FinScope Consumer Survey Zimbabwe 2011

FinScope

FinMark Trust
Making financial markets work for the poor

ZimStat
Zimbabwe National Statistics Agency

Republic of Zimbabwe

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ZIMSTAT and FinMark Trust would like to thank the individuals who participated in this project in order to make it a success. Initial thanks go to the Ministry of Finance who chaired the FinScope Steering Committee. Further acknowledgement go to all members of the Steering Committee and the organizations represented, including the Ministry of Finance, FinMark Trust, the Reserve Bank of Zimbabwe (RBZ), Insurance and Pensions Commission (IPEC), Bankers Association of Zimbabwe (BAZ), Consumer Council of Zimbabwe (CCZ), Zimbabwe National Statistics Agency (ZIMSTAT), and the Securities Commission of Zimbabwe (SECZ). The FinScope Steering Committee helped ratify the FinScope survey instruments and monitored progress of the project. Further thanks go to Africa Corporate Advisors for playing the role of local project coordinator in this survey.

Furthermore our gratitude go to all ZIMSTAT staff who included Head Office Supervisors and coordinators, provincial supervisors, team leaders and enumerators, who carried out this survey.

It is hoped that more surveys will be carried out in the future, after every three years, so as to review progress on financial inclusion in Zimbabwe.

Ministry of Finance



Preface

The FinScope Consumer Survey Zimbabwe 2011 is the first to be funded and implemented by FinMark Trust and Commissioned by the Ministry of Finance. The survey was conducted by the Zimbabwe National Statistics Agency (ZIMSTAT) formerly Central Statistical Office (CSO), identified as the research house. This report is based on data from the survey which was carried out during the period July 2011 to November 2011.

The aim of the survey was to provide baseline data on the levels of financial inclusion in Zimbabwe. Other objectives of the survey were to describe the landscape of access (i.e. the type of products and services used by financially included individuals), to identify the drivers of, and barriers to the usage of financial products and services and to stimulate evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion.

The FinScope Consumer Survey Zimbabwe 2011 was launched on 17 May 2012 to stakeholders in the finance and insurance services sector in Zimbabwe. This report provides details to the main findings of the survey.

I wish to express my gratitude to FinMark Trust for providing financial assistance in funding this survey. Furthermore, I wish to thank the Government of Zimbabwe through the Ministry of Finance for agreeing to commission this important study in Zimbabwe. Also, I would like to thank the respondents who provided the information and all those who were involved in making this exercise a success.

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Acronyms

ATM	Automatic Teller Machine
CCZ	Consumer Council of Zimbabwe
CSPro	Census and Survey Processing System
CZI	Confederation of Zimbabwe Industries
DFID	Department for International Development (UK)
EA	Enumerator Area
ICZ	Insurance Council of Zimbabwe
IPEC	Insurance and Pensions Commission
NSSA	National Social Security Authority
PPS	Probability Proportionate size
RBZ	Reserve Bank of Zimbabwe
SAS	Statistical Analysis System
SECZ	Securities Commission of Zimbabwe
SPSS	Statistical Package for Social Sciences
ZAMFI	Zimbabwe Association of Microfinance Institutions
ZAPF	Zimbabwe Association of Pension Funds
ZIMSTAT	Zimbabwe National Statistics Agency
ZNCC	Zimbabwe National Chamber of Commerce

Definitions

Term	Definition
Access Strand	A measurement of financial inclusion across the formal-informal institutional provider continuum.
Additive	Financial services that target existing customers.
Adults	Those aged 18 years or older
Banked	Individuals using one or more traditional financial product supplied by banks.
Credit	Obtaining funds from a third party with the promise of repayments of principal and, in most cases, with interest and arrangement charges in exchange for the money.
Demand-side barriers	Demand-side barriers to access to financial services relate to characteristics inherent to individuals that prevent them from using financial services such as perceived insufficient income, low levels of financial literacy and lack of trust in financial institutions.
Formal other	Individuals using one or more financial product supplied by formal financial institutions which are not banks.
Formal products	Products provided by government regulated financial institutions such as commercial banks, insurance companies and microfinance institutions.
Formally included	Individuals using formal financial products supplied by institutions governed by a legal precedent of any type. This is not exclusive usage, as these individuals may also be using informal products.
Financial access landscape	A measurement of usage of both formal and informal products across the four main product groups: transactions, savings, credit and insurance.
Financially served	Individuals using one or more formal and/or informal financial product.
Financially excluded	Individuals who are not using any formal or informal financial product.
Financial inclusion	The extent to which the adult population in the country engages with financial products and services, such as savings, transaction banking, credit and insurance, whether formal or informal.
Informal products	Financial services provided by individuals and/or associations which are not regulated by government such as savings clubs (susu clubs) and private money-lenders.
Informally served only	Individuals who are not using any formal financial products but who are using one or more financial product supplied from an informal source, such as a savings club or informal money-lender.
Informally served	Individuals who make use of informal financial products (regardless of whether or not they use formal financial services and products)
Insurance	Payment of a premium for risk of an event happening, where payout is made if or when the event occurs.
Remittances	The sending and receiving of money between people in one place to people in another, using formal and/or informal means.
Savings	Safeguarding and accumulating wealth for future use.
Supply-side barriers	Supply-side barriers to access to financial services relate to factors inherent to financial service providers that prevent individuals from using their services such as location of access points and the cost of using their services.
Transactional	Financial services that use cash or other means (such as cheques, credit cards, debit cards or other electronic means) to send or receive payments.

Executive summary

The FinScope survey is a research tool which was developed by FinMark Trust. It is a nationally representative survey of how individuals source their incomes and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services. To date, FinScope surveys have been conducted in 16 countries (15 in Africa and one in Pakistan). The survey by design is intended to involve a range of stakeholders, thereby enriching the survey through a process of cross-cutting learning and sharing of information.

The Government of Zimbabwe recognises the role played by the financial sector in facilitating economic growth. In order to develop policies that will generate sustainable and inclusive growth and development, the Government requires evidence-based information on the financial sector and levels of financial inclusion. In order to achieve this goal, FinMark Trust in conjunction with the Ministry of Finance embarked on a FinScope survey which was conducted by the Zimbabwe National Statistics Agency (ZIMSTAT) from July 2011 to November 2011.

The study comprised a listing exercise and a nationally representative consumer survey. A total of 3984 face-to-face interviews with adult Zimbabweans (18 years and older) were conducted. Interviews were conducted by ZIMSTAT during August to September 2011. The FinScope survey data was captured using Census and Survey Processing System (CSPro). This data was weighted and validated against the 2002 Population Census and population projections. The data was processed and analysed using the Statistical Package for Social Sciences (SPSS) and the Statistical Analysis System (SAS).

Of the weighted eligible adult population of 5,981,117 people in Zimbabwe, 40% were males and 60% were females, while 65% reside in rural areas and 35% in urban areas. The survey indicated that 66% reside in households with no piped water (inside or outside the house), while 67% reside in households that use firewood as the main source of energy for cooking. In rural areas, where the majority of Zimbabweans live, adults spend most of their time fetching water and wood to meet basic needs and are less likely to think about accessing financial services.

Money from farming and fishing is the main source of income for Zimbabweans (29.4%), while every fourth Zimbabwean (25.2%) relies on money from others (household member or remittance), and only 17.7% receive a regular salary. Eighty percent of the adult population earn less than USD 200 per month (including a 17.3% who do not have an income at all).

The legal age at which an individual in Zimbabwe can open a bank account is 18 years; therefore the adult population is defined as all individuals aged 18 years and older. Levels of financial inclusion are still low when compared with other countries in the region.

The FinScope Zimbabwe Consumer Survey revealed that 38% of adults are formally served, including both banked, and other formal bank products or services. About a quarter of the adult population (24%) are banked while 26% of the adults have or use other formal bank products or services. 41% of Zimbabweans have or use informal mechanisms for managing their finances.

Banking in Zimbabwe is mainly driven by transactional and savings products with 19% of the banked adults having or using transactional products, while 17% have or use savings products. About 5% have or use banking products for remittance purposes while only 3% use banking credit products.

The use of other formal (non-banking) products is mainly driven by insurance and savings products. The survey showed that 19% of adults in Zimbabwe use non-banking formal products, have or use insurance products, while 13% have or use savings products. Zimbabweans use informal mechanisms mainly for savings, insurance and borrowing (credit). It was reported that 18% of adults who use informal mechanisms belong to savings groups, while 13% use informal mechanisms for insurance purposes. Another 14% use informal mechanisms to borrow money (credit), while 6% use informal remittance mechanisms.

The FinSope approach also uses the Financial Access Strand to understand financial inclusion. In constructing this strand, the overlaps in financial products or services are removed. The Financial Access Strand indicated that 40% of adult Zimbabweans are financially excluded (i.e. do not use financial products-neither formal nor informal to manage their financial lives), while 22% rely only on informal financial products or services. In total 38% of Zimbabweans are formally served, including 24% who have or use bank products or services while another 14% have or use non-bank formal products or services but not commercial banking products.

On comparing financial inclusion between rural and urban areas, it was revealed that while every second Zimbabwean is banked in urban areas, only 12% of adults in rural areas have or use commercial banking products. It was also established that the informal sector plays an important role in pushing out the boundaries of financial inclusion and this role is significantly more pronounced in rural areas.

FinScope Zimbabwe also established that 31% of the adults in Zimbabwe do not save. It was observed that 27% of the adults keep all their savings at home and16% rely only on informal mechanisms such as savings groups. It was also noted that 9% of the adults have or use other formal non-bank savings products, while 17% of the individuals have savings products from a bank.

Of those people who save, many are most likely to save at home with savings mainly for the purpose of paying for living expenses during hard times as well as for education, school fees and emergencies.

As far as borrowing is concerned, the survey indicated that 49% of adult Zimbabweans did not borrow in the last 12 months as they were worried that they will not be able to pay the money back. About 31% of the adults borrowed from friends and family, 15% rely only on informal borrowings, and 2% have credit or loans from other formal financial institutions other than banks, while only 3% of adults have a credit or loan product offered by a bank.

Every second Zimbabwean borrowed money in the last 12 months. Those who borrow mainly do so from family, friends and informal sources. People mainly borrow to cover living expenses such as food, transport and rentals. Borrowings for other expenses include medical, emergencies, farming equipment or education.

As far as risks and insurance are concerned the study established that 69% of Zimbabweans do not have any kind of financial product covering risk, while 12% of the adults rely only on informal mechanisms such as burial societies. About one fifth of the adult population (19%) has some formal financial product covering defined risks. It was also established that Zimbabweans have their own coping strategies when faced with risks and these included cutting down expenses, selling something to obtain money, borrowing money and using savings.

Findings also indicated that 60% of adults in Zimbabwe did not send or receive money while 40% sent or received money. People mainly receive money from outside Zimbabwe. The main form of remittance mechanism (58%) is to send or receive money through friends and family members. It was noted that 12% of the adults use formal products or services to send or receive money. More Zimbabweans receive money than send money, indicating the vital role of remittances from outside Zimbabwe. It was also noted that the usage of products or services for remittance purposes is more prevalent in urban areas.



1 Introduction

The Government of Zimbabwe recognises the role played by the financial sector in facilitating economic growth. In order to develop policies that will generate sustainable and inclusive growth and development, the Government requires evidence-based information on the financial sector and levels of financial inclusion. In order to achieve this goal, FinMark Trust in conjunction with the Ministry of Finance embarked on a FinScope survey which was conducted by the Zimbabwe National Statistics Agency (ZIMSTAT) from July 2011 to November 2011.

1.1 FinScope

The FinScope survey is a research tool which was developed by FinMark Trust. It is a nationally representative survey of how individuals source their incomes, and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services. By so doing, FinScope assists in establishing credible benchmarks and indicators of financial inclusion, while at the same time providing insights into market obstacles to growth and highlighting opportunities for policy reform and innovation in product development and delivery.

FinScope findings can therefore be of value both to policymakers who wish to develop policy aimed at improving the functioning of financial markets, to private service providers who are able to design product strategies around the segmentation and trends highlighted by the data, and to donors and non-governmental agencies who wish to support increased financial inclusion to specific regions or population groups.

To date, FinScope surveys have been completed in 15 African countries, including Lesotho, Zambia, South Africa, Namibia, Botswana, Kenya, Tanzania, Uganda, Nigeria, Rwanda, Malawi, Swaziland, Ghana, Mozambique, and Zimbabwe. This Pan-African implementation of FinScope facilitates valuable crosscountry comparison, benchmarking and ongoing performance monitoring.

The objectives of the FinScope survey include the following:

- To measure the levels of financial inclusion (i.e. the proportion of the population using financial products and services – both formal and informal);
- To describe the landscape of access (i.e. the type of products and services used by financially included individuals);
- To identify the drivers of, and barriers to the usage of financial products and services; and
- To stimulate evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion.

1.2 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.

1.3 Partnering for a common purpose

The survey by design is intended to involve a range of stakeholders, thereby enriching the survey through a process of cross-cutting learning and sharing of information. A Steering Committee chaired by the Ministry of Finance was set up which comprised representatives from the Ministry of Finance, FinMark Trust, the Reserve Bank of Zimbabwe (RBZ), Insurance and Pensions Commission (IPEC), Bankers Association of Zimbabwe (BAZ), Consumer Council of Zimbabwe (CCZ), Zimbabwe National Statistics Agency (ZIMSTAT), and the Securities Commission of Zimbabwe (SECZ).

Other stakeholders included the Ministry of Industry and Commerce, Ministry of Small and Medium Enterprises and Cooperatives, Ministry of Economic Planning and Investment Promotion, Ministry of Agriculture, Mechanisation and Irrigation Development, Confederation of Zimbabwe Industries, Zimbabwe

National Chamber of Commerce, Zimbabwe Association of Microfinance Institutions (ZAMFI), Insurance Council of Zimbabwe, Zimbabwe Association of Pension Funds, and the National Social Security Authority (NSSA).

1.4 Reporting

This report has been written with the following objectives in mind:

1. To provide the context for FinScope Zimbabwe 2011 so that stakeholders and other interested parties understand the motivation for the survey, how the findings may be used and how it will complement other steps being taken to improve financial access for the poor;

2. To provide background information about FinScope as a tool and describe how it can be used to build inclusive financial markets;

3. To provide the methodology of FinScope Zimbabwe 2011 so that users of the survey can understand the implementation arrangements and the rigorous approach to sampling that produced the dataset;

4. To present high level findings of FinScope Zimbabwe 2011 to give stakeholders an understanding of the current financial access, which can be used as a baseline for future developments;

5. To make recommendations to stakeholders (financial sector and policymakers) as to how to improve financial access;

6. To recommend the next steps for the dissemination and application of the FinScope Zimbabwe 2011 data.

The findings are reported in a manner comparable to FinScope reports in other countries. However, there is a wealth of information in the dataset that has not been covered in this report. Stakeholders are recommended to review the data available to see how it can help them to address financial and development questions that are significant to them. The database is available from ZIMSTAT and FinMark Trust.

The launch presentation and brochure were prepared by FinMark Trust and ZIMSTAT in consultation with other stakeholders. The main findings of the survey were presented to the public at the Meikles Hotel in Harare, Zimbabwe on 17 May 2012.

2 Context: Financial sector in Zimbabwe

This section is based on a literature review conducted by Africa Corporate Advisors contextualizing the financial sector in Zimbabwe. An understanding of the structure of the financial services system in Zimbabwe is critical to the understanding of the state of financial inclusion in Zimbabwe. In the following section, we look at the structure of the entire range of financial services and mechanisms available to the public in Zimbabwe, including both formal and informal mechanisms, and to the extent that they are mechanisms that are being accessed or used by the people – including what may be considered illegal activities.

2.1 Registered banks

Commercial banks: There are currently 19 commercial banks in Zimbabwe (including three international banks) carrying out business through a network of branches, agencies and mobile facilities. Commercial banks are authorized and regulated along with merchant banks, finance houses and discount houses under the Banking Act Chapter 24:01. After having to start from a near zero-base, the banking sector has witnessed significant growth in deposits and loans (and presumably client base) since dollarisation. Bank deposits increased from US$300 million in February 2009 to US$2.3 billion in September 2010 as the economy improved and more businesses and individuals increased their use of formal banking services, according to the Monetary Policy statement (2010). On the other hand loans grew from US$600 million in December 2009 to US$1.4 billion in September 2010 for all deposit taking institutions. Liquidity remains a challenge in the banking sector with 60% of bank deposits being demand deposits. Therefore, banks are unable to offer longer term loan facilities. The top five commercial banks by deposits are CBZ Bank, Stanbic Bank, Standard Chartered, BancABC and Barclays Bank.

Discount houses: Discount houses' main business is to discount and hold bills with funds borrowed at call from banks. The bills are then rediscounted with the banks at the Reserve Bank of Zimbabwe. Discount houses are not members of the clearing house. As banking business has been redefined over the years and the treasury activities of the banking institutions have developed into de facto discount houses, the remaining discount houses have upgraded their licenses to become merchant banks and commercial banks. As a result, the numbers of discount houses in Zimbabwe have decreased from six in 2005 to just one in 2010. After 2010, Discount houses, were no longer existent in Zimbabwe.

Finance Houses: Financial houses specialize in offering asset based financial instruments in the form of hire purchase and lease hire advances to individuals and corporates. While finance houses in Zimbabwe are deposit taking institutions (unlike say in Zambia), many of them have over the years been acquired and subsequently merged into and operate as divisions of commercial banks. Also because of the lower minimum capital required for licensing, finance houses (along with discount houses) have become a route to establishing merchant or commercial banks. As a result, there is one finance house that has recently been set up, i.e. African Century Leasing, which is closely associated with NMB Bank through common shareholders. It is probably a question of time before it is absorbed into the bank as has happened with similar entities e.g. Fincor which was absorbed into Barclays Bank in 2001, Scotfin (ZB Bank), Stannic (Stanbic Bank), or converts to a merchant bank. The asset-backed finance business is slowly picking up but the commercial banks are now active players in this market as well.

Merchant banks: Merchant banks offer wholesale banking services to complement those offered by commercial banks. They are specialists in money and capital markets as well as fee-based services such as corporate finance, underwriting of securities and portfolio management. They also provide trade financing through acceptance credit, offshore financing facilities and foreign exchange facilities. Merchant banks only hold reserve accounts with the Reserve Bank of Zimbabwe but are not part of the clearing house. Due to increased integration of banking services and as financial markets become more sophisticated and players seek to provide all services under one roof, merchant banks in Zimbabwe have tended to 'graduate' into commercial banks but retaining their wholesale banking business through corporate banking divisions. Merchant banks in Zimbabwe have decreased from nine in 1997 to five in 2005. In 2012 there were only three merchant banks left in Zimbabwe and these are; Capital Bank, Eco Bank and Tetrade Bank. The reason for the decline is that merchant banks cannot take deposit from customers and many of them have been transformed into commercial banks.

Building societies: Building societies are involved in savings, fixed deposits, share deposits and mortgage lending. They are authorized and regulated by the central bank through the Building Societies Act, Chapter 24:02. They have been capturing the largest share of deposits in Zimbabwe, exceeding both commercial banks and the POSB in 1998, 1999 and 2000. Traditionally, they lend for residential and commercial mortgages, purchase treasury bills, place funds in the money market and finance low-income housing projects. However, like in other countries in Africa with a shortage of long-term finance, and exacerbated by the economic decline, the mortgage market has shrunk dramatically. In Zimbabwe, a total of only 6,315 mortgages were issued between 2004 and 2006 and, thereafter, loan disbursement declined further. Of the four building societies that were operational at year-end 2009, CABS was the most active in downscaling to lower-income market segments. As the macro-economic environment improves, CABS also expects to resume as a significant player in the low-income housing finance market.

The other three are Beverly Building Society, which experienced difficulties and was taken over by CBZ and rebranded CBZ Building Society, FBC Building Society (formerly Zimbabwe Building Society) and ZB Building Society (formerly Intermarket Building Society).

People's Own Savings Bank (POSB): The Post Office Savings Bank ("POSB") has been around since the establishment of the central/state postal system in Zimbabwe. It was renamed the People's Own Savings Bank, thus retaining the same acronym POSB, used since 1 January 1905. The former Post and Telecommunications (PTC) unbundled into three separate entities namely; The People's Own Savings Bank replacing the Post Office Savings Bank, Zimpost replacing the former Post Office, and TelOne (fixed landline telephone operator) and NetOne (cellphone operator) replacing the Telecommunications Departments. The new POSB was created through an Act of Parliament on 1 April 2001 and is wholly owned by the Government of Zimbabwe. The Bank is supervised by the Reserve Bank of Zimbabwe and the Ministry of Finance. POSB is one of Zimbabwe's largest financial institutions, in terms of both deposits and, through its association with the Post Office distribution offices. It serves retail and corporate customers.

2.2 Licensed/regulated investment institutions

Asset management companies ("ACMs"): The role of the asset managers is to invest money on behalf of their clients, on the money market and on recognised stock exchanges or by purchasing immovable property on behalf of the clients. There were 16 asset management companies according to the Monetary policy Statement (2010), licensed by and under the supervision of the Reserve Bank, namely Datvest, Infinity Asset Management company, ZB Asset Management, TA- Holding, ZIMNAT Life Assurance Asset Management, First Mutual Asset Managers , Fidelity Life Assurance – asset managers among others. These have further decreased from 20 as at 30 September 2005 following the cancellation of 10 asset management licenses and the placement of others under curatorship. Asset managers are prohibited from taking deposits. In terms of the phased capital implementation plan, asset management companies (AMCs) are required to comply with the minimum capital requirements of $500,000 effective 31 March 2010.

Medical savings funds: Medical savings funds receive money on a monthly/quarterly basis from various individuals, corporates or groups of individuals as contribution towards medical/ health expenses. There has been a growth in the number of medical savings institutions since 2009 when the economy was dollarized. Most insurance companies now sell this product.

Unit Trusts: Unit Trusts (or mutual funds) have become very popular investment vehicles in Zimbabwe. Unit trusts are collective investment schemes which involve the pooling of funds on behalf of a large number of investors, with each investor buying a certain number of units in the total fund (at the unit price ruling at the time of investment), representing their proportional investment. The capital pool is invested in carefully selected shares listed on the Zimbabwe Stock Exchange as well as money market instruments. The income or capital appreciation from these investments accrues to each investor in proportion to the amount invested. The funds are professionally managed to achieve maximum returns consistent with the stated investment objectives of the fund.

2.3 Other licensed institutions/mechanisms

Money-lenders[2]: All money-lenders are governed by the Money Lending and Rates of Interest Act (Chapter 14:14) and are licensed and regulated by the Reserve Bank. They offer small personal loans at high rates of interest, usually higher rates than the market rate charged on credit cards or on bank overdrafts. Money-lenders are an important source of credit to a category of borrowers who would normally be refused credit by most financial institutions because their income may be at or below the poverty threshold or whose credit score indicates that the borrower might be unable to repay the loan. As at 30 September 2005, a total of 186 institutions were issued with licenses in Zimbabwe. However, this figure is estimated to have significantly decreased to levels below 50.

Microfinance institutions: Microfinance institutions (MFIs) are organizations that provide microfinance services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services. MFIs range from small non-profit organizations to departments of large commercial banks. The microfinance sector in Zimbabwe has seen many challenges, which include a reduction in the number of donors, and generally unfavorable macroeconomic environment.

Money transfer agencies ("MTAs"): Money transfer agencies ("MTAs") offer various ways for families and friends to send and receive money. This is regarded as a secure way to send and receive money to and from abroad. Money transfer agencies are regulated by the Reserve Bank as part of the Reserve Bank's effort to create a convenient, risk free, fast and transparent channel for those Zimbabweans in the Diaspora wishing to transfer foreign currency to Zimbabwe. The number of Money Transfer Agencies boomed in the 1998-2008 decade, when the Zimbabwean economy significantly deteriorated. However, improvements in the economy have seen a decrease in the traffic of money transfers from the Diaspora to Zimbabwe.

Foreign currency bureau: A bureau de change (Foreign currency bureau or currency exchange) is a business whose customers exchange one currency for another. A bureau de change makes profit and competes by manipulating two variables: the exchange rate they use to calculate transactions, and an explicit commission for their service. The exchange rates charged at bureau are generally related to the spot prices available for large interbank transactions, and are adjusted to guarantee a profit. The rate at which a bureau will buy currency differs from that at which it will sell it; for every currency it trades both will be on display, generally in the shop window. In Zimbabwe these institutions have lost their market to unlicensed individuals in the streets who change money for individuals from one currency to the other. These individuals are found in various busy corners of the streets. There are now very few foreign currency bureau's in Zimbabwe as people prefer to transact informally on the streets. Also the relaxation of the currency control at the time of the introduction of multi-currencies in 2009 and demonetization of the Zimbabwe Dollar meant the opportunities that arose from a highly controlled foreign currency regime declined significantly. This returned business back to the established banks.

Courier services: Courier companies deliver messages, packages, and mail. Couriers are distinguished from ordinary mail services by features such as speed, security, tracking, signature, specialization and individualization of services, and committed delivery times, which are optional for most everyday mail services. As a premium service, couriers are usually more expensive than usual mail services, and their use is typically restricted to packages where one or more of these features are considered important enough to warrant the cost. A number of courier services operate in Zimbabwe on all scales, from within specific towns or cities, to regional, national and global destination. There is massive competition in the small courier services sector as there are local and international players vying for the market. Major players apart from SWIFT are namely, FEDEX, DHL and Courier Express. The courier services market has been stimulated by the buoyancy of the services sector of the Zimbabwean economy, most notably the banking and financial services sector and the technical courier services. The level of competition has led to fierce price competition for courier services. As a result, many companies were forced to expand their range of courier services, but this competition has restrained value growth in the market. Courier services offer the potential to broaden and deepen access to financial services by increasing the propensity to save, increasing savings, improving payments efficiency, and offering small credit, pension, and life insurance products. The courier

2 Examples of these are NISSI, Zambuko Trust, SHD Savings and Credit Company and SHDF, Organisation for Rural Associations for Progress (ORAP), Women Development Credit Scheme (Harare), Pundutso.

network's existing infrastructure and customer streams can be the nation's channel for small-value and standardized financial services. In the short term, the postal network could capture much more of the international remittances market if modern marketing, ICT, and alliances are applied; this could also be the basis for new savings and payments products.

2.4 Licensed/regulated insurance companies

Short term insurance companies: Short-term insurance companies offer short-term insurance, also known as temporary insurance, which is a product that provides cover for 12 months or less. Short-term insurance typically does not include cover that is found in a comprehensive insurance plan. As a result, this insurance should only be used as an option to fill a temporary gap in coverage. There has been a growth in the number of insurance companies since 2009, mainly because the economy has now been dollarized and insurance companies have much to gain, unlike in an unstable Zimbabwean dollar environment in which most insurance companies almost ceased to exist due to low business. There are currently 27 registered short-term insurance companies of which 24 are members of the Insurance Council. Eight of the registered insurance companies are reinsurers, seven of which are members of the Insurance Council of Zimbabwe. The insurance sector can be characterized as being oligopolistic, i.e. an industry dominated by a small number of big organizations, notably Old Mutual, ZIMNAT and First Mutual Limited (FML), RM Insurance company of Zimbabwe, Nicoz Diamond Insurance company of Zimbabwe, Tristar Insurance company, AON Zimbabwe among others.

Life assurance societies and companies: Most life assurance companies and societies provide life assurance, pension and asset management services to a wide range of individual and corporate clients in Zimbabwe. Their products and services are classified under the following categories: individual business (Unit Linked Products, Endowment Policies and Whole Life policies, accident cover), and group business (Group Pension Schemes, Credit Life and Group Life Assurance, Group Accident cover). The individual life business is targeted at individuals within both the formal and informal sectors while the bulk of the employee benefits business is derived from the formal sector. The key marketing strategy used by such institutions is product differentiation. The few major life assurance companies in Zimbabwe hold most of the market share and therefore make it impossible for new players to flourish. The insurance sector can be characterized as being oligopolistic, i.e. an industry dominated by a small number of big organizations, notably Old Mutual, ZIMNAT and First Mutual Limited (FML).

Funeral assurance companies: Funeral assurance companies offer a savings plan which allows an individual to make savings for the specific purpose of covering bereavement. The value of services to be rendered will be restricted to one's total savings. Life assurance universally is a contract between the policy holder and the insurer whereby the insurer agrees to pay out the amount stated in the policy to the assured or his/her beneficiaries in the unfortunate event of death. The key word here is financial interest. It is a part of the contract that in return for the benefits, the client must pay a premium to the insurer. Insurance premiums are due and payable annually, but because most people have periodic income received monthly, insurance contracts now have provision for monthly payments. In the event of the policy reaching maturity or the insured person dying before then, the life assured or any beneficiary stated in the policy will receive the benefits. The sum assured determines the premium payable. A life policy and a funeral policy are in the same class of insurance products differing only in the way payouts are made. Otherwise, structurally they are both designed to give soft financial landing in times of grief.

2.5 Other official/registered financial mechanisms

Cellphone companies – money transfer: Technology has brought about various innovations including the ability to transfer money to various people or to pay for utility services via the cellphone. An individual is able to pay for services as long as they have money in their bank account. It has also been made possible to transfer airtime to another individual in order to communicate. This service is fairly new in Zimbabwe and is therefore not being widely used. However, with time, technology will make it possible for all cellphone companies and utility services providers to synchronise the payments system in Zimbabwe.

Post Office: Post offices are facilities authorised by a postal system for the posting, receipt, sorting, handling, transmission or delivery of mail and money. Post offices offer mail-related services such as post office boxes, postage and packaging supplies. In addition, some post offices offer non-postal services such as passport applications and other government forms, car tax purchase, money orders, postal orders, telegrams and banking services. The post office in Zimbabwe is officially a monopoly but in spite of this there are low business volumes in the post office. Competition for the services offered by the post office has come from various products being offered by banks and courier services as well as from advances in technology. For example, the growth of Information and Communications Technology ("ICT") has brought about the use of email services which has significantly replaced letter writing in most parts of Zimbabwe and the world as a whole.

2.6 Other private/unregistered financial mechanisms

The rise in the use of unregistered money transfer mechanisms is as a result of the limitation (effective exclusion) from the formal financial system. The majority of the population is unable to meet banking requirements to open an account or to secure a loan/funding. These mechanisms make it possible for the individuals that are regarded as poor to borrow and lend informally.

Housing cooperatives: Housing cooperatives are formulated when a group of individuals come together and contribute certain agreed sums of money towards the purchase of property, usually individual housing stands. After the purchase of property, members continue to contribute towards the maintenance and improvements of the roads and other facilities surrounding the various properties. The cooperatives comprise both registered and unregistered cooperatives. While it is encouraged that cooperatives be registered as welfare organisations, this is not mandatory and even where they are so registered there is no mechanism of regulating their activities.

Farmers associations: This is where farmers in the same area or village come together and contribute money on a regular basis or on an agreed space of time or season in order to purchase farm inputs for the planting season. This allows them to purchase inputs at discount prices or to arrange transport for their produce to the market. In these associations farmers also share farming tips as well as lobby for other farming implements from the government. There are various farmers associations in Zimbabwe, being an agro-based nation.

Burial societies: A burial society is a form of friendly society pooling resources to provide for expenses associated with bereavement (self-provided funeral assurance). The burial society movement has its origin in the large migrant labour communities (mainly Malawians, Zambians and Mozambicans) who had no local social networks that could help in times of bereavement. With time the movement found root in the urban population which, detached from its rural background, also lost the benefit of the social networks. Historically burial societies were constituted for the purpose of insuring money to be paid on the death of a member, or for the funeral expenses of the husband, wife or child of a member, or of the widow of a deceased member. Not-for-profit burial societies still exist today but most of their business has been taken over by private companies/formal businesses which provide funeral insurance.

Social Clubs: Social clubs are made up of people who enjoy partaking in a certain activity together like drinking, sport, art or entertainment. Club members contribute money in order to continue to enjoy the benefits of the social club. There are countless social clubs in Zimbabwe across all sectors. Their activities often include providing financial assistance in times of need and also a means of saving.

Village societies: A village society is made up of members of the same village who come together to contribute money or goods which are in turn sold in the village or to other village societies in order to raise funding for village improvements or to assist other village members in financial need. Very common forms of village associations are the rural electrification societies or associations that have been set up in the last decade to facilitate contributions for the installation of electricity under the Rural Electrification Agency ("REA").

Community traders/lenders: Community traders facilitate trade, i.e. the exchange of goods and make a small profit/margin from the sale. Community traders make the most margin when they source for a product that is in demand or scarce. They are therefore able to lend to other community members, money or commodities and collect their money at an agreed date and at an agreed interest rate. Community traders flourished in Zimbabwe in 2008 when basic commodities were scarce. In communities removed from the urban setting, traders often provided (in the Zimbabwe dollar era) credit and cheque encashment facilities for farmers, teachers and nurses in district hospitals and clinics. While the cheque system has virtually been abandoned after dollarisation in 2009, they still provide credit facilities for the purchase of food and other needs in their shops. Many rurally based employees have an "account" or "book" at the local trader's shop. This is often referred to as *"kunyorwa kumusana"* (literally "back labeling").

Savings clubs: These are made up of people with a common cause to spend at a future date. These individuals therefore contribute sums of money to the savings club, and are able to redeem their money at certain agreed periods and at agreed interest rates. Very often the savings clubs themselves take the money to a bank or other regulated facility for safekeeping.

Investment syndicates: Investment syndicates are groups of individuals who come together to invest in a particular business/investment opportunity with the expectation of recouping their initial outlay as well as a return on the investments at a future date. Some of the more common investment syndicates are those designed to invest on the stock exchange and/or money market. The reason for syndication is to pool resources in order to meet the minimum transaction size required to invest through these markets.

Chimbadzo (Usury): Chimbadzo is an illegal common practice in Zimbabwe used extensively especially when one is in great need of money, in particular among people from the same community. It refers to a situation where one lends money to a friend or community member on the understanding that the borrower will return the borrowed amount on an agreed date and at an agreed interest rate. The individual with money normally lends on strict and high interest rate terms. Chimbadzo is referred to as usury. Its advantage is that it is often available when one is in need of money.

Rural/inter-city bus operators: In Zimbabwe, bus operators have become another form of money/goods transfer. Bus operators are given money or commodities to deliver to relatives/friends in another area. The recipient of the money/commodities is informed in advance (now made easier by cellphone) to wait for the particular bus on a certain date and at a certain spot where the bus passes by. This form of transfer of money/goods may appear risky as there is no assurance that the recipient will receive their parcel as parcels often get lost. However, it would appear the practice is fairly common and there is a high degree of faith as the bus operator is often the only operator on the route and needs the community's support to renew his bus route.

Credit rounds (mukando): These are normally done by a group of workmates or friends. These individuals come together in small groups, usually less than five members, and agree on the fixed amount that they contribute and lend to an individual, every pay day until everyone has had his turn. The cycle (round) is repeated if there is still a need. The purpose is to allow the individual to have a lump-sum amount in order to buy big consumer items or pay for large expenditures which he would not normally afford with his pay. With the introduction of salary based loans in various banks in Zimbabwe, credit rounds are no longer as popular as they were at the beginning of the decade.

2.7 Key take outs

This section showed that there has been a rapid increase in the number of both registered and unofficial financial services providers across all financial services sectors. The rise in the use of unregistered money transfer and payment mechanisms is as a result of the limitation (effective exclusion) from the formal financial system.

There has also been an increasing move to regulate financial services following incidents of fraudulent activities, with a requirement for some form of registration in almost all financial activity sectors. However, the absence of real incentives for registration or punitive actions for non-compliance has meant that unregistered/unofficial financial mechanisms prevail alongside the registered/official services.

The number of players in the various segments of the broader financial services sector has changed significantly in the last five years, with many providers of services that were available as a response to the hyperinflationary environment, and currency controls of the hyperinflationary period, having disappeared with the stabilization of the economy and dollarization. Thus the rapid increase in the number of regulated financial services providers that was witnessed in the period 1998 – 2008 is now being mitigated by the rise in the number of mergers, acquisitions and consolidations taking place, as well as "migration and upgrading" of licenses. The latter refers to incidents of, for example, a finance house or discount house upgrading its license to a merchant bank, a merchant bank upgrading to a commercial bank.

There is a definite trend of "products" (e.g. funeral assurance, and money transfers) developed in the unofficial segments of the broader financial services market, being taken over and offered by the regulated financial services sector. This suggests that there is a high degree of innovation in the informal/unregulated segments of the broader financial services sector. There was the need to remain ahead of the tighter regulatory environment which characterised the official response to the hyperinflation that was prevalent in the 2004 -2008 period. This lower level sector/segment is the incubator of products and services which are then taken over by the regulated sectors/segments.

3 Survey methodology

The table below gives an overview of the methodology applied. The following sections provide more detail regarding the questionnaire, sampling approach, and analytical tools.

Table 1: Methodological overview

Logistics	Details
Methodology	Face-to-face, pen and paper interviews were conducted among adults (18 years or older)
Sampling frame	Listing exercise, population stratified by location (urban/rural)
Sample area selection	400 Enumerator Areas (EAs) were selected using probability proportional to size (PPS), interviews were conducted in 154 urban and 246 rural EAs
Sample size	3 984 interviews, nationally representative sample
Household qualification	10 households were selected from each EA using systematic random sampling
Respondent selection	Respondent selection
Questionnaire length	± 75 minutes
Fieldwork	August to September 2011
Data management	20% back checks, data capturing in SPSS, weighting was done on EA, household and individual level, data validation against census data

3.1 Questionnaire

Questionnaire design involved customization of the standard FinScope questionnaire into Zimbabwe's context. The questionnaire design was guided by FinMark Trust's research team and led by the Steering Committee. During this process, the team ensured that changes to the survey content do not affect the FinScope indicators which are used for financial inclusion and tracking changes in the trends over time.

The final questionnaire was signed off by all relevant parties involved and was then translated and backtranslated from English into Shona and Ndebele. The questionnaire was used for the training of enumerators and was completed by a detailed training manual. The questionnaire was then piloted internally and in field. Based on the feedback from the supervisors, the questionnaire was revised again before the final version was signed off and ready to go into field.

The final questionnaire included the following topics:

- Household information and demographics
- Farming and fishing
- Income and expenditure
- Financial literacy
- Money management -savings
- Money management-borrowing
- Insurance-risk and risk management
- Remittances
- Bank product penetration
- Informal products
- General

3.2 Sampling

The sampling frame was developed by ZIMSTAT based on the Master Frame developed from the 2002 Population Census. Sample frame and weighting of the data was done to obtain a nationally representative individual-based sample of Zimbabweans aged 18 years and older. Out of a target sample of 4 000 households 3 984 face-to-face interviews were conducted from August to the end of September 2011, giving a response rate of 99.6 percent. The sample design entailed three stages: selection of enumeration areas (EA's) as the first stage, selection of households in these EA's as the second stage, and selection of one household member per selected household as a third stage. In total 400 EA's were selected with probability proportional to size (PPS), the measure of size being the number of households enumerated in the 2002 Population Census (see table below). Ten households were selected randomly in each EA and one adult person was randomly selected using the Kish Grid. The selection of households was done by team leaders and provincial supervisors. Enumerators were not allowed to select the households on their own. In this survey substitution of eligible members within the same household was not permitted. Substitutions were permitted by the provincial supervisor after three calls to the household failed to locate the eligible household member. In this case the replacement was selected from the household lists using the random systematic sampling techniques.

Table 2: Allocation of the sample to urban/rural domains of the 10 provinces of Zimbabwe

Province	Urban	Rural	Total
Bulawayo	645	0	**645**
Manicaland	51	216	**267**
Mashonaland Central	12	87	**99**
Mashonaland East	13	103	**116**
Mashonaland West	100	228	**328**
Matabeleland North	17	79	**96**
Matabeleland South	10	64	**74**
Midlands	99	247	**346**
Masvingo	16	118	**134**
Harare	1,874	21	**1,895**
Grand Total	**2,837**	**1,163**	**4,000**

Table 3: Allocation of EA's to the urban/rural domains of the 10 provinces of Zimbabwe

Province	Urban	Rural	Total
Bulawayo	25	0	**25**
Manicaland	10	44	**54**
Mashonaland Central	4	29	**33**
Mashonaland East	4	37	**41**
Mashonaland West	13	29	**42**
Matabeleland North	3	16	**20**
Matabeleland South	3	18	**21**
Midlands	13	34	**47**
Masvingo	5	38	**43**
Harare	73	1	**74**
Grand Total	**154**	**246**	**400**

3.3 Training, pilot and data collection

FinScope follows a standard training procedure. The field staff which comprised seven head office supervisors, ten provincial supervisors and 40 enumerators and team leaders, attended ten days of training. During the training, the questionnaire was tested internally (mock interviews) and through field pilots.

All households in the selected EAs were listed. The list of households was done per enumeration area and stickers with household numbers were used to show that the enumerator had visited the household. As part of quality control,supervisors randomly selected some households and checked the details on the listing form completed by the enumerator. Before data collection, the provincial supervisors and team leaders selected eligible households using the random systematic sampling approach.

Within the selected household, the enumerator listed the usual members of the households, including children, in a table of the questionnaire. In the second table of the questionnaire, the enumerator then listed adults aged 18 years old and above (qualifying members). From the second list, one adult was selected with whom to conduct the interview using the Kish Grid provided in the questionnaire. No substitutions of adults were allowed within the same household. If the eligible adult was consistently not found after three attempts of visiting the household, a replacement household was selected. This approach was done in order to minimise bias in the results of the survey.

The questionnaire was administered through the face-to-face interview technique. The enumerator directly asked the questions to the respondent and the enumerator also recorded the responses. The method was adopted as the response rate was high and non-responses due to illiteracy levels were circumvented.

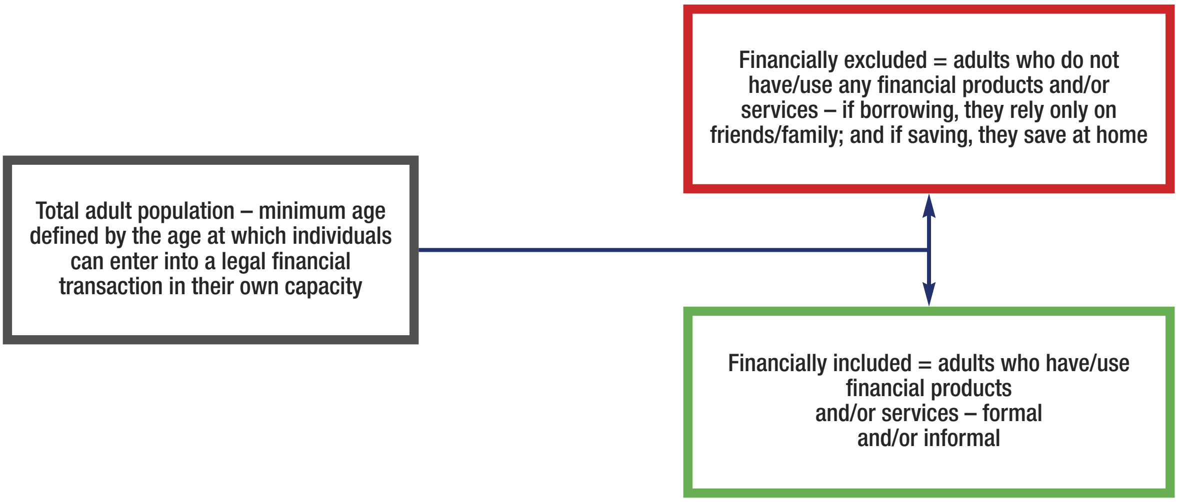
3.4 Data processing and analysis

The Finscope Zimbabwe 2011 data were captured by ZIMSTAT using the Census and Survey Processing (CSPro) software package. Before commencing with data capturing, data entry staff were trained for one day in order to familiarize themselves with the questionnaire. A double entry system was followed for purposes of verification. This consisted of an initial entry followed by a verification entry and checking of differences. Both the Statistical Analysis System (SAS) and SPSS were used for data processing programmes. Data cleaning was done to check for the consistency of the data. Data validation was done by comparing Finscope Zimbabwe Consumer Survey population statistics indicators with the results of the Zimbabwe population Census 2002 and the population projections for the year 2011. The Finscope Zimbabwe 2011 population statistics were found to be consistent with the results of the 2002 Population Census and Population projections.

Analysis of data was done by FinMark Trust in collaboration with ZIMSTAT. This resulted in the presentation of topline findings to the steering committee members on 20 February 2012 and comments from this meeting have been incorporated into the Finscope Zimbabwe 2011 report. The findings of this survey have been approved by the Finscope Zimbabwe Steering Committee.

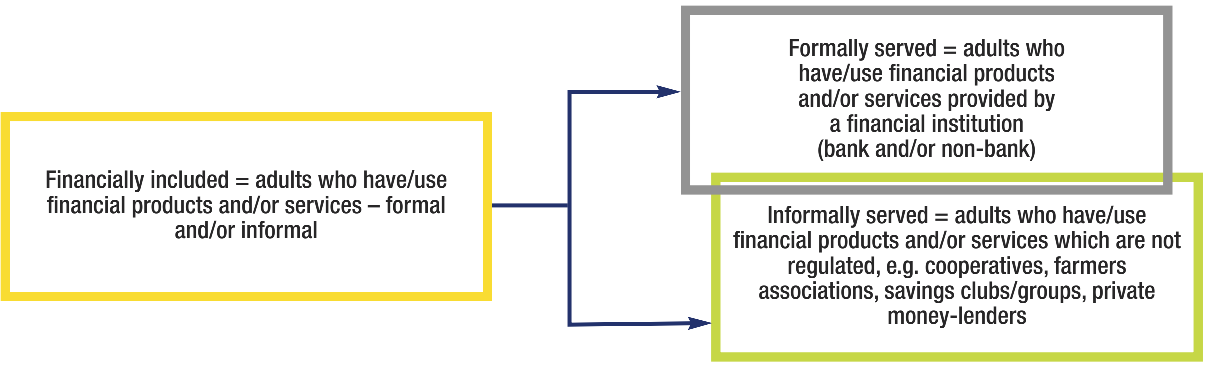
3.5 Analytical framework

The concept "financial inclusion" is core to the FinScope methodology. Based on financial product usage, the bankable population is firstly segmented into two groups: the 'financially excluded' and the 'financially included':



The 'financially excluded' segment refers to individuals who manage their financial lives without the use of any financial products or mechanisms external to their personal relationships. To further understand financial inclusion, the 'financially included' segment of the population is taken through a further step of segmentation. As the 'financially included' segment of the population comprises individuals who have/use formal and/or informal financial products and mechanisms, this second step in the segmentation seeks to identify:

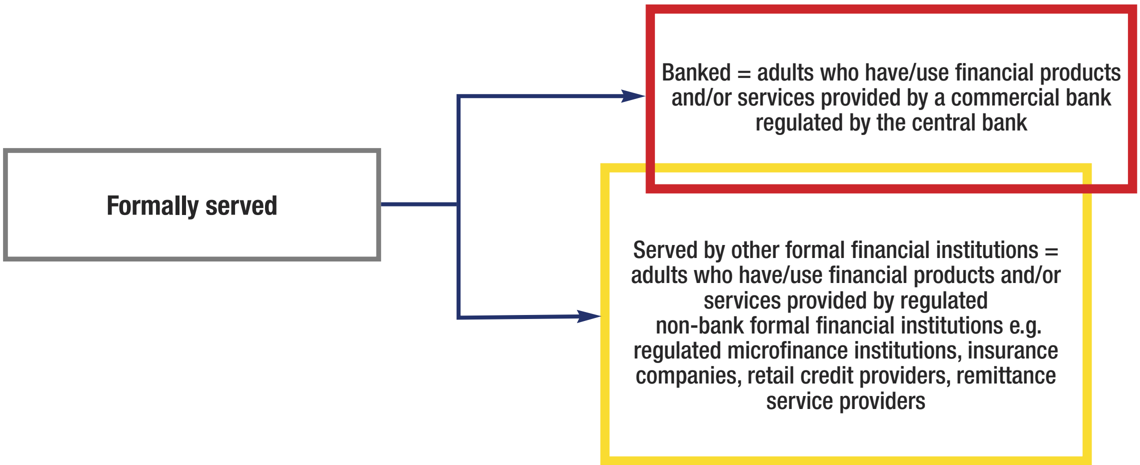
- Those individuals who have or use products or services from financial institutions that are regulated through an Act of law (formal financial institutions) – the 'formally served' segment of the population;
- Those individuals who have or use products or services from financial institutions that are not regulated (informal financial institutions and mechanisms) and/or use community based organisations/mechanisms to save or borrow money – the 'informally served' segment;
- Those individuals who have or use both formal and informal products and services.



The next step in the segmentation seeks to better understand or unpack the 'formally served' segment of the population – i.e. individuals who have or use products or services from financial institutions that are regulated through an Act of law (formal financial institutions). This step further segments the formally served population into:

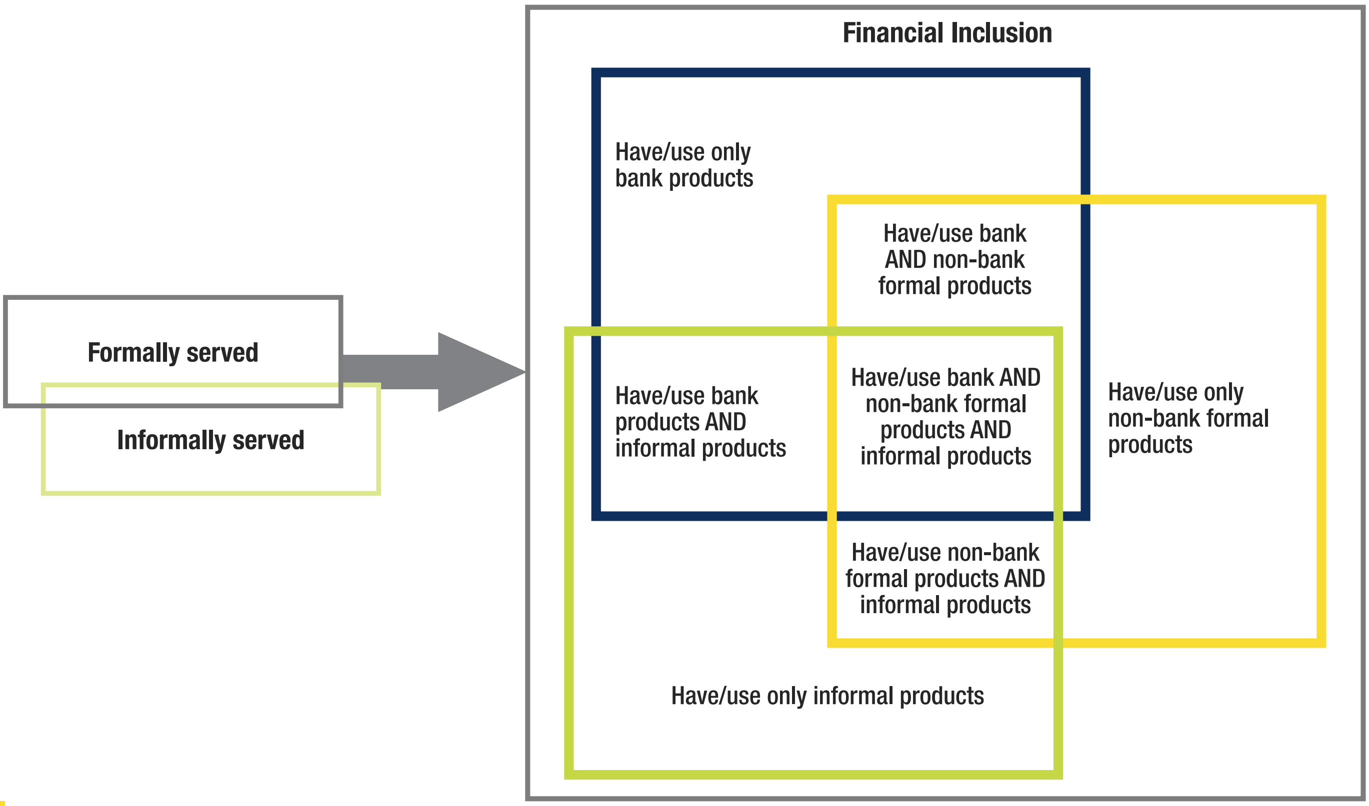
- Those individuals who have or use products or services from licensed commercial banks that are regulated by the central/reserve bank – the 'banked' population;

- Those individuals who have or use products or services from financial institutions that are regulated through Acts of law but which are not commercial banks. Those individuals who have or use products or services from such institutions, comprise the 'Served by Other Formal financial institutions' segment of the population (referred to as 'Other Formal' segment);
- Those individuals who have or use products or services from both commercial banks and other formal financial institutions.



Finally the segmentation process looks at the overlaps between the different population segments allowing for a better understanding of the following population segments:

- Those individuals who have or use only bank products and services;
- Those individuals who have or use bank and other formal products and services;
- Those individuals who have or use bank and informal products and services;
- Those individuals who have or use bank and other formal and informal products and services;
- Those individuals who have or use only other formal products and services;
- Those individuals who have or use only informal products and services;
- Those individuals who have or use other formal and informal products and services.



FinScope indicators: In order to reflect on the FinScope objectives, the FinScope approach uses a specific set of indicators developed for this purpose:

- The Financial Access Strand
- The Financial Access Landscape

The **Financial Access Strand** is used to enable comparison of levels of financial inclusion across countries/market segments. In calculating the Access Strand, a hierarchical approach is used in order to depict:

- The percentage of adults who are banked – identifying adults using commercial bank products. This is not necessarily exclusive usage – these individuals could also be using financial products from other formal financial institutions or informal products as well as bank products;
- The percentage of adults who are formally served but who are not banked (other formal) – identifying adults using financial products from formal financial institutions which are not commercial banks such as microfinance institutions or insurance companies. This excludes bank usage, but is not exclusive in terms of informal usage – these individuals could also be using informal products;
- The percentage of adults who are not formally served but who are informally served (informal only) – adults using informal financial products or mechanisms only. This is exclusive informal usage and does not include individuals who are within the banked or other formal categories of the access strand that also use informal services;
- The percentage of adults who are excluded/unserved – adults using no financial products to manage their financial lives – neither formal nor informal and depend only on family/friends for borrowing and save at home if they save.

The **Financial Access Landscape** is used to illustrate the extent to which individuals have or use financial products and services. The web diagram depicts, on its five axes, the percentage of adults that have or use:

- Transactional products/services;
- Savings products/services;
- Credit products/services;
- Insurance products/services;
- Remittance products/services.

4 Survey findings

Financial inclusion cannot be understood in isolation. It needs to be understood in the context of other dynamics within a country or community. To fully comprehend financial inclusion, it is important to understand the demographic profile of the population, the different ways in which people generate income, how people live, their life realities, and their perceptions regarding financial services. These and other questions are core to understanding the financial inclusion landscape within a country or community.

4.1 Demographic profile

The sample is deemed representative of the country's adult population (18 years or older). The results of the survey presented in this report are therefore extrapolated to represent the country's adult population of 5,983,253 people. The adult population is skewed towards females (59.8%), as shown in the figure below. The Zimbabwean adult population is relatively young with 40% being under the age of 30 years of age (this is generally regarded by FinScope data as not yet economically settled).

Urban areas, by definition, tend to be more endowed with infrastructure that enables the presence of services – including financial services. As a result, it often follows that access to financial services is higher in urban areas than it is in rural areas. The urban-rural split of the population therefore has an effect on the overall financial inclusion picture in a country. The large majority (65%) of the adult population live in rural areas, while the remaining 35% live in areas defined by ZIMSTAT as "urban".

Figure 1: Urban/rural distribution

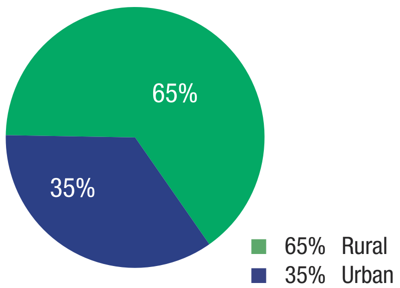


Figure 2: Gender distribution

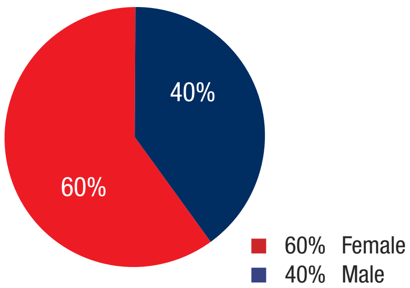
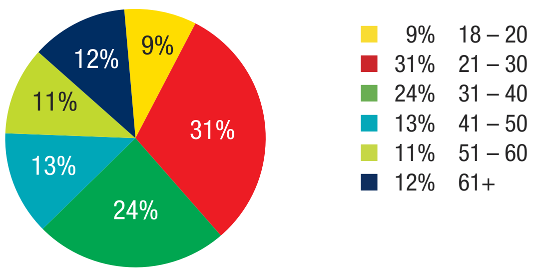
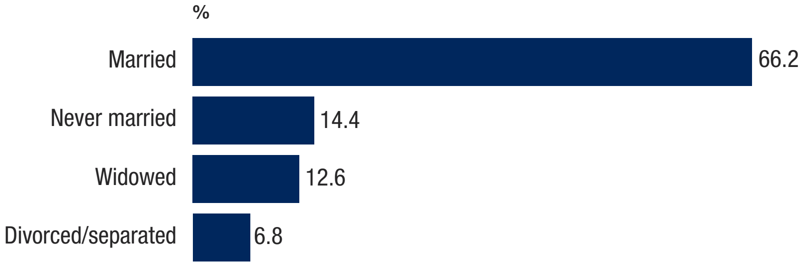


Figure 3: Age distribution



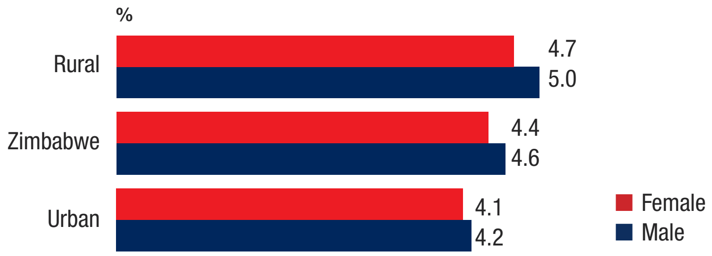
The majority of Zimbabweans (66.2%) are married, while 14.4% were never married. About 13% of the adults reported that they were widowed, while 6.8% of the adults were divorced or separated.

Figure 4: Marital status – percentage of adult population



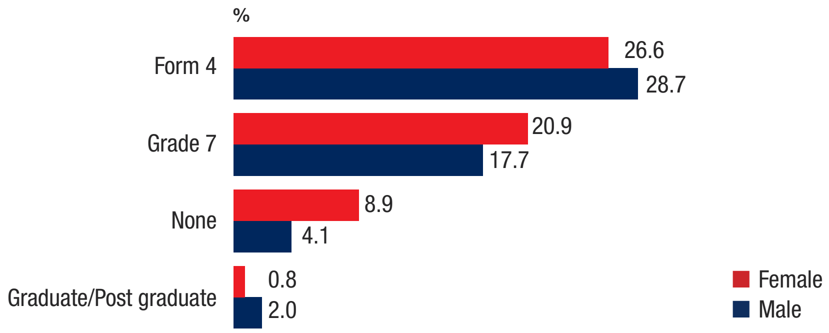
The average household size in Zimbabwe is 4.5 persons per household. Rural areas have larger household sizes (4.8%) compared to urban areas (4.2%). It was also observed that in Zimbabwe male headed households (4.6%) were slightly larger than those headed by females (4.4%). The same pattern was observed in rural and urban areas. It was also observed that in rural areas both male and female headed households were larger compared to households headed by males and females in urban areas.

Figure 5: Average household size by location and by gender of household head



The education levels in a country are important, as generally, a correlation exists between education levels and financial behaviour. In attempting to address issues of financial inclusion, it is therefore important for service providers, for example, to understand the level of education of their target markets in order to be able to design effective communication. 19.6% of the adults completed school up to Grade 7 (primary education). Twenty seven percent of the adults stated that they had completed Form 4 (some secondary education) as the highest level of education completed. When comparison is made by gender, it was observed that slightly more females had completed Grade 7 (20.9%) compared to 17.7% for males. At higher levels, male (28.7%) adults fared better than females (26.6%) as far as highest level of education completed. More females, (8.9%) had not completed any level of education compared to males, (4.1%).

Figure 6: Highest level of education completed by gender – percentage of adult population



4.2 Understanding people's lives

In addition to assessing the demographic characteristics, it is also important to have an understanding of the realities and challenges that people face in their daily lives – in terms of access to amenities, access to infrastructure and wealth profiles. All of these aspects are likely to affect how people interact with financial services. People struggling to survive on a daily basis, whose lives are characterised by a lack of access to basic amenities, are unlikely to prioritise usage of financial services, particularly formal financial services. Their efforts are more likely to be directed towards coping with their daily life demands.

Access to basic amenities: A significant proportion of Zimbabweans aged 18 years or older do not have access to basic amenities. Those who live in rural areas are worse off than their urban counterparts, in terms of access to drinking water, sanitation and energy sources for cooking. Accordingly, adults in rural areas spend a lot of their time fetching water and wood to meet basic needs, and as such they are less likely to think about accessing financial services.

Zimbabweans, especially those living in rural areas, have limited access to clean water and sanitation, whereas 65.7% of adults reside in households with no piped water inside or outside the house, and 29.5% reside in households without toilet facilities. More than every second adult (51.6%) had to share toilet facilities with other households. 63% of adults in urban areas shared a toilet facility as opposed to 37% in rural areas.

Figure 7: Main source of water for cooking and drinking – percentage of adult population

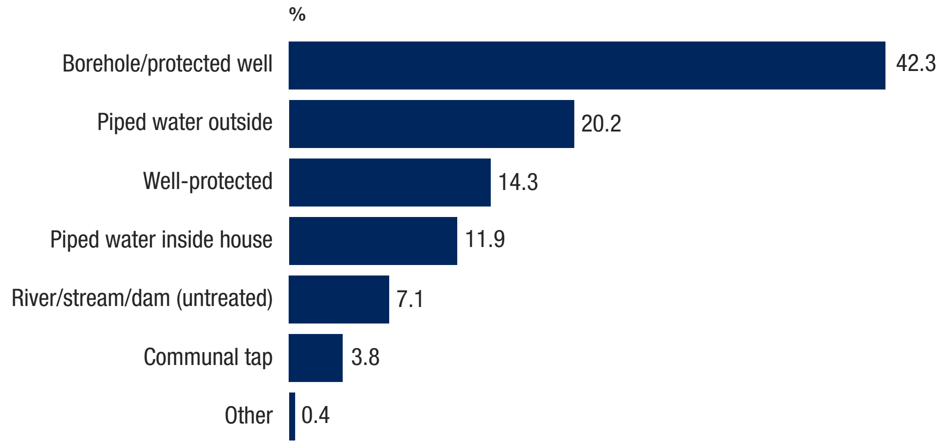


Figure 8: Type of toilet facility – percentage of adult population

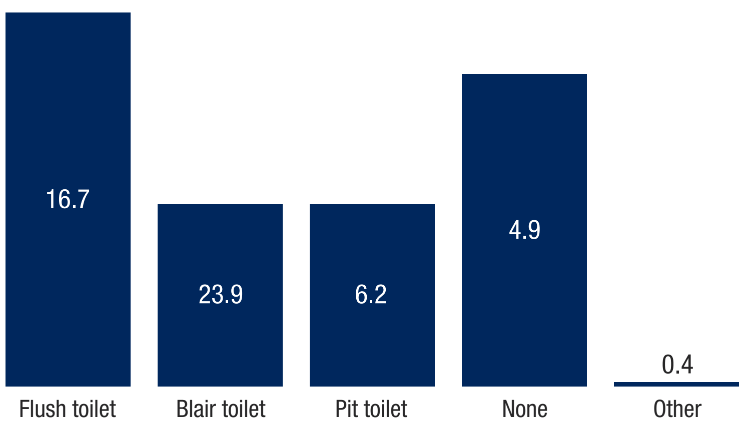
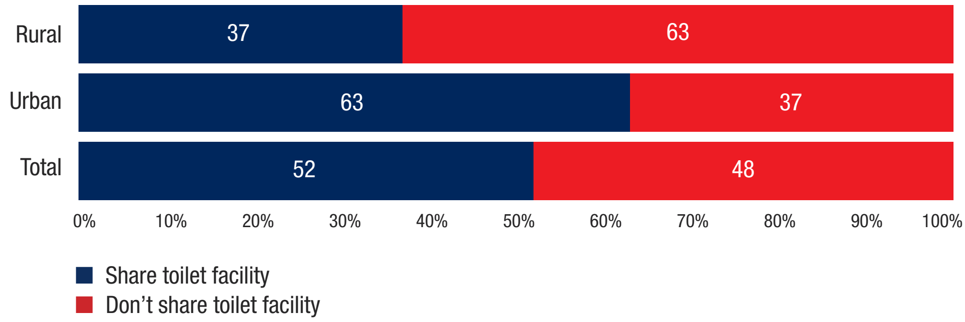


Figure 9: Shared toilet facilities – percentage of adult population



The majority of adults (67.4%) use wood as a main source of energy for cooking, while 31.1% use electricity. The high wood usage in Zimbabwe is cause for concern in terms of deforestation, particularly in rural areas where 91.7% of the adults responded that they used wood as a main source of energy for cooking. In urban areas, 92.7% of the adults use electricity as a main source of energy for cooking.

Figure 10: Main source of energy for cooking – percentage of adult population

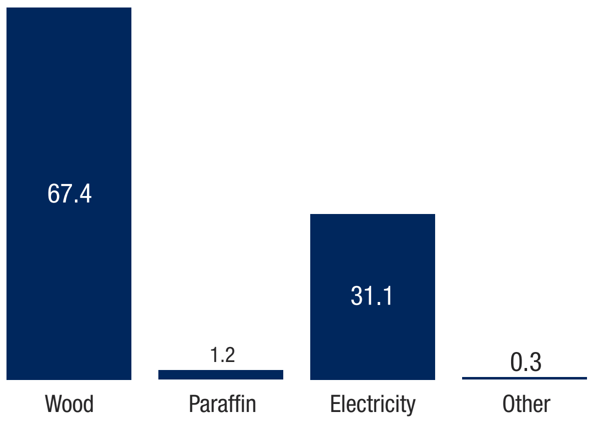
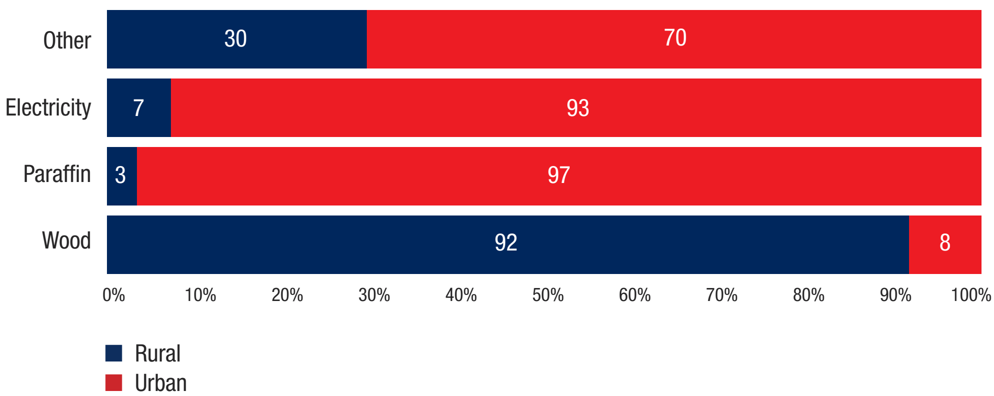


Figure 11: Main source of energy for cooking by location – percentage of adult population



Home ownership and other assets: In total, 52.5% of the adults in Zimbabwe lived in households as owners or purchasers. Home ownership is higher in rural areas (86%), than it is in urban areas (14%).

15.8% of the adults lived in households as lodgers/tenants (mainly in urban areas) while 16.6% of the adults lived in houses which belonged to their parents or guardians. 11.7% of the adults lived in tied accommodation.

Figure 12: Type of tenure – percentage of adult population

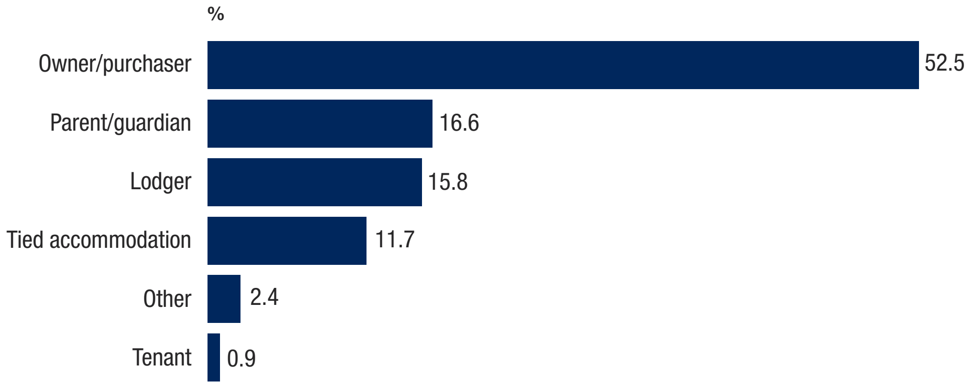
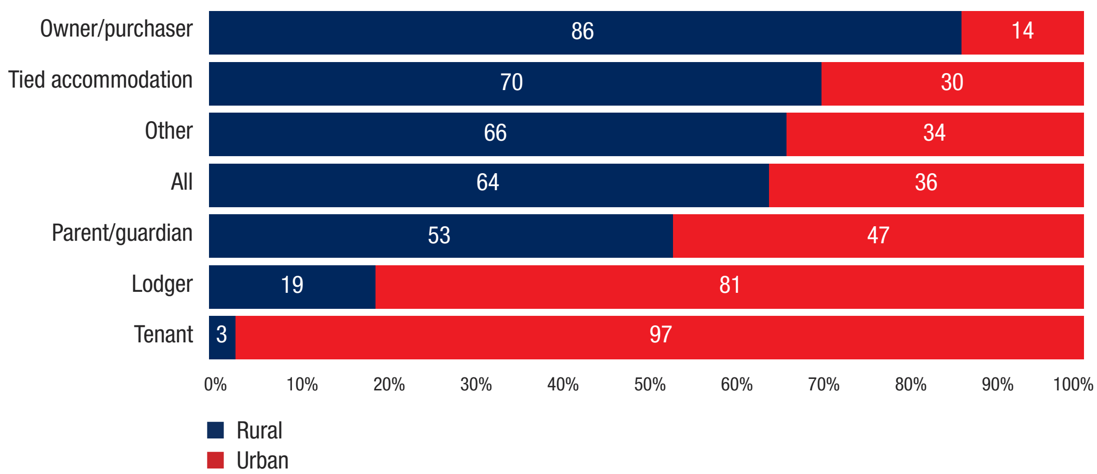
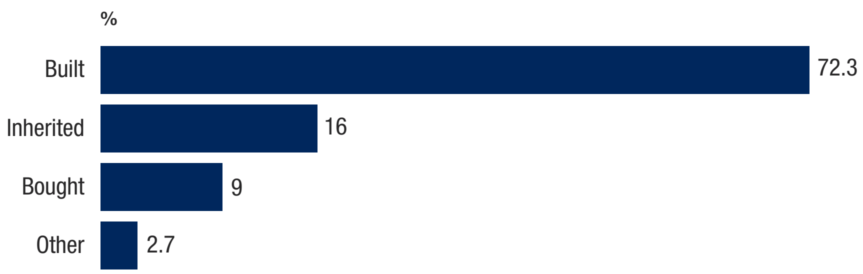


Figure 13: Type of tenure by location – percentage of adult population



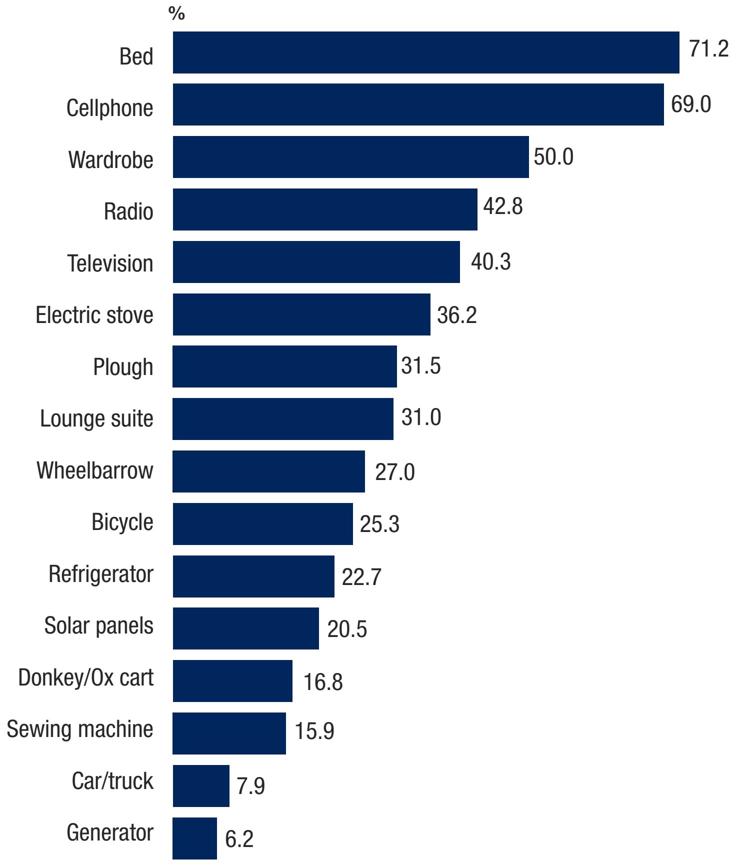
The majority of home owners (72.3%) reported that they built the houses in which they live, while 16.2% stated that they inherited it. Only 8.7% said that they bought it.

Figure 14: How the dwelling unit was acquired – percentage of adult population



While over 50% of the total adult population owned or had access to basic assets like a bed, cellphone and wardrobe, less than 32% of adults own or have access to productive assets such as ploughs, wheelbarrows, scotch-cart, tools and sewing machines which help in the production of goods and services.

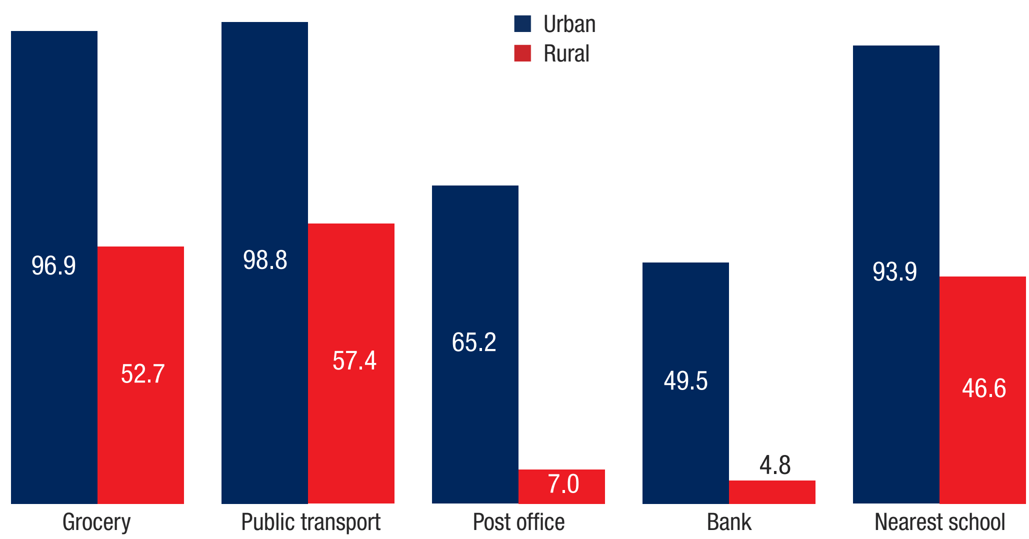
Figure 15: Ownership of household assets – percentage of adult population



Geographical access to facilities: The distance to the nearest grocery store, local village market, post office and bank – measured in terms of the time taken to reach these places – helps achieve mainly two things: the first is that it gives a sense of the levels of access to infrastructure, and the second, and perhaps the more important, is that it helps to provide a context in which to evaluate the distribution of financial services institutions. Very often, the lack of physical access ('the banks are too far') is given as the reason for why people do not especially engage with the formal financial institutions. Pressure is often subsequently brought to bear on the formal financial institutions to erect points of presence in these often rural areas. What is important is to put the distance to formal financial institutions in relation to the distances to other basic institutions such as the nearest grocery store, local village market, and post office. Once this is done, it is then possible to establish whether physical access is in fact the main problem. Another benefit of looking at physical access in this way is that it also provides service providers with options for alternative distribution channels for their products and services.

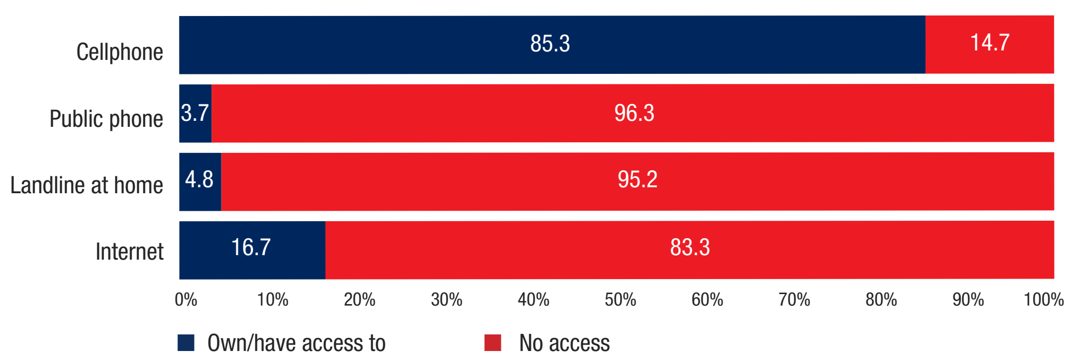
There are stark differences between urban and rural areas. While the large majority of adults in urban areas (96.9%) have access to a grocery store within 30 minutes of reach, almost every second adult in rural areas (52.7%) have to travel more than 30 minutes to reach the nearest grocery store. Accessibility to schools is cause for concern. The biggest differences, however, are visible when comparing access to banks and Post Offices: whereas 65.2% and 49.5% of adults in urban areas have access to a Post Office and bank respectively, only a few (7% and 4.8% respectively) Zimbabweans in rural areas can reach a Post Office or bank within 30 minutes. Limited physical access to financial service providers affects financial inclusion as described in more detail in the next section.

Figure 16: Percentage of population within 30 minutes reach of a facility



Connectivity: One of the avenues often touted as the way to expand the reach of financial services, is through technology. To try and understand the potential in Zimbabwe, it is therefore important to look at the level of usage of mobile phones and the internet. Looking at the proportions of the population who personally use mobile phones addresses this, but it is also an indicator of the level of connectivity. Internet access in Zimbabwe is low with only 16.7% of adults having access to the internet. While the majority of Zimbabweans own or have access to a cellphone, only 45.5% said that they would like to use their cellphone/internet to transfer money or make payments.

Figure 17: Connectivity – percentage of adult population

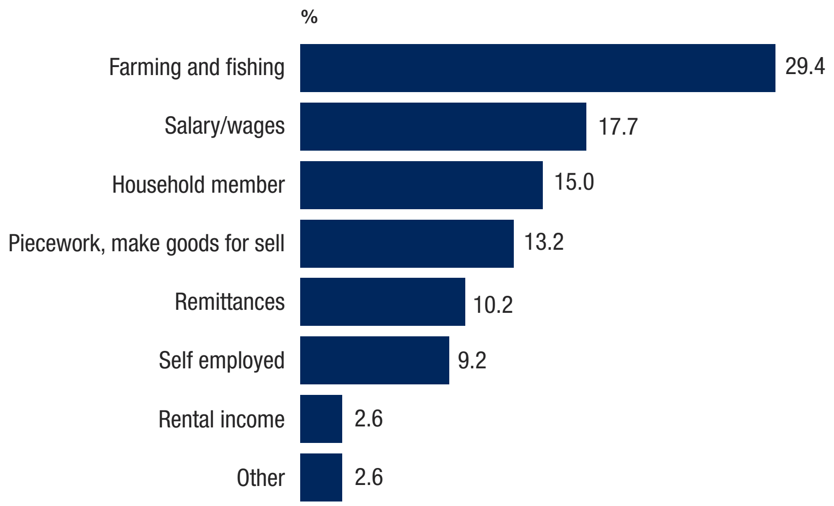


4.3 Income-generating activities and financial behaviour

In addition to considering the general demographics of adults and how they live their lives, it would be impossible to understand the extent and nature of financial inclusion in Zimbabwe without looking at how people generate their income. Without knowing the income realities of Zimbabweans, it will be difficult to understand their financial service usage choices and constraints, as income is one of the primary determinants of engagement with financial services providers. Understanding the source, regularity and consistency of the earned income can also inform the optimal way that financial services should be structured to increase usage by, and benefit to, Zimbabweans.

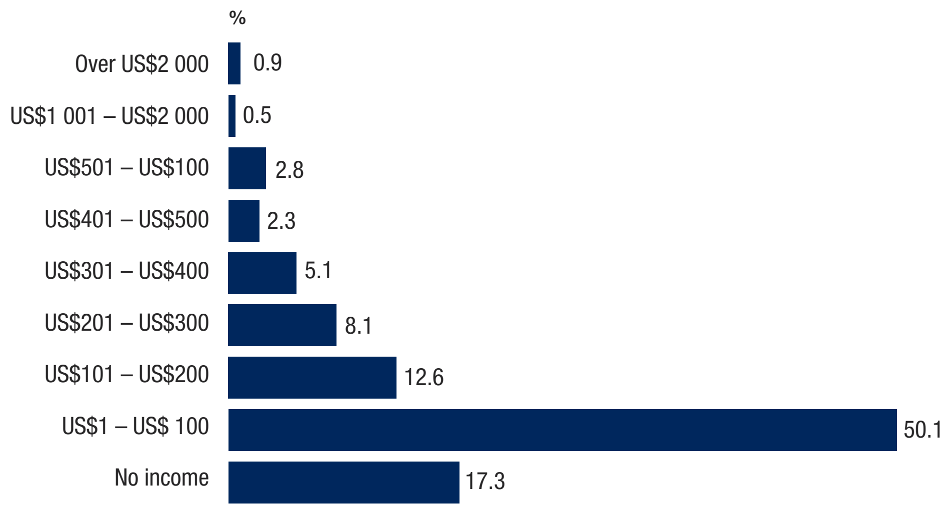
Income-generating activities: Money from farming and fishing is a main source of income for Zimbabweans (29.4%), while every fourth Zimbabwean (25.2%) relies on money from others (household member or remittance), and only 17.7% receive a regular salary/wage. 22.4% of the adults are irregular income earners who receive money from own business or piece work.

Figure 18: Main source of income – percentage of adult population



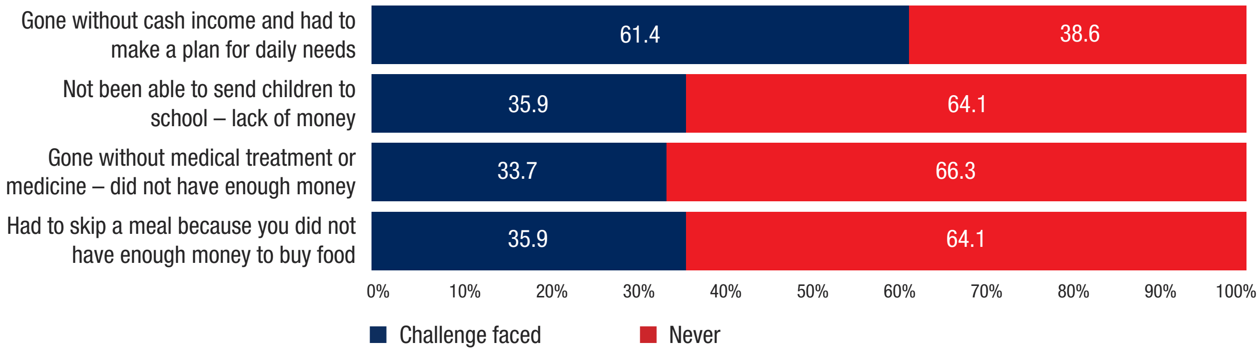
Income: The large majority of the adult population (80%) earn less than USD 200 per month (including) 17.3% who do not have an income at all. (as illustrated in the graph below)

Figure 19: Monthly income – percentage of adult population



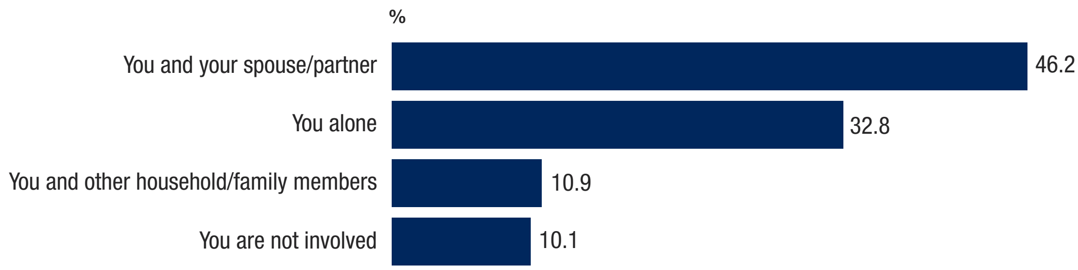
Daily realities: This lack of financial resources and hardship reflect on daily realities. The majority of adults (61.4%) had gone without cash at some stage and had to make a plan for daily needs – while 37% have no one to turn to when faced with cash problems. More than a third of adults (35.9%) had to skip a meal because of a lack of money or food, 35.9% had not been able to send their children to school because of lack of money, and 33.7% had gone without medicine when ill because of a lack of money.

Figure 20: Daily realities – percentage of adult population



Financial decision making: The large majority of adults (90%) are involved in financial decision making. Almost half of the adults (46.2%) make financial decisions between themselves and their spouses, while 32.8% of the adults make financial decisions on their own. The rest (10.9%) made financial decisions between themselves and other household or family members.

Figure 21: Financial decision making in the household – percentage of adult population



Safe-keeping: When asked "If you were to receive a large sum of money, where would you keep it until you have decided what to do with it?" – the majority of adults (69%) responded that they would put it in the bank for safe-keeping.

Figure 22: Methods of safe-keeping money – percentage of adult population

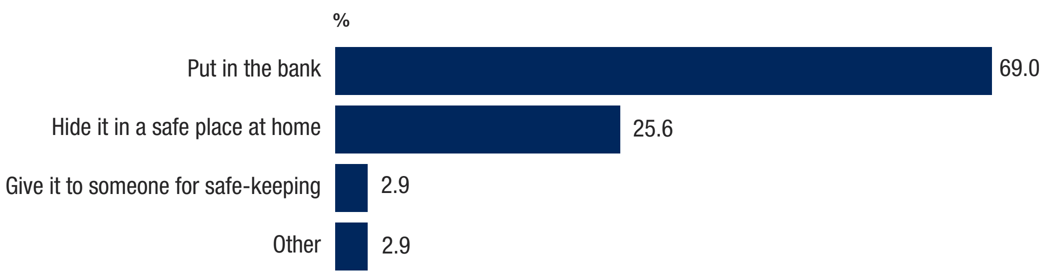
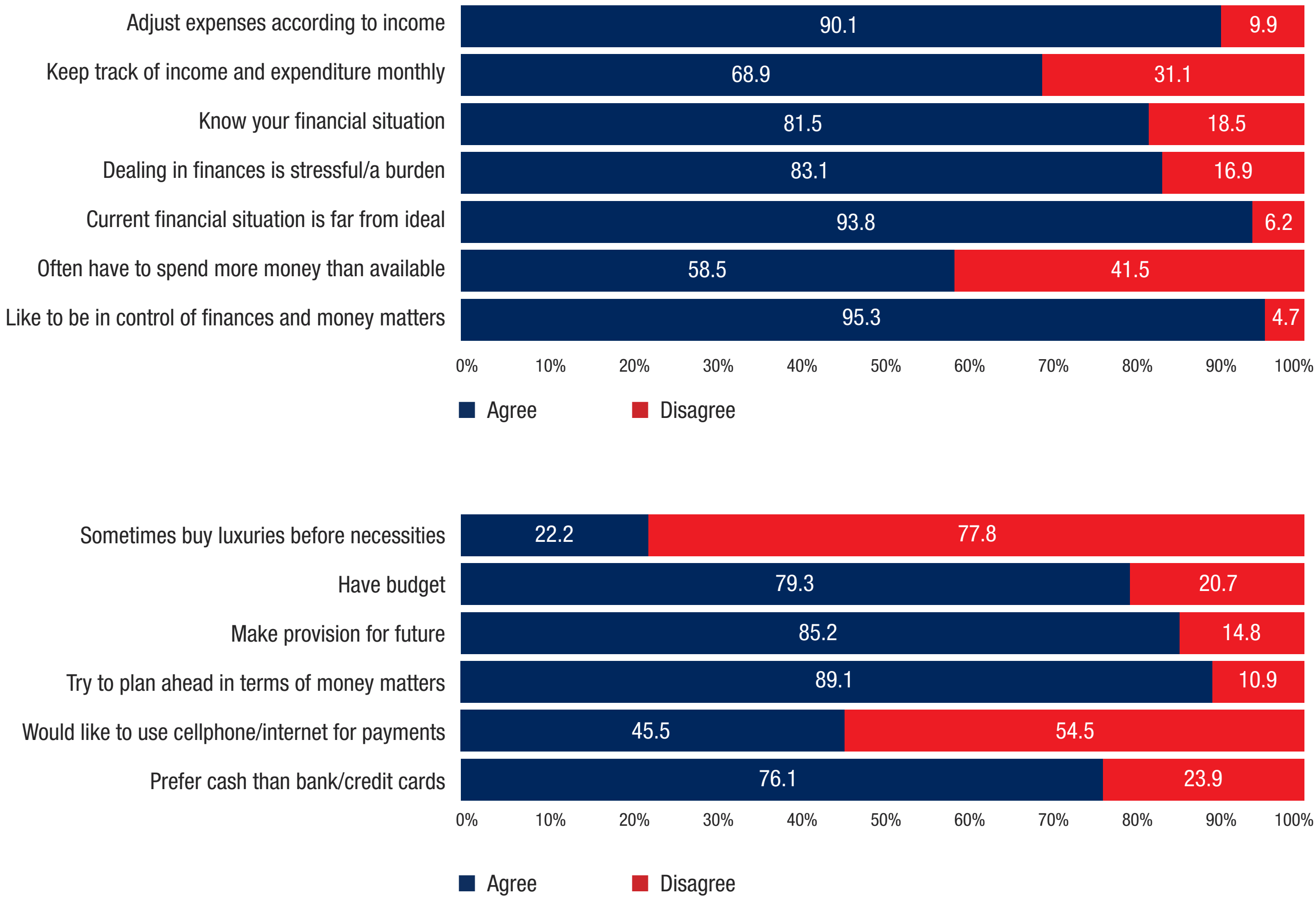
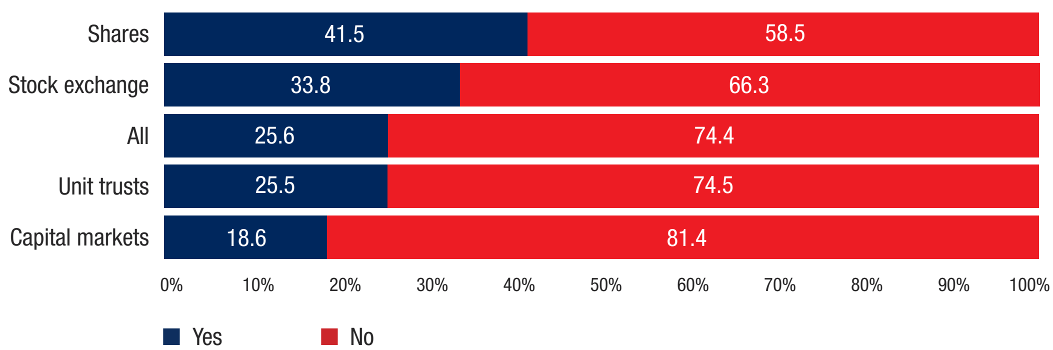


Figure 23: Perception about finances – percentage of adult population



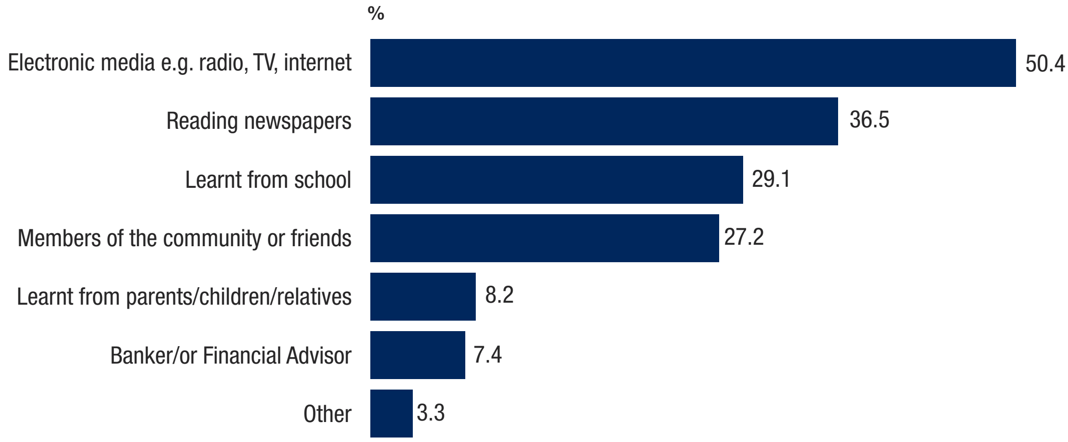
Knowledge of financial market terms: The majority of Zimbabweans (74.4%) do not know about financial market terms such as capital markets, tick exchange, shares, unit trusts and other investments e.g. negotiable certificate of deposit. Shares are most commonly known (42%), followed by the stock exchange (34%). Only a quarter of Zimbabweans (25.5%) know what a unit trust is.

Figure 24: Knowledge of capital market terms – percentage of adult population



Almost half of the adults (50.4%) who had knowledge of financial terms stated that they heard about these terms from the electronic media, while 36.5% read from newspapers and another 29.1% learnt from school. More people living in urban areas stated that they heard about these terms from electronic media compared to those in rural areas.

Figure 25: Source of knowledge of capital market terms – percentage of adult population



Key take outs

A few points emerge from the previous sections that are useful to keep in mind when thinking about the prospects of increasing the levels of financial inclusion in Zimbabwe:

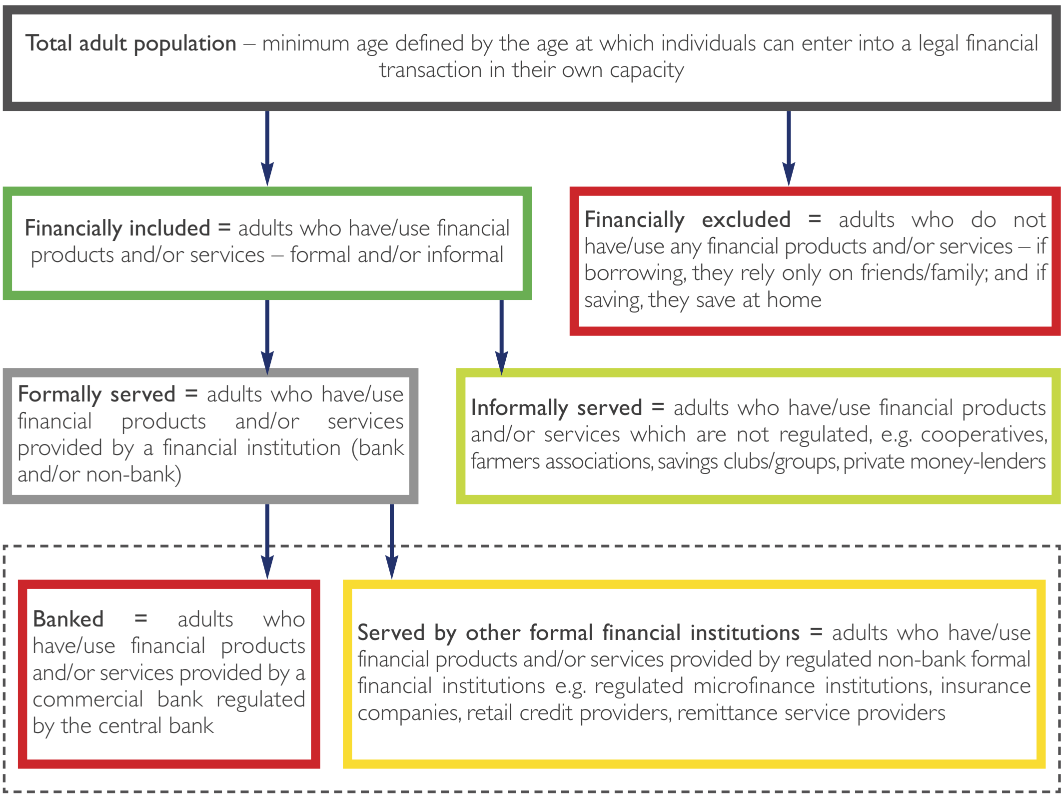
- 65% live in rural areas;
- 40% are under the age of 30 years (this is generally regarded by FinScope data as not yet economically settled);
- Money from farming and fishing is a main source of income for Zimbabweans (29.4%), while every fourth Zimbabwean (25.2%) relies on money from others (household member or remittance), and only 17.7% receive a regular salary;
- 80% of the adult population earn less than USD 200 per month (including 17.3% who do not have an income at all);
- 66% reside in households with no piped water (inside or outside the house);
- 67% reside in households that use firewood as the main source of energy for cooking;
- In rural areas, where the majority of Zimbabweans live, adults spend most of their time fetching water and wood to meet basic needs, and are less likely to think about accessing financial services;
- 36% had to skip a meal because of a lack of money or food;
- 61% had gone without cash at some stage and had to make a plan for daily needs;
- There are significant daily realities such as the lack of access to basic infrastructure and amenities and the lack of proper sanitation.

4.4 Financial inclusion in Zimbabwe

As previously outlined in the analytical framework section, the **total bankable population** (aged 18 years and older) is defined as those who have/use financial products/services to manage their financial lives **(= financially included)** and those who do not have/use any financial products/services **(= financially excluded)**, i.e. if they borrow they rely on family and friends, and if they save they save at home.

Financially included adults have/use either formal products/services provided by a financial institution (banked and/or un-banked) **(= formally served)** and/or informal products/services, i.e. which are not regulated **(= informally served)**, such as cooperatives, farmer associations, savings clubs, and private money-lenders. Accordingly, **formal inclusion** is defined by those who have/use either financial products/services provided by a commercial bank which is usually regulated by the central bank **(= banked)**, and/or those who have/use financial products/services provided by regulated non-bank formal financial institutions **(= other formal)**, e.g. regulated microfinance institutions, insurance companies, retail credit providers, and remittance service providers.

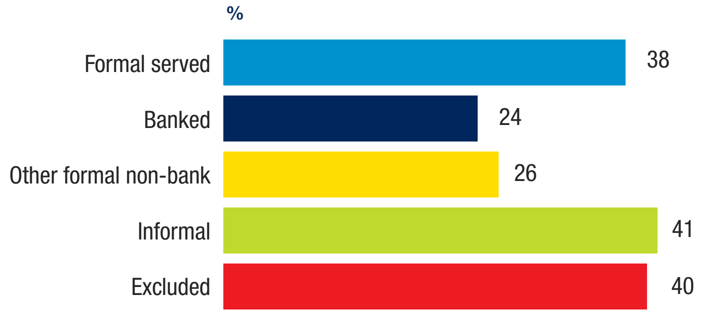
Figure 26: Financial inclusion definitions



4.4.1 Financial inclusion – overview

The survey found that 38% of adults (2 316 877) are formally served, including both banked and other formal bank products/services. While 24% of adults are banked, 26% of adults have/use other formal non-bank products/services. The use of informal mechanisms is high in Zimbabwe (41%). 40% of adults are financially excluded, meaning they neither use nor have formal or informal products and services and depend only on family/friends for borrowing and save at home if they save.

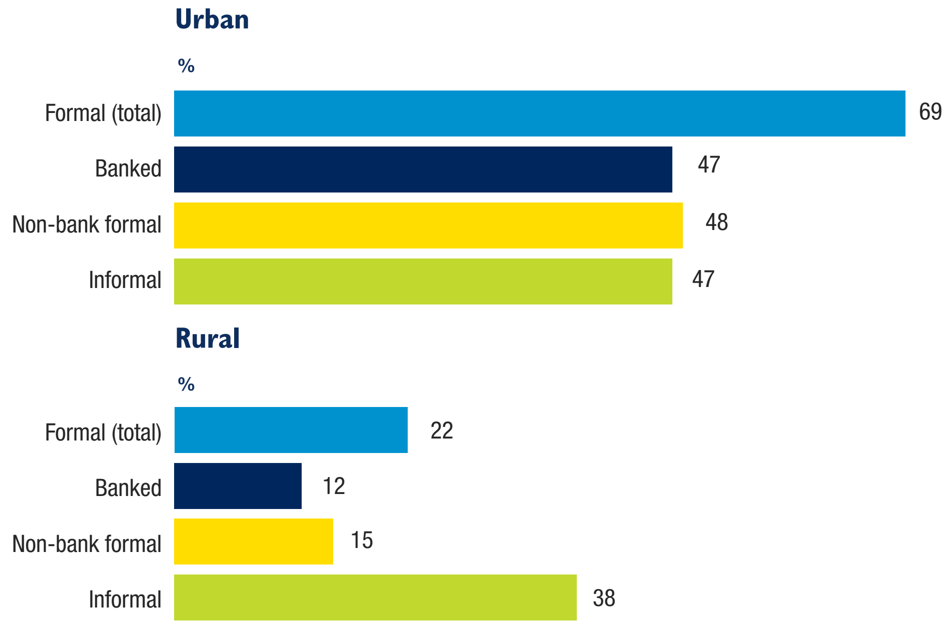
Figure 27: Financial inclusion – overview



It is important to note that there will be overlaps between formal and informal financial services usage, that is, some people who have a formal financial product will also have an informal one; formal and informal usage as depicted in the figure cannot simply be added up to reach total inclusion. The same holds for banking and non-bank financial services - many of those who use non-bank financial services are likely to also have a bank account. These differences will become apparent when inclusion is unpacked further.

Urban/rural differences: There are stark urban/rural differences when comparing levels of financial inclusion. 69% of adults in urban areas are formally served compared to only 22% in rural areas. Every second adult in urban areas are banked, compared to only 12% in rural areas. Differences are less stark when comparing levels of inclusion in the informal sector: while 47% of the adults living in urban areas have or use informal products, 38% of adults living in rural areas have or use informal products or services. In general, adults living in rural areas are more likely to have or use informal products or services to manage their financial lives.

Figure 28: Financial inclusion – overview by location (urban/rural)



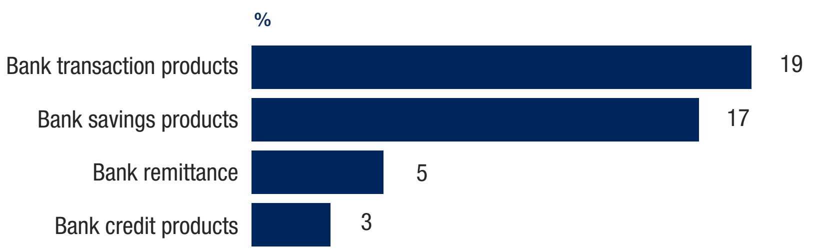
With regards to what drives financial inclusion in Zimbabwe, it is important to have an understanding of the following:

- What is driving the use of banking products and services;
- What is driving the use of products and services from the other formal (non-bank) financial institutions; and
- What is driving the use of informal products and services?

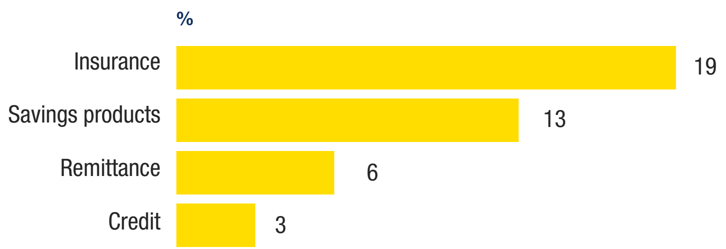
4.4.2 Drivers of inclusion - product uptake

Banking: Banking in Zimbabwe is mainly driven by transactional and savings products. 19% of banked adults have/use transactional products, whereas 17% have/use savings products with a commercial bank, and 5% have/use banking products for remittance purposes. Only 3% use banking credit products (loans).

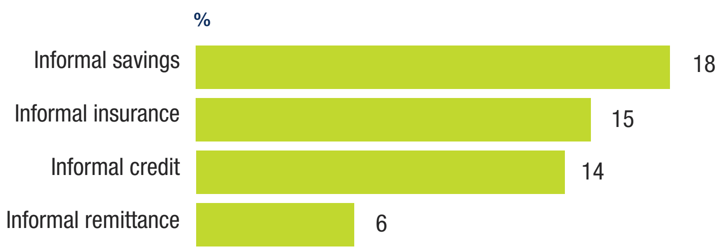
Figure 29: Usage of banking products



Other formal (non-bank) products: The use of other formal (non-bank products) is mainly driven by insurance and savings products, with 19% of adults who use non-banking formal products, have/use insurance products, and 13% have/use savings products. Only 6% use non-banking formal products for remittance purposes and 2.8% use non-banking formal credit products.



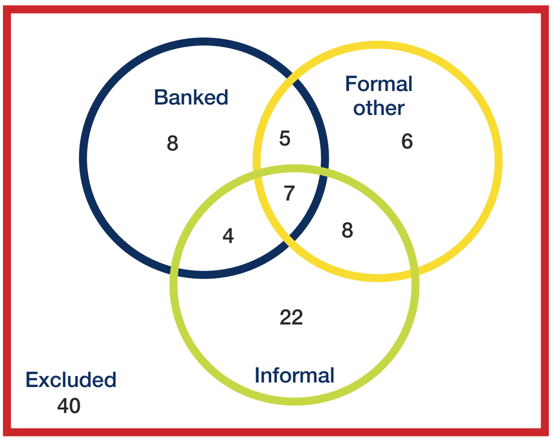
Informal mechanisms: Zimbabweans use informal mechanisms mainly for savings, insurance, and borrowing (credit). 18% of adults who use informal mechanisms belong to savings groups. While 15% use informal mechanisms for insurance purposes, 14% use it to borrow money (credit), and 6% use informal remittance mechanisms.



Overlaps

There are overlaps in the usage of the different categories of financial products and services. Overall, a significant proportion of the adult population use a combination of financial services.

The survey found that the informal sector plays an important role in financial inclusion – particularly in rural areas. 50% of formally served adults also use informal mechanisms – showing that the formal sector does not meet people's needs. The majority of banked adults (67%) have or use other financial products or services, while 77% of adults who have or use non-bank formal products or services, use other financial services as well. 46% of adults who have or use informal products or services also have or use other financial products.



4.4.3 Access Strand

The Financial Access Strand (FAS) is based on the definition of financial inclusion and the corresponding segmentation of the adult population as set out in the analytical framework. All adults in a country will fall into one of the following categories:

- **Banked** – Individuals using commercial bank products. This is not exclusive usage – these individuals could also be using financial products from other formal financial institutions or informal products **(24%)**

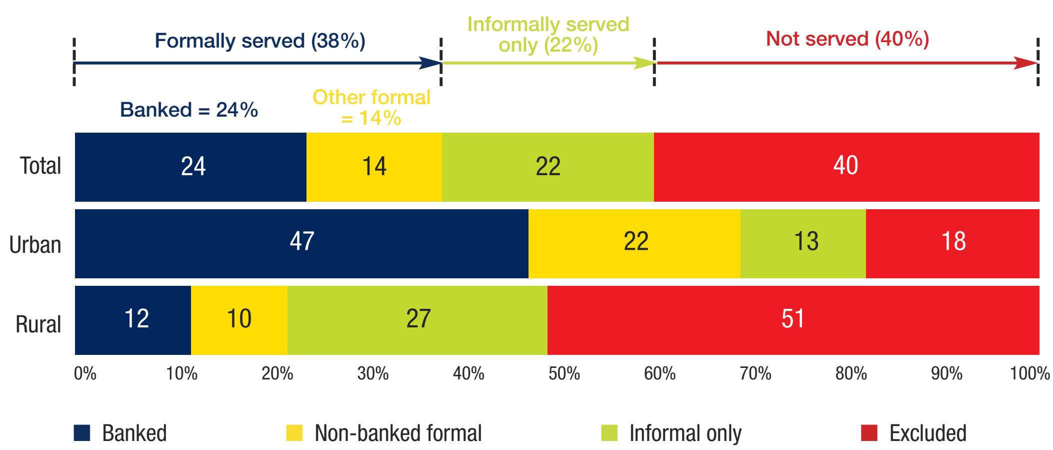
- **Formal other (non-bank formal)** – Individuals using financial products from formal financial institutions which are not commercial banks such as microfinance institutions or insurance companies. This excludes bank usage, but is not exclusive in terms of informal usage: these individuals could also be using informal products **(14%)**

- **Informal** – Individuals using informal financial products only. This category is defined as exclusive informal usage and does not count those within the banked or formal other categories that also use informal services **(22%)**

- **Excluded** – Individuals using no financial products to manage their financial lives – neither formal nor informal **(40%)**

The following figure illustrates financial services usage in Zimbabwe according to these categories.

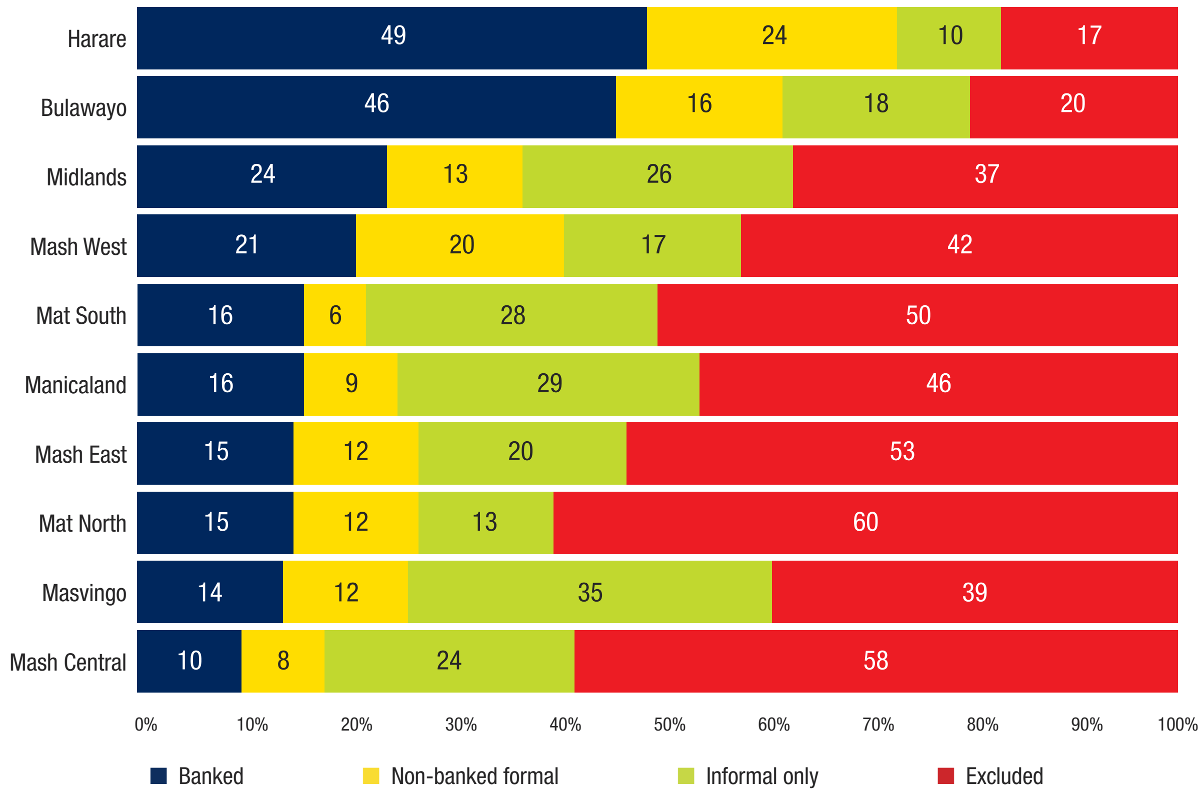
Figure 30: Financial Access Strand



Urban/rural: There is a strong urban/rural divide in terms of financial inclusion. The most significant difference between urban and rural levels of financial inclusion is the usage of bank products – 47% of adults in urban areas are banked compared to 12% in rural areas. The informal sector plays a vital role in pushing out the boundaries of financial inclusion especially in rural areas – 13% of the urban population and 27% of the rural population only have/use informal products/services, i.e. are not served by the formal sector.

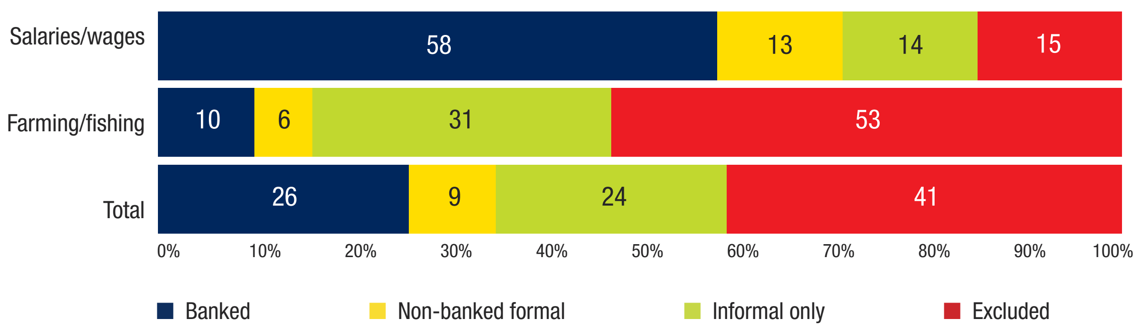
Location: Given the stark urban/rural divide, it is not surprising that levels of financial inclusion are the highest among adults living in Harare and Bulawayo, the main urban centres of Zimbabwe. 49% and 46% of adults in Harare and Bulawayo respectively are banked, compared to only 10% in Mash Central. Adults living in the other provinces have/use more informal products/services compared to banking products/services. In Masvingo, for example, a mere 35% of adults only rely on the informal sector, i.e. they are not served by the formal sector.

Figure 31: Financial Access Strand by province



Sources of income: Levels of financial inclusion are considerably higher among adults who receive a regular salary/wage given the fact that those individuals are particularly targeted by banks. 71% of people receiving regular salaries/wages are formally included, compared to only 16% of people who rely on farming/fishing as main sources of income. Farming/fishing is more prevalent in rural areas, partially explaining the urban/rural divide. Money from farming and fishing is a main source of income for Zimbabweans (29.4%), while only 17.7% receive a regular salary/wage. However, 58% of adults who earn a salary/wage are banked compared to 10% of adults who generate their main income through farming or fishing. Due to a number of reasons, such as the inaccessibility of banks in rural areas, lack of the required documents to open accounts and irregularity of incomes, adults who generate their income mainly through farming and fishing are more likely to only rely on informal mechanisms (31%), compared to adults earning salaries/wages (14%).

Figure 32: Financial Access Strand by income source



Across countries: The FinScope FAS tool can be used to compare financial inclusion levels across different countries. The following figures illustrate how the Access Strand for Zimbabwe compares to other countries where FinScope surveys have been conducted, ranked by the proportion of adults who are banked, and by the proportion of adults who are financially excluded.

Figure 33: Financial Access Strand across countries – ranked by 'banked'

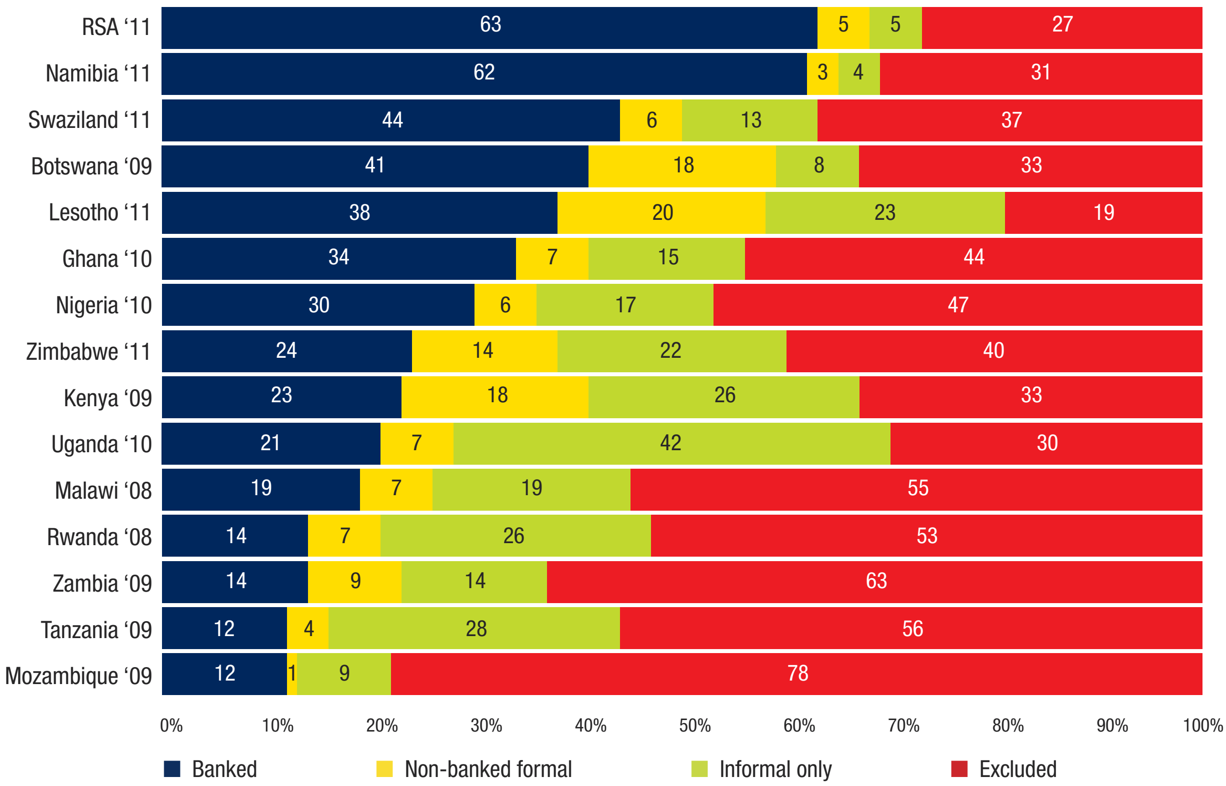
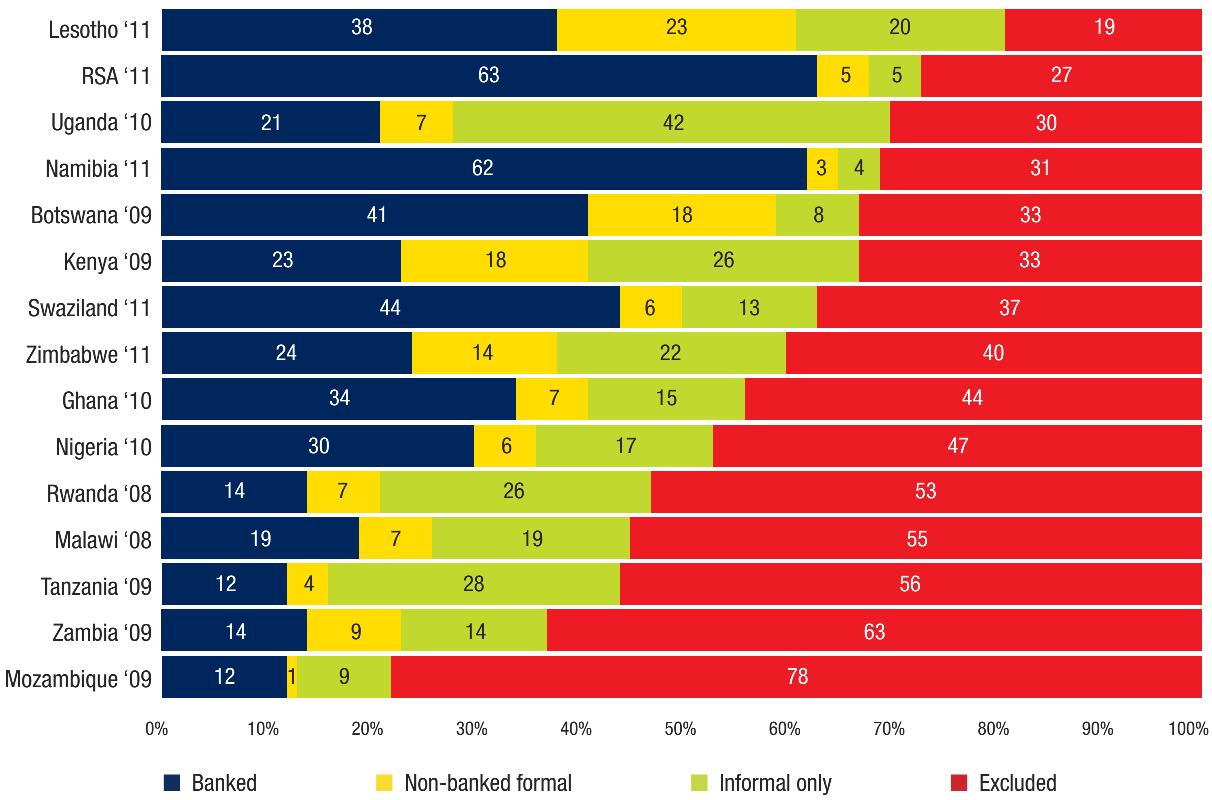


Figure 34: Financial Access Strand across countries – ranked by 'excluded'



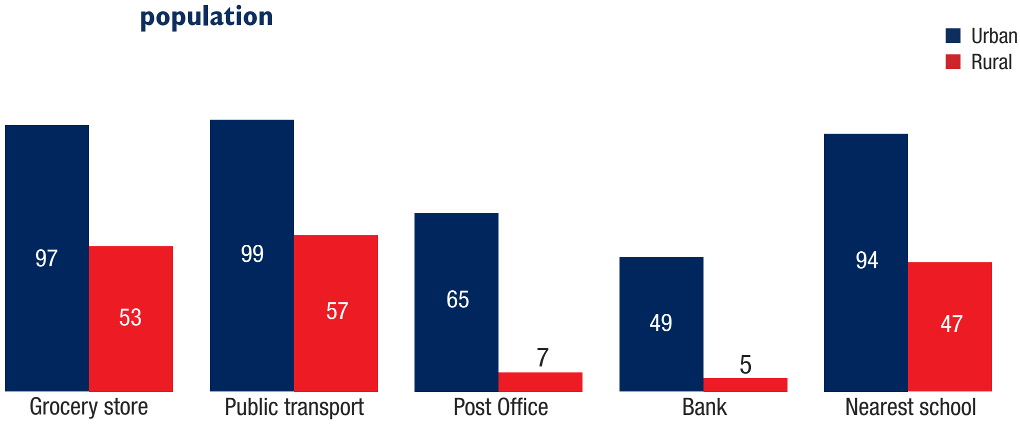
The urban/rural divide can be explained by looking at the barriers to banking.

Barriers to banking

There are various factors that contribute to formal financial inclusion, such as the following:

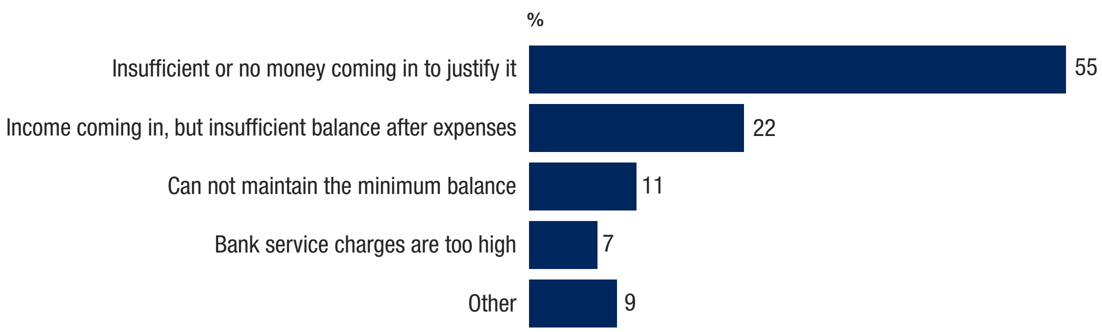
Accessibility (proximity): 49% of Zimbabweans in urban areas have a bank close by (within 30 minutes reach), but only 5% of Zimbabweans residing in rural areas have access to a bank (within 30 minutes reach). There are also stark differences when comparing the accessibility of other facilities that could be used for branchless banking, such as the Post Office and grocery stores.

Figure 35: Accessibility to facilities within 30 minutes reach – percentage of adult population



Affordability and appropriateness: Formal institutions are likely to target individuals with a regular salary/wage (as mentioned above – comparing levels of inclusion by income source), but only 14% of Zimbabweans receive a regular salary/wage, and only 10% of Zimbabweans residing in rural areas receive a regular salary/wage. The lack of documentation is another issue contributing to financial exclusion. Although 91% of adults have a National Registration Card, the large majority (77%) do not have proof of residence, such as electricity/water bill, pay-slip from employer, etc. which is required to open a bank account. Lack of money (i.e. insufficient income, minimum bank balance, bank charges) was the main barrier mentioned by people who are un-banked.

Figure 36: Barriers to banking

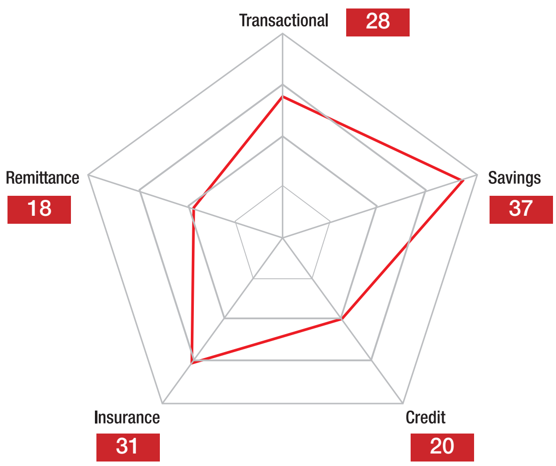


4.4.4 Landscape of Access

The FinScope approach uses the landscape of access diagram to illustrate the extent to which individuals aged 18 years and older have or use financial products and services. The diagram depicts, on its axes, the percentage of adults that have or use:

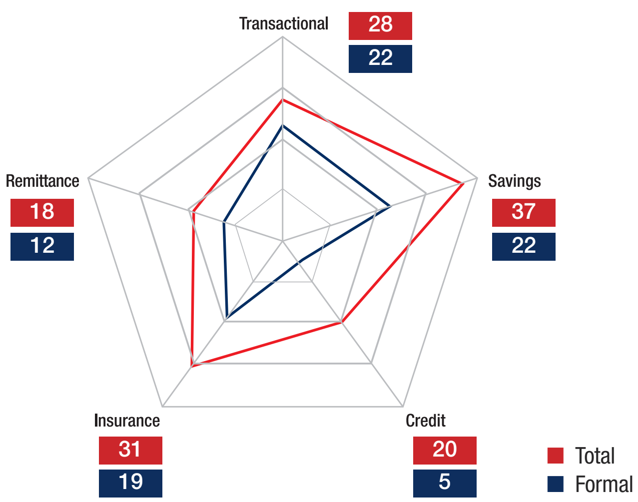
- Transactional products/services (e.g. cheque account, debit card)
- Savings products/services
- Credit products/services
- Insurance products/services
- Remittance products/services (e.g. Western Union/Moneygram, bank transfers)

Figure 37: Landscape of Access – percentage of adult population using financial products/services



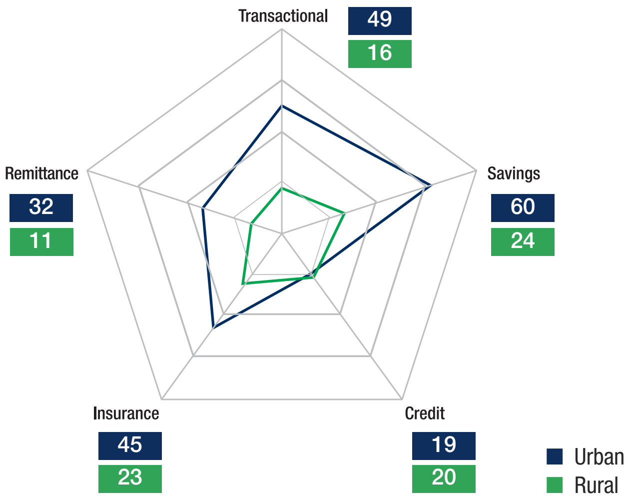
The figure above illustrates the percentages of adults using the different categories of products (i.e. transactional, savings, credit, insurance, and remittance) – both formal and informal types of each. The Landscape of Access in Zimbabwe shows that the usage of savings products is very high. The following figure shows the contribution made by the informal financial services sector. The difference between the 'Total' diamond and the 'Formal' diamond shows the role of the informal sector in pushing out the boundaries of financial inclusion. As illustrated below, the role of the informal sector is significantly skewed towards savings and credit. In total, the informal financial sector plays a significant role in Zimbabwe, especially in the rural areas.

Figure 38: Landscape of Access – formal/informal



The following figure shows the Landscape of Access in urban and rural areas, illustrating high uptake of financial products and services in the urban areas.

Figure 39: Landscape of Access – urban/rural



Savings: The Landscape of Access is largely driven by savings products, particularly in urban areas. In total, 37% of adults who have/use financial products/services, have/use savings products/services. Adults in the urban areas have the highest uptake of savings products (60%) compared to 24% of adults in rural areas. The usage of informal mechanisms pushed out the boundaries of financial inclusion.

Transactional: Transactional products are also mainly used in the urban areas. In total, 28% of people who have/use financial products/services, have/use transactional products/services. Here, the informal sector makes less of a difference as 22% use formal transactional products. Accordingly, transactional products are far less likely to be used in rural areas: 16% of adults, who have/use financial products/services, have/use transactional products/services in rural areas compared to 49% in urban areas. Only 10% of Zimbabweans use an ATM/cash point card.

Remittance: In total, 18% of adults have/use financial products/services for remittance purposes. 12% use the formal sector. In rural areas only 11% use remittance products/services, compared to 32% in urban areas. Again, the usage of products/services for remittance purposes is more prevalent in urban areas.

Insurance: 45% of adults in urban areas have/use financial products to cover risks, compared to 23% in rural areas. In total 31% of adults who have/use financial products/services, have/use insurance products/services. Insurance cover is mainly used for funeral cover. 77% of adults who have/use an insurance product took out funeral cover, while 47% have/use a pension product (State pension 33%; Private pension from employer 14%), and 26% have/use medical aid.

Credit: In general, adults in urban areas are more likely to use financial products and services. However, the use of credit products is slightly more common in rural areas, which possibly also relates to the large proportion of people using informal products/services to borrow money (14.6% only rely on informal products). Adults in rural areas are more likely to borrow money to cover risks than adults in urban areas who are more likely to rely on savings.

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

4.5 Financial behavior

Having looked at the main indicators above, this section looks at the financial behaviour of adult Zimbabweans. In particular, it looks at it in terms of four main areas:

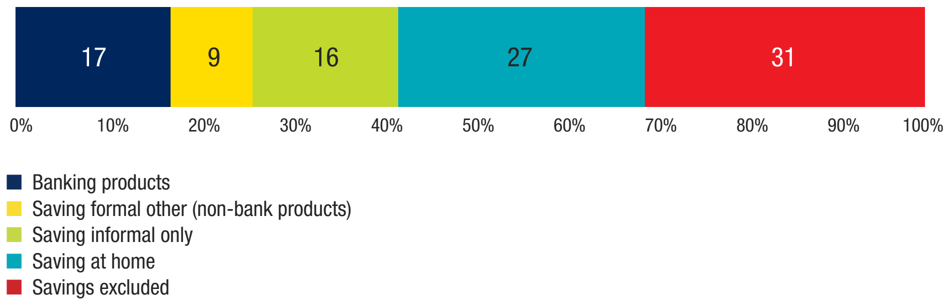
- Savings
- Borrowing
- Risk mitigation (including insurance)
- Remittances

4.5.1 Savings

Savings Strand: Similar to the Access Strand, the FinScope approach uses the Savings Strand to describe the usage of savings products/services. In constructing this strand, the overlaps in producst/services usage are removed, resulting in the following segments:

- Excluded individuals – those who do not save
- Individuals who only save at home
- Individuals who only rely on informal savings mechanisms
- Individuals who only have/use formal non-bank products/services and NO commercial bank products
- Individuals who have/use commercial bank products for savings purposes

Figure 40: Savings Strand



As illustrated above, 31% of Zimbabweans do not put money aside. Those who do save are most likely to do so at home. While 27% of adults keep all their savings at home (these individuals do not have or use formal or informal savings products or mechanisms), 16% rely only on informal mechanisms such as savings groups. A quarter of Zimbabweans (26%) have/use formal savings/investment products, including those who use non-bank savings products but not commercial banks (9%), and those who use products from commercial banks for savings purposes (17%).

Drivers of saving: People mainly save to be able to pay for living expenses during hard times (45%), as well as for education/ school fees (23%) and emergencies (21%). Of concern might be the seeming lack of a substantial long term orientation. For example, saving for retirement or old age was not mentioned.

Figure 41: Drivers of saving – percentage of adult population that saves

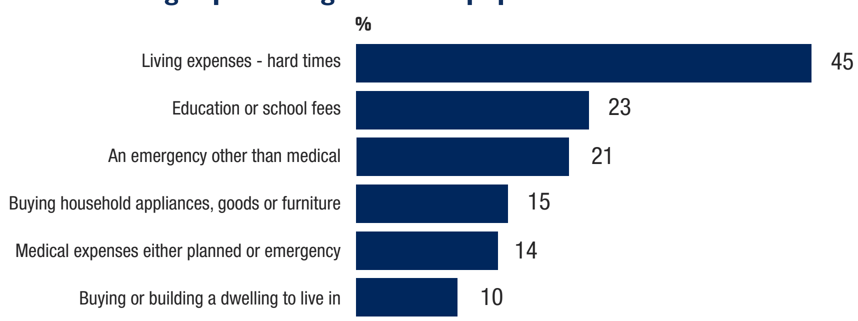
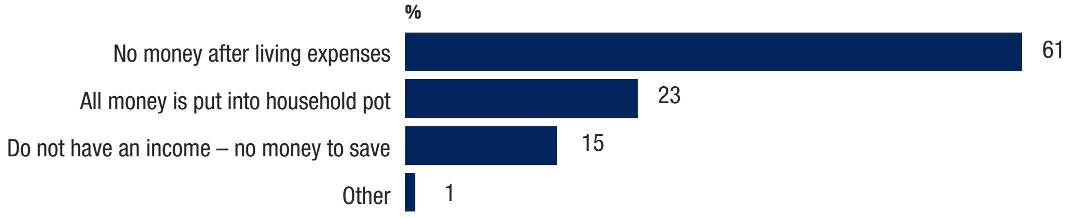


Figure 42: Reasons for not saving – percentage of adult population who are not saving

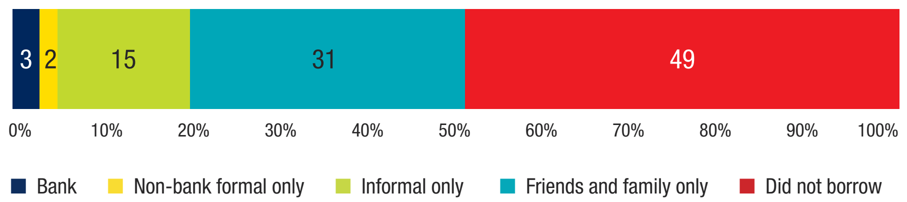


4.5.2 Borrowing

Credit Strand: The Credit Strand describes the usage of credit products/services. In constructing this strand, the overlaps in products/services usage are removed, resulting in the following segments:

- Excluded individuals – those who do not borrow
- Individuals who only borrow from friends and family
- Individuals who only rely on informal credit mechanisms, such as private money-lenders
- Individuals who only have/use formal non-bank products/services and NO commercial bank products
- Individuals who have/use commercial bank products to borrow money

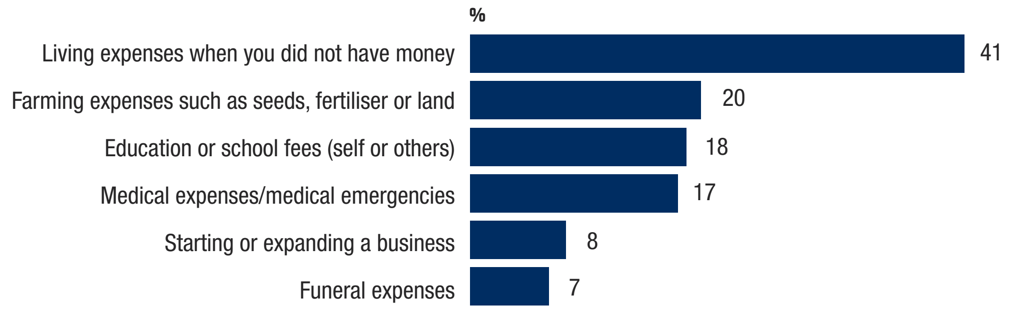
Figure 43: Credit Strand



As shown above, only 3% of adults have a credit/loan product offered by a bank, while 2% of adults do not have a credit/loan product from a bank, but have credit/loan products from another formal financial institution. The informally served (i.e. adults who have/use financial products and/or services which are not regulated, e.g. cooperatives, farmer associations, savings clubs/groups, private money-lenders) are the main users of credit products at 15%. A further 31% of adults borrow from friends and family. A large proportion of Zimbabweans (49%), however, did not borrow at all in the last 12 months, mainly because they are worried they won't be able to pay it back / fear debt, as shown in the figure below.

Drivers of borrowing: People mainly borrow to cover living expenses such as food, transport and rental (41%). Borrowing for other expenses includes farming equipment (20%), education/school fees (18%), as well as medical expenses and medical emergencies (17%). Only 7% of Zimbabweans borrow money to cover funeral expenses. In order to start or expand a business, 8% of adults borrow money.

Figure 44: Drivers of borrowing – percentage of adult population that borrows

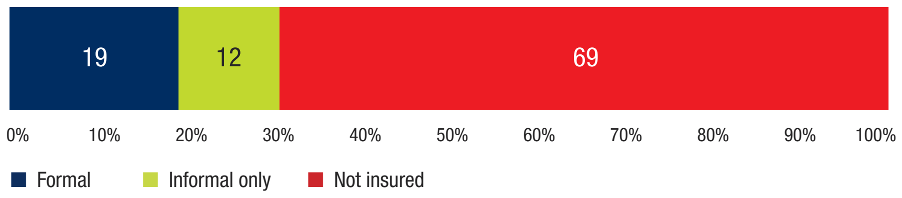


4.5.3 Risks and insurance

Insurance Strand: The Insurance Strand focuses on insurance products and services, resulting in the following segments:

- Individuals that are not insured
- Individuals that have/use informal mechanisms only for insurance purposes
- Individuals that have/use formal insurance products/services

Figure 45: Insurance Strand



The majority of Zimbabweans (69%) do not have any kind of financial product covering risk. While 12 % of adults rely only on informal mechanisms such as burial societies, 19% have some formal financial product covering defined risks.

Main risks: The main experienced risk to income is illness within the household or family that require medical treatment (38%) – which also relates to the main reason for borrowing and saving money. Other risks include the rising living costs (37%), as well as death of a family member (12%). Harvest failure or losses of crop harvest or death / illness of livestock (28%), as well as low selling prices / price controls (e.g. for maize, tobacco etc.) (10%) are also major risks related to the main source of income, given the fact that 29.4% of Zimbabweans rely on farming/fishing. Increase in household size (20%), and hence having more dependents relying on household income, as well as having to pay for unforeseen school fees / education expenses (15%) were also mentioned as risks to income. Loosing ones job (self or household member) is relatively low on the list (4%) – which is not surprising given the fact that only 14% of adults receive a regular salary/wage.

Figure 46: Main risks to income experienced – percentage of adult population

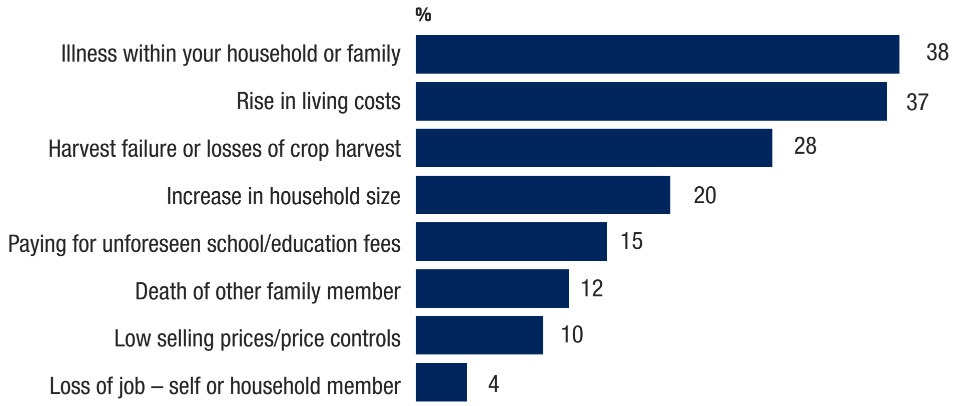
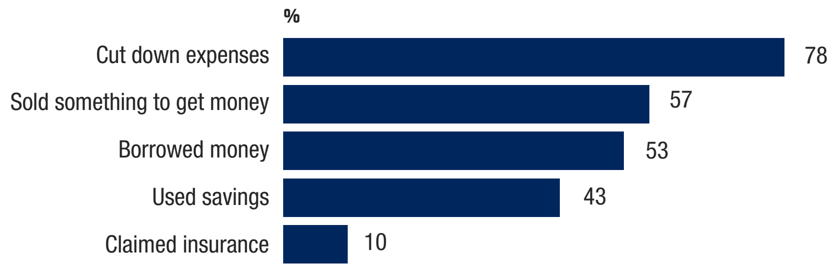


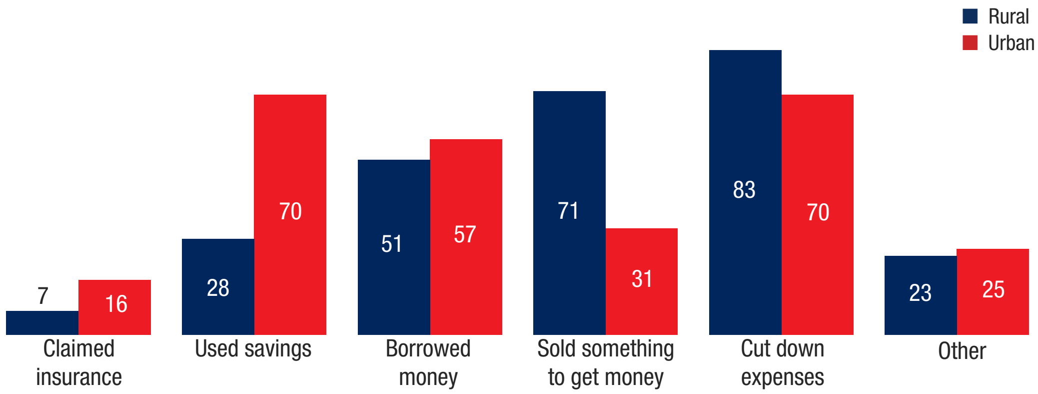
Figure 47: Main coping strategies- percentage of adult population



Main coping strategies: If one of the above mentioned risks happens, the majority of Zimbabweans (78%) cut down expenses (which might increase their vulnerability even further, e.g. going without food or medical treatment), sell something to obtain money (57%), borrow (53%) or use savings (43%). Only 10% claim insurance.

Different coping strategies which are applied in urban and rural areas are illustrated below. While 83% of adults in rural areas cut down expenses, only 70% of adults in urban areas do so. Zimbabweans in rural areas are also more likely to sell something to make money (71% compared to 31% in urban areas), and Zimbabweans in urban areas, in turn, are more likely to borrow money (57% compared to51%), and use savings (70% compared to 28.1% in rural areas) and claim insurance (16% compared to 7%).

Figure 48: Main coping strategies by location (urban/rural)



4.5.4 Remittance

Sending and receiving money (remittance) is common in Zimbabwe with 40% of Zimbabweans sending or receiving money as illustrated in the figure below. Zimbabweans mainly use family and friends to send/receive money (58.2%), while 17.5% use informal mechanisms. 16.1% use other formal (non-bank) products/services, and 16.4% remit money through a commercial bank.

Figure 49: Remittance incidence – percentage of adult population

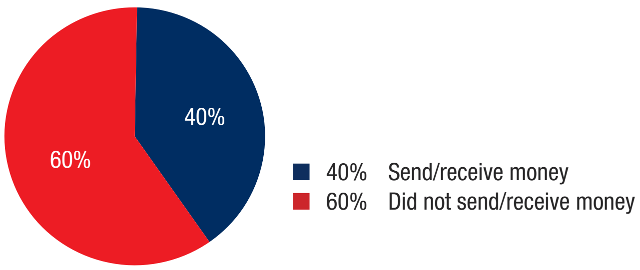
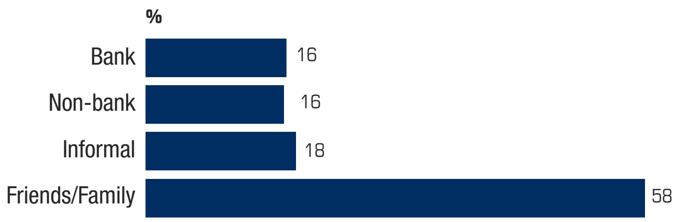
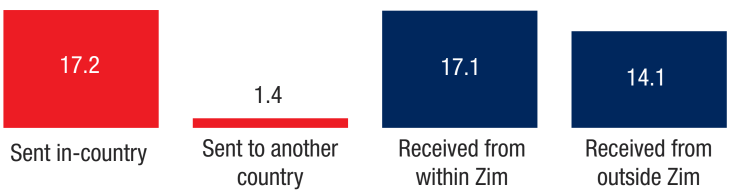


Figure 50: Remittance mechanisms – percentage of adult population that remit money



It is interesting to note that 14.1% of Zimbabweans received money from outside the country as illustrated in the figure below.

Figure 51: Remittance incidence – in- and outside the country



5 Conclusion and recommendations

The FinScope Consumer Survey Zimbabwe 2011 has highlighted important points about financial inclusion in Zimbabwe. It was established that 38% of Zimbabweans are formally served, while 40% of Zimbabweans are financially excluded using, neither formal nor informal products/services to manage their finances, but mainly rely on family and friends. Financial exclusion is particularly high in the rural areas possibly due to limited accessibility to banks and formal salaried employment opportunities.

Current products or services seem to focus on adults who receive a regular salary. From a supply-side perspective, formal institutions are likely to target these individuals. From a demand-side perspective, those who receive salaries and wages are likely to need a formal product for purposes of processing their salaries and wages. The informal sector plays an important role in financial inclusion, particularly in rural areas. Many formally served adults also use informal mechanisms, showing that the formal sector does not meet people's needs.

Zimbabwe remains a cash based economy. However, lack of cash (liquidity) seems to be a significant barrier to financial inclusion. Rising living costs due to economic uncertainty is perceived to be the biggest risk, and also the main reason why people save and/or borrow, which relates to the hardship experienced. The hardship experienced in Zimbabwe were mainly due to lack of money and thus 36% of the adult population had to skip a meal, another 36% had not been able to send their children to school, while 34% reported that they had to go without medical treatment or medicine. This hardship closely relates to the reasons for saving and borrowing.

Table 4: Hardships experienced – reasons for saving and borrowing

Hardships experienced = Due to a lack of money...		Reasons for saving		Reasons for borrowing	
36%	Had to skip a meal	45%	Living expenses	41%	Living expenses
36%	Had not been able to send their children to school	18%	Education expenses/ school fees	18%	Education expenses/ school fees
34%	Had to go without medical treatment or medicine	14%	Medical expenses/ treatment	17%	Medical expenses

It was also observed that the adults in Zimbabwe earned low levels of personal monthly income. Income received is often not on a regular basis – for instance income from farming, fishing and piecework. The study also highlighted the fact that a large proportion of adults receive money from others in the form of remittances. Furthermore, it was indicated that rising costs have impacted negatively on the ability to make ends-meet; hence it is the main reason for borrowing and saving as illustrated above.

The Finscope study has highlighted the role of the informal sector in Zimbabwe particularly in the rural areas, whose population has not been reached by the formal financial institutions. It was also established that those who save are most likely to save at home.

Despite the situation highlighted above in Zimbabwe, there is a multitude of opportunities for the existing financial sector institutions and even new ones. The opportunities include: providing appropriately priced, easy to use products or services and provision of formal financial services within easy reach of the population. There should also be flexible solutions that allow for irregular payments, especially for borrowers who are farming, fishing and doing piece work. The informal sector could be leveraged without creating usage barriers for those who depend on these mechanisms.

The hardship experienced and the reasons for borrowing and savings point towards several opportunities in the financial services sector.

Consumption needs: Given the economic malaise, increasing living expenses has been a major concern for most Zimbabweans. However, formal institutions usually do not cover consumption needs. The informal sector plays an important role in that regard and should be looked at more closely without creating usage barriers. Coping mechanisms such as selling things or cutting down expenses, which is common, particularly in the rural areas increases the vulnerability of low-income households.

Demand for agricultural finance and insurance: Farming and fishing is a main source of income for 29.4% of Zimbabweans. Seasonal changes, harvest failure, illness or death of livestock are major risks experienced by 28% of adults. Although more people residing in rural areas rely on farming and fishing, access to agricultural finance and insurance is limited. There is a demand for affordable and flexible solutions, including loan and savings products to cover the purchase of seasonal inputs (e.g. fertilizer, seeds, labour, etc.) and fixed assets (e.g. tractors, implements, land improvements). In addition, there seems to be a need to mitigate the above mentioned risks through crop and livestock insurance, as well as to manage seasonal cash flow and income smoothing.

Demand for education loans: Paying for education expenses and school fees is difficult for many Zimbabweans. Over a third of Zimbabweans (36%) could not send their children to school due to the lack of money. School drop-out contributes to long-term vulnerability and might affect intergenerational poverty. Payment for school fees is usually due at the beginning of the year at a time when people are often short of cash after the festive season. Taking into consideration seasonal cash flow problems, long-term savings products should decrease the size of education loans needed.

Demand for secure remittance channel: Remittance is very high in Zimbabwe, including cross-country remittance. However, the majority of Zimbabweans rely on family and friends to transact money. Here, branchless banking solutions could play a greater role. For example, the FinScope study indicated that 85% of the adults in Zimbabwe own or have access to a cellphone, while 16% have access to the internet. This opportunity is important in that there is no need to increase the bank branch network but to use existing structures or agencies. For example, Econet introduced Eco-Cash, a mobile money transfer service towards the end of 2011. This service allows users to send and receive money, buy airtime, and make other payments using mobile phones. In addition, there are other opportunities in using point of sale devices and agency banking using existing facilities such as schools and Post Offices.

Demand for long-term savings and investments: Zimbabweans save for a number of reasons. Most of them, however, are related to consumption needs (including living expenses, education, medical, and emergencies) rather than long-term investments such as retirement, which is understandable considering the daily hardships many Zimbabweans face. Rebuilding confidence in the financial services sector is vital as most people are currently keeping their money at home.

Demand for low-cost banking products: The cost of services (including bank charges and minimum balance required) appears to be a major problem in Zimbabwe. Low-cost or free accounts for the lowest income market segment would be a way to boost financial inclusion of the very poor. This type of service could also be vital for enabling people to save through formal mechanisms and build an asset base. Restoring confidence in financial institutions and the ability to freely access ones' own funds are critical for product uptake.

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