

# FinScope Swaziland 2011



Making financial markets work for the poor

**FINSCOPE**



## Introduction

The government of Swaziland recognises the significant role of the financial services sector towards contributing to the overall economic and private sector growth. In addition to the conventional commercial banking institutions, the Micro-Finance Institutions (MFIs) play a significant role in extending financial services through savings and business loans to the rural un-banked population. Despite this positive contribution, the continued operation of these institutions is challenged by the changing macro-economic contexts which require their transformation if they are to remain viable and sustainable.

The Ministry of Finance established the Micro-Finance Unit (MFU) in September 2010 to facilitate the development and sustainability of the microfinance sector in the country. This should enable the sector to continue to effectively contribute to the development of rural communities. The objectives of the MFU are to facilitate the provision of efficient and effective financial services on a sustainable basis; the development of an enabling and enhanced environment for business development in rural areas; and the establishment of micro- and small-scale enterprises as well as business services in rural areas.

The implementation of the FinScope Swaziland 2011 Survey will provide pertinent financial data on the local financial services sector which could help the country and the sector identify possible strategies to optimize the impact of the sector. The survey results will inform the regulatory and policy-makers bodies where there is a need, to review legislative and policy framework, to respond to changing needs and technological advancement. It also provides the private sector with valuable market information that it can use to improve service delivery and pursue greater outreach.

The FinScope survey is a research tool developed by FinMark Trust. It is a nationally representative survey of how individuals source their income, and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services. To date, FinScope has been conducted or initiated in 15 countries in Africa, as well as in Pakistan.

Initiated by FinMark Trust in association with the Micro-Finance Unit, the FinScope Swaziland 2011 survey was conducted by the Central Statistical Office of Swaziland (CSO), with technical assistance from FinMark Trust. The information provided in this survey will help extend the reach of financial services as it provides an understanding of the adult population in terms of:

- Their livelihoods and how they generate their income;
- Their financial needs and/or demands;
- Their financial perceptions, attitudes, and behaviours;
- Their demographic and geographical distribution;
- The obstacles they face and the factors that would have an influence on their financial situations;
- Current levels of access to, and utilisation of, financial services and products (formal and/or informal);

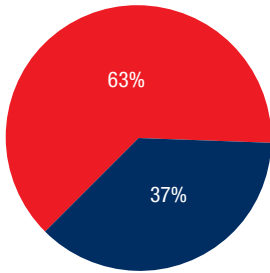


Swaziland





## Urban-rural distribution



■ 63% Rural  
■ 37% Urban

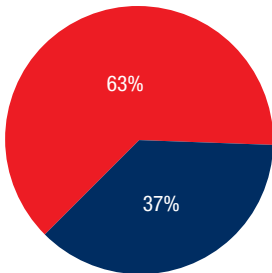
- The landscape of access (i.e. types of products used in terms of transaction, savings, credit, insurance and remittances)
- Drivers of financial products and service utilisation;
- Barriers to the utilisation of, and access to, financial products and services;
- The size of the market; and
- The differences and commonalities between different market segments.

## The FinScope survey approach

In implementing FinScope surveys, FinMarkTrust collaborates with a wide range of stakeholders, from both the public and private sector. This approach is mainly followed to facilitate stakeholder buy-in and support for the survey, and also to ensure that the information gathered addresses relevant issues.

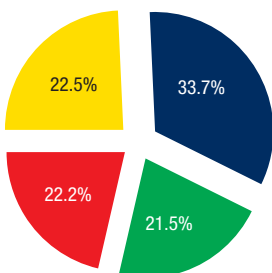
For the purpose of overseeing the implementation of the FinScope Swaziland 2011 survey, the steering committee of Rural Finance and Enterprise Development Programme (RFEDP) was adopted as it represented all stakeholders in the financial services sector.

## Gender distribution



■ 63% Female  
■ 37% Male

## Geographic distribution of the Swazi adult population by regions



■ 33.7% Manzini  
■ 21.5% Hhohho  
■ 22.2% Shisweleni  
■ 22.5% Lubombo

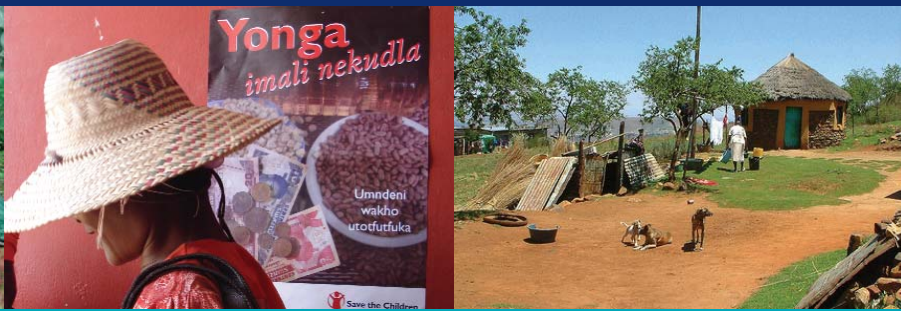
## Survey methodology

- Nationally representative individual-based sample of Swazi adults aged 18 years and older
- Sample by Central Statistical Office of Swaziland (CSO)
- 3 632 face-to-face interviews conducted by CSO
- Survey data was weighted and validated by CSO

## Understanding the lives of the Swazi adult population

- The majority (63%) of Swazi adults live in rural areas
- 45% of the adult population are 30 years of age and younger (FinScope data shows this age group as not yet economically settled)
- About a third of adult individuals have primary school education as their highest level of education
- In terms of sources of money, 48% rely on money from others – such as receiving money from household members (29%) and remittances (19.5%)
  - 29% obtain an income from salaries and wages
  - 15% rely on farming activities to generate an income
  - Personal monthly income distribution is significantly skewed towards lower levels of income (41% of the adult population earn less than E2000)
- 15% do not have a fixed income
- 28% of the population receive their income periodically
- Contextualising the drive for greater financial inclusion – daily realities:
  - 41% are from households with water in the home/yard (only 22% in the rural areas)
  - 59% are from households that use wood for cooking (more than 80% for households in rural areas)
  - A quarter (25%) of the population do not have money of their own which they can use as they wish. This skews towards people living in rural areas and females (urban and rural)

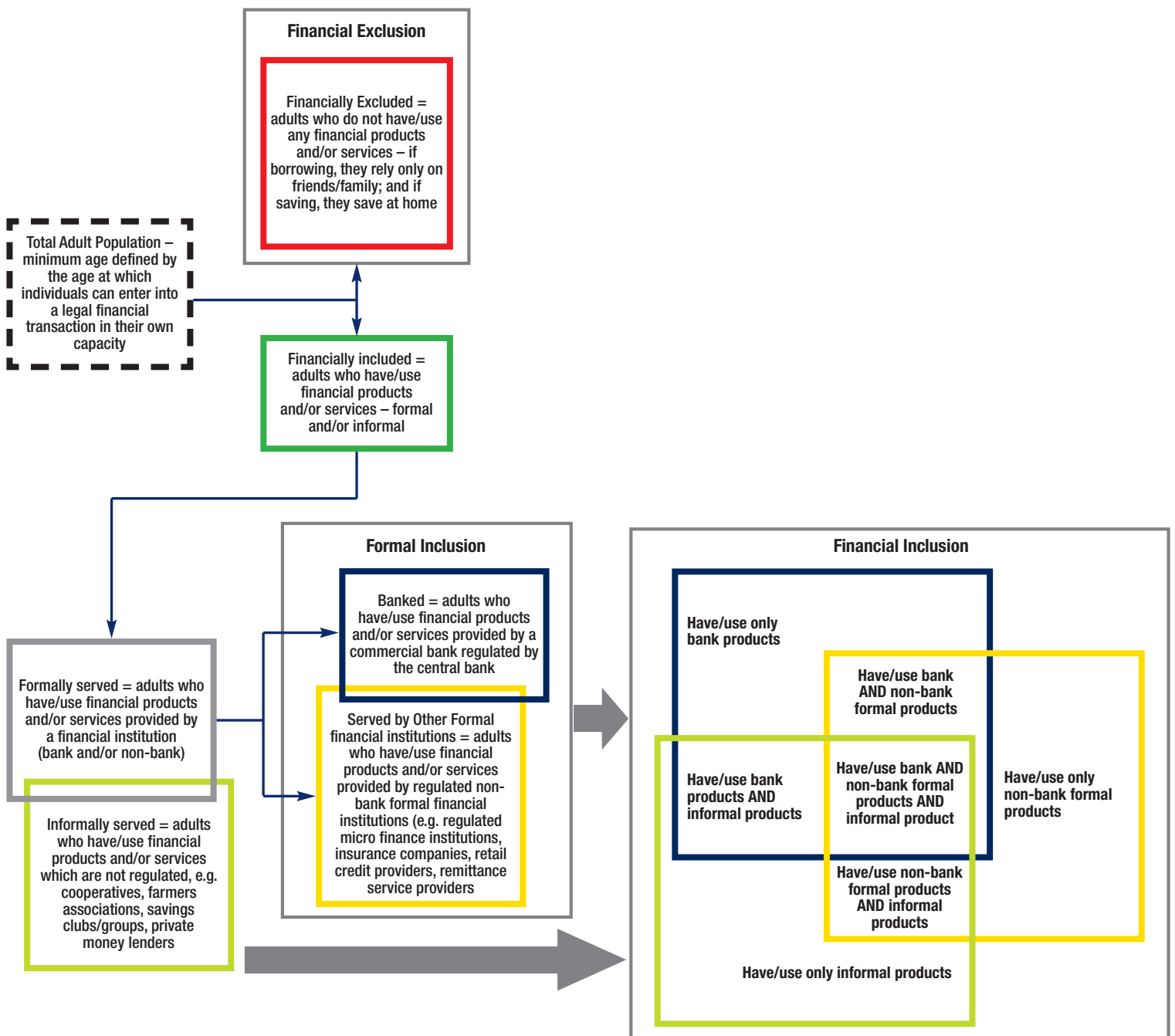
For a large proportion of the Swazi population who face daily realities such as fetching drinking water from sources not on their stands, fetching wood to be able to cook and making ends meet, financial inclusion might not be perceived as a priority. A strategy for financial inclusion should not be based on unrealistic expectations.



# Making financial markets work for the poor

## Financial inclusion

The FinScope methodology uses financial product usage to segment the adult population:

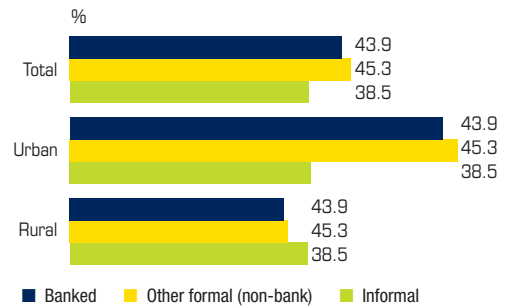




## Financial inclusion in Swaziland

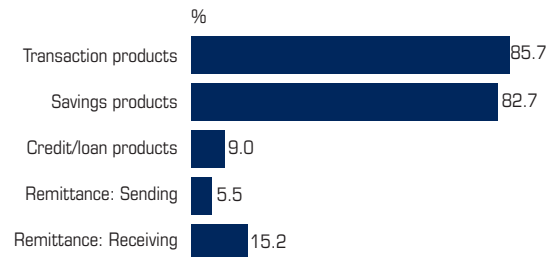
The legal age at which an individual in Swaziland can open a bank account is 18 years, therefore the adult population is defined as all individuals aged 18 years and older:

- 44% of Swazi adults are banked (234 421 individuals)
- 45% of adults have/use non-bank formal products/services
- 38% of adults have/use informal mechanisms for managing their finances
- 37.5% use no financial products or services to manage their finances. If they save they keep their money at home and their only coping mechanism is reliance on families and friends



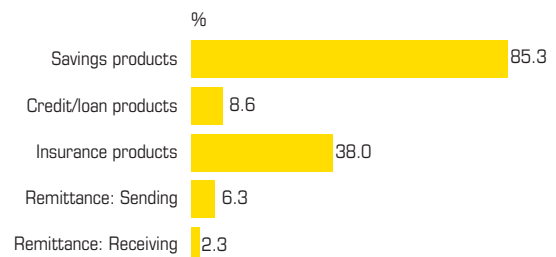
## What drives banking?

- 86% of banked adults have/use transaction products
- 83% have/use savings products
- 20% use the bank for remittance purposes
- 9% have/use credit products



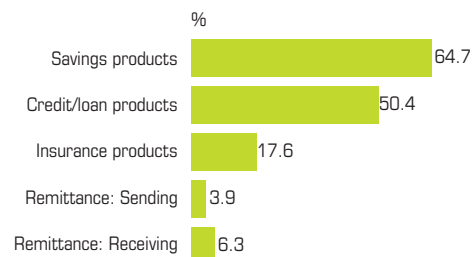
## What drives the use of other formal (non-banking) products?

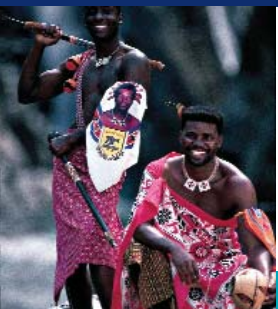
- 86% of adults who use non-bank formal products have/use savings products
- 38% have/use insurance products
- 9% have/use credit products such as borrowing from building societies
- 9% have/use remitting products/services such as a post office money order



## What drives the use of informal products?

- 65% of those others who use informal mechanism belong to savings groups
- 50% borrowing from informal lenders such as shylocks
- 18% have informal insurance provision (Masingwabisane)
- 10% use informal remittance mechanisms such as paying taxi or bus drivers to take money to those they support financially





# Making financial markets work for the poor

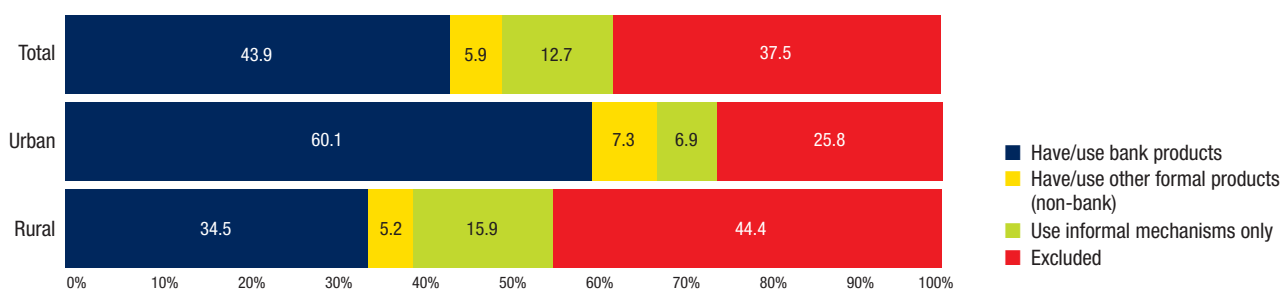
## Access Strand for Swaziland

The FinScope Access Strand focuses on the financial system in its broadest sense and segments the adult population into four broad segments: the banked; those who are formally served but not banked; those who rely on the informal sector only to manage their finances and those who are financially excluded.

The Access Strand reveals that:

- 62.5% of Swazi adults are financially included (333 517 individuals) i.e. use financial products and/or services albeit formal or informal or both;
- 49.8% of Swazi adults are formally served – 43.9% have/use bank products/services and 5.9% are using non-bank formal products but not commercial bank products;
- 12.7% of Swazi adults are informally served only (i.e. use only informal financial mechanisms but not formal financial products or services);
- 37% (200 173 individuals) are financially excluded – this population does not use financial products (formal or informal) to manage their financial lives.

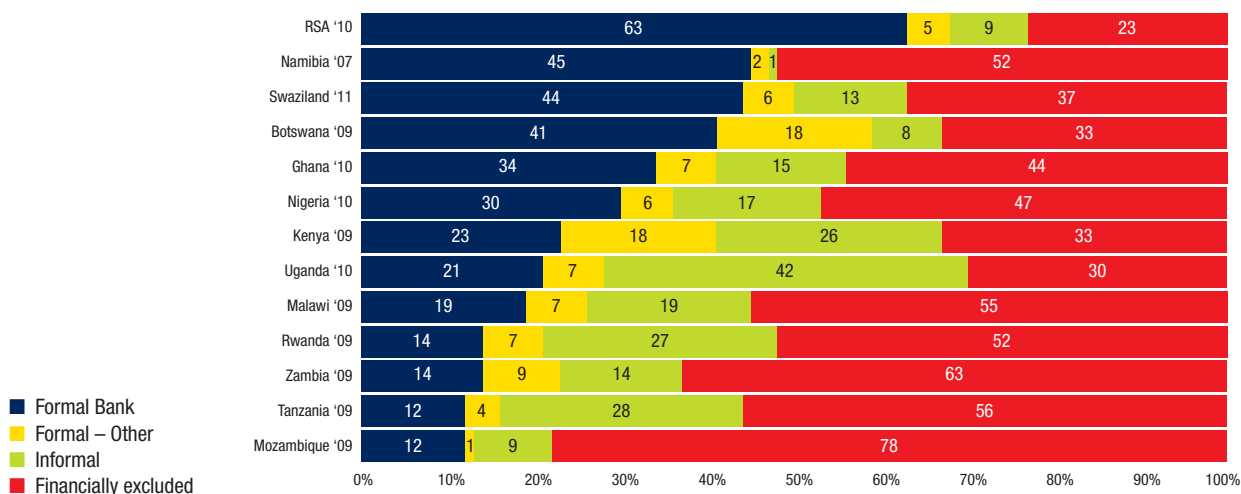
### Access Strand

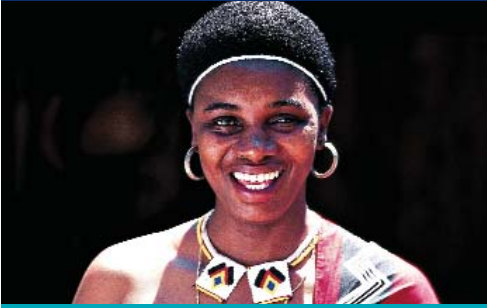


Comparing the Access Strand for urban and rural adult populations, the most significant difference between urban and rural usage of financial products lies in the extent of usage of bank products and reliance on informal mechanisms (illustrating the role of the informal sector in terms of pushing out the boundaries of financial inclusion, especially in rural areas):

- Whilst three in five adults in urban areas are banked, only one in three in rural areas are banked;
- Whilst 15.9% rural adults rely only on informal mechanisms to manage their financial lives, only 6.9% of adults in urban areas do so.

## Comparing levels of financial inclusion with other countries





## Savings, borrowing, remittances and insurance

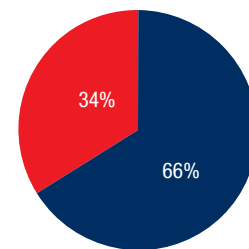
Understanding the levels of financial inclusion is only the first step. While insightful in itself, this understanding is enhanced by exploring the products and services that individuals are likely to have/use within each category of inclusion.

### Savings and investment products

66% of Swazi adults (18 years and older) claim to be able to save money, with the main reasons cited for savings being:

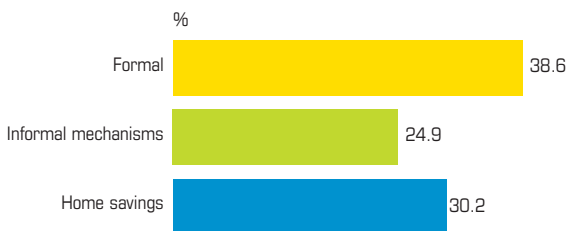
- Living expenses in the absence of cash
- Non-medical emergency
- Education/school fees
- Medical expenses

Savings and investment products



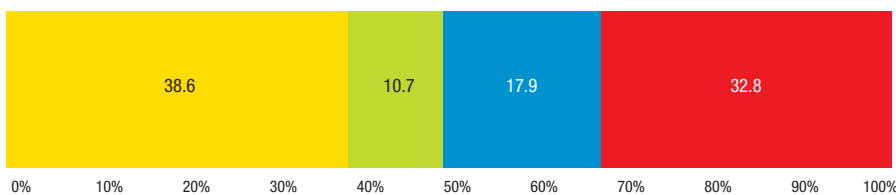
34% Not able to save  
66% Able to save

### Savings mechanisms/products of those who save



- 39% adults save with formal institutions (i.e. banks, building societies, cooperatives)
- A quarter of saving adults have/use informal mechanisms such as tihlangano's to save
- 30% adults keep cash at home

### Savings Strand



Formal products  
Informal products only  
Savings at home/with household member only  
No savings product/mechanism

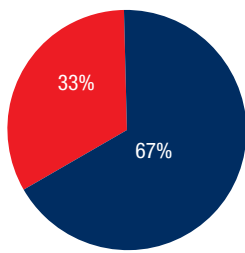
The Savings Strand focuses on the savings and investment products of the Swazi adult population in its broadest sense and segments the population into four segments:

- 38.6% of the Swazi adult population have/use formal savings products/services (they could also have or use other savings products but their defining characteristics are that they do have access to either bank savings products or other formal (non-bank) products);
- Those who don't have or use formal savings products but use informal mechanisms to save – 10.7% of the Swazi adult population rely only on informal savings such as tihlangano's;
- 17.9% of the Swazi adult population keep their savings at home (these individuals do not have or use either formal or informal savings products or mechanisms);
- 32.8% of the Swazi adult population claim not to be saving or having or using savings products or mechanisms.

# Making financial markets work for the poor



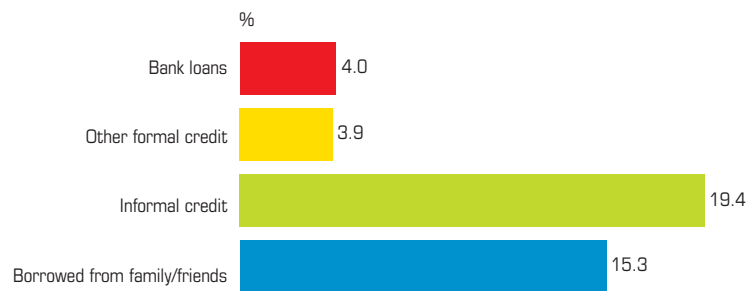
## Credit and borrowing



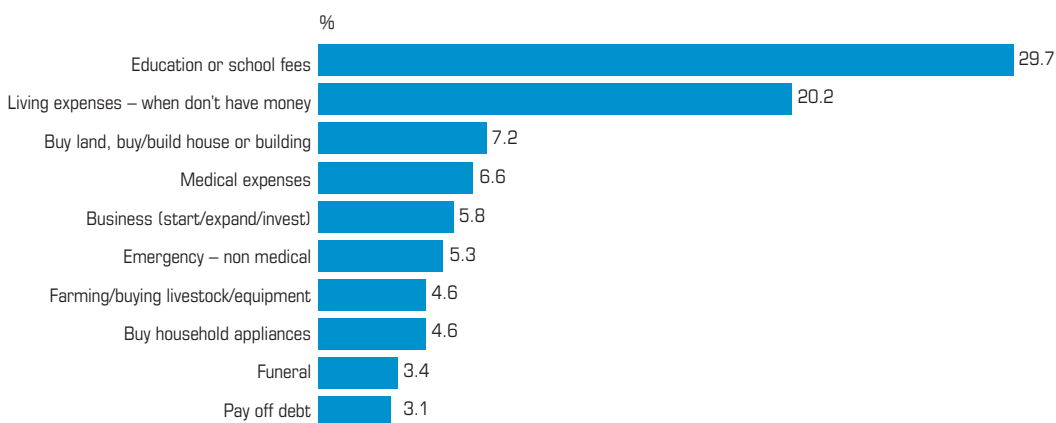
■ 33% Have debt  
■ 67% Don't have debt

- 33% of adults claimed to have borrowed money in the last 12 months prior to the FinScope survey;
- 19.4% of adults who borrowed money prior to the survey, did so from the informal sector;
- FinScope Swaziland 2011 indicates a low take-up of credit products from formal institutions (4% of the adult population borrowed from the commercial banks of Swaziland, while 3.9% borrowed from other formal institutions such as building societies, cooperatives and MFIs);

### Borrowing mechanisms of those who borrowed



### Reasons for borrowing of those who borrowed



Credit behaviour appears to be driven more by short-term rather than long-term consumption. Those who borrowed in the 12 months prior to the FinScope survey borrowed mainly to cover education and school fees (29.7%) and living expenses (20.2%).

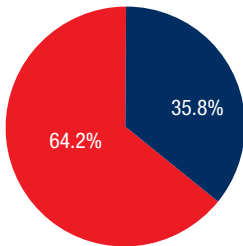


## Remittances

With one in five adults in Swaziland relying on remittances, accessible, affordable remittance facilities and/or channels will benefit the livelihoods of a large proportion of the population.

- 35.8% of the adult population claimed to have either sent or received money in the past 12 months prior to the FinScope Swaziland 2011 survey;
- The most common mechanism used to transfer money is sending cash with a relative or friend (61% of those who have remitted prior to the survey);
- Encouraging is that 20% of money received was made through bank accounts.

### Incidence of remittance



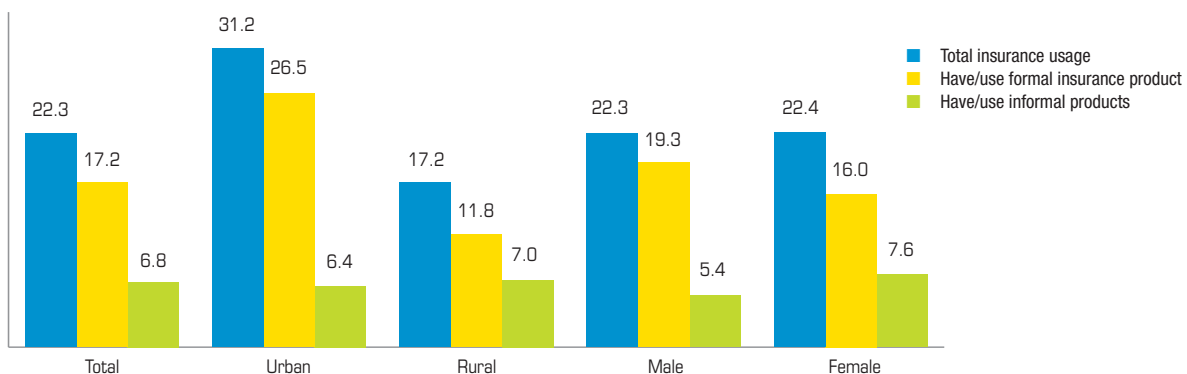
- 64.2% Have not remitted in the past 12 months
- 35.8% Have remitted in the past 12 months

### Remittance mechanisms for those who remitted prior to the survey



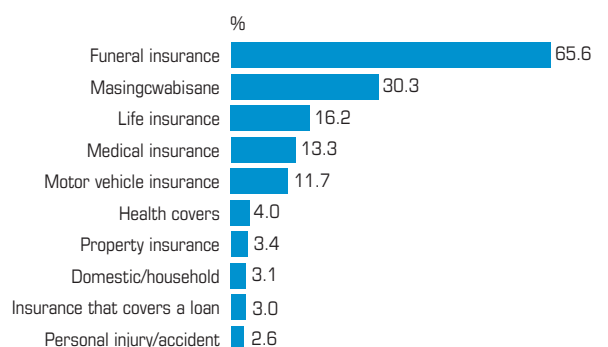
## Insurance overview

### Insurance penetration

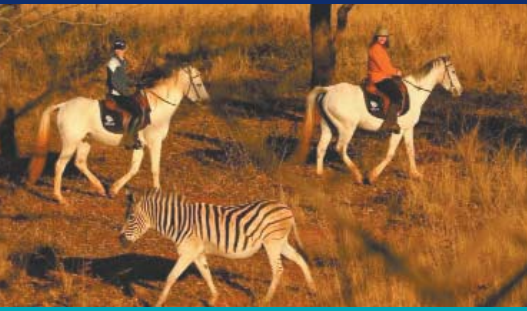


- 22.3% (119 255 individuals) of the Swazi adult population aged 18 years and above have some form of insurance;
- 17.2% use or have formal insurance, which is driven by:
  - Formal funeral cover;
  - Life insurance;
  - Medical insurance;
  - Vehicle insurance;
- 6.8% of the population use informal insurance (Masingcwabisane)

### What drives insurance





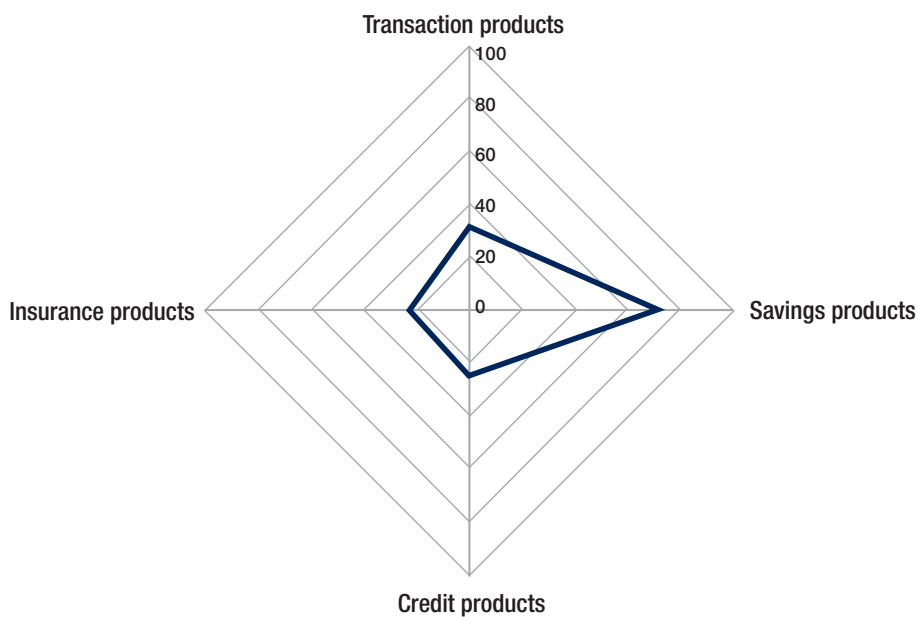


# Making financial markets work for the poor

## Landscape of Access

The Landscape of Access is used to illustrate the extent to which individuals have or use different types of financial products and services. The landscape depicts, on its four axes, the percentage of adults that have or use:

- Transaction products/services
- Savings products/services
- Credit products/services
- Insurance products/services



The Landscape of Access for Swaziland illustrates that the majority of the adult Swazi population are likely to save (67%) than to borrow, as only 33% reported to have borrowed money in the past 12 months prior to the FinScope fieldwork.



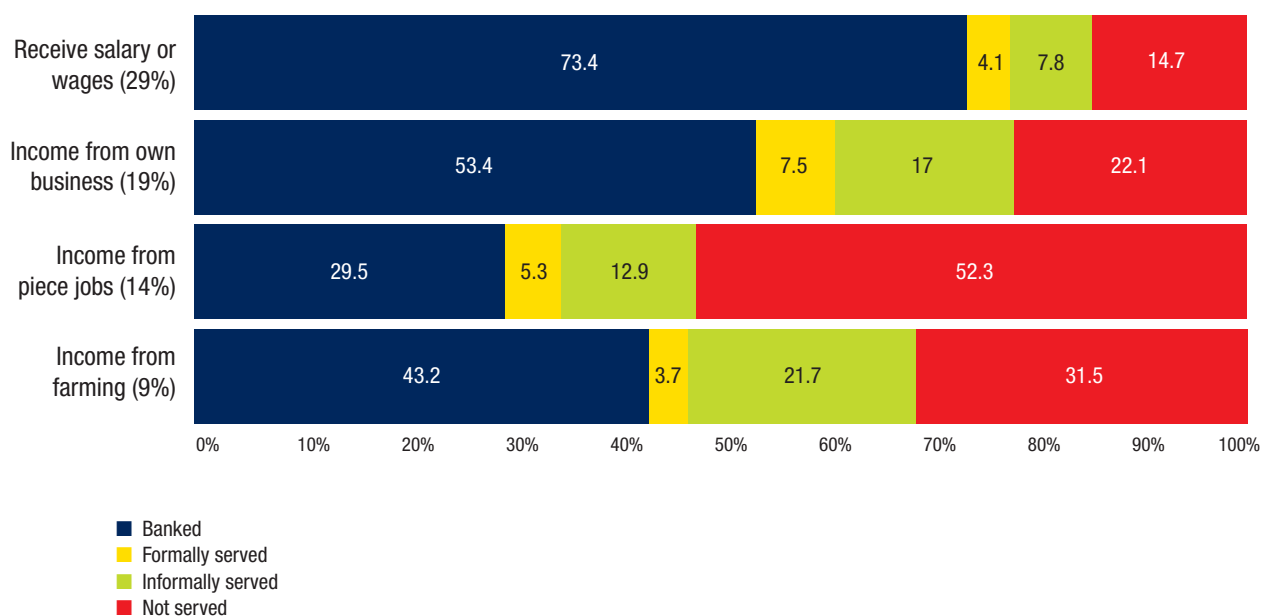


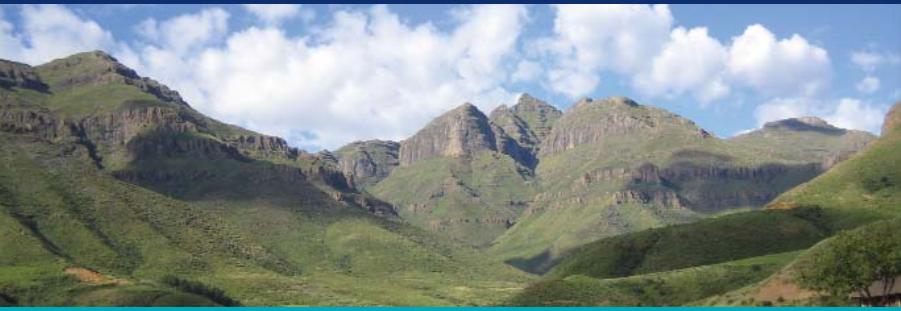
## FinScope Swaziland 2011: Key findings

In attempting to increase financial services in Swaziland, one should consider that the lives of the Swazi people are shaped by realities which might have a negative impact on the perceived priorities of financial inclusion:

- 42% of the adult population are younger than 30 years old (regarded as not yet economically settled);
- 30% have a primary school education as their highest level of education, while 12% have no formal education;
- About four in seven Swazi adults are dependent on others for their income. Apart from this being regarded as a risk, the often unrecognised opportunity that this holds is that these individuals need mechanisms to transfer their money. Enabling these individuals to channel their monies safely through a formal system, as well as giving them the ability to make better use of their financial products (other than conveying the money safely, but using it to save), can impact positively on their livelihoods;
- 15% of the population are reported to be from households that are living only on farming with no other source of income.

## Access strand per income generating activities





# Making financial markets work for the poor



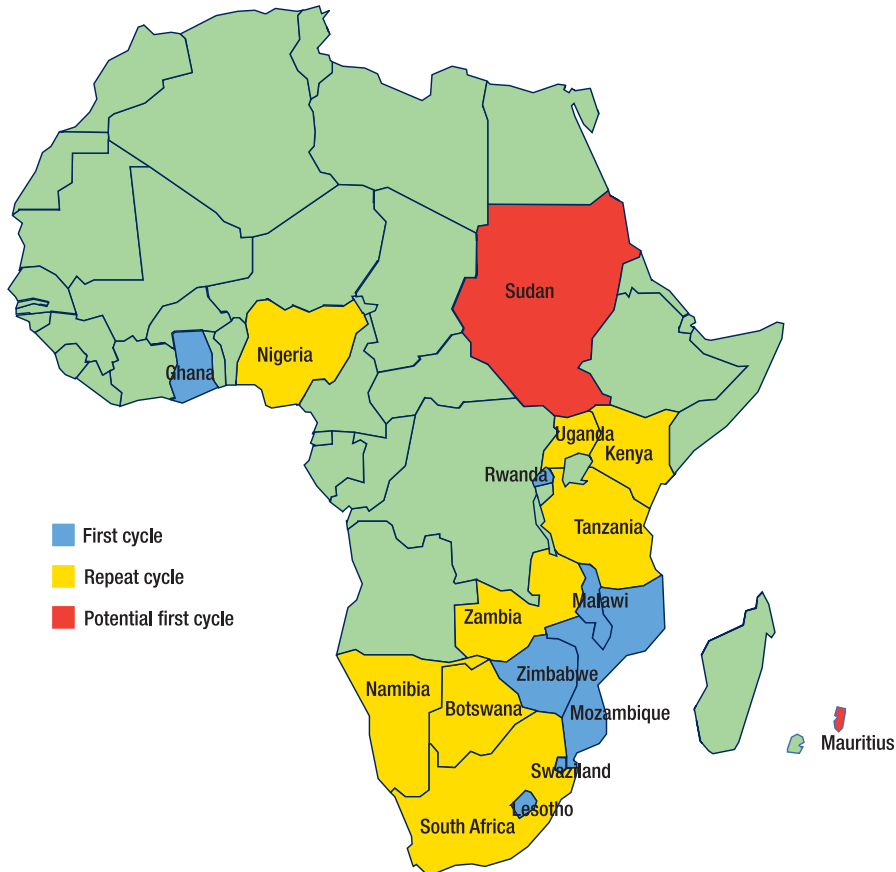
In striving to increase financial inclusion in Swaziland, understanding both the demand and supply-side is crucial. Like in many developing countries, Swaziland faces the following realities:

- 73.4% of the salaried population are banked:
  - From a supply-side perspective, formal institutions are likely to target these individuals; from a demand-side perspective, those who receive salaries and wages are likely to need a formal product for the purpose of processing their salaries and wages. The FinScope survey seems to indicate that this market is almost saturated in terms of formal inclusion.
  
- Small business owners represent 60.9% of adult population who are formally included:
  - From a demand-side perspective, business owners are likely to need transaction and money transfer services, making them more likely to use banks and other non-bank formal financial institutions, than other individuals with inconsistent incomes. From a supply-side perspective, moving beyond salaried individuals to increase their customer base, formal financial institutions are faced with the reality of individuals with small, irregular and inconsistent incomes. This leads to formal financial institutions querying the viability of this market. In pursuing this market, formal financial institutions will have to be innovative and creative when developing products and services that meet the needs of businesses and are equally profitable.
  
- 23% of the population are individuals with small, inconsistent and irregular incomes, such as those who rely on piece jobs (34.8% of which are formally included) and farming activities (46.9% formal inclusion):
  - From a demand-side perspective the financial behaviour of these individuals is driven by daily needs. They are likely to save and borrow small amounts – quick access to savings and credit would be a key requirement;
  - Evidence from FinScope surveys suggests that this is often the reason why they resort to informal mechanisms. The challenge for the formal sector will be to find ways of leveraging off the informal sector (e.g. through providing services to savings groups) without creating usage barriers for those who depend on these mechanisms.

FinScope Swaziland 2011 contains a wealth of data, based upon a valid sample of the adult population of Swaziland. One of the key objectives of FinScope is to provide information to stakeholders to develop policies, regulations and products that address relatively neglected target groups. Therefore, the database is available in SPSS from the MFU, Central Statistical Office (CSO) and FinMark Trust.



## FinScope footprint



## Contact

This brochure only touches the surface of the survey findings and a full exploration of the dataset is recommended. Having access to the dataset is useful in maximising the wealth of information available across the African continent.

Jabulani Khumalo  
 JabulaniK@finmark.org.za

Tel +27 11 315 9197 | Fax +27 86 518 3579  
 www.finmarktrust.org.za | www.finscopeafrica.com



Established with initial funding from the UK's Department for International Development, FinMark Trust is an independent trust whose business is controlled by five trustees from countries in Southern Africa. FinMark Trust's purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'. It does this by conducting 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 research findings. Thus, FinMark Trust has a catalytic role, driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems that can benefit all consumers.