



**Survey Highlights**

**FinScope™  
Namibia 2007**



**FINMARK TRUST**

MAKING FINANCIAL MARKETS WORK FOR THE POOR

## Why more FinScope™?

FinScope™ is a consumer perception study which looks at people's interaction with, and engagement in, the financial sector as a whole. First run and published in Namibia in 2004, the study has evolved into a powerful research tool for anyone concerned with, or interested in, effective interaction with Namibians. This has given those with access to the data a snapshot measure of the current financial climate in the country, as well as a valuable view of how this climate is changing over time.

This information allows us to better understand the financial products offered and the people who use them. Furthermore, the study provides insights into people's awareness and understanding of these products, and can assist in determining where communication channels or service providers are failing and how best to address these issues. For example, communication about products is not reaching the poor, especially those living outside of urban areas. Already, various service providers have successfully used this information to update and renew their services and offerings.

The study also looks at underlying belief structures and goes further by trying to uncover the decision tree and solution path that people follow in situations involving finance. For instance, risk factors are important in understanding what challenges people face. These are centred around the loss of income stream into families, especially the poor who tend to be supported by one wage earner either through remittances, or sharing of money within families/communities. People, out of necessity, often take out loans for survival (food and the like), but do not like to do so. People also acknowledge their lack of financial knowledge. Knowing how to save is also an important aspect for people, as savings could help to alleviate financial stress in times of need.

This is an ongoing process and requires perpetually rigorous research. As FinScope™ grows and expands into the rest of Africa (already having been implemented in South Africa, Kenya, Uganda, Tanzania, Zambia and Botswana, with plans for other countries – Ghana, Nigeria, Mozambique, Malawi, Rwanda and also Pakistan) it will increase in value exponentially. Cross-country comparisons and the sharing of findings will be key to assisting ongoing growth and strengthening developing financial markets.

The FSM model is being enhanced in an attempt to make the model more broadly applicable within Africa.

## Introduction to FinMark Trust

Established in 2002, FinMark Trust is an independent trust controlled by five trustees from countries within Southern Africa.

In pursuit of the goal of “making financial markets work for the poor”, FinMark Trust promotes and supports institutional and organisational development that will increase access to financial services for the unbanked and underbanked in Africa.

## FinScope™ Namibia

The objective of the FinScope™ Namibia initiative is to catalyse the creation of a new, universally accepted and authoritative benchmark of money matters among Namibians, emphasising the market needs and attitudes to both informal and formal financial offerings and product usage.

The two main strategies in achieving this are:

- Ensuring improved functioning financial markets by addressing legislative obstacles
- Promoting pro-poor innovation in the financial sector by supporting organisations which seek to develop new products or processes

The FinScope™ Research Programme is underwritten and co-ordinated by FinMark Trust. It was initiated to achieve a measure and understanding of consumer demand within the financial services arena.

FinScope™ Namibia was first carried out in 2004 under a joint funding partnership between FinMark Trust and Bank Windhoek. A publication was produced in 2006 by Christiaan Keulder, entitled *Access to Financial services in Namibia* available on [www.finmarktrust.org.za](http://www.finmarktrust.org.za). The publication proposes a number of indicators to measure levels of access to financial services in Namibia. FinScope™ Namibia 2007 allows us to measure the change in access to financial services. The survey has thus become a useful tool for both policymakers and financial service providers in tracking and understanding the dynamics of the financial services sector from a demand perspective. This brochure provides some highlights of the survey results. The real value to be derived from the survey comes in an analysis of the dataset which is available for a fee. For more information visit [www.finscopeafrica.com](http://www.finscopeafrica.com).

## 2007 Syndicate Members

FinScope™ Namibia 2007 was funded entirely by a syndicate of organisations including banks, insurance companies, and the financial regulators. Aside from funding the survey, syndicate members form an integral part in questionnaire design and offer valuable insights into consumer demand behaviour.

The FinScope™ 2007 syndicate were Bank of Namibia, Namfisa, Bank Windhoek, Capricorn Investment Holdings, First National Bank Namibia, Nedbank, Old Mutual Namibia, and Sanlam Namibia. FinScope™ 2007 was carried out by a Namibia market research firm, Research Facilitation Services.



# Sampling and Methodology

## RESPONDENT PROFILE

- Universe = Namibian residents 16+ years
- 49% male and 51% female
- 65% rural and 35% urban

## COVERAGE AND METHODOLOGY

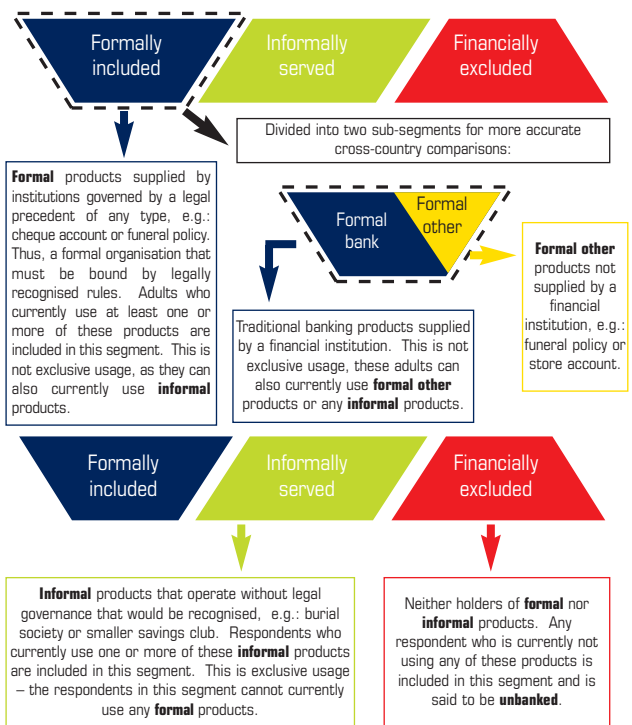
The 2007 survey covered a nationally representative sample. A probability-proportional-to-size (PPS) sampling strategy was used that covered 13 administrative regions and 150 primary sampling units (PSUs). A total of 1 200 face-to-face interviews were conducted with adults ages 16+. Eight interviews were conducted per PSU.

## WEIGHTING

Both 2004 and 2007 used probability-proportional-to-size sampling. The only change in sampling strategy from 2004 to 2007 was the allocation of interviews to each PSU. In 2004, 20 interviews were conducted per PSU whereas in 2007 it was only eight interviews per PSU. This was done to bring FinScope™ Namibia in line with the FinScope™ Africa protocols developed since 2004. This meant that the 2004 results had to be adjusted to be fully comparable with 2007. Individual case weights had been designed by the National Planning Commission to achieve this. Ultimately the effects of the adjustment are most visible in data on urban areas. Compared to 2007, urban areas were over-represented in 2004. As a result, many of the indicators dealing with financial access in 2004 were inflated and had to be adjusted downwards. This accounts for the difference between the 2004 indicators contained in this report and those published before.

# The Financial Access Strand

- Headline indicators of financial access are derived from the financial access strand, which measures the percentage of adults that are financially excluded. This focuses on the financial system in its broadest sense and assumes all adults in a country will fall into one of three broad segments across the ACCESS STRAND. The segments are differentiated by current product usage indices ranging from people who are formally included, to those people who use informal products, and finally to those people who use no products
- The Access Strand is segmented into the following three broad segments:



- The common rationale for segmentation that is applied across all countries is based on product type rather than a description of a product, i.e. formal products versus informal products, rather than transaction accounts versus saving schemes

## The Landscape of Financial Access

The headline indicators of access can also be derived on the basis of product functionality. In other words, a measurement of the extent to which the adult population have access to financial services that provide the following functionality:

- Ability to receive and send money – transaction services
- Ability to store and accumulate money – savings services
- Ability to borrow money – credit
- Ability to mitigate against financial loss – insurance

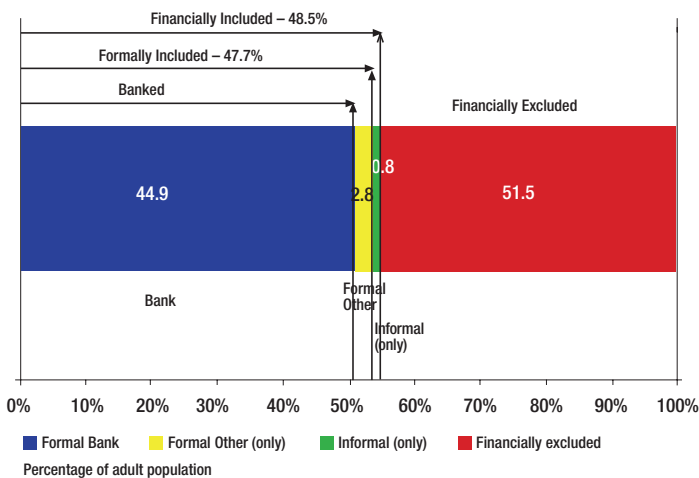
# Headline Indicators of Access

The following list of headline indicators can be derived from the Financial Access Strand and the Landscape of Financial Access.

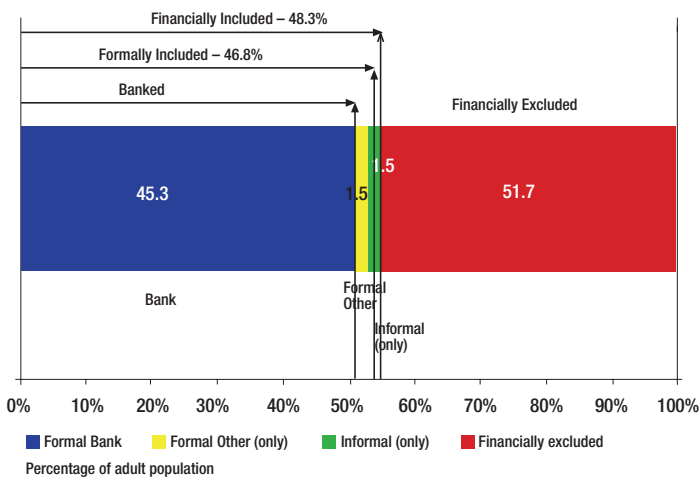
1. Banked	Percentage of adult population with bank account
2. Formally included	Percentage of adult population using a formal financial institution
3. Financially served	Percentage of adult population using formal or informal services
4. Payments	Percentage adult population receiving money through formal institutions
5. Savings	Percentage of adult population who keep money in a formal financial institution
6. Loans and credit	Percentage of adult population who have obtained, or have outstanding, a loan or credit facility with a formal financial institution in the past 12 months
7. Insurance	Percentage of adult population who currently have an insurance product with a formal financial institution

# FinScope™ Namibia 2007 Headline Indicators

## FINANCIAL ACCESS STRAND FOR NAMIBIA 2004

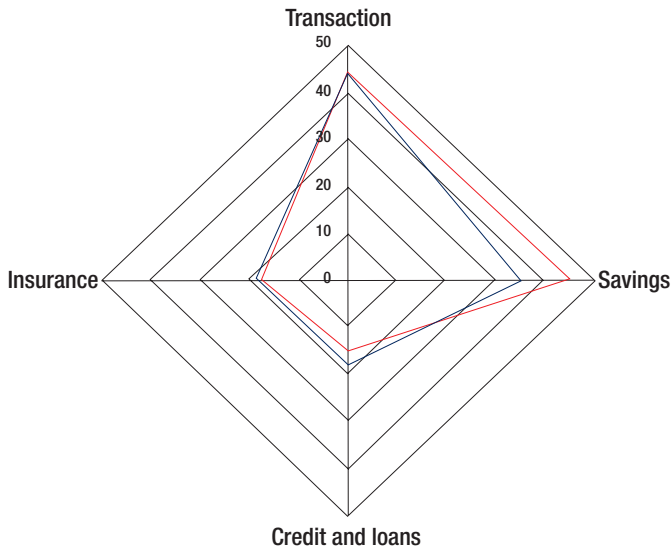


## FINANCIAL ACCESS STRAND FOR NAMIBIA 2007



## FINANCIAL LANDSCAPE OF ACCESS

Landscape of Access 2004 & 2007



## TRENDS IN FINANCIAL ACCESS 2004-2007

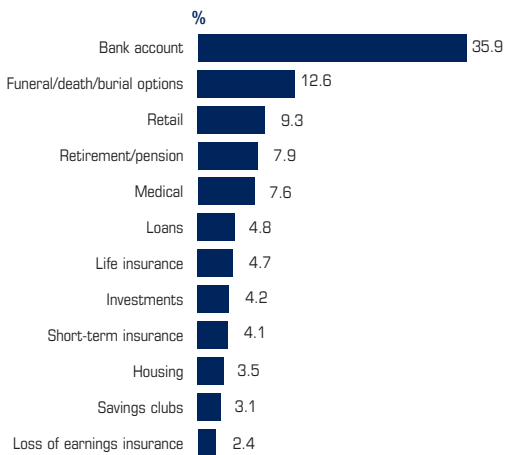
The financial access strand and the landscape of access show that:

- The proportion of banked adults increased from 44.9% in 2004 to 45.3% in 2007
- However, the formally included dropped slightly from 47.7% to 46.8% in 2007
- The increase in proportion of the banked population seems to be in transaction accounts, as shown by landscape of access
- Yet, a significant proportion of the population also seem to be dropping out of the formal financial sector
- In 2007, 6.3% indicated that they were previously banked. This is up from 4.3% in 2004. A significant drop-out also occurred in insurance
- With the movements in and out of the financial sector, the level of financially included has not changed significantly from 2004

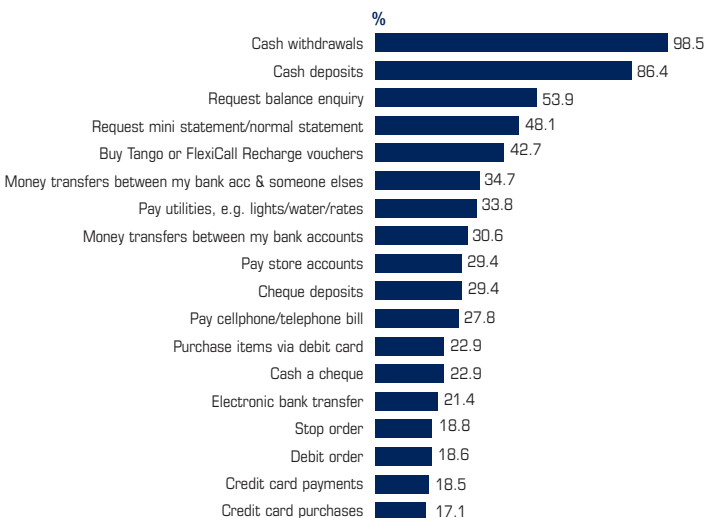
# Trends in Usage of Financial Services

- Bank accounts are the most commonly used financial product, followed by funeral/burial, retail, medical and retirement products
- The other financial products in insurance, housing finance and investment instruments show low levels of uptake. The slightly higher levels of uptake of medical and retirement products might be because they are part of employment packages
- Bank accounts are used mainly for transactions, showing potential for cellphone banking which currently shows low uptake. People do not understand cellphone banking, and do not trust it
- This suggests a marketing problem on the side of service providers and a knowledge gap and perception problem on the side of users
- More and better marketing of cellphone banking is recommended

## USAGE OF FINANCIAL SERVICES BY PRODUCT TYPE

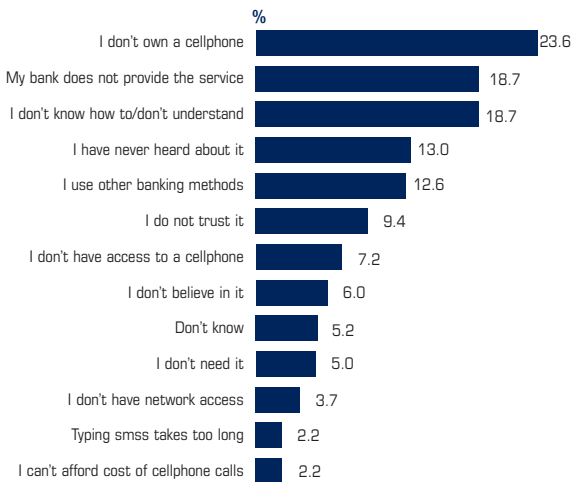


## TYPES OF TRANSACTIONS CONDUCTED OF THOSE BANKED



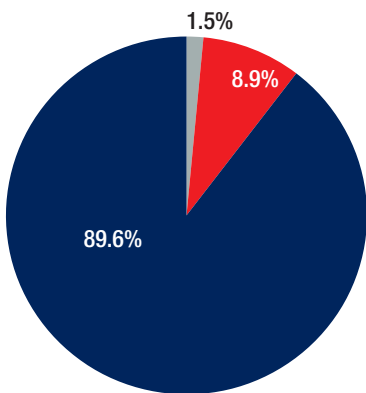
Base: All

## USAGE OF CELLPHONE BANKING BY THOSE BANKED



Base: Banked, not using cellphones

## REASONS NOT USING CELLPHONE BANKING



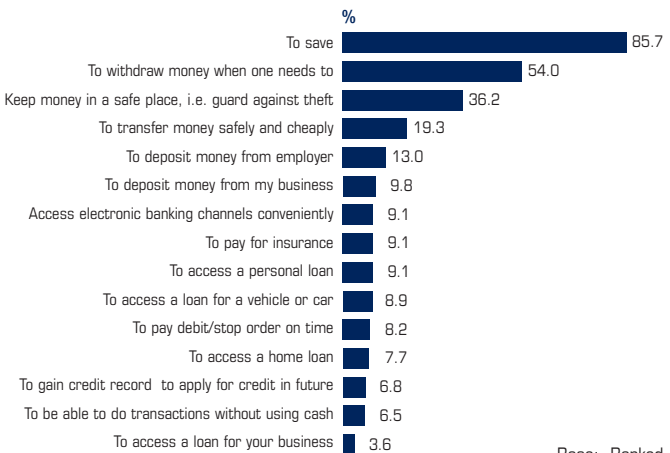
- Yes
- No
- Not answered

Base: Banked

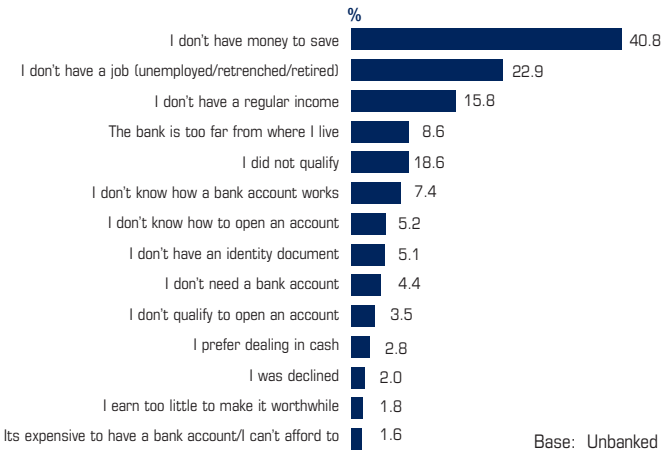
# Bank Usage

- Use of banks and banking products is fairly traditional in that they are mainly used to keep money, to receive money and to make payments
- Importantly, Namibians see banking as a way to keep money safe. Consumers thus acknowledge the importance of being banked for financial security
- Reasons for not being banked point to income issues as income-based reasons collectively are mentioned most frequently
- Other important reasons deal with various elements of consumer literacy suggesting a gap between the (new) products suppliers are offering and consumers' understanding of these
- This suggest that the low uptake of entry level products is a combination of marketing inefficiencies and financial literacy shortcomings
- Nearly two-in-three people have never heard of any entry level product, raising the question of whether these products really reach the unbanked market
- Good marketing aimed at raising awareness of these products could go some way toward solving this problem
- Commercial banks dominate awareness of financial institutions. Awareness of regulators is low and insurance companies are unable to match banks for awareness. Of the regulators, Bank of Namibia is best known
- Only about 11 of 37 financial institutions are effectively known

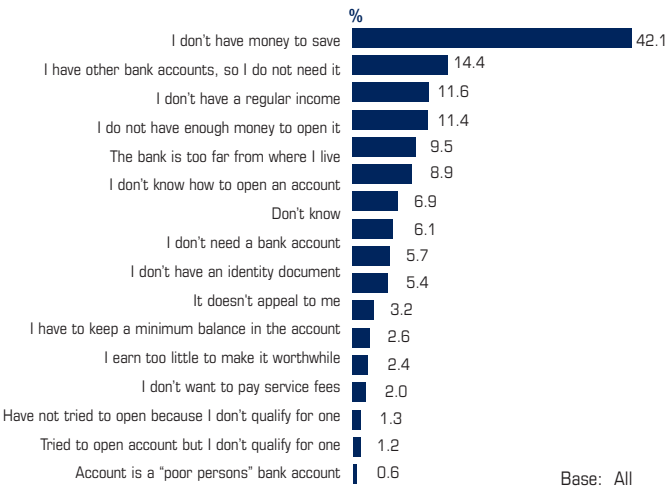
## REASONS FOR BANK ACCOUNT



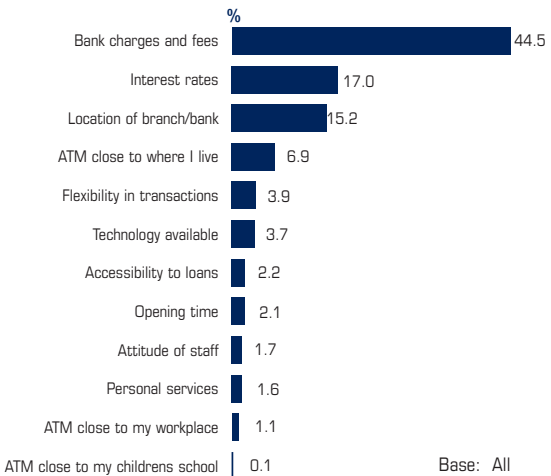
## REASONS FOR BEING UNBANKED



## REASONS FOR NOT HAVING ENTRY LEVEL BANK ACCOUNT



## CHOOSING A BANK: MAIN CONSIDERATION



## ENTRY LEVEL BANK ACCOUNTS

%

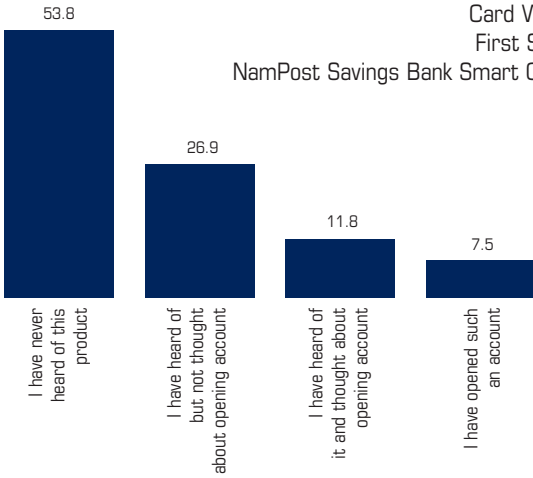
### Entry level products:

Easy Save

Card Wise

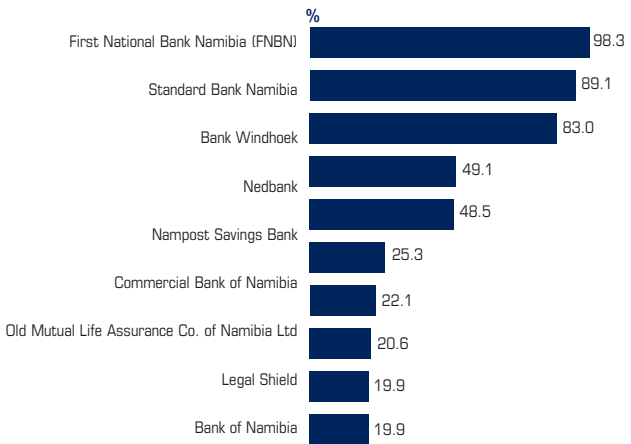
First Save

NamPost Savings Bank Smart Card



Base: All

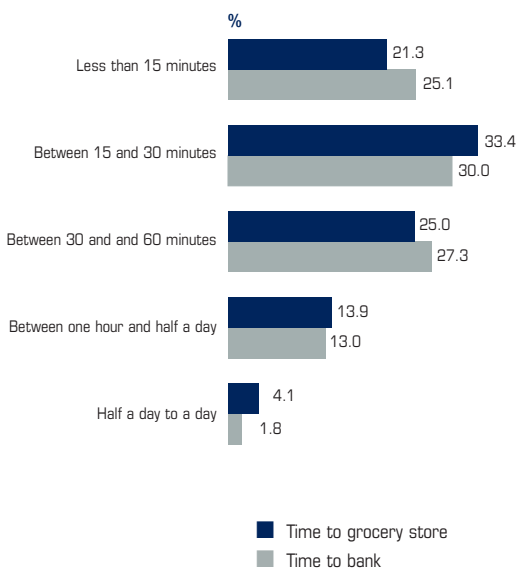
## AWARENESS OF FINANCIAL INSTITUTIONS (TOP 10)



## SPATIAL CHALLENGES FOR BANKING

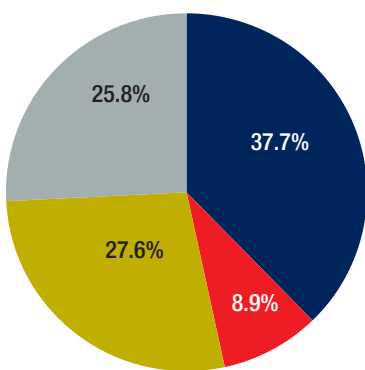
- Namibia is characterised by vast areas and low population density. Physical access is an important geo-spatial variable in getting more people banked. Bricks-and-mortar solutions are unlikely to be effective as rural people are far away from all basic services
- There is a need to think more innovatively about physical access, such as partnerships to provide basic infrastructure, mobile banking and branchless banking

## PHYSICAL ACCESS



Base: All

## TRAVEL COST TO BANK



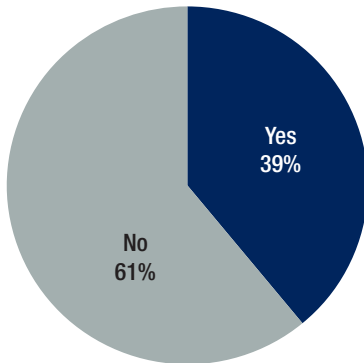
Base: All

- N\$13.00
- N\$25.50
- N\$25.51 – N\$66.00
- N\$66.01+

# Access to Housing

Trends in access to housing finance suggest that older people own their dwelling. However, the majority of houses are traditional and improvised housing units which are typically owned by the occupant. This could explain why the majority of adults say they own the dwelling they live in and have no outstanding debt. One might ask whether the traditional housing market is crowding out mortgage financed houses?

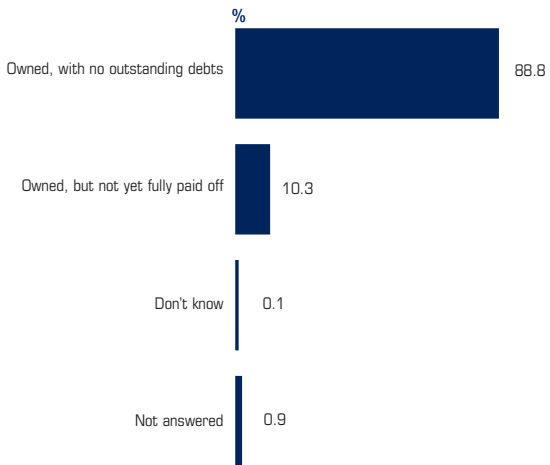
## HOME OWNERSHIP



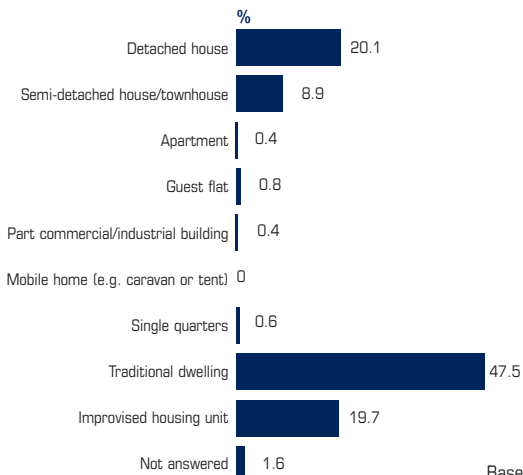
■ Yes  
■ No

Base: All

## HOMEOWNERS' DEBT



## TYPE OF DWELLING

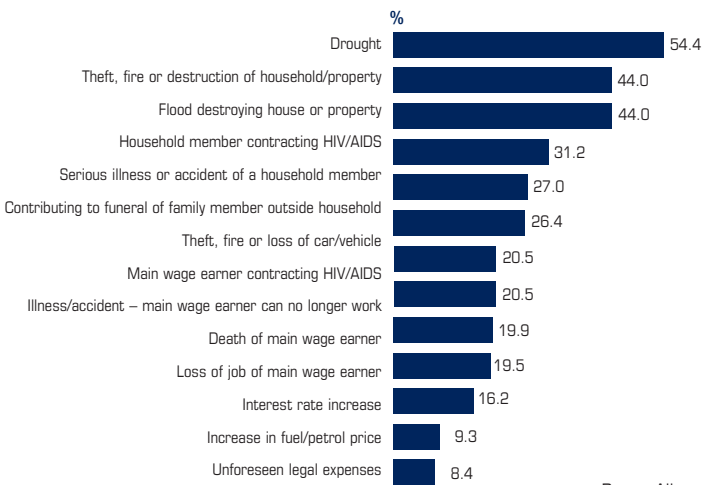


Base: All

# Untapped Opportunities for Insurance

- A look at what people say are the events that put their financial stability at risk shows that loss of income due to illness or death are seen as the key risks to financial security. This is in addition to natural disasters and factors causing damage to, or destruction of, property
- Providing financial services to mitigate against the risk of loss of income presents an important challenge to insurance providers, which are traditionally risk adverse
- At the same time, given the current low levels of uptake of insurance products, this provides a substantial untapped opportunity for the industry

## EVENTS THAT PUT HOUSEHOLDS AT RISK OF FINANCIAL LOSS



# Conclusions

Despite a slight improvement in the proportion of the population being banked, there is no significant increase in levels of financial inclusion in Namibia: 51% of the adult population still do not use any form of financial service.

There have been some innovations at entry level bank products, such as Easy Save, Card Wise, First Save and Nampost Savings Account (smart card).

However, the data also shows that a portion of the population has dropped out of the financial system, accounting for the stagnant levels of financial inclusion.

The reasons for not being banked are income related and the perceived inability to meet entry requirements. This applies to the range of bank and non-bank products.

The perceived inability to meet requirements, despite the introduction of entry level products with less stringent terms, suggests a gap between the marketing of products to consumers, and consumer's understanding of these products. Consumers still have a traditional view of banking and are unaware of the innovations and their eligibility for these services. Marketing efforts by service providers may need to be reviewed and intensified to challenge consumer's traditional views on banking.

Banking is predominantly used for transaction activities and for safekeeping. The latter indicates that consumers have confidence in Namibia's financial sector.

Consumers have been reluctant to use cellphones to facilitate their banking use – i.e. requesting statements, paying utilities, moving money between accounts, and doing transfers. People still prefer to go to the branch or to use an ATM.

All of this points to the importance of consumer education to change traditional views of the financial system if innovations in product design and delivery are to succeed in lifting levels of financial inclusion.

From a policy perspective, the issues therefore are both supply and demand side. The problem is not about putting more products on the market but about getting consumers to understand these products, and what benefit they can derive from them.

# The Way forward

FinScope™ Namibia 2007 reflects the market and its dynamics. This year has again seen significant positive changes in the percentage of people with a bank account.

Such progress as there has been can be sustained only with constant innovation and co-operation between service providers and regulatory authorities.

This brochure only scratches the surface of the survey findings and a full exploration of the dataset is recommended.

FinScope™ surveys continue to expand and grow both in content and footprint.

Excitingly the following countries have either executed or are in the process of executing a FinScope™ Survey –

## **FinScope™ Individual Surveys:**

South Africa, Botswana, Zambia, Tanzania, Kenya, Uganda, Nigeria, Ghana, Rwanda, Mozambique and Pakistan

Pilot Surveys:

Lesotho and Swaziland

## **FinScope™ Small Business Surveys:**

South Africa

Tanzania

Zambia

Malawi and Morocco have also expressed interest.

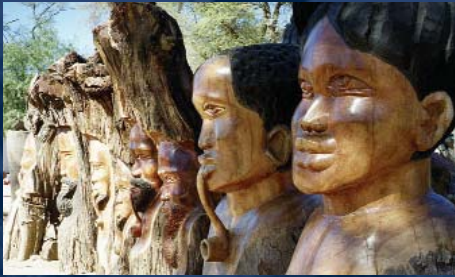
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