



**FMT** | FinScope

**FinScope South Africa**  
2019 Pocket Guide

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## Background

FinScope is a representative study of the usage of and access to financial services. The survey is used to better understand money matters, with an emphasis on the market needs and attitudes of both informal and formal financial offerings and usage.

## Sampling and methodology

### Respondent profile

- Universe: **Adult population in South Africa**,
- South African residents **16 years and older**.

### Coverage and methodology

- Fieldwork conducted **27<sup>th</sup> August -5 November 2019**
- Computer Aided Personal Interviews (**CAPI**) conducted face to face.
- Questionnaire reviews included reordering of some questions and the addition/removal of questions.
- Questionnaire **translated** into isiXhosa, isiZulu, Sesotho, Setswana, Sepedi and Afrikaans.

The FinScope survey further sheds light on consumers and their behaviour by exploring individuals' interactions with the financial sector as a whole.

- **Total of 4,969** interviews conducted – slightly less than the **4,995** interviews conducted in previous year.

### Sample and fieldwork validation

- **Nationally representative** sample (weighted/benchmarked to Stats SA 2019 mid-year population estimates).
- Sample drawn systematically using **Probability Proportional to Size** (PPS) sampling.
- **Enumerator Area (EA)-based, 833** EAs and six interviews per EA.
- To identify respondents, **two further levels of random sampling**:
  - **Households** randomly selected within each sampled EA.
  - **Individual respondents** then randomly selected from adults in each sampled household using the Kish grid method.

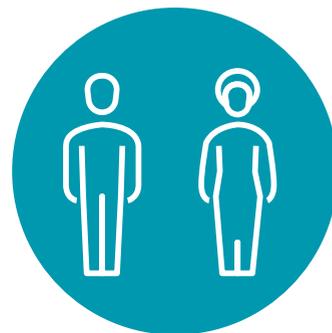


## South Africa at a glance

The adult population (16 years and older) of South Africa is about 40.9 million people. The population skews towards female, black Africans, who fall into the youth category (35 years and younger), with households in LSM 5 and 6.



- Black 79%
- White 9%
- Coloured 9%
- Asian 3%



- Female 52%
- Male 48%



- 16-24 21%
- 25-35 30%
- 36 years plus 49%



- LSM 1-2 1%
- LSM 3-4 15%
- LSM 5-6 53%
- LSM 7-8 19%
- LSM 9-10 12%



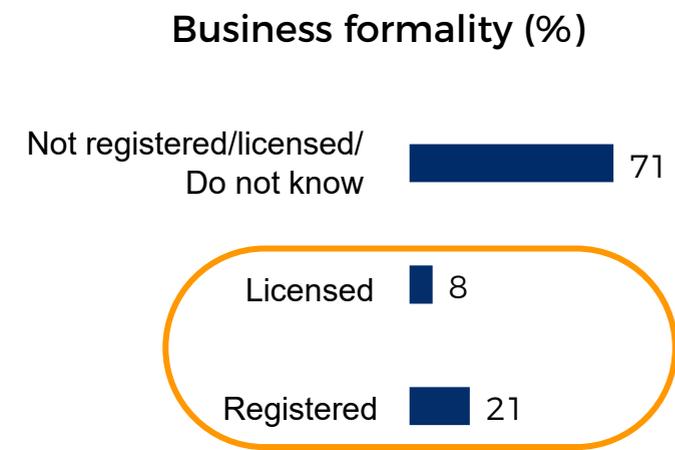
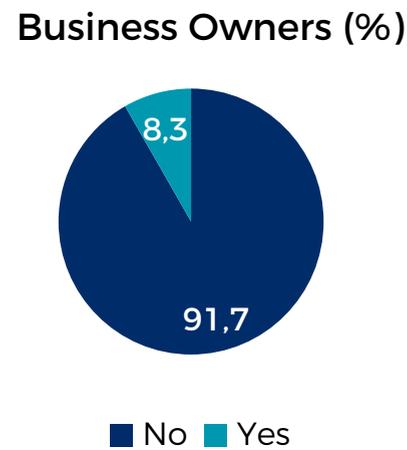
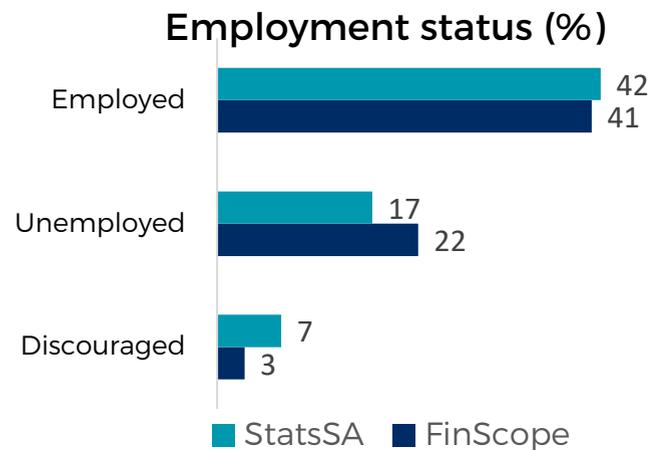
## Employment status and business owners

FinScope gives some clues on employment status, showing that 41% or 16.8 adult South Africans were employed in 2019, with 26% or 10.9 million adults being unemployed. The number of the unemployed are expected to increase sharply due to the impact of the COVID-19 pandemic.

Of the employed South Africans, 1 in 12 people (or 3.3 million) own businesses. Most of these businesses (71%) or business owners have unregistered or unlicensed businesses. Only 29%

(or around 1 million) business owners have registered businesses; this could be a potential barrier to access the soft loans on offer from the solidarity fund.

“As government actively seeks remedial action for the businesses, the informal businesses may bare the biggest brunt of the COVID-19 effects as they don’t have any documentation to prove that they are affected”.





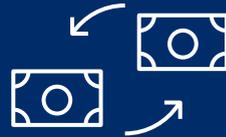
## South Africans financial needs

Generally, people use financial services to meet a specific need, and the needs for which people use financial services can be categorised into one of four universal financial needs:

1. Transfer of money – to make payment or transfer money.
2. Liquidity – to meet expenses within an income cycle.
3. Resilience – to meet large expenses that have resulted from a financial shock.
4. Meeting goals – to provide for larger life or work from a single income cycle.

### Transfer of Value

Send money or digital from one person to another



### Meeting Goals

Achieve life objectives or obligations that require funding across income cycles



### Liquidity

The need to meet expenses in each income cycle



### Resilience

The ability to deal with unexpected shocks that have a financial impact



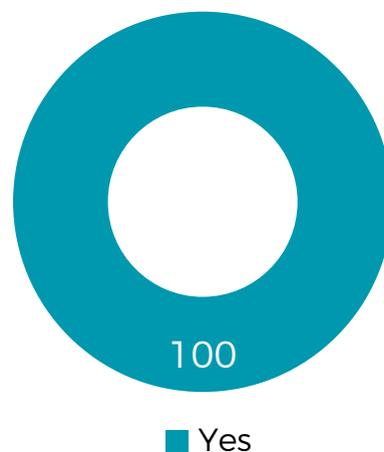


## Transfer of value

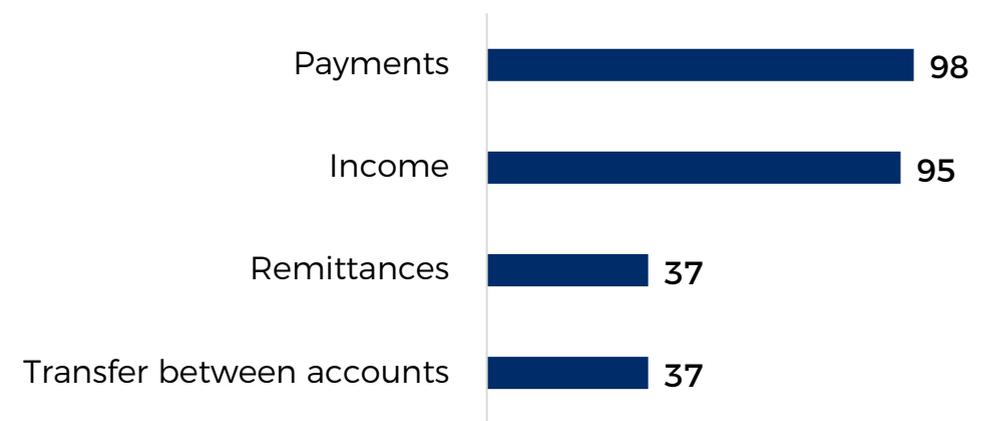
Every month almost all adult South Africans are exposed to the need to transfer money. South Africans make payments - including buying food or groceries, paying for transport, buying airtime, paying for bills, receiving income, and/or remitting money from, or to, another person/s staying in a different house.

- Almost all adults (98%) spend their income to pay for things (that is either paying for food/groceries or airtime/data etc.)
- Approximately 95% of South African Adults receive money on a monthly basis.
- About 2 in 5 of South African adults (37%) remitted (either received or sent money) in the past months prior to FS SA 2019 survey.

% of adults who transferred value



What drives need for money transfer? (%)



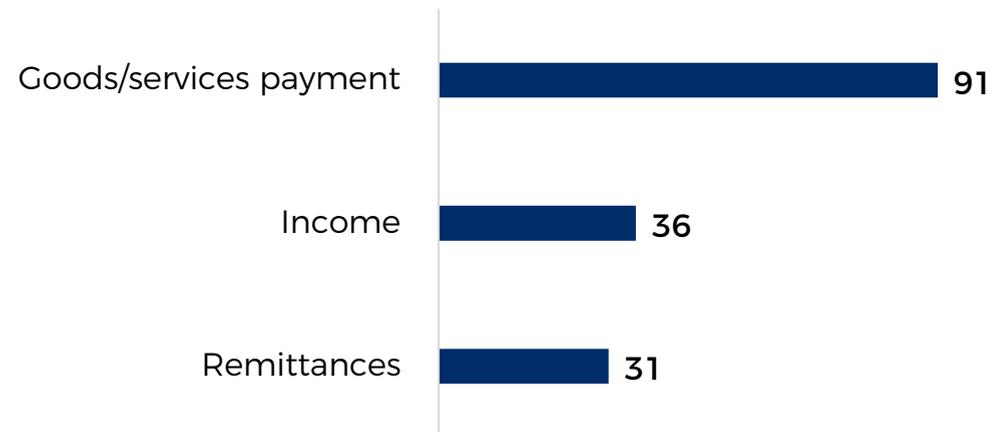


## Transfer of value

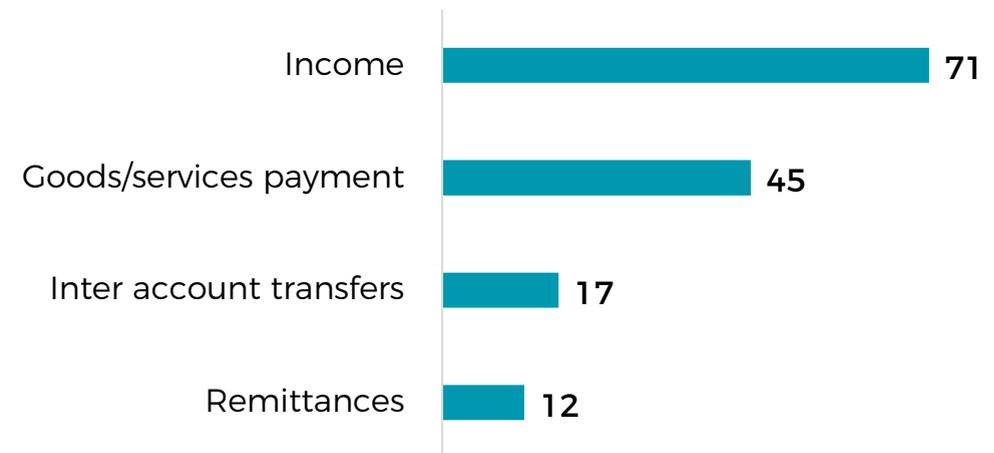
While the COVID-19 pandemic has fanned public concerns on whether the coronavirus could be transmitted by cash. FinScope survey shows that 91% of adults use cash for goods/services payments, 36% receive their livelihoods in cash and 31% deposit or withdraw their remittances in cash.

Close to 80% of adults use digital payments mainly to receive income (71%), or for goods/service payments (45%). Though there is high number of adults receiving income digitally, around 25% or 8.3 million withdraw all the money as soon as it is deposited into their bank account. This had the direct impact on the long queues experienced during the high levels (5 and 4) of the lockdown.

### Cash 94%



### Digital 77%



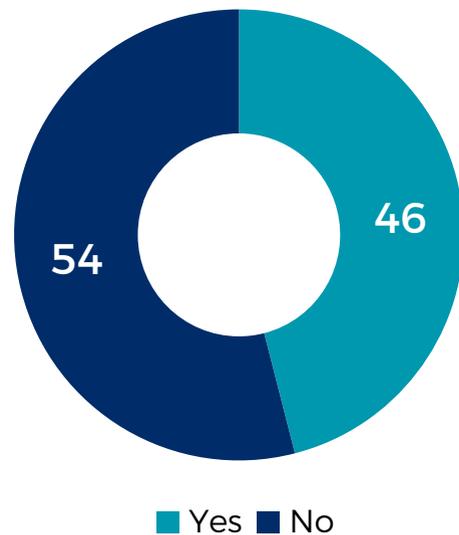


## Liquidity

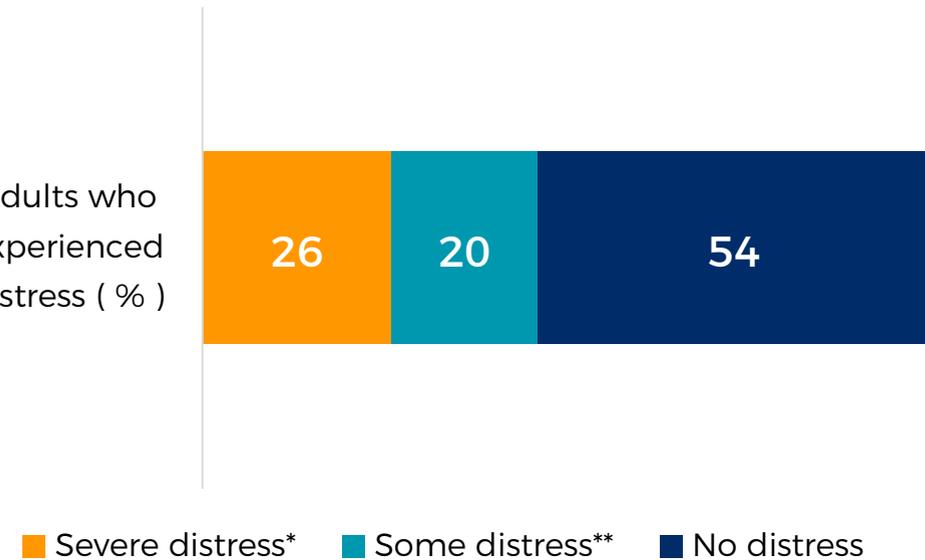
More adults experienced liquidity crisis in the past 12 months prior to 2019 fieldwork. About 26% or 10.3 million adults experienced severe liquidity crisis.

With the COVID-19 crisis, the situation is expected to rise as a sizeable number of South African got their money from other people (dependents) and piece jobs .

% of adults who had a liquidity need



Adults who experienced distress ( % )



\* Experienced frequent liquidity challenges in the past year

\*\* Experienced liquidity challenge once in the past month

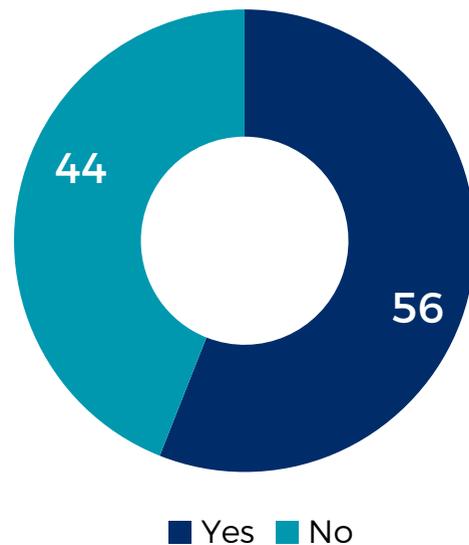


## Meeting goals

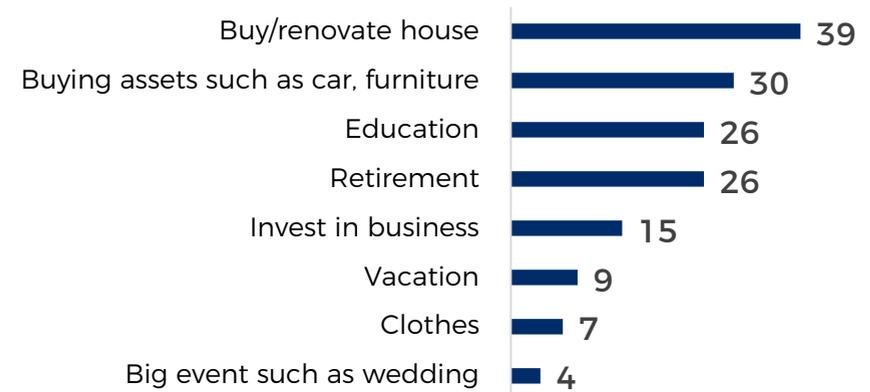
Exploring the incidence of meeting life goals and types of goals and devices they use to meet those goals helps financial institutions to design products that are suitable and complement the needs of those who seek to meet these important life-goals.

About 56% adults were trying to meet life goals. South Africans' goals and aspirations revolve around improving their economic wellbeing, whether through improving shelter, buying land, buying assets, and/or investing in education and retirement.

% of adults meeting goal



Current life goals trying to achieve %



Goals include buying house/land, buying household assets and cars, education, retirement and invest in business were the most expressed personal goals.

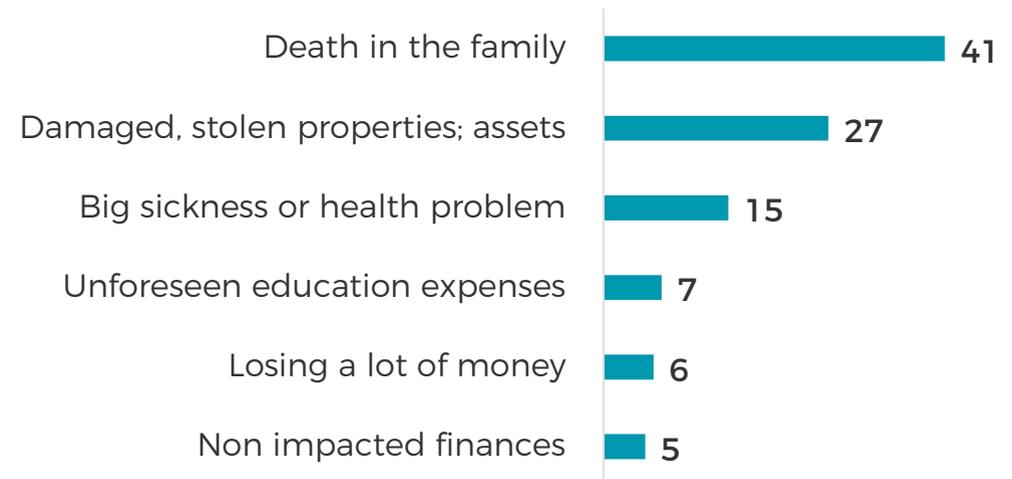
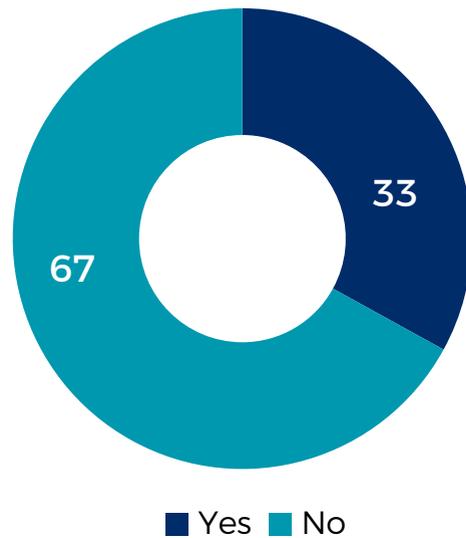


## Resilience

One third (33%) of adults experienced unexpected risks (or insurable risks) in the past 12 months, prior to 2019 fieldwork work. Among those who experienced unexpected shocks that had huge impact in their financial lives, funeral related costs were the main drivers.

South Africans are not only worried about the COVID-19 pandemic, but also being able to afford to bury their love ones.

**% of adults who experienced an unexpected event resulting in a financial loss**

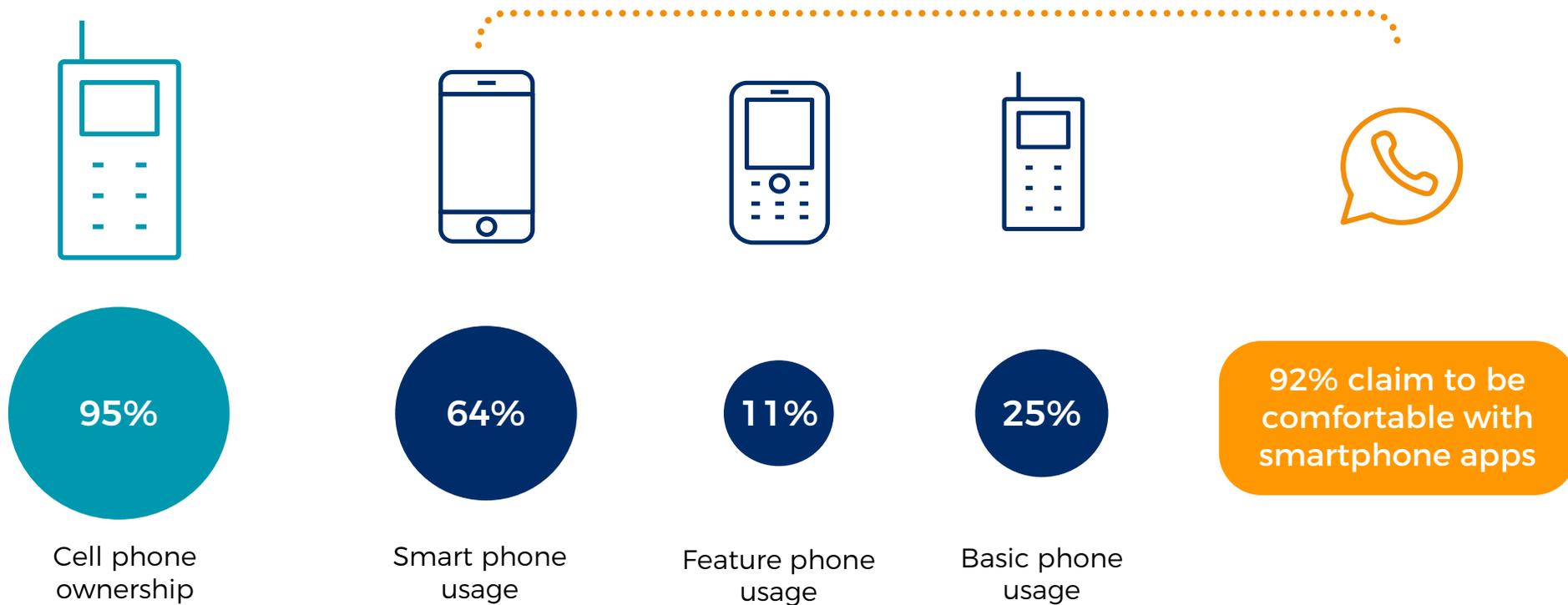




## Maximising the use of fintech in South Africa

Financial technology (Fintech) is used to describe new technology that seeks to improve and automate the delivery and use of financial services.

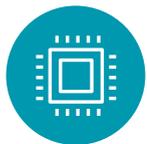
High cellphone and smartphone penetration presents a huge opportunity to maximise the use of Fintech in SA. More adults have cellphones and smartphones, and are becoming more comfortable with smartphone apps.





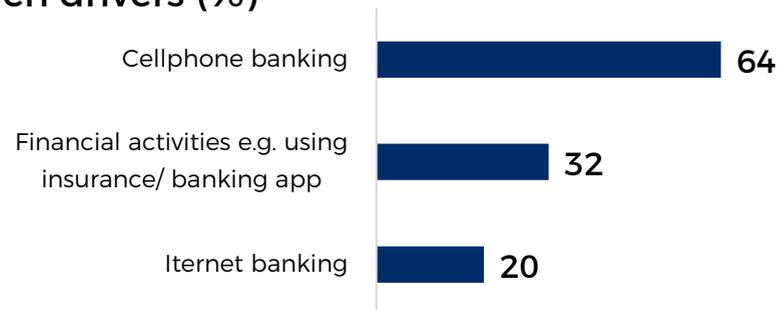
Notwithstanding the COVID-19 impact, South Africans do need to emerge from their quarantine cocoons to pay for things.

Encouragingly, FinScope 2019 data shows that about a third (or 12.1 million) of adults use their cellphones to manage their financial needs. Of those who use fintech, 64% use cellphone banking, 32% use banking or insurance apps, and 20% use internet banking.



30% are fintech users

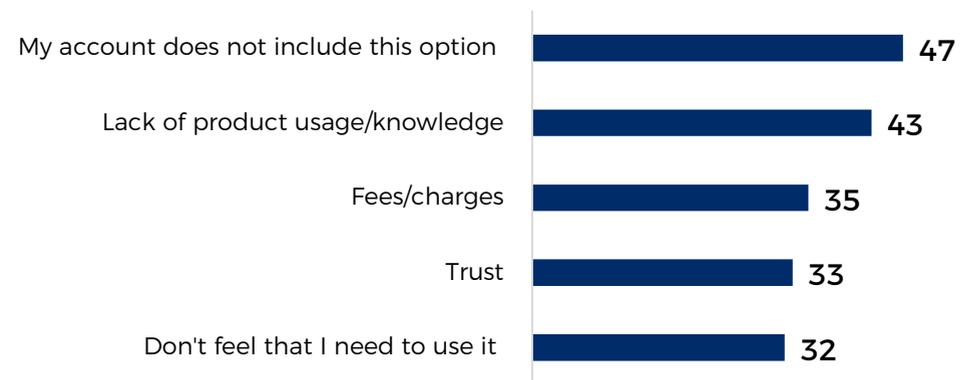
### Fintech drivers (%)



About 5 in 7 (70%) of the adult population did not use their cellphones or financial transaction accounts (digital services) to manage their financial lives prior to COVID-19.

A lack of product knowledge remains the main barrier to an increased use of fintech.

### Barriers to Fintech usage (%)





## Summary

### Transfer of value:

- A notable proportion of population have digital accounts;
- Digital growth points (income payments, goods/services payment);
- Future growth points would be to capitalise in the change of behaviour created by COVID-19 challenges.

### • Liquidity:

- How can formal features mimic assistance/cash at home to change consumer incentives towards formal usage?
- How can liquidity distressed adults be assisted to balance income and expenses? Earlier analyses made strong correlations between those who use cash only and low level of tracking and planning.

### • Resilience:

- Only 48% agreed that their coping mechanisms helped to deal with the shock. This could be driven by the fact that most adults who experienced shocks in the 12 past months used non-financial coping mechanism including doing nothing about their experiences).

### • Meeting goals:

- Formal sector is not playing a key role in creating conducive platform for this need. More people are using non-financial devices to meet financial life goal and of those who use financial products/services rely mostly on informal mechanics (credit and savings).

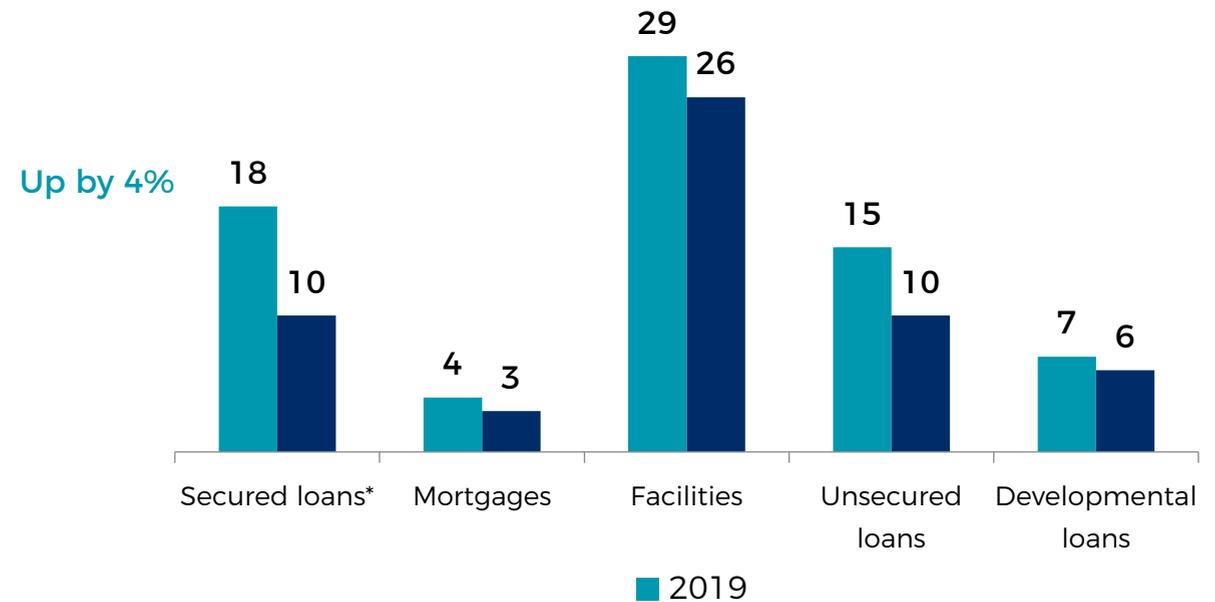
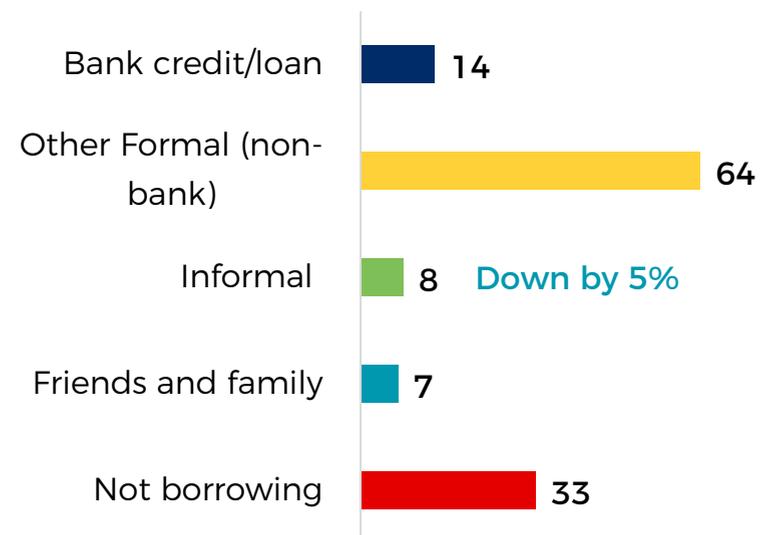


## Informal borrowing levels are declining, but this could change now

More adults accessed formal loans in the past 2019. This increase was driven by access to unsecured lending, lay by and credit facilities (e.g. store cards).

Though the informal borrowing credit levels declined in 2019, COVID-19 could result in sharp increases in informal borrowing.

### Borrowing and credit 2019 (%)

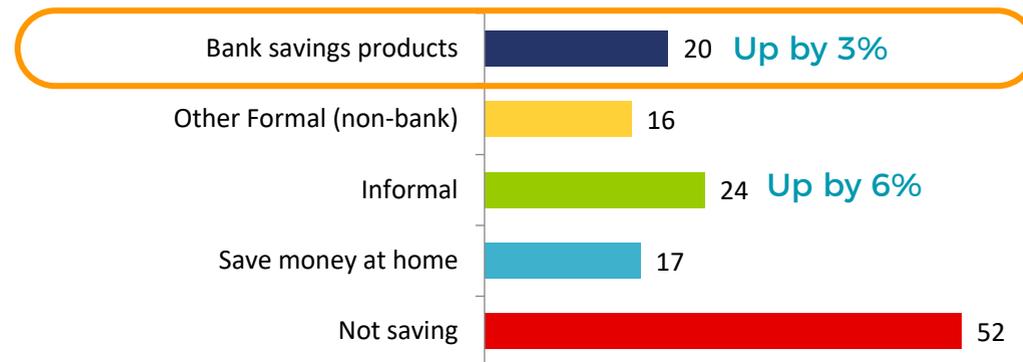




## Savings continue to increase – but the biggest growth is in informal savings

Overall, formal saving slightly increased year on year, while informal savings continue to surge. About 10 million people were saving through informal mechanism (increase from 7 million in 2018) in 2019. 13% (or 5.2 million) of South Africans were saving money through in informal vehicles only in 2019.

### Savings behaviour (%)





## Savings continue to increase – but the biggest growth is in informal savings

About 45% (or 18.4 million) adults belong to a burial society, and about 10 million save through saving groups. The majority of those who belong to burial society and stokvel groups meet on a monthly basis. This of course would not comply with the lockdown directive aimed at combating the spread of COVID-19, but for many of these vulnerable groups, these are the only financial recourse and safety nets they have in place.

Growth in the informal savings is driven by savings stamps and stokvels. The growth is influenced by the following:

- Of those who are saving, about 50% claim that the main source of saving is informal;
- Around 80% of those who save through informal mechanisms claimed that this model help them to achieve their goals;
- Savings behaviour is driven by living expenses and life insurance.

### What drives informal savings increase? (%)

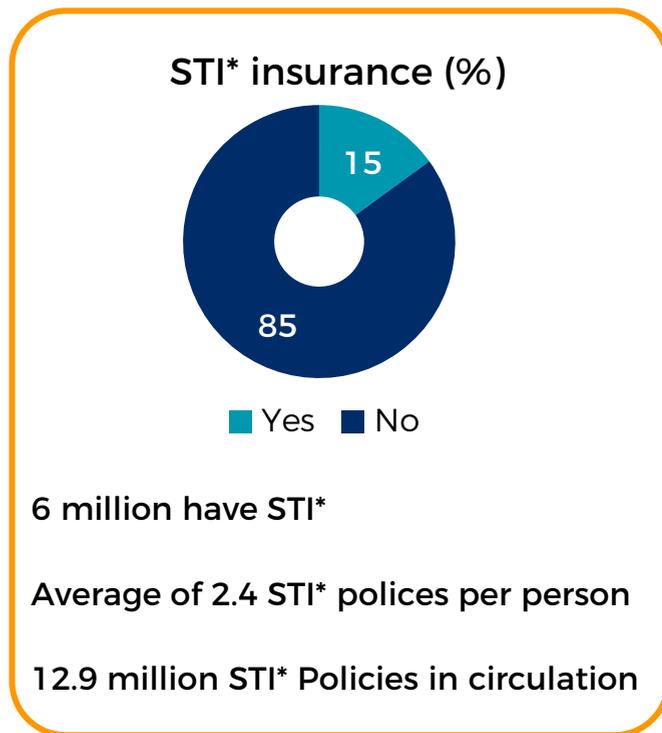
	2019	2018
Informal savings (nett)	24%	18%
Stokvel or umgalelo	11	9
Investment or savings club	8	6
Savings stamp	11	7
Save home/give money to family (nett)	15%	14%
Give money to family to keep it safe	4	4
Keep cash/savings at home	13	13



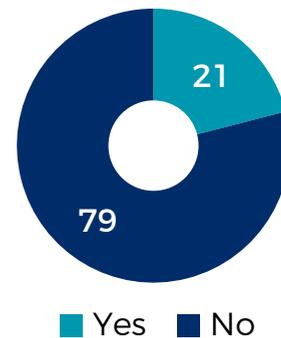
## Insuring a number of assets

Insurance remains driven by life insurance, mainly by funeral cover. However, it is important to note that the non-life (asset) insurance goes beyond one-person-to-one-product relationship as one person can be insuring a number of assets.

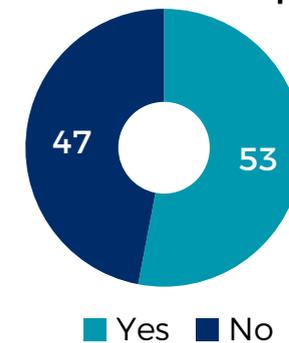
If we take this into consideration, 6 million had any type of STI\* in 2019, with an average of 2.4 asset insurance policies per person, resulting into around 13 million asset insurance policies in circulation.



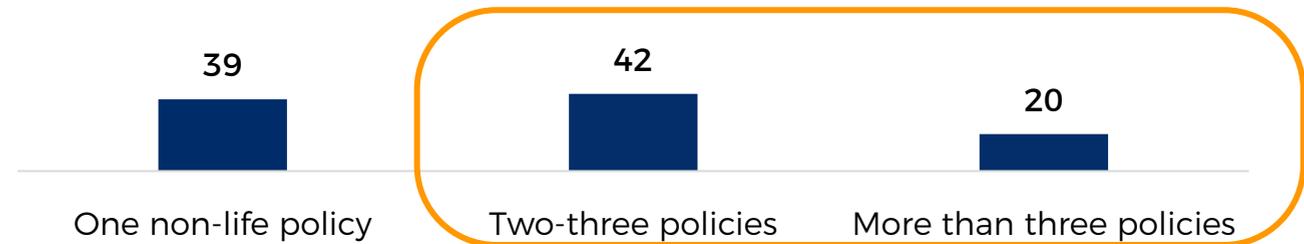
**Overall non-funeral insurance (%)**



**Have a funeral cover product (%)**



**No. of policies per person (%) 61% have 2 or more policies**



\* Short-Term Insurance



## People may have credit life insurance but be unaware of this benefit

About 5 million South African might have credit life insurance. They may be unaware of this as it may be embedded in their store cards, unsecured loans, or hire purchases taken between 2018 and 2019. These credit products were taken out post-

	Total	Insurable market (56%)	Insurable without STI*
Average Age	38	39	38
Average income	R5,796	R8,299	R5,572
Average insurance spent	R300	R440	R279
Salaried	36%	46%	39%
Working full-time	36%	46%	39%
LSM 1-6	70%	54%	65%
LSM 7-10	30%	46%	35%
Female	52%	50%	50%
Male	48%	50%	50%
Black	79%	70%	79%
Coloured	9%	9%	8%
Indian or Asian	3%	5%	4%
White	9%	16%	9%
Metro	44%	53%	47%
Small urban	26%	25%	26%
Rural	30%	22%	27%

\* Short-Term Insurance

August 2017 whilst a new regulations requiring credit insurance to provide the credit protection. Most credit insurance policies provide for a “loss of income” provision if your employer has forced you to take unpaid leave or is unable to pay you due to the lockdown. It also covers you if you contract COVID-19 and are unable to work.

**Might have credit insurance, but not aware**

**5 million (26%)**

Store card

22%

Unsecured loan

11%

Hire purchase

7%

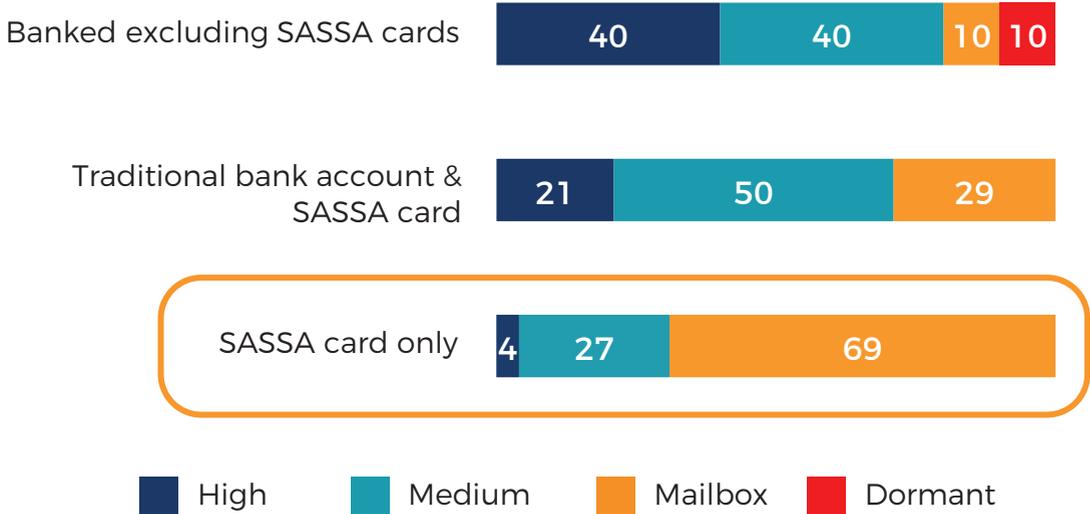
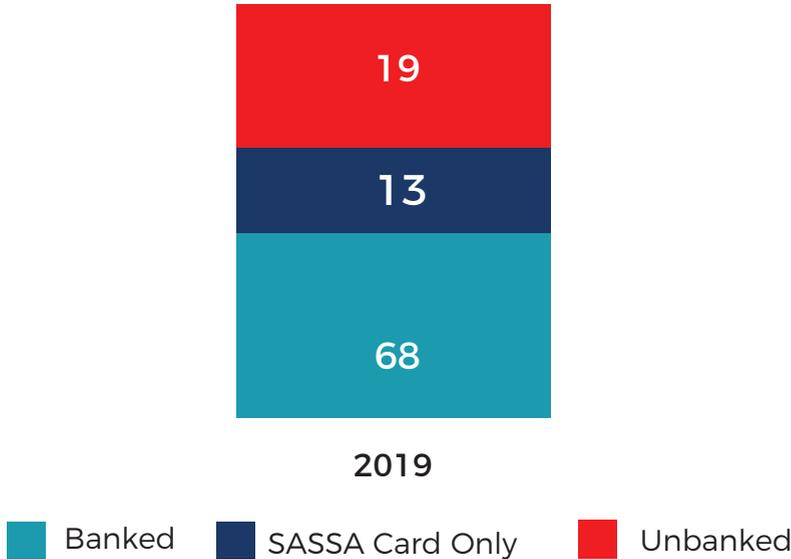


### Social grant recipients may have more than one non-SASSA bank card

More grant recipients (15% or 6.3 million) have additional non-SASSA card bank accounts. There are only 13% (or 5.3 million) grant recipients who have one SASSA card only.

About 5 in 7 (or 8 million) social grant recipients withdraw all money as soon as it is deposited into their cards. This means a

significant portion of adult South Africans are exposed to the necessary withdrawal of cash to get their social grants. It would be interesting to gauge measures that were put in place to limit the potential spread of infection through this necessary service.



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