



# FinScope Consumer Survey Lao People's Democratic Republic 2014

## Launch Presentation 3 July 2015

## 1. Overview

2. Understanding people's lives
3. Financial inclusion overview: Access Strands, total product uptake and Landscape of Access
4. Banking: How many adults are banked?
5. Savings and investments: Do people manage to save/invest?
6. Borrowing and credit: Do people have access to credit?
7. Financial capability
8. Insurance and risk management: How are adults coping with risk?
9. Remittances: Who is sending/receiving money?
10. Key take-outs

# Partnering for a common purpose



*Making Access Possible (MAP)* is a diagnostic and programmatic framework to support expanding access to financial services. The MAP methodology and process has been developed jointly by:



At country level, the core MAP partners, collaborate with other donors to ensure an inclusive, holistic process. The technical committee In Laos comprised of the following:



# FinMark Trust and FinScope



- FinMark Trust is an independent trust with the purpose of “Making financial markets work for the poor” across Africa and now in Asia in order to increase access to financial services for the unserved and underserved that ultimately lead to the development of inclusive financial systems that can benefit all people
- FinScope is a representative study of the usage of and access to financial services. The FinScope survey is used to better understand money matters, with an emphasis on the market needs and attitudes to both informal and formal financial offerings and usage. The FinScope survey further sheds light on consumers and behaviour by exploring individuals’ interactions with the financial sector as a whole

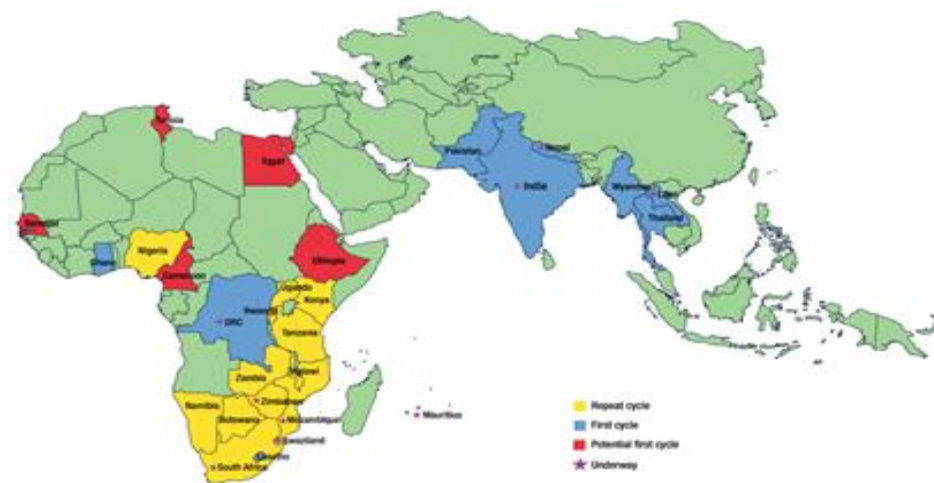
## Where:

17 African countries; Pakistan, Thailand, Myanmar, Nepal (awaiting launch) and Laos.

Underway in India, Cambodia, South Africa, Rwanda and Madagascar.

## Objective:

To measure and profile levels of access to and use of financial

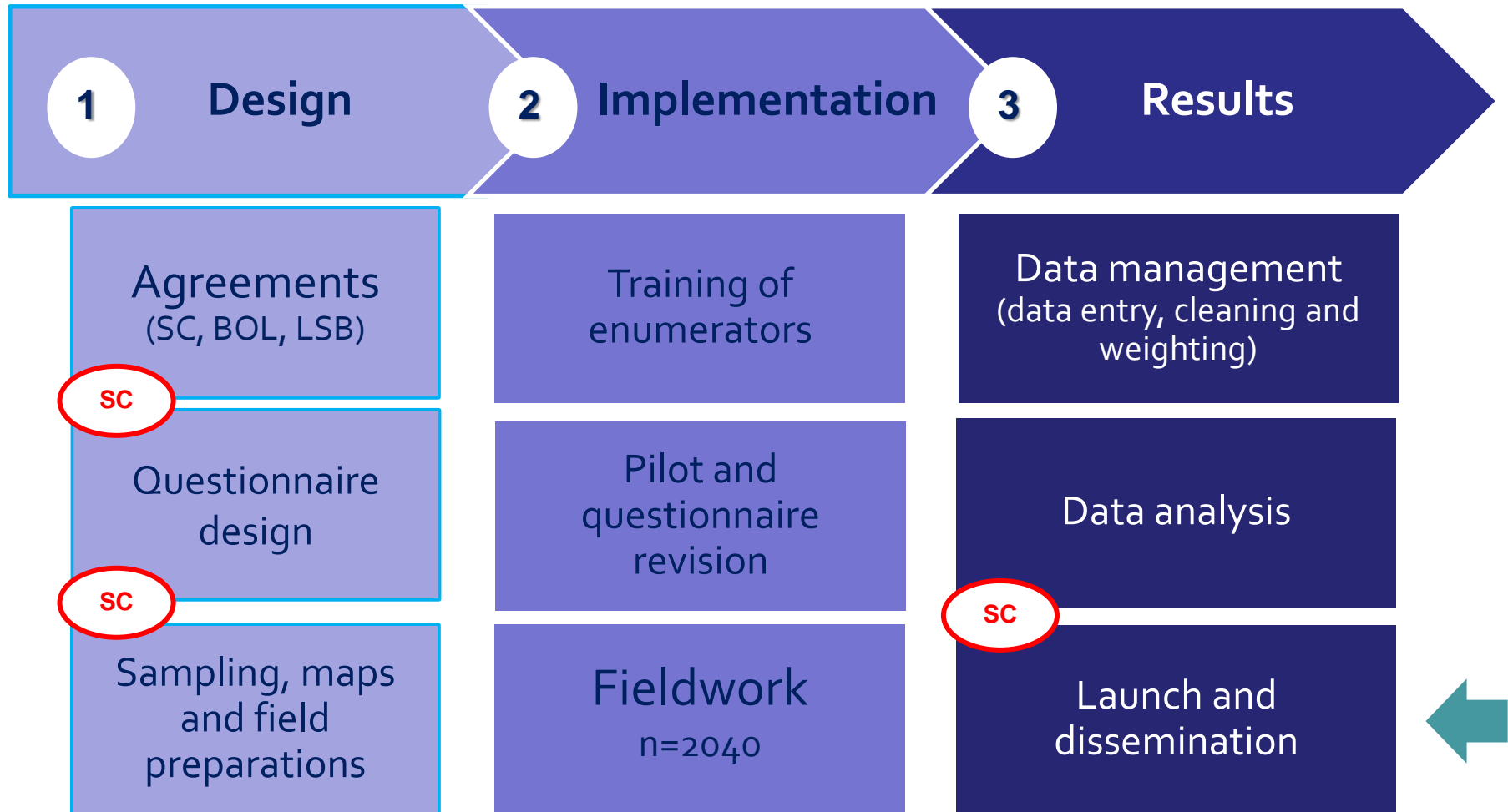


# Objectives of FinScope Laos 2014



- To describe the **levels of financial inclusion** (i.e. levels of access to financial products and services – both formal and informal)
- To describe the **landscape of access** (i.e. the type of products and services used by financially included individuals)
- To identify the **drivers** of, and **barriers** to financial access
- To **stimulate evidence-based** dialogue that will ultimately lead to **effective** public and private sector interventions that will increase and deepen financial inclusion
- To create a benchmark/baseline for financial inclusion in Laos (2014) to add an evidence-based diagnosis for the supply and regulatory side of the MAP process

# Research process



# Methodology - overview

## Respondent profile

- Universe: **Adult population in Lao PDR**
- Residents of Laos who are **18 years and older**
- Adults absent from place of residence for a prolonged time were excluded i.e. migrant workers and foreign nationals



## Sample and methodology

- Sample drawn by **FinMark Trust**; representative on national, urban/rural, and regional level
- Comprehensive **LISTING in 255 Villages** – listing **56 565** eligible households
- **2 040** Face-to-face pen and paper interviews  $\pm$  75 min.
- Fieldwork conducted by Lao Statistics Bureau (November 2014 – January 2015)

## Quality control and data validation

- **Quality control / field checks** conducted by the Lao Statistics Bureau, FinMark Trust, Bank of Laos and MAFFIP Coordinator
- Data validation against census data 2005 and village listing of 2013 and 2014
- Weighting of the data conducted by FinMark Trust with information given by Lao Statistics Bureau

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6. Borrowing and credit: Do people have access to credit?

7. Financial capability

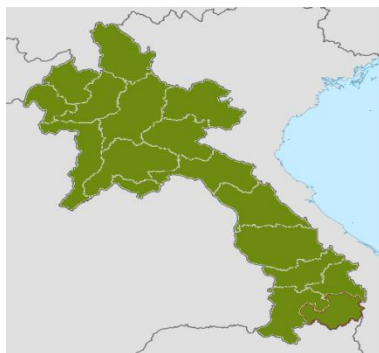
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# Understanding people's lives: Demographics

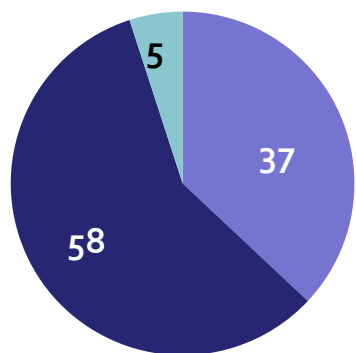


Total adult (18+) population  
**4,2 million**



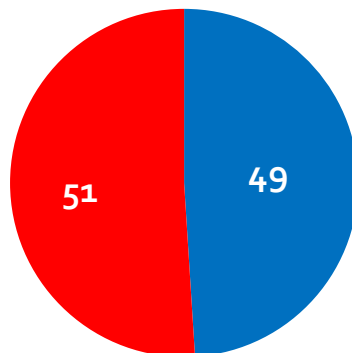
- **63%** reside in rural areas
- **35%** are 34 years of age or younger
- **56%** have primary education or less
- **15%** have no formal education

Urban/rural



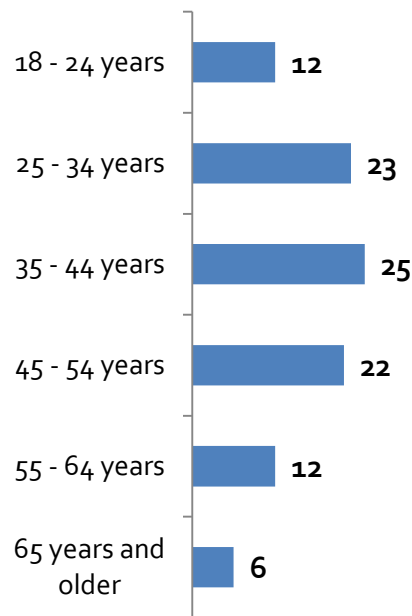
■ Urban  
■ Rural with road  
■ Rural without road

Gender

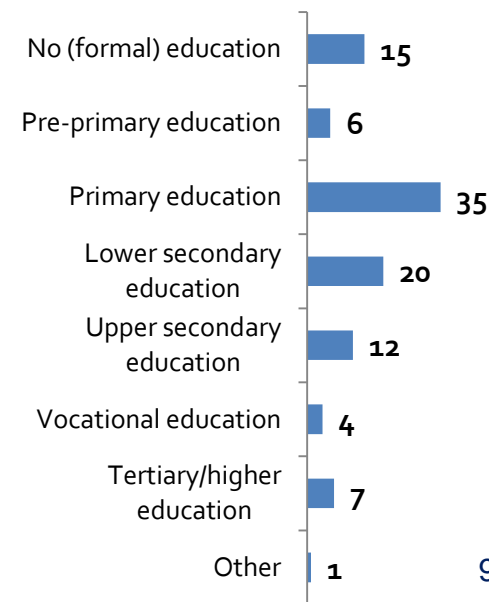


■ Male  
■ Female

Age



Education

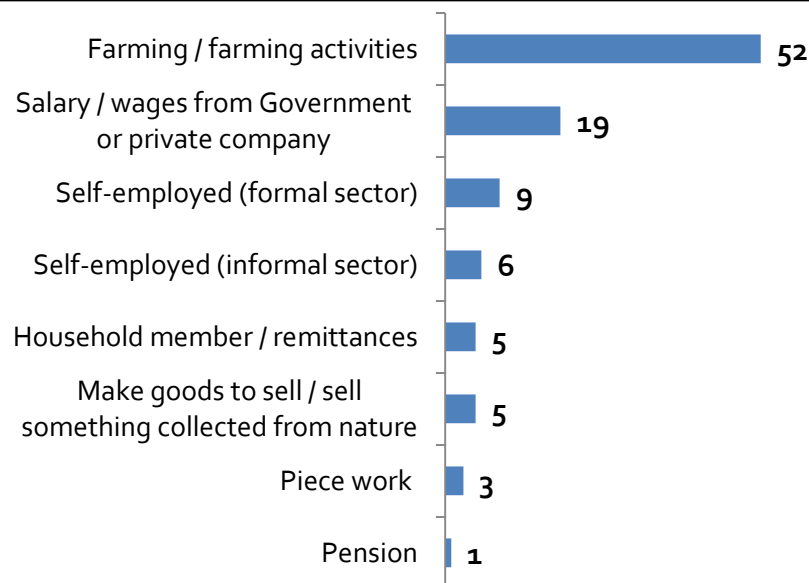


# Understanding people's lives: Income / livelihoods

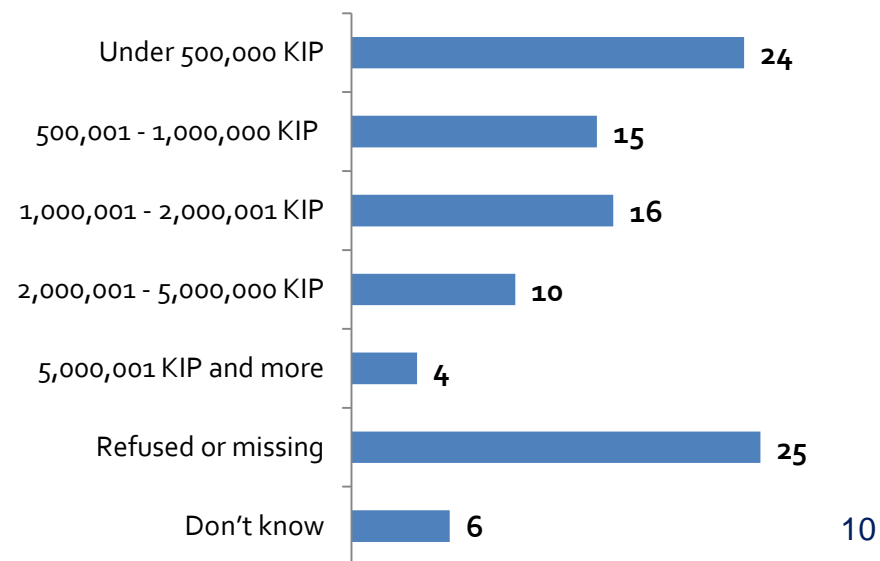


- **78%** of households are involved in farming – of these, **91%** farm on their own land and **8%** farm on someone else's land while **1%** is paid to work on someone's land
- **39%** of households involved in farming sell most of their produce with **48%** selling less than half and **13%** selling exactly half of their produce and consuming the rest
- **52%** of the adults claim farming / farming activities as a main source of income and **58%** claiming to have a regular monthly income
- **39%** of adults personally earn 1,000,000 KIP (≈\$125) or less per month

## Income Source Most Relied On



## Personal monthly income

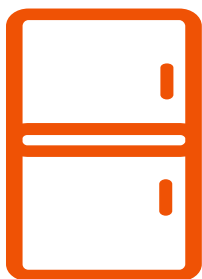


# Understanding people's lives: Ownership of assets (household level)



TV

85%



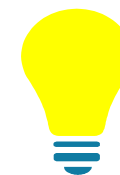
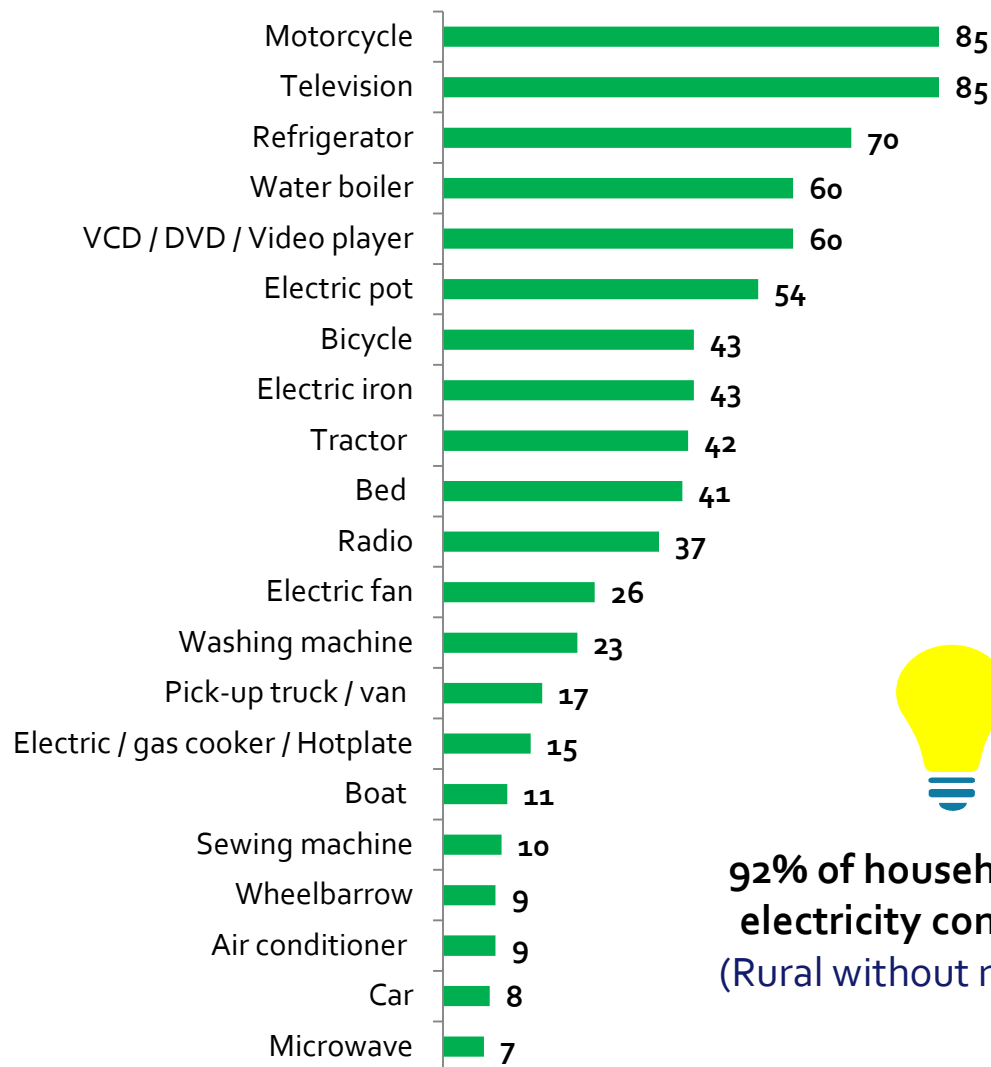
Refrigerator

70%



VCD/DVD

60%



92% of household with electricity connection  
(Rural without road 75%)

# Understanding people's lives: Infrastructure accessibility

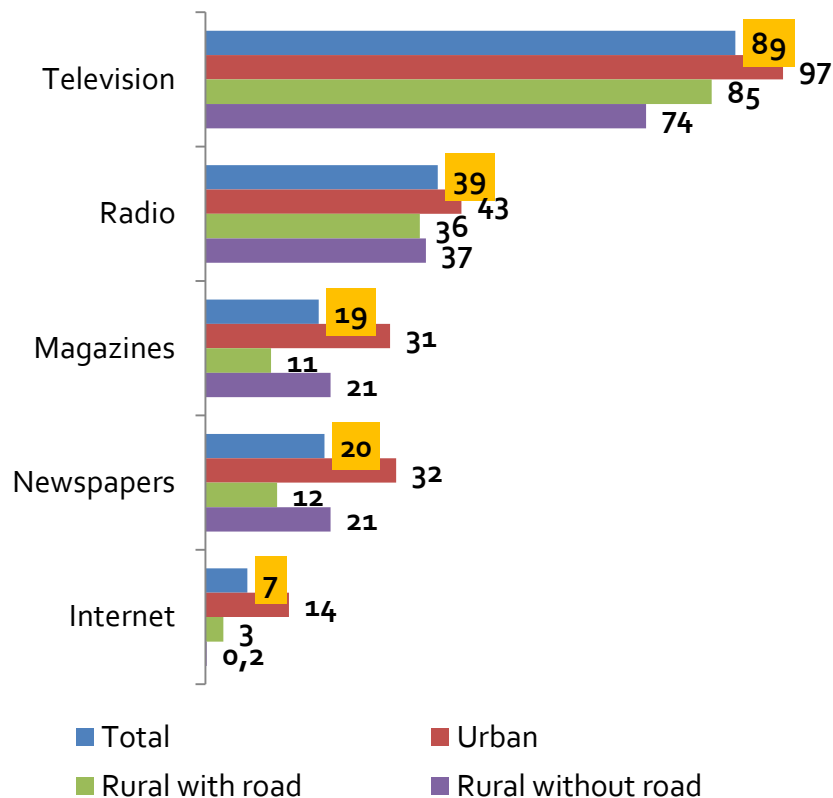


Percentage of people going to or aware of destination and take 60 minutes or less to get to destination

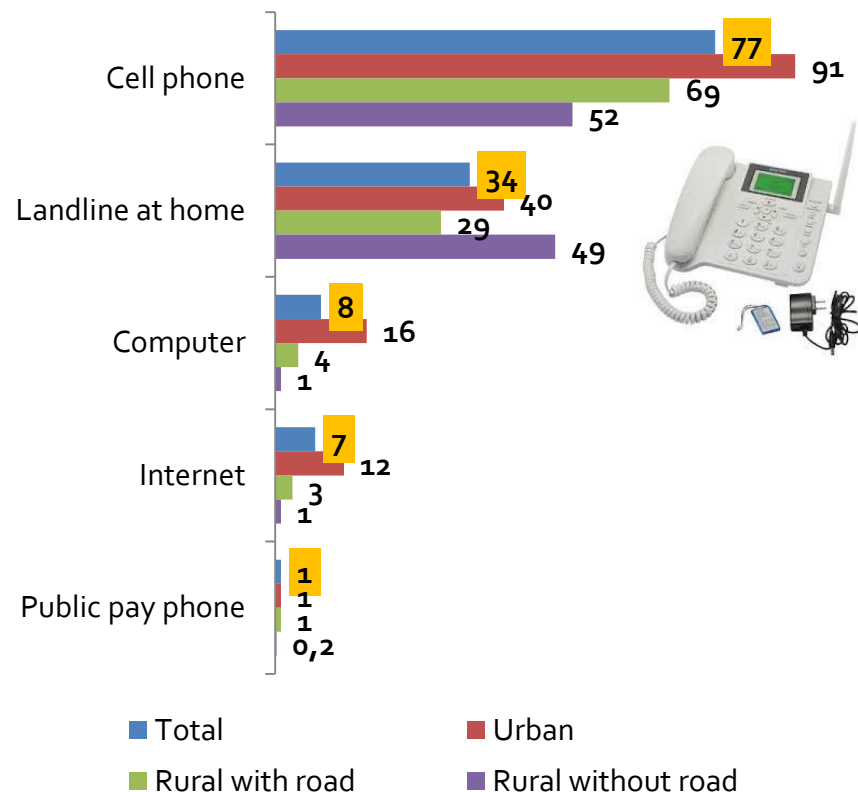
P R O X I M I T Y	Nearest ↑ ↓ Furthest	1 2 3 4 5 6	Destination	Adults using or aware of destination	Take 60 minutes or less			
					Total	Urban	Rural with road	Rural without road
		1	Grocery store	99%	97%	99%	96%	95%
		2	Market	99%	74%	95%	63%	46%
		3	Public transport / Bus stop	96%	78%	95%	70%	62%
		4	Bank branch	95%	71%	94%	58%	44%
		5	ATM machine	92%	68%	91%	56%	45%
		6	Post office	91%	68%	90%	56%	45%

# Understanding people's lives: Communication and technology access/usage

## Media access in past month



## Usage of communication device

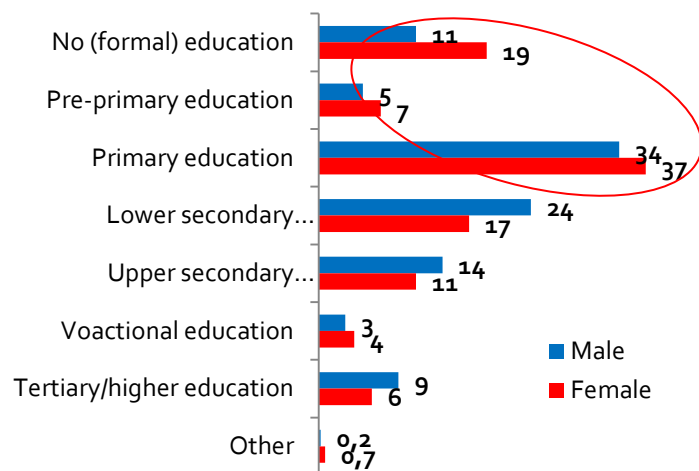


- 25% of Lao adults have heard about mobile money and 1 in 3 adults would like to use their mobile phones for receiving and sending cash; to withdraw money; check bank balance; pay utility bills and so on.

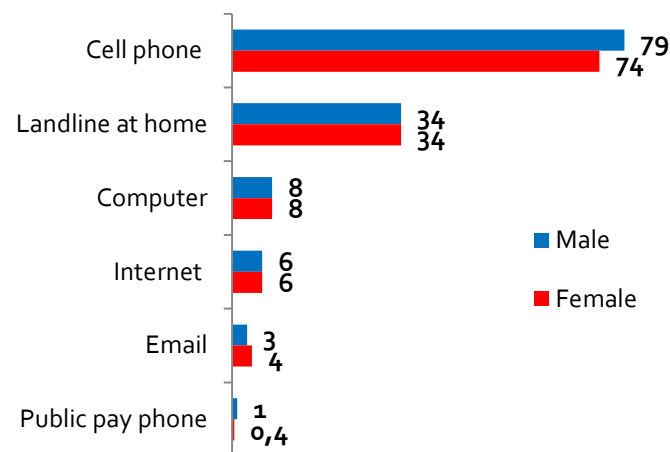
# Understanding people's lives: Gender Analysis



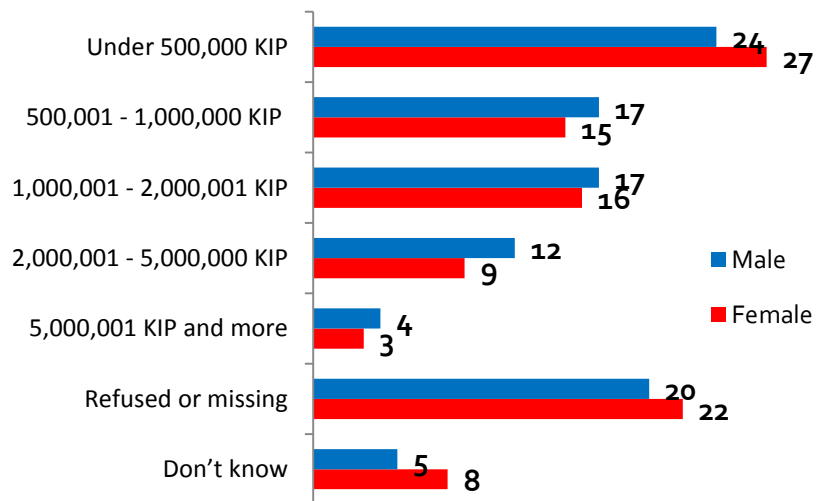
## Education



## Usage of communication device



## Income level



- Noticeable education gap women to men
- There are no major differences between males and females in media access however the usage of cell phones is **higher** amongst males (79%) than females (74%)
- More women earn income **less than** 500 000 KIP per month
- More men earning **above** 500 000 KIP per month

# Summary



- **Population profile:**
  - Young growing population with 60% being 44 years and younger
  - Relatively low levels of education: primary and less (56%); secondary and above (44%)
  - There are more males with higher levels of education than females
  - About two out of three adults reside in the rural areas
- Farming is the most important source of income with over half the adult population dependent on income from farming activities
- **Poverty effects:** 70% not feeling in good health with 26% going without medical treatment and 17% not able to send their children to school
- Optimism about future: Overall satisfaction with present life and progress so far.
- **Access to infrastructure:**
  - Access to electricity widespread but low to piped running water
  - Accessibility to common financial service destinations such as banks or ATM takes most rural adults longer to access

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# Defining financial inclusion

**Total adult population** 18 years and older in Laos

**Financially included** = have/use financial products and/or services – formal and/or informal

**Financially excluded** = do not have/use any financial products and/or services — formal and/or informal

**Formally served**  
= have/use formal financial products and/or services provided by a financial institution (bank and/or non-bank)

**Informally served**  
= have/use financial products and/or services which are not regulated

**Banked**  
= have/use financial products/ services provided by a bank

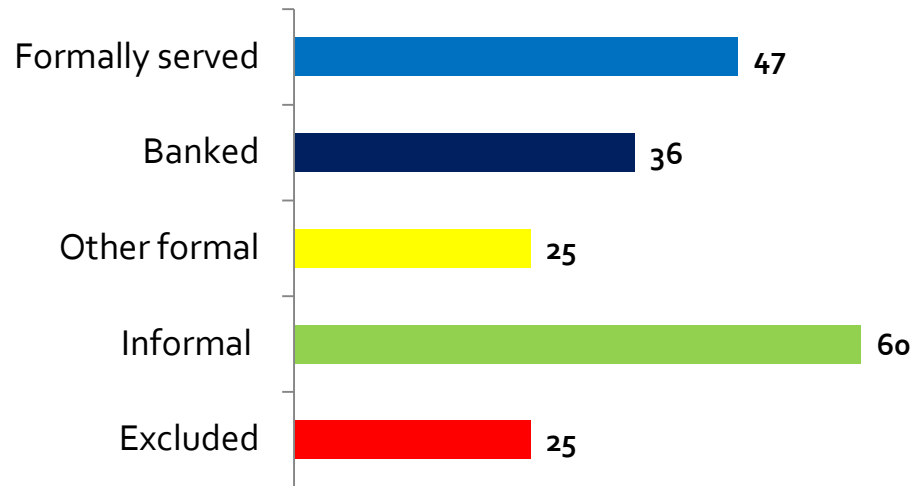
**Served by other formal financial institutions**  
= have/use financial products/services provided by regulated non-bank financial institutions

# Analytical framework: Classification of variables



- Savings and credit union / Cooperatives / Microfinance Institutions classified as **formal**
- Postal Savings institution classified as **formal**
- Saving in gold or jewelry classified as **informal**
- Village Development Fund (VDF) and Village Bank were collectively asked in most questions and were classified as **informal** as they are not regulated or supervised as formal financial institutions by the Bank of Laos
- Pawn shops were classified under **formal** due to the high proportion of those that are regulated
- Family or friends classified as **excluded** as they do not engage with either formal or informal products
- Sole users of 'Over-The-Counter' (OTC) transactions at banks **not** considered as **banked** since they don't use an ongoing banking product\*

# Financial inclusion: Overview

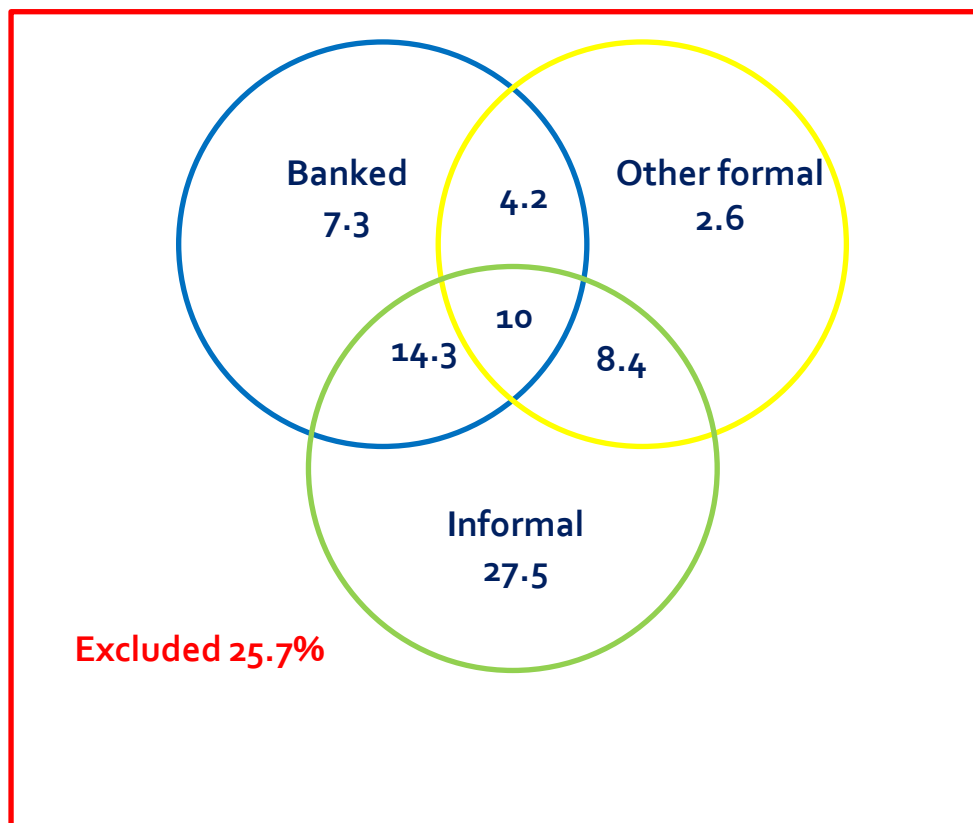


- **47%** of adults are formally served, including both banked and other formal non-bank products/services
- **36%** of adults are banked
- **25%** of adults have/use other formal non-bank products/services
- **60%** of adults have/use informal mechanisms for managing their finances
- **25%** of adults are financially excluded

# Financial Inclusion: Overlaps in financial product usage

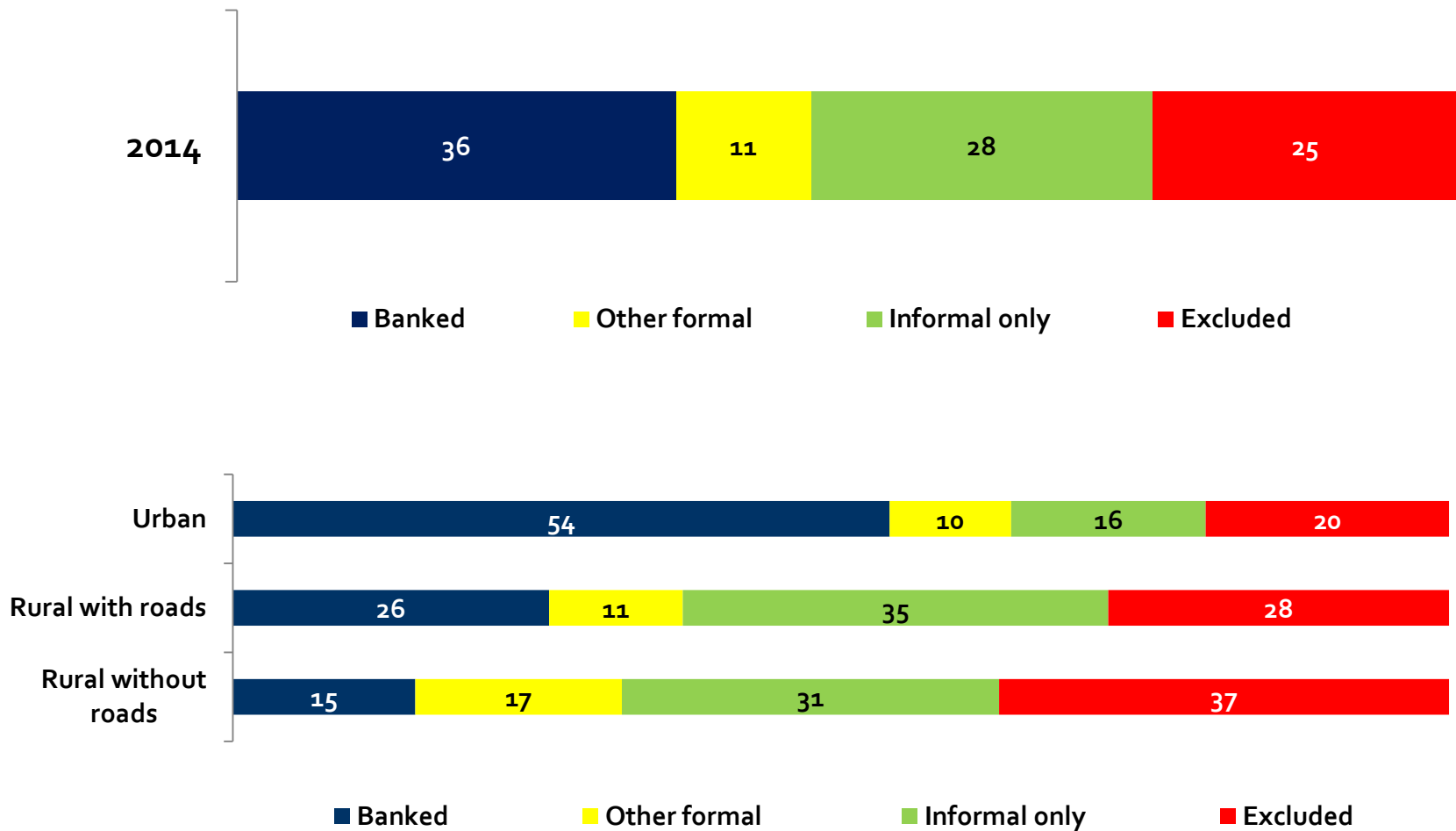


*"Consumers generally use a combination of financial products and services to meet their financial needs"*

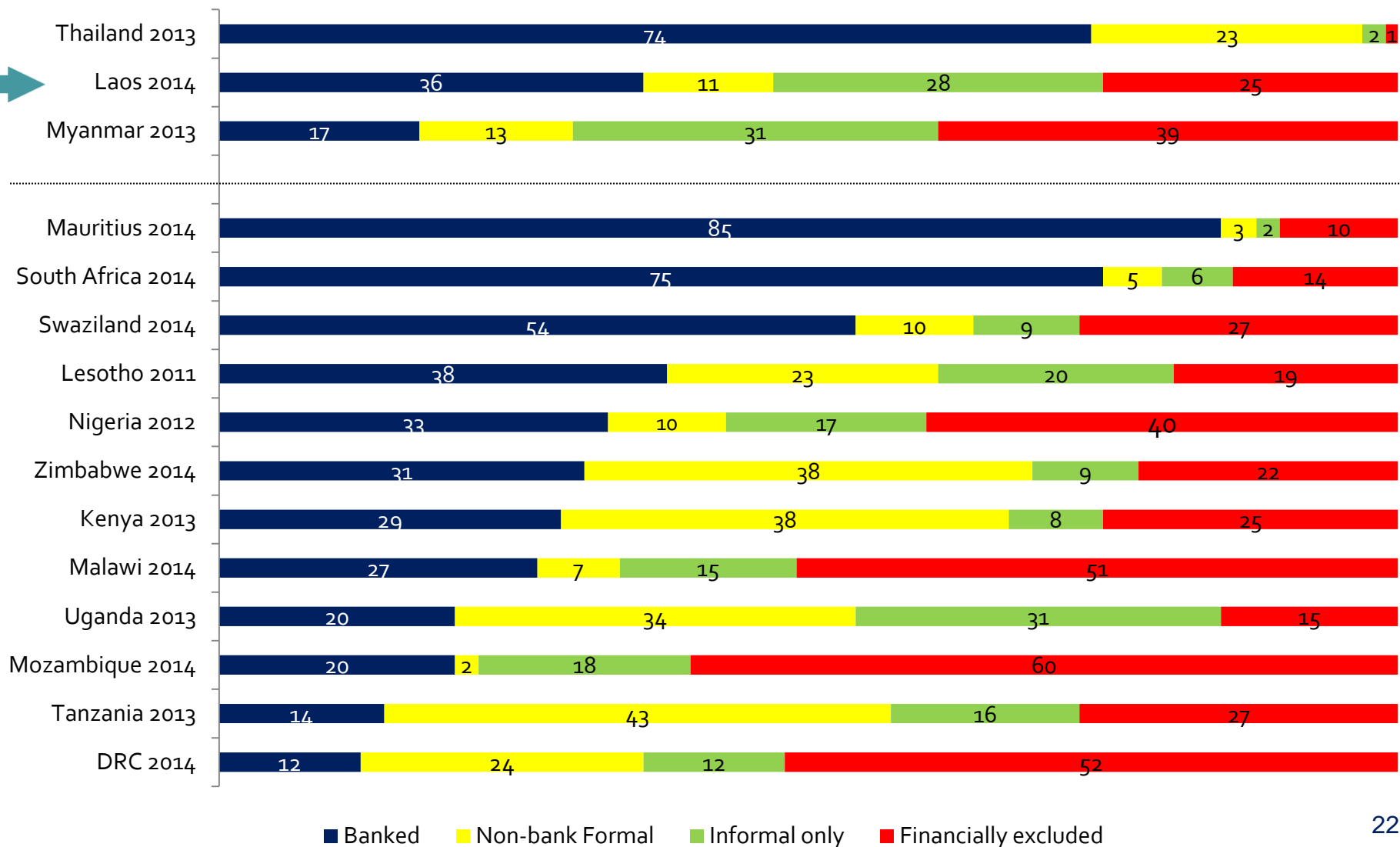


- **7%** of adults rely exclusively on banking services yet **3%** rely exclusively on other formal mechanisms
- **33%** use a combination of banked, and/or other formal and/or informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the formal sector alone
- **28%** of the adult population **ONLY** rely on informal mechanisms such as savings groups, village funeral fund to save or borrow money or cover risk

# Financial inclusion: Financial Access Strand 2014



# Financial inclusion: Consumer Access Strand



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# Banking: How many adults are banked?



	2014
<b>Number of banked adults in Laos</b>	<b>1 527 606 (36%)</b>
Number of previously banked adults in Laos	135 545 (3%)
Number of never banked adults in Laos	2 604 110 (61%)
<b>Number of unbanked adults in Laos</b>	<b>2 739 655 (64%)</b>
<b>Total adult population</b>	<b>4 267 261</b>



## Banking:

# What products / services are driving the banked?



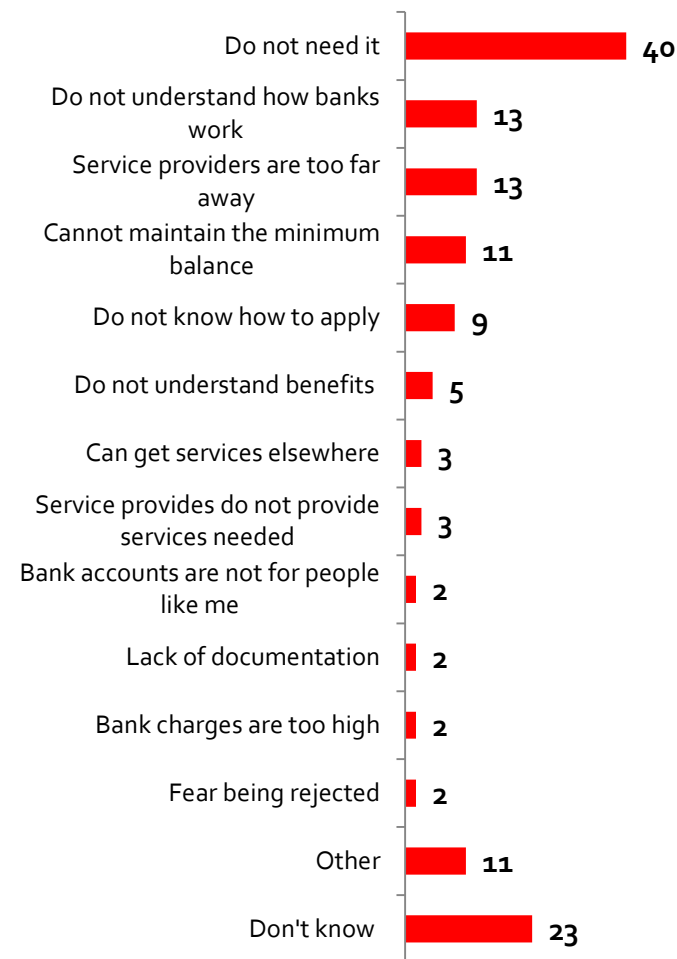
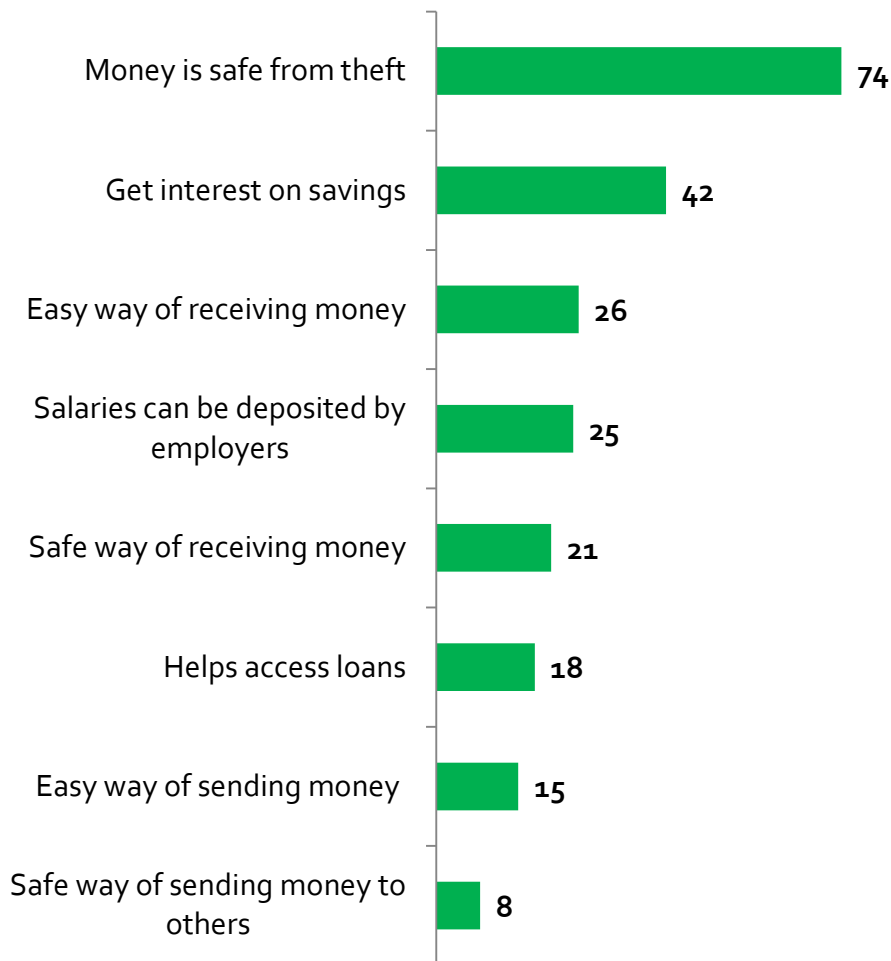
Banking products/usage (of those currently banked)	%	Approximate Number
Transactions (includes remittances)	74	1,1 million
Savings book / account	67	1,08 million
Debit card / ATM	27	410 000
Personal loan account	5	70 000
Foreign currency account	4	66 000
Fix term deposit / Special savings	3	45 000
Other	2	28 000

# Banking: Drivers and barriers



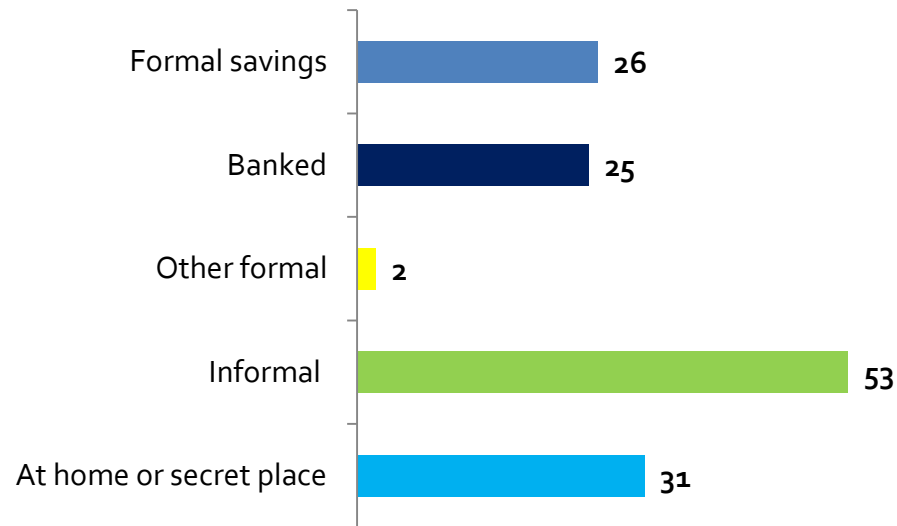
**36%** of adults are banked in 2014

**64%** of adults are not banked in 2014

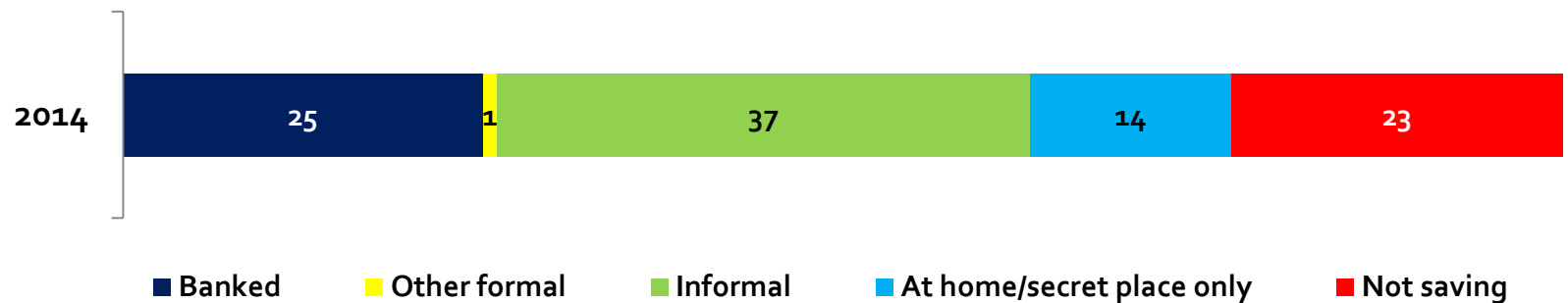


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# Savings and investments: Overview



## Savings Strand



# Savings and investments: Drivers of informal savings/investments



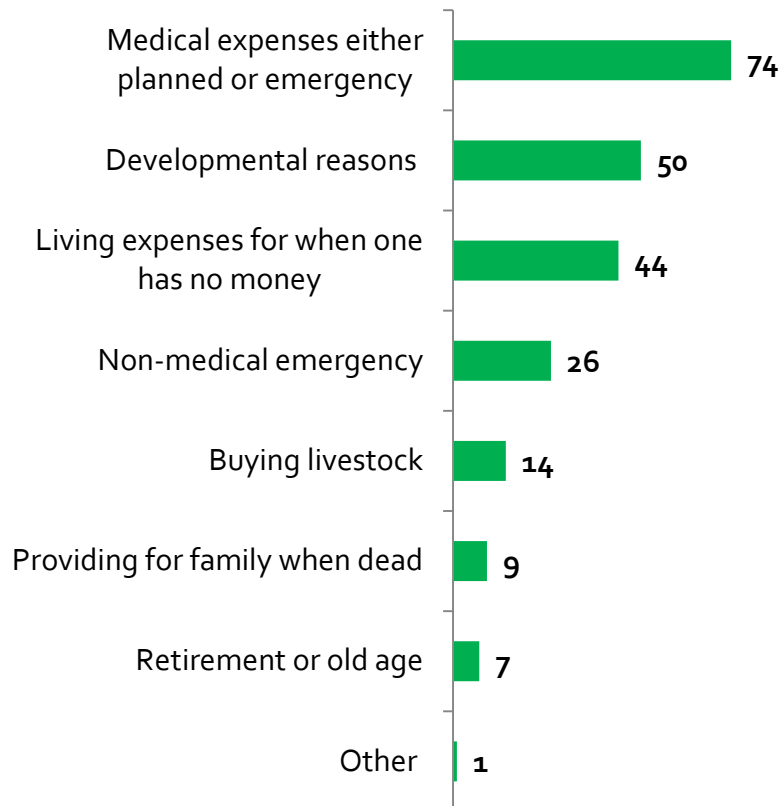
Main saving mechanisms (of those currently saving)	%	Approximate Numbers
Savings through cattle or livestock	29%	960 000
Savings with Village Development Fund or Village Bank	15%	477 000
Saving through jewellery or gold	9%	300 000
Savings in other	8%	270 000
Saving in kind	4%	122 000
Savings with a membership organisation (ROSCA)	4%	130 000

- 33% (1 million) of adults belong to savings group (e.g. Village Development Fund or Village Bank)

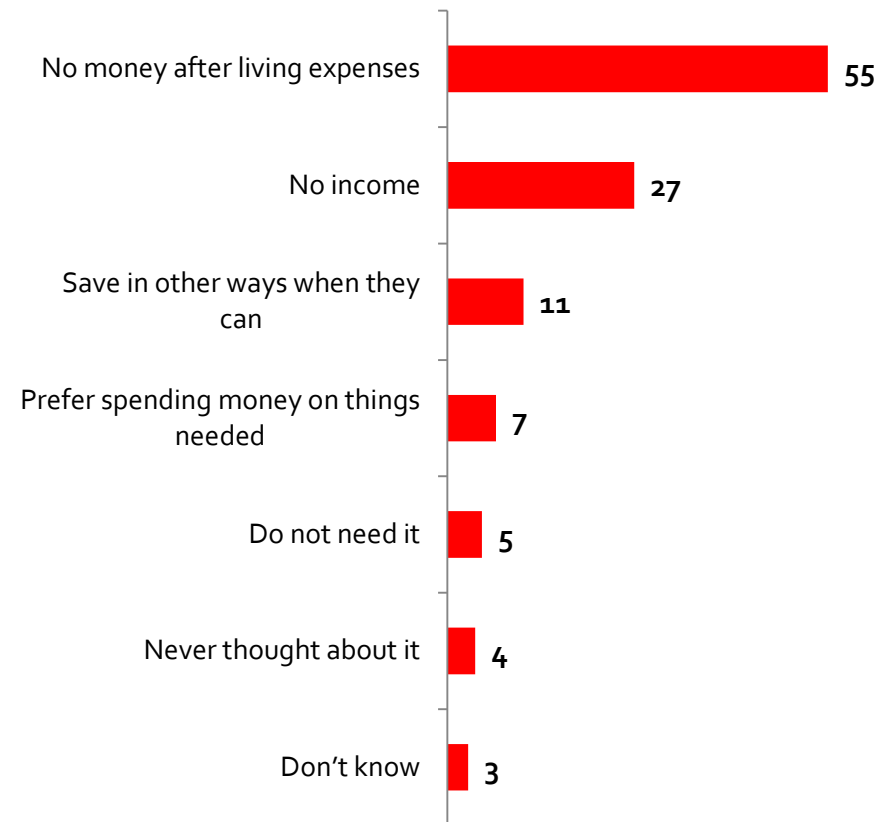
# Savings and investments: Drivers and barriers



**77%** of adults save



**23%** of adults do not save



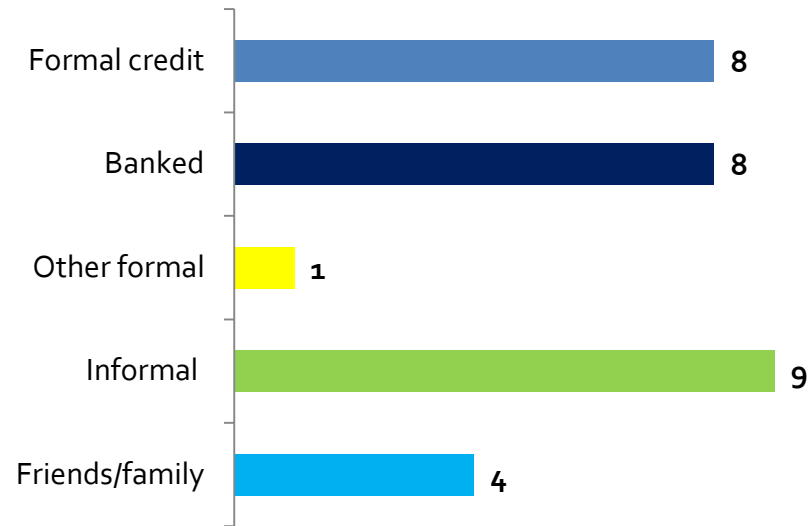
- **Adults save mainly for medical and developmental reasons**

# Commentary / Review

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# Borrowing and credit: Overview



## Credit Strand



■ Banked    ■ Other formal    ■ Informal    ■ Friends/family only    ■ Not borrowing

# Borrowing and credit :

## Drivers of borrowing and credit

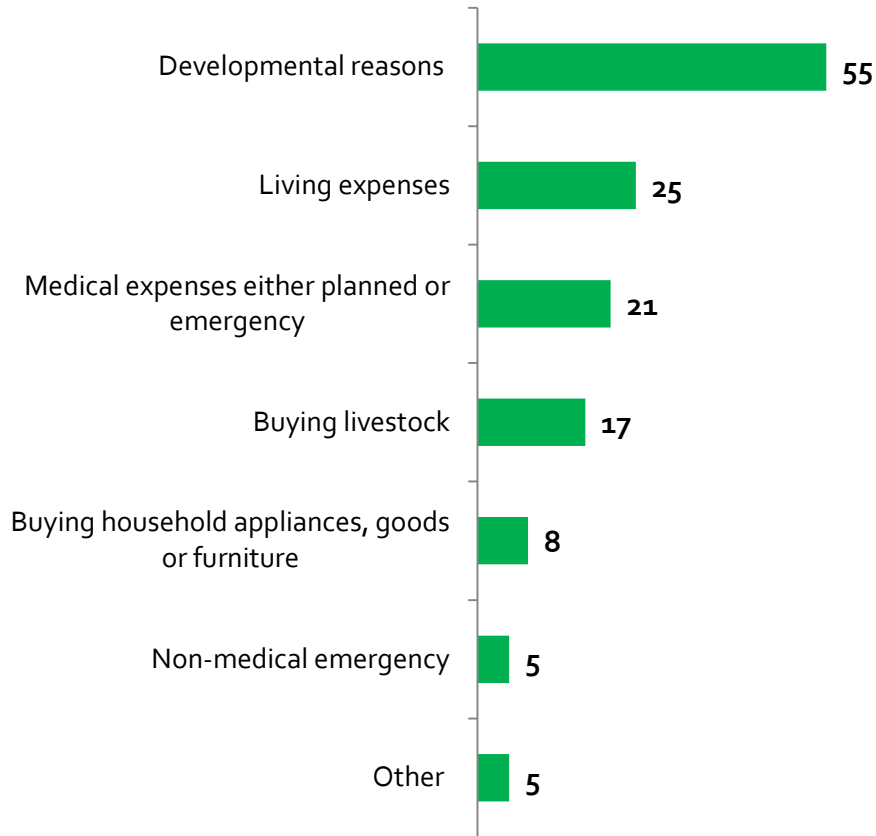


Borrowing mechanism (of those currently borrowing)	%	Approximate Numbers
Borrow from bank (all credit products from bank)	40%	325 000
Borrow from friends/family	19%	156 000
Borrowing from Village Development Fund or Village bank	17%	140 000
Got goods in advance from shop/store	10%	78 500
Borrow from other unspecified mechanisms	9%	71 000
Borrow from money lender	4%	29 000
Borrow from savings group	2%	13 500
Borrow from Savings and Credit Union	1%	9 700
Borrow for government scheme or institution	1%	6 200
Borrow from pawn shop	1%	5 000

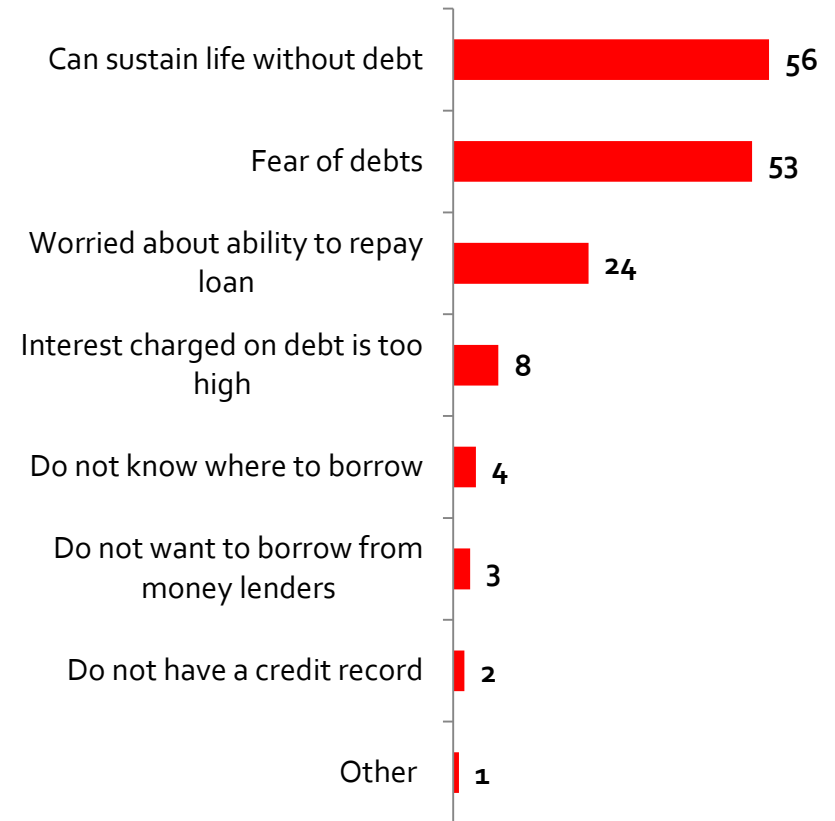
# Borrowing and credit: Drivers and Barriers



**20%** have borrowing/credit products



**80%** do not borrow



- Adults mainly borrow for developmental reasons
- No adults agreed with statement 'Do not to have someone to borrow from' showing that there is service provision but other dimensions of access are barriers

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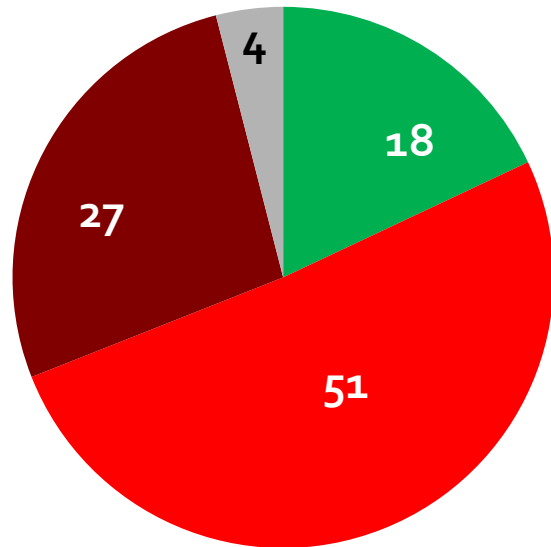


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# Financial capability: Managing money

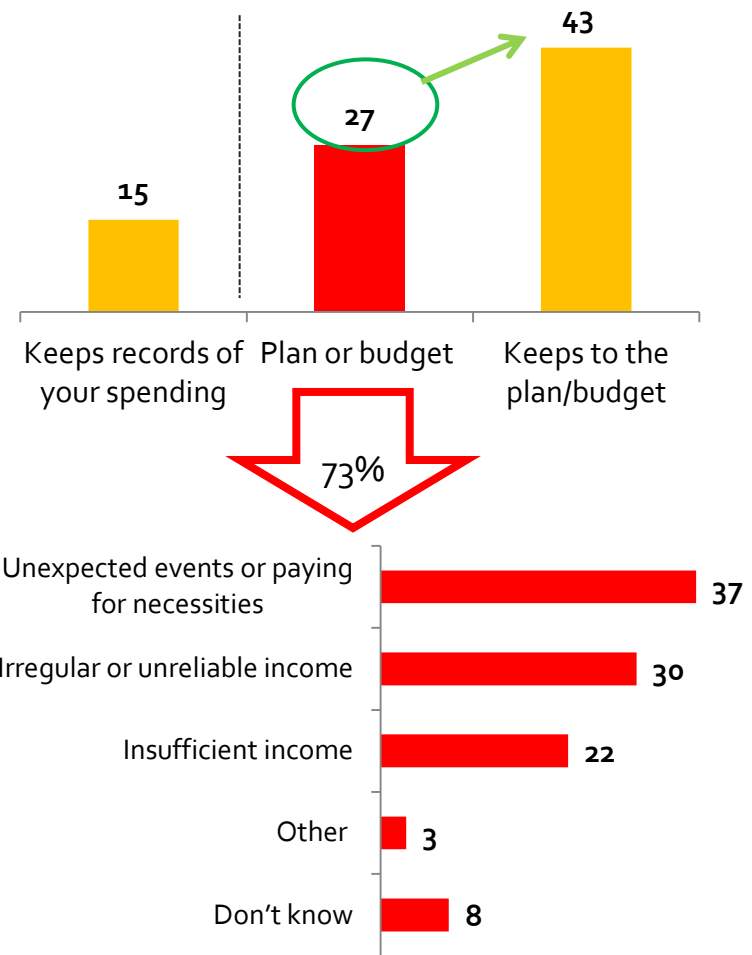


## Difficulty with keeping up with financial commitments %



■ Easy      ■ Difficult  
■ Very difficult    ■ N/A

## Planning and tracking % agreeing with statement



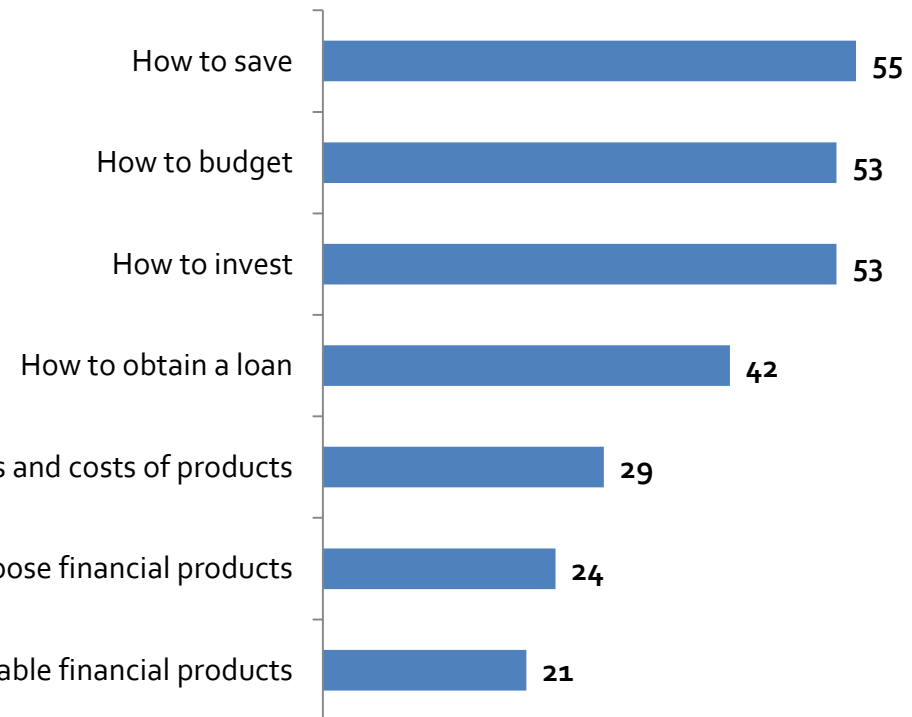
# Financial capability: Accessing information



## 68% of adult Lao felt they needed more information about managing money

- While the overall poverty indicators do not highlight the levels of poverty, 78% of Lao adults claimed to have difficulty keeping up with financial commitments
- Over 50% indicate that a lack of income is a significant reason for the lack of planning and budget
- Indicates a need for basic information on current financial products

### Desired financial education

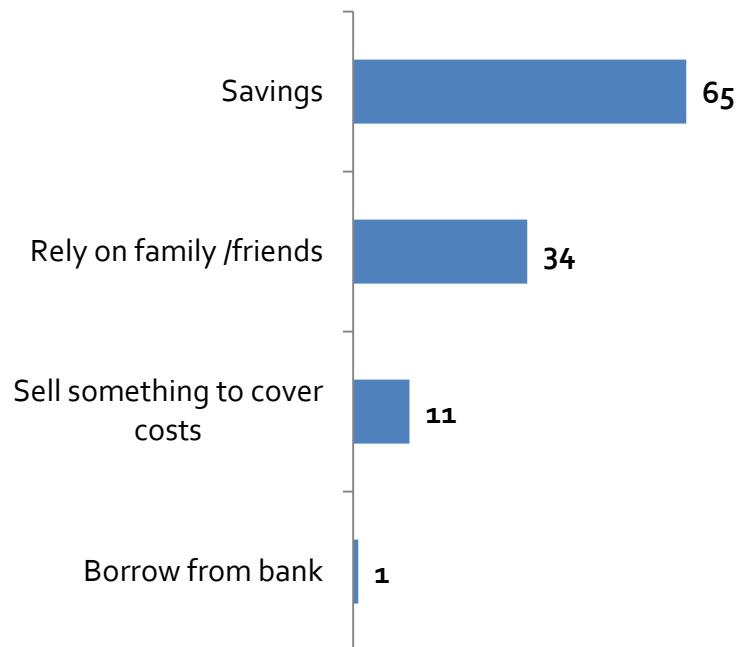


# Financial capability: Planning for major future events and decision making

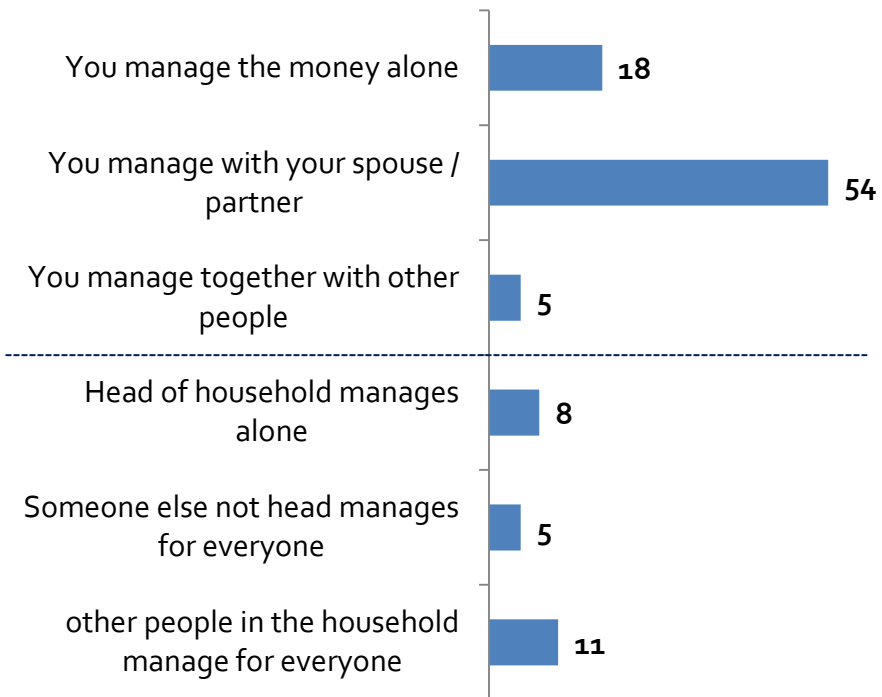


- 3 million (72%) adults experienced a major event such as a wedding, water festival celebration or funeral in the past 12 months

Mechanism for paying for major expense / event



Responsibility for financial decision making



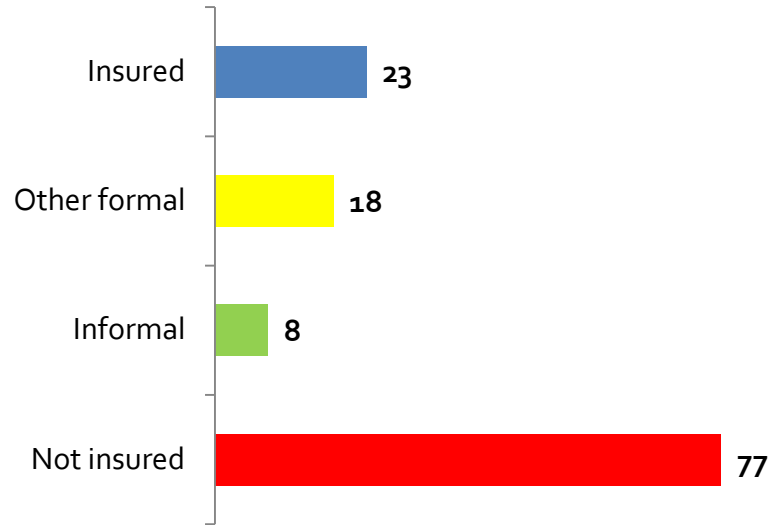
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# Insurance and risk management: Overview



## Insurance Strand



# Insurance and risk management: Drivers and barriers



**23%** of adults have insurance

Of those insured uptake of insurance products is driven by:

**Formal insurance:**

- Motor vehicle insurance 50%
- Medical aid / health fund 42%
- Life assurance 10%

**Informal insurance:**

- Solidarity system/village funeral fund 91%
- Other 10%

**77%** of adults do not have any kind of insurance product covering risk

**Main barrier to the uptake of insurance:**

- Have not heard of insurance 24%
- Have never thought of it 20%
- Claim they do not need insurance 16%
- Do not know how insurance works 18%
- Do not know how to get it 14%
- Do not know where to get it 9%

Of those without insurance (**77%**):

**\*\*LITERACY\*\***

- 58% are not aware of motor vehicle insurance
- 46% are not aware of life assurance
- 44% are not aware of medical insurance or a health fund
- 30% have not heard of a solidarity system or village funeral fund

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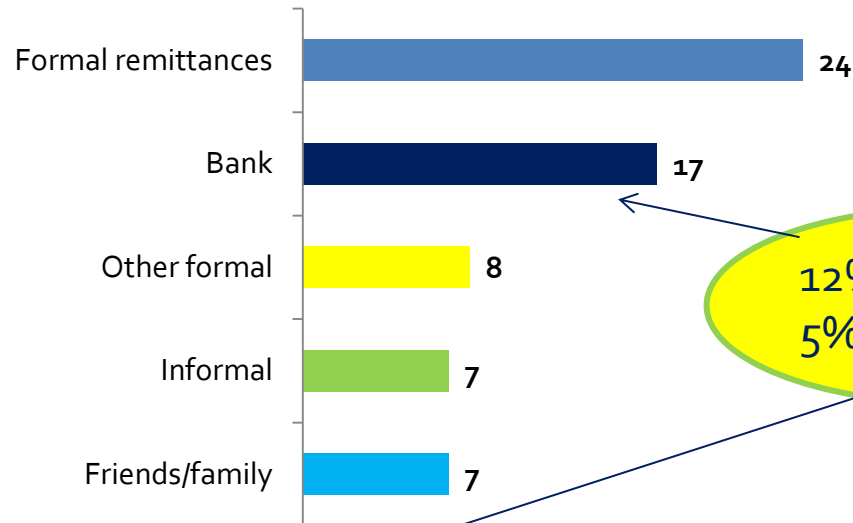
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# Remittances: Overview

\* of those that claimed to remit in the past 12 months

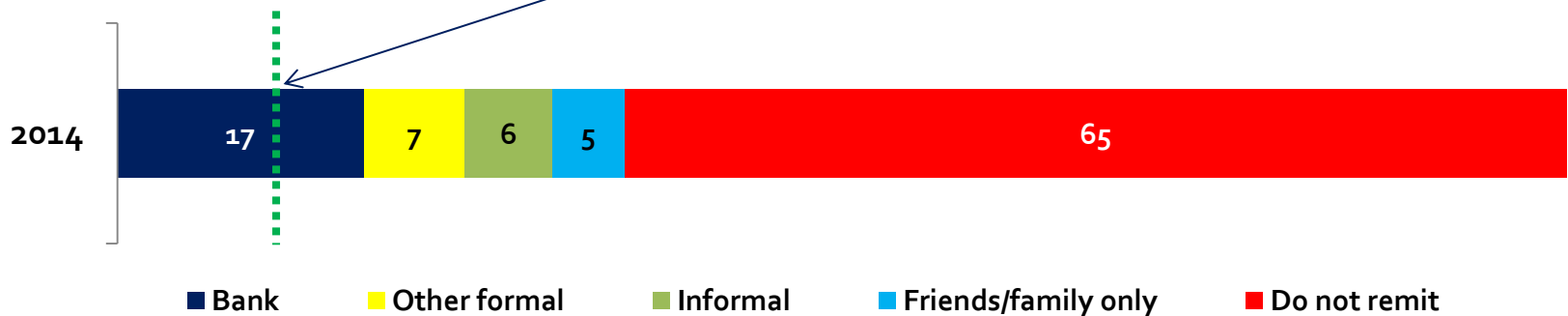


2014



12% Banked  
5% Not banked

## Remittances Strand



# Remittances: Profile of those sending or receiving money

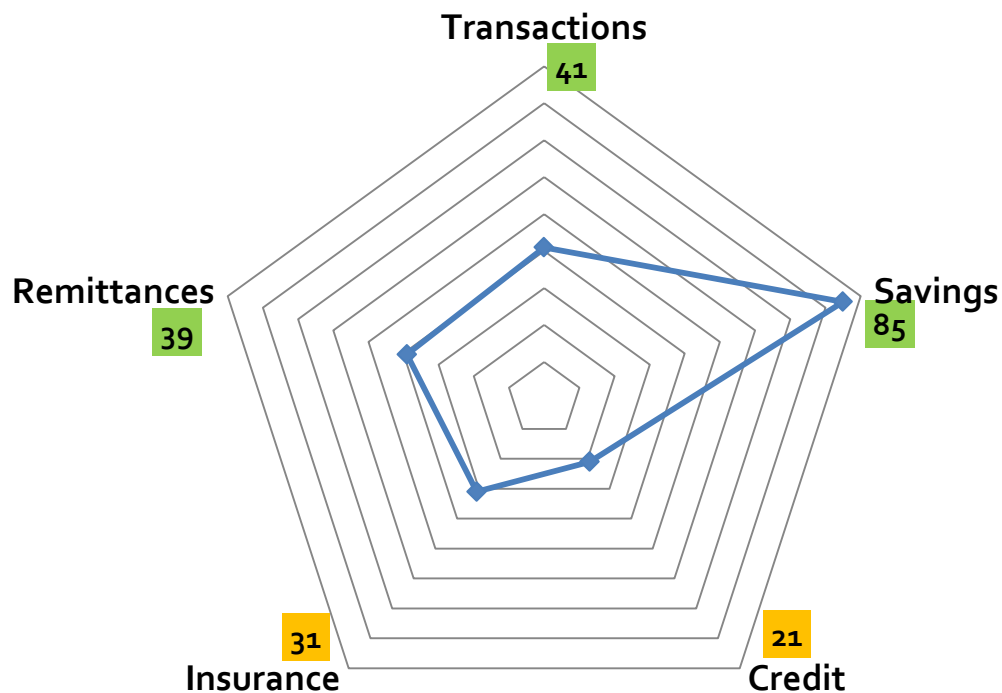


- Adults **sending money** 18% (760 000): 94% sent within Laos and 14% outside Laos
- Adults **receiving money** 23% (971 000): 62% within Laos and 50% outside Laos
- About 1,1 million adults remit within Laos and 580 000 outside of Laos
- Adults residing in rural areas remit more than those in urban areas
- Adults from the Central and South region remit more than the other those in Vientiane Capital and the North regions

# Financial inclusion: Landscape of Access



\*(of those with any financial product)



The Landscape of Access is used to illustrate the extent to which financially included individuals have/use financial products/services (excluding those borrowing from family/friends and those who save at home/hiding in secret place)

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## 10. Key take-outs

# Key take-outs



1. The adult population in Laos is predominantly rural, with farming activities being the main source of income
2. More than half of the adult population lives on an income of less than LAK 2 million a month. The survey indicates an improvement in living conditions
3. Although 25% of adults do not currently use any form of financial services, some do so by choice, largely linked to cultural issues and lack of information about financial services
4. Family and friends and informal mechanisms (village funds) are the preferred mechanisms for saving or obtaining credit to cover urgent living expenses (smoothing consumption or emergencies)
5. Lao people largely depend on social solidarity networks, informal financial providers (village funds) and savings for coping with risk, rather than insurance products



## Key take-outs....(continued)



6. Informal product uptake exceeds the formal by far, especially in the low-income segment. However, 2 exceptions:
  - High share of adults obtaining bank lending, almost matching the share using informal credit
  - High use of formal remittances
7. Savings and transactions (including remittances) are the main drivers of financial inclusion in Laos
8. Outside of Vientiane, Lao people are risk averse and thus avoid credit. People who do not take loans mostly do so because they do not need it or because they fear being indebted
9. The low level of financial literacy and knowledge about financial products is correlated with people's low use of formal services

**1. Commentary / Review**

**2. Discussion**

