





FinScope Consumer Survey Namibia 2012

Ministry of Finance
Windhoek, Namibia
8 March 2012
Christiaan Keulder and Dr Kammy Naidoo





Integrated research solutions



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- Methodology of the study
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Introduction and background

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FinMark Trust's FinScope research



FinScope Consumer Surveys

What

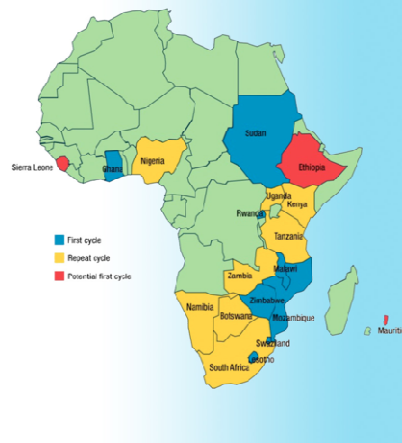
Nationally representative study of demand for, usage of, and access to financial services

Where

16 African countries, as well as Pakistan

Objective for FinScope Namibia

To measure and profile levels of access to and use of financial services by all adults aged 16 years and older, across income ranges and other demographics



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Partnering for a common purpose



FinScope Namibia follows a syndicate-funded approach. The syndicate members form an integral part in the survey questionnaire design and offer other valuable insights into consumer demand behaviour.



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Methodology of the study

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Overview



Logistics	Details
Methodology	Face-to-face, pen and paper interviews were conducted among adults in Namibia (16 years and older)
Sampling frame	Listing exercise, population stratified by location (urban/rural)
Sample area selection	150 Enumerator Areas (EAs) were selected using probability proportional to size (PPS), interviews were conducted in 56 urban and 94 rural EAs
Sample size	1200 interviews, nationally representative sample
Household qualification	8 households were selected from each EA using systematic random sampling
Respondent selection	Final respondent to interview was selected using the Kish Grid method
Questionnaire length	± 75 minutes
Fieldwork	November 2011 to January 2012
Data management	20% back checks, data capturing in SPSS, weighting was done on EA, household and individual level, data validation against census data

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Weighting methodology



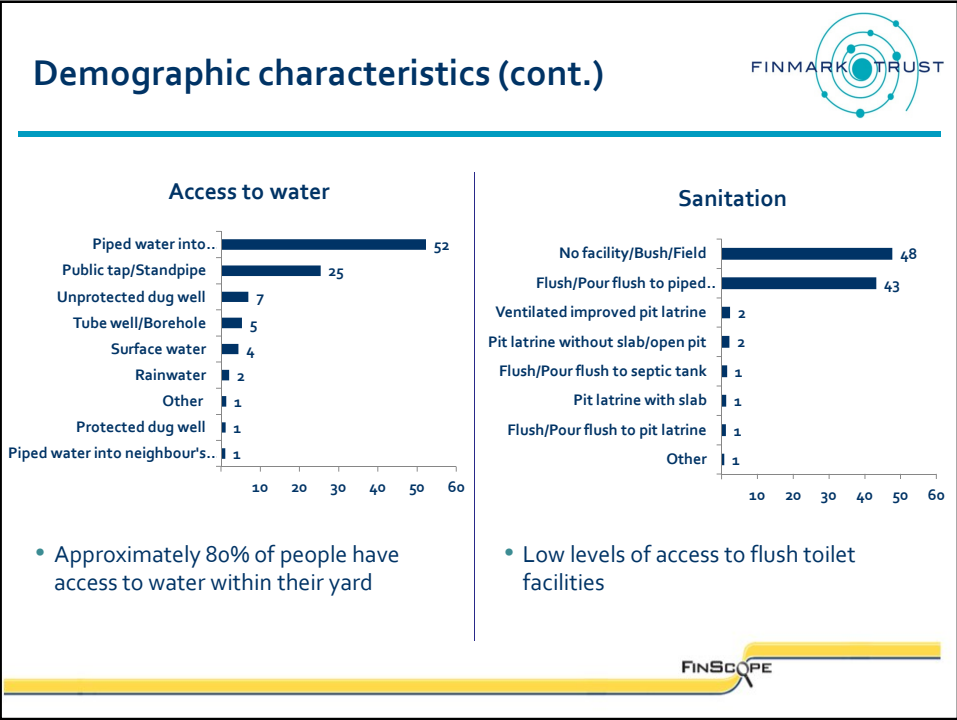
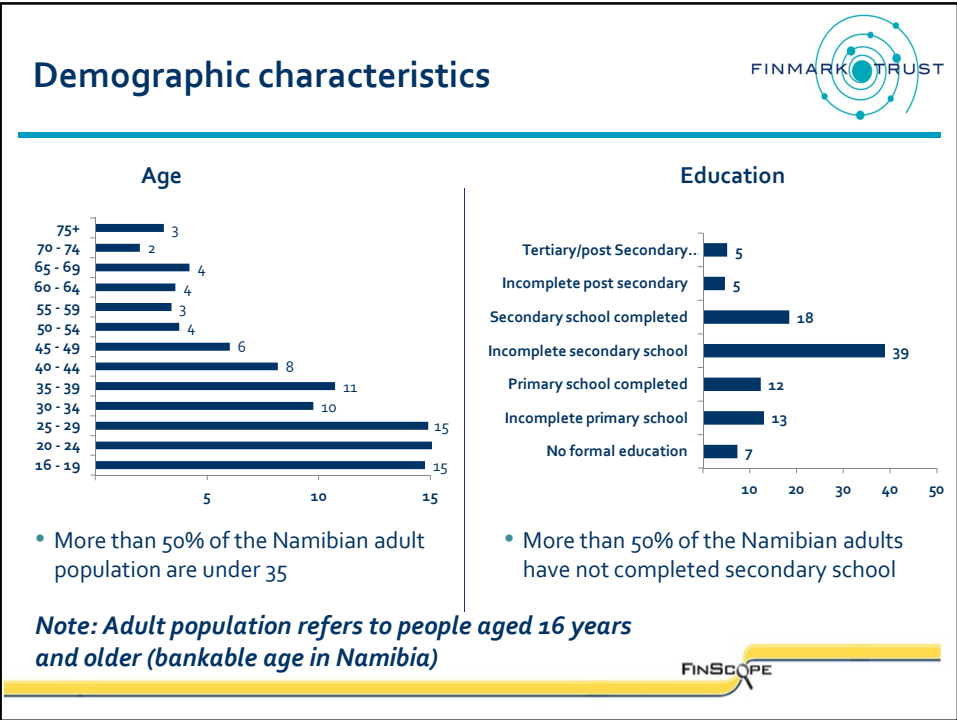
- 2004 and 2007 – weighting was done using the projected national population of 2006
- The 2004 data was only weighted in 2007, using the same population projections as a basis for weighting
- Given that a household listing was conducted in 2011, the National Planning Commission (NPC) used listing figures as a basis of computing the weights for households and individuals
- In order to verify the weights, the resultant weights were compared to the 2009/2010 National Household Income and Expenditure Survey (NHIES) survey that was conducted by the NPC
- Slight adjustments were made to the weights computed from the household listings conducted by Survey Warehouse, given that the NHIES sample was much bigger, more EAs were covered, and therefore provided more accurate population data as a basis for weighting

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Understanding people's lives

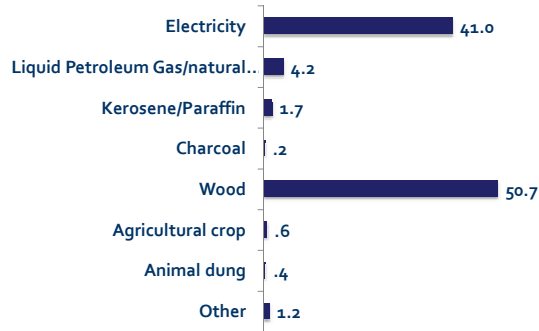
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Demographic characteristics (cont.)



Energy source (cooking)



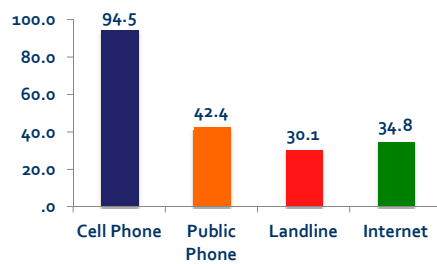
- Compared to other African countries, there are high levels of electricity usage
- However, there is also still high use of basic energy sources

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Demographic characteristics (cont.)

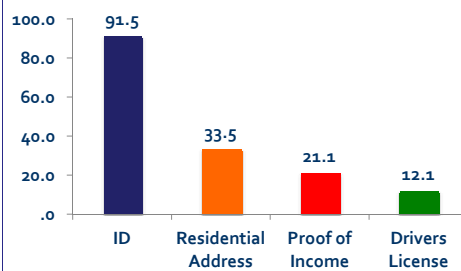


Access to technology (communication)



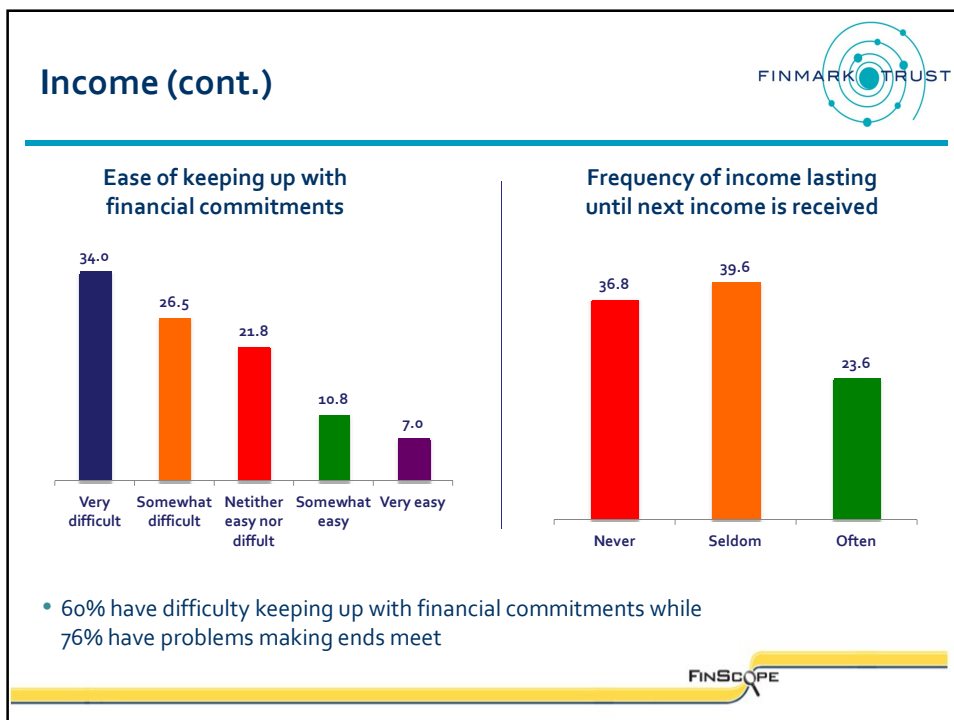
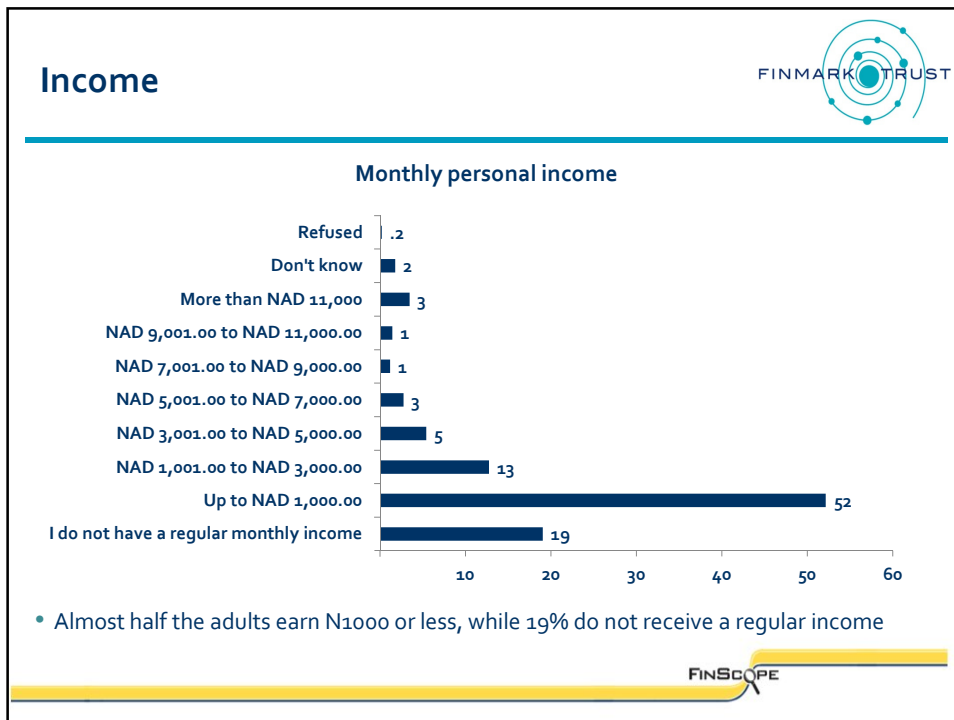
- High levels of access to communications technology, particularly cell phone

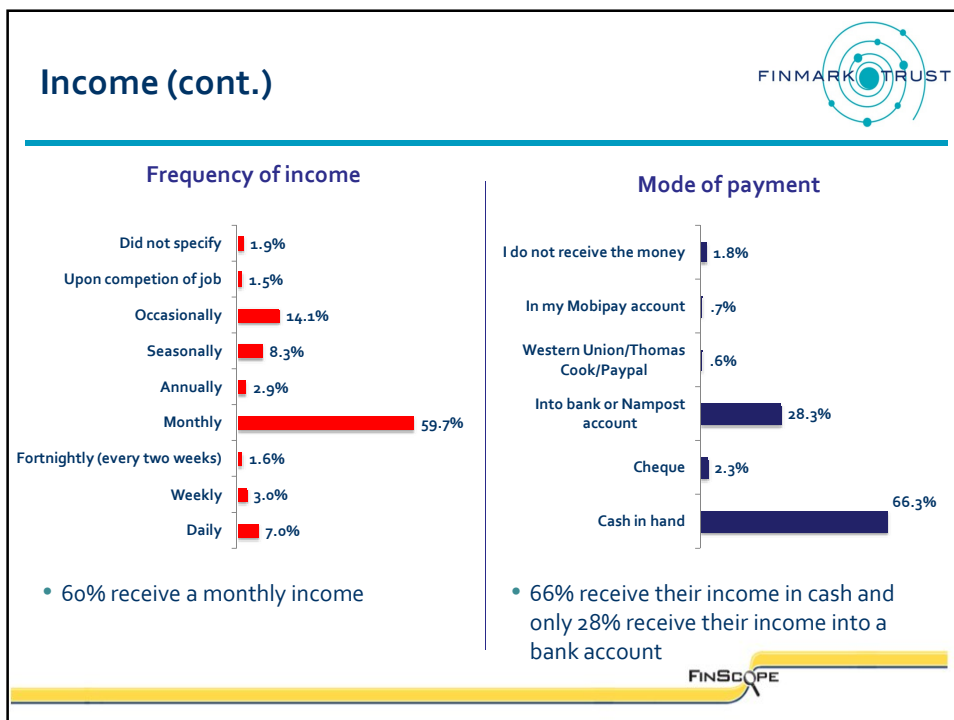
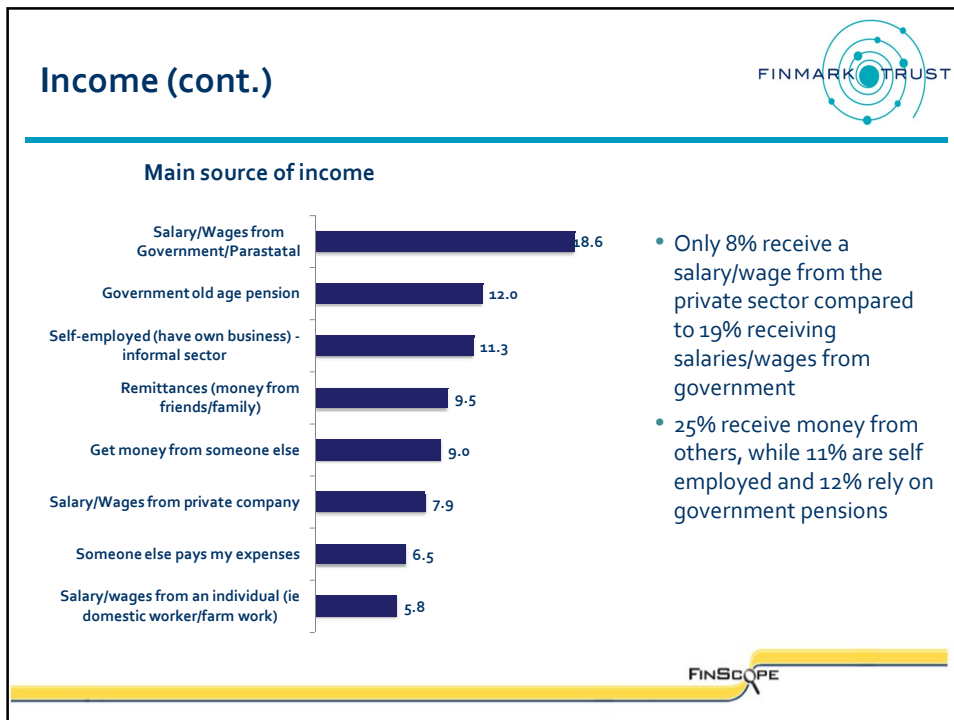
Documentation



- Almost the entire adult population has formal documentation, i.e. an Identity Document (ID)

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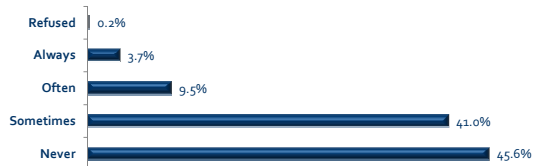




Understanding the lives of people in 2012

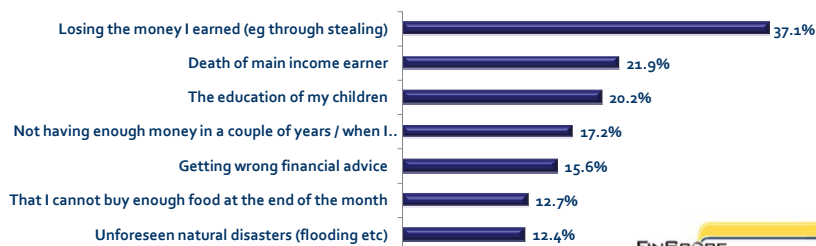


Had to go without a cash income



- Almost 41% of people had to go without a cash income in the last 6 months and had to make a plan to make ends meet
- Losing money through crime and the death of an income earner is a significant household concern

Household financial concerns




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Key take-outs


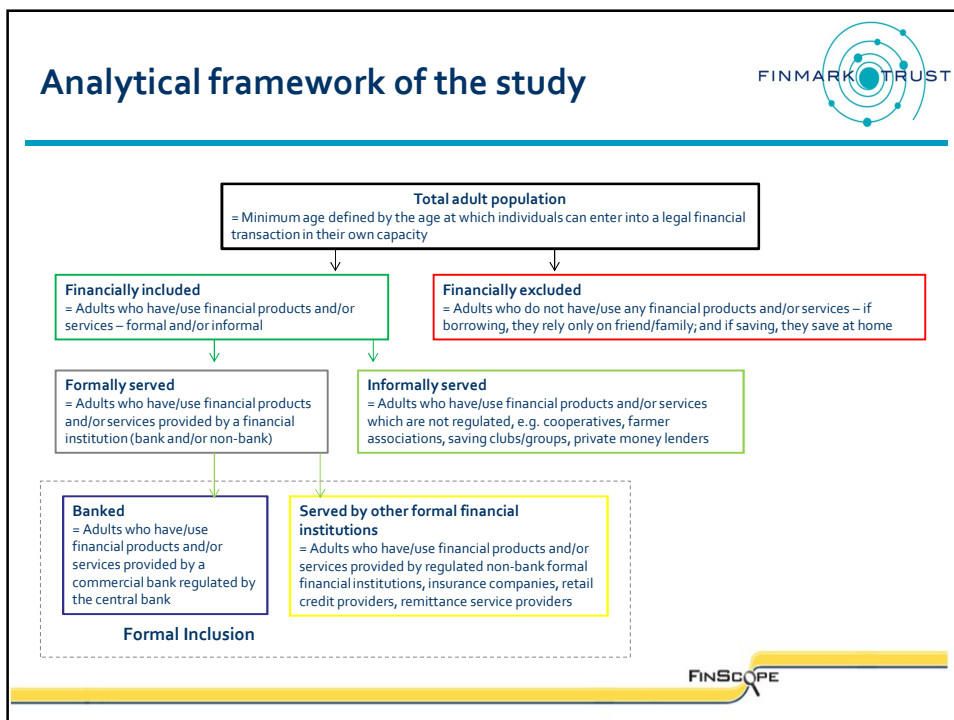


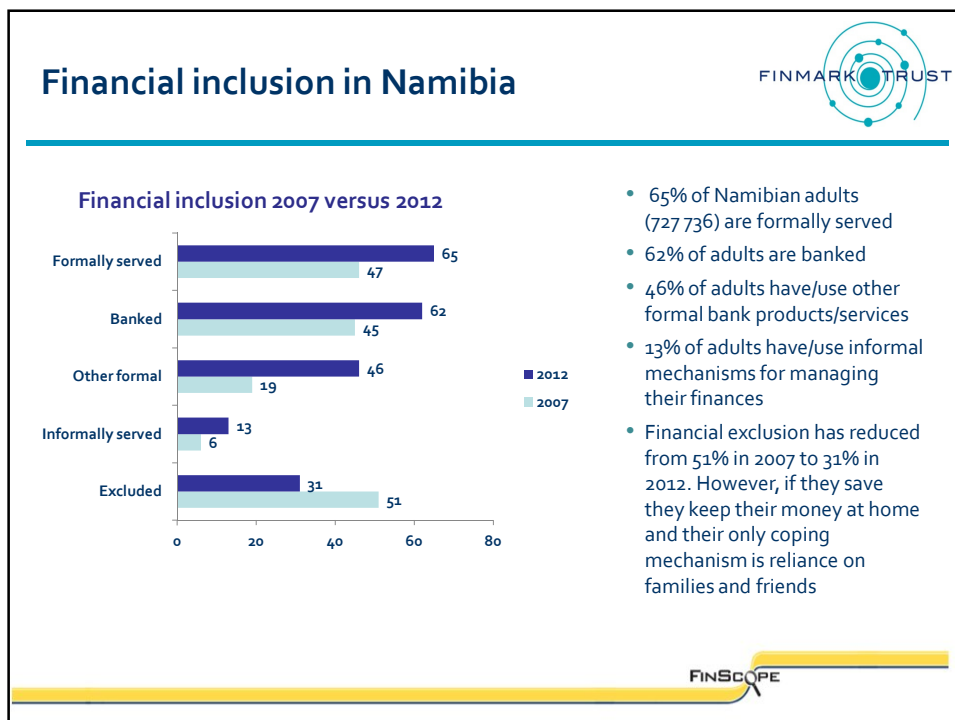
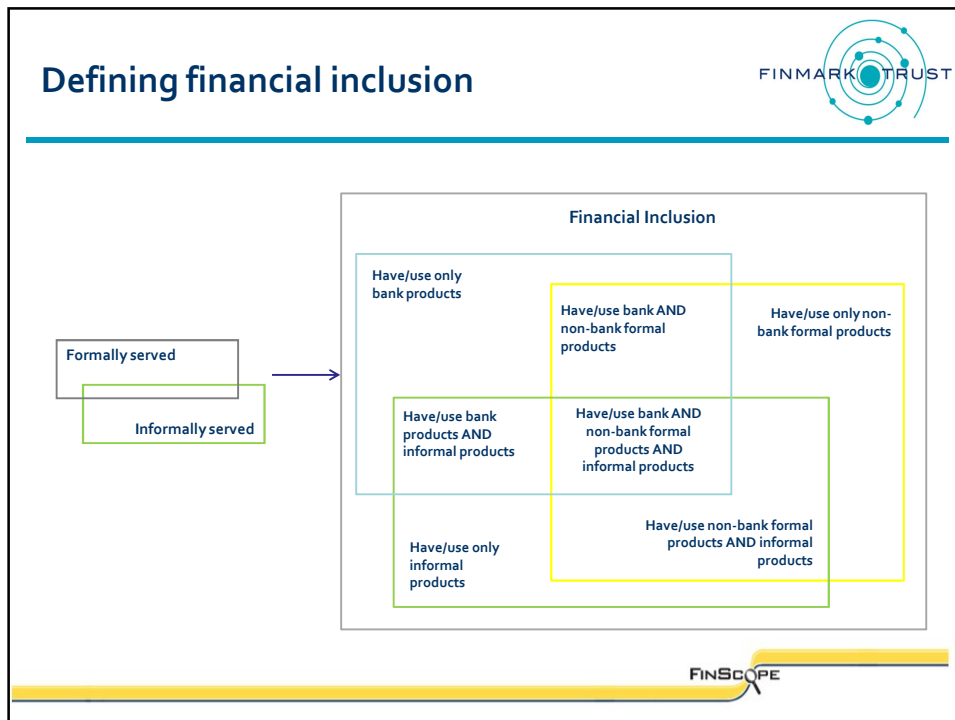
- Young population with a large majority that has not completed high school
- Although there are high levels of access to water, there are low levels of access to proper sanitation
- High levels of access to electricity compared to other African countries
- Low income levels, and personal income is received mainly through cash payments, mainly on a monthly basis
- In addition to not receiving more income, losing the money through crime was a significant concern
- Rising living costs has had a significant impact on people
- A large proportion of the population receive money from others

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Financial inclusion

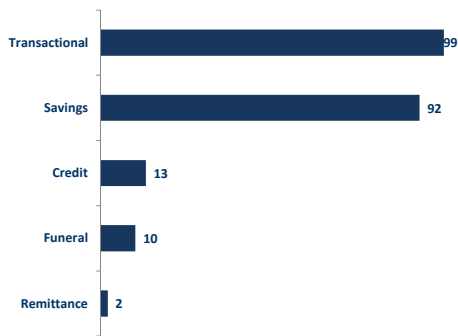





What drives the use of products/services?



When looking at the **overall use** of financial products it is clear that there is **still scope** to **deepen** both the **quality and the extent** of inclusion.



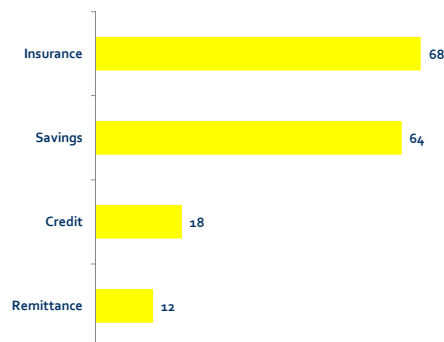
What drives banking

Banking is largely driven by transactional and saving products:

- 99% of banked adults have/use transaction products
- 92% have/use savings products
- Only 13% have/use credit products
- 10% have/use funeral cover
- 2% use the bank/banking products for remittance purposes

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What drives the use of products/services? (cont.)

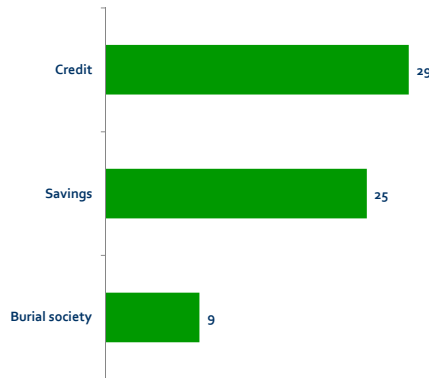


What drives the use of other formal products/services

- 68% of adults who use non-bank formal products have/use insurance products including short- and long-term products
- 64% have/use savings products
- 18% have/use credit products
- 12% use remitting products/services

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What drives the use of products/services? (cont.)



What drives the use of informal products

- 29% borrow from informal lenders
- 25% of adults who use informal mechanisms belong to savings groups
- 9% are members of burial societies

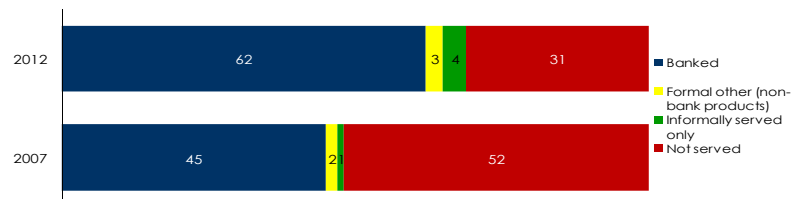
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Access Strand



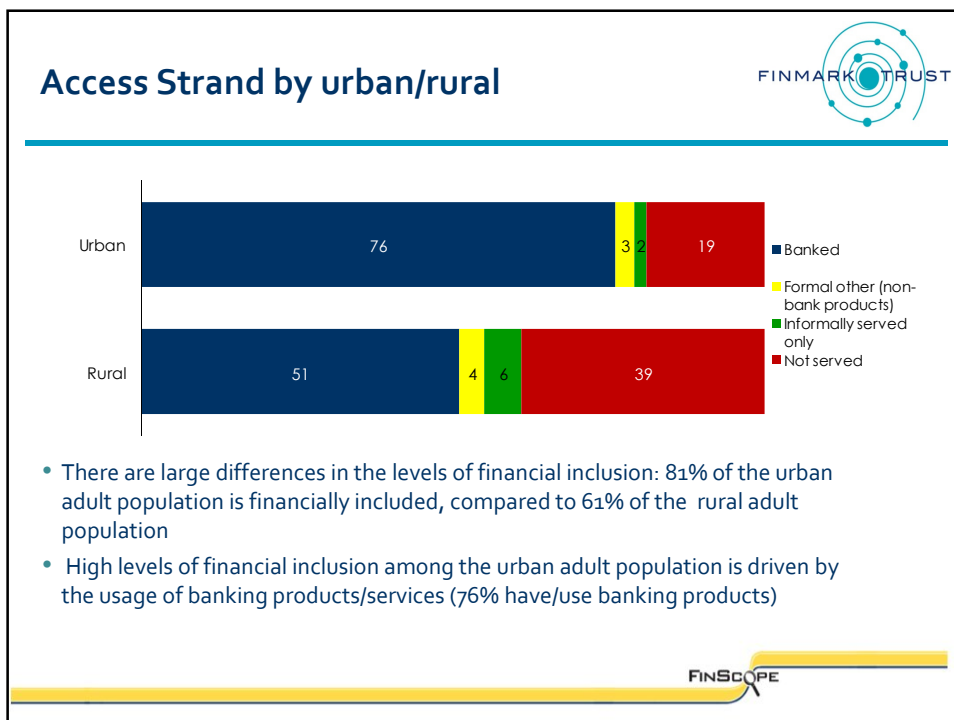
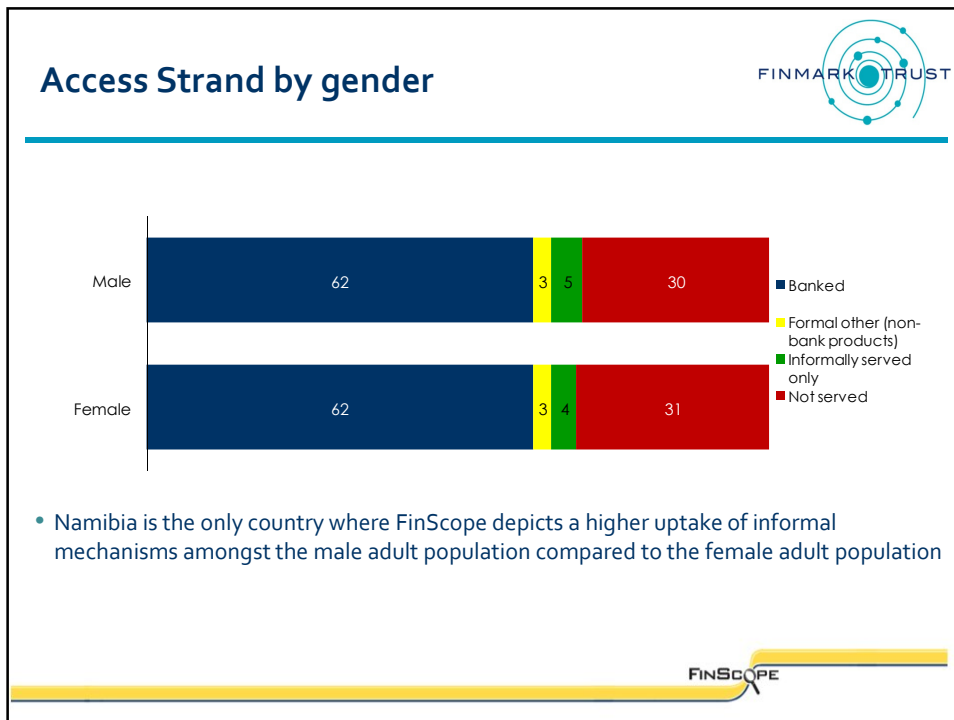
In constructing the Access Strand, the overlaps in financial product/service usage are removed, resulting in the following segments:

- Financially excluded individuals
- Individuals who have/use informal products/services and NO formal products
- Individuals who have/use formal non-bank products/services and NO commercial bank products
- Individuals who have/use commercial bank products

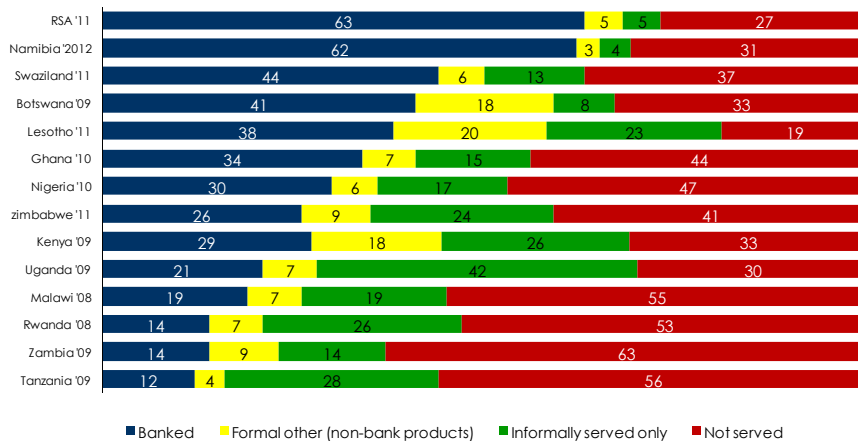


- The proportion of banked adults increased from 45% in 2007 to 62% in 2012
- The percentage of financially included adults has increased significantly from 48% 2007 to 69% in 2012
- The increase in the proportion of the banked population seems to be in transaction and saving accounts, as shown by the drivers of banking

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Comparing access across countries



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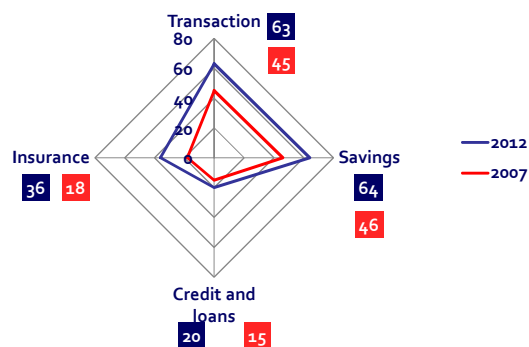
Landscape of Access 2007 and 2012



The FinScope methodology uses the Landscape of Access to illustrate the degree to which individuals (aged 16 years and older) have/use financial products and services.

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

- Transaction products/services
- Saving products/services
- Credit products/services
- Insurance products/services



The Landscape of Access in Namibia is largely driven by transaction and saving products

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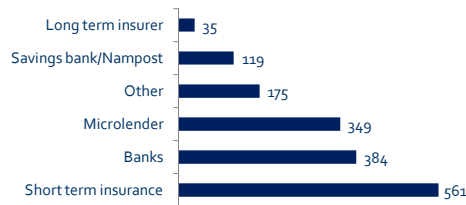
Formal financial sector snapshot



Financial institutions	Number of providers
Commercial banks	4
Savings bank (Nampost)	1
Insurance companies	10
Microlenders	348

- The financial services sector has remained stable with four commercial banks, one savings bank, ten insurance companies and a large number of microlenders
- Independent mobile payments services (Mobipay) were introduced since the last survey in 2007
- Nampost changed their product and strategy which has significantly driven product uptake:
 - The physical savings book product was terminated and a biometric smartcard aimed at low income users was introduced

Number of access points by registered financial institutions



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Banking

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Bank presence by region



Region	Bank Windhoek	First National Bank	Nedbank	Standard Bank	Nampost	Total
Caprivi	2	3	2	2	4	13
Erongo	17	16	10	12	13	68
Hardap	8	6	0	6	8	28
Karas	11	10	4	10	18	53
Kavango	5	3	1	2	4	15
Khomas	36	49	26	18	22	151
Kunene	5	4	0	4	6	19
Ohangwena	4	4	4	2	5	19
Omaheke	3	3	0	4	6	16
Omusati	2	2	2	2	7	15
Oshana	12	11	6	8	7	44
Oshikoto	5	3	0	4	9	21
Otjozondjupa	9	12	2	8	10	41
Other					15	
Total number of outlets	119	126	57	82	134	518

- 42% growth in bank presence since 2007, largely driven by growth in Nampost branch network
- Commercial bank branch growth at 7%

Notes: Standard Bank branch data unavailable

Bank branches opened since 2007



COMMERCIAL BANKS	BRANCHES OPENED SINCE 2007	BRANCH LOCATIONS SINCE 2007	
BANK WINDHOEK	14	NKURENKURU	WALVIS BAY (AGENCY)
		OUTAPI	REHOBOTH
		LUDERITZ	OSHIKANGO
		ARANDIS (AGENCY)	PROSPERITA (AGENCY)
		OMARURU	CAPRICORN BRANCH
		AIGAMS (AGENCY)	OMITHIYA
		KHOMASDAL (AGENCY)	SWAKOPMUND (AGENCY)
FIRST NATIONAL BANK NAMIBIA	15	OKONGO	WINDHOEK, PROSPERITA
		KATUTURA	WINDHOEK, NORTHERN INDUSTRIAL
		OUTAPI	OKAHAO
		EENHANA	WINDHOEK, PRIVATE CLIENTS
		OSHIKANGO	SWAKOPMUND, MONDESA
		HENTIES BAY	JSAKOS
		OMUTHIYA	OSHAKATI, GAME SHOPPING CENTRE
WINDHOEK, OLD POWER STATION			
NEDBANK NAMIBIA	5	BUSINESS CENTRE	GROOTFONTEIN
		EENHANA	OUTAPI
		KATIMA MULILO	
STANDARD BANK NAMIBIA		Have not received information yet	

Unpacking growth in banking services

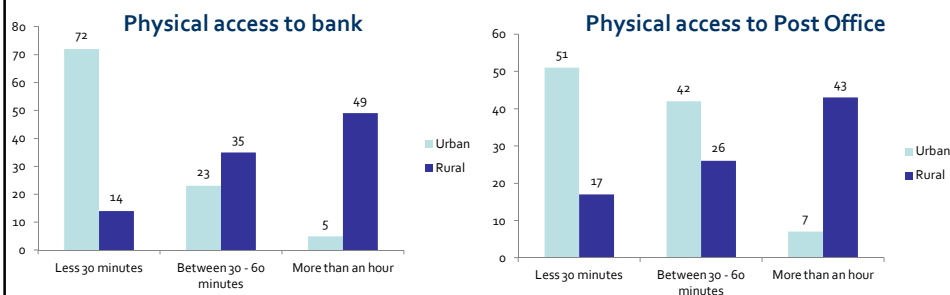


Demographic Characteristics	2007 (n=1200)	2012 (n=1200)
Gender	%	%
Male	47	62
Female	46	63
Age	%	%
16 - 20	26	32
21 - 26	23	58
27 - 31	56	70
32 - 39	61	96
40 - 50	56	66
51 +	46	74
Area definition	%	%
Urban	70	77
Rural	36	51
Personal monthly income	%	%
No income	8	29
Less 1000	41	57
1001 - 3000	88	94
3001 - 5000	87	95
5001 - 13000	96	99
13001 +	98	100

- 17% increase in the banked population from 2007-2012. The increase has largely come from:
 - People aged 32-39
 - Mostly living in rural areas
 - Very low income
- Low growth in high income segments as inclusion was already high in these segments

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Physical access to a bank or post office



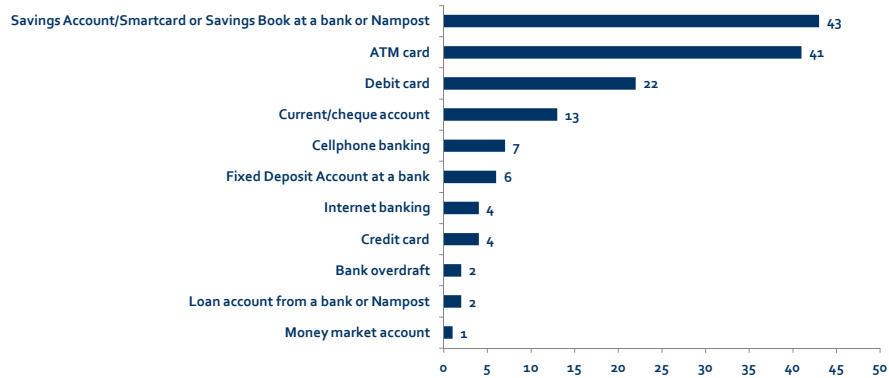
- Namibia is characterised by low population density spread across the country
- Traditional brick-and-mortar solutions are not cost-effective as they are currently not reaching the poor
- Alternative distribution channels such as mobile, branchless and agency banking are key to driving financial inclusion

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Banking product penetration



Banking product usage



- 14% of adults (157 617) dropped out of banking, i.e. previously had a bank account but do not have one any more

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Banking (cont.)



Main advantages of using a bank account

Mainly refer to safety and ease of use



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Banking (cont.)



Barriers to banking

Reasons for not having a bank account or using banking products and services mainly relate to a **lack of financial resources** and **affordability**:

- I have no money to save (54.4%)
- I cannot maintain the minimum balance (25.7%)
- Bank services charges are too high (14.6%)
- Insufficient or no money coming into the account (12.4%)

Other reasons refer to **proximity/ geographical accessibility** (banks are too far away 15.1%) and **lack of documentation** (I do not have the documentation required 9.4%)

The logo for FINSCOPE, featuring a stylized circular graphic with concentric lines and dots, and the text "FINSCOPE" to its right.

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Savings

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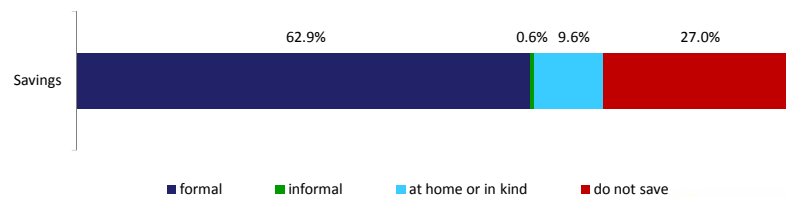
Savings



Understanding the levels of financial inclusion is only the first step. While insightful in itself, this understanding is enhanced by exploring products and services that the poor are likely to have/use under each category of inclusion.

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

- Individuals who have not/ do not use savings products/services
- Individuals who keep all their savings at home (i.e. these individuals do not have or use formal or informal savings products or mechanism)
- Individuals who have a formal savings/investment product,
- Individuals who rely on informal mechanisms



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Savings (cont.)



Main factors for choosing a savings product



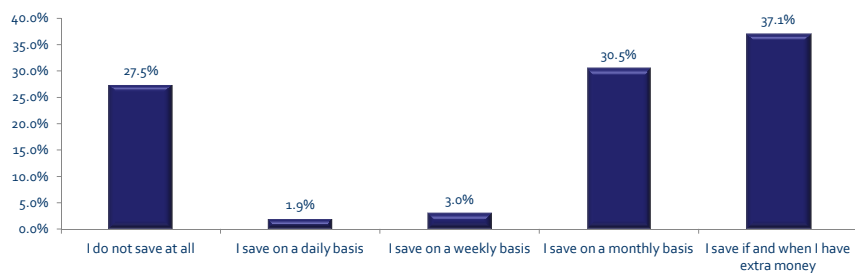
- Trust and low bank charges are reasons for choosing a savings product
- Savings products have been largely driven by Nampost Smartcard
- 48% have a Nampost savings account or Smartcard, followed by 24% with a FNB account, and 10% with a Standard Bank or Nedbank account

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Savings (cont.)



Frequency of saving



Barriers to savings

- Insufficient income and not having any money left at the end of the month are key barriers to saving

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Borrowing

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Borrowing



The informally served (i.e. adults who have/use financial products and/or services which are not regulated, e.g. cooperatives, farmer associations, saving clubs/groups, private money lenders) are the main users of credit products. This understanding is enhanced by exploring products and services that the poor are likely to have/use under each category of inclusion.

The **Credit Strand** focuses on borrowing and the usage of credit products, resulting in the following segments:

- Individuals who have/use formal credit products/services
- Individuals who rely on informal mechanisms
- Individuals who borrow from family and friends
- Individuals who keep all their savings at home (i.e. these individuals do not have or use formal or informal savings products or mechanism)



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Borrowing (cont.)




Deciding factors for borrowing/loan product





- 15% of respondents borrowed money during the past 6 months
- 15.1% received goods/services in advance and had to pay for it later
- The main reasons for not borrowing money/taking goods or services on credit were:
 - Fear of debt (48.8%)
 - Fears about not being able to pay back the debt (28.1%)
 - No need for it (26.4%)
 - No specific reason (10%)

- Low bank charges and recommendations from known sources are top deciding factors in choosing loan products
- However, other reasons such as knowing that the money is safe, ease of ability to get the money and easy to understand are also important

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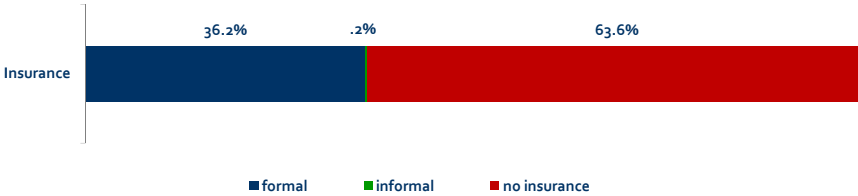
Insurance

Insurance


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

- Individuals who have/use formal insurance products/services
- Individuals who rely on informal mechanisms
- Individuals who have/use no insurance products/services



Segment	Percentage
formal	36.2%
informal	.2%
no insurance	63.6%

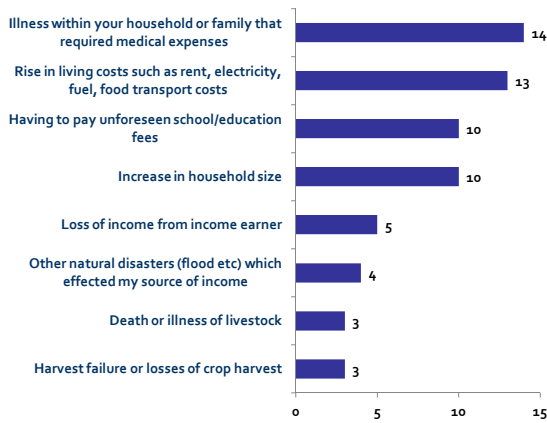
- 64% of the adult population have no/do not use any insurance products/services



Main risks



Main risks that impacted on income levels in the past six months



Main risks include the following:

- Unplanned events (such as illness within household or family that requires medical attention)
- Rise in living costs
- Paying for unseem school/ education fees
- Increase in household size

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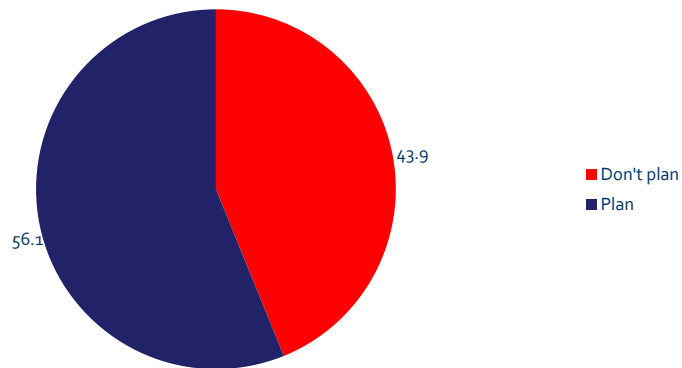
Financial capability

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Financial planning



Planning spending of income in order for it to last until next income?

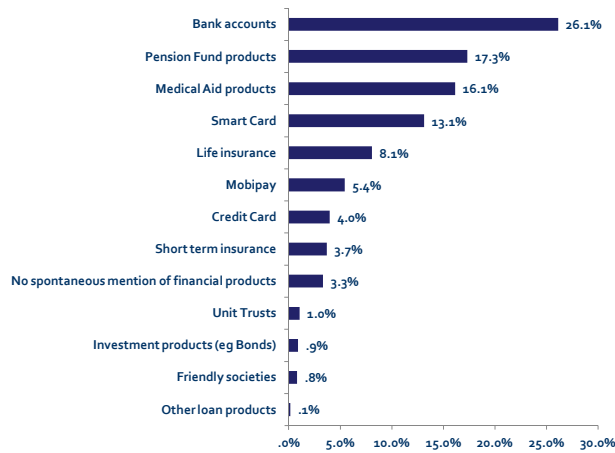


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Financial literacy



Financial Product Awareness



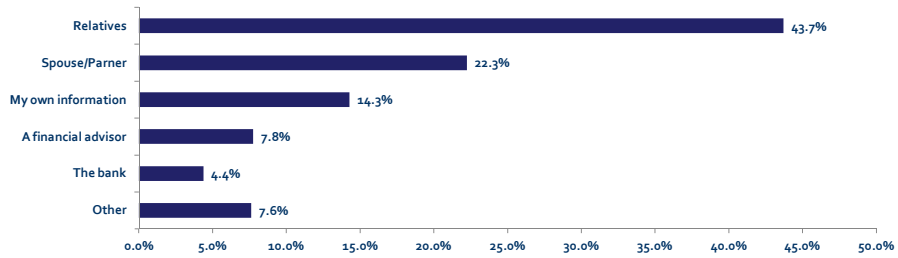
- Bank accounts have the highest financial product awareness at 26%
- Pension fund, medical aid and smart card products have high awareness

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Sources of financial information



Sources where financial information is obtained for making important financial decisions



- The majority rely on their relatives or spouse/partner as a major source of information for making important financial decisions
- 11% rely on formal sources like a financial advisor or a bank for obtaining information on making important financial decisions

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Conclusion

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Key take-outs



- Comparing 2007 and 2012 figures show a large increase in the percentage of adults that are formally served - 65% of Namibian adults (727 736) are formally served
- This increase has been driven by:
 - High uptake in transactional and savings products between 2007 and 2012
 - Financial sector innovation through products and services, technology and expansion of the distribution footprint
 - Increase in local economic activity in selected areas e.g. Ausenkehrn, Rosh Pinah, Erongo which has in turn driven uptake in banking products
- Growth in banking infrastructure in general with increased branches, agencies and ATMs
- Insurance and savings products are the primary drivers of the non-bank formal products
- Financially excluded individuals are mainly engaged in credit and savings activities
- 31% of adults are financially excluded
 - Affordability and a lack of financial resources are the key barriers that inhibit uptake of formal financial services for those that remain financially excluded

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Conclusion



Key take-outs

- Low levels of personal monthly income
- Income received is mainly cash monthly
- Losing the money through theft was a significant concern
- Rising living costs have impacted ability to make ends meet
- A large proportion of adults receive money from others
- **Increased uptake of formal financial products and services**



Opportunities

- Appropriately priced, easy to use products/services
- Safe, secure banking services
- Compelling value proposition for receiving salaries into a bank account
- Ability to send and receive money to third parties
- Banking services within easy reach of the population

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Conclusion



Uptake of financial services has been driven by ...

- Innovative new products/services - low cost, no minimum balance and allowing for long periods of inactivity on the account
- Technology innovation which allows for minimal administrative burden on customer, guaranteeing security
- Expansion in overall distribution footprint of formal financial services, especially through extensive Post Office branches
- Business model innovation
- Increase in economic activity, e.g. the mining sector

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Thank you

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