
FINSCOPE NAMIBIA 2007

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Survey highlights the need for consumer education

The number of Namibians with bank accounts has increased over the past four years. However, more than half the adult population still do not use any type of financial service, either formal or informal, according to the findings of the FinScope™ Namibia survey launched today in Windhoek.

The survey notes that a number of innovative entry level products have been launched recently, such as Easy Save, Card Wise, First Save and the Nampost Savings Account (smart card). Although people are using these products, the uptake of has been low: 53.8% of respondents had never heard of them, raising the question of whether these products are really reaching the unbanked market.

The survey suggests a combination of marketing inefficiencies and a lack of financial literacy as reasons for failing to bring more people into the financial sector. 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.

“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 consumers understanding of these products,” says Christiaan Keulder of Research Facilitation Services, which conducted the research for FinMark Trust.

FinScope™ Namibia is a nationally representative survey of financial use and behaviour. It covers financial services available from formal providers, such as banks, microfinance institutions and insurance companies, as well as informal services such as savings clubs, and provides insights into how consumers source their income and manage their financial lives.

This is the second such survey conducted in Namibia. The first was carried out in 2004. The level of financially included has not changed significantly since 2004. In 2007, 45.3% of the adult population was formally banked; another 1.5% used some other kind of formal product such as insurance; and a further 1.5% used only informal providers. This means that 48.3% of the Namibian adult population is financially served and 51.7% are financially excluded.

The proportion of banked adults increased from 44.9% in 2004 to 45.3% in 2007. 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.

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. Reasons for not being banked point to income issues as income-based reasons collectively are mentioned most frequently.

The survey raises the need for appropriate, alternative services. With vast areas and low population density, alternatives to traditional banking are needed, such as branchless banking and mobile phone

banking. However, people do not understand cellphone banking, and do not trust it. Consumers appear reluctant to use cellphones to facilitate their banking use such as requesting statements, paying utilities, moving money between accounts or making transfers. People still prefer to go to the branch or to use an ATM.

“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,” says Keulder.

The survey also highlights the untapped opportunity for insurance products. The events people say put their financial stability at risk are drought and destruction of property as well as the loss of income due to illness or death of a wage earner in the family. The uptake of insurance products is low and this gap is an important challenge for the insurance industry.

These are only a few of the observations that can be made using the data provided by the FinScope™ Namibia survey. For more information, contact Christiaan Keulder on 061 237190 and 081 1291511 or c.keulder@mediatenor.com.na.

FinScope™ was launched in 2003 by the FinMark Trust. It establishes credible benchmarks for the use of, and access to, financial services. It was designed to highlight opportunities for innovation in products and delivery. Surveys have been conducted in South Africa, Namibia, Kenya, Uganda, Tanzania, Zambia and Botswana, with plans for Ghana, Nigeria, Mozambique, Malawi, Rwanda and Pakistan. The findings 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 www.finscopeafrica.com.

FinScope™ Namibia was first carried out in 2004. FinScope™ Namibia 2007 was conducted by the Namibian market research firm Research Facilitation Services on behalf of FinMark Trust and syndicate members. Face-to-face interviews were conducted among 1 200 Namibians aged 16 years and older. The 2007 Namibian syndicate members are Bank of Namibia, Bank Windhoek, Capricorn Investment Holdings, First National Bank Namibia, Nedbank, Old Mutual Namibia, Namfisa and Sanlam Namibia.