



FinScope Consumer Survey Zimbabwe 2011

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Introduction and background



FinScope Consumer Surveys

What

Nationally representative study of demand for, usage of, and access to financial services

Where

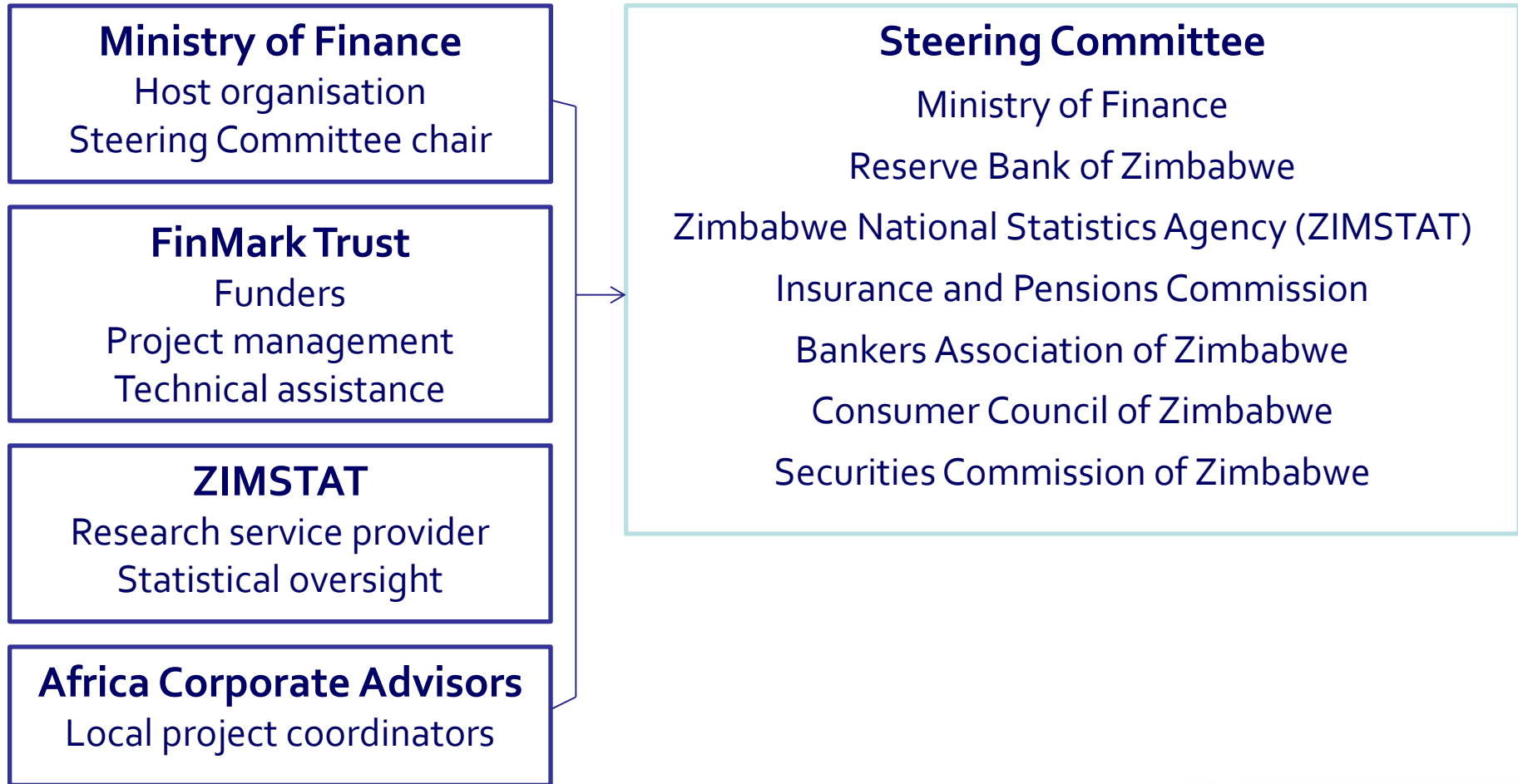
15 African countries, as well as Pakistan

Objectives

To measure and profile levels of access to and use of financial services by all bankable adults, across income ranges and other demographics



Partnering for a common purpose



Methodology of the study



Overview



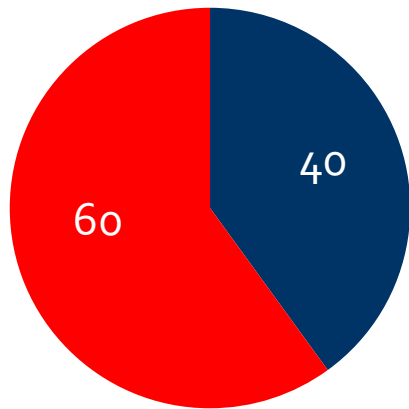
Logistics	Details
Methodology	Face-to-face, pen and paper interviews were conducted among adults (18 years and older)
Sampling frame	Listing exercise, population stratified by location (urban/rural)
Sample area selection	400 Enumerator Areas (EAs) were selected using probability proportional to size (PPS), interviews were conducted in 154 urban and 246 rural EAs
Sample size	3984 interviews, nationally representative sample
Household qualification	10 households were selected from each EA using systematic random sampling
Respondent selection	Final respondent to interview was selected using the Kish Grid method
Questionnaire length	± 75 minutes
Fieldwork	August to September 2011
Data management	20% back checks, data capturing in SPSS, weighting was done on EA, household and individual level, data validation against census data

Understanding people's lives



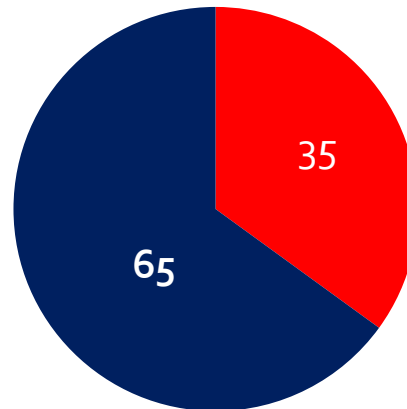
Demographic information

Gender distribution



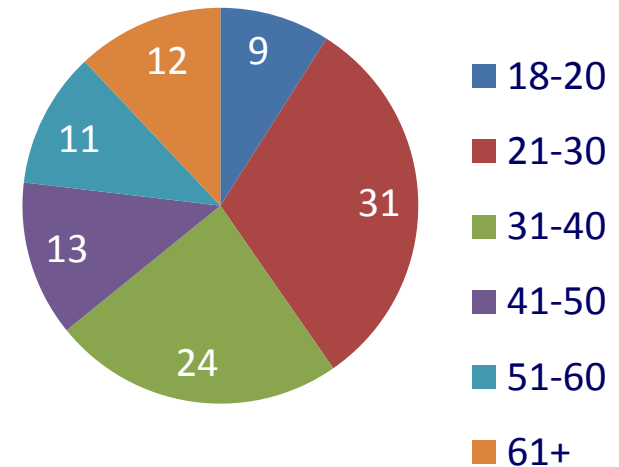
■ 40% Male
■ 60% Female

Urban/rural



■ 35% Urban
■ 65% Rural

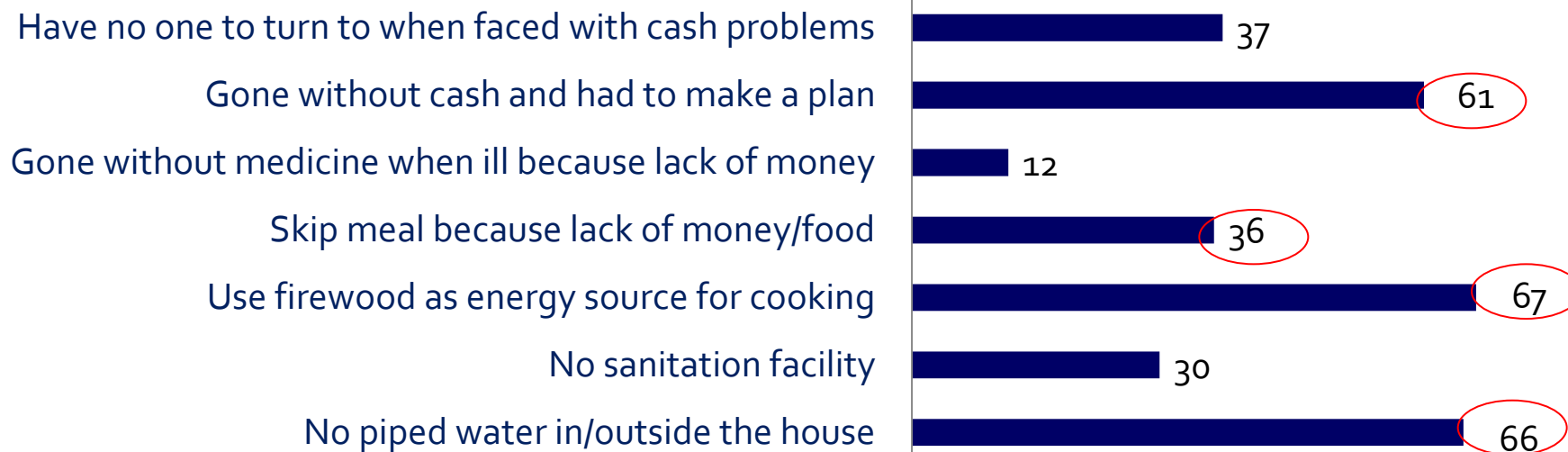
Age distribution



■ 18-20
■ 21-30
■ 31-40
■ 41-50
■ 51-60
■ 61+

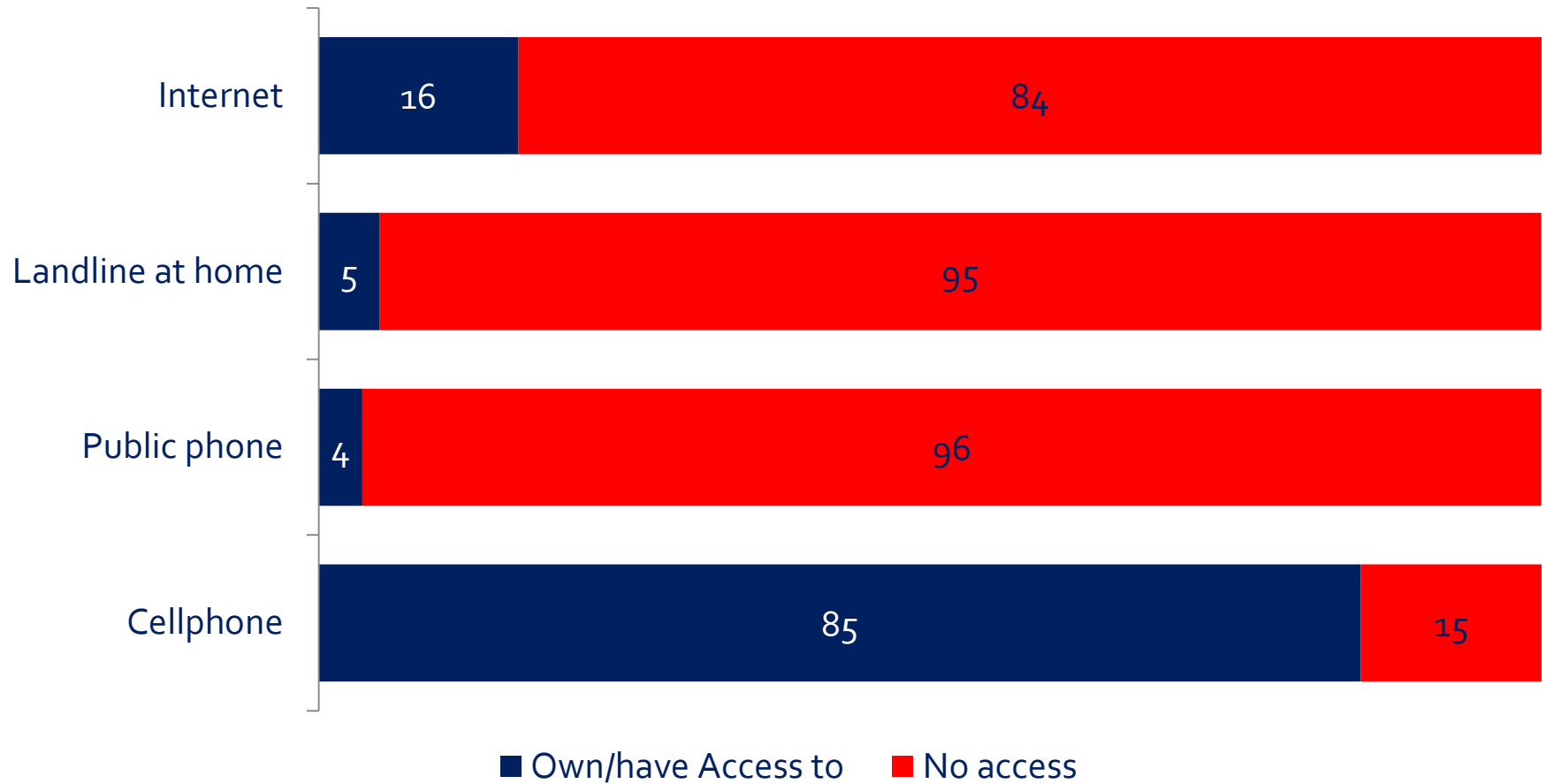
- There are more women than men living in Zimbabwe
- 65% of Zimbabweans live in rural areas
- 40% are under the age of 30 years (this is generally regarded by FinScope data as not yet economically settled)

Daily realities - contextualising the drive for greater financial inclusion

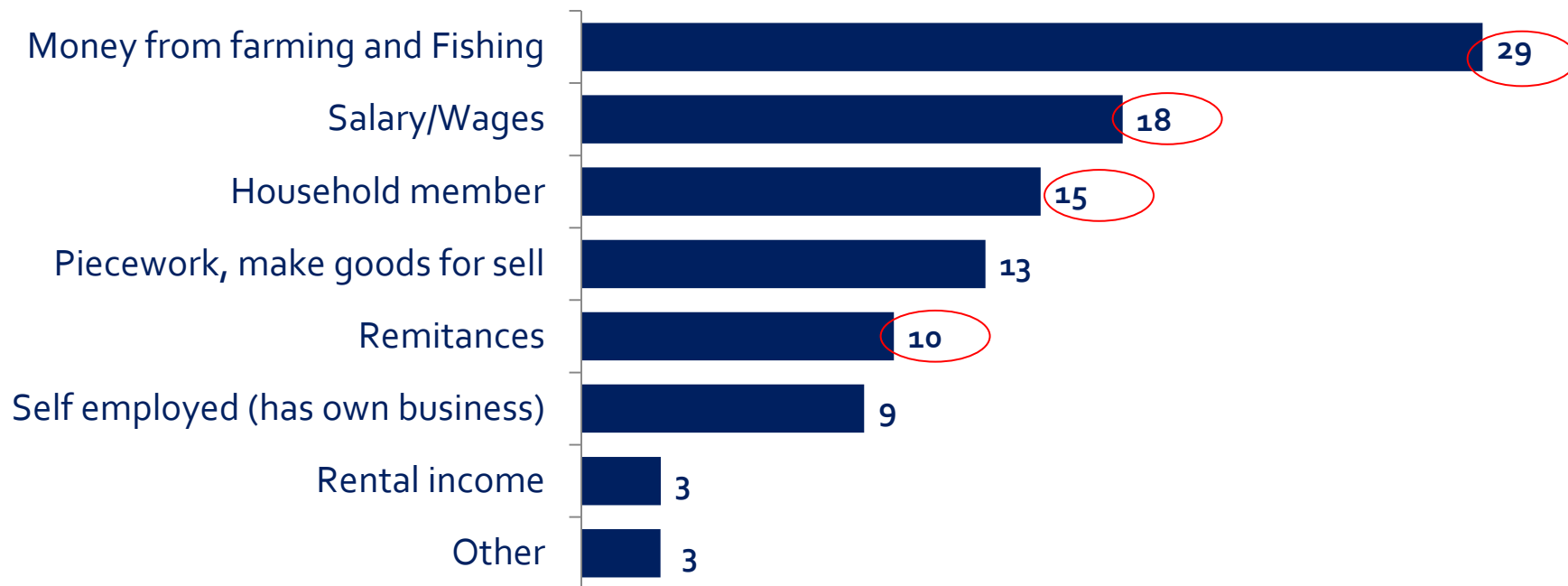


- 66% reside in households with no piped water (inside or outside the house)
- 67% reside in households that use firewood as the main source of energy for cooking
- In rural areas, adults spend most of their time fetching water and wood to meet basic needs, and are less likely to think about accessing 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

Connectivity

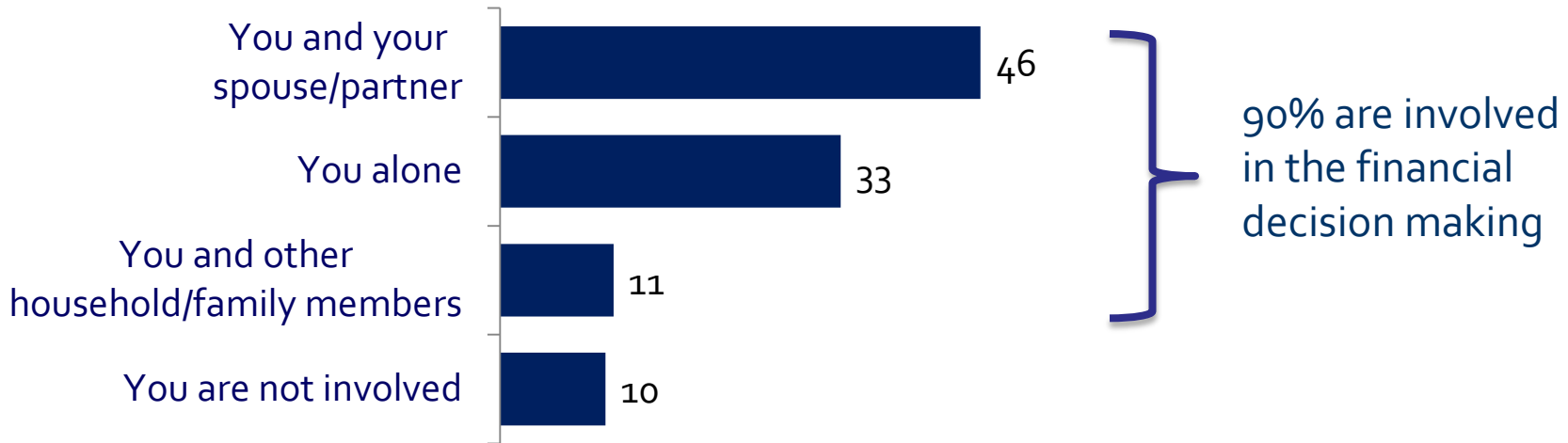


Main source of income

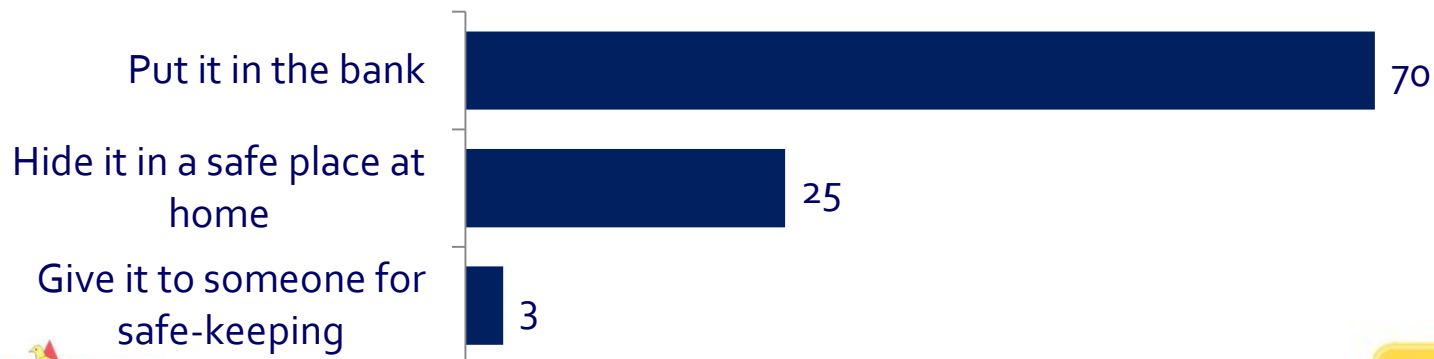


- Money from farming and fishing is a main source of income for Zimbabweans (29%), while every fourth Zimbabwean (25%) relies on money from others (household member or remittance), and only 18% receive a regular salary/wage
- 80% of the adult population earn less than USD 200 per month (including 17% who do not have an income at all)

Financial decision making and safe keeping



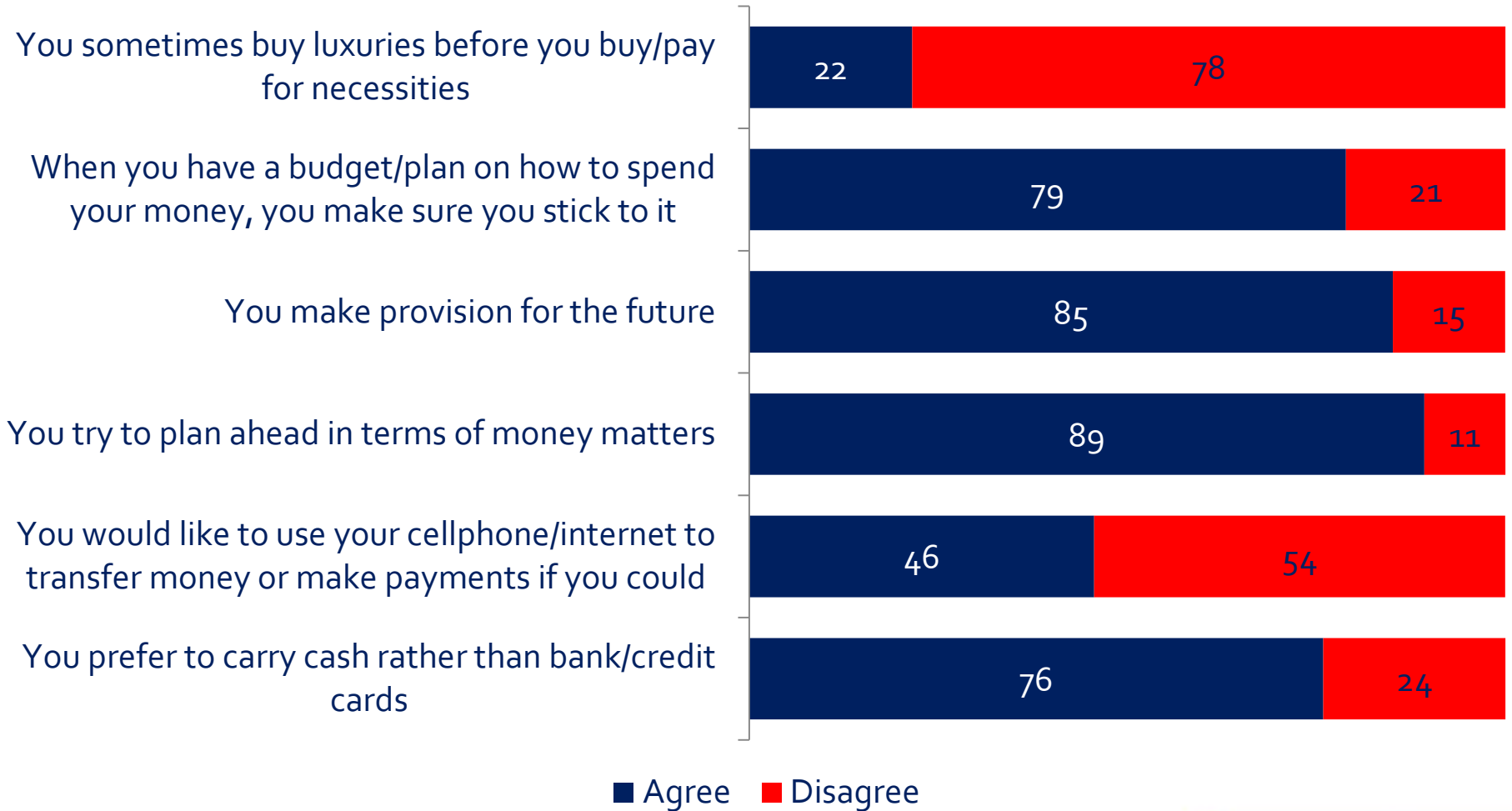
If you were to receive a large sum of money, where would you keep it until you have decided what to do with it?



Perceptions about finances



Perceptions about finances (cont.)



Financial inclusion



Analytical framework of the study

Total adult population = Minimum age defined by the age at which individuals can enter into a legal financial transaction in their own capacity

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

Financially excluded = Adults who do not have/use any financial products and/or services – if borrowing, they rely only on friend/family; and if saving, they save at home

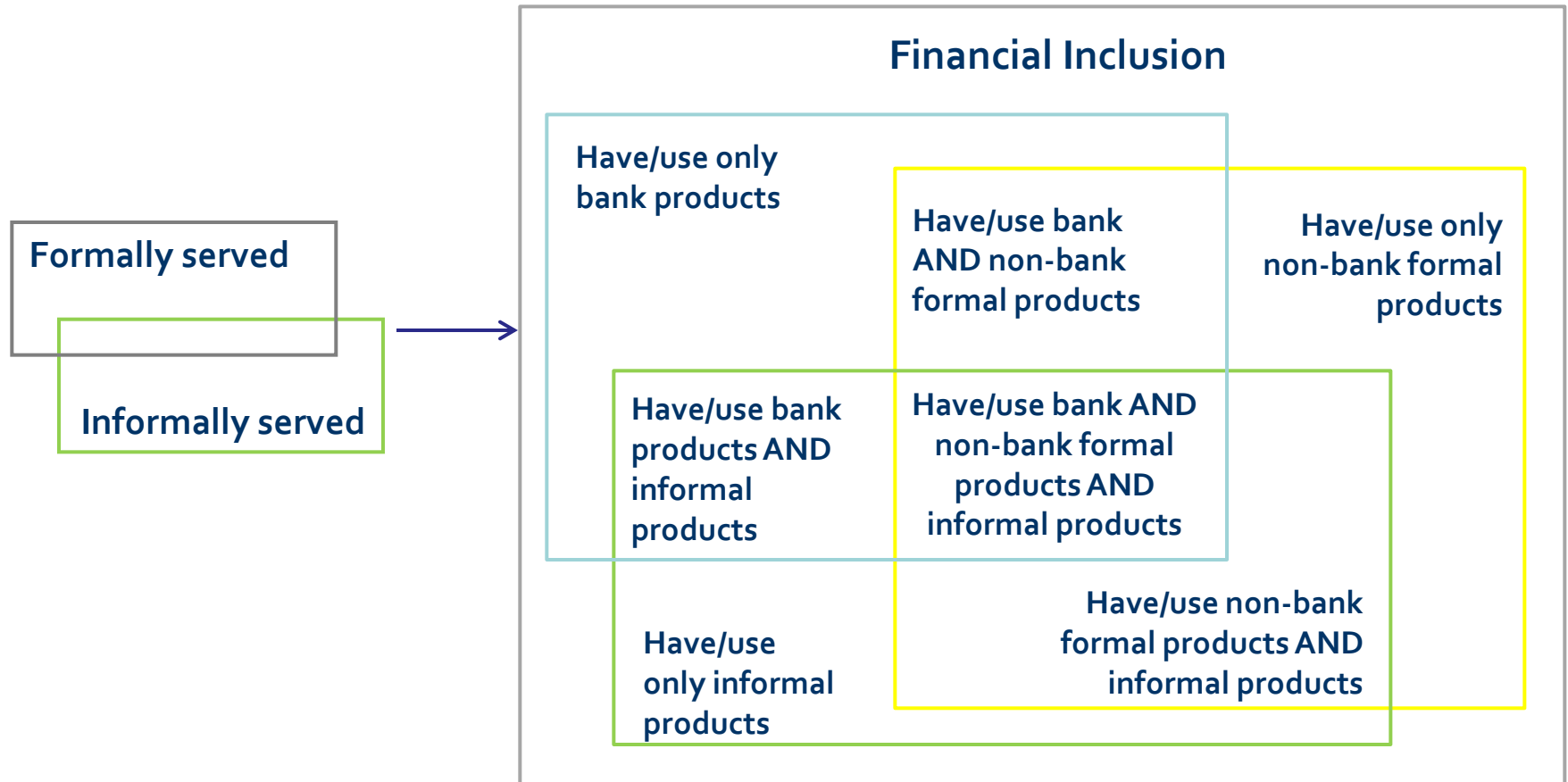
Formally served
= Adults who have/use financial products and/or services provided by a financial institution (bank and/or non-bank)

Informally served
= Adults who have/use financial products and/or services which are not regulated, e.g. cooperatives, farmer associations, saving clubs/groups, private money lenders

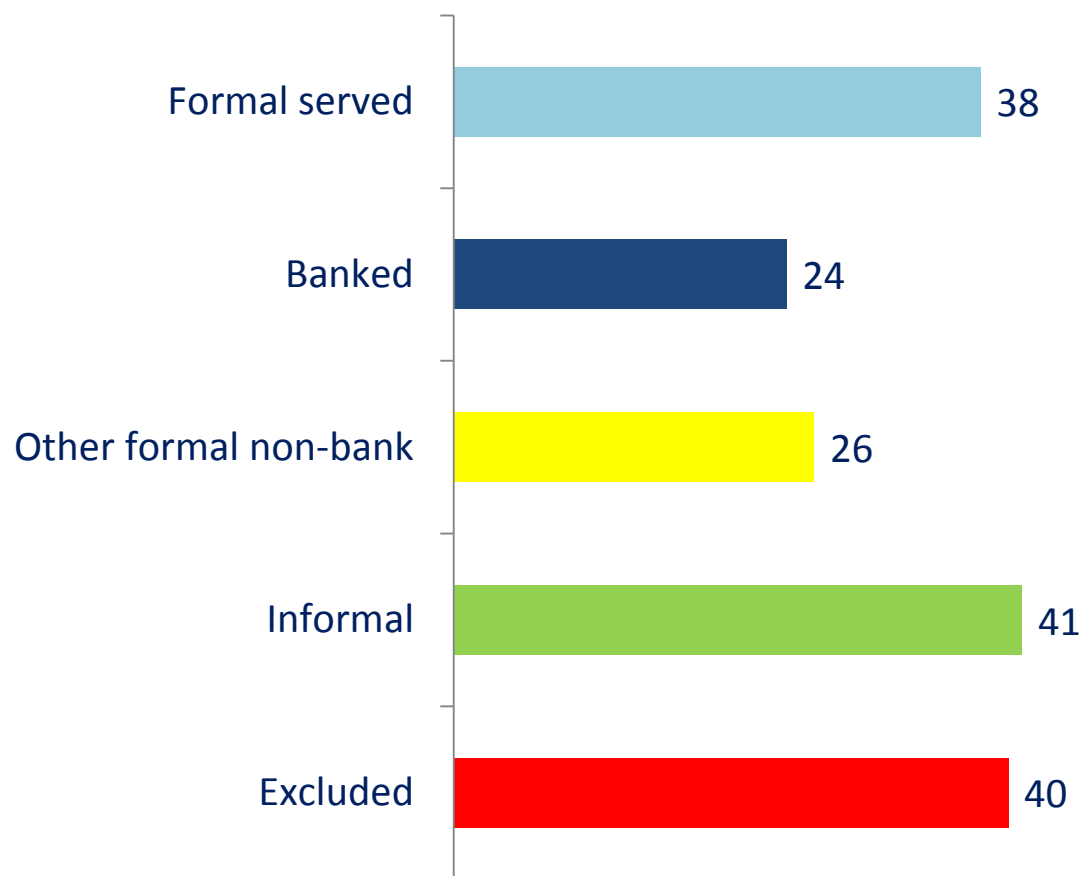
Banked
= Adults who have/use financial products and/or services provided by a commercial bank regulated by the central bank

Served by other formal financial institutions
= Adults who have/use financial products and/or services provided by regulated non-bank formal financial institutions, insurance companies, retail credit providers, remittance service providers

Defining financial inclusion

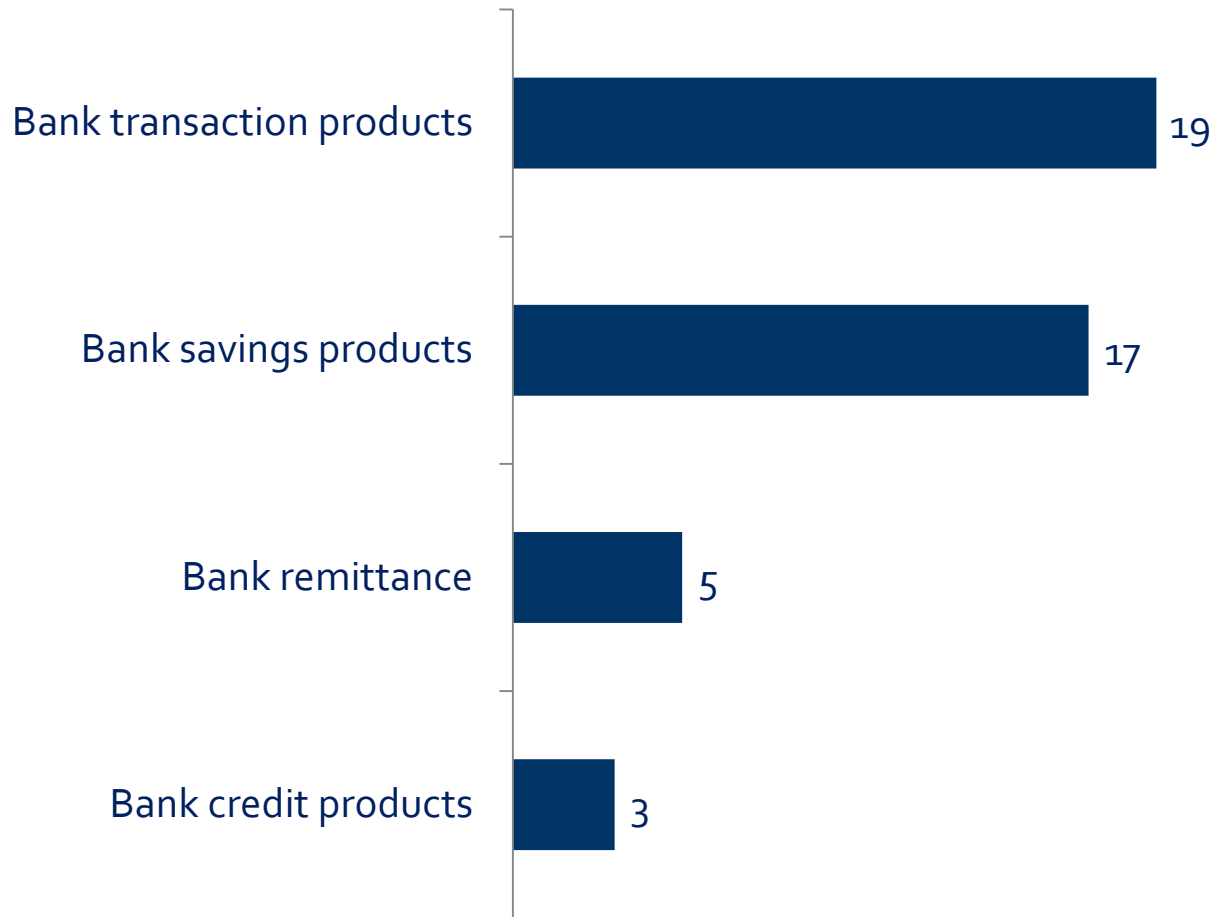


Financial inclusion overview



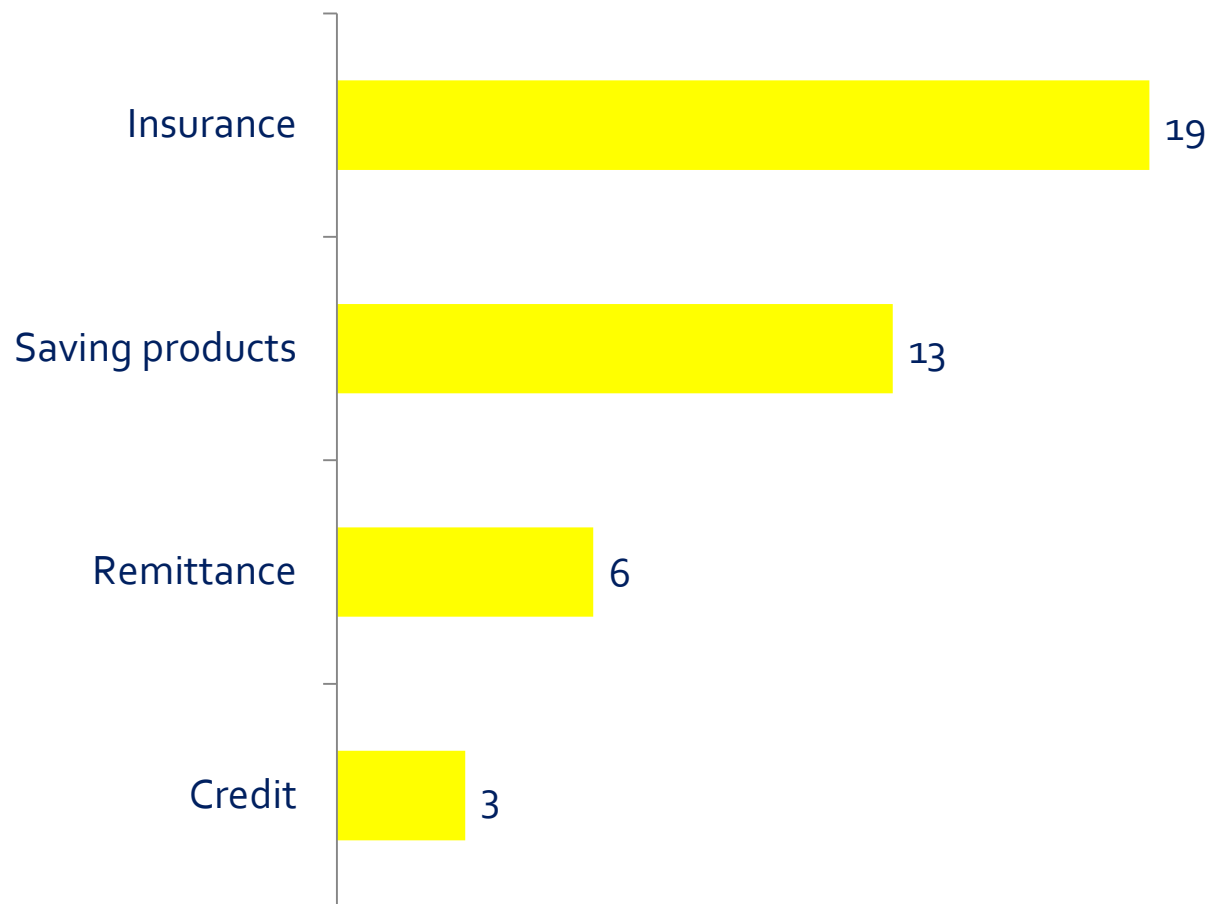
- 38% (2 316 877) of adults are formally served, including both banked and other formal bank products/services
- 24% of adults are banked
- 26% of adults have/use other formal bank products/services
- 41% of adults have/use informal mechanisms for managing their finances
- 40% of adults are financially excluded

What drives banking?



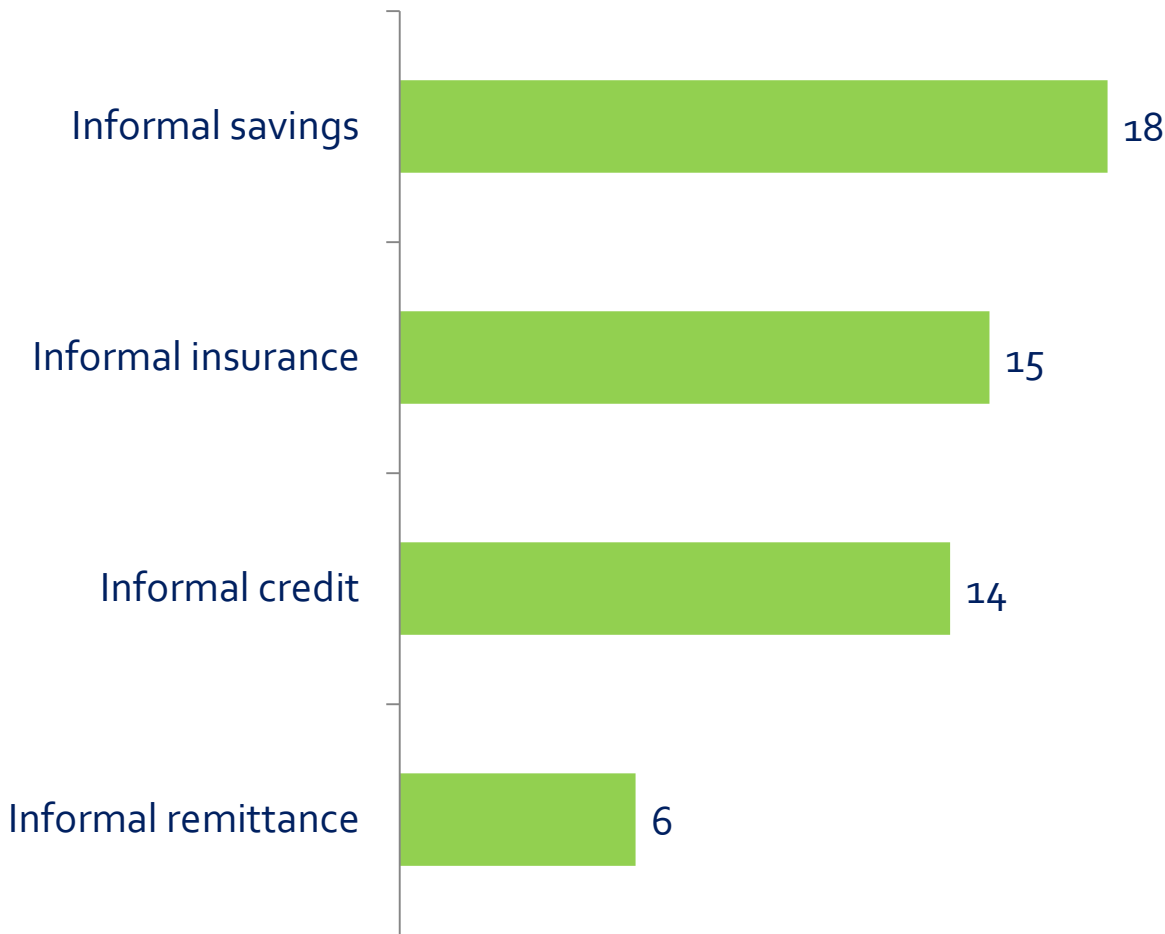
- Banking in Zimbabwe is mainly driven by transactional and saving products
- 19% of banked adults have/use transactional products
- 17% have/use savings products
- 5% have/use banking products for remittance purposes
- Only 3% use banking credit products

What drives the use of other formal products?



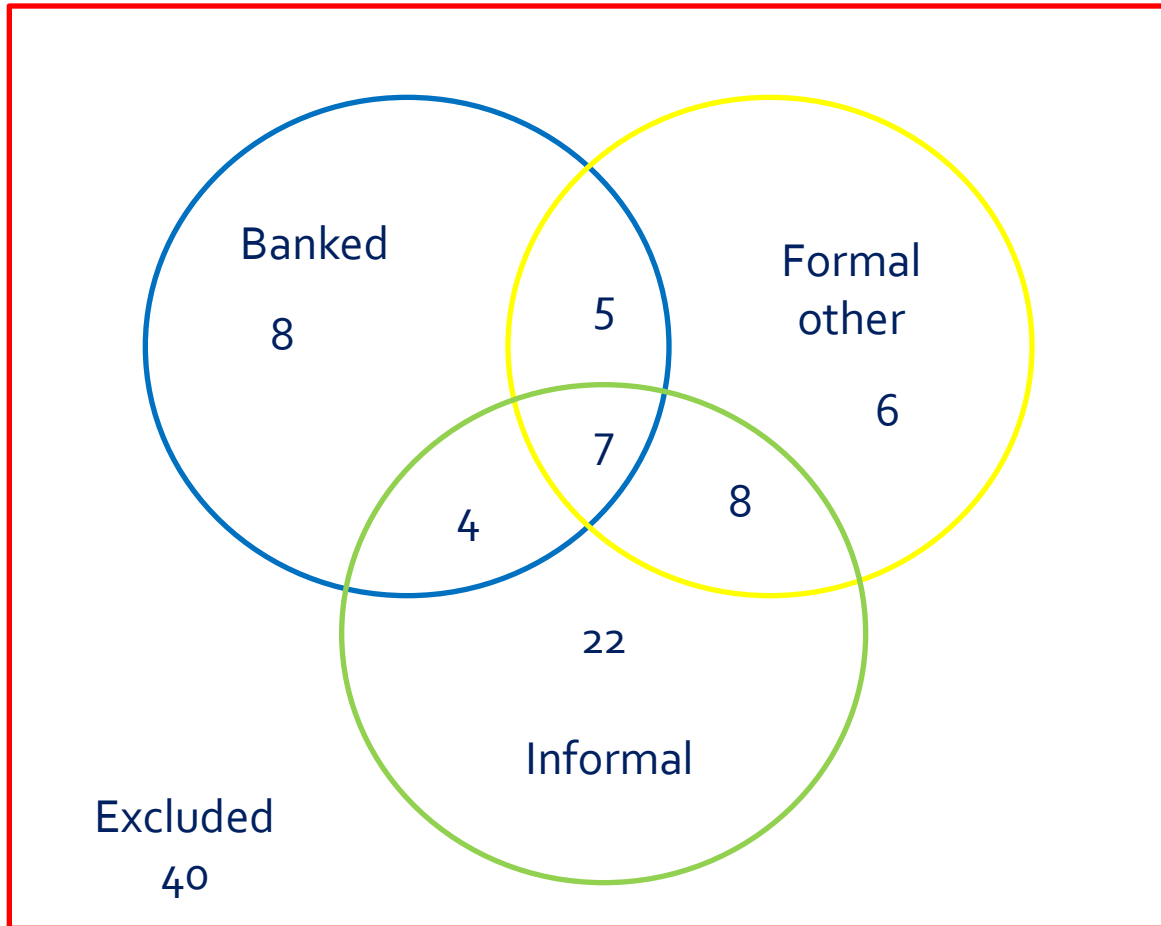
- Mainly driven by insurance and saving products
- 19% of adults who use non-banking formal products have/use insurance products
- 13% have/use savings products
- 6% use non-banking formal products for remittance purposes
- Only 3% use non-banking formal credit products

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 saving groups
- 15% use informal mechanisms for insurance purposes
- 14% use informal mechanisms to borrow money (credit)
- 6% use informal remittance mechanisms

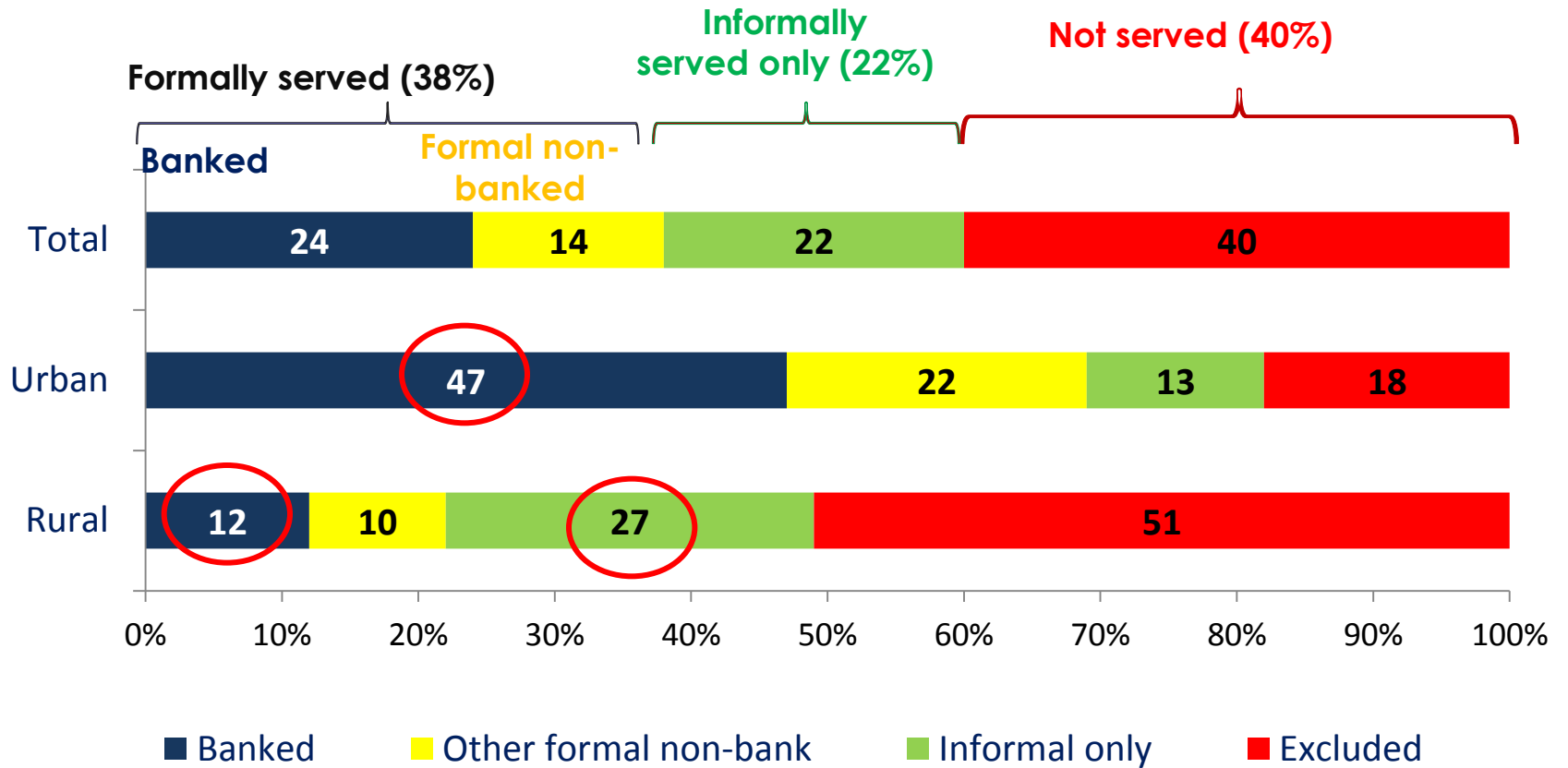
Financial inclusion - overlaps



- 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 alone does not meet people’s needs

Access Strand

In constructing the Access Strand, the overlaps in financial product/service usage are removed, resulting in the following segments:



Barriers to banking

Accessibility (proximity)

- 49% of Zimbabweans in urban areas have a bank close by (within 30 min. reach)
- Only 5% of Zimbabweans in rural areas have access to a bank (within 30 min. reach)

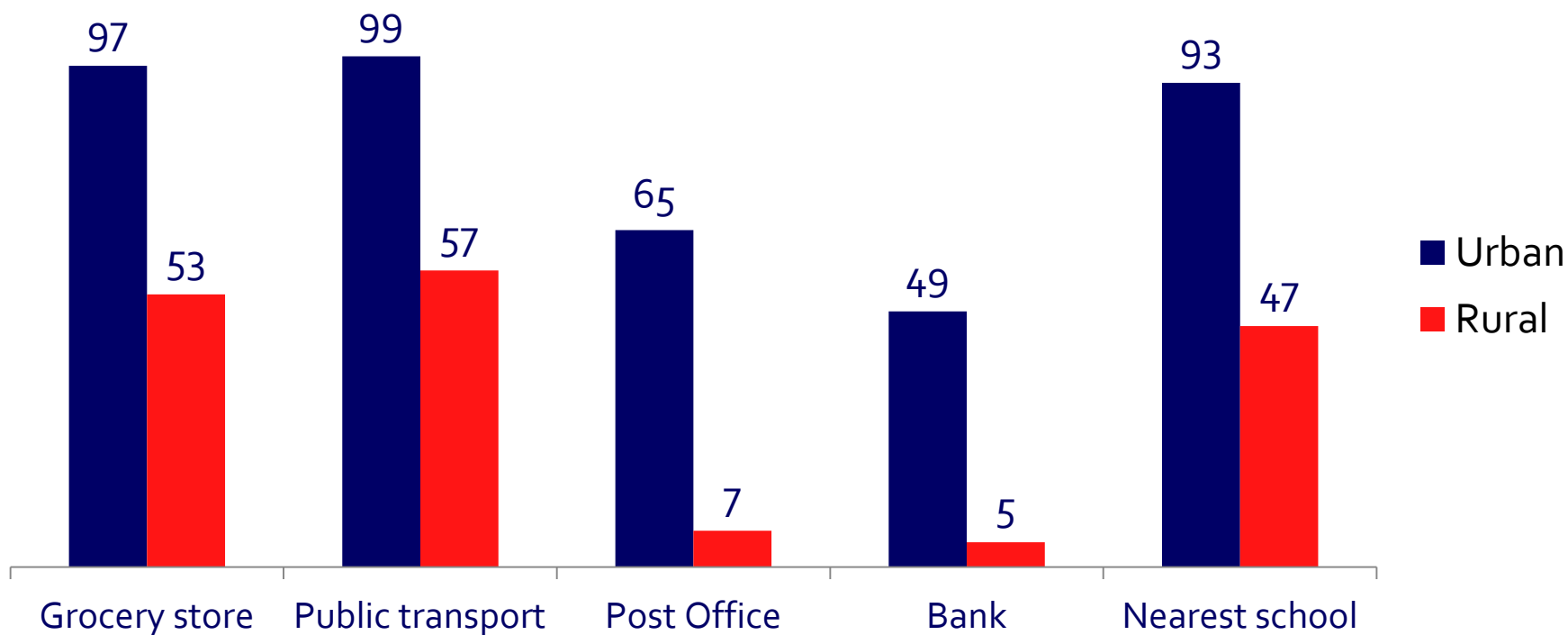
Affordability and appropriateness

- Formal institutions are likely to target individuals with a regular salary/wage BUT only 18% of Zimbabweans receive a regular salary/wage; only 13% of Zimbabweans in rural areas receive a regular salary/wage
- Lack of documentation (91% have National Registration Card, but 77% do not have proof of residence, such as electricity/water bill, pay-slip from employer, etc.)
- Lack of money

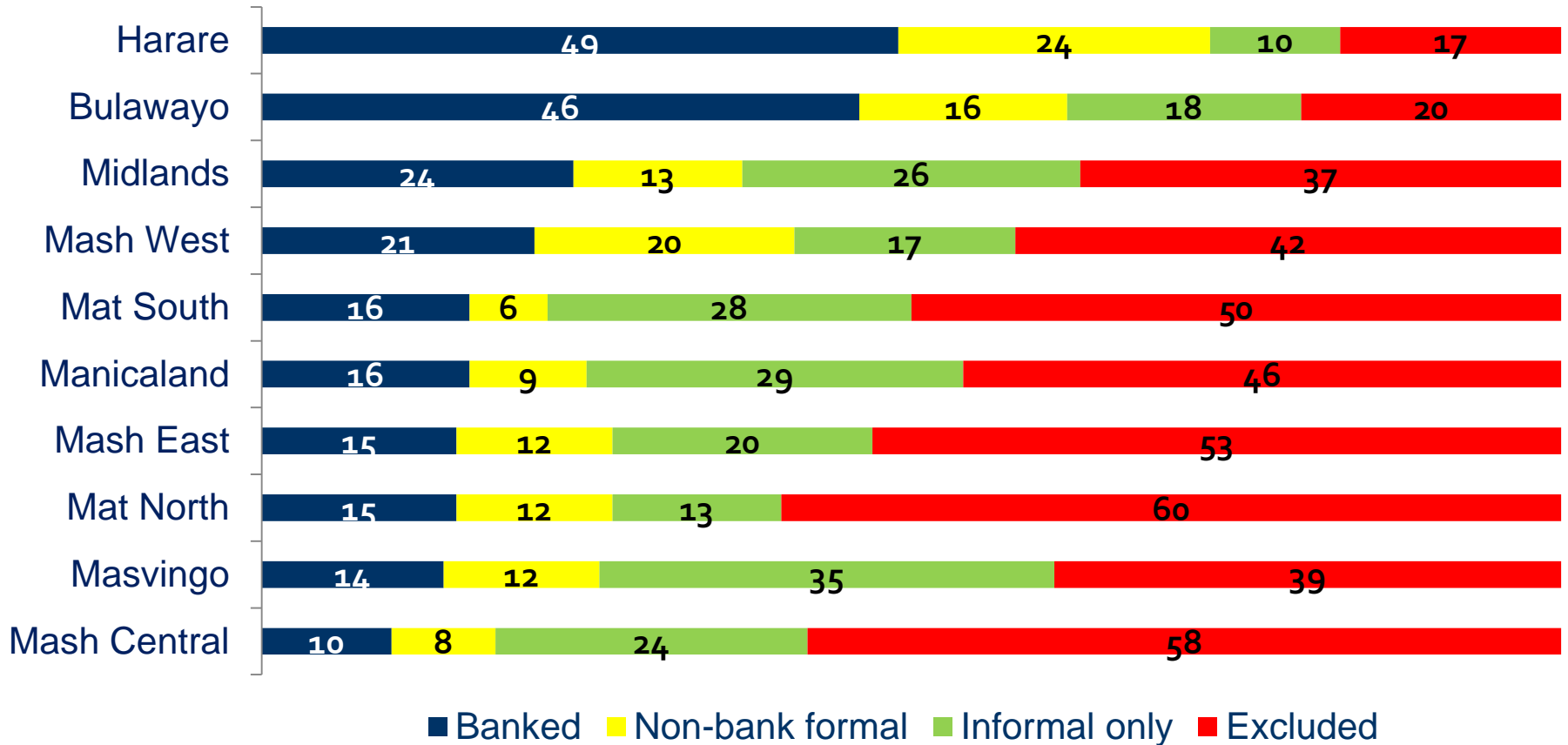


Accessibility to facilities

Percentage of population within 30 minutes reach of a facility

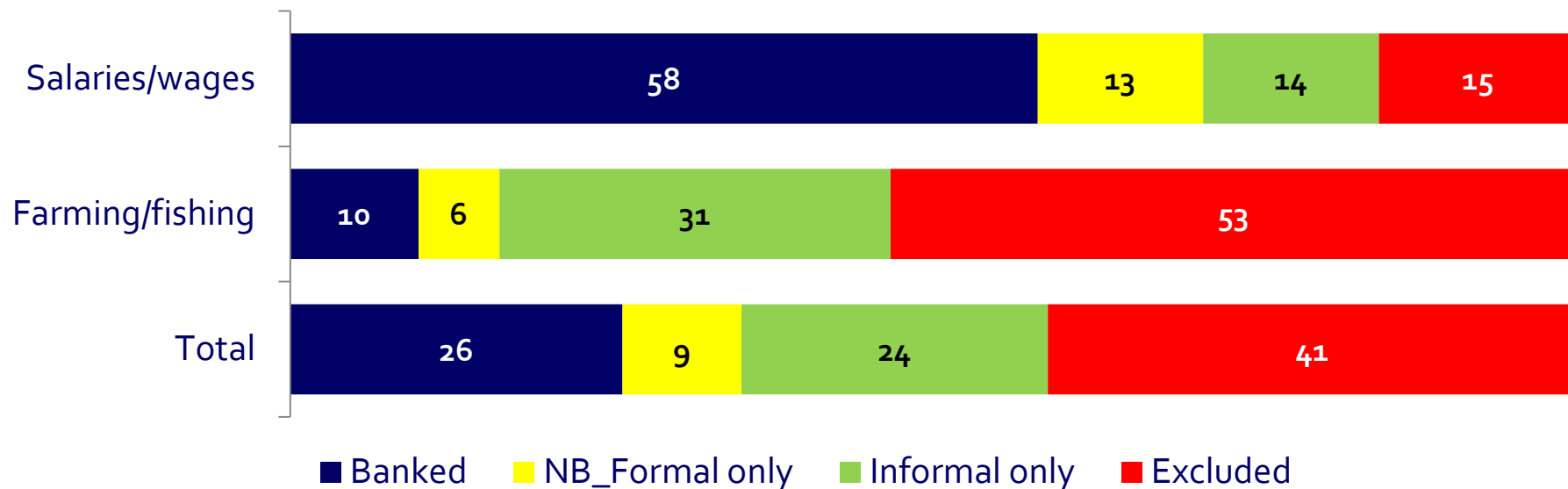


Comparing access across provinces



Highest level of inclusion in Harare and Bulawayo, Zimbabwe's main urban centers

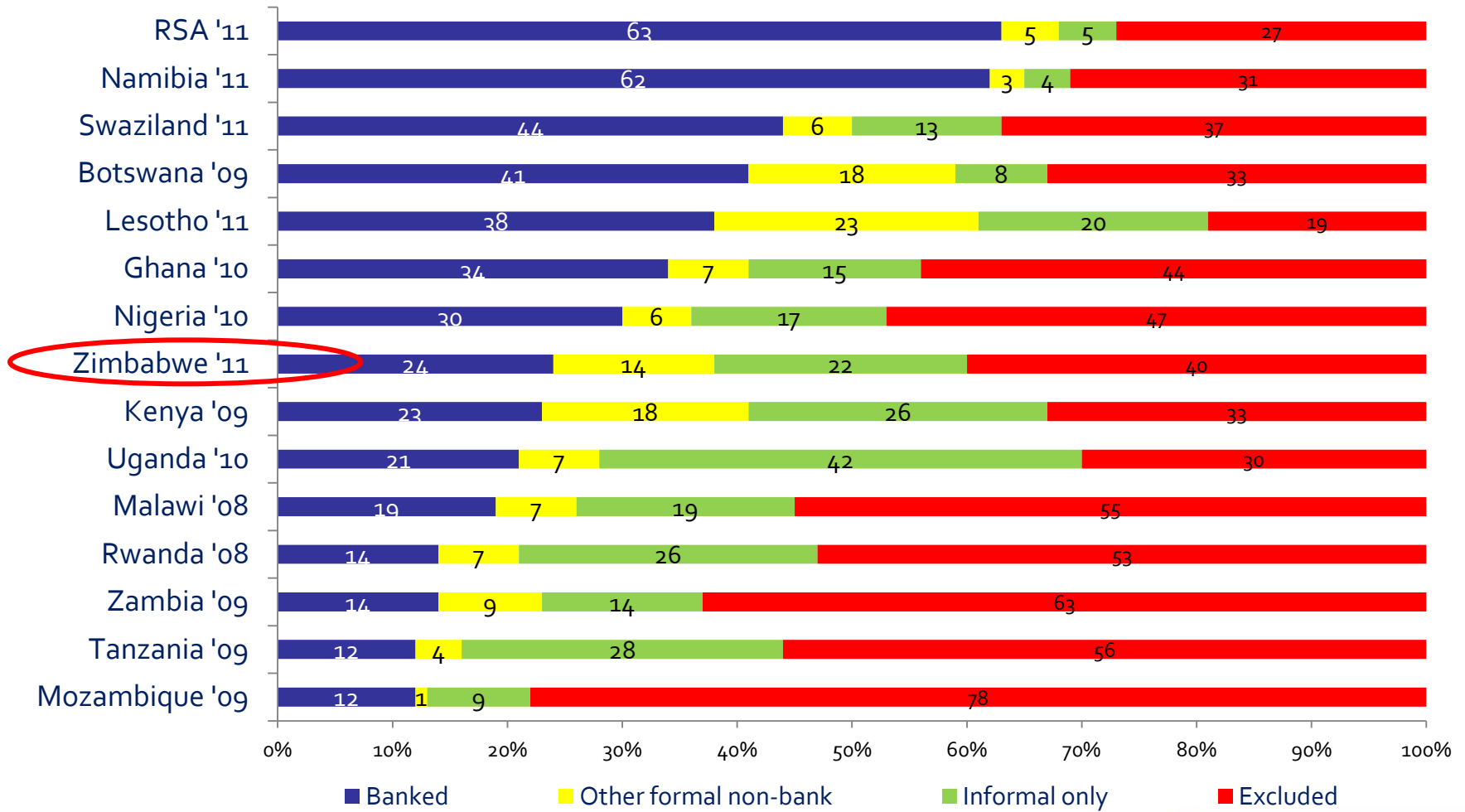
Comparing access by main income generating activity



- 71% of people receiving regular salaries/wages are formally included, compared to only 16% of people who rely on farming/fishing as main source of income
- Farming/fishing is more prevalent in rural areas
- Money from farming and fishing is a main source of income for Zimbabweans (29%), while only 18% receive a regular salary/wage

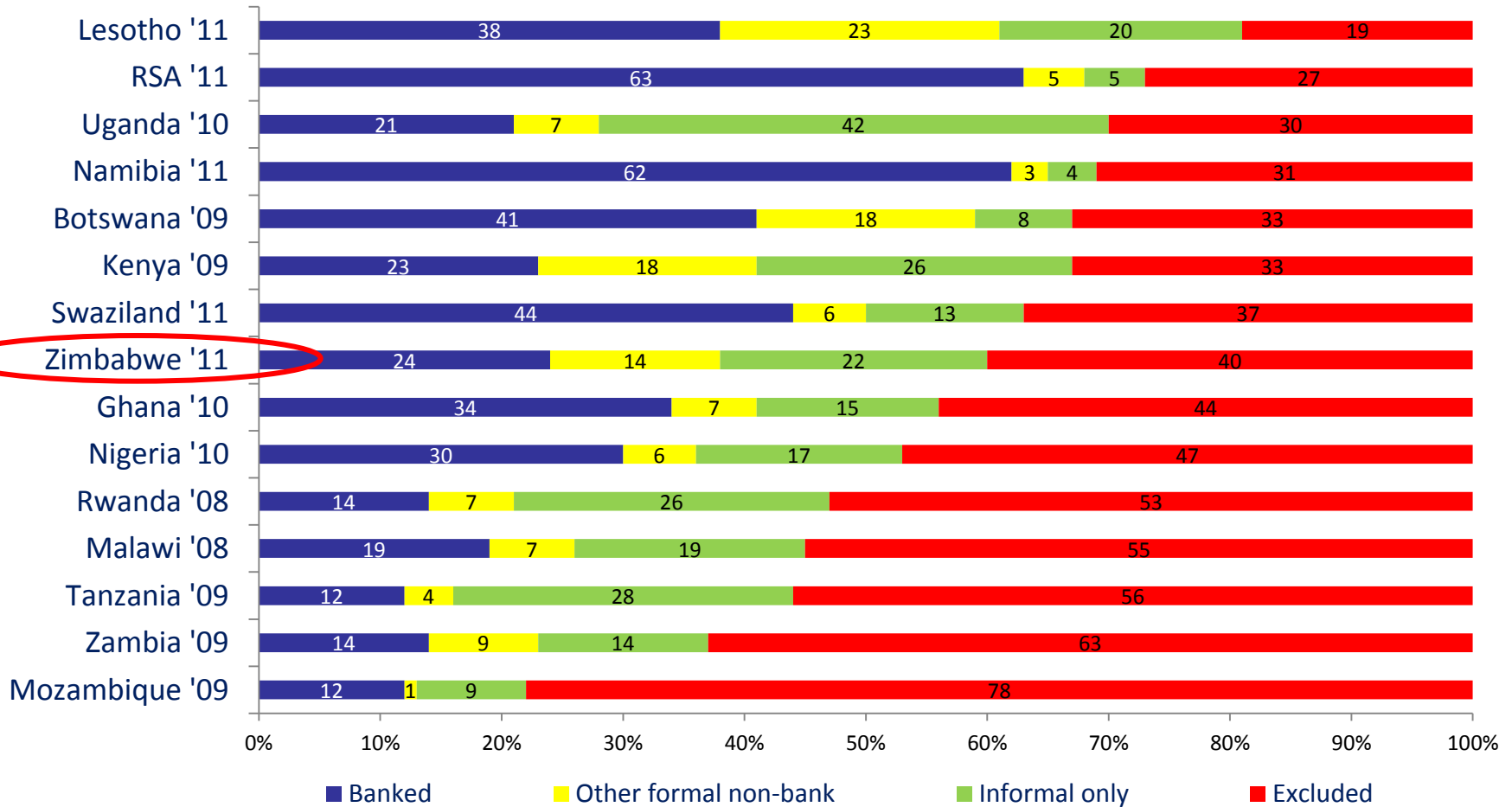
Comparing access across countries

Ranked by 'banked'



Comparing access across countries

Ranked by 'excluded'



Savings



Savings Strand

The **Savings Strand** focuses on the usage of savings and investment products, resulting in the following segments:



■ Banking products

■ Saving Formal other (non-bank products)

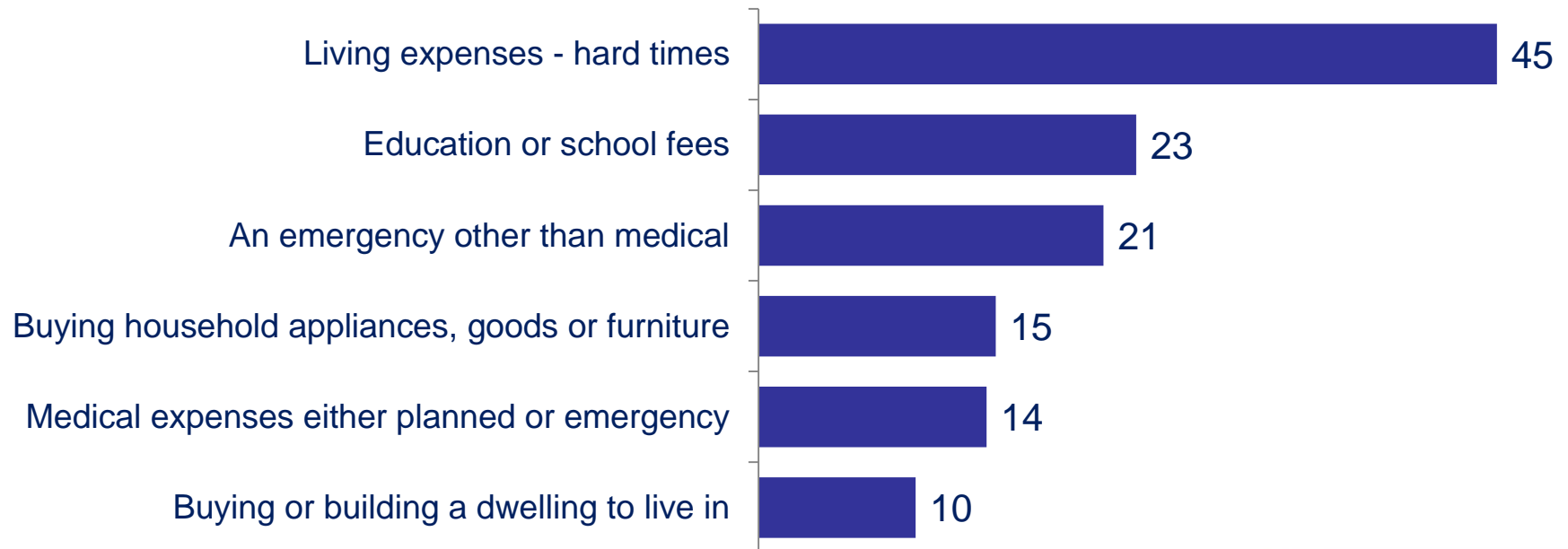
■ Saving Informal only

■ Saving at home

■ Saving Excluded

Drivers of savings

- 31% of Zimbabweans do not put money aside
- Those who save 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

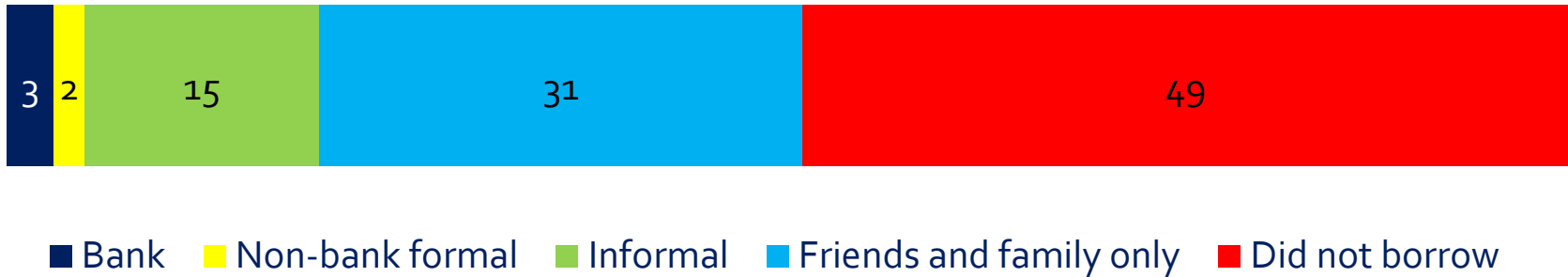


Borrowing



Credit Strand

The informally served (i.e. adults who have/use financial products and/or services which are not regulated, e.g. cooperatives, farmer associations, saving clubs/groups, private money lenders) are the main users of credit products.



Drivers of borrowing

- Every second Zimbabwean borrowed money in the last 12 months
- Those who borrow mainly do so from family/friends (82%) and informal sources (32%)
- People mainly borrow to cover living expenses such as food, transport and rental
- Borrowing for other expenses includes medical, emergencies, farming equipment or education



Risk and insurance



The **Insurance Strand** focuses on insurance products and services, resulting in the following segments:



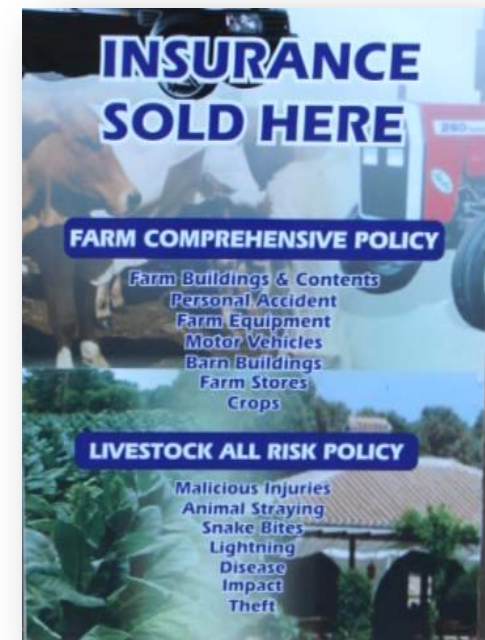
Main risks and coping strategies

Main risks that impacted on income levels

- Rise in living costs – which 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

Coping strategies

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



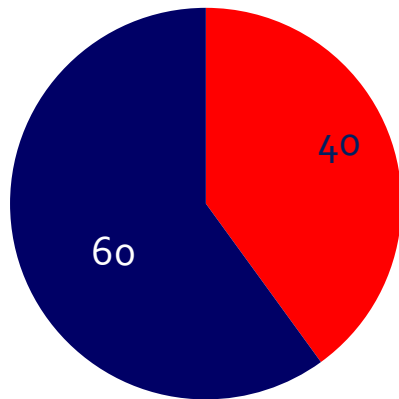
Remittance



Remittance

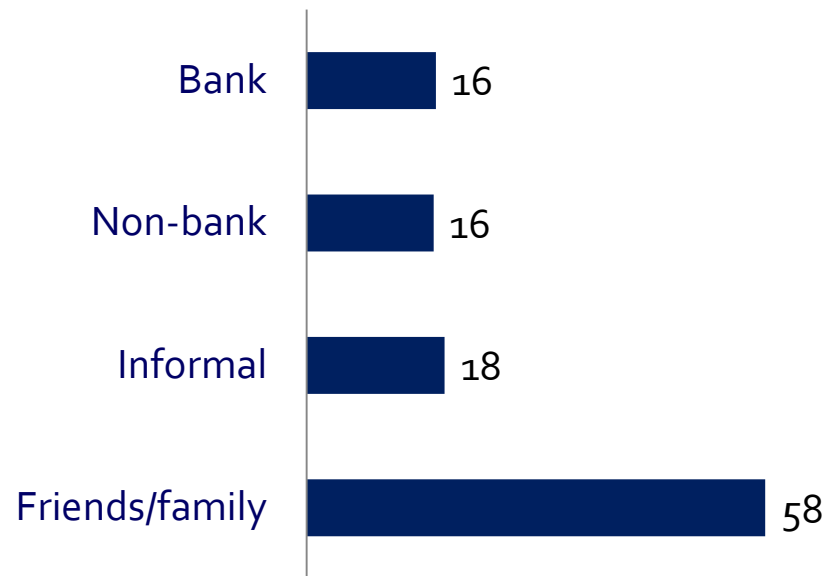
- 40% of Zimbabweans send or receive money
- 17% received money from within Zimbabwe, 14.% received money from outside of the country
- People mainly receive money (from inside and outside Zimbabwe)

Remittance



- 40% Remittance: send/receive money
- 60% Did not send/receive money

Remittance mechanisms



Landscape of Access



Landscape of Access

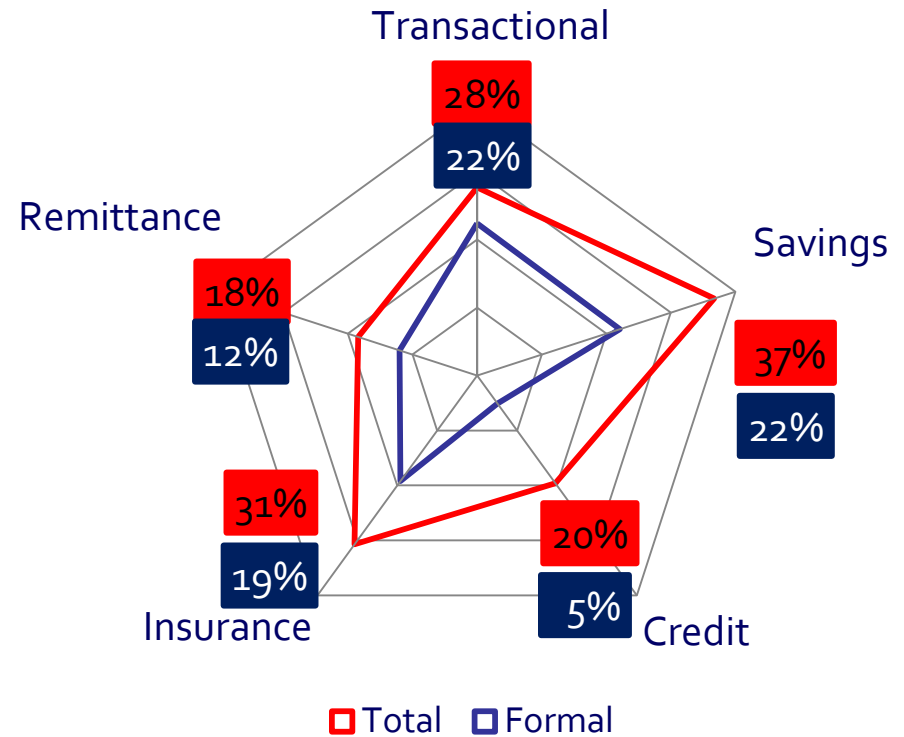
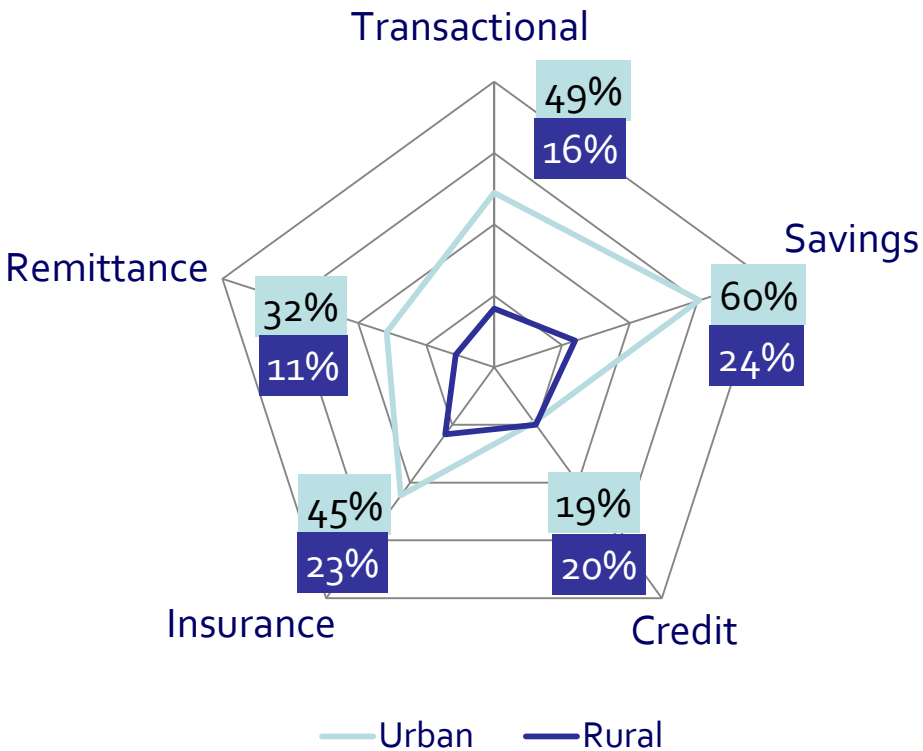


The FinScope approach uses the **Landscape of Access** to illustrate the degree to which adults (aged 18 years and older) have/use financial products and services.

The diagram depicts, on its five axes, the percentage of adults that have or use:

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

Landscape of Access



What drives the Landscape of Access

37%

Savings

- Landscape of Access is largely driven by savings products, particularly in urban areas
- However, 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

28%

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

31%

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 (State pension 33%, private pension from employer 14%)
- 26% have/use medical aid

What drives the Landscape of Access (cont.)



20%

Credit

- In general, adults in urban areas are more likely to use financial services and products. BUT, the use of credit products is more common in rural areas – which possibly also relates to the large proportion of people using informal product/services to borrow money (15% only rely on informal products)
- 31% of adults borrow from friends and family

18%

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
- Usage of products/services for remittance purposes is more prevalent in urban areas

Conclusion



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

Key take-outs (cont.)

- Zimbabwe remains a cash based economy. However, lack of cash (liquidity) seems to be a significant barrier to financial inclusion
- Rising living costs due to economic uncertainty 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...	Reason for saving	Reason 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

Key take-outs

- Low levels of personal monthly income
- Income received is often not on a regular basis (importance of farming and fishing, piecework)
- A large proportion of adults receive money from others
- Rising living costs have impacted ability to make ends meet – main reason for borrowing and saving
- Vital role of the informal sector, especially in rural areas
- Those who save are most likely to save at home



Opportunities

- Appropriately priced, easy to use products/services
- Formal financial services within easy reach of the population
- Flexible solutions that allow for irregular payments
- Leverage off the informal sector without creating usage barriers for those who depend on these mechanisms
- Rebuild confidence in the financial sector

Opportunity: Branchless banking

Perceptions about cell phone/internet banking

- 46% of Zimbabweans said they would like to use their cell phone/internet to transfer money or make payments

Connectivity

- 85% own/have access to a cell phone
- 16% have access to the internet



Improving access

- Example: Econet's Eco-Cash mobile money
 - Zimbabwe's mobile operating company, Econet Wireless has launched a mobile money transfer service, Eco-Cash end of 2011
 - This service allows users to send and receive money, buy airtime, and make other payments using mobile phones
- Point of sale devices
- Agency banking

Thank you