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Editorial contact: *FinMark Trust*
Mark Napier (082 456 5036)
Darrell Beghin (082 497 5017)

Research Surveys
Neil Higgs (011 778 7500)
Rob Powell (031 583 3500)

Mzansi - an amazing success so far

The Mzansi account, designed to offer an easy-to-use and affordable banking solution primarily for the unbanked in South Africa, has proved undoubtedly a success. According to the FinScope™ 2006 survey, this entry-level bank account has achieved its aim of drawing previously unbanked people into the banking sector.

Mzansi, launched in 2004, is the banking industry's attempt to fulfil commitments made in the Financial Sector Charter, signed in 2004, to broaden financial access. The charter's access targets include the commitment to ensure that 80% of LSM 1 to 5 people have effective access to first-order retail banking products by 2008.

The intention is to ensure that the benefits of access to financial services - the ability to receive, store and transmit money safely, to protect against risks and to borrow to acquire and invest - are available to South Africans generally, and not just to a privileged few. In part, access to financial services gives people the freedom to transact, to take part in and to contribute to economic activity.

A closer look at LSM 1 - 5

Between 2005 and 2006, the number of people residing in South Africa grew by around 420 000. Almost all of this growth was in the poorer segments of society, mostly in LSM 1 - 5¹.

Change is also happening within the segment as a whole. The number of people who are formally banked in LSM 1 - 5 rose between 2005 and 2006 from 31% to 35%. This means almost 800 000 people entered the financial services arena.

Banking penetration by LSM level is shown below:

	2005	2006
LSM 1 - 2	20%	21%
LSM 3 - 4	32%	35%
LSM 5	43%	54%

Although access to financial services could be improved in each of the categories above, it is worth asking if it is realistic to expect high levels of penetration of formal banking services, especially in LSM 1 - 4. Most of these individuals are under enormous financial strain, with almost all income devoted

¹ LSM is a categorisation from LSM 1 - 10, used extensively by marketers and advertisers as a means to segment the population. It is a crude proxy for wealth, with the lower LSM groups comprising the most impoverished end of the spectrum.

to everyday survival. The largest increase in take-up of formal banking has been in the LSM 5 category.

Taking into account informal products available in the South African context, such as stokvels (savings clubs), burial societies and the like, 44% of LSM 1 - 5 do not have any financial product, be it formal or informal. Therefore, many poor South Africans are entirely outside the financial arena. This percentage increases the lower down the LSM groupings one goes, reaching 56% in LSM 1 - 2. It is encouraging that among this extremely impoverished group banking products have a higher penetration than informal offerings, leading to the hypothesis that they are perceived to be more beneficial.

So, what is the impact of Mzansi?

Awareness of the Mzansi account improved significantly between 2005 and 2006. Fifty-five percent of the population is aware of the product, an increase from 46% recorded in 2005. However, continued marketing of the product may be necessary. Although perhaps not a core target market, it is interesting to note that 54% of individuals in LSM 1 - 2 have not heard of the product.

In addition, actual knowledge of the offering could be improved, with almost 60% of South African residents who have heard of it claiming not to know enough about the account. In spite of this, 11% of the market claims that although they do not currently have an Mzansi account, they have considered opening one. Therefore, the data indicates strong potential for the offering to continue to grow. The main claimed reason for not opening an Mzansi account is that the product is still perceived to be unaffordable.

Is the growth evident in the uptake of banking in the LSM 1 - 5 group a result of Mzansi or not? Firstly, looking at the adult population as a whole, it is encouraging that the percentage of people holding a Mzansi account has risen from 2% in 2005 to 6% in 2006, a staggering growth of around 250%. Actual claimed Mzansi account holders are nearing the two million mark. This is significant growth in a short period, with Mzansi account holders representing 12% of the entire banked market. This figure was 3% in 2005, highlighting the enormous inroads Mzansi has made into the market. It is important to note that the 2005 fieldwork was conducted shortly after the launch of Mzansi and that the 2005 figures may have been under-read as a result. The growth, however, is too substantial to negate as a result of this fact.

Claimed use of Mzansi invites comparison with the official figures, which are around 3,3 million. It is evident that the research is under-reading actual Mzansi use. This could be because many users of Mzansi do not actually realise the type of account they hold. For example, PostBank account holders were all switched to Mzansi accounts. New account holders are more likely to be aware that they have Mzansi accounts than are those who have been automatically converted to this account type.

Who is actually using Mzansi?

Mzansi is held by 6% of the LSM 1 - 5 market, or almost 1,2 million people. But Mzansi has also found relevance outside of its core target market, having been adopted by around 760 000 people who fall into the higher LSMs. This trend is more marked than in 2005 when LSM 1 - 5 accounted for 75% of Mzansi account holders. In 2006, LSM 1 - 5 accounts for 61% of account holders.

Sixty percent of people holding a Mzansi account claim this to be their first bank account, an encouraging indicator that the product is being adopted by its core target market. It is a supplementary account for 27% of account holders, while the remaining 14% opened a Mzansi account to replace another bank account. Most Mzansi users are black and reside in urban areas.

Main transactions conducted with an Mzansi account are cash withdrawals and, to a far lesser extent, deposits.

Reasons for not opening a Mzansi account

In its primary target market of LSM 1 - 5, the reasons for not opening a Mzansi account among people who had heard of it are predominantly income related. They are either unemployed or do not have a regular income.

For those in the higher LSM categories, it either lacks appeal, or they have no need for it due to other banking products already used.

What image does Mzansi have in the market?

Mzansi's image in the market is generally positive.

It has achieved its aim of positioning itself as "*a product for all South Africans*", with most people who have heard of the account agreeing (80%) with this statement. However, although the overall image is positive, it would appear as if education about the offering is still necessary to clarify its actual nature and benefits. Fifty-nine percent of those who have heard about Mzansi claim not to know enough about it.

However, 45% of these people agree with statement that "*it is the only account the banks will allow poor people to have.*" This is of concern, given that banks market the product as giving one status in the community, and as being trustworthy.

The lack of clarity about the exact nature of the product is reflected in the high number of *don't know* responses recorded for the following statements:

	<i>Don't know</i>
• You cannot use debit or stop orders with the Mzansi account -	67%
• Mzansi doesn't allow you to transfer money to friends and family -	65%
• Mzansi is better than other savings -	46%
• It does not matter where you get a Mzansi account, it has the same costs -	40%
• It is the only account the banks will allow poor people to have -	39%

However, the short period that Mzansi has been available needs to be borne in mind when considering the above results, as well as general interest in financial products. It has been in existence for only around two years, and finance and financial products are often considered fairly low interest categories.

That over one-third of people (35%) who know about it consider Mzansi unaffordable also highlights the real barrier to entry that bank charges pose, no matter how low.

Summary

Uptake of the Mzansi account has been impressive in the last 12 months, with growth of almost 250% bearing testimony to the place it has found in the financial management practices of a great many South Africans. In 2005, 3% of the *banked* population was making use of the product. This figure has grown fourfold over a 12-month period so that 12% of the banked community is now using a Mzansi account. However, on a more exciting note, Mzansi has been successful at drawing previously unbanked people into the banking sector, not solely causing account switching among the already banked. The percentage of South African residents using formal banking products grew over the period from 31% to 35%, primarily because of this product.

The track record of Mzansi is commendable, and demonstrates the previously unmet need that the product is fulfilling in the market. In addition, there are strong indicators that uptake of the account will continue to grow. The targets set by the Charter are stringent, stating that 80% of LSM 1 - 5 need to have access to the formal financial sector in the next two years. However, although access may be provided, the potential ability of Mzansi to realise high penetration in LSM 1 - 5 may be inhibited by the economic realities facing a great proportion of our population. For these individuals, any sort of banking product is unaffordable and probably unnecessary. As such, unless the economic realities of our country change fundamentally, the Mzansi account is likely to reach a ceiling in terms of what it can realistically achieve.

FinScope™ was launched in 2003 by the FinMark Trust. It was an attempt to establish credible benchmarks for the use of, and access to, financial services in South Africa. It was designed to highlight opportunities for innovation in products and delivery. The findings in 2003 and subsequent years have identified barriers to access for low income people and provided insights for policymakers, in both the public and private sectors, who wish to remove or reduce the barriers. For more information see: <http://www.finscope.co.za>

FinScope™ SA 2006, a study to monitor use and perceptions of the financial sector in South Africa, was conducted by Research Surveys, South Africa's leading marketing insights company, on behalf of FinMark Trust and syndicate members. Face-to-face interviews were conducted among 3 894 South African residents aged 16 years and older, between June and August 2006. A nationally representative sample was drawn, which was weighted and benchmarked to the StatsSA 2006 mid-year estimates based on the Census 2001 estimate information.

The 2006 South African syndicate members are: Absa, First National Bank, National Treasury, Nedbank, Standard Bank, the Financial Services Board, Liberty Life, Metropolitan, Sanlam, Teba Bank and Old Mutual.