



Survey Highlights

**FinScope
South Africa 2011**



Making financial markets work for the poor

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. In South Africa, financial risks are centred around the loss of income streams in families, especially the poor who tend to often be supported by only one wage earner, either through remittances, or sharing of money within families or communities. FinScope illustrates that individuals are often forced to take out loans for survival, even to buy food, although they do not like to do so.

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.



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.

FinScope survey objectives

The primary objective of the FinScope South Africa survey is to measure and profile levels of access to financial services by all adults in South Africa, rich and poor, located in rural and urban areas, and making this information available for use by key stakeholders such as policymakers, regulators, and financial service providers.

The information provided by this survey helps extend the reach of financial services in the country, as it provides an understanding of the South African adult population in terms of:

- Levels of access to financial services
- Describing the landscape of access
- Assessing the gap between demand for and supply of financial services
- Identifying the barriers to financial access

A syndicate approach

In South Africa, 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 in South Africa have, over the years of implementation, ranged from major banks to life and short-term insurance service providers, the retail sector, as well as various regulators and government departments such as the National Credit Regulator (NCR), the Financial Services Board and the National Treasury.

The FinScope survey is dynamic and the content is evaluated on an annual basis by syndicate members to ensure that the most recent financial market trends are being addressed and taken into consideration. During this process however, it is ensured that changes to the survey content do not affect core FinScope indicators which are used for trend analysis and tracking changes in the financial system over time.

Syndicate members are integral in the FinScope South Africa 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.

South African 2011 syndicate members

Syndicate members play an integral role in questionnaire design and offer valuable insight into consumer demand behaviour.



Sampling and methodology

RESPONDENT PROFILE

- Adult population – South African residents 16 years and older (minimum age defined by the age at which individuals can enter into a legal financial transaction in their own capacity)

COVERAGE AND METHODOLOGY

- Sample representative at national and provincial level
- Multi-stage random sampling at Enumerator Area (EA), household and individual level
- Stratification and multi-stage sampling using GIS
- Sample and weighting conducted by Dr A Neethling
- Fieldwork conducted from 8 August to 7 October 2011
- Questionnaire translated into isiXhosa, isiZulu, Sesotho, Setswana, Sepedi, Afrikaans

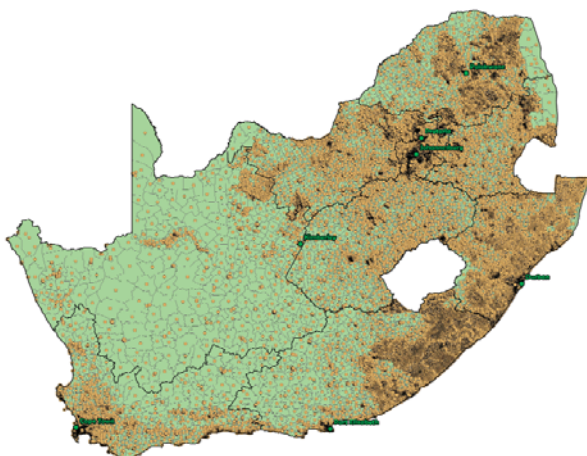
SAMPLING METHODS

- Nationally representative sample (weighted and benchmarked to StatsSA 2011 mid-year population estimate information)
- Sample drawn systematically with Probability Proportional to Size (PPS)
- Enumerator Area (EA) based – 650 EAs and six interviews per EA
- To identify respondents involves two further levels of random sampling:
 - Firstly households are randomly selected within each sampled EA, and secondly
 - Individual respondents are randomly selected from individuals 16 years and older in each sampled household using the Kish grid method

MAP OF EA DISPERSION

FinScope sample coverage

Black dots represent the 650 enumerated areas where interviews were conducted



Validity of the study

VALIDITY OF THE STUDY


To ensure comparability of data, the 2011 FinScope survey sample was drawn similar to the 2003 to 2010 samples.

Dr. Ariane Neethling: "The 2011 FinScope sample was designed and drawn in exactly the same way as in 2010. The adjusted factors of the weights in the benchmarking of the weighted FinScope 2011 sample records were within acceptable limits. No abnormal or unusual skewness or other deviations were found."

COMPARISON SUMMARY

- The FinScope data is validated against various national studies. Comparisons with the All Media and Products Survey (AMPS) data is included in this brochure for reference
- AMPS, run by South African Advertising Research Foundation (SAARF) is a single source survey of 12 500 adults (16+) and is used to compare basic demographic profiling of the sample (race, gender, age, Living Standards Measure, province)
- In all cases, the FinScope data adheres to the precision required of a study of this nature

AMPS AND FINSCOPE SAMPLE COMPARISON

 South African Advertising Research Foundation	AMPS 16+ data	FinScope 16+ data
Total population	34 020 000	33 739 399
Race	%	%
Black	75	77
White	13	11
Coloured	9	10
Asian	3	3
Gender	%	%
Male	47	47
Female	53	53
Age	%	%
16 – 17	6	4
18 – 24	22	22
25 – 34	23	26
35 – 49	26	25
50 – 64	16	15
65+	7	8
LSM	%	%
1 – 2	8	2
3 – 4	20	15
5 – 6	38	49
7 – 8	19	19
9 – 10	15	15
Province	%	%
Eastern Cape	14	13
Free State	7	6
Gauteng	20	24
KwaZulu-Natal	21	20
Limpopo	11	10
Mpumalanga	7	7
Northern Cape	2	2
North West	8	7
Western Cape	10	11

South Africa survey content

	11	10	09	08	07	06	05	04	03
Demographics	✓	✓	✓	✓	✓	✓	✓	✓	
General money matters	✓	✓	✓	✓	✓	✓	✓	✓	✓
Decision-making	✓	✓	✓	✓	✓	✓	✓	✓	
Money sources	✓	✓	✓	✓	✓	✓	✓	✓	
Money transfers	✓	✓	✓	✓	✓	✓	✓		
General banking	✓	✓	✓	✓	✓	✓	✓	✓	✓
Credit and loans	✓	✓	✓	✓	✓	✓	✓	✓	✓
Long-term insurance	✓	✓	✓	✓	✓	✓	✓	✓	✓
Short-term insurance	✓	✓	✓	✓	✓	✓	✓	✓	✓
Funeral cover	✓	✓	✓	✓	✓	✓	✓	✓	✓
Investments and savings	✓	✓	✓	✓	✓	✓	✓	✓	✓
Stokvels and savings clubs	✓	✓	✓	✓	✓	✓	✓	✓	✓
Medical	✓	✓	✓	✓	✓	✓	✓		
Retail	✓	✓				✓	✓		
Cellphones	✓	✓	✓	✓	✓	✓	✓		
Housing	✓	✓	✓	✓	✓	✓	✓	✓	
Afrobarometer/poverty measure	✓	✓	✓	✓	✓	✓	✓	✓	✓
LSM	✓	✓	✓	✓	✓	✓	✓	✓	✓
Financial literacy	✓	✓	✓	✓	✓				
Livelihoods	✓	✓							

Reading the charts in this booklet

TRACKING THE MARKET

- The FinScope 2011 questionnaire was constructed from that of 2010, which saw the inclusion of the livelihoods approach
- The 2011 FinScope questionnaire remained largely the same as in 2010
- Additional questions were added in various sections and some of the 2010 questions were removed to allow for market changes

BASE SIZES

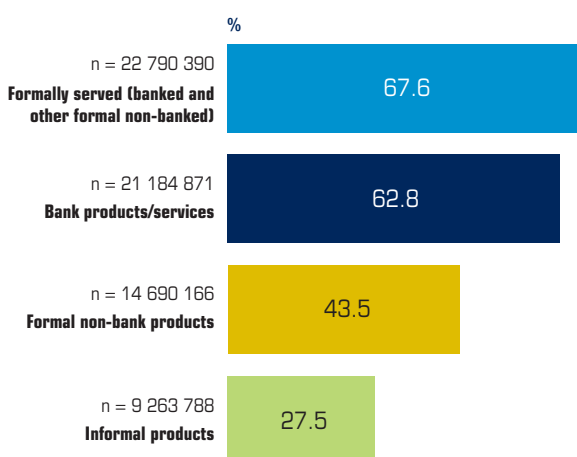
- In interpreting the data, it is important that conclusions are not based on analysis done on responses of few respondents. As an indication of the reliability of the analysis, base sizes have been included for the charts in this brochure as a general rule
- A base size of 50 respondents or less is considered too small to read with statistical significance

FinScope South Africa 2011 Survey Highlights

Whilst this brochure reflects on some of the FinScope 2011 highlights, a more comprehensive understanding can be obtained by mining the FinScope dataset.

USAGE OF FINANCIAL PRODUCTS

- The overall formal financial inclusion remained stable at 68% from 2010 to 2011
- 63% of South African adults are banked (21 184 871 individuals)
- 44% of adults have/use formal non-banking products/services
- 28% of adults have/use informal mechanisms for managing their finances



Banking status

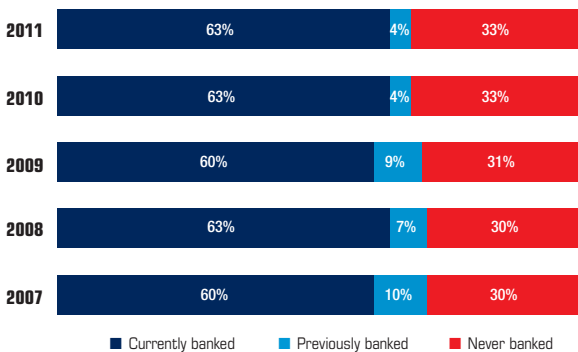
HOW MANY PEOPLE ARE BANKED? POPULATION ESTIMATES 16+ YEARS

- The increase in the banked population (in absolute numbers) from 2010 to 2011 is small compared to the previous year
- The previously banked population has remained relatively stable
- About 13 million adult South Africans (16+) are unbanked
- The Black population and young adults between 18 and 29 years still hold the largest opportunities to become banked in the future

	2011	% Change	2010	2009
No. of banked adults in SA	21 184 871	+1.1%	20 959 077	19 609 384
No. of previously banked adults in SA	1 412 941	-2.8%	1 416 865	2 925 631
No. of never banked adults in SA	11 141 588	+0.68%	11 065 952	10 242 125
No. of unbanked adults in SA	12 554 529	+0.57%	12 482 817	13 167 756
Total population size	33 739 399	+0.89%	33 441 893	32 777 140

TRACKING THE BANKED MARKET

- The banked population has remained stable at 63% since 2010, after an increase from 2009. The achievability of meeting the government-set goal to reach a 70% banked rate by 2013, depends on understanding who the unbanked are and identifying how their needs can best be addressed



HOW IS THE BANKED/UNBANKED POPULATION DISPERSED?

	Total (n=3900)	Currently banked (n=2671)	Previously banked (n=146)	Never banked (n=1083)
Race	%	%	%	%
Black	77	70	80	88
White	11	16	5	1
Coloured	10	10	11	9
Asian	3	3	5	2
Province	%	%	%	%
Eastern Cape	13	12	10	15
Free State	6	5	5	7
Gauteng	24	29	22	13
KwaZulu-Natal	20	17	31	24
Limpopo	10	8	8	14
Mpumalanga	7	6	5	10
Northern Cape	2	2	4	3
North West	7	6	5	8
Western Cape	11	13	12	7
Area definition	%	%	%	%
Urban formal	57	66	52	41
Urban informal	9	9	12	9
Rural formal	5	5	6	5
Tribal land	28	20	30	45
Gender	%	%	%	%
Male	47	49	47	45
Female	53	51	53	55
Monthly household income %	%	%	%	%
No income	0	0	0	0
Irregular monthly income	2	2	1	3
Obtain money, but not monthly	1	0	1	1
R1 – R999	6	4	8	9
R1 000 – R1 999	13	11	16	18
R2 000 – R3 999	13	13	20	13
R4 000 – R6 999	9	11	5	6
R7 000 – R9 999	4	6	0	2
R10 000 – R14 499	3	4	4	1
R14 500 – R19 499	2	3	0	0
R19 500+	3	5	0	0
Refused/Uncertain	43	41	43	47
Monthly personal income	%	%	%	%
No income	10	4	20	20
Irregular monthly income	6	4	5	9
Obtain money, but not monthly	2	1	5	4
R1 – R499	8	6	5	11
R500 – R999	6	5	8	8
R1 000 – R1 999	17	16	31	18
R2 000 – R3 999	9	13	2	3
R4 000 – R7 999	8	12	2	1
R8 000+	6	9	0	0
Refused/Uncertain	27	29	23	25

Continued overleaf

HOW IS THE BANKED/UNBANKED POPULATION DISPERSED?

	Total (n=3900)	Currently banked (n=2676)	Previously banked (n=167)	Never banked (n=1057)
Age	%	%	%	%
16 – 17	4	1	1	11
18 – 29	36	32	23	44
30 – 44	37	44	39	22
45 – 59	11	13	11	13
60+	11	10	21	10
Refused	1	1	–	–
Education	%	%	%	%
No formal education	4	2	6	7
Some primary school	6	3	10	10
Primary school completed	6	4	13	9
Some high school	20	15	24	28
Grade 8 to Grade 10 leavers	18	17	18	21
Matriculated	32	37	27	22
Some university	4	6	1	2
University completed	4	7	0	0
Any post-graduate qualification completed	2	3	0	0
Any other post-matric qualification	1	2	0	0
Some technical training	1	1	0	1
Credits from a technikon or other tertiary education	0	0	0	0
Technical qualification	0	0	0	0
Living Standards Measure	%	%	%	%
LSM 1 – 2	2	1	5	4
LSM 3 – 4	15	10	16	26
LSM 5 – 6	49	43	61	57
LSM 7 – 8	19	24	12	10
LSM 9 – 10	15	21	5	3

- Black South Africans, and young adults between 18 and 29 years (44% never banked) still hold the largest opportunities to become banked in the future
- A substantial number of people who earn an income are not currently banked (33%)
- This means that 1 in every 3 South Africans who earn an income is currently not banked

TRACKING THE BANKED MARKET WHERE IS THE GROWTH?

	Banked in 2011	Banked in 2010	Banked in 2009
Race	%	%	%
Black	58	57	54
White	94	91	92
Coloured	65	68	61
Asian	74	85	81
Gender	%	%	%
Male	64	63	61
Female	61	62	58
Area definition	%	%	%
Urban formal	73	71	68
Urban informal	62	62	60
Rural formal	61	47	48
Tribal land	43	49	48
LSM	%	%	%
LSM 1 – 2	35	23	27
LSM 3 – 4	40	45	43
LSM 5 – 6	56	56	60
LSM 7 – 8	80	76	81
LSM 9 – 10	91	90	93
Personal monthly income		%	%
No income	27	27	18
Irregular monthly income	45	44	–
I get money, however not monthly	35	43	–
R1 – R499	50	45	39
R500 – R999	54	61	55
R1 000 – R1 999	57	61	67
R2 000 – R3 999	87	92	94
R4 000 – R7 999	96	99	98
R8 000+	97	99	99

- Within the last five years, there has only been a small increase in the banked population (3%)
- There has been a significant increase in the banked population at the bottom of the pyramid (LSM 1 – 2 increased from 27% in 2009 to 35% in 2011 and those who earned less than R500 per month increased from 39% in 2009 to 50% in 2011)

Financial services consumption

- These tables indicate the extent of general uptake of financial services and products – formal and informal

	2011	2010	2009	2008	2007
Financial services consumption	63%	63%	60%	63%	60%
ATM card	52	57	55	58	55
Debit/cheque card	37	39	33	27	25
Savings/transaction account	30	34	36	38	43
Mzansi account	10	15	13	11	10
Current/cheque account	8	10	9	9	8
Cellphone banking	8	12	4	4	4
Deposit account	7	6	5	6	5
Credit card	6	7	8	9	9
Internet banking	6	7	4	4	4
Home loan from a big bank	5	5	5	5	6
Personal loan from a big bank	5	5	3	3	4
Bank vehicle finance	4	5	4	3	3
Postbank savings/transaction account	4	4	3	3	4
Savings book at bank	4	4	3	3	3
Overdraft	3	3	3	2	2
Personal garage card/petrol card	2	2	2	3	2
Money market account	2	2	1	1	1
Call account	2	1	1	1	0
Credit and loan products held – formal	24%	24%	24%	16%	26%
*Store card or account	17	10	19	9	16
Credit card	4	7	8	5	9
Home loan	9	8	5	3	6
Vehicle finance through bank or dealer	4	5	4	3	3
Personal loan from a big bank	5	5	3	3	4
Overdraft facility	3	3	3	2	2
Personal loan from a smaller bank	1	1	1	1	1
Personal loan from a retail store	1	1	3	2	5
Credit and loan products held – informal	15%	12%	14%	13%	8%
Borrowing from a friend or family	18	9	12	11	5
Borrowing from a colleague	3	–	–	–	–
Borrowing from a local spaza	2	2	1	1	1
Borrowing from a mashonisa/loan shark	1	1	2	1	N/A
Borrowing from a stokvel/umgalelo/savings club	1	1	1	1	1
Borrowing from an employer	1	1	0	1	1
Borrowing from or arrangement with pawn shop	0	0	0	0	N/A
Funeral	38%	46%	40%	43%	46%
Belong to a burial society	12	16	20	25	29
Funeral policy with a bank	10	12	12	8	7
Funeral cover through an undertaker/funeral parlour	9	10	8	9	9
Funeral policy with an insurance company	8	12	8	8	8
Funeral cover from a funeral home	5	5	5	3	0
Funeral cover from any other provider	5	5	2	3	0
Funeral cover from a shop or store	2	3	3	0	0
Funeral cover from current employer or union	2	3	1	1	2
Funeral policy through a cellphone company	1	1	0	0	0

	2011	2010	2009	2008	2007
Long-term insurance products held	17%	26%	15%	14%	10%
Life insurance/life cover	19	19	14	12	10
Medical aid/scheme	9	14	10	8	9
Insurance that pays your loan or borrowing when you die	7	10	6	7	N/A
Accidental death and disability cover	6	8	4	5	N/A
Disability insurance/cover	5	5	3	4	4
Personal accident insurance/cover	5	5	2	3	N/A
Loss of earnings insurance	2	2	3	3	1
Hospital cash plan	3	2	2	2	2
Dreaded disease insurance	3	2	1	1	1
Professional indemnity cover	1	1	0	0	1
Investment and savings products – retirement	16%	18%	14%	13%	13%
Pension fund	11	13	11	9	8
Provident fund	9	12	8	6	5
Retirement annuity	9	10	7	6	6
Investment and savings products – formal	17%	17%	11%	10%	11%
Investment/savings policy	7	8	5	5	4
Deposit account	7	6	5	6	5
Education policy/plan	2	4	2	3	3
Savings book at bank	4	4	3	3	3
Endowment policy with or without death/disability cover	2	2	3	4	3
Unit trust	1	2	1	1	1
Shares on the stock exchange	0	1	0	1	1
Cooperative or village bank savings	0	0	0	0	1
Investment and savings products – saving clubs	12%	13%	20%	15%	13%
Keep cash or savings at home	10	7	13	8	7
Stokvel/umgalelo/savings club	4	7	8	9	6
Giving money to someone for safe keeping	2	1	2	1	1

* Question changed – similar to 2009

SUMMARY

- There has been a decline in most of the banking products, but the overall banking penetration remained stable:
 - Mzansi account usage declined for the first time since its inception
 - ATM and Debit card usage have also declined
 - The claimed product usage for a cheque account decreased
 - Cellphone banking (8%) and internet banking (6%) declined, but the usage is still significantly high compared to a 4% barrier penetration experienced between the year 2007 and 2009
- Usage of savings/transaction accounts continues to decline
- Savings behaviour using formal products has remained stable
- Investments in retirement products have decreased since 2010, increasingly because individuals do not have the money to invest
- Formal borrowing also remained unchanged in 2011
- 2011 saw a decline in both formal and informal insurance, mainly due to a lack of funds
- The largest decline can be seen in the funeral cover category, specifically in the number of South Africans who belong to a burial society
- Life insurance is the most common form of long-term assurance and has remained stable at 19% in 2011

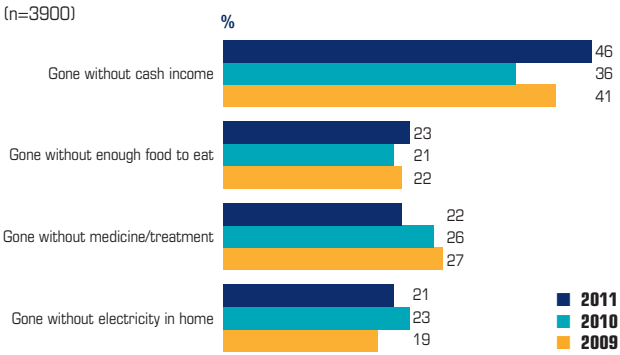
Understanding people's lives

LIVING CONDITIONS IN SOUTH AFRICA

FinScope uses the so-called Afrobarometer to assess changes in the living conditions over time. In this regard the 2011 findings indicate that:

- South Africans find day-to-day living difficult, as many increasingly lack enough cash and food
- Although there has been some improvement, just under a quarter of South Africans go without medical treatment and electricity

Percentage of respondents that said 'often' or 'sometimes' to a statement



TRACKING THE CHANGES IN LSM

- The SA population continues to shift upwards on the LSM spectrum, with very few individuals being classified within the LSM 1 to 3 ranges
- Growth seems mostly apparent in the middle ranges, especially LSM 4 to 6, whereas the upper LSM remains stable

	2011 (n=3900) %	2010 (n=3900) %	2009 (n=3900) %
LSM 1	0	1	1
LSM 2	2	4	5
LSM 3	4	6	8
LSM 4	12	10	14
LSM 5	20	15	22
LSM 6	28	27	25
LSM 7	12	12	8
LSM 8	7	7	5
LSM 9	7	10	5
LSM 10	8	8	5

LSM INPUT VARIABLES

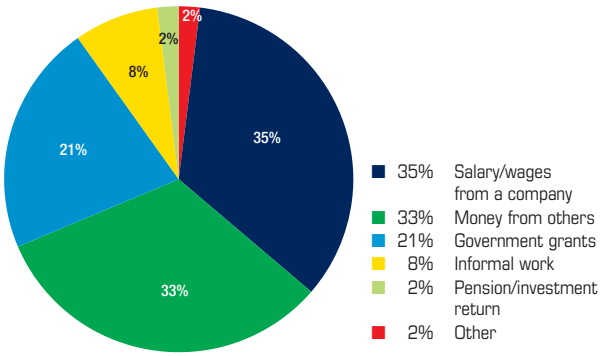
	2011 (n=3900) %	2010 (n=3900) %	2009 (n=3900) %
Deep freezer	24	26	16
Water in home/on stand	82	79	78
M-Net and/or DSTV	26	27	14
Dishwashing machine	5	6	3
Metropolitan area	38	51	45
Sewing machine		N/A	7
DVD player	65	66	62
House/cluster/townhouse	77	70	75
1 or more motor vehicles	30	34	23
Not a full-time domestic servant	79	70	92
Two cellular phones in household	44	41	21
Three or more cellphones in household	41	41	65
TV set(s)	88	87	87
Electric stove	83	81	75
Fridge with/without freezer	81	79	79
Flush toilet in house/on plot	76	67	61
Microwave oven	58	56	53
Built-in kitchen sink	48	48	41
Hi-fi/music centre	42	44	46
Hot running water	37	36	29
Washing machine	36	39	29
Home theatre system	29	26	17
Computer/laptop at home	17	18	13
Vacuum cleaner/floor polisher	15	17	12
Home security service	15	16	8
VCR in household	14	14	12
Telkom telephone	12	12	12
Tumble dryer	11	13	7

SOURCES OF MONEY

	2011 Total (n=3900) %	2010 Total (n=3900) %	2009 Total (n=3900) %	2008 Total (n=3900) %	2007 Total (n=3900) %
Money from others	42	38	28	26	21
Money from family	39	37	28	26	21
Obtain money from friends	1	1	1	N/A	N/A
Spousal maintenance	4	3	N/A	N/A	N/A
Salary/wage from a company	39	31	28	31	28
Company salary/wage	39	29	25	29	25
Formal sector/self-employed	N/A	2	3	2	3
Government grant	24	24	25	24	26
Child grant	12	12	14	14	14
Government old age pension	10	8	8	8	9
Disability grant	2	2	2	2	3
Unemployment insurance (UIF)	1	1	1	0	0
Other types of state grant	N/A	2	0	1	1
Informal work	13	15	16	16	17
Piece work/job	7	6	8	6	6
*Informal sector/ self-employed	5	5	6	5	6
Salary/wage from an individual	1	4	3	5	6
Income from farming	0	N/A	N/A	N/A	N/A
Pension/return	3	2	2	2	2
Employer pension	2	2	2	2	2
Third party pension	1	0	0	0	N/A
Returns on your investment	0	0	0	1	1
Inheritance	0	0	0	0	N/A
Income from own business	5	N/A	N/A	N/A	N/A
Other	3	2	2	2	3
I do not get money	N/A	N/A	16	14	15

MAIN SINGLE SOURCE OF MONEY

(n=3900)

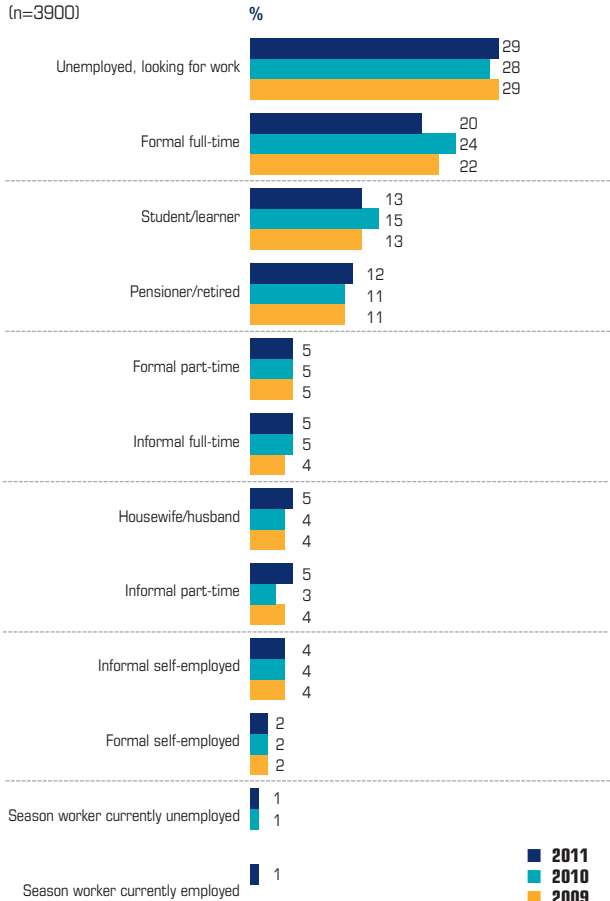


	2011 (n=3900) %	2010 (n=3900) %	2009 (n=3900) %
Salary/wages from a company	35	31	28
Money from informal work	8	12	13
Money from others	33	34	20
Government grants	21	20	19
Pension/ investment returns	2	2	2
Other	2	1	2
Don't get money	-	-	16

- Receiving salary/wage from a company (35%) is the biggest source of income in South Africa
- Receiving money from others (33%) constitutes a large group
- Government grants (21%) as a single source of income continues to increase
- In total, 54% of South Africans are dependent on others/government for their income

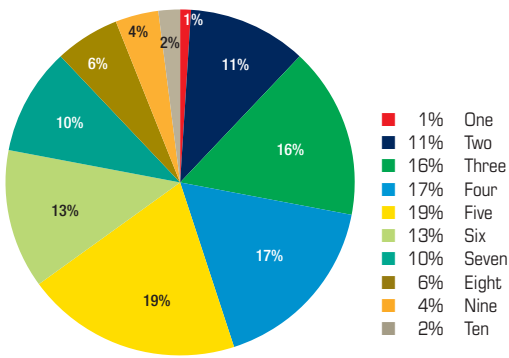
EMPLOYMENT STATUS

(n=3900)



HOUSEHOLD SIZES

(n=3900)



LSM/INCOME RANGE IN 2011

	2011 Average number of people
LSM	
1 – 2	4.1
3 – 4	4.0
5 – 6	4.3
7 – 8	4.0
9 – 10	3.6
Monthly household income	%
No income	2.0
Irregular monthly income	2.8
Obtain money, but not monthly	3.3
R1 – R999	3.3
R1 000 – R1 999	3.9
R2 000 – R3 999	4.2
R4 000 – R6 999	4.0
R7 000 – R9 999	4.0
R10 000 – R14 499	4.0
R14 500 – R19 499	3.8
R19 500+	3.7
Refused/Uncertain	4.4

Average number of people in household 4.1

- Large families place a heavy burden on the livelihoods of South Africans, especially within the lower income households

AVERAGE NUMBER OF PEOPLE IN HOUSEHOLD

(n=3900)	2011 Average number of people in household	2011 Average number of income earners contributing to household
Total	4.1	1.8
Geographical type		
Urban formal	3.8	1.8
Urban informal	3.8	1.5
Rural formal	3.4	1.7
Tribal land	4.8	1.7
LSM		
1 – 2	4.1	1.5
3 – 4	4.0	1.5
5 – 6	4.3	1.7
7 – 8	4.0	1.9
9 – 10	3.6	2.0
LSM		
No income	2.0	1.0
Irregular monthly income	2.8	1.1
Obtain money, but not monthly	3.3	1.0
R1 – R999	3.3	1.2
R1 000 – R1 999	3.9	1.4
R2 000 – R3 999	4.2	1.7
R4 000 – R6 999	4.0	1.8
R7 000 – R9 999	4.0	2.0
R10 000 – R14 499	4.0	2.0
R14 500 – R19 499	3.8	1.9
R19 500+	3.7	2.1
Refused/Uncertain	4.4	1.9

SUMMARY

- The number of people claiming to earn a salary/wage as a main source of income has increased from 28% in 2009 to 35% in 2011
- Money from others is the most common source of income, although formal employment is the most common primary source of income
- There has been a slight increase in the number of people claiming to receive money from government (their main source being government grants) to 21% in 2011 from 19% in 2009
- The number of people receiving money from informal employment has recorded a slight decline in 2011
- Lower income households also have fewer income earners to support the family. This is especially true within the tribal land areas where the largest household sizes are supported by few income earners

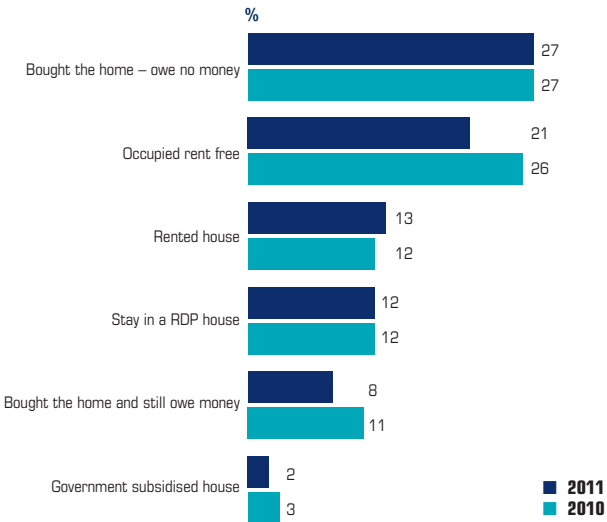
Housing overview

FinScope South Africa 2011 provides a picture of the housing structure in which adults are residing:

- 35% of adults (i.e. 27% who bought and owe no money and 8% that bought but still owe money on the house), claim to live in houses that they own
- 21% stay in or occupy rent free houses, recording a decline of 5% from 26% in 2010
- 13% of adults rent the houses that they live in
- 3.9 million adults stay in RDP houses, 25% of whom have extended their houses

OWNED VERSUS RENTED HOMES

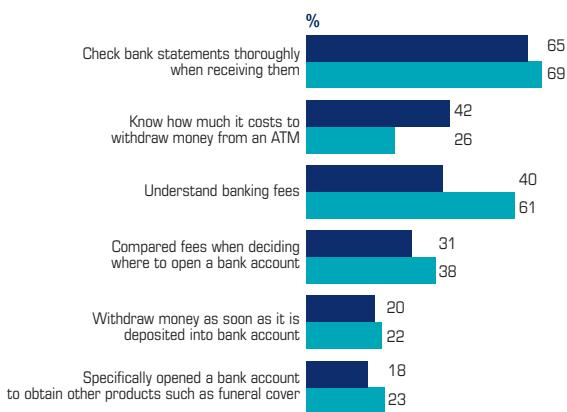
(n=3900)



Banking

- The banked population has remained stable at 63% since 2010, after an increase from 2009
- There has been an overall decline in most of the banking product categories from 2010, with a notable decline in the use of debit/cheque cards, savings/transaction accounts and the Mzansi account
- Despite a decline in the product categories, the overall banked population remain stable at 21 million South African adults
- The use of a deposit account however, has shown a steady increase over the past three years
- There has been an increase in the percentage of the banked population in LSM 1-2 from 23% in 2010 to 35% in 2011
- A large number of banked people claim that they keep track of their statements and about 2 in 5 banked population claimed to 'know how much it costs to withdraw money from an ATM'
- The main reason for not opening a bank account remains related to lack of funds; either due to unemployment; not having enough money to save or earning too little money
- Students also seemingly face certain obstacles in banking which could be considered in the future

STATEMENTS ABOUT BANKING BEHAVIOUR

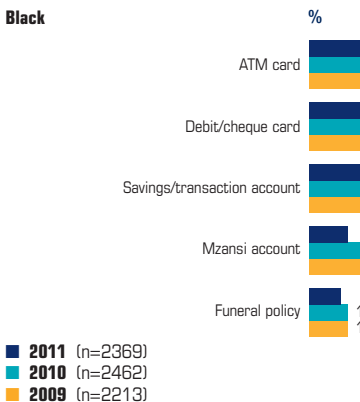


■ 2011 (n=2671)

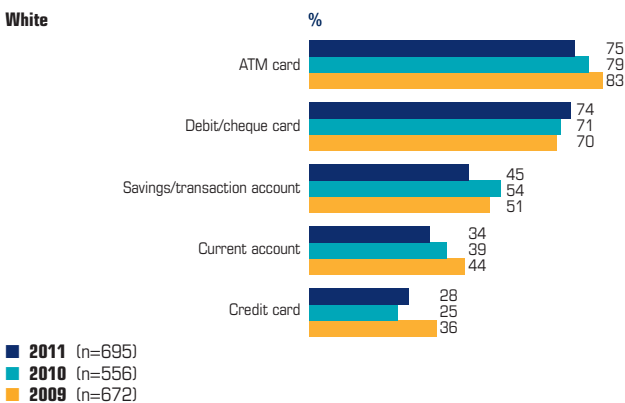
■ 2010 (n=2676)

WHAT BANKING PRODUCTS DO PEOPLE HAVE? TOP 5 PER RACE GROUP

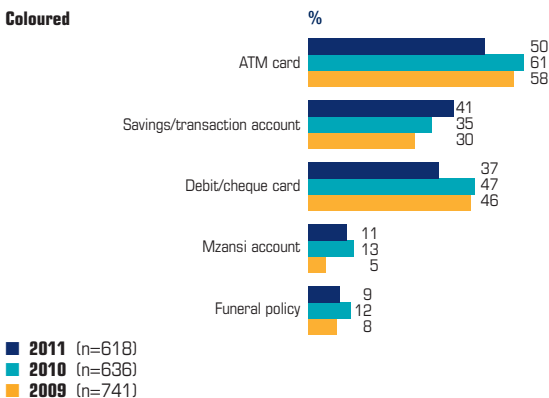
Black



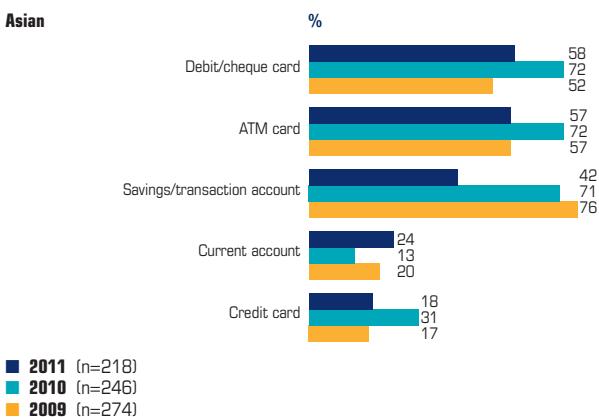
White



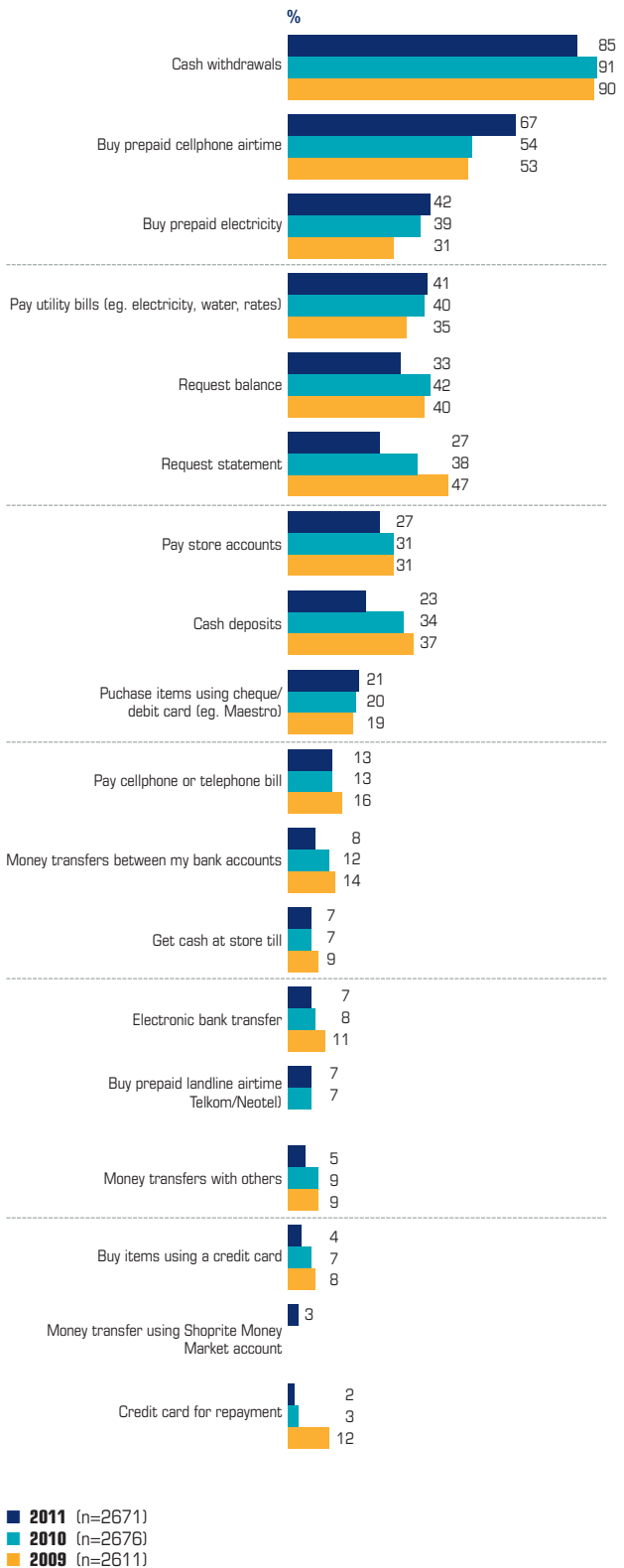
Coloured



Asian



TRACKING TRANSACTIONS CONDUCTED – PRODUCT LEVEL



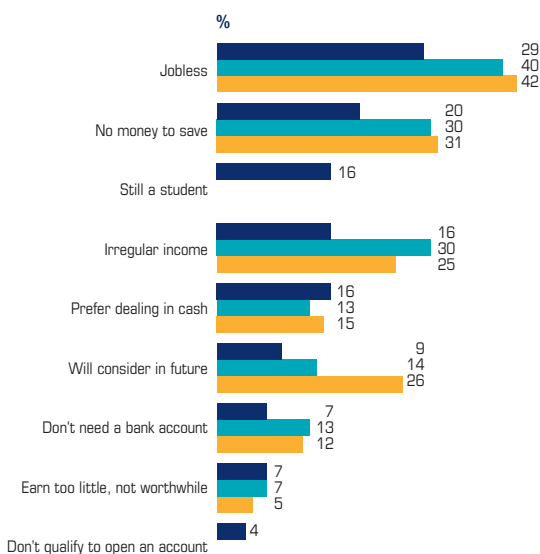
TRANSACTIONS CONDUCTED BY CURRENTLY BANKED PER TRANSACTION CHANNEL

	Top channel	Channel 1	Channel 2	Channel 3
Cash withdrawals (n=2653)	ATM (88%)	Bank (19%)	Store/shop (5%)	Elsewhere (1%)
Request balance (n=1448)	ATM (59%)	Bank (41%)	Phone/online (7%)	Store/shop (1%)
Request statement (n=1359)	ATM (62%)	Bank (38%)	Phone/online (5%)	Store/shop (1%)
Cash deposits (n=1254)	Bank (90%)	ATM (12%)	Store/shop (2%)	Phone/online (2%)
Buy cellphone airtime (n=2397)	Store/shop (73%)	Elsewhere (36%)	ATM (4%)	Phone/online (3%)
Buy landline airtime (n=293)	Store/shop (76%)	Elsewhere (22%)	Phone/online (3%)	ATM (2%)
Pay utilities (n=1498)	Store/shop (51%)	Elsewhere (42%)	Bank (6%)	Phone/online (5%)
Pay store accounts (n=911)	Store/shop (45%)	Elsewhere (37%)	Bank (17%)	Phone/online (5%)
*Buy pre-paid electricity (n=1407)	Store/shop (67%)	Elsewhere (37%)	Phone/online (1%)	ATM (1%)
Pay cellphone or telephone bill (n=586)	Store/shop (35%)	Bank (31%)	Elsewhere (25%)	Phone/online (11%)
Debit card purchase (n=896)	Store/shop (75%)	Elsewhere (24%)	Bank (10%)	ATM (5%)
Money transfers between own bank accounts (n=389)	Bank (59%)	Phone/online (33%)	ATM (12%)	Store/shop (1%)
Money transfers with others (n=311)	Bank (50%)	Phone/online (43%)	ATM (12%)	Elsewhere (3%)
Electronic bank transfer (n=297)	Phone/online (60%)	Bank (28%)	ATM (10%)	Elsewhere (2%)
Get cash at store till (n=362)	Store/shop (82%)	Elsewhere (9%)	Bank (7%)	-
Purchase with credit card (n=289)	Store/shop (58%)	Elsewhere (39%)	Bank (9%)	Phone/online (2%)
Credit card for repayment (n=137)	Elsewhere (38%)	Store/shop (35%)	Bank (23%)	ATM (6%)

Channel refers to distribution, transaction or engagement point

- In order to support financial inclusion in South Africa, other distribution channels can be promoted more actively. Agency banking is a good example of this strategy, together with products that take into consideration low and erratic income streams. This will include easy access to financial services.

REASONS FOR NOT HAVING A BANK ACCOUNT NEVER BANKED VERSUS PREVIOUSLY BANKED



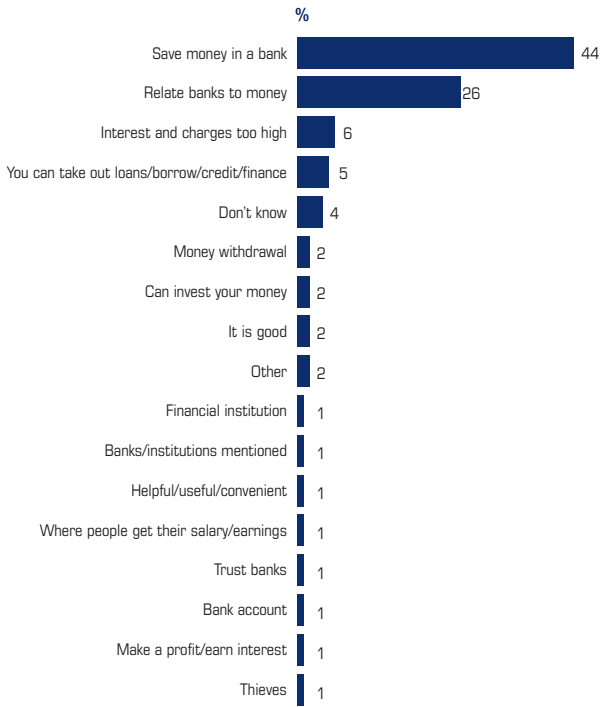
■ 2011 (n=1229)

■ 2010 (n=1224)

■ 2009 (n=1289)

ATTITUDE TOWARDS BANKS – TOP 10

(n=3900)



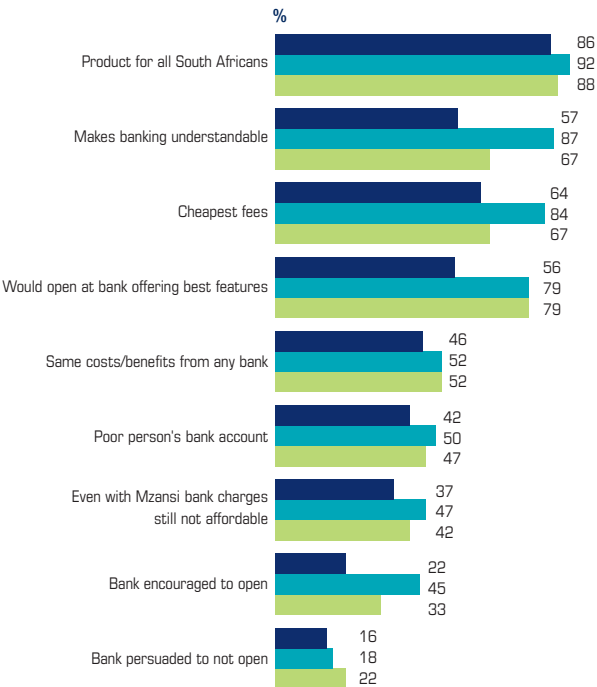
In general, most South Africans have a good knowledge of what a bank does:

- Their associations are mainly functional, they recognise the uses and benefits of being banked, but some share a perception of high banking charges

Mzansi

- Mzansi account usage had decreased by 5% from last year – 10% of South African adults claimed to have an Mzansi account, which represents about 3.2 million people
- A quarter of Mzansi account holders have an account to receive government grants. However, this population has declined from 29% in 2010 to 25% in 2011
- Mzansi accounts still offer opportunities to ‘first time bank account holders’
- Despite the decline in the overall Mzansi account usage, the number of people who are replacing another bank account with an Mzansi account has increased
- Banks seem to be encouraging their clients to use Mzansi products less:
 - Only 22% of Mzansi account holders were encouraged to open an Mzansi account compared to 45% in the previous year
 - 16% of the Mzansi users claim that they were persuaded by their banks not to open an Mzansi account
- Mzansi account holders mostly use their account to withdraw cash. The transactional needs of these account holders are relatively basic and do not include many electronic transactions, transfers or credit card usage.
- 2011 results indicate that those who have a Mzansi account are aware of the benefits in terms of fees, and making banking understandable

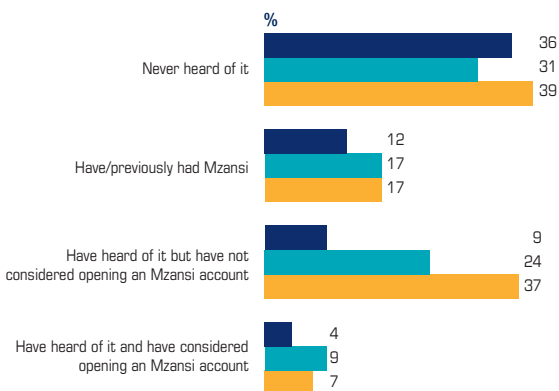
CURRENT IMAGE OF MZANSI



■ Know about Mzansi (n=455)
 ■ Have Mzansi account (n=335)
 ■ Heard of it and considered it (n=139)

AWARENESS AND EXPERIENCE OF MZANSI ACCOUNTS

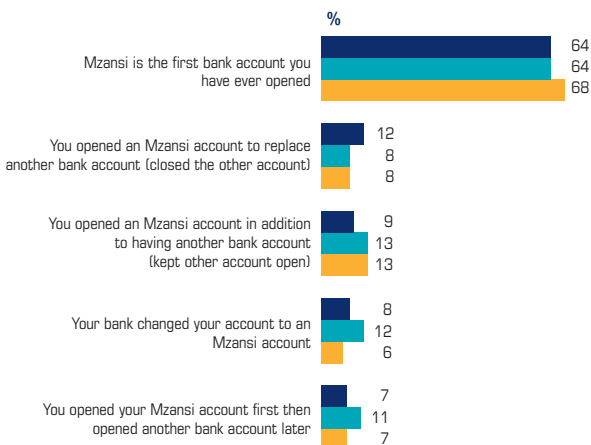
Experience with Mzansi



■ **2011** (n=3900)
■ **2010** (n=3900)
■ **2009** (n=3900)

EXPERIENCE WITH MZANSI ACCOUNT (HAVE/USED TO HAVE AN MZANSI ACCOUNT)

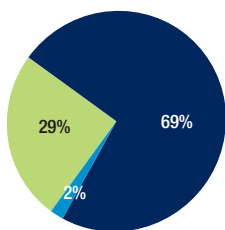
- In most instances, the Mzansi account offered an opportunity to account holders who have never had a bank account in the past. Mzansi account holders increasingly open their account to replace another account



■ **2011** (n=335)
■ **2010** (n=559)
■ **2009** (n=511)

INCIDENCE OF OPENING MZANSI TO RECEIVE GRANT

(n=335)



	2010 (n=559)
Yes	29
No	69
Don't know	2

■ 29% Yes
■ 69% No
■ 2% Don't know

PROFILE OF MZANSI USERS

	Banked (n=2671)	Mzansi (n=335)
Race	%	%
Black	70	87
White	16	4
Coloured	10	8
Asian	4	1
Province	%	%
Eastern Cape	12	19
Free State	5	7
Gauteng	29	14
KwaZulu-Natal	17	20
Limpopo	8	14
Mpumalanga	6	10
Northern Cape	2	1
North West	6	7
Western Cape	13	10
LSM	%	%
LSM 1 – 2	3	2
LSM 3 – 4	16	22
LSM 5 – 6	60	44
LSM 7 – 8	16	17
LSM 9 – 10	6	14
Age	%	%
16 – 17	1	1
18 – 29	17	41
30 – 44	30	35
45 – 59	29	13
60+	16	10
Education	%	%
No formal	2	5
Some/all primary	7	11
Some/all high	69	74
Some/all tertiary	22	10
Gender	%	%
Male	49	39
Female	51	61
Area definition	%	%
Urban formal	66	50
Urban informal	9	11
Rural formal	5	5
Tribal land	20	35
Personal income	%	%
No income	4	6
Irregular monthly income	4	7
Obtain money but not monthly	1	2
R1 – R499	6	10
R500 – R999	5	9
R1 000 – R1 999	16	23
R2 000 – R3 999	13	13
R4 000 – R7 999	12	6
R8 000+	9	2
Refused/Uncertain	29	22

TRANSACTIONS CONDUCTED AT LEAST ONCE A MONTH BY MZANSI HOLDERS

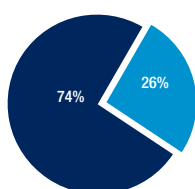
	Total banked (n=2671)	Mzansi (n=335)
	%	%
Cash withdrawals	85	79
Buy cellphone airtime	67	65
Buy prepaid electricity	42	47
Pay utilities	41	29
Request balance	33	27
Request statement	27	19
Pay store accounts	27	18
Cash deposits	23	16
Debit card purchase	21	11
Obtain cash at store till	7	6
Pay cellphone or telephone bill	13	5
Electronic bank transfers	7	3
Money transfers between own bank accounts	8	3
Money transfers with others	5	2
Purchase with credit card	4	1
Payments with credit card	2	1

SENDING AND RECEIVING MONEY (REMITTANCES)

- 26% (8.8 million) of adult South Africans are either sending or receiving money to/from family members, parents and children
- 42% of individuals who remitted in the 12 months prior to the survey did so through a bank account or banking product such as M-Pesa, eWallet or CashSend

(n=3900)

Received money

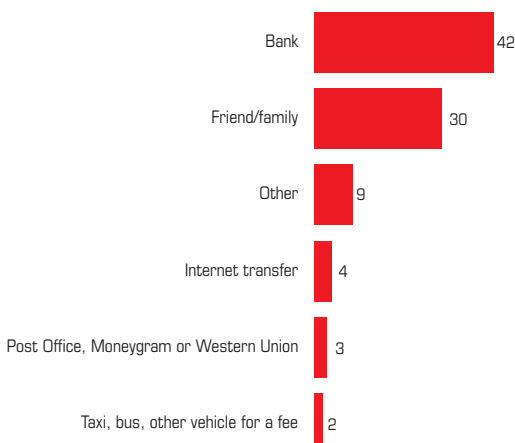


- 26% Sent/received money
- 74% Did not send/receive money

(n=1028)

Received/sent via

%



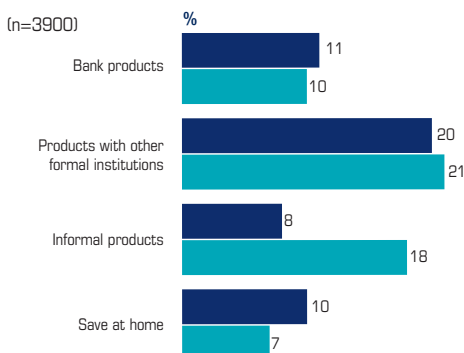
Investments and savings

- More than three quarters of South Africans believe that it is important to save money on a regular basis. However, 66% of South African adults indicated that they are not currently saving at all
- 11 million adults have or use savings products:
 - 3.8 million save through banks, mainly deposit account (fixed and/or notice) and savings books
 - 6.7 million (20%) individuals save through other formal non-bank products (retirement products; investment/savings policy)
 - While 2.8 million individuals use informal mechanisms such as stokvels and savings clubs to save their money, 3.4 million adults keep or save their money at home
- The overall number of South Africans with savings products has slightly declined from 35% in 2010 to 34% in 2011. A decline occurred in the retirement products and informal means of savings
- Savings at the banks increased to 11% from 10% last year
- Savings behaviour is directly linked to individual income – those who earn a low income (less than R499), no income or irregular income tend not to save or save at home or with other people
- Retirement and pension products, as well as formal investments start to increase from R1 000
- The savings behaviour of the 34% individuals is driven by:
 - Saving for emergency
 - Money for food
 - Providing for the family in the event of death
- Lack of saving is mainly due to a lack of funds (joblessness and lack of access to money)
- There is clearly a strong need for consumer education among at least 47% of individuals who indicate that they do not understand savings products; that they see no need for saving; that it is too expensive and that they have never thought about it

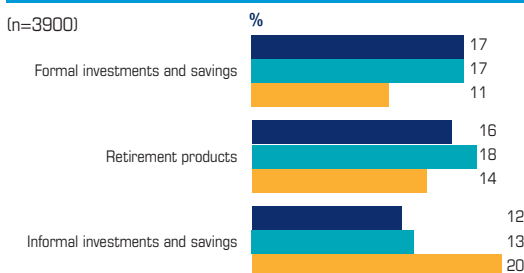
SAVINGS/INVESTMENT PENETRATION AND PRODUCT MECHANISMS

	2011	2010	2009	2008	2007
Investment and savings products held – Retirement	16%	18%	14%	13%	13%
Pension fund	11	13	11	9	8
Provident fund	9	12	8	6	5
Retirement annuity	9	10	7	6	6
Investment and savings products held – Formal	17%	17%	11%	10%	11%
Investment/savings policy	7	8	5	5	4
Deposit account	7	6	5	6	5
Education policy/plan	2	4	2	3	3
Savings book at bank	4	4	3	3	3
Endowment policy with or without death/disability cover	2	2	3	4	3
Unit trust	1	2	1	1	1
Shares on the stock exchange	0	1	0	1	1
Cooperative or village banks savings	0	0	0	0	1
Investment and savings products held – Savings clubs	12%	13%	20%	15%	13%
Keep cash or savings at home	10	7	13	8	7
Stokvel/umgalelo/savings club	4	7	8	9	6
Giving money to someone for safe keeping	2	1	2	1	1

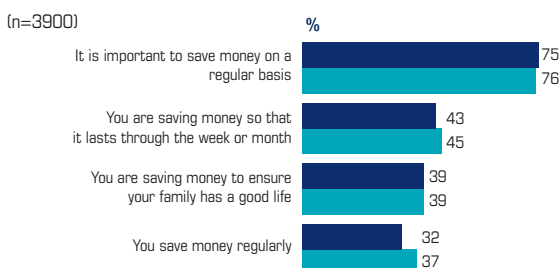
SAVINGS MECHANISMS/PRODUCTS



OTHER FINANCIAL SERVICES USED CATEGORY LEVEL: FORMAL INVESTMENTS AND SAVING

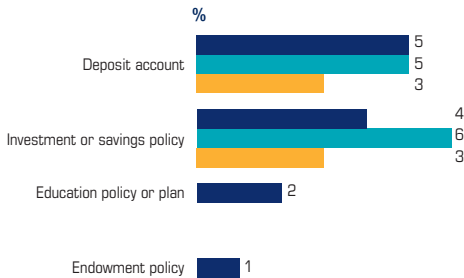


ATTITUDES TOWARDS INVESTMENTS AND SAVINGS



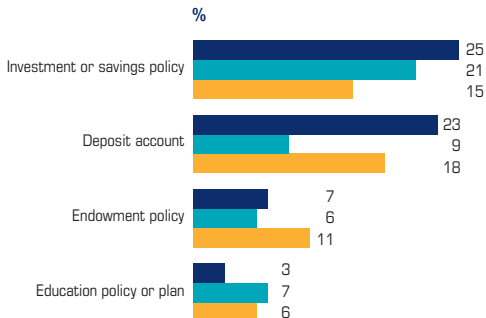
INVESTMENTS PEOPLE HAVE BY RACE

Black



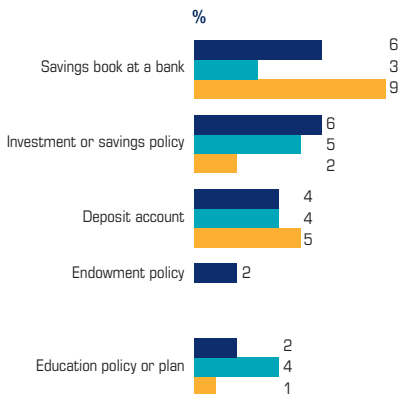
■ 2011 (n=2369)
 ■ 2010 (n=2213)
 ■ 2009 (n=2213)

White



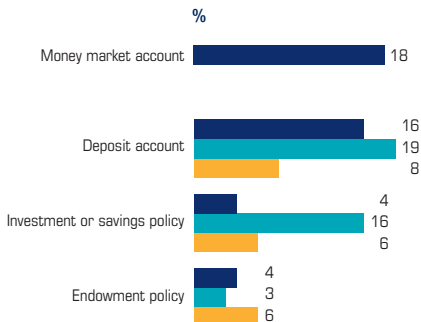
■ 2011 (n=695)
 ■ 2010 (n=556)
 ■ 2009 (n=672)

Coloured



■ 2011 (n=618)
 ■ 2010 (n=636)
 ■ 2009 (n=741)

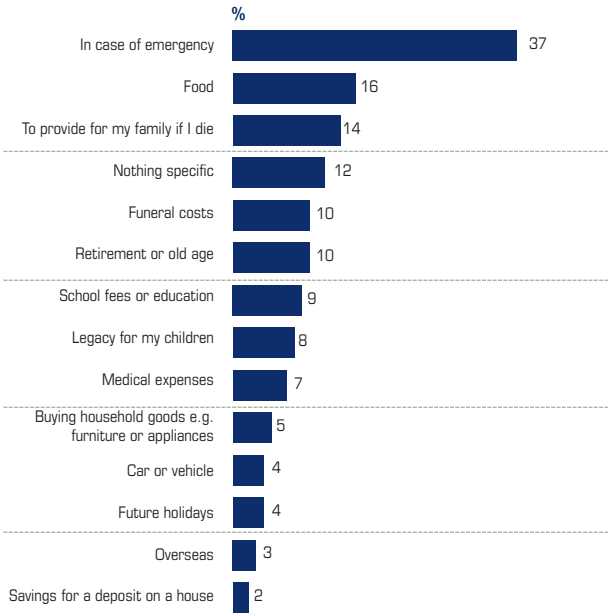
Asian



■ 2011 (n=218)
 ■ 2010 (n=246)
 ■ 2009 (n=274)

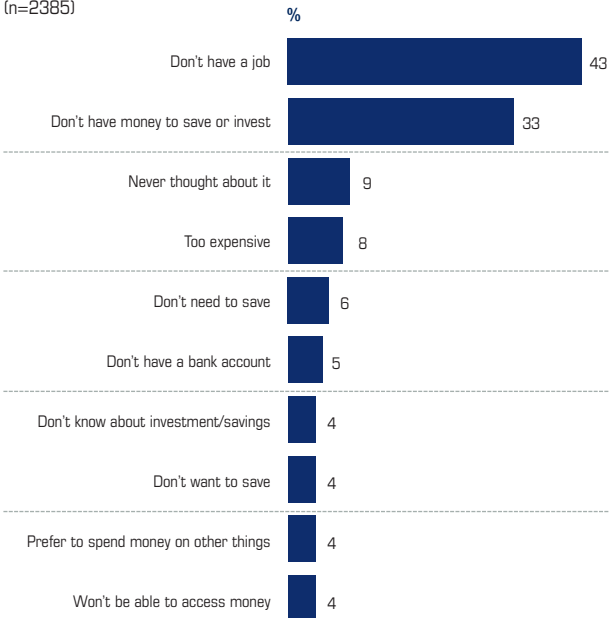
CLAIMED SAVING MOTIVATIONS WHAT ARE PEOPLE SAVING FOR? – TOP 9

(n=1515)



REASONS FOR NOT HAVING SAVING/INVESTMENT PRODUCTS – TOP 10

(n=2385)

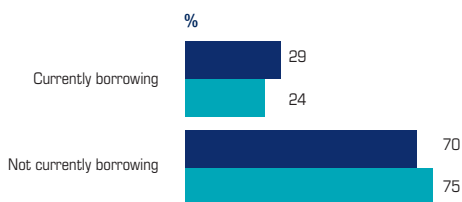


Credit and loans

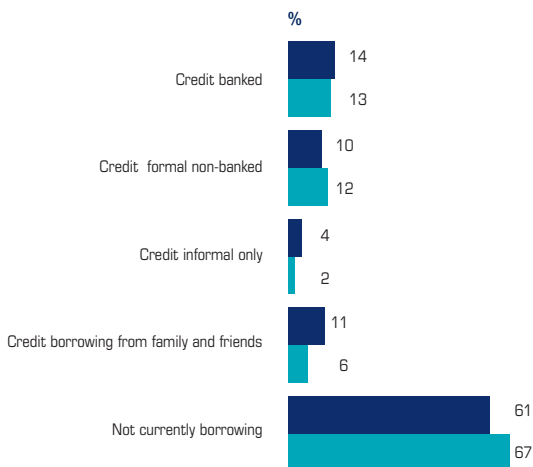
- The percentage of adult South Africans with credit products has increased from 33% in 2010 to 39% in 2011. 13 million adults reported to have credit/loan products or borrowed in the past 12 months
- However, the increase is mainly a result of an increase in borrowing from family and friends, increasing from 9% in 2010 to 18% in 2011. This category of the adult population is regarded as being financially excluded in FinScope
- Individuals who borrow only from informal sources such as mashonisa and stokvel groups has increased from 2% in 2010 to 4% in 2011
- A slight increase occurred in the use of formal bank loan products
- Despite the general increase in the usage of credit products in the past 12 months, formal borrowing has remained unchanged at 24% in 2011
- Borrowing in 2011 is linked mostly to essential purchases such as food, transport, school fees and electricity
- This borrowing behaviour suggests that people are experiencing more financial strain and at times tend to spend more than they have available
- Results indicate a general improvement by financial institutions in the explanation of details regarding taking out of loans. This could be due to the National Credit Act
- FinScope compared the attitudes of credit and loan users to that of the general population (those who are not currently borrowing). Credit users clearly have more difficulty in making ends meet than the general population and at times tend to spend more than they have available

CLAIMED VERSUS ACTUAL BORROWING

Claimed borrowing status 2011



Actual borrowing status 2011



■ 2011 (n=3900)
■ 2010 (n=3900)

BEHAVIOUR AND PENETRATION – CREDIT

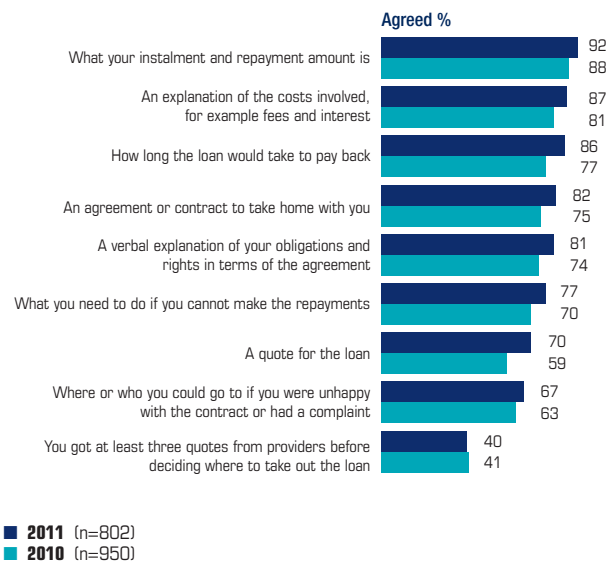
	2011 (n=3900)	2010 (n=3900)	2009 (n=3900)
Credit and loan products held – formal	24%	24%	24%
*Store card or account	17	10	19
Credit card	4	7	8
Home loan	9	8	5
Vehicle finance through bank or dealer	4	5	4
Personal loan from big bank	5	5	3
Overdraft facility	3	3	3
Personal loan from smaller bank	1	1	1
Personal loan from a retail store	1	1	3
Credit and loan products held – informal	15%	8%	14%
Borrowing from friends or family	9	9	12
Borrowing from local spaza	3	–	–
Borrowing from mashonisa/loan shark	2	2	1
Borrowing from a stokvel/umgalelo/ savings club	1	1	2
Borrowing from an employer	1	1	0
Borrowing from or arrangement with pawn shop	0	0	0

* Question changed – similar to 2009

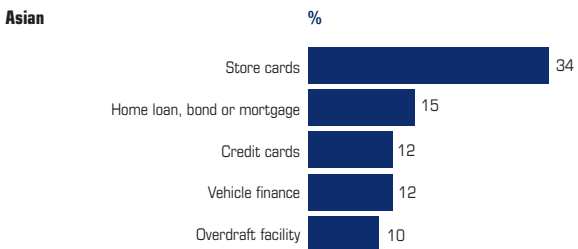
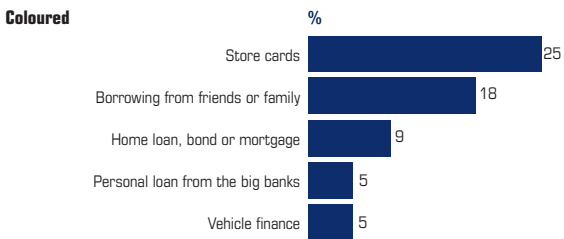
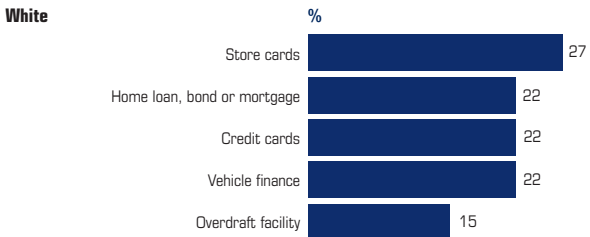
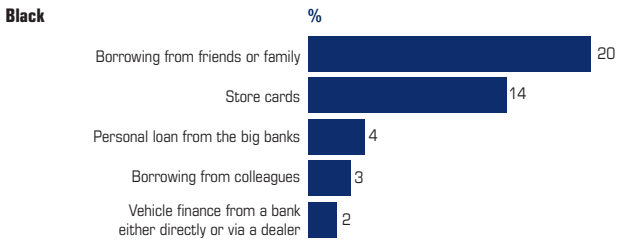
ATTITUDES TOWARDS CREDIT AND LOANS



EXPLANATION OF CREDIT TERMINOLOGY AT APPLICATION STAGE

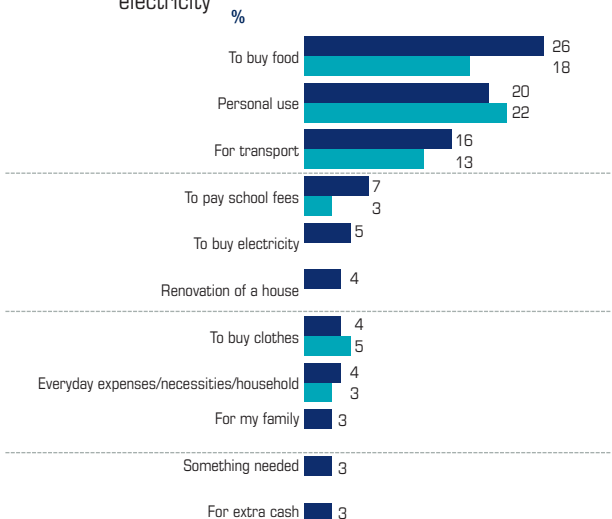


WHAT CREDIT AND LOAN VEHICLES DO PEOPLE USE? TOP 5 PER RACE GROUP



REASONS FOR BORROWING MONEY – TOP 10

- Borrowing behaviour is mostly linked to essential purchases such as food, transport, school fees and electricity



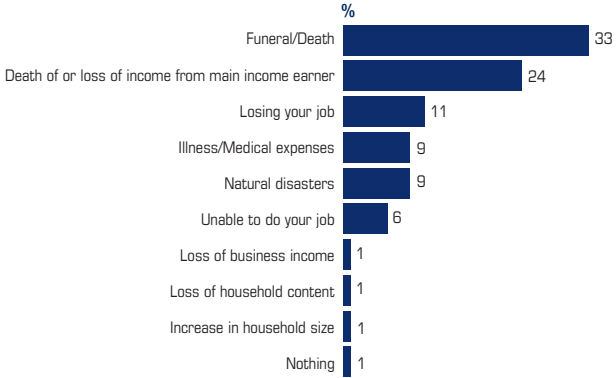
■ 2011 (n=1637)

■ 2010 (n=1449)

Insurance

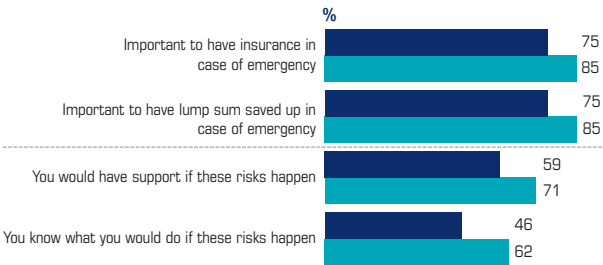
RISKS FACED: MAIN THREAT TO INCOME

- A death in the family or funeral expense as well as the death/loss of the main income earner is seen as the main threats to the family income or livelihood. This is followed by a loss of employment and a concern regarding medical expenses



ATTITUDES TOWARDS INSURANCE

- Individuals who own insurance have a greater understanding of the importance of insurance in protecting them from risk. These individuals also feel more protected against threats than the general population
- Consumer education could play a very important role in the future take-up of insurance products

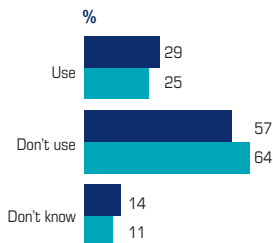


■ **2011** (n=3900)
 ■ **Have insurance products** (n=1907)

BROKER/FINANCIAL ADVISORY

- 2011 saw an increase of 4% in the use of brokers or financial advisors

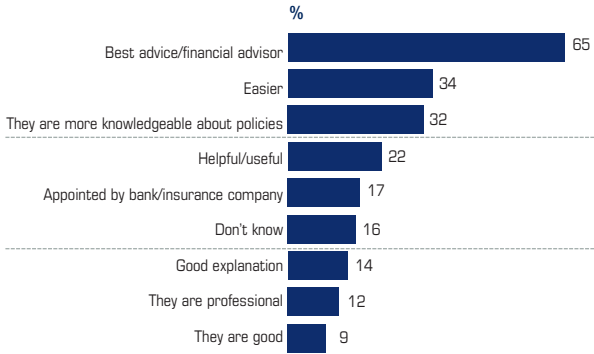
Incidence of broker use



■ **2011**
 ■ **2010**

REASONS FOR THE USE OF BROKERS

(n=318)



INSURANCE PRODUCTS USAGE

- 2011 saw a decline in insurance product penetration – 7 million adult South Africans have at least one or more insurance product (life assurance; asset insurance; health insurance; income insurance)
- A decline in insurance product uptake can be observed across all the categories, viz. life assurance, asset insurance, health insurance and income insurance
- Life insurance is the most common form of long-term assurance and the only insurance product that remained unchanged at 19% in 2011
- Results indicate that there is an increase in the take-up of life assurance among White, lower LSM and also lower income respondents, especially in the rural communities
- 2011 saw an increase of 4% in the use of brokers or financial advisors. Those who make use of a broker clearly indicate the benefits associated with the service they receive
- A death in the family or funeral expense is seen as the main threat to the family income or livelihood
- In accordance with this risk, funeral cover is the most popular insurance, especially among the lower income market
- The general benefits of insurance are recognised by many individuals. They see it as an important mechanism to provide protection, assurance and security to an individual and his/her family

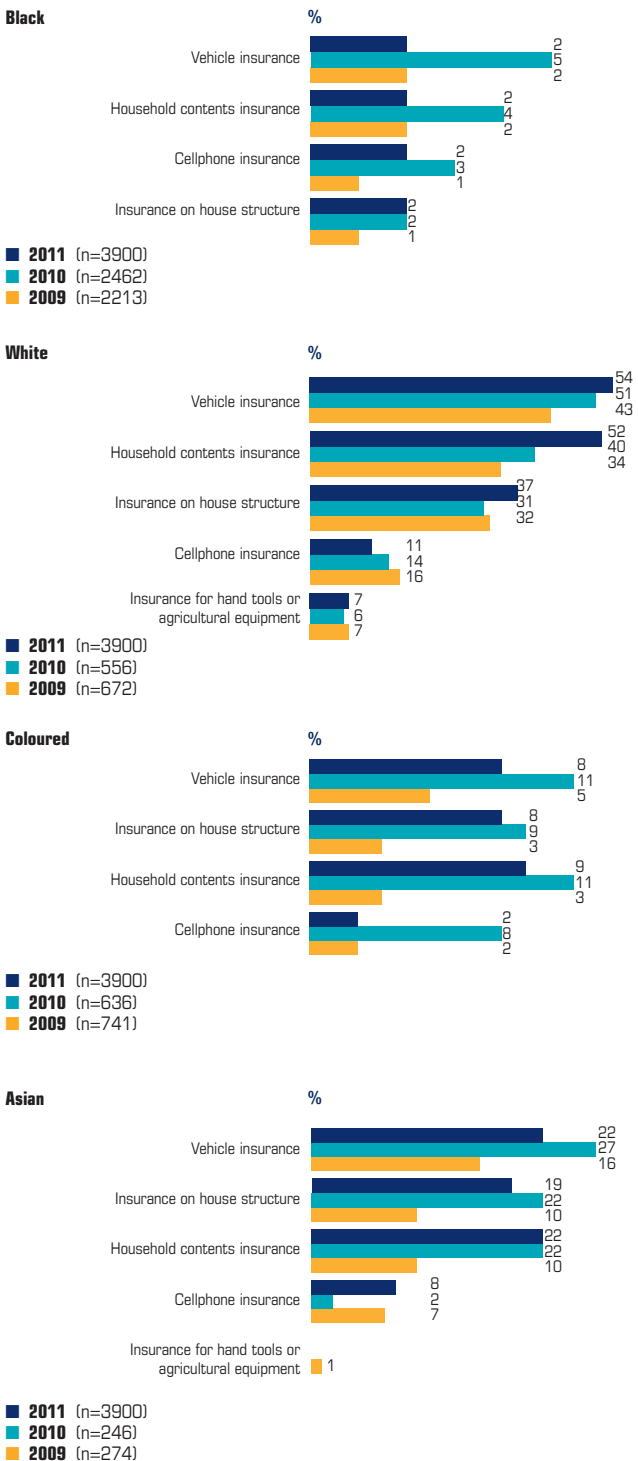
INSURANCE PRODUCTS PENETRATION

	2011 (n=3900)	2010 (n=3900)	2009 (n=3900)	2008 (n=3900)
Insurance penetration	20.9%	25.8%	19.9%	19.6%
Life assurance	17%	23%	16%	16%
Life insurance/life cover	19	19	14	12
Insurance that pays your loan or borrowing when you die	7	10	6	7
Accidental death and disability cover	6	8	4	5
Physical asset insurance	11%	15%	11%	10%
Vehicle insurance	7	11	7	7
Household contents insurance	7	9	6	6
Building insurance	5	7	5	5
Cellphone insurance	2	5	3	4
Insurance for hand tools/agricultural employment	1	1	1	1
Health insurance	10%	14%	11%	9%
Medical aid	9	14	10	8
Dreaded disease insurance	2	2	2	1
Hospital cash plan	2	2	2	2
Income insurance	6%	7%	5%	6%
Personal accident insurance or cover	4	5	2	3
Disability insurance or cover	4	5	3	4
Loss of earnings (not referring to UIF)	2	2	3	3
Income/salary cover (pays out if you get retrenched)	1	N/A	N/A	N/A
Liability/defence insurance	2%	2%	1%	2%
Professional indemnity cover	1	1	0	0
Legal insurance	2	2	1	2

Short-term (asset) insurance

- Asset insurance has decreased from 15% in 2010 to 11% in 2011, reaching levels of penetration as that of 2009
- The decline in use of asset insurance is observed in all asset insurance products
- Short-term insurance product ownership has decreased across the board – Black people tend to have very little insurance
- Cellphone insurance gains traction in the R1 000 per month plus ranges, whereas other short-term insurance products have a higher ownership amongst individuals earning more than R4 000

WHAT ASSET INSURANCE PRODUCTS DO PEOPLE HAVE? TOP 5 PER RACE GROUP



TRACKING THE ASSET INSURANCE MARKET WHERE IS THE GROWTH/DECLINE?

	2011 (n=3900)	2010 (n=3900)	2009 (n=3900)
Race	%	%	%
Black	4	8	5
White	52	58	51
Coloured	13	20	8
Asian	28	35	23
Gender	%	%	%
Male	14	17	12
Female	8	13	9
Area definition	%	%	%
Urban formal	31	23	18
Urban informal	3	6	3
Rural formal	17	10	4
Tribal land	2	3	2
LSM	%	%	%
LSM 1 – 2	0	0	0
LSM 3 – 4	0	0	1
LSM 5 – 6	4	4	4
LSM 7 – 8	18	20	25
LSM 9 – 10	59	53	53
Personal monthly income	%	%	%
No income	3	3	1
Irregular monthly income	3	5	N/A
Obtain money, but not monthly	0	2	N/A
R1 – R499	1	0	0
R500 – R999	3	1	1
R1 000 – R1 999	5	3	2
R2 000 – R3 999	6	13	12
R4 000 – R7 999	29	32	26
R8 000+	61	70	71

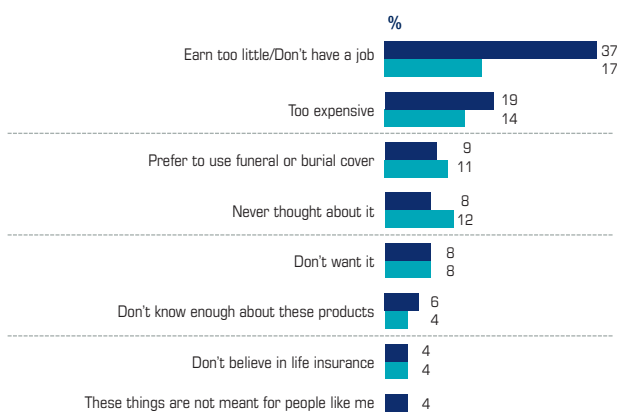
Life assurance

- 21% (5.8 million) of adult South Africans have some life assurance products covering a defined risk. The results reveal a decline of about 2 million individuals from 7.8 million who have life assurance products in 2010
- The take-up of life assurance among White South Africans remained stable at 54%
- There has been an increase in the uptake among the lower LSM
- It is interesting to note the decline in life assurance ownership in the higher income ranges
- A lack of funds is increasingly stated as the primary reason for not having life insurance or life cover
- However, the need for consumer education is once again highlighted since many have never thought of it, do not want it, do not know enough about it, do not believe in it or even indicated that it is not meant for all people

TRACKING THE LIFE ASSURANCE MARKET WHERE IS THE GROWTH/DECLINE?

	2011 (n=3900)	2010 (n=3900)	2009 (n=3900)
Race	%	%	%
Black	11	18	11
White	54	54	51
Coloured	20	23	15
Asian	35	47	32
Gender	%	%	%
Male	20	26	26
Female	14	21	21
Area definition	%	%	%
Urban formal	24	31	25
Urban informal	9	17	12
Rural formal	16	13	8
Tribal land	5	12	5
LSM	%	%	%
LSM 1 – 2	4	1	0
LSM 3 – 4	4	1	2
LSM 5 – 6	7	12	12
LSM 7 – 8	27	35	31
LSM 9 – 10	54	56	60
Personal monthly income	%	%	%
No income	0	3	2
Irregular monthly income	4	7	N/A
Obtained money, not monthly	0	6	N/A
R1 – R499	1	5	1
R500 – R999	5	5	3
R1 000 – R1 999	9	10	7
R2 000 – R3 999	20	28	24
R4 000 – R7 999	41	65	41
R8 000+	69	80	81

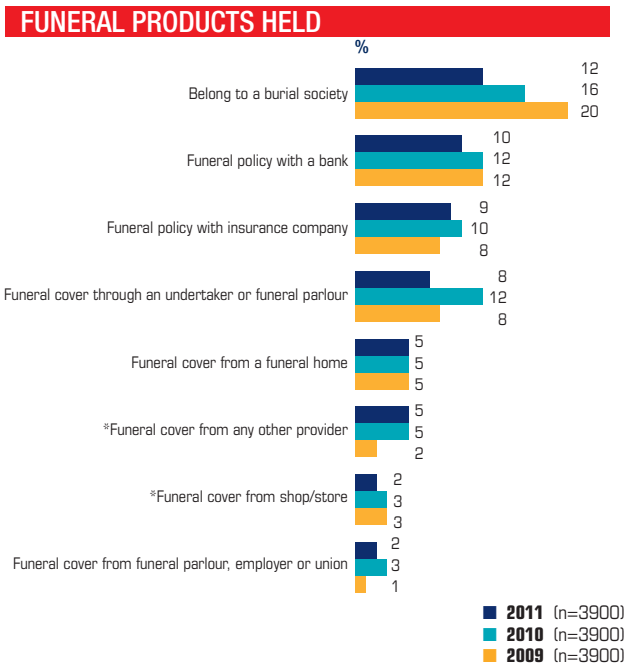
REASONS FOR NOT HAVING LIFE INSURANCE



■ 2011 (n=2976)
■ 2010 (n=2823)

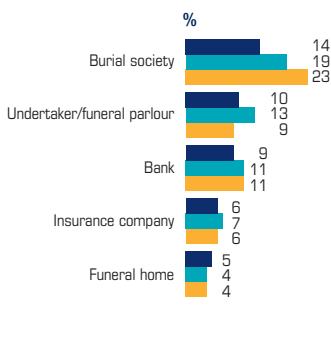
Funeral cover

- Funeral cover, a product popular among the lower income earners, showed the biggest decline from 46% to 38%
- The usage of burial societies continues to decline, even though it is seen as a positive and helpful mechanism
- In 2011 there was also a decrease in other informal funeral products (undertaker/funeral parlour). Formal funeral cover with a bank or insurance company also declined slightly in 2011
- The reason for not having funeral cover or belonging to a burial society is increasingly linked to a lack of funds and the perception that they do not need the cover
- Among the White and Asian population, an insurance company is the most popular provider of funeral cover, whereas Black and Coloured individuals respectively prefer a burial society and undertaker/funeral parlour

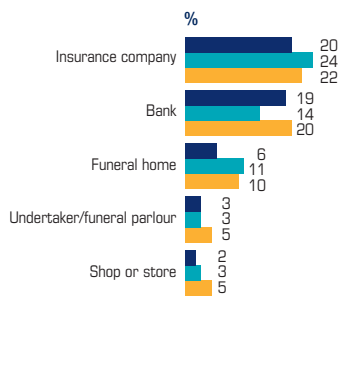


WHAT FUNERAL COVER PRODUCTS DO PEOPLE HAVE? TOP 5 PER RACE GROUP

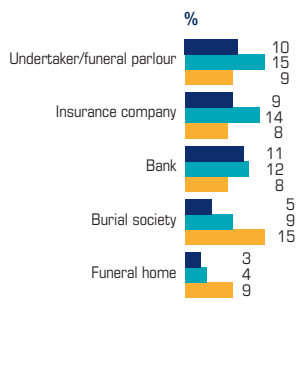
Black



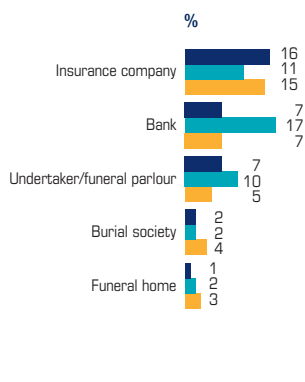
White



Coloured

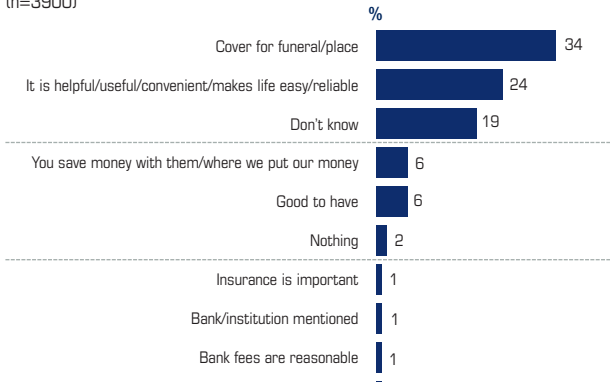


Asian



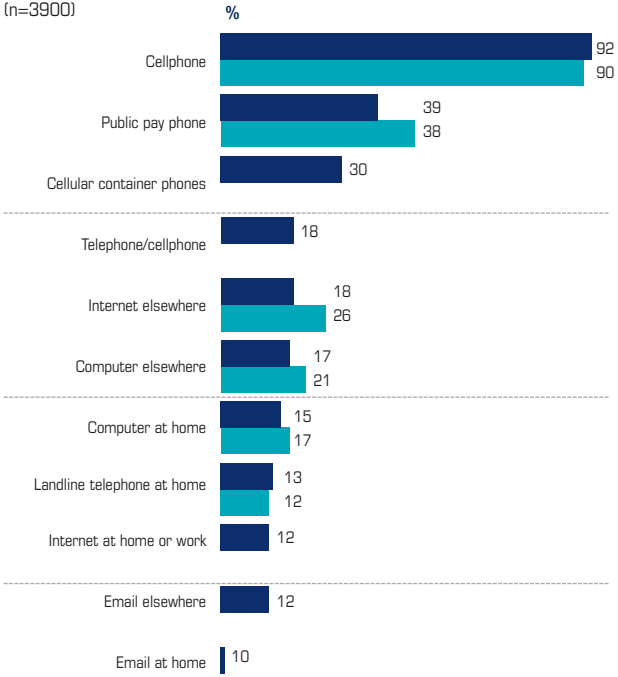
ATTITUDE TOWARDS BURIAL SOCIETIES – TOP 10

(n=3900)



Technology

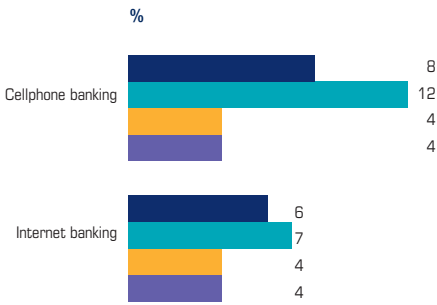
COMMUNICATION CHANNELS – ACCESS



■ 2011 (n=3900)

■ 2010 (n=3900)

CELLPHONE AND INTERNET BANKING



■ 2011 (n=3900)

■ 2010 (n=3900)

■ 2009 (n=3900)

■ 2008 (n=3900)

PROFILE OF CELLPHONE BANKING USERS

	2011 (n=3900)	2011 Cellphone Banking users (n=340)
Race	%	%
Black	77	60
White	11	27
Coloured	10	8
Asian	3	6
Age	%	%
16 – 17	4	1
18 – 24	22	15
25 – 34	26	36
35 – 49	25	34
50 – 64	15	13
65+	8	2
LSM	%	%
LSM 1 – 2	2	0
LSM 3 – 4	15	5
LSM 5 – 6	49	26
LSM 7 – 8	19	27
LSM 9 – 10	15	41
Personal monthly income	%	%
No income	10	2
Irregular monthly income	6	3
Obtain money, but not monthly	2	0
R1 – R499	8	3
R500 – R999	6	3
R1 000 – R1 999	17	8
R2 000 – R3 999	9	14
R4 000 – R7 999	8	17
R8 000+	6	16
Refused/Don't know	27	35
Product holdings	%	%
Home loan/bond	5	22
Personal bank loan	5	18
Short-term insurance	14	47
Medical/hospital	13	44
Retirement/pension	16	49

TRACKING THE 'ONLINE BANKING' MARKET WHERE IS THE GROWTH?

	Total (n=3900)	Cellphone Banking in 2011	Cellphone Banking in 2010	Internet Banking in 2011	Internet Banking in 2010
Race	%	%	%	%	%
Black	58	6	11	2	3
White	94	23	22	32	29
Coloured	65	7	11	5	6
Asian	74	15	10	17	12
Gender	%	%	%	%	%
Male	64	10	14	8	7
Female	61	7	11	4	6
Area definition	%	%	%	%	%
Urban formal	73	11	16	9	11
Urban informal	62	5	13	1	1
Rural formal	61	7	9	6	3
Tribal land	43	3	6	1	1
Personal monthly income	%	%	%	%	%
No income	27	1	3	0	0
Irregular monthly income	45	5	6	1	2
Obtain money but not monthly	35	1	5	0	2
R1 – R499	50	4	4	0	0
R500 – R999	54	3	4	1	1
R1 000 – R1 999	57	3	6	1	0
R2 000 – R3 999	87	18	15	3	5
R4 000 – R7 999	96	18	37	13	13
R8 000+	97	21	44	29	35

TECHNOLOGY

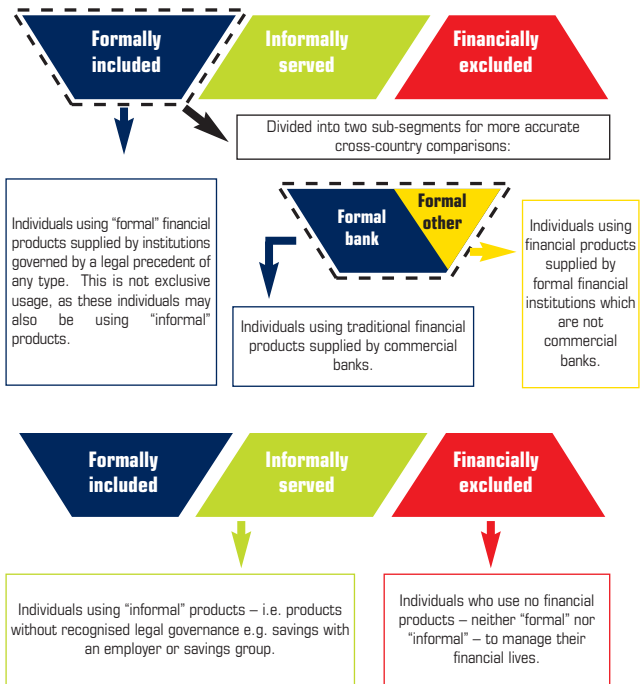
- Cellphone penetration is at 92% and cellphone banking remains the biggest opportunity for creating economic access to South Africans in remote areas and lower income groups
- A breakdown of the demographic profile indicates that cellphone penetration and cellphone banking already exists to some extent within the lower income market, but would benefit from greater awareness and education among the public
- Opportunity also exists to grow cellphone banking among the youth and Black South Africans
- Despite the decline in the usage of online banking, both cellphone and internet banking penetration remain high compared to the 4% penetration that was seen over the period of 3 years
- Cellphone banking skews to the affluent, while the uptake in the low income group is minimal
- A decline in the usage of online banking is seen amongst the Black population and those who earn less than R2 000 a month

Access Strand

WHAT IS THE ACCESS STRAND?

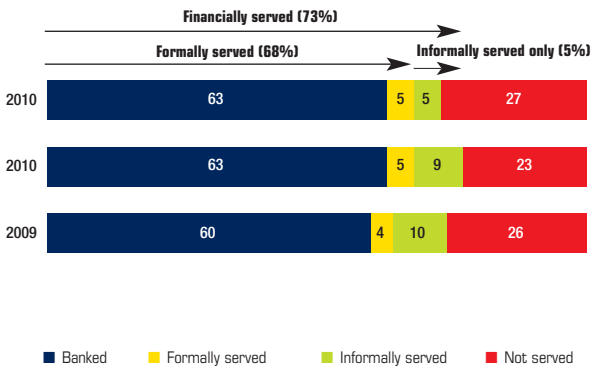
- The Access Strand focuses on the financial system in its broadest sense and assumes that all adults in a country will fall into one of three broad segments across the Access Strand. The segments are differentiated by current product usage indices ranging from people who are formally included, to those who use informal products and finally those who use no products

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



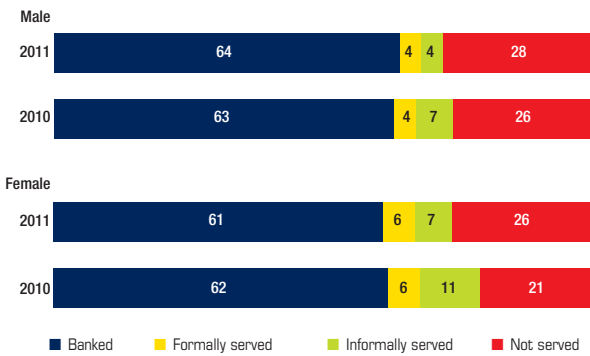
ACCESS STRAND – SOUTH AFRICA

(n=3900)



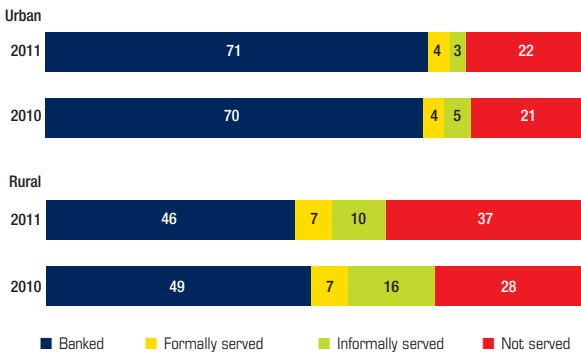
ACCESS STRAND – GENDER

(n=3900)



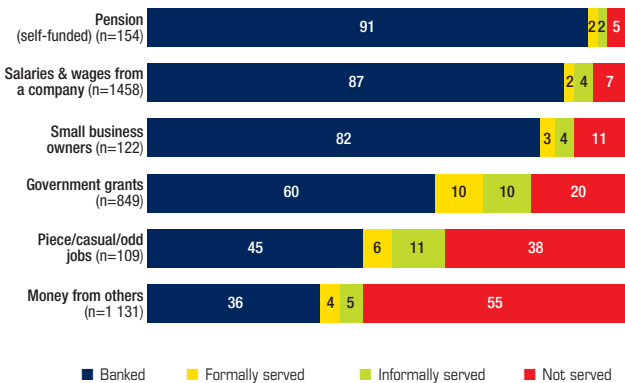
ACCESS STRAND – URBAN RURAL SPLIT

(n=3900)



ACCESS STRAND – BY SOURCE OF INCOME

(n=3900)



- 9 million people (adult population) were financially excluded in 2011, up from 7.8 million in 2010. This population do not make use of either 'formal' or 'informal' financial products. If they borrow they borrow from friends and/or family or save (keep) money at home
- Despite the impact of the recent economic crisis and increase in the number of excluded adult population, the overall levels of those who are using formal financial products (i.e. products from either a bank or another formal non-bank financial institution such as a microfinance company, registered money lender or insurance company) remained unchanged at 68%
- There has been a decline in the number of those who relied only on informal products such as mashonisas, burial societies and/or stokvels. 3 million adult South Africans relied on informal financial products in 2010. This figure has declined to 1.8 million adults in 2011
- The banked population has remained stable at 63% since 2010, after an increase from 2009. The previously banked population has also remained relatively stable. About 13 million adult South Africans (16 plus) are unbanked. The Black population and young adults between 18 and 29 still hold the largest opportunities to become banked in the future
- Although female citizens are less likely than males to be banked, they are often formally and informally served, therefore are slightly less likely than males to be completely unserved
- The urban population are more likely to be banked. Rural populations are more likely to be informally served, with a high unserved percentage of 38% in 2011
- Individuals who are earning an income from a pension (self-funded), formal employment or small business are more likely to be banked and financially included. In contrast, those adults who are dependent on others for their income are less likely to be banked, and more likely to be financially excluded

THE SAVINGS STRAND – PRODUCT LED

(n=3900)



■ Banked ■ Formally served ■ Informally served ■ Saving at home ■ Not served

- 11% of the South African population have savings products from banking institutions (however, they could also have other savings products but their defining characteristics are that they do have access to a bank savings product)
- 13% of South Africans have other formal non-bank savings products from another type of formal institution (they could also have informal financial products, but their defining characteristics are that they do have access to a formal savings product although this is not from a bank)
- 4% of individuals rely on informal savings such as stokvels (do not have any formal financial savings products)
- 6% of South Africans keep their savings at home or in a secret hiding place (these individuals do not have either formal or informal savings products)
- 66% of South Africans (16 years and above) were not saving at the time of the FinScope survey

CREDIT STRAND – PRODUCT LED

(n=3900)



■ Bank loan products ■ Products with other formal institutions
 ■ Informal products ■ Borrowing from friends/family
 ■ Not served

- 14% of adult South Africans (16+) have credit/loan products in a bank (however, they could also have other credit/loan products but their defining characteristics are that they do have access to a bank savings product)
- A further 10% of individuals do not have a credit/loan product from a bank, but have credit/loan products from another type of formal financial institution (they could also be borrowing from the informal sector, but their defining characteristics are that they do have access to formal credit/loan products although this is not from a bank)
- 4% of adults only rely on informal borrowings such as 'mashonisa' (do not have any formal financial credit/loan products)
- Individuals (11%) who do not have any credit products (formal or informal), borrow from family and/or friends
- 67% of South Africans (16 years and above) claimed not to have credit/loan products at the time of the FinScope survey

INSURANCE STRAND

(n=3900)



- 10% of adult South Africans have insurance products from a bank. They could however, also have other insurance products from insurance firms
- 24% have a formal non-bank insurance product
- 9% rely only on burial societies
- 57% of South African adults do not have financial products covering perceived risks

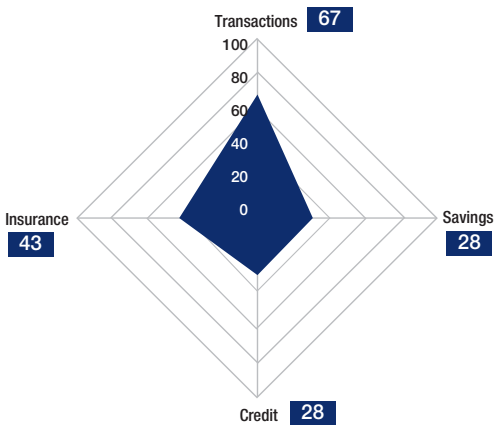
Landscape of Access

The FinScope survey provides a measure and understanding of consumer demand with regard to four categories of financial products namely: transacting, savings, credit and insurance products.

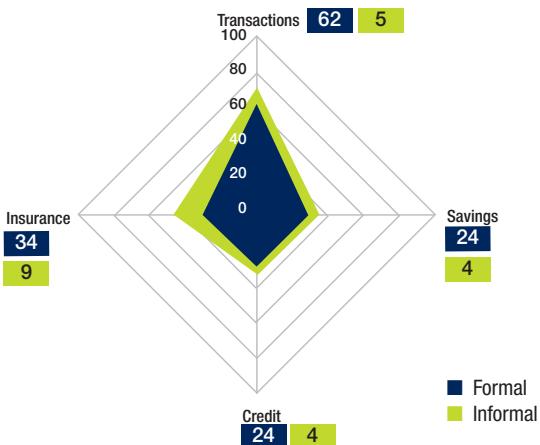
The landscape of access serves as an indicator to describe:

- Transactions: the proportion of the adult population with a secure mechanism in which funds can be deposited, transmitted and withdrawn to meet regular transaction needs
- Savings: the proportion of the adult population with a means of accumulating money, whether on a contractual or discretionary basis
- Credit: the proportion of the adult population with funds/services having been provided in advance against a committed repayment stream
- Insurance: the proportion of the adult population with a product/products covering a defined risk event in return for a premium (includes life, burial, health and short-term insurance)

LANDSCAPE OF ACCESS



COMPARING THE LANDSCAPE OF ACCESS INFORMAL/FORMAL



- The Landscape of Access for adult South Africans who are financially included skews to a transactional and insurance demand

The FinScope livelihoods approach

Irrespective of the stakeholders involved (i.e. policymakers, regulators, donors and/or service providers), in terms of developing or deepening financial markets, the nature of interventions can be categorised as one, or a combination, of:

- Building capacities of individuals
- Providing individuals with products/services that address their specific needs
- Removing barriers that prohibit/prevent individuals from using financial services or products

The FinScope approach for identifying development needs and/or potential new market segments is based on the assumption that these interventions can only be sustainable (maintained over a period of time) if the needs of all stakeholders are addressed. However, in many instances the needs of stakeholders (donors, service providers) are known whilst a clear understanding of beneficiary needs is lacking. Under these circumstances the likelihood of interventions being sustainable is significantly reduced.

FinScope aims to provide a clear understanding of demand-side needs, and therefore increase the likelihood of the sustainability of interventions. To achieve this objective, a conceptual framework that can provide this understanding has to drive the development of the FinScope questionnaire.

Based on the DFID livelihoods framework¹, the FinScope livelihoods framework was developed using data from FinScope Rwanda 2008, FinScope Malawi 2008, FinScope South Africa 2010, as well as a survey done for the Lesotho PostBank 2009. This framework focuses on the **individual** and **factors that affect usage of financial services and/or products**.

The **FinScope livelihoods approach** is based on the following **assumptions**:

- An individual does not exist in isolation. Any attempt to understand the needs of an individual has to take into account the context within which the individual exists – the **household** and the **community**
- The extent to which individuals use financial services and/or products is influenced by:
 - The capacities/capabilities or limitations of the individual
 - Specific dynamics present in the household
 - Specific dynamics present in the community

Using the data from a number of FinScope surveys, the following individual, household and community characteristics were found to influence the usage of financial products and services:

¹ Source: DFID. Sustainable Livelihoods Guidance Sheets. London, Department for International Development (UK), 1999–2005. Available at: http://www.livelihoods.org/info/info_guidancesheets.html

■ **Individual characteristics**

- ❑ Personal competencies/skills
 - Level of education
 - Financial literacy levels
 - Capacity to work/physical health status
- ❑ Attitudes and perceptions
 - Attitude towards life and the future
 - Attitude towards money and money management (borrowing and saving)
 - Perceptions about financial institutions

■ **Individual characteristics**

- ❑ Financial ability/capacity
 - Sense of financial security
 - Capacity/financial ability to save/invest
- ❑ Social networks
 - Access to support networks
 - Extent of involvement in the community

■ **Household characteristics**

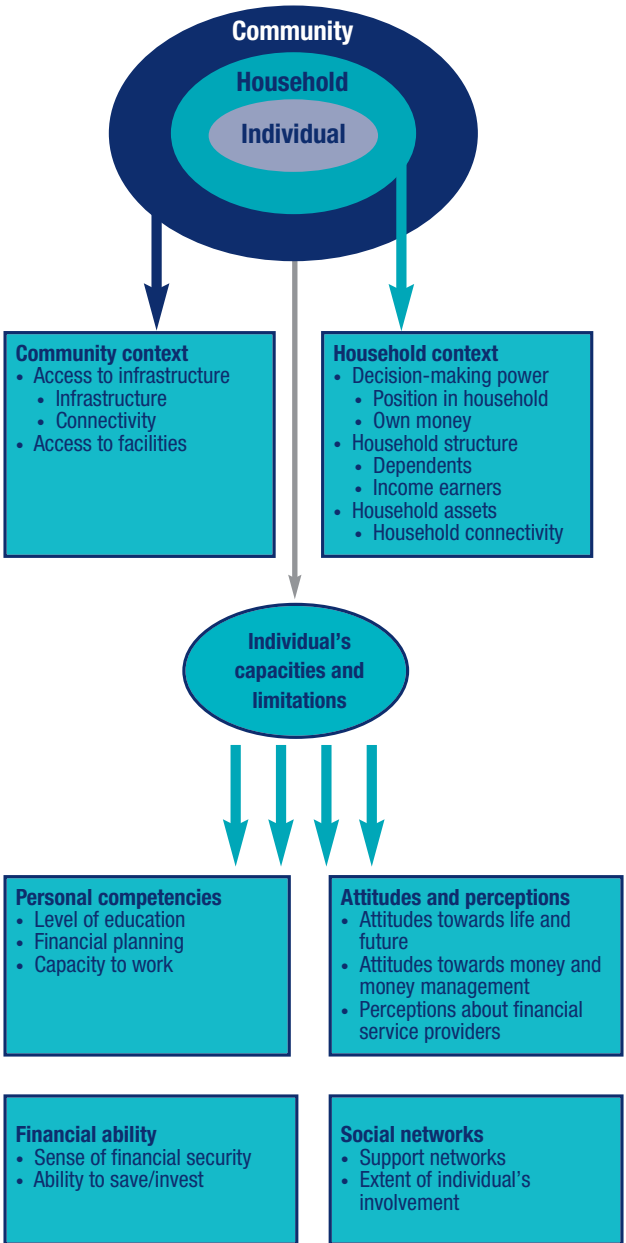
- ❑ Decision-making power
 - Position in the household
 - Access to “own money” (personal discretionary money)
- ❑ Household structure
 - Number of dependents
 - Number of income earners in the household
- ❑ Household assets
 - Household connectivity (cellphones, landlines, internet etc.)

■ **Community characteristics**

- ❑ Infrastructure (electricity)
- ❑ Community connectivity (cellphone connectivity, public phones, public internet access)
- ❑ Geographical access to facilities in the community
 - Financial institutions

The following characteristics were identified to be most significant with regards to formal financial inclusion (i.e. most likely to be present for individuals who were using formal financial services and/or products, hereafter referred to as sustainability traits):

- Household connectivity (cellphones, landlines, internet etc.)
- Community infrastructure (electricity) and geographical access to financial institutions in the community
- Community connectivity (cellphone connectivity, public phones, public internet access)
- Financial literacy level of the individual
- Capacity/ financial ability to save
- Attitude to life and the future



Livelihoods 2011 analysis

The key focus of the FinScope Livelihoods model is sustainable financial inclusion

The following three levels were investigated in terms of capacities and capabilities:

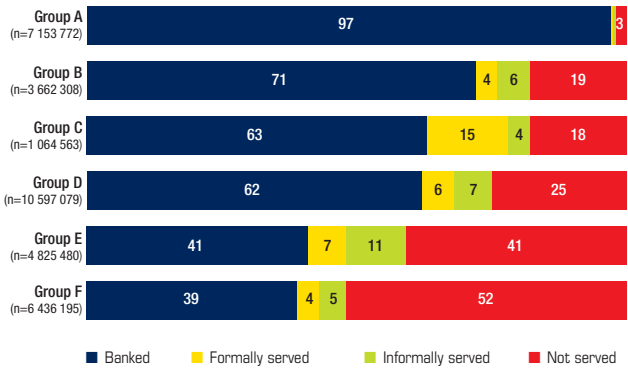
- Individual
- Community
- Household

The most significant predictors of formal financial inclusion identified in 2011 include:

- **Financial literacy**
(Individual: Personal competencies)
- **Having your own money**
(Household: Financial ability)
- **Ability to save**
(Individual: Financial ability)
- **Facilities (water, toilet, electricity)**
(Household: Assets)
- **Decision-making power: Head of household**
(Household: Position in household)

- A higher rating for financial literacy gives an individual an increased likelihood of being formally served

SEGMENTATION



- If we look at the characteristics of the individual, his/her household and community, 6 groups were identified

Looking at the unserved through the Liv

	Group A	Group B
Segment size	26.8%	12.7%
	(n=7 153 772)	(n=3 662 308)
Unserved size	3%	18%
	(n=214 613)	(n=659 215)
Individual: Financial literacy		
Individual: Have own money		
Individual: Ability to save		
Household: Infrastructure (water, toilet, electricity)		
Household: Position in household Decision-making power		

Three main intervention actions possible to increase financial inclusion:

Build capacity (personal, attitudinal, social or financial capacity) where it is lacking	Developmental
Provide financial products or mechanisms that serve a specific need	Service provision
Remove barriers (i.e. regulatory barriers)	Create a conducive environment

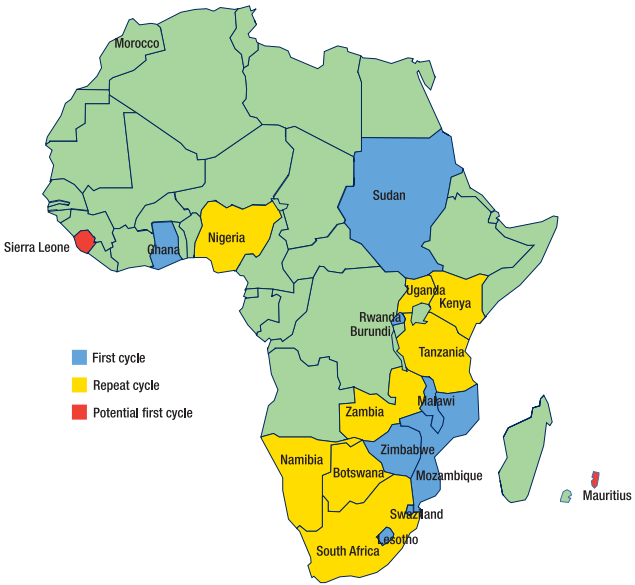
- The 2011 FinScope SA data can be used to guide planned interventions to support sustainable financial inclusion

Liabilities framework

Group C	Group D	Group E	Group F
3.5%	29.9%	10.3%	16.7%
(n=1 064 563)	(n=10 597 079)	(n=4 825 480)	(n=6 436 195)
18%	29%	41%	52%
(n=191 621)	(n=2 649 269)	(n=1 978 446)	(n=3 346 821)

such as a financial literacy programme
ing, such as developing a new product
icive environment

FinScope footprint



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

Please contact Jabulani Khumalo on +27 11 315 9197 for further information on FinScope.



Making financial markets work for the poor

Tel +27 11 315 9197 Fax 086 518 3579

www.finmarktrust.org.za

www.finscope.co.za