

FinScope South Africa 2014



Introduction

Financial inclusion has gained recognition as one of the main pillars of the development agenda in South Africa and, plays a vital role in the on-going transformation and development of society. In its desire to improve the lives of people, through boosting economic growth, improving economic opportunities and reducing inequalities, the South African government has placed financial inclusion at the highest level on its national agenda to support the design of effective policies, through the creation of high-level co-ordination platforms.

Over the last ten years, both the public and private sector gave added impetus in their efforts in ensuring a financial inclusion agenda that gives people access to appropriate and affordable financial services. The following financial sector reforms since 2004 (market developments) from both legislative and commercial initiatives are noted below:

Legislative initiatives	Commercial initiatives
<p>Tiered banking</p> <ul style="list-style-type: none"> ■ Dedicated Banks Bill and Cooperative Banks Bill, creating new points of access in the banking system 	<p>Launch of Mzansi on 25 October 2004</p> <ul style="list-style-type: none"> ■ Objectives to offer basic, affordable banking services
<p>Consumer Credit Bill</p> <ul style="list-style-type: none"> ■ Objective to create a responsible lending environment for microlending 	<p>Capitec</p> <ul style="list-style-type: none"> ■ Launched current account paying 10% on all deposit ■ Launched pre-paid debit card in association with Mastercard with Point of Sale (POS) roll-out
<p>Financial Sector Charter</p> <ul style="list-style-type: none"> ■ Blueprint for the transformation of the financial services sector containing very real access targets ■ Membership of the Charter Council established 	<p>Teba Bank</p> <ul style="list-style-type: none"> ■ Enabled customers to make deposits at supermarket tills via easyPay <p>Pick 'n Pay Go Banking</p> <ul style="list-style-type: none"> ■ Operated as a division of Nedbank, continues to expand customer base
	<p>ABSA</p> <ul style="list-style-type: none"> ■ Placing 70% of all new ATMs rolled out (about 400 this current financial year) in previously disadvantaged communities ■ Created two mobile banks to take banking to the people
	<p>Standard Bank</p> <ul style="list-style-type: none"> ■ 200 new sites planned mainly in townships
	<p>FNB</p> <ul style="list-style-type: none"> ■ Rolled out ATMs and mobile branches

About FinScope

FinScope Consumer surveys have been implemented in South Africa since 2002 and conducted in 19 countries (11 in SADC, 5 non-SADC Africa and 3 in Asia). This allows for cross-country comparison and sharing of findings which are key in assisting on-going growth and strengthening the development of financial markets. While core FinScope indicators (which are used for trend analysis) remain largely unchanged, FinScope itself is a dynamic study. The survey content is evaluated every year to ensure that the most recent financial market trends are being addressed and taken into consideration.

Objectives

The objectives of FinScope South Africa are:

- To measure levels of financial inclusion (i.e. the proportion of the population using financial products and services – formal and informal);
- To describe the landscape of access (the types of products and services used by financially included individuals);
- To identify the drivers of, and barriers to, the usage of financial products and services; and
- To stimulate evidence-based dialogue that will ultimately lead to effective public and private sector interventions in order to increase and deepen financial inclusion.

Syndicate members

FinScope South Africa has been designed to involve a wide range of stakeholders from Government, the private sector and civil society as members of a syndicate. This inclusive syndication approach has not only enriched the survey through a process of cross-cutting learning and sharing of information, but also assisted in the design of the questionnaire and to better understand consumer demand behaviour.

The annual FinScope survey results are also used by syndicate members to develop new products and services for the un-served and under-served and as such enrich the overall objective of increasing financial inclusion in South Africa.

Methodology

- Nationally representative individual-based sample of South Africans aged 16 years and older;
- Sample frame and data weighting conducted by Dr. A Neethling (weighted and benchmarked to Stats SA 2014 mid-year population estimates); and
- 3 900 face-to-face interviews conducted by TNS (between June and July 2014).

2014 syndicate members



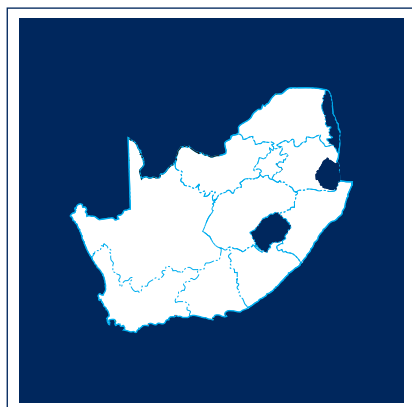
How to become a syndicate member and associated benefits

Any organisation 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. As a non-for-profit organisation, FinMark Trust facilitates the implementation of the survey on a year-to-year basis and seeks no profit through its implementation. Determining the survey costs is approached on a cost recovery basis only.

Syndicate members can provide input into questionnaire development and have full access to the FinScope dataset once the dataset has been finalised and converted to the required software formats. The dataset is supplied to syndicate members in the software format required, e.g. SPSS, SAS, Stata, 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.



Understanding the lives of South Africans (ten year perspective)



	2004	2014
Total adult population (16+ years)	29.0 million	36.8 million
Reside in urban areas	65%	66%
Under 30 years of age	40%	39%
Receive money through salary/wage	25%	34%
Earn a personal income of less than R2 000 per month (including those who do not have a personal monthly income)	78%	47%

Infrastructure



No tap water on property



No flush toilet

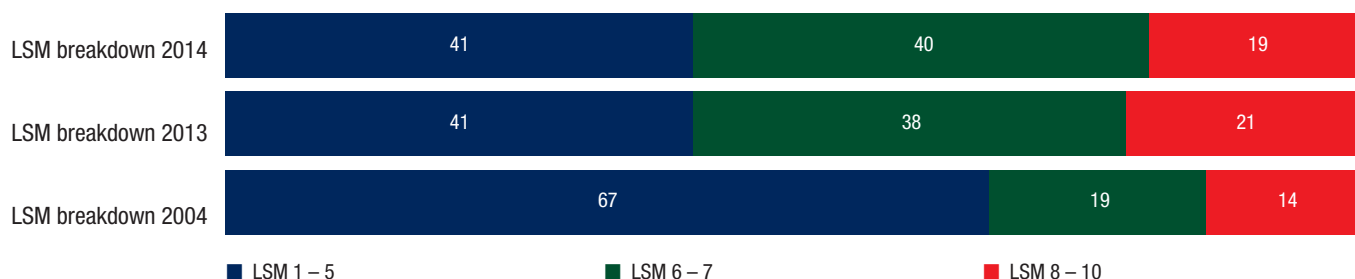


No electricity

	No tap water on property	No flush toilet	No electricity
2014	19%*	36%	6%
2004	33%	45%	18%

*19% of adults in South Africa access water through a shared communal tap

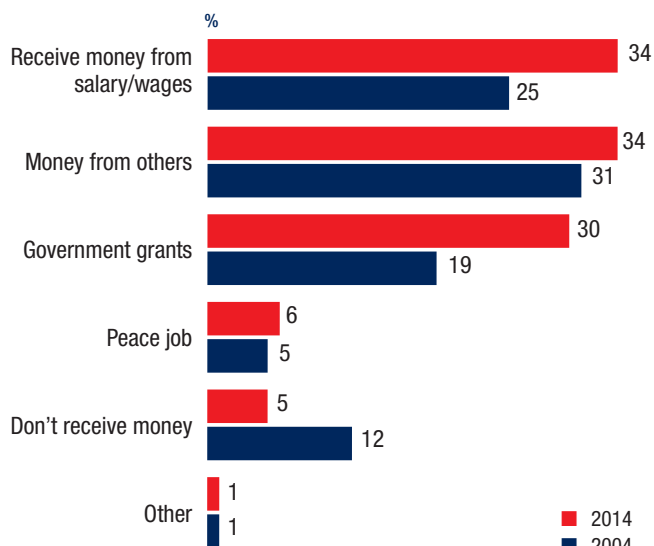
Decrease in LSM 1-5 indicates improved standards of living



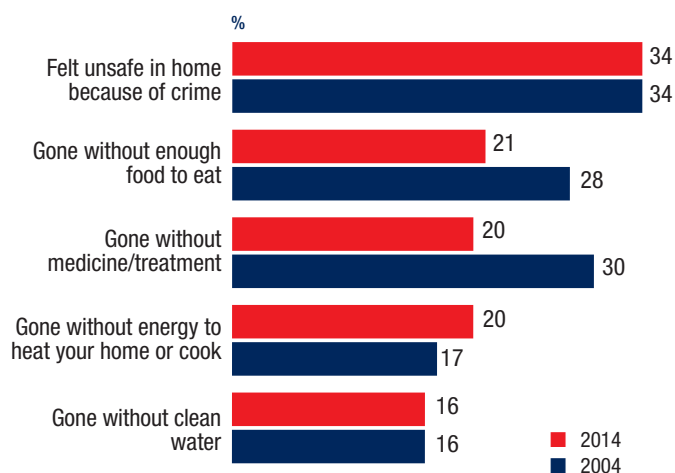
■ LSM 1-5 has declined by 4.4m people since 2004

■ LSM 6-10 has increased by 12.2m people since 2004

Sources of money



Difficulties often/sometimes experienced in the past year

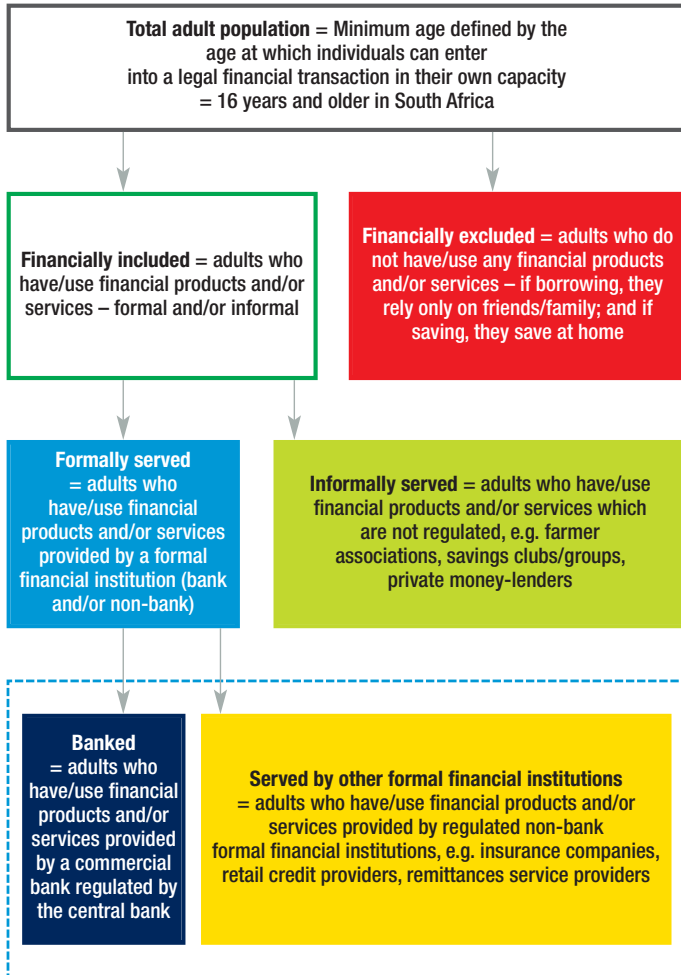


Financial inclusion






Analytical framework

Defining financial inclusion

- The concept of 'financial inclusion' is core to the FinScope methodology
- Based on financial product usage, the total adult population is firstly segmented into two groups: the 'financially excluded' and the 'financially included'.



Communication devices used by people

		2014	2004
Cellphone		90%	42%
Public		20%	66%
Computer/laptop		18%	7%
Internet		25%	5%
Email		15%	5%

Usage of smartphone

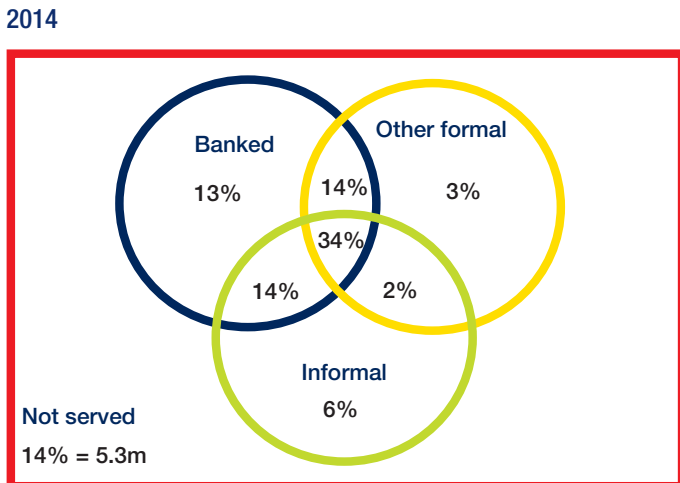
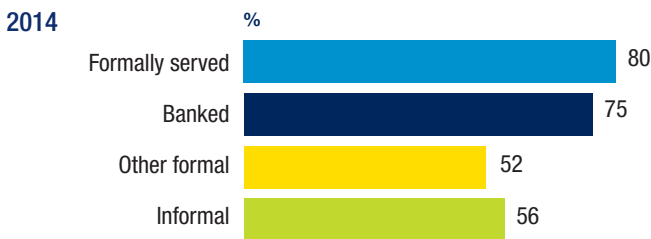


- Smartphone penetration in 2014: 57% adults have smartphones.



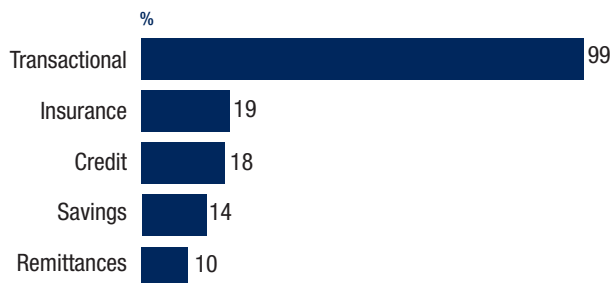
Overview

- 80% of adults (16 years and older) are formally served, including both banked and other formal non-bank financial products/services [= increased, 50% in 2004];
- 75% are banked [= increased, 46% in 2004];
- 52% have/use other formal (non-bank) products/services [= increased, 33% in 2004];
- 56% have/use informal mechanisms to manage their finances [= increased, 44% in 2004];
- 14% have/use non-financial products/services to manage their finances. If they save, they keep their money at home, and if they borrow they only rely on family and friends [= decreased, 39% in 2004].

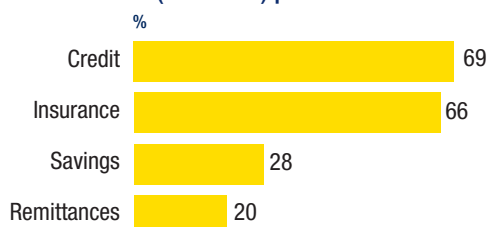


Drivers in 2014

What drives banking?



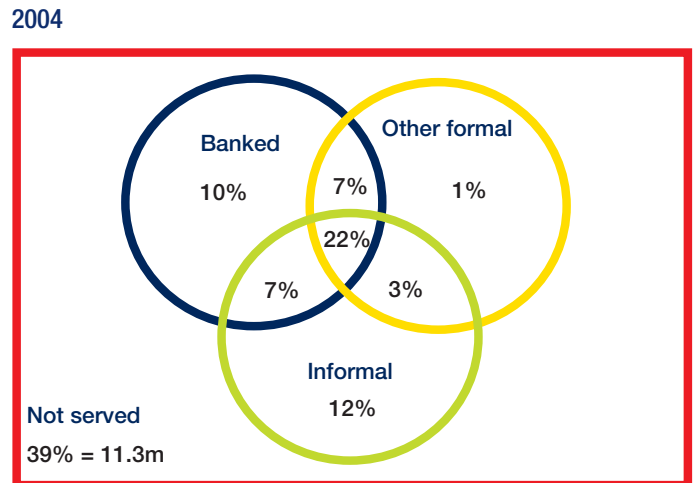
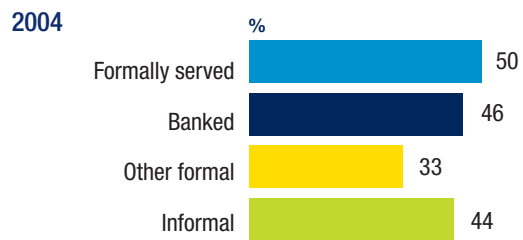
What drives formal other (non-bank) products?



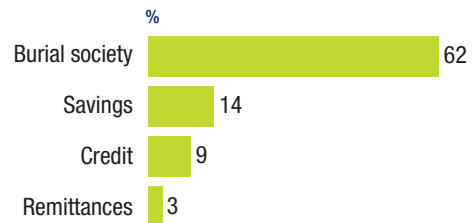
Overlaps

Consumers generally use a combination of financial products and services to meet their financial needs – an individual could have a bank account and also belong to a burial society.

- 6% of adults rely exclusively on informal mechanisms to manage their money [= decrease, 12% in 2004]
- Almost 34% use a combination of banked, other formal (non-bank), and informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the formal sector alone [= increased, 22% in 2004]



What drives informal products?



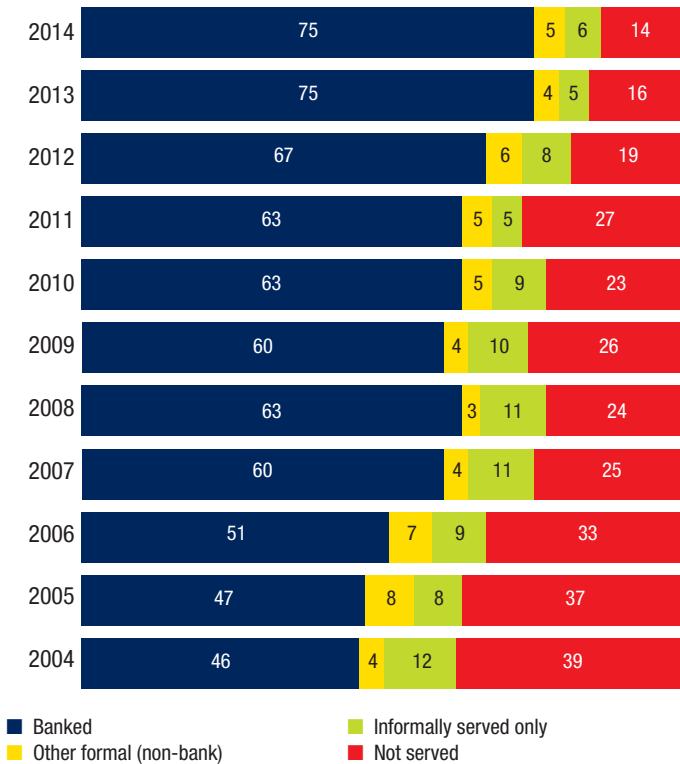
Access Strand

In constructing this strand, the overlaps in financial product/services usage are removed, resulting in the following segments:

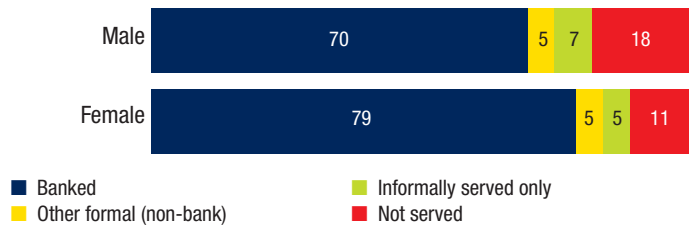
- Financially excluded adults, i.e. they do not use any financial products/services – neither formal nor informal – to manage their financial lives (14%);
- Adults who have/use informal mechanisms only but NO formal products/services (6%);
- Adults who have/use formal non-bank products/services but NO commercial bank products (5%) – they might also have/use informal mechanisms;
- Adults who have/use commercial bank products/services (75%) – they might also have/use other formal and/or informal mechanisms.

- Financial inclusion increased from 61% in 2004 to 86% in 2014, mainly due to an increase in banking;
- 17.7 million of the adult population were financially included in 2004 (Individuals who have/use formal and informal mechanisms). The number of the included population has increased to 30.8 million in 2014;
- Banking increased considerably from 46% in 2004 to 75% in 2014; and
- Individuals who only rely on informal mechanisms reduced from 12% (3.4 million) in 2004 to 6% (2.2 million) in 2014.

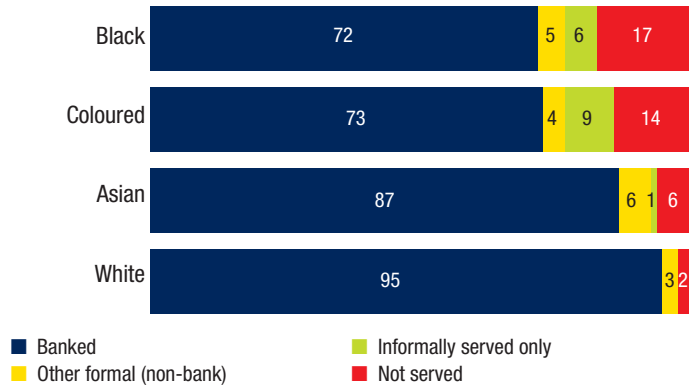
Overall Access Strand, year-on-year



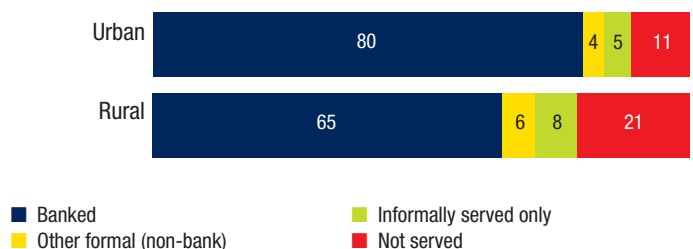
Access Strand by gender



Access Strand by race



Access Strand by location



Key findings

Comparing the Access Strand across gender, race and location reveals that levels of financial inclusion (including product uptake of both formal and informal products/services) are higher:

- Among females (89%) than males (82%);
- Among White (98%) and Asian (94%) South Africans, than Coloured (86%) and Black (83%) South Africans; and
- Among adults residing in urban areas (89%), than adults residing in rural areas (79%).

Banking

Banking status

- The banked population remained static at 75% between 2013 and 2014;
- 27.4 million of the adult population in South Africa are banked;
- Banking is largely driven by transactional products/services; and
- 30% of adults receive a form of government grant – 93% of them are banked because of the SASSA MasterCard.

How many people are banked? Population estimates 16+ years

	2014	2013	2012	2011
No. of banked adults in SA	27 449 000	27 358 044	23 983 911	21 184 871
No. of previously banked adults in SA	2 024 405	1 304 965	1 771 656	1 412 941
No. of never banked adults in SA	7 305 271	7 830 482	9 933 533	11 141 588
No. of unbanked adults in SA	9 329 676	9 135 447	11 705 189	12 554 529
Total adult population size	36 778 676	36 493 490	35 689 100	33 739 399



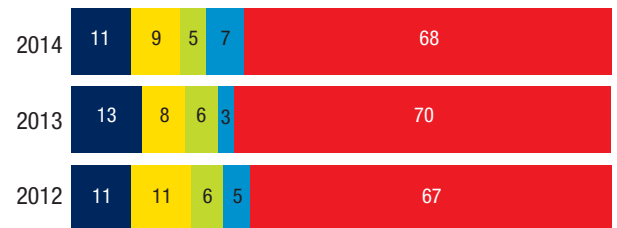
Savings and investments

Overview 2014



- 11% of adults save in banks;
- 15% of adults have a formal savings product from a non-bank financial institution (this could be a unit trust);
- 8% use other informal savings mechanisms such as savings groups, and stokvel (umgalelo); and
- 11% of adults claim to save at home.

Savings Strand



- Banked
- Other formal (non-bank)
- Informal
- Savings at home only
- Not saving

In constructing this strand, the overlaps in savings product/services usage are removed:

- 68% of adults do not save [= remaining statistically stable since 2012];
- 7% (2.4 million) keep all their savings only at home, i.e. they do not have/use formal or informal savings products or mechanisms [= increased, 3% in 2013];
- 5% only rely on informal mechanisms such as savings groups (they might also save at home, but they do not have/use any formal savings products) [= decreased, 6% in 2013];
- 9% have/use other formal non-bank savings products (they might also have/use informal savings mechanisms and/or save at home, but they do not have/use savings products from a commercial bank) [=increased, 8% in 2013];
- 11% have/use savings products from a commercial bank (they might also have/use other formal and/or informal mechanisms, and/or save at home) [= decreased, 13% in 2013].

32% of adults save
(Mainly at formal institutions)

Drivers

- In case of emergency (39%)
- Funeral cost (14%)
- Food (10%)
- Education (12%)
- To provide for family if one dies (16%)

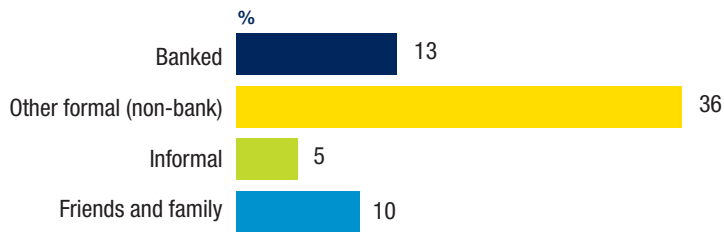
of the 8% that were previously saving
(i.e. no longer saving)

Barriers

- Cannot afford anymore (36%)
- Used money to pay for something (21%)
- Policy matured (18%)

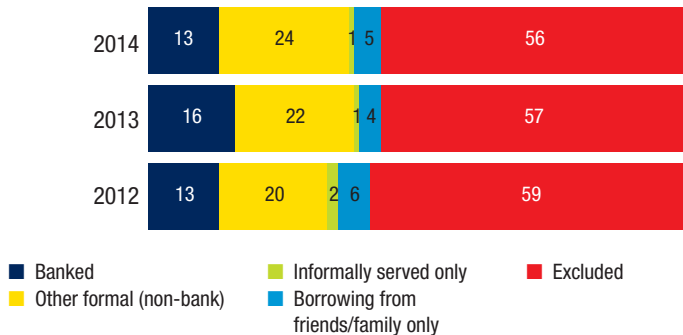
Borrowing and credit

Overview 2014



- 13% of adults claim to borrow from banks;
- 36% of adults have formal credit facilities from non-bank financial institutions. This could be in the form of store cards or store accounts;
- 5% have informal credit – use a mashonisa; and
- 10% of adults claim to borrow from friends and family.

Credit Strand



In constructing the credit strand, the overlaps in financial products/services usage are removed

- 56% of adults do not borrow;
- 5% rely on friends and family only, i.e. they do not have/use any credit products (neither formal nor informal);
- 1% rely on informal mechanisms such as money-lenders (they might also borrow from friends and family, but they do not have any formal credit products);
- 24% have/use formal non-bank credit products (they might also have/use informal mechanisms, but they do not have/use credit products from a commercial bank); and
- 13% have/use credit/loan products from a commercial bank (they might also have/use other formal and/or informal mechanisms, or borrow from friends and family).

44% of adults borrow (Mainly at formal institutions)

Drivers

- Food (42%)
- Bills (17%)
- Building/renovating/buying house (12%)
- Giving to family member (10%)
- Education (7%)

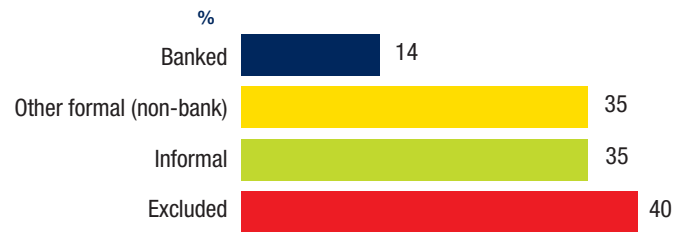
56% of adults do not borrow

Barriers

- Do not have a job (32%)
- Do not want to have debt (31%)
- Cannot afford (20%)

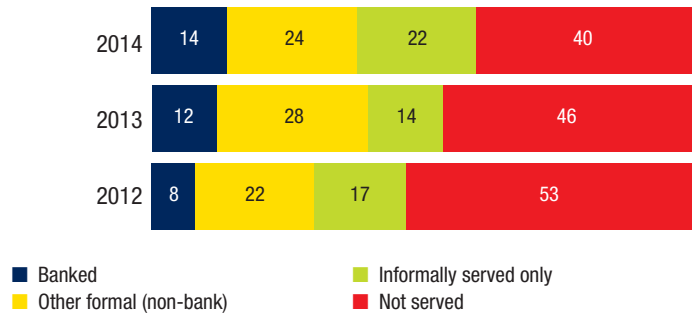
Insurance and risk management

Overview 2014



- 14% of adults are insured through banks;
- 35% of adults have formal insurance from non-bank financial institutions. This could be in the form of insurance from an insurance company or funeral cover from an undertaker;
- 35% belong to a burial society; and
- 40% of adults are not insured.

Insurance Strand



In constructing this strand, the overlaps in financial product/services usage are removed

- 40% of adults do not have any kind of financial product covering risk;
- 22% rely only on burial societies (increased from 14% in 2013);
- 24% have some formal funeral cover from non-bank institutions; and
- 14% have/use insurance products from a commercial bank (they might also have/use other formal and/or burial society).

60% of adults have insurance

Drivers

- Funeral cover (33%)
- Burial society (32%)
- Life assurance (15%)
- Asset insurance (11%)
- Health insurance (10%)

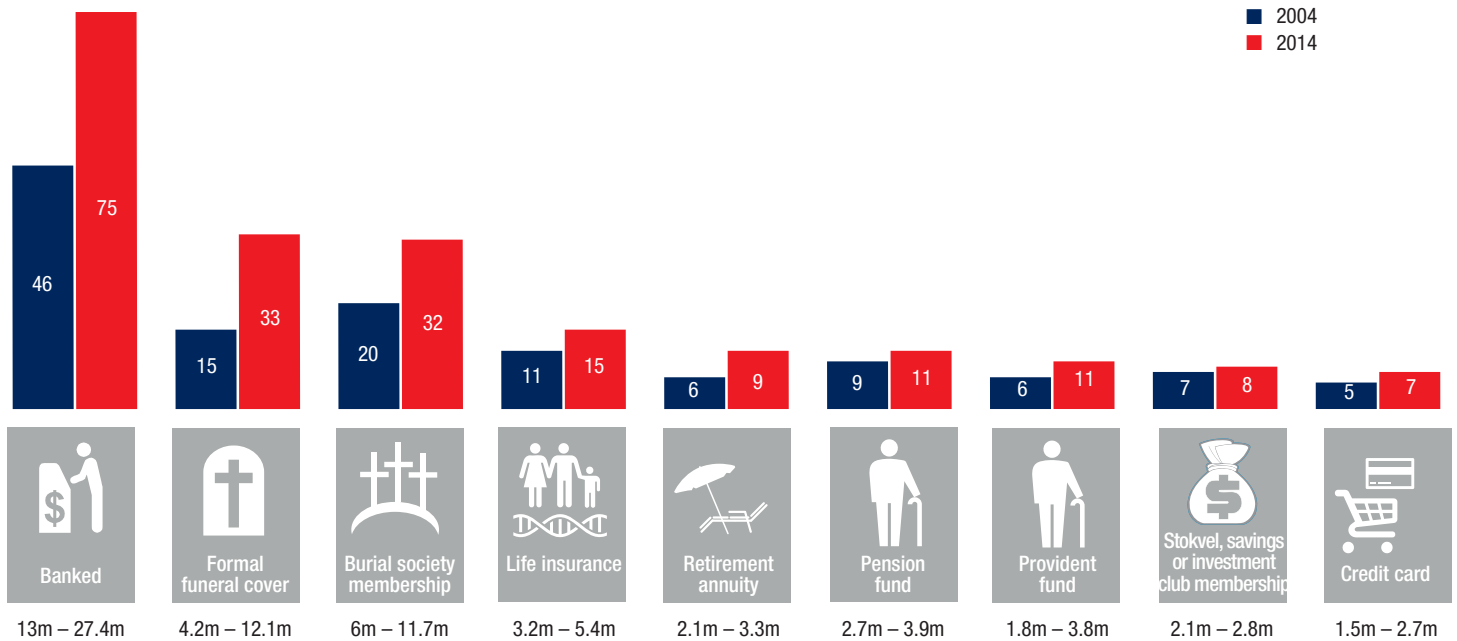
40% of adults do not have any kind of insurance

Barriers

- Life insurance**
- Do not have a job, cannot afford, earn too little (57%)
 - Do not want it (9%)
 - Never thought of it (8%)
- Funeral cover**
- Cannot afford (49%)
 - Family will be looked after when one dies (28%)

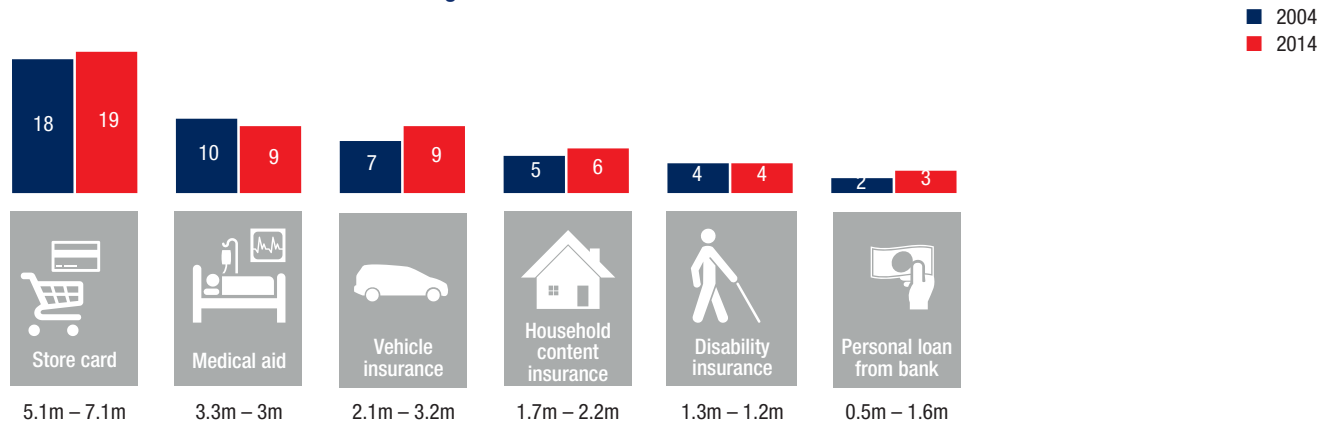
Financial product/services penetration (ten year perspective)

Banking, funeral cover and formal retirement products are star performers

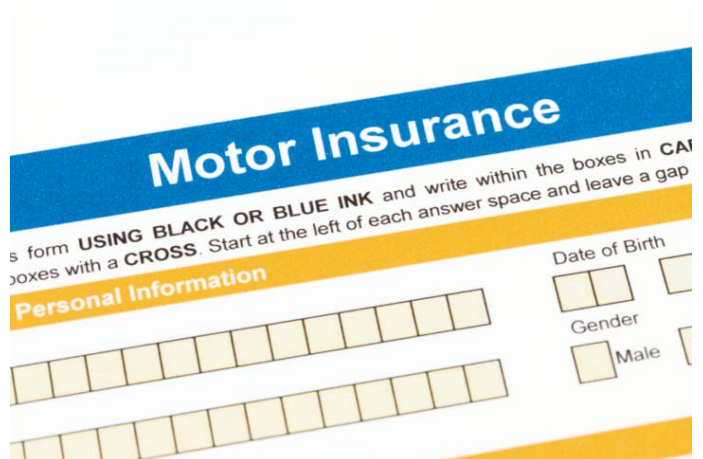


Note: All figures quoted for direct cover in own name. Indirect cover not included in these figures.

Asset and medical insurance remained stagnant



Note: All figures quoted for direct cover in own name. Indirect cover not included in these figures.



Remittances

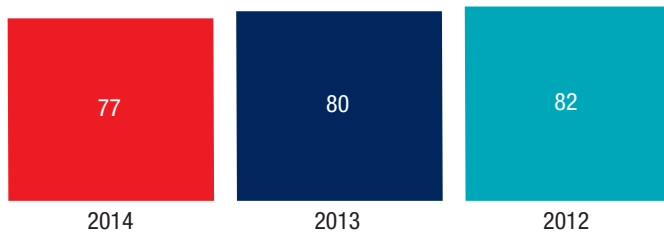
Incidence of remittances

- 23% of adults either sent or received money to or from family members, parents, and children within South Africa, usually on a monthly basis (increased from 20% in 2013)

Sent/received money



Did not send/receive money

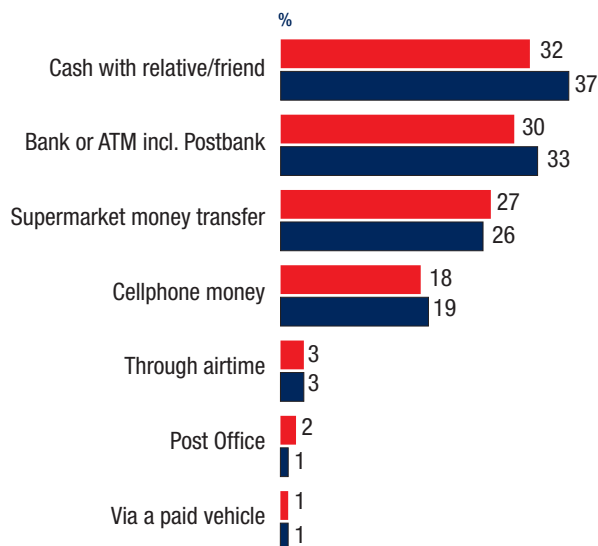


- 2014
- 2013
- 2012

- 85% of remittances are conducted monthly and the following shifts in absolute numbers have been noted (year-on-year) (2013 – 2014):

- Remit through bank: increased by 4.2% (from 2.4 million to 2.5 million);
- Remit through supermarket: increased by 22% (from 1.8 million to 2.2 million); and
- Remit through cellphone: increased by 15% (from 1.3 million to 1.5 million).

Channels used for remitting money

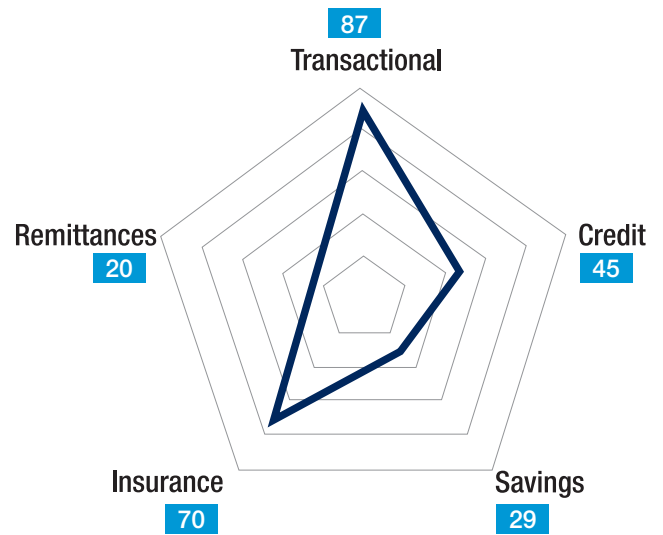


- 2014
- 2013

Landscape of Access

Landscape of Access looks at the types of products taken up by consumers who are financially included (30.1 million adults) and describes the percentage of adults that have/use formal and informal products/mechanisms, including the following:

- Transactional products/services;
- Savings products/services (excluding those who save at home);
- Credit products/services (excluding those who borrow from friends and family);
- Insurance products/services; and
- Remittance products/services (excluding those who remit through friends and family).



Key findings – summary

The FinScope South Africa 2014 survey results showed that there have been a number of improvements in the lives of South Africans over the last 10 years since 2004.

Category	Examples	2004	2014
Income source	Proportion of adults who receive income from salary/wage or own business	25%	34%
Income level	Proportion of adults who earn less than R2 000 per month	54%	47%
Income level	Number of adults earning more than R3 000 per month	2.6 million	6.9 million
Cellphone usage	Proportion of adults using cellphones	42%	90%
Infrastructure, i.e. access to electricity, water and sanitation	Proportion of adults without electricity	18%	5%
Financial inclusion	Proportion of adults that are financially included	61%	86%
Banked	Proportion of adults that are banked	46%	75%
Insurance	Proportion of adults that are insured	41%	60%

FinScope Consumer surveys in South Africa have demonstrated an increase in financial inclusion over the past 10 years which is attributed to macroeconomic conditions (Organic banking growth and SASSA) and the Financial Sector Charter (New products such as Mzansi).

