

FinScope Consumer Survey Swaziland 2011



FINSCOPE



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Acknowledgements

Special thanks go to the donors of this study including FinMark Trust and UKaid (DFID). Any conclusions or recommendations stated here are those of the authors and do not necessarily reflect official positions of funders.

Acknowledgements also go to the Steering Committee which comprised representatives from FinMark Trust, the Central Statistics Office Swaziland and the Enterprise Development Programme (RFEDP) committee led by the Micro Finance Unit (MFU).

These stakeholders formed an integral part in the survey questionnaire design and offered valuable insight into the financial sector in Swaziland.



Acronyms

ATM	Automatic Teller Machine
CBS	Central Bank of Swaziland
CEO	Chief Executive Officer
CSO	Central Statistical Office Swaziland
CI	Commercial Institutions
DFID	Department for International Development (DFID)
EA	Enumeration Area
FNB	First National Bank
FSRA	Financial Services and Regulatory Authority
GDP	Gross Domestic Product
GoS	Government of Swaziland
Hon	Honourable
LDR	Loans to Deposit Ratio
MEPD	Ministry of Economic Planning and Development
MFI	Micro Finance Institution
MFU	Micro Finance Unit
MoF	Ministry of Finance
NGO	Non Government Organisation
PPS	Probability Proportion of Size
RFEDP	Rural Finance and Enterprise Development Programme
ROSCAs	Rotating Savings and Credit Associations
SACCO(s)	Savings and Credit Cooperatives
SMS	Short Text Message
SPSS	Statistical Package for Social Scientists

Glossary

Term	Definition
Adult population	Total adult population includes all Swaziland resident adults – minimum age defined by the age at which individuals can enter into a legal financial transaction in their own capacity (18 years and older).
Access	In this study the term financial usage was used as a proxy to determine access to financial services.
Banked	Adults who have or use financial products and/or services, provided by a commercial bank, which is regulated by the Central Bank of Swaziland.
Borrowing and credit	Taking money in cash from a financial institution, group or from any person to be paid back later or taking goods or services on credit to pay back in cash in the future.
Burial society/ Masingwabisane	An informal group that insures each other against funeral costs.
FinMark Trust	An independent trust based in Johannesburg, South Africa established in 2002 and is funded primarily by UKaid from the Department for International Development (DFID) through its Southern Africa office. FinMark Trust's purpose is "Making financial markets work for the poor", by promoting financial inclusion and regional financial integration.
Financially excluded	Also referred to as the unserved, refers to those adults who do not have or use any financial products and/or services from formal institutions or any informal products or mechanisms to manage their financial lives – if they borrow, they rely only on friends and family; if they save, they save at home or with friends/relatives and if they transfer money, they use individuals to take the money to the person they are sending money to.
Financially included	Adults who have or use any financial product and/or service from a formal institution or any informal product or mechanism for transacting, saving, borrowing, remittance or protecting them against risks. This group falls into the formally and informally served category.
Formal non-bank	Adults served by formal financial institutions i.e. who have or use financial products and/or services provided by regulated non-bank formal financial institutions (e.g. regulated micro-finance institutions, Building Society, insurance companies, retail credit providers, remittance service providers).
Formally served	Adults who have or use financial products and/or services provided by a regulated financial institution which includes a bank, registered insurance company, micro-finance institution and a non-banking financial institution like a foreign exchange bureau, money transfer service similar to Western Union, Money Gram and mobile money services.
Informally served	Adults who have or use financial products and/or services which are not regulated, e.g. burial societies (masingwabisane), savings clubs/ groups (Tinhlangano), private moneylenders (shylock), cooperatives, and farmers' associations.
Informally served only	Adults who only use informal financial products and services.
Lobola	A traditional Swazi custom whereby the man pays the family of his fiancée for her hand in marriage. The culture is aimed at bringing the two families together, fostering mutual respect and indicating that the man is capable of supporting his wife financially and emotionally. Traditionally lobola payment is made in cattle, as cattle were the primary source of wealth in African society.
Savings	Savings was defined as putting money aside to use in the future irrespective of where one actually saves the money to accumulate wealth, while investment was defined as putting money aside or into an activity or a financial institution so that it yields returns.

Executive summary

The Government of Swaziland recognises the significant role of the financial services sector in contributing to the overall economic growth of the country. In light of this, one of the main objectives of the government is to improve the reach and depth of financial services delivery in Swaziland. A key constraint in pursuit of this objective has been the lack of comprehensive information about the levels of financial inclusion, as well as the factors inhibiting usage of financial services. Against this background, the Micro Finance Unit (MFU) / Ministry of Finance and FinMark Trust initiated the implementation of the FinScope Consumer Survey in Swaziland in 2011.

The FinScope survey is a research tool which was developed by FinMark Trust. It is a nationally representative survey of how individuals source their income, and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services. To date, FinScope surveys have been conducted or initiated in 16 countries.

Commissioned by MFU, the FinScope Swaziland 2011 survey was conducted by the Central Statistical Office of Swaziland (CSO), with funding and technical assistance from FinMark Trust (UKaid). The objectives of this survey were:

- To measure levels of financial inclusion (i.e. the proportion of the population using financial products and services – formal and informal);
- To describe the landscape of access (the types 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.

A total of 3632 face-to-face interviews were conducted with Swazi adults aged 18 years and older between January and March 2011. The CSO developed the sample frame, weighted and validated the survey data.

Understanding people's lives

The population of Swaziland is relatively young, with a skew towards women (63%). There are stark differences characterizing the population residing in rural and urban areas in Swaziland. This is particularly significant as the large majority of people reside in rural areas (63%). These differences include a range of factors such as access to basic services and infrastructure, sources and levels of income, as well as levels of education (e.g. 16% of rural adults have no formal education compared to only 5% of urban adults), and the overall level of financial inclusion. The main source of income for Swazi households is salaries/wages (28%). 28% are dependent on other family members either through the households or by remittances (19.5%). This is starker in rural areas where only 20% of income is from salaries and wages and the large majority are dependent on other family members, either in their household or through remittances.

Access challenges to basic infrastructure remain – only 41% have piped water in their households, 10% of adults do not have any access to proper sanitation facilities, and the main source of energy for cooking is wood. Subsistence farming, particularly maize and chicken farming form a significant portion of daily activities, for both urban and rural areas, though this is more pronounced in rural areas.

Financial inclusion

A key headline finding of the study was that 43.9% of the Swazi adult population is banked, of which 4.6% are indirectly banked (i.e. they use someone else's bank account).

However, considering the rural-urban disparity, there is a high proportion of adults who are financially excluded (44.4%), meaning that they use neither formal products such as bank accounts nor informal mechanisms such as *Tinhlangano* (informal) savings schemes. Adults in Swaziland are more likely to save (62.7%) than borrow money (33% borrowed in the past 12 months) although the most common items that adults borrow or save for are very similar; for example living expenses, emergencies, and education or school fees. Informal borrowing mechanisms (e.g. taking goods in advance, *Tinhlangano* and *shylock*) play an important role in peoples' financial lives for credit purposes.



For savings, however, people prefer formal institutions (38.6%). Nevertheless, informal savings mechanisms play a key role among the rural population. Commercial banks are mainly used for transactions and deposits, where adults are either storing their money away from the temptation of spending, and from others, or for remittance purposes (mainly receiving from others).

More than half of the Swazi adult population is dependent on others for their income or livelihoods (this includes 29% whose source of income is from members of the household, 19% through remittances and 11% from State pension). These individuals need mechanisms to transfer their money. In the past 12 months, 35.8% of adult Swazis remitted. Mostly small amounts are transferred using both formal and informal mechanisms. A total of E93 million was sent (last transaction made prior to the interview) by 21% of the population that remitted in the past 12 months.

Risks resulting in the loss of income experienced by the Swazi adult population mainly refer to illness and/or death of a family/household member (including the main income earner). The financial consequences of unplanned events such as death or paying of school fees were dealt with through savings and borrowings.

FinScope Swaziland 2011 contains a wealth of data, based upon a valid sample of the adult population of Swaziland. One of the key objectives of FinScope is to provide information to stakeholders to develop policies and products that address relatively neglected target groups. The database is freely available in Statistical Package for Social Scientists (SPSS) from the Micro Finance Unit (MFU), Central Statistical Office (CSO) and FinMark Trust, South Africa.



I Introduction

The Government of Swaziland recognises the significant role of the financial services sector in contributing to the overall economic growth of the country. In addition to the conventional commercial banking institutions, the Micro Finance Institutions (MFIs) and other informal mechanisms play a significant role in extending financial services through savings and loans to the rural un-banked population.

The continued operation of micro-finance institutions are challenged by the changing macro-economic contexts which require their transformation if they are to remain viable and sustainable. The Ministry of Finance established the Micro Finance Unit (MFU) in September 2010 to facilitate the development and sustainability of the microfinance sector in the country and thus enable the sector to continue to effectively contribute to the development of rural communities. The objectives of the MFU are to facilitate the provision of efficient and effective financial services on a sustainable basis; the development of an enabling and enhanced environment for business development in rural areas; and the establishment of micro- and small-scale enterprises as well as business services in rural areas.

A key constraint in pursuit of these objectives has been the lack of comprehensive information about the levels of financial inclusion, as well as the factors inhibiting usage of financial services. Against this background, FinMark Trust in association with the Micro Finance Unit of Swaziland initiated the implementation of FinScope Swaziland 2011.

1.1 FinMark Trust

FinMark Trust, an independent trust based in Johannesburg, South Africa, was established in March 2002 and is funded primarily by UKaid from the Department for International Development (DfID) through its Southern Africa office. FinMark Trust is a not-for-profit independent trust whose purpose is 'Making financial markets work for the poor; by promoting financial inclusion and regional financial integration'. In pursuit of its purpose, FinMark Trust supports institutional and organisational development which increases access to financial services in Africa, by conducting research to identify the systemic constraints that prevent financial markets from reaching out to poor consumers, and by advocating for change on the basis of research findings.

1.2 Micro Finance Unit (MFU)

The Government of Swaziland (GoS), through the Ministry of Finance, established the Micro Finance Unit (MFU) to enhance the development of the Micro Finance sector in Swaziland and facilitate access to financial services for the rural poor unbanked population. This recognises that the scope and efficiency of the financial sector plays an important role in stimulating economic growth. Furthermore, the MFU should facilitate the creation of an enabling environment to support rural entrepreneurship and access to finance for the rural poor.

1.3 FinScope background

FinScope is a research tool developed by FinMark Trust. It is a representative study of individuals' perceptions of financial services and issues, creating insight into how people source their income and manage their personal finances. FinScope surveys further create an understanding of consumer behaviour by exploring individuals' interactions with the financial sector as a whole.

FinScope studies have been completed in 16 countries to date. Eight countries have completed repeat surveys to track the progress made in improving financial inclusion since the initial baseline survey.

The FinScope survey aims to provide a valid benchmark of the landscape of financial access, as well as monitor the impact of new policy interventions aimed at enhancing access. The survey gauges how people engage with formal and informal financial services. By providing insight into people's perceptions of financial products and services, FinScope improves the understanding of why people use or do not use the financial products and services being offered. This helps to determine how best to cater for people's needs and how to communicate and deliver services effectively. This survey allows users to uncover market niches and segments possibly not previously considered for market development.

The FinScope results can be used to ensure the improved functioning of financial markets by addressing legislative obstacles and to promote “pro-poor” innovation in the financial sector by supporting organisations which seek to develop new products. As such, FinScope aims to encourage commercial innovation which is designed to improve access to financial services and products and stimulate new product and service development for lower income consumers.

The Central Statistical Office of Swaziland, in partnership with FinMark Trust and the Ministry of Finance (through the MFU), undertook the FinScope Swaziland 2011 survey to assess the current financial market in Swaziland.

1.4 Research objectives of FinScope Swaziland 2011

The main aim of the FinScope Swaziland 2011 survey was to measure and profile levels of access to financial services by all adults in Swaziland, rich and poor; located in rural and urban areas; making this information available for use by key stakeholders.

The specific research objectives addressed in the FinScope Swaziland survey included the following:

- the usage, demand for and access to financial services;
- the financial attitudes and behaviour of all adult Swazis from various socio-economic and demographic backgrounds;
- household socio-economic and demographic characteristics;
- usage of technology;
- agricultural issues;
- remittances;
- expenditure and transaction information such as financial priorities, method of payment, financial strategies for life events e.g. births, marriage, sickness, funerals;
- sources of income including adults who run their own business, types of salaried employment and insights into farming and fishing as sources of income; and
- access to financial and other key infrastructure such as banks, markets, and airtime sources.

In total, 3 632 adults aged 18 years or older were interviewed from January 2011 to March 2011. The analysis was carried out by the CSO with additional technical input provided by FinMark Trust and the Micro Finance Unit (MFU). The results were launched at a public event in Mbabane, Swaziland on the 15th July 2011.

2 Methodology and survey design

The table below gives an overview of the methodology applied. The following sections provide more detail regarding the questionnaire, sampling approach, and analytical tools.

Table 1: Methodological overview

Methodology	Face-to-face, pen and paper interviews were conducted among adults (18 years or older) in Swaziland
Sample	N= 3 632, nationally representative individual-based sample of Swazis aged 18 years and older; sample drawn by the Central Statistical Office of Swaziland (CSO)
Questionnaire length	± 75 minutes
Fieldwork	January to March 2011
Data management	Survey data was weighted and validated by CSO, back checks, data capturing in SPSS
Implementation	The study was funded by FinMark Trust and implemented by CSO with technical assistance from FinMark Trust and MFU

2.1 Sampling

A multi-phase three stage sampling strategy was applied. The first sampling stage involved implicit stratification of Enumerator Areas (EAs) according to location and demography, i.e. urban/rural, region, and EAs. In stage two, a random selection of ten households in each sampled EA were chosen, resulting in a total of 3650 households for the survey. In stage three, the Kish Grid was used to randomly select one qualifying individual (aged 18 years or older) per household with whom to complete the interview (this individual was the ultimate sampling unit).

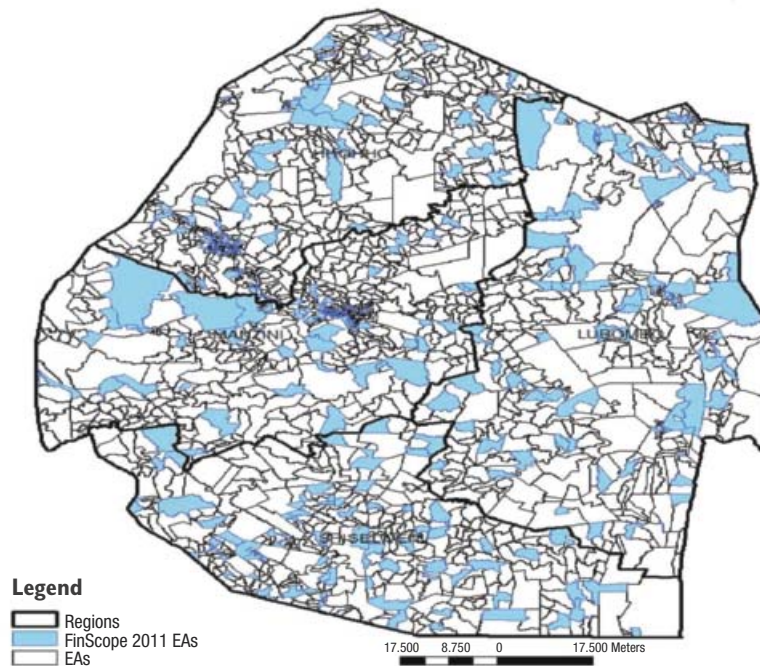
365 enumeration areas (EAs) were selected using a probability proportion to size approach – based on the household listing prepared for the 2010 Multiple Cluster Indicator Survey (MICS). The sample design was a two-stage stratified cluster sample. Stratification was done on the basis of certain considerations which are mentioned below.

The 2007 population census identified 2065 enumeration areas (EAs), and these EAs served as primary sampling units (PSUs). Out of the 2065 EAs, a total of 365 have been selected. 199 (around 55%) were chosen from rural areas while the remaining 166 were drawn from urban regions. Given that the 2007 census estimates overall rural/urban division as 45% and 55%, it is noted that urban areas were oversampled in order to improve their representativeness and to provide accurate estimates. Following the sampling procedure, appropriate weights were used to inflate the sample to Swaziland's overall population.

Ecologically, the country is divided into four well-defined zones: Highveld, Middleveld, Lowveld, and the Lubombo Plateau. The administrative regions are also four: Hhohho, Manzini, Shiselweni, and Lubombo. Urban areas are classified into two categories. Firstly, there are gazetted towns, which are traditional urban areas that developed around trading posts; secondly, company towns, which are densely populated areas of habitation, built as living quarters for employees working at major plantations, sugar factories, etc.

Prior to the selection process, the EAs were arranged into six economically homogeneous strata that cut across both rural and urban locations. This stratification process was based on the above mentioned ecological and administrative subdivisions of the country, as well as land distribution and tenure features. The total numbers of strata were 11, out of which four were rural, four urban and three company towns. Within each stratum, the PSUs were randomised and a sample of PSUs was selected with probabilities proportional to a measure of size (PPS) using systematic sampling, as it is a well-known and efficient procedure that is used widely in multi-stage sampling designs. However, for the Shiselweni region the PPS was not applied since it had fewer PSU's and it was objectively increased to around the same size as the other regions. By so doing, some of the strata were oversampled.

Map showing sampled EAs for FinScope Survey 2011



2.2 Questionnaire design

The questionnaire design phase included the initial draft submitted by FinMark Trust and the participation of stakeholders in a questionnaire design workshop in February 2010. The latter was attended by a broad cross-section of stakeholders within the financial sector. These activities assisted in customizing the FinScope Swaziland 2011 questionnaire. The finalisation of the questionnaire was done during the training of supervisors and enumerators.

2.3 Institutional setup

The FinScope Swaziland 2011 was conducted by the Central Statistical Office (CSO) and guided by a technical working group consisting of members from the CSO, MFU and FinMark Trust. In view of the CSO's key role as conductor of the FinScope Swaziland 2011 survey, a Project Manager was appointed from within CSO in the Economic Statistics Division. The Project Manager was responsible for the implementation and liaised with all role players to conduct a participatory, transparent, and statistically sound FinScope Swaziland 2011 survey.

2.4 Recruitment and training of fieldwork staff

For the purpose of the recruitment of enumerators, potential candidates were required to write a quiz and have a minimum secondary school qualification with at least a pass in the English language. Candidates were selected from the CSO database of enumerators and those who had previously applied for vacancies. From the 60 candidates interviewed, 47 were trained and 45 recruited with two reserves.

The FinScope Swaziland 2011 survey training was conducted from Monday 24 January 2011, to Friday 28 January 2011. The training was conducted in the auditorium of the Ministry of Commerce and included pre-testing and finalisation of the questionnaire.

2.5 Fieldwork

The questionnaire was administered through the face-to-face interview technique whereby the respondent was asked questions by the enumerator who in turn recorded the responses.

Timing of fieldwork: Fieldwork commenced on 31 January 2011 and was completed in March 2011.

Team composition, including numbers: Apart from the project manager, office clerk, logistics officer and coordination supervisor, there were three field work coordinators, a lab supervisor and an editor in the fieldwork exercise. Furthermore, there was one programmer, one data manager, seven teams each comprising of seven persons and four data capturers, totalling sixty-four people who were involved in the survey.

Monitoring data collection and fieldwork supervision: Each team comprised of a supervisor who was directly involved with the enumerators in their daily data collection activities. The supervisor was expected to provide routine reports on the team members and their work progress. The supervisor was also responsible for transporting enumerators to their respective EA's. There were also routine checks by the field coordinators and relevant technical committee members. FinMark Trust conducted independent field visits for the purpose of quality control.

Fieldwork logistics: The selected EA maps were printed in-house and two teams focused on the Manzini – Mbabane corridor with additional teams for the Shiselweni, Hhohho rural and Lubombo areas.

2.6 Data management and reporting

All questionnaires were returned to the CSO central office for data processing. A double data entry was deployed to check anomalies in the data produced. Weighting of the data was also conducted by CSO. Data was exported into SPSS for data analysis and tabulation. The analysis followed a standard analysis plan based on the questionnaire and the objectives of this survey. The analysis was carried out by the CSO with additional technical input provided by FinMark Trust and the Micro Finance Unit (MFU). The results were launched at a public event in Mbabane, Swaziland on the 15th July 2011.

3 Country context: Financial services sector in Swaziland

3.1 Overview of the financial services sector

Swaziland's financial services sector plays a crucial role in the overall economic growth of the country. Although small, the sector to some extent is diversified and developed in responding to the financial and investment needs of major sectors of the economy. While conceding that several significant developments have occurred in line with major private business sectors and middle to high-end private consumers, there is still a need for further in-depth and diversified financial product focus to embrace the wider segment of the country's population and impact on economic development. The prevalent perception is that the use of formal banking services appears to remain the mainstay of the privileged segment of society.

The commercial banks in Swaziland maintain a solid level of profitability by concentrating on more conservative financial products and services with little risk appetite to lend to perceived risky ventures such as smallholder agriculture and rural economic development investments. They focus on the main centres and higher income levels with limited penetration into the rural areas. The banking sector therefore continues to be profitable and well capitalized, supported by sufficient earnings and a strong liquidity environment.

The loans to deposit ratio (LDR) for Swaziland further decreases, meaning that high liquidity does not necessarily transform into proportionally higher rates of lending. On the other hand, capital and reserves stood at E 1.8 billion at the end of 2010, showing an increase of 20% against the year before. In absolute terms, savings, demand, and time deposits increased by 8% from December 2009 to December 2010. The main intention is to ensure that commercial banks play a more active role in expanding their customer base and providing credit for real sector investments, including rural SMME and agricultural development.

The Central Bank of Swaziland's (CBS)' responsibility is to secure the stability of the financial market and the smooth functioning of the financial system in order to maintain confidence in the financial system to prevent negative consequences for the other economic sectors and to protect the banks' customers.

There is, however, a need for this regulatory institution to also play a pro-active role in the modernizing of the clearing and payment system or in developing new systems and innovative technologies along with ICT infrastructure, which would broaden the reach of bank services to the public and potentially ease access to financial services, including money transfers of the unbanked majority of the Swazi population. This will help encourage financial sector development and adoption of new systems and innovative technologies.

Amongst the key developments in the financial sector in early 2011 were the launches of the MTN Mobile Money in March, the FNB eWallet in June, and the introduction of ATMs by Swaziland's Building Society. The transformation of the Ezulwini area with the extension of the Gables saw an opening of new FNB and Swazi Bank branches within the complex.

The Financial Services Regulatory Authority (FSRA) Act of 12 March 2010 is effective since 1 June 2010 and constitutes another pillar of the regulation and supervision of financial institutions. It aims at providing a legal framework for regulating and supervising the activities of non-bank financial institutions in Swaziland. These categories of institutions include capital markets, insurance companies, pension funds and Savings and Credit Cooperatives (SACCOs). The Act ensures that no financial services entity remains unregulated and unsupervised to foster the macro-prudential stability in the economy. The FSRA Board was appointed by the Minister of Finance, Hon. Majazi V. Sithole in 2011.

The microfinance sector in the country may be viewed to be at a relatively infant stage in terms of number, capitalization, depth and sophistication. This implies that there is an urgent need to broaden the sector and enhance capacity to position micro-financiers for linkage opportunities with commercial banks to deepen financial services in the rural economy.

The Government of Swaziland, together with many sector participants, view the microfinance sector as a tool to alleviate poverty, allow low-income earners to mobilise savings and access credit, amongst other financial services. Experience from other African countries, such as Kenya, reveal that technology combined with business process change has the potential to unleash positive results in emerging markets like Swaziland, and that innovative approaches to financial processing are to be seen as a prerequisite.

Similarities of finance paradigms across Africa illustrate that the microfinance sector growth across the continent is moving very fast, largely through international donor impetus, innovative technology and financing. The microfinance sector is commonly expected to be controlled and regulated like commercial banks. Donors funding development in this sector have promoted commercialisation required under regulation, and have become the main investors driving the sector, particularly in Africa.

Emerging developments in the Swazi economy have witnessed the evolution of financial and mobile phone finance convergence and opportunities. Consumer adoption of this convergence is yet to be determined but targeted to mimic the success of Kenya's M-Pesa on Swaziland's scale. This strategy anticipates the introduction of service agents dispersed throughout the country, increasing the potential scope of financial opportunities, while recognising the transition towards the introduction of mobile, agent and credit reference bureau regulations.

The MFU through its RFEDP will initiate a dialogue towards the development of the National Micro Finance Policy (strategy or charter), which would set the overall framework for the future development of the non-bank microfinance industry and clearly define the thresholds for prudential regulation, customer protection and market consolidation and stability. It is essential to ensure that the regulation does not cause more harm to the NGO microfinance service providers, than good for the majority without access to other financial services.

The Government of Swaziland and donor community maintain and support several funding mechanisms for economic development. These include the Small-scale Enterprise Loan Guarantee Scheme managed by the CBS, the Ministry of Tinkhundla Administration's Regional Development Fund, Empowerment Fund, the Poverty Reduction Fund, the Youth Enterprise Fund by the Ministry of Sports, Youth and Culture, the Micro-Projects under the Ministry of Economic Planning and Development (MEPD) and the Marketing Investment Fund (MIF) in the Ministry of Agriculture (MoA). These play a significant role in the local economy, although the implementation of superior harmonisation and channelling approaches of these resources would further enhance financial sector deepening.

3.2 Policy and regulatory environment

The Ministry of Finance of Swaziland is mandated to maintain a sound regulatory framework for the country's financial sector. The Central Bank of Swaziland, with technical assistance from the International Monetary Fund (IMF) are working towards transforming the regulatory framework for banking supervision through enacting the appropriate draft legislation to improve capital adequacy of banks. The Central Bank of Swaziland is participating within the framework of the SADC Committee of Central Bank Governors in working towards the development of national payments systems within the SADC region which will ultimately provide the platform for cross-border payments of trade transactions once fully implemented in all member states.

With regard to financial inclusion, Swaziland does not currently have a strategy document addressing financial inclusion as a policy priority. However, the Central Bank Governor recently stated that the Central Bank of Swaziland will endeavour to adapt regulatory framework that will complement growth and stability policies with targeted interventions to support broader access to financial services. The Central Bank has stated that in order to develop and provide financial inclusion services, information technology and communications are key. The role of other players such as Swaziland Posts and Telecommunications Corporation (SPTC) and mobile network operators like MTN has been recognised. In addition, the Ministry has commented on the importance of addressing financial literacy. The government is actively collaborating with the International Fund for Agricultural Development (IFAD) and several financial institutions to improve linkages to financial services and markets to facilitate the access of small and medium enterprises to rural financing services.

3.2.1 Banks

The Financial Institutions Act, 2005 (FIA), provides a legal framework for the regulation and supervision of banks and other financial institutions. The FIA empowers the Central Bank with the authority to license these institutions. Two kinds of licences are granted under the provisions of the FIA; these are the banking license and a credit institutions license. The banking sector in Swaziland currently consists of three commercial banks, a mutual building society and a statutory bank:

- Nedbank
- Standard Bank
- First National Bank of Swaziland
- Swaziland Building Society (Mutual Society)
- Swazibank (100% government owned, but privatisation is being examined)

Lack of competition allows the banks to maintain high interest margins and the products and services offered by the Swaziland banks are generally a subset of the products available in South Africa. Loan and mortgage products focus on the employed, middle and upper income earners. The statutory bank, Swazibank, has been the most pro-active of the banks in serving lower income households, by developing a number of products tailored to the local market, with the potential to profitably serve the current unbanked and underbanked.

The Swaziland Building Society (SBS) is a major provider of long-term mortgage lending. It provides loans to all sections of the community, mainly for the purchase of vacant land and the construction of housing. It has embarked on some innovative schemes to tap new borrowers. This includes a rural housing scheme that enables borrowers to build by mobilising pension and provident funds as collateral. Through a pioneering project, it also lends to residents of informal settlements by working with savings groups. The scheme involves the provision of loans to buy small plots and for home improvements.

3.2.2 Non-bank financial institutions

As the financial system is generally shallow and undiversified, non-bank financial institutions (NBFIs) are filling the market gaps of services not offered by commercial banks. This expansion has in cases led to increased market vulnerabilities as some financial services companies are expanding into new financial sectors without pre-existing expertise, while the regulatory and supervisory regime is relatively weak. Essentially, the growth of the non-banking financial institutions in Swaziland has been facilitated by a combination of relatively small financial sector and the high costs associated with using formal banking services. Further, as access to banking services is generally not available to certain segments of the population such as those living in rural areas or without steady incomes, it is among these groups that the savings and credit cooperatives (SACCOs) and microfinance institutions have found the most resonance. The Swaziland Financial Services Regulatory Authority (FSRA) was established through an enabling legislation in 2011. The main purpose of the FSRA is to provide for the regulation and supervision of the non-bank financial services industry. FSRA is yet to commence its operations with the responsibility of regulating the non-bank financial institutions outside the supervision of the Central Bank.

Swaziland has a vibrant microfinance industry with more than 100 institutions. The Swazi microfinance industry is still essentially unregulated and very little information is available on the size and nature of their operations. There is a considerable imbalance of power between consumers and credit providers, consumer education levels are frequently low, and consumers are poorly informed about their rights and are unable to enforce such rights through either negotiation or legal action. Commission-driven agents, deceptive marketing practices and weak disclosure can easily cause consumers to enter into unaffordable credit contracts. The high growth in payroll based lending is of significant concern. Many lenders charge fees in the range of 30% – 40% p.m. The Ministry of Finance has initiated a Rural Finance and Enterprise Development Program to develop microfinance in rural communities. However, while the FSRA covers a number of subsectors in the non-banking financial sectors, it currently does not include national credit and consumer protection legislation – which is a pressing need for the country.

The main insurance provider is the Swaziland Royal Insurance Corporation (SRIC). It provides long- and short-term insurance and retirement annuities. The company had monopoly in the industry until the Registrar of Insurance and Retirement Funds was founded and the Insurance Act was established to open

the market to competition in November 2006. Liberalisation of the insurance industry has led to impressive growth in foreign direct investment in the sector especially from South Africa; there are now ten registered insurance providers. Two state pension funds, the Swaziland National Provident Fund (SNPF) and the Public Service Pension Fund (PSPF), dominate the pension sector, though a few small private pension and provident funds also exist. While the SNPF covers all public and private employees, the PSPF covers government and other public servants. Of particular concern is the fact that HIV/AIDS claims are decimating the industry as Swaziland continues to have one of the highest prevalence of HIV/AIDS in the world.

A large number of NGOs currently operate in Swaziland. In the area of credit provision, Imbita is probably the most well-known. Imbita is a donor-funded organisation established in 1991 to address the lack of financial services offered to women. It is a member-based organisation, operating both a savings and lending scheme. Lending consists of both consumption and business loans, where savings serve as collateral for the loan. Clients have to go through budgeting/credit workshops before loans are provided.

The Swazi Government has established a number of initiatives to improve financial access for its citizens, the Enterprise Trust Fund (ETF), now known as FINCORP, to address the needs of small and medium enterprises in Swaziland by providing financial assistance, training and business advisory services. In addition, the government sponsored, Small Enterprise Development Company (SEDCO) provides business support services and marketing assistance to small and medium scale entrepreneurs in Swaziland. The government also operates a Small Scale Enterprise Loan Guarantee Scheme.

Cooperatives provide an important financial service in Swaziland, and a large number of people save/borrow from these institutions. They are supervised by the Minister of Agriculture and Cooperatives, through the Cooperative Societies Act. Supporting the cooperatives movement is considered to be one of the strategies in support of financial inclusion of the poor. There are various types of cooperatives, but the ones of interest here are Savings and Credit Cooperatives (SACCOs). These take savings from and issue loans to members, and of the 225 currently registered cooperatives, 60 are SACCOs. The cooperatives are typically members of larger 'apex' organisations, the biggest two being Central Cooperatives Union (CCU) and the Swaziland Association of Savings and Credit Cooperatives (SASCCO). The findings of a 2010 study indicate that savings and credit cooperatives have a positive contribution towards food crop production.

While Swaziland does not have a public credit register, TransUnion operates a private credit bureau on their hub and spoke model, which operates from South Africa. It is estimated that 42% of adults are on record.

3.3 Conclusion

Although Swaziland as a nation has made progress in promoting financial inclusion, for example, introducing a mobile payments platform, dramatic changes need to take place to counter unemployment and widespread poverty. In 2011, Swaziland experienced a severe fiscal crisis that set back economic and social development. The lagged impact of the crisis cut 2012 growth prospects to a mere 0.6%, which would make Swaziland one of the slowest growing African economies. The large component of the population still living in rural areas poses a substantial problem as does the legal status of women. Not only do banks have no incentive to serve the lower income market, but in many cases they are discouraged from doing so by their mandates (often from their parent companies). Cooperatives are serving this segment, but banks have not actively pursued linkages with these institutions to expand this initiative. An improvement in the communication between the banks and government would clearly be beneficial. Focus also needs to be placed on the issues relating to the provision of credit and current discussions around promulgating a credit act are encouraged.



4 Study findings

4.1 Demographic and household characteristics of the adult population

FinScope captures a range of information including demographic data on individuals, as well as some household information. This section presents the findings of the demographic and household characteristics. It discusses the profile of individuals aged 18 years and above and includes information on gender distribution, education, employment status, and income sources. In relation to household conditions, results are presented on assets owned, incomes, access to amenities and wealth indicators.

4.1.1 Demographic profile

The large majority of the Swazi adults live in rural areas (63%). The Swaziland adult population is fairly young; 42% of the population is younger than 30 years of age (this is an age group that general FinScope data show as not yet economically settled). Females dominate in both urban and rural areas with almost the same proportion of about 63%. The tables below give a demographic profile of the Swazi adult population in 2011.

Figure 1: Urban-rural distribution

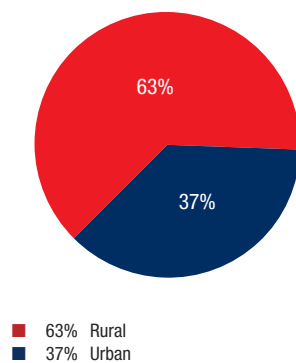


Table 2: Sex, age distribution, and marital status

	Total	Urban	Rural	Hhohho	Manzini	Shiselweni	Lubombo
Total weighted base	533 627	196 581	337 047	114 973	180 065	118 446	120 143
Sex	%	%	%	%	%	%	%
Male	37.1	36.8	37.4	41.7	33.1	38.4	37.6
Female	62.9	63.2	62.6	58.3	66.9	61.6	62.4
Age	%	%	%	%	%	%	%
18 – 19	7.0	6.9	7.1	4.9	5	9.4	9.7
20 – 29	34.6	39.8	31.5	38.9	34.9	30.5	33.8
30 – 44	28.2	31.7	26.3	30.4	30.4	23.6	27.8
45 – 59	16.3	14	17.5	14.4	16.4	17.2	16.8
60+	13.9	7.6	17.6	11.4	13.3	19.3	11.9
Marital status	%	%	%	%	%	%	%
Single	42.9	50.8	38.4	42.1	41.8	42.8	45.5
Civil marriage	8	11	6.2	7.6	8.7	8.2	7.2
Swazi Law	34	21.7	41.2	35.1	35	30.9	34.5
Living together	5.6	8.5	3.8	6.2	4.9	4.8	6.6
Separated	1.7	2.6	1.2	1.7	2.5	1.1	1.4
Divorced	0.5	0.3	0.6	0.2	0.3	1.2	0.2
Widowed	7.1	4.9	8.5	6.5	6.8	10.9	4.6

As shown below, 12% of Swazi adults have no formal education, whereas 30% have primary education. Every fourth adult in Swaziland (25%) has secondary education and 24% have high school education. Only 1% has vocational education, while 5% have college and 4% have university education.

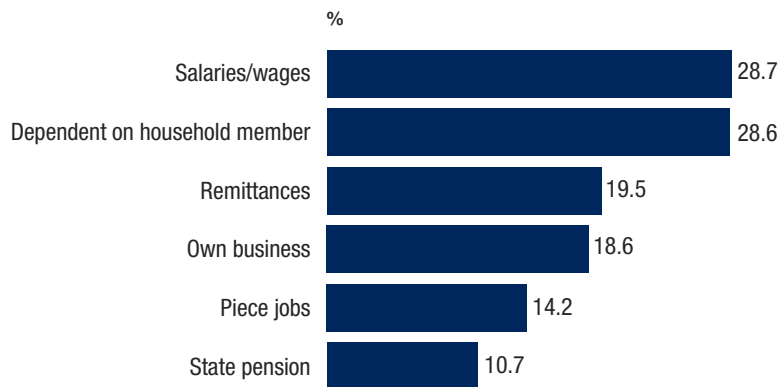
Table 3: Highest level of education

	Total	Urban	Rural	Hhohho	Manzini	Shiselweni	Lubombo
Total weighted base	533 627	196 581	337 047	114 973	180 065	118 446	120 143
	%	%	%	%	%	%	%
No formal education	12.1	5.5	16	13.7	6.3	14.8	16.6
Primary education	30.3	20.0	36.2	20.9	24.7	41	36
Secondary	24.5	23.2	25.2	20.9	28.5	23.7	22.5
High school	23.7	34.2	17.6	28.7	29	15.6	19
Vocational	1	1.2	0.9	1.1	1.8	1	0.8
College	4.6	8.4	2.4	9	3.8	3.1	2.9
University	3.8	7.5	1.7	5.3	5.8	0.8	2.2

4.1.2 Income and livelihoods

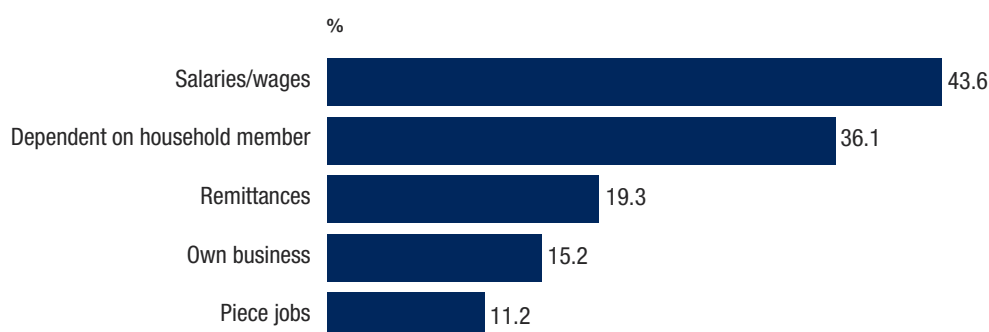
Overall the main source of income for the adult population in Swaziland is either wages/salaries or money from others – either household members or remittances. Remittances still play a significant role as a key source of income as 19.5% rely on the transfers for their livelihoods. A third of the population rely on irregular and inconsistent incomes such as own business (18.5%) and piece jobs (14.2%). Although recently started for the elderly and disabled population, 10.7% of the population benefits from the state pension grants. These sources of income reveal that over 70% of the population has uncertain/irregular income streams as they either rely on others to support them or have their own businesses and piece jobs.

Figure 2: Sources of income (total population)



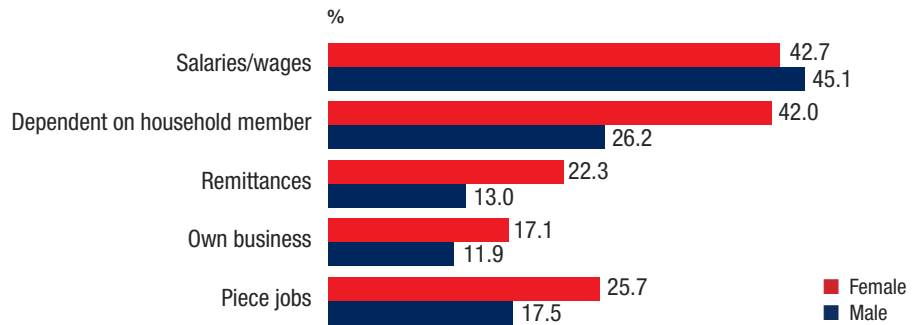
The main source of income for the urban population is either wages/salaries (43.6%) or money from others (household member at 36.1%).

Figure 3: Sources of income – urban population



In urban areas, 45.1% of males and 42.7% of females receive salaries / wages. A large proportion (42%) of females depends on household members for an income and more females either own businesses or depend on piece jobs compared to males. This is potentially as a result of the need to supplement household income to make ends meet.

Figure 4: Source of income – urban population by gender



Most of the rural population mainly depend on household members for their income. Remittances are the second highest source of income at 22% for the rural population. 23.4% of males and only 15.9% of females residing in rural areas receive salaries / wages.

Figure 5: Sources of income – rural population

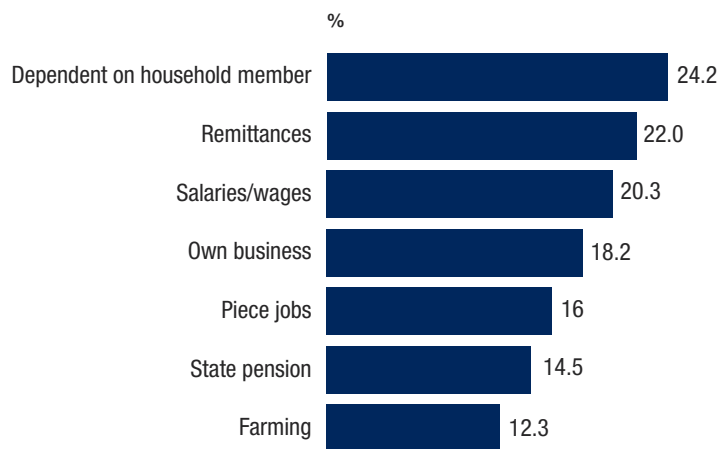
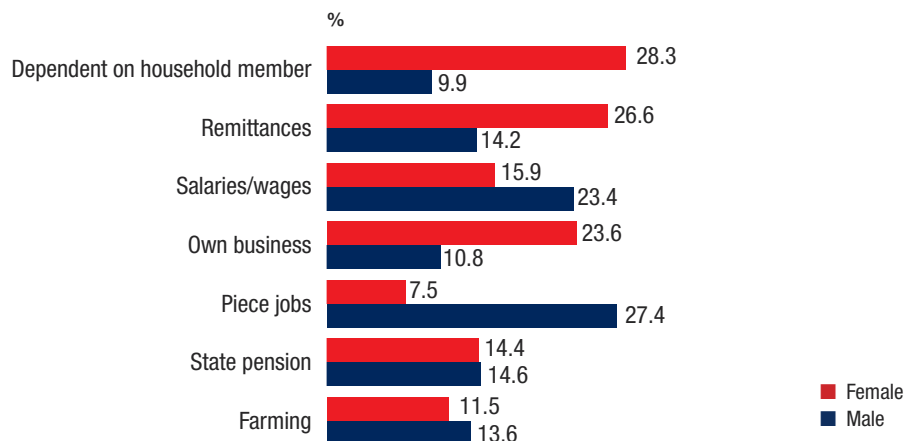


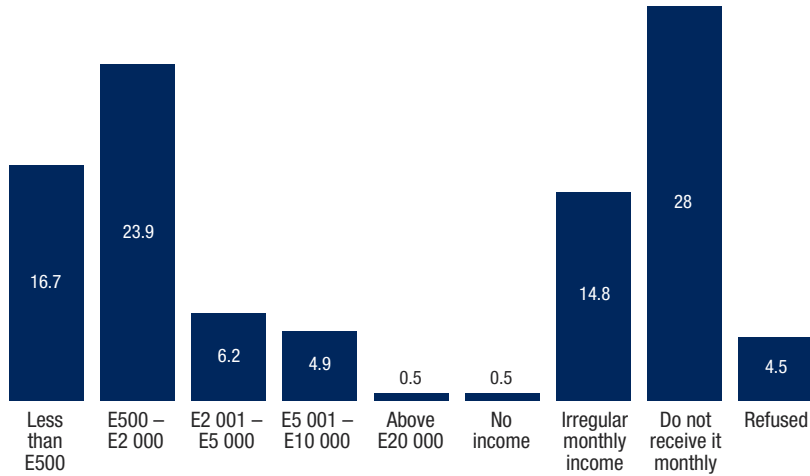
Figure 6: Source of incomes – rural population by gender



4.1.3 Income structure

Personal monthly income distribution is significantly skewed towards lower levels of income: 41% of the adult population earn less than E2000, 15% do not have a fixed income and 28% of the population receive their income periodically.

Figure 7: Personal monthly income



53% of the Swazi population receive a monthly income. Five in six of those who receive money obtain it in cash (83%) and only 21.2% receive their income into a bank account.

Figure 8: Frequency of receiving income

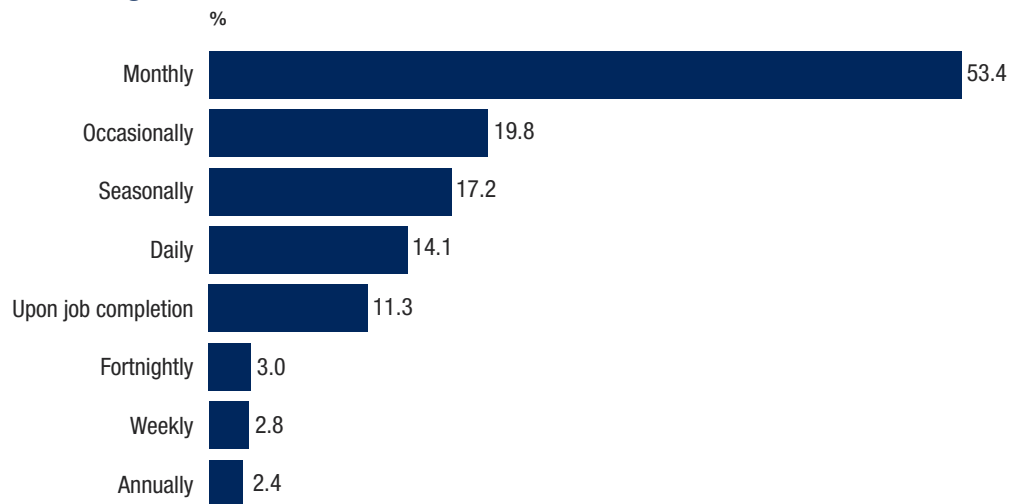
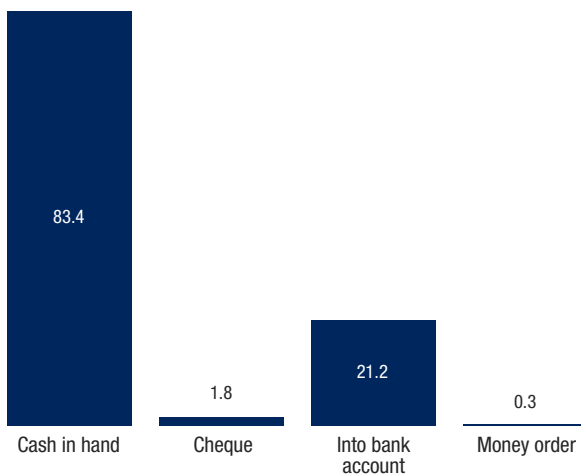


Figure 9: Method of receiving income/money



4.1.4 Dwelling characteristics

The large majority of Swazis live in homes with cement structures with metal roofs and cement floors. While this is true for both rural and urban areas, there is also a large proportion of people in rural areas that have stick and mud structures, with thatch roofs and natural earth floors. The usage of metal as roofing material is almost similar for both the urban and rural area at 84.3% and 83.7% respectively.

Table 4: Dwelling structure

	Total	Urban	Rural
Total weighted base	533 627	196 581	337 047
Type of floor	%	%	%
Natural (earth/sand or dung)	7.1	2.4	9.8
Ceramic tiles	8.5	17.9	3.1
Cement	82.5	77.6	85.3
Other	2	2.1	1.8
Type of wall	%	%	%
Cement blocks	55	63.1	50.3
Stick and mud	16.5	9.7	20.4
Cement	11.6	13.8	10.3
Bricks	6.5	7.9	5.6
Stone mud	3.8	1.3	5.3
Stone with cement	3.3	1.9	4.1
Other	3.3	2.3	4
Type of roof	%	%	%
Metal	83.9	84.3	83.7
Thatch	9	1.4	13.5
Roof tiles	4.6	8.9	2.2
Other	2.5	5.4	0.6

The majority of Swazis (69%) come from homes that they or their immediate family own, particularly in the rural areas. The proportion of rental is higher in urban areas.

Table 5: Dwelling ownership

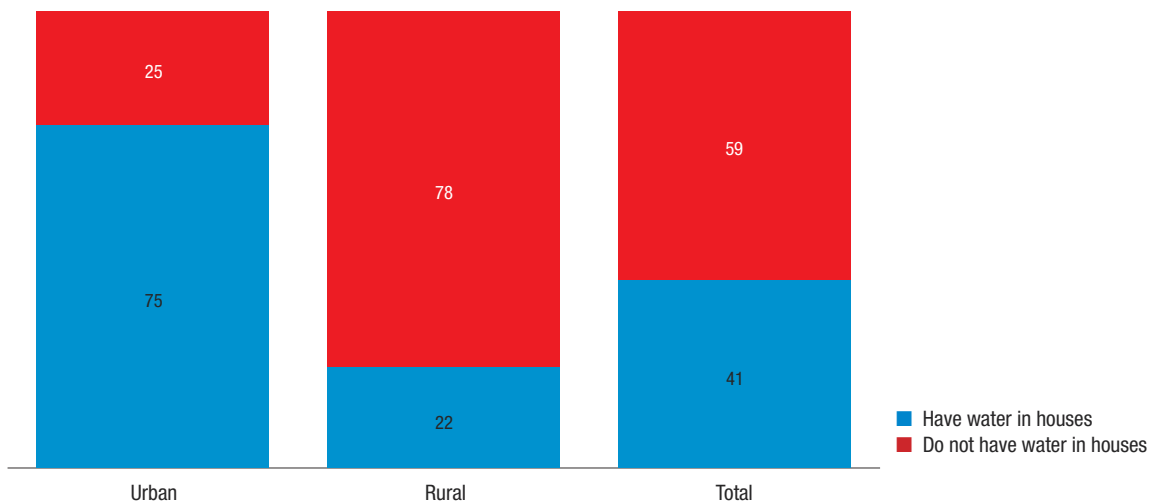
	Total	Urban	Rural
Household status	%	%	%
Own dwelling	68.9	41.2	85.2
Own by other member of the household	7.3	7.2	7.4
Rent dwelling	15.9	37.1	3.5
Rent free	7.5	14	3.7
Other	0.4	0.5	0.2

4.1.5 Access to basic infrastructure and facilities

The FinScope survey takes into consideration that financial product and service usage is inextricably linked to people’s day-to-day lives. This includes access to basic infrastructure such as how the Swazi population access drinking water; sanitation and sources of energy. Therefore, this section helps to establish the priority that the individuals would give to the usage of financial products and services by looking at the context of their daily lives.

Source of water: 59% of Swazis do not have water in the house, i.e. their main source of water is spring, natural water; provisional water and other sources of drinking water; while 41% of the total population have water piped into dwellings. The majority of individuals (75%) from urban households have water inside the house compared to only 22% of the rural population. 78% of people living in rural areas do not have access to water in their houses.

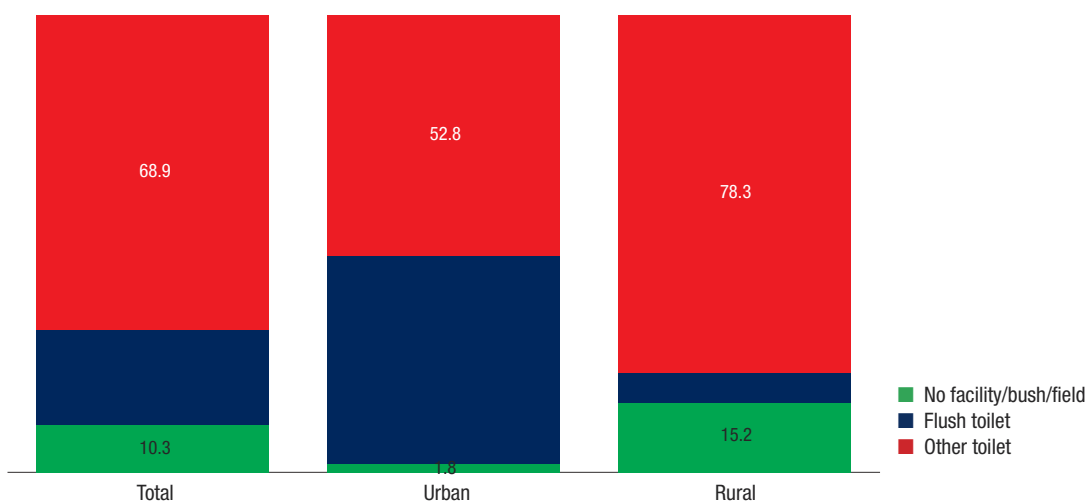
Figure 10: Source of water



Access to sanitation: A significant portion of the adult population does not have access to toilet facilities (10.3%); they use either the bush or field. 68.9% of Swazis use pit latrines and only 20.8% have flush toilets. In the rural areas, the proportion of population without toilet facilities is even higher with 15.2%; while 78.3% have access to pit latrines and other kinds of toilet facilities, only 6.5% have access to flush toilets. 52.8% of the urban population use pit latrines or other toilet facilities, while 45.4% use flush toilets, and 1.8% do not have toilet facilities.

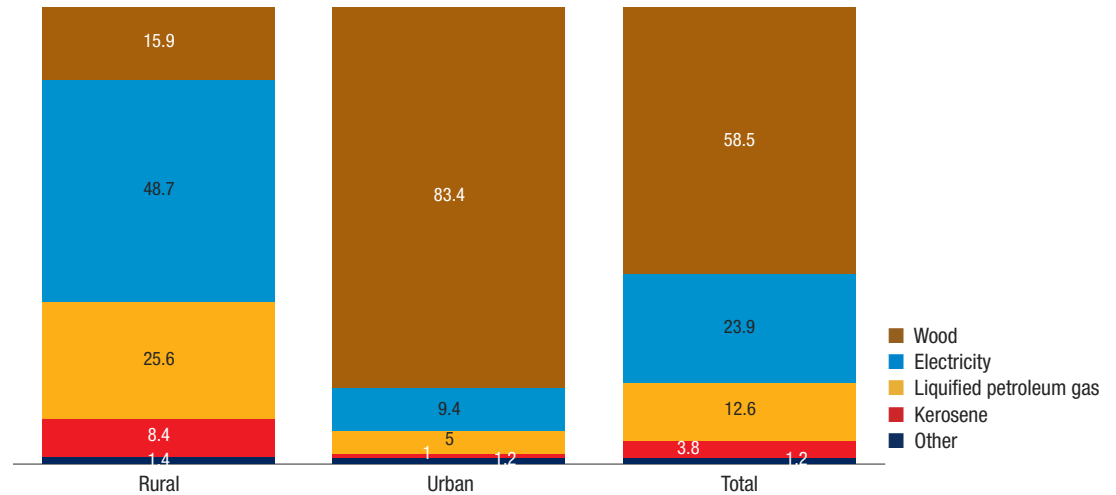
These findings highlight that access to basic water and sanitation remains a challenge in Swaziland. This is more pronounced in rural areas.

Figure 11: Access to sanitation



Source of energy for cooking: Most of the population live in rural areas where electricity and other means of fuel are scarce. Hence, a large portion of the population uses wood and coal as their primary source of energy in the home (58.5%). The data shows a higher demand for electricity, coal and kerosene in the urban areas compared to the rural areas where wood remains the major source of energy for cooking.

Figure 12: Main source of energy



Access to facilities: FinScope also measures the perceived access - not only to the financial points of service such as ATM and branches, but also to other facilities that could be used as basic infrastructure to push exclusion barriers.

In terms of the amount of time that adult Swazis take to get to the nearest facilities, grocery stores and the market seems closer to the majority of the population compared to other facilities. This is clearly demonstrated even by the mode of transport used to access these points. Post Office branches appear to be the most accessible formal financial institution compared to banks and/or ATM's.

Table 6: Access to facilities

TOTAL	Mode of transport				Time taken to get to these places			
	Walk	Public transport	Private transport	N/A	Less than 30 minutes	30 minutes to one hour	More than an hour	N/A
Nearest facilities	%	%	%	%	%	%	%	%
Grocery store	95	2.8	2	0.2	80.6	14.9	3.8	0.7
Market	65.5	30.8	2.6	1.1	61.6	25.2	11.8	1.4
Post Office	23.6	67.6	5.6	3.2	41.2	36.6	18.5	3.7
Bank	12.8	78.1	5.9	3.2	34.5	36.8	24.7	4
ATM	14.8	75.6	5.8	3.8	36.6	36.7	22.4	4.3
Hammer mill	47.5	33.5	7.4	11.6	47.7	29.2	11.9	11.2

There are great differences in the levels of access to basic amenities between rural and urban areas as reflected in the tables below. 38% of the rural population takes more than an hour to access a bank; however, the majority of Swazis are within walking distance to a grocery store.

Table 7: Access to facilities – urban

URBAN	Mode of transport				Time taken to get to these places			
	Walk	Public transport	Private transport	N/A	Less than 30 minutes	30 minutes to one hour	More than an hour	N/A
Nearest facilities	%	%	%	%	%	%	%	%
Grocery store	92.3	3.2	3.6	0.9	93.5	5.2	0.9	0.4
Market	87.1	7.9	4.3	0.7	91.5	6.7	1	1
Post Office	32.3	50.8	9.7	7.2	70.8	19.6	2.2	2.2
Bank	28.1	50.8	9.7	11.4	68.4	20.8	2.7	2.7
ATM	29.3	53.7	9.3	7.7	68.5	19.7	2.6	2.6
Hammer mill	25.8	36.4	9.1	28.7	47.8	18.8	5.9	5.9

Even in urban areas, grocery stores and Post Offices are the easiest to access within walking distance, though banks and ATM's remain within reach of the majority of the urban areas.

Table 8: Access to facilities – rural

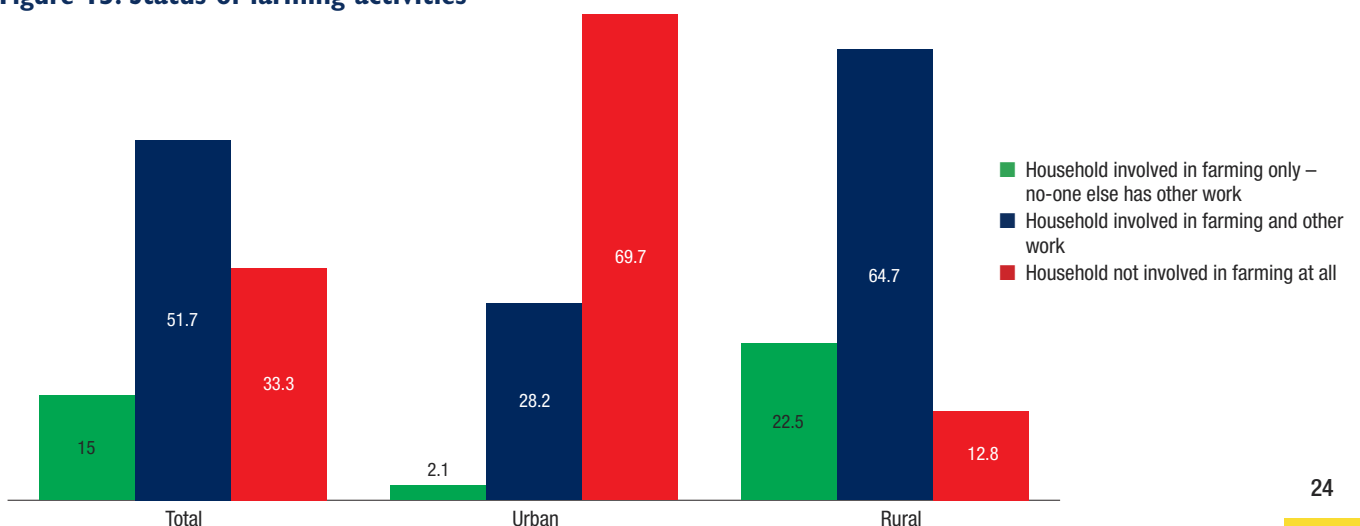
RURAL	Mode of transport				Time taken to get to these places			
	Walk	Public transport	Private transport	N/A	Less than 30 minutes	30 minutes to one hour	More than an hour	N/A
Nearest facilities	%	%	%	%	%	%	%	%
Grocery store	96.1	2.6	1.1	0.2	73.7	20.7	5.6	0
Market	52.9	44.2	1.7	1.2	44.7	36	18.2	1.1
Post Office	18.5	77.4	3.3	0.8	24.4	46.7	4.3	24.6
Bank	3.9	91.5	3.7	0.9	15.1	46.3	37.6	1
ATM	6.4	88.5	3.8	1.3	18.3	46.5	33	2.2
Hammer mill	60.2	31.8	6.5	1.5	47.9	35.4	15.4	1.3

4.1.6 Farming activities

Status on farming activities: In total, 15.0% of adults come from households whose livelihoods is wholly dependent on farming with no-one else having other work, while 33.3% come from households that are not involved in farming at all.

52% come from households who are involved in farming and other work. This increases significantly in rural areas. 64.7% of adults residing in rural areas come from households who are involved in farming and other work. In urban areas, the majority of the population (69.7%) come from households that are not involved in farming at all. 22.5% of the rural population households depend on farming with no-one else having other work.

Figure 13: Status of farming activities



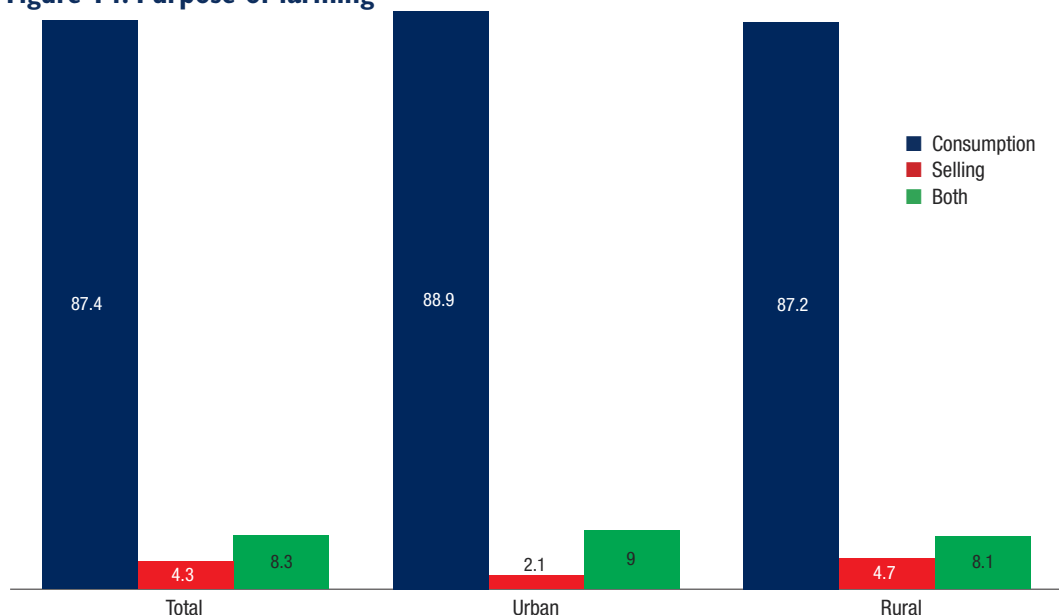
Types of farming activities: Maize being the staple food of Swaziland is the most listed crop, with 62.9% of the total population involved in it, followed by legumes with 19.5%. With regard to urban farming it can be noted that maize is also contributing a significant portion (26.3%), followed by vegetables with 13.9%. Maize is largely farmed in the rural areas (84.6%). A significant portion (45.1%) of the population is engaged in poultry farming, while 27.6 % of farmers are also engaged in beef/cattle farming. It can also be noted that goat farmers account for 23.5% of the total adult population. A few farmers are involved in bee keeping and fishing. Poultry farming is mostly favoured in rural areas compared to urban areas.

Table 9: Types of farm produce

	Total	Urban	Rural
Total weighted base	533 627	196 581	337 047
Crops	%	%	%
Maize	62.9	26.3	84.6
Legumes	19.5	6	27.4
Tuber / root crops	16.7	5.8	23.1
Vegetables	14	13.9	14
Fruit	10.4	4.4	13.7
Cotton	3	0.1	4.6
Sorghum	2.3	0.1	3.7
Sugar cane	1.3	1.2	1.3
Rice	0.4	0	0.7
Livestock	%	%	%
Poultry	45.1	10.3	65.4
Cattle (beef)	27.6	3.5	41.6
Goats	23.5	2.5	35.9
Cattle (dairy)	6.9	1.4	10.1
Piggery	6.1	1	9
Sheep	1.5	0	2.5
Bee keeping	0.8	0	1.2
Fishery	0.1	0	0.1

Purpose of farming: The majority of the adult population (85.4%) involved in farming activities do it for consumption purposes, i.e. subsistence farming. While 4.3% of Swazis are commercial farmers, 8.3% produce either crops or livestock for both consumption and commercial reasons.

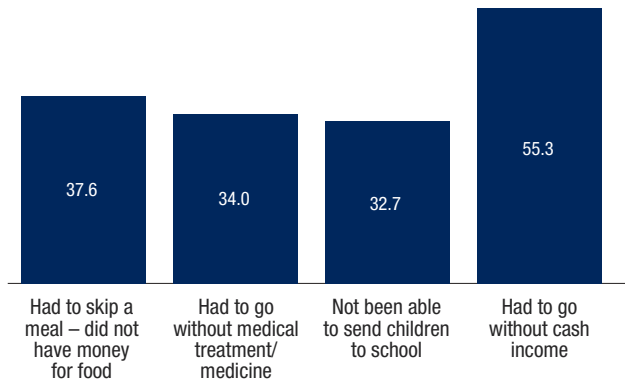
Figure 14: Purpose of farming



4.1.7 Understanding the lives of people in 2011

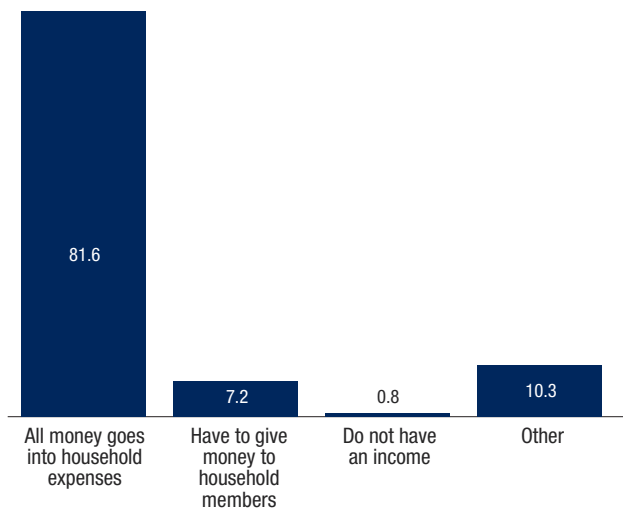
55.3% adult Swazis came from households that had 'to go without cash income' and had to make a plan for daily needs and nearly two in five (37.6%) adults indicated that their households had to skip a meal in the past twelve months. This leaves around 40% of the Swazi households vulnerable to situations where they have to go without certain necessities with varying degrees of frequency.

Figure 15: Lived poverty index



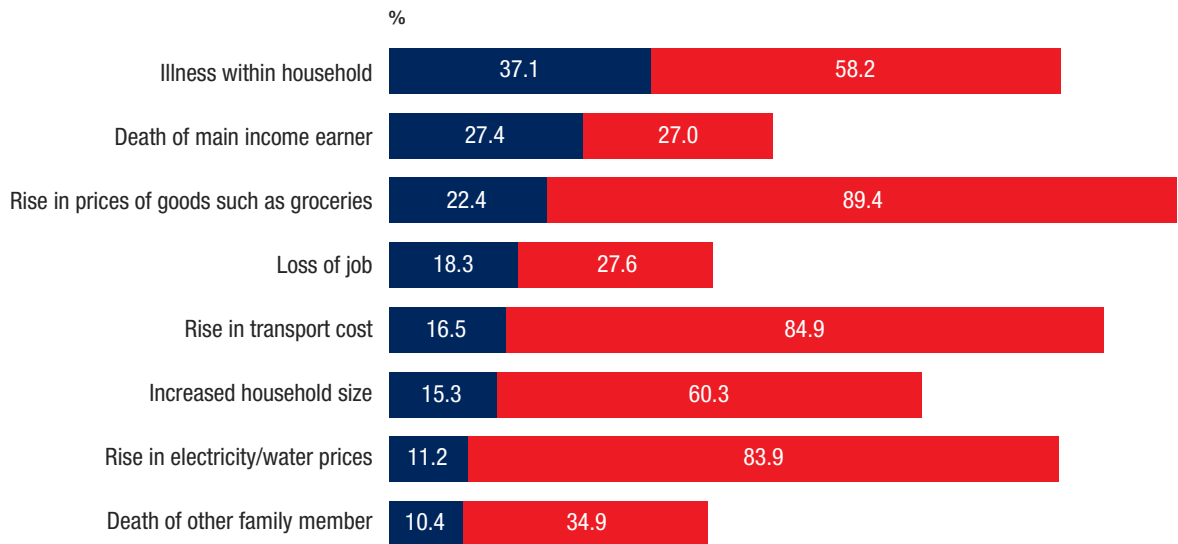
Only 25.1% of the adult population reported that they have money that they can use as they wish. Main reasons for not being able to do so is 'all money going to household expenses' (81.6%). Every household has bills to pay. The ideal situation is to have enough money to pay all the expenses and still have money left over for savings and enjoyable activities, but sometimes this is a tough feat to accomplish for 75% of adult Swazis.

Figure 16: Reasons for not having money that one could use as wish



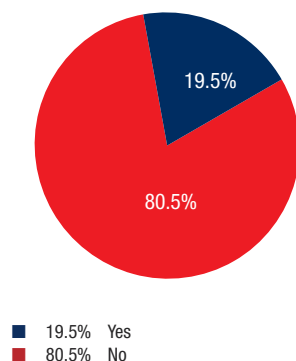
Illness within household (37%) as well as death of main income earner (27.4%) is seen as the main threats to the family income or livelihood. However, the rise in prices of goods, transport, electricity and water were experienced by the majority of the population 12 months prior to the FinScope study.

Figure 17: Main threat to livelihood



19.5% of the adult Swazis come from households that experienced death of any member(s) in the past twelve months prior to the fieldwork. The key impact of death on households are funerals and loss of income. Funerals often cost up to few months of income.

Figure 18: Experienced death in the household 12 months prior to the survey



4.1.8 Key take outs

Financial products and services usage is inseparable from people's lives (or economic and social welfare). For that reason, the priority that individuals give to the usage of financial products and services must be viewed in the context of the realities of their lives. 42% of the adult population is younger than 30 years old (regarded as not yet economically settled). 30% have primary education as their highest level of education while 12% have no formal education at all. A large proportion of the Swazi adults live in rural areas. About four in seven Swazi adults are dependent on others for their income. Coping with the lack of basic amenities is a reality for the large proportion of the rural population. 15% of Swazis come from households that only rely on farming with no other means of income. The contextual daily realities of the majority of people in Swaziland mean that financial inclusion is not a part of their immediate daily concerns.

The key demographic characteristics of the population will provide some of the drivers and opportunities for relevant product and service design. High levels of poverty and unemployment indicates that there is a large proportion of the population who depend on the extended family support system for their livelihood. Further, the lack of basic infrastructure and amenities, particularly in rural areas, indicate that most people spend a large amount of their time fetching water, collecting firewood and lighting fires for cooking and their daily living.

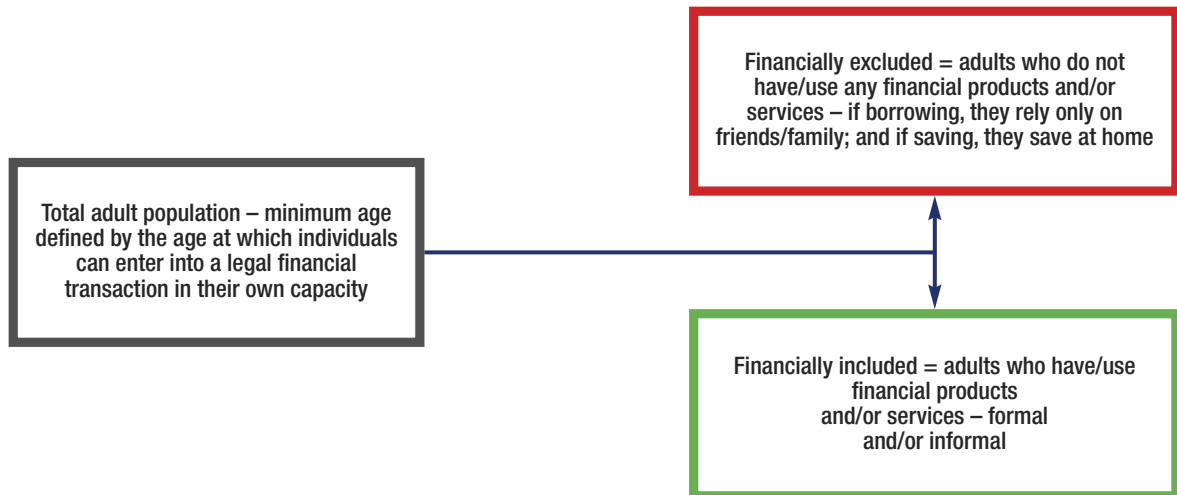
Further, there is a ubiquitous retail network as most people are within walking distance of a grocery store, with the Post Office the next closest to the majority of the population. Effectively, this means that any distribution solution needs to take into consideration the existing infrastructure in order to minimize the costs of expanding services so that these costs can be passed down to the consumers and ensuring that the access points are within reach of the population.

The high levels of remittance activity within the country imply that people need mechanisms to transfer their money. If there is a focus on enabling these individuals to have their money safely channelled through a formal system, as well as on giving them the ability to make better use of their financial products (other than just conveying the money safely, but using it to save), it can impact positively on their livelihoods.

4.2 Financial inclusion

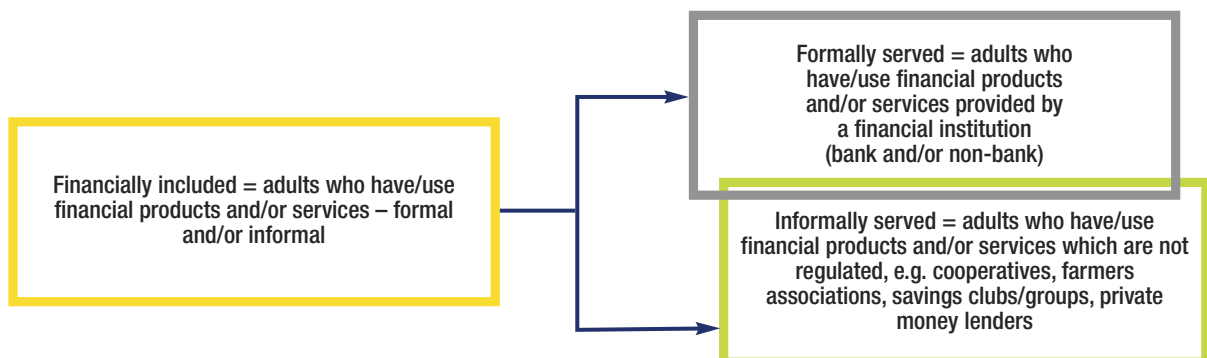
4.2.1 Analytical framework

The concept 'financial inclusion' is core to the FinScope methodology. Based on financial product usage, the bankable population is firstly segmented into two groups: the 'financially excluded' and the 'financially included':



The 'financially excluded' segment refers to individuals who manage their financial lives without the use of any financial products or mechanisms external to their personal relationships. To further understand financial inclusion, the 'financially included' segment of the population is taken through a further step of segmentation. As the 'financially included' segment of the population comprises individuals who have/use formal and/or informal financial products and mechanisms, this second step in the segmentation seeks to identify:

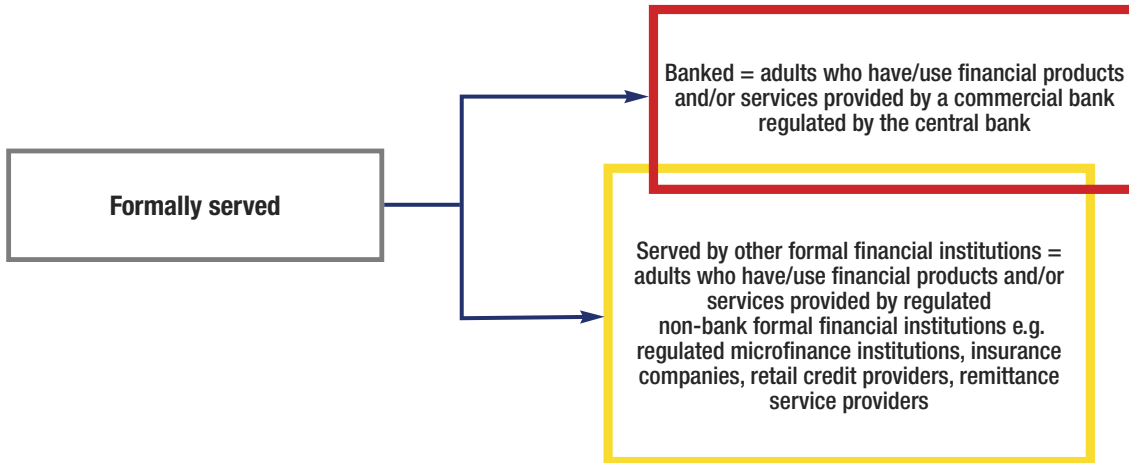
- Those individuals who have or use products or services from financial institutions that are regulated through an Act of law (formal financial institutions) – the 'formally served' segment of the population;
- Those individuals who have or use products or services from financial institutions that are not regulated (informal financial institutions and mechanisms) and/or use community based organisations/mechanisms to save or borrow money – the 'informally served' segment;
- Those individuals who have or use both formal and informal products and services.



The next step in the segmentation seeks to better understand or unpack the 'formally served' segment of the population – i.e. individuals who have or use products or services from financial institutions that are regulated through an Act of law (formal financial institutions). This step further segments the formally served population into:

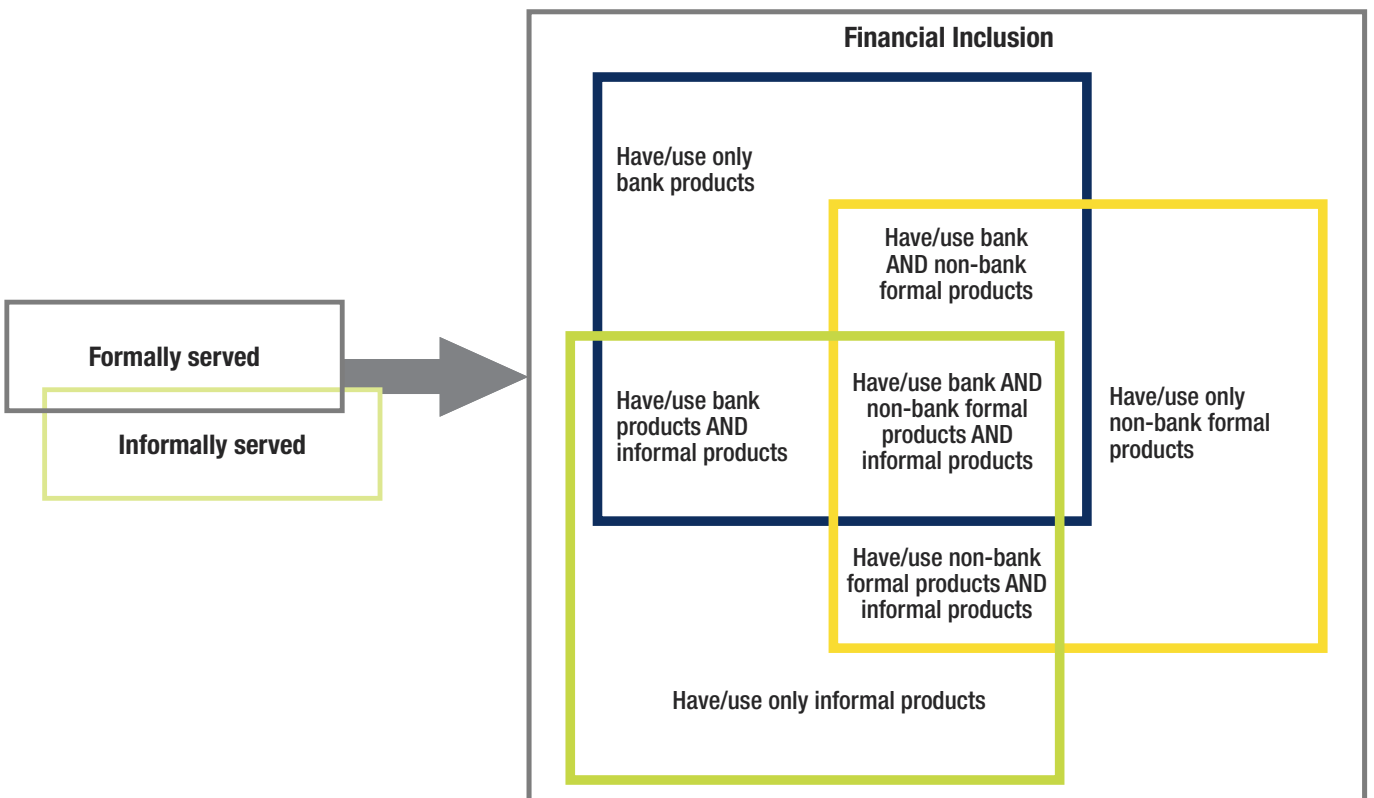
- Those individuals who have or use products or services from licensed commercial banks that are regulated by the central/reserve bank – the 'banked' population;

- Those individuals who have or use products or services from financial institutions that are regulated through Acts of law but which are not commercial banks. Those individuals who have or use products or services from such institutions, comprise the 'Served by Other Formal financial institutions' segment of the population (referred to as 'Other Formal' segment);
- Those individuals who have or use products or services from both commercial banks and other formal financial institutions.



Finally the segmentation process looks at the overlaps between the different population segments allowing for a better understanding of the following population segments:

- Those individuals who have or use only bank products and services;
- Those individuals who have or use bank and other formal products and services;
- Those individuals who have or use bank and informal products and services;
- Those individuals who have or use bank and other formal and informal products and services;
- Those individuals who have or use only other formal products and services;
- Those individuals who have or use only informal products and services;
- Those individuals who have or use other formal and informal products and services.



The **Access Strand** is used to enable a comparison of levels of financial inclusion across countries/market segments. In calculating the Access Strand, a hierarchical approach is used in order to depict:

- The percentage of adults who are banked – identifying adults using commercial bank products. This is not necessarily exclusive usage – these individuals could also be using financial products from other formal financial institutions or informal products as well as bank products;
- The percentage of adults who are formally served but who are not banked (other formal) – identifying adults using financial products from formal financial institutions which are not commercial banks such as microfinance institutions or insurance companies. This excludes bank usage, but is not exclusive in terms of informal usage – these individuals could also be using informal products;
- The percentage of adults who are not formally served but who are informally served (informal only) – adults using informal financial products or mechanisms only. This is exclusive informal usage and does not include individuals who are within the banked or other formal categories of the access strand that also use informal services;
- The percentage of adults who are excluded/unserved – adults using no financial products to manage their financial lives – neither formal nor informal and depend only on family/friends for borrowing and save at home if they save.

The **Landscape of Access** is used to illustrate the extent to which individuals have or use financial products and services. The web 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.

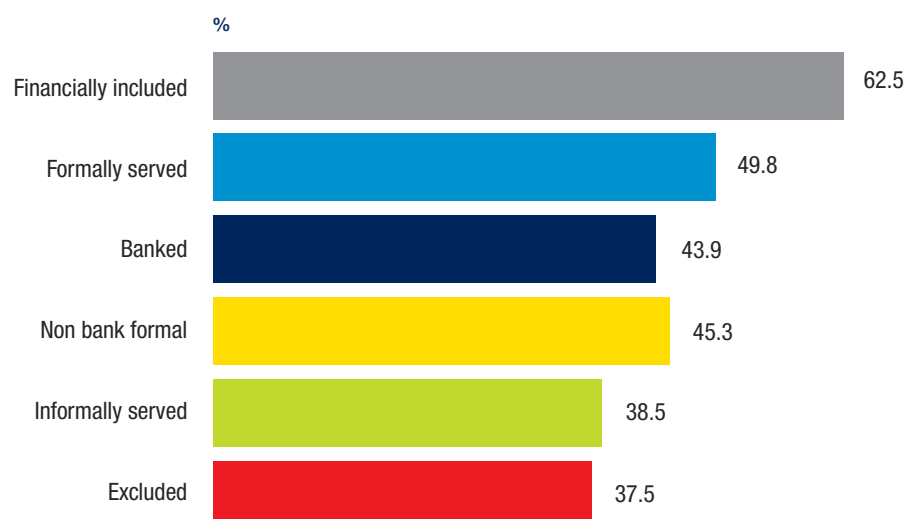
4.2.2 Levels of inclusion – overview

According to the FinScope 2011 survey, 62.5% of Swazi adults (333 517) are financially included. This level of inclusion comprises those individuals who are using formal products and/or services and/or informal mechanisms to manage their financial lives.

The proportion of the 'formally served' is 49.8% (265 746). While 43.9% Swazi adults are banked (234 2627), 45.3% have/use non-bank formal financial products which include building societies, cooperatives and microfinance institutions.

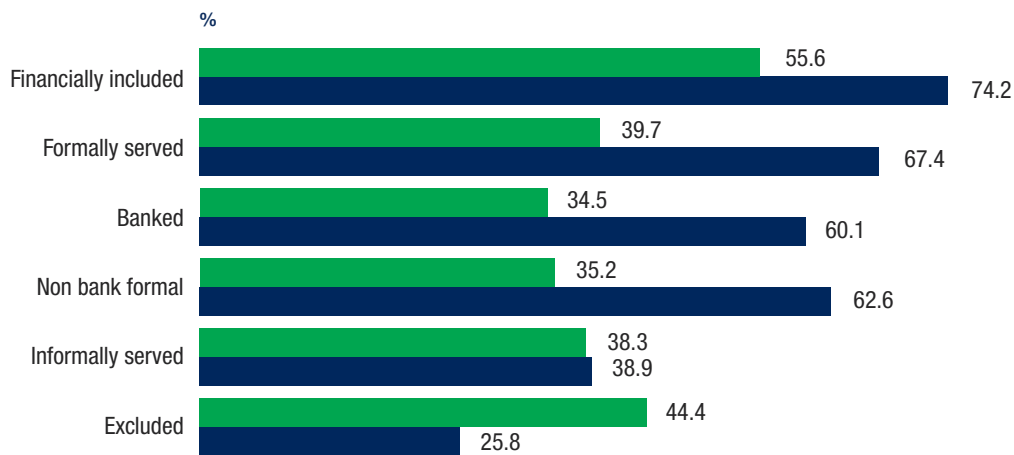
Informal financial products or mechanisms are used by 38.5% of the adult Swazi population while 37.5% use no financial products or services. These adults do not have or use any financial products and if they borrow, they rely only on friends or family; and if save, they save at home.

Figure 19: Levels of inclusion – overview



Level of financial inclusion by location: There are great differences in the levels of financial inclusion by location. People residing in rural areas are more likely to be excluded. The high level of inclusion (74.2%) among the urban population is driven by the access or usage of banking products and non-bank formal products. The level of access or usage of informal mechanisms is similar for both the urban and rural populations. This occurrence confirms that the usage of informal mechanisms amongst the urban population could be by choice rather than the only mechanism available.

Figure 20: Levels of inclusion – urban/rural split

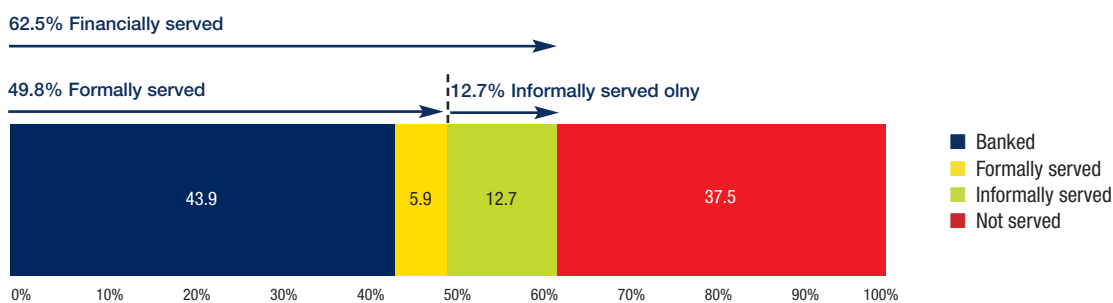


4.2.3 Swaziland Financial Access Strand

In calculating the Access Strand, a hierarchical approach is used in order to depict:

- The percentage of individuals who are banked (**banked**) – identifying individuals using commercial bank products. This is not necessarily exclusive usage – these individuals could also be using financial products from other formal financial institutions or informal products as well as bank products = 43.9%
- The percentage of individuals who are formally served but who are not banked (**other formal**) – identifying individuals using financial products from formal financial institutions which are not commercial banks such as microfinance institutions or insurance companies. This excludes bank usage, but is not exclusive in terms of informal usage – these individuals could also be using informal products = 5.9%
- The percentage of individuals who are not formally served but who are informally served (**informal only**) – individuals using informal financial products or mechanisms only. This is exclusive informal usage and does not include individuals who are within the banked or other formal categories of the access strand that also use informal services = 12.7%
- The percentage of individuals who are **excluded/unserved** – individuals using no financial products to manage their financial lives – neither formal nor informal and depend only on family/friends for borrowing and save at home if they save = 37.5%

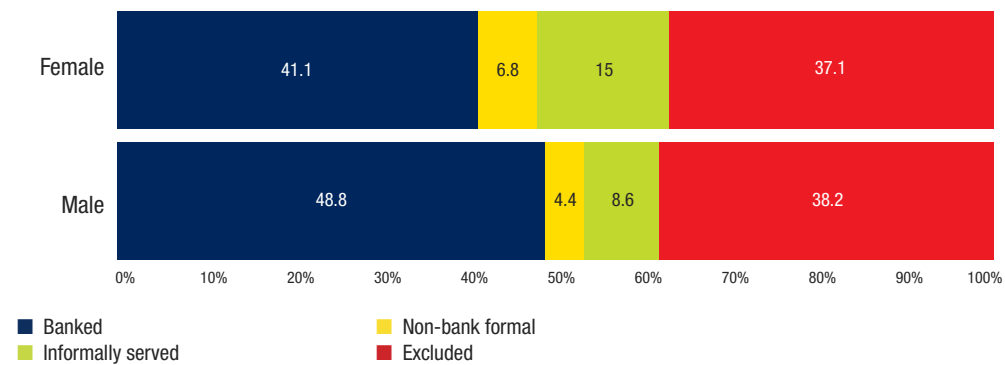
Figure 21: Financial Access Strand



The Financial Access Strand for Swaziland indicates that the overall level of formal financial access for adults is 49.8%, with 43.9% of adults reported to be banked, whilst an additional 5.9% have formal financial access through other formal institutions, such as MFIs, building societies and insurance. Non-bank formal and informal providers, therefore, play an important role in pushing frontiers of access, resulting in 62.5% of the adult Swazi population categorised as financially served. Informal services/mechanisms push out the boundaries of financial access by 12.7% when considering those using only informal providers. However, this still leaves about two in five adults who manage their lives without using any formal or even informal financial services.

Financial Access Strand by gender: The level of inclusion between males and females is similar (61.8% and 62.9% respectively). However, males are more likely to have or use formal products/services (53.2% compared to 47.9% for females), while females are more likely than men to only use informal mechanisms (15% compared to 8.6% for males). This trend clearly demonstrates the informal sector’s ability to push financial exclusion barriers among the female population.

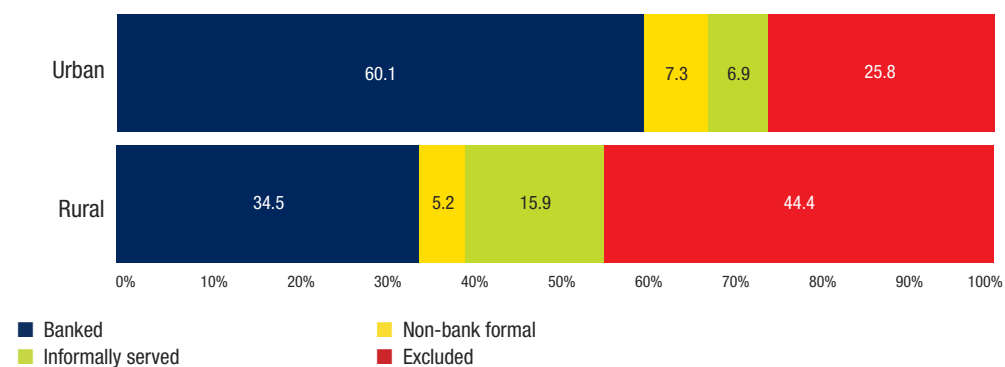
Figure 22: Financial Access Strand by gender



Financial Access Strand by location: The most significant difference between rural and urban usage of financial products lies in the use of bank products and informal products:

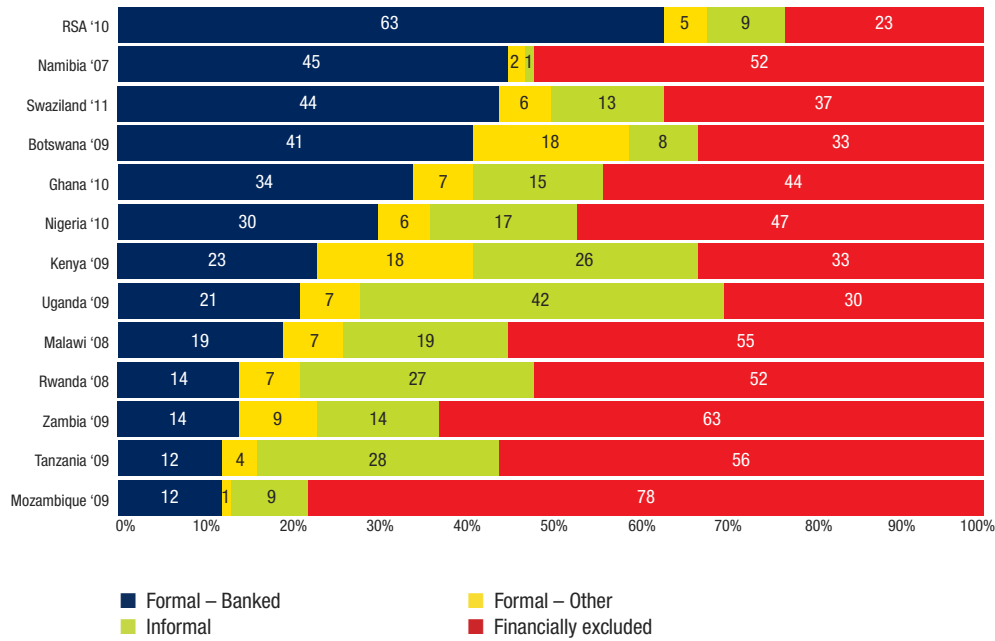
- Bank penetration is 60% higher among urban adults compared to rural adults with just above a third penetration rate;
- The informal sector seems to be an important driving force of financial inclusion among rural adults, recording a penetration rate two times higher than urban adults who are relying only on informal mechanisms.

Figure 23: Financial Access Strand by location



Financial Access Strand country comparison: The figure below provides an overview of the comparison of the Access Strands of African countries where the FinScope survey has been conducted. With 43.9% of the adult population being banked, Swaziland seems to be well positioned in comparison to other countries, which in many cases have a significantly higher GDP per capita. It should be noted, however, that some of the FinScope surveys are a few years old and current financial access figures may have improved.

Figure 24: Financial Access Strand by country



The figure above also illustrates how a country's different financial services providers – both formal and informal – work together to provide financial services to the greater population.

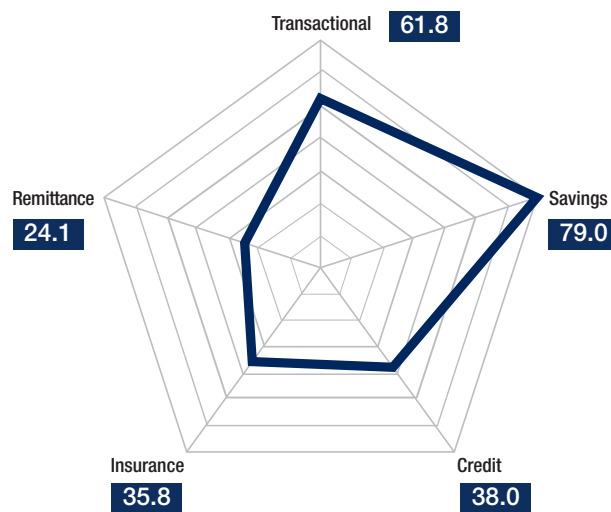
The Access Strand is a useful indicator for quick comparisons across countries. Caution, however, is needed when comparing results across countries. Each country has a unique financial sector and general economic context that has to be taken into account when making any comparative analysis.

4.2.4 Financial Landscape of Access

The Landscape of Access illustrates the extent to which individuals (aged 18 years or older) have or use financial products and services. The diagram depicts, on its five axes, the percentage of adults that have or use:

- Transactional products/services (e.g. cheque account, debit card)
- Savings products/services
- Credit products/services
- Insurance products/services
- Remittance products/services (e.g. Western Union/Moneygram, bank transfers)

Figure 25: Landscape of Access in Swaziland



The figure above illustrates the percentages of Swazi adults using the different categories of products (i.e. transactional, savings, credit, insurance, and remittance) – including both formal and informal mechanisms. The Landscape of Access in Swaziland shows that the usage of savings products or services is very high (79.0%). The graph also shows that apart from savings, transactional (61.8%) and credit (38.0%) products and services are the dominant ways in which Swazi adults interact with the financial services sector.

4.3 Financial product usage

4.3.1 Banking

More than two thirds of the Swazi adult population feels that banks can be trusted. Despite this perception, 64.2% believe that they can easily live their lives without a bank account. This perception is true to both the 'banked' and 'unbanked' populations. 45.2% of the unbanked adults believe that unemployed individuals cannot open a bank account. Based on this knowledge, some unemployed individuals may not have bank accounts because of the lack of awareness. 40.2% believe that bank services are also offered by other finance institutions and this perception is higher within the banked population.

Table 10: Perceptions – banking in general

	Total population	Banked population	Unbanked population
Perception of banking services	%	%	%
If you are not employed you cannot open a bank account	38.5	30.1	45.2
Having a bank account makes it easier to obtain credit	60.3	61.0	59.7
You can easily live your life without a bank account	64.2	61.4	66.5
Most services from banks are also offered elsewhere	40.2	45.1	36.4
Banks try to understand your needs and offer products that meet them	51.9	59.9	46.7
You trust banks with your money	74.4	80.2	69.8

Advantages of banking: The main advantage seems to be 'safety' for both the banked and unbanked – two-thirds (67%) of the population consider banks a safe place for keeping money. The proportion of those who consider banking as an easy and safe way for sending and receiving money is lower in the overall adult population.

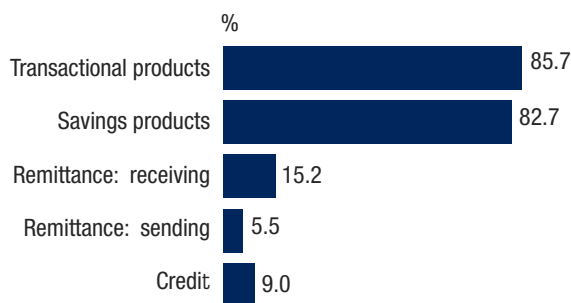
Table II: Perceptions – advantages of banking

	Total population	Banked population	Unbanked population
Advantages of banking by the banked and unbanked	%	%	%
Money is safe from theft	67	94	65
You get interest on savings	27	22	34
Salaries can be deposited by employers	17	27	9
Helps you to get access to loans	12	12	12
Easy way of receiving money from others	9	12	5
Safe way of receiving money from others	8	11	6
Easy way of sending money to others	4	6	2
Safe way of sending money to others	4	6	3

Overall, the banked proportion of the adult Swazi population aged 18 years and older is 43.9% (= 234 421). These are individuals that have a bank account or use the services of a commercial bank regulated by the Central Bank of Swaziland (CBS).

The banking sector in Swaziland is mainly driven by transaction and savings products with 85.7% and 82.7% respectively for the banked population. The low uptake for credit products and sending of money via banking channels is evident.

Figure 26: Drivers of banking



The large majority of the Swazi banked population does not use technologically advanced banking products such as internet and cellphone banking, visa electron and investment accounts. When asked, which bank products they currently have, 67% of the banked population mentioned ATM cards (channel), 67% savings account and 17 % cheque accounts. A mere 12% said they have debit cards and only 6% have a credit card. The low ownership of these products may be a result of the bank fees associated with using these products. Lack of confidence in the security of internet and cellphone banking may be another prohibiting factor. Though subject to investigation, these factors may be considered in finding out why many¹ people do not use their cellphones to access internet based banking services.

¹ FinScope results show that 81.5% of the 18+ population own cellphones.

Table 12: Uptake of banking products

Percentage of the banked population that use...	
ATM/Cash point card	67
Savings account	67
Current / cheque account	17
Debit/connect card	12
Credit card	6
Cellphone banking	4
Standing order	3
Internet banking	3
Fixed deposit	2
Loan account	2

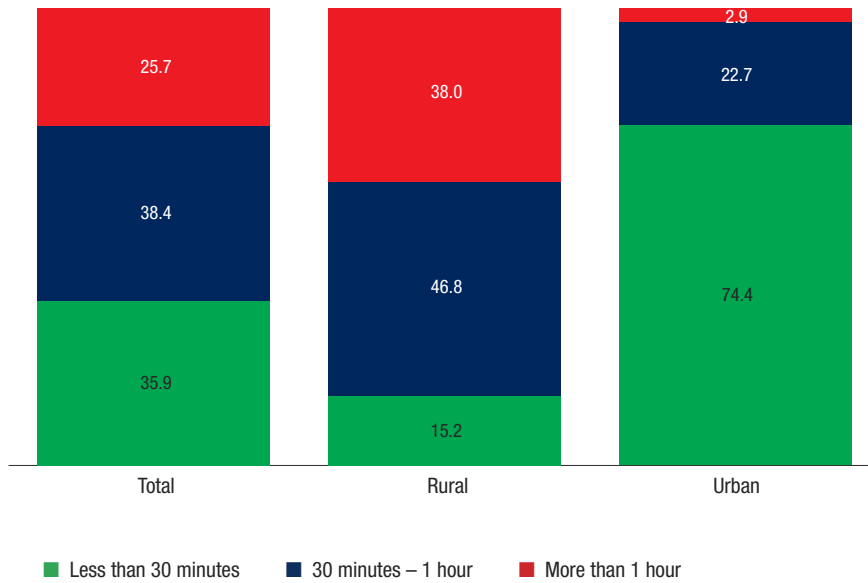
Bank product usage is higher for transaction products such as cash withdrawals (66%), cash deposits (46%) and obtaining bank statements (30%). Key drivers for the banked are transaction products. Though banks have visibly expanded the provision of ATMs for customer convenience, a higher proportion of the banked population utilise bank services from inside the bank than on the ATMs except for cash withdrawal services. The behaviour highlights areas to focus on in getting through channel issues, such as how best to undo bottlenecks and queues at different parts of the service side.

Table 13: Uptake of transaction products

	Percentage of the banked population that use...	In the bank	ATM	Both
Used products	%	%	%	%
Cash withdrawal	66	39	42	1
Cash deposit	46	87	3	3
Obtain a bank statement	30	46	25	14
Received money from someone in a bank account	16	62	13	3
Cash a cheque	13	82	1	3
Money transfer to another person's bank account	8	54	12	1
Cheque deposit	7	69	3	1
Money transfers between own accounts	7	52	19	2
Paid people/bills by cheque	4	51	8	2
Draw a bank cheque	2	49	5	6

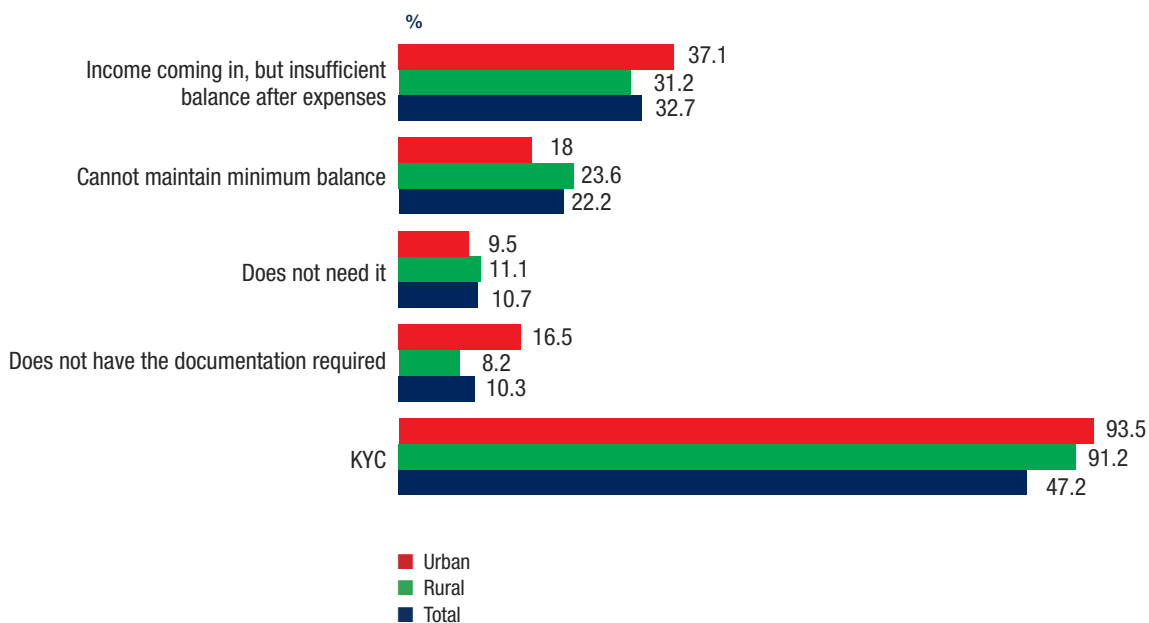
Distance to banks: The section on access to facilities referred to the stark differences regarding levels of access to facilities in urban and rural areas. However, if we analyse the distance to banks and also compare this with FinScope results in other African countries, one can conclude that physical and geographical access is not a major concern. 62% of the adult population in rural areas takes at least less than one hour to reach a bank and on average, 25.7% of the total adult population takes more than an hour to reach a bank.

Figure 27: Access to banks



Perceived barriers to banking: Financial reasons are cited by the unbanked as the primary reason why they do not have bank accounts (such as low income, or cannot maintain minimum balance). 10.7 % said they do not need a bank account whilst 10.3% say they do not have the documentation required. The incidence of not having the proper documentation is twice as high in the urban areas compared to rural areas. Increased exposure to the need to have a bank account in the urban areas compared to the rural areas may be a contributing factor to this incidence.

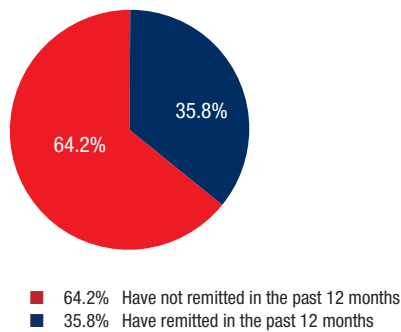
Figure 28: Barriers to banking



4.3.2 Remittances

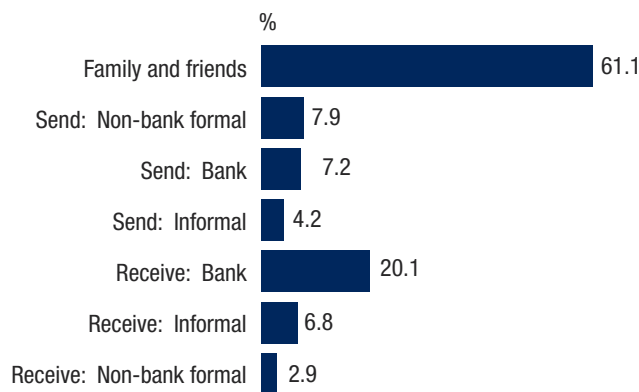
More than a third of Swazi adults send or receive money. The figure below illustrates that 35.8% of the adult population sent or received money in the past 12 months prior to the FinScope Swaziland 2011 survey. 21 % of people who remit sent money, with 4% sending money outside the country. The transfer of money within the country is much more prevalent with 18% of adults having sent money to someone within Swaziland in the past 12 months. 17 % of the population have received money within Swaziland, while receiving money from abroad was limited to 3%.

Figure 29: Incidence of remittance



The most common mechanism used to transfer money is sending cash with a relative or friend (61.1%). 20.1% received money via a bank account. This figure is higher compared to other countries that have implemented FinScope surveys.

Figure 30: Remittance mechanisms



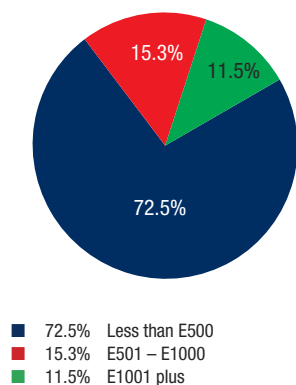
Demographics of remitters: As is the case in many other countries, domestic remitters (population that received money prior to the survey) tend to be among the young and rural area dwellers. In Swaziland, 55% of the population who received money in the past 12 months prior to the survey are less than 30 years of age and just above 70% of this population live in the rural areas of Swaziland. The majority of people who sent money in the last 12 months (prior to the survey) are the banked population. However, it is notable that the incidence of sending money via a bank was low at 7.2% in the past 12 months. Banks do not seem to be the preferred mechanism in the sending process in Swaziland. About two-thirds (66%) of the people who self-delivered (sending) the money in the past year had no other option or there were no banks or post offices to remit through.

Table 14: Profile of remitters

	Sent money	Received money
Location	%	%
Urban	58.4	29.1
Rural	41.6	71.2
Regions	%	%
Hhohho	27.7	18.7
Manzini	35.8	27.1
Shiselweni	14.4	26.8
Lubombo	22.1	27.4
Age	%	%
18-19	2.4	11.2
20-29	35.6	43.5
30-44	38.1	17.6
45-59	18.7	14.9
60+	5.2	12.8
Access Strand	%	%
Banked	70.2	35.5
Other formal	6.9	8.8
Informal	10.2	15.7
Excluded	12.7	39.3

Looking at the amount of money that was last sent by the remitters, 72.5% of the adult individuals sent less than E500, while 15.3 % sent the value between E501 to E1000. However, the value is in the total value of money last remitted prior to the survey: The total amount of remittance money sent by individuals before the fieldwork is E93 million (or approximately US\$13.2 million). This total is made up of the 21% (110 588 individuals) of the adult population that sent money in the past 12 months.

Figure 31: Remittance value

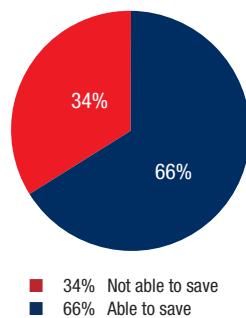


4.3.3 Savings and investments

This section presents findings on how and where the Swazi adult population saves and invests. The formal category includes savings and investment options with the commercial banks of Swaziland (licensed and regulated by the Central Bank) and the savings with the Building Societies and Cooperatives. Informal mechanisms include informal savings groups (such as Tinhlangano, saving clubs/ROSCA and/or saving with an employer). In this study, savings and investment have been grouped into one category indicating 'savings'. This is because many people do not easily differentiate between saving and investing. 'Savings' was defined as putting money aside to use in the future irrespective of where one actually saves the money, while investment was described as putting money aside or putting money into an activity or a financial institution so that it yields returns.

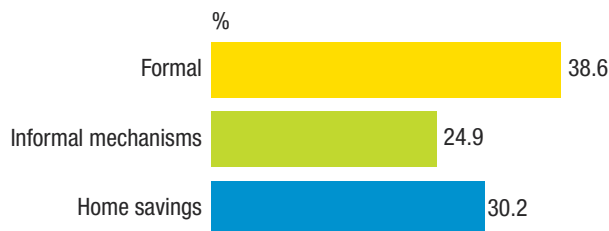
Ability to save: 66% (358 741 individuals) of the adult Swazi population claimed they are able to save while only 34% claimed they were unable to save. Although these figures are high, the perceptions and reasons for most Swazi adults to save is based on a short term period, mostly just for meeting their daily needs and immediate expenses.

Figure 32: Ability to save



About two in five Swazi adults (39%) use or have savings products from formal institutions, which includes banks (130 175 individuals have savings products from banks) and non-bank formal products (52 888 individuals save at institutions such as Building Society and Cooperatives). A quarter of the adult population saves using informal mechanisms or products, such as Tinhlangano's.

Figure 33: Savings mechanisms



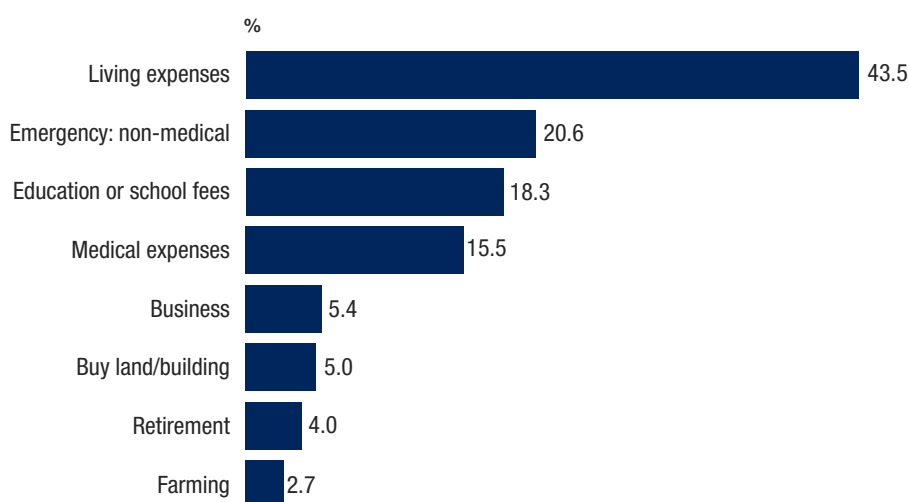
Exploring the saving population: 206 034 (57%) of those who are saving use or have formal savings products – the usage of formal savings products is more among the urban savers (75.5%) compared to the savings population in rural areas (44.9%). There is a higher proportion of adults who use or have informal and home savings in the rural population compared to the urban population.

Table 15: Savings mechanisms

	Total	Urban	Rural	Male	Female
Total population who have saving products	358 741	%	%	%	%
Formal savings	57.4	75.5	44.9	66.3	52.4
Informal savings	37.1	32.5	40.2	24.4	44.4
Savings at home	44.9	35.9	51.1	41.9	46.6

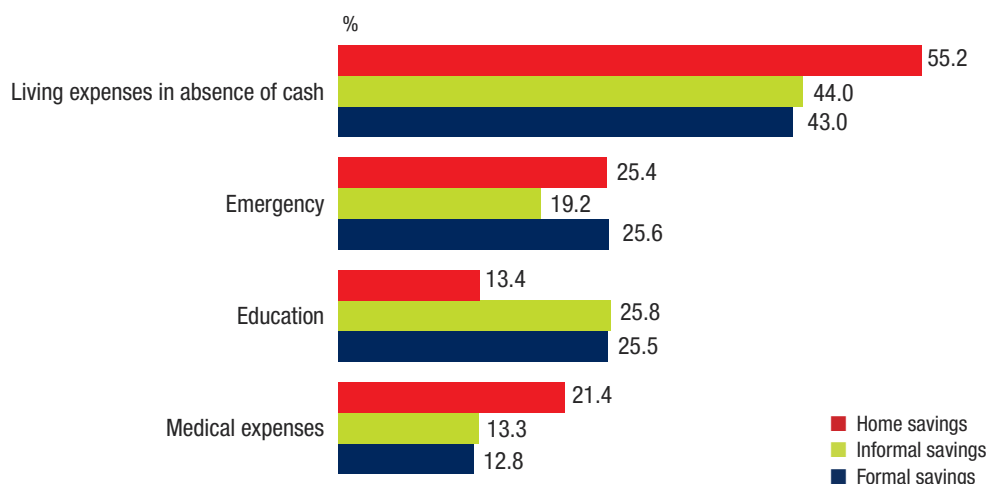
Reasons for saving: Exploring the reasons why people save, helps financial institutions to design products that are suitable and complement the needs of those who save. The figure below indicates that most people currently save because they want to meet household basic living expenses (43.5%), followed by guarding against (non-medical) emergency situations (20.6%). With the exception of saving for 'education or school fees', very few adults (less than 6% of adults) save money for future investment purposes such as a house, business or retirement.

Figure 34: Reasons for saving



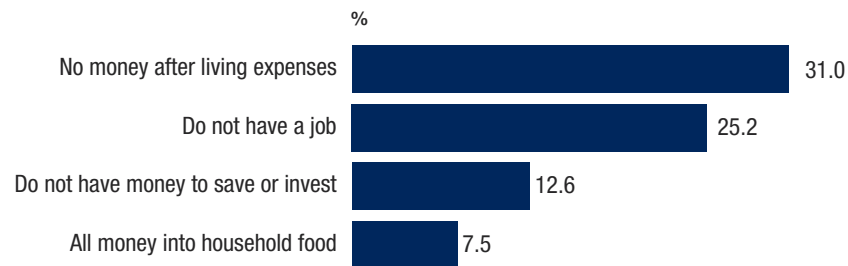
People using formal savings products are more likely to save for emergencies and education. Those using informal products or mechanisms are more likely to save for education. The incidence of savings to meet household basic necessities and medical expenses are high among those who keep cash at home.

Figure 35: Reasons for savings by savings mechanisms



Barriers to savings: Most common reasons for not saving refer to limited money after living expenses (31% of those who do not have/use savings products) and unemployment (25.2%). This is closely linked to financial knowledge behavior and perceptions – the challenge lies in financial education which could be aimed at changing behaviour. People feel that they need to have a large amount of money to save after the expenses have been met.

Figure 36: Barriers to saving

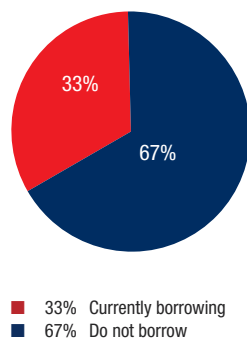


4.3.4 Credit and borrowing

Only a third of Swazi adults (33%) borrowed money in the past 12 months. This seems lower than expected. It is possible that some were limiting their responses to only formal loans rather than the different forms of borrowing – especially all kinds of informal borrowing. The embarrassment of admitting to borrowing is one of the reasons for the under reporting of credit usage. Hence, this reported percentage should be used with caution.

Credit and borrowing status: A large proportion of the population (67.0%) claimed to have no credit product or mechanism. As highlighted above, this may be as a result of some of the population that limited their responses to only formal loans, rather than the different forms of borrowing.

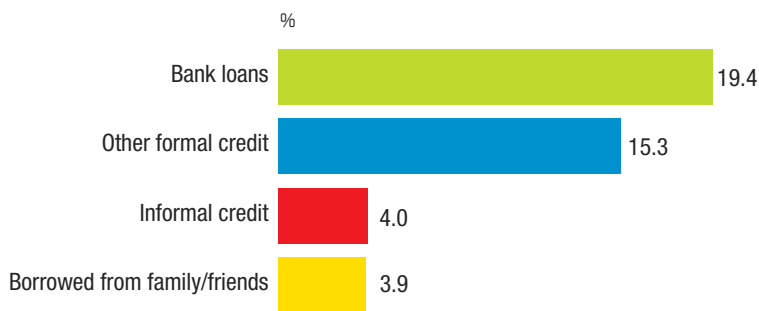
Figure 37: Incidence of borrowing



Credit mechanisms: 19.4% of adults who borrowed money 12 months prior to the survey, did so from the informal sector; which includes borrowing from savings groups (Tinhlangano), shops (through taking goods in advance) and borrowing from informal money lenders in the community (shylock). Borrowing from friends and family constitute 15.3% of the adult population – this type of borrowing is not included in the formal or informal access categories. The results indicate a low take-up of credit products from formal institutions (4% borrowed from commercial banks of Swaziland, while 3.9% borrowed from other formal institutions such as Building Societies, Cooperatives and MFIs).

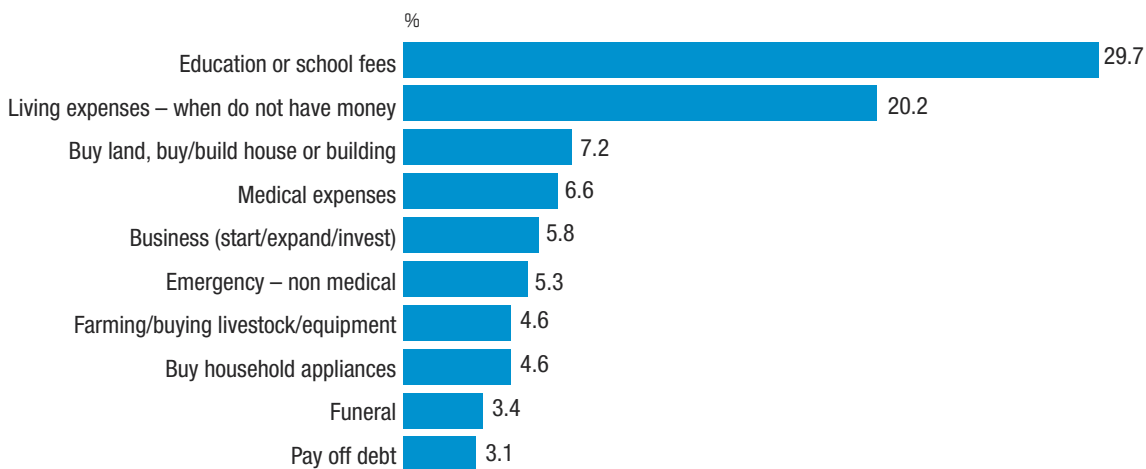
The low figures from banks and other formal non-bank institutions could be as a result of perceived higher interest charged by these institutions. A large proportion of the Swazi adults (71.5%) are aware of the interest one pays when borrowing money.

Figure 38: Borrowing mechanisms



Reasons for borrowing: Swazis mainly borrow to pay for education /school fees (29.7%) and living expenses (20.2%). Buying land, buying or building a house or building and medical expenses also feature as other salient reasons why the Swazi adult population borrows money, recording 7.2% and 6.6% respectively. Reasons for borrowing: Swazis mainly borrow to pay for education /school fees (29.7%) and living expenses (20.2%). Buying land, buying or building a house or building and medical expenses also feature as other salient reasons why the Swazi adult population borrows money, recording 7.2% and 6.6% respectively.

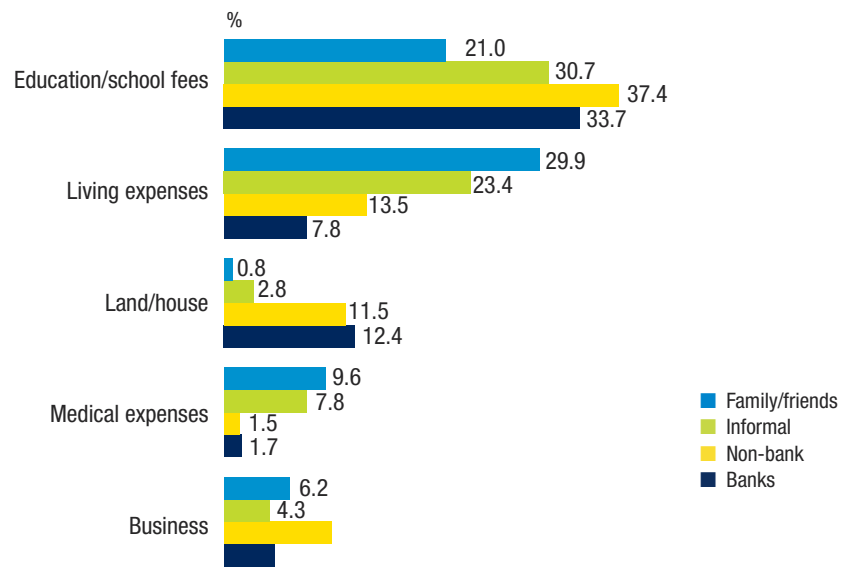
Figure 39: Reasons for borrowing



The majority of people that borrow for education /school fees obtain these services from formal non-bank institutions (37.4%), banks (33.7%) and informal institutions (30.7%), while 21.0% borrow money for education from friends or families. These relatively high figures suggest that the Swazi adult population explore every avenue that can help them obtain money for their education. Living expenses is the second most important reason for borrowing. Of those who borrow from friends or families, 29.9% borrow for living expenses.

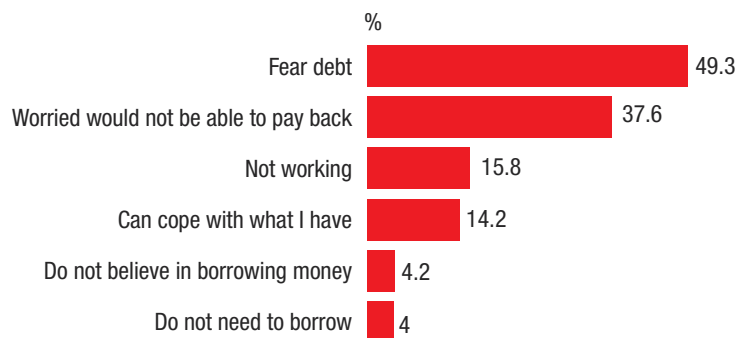
23.4% of the population that borrow from the informal sector do so for living expenses. For starting or expanding businesses and paying off other debts, formal non-bank products are common and this is probably due to the relatively stringent conditions one has to meet in order to be granted a loan. For medical and non-medical expenses most people prefer borrowing from friends and families.

Figure 40: Reasons for borrowing by borrowing mechanisms



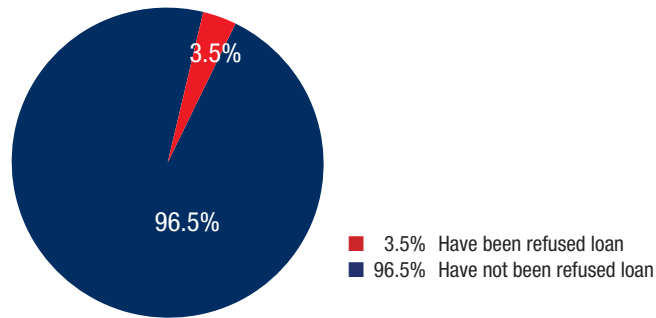
Barriers to borrowing: 49.3% of Swazi adults said that they avoid borrowing because they fear debt. 37.6% said they are worried that they would not be able to pay off their debt and therefore avoid borrowing in the first place. About 4% of the population agreed to the question on whether an unnecessary situation to borrow or disbelief in borrowing resulted in them avoiding borrowing.

Figure 41: Barriers to borrowing



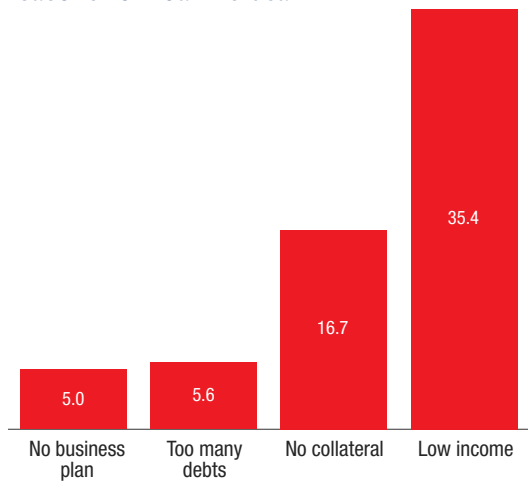
As shown below, 3.5% (about 9000) of Swazi's who tried to borrow in the last 12 months were refused loans.

Figure 42: Incidence of loan refusal



Of those who were denied loans, 35.4% were not successful because they were told that their income was too low, 16.7% of them had no collateral, while about 6% of them had too many debts, and 5% had no business plan.

Figure 43: Reasons for loan refusal



The majority of Swazi's (89.2%) think buying on credit is more expensive. 99.1% and 89.8% of the formally served population and informally served respectively believed that buying on credit is expensive. Most Swazi's (93%) also agree that one should avoid borrowing money if possible (including 93.1% of the formally served and 92% of those informally served), which might relate to the fear of debts / not being able to pay it back as cited above (barriers of borrowing). However, 16.5% of the population said that they cannot feed their families without loans. 11.5% of the formally served and 21% of the informally served agreed that they cannot feed their families without loans. While 5.3% of the population believes it is okay to borrow money and pay it later of which 2.3% are formally served and 7.2% are informally served.

Table 16: Perceptions on borrowing and credit usage

Statements	Total population	Formally served	Informally served
Buying on credit ends up being expensive	89.2%	99.1%	89.8%
You avoid borrowing money if you can	93.0%	93.1%	92.5%
Without credit/ loan, cannot feed family	16.5%	11.5%	21.0%
If you borrow money, it is ok to pay later than agreed	5.3%	2.3%	7.2%
It is ok to borrow money to pay back outstanding debt	16.0%	17.9%	18.6%
You have an idea of interest you pay when borrowing money	71.5%	80.6%	80.1%
Able to borrow money when in need is more important	28.8%	27.0%	26.9%
Better to remain with debt than sell something to pay it	28.9%	37.3%	34.6%
Better to keep savings than use it to pay debt	28.5%	36.0%	28.3%
Consider using money-lender in community in an emergency	43.3%	37.2%	54.0%
It is embarrassing to borrow money or buy on credit	19.9%	19.8%	16.9%

4.3.5 Insurance and risk management

Risk management: Insurance is defined as a risk management tool primarily used to offset any cost that would be incurred by the occurrence of an unplanned event. For this survey, insurance was categorised into formal (policies supplied by licensed insurance companies) and informal (being members of village burial and welfare groups). The key risks that were perceived to affect the families financially were serious illness of a household member (37.1%), death of a family member (29.8%) and the death of or loss of income from main income earner (27.4%). There are various risk factors that impact on the Swazi adult population's lives. The most common experienced risks are, 'rise in the prices of groceries' and 'illness within household or family' – recorded by 89.4% and 58.2% of the population respectively.

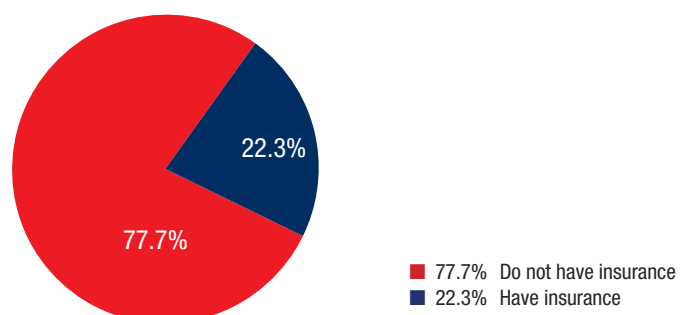
Table 17: Perceived versus experienced risks

	Perceived risks	Experienced risks	Top 2 coping mechanisms	
Illness within household or family that require medical attention	37.1	58.2	Used savings 31.5%	Borrowed money 24.9%
Death of other family member not main income earner	29.8	34.9	Borrowed money 22.2%	Used savings 15%
Death of or loss of income from main income earner	27.4	27	Done nothing 18.3%	Used savings 14.8%
Increase in prices of goods such as groceries	22.4	89.4	Cut down expenses 57.9%	Done nothing 21.2%
Loss of job – self or household member	18.3	27.6	Done nothing 39.9%	Cut down expenses 26.5%
Increase in transport costs	16.6	84.9	Cut down expenses 50.6%	Done nothing 32.5%
Increase in household size	15.3	9.2	Cut down expenses 43.7%	Done nothing 30.7%
Increase in electricity/water prices	11.2	83.9	Cut down expenses 61.5%	Done nothing 23.3%
Drought, poor rainfall or loss of access to water for farming	9.6	75.6	Done nothing 41.2%	Cut down expenses 17.6%
Harvest failure or loss of crop harvest	8.7	60.4	Cut down expenses 34.1%	Done nothing 23.7%
Having to pay unforeseen school fees	8.3	69.9	Borrowed money 31.1%	Used savings 25.2%

The financial consequences of unplanned events (such as illness within household or family that require medical attention; death of other family member not main income earner and having to pay unforeseen school fees) are dealt with through savings and borrowing money. In desperate circumstances most of the population had to 'cut down expenses' in order to cope with increase in prices, transport costs, water and electricity.

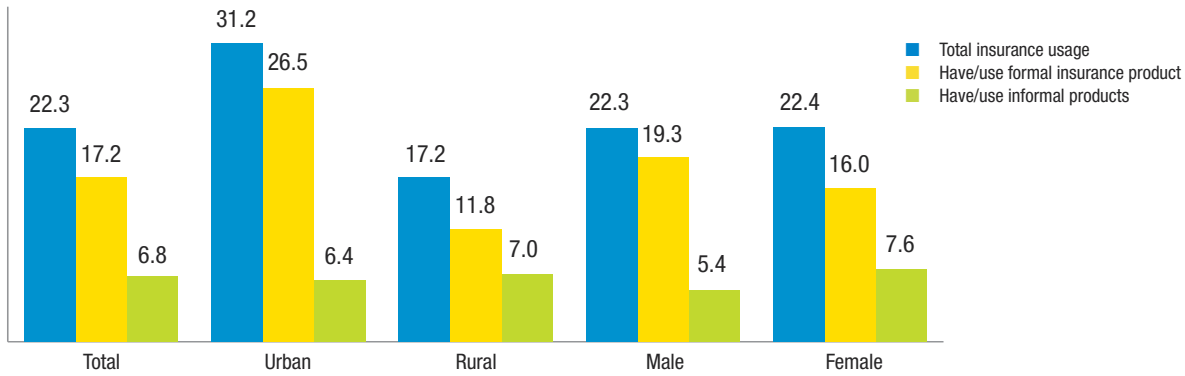
Insurance: As shown below, 22.3% (119 255 individuals) of the Swazi adult population aged 18 years and above have some form of insurance.

Figure 44: Incidence of insurance – total



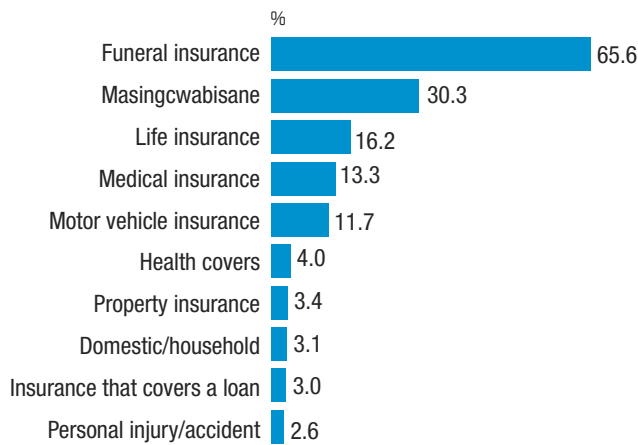
The results show a high usage of formal insurance products (17.2%), while informal insurance is at 6.8%. Insurance usage is most prevalent among the urban population. Usage of formal insurance products in urban areas is two times higher than that in rural areas.

Figure 45: Incidence of insurance by location and gender



Funeral insurance (65.6%) is the major insurance product owned by those having some form of insurance. Almost a third (30.3%) of insurance users have/use an informal insurance mechanism (masingwabisane) and other frequently used formal type of insurance products includes life insurance (16.2%), medical insurance (13.3%) and motor vehicle insurance (11.7%).

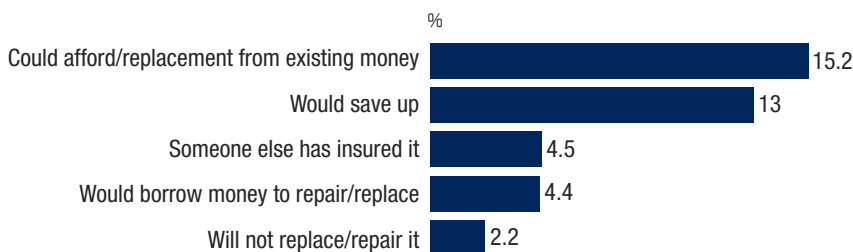
Figure 46: Incidence of insurance by product



Barriers to insurance: There are various reasons that prevent people from taking an insurance policy. Most of these reasons refer to affordability and appropriateness.

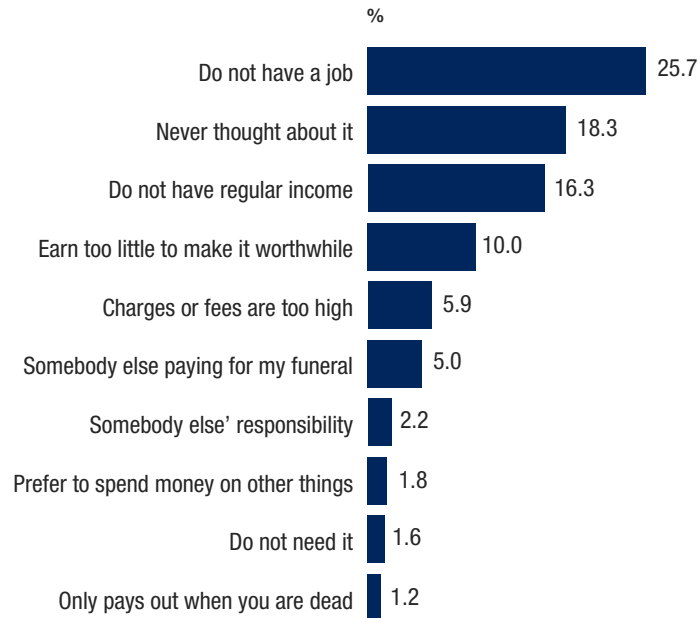
Vehicle insurance: 81.6% of the Swazi adult population do not have or own a vehicle, which is the main reason for the low uptake of vehicle insurance. Of those who have a vehicle, but are not insured, 28.2% would use savings mechanisms to either replace a stolen vehicle or to repair a damaged vehicle (15.2% would use their savings and 13% would save for that purpose).

Figure 47: Strategies to replace or repair a vehicle



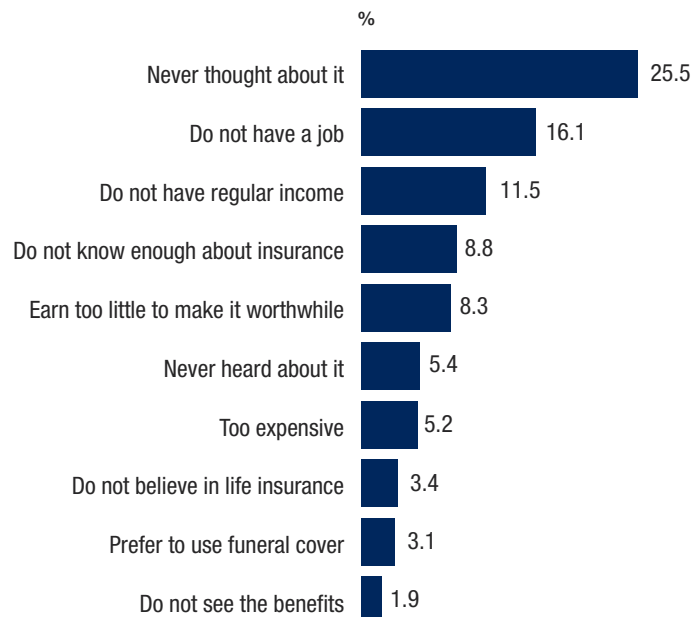
Monetary related issues are the main reasons why people do not have funeral cover. 58% of those who do not have any type of funeral cover have cited reasons which include, the lack of jobs (25.7%), irregular income (16.3%), earning too little (10%), and high charges or fees (5.9%). There is opportunity to sell the benefits of a funeral policy to 18.3% of this population who have never thought about having a funeral product.

Figure 48: Barriers to funeral cover



Life cover: 25% of Swazis who do not have a life cover have never thought about this product. This trend points to a need for financial education, as a further 8.8% of this population claim to have little information on life cover. Monetary reasons are also important for the low take-up of this product.

Figure 49: Barriers to life cover

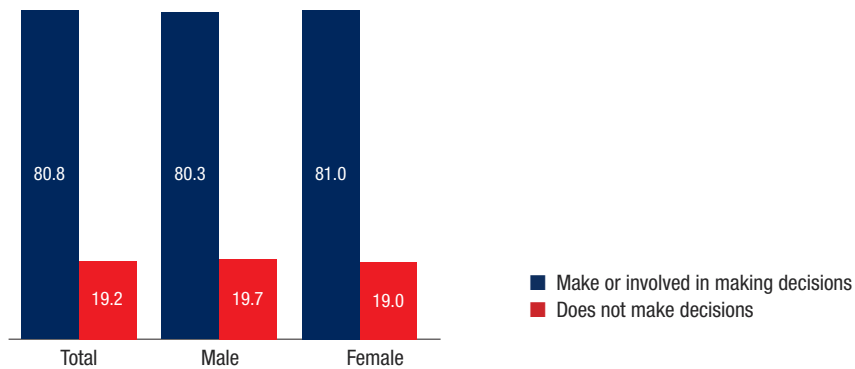


4.4 Financial capability and decision making

In this section financial capability refers to people's knowledge, perceptions and attitudes towards access to and the use of financial institutions, products and services. It explains barriers to the use of financial services and products by different people.

Decision making: FinScope seeks to understand who and how people make decisions related to finances in the household. Such decisions are related to purchasing of goods and services; when, how and where to save or invest and expenditure. The figure below indicates that eight in every ten people of the adult population somehow participate in making financial decisions for the household either solely or in consultation with other members.

Figure 50: Decision making at home



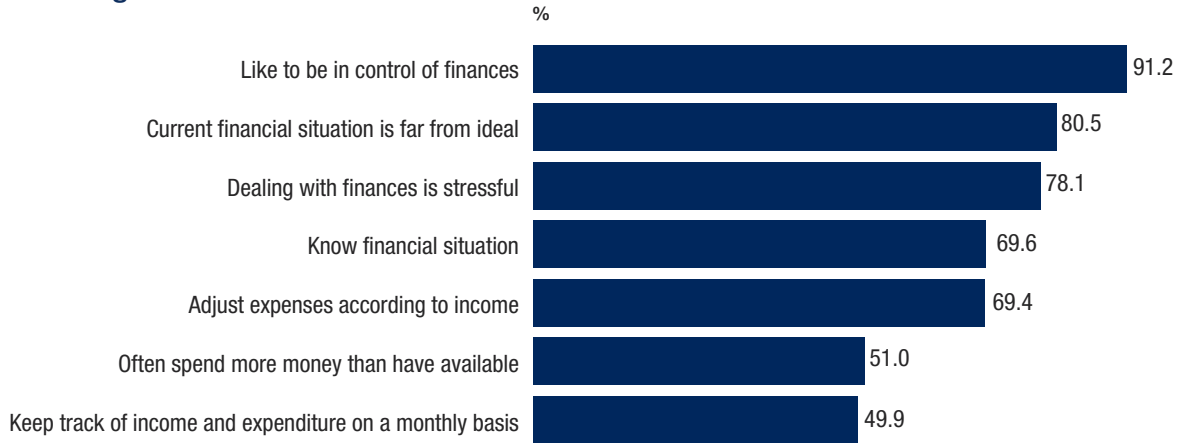
Financial decisions are made mostly in consultation with other household members (36.6%) and also in consultation with their spouses (28.6%). Approximately one fifth of the population (18.3%) indicated that they are not involved in making financial decisions. Discrepancy between sexes is mostly observed in those who claim to make decisions alone, with 10.9% males and 17.4% females. The proportion of males who claim to consult their spouses in decision-making is higher than that of females. This might be true since most of the married men do not stay with their families due to working at different places. A significant number of Swazi men work on mines and factories in neighboring countries.

Table 18: Decision making in the household

	Total	Male	Female
	%	%	%
Make decisions with other household/family member	36.6	37.2	36.2
Make decisions in consultation with spouse/partner	28.6	31.5	26.8
Not involved	18.3	18.3	18.1
Make decisions alone	15.0	10.9	17.4
Make decisions with boy/girl friend	0.6	0.7	0.6

Attitude towards finances: The large majority of Swazi people (91.2%) prefer to be in control of their finances and money matters. Although this figure looks high, there are still more challenges as quite a large proportion of the population (80.5%) agreed that their current financial situation is far from ideal and 78.1% agreed that dealing with finances is stressful. Every second Swazi (51%) often spend more money than what they have available and 50.1% cannot keep track of their income. However, about 69.9% of the population recognizes their financial situation.

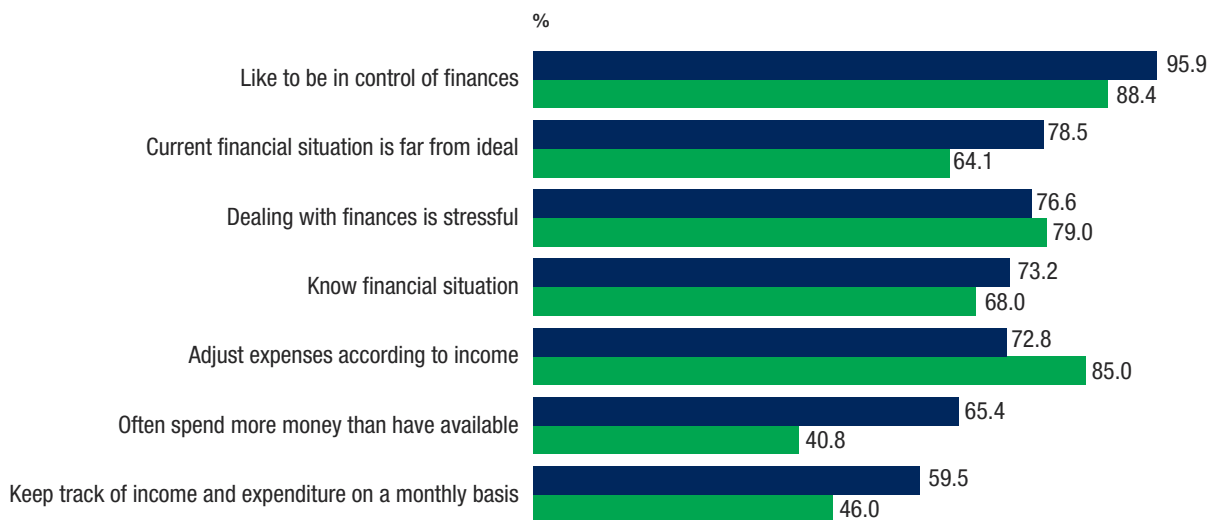
Figure 51: Financial attitudes



This observation is uniform across both sexes. The desire to be in control of finances and money matters is generally higher in the urban areas compared to rural areas. Almost 96% of the population in urban areas wants to be in control versus 88.4% of the rural population.

Financial challenges are perceived to be more severe in the rural areas: 85% of the rural population reported that their financial situation is far from ideal compared to 72.8% of the urban population. About 46.0% of the rural population can spend more than what they have available, compared to 59.5% of the urban population.

Figure 52: Financial attitudes by location



Financial control by level of inclusion: About 93.3% of the population who are formally served like to be in control of their finances and money matters. The informally served and financially excluded population amount to 88.8% and 89.1% of the population respectively who like to be in control of their finances and money matters. Higher proportions of the informally served and financially excluded are faced with the challenges of their current financial situation being far from ideal compared to those who are formally served.

The stress or burden of dealing with finances is also seen to be more severe for those who are informally served. This might be true since the survey results show that about 75% of the formally served know their financial situation on any given day and they are able to adjust their expenses according to their income, compared to about 67% and 64% of those who are informally served and financially excluded respectively.

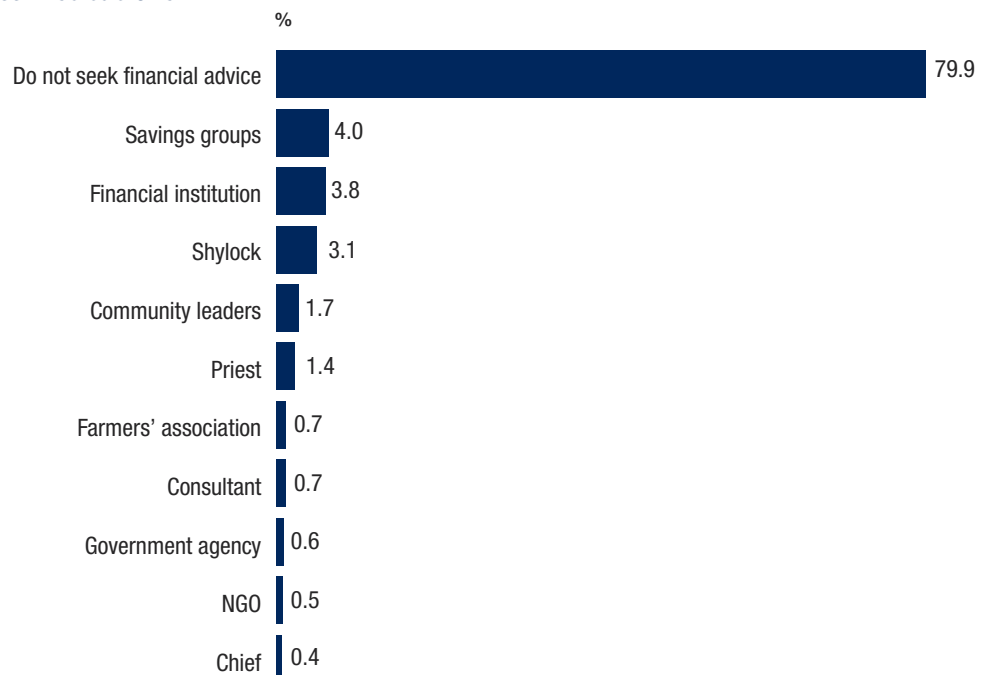
Table 19: Financial attitudes by financial inclusion

	Total	Formally served	Informally served	Financially excluded
Statement	%	%	%	%
Like to be in control of their finances	91.2	93.3	88.8	89.1
Your current financial situation is far from ideal	81.5	77.1	84.0	83.7
Dealing with finances is stressful /a burden	78.1	77.2	81.1	78.2
On any given day, you know what your financial situation is	69.9	74.9	66.8	64.2
You adjust your expenses according to your income	69.4	74.0	65.9	64.2
You often have to spend more money than you have available	51.0	56.0	58.2	41.7
You keep track of your income and expenditure	49.9	62.3	44.4	35.0

Financial advice: In general, a large proportion of the population (79.9%) does not seek financial advice from other sources apart from family and friends. 4% of adults seek advice from savings groups and 3.8% (20 497 individuals) seek advice from financial institutions, while 3.1% seek advice from money lenders.

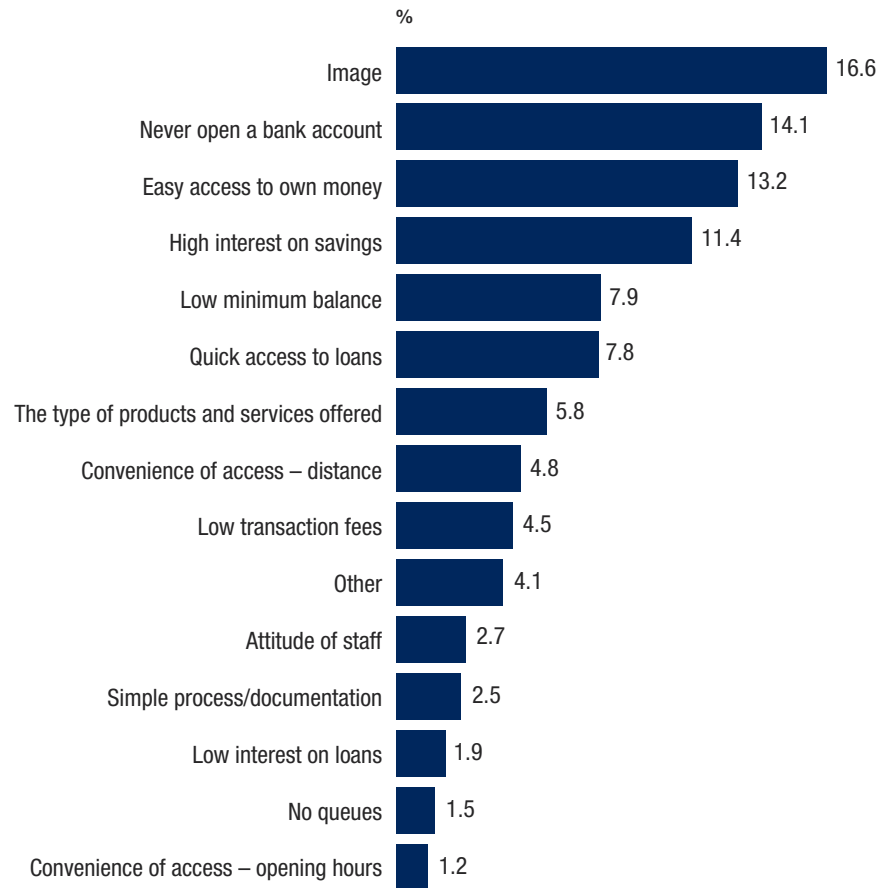
Among those who seek financial advice, urban dwellers mostly seek advice from priests, consultants, and financial institutions, while the rural dwellers seek advice from savings groups, shylocks and farmers associations. The situation for the rural population might be the result that most of them are engaged in farming activities and for them, farmers' associations are close. They are also benefiting from government and other agency programs of rural development which promotes working together in several projects including the formation of savings schemes.

Figure 53: Financial advice institutions



Choosing a financial institution: Many factors are taken into consideration when choosing a financial institution. The image of the institution seems important (16.6%), followed by easy access to own money (13.2%), high interest on savings (11.4%), low minimum balance (7.9%) and quick access to loans (7.8%). Opening hours, challenges with required documentation, low interest on loans, queues, and the distance to banks seems to matter less when choosing a financial institution. The size and infrastructure of the road network of the country make it possible for the majority of the population to reach the nearest bank in almost less than an hour:

Figure 54: Factors considered when choosing an institution



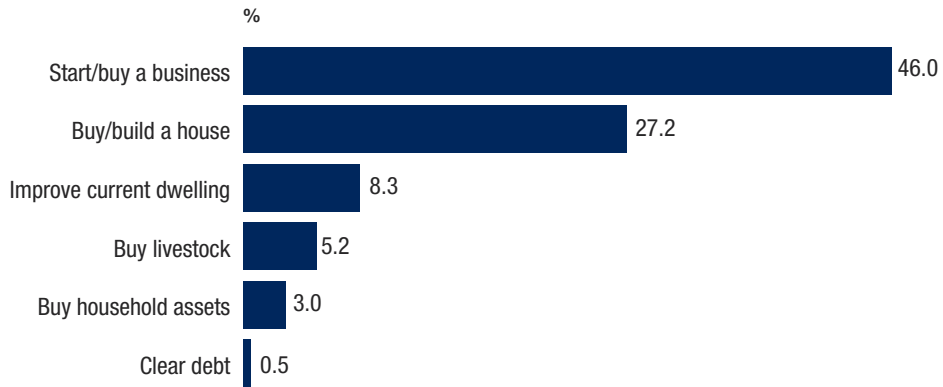
Handling large sums of money: A large proportion of the population is willing to use the country's financial institutions when handling large sums of money. More than 88% of the adult population agreed that they will deposit money into a bank if they cannot spend it immediately. A small proportion (4.6%) prefers to hide money in a safe place at home and 2.6% of the population can lend it out to someone to obtain interest. There is not much difference with regard to sex and the rural / urban population.

Table 20: Handling large sums of money

	Total (%)
Put it in a bank	88.3
Hide it in a safe place at home	4.6
Lend it out to someone to obtain interest	2.6
Give it to someone for safe-keeping	1.9
Put it into a savings club	1.1
Carry it with you always	0.3
Other	1.2

Money spending: People have different ways of spending money. If given a large sum of money, 46% would spend it on starting or buying a business, 27.2% would use it to buy or build a house, and 8.3% would spend it on improving their current dwellings, while 9.6% would use it for other things.

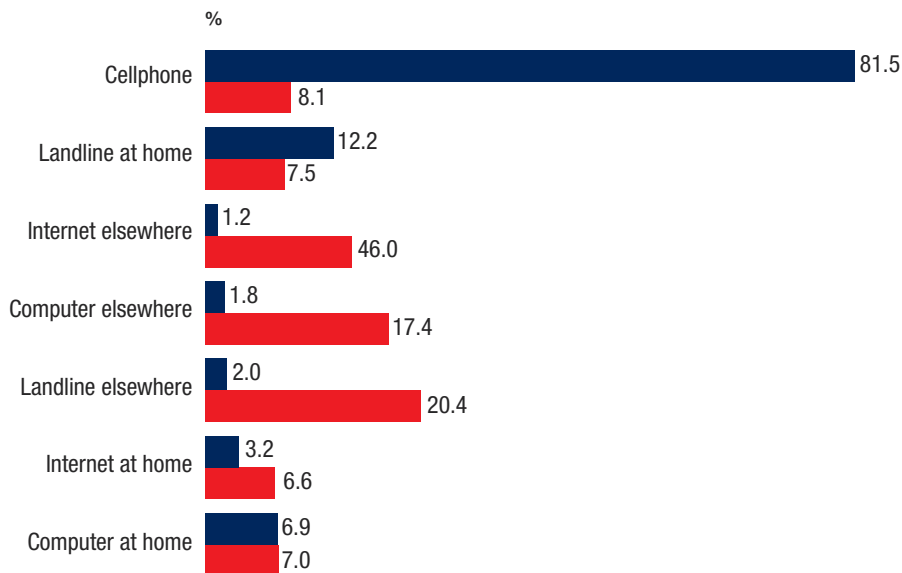
Figure 55: Priority of spending large sums of money



4.5 Finance and technology

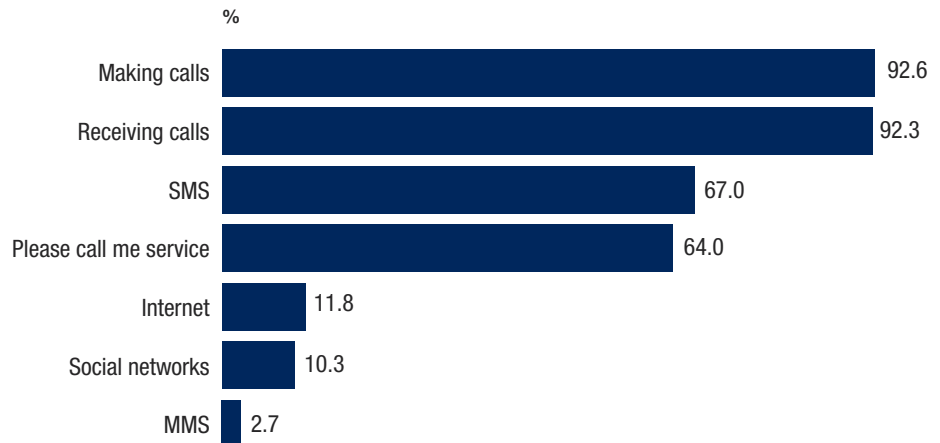
Ownership and access to technology: Cellphones are very popular in Swaziland with 81.5% of the adult population owning cellphones. A large proportion of the population who owns cellphones (91.2%) is found in the urban areas while 75.9% are found in the rural areas. This might be due to the mobile network coverage of the country, availability of electricity, and levels of disposable income. The results of the survey also reveal that more males own cellphones than females.

Figure 56: Ownership and access to technology



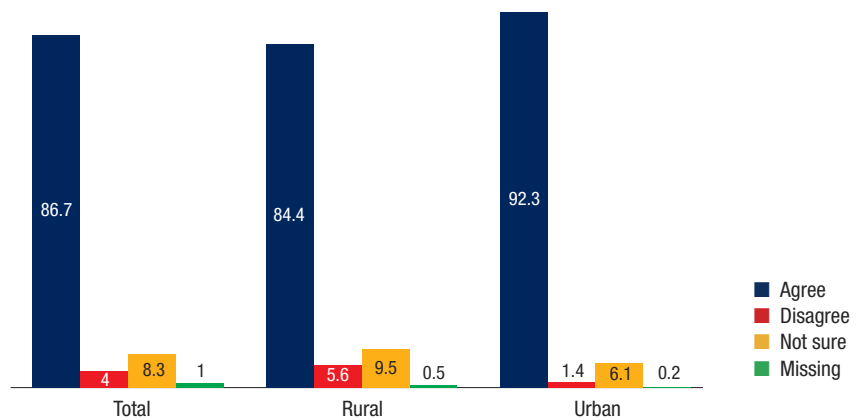
Cellphone usage: Of those who own or have access to cellphones, the large majority use them to make and/or receive calls. Usage of sms (67.1%) and please-call-me service (64%) is also common. Only 11.8% use their cellphones to access the Internet and 10.3% participate in social networks via their phones.

Figure 57: Usage of cellphones



Technology and quality of life: More than three quarters of the population (86.7%) believe that technology improves the quality of life. While 92.3% of the urban population thinks so, 84.4% of Swazis residing in rural areas believe in the improvement of quality of life through technology. There is no significant difference between men and women regarding this perception.

Figure 58: Technology improves quality of life



The reasons for borrowing for the most part mirror the reasons for saving. This too might help explain the sources of borrowing (see Figure 42).

5 Conclusions

FinScope Swaziland 2011 contains a wealth of information that can be used to support the development of Swaziland's financial system, focusing on the inclusion of all segments of the Swazi population. The following are the key findings from the survey:

1. Overall, Swaziland has good inclusion levels, similar to other Southern Africa countries (Botswana, Lesotho, Namibia and SA);
2. Many adults have low levels of income (small inconsistent incomes);
3. Many adults use informal financial mechanisms in conjunction with formal sector products; and
4. Money transfers are a common way for the extended family to provide financial support within Swaziland, as more than half of the Swazi population are dependent on others for their income

The usage of formal financial products/services is high. FinScope analyses however, indicate similarities of client profiles for banks and non-bank formal institutions, suggesting that both banks and non-bank institutions are targeting the same clients, while those without access remain without relevant products and services.

The informal sector serves a much higher proportion (39%) of the adult population, with many using the informal sector for savings and credit. Relatively few adults report that they have borrowed from the formal financial institutions in the past 12 months prior to the FinScope survey. Informal borrowing mechanisms (taking goods in advance, Tihlangano and shylock) reported to play an important role as many adults have borrowed from these set-ups in the 12 months prior to the survey. A much higher proportion of the Swazi population deal with unplanned events such as death and paying unplanned school necessities through savings and borrowings.

Formal and informal savings are mainly short-term cash deposits to smooth household cash flow in the absence of cash at that time.

Despite the small amount of money that has been sent by individuals prior to fieldwork, FinScope findings indicate that the value is in the total value of money in the system (both formal and informal). The total amount of remittance money sent prior to fieldwork is E93 million.

In attempting to increase financial services in Swaziland, one should consider that the lives of the Swazi people are shaped by realities which might have a negative impact on the perceived priorities of financial inclusion.

For a large proportion of the Swazi population who face daily realities such as fetching water from sources not on their stands, fetching wood to be able to cook, and making ends meet, financial inclusion might not be perceived as a priority. Realities that must be borne in mind when looking at financial inclusion in Swaziland include:

- Coping with the lack of basic amenities is a reality for a large proportion of the population especially in the rural areas;
- Income for the majority of the population is irregular and inconsistent in small amounts;
- Striving to make ends meet is a reality that many face.

Furthermore, in striving to push inclusion, it is important to understand both the **demand** and **supply-side**. Like in many developing countries, Swaziland faces the following realities:

- 28.7% of Swazi adults receive a regular salary/wage: 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 FinScope survey seems to indicate that this market is almost saturated in terms of formal inclusion as the large majority of the salaried population (73.4%) are already banked.
- Small business owners represent 60.9% of the adult population who are formally included: From a demand-side perspective, business owners are likely to need transaction and money transfer services, making them more likely to use banks and other non-bank formal financial institutions, than other individuals with inconsistent incomes. From a supply-side perspective, moving beyond salaried individuals to increase their customer base, formal financial institutions are faced with the reality of individuals with small, irregular and inconsistent incomes. This leads to formal financial institutions querying the viability of this market. In pursuing this market, formal financial institutions will have to be innovative and creative when developing products and services that meet the needs of businesses and are equally profitable.

- 23% of Swazi adults receive small, inconsistent and irregular incomes, such as those who rely on piece jobs (34.8% of which are formally included) and farming activities (46.9% formal inclusion). From a demand-side perspective the financial behaviour of these individuals is driven by daily needs. They are likely to save and borrow small amounts – quick access to savings and credit would be a key requirement. Evidence from FinScope surveys suggests that this is often the reason why they resort to informal mechanisms. The challenge for the formal sector will be to find ways of leveraging off the informal sector (e.g. through providing services to savings groups) without creating usage barriers for those who depend on these mechanisms.



Making financial markets work for the poor

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