



*Au service
des peuples
et des nations*



Microfinance • Capital Development



FinScope Consumer Survey Madagascar 2016

Launch Presentation

11 November 2016

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1. Overview

2. Understanding people's lives
3. Financial inclusion overview
4. Banking and MFIs
5. Savings and investments
6. Borrowing and credit
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Partnering for a common purpose

Making Access Possible (MAP) is a diagnostic and programmatic framework to support expanding access to financial services. The MAP methodology and process has been developed jointly by:



At country level, the core MAP partners, collaborate with other stakeholders such as policymakers, regulators and donors to ensure an inclusive, holistic process. In addition to the above MAP members, to formalise the MAP Madagascar process, there is a technical committee comprising the following additional members:

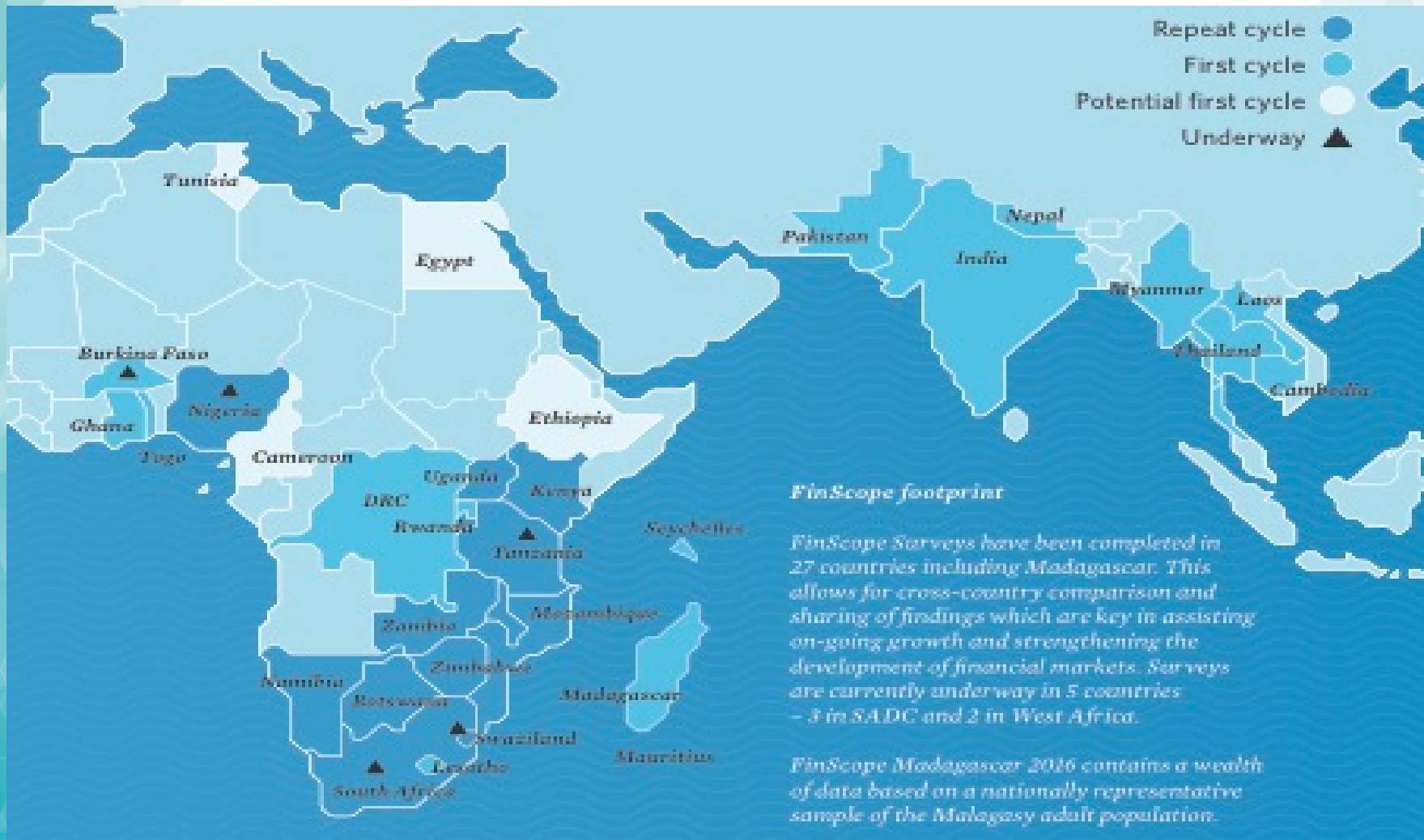


Acknowledgements

- General Secretary – Ministry of Economy and Planning
- Locale authorities (chiefs)
- INSTAT staff
- Malagasy



FinScope Footprint

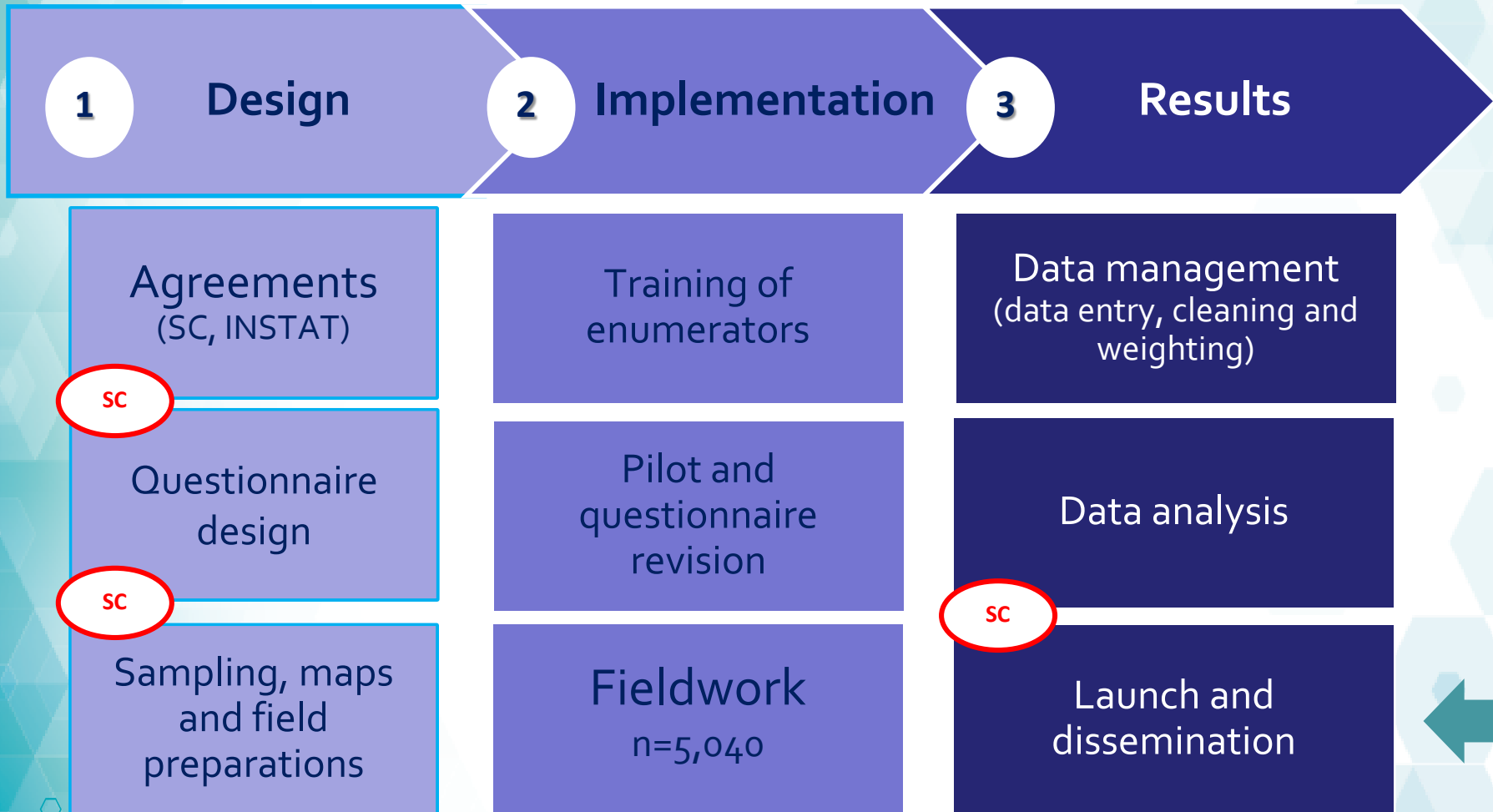


Objectives of FinScope Madagascar 2016

- To describe the **levels of financial inclusion** (i.e. levels of access to 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 financial access
- To **stimulate evidence-based** dialogue that will ultimately lead to **effective** public and private sector interventions that will increase and deepen financial inclusion
- To create a benchmark/baseline for financial inclusion in Madagascar (2016) to which provide an assessment of changes and factors in the future (including possible impacts of future interventions to enhance access)



Research process



Methodology - overview

Respondent profile

- Universe: **Adult population in Madagascar**
- Residents of Madagascar who are **18 years and older**



Sample and methodology

- Sample drawn by **INSTAT**; representative on national, urban/rural, and regional level
- Comprehensive **LISTING** in 504 EAs – listing **111 469** eligible households
- **5 040** Face-to-face pen and paper interviews \pm 75 min.
- Fieldwork conducted by INSTAT (September 2015 – April 2016)

Quality control and data validation

- **Quality control / field checks** conducted by the INSTAT, UNCDF, CNFI and FinMark Trust
- Data validation against census data, General Population and Housing Census in 1993 and projections and the National Survey for monitoring the MDG goals 2013
- Weighting of the data conducted by INSTAT



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Understanding people's lives: Demographics

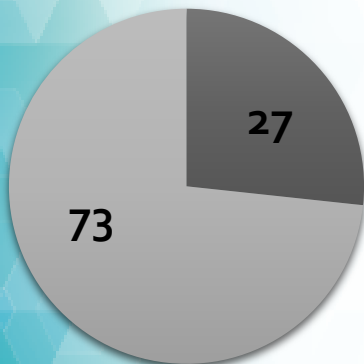


Total adult (18+) population
±11 million



- **73%** reside in rural areas
- **41%** are 30 years of age or younger
- **57%** have primary education or less
- **17%** have no formal education

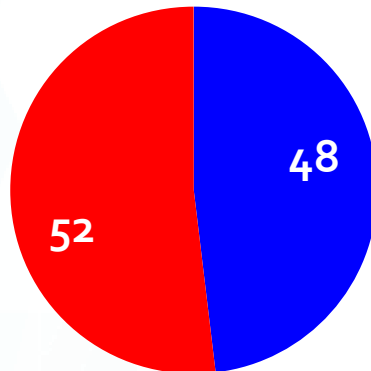
Urban/rural



■ Urban

■ Rural

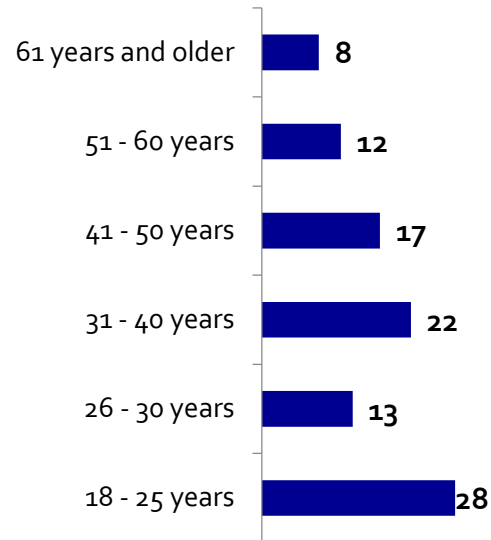
Gender



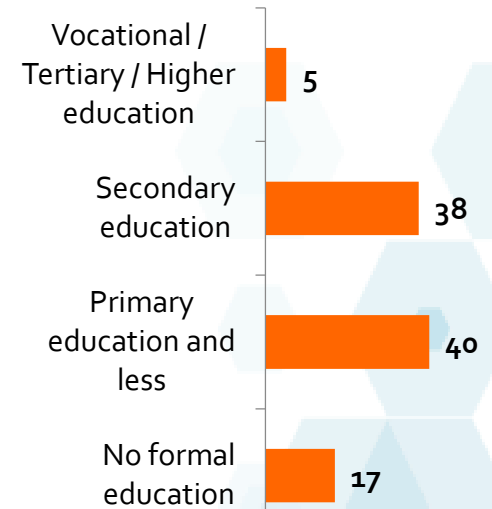
■ Male

■ Female

Age



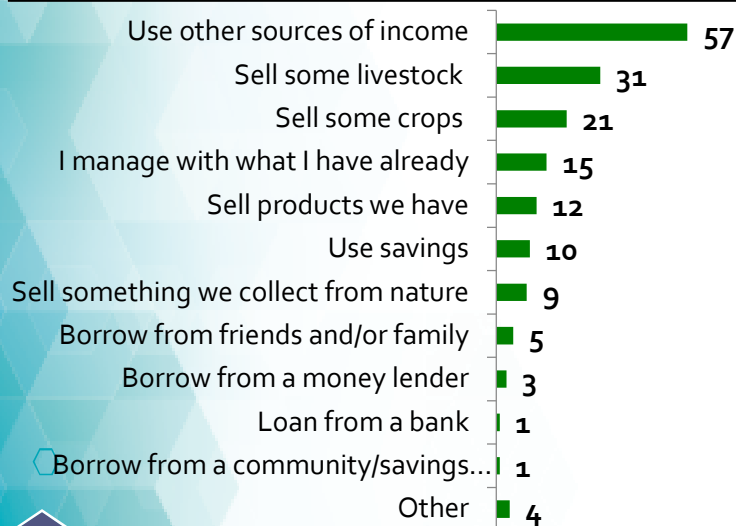
Education



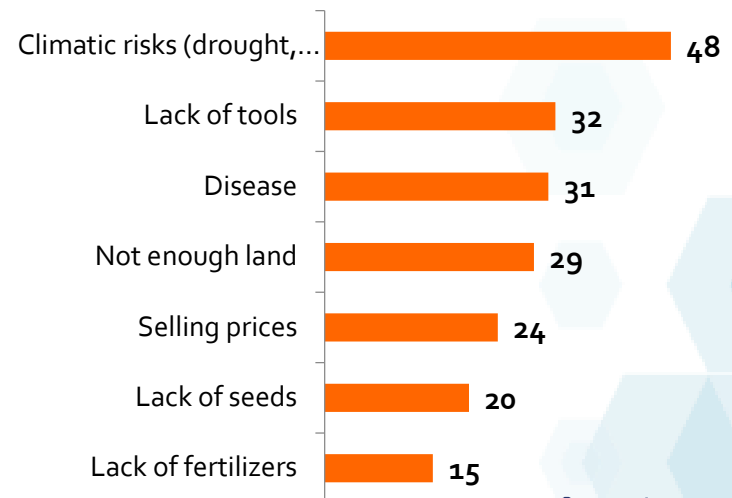
Understanding people's lives: Income / livelihoods

- Farming is very important to the Malagasy with **71%** of households being involved in farming with rice (**43%**) and legume crops (**10%**)
- **31%** of farmer households are in possession of a document for the land they farm on (title deed or *petits papiers*)
- **18%** of farmer households are consumption, **9%** are fully commercial and **73%** both consume and sell their produce
- Drought and natural disasters and product spoilage and lack of tools are the main problems for farmers

Source of farming inputs



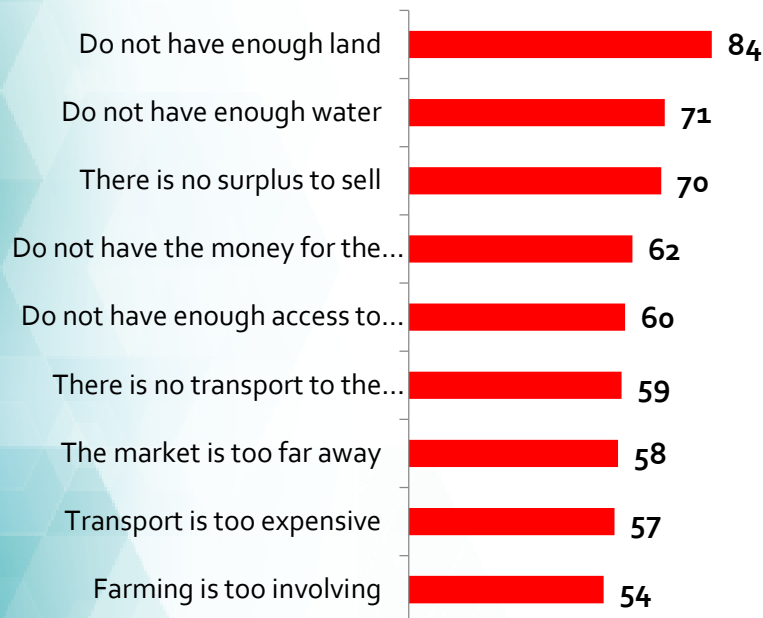
Farming problems experienced



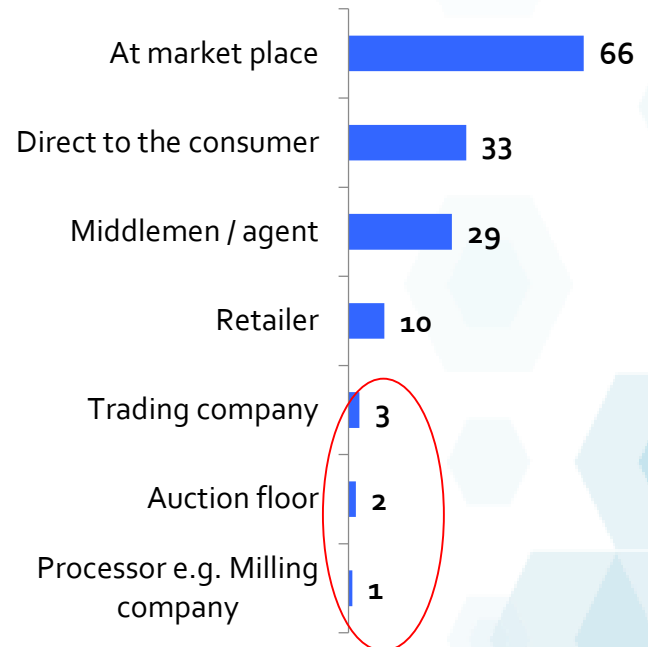
Understanding people's lives: Agriculture

- 7% of farmer households received formal training/technical assistance mainly in agricultural, fishing and livestock techniques with most having had it **free** of charge
- Land size, lack of water and low productivity are the main barriers to commercialisation
- Markets are more popular amongst those farmers selling their produce while those selling to more formal buyers are few

Barriers to commercialising



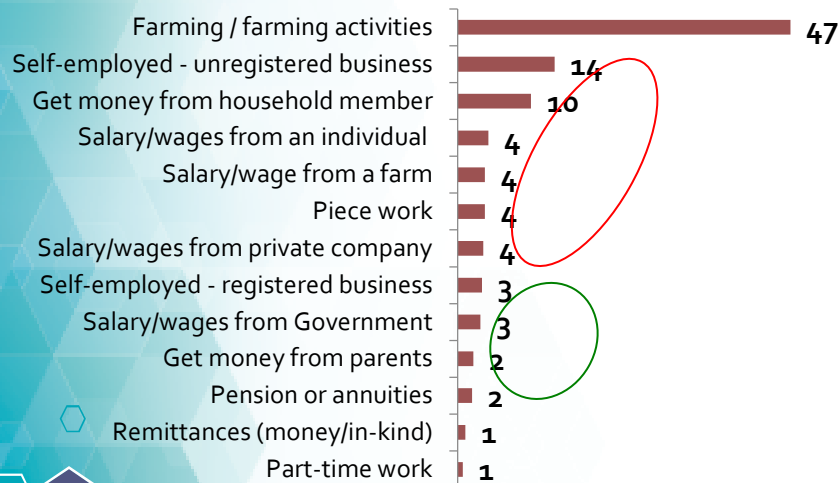
Market for those selling crops/produce



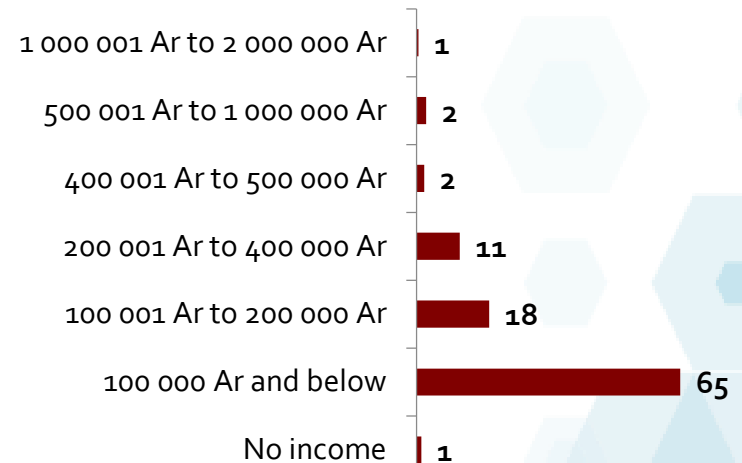
Understanding people's lives: Income / livelihoods

- **Almost half** of the adults claim farming / farming activities as a main income source
- The informal economy provides the main income source for **36%** of adults and **10%** are dependents relying on remittances and assistance
- Formal sector i.e. public and private sector as well as formal self employment provides main income for **10%** of adults
- **66%** of adults personally earn 100,000Ar (~\$31) or less per month while **95%** live under 400,000Ar (~\$123) per month (including 1% that claim to have no income)

Principal Income Source

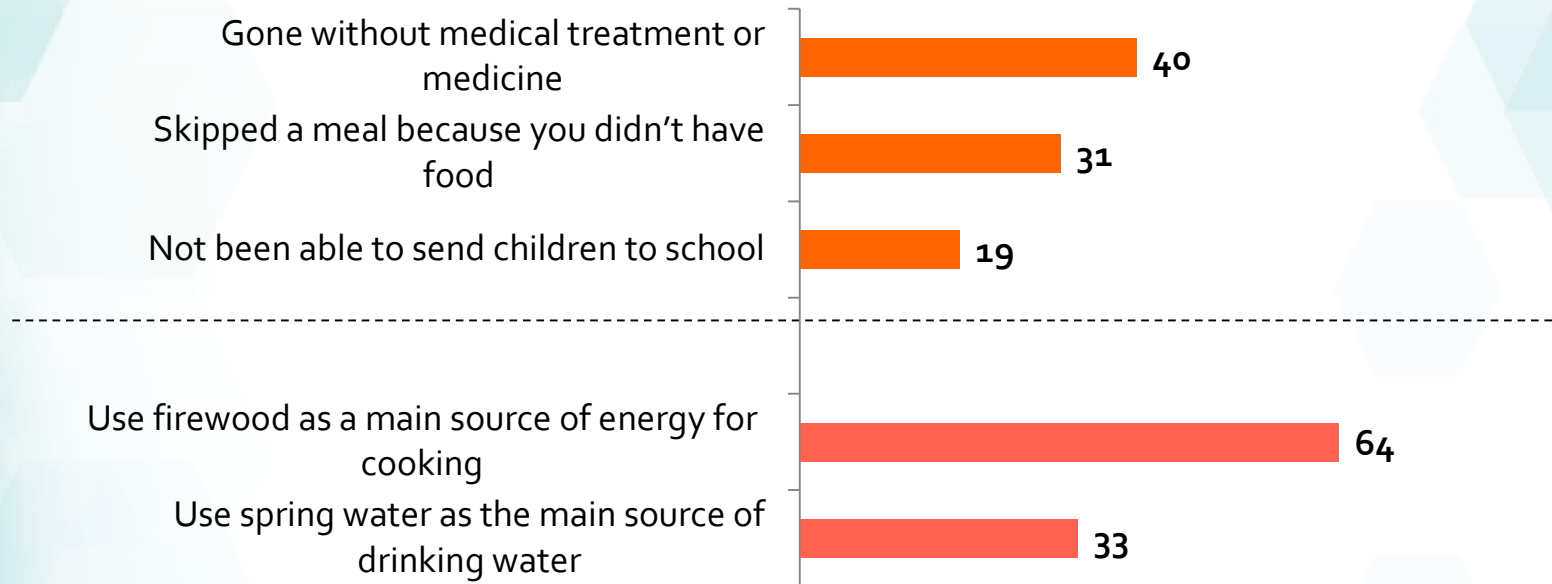


Personal monthly income¹



1USD = 3,250Ar

Daily realities - contextualising the drive for greater financial inclusion

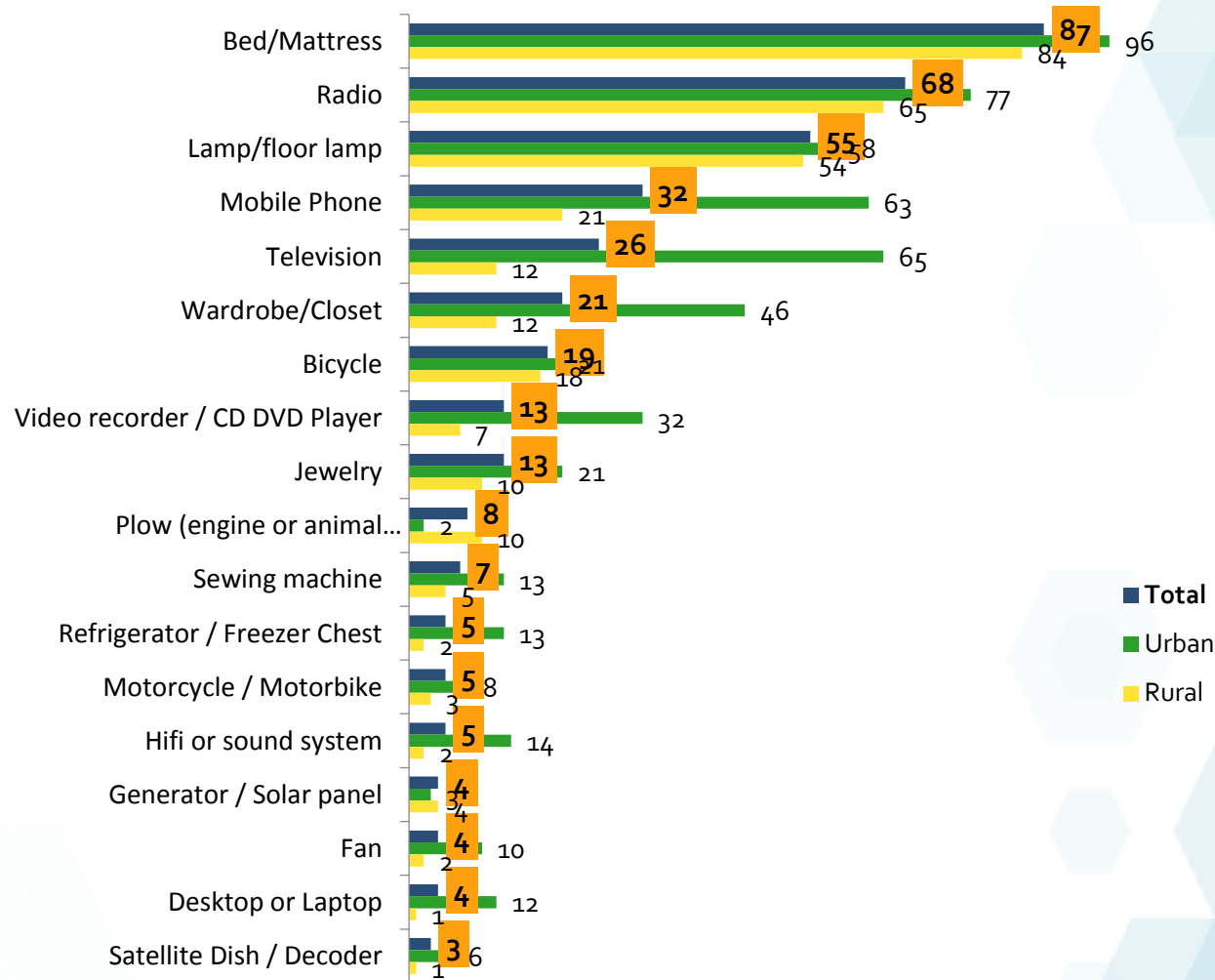


- The poverty indicators above show that medical costs are a challenge with two in five adults going without treatment
- About two out of three adults reside in households that use firewood as the main source of energy for cooking
- When adults occupy their time in getting basic amenities, they seldom concern themselves with getting financial services



Understanding people's lives: Ownership of assets (household level)

- Generally, low ownership of household assets with huge gaps between rural and urban counterparts
- Low ownership of assets amongst rural households particularly electrical appliances such as TVs, refrigerators, etc.



Understanding people's lives: Access to Infrastructure (household level)

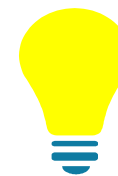
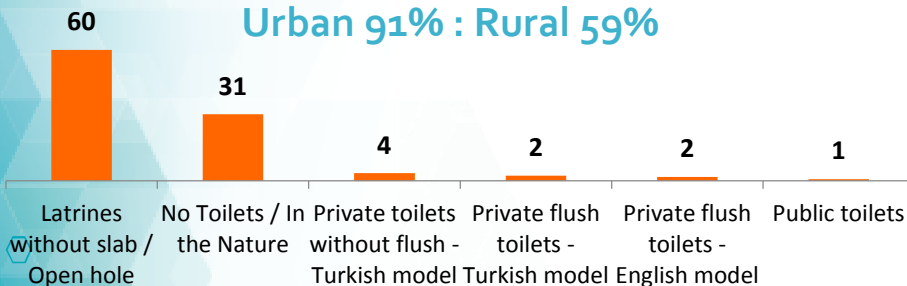


Number of households with access to tap water
(as main source of drinking water)

Total: 31%
Urban 68% : Rural 17%

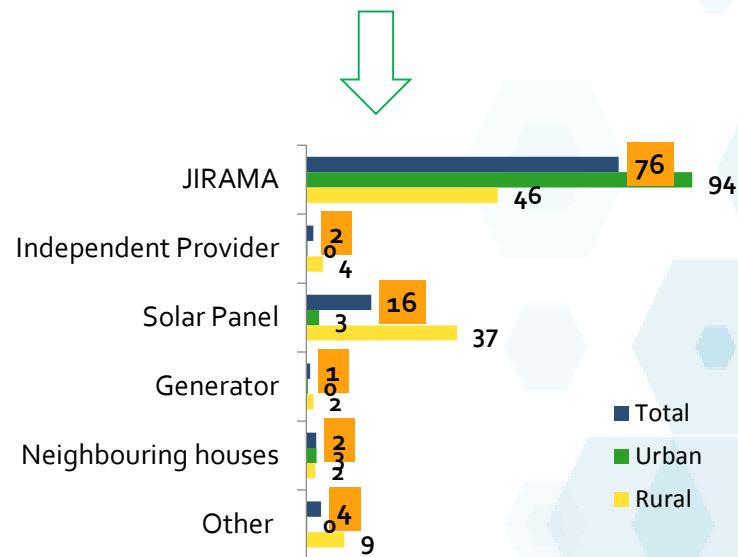
Number of households with access toilet facilities

Total: 68%
Urban 91% : Rural 59%




Number of household with electricity connection

Total: 31%
Urban 72% : Rural 16%

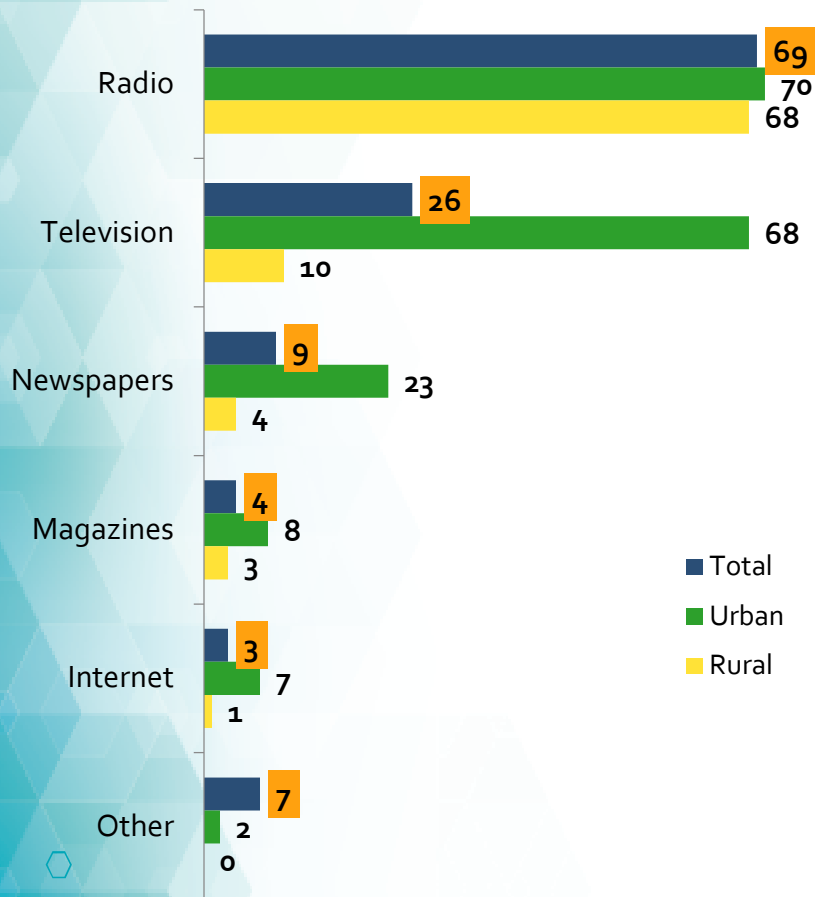


Understanding people's lives: Infrastructure accessibility

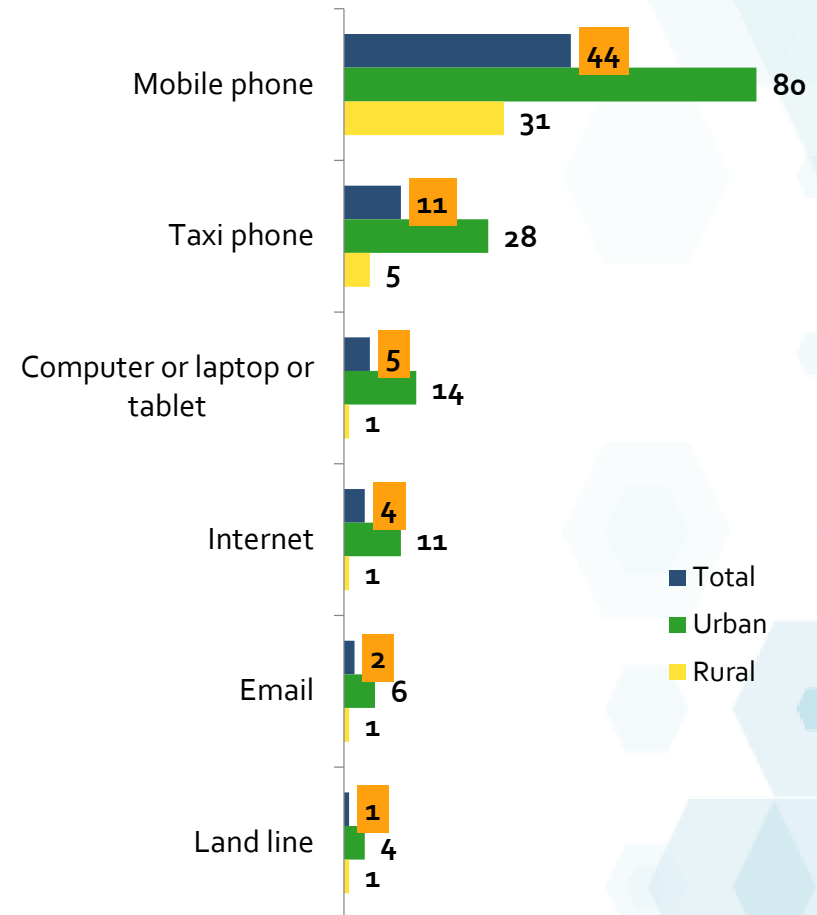
		Adults using or aware of destination	Mean time taken to reach destination (mins)			
			Total	Urban	Rural	
PROXIMITY 	1	Grocery store	99%	15'	7'	18'
	2	Mobile money agent	18%	31'	18'	45'
	3	Public transport / Bus stop	67%	37'	11'	49'
	4	Bank branch	10%	45'	30'	70'
	5	MFI	9%	46'	24'	58'
	6	ATM	5%	46'	28'	74'
	7	Informal market	95%	51'	23'	61'

Understanding people's lives: Communication and technology access/usage

Media access in past month



Usage of communication device



Summary

- Population profile:
 - About three out of four adults reside in the rural areas
 - Low educational levels amongst adults
 - Low income levels and low formal employment
- Access to infrastructure:
 - Access to piped running water is lower in rural areas
 - One in three households have an electricity connection
 - Accessibility to common formal financial service destinations such as banks or ATMs and MFIs is a challenge and much lower in rural areas taking most adults more than 30 minutes to reach
- Farming is the most important source of income with over half the adult population dependent on income from farming activities
- Most adults are dependent on the informal economy to generate their livelihoods leaving very little usage of formal products



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Defining financial inclusion

Total adult population 18 years and older in Madagascar

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

Financially excluded = do not have/use any financial products and/or services — formal and/or informal

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

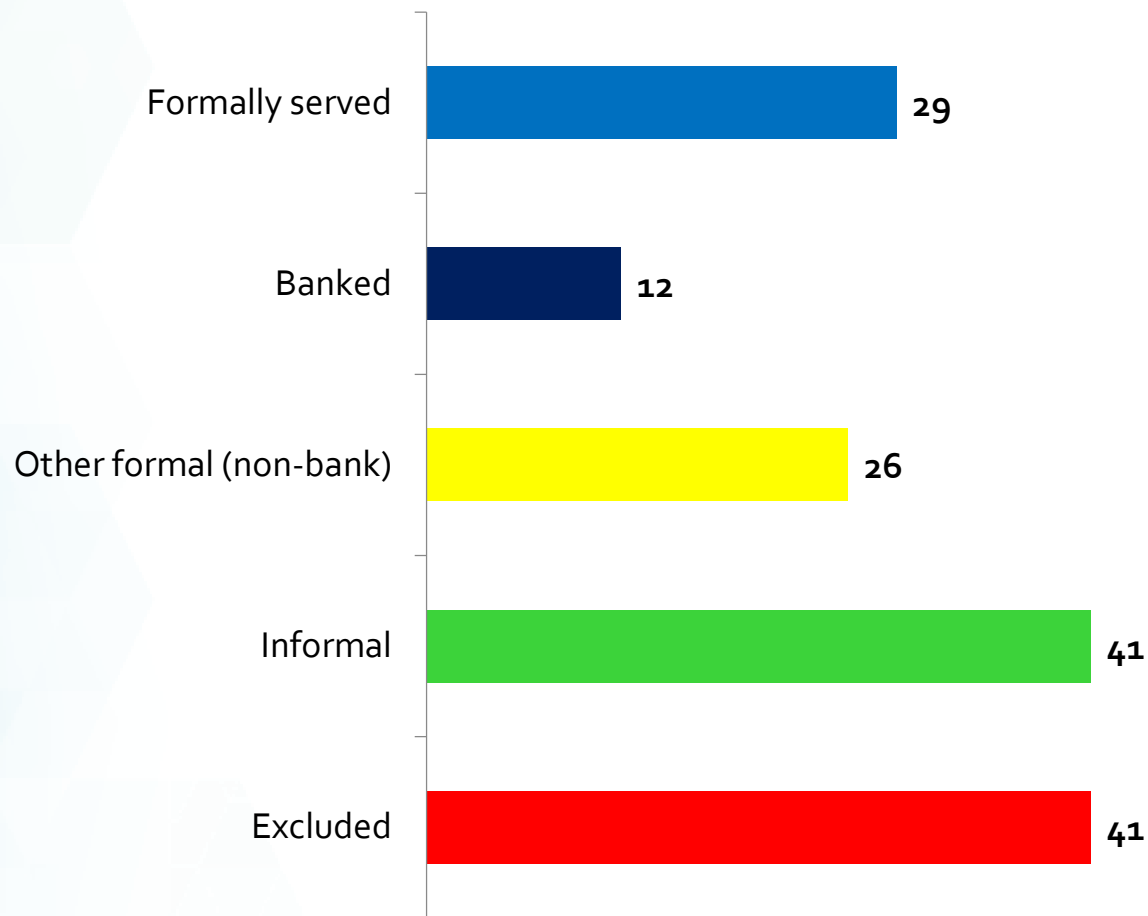
Informally served
= have/use financial products and/or services which are not regulated

Banked
= have/use financial products/ services provided by a bank regulated by the BCM

Served by other formal financial institutions
= have/use financial products/services provided by regulated non-bank financial institutions

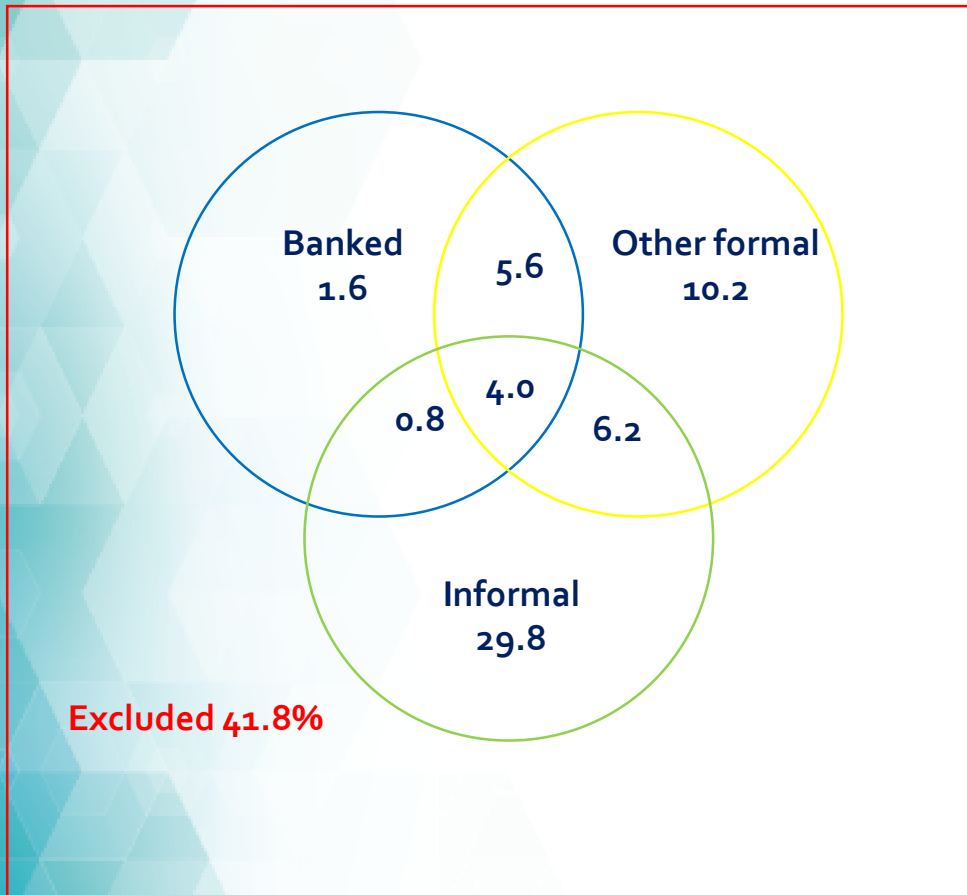


Financial inclusion: Overview



Overlaps:

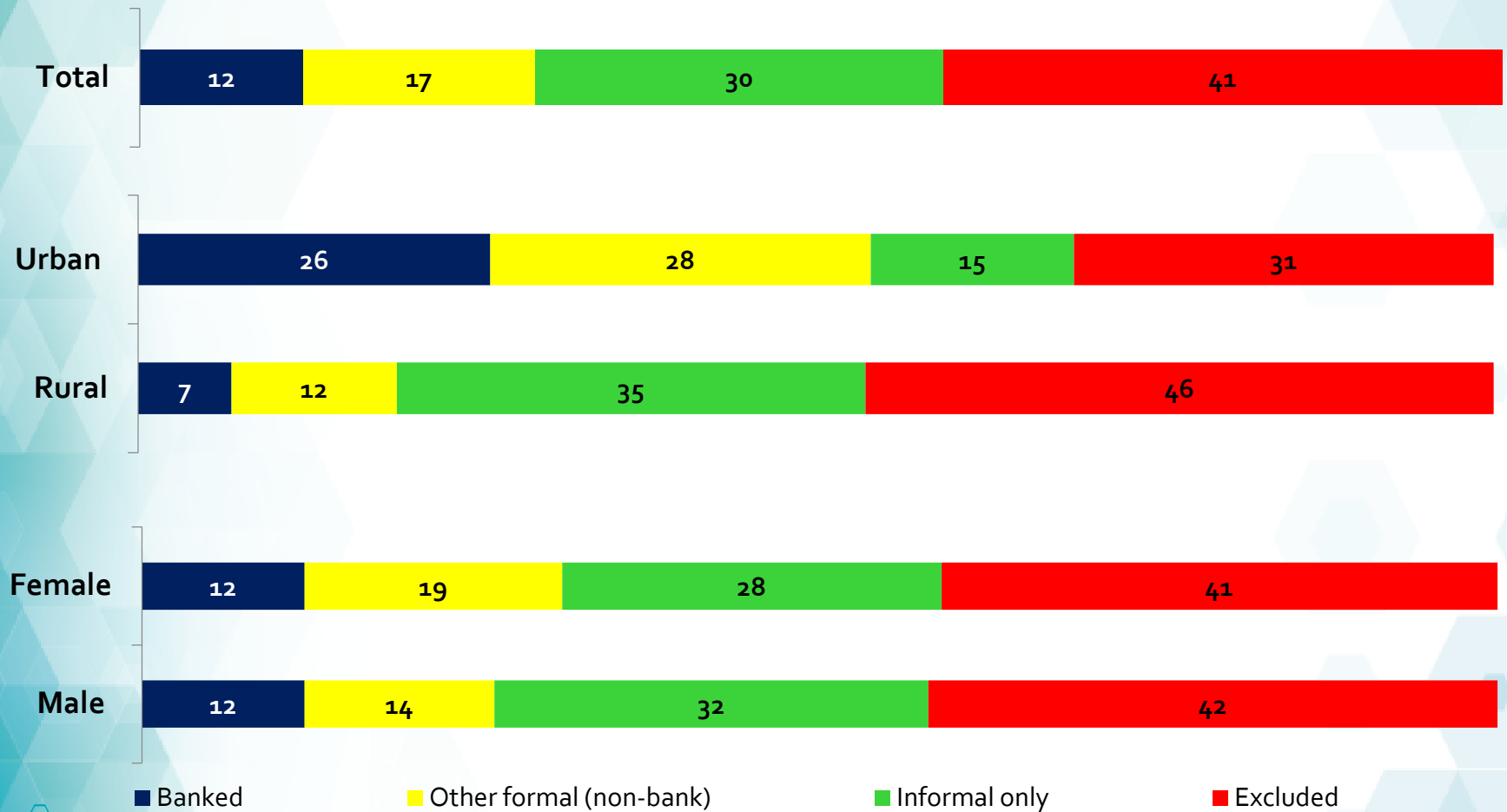
"Consumers generally use a combination of financial products and services to meet their financial needs"



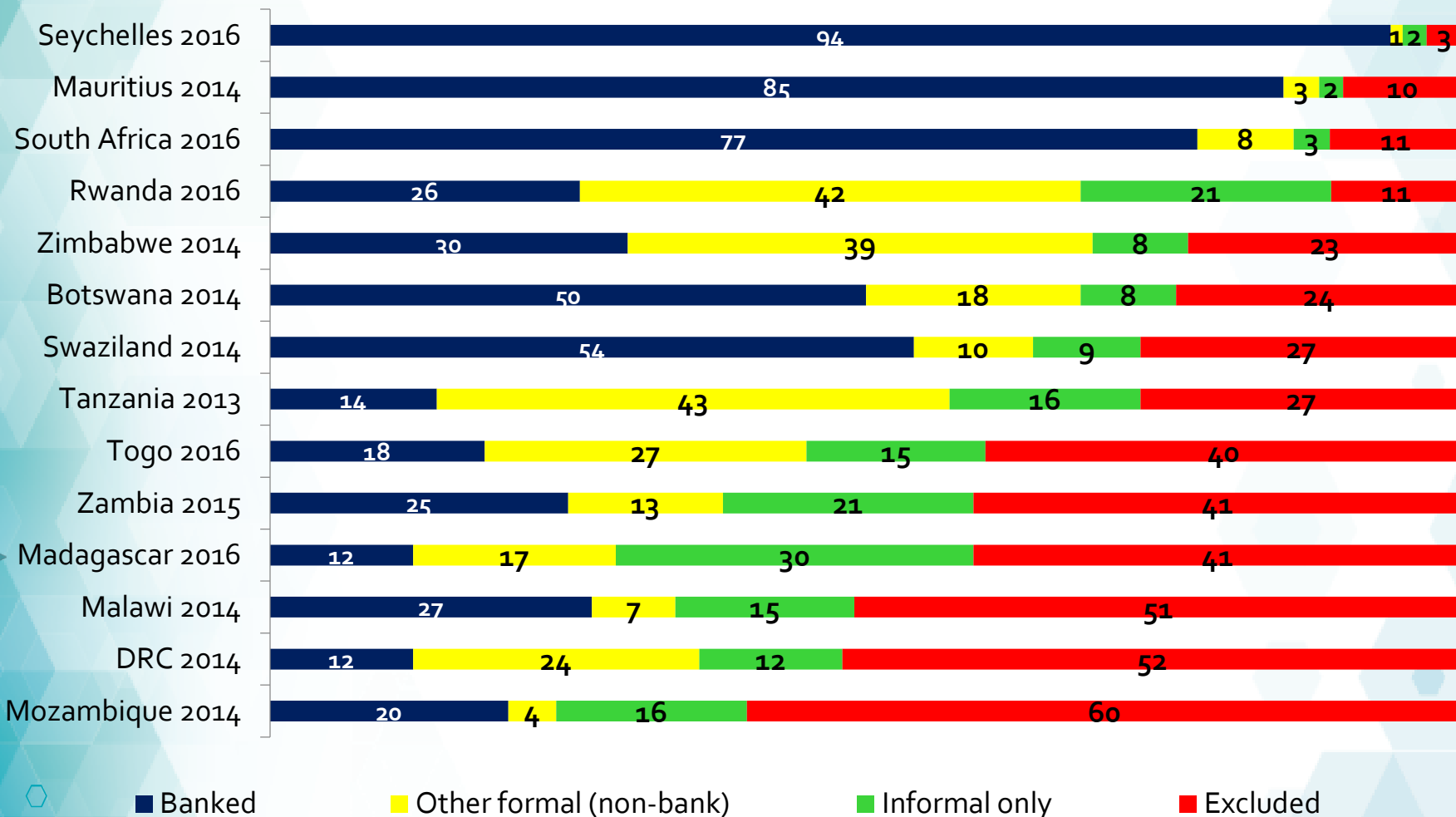
- **2%** of adults rely exclusively on banking services yet **10%** rely exclusively on other formal mechanisms
- **11%** use a combination of banked, and/or other formal and/or informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the formal sector alone
- **One third** of the adult population **ONLY** rely on informal mechanisms such as saving in livestock, solidarity systems to cover funeral risk



Financial inclusion: Financial Access Strand



Financial Consumer Access Strand (ranked by excluded)



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Banking and MFI penetration:

How many adults are banked and using MFIs?

	Banked	MFI FinScope	MFI (FinScope current + past)
Number adults currently using product in Madagascar	12% (1 350 000)	5% (600 000)	14% (1 570 000)
Number of adults not using product in Madagascar	88% (9 900 000)	95% (10 400 000)	86% (9 430 000)
Total adult population	11 million	11 million	11 million

The numbers reported are of those that currently have/use a product



Banking:

What products / services are driving the banked?

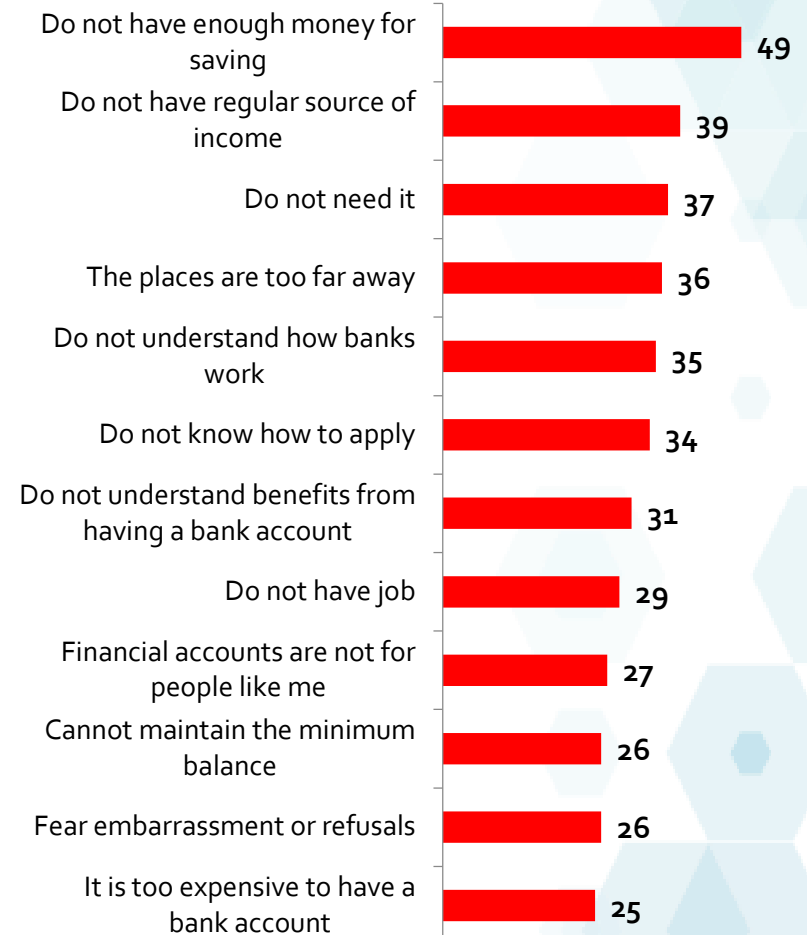
Banking products/usage (of those currently banked)	%	Approximate number
Current/Cheque account	29	400 000
Savings book	23	300 000
Debit card / ATM	23	300 000
Savings account	15	200 000
Salary deposit	8	100 000
Cellphone banking	8	100 000
Home loan	3	40 000

Banking: Drivers and barriers

12% of adults are banked



88% of adults are not banked

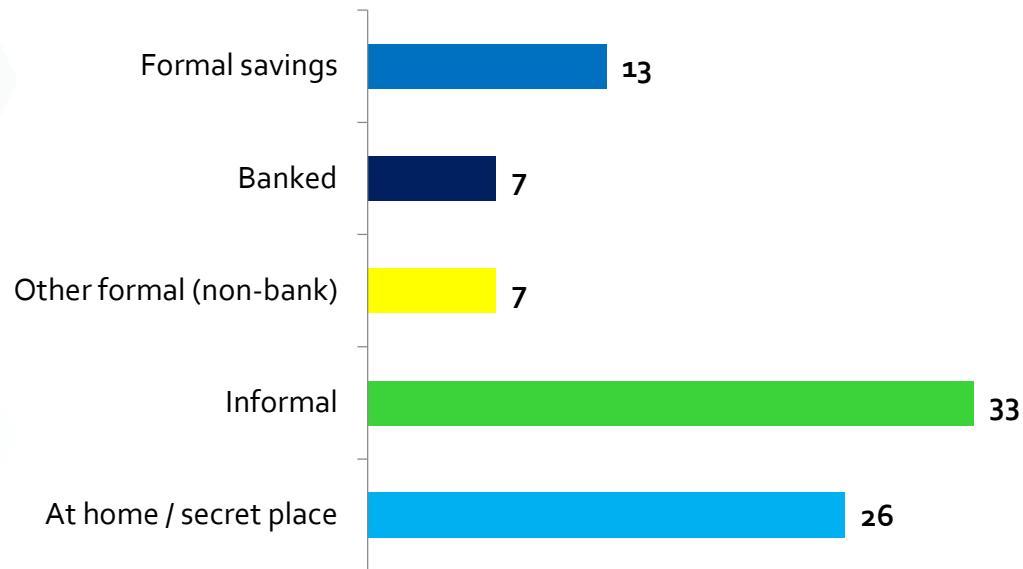


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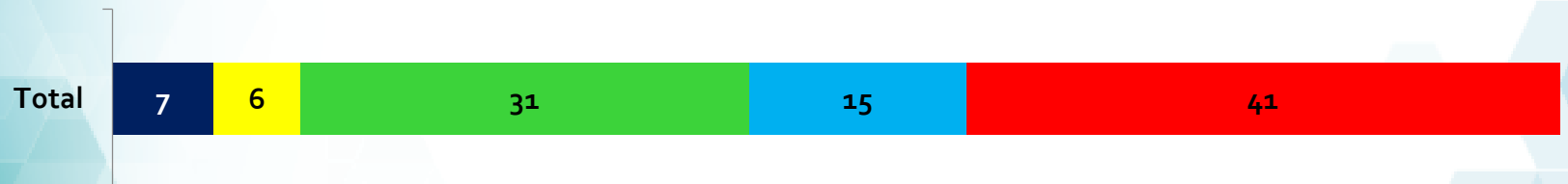
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Savings and investments: Overview – Informal is mainly driven by livestock



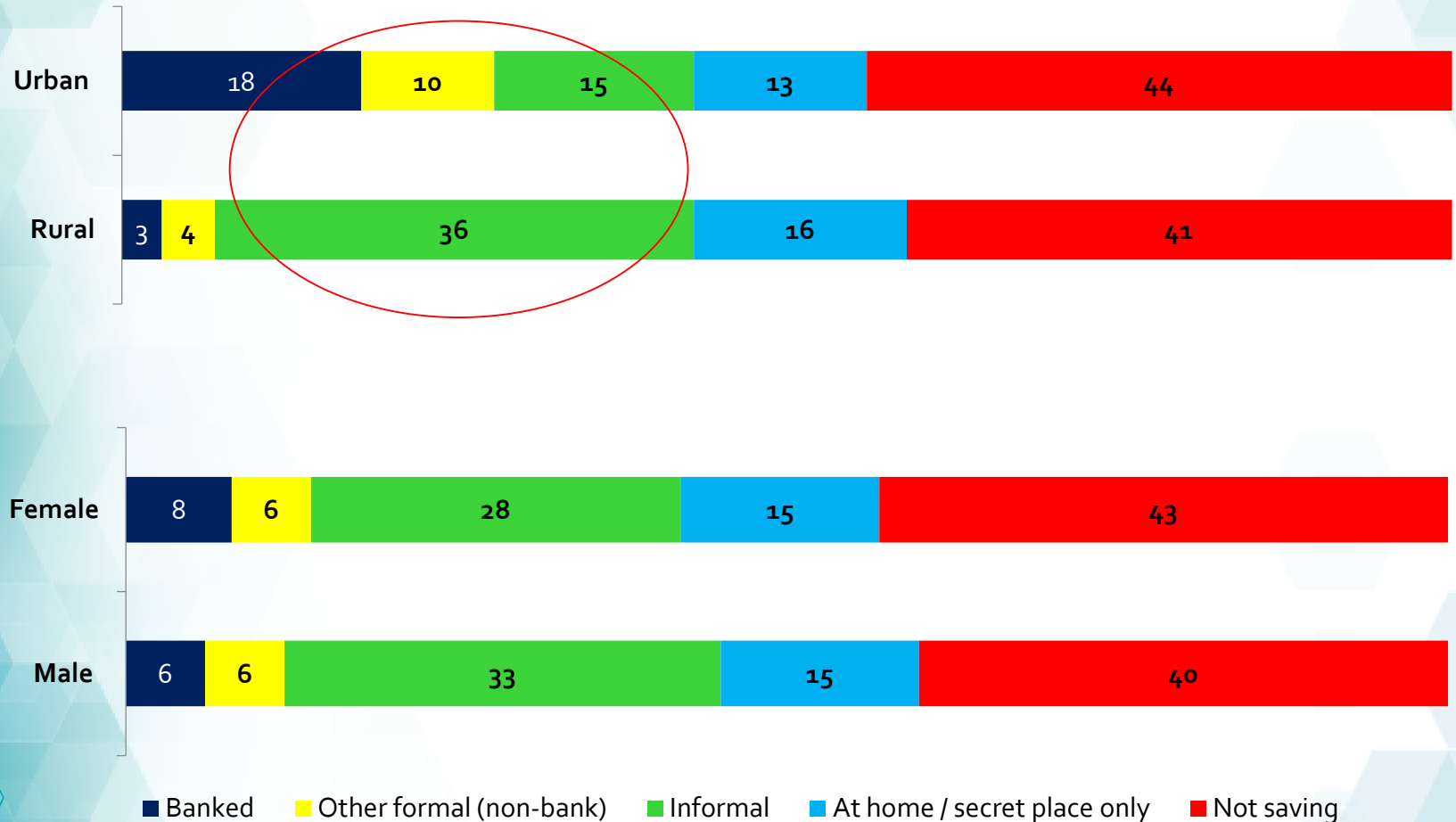
Savings Strand



■ Banked ■ Other formal (non-bank) ■ Informal ■ At home / secret place only ■ Not saving

Savings and investments:

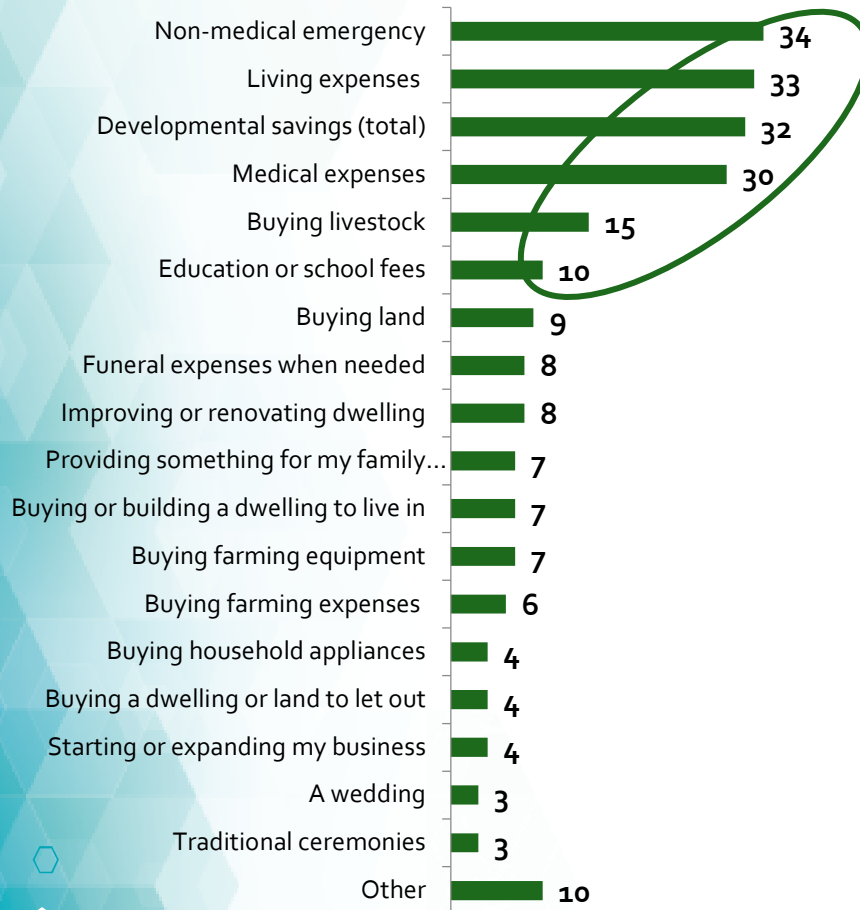
Overview – Rural savings are largely informal (livestock)



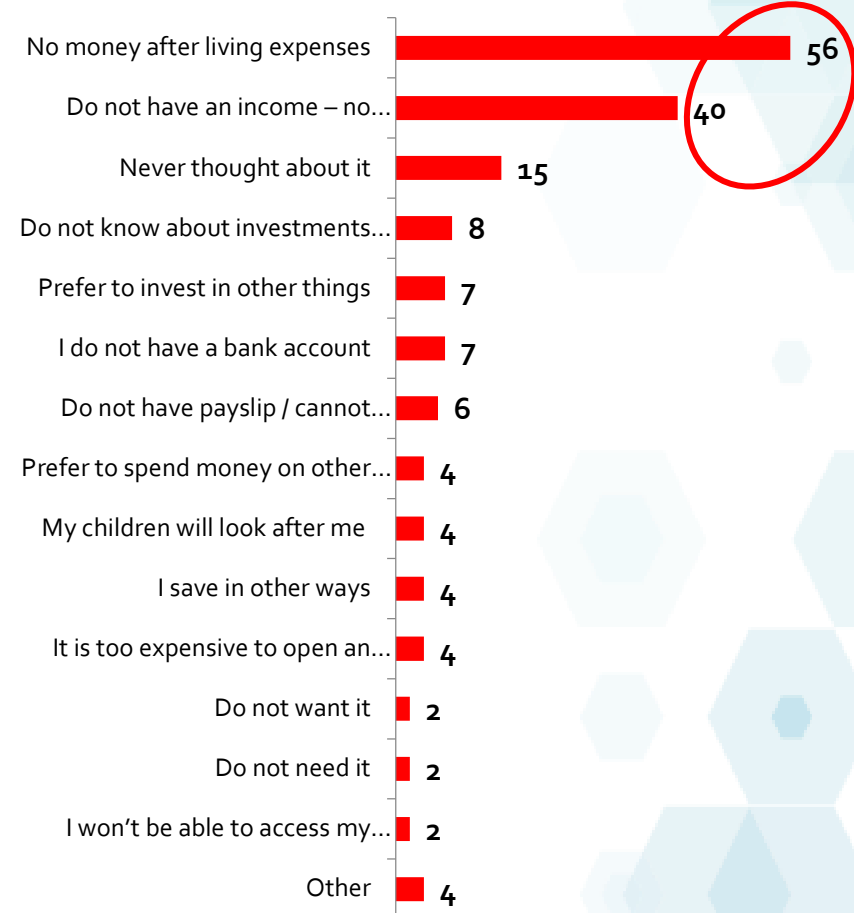
Savings and investments:

Adults save mainly for medical related expenses and living costs

41% of adults save



59% of adults do not save

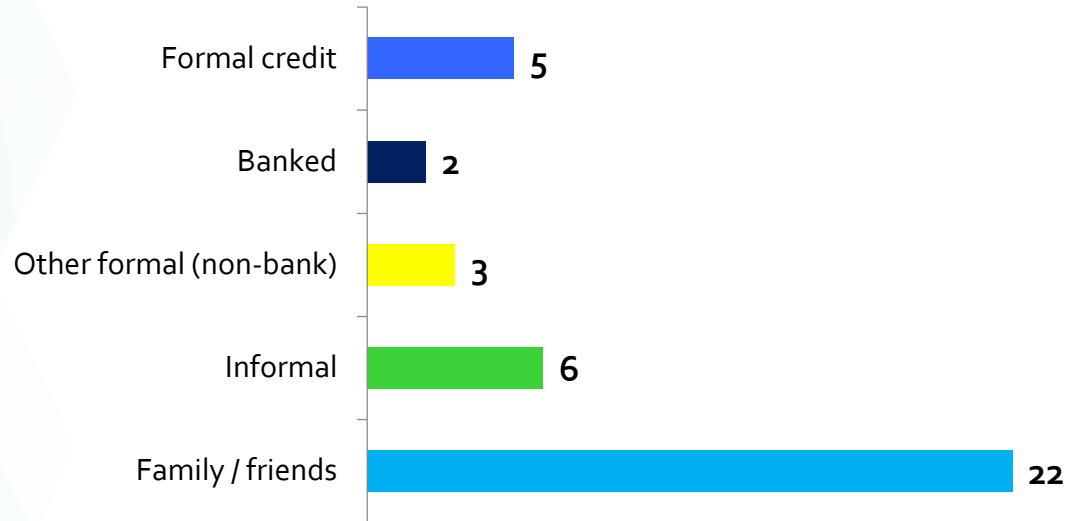


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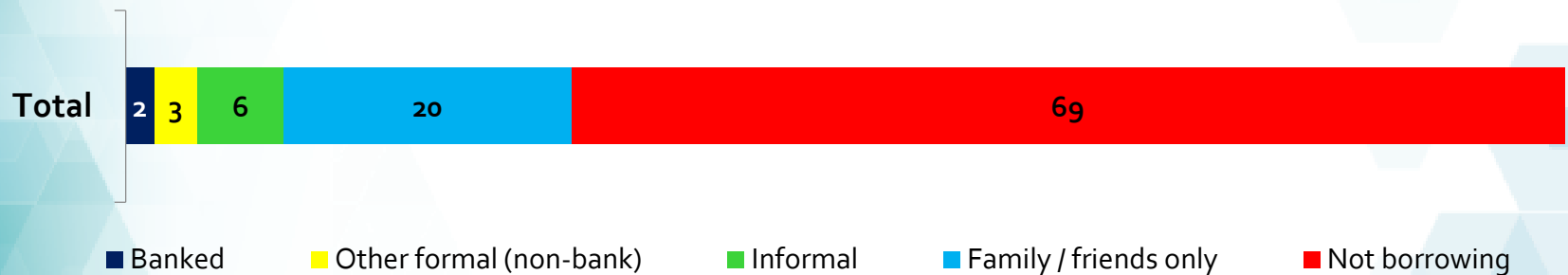
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Borrowing and credit: Overview



Credit Strand



Borrowing and credit: Overview



Banked Other formal (non-bank) Informal Family / friends only Not borrowing

Borrowing and credit:

Borrowing mechanisms

Borrowing mechanism (of those currently borrowing)	Approx. number	Total %	Urban	Rural
Borrow from friends/family	2 500 000	73%	62%	77%
Borrow from MFI	320 000	10%	13%	8%
Borrow from bank (all credit products from bank)	180 000	5%	13%	3%
Borrowing from employer / colleague	150 000	4%	4%	4%
Got goods in advance from agricultural buyer	78 000	2%	-	3%
Borrow from money lender	45 000	1%	1%	2%
Borrow from savings group	40 000	1%	-	1%

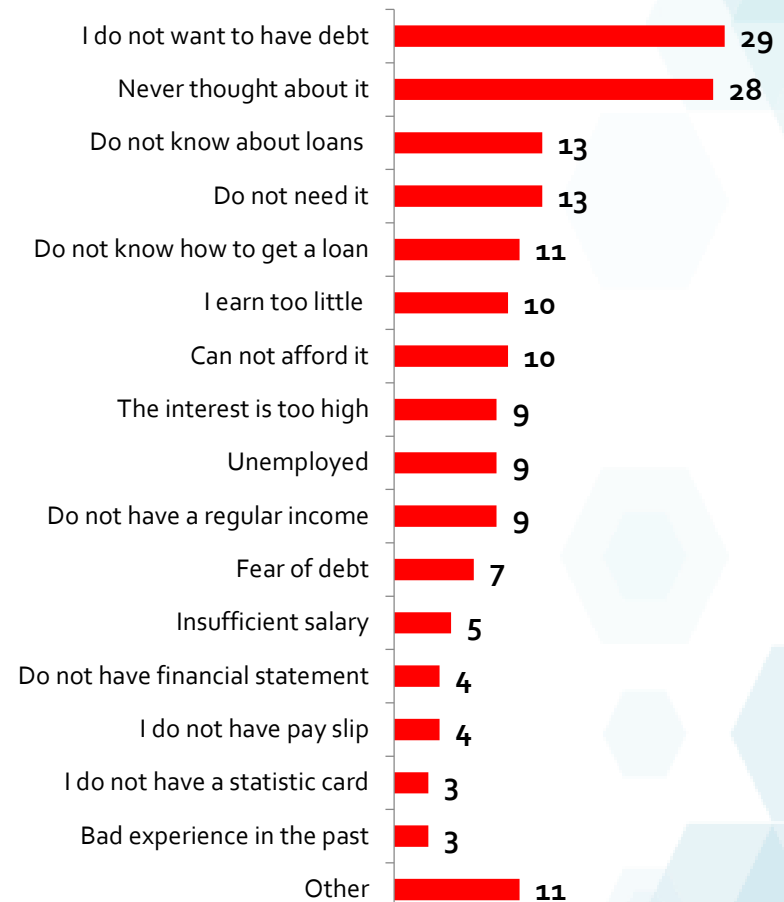
Borrowing and credit:

Adults mostly borrow for cover day-to-day expenses

31% have borrowing/credit products



69% do not borrow

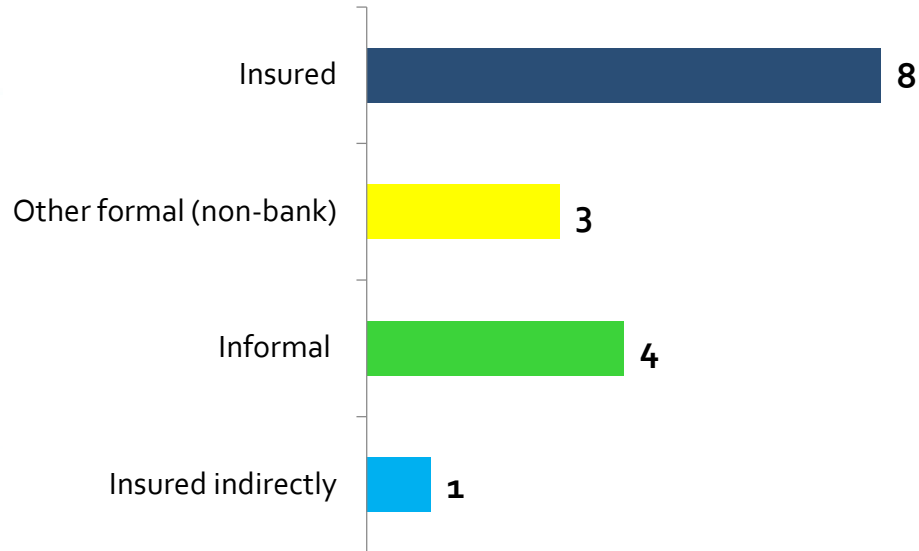


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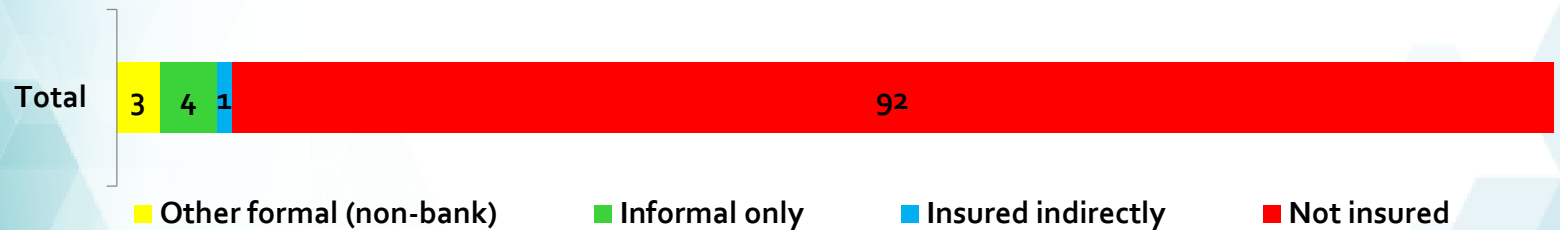
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Insurance and risk management: Overview



Insurance Strand



Insurance and risk management: Drivers and barriers

8% of adults have insurance

Of those insured uptake of insurance products is driven by:

- Solidarity system 41%
- Motor vehicle insurance 27%
- **Pension fund 16%**
- Medical aid / health fund 10%
- Life assurance 7%
- Accident or travel cover 4%

92% of adults do not have any kind of financial product covering risk

Main barrier to the uptake of insurance:

- Do not know enough about insurance **20%**
- Do not know how insurance works **17%**
- Cannot afford it 16%
- Do not want it 12%
- Unaware of insurance 12%
- Nothing to insure 9%

Of those without insurance (**95%**):

- 49% agreed there are other ways to protect oneself against risk
- 85% are not aware of medical or health insurance
- 84% are not aware of life assurance
- 63% are not aware of motor vehicle insurance

****LITERACY****

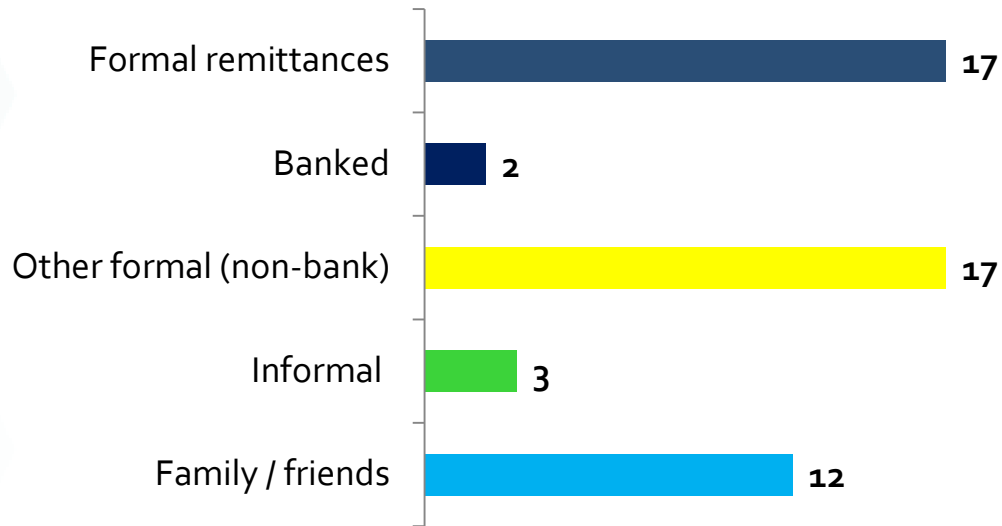
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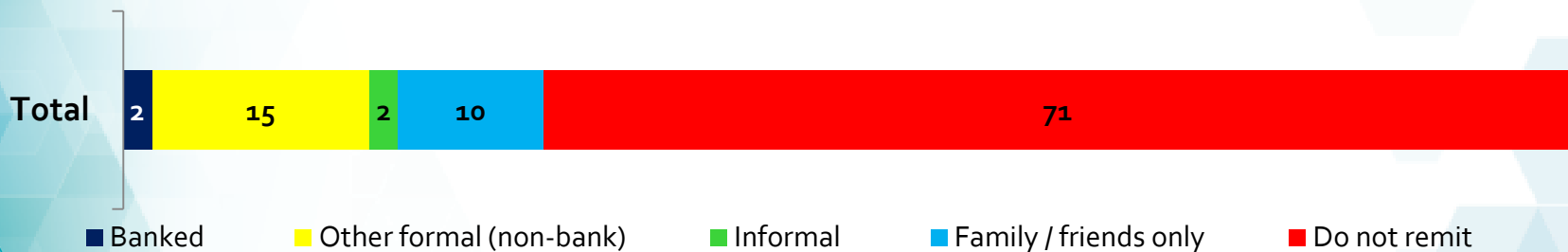


Remittances:

Overview of those that claimed to remit in the past 12 months



Remittances Strand



Remittances and Mobile money

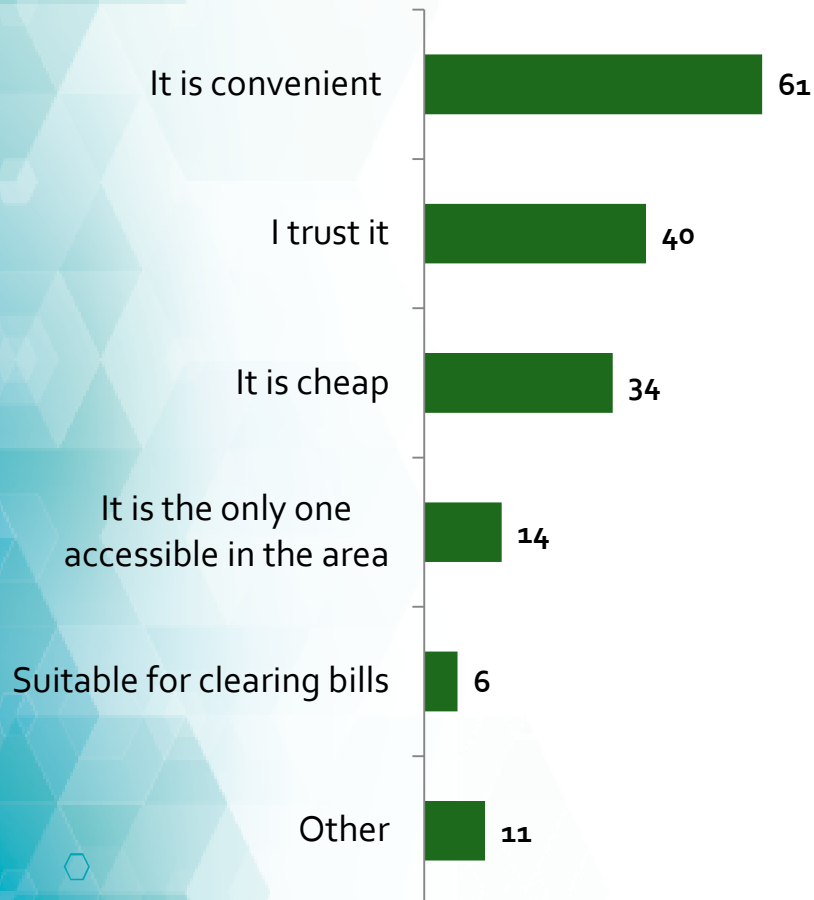
- **21%** of adults received money while **16%** sent money in the last 12 months
 - More females receiving money (24%) than males (18%)
 - 29% of adults remitted within Madagascar and only 2% remitted outside

 - **13%** of adults own mobile money services while **17%** use mobile money services
- Of those who use mobile money services (**17%**):
- **80%** use it to remit
 - **73%** transact through mobile money (pay utility bills, buy airtime, etc.)
 - **12%** use it to keep money

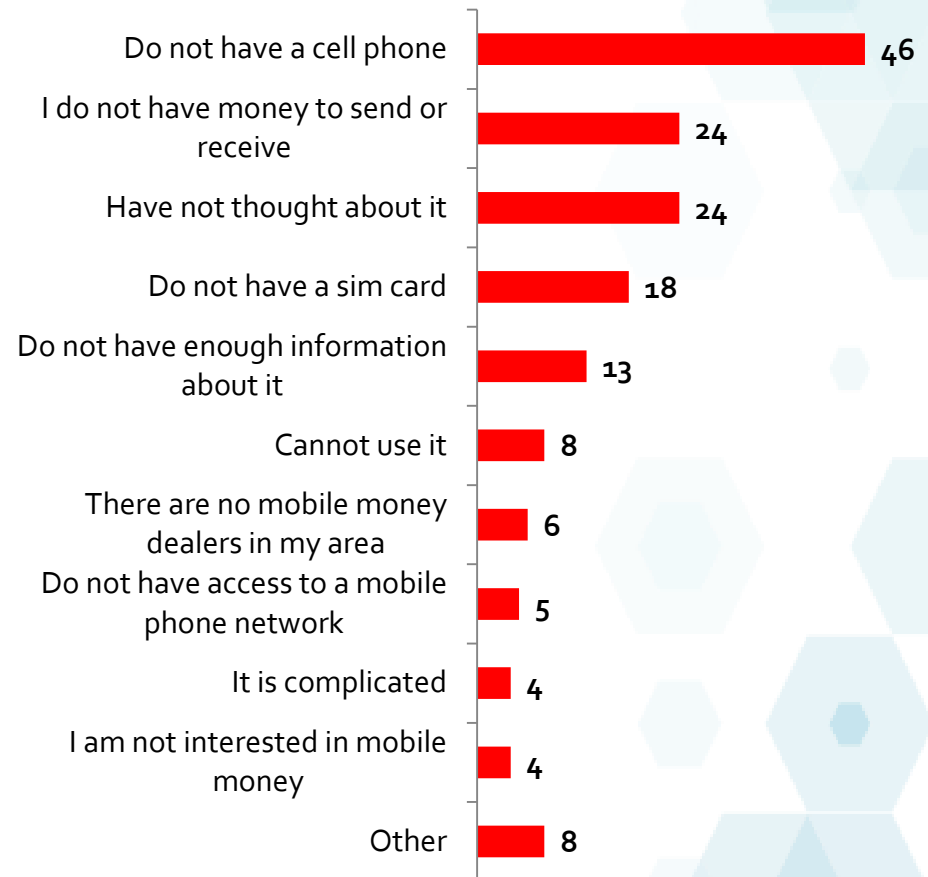


Mobile Money: Drivers and barriers

17% use Mobile Money Services

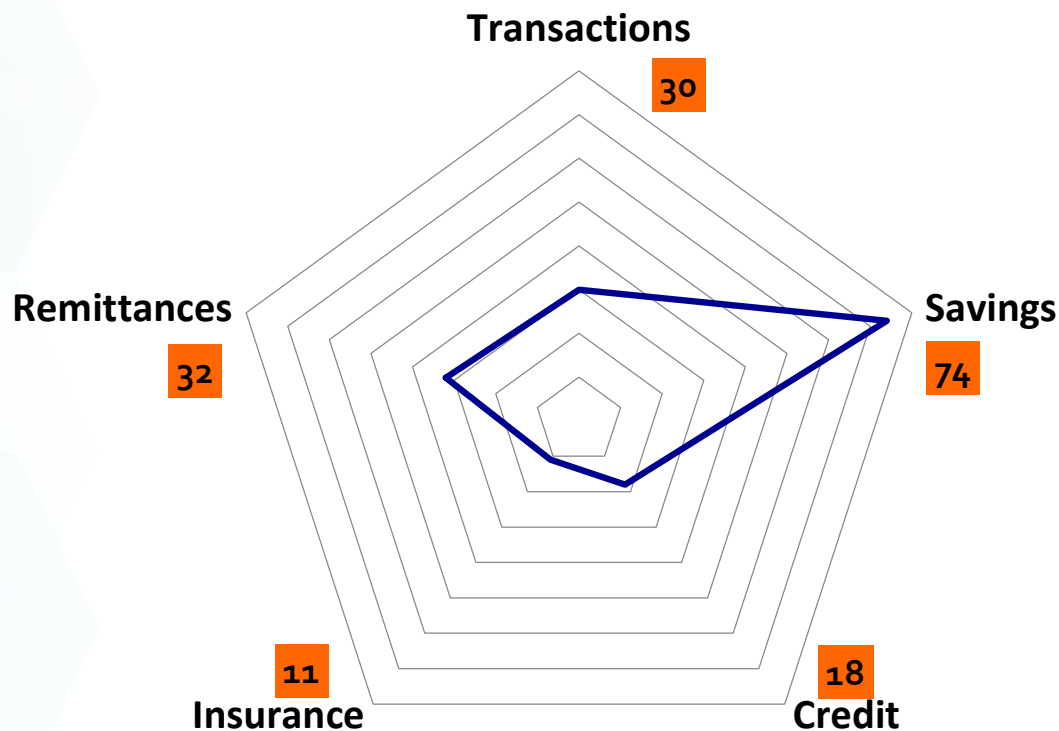


83% do not use Mobile Money Services



Financial inclusion: Landscape of Access

(of those with any financial product)



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 secret place)



Financial inclusion: Regional level analysis

- Anamalanga (42%), Analanjirofo (41%) and Vakinankaratra (37%) are the **most formally included** regions with Analanjirofo being the highest proportion of adults with other formal (non-bank) products
- The regions of Bongolava (18%), Vakinankaratra (25%) and Itasy have the lowest excluded population proportions **mainly driven by informal product** uptake
- The highest **excluded population proportions** are in the regions of Sava (60%), Androy (62%) and Sofia (66%)
- Credit uptake is higher in the regions of Itasy (52%) and Vakinankaratra (51%) with higher formal borrowing in Vakinankaratra (10%) and higher borrowing from friends/family (45%) in Itasy
- Savings are higher in the regions of Bongolava (84%) and Vatovavy Fitovinany (75%) driven mainly by informal savings in livestock in Bongolava



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Financial Inclusion Priorities

1. Continued enabling regulatory environment and introduction of low cost 'no-frills' account to deepen bank reach to better meet needs
2. Mobile money as tool to increase reach of formal services – 80% of those that use mobile money use it to remit - extend financial services to extend savings, insurance and credit amongst other transactional usage such as payments
3. Savings is the biggest driver of financial inclusion in Madagascar largely driven by informal mechanisms and those not using financial products to save
4. Insurance to better manage impact of risks - insurance is driven by funeral cover largely through solidarity systems which in fact are not financial products
5. Consumer education and financial literacy are real issues in Madagascar – interaction with products and insurance is encumbered are largely financial illiteracy and low income levels



Thank you

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