



Financial capability goes hand in glove with facilitating and deepening financial inclusion

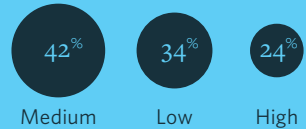


Understanding what a financial product or service is, what it offers, how to use it, how to benefit from it is a necessary requirement for Togolese adults to make best use of available resources. Similarly, an individual's characteristics, perceptions and behaviour influences his ability to engage, take-up and utilise a financial product. However, influencing an individual's will and attitude could go a long way in 'making financial products work for the poor'.

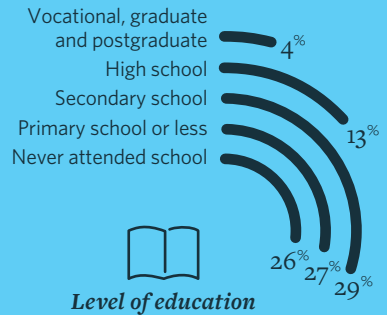
According to FinScope Togo 2016, only 24% of adults exhibit good financial literacy traits – a combination of positive financial perceptions, awareness and behaviour. While 42% could be considered as moderate (or medium), a good 34% exhibit low financial literacy. A dedicated financial literacy programme could be used to 'teach' and encourage sound financial management and practices.

The level of formal education could play a critical role on how Togolese adults comprehend financial products, more especially that marketers may use a language that 'could fly above the level' of the consumers. Noting that only 4% of Togolese adults have vocational, graduate or post graduate qualifications while 13% have high school education, this may explain the low financial literacy scores.

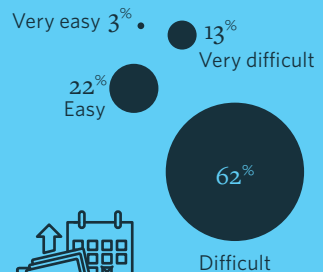
Part of assessing financial behaviour is indicated by the ease or difficulty on keeping up with financial commitments. A combined 75% of adults reported finding it difficult or extremely difficult to pay bills and debt on time. This sums up the level of financial literacy amongst Togolese adults.



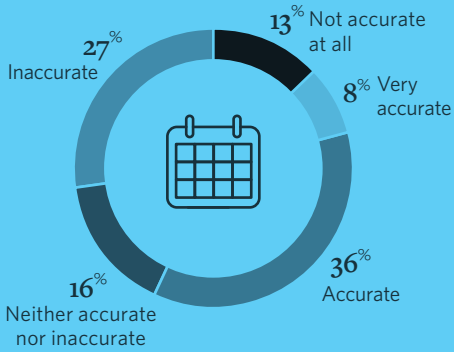
Overall financial literacy scores



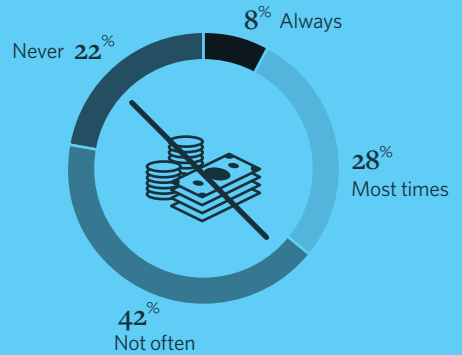
Level of education



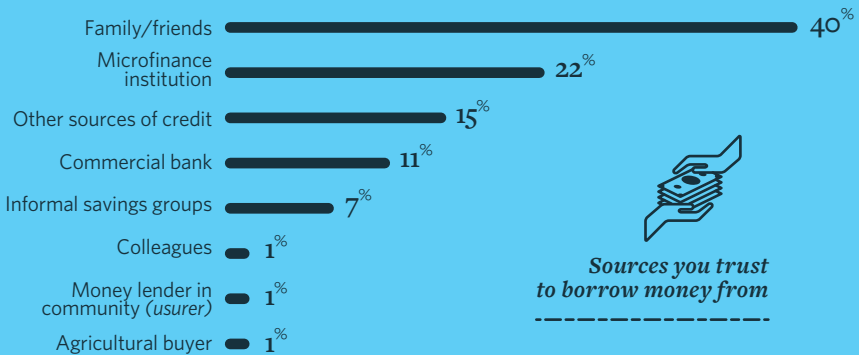
Level of difficulty with keeping up with financial commitments



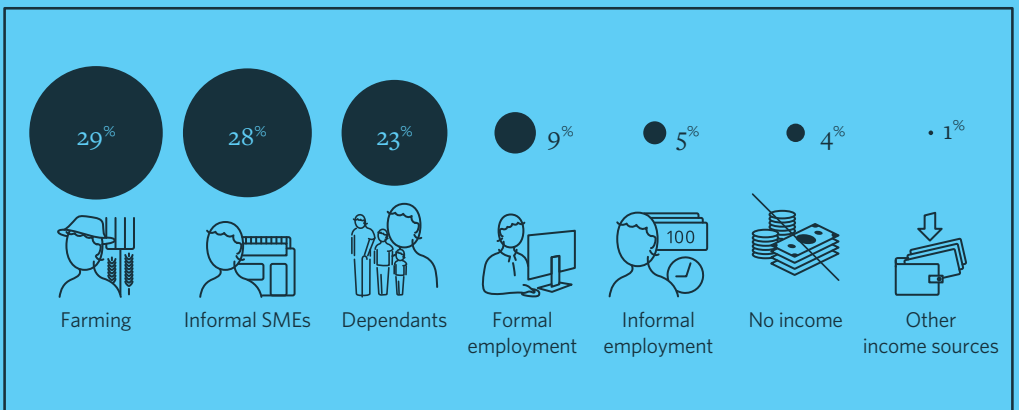
Accuracy of calculating how much you spent last month



Frequency of running out of money



Sources you trust to borrow money from



FinScope Togo target groups

Togo

FINANCIAL LITERACY



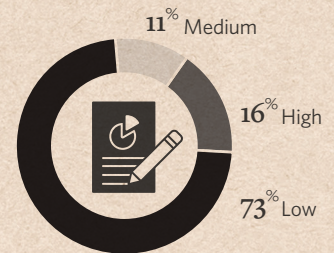
Intrinsic to an individual are the value systems. A question was asked to adults about sources of money they could borrow from during an emergency. It was clear as daylight that Togolese adults value close friends and family over any financial institution – even the informal ones as highlighted by 40% of adults. The next best source was microfinance institutions with 22% while 11% would consider going to a banking institution. Such results show why financial literacy is such low.

On general money matters, the ability to budget and plan ranks high on managing the limit financial resources. About 44% reported good financial practices while the other 40% report bad practice of not being able to calculate how much they spent last month. To tackle such problems would be to proactively sponsor financial literacy programmes.

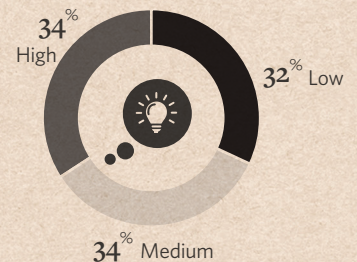
Though running out of money may occur to all adults, the practice of not planning could exacerbate the situation further. While 36% report high frequencies of running out of money, only 22% display 'model' financial consumer traits. However, not having sufficient income to finance disbursements could also be a driver of money running short.

In order to make sense of how source of income influence financial literacy, the following target groups were formulated.

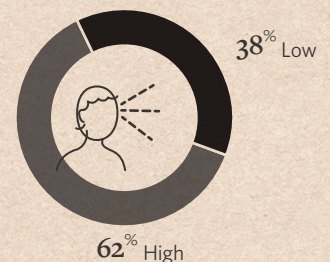
The population was categorised based on their source of income and other characteristics that could explain their level of financial literacy. From the graphic (to the left), 29% of adults are involved in some type of farming-related income generating activity, 28% are either working or owning small and medium enterprises, 23% are dependent on others for financial assistance – including social welfare or family members. The results hint the type of financial services and products they are likely to be aware of and using. This has a bearing on the overall financial literacy score – especially on financial awareness.



Financial behaviour mean scores



Financial awareness mean scores



Financial perception mean scores

Financial literacy score

FinScope Togo 2016 Survey was comprehensive as it included questions that were used to assess the level of financial literacy amongst the Togolese adults. There are several determinants that influence the level of financial literacy that this dashboard explores. Amongst them is formal education, exposure to financial services and products, intrinsic attitude towards financial management and the surrounding environment.

Several questions were used to create three broad determinants of financial literacy namely financial behaviour, financial perception and financial awareness. Each of these determinants comprised of a set of questions with each positive (or correct) response being a score of one and no point for a negative (or wrong) response. These were scaled to a total of 100%. Financial behaviour had 10 questions, financial perception with 6 and financial awareness with a total of 8. Thus, the weighting of these determinants to the total financial literacy score was implicit.

This allowed the creation of scores and then in turn, bands with low, medium and high categories - more information on how the scores were calculated can be made available upon request. The mean scores were used to group and distinguish adults with low, medium or high levels of financial literacy. In all analysis, if an adult scored less than 50%, they were rated as low, between 51% and 63% were medium

while any score above 64% was rated as high. The distribution of the scores were used to identify the cut-off points. The same process and cut-off points were used for deriving the financial behaviour, awareness, perception and overall financial literacy scores.

Financial behaviour

Collectively, Togolese adults have low mean scores on financial behaviour signifying poor financial management practices.

Financial behaviour encompasses the ability to keep written records on inflows, outflows and budgets. From the table, it can be noted that those who exhibit low financial behaviour are: from Savanes or Kara, youth, dependants and the financially excluded.

Financial awareness

Financial awareness evaluates an adult's exposure to various financial instruments.

There is a balanced split between those who know and do not know various types of financial products. Those who exhibit low financial awareness are the 'financially excluded', Savanes region, farmers and those with no formal education.

Financial perceptions

Perceptions are how adults view the world and the financial products and services.

FinScope Togo 2016 had a set of questions that was used to gauge the perceptions of adults. It was very interesting to note that Togolese adults swayed between two extremes, nothing in between. As much as 62% of adults exhibit high (or positive) financial perceptions while 38% were rated low. From the summary table, perceptions were negative from those in rural areas and women.

It is evident that as the level of financial literacy improves, the more the uptake

FINANCIAL BEHAVIOUR

	Low	Medium	High
Region			
Grand Lome	68	15	17
Maritime	71	12	17
Plateaux	78	9	13
Centrale	70	9	21
Kara	74	9	16
Savanes	80	9	11

	Low	Medium	High
Area			
Urban	70	14	16
Rural	75	10	15

	Low	Medium	High
Gender			
Male	73	10	17
Female	73	12	15

	Low	Medium	High
Education			
No formal	75	10	15
Primary & less	69	14	17
Secondary	75	11	14
High school	76	11	14
Vocational/graduate/post graduate	57	11	32

	Low	Medium	High
Age			
Youth	77	10	13
Senior	67	13	20

	Low	Medium	High
Target groups			
Formal	58	20	21
Informal SME	62	16	22
Dependants	93	4	2
Farming	71	10	19
Informal	67	12	21
Other income	69	17	14
No income	94	3	3

	Low	Medium	High
Financial Access Overall			
Banked	52	17	31
Other formal (non-bank)	56	16	28
Informal	52	20	29

	Low	Medium	High
Financial Access Strand			
Banked	52	17	31
Other formal	60	15	25
Informal	66	19	15
Excluded	93	4	3

FINANCIAL AWARENESS

	Low	Medium	High
Region			
Grand Lome	13	37	50
Maritime	44	33	23
Plateaux	24	33	43
Centrale	27	42	31
Kara	37	33	30
Savanes	68	23	9

Area			
Urban	16	38	46
Rural	43	31	26

Gender			
Male	27	34	39
Female	36	34	31

Education			
No formal	55	25	20
Primary & less	31	35	35
Secondary	23	38	39
High school	13	39	48
Vocational/ graduate/ post graduate	9	39	52

Age			
Youth	28	36	35
Senior	37	30	33

Target groups			
Formal	15	43	42
Informal SME	25	35	40
Dependants	36	33	31
Farming	43	30	27
Informal	22	43	35
Other income	27	24	50
No income	20	39	42

Financial Access Overalls (with overlaps)

Banked	12	44	44
Other formal (non-bank)	15	38	47
Informal	34	31	36

Financial Access Strand (without overlaps)

Banked	12	44	44
Other formal	17	34	49
Informal	50	25	25
Excluded	43	33	24

FINANCIAL PERCEPTION

	Low	Medium	High
Region			
Grand Lome	30		70
Maritime	34		66
Plateaux	39		61
Centrale	38		62
Kara	40		60
Savanes	62		38

Area			
Urban	32		68
Rural	43		57

Gender			
Male	35		65
Female	41		59

Education			
No formal	47		53
Primary & less	39		61
Secondary	33		67
High school	37		63
Vocational/ graduate/ post graduate	20		80

Age			
Youth	38		60
Senior	36		64

Target groups			
Formal	19		81
Informal SME	32		68
Dependants	45		55
Farming	42		58
Informal	32		68
Other income	44		56
No income	53		47

Financial Access Overalls (with overlaps)

Banked	24		76
Other formal (non-bank)	28		72
Informal	29		71

Financial Access Strand (without overlaps)

Banked	24		56
Other formal	32		68
Informal	37		63
Excluded	49		51

OVERALL FINANCIAL LITERACY

	Low	Medium	High
Region			
Grand Lome	22	48	30
Maritime	33	44	24
Plateaux	33	44	23
Centrale	33	38	29
Kara	36	41	23
Savanes	64	24	12

Area			
Urban	25	46	29
Rural	40	39	21

Gender			
Male	31	41	28
Female	36	43	22

Education			
No formal	47	34	19
Primary & less	33	43	25
Secondary	27	46	27
High school	32	44	24
Vocational/ graduate/ post graduate	9	46	46

Age			
Youth	36	43	21
Senior	31	41	29

Target groups			
Formal	14	44	42
Informal SME	22	45	33
Dependants	51	41	8
Farming	38	38	24
Informal	25	49	26
Other income	27	53	21
No income	51	37	12

of financial services and products. Since Access Strands are derived using a hierarchical classification of products, 'the more an individual is literate, the more probability of using the higher order financial products'. This could be deduced from the Financial Strand as: (1) the higher the level of financial literacy, the more usage of bank accounts, (2) the lesser the literacy levels, the more chances of being excluded.

Key findings

Financial literacy is a combination of a lot of things as analysed in this FinScope dashboard – possibly synonymous with financial capability.

Key findings include:

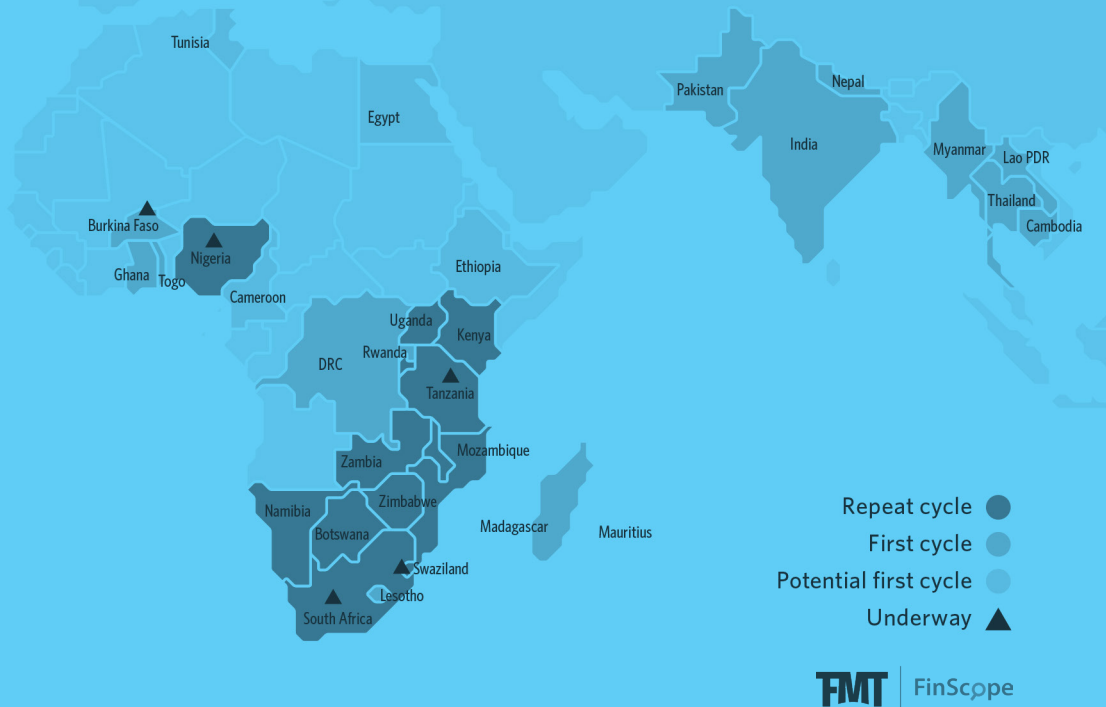
- Financial behaviour scores depicted a majority (72%) with low mean score, 11% with medium and 16% with high mean score. This indicated that Togolese adults need to be taught and shown good financial practices – including how to plan, budget and keep financial records of their spending.
- Financial awareness scores depicted a balanced awareness towards financial products with 32% with low mean score, 34% with medium and 34% with high mean scores. It stands to reason that most adults are aware of financial products though such ‘knowledge’ does not transfer to uptake and use. Subscription to insurance is low at 19% (nationally). Main barriers are related to lack of information, such as:
 - 50% have not heard of the health insurance / medical;
 - 43% are not aware of the accident / travel insurance; and
 - 28% are not aware of pension funds.
- Financial perceptions are closely linked to an individual’s value system – an internal notion of what they consider good, beneficial, important, useful and desirable. Interestingly, Togolese adults viewed concepts in either extremes, either useful or not. About 38% of adults scored low on the financial perception category while 62% were on the high end – nothing in between.
- Overall financial literacy scores were: 34% low, 42% medium and 24% high. Intuitively, the mean scores were more swayed by the low scores within the financial behaviour category.
- FinScope Togo 2016 reported 40% of financial exclusion which could be reduced by improving the overall financial literacy of adults – thereby enabling them to make sense and evaluate value from financial services and products.

Recommendations

- Selling value to consumers** – in order to influence the ‘lack of awareness’ Togolese adults have towards financial services and products, more information has to demonstrate value. A lot of literature is available to marketers on how to provide differentiated experience to various clients. This means that value is different from each person. Understanding that is key to unlocking this potential market.
- Enhancing trust on the consumer’s mind** – a concept called ‘product positioning’ could be explored. For example, Togolese adults when faced with urgent need for money would prefer credit from family and friends than a formal institution which could be created by mistrust on these institutions.
- Promoting national financial literacy programs** – About 53% of Togolese adults indicated a need for financial education, mainly seeking information on how to manage their own finances separate from those of their business activity. Dedicated and targeted initiatives could easily be rolled out by public institutions or policy makers (compared to the private sector).

FINANCIAL ACCESS BY FINANCIAL LITERACY BAND

	Low	Medium	High
Financial Access Overall			
Banked	14	40	46
Other formal	16	43	41
Informal	21	39	40
Financial Access Strand			
Banked	14	40	46
Other formal	19	45	36
Informal	33	43	23
Excluded	52	40	8
Savings Overall			
Banked	4	35	61
Other formal (non-bank)	7	33	59
Informal	16	37	47
Family/friends or at home	18	38	43
Savings Strand			
Save at bank	4	35	61
Save at other formal (non-bank)	8	33	59
Save informally	21	40	39
Save with family/friends	24	43	33
Do not save	48	45	7
Credit Overall			
Banked	8	43	49
Other formal (non-bank)	11	44	45
Informal	26	41	33
Family/friends or at home	24	47	29
Credit Strand			
Borrow from bank	8	43	49
Borrow from other formal (non-formal)	11	44	46
Borrow from informal	27	41	32
Borrow from family/friends	39	42	19
Do not borrow	39	42	19
Remittances Overall			
Banked	15	40	45
Other formal (non-bank)	17	40	44
Informal	27	41	32
Friends/family or at home	18	37	45
Remittance Strand			
Remit through the bank	15	40	45
Remit through other formal (non-bank)	17	40	43
Remit informally	28	40	33
Remit through family/friends	20	37	43
Do not remit	38	43	19
Insurance Overall			
Other formal	12	42	46
Informal	26	40	34
Insurance Strand			
Other formal (non-bank)	12	42	45
Informally insured	27	41	32
Do not have insurance	37	42	21



The MAP country data dashboards

The data used in this focus note is from the FinScope Consumer Survey Togo 2016, which is conducted under the auspices of Making Access Possible Programme and financially supported by Ministry of the Grassroots Development, Handycrafts, Youth and Youth employment, Ministry of Economy and Finances, UNDP and European Union. This note offers a detailed understanding of the financial literacy of the Togolese adults. FinScope Consumer Survey Togo 2016 questionnaire explored a myriad of questions covering – living conditions, financial services usage (transactions/payments, savings and investments, credit, remittances and insurance) and financial literacy. This allowed the construction of the main paradigms of financial literacy i.e. awareness, perceptions and attitudes and behaviour to be measured for Togolese adults.

FinScope Togo 2016 contains a wealth of data based on a nationally representative sample of the Togolese adults.

About the Making Access Possible Programme

Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based analysis feeding into a financial inclusion roadmap jointly implemented by a range of local stakeholders.

MAP was initiated by the United Nations Capital Development Fund (UNCDF) and is implemented in partnership with FinMark Trust and the Centre for Financial Regulation and Inclusion (Cenfri). In each country, MAP brings together a broad range of stakeholders from within government, the private sector and the donor community to create a set of practical actions aimed at extending financial inclusion tailored to that country.

About FinScope Togo

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.

The FinScope survey is dynamic and the content is evaluated by a number of stakeholders including the private sector, NGOs and Government to ensure that the most relevant consumer data is collected. It also forms an important component of the Making Access Possible (MAP) methodology.



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