



Making financial markets work for the poor

Financial Literacy Baseline Survey Seychelles 2016

Research Report

Prepared by FinMark Trust

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About FinMark Trust

FinMark Trust¹, an independent trust based in Johannesburg, South Africa, was established in 2002, and is funded primarily by UKaid from the Department for International Development (DFID) through its Southern Africa office. Recently additional funders have come on board including the UNCDF, the Bill and Melinda Gates Foundation, the MasterCard Foundation as well as private and public institutions at country level. FinMark Trust's purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration' as well as institutional and organisational development, in order to increase access to financial services for the un-served and undeserved. FinMark Trust commissions research to identify the systemic constraints that prevent financial markets from reaching out to these consumers and by advocating for change on the basis of the research findings.

FinMark Trust achieves its purpose by:

- Playing a catalytic role to make financial markets accessible, sustainable and inclusive by promoting and supporting policy and institutional change across Africa;
- Providing information that encourages financial service providers to understand the potential and characteristics of new market segments;
- Promoting financial capability and consumer financial protection;
- Promoting growth and integration in the financial services sector in Southern Africa, focusing on SADC member states and contributing to the process of regional policy harmonisation, together with translating and setting best practice through evidence-based advocacy.

To date, FinScope Consumer surveys have been conducted in 26 countries (13 in SADC, 6 non-SADC Africa and 7 in Asia), while FinScope MSME surveys have been implemented in 7 SADC countries (South Africa, Zimbabwe, Malawi, Mozambique, Tanzania, Zambia, Lesotho)

¹ <http://www.finmark.org.za/>

Terminology

Banked - the proportion of the adult population that have/ use banking products (provided only by banking institutions regulated by the Central Bank of Seychelles to meet their financial needs, such as transactional, saving, credit, etc. Simply stated, it means that the individual has a bank account in their name to enjoy the products/ services (such as credit, insurance, transactions) from a bank.

FAS - Financial Access Strand - financial inclusion indicator that profiles adults (18 years and older for Seychelles) depending on whether they have /own financial products in their names.

Financial Capability - encompasses the knowledge, attitudes, skills and especially behavior of individuals with respect to understanding, selecting and applying financial concepts and tools, and the ability to access financial services that fit their needs.

Financial education - is the process through which people's financial literacy and capability is built and improved. It is a process that involves providing information, improving individuals' financial literacy, influencing attitudes to money and money management, exposing individuals to the financial sector and equipping them to make more informed choices about money, products and services.²

Financial Literacy - is sometimes used inter-changeably with financial capability. The difference between the two is quite subtle. While financial capability refers to a person ability to apply the knowledge and skills that translates into positive financial behavior, financial literacy refers to the ability to understand financial concepts, products and services. Financial literacy focuses on an individual's knowledge and understanding.

Financial inclusion - reported at national level, the proportion of adults in Seychelles who have access to, own and use financial products/services to meet their financial needs inclusive of formal and informal products/services available.

Informal - the proportion of the adult population (18 years and older) that have/use unregulated financial services to meet their financial services. Such services includes credit from community members, credit from a cooperative, savings in properties, savings in livestock, savings in gold/jewellery, savings in informal savings groups, remitting through bus/taxi, etc.

² FinMark Trust (2014) Financial Education Training Toolkit <http://financialeducationtoolkit.finmark.org.za/>

Other formal (non-bank) - denotes all other financial services providers regulated under the Seychelles jurisdiction including but not limited to; CBS, FSA and other regulators. Insurance cover (e.g. medical, accident, agricultural insurance) provided by insurance companies is an example of financial services provided by regulated providers **excluding** insurance provided by banking institutions.

1 Introduction

1.1 Global trends in national strategies for financial education

There is inherent value to having a financially capable and literate population. A report commissioned by the Citi Foundation in 2012 found that 75% of low-income earners who have access to formal financial services do not have the skills and knowledge needed to make informed financial decisions³. Increases in financial inclusion and ongoing innovation in financial products and services without financial education is unsustainable and potentially harmful to a variety of different stakeholders. The benefits of a financially literate population are wide-reaching, where all stakeholders stand to gain.

According to the Organisation for Economic Development and Cooperation (OECD), 45 countries at different income levels are well-advanced in the design or implementation of a national strategy for financial education; and another widening group of countries is considering developing one⁴.

Among the Southern African Development Community (SADC) member states Lesotho, Malawi, Namibia, South Africa and Zambia have adopted national strategies for financial literacy, with more countries showing an increased interest in adopting a similar approach.

There is a growing trend acknowledging financial literacy as a key support mechanism for financial inclusion, consumer protection and stability. Central banks, ministries of finance and regulators are recognising the need to ensure consumers are adequately equipped with information, knowledge and skills to make sound financial choices. At a global level the G20 has also acknowledged the importance of having a financially capable population. At the request of the G20 Finance Ministers and Central Bank Governors, in February and April 2012 leaders endorsed the High level Principles on National Strategies for Financial Education developed by the OECD International Network on Financial Education (OECD/INFE).

Although the global trend towards including financial education as a key development agenda is clear, it is important that when developing a national strategy to address financial literacy levels of a population, countries understand the financial literacy needs of its population.

³ Monitor Group (2012). Bridging the Gap.

⁴ Organisation for Economic Co-operation and Development www.oecd.org. August 2012. OECD/INFE HIGH-LEVEL PRINCIPLES ON NATIONAL STRATEGIES FOR FINANCIAL EDUCATION

1.2 Benefits of a national strategy on financial education

The benefits of a financially literate population are wide-reaching, where all stakeholders stand to gain.

Consumers are informed and knowledgeable. Empowered consumers make better decisions and make productive use of the money that they have, from avoiding exploitative financial practices, undue risks and over-indebtedness to increased savings and financial flexibility.

Financial institutions stand to benefit from having a knowledgeable customer base. People who are financially literate are likely to have the knowledge, skills and confidence to choose; purchase and use financial products and services that better suit their needs. "This is likely to stimulate uptake of financial products, especially by establishing financial institutions' 'social license' amongst people who view formal financial institutions with distrust. Financial education can also reduce risks and costs associated with people using products that are unsuitable for them and increase financial market stability."⁵

The Government of Seychelles (GoS): A financially educated population is more equipped to deal with financial shocks and demonstrate financial resilience. Communities rely less on government aid and make better decisions about personal finances, products and services. These factors should stimulate economic growth and help to reduce levels of poverty, placing less of a burden on government social safety nets. There are benefits to be accrued at the micro and macro level economies within countries.

The broad range of benefits and gains achieved through financial education only serves to highlight the importance and relevance of a national strategy. A key success factor is the establishment of a well-coordinated and multi-stakeholder approach to implementing financial education activities or programmes in a country. The starting point to developing a national strategy is to understand consumer financial literacy levels and establish areas where intervention is required.

A national strategy for financial education should be designed as a coordinated approach to improve the financial literacy levels and financial capability of consumers. It should firstly identify the organisation that will drive the strategy which is important to ensure that the strategy becomes operational. Where financial education is not recognised either through policy or legislation; it must be given recognition and importance as a national development goal. In the case of Seychelles there is currently no legislated requirement for financial education and therefore, it would be possible for the GoS to drive this agenda through policy.

⁵ FinMark Trust (2014). Developing an effective financial education implementation plan and road map for the Kingdom of Lesotho

Considering that stakeholder participation and cooperation is critical to the strategy and its implementation, it must therefore be widely circulated and adopted by various institutions. This also results in greater investment in initiatives in a country.

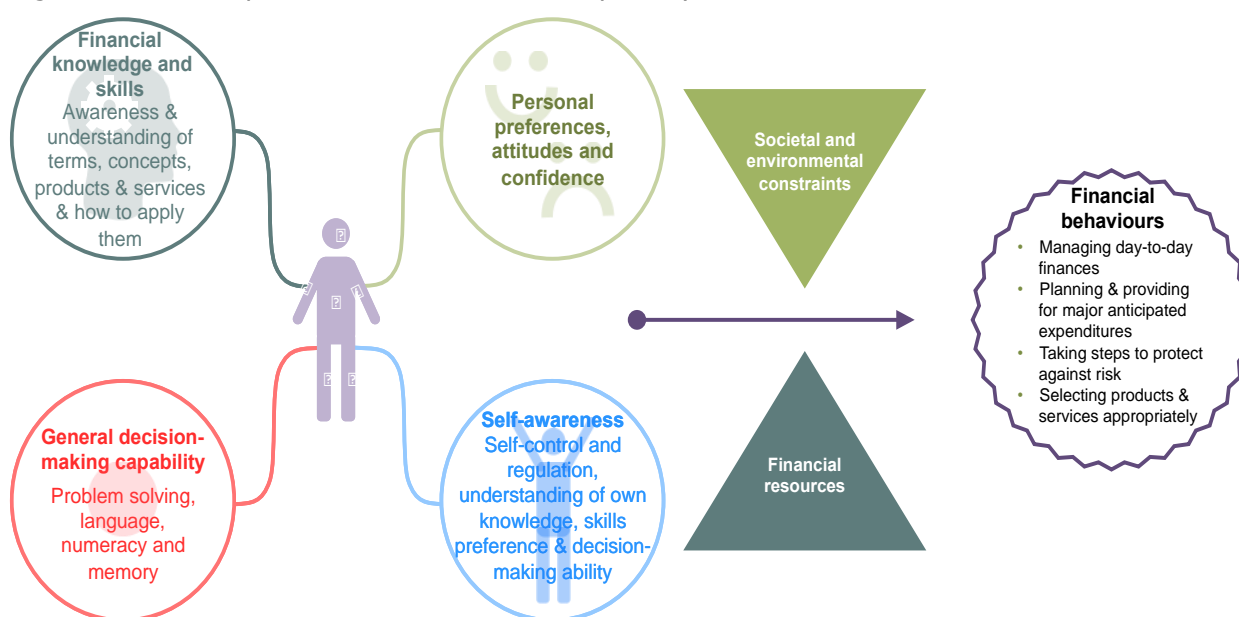
A strategy must include programmes and be time bound in order to achieve its objectives. It must include a roadmap of activities which will outline programmes for implementation, identify the target market and articulate objectives. Monitoring and evaluation requirements to assess the efficiency and effectiveness of the strategy must also be considered.

Given the multi-stakeholder and multi-institutional approach to a national FE strategy it is important to ensure the establishment of clear principles, guidelines and standards for individual programmes. This will ensure greater efficiency and impact.

1.3 Conceptual model of Financial Capability

The objective of a financial education strategy is to improve the financial literacy levels and ultimately the financial capability of consumers. The findings of the Financial Literacy Baseline Survey will be used to determine areas of financial literacy that requires increased focus. However, when considering the strategy it is important to also understand that improving financial literacy in itself is not sufficient to influence behavior change. There are various factors that influence a person's financial capability which are important when considering the strategy and when designing programmes to support the strategy.

Figure 1: A conceptual model of financial capability



6

The diagram above illustrates the internal and external factors that contribute to building financial capability. Financial knowledge and skills; personal preferences, attitudes and confidence; general decision-making capability; and self-awareness and regulation are those internal factors which contributes to how a person may conduct their personal finances. In addition there are external factors that influence behavior. Lack of access to appropriately priced financial services is an example of external factors that could prevent a consumer from utilising certain products and services. This example demonstrates how external factors could impact a person's financial behavior. When designing financial education programmes, internal and external factors must be considered.

⁶ Adapted from: World Bank Financial Literacy and Education, Russia Trust Fund, 2013

1.4 Financial literacy in Seychelles

The Financial Literacy Baseline Survey sought to better understand the financial literacy levels of Seychellois adults. The survey focused on various indicators, including access to financial products and services, attitudes towards financial matters, knowledge and behaviours. This report provides an overview and analysis of the findings of the survey. The findings are broadly grouped under the banners of financial capability and financial inclusion. The findings of this survey will be used by the Government of Seychelles to develop a national strategy for financial education. Therefore, in addition to the survey findings, the report also includes introductory notes on global trends in financial education and benefits of a national strategy on financial education. The report includes recommendations on focus areas for a future strategy on financial education.

Financial capability is a complex concept that describes an individual's internal capacity to make decisions about personal finances. It includes knowledge, attitudes and behaviours as it relates to financial products and services, as well as management of personal finances. The Seychelles adult population demonstrate high levels of awareness and knowledge. Product usage is also high in certain product categories. Transactional, savings and credit products are the most commonly used products in the Seychelles. However the data also indicates that there is room to address other components of financial capability to ensure improved decision-making and to encourage more productive personal financial management.

Financial inclusion data shows that 94% of Seychellois are banked. This places the Seychelles as the most financially included country in the Southern African Development Community (SADC). This is followed by Mauritius which is 85% banked and South Africa which has 77% of its adult population banked.

The findings and analysis for financial capability and financial inclusion are documented in section 3 of the report.

1.5 Background to the Financial Literacy Baseline Survey in Seychelles

The Financial Sector Development Implementation Plan (FSDIP) seeks to ensure that the financial and investment sector in Seychelles maximises its contribution to the economic and social development of Seychelles. One of the components addressed by the FSDIP is consumer protection and financial education. The FSDIP recognises that an important element in promoting the development of the financial sector is creating an expectation among consumers that they will receive fair treatment and quality services from financial institutions. Through the recommendations on enhancing financial literacy, it seeks to ensure that financial services are used extensively, in an effective and responsible way by both existing and future customers. Against this backdrop the FSDIP commissioned the Financial Literacy Baseline Study,

the purpose of which is to identify the key target groups, to design a comprehensive and cost effective strategy and implementation plan to reach selected groups.

The Central Bank of Seychelles (CBS) and the Financial Services Authority (FSA) has taken a lead role in commissioning the strategy. Both organisations will use the findings of the survey to develop an appropriate national strategy on financial education for the country, in conjunction with relevant stakeholders.

Following a tender process, FinMark Trust was appointed by the CBS and FSA to conduct the Financial Literacy Baseline Survey in Seychelles.

2 Survey methodology

The methodology applied for the Financial Literacy Baseline Survey is that used in the FinScope surveys that are extensively conducted by FinMark Trust which comprise elements of financial literacy. The recommended sample was approximately 562⁷ adult individuals. In order to determine the optimal sample size and assess how the methodology ensures that reliable estimates are produced, the following sampling considerations were outlined for discussion:

1. Minimum acceptable level for national reliable estimates at total level and associated margin of error;
2. Most up-to-date reliable information at island level to guide population estimates and design of survey of the Seychelles adult population;
3. Aggregated regional geographic domains on which to base sample design;
4. Minimum samples required per aggregated geographic domains (island);
5. Available population information as per smallest demarcated census areas (Enumerator Areas (EAs) in Seychelles);
6. Reliability of most recently available population data at Enumeration Area level.

The approach required a representative probability sample drawn systematically using probability proportional to size sampling (PPS) method. A multi-stage sampling methodology was applied which entailed selection of enumeration areas (EAs) from recent census or population estimates using PPS followed by the selection of households as well as the selection of one adult in the selected household using a Kish Grid. For the PPS sample to be drawn, household counts for each EA were required and used as the measure of size. Maps obtained from the National Bureau of Statistics for all the EAs sampled were used to facilitate the field operations. FinMark Trust contracted fieldwork and data collection to ATW Market Research.

The starting point was to ensure that the methodology was able to produce estimates that are comparable to known totals of relevant demographics. The consideration was made to ensure that the estimates from the survey cater for these relevant sub-population indicators.

⁷ Note that the final recommended sample size is n=562. This is because the sample design calculations were based on considerations of:

1. n=6 interviews per EA;
2. Minimum sample size of n=6 within each and every cell

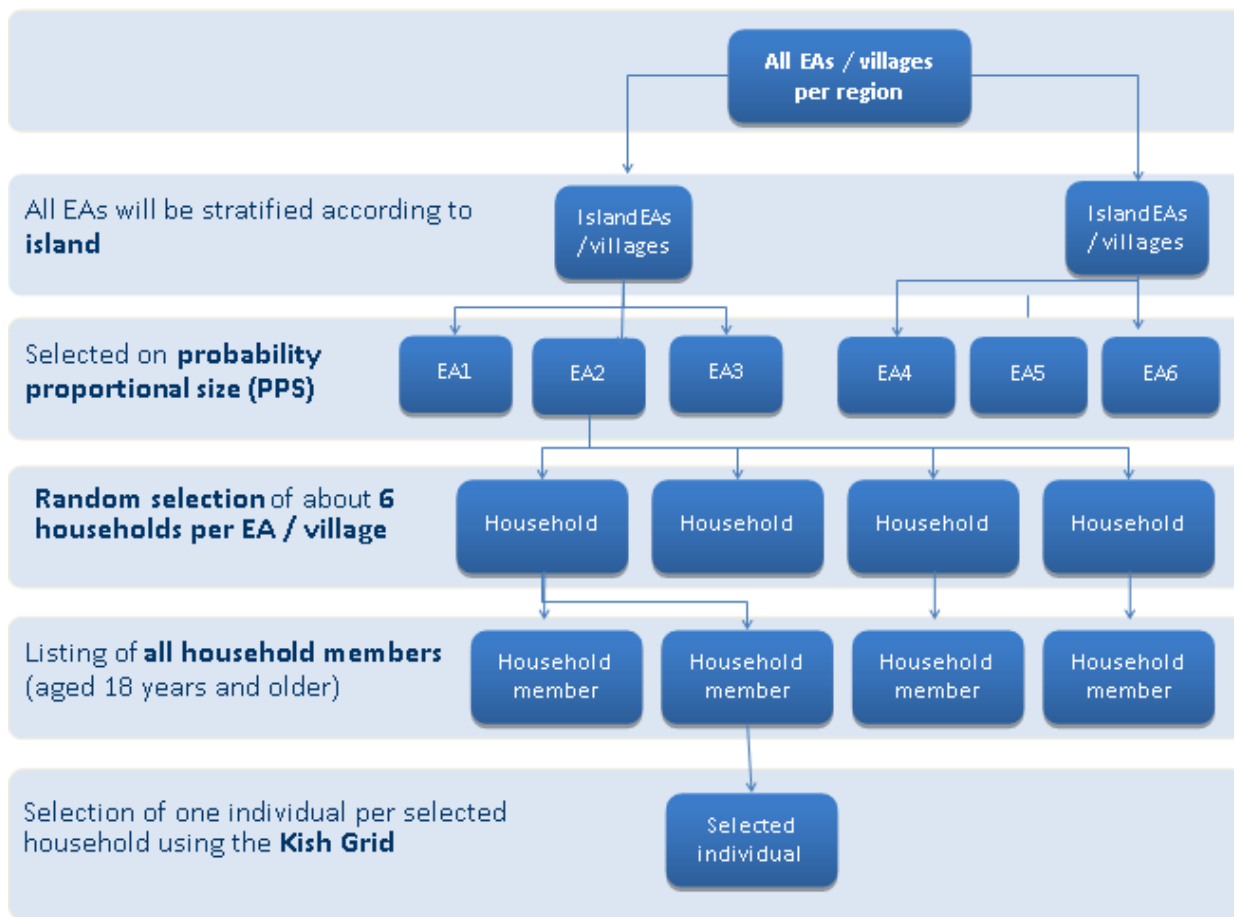
2.1 Generic sample design approach - Sample design specifications

The survey population refers to “bankable” adult population in Seychelles including both rich and poor, individuals residing in Mahé, Praslin or La Digue, women and men since the results are nationally representative. Quantitative surveys generally sample part of the population and the results, after weighting are used to infer to the entire population including non-sampled parts. “Bankable adult” in this case refers to the age an individual can open a bank account, which – in most countries – is 18 years and older. Anyone who is younger than 18 years of age at the time of the survey is excluded from the sample universe. People living in institutionalised settings, such as students in dormitories and persons in prisons or nursing homes are also excluded.

The sample design was a three stage sample with enumeration areas in Seychelles as primary sampling units (PSU), households as secondary sampling units (SSU), and individuals selected by Kish Grid from a list of eligible respondents at every selected household as tertiary sampling units (TSU).

1. **Target population:** Adult population of ages 18 years and older
2. Sample representation levels:
 - a. National
 - b. Islands
3. Total recommended number of minimum households to be interviewed is 562
4. Sample to be allocated proportionally by islands
5. **Population frame:** Recent census Enumeration Areas
6. **Stratification:** Islands
7. **Selection method:** EAs to be selected using Probability Proportional to Size (PPS) systematic sampling procedure
8. Household selection using systematic random sample
9. Selection of an individual adult within the selected household using a Kish Grid

Figure 2: Generic sample design to be used



2.2 FinScope Survey methodology sampling approach applied to the Financial Literacy Study

1. FinScope uses the probability sampling approach, meaning that each unit is randomly selected and each unit's inclusion probability can be calculated. Reliable estimates and an estimate of sampling error of each estimate can be produced; therefore, inference about the entire population can be made. Generally, with the probability design, a relatively small and acceptable sample can often be used to draw inferences about the population.
2. The methodology for the primary sampling unit (PSU) selection includes stratification of EAs within each island with the following benefits:
 - To reduce the variation of EAs within the islands;
 - It increases the precision of overall population estimates, resulting in a more efficient sampling strategy. A smaller sample can save a considerable amount on the survey, particularly data collection;
 - It can guarantee that important sub-groups, when defined as strata, are well represented in the sample, resulting in statistically efficient domain estimators;
 - It can be operationally or administratively convenient.

-
3. The other important feature of PSU selection is that it also uses the probability proportional to size (PPS).
 - PPS will require good quality data used as the measure of size such as household size;
 - It ensures that the EAs are selected based on the number of households as a measure of size.

2.3 Sampling methodology

1. As indicated above, PSU selection is determined through a combination of stratification and PPS selection.
2. For the secondary sampling unit (SSU) selection, a reliable count of the number of households in each EA is used, either through up-to-date figures provided/sourced from the national statistics authority (in this case National Bureau of Statistics or other relevant government departments). Within each selected EA, about six (or possibly eight) households are selected systematically, selecting every k^{th} household (systematic random selection). The sample interval is determined from the existing information.
3. In order to select the tertiary sampling unit (TSU), each and every household visited will be asked to provide names of all adults 18 years or older in the household who qualify to be interviewed. Within a selected household, where there is more than one qualifying respondent, the Kish Grid is used to randomly select the one household member with whom to complete the interview (this individual will be the ultimate sampling unit).
4. In order to maintain strict control over appropriate sampling implementation and to ensure that the basis of the sample complies with the requirements of national representation, rules for substitution of households (SSUs) are provided and controlled in terms of the following:
 - If a selected person is unavailable, then minimum of one recall is done at a different time of the day and records are kept to maintain the integrity of the sample;
 - If a person is repeatedly unavailable or refuses participation, then very strict substitution rules are applied;
 - The substitute is also chosen using randomisation techniques; and
 - No substitution of individuals within a household is allowed.
5. Data required to draw a sample: specific requirements on how the sample is drawn to be representative nationally. The sampling frame is constructed from the Enumeration Areas (EAs) that are demarcated from the most recent census. EAs become the lowest geographic areas in which the sample of households is drawn. EAs are clearly demarcated and the maps are produced for each EA.

In order to draw a PPS sample, the methodology makes use of the census household counts. Household counts used as the measure of size for the smallest geographic unit are also used during stratification. Household counts also inform the size of the EAs for the purpose of planning and providing sampling rates for selected EAs.

2.4 Seychelles sampling allocation

1. The survey methodology ensures 100 percent response from all the sampled units. A well administered substitution procedure is applied. As a result of the substitution procedure, there is no need for non-response adjustment.
2. The outcome of the probability sample is design weight which will be multiplied by the ratio of the known population totals and the survey estimates.

Sample size allocation using PPS

The sample proposed and recommended for Seychelles is approximately 562 adults aged 18 years and older. This overall sample gives an error rate of 4.4% at the 95% Confidence Interval (C.I.). An overall error rate that is less than 5% at the 95% C.I. is acceptable and provides acceptable and reliable estimates. The approach takes into consideration the PPS method which would satisfy both national and limited island level statistics. PPS serves to allocate samples to strata in such a way that the final allocation fits proportionally to the sub-populations of strata. Note that reliably stable analysis at island level would be done. Sampling is stratified at major islands based on the 2016 population estimated rebased on National Population Census 2010.

Table 1: Sample allocation using PPS method, with allocation by island

Name	Population	Proportion	Suggested sample	Number of enumeration areas
Mahé	63 202	85.4%	480	75
Praslin	5 887	9.8%	55	9
La Digue	1 733	4.8%	27	5
Total	70 822	100%	562	89

*In this document 6 qualifier households are assumed to be selected systematically. Note that the k=6 is based on FMT's experience in other countries.

For the Financial Literacy Baseline Study, face-to-face Computer Assisted Personal interviews (CAPI) [with exception of La Digue⁸ data collected through Paper And Pen Interviews (PAPI)] is preferred as it has the following advantages:

- Improved data quality as automatic capturing is done as the interview is implemented – no possibility of human error during data capturing;
- Tracking of interviewers and location of interviews is done seamlessly via CAPI tools, that is, the exact time of the interview is tracked and checked, e.g. no interviews occur at midnight;
- Data is updated periodically to a central point, and verifying the correct capturing of data enables the field team to make adjustments if there are any deviations;
- Interviewers are able to conduct the interview with confidence when the tools at their disposal are equipped at guiding the conversation – that is, CAPI tools are scripted to follow the answers given by respondents which help in guiding the line of questions;
- The professional appearance of fieldworkers (as opposed to those with papers) is a motivator for more participants to undertake the survey and this increases the response rate;
- Interviews conducted in CAPI would be shorter than those conducted by pen and paper.

2.5 Questionnaire design

FinMark Trust conducted research in 2013 to better understand the role of financial literacy in improving financial capability of consumers. The research found that financial literacy does play a role in improving the financial capability of consumers. The research also sought to identify indicators that can be included in the questionnaires to focus more on financial capability. This resulted in the inclusion of questions to better understand attitudes, behaviours, awareness and knowledge.

A survey of financial capability can provide useful diagnostic data, enabling policymakers to identify key areas requiring intervention both on the demand- and supply-side. For example, a survey might gather data necessary to inform the focus of financial education interventions. Policy makers can use data from financial capability surveys to identify groups with the greatest needs and subsequently build their

⁸ La Digue data was collected by the Central Bank of Seychelles Staff and some of the surveyors who used CAPI devices due to the request coming in after the first round of data collection was completed.

education initiatives with specific target groups in mind. In addition, by repeating surveys periodically, authorities can assess the impact of these programmes on financial capability levels over time.

Financial capability surveys might also enable regulators to refine and enforce market conduct legislation to prevent abuse of vulnerable segments of the market. Data generated by surveys could indicate whether consumers are aware of the terms and conditions and understand their responsibilities and potential penalties associated with particular usage patterns, default or lapse. Further, the survey could provide critical data to enforce legislation. For example, in South Africa the Financial Advisory and Intermediary Services ("FAIS") Act stipulates that when a provider renders a financial service, any representations made or information provided must be provided in plain language to avoid uncertainty or confusion taking into account the factually established or reasonably assumed level of knowledge of the client. Surveys can create a fact base in this regard, informing both providers and regulators about what clients know, and what language is appropriate.

Aside from policy, a survey of financial capability can provide valuable information for private sector providers who offer financial products and services. Data generated by a survey can help them to develop more appropriate propositions across various dimensions such as product structure, communication and marketing messages, as well as servicing models.

Finally, data generated by surveys can generate 'headline grabbing' facts that raise the profile of financial capability as a topic for wider engagement across society at large.

Below are links to financial literacy/financial capability surveys that have been conducted in other parts of the world. It provides examples of how findings can be used to elevate the importance of financial literacy and in turn to prioritise financial literacy in policy.

https://media.mhfi.com/documents/FinLit_Overview_One_Pager.pdf

<https://www.spglobal.com/corporate-responsibility/global-financial-literacy-survey>

https://media.mhfi.com/documents/SandP_EU_FINAL.pdf

<https://cfi-blog.org/2013/11/01/what-is-financial-capability/>

<http://www.cfsinnovation.com/Find-your-topic/Financial-Health>

<http://www.cfsinnovation.com/Document-Library/Consumer-Financial-Health-Brief-Measuring-What-Mat>

3 Study findings

3.1 Demographics

In order to draw meaningful inferences about the population in Seychelles, it is important to provide an overview of the demographic profile of the population. In this section the demographic characteristics of the adult population– inter alia, island of residence, age, gender, education and other related results are presented.

The adult population

As per the 2016 population estimates, there are about 70 822 adults aged 18 years and older in the Republic. Individuals aged 18 years and above are able to legally enter into a financial transaction and contracts in one’s own legal capacity, including the uptake and ownership of financial services and products.

Table 2: Island population distribution

Island	Percentage	Population
Mahé	89.2	63 202
Praslin	8.3	5 887
La Digue	2.4	1 733
Total	100%	70 822

The table above illustrates that Mahé accounts for the largest adult population at 89%, followed by Praslin with 8% while La Digue comprises 2.4% of the country’s adult population.

Gender and age

Almost 50% of the adult population in Seychelles are between the ages of 18 – 39, with the percentage of males (28%) higher than females (25%). Males comprise 51% of the adult population and females 49%. There are more females (17%) than males (12%) in the age category of 60 years and above. Those aged 60 years and above account for 15% of the population. The Seychelles Pension Fund (outlined in the Seychelles Pension Fund Act of 2005) defines the retirement age for an individual as 60 years and states that “an adult is eligible for retirement while 63 years is the compulsory retirement age”⁹. For purposes of this report the

⁹ http://www.pensionfund.sc/?page_id=2542

elderly group is defined as adults 60 years and older. This age category is important when the analysis of age is undertaken.

Figure 3: Age distribution by gender (in %)

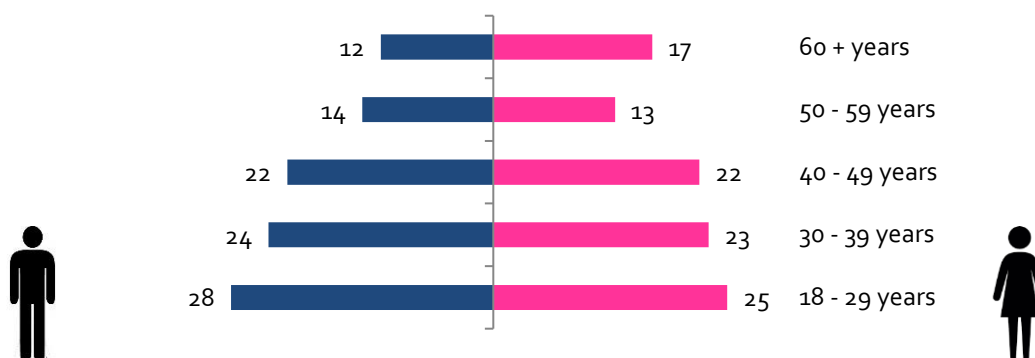


Table 3: Education

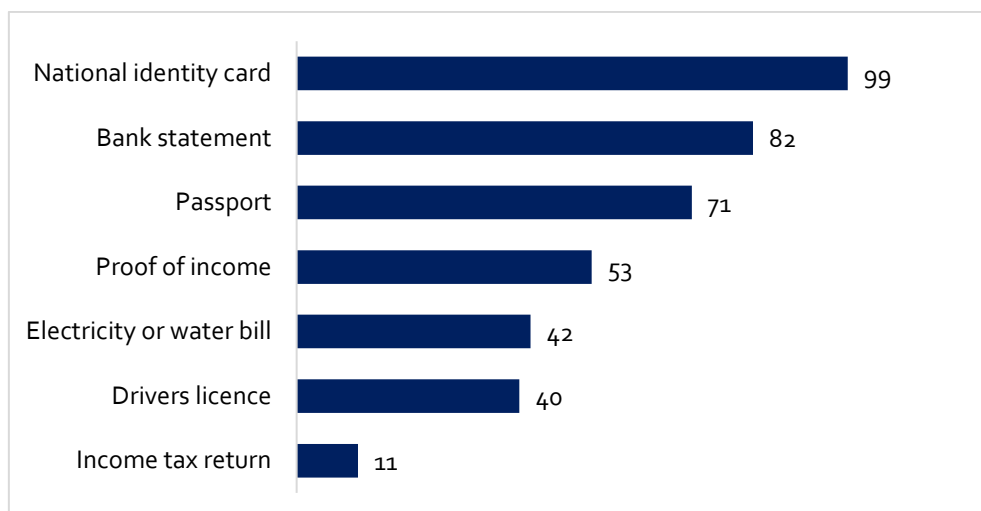
Level of education	Percentage
No formal education	3
Primary education completed	11
Secondary education completed	28
A-Levels or Business Studies	8
Other post-secondary education (e.g. Technical Studies, Maritime, Hospitality)	38
Bachelor degree	4
Post graduate degree	3
Professional qualifications (e.g. ACCA, Chartered Banker)	1
Other	4
Total	100%

Overall the Seychellois are a fairly educated population. Cumulatively around 50% of the Seychellois adults have completed some post-secondary education, hold a Bachelor's or post-graduate degree and have some form of professional qualification. Education is an important consideration when designing financial education programmes, as it relates to literacy, numeracy and general cognitive abilities of the population.

Documentation

In order to access financial products and services, an individual needs various forms of documentation. For example to access credit, financial service providers need proof that the individual has the capacity to repay the loan by using proof of income and bank statements to assess credit worthiness.






Figure 4: Possession of documentation in own name (%)



The figure above depicts a high possession of the necessary documentation, implying that there is no barrier to financial access. Lack of access to identification is often cited as an external barrier to entering the formal financial sector. The national identity card system that is in place in Seychelles means that there is little to no barrier to entering the formal financial sector.

3.2 Household characteristics

Table 4: Access to communication platforms

	 Mobile phone	 Computer laptop/tablet	 Internet connection through computer	 Email	 Internet connection through mobile
Use	91%	58%	42%	38%	45%
Own	88%	50%	-	-	-

Although mobile penetration is high in Seychelles (88%), this does not necessarily translate into high internet access and usage which is at 45%, as shown in the figure above. While mobile phones impact the use of internet as a delivery mechanism for financial education programmes, this does not imply that people will use the internet to access any financial education information. It would be valuable to understand which sections of the population do in fact have access to the internet and for what purposes it

is used. This could influence how the internet is used as a delivery channel for financial education programmes.

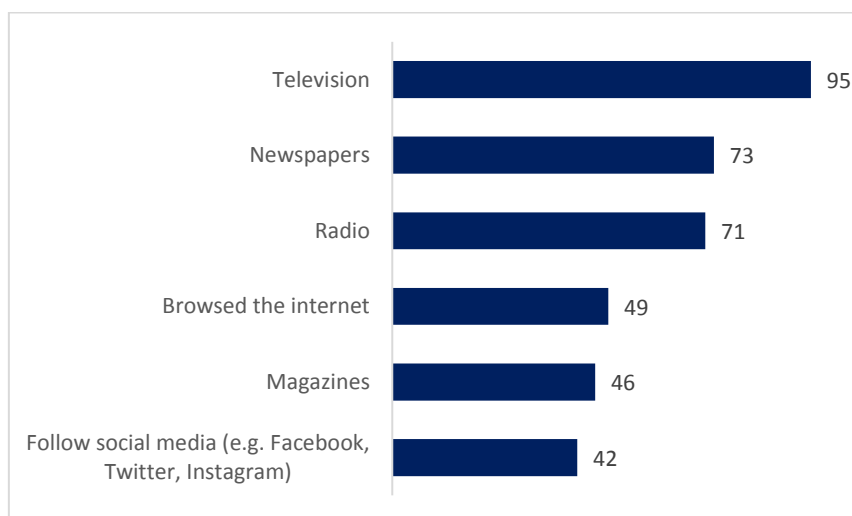
Table 5: Internet users by age categories

	18 – 29 years	30 – 39 years	40 – 49 years	50 – 59 years	60 years and above	Total
Internet connection through mobile	42%	34%	16%	5%	3%	45%

In addition to mobile phones, it is encouraging to note that over half (58%) the adult population has access to a computer or tablet. Read in conjunction with access to the internet (45%) it provides an indication of the scope for using the internet, other than through a mobile phone, as a communication channel. Further investigation to better understand the target population may prove useful in using the internet to target specific segments of the population.

The figure below reflects the use of other types of media channels used in the last month prior to the survey.

Figure 5: Media channels used in last month (%)



Television, newspapers and radio are the most popular media channels in the country. When designing a national strategy, it is important to consider how best to utilise the various media channels. While above the line media channels are best used for creating general awareness, and to impart knowledge, they might be difficult to teach a complex financial skill. Lately though, social media has fast become a tool of choice for reaching the middle aged and the youth. This is evident since of those using social media (42%), the segmentations are skewed towards:

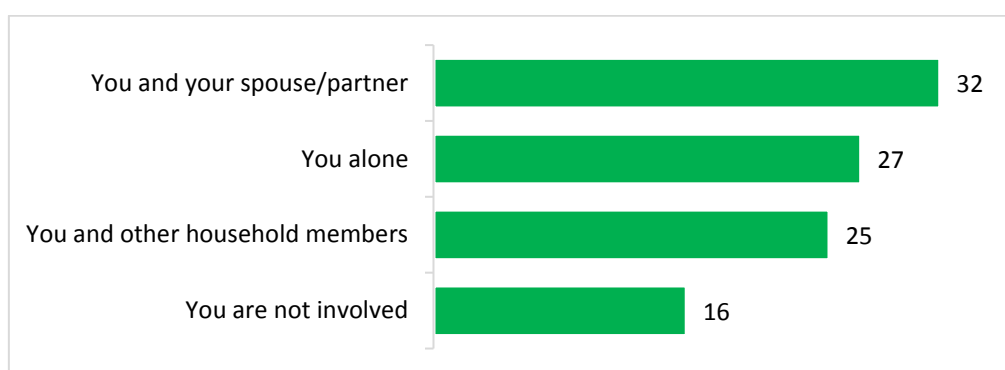
- Females (53%)
- Age 18 – 29 years (45%)

- Age 30 – 39 years (33%)
- Age 40 – 49 years (16%)
- Age 50 – 59 years (5%)
- Age 60 years and older (2%)

Household financial decision-making

The survey explored how financial decisions are made in different households by asking adults to indicate who, amongst the household is responsible for making financial decisions such as purchasing goods and services, how and when to save and spend money for the household.

Figure 6: Financial decision-making in the household (%)



As shown in the figure above, 27% of adults make decisions alone, while 57% have at least two people who are making financial decisions for the household.

Sections 3.3 and 3.4 that follows focuses on financial capability and financial inclusion respectively. Due to the multi-dimensional nature of financial capability the analysis includes aspects of financial inclusion data which demonstrates the uptake and usage of products which is one dimension of financial capability. In section 3.3 below, financial inclusion indicators are analysed in combination with other indicators.

For this reason some data may be duplicated in the financial inclusion section.

3.3 Financial capability

Financial capability encompasses the knowledge, attitudes, skills and behavior of individuals with respect to understanding, selecting and applying financial concepts and tools, and the ability to access financial services that meet their needs. There are multiple dimensions that make up financial capability. To better

understand the financial capability of Seychellois, findings from the survey are presented under the following headings:

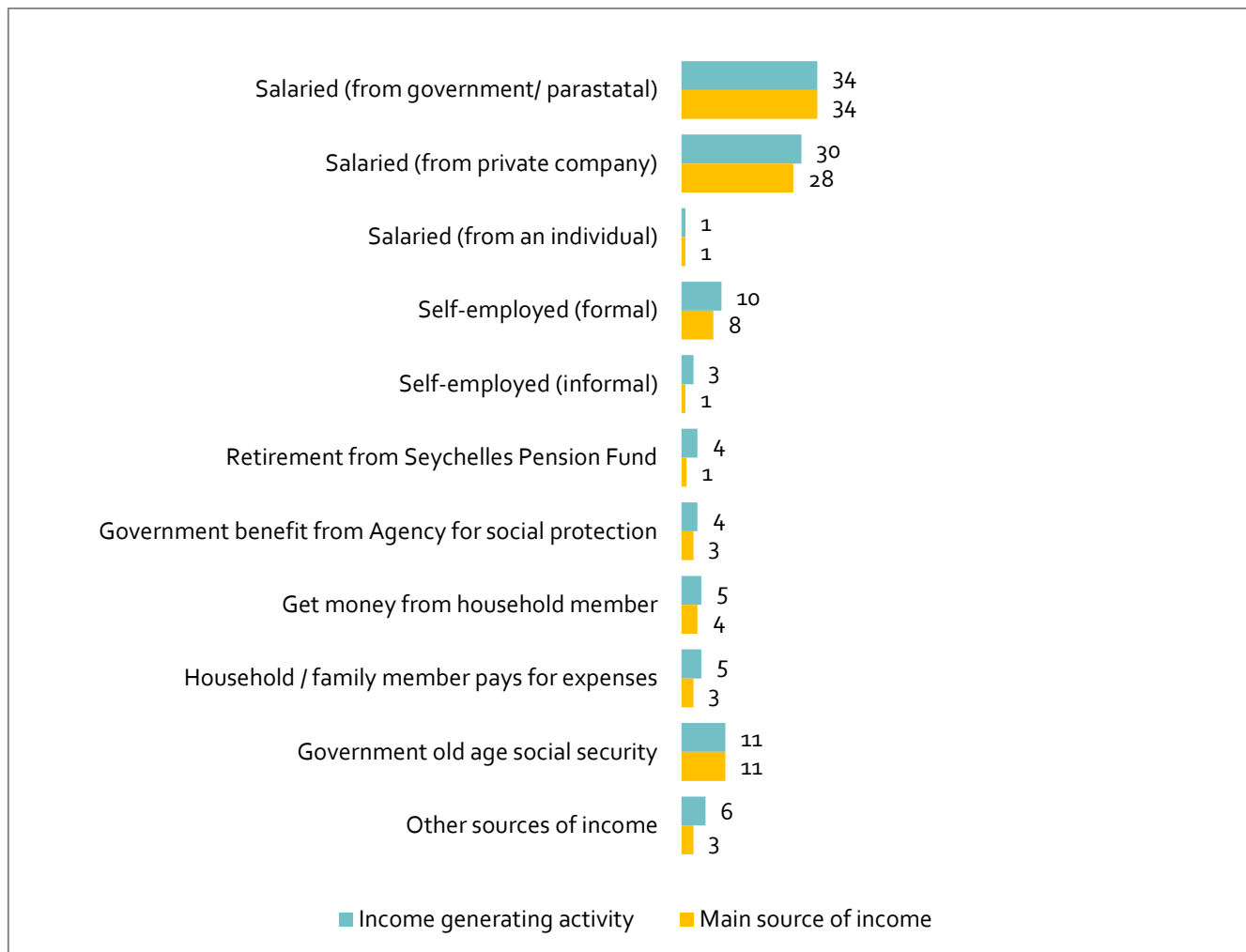
- **Meeting financial obligations** – or making ends-meet. This dimension assesses consumers' ability to manage their personal and household finances to meet their financial obligations;
- **Planning for the future** – looks at budgeting, savings, investments and insurance. It assesses Seychellois attitudes, knowledge and behaviours as it relates to personal financial planning;
- **Understanding and use of financial products** – This relates directly to how people are using financial products and services to manage their finances. It also provides insight into behaviour as it relates to the selection of financial products and services to meet one's financial needs; and
- **Financial decision-making** – refers to an individual's ability to apply the knowledge to make financial decisions.

3.3.1 Meeting financial obligations

This dimension of financial capability refers to an individual's ability to cater for their individual and/or household financial needs. It is also sometimes referred to as the ability to 'make ends-meet'.

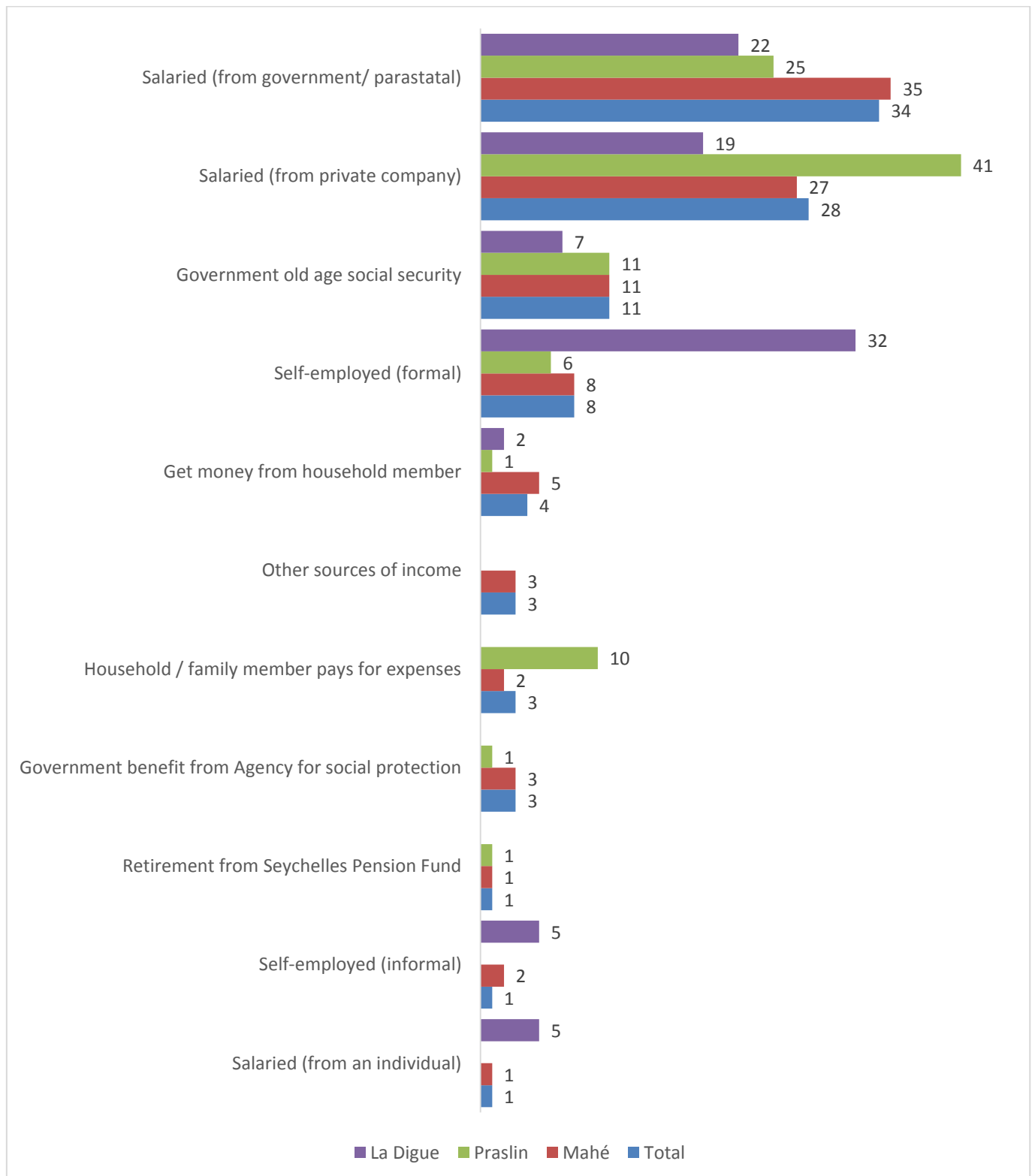
The study found that 75% of Seychellois are earning an income from formal channels such as government jobs, employment at private companies, receiving salaries from another individual or self-employment. This indicates regular and consistent income.

Figure 7: Income generating activities (%)



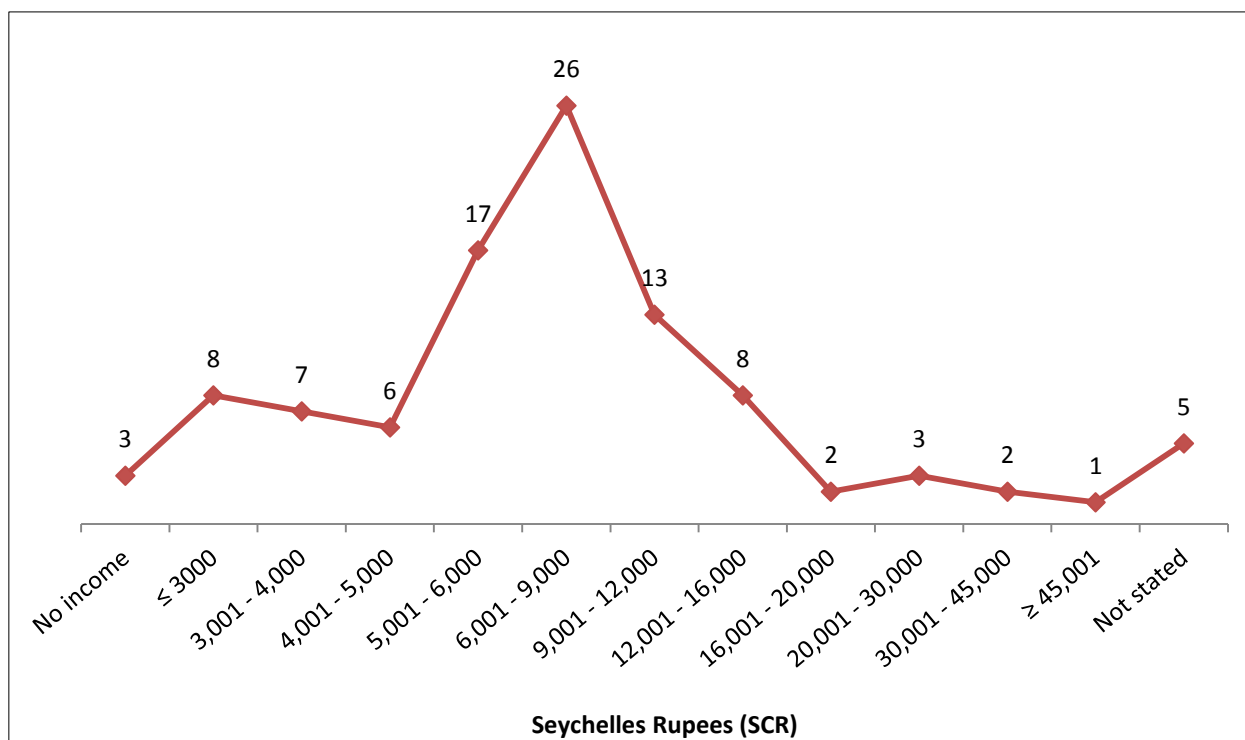
In total 86% of the population earn a regular income that includes the salaried and those earning their income from government grants and pension, and those self-employed in the formal sector. The figure below shows the distribution of main source of income by island and personal monthly income of Seychellois adults.

Figure 8: Main source of income by island



It is worth highlighting that whilst adults on Mahé are mostly employed by government, Praslinois are mainly with private companies and people from La Digue are mainly self-employed.

Figure 9: Distribution of personal monthly income [before tax and other deductions] (%)



Around 20% of adults earn a personal monthly income of between SCR 1 and SCR 5,000, a further 20% earn between SCR 5,001 and SCR 8,000, and 19% earn between SCR 8,001 and SCR 12,000. The percentage of those earning between SCR 12,001 and SCR 16,000 is at 8%, while 12% comprises those earning more than SCR 16,001. Considering that the minimum wage in Seychelles is SCR 5050¹⁰, this suggests that 20% of the population earn below the minimum wage.

Table 6: Profile of those earning less than a minimum wage

Area of residence	<ul style="list-style-type: none"> ▪ Mahé [90%], Praslin [9%] and La Digue [1%]
Age group	<ul style="list-style-type: none"> ▪ 18- 29 years [37%] ▪ 30- 39 years [14%] ▪ 40- 49 years [18%] ▪ 50- 59 years [14%] ▪ 60 years and above [17%]
Gender and marital status	More females [60%], mainly married [41%], single/never married [43%], widowed (not remarried) [7%]

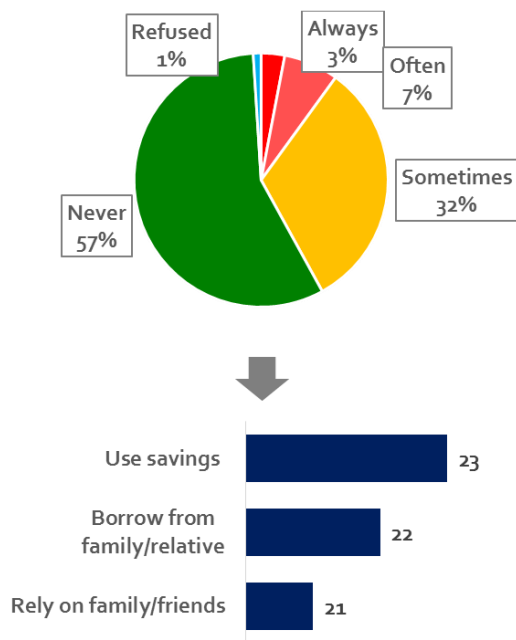
¹⁰ http://www.seychelles-eneews.com/2016/March%202021,%2020216/econ4a_minimum_wage_to_up.html

Education	No formal education [5%], Primary education [11%], Secondary education [32%] and Other post-secondary qualification [42%], Bachelor degree [4%]
Among those who receive an income	Higher among those salaried from government [16%], salaried from private company [21%], self-employed (formal) [5%], Old Age Social Security Grant [11%], Social Protection benefit [11%], money from household member [14%]

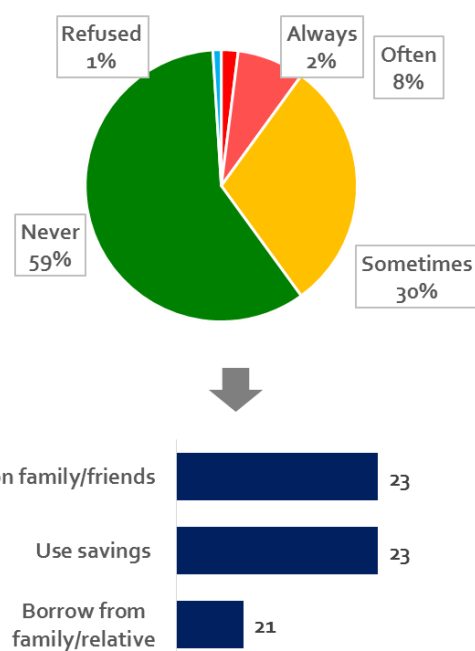
The figure below reflects the basics of money management as it relates to how Seychellois are managing their income. It also includes data on what mechanisms are used to cover the shortfall when experienced.

Figure 10: Basic money management

How often had to go without cash or income for basic necessities?



How often do you run out of money for basic necessities?



About 42% of Seychellois adults are faced with the challenge of having to go without cash or income for basic necessities. Over 66% rely on savings, borrowing from family and friends or rely on family to cater for their financial shortfalls. This indicates that these individuals are struggling to make ends-meet.

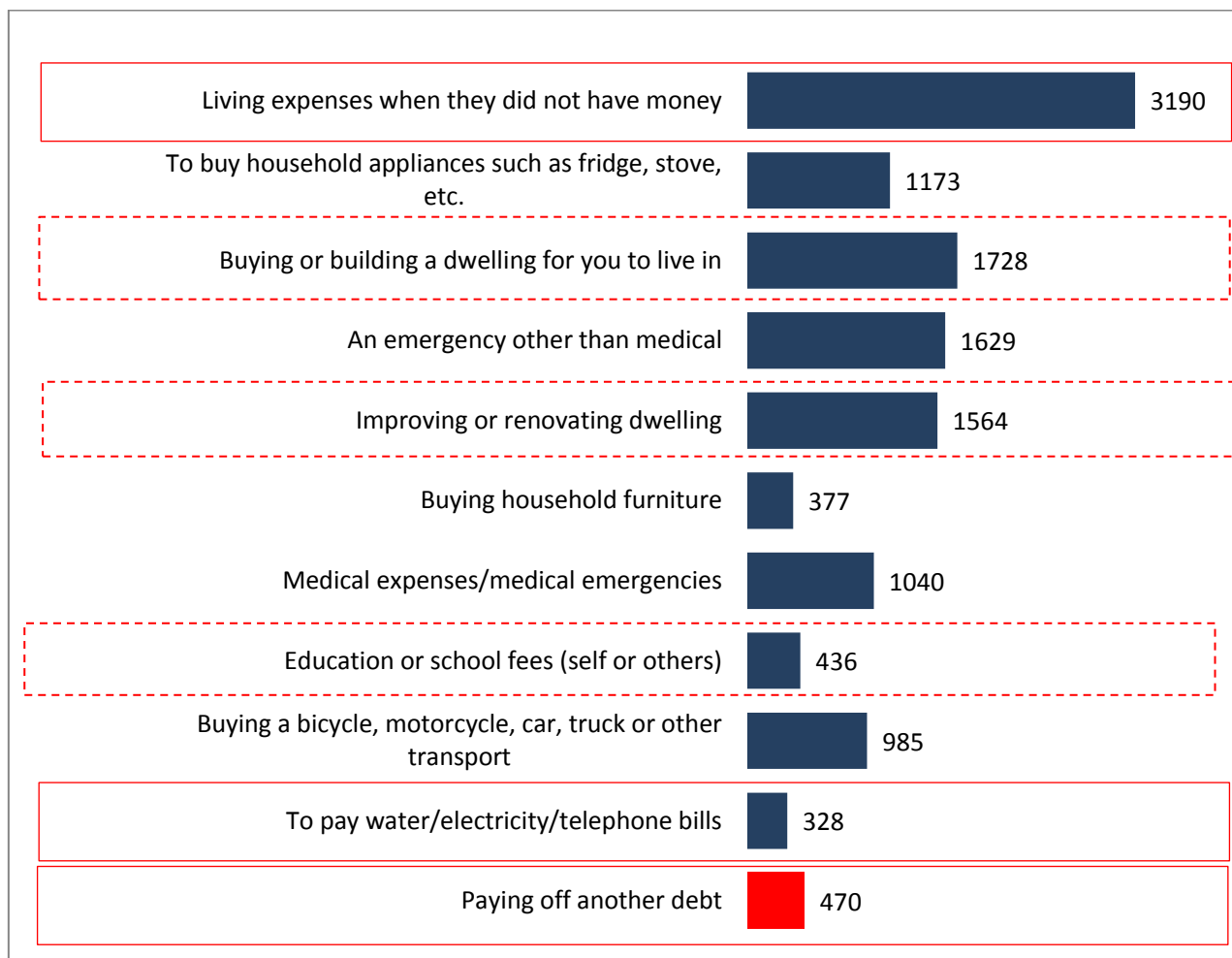
In addition 40% claim to run out of money for basic necessities. These figures are high given that 75% of the population earn a regular income. Moreover, given that more than 70% of the population earn above

the minimum wage (SCR 5,050) it is concerning that over 40% of the population find it a challenge to cater for basic necessities.

About 1,728 adults are accessing credit to buy or build a dwelling and 1,564 adults are accessing credit to improve or renovate a dwelling. This is encouraging as it indicates positive financial planning by those who are accessing credit for developmental or productive purposes.

However, 3,190 adults cite “living expenses when they do not have enough money” as the main driver for accessing credit. This indicates that individuals and households are struggling to meet their financial obligations.

Figure 11: Motives for borrowing (in absolute number of adults)



* Dashed line represents the proportion of adults borrowing for developmental reasons.

** Solid line representing the proportion of adults accessing credit to pay off debt is a sign of being over-indebted.

Around 26% of Seychellois are showing signs of over-indebtedness as depicted in the figure above. The data presented below clearly indicates that these individuals are unable to meet their financial obligations.

Table 7: Profile of those showing signs of over-indebtedness

Those showing signs of over-indebtedness	<ul style="list-style-type: none"> ▪ Are finding it difficult to keep up with financial commitments ▪ Borrowing debt to pay off another debt ▪ Have been refused credit because they have too many debts ▪ Bank/credit provider not satisfied with information from credit information system
Area of residence	<ul style="list-style-type: none"> ▪ Mahé [90%], Praslin [7%] and La Digue [3%]
Age group	<ul style="list-style-type: none"> ▪ 18- 29 years [29%] ▪ 30- 39 years [23%] ▪ 40- 49 years [19%] ▪ 50- 59 years [19%] ▪ 60 years and above [11%]
Gender and marital status	More female [54%], mainly married [46%], single/never married [40%]
Education	Secondary education [26%] and Other post-secondary qualification [43%], Primary education [13%]
Among those who receive an income	Higher among those salaried from government[32%], salaried from private company [30%], self-employed (formal) [9%], Social Security Grant [9%], and receiving an income between SCR 5,000 and SCR 7,000 [31%], between SCR 7,001 and SCR 10,000 [21%]

There are signs that credit is used for consumption smoothing and not for productive purposes. This is a clear indication that despite receiving a regular income, Seychellois are facing challenges with managing their finances. In this context the level of over-indebtedness in Seychelles can be considered as high. This trend should be closely monitored and national strategy on financial education should focus on curbing further over-indebtedness of Seychellois.

From a financial capability perspective the ability to meet financial obligations in Seychelles is concerning, given that 75% of the population are salaried workers and over 70% of that segment earn above the minimum wage. It indicates a level of financial distress that could be the result of a lack of planning and

decision-making which is further explored in sections 3.3.2 and 3.3.3. These are all components of financial capability.

3.3.2 Planning for the future

The ability to plan for one's future is deemed an important component of financial capability. The survey assessed various components of respondents' attitudes and behaviours towards planning for the future. Planning starts with the basic practice of keeping track of income and expenditure, the basis of which is important to help individuals and households to: better understand their financial status; to allocate resources to meet basic needs; to save and invest; and to protect themselves against risks. Therefore having a budget is an important discipline. "Knowing how to track expenses and budget effectively are essential skills that enable people to live within their means and to feel in control of their financial lives."¹¹

A good 87% of Seychellois adults have reported that they would like to improve their financial situation. However 46% do not have a plan of what to do to achieve this goal. This illustrates that individuals are aspirational but have not given further thought as to how they could improve their financial situation.

Figure 12: Plans to improve financial situation (%)



¹¹ Managing Money and Planning for the Future: Key Findings from the 2014 Canadian Financial Capability Survey; <http://www.fcac-acfc.gc.ca/Eng/resources/researchSurveys/Documents/managing-money-key-findings.pdf>

The first step in understanding one's financial status is the ability to track one's income and expenditure. Only 19% of the population has a written plan or budget. A budget is the starting point for financial planning.

Majority (83%) of Seychellois adults claim to know how much they earned or received in the last month. However, only 42% know how they spend their money. This indicates a clear lack of tracking expenditure and a lack of planning on how money will be spent. Therefore more than half (58%) of Seychellois do not have a plan on how they will spend their money. This contributes to difficulties experienced with the ability to meet financial obligations or to cater for one's basic needs. The report later demonstrates how failure to plan results in reduced savings and investments and the inability to protect against risk.

Figure 13: Perceptions on various dimensions of managing money (%)

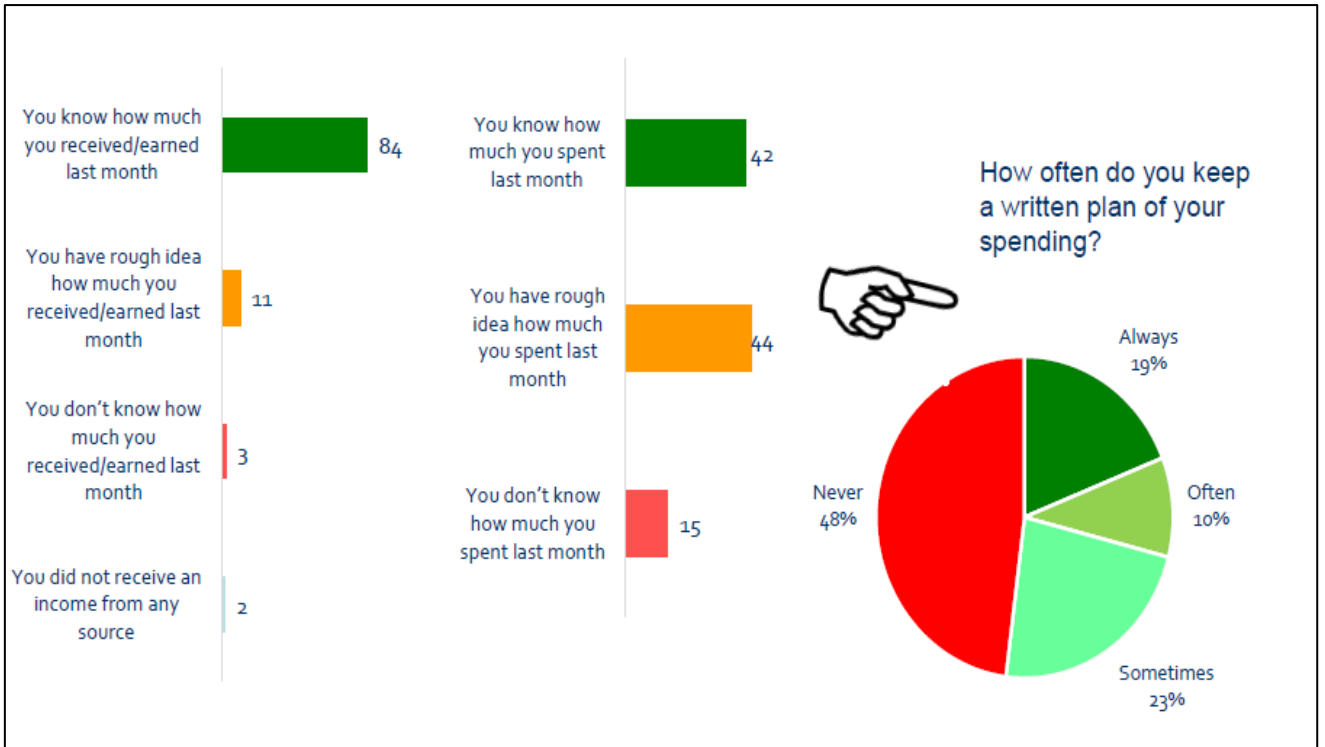
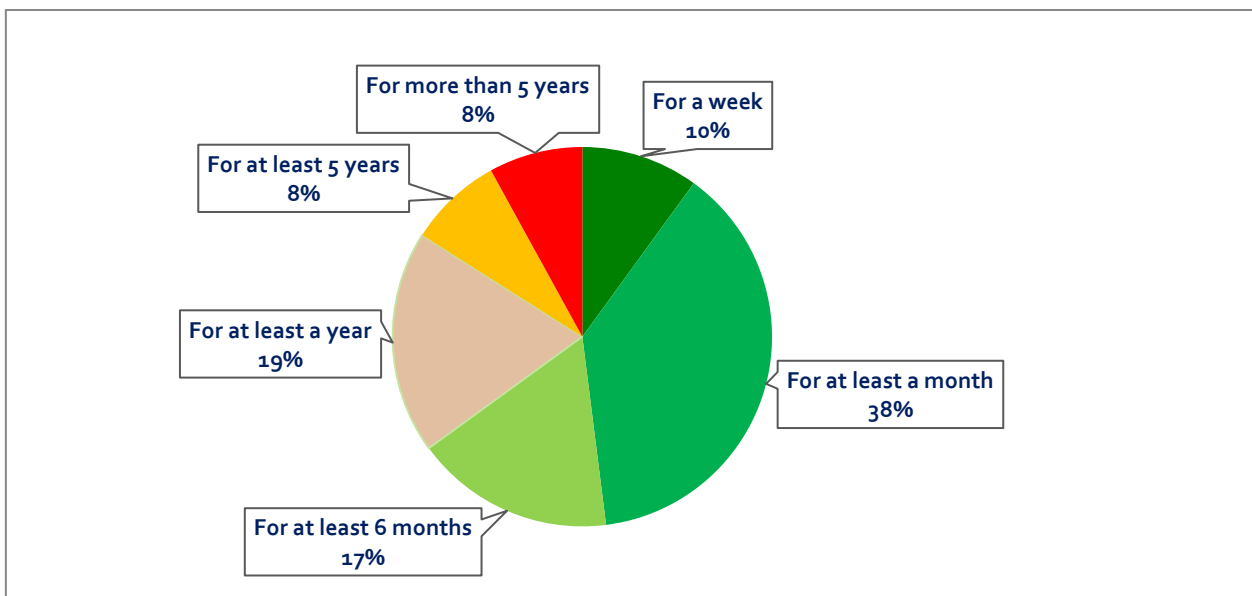


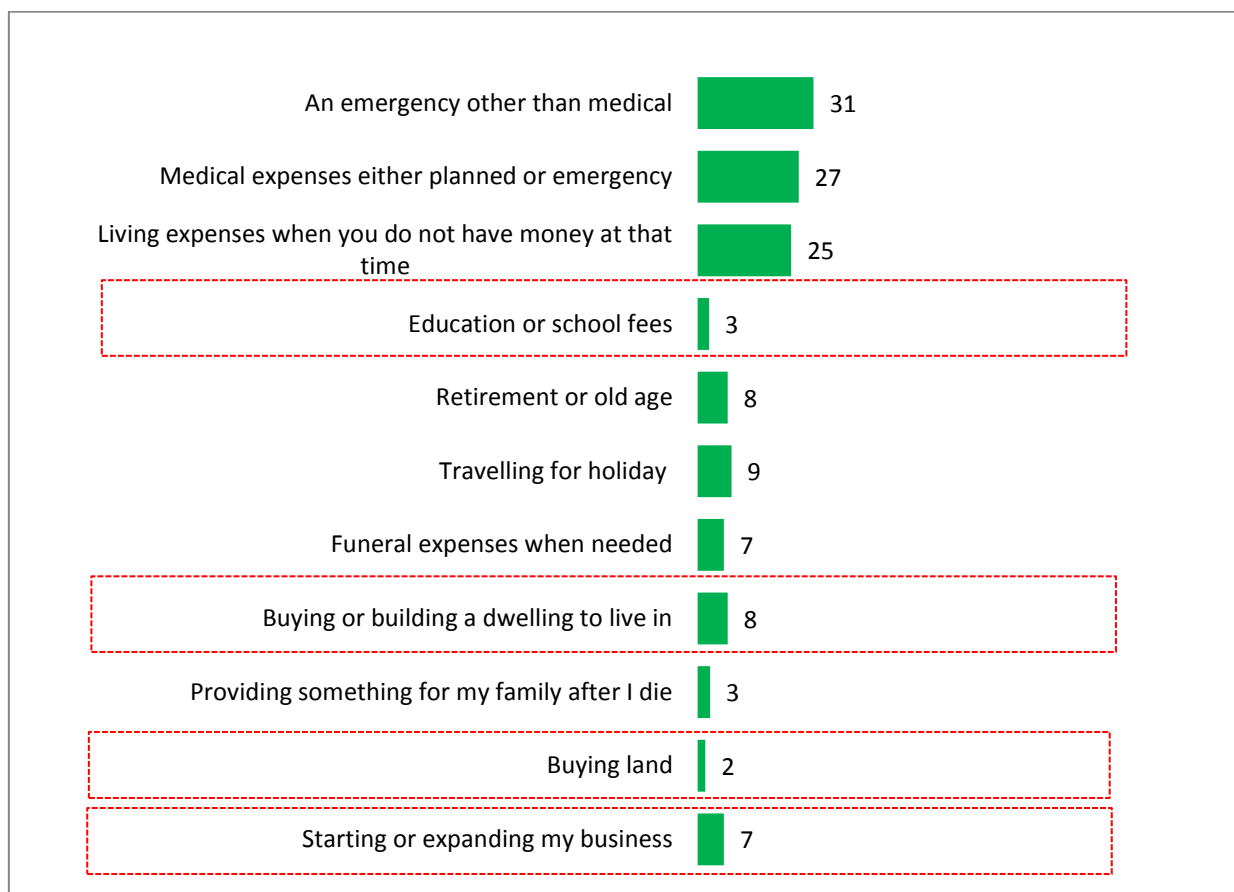
Figure 14: Defining the duration of savings (%)



The figure above illustrates the time span for savings from the adults' point of view and is based on their opinion of how long should money be put aside for it to be considered savings. The majority of adults consider savings when the duration is for 'at least a month' followed by 'at least a year' at 38% and 19% respectively. Only about 8% of the adults define savings as 5 years or more. Thus the majority of consumers view (84%) savings for a short term (at most one year) which suggests that adults cash-in most of their money in a year. The most reasons cited for savings are an emergency (not medical), medical expenses and living expenses at 31%, 27% and 25% respectively. Longer saving facilities at interest-earning providers are

encouraged especially to increase the savings culture and discipline of individuals. This implies that people are not actively planning their savings for the longer term. This is a key message for financial education content, to encourage people to plan to save where savings must form part of the monthly budget allocation.

Figure 15: Motives for saving (%)



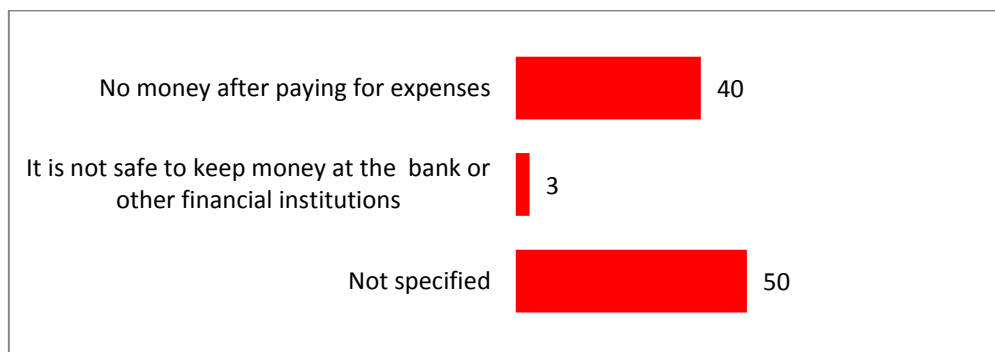
*Dashed line - Saving for developmental reasons implies reasons that improve the overall welfare of the individual/household, increases productive assets, increases value over time. For example, saving to buy or renovate the dwelling will increase the value of the asset, while saving to start a business has a higher likelihood of earning future economic benefits and cash inflows. The same applies to investing in the education of oneself and/or dependents or children.

Again the data reflects a lack of longer term savings. Education, buying or building a dwelling and starting or expanding a business are considered developmental. The percentage that is saving for these purposes is extremely low. In addition only 8% are saving for retirement. Planning for retirement is an important component of planning for the future. This data indicates that people are not actively considering their

financial future after retirement, and/or there is a reliance on government pensions or grants. Retirement planning should be a key component of personal financial management.

Lack of money appears to be the main barrier to savings as is depicted in the figure below.

Figure 16: Barriers to savings among those who do not save (%)



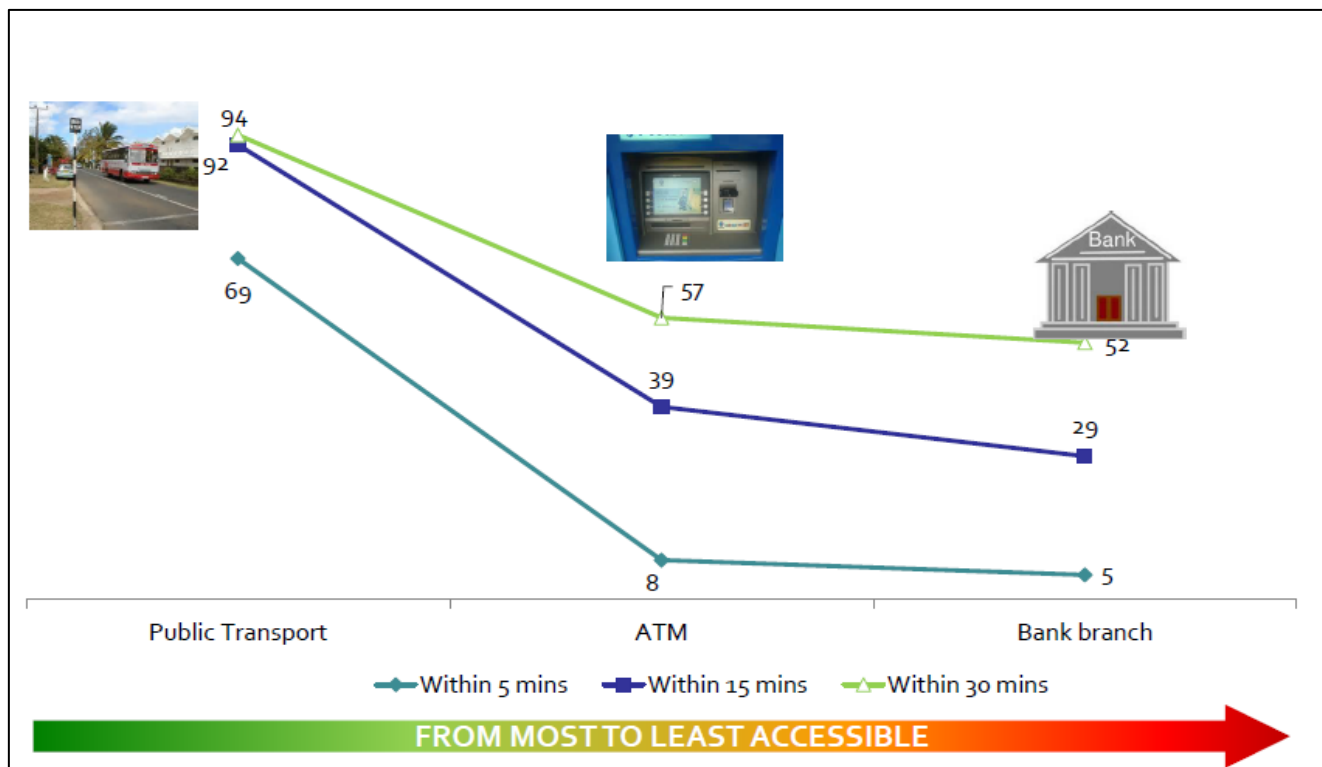
“A personal budget is an important tool to reach financial goals, enabling people to adapt to changing conditions and absorb periods of financial stress.”¹² A personal budget is a tool that assists individuals to plan their financial lives. The data indicates that only 19% of Seychellois have a budget and 4.8% never keep a written plan. Although saving is part of planning for the future, 62% of Seychellois are not actively saving for the future.

3.3.3 Understanding and use of financial products and services

The ability to effectively use financial products and services to meet one’s financial needs is the third dimension of financial capability that the survey explored. In this section we assess understanding, uptake and usage of products and services to assess the transfer from knowledge into behaviour. Access to financial access points is high as is depicted in the figure below.

¹² Managing Money and Planning for the Future: Key Findings from the 2014 Canadian Financial Capability Survey; <http://www.fcac-acfc.gc.ca/Eng/resources/researchSurveys/Documents/managing-money-key-findings.pdf>

Figure 17: Access to financial facilities (% of adults who can access a point within a given time frame)



Access to and uptake of financial products and services does not directly translate into improved financial capability. The following section assesses attitudes, understanding and financial behaviours as it relates to products and services. These are also important indicators to determine the quality of financial inclusion.

Generally there is a high level of perceived awareness among Seychellois of products and services offered by the financial sector. The data below is self-reported and indicates high levels of awareness of banking products and services. The data shows that 72% trust banks, 75% do not withdraw all their money when it is deposited, and 68% know what services and products are offered by a bank. These are indicators that reflect a positive attitude towards financial products and services which contribute to positive use of financial products and services.

Table 8: Perceptions about banking services and products

Banking statements	Agree	Disagree	Not sure
You know what services and products a bank offers	68%	11%	20%
If you are not employed you cannot open an account with a bank	37%	51%	12%
Having a bank account makes it easier to obtain credit	82%	8%	10%
You can easily live your life without a bank account	42%	49%	9%
Most services from banks are also offered elsewhere	47%	23%	30%
Banks try to understand your needs and offer products that meet them	56%	25%	19%
You trust banks with your money	72%	15%	14%
You think banking fees are too expensive	65%	15%	20%
You withdraw all your money as soon as it is deposited	17%	75%	8%

While the overall attitude towards banks is positive, 42% of respondents believe that they could live without a bank account, 9% are unsure and less than half disagree with this statement. This indicates that nearly half of Seychellois do not believe that having a bank account is intrinsic to their lives. Of these 42% who believe that they could live without bank accounts, their profile is presented in the table below.

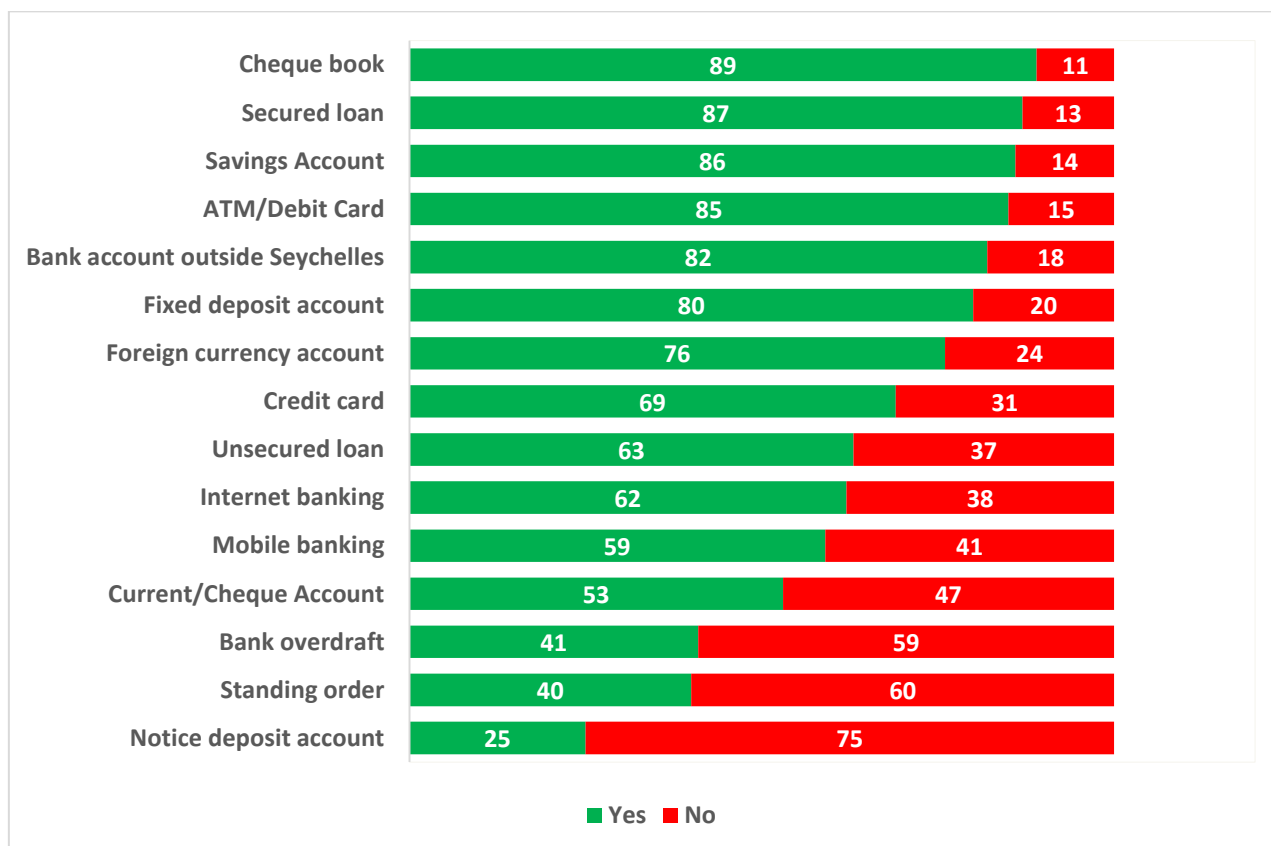
Table 9: Profile of those who believe can live without bank account

Area of residence	<ul style="list-style-type: none"> Mainly live in Mahé [93%], Praslin [7%]
Age group	Significantly higher among: <ul style="list-style-type: none"> 18 – 29 years old [24%] 30 – 39 years old [22%] 40 – 49 years old [20%] 50 – 59 years old [19%] 60 + years old [15%]
Gender and marital status	Mainly males [61%], with high proportions of married [52%], single/never married [36%]
Education	Mainly those with Other post-secondary qualification [34%] Secondary level education [31%]

	Primary education [11%]
Among those who receive an income	<ul style="list-style-type: none"> ▪ Are salaried from government [32%], salaried from private company [22%], receive old age social security [18%] ▪ Receive an income ranging between ▪ SCR 4,001 – 5,000 [5%] ▪ SCR 5,001 – 6,000 [27%] ▪ SCR 6,001 – 9,000 [28%] ▪ SCR 9,001 – 12,000 [7%] ▪ SCR 12,001 – 16,000 [5%]

Additionally, though there is high levels of trust on banking institutions (72%), majority feel that banking fees are expensive as reported by 65% of adults.

Figure 18: Banking products awareness



Overall awareness of banking products is high. However, if one considers the banking products and services used, there is an obvious disconnect.

The figure below shows that a large majority of Seychellois use a Savings Account. However, this data differs significantly from savings behaviour as reported by respondents which means that the Savings Account¹³ they have is mostly used for transactional purposes. Although 83% of Seychelles have a savings account, data presented in the sections to follow indicates that savings rates in Seychelles is far lower and that savings is mainly short term. This could be attributed to the use of a savings account as a transactional account. For example, in South Africa, historically a savings account was used as a transactional account. Many adults in South Africa, Botswana, Mauritius and other SADC states use the term savings account generically to mean a bank account that allows one to receive money and to perform various transactions. This could also be the case in Seychelles. Alternatively it could mean that many people have a savings account but are not using it. When this data is cross-referenced with the savings data there is clear indication that while understanding is high, saving behaviour is low.

The low usage of other bank products presents an opportunity for the sector to promote greater uptake and usage.

¹³ As in most countries, Savings Accounts are bank accounts that operate as a current account, that is, are used mostly for transactional purposes. Individuals can receive their salary in it and have a linked ATM card similar to Cheque and Current Accounts. The savings component is rarely used, - i.e. keeping money in the account to earn interest.

Figure 19: Banking products and services used

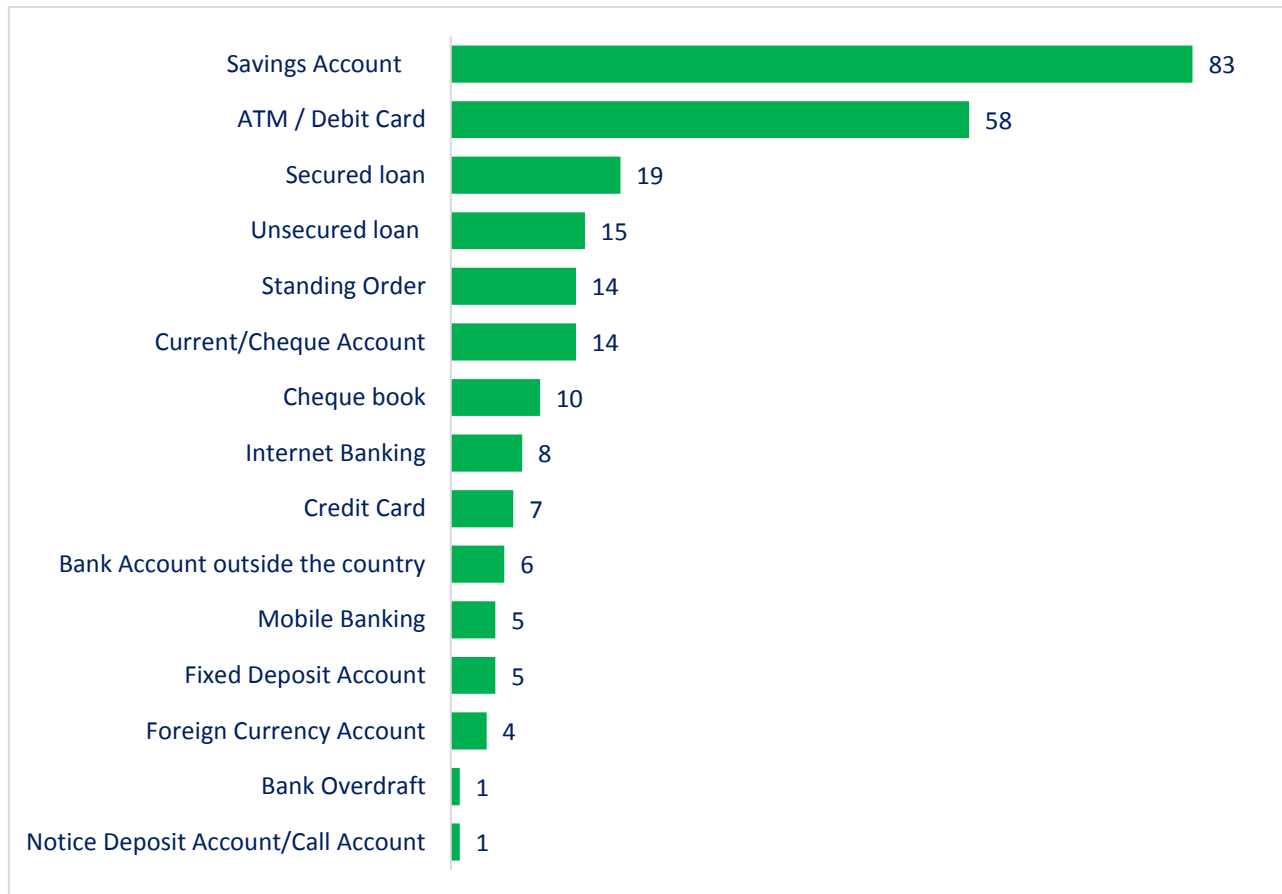
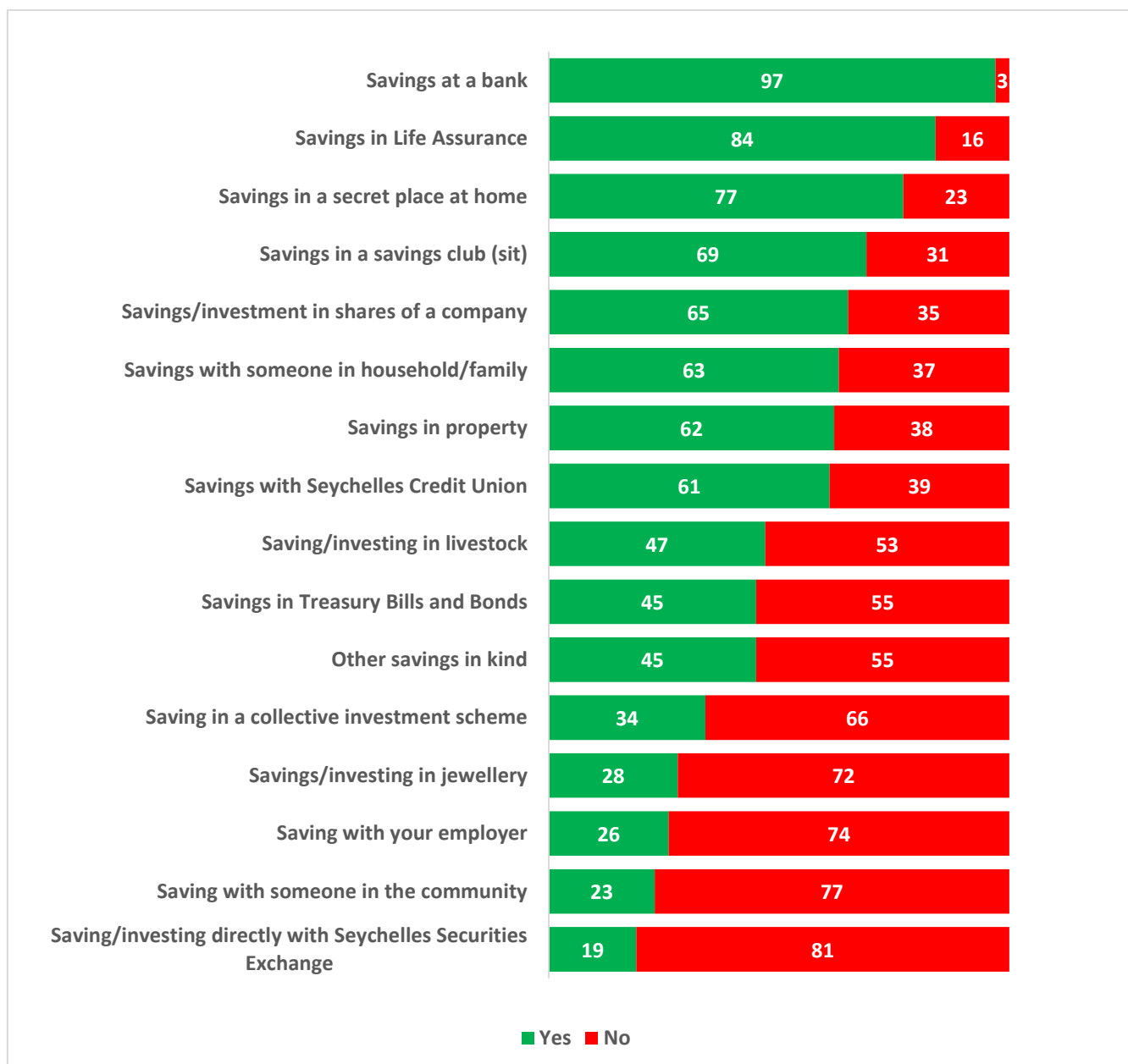
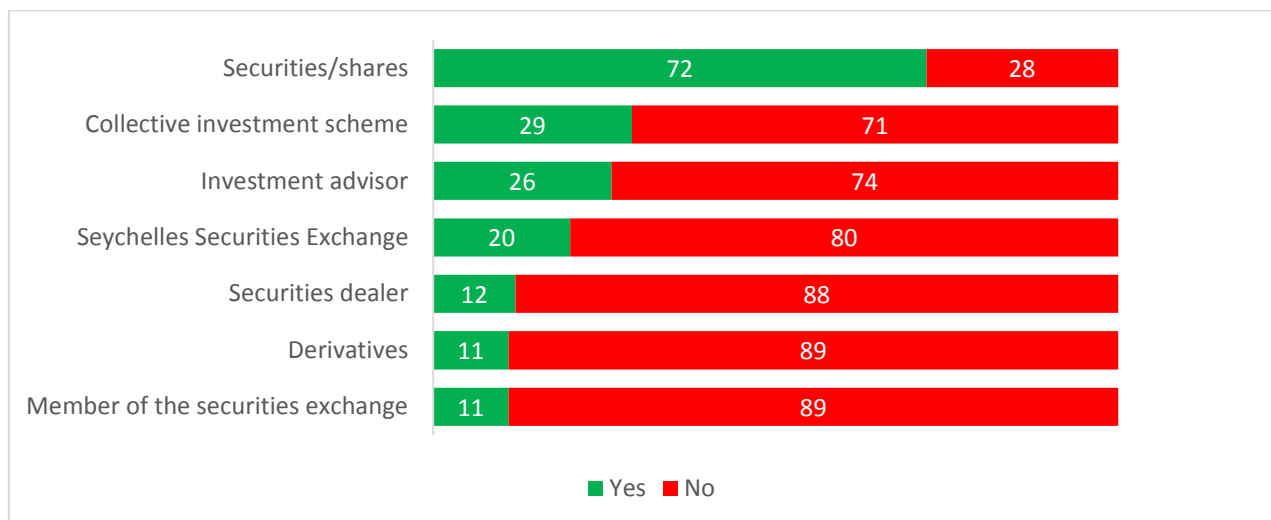


Figure 20: Awareness of savings mechanisms (%)



Again the data above indicates high levels of perceived awareness of savings mechanisms. The questionnaire did not test respondents' knowledge of generic features and benefits of these product categories nor did it test numeracy. However uptake and usage of products and services is the key component of this financial capability dimension.

Figure 21: Awareness of collective investment schemes and capital markets (%)



The awareness of capital markets is surprisingly high as 72% of Seychellois adults are aware of securities and shares. However the rest of the data indicates overall low levels of awareness around investment schemes and capital markets. This is not uncommon and indicates an opportunity for increased awareness and education.

Again it must be noted that the survey did not test respondents' knowledge on the various elements of capital markets and collective investment schemes. However over 95% of Seychellois have never engaged with a security dealer, investment advisor or member of the securities exchange. This is a good indicator of low usage.

Table 10: Usage of capital markets products and services

	Currently consulting	Used to consult	Never consulted
Securities dealer	1%	3%	96%
Investment advisor	0	3%	97%
Member of the securities exchange	1%	3%	96%

The next two graphs illustrate that Seychellois adults' understanding of financial products is characterised by high levels of awareness but that does not translate into high uptake rates. As shown below, most adults

are aware of life assurance (74%) and property insurance (73%) but the very same products have 30% and 16% uptake. From a financial literacy point of view, as opposed to first sensitising adults about insurance, the message has to be packaged to highlight the benefits – risk mitigation.

Figure 22: Insurance products awareness (%)

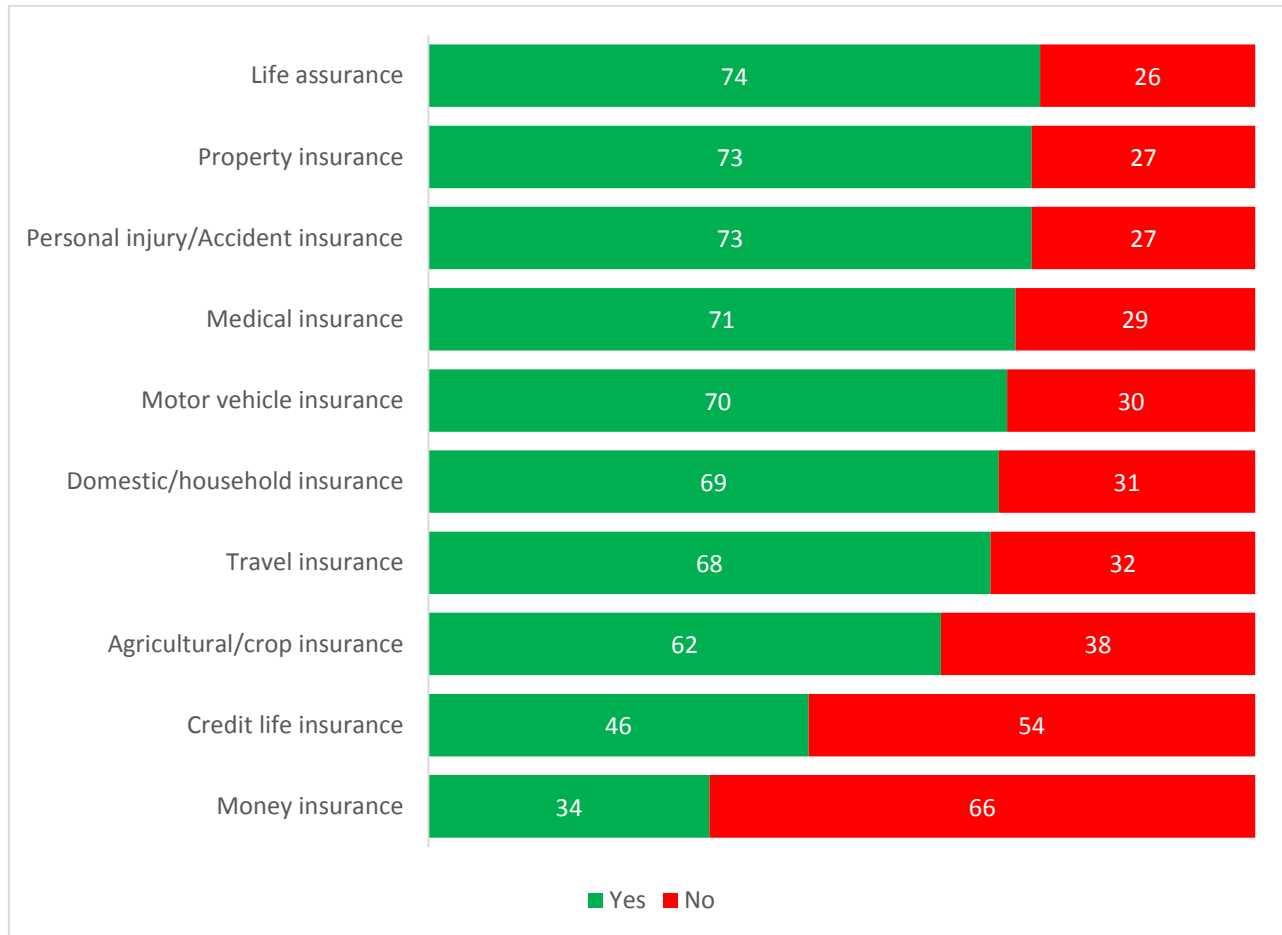
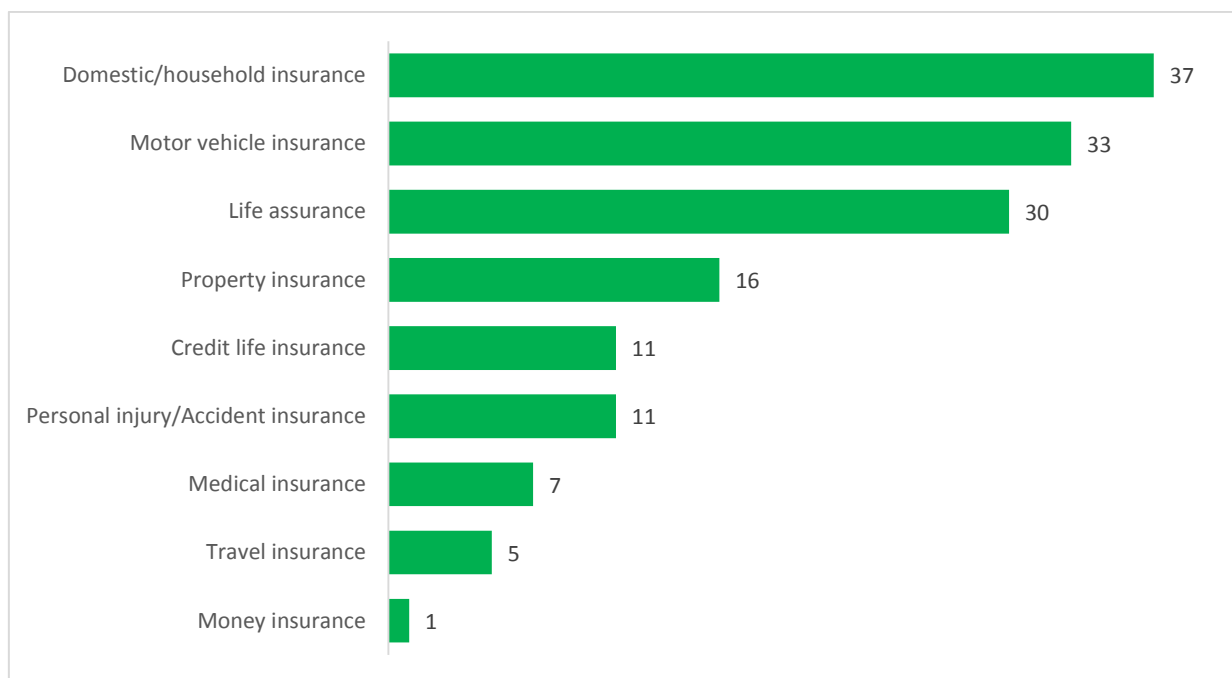


Figure 23: Insurance products uptake (%)



The previous section presented aspects of financial capability on how Seychellois adults understand and use financial products and services. The next section deals with financial decision-making.

3.3.4 Financial decision-making

This dimension refers to an individual’s attitude and knowledge as it relates to making sound financial decisions.

Table 11: Financial decision-making within households

Financial decision-making within households	Percentage
You and your spouse/partner	32
You alone	27
You and other household member/family members	25
You are not involved	16
Total	100%

In more than 57% of all households decisions are made by more than one person in the household. Joint decision-making is considered best practice and should therefore be encouraged. 27% of adults are

making financial decisions on their own and another 16% are not involved at all in the process. In some societies children are involved in discussions around household budgets. Financial education experts encourage these types of conversations within households to create greater understanding among youth of the challenges involved in managing finances and the importance of having a budget, saving and managing risks.

Propensity to gamble / Susceptibility to scams

Overall the data indicates that only 12% of the population are engaging in games of chance. However it is important to note that this is self-reported and therefore there may be a level of under reporting. The scenarios/questions posted to respondents indicate a good understanding of how to identify scams. Over 80% of respondents demonstrate a good understanding of how to identify scams and what action they would take to avoid falling prey. These are indicators of positive decision-making abilities.

Figure 24: Gambling scenario 1

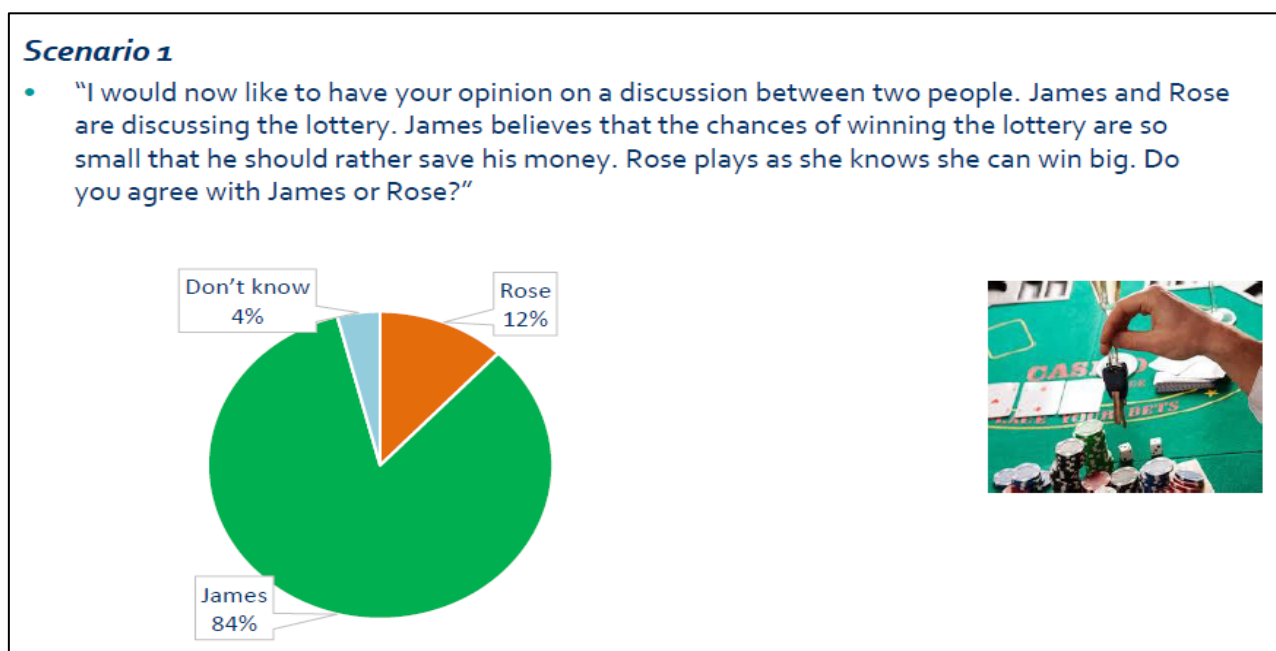


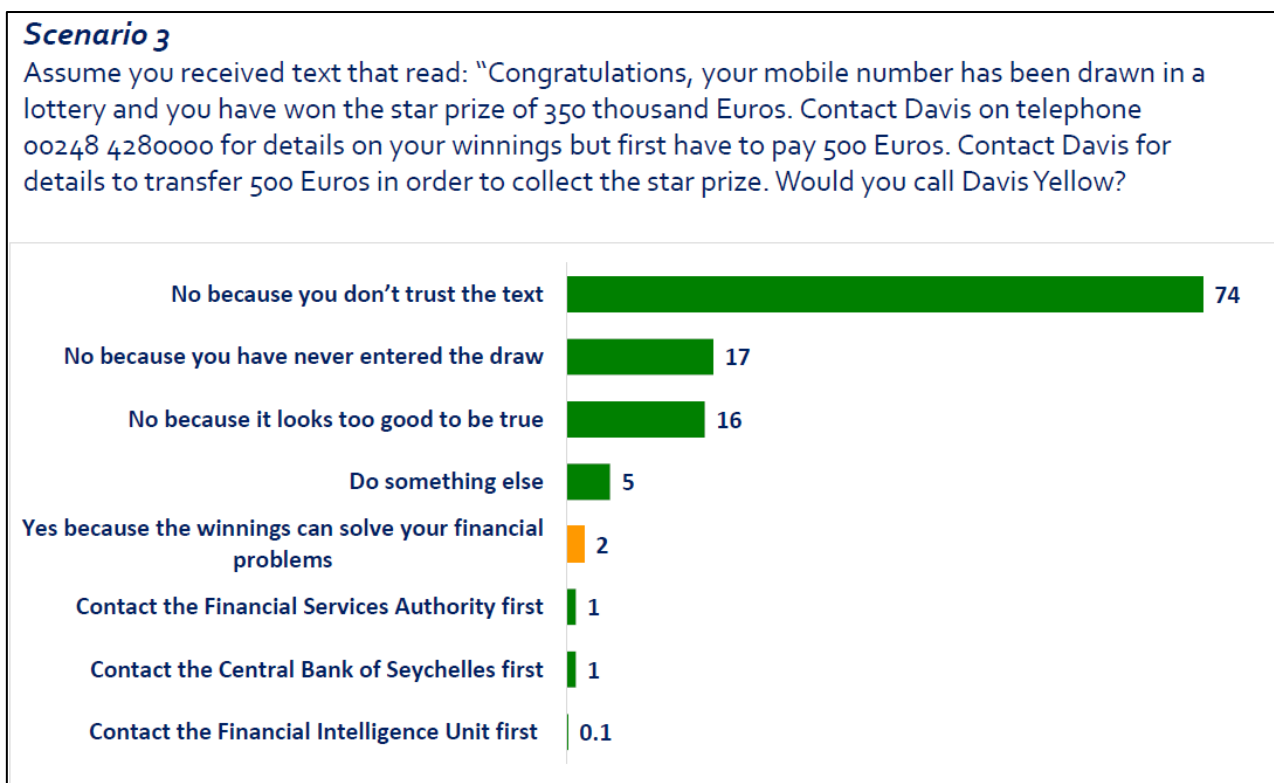
Table 12: Profile of those playing games of chance

Area of residence	<ul style="list-style-type: none"> ▪ Mainly live in Mahé [95%]
Age group	<p>Significantly higher among:</p> <ul style="list-style-type: none"> ▪ 18 – 29 years old [31%] ▪ 30 – 40 years old [11%] ▪ 41 – 49 years old [18%] ▪ 65 + years old [23%]
Gender and marital status	Mainly males [60%], with high proportions of single/never married [48%] or married [42%],
Education	<p>Mainly those with Other post-secondary qualification [37%]</p> <p>Secondary level education [27%]</p> <p>Primary education [14%]</p>
Among those who receive an income	<ul style="list-style-type: none"> ▪ High proportion of those who have at least a source of income [100%] ▪ Are salaried from government [37%], salaried from private company [23%], ▪ Receive an income ranging between ▪ SCR 4,001 – 5,000 [5%] ▪ SCR 5,001 – 6,000 [11%] ▪ SCR 6,001 – 9,000 [24%] ▪ SCR 9,001 – 12,000 [11%] ▪ SCR 12,001 – 16,000 [12%]

Figure 25: Susceptibility to scams - scenario 2



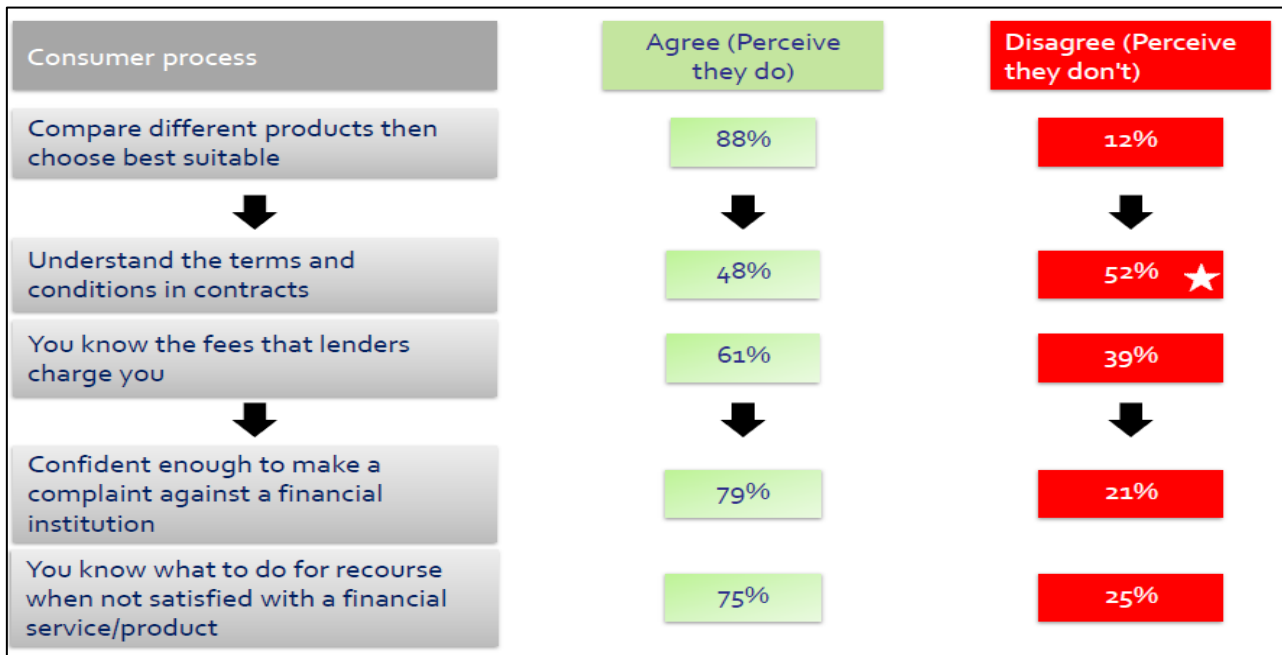
Figure 26: Susceptibility to scams - scenario 3



Perceptions on dimension of choosing and using product

It is encouraging to note that Seychellois report that they compare products and choose the product that best suits their needs and they feel confident to lay a complaint and seek recourse. More focus must be placed on ensuring better understanding of terms and conditions and fees that lenders charge. These are critical to inform decision-making.

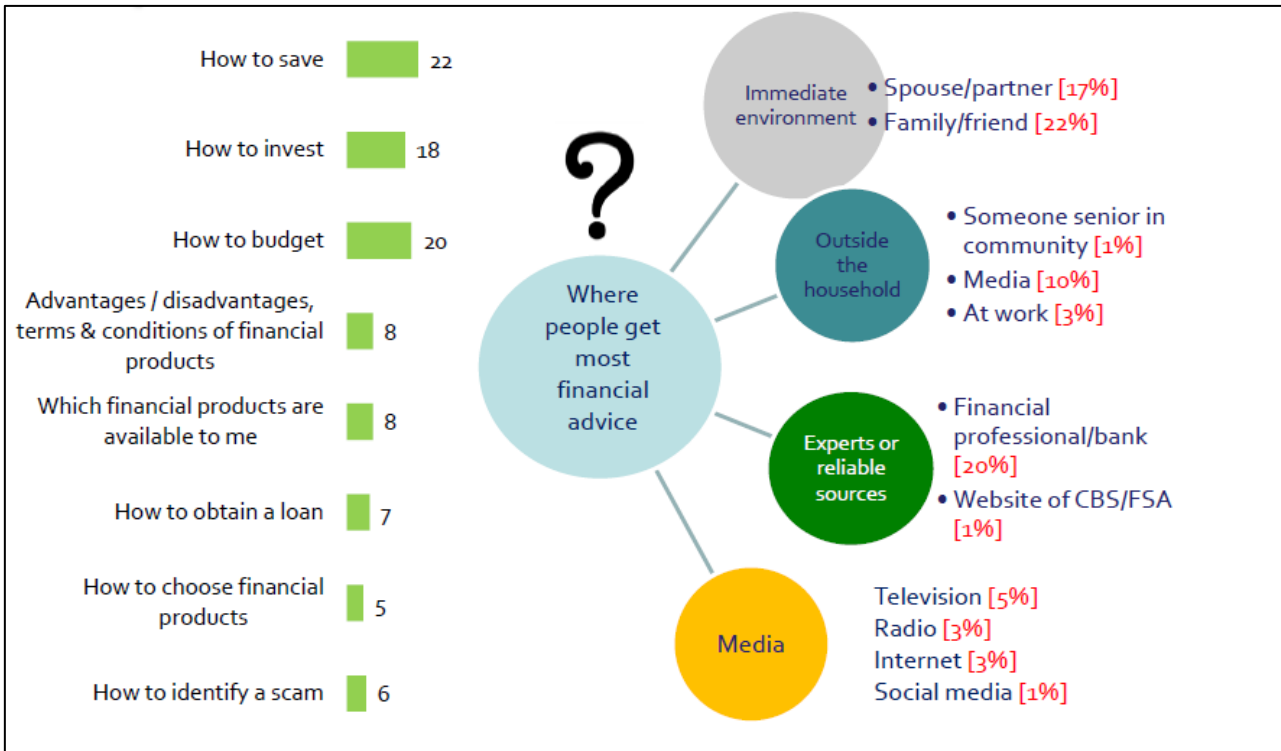
Figure 27: Consumer process of choosing and using financial products



Accessing information and trust in Companies

Information assists in the decision-making process. The survey probed adults on what types of financial information they require to make better and sound decisions. The following figure shows that 38% of adults who affirmed their need for more information, would like information on saving and investments.

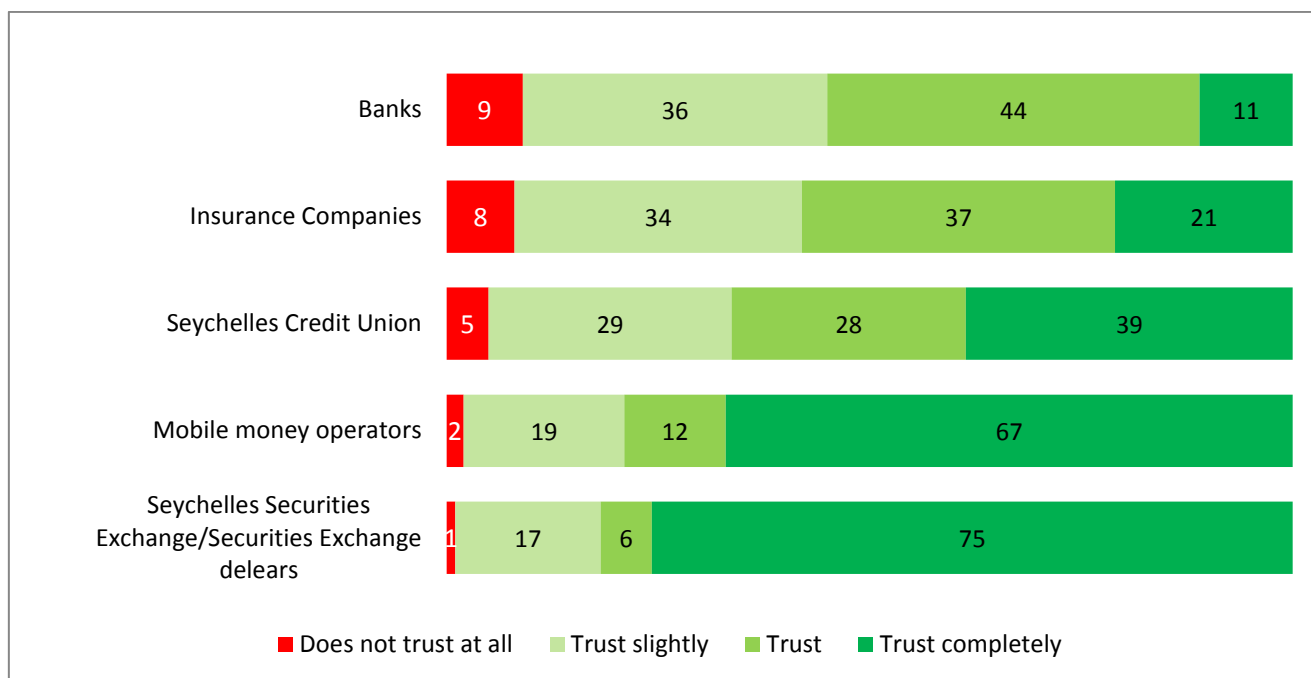
Figure 28: Sources of financial information



It is also important to understand where people are sourcing their information. It is interesting to note that main source of financial information is from family or friends or one’s spouse/partner. Financial professionals or banks (20%) are also sources of information. The latter as a source of information on products and services is likely to be the more reliable. However the fact that more people choose to seek advice from a spouse/partner/family/friend (39%) is not uncommon but may have an impact on the quality of information provided, which in turn can impact decision-making.

Further to this, there seems to be varying levels of trust in the sector as is seen in the figure below.

Figure 29: Level of trust on financial institutions



Although trust in the Seychelles Securities Exchange/Securities Exchange Dealers is extremely high (75% trust completely), the uptake of these products and the propensity of individuals to engage a securities dealer is extremely low. This shows that while Seychellois have high trust it does not necessarily influence their decision- making on using a product.

Almost all (98%) adults trust mobile money providers and yet only 8% are using mobile money services. This figure indicates that trust is not necessarily the key factor when making decisions and a lack of understanding could contribute to low uptake and usage. It is therefore important to consider other factors that influence a person’s decision to use a product or service.

The high levels of trust in the Seychelles Securities Exchange and in the Mobile Money Operators provides an opportunity for these institutions to utilise financial education to create greater understanding of products and services offered, and to encourage greater uptake of products. Banks, insurance companies and the Seychelles Credit Union should consider how best to use financial education to increase the level of trust among Seychellois.

Table 13: Perceptions regarding credit

Credit statements	Agree	Disagree	Not sure
You know how to apply for loan	77%	10%	12%
You know how a loan works	79%	8%	13%
When applying for a loan, you know how much it will cost at the end of the payment period	69%	9%	22%
You are able to calculate interest on a loan	46%	18%	36%
You are mainly concerned with being able to afford monthly instalments	74%	7%	19%
The credit provider explained how interest is calculated on a loan	67%	6%	28%
If you guarantee someone else's loan, you are liable to pay for the loan if the person fails to pay/defaults	67%	24%	9%
If you put up your property to secure someone else's loan, your property may be seized/foreclosed if that person fails to pay/defaults	66%	25%	9%

The table above provides insights into factors that contribute to how Seychellois make decisions about credit.

The most concerning factor is that 74% of respondents are mainly concerned with being able to afford the monthly instalment. This indicates that decisions are made mainly on the ability to make repayments and does not take into account the true cost of credit. Less than half of Seychellois (46%) report to know how to calculate interest. Therefore this figure must be read with a certain level of conservatism. Being able to calculate (and the concept) of interest is a skill that is critical when making decisions about credit.

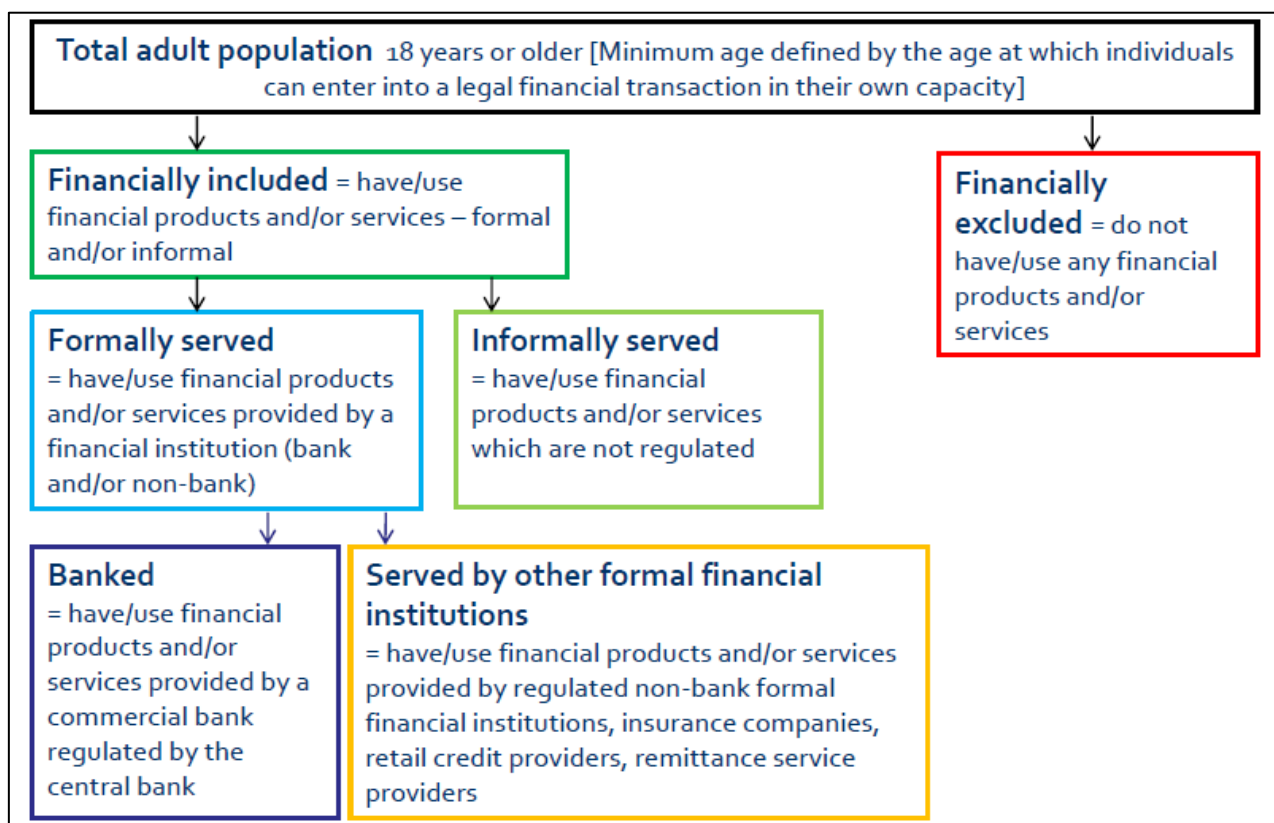
The next section introduces financial inclusion and related concepts.

3.4 Defining financial access and inclusion

The Financial Access Strand (explained schematically in Figure 30) is one of the key measures of financial inclusion. It illustrates the use of financial products and services available within the market. Those who do not access these products and services are considered to be financially excluded due to the fact that they are physically, psychologically or circumstantially impeded from accessing such products and services or who have voluntarily opted to stop using financial services. The access strand ranges from formal banking services provided by commercial banks at the one extreme, shifting to other formal financial services provided by a large variety of other formal FSPs (not regulated by the central bank). At the other end of the

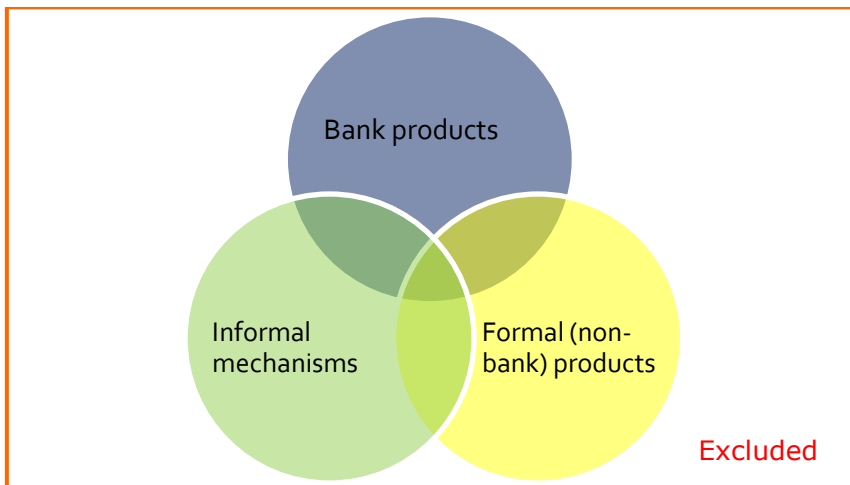
access strand one finds a range of informal services and products. This chapter focuses on four types of financial services: i) transactions such as deposits, withdrawals and money transfers (remittances); ii) savings/investment; iii) credit; and iv) insurance. Each of these services are provided in varying degrees by the banks or informal service providers, whereas formal financial service providers tend to offer specialised services, for example credit, insurance and pension schemes. .

Figure 30: Defining the Financial Access Strand



Consumers generally use a combination of financial products and services to meet their financial needs. It is empirical to understand the product combinations or overlaps, as this will show the extent of financial needs not met by the formal sector thus signaling the role of the informal sector within the financial inclusion context. FinScope findings are presented to show these product combinations as illustrated in Figure 31 below:

Figure 31: Overlaps in uptake of financial products/services



In order to calculate the Financial Access Strands, these overlaps are eliminated.

3.4.1 The dimensions of financial inclusion

Financial inclusion is only effective or functional if consumers have physical access to financial institutions, are eligible to open an account or use a product or service, and actually open an account or take up a product or service and then use it. In measuring financial inclusion, the survey therefore enables the determination of:

- The proportion of the adult population that have physical access to formal financial institutions (i.e. financial institutions regulated by the central bank);
- The proportion of the adult population that is eligible to open an account or use a product or service with a formal financial institution – in this regard minimum KYC (“know-your-customer”) requirements for product/service uptake enforced by the central bank are considered;
- The proportion of the adult population that is financially included. Both formal and informal inclusion is measured;
- The proportion of the adult population that is financially served and uses financial products/services.

3.4.2 The determinants of financial inclusion

Although physical access to a financial institution and eligibility to open an account or use a product/service are prerequisites for the uptake of financial services, the actual uptake and usage of a financial service or

product depends on the individual's willingness to use any financial service. A range of factors could influence this. The survey attempts to highlight which factors influence uptake and usage by considering:

- Characteristics of the individual such as:
 - Demographics – age, gender, level of education
 - Income generating activities, levels of income and consistency/regularity of income
 - Attitudes and perceptions about money, financial services and institutions
 - Financial literacy, knowledge about financial products and services and an understanding by individuals of how financial products and services can help them improve their lives

3.4.2.1 Gender

There is no doubt that gender plays a pivotal role in household dynamics and the influence on choice of financial products that the household member have – mostly driven by the literacy of individuals. How these dynamics play out across islands and will be explored through the gender lenses. The two sub-segments for gender are male and female respectively.

3.4.2.2 Age

Likewise, age is a variable that helps explain the levels of financial literacy and inclusion based on both the economic and intellectual maturity of an individual. As in most markets, the levels of unemployment mostly affect the youth. For the purposes of analysing financial access, the study uses two age categories for the Seychellois adults i.e. 'under 30 years' and '30 years and older' as our experience has revealed that most youth under the age of 30 years are not economically settled.

3.4.2.3 Level of education

In general, levels of financial literacy and inclusion, especially formal inclusion, are higher among adults with higher levels of education, that is, adults with higher than primary education. Given the correlation between education and income and possibly to some extent the relationship between education and financial knowledge, the study uses education as a determinant of financial access. The two categories are 'secondary and less', and 'higher than secondary education'.

3.4.2.4 Income source

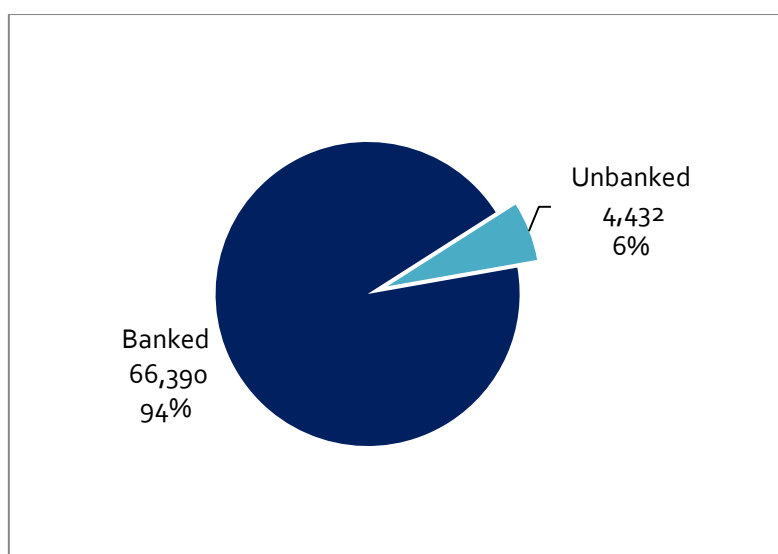
Income is probably one of the strongest determinants of (formal) financial literacy and inclusion, referring to income levels as well as source/regularities of income i.e. proportion of the adult population that receive salaries/wages. Therefore, the survey takes income sources and regularity into consideration when analysing financial literacy and inclusion. Our experience shows that those with regular sources are more likely to be formally financially included than those with irregular (and often low) or no income (e.g. remittances from outside the household and part-time jobs).

The next section presents the results on the uptake of banking products and services and provides the profiles of those that do not have bank accounts.

3.4.3 Commercial bank products and usage

Banking facilities enable Seychellois adults to transact, make transfers and payments amongst other things. As shown in Figure 32, 94% of the adult population are banked implying that banking services are accessed by a large majority of the adult population making Seychellois the most banked population in the whole of the Southern African Development Community (SADC) region. Interestingly, of the 6% currently unbanked, the majority (80%) were previously banked. This means that they have had an opportunity to use banking services and therefore will require minimal financial education about the products. However, other reasons of not having a bank account should be taken into account when designing strategies to bring them into the mainstream economy, especially if reasons relate to lack of money and trust (see Figure 35).

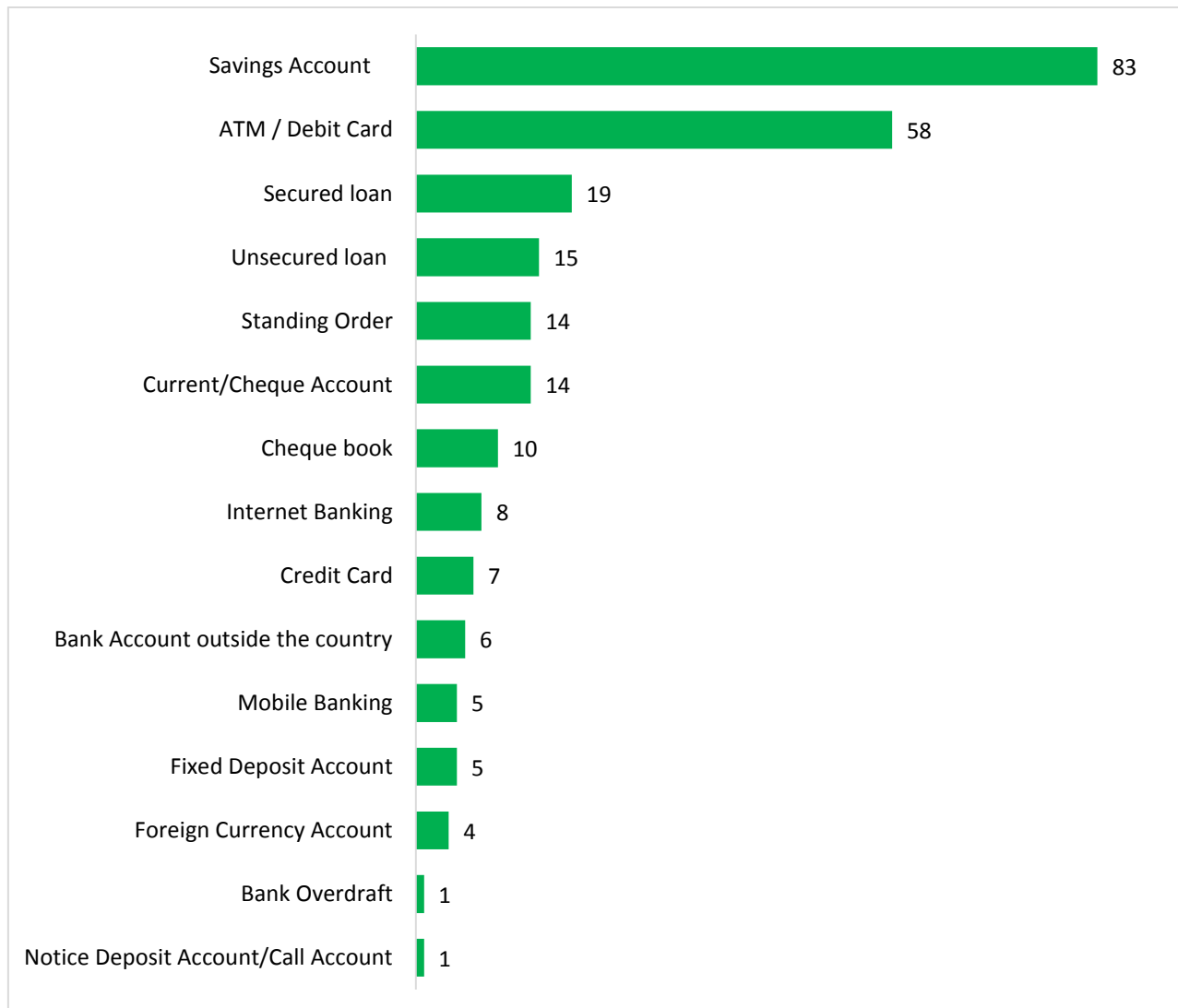
Figure 32: Banking uptake (%)



The figure below shows that 83% of bank account owners have a saving account compared to 14% of those who have a cheque account. It should be noted here that it does not necessarily mean that adults are saving

but rather that the name of the account is 'Savings Account' – a term used in most SADC countries to refer to a transactional account. ATM/debit card penetration of 58% among the adult population means that the majority of bank account owners can easily mobilise their money and use it for transactional and other purposes. A fifth (19%) of the adult population has a secured bank loan while access to unsecured loans is 15%. With only 8% of adults using internet banking and only 5% using mobile banking, uptake of technology is low in the country signaling the potential role of financial literacy.

Figure 33: Banking products and services uptake (%)



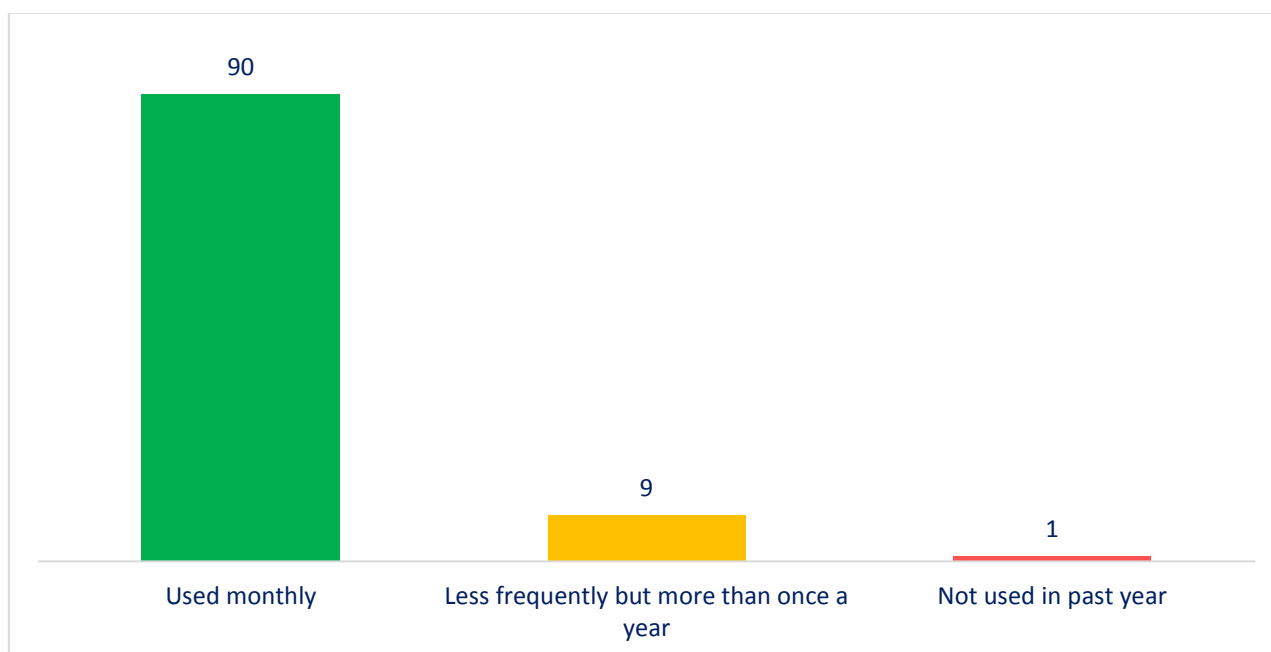
When exploring the results further, it is noted that about 16% of the banked population withdraw all their money as soon as it is deposited. This means that people still prefer to transact in the cash economy and might not take full advantage of opportunities like internet and mobile banking which can be used to

conveniently make payments and transfers. To further mine the data, bank account usage was explored by assessing the frequency of usage, where¹⁴:

- **Active bank account** = Account that is being used monthly
- **Inactive bank account** = Account that is used less frequently than monthly but more than once a year
- **Dormant bank account** = Account that has not been used in past 12 months

As shown in the figure below, the use of bank accounts at 90% is high. Mailbox and dormant accounts constitute a small proportion implying that bank accounts in the country are used for saving, transactional, remittance purposes.

Figure 34: Usage of banking products and services (%)



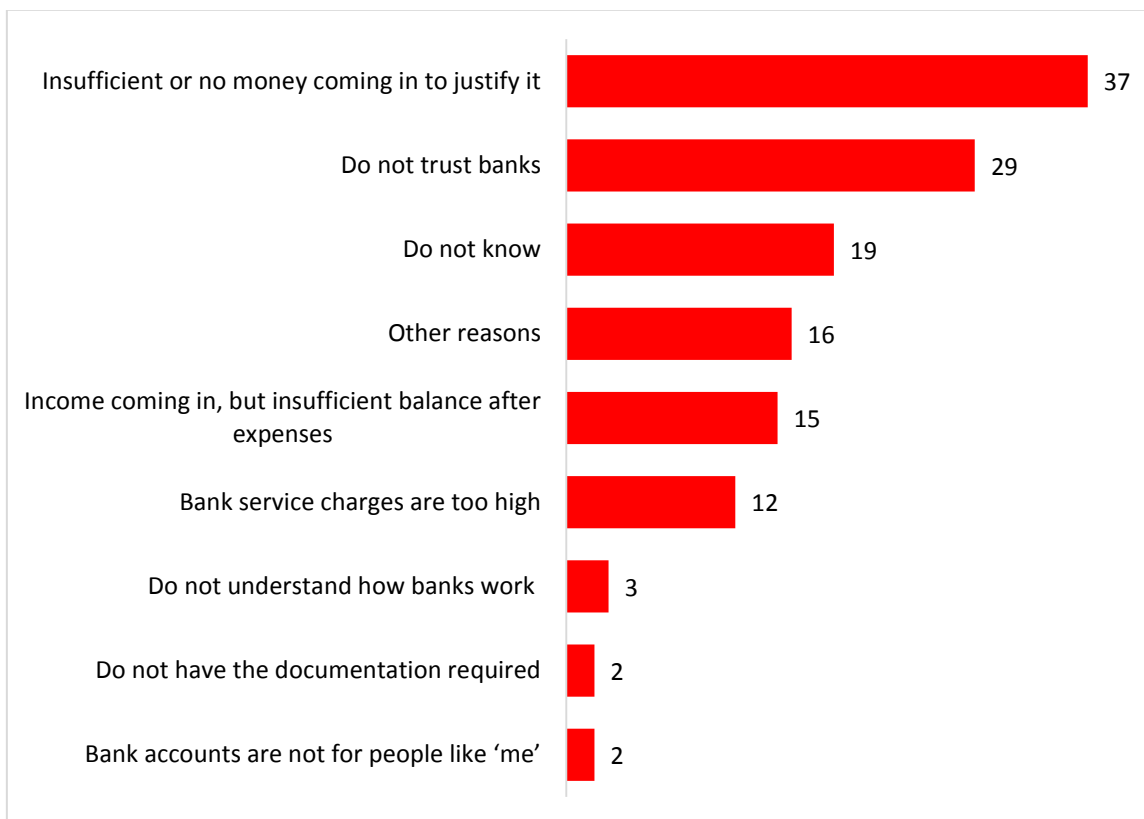
Analysis of barriers to bank account ownership shows that lack of money is the reason for more than half the unbanked adults in the country. Lack of trust in banks and high bank service charges are the other important reasons for not owning a bank account. Lack of trust in banks can be addressed through financial education by creating awareness about the regulatory framework of the banking sector and its effectiveness.

¹⁴ Definitions used in this section are based on FinScope methodology and industry norms and practice.

Table 14: Banking transactions and channels used (% of the banked adults)

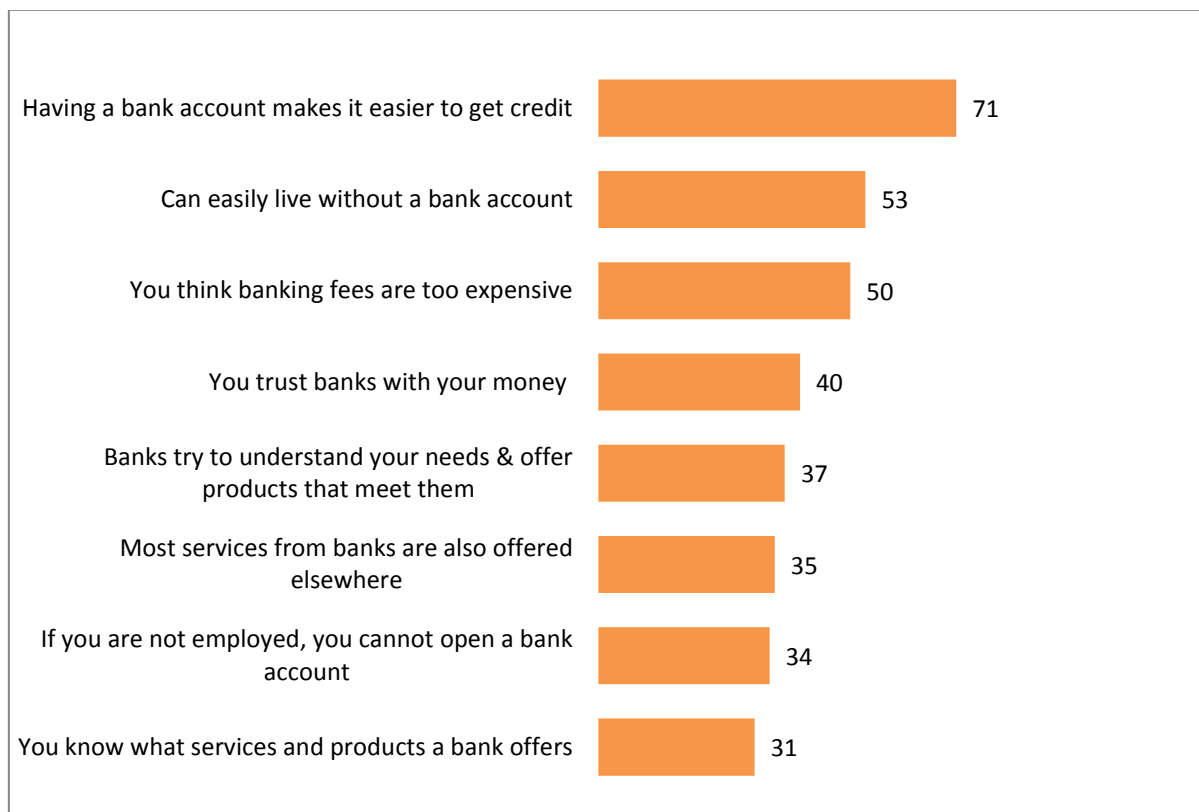
Transactions	Channel used					
	Within the branch	At an ATM	Via phone or online	At supermarket	Post office	Somewhere else
Cash withdrawals	55%	49%	-	1%		-
Cash deposits	57%	1%				2%
Money transfers between own bank accounts	14%		2%			-
Money transfers between own bank account and someone else's	15%		2%			1%
Buy cellphone airtime (pre-paid)		1%	3%	55%		7%
Pay utility bills (e.g. electricity, water)	2%	2%	1%		-	66%
Pay cellphone or telephone bill	1%	1%	1%		-	39%
Purchase items using debit card			3%	32%		8%
Credit card purchases			2%	4%		2%
Settlement of credit card payments	3%		1%			1%
Request balance enquiry	54%	25%	4%			1%
Request mini-statement/normal statement	23%	36%	2%			1%

Figure 35: Barriers to banking (%)



A probe into the perceptions of the unbanked towards banking services shows that lack of interest in banking products is the main reason driven by a belief that bank accounts are not necessary, lack of trust in banks, or that bank services can be obtained elsewhere in the community. This implies that financial education can be used to improve people's awareness of banking products and their attitude to them.

Figure 36: Perception regarding products (% of those agreeing amongst the unbanked)



In order to best understand the unbanked segment of the adult population, the tables below specifies their demographic characteristics.

Table 15: Profile of the unbanked (%)

Area of residence	<ul style="list-style-type: none"> ▪ Mainly live in Mahé [85%], and Praslin [15%]
Age group	<p>Significantly higher among:</p> <ul style="list-style-type: none"> ▪ 18 – 29 years old [42%] ▪ 30 – 39 years old [6%] ▪ 40 – 49 years old [14%] ▪ 50 – 59 years old [28%] ▪ 60+ years old [11%]
Gender and marital status	Mainly males [62%], with high proportions of single and never married [84%], separated [12%]
Education	Mainly those with secondary education [40%], other post-secondary education [31%] or only a primary education level [16%]
Among those who receive an income	<ul style="list-style-type: none"> ▪ High proportion of those who are salaried from private companies [31%], those who receive old age Social Security Grant [9%], receive money from household member [9%] ▪ Most of these mainly receive cash income ▪ And receive an income not exceeding SCR 7,000

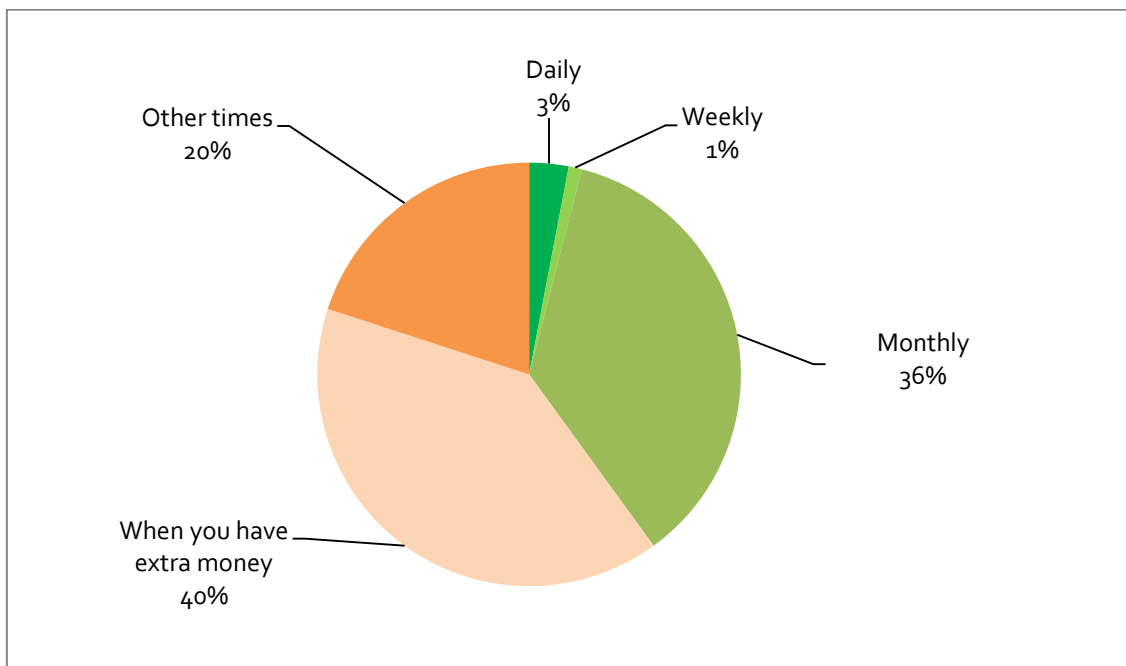
The unbanked do not have/use any type of bank financial product/service. This tends to skew towards those living in Mahé, aged between 18 and 29 years, males, single and never married, with secondary education, earning a salary from a private company of less that SCR 7,000. Interestingly, is seems La Digue has fewer unbanked adults, if at all.

The next section will present the results on the uptake and use of savings mechanisms.

3.4.4 Savings mechanisms

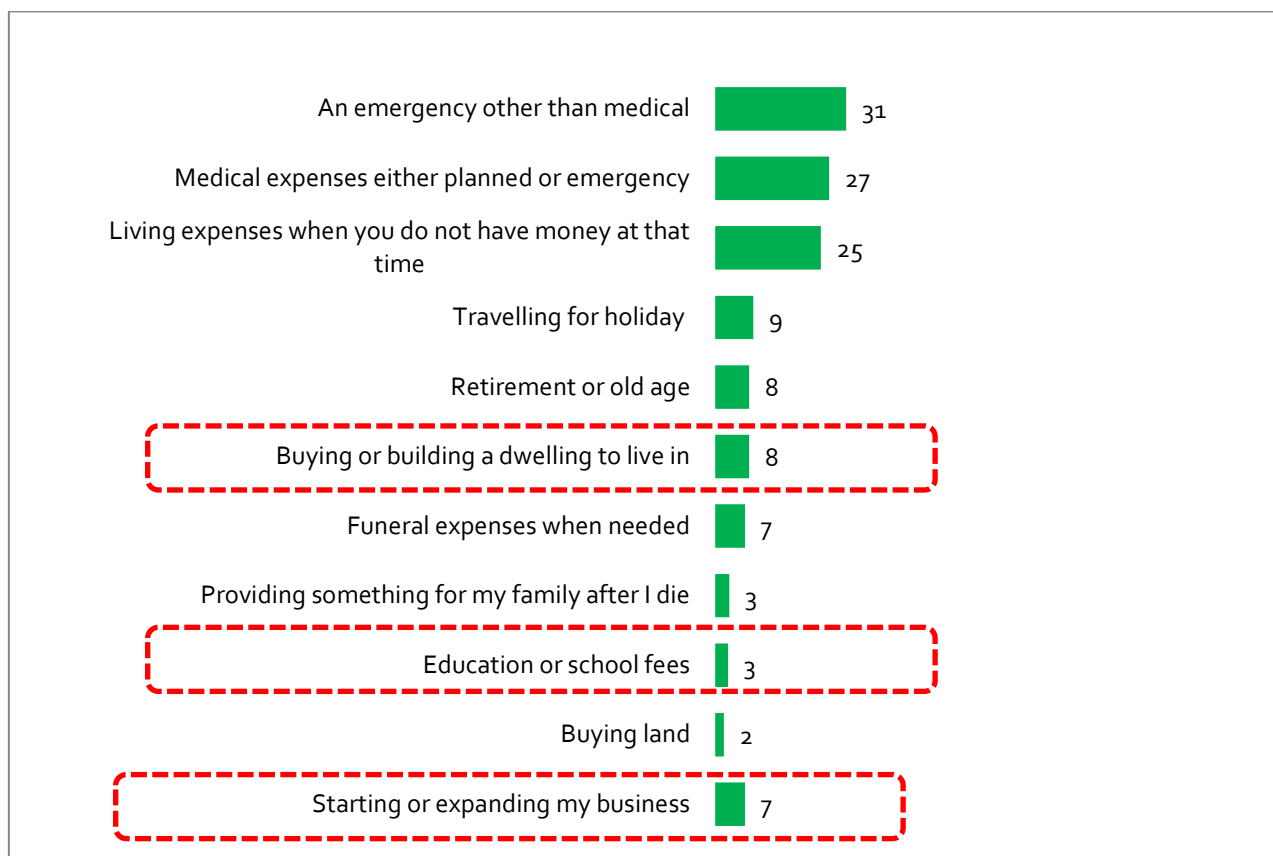
Savings are part of the landscape of products that financial education/literacy aims to improve since with savings, one can use savings as part of wealth accumulation and thereby improve one's financial status. At the outset, it was important to understand how often Seychellois save.

Figure 37: Frequency of savings (as a % of those saving)



The figure above shows that those who save as and when they can as 60% do not consistently save. Saving is very important to cushion future shocks and act as a source of emergency fund, as such a very important element of financial education content.

Figure 38: Reasons for saving (%)



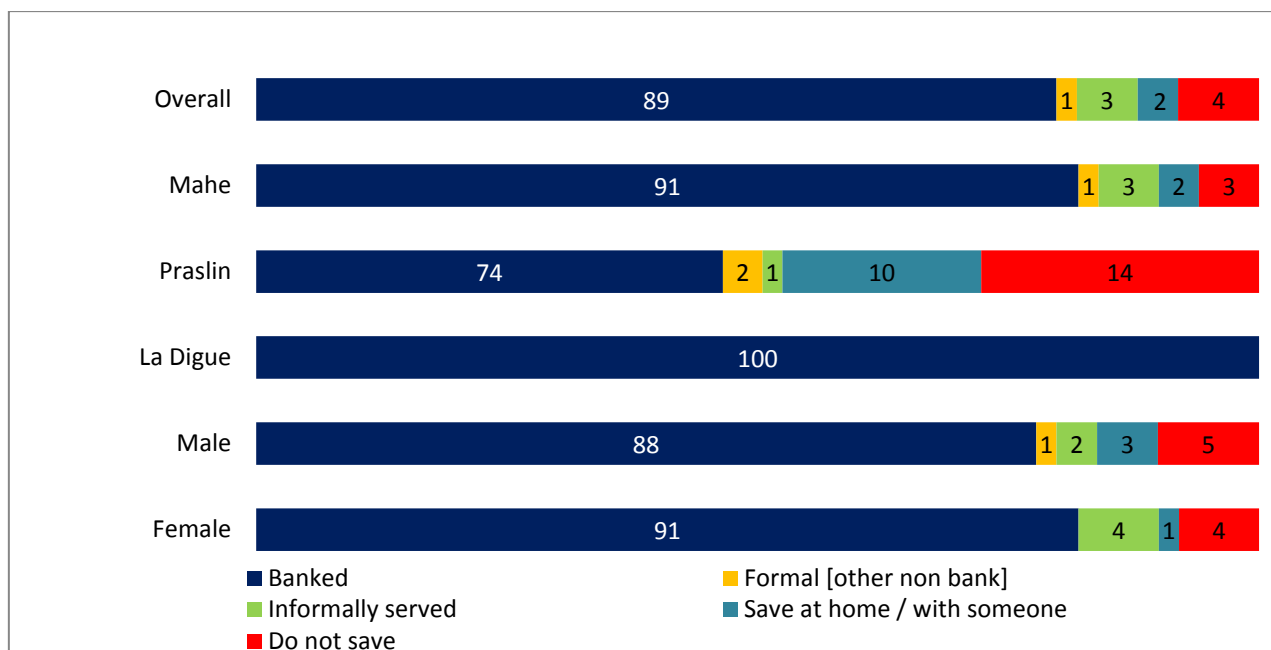
Saving for developmental reasons improve the overall welfare of the individual/household, and increases productive asset value over time. For example, saving to buy or renovate a dwelling will increase the value of the asset, while saving to start a business has a higher likelihood of earning future economic benefits and cash inflows. Similarly, saving for education for oneself or dependents or children has a higher likelihood for improving the overall welfare of the household.

Table 16: Using the services of agents to access the capital markets (%)

Access to capital markets	Currently consulting	Used to	Never
		consult	consulted
Securities dealer	1%	3%	96%
Investment advisor	0	3%	97%
Member of the securities exchange	1%	3%	96%

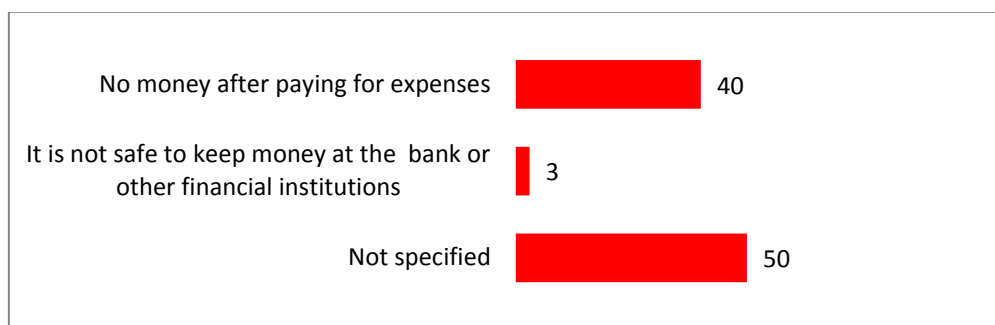
Long-term savings or investments could be done using the services of middle-men in the capital market segment. As the table above shows, only 2% are using the services of a securities dealer or a member of the securities exchange.

Figure 39: Saving Strand (%)



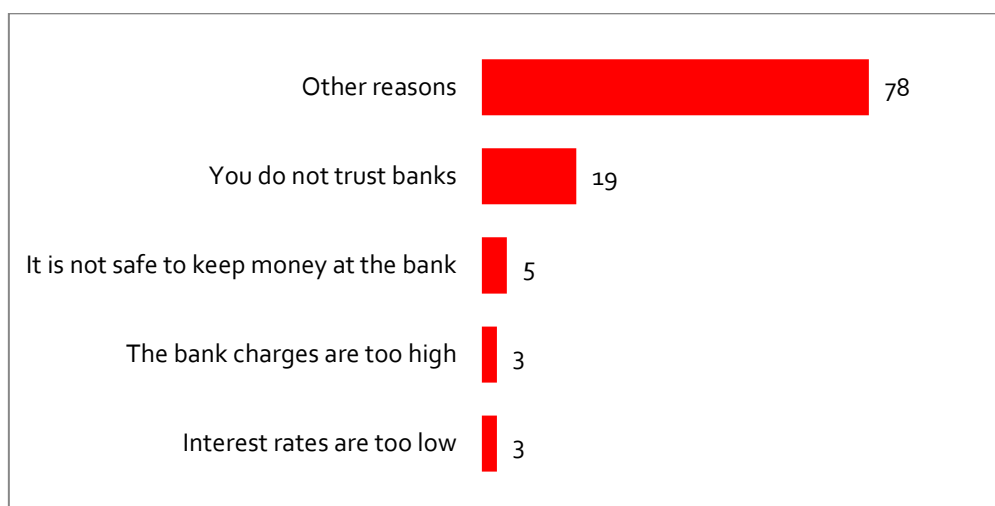
Of the total adult population, 89% save through the bank which means that people are earning interest on their savings. Note some pockets of people who save informally which raises the question of whether these are reliable mechanisms to save especially when one urgently needs to access money? La Digue shows that 100% save at a bank, and these adults may also have additional other products held in other formal (non-bank) institutions or at informal mechanisms. Individuals must therefore be encouraged to continue saving at banks.

Figure 40: Barriers to savings (%)



Lack of money appears to be the main barrier to savings among those who do not save which is more prevalent for low income earners. Only 3% cited that they do not save because they perceive that it is not safe to keep money at a bank or other formal institutions.

Figure 41: Barriers to savings at a bank (%)

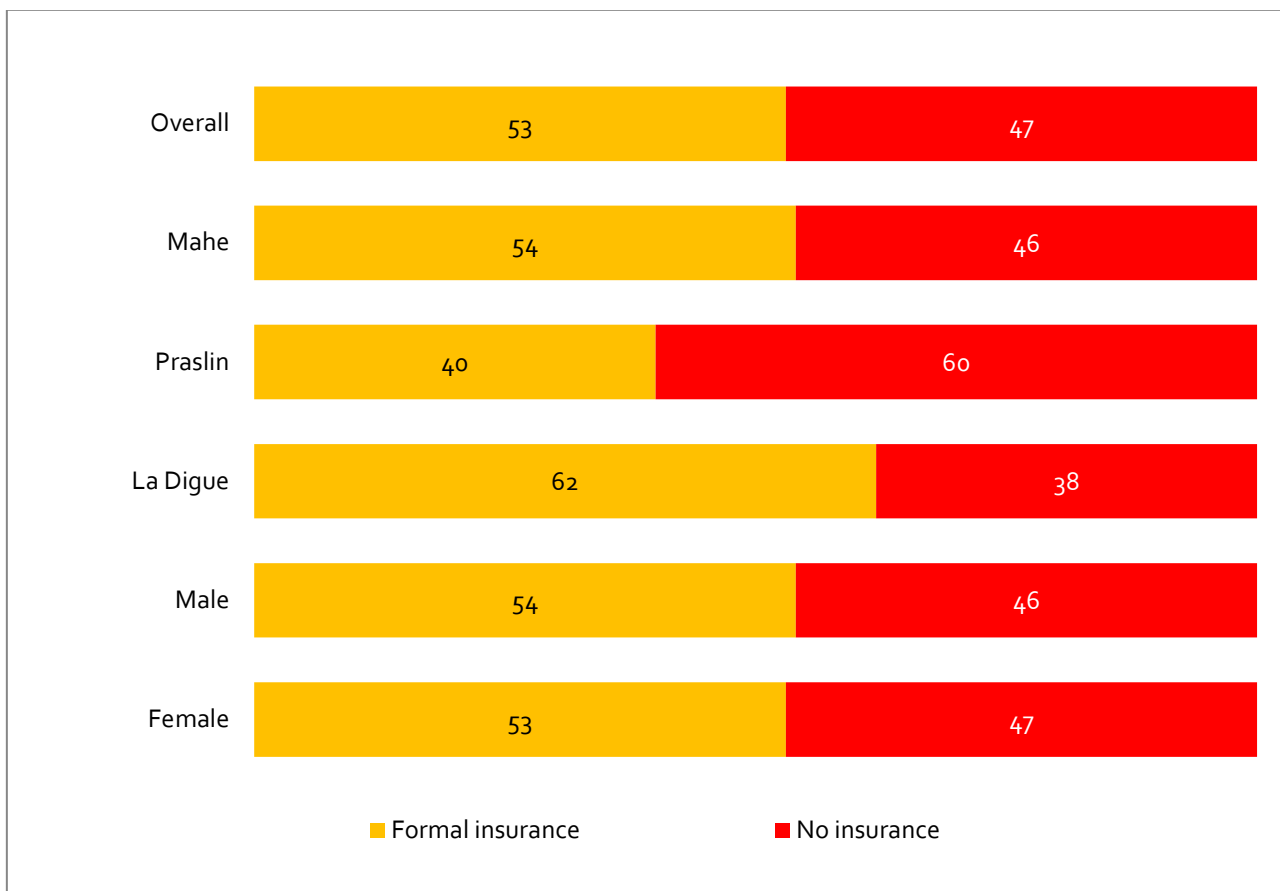


Other unspecified reasons were cited as the main reason for not saving at a bank, while 19% of consumers indicated they do not trust banks. The least reasons for not saving at a bank are high bank charges and low interest earned at 3% for both.

3.4.5 Risk mitigation and insurance

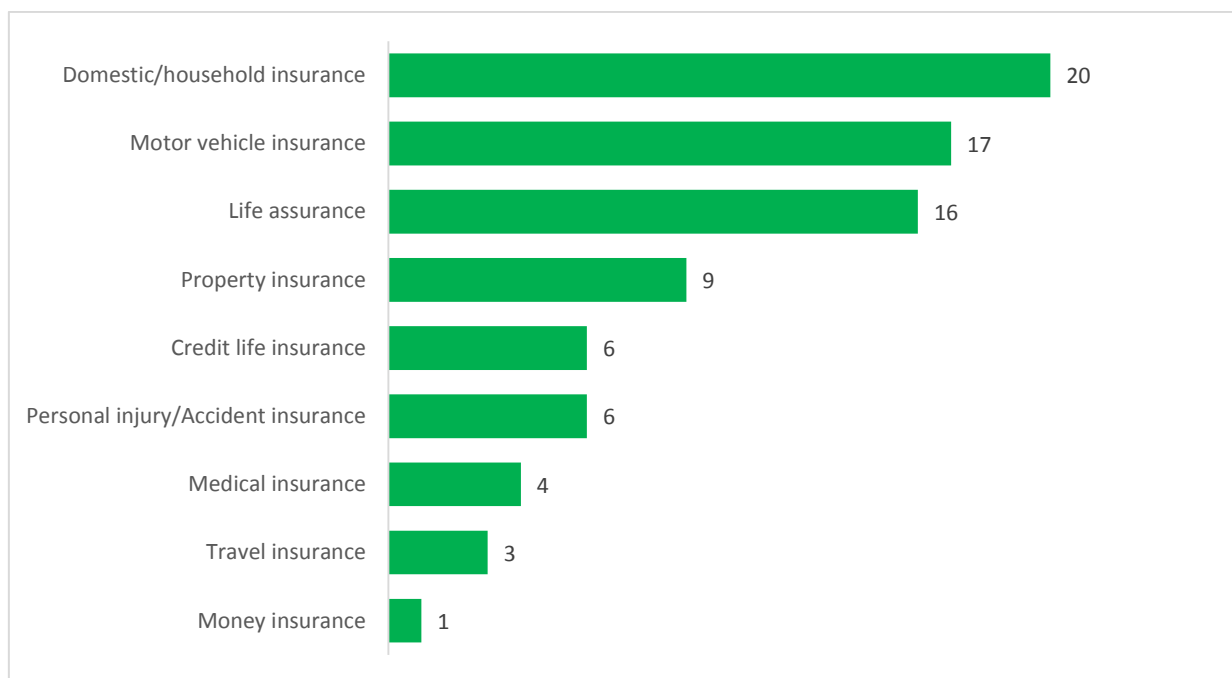
Insurance is another landscape product that is mostly associated with risk mitigation – that is providing a safety net in case of any misfortune that is insurable. There is a clear link between financial literacy and insurance. In most SADC countries, adults do not really understand the benefits of insurance and how to best mitigate risk.

Figure 42: Insurance Strand – uptake of insurance products (%)



Since insurance is only provided by the other formal non-bank financial providers, a total of 53% of all adults are insured for at least one insurable interest. Interestingly, though La Digue has a smaller population compared to other islands, it has a higher penetration of insurance with 62% of La Digue adults insured.

Figure 43: Insurance products uptake (% of total adult population)

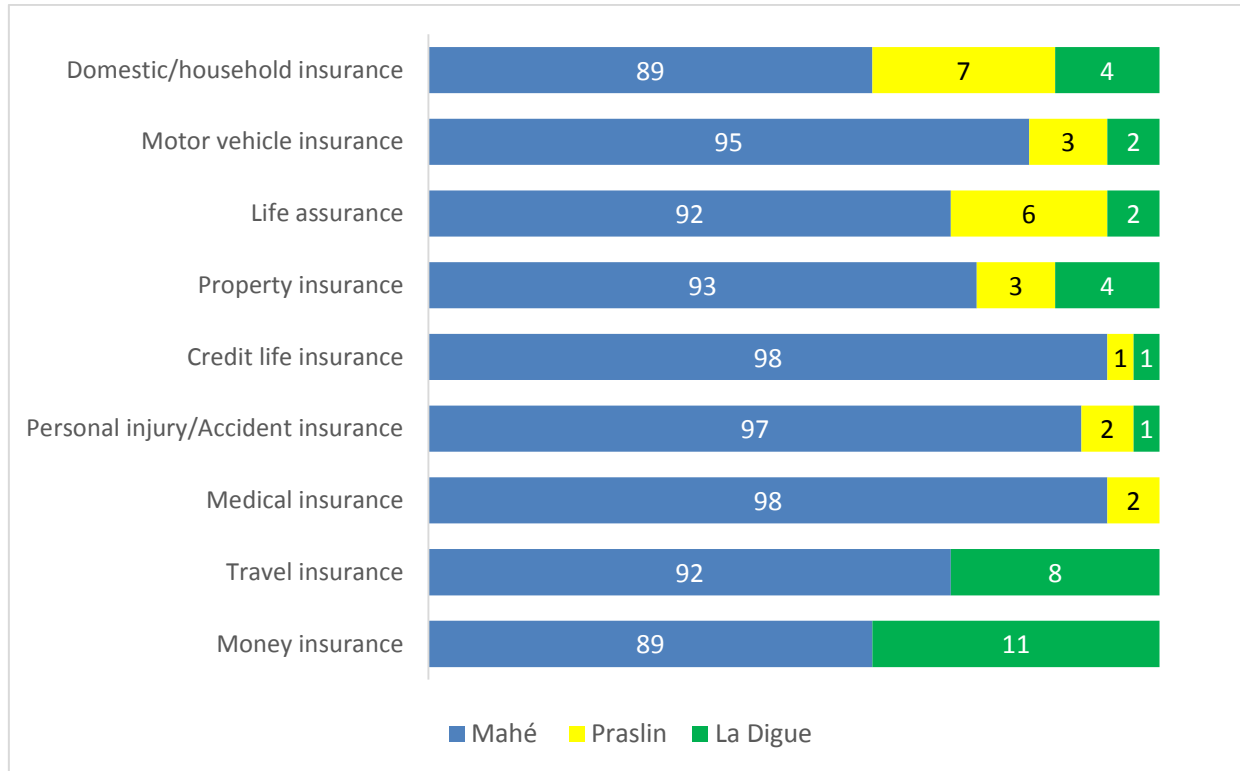


According to the results above based on total adult population, the most accessed insurance products are household insurance (20%) and motor vehicle insurance (17%) and life assurance (16%). It is encouraging that adults have already started to make provision for old-age financing for latter stages of life post retirement with life assurance – as every sixth adult has a life assurance product (16%). On the other hand, even though motor vehicle insurance is mandatory, there seems to be some outliers. Based on figures provided by the Central Bank of Seychelles, there were 19 766 (as of August 2016) licensed privately owned cars in the republic, with about 14 301 (as of 2015¹⁵) mandatory motor vehicle insurance cover. This implies that about 72% of motor vehicle owners are compliant – assuming a one-to-one relationship between number of motor vehicles and insurance cover and number of adults.

FinScope reports about 12 310 adults with motor vehicle insurance while the 2015 supply-side information reports 14 301 insurance accounts representing 20% of the adults. This small discrepancy (of 2.8% - difference between 14 301 and 12 310 adults) could be due to the assumptions made and time factor. Furthermore, there are instances where an individual has cover for multiple cars, but since the survey reports on the percentage of adults there is no clear linkage between number of cars privately owned and motor vehicle insurance. Note that the discrepancy is within the margin of error of 5% set for the survey.

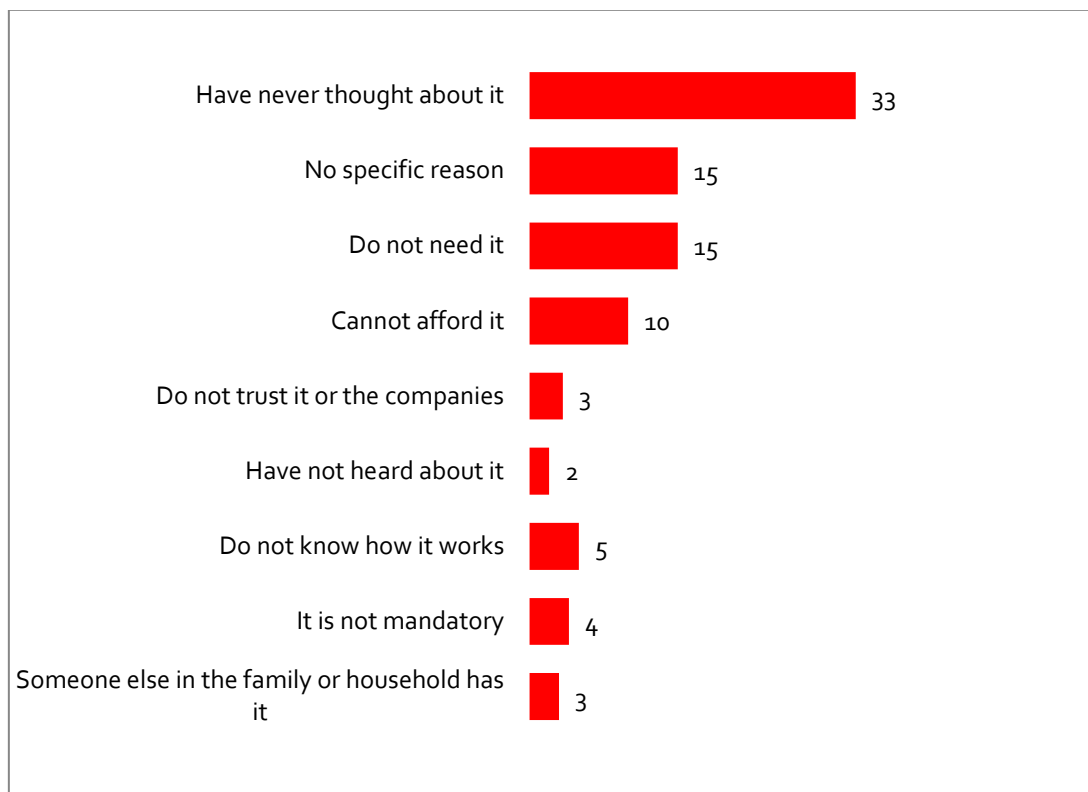
¹⁵ The information on the number of licensed privately owned cars was sourced from licensed insurance companies.

Figure 44: Comparison of insurance products by island (% of insurance product)



Using island perspective, it is clear that Mahé accounts for most of the insurance product uptake. Interesting observations are noted for La Digue with respect to property insurance as it surpasses that of Praslin. Residents in La Digue are also active users of travel and money insurance compared to Praslin.

Figure 45: Barriers to insurance uptake (%)

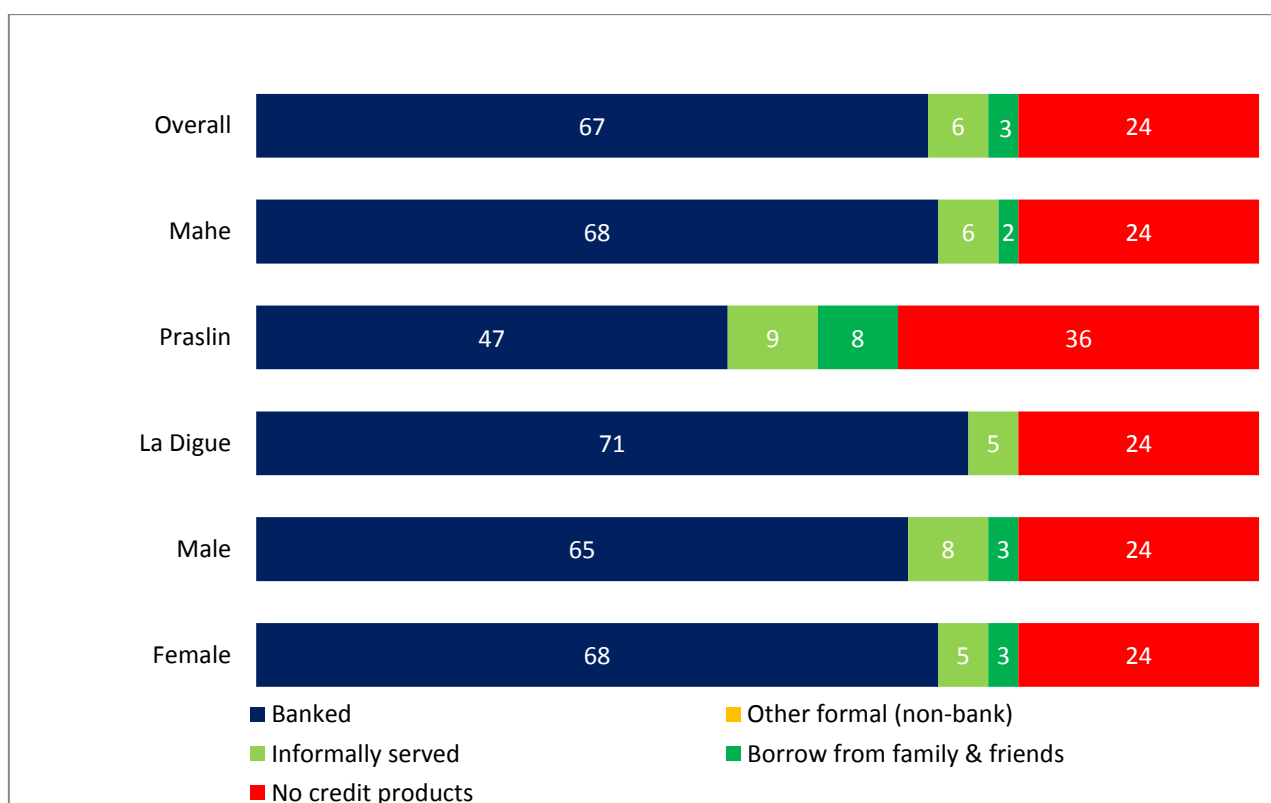


The results show that 33% of adults have not thought about insurance, 15% have no specific reason and another 15% feel that they do not need insurance. This indicates a lack of awareness or understanding of insurance which creates an opportunity for a more focused national strategy on the benefits of insurance versus not being insured – a multi-pronged approach possibly in partnership with financial services providers. Related financial education content could address issues of risk and what products are best suited to mitigate against the different risks while also encouraging the younger generation to make provision for post-retirement from an early age.

3.4.6 Access and usage of credit

Credit is yet another landscape product that enables Seychellois adults to have access to financial means during testing times and/or to take advantage of financial and economic opportunities. As literature has indicated, credit is a double edged sword that potentially results in adults being better-off or worse-off, hence financial literacy and education programmes encourage responsible finance.

Figure 46: Credit Strand (%)



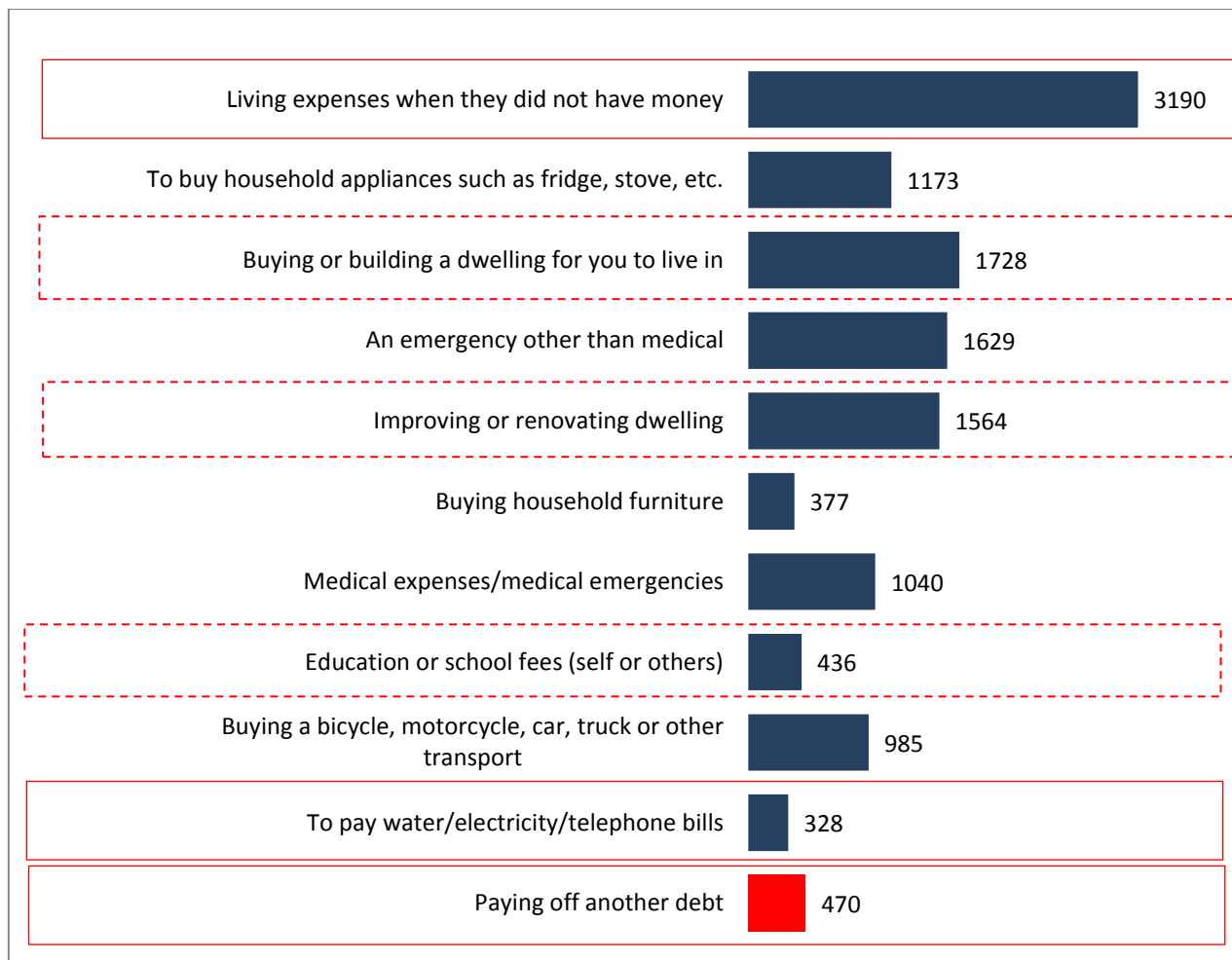
The figure above can be summarised as:

- About 67% of adults make use of credit from banks, they may also access credit from other sources;
- A further 6% access credit from informal credit providers, they may be borrowing from family and friends;
- Around 3% exclusively rely on credit from family and friends;
- A total of 76% of adults claim to have borrowed/credit from any source, while the other 24% claimed to not have borrowed in the last year.

The use of credit is skewed towards La Digue (higher percentage than other islands), female, and those with higher financial capability. Overall borrowing is occurring within the banking sector. It is worth noting

that those who borrow from banks may simultaneously borrow from other formal (non-bank) credit financial providers. More so for credit, financial discipline is a behaviour that can be reinforced via financial education programmes since 1 in 3 adults would prefer instant gratification as they do not mind getting what they want (refer to financial literacy statements on credit).

Figure 47: Reasons for borrowing (absolute number of adults)



Although the figures are low (in percentages) it is still concerning that the main reasons for borrowing is consumption smoothing and for purchasing appliances. This indicates that borrowing is not for development purposes or for investment in income generating activities or appreciating assets like a dwelling.

To further investigate the credit space, it was necessary to determine the proportion of adults who show signs of over-indebtedness. As this is a perception survey, the study did not check financial statements to ascertain whether the adults are living beyond their means but the adults were asked a series of questions which were then used to analyse and determine the proportion with signs of over-indebtedness. Those with signs of over-indebtedness are:

- adults who have a loan or other form of credit / borrowing to pay off another loan;
- reported to have financial difficulties, i.e., find it very difficult to cope with their financial obligations (loan repayment, payment of utility bills, etc.);
- bank/credit provider not satisfied with credit information on the credit information system.

The study determined that 26% of all adults are showing signs of over-indebtedness.

Table 17: Profile of adults showing signs of over-indebtedness

Those showing signs of over-indebtedness	<ul style="list-style-type: none"> ▪ Are finding it difficult to keep up with financial commitments ▪ Borrowing debt to pay off another debt ▪ Have been refused credit because they have too many debts ▪ Bank/credit provider not satisfied with credit information on credit information system
Area of residence	<ul style="list-style-type: none"> ▪ Mahé [90%], Praslin [7%] and La Digue [3%]
Age group	<ul style="list-style-type: none"> ▪ 18- 29 years [29%] ▪ 30 – 39 years [23%] ▪ 40 – 49 years [19%] ▪ 50 – 59 years [19%] ▪ 60 years and above [11%]
Gender and marital status	More female [55%], mainly married [46%], single/never married [40%]
Education	Secondary education [25%] and Other post-secondary qualification [44%]
Among those who receive an income	<ul style="list-style-type: none"> ▪ Higher among those salaried from government[33%], salaried from private company [31%], self-employed (formal) [7%], Social Security Grant [9%], and receiving an income of up to SCR 5,000 [28%] and for earning between SCR 6,000 and SCR 12,000 [58%]

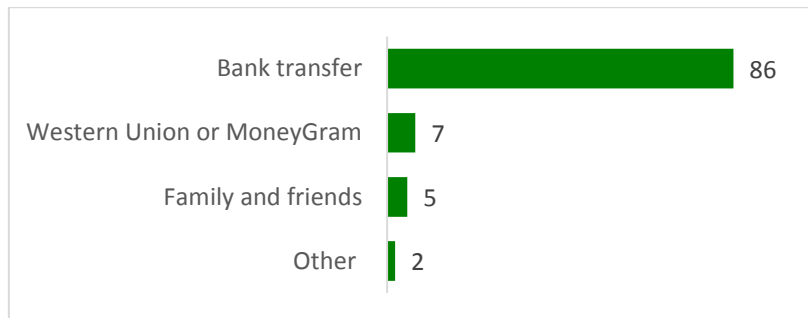
3.4.7 Remittances overall

Remittances are yet another set of financial transactions that are conducted through the use of financial services and products. Similarly, financial literacy underpins the choice of products and the channels which remittances are conducted through.

Domestic remittances

The survey reports that 14% of remittances are locally based. Bank transfers are the most preferred channel of remitting at 86% followed by Western Union and MoneyGram at 7%. It should be noted that the 7% for Western Union and MoneyGram represents 2,140 Seychellois adults.

Figure 48: Channels used for domestic remittances – of those who are remitting (%)



International remittances

In the international corridor, that is either receiving or sending remittances internationally, about 13% of the adults are actively remitting. The channel used most is bank transfers with 68% and Western Union and MoneyGram 23%.

Figure 49: Channels used for international remittances – of those who are remitting (%)

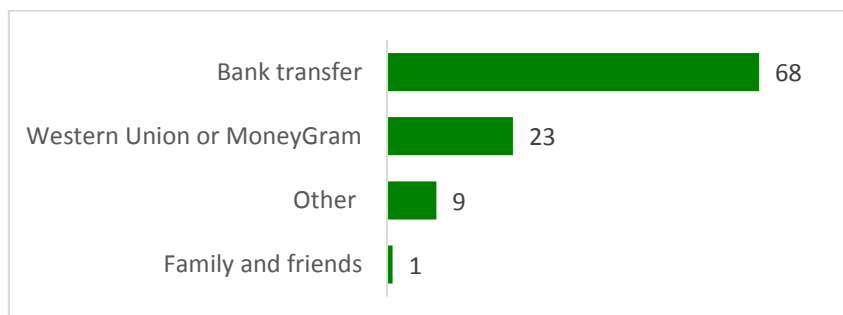
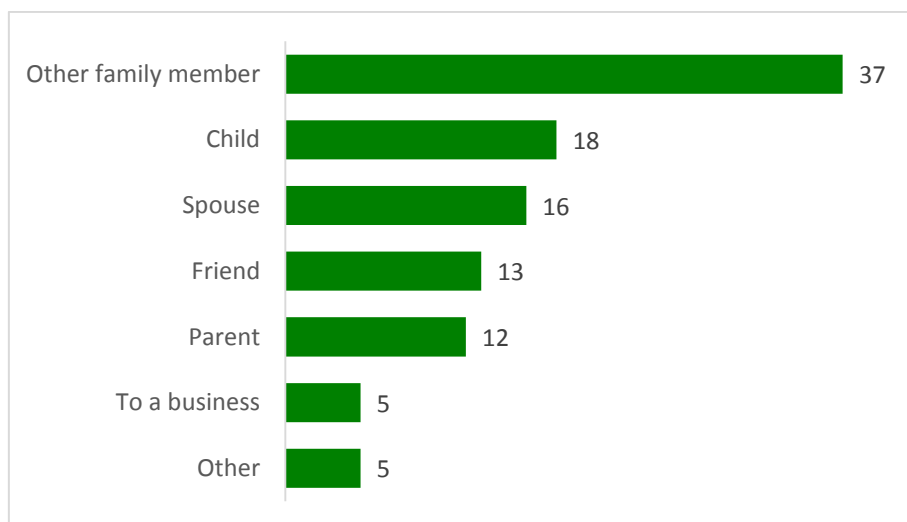
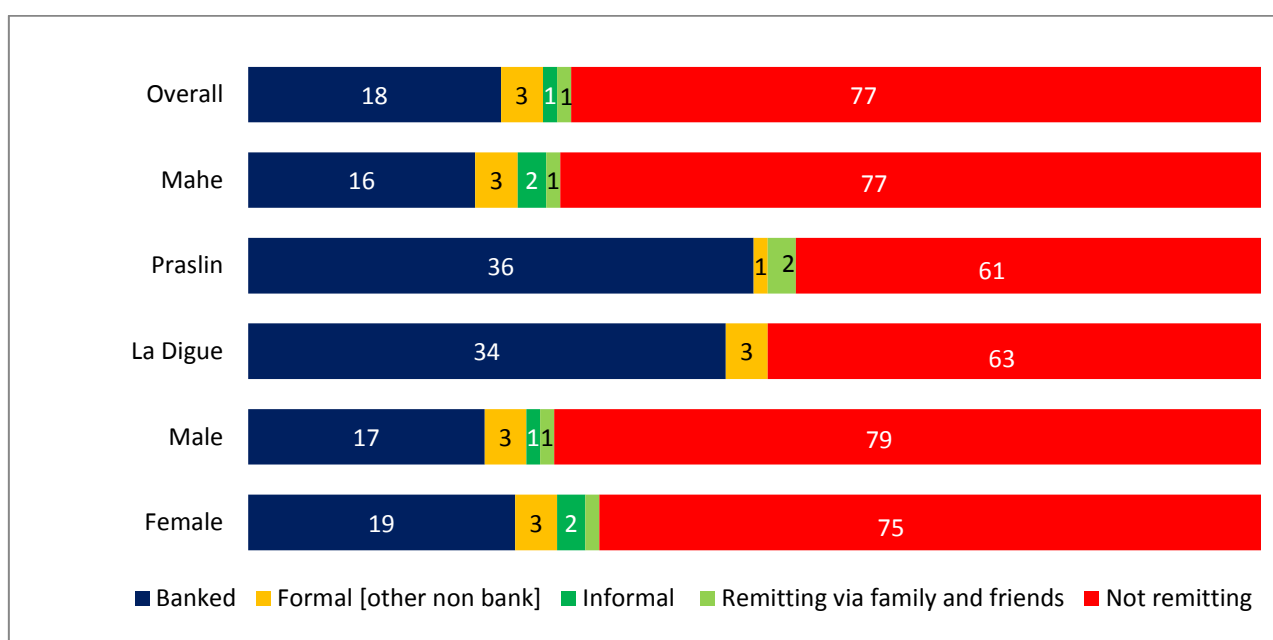


Figure 50: Recipients of remittances (%)



Overall, only 23% of adults claim to use remittance channels with higher usage of banking channels, skewed towards Praslin and female.

Figure 51: Remittances Strand (%)

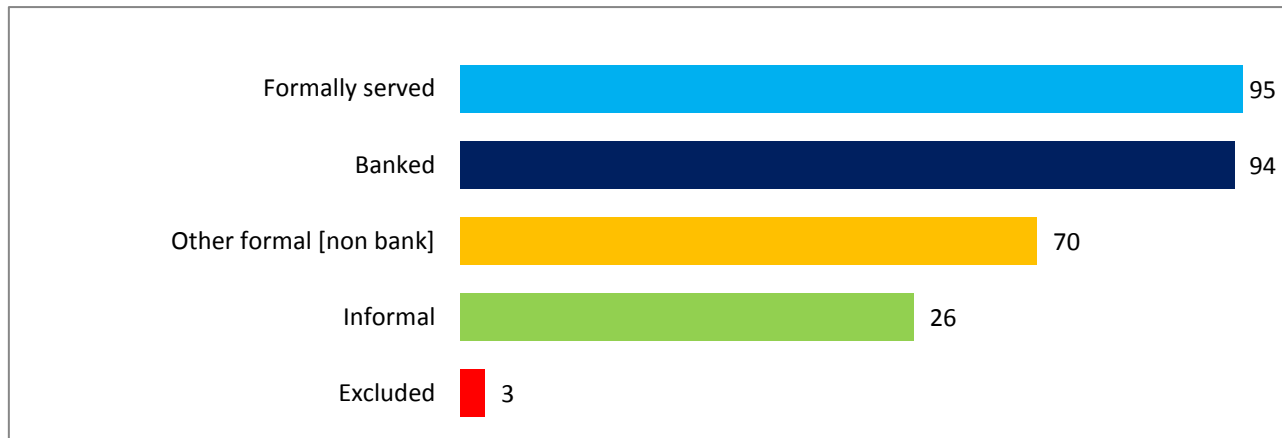


The figure above shows that about 39% of the Praslin adults are remitting mostly through the bank (36%). The smaller islands, Praslin and La Digue have a higher incidence of senders or receivers of remittances than the main island Mahé.

3.4.8 Overall levels of financial inclusion

With the different types of financial products held, the overall levels of financial inclusion are that over 95% of the adult population are formally served – that is they use a combination of formal products to meet their financial needs. Formal financial services include all types of products and services offered by registered formal financial institutions across savings, insurance, banking, credit and remittances offerings.

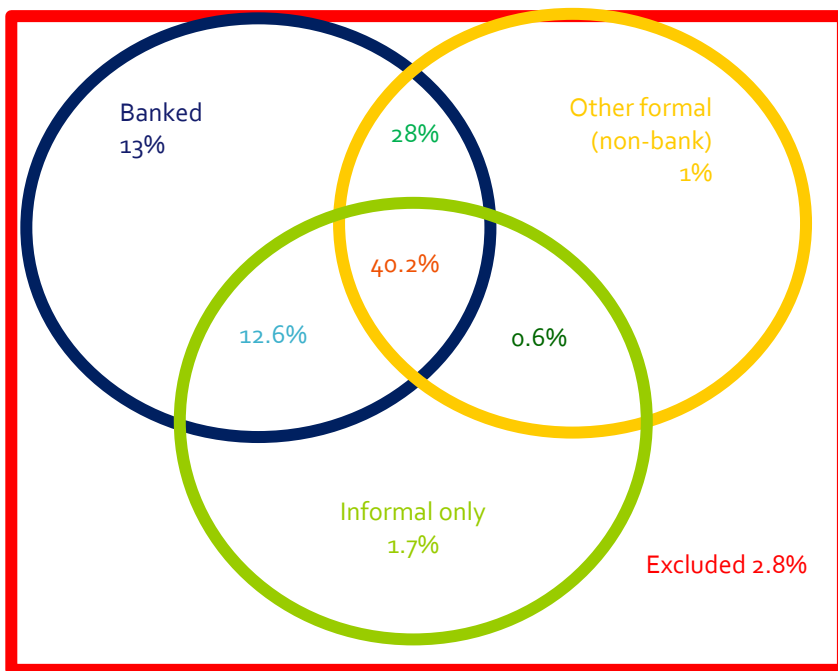
Figure 52: Financial Inclusion overview



As shown in the figure above with high incidences of financial inclusion, pertinent questions that policy makers in Seychelles need to start reflecting on are the following aspects:

- How do the financial products improve the lives of the owners?
- Does the welfare of households and individuals improve with the uptake of financial services?
- As the world now seeks to reflect on whether financial services improve the quality of the account holders, what indicators will be used to assess this change?
- What is quality and what are the indicators of quality?

Figure 53: Financial inclusion overlaps

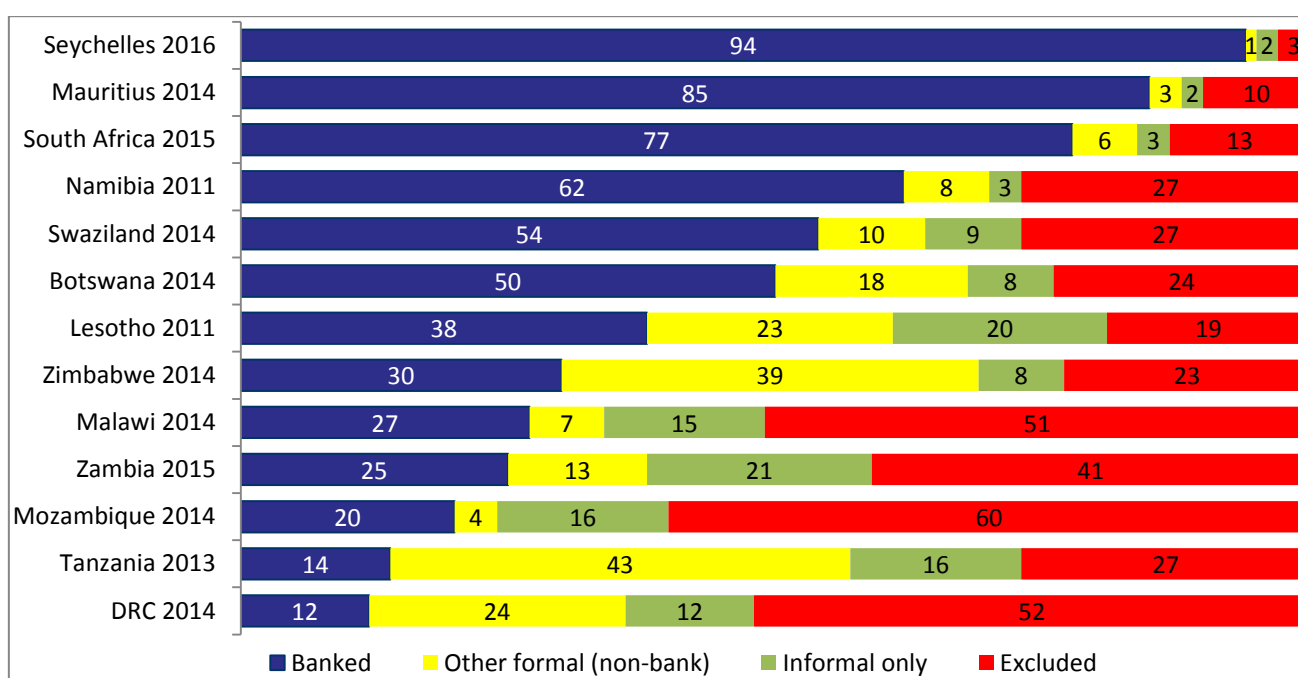


The figure above show that individuals generally use a combination of financial products and services to meet their financial needs – an individual could have a bank account and also belong to an informal savings club.

Figure 53 can be interpreted as:

- Only 13% of adults rely exclusively on banking services;
- About 80.8% use a combination of formal and informal mechanisms to manage their financial needs, thus indicating that their needs may not be fully met by the formal sector alone;
- A low 1.7% of the adult population ONLY rely on informal mechanisms such as informal savings club and loans groups to save or borrow money.

Figure 54: Financial Access Strand for SADC states (%)



As shown in the figure above, the Republic of Seychelles tops the SADC states with the highest incidence of financial inclusion. However, there are the few individuals that are financially excluded and their profile is presented in the table below.

Table 18: Profile of the financially excluded (%)

Area of residence	<ul style="list-style-type: none"> ▪ Mainly live in Mahé [73%] and in Praslin [27%],
Age group	Significantly higher among: <ul style="list-style-type: none"> ▪ 18 – 29 years old [51%] ▪ 41 – 49 years old [22%] ▪ 50 - 59 years and [20%]
Gender and marital status	Mainly males [60%], with high proportions of single and never married [87%]
Education	Mainly those with other post-secondary education [47%] or a secondary education level [31%]
Among those who receive an income	<ul style="list-style-type: none"> ▪ High proportion of those who are salaried from private companies [33%] ▪ Those who receive Government benefit from Agency for Social Protection [18%] ▪ Income received does not exceed SCR 7,000 [64%] ▪ Those with no income [17%]

Through financial education programs, the Central Bank of Seychelles and Financial Services Authority could develop a strategic intervention to bring the financially excluded into the fold.

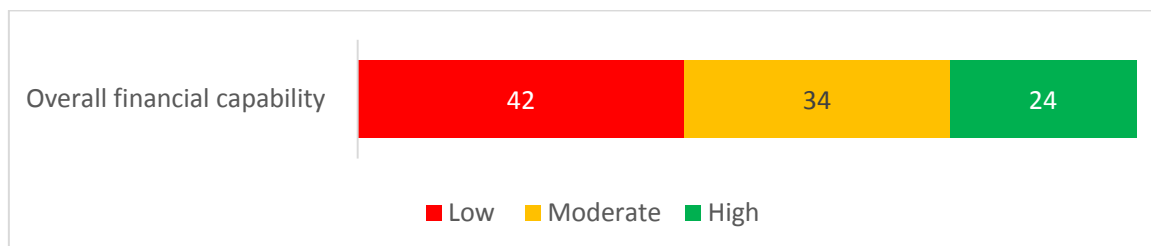
3.5 Nexus between financial capability and financial inclusion

A financial capability score¹⁶ was created to profile Seychellois adults who exhibit low, moderate and high financial capability. In order to determine the scores, the average was calculated based on the Likert scale questions from section 3.3 Financial Capability. The results segmented the following:

- About 42% of Seychellois adults exhibited low financial capability
- Another 34% exhibited moderate financial capability
- With 24% showing high financial capability

¹⁶ The questionnaire had a Likert scale type questions that were used to calculate the average scores. Three thresholds were used to differentiate the categories, low, moderate and high capabilities.

Figure 55: Overall levels of financial capability (%)



Those with low financial capability are adults who are, among other things, do not have a plan of how they are going to spend their income/earning, do not keep records of spending, who do not understand the implications of being a surety/guarantor for someone else’s credit, do not know how much they owe or earn and find it difficult keeping up with financial commitments. As such, it was necessary to present their profile below.

Table 19: Profile of those with low financial capability

Area of residence	<ul style="list-style-type: none"> ▪ Mahé [91%], Praslin [9%] and La Digue [1%]
Age group	<ul style="list-style-type: none"> ▪ 18- 29 years [36%] ▪ 30- 39 years [20%] ▪ 40- 49 years [15%] ▪ 50- 59 years [14%] ▪ 60 years and above [15%]
Gender and marital status	More females [51%], mainly single/never married [49%], married [39%], widowed (not remarried) [6%]
Education	No formal education [4%], Primary education [13%], Secondary education [31%] and Other post-secondary qualification [40%], A-levels [5%]
Among those who receive an income	Higher among those salaried from government [25%], salaried from private company [26%], self-employed (formal) [6%], Old Age Social Security Grant [11%], Social Protection benefit [4%], money from household member [8%] Receiving an income of less than SCR 3,000 [16%], between SCR 5,000 and SCR 7,000 [32%], between SCR 7,001 and SCR 10,000 [19%], between SCR 10,001 and SCR 16,000 [7%]

It must be noted that the findings are congruent with population distribution; Mahé is the most populated island, over 50% of total population are under the age of 39 years. There is a slight deviation in the gender characteristics, as the overall population statistics is 51% male and 49%. However 51% of women fall into the low capability category. Education levels are also in line with overall levels of education in the country. Interestingly those earning between SCR5000 and SCR10000 account for 51% of those that fall within the low financial capability segment.

Over and above understanding the profile of those with low financial capability, the study sought to find linkages between financial capability and financial inclusion. Based on the results below, there is a clear link between financial inclusion and financial capability as adults with low financial capability had low uptake of financial products overall. The figures below show the levels of uptake of various financial products based on the landscape of products, banking, savings, credit and insurance products.

Figure 56: Financial Access Strand by levels of financial capability (%)

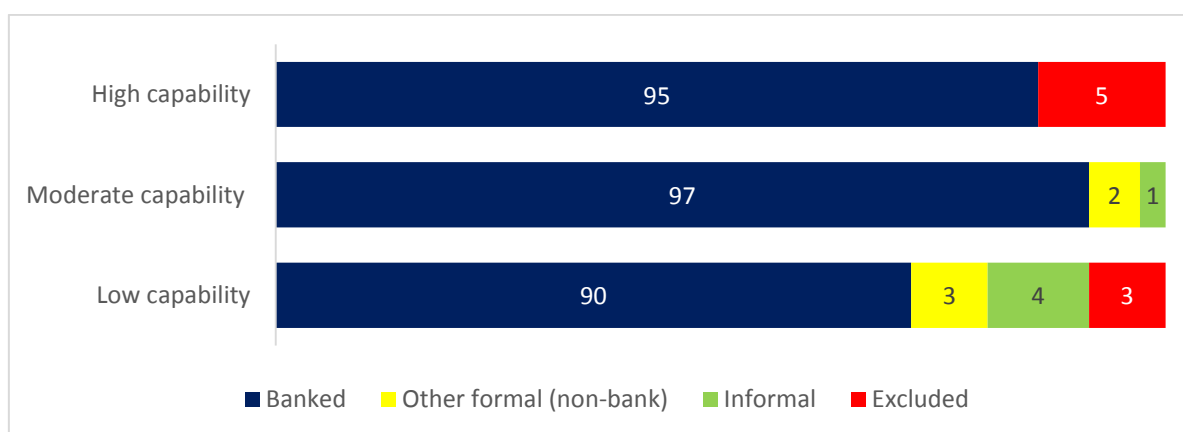


Figure 57: Savings Strand by levels of financial capability (%)

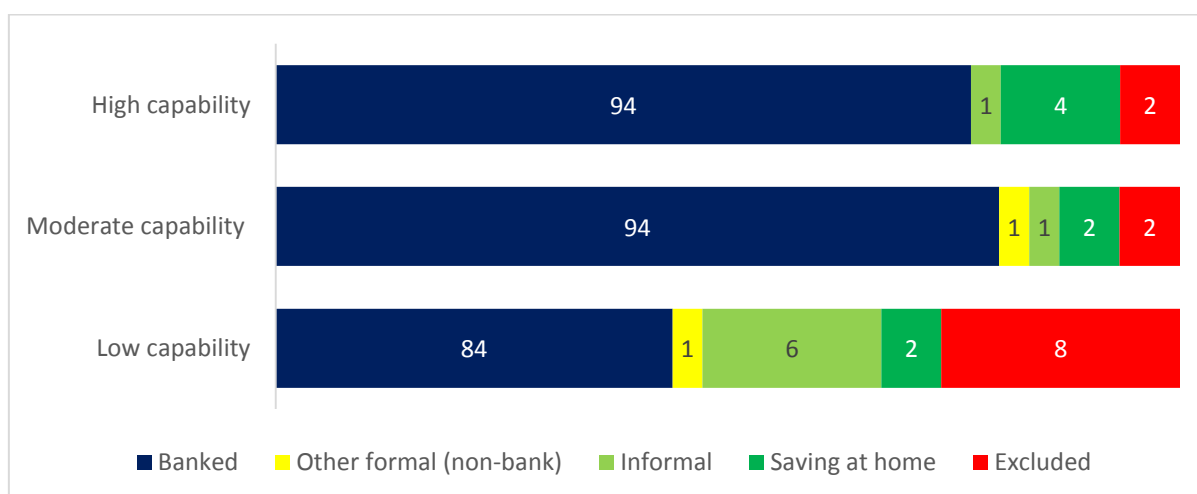


Figure 58: Credit Strand by levels of financial capability (%)

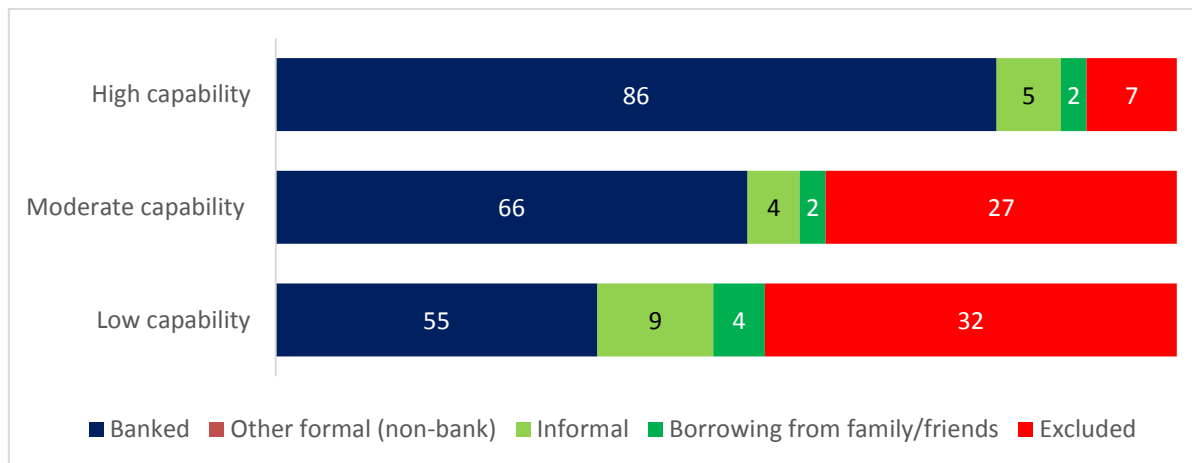
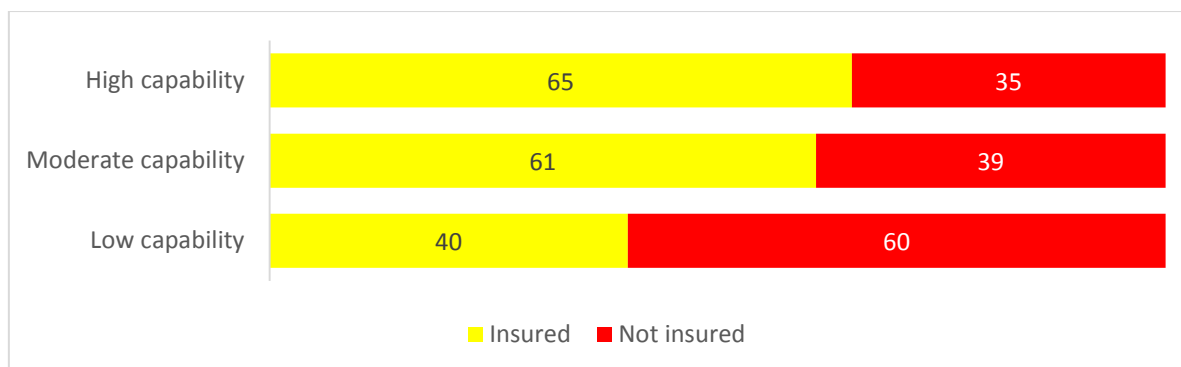


Figure 59: Insurance Strand by levels of financial capability (%)



Based on the figures above, it is worth noting that the indicator can clearly differentiate between access to credit and insurance compared to savings and banking services and products. Credit and insurance products by design require higher levels of literacy and understanding as shown by figures above. It is clear that those with low financial capability could be supported with dedicated strategic financial education campaigns to better manage their financial lives.

Those consumers with low and moderate levels of financial capability should be the focus of a targeted financial education strategy. Characteristics such as age, gender, education and income design inform principles as it relates to messaging, content and delivery mechanisms. This classification of the population into high, moderate and low financial capability is a useful tool to ensure the strategy is targeted and addresses specific components of financial capability including knowledge, skills, attitudes and financial behaviours.

4 Recommendations

4.1 Areas of focus for financial education

Seychelles is the most financially included country in the Southern African Development Community (SADC). Given the high level of financial inclusion the focus of a financial education strategy will have to be carefully considered. High levels of financial inclusion do not necessarily translate into high levels of financial capability. Therefore it is important that the design of a national strategy on financial education should focus more acutely on how best to improve the overall financial capability of its population. Financially capable consumers make more informed financial decisions, are better equipped to withstand financial shocks, are actively planning for their future and demonstrate financial behaviours that result in their own financial growth and sustainability.

Seychellois have high levels of access to banking and the large majority of adults have a bank account. Awareness of financial products and services is also high. However there are indications that more must be done to change the attitudes and behaviours of Seychellois to result in increased financial capability and to contribute to improved quality of financial inclusion. Budgeting is a critical skill and more adults should be encouraged to adopt the practice of monthly budgeting. This is the first phase to improved planning. Attitudes towards savings must be addressed. Although awareness might be high, this does not translate into positive saving behaviour. Insurance uptake is low. There is an opportunity to improve uptake by addressing knowledge of products and services, highlighting the importance of adopting risk mitigating strategies by using insurance products.

Firstly, target market identification is an important component. In countries that have low levels of financial inclusion it is usually the unbanked segments of the population that are the primary target market. However given the Seychelles context one would need to consider other factors such as savings culture of the population, ability to manage money to ensure households are able to meet financial commitments, using credit not just for consumption smoothing but also for developmental purposes and planning and investing for the future. The financial capability indicator provides useful insight to assist in target market identification, as it segments the population into three categories: high, moderate and low financial capability. In addition the population with low financial capability is further segmented. This should be used to assist in target market identification for future financial education programmes. While this survey did not focus on school-going youth, consideration must be given to the youth as a key target market. Economies around the world, both developed and developing, are recognising the importance of early intervention. Therefore financial education at schools must be considered. Also given the high levels of

regular income and the lack of planning, saving and use of credit to meet living expenses, it is important to target a cross-section of the population and not only low income earners.

Secondly when considering the design of programmes one must take into account the financial behaviours that are being promoted by the intervention. Often specific objectives for financial education programmes are not clearly thought through and articulated. In the context of Seychelles some key considerations must be made around inculcating a greater savings culture, utilising diverse products and tools to manage money and keeping track of income and expenditure. Seychellois are showing signs of over-indebtedness and are using credit mainly for consumption smoothing. It is important to focus financial education efforts on curbing this financial behaviour to ensure better and more productive use of credit. In addition to financial education interventions, the Government of Seychelles should also consider the establishment of a consumer credit body¹⁷ that seeks to assist consumer with debt reconciliation and to promote responsible borrowing. The low level of insurance uptake is also a key consideration. Seychellois are also hesitant to use technology to manage their money. Given the changing landscape of financial services, with products such as mobile money and internet banking, financial education programmes can be used to create greater awareness and trust in new products and services. Pension planning should be considered as a key focus area. At present pension planning is not a priority for Seychellois and nearly half of the population prefer to use their money now as opposed to putting it away for the future. Including financial literacy within the school curriculum is one way in which to ensure young Seychellois are educated at an early age.

Thirdly the delivery of financial education should be designed to ensure messages are delivered through channels that are appropriate for the message and reach the target market for which it is intended. For example, broad-based awareness campaigns can effectively utilise above-the-line media, which has the potential to reach the widest possible audience. Television, print and radio are popular above-the-line channels in the Seychelles. When educating the population on more complex concepts it is worth investing in face-to-face, or classroom based interventions. Consideration must also be given to how best to utilise technology such as the internet.

Consumer protection and the ability to seek recourse is the fourth area of focus. Consumers must understand their rights and responsibilities. It is encouraging that most consumers are confident about seeking recourse. However the data indicates that perhaps there is room to improve understanding of terms and conditions. Consumer protection is a broader topic than just recourse and terms and conditions. It includes, among other things, protection from unfair marketing and sales practices, protection of

¹⁷ In South Africa, through the National Credit Regulators, debt counselling and reconciliation services are provided to over-indebted consumers. This model is designed to rehabilitate over-indebted consumers.

personal information and protection of consumer assets. Consumer protection is sometimes viewed as a regulatory and compliance matter and hence focus tends to be on government's role and the role of the financial service provider. However it is important that consumers better understand their rights and responsibilities when purchasing a product or service or entering into a contract.

Finally it is important to ensure that monitoring and evaluation (M&E) is embedded in the design of a national strategy. M&E is best used to (a) determine the efficiency and effectiveness of the strategy and its related activities; and (b) assess the impact of the strategy on its beneficiaries.

The recommendations above need to be considered in relation to a broader strategic or policy focus of the government of Seychelles. The section below outlines examples of how financial education can be considered in relation to government policy objectives.

4.2 Recognition of financial education a national policy priority

Section 4 (l) of the Financial Services Authority Act, 2013 states that the FSA has the function to "to adopt such measures as may be necessary to appropriately inform and educate the general public on its functions and on matters relating to or affecting any financial services business". There are no specific provisions in the law administered by CBS relating to financial education. The existing legislative framework has a limited provision for financial education. The Government of Seychelles is currently working on legislative/regulatory reform, with the World Bank, to address matters related to consumer protection by developing a Consumer Protection Act for the financial sector. The mandate extends to the FSA and does not cater for a wider range of participation by the entire sector, including policy makers, other regulatory bodies and the financial service providers.

There is no 'one-size-fits-all' solution for financial education. Rather a country should assess its context and determine the best approach given that context. There are a number of approaches that can be adopted to elevate the policy objectives for financial education.

4.2.1 Legislative reform to include financial education

A few countries have used legislation to compel governments and financial service providers to provide financial education to consumers. In South Africa, the Broad Based Black Economic Empowerment Act (BBBEE) requires reporting institutions to allocate a percentage of its net profit after tax to implementing financial education. The benefit of this approach is to ensure companies make financial provisions for financial education programmes. However one must be cautious in adopting a similar approach. The purpose of financial education is to ultimately benefit the consumers, which in turn will be good for business and encourage competition in the sector. As consumers become more knowledgeable and skilled they will

demand better services and more appropriate products. They will also exercise the power of choice. Legislation of financial education can have the unintended consequence of becoming a compliance exercise only. Institutions may not recognise and accrue the benefits that financial education provides to customers, their institutions and the broader economy. Furthermore there must be capacity within government to provide adequate and effective oversight. The introduction of legislation must be carefully considered.

4.2.2 Financial inclusion policy

Many countries have adopted financial inclusion policies to promote increased access to products and services to previously under- or un-banked sectors of the population. These policies are driven by government entities and involve a multi-stakeholder approach. In the case of Malawi, financial education has been recognised as a key focus area within its financial inclusion policy. This policy receives the support from the highest levels of government, with both the Ministry of Finance and the Reserve Bank of Malawi both supporting the policy. Given its prominence, this policy receives support from within government, from the financial services sector and other related donor and civil society organisations. The benefit of including financial education with this type of policy is that it is directly linked to targeting the most vulnerable sectors of the population.

However one should be cautious to ensure that the strategy and roadmap for implementation of programmes is clearly articulated. Furthermore, for this strategy to be successful, appropriate resourcing must be in place. Financial inclusion policies include a myriad of activities, ranging from regulatory reform, technology developments and consumer protection, among others. It would be important therefore to provide adequate focus to financial education so as to ensure it is not lost in the various objectives.

Seychelles has been a member of the Alliance for Financial Inclusion (AFI) since 2014 and participates in a number of working groups. In preparation for the 2016 AFI Global Policy Forum, it might be worthwhile to consider whether financial education will be included in Seychelles Maya Declaration targets. The baseline study provides data that can inform the target that is set by Seychelles for this purpose.

4.2.3 Consumer protection policy

The Central Bank of Armenia (CBA) has provided policy guidance for financial education through its Consumer Protection and Financial Education Centre at the CBA. The centre is responsible for developing the national strategy, conducting baseline studies, encouraging multi-stakeholder participation in

programmes (both centralised programmes and individual organisation programmes) and implementing financial education programmes. This model ensures dedicated resources, skills and funding for programmes. The approach relies on cooperation and voluntary participation by the sector. However it does ensure that the government invests in the programmes it is responsible for implementing. Financial education and consumer protection are interlinked. In 2011, the G20 Finance Ministers and Central Bank Governors called on the OECD and the Financial Stability Board (FSB) and other relevant international institutions to develop a set of guiding principles for consumer protection in financial services. One of these principles states: "Financial education and awareness should be promoted by all relevant stakeholders and clear information on consumer protection, rights and responsibilities should be easily accessible to consumers." When considering this approach, the GoS must consider the current regulatory and oversight landscape in the country to determine if financial education can be conducted under this banner.

Irrespective of the approach that is adopted it is important that financial education is supported at the highest levels of government. Senior leadership must recognise its importance and provide strategic support. Having senior leadership championing the cause for financial education usually results in greater cooperation and support from the industry.

4.3 Cooperation and coordination

Financial education must have support from all relevant stakeholders and all sectors of the industry should be involved in financial education activities. To ensure greater effect and impact it is important to have cooperation and coordination among different stakeholders. The starting point of this process is to appoint a national body or organisation to serve as a central coordination body. This body should be credible and have integrity within the industry. It must also be able to conduct its activities in an unbiased manner and exercise objectivity to ensure inclusiveness of all players in the sector.

The Financial Literacy Baseline Survey provides information and data that should be used to inform the development of a national strategy for financial education. A national strategy on financial education should be a long-term strategy which should clearly articulate the objectives of the strategy. Monitoring and evaluation is a key inclusion in the strategy to ensure that the strategy is reviewed for effectiveness and efficiency.