FinScope Consumer Survey Namibia 2011

FINSCOPE

FINMARK TRUST

Making financial markets work for the poor

List of Acronyms

AALS	Affirmative Action Loan Scheme
AgriBank	Agricultural Bank of Namibia
ATM	Automatic Teller Machine
BoN	Bank of Namibia
CBS	Central Bureau of Statistics
CRO	Chief Regional Officer
DBN	Development Bank of Namibia
ELO	Decentralised Savings and Credit Association
IMF	International Monetary Fund
INP	Indigenous Natural Product
NAMFISA	Namibia Financial Institutions Supervisory Act
NAU	Namibian Agricultural Union
NBFI	Non-banking Financial Institution
NHE	National Housing Enterprise
NHIES	National Household Income and Expenditure Survey
NPC	National Planning Commission
NPSB	Nampost Savings Bank
NSX	Namibian Stock Exchange
PPPS	Probability Proportionate to Population Size
PSU	Prime Sampling Unit
RPS	Research, Policy and Statistics
SBCGT	Small Business Credit Guarantee Trust
SME	Small and Medium Enterprise
SPSS	Statistical Package for Social Sciences
SSP	Sampling Starting Point

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A syndicated approach

The FinScope survey is dynamic and the content is evaluated by syndicate members to ensure that the most recent financial market trends are being addressed and taken into consideration. In Namibia, FinScope is neither a private nor donor/government initiative. By design, it is intended to involve a range of stakeholders in a syndicate, enriching the survey through a process of cross-cutting learning and sharing of information.

Syndicate members are integral in the FinScope Namibia implementation process. Any organisation can participate as a syndicate member through paying a participation fee. FinMark Trust facilitates the implementation of the survey on an annual basis. Being a not-for-profit organisation, FinMark Trust seeks no profit through the implementation of the survey. Determining the survey costs is approached on a cost recovery basis. Syndicate members have the opportunity to contribute to the questionnaire development and have full access to the FinScope dataset as well as the findings once they have been launched. The dataset is supplied to syndicate members in the software format they require e.g. SPSS, Esprit, Softcopy etc. Syndicate members therefore have the benefit of a full national survey at about a tenth of the cost of conducting such a study on their own.

Syndicate members in Namibia range from major banks to various regulators and government departments such as; Bank of Namibia, Standard Bank Namibia, Nedbank Namibia, First National Bank Namibia, Bank Windhoek, Nampost, NAMFISA and The Ministry of Finance.

Republic of Namibia
MINISTRY OF FINANCE

Executive summary

The FinScope survey is a research tool developed by FinMark Trust, as a nationally representative study of individuals' perceptions of financial services and issues, aiming to provide insight into how people source their income and manage their financial lives. To date, the survey has been implemented in 16 African countries, as well as in Pakistan.

By design, the FinScope Namibia surveys is intended to involve a range of stakeholders through syndicate membership to enrich the entire survey process through cross-cutting learning, sharing of information, and to facilitate the extended utilisation of the final data.

A nationally representative sample of Namibians 16 years and older was employed. During November 2011 and January 2012 1200 face-to-face interviews were conducted. The data was weighted and benchmarked against the 2010/2011 National Household Income and Expenditure survey. Data was processed and analysed in SPSS.

Of the weighted eligible population (n=1,245,997) 39% were male and 61% were female, while 42% resided in urban areas and 58% in rural areas. Just more than half (55%) of the eligible population in Namibia is under the age of 35 (n=687,178). A large majority have not completed secondary school, with 7% reporting no formal education.

The majority of Namibians ((78%) n=967,997) own the dwelling they reside in and 11% indicated that they owe money on the dwelling. Only 8% of respondents indicated that they own dwellings other than the dwelling that they reside in. Around half (52%) have piped water into their dwelling, yard or plot and 25% have access to a public tap or standpipe. While 43% have access to a flush or pour flush toilet to piped sewer sanitation facility, 48% do not have any access to sanitation facilities. The main sources of energy used for cooking are wood (51%) and electricity (41%).

Respondents reported high levels of access to communications technology, especially access to and use of mobile phones.

Many have to travel between one and three hours to reach certain access points, especially medical services (40%), banks (34%), post offices (33%), and markets (30%).

The main source of income for Namibians are salaries and wages from government or parastatals (19%), followed by 11% who are self-employed in the informal sector and 8% who receive salaries and wages from private companies. Most receive their income on a monthly basis (60%), with 66% reporting that they receive cash in hand, while another 29% receive their income into their bank or Nampost account. While 19% do not earn a regular monthly income, 52% of the eligible population only earn up to N$ 1,000.00 per month.

Many people (23%) reported that their households are only involved in farming and that no one in the household has any other type of work. Another 22% reported that their households are involved in farming and other work, and 76% of those who are involved in farming are subsistence farmers who farm on communal land.

Keeping up with financial commitments is difficult for 61% of the eligible population. Only 24% indicated that they are able to make their income last until they receive their next income. The vast majority of respondents (86%) will turn to family or friends for financial assistance when they run out of money, while 10% would get money from someone in the community.

Levels of financial exclusion have decreased from 51% in 2007 to 31% in 2011. The majority (65%) of the eligible Namibian population are formally served (n=727,736), and 62% are banked. Another 46% use other formal products and 13% are informally served.

Banking is mainly driven by transactional and savings products. Almost all banked adults (99%) have or use transactional products, while 92% have or use savings products. Findings show that 13% have or use credit products, while 10% have or use funeral cover, and only 2% use the bank for remittance products. The proportion of banked adults has increased from 45% in 2007 to 62% in 2011. The percentage of formally included adults has increased

1 Individuals who are 16 years and older who live in Namibia.

significantly from 48% in 2007 to 65% in 2011. There are 31% unserved adult Namibians and 11% are indirectly banked.

Insurance and savings products mainly drive the use of other formal products. Of the adults who use non-bank formal products, 68% have or use insurance products, including short- and long-term insurance products. Another 64% use savings products, 18% use credit products and 12% use remittance products or services.

The majority (63%) of individuals have savings products at a formal financial institution. Only 1% relies on informal savings mechanisms and products and 10% save at home. 27% of respondents indicated that they do not save at all. Of those who use informal products, 29% borrow from informal lenders and 25% belong to savings groups, clubs or Okwiiumbila. Another 9% of these are members of burial societies. Of the adult population 2.7% (n=33,696) have used the services of microfinance institutions in the six months preceding the survey and another 0.6% (n=7.424) belong to a savings club, group or Okwiiumbila.

Savings and transaction products mainly drive the Landscape of Access in Namibia. This also shows that although the percentage of financially included adults has increased significantly, there is scope for deepening the extent and quality of inclusion in Namibia.

Nearly half (43%) of respondents reported that they have a savings account or a NPSB SmartCard, 13% indicated that they have a current or cheque account, with 6% reporting that they have a fixed deposit account. The main advantages of using a bank account were the safety of money from theft (53%) and having a channel for salary deposits (37%). Barriers to banking identified included not having enough money to save (56%); not being able to maintain the required minimum balance (26%); high bank charges (15%); lack of proximity to banks (14%); not earning enough money to warrant having or using a bank account (12%) and not having the required documentation for opening a bank account (11%).

There has been a 17% increase in the banked population from 2007 to 2011, with almost similar growth for male and female adults in Namibia. The increase has largely come from respondents between the ages of 32 and 39 and low income earners who live predominantly in rural areas. There has been slow growth in the high-income segments as inclusion here was already high.

Findings indicate that 13% of respondents use formal credit products, with 7% using informal credit products. Another 12% borrow from family and friends and 68% do not use any credit products at all. The three most frequently mentioned barriers to credit were fear of debt (51%); being worried about not being able to repay the loan (30%) and not being in need of a loan since living expenses are already covered by income (26%). Another 8% could not provide a specific reason for not incurring debt.

While 36% of adult Namibians have or use long-term insurance products and services through a formal financial service provider, 0.2% rely only on informal products and 64% do not have or use any insurance products or services. The main risks that impacted on income levels in the six months prior to the FinScope Namibia 2011 survey were illness within the household or family that required medical expenses (14%); rising living costs (13%); having to pay for unforeseen school and other education-related expenses (10%) and an increase in household size (10%).

Around a third (32%) of Namibian adults use formal remittance products, with 1% using informal remittance products. Only 7% of adult Namibians remit via family and friends and 61% of adult Namibians do not use any remittance products or services. In the six months preceding the survey, 21% of respondents had sent money to someone else in the country and 2% had sent money to someone living in another country. In the same period, 26% have received money from someone else in Namibia and 1% received money from someone living in another country.

1 Introduction



Financial inclusion has been recognised by key stakeholders in the financial service sector as a vehicle for sustainable and inclusive growth and development. The Namibian government has undertaken a number of initiatives to accelerate financial inclusion, including the development of the Financial Sector Action Plan. "We, as a country need to address our socio-economic problems; poverty, unemployment and the degree of financial inclusion. We need to be able to measure the depth of these challenges." (Shiimi, 2012)

In order to drive this priority economic development area, the Government of Namibia, through the Ministry of Finance, requested technical assistance from FinMark Trust to implement a 'FinScope' survey into the state of access to finance in Namibia. This report documents the high level outcomes of the FinScope Namibia 2011, as well as recommendations for policymakers and the financial sector.

1.1 Background to the FinScope surveys

FinScope surveys create an understanding of consumer perceptions and behaviour by exploring either individuals' or small business owners' interactions with the financial sector. The findings of the first national FinScope Consumer survey in South Africa were published in 2003. Since then, the study has expanded its geographical footprint across the African continent and become a powerful research tool, which can be used by any organisation or government concerned with understanding these interactions, or their absence, across the spectrum of a national population. The continuing development of the survey tool over time has provided periodic snapshot measures of the financial climate in a country, and shows how financial access and use of financial services is changing. The surveys gauge how people engage with formal and informal financial services. By providing insight into people's perceptions of financial products and service providers, FinScope improves the understanding of why people use or do not use financial products and services offered. This helps to determine how best to cater for people's needs and how to communicate and deliver services effectively. By scoping the landscape of the population from rich to poor allows survey users to uncover market niches and segments possibly not previously considered for market development. FinScope looks at underlying belief structures, as well as decision trees and solution paths that people follow in situations involving finance. It looks at risk factors in order to provide a better understanding of the challenges people face, and what coping mechanisms they use when faced with these situations. Continuous and expanding use of the survey findings is increasingly adding value to policymakers and financial service providers, leading to exciting benefits for financial markets and people in general. Organisations applying the findings in their planning and development activities are reporting considerable success with their initiatives and innovations, which are resulting in market expansion and increased financial inclusion of the broader population.

1.1.1 FinMark Trust

FinMark Trust, an independent trust based in Johannesburg, South Africa, was established in March 2002 and is funded primarily by UKaid from the Department for International Development (DIFD) through its Southern Africa office. FinMark Trust is a not-for-profit independent trust whose purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'. In pursuit of its purpose, FinMark Trust supports institutional and organisational development which increases access to financial services in Africa, by conducting research to identify the systemic constraints that prevent financial markets from reaching out to poor consumers, and by advocating for change on the basis of research findings.

1.1.2 FinScope Namibia survey objectives

The study's main objective is to establish an authoritative, universally accepted benchmark of financial inclusion and, with repeat surveys, assess the impact of interventions to enhance access. Another objective is to support commercial innovation – access to finance can only improve if financial service providers deliver relevant products and services to more people.



The FinScope Namibia 2011 survey measures and profiles levels of access to financial services by all adults in Namibia, rich and poor, rural and urban, and will make this information available for use by key stakeholders such as policymakers, regulators, and financial service providers; most notably syndicate members.

The survey findings will help extend the reach of financial services in Namibia, enabling an understanding of the Namibian 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 geographic 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)
- The landscape of access (i.e. types of products used in terms of transactions, savings, credit, insurance and remittances)
- Drivers of financial products and service utilisation
- Barriers to utilisation of, and access to financial products and services
- The size of the market
- The commonalities and differences between different market segments

1.1.3 Sample and methodology

The survey targeted adult Namibia residents, 16 years and older as 16 is the minimum age at which individuals can enter into a legal, financial transaction in their own capacity.

The latest official census data was used as the sampling frame[2]. The sample was drawn to be representative at national and regional levels. A multi-stage random sampling methodology was employed at Enumerator Area (EA), household and individual level. A Senior Statistician at the Survey, Cartography and GIS subdivision of the National Planning Commission (NPC) conducted both the sample and weighting of the sample. The nationally representative sample was weighted and benchmarked to the NPC's 2009/2010 National Household Income and Expenditure Survey (NHIES 2009/2010).

The sample was drawn systematically with Probability-Proportional-to-Size (PPS). A total of 150 Enumerator Areas (EA's) were selected and eight interviews were conducted in each EA. In order to identify respondents, two further levels of random sampling were employed. Firstly, households were randomly selected within each EA and secondly, individual respondents were randomly selected from individuals 16 years and older in each of the sampled households, using the Kish Grid method.

The entire questionnaire was translated into the following vernacular languages: Afrikaans; Oshikwanyama; Oshindonga; Otjiherero; Rumanyo and Silozi.

Data collection was conducted between 14 November 2011 and 31 January 2012, with a break from 22 December 2011 to 15 January 2012.

[2] The frame is based on the 2001 Population and Housing Census. The frame was updated in 2006 for high growth urban areas that resulted from urban migration.

1.2 Country context: The financial services sector in Namibia

1.2.1 An overview of the financial services sector in Namibia

The Namibian government has undertaken a number of initiatives to accelerate financial inclusion. To this end, the Bank of Namibia has made various commitments in terms of the Maya Declaration. The Maya Declaration is a global and measurable set of commitments made by developing and emerging country governments to address financial inclusion.

The BON committed to launch the Financial Sector Strategy by April 2012 and start with the actual implementation of the identified plans/strategies; to collect data to compile financial inclusion indicators so as to inform policymaking going forward; adopt a framework for financial literacy activities and to have a framework for consumer protection in place.

The relevant policy and regulatory initiatives supporting these commitments are listed below.

- The Namibian Financial Sector Strategy 2011-2021 is the primary policy driver. The Namibian Financial Sector Strategy is a long-term development strategy for the Namibian financial sector and aims to foster economic growth and alleviate poverty well as reduce income inequality.

- Financial Sector Charter is a voluntarily adopted transformation charter which constitutes a framework for and establishes the principles upon which empowerment will be implemented in the financial services industry. The Charter is expected to come into operation during the course of 2012.

- The National Planning Commission is in the process of finalising the 4th five-year National Development Plan (NDP4), Namibia's next five-year development strategy. Unlike NDP3, which had an unrealistic number of 21 goals, the new plan will "prioritise" the challenges facing Namibia and focus on inadequate economic growth, unemployment and income inequality.

- The Financial Institutions and Markets Bill ("FIM Bill") is intended to provide the legal framework for financial services in Namibia and will be supported by a comprehensive set of subordinate legislation consisting of regulation and standards. At the same time the FIM Bill aims to harmonise and consolidate the regulatory requirements as set out in the different financial services laws. The FIM Bill is currently under consultation.

- New e-money regulations were introduced in early 2012 permitting non-banks to issue e-money and as a result, enabling non-bank service providers to deliver greater access to financial services.

- A second e-money service provider licence has been approved. The Nam-mic CellCard was launched in April 2012 and will further enable financial inclusion, by providing low cost access to financial services.

- FIDES Investments, a new micro insurance initiative, will be launched in 2012. Financial Systems Development Services (FIDES) AG, together with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) have formed a development partnership for the design of insurance products that meet the needs of the rural population. FIDES will set up an independent micro insurance institution in Namibia.

- FIDES Bank Namibia received its license from Bank of Namibia in February 2010 and is the only microfinance bank in Namibia. The bank primarily operates in the rural areas of northern Namibia, where the population is largely excluded from the formal banking sector. FIDES offers loans as well as savings products through community-based solidarity groups. FIDES aims to expand its 'bank-under-a-branch' network and in addition is focusing on the servicing the MSME sector.

Compared to other African countries, Namibia has a stable, sophisticated and highly developed financial system. The banking sector is mature, profitable and well capitalised[3]. Its non-banking financial institutions sector is deemed equally well developed. Overall, the financial system has proven its resilience to international, macro-economic shocks.

[3] IMF, 2007, Namibia: Financial System Assessments, IMF Country Report No. 07/83, Washington D.C.

Yet, some 12 years after independence, Namibia remains one of the world's most unequal economies and one in which the disparity between the formal and informal sectors is enormous. The urban poor and the rural population continue to experience problems in accessing financial services despite efforts to make entry level financial products more accessible. The FinScope Namibia 2007 survey estimated some 48.3% of the Namibian population included in the financial sector, 45.3% as banked and 51.7% without any form of financial services, formal or informal.

A key concern in this regard is the lack of access to credit for the poor, rural communities and small and medium businesses and micro-entrepreneurs.

In 2010 the Namibian Government adopted the Namibia Financial Sector Strategy 2010-2020, to reform and shape the country's financial sector over a ten-year period. This strategy promises reforms that would contribute to:

- A deepened, efficient and developed financial system
- A stable, well-regulated and competitive financial sector
- An increased local ownership of financial institutions
- An inclusive financial sector
- Financially literate and better protected consumers of financial products and services

1.2.2 Banking institutions

(a) Commercial Banks

All commercial banks are required to have banking licenses. These are issued by the Bank of Namibia (BoN) in terms of the Banking Institutions Act (1988). The requirements for a banking license include:

- Capital funds of at least N$10 million
- Proper internal control and robust risk management systems
- The ability to continually comply with prudential banking regulations relating to, among others, minimum liquid assets, minimum capital adequacy ratio, minimum local assets, loan loss provisions and lending and credit concentration limits

The BoN in both on- and off-site inspections regularly inspects banks. The banking institutions' main vulnerabilities are credit and liquidity risks. Their credit risk stems from the banks' exposure to household mortgages. It is estimated that about 40% of bank loans are individual mortgages.

Liquidity risk stem from the concentration of large institutional depositors which, should they withdraw their deposits, could have an adverse effect on the banks' liquidity.

There are currently five commercial banks in Namibia:

- First National Bank Namibia
- Standard Bank Namibia
- Bank Windhoek
- Nedbank Namibia
- FIDES Bank Namibia

Among these, only Bank Windhoek is Namibian owned, while the others are foreign-owned, primarily South African banks. FIDES Bank Namibia is the only microfinance bank and received its banking license in 2010. FIDES Bank Namibia is active in two banking segments:

- Income generating activities financing (microfinance)
- Micro, Small and Medium Size Enterprises financing

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4 E Kaakunga, B Zaaruka, E Motinga and J Steytler, 2004, Viability of Commercial Bank Branches in Rural Communities in Namibia, BoN Occasional Paper OP-2/2004, BoN, Windhoek.

5 The BoN estimates that it takes a new branch in these rural, unbanked areas about three years to break even (BoN, 2005:n.p).

The microfinance activity aims at proposing savings and loan products to a clientele, the majority of whom are located in rural areas of Namibia. It deals with populations almost exclusively excluded from the formal Namibian banking system.

The Micro, Small and Medium Size Enterprise financing targets semi-formalised and formalised businesses, which would most likely not be approached by traditional banks.

According to a study conducted by the BoN in 2004[4] the four commercial banks, at the time, had more than 100 branches distributed throughout the country. It was however highly skewed in favour of urban areas.

With a very small population of just over two million people, it is no surprise that the country has the second best banking density ratio (number of people to a bank) in the SADC region. Its ratio of 456,704 people per bank is second only to Botswana's ratio of 322,000 people per bank. However, its people to (bank) branch ratio of 20,074 people per branch, was the lowest banking density ratio in the sub-region.

To fully understand the issue of access to banking in rural areas one has to understand the vast regional differences in the distribution of banking branches. Given that most banking infrastructure is located in urban areas, it follows that banking density ratio for rural regions would be much worse than that for regions with mostly urban populations. The capital region of Khomas, with nearly the same number of people as the rural region of Omusati, had a people-to-branch-ratio of just more than 13,000 whilst Omusati's people-to-branch ratio was 228,000. At the same time, regions with less per capita income than Omusati, had a better people-to-branch ratio.

Commercial banks have indicated that a number of factors are taken into consideration when deciding to open new bank branches. These include *inter alia:*

- Prospects for profitability
- Presence or absence of competition
- Presence or lack of physical infrastructure and buildings
- Presence or lack of security
- Presence or lack of trained staff

As many of these factors are absent or available only at high cost, commercial banks are reluctant to engage rural areas. It is commonly accepted that commercial banks have to incur great costs in servicing rural, unbanked areas by means of new branch infrastructure. This coupled with low volumes of transactions means that banks do not see this as a profitable strategy for reaching the unbanked[5].

However, our study indicates that there has been substantial growth in the banking footprint since it is largely driven by overall macro-economic growth in the country.

In Namibia, the following branches, sub-branches and agencies have been established by commercial banks since 2007. It should however be noted that this data was not available for Standard Bank Namibia. Bank Windhoek opened 14 branches, sub-branches and agencies, and First National Bank Namibia 15. Nedbank Namibia opened five. Detailed information about branches opened is shown in Table 1 hereafter.

Table 1: Growth in commercial banks physical infrastructure since 2007

Commercial Banks	Branches opened since 2007	Branch, sub-branch and agency locations	
Bank Windhoek	14	Nkurenkuru	Walvis Bay (Agency)
		Outapi	Rehoboth
		Luderitz	Oshikango
		Arandis (Agency)	Prosperita (Agency)
		Omaruru	Capricorn Branch
		Aigams (Agency)	Omithiya
		Khomasdal (Agency)	Swakopmund (Agency)
First National Bank Namibia	15	Okongo	Windhoek, Prosperita
		Katutura	Windhoek, Northern Industrial
		Outapi	Okahao
		Eenhana	Windhoek, Private Clients
		Oshikango	Swakopmund, Mondesa
		Henties Bay	Usakos
		Omuthiya	Oshakati, Game Shopping Centre
		Windhoek, Old Power Station	
Nedbank Namibia	5	Business Centre	Grootfontein
		Eenhana	Outapi
		Katima Mulilo	

With regard to products and services, there is not much that differentiates the four commercial banks. All long-term loans, credit cards, savings and current accounts, time and fixed deposits, investments and unit trusts, internet and cellphone banking, mortgage and vehicle financing, Forex and international banking services.

Some of the commercial banks also run a microloan portfolio that gives small loans to salaried individuals and Small and Medium Enterprises (SME's). The latter forms part of the Namibian Government's Small Business Credit Guarantee Trust (SBCGT) and endeavours to assist SME's with collateral for bank loans.

In addition, Nampost Savings Bank introduced a SmartCard product that effectively allows for savings and transaction accounts. As part of its strategy, it uses its significant Post Office footprint as its distribution network which has significantly enhanced access to banking in the country.

Despite SBCGT, many micro-entrepreneurs fail to meet all of the banks formal requirements for loans. These requirements include:

- A "bankable" business plan
- A substantive deposit (around 10%)
- Personal financial statements
- Proof of business registration
- Bank records
- Guarantees and adequate collateral

It is these formal requirements that are often too 'strict' and consequently prevents SME entrepreneurs from obtaining bank loans. At the same time, the BoN reported relatively high default rates on SME loans. Although interest rates are well above prime rates, it is still much lower than those charged by informal microlenders (moneylenders).

(b) Microfinance banks

FIDES Bank started operations in 2010 in North-Central Namibia after a successful pilot period. The bank targets unbanked Namibians and has a strong focus on micro-enterprises. Unlike all other banks, FIDES is not based in the capital city, but in the North-Central region from where it looks to service mainly the rural population. It has three branches and offices in a few more towns. Its main outreach channel is village associations (ELO's) of which there are close to 550.

The ELOs consist of between 15 and 30 self-elected villagers who receive training from the bank. Deposits are received and loans are approved at this level. The typical loan (called a Step-Up loan) is small – around N$ 2,000.00. Unlike other commercial banks, FIDES Bank Namibia does not charge service fees on deposits made into the Step-Up Savings product. In the first year of operations, FIDES Bank Namibia reported just over five thousand (5,000) micro-borrowers and nearly 200 SME borrowers[6].

(c) Specialised financial institutions

In addition to the four commercial banks and one microfinance bank, Namibia has four specialised financial institutions that do not fall under the regulatory powers of the BoN. These are thus autonomous government-owned entities that provide a specific range of financial products to very specific target populations. These are:

- Namibia Post Office Savings Bank (NPSB)
- Agricultural Bank of Namibia (AgriBank)
- National Housing Enterprise (NHE)
- Development Bank of Namibia (DBN)

NPSB has the most extensive branch system of all financial institutions and extends deeper into rural areas than commercial banks, with 134 post offices in the country. In addition to the savings accounts, NPSB also offers money transfer services, payment services for insurance and pension payments, account payment services for telephone and municipal bills, salary and wage services, deposits and withdrawals, collection services for selected loans (e.g. NHE) and premium collection for companies such as Old Mutual, MTC and Legal Shield. NPSB targets poor people in un-or under-banked regions and provides tax-free interest rates. Recently the NPSB introduced SmartCard technology to make its service delivery more efficient and cost effective. The SmartCard was launched in 2006, and NPSB has to date issued 420,000 SmartCards, with an average of 4,500 SmartCards being issued per month. It also provides service delivery on behalf of third parties. NPSB does not offer any loan facilities.

Namibia's Agricultural Bank is one of the country's oldest financial institutions. Its main focus is the delivery of a variety of specialised agriculture-related loans and credit products. These include among others; production and seasonal loans, livestock loans, infrastructure loans, aqua-farming loans, vehicle and tractor loans, solar energy loans, loans to buy farmland, improvement loans, guest farm loans and game farming loans. Loans are granted to commercial, communal and resettlement farmers. These groups are charged interest at differential rates in the short (one to two years), medium (up to 10 years) and long (up to 25 years) terms.

The Bank is also the delivery channel for the Government's Affirmative Action Loan Scheme (AALS). These loans are issued to previously disadvantaged farmers to assist them in becoming successful commercial farmers and provide special repayment provisions.

According to the AgriBank these conditions are as follows[7]:

- Year one to year three is free of interest and capital repayment for full-time farmers, and as from year four onwards, the outstanding amount is redeemed over the remaining 22 years at an escalating interest rate.
- Part-time farmers may elect to service the interest portion only for the first three years, where after the outstanding amount is redeemed over the remaining 22 years at the appropriate interest rate.

6 FIDES Bank Namibia, 2011, Highlights 2010, Ongwediva
7 Accessed at: http://www.agribank.com.na/admin/news/Affirmative%20Action%20Loan%20Scheme%20(AALS).pdf

- Alternatively, part-time farmers may elect to capitalize the interest portion for the first three years where after the outstanding amount is redeemable over the remaining 22 years at the appropriate interest rate.
- The applicant must own productive livestock equivalent to at least 35% of official carrying capacity of the farm which he or she intends purchasing, and/or have the financial capacity to purchase such livestock.

Although the eligibility prerequisites vary slightly for the various loan products, applicants must meet the following requirements:

- Applicants must have a clean credit record
- Applicants can either be full or part time farmers
- Applicants should be Namibian citizens
- Applicants must provide a business plan
- Loans are granted against security of fixed property (mortgage bond) or any other acceptable form of security (fixed deposits, investments and surrendering value of policies). The bank will grant the loan for 80% of the valuation of the security
- Companies should provide audited financial statements, certificate of registration, shareholders or directors of the company and must have a registered auditing firm

Despite its intentions, the AALS has not succeeded in reaching the poor nor has the poor benefited from any of the other loan facilities. In addition, reduced margins and liquidity problems have forced the AgriBank to seek additional deposits[8].

The NHE was established in 1993 by means of the National Housing Enterprise Act (Act 5 of 1993). The Government of Namibia is the sole shareholder. Its mandate is: "The financing of housing for inhabitants of Namibia and generally providing for the housing needs of such inhabitants"[9]. The institution acts as a lender and developer of low cost housing.

Loan amounts are calculated at 25% of household income plus the housing subsidy of the prospective client, or at 20% of household income for those applicants without a housing subsidy. In special circumstances the NHE might consider full loans (100%) inclusive of transfer and bond costs.

Applicants, who are employed, must provide the NHE with proof of formal identification, marriage certificates (if applicable) as well as proof of income (pay slips or bank statements) and proof of subsidy. Self-employed applicants must also provide audited financial statements and bank statements for the previous 12 months as proof of income. Such applicants are required to pay a deposit of 10% of the value of the house.

These criteria are almost as 'strict' as those required by commercial banks and as a result, the poor have as much difficulty in meeting them. Like the AgriBank, the NHE struggles continuously with liquidity problems, risk assessment capacity, governance issues and timely delivery of suitable houses. It has a limited reach with only five regional offices, all of which are located in five regional capitals. This means that the NHE has no representation in nine of the country's administrative regions.

The DBN was established under the Development Bank of Namibia Act (Act 8 of 2002) to provide "business finance to viable and sustainable enterprises that contribute measurably to the development of Namibia"[10]. A board appointed under the Act, who is responsible for the business strategy and directs the operations of the bank, governs the DBN.

The DBN provides loans to both the public and private sector. It also provides SME loans mainly in the form of medium term business development loans and short term bridging finance. Medium term loans range from a minimum of N$ 250,000 to a maximum of N$ 3 million and is payable over a period of maximum five years. Interest rates and collateral are determined on a project-to-project basis.

8 IMF, 2007, ibid, p. 21
9 Accessed at: http://www.nhe.com.na/aboutus.php
10 Accessed at: http://www.dbn.com.na/

The DBN does a due diligence on all applications and applications need to include a business plan; projections; financial statements; documentation of collateral and full detail of shareholders.

The DBN reported that applications for bridging finance by SMEs have doubled from 2010 until the end of the third quarter 2011. The bridging finance allows SMEs to compete for government tenders. The bulk of the uptake of the bridging finance facilities has been in the construction sector.

1.2.3 Non-banking financial institution (NBFI)

The number and variety of registered NBFIs reflects the sophisticated and well-developed nature of the Namibian financial system. The Namibia Financial Institutions Supervisory Authority (NAMFISA) regulates over 3,800 registered entities, and manages over N$120 billion worth of assets in this sector.

Past reports have been critical of NAMFISA's capacity to regulate the sector effectively and efficiently[11]. Perhaps the most serious challenge facing NAMFISA is to build internal actuarial capacity that will enable it to compile, analyse and disseminate data on the financial soundness and performance of the NBFIs under its supervision. Such capacity is also needed to verify that pension funds and insurance companies are solvent, well managed and managing their risks appropriately. The report also recommended that NAMFISA move toward a risk-based supervisory approach.

During the past year, NAMFISA started a review of the Financial Institutions and Markets Bill with the support of the International Monetary Fund (IMF). It also established a Research, Policy and Statistics (RPS) division and created a complaints management system to assist NAMFISA to address consumer complaints. Finally, the organization also implemented an Electronic Regulatory System that enables interested parties to register new financial institutions electronically[12].

The following NBFIs operate under NAMFISA's supervision:

- **The Namibian Stock Exchange (NSX):** For 2010/2011 the overall market capitalisation of the NSX was in the region of N$ 1,178 billion whilst the local market capitalisation was around N$ 7.8 billion.
- **Investment managers:** During the last financial year investment managers managed approximately N$ 86 billion and investment companies approximately N$ 26 billion of investments on behalf of financial institutions, corporate entities and households. Pension funds and unit trusts accounted for the largest share of these assets under management.
- **Microlenders:** 20 new microlenders registered with NAMFISA during the 2010/2011 financial year[13]. This means that there are currently 347 registered microlenders in Namibia. Six of these are term lenders, the rest pay-day lenders. The total number of loans increased by 9% from 2009/2010 meaning that there are currently more than 600,000 microloans from registered microlenders. Pay-day microlenders charge 30% interest, whereas the average interest charged by term lenders was 22%. Interest rates on loans issued by microlenders are capped at 1.6 times the average prime rate for non-registered microlenders, and 2.0 times the average prime rate for registered microlenders. Sole proprietors constitute 48% of registered microlenders and close corporations 45%.
- **Long-term insurance:** NAMFISA has oversight of over 17 registered long-term insurers and one reinsurer. These entities employ 104 brokers and 2,610 agents. Of the 17 insurers, 14 provide all classes of long-term insurance, and two provide funeral cover only. The total number of long-term insurance policy contracts issued increased with 2.3% to 1,343,388 policies. Gross premium income for the industry totalled N$ 4.5 billion[14].
- **Short-term Insurance:** At the end of 2010 there were 13 short-term insurers, 121 brokers and 395 agents. Gross premium income totalled N$ 2.03 billion for the past financial year and close to 77% was derived from vehicle, personal and miscellaneous business.
- **Medical Aid Funds:** In 2010 Namibia had nine medical aid funds of which five are closed funds. Growth in principle members to private medical aid funds was 2%. A total of 152,328 beneficiaries are covered by medical aid funds registered with NAMFISA. Contributions from members increased from 13% to N$1.5 billion during 2009/2010. Claims increased to N$ 1.2 billion or 77% of contributions.

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11 See for example, IMF, 2007, ibid. p.22-23

12 See NAMFISA, 2011, Annual Report 2011, Windhoek

13 NAMFISA, 2011, ibid, p. 48

14 NAMFISA, 2011, ibid, p. 49

- Pension funds: NAMFISA registered four new pension funds and deregistered six during 2009/2010. At the end of 2010 there were 167 registered pension funds in Namibia of which 90 were private funds. Membership to all pension funds stood at 268,727 of which 34,363 were pensioners. The number of active members increased by 38% and the number of pensioners declined by 3.7%. Overall contributions to pension funds increased with 18% to N$ 2.9 billion. Benefits paid increased with 23.9% to N$ 2.6 billion. Benefits included pension payments, lump sum payments upon retirement, death and withdrawals.

1.2.4 Informal institutions

Informal financial institutions such as burial societies, Okwiiumbila's or savings groups and other types of rotating savings and credit associations are rare in Namibia, and no real comprehensive research has been conducted into this part of the financial sector. It is likely that the bulk of these consist of individuals operating as moneylenders, un-registered microlenders and private savings clubs. FinScope 2007 confirmed the small contribution of this sector to financial services as a whole. In 2007, 1.5% of Namibians indicated that they made use of an informal financial provider only.

In this round of FinScope we collected supply-side information through in-depth interviews with cash loan lenders and savings initiatives in the areas where individuals were interviewed. An overall total of eleven (11) semi-structured interviews with informal service providers were conducted across the entire sample. Survey Warehouse was instructed to sample one informal lending institution and one informal savings institution in each PSU, yielding an expected maximum sample for this component of the survey of 300. However, according to the respective community leaders, low income levels in rural areas contribute to the unavailability of informal financial services in these areas. The majority of informal service providers identified and interviewed for this component of the survey were found in urban areas, with most of these interviews completed in Windhoek, Khomas. Supervisors further reported that informal service providers identified in smaller urban towns throughout the sample refused participation in the survey. Since they were not registered institutions, they feared investigation. Some even denied offering these informal financial services, even though community members and leaders identified them as informal service providers.

A total of nine cash loan lenders were interviewed and they reported that the number of loans they provide varies from one month to the next, with average amounts borrowed between N$ 200.00 and N$ 2 000.00. Lenders interviewed indicated an interest rate of between 25% and 30% and repayment terms of one month.

All lenders interviewed require an ID, payslip or proof of income and an ATM card before a prospective borrower is considered. Not all lenders require security, since the ATM card is kept as a form of "security". Upon the repayment date, lenders reported withdrawing the amount due using the borrower's ATM card either in his or her presence or without. This implies that cash loan lenders do not only have access to the ATM cards of their customers, but also have their PIN codes. Should repayment be defaulted, cash loan lenders hold on to customers' national documents and ATM cards, and in some instances repossess valuable cellphones and other household goods. Where repayments are not made on time, most lenders double the interest charged.

Most reported keeping excess money in the bank, and mentioned that they use the interest earned on loans to generate money to lend to others.

Two owners of savings initiatives were interviewed. One of the initiatives reported having 18 members and the other has 68 members. Both indicated that either an ID or a birth certificate is required to join the savings initiative.

Contribution practices were different for the two. One group indicated that members have to contribute on a weekly basis, and the other indicated that contributions are made if and when a member is able to do so. The latter group also reported much lower values in contributions, as opposed to the N$ 160.00 per member per month of the other group.

Both the owners described their initiatives as a method of saving money, where the total value increases over time with the option of withdrawing the savings at a later time. In both groups, members must submit a request for withdrawal of savings to the initiatives' committees. If committee members are satisfied with the amount saved, or if they agree that the reason for withdrawal of savings is a valid one, the member is allowed to withdraw his or her savings. Unexpected events, having to plough the land and having to pay school fees are events for which withdrawal of savings is deemed necessary.

Only one of the savings initiatives also provides loans to its members at an interest rate of 10%. This group also offered funeral benefits to its members when such members make an additional monthly contribution. For N$ 25.00 a month, a member qualifies for a funeral benefit of N$ 10,000.00. A funeral benefit of N$ 15,000.00 is achieved through contributions of N$ 35.00 per month.

Both savings initiatives reported depositing contributions made by members into a Nampost account. Nampost was said to be the closest service point available, and also having the benefit of lower account charges.

Both of the savings initiatives described their members as rural Namibian males and females, who are 18 years and older.

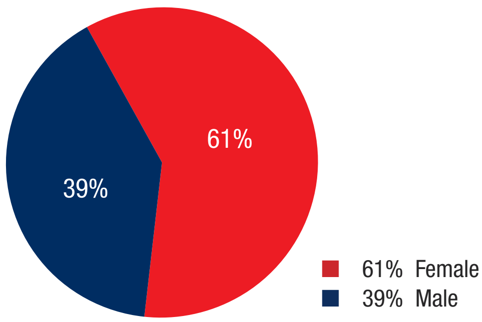
2 STUDY FINDINGS

2.1 Demographic characteristics of the adult population

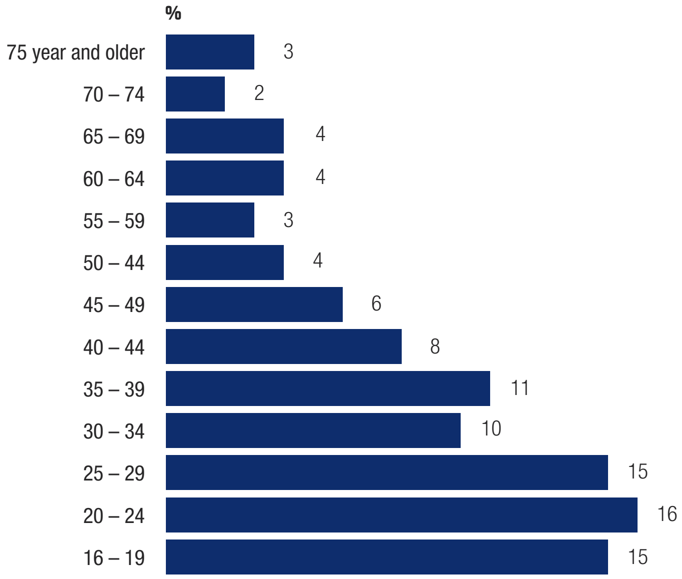
2.1.1 Age and gender distribution

Of the weighted eligible population[15] (n=1,245,997) 39% were male and 61% were female. Different to FinScope Namibia 2004 and 2007 surveys, a gender quota was not set for this round of the FinScope survey. The NHIES 2009/2010 reports the gender distribution as 52% female and 48% male for the Namibian population. Furthermore, 42% of the weighted eligible population resides in urban areas, with 58% in rural areas. The findings show that 57% of participants have never been married and more than 55% of the eligible population in Namibia is under the age of 35 (n=687,178). This indicates a fairly young population and relates to the educational attainment reported for the survey. Additionally, FinScope data show that those who are 30 years old or younger are not yet economically settled.

Graph 1: Male/Female Distribution



Graph 2: Age distribution

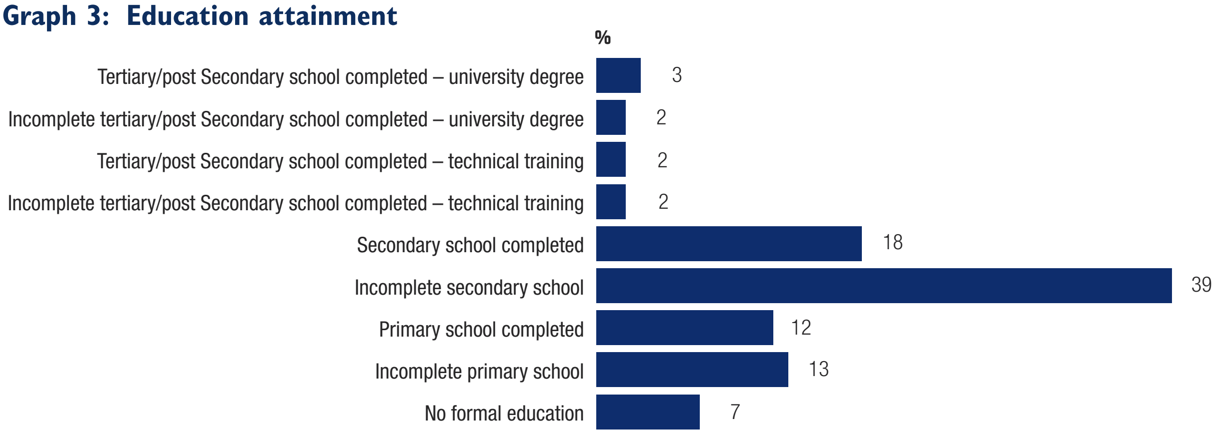


15 Individuals who are 16 years and older who live in Namibia.

2.1.2 Educational attainment

A large majority have not completed secondary school, with 7% reporting no formal education.

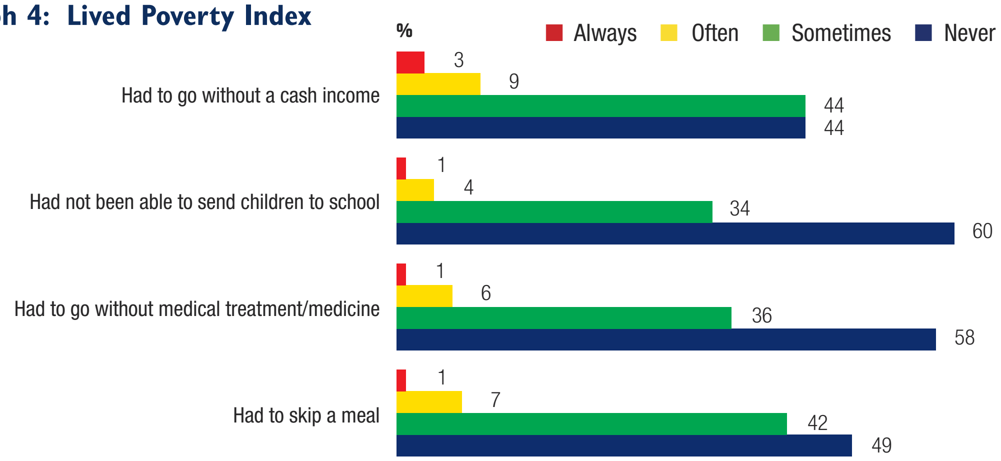
Graph 3: Education attainment



2.1.3 Lived poverty index

Lived Poverty[16] is an experimental measure developed by the Afrobarometer and explores how frequently people go without basic necessities during the course of a year.

Graph 4: Lived Poverty Index



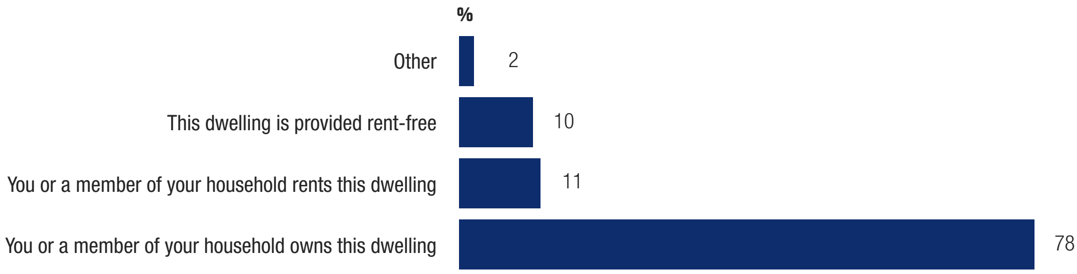
Around half (49%) reported never having to skip a meal in the past twelve months, 58% indicated that they have not had to go without medical treatment/medicine because of a lack of money to pay for treatment or medicine, 60% have never not been able to send children to school because of a lack of money for transport, or a uniform, or other school costs and 44% have never had to go without a cash income within the twelve months preceding the survey. This leaves around half the Namibian population vulnerable to situations where they have to go without certain necessities with varying degrees of frequency.

2.1.4 Household environment

A large majority (78%) (n=967,997) of the eligible population reported that either they themselves or another household member owns the dwelling they reside in. The majority of these respondents built these dwellings (61%), with 26% reporting that they bought the dwelling. Only 12% indicated that they inherited these dwellings. Savings was reported as the main source of financing for either buying or building dwellings, at 37%. Of those who built their dwellings, many reported that they did not need any source of financing and that materials used were mostly collected from nature. Only 8% indicated that they had obtained a loan from a bank to finance the acquisition of their dwellings, while 11% indicated that they owe money on the dwelling. Similar to 2011, in 2007 10% indicated that they owed money on their dwellings.

[16] Mattes, R., 2008., The Material and Political Bases of Lived Poverty in Africa: Insights from the Afrobarometer, Afrobarometer Working Paper No. 98, Cape Town.

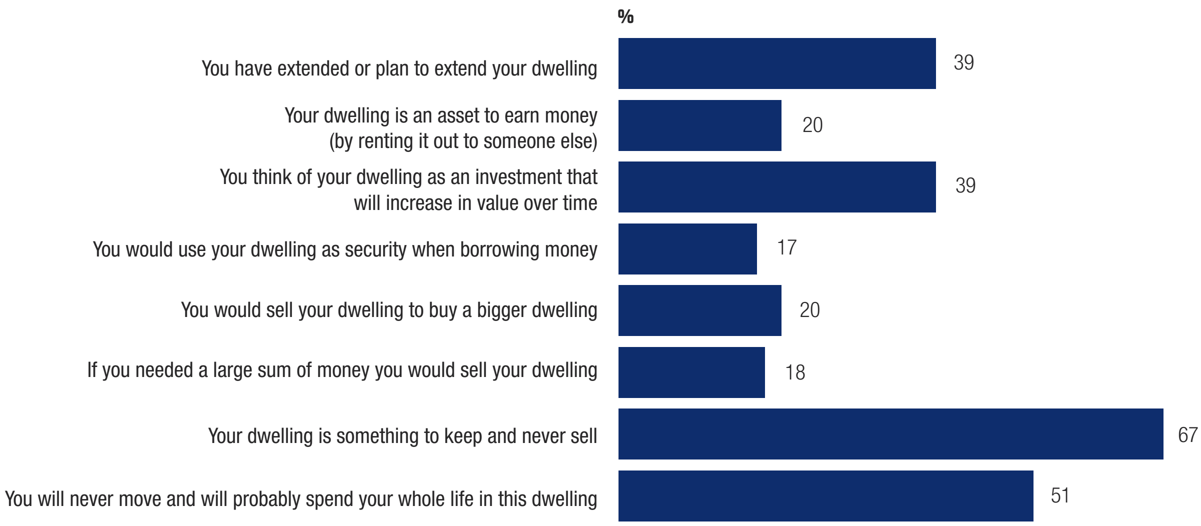
Graph 5: Ownership status of dwelling



The study shows that 42% of respondents indicated that they have an official document stating that they are the rightful owner of the dwelling. Only 29% indicated that they own the land the dwelling is situated on, and proof of ownership of land was mainly through a title deed (56%) or a letter from a chief (33%).

A mere 8% of respondents indicated that they own dwellings other than the dwelling that they reside in and 86% of these respondents indicated that the reason for ownership of other dwellings was mainly to accommodate family members. For most, dwellings are considered a place of residence and not an asset that can probably earn an owner additional income, or that can be used as a source of security or collateral, or a source of money when it is needed.

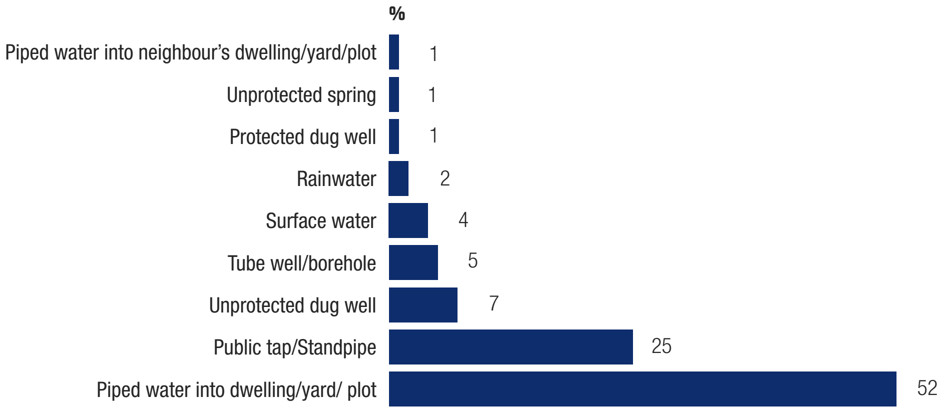
Graph 6: Attitudes and perceptions held about dwellings



Increased access to improved drinking water is one of the Millennium Development Goals that Namibia, along with other nations worldwide, has adopted. The source of drinking water is an indicator of whether it is suitable for drinking. Sources that are likely to provide water suitable for drinking are identified as improved sources[17]. Respondents were asked to report on their main source of drinking water. Around half (52%) have piped water into their dwelling, yard or plot and 25% have access to a public tap or standpipe.

[17] Ministry of Health and Social Services, 2008, Namibia Demographic and Health survey 2006-07, Windhoek

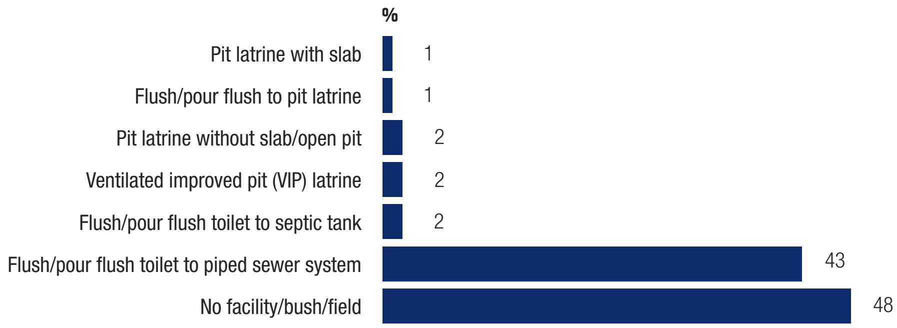
Graph 7: Main source of drinking water



There is a large discrepancy with regards to access to piped water into a dwelling, yard or plot when comparing rural and urban respondents. Of the 52% who have piped water into their dwelling or yard, 83% are respondents who live in urban areas and 29% are respondents who live in rural areas.

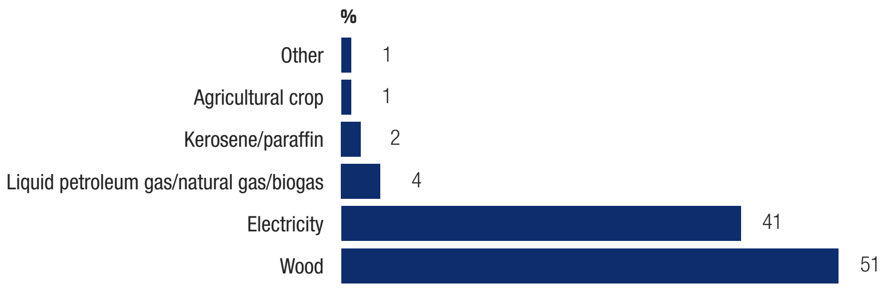
Ensuring adequate sanitation is another of the Millennium Development Goals for Namibia. Although 43% have access to a flush or pour flush toiltet to piped sewer sanitation facility, another 48% do not have any access to sanitation facilities. Furthermore, of those who have access to household sanitation facilities, 44% share sanitation facilities with other households.

Graph 8: Access to household sanitation facilities



The main sources of energy used for cooking are wood (51%) and electricity (41%). Although there are still other sources of energy being used by around half of the population, Namibia shows high electricity usage when compared to other African countries.

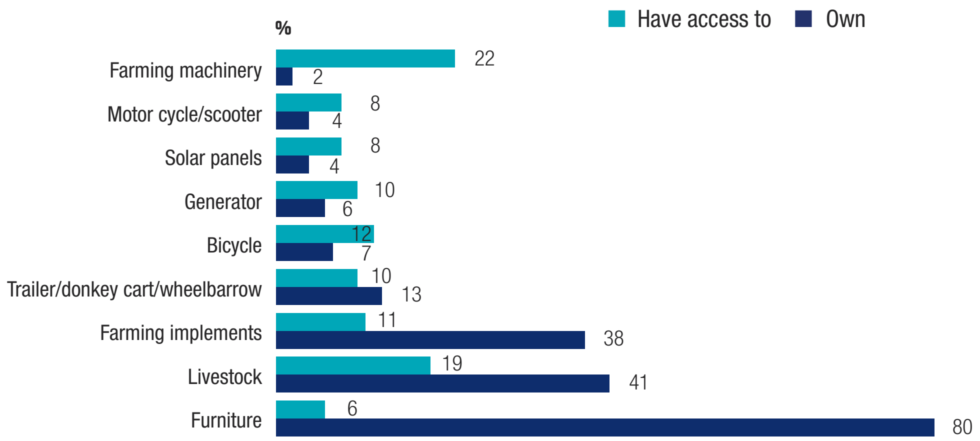
Graph 9: Main source of energy for cooking



2.1.5 Household assets

The majority (80%) of participants own furniture, with 41% of respondents owning livestock, followed by farming implements at 38%. Although many reported not owning farming machinery like tractors and harvesters, 22% however have access to such machinery.

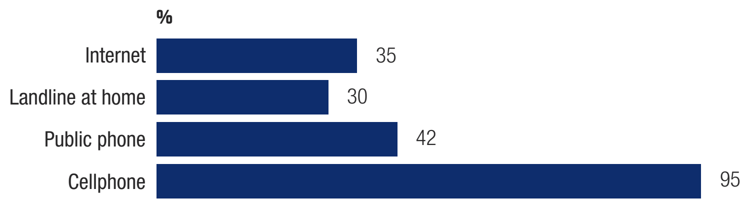
Graph 10: Household assets



2.1.6 Access to communications technology

Respondents reported high levels of access to communications technology, especially access to and use of mobile phones.

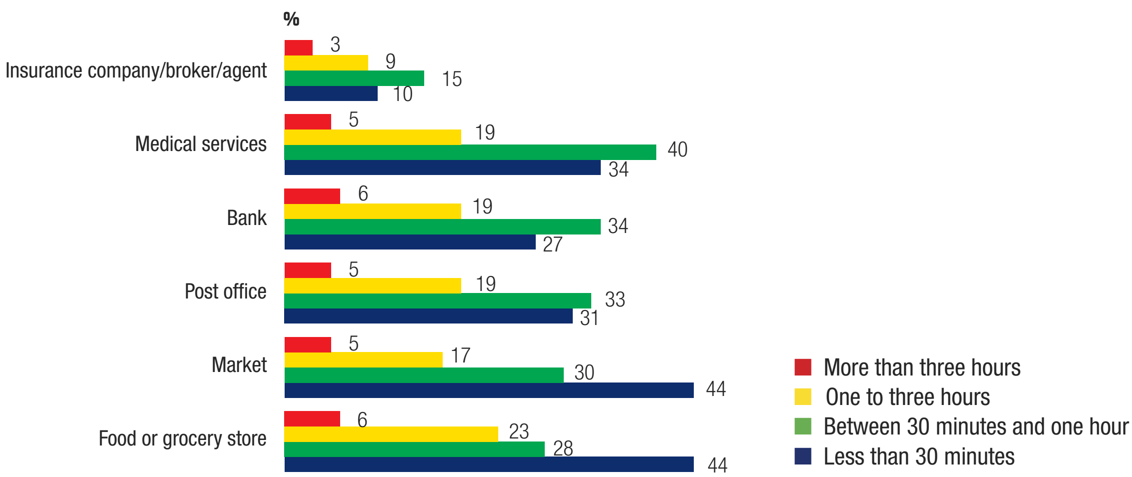
Graph 11: Access to communications technology



2.1.7 Access to infrastructure

The graph hereafter shows how long on average it takes eligible Namibians to reach various infrastructure points. Around 5% of eligible Namibians have to travel more than three hours to reach any one of these infrastructure points. However, many have to travel between one and three hours to reach certain access points, especially medical services (40%); banks (34%); post offices (33%) and markets (30%).

Graph 12: Access to infrastructure

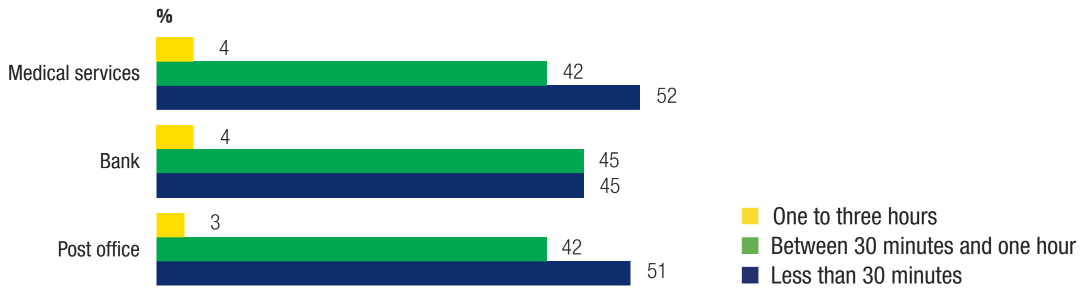


When looking specifically at medical services, banks and post offices, the following differences are observed between eligible Namibians who live in urban areas and those who live in rural areas:

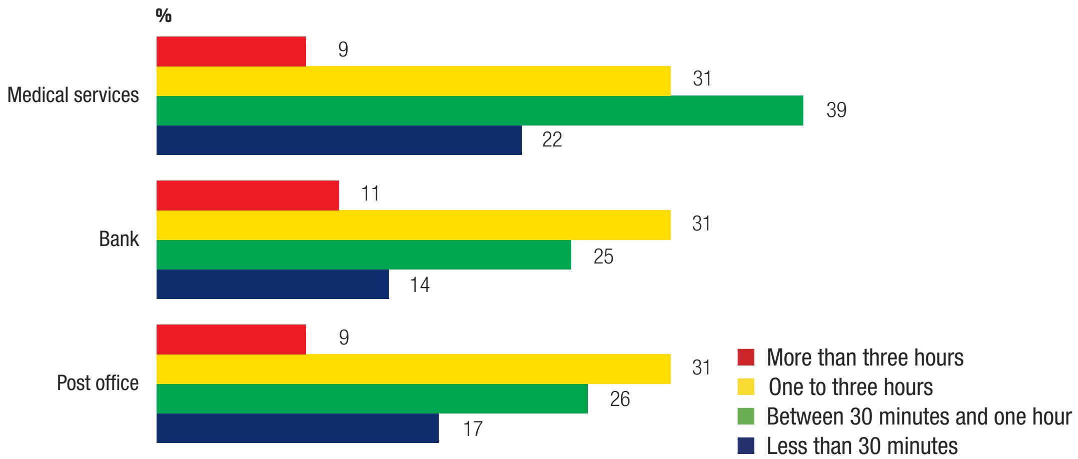
- Around 10% of those respondents who live in rural areas travel more than three hours to reach medical services, post offices or banks. None of the urban respondents reported travelling more than three hours to any of these service points.
- Of those who live in rural areas, 31 travel between one and three hours to the specified service points, in contrast to only around 4% of those who live in urban areas.

These differences are depicted in greater detail below, in Graphs 13 and 14.

Graph 13: Access to infrastructure in urban areas



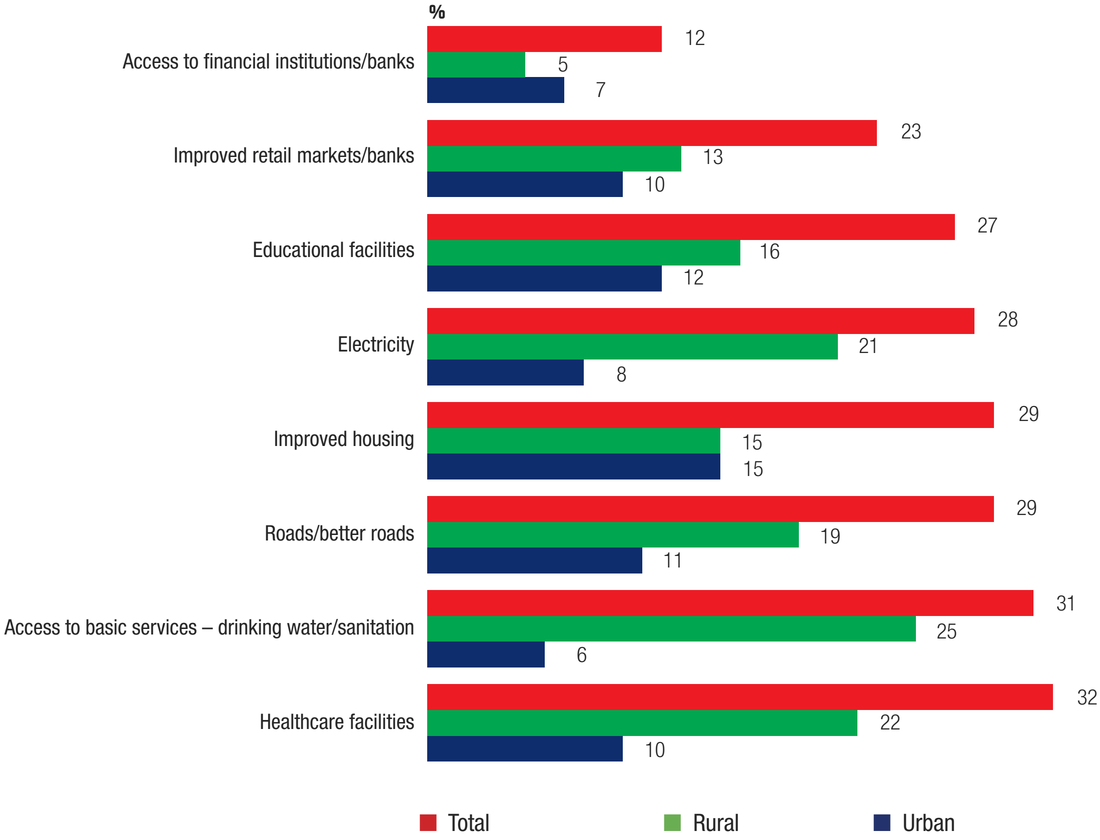
Graph 14: Access to infrastructure in rural areas



A quarter of respondents indicated that their general state of health is not satisfactory, and that they often need medical attention or treatment. Of these 61% live in rural areas. When ill, respondents (83%) reported receiving treatment at mainly public hospitals or clinics. Only 13% access treatment through private doctors. Within these two categories, more urban respondents (76%) visit private doctors with rural respondents (64%) being more likely to visit public hospitals or clinics.

For most, health care services (32%), basic services (drinking water and sanitation) (31%), and roads (29%) are key to improving the lives of people in communities. Improved housing (29%), electricity (28%), educational facilities (27%); improved retail markets and banks (23%) and access to financial institutions and banks (12%) were also mentioned. These aspects are of greater concern in rural areas.

Graph 15: What would help to improve the lives of people in the community

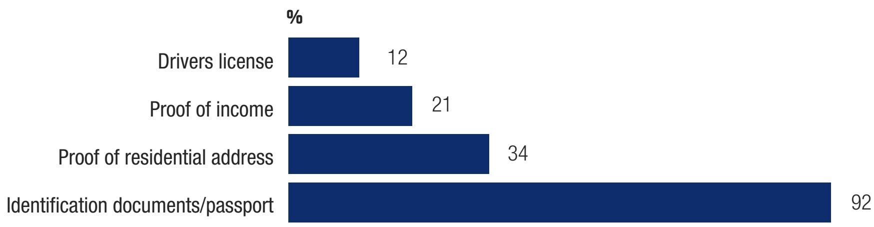


Thus, improved access to basic infrastructure and services would help in improving the lives of people in the community.

2.1.8 Documentation

Furthermore, 92% of the eligible population have an identification document or passport. However, documents held for proof of residential address and income are reported significantly lower at 34% and 21% respectively. Only 12% reported having a driver's license.

Graph 16: Documentation



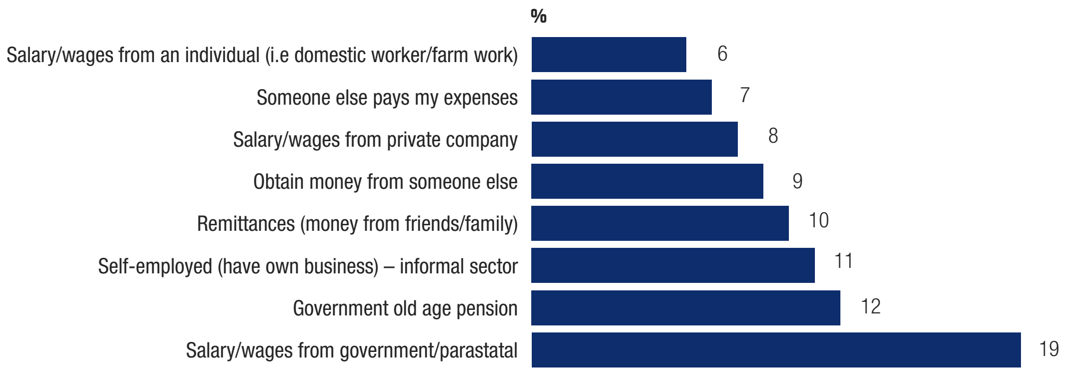
2.2 Livelihoods

2.2.1 Income

Around a fifth (19%) of the eligible population earn their income through salaries and wages from government or parastatals, followed by 11% who are self-employed in the informal sector and 8% who receive salaries and wages from private companies. Furthermore, 12% reported receiving the government old age pension. Others reported receiving remittances from family and friends (10%); receiving money from someone else (9%) and having someone else who pay their expenses (7%). For those who receive money from someone else, or who have someone else paying their expenses; parents (41%), relatives (27%) and spouses/partners (24%) were reported as doing so.

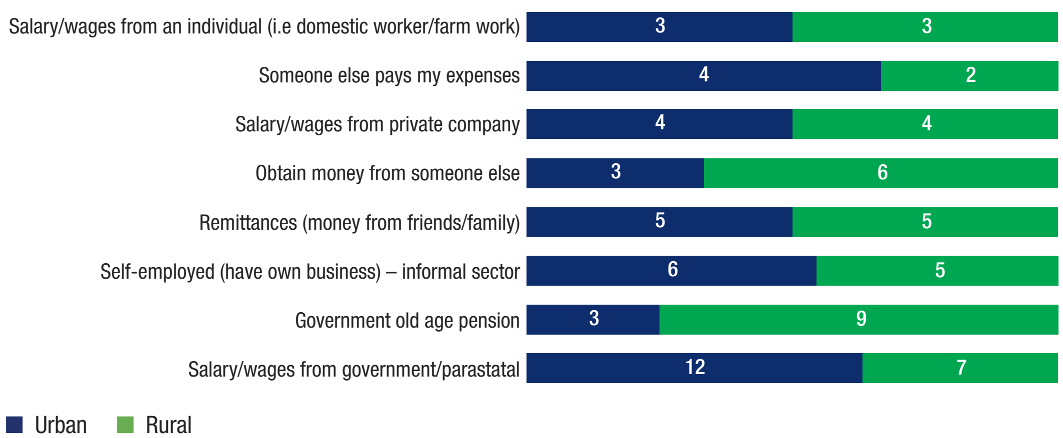
The vast majority of respondents reported receiving income on a monthly basis (60%). Furthermore, 66% reported receiving cash in hand, while another 29% receive their income into their bank or Nampost account.

Graph 17: Main source of income



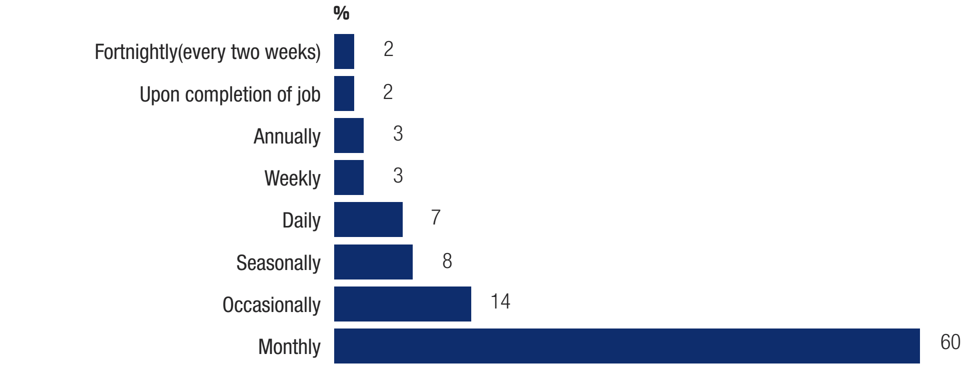
Graph 18 hereafter shows the above sources of income by urban and rural distribution. More rural respondents are likely to get money from someone else (6%) as well as old age pension (9%) when compared to urban respondents at 3% respectively.

Graph 18: Main source of income by urban and rural distribution



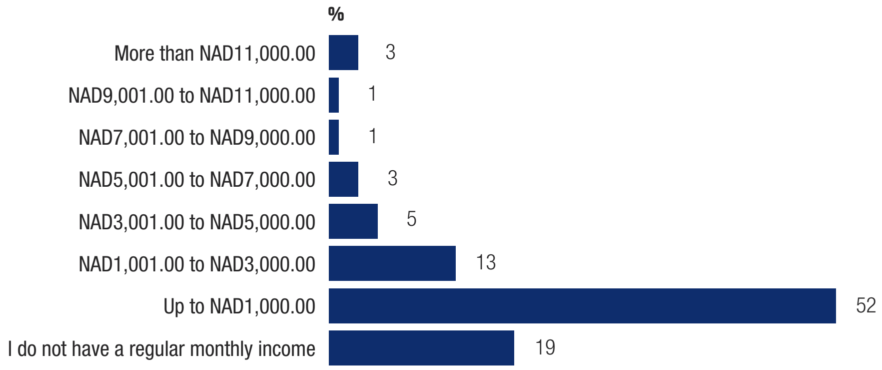
Government is the single largest employer, either directly or indirectly through pensions and other state subsidies. Around a fifth (19%) are reliant on somebody else for their income either through remittances or by obtaining money from somebody else. This is more prevalent in rural areas (11%) than urban areas (8%). There is almost equal income generated from self employment in both rural (5%) and urban areas (6%).

Graph 19: Frequency of receiving income



While around half (52%) of the eligible population only earn up to N$ 1,000.00 per month, 19% reported not earning a regular monthly income. Another 13% earn between N$ 1,001.00 and N$ 3,000.00 per month.

Graph 20: Personal monthly income

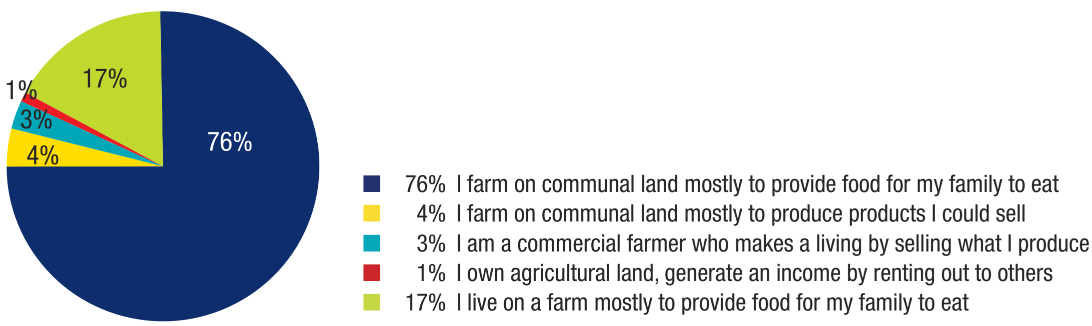


2.2.2 Farming

Almost a quarter (23%) reported that their households are only involved in farming and that no one in the household has any other type of work. Another 22% reported that their households are involved in farming and other work and 54% of respondents in this survey indicated that they are in no way involved in farming at all.

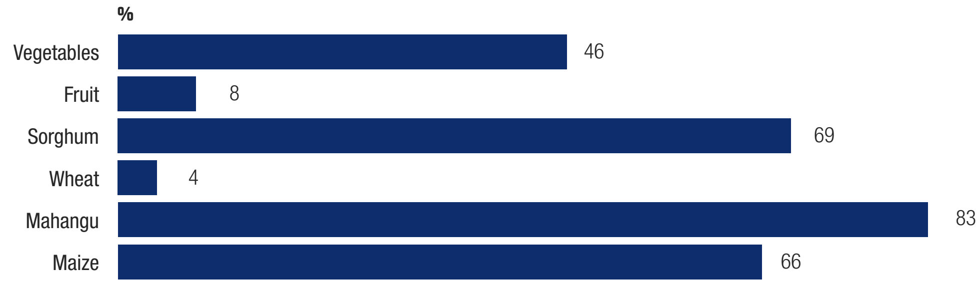
The vast majority (76%) of those who are involved in farming are subsistence farmers who farm on communal land.

Graph 21: Description of involvement in farming

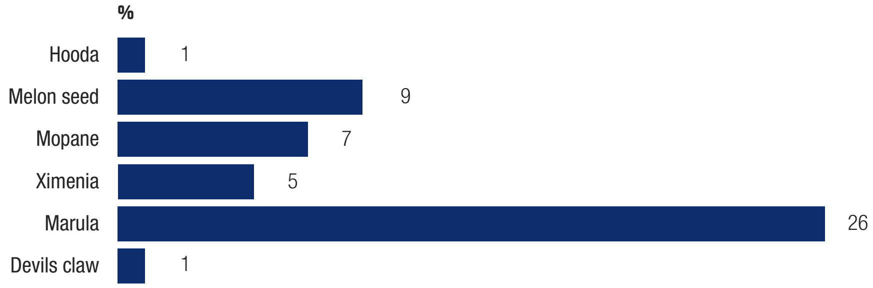


Graph 22 hereafter shows crop farming activities among those who currently undertake farming activities. Mahangu is by far the most popular crop farming activity at 83%, followed by sorghum at 69%, and maize at 66%. Marula was identified as the primary indigenous natural product (INP) harvested by respondents.

Graph 22: Crop farming activities

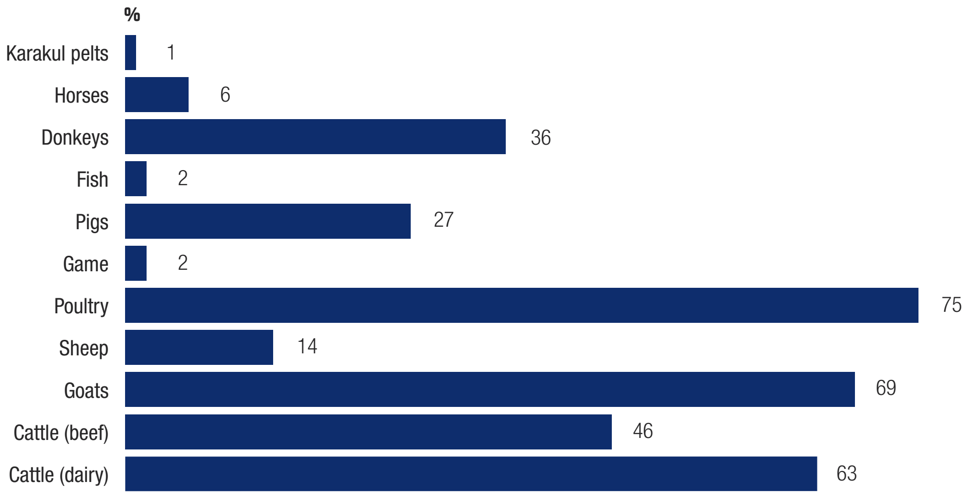


Graph 23: Indigenous natural product farming activities



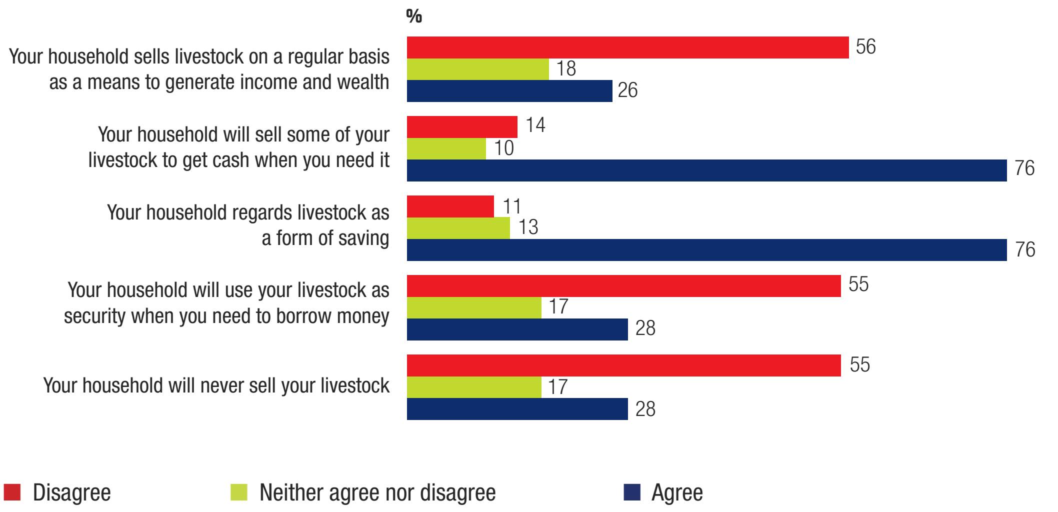
Of those who farm, 75% indicated that they engage in poultry farming, followed by 69% who farm goats and 63% who farm cattle to produce dairy. This is depicted in Graph 24 below.

Graph 24: Livestock farming activities



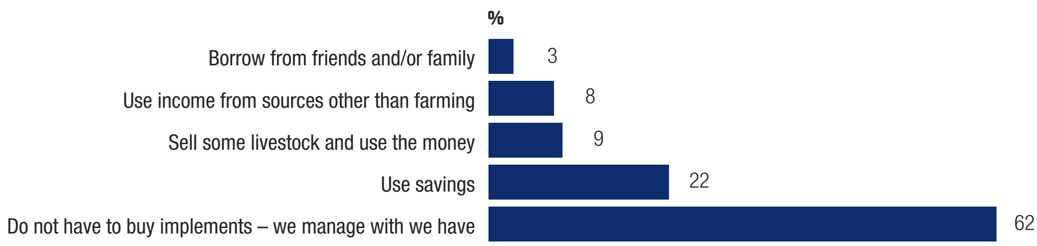
The vast majority of those who farm livestock, view their livestock as a liquid asset that can fairly easily be converted to cash if necessary as well as a form of savings, at 76% respectively. However, livestock is to a lesser extent regarded as a form of security when in need of credit (28%) and only 26% sell livestock on a regular basis as a means to generate income and wealth. Around a third of respondents who farm livestock indicated that they would never sell their livestock.

Graph 25: Attitudes about livestock



Most farming households do not need income to finance any of their farming activities: 62% of respondents reported that they do not buy any inputs for farming and manage simply with what they already have. 22% use their savings when having to buy inputs for their farming activities, while 9% sell livestock and use the money generated from the sales.

Graph 26: Sources of income for farming activities



Of those who are involved in farming activities, 29% receive farming inputs from the Government at a subsidised cost. Of these, 68% receive vaccines, followed by seed at 46%. Almost all (95%) of those who farm indicated that they farm mainly for consumption purposes, while only 5% farm to produce goods for selling purposes. Of those who farm for consumption purposes, 90% have never considered turning their farming activities into a business, while 6% have considered it, but have not done so yet. Reasons for not considering it are listed in Table 2 hereafter, which shows that 65% indicated that farming is considered a family activity, while 14% reported that their land is insufficient to farm commercially. Another 13% reported that the quality of their land do not allow for commercial farming.

Table 2: Reasons for not considering turning farming activities into a business

	n
Farming is a family activity	65
I do not have enough land to farm commercially	14
The quality of the land does not allow for this	13
Farming is a hobby	9
The income from full-time farming is too low	9
I do not have sufficient funds to stock or work the farm properly	7
Have another source of income	6
I just love to farm	6
We only produce enough for our own consumption	3
Full-time farming is too risky	2
The future of farming in this country is too uncertain	2
The profit I can make is not sufficient (market price is too low)	2

Of those who farm for commercial production, 60% mostly sell their products and services to co-operatives (e.g. Agra); followed by 51% reporting that they sell directly to the public. While 36% indicated that they sell to abattoirs like Meatco and Brakwater, 17% sell their products to the middleman (for example speculators).

These respondents were also asked to identify the challenge they face when trying to sell their products and services. These are shown in Table 3 hereafter. While the majority (74%) identified low market prices, 54% mentioned the distance to markets or the place where goods and services are sold. Another 36% indicated the lack of transportation, followed by unreliable middleman at 35% and cost of transportation at 32%.

Table 3: Challenges faced when trying to sell products and services

	n
Low market price	74
Distance to the market/the place I sell my goods and product	54
Lack of transportation	36
Unreliable middleman	35
Cost of transportation	32
Goods/products get damaged in transport	24
Reliability of transport	18
Lack of refrigeration facilities	8
Lack of water	3
Lack of storage facilities	1

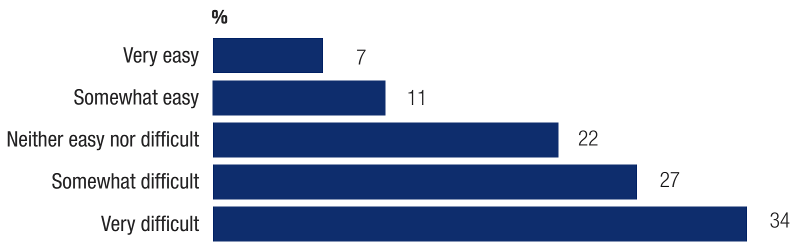
2.3 Financial capability

While financial literacy and capability will be analysed and presented in greater detail in a separate report, the general findings of this questionnaire section will be discussed hereafter. According to members of the National Financial Literacy Working Group, the management of money in day-to-day transactions, planning for long-term investments and responsibilities in such a way as to maximize personal financial welfare, being aware of the range of financial products available to choose from and knowing which products to choose describes financial literacy in a nutshell. Four indicators or components can measure the financial literacy of a country, namely: money management; financial planning; choosing products and financial knowledge (NFLWG, 2011).

2.3.1 Day-to-day money management

Keeping up with financial commitments is somewhat difficult for 27% of the eligible population, while 34% indicated that this is very difficult. Only 7% reported that it is very easy to keep up with financial commitments. Furthermore, 37% indicated that they are never able to make their income last until their next income. Only 24% indicated that they are often able to make their income last until their next income.

Graph 27: Ease of keeping up with financial commitments



Graph 28: Frequency of making income last until the next income

In a later question, 44% indicated that they have difficulty making ends meet. The majority (86%) of respondents will turn to family or friends for financial assistance when they run out of money, while 10% would get money from someone in the community. Both of these sources of help will be accessed at greater frequencies in rural areas than in urban areas. Detailed responses are listed in Table 4 below.

Table 4: What do you do if you run out of money?

	n	Total	Urban	Rural
I will get the money from family and friends	1 070 657	86	35	51
I will get the money from someone in the community	119 925	10	1.5	8.1
I will sell something to cover the costs	70 366	6	3.1	2.5
I will borrow the money from the bank	56 767	5	2.7	1.9
I will borrow the money from another registered financial institution	30 421	2	2.2	.2
I do not have a plan	19 192	2	1.1	.4
I will borrow the money from a cash loan lender in the community	17 612	1	.7	.7
I will wait until I get money again	13 176	1	.6	.5
I will borrow money from my employer	11 671	1	.2	.7

The findings show that 63% of respondents either *agree* or *strongly agree* that they have people in the community who they can turn to for help and 77% did not agree that they would rather approach a stranger for financial help than people in the community. For many there appears to be a sense of community cohesiveness. From the above it can be deduced that this community cohesiveness might be more strongly perceived in rural areas.

Respondents were asked to indicate how easy or difficult it is to keep up with paying accounts and meeting other financial commitments that they have on a monthly basis. This was measured on a 10-point scale, where one is not difficult at all and 10 is very difficult. The distribution of responses is shown in Table 5 below. A mean score[18] of 5.77 was reported for this question. For many, paying accounts and meeting other financial commitments on a monthly basis is neither very difficult nor not difficult at all.

Table 5: Ease of keeping up with paying accounts and meeting other financial commitments on a monthly basis

	n	%
Not difficult at all	60479	4.9
2	73214	5.9
3	112859	9.1
4	154177	12.4
5	215078	17.3
6	151719	12.2
7	121986	9.8
8	131854	10.6
9	112888	9.1
Very difficult	111743	9.0
Total	**1245997**	**100.0**

18 Average score

2.3.2 Financial planning

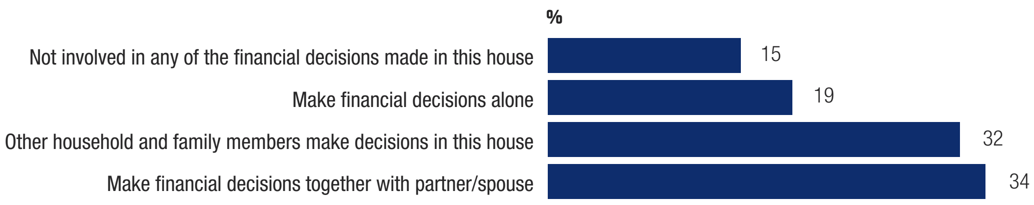
Respondents were asked to identify the three things that they buy or that they pay for when their income is received. Around a third (31%) of respondents mentioned food and other groceries, while 13% mentioned other general household items. Fuel and transportation was mentioned at 7%.

Table 6: Three things bought or paid for when income is received

	%
I buy food and other groceries	31
I set aside money to pay for general household items	13
I set aside money to pay for fuel and transportation (taxi fares/bus fares)	7
I buy electricity	7
I pay my water bill	6
I buy air time or credit for my cellphone	5
I set aside money to pay for accommodation	4
I pay my store accounts	3
I buy medication	2
I pay my landline telephone account	1
I send money to my relatives	1
Education-related expenses (school fees, books, uniforms)	1

Only 50% of respondents reported that they have money that they can use as they wish. Reasons for not being able to do so included not earning an income (54%), and having to contribute all income to the household (37%). Another 9% indicated that they have to give their money to household and/or family members. While 34% make financial decisions together with their spouses or partners, 15% of respondents reported not being involved in any of the household financial decision making. Only 19% make their own financial decisions.

Graph 29: Financial decision making in the household



Respondents were then asked to report, on a 5-point Likert scale, to which degree they agree or disagree with a number of statements relating to financial planning and management.

Considering the sum of *agree* and *strongly agree* responses, it would appear that around 20% of the eligible population exhibits poor financial intentions and behaviours. Conversely, 65% consider themselves organised when it comes to managing their finances, 55% a saver rather than a spender and 75% like to be in control of their finances and money matters.

Graph 30: Attitudes around financial planning and management

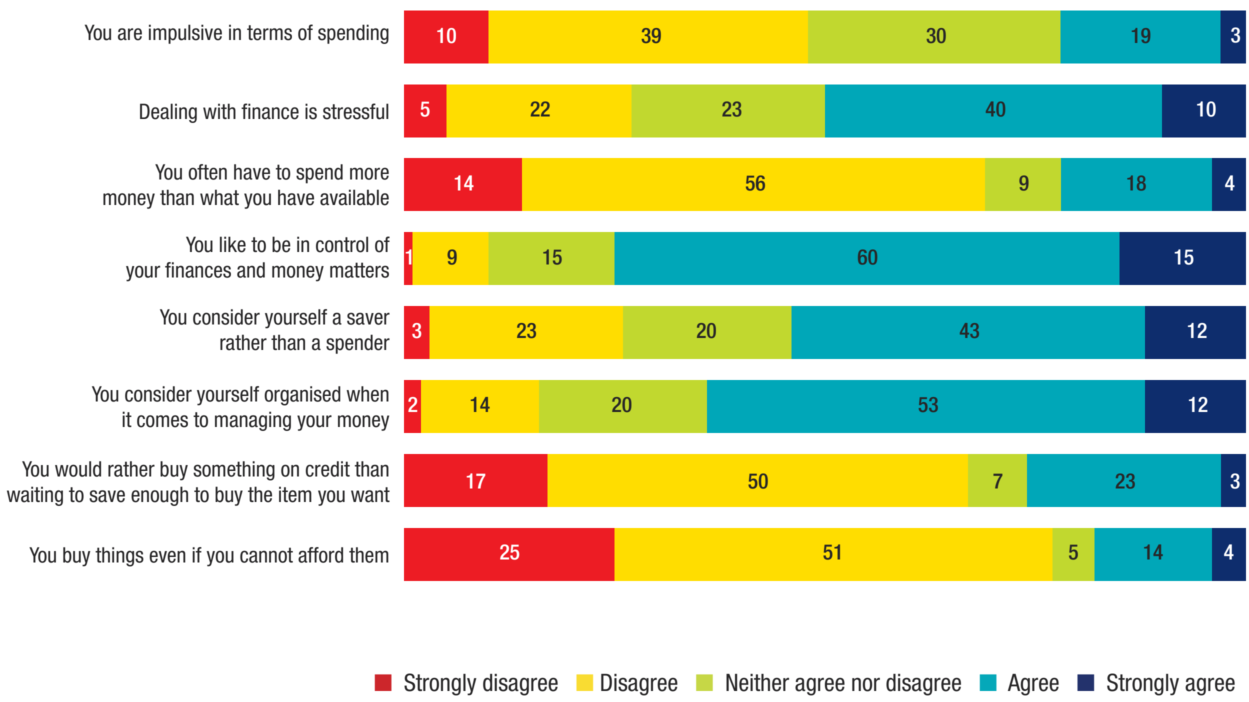


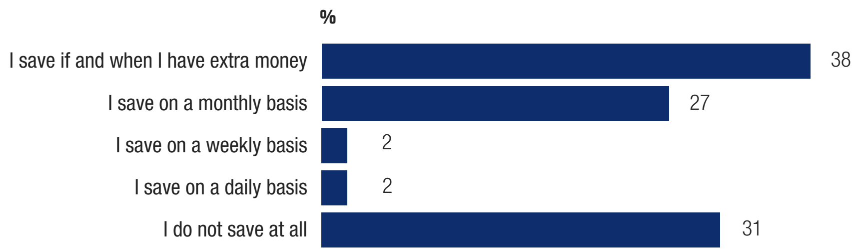
Table 7: Financial planning attitudes, perceptions and behaviours

	Agree/ Strongly agree
Poor financial planning	
You buy things even if you cannot afford them	19
You would rather buy something on credit than waiting to save enough money to buy the item you want	26
You often have to spend more money than what you have available	22
You are impulsive in terms of spending money	22
Good financial planning	
You consider yourself organised when it comes to managing your money	65
You consider yourself a saver rather than a spender	55
You like to be in control of your finances and money matters	75

Around half of the respondents never keep record of their income, nor their spending, at 52% and 55% respectively. Only 34% keep record of the income on a monthly basis, while 38% record their spending on a monthly basis.

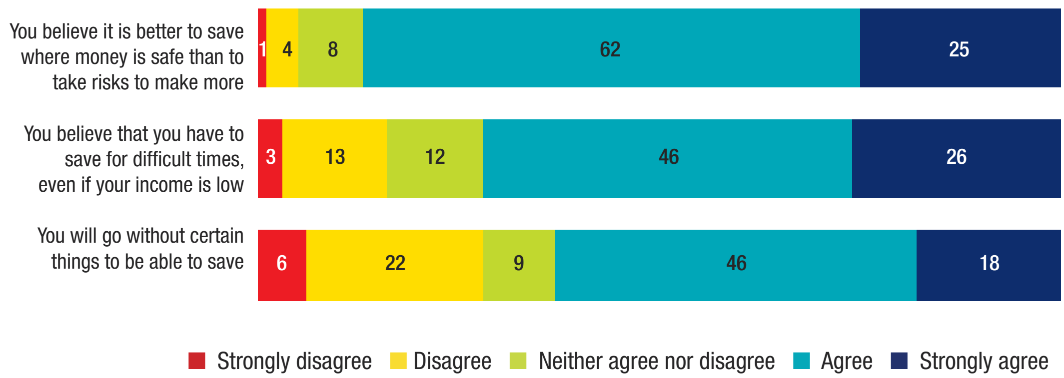
While 31% of respondents do not save at all, 38% only save if and when they have extra money. Only 27% of the eligible population reported saving on a monthly basis and 2% on a daily and weekly basis respectively.

Graph 31: Frequency of saving



Despite the fact that only 27% of respondents save on a monthly basis, beliefs around saving are strong. A large majority responded positively in response to statements about saving. Findings show that 64% of respondents are willing to forego certain things to be able to save, and 72% believe that you have to save for difficult times, even if your income is low. The majority (87%) also indicated that they would rather save where their money is safe than to take any risk to earn higher returns on savings.

Graph 32: Beliefs around saving



Respondents were asked, if they were to receive a large sum of money and they did not need to spend it, where would they keep this money until they decide what to do with it. The majority (79%) indicated that they would put it in the bank, 13% would keep it in a safe place at home, 6% would give it to someone else for safekeeping and 1% would carry it with them at all times.

Respondents were also asked to report whether or not they and their families plan their spending of money that they receive, in order to make it last until they receive money again. Around half (56%) indicated that they do plan their spending and 18% of these respondents reported that they always plan using a fixed budget, and that they make provision for unexpected expenses. Another 18% indicated that they keep to a fixed budget and source financing for unexpected expenses elsewhere, while 64% reported that they make adjustments to their budgets as unexpected expenses are incurred. Additionally, 44% indicated that they use a general budget for every month, whereas 57% draw up a fresh budget each month based on their income. The majority (87%) of the eligible Namibian population prioritise certain things in terms of their monthly spending. These items were identified as food/groceries, other general household items and money for fuel and/or transport.

2.3.3 Awareness of financial products

Respondents were asked to spontaneously mention the financial products that they are aware of. Almost a quarter (26%) mentioned bank accounts; 17% pension fund products; 16% medical aid products; and 13% the Nampost SmartCard. Detailed responses appear in Table 8 hereafter.

Table 8: Awareness of financial products (unprompted)

	%
Bank accounts	26
Pension fund products	17
Medical aid products	16
Smart Card	13
Life insurance	8
Mobipay	5
Credit Card	4
Short term insurance	4
Unit Trusts	1
Investment products (e.g. Bonds)	1
Friendly societies	1
Other loan products	1
No spontaneous mention of financial products	3

Respondents mentioned that they were most comfortable dealing with NPSB (28%); medical aid funds (20%); pension funds (18%); and commercial banks (15%). Other responses are shown in Table 9 below.

Table 9: Financial institutions most comfortable dealing with

	%
Savings bank (Nampost)	28
Medical aid funds	20
Pension funds	18
Commercial banks	15
Life insurance companies	8
Microlenders	5
Short term insurance companies	3
Friendly societies	2
Provident fund companies	1
Unit trust management companies	1
Investment management companies (e.g. Unit trusts and Bonds)	1
No institutions mentioned	1

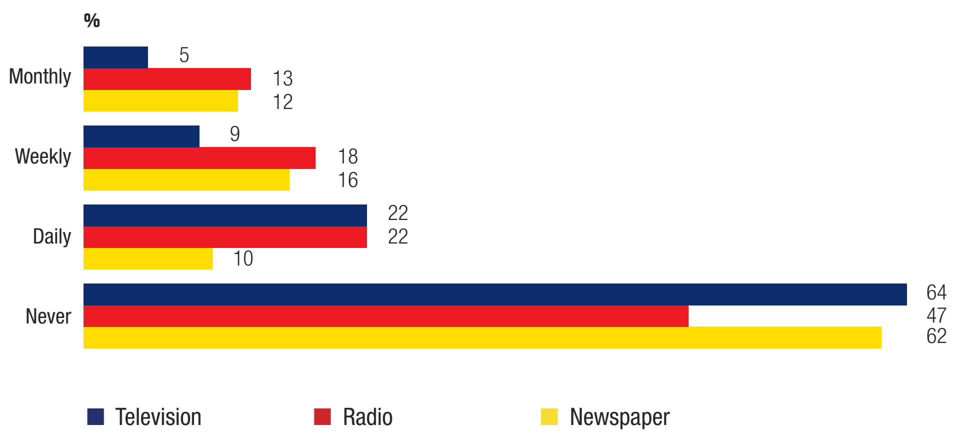
When asked how they would rate their knowledge of various financial products, respondents were asked to indicate their levels of knowledge on a scale from one to ten, where one is very poor and ten is very good. Knowledge of NPSB products were ranked highest, at a mean score of 5.9, followed by banking products at 5.4, pension fund products at 4.9 and medical aid fund products at 4.8.

Table 10: Knowledge of financial products

	%
Savings bank products	5.9
Banking products	5.4
Pension fund products	4.9
Medical aid fund products	4.8
Life insurance products	3.9
Microlender products	3.7
Short term insurance products	3.2
Investment products	2.9
Provident fund products	2.4
Unit trust products	2.3
Friendly society products	2.3

Obtaining information about economic matters informs financial knowledge. Respondents were asked to report on the frequency with which they read about or listen to economic matters via various media. These were newspapers, radio and television. The results are shown in Graph 33 hereafter. Quite a large proportion of the eligible population in Namibia never accesses economic information via newspapers or television, at 62% and 64% respectively. Around half (47%) never listen to economic matters on the radio. Interest in economic matters were rated at a mean score of 4.33, on a scale of one to ten, where one is not interested at all and ten is very interested.

Graph 33: Frequency of accessing economic and financial information via sources of media

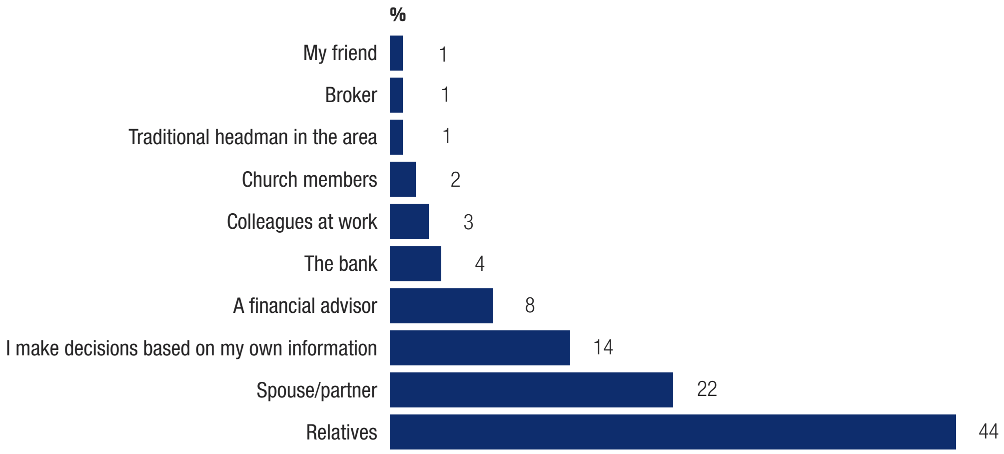


2.3.4 Choosing financial products

For this dimension of financial capability, respondents were asked specifically about contracts received when obtaining a formal financial product. Around a third (28%) of the eligible Namibian population reported that they have obtained a formal financial product in the past. Of these, only about half (46%) requested a copy of the contract for a product obtained. Of respondents who have obtained a formal financial product in the six months preceding the survey, 55% did not receive a contract or terms of conditions upon obtaining such a product, while 16% received either a contract or terms and conditions for some of the products obtained. Only a third of these respondents obtained either a contract or terms and conditions for all formal financial products obtained in the six months preceding the survey. The majority (83%) reported that either the consultant read the contract to them, or that they read it themselves. Respondents were also asked to report on their understanding of the contracts that have been read to them, or that they have read themselves. A mean score of 6.99 was reported, indicating a high sense of understanding of contracts or terms and conditions relating to products obtained.

Respondents rely mainly on relatives for financial advice when they have to make an important financial decision. While 44% will consult a relative or relatives, 22% indicated that they will consult their partner or spouse. Another 14% will base their decision on information that they already have. Detailed responses are shown in Graph 34 hereafter.

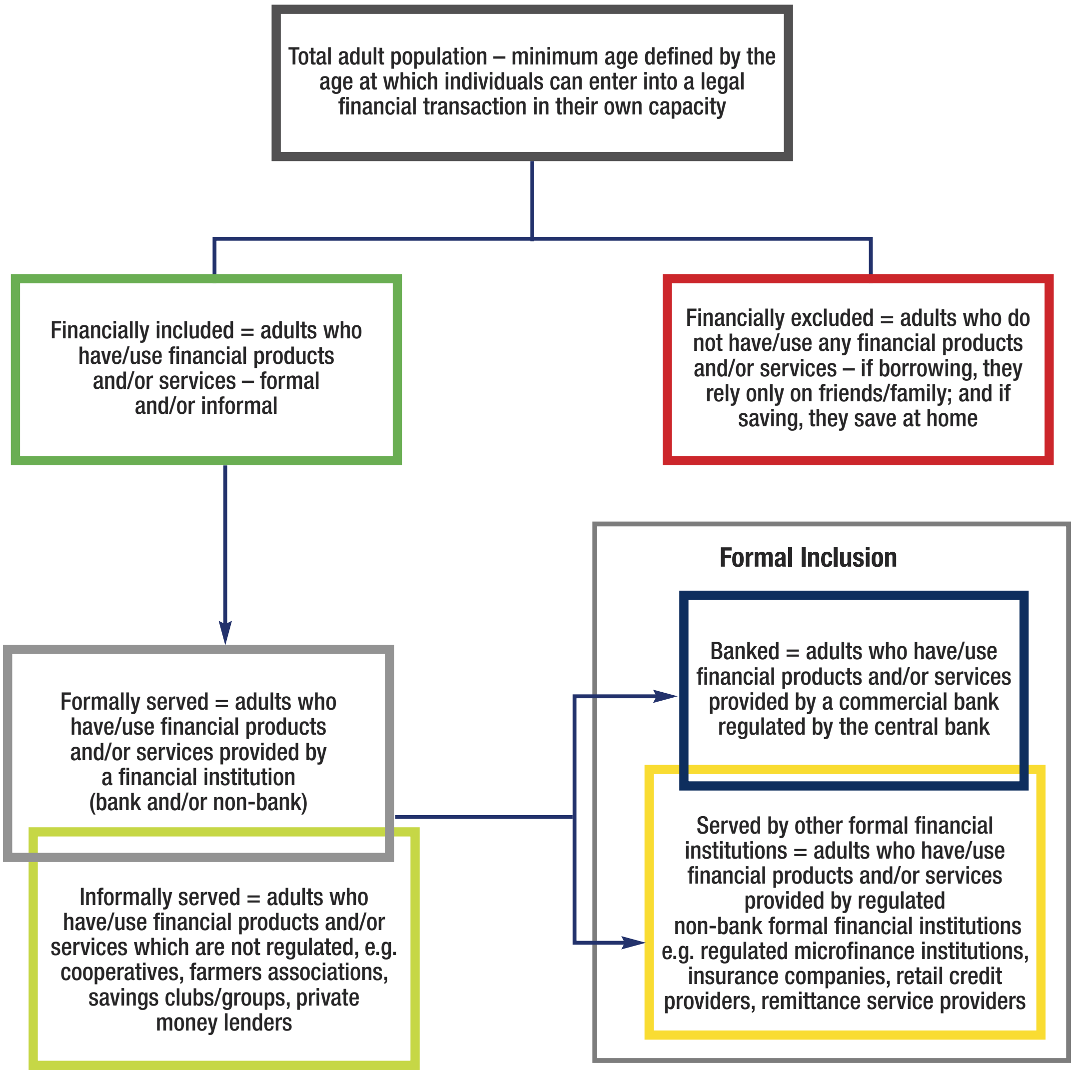
Graph 34: Source of information for financial advice



2.4 Financial inclusion

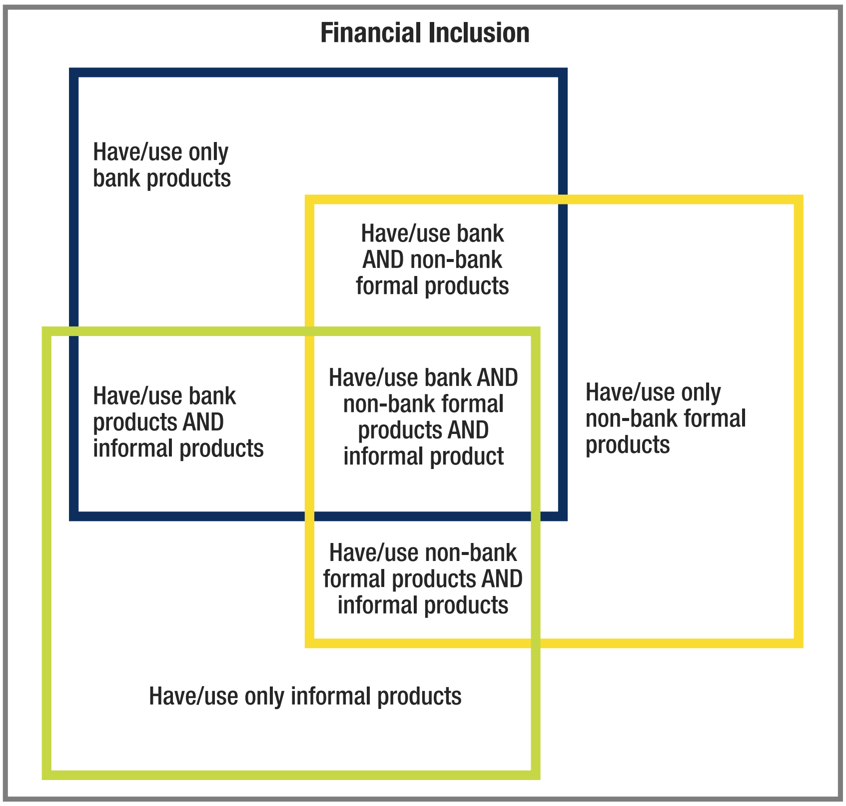
FinScope surveys use a standard analytical framework to assess financial inclusion that has been developed over a number of years. The diagram below outlines the analytical framework used to assess financial inclusion. The legal age at which an individual in Namibia can open a bank account is 16 years. Therefore, the adult population for the FinScope surveys in Namibia is defined as individuals aged 16 years and older.

2.4.1 Analytical framework



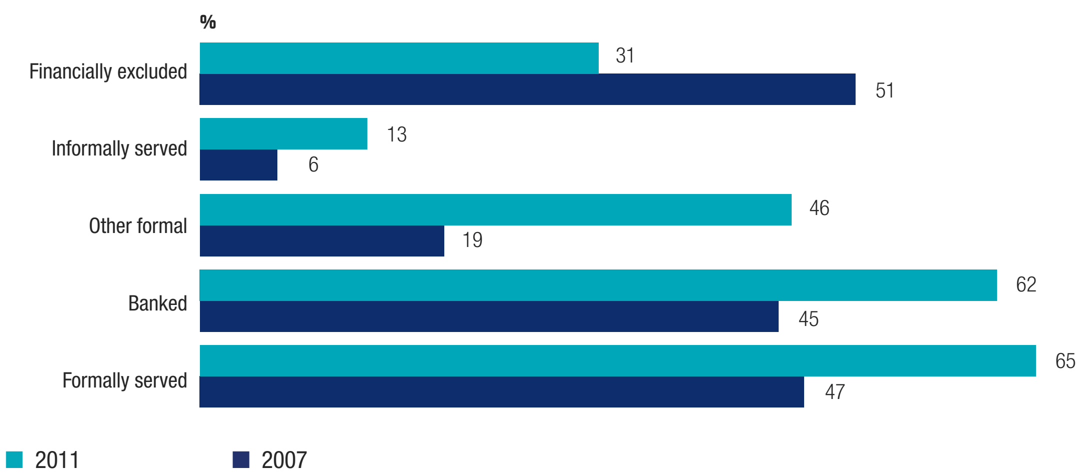
2.4.2 Defining financial inclusion

Defining financial inclusion has to take into consideration the dynamic nature of markets and consumers. Thus, the analytical framework assesses both formal product usage through commercially recognised banks and other financial institutions such as insurance companies and retail providers and informal usage such as savings clubs, burial societies, etc. as depicted in the diagram below. The framework also seeks to assess the usage and overlap of services of both the formally served and the informally served.



Levels of financial exclusion have decreased from 51% in 2007 to 31% in 2011. 65% of the eligible Namibian population is formally served (n=727,736), and 62% are banked. Around half (46%) use other formal products and 13% are informally served. In 2007, 47% were formally served, 45% were banked, 19% used other formal products and 6% were informally served.

Graph 35: Levels of financial inclusion



Banking is mainly driven by transactional and savings products. Almost all (99%) of banked adults have or use transactional products, while 92% have or use savings products. Only 13% have or use credit products and 10% have or use funeral cover. Only 2% use the bank for remittance products.

Graph 36: Drivers of banking

Insurance and savings products mainly drive the use of other formal products. Of the adults who use non-bank formal products, 68% have or use insurance products, including short- and long-term insurance products. Another 64% use savings products and 18% use credit products. Only 12% use remittance products or services.

Graph 37: Drivers of non-bank formal products

Almost a third (29%) of those who use informal products borrow from informal lenders, and 25% belong to savings groups, clubs or Okwiiumbila. Another 9% of these are members of burial societies.

Graph 38: Drivers of informal product

Only 2.7% of the adult population (n=33,696) have used the services of microfinance institutions in the six months preceding the survey and another 0.6% (n=7.424) belong to a savings club, group or Okwiiumbila. These groups were reported to raise money for emergencies for members (72%), for funerals of group members (63%) and keep collected money for members to withdraw when they need to (45%). These groups were also said to lend money to members when they need it (27%) and keep collected money and give it back to members after a certain period of time (14%). Members also mentioned that they buy assets as a group and that assets are sometimes bought for the group's members, at 11% respectively. Only 6.1% of members mentioned that money is lent out to non-members.

The Access Strand

The FinScope survey uses the Financial Access Strand to compare financial access across countries. The Access Strand focuses on the financial system of a country in its broadest sense as outlined below:

- Formally included
- Informally served
- Financially excluded

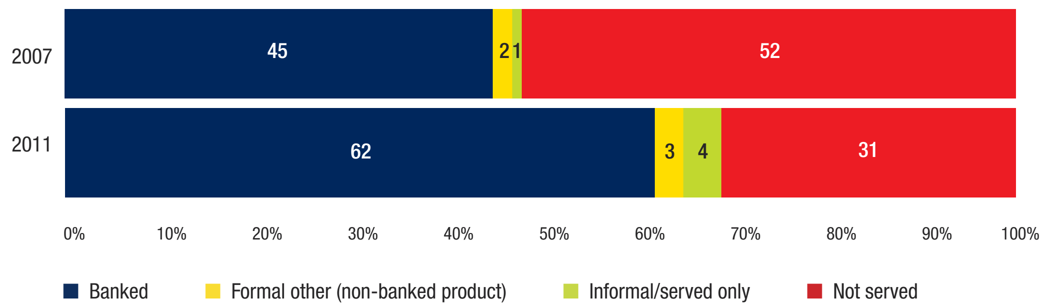
The segments are differentiated by current product usage indices ranging from people who are formally included, to those who use informal products and finally to those who use no products at all – the financially excluded population.

In constructing the Access Strand, the overlaps in financial product/service usage are removed, resulting in the following segments:

- Financially excluded individuals
- Individuals who have/use informal products/services and NO formal products
- Individuals who have/use formal non-bank products/services and NO commercial bank products
- Individuals who have/use commercial bank products

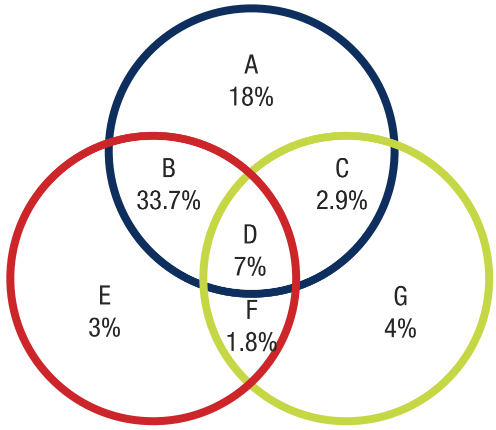
Graph 39 shows that the proportion of banked adults has increased from 45% in 2007 to 62% in 2011. The percentage of formally included adults has increased significantly from 48% in 2007 to 65% in 2011. As noted earlier in *drivers of banking*, savings and transactional products contribute mainly to the increase in the banked population. It should also be noted that of the 31% unserved adult Namibians, 11% are indirectly banked. These are individuals who make use of other people's bank accounts.

Graph 39: The Access Strand



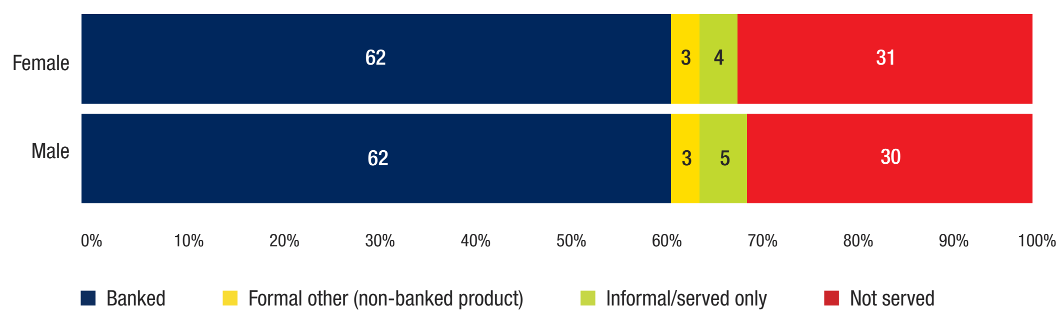
Namibia is the only country where FinScope depicts a higher uptake of informal mechanisms among the male adult population compared to the female adult population. Furthermore, borrowing largely drives informal access.

Graph 40: Product usage of the financially included



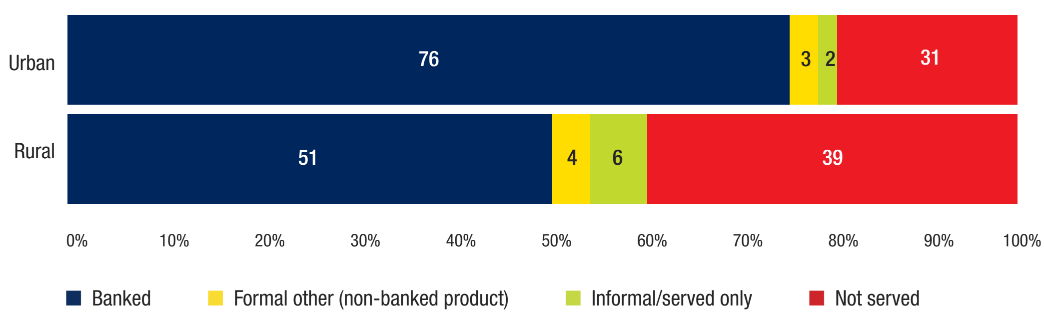
Product usage of the financially included				%
A	18.8%	Bank products/service only	Formally served	65.2
B	33.6%	Bank products and non-bank formal	Banked	61.6
C	2.8%	Bank products and informal mechanism	Formal served	43.6
D	6.4%	Use both formal and informal mechanisms	Informal served	13.8
E	2.6%	Non-bank formal only	Excluded	31.2
F	1%	Non-bank formal and informal mechanism		
G	3.6%	Informal mechanism only		

Graph 41: The Access Strand by gender



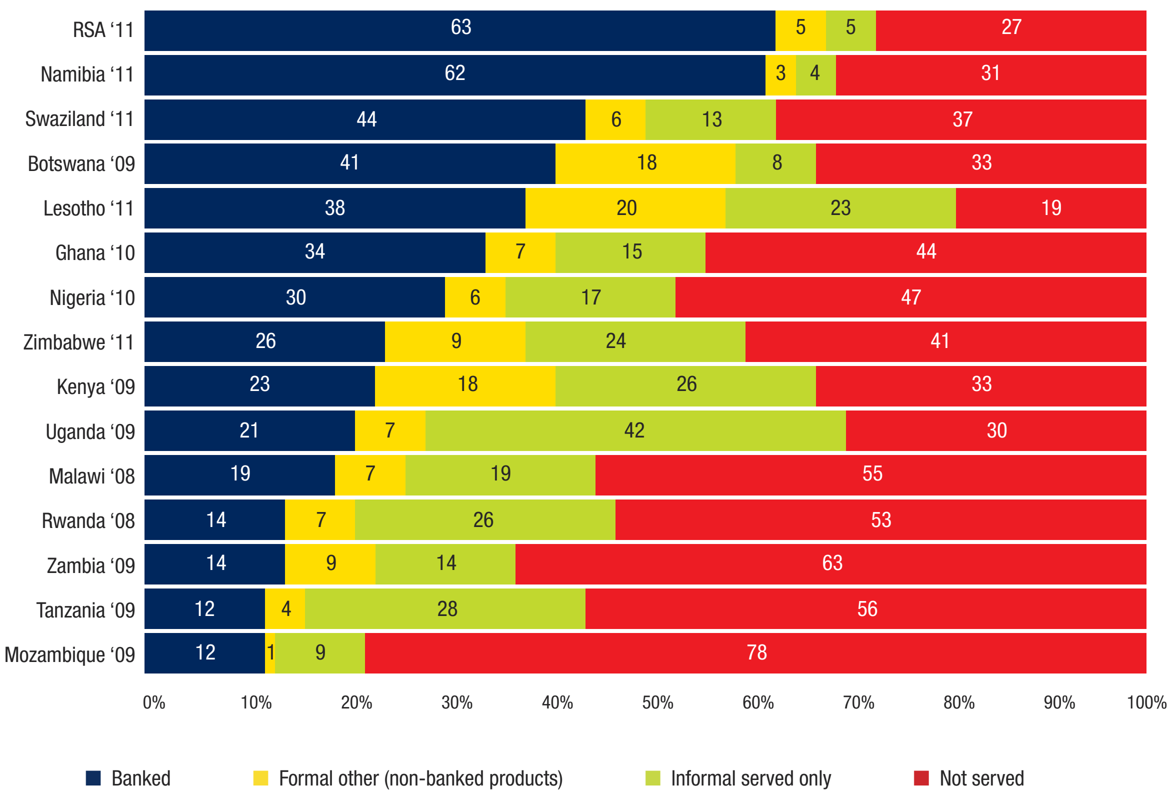
There are large differences in the levels of financial access between adults who reside in urban areas, and those who reside in rural areas; 81% and 61% respectively. Higher levels of financial inclusions in urban areas are mainly driven by the use of banking products and services, with 76% having or using banking products. There has however been a significant increase in financial inclusion in rural areas from 2007 that can be attributed to the increased accessibility of banks and the introduction of relevant products.

Graph 42: The Access Strand by urban/rural



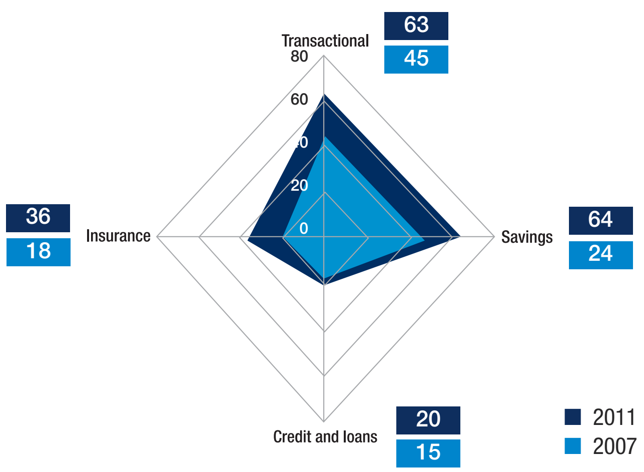
When comparing Namibia to other countries where the FinScope surveys have been implemented, Namibia is ranked second in terms of financial inclusion, and resembles very closely the Access Strand in South Africa.

Graph 43: Comparing the Access Strand among various countries



The FinScope methodology further uses the Landscape of Access to illustrate the degree to which individuals, 16 years and older have or use financial products and services. Graph 44 hereafter shows, on its four axes, the percentage of the eligible population who have or use transaction, savings, credit and loan as well as insurance products.

Graph 44: The Landscape of Access in Namibia



From the graph above, it is evident that savings and transaction products mainly drive the Landscape of Access in Namibia. This also shows that although the percentage of financially included adults have increased significantly, there is scope for deepening the extent and quality of inclusion in Namibia.

2.5 Usage of financial products and services

2.5.1 Banking

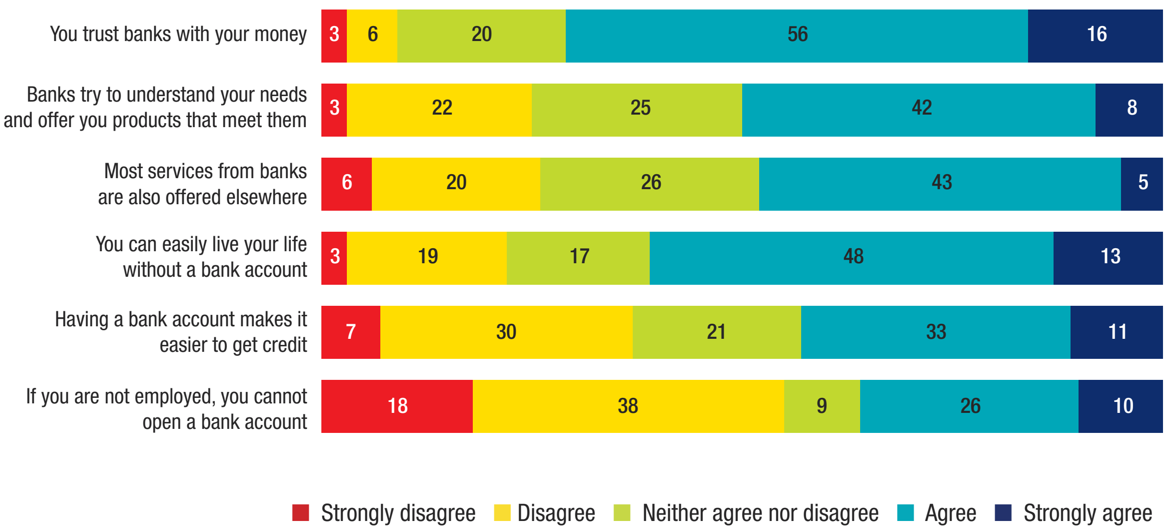
Perceptions about banking were assessed during the survey. The distribution of responses is shown in Table 11 using mean scores and the mode[19] for each statement. Perceptions were measured on a 5-point scale where one is strongly disagree; two is disagree; three is neither agree nor disagree; four is agree and five is strongly agree.

Table 11: Perceptions about banking

	Mean	Mode
If you are not employed, you cannot open bank account	2.7	2.0
Having a bank account makes it easier to get credit	3.1	3.0
You can easily live your life without a bank account	3.5	4.0
Most services from banks are also offered elsewhere	3.2	3.0
Banks try to understand your needs and offer you products that meet them	3.3	3.0
You trust banks with your money	3.8	4.0

Very few do not trust banks with their money (3% strongly disagree; 6% disagree.) When looking at the combined responses for *strongly disagree* and *disagree*, as well as *strongly agree* and *agree* 25% perceive banks as not understanding their needs and offering products to meet these needs, 48% hold the perception that services from banks are also offered elsewhere, 61% are of the opinion that you can easily live without a bank account and 36% are of the opinion that if you are not employed, you cannot open a bank account. Furthermore, 37% indicated that they do not think having a bank account makes it easier to get credit.

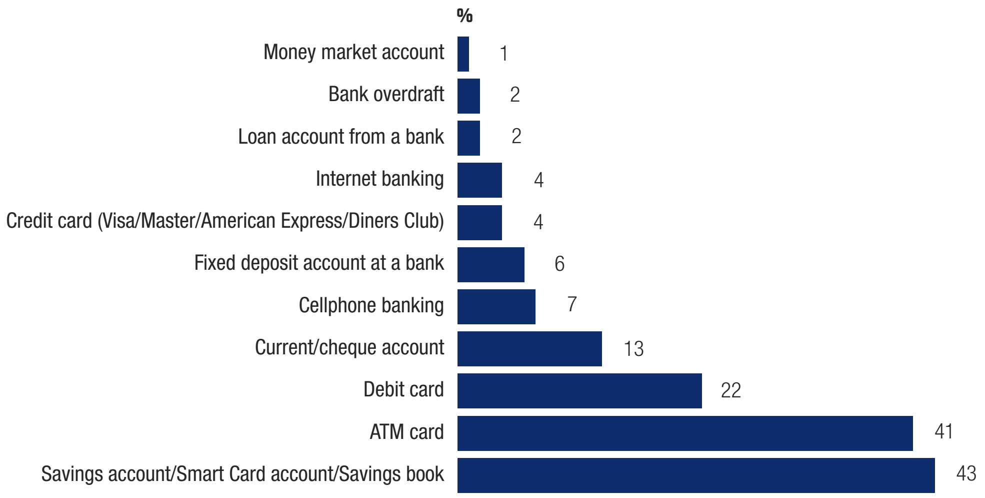
Graph 45: Perceptions about banking



[19] Most frequently occurring value

Graph 46 hereafter shows specific products that have been used, or are currently held as reported by respondents. Most respondents reported that they have a savings account or a NPSB Smart Card at 43% and that they have products associated with this type of account. Only 13% indicated that they have a current or cheque account, with 6% reporting that they have a fixed deposit account. It is again pertinent that banking is driven by the use of savings and transaction products.

Graph 46: Bank products currently held or held in the past

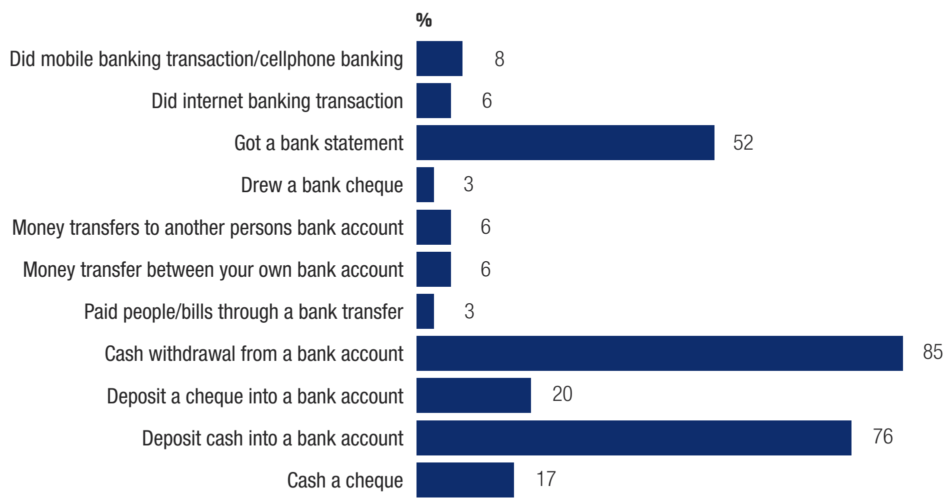


In a single response question later in the questionnaire 62% indicated that they currently have a bank account and/or NPSB SmartCard in their name, while 11% reported that they use someone else's account. Of these, 39% use an account of another family member; 27% use a partner's or spouse's account; 22% use a parent's account; 10% use a neighbour's or friend's account and 4% use a child's account.

Of those who have their own accounts, 66% feel most comfortable to visit the actual branch when conducting transactions, while 31% feel most comfortable using the automatic teller machine (ATM). Half (50%) use ATMs most often, while 48% visit bank branches most often.

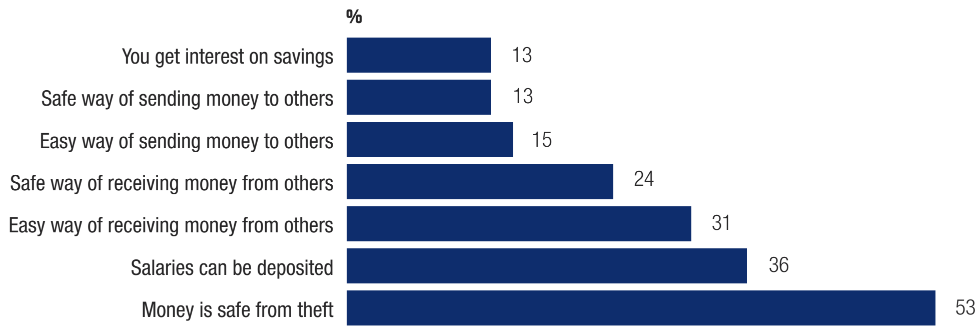
Transactions most frequently conducted in the six months preceding the survey by those who have accounts in their own names included cash withdrawals from bank accounts (85%); cash deposits into bank accounts (76%) and requesting bank statements (52%). Other transactions conducted are shown in Graph 47 hereafter.

Graph 47: Transactions conducted in the six months preceding the survey



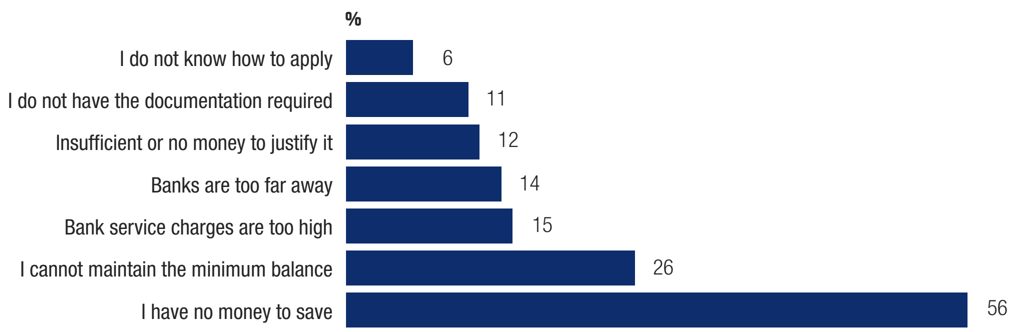
The main advantages of using a bank account were the safety of money from theft (53%); having a channel for salary deposits (37%). Furthermore, respondents identified factors related to convenient transaction methods: easy way to receive money from others (31%); safe way of receiving money from others (24%); easy way of sending money to others (15%) and safe way of sending money to others (13%). Another 13% also reported than you can earn interest on savings, and another 3% indicated that it can provide access to loans.

Graph 48: Main advantages of using a bank account



Barriers to banking identified included not having enough money to save (56%); not being able to maintain the required minimum balance (26%); high bank charges (15%); lack of proximity to banks (14%); not earning enough money to warrant having or using a bank account (12%) and not having the required documentation for opening a bank account (11%). Other barriers reported were not knowing how to open a bank account (6%); not understanding how banks work (4%); not understanding the language used in banks (2%) and fear of being refused a bank account (2%).

Graph 49: Barriers to banking



There has been a 17% increase in the banked population from 2007 to 2011, with almost similar growth for male and female adults in Namibia. The increase has largely come from respondents between the ages of 32 and 39; low income earners who live predominantly in rural areas. There has been low growth in the high-income segments as inclusion was already high in these segments. These key statistics are shown in Table 12 hereafter.

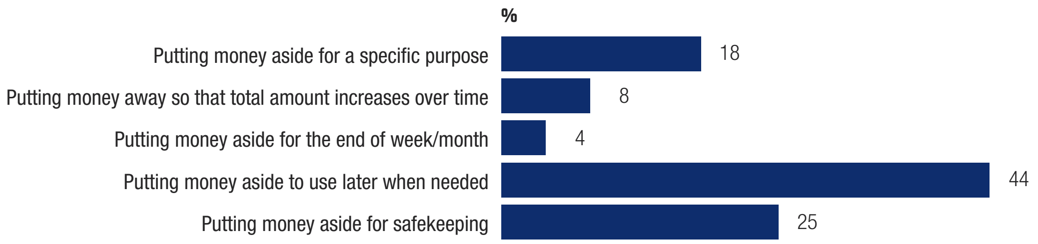
Table 12: Growth in banked segment by demographic characteristics

Demographic characteristic	2007	2011	Demographic characteristic	2007	2011
Gender			**Area**		
Male	47	62	Urban	70	77
Female	46	63	Rural	36	51
Age			**Personal monthly income**		
16 – 20	26	32	No income	8	29
21 – 26	23	58	Less than N$ 1,000	41	57
27 – 31	56	70	N$ 1,001 to N$ 3,000	88	94
32 – 39	61	96	N$ 3,001 to N$ 5,000	87	95
40 – 50	56	66	N$ 5,001 to N$ 13,000	96	99
51+	46	74	N$ 13,001 and more	98	100

2.5.2 Savings

Understanding the levels of financial inclusion is only the first step. While insightful in itself, this understanding is enhanced by exploring products and services that the poor are likely to have or use under each category of inclusion. Almost half (44%) of respondents are of the opinion that saving means to put money aside to use later when needed, followed by 25% who say that saving means to put money aside for safekeeping. Another 18% feel that saving means to put money aside for a specific purpose and 8% believe that it is to put money away so that the total amount increases over time.

Graph 50: What does it mean to save?



The majority (71%) of respondents indicated that they put money away when they can. Those who do mainly identified the following as barriers to saving:

- 37% do not have enough money left after paying for living expenses
- 64% indicated that they do not have a cash income

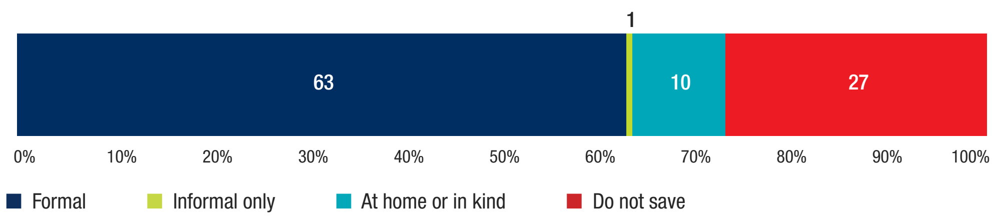
When choosing a savings product or method of savings, many will rely on recommendations from family, friends and others in the community (35%) while others will choose the product or method that offers the lowest fees and charges, at 28%. Knowing that their money will be safe was mentioned by 24%, while 23% indicated that they should be able to trust the product. Other responses are shown in Graph 51 hereafter.

Graph 51: Main factors for choosing a savings product

The FinScope survey uses the Savings Strand to compare utilisation of savings products across countries. The Savings Strand focuses on the usage of savings and investment products, resulting in the following segments:

- Individuals who have savings products at a formal financial institution (63%)
- Individuals who do not have any formal savings products and only rely on informal savings products such as savings clubs (1%)
- Individuals who do not have any savings products (formal or informal) but only keep their savings at home (10%)
- Individuals who are not saving/were not saving at the time of the FinScope Namibia 2011 survey (27%)

Graph 52: The Savings Strand

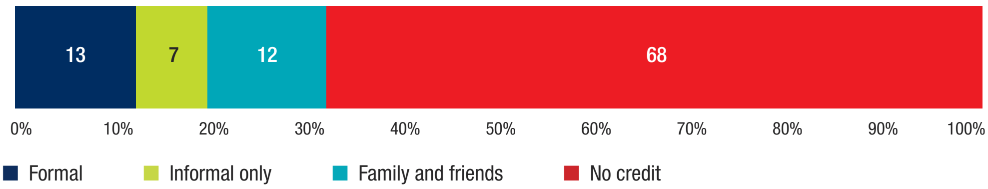


FinScope findings have over the years indicated that there is a tendency to under claim borrowing or indebtedness. The informally served (i.e. adults who have/use financial products and/or services which are not regulated, e.g. cooperatives, farmer associations, saving clubs/groups, private money lenders) are the main users of credit products. This understanding is enhanced by exploring products and services that the poor are likely to have/use under each category of inclusion.

The Credit Strand focuses on borrowing and the usage of credit products, resulting in the following segments:

- Individuals who have/use formal credit products/services from a formal financial services provider (13%)
- Individuals who do not have any formal credit/loan products and only rely on informal credit products such as borrowing from informal money lenders (7%)
- Individuals who do not have any credit products (formal or informal) but who borrow from family and friends (12%)
- Individuals who do not borrow/did not borrow in the six months prior to the FinScope Namibia 2011 survey (68%)

Graph 53: The Credit Strand



Only 14% of respondents reported borrowing money in the six months preceding the survey, while 13% have been paying back money that was borrowed in the six months leading up to the survey. In the same time frame, 14% have received goods and services in advance and had to pay for it at a later point in time.

The three most frequently mentioned barriers to credit were fear of debt (51%); being worried about not being able to repay the loan (30%) and not being in need of a loan since living expenses are already covered by income (26%). Another 8% could not provide a specific reason for not incurring debt.

Of those who undertook borrowing activities in the six months preceding the survey, 25% indicated that they received money from family or friends and that they did not have to pay back, while 20% reported that they received money from family or friends and that they had to pay back. Only 6% received goods in advance or borrowed money from a small shop like a Cuca Shop and 5% bought goods with a store card or on a store account (for example Edgars or Truworths). Other credit activities are shown in Table 13 below.

Table 13: Credit obtained in the six months preceding the survey

	%
Obtained money from family/friends that you did not have to pay back	25
Borrowed money from family/friends that you had to pay back	20
Received goods in advance/borrowed money from a small shop like a Cuca Shop and had to pay back later	6
Bought goods with a store card such as Edgars, Truworths or bought goods on a store account (not a Cuca Shop)	5
Borrowed money from a bank	3
Borrowed money from an employer	3
Borrowed money from another financial institution	2
Borrowed money from a money lender in the community or a cash loan lender	2
Obtained a loan from a Government Scheme	1

Reasons for choosing informal sources of credit included trusting the sources (42%); sources being in close proximity to respondents (33%); and not having to adhere to stringent requirements (23%). Another 13% indicated the lower charges offered were a deciding factor in choosing the source of credit used. Of the urban respondents, 25% have borrowed money, in comparison to 16% of the respondents who live in rural areas.

Only 5% (n=53,417) of respondents applied for a loan in the six months preceding the FinScope Namibia 2011 survey. Of these applicants, a third were refused the loan application. Around a third (29%) of those who applied for a loan and were refused did not know why their loan application was declined. Loans were refused for the following reasons:

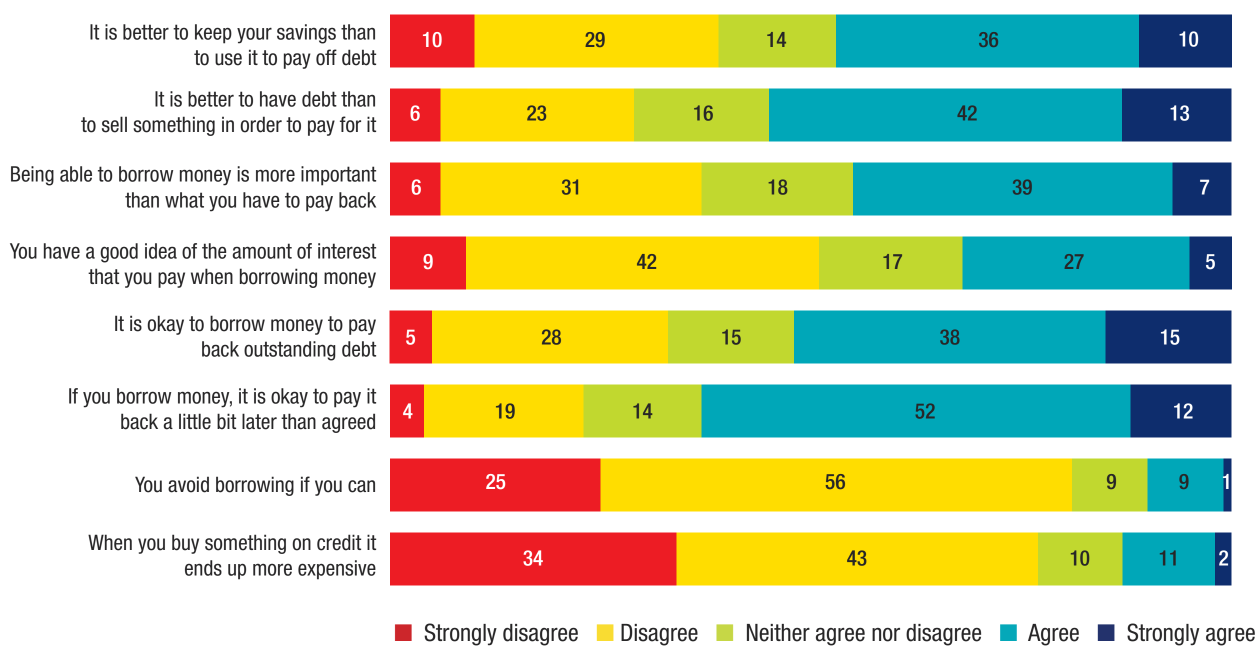
- I did not meet the security or collateral requirements (34%)
- Income too low to qualify (27%)
- Already having too many other debts (19%)
- Not being able to provide a payslip (11%)

When choosing a loan product or source of borrowing, the deciding factors considered are low fees and charges (34%); a product that is recommended by family and friends and others in the community (33%); and trust in a product at 23%. Also mentioned was that the product should be offered and explained in a language understood by the respondents (22%). Other factors are shown in Graph 54 hereafter.

Graph 54: Deciding factors for borrowing/loan products

Graph 55 below shows attitudes regarding debt. A vast majority of respondents indicated that they avoid borrowing if they can (81%) and another 77% agreed that if something is bought on credit, it ends up being more expensive than thought at first.

Graph 55: Attitudes regarding debt

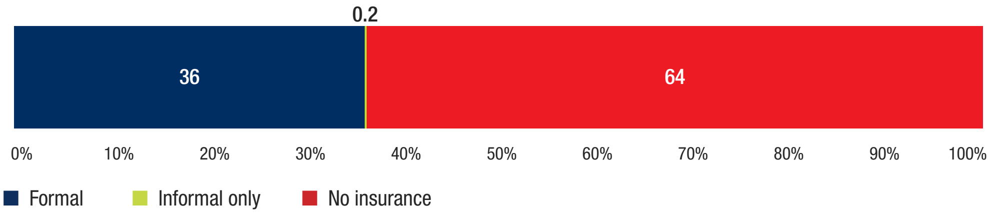


2.5.4 Insurance

The long-term insurance Access Strand assumes that all adults will fall into either one of the following categories:

- Individuals who have/use long-term insurance products/services from a formal service provider (36%)
- Individuals who rely on informal mechanisms (0.2%)
- Individuals who do not have/use long-term insurance products/services (64%)

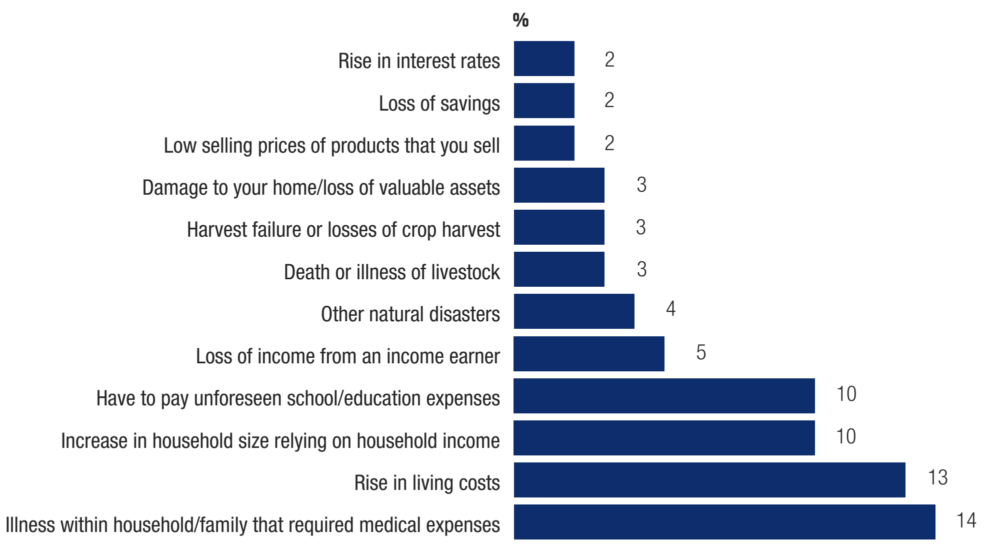
Graph 56: The long-term insurance Access Strand



Long-term insurance products or services usage illustrate a complex link to people's livelihoods. The main risks that impacted on income levels in the six months prior to the FinScope Namibia 2011 survey were:

- Illness within the household or family that required medical expenses (14%)
- Rising living costs (13%)
- Having to pay unforeseen school and other education-related expenses (10%)
- An increase in household size (10%)

Graph 57: Unexpected things that happened in the past six months that affected income negatively



Respondents identified using their savings, selling something, cutting down on their expenses and borrowing money as ways of alleviating risks that impact negatively on their income

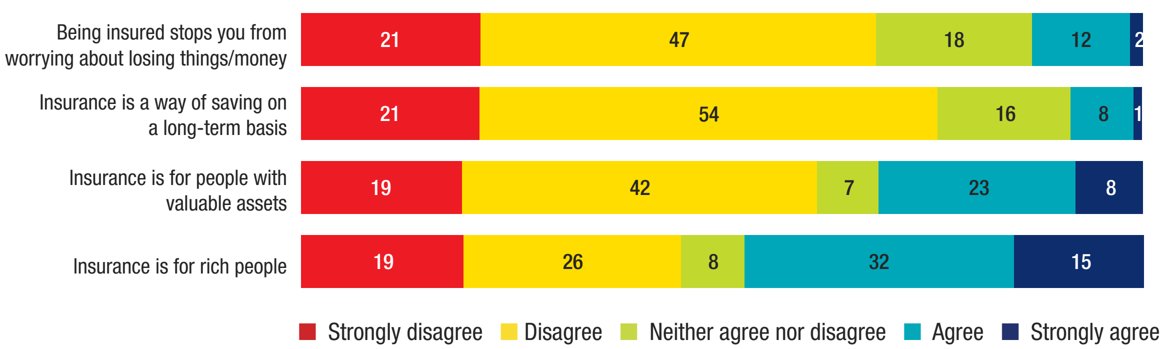
Respondents were asked whether they have or had specific insurance products. The results are shown in Table 14 hereafter. From these results it is evident that a very small portion of the adult population in Namibia have any insurance products whatsoever. The most frequently mentioned reason for not having any of these products is that respondents cannot afford them.

Table 14: Insurance products currently have or had in the past

Funeral cover/policy	Have	Past	Indirectly
Funeral policy from a shop or store	2.7	0.8	1.8
Funeral cover through an undertaker	5.0	0.6	1.7
Funeral policy through an insurance company	13.7	1.4	5.7
Funeral policy through a broker	2.7	0.9	1.0
Funeral policy with a bank	6.2	0.3	1.0
Funeral cover/insurance from your employer	4.7	0.5	0.5
Belong to a burial society	1.2	0.4	0.2
Free funeral policy attached to a savings or other account such as CardWise or EasySave	5.5	0.5	0.1
Short term insurance	**Have**	**Past**	**Indirectly**
Vehicle/car insurance	6.0	4.0	0.2
Household content insurance	3.1	0.6	0.2
Home owners insurance	2.7	0.3	–
Legal insurance	4.9	0.3	0.1
Cellphone insurance	2.7	0.2	0.2
Life insurance	**Have**	**Past**	**Indirectly**
Life insurance or assurance policy	9.7	1.2	1.5
Credit life cover	0.9	0.1	–
Loss of income insurance	**Have**	**Past**	**Indirectly**
Disability insurance with an institution	2.7	0.1	0.2
Disability insurance with your employer	3.3	0.3	0.1
Dreaded disease/critical illness insurance	0.8	0.2	0.1
Professional insurance	0.3	0.1	0.1
Debtors insurance	0.4	–	0.2
Medical aid/insurance	**Have**	**Past**	**Indirectly**
Medical scheme/aid	10.8	0.8	3.4
Hospital plan	3.0	0.5	0.6
Medical insurance	5.0	0.4	0.6

While 76% are of the opinion that insurance is a way of saving on a long-term basis, 68% of respondents agree that being insured stops you from worrying about losing things or money. Another 45% feel that insurance is for rich people and 61% are of the opinion that insurance is for people with valuable assets.

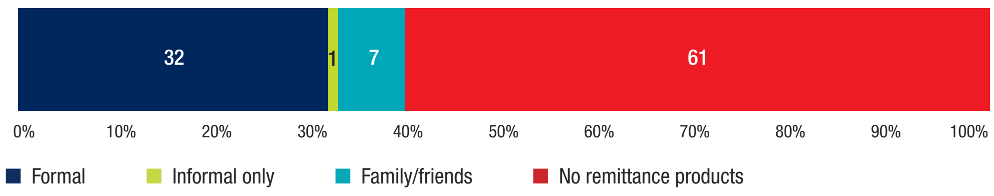
Graph 58: Attitudes regarding insurance



2.5.5. Remittances

The Remittance Strand shows who uses remittance products and whether these products are formal, informal, or via family and friends. Furthermore it also shows those who use no remittance products whatsoever. Around a third (32%) of Namibian adults use formal remittance products, with 1% using informal remittance products. Only 7% of adult Namibians remit via family and friends and 61% of adult Namibians do not use any remittance products or services.

Graph 59: The Remittance Strand



Only 21% of respondents indicated that they had sent money to someone else in the country in the six months preceding the survey. Another 2% reported that they had sent money to someone living in another country. Almost a quarter (26%) have received money from someone else in Namibia in the six months prior to the survey and 1% have received money from someone who lives in another country. Tables 15 and 16 show to whom or from whom; as well as from or to where money is being sent and received. It further shows the frequency and method of remittances.

Table 15: Sending money to others

Whom have you sent money to?	
Parents	30
Other family members	26
Children	23
Where are you sending the money?	
Urban town/city	49
Rural village	45
Outside the country	6
How often are you sending the money?	
Monthly	41
Seasonally	34
Once a year	21
How do you send the money?	
Pay it into a bank account	45
Pay it into a NPSB account	17
Sending money with family or friends	17
Sending money via a bank transfer or telegraphic transfer	14

Table 16: Receiving money from others

From whom have you received money?	
Other family members	37
Spouses/Partners	21
Parents	19
Children	15
Friends	15
Where are you receiving money from?	
Urban town/city	75
Rural village	27
Outside the country	6
How often do you receive the money?	
Monthly	38
Seasonally	35
Once a year	29
How is the money sent to you?	
Paid into a bank account	41
Sent via family or friends	24
Paid into a NPSB account	17
Sent money via a bank transfer or telegraphic transfer	15

3 Conclusions

Namibia has a young, largely rural population. About three in five adult Namibians live in rural areas and 47% are 30 years and younger. Access to basic infrastructure remains a challenge. Approximately 80% of adult Namibians have access to water in their yards. However, almost half do not have access to sanitation facilities. Even though usage of electricity as a source of energy for cooking purposes is high when compared to other African countries, 51% of households still use firewood as their main source of energy. Namibian adults have a low personal monthly income. Almost half of the bankable population receive a personal monthly income of N$ 1,000.00 or less. 60% have difficulty in keeping up with financial commitments while 76% find it difficult to make ends meet. Most Namibian adults still receive their income in cash on a monthly basis. Only around a third receive their income into a bank account. It is important to note that a large proportion of adults are dependent on others for their monthly income.

Thus, for a considerable proportion of Namibians who face daily realities such as a lack of proper sanitation, electricity, running water in their homes and struggling to make ends meet, financial inclusion might not be perceived as a priority.

Over the study period, there has been significant activity in the financial services sector, which resulted in a significant increase in financial inclusion. Compared to 2007, the 2011 FinScope Namibia survey shows a significant increase in Namibian adults that are formally served. ((65%) (n=727,736)). This increase has been driven by a high uptake in transactional and savings products between 2007 and 2011. Financial sector innovation through products, services, technology and expansion of the distribution footprint has also contributed to this increase in the formally served population. An increase in local economic activity in selected areas like Aussenkehr, Rosh Pinah and other coastal areas in the Erongo region has driven the uptake of banking products together with a general increase in the banking infrastructure. In addition, the introduction of the Nampost Smartcard product into the market, was able to provide low-cost alternatives to those that are previously unbanked. The extensive national distribution footprint through the post office network and retail branches also helped drive growth in financial services. Furthermore, technological innovation through the smartcard was a significant driver of inclusion. The smartcard technology allowed for easy, simple access through biometric scanning while minimising the need for paperwork and guaranteeing security. As a large number of adults are dependent on others for their monthly income, the design of the smartcard product enabled the sending and receiving of remittances easily and cheaply.

However, an analysis of the Landscape of Access highlights that while there are high levels of inclusion through transactional and savings products, this remains superficial as usage of credit/loans and insurance remains very low. Thus, the challenge to the sector is to encourage increased savings which will in turn drive borrowing behaviour as consumers accumulate collateral against which to borrow and hence enhance their asset base. This then drives the need for increased insurance.

Affordability and the lack of financial resources are the key barriers to the uptake of formal financial products and services for 31% of adult Namibians that are financially excluded.

There exists an opportunity for appropriately priced, easy to use products and services to encourage more adult Namibians to take up products and services in the formal financial service industry. Furthermore, losing money through theft was a significant concern for adult Namibians. Safe and secure financial services and products would definitely address these challenges and risks faced by many. A large proportion of adults receive money from others. This creates opportunities for sending money to, and receiving money from third parties.

4 Bibliography

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