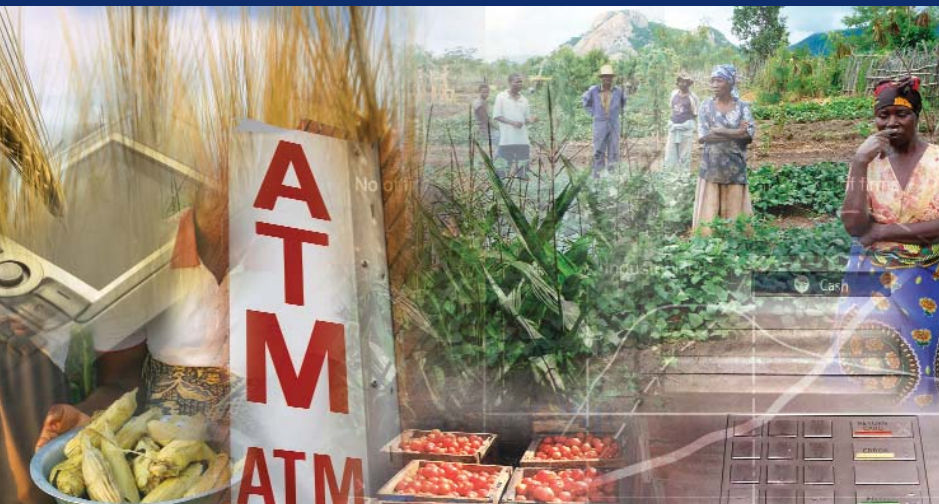


FinScope Consumer Survey Zimbabwe 2011



Making financial markets work for the poor

FINScope



Republic of Zimbabwe



Introduction

The Government of Zimbabwe recognises the role played by the financial sector in facilitating economic growth. In order to develop policies that will generate sustainable and inclusive growth and development, the Government requires evidence-based information on the financial sector and levels of financial inclusion. In order to achieve this goal, FinMark Trust in conjunction with the Ministry of Finance embarked on a FinScope survey which was conducted by the Zimbabwe National Statistics Agency (ZIMSTAT) from July 2011 to November 2011.

The FinScope survey is a research tool which was developed by FinMark Trust¹. It is a nationally representative survey of how individuals source their incomes, and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services.

The survey, by design, is intended to involve a range of stakeholders, thereby enriching the data through a process of cross-cutting learning and sharing of information. The objectives of the FinScope survey include the following:

- To measure the levels of financial inclusion (i.e. the proportion of the population using 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 the usage of financial products and services
- To stimulate evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion

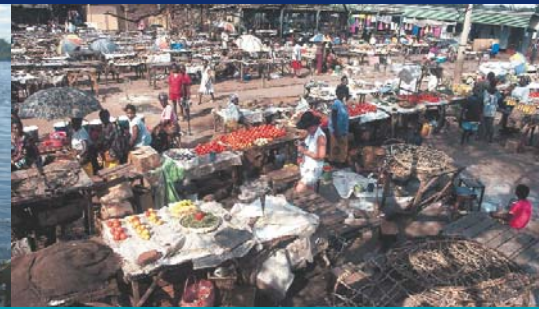
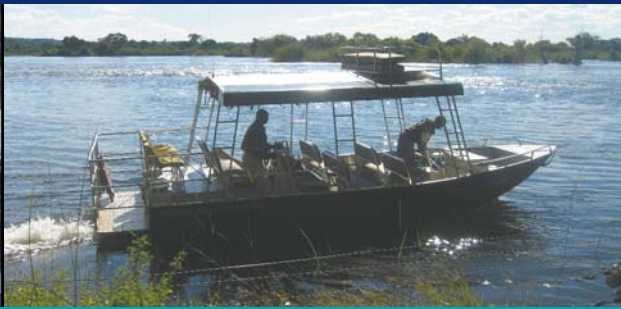
Partnering for a common purpose

FinScope Zimbabwe is designed to involve a range of stakeholders engaging in a comprehensive consultation process. This process has enriched the survey and the shared results have contributed meaningfully to members who have a common interest in financial inclusion, as well as the overall growth and development of the country.

A Steering Committee chaired by the Ministry of Finance was set up which comprised representatives from the Ministry of Finance, FinMark Trust, the Reserve Bank of Zimbabwe, Insurance and Pensions Commission, Bankers Association of Zimbabwe, Consumer Council of Zimbabwe, Zimbabwe National Statistics Agency (ZIMSTAT), and the Securities Commission of Zimbabwe.

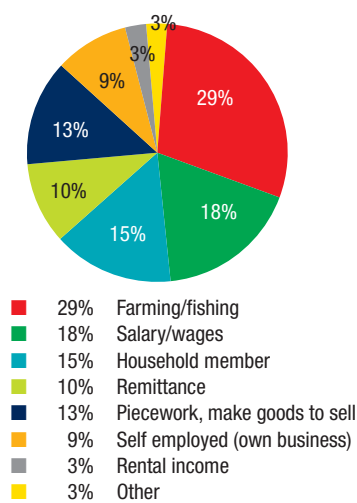
¹ Established with initial funding from the UK's Department for International Development, FinMark Trust is an independent trust whose business is controlled by seven trustees from countries in Southern Africa. FinMark Trust's purpose is 'making financial markets work for the poor, by promoting financial inclusion and regional financial integration. It does this by conducting research to identify systematic constraints that prevent financial markets from reaching out to these consumers and by advocating for change on the basis of research findings. Thus, FinMark Trust plays a catalytic role, driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems that can benefit all consumers.

FinScope Zimbabwe 2011



Other stakeholders included the Ministry of Industry and Commerce, Ministry of Small and Medium Enterprises and Cooperatives, Ministry of Economic Planning and Investment Promotion, Ministry of Agriculture, Mechanisation and Irrigation Development, Confederation of Zimbabwe Industries, Zimbabwe National Chamber of Commerce, Zimbabwe Association of Microfinance Institutions, Insurance Council of Zimbabwe, Zimbabwe Association of Pension Funds, and the National Social Security Authority.

Main source of income



Sample and methodology

- Nationally representative individual-based sample of Zimbabweans aged 18 years and older
- 3 984 face-to-face interviews conducted by ZIMSTAT (August to September 2011)
- Sample frame and weighting of the data was conducted by ZIMSTAT

Understanding the lives of Zimbabweans

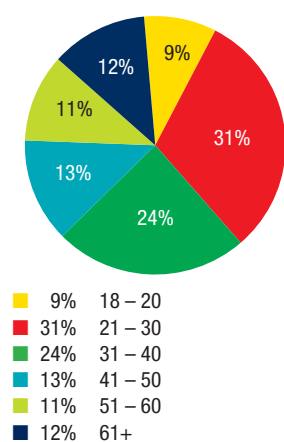
- 65% live in rural areas
- 40% are under the age of 30 years (this is generally regarded by FinScope data as not yet economically settled)
- Money from farming and fishing is a main source of income for Zimbabweans (29%), while every fourth Zimbabwean (25%) relies on money from others (household member or remittance), and only 18% receive a regular salary
- 80% of the adult population earn less than USD 200 per month (including 17.3% who do not have an income at all)

Daily realities – contextualising the drive for greater financial inclusion

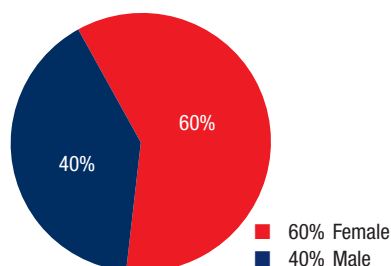
- 66% reside in households with no piped water (inside or outside the house)
- 67% reside in households that use firewood as the main source of energy for cooking
- In rural areas, where the majority of Zimbabweans live, adults spend most of their time fetching water and wood to meet basic needs, and are less likely to think about accessing financial services
- 36% had to skip a meal because of a lack of money or food
- 61% had gone without cash at some stage and had to make a plan for daily needs

There are significant daily realities such as the lack of access to basic infrastructure and amenities, the lack of proper sanitation, running water, electricity and making ends meet that will impact levels of financial inclusion.

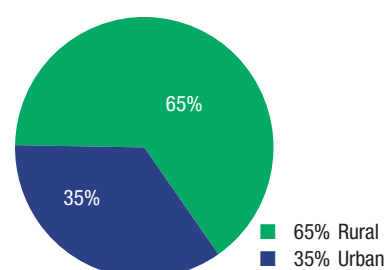
Age distribution



Gender distribution



Urban-rural distribution

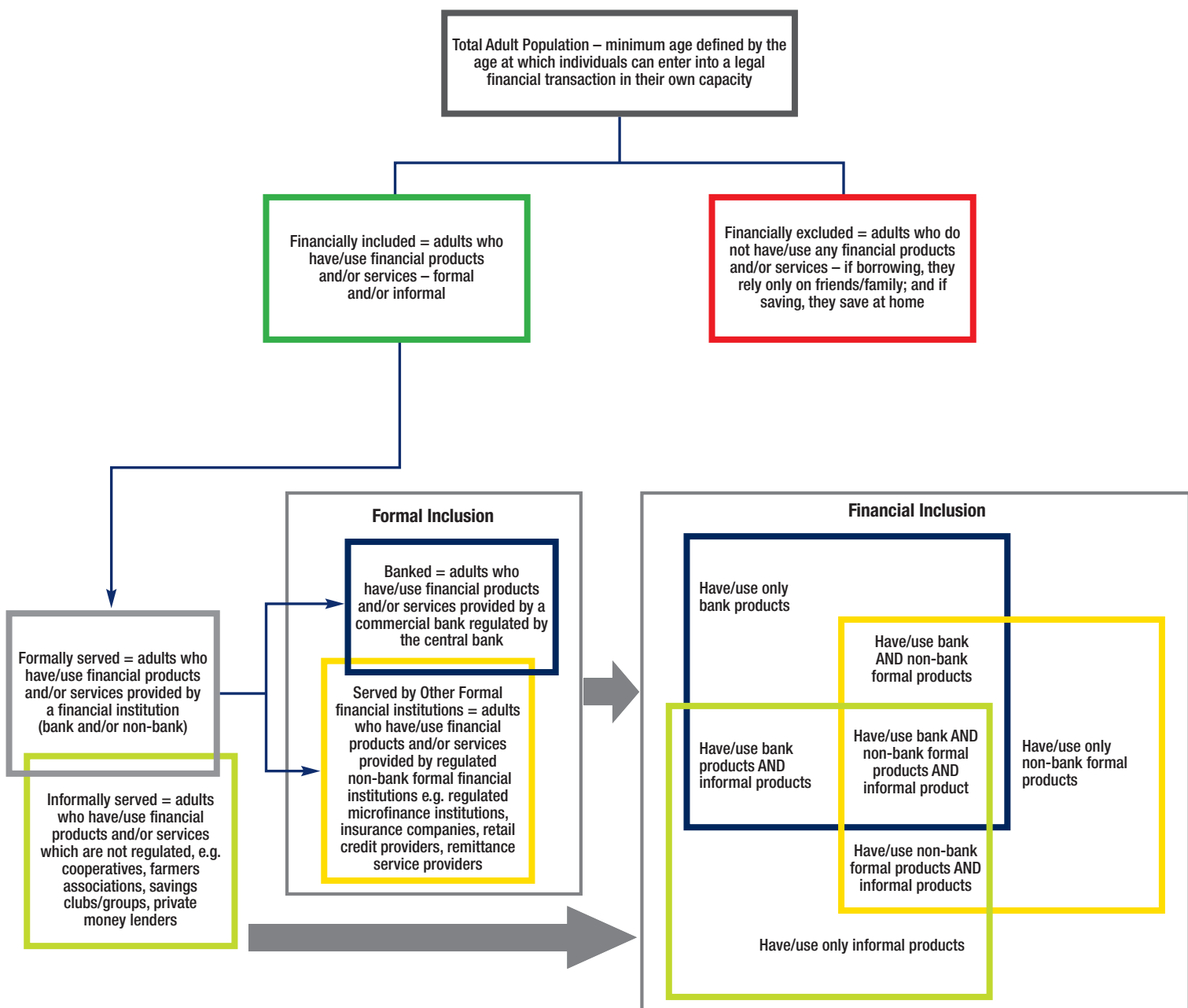




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Financial inclusion

The FinScope survey uses the following categorisation to describe levels of financial inclusion:

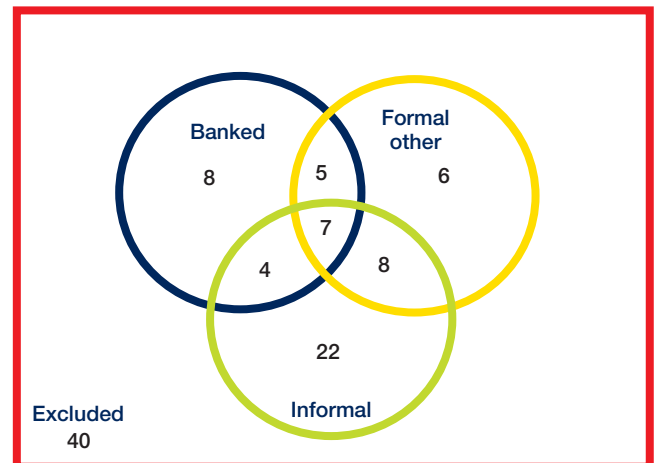
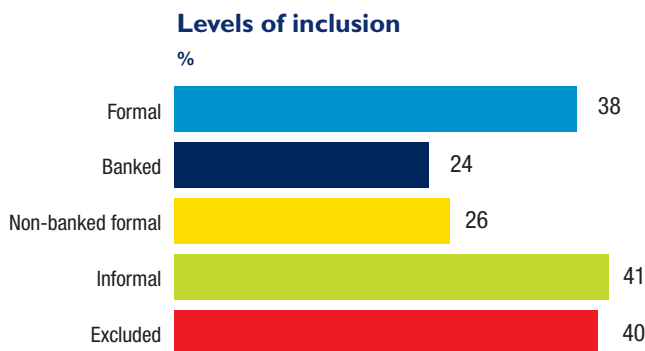




Financial inclusion in Zimbabwe

The legal age at which an individual in Zimbabwe can open a bank account is 18 years, therefore the adult population is defined as all individuals aged 18 years and older:

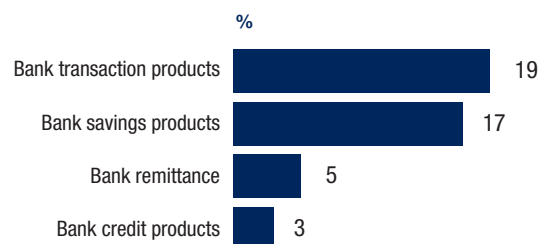
- 38% of adults are formally served, including both banked and other formal bank products/services
- 24% of adults are banked
- 26% of adults have/use other formal bank products/services
- 41% of adults have/use informal mechanisms for managing their finances
- 40% of adults are financially excluded



What drives banking?

Banking in Zimbabwe is mainly driven by transactional and savings products.

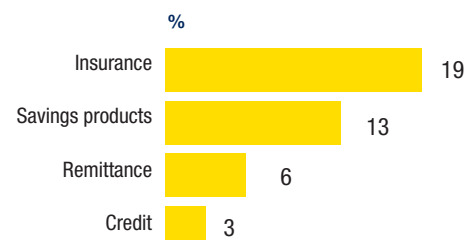
- 19% of banked adults have/use transactional products
- 17% have/use savings products
- 5% have/use banking products for remittance purposes
- Only 3% use banking credit products



What drives the use of other formal (non-banking) products?

The use of other formal (non-banking products) is mainly driven by insurance and savings products.

- 19% of adults who use non-banking formal products have/use insurance products
- 13% have/use savings products
- 6% use non-banking formal products for remittance purposes
- Only 3% use non-banking formal credit products



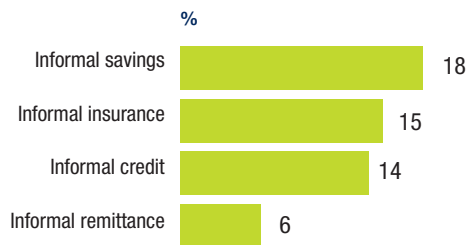


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What drives the use of informal mechanisms?

Zimbabweans use informal mechanisms mainly for savings, insurance, and borrowing (credit):

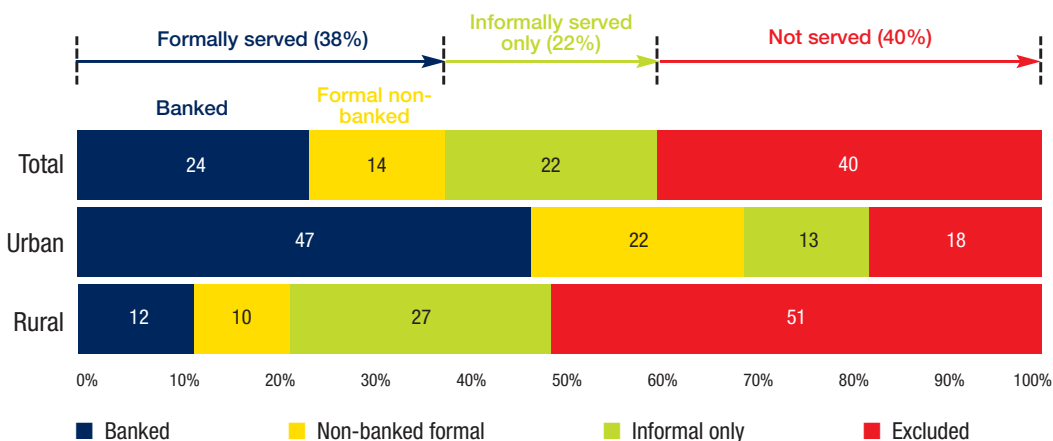
- 18% of adults who use informal mechanisms belong to savings groups
- 13% use informal mechanisms for insurance purposes
- 14% use informal mechanisms to borrow money (credit)
- 6% use informal remittance mechanisms



Access Strand

The FinScope approach uses the Financial Access Strand to understand financial inclusion. In constructing this strand, the overlaps in financial product/service usage are removed, resulting in the following segments:

- 40% of Zimbabweans are financially excluded (i.e. do not use financial products – neither formal nor informal – to manage their financial lives)
- 22% rely only on informal financial products or services
- 38% of Zimbabweans are formally served – 24% have/use bank products/services and 14% have/use non-bank formal products/services but not commercial banking products



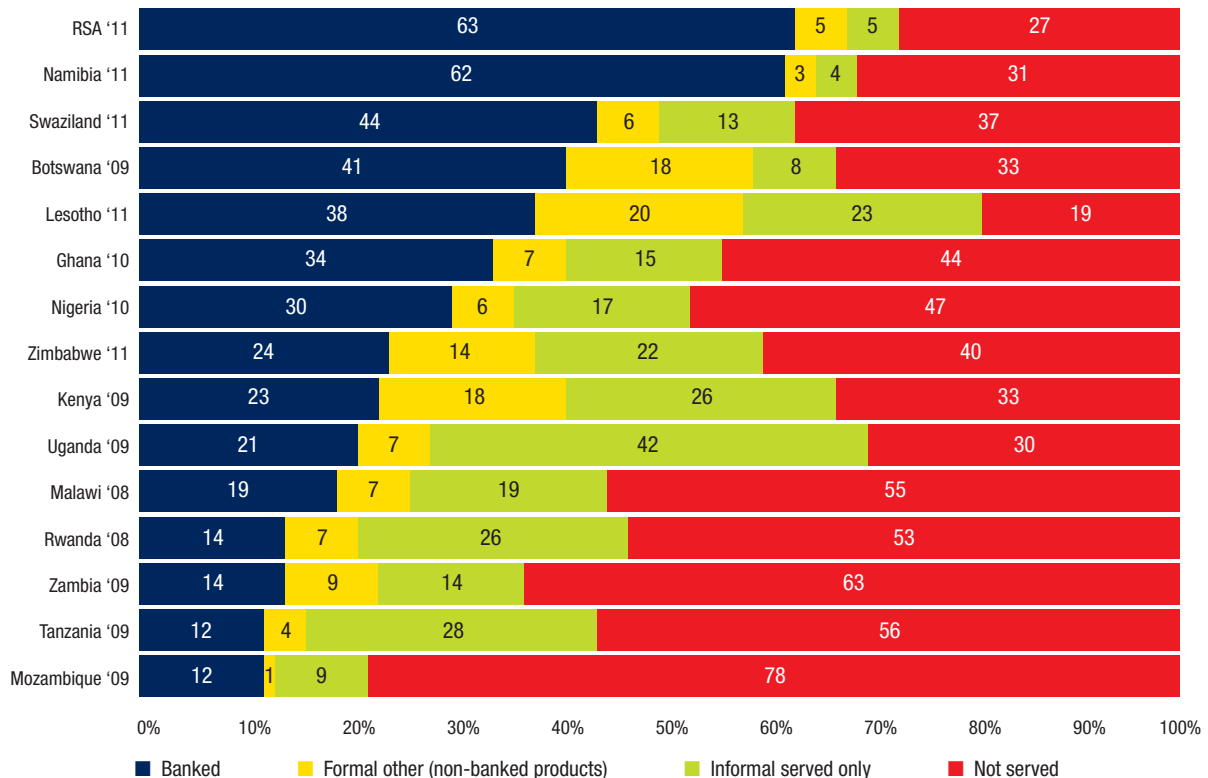


Comparing rural and urban

- There are significant differences between rural and urban levels of financial inclusion - while every second Zimbabwean is banked in urban areas, only 12% of adults in rural areas have/use commercial banking products
- The informal sector plays an important role in pushing out the boundaries of financial inclusion – this role is significantly more pronounced in rural areas
- Accordingly, adults living in Harare and Bulawayo, the main urban centres of Zimbabwe, are more likely to use/have banking products/services, with 51% and 49% respectively – while adults living in the other provinces have/use more informal mechanisms

Comparing levels of financial inclusion in Africa²

Compared to other African countries where FinScope surveys have been implemented, the Zimbabwean Access Strand illustrates that Zimbabwe faces challenges in moving towards increased financial inclusion.



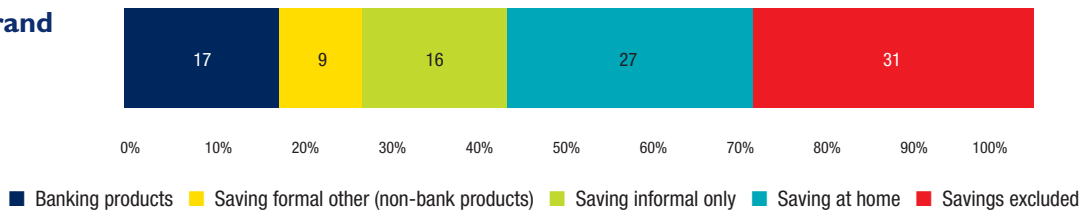
² Countries in Africa where FinScope surveys have been conducted

Understanding the levels of financial inclusion is only the first step. While insightful in itself, understanding is enhanced by exploring the products and services that individuals are likely to have/use under each category.

Making financial markets work for the poor

Savings

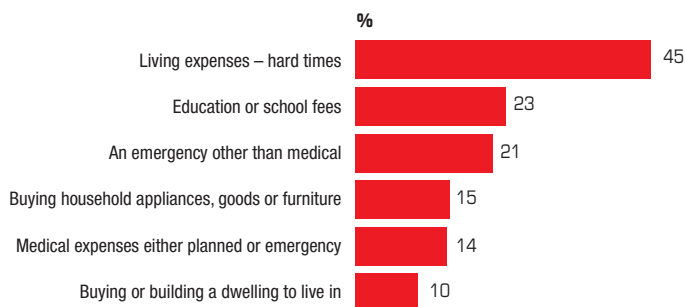
Savings Strand



- 31% of Zimbabweans do not save
- 27% keep all their savings at home (these individuals do not have or use formal or informal savings products or mechanisms)
- 16% rely only on informal mechanisms such as savings groups
- 9% have/use other formal (non-banking products)
- 17% individuals have savings products from a bank

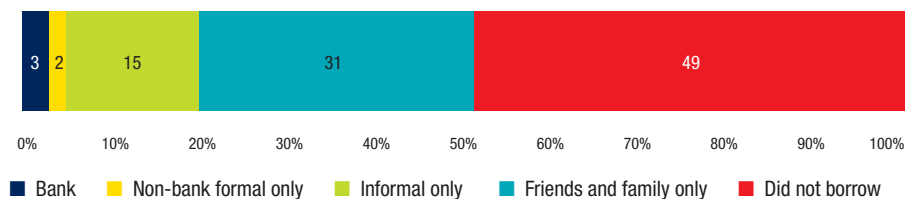
Drivers of savings

31% of Zimbabweans do not save or put money aside. Those who save (69%) are most likely to save at home. People mainly save to be able to pay for living expenses during hard times, as well as for education, school fees and emergencies.



Borrowing

Credit Strand

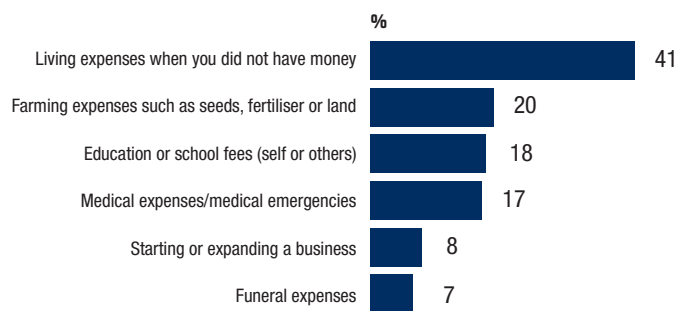


- 49% of Zimbabweans did not borrow in the last 12 months – mainly because they are worried they won't be able to pay it back
- 31% of adults borrow from friends and family
- 15% only rely on informal borrowings
- 2% do not have a credit/loan product from a bank, but have credit/loan products from another formal financial institution
- 3% have a credit/loan product offered by a bank



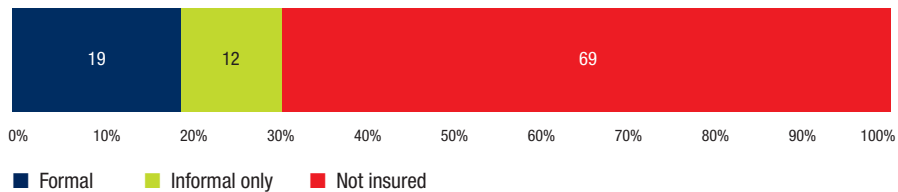
Drivers of borrowing

Every second Zimbabwean borrowed money in the last 12 months. Those who borrow mainly do so from family/friends and informal sources. People mainly borrow to cover living expenses such as food, transport and rental. Borrowing for other expenses include medical, emergencies, farming equipment or education.



Risks and insurance

Insurance Strand



- 69% of Zimbabweans do not have any kind of financial product covering risk
- 12% of adults rely only on informal mechanisms such as burial societies
- 19% have some formal financial product covering defined risks

Main risks

- Rise in living costs relates to the main reason why people save/borrow
- Illness that requires medical expenses
- Loss of crop/livestock
- Increase in household size
- Unforeseen school/education fees

Main coping strategies

- Cut down expenses
- Sell something to obtain money
- Borrowed money
- Use savings

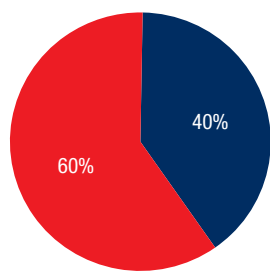


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Remittance

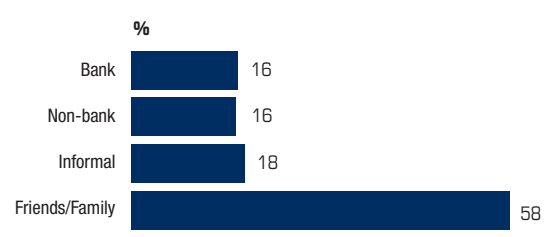
- 40% of Zimbabweans send or receive money
- People mainly receive money (from inside and outside Zimbabwe)

Remittance



- 60% Did not send/receive money
- 40% Send/receive money

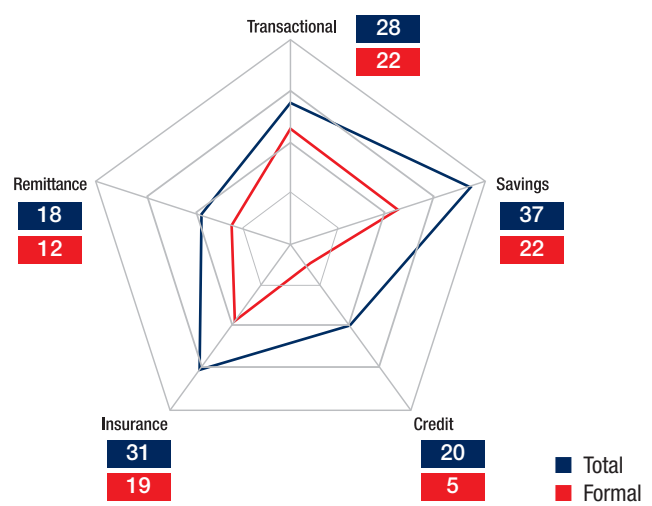
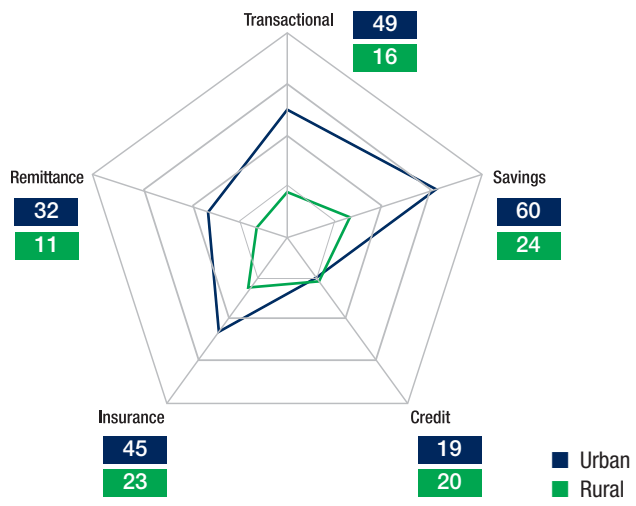
Remittance mechanisms



Landscape of Access

The FinScope approach uses the 'Landscape of Access' diagram to illustrate the degree to which individuals (aged 18 years and older) have/use financial products and services. The diagram depicts, on its five axes, the percentage of adults that have or use:

- Transactional products/services
- Savings products/services
- Credit products/services
- Insurance products/services
- Remittance products/services





What is driving the Landscape of Access?

Savings

- The Landscape of Access is largely driven by savings products, particularly in urban areas
- People who save, mainly do so at home (27%)
- 12% are members of savings clubs
- 11% have/use savings products/services from a commercial bank

Transactional

- 28% of adults use transactional products, especially formal products (22%), and mainly in urban areas (49%)
- Only 10% of Zimbabweans use an ATM/cash point card

Remittance

- 12% of adults use formal products/services to send/receive money
- More Zimbabweans receive money than send money, indicating the vital role of remittances received from outside Zimbabwe
- The usage of products/services for remittance purposes is more prevalent in urban areas

Insurance

- 31% of Zimbabweans have/use some kind of financial product covering risk
- 77% of adults who have/use an insurance product took out funeral cover
- 47% have/use a pension product (33% State pension; 14% Private pension from employer)
- 26% have/use medical aid

Credit

- In general, adults in urban areas are more likely to use financial services and products. However, the use of credit products is more common in rural areas which possibly relates to the large proportion of people using informal product/services to borrow money
- 31% of adults borrow from friends and family





Making financial markets work for the poor

Key take-outs

- 38% of Zimbabweans are formally served, while 40% of Zimbabweans are financially excluded using neither formal nor informal products/services to manage their finances but mainly rely on family/friends
- Financial exclusion is particularly high in the rural areas possibly due to limited accessibility to banks and formal salaried employment opportunities
- Current products/services seem to focus on adults who receive a regular salary. From a supply-side perspective, formal institutions are likely to target these individuals. From a demand-side perspective, those who receive salaries and wages are likely to need a formal product for the purpose of processing their salaries and wages
- The informal sector plays an important role in financial inclusion, particularly in the rural areas
- Many formally served adults also use informal mechanisms, showing that the formal sector does not meet people's needs
- Zimbabwe remains a cash based economy. However, lack of liquidity seems to be a significant barrier to financial inclusion
- Rising living costs due to economic instability is perceived to be the biggest risk, and also the main reason why people save and/or borrow, which relates to the hardship experienced

Hardship experienced = due to a lack of money	Reasons for saving	Reasons for borrowing
36% had to skip a meal	45% Living expenses	41% Living expenses
36% had not been able to send their children to school	18% Education expenses/school fees	18% Education expenses/school fees
34% had to go without medical treatment or medicine	14% Medical expenses/treatment	17% Medical expenses

Evidence from FinScope surveys suggests that individuals' daily needs force them to resort to informal mechanisms for their financial needs. The challenge for the formal sector is to find ways of leveraging off the informal sector, for example through providing services to savings groups without creating usage barriers for those who depend on these mechanisms.

FinScope Zimbabwe 2011 contains a wealth of data based on a nationally representative sample of the adult population of Zimbabwe. One of the key objectives of FinScope is to provide information to stakeholders to develop policies, regulations and products that address relatively neglected target groups. The data which was collected under the provisions of the Census and Statistics Act is available in SPSS format from FinMark Trust and the Zimbabwe National Statistics Agency.



FinScope footprint

FinScope surveys have been conducted or initiated in 16 countries (including Pakistan) and this allows cross-country comparison and sharing of findings which are key in assisting ongoing growth and strengthening the development of financial markets.



Contact

For further information about FinScope Zimbabwe 2011, please contact:

Director General
Zimbabwe National Statistics Agency (ZIMSTAT)
info@zimstat.co.zw

Tel: (263-04) 706681/8 or (263-04) 703971/7
Fax: (263-04) 762494

www.zimstat.co.zw

Dr Sabine Strassburg
FinMark Trust
sabines@finmark.org.za

Tel: +27 11 315 9197
Fax: +27 86 518 3579

www.finmarktrust.org.za
www.finscopeafrica.com



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