



# FinScope Livelihoods Approach

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Making financial markets work for the poor

# The livelihoods approach

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- Why do we want use the livelihoods framework ?
- What is the livelihoods framework?
- What is the value for analysis and understanding financial inclusion?

# Why the framework?

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- **Making financial markets work across Africa**
  - Need to understand when does a “market work”
    - *Market works when individuals who need to use financial services and products can do so*
    - *Therefore,*
      - *If we want to make markets work ,we need an understanding of where money fits into people lives and what they need in order to do what they do better,*
      - *If NEED is addressed effectively the likelihood of sustainable product uptake increases*

# Understanding people's lives

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Loss of crop or livestock

Paying school fees

Loss of an income earner

Birth of a child



Funeral

Wedding

Loss of employment

Serious injury/illness

Traditional feast

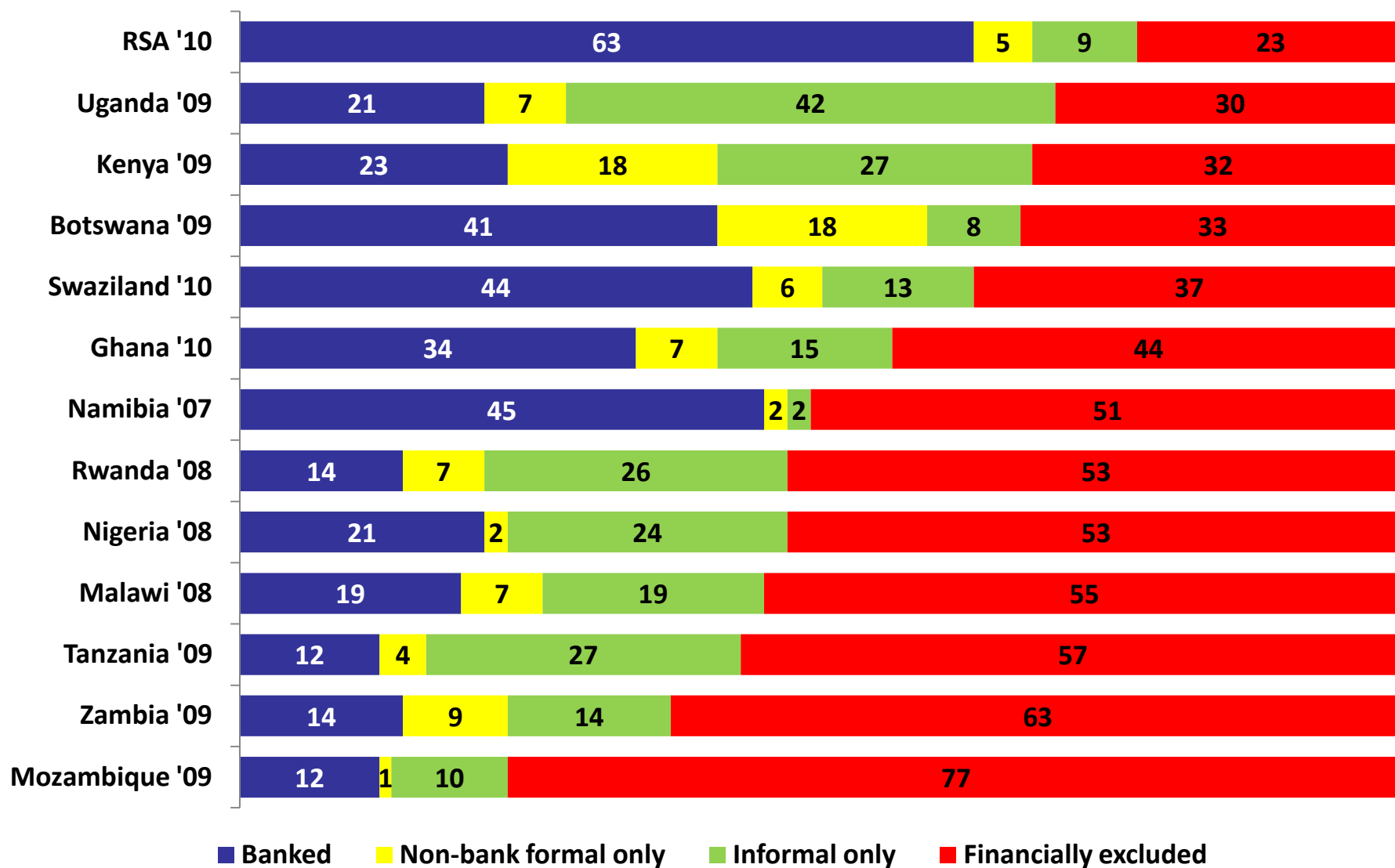
# Why the framework?

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## Objective of FinScope:

- **To create an understanding of LLH**
  - *Can ask the unserved what they need*
  - *But they might lack the knowledge to express needs*
  - *The livelihoods framework provides an understanding of need*
- **To compare usage of financial services and products across countries**

# Comparing inclusion across countries: Understanding demand-side differences



# So, what's in the framework for YOU?

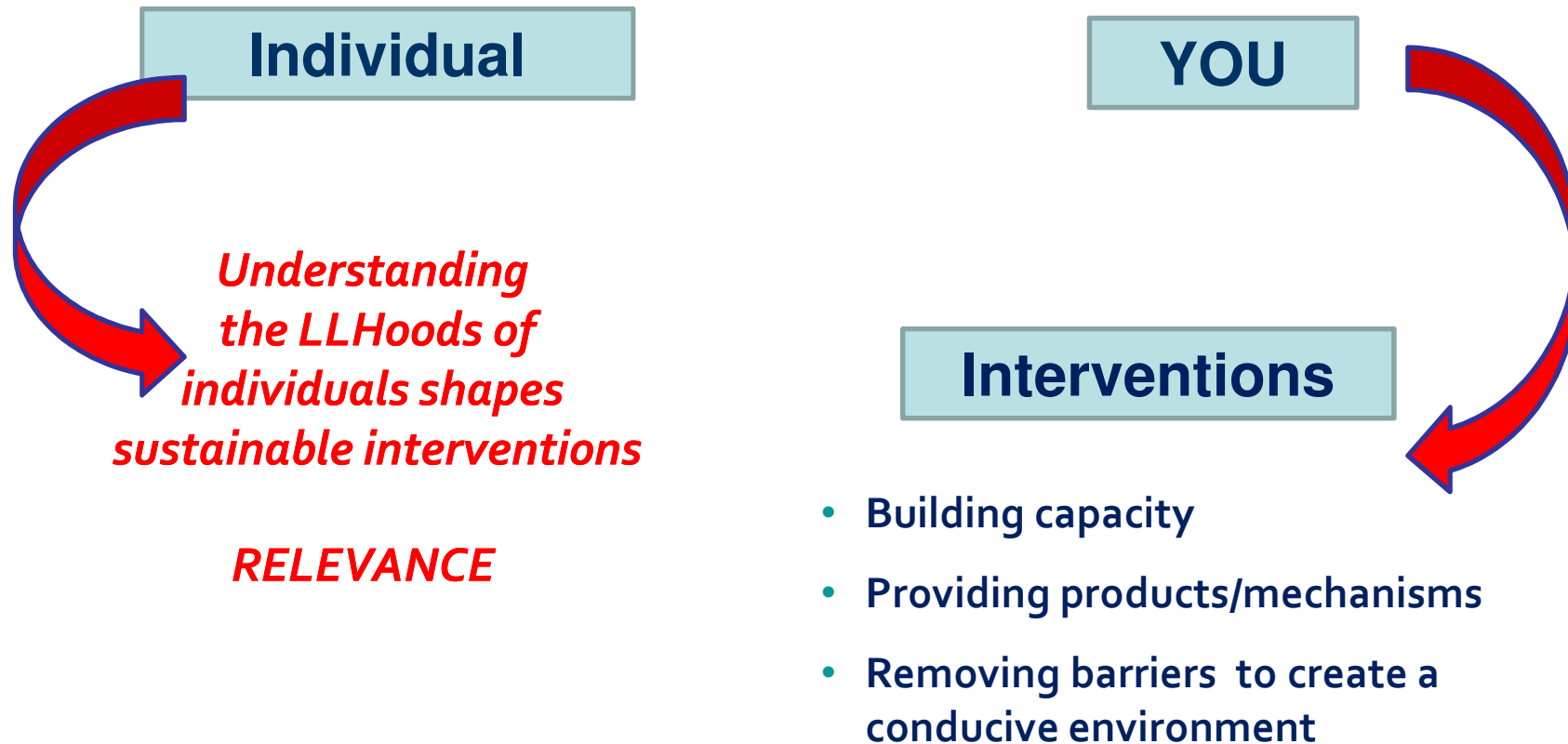
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## “Making markets work” - 2 KEY success factors

- **Addressing need**
- **Intervention must be maintained over time**

# So, what's in the framework for YOU?

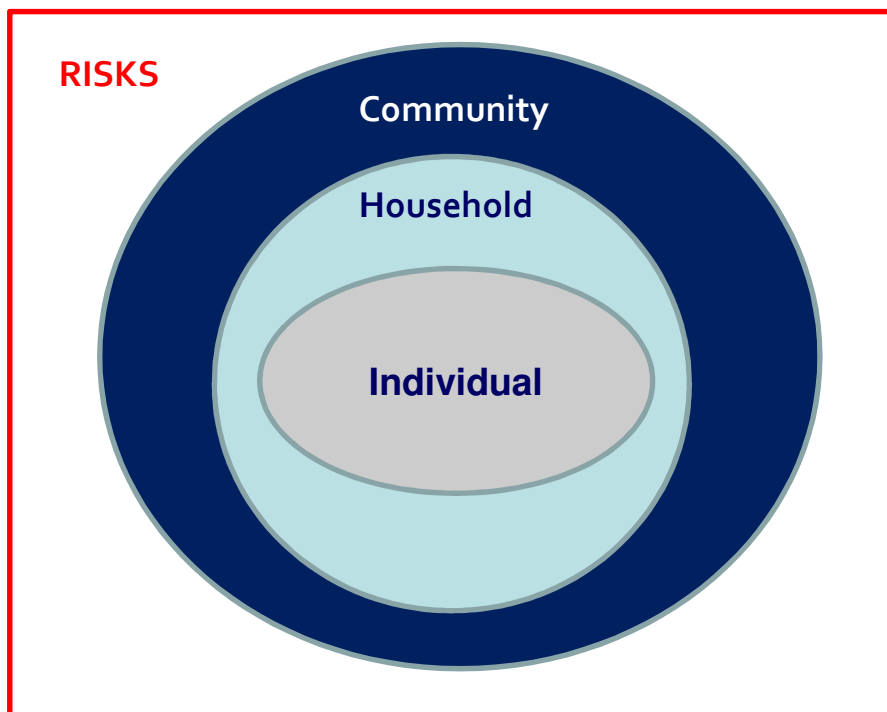
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# Understanding livelihoods

## Livelihood components



*What they have*

## Livelihood strategies

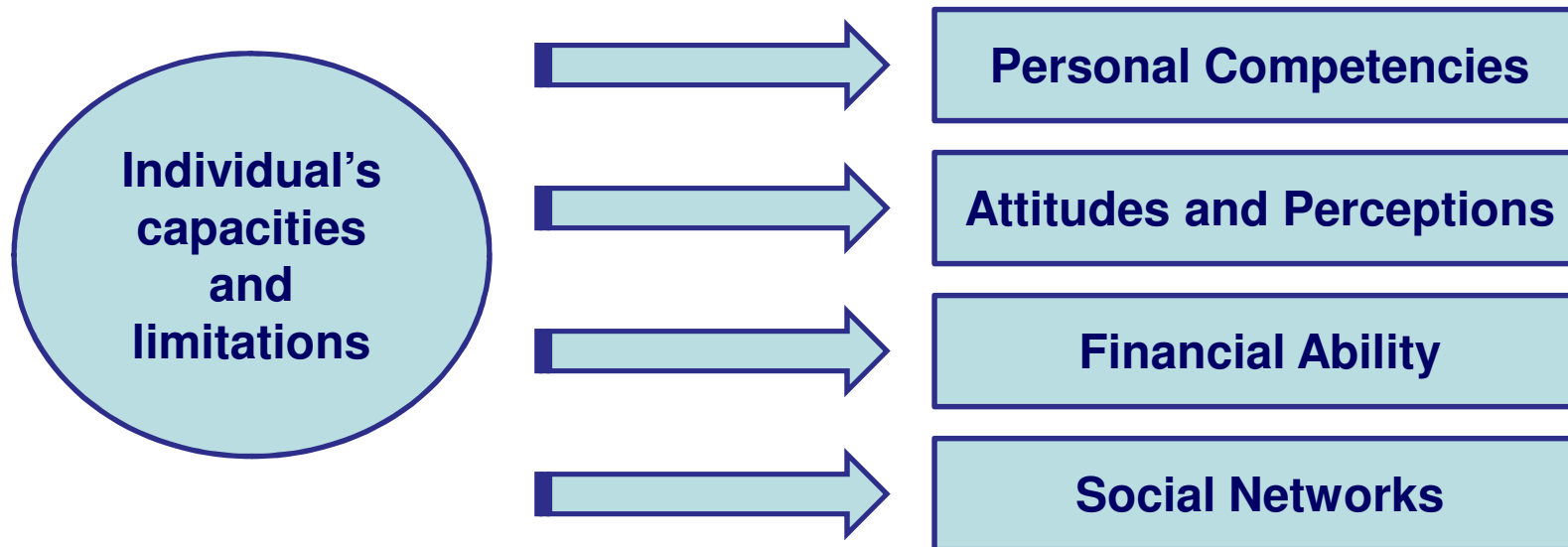
- Income generating activities
- Role of money  
(Financial activities/tasks)
- Coping strategies

*What they do with what they have*

# Attributes of 'those who use'

Assumption: Current usage is indicative of need

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# Attributes of the individual

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## Individual characteristics

### Personal Competencies

- Level of education
- Financial planning
- Capacity to work

### Attitudes and Perceptions

- Attitudes towards life and future
- Attitudes toward money and money management
- Perceptions about financial service providers

### Financial Capacity

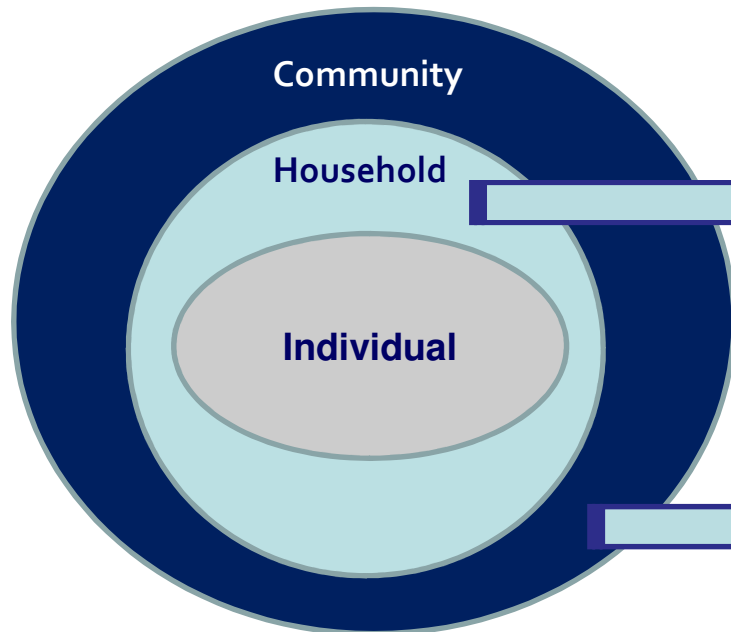
- Sense of financial security
- Money to save/invest

### Social Networks

- Support networks
- Extent of individual's involvement in community

# Attributes of the individual's context

## Individual's Context



### Household Context

- Decision making power
  - Position in HH
  - "own money"
- HH structure
  - Dependents
  - Income earners
- HH assets
  - HH connectivity

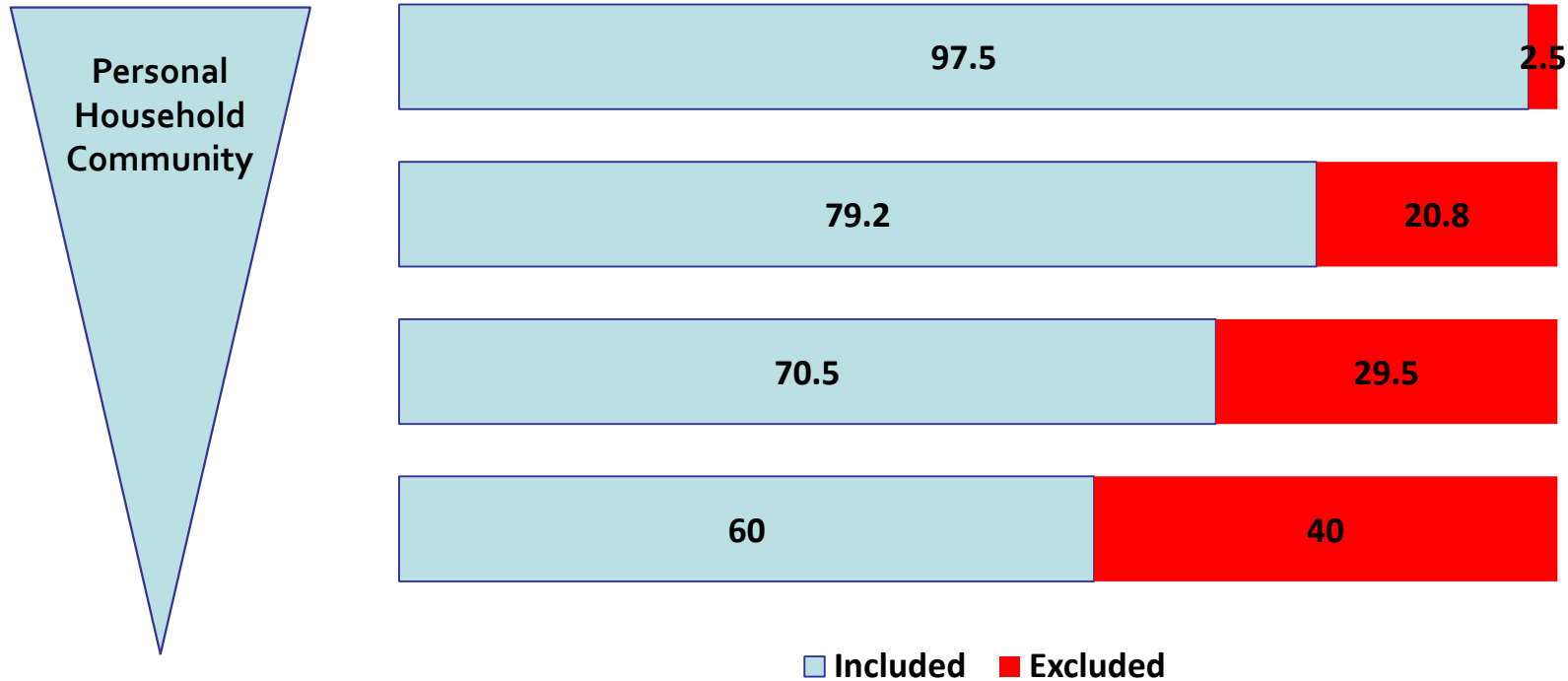
### Community Context

- Availability of
  - Infrastructure
  - Connectivity
  - Financial services/products

# Livelihoods and Development: Segmentation based on the livelihoods components

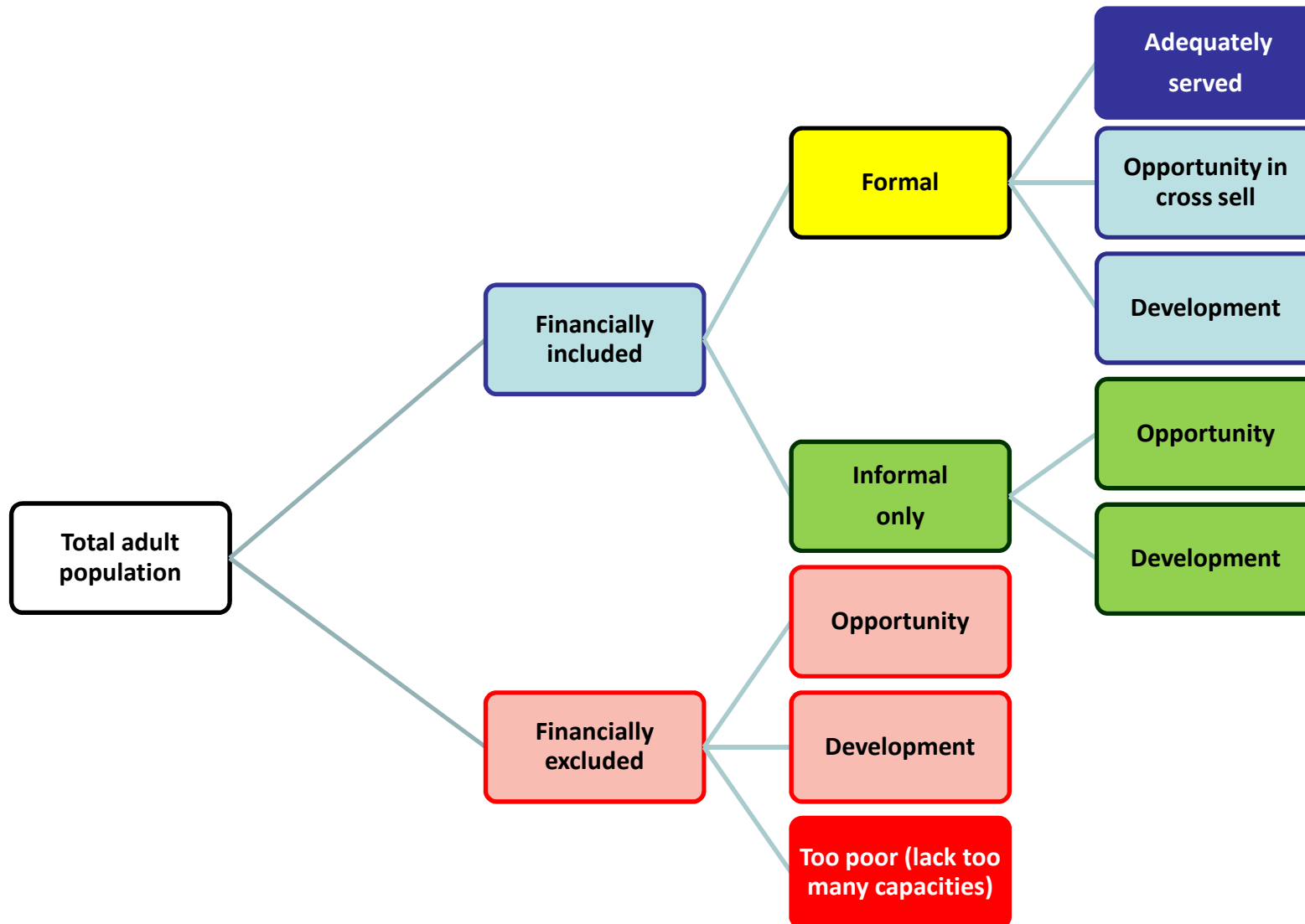


## Decreasing capacities

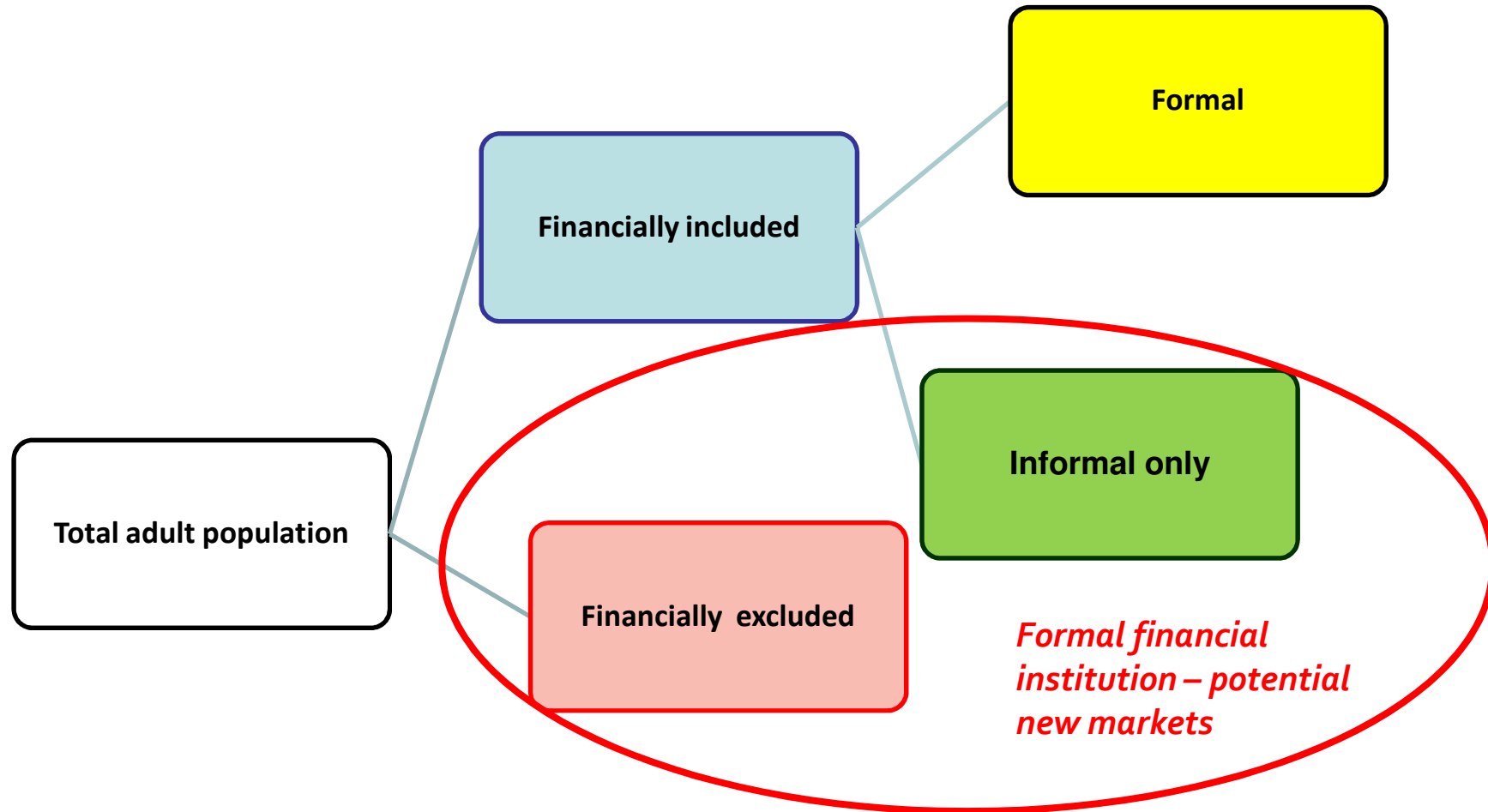


*Strong correlation between capacities and inclusion*

# Applying the livelihoods approach to identify appropriate intervention



# Applying the livelihoods approach to identify appropriate intervention



# Most significant predictors of formal financial inclusion

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- Connectivity – household
- Connectivity and infrastructure – community
- Financial planning
- Financial capacity
- Attitude to life and future

**Question:**

**DOES THE FORMALLY UNSERVED HAVE THESE CAPACITIES? = Opportunity**

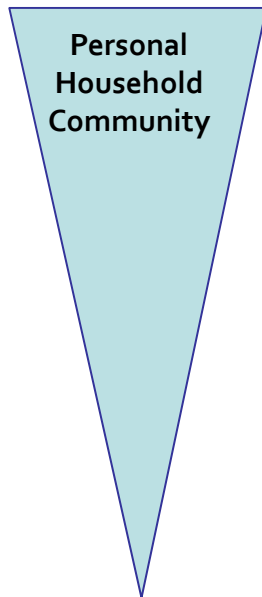
**WHAT CAPACITIES ARE LACKING = Development**



# Does the formally unserved have these 5 capacities?

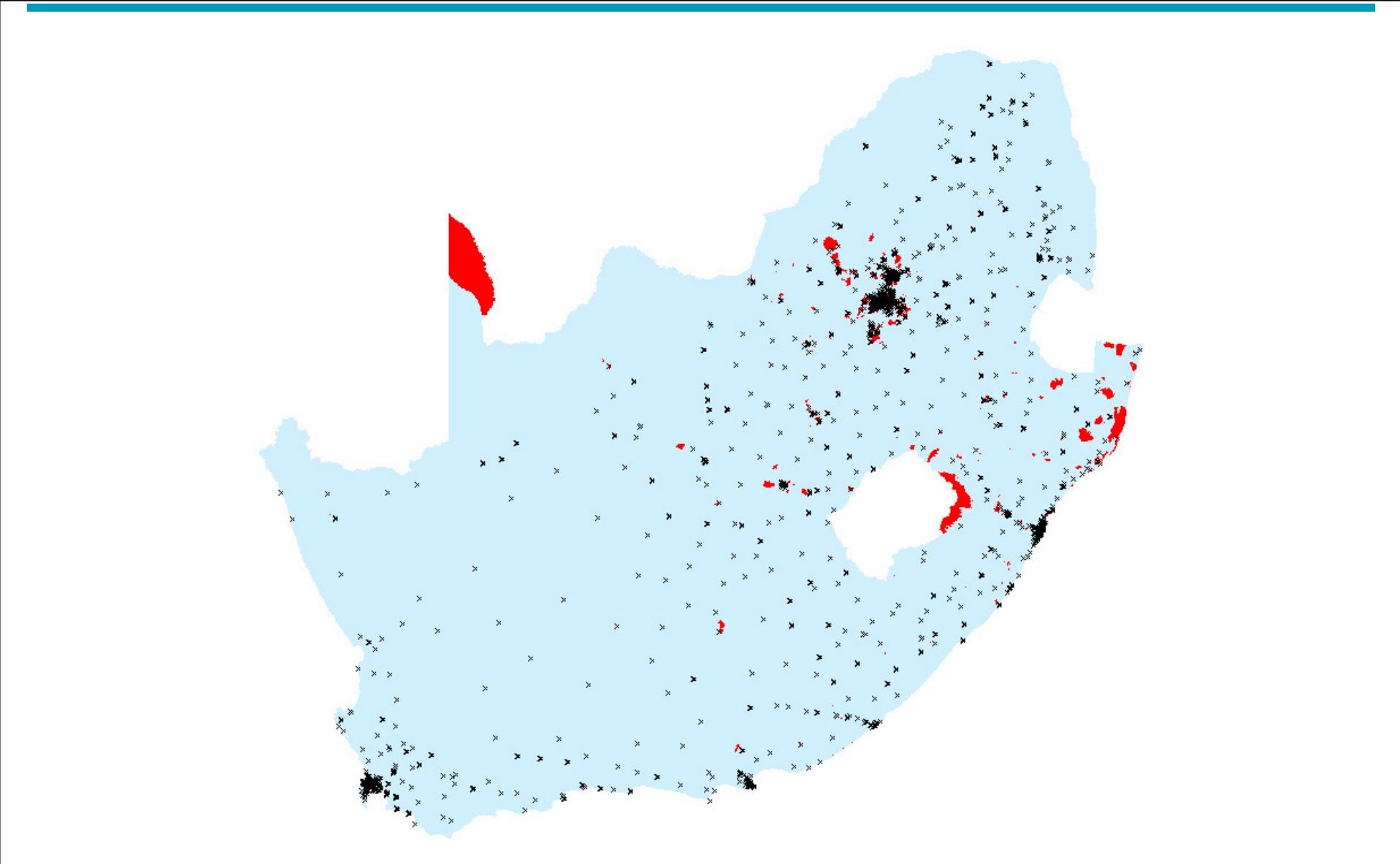


*Decreasing capacities*



Segment	Financial Capacity	Attitude to life and future	Financial Planning	Household connectivity	Community infrastructure	Community connectivity
Potential opportunity?		✓		✓	✓	✓
Development		✓			✓	✓
		✓	✓			
Too poor						

# Mapping opportunities



# Does the formally unserved have these 5 capacities?



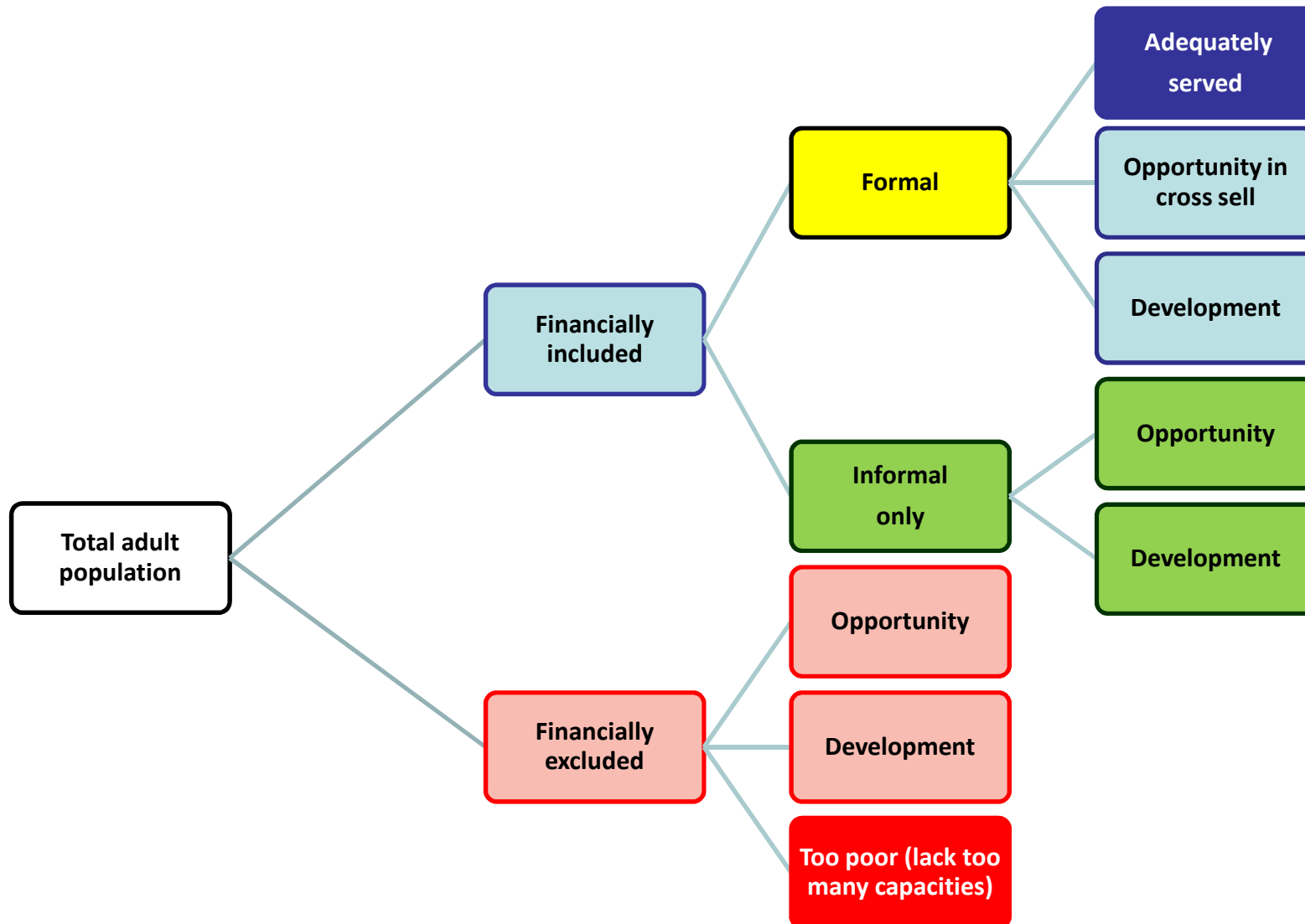
*Decreasing capacities*

*Increasing informal activity*

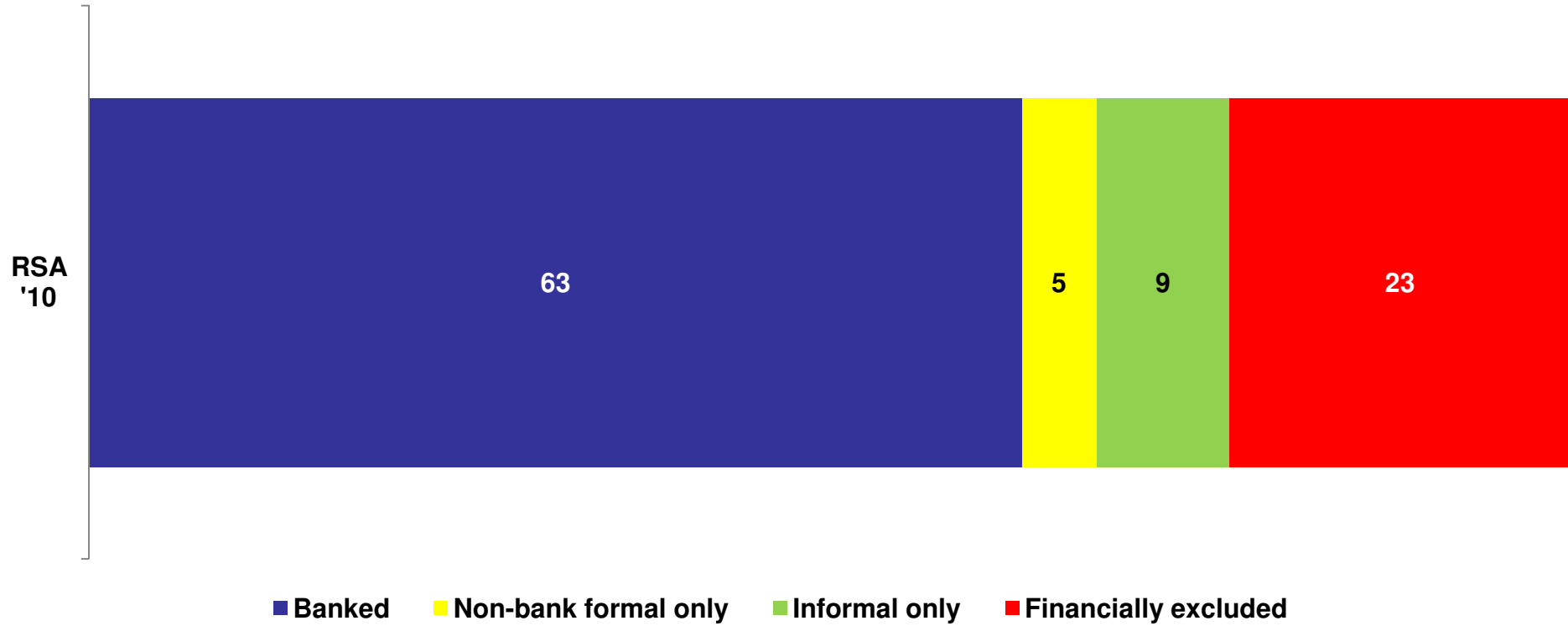
Personal Household Community	Segment	Financial Capacity	Attitude to life and future	Financial Planning	Household connectivity	Community infrastructure	Community connectivity
	Potential opportunity?		✓		✓	✓	✓
	Development		✓			✓	✓
			✓	✓			
	Too poor						
			<i>Increased social networks</i>				

*Leverage opportunity?*

# Applying the livelihoods approach to identify appropriate intervention



# Access strand challenged





**Thank you**  
[www.finmark.org.za](http://www.finmark.org.za)

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