 906 060	8 907 363	8 909 487
Access per 100,000			
Total Access Points per 100,000	108	984	1,228
Commercial Bank Branches per 100,000	6.1	5.3	4.8
Active merchants per 100,000	517	893	1,345
Active POS per 100,000	101	983	938
Active m-POS per 100,000			290
Active Mobile Money Agents per 100,000		427	454
Uptake per 10,000			
Commercial bank accounts per 10,000	882	6,525	7,715
Mobile money accounts per 10,000	4,606	12,701	14,529
Usage			
POS	389,092	16.2 million	14.7 million
Mobile money P2P	5.4 million	69.5 million	57.6 million
Mobile money P2B	36,310	37.3 million	46.7 million
Total Mobile Money Cash-in	16.2 million	63.9million	11.8 million
Total Mobile Money Cash-out	14.3 million	15.7 million	15.5 million

Source: Reserve Bank of Zimbabwe and Zim Stats.



Lesotho

The Lesotho Financial Inclusion Roadmap lays out a plausible vision for the enhancement of financial inclusion from 2014-2020 by "improving household welfare and national growth through an enhanced quality and depth of financial inclusion". It is envisaged that the proposed interventions will result in an increase in depth and quality of financial inclusion in Lesotho, and a sustainable financial sector able to increase citizen welfare, create economic growth, and hence meet national goals.

Access

As of September 2019, the total adult population in Lesotho was 1.1 million. The total number of financial access points increased from 522 to 732 per 100,000 between September 2018 and 2018 - a 31% increase in the total number of access points, driven largely by an increase in mobile money agents and POS devices. Total commercial bank branches declined by one to 49, while ATMs dropped by four to 200 over the observed period. However, the number of ATMs per 100,000 adults increased from 17.2 per 100,000 in September 2018 to 18.1 in September 2019.

Active POS devices increased from 129 to 163 per 100,000 adults. Businesses or merchants that receive card payments increased from 14 per 100,000 adults to 17 per 100,000 adults. Card payments remain an option in the provision of digital financial services in Lesotho.

Active mobile money agents continue to drive access to financial access points in Lesotho, with 526 per 100,000 adults in September 2019 compared to 345 per 100,000 the previous year. Commercial bank branches, merchants (with POS devices) and ATMs are mostly concentrated in urban areas, but there is a deliberate policy to extend agent networks in the rural areas.

To serve consumers and SMEs, the Central Bank of Lesotho started issuing licences to microlenders to operate as microfinance institutions (subject to increased regulation). It should be noted that in September 2018, there were 221 microlenders in total, compared to 21 branches of MFIs. It is expected that the number of MFI branches will increase because of the new licence in the next reporting period.

Uptake

The proportion of commercial bank accounts per 10,000 adults increased from 189.6 to 191.1 between September 2018 and 2019, a further increase from 174.2 in 2017, while registered mobile money accounts per 10,000 increased from 10,338 to 13,738 over the same period. This shows the increasing role of mobile money in driving financial inclusion compared to commercial banks.

In terms of risk management, the number of life insurance policies issued increased by 48% to 541,479, while non-life insurance policies issued increased by 36% to 60,988 in September 2019, compared to September 2018. It is not possible to profile the customers holding these policies to tell if this is indicative of a more financial inclusive market for risk management products.

Usage

In the previous section, it was mentioned that access to commercial banks is declining relative to mobile money. 95% of ATM transactions are cash withdrawals, implying ATMs are essentially a 'post box'. Judging by the level of usage, debit card payments in volumes increased by 8% between 2018 and 2019 September to 2 million transactions. The increase in POS devices has resulted in a corresponding increase in the volume of POS transactions by 35% to 787,443 transactions in September 2019, while mobile banking dropped in volumes by 29% to 506,250 transactions as of September 2019. This shows a reduction in mobile phone-based services, while card-based services increased within the commercial banking sector.

Total commercial bank branches reduced by one to 49 while ATMs dropped by four to 200 over the observed period.

Active mobile money agents continue to drive access to financial access points in Lesotho with 526 per 100,000 adults in September 2019 compared to 345 per 100,000 the previous year.

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With an increase in the total number of registered mobile money accounts, the average monthly balance of the mobile money market (escrow account) increased by 409% to ZAR518.9 million between 2018 and 2019. The ratio of cash-in to cash-out shows a market that has digital liquidity, implying that mobile money is being used for short-term or long-term savings with withdrawals (cash-out) being 77% of deposits (cash-in) in September 2018 and 2019. P2P transactions is the top (highest number of transactions) mobile money transaction type, followed by utility payments, airtime purchases and then P2B transactions. The most interesting feature of the mobile money market between 2018 and 2019 September was the massive increase of 101% in volumes (228,640 to 459,300 transactions) of merchant payments (part of P2B), which can be partly attributed to the SIMM programme and the natural evolution of mobile money usage in Lesotho.

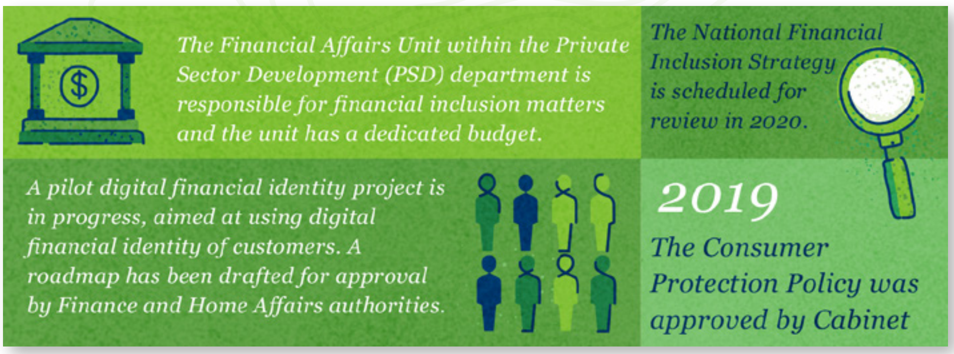
SMME

The number of SMEs with a deposit account at a regulated financial institution decreased by 19% to 8,530 in September 2019. SMEs with an outstanding loan or line of credit at a regulated financial institution decreased by 19% to 976 in September 2019 from the previous year. These trends are indicative of a declining engagement of SMEs with the banking sector. However, the increasing activity of merchant payments over mobile money platforms shows that SMEs have store of value and payment products based on the assumption that offering digital payments services to customers will encourage merchant usage of mobile money in their business operations.

Institutional capacity for financial inclusion

The Financial Affairs Unit within the Private Sector Development (PSD) department is responsible for financial inclusion matters and the unit has a dedicated budget. The unit is responsible for the implementation of the National Financial Inclusion Strategy which has been in place since 2017. The National Financial Inclusion Strategy is scheduled for review in 2020. Some key events that occurred between September 2018 and 2019 are:

- A pilot digital financial identity project aimed at using digital financial identity for frictionless and virtual KYC (onboarding and verification) of customers. A roadmap has been drafted for approval by Finance and Home Affairs authorities.
- The Consumer Protection Policy was approved by Cabinet in 2019.



With an increase in the total number of registered mobile money accounts, the average monthly balance of the mobile money market increased by 409% to ZAR518.9 million (2018 to 2019).

Trends indicate a declining engagement of SMEs with the banking sector.

The National Financial Inclusion Strategy is scheduled for review in 2020.

Lesotho M&E Data

	BASELINE 2015/16	SEP-17	SEP-18	SEP-19
Total population				
	1,162,790	1,184,626	1,183,590	1,107,125
Access per 100,000				
Total Access Points per 100,000	287	466	522	732
Commercial Bank Branches per 100,000	3.8	4.0	5.3	4.8
Active ATMs per 100,000	13.6	16.7	17.2	18.1
Active POS per 100,000	78	127.2	128.9	163.0
Active Mobile Money Agents/Merchants per 100,000	195	316	345	526
Uptake per 10,000				
Commercial bank accounts per 10,000		174.2	189.6	191.1
Mobile money accounts per 10,000	8,972.1	10,944	10,388	13,737.6
Non-life insurance product per 10,000	325	333	378	551
Life insurance product per 10,000	895	970	3,089	4,891
Usage				
POS		400,941	583,513	787,443
Mobile money P2P		4.8 million	7.2 million	10.0 million
Mobile money P2B		96,304	228,640	459,300
Total Mobile Money Cash-in		8.2 million	10.5 million	12.9 million
Total Mobile Money Cash-out		5.7 million	8.1 million	10.5 million

Source: Central Bank of Lesotho and Lesotho Bureau of Statistics

Eswatini

Eswatini Financial Inclusion Roadmap 2014–2020, which seeks to increased access, and diversification of providers, products and services through financial inclusion, lays out a vision for the enhancement of financial inclusion in Eswatini.

Access

The total adult population in Eswatini as of September 2019 was 0.7 million. The total number of financial access points per 100,000 adults increased from 15.3 to 15.8 between September 2018 and 2019. Eswatini is one of the countries where access to formal financial services is being driven by mobile money and branchless banking business models. This is underpinned in the Eswatini Financial Sector Deepening Implementation Plan (FSDIP), which aims to introduce more competition in the banking and payments sector by reducing market entry for mobile service providers.

There was a slight decrease in the number of bank branches per 100,000 adults between September 2018 and 2019, at 12.3 and 11.6 respectively, but these levels are much higher than in 2017, with 7 branches per 100,000 adults. Commercial bank branches include the traditional commercial banks and the Swaziland Building Society, which, though regulated under the non-bank regulator, offers full banking facilities and has applied for a banking licence. ATMs per 100,000 adults reduced from 42.3 to 35.2 between September 2018 and 2019. 35 additional deposit-taking ATMs were introduced in 2019 to encourage digitisation to reduce cash holdings. Active point of sale (POS) devices per 100,000 adults increased over the observed period from 314.6 to 488.6 (about the same level as in September 2014) in September 2019. This shows that card payments remains important to expanding access of digital payments at merchant locations.

The total number of active mobile money agents (5,397) exceeded the total number of POS devices in Eswatini in September 2019. However, active mobile money agents per 100,000 adults declined from 837.2 to 746 between September 2018 and 2019. This is likely due to mobile money agent churn, which is typically a result of a lack of value proposition for agents located in areas with little economic activities or areas that are sparsely populated. Mobile money agents onboard new customers, offer cash-in/cash-out (CICO) services and they can also be instrumental as an interface between FSPs and customers to scale up financial capability.

The institutions discussed in the preceding paragraphs are regulated by the Central Bank of Eswatini. The Financial Services Regulatory Authority (FSRA) regulate non-banks, which play a role in supporting the financial sector. Risk management service providers are regulated by the FSRA and, as of September 2019, there were 55 insurance branches and 130 insurance agents, unchanged from September 2018. Savings and Credit Co-Operative Societies (SACCOs) are another institutional type that is subject to the FSRA regulatory mandate, although the Ministry of Commerce, Industry and Trade is responsible for their registration. SACCOs can either be financial or multipurpose, or a combination of the two. Registered financial SACCOs increased from 43 to 50 between September 2018 and 2019.

In conclusion, accessibility to financial service providers in Eswatini relies on diversified institutions that suit the different categories of users in the Kingdom, with mobile money leading the charge.

The total number of financial access points per 100,000 adults changed from 15.3 to 15.8 between September 2018 and 2019.

ATMs per 100,000 adults reduced from 42.3 to 35.2 between September 2018 and 2019.

Registered financial SACCOs increased from 43 to 50 between September 2018 and 2019.

Uptake

The total registered mobile money accounts increased from 547,731 to 676,543 from September 2018 to 2019. This translates to 8,499.6 accounts (5,775 60-day active) and 9,350.7 accounts (6145.1 – 60 day active) per 10,000 adults over the observed period, respectively, making Eswatini one of the countries with the highest penetration of mobile money in the SADC region.

For long-term savings, membership in a building society per 10,000 adults dropped from 1,468.5 to 1,382.1 between September 2018 and 2019. The number of adults with a retirement savings account increased by 1% to 217,946 as of September 2019.

Usage

Analysis of the payments market reveals the declining role of card payments through POS devices, as total volume decreased by 68%, from 4.5 million transactions to 1.4 million transactions as of September 2019. On the other hand, total payments on the mobile money platform increased by 210.4% to 40.8 million transactions as of September 2019. Of every ZAR 1 that is cashed-in, ZAR 0.7 is cashed-out, showing a level of digitisation that remained largely unchanged between 2018 and 2019 September.

Between September 2018 and 2019, mobile money transactions increased as follows:

- Merchant payments (P2B) by 160% to 66.7million transactions
- Utility payments by 131.5% to 6.8 million transactions[2]
- Person to person (P2P) payments by 135% to 10.0 million transactions
- Airtime purchase by 110% to 16.7 million transactions[3]

The monthly average mobile money wallet balance increased from E900 (USD 49) to E1,500 (USD 81.7), which could be indicative of users utilising mobile money wallets as a platform to store funds in the short term. The average mobile money wallet balance is on par with the country's monthly minimum wage of USD 80[4], indicating that mobile money caters for the low-income population.

Quality

The claims ratio for non-life insurance was 17% compared to 47% for life insurance as of September 2019. The non-life claims ratio is quite low and not likely to reflect the value proposition that will encourage increased use of non-life insurance in Eswatini. However, this requires further research.

The top five response codes for failed card transactions are "expired card", "error", "PIN tries exceeded", "insufficient funds" and "PIN failure". This points to a clear role for increasing and improving financial literacy and could be instructive in developing financial literacy programmes to improve user experience .

2 Utility payments are reported on separately to merchant payments, i.e. not included in merchant payments.

3 Airtime purchases are reported on separately to merchant payments, i.e. not included in merchant payments.

4 https://www.minimum-wage.org/international/swaziland

For long-term savings, membership in a building society per 10,000 adults dropped from 1,468.5 to 1,382.1 between September 2018 and 2019.

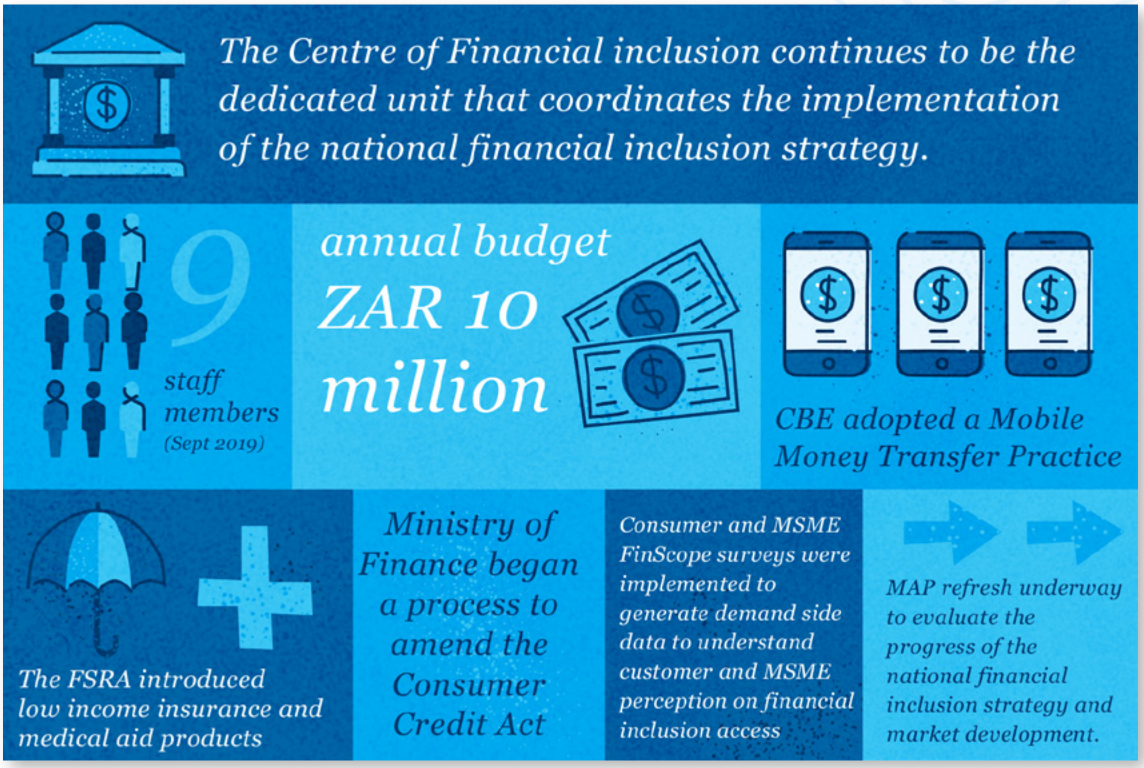
Total payments on the mobile money platform increased by 210.4% to 40.8 million transactions as of September 2019.

Claims ratio for non-life insurance was 17% compared to 47% for life insurance as of September 2019.

Institutional capacity for financial inclusion

The Centre of Financial inclusion continues to be the dedicated unit that coordinates the implementation of the national financial inclusion strategy. As of September 2019, it had 9 staff members and has an annual budget of about ZAR 10 million. Between September 2018 and 2019 several reforms were undertaken. These include:

- The Central Bank of Eswatini (CBE) adopted a Mobile Money Transfer Practice note;
- The Financial Services Regulatory Authority (FSRA), the non-bank regulator, introduced low income insurance products that allow consumers to pay through mobile money financial platforms;
- The FSRA introduced low income medical aid products to suit the financial inclusion target market;
- The Ministry of Finance began a process to amend the Consumer Credit Act to accommodate for provisions of consumer credit information sharing which will allow for greater financial inclusion;
- In 2019, consumer and MSME FinScope surveys were implemented to generate demand side data to understand customer and MSME perception on financial inclusion access, usage, and quality. The MSME FinScope informed the development of an MSME MAP diagnostic, which prescribed recommendations on how to enhance the MSME sector; and
- In partnership with the Kingdom of eSwatini, there is a MAP refresh underway that will evaluate the progress of the national financial inclusion strategy and market development, in order to update the national roadmap, which will impact the national vision targets and objectives around financial inclusion.



Eswatini M&E Data

	BASELINE 2014	SEP-17	SEP-18	SEP-19
Total population				
		531,813	532,000	676,185
Access per 100,000				
Commercial bank branches per 100,000	15.6	12.4	12.3	11.6
Active ATMs per 100,000	48	46.2	42.3	35.2
Active POS per 100,000	48	106	315	489
Active Mobile Money agents per 100,000	180	484	837	746
Uptake per 10,000				
Commercial bank accounts per 10,000		7,265	8,380	N/A
Mobile money accounts per 10,000			8,500	9,351
Building society membership per 10,000			1,469	1,382
Usage				
Mobile money P2P			7.2 million	10.0 million
Mobile money P2B			41.5 million	66.7 million
Total Mobile Money Cash-in			244 million	299 million
Total Mobile Money Cash-out			184 million	217 million

Source: Central Bank of eSwatini and World Bank Financial Access Survey (Commercial bank accounts).

Malawi

The Malawi Financial Inclusion Roadmap 2015 – 2021 focuses on "creating a pervasive infrastructure through partnerships to enhance the quality and depth of financial inclusion in Malawi, laying out a vision for the enhancement of financial inclusion in Malawi, in order to support national objectives through employment creation, human capital development and improved household welfare".

Access

As of September 2019, the adult population in Malawi was 9 million, an increase of 4% from September 2018. Total access points per 100, 000 adults showed a slight decrease between September 2018 and 2019, from 378 to 376. Over the same period, commercial bank operations through bank branches increased, with 28 additional branches by September 2019. The total number of ATMs increased by 14, but the slight increase in population kept the level per 100,000 adults at about the same at 5.5 in September 2019. The data does not allow for spatial understanding of the network of new branches to know if this is targeted at the financially excluded, the underserved or if it is simply about deepening inclusion in already well-served areas.

The growth in total number of bank agents[5] by 313% shows that commercial bank sector is looking to actively compete for more clients, as total bank agents per 100,000 jumped from 3.6 to 11.2. The agent banking model (use of retailers) has gained more prominence compared to bank kiosks, which are small bank outlets that provide basic banking services and are operated by bank employees. Bank kiosks per 100,000 adults declined from 1.6 to 1.2 between September 2018 and 2019. Point of Sale (POS) devices per 100,000 adults increased from 20 to 26.3. All POS devices are interoperable across the different commercial banks, furthering the argument that commercial banks seem to be ramping up their retail banking strategy; however, it is not clear how much of this filters into rural areas, which are historically unserved or underserved.

The growth in total number of bank agents by 313% shows that commercial bank sector is looking to actively compete for more clients as total bank agents per 100,000 jumped from 3.6 to 11.2.

On the other side of the spectrum are mobile money operators, with a business model much more suited to serving low income and rural communities. There are two mobile money services providers under a shared agent regime, with most agents serving clients of the two mobile money service providers and a minority are exclusive. One expects the usage of mobile money to increase, as the penetration of mobile phones surged by 14.5 between September 2018 and 2019.

Uptake

The drive by commercial banks to increase market penetration in the retail market by expanding access points has not yielded intended results, with uptake of commercial bank accounts falling to 1,842 accounts per 10,000 adults in September 2019 compared to 2,113 in the previous year. However, there are more mobile money accounts per 10,000 adults sitting at 7,840 in September 2019 compared to 6,461 the previous year. This shows that the penetration of mobile money holds the key to expanding and deepening financial inclusion in Malawi. In 2019, 57.5% of registered mobile money accounts belonged to males while 42.5% were owned by females

There are more mobile money accounts per 10,000 adults sitting at 7,840 in September 2019 compared to 6,461.3 the previous year.

5 This represents the number of businesses/enterprises (per 100,000 adults and absolute) providing basic banking services (taking deposits and facilitating encashments) on behalf of specific banks on commission basis. The banking services are provided in addition to other businesses done by the enterprises and they mainly serve individual clients

Usage

For commercial bank customers, there has been an 4% point increase in the number of dormant (6 months) accounts, which, as of September 2019, was 37.7% of total accounts. This may be a result of accounts being opened when commercial banks run their periodic account opening promotions that help to increase the number of accounts, but do not lead to continued usage by clients. The lack of usage can also occur when donors or other government agencies open accounts to facilitate social grants and such accounts are only active during grant payment season. This could also be indicative of a switch to mobile money, but further research is required to tease out the key reasons.

4%

There has been an 4% point increase in the number of dormant (6 months) accounts which as of September 2019 was 37.7% of total accounts.

Since the Reserve Bank of Malawi issued a directive to ensure that there is interoperability across the different payment platforms (commercial banks and mobile money), we expect to see increased integration of bank and mobile money transactions. Average monthly volumes from mobile wallets and bank accounts increased by over 169% (from 20,400 to 54,939) while from bank account to mobile wallet rose by 341% (from 68,040 to 300,413) between September 2018 and 2019, as all banks were linked to mobile money service providers following implementation of the interoperability directive.

Key details of the mobile money payments sector between 2018 and 2019 (September) are the following:

- 60-day active customers increased by 55% to 3.5 million registered accounts – a third of the total adult population;
- Merchant payments (P2B) increased by 63% to 8.4 million transactions;
- Utility payments increased by 78% to 10.9 million transactions;
- Person to person (remittances) increased by 57% to 16.2 million transactions; and
- De-cashing mobile money wallet is increasing, with 92% of cash-in getting cashed out in September 2019, compared to 84% in September 2018.

The rate of growth of merchant payments is higher than person to person transactions, showing that mobile money is starting to gain traction in business activities. However, person to person transactions still dominate transaction types by size.

In terms of risk management products, the gross premium on non-life insurance policies increased by 113% to 55 billion Malawian Kwacha in September 2019 from the previous year. The claims paid out amounted to 22.6 billion Malawian Kwacha in September 2019 – a 121% increase from the previous year.

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Quality of service

Payment services in the banking sector were reported to have the following quality challenges:

- Delayed refunds for failed ATM transactions;
- Lack of communication when product terms and conditions are changed;
- Delayed resolution of customer complaints; and
- Inadequate transparency and disclosure of information.

Payment services in the mobile money sector were reported to have the following quality challenges:

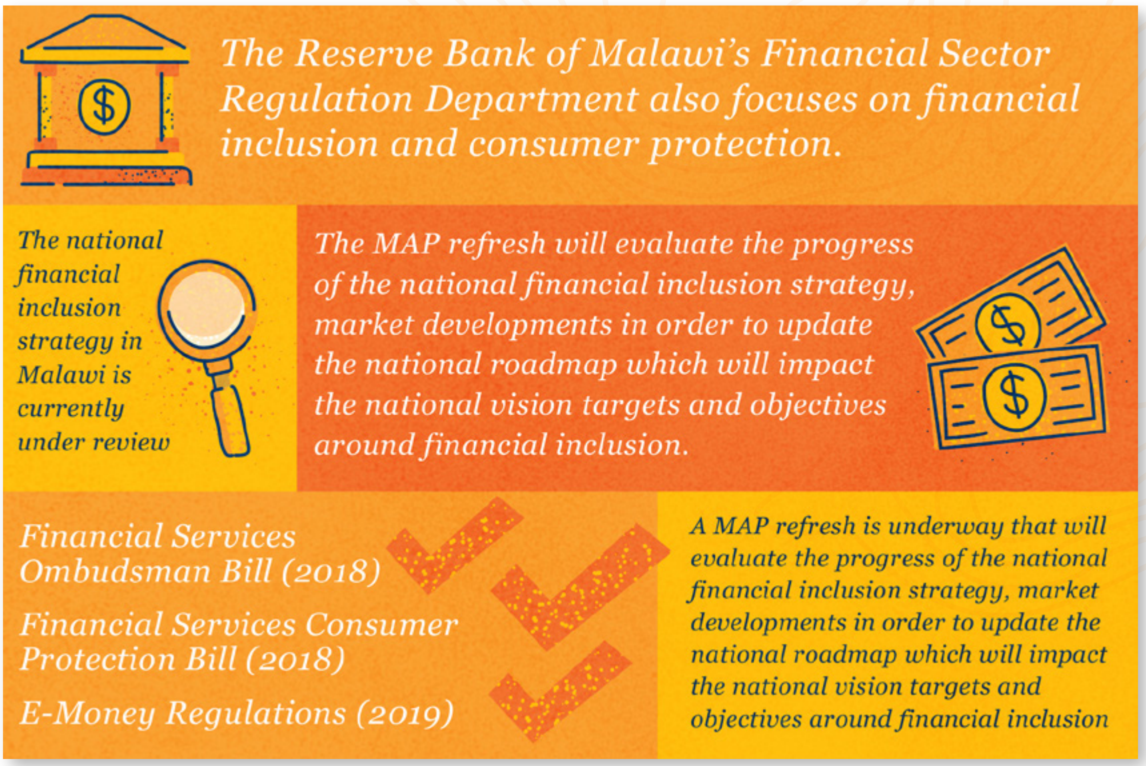
- Perception of high charges;
- Telecommunication network and electricity infrastructure challenges; and
- Weak float management of agents.

In the non-life insurance market, the claims ratio was 41% in 2019 September, which is an improvement from 38% in 2018.

Institutional capacity for financial inclusion

The Reserve Bank of Malawi's Financial Sector Regulation Department also focuses on financial inclusion and consumer protection. The national financial inclusion strategy in Malawi is currently under review, which is being supported by the MAP process as a MAP refresh. The MAP refresh will evaluate the progress of the national financial inclusion strategy and market developments, in order to update the national roadmap, which will impact the national vision targets and objectives around financial inclusion. Some of the key regulatory events that occurred between September 2018 and 2019 include:

- Conclusion of the Financial Services Ombudsman Bill in 2018;
- Conclusion of the Financial Services Consumer Protection Bill in 2018; and
- Implementation of E-Money Regulations in 2019.



Malawi M&E Data

	BASELINE 2015	MARCH-17	MARCH-18	MARCH-19
Total population				
			8,675,215	9,059,897
Access per 100,000				
Total Access Points per 100,000			378	376
Commercial Bank Branches per 100,000	0.6	2.4	0.9	1.2
Active ATMs per 100,000	2.3	13.1	5.5	5.5
Active POS per 100,000	7.9	18.6	20.1	26.0
Mobile Money Agents/Merchants per 100,000	3.8	186	324	357
Uptake per 10,000				
Commercial bank accounts per 10,000			2113	1842
Mobile money accounts per 10,000			6461	7840
Usage				
POS			0.9 million	1.3 million
Mobile money P2P			10.3 million	16.2million
Mobile money P2B			5.1 million	8.4 million
Total Mobile Money Cash-in			36.9 million	55.4 million
Total Mobile Money Cash-out			31.3 million	51.1 million

Source: Reserve Bank of Malawi and National Stats Office Malawi

Botswana

The Botswana Financial Inclusion Roadmap 2015 – 2020 lays out the national priorities for the enhancement of financial inclusion in Botswana, in order to help improve citizen's welfare and support national objectives by "Deepening access, extending financial services to the farthest corners of Botswana"

Access

The total number of financial access points per 100,000 adults in Botswana increased from 378 in September 2018 to 408 in September 2019. The total number of bank branches per 100,000 adults declined from 9.1 to 8.8 between September 2018 and 2019, indicating that the expansion of brick and mortar outlets was not a priority over the observed period. This is supported by the lack of expansion of ATMs which, per 100,000 adults, dropped slightly from 33.6 in 2018 to 33.3 in 2019. All Post Office branches operate as agents for the Botswana Savings Bank and per 100,000 adults increased from 134 to 140 over the observed period. Similar to the preceding countries, branchless banking is driving access to deposit and payment platforms. Active POS devices per 100,000 adults increased from 184 to 204 between September 2018 and 2019. However, the role of mobile money agents is not as pronounced as it is in Lesotho, a country comparable to Botswana in population size. The total active mobile money agents per 100,000 increased from 76 to 130 between September 2018 and 2019. In terms of microcredit, the number of microlenders per 10,000 adults is about the same proportion between September 2018 and 2019 at 21.6. Financial SACCOs remained the same at 8.4 per 10,000 adults over the observed period.

The total active mobile money agents per 100,000 increased from 75.7 to 130.3 between September 2018 and 2019.

Uptake

The number of commercial bank accounts for individuals per 10,000 increased from 4,560 to 4,806. The number of registered mobile money accounts increased dramatically from 5,593 per 10,000 in September 2018 to 9,150 per 10,000 in September 2019, showing that mobile money is driving expansion of financial inclusion in the deposit and payments sectors. Of the total 1.3 million registered accounts in September 2019, only 30% were active, which works out to 2,744 accounts per 10,000 adults.

The number of registered mobile money accounts increased dramatically from 5,593 per 10,000 in September 2018 to 9,149.7 per 10,000 in September 2019.

Usage

In January 2019, the Electronic Payment Services (EPS) regulation was enacted. The EPS regulates the relationship between payments providers, which allows for interoperability between commercial banks and mobile money operators. The EPS allows the Bank of Botswana (BoB) to take over the regulation of mobile money services, introducing new operating requirements. This changes the mobile money regulation, which was previously under the Botswana Communications Regulatory Authority, working in a "less formalised" arrangement with the BoB and the Financial Intelligence Authority.

The EPS regulates the relationship between payments providers which allows for interoperability between commercial banks and mobile money operators.

Institutional capacity of financial inclusion

The Ministry of Finance and Economic Development (MFED) is the implementer of the National Financial inclusion programme with an allocated budget. The Ministry of Investment, Trade and Industry (MITI) set up a budget line to support the activities of two priority areas (credit market development and consumer protection and literacy) of the financial inclusion implementation plan. The MFED chairs the Financial Inclusion Working Group (FIWG), which is mandated with the implementation of the National Financial Inclusion programme.

Key events that occurred between September 2018 and 2019 are the Electronic Payment Services regulation.

Botswana M&E Data

	BASELINE 2015	SEPT-17	SEPT-18	SEPT-19
Total population				
	1,344,478		1,447,195	1,470,962
Access per 100,000				
Total Access Points per 100,000			378	408
Commercial Bank Branches per 100,000	9	10	9.1	8.8
Active ATMs per 100,000	33	33	33.6	33.3
Active POS per 100,000			184	204
Active Mobile Money Agents per 100,000	31	91	76	130
Uptake per 10,000				
Commercial bank accounts per 10,000			4,560	4,806
Mobile money accounts per 10,000			5,593	9,150

Source: Bank of Botswana and Central Statistical Office Botswana

Other SADC countries

Madagascar and DRC are newer SADC countries that have undergone the MAP process and are thus earlier in the national M&E process.

Madagascar:

With the support of the MAP Programme, the National Financial Inclusion Strategy (2018 – 2022) has been rolled out under the guidance of the MAP steering committee chaired by the Treasury department of the Ministry of Finance and Budget.

To provide ongoing support to develop a data management framework to support the MAP National Financial Inclusion Policy monitoring and evaluation framework, an initial data management framework workshop to support key stakeholders in generating the relevant data that covers the measurement domains was planned. The workshop objective was to work with the country teams to explore the data deficits to identify what to include in this report. However, COVID-19 halted planning to have a face-to-face working, which is typically conducted over a 2-day period. The MAP implementation team is currently exploring modalities of conducting the workshop through virtual means.

The core template used for the MAP M&E report was translated to French and shared with the Ministry of Finance and Budget for review. Madagascar is currently developing a web portal using RegTech to facilitate reporting for regulatory and supervisory objectives. The data points that overlap between the web portal list of indicators and those in the MAP M&E template have been identified and the data is being collated. This data will be live when the web portal is planned for launch in the third quarter of 2020.

DRC:

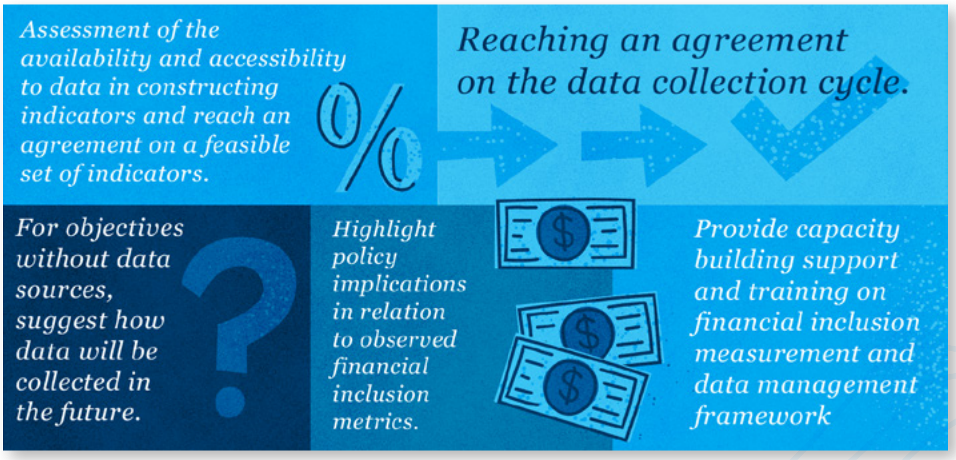
MAP DRC (2016 – 2021) has been rolled out under the guidance of the MAP Coordinating Committee co-chaired by the Ministry of Finance and the Central Bank. The core template used for the MAP M&E report was translated to French in preparation for the data management framework workshop with stakeholders, which was halted due to Covid-19.

Data Quality

This report relies on regulatory and industry data to populate the measurement domains of interest.

Therefore, it is not comparable to a demand side survey (such as FinScope, FinDex, FinAccess), which is able to provide a cross section of information on access, usage and quality by unique users (adults) or disaggregated segments of unique consumers, as the supply side data may contain some duplication (people who have more than one account for instance will be counted twice). Essentially, this report will not provide the complete details of the actual level of uptake of financial products and services by adults. The breadth of indicators and level of completeness using the data approach in this report continues to improve. However, developing this report is an iterative process subject to alignment with regulatory data templates (availability of specific indicators) and the training of stakeholders that are responsible for providing data. The data presented is also subject to availability. For instance, affordability is not included in the measurement areas of this report due to lack of comparable data (across the selected countries). The indicators provided may therefore vary from year to year, based on data availability and other issues. Some of the outright gaps in this report are described below.

Geographical disaggregation by urban and rural area continues to be a challenge to compile. This makes it difficult to report on the advances made in scaling up access to financial services in rural areas, which usually have more financially excluded populations.



Furthermore, Point of Sale (POS) devices are mobile or movable making it impossible to know if a device is at the merchant location where it was registered. Merchants can have multiple POS devices making a metric that assesses the proportion of POS devices per proportion of target population less likely to provide meaningful insight on how widespread these devices are.

The nature of data used in this report makes it susceptible to double-counting. For instance, the percentage of registered users of mobile money is more than the actual adult population in some jurisdictions. This issue is applicable to registered bank accounts as owners of multiple accounts are regarded as multiple persons.

Gender disaggregation of registered customers of financial service providers varies across countries given the different levels of reporting required by financial service providers and this is reflected in the county reports.

In some cases, the 2017 indicator is based on a total (active and dormant) while the data in 2019 reflects 'active' access points which compromises the quality of a comparison.

To mitigate some of the data quality issues presented, FinMark Trust embarked on developing a financial inclusion data management framework at country level to support the monitoring and evaluation process. The components of the data management framework include:

- Engagement with country level financial inclusion stakeholder on the identification of data sources and key considerations of data collection per indicators outlined in the MAP roadmap;
- Assessment of the availability and accessibility to data in constructing indicators and reach an agreement on a feasible set of indicators;
- Reaching an agreement on the data collection cycle;
- For objectives without data sources, suggest how data will be collected in the future;
- Highlight policy implications in relation to observed financial inclusion metrics; and
- Provide capacity building support and training on financial inclusion measurement and data management framework to support monitoring and evaluation in Zimbabwe, Eswatini, and Botswana.

Conclusion

This report set out to provide an update using regulatory data to measure progress in financial inclusion in relation to the MAP implementation in the selected countries. This insights generated show the role of traditional banks and non-banks (mobile money), the use of physical financial access point relative to cards and phones in terms of drivers of branchless banking and the use of digital payments to receive and make payments as opposed to cash.

Given its reliance on agent networks and a low-cost business model, mobile money has driven access and uptake in the selected countries. In some countries, like Malawi, traditional banks still compete for the bottom of the pyramid market, using bank agents, but mobile money is likely to be much more successful in rural areas.

Branchless banking, through card transactions at agents/merchants and mobile based transactions, is driving the expansion of financial inclusion. Access to brick and mortar branches and ATMs reduced relative to mobile money agents and POS devices, which could proxy merchant locations that receive and/or make digital payments.

Merchant payments data signals consumer economic activity in terms of personal consumption and small business activity. This makes merchant payment data a potentially useful source of understanding real economic activity and the drivers of inclusive growth. Once the codes are relevant and able to match consumer activity to macro-economic contribution, this becomes even more useful for national strategy in the context of growth. Merchant codes allow one to assess which sectors are driving merchant payments. For example, this could be a wholesaler, retailer, petrol station, hospital, supermarket, and others. None of the focus countries was able to provide merchant payments by codes which would have been more useful in understanding financial needs driving personal consumption and the sectors driving formal business activities.

The increasing volumes of merchant payments as seen in Lesotho, show an improvement in the level of usage of digital payment services using cards and phones. This report shows that the growth rate of phone-based transactions exceeded that of cards (debit cards), especially in Eswatini. Moreover, mobile money rather than mobile banking drives the use of phone-based transactions, which allows one to conservatively assume that financial inclusion is expanding. In Zimbabwe, volumes of digital payments in the rural areas surpassed those in the urban areas showing that the level of exclusion has reduced.

This report relies on claims ratio (Incurred claims/ Earned premiums) in analysing the insurance market as either inclusive or exclusive. Insurance service providers need to achieve a balance between profitability and paying out claims. A claims ratio of between 60% - 85% has been argued[6] to be inclusive. In September 2019, the claims ratio was 17% in Eswatini for non-life

6 Chiew, H.L., Tatin-Jaleran, C. (2019). Using Key Performance Indicators (KPIs) in Inclusive Insurance Supervision. Access to Insurance Initiatives (AII).

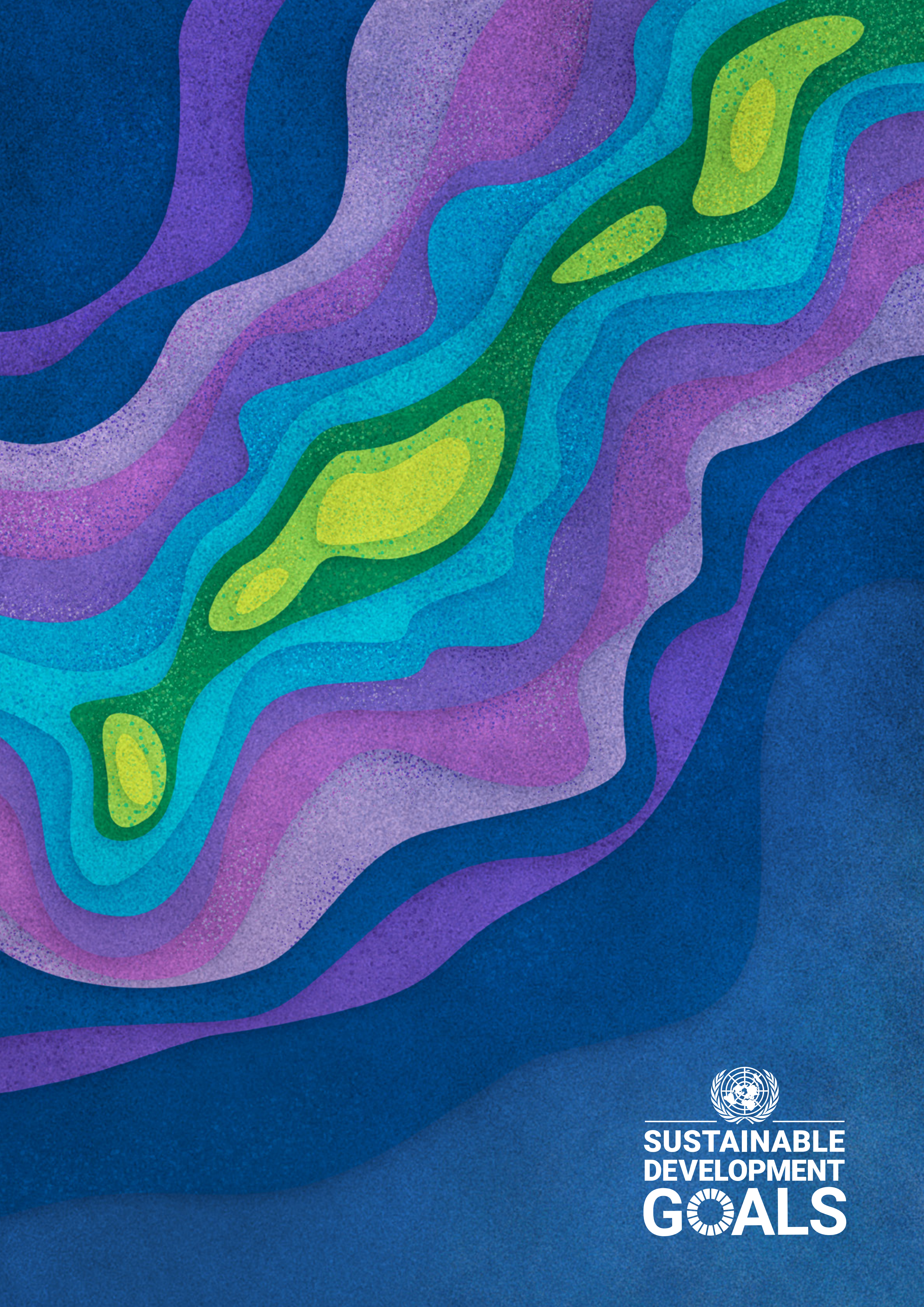
products. This could be due to lack of product understanding, leading customers to forgo claims, or market conduct from insurance providers. A demand side survey would be an appropriate research method to provide more insights on this observation.

Assessing savings or a positive bank/wallet balance over a period, a majority of the countries in this report increased digital liquidity through mobile money – that is, have more cash-in (deposits) than cash-outs (withdrawals). This makes a case for the introduction of interest payments on mobile money wallets to increase the value proposition of formal financial services through financial inclusion. There is nascent research on the relationship between mobile money, money velocity and inflation of consumer prices[7] - showing that the introduction of mobile money into Sub Saharan African financial sectors could have major monetary policy implications8.

Compared to the 2018 report, there is an observed improvement in the quality of data provided as regulators improve templates or introduce more regulatory technology. For instance, the Reserve Bank of Zimbabwe issued a directive that financial services providers disclose the geolocation of access points and devices such as Point of Sale (POS), mobile money agents, merchants, branches, and ATM stands within the country. The geolocation of access points and devices will be openly available to interested stakeholders. This will vastly improve the precision of assessing access to financial access points and can inform on drivers of usage when analysed with other spatial data.

7 https://link.springer.com/article/10.1186/s40854-019-0141-5

8 https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2019/03/The-impact-of-mobile-money-on-monetary-and-financial-stability.pdf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