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Survey on Demand for Financial Services in Botswana (FinScope 2009)

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The views in this report are those of the consultant, and do not necessarily reflect the views and opinions of the European Commission or the Government of Botswana.

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Executive Summary

The FinScope 2009 study was undertaken with the specific objectives of profiling levels of access to financial services and benchmarking current usage of formal and informal financial services (transactions, savings, insurance and credit/loans). The stratified random sampling design was used to select a nationally representative sample of 1,400 which was weighted to the adult population. The Kish grid was used to randomly select the respondents at the household level. The data was collected by use of a structured questionnaire between February 2009 and May 2009, and was entered and analyzed in the SPSS software. The analysis was done based on the weighted adult population of 993,854.

The findings from the FinScope 2009 suggest that 41 percent of the adult population is banked and 59 percent are unbanked. The probability of being banked is positively correlated with being male, being located in an urban area (city/town/urban village), being employed in paid public/private sector, and a higher level of education.

The cash withdrawals are mainly conducted by the banked population at the ATM while cash deposits are mainly done in the bank branch, with the most used bank being First National Bank (FNB). Bank loans were taken out mostly for purchase of cars/vehicles, paying off debts and house renovation/extension. The bank loans were supplied largely by Barclays Bank and Standard Chartered Bank.

The other formal financial products accessed by both the banked and unbanked population included loans from non-bank lenders, short term insurance, long term insurance, and burial/funeral insurance. Informal group savings schemes were also accessed by both the banked and the unbanked, but with the unbanked being more predominant.

The access strand segmentation model indicates that 67 percent of the adult population are financially included in 2009 as compared to 54 percent in 2004. The major source of this growth is driven by the growth of other formal financial products.

The access frontier segmentation model suggests that banks have a potential to expand their market niche by tapping on the unbanked population in the market development zone (approximately 18 percent of the adult population), and in the market enablement zone (approximately 12 percent of the adult population).

The total landscape of access to the various financial products by the total adult population in order of magnitude is: savings (54 percent), transactions (31 percent), insurance (31 percent), and credit/loans (24 percent). The total landscape of access for saving and credit/loans was higher in 2009 as compared to 2004.

Table of Contents

Acknowledgements	3
Executive Summary	5
Table of Contents	7
List of Acronyms	9
1. Introduction.....	11
1.1 <i>Background.....</i>	<i>11</i>
1.2 <i>Macroeconomic Environment of the FinScope 2009 Study.....</i>	<i>11</i>
2. Methodology of the Study	13
2.1 <i>Target Population.....</i>	<i>13</i>
2.2 <i>Geographic Coverage.....</i>	<i>13</i>
2.3 <i>Sampling Design.....</i>	<i>13</i>
2.4 <i>Determination of Adequate Sample Size for the Study</i>	<i>14</i>
2.5 <i>Study Procedure.....</i>	<i>14</i>
2.6 <i>Field Work</i>	<i>14</i>
2.7 <i>Sampling Weights</i>	<i>16</i>
2.8 <i>Data Capture</i>	<i>17</i>
2.9 <i>Analytical Framework</i>	<i>17</i>
2.10 <i>Key Definitions of Concepts</i>	<i>18</i>
3. Study Findings.....	19
3.1 <i>Demographic Characteristics of the Adult Population</i>	<i>19</i>
3.2 <i>Financial Product Awareness / Literacy</i>	<i>28</i>
3.3 <i>Banking Status</i>	<i>30</i>
3.4 <i>The Banked</i>	<i>36</i>
3.5 <i>Other Formal Financial Products</i>	<i>42</i>
3.6 <i>The Unbanked.....</i>	<i>48</i>
3.7 <i>Financial Risks and Coping Strategies.....</i>	<i>49</i>
3.8 <i>Informal Savings.....</i>	<i>51</i>
3.9 <i>Access Strand.....</i>	<i>53</i>
3.10 <i>Access Frontier.....</i>	<i>54</i>
3.11 <i>Landscape of Access</i>	<i>56</i>
4. References and Bibliography	59

List of Acronyms

<i>ATM</i>	Automatic Teller Machine
<i>BOB</i>	Bank of Botswana
<i>CEDA</i>	Citizen Entrepreneurial Development Agency
<i>CSO</i>	Central Statistics Office
<i>EA</i>	Enumeration Area
<i>EC</i>	European Commission
<i>ECD</i>	European Commission Delegation
<i>EU</i>	European Union
<i>FNB</i>	First National Bank
<i>FSM</i>	Financial Services Measure
<i>GDP</i>	Gross Domestic Product
<i>HH</i>	Household
<i>HIES</i>	Household Income and Expenditure Surveys
<i>HIV</i>	Human Immunodeficiency Virus
<i>IPAR</i>	Institute of Policy Analysis and Research in Kenya
<i>LFS</i>	Labour Force Survey
<i>MFDP</i>	Ministry of Finance and Development Planning
<i>MOS</i>	Measures of Size
<i>MSCPR</i>	Multi-Sectoral Committee for Poverty Reduction
<i>NBFIRA</i>	Non-Bank Financial Institutions Regulatory Authority
<i>PPS</i>	Probability Proportional to Measures of Size
<i>PSU</i>	Primary Sampling Units
<i>ToR</i>	Terms of Reference
<i>UNDP</i>	United Nations Development Programme

1. Introduction

1.1 Background

The Botswana FinScope 2009 study was commissioned by FinMark Trust with funding from the European Union and other donors. The major purpose of the study was to provide updated information that will enable the tracking of access to finance and other related indicators over time, in order to evaluate the impact of policy and other developments over the intervening period.

The specific objectives of the study were:

- To document, benchmark, and profile levels of access to financial services by all residents in Botswana, rich and poor, located in rural and urban areas;
- To collect data that will allow stakeholders to benchmark current usage patterns across all types of providers in the formal and informal sector, and across the four categories of products, transactions, savings, insurance and credit; and
- To gather information on needs for financial services by looking at:
 - o Household economic, financial and risk management;
 - o Financial discipline and knowledge;
 - o Attitudes and perceptions to, as well as preference for financial service providers;
 - o Psychographics and lifestyles;
 - o Remittances; and
 - o Asset accumulation patterns (including livestock).

The FinScope 2009 field survey was carried out between February 2009 and May 2009.

1.2 Macroeconomic Environment of the FinScope 2009 Study

Botswana has a total population of approximately 1.7 million and is a relatively well-endowed country by sub-Saharan African standards. However according to the Household and Income Expenditure Surveys, at the national level, the proportion of the population below the poverty line (proxy US\$ 1 per day) was estimated to be 23.4 percent, with income inequality (measured by the Gini coefficient) at the national level being 0.573 (HIES, 2002/2003). The total unemployment rate was estimated at 31.6 percent, with unemployment generally being highest among the youths aged between 15 and 34 years (CSO, 2007). There is a growing informal sector¹ in Botswana. According to the Labour Force Surveys (LFS), the proportion of informal sector workers to the total labour force rose from 11 percent in 1995/1996 to 20 percent in 2005/2006 (CSO, 2007), with the majority of informal sector employees being mainly female (CSO, 2008).

The FinScope 2009 survey was carried out during the global financial crisis which evolved into widespread economic crisis, which resulted in sharp decline in private demand especially in developed countries. The crisis affected Botswana mainly through lower mineral exports, particularly diamonds, whose sales fell significantly from November 2008. The growth rate of the mining sector declined to 3.5 percent in 2007/2008 as compared to 4.7 percent in

¹ The CSO definition of informal enterprises are those with no formal registration, employ up to 5 persons, have no formal books of account, enterprise income is not distinguishable from household income.

2006/2007². This was also coupled by a sharp decline in commodity prices which resulted in a slow down in economic growth and decline in government revenues. The output growth rate fell to 3.3 percent in 2007/2008 as compared to 5.3 percent in 2006/2007 (MFDP, 2009)³. However the real growth rate in the non-mining sector rose from 5.7 percent in 2006/2007 to 8.0 percent in 2007/2008 mainly due to economic diversification.

Botswana's financial sector consists of formal and informal financial institutions. The formal financial institutions are those that regulated by bodies set up under the various acts of Parliament. For example the commercial banks (e.g. Standard Chartered, Barclays, Baroda, First National Bank, Bank Gaborone, Stanbic Bank, Kingdom Bank), National Development Bank, Botswana Development Corporation, Botswana Savings Bank and Botswana Building Society are directly regulated by the Bank of Botswana (BOB). The, government credit schemes (such as the Citizen Entrepreneurial Development Agency, CEDA) are regulated by the Ministry of Finance and Development Planning (Bank of Botswana Annual Report, 2001). The insurance companies, pension funds, microfinance institutions are to be regulated by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) which commenced operations in April 2008 (MFDP, 2009).

The banks, insurance and business services sector grew by 11.1 percent in 2007/2008 as compared to 5.9 percent in 2006/2007 which is indicative of the improved performance across a range of financial and business services (MFDP, 2009).

The informal financial sector comprises of money lenders, pawn shops, rotating savings and credit associations, savings and credit cooperatives, relatives/friends (Okurut and Botlhole, 2009).

The study relied greatly on methodological approaches employed by the Central Statistics Office (CSO) combined with FinMark Trust's commissioned studies in Botswana and other African countries.

² Latest figures available from the Budget speech 2009/10

³ Ditto.

2. Methodology of the Study

2.1 Target Population

The study targeted adults from 18 years and above living in Botswana. According to the 2008 projected population, the adult population consists of approximately one million people (CSO, 2005), which correlates closely with the study population of 993,854. Only private dwellings were within the scope of the survey.

2.2 Geographic Coverage

The survey was a nation-wide survey and made use of the administrative districts and sub-districts that are usually covered by the Central Statistics Office in similar studies such as the Household Income and Expenditure Surveys (HIES). The population for this study was stratified into three: Cities /Towns, Urban Villages and Rural Areas. This stratification was in line with those used in HIES 2002/03 (CSO, 2004). The 2001 Population and Housing Census (CSO, 2003) shows that there are 7 Cities/Towns, 27 Urban villages, while the rest are rural areas (Table 1).

Table 1: Districts classified as cities / towns and urban villages

Cities / Towns	Urban Villages
Gaborone	Palapye, Tlokweneng, Mogoditshane, Serowe
Francistown	Malapye, Maun, Letlhakane, Kasane, Ghanzi
Lobatse	Kanye, Moshupa, Ramotswa, Molepolole
Selibe-Phikwe	Thamaga, Mochudi, Bobonong, Tonota
Orapa	Tutume Gabane, Kopong, Letlhakeng
Jwaneng	Lerala, Shoshong, Mmadimare
Sowa	Maitengwe, Gumare, Tsabong
Total (7)	Total (27)

Note: The urban villages are villages each with a 2001 Census population of 5,000 or more and at least 75 percent of its workforce engaged in non-agricultural economic activities

2.3 Sampling Design

The stratified three-stage probability sample was used. The first stage sampling units, also known as the Primary Sampling Units (PSU), were the Enumeration areas (EAs). The sampling frame for the first stage consisted of 4,143 EAs representing the total number of Enumeration Areas (EAs) that were delineated during the 2001 Population and Housing Census. This sampling frame comprised of the list of all Enumeration Areas (EAs) together with the number of households in each of the EAs. The EAs were framed of manageable size (in terms of dwellings/households). The enumeration areas were selected with probability proportional to measures of size (PPS), where measures of size (MOS) were the number of households in the EAs as defined by the 2001 Population and Housing Census (CSO, 2003). In this study, a total of 140 EAs were selected.

The second stage sampling units were the households within the selected EAs. The sampling frame for the second stage was produced for each of the EAs. The field teams listed all private habitable dwellings/households in each EA prior to enumeration. From the listed dwellings/households, occupied dwellings/households were identified and marked. The number

of occupied households in the selected EA served as the sampling frame for the second stage sampling in that EA. A systematic sampling procedure was used to sample 10 households to be studied from each EA.

The third stage sampling was the selection of the respondent to be interviewed from the household. The members of the household were listed beginning with the oldest to the youngest. Only household members aged 18 and above were eligible for interviewing. The Kish grid was used to randomly sample the respondent from the household which was given by the random number at the intersection between the total number of qualifying adults and the last two digits of the questionnaire.

2.4 Determination of Adequate Sample Size for the Study

The size of the sample is an important parameter of the sample design, because it affects the precision, the cost and duration of the survey more than any other factor. It is based on some statistical determinants such as margin of error, design effect, total population of households.

The Terms of Reference for this study recommended a national representative sample of size 1400. The “*sample size calculator*” (Creative Research Systems, 2004) was used to determine the appropriate sample size. Using the sample size calculator and allowing a total margin of error of 3.4 percent, and 99 percent confidence that the response from the sample will be the same as that of the entire population; this population size gave the desired sample size of 1,438. This statistically generated sample size was slightly higher than 1,400 proposed by the FinScope 2008 in the Terms of Reference. The additional 38 households were used to replace those sampled households where the respondents were either not available or unwilling to participate in the study.

The Central Statistics Office recommended a selection of between 10 and 30 households per EA. To allow for sufficient spread of the study throughout the country, 10 households were selected per EA and this allowed us coverage of 140 Enumeration areas (EAs).

2.5 Study Procedure

The study used mainly the quantitative approach which utilized descriptive measures such as percentages, and measures of associations to explain level of awareness to financial services, access to financial services, pattern of usage of services, choice of services, and relationship between awareness, availability, accessibility and usage of the facilities, and construction of the various models (access strand and landscape of access to financial services). The FinScope 2009 survey questionnaire (for quantitative data) was adapted from the questionnaire used in FinScope 2004 study to allow for comparability of the results.

2.6 Field Work

Under the supervision of the Botswana Team of Consultants (Dr. Okurut, Dr. Ama, and Dr. Setlhare) together with Mr. Lex von Rudloff, a large team of Field Surveyors and Supervisors was recruited to conduct the field work for the listing of EAs and conducting the interviews. For efficient and reliable data output, a number of measures were put in place. They included:

Publicity for Public Awareness: The following methods were used to make people aware of the survey and to so that the surveyors can gain entrance into people's homes:

- The Government Statistician was regularly briefed on the survey and the cooperation of the CSO solicited in the areas of publicity;
- The surveyors were provided with introductory letters for the respective district officials/chiefs, and were provided with badges to be worn on top of shirts or dresses as a further identification of who they are; and
- The survey was advertised in the Botswana Daily Newspaper

Hiring and training of surveyors: Surveyors and supervisors were hired for the field work. The surveyors at least possessed a diploma certificate and could understand, read and speak English fluently. Ability to read and speak Setswana fluently was an added advantage in considering their eligibility. Previous experience in questionnaire administration or data collection was also used as a criterion for selection.

The surveyors and supervisors selected were trained for three days on the purpose of the study, questionnaire administration, ethics in the conduct of interviews, and rationalisation for ensuring that information in the questionnaire represents the opinions of respondents and not those of surveyors. A training manual was provided to the surveyors and supervisors. The manual was a guide to the survey personnel and was to be used hand in hand with the questionnaire to clarify what the aim of each question was. The role of the supervisor was stipulated in the manual. Representatives of CSO, FinMark Trust, Mr. Von Rudloff and the consultants constituted the training team.

Pre-testing of tools: The data collection tool was pre-tested in Enumeration Areas around Gaborone in February 2009 on a sub-population similar to the population to be studied, to check for content, ambiguity, clarity, data quality and time needed for the assignment before being used for the main study. Households were selected using systematic sampling method from selected EAs for the pre-test.

Data Collection: Surveyors were trained to explain the main objective of the survey to the respondents and encourage them for their full participation. They informed the respondents that there are no payments made to participation in the study but that the benefits will come in the form of changes in policies to enhance access to financial services. Once the respondent was convinced of participation, the surveyor recorded all the relevant information from the member of the household who is sampled. Each supervisor had to cross-check each questionnaire completed by a surveyor while in the field for completeness and any uncompleted portions had to be taken back to the respondent to supply the missing information. No questionnaire was accepted until it had been duly authenticated by a supervisor. This measure minimized cases of missing data or incomplete questionnaire, and addressed any inconsistencies in the responses by the respondents. Each surveyor had a small notebook to record times to complete interview and experiences encountered each day during the interview. These records were discussed at the end of each day with the supervisors.

Surveyors in addition carried call-back cards which were placed at the gates of the sampled dwellings where they visited and found nobody in or handed over to respondents who were not disposed to be interviewed but were willing to grant the interview at a later date or time. The card indicated the proposed call-back time or date. A maximum of three such call-backs were made after which the household was replaced by a substitute sample.

In addition there were back checks of 20 percent of the completed questionnaires carried out by the consultants and Mr. Von Rudloff to validate the reliability of the data as part of the quality control mechanism.

2.7 Sampling Weights

The essence of choosing a multistage sampling design was to ensure that different sub-populations are represented adequately in the sample. The fundamental assumption was that units selected at each stage were similar to those not selected, in respect of characteristics of interest. For sample results to reflect the whole population, weights are applied at each stage of the sample

The weights of the sample are equal to the inverse of the probability of selection. Therefore the sampling probabilities at first stage of selection of EAs including probabilities of selecting the households at second stage were used to calculate the weights (CSO, 2004).

There are three components to the weighting:

1) From EA to Stratum Level

First stage weights account for the varying probability of EA selection. That is they are proportional to the inverse of the size measure.

First stage weight for i^{th} EA in h^{th} stratum is

$$W_{1hi} = \frac{\sum_i M_{hi}}{n_h M_{hi}}$$

Where,

W_{1hi} = First stage weight for i^{th} EA in h^{th} stratum.

n_h = The number of EAs selected in h^{th} stratum.

M_{hi} = The size (households according to 2001 Census frame) of the i^{th} EA in h^{th} stratum

$\sum_i M_{hi}$ = The total size of the h^{th} stratum (2001 Census frame).

2) From Household Level to EA Level

This is a simple weight obtained by dividing the total occupied households in the EA by the number of selected households in that EA.

Second stage weight for i^{th} EA in h^{th} stratum is

$$W_{2hi} = \frac{M_{hi}^o}{m_{hi}}$$

Where,

W_{2hi} = Second stage weight for i^{th} EA in h^{th} stratum.

M_{hi}^o = Total number of listed households in i^{th} EA in h^{th} stratum.

m_{hi} = The number of occupied households selected for the i^{th} EA in h^{th} stratum.

3) Individual Weights: Individual weights were generated as the inverse of the probability of selecting a respondent from the adults in the household. The data was also weighted for known gender composition of the adult population. These three weights were used to project the adult population on which the subsequent analysis was based. In the entire process of generation of weights, Central Statistics Office provided the technical guidance. As a result of this weighting process, we obtained the weighted adult population of 993,854 which was used for analysis.

2.8 Data Capture

The data capture screen was designed in SPSS builder with technical support from Dr. Forcheh. Data collected was captured in between May 2009 and June 2009 using the SPSS statistical software programme. A computer laboratory was rented for the period of data coding, entry and data analysis. The laboratory was under the control of the Statistician and Team leader during this period. This was to ensure that questionnaire and other relevant information do not filter out before the publication of results. Data entry clerks were recruited who were knowledgeable in the use of the SPSS programme. The Team leader and Statistician monitored closely the data entry clerks reviewing each day's entries for consistency and accuracy of the data entered.

2.9 Analytical Framework

The thrust of the study was on measuring access to financial services by the adult population using FinScope tools of analysis namely Access Strand, Landscape of Access and Access Frontier. The three segmentation models of access were constructed with technical support from FinMark Trust.

Access is about the ability of an individual to get and use financial services that are affordable, usable, and meet their financial needs (Genesis, 2004). The key dimensions of access include:

- **Physical Access:** How far must a person travel to access the financial service;
- **Affordability:** The financial service must be affordable to the user;
- **Appropriate Features:** The features of the financial service should be appropriate to the user and be able to meet the user's particular needs for financial services;
- **Appropriate Terms:** There should be no terms that effectively exclude one category of user from utilising the service (for example minimum levels of income, formal employment or other insurmountable obstacles).

Understanding, measuring and tracking access is critical to determining how to make financial markets work especially for the poor (Genesis, 2004). The notion of access is unclear as a person may have access to a financial service, but declines to use it. Alternatively, an individual may want/need a financial service that he/she does not have access to because of eligibility requirements or lack of availability. Hence there is a significant difference between access and usage of financial services.

The FinMark Trust segmentation models of access focus on measuring usage and applying that as a proxy of access. The usage measure estimates the percent of the adult population that have access to four primary types of financial services:

- Transactions services;
- Savings;
- Credit/loans; and
- Insurance.

2.10 Key Definitions of Concepts

In the context of the FinScope 2009 study, the following definitions of concepts are adopted:

- **Formal financial service providers:** banks, insurance companies, and registered micro-lenders;
- **Informal financial service providers:** unregistered micro-lenders e.g. mashonisas / cash loan shops, motshelos / savings clubs, burial societies, and unregistered moneylenders.
- **Financially included:** those who use formal and / or informal financial products.
- **Financially excluded:** those who do not use either a formal or an informal financial product.
- **Banked / un-banked:** refers to the use or not of banking products.
- **Motshelo:** A motshelo is a savings club by a group of employees or individuals who agree to contribute a certain amount of money every month and also borrow amongst themselves at an agreed interest rate. The proceeds are split at the end of the year.
- **Burial society:** With burial societies, a joining fee is charged plus a monthly contribution, and members are allowed a certain number of family members to be buried by the society e.g. member, spouse and up to three children, etc.

3. Study Findings

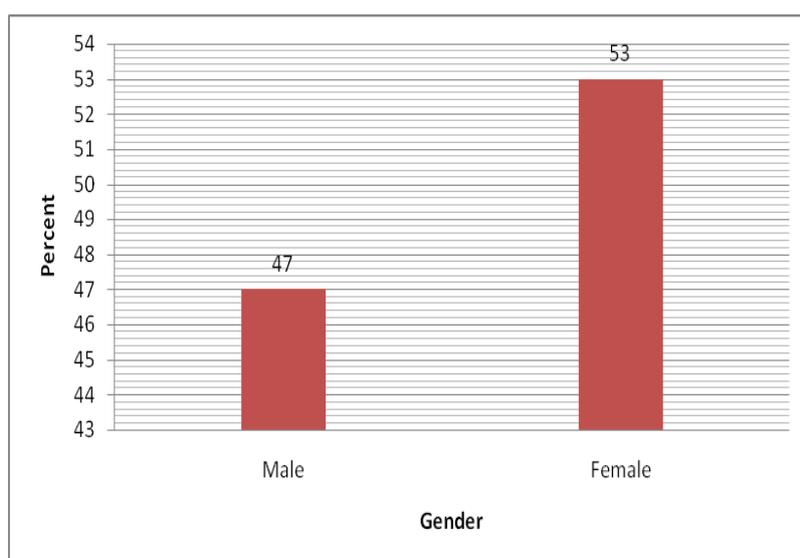
The study findings are presented mainly in form of percentage distributions. However given the two major categories of questions (single mention and multiple response), it is important to bear in mind the following peculiarities in the interpretation of the results. For single response questions, the total percentage distributions add up to 100 percent. However for multiple response questions, the percentages are based on the numbers of cases, and the total percentage distributions do not necessarily add up to 100 percent. The percentages given in this report have been rounded off to the nearest whole number.

3.1 Demographic Characteristics of the Adult Population

The demographic characteristics of the adult population include gender, employment status, personal monthly income, education level, marital status, geographic location, age, living conditions, and technology regularly used.

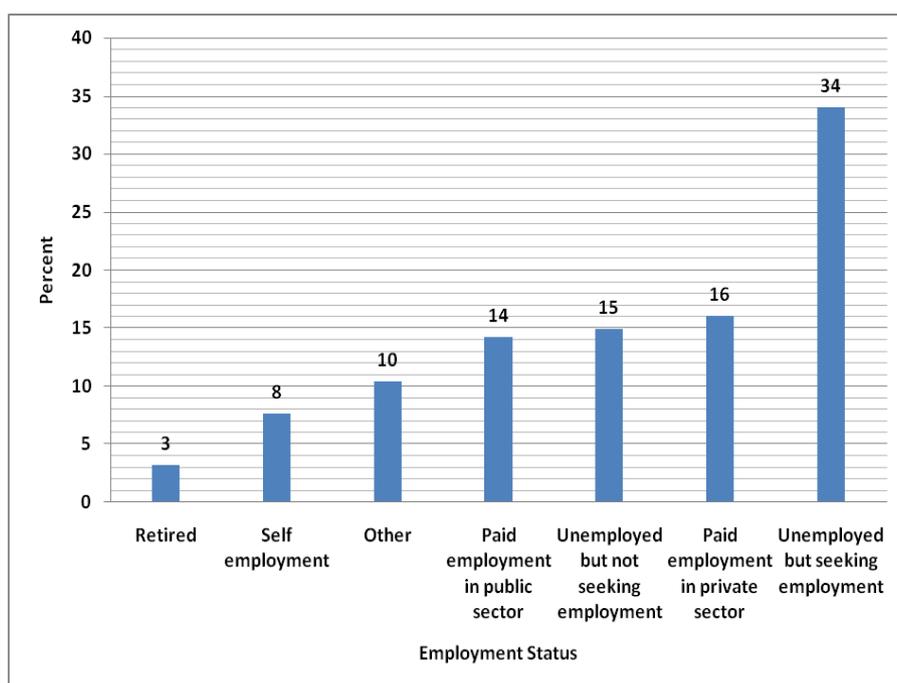
3.1.1 Gender Distribution

Of the weighted adult population (N=993,854), 53 percent were female and 47 percent were male. This approximates the CSO projections and the gender split is in line with expectations.



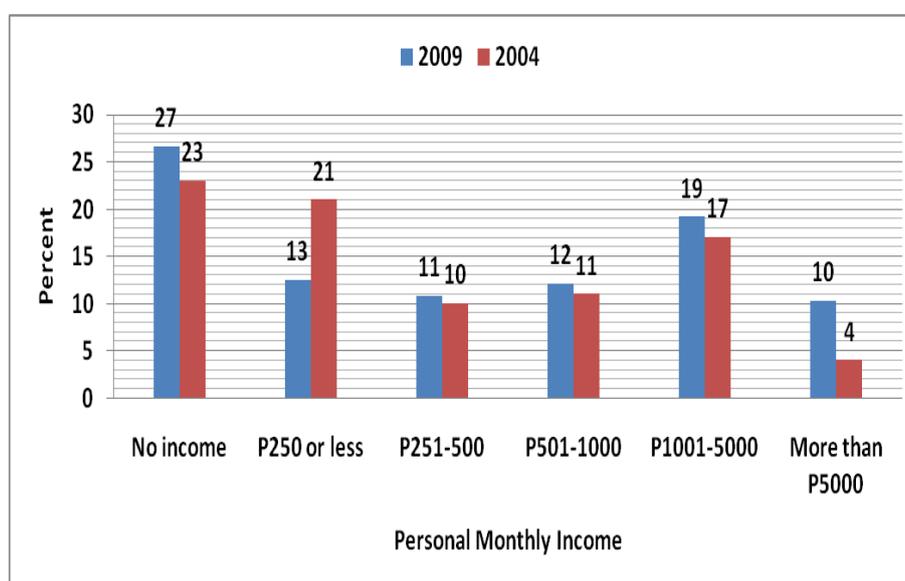
3.1.2 Employment Status

The adult population (N=993,854) was also analyzed by employment status. The results suggest that a high proportion is unemployed but actively seeking for employment (34 percent), followed by those in paid employment either in public or private sectors (30 percent). Those who are unemployed but not seeking employment account for 15 percent of the adult population, while those in self-employment are 8 percent. Compared to Finscope 2004, 31 percent were in full-time employment, while 58 percent were unemployed.



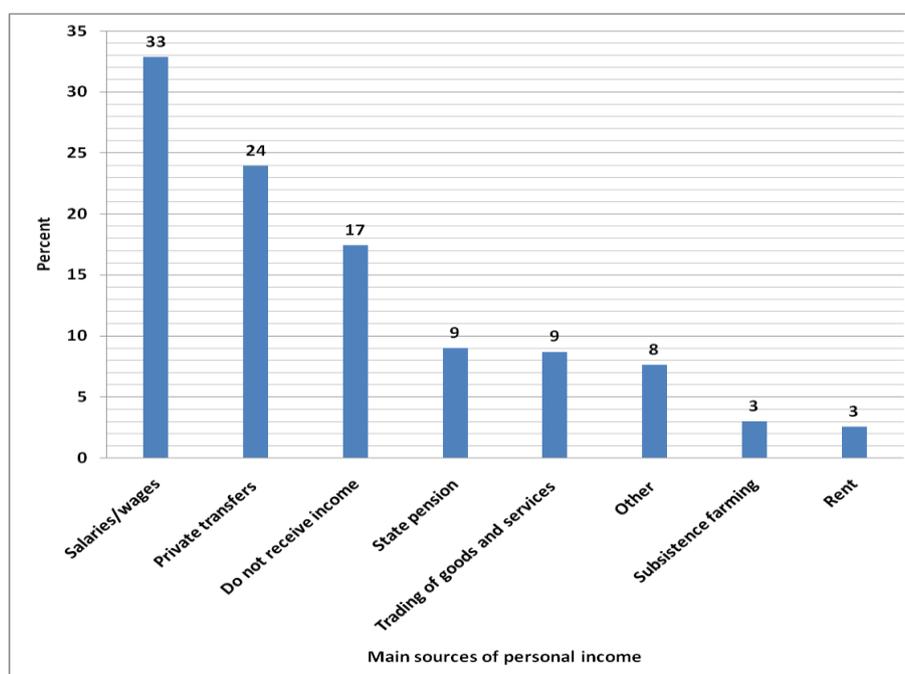
3.1.3 Personal Monthly Income

The personal monthly income relates to the income of the adults who were interviewed. A high proportion of the adult population (N=993,854) reported having no income (27 percent), followed by a personal monthly income of P1001-P5000 (19 percent) in 2009. Compared to 2004, 23 percent reported having no income and 17 percent had a personal monthly income of P1001-P5000.



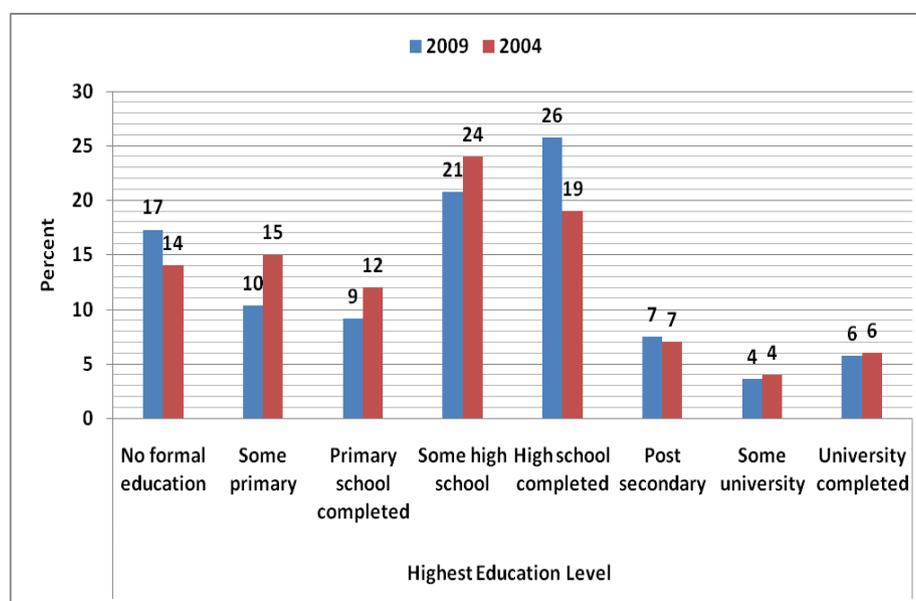
3.1.4 Main Sources of Income

A high proportion (33 percent) of the adult population (N=993,854) earn their income mainly through salaries/wages. Transfer earnings as a main source of income account for 24 percent, while income from state pension and trading of goods/services each accounts for 9 percent. The other sources of income (8 percent) include investment on savings, welfare grants, private pension, commercial farming, return on investments and drought relief assistance.



3.1.5 Education Level

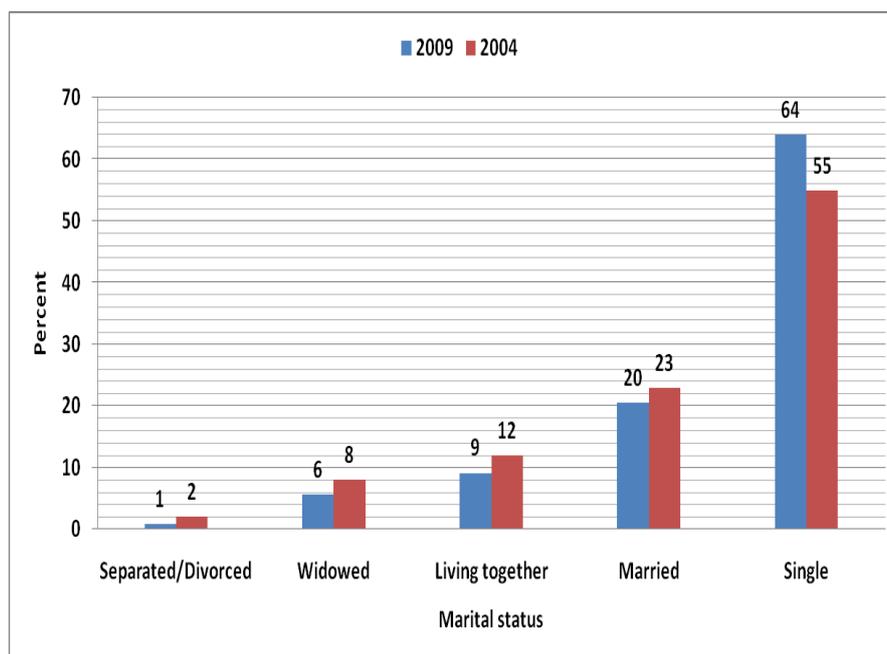
An analysis of the education level of the adult population (N=993,854) suggests that a large proportion had completed high school but did not go on to tertiary education (26 percent), followed by those who had some high school (21 percent). Those with completed university education accounted for 6 percent of the adult population, while those with no formal education accounted for 17 percent. These results are fairly comparable with FinScope 2004 where those with completed high school were 19 percent, some high school 24 percent and completed university 6 percent.



3.1.6 Marital Status

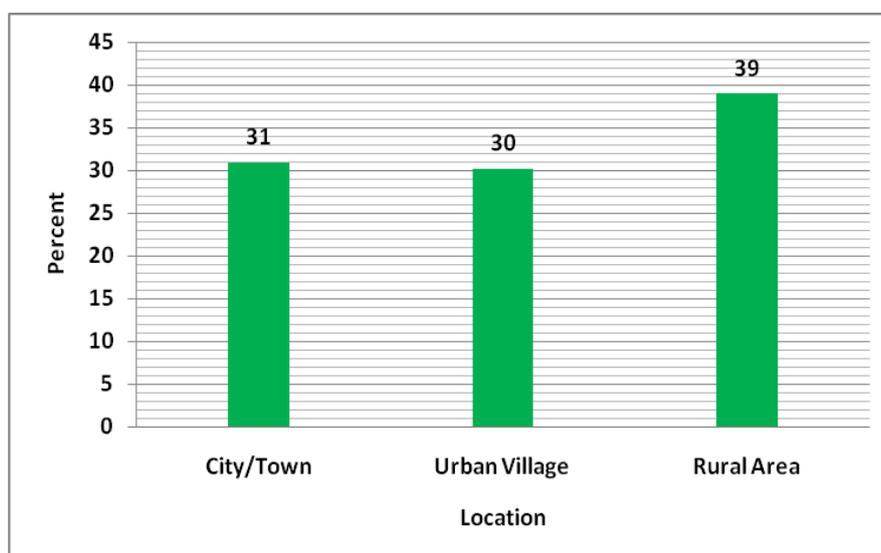
Most of the adult population (N=993,854) are single (64 percent), followed by married (20 percent) and living together (9 percent). These results may be explained by the concept of being married in Botswana which is closely linked to payment of bride wealth (commonly referred to as Lobola). Women consider themselves to be single as long as Lobola has not been paid even if

they are in marriage relationships. In addition since the target population was those aged 18 and above, it is possible that the young adults are yet single. The results are consistent with FinScope 2004 where the single category ranked highest (55 percent), followed by the married (23 percent) and living together (12 percent).



3.1.7 Geographic Area

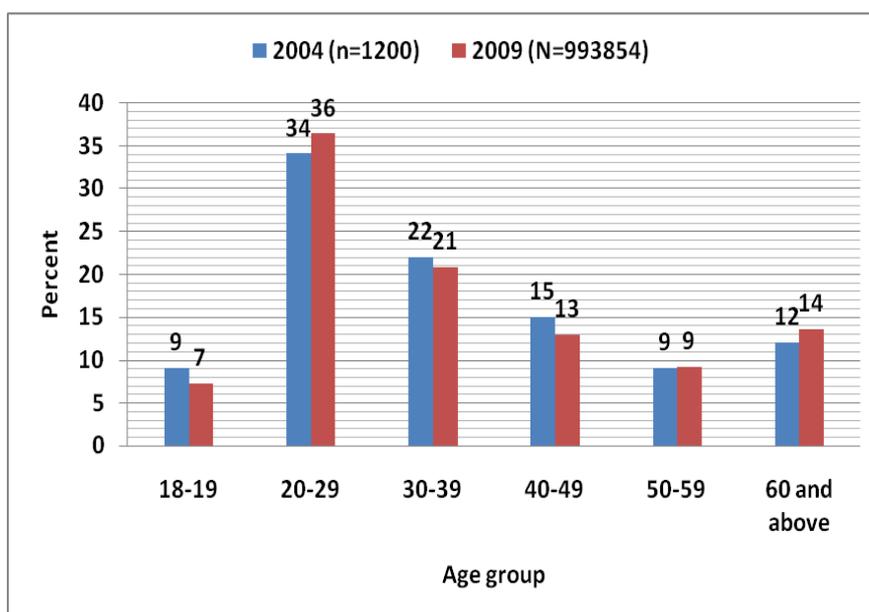
In terms of rural/urban location, the highest proportion of the adult population (N=993,854) is located in rural areas (39 percent), followed by cities/towns (31 percent) and urban villages (30 percent). These results are consistent with CSO (2004) which indicate the rural population as being the dominant one.



3.1.8 Age Group

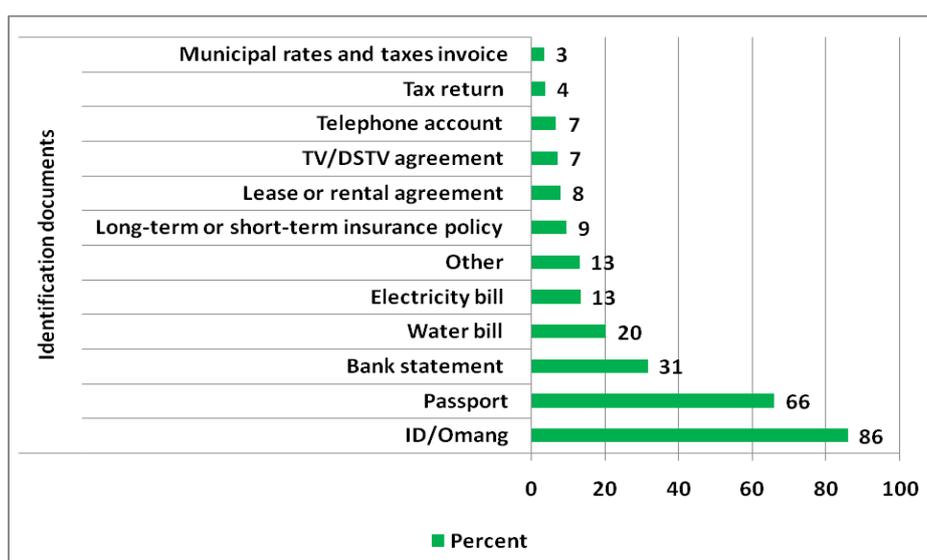
The age distribution of the adult population (N=993,854) indicates that the highest percentage (36 percent) was in the age bracket of 20-29 years, followed by those aged 30-39 years (21 percent) and those aged 40-49 years (13 percent). This implies that most of the respondents were

in their highly active and productive age. The pattern of the age distribution is similar to FinScope 2004 results.



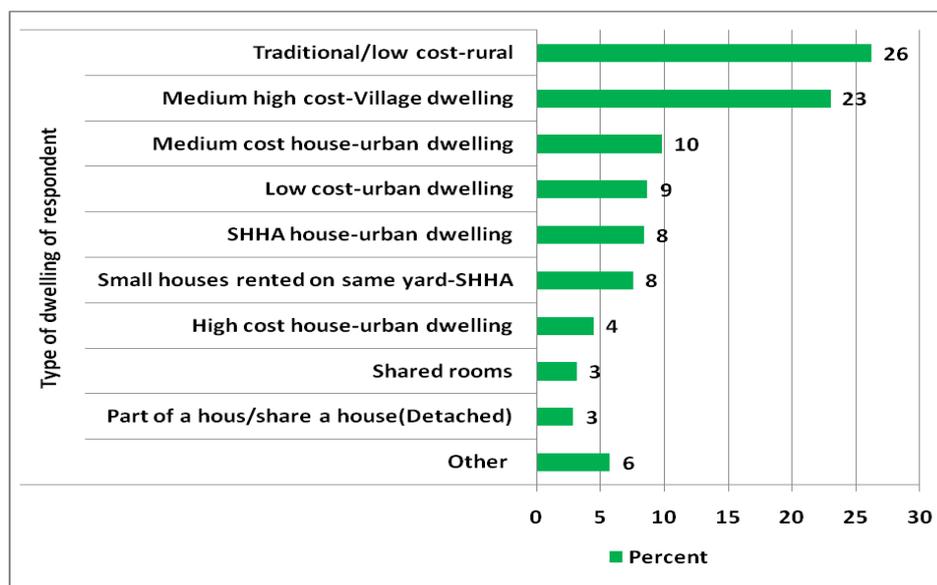
3.1.9 Documents for Identification

Different identification documents may be used by the same person for different transactions. For example to open a bank account in Botswana, the identification requirements include Omang (for citizens), passports (for foreigners), salary pay slip, and electricity/water bill. The question on documents for identification was a multiple response question such that distributions were based on the reported cases of utilization; hence the percentages do not necessarily add up to 100 percent. The top five documents used for identification by the adult population (N=993,854) include national identity card/Omang (86 percent), passport (66 percent), bank statement (31 percent), water bill (20 percent) and electricity bill (13 percent). Botswana has a generally efficient and reliable national identification system (Omang), which the financial institutions can rely on, to track their clients.

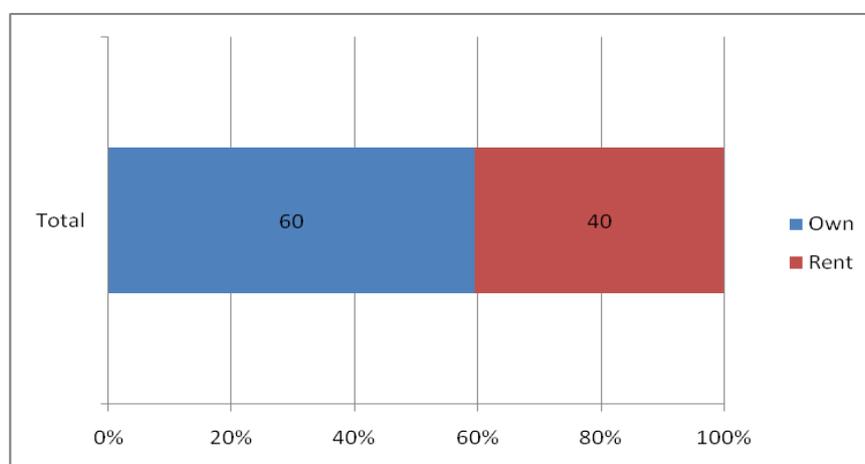


3.1.10 Living Conditions

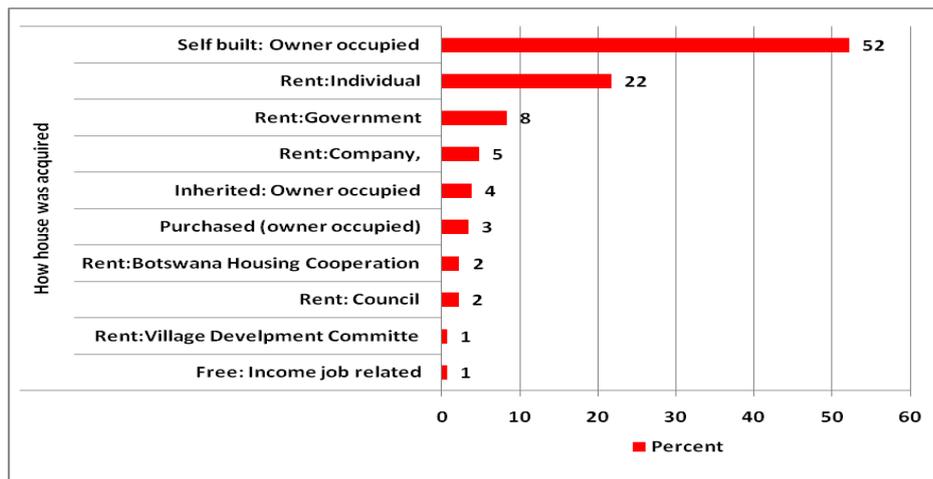
The living conditions of the adult population are measured in terms of the type of dwelling, house ownership, the number of living rooms in home, the type of toilet facility used and the source of water. The four major types of dwelling for the adult population (N=993,854) are the traditional low cost rural type houses (26 percent), medium high cost village houses (23 percent), medium cost urban dwelling (10 percent) and low cost urban houses (9%).



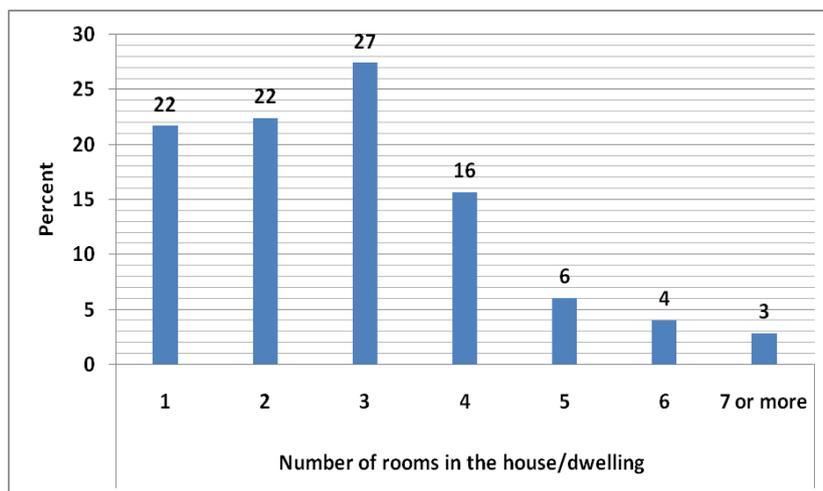
Most of the adult population (N=993,854) own the houses they live in (60 percent) as compared to those who rent (40 percent).



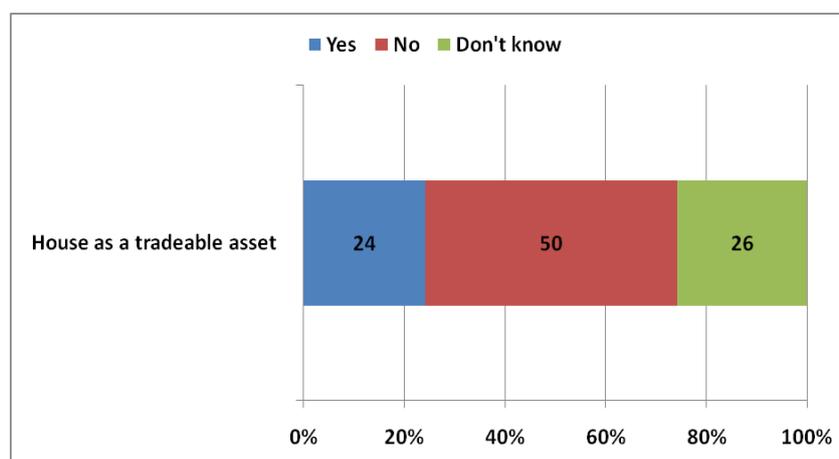
In terms of how the houses were acquired by the adult population (N=993,854), the majority (52 percent) of houses are self-built and occupied by the owner, while 22 percent are rented by individuals. Those who inherited houses account for only 4 percent of the adult population.



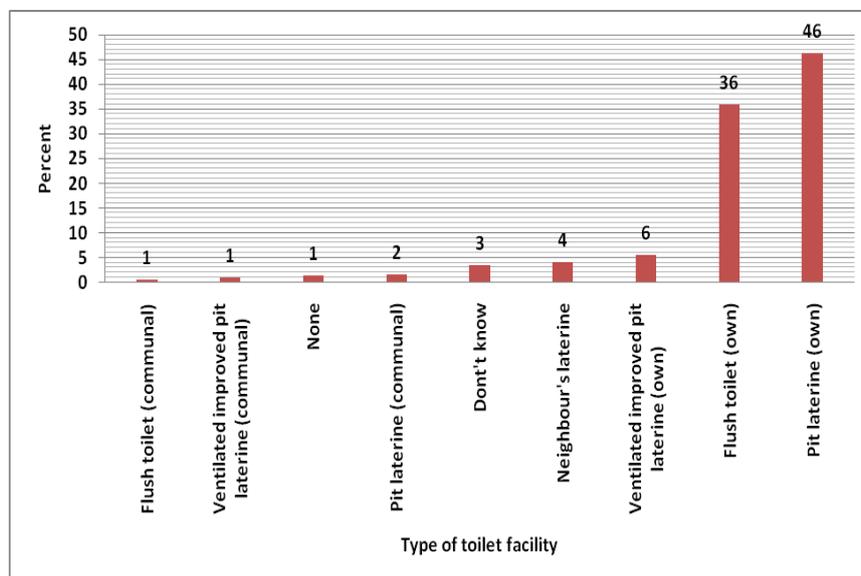
An analysis of the number of rooms existing in the houses where the adult population (N=993,854) live revealed that the highest proportion of houses have three rooms (27 percent), followed by two roomed houses (22 percent) and one roomed houses (22 percent). Those living in four roomed houses accounted for 16 percent of the adult population.



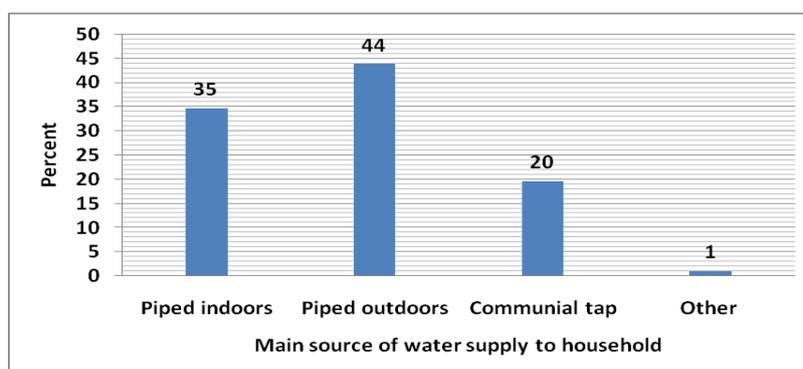
Of the adult population that owned houses (N=551,849), only 24 percent considered their houses as tradable assets, while 50 percent did not consider their houses to be tradable assets. This may be explained by the fact that houses may have been acquired with the sole purpose of serving as family houses and this makes the thought of the houses being tradable assets as too remote.



The type of toilet facility used is a key indicator of the welfare of the household. The three main types of toilet facilities used by the adult population (N=993,854) include: Pit Latrine – own (46 percent), flush toilet – own (36 percent), ventilated improved pit latrine – own (6 percent). Those who use the neighbour's latrine account for 4 percent of the population. These results indicate a high level of sanitation in Botswana.

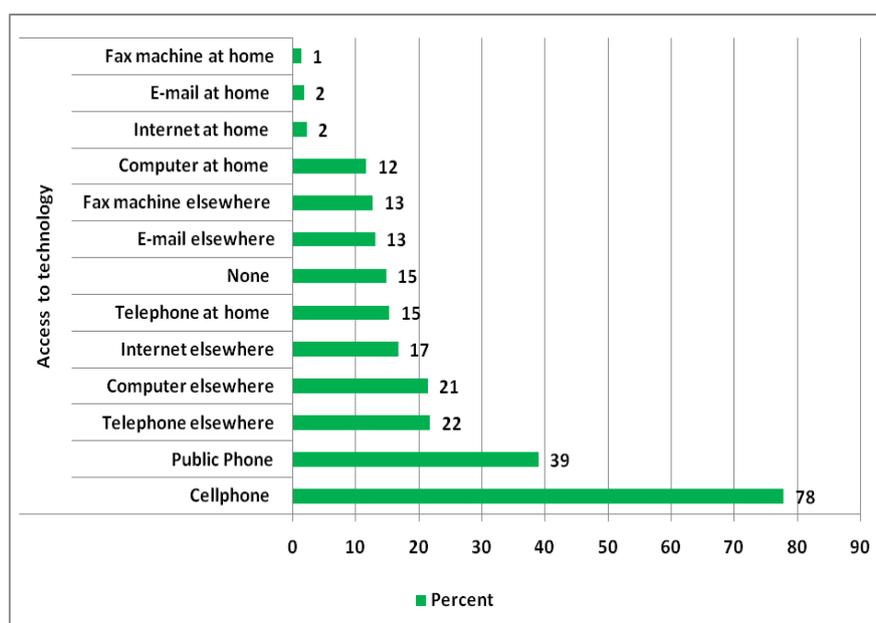


The main source of water to the households (N=993,854) include piped water outdoors (44 percent), piped water indoors (35 percent) and communal tap (20 percent). These results suggest that the population has access to clean piped water.

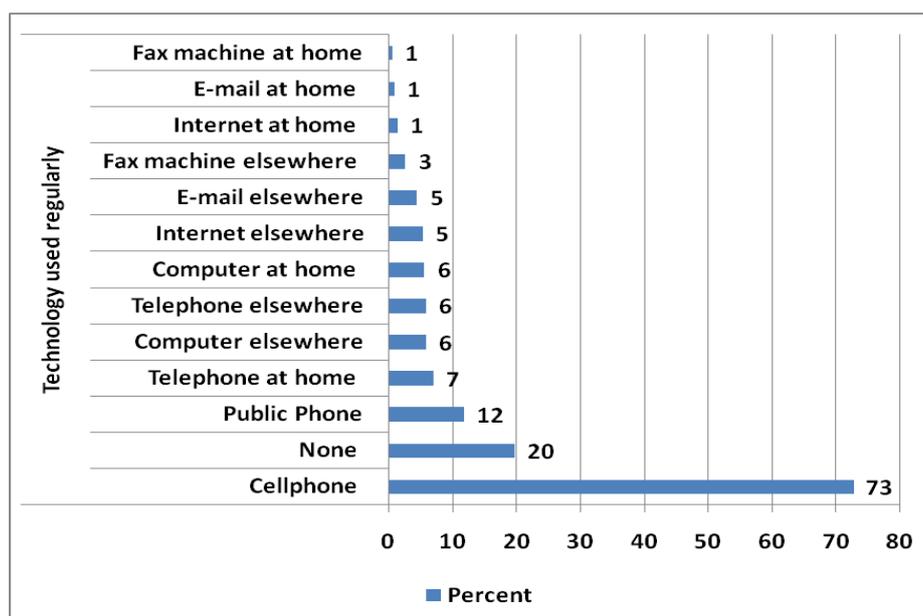


3.1.11 Technology Access and Use

Technology access is one of the key measures of the quality of life of the population. The five top technologies to which the adult population (N=993,854) has access to include cell phones (78 percent), public phones (39 percent), telephones elsewhere (22 percent), computers elsewhere (21 percent) and internet elsewhere (17 percent).



In terms of the technologies regularly used by the adult population (N=993,854), the top five include cell phone (73 percent), public phone (12 percent), telephone at home (7 percent), computer elsewhere (6 percent), and telephone elsewhere (6 percent). It should be noted that access to technology differs from regular use of technology. Intuitively the probability of access to technology is usually higher than the probability of regular use of technology due to some constraints. For example, though a household may have a landline telephone at home, its regular use by all members of the household may be restricted through use of secret pin numbers only known to the household head. This explains for example why 15 percent of adult population reported that they have access to telephone at home, while only 7 percent reported regular use of telephone at home.



Given the fact that the cell phone is the technology that is mainly accessed and regularly used by the adult population, the issue of interest was to determine the level of cell phone ownership. Of the adult population (N=993,854), 70 percent own cell phones. The high cell phone ownership in

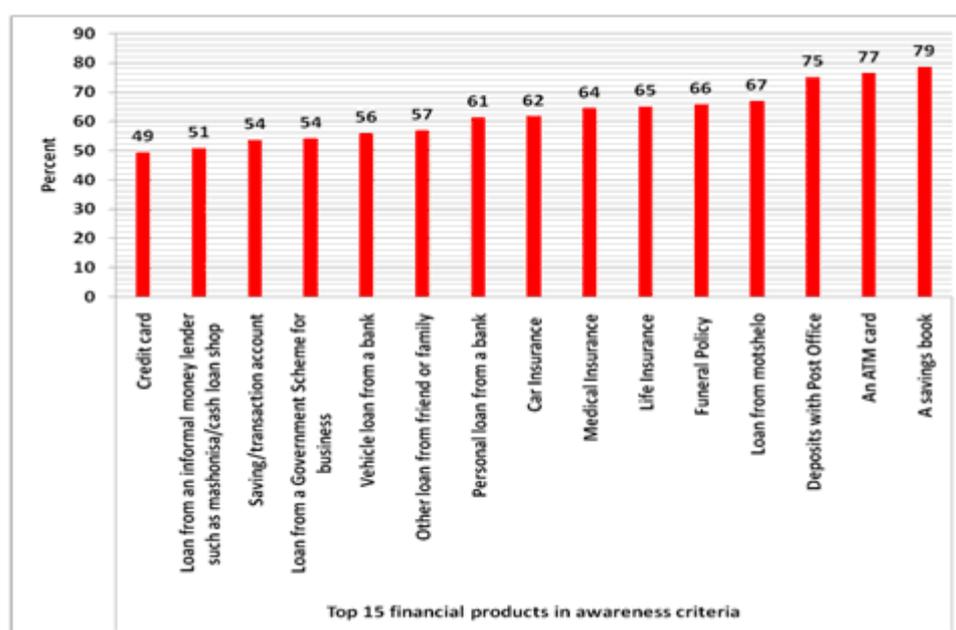
Botswana provides unique opportunities for development and expansion of new financial products such as cell phone banking.

3.2 Financial Product Awareness / Literacy

The analysis of financial product awareness involves an examination of which financial products the adult population are aware of, where they get advice on financial matters, where they put large sums of money received, and how money received is spent. These indicators point to the level with which the adult population is involved with financial institutions in their money matters.

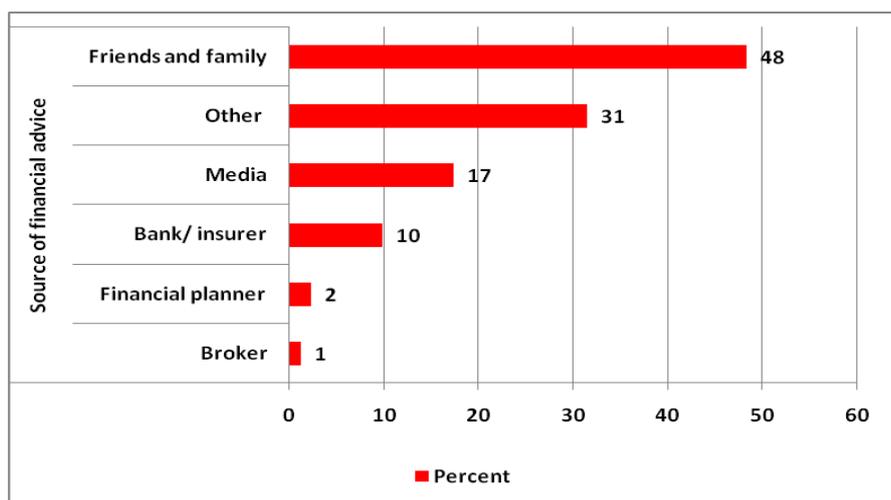
3.2.1 Financial Product Awareness

The top financial products in which the adult population (N=993,854) have awareness include a savings book (79 percent), ATM card (77 percent); deposit in Post Office (75 percent), loan from motshelo (67 percent), and funeral policy (66 percent).



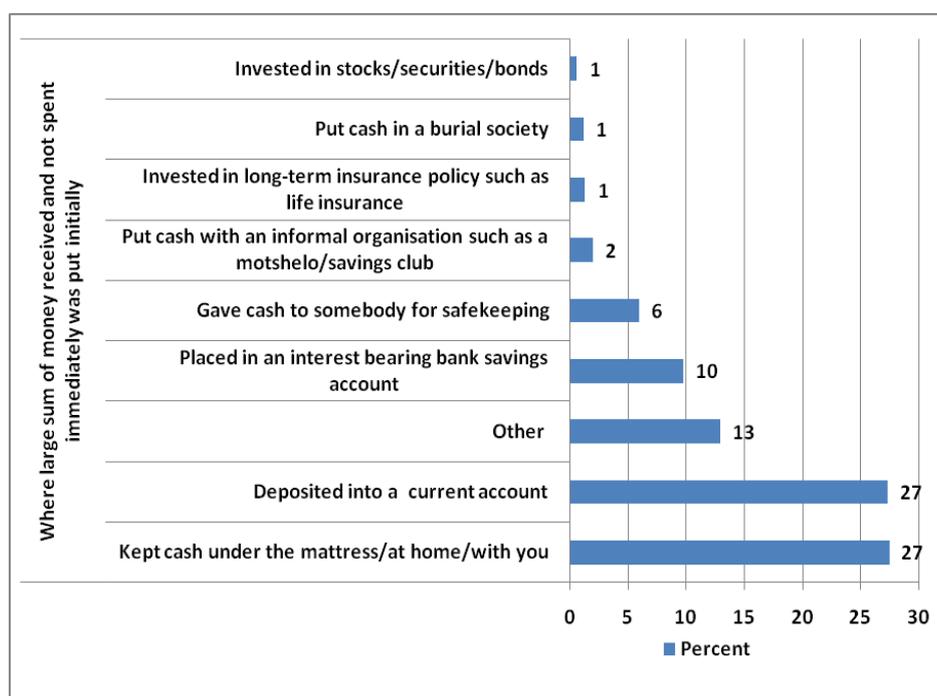
3.2.2 Source of Financial Advice

The highest proportion of the adult population (N=993,854) get their financial advice from friends and family (48 percent), media (17 percent), bank/insurance company (10 percent) and financial planner (2 percent). The other source of financial advice (31 percent) was not specified. These results suggest a relatively low usage of professional institutions for financial advice.



3.2.3 Place Where to Put Large Sum of Money Received

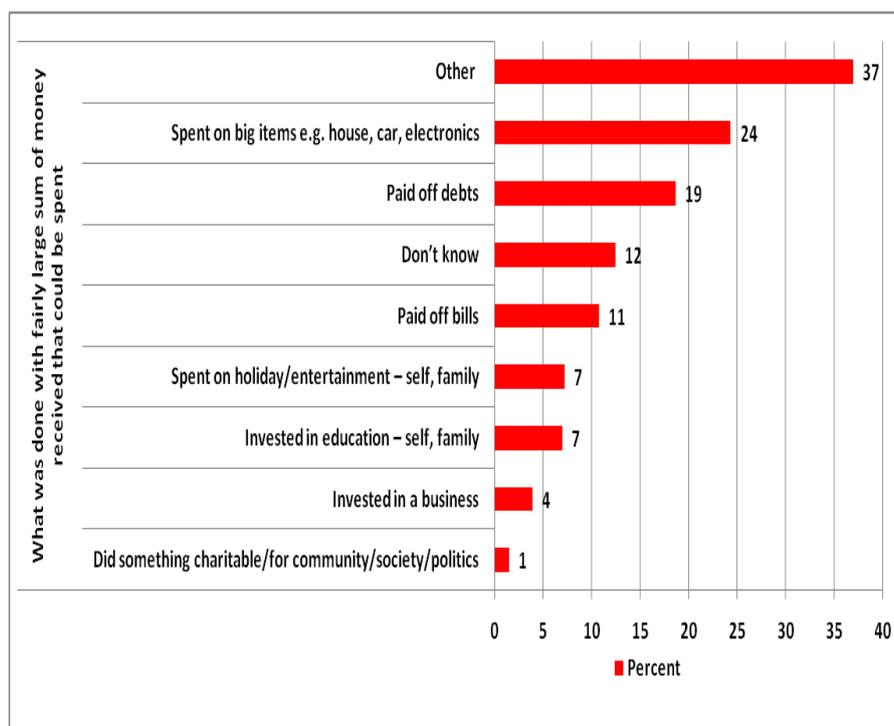
An analysis of the place where the adult population (N=993,854) put the large sums of money they received but which was not spend immediately suggests that a high proportion of the population keeps the money in mattress/at home (27 percent), deposit in a current account (27 percent), place in an interest bearing bank savings account (10 percent), and 6 percent gave it to somebody for safekeeping. It should be noted that the large proportion of the adults who keep money in mattress/at home is not good for the growth of the economy, especially if the money is kept in the mattress/at home for a long time. The rationale is that money kept outside the banking system can not be used for financial intermediation, and therefore may stifle the level of investment.



3.2.4 Use of Fairly Large Sum of Money Received that Could be Spent

Of the adult population (N=993,854) who received a fairly large sum of money that could be spent, a high proportion (37 percent) spent their money on other items which include buying food and clothes, building materials, furniture, mobile phones and house construction.

Expenditures on durable consumer goods⁴ account for 24 percent, paying off debts (19 percent), and paying off bills (11 percent). The use of money for investment in business accounts for only 4 percent, which is relatively low.

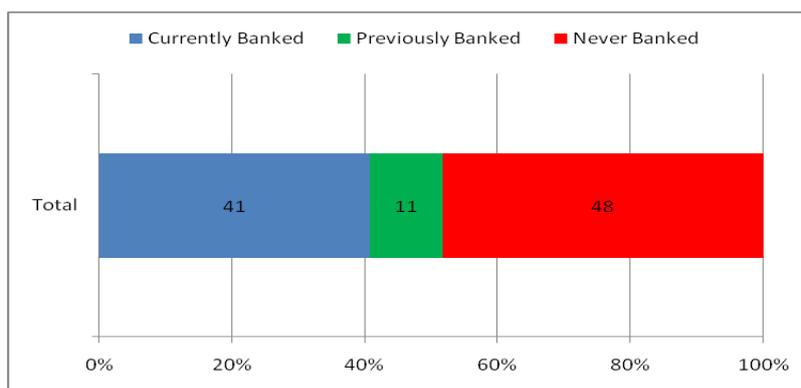


3.3 Banking Status

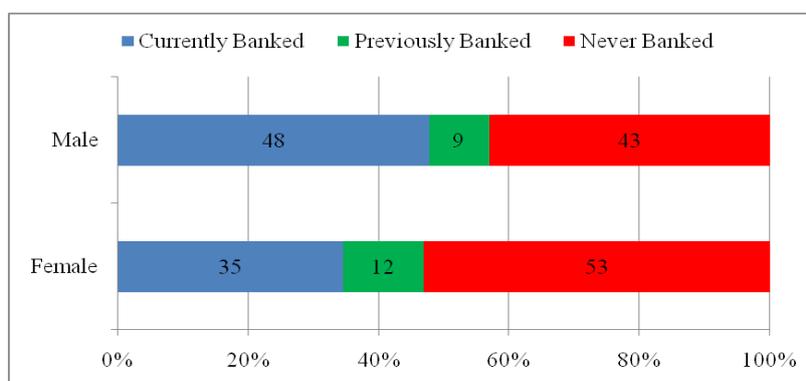
The banking status is a measure of the adult population that are currently banked (i.e. currently have access to any bank product), previously banked (i.e. those that have dropped out of the banking system), and the never banked. The FinScope 2009 results suggest that 41 percent of the adult population (N=993,854) are currently banked, 11 percent were previously banked, and 48 percent were never banked. The corresponding figures for FinScope 2004 were: currently banked (43 percent), previously banked (10 percent) and never banked (47 percent).

The trend suggests that there has been no significant change in the proportion of the adult population that is currently banked between the period 2004 and 2009, implying limited growth in the banking market. The possible explanation of this result may be that banks are competing on the same type of clientele (i.e. taking business from one another) without venturing out to develop new market niches. The other possible explanation is that formal sector employment growth (public and private) has been low with high unemployment among the youth and either those people do not need bank accounts or banks are not interested in serving such a market niche. It is also interesting to observe that the previously banked and the never banked are also fairly similar to 2004 levels.

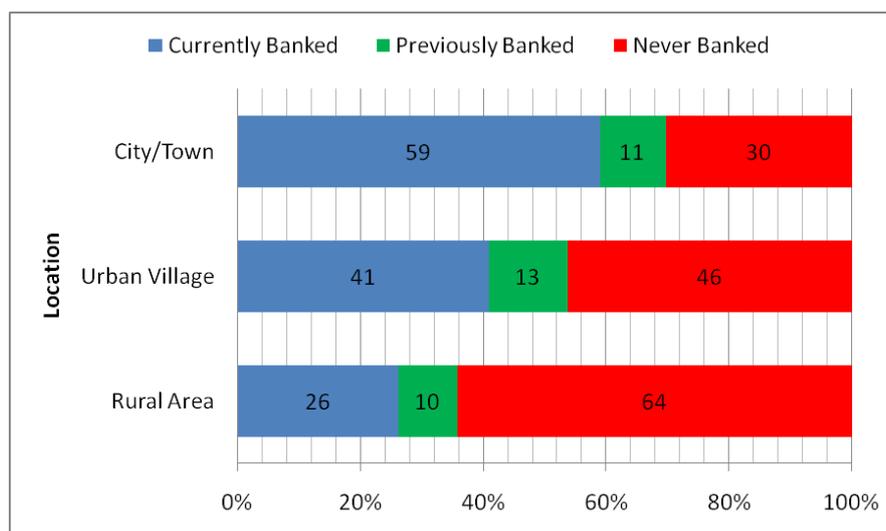
⁴ The durable consumer goods include houses, cars, electronics



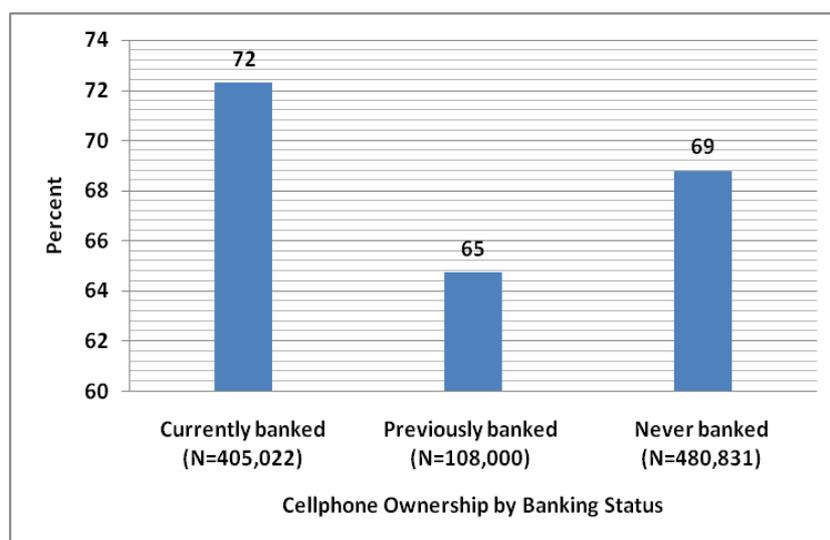
An analysis of banking status by gender suggests that among the males (N=467,101), 48 percent are currently banked, 9 percent were previously banked, and 43 percent were never banked. Among the females (N=526,753), 35 percent are currently banked, 12 percent were previously banked, and 53 percent were never banked. The results indicate that the males are more likely to be banked as compared to females.



The banking status was analyzed by rural/urban location. The results suggest that of the adult population in the cities/towns (N=307,316), 59 percent are banked, 11 percent were previously banked, and 30 percent were never banked. Of the adult population in urban villages (N=299,461), 41 percent are banked, 13 percent were previously banked, and 46 percent were never banked. Of the adult population in rural areas, 26 percent are banked, 10 percent were previously banked, and 64 percent were never banked. These results suggest that being located in the city/town and urban village increases the probability of being banked, while being located in the rural area increases the probability of being unbanked. This may be explained by the fact that banking services tend to be located more in the cities/towns and urban villages as compared to rural areas. The profit oriented banks are geared to minimizing transaction costs through branch network locations in cities/towns and urban villages where there is good infrastructure and also a large concentration of bankable clientele. Another plausible explanation may be that there is less demand in rural areas for the current type of banking services offered and also products offered may not be suited to rural areas. The policy implication arising from these results is the need for the government and the banking sector to work out incentive mechanisms to extend banking services especially to the rural areas with appropriate products.

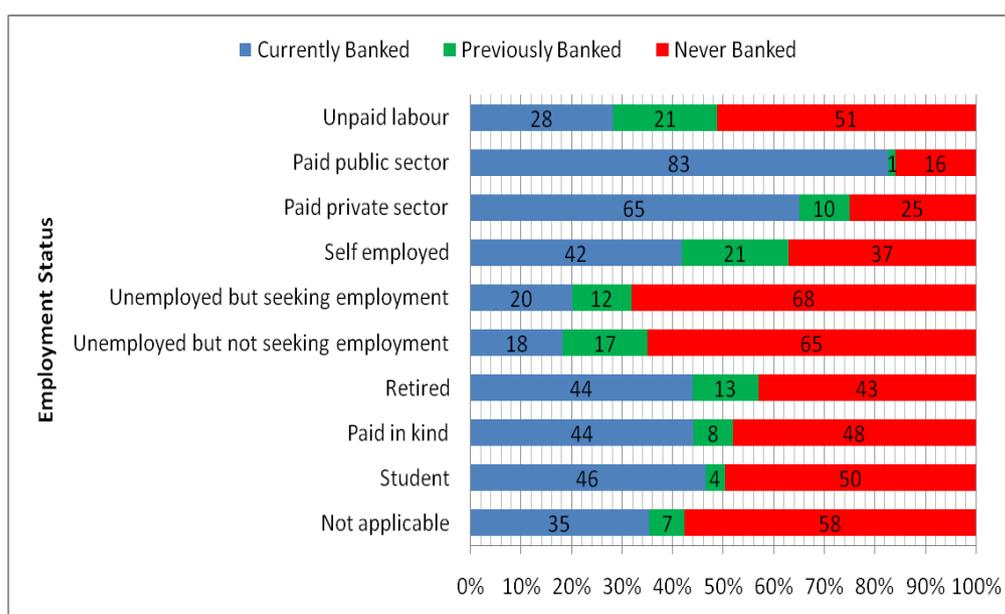


Cell phone ownership was also analyzed by banking status, where those who own cell phones were expressed as percentages of the banked, previously banked, and never banked. Of the currently banked population (N=405,022), 72 percent own cell phones, while among the previously banked population (N=108,000) 65 percent own cell phones. Of the never banked population (N=480,831), 69 percent own cell phones. These results indicate that cell phone ownership is nearly as high among the currently banked population, the previously banked and the never banked. This therefore suggests that there is a tremendous potential to offer cell phone banking products to the unbanked.

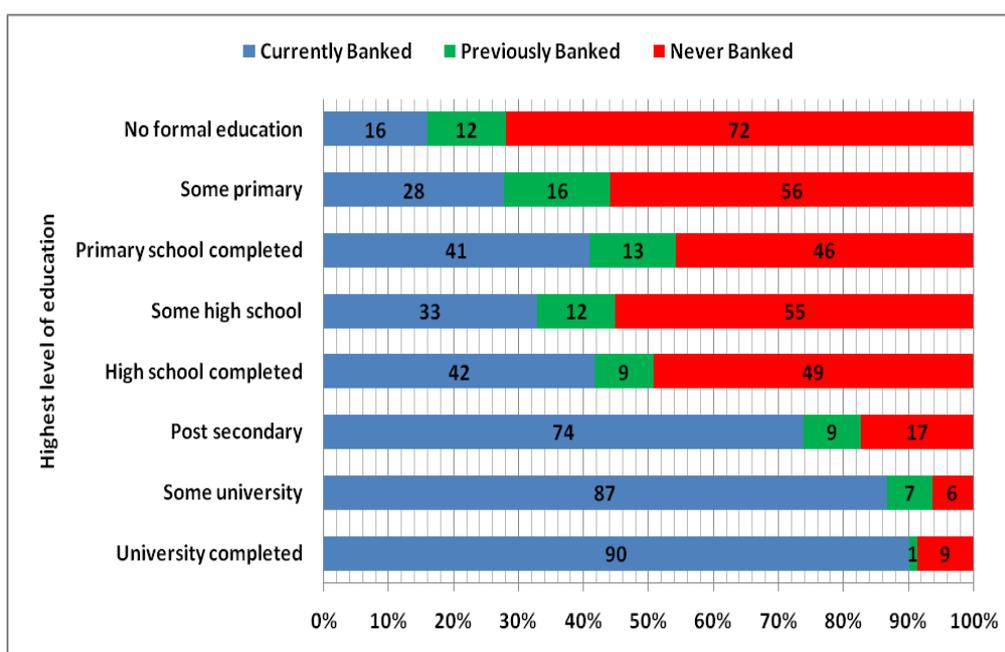


An analysis of the banking status by employment status⁵ suggests that those in paid public sector are more likely to be banked (83 percent) and followed by those in paid private sector (65 percent). These results are consistent in practice as most of the persons in paid employment in Botswana are paid their salaries/wages through the bank, hence providing them with an incentive to have bank accounts. It can therefore be concluded that being in paid employment (in public or private sector) increases the probability of being banked. It is also interesting to observe that students rank the third highest (46 percent) in being banked. The possible explanation may be that government sponsored students in tertiary institutions are paid their allowances through banks and therefore are required to have bank accounts.

⁵ The N-values are the number of adults in each employment category.

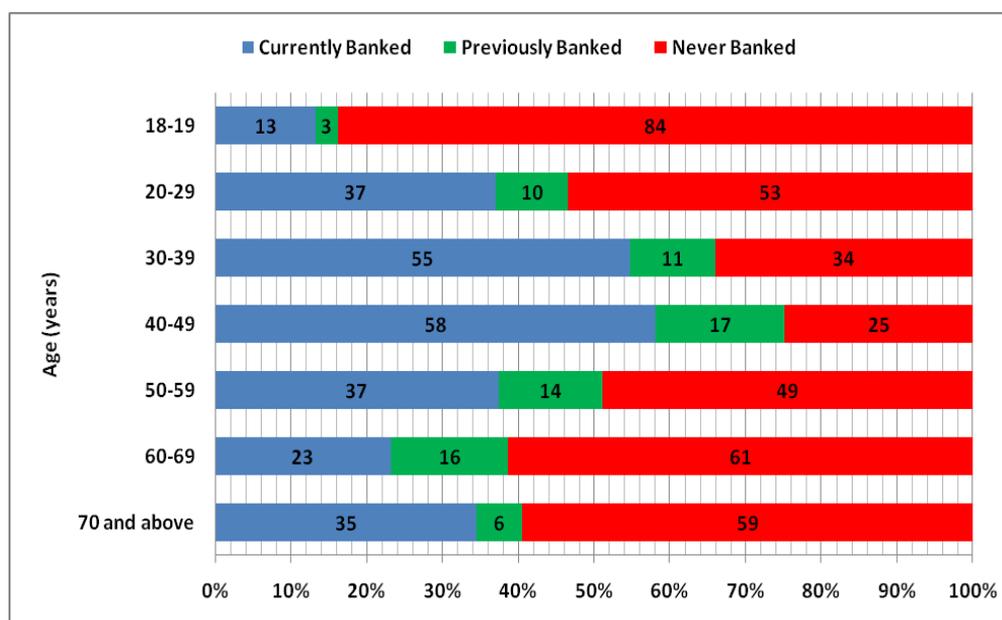


There is a positive correlation between education level⁶ and being banked. The three education levels for which being banked was highest include: university completed (90 percent), some university (87 percent), and post secondary (74 percent). The intuition of this result is that banking procedures involve a lot of documentation such as filling forms for either account opening or application for other bank services (such as loans), which requires some level of education to be able to comprehend. In addition, there may be a link between banking status and level of education in the fact that Government sponsored students must have a bank account to receive stipends, the fact that the employment level is higher amongst people with higher education levels. It is interesting to observe that among those with no formal education, only 16 percent were banked.



⁶ The N-values are the number of adults in each education category.

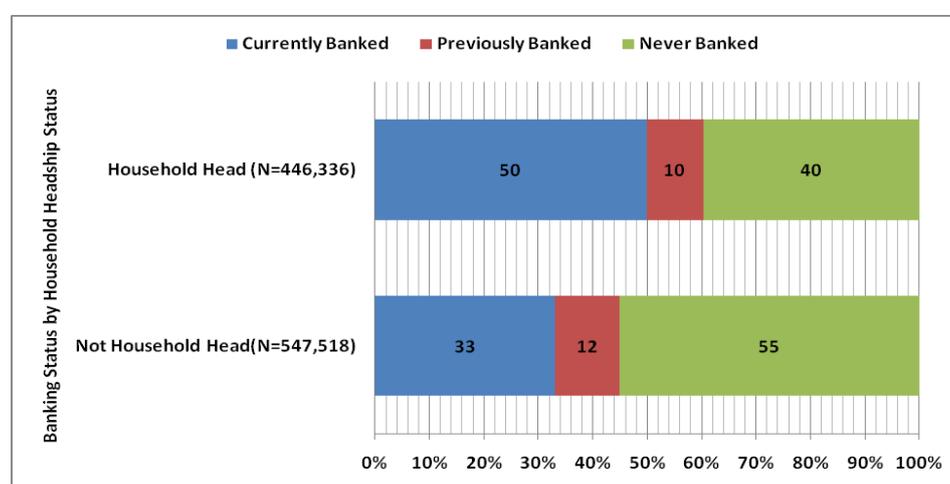
The categorization of banking status by age group reveals that it is those in the age group of 40-49 years old who are more likely to be banked (58 percent), followed by those in the age category 30-39 years old (55 percent). However those aged 18-19 years old are more likely to be never banked. These results suggest that it is the population with a higher *productive* age is more likely to be banked.



The banking status was also analyzed by household head status. The household head status was constructed as a dummy variable (=1 if household head, and zero otherwise). Of the adult population (N=993,854) 45 percent was head of household. Of those who were household heads (N=446,336), 50 percent were banked and 50 percent were unbanked. For those who were not household heads (N=547,518), 33 percent were banked and 67 percent were unbanked.

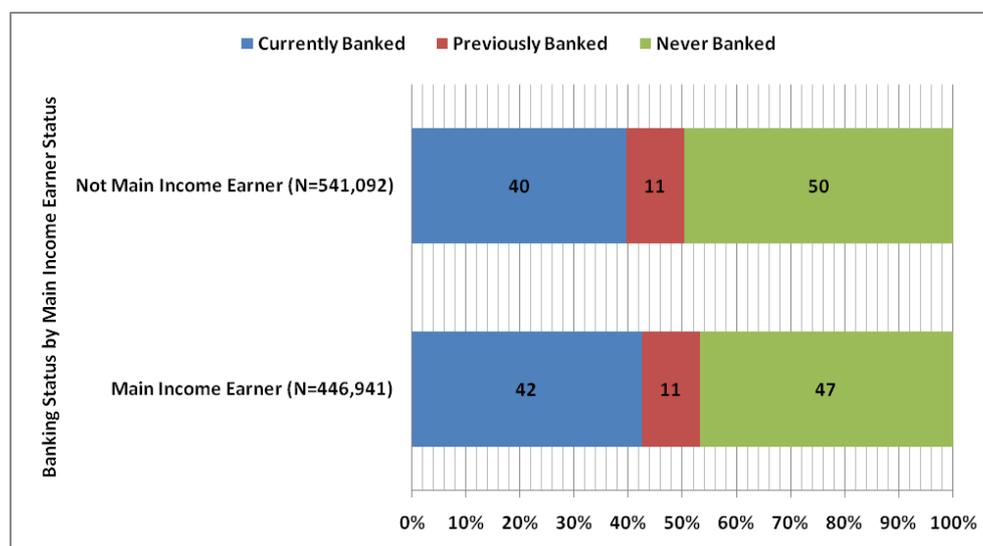
These results suggest that being a household head increases the probability of being banked. Intuitively this result falls within the expectation because household heads control most of the household resources which makes them to be perceived as more credible clients by the banks.

In the FinScope 2004 study, 55 percent of the household heads were banked, and 35 percent of the non-household heads were banked.



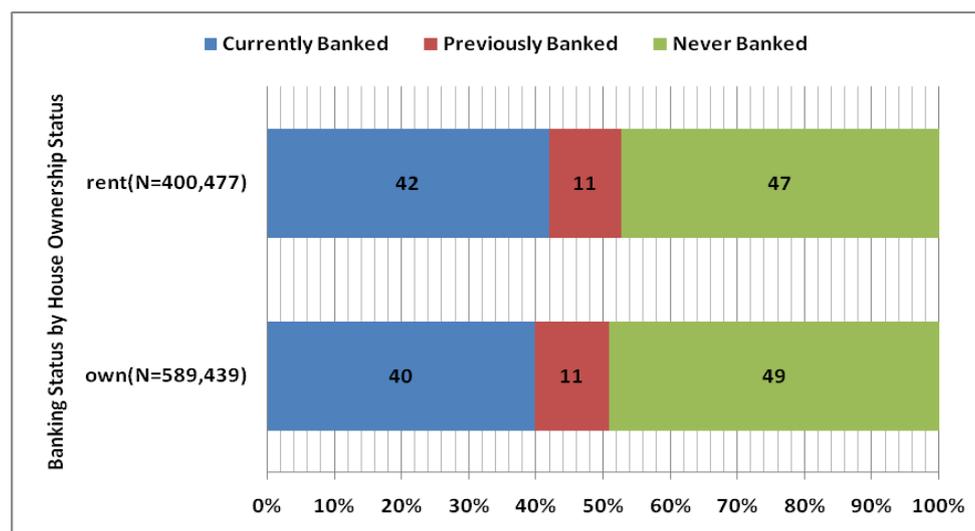
Analysis of the banking status by main income earner status suggests that of the main income earners (N=446,941), 42 percent were banked and 58 percent were unbanked. Among those who were not main income earners (N=541,092), 40 percent were banked and 60 percent were unbanked.

In the FinScope 2004 study, 63 percent of the main income earners were banked and 32 percent of the non-main income earners were banked.



An analysis of banking status by house ownership status revealed that among those who rent the houses they live in (N=400,477), 42 percent are banked and 58 percent are unbanked. However among those that own houses they live in (N=589,439), 40 percent are banked and 60 percent are unbanked.

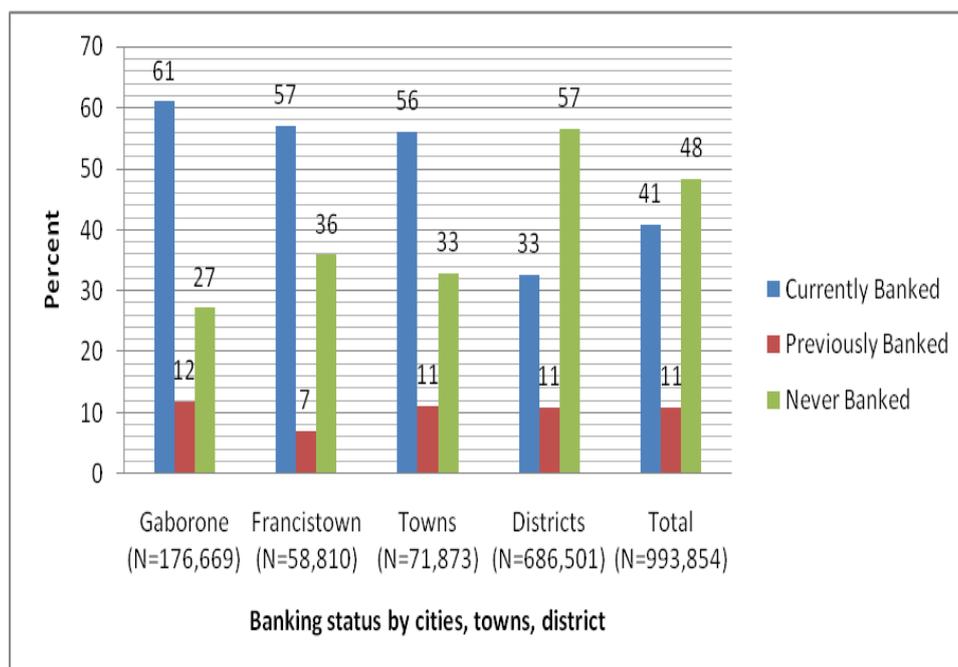
These results are fairly comparable to Finscope 2004 where 35 percent of those who owned houses were banked, and 67 percent of those who rented houses were banked.



The adult population was further decomposed into major cities (Gaborone, Francistown), towns (Lobatse, Selebi-Phikwe, Orapa, Jwaneng, Sowa), and districts. The analysis results of the banking status suggests that the adult population located in Gaborone city are more likely to be

banked (61%), followed by those in Francistown (57%), towns (56%) and lowest in districts (33%). The unbanked are more predominant in the districts. These results are consistent with what was expected because the cities and towns have a disproportionately high number of bank branch networks which makes physical access relatively easy for residents in cities and towns. The results may also indicate that there is less demand for banking services in rural areas.

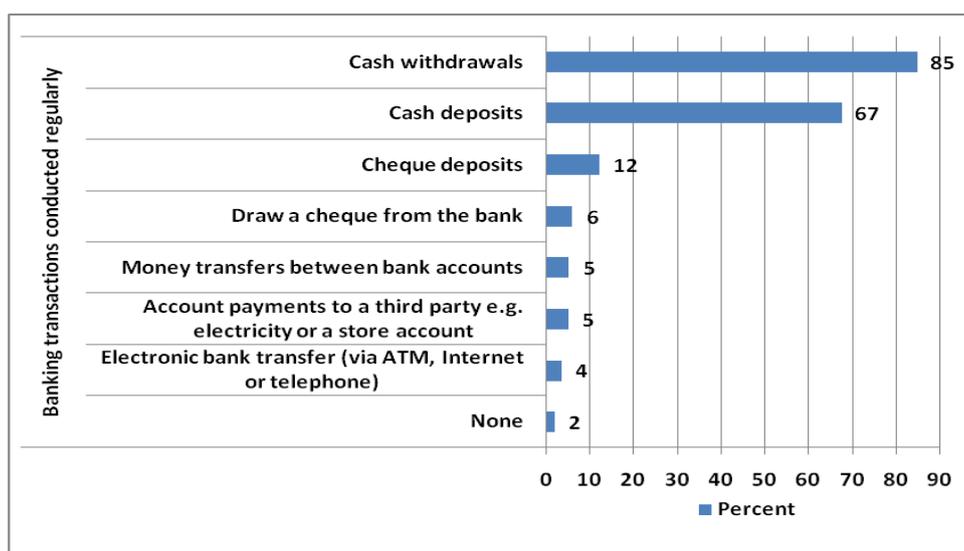
The results are comparable with FinScope 2004 which indicated that in Gaborone 69 percent were banked, Francistown 63 percent were banked, in towns 56 percent were banked, and in districts 36 percent were banked.



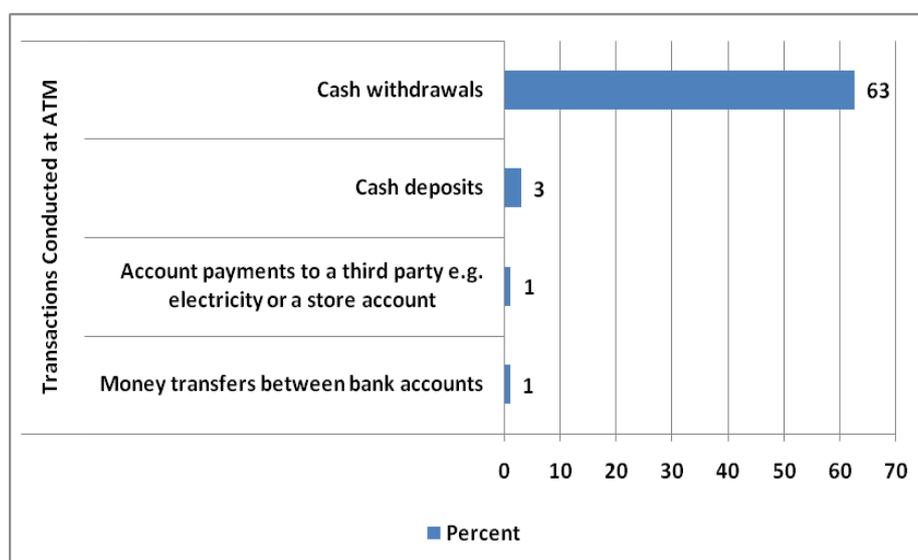
3.4 The Banked

3.4.1 Banking Activities Regularly Conducted by the Banked

The main five banking activities regularly conducted by the currently banked (N=405,022) include cash withdrawals (85 percent), cash deposits (67 percent), cheque deposits (12 percent), draw a cheque from a bank (6 percent), and money transfers between bank accounts (5 percent).



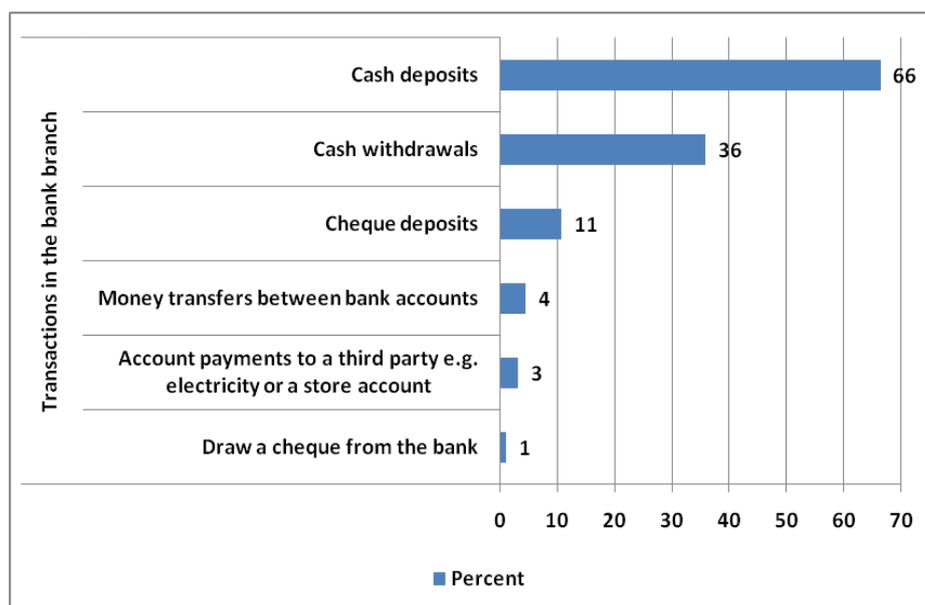
Most transactions at an ATM are cash withdrawals (63 percent of the banked population (N=405,022) use ATMs to withdraw cash)⁷, which may be explained by both policy of some banks and convenience to the clients. Some banks have put in place policy measures that specify the minimum amount⁸ that must be withdrawn in the banking hall such that amounts below that minimum threshold must be withdrawn from the ATM. Clients who withdraw from the branch (banking hall) any amounts below the threshold are charged an additional fee. In addition, the withdrawal of cash through the ATM is also convenient to clients given the wide spread of ATM machines (for example in major shopping malls) which makes them more accessible than the banking halls. Furthermore, most ATMs do not allow cash deposits, hence the low percentage (3 percent).



The top five financial transactions undertaken by the currently banked (N=405,022) within the branch include cash deposits (66 percent), cash withdrawals (36 percent), cheque deposits (11 percent), money transfers between accounts (4 percent), and account payments to a third party (3 percent).

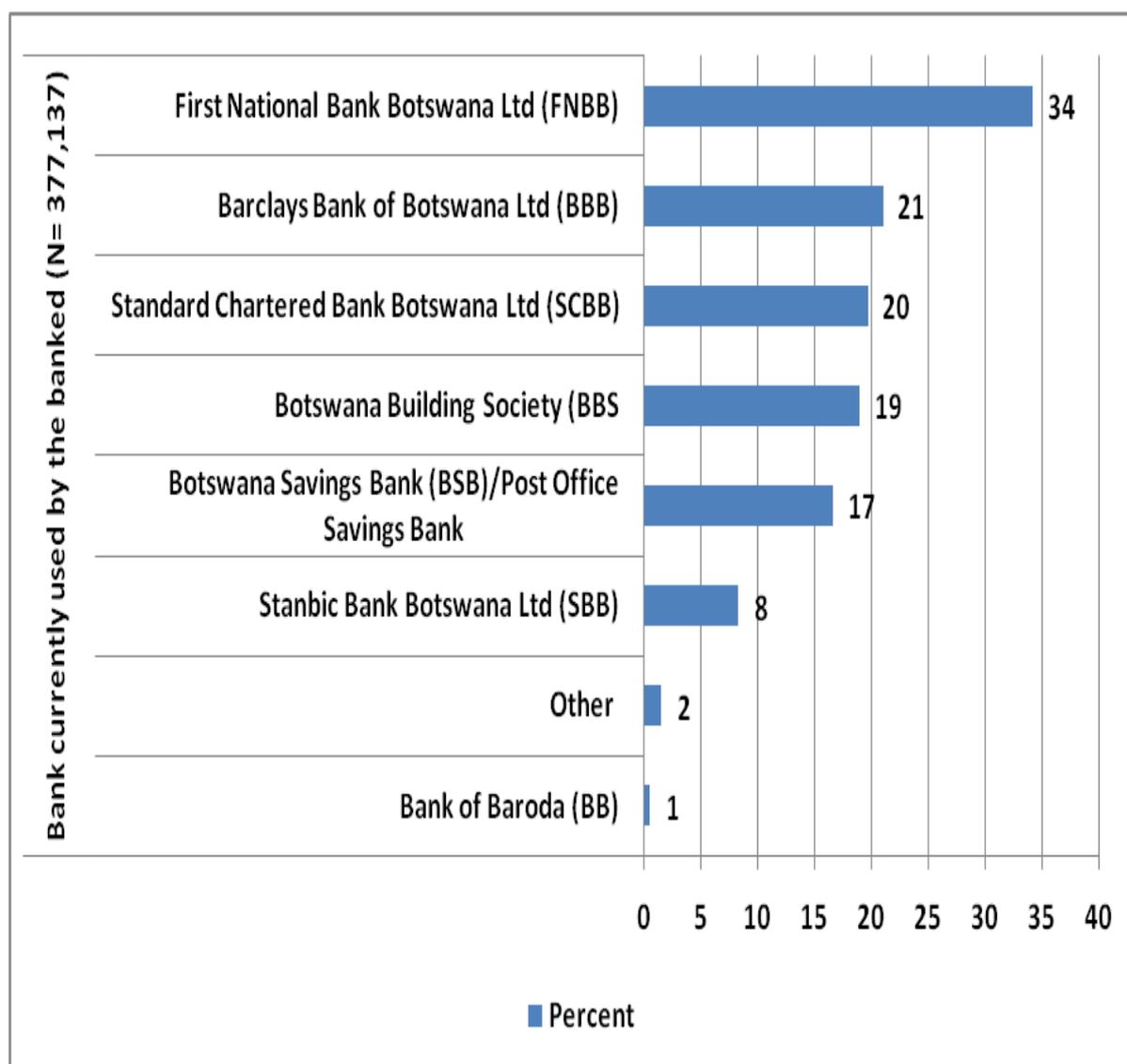
⁷ This is a multiple response question; therefore figures do not add up to 100 percent.

⁸ For example Standard Chartered Bank minimum to withdraw from the banking hall is P12,000

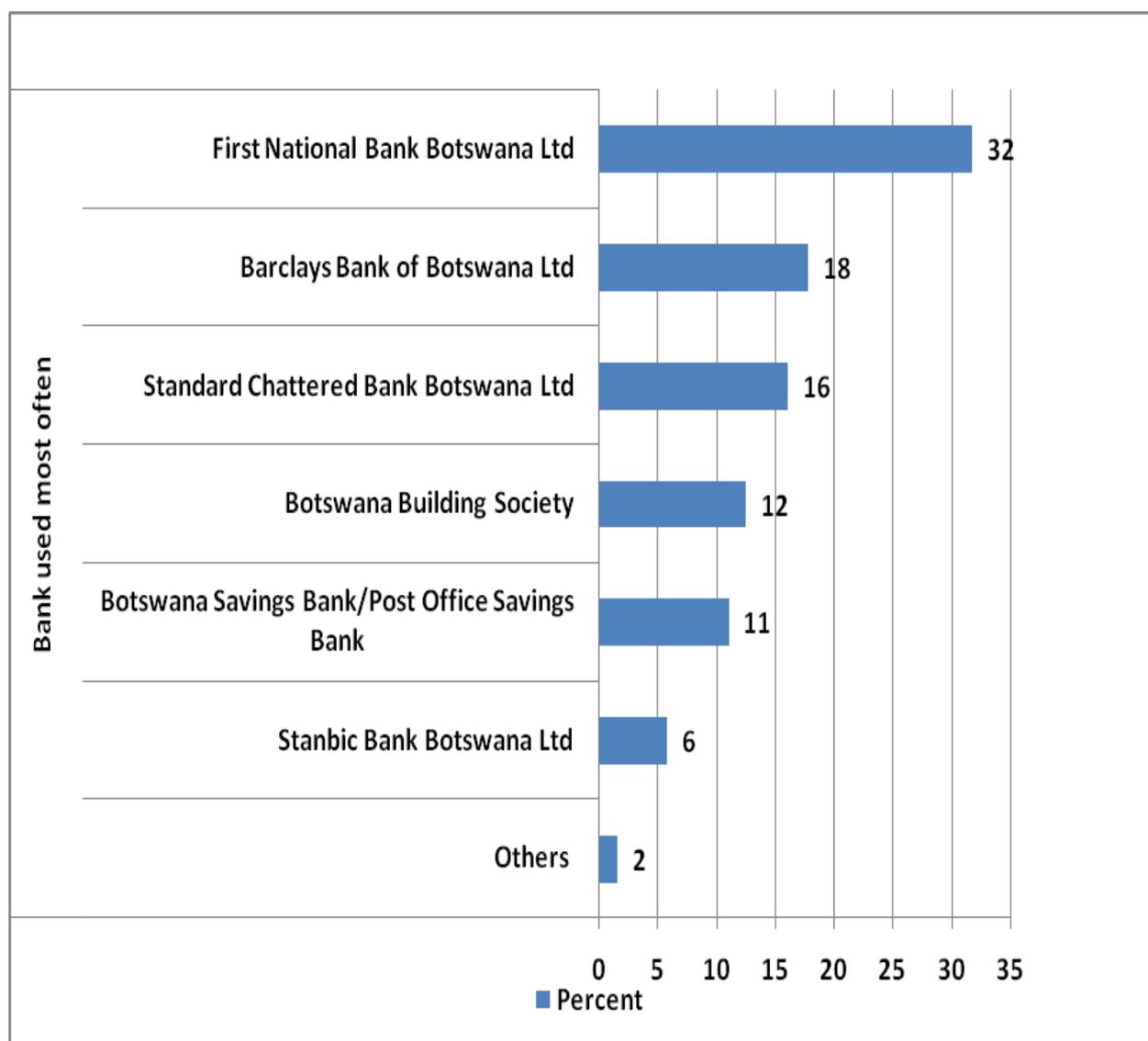


3.4.2 Bank Penetration

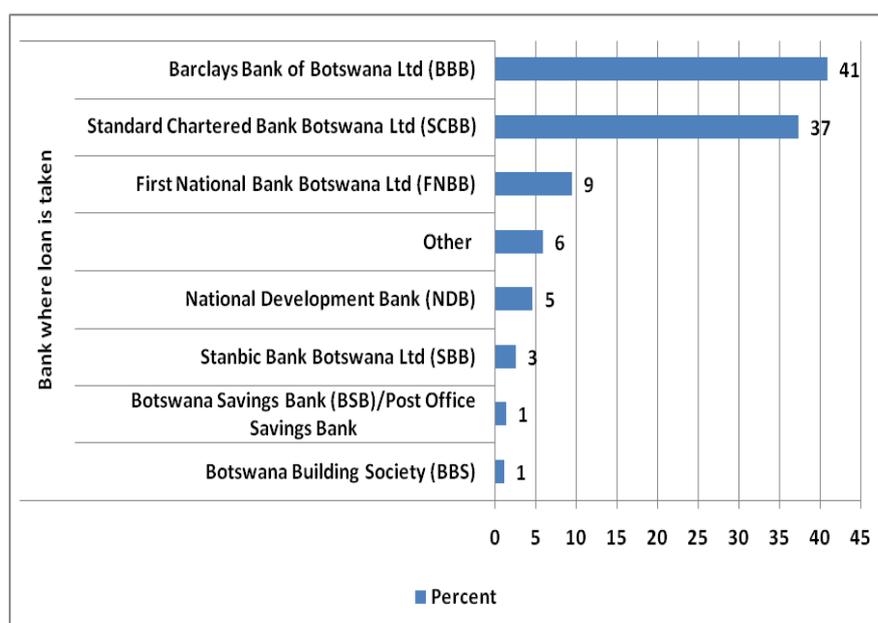
Bank penetration is discussed from the point of view of the bank currently used, the bank most often used, and the bank from which the most recent loan was accessed. The distribution of the banks currently used by the banked adult population (N=377,173) suggests that the top five banks include the First National Bank (34 percent), the Barclays Bank (21 percent), the Standard Chartered Bank (20 percent), the Botswana Building Society (19 percent), and the Botswana Savings Bank (17 percent).



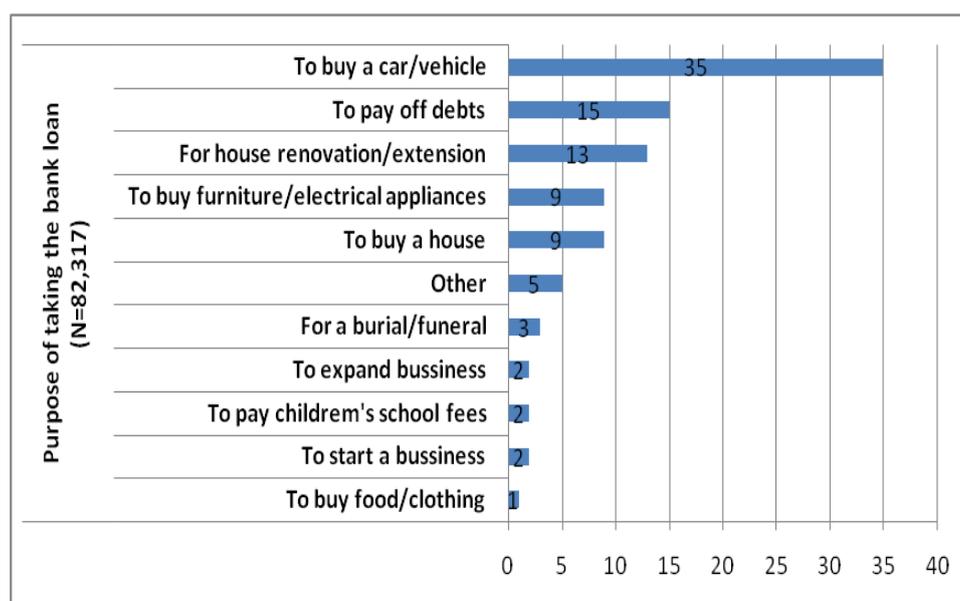
In terms of the banks most often used by the banked adult population (N=357,703), the results suggest that the top five banks include First National Bank (32 percent), Barclays Bank (18 percent), Standard Chartered Bank (16 percent), the Botswana Savings Bank (11 percent) and the Botswana Building Society (12 percent). The choice of the banks may be influenced by a number of factors such as location, price structure for financial services offered (such as interest rates), the number of branch networks and customer service relations.



Of the banked population that had bank loans (N=82,317), a high proportion got the loans from Barclays Bank (41 percent), followed by Standard Chartered Bank (37 percent), and then First National Bank (9 percent).

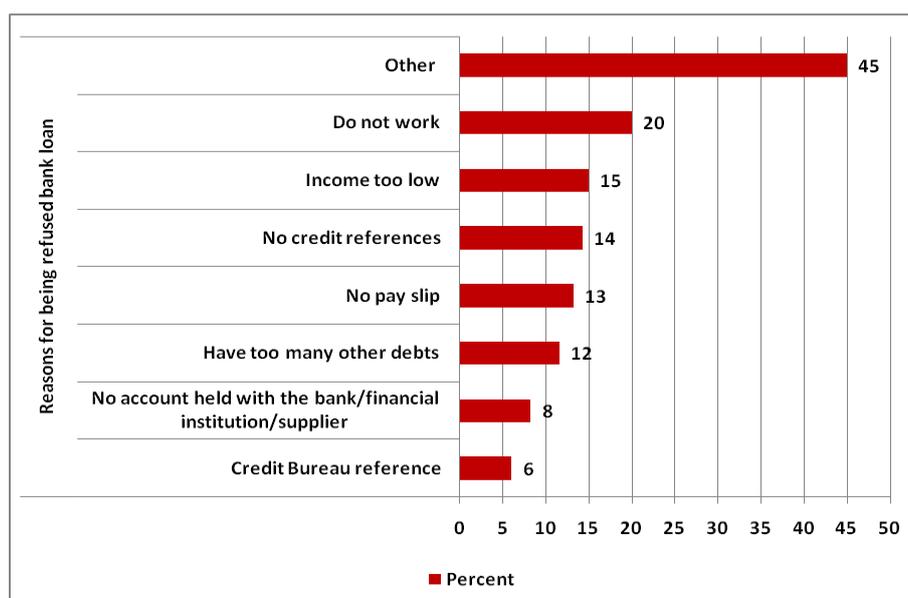


The five top purposes for which bank loans were taken (N=82,317) include purchase of cars/vehicles (35 percent), to pay off debts (15 percent), for house renovation/extension (13 percent), to buy furniture/electrical appliances (9 percent), and to buy a house (9 percent).



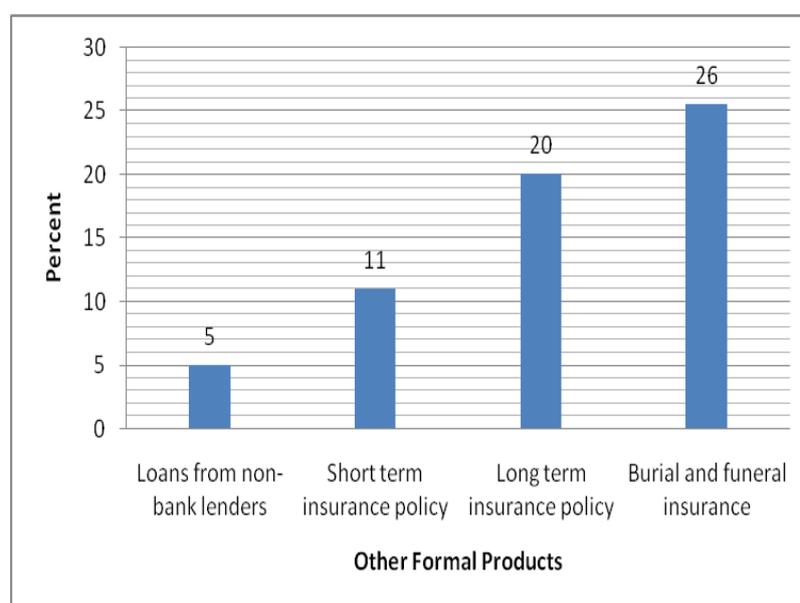
The banks did not grant loans to all the people that had applied for them. Of the banked population that had been denied bank loans in the past year (N=21,225), the top five reasons included other reasons⁹ (45 percent), do not work (20 percent), income too low (15 percent), no credit references (14 percent), and no pay slip (13 percent). All the reasons cited by the respondents for being denied bank loans reflect the due diligence by the banks in screening potential borrowers in order to minimize the risk of loan default.

⁹ The other reasons were not specified by the respondents.



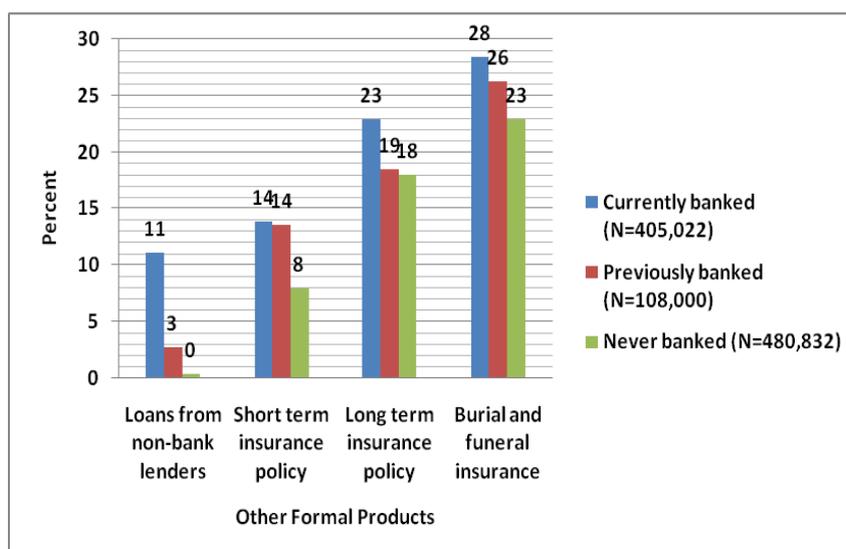
3.5 Other Formal Financial Products

The other formal financial products include loans from non-bank lenders, short term insurance, long-term insurance, and burial/funeral insurance. Of the adult population (N=993,854), 26 percent (N=253,851) had burial and funeral insurance, 20 percent (N=199,562) had long-term insurance, 11 percent (N=109,248) had short-term insurance, and only 5 percent (N=49,715) had loans from non-bank lenders.



Access to other formal financial products was also analyzed by banking status. The proportions of the banked, previously banked and never banked that accessed the various other formal financial products were computed. The results suggested that of the currently banked population (N=405,022), 11 percent accessed loans from non-bank lenders, 14 percent had short-term insurance, 23 percent had long-term insurance, and 28 percent had burial /funeral insurance. Of the previously banked population (N=108,000), 14 percent had short-term insurance, 19 percent had long-term insurance, and 26 percent had burial/funeral insurance. Of the never banked

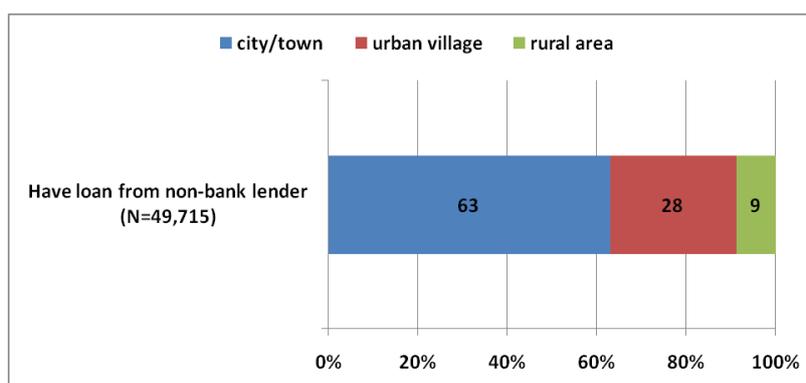
population (N=480,832), 8 percent had short-term insurance, 18 percent had long-term insurance, and 23 percent had burial/funeral insurance.



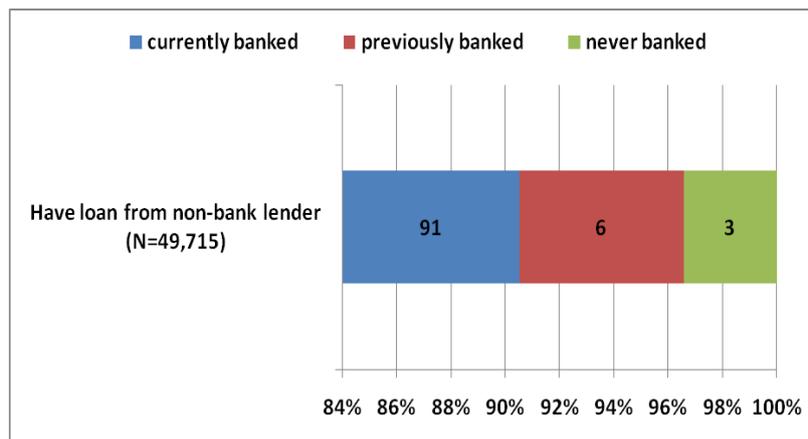
3.5.1 Loans from Formal Non-bank Lenders

The loans from formal non-bank lenders (not including micro-lenders) include loans from government credit schemes, loans from credit unions, and store card where one buys on account and pays later. Of those that accessed loans from non-bank lenders (N=49,715), 53 percent were male and 47 percent were female.

An analysis of those that had access to loans from non-bank lenders by location (N=49,715) suggests that 63 percent were located in city/town, 28 percent in urban villages, and 9 percent in rural areas. This implies that being located in city/town increases the likelihood of access to loans from non-bank lenders.

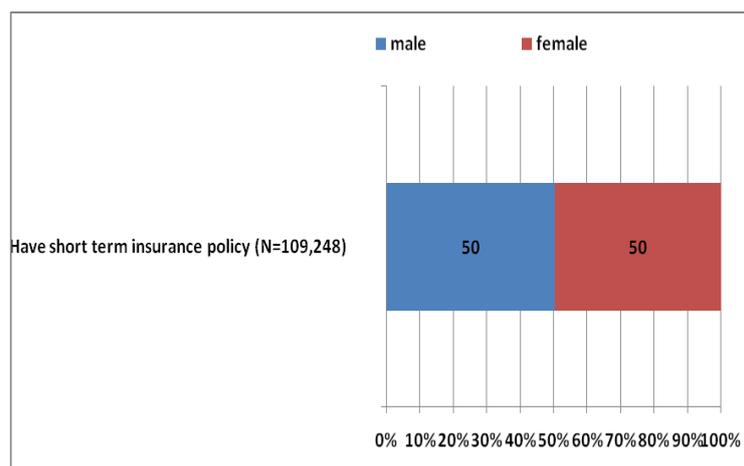


The decomposition of those that had access to loans from non-bank lenders (N=49,715) by banking status indicated that 91 percent were currently banked, 6 percent were previously banked, and 3 percent were never banked. It can be concluded that being banked increases the probability of access to loans from non-bank lenders.

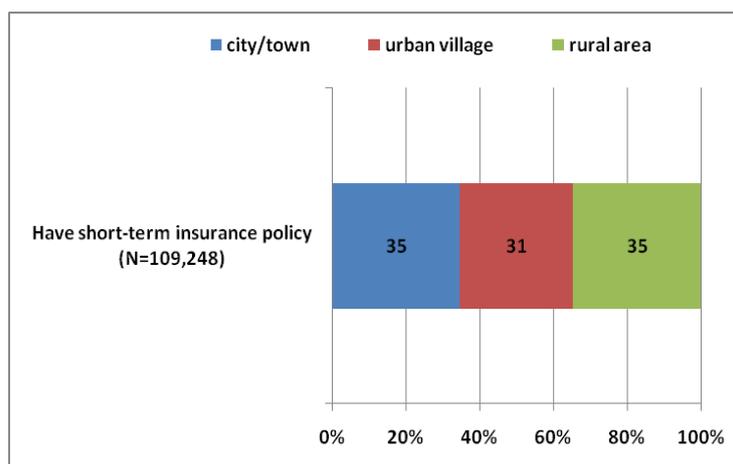


3.5.2 Short-Term Insurance

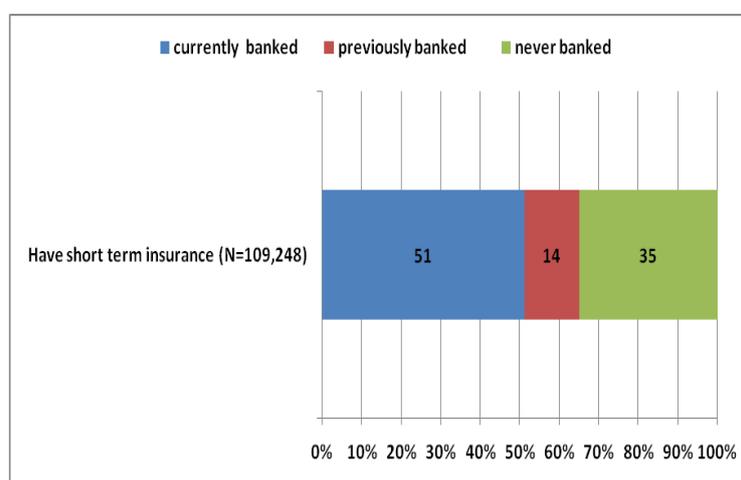
The short-term insurance policies captured by the study include home owners insurance, medical insurance, hospital plan, insurance to maintain credit payments, household content insurance, car insurance, cell phone insurance, travel insurance, legal insurance, and personal injury/accident insurance. Of the adult population that had experience with insurance products (N=288,414), 38 percent (N=109,248) had short-term insurance policies. The gender analysis of those that had short term insurance policies (N=109,248) suggests 50 percent were male and 50 percent were female.



The rural/urban decomposition of the adult population that had short-term insurance policies (N=109,248), suggests that 35 percent is located in city/town, 31 percent in urban villages, and 35 percent in rural areas. It is however surprising to observe that those in city/town and rural areas have an equal share in access to short-term insurance policies.

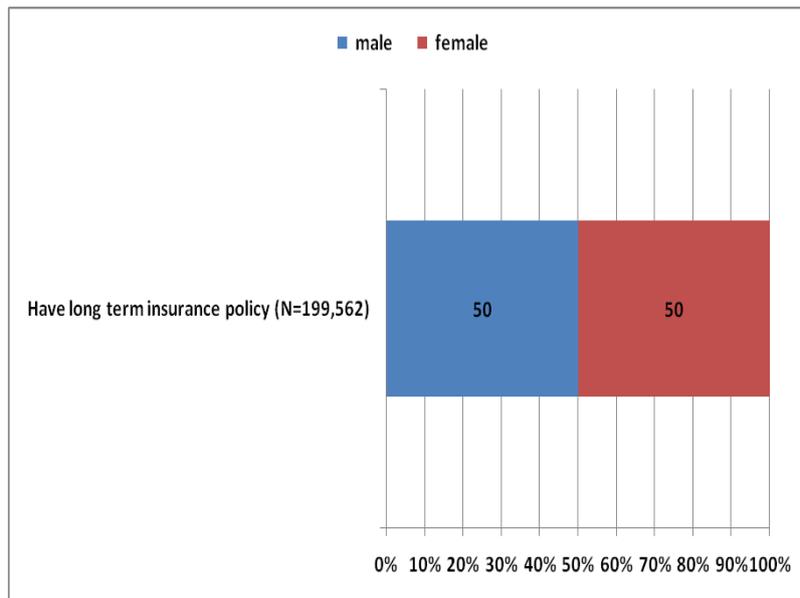


The banking status of those that had access to short-term insurance products was also investigated. Of those that had access to short-term insurance policies (N=109,248), that 51 percent were banked, and 49 percent were unbanked. This implies that being banked increases the probability of access to short-term insurance products.

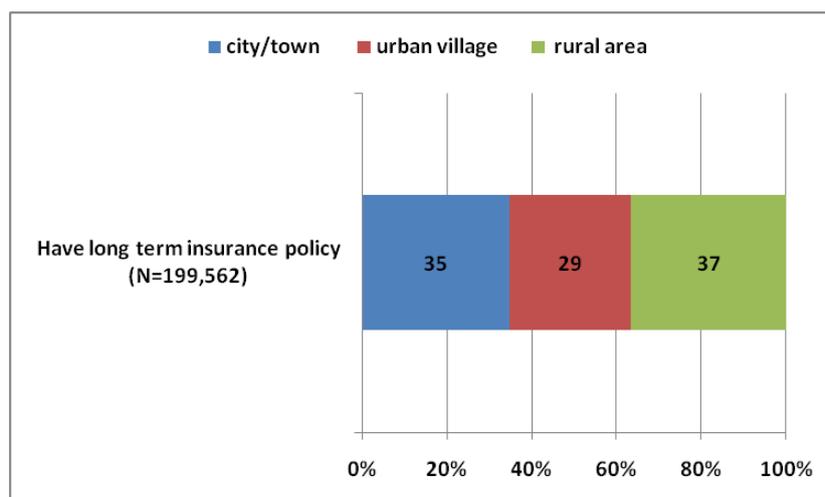


3.5.3 Long-Term Insurance

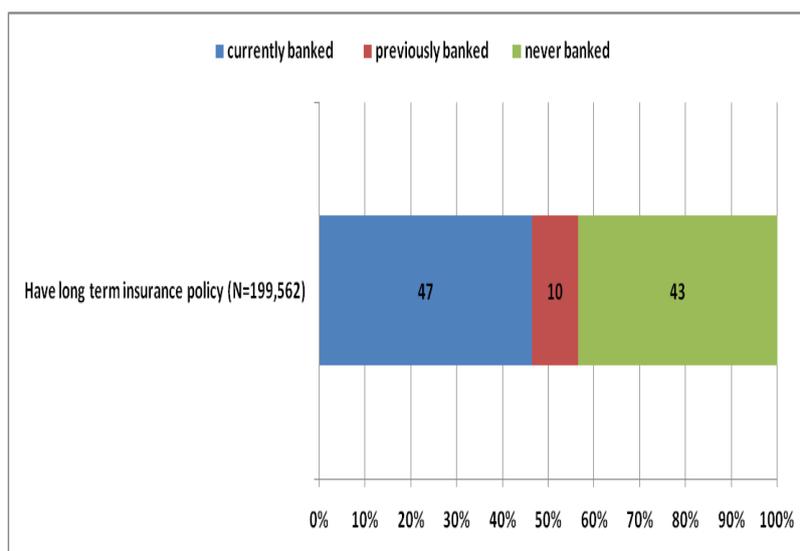
Long-term insurance policies captured by the study include life assurance policy, retirement annuity, provident fund, pension fund, life cover to pay off debts when one dies, disability insurance from current employer, life cover through current employer, lumpsum in case of death from current employer, and education policy. Of the adult population that had experience with insurance services (N=292,645), 68 percent (N=199,562) had long-term insurance. Of the adult population that had long-term insurance policies (N=199,562), 50 percent were male and 50 percent were female.



The rural/urban decomposition of those who had long-term insurance (N=199,562) indicated that 35 percent were located in city/town, 29 percent in urban village, and 37 percent in rural areas. This result of more people in rural areas having long term insurance as compared to those in city/town is rather surprising.

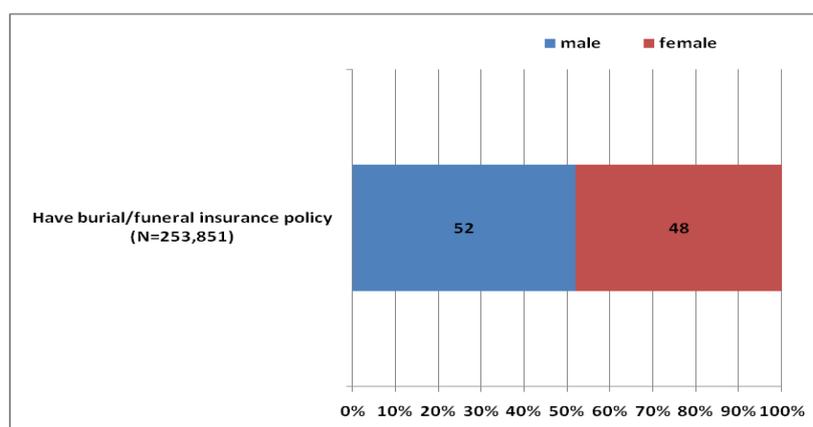


An analysis of those that have long-term insurance policies by banking status (N=199,562) suggests that 47 percent are banked, 10 percent were previously banked, and 43 percent were never banked. This result was unexpected because it indicates that more than 50 percent of those who have long term insurance policies are unbanked.

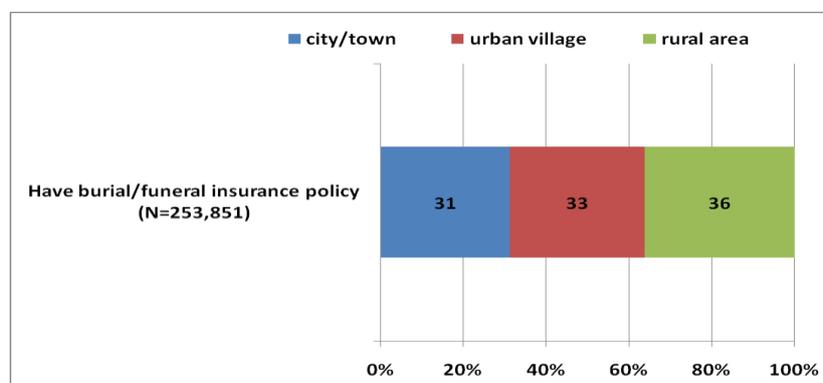


3.5.4 Funeral and Burial Insurance

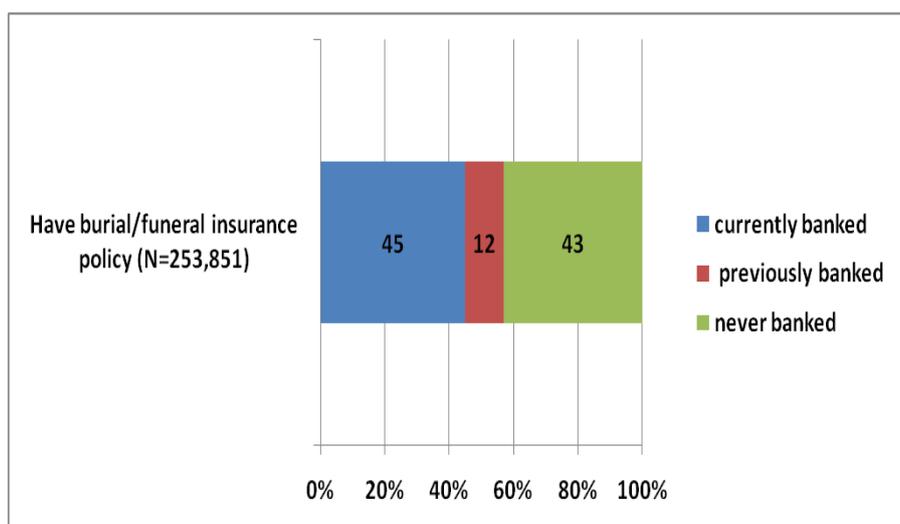
The funeral and burial insurance policies captured by the study include funeral policy with a formal institution, own funeral cover from current employer, funeral cover for family from current employer. Of the adult population that had burial and funeral insurance policies (N=253,851), 52 percent were male and 48 percent were female. By implication, the males were marginally more likely to have burial and funeral insurance as compared to females.



The distribution of those that had burial and funeral insurance by location (N=253,851) suggests that 31 percent were located in city/town, 33 percent in urban villages, and 36 percent in rural areas.

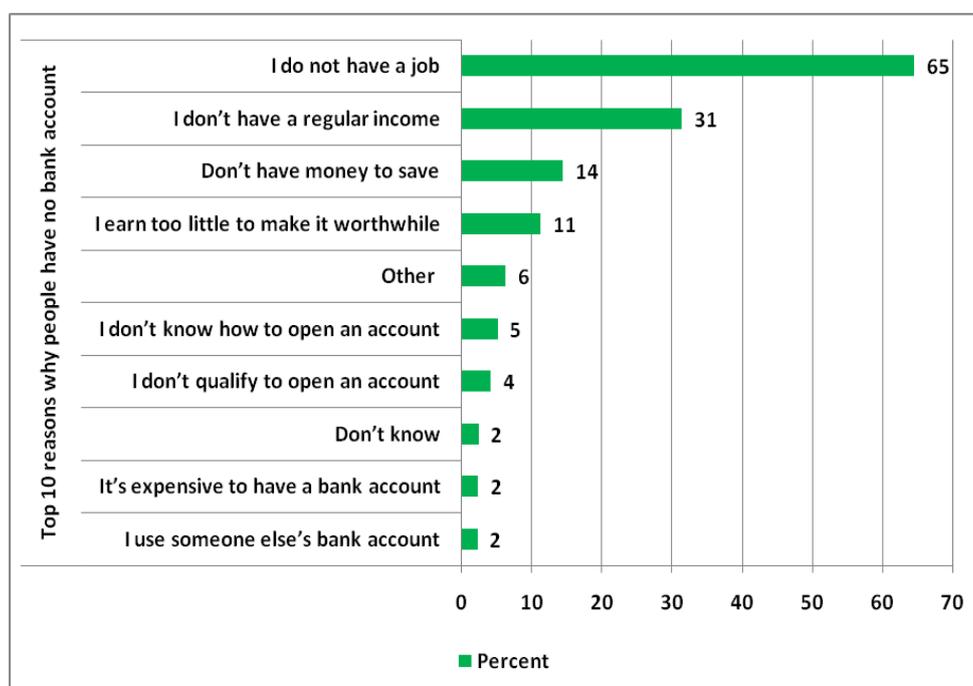


The analysis of the adult population that had burial and funeral insurance policies (N=253,851) by banking status indicates that 45 percent was banked, and that 55 percent was unbanked.



3.6 The Unbanked

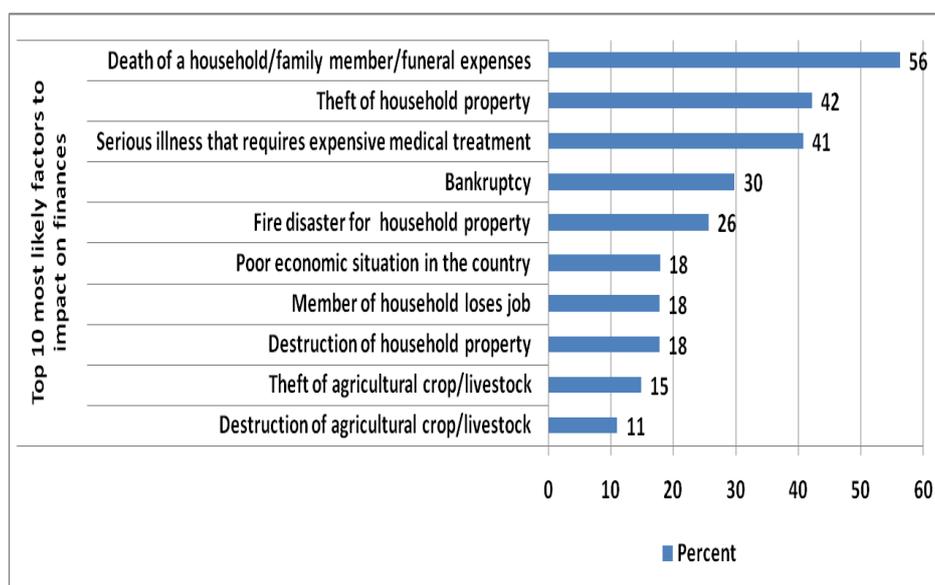
The unbanked population includes the previously banked and the never banked. The top four constraints expressed by the unbanked adult population (N=588,832) for not having a bank account include not having a job (65 percent), not having a regular income (31 percent), not having money to save (14 percent), and earning too little for considering banking worthwhile (11 percent).



3.7 Financial Risks and Coping Strategies

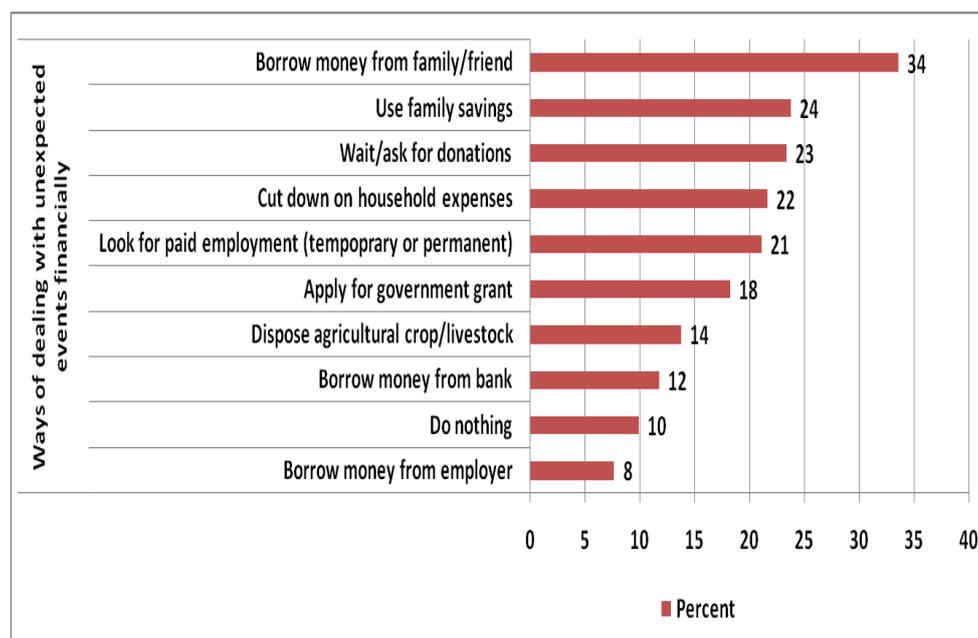
3.7.1 Financial Risks

The reported five main financial risks that are most likely to happen to the adult population (N=993,854) include death of a household/family member and associated funeral expenses (56 percent), theft of household property (42 percent), serious illness that requires expensive medical treatment (41 percent), bankruptcy (30 percent), and fire disaster for household property (26 percent).



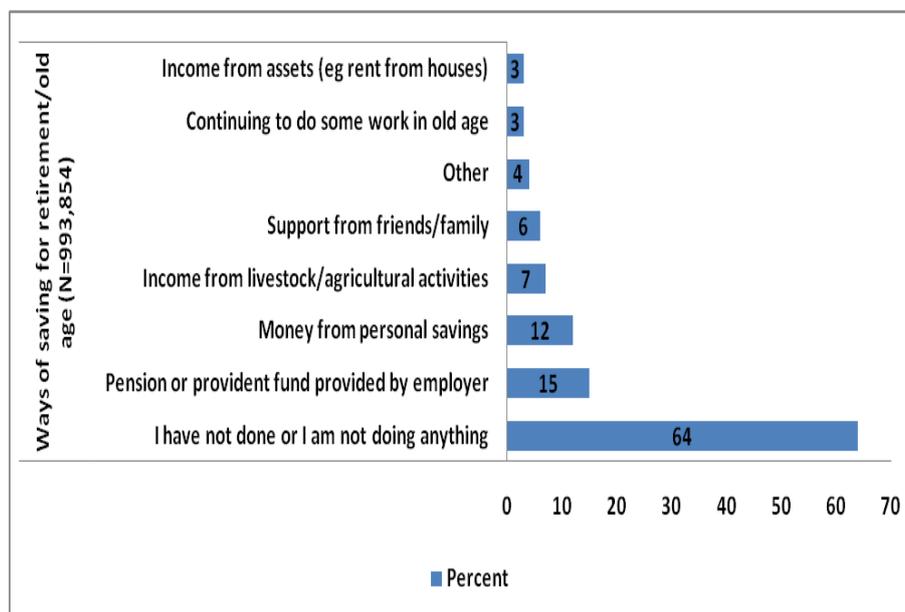
3.7.2 Coping Mechanisms for Financial Risks

The five top mechanisms with which the adult population (N=993,854) copes with the unexpected financial risks include borrowing money from family/friend (34 percent), use family savings (24 percent), wait/ask for donations (23 percent), cut down on household expenses (22 percent), or look for temporary or permanent paid employment (21 percent).

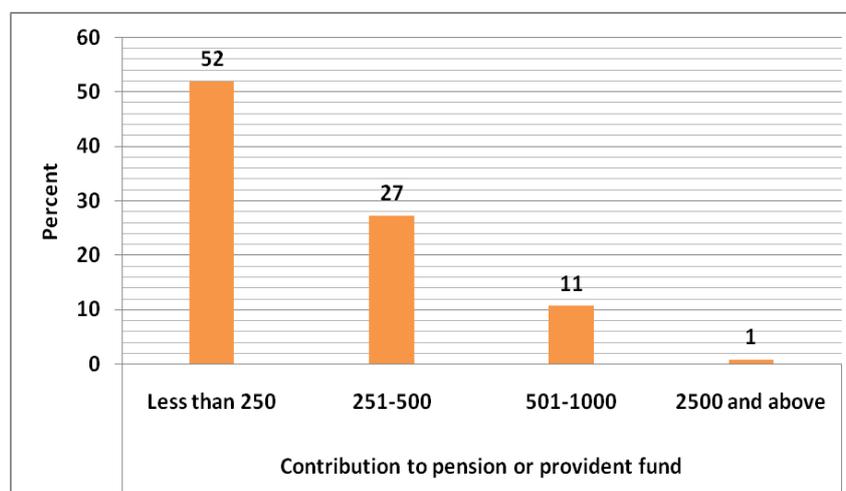


3.7.3 Ways of Saving for Retirement

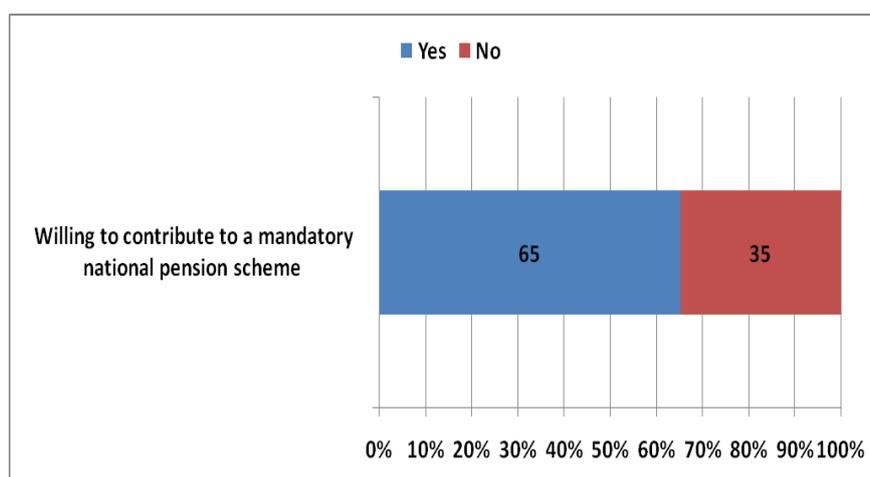
The main ways through which the study population (N=993,854) save for retirement include pension or provident fund provided by employer (15 percent), money from personal savings (12 percent), income from livestock/agricultural activities (7 percent), and support from friends/family (6 percent).



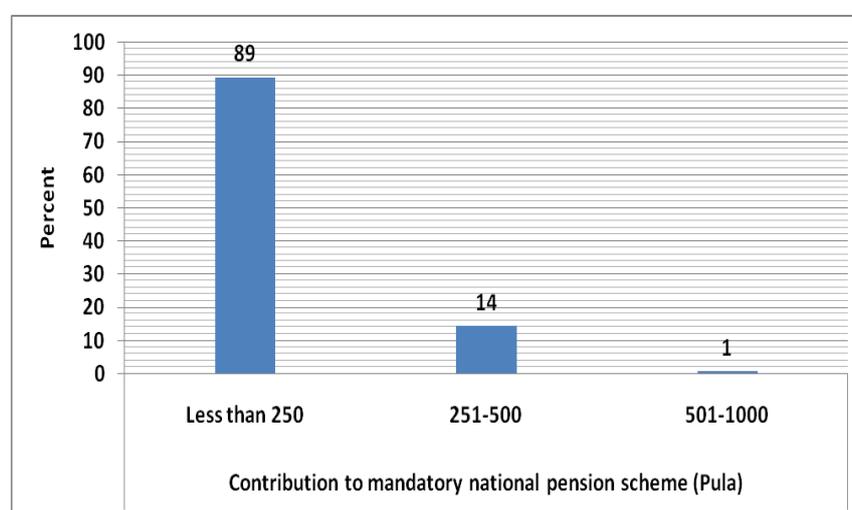
Of the adult population that contribute to the pension or provident fund scheme (N=144,254), 52 percent pay less than P250 per month, while 27 percent pay between P251 and P500 per month.



The respondents were also asked their opinion on the issue of contributing to a mandatory national pension scheme. Of the adult population (N=993,854), 65 percent expressed their willingness to contribute to a mandatory national pension scheme.

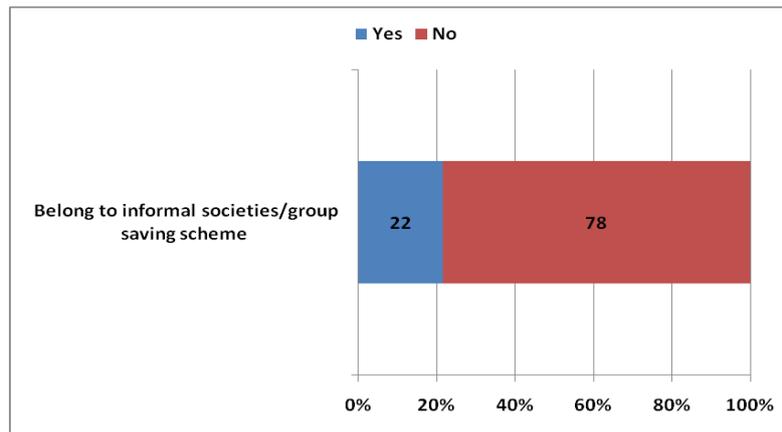


Of those who were willing to contribute to mandatory national pension scheme (N=645,104), 89 percent expressed their ability to contribute less than P250 per month. However 14 percent are willing to contribute between P251 and P500 per month.

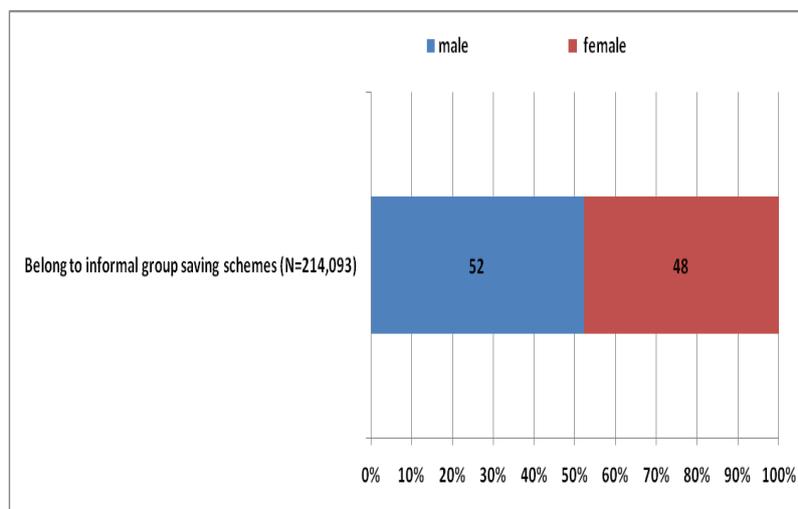


3.8 Informal Savings

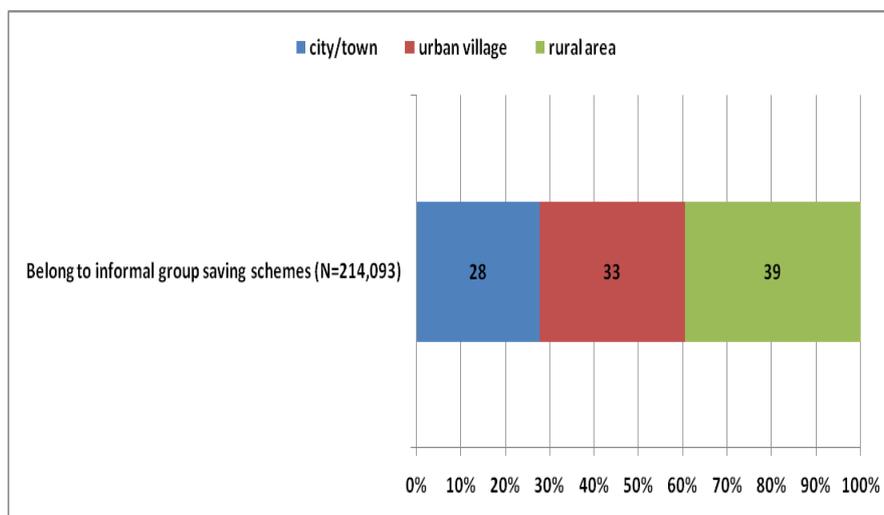
Approximately 22 percent of the adult population belongs to informal societies/group savings schemes. These group savings schemes operate in different ways but most of them, and especially Motshelo, pool resources together and engage in lending activities both to members and non-members at agreed rates of interest, typically 20 percent per month. The interest income from lending operations is then shared among the members at the end of the year (Okurut and Bothole, 2009). The informal credit products include loans from friends/relatives, loans from informal money lender, loans from pawn shops, and loans from microfinance organizations.



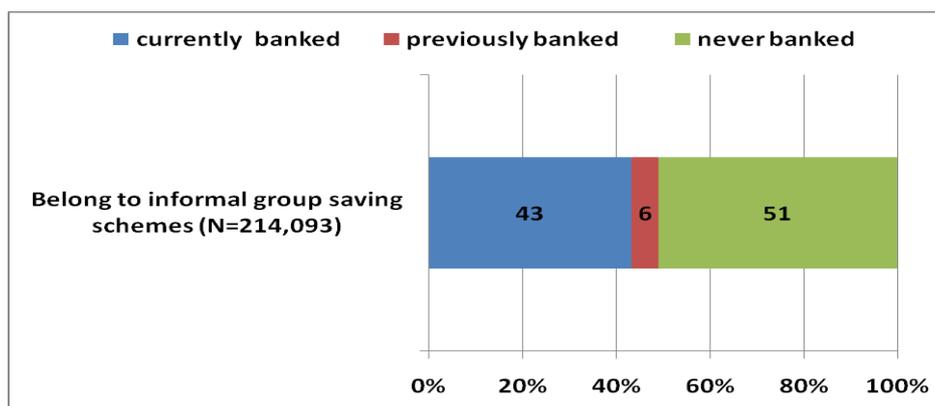
Of the adult population that belongs to informal savings group schemes (N=214,093), 52 percent are male and 48 percent are female.



In terms of the rural/urban distribution of membership to informal group savings schemes (N=214,093), the rural areas ranked highest (39 percent), followed by urban villages (33 percent) and city/town (28 percent). These results were expected because rural areas have constrained access to formal financial institutions and therefore rely more on informal institutions.



The membership to informal group saving schemes is dominated by the unbanked¹⁰ (57 percent), which is as expected.



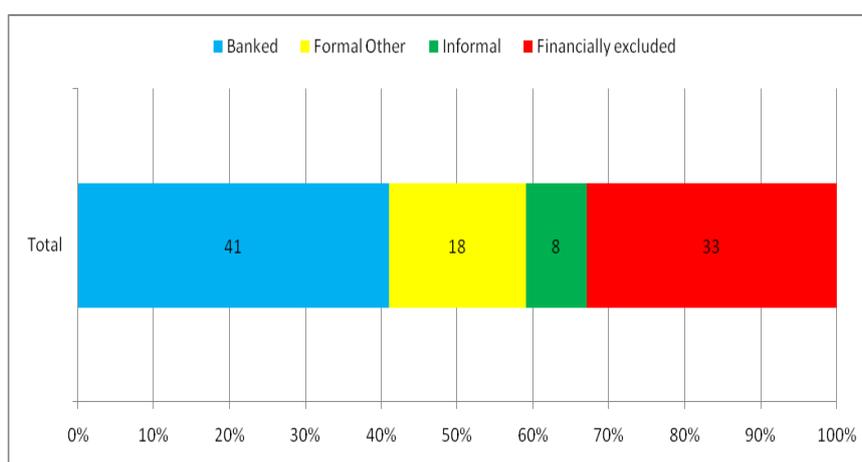
3.9 Access Strand

3.9.1 The Total Access Strand

The access strand measures the level of access to the various financial products: bank products, formal other products (such as insurance, pension, etc.) and informal products. The categorization for the total access strand model is as follows:

- Banked:** this is the percentage of the adult population who have access to any bank product (even if they also have access to other formal or informal financial products);
- Other formal:** these are respondents who have access to other formal financial products (excluding any informal financial products) but have no access to bank products;
- Informal:** these are respondents who have access to only informal financial products but no bank products and no formal other financial products;
- Excluded:** these are respondents that do not have access to bank, other formal, or informal financial products.

The FinScope 2009 access strand indicates that 41 percent of the adult population (N=993,854) is banked, 18 percent of the adult population use other formal products but are unbanked, 8 percent only use informal financial products and 33 percent are financially excluded.

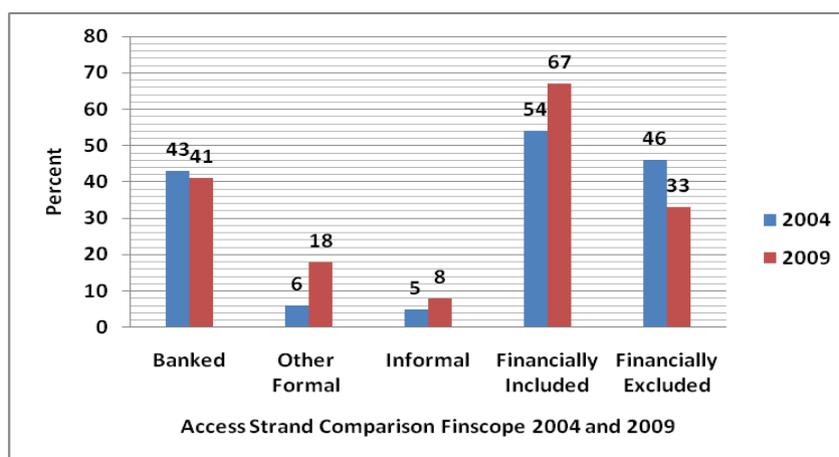


¹⁰ The unbanked are the previously banked and the never banked

3.9.2 The Financially Included vs. the Financially Excluded

The adult population can be further segmented into financially included and financially excluded. The financially included are those who have access to banks, other formal financial products, or informal financial products. The financially excluded are those that have no access to any of the three financial products (bank, other formal, or informal).

Of the adult population (N=993,854), 67 percent were financially included in the FinScope 2009 study as compared to 54 percent in FinScope 2004. The significant growth of the financially included may be explained by the growth of the other formal financial products which increased from 6 percent in 2004 to 18 percent in 2009. The other formal financial products that showed significant growth as compared to 2004 include burial and funeral insurance, short-term insurance and long-term insurance.



These results are consistent with MFDP (2009) which observed that the banks, insurance and business sectors grew by 11.1 percent in 2007/2008 as compared to 5.9 percent in 2006/2007 and also noticed significant expansion of government credit schemes (such as CEDA). Following the 2008 review of the four windows of CEDA (CEDA Development Fund, Venture Capital Fund, Credit Guarantee Scheme, and Young Farmers Fund), during 2008/09 CEDA approved 177 projects to the tune of P124 million bringing the total number of projects since inception to 2,229 with a value of P1.269 billion (MFDP, 2009).

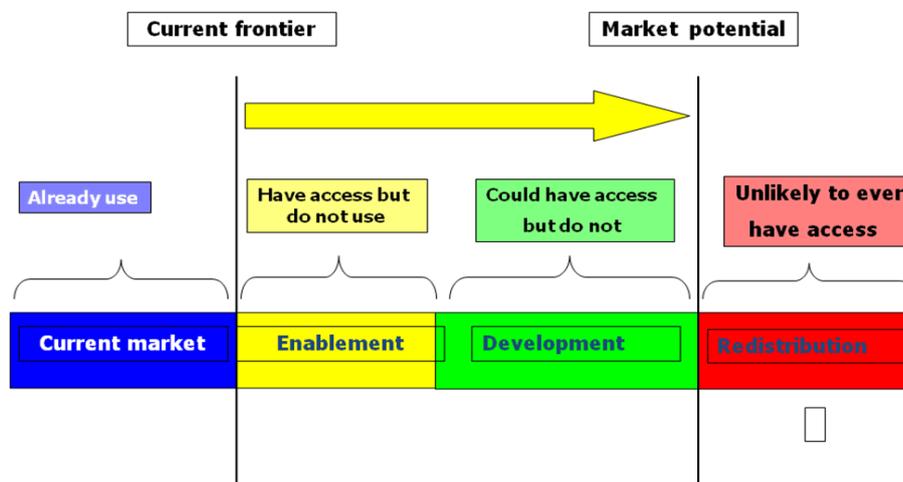
3.10 Access Frontier

The access frontier provides a profile of the market for bank financial products by examining the current market, the potential market and those unlikely to ever have access. The current market is composed of those that currently have and use the bank products. The potential market consists of those that are unbanked due to physical access constraints, awareness constraints and affordability constraints. For such clients, the government and the banks should be able to lower or eliminate constraints (e.g. by raising public awareness of banking products, appropriate pricing of bank products, and locating branch networks in appropriate places) to develop unbanked into bankable clients. These fall in the market development zone.

Then there are people that are unbanked but have access to bank products and do not use them for various reasons (e.g. they do not want the product, they do not trust the banks, etc.). These fall in the market enablement zone for which the banks can do something to bring them on board.

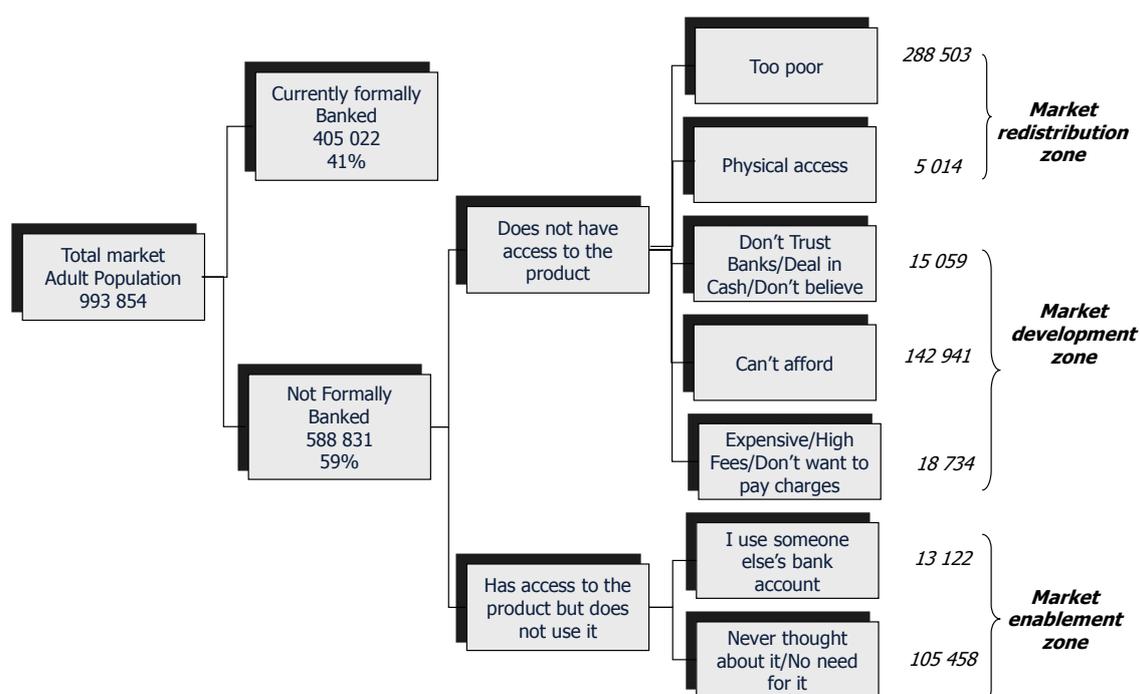
People who are unbanked and who can never have access to banking services are in the market redistribution zone. For people in this segment, potentially it is the government that should take care of them through welfare grant programmes.

Market Development Continuum Framework



The access frontier in Botswana indicates that out of the total adult population (N=993,854), 41 percent are currently banked and 59 percent are unbanked. The unbanked were decomposed into three zones: the market development zone, the market enablement zone, and the market redistribution zone.

The results suggest that the unbanked in the market redistribution zone as a percentage of the adult population (N=993,854) account for 29 percent. The unbanked in the market redistribution zone can only be taken care of by the state through social welfare programmes. The unbanked in the market development zone as a percentage of the adult population (N=993,854) are 18 percent, while the unbanked in the market enablement zone are 12 percent. The government in partnership with the banking sector can work together to enhance access to banking services to the unbanked in the market development zone and the market enablement zone.



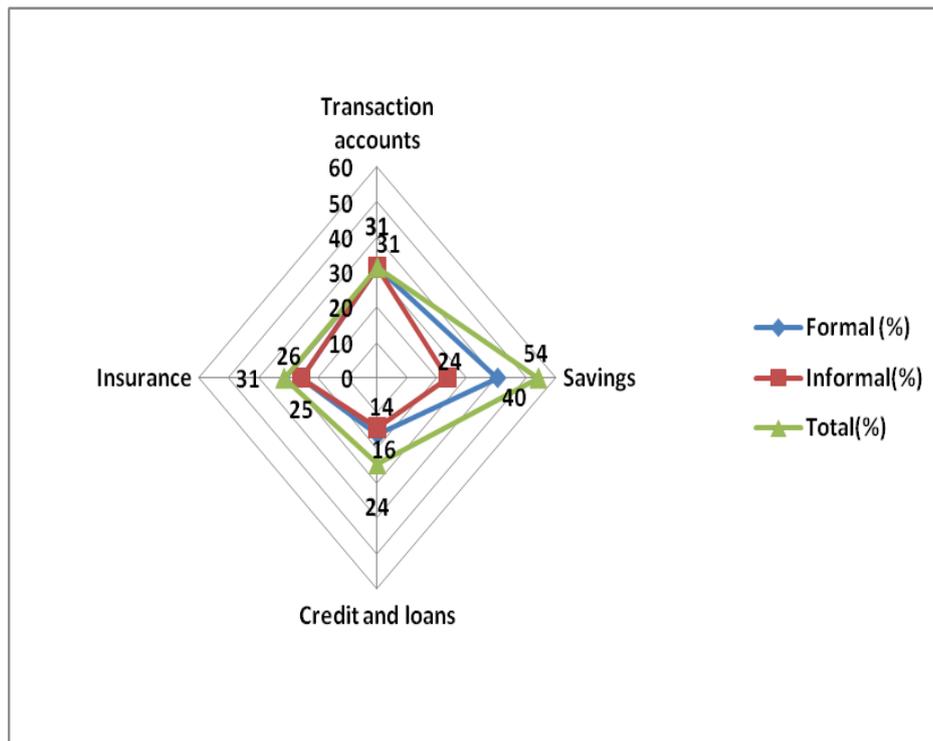
Access Frontier in Botswana

3.11 Landscape of Access

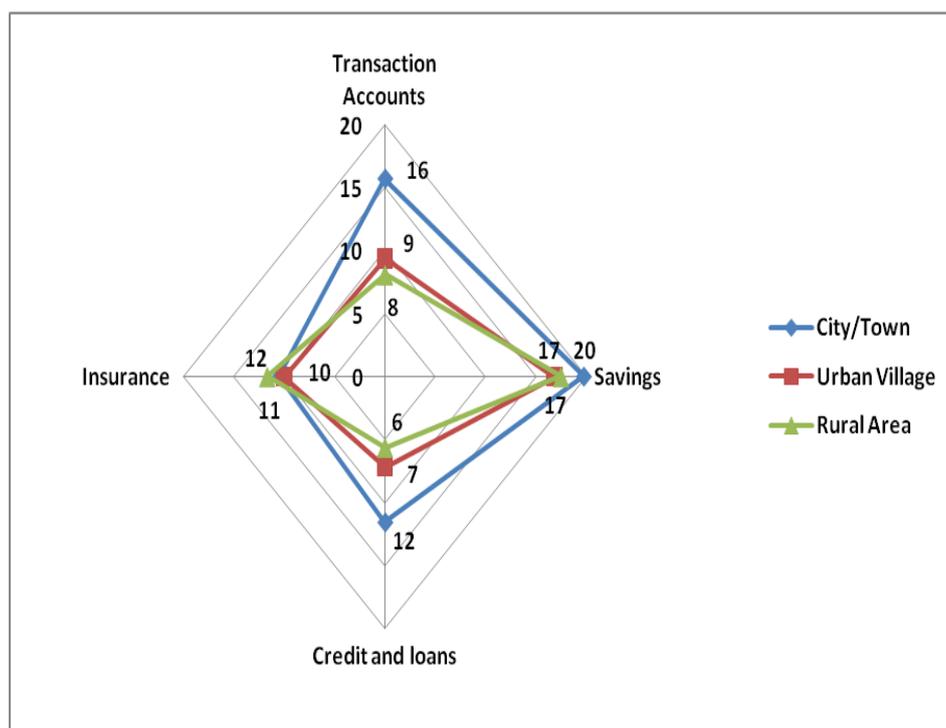
The landscape of access measures those who have access to key financial products: transactions, insurance, savings, credit/loans from both formal (banks and other formal) and informal financial sectors.

- Transactions refer to use of financial transactions related services (for example ATM card, sending or receiving money).
- Insurance refers to all types of insurance products (such as life assurance, medical aid, funeral policy, pension fund).
- Savings include all types of savings (such as savings book, national savings certificate, deposits with Post Office, motshelo/savings clubs, money put away for burial/funeral).
- Credit/loans refer to all types of loans (such as bank loan/overdraft, loan from government schemes, loans from employer/family, and loans from money lenders).

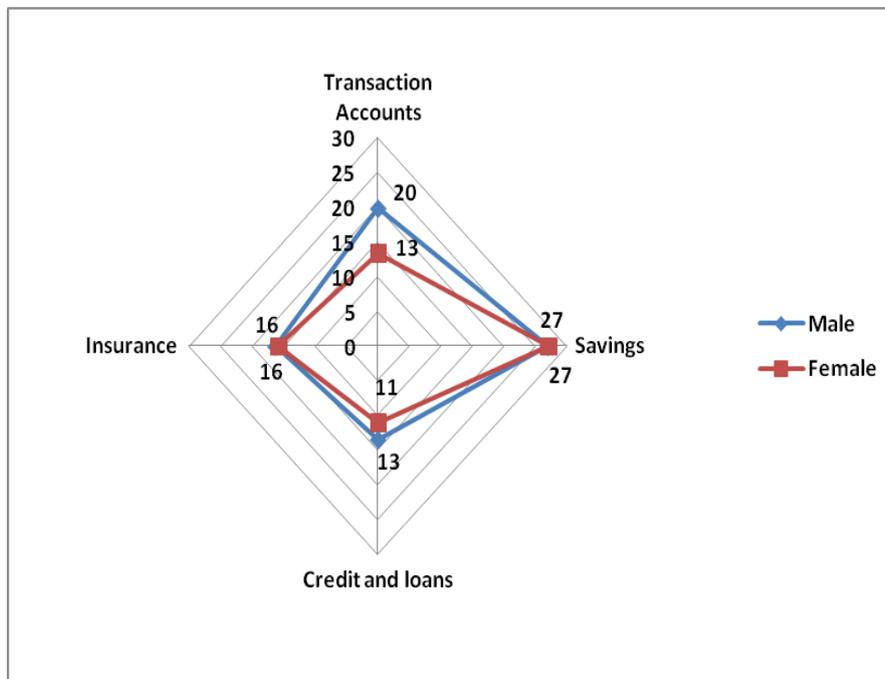
The total landscape of access (to both formal and informal financial products) as a percentage of the adult population (N=993,854) is transactions (31 percent), savings (54 percent), credit and loans (24 percent) and insurance (31 percent).



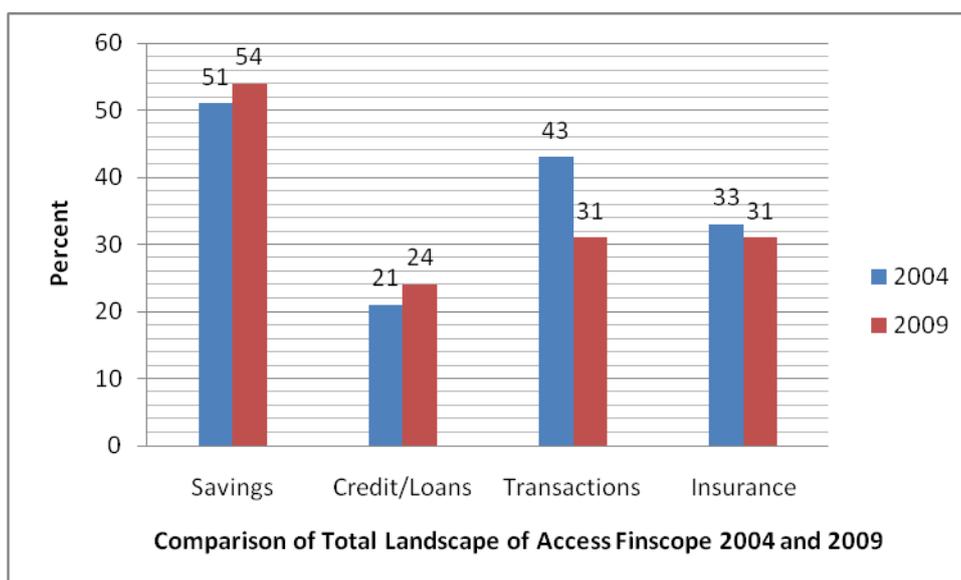
The decomposition of the total landscape of access by location (N=993,854) suggests that those located in city/towns generally have higher levels of access to various financial products (transactions, savings, credit/loans, and insurance) as compared to those located in urban villages and rural areas. The adults located in the rural areas have the lowest landscape of access to various financial products. This reinforces the conclusion that there is scope to increase access to financial services in rural areas as a strategy for poverty alleviation. The economic argument for increased access to financial markets is that it enables economic agents to mobilize the necessary resources for investment (for example start up or expansion of existing business) so as to improve on income levels.



An analysis of the total landscape of access by gender suggests that the male population has a higher level of access to credit/loans and transactions as compared to the female population. However, with respect to insurance and savings, both males and females have the same level of access.



Compared to the FinScope 2004 study, there was a slight increase in the total landscape of access to savings from 51 percent in 2004 to 54 percent in 2009. The total landscape of access to credit/loans also increased slightly from 21 percent in 2004 to 24 percent in 2009. However the total landscape of access to transactions fell significantly from 43 percent in 2004 to 31 percent in 2009. The total landscape of access to insurance was more or less equal, with 33 percent in 2004 as compared to 31 percent in 2009.



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