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Mzansi - onwards and upwards

The Mzansi entry-level bank account continues to be tremendously successful at achieving its aim of drawing previously unbanked people into the banking sector.

The Mzansi account was launched in 2004 and is the banking sector's attempt to fulfil commitments made in the Financial Services Charter. The charter, signed in October 2003, aims to redress past imbalances in the financial arena. 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 risk and to borrow to acquire and invest - are available to a broad spectrum of South Africans, particularly those falling into lower socio-economic groups. More specifically, the target set was to ensure that 80% of South Africans falling into LSM 1-5 have access to first-order retail banking products by 2008.

The impact of Mzansi

In 2007, 60% of adult South Africans were banked, with a further 10% having been previously banked. Therefore, 30% have no experience of the banking sector. Banking penetration is highest in the white market (95%), and lowest in the coloured and black markets (54% and 56% respectively).

Awareness levels of Mzansi in the total population are 62%, showing a marked increase from the 55% recorded in 2006. Although a significant portion of the population remains unaware of the offering, it is encouraging that awareness is highest in the black market at 72%, the sector that comprises most of LSM 1-5¹. In LSM 1-5, 67% of adults are aware of Mzansi.

Ten percent of South African adults claim to hold a Mzansi account, up from 6% in 2006. This represents more than three million people and an excellent growth of more than one million accounts from the previous year. Around 800 000 of these new Mzansi accounts went to people in LSM 1-5, suggesting the account is being well-targeted. Black and coloured South Africans (12% and 5% respectively) have the highest number of Mzansi accounts, whereas its prevalence in the white and coloured markets is low at around 2%.

Mzansi account holders represent 16% of the entire banked market, up from 12% in 2006 and 4% in 2005. Among Black South African adults who are banked, penetration is more than one in five banked adults. In LSM 1-5, Mzansi accounts for 26% of accounts held. These figures illustrate the enormous inroads Mzansi has made in the market.

While the growth in Mzansi account use is encouraging in itself, so is the fact that most users claim that the account was the first one they had ever opened (64%), while a further 27% had opened an Mzansi account to replace or supplement an existing account. Less than 10% had had their account changed to an Mzansi account by their bank. These figures provide evidence that Mzansi appears to be

¹ LSM or Living Standards Measure is a categorisation ranging from 1 to 10 used extensively by marketers and advertisers as a means to segment the population. It is crude proxy for wealth, with the lower LSM groups comprising the most impoverished end of the spectrum. LSM figures are based on the 2005 algorithm.

meeting the needs in the market by attracting first-time bank users and attracting existing bank users for whom Mzansi's pricing structure and product features are more suitable.

However, although awareness and penetration of Mzansi shows positive trends, real knowledge of the product could be improved. Among those aware of it, 44% do not know whether Mzansi accounts are the same from bank to bank or whether different banks offer different pricing and product features on their Mzansi accounts. Over half (57%) also claim not to know enough about it. In addition, perceptions that it makes banking easier and more understandable (60%) could be improved. Therefore, a deepening of product knowledge and trust is needed as the product matures. In spite of this, 9% of the total market and 13% of those aware of Mzansi claim that, although they do not currently have an Mzansi account, they have considered opening one. It is also positive that 85% of those aware of the account, perceive it to be a product for all South Africans.

The data indicates strong potential for the offering to continue to grow. One of the main barriers that may hamper this growth is that, among those aware of the product, one in three claims that they would not be able to afford the bank charges. Among those aware of Mzansi in the poorest segment of society, LSM 1-5, this figure is 34%. This highlights the barrier to entry (real or perceived) that bank charges pose, even at the level of Mzansi charges.

A closer look at LSM 1-5 and the performance of Mzansi

It is a sobering fact that over half of all South Africans over the age of 16 years (57%) fall within LSM 1-5, almost 18 million people, with almost three-quarters of these falling into LSM 1-4. However, it is encouraging that the LSM 1-5 figure decreased from 63% in 2006, indicating that living standards, as measured by LSM, are improving. Overall, the LSM 1-5 segment has shrunk by around 1.6m adults.

Within the LSM 1-5 category, the number of people now banked is 44%, a significant increase from the 35% recorded in 2006.

Banking penetration by LSM level is:

	2005	2006	2007
LSM 1-2	20%	21%	27%
LSM 3-4	32%	35%	40%
LSM 5	43%	54%	63%
LSM 1-5	32%	35%	44%

In light of the targets set in the charter, it is difficult to assess exactly how many South Africans in LSM 1-5 have effective access to formal financial services, as effective access implies more than just uptake of products. However, it is encouraging that banking penetration is on the increase, even among the very impoverished.

Among LSM 1-5, 36% of individuals are unserved, meaning that they do not have access to any financial products, either through formal institutions such as banks, or informal associations such as stokvels. Interestingly, 1.5 million people in LSM 1-5 joined informal burial societies between 2006 and 2007, almost double the number opening Mzansi accounts in the same period.

Who is using Mzansi?

Mzansi is held by 11% of the LSM 1-5 market, more than two million people. This represents a growth of about 800 000 LSM 1-5 accounts from 2006 to 2007. However, Mzansi has also found relevance outside of its core target market, having been adopted by around one million people who fall into the higher LSMs.

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Some demographic details of Mzansi account holders are in the table below:

Education		%
	Some primary/primary completed	9
	Some high schooling	29
	Grades 8 - 10 completed	23
	Matric or above	34
Personal monthly income		
	No income	13
	R1 - R999	47
	R1 000 - R1 999	18
	R2 000 - R2 999	9
	More than R3 000	5
	Refuse/Don't know	8
Race		
	Black	92
	Coloured	5
	Indian/Asian	1
	White	2
Employment status		
	Employed - formal sector	23
	Employed - informal sector	18
	Unemployed	35
	Pensioner	9
	Other	18

It is interesting to note that 26% of Mzansi account holders earn a salary through formal or informal employment and 59% of these have their salaries paid directly into their accounts. Thirty-four percent of account holders receive a government grant of some kind.

Summary

Between 2005 and 2006, the uptake of the Mzansi account was impressive, with growth of almost 250% bearing testimony to the place it has found in the financial management practices of a great many South Africans. The continued success of the offering is evident in the 2007 survey. Uptake of the product continued at a fast pace, with more than one million new users being recorded between 2006 and 2007. In addition, Mzansi has been successful at drawing previously unbanked people into the banking sector, not solely causing account-switching among the already banked.

The track record of Mzansi 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. However, the stark economic realities facing a significant portion of the population may ultimately inhibit the continued growth of this entry level offering.

FinScope™ was launched in 2003 by the FinMark Trust. It establishes 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 2007, a study to monitor use and perceptions of the financial sector in South Africa, was conducted by TNS Research Surveys, South Africa's leading marketing insights company, on behalf of FinMark Trust and syndicate members. Face-to-face interviews were conducted among 3 900 South African residents aged 16 years and older, between September and November 2007. A nationally representative sample was drawn, which was weighted and

benchmarked to the 2007 mid-year estimates based on the Census 2001 estimate information.

The 2007 South African syndicate members are: Absa, African Bank, First National Bank (FNB), Liberty Life, Metropolitan, National Treasury, Nedbank, Old Mutual, Post Office, Zurich, Sanlam and Standard Bank.