

# FinScope Consumer Survey Mozambique 2014



## Introduction

Although rapid economic growth in Mozambique (7% to 8% over the past 2 decades) has been largely driven by a series of mega projects, its impact has been low. The benefits of this growth have been mainly confined to resource boom enclaves and urban areas, only benefiting a small minority of Mozambicans, leaving most of the rural population unaffected. It is generally recognised that one of the principal barriers to economic growth and reasons for persistent poverty is the exclusion of the vast majority of the population to appropriate financial service provision.

The Government of Mozambique recognises the role played by the financial sector in facilitating economic growth. In order to develop policies that will generate sustainable and inclusive growth and development, the Government requires evidence-based information on the financial sector and levels of financial inclusion. To assist in this endeavour, FinMark Trust in conjunction with the Ministry of Economy and Finance and DFID Mozambique embarked on a FinScope survey which was conducted by COWI between April 2014 and July 2014. The Government, through its Financial Inclusion Action Plan, is currently designing a Financial Inclusion Policy with assistance from the World Bank as a follow-up action foreseen by the Mozambique Financial Sector Development Strategy (MFSDS) 2013 – 2022. One specific financial inclusion objective of this strategy is to ensure that 35% of adult Mozambicans have bank accounts by 2022.

The FinScope survey is a research tool which was developed by FinMark Trust. It is a nationally representative survey of how individuals source their incomes, and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services. The FinScope surveys in Mozambique (FinScope Consumer Survey 2009 and FinScope MSME Survey 2012) not only enabled the assessment of the landscape of financial access but also provided a benchmark for repeat surveys that will enable impact of access related policy initiatives to be assessed. This brochure summarises the findings of the FinScope Consumer Survey 2014 and, as such, will address the information needs that would enable the Government of Mozambique to develop and monitor evidence-based policies and regulations which will help extend the reach of financial services in Mozambique.

## Objectives

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

- To measure the levels of financial inclusion (i.e. the proportion of the population using financial products and services – both formal and informal)
- To describe the landscape of access (i.e. the type of products and services used by financially included individuals)
- To identify the drivers of, and barriers to the usage of financial products and services
- To stimulate evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion
- To compare survey results with the first FinScope Consumer Survey in Mozambique (2009) and to provide an assessment of changes and reasons thereof (including possible impacts of previous interventions to enhance access)

## Partnering for a common purpose

FinScope Mozambique is designed to involve a range of stakeholders engaging in a comprehensive consultation process. This process has enriched the survey and the shared results have contributed meaningfully to those who have a common interest in financial inclusion. The FinScope Consumer Survey is an important component of the Making Access Possible (MAP) methodology as it is the demand-side tool that assists in determining the levels of financial access in a country. MAP is a diagnostic and programmatic framework to support expanding access to financial services for individuals and micro- and small-businesses.

## Partnering for a common purpose

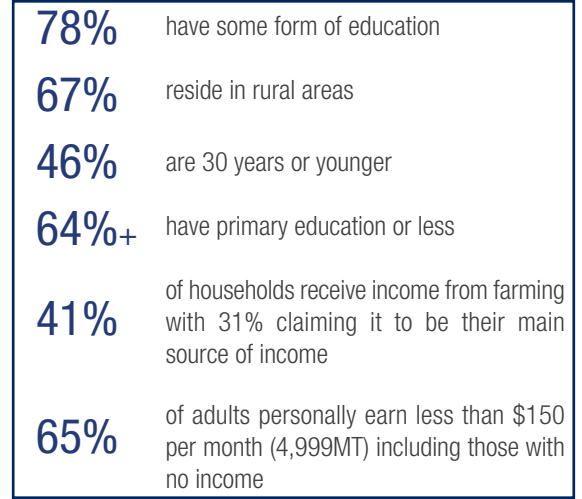
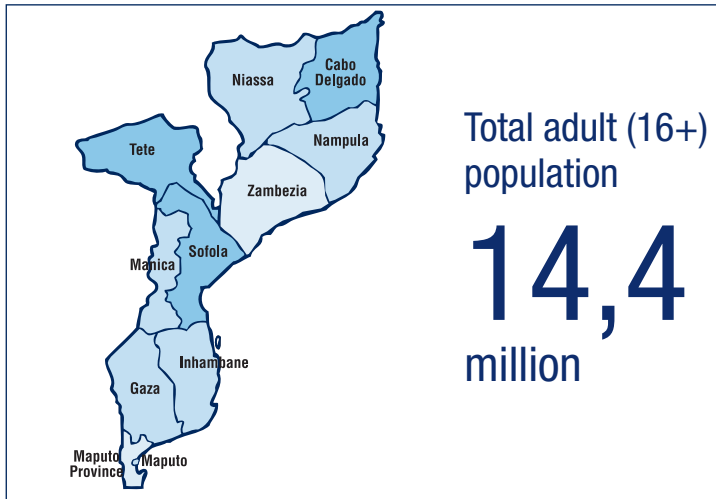
A Steering Committee chaired by the Ministry of Economy and Finance (MEF) was set up which comprised representatives from the FinMark Trust, the Bank of Mozambique, National Institute of Statistics (INE), DFID Mozambique, FSD Mozambique and COWI Lda (research house).

Mrs Paula Mondlane was the FinMark Trust local project coordinator in Mozambique.

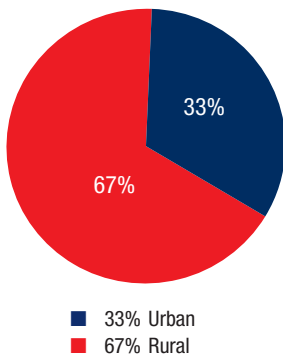
## Methodology

A total of 3905 face-to-face interviews were conducted by COWI. The sampling frame, quality control and weighting of the data was conducted by INE with assistance from FinMark Trust. The sample is a nationally representative individual-based sample of Mozambicans aged 16 years and older.

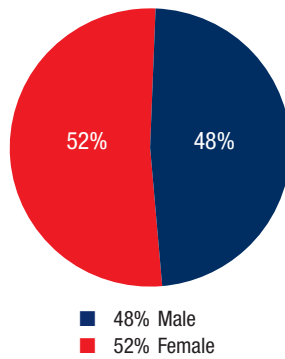
## Understanding the lives of Mozambicans



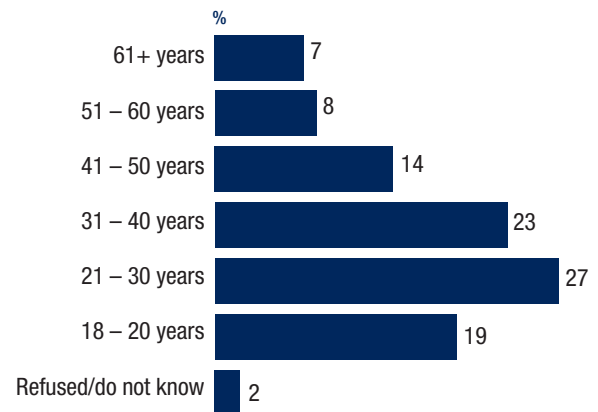
Urban/rural



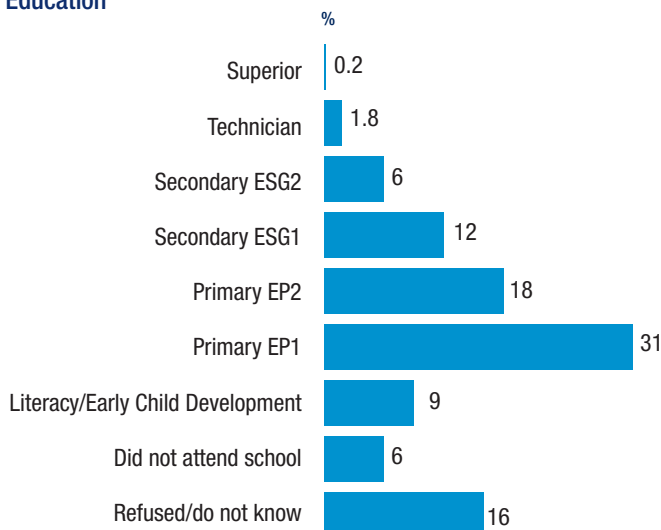
Gender



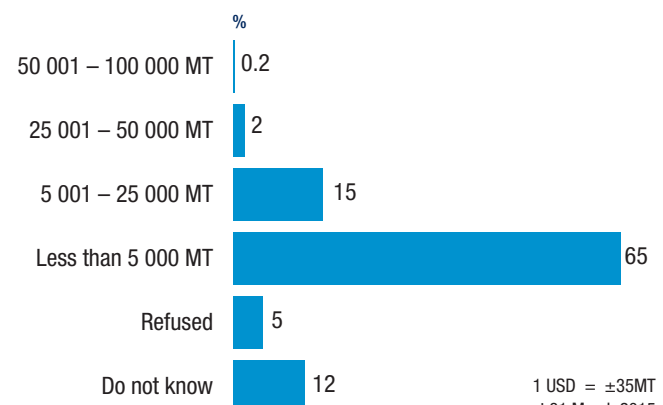
Age



Education



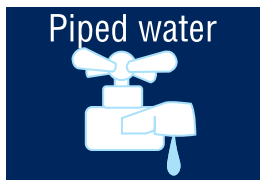
Personal monthly income



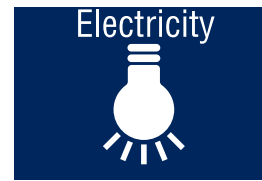
1 USD = ±35MT  
as at 31 March 2015

# Understanding the lives of Mozambicans

## Access to basic amenities



Number of individuals with access to piped water (inside dwelling or yard/plot)



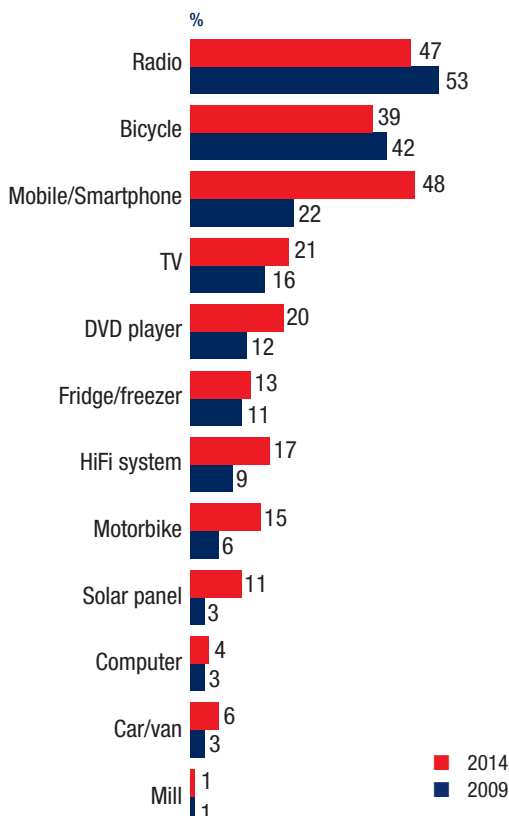
Number of individuals with electricity (for cooking or lighting)



## Median time taken to reach destination (ranked)

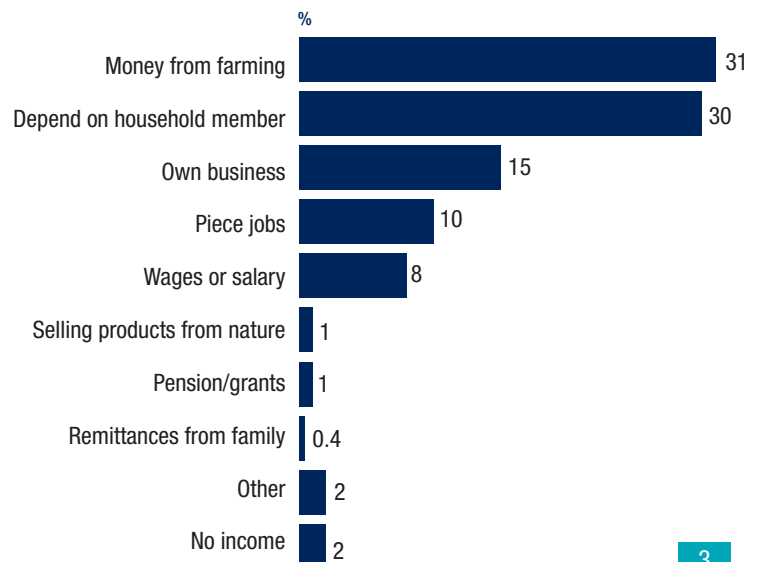
Rank	Infrastructure accessibility	Median time taken to reach destination (ranked)	Icon	Total		
				Urban	Rural	
1	Nearest market			33 minutes	21 minutes	39 minutes
2	Money lender			47 minutes	31 minutes	56 minutes
3	Bank branch			1 hour 9 minutes	35 minutes	1 hour 34 minutes
4	ATM			1 hour 12 minutes	37 minutes	1 hour 38 minutes
5	Financial institution office			1 hour 13 minutes	39 minutes	1 hour 38 minutes

## Household ownership of assets



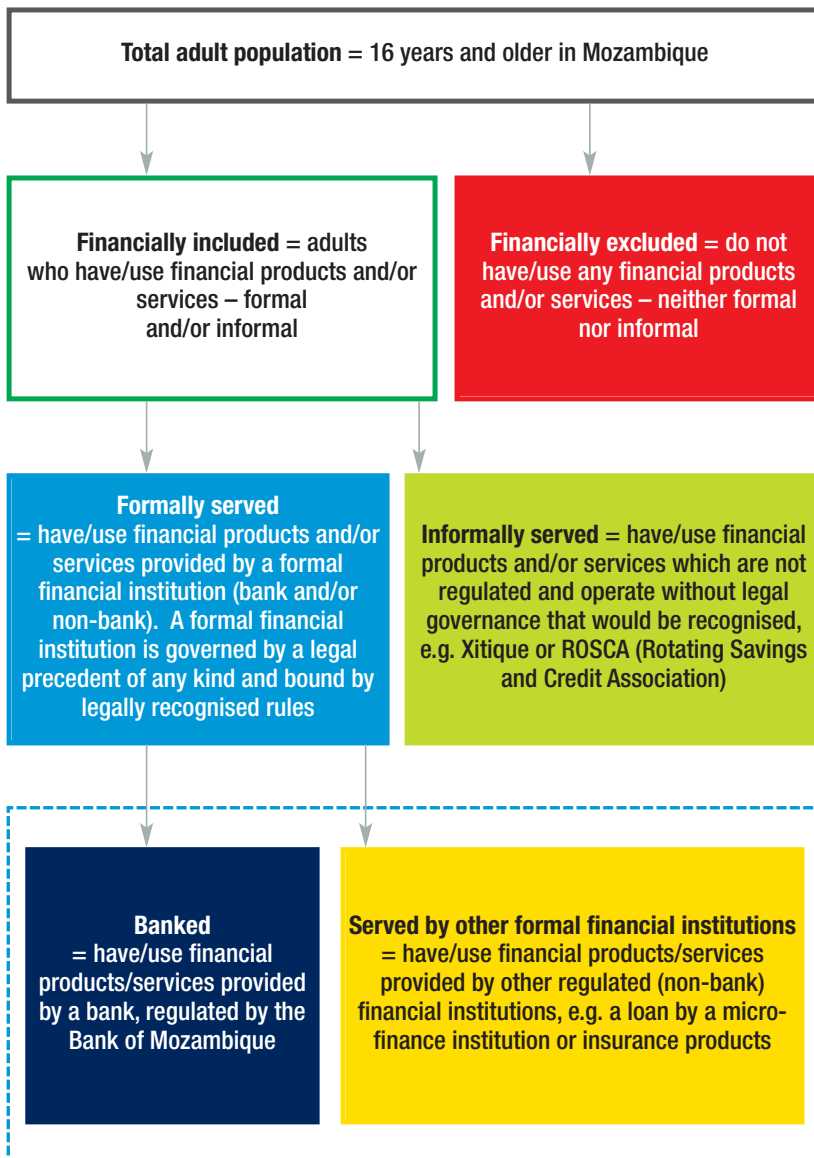
- There is more access to basic utilities such as electricity in 2014 compared to 2009. This can be attributed to increases in solar panels from 3% in 2009 to 11% in 2014, particularly in rural areas
- Income levels are still low with two thirds of the adult population earning less than \$150 (4 999MT) per month including those with no income
- The rural population continue to be the most excluded due to the lack of access of infrastructure
- Adults in rural areas take an average of one and half hours to reach a bank branch versus the 30 minutes taken by an urban adult

## Main source of income





## Analytical framework



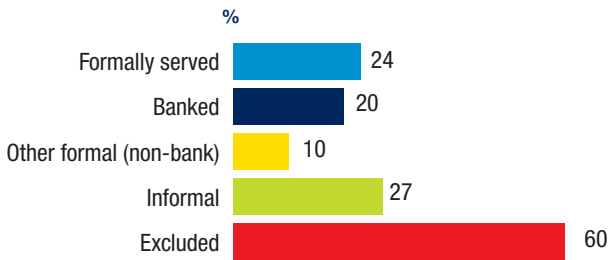
# Overview

The legal age at which an individual in Mozambique can open a bank account is 16 years, therefore the adult population is defined as all individuals aged 16 years and older:

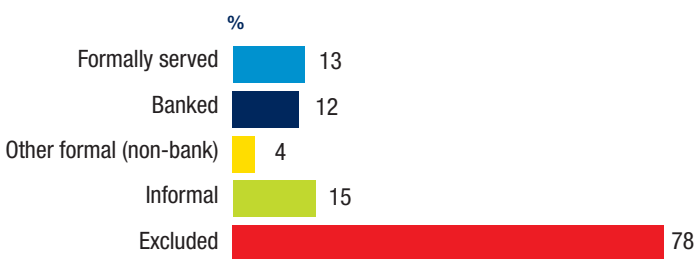
- 23% of adults are formally served, including both banked and other formal bank products/services [increased considerably, 13% in 2009]
- 20% of adults are banked [increase from 12% in 2009]

- 10% of adults have/use other formal non-bank products/services [increased, 4% in 2009]
- 27% of adults have/use informal mechanisms for managing their finances [increased, 15% in 2009]
- 60% of adults are financially excluded [decreased significantly, 78% in 2009]

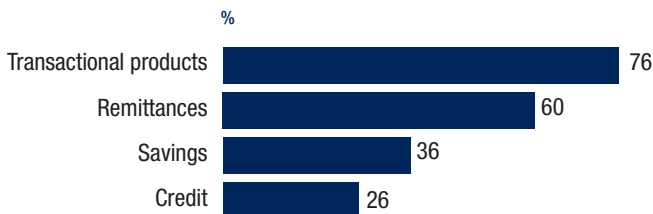
## 2014



## 2009



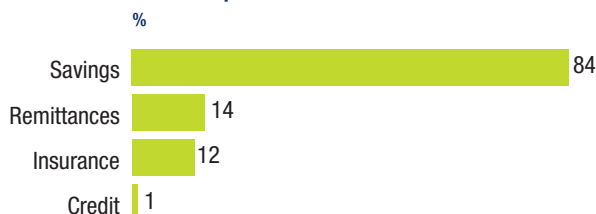
## What drives banking?



Banking in Mozambique is mainly driven by transactional, remittances and savings products.

- 76% of banked adults have/use transactional products
- 60% have/use banking products for remittance purposes
- 36% have/use savings products
- 26% use banking credit products

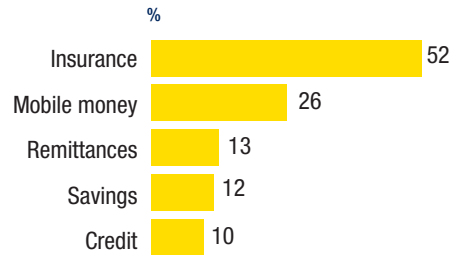
## What drives the use of informal products?



Mozambicans use informal mechanisms mainly for savings, remittance, insurance, and credit:

- 84% of adults who use informal mechanisms belong to savings groups
- 14% use informal remittance mechanisms
- 12% use informal mechanisms for insurance purposes
- 1% use informal mechanisms to borrow money (credit)

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



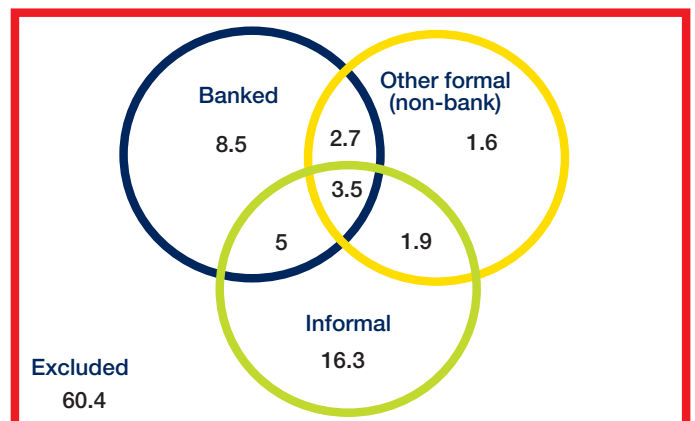
The use of other formal (non-banking products) is mainly driven by insurance and remittances (mainly mobile money) products

- 52% of adults use other formal (non-banking products) through insurance
- 26% of adults who use other formal products have a mobile money account
- 13% use other formal (non-banking products) to remit
- 12% have/use savings products
- 10% use other formal products for credit purposes

# Overlaps

Consumers generally use a combination of financial products and services to meet their financial needs – someone could have a bank account and also belong to a burial society.

- 9% of adults rely exclusively on banking services yet only 2% rely exclusively on other formal
- 10% use a combination of formal and informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the formal sector alone
- 16% of the adult population ONLY rely on informal mechanisms such as savings groups (Xitique) or ASCAs (Accumulating Savings and Credit Associations) to save or borrow money



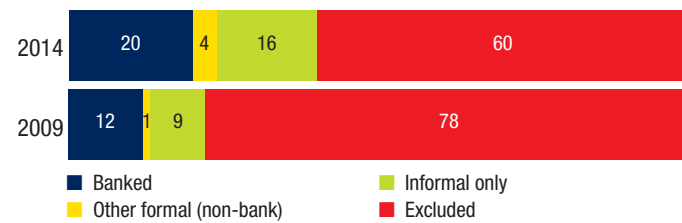
## Access Strand

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

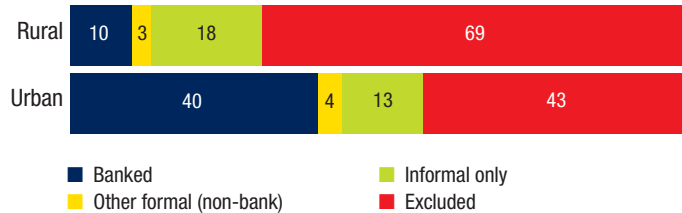
- 60% of adult Mozambicans are financially excluded (i.e. do not use financial products – neither formal or informal – to manage their financial lives)
- 16% rely only on informal financial products or services
- 4% have/use other formal non-bank products/services and may use informal financial products but not commercial banking products
- 20% have/use bank products/services

Significant increase in 2014 in those that rely only on informal mechanisms comparing to 2009

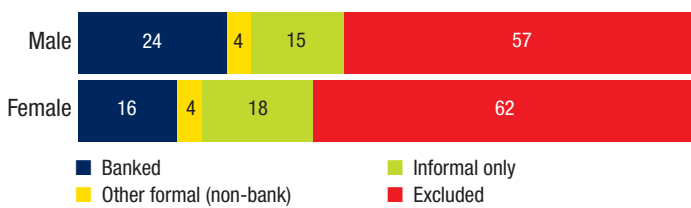
### Overall Access Strand



### Access Strand by location



### Access Strand by gender

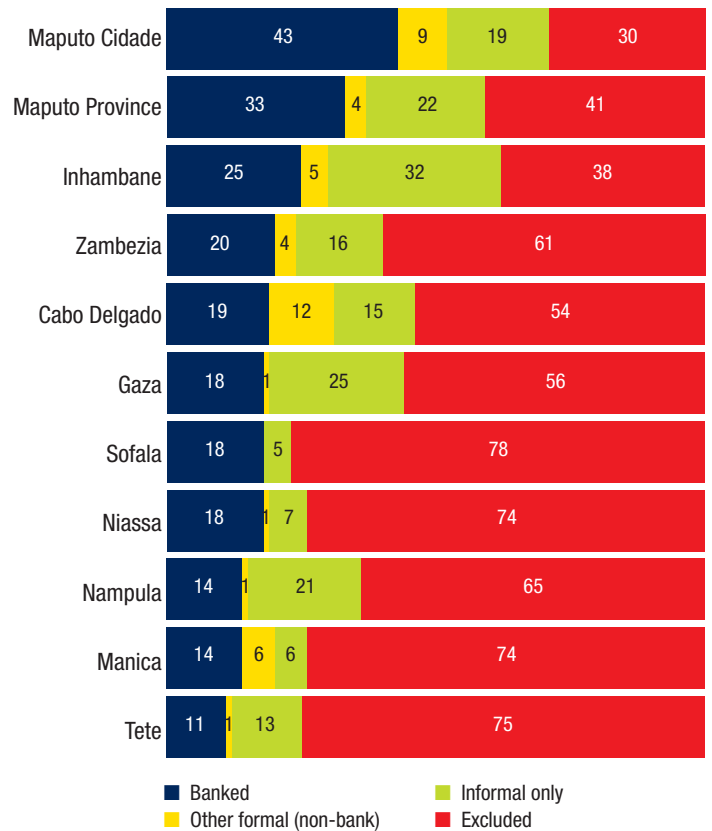


### Key findings

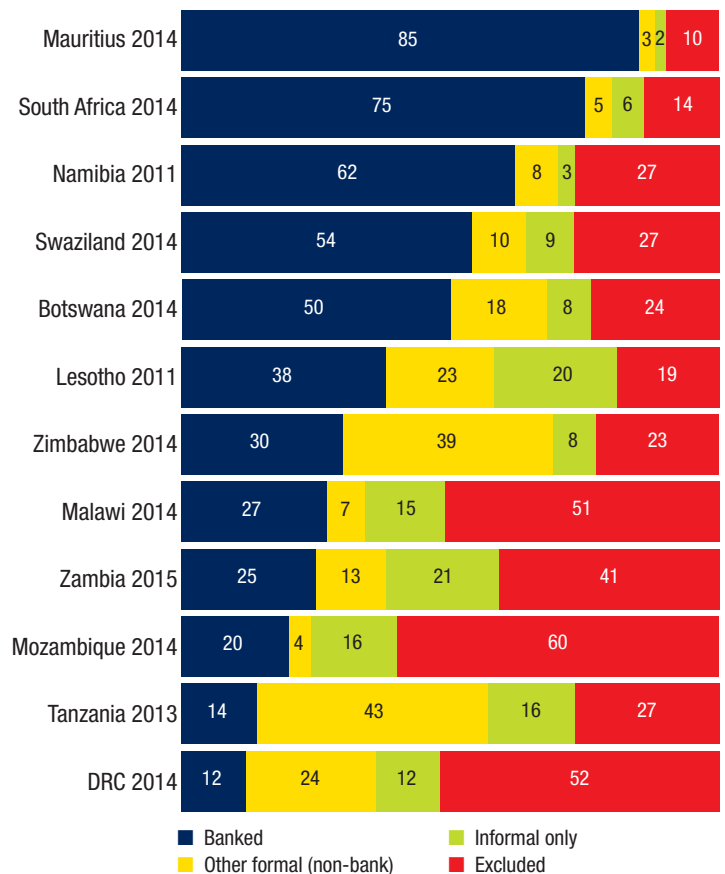
Comparing the Access Strand by location, gender and the SADC region reveals that levels of financial inclusion (including product uptake of both formal and informal products/services) are higher:

- Among adults residing in urban areas (57%) compared to adults residing in rural areas (31%)
- Among the adults in provinces of Maputo city (70%) and Maputo Province (59%)
- In SADC, Mauritius (90%) compared to Mozambique (40%)

### Access Strand by province



### Access Strand across the SADC region

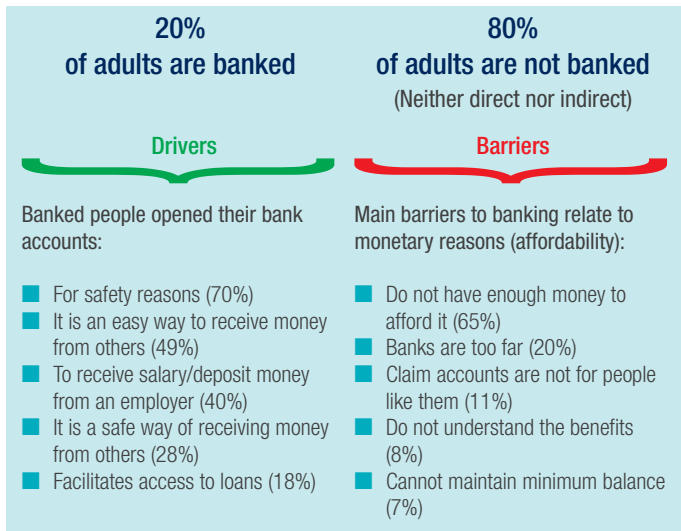




# Banking

## Banking status

- The banked population has increased since 2009; from 12% (1.35 million) in 2009 to 20% (about 2.8 million) in 2014
- Banking is largely driven by transactional products/services



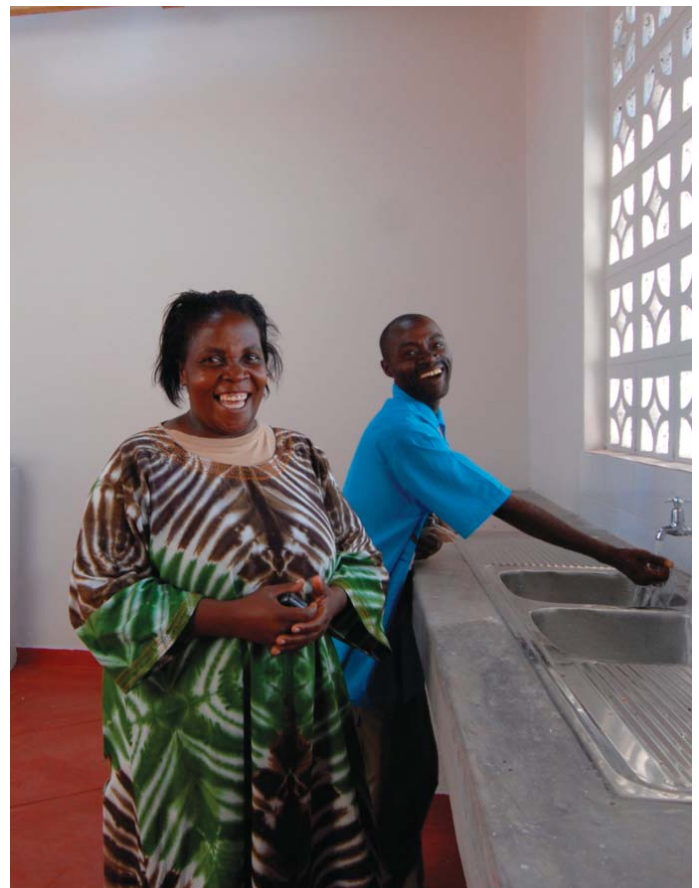
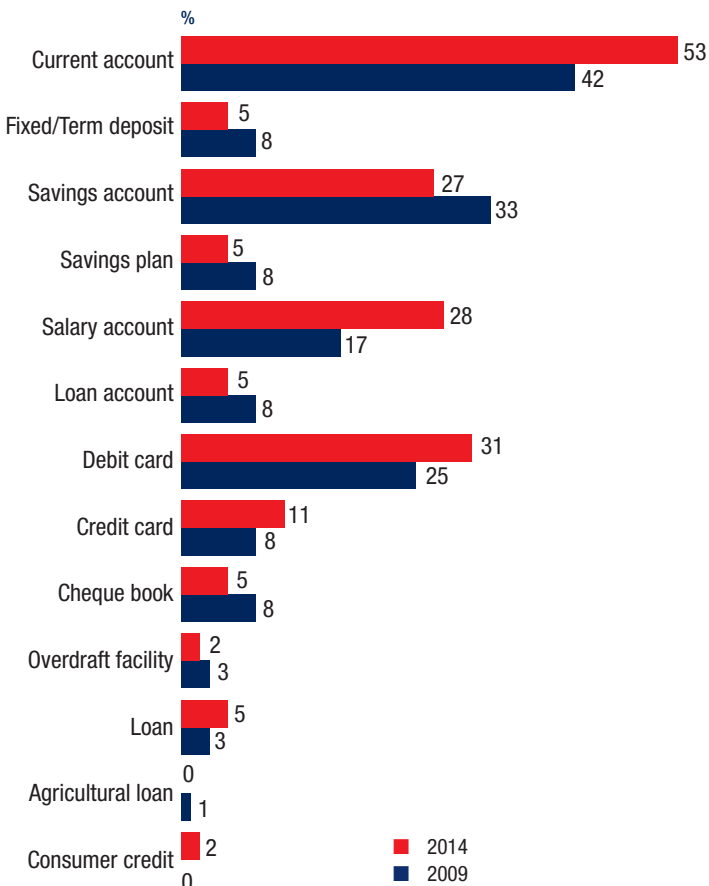
## How many adults (16 years or older) are banked?

	2009	%	2014	%
No. of banked adults in Mozambique	1.35 mil	12	2.8 mil	20
Number of previously banked adults in Mozambique	148 000	1.3	352 000	5
Number of never banked adults in Mozambique	10 mil	87	10.8 mil	75
No. of unbanked adults in Mozambique	10.1 mil	88	11.59 mil	80
Total adult population size	11.48 mil	100	14.43 mil	100

Looking at the total numbers, uptake of products between 2009 and 2014 increased mainly:

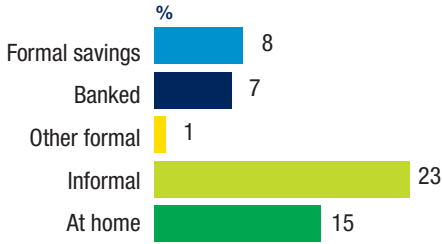
- Current Account: 500 000 to 1,5 million
- Salary account: 270 000 to 780 000
- Debit card ownership: 380 000 to 870 000
- Credit cards: 110 000 to 310 000
- Savings account: 277 000 to 769 000
- Term deposit account: 73 000 to 144 000

## Banking: Where is the growth?

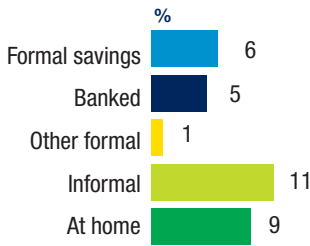


# Savings and investments

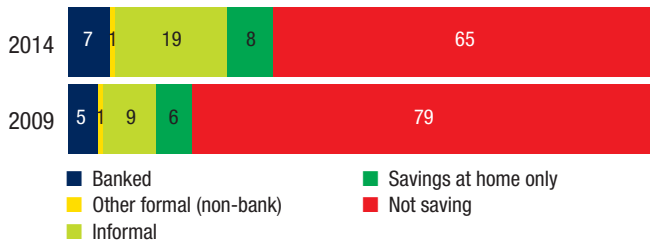
## Overview 2014



## Overview 2009



## Savings Strand



In constructing this strand, the overlaps in savings product/services usage are removed:

- 65% of adults in Mozambique do not save [decreased significantly, 79% in 2009]
- 8% keep all their savings at home, i.e. they do not have/use formal or informal savings products or mechanisms [increased, 6% in 2009]
- 19% only rely on informal mechanisms such as savings groups (they might also save at home, but they do not have/use any formal savings products) [increased, 9% in 2009]
- 1% have/use other formal non-bank savings products (they might also have/use informal savings mechanisms and/or save at home, but they do not have/use savings products from a commercial bank) [constant, 1% in 2009]
- 7% have/use savings products from a commercial bank (they might also have/use other formal and/or informal mechanisms, and/or save at home) [increased, 5% in 2009]

### 35% of adults save (mainly saving informally)

#### Drivers

- To increase income (37%)
- Living expenses (31%)
- To build a house to live in (11%)

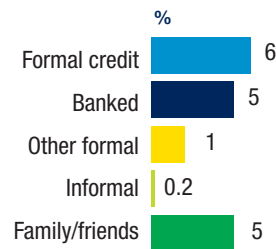
### 65% of adults do not save (mainly due to lack of income)

#### Barriers

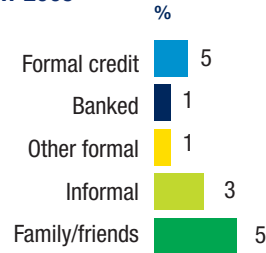
- No spare cash after the living expenses (51%)
- All money is put into the household pot (20%)

# Borrowing and credit

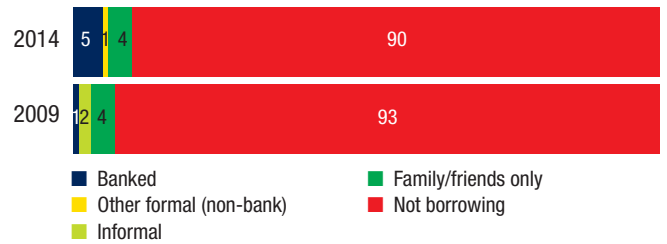
## Overview 2014



## Overview 2009



## Credit Strand



In constructing this strand, the overlaps in credit/loan product/services usage are removed:

- 90% of adults in Mozambique claimed that they did not borrow or took goods on credit in the past 12 months [decreased, 92% in 2009]
- 4% only rely on friends and family, i.e. they do not have/use any credit products (neither formal nor informal) [constant, 4% in 2009]
- 0.2% rely on informal mechanisms such as ASCAs or Xitiques (they might also borrow from friends and family, but they do not have any formal credit products) [decreased, 2% in 2009]
- 1% have/use other formal non-bank credit products (they might also have/use informal credit mechanisms and/or rely on friends and family, but they do not have/use savings products from a commercial bank) [increase, 0.4% in 2009]
- 5% have/use credit products from a commercial bank (they might also have/use other formal and/or informal mechanisms, and/or borrow from friends/family) [increased, 1% in 2009]

### 10% of adults borrow (mainly from friends and family)

#### Drivers

- Non-medical emergency (32%)
- To start or expand a business (26%)
- Build/revamp a house (19%)
- Living expenses (15%)

### 90% of adults do not borrow (psychological barriers)

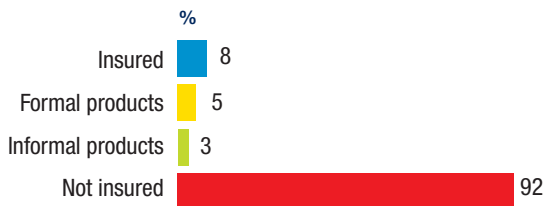
#### Barriers

- Fear of debt (32%)
- Have not thought about borrowing (28%)
- Worried about defaulting (9%)

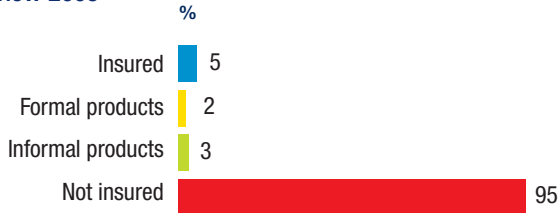


# Insurance and risk management

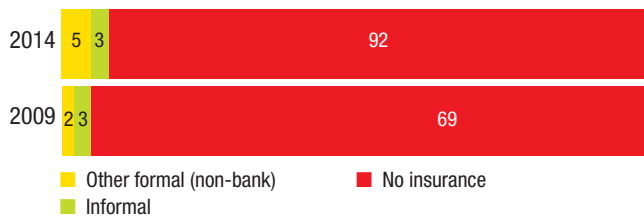
## Overview 2014



## Overview 2009



## Insurance Strand



- Insurance uptake in Mozambique is very low with only 8% having some form of insurance product covering risk
- Insurance sector in Mozambique continues to be driven by funeral insurance/cover and life insurance

### 8% of adults have insurance

#### Drivers

Of those insured, uptake of formal insurance products is driven by:

- Personal funeral insurance (30%)
- Employer funeral insurance (15%)
- Life insurance (13%)
- Employer medical aid (8%)

Uptake of informal products is driven by:

- Informal funeral plan (37%)
- Other informal insurance (25%)
- Agreement with church (8%)

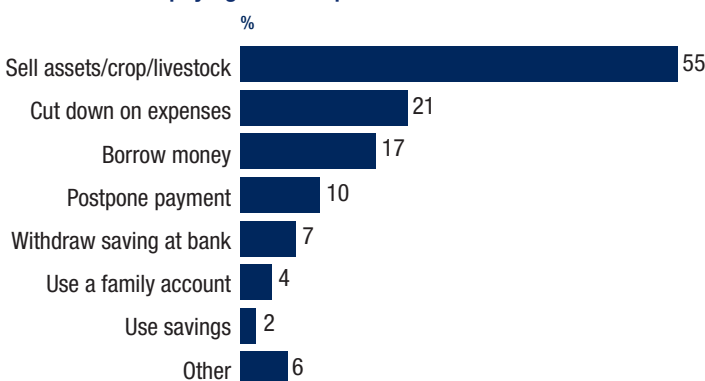
### 92% of adults do not have insurance

#### Barriers

Main barriers to the uptake of insurance:

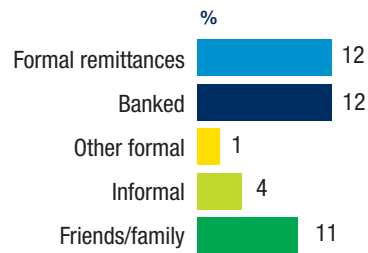
- Claim they do not know about it (58%)
- Claim they have never thought about it (30% of the time)
- Claim they do not know how insurance works (27%)
- Claim they do not need insurance (14%)

## Mechanisms for paying for anticipated events

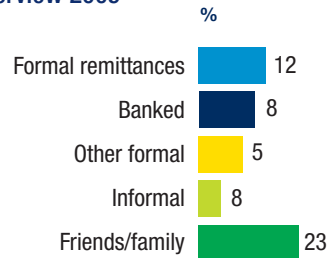


# Remittances

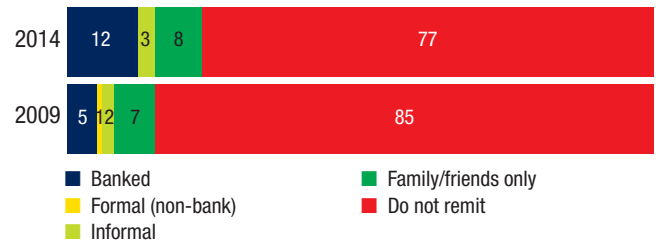
## Overview 2014



## Overview 2009



## Remittances Strand



## Incidence of remittances

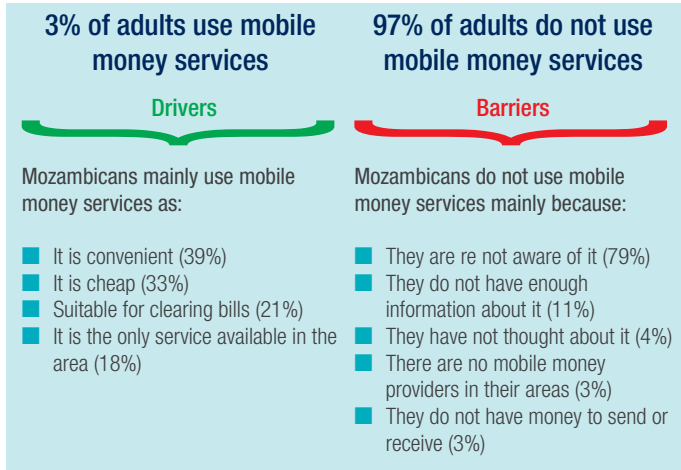
- 23% of adults claimed to remit in 2014
  - 1% used other formal remittance channels mainly mobile money and other cross-border channels such as Teba, Moneygram, Western Union, etc.
  - 11% sent/received money through family/friends
  - 4% used informal mechanisms such as bus/taxi drivers to send or receive money
  - 12% sent or received money through the bank



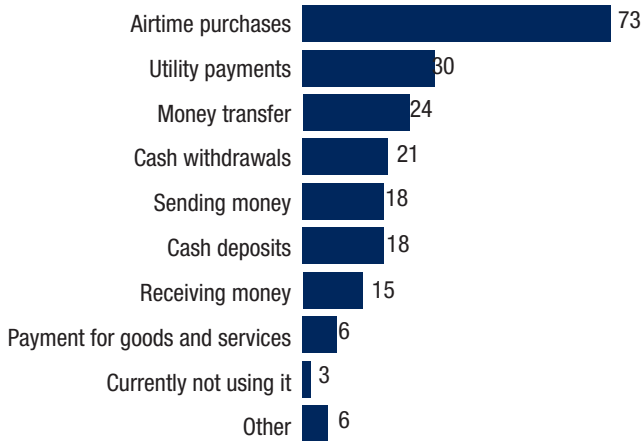
## Mobile money

Of the 3.3% (470 000) who are using mobile money:

- 94% transact through mobile money (pay utility bills, buy airtime, etc.) at agent
- 21% use it to remit at agent

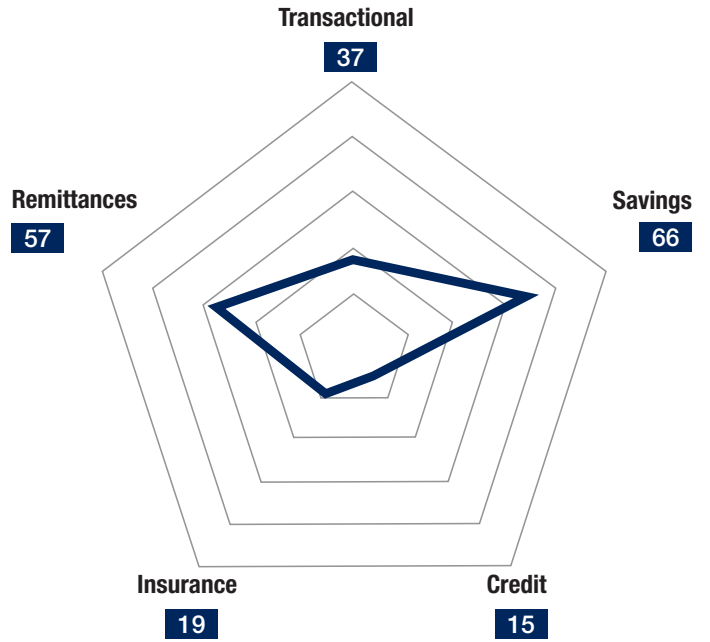


### Mobile money user transactions



## Landscape of Access

The Landscape of Access is used to illustrate the extent to which financially included individuals have/use financial products/services (excluding those borrowing from family/friends and those who save at home/hiding in a secret place).



## Summary

- Notable but subtle changes have occurred in the population profile between 2009 and 2014:
  - Stable urban population 34% in 2009 to 33% in 2014
  - Increase in male population from 45% to 48%
- Increased ownership in mobile phones
- Changes in access to infrastructure:
  - Access to piped water has increased in 2014
  - Access to electricity has improved in 2014
- Income levels in Mozambique are still low for the majority of the adult population (65% earning less than 5,000MT including those with no income)
- Informal sector is the main source of income (dominated by agriculture, own business and biscato)
- Farming remains the most important source of income for most adult Mozambicans
- Financial inclusion increased by 18 percentage points from 22% in 2009 to 40% in 2014 mainly due to an increase in the formally served mainly due to an increase in the banked (12% in 2009 to 20% in 2014)
- Transactional (including remittances) and credit products are still strongly driven by the banks
- The major barriers to banking include the costs of products which are comparatively high. Mozambique has low levels of income and formal employment which contribute to low bank product uptake.
- Accessibility to banking infrastructure still a barrier in rural areas where 70% of adults live
- Mozambicans are more likely to save (35%) than borrow (10%) with mostly informal saving mechanisms (informal groups and livestock) being the most popular
- Mobile money is an effective formal platform that has the potential to reach a large number of adult Mozambicans geographically at low costs. However the adoption rate is relatively low in Mozambique (3%) mainly due to lack of awareness (79%) since its inception in 2012
- The study revealed that 1% of adults invest in formal products such as securities, bonds and shares
- Consumer education and financial literacy are real issues in Mozambique which require more emphasis at policy level as well as basic education level for positive impact on the lives of Mozambicans

### Key reasons for financial exclusion

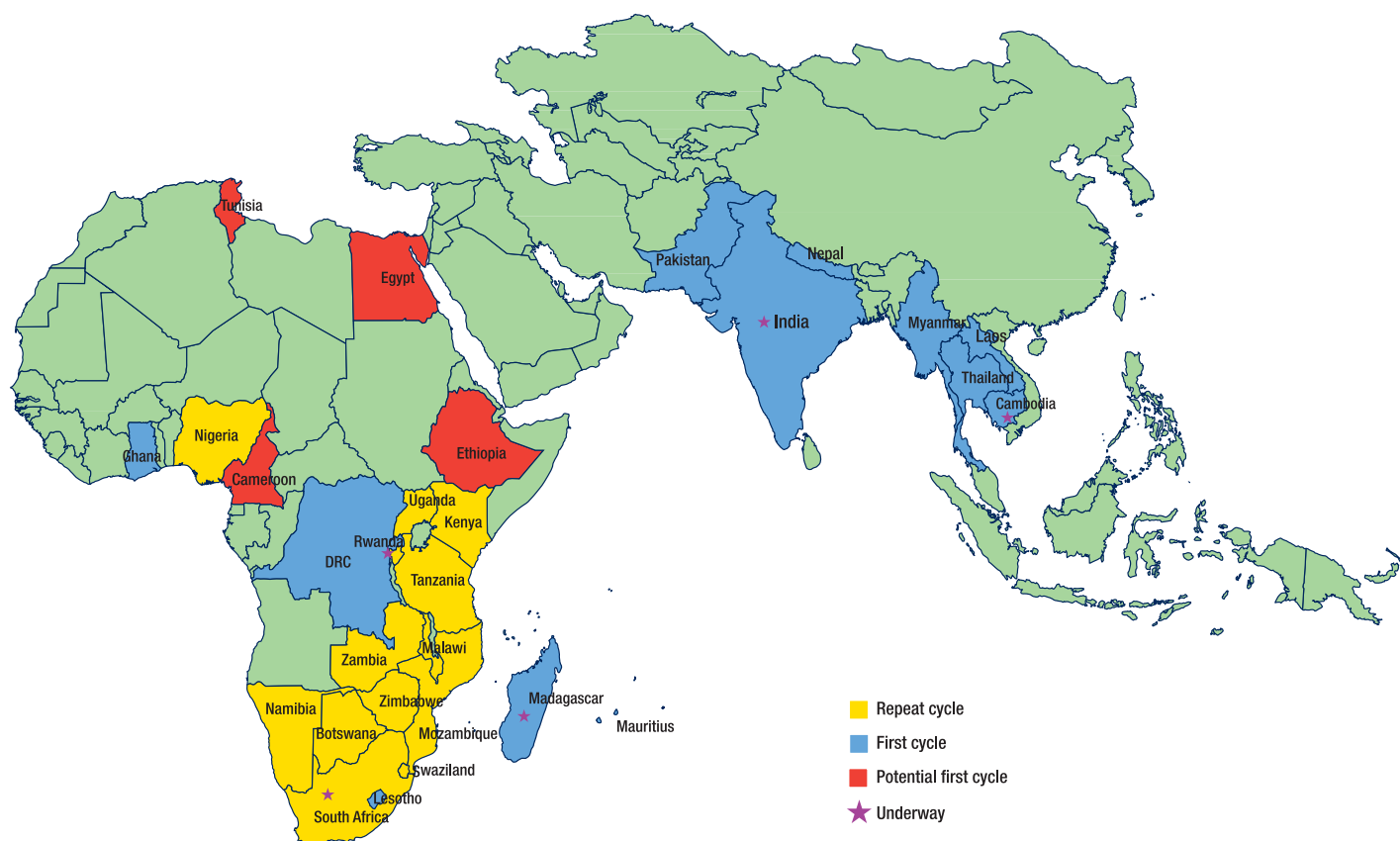
- Lack of financial literacy and customer education to enable consumers to see the value of financial products in their financial lives by understanding how they work
- Unemployment remains a key constraint to people being financially included
- Lack of infrastructure is an impediment to adults accessing financial services points. Rural infrastructure is one of the major reasons for the bulk of adults being excluded from financial services and products
- Low income levels and affordability of financial products/services
- Financial exclusion is higher in the rural areas possibly due to limited accessibility to banks and formal salaried employment opportunities



## FinScope footprint

FinScope Consumer Surveys have been completed in 22 countries. This allows for cross-country comparison and sharing of findings which are key in assisting on-going growth and strengthening the development of financial markets. Surveys are currently underway in 5 countries – 2 in SADC, 1 in non-SADC and 2 in Asia.

FinScope Mozambique 2014 contains a wealth of data based on a nationally representative sample of the adult population of Mozambique.



## Contact

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FinMark Trust, an independent trust based in Johannesburg, South Africa, was established in 2002, and is funded primarily by UKaid from the Department for International Development (DFID) through its Southern Africa office. FinMark Trust's purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'. This is done by promoting and supporting financial inclusion, 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. In order to achieve this, 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 research findings. Thus, FinMark Trust developed the FinScope tool, including both the FinScope MSME Survey and the FinScope Consumer Survey.