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## Survey Highlights

**FinScope™**  
**South Africa 2004**



**FINMARK TRUST**

MAKING FINANCIAL MARKETS WORK FOR THE POOR

## FinMark Trust

Established in March 2002 with funding from the United Kingdom's Department for International Development, FinMark Trust aims to "Make Financial Markets Work for the Poor". In pursuit of this FinMark Trust aims to promote and support policy and institutional development towards increasing access to financial services by the un- and under-banked consumers in South Africa, Namibia, Botswana, Swaziland and Lesotho.

## FinScope™



The FinScope Research Programme was initiated in 2002 to achieve a measure and understanding of consumer demand across the four "Landscape of Access" categories. A full review of existing surveys and also primary research was conducted to establish credible, accurate benchmarking data on existing levels of access to basic financial services. Findings indicated that although many studies exist, none were dedicated to the financial aspects of consumer living.

### The Landscape of Access

- Transactions:** the provision of a secure mechanism in which funds can be deposited, transmitted and withdrawn to meet regular transactions needs;
- Savings:** the provision of secure means of accumulating money, whether on a contractual or discretionary basis, against future anticipated and unanticipated requirements;
- Credit:** the provision of funds in advance against a committed repayment stream, which may be further divided into distinct sub-markets for personal (unsecured) credit, and credit for particular purposes such as housing or business.
- Insurance:** the covering of a defined risk event in return for a premium, which includes life, burial, health and short-term insurance.

### FinScope Objectives

- In South Africa (SA), to support the measurement of the Financial Sector Charter targets and service provider initiatives.
- To determine the banking status of the markets
- To understand the differences between the banked and un-banked markets
- To understand the impact of access on banking involvement
- To understand the dynamics of the banking, insurance, investment, lending and retail sectors
- To profile the population and financial sectors through FSM segments
- To track any changes in the market from 2003

## FinScope Development

The FinScope pilot study, funded by FinMark Trust, was initiated in SA in October 2002 with a national urban sample of 850 households. The survey resulted in the initiation of the annual FinScope SA Syndicated study.

2003 saw 50% of the costs recovered through syndication and in 2004, 80%. 2005 will be the first fully syndicated SA study.

Survey findings are proprietary to syndicate members, with agreement between members and FinMark Trust on sections of the information being used for general market dissemination. The FinScope programme enables participating members to innovate services, product offerings and distribution strategies in efforts to broaden and deepen their market reach.

During 2003 FinScope was piloted in Botswana, Lesotho, Namibia and Swaziland with FinMark Trust contributing the required funding. The successful syndication of the South African programme has led to expansion into Botswana and Namibia, where 2004 saw the first syndicated studies executed. Swaziland and Lesotho will be targeted with appropriate funding structures in 2005.

## SA Syndicate members from 2003 to date



These parties co-operated in the design of the questionnaire, rendering new insights into consumer demand behaviour.

Syndicate members have utilised the FinScope information to review and innovate their approach to

their markets, with some exciting new innovations launched in the latter part of 2004. The market impacts of which should be reflected in the 2005 FinScope SA survey. The Financial Services Measurement Model (FSMs), has also been utilised by some of these organisations in their innovation processes.

## SA 2004 Survey

The survey targeted 3000 households nationally, 2988 interviews were achieved. Professor Stoker, previously of Stats SA and the Human Sciences Research Council were responsible for the design of the sample framework, which was developed to ensure national representation and to facilitate extrapolation of the survey findings at national spatial level through the use of enumerator areas and the FSM model.

These definitions were applied to the 2001 Census Enumerator Areas:

■ Urban Formal	Municipal Towns & the Like
■ Urban Informal	Squatter Areas (No Streets)
■ Rural Formal	Includes Commercial Farms, Hostels, Mines
■ Tribal Land	Deep Rural

Individuals over the age of eighteen were targeted in 2003, for 2004 this was changed to 16 years and older – a consumer may legally hold a bank account from that age and the number of child-headed households is growing in Southern Africa – hence the need to reach younger respondents.

## SA Survey Content

### 2003

- General money matters
- General banking
- Burial societies
- Stokvels and savings clubs
- Investments and savings
- Credit and loans
- Long-term insurance
- Short-term insurance
- Financial Sophistication Measure (FSM)
- Everyday Quality of Life (EQLi)
- Afrobarometer/poverty measure
- LSM

### 2004



Debt section extended

Insurance section extended



- FICA question added
- Housing section added
- Brand lists extended
- Explanations and routings simplified

# FSM –“Financial Services Measures” Development – a new definition of the market

FinScope 2003 findings were used to create the FSMs. The model, is not income dependant and measures behaviours, attitudes, consumption and experiences. The latter being necessary to deepen market insights, since survey findings indicate that “previously banked” and “un-banked” consumers hold views which indicate that banking facilities are not essential services and general quality of life paradigms could impede consumer take-up of new services. The model captures:

- financial services consumption,
- physical access to these services,
- attitudes towards money – including financial literacy and discipline,
- general sense of wellbeing and
- general psychographics.

8 tiers have been identified across the population. FSMs can be applied in conjunction with other segmentation models.

The 2004 SA findings validated that the FSM model effectively segments the population on a continuum of poor to wealthy, with the benefit of deeper and new insights into each consumer tier. The model also successfully segmented the findings for Namibia and Botswana and 2005 will see these local markets using the model to test its effectiveness in operation. The model and associated self-scoring questionnaire can be accessed on the FinScope website – [www.finscope.co.za](http://www.finscope.co.za)

## The future ...

FinScope is an exciting innovation, proving its worth in South Africa, with demand for similar studies growing in other countries. Enquiries have been received from Zambia, Nigeria, Zimbabwe, Kenya, Uganda and Egypt.

The programme is portable and forms a critical information base for organisations wanting to reach the poor and to identify new market opportunities. It is also effective in exposing possible barriers to consumer uptake. The questionnaire evolves over time as subject areas require focus and market insights grow.

Knowledge is power; and in the transformation process FinScope is set to become a critical reflection of the successes and failures in elevating consumers economically.

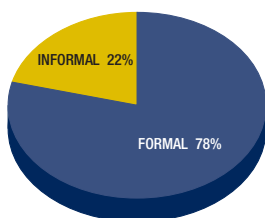
For information on FinMark Trust and FinScope, please call FinMark Trust on 011 315 9197 or consult: [www.finmarktrust.org.za](http://www.finmarktrust.org.za) or [www.finscope.co.za](http://www.finscope.co.za)

# Lifestyles and living conditions

These are some of the highlights from 2004 findings. A more comprehensive understanding can be obtained by mining the FinScope database.

## DWELLINGS PEOPLE LIVE IN

- Most South Africans claim to live in a formal brick dwelling
- In terms of informal dwellings, people are more likely to live in a squatter camp than any other informal structure



### INFORMAL (n=397)

- 11% Squatter shack
- 8% Other informal dwelling
- 1% Backyard: outbuilding/garage/backroom/shack
- 1% Shack in urban area

### FORMAL (n=2591)

- 70% Brick house/part of a brick house
- 6% Flat/maisonette/townhouse
- 2% Other formal dwelling
- 1% Hostel

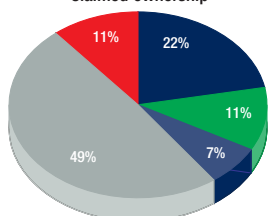
29% of black people live in informal dwellings



## PERCEIVED OWNERSHIP

- Many black people are unsure if there is actual proof of owning their dwellings – leads to the belief that, although perceptually they own their dwellings, legally they do not
- Black people also more likely to own only the materials of the dwelling
- 11% have written proof they own the land their home is built on
- White and Asian people are the most likely to say they own their dwellings through legal means

### Claimed ownership

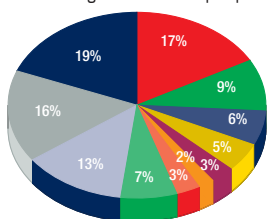


### Can prove ownership

	Black (n=1213) %	White (n=460) %	Coloured (n=371) %	Asian (n=132) %
The land the home is on	11	9	7	12
Actual buildings and materials	8	3	5	2
Both land and buildings	43	74	63	77
No proof	14	2	7	2
Don't know/unsure	24	12	18	7

## HOUSEHOLD PROFILES

- On average, the population has 4 people living in a home
- Black people and those people living in tribal lands have the highest average number of people living in one home



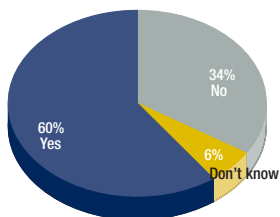
- 7% One
- 13% Two
- 16% Three
- 19% Four
- 17% Five
- 9% Six
- 6% Seven
- 5% Eight
- 3% Nine
- 2% Ten
- 3% Eleven

	Average no. of people
<b>Race</b>	
Black (n=1570)	5
White (n=655)	3
Coloured (n=559)	5
Asian (n=204)	4
<b>LSM</b>	
1-5 (n=1591)	5
6-7 (n=718)	4
8-10 (n=679)	4
<b>Geographical area</b>	
Urban formal (n=2088)	4
Urban informal (n=195)	4
Rural formal (n=215)	5
Tribal land (n=490)	6

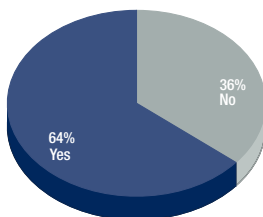
## HEAD OF THE HOUSEHOLD PROFILED

- 48% of the sample claim to be the head of the household or one of the heads of the household
- Of these people only 64% are employed

Does the head of the household have a bank account?



Is the head of the household employed?

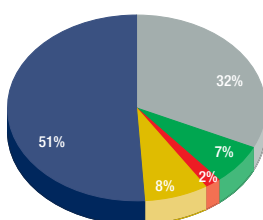


This begs the question of whether there is a link between having a bank account and being employed?

## INCOME EARNERS PER HOUSEHOLD

- On average, one income earner supports four people in the household

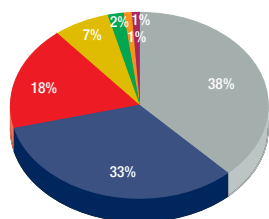
- 8% None
- 51% One
- 32% Two
- 7% Three
- 2% Four



No of income earners	1 (n=234)	2 (n=499)	3 (n=522)	4 (n=591)	5 (n=486)	6 (n=271)	7 (n=132)	8 (n=110)	9 (n=60)	10 (n=42)	10+ (n=41)
1	86	51	57	53	46	41	51	36	33	24	34
2	-	35	27	34	36	40	29	47	36	38	29
3	-	-	7	4	8	9	12	11	15	25	21
4	-	-	-	2	2	3	3	-	8	6	13
5	-	-	-	-	1	-	-	1	3	-	-
None	14	14	9	7	7	7	5	5	5	7	3

## HOW MANY ARE JOB-HUNTING?

- Black and coloured households have more people seeking jobs (two on average)
- The higher LSMs are more likely to only have one person seeking a job
- People who claim to be unemployed/not working are generally looking for a job
- 7% of households have 2 people seeking work
- 21% are unemployed
- 24% are involved in formal employment

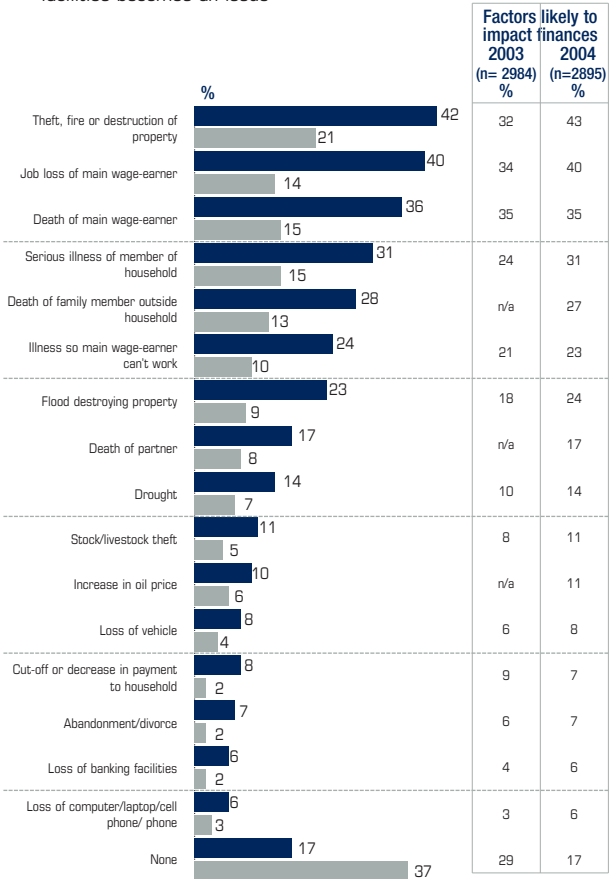


- 38% None
- 33% One
- 18% Two
- 7% Three
- 2% Four
- 1% Five
- 1% Six

Race	Average no. of people
Black (n=1570)	2
White (n=655)	1
Coloured (n=559)	2
Asian (n=204)	1
LSM	
1-5 (n=1591)	2
6-7 (n=718)	2
8-10 (n=679)	1

## PERCEIVED RISKS

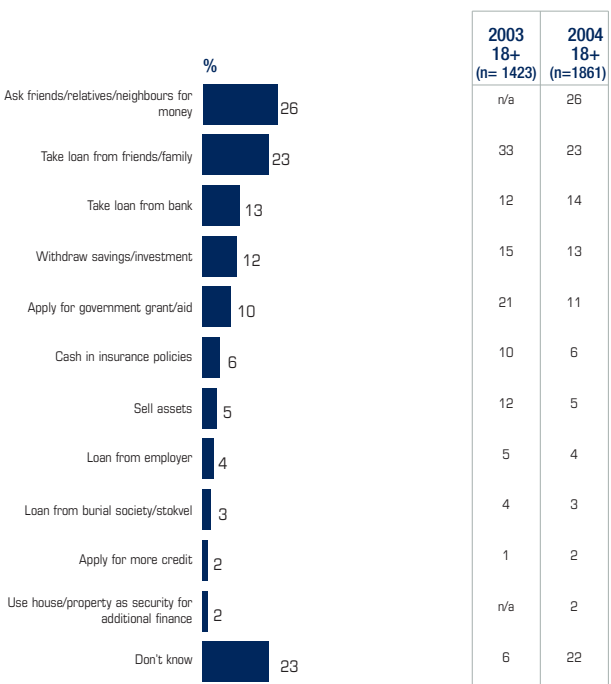
- After shelter, the next greatest threat is the loss of income from the main wage-earner of the household
- Overall, there are many other concerns before loss of banking facilities becomes an issue



■ Factors likely to impact finances   
 ■ Factors likely to happen  
 Factors below 6% are not shown.

## COPING STRATEGIES FOR PERCEIVED RISKS

- Only one in eight people believe that approaching the bank for a loan is the way to deal with financial life events



## LIVING CONDITIONS

34% of people claim to have often gone without a cash income

	%	Black (n=1570) %	White (n=655) %	Coloured (n=559) %	Asian (n=204) %
Gone without cash income	42	48	7	35	15
Felt unsafe from crime in home	34	34	21	29	28
Gone without medicine/- medical treatment	30	35	4	21	11
Gone without enough food to eat	28	31	4	17	4
Gone without electricity in home	23	27	1	10	3
Gone without fuel to heat home/cook food	17	18	1	9	2
Gone without clean water (drink/cook)	16	18	0	4	0
Gone without shelter	2	2	0	1	0

## WHAT IS THE ACCESS TO PRODUCTS AND SERVICES?

	Total (n=2988) %	Black (n=1570) %	White (n=655) %	Coloured (n=559) %	Asian (n=204) %	Urban Formal (n=2088) %	Urban Informal (n=195) %	Rural Formal (n=215) %	Tribal Land (n=490) %
Telkom public phone	57	60	35	61	34	59	62	66	48
Cellphone	46	40	84	37	64	54	35	30	35
Telkom phone at home	19	8	63	38	82	32	5	3	2
Telkom phone at a friend/work	11	6	35	19	22	15	5	13	3
Personal computer at home/work/elsewhere	9	3	46	7	25	15	1	1	1
A fax machine at home/work/elsewhere	6	2	35	6	17	10	0	1	1
Internet at home/work/elsewhere	6	1	34	5	15	9	0	1	0
E-mail at home/work/elsewhere	5	1	34	4	12	9	0	0	0
None	17	21	1	7	1	7	27	23	33

## FICA COMPLIANCE

81% of population use ID book to prove identity and address

	Total (n=2988) %	Black (n=1570) %	White (n=655) %	Coloured (n=559) %	Asian (n=204) %	Urban Formal (n=2088) %	Urban Informal (n=195) %	Rural Formal (n=215) %	Tribal Land (n=490) %
ID Book	81	80	83	80	88	83	72	81	79
Electricity/water bill	25	20	55	26	45	32	17	9	16
Bank statement	12	9	33	10	24	15	7	12	8
TV License	12	7	30	19	32	17	3	7	5
Municipal rates invoice	10	7	22	16	26	15	4	5	2
SARS tax return	8	5	28	8	15	12	3	1	3
Telkom Phone account	6	2	29	10	29	11	1	3	0
Long/short term insurance policy	6	3	22	6	12	9	1	1	1
Passport	6	3	18	4	21	8	2	5	1
Lease/rental agreement	2	2	9	1	3	4	0	1	0
Other	1	1	1	2	3	1	0	0	1
None	13	15	4	13	3	10	23	17	16

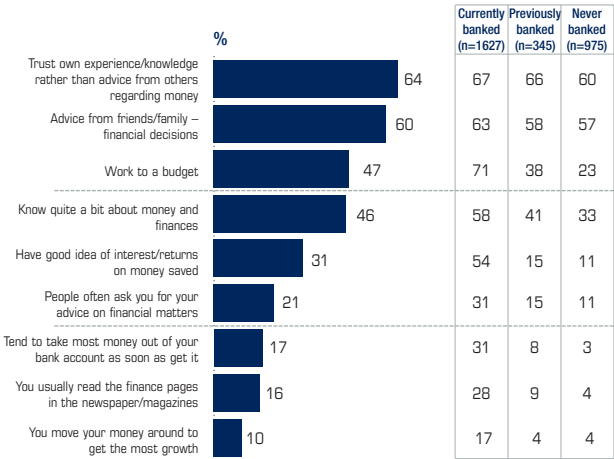
## HOW HAPPY ARE PEOPLE? Self-descriptors – Top 10

- Overall, white people tend to be the most positive
- Black people are more community orientated – more friends/family support?

	Total (n=2988) %	Black (n=1570) %	White (n=655) %	Coloured (n=559) %	Asian (n=204) %	Urban Formal (n=2088) %	Urban Informal (n=195) %	Rural Formal (n=215) %	Tribal Land (n=490) %
Friends/family to turn to	73	74	67	74	71	74	72	74	72
Cheerful happy	57	54	66	68	68	60	50	50	55
Physically fit	55	55	54	58	51	56	52	56	54
Feel well/good health	54	51	68	61	53	58	42	52	50
Life has meaning	53	50	64	55	60	57	43	47	47
Seldom drink	50	50	55	48	52	49	50	51	53
Feel alive	50	47	65	55	59	52	50	47	47
Spiritual person	41	37	56	54	55	44	32	43	40
Have enough leisure	40	34	70	51	53	49	28	28	28
Satisfied with achievements	31	25	62	37	56	37	23	19	23

## HOW FINANCIALLY ASTUTE IS THE MARKET?

- Consumers say they are more financially astute than what they really are as most people seek advice or verification on their decisions
- Their claimed astuteness is not reflected in their behaviour

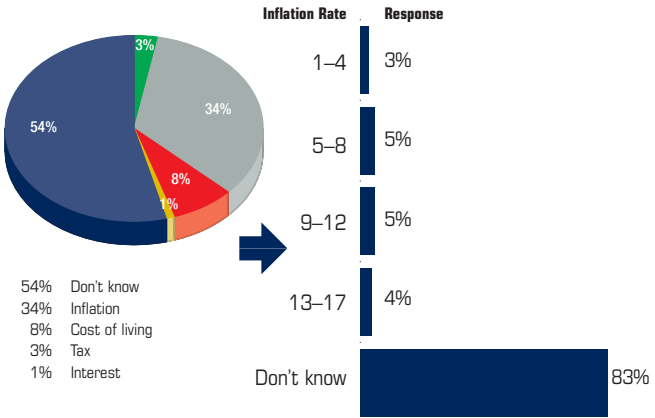


## HOW PEOPLE DESCRIBE INCREASES IN PRICES

- Only one-third of the population knows the term for current price increases in SA (inflation)
- Of those who know this term, the majority do not know what the current inflation rate is
- FSM skew – low awareness of what inflation is amongst lower FSM tiers (15% for tier 1 and 21% for tier 2). Much higher awareness amongst upper FSM tiers (79% for FSM 7 and 88% for FSM 8)

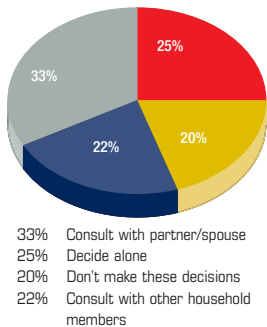
Words describing annual price increase (n=2988)

Current inflation rate 2003 (n=1015)



## FINANCIAL DECISION MAKING

- 58% of the population makes financial decisions on their own or in consultation with a partner/spouse
  - Financial decision-making increases by FSM tier
  - Also more prominent in white market and amongst banked segment



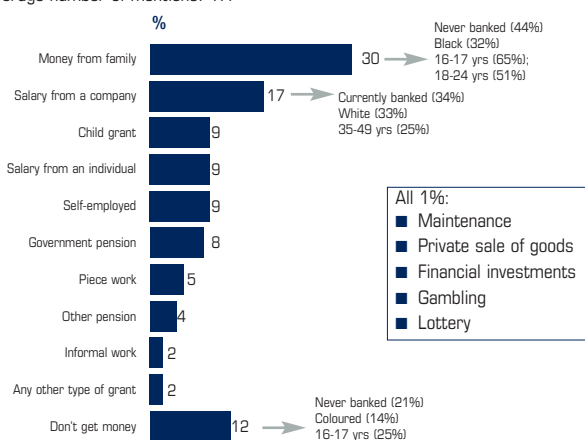
Who are most likely to make decisions on their own or in consultation with partner/spouse

Currently banked	73%
Previously banked	61%
Never banked	41%
Black	55%
White	80%
Coloured	56%
Asian	63%

## MAIN INCOME SOURCES

- On average, consumers claim to have only one source of income – this indicates a lack of any back-up source
- Almost one-third of the population obtains money from friends/family as their main source of income

Average number of mentions: 1.1



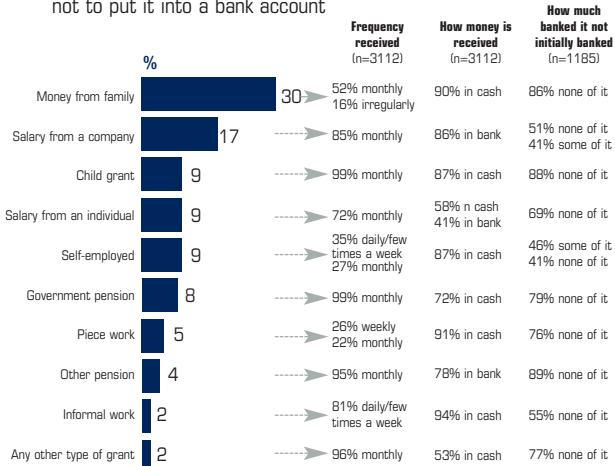
## MAIN SOURCE OF INCOME BY FSM TIER

- FSM 1 and 2 consumers are the most likely to be getting their main source of income from family. One quarter of FSM 1 consumers also claim to receive no money at all
- Incidence of getting a salary from a company, and with being self-employed, increased with higher FSM status

	Total (n=2988) %	FSM 1 (n=553) %	FSM 2 (n=550) %	FSM 3 (n=351) %	FSM 4 (n=363) %	FSM 5 (n=374) %	FSM 6 (n=379) %	FSM 7 (n=249) %	FSM 8 (n=169) %
Money from family	30	38	43	32	27	20	12	12	4
Salary from a company	17	1	2	9	22	35	42	50	48
Child grant	9	13	13	10	8	4	3	2	–
Salary from an individual	9	6	7	7	13	10	15	8	12
Self-employed	9	4	5	8	10	10	14	16	27
Government pension	8	8	8	15	8	9	5	1	2
Piece work	5	5	7	6	7	6	2	1	–
Other pension	4	2	1	4	2	7	10	11	8
Informal work	2	2	1	5	2	5	1	–	–
Any other grant	2	2	2	4	4	2	–	–	–
Don't get money	12	25	17	8	3	1	4	2	2

## MAIN SOURCE OF INCOME (CONTINUED)

- Overall tendency is for people to receive money on a monthly basis
- Money tends to be paid into the bank only if it is a salary or pension
- If money is not initially received via a bank account, the tendency is not to put it into a bank account



## SUMMARY OF GENERAL MONEY MANAGEMENT

- Consumers claim to be financially astute – in particular, banked consumers
  - However, most still obtain financial advice from friends/family
  - In addition, there is low awareness of the term “inflation” and what rate it currently stands at
- Most consumers make financial decisions on their own or in consultation with a partner/spouse
  - Skew to upper FSM tiers, white market and currently banked
  - Only 20% claim not to make financial decisions at all
- Parents do have an influence on banking uptake
  - Banked consumers more likely to claim that their parents are also banked
  - Half of consumers that have banked parents tend to be with the same bank as the parents
- Income in SA is more likely to be obtained from family/friends than it is to be obtained from a company
- In many instances, several people may be dependent on one salary/wage

# Banking Profiles

## HOW MANY PEOPLE ARE BANKED?

**No. of banked adults in South Africa (2004)** **13 197 589**

Banked definition: Anyone who currently uses

- ATM/Debit/Credit card
- Savings Book/Post Office Savings/Savings/Transmission account
- Current/Cheque account
- Fixed deposit
- Garage Card
- Money market account or a
- Mortgage

**No. of previously banked adults in South Africa (2004)** **3 563 036**

**No. of never banked adults in South Africa (2004)** **12 272 785**

un-banked

**Total No. of un-banked adults in South Africa (2004)** **15 835 821**

## HOW IS THE BANKED/UN-BANKED POPULATION DISPERSED?

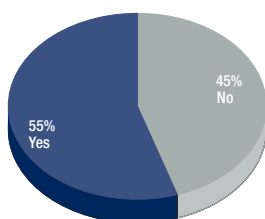
	Total (n=2988) %	Currently Banked (n=1628) %	Previously banked (n=353) %	Never banked (n=1007) %	Currently banked	
					2003 18+ (n=2894) %	2004 16+ (n=2895) %
<b>Race</b>						
Black	77	64	83	89	66	64
White	11	23	3	1	23	23
Coloured	9	8	13	9	8	8
Asian	3	5	1	1	3	5
<b>Province</b>						
Eastern Cape	13	14	10	13	12	14
Free State	6	4	6	8	5	4
Gauteng	23	25	27	18	28	26
KwaZulu Natal	20	22	20	19	19	21
Mpumalanga	7	6	7	8	6	6
Northern Province/Limpopo	10	7	8	14	7	7
Northern Cape	2	1	2	3	2	1
North West	8	7	8	10	8	7
Western Cape	11	14	12	7	13	14
<b>Area definition</b>						
Urban Formal	58	69	58	44	71	69
Urban Informal	8	7	10	10	6	7
Rural Formal	6	4	5	8	4	4
Tribal Land	28	20	27	38	19	20
<b>Gender</b>						
Male	47	48	47	45	47	49
Female	53	52	53	55	53	51

## ACCESSIBILITY OF BANKS

- Overall, banks are not very accessible to consumers – in particular to those that can least afford this service
  - Cost and time travelling to a bank

(n=1628)

### Incidence of using public transport to go to a bank



### Average cost of public transport to the bank (return trip)

- On average, a return trip to the bank costs R12.30
- |                |        |
|----------------|--------|
| Urban formal   | R9.80  |
| Urban informal | R10.40 |
| Rural formal   | R12.60 |
| Tribal land    | R16.60 |

Average cost	2003 18+	R10.30
	2004 18+	R12.30

### Average time taken travelling to a bank

- On average, people are taking 20.3 minutes to get to a bank
- |                |              |
|----------------|--------------|
| Urban formal   | 15.0 minutes |
| Urban informal | 20.3 minutes |
| Rural formal   | 27.0 minutes |
| Tribal land    | 36.2 minutes |

Average time	2003 18+	18.6 mins
	2004 18+	20.4 mins

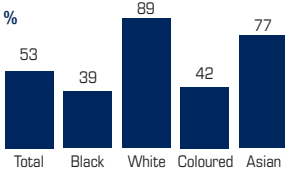
- Usage of public transport skewed to black consumers (77%), lower FSM tiered consumers (tiers 2-5) and to those living in tribal lands, informal urban and formal rural areas

Public transport usage	2003 18+	59%
	2004 18+	56%

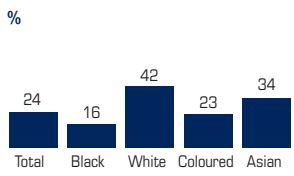
## PERSONAL EXPERIENCE WITH PRODUCTS AND SERVICES

(n=2988)

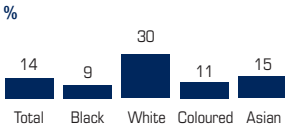
### Bank accounts – Nett



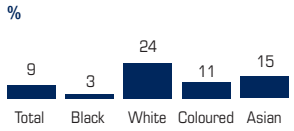
### Retail cards – Nett



### Loans – Nett



### Housing – Nett

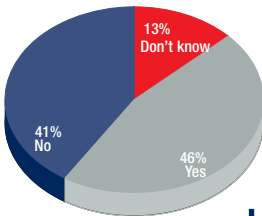


## PARENTS' BANKING AND INFLUENCE ON UPTAKE

- White consumers are the most likely to claim that their parents have a bank account (84%)
- They are also the most likely to claim to have a bank account with the same institution as their parents
- 62% of currently banked consumers claim their parents also have a bank account, compared with just 29% of previously banked and 35% of never banked consumers

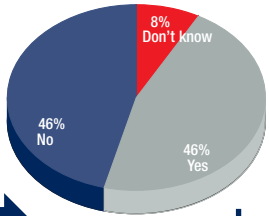
### Incidence of parents being banked

(n=2988)



### Whether banked at same institution

(n=1023)



FSM 1	29%
FSM 2	38%
FSM 3	43%
FSM 4	50%
FSM 5	59%
FSM 6	62%
FSM 7	79%
FSM 8	92%

Black	41%
White	84%
Coloured	44%
Asian	51%

No FSM skews

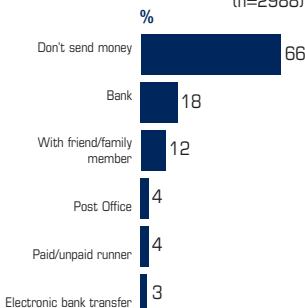
Black	46%
White	50%
Coloured	28%
Asian	30%

## WAYS OF SENDING AND RECEIVING MONEY

- Most people claim not to have sent or received money in the past 6 months
- Lower incidence of sending money amongst lower FSM tiers – 83% of tier 1 and 77% of tier 2 don't send money – no money to send? Lower FSMs also more likely to say they don't receive money
- Where people are sending and receiving money, banks are the number one choice – over and above family members/friends – safety issue?
- Banks preferred by upper FSM tiers. Amongst lower FSM tiers (FSM 1–3), preference is for using friends/family members

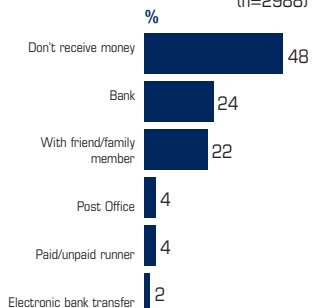
### How usually send money

(n=2988)



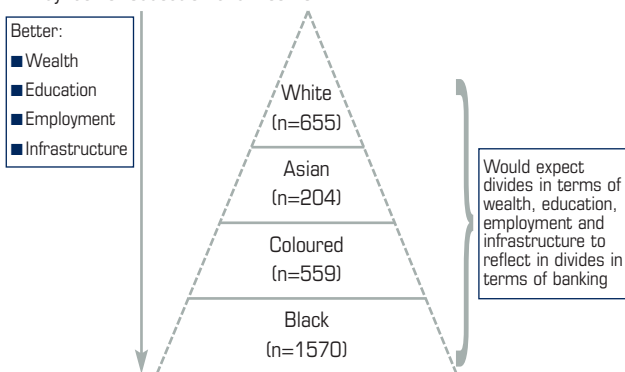
### How usually receive money

(n=2988)



## HIERARCHY OF ACCESS TO INFRASTRUCTURE/SERVICES

- There are more un-banked people in South Africa than there are banked people (also driven by inclusion of 16 and 17 year olds in the sample)
- Main reason for being un-banked is lack of job/regular income
  - No money = no need for bank account
- 'Previously banked' people tend to cite cost issues more as a barrier to banking than the 'never banked' people
  - To keep lower income banked people in, banking must be affordable
- If people had money, they would put it in the bank rather than anywhere else
- Overall, white South Africans have better access to all amenities, and certainly earn more. They have better employment and education status than other race groups
- The Asian consumers have similar access to amenities as whites and are closer in overall demographic variables than the black and coloured consumer markets
- Black and coloured consumers have similar profiles with regards demographics, with black people being the most severely affected by lack of education and income



## MAIN REASONS FOR BEING UN-BANKED?

	Total (n=1360) %	Total (n=1360) %	
		Previously	Never banked
Don't have a job	61	53	63
Don't have regular income	40	40	40
Don't have money to save	21	20	21

■ Previously banked (n=353)    ■ Never banked (n=1007)

## HOW DO PEOPLE FUND HOUSES AND RETAIL PURCHASES?

	2003 18+ (n=2894)		2004 18+ (n=2895)		2004 16+ (n=2988)	
		%		%		%
<b>HOUSING</b>						
Mortgage bond	1 300 663	5	1 348 436	5	1 347 214	5
House bought through government	143 424	1	125 513	0	127 476	0
House bought (funding from employer)	72 601	0	150 034	1	153 718	1
<b>RETAIL CARDS</b>						
Store cards (e.g. Edgars)	4 424 373	16	5 113 824	19	5 115 805	18
Store Loyalty card (e.g. Clicks)	1 839 906	7	1 632 940	6	1 667 934	6
Other club card (e.g. Voyager)	570 275	2	444 991	2	455 563	2

## SUMMARY OF THE BANKED MARKET

- Almost half the population claims they can live without a bank account
  - Others factors, e.g. job, food and shelter, are more important?
- One quarter of the population believe that banks take advantage of the poor
  - Previously banked consumers are the most negative about banks
  - mostly related to costs and feelings of being taken advantage of
- Accessibility of banks is an issue
  - Cost and time to travel to a bank
- Consumers are more likely to have a bank account than they are to have housing, retail or loan accounts
  - Bank account usage less sophisticated – mostly ATM cards and saving accounts
- Drawing of money mostly done via ATM but, for any deposits (cash or cheque), the branch is preferred – people don't trust technology
  - want to see the documentation?

# Imagery perceptions of financial service providers (FSP)

## WHO IS THE IDEAL FINANCIAL SERVICE PROVIDER?

### Ideal overall

- Banks 52%
- Insurance companies 3%
- microlenders 2%
- Mashonisas/Cash loan shops 2%
- Furniture/food/clothing/retailers 1%
- None/Don't know 44%

### See banks as ideal overall:

- Black 47% – 48% none/don't know
- White 82%
- Coloured 48% – 49% none/don't know
- Asian 70%

### Ideal for loans

- Banks 47%
- microlenders 4%
- Mashonisas/Cash loan shops 4%
- Furniture/food/clothing/retailers 1%
- None/Don't know 48%

### See banks as ideal for loans:

- Black 42% – 53% none/don't know
- White 74%
- Coloured 49% – 43% none/don't know
- Asian 62%

## WHO IS THE IDEAL FINANCIAL SERVICE PROVIDER?

Q=

If you were to receive a fairly large sum of money and did not spend it immediately, what would you do with it?



- 73% claim they would put it into a bank
- 43% would invest it
- 8% would put it in the Post Bank/Post Office account



- 77% of 'never-banked' consumers and 69% of 'previously banked' consumers claim they would put this money in a bank. This indicates that these people would be more likely to use banks if they had money
- Interestingly, only 2% claim they would put this money in a stokvel or savings club

## WHAT DEFINES BANKS?

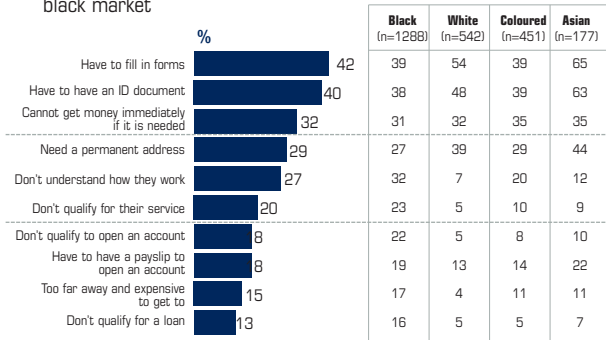
- Banks are perceived as being the ideal financial service provider, particularly amongst white and Asian consumers
- Service fees are an issue for the market as a whole
- Of all the FSPs, banks are also rated the highest overall with regard to money not growing quickly (36% – Asian and white skew), technology being difficult to use (33% – black skew), being forced to keep a high minimum balance (32% – white skew) and being too far away and expensive to get to (19% – black skew)

(n=2884)

	%	Black (n=1500)	White (n=650)	Coloured (n=534)	Asian (n=200)
Have to have an identity document	83	81	93	82	93
Keep your money safe	72	70	87	68	77
Need a permanent address	71	69	87	63	86
Have to fill in forms	70	66	88	71	89
Have to pay service fees	69	64	88	75	88
Have to have a payslip to open an account	55	54	62	49	59
Is the ideal financial service provider	52	47	82	48	70
Is the ideal place to get a loan	52	42	74	49	62
Have services aimed at people like you	46	41	76	44	67
Don't qualify for a loan	37	41	17	36	22

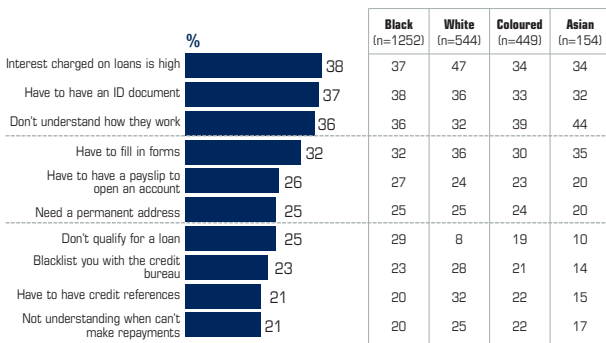
## WHAT DEFINES INSURANCE COMPANIES?

- Of all the financial service providers, consumers are the most confused about insurance companies and how they work – this is particularly the case for black consumers, with one-quarter of this market segment also believing that they do not qualify for the service of these companies
- Accessibility of insurance companies is also more of an issue for the black market



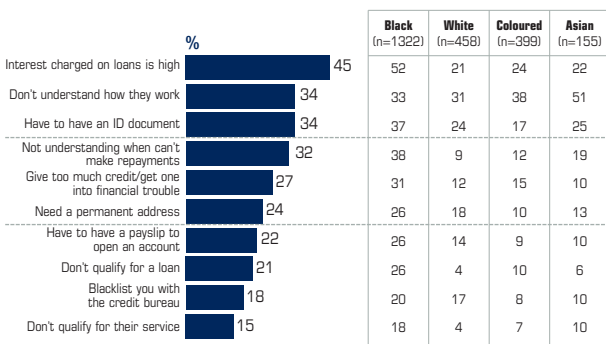
## WHAT DEFINES MICROLENDERS?

- Highest association of all the FSPs with regard to not understanding how they work
- After mashonisas/cash loan shops, microlenders generate the highest association with having interest rates that are too high



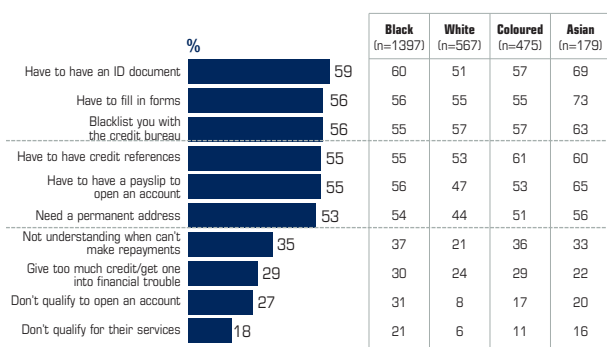
## WHAT DEFINES MASHONISAS/CASH LOAN SHOPS?

- Highest association of all FSPs with respect to interest charges being too high



## WHAT DEFINES FURNITURE/FOOD/CLOTHING RETAILS?

- Highest association of the FSPs with not being understanding when consumers can't make repayments
- Also by far the highest association with blacklisting customers



## SUMMARY OF IMAGERY PERCEPTIONS OF FINANCIAL SERVICE PROVIDERS

- Banks considered to be the ideal financial service provider
  - Key definer is safety of money
  - But, having to pay service fees, documentation required for opening an account and needing to keep a minimum balance are barriers – for minimum and non-wage earners in particular, these may be a problem
- In black and coloured markets, negative perceptions exist regarding qualifications that banks require for loans
  - This is a problem as, currently, it seems as if loans are being taken out more with friends/family – lost opportunity?
- Black and coloured consumers also less likely to believe that banks offer services aimed at people like them
  - Possible opportunity to introduce more appropriate services?
- General lack of understanding of insurance companies as a financial service provider
  - This could improve with communication strategy e.g. Outsurance
  - Lots of opportunity here as people are concerned about losing their home/main wage-earner, but, anything offered must be both accessible and affordable
- Of concern that many consumers do not understand how mashonisas/cash loan shops work – possibility that people are being taken advantage of? Some confusion also seems to exist regarding mashonisas and micro-lenders.

# Savings and Investments

## WHAT ARE THE MARKET'S PERCEPTIONS OF SAVINGS?

- Banked market is more astute overall with regards to savings/investment
- Of note that half the market claims not to trust informal savings clubs – skew to FSM tiers 7 & 8

(n=2947)

	%	Currently banked (n=1627)	Previously banked (n=345)	Never banked (n=975)
If save and invest regularly eventually the small amounts will mount up and you'll be secure	69	82	66	56
You prefer to save where money is safe, even if the interest rate/-return is a little lower	55	78	48	31
You are worried that you won't have enough money for old age	51	46	65	52
You don't trust informal associations like savings clubs	47	56	44	38
You try to save regularly	43	76	17	15
You have a good idea of what investment/returns you get on the money you save	31	54	15	11
You go without basic things so that you can save	23	38	12	10
You are saving for something specific, such as a car, holiday, appliance or furniture	19	37	5	5
You move your money around, to get the most growth	10	17	4	4

## WAYS IN WHICH PEOPLE ARE INVESTING MONEY

- Overall low usage of mainstream investment vehicles – bank savings accounts and burial societies dominate

(n=2988)

	Have now and use %	Never had %	Have now and use	
		2003 18+ (n=2984) %	2004 18+ (n=2985) %	
Savings account at bank	37	50	39	39
Burial society	20	79	24	21
Savings policy, endowment, insurance with insurance company	9	88	n/a	10
Stokvel/savings club	7	91	9	7
Retirement annuities	6	92	n/a	6
Improving your home	5	88	5	6
Post Office savings account	4	92	4	4
Voluntary pension/Provident Contributions	4	93	n/a	5
Starting a business	3	95	3	3
Buying or making goods to sell	3	94	4	3

## POTENTIAL INVESTMENT OPPORTUNITIES

- Majority of sample would invest any extra money in a bank savings account
  - Skew to FSM tiers 1–6
  - FSM tier 8 also most likely to put money in bank savings account, although at 34%, this is not as high as for lower FSMs
- 31% of FSM 8 would also put money in a saving policy, endowment or life insurance policy

(n=2988)

**If you had extra money to invest, in which ways would you consider investing it?**

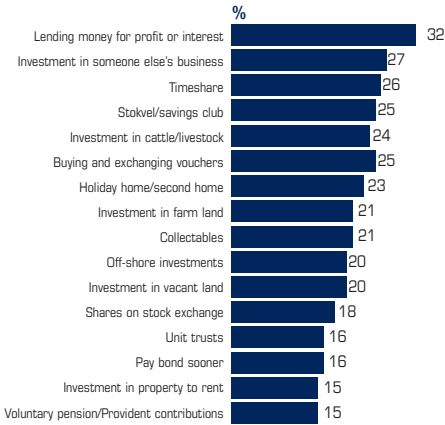
	%
Savings account at bank	60
Starting a business	35
Improving your home	23
Burial society	23
Post Office savings	18
Policies with insurance company	18
Investment in own business	16
Unit trusts	13
Stokvel/savings club	12
Retirement annuities	12

## INVESTMENT OPPORTUNITIES TO AVOID

- Tendency is to avoid high risk investments

Where would you not consider investing any extra money?

(n=2988)



## INFORMAL SAVINGS AND INVESTMENT OPTIONS: STOKVEL, SAVINGS CLUB OR INVESTMENT CLUB MEMBERSHIP

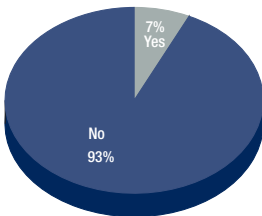
- Overall membership relatively low – skew to FSM tiers 4-7
- Higher membership incidence amongst females (10%) than amongst males (4%)
- Also high membership amongst currently banked (9%) than amongst previously (6%) and never (5%) banked

Member of any (n=2988) →

Belong	FSM 1 %	FSM 2 %	FSM 3 %	FSM 4 %	FSM 5 %	FSM 6 %	FSM 7 %	FSM 8 %
Yes	4	6	8	9	9	11	9	6
No	96	94	92	91	91	89	91	94

Usage of stokvels, savings clubs or investment clubs also skewed to:

- Females 10%
- 25-49 yrs 10%
- Currently banked 9%
- Black 9%
- Those from tribal lands 10% and informal urban 8% areas



Belong	2003 18+ (n=2984)	2004 18+ (n=2895)
Yes	10	8
No	90	92

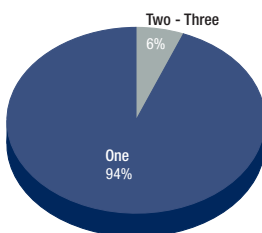
## TYPICAL BEHAVIOUR – STOKVEL, SAVINGS/INVESTMENT CLUBS

- On average people belong to just one club
- 99% of previously banked and 95% of currently banked belong to just one club, whereas 10% of never banked claim to belong to 2-3 clubs, on average

How many clubs belong to?

(n=163)

\*\*Extremely small base size



How much contributed to in last month?  
Last average contribution = R245.70

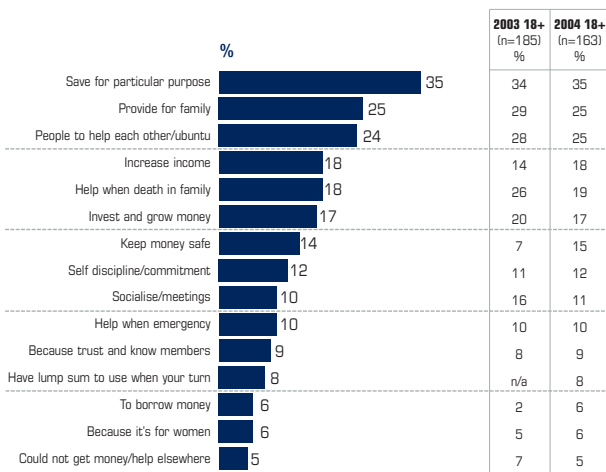
How much contributed by area?

- Urban formal R370.60
- Urban informal\*\* R143.30
- Rural formal\*\* R129.00
- Tribal land R136.80

## MOTIVATION FOR STOKVEL, SAVINGS/- INVESTMENT CLUB MEMBERSHIP

- Saving for a goal is the primary driver for membership
- However, also seen as means of providing financial security to family – now and in event of death
- Also, social aspect, “ubuntu” apparent

(n=163)



## BURIAL SOCIETY MEMBERSHIP

- Overall, low incidence of membership. 63% claim not to have any cover
- Burial societies seem to be most popular in mid FSM tiers – these are some of the tiers that felt that non-household members would impact on the finances of the household
- Individual funeral policies grow in popularity amongst upper FSM tiers – as the households become more insular
- FSMs 1 and 2 are the least prepared for burials and funerals – can't afford to make any provisions

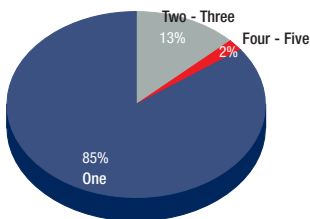
	Total (n=2988) %	FSM 1 (n=553) %	FSM 2 (n=550) %	FSM 3 (n=351) %	FSM 4 (n=363) %	FSM 5 (n=374) %	FSM 6 (n=379) %	FSM 7 (n=249) %	FSM 8 (n=169) %
Burial society	21	13	18	37	28	26	20	15	6
Funeral policy (individual)	15	1	3	7	17	24	39	54	43
Funeral scheme (group)	7	2	2	3	6	11	18	23	18
None	63	85	77	56	56	44	39	27	42

## HOW MANY FUNERAL/BURIAL POLICIES DO PEOPLE HAVE?

- For the most part, one seems to be sufficient
- Few differences between FSM tiers – differences are in terms of actual products rather than the number of policies
- Nevertheless, slight tendency for FSM tier 8 to have multiple individual funeral policies relative to the other tiers

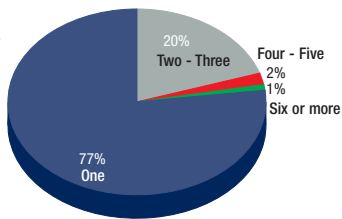
**Funeral policy (individual)**

(n=629)



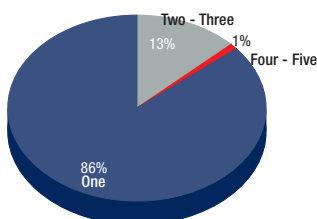
**Funeral scheme (group)**

(n=225)



**Burial society**

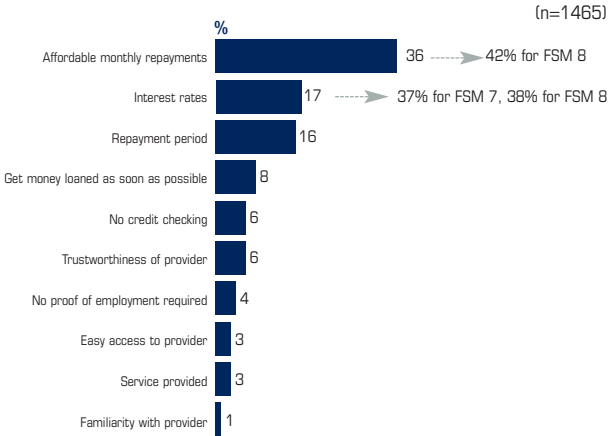
(n=553)



# Credit and Loans

## SINGLE KEY DRIVER IN CHOICE OF LOAN FINANCIER

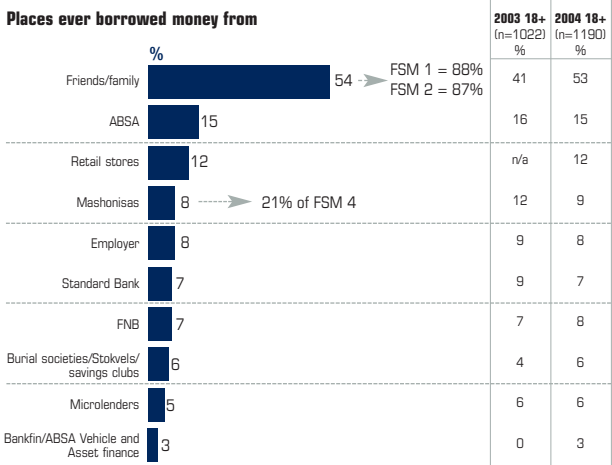
- The actual repayments are the key driver in choice of financier
  - People look at what they can afford to pay in a month?



## WHERE HAVE PEOPLE BORROWED MONEY FROM IN THE PAST?

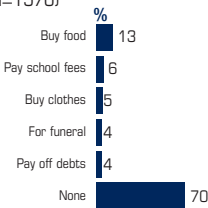
- The impact of the friends/family infrastructure is again apparent – this declines with increasing FSM group – continuum from FSM 1 (88%) to FSM 8 (6%)
- Amongst upper FSM groups, formal institutions such as banks play a greater role
- Mashonisias used by FSM 4 (21%)
- Usage of banks tend to pick up from FSM 6 onwards

### Places ever borrowed money from

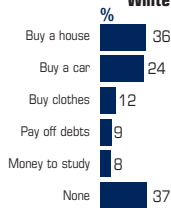


## TOP 5 REASONS FOR EVER TAKING A LOAN OUT – BY RACE

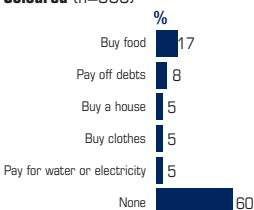
### Black (n=1570)



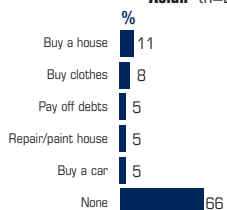
### White (n=655)



### Coloured (n=559)



### Asian (n=204)



## WITH WHOM ARE LOANS TYPICALLY TAKEN OUT?

- Role of family/friends critical – turned to for emergency assistance
- Banks and other institutions used more for planned purchases/events – if they can qualify for a loan with them!

(n=2988)

<p><b>Buying Food (12%)</b></p> <ul style="list-style-type: none"> <li>■ Friends/family (81%)</li> <li>■ Employer (5%)</li> <li>■ Mashonisa (5%)</li> <li>■ Stokvel/burial society (5%)</li> </ul>	<p><b>Buying a house (6%)</b></p> <ul style="list-style-type: none"> <li>■ Bank/financial institutions (96%)</li> </ul>
<p><b>Buy clothes (6%)</b></p> <ul style="list-style-type: none"> <li>■ Retailer/local store (66%)</li> <li>■ Friends/family (25%)</li> </ul>	<p><b>Pay school fees (6%)</b></p> <ul style="list-style-type: none"> <li>■ Friends/family (55%)</li> <li>■ Bank/financial institution (14%)</li> <li>■ Employer (10%)</li> <li>■ microlender (10%)</li> <li>■ Mashonisa (9%)</li> </ul>
<p><b>Pay off debts (5%)</b></p> <ul style="list-style-type: none"> <li>■ Friends/family (36%)</li> <li>■ Bank/financial institution (26%)</li> <li>■ microlender (17%)</li> <li>■ Employer (15%)</li> <li>■ Mashonisa (7%)</li> </ul>	<p><b>Buy a car (5%)</b></p> <ul style="list-style-type: none"> <li>■ Bank/financial institution (87%)</li> </ul>
	<p><b>Pay for funeral (4%)</b></p> <ul style="list-style-type: none"> <li>■ Friends/family (42%)</li> <li>■ Employer (22%)</li> <li>■ Stokvel/burial society (19%)</li> <li>■ Bank/financial institution (16%)</li> <li>■ Mashonisa (7%)</li> </ul>

## AND IF YOU CAN'T PAY FOR THE MONTH?

- Again, seeing evidence of upper FSM groups making a contingency plan – higher incidence of making arrangements with credit provider – not all in other FSM groups, do they realise this is possible?
- Lower FSM groups resort to family/friends infrastructure – at worst, simply default on payments!

	Total (n=2988) %	FSM 1 (n=553) %	FSM 2 (n=550) %	FSM 3 (n=351) %	FSM 4 (n=363) %	FSM 5 (n=374) %	FSM 6 (n=379) %	FSM 7 (n=249) %	FSM 8 (n=169) %
Make special arrangements with credit provider	42	30	36	41	38	52	60	64	73
Borrow from family/friends	38	45	46	41	38	33	25	19	13
Decide not to pay bills	15	20	16	16	16	12	7	7	5
Borrow from bank	5	1	2	5	5	8	10	15	15
Borrow from employer	4	2	3	6	6	4	4	5	2
Borrow from Mashonisa	1	1	–	1	3	3	1	–	–
Borrow from microlender	1	–	–	–	1	1	2	–	–
Other	2	2	1	2	2	1	2	2	–
Don't have bills	3	5	4	1	2	1	2	1	1

## SUMMARY OF CREDIT AND LOANS

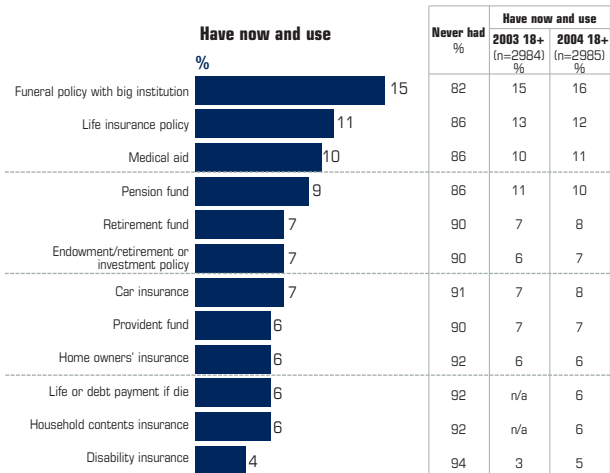
- Consumers don't like to be in debt and try to avoid it as much as possible
- Loan usage skewed to banked people, white consumers and upper FSMs
  - This is because they are the ones that qualify for formal loans?
  - Also more likely to have loans to cover assets
- 12% of the population claim to have borrowed money at some stage in order to buy food
  - Concerning – not taking loans out for asset purchases
  - Generally getting money from family and friends – no surety if borrowing from a bank?
- In white and Asian markets, loans taken are more for asset purchases than for survival purchases
- In black and coloured markets, loans are needed more for day-to-day subsistence requirements (high incidence of having taken out a loan for buying food)

# The Insurance Sector

## WHAT INSURANCE PRODUCTS DO PEOPLE HOLD?

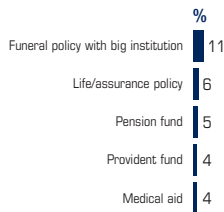
- Majority of people do not have insurance products
  - Linked to affordability

(n=2988)

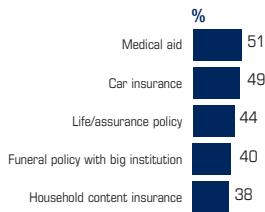


## INSURANCE PRODUCTS USED BY RACE GROUPS

**Black** (n=1570)



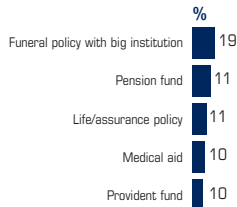
**White** (n=655)



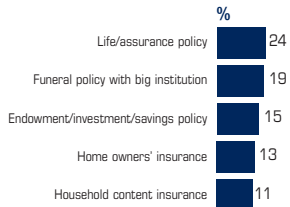
**Also have:**

- Pension fund (34%)
- Home owners' insurance (34%)
- Retirement annuity (31%)
- Endowment/investment/savings policy (26%)

**Coloured** (n=559)



**Asian** (n=204)



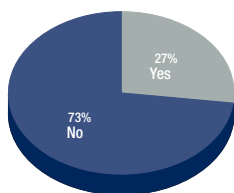
**Also have:**

- Life cover to pay off debts in event of death (11%)
- Medical aid (11%)
- Retirement annuity (11%)
- Car insurance (11%)

## SHORT-TERM INSURANCE

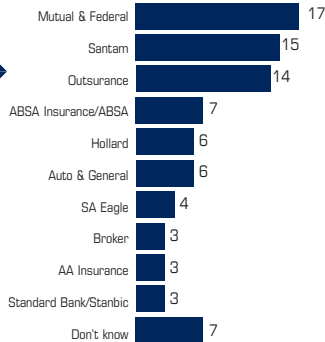
- Overall, incidence of having short-term insurance is low, being skewed mainly to the white market
- One policy seems to be fulfilling people's needs

**Currently have any insurance?**  
(n= 1274)



- Black 10%
- White 59%
- Coloured 19%
- Asian 24%

**Who is it with?** (n=432)



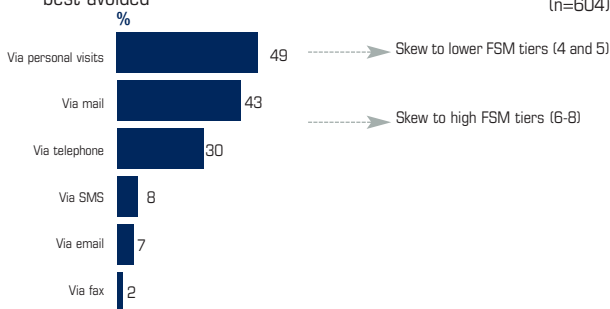
**How many policies?** (n=408)

- One 76%
- Two-three 21%
- Four-five 2%
- Six or more 1%

## PREFERRED MEANS OF COMMUNICATION WITH INSURER

- Personal interaction, either face-to-face or by telephone, dominates
- There is also a high preference for mailed communication
- Electronic media is not a popular means of communication and is best avoided

(n=604)



## INCIDENCE OF POLICY CANCELLATION

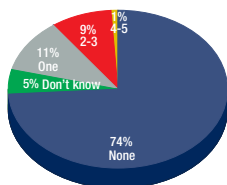
- Three-quarters of consumers have not cancelled any policies – white and Asian consumers most likely to have cancelled
- Incidence of having cancelled a policy is highest amongst FSM tier 8 – 38% have cancelled a policy

(n= 1274)

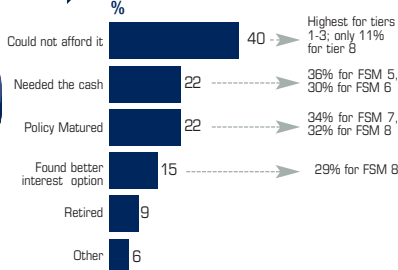
### Insurance policies or investments ever stopped or cancelled?



### Why?



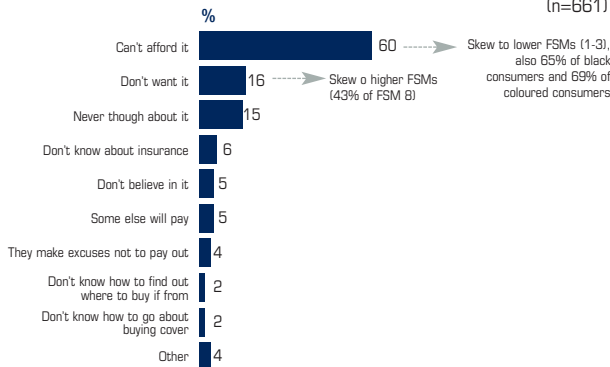
Black	22%
White	36%
Coloured	15%
Asian	31%



## REASONS FOR NOT HAVING LIFE INSURANCE

- Cost is the main obstacle to entering the category – not surprisingly, this is even more evident amongst the very low FSM groups (almost everyone cites cost)

(n=661)



## SUMMARY OF INSURANCE SECTOR

- Overall, very low usage of insurance products
  - This is consistent with the finding that people don't really understand this market
- Usage skew to white and Asian markets/upper FSMs
  - More assets to insure (household contents, vehicles, etc)
  - Also in better financial positions to have long-term insurance
- Greater incidence of usage of long-term insurance than of short-term insurance
  - White consumers are the only ones to record equal usage of short- and long-term insurance
- White market, overall, tends to have a greater variety of insurance products, followed by the Asian market
- Preferred means of purchasing insurance is in person – rep or broker
  - Personal visits preferred as these come with explanations of products?
- Policy cancellations limited and linked mostly to affordability

## SUMMARY AND CONCLUSIONS

### Interpreting the situation

- Half of the population remains un-banked. The key driver of this is money-related. This is due to low employment levels, irregular income and, where an income is earned, it is often negligible and tends to support more than just an immediate family unit
- Figures backing this up:
  - 24% of South Africans claim to earn no income at all
  - Of those that are earning, 67% earn less than R1 500 per month
  - 12% have no source of income at all and 30% obtain their main source of income from other family members
  - Each wage-earner supports, on average, four people on their income
  - Of people who are not banked, almost everyone cites a lack of employment, a lack of regular income and a lack of money as the key reasons for this
- There is still a definite divide in the marketplace, where the majority of black and coloured people do not have money, there is a lack of services and a lack of access to entry-level economic facilities
- Banking is often not a priority, or even a consideration, when key aspects of housing, employment and, to a large extent, basic essentials such as food and clear water, are not necessarily available to certain market sectors

### Opportunities for the banking Sector

- Banks are seen by the majority of the population as being the ideal financial vehicle for money storage
- However, there are currently barriers to entry:
  - Access – only 44% of people claim to have a bank nearby to where they live. On average, people claim to travel for 20 minutes to get to a bank, at an average cost of R12.30. The un-banked earn very small sums of money and, in real terms, one trip amounts to 2% of their average salary, which they cannot afford
  - Documentation – 19% of the total population does not have an ID document, which they believe is necessary for opening a bank account
  - Finances – banks are differentiated on charging high service fees and enforcing perceptually high minimum balances. Previously banked people are more likely than the un-banked to mention cost as a barrier
  - Education – un-banked people do not know how to open bank accounts and are confused by technology
  - Current service offering – a perception exists, particularly amongst black and coloured consumers, that banking products and services are not designed for them



**All of these translate into opportunities for parts of the market by targeting the FSMs**

	Current Situation	Possible solutions
<b>FSM 1</b>	Poverty – no income, no employment Access – far from services, little infrastructure	Issues are education, social renewal, job creation and income generation
<b>FSM 2</b>	Access – far from services, little infrastructure Knowledge – the lack of understanding of services	Bringing banking to the communities, relevant products that are understandable – income generation
<b>FSM 3</b>	Access - far from services, little infrastructure Education – understanding finances	Ease of access to services – mobile services? Making banking affordable – how money works
<b>FSM 4</b>	Access – far from services, little infrastructure Education – investment for the future, responsibility	Mobile services, building asset bases particularly in home loans
<b>FSM 5</b>	Risk education – understanding risk and returns Investment education – understand growth of savings	How to achieve decent returns with low risks – new products needed?
<b>FSM 6</b>	Investment experience – advising the community Mortgages – housing finance	These people are connected and need to understand finance to explain to communities – financial mentors
<b>FSM 7</b>	Debt education – living out of their means? Asset building – investment and retirement planning	Focus on building assets to underpin lifestyle Debt products that are affordable – one debt system?
<b>FSM 8</b>	Sophisticated and financially astute, seeking investment and growth opportunities	New products and innovation – value for money services



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