

FinScope Consumer Survey Zimbabwe 2014



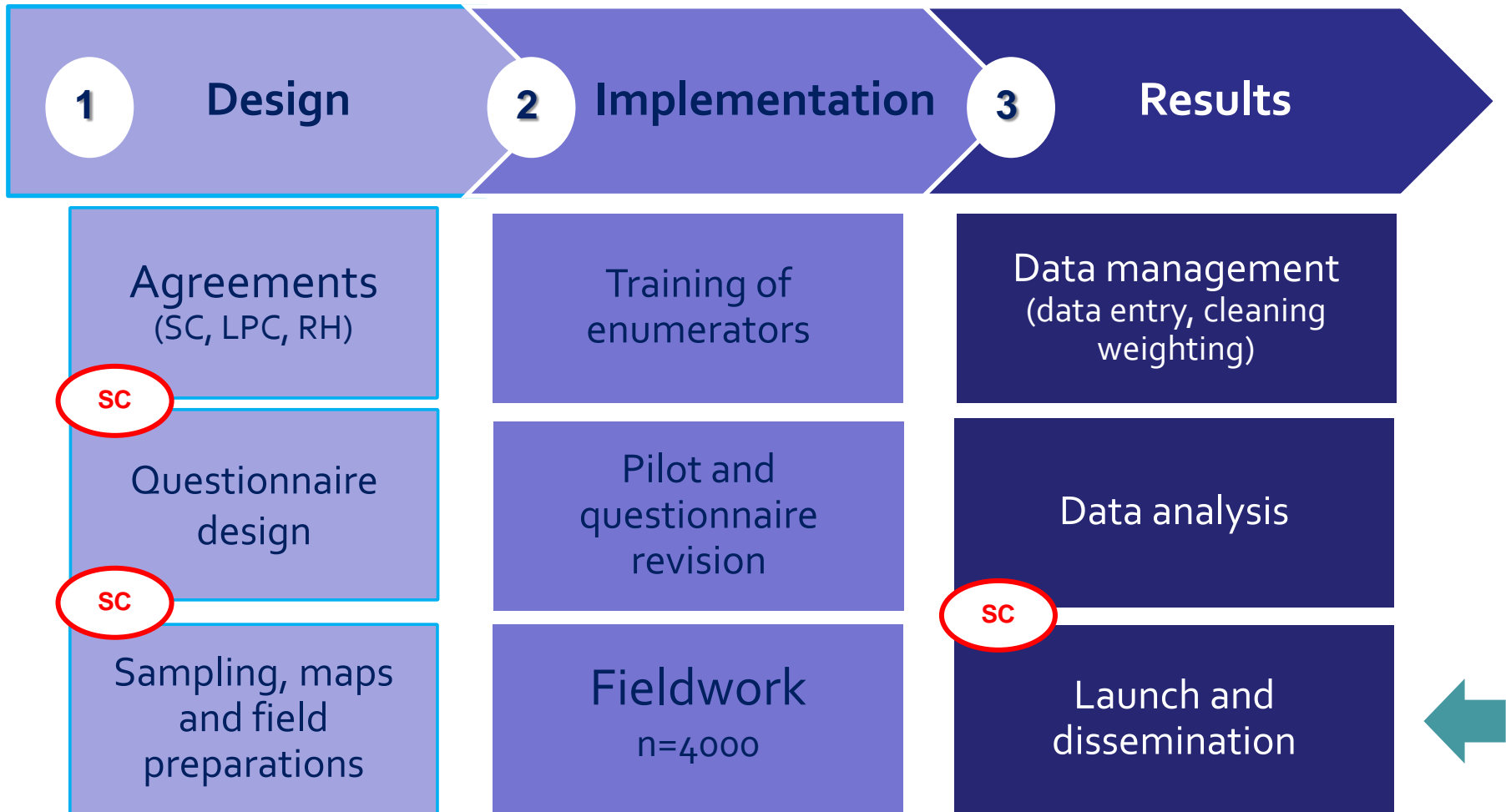
Stakeholder Presentation
5 December 2014

Objectives of FinScope Zimbabwe 2014



- To describe the **levels of financial inclusion** (i.e. levels of access to financial products and services – both formal and informal)
- To describe the **landscape of access** (i.e. the type of products and services used by financially included individuals)
- To identify the **drivers** of, and **barriers** to financial access
- To **stimulate evidence-based** dialogue that will ultimately lead to **effective** public and private sector interventions that will increase and deepen financial inclusion
- To **compare** survey results with the first FinScope Consumer Survey in Zimbabwe (2011) and to provide an assessment of changes and factors thereof (including possible impacts of previous interventions to enhance access)

Research process



Methodology - overview

Respondent profile

- Universe: **Adult population in Zimbabwe**
- Residents of Zimbabwe who are **18 years and older**



Sample and methodology

- Sample drawn by ZIMSTAT, Representative on national, urban/rural, and regional level
- Comprehensive **LISTING** in 667 EAs – listing **59369** eligible households
- **4000** Face-to-face pen and paper interviews \pm 75 min.
- Fieldwork conducted by Research Continental (July 2014 – September 2014)

Quality control and data validation

- **Quality control / field checks** conducted by the Research House, FinMark Trust, ACA and ZIMSTAT
- Data validation against census data and FS Zimbabwe 2011
- Weighting of the data conducted ZIMSTAT



- 1. Understanding people's lives: Have people's lives changed?**
2. Financial capability
3. Financial inclusion overview: Access Strands, total product uptake, Landscape of Access – what has changed since 2011?
4. Banking: Has it increased?
5. Savings and investments: Do people manage to save?
6. Borrowing and credit: Has the usage in credit increased?
7. Insurance and risk management: Did medical insurance remain its importance?
8. Remittance: Who is sending/receiving money?
9. Mobile money
10. Conclusions and recommendations

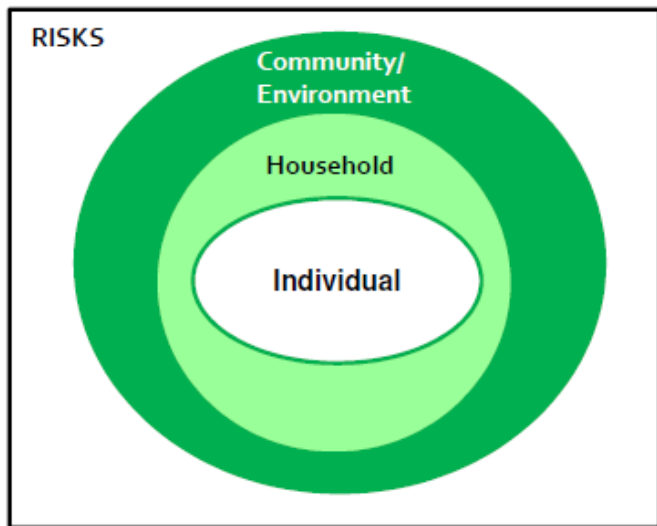


Determinants of financial inclusion

Understanding people's lives

Characteristics and socio-economic information of individuals, households, and communities in Zimbabwe, including:

- Age, gender, geographical distribution, education, sources of income, personal monthly income, infrastructure, services, decision making and financial advice, housing, agriculture, challenges



What they have

- Income generating activities
- Role of money
(Financial activities/tasks)
- Coping strategies

What they do with what they have



Understanding people's lives: Demographics

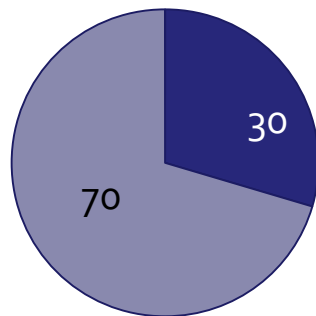


Total adult (18+)
population
7 million



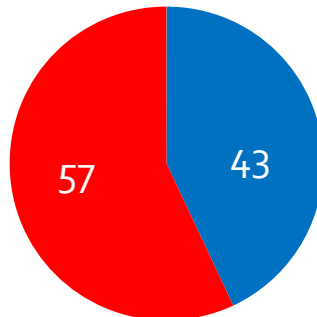
- **70%** reside in rural areas
- **33%** are under 30 years of age
- **38%** have primary education or less
- **3%** have no education

Urban/rural



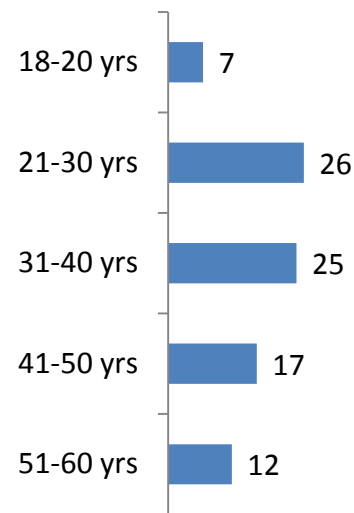
■ Urban ■ Rural

Gender

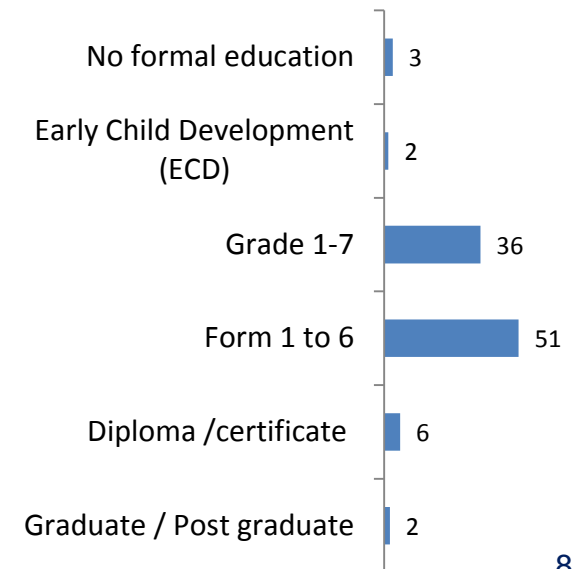


■ Male ■ Female

Age



Education





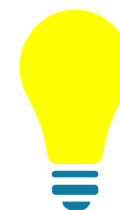
Understanding people's lives: Access to Infrastructure



2011



Number of individuals in households with access to piped water
(inside dwelling or yard/plot)
36 %



Number of individuals with electricity
(for cooking or lighting)
31 %



2014

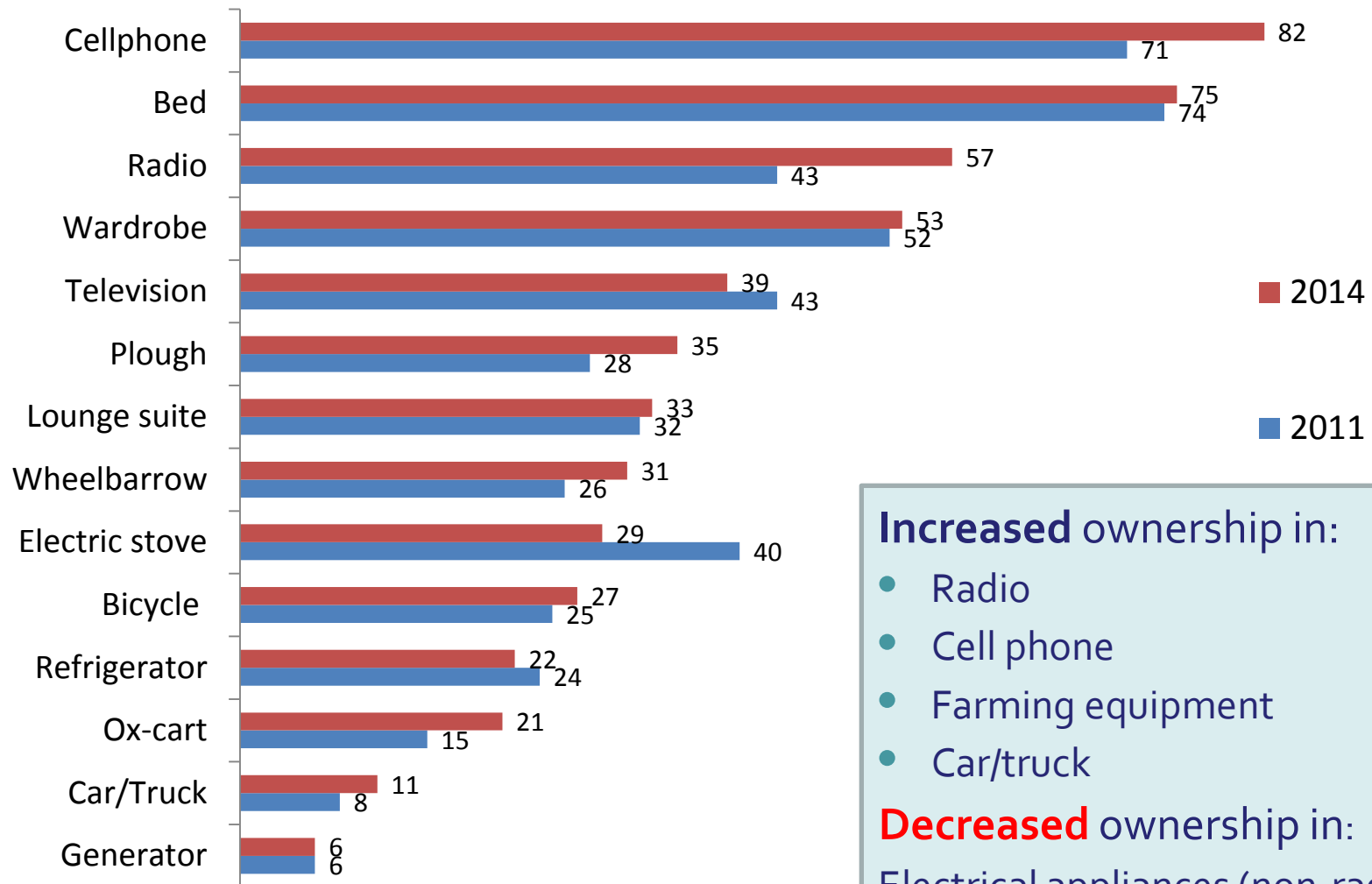


Number of individuals with access to piped water
(inside dwelling or yard/plot)
26 %



Number of individuals with electricity
(for cooking or lighting)
27 %

Understanding people's lives: Ownership of assets



Increased ownership in:

- Radio
- Cell phone
- Farming equipment
- Car/truck

Decreased ownership in:

Electrical appliances (non-radio)

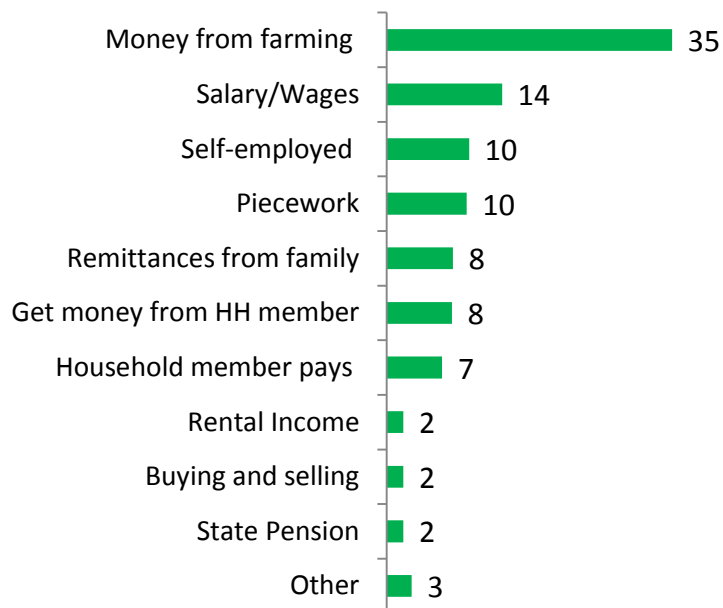


Understanding peoples' lives: Income / livelihoods

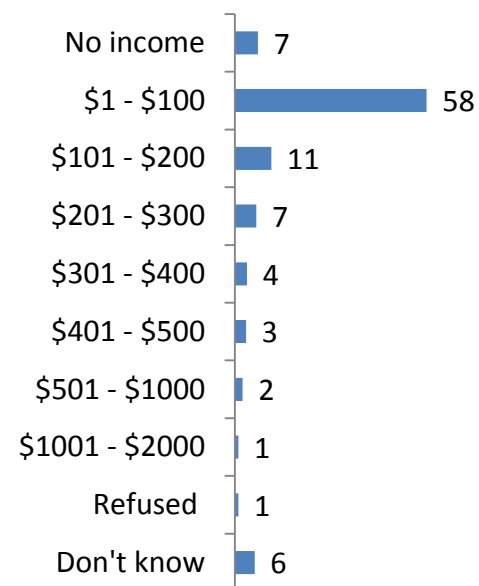


- **66%** of households are involved in farming – **48%** of them farm for consumption mainly with maize ,tobacco, and vegetables bringing the most income
- **50%** of the adults claim farming as a source of income with 35% claiming it to be their main source of income
- **65%** personally earn less than \$100 per month (including those who do not have monthly income)

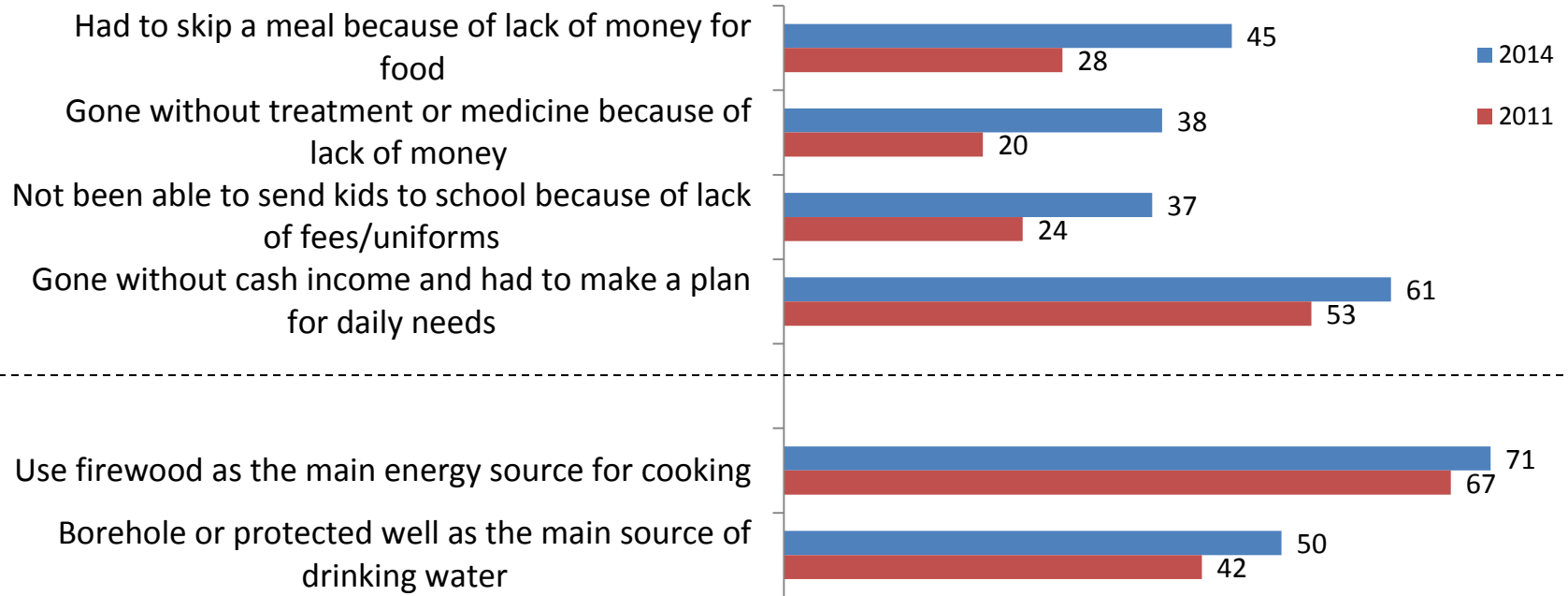
Income Source Most Relied On



Personal monthly income



Daily realities - contextualising the drive for greater financial inclusion



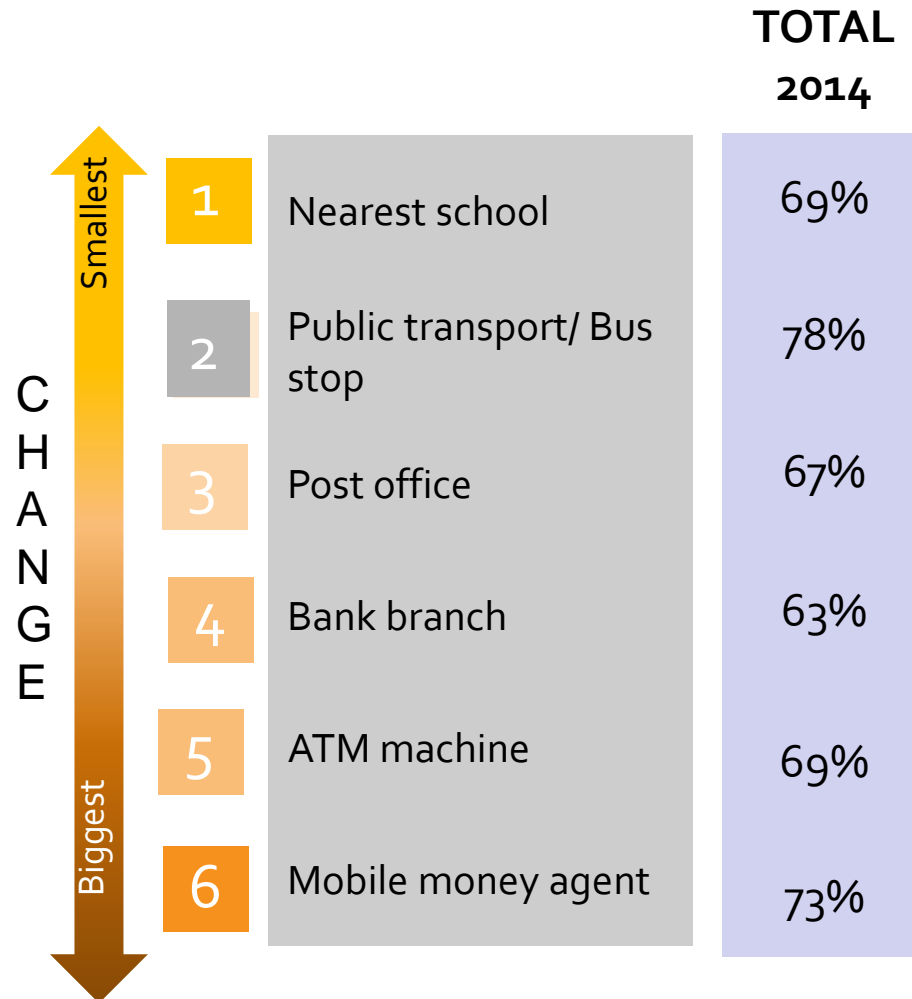
- Increase in borehole or protected well as the main source of drinking water in 2014 with 50%
- 71% reside in households that use firewood as the main source of energy for cooking
- Hardships faced in the past year have increased compared to 2011 as reflected by the poverty indicators above

Infrastructure accessibility

"Average time to reach a bank branch has been reduced since 2011"



Percentage of people who visit these places and take 30 minutes or less to get to destination



Summary

- Slight changes in the population profile between 2011 and 2014 :
 - Decrease in the urban population from 35% to 30%
 - Increase in male population from 40% to 43%
- Small improvements in education: percentage of people with no education decreased from 7% to 3% in 2014
- Farming remains the most important source of income with maize and vegetables being the highest income earners
- Changes in access to infrastructure:
 - Access to piped water has decreased in 2014
 - Access to mobile money points is higher in 2014
 - 63% take 30 minutes and less to reach a bank branch in 2014

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Dimensions of financial capability



Managing money

Keeping track: Focuses on an individual's ability to monitor his/her financial situation.

- Do people plan/budget how to spend their money? Keep to the plan? Keep records of your spending?

Making ends meet: Focuses on an individual's ability to cope financially. It looks at whether people are able to make their money last until the end of the month while covering essential items and financial commitments.

- How often do people run out of money
- How easy/difficult is it to keep up with financial commitments?

Planning ahead

Deals with an individual's state of preparedness for future events or risks (planned and unplanned).

- Unexpected events – coping mechanisms
- Expected events – how do people plan to pay for it?
- Strategies for meeting expenses in old age?

Choosing and using products

Incorporates how people have chosen or would go about choosing products or mechanisms that enable them to meet financial goals or objectives.

- Which factors do people take into account when selecting a financial institution/specific product?

Accessing information

Explores how well an individual is informed about financial matters, how aware they are of information channels, and the steps they take to stay informed.

- Where do people usually get financial advice?

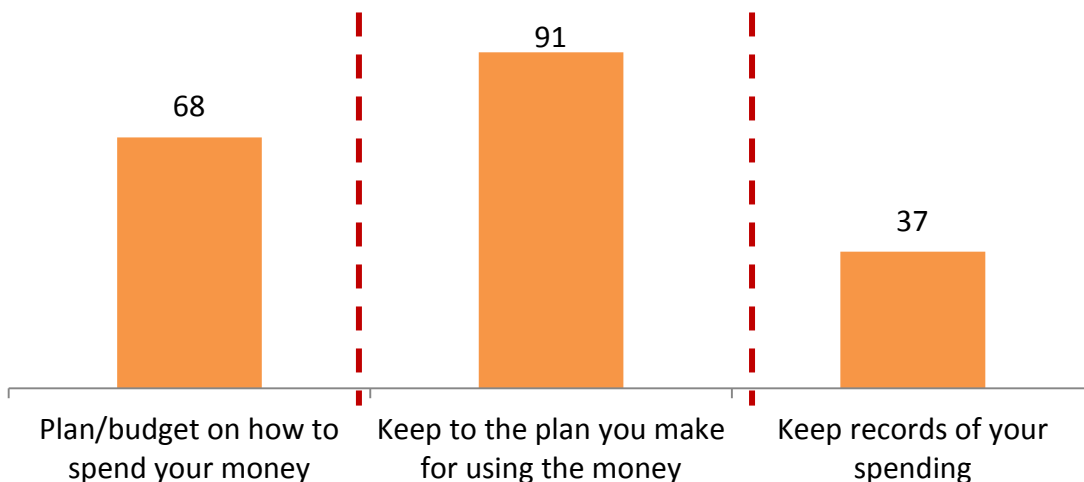


Financial capability

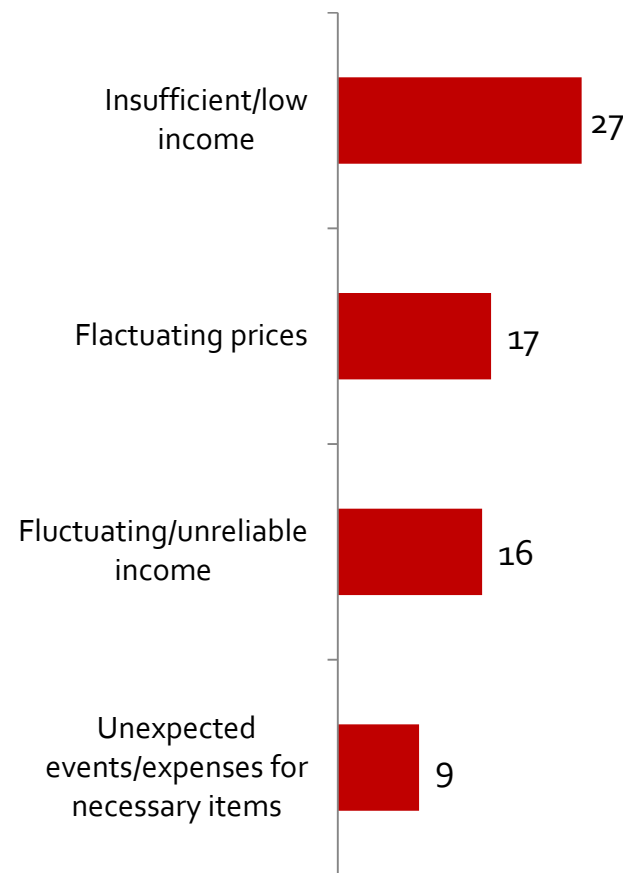
– *Managing money*



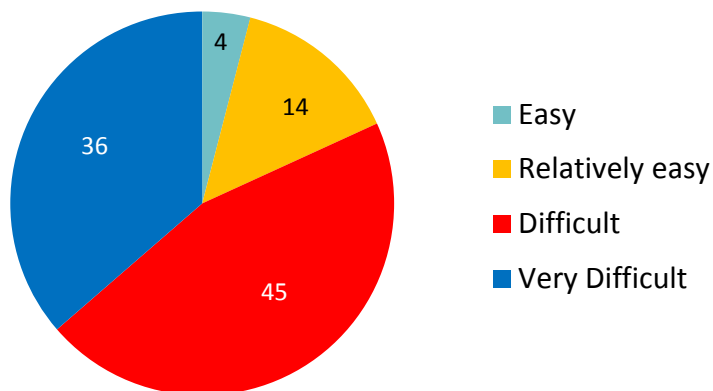
Planning and tracking



Reasons why people cannot keep to the plan



Difficulty with keeping up with financial commitments

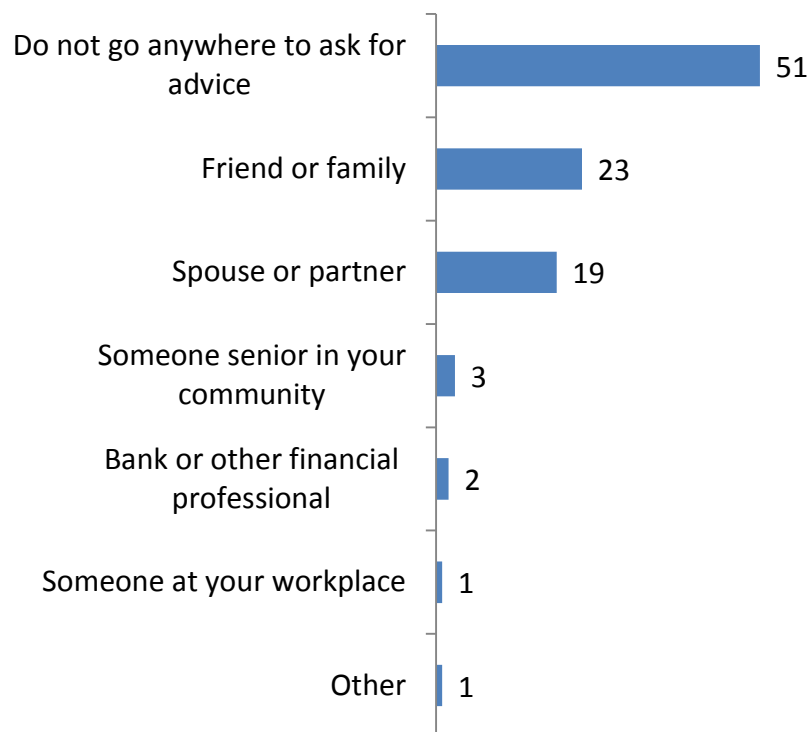


Financial capability- *Accessing information*

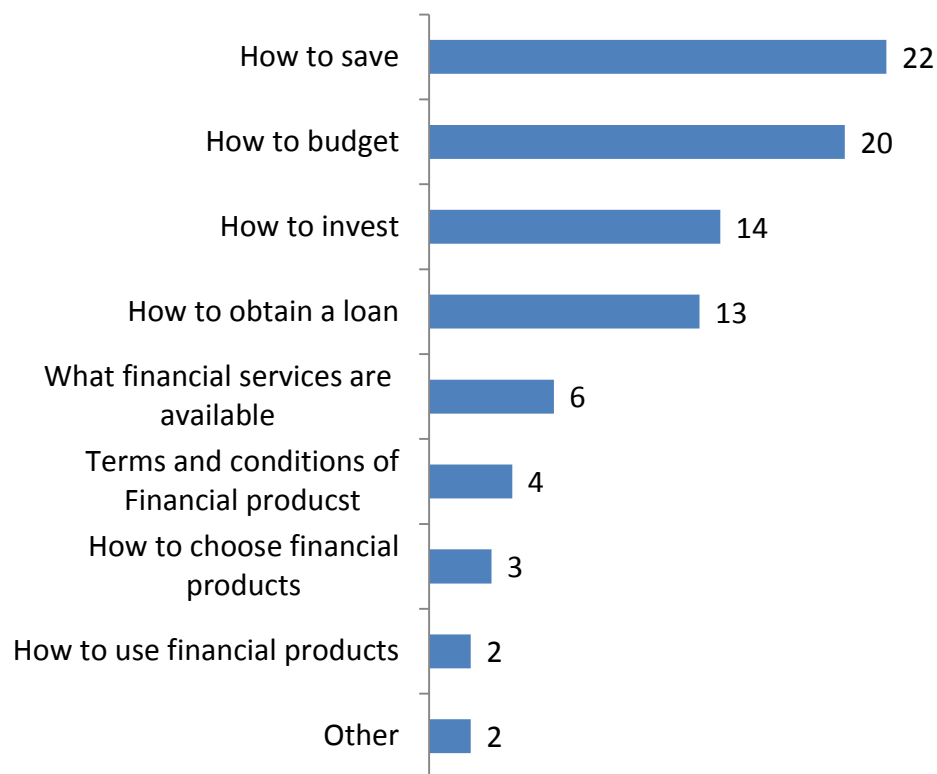
99.7% of adult Zimbabweans felt they needed more information about managing money



Source of financial advice



Desired financial education (of those that desired financial information - 48%)



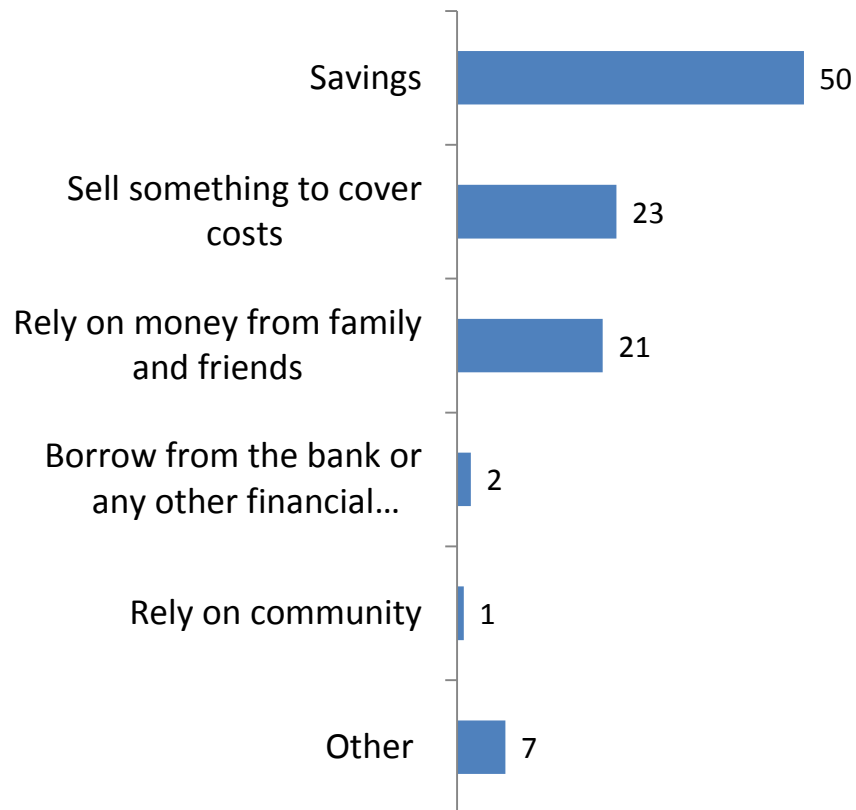
Financial capability

- Planning for major future events

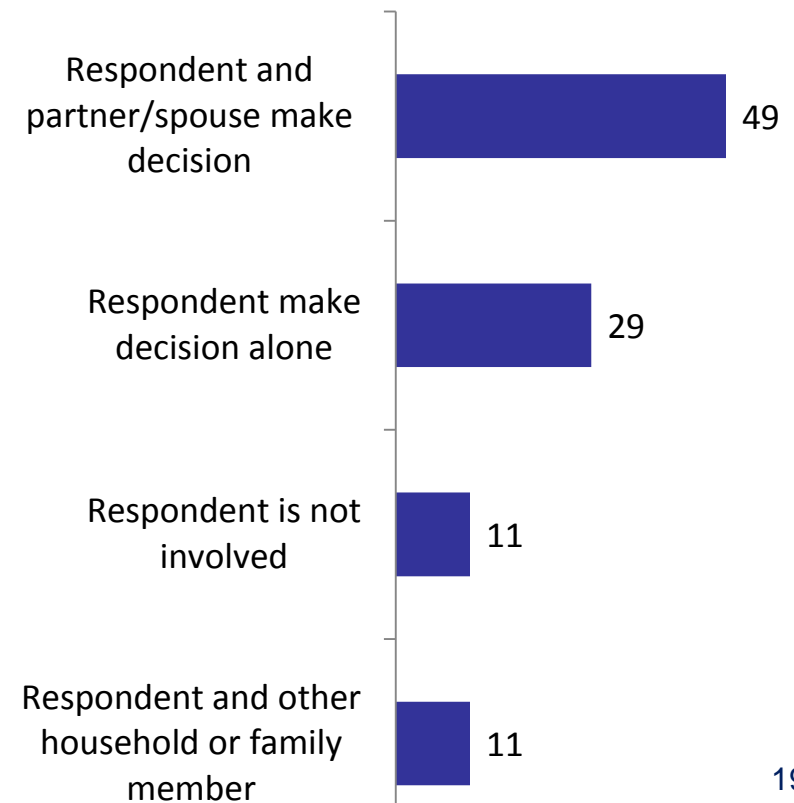


- **4.1 mil (59%) adults expect a major event in the next 12 months**

Mechanism for paying for planned major expense



Responsibility for financial decision making



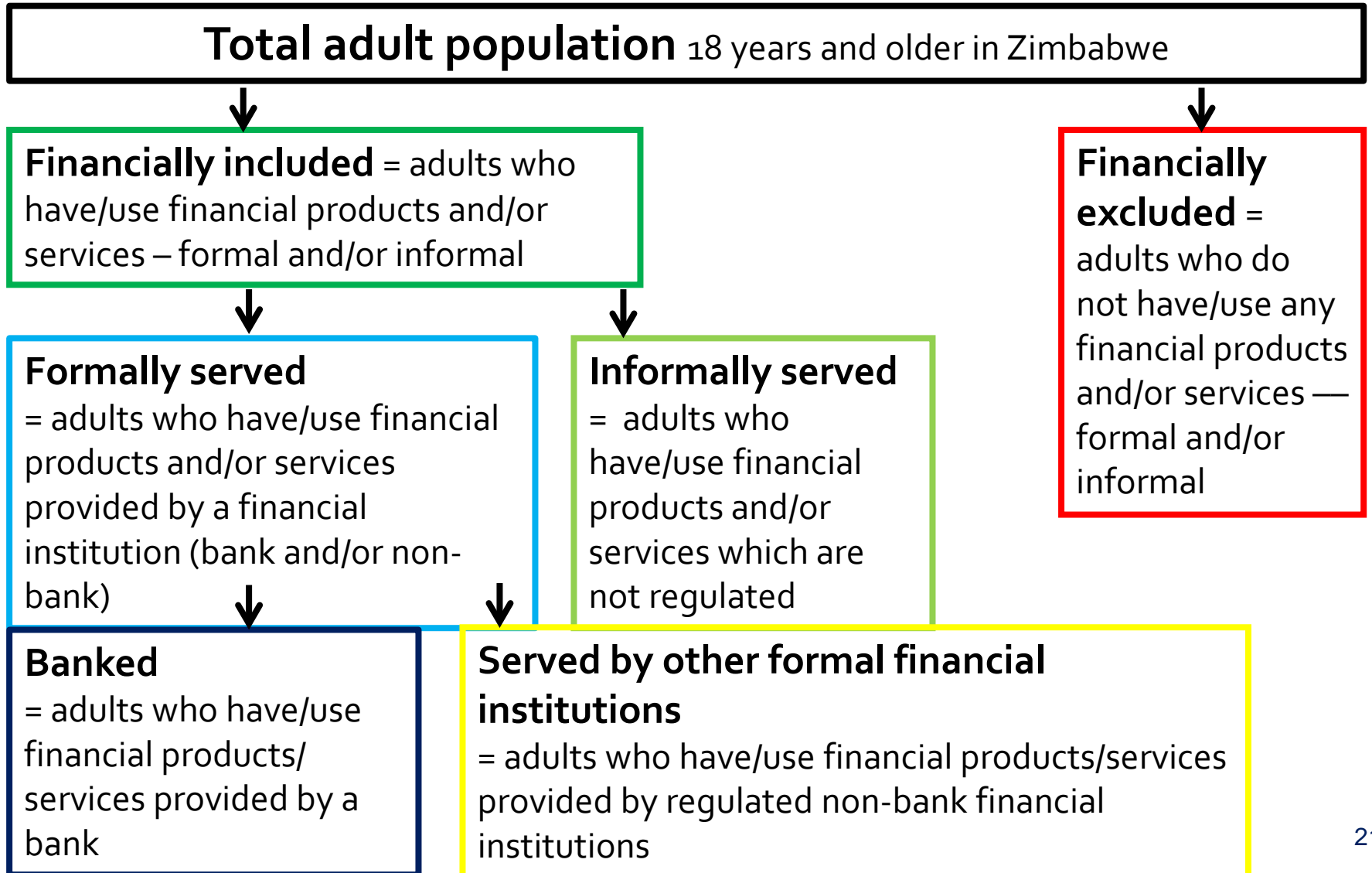
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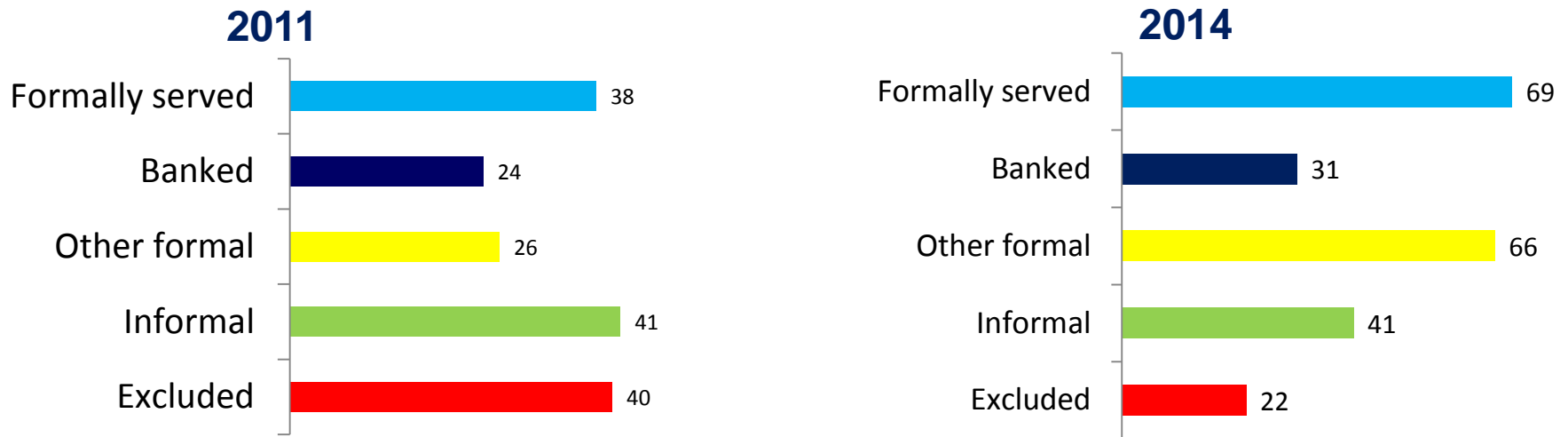


Defining financial inclusion



Financial inclusion:

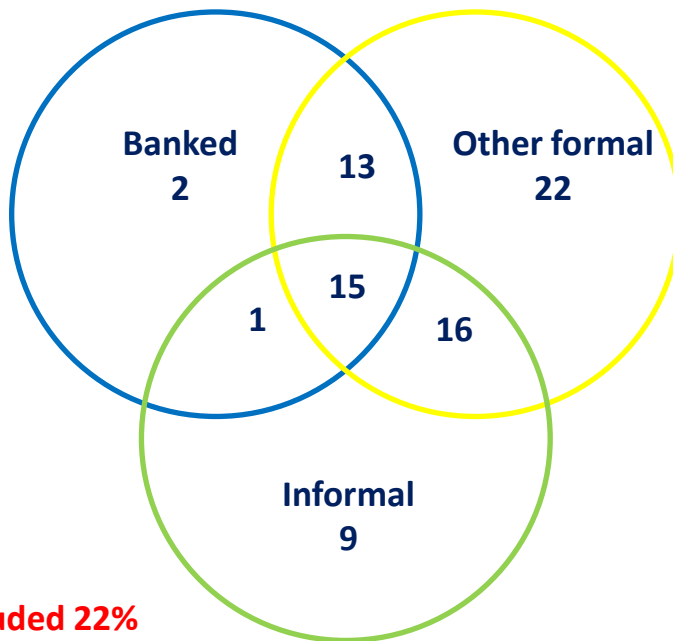
"More people have been brought into banking/formally inclusion in 2014"



- **Banking** is up by **7** percentage points and continues to be mainly driven by the uptake of transactional products
- Uptake of **other formal** non-bank products is up by **40** percentage points and is largely driven by mobile money services
- Uptake of **informal** financial products/mechanisms is down constant
- **Financial exclusion** has been reduced by **18** percentage points

Overlaps:

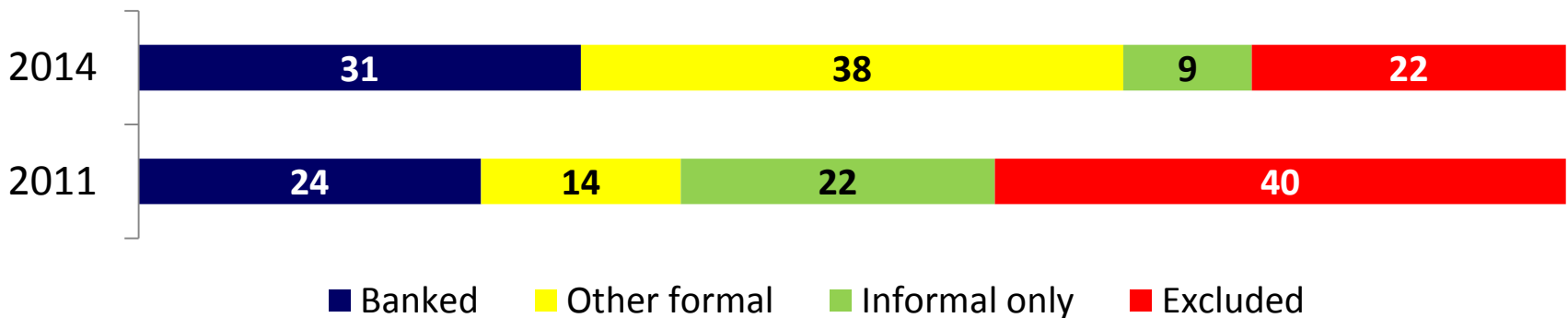
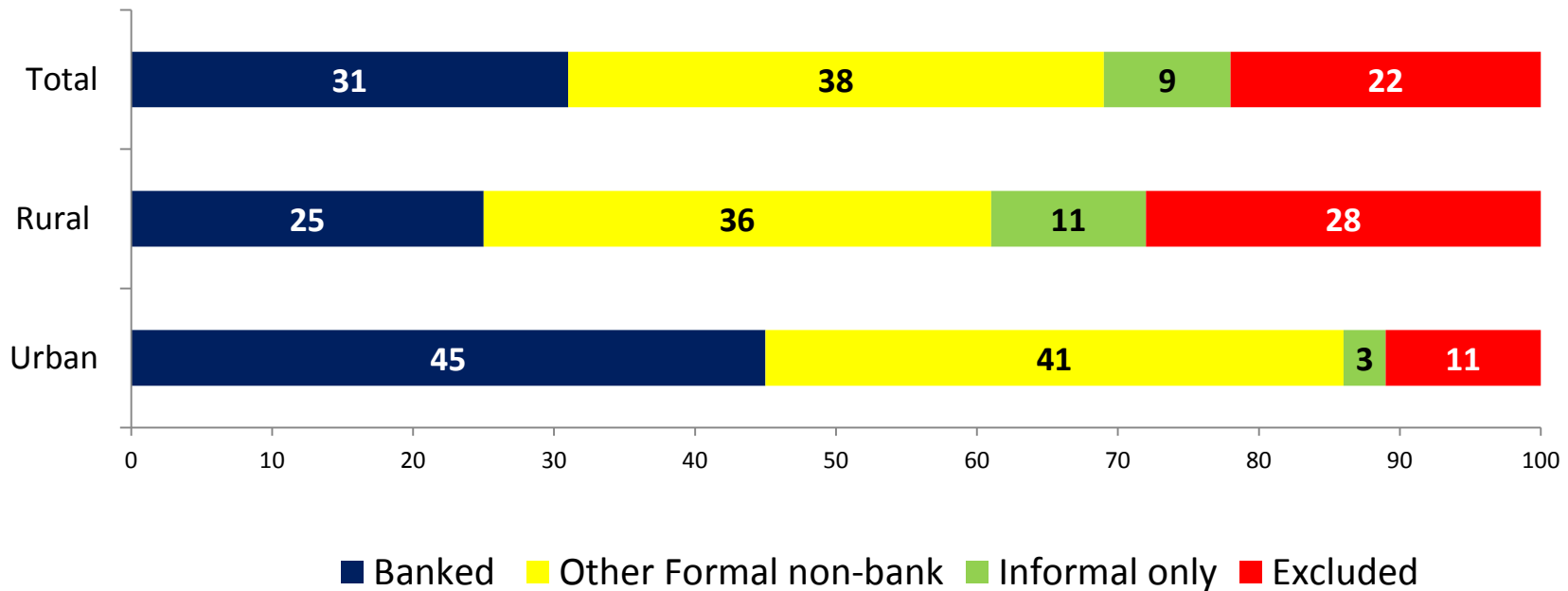
"Consumers generally use a combination of financial products and services to meet their financial needs"



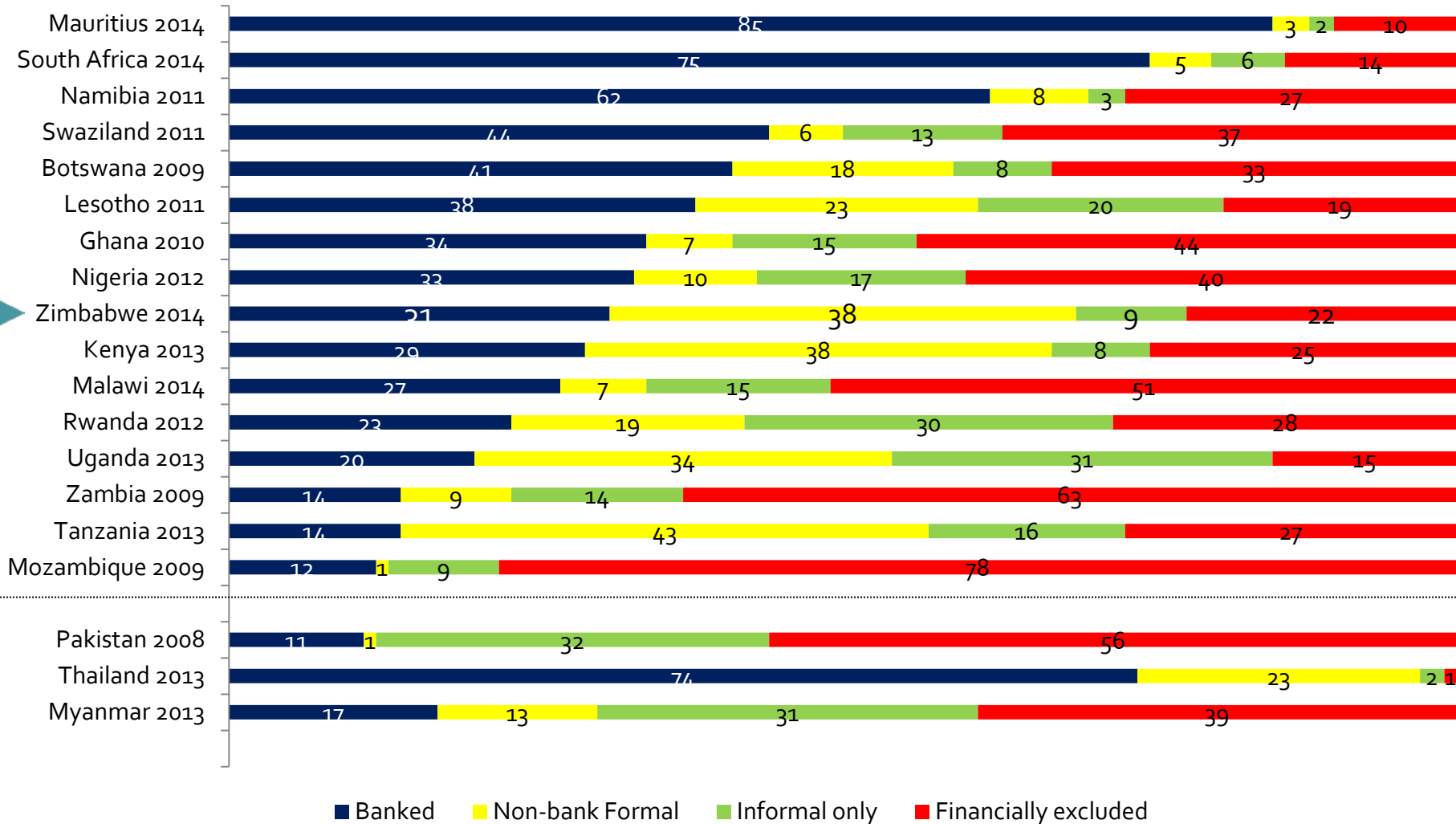
Excluded 22%

- **2%** of adults rely exclusively on banking services yet **22%** rely exclusively on other formal
- **32%** use a combination of formal and informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the formal sector alone
- **9%** of the adult population **ONLY** rely on informal mechanisms such as savings groups (*Mukando*) or *Chimbadzo* to save or borrow money

Financial inclusion: Projected Access Strand

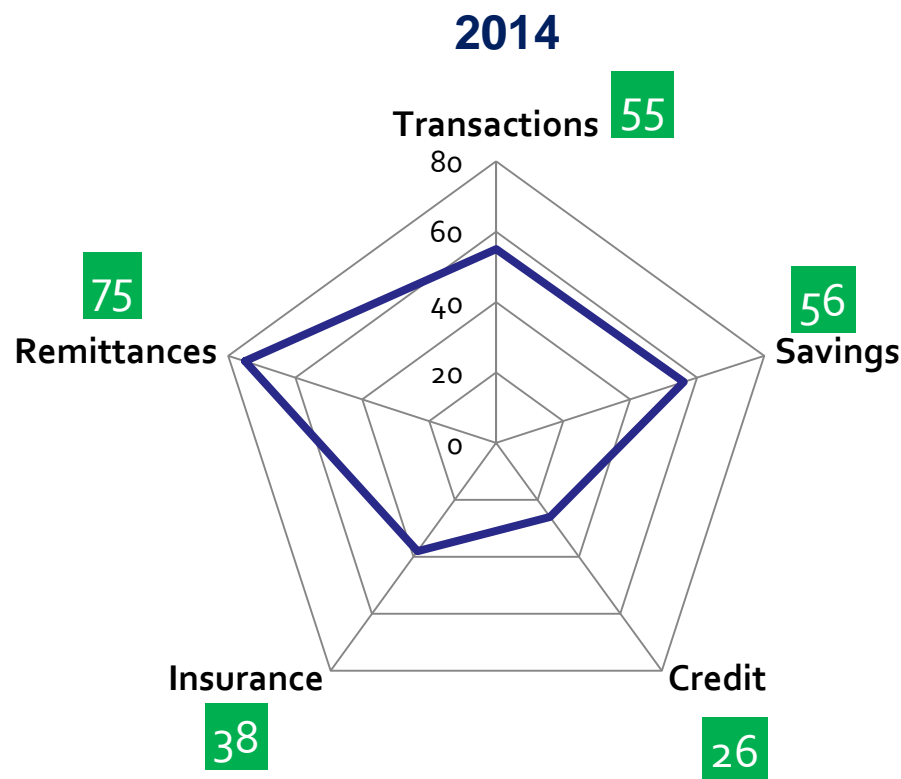


Financial inclusion (Consumer Access Strand)



Financial inclusion: Landscape of Access

(of those with any financial product)



The Landscape of Access is used to illustrate the extent to which financially included individuals have/use financial products/services (excluding those borrowing from family/friends and those who save at home/hiding in secret place)

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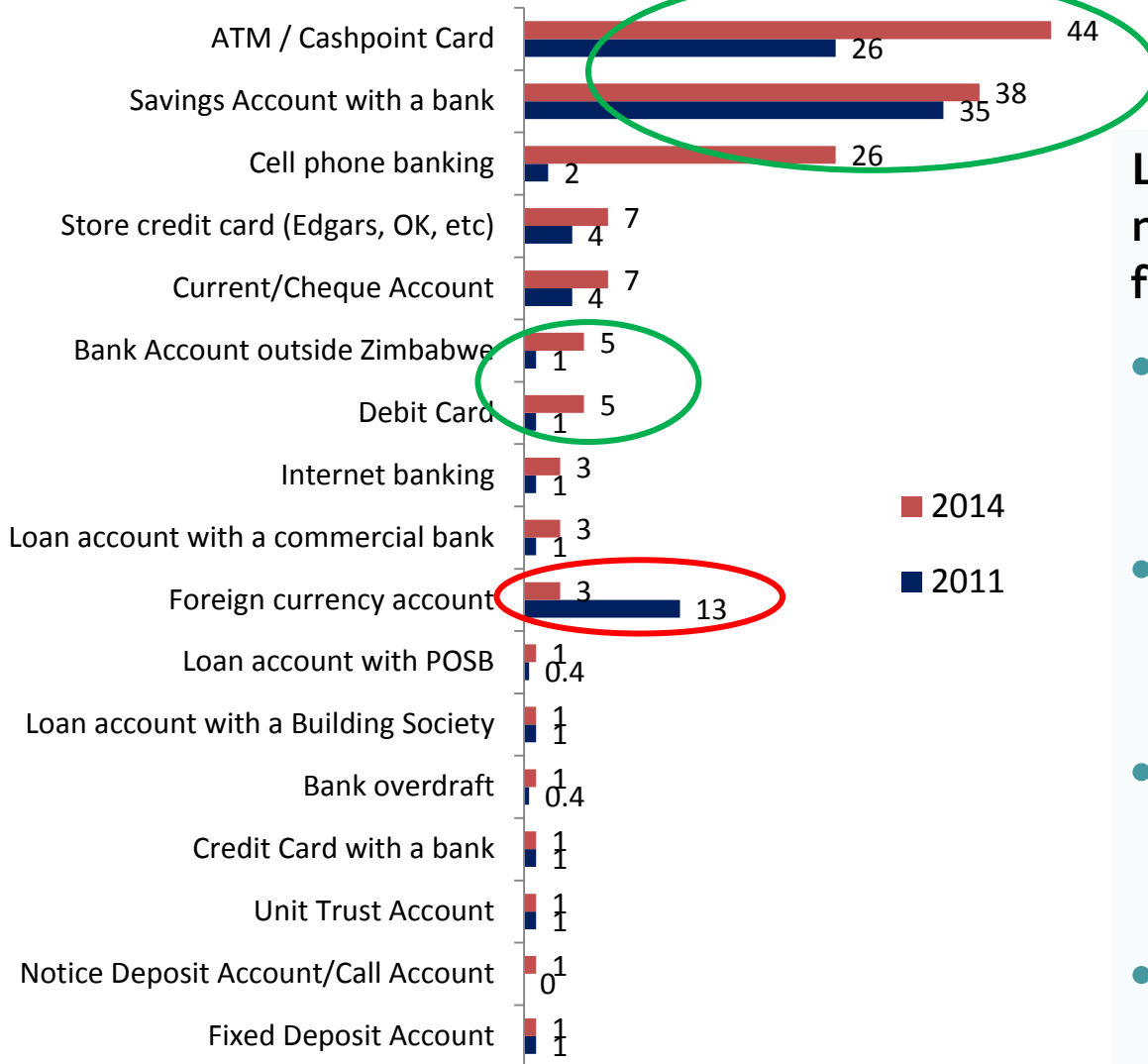
Banking:

How many adults are banked?



	2011	2014
No. of banked adults in Zimbabwe	1.45mil (24%)	↑ 2.17mil (31%)
No. of unbanked adults in Zimbabwe	4.53mil (76%)	↓ 4.82mil (69%)
Total adult population	5.98mil	6.99mil

Banking: Where is the growth?



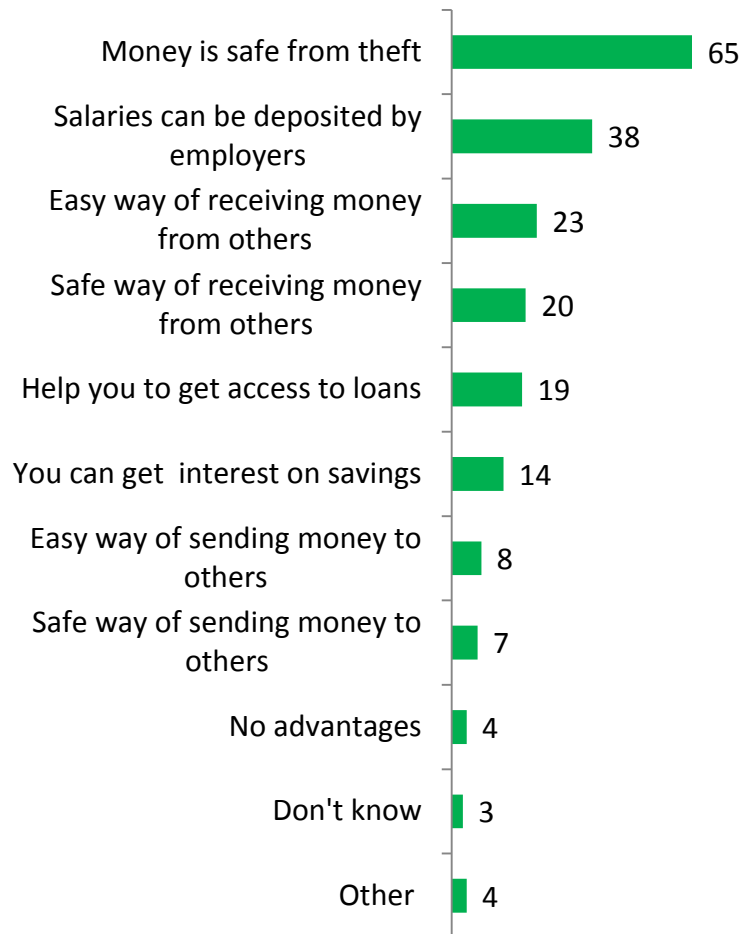
Looking at the total numbers, uptake of the following products increased:

- Cell phone banking has increased: *40 thousand – 560 thousand*
- Debit card ownership: *21 thousand – 115 thousand*
- ATM / Cashpoint cards: *660 thousand – 960 thousand* cardholders in 2014
- *A drop in foreign currency accounts*

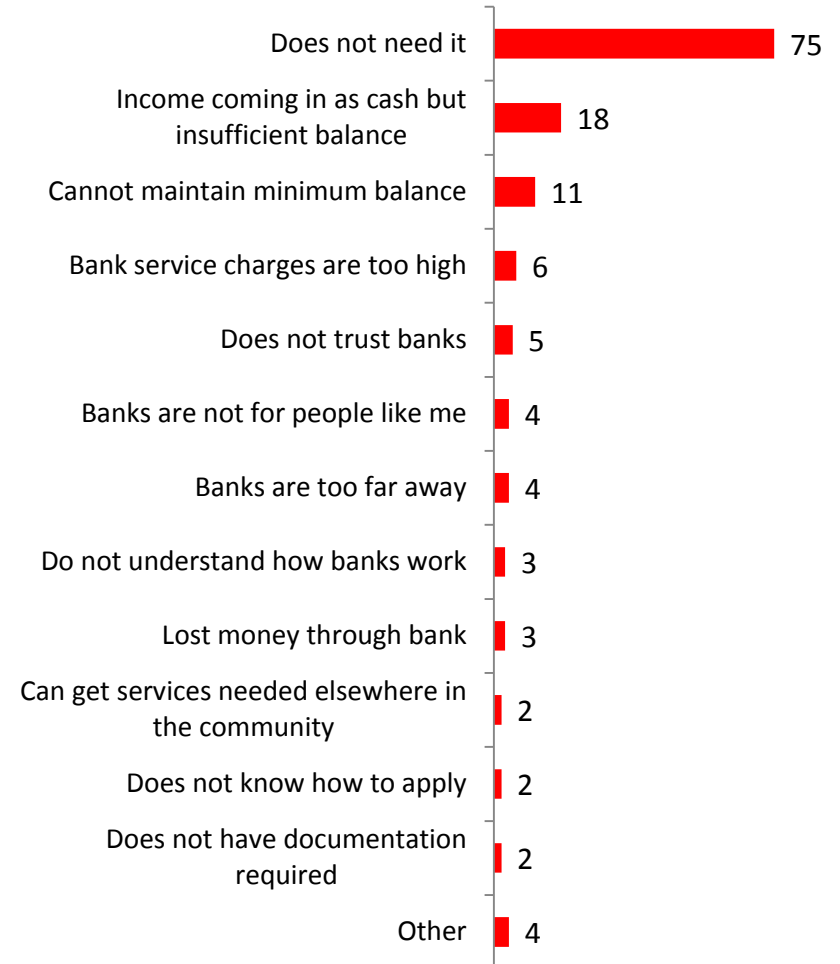
Banking: Drivers and barriers



31% of adults are banked in 2014



69% of adults are not banked in 2014



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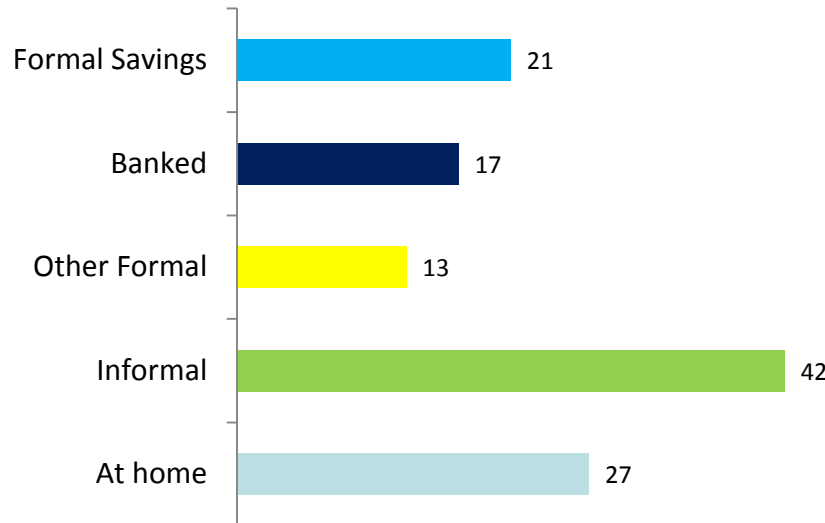
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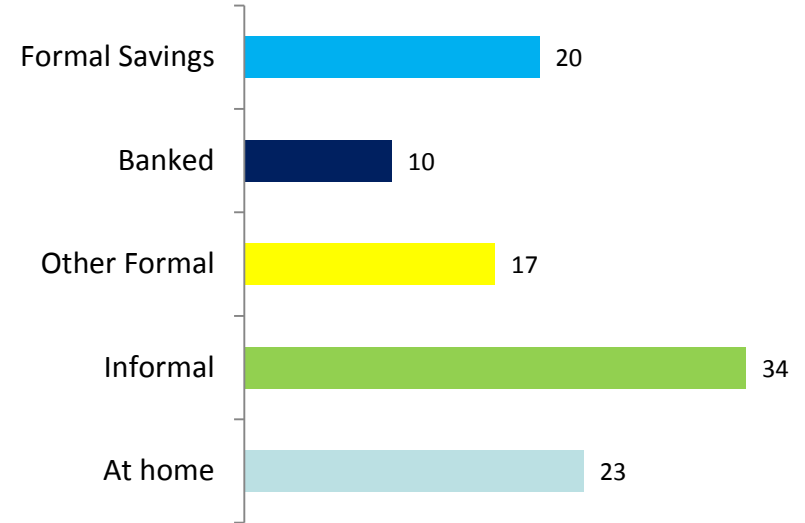
Savings and investments: Overview:



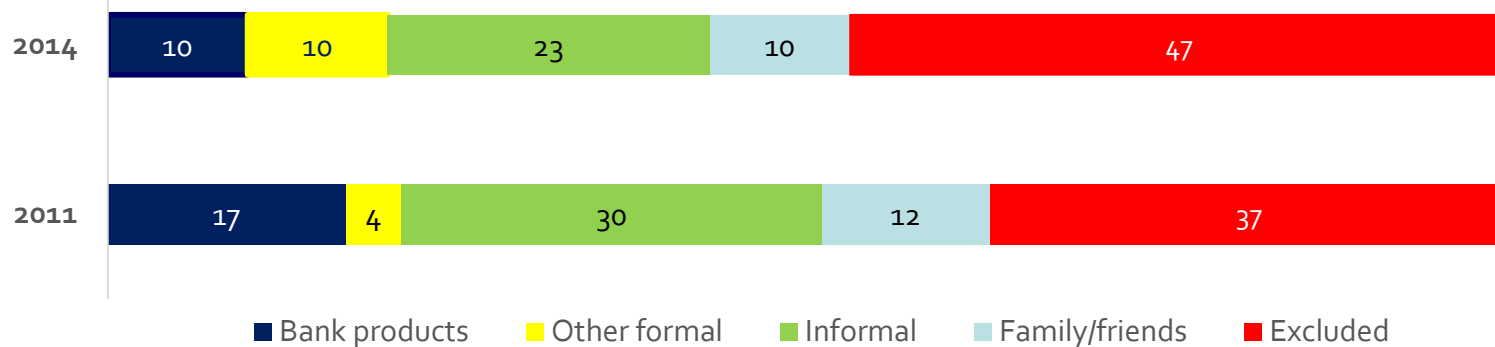
2011



2014



Savings Strand



Savings and investments:

Where is the decline?



Saving mechanisms	2011	2014
Savings through investing in cattle or livestock	20%	15%
Savings with a membership organisation (Mukando)	12%	11%
Saving through investing in your own business	7%	5%
Savings in a secret place or at home	24%	21%
Investing mechanisms	2011	2014
Unit trusts	23557	2728
Treasury bills and government bonds	2964	18129
Shares	49902	12864
Buying something to sell later at a profit	10%	4%

- **Formal savings is at 20% in 2014 (1,4 million adults) versus 21% in 2011 (1,2 million)**
- **Saving through livestock** is down by 5 percentage points
- Overall uptake of **informal** financial products/mechanisms (savings group) is down 17% in 2011 to 15% in 2014
- **Putting money into livestock, farming, business** to get profit has decreased in 2014 compared to 2011



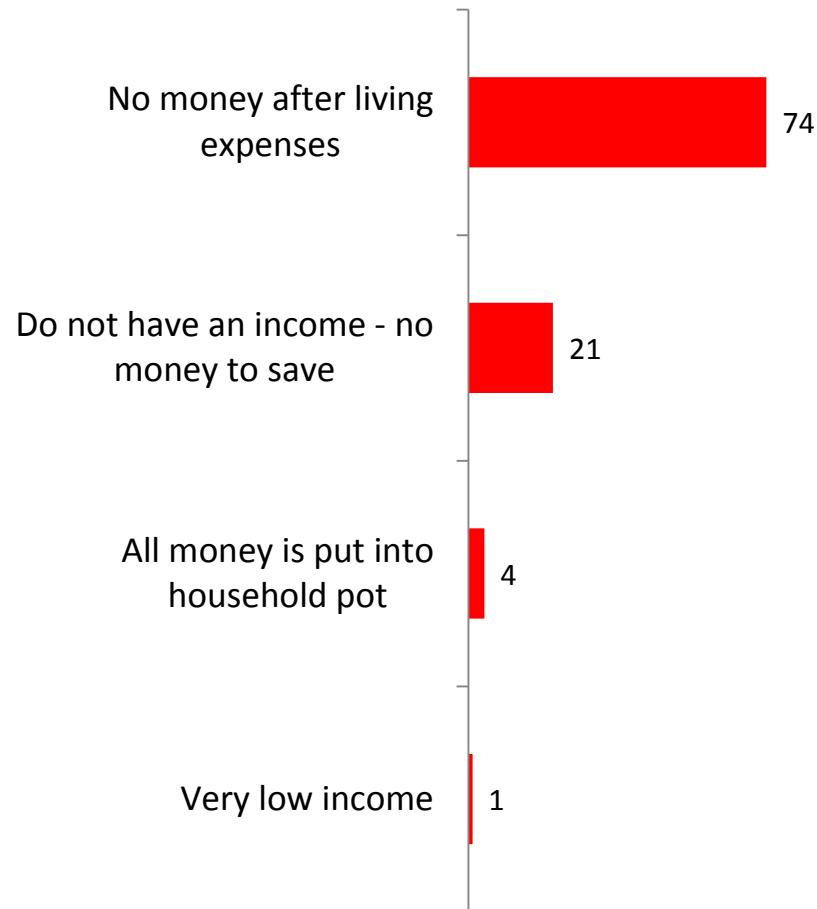
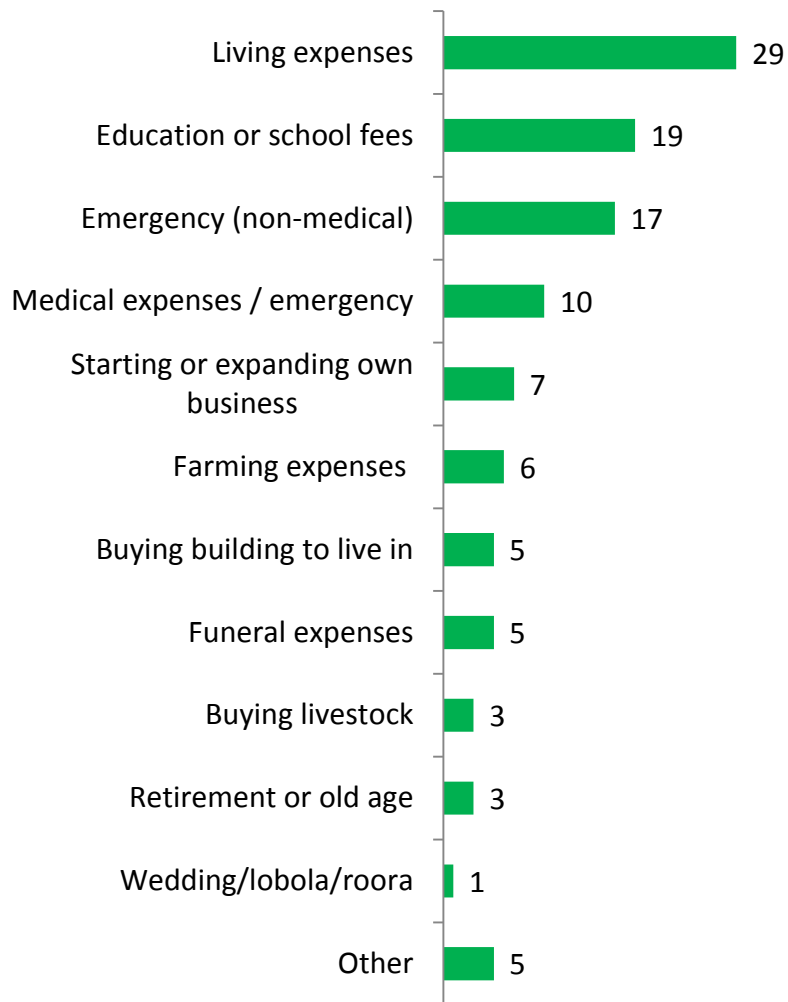
Savings and investments:

Drivers and barriers of Adults who save in 2014



53% of adults save

47% of adults do not save



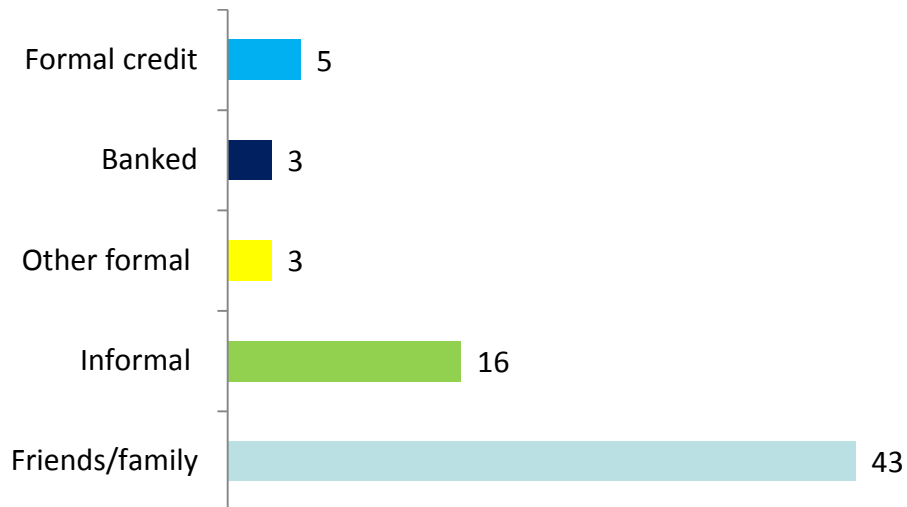
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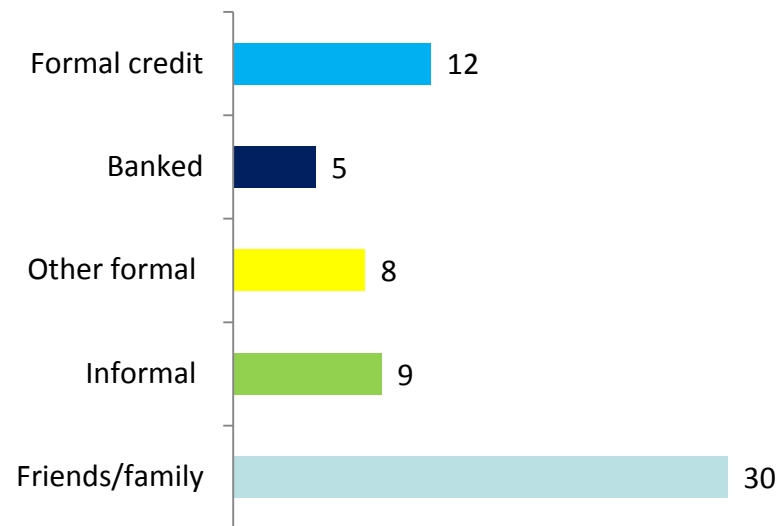
Borrowing and credit: Overview



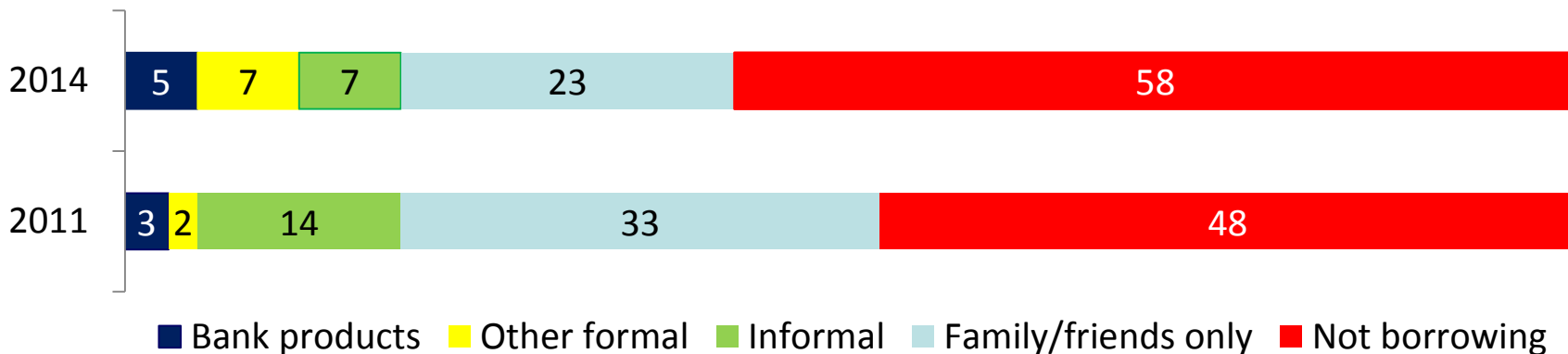
2011



2014



Credit Strand



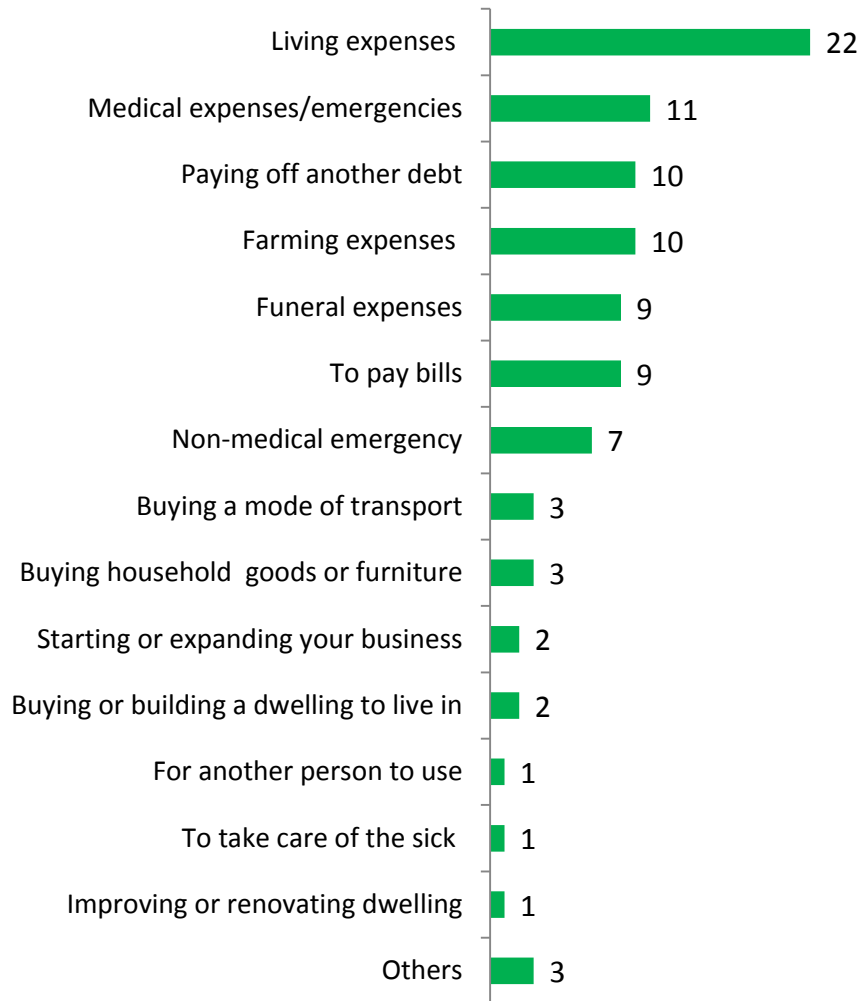


Borrowing and credit:

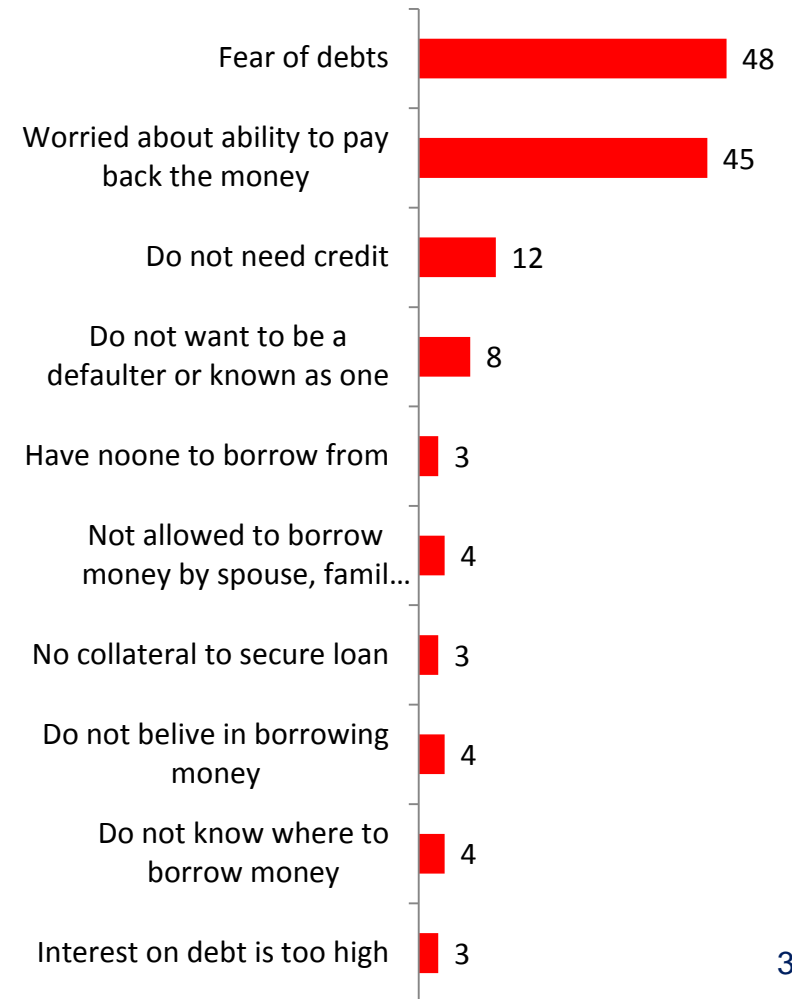
Drivers and barriers



42% have borrowing/credit products



58% do not borrow



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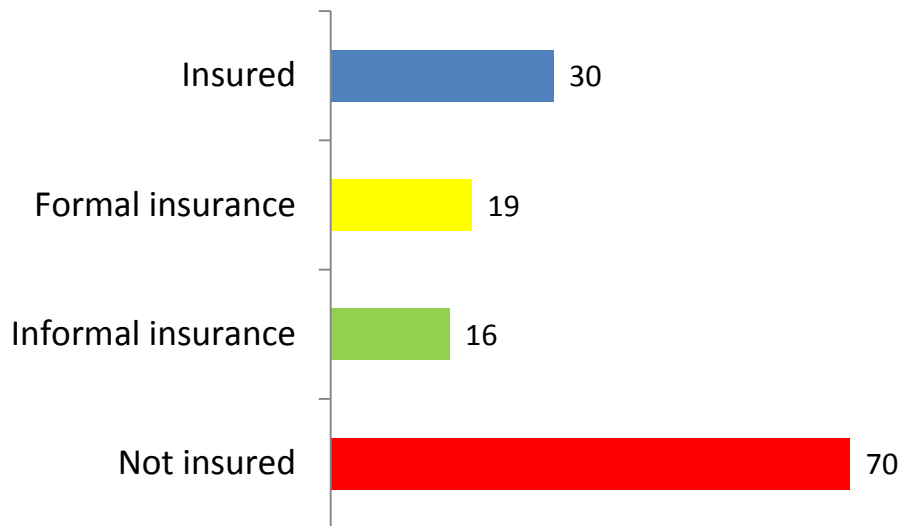
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Insurance and risk management:

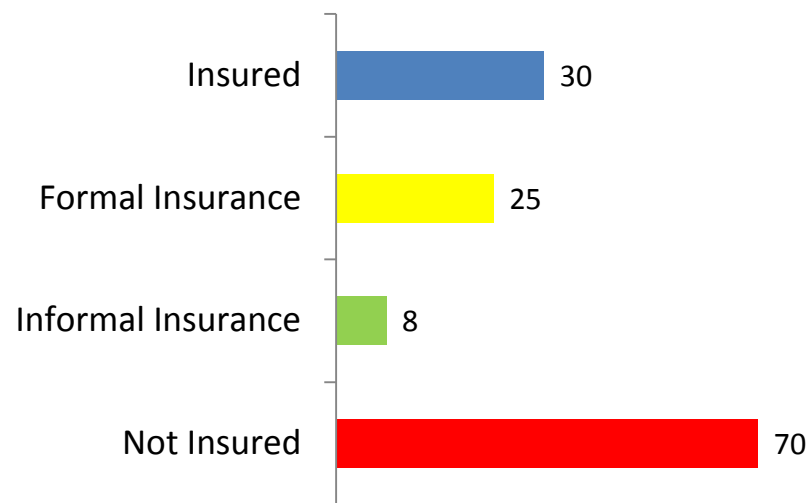
'Insurance sector in Zimbabwe continues to be driven by funeral insurance/cover and medical aid



2011



2014



30% of adults have insurance

Of those insured uptake of insurance products is driven by:

- Funeral cover/insurance 77%
- Medical aid (constant) 41%

Uptake of informal products is driven by:

- Burial society 76%

70% of adults do not have any kind of financial product covering risk

Main barrier to the uptake of insurance:

- Claim they cannot afford it / it is perceived too expensive (68% of the time)
- Claim they do not need insurance (30%)
- They do not know how insurance works (10%)

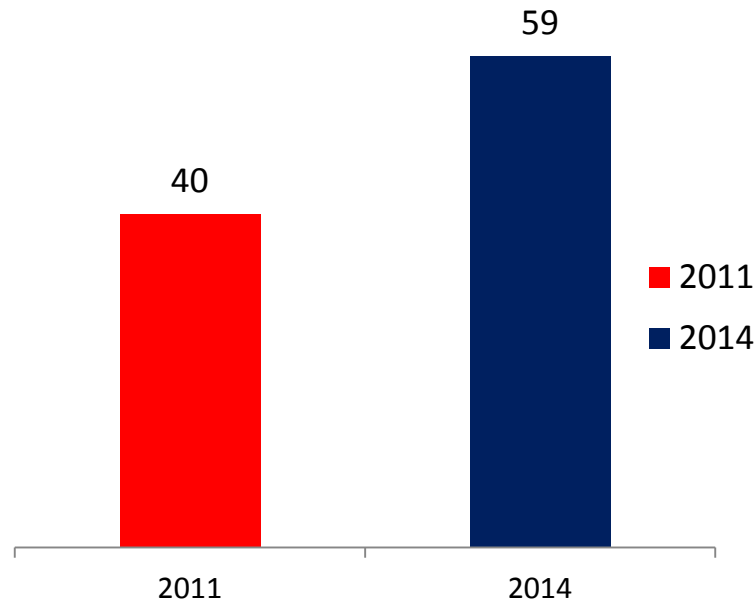
LITERACY

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Remittances



- In 2014, about **4,1 million (59%)** adults remitted in the past 12 months
- About 1 million adults remit across the border in 2014 up from 800 thousand in 2011

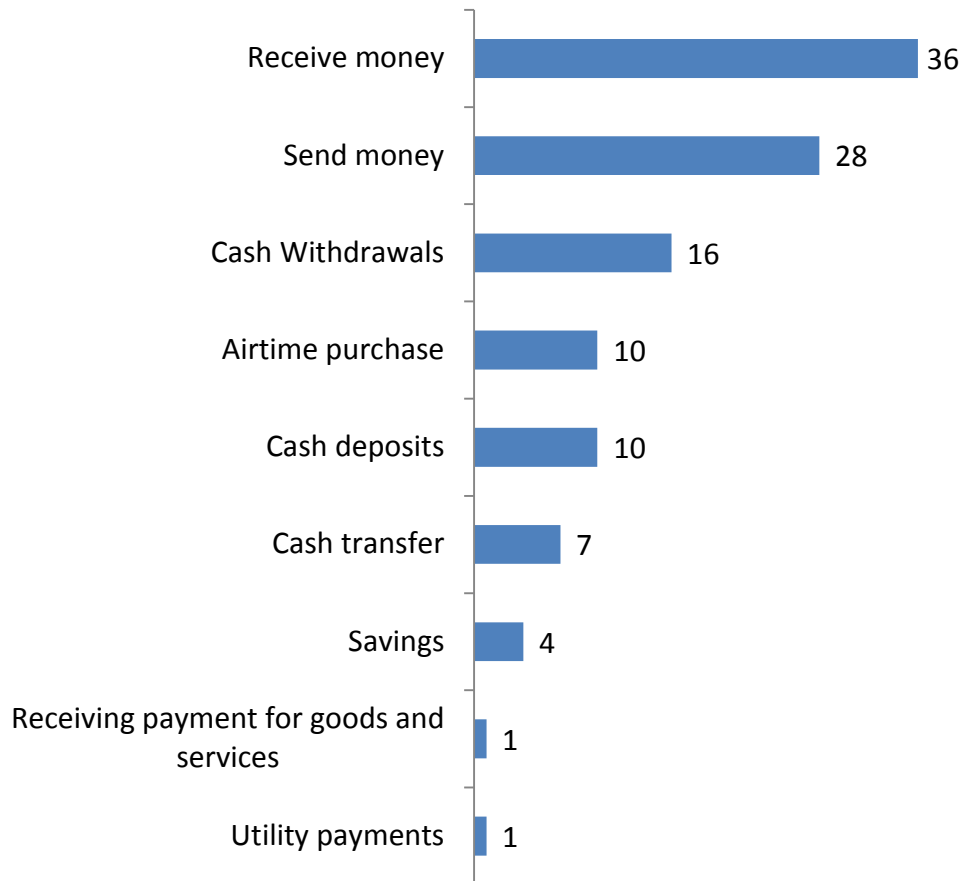
1. Do we need a diaspora strategy to leverage inward investments by migrant workers?
2. What about low-cost cross-boarder remittances?

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Mobile money



91% (6.7 million) know about mobile money, but only **45%** (3,15 million) are registered and **only 3%** (90 thousand) using another person's mobile account



Of those who are registered (3.2 mil):

- 41% use it to remit
- 24% transact through mobile money (pay utility bills, buy airtime, etc.)



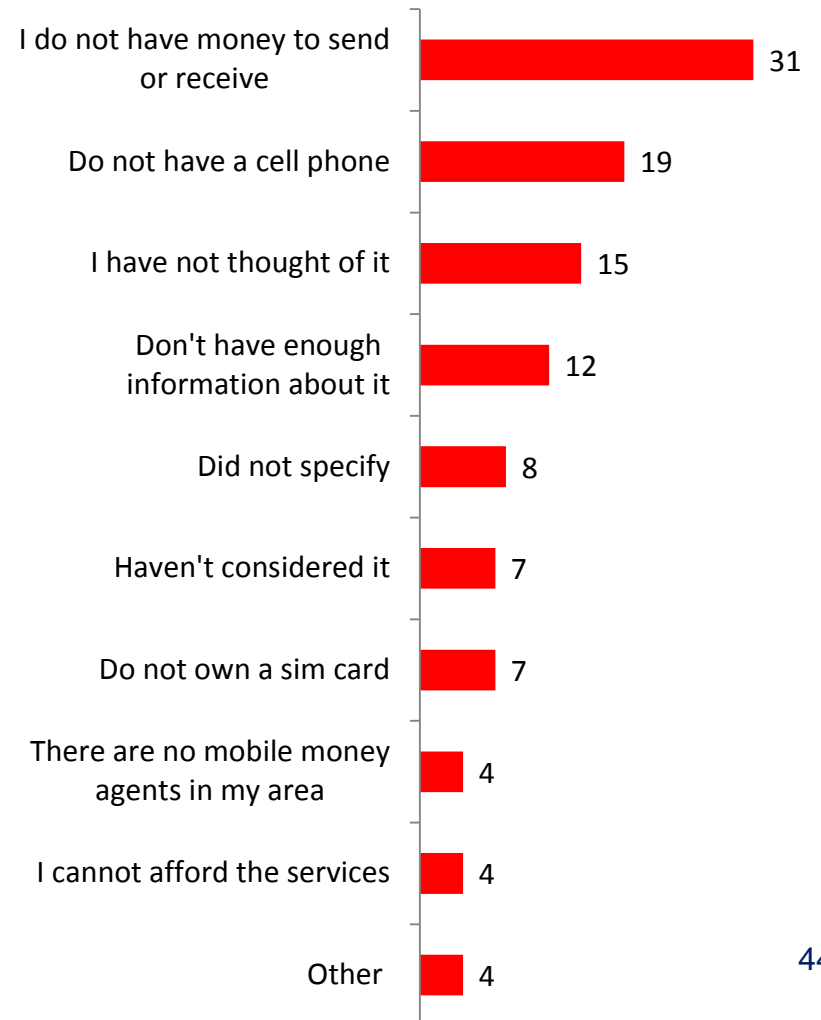
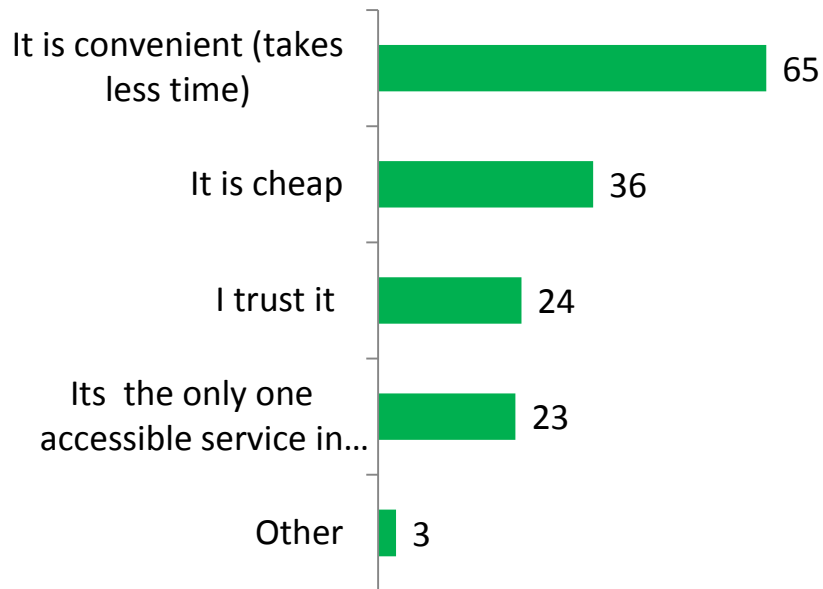
Mobile Money:

Drivers and barriers



45% use Mobile Money Services

55% do not use Mobile money



The drivers are split between rural/urban as follows:

- Convenience – Urban 46%; Rural 54%
- Cheap – Urban 48%; Rural 52%
- Trust – Urban 47%; Rural 53%
- Accessibility – Urban 40%; Rural 60%

Banking vs. Mobile Money

A comparison



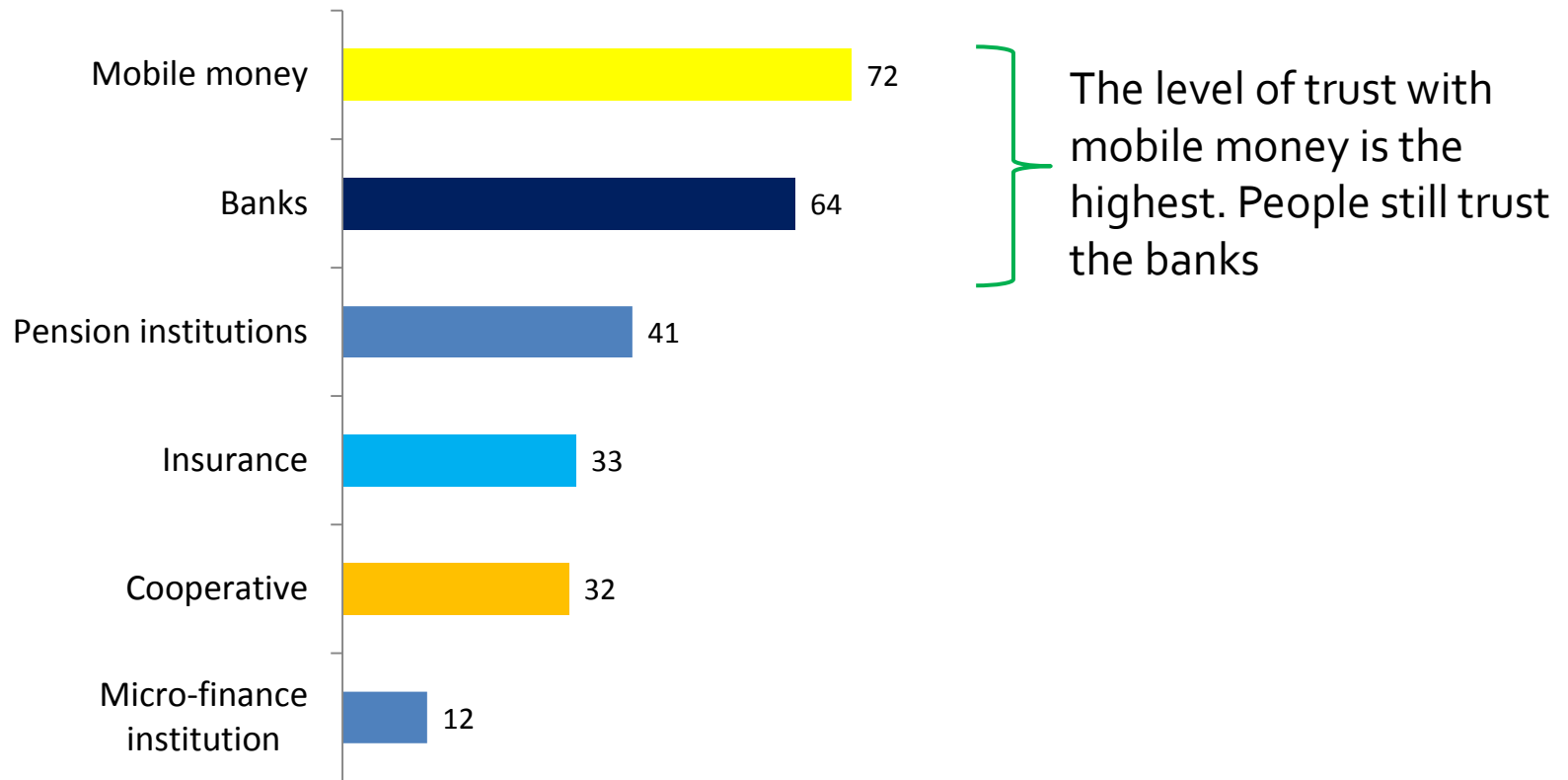
	Banking	Mobile Money
Credit products	16%	0.3%
Savings Product	31%	16%
Remittance products	26%	80%
Transactional	78%	46%
No. of adults with a product in Zimbabwe	31%	45%

Level of trust with financial institution

A comparison



Could trust be a limiting factor to financial inclusion?



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1. Understanding people's lives: Have people's lives changed?
2. Financial capability
3. Financial inclusion overview: Access Strands, total product uptake, Landscape of Access – what has changed since 2008?
4. Banking: Has it increased?
5. Savings and investments: Do people manage to save?
6. Borrowing and credit: Has the usage in credit increased?
7. Insurance and risk management: Did medical insurance remain its importance?
8. Remittance: Who is sending/receiving money?
9. Mobile money

10. Conclusions/Recommendation

Key headline findings/conclusion

- People still trust the banking system despite rumours of the return of the Zimbabwean Dollar in the near future
- Savings and Credit products are still largely driven by the banks; transactional products are still strong
- The major barriers to banking include the costs of products which are comparatively high
- Accessibility to banking infrastructure still a barrier in rural areas where 70% of adults still live
- Remittances within country are very prominent as well as those remitting outside Zimbabwe

Recommendations and Conclusion



- Understanding the lives of the banked vs unbanked in 2014 to help design suitable financial products
- Banking (deepening and broadening) and access to infrastructure (branchless banking)
- Mobile money continues to reach adults in the rural areas through remittances
- Regulation and policy – remittances, mobile wallets
- Savings and investment – promotion of savings and credit (financial smoothing)
- Financial literacy/Customer education
- Follow-up qualitative study is proposed to understand the underlying behaviour of the consumer in the mobile money, financial education, and etc.

Thank you

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