

# FINSCOPE 2003 – Botswana Pilot

## Usage of financial services

**A very high percentage of respondents are using one or more formal financial service but very few have loan products. Savings and transmission accounts are the most popular products.**

- 83% of respondents use one or more formal financial service and more than half of the respondents have a current account. Savings accounts have the highest usage with 58%.
- Of those who have a savings account, 40% are held with the Botswana Savings Bank (BSB). The most commonly used insurance products are life insurance, medical aid, and funeral policies.
- 75% of respondents say they send and receive money, and most people will use the BSB to transfer money. Respondents also make use of banks to send money (27%) but very little use banks to receive money. Money is also personally delivered by family and friends (28%). Remittances as a source of household income represent only 5% of all possible income sources.
- The store credit card is the most commonly used credit card.
- A relatively high dropout rate in the use of savings products (13%) and credit cards (14%) is evident, while the dropout rate for current account usage is only 4%.
- The three most commonly used products are savings/transmission accounts (current account), BSB savings account (savings), and store credit.
- ATMs and debit cards are used by 42% of respondents.
- Banking across the border is minimal since 98% of respondents said they did not have a bank account in South Africa.

**Informal financial services are regularly used and complement formal financial service usage.**

- 24% of respondents that use an informal product use both saving clubs and burial societies. Informal financial services are used by 38% of respondents. Only 4% of informal users use an unregistered moneylender.
- Of those who use at least one form of financial product, a high percentage, 42% are using both formal and informal services, while the majority, 55% use formal services only, and a mere 3% use informal services only. Users of informal products are also likely to use a formal product, since 94% of informal users also use a formal product.

**Those who are financially excluded represent less than a quarter of the respondents.**

- Only 15% of respondents reported not using any form of financial service (whether formal or informal), and 18% reported not using any formal financial service.

**The user index shows the use of multiple products.**

- On average, respondents are using 3.3 formal financial products (out of a user index of 25 products), or 3.6 financial products if informal products (3 products) are included in the index. 71% of respondents are using more than 2 financial products (formal and informal). This falls to 64% when looking at formal products only.

**There is extensive use of cash as payment medium.**

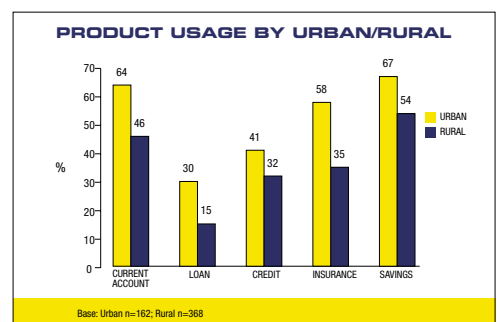
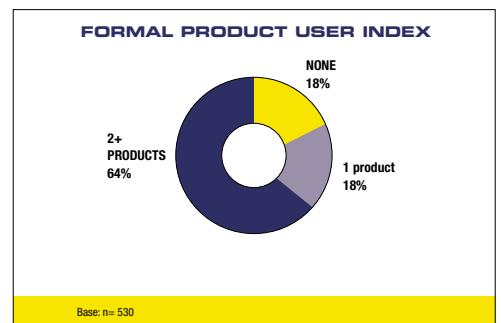
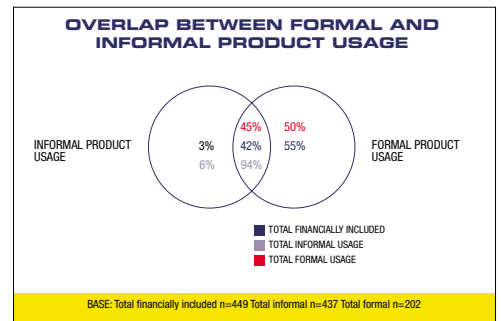
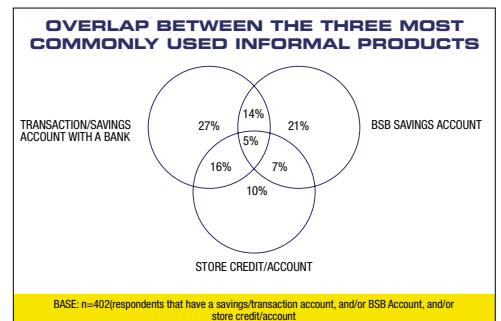
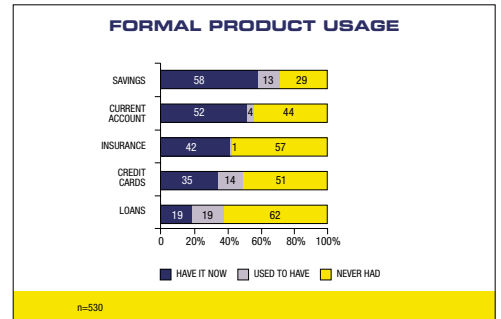
- Cash is used to pay for food (98%), transport (95%) and clothes (88%), amongst others.
- A combination of cash and store credit is used to pay for electronic goods and furniture.
- On average households receive their income from 4.9 sources. When looking at all multiple income sources of households, salary and wages are the most common income type, followed by subsistence farming, and business activities to a lesser extent. 80% of households have at least one person earning a salary or wage.
- Of the respondents who receive money as a payment medium (vs. in-kind), 65% say this is received in cash, and 56% say it is received through a bank. Income received from a salary is fairly evenly received through a bank (55%) and in cash (50%), while income from other sources (farming, business, remittances, pension, welfare grants) is received in cash. Transfer of funds is done regularly by using both banks and person to person.

## Characteristics of the sample

**The sample is best segmented by urban/rural, but some elements of values are cross-cutting, suggesting value behaviour should be included when profiling demand.**

**Urban/rural characteristics:**

- Rural:** The head of household is typically 42 years old, is usually female, and has low levels of education. On average, rural households earn less than P1000/mth, have an average of 5 members, and an average of 5.4 sources of income with 1.8 persons earning this income. 50% of rural households have a cellphone.
- Urban:** The head of household is younger (34 years), better educated, and can equally be male or female. On average urban households earn between P1001-P5000/mth, have 4 members, and an average of 3.8 sources of income with an average 1.7 persons in the household earning this income. 60% of urban households have a cellphone.



**Income profile:** 53% of sampled households earn between P1001-P5000/mth, while 40% earn less than P1000/mth, and 7% earn more than P5000/mth.

**Value behaviour:** From a set of 12 questions dealing with attitudes toward family, community and personal aspirations, factor analysis identified three value dimensions (communalism or community orientation; family-orientation; and individual materialism). Exploratory analysis shows that in Botswana these values might create an understanding of some elements of financial behaviour. Rural respondents show a strong community sense in the importance they attach to being recognised by the community in which they live, whereas urban respondents tended to be more materialistic, based on the importance they attach to having a nice car, or a house. Both urban and rural respondents place equal importance on family values, such as children's education, spending time with and providing for the family.

## Profiling and understanding demand

**Users of formal financial services tend to be more urban based, materialistic in their value behaviour, younger, and better educated.**

- Informal usage does not differ by region, and it tends rather to be females that are making use of informal products. Informal users are strongest on community values.
- As expected, there is a strong correlation between income and product usage, but in rural areas income becomes less of a differentiating factor.
- Older respondents were found to use fewer products, and rural households tended to be older.
- The financially excluded tend to live in rural areas and are older. They are less educated, and are less aware of financial institutions.

**In general there is a high awareness of and positive attitudes towards banks, however, older respondents were found to be less aware of banks and have more negative attitudes.**

- In general, older people find the bureaucracy of the bank more problematic than younger respondents. In rural areas older respondents are also more concerned about safety issues.
- The financially excluded, who tend to be rural and community oriented, seem to be more adverse to technology, and perceive banks to favour people who are comfortable with technology.
- Generally, the main problem in dealing with a bank is the minimum requirements. In the survey, bureaucracy, the procedures involved in opening an account (although not perceived to be a problem by many respondents) is the only problem that showed a correlation with usage of financial services. Therefore, the more problematic respondents find formal procedures, the more likely they are to have no or fewer financial services.

**Both informal and formal savings products are viewed as good ways of saving money, while riskier investment options are preferred.**

- Respondents lay claim to responsible attitudes towards credit and spending, and do not see money lending as a good investment.
- Respondents consider the BSB, a savings account at a bank, and saving with a burial society as good ways of saving. The financially excluded have a much stronger preference for burial societies.
- Respondents lack knowledge about formal investment products, such as unit trusts, shares and retirement annuities. Respondents who could form an opinion view buying into unit trusts and starting a business as the preferred investment instruments.

**Factors that appear to influence household financial needs are death and loss of a job.**

- Death of a household member (66%) and loss of a job (62%) are seen as the most destabilising factor of the financial security of the household. Among rural respondents, the death of a household member has the greatest impact, and loss of a job is perceived to have the biggest impact on urban household economics.
- A pre-coded list of possible unexpected expenses showed funeral expenses, debt repayment and life-cycle events as the most likely unexpected expense. Households cope with funeral expenses by a combination of borrowing money from family and friends, selling assets, and using their burial insurance.
- When expenses exceed their income, households tend to cope financially by relying on a combination of actions. The most common coping mechanisms are borrowing money (54%), family and friends (40%), savings (39%), and cutting down on household expenses (33%).

**Time rather than transport costs poses a bigger problem in getting to an ATM.**

- 64% of respondents need to use public transport to get to a bank/ATM. 43% of these respondents say it takes more than 30 minutes to get to the bank/ATM. For 53% of rural respondents it takes more than half an hour to get to a bank/ATM, compared to the 21% of urban respondents who travel more than half an hour. It costs P6.51 on average for a rural person, compared to P2.7 for urban people to get to a bank/ATM.

**Cell phone technology, given significant levels of coverage, may provide opportunities for financial service provision.**

- 53% of households have a cellphone. 69% of current-account holders have a cellphone, and 33% of the financially excluded have a cell phone. Only 1 out of every 4 households has an in-home telephone.

