

FinScope South Africa 2010



Making financial markets work for the poor

FINSCOPE



Introduction

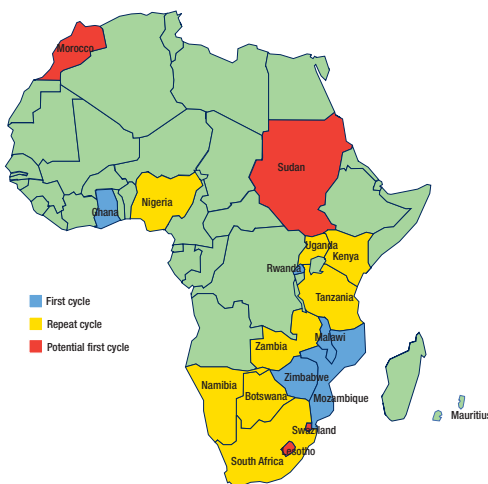
The public and private partnership sees access to finance as a critical contributing pillar to accelerating growth and development in South Africa. At large, the South African government has a mandate to facilitate, promote and enhance greater access and usage of appropriate financial services and products for all South Africans, especially those currently financially excluded, thus delivering on tangible socio-economic benefits to all citizens.

Conducting FinScope survey in South Africa is part of the efforts that support the government; policy makers, researchers and development practitioners as it analyses bottlenecks in the financial sector and also provide evidence-based policymaking. At the same time, FinScope SA has provided the private sector with valuable market information that they can, and have used, to improve service delivery and pursue greater outreach.

The primary objective of the FinScope survey is to measure and profile levels of access to financial services by all adults in South Africa, rich and poor, located in rural and urban areas, and making this information available for use by key stakeholders

The information provided by this survey helps to extend the reach of financial services in South Africa, as it provides an understanding of the South African adult population in terms of:

- Their livelihoods and how they generate their income
- Their financial needs and/or demands
- Their financial perceptions, attitudes, and behaviours
- Their demographic and geographic distribution
- The obstacles they face and the factors that would have an influence on their financial situations
- Current levels of access to, and utilisation of, financial services and products (formal and/or informal)
- The landscape of access (i.e. types of products used in terms of transactions, savings, credit, insurance and remittances)
- Drivers of financial products and service utilisation
- Barriers to utilisation of, and access to, financial products and services
- The size of the market - Financial services market
- The commonalities and differences between different market segments



FinScope South Africa 2010



A Syndicate approach

FinScope in South Africa is neither a wholly private sector, nor a wholly donor/government initiative. By design, it is intended to involve a range of stakeholders in a syndicate –enriching the survey through a process of cross cutting learning and sharing of information.

Syndicate members in South Africa have, over the years of implementation, ranged from major banks, through life and short term insurance service providers, the retail sector, as well as various regulators and Government Departments such as the (MFRC), now the National Credit Regulator (NCR); the Financial Services Board and the National Treasury.

The FinScope survey is dynamic. The survey content is evaluated on a year to year basis by syndicate members to ensure that most recent financial market trends are being addressed and taken into consideration. During this process however it is ensured that changes to the survey content does not affect core FinScope indicators which are used for trend analysis and tracking changes in the financial system over time.

2009 Syndicate Members



How to become a syndicate member and what are the benefits?

Any organization can be a FinScope South Africa survey syndicate member through paying a participation fee which is determined by dividing the survey costs between syndicate members. FinMark Trust facilitates the implementation of the survey on a year to year basis but, being a not-for-profit organization, seeks no profit through its implementation. Determining the survey costs is approached on a cost recovery basis only.

Syndicate members have the right to input into questionnaire development and have full access to the FinScope data set as well as the findings once the survey findings have been launched. The data set is supplied to syndicate members in the software format they require – e.g. SPSS, Esprit, Softcopy etc. Syndicate members therefore have the benefit of a full national survey at about a tenth of the cost of conducting such a study on their own.

Sampling and Methodology

- Universe = individuals 16 years and older = adult population of South Africa
- A complex sampling methodology is used. At the first level of sampling an area based, nationally representative sample is drawn at Enumerator Area (EA) level with Probability Proportional to Size (PPS)
- To identify respondents involves two further levels of random sampling. Firstly households are randomly selected within each sampled EA, and secondly individual respondents are randomly selected from individuals 16 years and older in each sampled household
- 650 EA's are sampled and 6 interviews are conducted per EA resulting a total sample of 3900 face-to-face interviews
- Results are weighted and benchmarked to StatsSA mid-year population estimates
- Field work for the 2010 survey was conducted during August-October 2010 by Ask Afrika

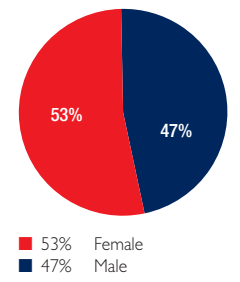


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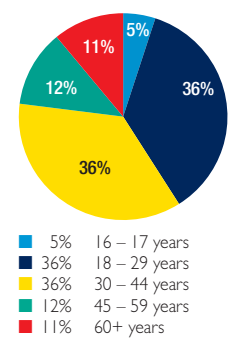
Understanding people's lives (Demographic factors)

- FinScope South Africa 2010 findings indicate that 32% of adults get money from formal employment, indicating a growth when compared to 28% from 2009 FinScope. However, there has been a decline in the percentage of adults with informal employment with 14% adult South African claiming to get money from informal employment.
- South African adults illustrate a significant reliance on family or friends in terms of sources of money – 31% of adults have reported getting money from friends and family as source of income
- 20% of adults get their main income from Government social grants
- Amongst those adults South African who spent their typical days at home:
 - 7.4 million spend their average day looking for work
 - 1.5 million adults are engaged in activities such as crafting; taking care of household and livestock; doing piece jobs and working from home to generate their income
 - Nearly a million sit at home doing nothing due to illness and/or disability
- 2010 FinScope South Africa gives us the picture of housing structure from where adults are dwelling in, with 38% of adults claiming to live in bought houses. However, 3.6 million of these houses still owe money that must be repaid.
- 26% stay in or occupies rent – free houses and 12% adults rent the houses that they stay in.
- 12% or 3.9 million adults stay in RDP houses and 24% of these RDP houses have been extended
- 22% (7.3 million) adult South Africans claim to come from a household that either own and/or have access to piece of land. Nearly 60% of these adults reported that these households use their land and/or accessed piece of land to either grow own produce and/or to keep livestock
- However, 76% of adults from these households grow own produce and/or keep livestock for own consumptions and a further 13% and 11% use the produce/livestock for both selling for profit and consumption and for selling to generate income only respectively.
- 3.3 million adults from households that grow produce or keep livestock for own consumption do not sell their product for income generation because:
 - They don't produce enough to sell (41%)
 - No need to sell as they have other means of income (29%)
 - Market is too far away from them (13%)
 - Transport is too expensive (6%)
 - Lack of transport to the market (2%)

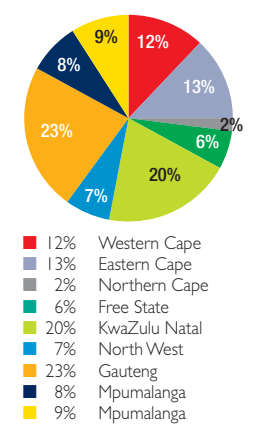
Gender Distribution



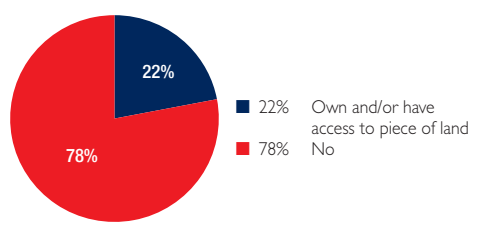
Age Distribution



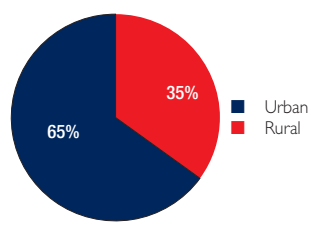
Provinces



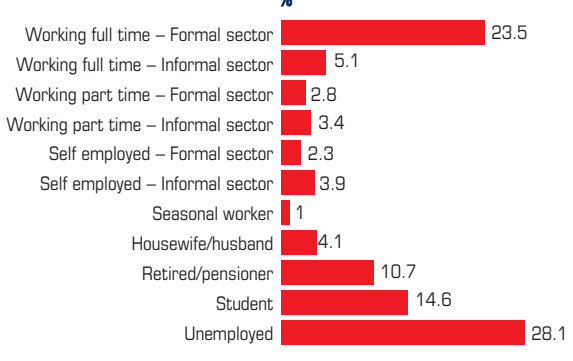
Access to Land



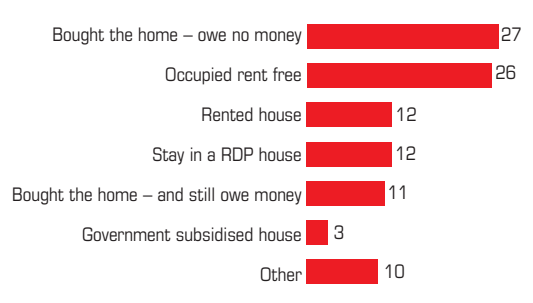
Urban/Rural



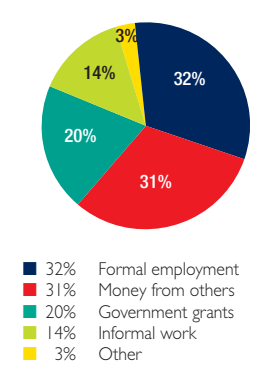
Employment



Housing Overview



Source of money



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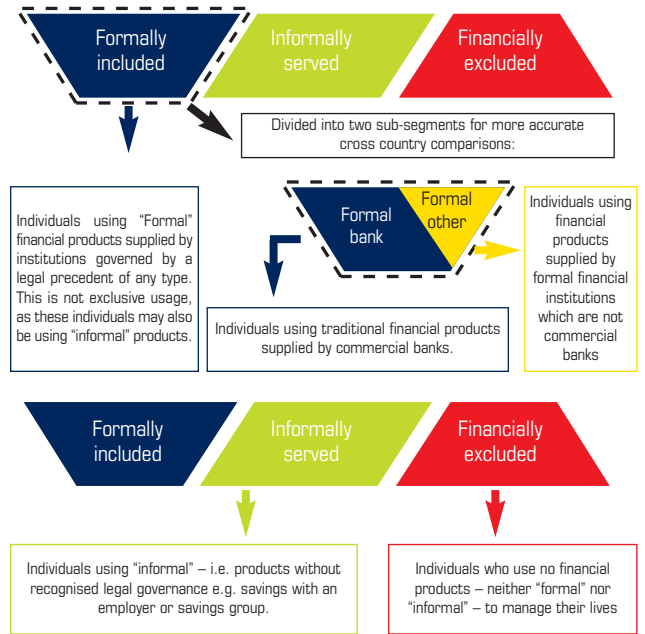
Financial Access

The FinScope Survey uses the Financial Access Strand to compare financial access across countries. The Financial Access Strand focuses on the financial system of a country in its broadest sense and assumes all adults in the country will fall into one of three segments: formally included, informally served and financially excluded.

The Financial Access Strand

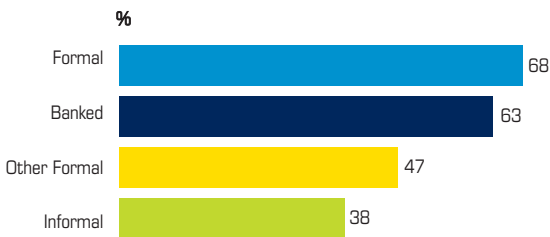
The segments are differentiated by current product usage indices ranging from people who are formally included, to those people who use informal products and finally to those people who use no products. The latter group of people redefined as the "financially excluded" population.

The Access Strand is segmented into three broad segments as shown in the diagram:



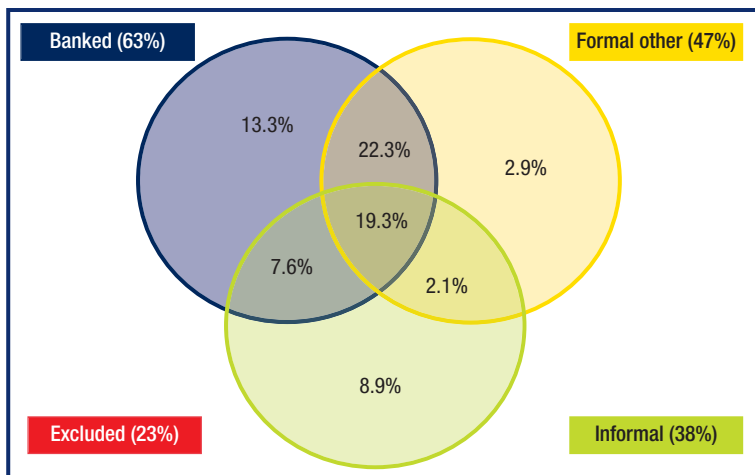
Financial Inclusion in SA

Levels of inclusion



- 77% of adult South African are financial included (25.1 million individual), leaving 23% of adults financially excluded (i.e. using no financial product – formal or informal to manage their financial lives)
- 68% are formally included (22.2 million individuals)
- 63% are banked 20.5 million individuals)
- 46% have/use non-bank financial products and/or services (Amongst those adults South African who spent their typical days at home:

Overlaps in product/service usage



- Only 13% of banked population rely on banking products alone; leaving 87% of the banked population using the combination of other financial products/ services to meet their financial needs
- 9% of adults rely on informal services only; however, it is 38% of adults who use the informal sector in total. Service providers within the informal category include, stokvels; saving clubs, mashonisa and burial societies
- There is a cross-over of 29% between formal and informal product usage
- 19% of adult population use all forms of financial services available in South Africa

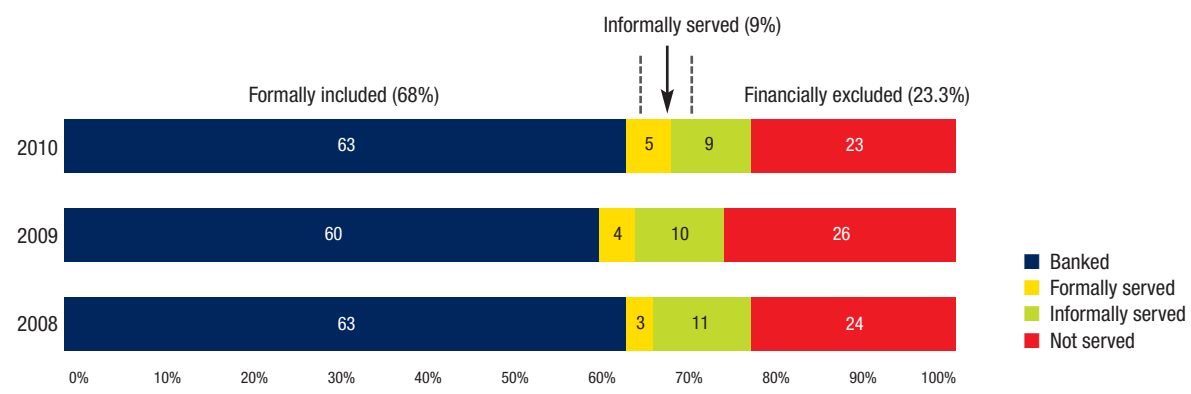


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Access Strand

As indicated earlier, FinScope approach uses the Financial Access Strand to compare levels of financial inclusion across countries. In constructing this strand, the overlaps in financial product/service usage are removed, resulting in the following segments:

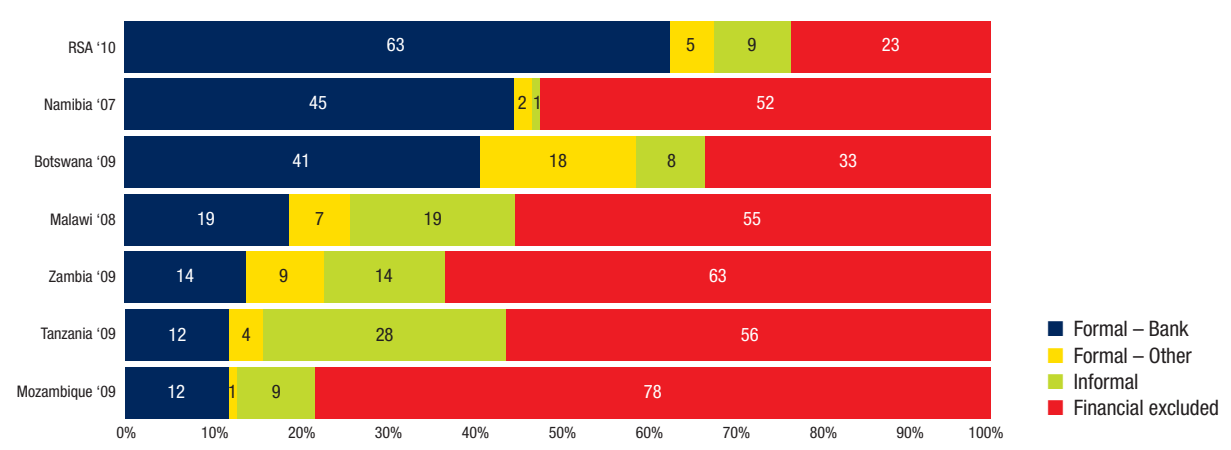
- Individuals who have/use commercial bank products
- Individuals who have/use formal non-bank products/services and no commercial bank products
- Individuals who have/use informal products/services and no formal products
- Financial excluded individuals



- Seventy percent of South African adults are financially served leaving only 23% of adults excluded (i.e. using no financial products – either formal nor informal to manage their financial lives)
- South Africans have returned to financial inclusion levels similar to those observed in 2008: suggesting that adults population are surfacing out from a recession
- The informal sector still plays an important role in pushing out the boundaries of financial inclusion, serving 15% of the adult population who are not served by the formal sector

The South African Financial Access Strand

Compared to the six other SADC countries where FinScope surveys have been implemented, the South African Access Strand illustrates that other countries face significantly more challenges in moving towards serving the financially unserved.



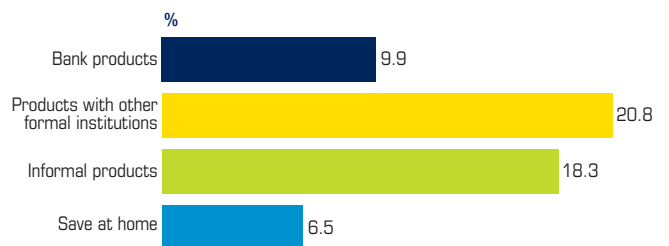
FinScope South Africa 2010



Savings and Savings Products

- Thirty five percent of South Africans aged 16 and older have saving products and/or services, however, mostly they are saving to manage day-to-day living:
 - An emergency
 - School fees education
 - Money for food
 - Funeral cost
- 65% of South African adults who are not currently saving allude to joblessness and not having money to save as their biggest reasons for not saving.

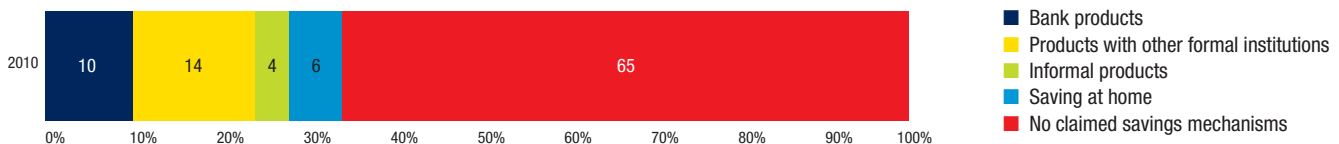
Savings Mechanisms/Products



The Saving Strand

The FinScope Survey uses the Saving Strand to compare utilization of savings products across countries. The Saving Strand focuses on the savings products of a country in its broadest sense and assumes all adults in the country will fall into one of five hierarchical segments:

- (i) individuals with a savings product from a bank (these individuals could also have other savings products but their defining characteristic is the fact they do have access to a **bank savings product**);
- (ii) individuals who do not have a savings product from a bank but who do have a savings product from another type of formal financial institution (these individuals could also have informal savings products but their defining characteristic is the fact they do have access to a **formal savings product although this is not from a bank**);
- (iii) individuals who do not have any formal financial savings products and only rely on informal savings products such as savings clubs;
- (iv) individuals who do not have any savings products (formal or informal) but only keep their savings at home or in a secret hiding place; OR
- (v) individuals who are not saving/were not saving at the time of the FinScope survey

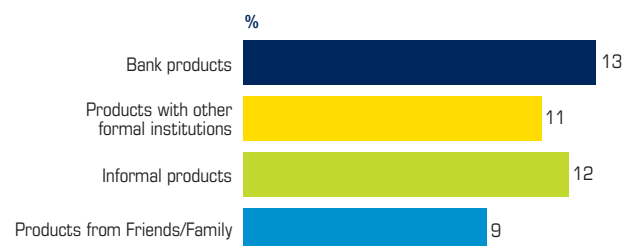


The Credit Strand

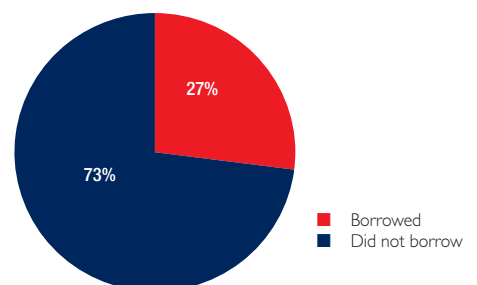
FinScope findings, have over the years, indicated that there is a tendency to under claim borrowing or being indebted. The FinScope 2010 findings once again illustrate this as

- 73% of South Africans aged 16 years and older claim not to have borrowed money during the 12 month period prior to the FinScope 2010 survey; but
- Significantly less (67%) of South Africans aged 16 years and older do not have any credit/loan product – formal or informal.
- 27% of adults claim to have borrowed money during the 12 months prior to the FinScope 2009 survey
- Similar to savings behaviour, credit behaviour is driven by short term rather than long term objectives
 - 28% of adults who borrowed money during this period claim to have borrowed to get food
- 33% of adults have a credit/loan product
 - South African adults are more likely to have formal credit/loan products than informal
- Credit/loan products – 25% of adults have a formal credit/loan product whilst only 4% have informal products

Credit Products Used



Borrowing behaviour



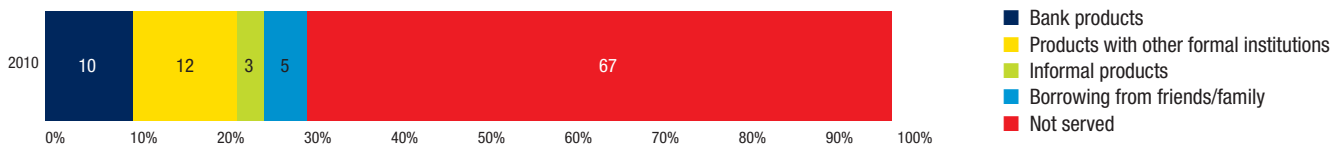


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The Credit Strand

The FinScope Survey uses the Credit Strand to compare utilization of credit/loan products across countries. The Credit Strand focuses on the credit/loan products of a country in its broadest sense and assumes all adults in the country will fall into one of five hierarchical segments:

- (i) individuals with a credit/loan product from a bank (these individuals could also have other credit/loan products but their defining characteristic is the fact they do have access to a **credit/loan product from a bank**);
- (ii) individuals who do not have a credit/loan product from a bank but who do have a credit/loan product from another type of formal financial institution (these individuals could also have informal credit products but their defining characteristic is the fact they do have access to a formal credit/loan product **although this is not from a bank**);
- (iii) individuals who do not have any formal financial credit/loan products and only rely on informal credit products such as borrowing from informal money lenders;
- (iv) individuals who do not have any credit products (formal or informal) but who borrow from family and/or friends; OR
- (v) individuals who do not borrow/did not borrow in the 12 months prior to the FinScope survey.



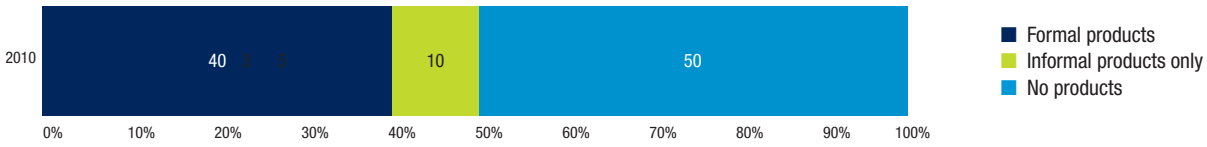
Insurance products

- 50% of South African adults have some financial product covering a defined risk – i.e. life, burial, health and/or short term insurance products/services
 - Twenty three percent of adults have life assurance products that include life cover; insurance that pays loan/credit when a person dies and accidental death and cover
 - Fifteen percent of adult South Africans have assets insurance that included vehicle insurance; household contents; building insurance; cellphone insurance, etc.
 - A further 14% of adult population have health insurance that includes medical aid; dreaded disease insurance and hospital
 - 2.3 million adults have income insurance to mitigate risk when they lose their income either through personal accident or disability and or losing their job.
- 44% of adult South Africans have funeral cover products, recording a 4 percent increase from FinScope SA 2009.
- Insurance and funeral cover products/services usage illustrate inextricably linked to people's livelihood. According to FinScope SA 2010 results, adult South Africans who are having formal and/or informal financial products/services are surfacing coping strategies against the perceived vulnerabilities:
 - Death of or loss of income from main income earner
 - Death of other family member/s excluding main income earner
 - Illness within my household or family
 - Funeral
 - Crime

Insurance Access strand

The long term insurance access strand assumes that all adults will fall in either one of the following categories:

- I. Individuals with a long term insurance product from a formal service provider (these individuals could also have informal products but their defining characteristic is the fact they do have access to a formal product);
- II. Individuals who do not have long term insurance product from a formal service provider but who do have a product from an informal service provider;
- III. Individuals who do not have a long term insurance product.

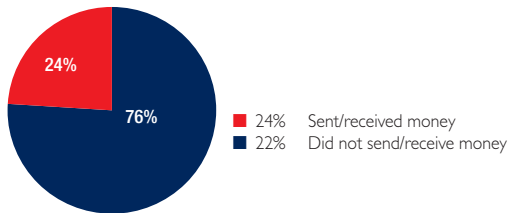




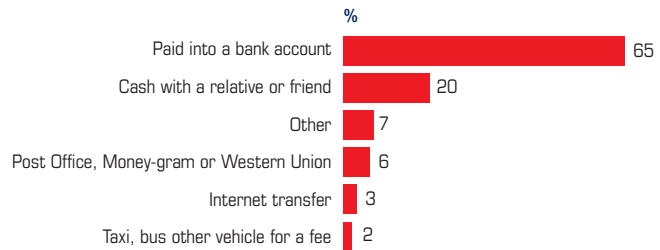
Remittances and Mechanism

- 24% of adult South Africans are either sending or receiving money to/from family members, parents and children
- Nearly two thirds of individuals who remit do so through bank account; this illustrates that it is the individual who have access to bank who remit and these are individual in the LSM 6-10, employed with basic income of between R2000 – R8000+

Access to Land



Remittances Mechanisms

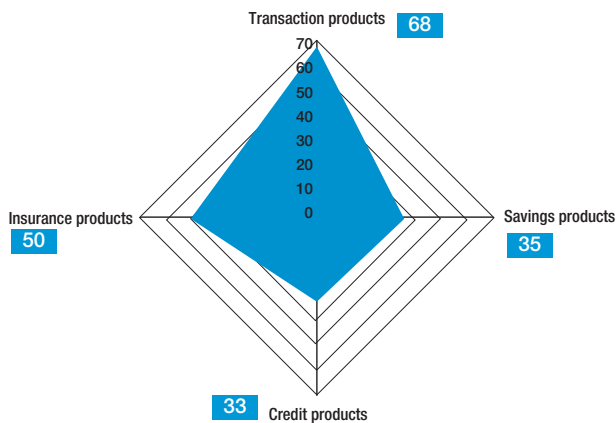


South African Landscape of Access

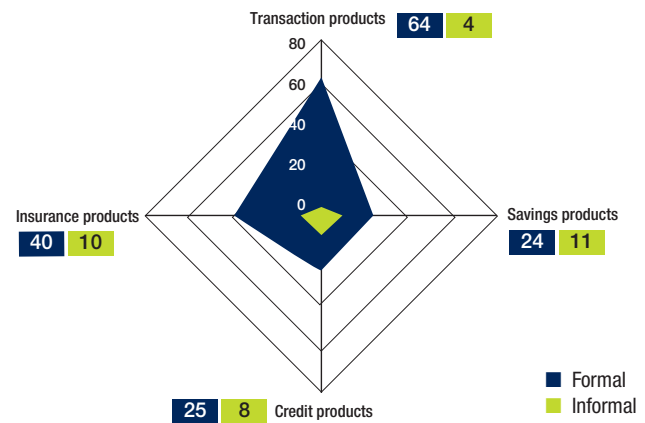
The FinScope approach uses the landscape of Access diagram to illustrate the extent to which individuals (aged 16 years and older) have/use financial product and services. The diagram portrays, on its five axes, the percentage of adults that have/use:

- Transactions:** the proportion of the adult population with a secure mechanism in which funds can be deposited, transmitted and withdrawn to meet regular transactions needs;
- Savings:** the proportion of the adult population with a means of accumulating money, whether on a contractual or discretionary basis;
- Credit:** the proportion of the adult population with funds/services having been provided in advance against a committed repayment stream,
- Insurance:** the proportion of the adult population with a product/products covering a defined risk event in return for a premium (includes life, burial, health and short-term insurance)

Landscape of Access



Informal/Formal Landscape of Access



- The informal sector plays a role in pushing out the boundaries of financial inclusion, particularly for savings, insurance and credits
- The Landscape of Access for South Africa clearly illustrates a transaction and insurance orientated consumer demand.

Contact

The FinScope South Africa database offers a wealth of information that could be mined in more depth – for more information contact
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