AN EXCLUDED SOCIETY?
FINANCIAL INCLUSION IN SADC THROUGH FINSCOPE LENSES

FINMARK TRUST

Making financial markets work for the poor

Acknowledgements

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FinMark Trust's purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration' as well as institutional and organisational development, in order to increase access to financial services for the un-served and under-served. FinMark Trust commissions research to identify the systemic constraints that prevent financial markets from reaching out to these consumers and by advocating for change on the basis of the research findings. FinMark Trust is driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems that can benefit all consumers.

Substantive inputs and guidance were received from the FinScope team, Eighty20 (who prepared an earlier version of the concept), and the reference group members that provided insights into developments and case studies.

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Foreword

FinScope surveys provide a holistic perspective of the financial sector which help in the development of effective interventions that are essential for sustainable financial market development and the enhancement of financial inclusion. Results of FinScope surveys have been published on a country-by-country level and, as such, stakeholders engage with data specific to their country. This book provides an overview of financial inclusion in the SADC region, offering comparative data in a collected volume that is easy to understand. It also attempts to compare and portray the levels of financial inclusion across the SADC region.

In 2007, FinMark Trust published its first cross-country book for the Southern and East African region covering seven countries namely Botswana, Kenya, Namibia, South Africa, Tanzania, Uganda and Zambia for which data was available at the time. Since then, with the support of UKaid from the Department for International Development, FinScope surveys have been expanded across twenty-two countries, twelve of which are in the SADC region and these are Botswana, Democratic Republic of Congo (DRC), Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

This book analyses data from the most recent FinScope surveys available in each country. Together, 48 461 respondents participated in the twelve SADC country surveys, representing almost 125 million adults across the region. Data mining was stimulating in its own right, but all the more exhilarating because it was the first time that in-house research expertise was used to present consistent, comparative information on financial inclusion for so many countries in the region. It was as invigorating to engage with one another and with numerous stakeholders in their respective countries while designing the research and presenting the results. Careful planning and stakeholders' feedback were taken into account during the preparation of this book, which has forced us to reflect and question our approach to financial inclusion measurement. As a result, three main sets of issues emerged which are inter-linked.

The first relates to our understanding of financial inclusion and the way we measure it. This book, therefore, provides a definition of financial inclusion and selects data points that can be used as a proxy to describe levels of financial inclusion. It also provides an introduction to the methodology of FinScope.

The second is on the comparability of our data across countries. While the FinScope surveys are similar in intent, in the sampling methodology and analysis framework, they differ with respect to respective country's contexts which are generally informed by financial products/services/channels and regulatory frameworks. The fact that the FinScope questionnaire design takes into account inputs from local stakeholders makes it a comprehensive and suitable tool for measuring financial inclusion in each country by taking into account country-specific developments. As such, a lot of thought went into identifying what indicators should be compared across countries and to construct meta-labels across similar categories of data to enable meaningful analysis. FinScope collects a range of data points, many of which are not comparable. Hence, data presented here is not as comprehensive as the individual country analysis.

Lastly, the provision of credible financial sector information at country level, enables effective evidence-based dialogue amongst financial sector role players. By analysing and aggregating the data across the different SADC countries including the access and uptake of financial services, this book provides an overview of the financial inclusion landscape in the region which can be useful in tracking future trends as the policy and regulatory environment improves and financial products and services become affordable and accessible to end-users. It is anticipated that future versions of this book will be revised as more FinScope surveys are conducted with further emphasis on the quality of financial inclusion.

I am pleased to present this publication for public use in the hope that it will enhance our knowledge on regional financial inclusion.

Dr Prega Ramsamy
CEO of FinMark Trust

Preface

Since FinMark Trust's inception in 2002, a wide range of research on the issues of access to financial services have been commissioned by the Trust. This book arises from a desire to package and consolidate the many pieces of underlying FinScope surveys implemented in the SADC region. Although some datasets and information are in the public domain and can be obtained on request from FinMark Trust, the information is not packaged in one document in a consolidated format and hence the need for this book. The FinScope survey is comprehensive in nature and is naturally representative of how adult individuals source their income and manage their financial lives. FinScope leverages the participation of many local stakeholders and experts thereby enriching the study.

The book aims to influence the wider debate on how best to advance and integrate access in the region. While the book shows that much progress has been made in the region, there is still room for improvement, more debates and much to explore. The compilation of this book is the result of the collaborative efforts of many individuals and technical experts at FinMark Trust. At the outset I would like to express my gratitude to Dr Prega Ramsamy, the CEO of FinMark Trust, for his insights and leadership during this process. I also take this opportunity to express my immense gratitude to the individuals who have dedicated long working hours to make this book possible. I would like to thank Jabulani Khumalo for his technical expertise, efforts and contributions in leading this project. A further thank you is extended to Obert Maposa, Abel Motsomi, Bobby Berkowitz and Dr Sabine Strassburg for their technical support during this process. A special thank you is extended to Nitha Ramnath for rendering editorial support and coordinating the production of this book. Any errors and omissions remain our own.

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The work of FinMark Trust in the area of financial inclusion would not have been possible without the generous financial support and commitment of UKaid from the Department of International Development (DFID) through its Southern Africa office.

Dr Kingstone Mutsonziwa
Head: Information and Research

Acronyms and abbreviations

ATM	Automatic Teller Machine
BNLS countries	Botswana, Namibia, Lesotho, and Swaziland
DFID/UKaid	Department for International Development of the United Kingdom of Britain
FI	Financial Inclusion
FMT	FinMark Trust
FSD	Financial Sector Deepening
GDP	Gross Domestic Product
GNI	Gross National Income
KYC	Know Your Customer
MAP	Making Access Possible
MFI	Micro-finance Institution
MFMW4P/M4P	Making Financial Markets Work for the Poor
MoF	Ministry of Finance
NGO	Non-governmental organisation
NSO/CSO	National Statistics Office/Central Statistics Office
SACCO(s)	Savings and Credit Cooperatives
SADC	South African Development Community (here, it refers to data from 12 member states, excluding Angola, Seychelles, and Madagascar)
SMS	Short Text Message
ToR	Terms of Reference
UNDP	United Nations Development Programme
UNCDF	United Nations Capital Development Fund

Definitions

Term	Definition
Access Strand	A measurement of financial inclusion across the formal-informal institutional provider continuum.
Adults	Those aged 15/16/18 years or older. Note: the cut-off age varies from country to country.
Banked	Individuals using one or more financial product(s) supplied by commercial banks.
Credit	Obtaining funds from another party with the promise of repayments of principal and, in most cases, with interest and arrangement charges in exchange for the money.
Demand-side barriers	Demand-side barriers to access to financial services relate to characteristics inherent to individuals that prevent them from using financial services such as perceived insufficient income, low levels of financial literacy, and lack of trust in financial institutions.
Formal other	Individuals using one or more financial product supplied by formal financial institutions which are not banks.
Formal products	Products provided by government regulated financial institutions such as commercial banks, insurance companies, and microfinance institutions.
Formally included	Individuals using formal financial products supplied by institutions governed by a legal precedent of any type. This is not exclusive usage, as these individuals may also be using informal products.
Financial access landscape	A measurement of usage of both formal and informal products across the five main product groups: transactions, savings, credit, remittances, and insurance. Percentage is calculated based on the financially included (not the total adult population).
Financially excluded	Individuals who are not using any formal or informal financial product. If they save, they save at home; and if they borrow, they borrow from friends and family.
Financially included	Individuals using one or more formal and/or informal financial product.
Informal products	Financial services provided by individuals and/or associations which are not regulated by government such as savings clubs and private moneylenders.
Informally served only	Individuals who are not using any formal financial products but who only rely on one or more financial products supplied from an informal source, such as a savings club or informal moneylender.
Informally served	Individuals who make use of informal financial products (regardless of whether or not they use formal financial services and products).
Insurance	Payment of a premium for risk of an event happening, where pay-out is made if or when the event occurs.
Remittances	The sending and receiving of money between people (usually family members and friends) in one place to people in another, using formal and/or informal means. That does not include transactions for services/payments.
Savings	Safeguarding and accumulating wealth for future use, including investments.
Supply-side barriers	Supply-side barriers to access to financial services relate to factors inherent to financial service providers that prevent individuals from using their services such as location of access points and the cost of using their services.
Transactional	Financial services that use cash or other means (such as cheques, credit cards, debit cards or other electronic means) to send or receive payments.

Chapter 1

Introduction and background

"In the recent past, many countries in the region have introduced reforms necessary to construct economies in which all people can fully participate in and derive benefit from. Progress has been made in building more equitable societies. The growth of the region remains robust, with expectations of an average of 5 percent growth over the next three years. This is exceptional if we compare it with other regions in the world. Economic activities in the region have diversified over the past decade, attracting increased foreign direct investment and benefits from rising investment in ports, electricity capacity and transportation.

However, despite the positive economic prospects of the region, many of our people are still excluded from mainstream economic activities. The improvements in our economies have not always adequately translated into sufficient opportunities for poor and low-income households to improve their living standards. It is therefore important that, as we pursue development in our respective countries, we ensure that we create a fully inclusive economic environment in which all people can participate in and derive benefit from it".

Minister of Finance, RSA,
Nhlanhla Nene, SADC Financial Inclusion Indaba, July 2015[1]

A few weeks after the 'first SADC Financial Inclusion Indaba' which was held in July 2015, in Johannesburg, a SADC meeting of the committee of Ministers of Finance and Investment took place in Bulawayo, Zimbabwe[2]. Ministers in that meeting noted the conclusion of the Financial Inclusion Indaba, which confirmed that national financial inclusion programmes are developing in isolated and uncoordinated pockets across the region. Therefore there was a need for a regionally co-ordinated approach to dealing with issues of financial inclusion, and an appropriate forum to meet on a regular basis to take stock of progress being made in this area and to propose implementation road maps for the Regional Strategy.

Against the backdrop of the state of financial inclusion in the region, FinMark Trust is publishing its' first cross-country book which summarises financial inclusion indicators from 12 countries in the SADC region using findings from FinScope Consumer Surveys. As such, it provides country overviews as well as a cross-country/regional perspective on financial inclusion.

Financial inclusion is a development priority for policy makers in the region taking into account the critical role played by the financial sector to enable efficient and secure payments, manage risks and provide a safe place for savings and remittances services. Financial services play an important role in achieving society's all-embracing objectives: growth, economic citizenship and poverty reduction. In recent years financial inclusion has gained recognition as one of the main pillars of the development agenda as shown by the Maya Declaration. However, financial inclusion alone cannot solve underlying structural flaws and/or change the lives of the poor and is part of a compendium of complementary development programmes which all contribute and can have a positive effect.

The message of this book is that the binding constraints on growth, absence of appropriate policies and innovative products, and the lack of coordinated consumer financial education must be addressed if there is to be progress.

The book illustrates that at a first glance the overall financial inclusion levels in the SADC region seems to be positive, as 66% of adults are financially included. However, inclusion is thin, i.e. it is often driven by a single product and/or the usage of transactional services rather than utilising a comprehensive package of financial services which speaks to the depth of inclusion. Further points of concern are the inability to use transactional accounts to purchase/pay for goods and services and the under-usage of cashless channels, savings accounts/behaviour that do not preserve wealth, credit which addresses the daily living expenses needs instead of increasing productive capacity or improve the quality of life, and the low insurance services penetration (largely covering funeral) which impact negatively on the process of facilitating a

1 http://www.gov.za/speeches/minister-nhlanhla-nene-sadc-financial-inclusion-indaba-23-jul-2015-0000
2 Meeting of the committee of ministries of finance and investments; 4 August 2015; Bulawayo, Zimbabwe (RECORD)

better life for the poor. The major areas of weakness require further investigation and remedial action by the region. The book also demonstrates the power of informal mechanisms (as one of the coping strategies) and mobile money. The partnership among the constituencies in the region in addressing economic exclusion provided huge opportunities to empower large segments of cash-based societies through mobile money as an enabler for financial inclusion.

FinScope Consumer Surveys: FinScope is a comprehensive and nationally representative survey on financial inclusion, looking at how individuals source their income and manage their financial lives. It provides insight into attitudes and perceptions regarding financial products and services. FinScope was first piloted in 2002 in South Africa and since then has been implemented in 22 countries (12 in the SADC region, 5 in non-SADC Africa, and 5 in Asia). The key objective of the FinScope Consumer Survey is to measure and profile levels of access to and use of financial services by all eligible adults (15/16/18 years and older), across income ranges and other demographics, and to make this information available for use by key stakeholders such as policy-makers, regulators, and financial services providers. The information provided by these surveys aim to support the reach of financial services as they provide an understanding of the adult population in terms of:

- Their livelihoods and how they generate their income
- Their financial needs and/or demands
- Assessing levels of financial inclusion (formal and informal) and providing an overview of the types of financial products (credit, savings, insurance, transactions and remittances)
- Their financial perceptions, attitudes and behaviours
- Their demographic and geographical distribution
- The obstacles they face and the factors that would have an influence on their financial situations
- Current levels of access to, and utilisation of, financial services and products (formal and/or informal)
- The landscape of access (i.e. types of products used in terms of transactions, savings, credit, insurance and remittances)
- Drivers of financial products and services utilisation
- Barriers to, utilisation of, and access to, financial products and services

The main objectives of the FinScope Surveys are to:

- Measure the levels of financial inclusion (i.e. the proportion of the population using financial products and services – both formal and informal)
- Describe the landscape of access (i.e. the type of products and services used by financially included individuals)
- Identify the drivers of, and barriers to the usage of financial products and services

As such, the survey ultimately aims to:

- Provide baseline information on financial inclusion levels
- Stimulate evidence-based dialogue that can ultimately lead to effective public and private sector interventions in order to increase and deepen financial inclusion strategies
- Determine the impact of these interventions with the help of follow-up surveys

Further details on these surveys are available online at URL: http://www.finmark.org.za/finscope/or on request

1.1 Background to this study

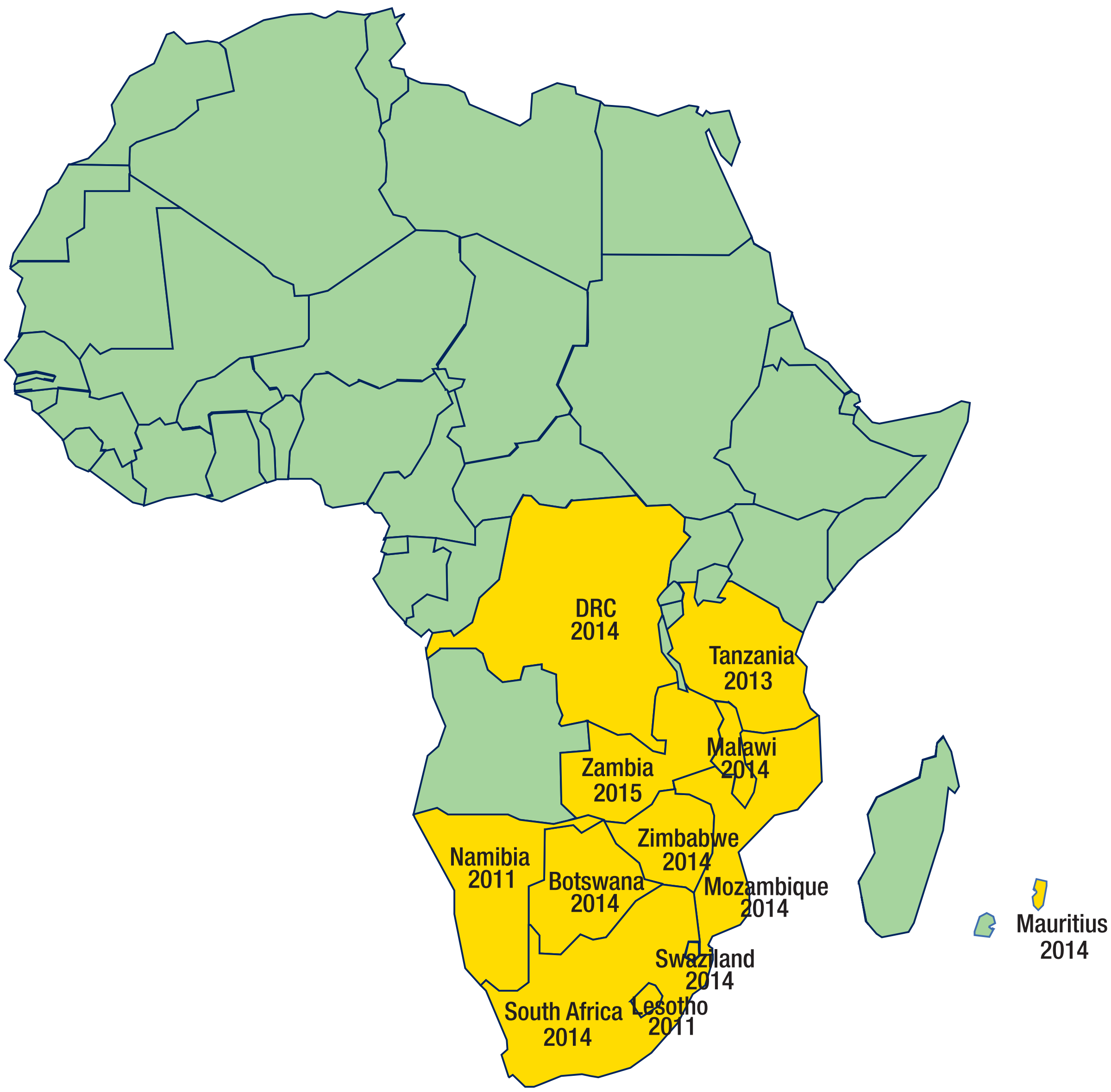
This study aims to provide an overview of financial inclusion in the SADC region. It does this by summarising available country findings from FinScope Consumer Surveys in a comparable manner including 12 SADC member states in which FinScope has been implemented. The book documents the top line findings generated from this study which is conducted on country and cross-country/regional levels.

1.2 Methodology

1.2.1 Aim and footprint of the study

The primary aim of this study is to provide an overview of the state[3] of financial inclusion in the SADC region, i.e. the 12 SADC countries in which FinScope Consumer Surveys have been conducted, including the following: Botswana 2014, Lesotho 2011, the DRC 2014, Malawi 2014, Mauritius 2014, Mozambique 2014, Namibia 2011, South Africa 2014, Swaziland 2014, Tanzania 2013, Zambia 2015, and Zimbabwe 2014.

FIGURE 1: FOOTPRINT OF THIS STUDY



[3] The year in which the surveys were conducted vary from 2011 to 2015.

Data sources: The analysis is based on 12 FinScope datasets. In addition, existing publications such as the FinScope research reports, brochures, and presentations from the respective countries were taken into account. The FinScope Consumer Surveys used here have been conducted between 2011 and 2015. They were carried out using broadly similar stratified multi-stage random sampling and the sample sizes per country vary from 1 242 in Namibia to 8 479 in Zambia, providing a total of 48 461 individual observations (weighted to about 125 million adults). All surveys are nationally representative of the eligible/bankable adult population. However, the surveys are not standardised with respect to the age of respondents. Adults are defined as those aged 15/16/18 years and older depending on the minimum age at which an individual can enter into a legal agreement (e.g. open a bank account) in ones own capacity. Data reported in this book refers to adults as defined by the country concerned.

TABLE 1: DATA SOURCES

Country	Year the survey was undertaken	Number of respondents	Minimum age of respondents	Adult population (weighted)
Botswana	2014	1 503	18	1 324 572
Lesotho	2011	2 000	18	1 133 711
Malawi	2014	3 005	16	8 025 052
Mauritius	2014	4 000	18	921 007
Mozambique	2014	3 905	16	14 431 915
Namibia	2011	1 242	16	1 245 997
South Africa	2014	3 900	16	36 778 676
DRC	2014	5 000	15	21 698 341
Swaziland	2014	3 440	18	565 043
Tanzania	2013	7 987	16	24 231 763
Zambia	2015	8 479	16	8 129 450
Zimbabwe	2014	4 000	18	6 998 144

Note: The questions asked are not exactly the same for each country as each survey was adapted to suit the country-specific context, from a demand-side perspective as well as from the supply-side, i.e. different financial products/services, provider ranges, and cultural settings. Nevertheless, there is sufficient commonality between the surveys to allow for some level of cross-country comparison.

1.2.2 Objectives

The **objectives** of this book are to:

- **Identify financial inclusion indicators** which can be used to describe the state of financial inclusion and which are comparable across the 12 countries in the SADC region
- Analyse FinScope datasets from the 12 SADC countries in which FinScope Consumer surveys have been conducted and to provide **country summaries** as well as a **comparison of financial inclusion indicators across countries**
- Describe the country-specific successes and challenges, examining commonalities and key differences **providing a contextual review** beyond data

1.2.3 Concepts and terminology

In order to ensure a common understanding and facilitate the reading of this book, the terminology and concepts used in this study are elaborated on.

The Southern African Development Community (SADC) is an inter-governmental organisation with a goal to further socio-economic cooperation and integration as well as political and security cooperation among 15 Southern African states namely, Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe and Madagascar. This book includes 12 SADC members (excluding Angola, Madagascar and Seychelles).

Types of financial services: Financial services may be provided formally or informally. Formal financial services are those offered by government regulated financial institutions such as commercial banks, insurance companies, and microfinance institutions. As such, it includes banking products (e.g. bank accounts, debit and credit cards, home loan from a bank), as well as products/services offered by other formal non-bank institutions (e.g. education policy, income payment channels such as Western Union, car insurance, medical aid, etc.). Informal financial services are provided by individuals and/or associations which are not regulated by government, such as private money lenders and savings clubs. While it is easy to distinguish whether a financial product/service is formal or informal for the vast majority of products and services, some country-specific differences might occur.

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

Financially excluded individuals are those who manage their financial lives without the use of any financial products or mechanisms external to their personal relationships. If they borrow, they rely on family/friends; and if they save, they save at home.

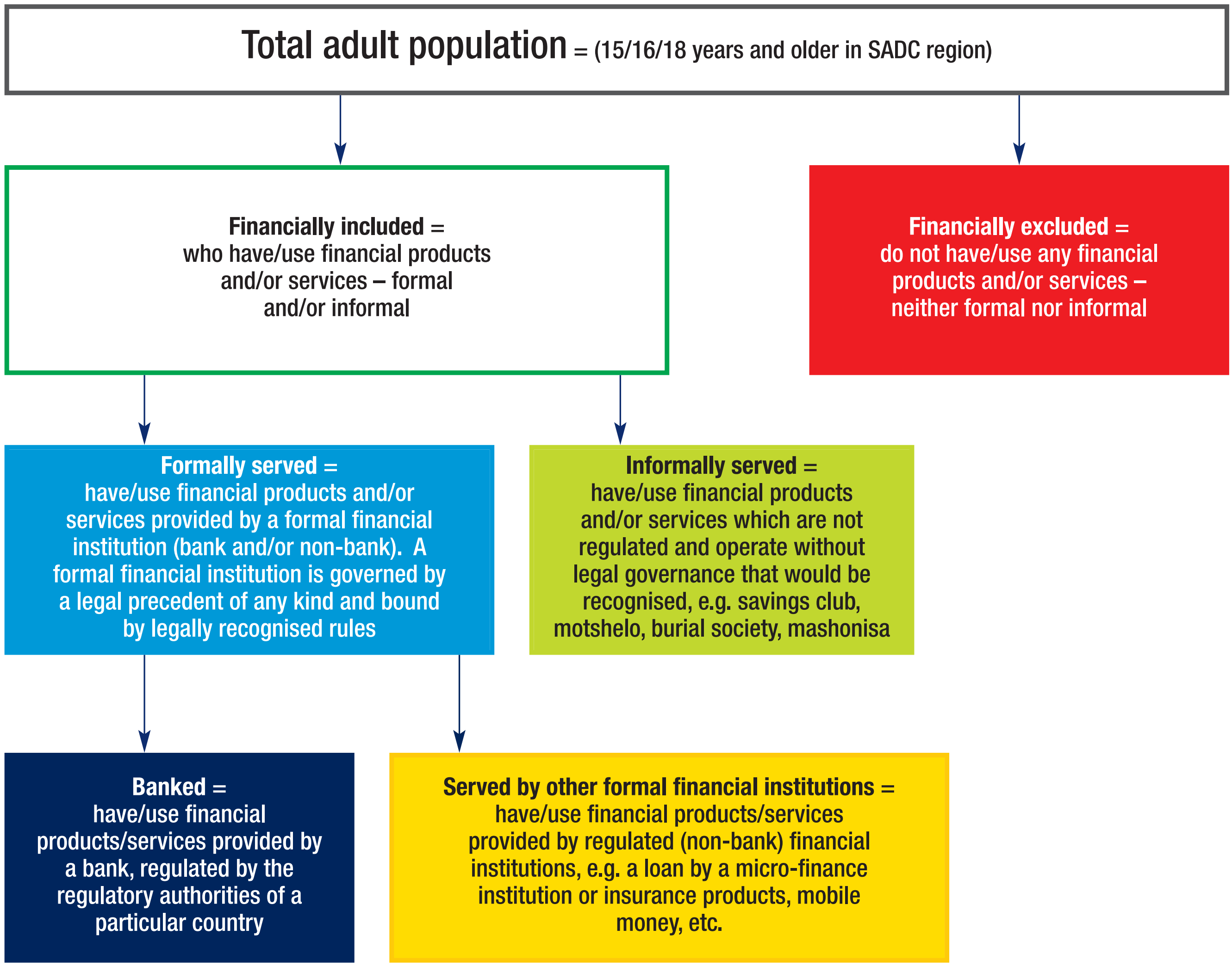
Financially included individuals are those who have/use formal and/or informal financial products and mechanisms. Note: This does not mean that these individuals have the products in their name. They could also, for example, use someone else's bank account to transact or to remit money. This includes:

- **Formally served:** Individuals who have or use products or services from financial institutions that are regulated through an Act of law (formal financial institutions).
- **Informally served:** 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.
- Those individuals who have or use **both** formal and informal products and services.

The formally served population can further be segmented into:

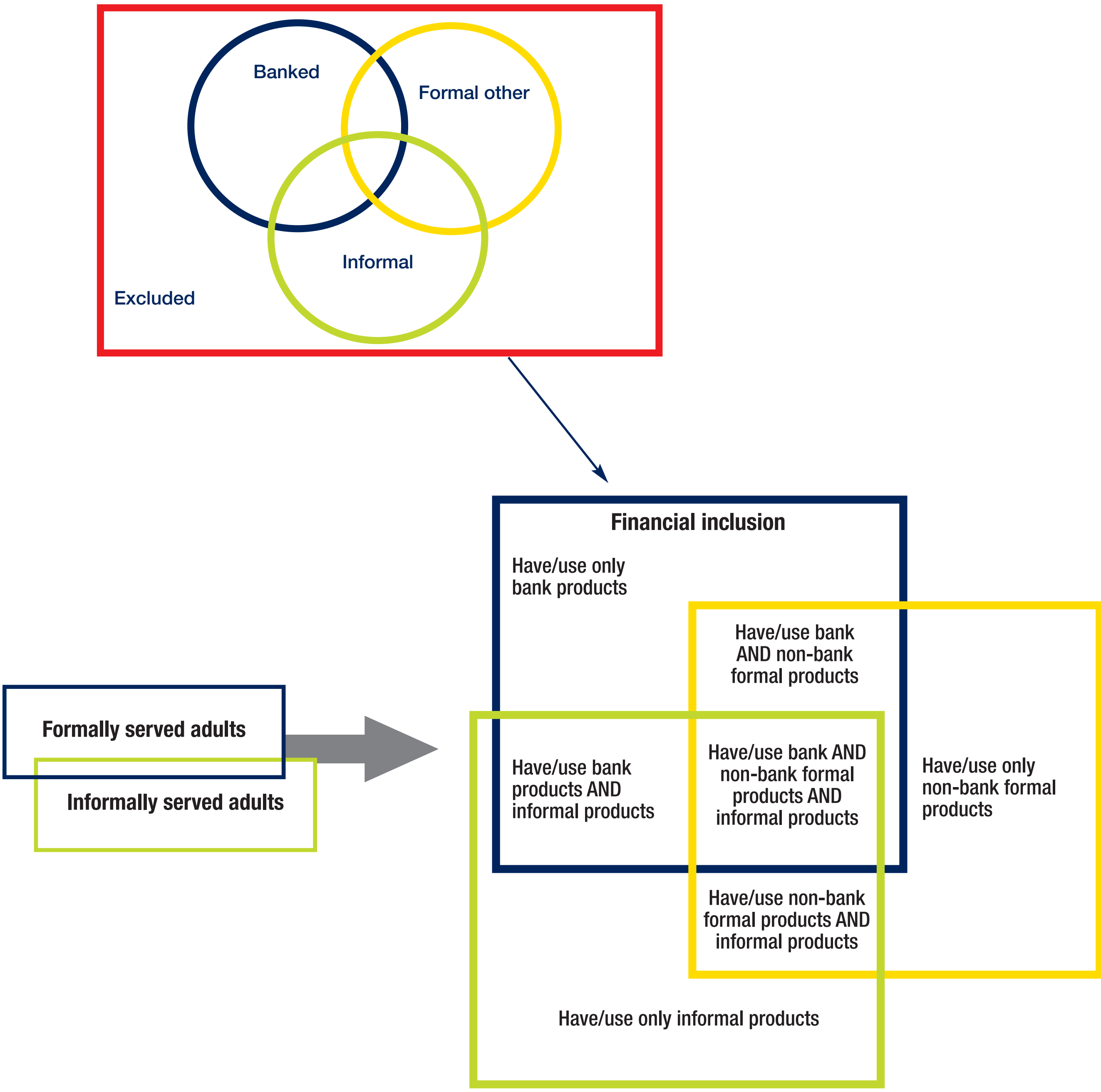
- **Banked:** Individuals who have or use products or services from licensed commercial banks that are regulated by the central/reserve bank.
- Served by **other formal** financial institutions (non-bank): Those individuals who have or use products or services from financial institutions that are regulated through Acts of law but which are not commercial banks.
- Those individuals who have or use products or services from **both** commercial banks and other formal financial institutions.

FIGURE 2: DEFINING FINANCIAL INCLUSION



There are often overlaps in product uptake as one sector might not fulfil all needs, e.g. a person might have a bank account, an insurance product, and be part of a community savings group. Possible overlaps are illustrated below.

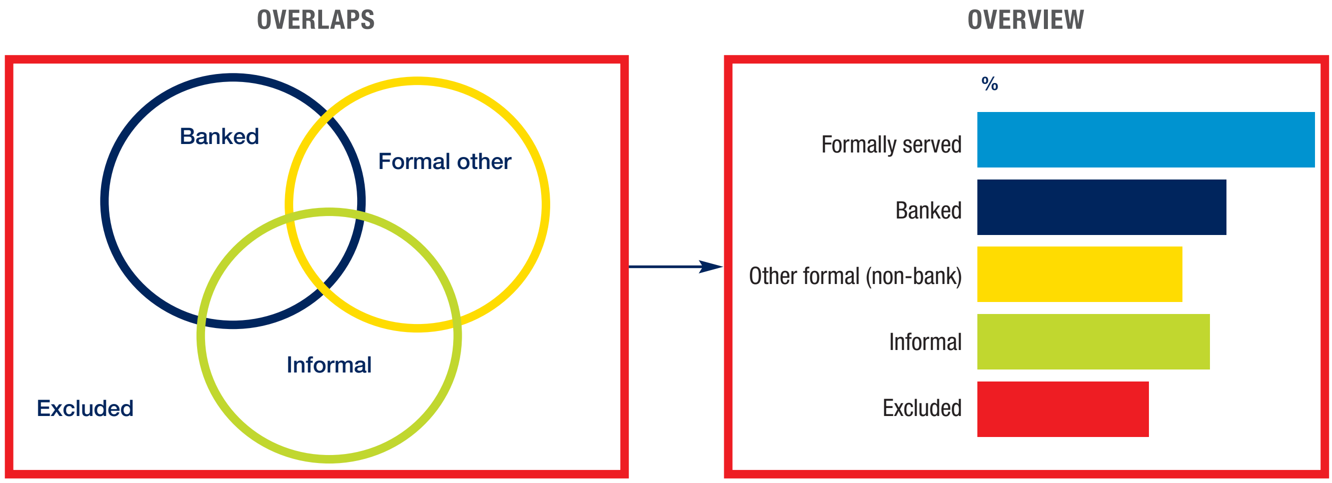
FIGURE 3: OVERLAPS IN PRODUCT UPTAKE



FinScope tools: Main analytical tools used here include the Overview, Financial Access Strand and the Landscape of Access.

The **Overview** is a bar graph which depicts the total uptake of different types of financial products/services. As this graph includes the overlaps, it adds up to more than 100%. The Overview illustrates total product uptake, the uptake of savings/investment products/services, credit/loan products/services, insurance products/services, as well as remittances products/services.

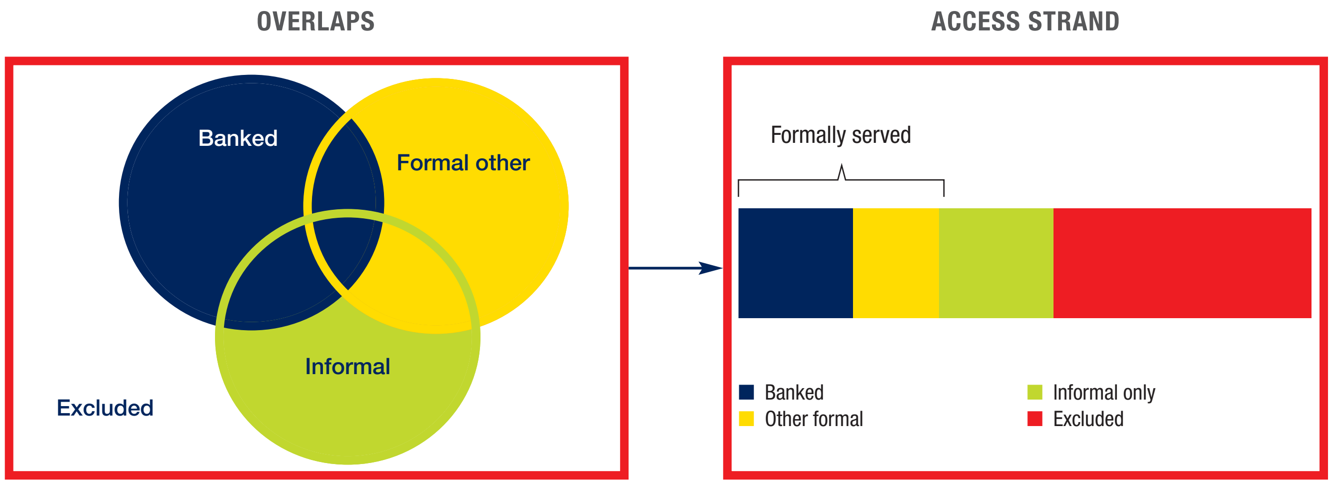
FIGURE 4: OVERVIEW OF FINANCIAL PRODUCTS/SERVICES UPTAKE



The **Access Strand** is a 100% stacked bar graph which depicts the uptake of different types of financial products/services using a hierarchical approach (without overlaps):

- The percentage of adults who are banked ***(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 and/or informal products as well as bank products.
- The percentage of adults who are formally served but who are not banked ***(other formal)*** – 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 ***(excluded)*** – adults who do not use any financial products/services to manage their financial lives – neither formal nor informal and depend only on family/friends for borrowing and save at home if they save.

FIGURE 5: ACCESS STRAND CONSTRUCTION



Following a similar approach, other tools include:

- The **Savings Strand:** 100% stacked bar graph which depicts the uptake of different types of savings/investment products/services using a hierarchical approach (without overlaps), including those who have/use savings products provided by a commercial bank, other formal non-bank provider, informal mechanisms, those who save at home/secret place only (excluded in the total Access Strand), and the excluded, i.e. those who do not save
- The **Credit Strand:** 100% stacked bar graph which depicts the uptake of different types of credit/loan products/services using a hierarchical approach (without overlaps), including those who have/use credit/loan products provided by a commercial bank, other formal non-bank provider, informal mechanisms, those who borrow from family and friends only (excluded in the total Access Strand), and the excluded, i.e. those who do not borrow.
- The **Insurance Strand:** 100% stacked bar graph which depicts the uptake of different types of insurance products/services using a hierarchical approach (without overlaps), including those who have/use formal insurance products, informal mechanisms only, and those who are excluded, i.e. do not have/use any financial product that cover a defined risk.

The **Landscape of Access** is used to illustrate the extent to which financially included individuals have or use financial products and services (both formal and informal). The web diagram depicts, on its five axes, the percentage of the financially included adults that have or use:

- **Transactional** products/services: secure mechanisms in which funds can be deposited, transmitted, and withdrawn to meet regular transaction needs, e.g. transaction account
- **Savings/investment** products/services: mechanisms which are used to accumulate funds for future use (short- and/or long-term), whether it is on a contractual or discretionary basis, e.g. savings account, savings group membership
- **Credit** products/services: mechanisms which are used for the provision of funds in advance against a committed payment stream. This may be further sub-divided into secured and personal (unsecured) credit, e.g. bank loan, house mortgage, loan from an informal money lender, taking goods on credit
- **Insurance** products/services: mechanisms which are used to cover a certain defined risk event in return for a premium, e.g. life insurance, medical aid, burial society membership
- **Remittances** products/services: mechanism which is used to remit money (sending/receiving) to or from family members, friends, etc. – which could be considered as a sub-category of a transactional product. Given its importance, however, it is featured separately.

1.2.4 Determinants and dimensions of financial inclusion

FIGURE 6: SUMMARY OF DETERMINANTS AND DIMENSIONS

Determinants of financial inclusion

Demographics
- Age
- Gender
- Location
- Education

Understanding people's lives
- Acess to infrastructure
- Income sources
- Income levels

Dimensions of financial inclusion

Adoption and uptake
- Extent to which individuals currently have/use financial products/services

Access
- Physical proximity
- Documentation
- Affordability

***Usage and choice**

***Impact**

Contextual review

In the country
- Key challenges
- Successes

In the region
- Key differences
- Commonalities

Next steps
- Conclusions
- Recommendations

Determinants of financial inclusion

This section captures basic demographic and socio-economic information of individuals, households, and communities. It looks at who they are (age, gender, geographical distribution), what they have (education, infrastructure), and what they do with what they have (income generating activities, role of money, coping strategies). All these factors influence the financial lives of people to varying degrees and hence affect financial inclusion.

The rural nature of the population, for example, should be taken into account when considering the overall picture of financial access and developing strategies to expand inclusion, as the realities of rural life (e.g. insufficient access to water, sanitation, electricity, physical access to financial services institutions, generally low levels of salaried workers, and higher dependency on irregular income sources such as farming) are important driving forces/barriers to uptake. FinScope uses country-specific classifications for rural and urban areas as provided by the respective national statistics offices.

Low levels of education among the majority of the population also need to be considered when attempting to address issues of financial inclusion. As shown here, there is often a direct relationship between education levels as well as financial behaviour and literacy. Further, there is a relationship between education levels, income sources, and levels of income.

In addition to assessing the demographic landscape, it is also important to have an understanding of the realities and challenges that people face in their daily lives, e.g. in terms of access to amenities and infrastructure, income and wealth profiles. All of these aspects are likely to affect how people interact with financial services. People who struggle to survive on a daily basis, who do not have access to basic amenities, or who live in an entirely cash-based economy are unlikely to prioritise usage of financial services within their limited means.

Furthermore, it is vital to understand how people generate their income and what the income distribution is. Without knowing the income realities, it will be difficult to understand their financial services usage choices and constraints as income is one of the primary determinants of affordability and, hence, financial inclusion. Understanding the course, regularity and consistency of earned income can also inform the optimal way that financial inclusion services should be structured to unlock usage.

As such, the age distribution of the adult population also becomes important for it often relates to income and levels of (youth) unemployment. FinScope considers adults aged above 30 years as economically settled. The cut-off age of the bankable population varies in some countries, including adults 15 years and older in the DRC, 16 years and older in Botswana, Lesotho, South Africa, as well as 18 years and older in Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania and Zimbabwe. The cut-off age depends on the minimum age at which the respondents in the respective countries can enter into a legal agreement in their own capacity, i.e. eligible bankable population. The Steering Committee in the respective country agrees on the cut-off age for survey purposes. There is no prescribed cut-off age for elderly people.

Dimensions of financial inclusion across all types of financial products/services (formal and informal)

Banking, savings and investments, credit and borrowing, remittances, and insurance are some of the financial products and services related to dimensions of financial inclusion. 'Dimensions of financial inclusion' refers to the access methodology (Porteous, 2010) which identifies four dimensions, namely uptake, access, usage, and impact. As the latter two are difficult to measure with the available FinScope datasets, this book focuses on uptake and access to financial products/services.

FIGURE 7: DIMENSIONS OF FINANCIAL INCLUSION

I: Adoption and uptake	■ The extent to which indivuduals currently **have/use financial products/services** both formal and/or informal (including banking, savings and investments, borrowing and credit, insurance and risk management, remittances)
II: Access	■ The extent to which indivuduals are able to obtain and use a given financial product/service, in terms of: – Provider-specified/regulatory barriers/**eligibility** criteria such as documentation, collateral – Environmental factors such as access to infrastructure, **physical proximity** to banks, ATMs – Demand-side factors such as awareness, levels of trust and affordability
III: Usage and choice	■ The degree to which product take up is voluntary/coerced ■ The degree to which offerings are aligned with the characteristics and needs of the target market (assessed principally by exploring **usage patterns** in terms of frequency of usage)
IV: Impact*	■ First generation: The extent to which removal of access barriers leads to improved adoption and uptake ■ Second generation: The extent to which adoption and usage of a product/service yields intended benefits for the user, the community and the economy

Framework adapted from Porteous D, 2010, Policy paper: Financial inclusion measurement for regulators: Survey design and implementation, Alliance for Financial Inclusion

I. **Adoption and uptake** can be defined as the extent to which individuals (i.e. percentage of the adult population) currently have/use financial products/services both formal and/or informal (including banking, savings and investments, borrowing and credit, insurance and risk management, remittances). This book provides an overview of the following:

- Overall uptake of financial products/services (proportion of the adult population that are financially included, formally served, banked, have/use other formal non-bank financial products, informally served, and excluded – Overview without overlaps and Access Strand)
- Uptake of savings/investment products (proportion of the adult population that save, have/use formal savings mechanisms, have/use savings/investment products which are provided by a bank, other formal non-bank providers, informal mechanisms, save at home/secret place, and those who do not save, i.e. excluded – Overview without overlaps and Savings Strand)
- Uptake of credit/loan products (proportion of the adult population that borrow, have/use formal borrowing mechanisms, have/use credit products which are provided by a bank, other formal non-bank providers, informal mechanisms, borrowing from friends/family, and those who do not borrow, i.e. excluded – Overview without overlaps and Credit Strand)
- Uptake of insurance products (proportion of the adult population that are insured, have/use formal insurance mechanisms, informal mechanisms, and those who are not insured against a defined risk, i.e. excluded – Overview without overlaps and Insurance Strand)
- Uptake of remittances products (proportion of the adult population that send/receive money, have/use formal remittances mechanisms, have/use remittances products which are provided by a bank, other formal non-bank providers, informal mechanisms, and those who were not remitting one year prior to the survey, i.e. excluded – Overview without overlaps)

II. **Access** refers to the ability of individuals (total adult population and certain population groups) to obtain and, on a suitable basis, use financial services that are affordable and appropriate to their financial needs. A number of factors may explicitly exclude people from using a particular service or may discourage consumers from a particular service. Access barriers may include factors, such as:

- Provider-specific or regulatory barriers: Regulation may inadvertently affect access to financial services. This may happen because regulation may exclude specific groups of people (e.g. through the statutory KYC requirements under the anti-money laundering legislation) and may increase the cost of serving particular individuals/communities. Further, financial service providers may impose eligibility requirements. Contractual terms imposed by financial service providers may inappropriately exclude specific population groups from utilising the service. For example, some deposit accounts may require a minimum level of income or formal employment, which is not relevant for the service offered but is used by some financial institutions to exclude less profitable clients. Other criteria may include a certain level of documentation required, for example identification (e.g. ID, passport, national registration card, drivers licence) or proof of residential address (e.g. utility bill). Given the information provided in the FinScope datasets, this book focuses on perception-based indicators based on self-assessed reasons for not taking up a product (i.e. barriers), as well as reported access to supplier-driven requirements such as required documentation or ownership of specific assets.
- Environmental factors (supply-side) such as physical access: Also referred to interchangeably as proximity or geographical access. This considers how far a person has to travel to access the service concerned and is usually defined in terms of time required and/or the cost of travel. For the purpose of this book, the percentage of the adult population that takes one hour or longer as well as the average time taken to reach the nearest bank branch. Using the FinScope results, this is from a consumer's perspective based on self-assessed proximity and therefore merely indicative. Physical proximity is described in the 'determinants of financial inclusion' section under 'location'.
- Affordability: The concept of affordability is complex to evaluate and differs for different types of financial products/services. The basic premise is that people are likely to be excluded from a particular financial service if the cost of using the service exceeds a critical threshold relative to their monthly income or the value of the transaction. The assessment of affordability also needs to consider the value derived from and functionality offered by the product. Importantly perceived value and perceived cost in the minds of the consumers may often be an even greater driver/barrier to product uptake than actual cost or value. This book looks at perceived affordability (or lack thereof) as a barrier to uptake, e.g. low/insufficient income that does not justify having a bank account (from a consumer perspective), as well as self-assessed barriers referring to supply-side factors, e.g. cannot maintain minimum balance, bank charges are too high, etc.

III. **Usage and choice:** There is a clear distinction between access and usage. For example, people might have transaction facilities with a bank account but choose not to use them. Here, usage focuses on the degree to which product and service offerings are aligned with the characteristics and needs of the target market. While FinScope does not explore this comprehensively, there are some useful indicators primarily with regard to bank accounts. For example, many surveys report on the proportion of those with a bank account who withdraw all funds as soon as they are deposited or the proportion of those with a bank account who do not transact at all. It also looks at the degree to which a product is taken up voluntarily. Involuntary uptake might, however, come up under perceived drivers for product uptake – for example it is legally compulsory (e.g. third party vehicle insurance), or because someone else is paying for it (e.g. medical aid provided by the employer). Given the limited amount of information available in the FinScope datasets and the challenges regarding comparability, this book does not focus on this component.

IV. **Impact indicators** could include the extent to which the removal of barriers to access leads to improved uptake, and furthermore the extent to which uptake benefits the individual user, the community and the economy as a whole. Indicators relating to impact are more difficult to populate given that the book only focuses on the latest datasets available per country. Again, given the lack of information available in the FinScope datasets, this book does not focus on this component. However, the analysis will highlight their importance and prompt further thinking on indicators in this regard that could be included in future studies.

Chapter 2

Country profiles

In this chapter, summary findings from the country-specific analysis are presented, including:

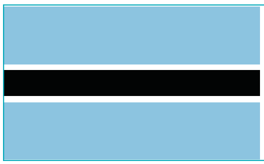
- An overview of the country's economic and social context with economic indicators obtained from the World Bank, while demographic profiles are sourced from the FinScope datasets in the respective countries, including the following indicators:-
  - Age (proportion of the adult population that are 30 years or younger/older than 30 years of age)
  - Gender (proportion of the adult population that are male/female)
  - Location (proportion of the adult population that reside in urban/rural areas)
  - Education (highest education level achieved, proportion of the adult population that have primary education or less, including those without any formal education/more than primary education, including incomplete secondary, secondary, further and higher education)
  - Access to infrastructure (proportion of the adult population that have/do not have access to piped water inside dwelling or yard/plot, proportion of the adult population that do not use electricity for lighting or cooking – use of firewood is their main source of energy)
  - Sources of income (including the main source of income, such as proportion of the adult population that receive salary/wages, rely on money from others, farming/agricultural activity)
  - Levels of income (proportion of the adult population that earns less than a certain amount per month which varies from country to country, proportion of the adult population that claimed to have no income at all)
- A summary of the financial services uptake in each country, including the overall levels of financial inclusion (formal and informal), banking, savings and investments, borrowing and credit, insurance and risk management, as well as remittances, drivers and barriers to product uptake (which may include access barriers, such as affordability, physical proximity, and eligibility criteria, i.e. documentation)

Southern African Development Community in brief

The Southern African Development Community (SADC) is an inter-governmental organisation with a goal to further socio-economic cooperation and integration as well as political and security cooperation among 15 Southern African states namely, Angola (FinScope yet to be implemented), Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles (FinScope yet to be implemented), South Africa, Swaziland, Tanzania, Zambia, Zimbabwe and Madagascar (FinScope is currently underway).

Note: All US$ exchange rates are calculated using the rate at point of country fieldwork.

2.1 Botswana (2014)

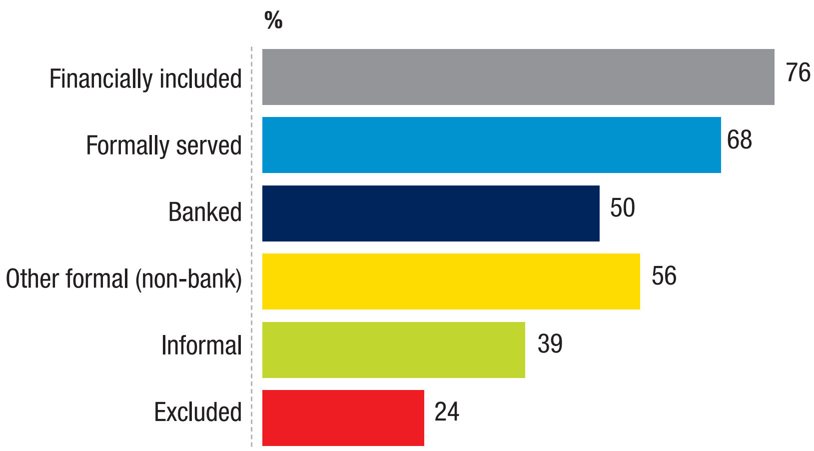


POPULATION	2.0 million	2013
GDP	$14.7 billion	2013
GDP GROWTH	5.8%	2013
INFLATION	4.4%	2013

Botswana has a population of about 2 million (World Bank, 2013)[4]. According to FinScope 2014[5], the adult population (18+) is estimated to be about 1.3 million (1 324 572). The population is largely urbanised (68%, including both urban 25% and urban village 43%), female (52%), young (39% of Botswana's adult population are 30 years or younger), with medium levels of education (57% have primary education or less, including 11% without any formal education). About 24% of adults in Botswana do not have access to piped water (inside the dwelling or yard/plot) and 36% do not use electricity for lighting or cooking. Close to a third of Botswana's adult population (28%) earn their income through a salary/wage, while 21% receive money from others. About 37% personally earn P800 (US$ 88) or less per month. A further 22% claimed to have no income at all.

Adoption and uptake of financial products and services – overview: Financial inclusion in Botswana is relatively high. 76% of adults in Botswana have/use financial services (both formal and informal) to manage their financial lives (about 1 million individuals). 68% of adults are formally served (including the uptake of both bank and other formal non-bank products/services). Every second adult in Botswana is banked (50%) which is largely driven by transactional and savings products, while 56% have/use other formal non-bank products/services. Informal financial products/services continue to play a vital role in Botswana, particularly in the savings space. 39% have/use informal mechanisms, such as savings groups. 24% of adults in Botswana do not use any financial product or service to manage their financial lives outside their personal relationships (about 265 000 individuals). If they save, they save at home, and if they borrow, they borrow from family and friends. About 94% of adults have access to a cellphone, but only 22% use mobile money.

FIGURE 8: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW BOTSWANA 2014



The Access Strand below reveals that there are a lot of overlaps in product uptake. 8% of adults only have/use informal mechanisms. They do not have/use any formal financial products/services to manage their financial lives. 18% have/use other formal financial products/services but are not banked. They may, however, also use informal financial mechanisms. 50% are banked; they might also use other formal non-banked and informal financial products/services. Comparing the Access Strands by location and gender reveals that financial inclusion is higher among adults residing in cities/towns (86% are financially included) compared to urban villages (78%) and rural areas (64%), among male (79%) compared to female (73%).

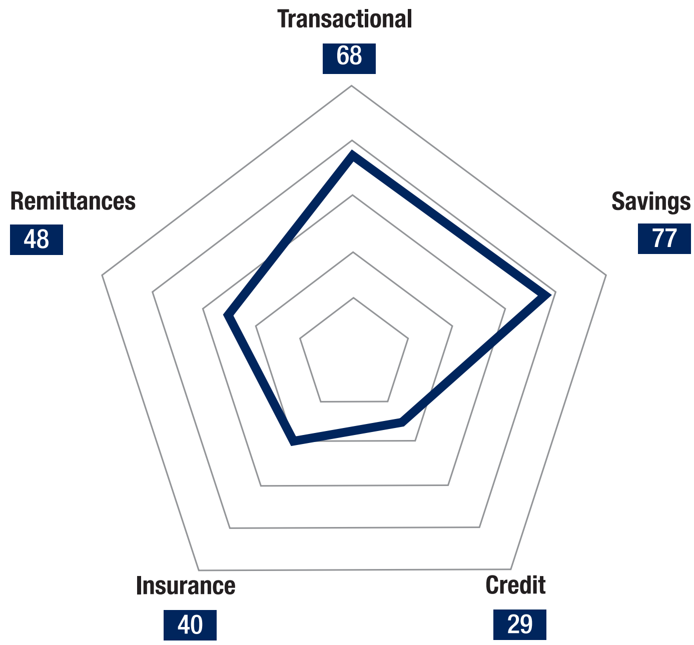
FIGURE 9: ACCESS STRAND – BOTSWANA 2014

[4] http://www.worldbank.org/en/country/botswana

[5] To date, FinMark Trust has conducted three FinScope surveys in Botswana: FinScope Consumer in 2004, 2009, 2014. Findings presented here focus on the results from the 2014 study.

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) continues to be largely driven by savings. 81% of the financially included have/use savings products/services (excluding those who save at home/secret place), while 62% have/use transactional products/services, 38% have/use insurance products, and 28% have/use credit products/services (excluding those who borrow from family/friends).

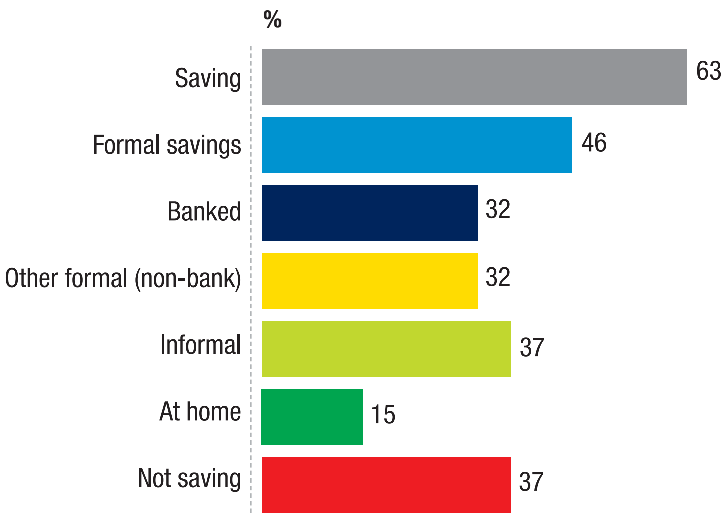
FIGURE 10: LANDSCAPE OF ACCESS – BOTSWANA 2014



Banking: In total, 50% of adults in Botswana are banked. Uptake of banking products is mainly driven by transaction and savings (e.g. ATM cards, savings/transaction accounts). The main reasons why people are banked refer to remittances, i.e. easy way to remit money (92%), safe way to remit money (85%). People who are currently unbanked mainly stated monetary reasons, i.e. no/low/insufficient/irregular income as their main reason for not having/using product/service offered by a commercial bank (unemployment stated by 54% of those currently not banked, 45% irregular income, 22% insufficient money to save). 7% reported inaccessibility to banks (banks are too far away) as their main reason for not being banked. 30% of banked adults in Botswana travel on average for more than one hour to the closest bank branch.

Savings and investments: People in Botswana are more likely to save than to borrow money. Despite high levels of unemployment 63% save/put money away, mainly for living expenses and for developmental reasons (education, business, buy land, build house and for farming), funeral expenses, and non-medical emergencies. In turn, 37% do not save mainly due to monetary reasons (no income, no money left after paying for expenses). As shown below, Batswana mainly save through informal mechanisms such as savings groups. Note: savings at home might be under-reported due to the way the question was asked. This number is likely to be higher. Barriers and drivers for savings were not asked in this survey.

FIGURE 11: UPTAKE OF SAVINGS PRODUCTS/SERVICES – BOTSWANA 2014

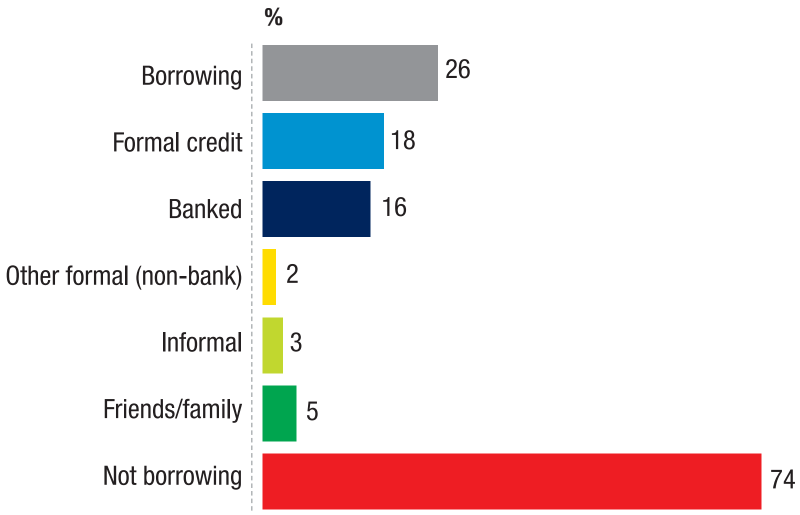


The Savings Strand below reveals that there are some overlaps. 4% of adults[6] only save at home (they do not use/have any other savings mechanisms, neither formal nor informal). 13% use informal mechanisms such as savings groups and they do not use any formal savings products/services. They might, however, also save at home. 14% use savings products/services provided by another formal (non-bank) financial institution – however, they do not save with a commercial bank. They might also save through savings groups and/or at home. 32% have/use savings products provided by a commercial bank. They might also use other formal savings products, informal mechanisms, and/or save at home.

FIGURE 12: SAVINGS STRAND – BOTSWANA 2014

Borrowing and credit: The figure below shows that 26% borrowed money, mainly through formal financial institutions (18%). Only 3% borrowed from informal sources, and 5% borrowed money from friends and family.

FIGURE 13: UPTAKE OF CREDIT PRODUCTS/SERVICES – BOTSWANA 2014



The Credit Strand below shows that there are no overlaps between formal and informal borrowing. 5% borrow from family and friends only, while 3% borrow from informal sources and 18% borrow from formal sources. The proportion of adults that access credit/loans via a commercial bank is one of the highest in the region.

FIGURE 14: CREDIT STRAND – BOTSWANA 2014

Those who did borrow in the past 12 months before the survey, mainly did so for developmental purposes (education, business, buy land, build house and for farming). Of concern, however, is that 8% of adults who borrowed did so to pay off debts. Barriers to borrowing mainly relate to monetary reasons, i.e. income too low/unemployed.

[6] Please note that this number might be under-reported due to the way it was asked.

Insurance and risk management: Almost a third of Botswana's adult population (30%) have some kind of insurance product (including both formal and informal). Product uptake is mainly driven by funeral insurance. In turn, 70% do not have any financial product to cover a defined risk (neither formal nor informal), mainly due to monetary reasons (no income) and lack of awareness/knowledge (do not understand how it works).

FIGURE 15: UPTAKE OF INSURANCE PRODUCTS/SERVICES – OVERVIEW BOTSWANA 2014

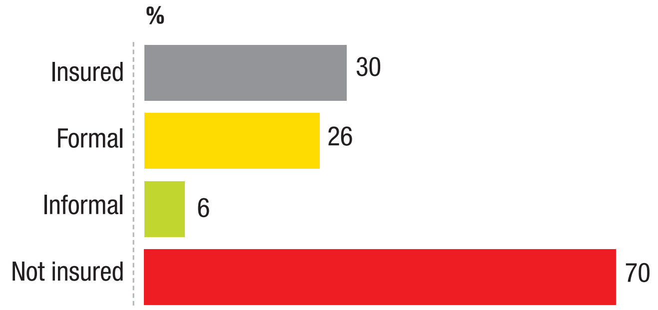
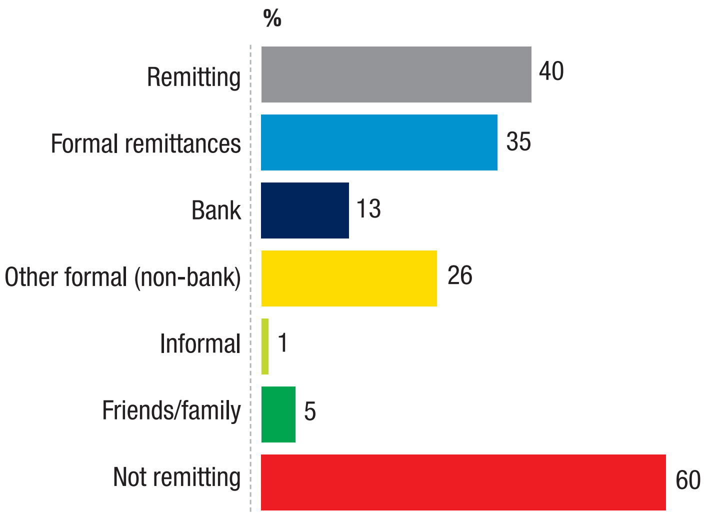


FIGURE 16: INSURANCE STRAND – BOTSWANA 2014

Remittances: 40% of adults in Botswana either sent or received money to or from family members, parents, and children, usually on a monthly basis. Adults in Botswana mainly send or receive money through formal (30%) mechanisms as illustrated in the figure below.

FIGURE 17: REMITTANCES – OVERVIEW BOTSWANA 2014



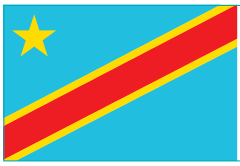
Mobile money: About 94% of adults in Botswana have access to a cellphone, but only 22% use mobile money. Key barriers to the uptake of mobile money relate to lack of awareness/knowledge.

Summary: The uptake of financial products and services in Botswana is summarised in the table 2 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 2: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY BOTSWANA 2014

	Incidence	Drivers	Barriers
Banking	50%	To send/receive money	Affordability: Low/insufficient income
Savings and investments	63% (mainly informal)	To pay for living expenses, funeral, and developmental reasons	Affordability: Low/insufficient income
Borrowing and credit	26% (mainly from commercial banks)	Borrowing for developmental reasons	Affordability: Low/insufficient income
Insurance and risk management	30% (mainly informal)	Mainly funeral	Affordability: Low/insufficient income
Mobile money	22%	Remittances, airtime top-up	Lack of awareness/knowledge

2.2 Democratic Republic of Congo – DRC (2014)

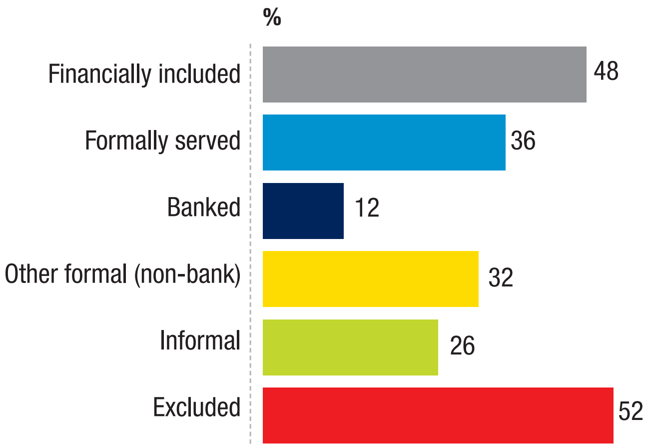


POPULATION	67.5 million	2013
GDP	$32.6 billion	2013
GDP GROWTH	8.5%	2013
INFLATION	1.6%	2013

The Democratic Republic of Congo (DRC) has a large population of about 67.5 million (World Bank, 2013)[7]. According to FinScope 2014, the adult population in the surveyed areas (15+) is estimated to be about 21.7 million. The population is mainly male (51%), young (53% of DRC's adult population is 34 years or younger), with low levels of education (41% have primary education or less, including 10% without any formal education)[8]. About 70% of adults in the DRC have access to water, and 75% do not have access to electricity. 32% generate their main income through farming and fishing and 21% through their own business. 21% mainly rely on others for their income (partner, parents or other family members). Only 7% receive a salary/wage through formal employment. 53% personally earn less than CDF90 000 (US$97.83) per month (including 4% that do not have any income). The combination of low and variable income means vulnerability to financial shocks and limited demand for financial services.

Adoption and uptake of financial products and services – overview: 48% of the surveyed adults in the DRC have/use financial services (both formal and informal) to manage their financial lives (about 10.3 million individuals). 36% are formally served (including the uptake of both bank and other formal non-bank products/services). 12% of adults are banked which is largely driven by the uptake of transactional and savings products, while 32% have/use other formal non-bank financial products/services (mainly remittances), and 26% use informal mechanisms, such as savings groups. 52% of adults in the DRC do not use any financial products or services to manage their financial lives (about 11.5 million individuals). If they save, they save at home, and if they borrow, they borrow from family and friends. Nearly 57% of the adult population use cellphones. Although 35% know about mobile money, only 4% actually use it.

FIGURE 18: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW DRC 2014



The Access Strand below reveals that there are some overlaps. 12% of adults only have/use informal mechanisms such as savings groups and informal money lenders. They do not have/use any formal financial products/services to manage their financial lives. 24% have/use other formal financial products/services but are not banked. They may, however, also use informal financial mechanisms.

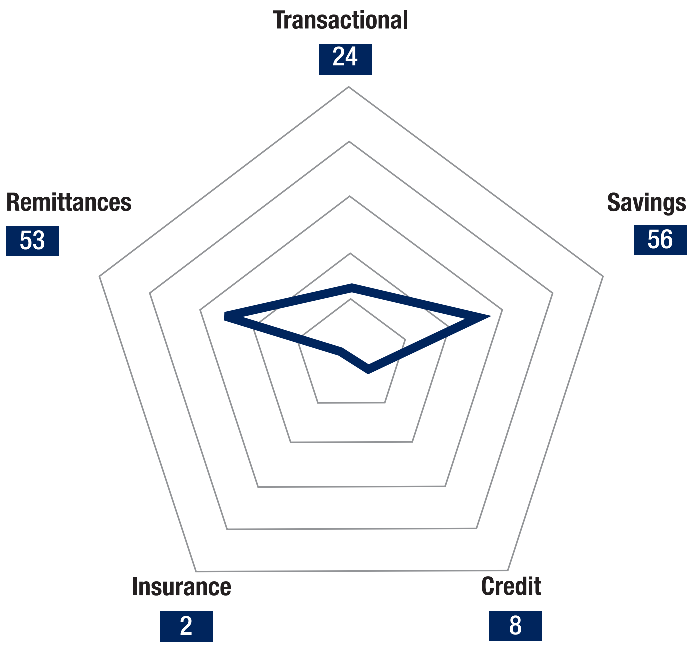
FIGURE 19: ACCESS STRAND – DRC 2014

Comparing the Access Strand by gender and main source of income reveals that levels of financial inclusion (including product uptake of both formal and informal products/services) are higher among males (52%) compared to females (44%), among formal sector employees (77%), compared to those without money (18%) or who mainly rely on farming (35%).

[7] http://www.worldbank.org/en/country/drc
[8] DRC is seen in this book as an urbanised country due to sampling which was targeting specific areas which happened to be Central Bank base activities.

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) is largely driven by savings products/services and remittances. 56% of the financially included have/use savings products/services (excluding those who save at home/secret place), while 53% have/use remittances products/services. Only 8% of the financially included have/use credit products/services (excluding those who borrow from family/friends).

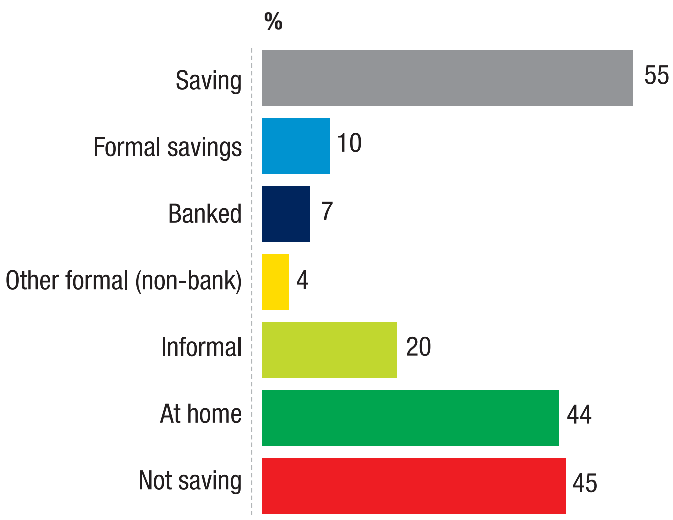
FIGURE 20: LANDSCAPE OF ACCESS – DRC 2014



Banking: In total, 12% of the surveyed adults in the DRC are banked (about 2.6 million individuals). In turn, 88% of adults do not have/use financial services provided by a commercial bank. Uptake of banking products is mainly driven by transactional products/services (65%) and savings accounts (59%). Banked people opened their bank accounts mainly to keep money safe from theft (73%) and to deposit a salary by their employer (55%). People who are currently unbanked mainly stated monetary reasons (affordability), i.e. 30% of the unbanked claimed that they do not have enough money for a bank account (30%) and 23% do not have a regular income. Of concern is that 48% of the unbanked are unaware of any bank. Only 8% reported that banks are too far away. 39% of adults in the DRC travel on average for more than one hour to the closest bank branch.

Savings and investments: Congolese are more likely to save than to borrow, despite low levels of income. 55% of the adults in the surveyed areas save/put money away, mainly to have money when they do not have money at a given time (81% i.e. high percentage of adults with an irregular income who receive money from others and farming). Other reasons for savings include medical expenses (41%) and other non-medical emergencies (41%). In turn, 45% do not save, mainly due to monetary reasons, i.e. no money left after paying for expenses (57% of the surveyed adults that do not save), no income (54%). As illustrated in the figure below, adults in the DRC mainly save at home (44%) and through informal mechanisms, i.e. savings groups (20%)

FIGURE 21: UPTAKE OF SAVINGS PRODUCTS/SERVICES – OVERVIEW DRC 2014

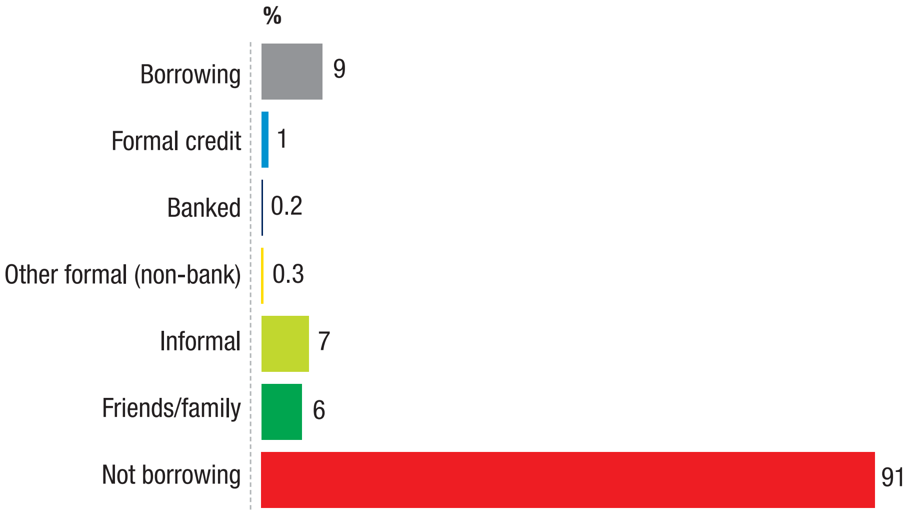


The Savings Strand below reveals that there are some overlaps. 28% of surveyed adults in the DRC only save at home. They do not have/use any other savings mechanisms (neither formal nor informal). Although 17% use informal mechanisms such as savings groups, they do not use any formal savings products/services. They might, however, also save at home. While 3% use savings products/services provided by a formal non-bank financial institution, they do not save with a commercial bank. They might also save through savings groups and/or at home. Only 7% have/use savings products provided by a commercial bank. They might also use other formal savings products, informal mechanisms, and/or save at home.

FIGURE 22: SAVINGS STRAND – DRC 2014

Borrowing and credit: The figure below shows that only 9% of the surveyed adults in the DRC borrowed money or took goods on credit, mainly through informal mechanisms (7%) or from friends and family (6%). Only 0.2% borrowed from a commercial bank.

FIGURE 23: UPTAKE OF CREDIT PRODUCTS/SERVICES – DRC 2014



The Credit Strand below shows that there are hardly any overlaps between formal and informal borrowing. About 91% of adults in surveyed areas in the DRC claimed that they did not borrow or took goods on credit in the past 12 months. 4.5% rely on friends and family only, i.e. they do not have/use any credit products (neither formal nor informal), while 3% rely on informal mechanisms such as Banque Lambert (they might also borrow from friends and family, but they do not have any formal credit products). 0.3% have/use formal non-bank credit products (they might also have/use informal mechanisms, but they do not have/use credit products from a commercial bank). Only 0.2% have/use credit/loan products from a commercial bank (they might also have/use other formal and/or informal mechanisms, or borrow from friends and family).

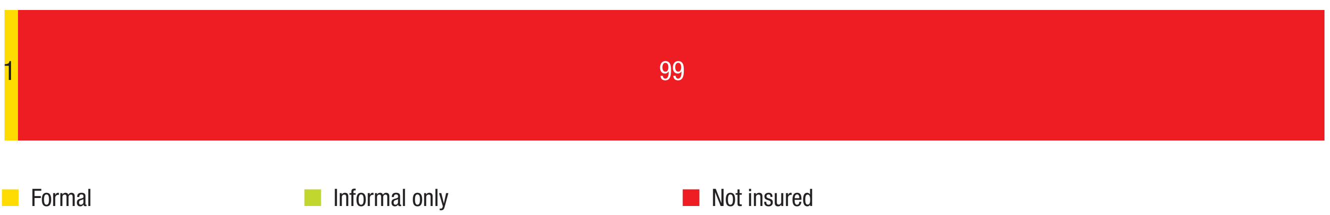
FIGURE 24: CREDIT STRAND – DRC 2014

Adults in the surveyed areas in the DRC mainly borrow to pay for medical expenses (31%) and for housing purposes (26%). Congolese do not borrow as they do not want debts (31%). 10% claimed that they do not need it.

Insurance and risk management: Insurance is rare in the DRC. Only 1% of adults in the surveyed areas have a financial product covering a defined risk (mainly accident/travel, property damage, and comprehensive motor vehicle insurance). The most costly events experienced last year are the illness/death of the main income earner (38%) or another household member (31%). Barriers to insurance uptake mainly relate to the low value of assets, affordability (no job, low/no income), and lack of awareness/knowledge (do not understand how insurance works).

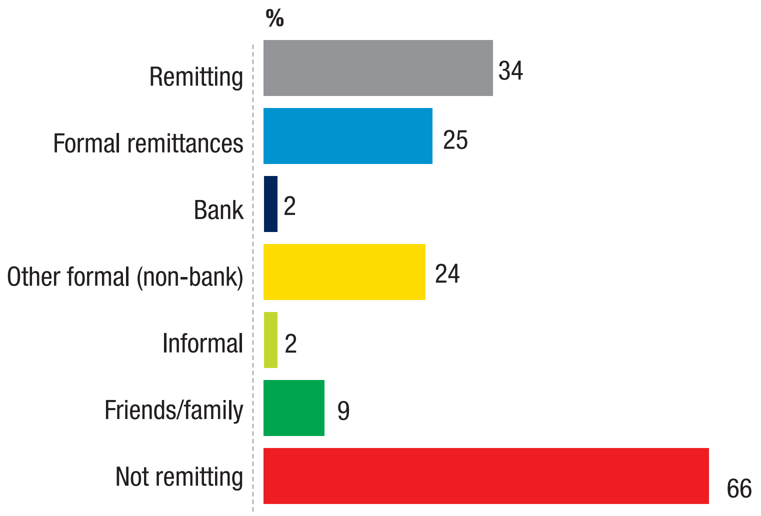
FIGURE 25: UPTAKE OF INSURANCE PRODUCTS/SERVICES – OVERVIEW DRC 2014

FIGURE 26: INSURANCE STRAND – DRC 2014



Remittances: 34% of adults in the surveyed areas have sent or received money to or from family members, parents, and children, usually on a monthly basis. As illustrated below, the most common mechanism used to transfer money is through other formal (non-bank) channels (24%), e.g. financial courier.

FIGURE 27: REMITTANCES – OVERVIEW DRC 2014



Mobile money: Nearly 47% of the adult population own a cellphone. Although 35% know about mobile money, only 4% actually use it. Key barrier to mobile money usage relate to lack of information/awareness.

Summary: The uptake of financial products and services in the DRC is summarised in the table 3 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 3: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY DRC 2014

	Incidence	Drivers	Barriers
Banking	12%	Transactional and savings products	Affordability: Low/insufficient income
Savings and investments	55% (mainly at home)	Money when they need it, medical, non-medical emergencies	Affordability: Low/insufficient income
Borrowing and credit	9% (mainly informal)	Medical emergencies, housing	Fear of indebtedness/inability to pay it back
Insurance and risk management	1%	Mainly accident/travel, property damage, and comprehensive motor vehicle insurance	Low value of assets Affordability Lack of awareness
Mobile money	4%	Remittances, airtime top-up	Lack of awareness/knowledge No cellpone access

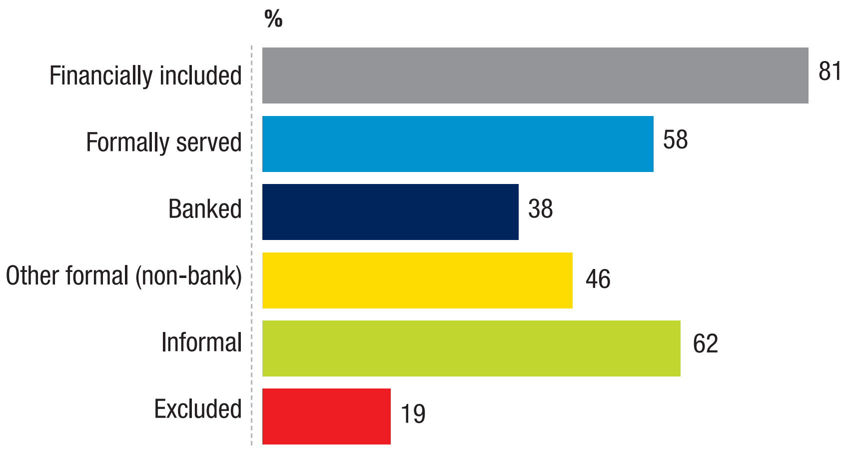
2.3 Lesotho (2011)

POPULATION	2.0 million	2013
GDP	$2.3 billion	2013
GDP GROWTH	5.5%	2013
INFLATION	5.3%	2014

Lesotho has a small population of about 2 million (World Bank, 2013)[9]. According to FinScope 2011[10], the adult population (18+) is estimated to be about 1 133 711. The population is mainly rural (69%), female (62%), young (39% of Lesotho's adult population is 30 years or younger), with low levels of education (67% have primary education or less, including 26% without any formal education). The high percentage of (male) migrant workers explains (some of) the gender skewness, as well as the importance of remittances in the country. About 79% of adults in Lesotho do not have access to piped water (inside the dwelling or yard/plot), and 55% use firewood/charcoal as their main source of energy in their home. Farming activities are the most important sources of income (31%), while 21% rely on pensions (13% private and 8% government pension), 17% obtain an income from salaries/wages, and 12% rely on remittances (money sent from family/friends) as their main source of money. 68% personally earn less than M750 (US$52) per month.

Adoption and uptake of financial products and services – overview: The level of financial inclusion in Lesotho is unexpectedly high with 81% of adults (about 924 212 individuals) using financial services (both formal and informal) to manage their financial lives. The main reason for the high level of financial inclusion is the uptake of funeral cover which drives informal and other formal services. Even banking is rather high compared to other countries in the region with 38% of adults using financial products/services provided by a commercial bank, which is mainly driven by transactional and savings products. While 46% have/use other formal non-bank financial products/services, 62% use informal mechanisms. Although the high uptake of non-bank formal products/services and informal mechanisms is mostly driven by funeral cover as mentioned above, a significant proportion of those who use these, do so to gain access to credit facilities offered by non-bank formal institutions and by the informal sector. Only 19% of adults in Lesotho (about 209 499) do not use any financial products or services to manage their financial lives. If they save, they save at home, and if they borrow, they borrow from family and friends. One could easily attribute the high levels of financial inclusion in Lesotho to the fact that in terms of land size and population, Lesotho is a relatively small country with just more than one million adults to serve financially. Providing access to financial services might therefore be relatively less problematic than in most other countries. However, an assessment of the type of services and products used by formally served individuals seems to indicate that non-bank formal service providers, in particular, are doing something right in terms of reach; certainly as far as addressing the need for insurance provision and microfinance is concerned. Cellphones are common in Lesotho with 70% of adult population owning a cellphone. Uptake of mobile money was not assessed in the 2011 survey.

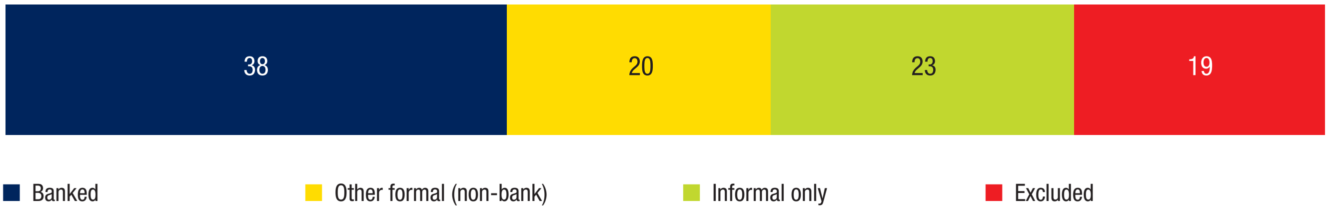
FIGURE 28: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW LESOTHO 2011



The Access Strand below reveals that there are a lot of overlaps in product uptake. 8% of adults only have/use informal mechanisms. They do not have/use any formal financial products/services to manage their financial lives. 18% have/use other formal financial products/services but are not banked. They may, however, also use informal financial mechanisms. 50% are banked; they might also use other formal non-banked and informal financial products/services. Comparing the Access Strands by location and gender reveals that financial inclusion is higher among adults residing in cities/towns (86% are financially included) compared to urban villages (78%) and rural areas (64%), among male (79%) compared to female (73%).

[9] http://www.worldbank.org/en/country/Lesotho
[10] To date, FinMark Trust has conducted only one FinScope survey in Lesotho: FinScope Consumer in 2011, which is used in this book.

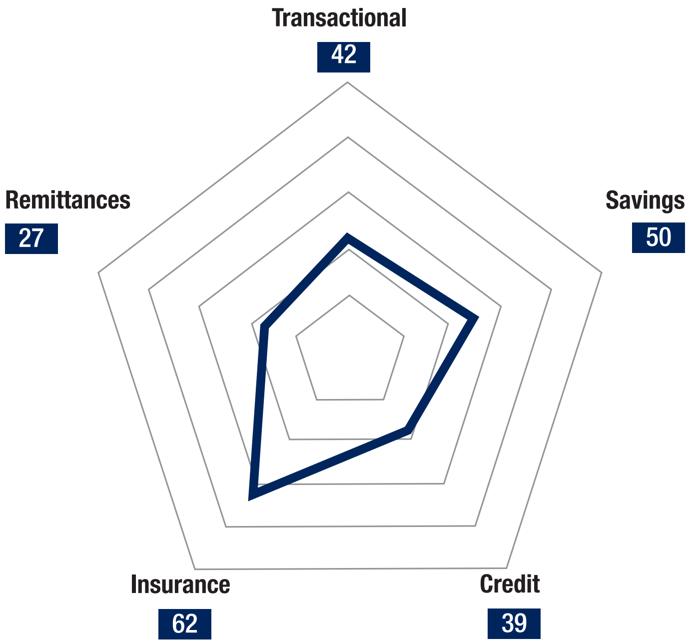
FIGURE 29: ACCESS STRAND – LESOTHO 2011



Comparing the Access Strands by location also reveals that financial inclusion is only slightly higher among adults residing in urban areas (84% are financially included) compared to rural areas (80%). The most significant difference between rural and urban levels of financial inclusion is the usage of bank products/services with 58% of adults residing in urban areas being banked compared to only 30% of adults in rural areas. The role of the informal sector is significantly more pronounced in the rural areas and among women. As such, women are more likely to be financially included (84%) than men (77%). Further, financial inclusion is higher among those receiving a wage/salary (90%) compared to those who rely on farming activities (76%) or money from others (79%).

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) is largely driven by insurance, i.e. funeral cover through informal and other formal (non-bank) providers, followed by savings. 62% of the financially included have/use insurance products/services and 50% have/use savings products/services (excluding those who save at home/secret place). 42% have/use transactional products/services and 39% have/use credit products/services (excluding those who borrow from family/friends).

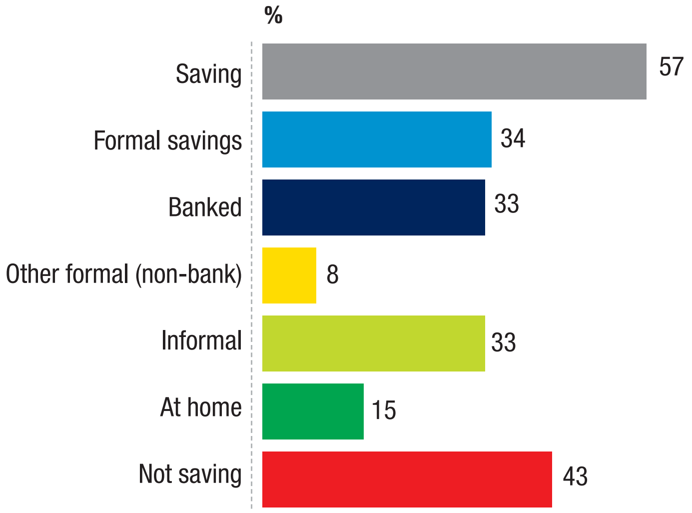
FIGURE 30: LANDSCAPE OF ACCESS – LESOTHO 2011



Banking: In total, 38% of adults in Lesotho are banked, amounting to about 434 796 individuals. In turn, 62% of adults (= about 698 915) do not have/use financial services provided by a commercial bank. Uptake of banking products is mainly driven by transactional products/services (87% of those who are banked have/use transactional products/services) and savings products/services (86%). The main reasons why people are banked refer to 'money safe from theft (71% of those who are banked), easy way of remitting (38%) and the interest one receives in saving (19%). People who are currently unbanked mainly stated monetary reasons, i.e. low/insufficient income as their main reason for not having/using products/services offered by a commercial bank. 37% reported to have insufficient or no money coming in to justify having a bank account, while 33% have income coming in but insufficient balance after expenses are covered. Other barriers relate to lack of knowledge/awareness (do not understand how banks work, do not know how to apply) and affordability of bank services (cannot maintain minimum balance, bank service charges are too high). Inaccessibility to banks (banks are too far away or transport is too difficult) was only mentioned by 6% as a main reason for not being banked, despite the fact that 55% of adults in Lesotho travel on average for more than one hour to the closest bank branch.

Savings and investments: 57% save/put money away, mainly to have money available for living expenses (42%) in the instance of not having money at a given time (i.e. high percentage of adults with an irregular income). Further, Basotho save to have money available for funeral expenses when needed (38%), for education and school fees (19%), an emergency other than medical (16%), as well as medical expenses (14%). In turn, 43% do not save, mainly due to monetary reasons ('no money left after living expenses' (57%), do not have money to save (34%). As illustrated in the figure below, adults in Lesotho mainly save through formal mechanisms (34%).

FIGURE 31: UPTAKE OF SAVINGS PRODUCTS/SERVICES – OVERVIEW LESOTHO 2011

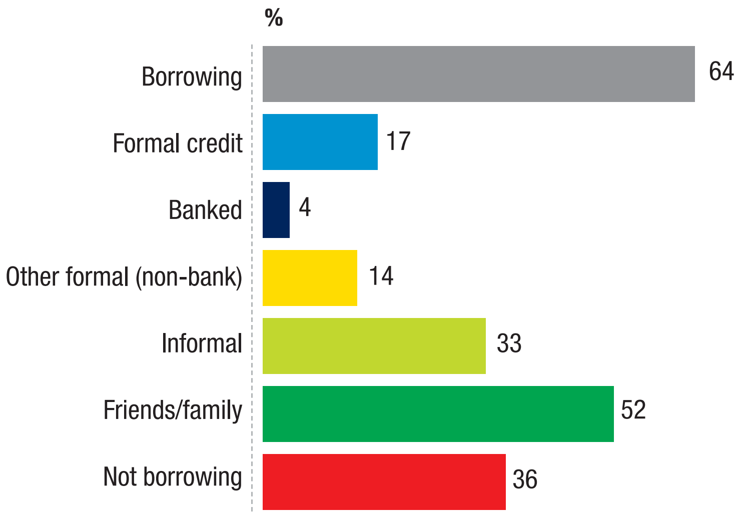


The Savings Strand below reveals that there are some overlaps – 7% of adults only save at home and they do not have/use any other savings mechanisms (neither formal nor informal). 15% use informal mechanisms such as savings groups; they do not use any formal savings products/services. They might, however, also save at home. 2% use savings products/services provided by a formal non-bank financial institution, however, they do not save with a commercial bank. They might also save through savings groups and/or at home. 33%have/use savings products provided by a commercial bank. They might also use other formal savings products, informal mechanisms, and/or save at home. Adults residing in rural areas are less likely to save than their counterparts in urban areas.

FIGURE 32: SAVINGS STRAND – LESOTHO 2011

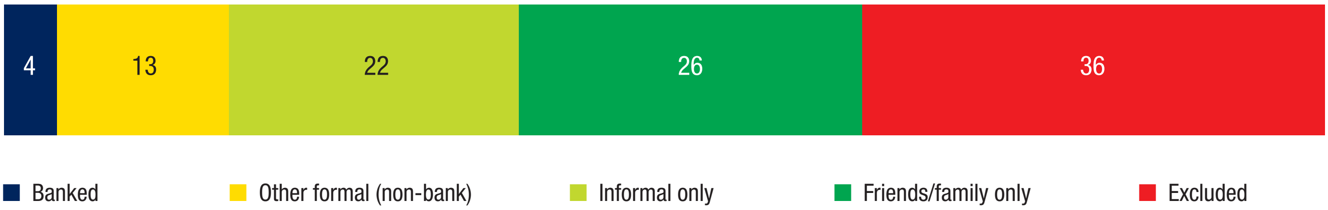
Borrowing and credit: Adults in Lesotho are more likely to borrow than to save. 64% borrowed money or took goods on credit, mainly from friends and family (52%) and through informal mechanisms (33%). Only 4% borrowed from a commercial bank as illustrated in the figure below.

FIGURE 33: UPTAKE OF CREDIT PRODUCTS/SERVICES – LESOTHO 2011



The Credit Strand below shows that there are some overlaps between formal and informal borrowing. 26% borrow from family and friends only, while 22% borrow from informal sources (they might also borrow from friends and family), and 13% have/use credit products/services from other formal sources but not from a commercial bank (they might also borrow from informal sources and/or family and friends). Only 4% borrow from commercial banks. This percentage is higher for adults residing in urban areas.

FIGURE 34: CREDIT STRAND – LESOTHO 2011



The reasons for borrowing are similar to the reasons for savings. This too might explain the sources of borrowing. Basothos mainly borrow to pay for living expenses when income is insufficient (58%), education expenses or school fees (23%), medical expenses/emergencies (13%), other emergencies (7%) and funeral expenses (5%). The key barriers to borrowing are the fear of debt and the possibility of not being able to pay it back (66% and 42% respectively of those who did not borrow).

Insurance and risk management: In Lesotho, uptake of financial products and services is largely driven by insurance. As such, the uptake of insurance products/services in Lesotho is the highest in the SADC region. In total, 62% (about 702 901 individuals) have a financial product covering a defined risk, including 40% that are formally insured and 22% that are covered by informal mechanisms. While formal insurance is common in urban areas, adults residing in rural areas are more likely to take up informal insurance mechanisms. The risk that is top of mind for most Basotho adults is the death of a family member which might explain both the fact that insurance cover is very high in Lesotho and that it is driven by the uptake of funeral cover – from other formal (non-bank) institutions and burial society membership from the informal sector. As shown in the Insurance Strand, 22% only rely on informal insurance. Main perceived risks to livelihoods correlate to the drivers of insurance uptake, namely death of the main income earner or death of other family members (60%), illness within the household or family that require medical attention (40%), and another major risk refers to the loss of employment (15%). Barriers to insurance uptake mainly relate to affordability ('cannot afford' 73%) and lack of awareness ('never thought about it and have not heard about it' 13%).

FIGURE 35: UPTAKE OF INSURANCE PRODUCTS/SERVICES – OVERVIEW LESOTHO 2011

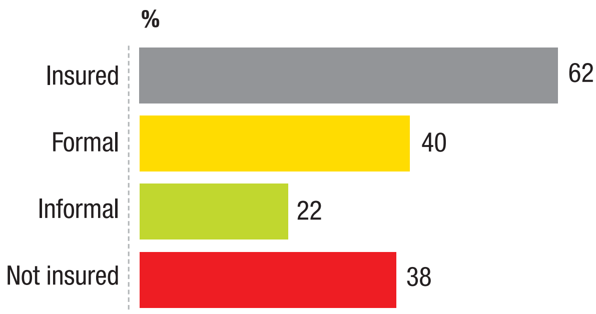
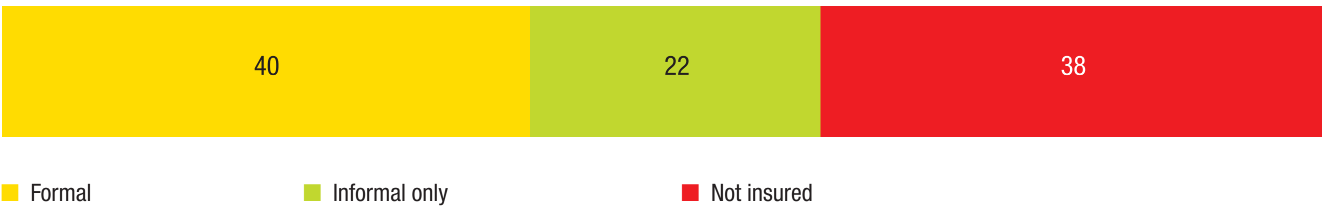
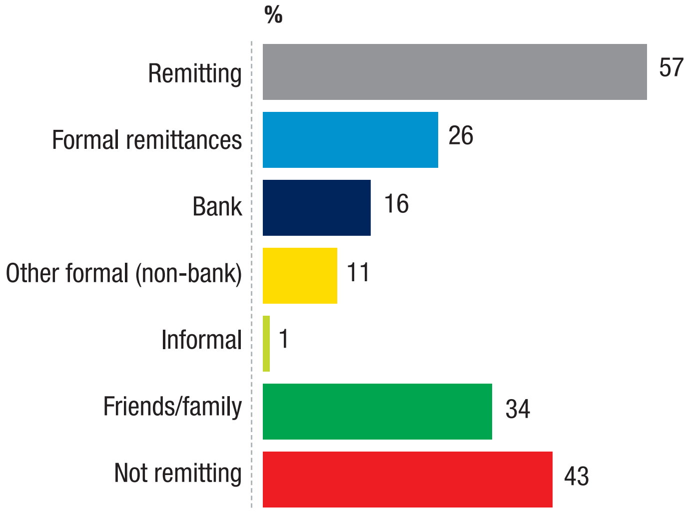


FIGURE 36: INSURANCE STRAND – LESOTHO 2011



Remittances: The Basotho have a long history of working throughout the region and sending money back home. As such, remittances are important in Lesotho. 57% of adults in Lesotho (about 649 265) either sent or received money to or from family members, parents, and children, usually on a monthly basis. The most common mechanism used to transfer money is sending cash with a relative or friend (34%).

FIGURE 37: REMITTANCES – OVERVIEW LESOTHO 2011



Mobile money: Cellphones are common in Lesotho with 70% of the adult population owning a cellphone. Uptake of mobile money was not assessed in this survey.

Summary: The uptake of financial products and services in Lesotho is summarised in the table 4 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 4: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY LESOTHO 2011

	Incidence	Drivers	Barriers
Banking	38%	Transactional and savings products	Affordability: Low/insufficient income
Savings and investments	57% (mainly through bank and informal mechanisms)	Living expenses, funeral costs, education/school fees	Affordability: Low/insufficient income
Borrowing and credit	64% (mainly from family and friends)	Living expenses, education/school fees	Fear of indebtedness/inability to pay it back
Insurance and risk management	62% (mainly formal)	Mainly funeral cover	Affordability/lack of awareness
Mobile money	N/A	N/A	N/A

2.4 Malawi (2014)

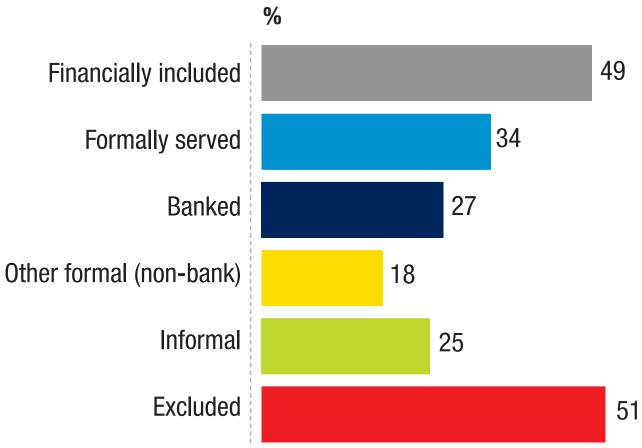
POPULATION	16.3 million	2013
GDP	$3.7 billion	2013
GDP GROWTH	5.0%	2013
INFLATION	24.4%	2014

Malawi has a population of 16.3 million (World Bank, 2013)[11]. According to FinScope 2014[12], the adult population (16+) is estimated to be about 8 million (8 025 052). The population is largely rural (81%), female (57%), young (40% of Malawi's adult population are 30 years or younger), with low levels of education (76% have primary education or less, including 15% without any formal education). Although access to infrastructure improved slightly compared to 2008, about 90% of adults in Malawi do not have access to piped water (inside the dwelling or yard/plot) or electricity for lighting or cooking. Farming and ganyu (casual work, e.g. on farm) remain the most important sources of income (46% and 45% respectively) and overall 90% of Malawian households are involved in agriculture (mainly tobacco, maize and groundnuts). Malawi's dependency on agriculture makes it particularly vulnerable to external shocks like floods and droughts. Both farming and ganyu tend to be seasonal and associated with low levels of income. Only 8% of adults in Malawi receive a regular salary, and 45% personally earn less than MK10 000 (US$20) per month. A further 10% claimed to have no monthly personal income at all.

Adoption and uptake of financial products and services – overview: Financial inclusion in Malawi is relatively high considering the low levels of income. 49% of adults in Malawi have/use financial services (both formal and informal) to manage their financial lives (about 3.9 million individuals). 34% of adults are formally served (including the uptake of both bank and other formal non-bank products/services). Just above a quarter of adults (27%) are banked which is largely driven by transactional products, while 18% have/use other formal non-bank products/services, mainly for remittances purposes. Informal financial products/services continue to play a vital role in Malawi, particularly in the savings space. 25% have/use informal mechanisms, such as savings groups. 51% of adults in Malawi do not use any financial products or services to manage their financial lives outside their personal relationships. If they save, they save at home, and if they borrow, they borrow from family and friends.

About 72% of adults in Malawi have access to a cellphone. Although 20% (1.6 million) know about mobile money, only 3% (about 264 000) actually use it, either as registered users (2%) or using another person's mobile account (1%).

FIGURE 38: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW MALAWI 2014



The Access Strand below reveals that there are some overlaps in product uptake. 15% of adults only have/use informal mechanisms. They do not have/use any formal financial products/services to manage their financial lives. 7% have/use other formal financial products/services but are not banked. They might, however, also use informal financial mechanisms. Financial inclusion has increased since 2008, from 45% to 49%, mainly due to an increased uptake of formal financial products/services. Comparing the Access Strands by location, gender, and income sources reveals that financial inclusion is higher among adults residing in urban areas (69% are financially included) compared to peri-urban (58%) and rural areas (44%), among men (51%) compared to women (46%), and among those receiving a salary/wage (83%) compared to those generating their main income from more irregular sources, such as farming (48%) or ganyu (40%).

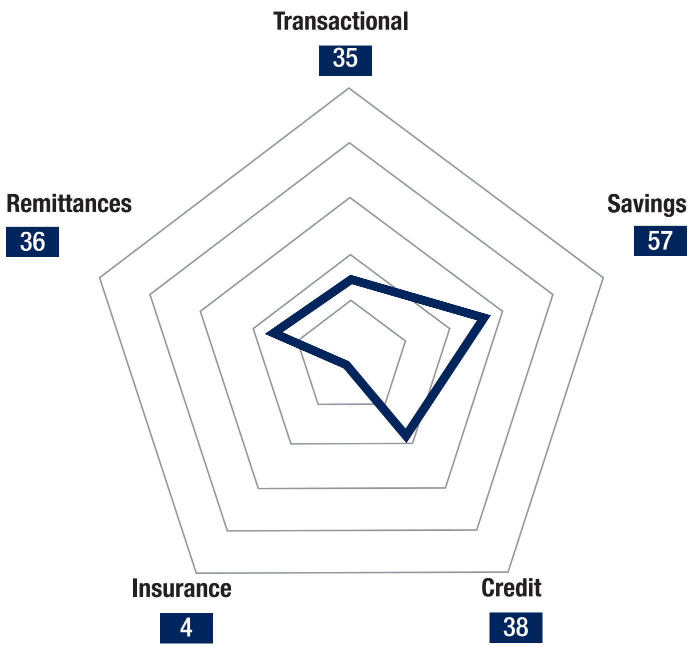
[11] http://www.worldbank.org/en/country/malawi

[12] To date, FinMark Trust has conducted three FinScope surveys in Malawi: FinScope Consumer in 2008, FinScope MSME in 2012, and FinScope repeat Consumer in 2014. Findings presented here focus on the results from the latest FinScope Consumer Survey (2014).

FIGURE 39: ACCESS STRAND – MALAWI 2014

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) continues to be largely driven by savings. 57% of the financially included have/use savings products/services (excluding those who save at home/secret place), while 38% have/use credit products/services (excluding those who borrow from family/friends).

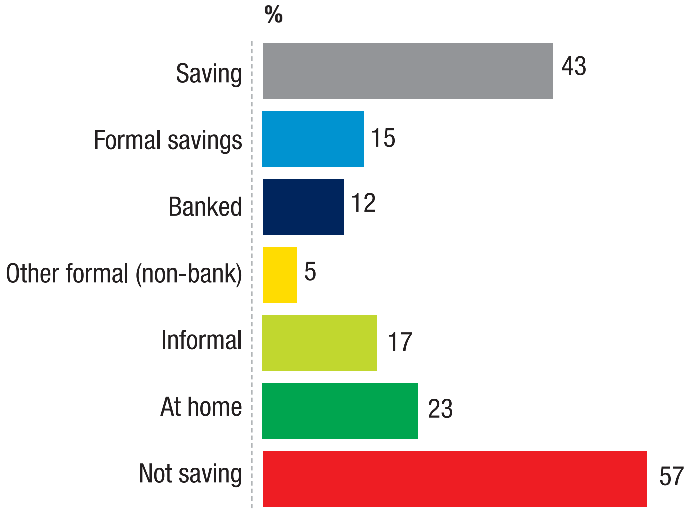
FIGURE 40: LANDSCAPE OF ACCESS – MALAWI 2014



Banking: In total, close to 3 in 10 adults in Malawi (27%) are banked, amounting to about 2 137 579 individuals. However, indirect banking is relatively high in Malawi. 24% (about 520 000 individuals) of banked adults make use of bank accounts that are not in their name, and of those, 21% (about 108 000) pay a fee to use someone else's bank account. In turn, 73% of adults (about 5 887 473) do not have/use financial services provided by a commercial bank. Uptake of banking products is mainly driven by savings accounts with ATM cards (more than 0.8 million), those who receive their income into a bank account (about 414 000), as well as the Makwacha card PIN protected online debit card (about 303 000 people). The main reasons why people are banked refer to safe keeping from theft (16% of those who are banked), followed by receipt of salary/wages (stated by 14%), receive money from others (13%), as well as savings (10%). People who are currently unbanked mainly stated monetary reasons, i.e. low/insufficient income as their main reason for not having/using product/service offered by a commercial bank (stated by 65% of those currently not banked). Only 3% reported inaccessibility to banks (banks are too far away or transport is too difficult) as their main reason for not being banked, despite the fact that 40% adults in Malawi travel on average for more than one hour to the closest bank branch.

Savings and investments: Malawians are more likely to save than to borrow money, despite low levels of income. Just above two in five adults (43%) save/put money away, mainly to have money for living expenses (41%) when they do not have money at a given time (i.e. high percentage of Malawians have an irregular income such as farming and ganyu). Other reasons for savings include covering farming expenses (18%), as well as safe keeping of money (16%) and medical expenses (14%), emergencies other than medical (13%), and to start/expand own business (10%). In turn, 57% of Malawians do not save, mainly due to monetary reasons, i.e. low income (71%). As illustrated in the figure below, Malawians mainly save at home (23%) and through informal mechanisms (17%) such as Village Savings and Loan Groups. Savings through formal financial institutions has decreased since 2008 (17% save through formal institutions (bank and other formal (non-bank) in 2008 down to 15% in 2014).

FIGURE 41: UPTAKE OF SAVINGS PRODUCTS/SERVICES – MALAWI 2014

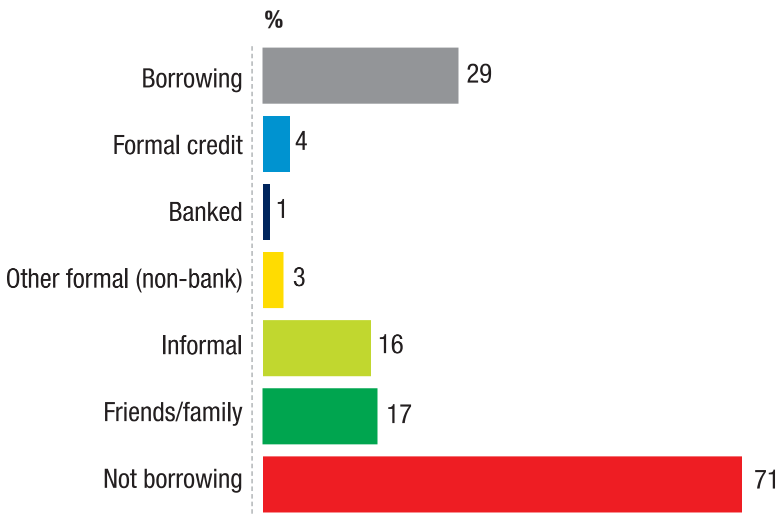


The Savings Strand below reveals that there are some overlaps. 15% of adults only save at home (they do not have/use any other savings mechanisms, neither formal nor informal). 13% use informal mechanisms such as savings groups. They do not use any formal savings products/services. They might, however, also save at home. Although, 3% use savings products/services provided by another formal (non-bank) financial institution, they do not save with a commercial bank. They might also save through savings groups and/or at home. 12% have/use savings products provided by a commercial bank. They might also use other formal savings products, informal mechanisms, and/or save at home.

FIGURE 42: SAVINGS STRAND – MALAWI 2014

Borrowing and credit: Almost every third adult (29%) borrowed money, mainly through informal mechanisms (16%) such as Village Savings and Loan Groups or from friends and family (17%). Only 1% borrowed from a commercial bank as illustrated in the figure below. Often, savings and borrowing mechanisms are connected as 19% reported that they are already saving with a lender. As such, many savings groups fulfil both functions (e.g. Village Savings and Loan Groups) and are vital in the financial inclusion landscape in Malawi.

FIGURE 43: UPTAKE OF CREDIT PRODUCTS/SERVICES – MALAWI 2014



The Credit Strand below shows that there are hardly any overlaps between formal and informal borrowing. 10% borrow from family and friends only, while 15% borrow from informal sources (they might also borrow from friends and family), and only 4% borrow from formal sources.

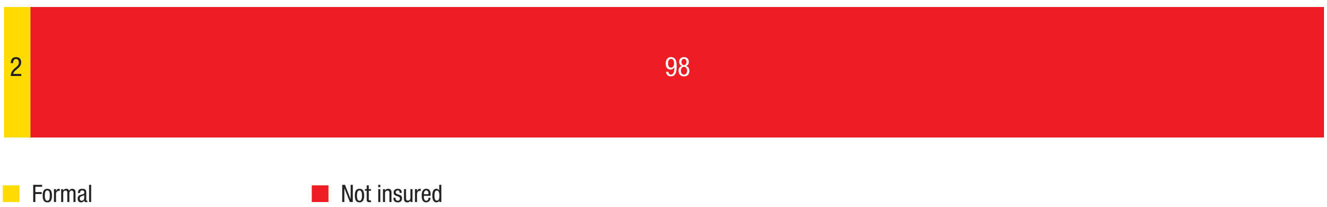
FIGURE 44: CREDIT STRAND – MALAWI 2014

Similar to the reasons for savings, Malawians mainly borrow to pay for living expenses (49%), farming (16%), and medical expenses (12%). The key barriers to borrowing are the fear of debt and the possibility of not being able to pay it back (49% and 25% respectively of those who did not borrow).

Insurance and risk management: The large majority of Malawians (98%) do not have any financial product to cover a defined risk (neither formal nor informal). Main barriers to the uptake of insurance refer to a lack of awareness/ knowledge (have not heard about it, don't know where/how to get it) and affordability. Of those who are covered by (formal) insurance (2%, about 136 000 individuals), product uptake is mainly driven by life insurance, motor vehicle insurance, and medical insurance, following the motto 'It's better to be safe than sorry later'. There is no informal insurance scheme, such as burial societies. Although about 20% (1.6 million) individuals are from households that experienced one or more deaths in the past year prior to the survey, and funerals are mentioned as one of the most costly events (37%), funeral cover is not common in Malawi. There seems to be attitudinal issues around death (inviting bad spirits) which prevent people from providing/taking up such type of insurance.

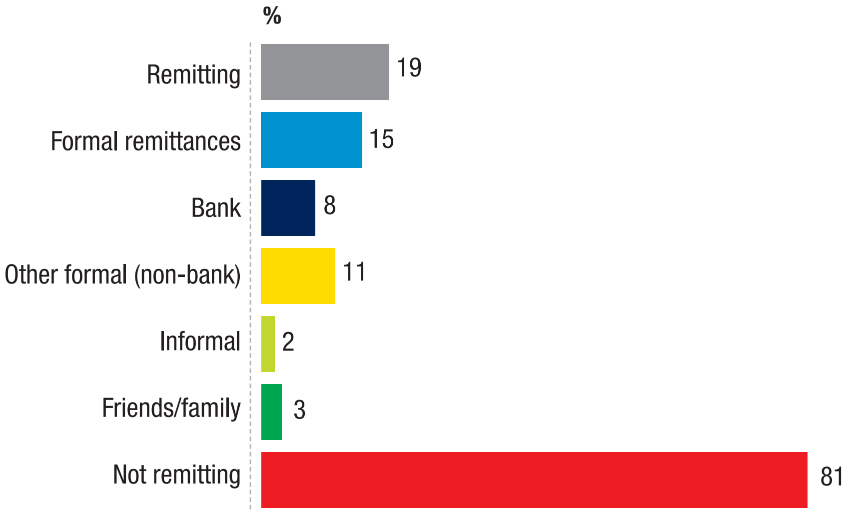
Again, medical reasons feature prominently, not only for insurance, but also as a main reason for saving (13%) and borrowing (12%). At the same time, illness or medical emergencies are mentioned as main risks to livelihoods (as reported by 28%) and as most costly events (39%). As shown in the 2008 survey, health is considered as the most important asset. Given the importance of manual labour (farming and ganyu) as main sources of income, this is not surprising. Many Malawians (47%) do expect major expenses or events (e.g. funeral, wedding, birth of a child) to happen in the next year, which will mainly be covered by savings (33%). 20%, however, do not have a contingency plan to cover unforeseen events, and might experience financial strain.

FIGURE 45: INSURANCE STRAND – MALAWI 2014



Remittances: 19% of adults in Malawi (about 1.5 million) either sent or received money to or from family members, parents, and children, usually on a monthly basis. Adults in Malawi mainly send or receive money through formal mechanism (which has increased compared to 2008 from 10% to 16% in 2014).

FIGURE 46: REMITTANCES – OVERVIEW MALAWI 2014



Mobile money: About 72% of adults in Malawi have access to a cellphone. Although 20% (1.6 million) know about mobile money, only 3% (about 264 000) actually use it, either as registered users (2%) or using another person's mobile account (1%). Of those who use mobile money, purchase of air time is most common (42%), followed by cash withdrawals (30%). Further, it is used as a remittances tool (23% receive money and 18% use mobile money to send money), and for cash deposits (17%). Main barriers to mobile money usage refer to a lack of awareness (80%) and lack of product information (37% of those who are aware of mobile money).

Summary: The uptake of financial products and services in Malawi is summarised in the table 5 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 5: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY MALAWI 2014

	Incidence	Drivers	Barriers
Banking	27%	To receive money and to save	Affordability: Low/insufficient income
Savings and investments	43% (mainly at home and through informal mechanisms)	Saving for living expenses, farming, and medical	Affordability: Low/insufficient income
Borrowing and credit	29% (mainly through informal mechanisms and from family/friends)	Borrowing for living expenses, farming, and medical	Fear of indebtedness/inability to pay it back
Insurance and risk management	2%	Mainly life, medical and motor insurance Illness = main risk and most costly	Lack of awareness/knowledge Affordability
Mobile money	3%	Airtime top-up	Lack of awareness/knowledge

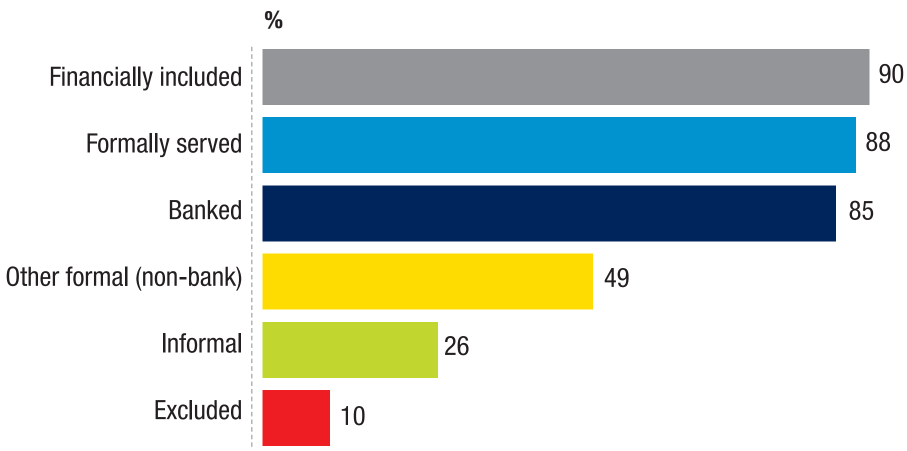
2.5 Mauritius (2014)

POPULATION	1.2 million	2013
GDP	$11.9 billion	2013
GDP GROWTH	3.2%	2013
INFLATION	3.2%	2014

Mauritius has a small population of about 1.2 million (World Bank, 2013)[13]. According to FinScope 2014[14], the adult population (18+) is estimated to be about 921 007. The population is mainly rural (58%), female (51%), with youth accounting for 24% of Mauritius' adult population (30 years or younger), with high levels of education (50% have secondary education, including 10% with professional studies or university degrees). About 99.9% of adults in Mauritius have access to piped water (inside the dwelling or yard/plot), 97% use liquid gas as their main source of energy for cooking while 97% have access to a flush toilet. Salary from private companies (24%) and from government/parastatals (11%), while 21% rely on pensions. About 56% personally earn less than MUR12 000 (US$380) per month.

Adoption and uptake of financial products and services – overview: The level of financial inclusion in Mauritius is high with 90% of adults (about 829 000 individuals) using financial services (both formal and informal) to manage their financial lives. The main reason for the high level of financial inclusion is the uptake of transactional products which drives banking services. Banking is high compared to other countries in the region with 85% of adults using financial products/services provided by a commercial bank, which is mainly driven by transactional and savings products. While 49% have/use other formal non-bank financial products/services, 26% use informal mechanisms. Only 10% of adults in Mauritius (about 92 100) do not use any financial products or services to manage their financial lives. If they save, they save at home, and if they borrow, they borrow from family and friends. One could easily attribute the high levels of financial inclusion in Mauritius to the fact that in terms of land size and population, Mauritius is a small country with less than one million adults to serve financially. Providing access to financial services might therefore be relatively less problematic than in most other countries, especially since Mauritius is more financially sophisticated than most SADC countries. However, an assessment of the type of services and products used by formally served individuals seems to indicate that non-bank formal service providers, in particular, are doing something right in terms of reach; certainly as far as addressing other needs, for example, for insurance provision. Mobile phones are common in Mauritius with 84% of the adult population using a mobile phone. However, only 2% of the population is registered to use mobile money.

FIGURE 47: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW MAURITIUS 2014



The Access Strand reveals that there is a small amount of overlaps. 2% of adults only have/use informal mechanisms such as savings clubs (i.e. they do not have/use any formal financial products/services to manage their financial lives), compared to a total of 88% that actually use formal mechanisms. That means that for most individuals who are formally served, the informal sector either meets a financial need that the individuals are not receiving from the formal sector, or it provides additional benefits that are not necessarily financial in nature (e.g. the social aspect of informal savings clubs). 3% have/use other formal financial products/services but are not banked. They may, however, also use informal financial mechanisms. While 85% are banked, they may also use other formal (non-bank) financial services and/or informal mechanisms.

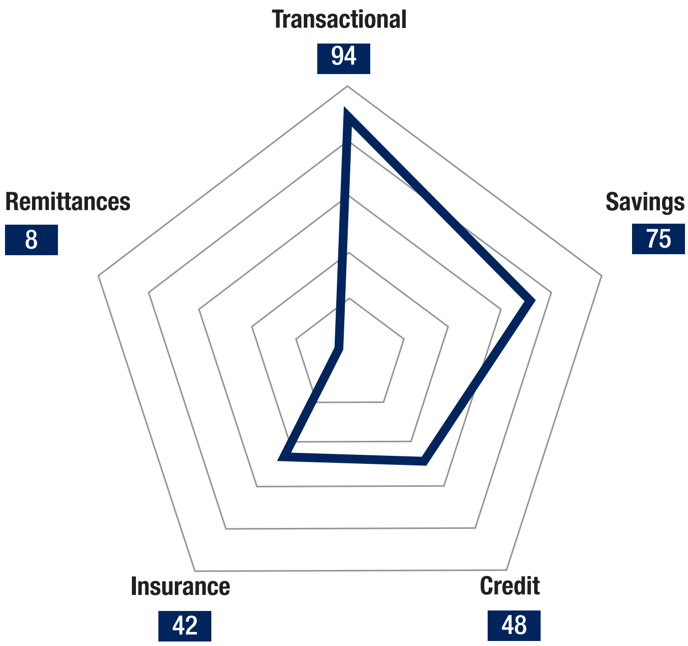
[13] http://www.worldbank.org/en/country/mauritius
[14] To date, FinMark Trust has conducted only one FinScope survey in Mauritius: FinScope Consumer in 2014, which is used in this book.

FIGURE 48: ACCESS STRAND – MAURITIUS 2014

Comparing the Access Strands by location reveals that financial inclusion is only slightly higher among adults residing in urban areas (91% are financially included) compared to rural areas (90%). The slight difference between rural and urban levels of financial inclusion is the usage of bank products/services with 87% of adults residing in urban areas being banked compared to only 84% of adults in rural areas. The role of the informal sector is more pronounced in the rural areas and among women, more so in Rodrigues. However, men are more likely to be financially included (94%) than women (86%).

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) is largely driven by transactional products, followed by savings. 94% of the financially included have/use transactional products/services and 75% have/use savings products/services (excluding those who save at home/secret place). 48% have/use credit products/services (excluding those who borrow from family/friends) and 42% have/use insurance products/services.

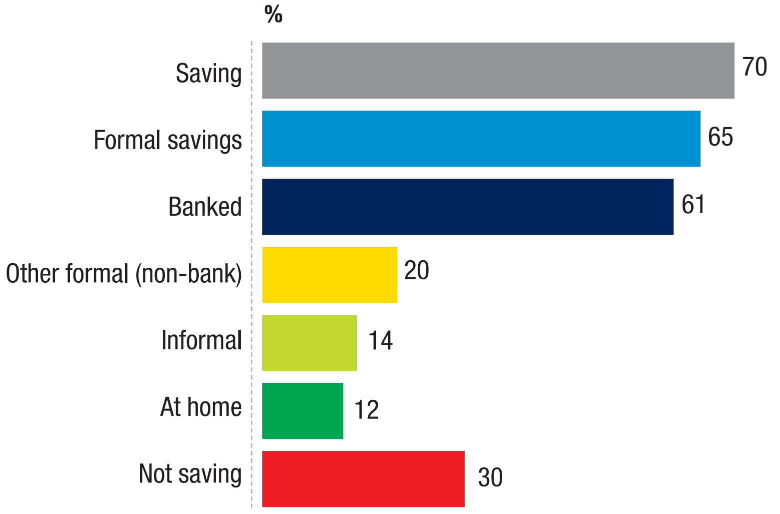
FIGURE 49: LANDSCAPE OF ACCESS – MAURITIUS 2014



Banking: In total, 85% of adults in Mauritius are banked, amounting to about 786 333 individuals. In turn, 15% of adults (= about 134 674) do not have/use financial services provided by a commercial bank. Uptake of banking products is mainly driven by transactional products/services (93% of those who are banked have/use transactional products/services). The main reasons why people are banked refer to 'money safe from theft' (72% of those who are banked), salaries can be deposited by employers (47%) and interest on balance (38%). People who are currently unbanked mainly stated monetary reasons, i.e. low/insufficient income as their main reason for not having/using product/service offered by a commercial bank. 59% reported to have insufficient or no money coming in to justify having a bank account, while 29% have income coming in but insufficient balance after expenses are covered. Other barriers relate to a lack of knowledge/awareness (if you are not employed, you cannot open a bank account) and affordability of bank services (cannot maintain minimum balance, banking fees are too high).

Savings and investments: 70% save/put money away, mainly for an emergency other than medical (50%) as well as medical expenses (48%). Further, Mauritians save to have money available for living expenses (46%), for education and school fees (23%) as well as for retirement or old age (14%). In turn, 30% do not save, mainly due to monetary reasons ('no money left after living expenses' 72%, do not have money to save 26%). As illustrated in the figure below, adults in Mauritius mainly save through commercial banks (61%).

FIGURE 50: UPTAKE OF SAVINGS PRODUCTS/SERVICES – OVERVIEW MAURITIUS 2014

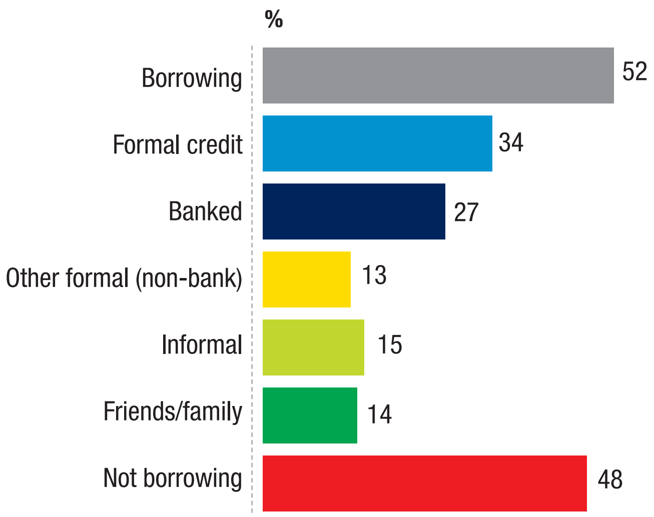


The Savings Strand below reveals that there are some overlaps. 3% of adults only save at home; they do not have/use any other savings mechanisms (neither formal nor informal). 2% use informal mechanisms such as savings groups; they do not use any formal savings products/services. They might, however, also save at home. 4% use savings products/services provided by a formal non-bank financial institution, however, they do not save with a commercial bank. They might also save through savings groups and/or at home. 61% have/use savings products provided by a commercial bank. They might also use other formal savings products, informal mechanisms, and/or save at home. Adults residing in rural areas are less likely to save than their counterparts in urban areas.

FIGURE 51: SAVINGS STRAND – MAURITIUS 2014

Borrowing and credit: Adults in Mauritius are less likely to borrow than to save. 52% borrowed money or took goods on credit, mainly from commercial banks (27%) and through informal mechanisms (15%). Only 13% borrowed from formal non-bank institutions as illustrated in the figure below.

FIGURE 52: UPTAKE OF CREDIT PRODUCTS/SERVICES – MAURITIUS 2014



The Credit Strand below shows that there are some overlaps between formal and informal borrowing. 9% borrow from family and friends only – while 9% borrow from informal sources, they might also borrow from friends and family, and 7% have/use credit products/services from other formal sources but not from a commercial bank (they might also borrow from informal sources and/or family and friends). About 27% borrow from commercial banks.

FIGURE 53: CREDIT STRAND – MAURITIUS 2014

The reasons for borrowing are somewhat similar to the reasons for savings. Mauritians' mainly borrow to pay for living expenses when income is insufficient (24%), to buy household appliances (20%), to buy or build a dwelling (13%) and other emergencies other than medical (10%). The key barrier to borrowing is the fear of debt and the possibility of not being able to pay it back (37% and 21% respectively of those who did not borrow).

Insurance and risk management: In Mauritius, uptake of financial products and services includes insurance products. In total, 38% (about 350 000 individuals) have a financial product covering a defined risk – all formally insured. Motor vehicle insurance cover is high in Mauritius as it is a legislatively compulsory product to have once an individual owns a motor vehicle. Main perceived risks to livelihoods do not necessarily correlate to the drivers of insurance uptake, namely illness within the household or family that require medical attention (51%) and the loss of employment (28%). Barriers to insurance uptake mainly relate to affordability ('cannot afford' 26%) and lack of awareness ('never thought about it and have not heard about it' 27%).

FIGURE 54: UPTAKE OF INSURANCE PRODUCTS/SERVICES – OVERVIEW MAURITIUS 2014

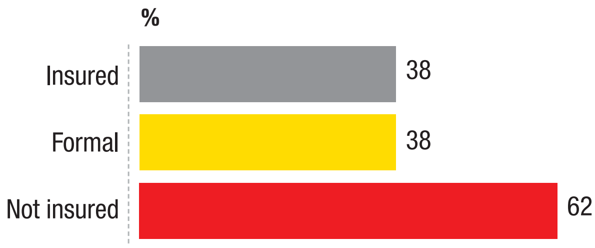
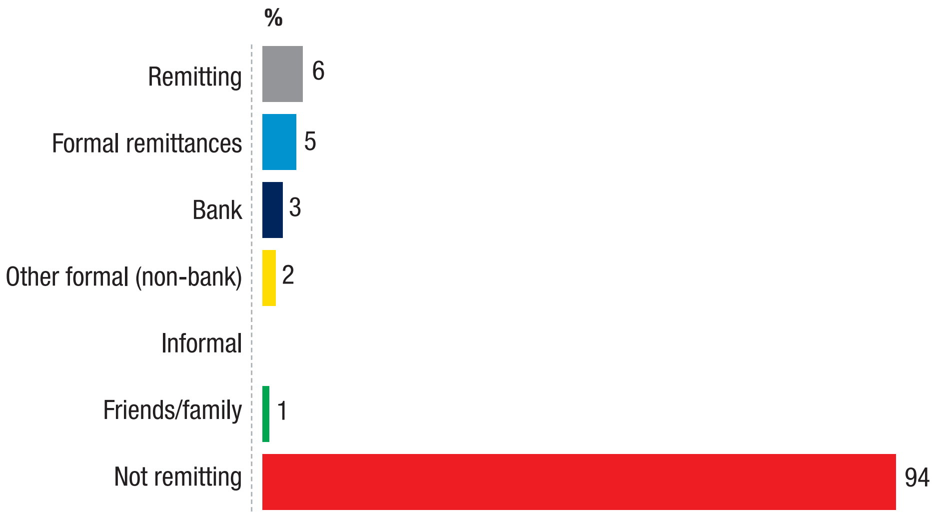


FIGURE 55: INSURANCE STRAND – MAURITIUS 2014

Remittances: The percentage of the adults who remit is generally low. Mauritians have only recently been introduced to new remittances products like mobile money. Around 6% of adults in Mauritius (about 55 000) either sent or received money to or from family members, parents, and children, usually on a monthly basis. The most common mechanism used to transfer money is sending cash via a bank transfer (56% – of those who remit) since most adults are banked.

FIGURE 56: REMITTANCES – OVERVIEW MAURITIUS 2014



Mobile money: Mobile phones are common in Mauritius with 84% of the adult population using a mobile phone. This is a definite opportunity for advancing mobile money services to encourage financial inclusion in the Republic of Mauritius.

Summary: The uptake of financial products and services in Mauritius is summarised in the table 6 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 6: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY MAURITIUS 2014

	Incidence	Drivers	Barriers
Banking	85%	Transactional and savings products	Affordability: Low/insufficient income
Savings and investments	60% (mainly through banks)	Emergencies other than medical, living expenses, medical expenses	Affordability: Low/insufficient income
Borrowing and credit	52% (mainly through banks)	Living expenses, buy household appliances	Fear of indebtedness/inability to pay it back
Insurance and risk management	38% (formal)	Motor vehicle insurance	Affordability/lack of awareness
Mobile money	2%	Remittances	Lack of awareness/knowledge

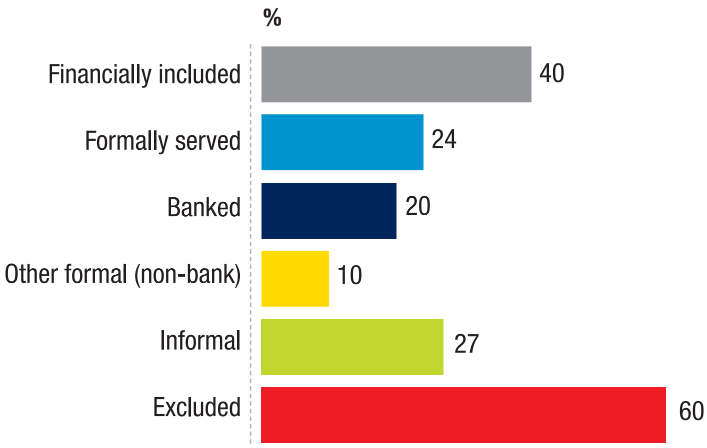
2.6 Mozambique (2014)

POPULATION	25.8 million	2013
GDP	$15.6 billion	2013
GDP GROWTH	7.4%	2013
INFLATION	4.3%	2013

Mozambique has a population of about 25.8 million (World Bank, 2013)[15]. According to FinScope 2014[16], the adult population (16+) is estimated to be about 14 431 915. The population is mainly rural (67%), female (52%), young (46% of Mozambique's adult population is 30 years or younger), with low levels of education (64% have primary education or less). About 18% of adults in Mozambique have access to piped water (inside the dwelling or yard/plot), and 27% use electricity as their main source of energy in their home. 31% mainly rely on farming to generate an income and 30% rely on other household members as their main source of income. Only 8% receive a salary or wage.

Adoption and uptake of financial products and services – overview: The levels of financial inclusion in Mozambique are one of the lowest in the region with only 40% of adults using financial services (both formal and informal) to manage their financial lives (about 5 772 766 individuals). 20% of adults use financial products/services provided by a commercial bank, which is mainly driven by transactional services, savings products and remittances. Only 10% have/use other formal non-bank financial products/services (e.g. insurance). The uptake of financial products/services is mainly driven by informal mechanisms (27%). 60% of adults in Mozambique do not use any financial products or services to manage their financial lives. If they save, they save at home, and if they borrow, they borrow from family and friends. One could easily attribute the low levels of financial inclusion in Mozambique to the insufficient physical access to banking infrastructure (combined with low levels of cellphone ownership and availability/use of mobile money). However, other factors need to be taken into consideration such as low levels of education/knowledge/ awareness, high proportion of adults with irregular income and very low levels of income. The lack of resources will remain a principal impediment to accessing financial services. As such, there are large urban-rural differences, as well as gender discrepancies. Almost every second adult in Mozambique (48%) has access to a cellphone. Although 21% know about mobile money, only 3% (360 000) are registered. Key barriers to the uptake of mobile money are the lack of awareness/knowledge.

FIGURE 57: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW MOZAMBIQUE 2014



The Access Strand below reveals that 16% of adults only have/use informal mechanisms such as Xitique (i.e. they do not have/use any formal financial products/services to manage their financial lives). Almost 4% of adults have/use other formal financial products/services but are not banked. They may, however, also use informal financial mechanisms. While 20% are banked, they may also use other formal (non-bank) financial services and/or informal mechanisms.

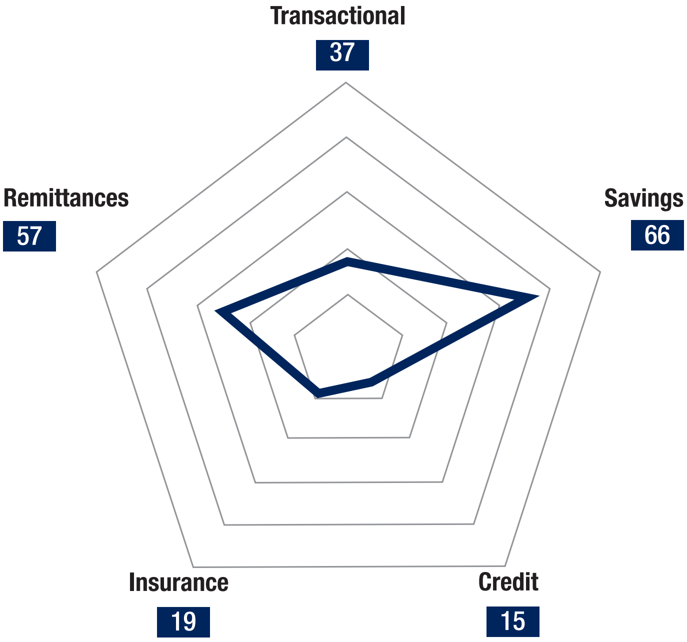
FIGURE 58: ACCESS STRAND – MOZAMBIQUE 2014

[15] http://www.worldbank.org/en/country/mozambique
[16] To date, FinMark Trust has conducted three FinScope surveys in Mozambique: FinScope Consumer in 2009, FInScope MSME 2012, and a repeat FinScope Consumer in 2014, which is used in this book.

Comparing the Access Strands by location reveals that financial inclusion is much higher among adults residing in urban areas (57% are financially included) compared to rural areas (31%), highlighting the economic marginalisation of Mozambique's rural population. The most significant difference between rural and urban levels of financial inclusion is the usage of bank products/services with 40% of adults residing in urban areas being banked compared to only 10% of adults in rural areas. Men are more likely to be financially included than women (43% compared to 38% respectively).

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) is largely driven by savings as 66% of the financially included have/use savings products/services (excluding those who save at home/secret place). 37% have/use transactional products/services and 57% have/use remittances products. Only 15% have/use credit products/services (excluding those who borrow from family/friends), and 19% have/use insurance products/services.

FIGURE 59: LANDSCAPE OF ACCESS – MOZAMBIQUE 2014

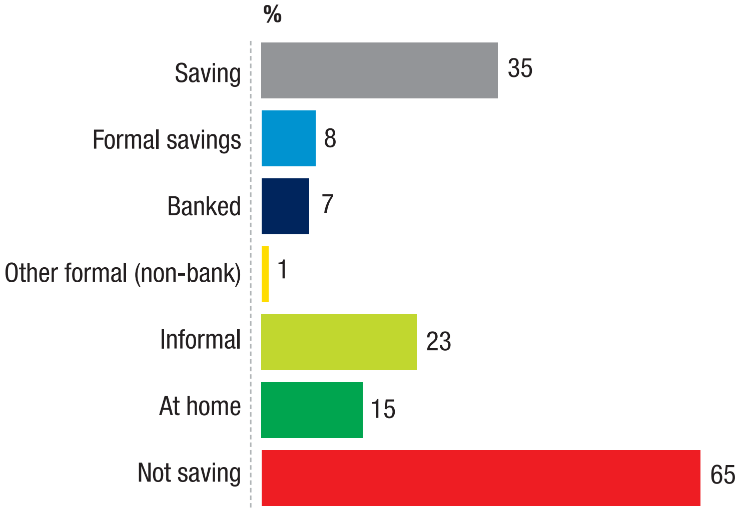


Banking: In total, 20% of adults in Mozambique are banked (including microbancos) (about 2 886 383 individuals). In turn, 80% of adults do not have/use financial services provided by a commercial bank. Uptake of banking products is mainly driven by ownership of current account (53%), salary (28%) and savings account (27%), as well as debit card ownership (31%). The main reasons why people are banked refer to safety/security and the ability to receive money. People who are currently unbanked mainly stated monetary reasons, i.e. low/insufficient income as their main reason for not having/using products/services offered by a commercial bank. Other barriers relate to inaccessibility to banks (banks are too far away). 65% of adults in Mozambique travel on average more than one hour to the closest bank branch[17]. There are significant differences in physical access to rural and urban facilities. While 62% of adults residing in rural areas travel on average for more than one hour to the closest bank branch, 40% of adults residing in urban areas take longer than one hour.

Savings and investments: 35% save/put money away, mainly to increase their money (as stated by 37% of adults who save). Further, adults in Mozambique save to have money available for living expenses (31%) and for emergencies (medical 20% and non-medical 17%). In turn, 65% do not save, mainly due to monetary reasons (no money left after living expenses (51%), and do not have income (20%), all money goes to the household pot (20%)) and lack of awareness (never thought of it (23%)). As illustrated in the figure below, adults in Mozambique mainly save through informal mechanisms (e.g. Xitique) and/or at home. Only 7% save through a commercial bank.

[17] Only asked for those who travel to a bank branch.

FIGURE 60: UPTAKE OF SAVINGS PRODUCTS/SERVICES – OVERVIEW MOZAMBIQUE 2014

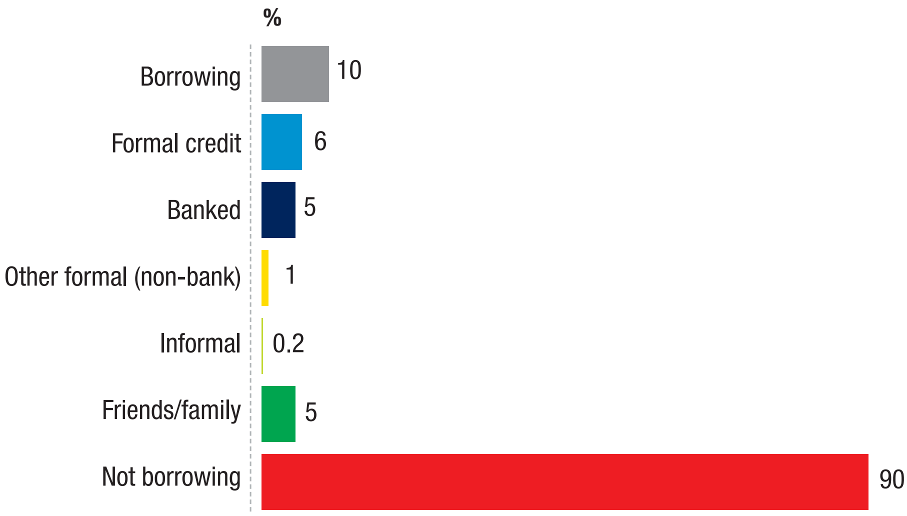


The Savings Strand below reveals that 8% of adults only save at home; they do not have/use any other savings mechanisms; neither formal nor informal. 19% use informal mechanisms such as savings groups; they do not use any formal savings products/services. They might, however, also save at home. Only 7% have/use savings products provided by a commercial bank. They might also use other formal savings products, informal mechanisms, and/or save at home. Adults residing in rural areas are less likely to save than their counterparts in urban areas.

FIGURE 61: SAVINGS STRAND – MOZAMBIQUE 2014

Borrowing and credit: Adults in Mozambique are even less likely to borrow than to save. Only 10% borrowed money or took goods on credit, mainly from friends and family (5%) and/or through commercial banks (5%) as illustrated in the figure below.

FIGURE 62: UPTAKE OF CREDIT PRODUCTS/SERVICES – MOZAMBIQUE 2014



The Credit Strand below shows that there are hardly any overlaps between formal and informal borrowing. 4% borrow from family and friends only, while less than 1% borrow from informal sources (they might also borrow from friends and family). 6% borrow from formal sources. This percentage is higher for adults residing in urban areas.

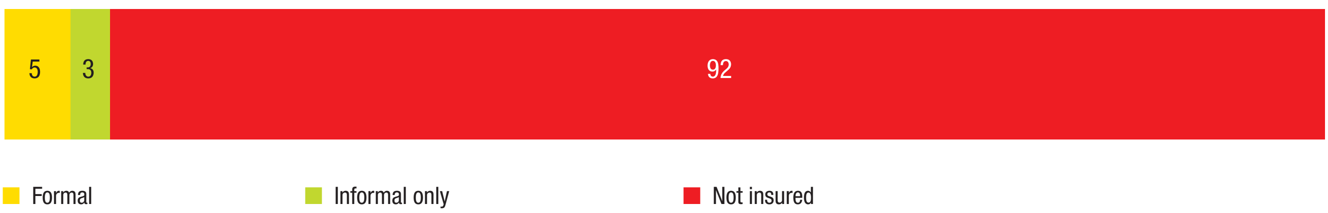
FIGURE 63: CREDIT STRAND – MOZAMBIQUE 2014

The reasons for borrowing are similar to the reasons for savings. This too might explain the sources of borrowing. Adults in Mozambique mainly borrow to pay for non-medical emergencies (32%). 26% borrow to start a business and 19% to build/renovate a house. A quarter of adults borrow to pay for living expenses (15%). The key barriers to borrowing are the fear of debt (32%), and lack of awareness (have not thought about borrowing 28%).

Insurance and risk management: In Mozambique, the awareness of insurance is low. More than half of the adult population claim never to have heard of insurance or insurance products. As such, the uptake of insurance products/services is low. Only 8% have a financial product covering a defined risk, including about 5% that are formally insured and 3% that are covered by informal mechanisms. As shown in the Insurance Strand, there are no overlaps. Informal insurance mainly relates to funeral cover. Looking at the types of formal insurance obtained indicates that coverage is often done passively as benefits provided by employers (e.g. employer medical aid and funeral insurance). The main barrier to insurance relate to a lack of awareness (58% of the population claim never to have heard of insurance and 27% do not know how it works). Main perceived risks to livelihoods relate to serious illness or accident of a household member (40%), theft or fire destruction of household (49%), death of an income earner or having to contribute to a funeral for a family member (57%), poor harvest (49%). All of these events are insurable and as such there might be a need for affordable insurance products and financial education around risk cover.

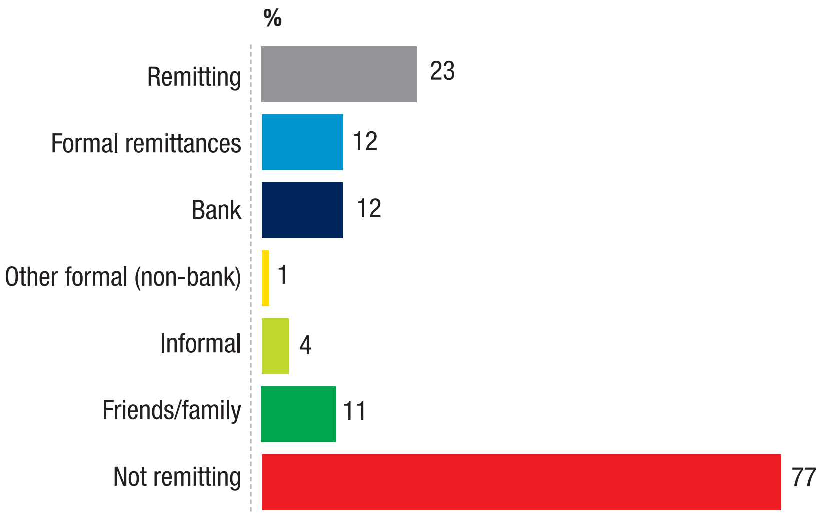
FIGURE 64: UPTAKE OF INSURANCE PRODUCTS/SERVICES – OVERVIEW MOZAMBIQUE 2014

FIGURE 65: INSURANCE STRAND – MOZAMBIQUE 2014



Remittances: Mozambique has a long history of migrant workers and sending money back home. As such, remittances is important in Mozambique. 23% of adults in Mozambique either sent or received money to or from family members, parents, and children, usually on a monthly basis. The common mechanisms used to transfer money are sending cash with a relative or friend (11%) and through a commercial bank (12%).

FIGURE 66: REMITTANCES – OVERVIEW MOZAMBIQUE 2014



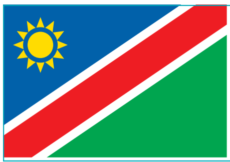
Mobile money: Almost every second adult in Mozambique (48%) has access to a cellphone. 21% know about mobile money, but only 3% (360 000) are registered. Key barriers to the uptake of mobile money are the lack of awareness/knowledge.

Summary: The uptake of financial products and services in Mozambique is summarised in the table 7 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 7: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY MOZAMBIQUE 2014

	Incidence	Drivers	Barriers
Banking	20%	Transactional and savings products	Affordability: Low/insufficient income
Savings and investments	35% (mainly informal)	Increase money, living expenses, emergencies	Affordability: Low/insufficient income
Borrowing and credit	10% (mainly formal)	Non-medical emergencies, start business, renovate/build	Fear of indebtedness/inability to pay it back
Insurance and risk management	10% (mainly formal)	Funeral cover, medical aid	Lack of awareness
Mobile money	3%	Airtime top-up	Lack of awareness/knowledge

2.7 Namibia (2011)

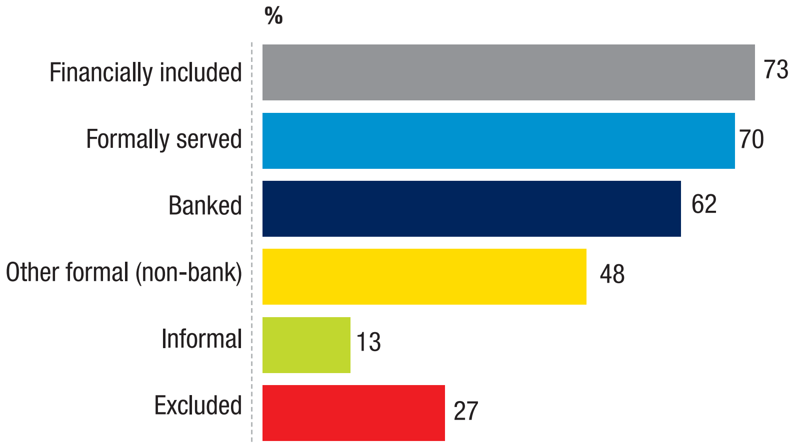


POPULATION	2.3 million	2013
GDP	$13.1 billion	2013
GDP GROWTH	5.1%	2013
INFLATION	5.4%	2014

Considering its geographical size, Namibia has a small population of about 2.3 million (World Bank, 2013)[18]. According to FinScope 2011[19], the adult population (16+) is estimated to be about 1 117 525. The population is mainly rural (58%), female (61%), young (47% of Namibia's adult population is 30 years or younger), with good levels of education (32% have primary education or less, including 7% without any formal education). About 48% of adults in Namibia do not have access to piped water (inside the dwelling or yard/plot), and 51% use firewood as their main source of energy in their home. Salaries/wages are the most important source of income (33%, including salary/wages from individuals, companies, and government/parastatals). 12% receive a Government old age pension as their main source of income, 11% receive most of their income from their own business (selfemployed), and 10% rely on remittances. 52% personally earn less than NAD1 000 (US$80) per month, and 19% claim to have no income at all.

Adoption and uptake of financial products and services – overview: Financial inclusion is relatively high in Namibia. 73% of adults (about 913 000 individuals) have/use financial services (both formal and informal) to manage their financial lives. Inclusion is driven by the uptake of formal financial services, especially banking products. 70% are formally served (including the uptake of both bank and other formal non-bank products/services). 62% of adults are banked which is high compared to other countries in the SADC region. Banking is largely driven by the uptake of transactional and savings products. 48% have/use other formal non-bank financial products/services (mainly insurance and savings products), and 13% use informal mechanisms, such as informal money lenders and savings groups. 27% of adults in Namibia (about 332 960) do not use any financial products or services to manage their financial lives. If they save, they save at home, and if they borrow, they borrow from family and friends. Cellphones are common in Namibia with 95% of the adult population having access to a cellphone. The uptake of mobile money was not assessed in the 2011 survey.

FIGURE 67: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW NAMIBIA 2011



The Access Strand below reveals a large amount of overlaps. 3% of adults only have/use informal mechanisms such as savings groups and informal money lenders. They do not have/use any formal financial products/services to manage their financial lives. 8% have/use other formal financial products/services but are not banked. They may, however, also use informal financial mechanisms.

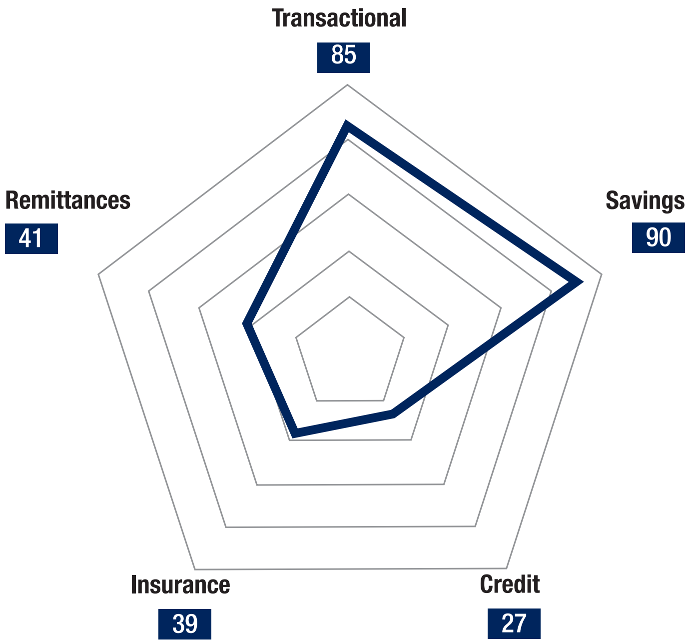
FIGURE 68: ACCESS STRAND – NAMIBIA 2011

[18] http://www.worldbank.org/en/country/namibia
[19] To date, FinMark Trust has conducted two FinScope surveys in Namibia: FinScope Consumer in 2007 and 2011. The latter is used in this book.

Comparing the Access Strands by location, gender, and income sources reveals that financial inclusion is much higher among adults residing in urban areas (86% are financially included) compared to rural areas (64%), among men (72%) compared to women (59%), among those receiving a wage/salary (94%) compared to farming activities (87%) or to those who rely on money from others (62%).

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) continues to be largely driven by savings and transactional products/services. 90% of the financially included have/use savings products/services (excluding those who save at home/secret place), while 85% have/use transactional products/services. 39% have/use insurance, and 27% have/use credit products/services (excluding those who borrow from family/friends).

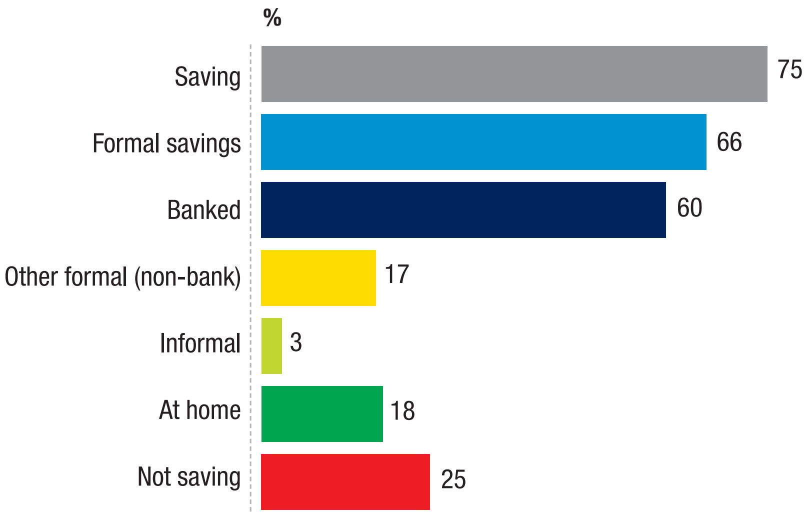
FIGURE 69: LANDSCAPE OF ACCESS – NAMIBIA 2011



Banking: In total, 62% of adults in Namibia are banked, amounting to about 767 000 individuals. In turn, 38% of adults (= about 479 000) do not have/use financial services provided by a commercial bank. Uptake of banking products is mainly driven by transactional products/services (99% of those who are banked have/use transactional products/services) and savings products/services (92%). People who are currently unbanked mainly stated monetary reasons, i.e. low/insufficient income as their main reason for not having/using product/service offered by a commercial bank (stated by 54% of those currently not banked) and the inability to maintain a minimum balance (26%). A further 14% reported accessibility issues (banks are too far away or transport is too difficult). 40% of adults in Namibia travel on average for more than one hour to the closest bank branch.

Savings and investments: 75% save/put money away. In turn, 25% do not save mainly because of affordability (do not have any money left after paying for living expense (81%) and do not have cash income (19%). As illustrated in the figure below, adults in Namibia mainly save through formal institutions (63%). This corresponds with the drivers for banking and uptake of other formal non-bank products, i.e. savings accounts.

FIGURE 70: UPTAKE OF SAVINGS PRODUCTS/SERVICES – OVERVIEW NAMIBIA 2011

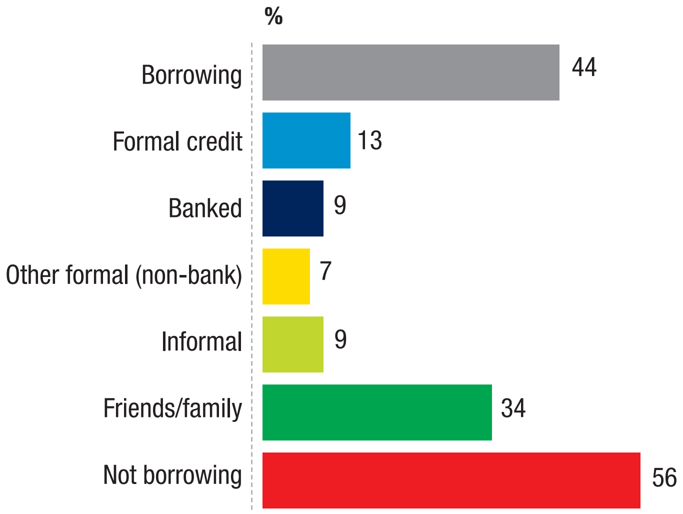


The Savings Strand below reveals that 8% of adults only save at home. They do not have/use any other savings mechanism (neither formal nor informal). 1% use informal mechanisms such as savings groups (Okwiiumbila); they do not use any formal savings products/services. They might, however, also save at home. Although 6% use savings products/services provided by a formal non-bank financial institution, they do not save with a commercial bank. They might also save through savings groups and/or at home. 60% have/use savings products provided by a commercial bank. They might also use other formal savings products, informal mechanisms, and/or save at home.

FIGURE 71: SAVINGS STRAND – NAMIBIA 2011

Borrowing and credit: 44% of Namibians borrowed money or took goods on credit, mainly through borrowing from family members or friends. Only 9% borrowed from banks as illustrated in the figure below.

FIGURE 72: UPTAKE OF CREDIT PRODUCTS/SERVICES – NAMIBIA 2011



The Credit Strand below shows that 24% borrow from family and friends only, while 7% borrow from informal sources (they might also borrow from friends and family), and only 13% borrow from formal sources.

FIGURE 73: CREDIT STRAND – NAMIBIA 2011

The key barrier to borrowing is the fear of debt and the possibility of not being able to pay it back (48% and 15% respectively of those who did not borrow). 25% said that they do not have a need to borrow.

Insurance and risk management: 29% have a financial product covering a defined risk. 29% are formally insured, which is mainly driven by funeral cover, medical aid, and life insurance. 1% of adults are covered by informal insurance mechanisms. The main perceived risk to livelihoods correlate to the drivers of insurance uptake, namely illness within the household or family that require medical attention (14%). Other perceived risks include rising living costs (13%), having to pay for unforeseen school or other education related expenses (10%), and an increase in household size (10%). Barriers to insurance uptake mainly relate to affordability. 80% of those who do not have short-term insurance reported lack of affordability, 84% for life insurance, and 87% for medical aid.

FIGURE 74: UPTAKE OF INSURANCE PRODUCTS/SERVICES – OVERVIEW NAMIBIA 2011

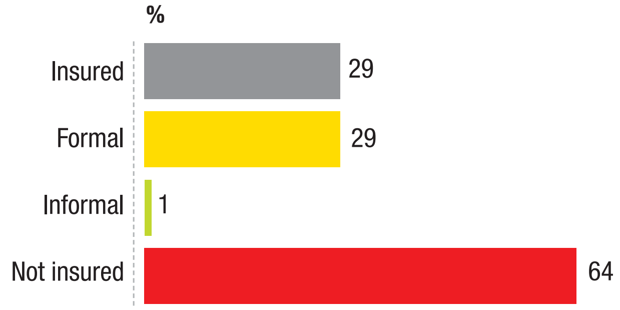
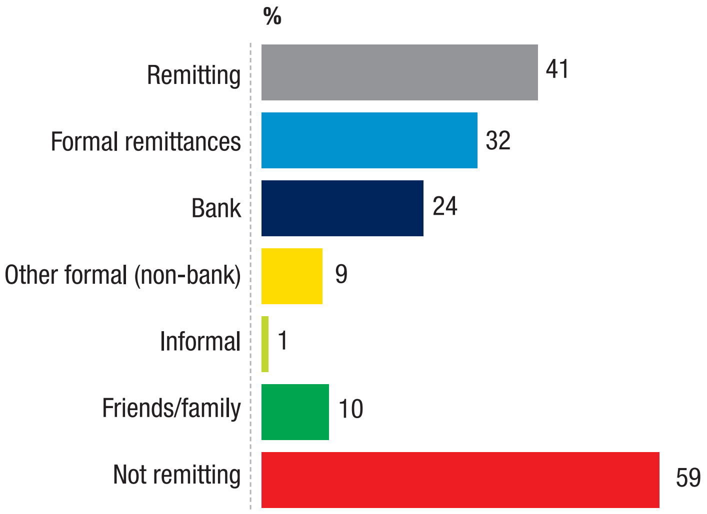


FIGURE 75: INSURANCE STRAND – NAMIBIA 2011

Remittances: 41% of adults in Namibia either sent or received money to or from family members, parents, and children, usually on a monthly basis. The most common mechanism used to transfer money is a bank account/bank transfers and Post Office/Nampost.

FIGURE 76: REMITTANCES – OVERVIEW NAMIBIA 2011



Mobile money: Cellphones are common in Namibia with 95% of the adult population having access to a cellphone. The uptake of mobile money was not assessed in this survey.

Summary: The uptake of financial products and services in Namibia is summarised in the table 8 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 8: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY NAMIBIA 2011

	Incidence	Drivers	Barriers
Banking	62%	Transactional and savings products	Affordability: Low/insufficient income
Savings and investments	75% (mainly through banks)	*was not asked	Affordability: Low/insufficient income
Borrowing and credit	32% (mainly from friends/family)	*was not asked	Fear of indebtedness/inability to pay it back, no need to borrow
Insurance and risk management	36% (mainly formal)	Mainly funeral cover, medical aid, and life insurance	Affordability
Mobile money	N/A	N/A	N/A

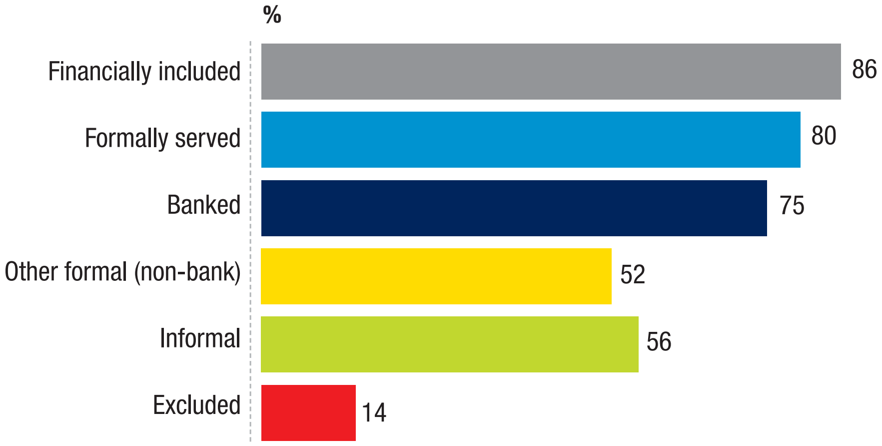
2.8 South Africa (2014)

POPULATION	53.1 million	2013
GDP	$366.1 billion	2013
GDP GROWTH	2.2%	2013
INFLATION	5.6%	2014

South Africa has a population of about 53.1 million (World Bank, 2013)[20]. Statistics South Africa estimated the total population to be 54 million in 2014[21]. According to FinScope 2014[23], the adult population (16+) is estimated to be about 36.8 million (36 778 676). The population is mainly urban (66%), female (52%), young (39% of SouthAfrica's adult population is 30 years or younger), with good levels of education (10% have primary education or less, including 2% without any formal education). The large majority of adults in South Africa have access to electricity (94%) and piped water (97%, inside the dwelling or yard/plot). However, impoverished pockets without access to adequate infrastructure remain among low LSM[23] groups, especially in remote rural areas. Money from salary/wages are the most important sources of income (34%), while 34% obtain money from others, 30% rely on Government grants as their main source of income. 39% earn a personal income of less than R2 000 (US$200) per month. A further 8% claim to have no personal monthly income.

Adoption and uptake of financial products and services – overview: South Africa has one of the highest levels of financial inclusion in the SADC region. In 2014, 86% of adults in South Africa have/use financial services (both formal and informal) to manage their financial lives (about 31 629 661 individuals). 80% of adults are formally served (including the uptake of both bank and other formal non-bank products/services) which steadily increased over time[24]. 75% of adults are banked which is largely driven by the uptake of transactional products and income payments, while 52% have/use other formal non-bank financial products/services (mainly credit products and funeral cover), and 56% use informal mechanisms, such as savings groups and burial societies. 14% of adults in South Africa do not use any financial products or services to manage their financial lives. If they save, they save at home, and if they borrow, they borrow from family and friends. Cellphones are common in South Africa with 90% of the adult population using a cellphone. Cellphone banking is used by 24% of adults in South Africa (= about 8.6 million), mainly to buy airtime (82%), check balances (54%), send/receive money (17%), and to pay bills (10%).

FIGURE 77: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW SOUTH AFRICA 2014



The Access Strand below reveals that there is a large amount of overlaps. Consumers in South Africa generally use a combination of financial products and services to meet their financial needs. For example, while 56% use informal mechanisms (see uptake of financial products/services – overview above), only 6% of adults rely exclusively on informal mechanisms such as savings groups and burial societies (see Access Strand below). The others also have/use formal financial products. Only 5% have/use other formal financial products/services but are not banked. They may, however, also use informal financial mechanisms.

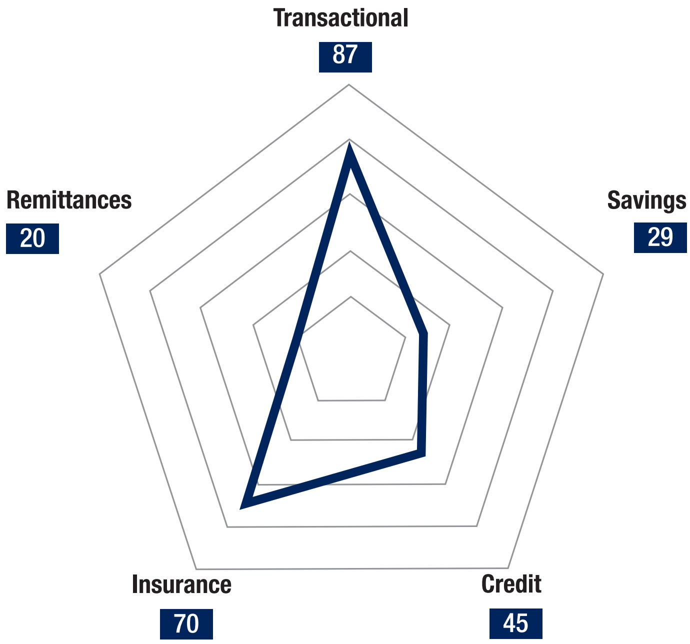
[20] http://www.worldbank.org/en/country/southafrica
[21] http://www.statssa.gov.za/publications/P0302/P03022014.pdf
[22] To date, FinMark Trust has conducted 12 FinScope Consumer Surveys in South Africa (yearly, since 2003), and one FinScope MSME Survey. This summary focuses on findings from the FinScope Consumer Survey, 2014.
[23] LSM: Livings Standard Measure
[24] In 2005, for example, 55% of South Africans were formally included

FIGURE 78: ACCESS STRAND – SOUTH AFRICA 2014

Comparing the Access Strands by location, gender, and income sources reveals that financial inclusion is higher among adults residing in urban formal areas (89% are financially included) compared to rural areas (79%). Further, it is important to note that financial inclusion among women is slightly higher compared to men (89% compared to 82% respectively), mainly due to the payment of Government grants (e.g. child grants) through bank accounts (i.e. inclusion by design).

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) continues to be largely driven by transactional products/services. 87% of the financially included have/use transactional products/services, while 70% have/use insurance products/services (mainly funeral cover/burial societies), 45% have/use credit products/services (mainly store cards or cellphone contracts, excluding those who borrow from family/friends), and 29% have/use savings products (mainly informal savings groups, excluding those who save at home).

FIGURE 79: LANDSCAPE OF ACCESS – SOUTH AFRICA 2014

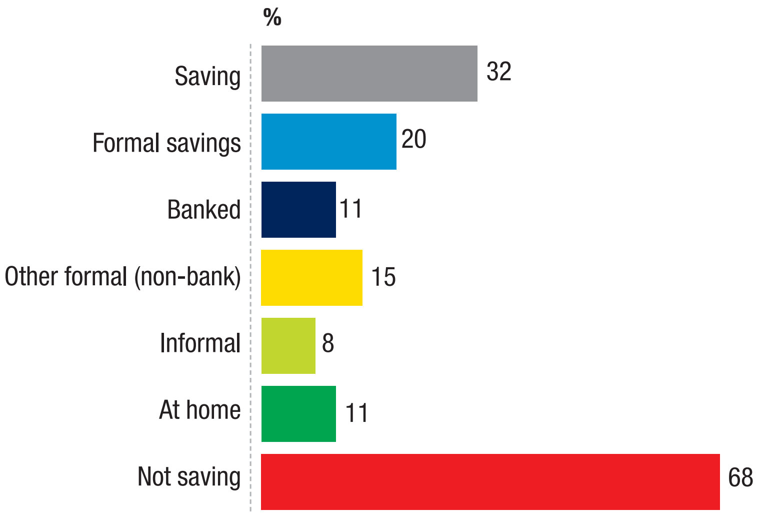


Banking: In total, 75% of adults in South Africa are banked (about 27 584 007 individuals). In turn, 25% of adults do not have/use financial services provided by a commercial bank. The banking figure increased steadily in the past few years mainly due to the roll-out of the SASSA system[25] as well as organic bank growth. Uptake of banking products is mainly driven by transactional products/services and income payments. People who are currently unbanked mainly stated monetary reasons, i.e. low/insufficient income as their main reason for not having/using products/services offered by a commercial bank (do not have a regular income stated by 38% of those currently not banked, do not have a job 30%, do not have money to save 30%). A further 8% said it is too expensive to have a bank account. Inaccessibility to banks (banks are too far away or transport is too difficult) was not featured as a main reason for being un-banked. 28% of adults in South Africa travel on average for an hour or more to the closest bank branch especially in remote areas.

[25] The South African Social Security Agency (SASSA) pays its social grants (e.g. child grant) through bank accounts which are opened for Government grant recipients.

Savings and investments: 32% save/put money away, mainly to have money available in case of an emergency (39%) and to cover funeral costs (14%). In turn, 68% do not save, mainly due to monetary reasons, i.e. they cannot afford it (as stated by 36% of those who do not save anymore); and because they used the money to pay for something else (21%). As illustrated in the figure below, adults in South Africa mainly save through formal mechanisms including commercial banks and other formal financial service providers (20%).

FIGURE 80: UPTAKE OF SAVINGS PRODUCTS/SERVICES – OVERVIEW SOUTH AFRICA 2014

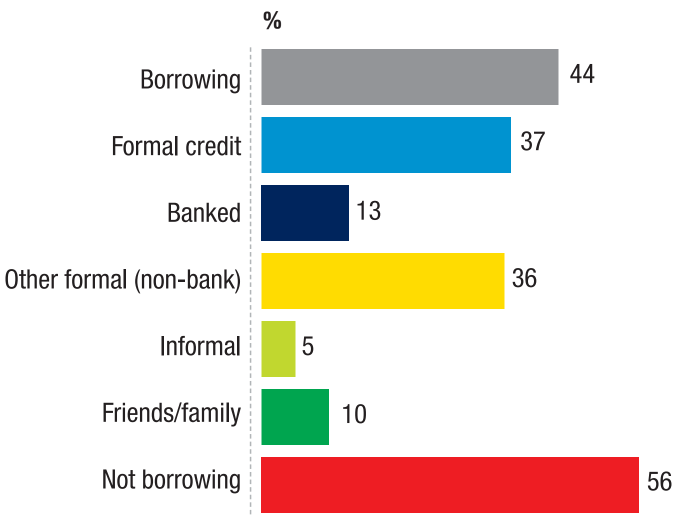


The Savings Strand below reveals that there are some overlaps. 7% of adults only save at home; they do not have/use any other savings mechanisms (neither formal nor informal). 5% use informal mechanisms such as savings groups; they might also save at home but they do not use any formal savings products/services. Although 9% use savings products/services provided by a formal non-bank financial institution, they do not save with a commercial bank. They might also save through savings groups and/or at home. 11% have/use savings products provided by a commercial bank. They might also use other formal savings products, informal mechanisms, and/or save at home.

FIGURE 81: SAVINGS STRAND – SOUTH AFRICA 2014

Borrowing and credit: South Africans are more likely to borrow than to save. 44% of adults in South Africa borrowed money or took goods on credit, mainly through formal financial institutions, including other formal (non-bank) mechanisms such as store cards and commercial banks (36%). Adults in South Africa also borrowed from informal mechanisms (5%) and from friends and family (10%), but to a lesser extent as illustrated below.

FIGURE 82: UPTAKE OF CREDIT PRODUCTS/SERVICES – SOUTH AFRICA 2014



The Credit Strand below shows that there are few overlaps between formal and informal borrowing. 6% borrow from family and friends only, while only 1% borrow from informal sources (they might also borrow from friends and family), and 37% borrow from formal sources, which is relatively high compared to other SADC countries.

FIGURE 83: CREDIT STRAND – SOUTH AFRICA 2014

South Africans mainly borrow to buy food (42% of those who borrowed) and pay for bills (17%). The key barriers to borrowing relate to monetary reasons, i.e. they cannot afford it (20%), unemployment (32%); and risk aversion (31%), i.e. they do not want to have debt.

Insurance and risk management: The uptake of insurance products/services is relatively high in South Africa compared to other countries in the SADC region. 60% of adults in South Africa have a financial product covering a defined risk, which is mainly driven by funeral cover, followed by life cover and health insurance. 38% are formally insured, while 35% are covered by informal insurance mechanisms such as burial societies. As shown in the Insurance Strand, 22% only rely on informal insurance. Main perceived risks to livelihoods correlate somewhat to the drivers of insurance uptake, namely death of family member (8%), followed by theft or damage to house/household items (3%), illness of a household member (3%) and someone in the household stopped receiving money (3%). 79% of adults reported that there are no risks to their livelihoods. Barriers to insurance uptake mainly relate to affordability. For example, those who do not have funeral cover reported the following barriers: cannot afford/too poor to pay for funeral cover (49%) and family will be looked after (28%). Similar reasons were mentioned for the lack of life cover as 57% said they earn too little/don't have a job.

FIGURE 84: UPTAKE OF INSURANCE PRODUCTS/SERVICES – OVERVIEW SOUTH AFRICA 2014

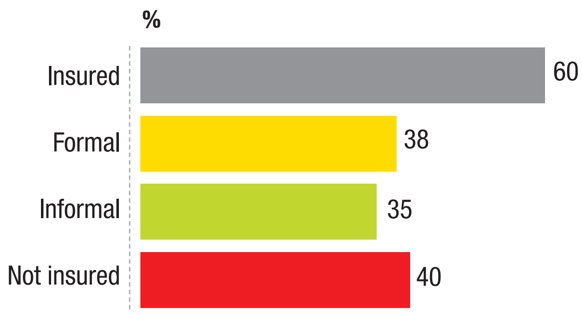
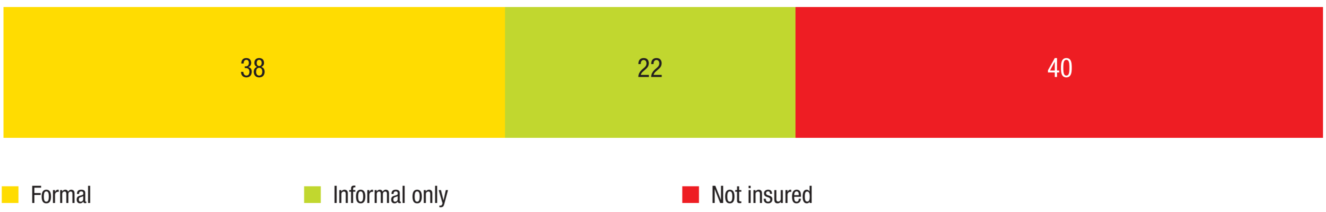
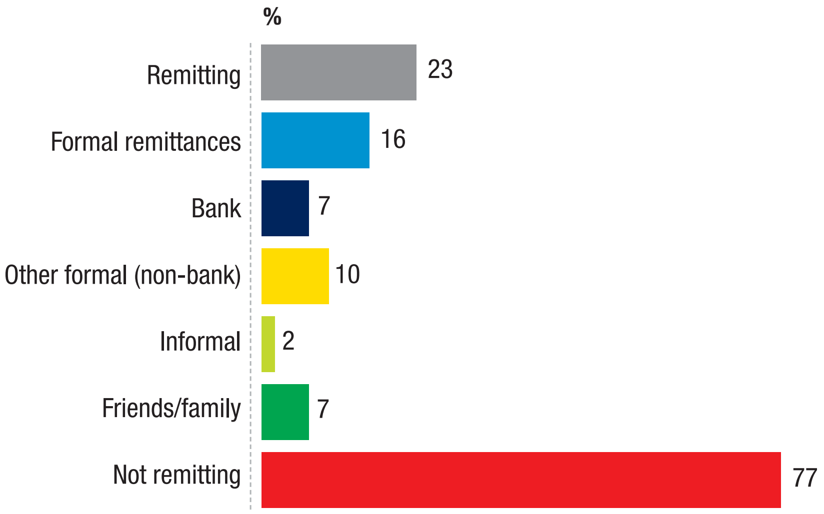


FIGURE 85: INSURANCE STRAND – SOUTH AFRICA 2014



Remittances: 23% of adults in South Africa either sent or received money to or from family members, parents, and children, usually on a monthly basis. The most common mechanism used to transfer money is sending cash through formal mechanisms (7% of adults in South Africa remit money through a bank, and 10% use other formal non-bank mechanisms).

FIGURE 86: REMITTANCES – OVERVIEW SOUTH AFRICA 2014



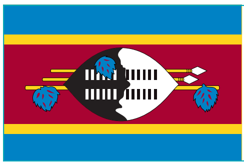
Mobile money: Cellphones are common in South Africa with 90% of the adult population using a cellphone. Cellphone banking is used by 24% of adults in South Africa (= about 8.6 million), mainly to buy airtime (82%), check balances (54%), send/receive money (17%), and to pay bills (10%).

Summary: The uptake of financial products and services in South Africa is summarised in the table 9 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 9: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY SOUTH AFRICA 2014

	Incidence	Drivers	Barriers
Banking	75%	Transactional and income payments	Affordability: Low/insufficient income
Savings and investments	32% (mainly formal)	Having money in case of an emergency, funeral costs	Affordability: Low/insufficient income
Borrowing and credit	44% (mainly other formal non-bank products/services)	Living expenses (food and bills)	Affordability: Low/insufficient income Risk aversion
Insurance and risk management	60%	Funeral cover, life insurance	Affordability: Low/insufficient income
Mobile money	24%	Airtime purchase/balance checking	N/A

2.9 Swaziland (2014)

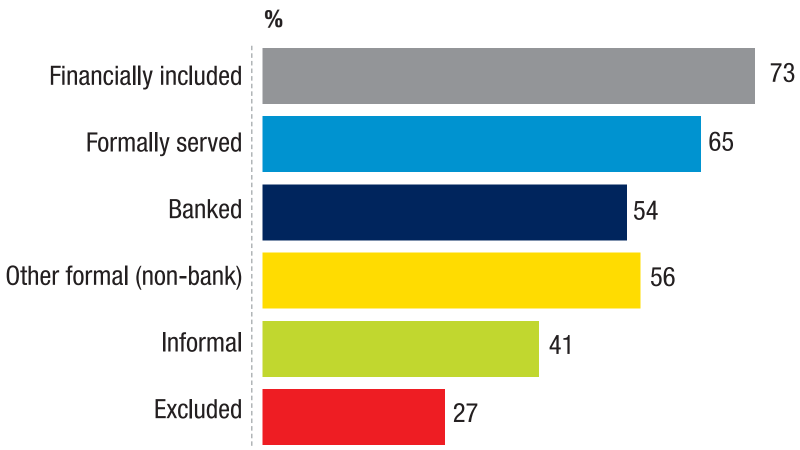


POPULATION	1.2 million	2013
GDP	$3.7 billion	2013
GDP GROWTH	2.8%	2013
INFLATION	5.6%	2013

Swaziland has a small population of about 1.2 million (World Bank, 2013)[26]. According to FinScope 2014[27], the adult population (18+) is estimated to be about 565 043. The population is mainly rural (67%), female (55%), young (36% of Swaziland's adult population is 30 years or younger), with low levels of education (36% have primary education or less, including 12% without any formal education). About 59% of adults in Swaziland do not have access to piped water (inside the dwelling or yard/plot), and 64% use electricity as their main source of energy in their home. 66% of households are involved in farming. While only 23% work full time for a wage or salary, almost 1 in 3 adults are dependent on someone else for money. 39% personally earn less than SZL500 per month (US$47) and only 37% claim to have money they can use as they wish. The combination of low and variable income means vulnerability to financial shocks and limits the demand for financial services.

Adoption and uptake of financial products and services – overview: 73% of adults in Swaziland have/use financial services (both formal and informal) to manage their financial lives. The majority (65%) is formally served (including the uptake of both bank and other formal non-bank products/services). 54% of adults are banked which is largely driven by the uptake of transactional and savings products, while 56% have/use other formal non-bank financial products/services (mainly savings products), and 41% use informal mechanisms, such as savings groups and shylocks. 27% of adults in Swaziland do not use any financial products or services to manage their financial lives. If they save, they save at home, and if they borrow, they borrow from family and friends. Cellphones are common in Swaziland with 92% of the adult population owning a cellphone. Only 21% of Swazis use mobile money. Key barrier to mobile money usage relate to lack of information/awareness.

FIGURE 87: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW SWAZILAND 2014



The Access Strand below reveals that there is a large amount of overlaps. 9% of adults only have/use informal mechanisms such as savings groups and informal money lenders. They do not have/use any formal financial products/services to manage their financial lives. 10% have/use other formal financial products/services but are not banked. They may, however, also use informal financial mechanisms.

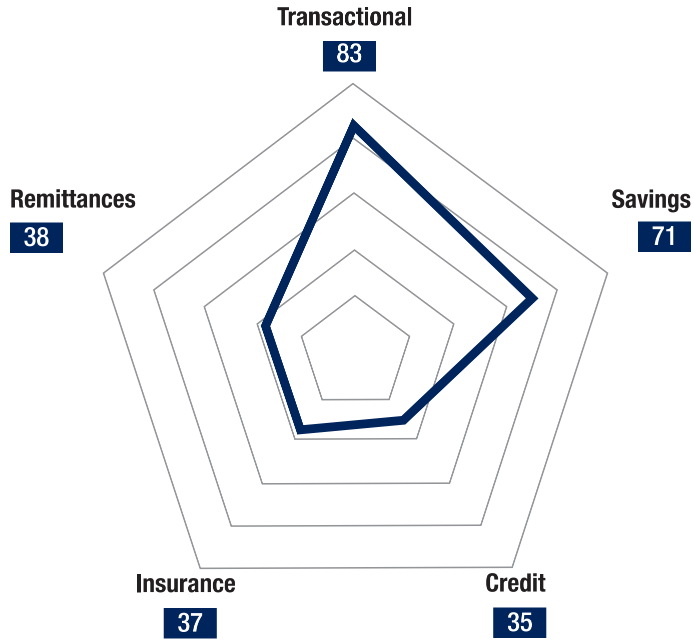
FIGURE 88: ACCESS STRAND – SWAZILAND 2014

[26] http://www.worldbank.org/en/country/swaziland
[27] To date, FinMark Trust has conducted two FinScope surveys in Swaziland: FinScope Consumer in 2011 and a repeat survey in 2014, which is used in this book.

Comparing the Access Strands by location, gender, and income sources reveals that financial inclusion is much higher among adults residing in urban areas (84% are financially included) compared to rural areas (68%). Gender differences, however, remain small with 74% of men being financially included compared to 73% of women. Nevertheless, men are more likely to have/use formal financial products/services, while women are more likely than men to only use informal mechanisms such as savings groups. This trend clearly demonstrates the informal sector's ability to push financial exclusion barriers among the female population. Financial inclusion is higher among those receiving a wage/salary from a company (97%) or as civil servants (99.5%) compared to State dependents (47%) or irregular income earners (e.g. piece job, farming) (55%).

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) continues to be largely driven by transactional and savings products/services. 71% of the financially included have/use savings products/services (excluding those who save at home/secret place), while 83% have/use transactional products/services and 35% have/use credit products/services (excluding those who borrow from family/friends).

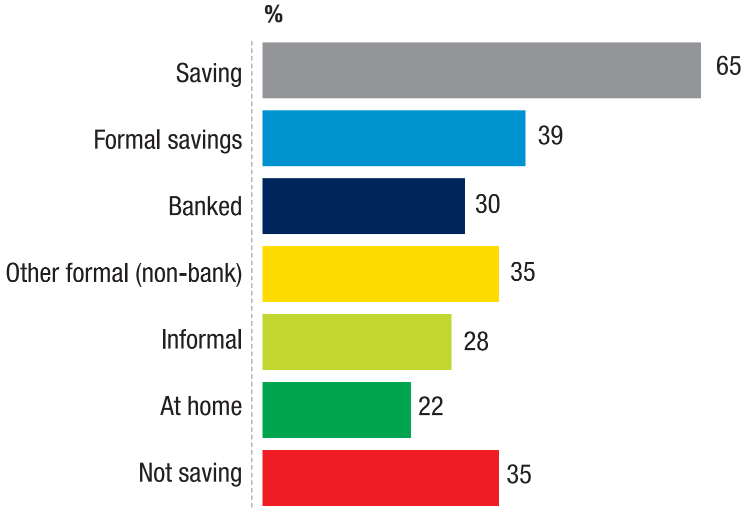
FIGURE 89: LANDSCAPE OF ACCESS – SWAZILAND 2014



Banking: In total, 54% of adults in Swaziland are banked. In turn, 46% of adults do not have/use financial services provided by a commercial bank. Uptake of banking products is mainly driven by ATM/cash point cards (42%) and savings accounts (32%). The main reasons why people are banked is to keep money safe from theft (87%) and to receive a salary (68%). People who are currently unbanked mainly stated monetary reasons, i.e. the inability to maintain a minimum balance (34%), and bank charges are too high (10%). A further 7% reported that they do not have the required documents to open a bank account. Inaccessibility to banks (banks are too far away or transport is too difficult) was only mentioned by 3% as a main reason for being un-banked, despite the fact that 18% adults in Swaziland travel on average for more than one hour to the closest bank branch.

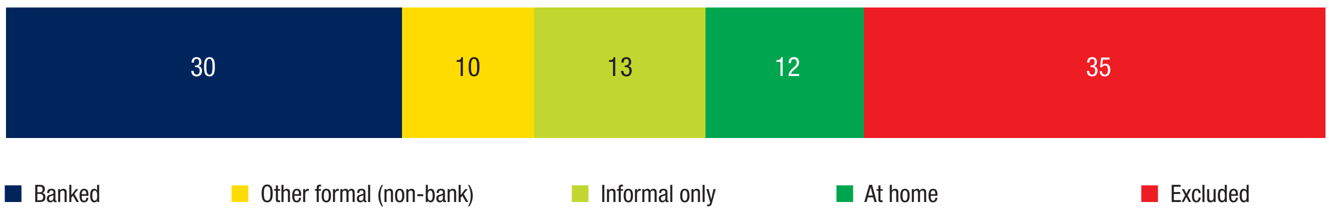
Savings and investments: 65% save/put money away, mainly to have money for living expenses (56%) when they do not have money at a given time (i.e. high percentage of adults with an irregular income who receive money from others and farming). Other reasons for savings include medical expenses (26%) and other non-medical emergencies (22%), as well as education expenses or school fees (14%). In turn, every third adult (35%) does not save, mainly due to monetary reasons, i.e. no money left after paying for expense (67%), don't have a job (36%). As illustrated in the figure below, adults in Swaziland mainly save through formal institutions (39%). This corresponds with the drivers for banking and the uptake of other formal non-bank products, i.e. savings accounts.

FIGURE 90: UPTAKE OF SAVINGS PRODUCTS/SERVICES – OVERVIEW SWAZILAND 2014



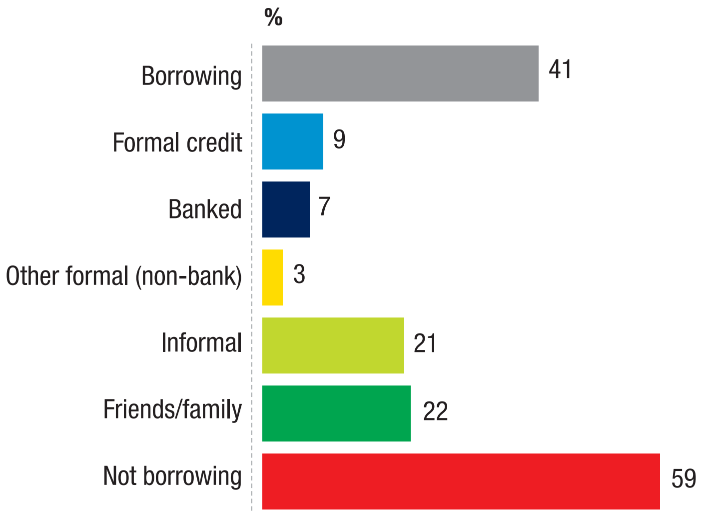
The Savings Strand below reveals that there are some overlaps. 12% of adults only save at home. They do not have/use any other savings mechanisms (neither formal nor informal). Although 13% use informal mechanisms such as savings groups, they do not use any formal savings products/services. They might, however, also save at home. While 10% use savings products/services provided by a formal non-bank financial institution, they do not save with a commercial bank. They might also save through savings groups and/or at home. 30% have/use savings products provided by a commercial bank. They might also use other formal savings products, informal mechanisms, and/or save at home.

FIGURE 91: SAVINGS STRAND – SWAZILAND 2014



Borrowing and credit: 41% borrowed money or took goods on credit, mainly through informal mechanisms (21%) or from friends and family (22%). Only 7% borrowed from a commercial bank as illustrated in the figure below.

FIGURE 92: UPTAKE OF CREDIT PRODUCTS/SERVICES – SWAZILAND 2014



The Credit Strand below shows that there are some overlaps between formal and informal borrowing. 15% borrow from family and friends only, while 17% borrow from informal sources (they might also borrow from friends and family), and only 9% borrow from formal sources.

FIGURE 93: CREDIT STRAND – SWAZILAND 2014

The reasons for borrowing are similar to those for savings. As such, Swazis mainly borrow to pay for living expense (31%) and education related expenses or school fees (20% of those who borrowed), as well as non-medical emergencies (14%) and medical expenses (12%). The key barrier to borrowing is the fear of debt and the possibility of not being able to pay it back (43% and 37% respectively of those who did not borrow).

Insurance and risk management: 27% adults in Swaziland have a financial product covering a defined risk. 22% are formally insured, which is mainly driven by funeral cover, life and medical insurance. 8% are covered by informal insurance mechanisms (Masingcwabisane). As shown in the Insurance Strand, 5% only rely on informal insurance. The most costly events experienced last year correlate to the drivers of insurance uptake, namely illness within the household or family that require medical attention (27%). Barriers to insurance uptake mainly relate to lack of awareness, followed by affordability/low/irregular income/don't have a job.

FIGURE 94: UPTAKE OF INSURANCE PRODUCTS/SERVICES – OVERVIEW SWAZILAND 2014

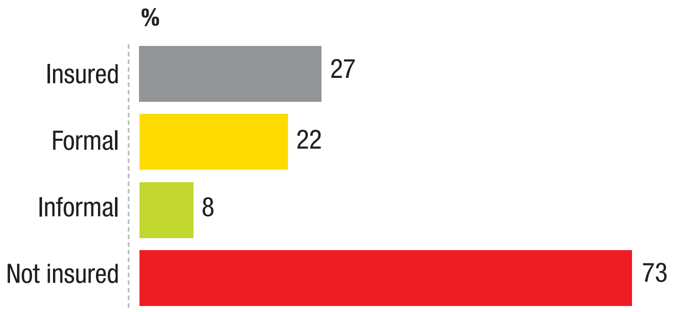
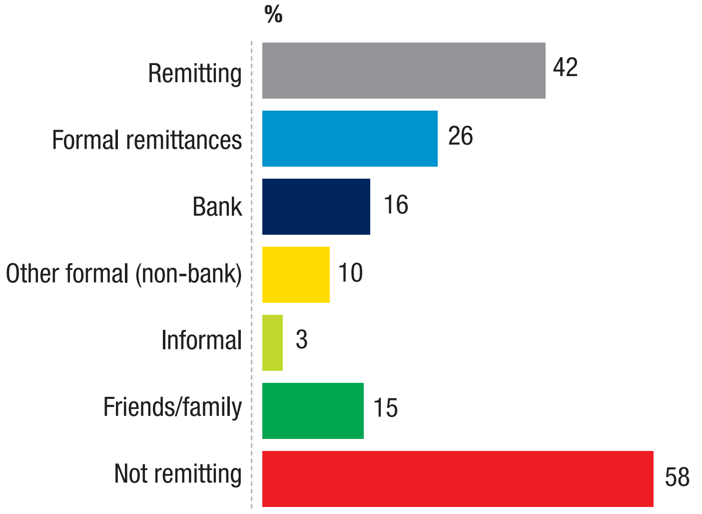


FIGURE 95: INSURANCE STRAND – SWAZILAND 2014

Remittances: 42% of adults in Swaziland have sent or received money to or from family members, parents, and children, usually on a monthly basis. The most common mechanism used to transfer money is through formal channels (26%) as illustrated below.

FIGURE 96: REMITTANCES – OVERVIEW SWAZILAND 2014



Mobile money: Cellphones are common in Swaziland with 92% of the adult population owning a cellphone. Only 21% of Swazis use mobile money. Key barrier to mobile money usage relate to lack of information/awareness.

Summary: The uptake of financial products and services in Swaziland is summarised in the table 10 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 10: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY SWAZILAND 2011

	Incidence	Drivers	Barriers
Banking	54%	Transactional and savings products	Affordability: Low/insufficient income
Savings and investments	65%	Living expenses, emergencies, education/school fees	Affordability: Low/insufficient income
Borrowing and credit	41% (mainly informal and from friends/family)	Living expenses	Fear of indebtedness/inability to pay it back
Insurance and risk management	27%	Mainly funeral cover, life- and medical insurance	Lack of awareness Affordability
Mobile money	21%	Airtime top-up	Lack of awareness/knowledge

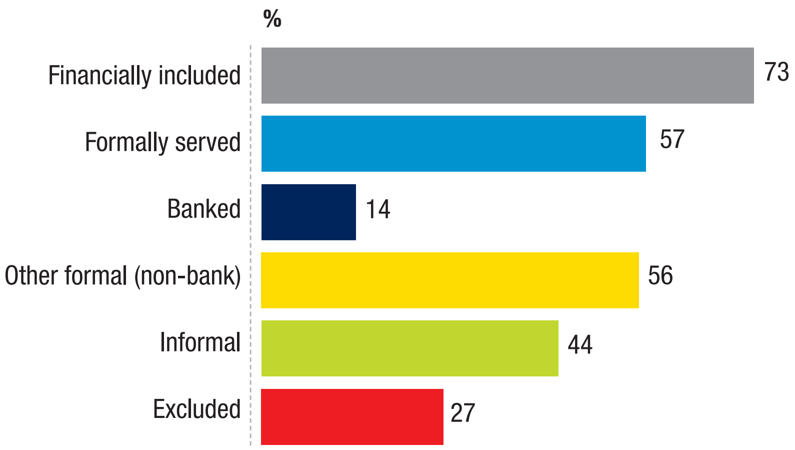
2.10 Tanzania (2013)

POPULATION	49.2 million	2013
GDP	$43.6 billion	2013
GDP GROWTH	7.3%	2013
INFLATION	6.1%	2014

Tanzania has a population of about 49.2 million (World Bank, 2013)[28]. According to FinScope 2013[29], the adult population (16+) is estimated to be about 24.2 million. The population is mainly rural (66%), female (53%), young (44% of Tanzania's adult population is 30 years or younger), with generally low levels of education (77% have primary education or less, including 12% without any formal education). Money from farming (subsistence and agribusiness) is the main source of income (21% and 16% respectively). 23% are dependent on others, and 22% receive their main income from their own business (self-employed). Only 7% receive a salary/wage (4% from the formal sector, and 3% from the informal sector). As such, average incomes are low. 70% personally earn Tsh 150 000 (US$93) or less per month.

Adoption and uptake of financial products and services – overview: Financial inclusion levels in Tanzania improved since 2009 mainly due to an increase in the uptake of formal non-bank products, i.e. mobile financial services. In 2013, 73% of adults in Tanzania (about 17 597 028 individuals) had/used financial services (both formal and informal) to manage their financial lives. 57% of adults (about 13 770 765) are formally served (including the uptake of both bank and other formal non-bank products/services). However, only 14% of adults (about 3 348 45) are banked which is largely driven by the uptake of savings and transactional products, while 56% (about 13 549 620) have/use other formal non-bank financial products/services (mainly mobile financial services used to remit money), and 44% (about 10 648 342) have/use informal mechanisms, which is driven by credit. 27% of adults in Tanzania (about 6 634 736 individuals) do not use any financial products or services to manage their financial lives. If they save, they save at home, and if they borrow, they borrow from family and friends. Cellphones are common in Tanzania with 61% of the adult population owning a cellphone. Every second adult in Tanzania (51%) uses mobile financial services, mainly to remit money.

FIGURE 97: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW TANZANIA 2013



The Access Strand below reveals that there are some overlaps in product uptake. 16% of adults only have/use informal mechanisms such as credit groups. They do not have/use any formal financial products/services to manage their financial lives. 43% have/use other formal financial products/services but are not banked (mainly mobile financial services). They might, however, also use informal financial mechanisms. Although 14% are banked, they might also use other formal non-bank services as well as informal mechanisms to manage their financial lives.

FIGURE 98: ACCESS STRAND – TANZANIA 2013

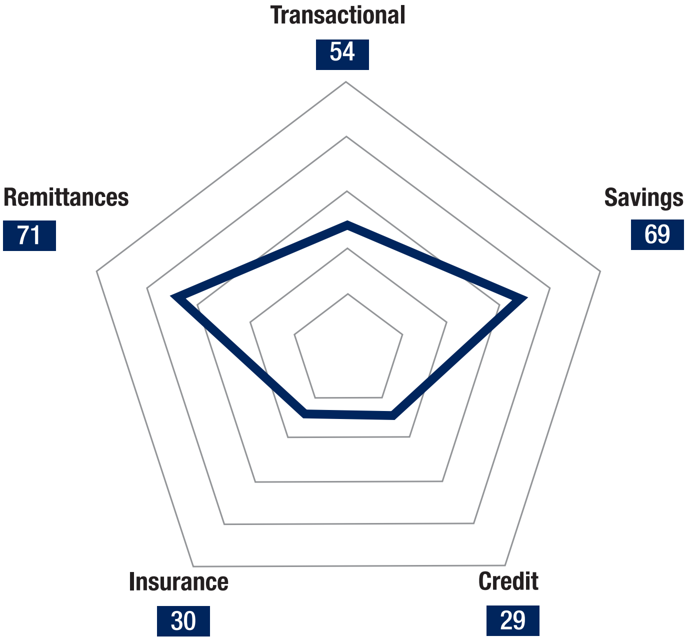
[28] http://www.worldbank.org/en/country/tanzania

[29] To date, 3 FinScope Consumer Surveys have been conducted in Tanzania (2006, 2009, and 2013). This summary focuses on the findings from the latest FinScope Consumer Survey, 2013. FSDT owns the data.

Comparing the Access Strands by location, gender, and income sources reveals that financial inclusion is higher among adults residing in urban areas (86% are financially included) compared to rural areas (66%), among men (77%) compared to women (68%), and among those receiving a salary/wage (91%) compared to those generating their main income from more irregular sources, such as own business (83%) and farming/agribusiness (68%). Zanzibar continues to lag behind the Mainland in terms of financial inclusion with 73% of adults residing on the Mainland being financially included compared to only 54% of adults living in Zanzibar.

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) continues to be largely driven by remittances, savings and transactional products/services. 71% used remittances products (mainly mobile money), while 69% have/use savings products (mainly saving through informal mechanisms, excluding those who save at home). 54% of the financially included have/use transactional products/services, while 30% have/use insurance products/services (mainly health insurance and funeral cover) and 29% have/use credit products/services (mainly borrowing from informal groups excluding those who borrow from family/friends).

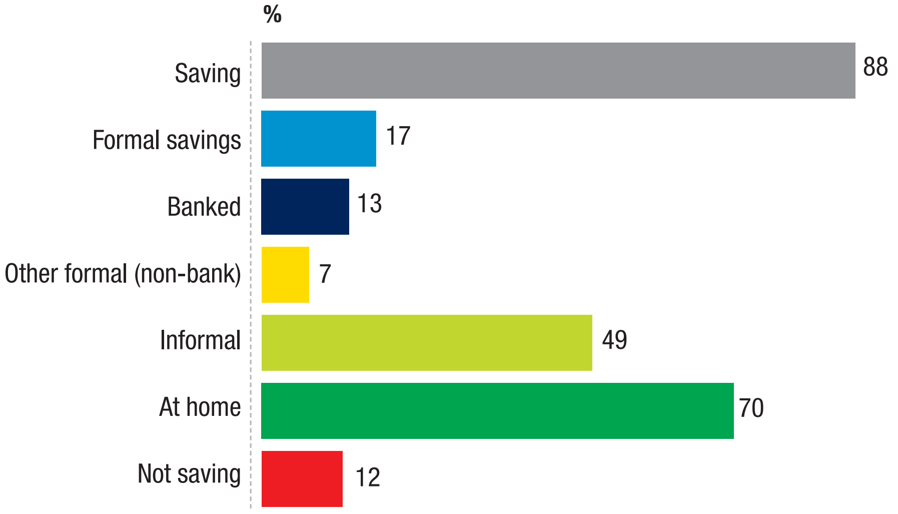
FIGURE 99: LANDSCAPE OF ACCESS – TANZANIA 2013



Banking: The uptake of banking products/services is relatively low in Tanzania compared to other countries in the SADC region. In total, only 14% of adults in Tanzania are banked, amounting to about 3 348 445 individuals. In turn, 86% of adults (= about 20 883 319) do not have/use financial services provided by a commercial bank. Uptake of banking products is mainly driven by savings and transactional products/services. The main reasons why people are banked refer to saving purposes (42% to save and 24% to keep money safe). People who are currently unbanked mainly stated monetary reasons, i.e. low/insufficient income as their main reason for not having/using product/service offered by a commercial bank (stated by 30% of those currently not banked) and the inability to maintain a minimum balance (21%). A further 13% reported that banks are too far away or transport is too difficult. 63% adults in Tanzania travel on average of one hour or more to the closest bank branch.

Savings and investments: The incidence of savings is high in Tanzania compared to other countries in the region. In total, 88% save/put money away, mainly for living expenses (60%). In turn, 12% do not save. Note: barriers to savings were not asked. As illustrated in the figure below, adults in Tanzania mainly save at home (70%) and in-kind (49%). Only 12% of adults save through commercial banks.

FIGURE 100: UPTAKE OF SAVINGS PRODUCTS/SERVICES – OVERVIEW TANZANIA 2013

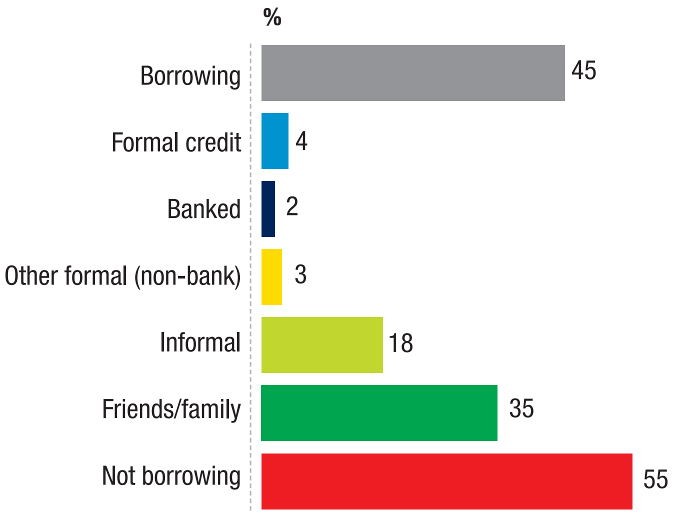


The Savings Strand below reveals that there are some overlaps. 34% of adults only save at home or in-kind; they do not have/use any other savings mechanisms (neither formal nor informal). 36% use informal mechanisms such as savings groups; they might also save at home/in-kind but they do not use any formal savings products/services. Although 5% use savings products/services provided by a formal non-bank financial institution, they do not save with a commercial bank. They might also save through savings groups and/or at home/in-kind. While 13% have/use savings products provided by a commercial bank they might also use other formal savings products, informal mechanisms, and/or save at home/in-kind.

FIGURE 101: SAVINGS STRAND – TANZANIA 2013

Borrowing and credit: Tanzanians are more likely to save than to borrow. 45% borrowed money or took goods on credit, mainly from friends and family. 35% borrow from friends and family, while 18% borrow from informal sources such as credit groups and money lenders.

FIGURE 102: UPTAKE OF CREDIT PRODUCTS/SERVICES – TANZANIA 2013



The Credit Strand below shows that there are hardly any overlaps between formal and informal borrowing. 25% borrow from family and friends only, while16% borrow from informal sources only (they might also borrow from friends and family), and only 4% borrow from formal sources, which is relatively low compared to other SADC countries.

FIGURE 103: CREDIT STRAND – TANZANIA 2013

Tanzanians mainly borrow for living expenses when they don't have money (27%), medical expenses/medical emergencies (19%). The key barrier to borrowing relate to the fear of not being able to pay it back (38% of those who did not borrow). A further 35% said they do not borrow because they didn't need it.

Insurance and risk management: 22% (about 5 260 660 individuals) have a financial product covering a defined risk, which is mainly driven by medical and funeral cover. 13% are formally insured, while 10% are covered by informal insurance mechanisms such as burial saving groups. As shown in the Insurance Strand, 9% only rely on informal insurance. Main perceived risks to livelihoods correlate to the drivers of insurance uptake, namely unforeseen expenses such as medical/funeral (62%), running out of money to meet household expenses (55%) and an increase in household size (45%). The main barriers to insurance uptake relate to a lack of consumer awareness, and understanding. 64% of adults have never heard of insurance while an additional 6% does not know how and where to obtain it. 5% do not know how it works and for a quarter of the uninsured (15%) it is a matter of affordability.

FIGURE 104: UPTAKE OF INSURANCE PRODUCTS/SERVICES – OVERVIEW TANZANIA 2013

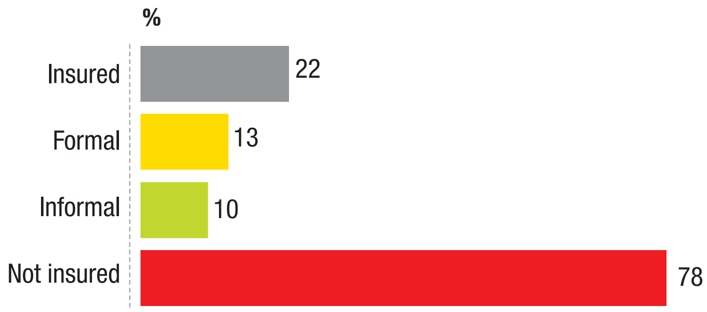
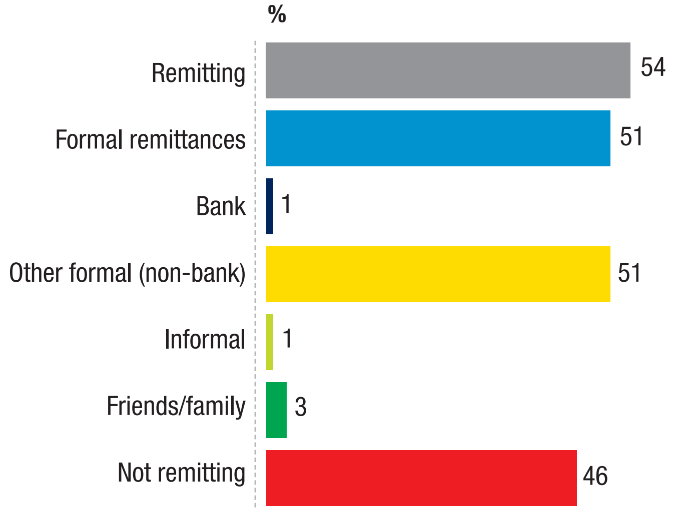


FIGURE 105: INSURANCE STRAND – TANZANIA 2013

Remittances: 54% of adults in Tanzania (about 13 060 195) either sent or received money to or from family members, parents, and children, usually on a monthly basis. The most common mechanism used to transfer money is sending cash via mobile money (51%).

FIGURE 106: REMITTANCES – OVERVIEW TANZANIA 2013



Mobile money: Cellphones are common in Tanzania with 61% of the adult population owning a cellphone. Every second adult in Tanzania (51%) uses mobile financial services, mainly to remit money.

Summary: The uptake of financial products and services in Tanzania is summarised in the table 11 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 11: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY TANZANIA 2013

	Incidence	Drivers	Barriers
Banking	14%	Savings and transactional products	Affordability: Low/insufficient income
Savings and investments	88% (mainly at home/in kind)	Living expenses	*was not asked
Borrowing and credit	45%	Living expenses, medical expenses/medical emergencies	Fear not being able to pay it back
Insurance and risk management	22%	Medical insurance and funeral cover	Lack of consumer awareness/knowledge, affordability
Mobile money	51%	Remittances	No access to cellphones

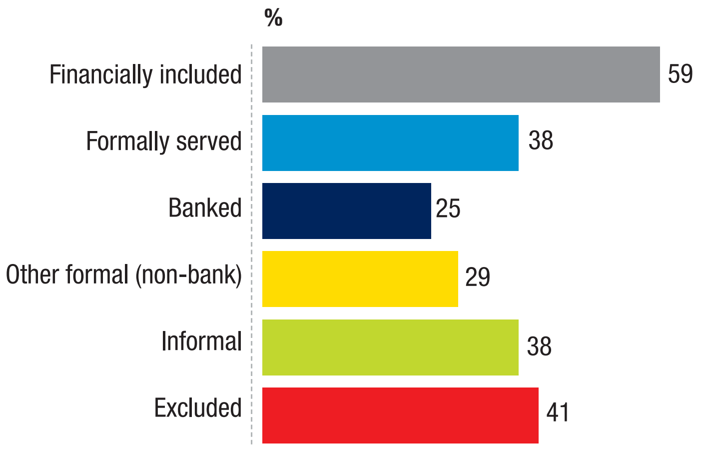
2.11 Zambia (2015)

POPULATION	14.5 million	2013
GDP	$26.8 billion	2013
GDP GROWTH	6.7%	2013
INFLATION	7.8%	2014

Zambia has a population of 14.5 million (World Bank, 2013)[30]. According to FinScope 2015[31], the adult population (16+) is estimated to be about 8.1 million. The majority of the adult population reside in rural areas (55%), are relatively young (60% of Zambia's adult population are 35 years or younger), with generally low levels of education (44% have primary education or less, including 8% without any formal education). Zambia's adult population has a fairly even gender distribution with 51% being female (contrary to many of its neighbouring countries). Money from farming and others are the main sources of income for Zambians, while only 15% rely on salaries/wages from business/government.

Adoption and uptake of financial products and services – overview: Financial inclusion in Zambia in 2015 has improved tremendously compared to 2009. About 59% of adults have/used financial services (both formal and informal) to manage their financial lives. 25% of adults are banked and 29% have/used other formal non-bank financial products/services (mainly insurance products). In total, 38% are formally served (taking overlaps into account) and 38% use informal mechanisms such as savings groups to manage their financial lives. As such, the formal and informal sectors play an equally important role in Zambia. In turn, 41% of adults in Zambia do not use any financial products or services to manage their financial lives. If they save, they save at home, and if they borrow, they borrow from family and friends. Majority (80%) of Zambians have access to cellphones and 53% are aware of mobile money, but only one in seven use it.

FIGURE 107: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW ZAMBIA 2015



The Access Strand below reveals some overlaps in the uptake of products. 21% of adults only have/use informal mechanisms such as savings groups. They do not have/use any formal financial products/services to manage their financial lives. 13% have/use other formal financial products/services but are not banked. They might, however, also use informal financial mechanisms. Comparing the Access Strands by location, gender, and income sources reveals that financial inclusion is higher among adults residing in urban areas (70% are financially included) compared to rural areas (50%), among men (61%) compared to women (57%), and among those receiving a salary/wage (82%) compared to those generating an income from self-employment (70%), farming (53%) or piece job (49%).

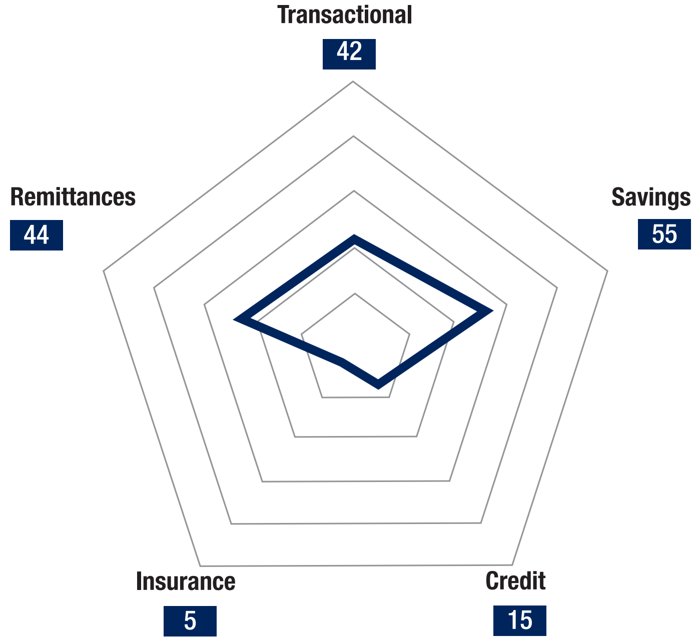
[30] http://www.worldbank.org/en/country/zambia

[31] Findings presented here focus on the results from the latest FinScope Consumer Survey (2015). The FinScope 2015 was implemented by FSDZ with technical assistance from FMT. FSDZ owns the data.

FIGURE 108: ACCESS STRAND – ZAMBIA 2015

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) is largely driven by savings. 55% of the financially included have/use savings products/services (excluding those who save at home/secret place), 15% have/use credit products/services (excluding those who borrow from family/friends), and 42% use transactional products/services, while only 5% have/use insurance products.

FIGURE 109: LANDSCAPE OF ACCESS – ZAMBIA 2015

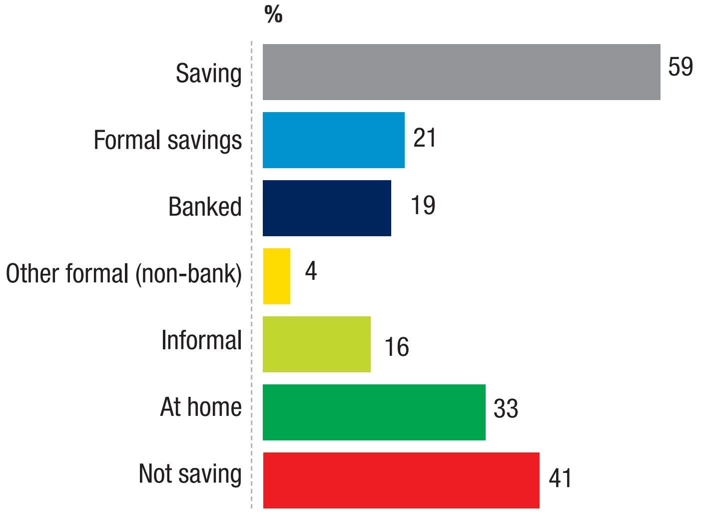


Banking: In total, 25% of adults in Zambia are banked, amounting to about 2 million individuals. In turn, 75% of adults (= about 6.1 million) do not have/use financial services provided by a commercial bank. Uptake of banking products is mainly driven by savings (77%) and transactions (69%). The main reasons why people are banked are to keep money safe from theft (40%), receive income from an employer (23%) and to save money (25%). People who are currently unbanked mainly stated monetary reasons, i.e. low/insufficient income as their main reason for not having/using products/services offered by a commercial bank. 46% reported to have insufficient or no money coming in to justify having a bank account, while 12% cannot maintain the minimum balance. Only 4% perceived distance to banks as being the key barriers (banks are too far away or transport is difficult), despite the fact that 44% adults in Zambia travel on average for more than one hour to the closest bank branch.

Savings and investments: About 3 in 5 adults (59%) save/put money away, mainly to have money for living expenses during hard times (32% of those who save), i.e. high percentage of Zambians with irregular income such as farming and self-employment. Other reasons for savings include non-medical emergency expenses (21%), education or school fees (16%), medical expenses (5%) and for *developmental reasons (15%). In turn, 41% of Zambians do not save, mainly due to monetary reasons, i.e. do not have income (44%) as well as no money left over after living expenses (42%). As illustrated in the figure below, Zambians mainly save at home (33%) and through banks (19%).

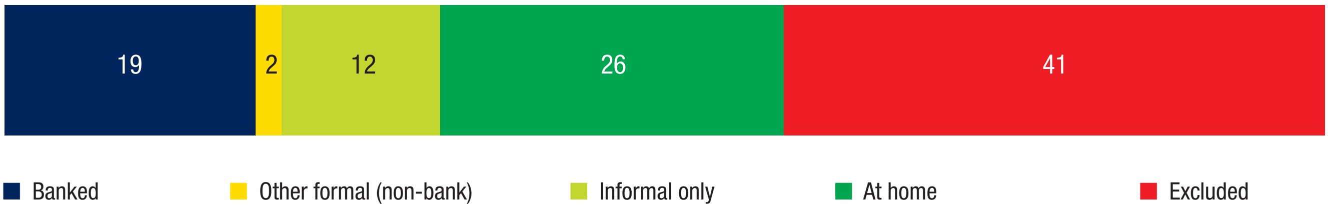
*Buy land/house, build house, farming, starting business

FIGURE 110: UPTAKE OF SAVINGS PRODUCTS/SERVICES – ZAMBIA 2015



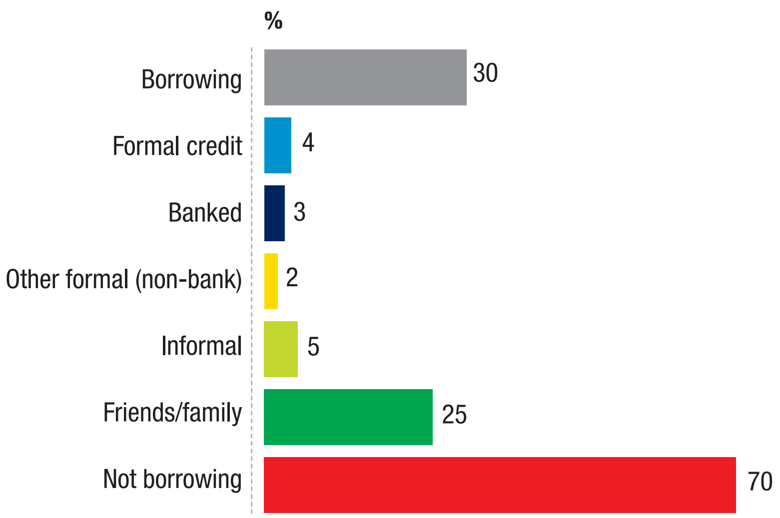
The Savings Strand below reveals that there are some overlaps. 26% of adults only save at home/secret place or give money to someone else for safe keeping. They do not have/use any other savings products/services (neither formal nor informal). 12% use informal mechanisms such as savings groups and/or investing through Chilimbas; they do not use any formal savings products/services. They might, however, also save at home. Only 21% use formal savings products/services (including both bank and other formal non-bank products/services). They might also save through savings groups and/or at home.

FIGURE 111: SAVINGS STRAND – ZAMBIA 2015



Borrowing and credit: 30% of adults in Zambia borrowed money or took goods on credit in 2015, mainly from friends and family (33%) and through informal mechanisms (5%). Only 3% borrowed from a commercial bank as illustrated in the figure below.

FIGURE 112: UPTAKE OF CREDIT PRODUCTS/SERVICES – ZAMBIA 2015



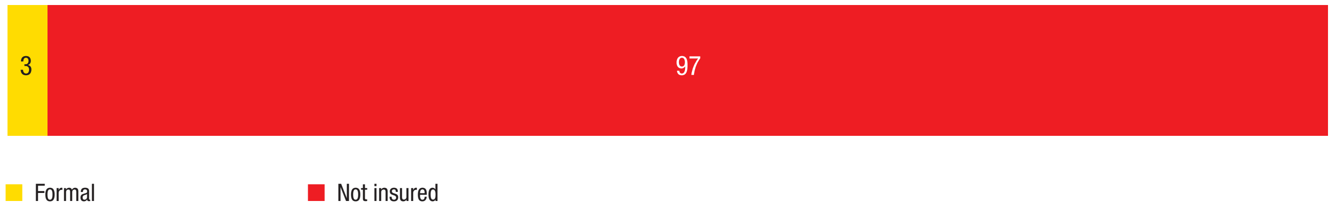
The Credit Strand below shows that there are hardly any overlaps between formal and informal borrowing. 14% borrow from family and friends only, while 8% borrow from informal sources such as money lenders (they might also borrow from friends and family). 2% borrow from other formal non-bank institutions such as MFIs (they might also borrow from family/friends and/or informal sources). Only 5% borrow from commercial banks.

FIGURE 113: CREDIT STRAND – ZAMBIA 2015

Zambians mainly borrow to cover living expenses (23% of those who borrowed did so to pay for living expenses). Borrowing for other expense include education and school fees (16%), medical expenses and medical emergencies (8%), non-medical emergencies (7%), as well as other *development reasons (19%). The key barrier to borrowing is the fear of debt and the possibility of not being able to pay it back (48% and lack of need to borrow (20%).

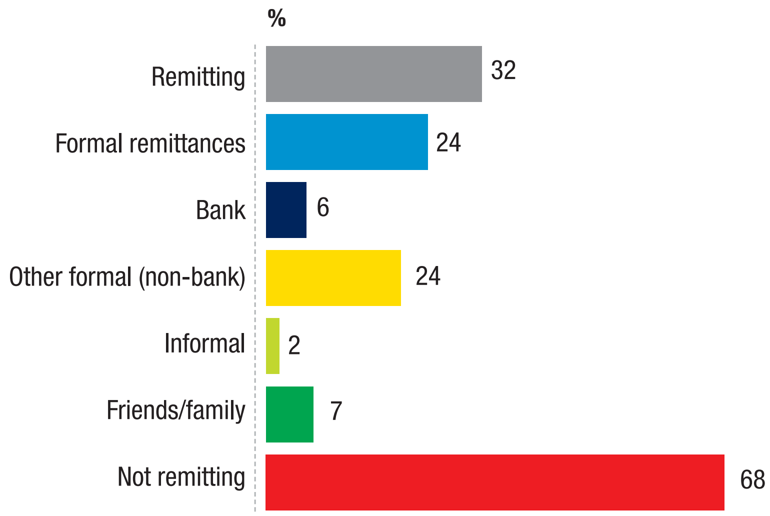
Insurance and risk management: The uptake of insurance products/services is low in Zambia compared to other countries in the SADC region. Only 3% of Zambians have/use a financial product to cover defined risks. Uptake of insurance products is driven by funeral cover (33%), motor insurance (39%) and life insurance (40%). In turn, 97% do not have any kind of insurance (neither formal nor informal). Key barriers to insurance relate to a lack of consumer awareness, understanding, and knowledge. 43% of the uninsured have never heard about insurance, while an additional 15% cannot afford it, and 11% said they do not know how it works.

FIGURE 114: INSURANCE STRAND – ZAMBIA 2015



Remittances: 32% of adults (about 2.6 million individuals) either sent or received money to or from family members, parents, and children, usually on a monthly basis. Zambians mainly use formal means, i.e. bank and other formal non-bank (24%).

FIGURE 115: REMITTANCES – OVERVIEW ZAMBIA 2015



*Buy land/house, build house, farming, starting business

Mobile money: Majority (78%) of Zambians have access to cellphones and 53% are aware of moible money, but only one in seven use it.

Summary: The uptake of financial products and services in Zambia is summarised in the table 12 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 12: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY ZAMBIA 2015

	Incidence	Drivers	Barriers
Banking	25%	Savings and transactions	Affordability: Low/insufficient income
Savings and investments	59%	For living expenses	Affordability: No/insufficient income
Borrowing and credit	30%	For living expenses	Fear of indebtedness/inability to pay it back
Insurance and risk management	3%	Funeral cover, motor and life insurance	Lack of consumer awareness, knowledge
Mobile money	14%	Remittances	Lack of awareness/knowledge

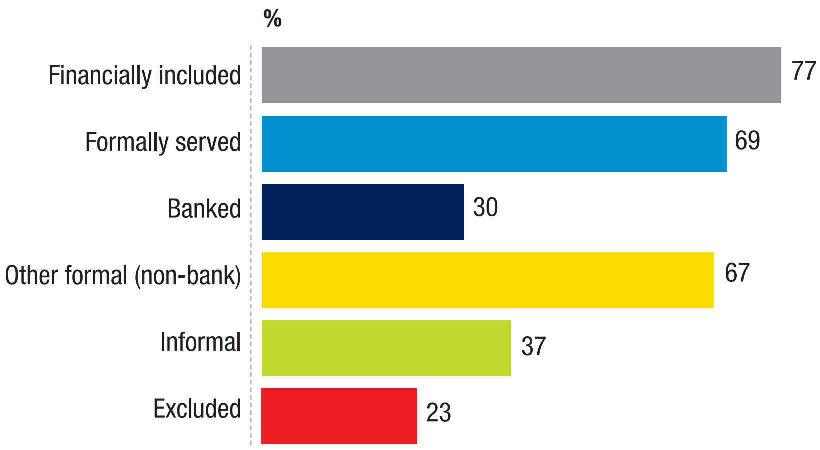
2.12 Zimbabwe (2014)

POPULATION	14.1 million	2013
GDP	$13.4 billion	2013
GDP GROWTH	4.5%	2013
INFLATION	1.6%	2013

Zimbabwe has a population of 14.1 million (World Bank, 2013)[32]. According to FinScope 2014[33], the adult population (18+) is estimated to be about 7 million (6 998 144). The majority of the adult population reside in rural areas (70%), are mainly female (57%), young (33% of Zimbabwe's adult population are 30 years or younger), with relatively good levels of education (38% have primary education or less, including 3% without any formal education). About 71% of adults in Zimbabwe do not have access to piped water (inside the dwelling or yard/plot) and 71% reside in households that do not have access to electricity. In rural areas, where the majority of Zimbabweans live, adults spend most of their time fetching water and firewood to meet basic needs, and hence are less likely to think about accessing financial services. Money from farming is the main source of income for Zimbabweans (36%), while only 14% receive a regular salary. 65% of the adult population earn less than US$100 per month (including 7% who do not have an income at all).

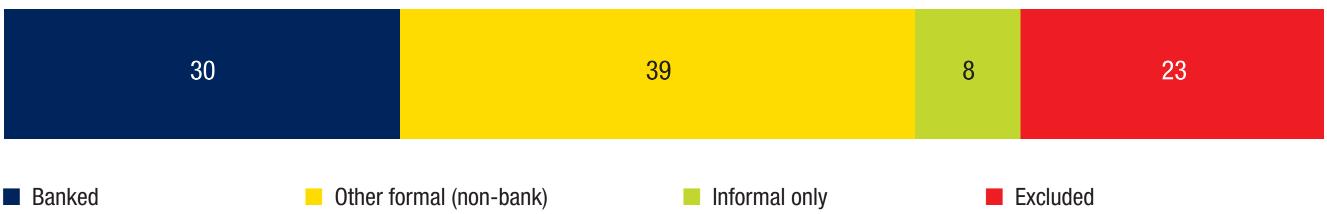
Adoption and uptake of financial products and services – overview: In Zimbabwe 77% of adults have/use financial services (both formal and informal) to manage their financial lives. 69% are formally served. 30% of adults are banked (which is mainly driven by the uptake of transactional and savings products), and 67% have/use other formal non-bank financial products/services (mainly mobile money services and remittances). The informal sector pushes out the boundaries of financial inclusion in Zimbabwe: 37% of adults use informal mechanisms such as savings groups to manage their financial lives. 23% of adults in Zimbabwe do not use any financial products or services to manage their financial lives. If they save, they save at home, and if they borrow, they borrow from family and friends. Mobile money is well known in Zimbabwe, with 91% of the adult population aware of mobile money. 82% of the adult population comes from households that own one or more cellphones. About 1 in 2 (47%) adults in Zimbabwe use mobile money services.

FIGURE 116: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – OVERVIEW ZIMBABWE 2014



The Access Strand below reveals some overlaps in the uptake of products. 8% of adults only have/use informal mechanisms such as savings groups. They do not have/use any formal financial products/services to manage their financial lives. 39% have/use other formal financial products/services but are not banked. They may, however, also use informal financial mechanisms. Comparing the Access Strands by location and gender reveals that financial inclusion is higher among adults residing in urban areas (89% are financially included) compared to rural areas (72%), and among men (77%) compared to women (76%).

FIGURE 117: ACCESS STRAND – ZIMBABWE 2014

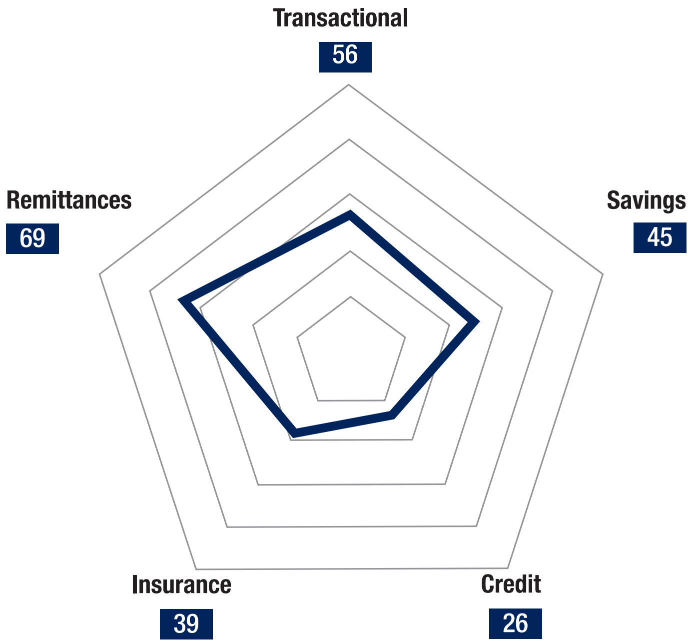


[32] http://www.worldbank.org/en/country/zimbabwe

[33] To date, FinMark Trust has conducted three FinScope surveys in Zimbabwe: FinScope Consumer in 2011, FinScope MSME in 2012, and a repeat FinScope Consumer Survey in 2014. Findings presented here focus on the results from the latest FinScope Consumer Survey (2014).

As depicted in the Landscape of Access below, uptake of financial products/services (including both formal and informal) is driven by remittances and transactions. 69% of the financially included use remittances services, while 56% use transactional products/services. 45% have/use savings products/services (excluding those who save at home/secret place), while 39% have/use insurance products, and 26% have/use credit products/services (excluding those who borrow from family/friends).

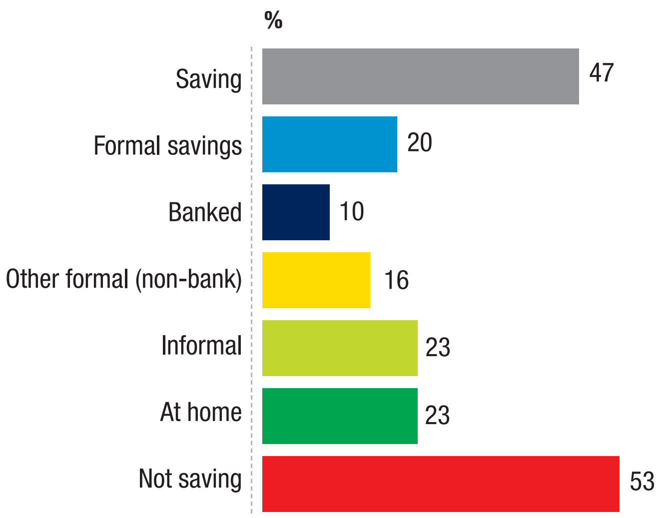
FIGURE 118: LANDSCAPE OF ACCESS – ZIMBABWE 2014



Banking: In total, 30% of adults in Zimbabwe are banked. In turn, 70% of adults do not have/use financial services provided by a commercial bank. Uptake of banking products is mainly driven by transactional products (81% of those who are banked) and savings products (33%). The main reasons why people are banked is to keep money safe from theft (67%); to receive salary/deposit money from an employer (39%); it is an easy way to receive money (23%); and to get access to a loan (20%). People who are currently unbanked mainly stated monetary reasons, i.e. insufficient funds to sustain account (74%), insufficient balance (18%), cannot maintain minimum balance (10%), bank charges are too high (7%). 5% said that banks are too far away. 16% of the formally included adults in Zimbabwe travel on average for more than one hour to the closest bank branch.

Savings and investments: Zimbabweans are slightly more likely to save than to borrow money, despite low levels of income. 47% save/put money away, mainly to have money for living expenses during hard times (35% of those who save), i.e. high percentage of Zimbabweans with irregular income such as farming. Other reasons for savings include education or school fees (21%) and non-medical emergency expenses 19%). In turn, 53% of Zimbabweans do not save, mainly due to monetary reasons, i.e. no money left after living expenses (69%), do not have an income/no money to save (19%). As illustrated in the figure below, Zimbabweans mainly save through informal mechanisms (23%) such as savings groups and at home (23%). 10% save with a commercial bank, which corresponds with the drivers for banking, i.e. savings accounts.

FIGURE 119: UPTAKE OF SAVINGS PRODUCTS/SERVICES – ZIMBABWE 2014

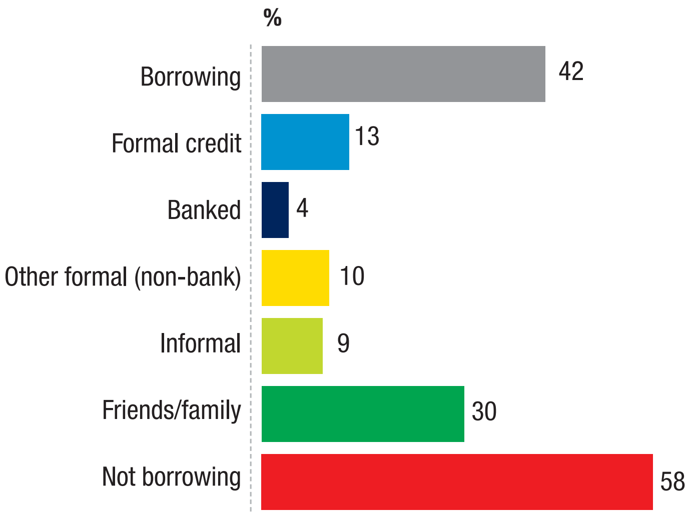


The Savings Strand below reveals that there are some overlaps. 12% of adults only save at home; they do not have/use any other savings mechanisms (neither formal nor informal). 15% use informal mechanisms such as savings groups; they do not use any formal savings products/services. They might, however, also save at home. 10% use savings products/services provided by a formal non-bank financial institution, however, they do not save with a commercial bank. They might also save through savings groups and/or at home. 10% have/use savings products provided by a commercial bank. They might also use other formal savings products, informal mechanisms, and/or save at home.

FIGURE 120: SAVINGS STRAND – ZIMBABWE 2014

Borrowing and credit: 42% of adults in Zimbabwe borrowed money or took goods on credit in 2014, mainly from friends and family (30%) and through other formal (non-bank) mechanisms (10%). Only 4% borrowed from a commercial bank as illustrated in the figure below.

FIGURE 121: UPTAKE OF CREDIT PRODUCTS/SERVICES – ZIMBABWE 2014



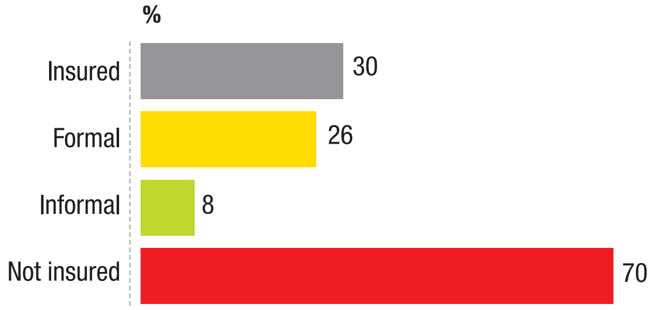
The Credit Strand below shows that there are hardly any overlaps between formal and informal borrowing. 22% borrow from family and friends only, while 7% borrow from informal sources (they might also borrow from friends and family), and only 13% borrow from formal sources.

FIGURE 122: CREDIT STRAND – ZIMBABWE 2014

Zimbabweans mainly borrow for developmental purposes (loans to buy, build, renovate property/house, start business, education (40%)) and to cover living expenses such as food, transport and rental (21% of those who borrowed did so to pay for living expenses). Of concern is that 10% borrowed to pay for other debts. The key barrier to borrowing is the fear of debt (48%) and the worry that they are not able to pay it back (45%).

Insurance and risk management: 30% of Zimbabweans have/use a financial product to cover defined risks. Uptake of insurance products continues to be driven by funeral cover (82% of those who have insurance) and medical aid (30%). Key barriers to insurance relate to affordability (68% of the uninsured claim they cannot afford it/it is perceived to be too expensive) and lack of awareness/ knowledge (30% claim they do not need it, 10% do not know how it works).

FIGURE 123: UPTAKE OF INSURANCE PRODUCTS/SERVICES – OVERVIEW ZIMBABWE 2014



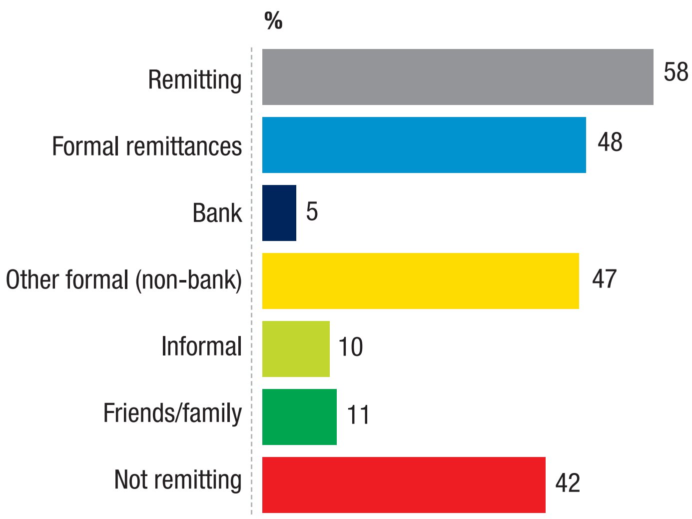
As illustrated in the Insurance Strand below, 4% of adults rely only on informal mechanisms such as burial societies, 26% have some formal financial product covering defined risks.

FIGURE 124: INSURANCE STRAND – ZIMBABWE 2014

The main experienced risk to income is illness within the household or family that require medical treatment (38%), followed by rising living costs (31%) – which also relates to the main reason for borrowing and saving money. Other risks include harvest failure or loss of crop harvest (27%), which often relate to the main source of income, given the fact that many Zimbabweans rely on farming/fishing. Increase in household size (28%), and hence having more dependents relying on household income, as well as having to pay for unforeseen school fees/education expenses (28%) were also mentioned as risks to income.

Remittances: Remittances is common in Zimbabwe. 58% of adults either sent or received money to or from family members, parents, and children, usually on a monthly basis. Zimbabweans mainly use other formal (non-bank) mechanisms (i.e. mainly mobile money and other cross-border channels such as Moneygram, Mukuru, Western Union, etc.) to send/receive money (47%), while 10% use informal mechanisms, 11% use family and friends, and only 5% remit money through a commercial bank.

FIGURE 125: REMITTANCES – OVERVIEW ZIMBABWE 2014



Mobile money: Mobile money is well known in Zimbabwe, with 91% of the adult population aware of mobile money. 82% of the adult population come from households that own one or more cellphones. About 1 in 2 (47%) adults in Zimbabwe use mobile money services, mainly to receive and/or send money (remittances).

Summary: The uptake of financial products and services in Zimbabwe is summarised in the table 13 below, highlighting the penetration incidences, drivers and barriers for each category of products and services.

TABLE 13: UPTAKE OF FINANCIAL PRODUCT/SERVICES – SUMMARY ZIMBABWE 2014

	Incidence	Drivers	Barriers
Banking	30%	Transactional and savings products	Affordability: Low/insufficient income
Savings and investments	47% (mainly informal and at home)	For living expenses, education/school fees, non-medical emergencies	Affordability: Low/insufficient income
Borrowing and credit	42% (mainly from friends/family)	Developmental loans, for living expenses	Fear of indebtedness/inability to pay it back
Insurance and risk management	30%	Funeral cover, medical aid	Affordability: Cannot afford insurance Awareness: Has not heard about it
Mobile money	47%	Remittances	No money to remit No access to cellphone

Chapter 3

Findings across SADC countries

3.1 Dimensions of financial inclusion

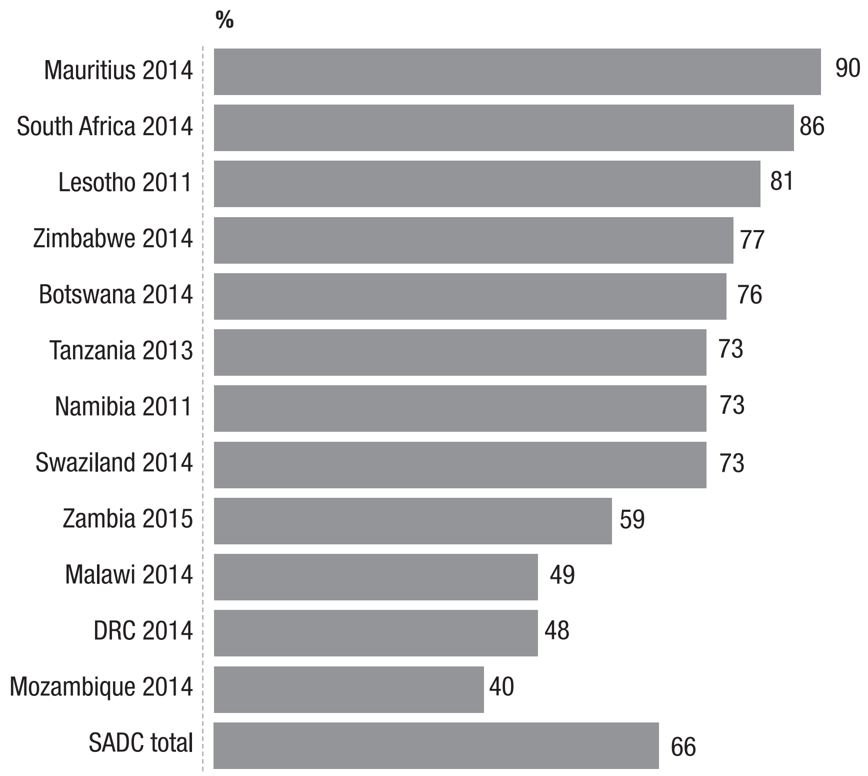
This section presents the details, composition and levels of various dimensions of financial inclusion:

- The overall inclusion
- Access Strand
- Formally served
- Other formal (non-bank)
- Informally served
- Excluded

3.1.1 Overall levels of financial inclusion

Incidence: According to FinScope estimates, **66%** of adults in the region[34] are financially included (around **83.5 million**). However, these figures vary considerably across the different countries as illustrated below. Mauritius ranks top with 90% of adults being financially included, while Mozambique features the lowest levels of financial inclusion with only 40%.

FIGURE 126: PROPORTION OF THE ADULT POPULATION THAT ARE FINANCIALLY INCLUDED

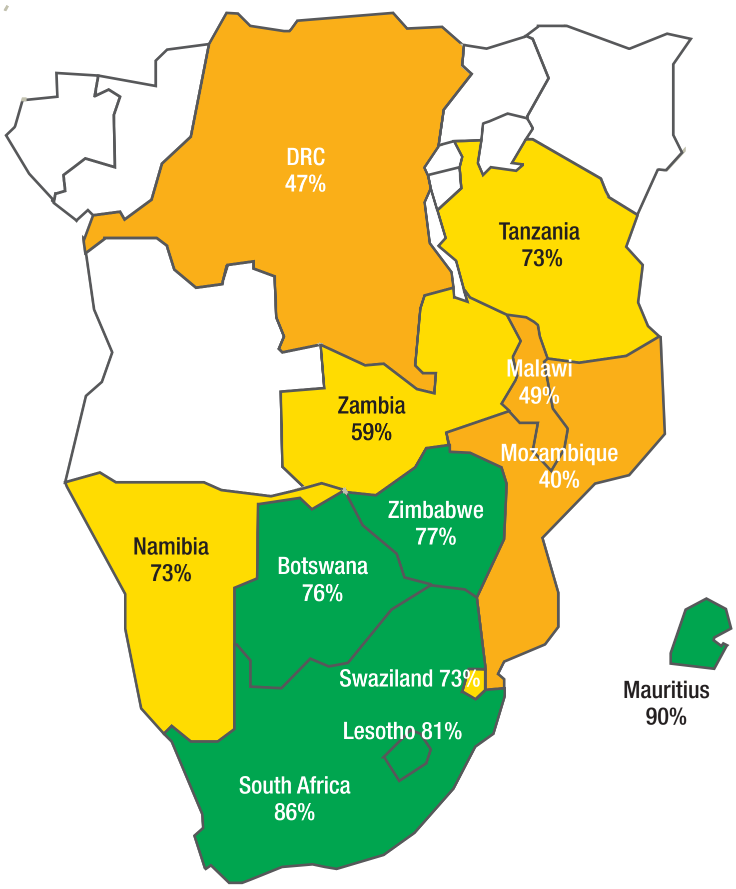


[34] These figures exclude Angola, Madagascar and Seychelles.

TABLE 14: CATEGORISATION OF SADC COUNTRIES BY OVERALL LEVELS OF FINANCIAL INCLUSION

Categorisation of SADC countries by informally served											
Very low 0 – 25%			Low 26 – 50%			Medium 51 – 75%			High 76 – 100%		
Country	Year	FI levels	Country	Year	FI levels	Country	Year	FI levels	Country	Year	FI levels
None			Mozambique	2014	40%	Tanzania	2013	73%	Botswana	2014	76%
			DRC	2014	47%	Namibia	2011	73%	Zimbabwe	2014	77%
			Malawi	2014	49%	Swaziland	2014	73%	Lesotho	2011	81%
						Zambia	2015	59%	South Africa	2014	86%
									Mauritius	2014	90%

FIGURE 127: 'HEAT MAP' OF SADC COUNTRIES BY OVERALL LEVELS OF FINANCIAL INCLUSION



3.1.2 Access Strands

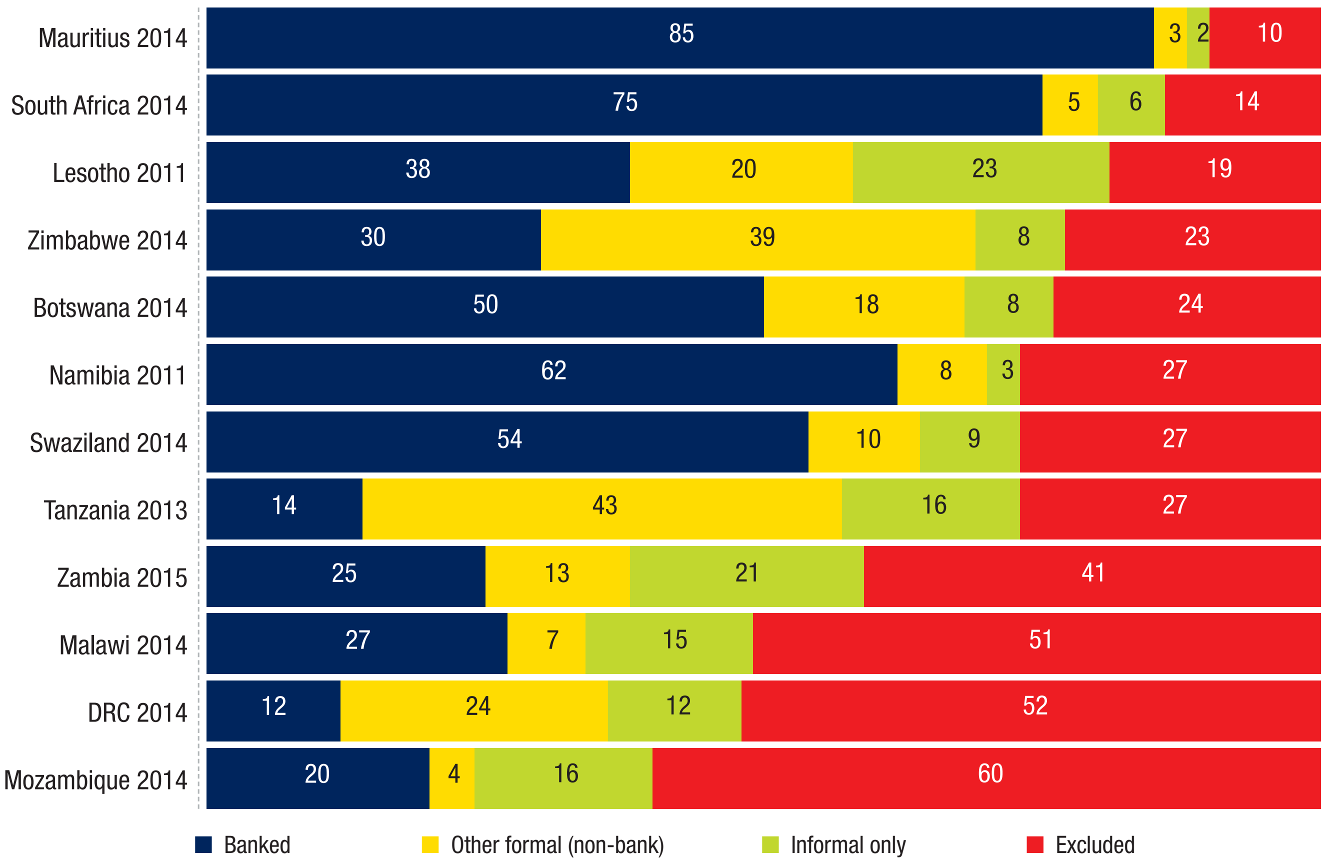
As described in the introduction, the Access Strand illustrates the uptake of financial products/services using a hierarchical approach. The uptake of banking products (any financial product provided by a commercial bank) is used as the primary variable. It also distinguishes between other non-bank formal financial products and informal products – together they constitute the level of financial inclusion in a country. In constructing the SADC Access Strand, the overlaps in financial product/services usage are removed, resulting in the following segments:

- 34% (41.9 million) of the adult population in the region are financially excluded adults, i.e., they do not use any financial products – neither formal nor informal.
- 12% (14.4 million) adults rely ONLY on informal mechanism but NO formal products/services
- 18% (22.8 million) adults have/use formal non-bank products/services but NO commercial bank accounts – they might also have/use informal mechanisms
- 36% (45.7 million) adults have commercial bank products/services – they might also have/use other formal and/or informal mechanisms

FIGURE 128: SADC ACCESS STRAND

A comparison of the Access Strands across countries ranked by the levels of overall financial inclusion is summarised below.

FIGURE 129: COUNTRY COMPARISON ACCESS STRANDS – RANKED BY OVERALL LEVELS OF FINANCIAL INCLUSION



The following sections explore what drives inclusion, looking at the formally served (banking and other formal financial services), the contributions of the informal sector, as well as the profile of the excluded.

3.1.3 Formally served

About **55%** of adults in the region have/use formal financial products/services (around **69 million**). The term 'formal' includes products/services provided by commercial banks as well as other formal (non-bank) financial institutions such as insurance companies and mobile money providers. The proportion of the adult population that have/use formal financial services varies considerably across the region from 24% in Mozambique to 88% in Mauritius.

FIGURE 130: PROPORTION OF THE ADULT POPULATION THAT ARE FORMALLY SERVED

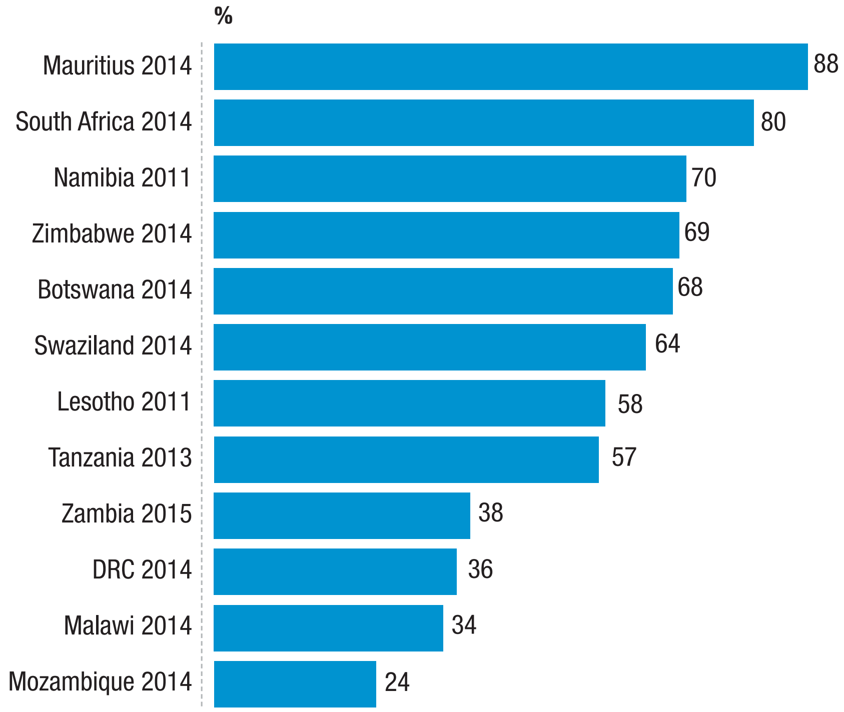
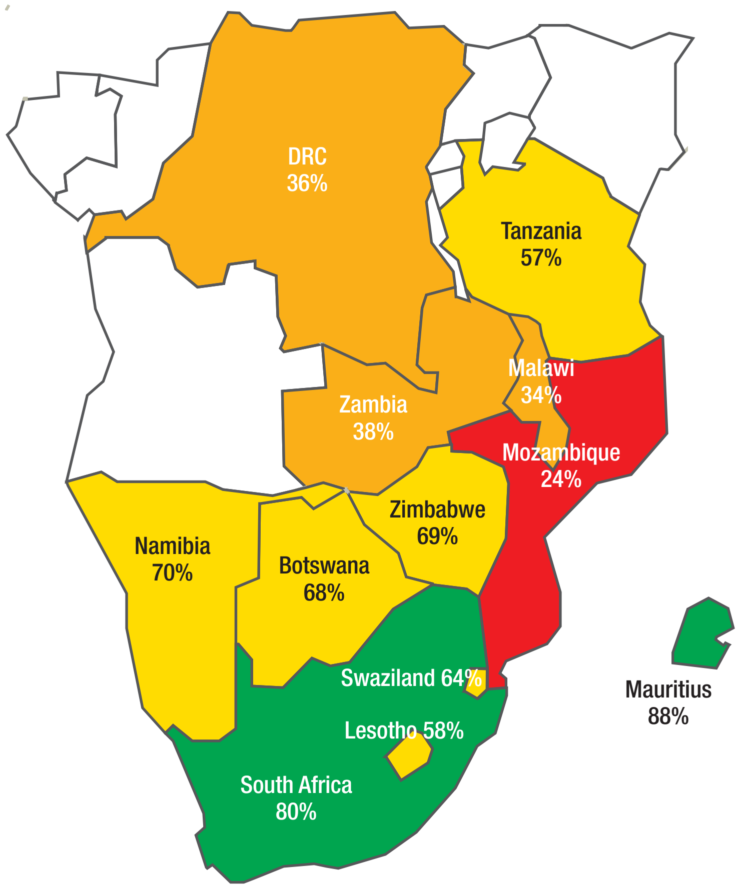


TABLE 15: CATEGORISATION OF SADC COUNTRIES BY FORMALLY SERVED

Categorisation of SADC countries by formally served											
Very low 0 – 25%			Low 26 – 50%			Medium 51 – 75%			High 76 – 100%		
Country	Year	FI levels	Country	Year	FI levels	Country	Year	FI levels	Country	Year	FI levels
Mozambique	2014	24%	Malawi	2014	34%	Tanzania	2013	57%	South Africa	2014	80%
			DRC	2014	36%	Lesotho	2011	58%	Mauritius	2014	88%
			Zambia	2015	38%	Botswana	2014	68%			
						Swaziland	2014	65%			
						Zimbabwe	2014	69%			
						Namibia	2011	70%			

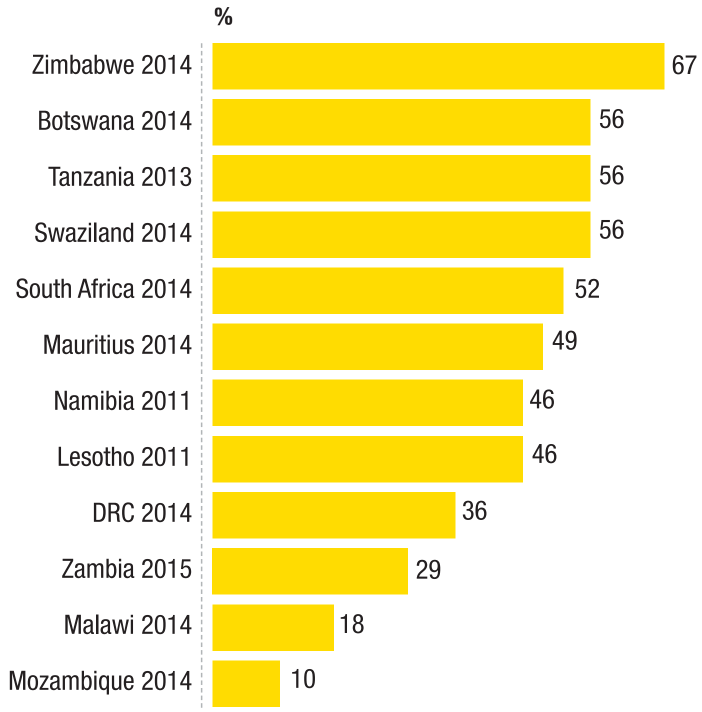
FIGURE 131: 'HEAT MAP' OF SADC COUNTRIES BY LEVELS OF FORMAL FINANCIAL INCLUSION



3.1.4 Other formal (non-bank)

About **41.7%** of adults in the region have/use other formal (non-bank) financial products/services (around **52.3 million**). Uptake varies considerably with Zimbabwe, Tanzania, South Africa and neighbouring BLNS countries[35] having higher levels of other formal (non-bank) product uptake compared to other countries in the region.

FIGURE 132: PROPORTION OF THE ADULT POPULATION THAT HAVE/USE OTHER FORMAL (NON-BANK) FINANCIAL PRODUCTS/SERVICES



In most countries, the uptake of other formal financial products/services is **driven** by insurance products (especially funeral insurance, e.g. in Lesotho, Swaziland, and Botswana). Namibia's high uptake is also driven by insurance (short- and long-term), followed by savings products offered by other formal (non-bank) institutions, whereas, uptake in Tanzania and Zimbabwe is driven by mobile money, and in South Africa credit provided by other formal institutions (e.g. store cards) plays an important role. Zimbabwe's non-bank formal savings products also include state pensions, which contribute towards higher uptake of other formal products.

A comparison of the Access Strands (see Figure 129 on page 89) across countries ranked by the proportion of adults who have/use other formal (non-bank) financial products/services (but are not banked) is summarised below. Other formal financial services push out the boundaries of formal inclusion, particularly in Tanzania, Zimbabwe, the DRC, Botswana, and Lesotho.

[35] BLNS countries: The term is used to describe Botswana, Lesotho, Namibia and Swaziland collectively.

3.1.5 Informally served

The informal sector plays an important role in overall levels of financial inclusion, particularly in the rural areas, among women, among those with primary education and less, and those who are 30 years of age or younger (= traditionally vulnerable groups). In total, about **39%** of adults in the region have/use informal financial products/services/mechanisms (around **49 million**). Again, the proportion of the adult population that have/use informal financial services varies considerably across the region from 13% in Namibia to 62% in Lesotho.

FIGURE 133: PROPORTION OF THE ADULT POPULATION THAT ARE INFORMALLY SERVED

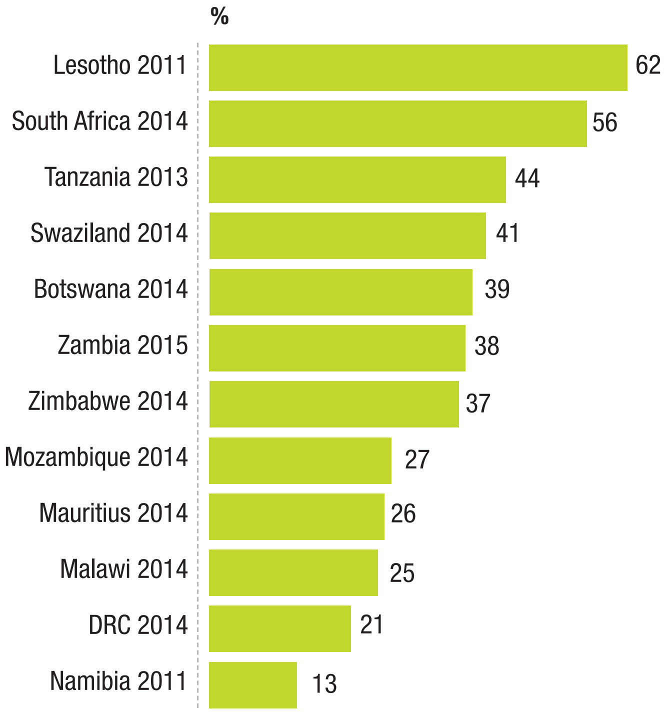
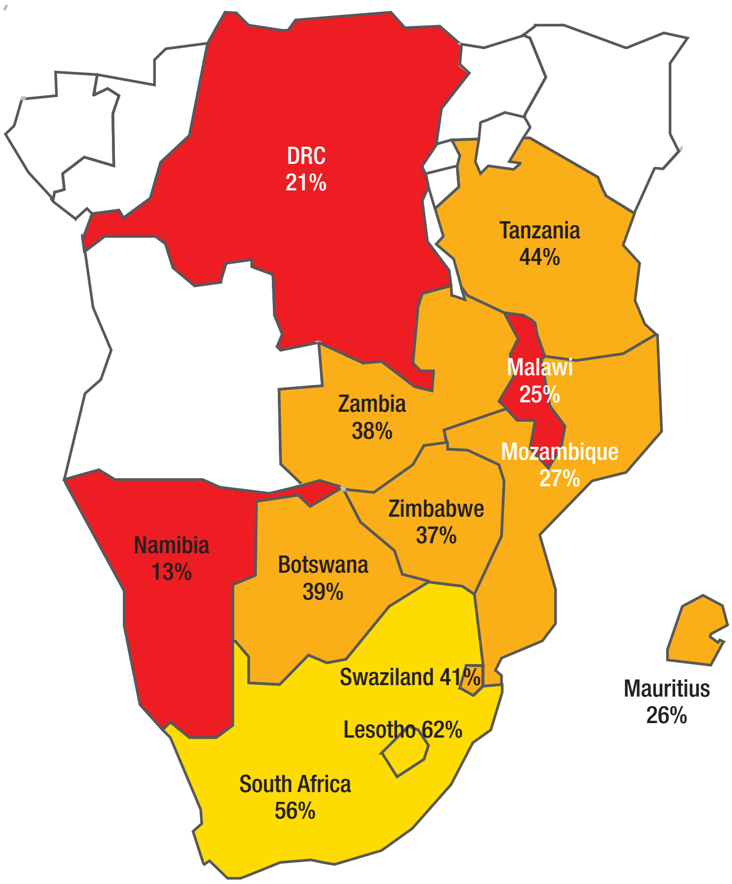


TABLE 16: CATEGORISATION OF SADC COUNTRIES BY INFORMALLY SERVED

Categorisation of SADC countries by informally served											
Very low 0 – 25%			Low 26 – 50%			Medium 51 – 75%			High 76 – 100%		
Country	Year	FI levels	Country	Year	FI levels	Country	Year	FI levels	Country	Year	FI levels
Namibia	2011	13%	Mauritius	2014	26%	South Africa	2014	56%	None		
DRC	2014	21%	Mozambique	2014	27%	Lesotho	2014	62%			
Malawi	2014	25%	Zimbabwe	2014	37%						
			Zambia	2015	38%						
			Botswana	2014	39%						
			Swaziland	2014	41%						
			Tanzania	2013	44%						

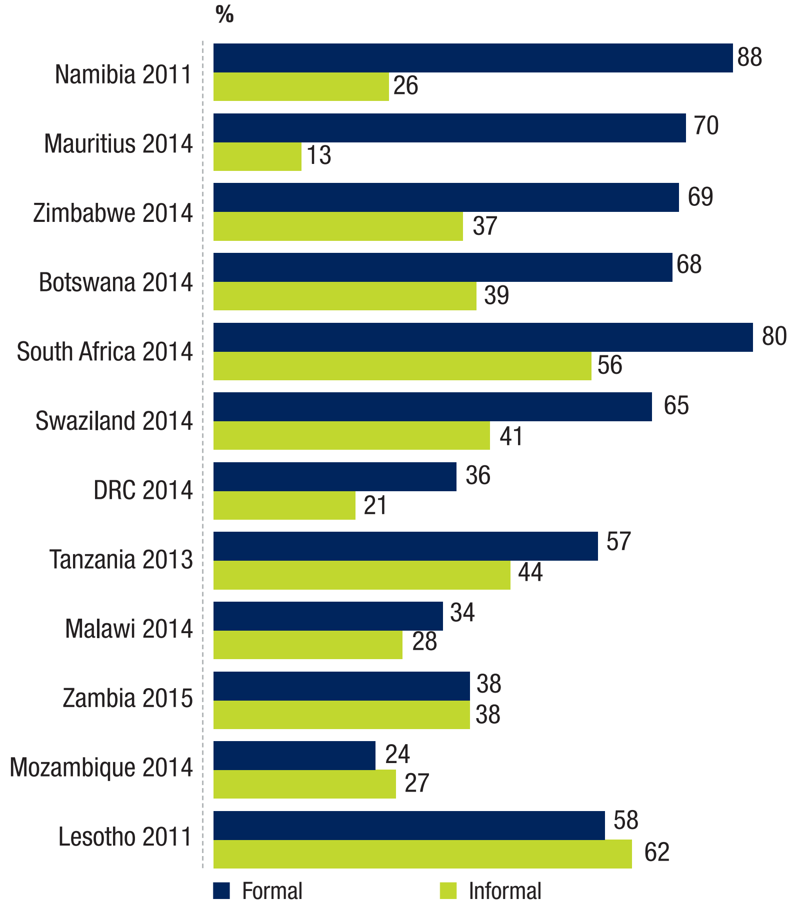
FIGURE 134: 'HEAT MAP' OF SADC COUNTRIES BY LEVELS OF INFORMALLY SERVED



A comparison of the Access Strands (see Figure 129 on page 89) across countries ranked by the contribution of the informal sector is summarised below. Please note that the Access Strand uses a hierarchical approach, illustrating the proportion of the total adult population who rely only on informal financial mechanisms. They do not have/use any formal financial products/services ('informal only'). The informal sector pushes out the boundaries of financial inclusion, especially in Lesotho (mainly due to funeral cover through burial society membership) with 23% of adults only relying on informal financial mechanisms.

Despite the vital role of informal financial mechanisms, the uptake of formal financial services (both banked and other formal) is in general higher compared to the uptake of informal services as illustrated below. However, there are some exceptions. In Lesotho, for example, the uptake of informal services is higher which is driven by funeral cover (burial society membership).

FIGURE 135: UPTAKE OF FORMAL VERSUS INFORMAL FINANCIAL SERVICES



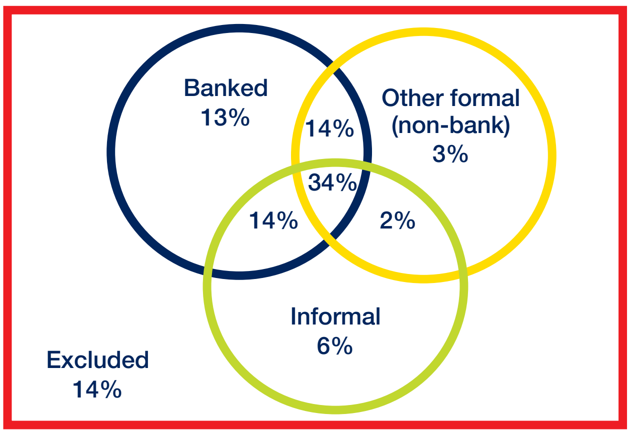
Formal and informal financial services often complement each other fulfilling different consumer needs and as such should not be seen as competitive. Simultaneous usage of both formal and informal products is relatively high in some countries. In South Africa, Lesotho and Tanzania more than half of those who use formal financial products also use informal products. In contrast in Namibia there is minimal overlap between formal and informal product usage, with approximately only 9% of the population using both. This is driven by limited usage of informal products compared to other countries.

The example below uses South Africa 2014 and Namibia 2011 overlaps that confirm that consumers generally use a combination of financial products and services to meet their financial needs:

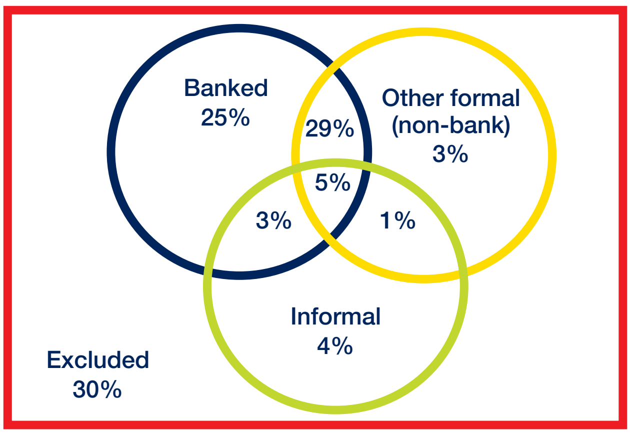
- 50% of South African adults use a combination of formal and informal mechanisms to manage their financial needs
- 57% of Namibian adults rely exclusively on formal products (driven by banking services)

FIGURE 136: OVERLAPS (USING THE EXAMPLE OF SOUTH AFRICA 2014 AND NAMIBIA 2011)

SOUTH AFRICA 2014 OVERLAPS



NAMIBIA 2011 OVERLAPS



CASE STUDY – INFORMAL MECHANISMS EMERGING AS VEHICLES FOR FINANCIAL OUTREACH

Around 47 million adults in the region reported that they use informal mechanisms, mainly to save their money. About 14 million depend exclusively on informal mechanisms to manage their finances. **The key question is whether it is possible to formalise the informal markets without creating barriers to what is currently working?**

Brian Richardson, a founding director and CEO of WIZZIT does not believe so given the current regulatory environment in the region – 'Banks are big and powerful enough in many countries to prevent this type of reform from happening. The lack of progress with the Dedicated Banks Bill is a case in point', adds Richardson.

Dr Keith Jefferis (Managing director: Econsult Botswana) considers that the focus should be on identification and appropriate management of any risks that arise in informal markets. 'If they are functioning fine, they should be left alone', says Dr Jefferis.

Michael Nyamazana (Managing director at Africa Corporate Advisors) realises possibilities, but warns against, practicalities. 'The move to formalise informal markets could result in the undesired situation of creating barriers to what is currently working', says Nyamazana. The reason for the latter is that Governments and regulatory authorities may seek formalisation for purposes of revenue collection rather than to be able to provide policy and financial support. FinMark Trust would be aware of the case in the wake of the FinScope MSME Survey of 2012 in Zimbabwe, when the results were misinterpreted to imply that there was a lot of money that could be collected as tax revenue. The Revenue Authority and Municipalities started imposing "presumptive taxes" on vendors and other operators. The issue of formalising the informal services is first to identify the objective of formalisation. If it is to improve the efficiency, cost and security of the system it is very possible.

'Unfortunately the current South African legislation around the Financial Intelligence Act does make it far more difficult to bring savings groups into the formal banking sector. This would need to be dealt with on both a regulatory and banking administration level', says **Maya Fisher-French** (Financial journalist: City Press, author of Maya on Money).

Frédéric Ponsot (a remittances and financial inclusion specialist at IFAD) stresses that collection methods and incentives should remain "informal" but the amounts collected should be deposited into formal accounts to avoid risks of robbery, fraud and stress.

'It is highly unlikely', says **Elizabeth Lwanga Nanziri** (Communication director & South Africa Representative Association for the Advancement of African Women Economists (AAAWE) and former president of SASI). 'It is true that there will always be a proportion of the population that voluntarily exclude themselves from the formal sector. These will often use the informal mechanisms. It is also not possible to completely eliminate informal markets. Consumers will always find non-formal financial mechanisms. For instance, an inclusion drive in Peru by Proyecto and the Ford Foundation provided a top-up for amounts saved by new customers at the lower-end of the income spectrum. But they still transferred part of their savings to informal women's group in their communities. The consumers argued that they have needs that do not align with the strict operating hours of the formal financial sector'.

CASE STUDY – INFORMAL MECHANISMS EMERGING AS VEHICLES FOR FINANCIAL OUTREACH

The demographics and socio-economic characteristics of the informal users is often such that their participation in the formal sector does not improve their welfare. For instance, formalising creates structures, rules and regulations that many non-users might find cumbersome. Also, the unbanked on average have low levels of education. The ever-increasing innovations in the formal sector make products obsolete as soon as they hit the market. This creates an information gap with negative effects for the users due to their ignorance of the new features of the products. Ultimately, the effect is to lower the welfare of this type of users, especially when they fall victim, for instance of credit and insurance contracts. 'Inclusion should be left as a choice process' adds **Lwanga Nanziri.**

Professor Chinyamata Chipeta (formerly a professor of economics at the University of Malawi) would support formalising informal markets if the term simply means registration. 'If it implies regulation and control, then there would be a problem. What is currently working would be destroyed most if an attempt was made to change the way informal markets work, copying practices of formal markets', professor Chipeta concludes.

Oabile Mabusa (CEO, Banking association Botswana) believes it would be counter-productive to seek to replace all informal activity with formal arrangements, however, it is possible and necessary to formalise informal markets where such markets have grown in relative significance in any single market. 'From a regulatory perspective, I take it that it would be undesirable for any well-developed market to let a parallel payments market develop organically without intervention to harmonise the market with prevailing payments arrangements' explains Mabusa.

Rob Powell, (CEO: TNS South Africa) states that formalising informal markets is difficult as the greatest barrier is often the tax offices, as people do not want to declare what their earnings are, so they want to have as much of their money remaining in informal services. For example, people who are transferring land. They may buy land, but don't bother to change the title to their name, and then sell the land on. Rental agents don't use formal bank accounts. So the biggest barrier is fear of getting involved in paying taxes or other official penalties.

This could be around lack of information about tax or that the tax regime is not perceived to be fair. People getting money from the informal sector want to keep their money in a place that cannot be audited. Any methods of formalising informal services will face this barrier, but this can be overcome over time. Mobile money services are used but there is little fear of the tax office catching up with the users.

There are indications that efforts to formalise Savings Groups systems may lead to fears from members.

Further barriers relate to the perceived inappropriateness / cost of formal financial services, noted earlier.

TNS research has shown that social ties and cultural norms can be strongly intertwined with the practices of managing informal mechanisms, and formalising may threaten these benefits.

The informal markets have a key role to play and for most people they do not want to take away or see the "localisation" of their benefits diminish, or be changed by a formal offering. The best opportunity we have is formalising the informal organisations, not the members of those organisations. In this way we bring the informal mechanisms into the formal process, creating safety and the like, but without having to look at the individual, rather the structure.

ENHANCING FINANCIAL SECTOR SURVEILLANCE - ENSURING THAT THE INFORMAL MARKET CONTRIBUTES TO THE REGION'S LIQUIDITIES AND SAFETY OF MONIES AND EXAMPLE OF CASE STUDIES

Dr Jefferis gives examples of such developments in Botswana. 'This has been done in Botswana. In Botswana the only experience of a Co-operative Bank was a disaster and it collapsed. SACCOs are more successful although there are risks as they are not well regulated. Most SACCO funds are lent out directly to members'

Nyamazana, attests that the informal market is already contributing in that ultimately the funds circulated get into the banking sector when the informal market trades with the formal market or even when the bank notes become soiled and have to be deposited in a bank for replacement with clean notes. However, it must be noted that borrowing and lending is actively taking place among players in the informal sector. These players would not be able to access credit in the formal sector if their funds were to be formally banked.

'These informal markets are channels not stores. It is becoming increasingly common that funds pooled together say in a rotating scheme are invested in businesses or used to pay school fees for children', says Elizabeth Lwanga Nanziri. She further explains that in some communities, groups make arrangements such that the funds are paid directly to the service providers thus minimising the possible theft at the meeting point. 'Group banking could help in overcoming some of these problems. In South Africa for instance, more awareness needs to be made for stokvel accounts', **Elizabeth** concludes.

'I can think of two possible ways. The first approach to ensuring the popularity is to introduce a minimum set of regulations for the market. To effectively manage the risk associated with implicit deposit-taking, it might be necessary to introduce underwriting arrangements whereby all mobile money transactions are performed across trust accounts in the banking system', says **Mabusa.**

Professor Chipeta advises informal groups to link up with formal and microfinance sectors as this can contribute to the safety of money by encouraging it to use safe deposit boxes with locks and keys, or to deposit its money in bank and non-bank financial institutions.

UGANDA CASE STUDY – THE UGANDAN EXPERIENCE

A. Financial system background

The predominant characteristics of the pre-2004 Ugandan financial system was small size and underdeveloped finance with low levels of financial intermediation. Commercial banks, predominantly subsidiaries of foreign banks, accounted for 83 percent of the system assets as compared to four percent for other credit institutions, and one percent for microfinance institutions (including credit cooperatives). While indicators of banking depth were at levels similar to those in Tanzania, they were below those in Kenya, and the average for sub-Saharan Africa. Moreover, the share of total commercial bank loans and advances to agriculture had steadily declined from over 20 percent at the end of the 1980s to less than five percent in 2004 (Mugume, 2005, and Meyer et al., 2004).

B. Addressing Issues

The lower penetration of the formal financial sector into the rural areas allowed for the emergence of other players, including informal financial institutions. In this regard, the semi-formal and informal service providers (microfinance institutions, non-governmental organisation-led entities, and a large number of other informal operators) emerged as vehicles for financial outreach, particularly in the rural sector.

C. Conclusion

Key lessons: The Ugandan experience demonstrates that the government should adopt an enabling policy stance to enhance access, and that it is important to work with both formal and informal channels to achieve the broader financial inclusion objective.

Key policies and impact: The authorities adopted a policy of active encouragement of microfinance and SACCOs, supported with adaptive regulation. While the policy was successful in generating an expansion of these institutions and extension of services, unregulated institutions continued to be an important source of savings and credit services. The private development of mobile payment facilities, assisted by initial light regulation, has helped outreach and its adoption by banks is extending the formal system.

Key risks: Official policies were not without drawbacks; i) a proliferation of small SACCOs have challenged regulatory and supervisory capacity, resulting in failures; ii) government subsidisation and direct credit can create a moral hazard, reducing the incentive for appropriate credit risk assessment, possibly discouraging market-led services. Mobile systems require regulation both from the payments and telecommunications perspectives, and while an initial light approach may be appropriate, national payment laws and oversight as well collaboration with telecommunications regulatory authority are necessary to avoid payments risks. The proliferation of microfinance institutions, all focused on the least sophisticated rural population may result in unsustainable levels of rural indebtedness—what is now commonly referred to as the "Andhra Pradesh" phenomenon.

3.1.6 Excluded

More than a third of adults in the region (**34%**, around **41.9 million** individuals) do not use any financial products or services (neither formal nor informal) to manage their financial lives, i.e. they are financially excluded. If they save, they save at home, and if they borrow, they rely on friends and family. Mozambique and Zambia feature the highest levels of financial exclusion. Over and above low levels of financial inclusion, Mozambique faces numerous challenges, e.g. low levels of income (GNI per capita), young population, low levels of education, as well as insufficient access to piped water and electricity (see country profile).

FIGURE 137: PROPORTION OF THE ADULT POPULATION THAT ARE FINANCIALLY EXCLUDED

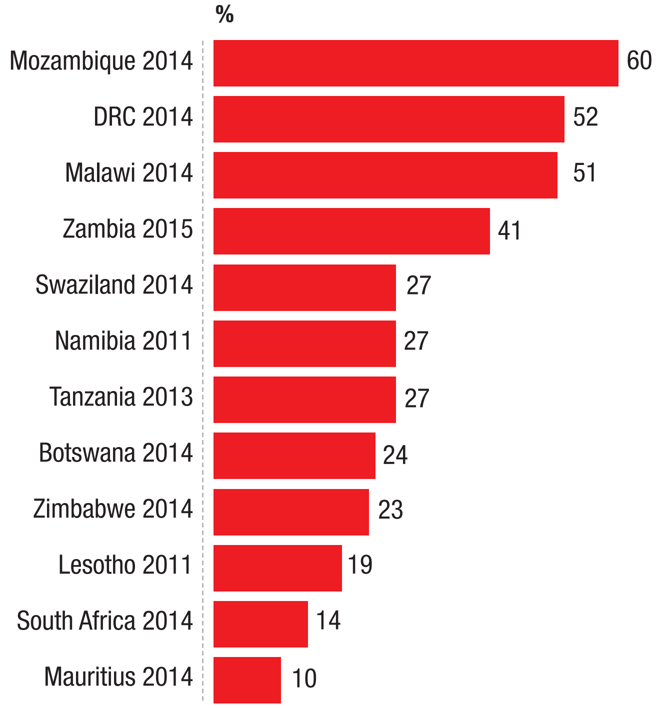


TABLE 17: FINANCIAL INCLUSION INDICATORS SUMMARY

Country	Overall FI		Formally served		Informally served		Banked		Other formal (non-bank)	
	Included	Excluded	Formally served	Not formally served	Informally served	Not informally served	Banked	Not banked	Have/use other formal	Do not have/use other formal
Botswana 2014	76	24	68	32	39	61	50	50	56	44
DRC 2014	48	52	36	64	21	79	12	88	32	68
Lesotho 2011	81	19	58	42	62	38	38	62	46	54
Malawi 2014	49	51	34	66	25	75	27	73	18	82
Mauritius 2014	90	10	88	12	26	74	85	15	49	51
Mozambique 2014	40	60	24	76	27	73	20	80	10	90
Namibia 2011	73	27	70	30	13	87	62	38	46	54
South Africa 2014	86	14	80	20	56	44	75	25	52	48
Swaziland 2014	73	27	65	35	41	59	54	46	56	44
Tanzania 2013	73	27	57	43	44	56	14	86	56	44
Zambia 2015	59	41	38	62	38	62	25	75	29	71
Zimbabwe 2014	77	23	69	31	37	63	30	70	67	33
SADC total	67	34	55	45	39	61	36	64	42	58

3.2 Determinants of financial inclusion

FinScope estimates a total of at least **125 million adults** in the SADC region[36].

As such, it is not surprising that middle income countries such as Mauritius, South Africa, Namibia, Swaziland, Botswana, and Lesotho have the highest proportion of banked adults, with Zambia being an exception[39]. In general, low income countries, such as Malawi, Zimbabwe, Tanzania, and Mozambique feature lower proportions of banked adults as shown below (due to a variety of reasons, not only income levels).

Income: Income is probably one of the strongest determinants of (formal) financial inclusion, referring to income levels as well as source/regularity of income i.e. proportion of the adult population that receive salaries/wages. 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. They are also more likely to reside in urban areas and have generally higher levels of education. According to the World Bank classification of economies (using gross national income GNI per capita)[37], for example, the SADC region shows considerable diversity comprising a mix of middle and low income countries as illustrated in the table below[38]. That needs to be taken into account when comparing levels of financial inclusion, especially with regard to the banked population considering the relationship between income levels and the proportion of adults that are banked.

TABLE 18: WORLD BANK COUNTRY CLASSIFICATION BY INCOME

Low-income ($1 045 or less)	Low-middle income ($1 046 to $4 125)	Middle-upper income ($4 126 to $12 746)
DRC	Lesotho	Angola
Madagascar	Swaziland	Botswana
Malawi	Zambia	Mauritius
Mozambique		Namibia
Tanzania		Seychelles
Zimbabwe		South Africa

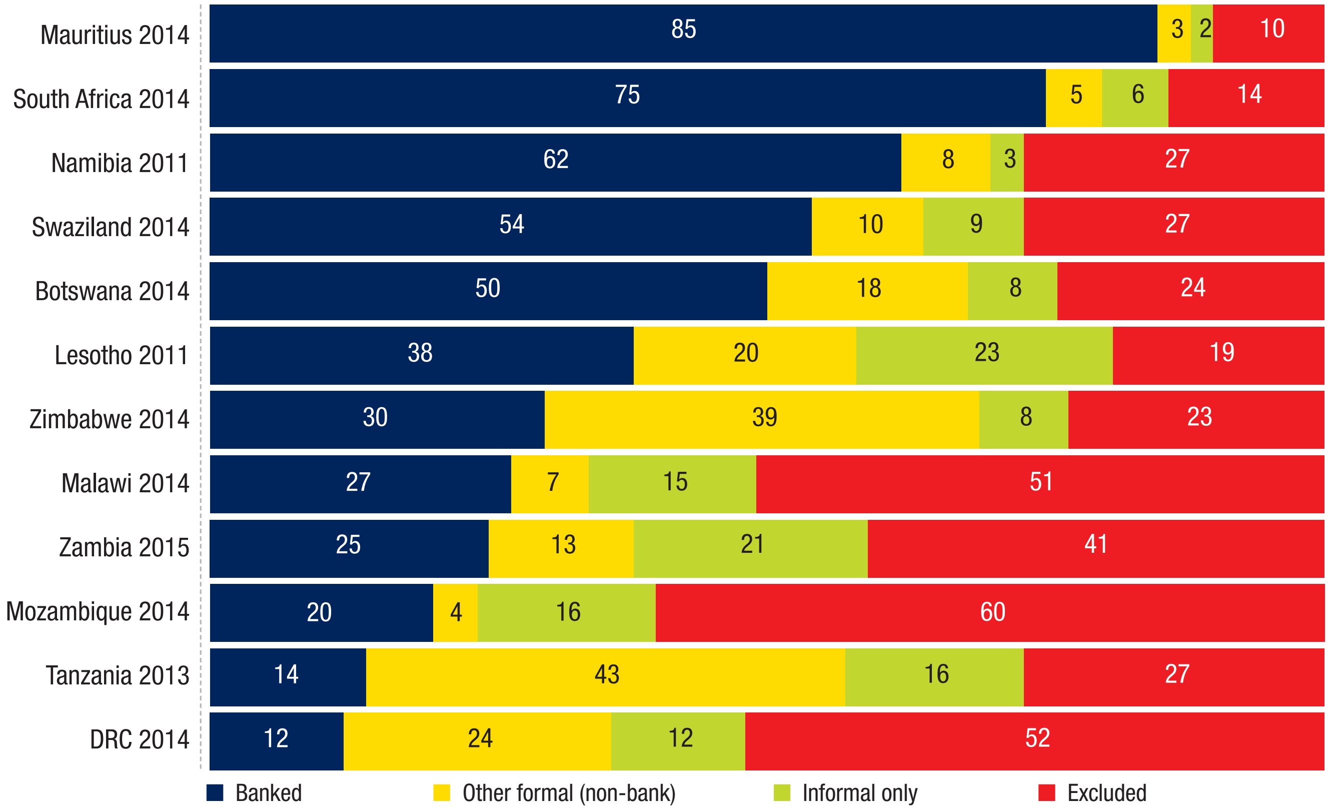
36 Notes: Population estimates are derived from the latest available FinScope surveys (ranging from 2011 to 2015). As some of the population figures are out-dated, it is expected that there are more adults at the time of this report. Adult population includes those 15/16/18 years and older (depending on the country definition). For the purposes of this book, the term 'SADC region' only incudes the 12 countries in which FinScope was conducted. These figures exclude Angola, Madagascar, and Seychelles.

37 For the current 2015 fiscal year, low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of $1 045 or less in 2013; middle-income economies are those with a GNI per capita of more than $1 045 but less than $12 746; high-income economies are those with a GNI per capita of $12 746 or more. Lower-middle-income and upper-middle-income economies are separated at a GNI per capita of $4 125, source: http://data.worldbank.org/about/country-classifications

38 Source: http://data.worldbank.org/about/country-classifications/country-and-lending-groups

39 FinScope Zambia was conducted in 2015.

FIGURE 138: SADC ACCESS STRANDS – RANKED BY THE PROPORTION OF BANKED ADULTS



Income levels collected during the FinScope Surveys might be less reliable (with FinScope being a perception survey) as well as less comparable across countries (given the different currencies and the USD conversion rate over the years). In some cases data is missing for a significant proportion of respondents who could not or would not provide income. In South Africa for example, 24% of adults either refused to provide data or did not know their personal income. Where data is available it is reported in income bands rather than actual point estimates. In some countries income bands are fairly wide and the population is heavily skewed to lower income bands. Hence income data from FinScope is not used in this comparison. However, it is interesting to note that the adults who reported higher levels of income (within a country) are also more likely to be formally included.

Further, income sources and regularity need to be taken into account. As mentioned above, those with more regular sources (e.g. salary/wages) are more likely to be (formally) included than those with irregular (and often low) or no income (e.g. from farming activities). Often, people have more than one source of income. As such, FinScope also asks about the main source of personal monthly income. As shown below, the main source varies across the region but can broadly be classified as those having a (regular) salary/wage, those receiving their main income from agricultural/farming activities (including crop, livestock, fishing), and those who mainly rely on others for money/to pay their expenses.

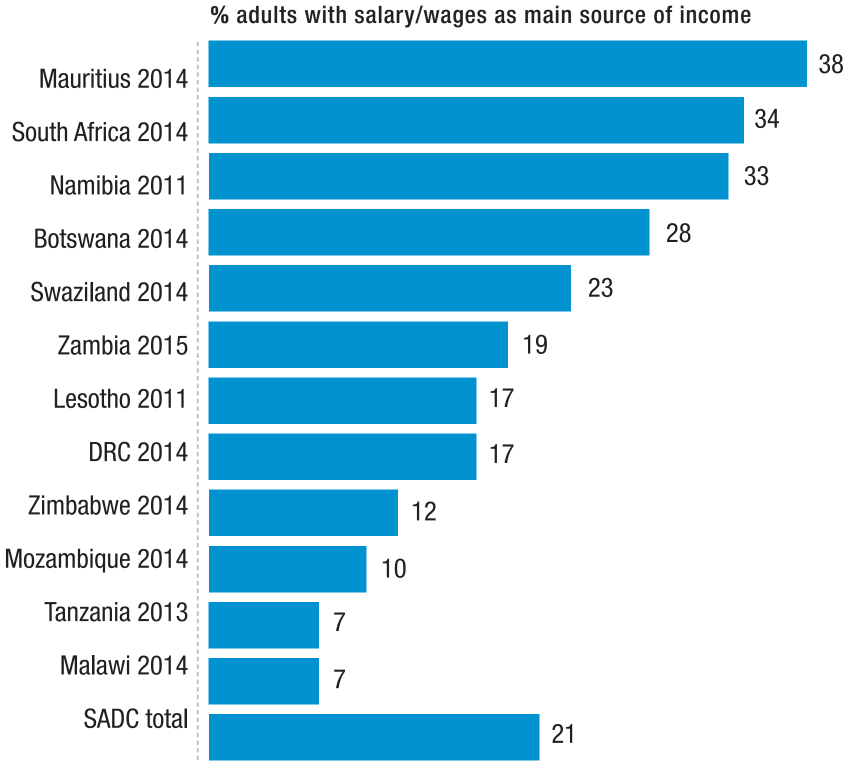
TABLE 19: MAIN SOURCE OF PERSONAL MONTHLY INCOME – BROAD CLASSIFICATION ACROSS SADC

Salary/wages	Farming	Others
Namibia	DRC	Swaziland
South Africa	Lesotho	
Botswana	Malawi	
Mauritius	Mozambique	
	Tanzania	
	Zambia	
	Zimbabwe	

TABLE 20: MAIN SOURCE OF PERSONAL MONTHLY INCOME – DETAILS ACROSS SADC

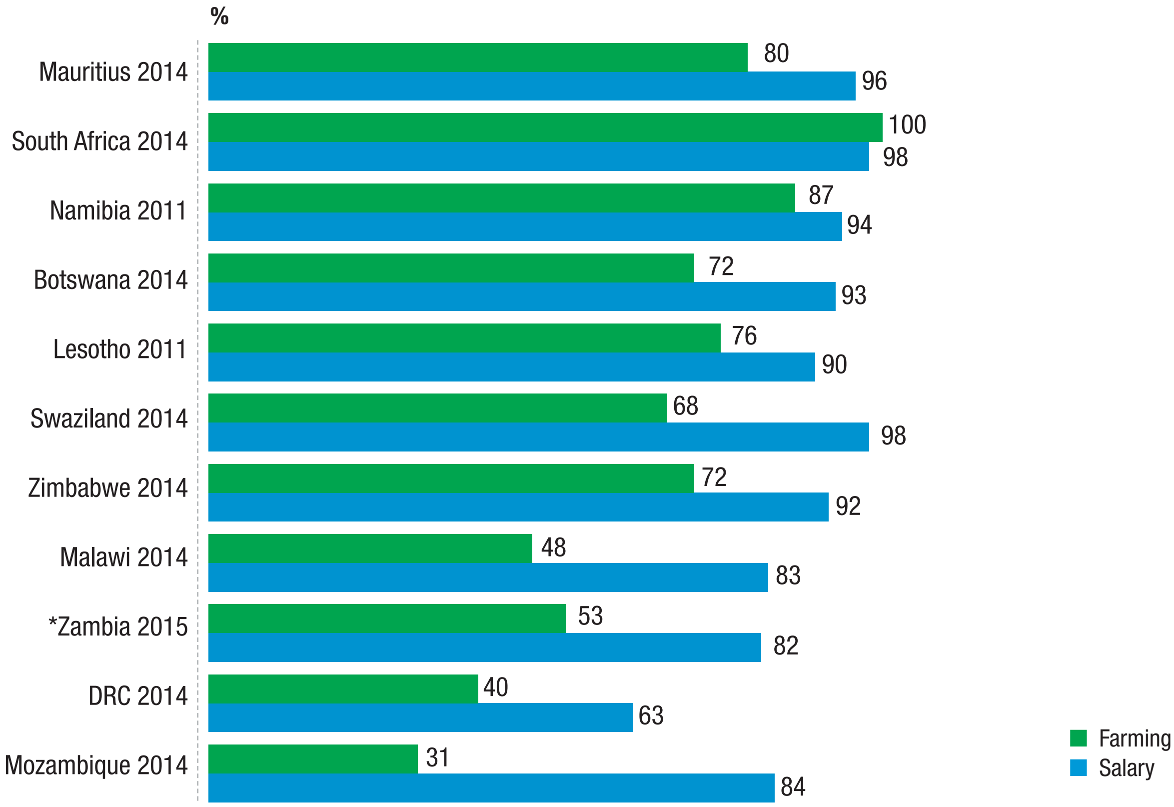
	Main sources of personal income
Botswana	**Salaries/wages (28%)** Money from others (21%) Piece jobs (14%)
DRC	**Farming (32%)** Own business (21%) Money from others (21%) Salary/wages (7%)
Lesotho	**Farming (31%)** Salary/wages (17%) Remittances (12%)
Malawi	**Farming (46%)** Ganyu – casual work (45%) Salary/wages (8%)
Mauritius	**Salary/wages (38%)** Money from others (26%) Pension (21%)
Mozambique	**Salary/wages (33%)** Government old age pension (12%) Own business (11%)
Namibia	**Salary/wages (33%)** Government old age pension (12%) Own business (11%)
South Africa	**Salary/wages (34%)** Money from others (34%) Government grants (30%)
Swaziland	**Money from others (31%)** Salary/wages (23%) Farming (10%)
Tanzania	**Farming (37%)** Money from others (23%) Own business (22%) Salary/wages (7%)
Zambia	**Farming (28%)** Money from others (21%) Salary/wages (19%) Own business (15%)
Zimbabwe	**Money from farming/fishing (36%)** Money from others (23%) Salary/wages (14%)

FIGURE 139: PROPORTION OF ADULT POPULATION THAT RECEIVE SALARY/WAGE AS MAIN SOURCE OF INCOME



The figure below provides some examples of financial inclusion levels (including both formal and informal) among those who receive a salary/wage and those who rely on farming activities. Note: Again, the location needs to be taken into account. Those receiving a salary/wage are also more likely to reside in urban areas, while those who rely on farming activities mainly reside in rural areas – which also influences overall levels of financial inclusion as outlined in the next section.

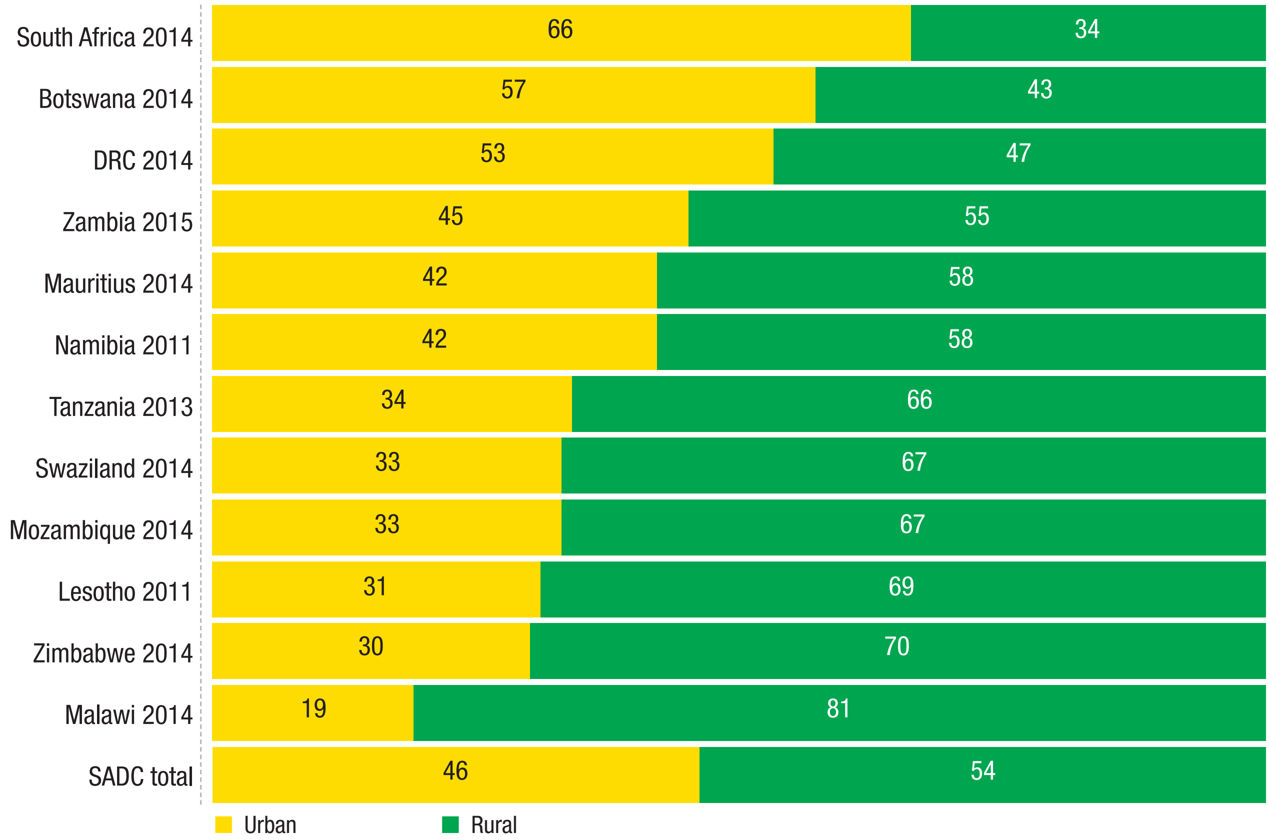
FIGURE 140: LEVELS OF OVERALL FINANCIAL INCLUSION BY SOURCE OF INCOME – SALARIES VERSUS FARMING ACTIVITIES (EXAMPLES)



*2015 Survey did not ask for major source of income

Location: Only South Africa and Botswana are mainly urbanised (66% and 57% respectively)[40]. The adult population in the other SADC countries mainly reside in rural areas, although the levels vary from 58% of adults residing in rural areas in Mauritius and Namibia to 81% in Malawi.

FIGURE 141: SADC – URBAN/RURAL DISTRIBUTION



In general, there are higher levels of financial inclusion (especially formal inclusion) among adults residing in urban areas due to a variety of reasons relating to demand and supply of (formal) financial products/services and other amenities (e.g. better access to water, sanitation, electricity, physical access to financial services institutions compared to rural/remote areas, generally higher levels of salaried workers, and lower dependency on irregular income sources such as farming). Differences between urban and rural levels of overall financial inclusion are particularly stark in Zimbabwe, Mozambique, DRC, and Malawi. In general, overall levels of financial inclusion in rural areas are increased by the uptake of informal financial products/services (e.g. Lesotho: the uptake of funeral cover through burial societies). The most significant difference between rural and urban levels of financial inclusion is the usage of bank products/services. For example in Zimbabwe, 46% of adults residing in urban areas are banked compared to only 23% of adults in rural areas. In Mozambique, 40% of adults residing in urban areas are banked compared to only 10% of adults in rural areas. Total SADC figures show 22 percentage points difference between levels of financial inclusion in urban versus rural areas as illustrated in the figure below.

[40] The adult population in the sampled areas in the DRC is also mainly urbanised (53%) – however that is due to the sample distribution.

FIGURE 142: LEVELS OF OVERALL FINANCIAL INCLUSION BY LOCATION

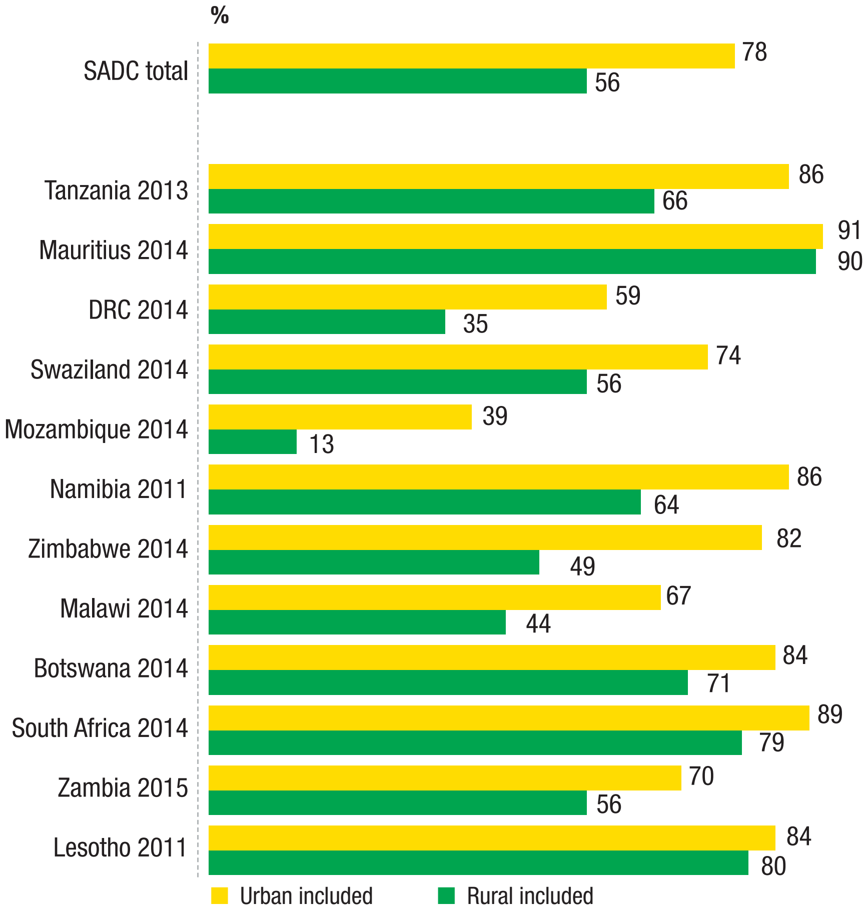
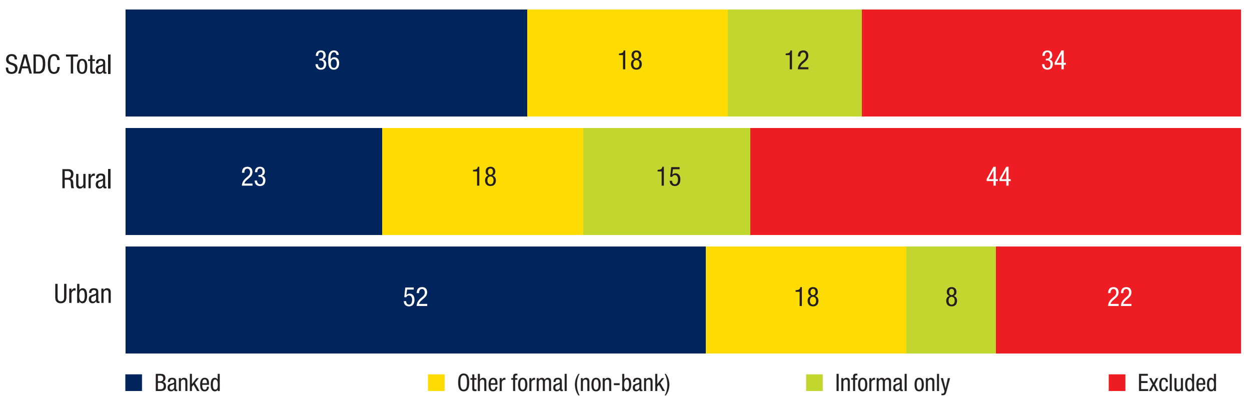
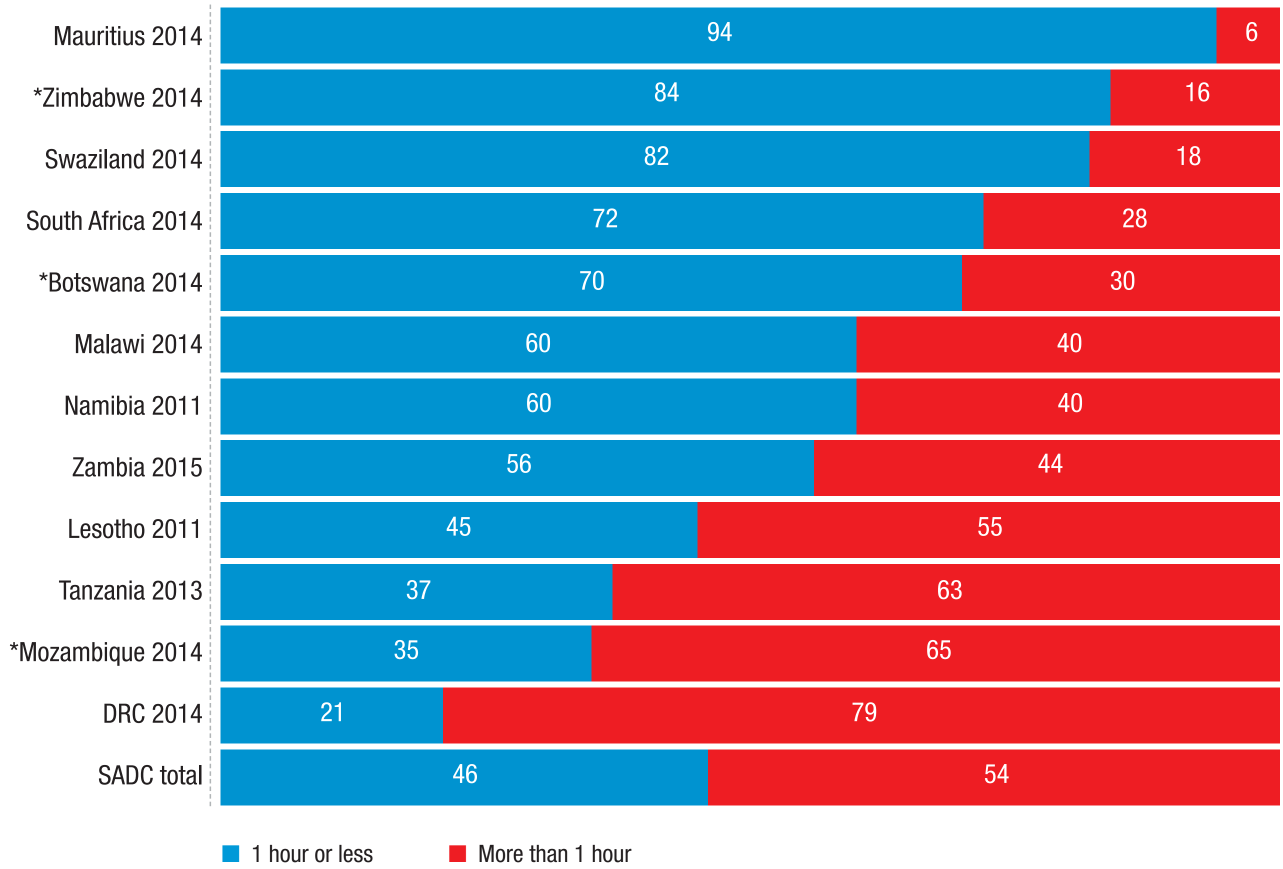


FIGURE 143: SADC ACCESS STRAND BY LOCATION



Physical proximity: The higher density of (formal) financial service providers in urban areas and usually better infrastructure result in shorter traveling time to, for example, the nearest bank branch. Hence, countries with a high proportion of the adult population residing in rural areas are also more likely to have a higher proportion of adults who travel for more than one hour to the nearest bank branch (e.g. Lesotho, Zimbabwe, and Malawi). Although physical proximity is not often perceived as problematic by consumers (see barriers to banking) it does make a difference. Note*: Botswana and Zimbabwe were only asked for banked population, Mozambique was only asked for adults who go to these areas.

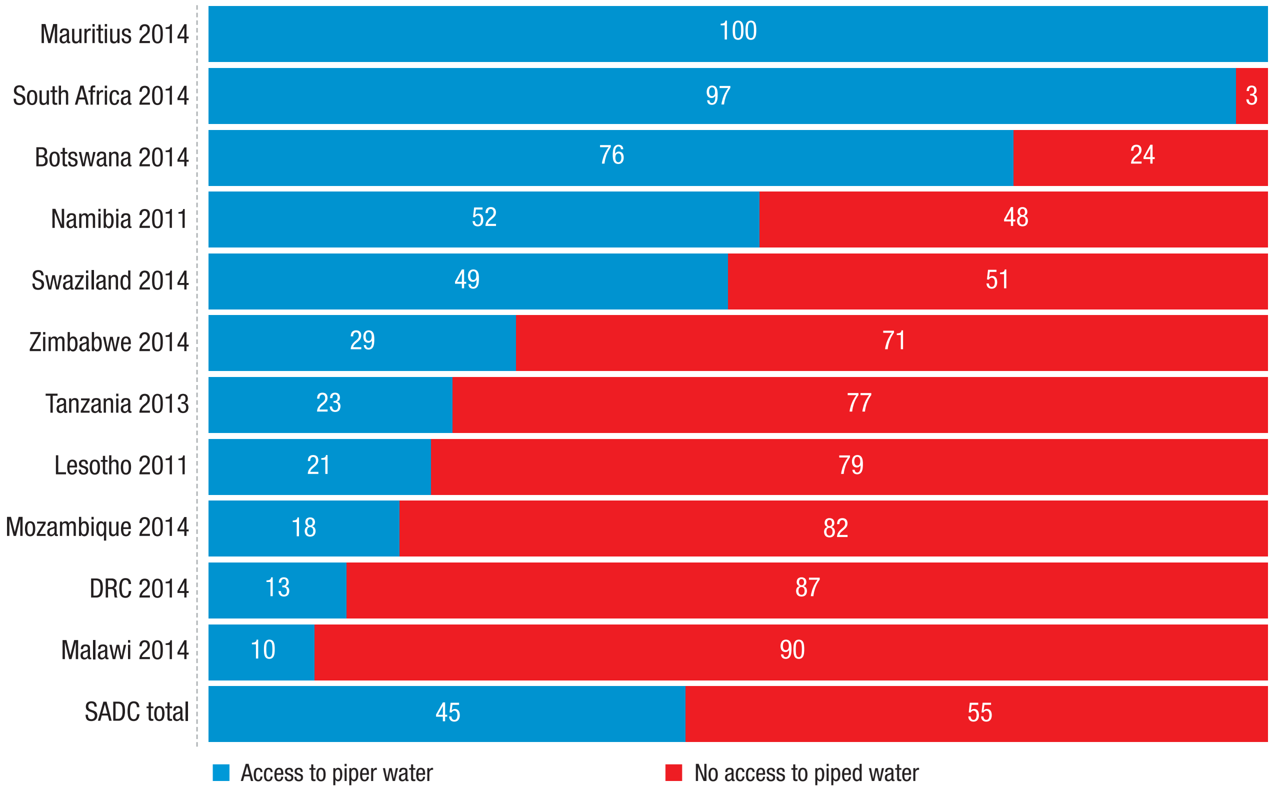
FIGURE 144: PROPORTION OF THE ADULT POPULATION THAT REQUIRE ONE HOUR OR LESS TO TRAVEL TO THE NEAREST BANK BRANCH



Access to infrastructure: Daily realities of people need to be taken into account. People who struggle to survive on a daily basis, that do not have access to basic amenities, and have to spend a lot of time during the day to collect water and firewood are unlikely to prioritise usage of financial services within their limited means. As such, countries with generally lower levels of access to infrastructure, i.e. access to piped water is used here as a proxy, also show lower levels of (formal) financial inclusion, e.g. Malawi, DRC, and Mozambique – with Lesotho being an exception due to the high proportion of informally served.

Access to piped water (inside the dwelling or yard/plot): As illustrated below, access to water varies considerably from 100% in Mauritius to 10% in Malawi.

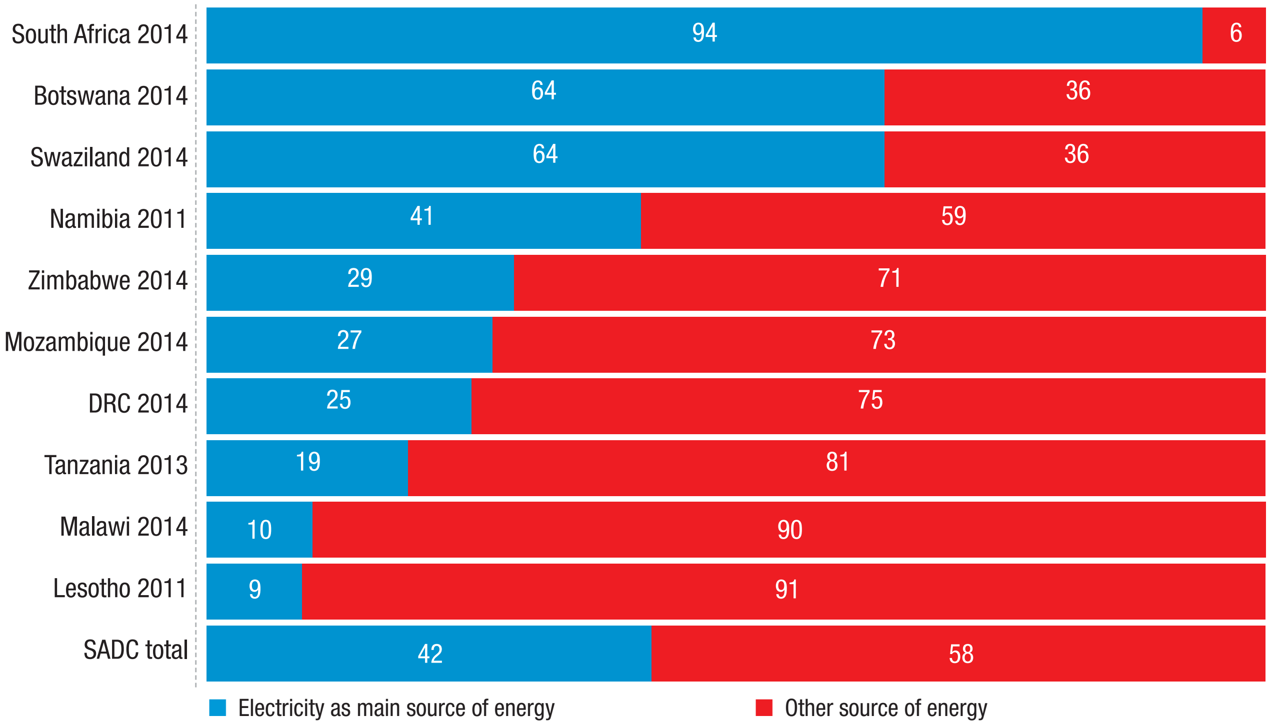
FIGURE 145: ACCESS TO PIPED WATER (INSIDE DWELLING OR YARD/PLOT)



*Access to water question was not asked for Zambia

Access to electricity[41]**:** With the exception of South Africa where there is almost universal access to electricity, the majority of adults in each country do not use electricity as the main source of energy for cooking as illustrated below.

FIGURE 146: ACCESS TO ELECTRICITY



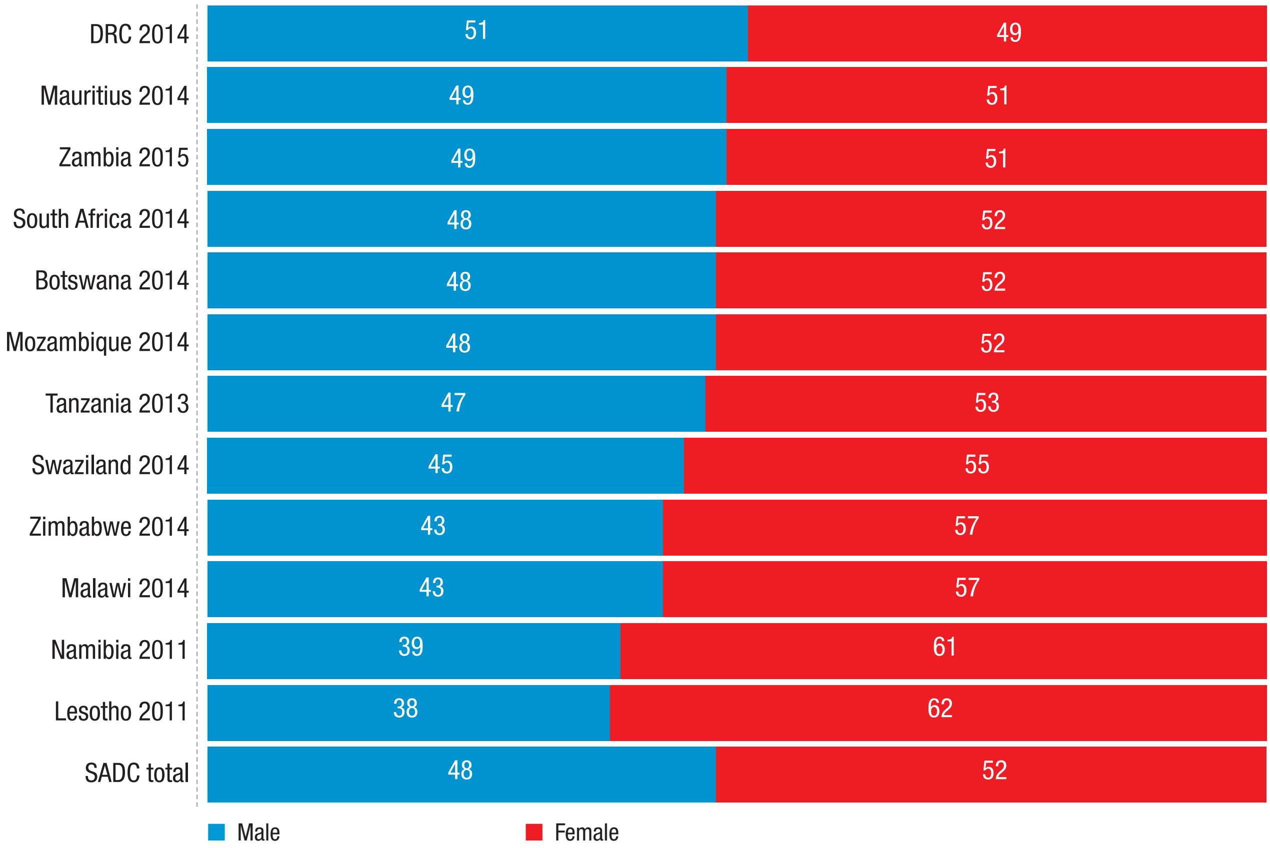
Inclusive financial sector development makes two complementary contributions to poverty alleviation, i.e. financial sector development is a driver of economic growth which indirectly reduces poverty and inequality and appropriate, affordable, financial services for poor people can improve their welfare[42]. At the same time, financial inclusion alone cannot change the lives of the poor. Many other development programmes aimed at eradicating poverty in a holistic way, including electricity, potable water, education and health can make a positive change to the lives of the poor.

[41] Mauritius and Zambia figures are missing, while Namibia, Lesotho and Swaziland figures are for electricity as source of energy for cooking (which under report the access to electricity)

[42] The development of these ideas is summed up in Demirguc-Kunt, Beck and Honohan (2008)

Gender: In all countries there are more females than males, with the exception of the sampled areas in the DRC.

FIGURE 147: SADC – GENDER DISTRIBUTION



In general, there are slightly lower levels of (formal) financial inclusion among females than males due to a variety of reasons such as lower participation of women in the workforce (i.e. usually women are underrepresented in paid employment outside the agricultural sector), often earning lower levels of income, as well as cultural reasons (i.e. traditional gender roles), etc. However, there are some exceptions. In South Africa, for example, levels of financial inclusion among females are higher compared to those for males due to the payment of social grants (e.g. child grant) through bank accounts. In Lesotho, the high uptake of informal financial services among women pushes out the overall levels of financial inclusion resulting in higher levels of financial inclusion among females compared to males. Total SADC figures show only 3 percentage points difference between financial inclusion of males versus females as illustrated in the figure below.

FIGURE 148: LEVELS OF OVERALL FINANCIAL INCLUSION BY GENDER

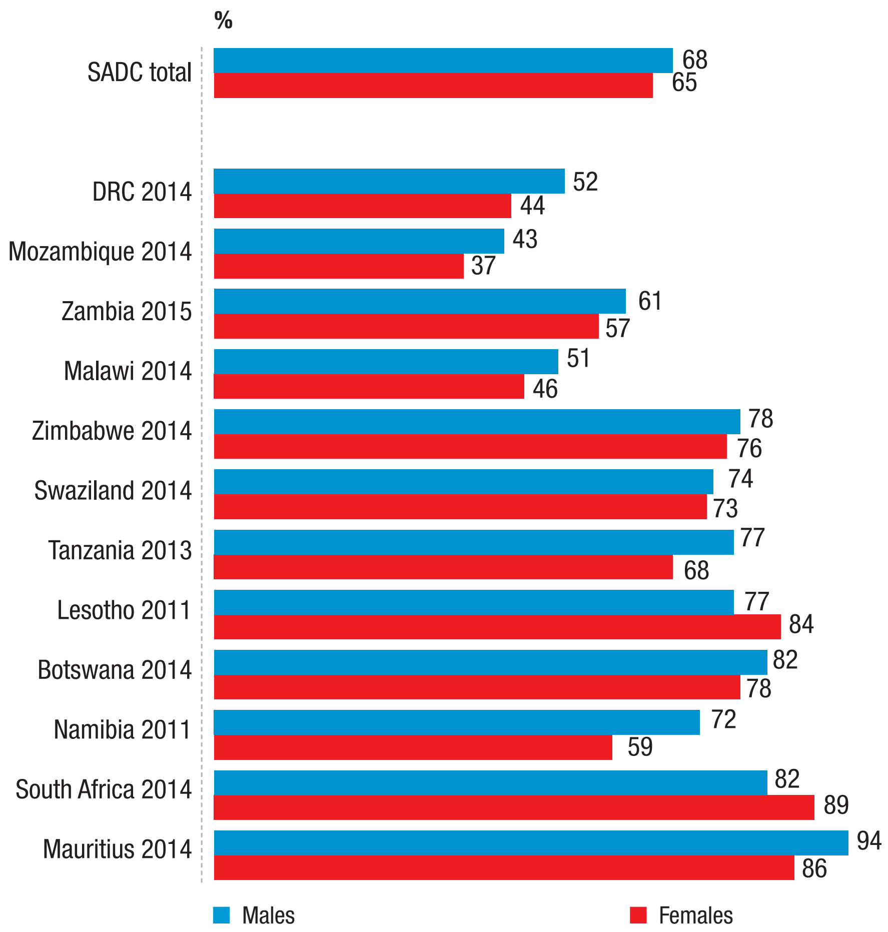
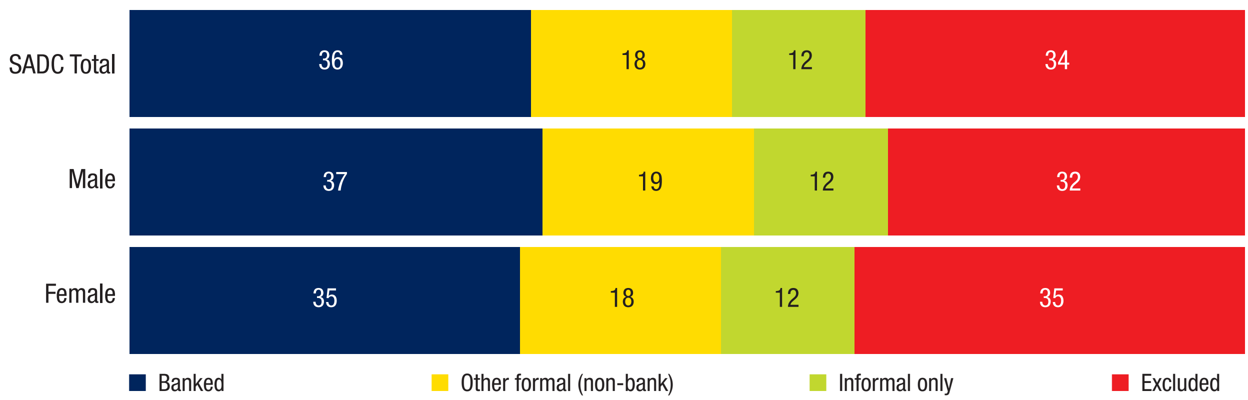
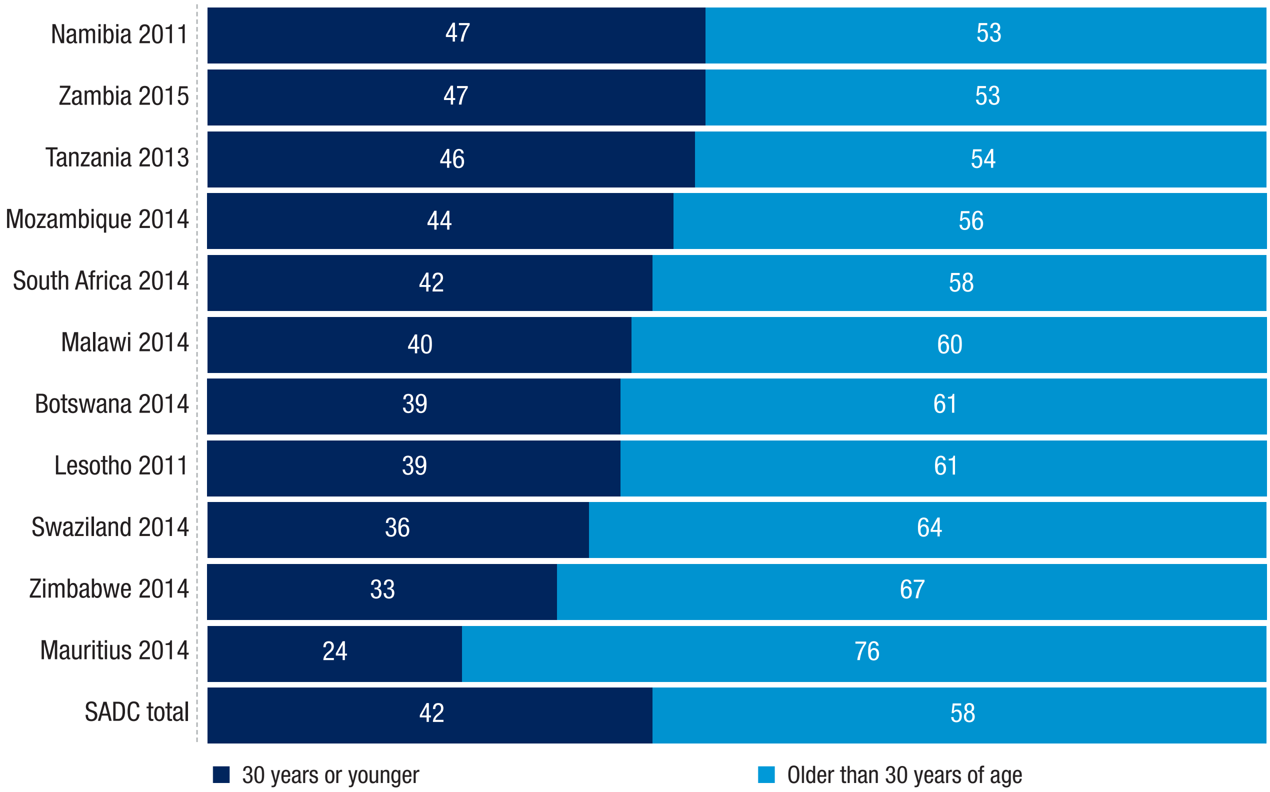


FIGURE 149: SADC ACCESS STRAND BY GENDER



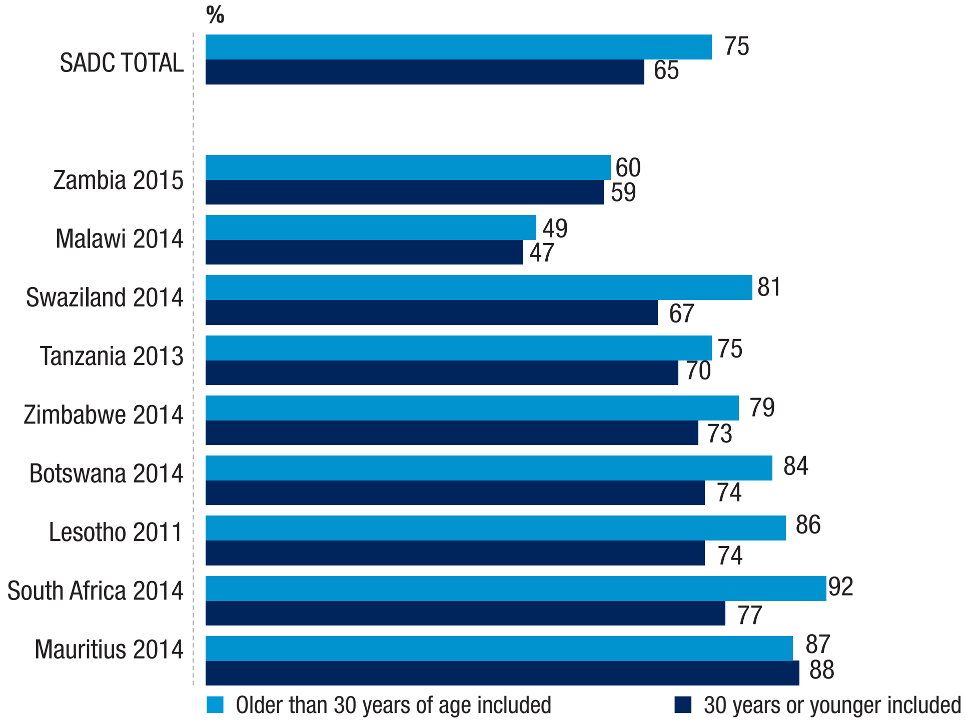
Age: The adult population in the region is relatively young (due to a variety of factors such as fertility rate, life expectancy, HIV/Aids rate, etc.). As illustrated below, Namibia, Zambia, and Tanzania have the youngest adult population in the region with 47% and 46% of adults being 30 years or younger respectively[43].

FIGURE 150: SADC – AGE DISTRIBUTION



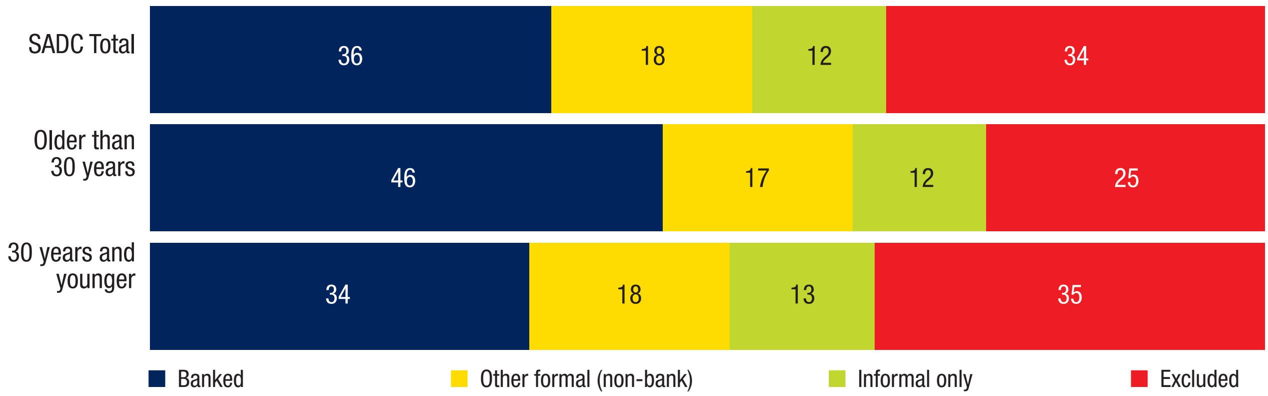
In general, there are higher levels of financial inclusion among those who are older than 30 years of age (with the exception of Mauritius), which might be connected to their economic activity. While FinScope considers an age of above 30 years as economically settled, those 30 years and younger tend to have a higher incidence of unemployment, low/no income. As such, economically settled/older people tend to use more financial products/services, i.e. show higher levels of financial inclusion (especially banking). The advantage of the region's young population, however, might be behind the success of innovative technologies such as mobile money, etc. Total SADC figures show 10 percentage points difference between levels of financial inclusion among those 30 years and younger and those above 30 years of age as illustrated in the figure below.

FIGURE 151: LEVELS OF OVERALL FINANCIAL INCLUSION BY AGE



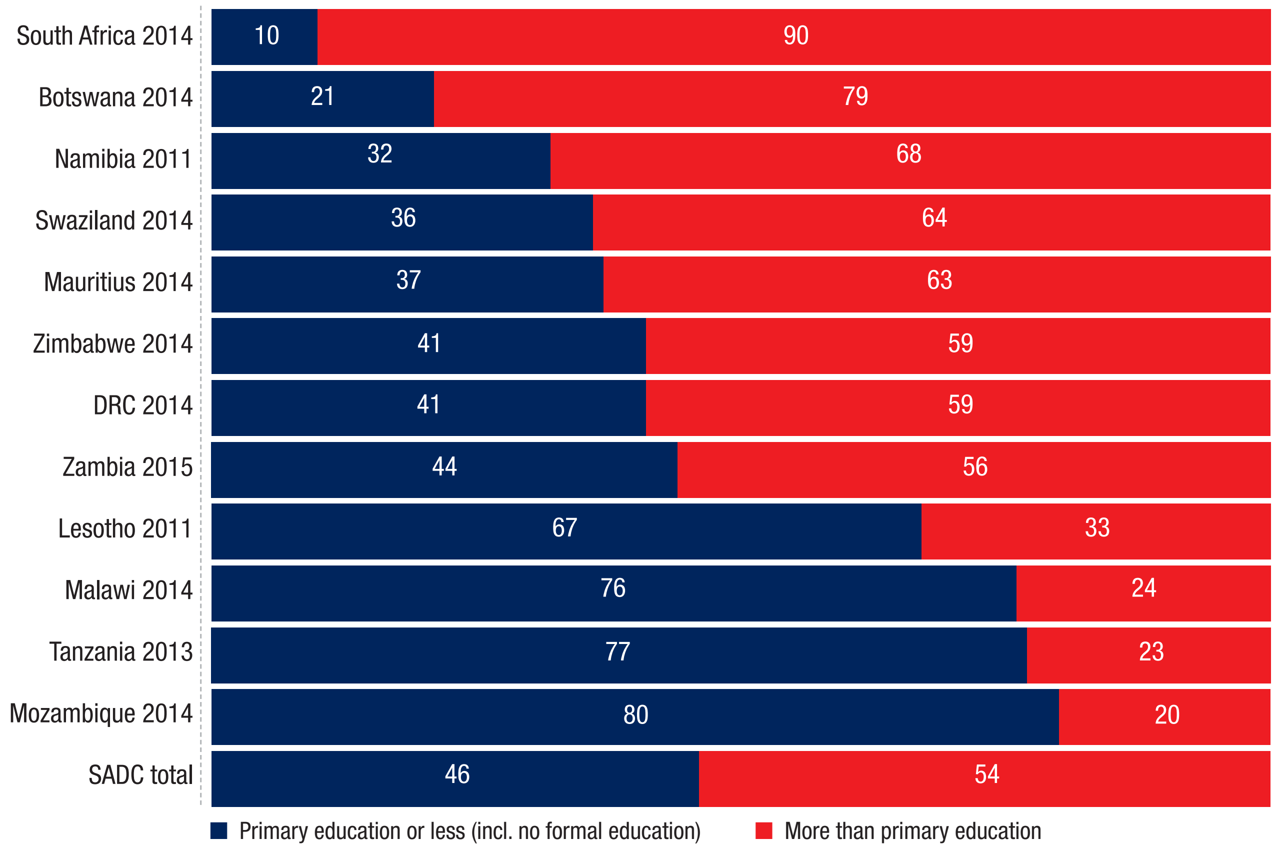
[43] Note: DRC is excluded here due to different age categories.

FIGURE 152: SADC ACCESS STRAND BY AGE



Education: Levels of education vary considerably across the SADC region with Mozambique, Tanzania, and Malawi having the lowest levels (80%, 77%, and 76% respectively – have primary education or less, including those without any formal education). South Africa and Botswana have the highest levels of education (i.e. proportion of adults with more than primary education) as illustrated below.

FIGURE 153: SADC – EDUCATION LEVELS



In general, levels of financial inclusion (especially formal inclusion) are higher among adults with higher levels of education (i.e. more than primary) given the relationship between education and income and possibly also to some degree the relationship to financial knowledge. South Africa is an exception as levels of financial inclusion among those with primary education and less are slightly higher compared to those with more than primary education. Here, the uptake of informal financial services increases the overall levels of financial inclusion among those with primary education or less as illustrated in the Access Strand.

Note: The percentage is not referring to the levels of literacy and the quality of education but to the level of accessing primary education versus higher than primary education.

FIGURE 154: LEVELS OF OVERALL FINANCIAL INCLUSION BY EDUCATION

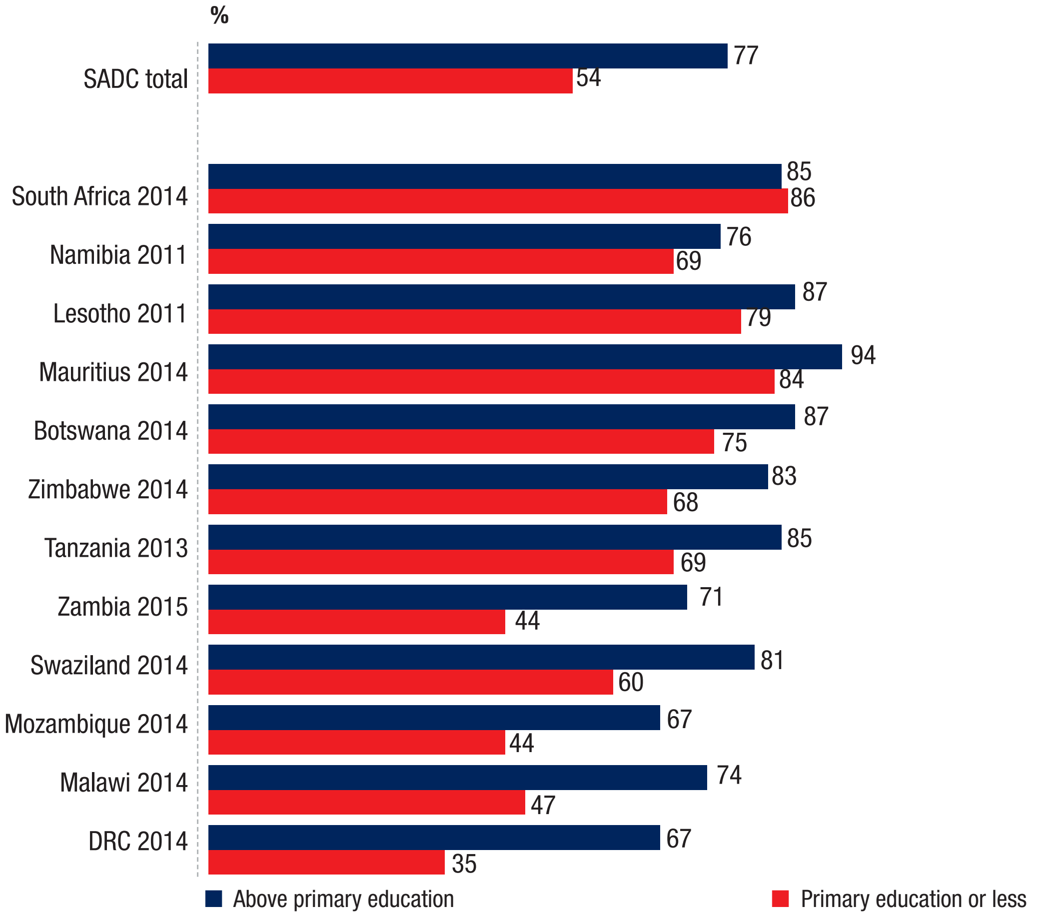
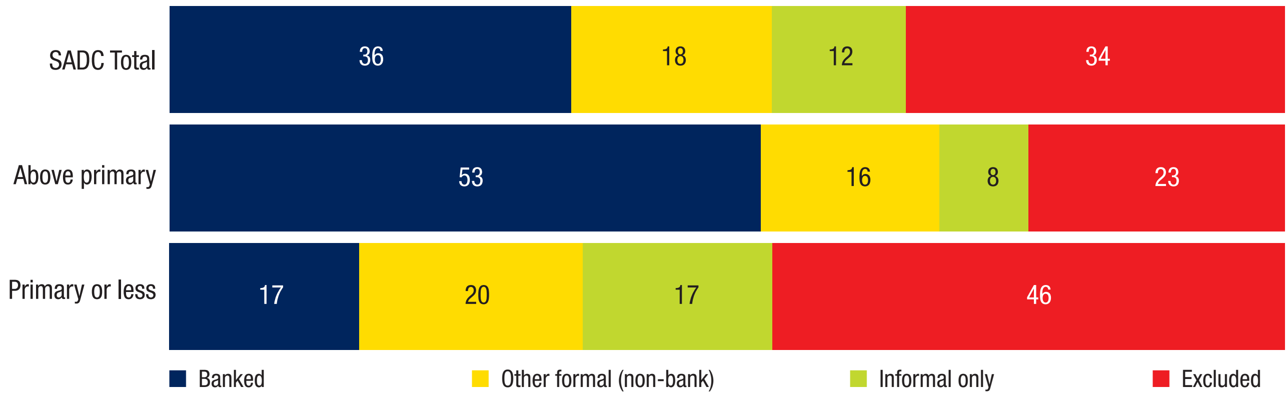


FIGURE 155: SADC ACCESS STRAND BY EDUCATION



Summary: As shown in this section, there are a number of determinants that affect levels of financial inclusion in a particular country. Income is probably the strongest determinant of financial inclusion, followed by location (22 percentage points difference between urban/rural SADC total) and education (23 percentage points difference between those with primary education or less/more than primary education SADC total). However the gender gap is relatively small in the SADC region (3 percentage points between male/female SADC total). In general, traditionally vulnerable groups such as the poor, those residing in remote rural areas, women, those with lower levels of education, and the youth are less likely to take up (formal) financial products/services (i.e. lower levels of financial inclusion). They are also more likely to rely only on informal financial services.

Further, these indicators relate to each other and should not be seen in isolation. People residing in rural areas, for example, are more likely to rely on farming activities, compared to those who reside in urban areas. As such, levels of income tend to be lower and more irregular affecting the need for and uptake of (formal) financial services/products. However, although these factors relate to each other and to levels of financial inclusion, there does not seem to be a linear correlation between them.

FIGURE 156: DETERMINANTS OF FINANCIAL INCLUSION – SUMMARY

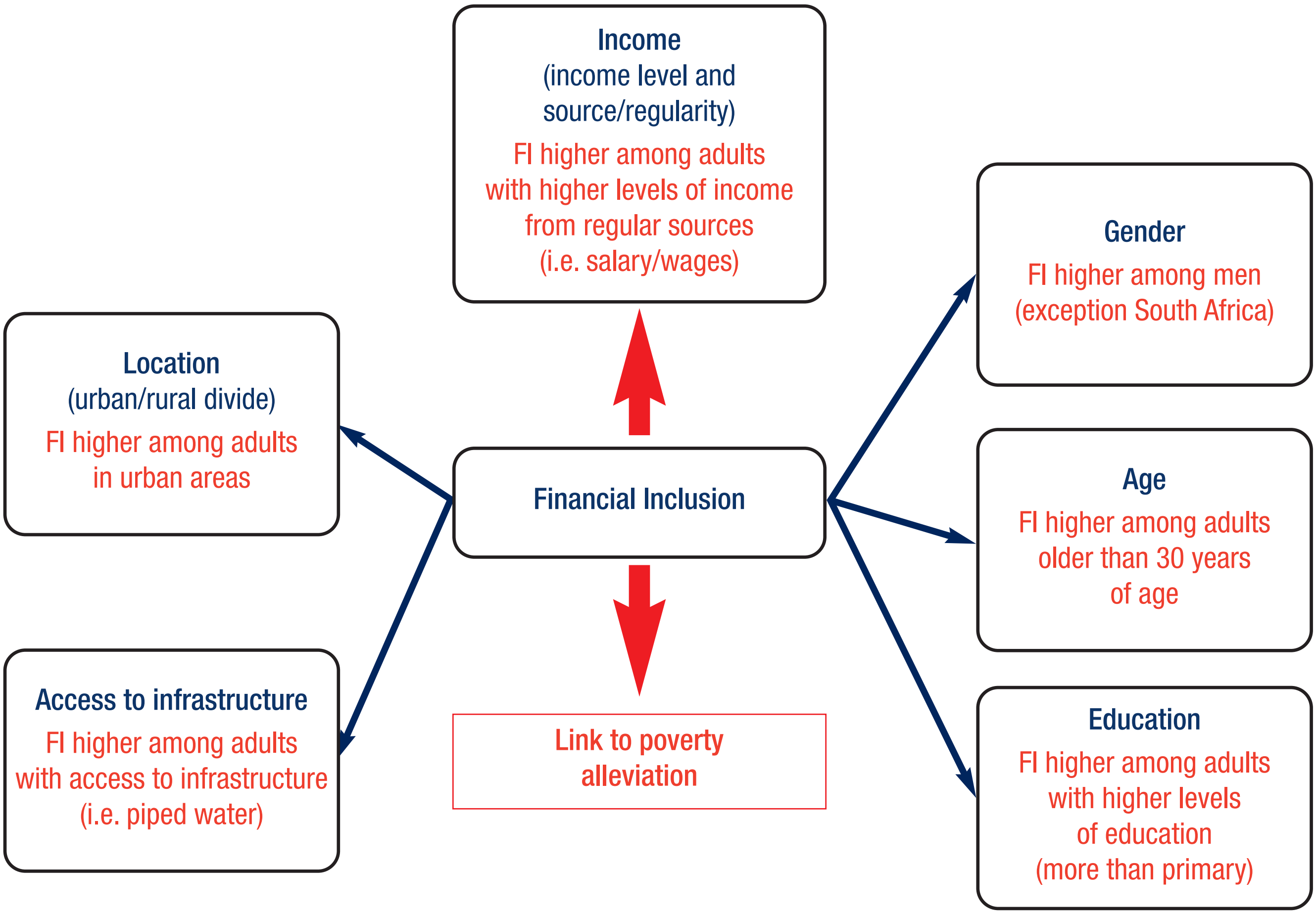


TABLE 21: DETERMINANTS OF FINANCIAL INCLUSION INDICATORS SUMMARY

Country	Income level (World Bank 2013)	Main source of income	Location		Access to infrastructure (water)		Gender		Age (years)		Education	
			Urban %	Rural %	Piped water %	No piped water %	Male %	Female %	30 and below %	Older than 30 %	Primary and less %	More than primary %
Botswana 2014	Upper-middle income	Salary/ wages	57	43	76	24	48	53	39	61	21	79
DRC 2014	Low income	Farming	53	47	13	87	51	49	NA	NA	29	59
Lesotho 2011	Low-middle income	Farming	31	69	21	79	38	62	39	61	67	33
Malawi 2014	Low income	Farming	19	81	10	90	43	57	40	60	76	24
Mauritius 2014	Upper-middle income	Salary/ wages	42	58	100	0	49	51	24	76	37	63
Mozambique 2014	Low income	Farming	33	67	18	82	48	52	46	54	80	20
Namibia 2011	Upper-middle income	Salary/ wages	42	58	52	48	39	61	47	53	32	68
South Africa 2014	Upper-middle income	Salary/ wages	66	34	97	3	48	52	42	58	10	90
Swaziland 2014	Low-middle income	Other	33	67	49	59	45	63	36	64	36	64
Tanzania 2013	Low income	Farming	34	66	23	77	47	53	44	56	77	23
Zambia 2015	Low-middle income	Farming	45	55	23	67	49	51	47	53	44	56
Zimbabwe 2014	Low income	Farming	30	70	29	71	43	57	33	67	41	59
SADC total	**Middle income**	**Farming**	**40**	**60**	**42**	**58**	**45**	**55**	**40**	**59**	**46**	**54**

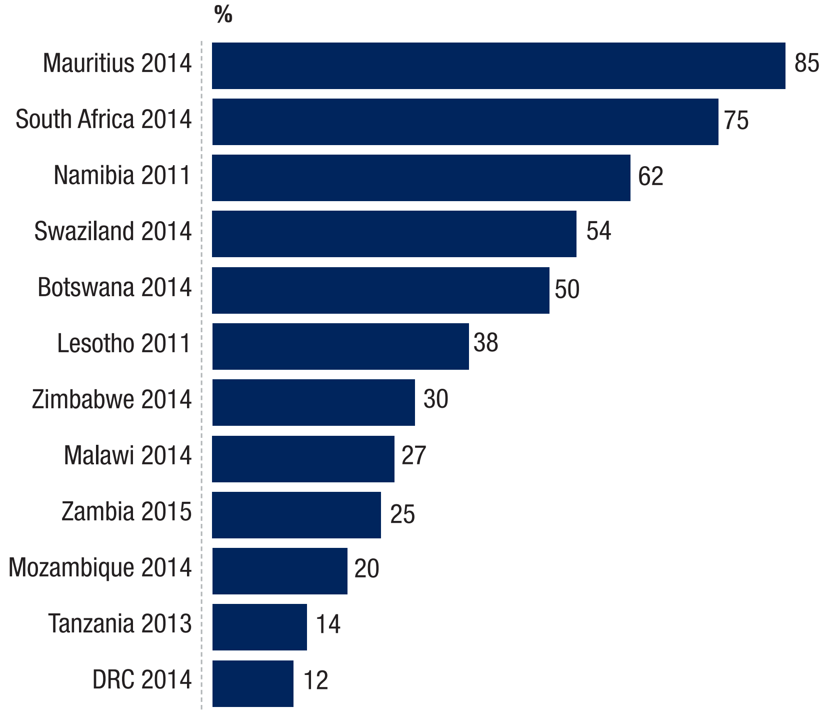
The next chapters explore the uptake of financial products/services further using a thematic approach, including banking, savings and investments, borrowing and credit, insurance and risk mitigation, remittances as well as mobile money.

Chapter 4

Banking

About **36%** of adults in the region are banked (around **45.7 million**). The proportion of banked adults varies considerably across the region with Mauritius, South Africa and neighbouring BLNS countries[44] having relatively high banking penetration. These countries also have a relatively high proportion of salaried workers. In addition, in South Africa the payment of social grants through the banking system has also resulted in higher banking penetration rates. As such, the proportion of the adult population who are banked ranges from 85% in Mauritius to only 12% in sampled areas in the DRC.

FIGURE 157: PROPORTION OF THE ADULT POPULATION THAT ARE BANKED



The main **drivers of banking** across the region refer to transactional products/services, i.e. receiving/paying/sending money (including for example, payment channels such as internet/online banking, as well as ATM, debit, and credit cards). 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. Another important driver of banking relates to savings, i.e. having a mechanism to keep money safe from theft, others, and oneself (e.g. savings account, deposit account, savings book at a bank). It is important that the benefits (interest) exceed the costs associated with savings through a bank account (e.g. account fees, bank charges, minimum balance), and that the money is easily accessible in case of an emergency.

In turn, main perceived **barriers to banking** relate to income, i.e. low/no/insufficient income, irregular income, no job, insufficient balance after paying for expenses. Monetary reasons and issues of affordability from a supply-side perspective also include account fees, bank charges, and having to keep a minimum balance.

[44] BLNS countries: The term is used to describe Botswana, Lesotho, Namibia and Swaziland collectively.

Main perceived barriers to banking among 83.4 million unbanked adults in the region relate to income, that is low or insufficient income, irregular income, no job and insufficient balance after paying for expenses. If there is desire to bank 64% of the unbanked in the region, there must be a quantum leap in the regulation and innovative products and services to meet the needs of the market.

Professor Chinyamata Chipeta believes that unlike the large commercial banks, such as the National Bank of Malawi and Standard Bank, the Malawi Savings Bank, the former Post Office Savings Bank, has potential to reach many poor clients because of its original mandate to serve the poor and other low-income people and an extensive network of service centres, numbering nine in 2012, which are supplemented by low-cost agencies, kiosks, mobile vans (numbering forty in 2012) and ATMs which totalled thirty-three in 2012.

'Banking has traditionally developed to support formal commercial and industrial activities and individuals with formal sources of income. As a result the banking systems are not capable of delivering a low cost service to informal, low value activities', says **Mike Nyamazana.** To bank the unbanked would require a new breed of financial services providers dedicated to service these marginal segments.

However, **Brian Richardson**, highlights regulation including KYC issues; lack of active and aggressive involvement by the banks; Barriers to entry by new players who may have the passion and interest to serve the lower end of the market and lack of understanding of the needs of the market among other challenges in banking the unbanked population in the region.

'Regulation and Compliance certainly is a factor and creates a massive barrier to entry as well as enormous costs. I would challenge a global study as to what KYC compliance has cost the financial industry globally versus the benefits to society. I am not for one minute trying to make light of the deplorable acts of terrorist activities or money laundering but having thousands accounts of newly banked (previously unbanked) people frozen on a Friday afternoon payday does little to build trust and confidence in the unbanked sector. Having different rules for MNOs and their Mobile Money and Banks with their Mobile offering is further cause for concern and the playing fields have to be levelled', says **Richardson**.

Maya Fisher-French states that outside of South Africa access remains a challenge. Both in SA and the rest of SADC costs remain high – both in terms of absolute fees and in access. 'In terms of my experience with South African readers fraud remains a major issue especially with lower income earners. They tend to fall victim to card fraud more easily and also debit order fraud - especially when it comes to debit order fraud they feel their only recourse is to close their accounts. "I don't want a bank card. I heard stories that money just disappears – like R2 000 or R3 000, your whole salary gone. No I don't trust it," Success, domestic worker, Imizamo Yethu township, Cape Town', quotes Maya.

There are few prominences on innovations in the region, in the pursuit for inclusive banking; one would be WIZZIT as a typical example of a disruptive innovator in this space. 'We have succeeded despite all the odds. Entities much bigger than us have failed but it has been the dogged determination that has got WIZZIT to where it is today. The model of partnering with other leading banks with high tech low cost technology has worked very well for all parties – the bank, the consumer and WIZZIT. Today however banks are confused and where there is confusion there is indecision and no action', adds Richardson.

The choices that face banks according to **Richardson** are:

- Develop the technology themselves. Certainly doable but will take anything up to 24 months to get a product to market and up to 5 years to get to breakeven. (High profile very large regional Bank in East Africa is just one example of this).
- Secondly banks are just not in a position to allocate very scarce and overstretched IT resources to a mobile banking project.
- Partner with an MNO. For banks this amounts to strategic suicide since it can offer the services of this one MNO to customers who happen to be subscribers of this MNO but they cannot serve the needs of any other customers who happen to be subscribers of a competitive network. This just does not work for a bank.
- Partner with one of the Card associations who do not want to be disintermediated from the payments space. The challenge for the banks is in customising this product offering in line with its strategy and objectives. It has no control or say over the pricing or the features and simply ends up offering an undifferentiated product to the market.
- Partner with a leading technology company. Banks need to take care as typically you "get what you pay for"
- Do nothing - this could end up being the most costly of the options.

Oabile Mabusa also observed some developments – there have certainly been some innovative developments in the domestic market which have had a positive impact on driving inclusiveness. Mobile companies such as Mascom and Orange have introduced money transfer services through their networks while banks such as First National Bank have also extended their payment transfer services to non-customers. These have had the effect of cumulatively broadening the outreach of payment services.

In Botswana, this is not the case, says **Dr Keith Jefferis**. 'Agency banking is not permitted. The regulator has not been supportive of innovative approaches. "Branchless" banking is not encouraged. The regulator is more comfortable with "traditional" banks with bricks and mortar – it doesn't really understand the business models of "non-traditional" banks, and perhaps more particularly, doesn't know how to regulate and supervise them. It is difficult for innovative "disrupters" to get approval to operate', says Dr Jefferis.

Mike Nyamazana agrees, 'High tech, low cost entrants have tried to enter Zimbabwe without much success because of the banking regulations, provided that any provider of banking services must be a licenced bank or should work with a licenced bank. For this reason telecommunications operators are the ones that have twinned with the banks to provide the services, riding on the idle capacity in their telecommunication systems. The new provision for licencing of microfinance banks may offer a route to the emergence of high tech, low cost financial services providers (FSPs) and banks'.

Elizabeth Lwanga Nanziri is of the view that innovations in the banking sector have time limits. 'For instance the Mzansi account attracted many first time customers but the account has gone through several changes. High tech does not necessarily attract new clients but rather serves the existing elite clients. This saves banks time to serve these clients. This time could probably be used to create more awareness on how such products/services such as cellphone banking work so as to attract excluded consumers at the lower end of the income spectrum'.

The book notes that there has been great progress in extending access to transaction banking products among the banked population. However, if these changes are to benefit people other than having access, through increased non-cash payments services usage, there must be an understanding of what are the challenges the banks face.

'In Botswana the landscape of access is driven by savings products. But it is not surprising that transaction products are the drivers more generally – that is the first product that many households use', says **Dr Jefferis**. Even low income households make transactions. In Botswana there is a shift taking place from cash to non-cash for transactions, e.g. increasing use of debit cards for POS transactions. The main challenge is consumer behaviour. There are some other constraints, e.g. slow progress in improving the functionality of mobile money products, enabling use of mobile money for purchases more generally, such as in stores.

Mike Nyamazana believes that the development of non-cash payment services and products is a question of time and the development of the economy. That access is driven by payments is a reflection of the level of economic development (as measured by the UNDP's human development index). Many people in these countries in SADC are still at a level where they live from hand to mouth. So consumption of other products (savings, investments, market information, etc) is still an economic generation away.

'One must not underestimate the awareness of fraud by potential users. With the amount of SMS scams, etc many consumers would rather deal in cash', says **Maya Fisher-French**. 'Again the market growth has really been in the higher end user – payments systems such as SnapScan and Zapper are making significant in-roads – anecdotally coffee shop owners and market stall owners are seeing a significant increase in the use of these payment systems – but again this tends to be users who would already be familiar with online payment systems', explains Fisher-French.

According to **Rob Powell**, in South Africa, high unemployment rates and associated financial support received from other family members or relatives for whom remittances would suffice, creates a business model with very low prevalence to the additional services that could be offered. It is therefore a combination of critical mass to ensure ROI and asking the question if existing solutions are sufficient to support the low frequency of use.

'Some of the issues may also be behavioural in that people are more inclined to trust what they see, and therefore being able to transact with actual cash is important. We see this is particularly true when people deposit or withdraw money from the banks. The only real non-cash payment system that is likely to make a difference, given infrastructure, education and the like, is a mobile solution, says Rob.

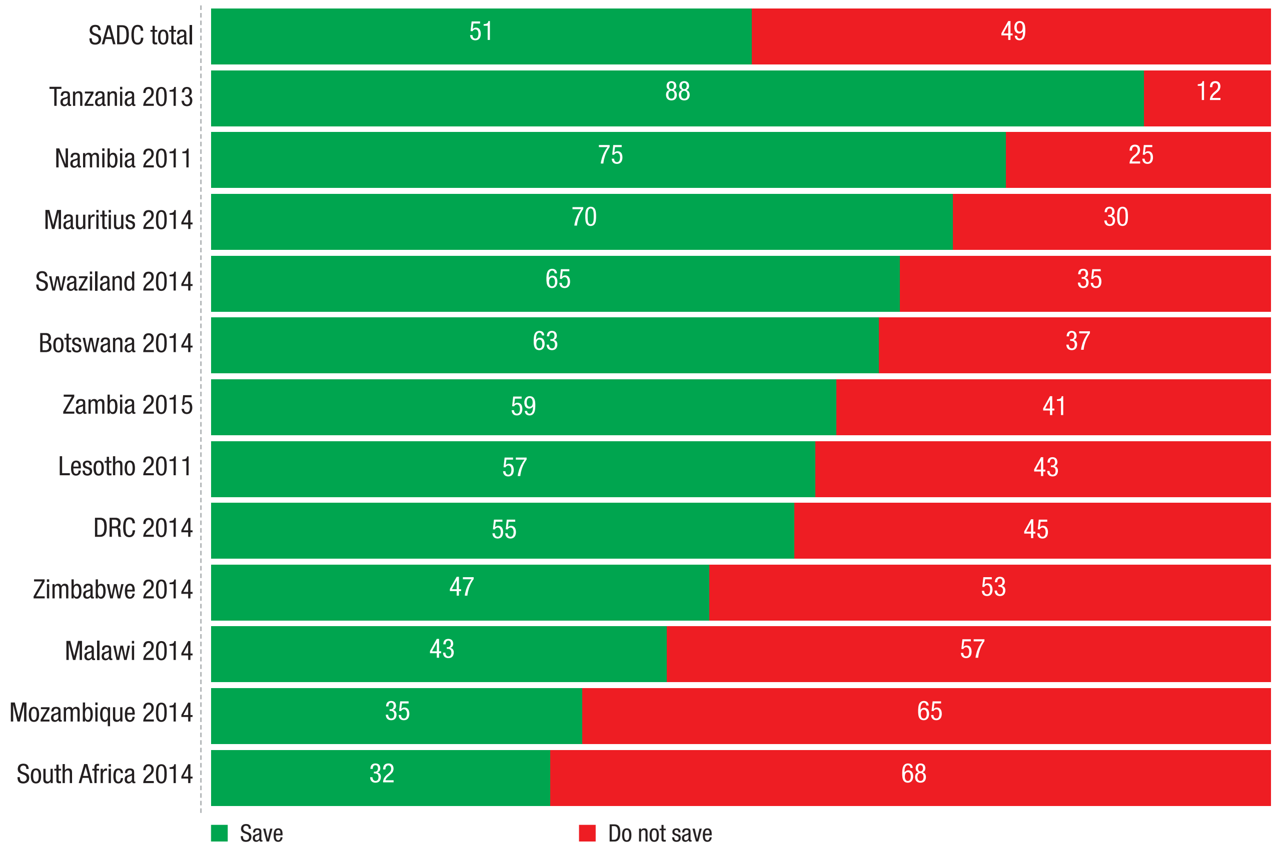
Oabile Mabusa explains that the low level of integration of electronic payments among low-end business means that any holder of a loaded e-money wallet who is willing to perform a cashless transaction would not be able to do so unless they visit a major retailer or obtain cash. In all likelihood, the cost of deployment of the requisite infrastructure might serve as a disincentive to small scale businesses. Consumer literacy is likely to influence the actual use of cashless services due to possible uncertainty over the safety and security of mobile based payments.

Chapter 5

Savings and investments

Savings incidence: About **51%** of adults in the region save[45], including all forms of savings (around **62.8 million**). The proportion of adults who save ranges from 88% in Tanzania to only 32% in South Africa as illustrated below[46]. The average level of income in a country (measured here by GNI per capita, World Bank) does not seem to relate closely to a savings culture. For example, while the majority of adults in Tanzania (classified by the World Bank as low-income economy) manage to save, people in South Africa (classified as upper-middle income country, with the highest GNI per capita in the region) are far less likely to save.

FIGURE 158: PROPORTION OF PEOPLE WHO SAVE (RANKED BY INCIDENCE OF SAVINGS)



Savings mechanisms vary across the region as illustrated in the table below. While adults in Namibia and Mauritius for example, mainly save through commercial banks, adults residing in Mozambique and Botswana mainly use informal savings mechanisms such as savings groups. In turn, adults in the DRC, Malawi, Tanzania, and Zambia mainly save at home.

45 Technical note: South Africa does not include livestock as part of savings
46 These figures are based on product uptake, including all forms of savings (formal, informal, as well as saving at home/secret place) – not claimed saving.

TABLE 22: MAIN SAVINGS MECHANISMS USED

Country	Main savings mechanisms used	
Botswana 2014	Formal	Informal
DRC 2014	At home	
Lesotho 2011	Formal	Informal
Malawi 2014	At home	
Mauritius 2014	Formal	
Mozambique 2014	Informal	
Namibia 2011	Formal	
South Africa 2014	Other formal	
Swaziland 2014	Other formal	
Tanzania 2013	At home	
Zambia 2015	At home	
Zimbabwe 2014	Informal	At home

The figures below illustrate the proportion of the adult population that save through formal mechanisms (including the uptake of both banked and other formal non-bank savings products/services), informal savings mechanisms such as savings groups, savings with a commercial bank, with other formal (non-bank) providers, as well as at home.

FIGURE 159: PROPORTION OF THE ADULT POPULATION THAT SAVE THROUGH FORMAL MECHANISMS (INCLUDING BANKED AND OTHER FORMAL)

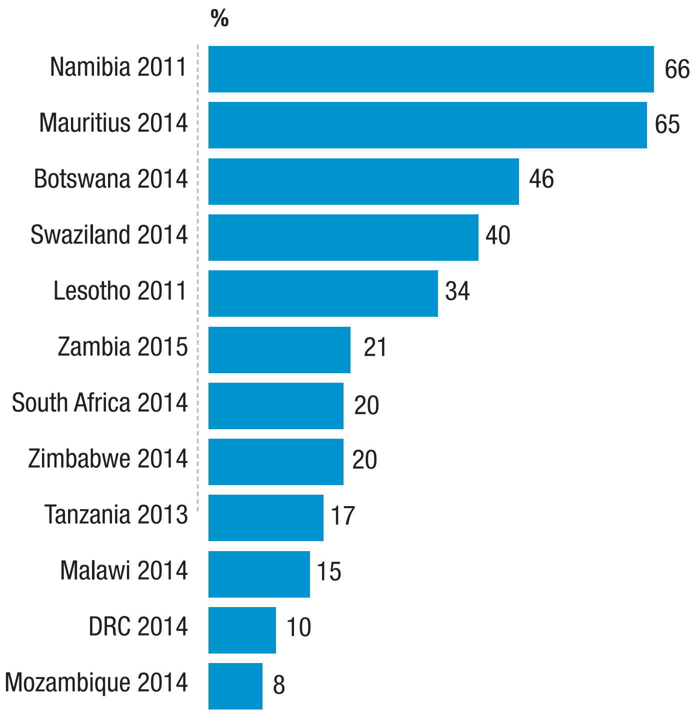


FIGURE 160: PROPORTION OF THE ADULT POPULATION THAT SAVE[47] THROUGH INFORMAL MECHANISMS

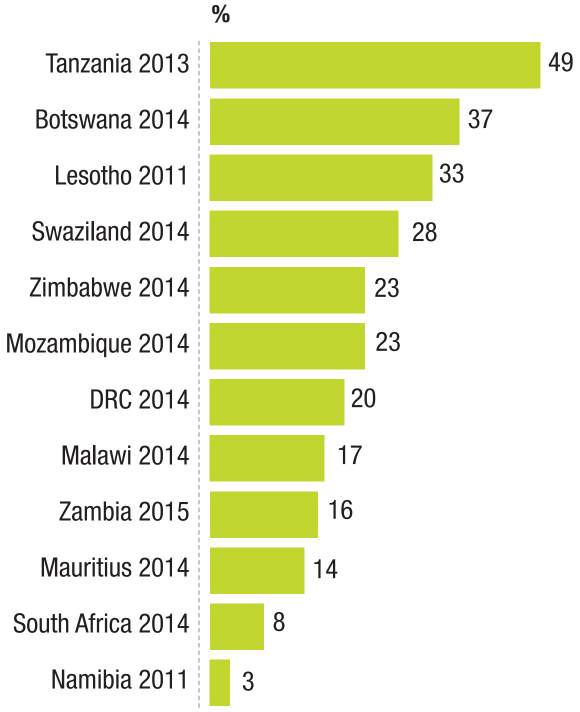


FIGURE 161: PROPORTION OF THE ADULT POPULATION THAT SAVES THROUGH COMMERCIAL BANKS

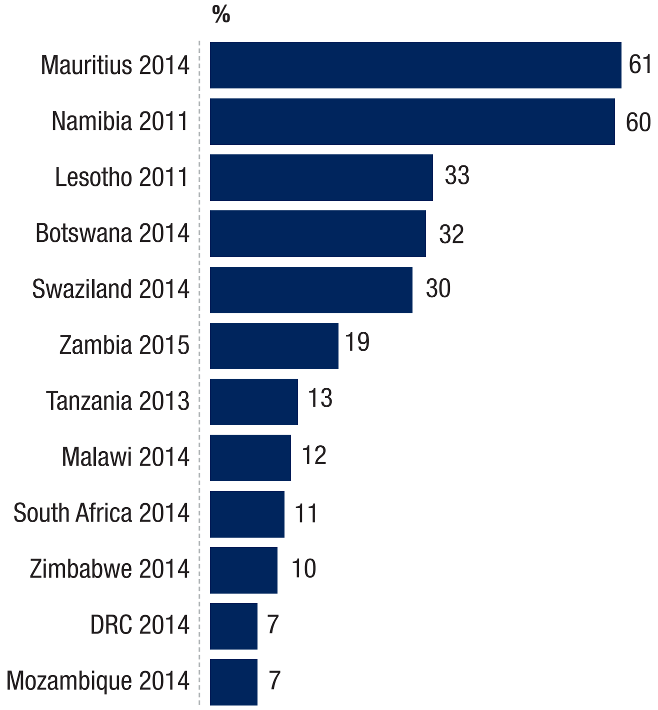


FIGURE 162: PROPORTION OF THE ADULT POPULATION THAT SAVE THROUGH OTHER FORMAL (NON-BANK) MECHANISMS

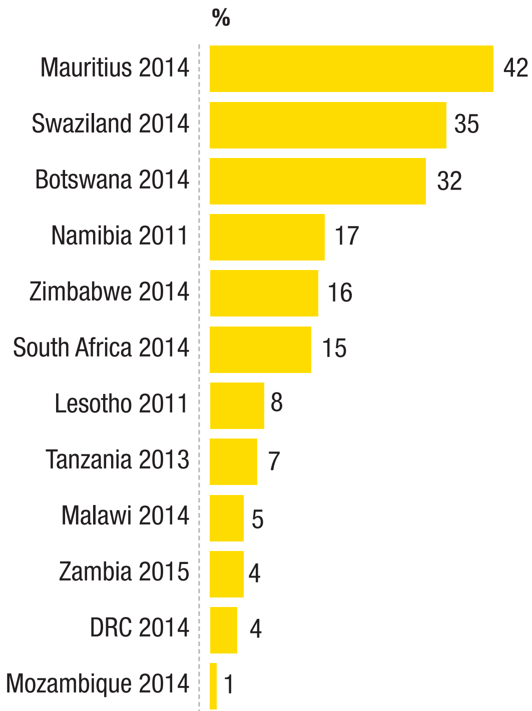
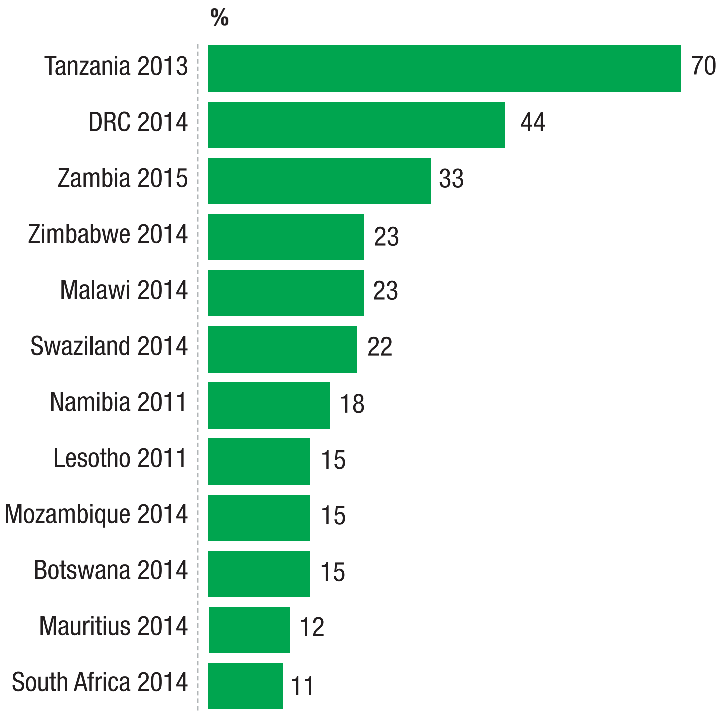


FIGURE 163: PROPORTION OF THE ADULT POPULATION THAT SAVE AT HOME



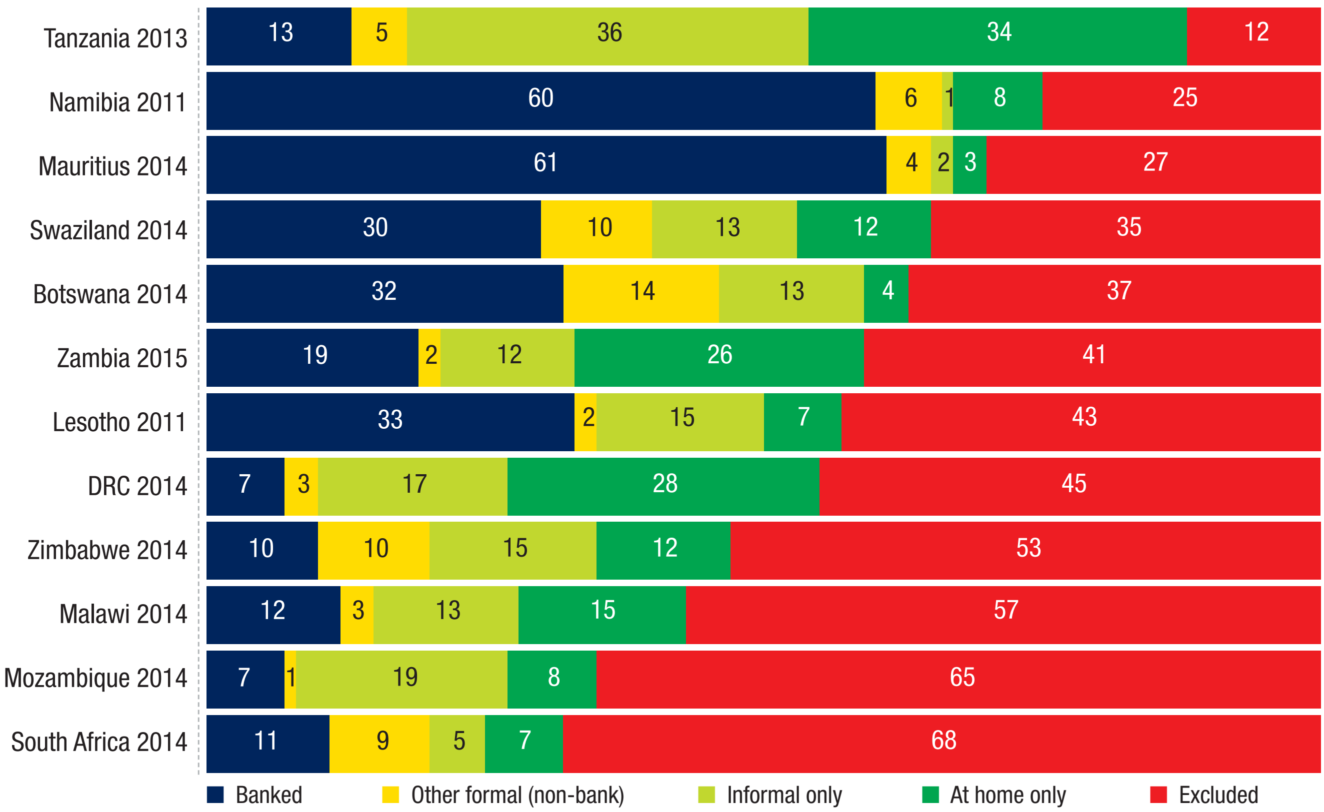
[47] Please note that South Africa savings figure do not include saving through livestock and other in-kind of savings such as putting money into someone else' business, property etc.

Note: There are a number of overlaps in product uptake, e.g. people who have a savings account, are members of an informal savings groups, and save at home. These overlaps are removed in the SADC Savings Strands illustrated below.

Savings Strands: As shown below, 49% (about 60.9 million) of the adults in the region do not save in any way. That means that about 1 in 2 adults live from day-to-day without any accumulation of wealth or risk mitigation through savings. 18% save or put money only at home (for example under mattress or skotokoto). They do not use any formal or informal mechanisms such as savings groups. A further 16% save through informal mechanisms such as savings groups. They might also save at home, but do not use any formal mechanisms to save. In turn, 17% (about 21.7 million) save through the formal sector (through banks and other formal non-bank mechanisms). This leaves a relatively large market to unlock. To do so would require financial service providers and policymakers to get to the heart of the population's understanding of, and attitude towards savings, as well as their income realities.

FIGURE 164: SADC SAVINGS STRAND[48]

FIGURE 165: COUNTRY SAVINGS STRANDS (RANKED BY INCIDENCE OF SAVING)



As shown above, Namibia and the Republic of Mauritius are the countries with the highest level of saving/investing with formal institutions among all SADC countries including South Africa. South Africa has the highest proportion of adults who do not save (South Africa and Lesotho are the only countries where more people borrow than save). Tanzania has the highest proportion of adults who save which is driven by saving at home and through informal groups.

Savings Strands by determinants of financial inclusion: The following section explores savings behaviour by gender, location, age, and education.

[48] Please note that whilst saving at home or someone in the household is excluded in the overall Access Strand, the Saving Strand includes those saving at home.

Gender: Men are in general slightly more likely to save (SADC average of 53% for men compared to 48% for women). This might relate to the economic activity and income levels of men, as well as traditional gender roles. Lesotho, however, is an exception, where the informal sector pushes out the savings levels among women.

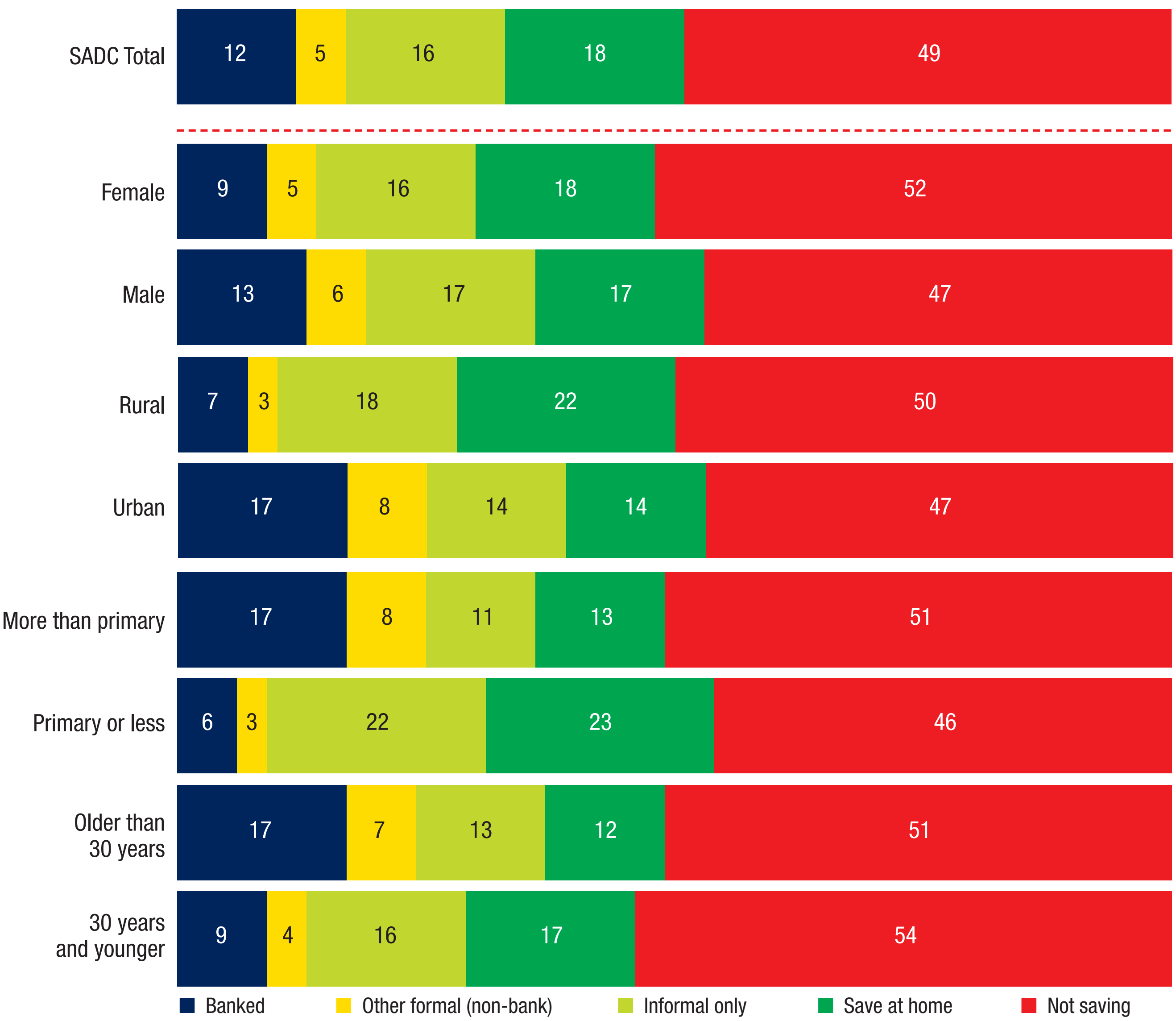
Location: Comparing Savings Strands by location reveals that levels of savings are in general higher amongst adults residing in the urban areas compared to those residing in the rural areas, with Zambia (and to a lesser extend Mauritius) being an exception. Again, that might relate to the economic activity (i.e. more salaried workers in urban areas) and the availability of (formal) savings mechanisms. The Savings Strand also show the extent of uptake of formal financial saving products in the urban areas and reliance on informal mechanisms and savings at home in rural areas, illustrating the important role of the informal sector.

Education: Comparing the Savings/investment Strands across the region reveals that higher level of education (more than primary education) is associated with savings, especially the uptake of formal savings products/services.

Age: Further, the Savings Strands by age show that older people (over 30 years of age) are in general more likely to save (with the exception of Mauritius) than younger adults (those 30 years of age and younger). In addition, they are also more likely to use formal savings products/services (again, with the exception of Mauritius) which might relate to their economic activity as described in the 'Determinants of financial inclusion' section.

The following figures show the SADC Savings Strand by determinants of financial inclusion, namely gender, location, education and age. Similar to what was found comparing the country Savings Strands (see above), men, those residing in urban areas, with higher levels of education (more than primary) and older than 30 years of age are more likely to save, especially through formal channels.

FIGURE 166: SADC SAVINGS STRAND[49] – BY GENDER, LOCATION, EDUCATION AND AGE



[49] Please note that whilst saving at home or someone in the household is excluded in the overall Access Strand, the Saving Strand includes those saving at home

Drivers and barriers

Main **reasons for saving** vary slightly across the region. Adults mainly save for consumption purposes, e.g. living expenses, followed by emergencies (medical and non-medical), funeral costs, and education related expenses. Often reasons for saving and borrowing are similar.

Main (perceived) **barriers to savings** relate to income: low/no/insufficient income, no money left after paying for expenses. However, as mentioned already, the average income in a respective country (GNI per capita) does not seem to be the driver/barrier for saving.

TABLE 23: KEY DRIVERS AND BARRIERS TO SAVINGS BY COUNTRY

	Key drivers	Key barriers
Botswana 2014	To pay for living expenses, funeral, and developmental reasons	Affordability: Low/insufficient income
DRC 2014	Money when they needed, medical, non-medical emergencies	Affordability: Low/insufficient income
Lesotho 2011	Living expenses, funeral costs, education/school fees	Affordability: Low/insufficient income (no money left after living expenses; do not have money to save)
Malawi 2014	Living expenses, farming, and medical expenses	Affordability: Low/insufficient income
Mauritius 2014	Emergencies other than medical, living expenses, medical expenses	Affordability: Low/insufficient income
Mozambique 2014	Emergencies, living expenses	Affordability: Low/insufficient income (no money left after living expenses; do not have income; all money goes to household pot)
Namibia 2011	*was not asked	*was not asked
South Africa 2014	Emergencies, funeral costs	Affordability: Low/insufficient income (cannot afford it; because they used the money to pay for something else)
Swaziland 2014	Living expenses, emergencies, and education/school fees	Affordability: Low/insufficient income (low income; unemployment)
Tanzania 2013	Living expenses	*was not asked
Zambia 2015	Living expenses, emergencies, and education/school fees	Affordability: Low/insufficient income (no income; no money left over after living expenses)
Zimbabwe 2014	Living expenses, education/school fees, non-medical emergencies	Affordability: Low/insufficient income

CASE STUDY – IS IT POSSIBLE THAT GREATER ACCESS TO CREDIT IS DEPRESSING SAVINGS?

One area of the Landscape of Access that drives the region is household savings. 63 million adults in the region save through all forms of savings. Overall, the incidence of savings is higher compared to borrowing, with South Africa and Lesotho being the exception. Credit availability in Lesotho and South Africa is predicted as one key reason for reduced net savings.

Maya Fisher-French links greater access to credit and reduced net savings: 'Absolutely, in fact I would go as far as to say that credit access is the primary reason for our low savings rate. For example in another country if you wanted to purchase a R2900 washing machine you would save R300 a month and purchase the item after ten months. Those savings would be counted in the savings rate. Once you had the machine you would continue to save R300 per month for your next purchase. In South Africa you purchase the item on hire purchase with a total repayment of over R7000. You now pay R300 per month for 24 months for the same machine. This money has been diverted from savings to credit. It could be argued that the growth in profits and share prices of the financial institutions such as Capitec are in fact how the country is "saving" money – it has gone from household savings to corporate/shareholder profits'.

Rob Powell: In SA and Lesotho the easy access to credit is probably a key driver to use rather than low availability as the hypothesis states, but more importantly both these communities are plagued by overt conspicuous consumption. The drive to have everything now, to show your success and progression is extremely important. Thus when easy access to credit is available, coupled with a desire to show growth, credit has grown to the levels it has in these markets.

Further to that, in SA many people we have spoken to assume that the credit amnesties and credit help the government has now twice instituted means that not only is your credit record expunged, but that the government "takes away" the actual monies owed. Clearly this is not the case, and this is known by current credit holders, but for many this is not known. So for many people why would they not take our credit facilities, if the government will take it away if things get difficult, why not?

Savings assume delayed gratification on the item that is obtained. SA communities are not inclined to want to wait. The benefits of using long outcome savings functions are not seen by most people we speak to. People make the decision on what to buy purely based on what they feel they can afford to "pay back". There is limited knowledge of how much the item may actually "cost" with credit usage. While advertisers and credit providers need to show the total cost, this is more obvious for items such as cars, etc. If a person is taking out a loan with a mashonisa for food, the actual cost of the bread, given the debt, is not known. The person just needs to find a way of eating, and feels they can afford to pay back. Unfortunately debt tends to get the individual into a spiral and we have many stories of South Africans who wanted to buy some furniture, or a mobile phone, they were offered credit beyond their means initially, this meant other lifestyle pressures were faced in order to pay off the original debt, so more debt was sought, etc.

To break this trend we need to look at an enhanced savings culture. Some of the newer additions to the landscape, such as a tax free savings option up to R300 per month help, but are probably not enough to break the debt/savings in-balance. Some of the change must be about ensuring access to credit is adequately explained, that we should have a mechanism that tells people if they rather save the repayments on the loans they could buy the item without interest in a few months time.

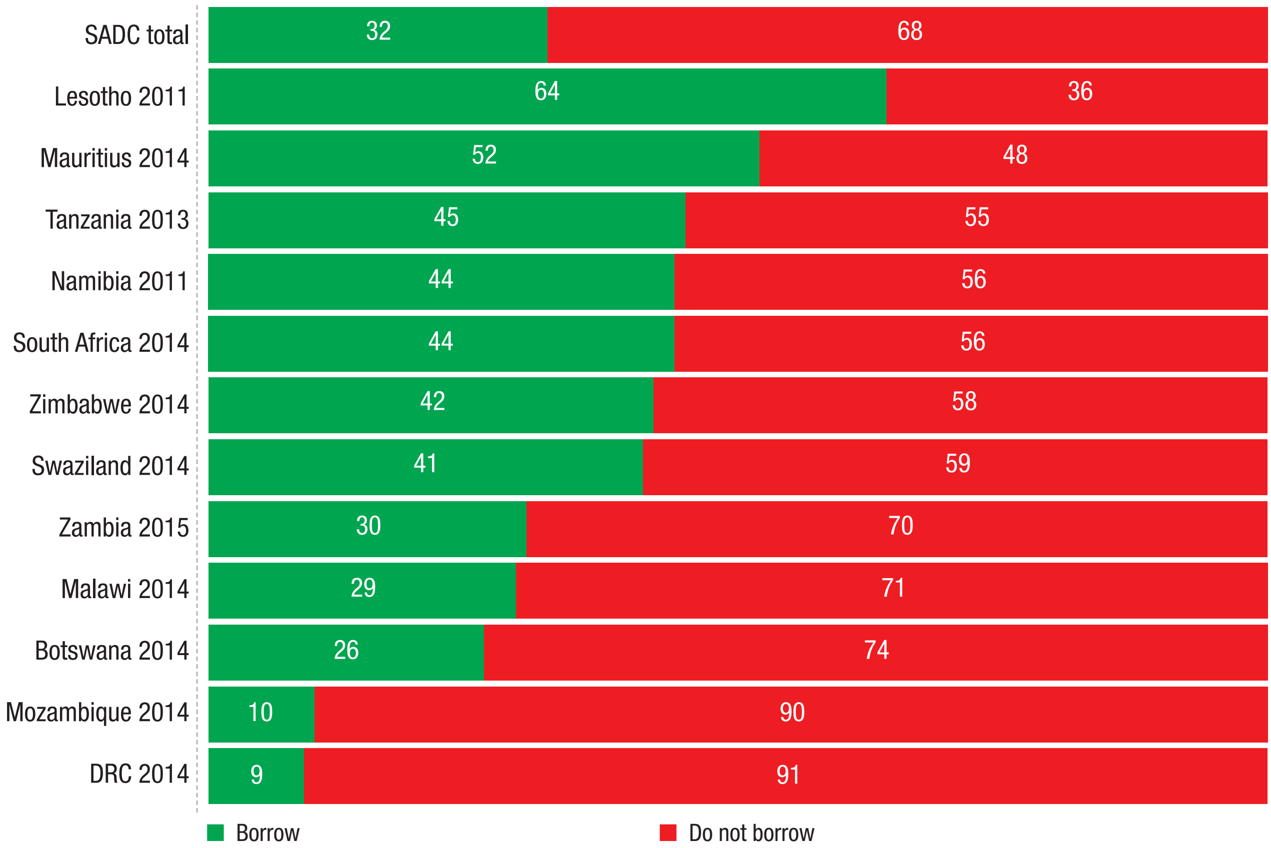
Elizabeth Lwanga Nanziri believes that the availability of credit is a dis-incentive to save. 'High credit incidences indicate low or lack of savings to smooth consumption. Additionally, a high level of indebtedness impedes the potential to save. At most, households/individuals simply break-even in that they can only make the monthly repayments from their pay-cheques, and the balance is used for consumption', says Elizabeth.

Chapter 6

Borrowing and credit

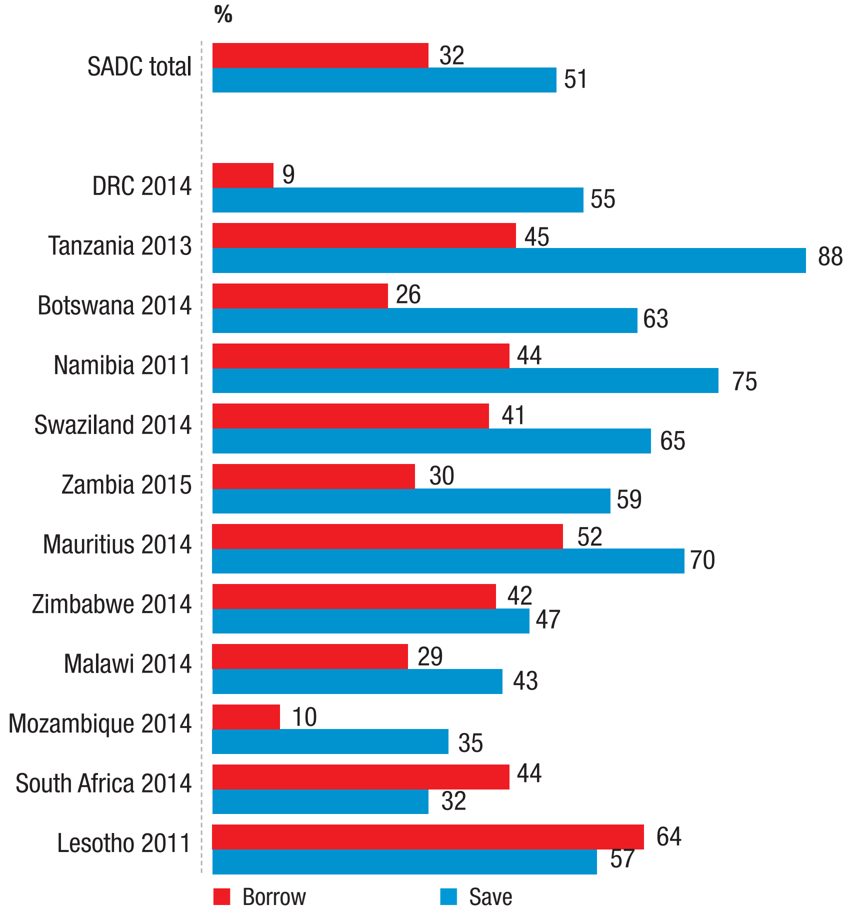
Borrowing incidence: Overall, the incidence of borrowing is lower compared to savings. About **32%** of adults in the region borrow, including all forms of borrowing (around **40.5 million**) as illustrated below (versus 51% that are saving)[50]. Lesotho and South Africa are exceptions, where slightly more people borrow than save. The proportion of adults who borrow ranges from 64% in Lesotho to only 9% in the DRC. Again, the average level of income in a country (measured here by GNI per capita, World Bank) does not relate closely to borrowing behaviour. For example, adults in South Africa (classified as upper-middle income country) are more likely to borrow than those in Malawi and Mozambique (classified by the World Bank as low-income economies).

FIGURE 167: PROPORTION OF PEOPLE WHO BORROW (RANKED BY INCIDENCE OF BORROWING)



[50] These figures are based on product uptake, including all forms of borrowing (formal, informal, as well as borrowing from friends/family) – not claimed borrowings.

FIGURE 168: SADC – BORROWING VERSUS SAVING



Borrowing mechanisms vary across the region as illustrated in the table below. While adults in Botswana and Mauritius for example, mainly borrow through commercial banks. Adults residing in Malawi and Swaziland mainly borrow from informal sources (such as informal money lenders). In turn, adults in Lesotho, Mozambique, Namibia, Tanzania, Zambia, and Zimbabwe mainly rely on family and friends.

TABLE 24: MAIN BORROWING MECHANISMS USED

Country	Main borrowing mechanisms used	
Botswana 2014	Formal	
DRC 2014	Informal	Friends/family
Lesotho 2011	Friends/family	
Malawi 2014	Friends/family	Informal
Mauritius 2014	Formal	
Mozambique 2014	Formal	Friends/family
Namibia 2011	Friends/family	
South Africa 2014	Other formal	
Swaziland 2014	Informal	
Tanzania 2013	Friends/family	
Zambia 2015	Friends/family	
Zimbabwe 2014	Friends/family	

The figures below illustrate the proportion of the adult population that borrow from formal financial institutions (including the uptake of both banked and other formal non-bank credit/loan products/services), informal sources (such as informal money lenders), credit from a commercial bank, other formal (non-bank) providers (such as credit from retail stores), as well as borrowing from friends and family.

FIGURE 169: PROPORTION OF THE ADULT POPULATION THAT BORROW FROM FORMAL SOURCES (INCLUDING BANKED AND OTHER FORMAL)

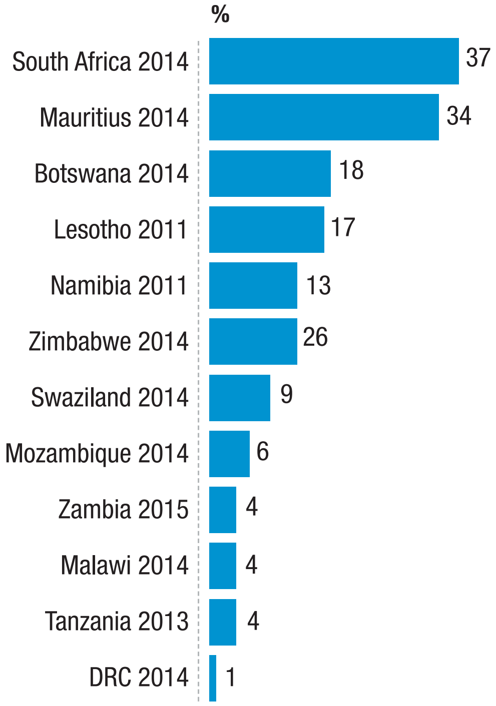


FIGURE 170: PROPORTION OF THE ADULT POPULATION THAT BORROW FROM INFORMAL SOURCES

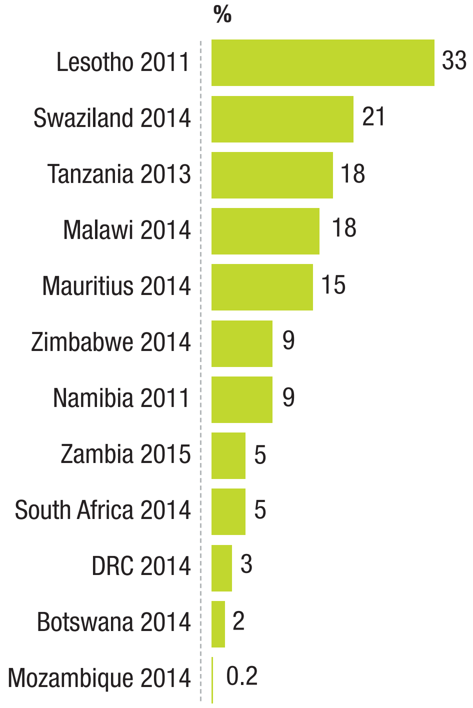
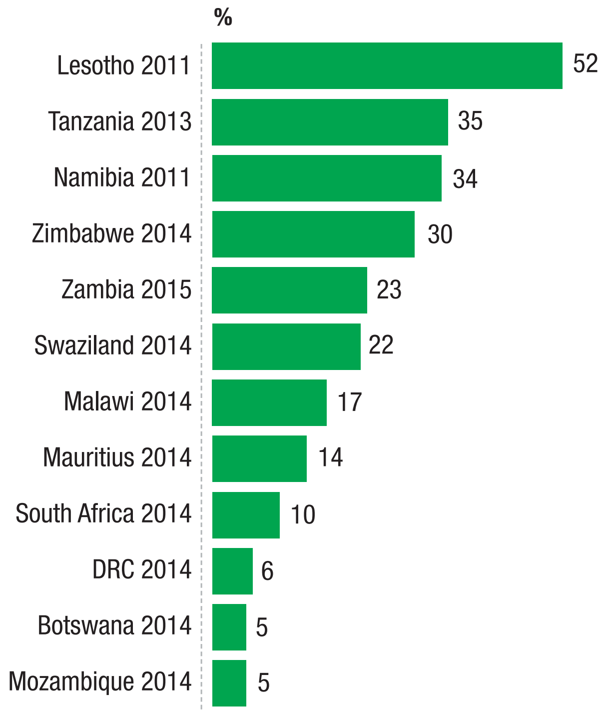


FIGURE 171: PROPORTION OF THE ADULT POPULATION THAT BORROW FROM COMMERCIAL BANKS

FIGURE 172: PROPORTION OF THE ADULT POPULATION THAT BORROW FROM OTHER FORMAL (NON-BANK) PROVIDERS

FIGURE 173: PROPORTION OF THE ADULT POPULATION THAT BORROW FROM FAMILY/FRIENDS



Note: There are a number of overlaps in product uptake, e.g. people who borrow from a commercial bank, who have credit with a retail store (other formal non-bank), who borrow from an informal money lender, and who borrow from friends/family. These overlaps are removed in the SADC Credit Strands illustrated below.

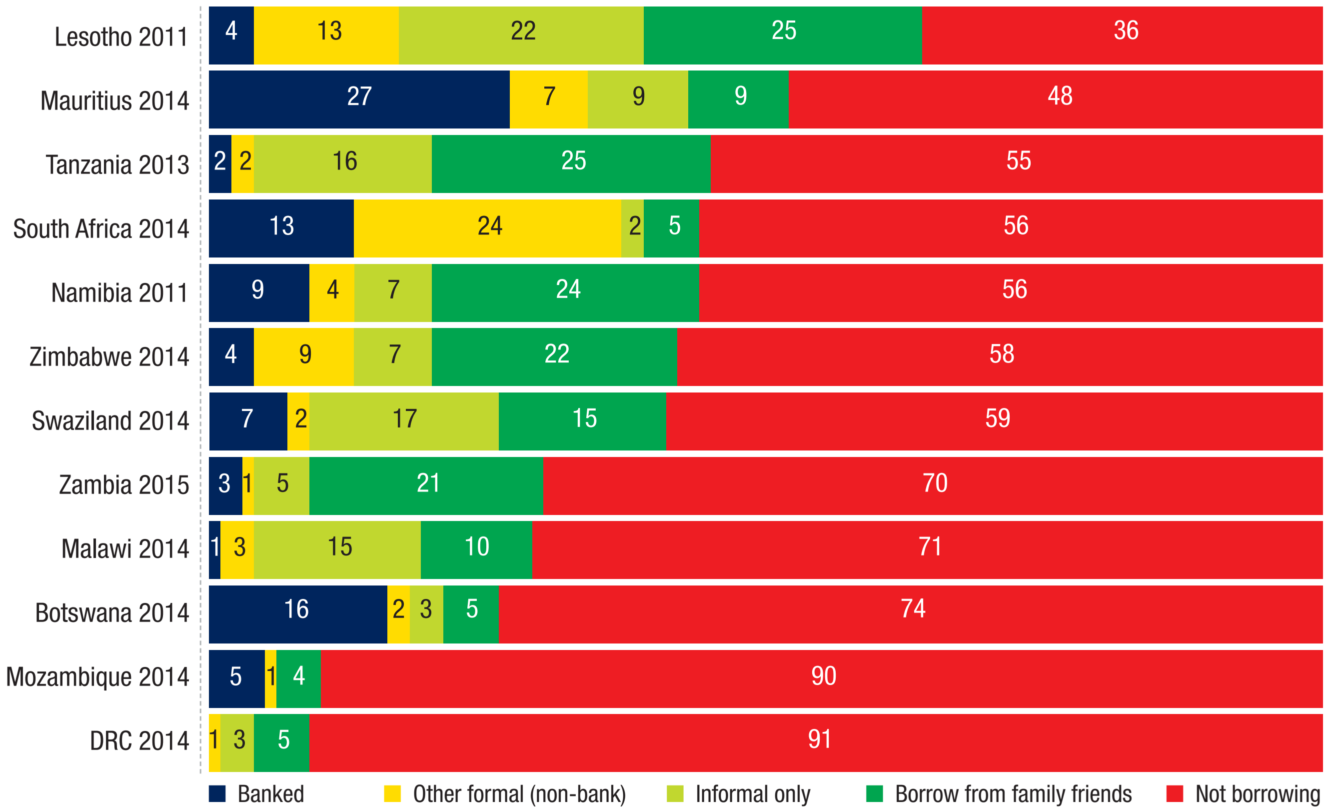
Credit Strands

About 68% (= 85.1 million) of the adult population in the region do not borrow/ do not have access to any loan or credit products/services, while 11% only rely on family and friends. A further 6% borrow from informal sources; they might also borrow from family and friends but they do not have formal credit. About 2 in 7 (15% = about 18.2 million) of the adult population in the region has formal credit (i.e., borrowing from a bank or other formal credit institution).

FIGURE 174: SADC CREDIT STRAND

The figure below compares the Credit Strand across countries. Formal credit/loans are notable in South Africa, Mauritius and Botswana, while dependency on credit/loans from friends and family only is high in Zimbabwe, Lesotho, Tanzania, and surprisingly Namibia as illustrated below. Again, the financial sector landscape and availability of credit facilities in a particular country need to be taken into consideration when comparing the Credit Strands across the region.

FIGURE 175: COUNTRY CREDIT STRANDS (RANKED BY INCIDENCE OF BORROWING)



Credit Strands by determinants of financial inclusion: The following section explores borrowing behaviour by gender, location, age, and education.

Gender: As illustrated in the country Credit Strands below, there does not seem to be a large gender gap in terms of borrowing in most countries. However, in general, men are more likely to access formal credit/loans, while women are slightly more likely to borrow from informal mechanisms such as mashonisa and village savings loan association. Borrowing behaviour and access to formal credit might be related to economic activity (e.g. having a regular salary). Men are more likely to borrow than women in Mauritius, Namibia, Botswana, Tanzania, Zambia, and Mozambique. In South Africa, Lesotho, Swaziland, Malawi and DRC, women are slightly more likely to borrow than men, especially from informal sources and family/friends.

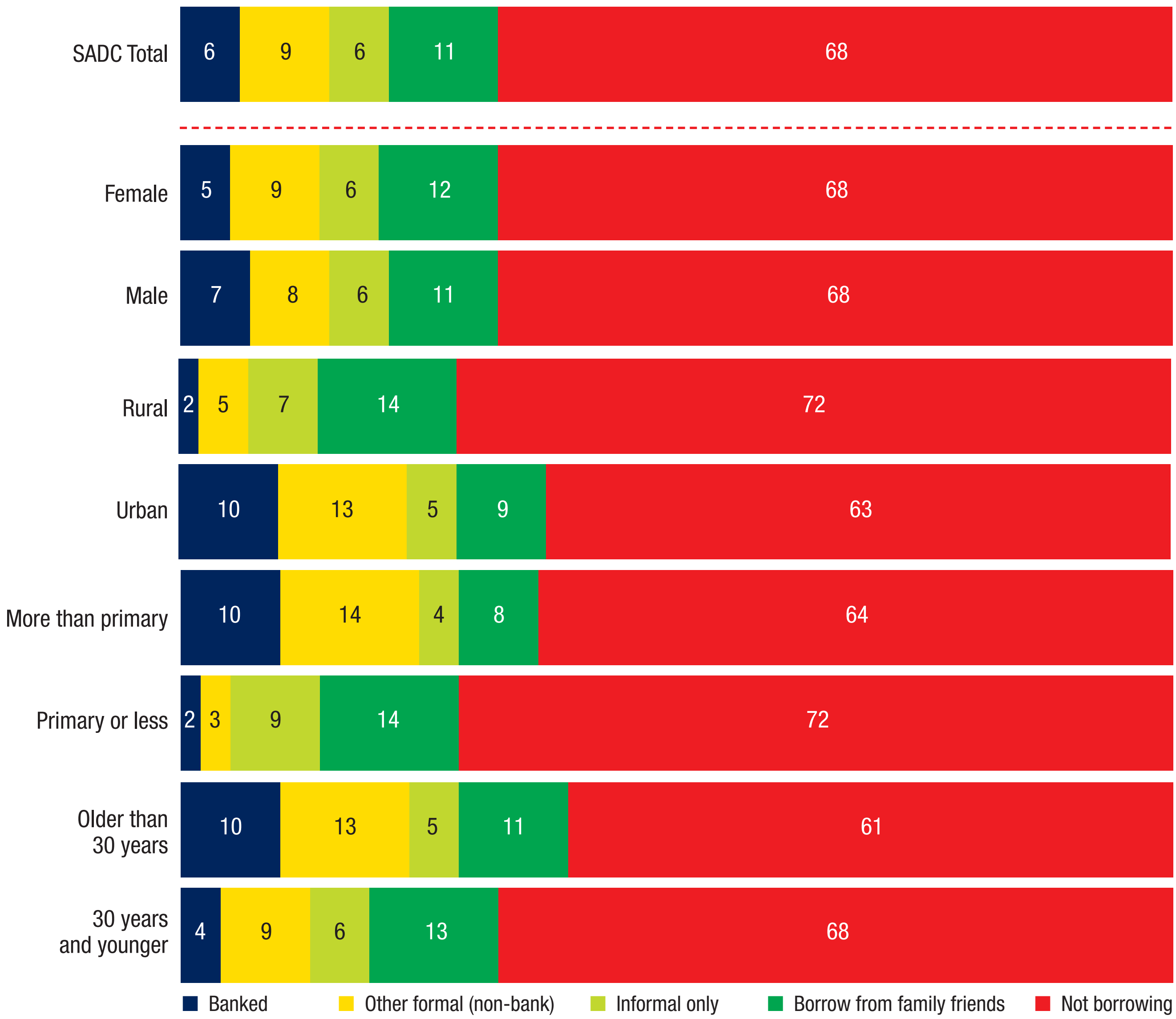
Location: The findings illustrate the stark reality of economic marginalisation of SADC's rural population. In the SADC region, 37% of the urban adult population borrow; compared to 28% of the rural population. Only 7% of the rural adult population borrow from formal credit/loan institutions compared to 24% of the urban adult population, which most likely relates to the availability of (formal) credit) as well as the economic activity of the rural population.

Education: People with higher education (above primary education) in the region borrow more from formal institutions (which might relate to economic activity and the availability of formal credit). There have been less significant differences between less and more educated adults when it comes to borrowing behaviour from informal mechanisms as well as family and friends.

Age: Adults over 30 years of age are in general more likely to obtain formal credit compared to those 30 years and younger. There does not seem to be significant difference when it comes to borrowing from informal sources, friends and family.

The following figures show the SADC Credit Strand by determinants of financial inclusion, namely gender, location, education and age. Similar to what was found comparing the country Credit Strands (see above), those residing in urban areas, with higher levels of education (more than primary) and older than 30 years of age are more likely to borrow, especially from formal financial institutions. There does not seem to be a gender divide pertaining to borrowing in general when looking at the SADC average. However, men are slightly more likely to borrow from commercial banks compared to women.

FIGURE 176: SADC CREDIT STRAND[51] – BY GENDER, LOCATION, EDUCATION AND AGE



[51] Please note that whilst borrowing from friends/family is excluded in the overall Access Strand, the Credit Strand include those borrowing from friends/family.

Drivers and barriers

The main reasons for borrowing vary across the region. Of concern, however, is that they often relate to non-productive reasons. Similar to the reasons for saving, adults mainly borrow for consumption purposes, e.g. living expenses, followed by emergencies (medical and non-medical), and education related expenses. While (medical) emergencies are insurable, education expenses are predictable and could therefore be financed using alternative measures such as savings (e.g. education fund). Borrowing for living expenses is of great concern – this suggests that people are not making ends-meet. This might re-occur throughout the year, increasing the need for borrowing and as such the vulnerability of the poor attempting to pay back their debt within a resource constrained environment. Often, this puts people at risk of being caught in a debt cycle. As such, the main (perceived) barrier to borrowing relate to the fear of indebtedness/inability to pay it back.

TABLE 25: KEY DRIVERS AND BARRIERS TO BORROWING BY COUNTRY

	Key drivers	Key barriers
Botswana 2014	Developmental reasons (education, business, land, house, farming)	* was not asked
DRC 2014	Medical emergencies, housing	Fear of indebtedness/inability to pay it back
Lesotho 2011	Living expenses , education/school fees	Fear of indebtedness/inability to pay it back
Malawi 2014	Living expenses, farming, medical	Fear of indebtedness/inability to pay it back
Mauritius 2014	Living expenses, buy household appliances	Fear debt, do not need/ability to pay expenses with what they have
Mozambique 2014	Non-medical emergencies, start business, renovate/build house	Fear of indebtedness/inability to pay it back, lack of awareness (have not thought about borrowing)
Namibia 2011	*was not asked	Fear of indebtedness/inability to pay it back, no need to borrow
South Africa 2014	Living expenses (food and bills)	Fear of indebtedness/inability to pay it back, cannot afford it due to unemployment, low or irregular income
Swaziland 2014	Living expenses	Fear of indebtedness/inability to pay it back
Tanzania 2013	Living expenses , medical expenses/ emergencies	Fear of inability to pay it back, no need to borrow
Zambia 2015	Living expenses	Fear of indebtedness/inability to pay it back
Zimbabwe 2014	Developmental (buy house, build/renovate, start business, education), living expenses	Fear of indebtedness/inability to pay it back

Credit and micro-lending is seen as one way of addressing the region's growing economic and unemployment crises. However, FinScope shows low penetration of access to credit and the majority of those who access lending mainly channel it into consumer spending rather than into development activities.

"Banks typically do not understand the micro-lending business and have lost a lot of money where they have tried to enter this space, while MFIs are constrained by capacity issues. Books have been written on this issue', says **Richardson.**

Dr Jefferis also concurs with limited scope of non-bank lenders focused on those with low and irregular incomes. 'Southern Africa (especially SACU) has a low presence of traditional MFIs, providing credit to SMMEs, while the main problem is known to be that only a small proportion of adults "qualify" for bank credit in terms the level and regularity of their incomes', concludes Dr Jefferis.

Mike Nyamazana links Zimbabwe's low access to formal credit to historical facts, 'borrowing in Zimbabwe has historically and culturally been frowned upon. Colonial administrations aggravated the situation by limiting lending or credit sales to Africans. Where lending was granted it was effectively on a "lay-by basis" i.e. where the borrower effectively saved by paying monthly to the lender until the full amount or a reasonable deposit was achieved before taking possession of the item purchased, says Mike. Optimistic, Mike believes that the situation is now changing.

Mike confirms that growing up in the 1970s a bank in the common language was defined as a place for saving money so that it can multiply and one could then access the funds and apply them on a project. Today children define a bank as a place from where to borrow money to start a project'.

'In cash economies, consumers have no fall-back position except 'social capital' or informal savings and credit mechanisms. This is likely the case for most of the SADC countries. Consumers in these countries save to engage in entrepreneurial activities as well. Thus borrowing for consumption or business is kept at minimum, if at all existent', says **Elizabeth.**

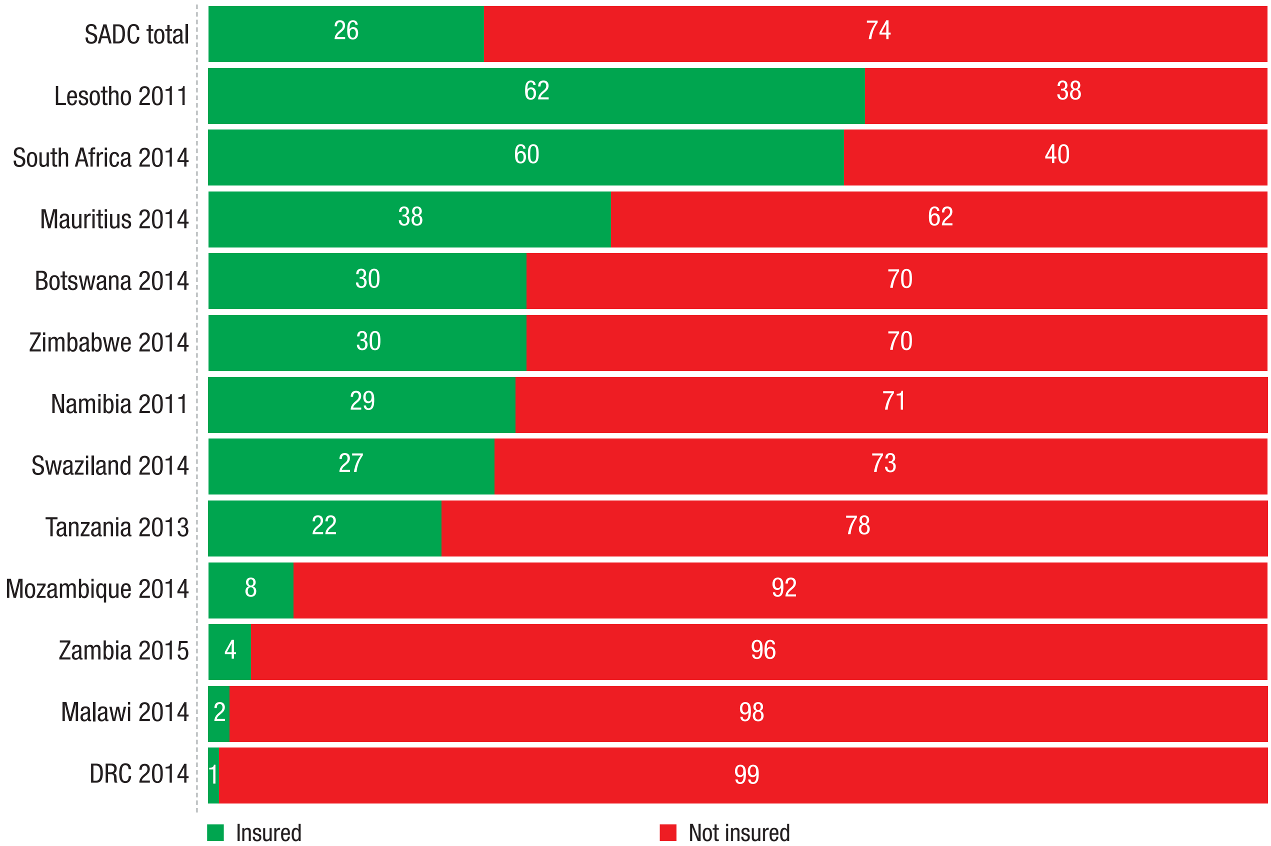
Professor Chipeta hopes that the region would find a lasting solution to credit challenges ranging from high default risk; high lending rates; unfavourable contractual and information environment and collateral requirements that cannot be met by most of the borrowers.

Chapter 7

Insurance and risk mitigation

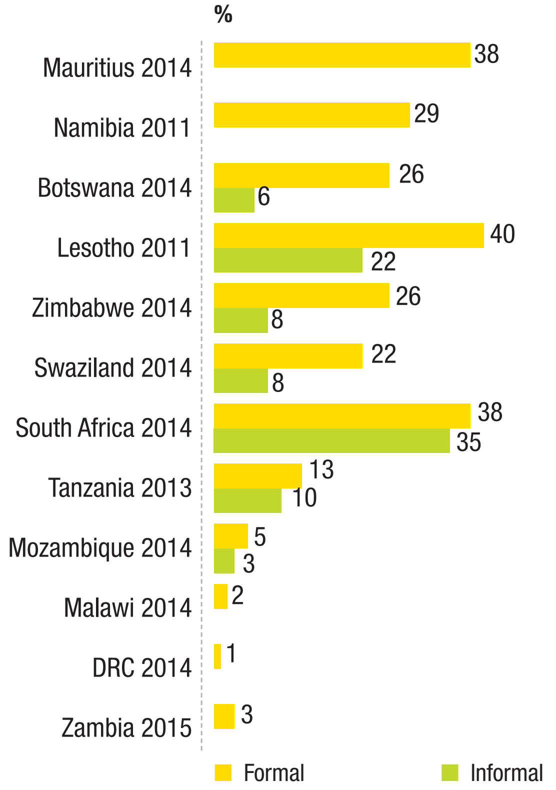
Insurance incidence: In total, about **26%** of adults in the region have/use insurance products, including both formal and informal insurance mechanisms (around **33.1 million**) as illustrated below. The proportion of adults who are insured varies significantly from 62% in Lesotho to only 1% in sampled areas in the DRC. Financial inclusion in Lesotho is strongly influenced by the uptake of insurance (funeral cover), including both formal and informal.

FIGURE 177: PROPORTION OF PEOPLE WHO ARE INSURED (RANKED BY INCIDENCE OF INSURANCE)



Insurance mechanisms vary across the region. In general people are more likely to be insured through a formal service provider (e.g. insurance company) than through informal mechanisms (e.g. burial society) as illustrated below.

FIGURE 178: PROPORTION OF THE ADULT POPULATION THAT TAKE UP FORMAL VERSUS INFORMAL INSURANCE

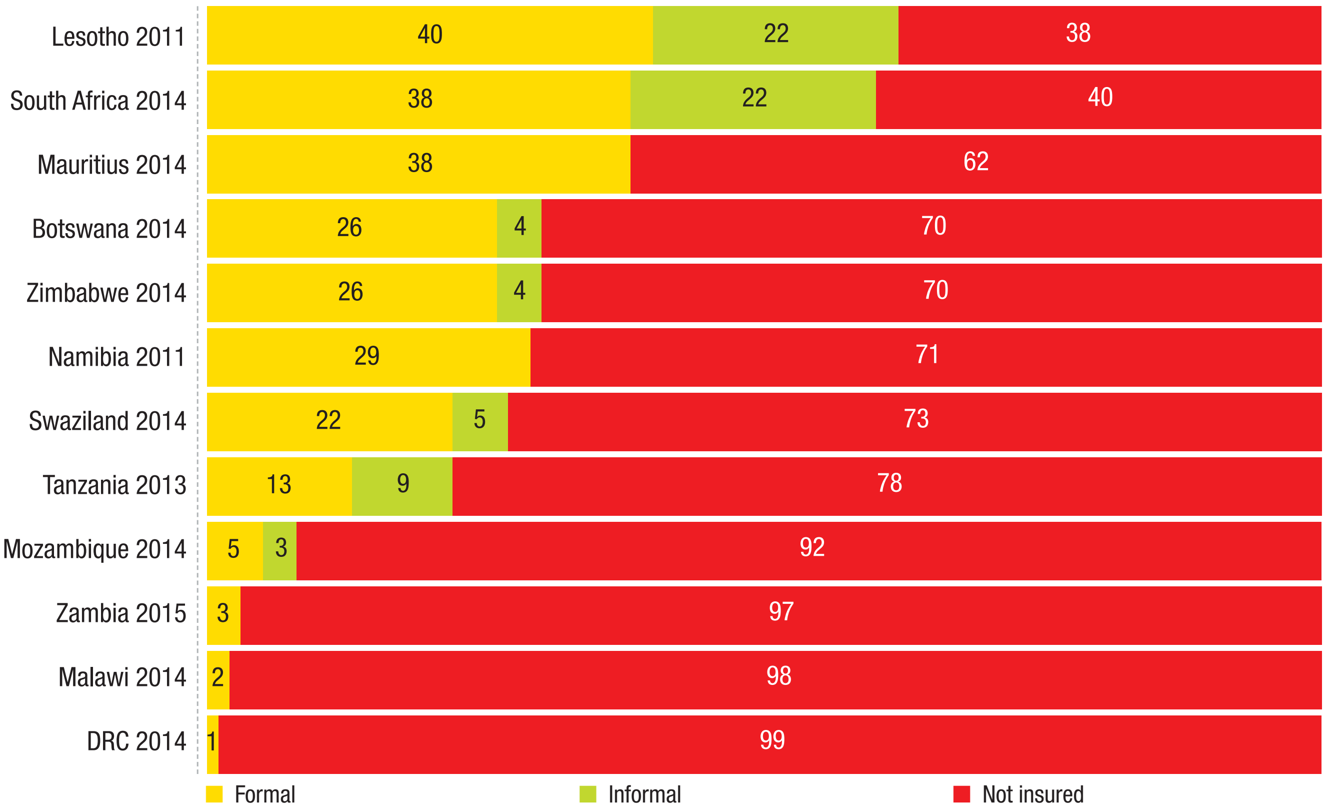


Note: There are a few overlaps in product uptake, e.g. people who have formal insurance through an insurance company and are also covered by their burial society membership. These overlaps are removed in the SADC Insurance Strands illustrated below.

Insurance Strands: As illustrated below, only 17% of the adult population in the region have any form of formal insurance and a further 9% only rely on informal insurance mechanisms which largely cover funerals. Comparing the country Insurance Strands illustrates the role of informal mechanism/sector in terms of pushing out the boundaries of financial inclusion, especially in Lesotho, South Africa and Zimbabwe. FinScope did not pick up any informal insurance mechanisms such as burial societies in sampled areas in the DRC, Mauritius, Namibia, Zambia or Malawi.

FIGURE 179: SADC INSURANCE STRAND

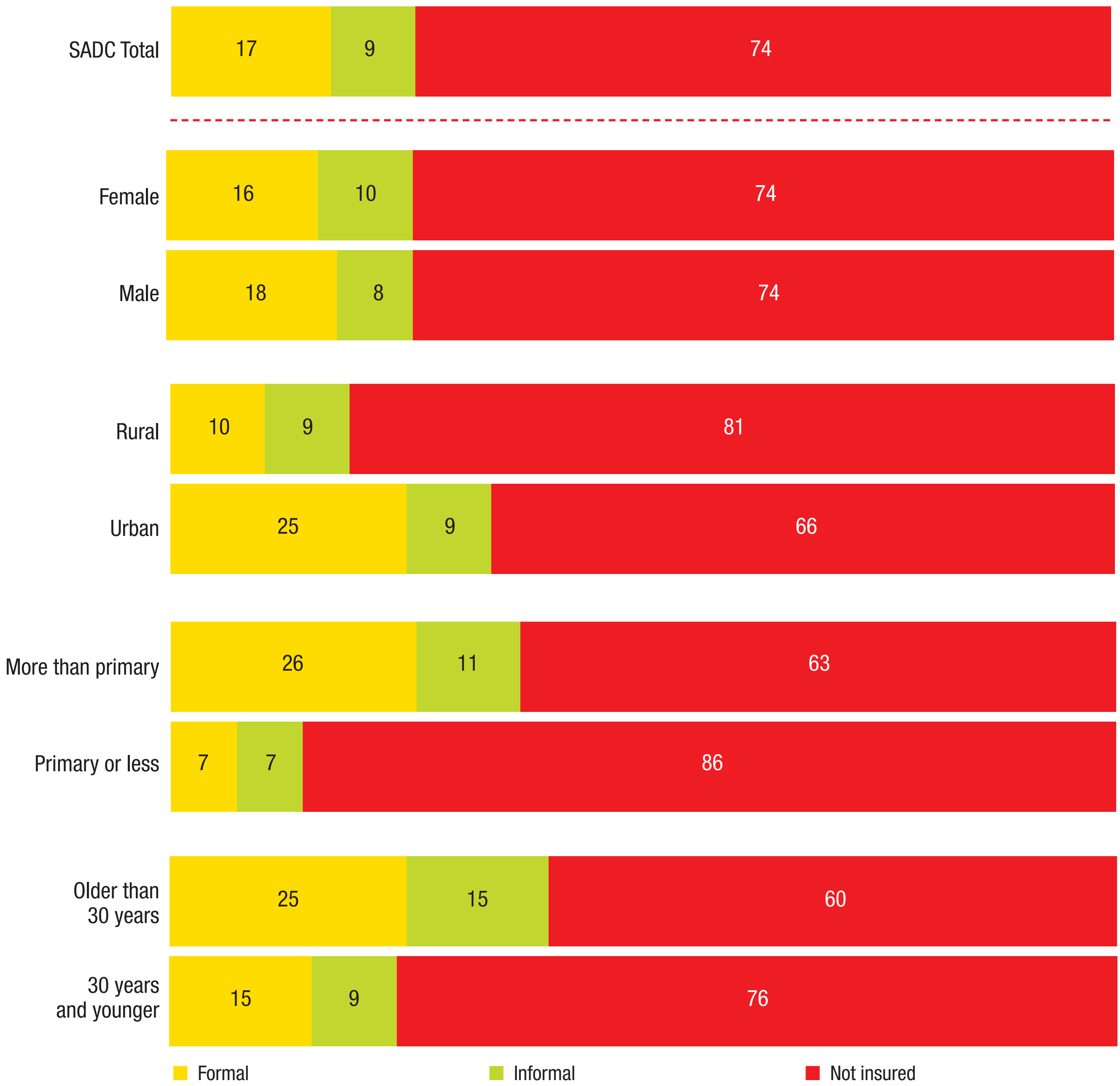
FIGURE 180: COUNTRY INSURANCE STRANDS (RANKED BY INCIDENCE OF INSURANCE)



Insurance Strands by determinants of financial inclusion: The overall insurance penetration and the uptake of formal insurance skews towards men, people with higher education, living in the urban areas, and are mostly over the age of 30 years. There are, however, some exceptions. In South Africa, Lesotho, and Tanzania, women are slightly more likely to be insured compared to men (mainly due to the uptake of informal insurance, e.g. burial society membership).

The figure below illustrates the Insurance Strand for the region by gender, location, education, and age.

FIGURE 181: SADC INSURANCE STRAND – BY GENDER, LOCATION, EDUCATION AND AGE



Drivers and barriers

Insurance is mainly **driven** by the uptake of funeral cover, medical aid/insurance/, and life assurance – which relates to the main risks to livelihoods identified, namely death/funeral (own, household/family member, main income earner) as well as health related issues (which are also main reasons for savings and borrowing).

In turn, main **barriers** relate to affordability and lack of income (i.e. low/no/insufficient income, insufficient balance after paying for expenses, can't afford insurance), as well as a lack of consumer awareness and knowledge (never heard about it, never thought about it, does not know what insurance is, does not know where/how to get it).

TABLE 26: KEY DRIVERS AND BARRIERS TO INSURANCE BY COUNTRY

	Key drivers	Key barriers
Botswana 2014	Funeral cover	Affordability (cannot afford it) Lack of awareness (have not thought/heard about it)
DRC 2014	Accident/travel insurance, property damage, comprehensive motor vehicle insurance	Low value of assets, affordability, lack of awareness
Lesotho 2011	Funeral cover	Affordability (cannot afford it), lack of awareness (have not thought/heard about it)
Malawi 2014	Life, medical and motor vehicle insurance	Lack of awareness/ knowledge, affordability
Mauritius 2014	Motor insurance and life insurance	Have not thought about insurance, affordability
Mozambique 2014	Funeral cover, medical aid	Lack of awareness (never heard of it , do not know how it works)
Namibia 2011	Funeral cover, medical aid, and life insurance	Affordability (cannot afford it)
South Africa 2014	Funeral cover, life insurance	Affordability: Low/ insufficient income
Swaziland 2014	Funeral cover, life- and medical insurance	Lack of awareness, affordability: irregular/low income/unemployment
Tanzania 2013	Medical insurance and funeral cover	Lack of consumer awareness/knowledge (never heard of it) and affordability (cannot afford it)
Zambia 2015	Funeral cover, motor and life insurance	Lack of consumer awareness, knowledge (never heard of it)
Zimbabwe 2014	Funeral cover, medical aid	Affordability (cannot afford insurance) Lack of consumer awareness (has not heard about it)

CASE STUDY – TAKING INSURANCE BEYOND FUNERAL COVER

In general the uptake of insurance is low in the region. Only 27% of adults in the region have/use insurance products, including both formal and informal insurance mechanisms. The 27% uptake is largely driven by funeral cover and burial societies earmarked for funeral expenses.

According to FinScope, main barriers to insurance penetration relate to affordability as well as lack of consumer awareness and knowledge. However, this is not the only concern - analysis shows that the main driver of those who are insured is funeral insurance, putting insurance in the region at a crossroads. This is despite the fact that the top five perceived risks across the region include:

1. Serious illness of family member that need medical attention
2. Theft, fire, flood or destruction
3. Loss of job or main wage-earner, death/illness of main wage earner
4. Rising costs
5. Death of a family member

As financial journalist and author of **Maya on Money,** Maya Fisher-French states, 'funeral cover is generally trusted – it is seen to pay out when needed'. She gets a lot of questions about the trustworthiness of life policies and asked to give 'trusted' names of insurance institutions. The distrust stems from the fact that these policies are often not underwritten and then there is a pre-existing condition that prevents the payout. This is further exacerbated when people hear stories that people did not get paid out. Headlines like "Senzo Meyiwa[52] life insurance payout delayed" doesn't help the perception, adds Maya.

In her dealings with insurance consumers Maya also comes across policies that have been mis-sold. For example, a daughter was under the impression that her father had taken out a policy on his life to pay for her education. When he died it turned out the policy had been taken on her life. This shows the extent that beneficiaries and the insured do not actively communicate the details of the insurance product taken. The frustration is that funeral cover is far more expensive than an underwritten policy but that is an education process. The fact that it requires a blood test would also be a hurdle. Again the kind of comments I get around short-term insurance is that it doesn't pay out when it needs to or that it is not really needed – an unnecessary expense' says Maya.

Maya Fisher-French continued to suggest that the insurance industry has never successfully communicated the benefits as people feel they are buying a product to stop something from happening, whereas other people do not think that the event could be a reality or could happen to them (i.e goods stolen, crops failed, etc). The industry has seldom communicated what insurance can do for the individual, what happens if this happens to you. In SADC, market research has shown that the very concept of insurance is not widely known or understood by the population as evidence of lack of financial education. The only insurable interest that seems to get it correct in Southern Africa is funeral cover, as the benefit is seen as clear, immediate and will happen. The value proposition through advertising is usually pretty weak across the region, with the exception of funeral cover. In many countries there has been no attempt for introducing insurance products that are appropriate for the mass market (the bottom-of-pyramid) that are adequately backed by sustainable large marketing or communications campaigns. Given low levels of awareness of insurance in general coupled with a lack of understanding, this is a real behaviour change issue that would take sustained effort to change. In South Africa, advertisements are focused on cash-back options and rewards – almost seemingly creating an alternate benefit for people, which then clouds the core benefit of being protected for a particular event/situation.

According to **Rob Powell**, the other issue about insurance is that the marketing campaigns are geared for those that have rather than the have-nots, which is a thin portion of the SADC population. The thinking should be about bundled insurance – covering a wide spectrum of items like smaller less formal housing structures. Powell concludes that insurance needs to be cheap, easy to use, relevant, simple transparent solutions and of course, reflect real risks that confront majority of the people. By so doing, insurance companies would look beyond the actuarially driven and designed cohort of products but rather on bundled offers. Similarly, embedded insurance could also explain the under-reported levels of insurance in SADC. Embedded insurance are the types of insurance that one gets when purchasing a particular item, or linked to a particular product. For example, when one buys a mobile phone, it could be insured against theft or loss but the owner may not know this.

Among other examples is Mauritius EMTEL – prepaid and postpaid subscribers have a free life insurance based on their monthly airtime usage with EMTEL[53] starting from minimum usage of Rs150 to gain coverage, with a possibility to earn up to Rs60,000 in case of death. Such an embedded insurance product may not be known or well utilised.

Rob Powell shared insights from the recent research conducted by TNS across 7 countries, which highlighted that monthly premium payments do not fit with the way that the poor receive money – thus inhibiting the possibility for premiums to be paid as and when money is available – which would be most applicable as that is the reality for most SADC citizens. An example is the scheme run by PharmAccess in Tanzania where payment is made when agricultural products are sold and where the access to health care is a clear benefit.

52 Senzo Robert Meyiwa was a South African footballer who played as a goalkeeper for Orlando Pirates in the Premier Soccer League, and for the South Africa national team.[54]

53 http://www.bimamobile.com/news-and-media/news/protection-famille-bima-and-emtel-roll-out-a-free-life-insurance-product-in-mauritius

CASE STUDY – TAKING INSURANCE BEYOND FUNERAL COVER

The Health Insurance Fund, PharmAccess and their local partner MicroEnsure introduced a health insurance program in Tanzania for the coffee farmers and their families of the Kilimanjaro Native Cooperation Union (KNCU)[54]. KNCU is Africa's oldest cooperative and represents more than 100,000 small coffee farmers organised in 92 primary societies. The health plan offers affordable quality health care to the members and their dependents, tailored to the needs of the community.

CASE STUDY – IS MICROINSURANCE A SUSTAINABLE SOLUTION IN THE REGION?

There are mixed reactions of whether microinsurance could be a sustainable solution for the region. As a proponent of microinsurance, **Rob Powell** believes that microinsurance seems to be difficult to pull together due to the plethora of smaller players, who may or may not be part of an over-arching regulatory body. The issue is the funding of microinsurance – how it is managed and what happens in the case of multi-claims. Unless the microinsurance system is linked to the big insurers, Powell cannot see an easy way to make it work as currently he does not see the big insurers taking this sort of risk as it would run against the actuarially based systems that the current product holding is based on.

Oabile Mabusa is optimistic, 'one possible way is to encourage effective collaboration between banks and insurance companies because credit insurance offers considerable scope for the mutual growth of banking and insurance business. These two lines of business have largely operated as silos, although banks have of late shown increasing interest in the captive insurance business. Regulators are also likely to be interested in such a development as it provides a means to ensuring that a separation exists between credit risk on bank balance sheets and credit insurance cover on the insurers' balance sheet. According to Mabusa, the region does not have a comprehensive strategy to pursue microinsurance, either at regional level or at national level. As a result, 'microinsurance initiatives are few and at an experimental stage'.

Contrary to the proponents, **Maya Fisher-French** argues using the South African experience that in SA the microinsurance model is actually over-insuring people – at the very least overcharging them. An example is that a consumer could get a four month loan and pay high premiums of R57 for every R1 000 cover (credit life insurance), then pay mandatory theft insurance for the item purchased – this is abuse of the consumer.

Frédéric Ponsot believes that an index insurance to cover agriculture risks seem promising for rural households, using satellite data to assess and measure climate risks at the local level. It is not easy to roll out but models were interesting in Kenya notably (cf. ACRE insurance in Kenya –ex-Kilimo Salama).

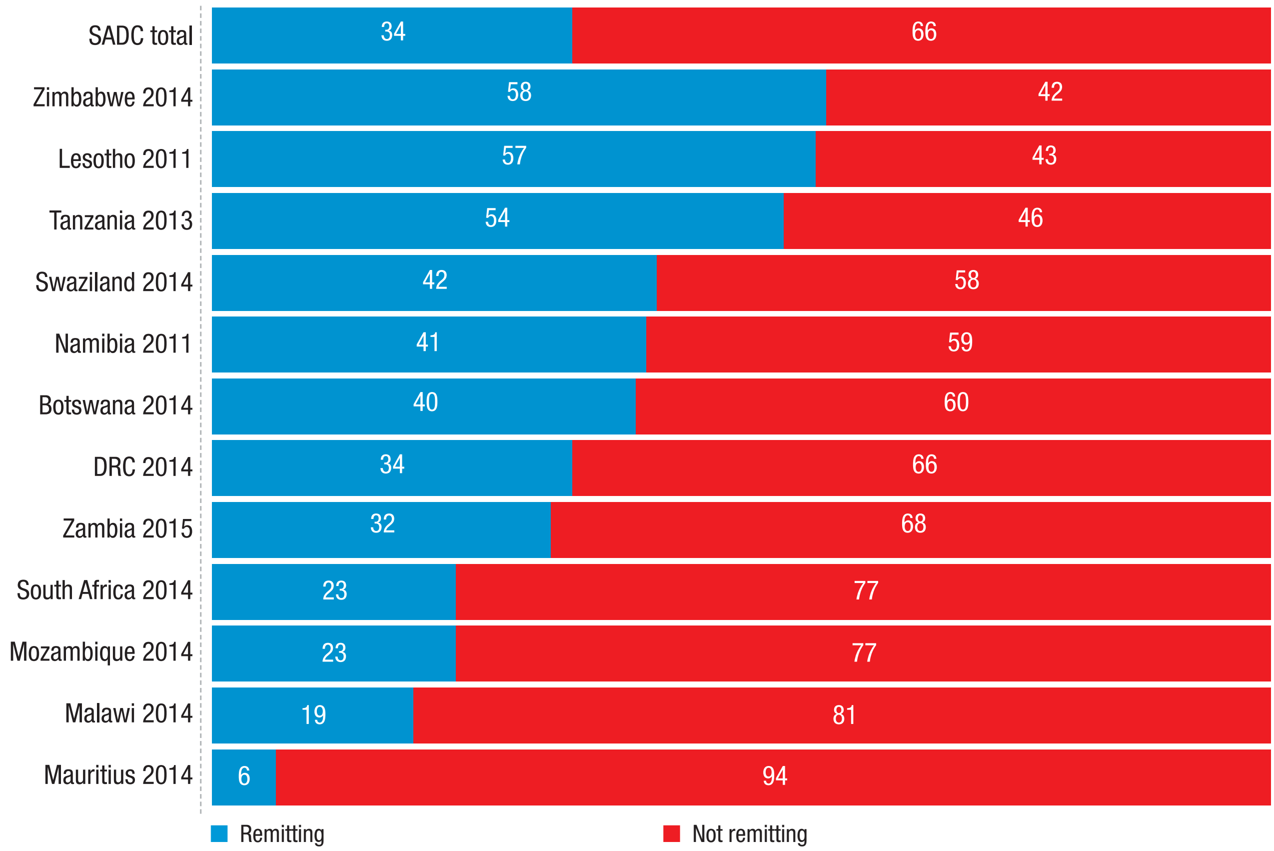
[54] http://www.pharmaccess.org/RunScript.asp?Page=414&p=ASP\Pg414.asp

Chapter 8

Remittances

Remittances incidence: Every third adult in the SADC region **(34%)** either send and/or received money, including all forms of remittances (= about **42.5 million**). The proportion of adults who remit range from 58% in Zimbabwe to only 6% in Mauritius as illustrated in the figure below.

FIGURE 182: PROPORTION OF PEOPLE WHO ARE REMITTING (RANKED BY INCIDENCE OF REMITTANCES)



According to FinScope, the region has about 4.2 million people in the diaspora[55]. Remittances to in-country are significant and predominately related to intraregional migration. Nevertheless, there are a few exceptions where the money that flows out of the country is higher than the proportion of remittances coming in to the country. In South Africa, Namibia and Swaziland, for example, the remittances that come in to countries are smaller compared to remittances that goes outside these respective countries.

Remittances mechanisms also differ across the region. Whereas adults in Namibia and Lesotho for example, mainly remit through commercial banks, adults in Tanzania and Botswana mainly remit through other formal non-bank products such as mobile money and Moneygram. Remitting through relatives and/or friends is common in Swaziland, Lesotho and Zimbabwe. With the introduction of mobile money in Swaziland and Zimbabwe remittances through relatives/friends are expected to reduce.

[55] A diaspora is a large group of people with similar heritage or homeland who have since moved out to places all over the world

FIGURE 183: PROPORTION OF THE ADULT POPULATION THAT REMIT THROUGH A COMMERCIAL BANK

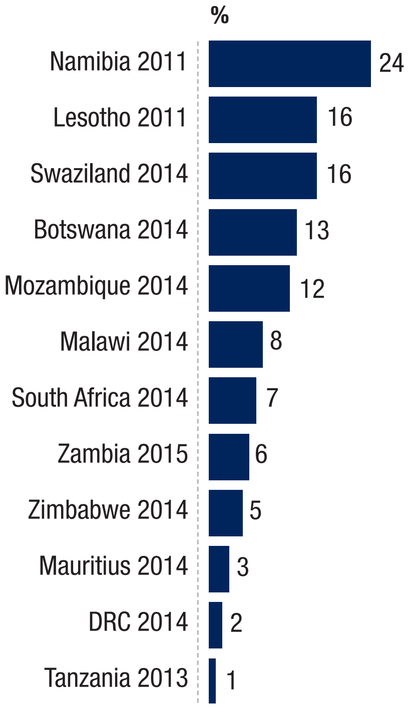


FIGURE 184: PROPORTION OF THE ADULT POPULATION THAT REMIT THROUGH OTHER FORMAL (NON-BANK) MECHANISMS

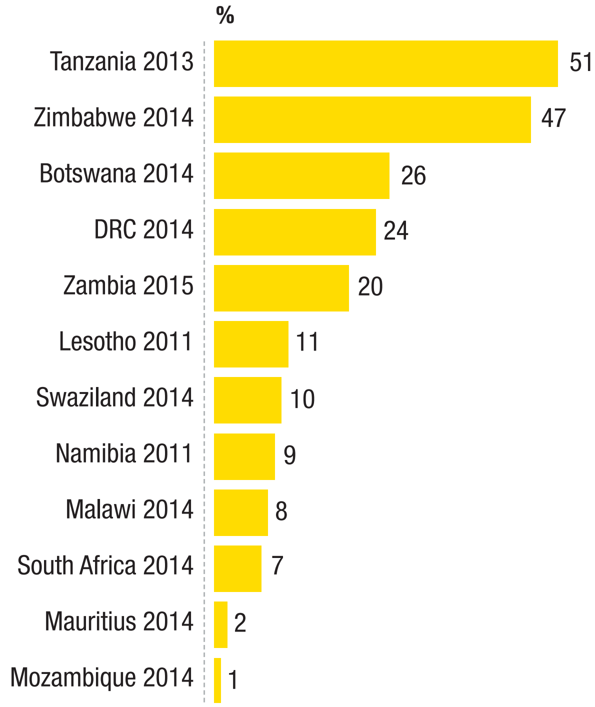


FIGURE 185: PROPORTION OF THE ADULT POPULATION THAT REMIT THROUGH INFORMAL MECHANISMS

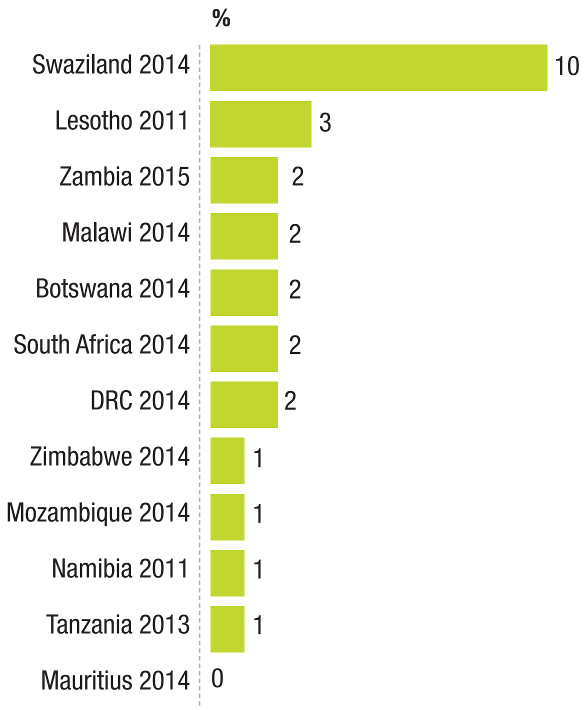
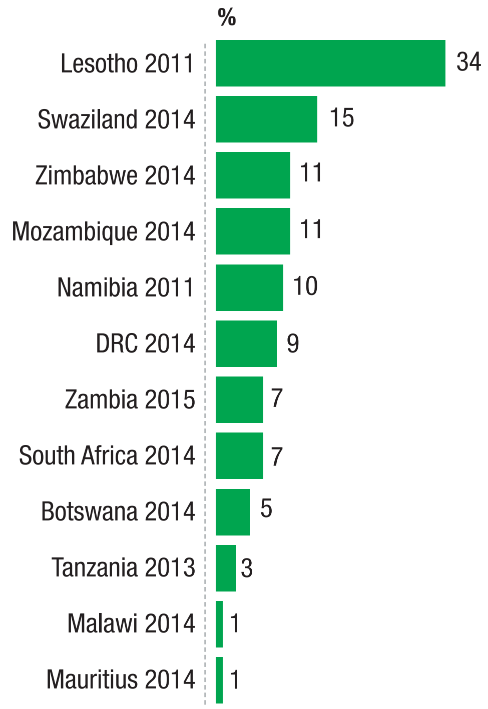


FIGURE 186: PROPORTION OF THE ADULT POPULATION THAT REMIT THROUGH RELATIVES AND FRIENDS



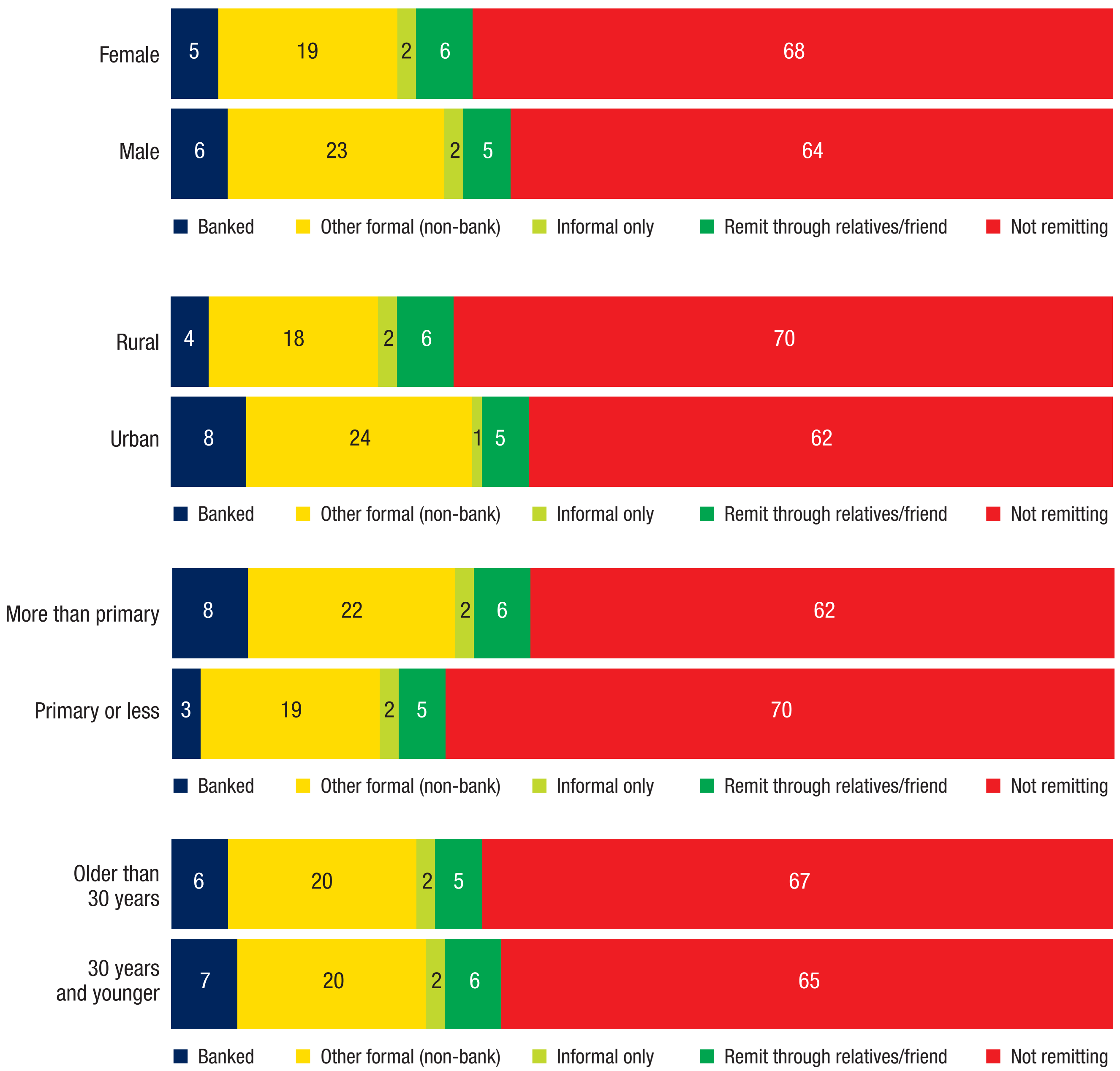
There are a few overlaps in remittances products/services usage, e.g. people who remit through a commercial bank, could also remit through mobile money or send/receive money through relatives and/or friends. These overlaps are removed in the SADC Remittances Strands illustrated below.

Remittances Strands: A quarter of the adult population in the SADC region (26% = about 33 million) remit through formal sources. Interestingly about 12.3 million adults who remit formally reside in Tanzania. About 8% (= 9.5 million) adults of the region remit only through informal mechanisms – this includes those who are using the runner (taxi/bus drivers) and relatives and friends.

FIGURE 187: SADC REMITTANCES STRAND

The figures below illustrate the SADC Remittances Strand by determinants of financial inclusion, namely gender, location, education, and age. Males, those residing in urban areas, with higher levels of education (more than primary), and those older than 30 years of age are more likely to remit money.

FIGURE 188: SADC REMITTANCES STRAND – BY GENDER, LOCATION, EDUCATION AND AGE



CASE STUDY – IMPACT OF REGULATIONS

The SADC region has more than 4 million people in the diaspora. Remittances to 'countries of origins' are significant and predominantly related to intraregional migration. Cross-cutting remittances strategy leveraging the diaspora in the region to remit funds seems possible. This is according to various contributions from experts:

Commenting to the supposition that the payments system in the region is strict, **Dr Keith Jefferis** describes it as excessively regulated, especially on low value remittances. 'KYC requirements can be a problem, especially proof of address, source of funds, etc. It is especially problematic when no tiering is applied. Dr Jefferis states that restrictions on cross-border payments are particularly excessive. The end result is that there is not enough support by regulators for financial inclusion. Lessons on these restrictive KYC requirements could be learnt from South Africa, where the Reserve Bank fined four major banks for lack of compliance with the KYC requirements[56, 57] in April 2014.

Mike Nyamazana agrees, 'the one issue that arises with payment systems in the region is related to the strict Exchange Controls in South Africa, which is probably the major source of remittances. Fortunately the Rand is an acceptable currency in many of the SADC Countries. Oabile Mabusa (CEO, Banking association Botswana) tends to believe that the formal regional payments regime is quite strict given the development and harmonisation practices that have taken place over the years, which have been supported by international best practices (Basel, SWIFT, etc). The lack of clear standardised practices supporting informal (mobile) payments has delayed the development of rules of practice by regional jurisdictions. Mabusa further argued that regulators have tended to adopt a soft-touch approach of allowing the emergence of alternative payment arrangements based on just a minimum set of rules or "no rules at all".

However, **Frédéric Ponsot** believes that the issue is not necessarily on regulation but (i) lack of physical presence/proximity of remittances outlets with migrants' workers, (ii) their preference to use informal channel and/or cash to remit funds rather than other channels requiring formal identification and/or more complex processes. 'It is worth noting that a big proportion in the diaspora might not have proper documentation' says Elizabeth Lwanga Nanziri. But in cases where documentation exists, individuals would open accounts in one country and their host country contact person could have one in a partner institution at home. For instance, Standard Bank has branches in most SADC countries. They could try this, without treating the transaction as an international transaction that has to be cleared through New York as this current system/route increases the cost of remittances.

CASE STUDY – REGIONAL DIASPORA STRATEGY

Apart from noted challenges such as restrictive requirements, lack of documentation and proximity to remittances outlets, there are clear opportunities to expand remittances across the region – possibly a regional remittances strategy. **Dr Jefferis** recalls that extending the Shoprite/Capitec[58] channel from South Africa to Lesotho is a big step forward to a regional remittances strategy, but has taken a long time to get established due to the obstacles to cross-border remittances. There needs to be a big push on facilitating cross-border mobile money transactions.

Mabusa concurs; 'Yes it is possible to do so. In fact, such a strategy might well serve as a basis upon which individual countries can benchmark the establishment of their own domestic payments arrangements. It would not be wise to be prescriptive with regard to a possible strategic approach. What might serve us well is for the region to examine available options through existing technological platforms and adopt a least-costly solution. Areas to look at might include leveraging the likes of SIRESS and other legacy clearing arrangements within the regional banking system.

Rob Powell believes that any such strategy has to be based on improvements in service, as the 2015 study by TNS for IFAD shows that remittances processes take time[59]:-

This section has outlined current challenges and the opportunities that the region could leverage to increase remittances – both locally and across the region, which will ultimately encourage the excluded communities to use financial products thereby increasing regional financial inclusion.

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56 http://www.enca.com/money/banks-under-spotlight-after-reserve-bank-fines

57 https://www.resbank.co.za/publications/detail-item-view/pages/publications.aspx?sarbweb=3b6aa07d-92ab-441f-b7bf-bb7dfb1bedb4&sarblist=21b5222e-7125-4e55-bb65-56fd3333371e&sarbitem=6196

58 The Retailer/Bank (Shoprite/Capitec) Lesotho cross-border pilot: The SARB granted permission to the Bank (Capitec bank) and the Retailer (Shoprite) to go live with their piloting of cross-border remittances on the 18th of December 2014. The first cross-border money transfers at a cost of R9.99 for any amount less than R5,000 were conducted on the 31st of December 2014.

59 Baseline survey on the use of rural post offices for remittances in Africa – Summary Report. February 2015. TNS & IFAD. http://www.finmark.org.za/publication/shoprite-money-transfer-launched-in-maseru-allows-for-remittances-at-low-affordable-rates

Chapter 9

Mobile money

Mobile money usage incidence: About 28 million adults in the region use mobile money (m-money). The proportion of m-money users varies considerably across the region with Tanzania and Zimbabwe having relatively high m-money usage. These countries also have a relatively high awareness of m-money. Mobile money awareness is notable lower in countries such as Malawi (20%); Mozambique (21%); Mauritius (32%) and DRC (35%). The proportion of adult population who are m-money users ranges from 51% in Tanzania to only 2% in Mauritius.

FIGURE 189: PROPORTION OF PEOPLE WHO USE MOBILE MONEY

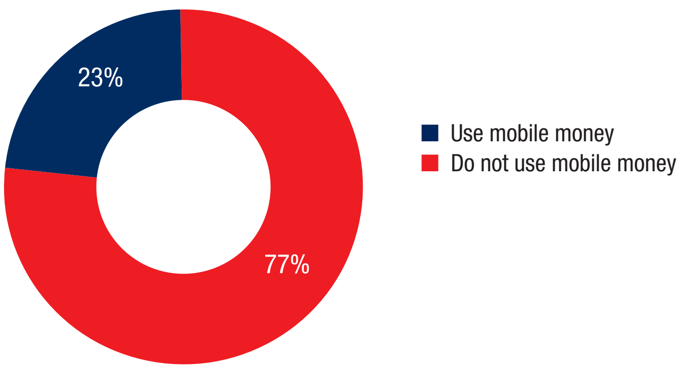
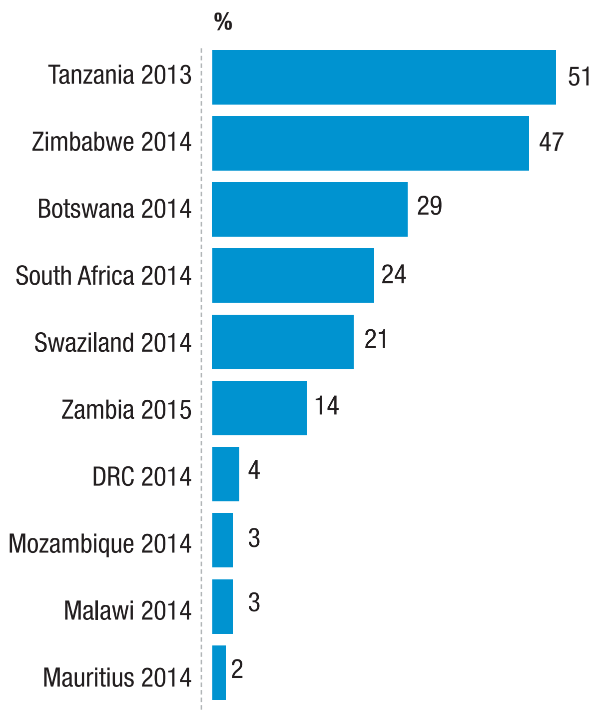
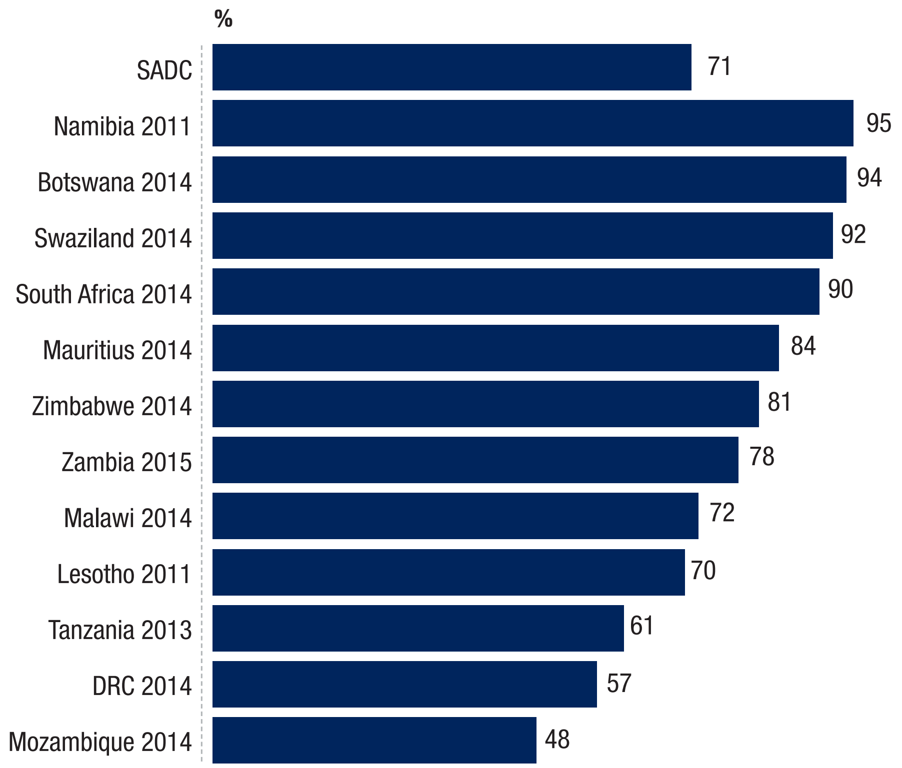


FIGURE 190: PROPORTION OF THE ADULT POPULATION THAT USE MOBILE MONEY



Mobile phones are common in the region with 71% (88 million) adults coming from households that own or have access to mobile phones.

FIGURE 191: ACCESS TO MOBILE PHONES DISTRIBUTION



Among the services available to the users of mobile money are money transfers, payments and mobile banking, however, mobile money services are mainly used for remittances and cellphone airtime top ups. The rate of mobile use is highest among urban and banked households. About 7 million adults (24% of m-money) store or save money in their m-money accounts (this services skews toward Tanzania users and slightly to Zimbabwe m-money users).

FIGURE 192: USAGE OF MOBILE MONEY IN SADC

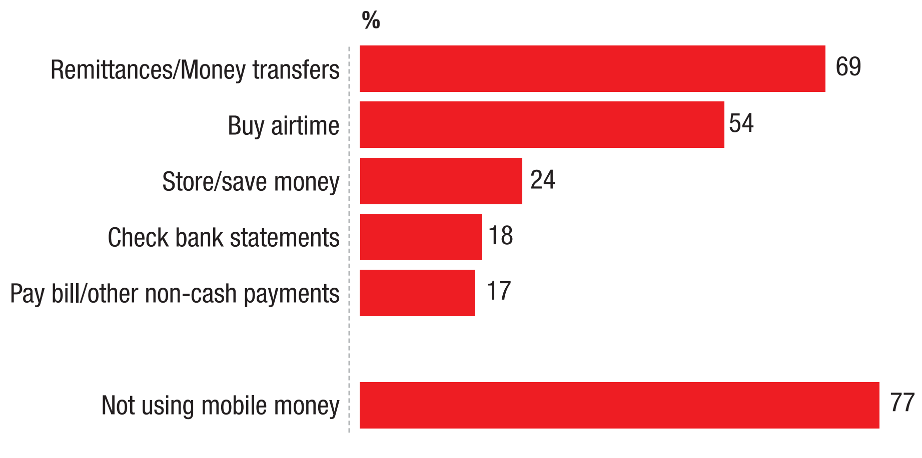
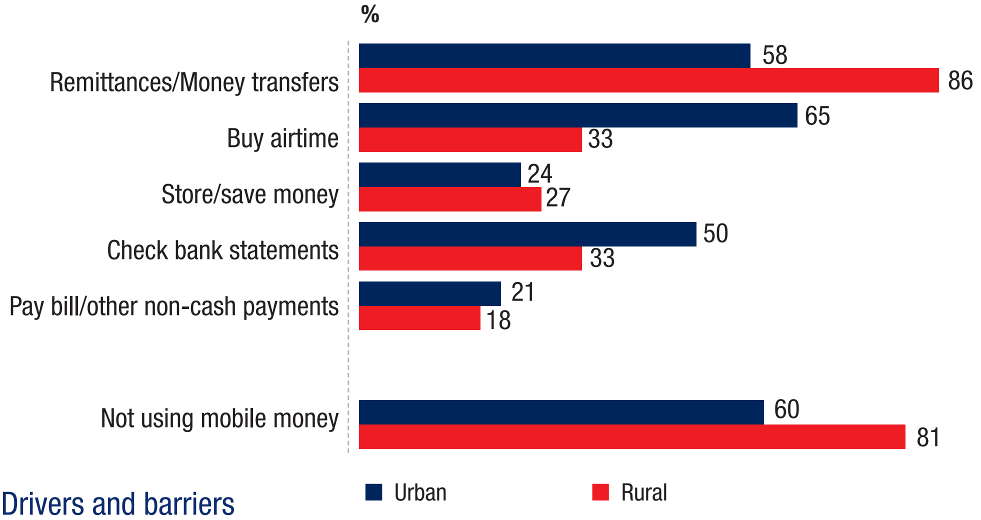


FIGURE193: USAGE OF MOBILE MONEY IN SADC – BY AREA



Drivers and barriers

Main **reasons for using m-money** are consistence across the region, including conveniences in remitting money and purchasing airtime.

Main (perceived) **barriers to m-money** vary slightly across the region. Majority of m-money non-users in Tanzania do not have access to mobile phones, about the services and insufficient understanding of mobile money. These barriers are partly to do with high rates of illiteracy in these countries.

TABLE 27: KEY DRIVERS AND BARRIERS TO MOBILE MONEY BY COUNTRY

	Key drivers	Key barriers
Botswana 2014	Remittances, buying airtime and checking balances	Low interest; insufficient understanding of mobile money
DRC 2014	Money when they needed, medical, non-medical emergencies	Lack of awareness and insufficient understanding of mobile money and no cell phone access
Lesotho 2011	*was not asked	*was not asked
Malawi 2014	Remittances and airtime top-up	Lack of awareness and insufficient understanding of mobile money
Mauritius 2014	Checking balance	Lack of information – m-money was relatively new during time of fieldwork
Mozambique 2014	Purchasing airtime and money transfers	Lack of awareness and insufficient understanding of mobile money
Namibia 2011	*was not asked	*was not asked
South Africa 2014	Airtime top-up, checking balances and payments	*was not asked
Swaziland 2014	Remittances and airtime top-up	Insufficient understanding of mobile money, lack of interest
Tanzania 2013	Remittances, buy airtime and store/save money	Access to cell phone
Zambia 2015	Remittances and buying airtime	Awareness: Do not know what it is; insufficient understanding of mobile money
Zimbabwe 2014	Remittances, airtime purchases and save money	Do not have money to use services and no access to cell phones

CASE STUDY – CAN MOBILE MONEY REVOLUTIONISE THE FINANCIAL SECTOR THROUGH DRIVING FINANCIAL INCLUSION?

Significant proportions of the population in the region lack access to basic infrastructure, such as electricity or piped water, but do have access to a mobile phones. The tendency in many communities to share a mobile phone means that the availability of mobile services is much higher (about 90 million adults in the SADC region have access to mobile phones). However, FinScope data shows that only Tanzania and Zimbabwe have the pervasive influence of mobile money on everyday life. Mobile money in these two countries in the region has revolutionised the financial sector through driving financial inclusion.

Brian Richardson *does not see remittances as financial inclusion. 'One has to be very careful in the definition of mobile money. Common practice would suggest that mobile money is referred to as the offering of the MNO's. The primary functions are to send money and buy airtime. My question and concern is simply – does the ability to perform these two functions make a person financially included? Typically these people receive no interest on their savings; they have no access to credit; they build no "bank" or transaction history; they still rely exclusively on cash to buy goods in store. Money that is sent is a one way flow from urban to rural. Once received all the money sent is withdrawn in cash by the recipient. Are they financially included?* asks Brian.

Mike Nyamazana however, considers the limitations in the banking services sector and the rise in the informal economy as the condition that drives mobile money in Zimbabwe. *'It would appear that the strongest driver for mobile money in Zimbabwe has been the need for frequent remittances of small amounts. The remittances are in turn driven by the high level of informalisation of the economy and the high number of economic refugees that are outside the country (estimates range from 1 – 3 million). These twin factors create the need for remittances of small amounts frequently which is expensive if made through established banking systems which are costly for small amounts and have limited rural presence'.*

Dr Keith Jefferis gives a mixture of reasons that drives slow uptake of mobile money in the rest of the region: A number of factors support the growth of mobile money, including (i) an underdeveloped financial system [leaving gaps that need to be filled], (ii) a large population [meaning that mobile money providers can potentially achieve economies of scale – the business model requires volumes, given that fees need to be low if high penetration of mobile money is to be achieved], (iii) a high population density [leading to a high potential volume of customers per agent – and the agent income structure also requires volumes, given fee levels], (iv) a supportive regulatory environment [with either a specific regulatory structure for mobile money/e-money, or a "hands-off" approach that is flexible and accommodating; requiring mobile money operators to have a banking licence is likely to be restrictive], (v) structure of the MNO sector – mobile money may be seen as an important competitive channel to gain market share or reduce churn; or alternatively a dominant operator with an extensive agent network may see mobile money as a way of reinforcing the dominant position, plus its rollout costs may be lower]. The development of mobile money depends on how these factors interact, which can be quite complex. The combination of factors varies across countries, hence a variety of results.

CASE STUDY – CAN THE EAST AFRICAN MOBILE MONEY SUCCESS BE IMPLEMENTED IN COUNTRIES WITH SOPHISTICATED BANKING SYSTEMS?

Various commentators agree that the main gaps in countries such as South Africa and Botswana could be their sophisticated banking system, different customer demographics and or perhaps highly restrictive regulatory environment:

According to **Dr Jefferis,** the sophisticated banking system reduces the gaps that need to be filled. In Botswana, one of the banks – FNB – came to market with a mobile money product (eWallet) very early, and gained market share before mobile money products were really rolled out. In Botswana, the low population density in large parts of the country means that mobile money rollout is expensive (developing an agent network with a low volume of business). In SA, the regulatory environment has been restrictive (deeming mobile money to be banking business). In Botswana, the regulatory environment has been more accommodating to some extent, in that it is not deemed banking business, but there are restrictive elements – a very low value cap on mobile money accounts, and the prohibition of interest payments on mobile money trust accounts. In Botswana the regulator is generally not very accommodative or supportive of innovation in financial service delivery. Also in Botswana, mobile money fees are high, and mobile money is more expensive than banks. Plus the mobile money agency network is not well developed in Botswana. There may be problems in finding fee levels that are attractive to agents, MNOs and customers, given low population densities in some areas.

Maya Fisher-French recalls that South African existing financial infrastructure including brick and mortar banks, ATMs, POS, retailer money transfers, etc., have reduced the need for mobile money solutions. In countries where these services did not really exist to any large extent, mobile money was able to meet that need and hence the take-up. *'I do believe we will continue to see a migration to mobile money in South Africa but only in so far as it is able to improve on efficiencies of the current money payment systems'.*

There is an appetite to ensure that mobile money is used beyond remitting money or airtime top-ups only:

Brian Richardson: *"After 12 years in this business I am convinced that the market wants a safe place to keep their money, easy access to their money, transactional capability, access to loans and access to micro insurance products. Only a bank or registered financial institution can offer these services. Failure to do so is going to lead to disappointment and unfulfilled expectations. I am not sure that MNOs have the appetite – even if regulation supported this move, to support this. One would think that a partnership/joint venture between a bank and an MNO would be a solution but nowhere in the world over the last 10 years has there been a successful marriage between a bank and an MNO. Banks are going to have to take a more active and enthusiastic role in financial inclusion or regulators are going to have to look at an alternative. For example the concept of the Dedicated Bank Bill in South Africa – tabled more than 12 years ago without any progress to date, is the ideal thinking to allow other entities with a passion for the lower end of the market to enter the space. One has to question the delay in the promulgation of this initiative".*

Dr Keith Jefferis: *"There is a need for product design and regulatory reform; encouraging use as store of value, including permitting payment of interest, introduction of savings wallets, ensuring that withdrawal fees (cash-out) are not excessive and extension of agency networks".*

Mike Nyamazana: Mobile money arose to fill a yawning gap in service provision i.e. remittances of small amounts of money instantaneously. To go beyond remittances there ought to be other services that mobile money providers offer. In Zimbabwe EcoCash now offers savings accounts. This was only possible because the Reserve Bank allowed the company to do so, and only because all mobile money providers have to be backed by a bank. So, reducing the limits on mobile money balances e.g. on savings accounts will allow greater use of mobile money. This requires harmonisation of regulation by and collaboration between the banking regulators and the telecommunications regulators.

Maya Fisher-French *"My initial response to this is that trust remains a challenge. Over time as the system proves itself to be trustworthy and safe one should see an increase in the type of transactions. However I also feel that for lower income earners their primary need would be money remittances. Even those who are banked tend to withdrawal their money in full as soon as it is paid into their accounts – they don't really fully utilise their bank accounts. Higher income users who have a better understanding of the technology and already use bank accounts more extensively would be a good comparison in terms of mobile money usage".*

Chapter 10

Summary

The table below summarises the thematic landscape of financial inclusion for the 12 countries under review, namely the proportion of the adult population that are saving, borrowing, insuring, and remitting.

TABLE 28: THEMATIC FINANCIAL INCLUSION INDICATORS SUMMARY

Country	Savings and investments		Borrowing and credit		Insurance		Remittances	
	Save %	Do not save %	Borrow %	Do not borrow %	Insured %	Not insured %	Remit (send/receive) %	Do not remit %
Botswana 2014	63	37	26	74	30	70	40	60
DRC 2014	55	45	9	91	1	99	34	66
Lesotho 2011	57	43	64	36	62	38	57	43
Malawi 2014	43	57	29	71	2	98	19	81
Mauritius 2014	70	30	52	48	38	62	6	94
Mozambique 2014	35	65	10	90	8	92	23	77
Namibia 2011	75	25	44	56	29	71	41	59
South Africa 2014	32	68	44	56	60	40	23	77
Swaziland 2014	65	35	41	59	27	73	42	58
Tanzania 2013	88	12	45	55	22	78	54	46
Zambia 2015	59	41	30	70	3	97	32	68
Zimbabwe 2014	47	53	42	58	30	70	58	42
SADC total	**51**	**49**	**32**	**68**	**26**	**74**	**34**	**66**

In total, 66% of adults in the region are financially included (including both formal and informal financial products/services), 54% are formally served (including both banked and other formal non-bank financial products/services), 36% are banked, 42% have/use other formal financial products/services, 39% have/use informal mechanisms, and 34% are financially excluded (they do not have/use any financial products/services neither formal nor informal, if they save they save at home, if they borrow they borrow from friends and family). Further, 51% of adults in the region save (including all forms of savings, formal, informal, and savings at home), 32% borrow (including all forms of borrowing, formal, informal, and borrowing from friends/family), 26% are insured (including both formal and informal insurance), and 34% remit money (including all forms of remittances). It needs to be considered, however, that the SADC region is diverse in terms of uptake of financial products and services. As shown in this section, overall levels of financial inclusion, formal inclusion, uptake of informal banking, as well as other formal (non-bank) vary considerably across the region. Further, the proportion of the adult population that saves, borrows, are insured, and/or remit money varies significantly.

FIGURE 194: UPTAKE OF FINANCIAL PRODUCTS/SERVICES – SADC SUMMARY

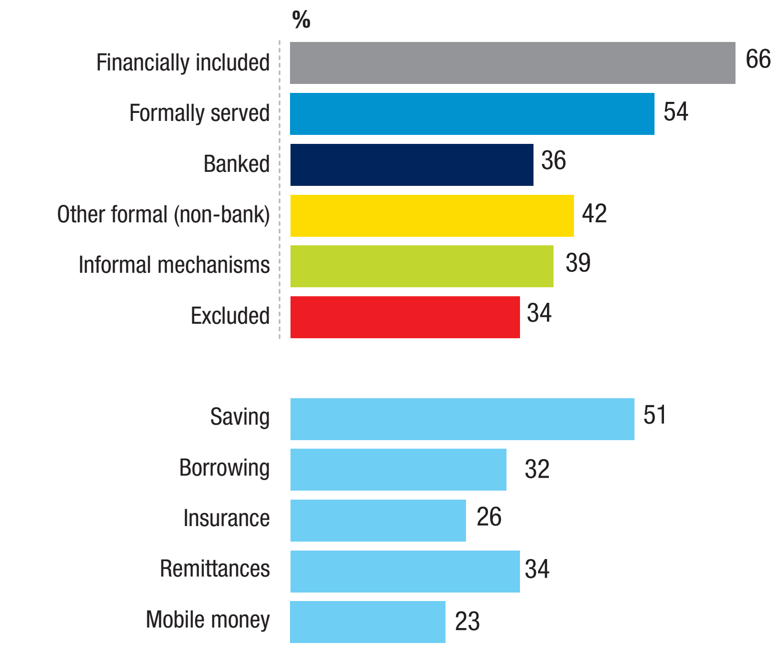


FIGURE 195: FINANCIAL STRANDS – SADC SUMMARY

SADC ACCESS STRAND

SADC SAVINGS STRAND

SADC CREDIT STRAND

SADC INSURANCE STRAND

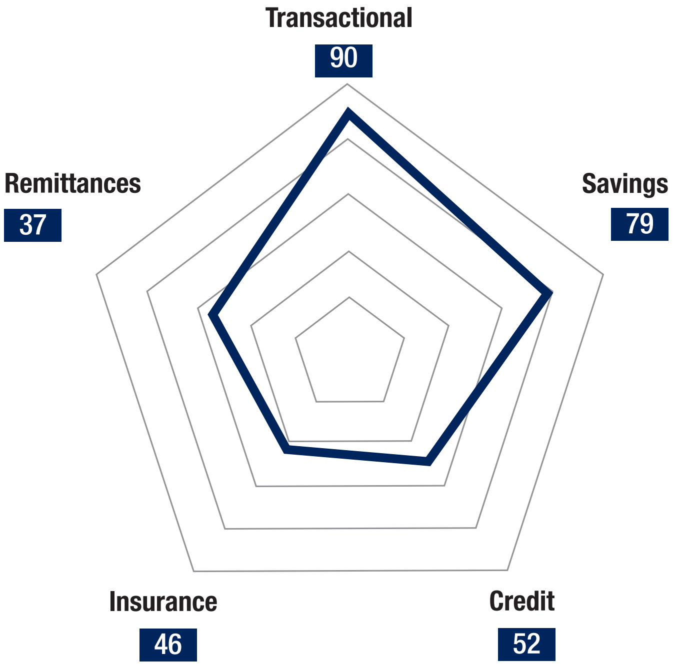
SADC REMITTANCES STRAND

In order to illustrate the extent to which adult people in the region have or use financial products and service, FinScope uses the Landscape of Access. The Landscape of Access looks at the types of products taken up by consumers who are financially included (about 83.4 million adults) and describes the percentage of adults that have/use formal/informal products into the following:

- Transactional products/services (including remittances products/services)
- Savings products/services
- Credit products/services
- Insurance products/services

The figure below shows the Landscape of Access for the region. The axes indicate the percentage of financially included adults using each product category.

FIGURE 196: LANDSCAPE OF ACCESS – SADC SUMMARY



As shown above, transactional products outperform savings, credit and insurance products. 90% of the financially included adults in the SADC region have/use transactional products/services. This is followed by savings products with 79% of the financially included individuals taking up these services. 52% of the financially included take up credit/loan products/services, while 46% have/use insurance products and 37% have/use remittances services.

Chapter 11

Conclusions and opportunities

In SADC countries, financial inclusion programmes are developing in isolated and uncoordinated pockets across the region. There is a need for a regionally co-ordinated approach to dealing with issues of financial inclusion.

This book intends to provide a bird's eye view of financial inclusion in the whole of the SADC region. By comparing and contrasting different countries, the book enriches one's understanding of the challenges and progress of financial inclusion in the region. The message emanating from the book is that constraints and challenges in access and usage must be addressed if there is to be progress.

FinScope studies have shown that the main perceived barriers to banking and or being underserved in the region relate to low or insufficient income or insufficient, irregular employment or unemployment.

If there is the desire to bank the 83 million unbanked adult population or to use informal mechanisms used by the 47 million adults as a vehicle for financial outreach, there must be a quantum leap in the regulation and innovation of products and services to meet the needs of the market. The FinScope surveys in the region have highlighted areas of change and innovation, as well as the areas where despite much activity little real change has taken place.

The financial inclusion journey will require striking a delicate balance between over and under regulation and a new generation of innovators with vision, passion and determination, who will find ways around every obstacle. Quoting Minister Nene's keynote speech at the Financial Inclusion Indaba, 'The private sector must take full advantage of technology by adopting business models that leverage technology platforms. Regulators must ensure an enabling environment that allows financial institutions to take advantage of technology innovation while at the same time ensuring that the financial system is stable and that consumers are protected'.

Based on this book and expert conversations, opportunities to bring the financially excluded into the fold of financial inclusion include the following:

1. Continuous measuring of financial inclusion
    - To understand people's experience of and their interaction with financial services, as well as the impact of financial services on their lives, the region's need the ability to measure and monitor the complete state of financial inclusion in countries

2. It is good that Ministers' of finance in the region have adopted a resolution that the FinScope Surveys be undertaken in all SADC countries every 2 – 3 years to track progress in terms of financial inclusion role of technology in promoting financial inclusion
    - With few exceptions, low, insufficient or irregular income and limited physical infrastructure remain key barriers in extending access to financial services in the region. There is a greater need for use of other distribution models to provide support for the poor and low income earners

3. Innovation
    - Region-to-pioneer policy and regulation that responds to market innovations and open space for new approaches to the delivery of financial services.
    - Regional innovation approaches that provide guidance for policy and regulation in order to foster the safe and sound adoption of innovative, adequate, low-cost financial service delivery models

4. Deepening financial inclusion beyond having/access to financial products/services
    - Improved understanding of benefits, costs and risks of financial services increases the likelihood of the beneficial use of appropriate financial services
    - Inclusive remittances strategy – leveraging the diaspora in the region and remittances to support vulnerable dependences through innovative cost-effective channels
    - Microinsurance – the book illustrates that there are huge obstacles in ensuring the protection of low-income people against perils in the region. However, through continuous efforts to understand the region's challenges and development of appropriate, relevant, affordable and effective premium collection, a microinsurance strategy is realistic
    - Opening mobile money usage beyond remittances and/or airtime top-ups – safe and convenient place to keep money, easy access to their money, transactional capacity and product education will ensure deepened mobile money usage
    - Informal mechanisms (informal markets) being used as vehicles for financial outreach particularly in the rural sector

An Excluded society – financial inclusion in SADC through FinScope lenses gives an all-inclusive regional financial inclusion picture. The book contains a rich analysis of financial landscape of access to financial services, providing a guiding tour across the region. The book contains the current state of inclusion, daily realities of people and conversations with a group of experts to highlight areas of development, persisting obstacles, record of trial and errors and progress in the region.
An Excluded Society is intended for regulators, development world, financial services suppliers, academics and everyone with an interest in financial inclusion in the region to serve as a wealth of information.

"This book is a welcome project that gives a bird's eye view of financial inclusion in the whole SADC region. By comparing and contrasting different countries, the book enriches our understanding of the challenges of financial inclusion and progress in financial inclusion".

Professor Chinyamata Chipeta

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