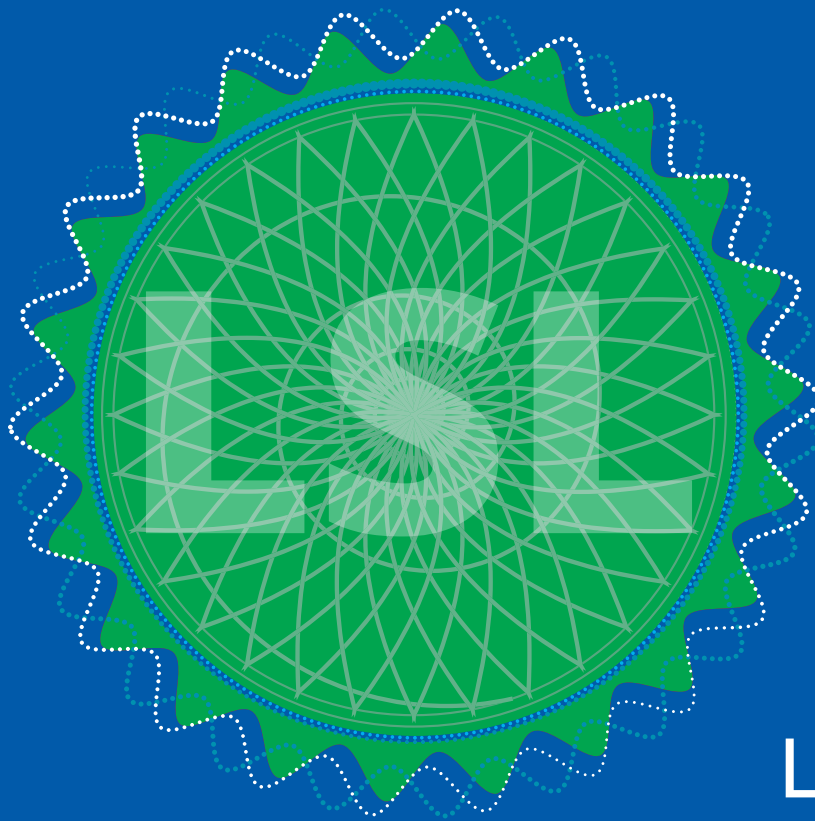


FinScope

*Consumer
Survey
Highlights*



Lesotho 2021



Partnering for a common purpose

The FinScope Consumer Survey 2021 is a repeat from the previous survey conducted in 2011. This assists tracking the levels of financial inclusion across the country. A Steering Committee was formed with the aim of putting in place technical procedures for the design and implementation of a global and inclusive process according to the local context.

FinScope Lesotho represents a partnership between the following institutions:

- Central bank of Lesotho
- Ministry of Finance
- Bureau of Statistics Lesotho
- FinMark Trust



The FinScope survey is dynamic, and the content is evaluated by a number of stakeholders including FSPs, NGOs and Government to ensure that the most relevant consumer data is collected. This pocket guide represents some of the key market data on financial inclusion.



The cover symbol

The cover graphic features a flower that symbolizes growth and development while the circle represents inclusive growth. The petals of the flower symbolize the various stakeholders engaged with a common vision – financial inclusion for a broader national growth and development.

Through the FinScope Lesotho 2021 Consumer Survey, we hope to effect real change at country level and see the impact of financial inclusion on broader national growth and development.

Introduction

The Government of Lesotho recognises the role played by the financial sector in facilitating economic growth through enhanced access to financial services. In order to strengthen policies that will generate sustainable and inclusive growth and development, the Ministry of Finance together with the Central Bank of Lesotho implemented the 2nd FinScope Survey to help monitor and evaluate sector interventions driven by the National Financial Inclusion Strategy (NFIS).

This repeat survey provides credible benchmarks on level of financial inclusion, financial capability and the quality of financial inclusion. The Lesotho FinScope Consumer 2021 Survey indicators allow the Financial Sector to monitor, guide and set new targets using empirical evidence. Additionally, the survey will also continue to act as a national good for use across private and public sectors, donor world and academic backgrounds in order to ensure the lives of Basothos are enhanced.

Methodology

- According to Bureau of Statistics Lesotho (BOS), the total adult population is estimated to be 1.3 million.
- Nationally representative individual-based sample of the adult population aged 18 years at district, settlement (urban, peri-urban and rural) and ecological zones.

- Sampling frame and data weighting conducted by the BOS and weighted to the 2016 Census data.
- 2999 completed face to face interviews conducted by BOS (Nov 2020 – April 2021).

Survey objectives

The objectives of FinScope Lesotho 2021 Consumer Survey were to:

- To describe the levels of financial inclusion (i.e. levels of access to financial products and services – both formal and informal).
- To identify the drivers of, and barriers to financial access.
- Understand how Basotho generate income and the impact of Covid-19 pandemic on the livelihoods.
- To stimulate evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion.
- To compare survey results with the first FinScope Consumer Survey in Lesotho (2011) and to provide an assessment of changes and factors thereof (including possible impacts of previous interventions to enhance access).

Provinces of Lesotho



14%

(185 079) growth in adult population over the last 10 years (from 1 133 711 to 1 318 790)

Demographics
(%)

Total adult
(18+)
population

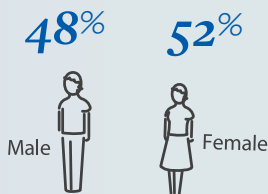
1.3 million



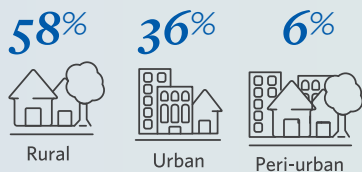
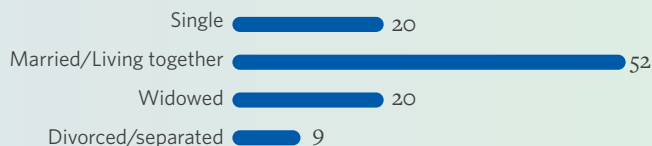
45%

have secondary education and above

Education
(%)



Marital Status (%)



Age (%)



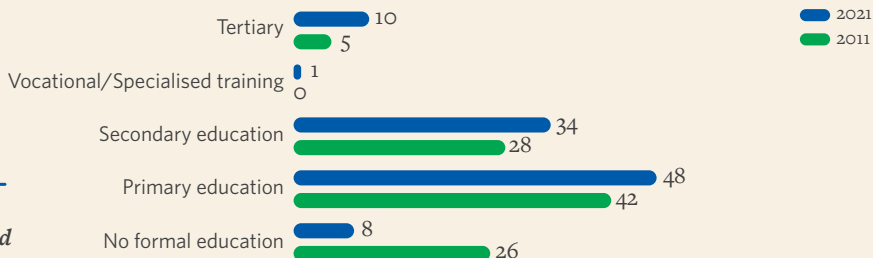
37%

of the adults are youth aged 18 to 35

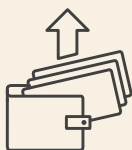
Age (%)



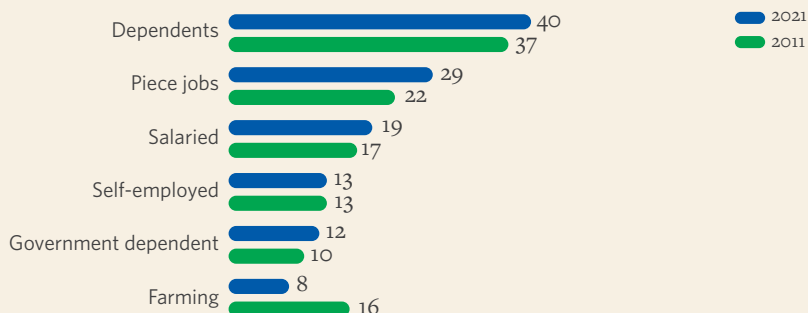
Highest level of education attained (%)



- Although more than half of the adults (56%) have primary education and below, worth noting is the decline in the proportion of adults with no formal education from 26% in 2011 down to 8% in 2021.



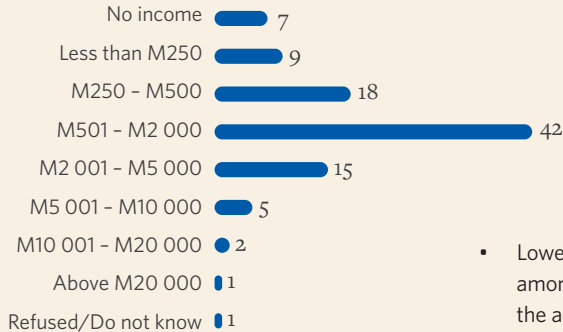
Sources of income (%)



- Formal employment marginally increased in the past decade but the proportion of adults relying on informal jobs significantly increased. There is also a decline in adults relying on farming as a source of income.



Monthly Income (%)



- Lower levels of income are displayed among Basotho as three quarters of the adults earn less than M2 000.

- The majority of adults (70%) with income from remittances, informal and farming have an average of M1 100 personal monthly income.

Household size



4

Average no. of HH members contribution to income



1

Monthly average spent on food and groceries



M600

Average Personal Monthly Income (PMI)



M2 000

Impact of Covid-19 on livelihoods

73% of the adults' livelihoods were negatively affected by the Covid-19 pandemic



Income reduced



28%

Could not operate



24%

Income remained the same



17%

Stopped working until further notice



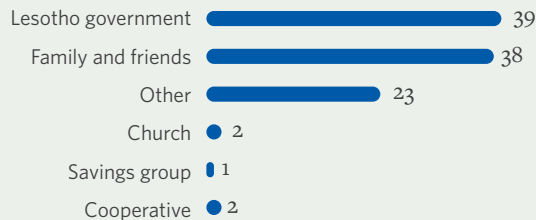
4%

Got retrenched



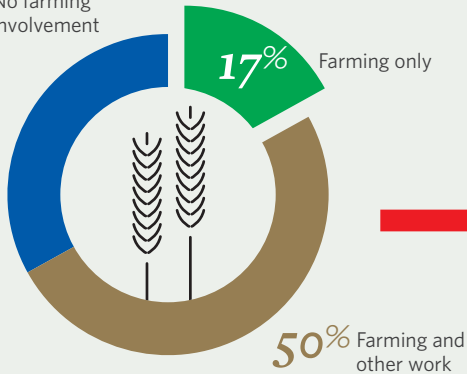
23% (298 094) of adults received support to cushion the impact of Covid-19

Support received from (%)



Agriculture

33% No farming involvement



- Decline in households involved in farming only as a source of income, most households are involved in subsistence farming.

67%
of households are involved in farming



Consumption ONLY
81%

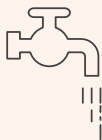


Consumption and selling
18%



Selling only
1%

Access to Infrastructure – improved services



Number of individuals from households with access to piped water (dwelling/yard)

31%
(400 thousand)



Number of individuals from households with electricity

Lighting 46%
(606 thousand)
Cooking 12%
(157 thousand)



Number of individuals from households with flush toilets

3%
(42 thousand)

21%
(235 thousand)








Lighting %
(Not captured)
Cooking 9%
(99 thousand)

3%
(32 thousand)

2021

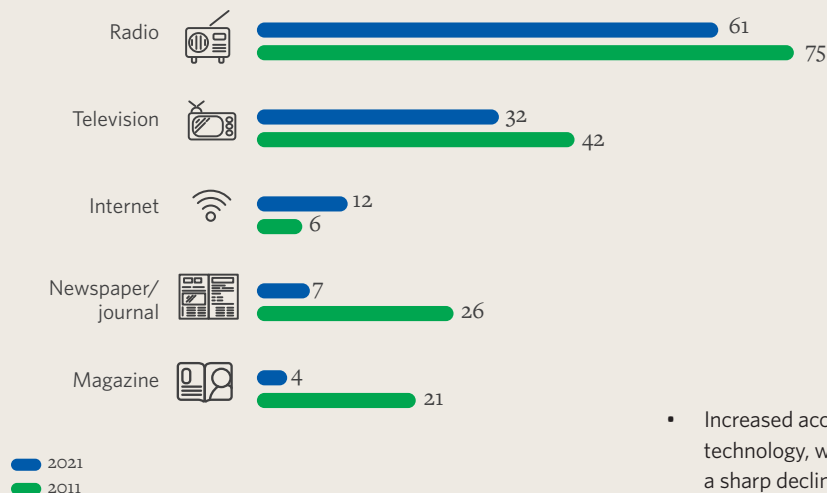
2011

Time taken to reach destination

		% of adults reaching the destination within					
		Less than 30 mins		30 mins - 1 hour		More than 1 hour	
		Urban	Rural	Urban	Rural	Urban	Rural
Mobile money agent		94	54	6	26	0	20
ATM		72	15	25	37	4	48
Bank		61	14	34	35	5	51
Grocery store		79	50	20	31	1	20
Public transport/ Bus stops		90	68	10	17	1	14
School		81	60	18	28	1	12
Hospital		71	22	26	37	4	42

- Mobile money facilities are the closest formal financial service providers, they are aiding in bringing more rural populace into the fold of formal financial inclusion.
- Bank branches, ATMs and health facilities remain the least accessible.

Media access in past month (%)

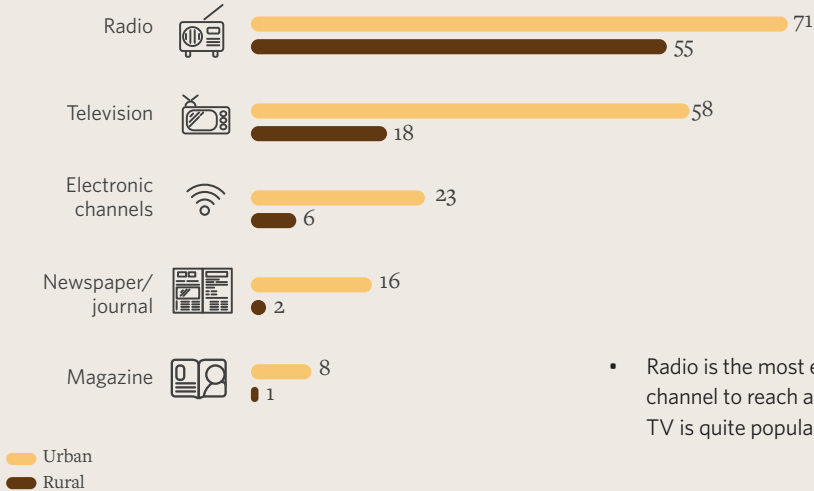


- Increased access and usage of technology, while print media is in a sharp decline.

Usage of communication device (%)

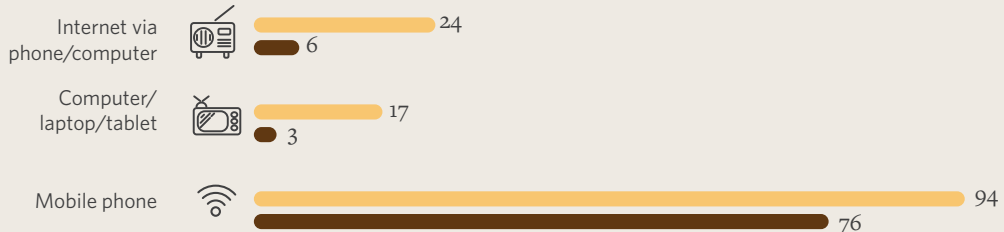


Urban/Rural media access in past month (%)



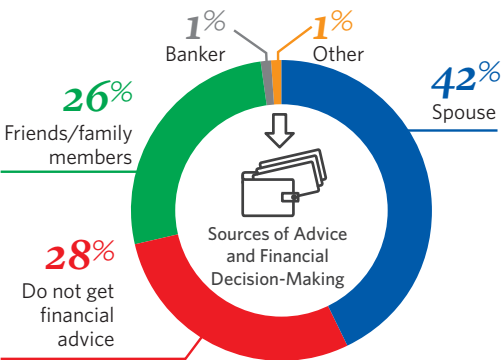
- Radio is the most effective communication channel to reach a larger populace though TV is quite popular in urban areas.

Urban/Rural usage of communication device (%)



DRIVERS OF FINANCIAL CAPABILITY

Where would people go for financial advice or assistance [%]

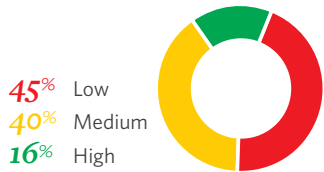
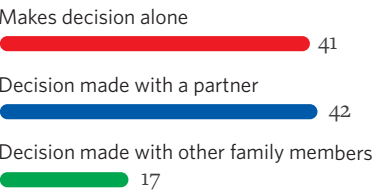


- Low financial capability (45%) among Basothos, this implies that their ability to act in a financially responsible manner maybe limited.






Financial capability indicator dimension (%)



Responsibility for financial decision making [%]

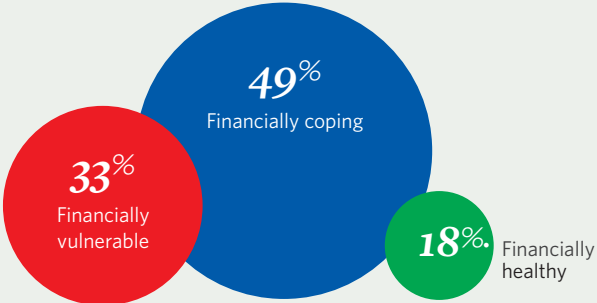


Overall Financial Capability (%)

		Description	Low capacity (45%)
Source of income: Dependent		Mainly 50 years plus, primary and low level of education	51%
Source of income: Informal		Primary and low level of education	49%
Source of income: Farming		Primary and low level of education	48%
Age groups		50-59 Years and older	47%
		60 years plus	56%
Education		Primary and less level of education	55%
		Secondary and above level of education	31%
Gender		Male	45%
		Female	44%
Area		Rural population	51%

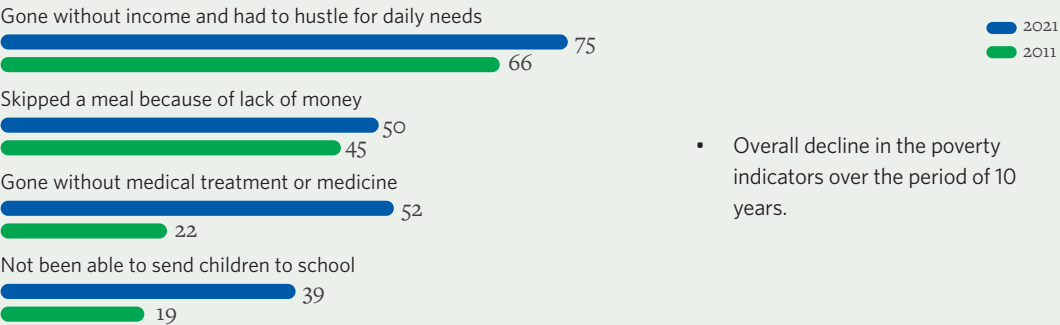
- Adults with low financial capabilities skew towards senior adult who are dependents and those with primary and less levels of education.

- One third of Basotho are financially vulnerable, they scored lowest on the ability manage day to day expenses and building reserves.



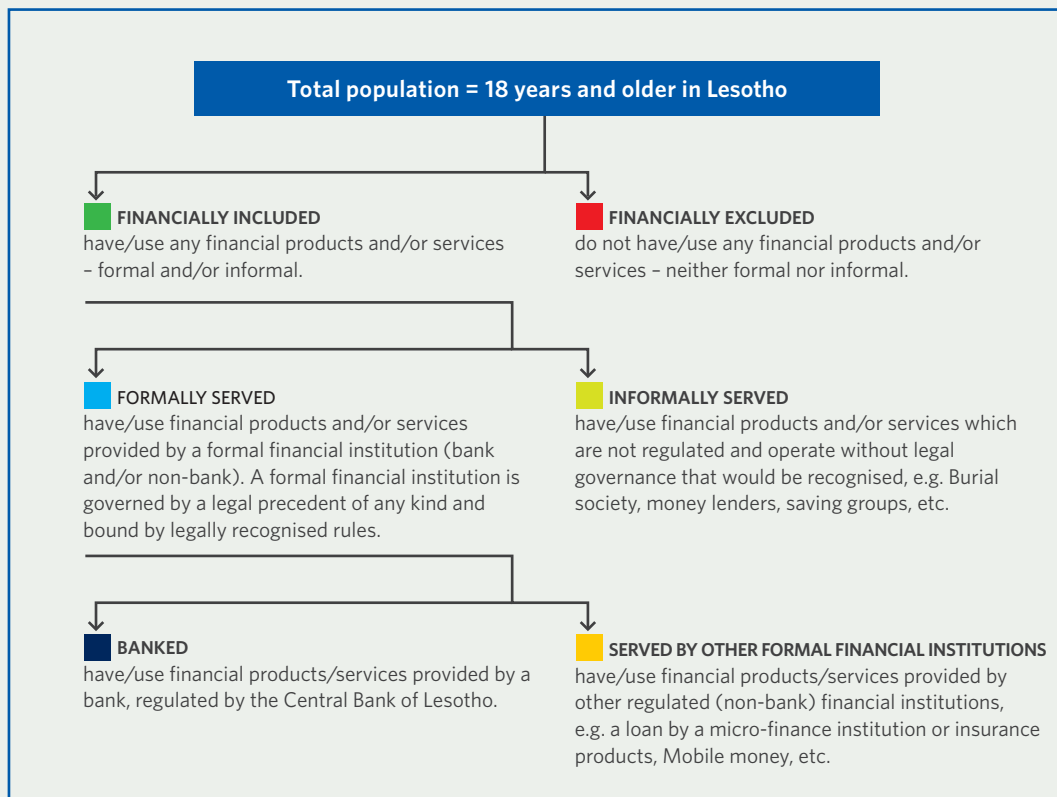
FinHealth dimensions	Low score	Medium score	High score
Ability to manage day to day (spend score)	63.5%	14.7%	21.8%
Build and maintain reserves (save score)	46.9%	35.7%	17.4%
Planning and prioritising (Plan score)	20.4%	33.5%	46.1%
Ability to manage risks	41.7%	18.5%	39.9%

Poverty indicators (%)



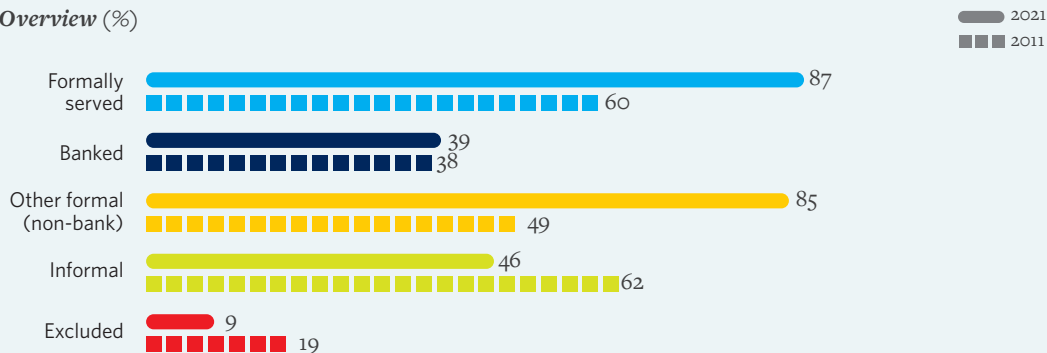
- Overall decline in the poverty indicators over the period of 10 years.

Progress on 2021 NFIS and MAP aimed to increase one formal product to 85% by 2021



FINANCIAL INCLUSION

Overview (%)

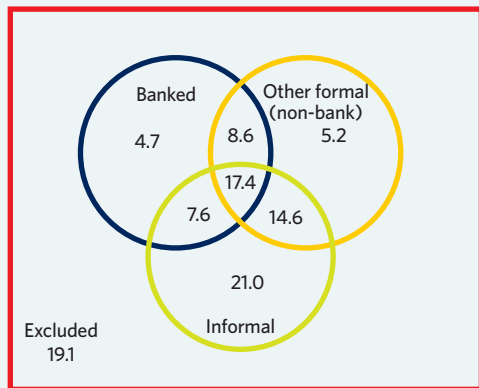


More people are now formally served from 60% in 2011 to 87% in 2021, surpassing the target of 85% formally served adults in 2021.

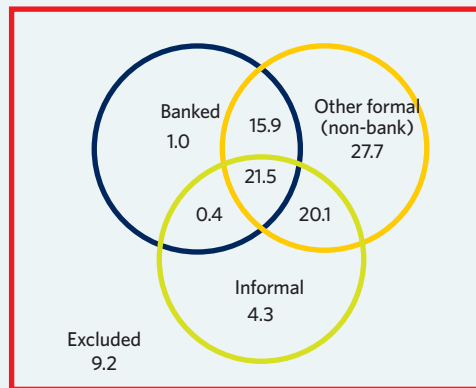
- Uptake of other formal non-bank products increased by 36 percentage points largely driven by mobile money.
- Decline in the uptake of informal financial products/mechanisms by 16 percentage points.
- Financial exclusion dropped by 10 percentage points.

Overlaps (%)

2011



2021



- 42% use a combination of formal and informal mechanisms to manage their financial needs, slightly up from 40% in 2011.
- Only 1% of adults rely exclusively on banking services down from 5%.
- Huge decline in adults relying ONLY on informal mechanisms. With the introduction of mobile money, more adults are now relying on other formal non-bank, reducing high number of adults who relied only on informal financial services.

Overall Financial Access Strand (%)

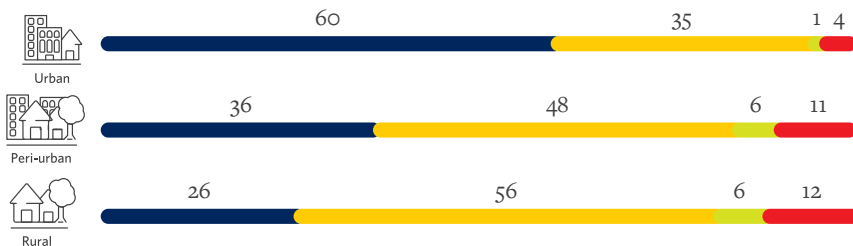


Overlaps are removed when constructing the Strand

- About 39% of the adult Basotho are banked but may also use other formal non-banked or informal financial products or services.
- Almost half of the adults (48%) have/use other formal financial products or services but are not banked (up from 22% in 2011). Mobile money providers are playing a significant role in reaching out to those unbanked population. These individuals may, however, also use informal financial mechanisms.
- About 4% of the adult population ONLY rely on informal mechanisms down from 21% in 2011, showing the impact of mobile money and the formalisation of Mpathe Sheleng.
- There was a decline in the percentage of adults who have been financially excluded from 19% in 2011 to 9% in 2021. These adults do not use any financial products/ services – neither formal nor informal to manage their financial lives but they may borrow from friends and family and save at home.



Access Strands by location, gender and age (%)



- Lesotho is one of the few countries that have positive financial inclusion female gender gap – mainly driven by mobile money and funeral cover uptake.



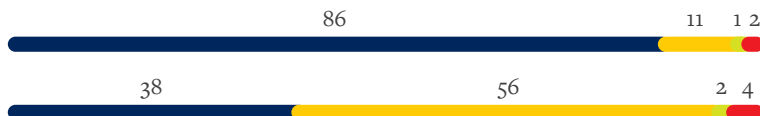
Access Strands by education and livelihoods/target groups (%)



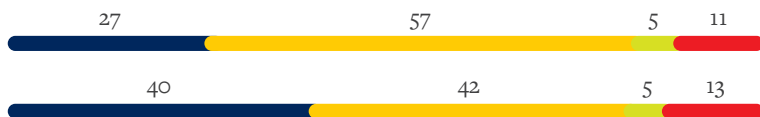
- Adults with lower levels of education and seniors are more likely to be excluded or relying exclusively on informal mechanism to manage their financial needs.



Formally employed



Dependants



Informal employment



Self employed (MSME)

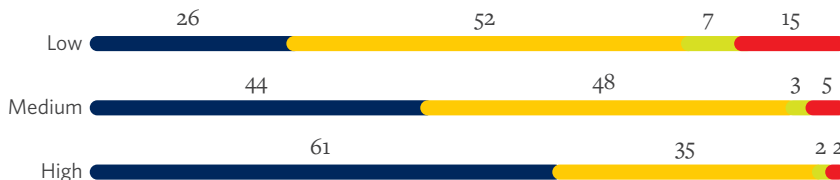
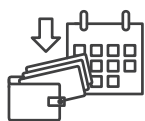


Farmers

- Clear patterns on how livelihoods impact financial inclusion-proving to be one of the determinants of FI. Formally served adults are highly likely to be banked than the rest of the adults.

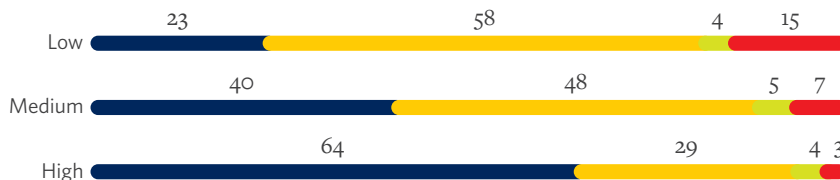


Access Strand by level of financial capability (%)



- Financial Capability influences the ability for Basotho to use financial services. As shown, Financial Capability is a building block (predictor) for financial inclusion.

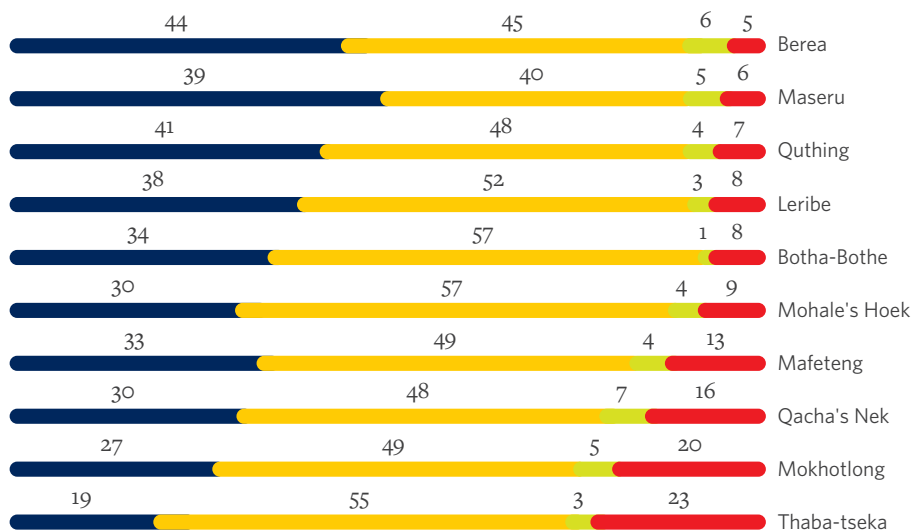
Access Strand by – Financially health indicator (%)



- Financially included individuals are more likely to be financially health.

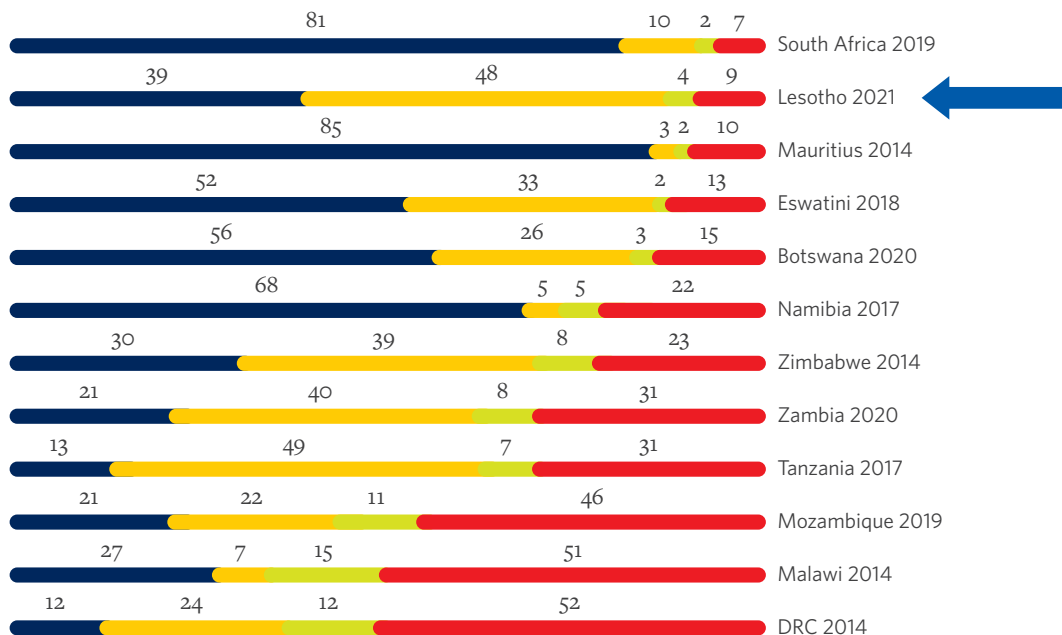


Access Strand across districts



High levels of financial exclusion among adults in Thaba-Tseki and Mokhotlong districts. High levels of financial exclusion (compared to the national average of 9%) among adults in Thaba-Tseka, Mokhotlong, Qacha's Nek and Mafeteng districts.



Regional Financial Access Strands (ranked by excluded)

Compared to selected SADC countries, Lesotho has a fairly large formally served population (87%) and has second lowest financial exclusion at 9%.



TRANSACTIONAL ACCOUNT

73% of Basotho have access to transaction account
(Bank account and or mobile money account)

6%
Bank
account
only

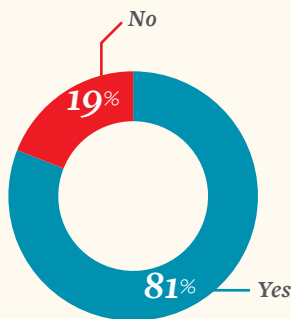
33%
Bank and Mobile
Money accounts

34%
Mobile Money
account only

27%
No transaction
account

- Access to a transactional account is a first step towards broader financial inclusion as it allows people to store money and to send and receive payments. Only 27% of Basotho do not have access to transaction account – driven by economical inactive adult and product knowledge.

Digital financial Services usage (81%)



DFS Drivers (%)



92%

Mobile money DFS

85%

Payments for
goods and
services

25%

Income



44%

Bank DFS

35%

Income

25%

Payments for
goods and
services

- 81% of those with transaction accounts use Digital Financial Services, mainly driven by mobile money accounts for payments.

Bank account drivers (39%)**85%**Cash
withdrawals
& deposits**62%**

Digital financial services

51%

Income

34%

Payments

**59%**

Savings

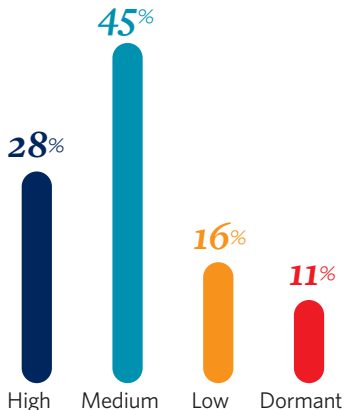
**30%**

Remittances

**15%**

Credit

- About three quarters of adults (73%) use their bank account monthly, driven by cash withdrawals and digital financial services (income and payments), however, 27% are low/dormant users.

Bank account usage (39%)*Perceived advantages of having bank account [%]*

Money safe from theft

72

Employers deposit salary

46

Safe way to remit money

37

Easy way to remit money

36

Helps to access loans

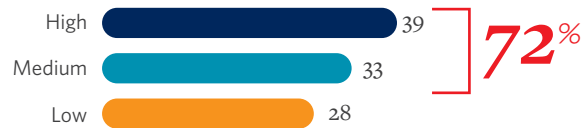
20

Interest on savings

16

MOBILE MONEY USAGE

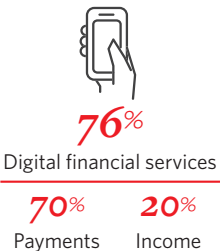
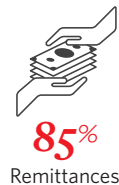
Mobile money account (66%)



Mobile money is playing a key role in making the financial sector more inclusive in Lesotho

- About 72% use their accounts on a monthly basis. Quality of mobile money accounts is apparent as only 9% of use their account for remittances only.

Mobile money drivers (66%)



	%
Payments only	3
Payments and savings	5
Payments, savings and remittances	29
Payments and remittances	12
Savings and remittances	6
Savings only	2
Remittances only	9

Barriers to banking (61%)

Cannot maintain minimum balance



Do not need it



Do not know how bank works



Bank charges too high



Do not understand how banks work



Bank is too far/transport too difficult



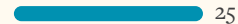
Do not have documentation required

**61%***do not have a
bank account*

Main barriers to own a bank account and mobile money:
Required minimum balance, lack of product knowledge and
access to mobile phone

34%*do not have a mobile
money account***Barriers to mobile money account (34%)**

Do not have access to a mobile phone/sim card



Do not know about mobile money



Do not have enough information



Do not have money to send/receive



Not thought about it



Not interested



Complicated



Prefer other ways to send/receive money



Do not have documents required

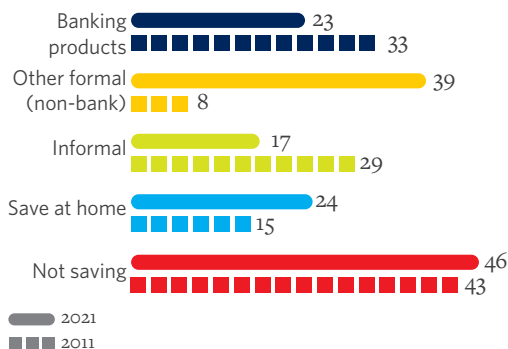


No dealers/agents in area

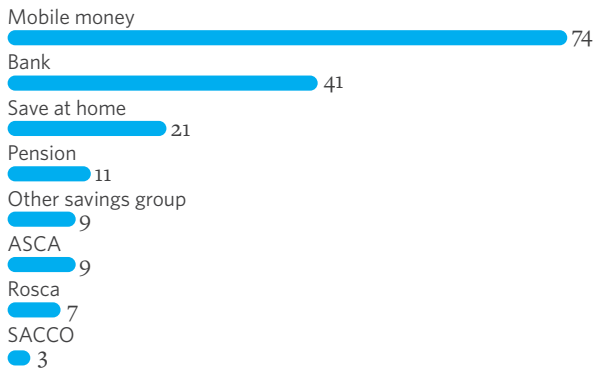


SAVINGS AND INVESTMENTS

Saving overall (%)



Saving channels (%)



Similar proportion of savers over the past decade (57% in 2011 vs 56% in 2021).

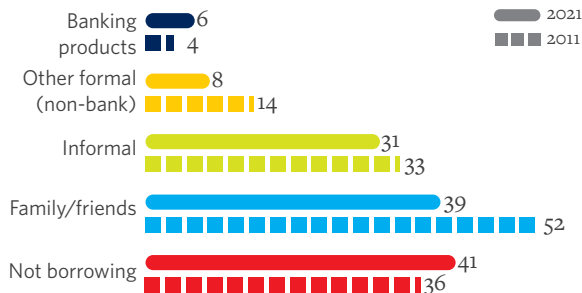
- There is a 10 percentage point decline in adults savings via banking channels and a significant increase in adults saving using other formal channels, mainly driven by mobile money from 8% in 2011 to 39% in 2021.
- Informal savings dropped from 29% in 2011 to 17% in 2021 - COVID-19 restrictions might have had negative impact on social groups.
- Majority of the savers are saving using mobile money. The saving behavior may be defined as more of a short-term as adults are saving for consumptive reasons, however a third are saving for developmental reasons such as building a house, buying a car or start/expand business etc.

Reasons for saving (%)



Buying livestock	1%
Car/other transport	2%
Funeral expenses	2%
Retirement/old age	4%
Medical expenses	8%
An emergency excluding medical	21%
Developmental reasons	32%
Living expenses	52%

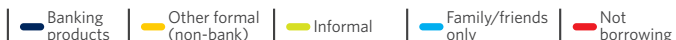
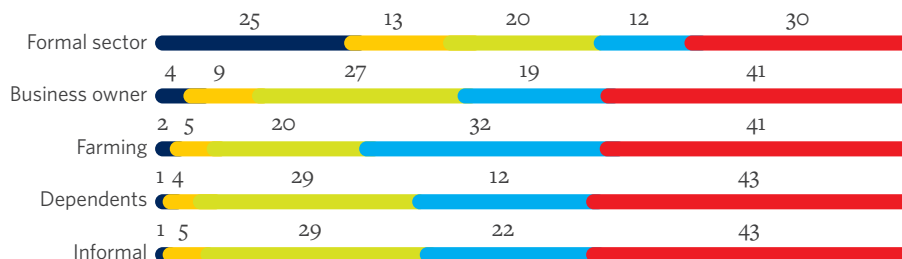
Credit overall (%)



Credit consumption levels dropped from 64% in 2011 to 59% in 2021.

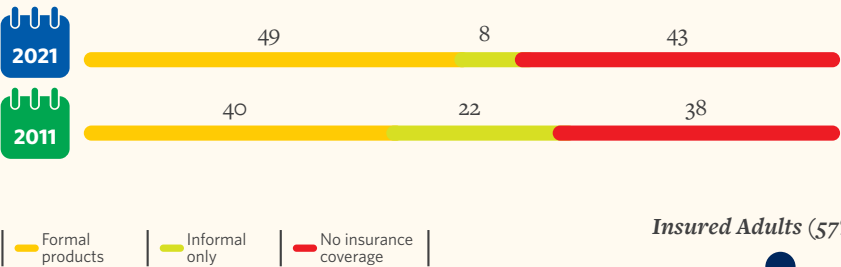
- Slight increase in the bank credit
- Huge decline in the credit from family and friends from 52% in 2011 to 39% in 2021.
- Bank credit is mostly offered to adults working in the formal sector and business owners rely mostly on credit from informal lenders.

Credit strand by livelihoods

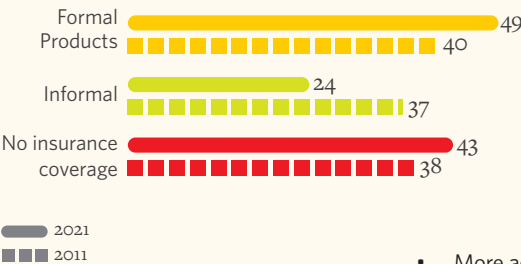


INSURANCE

Insurance Strand (%)



Insurance overall (%)



Insured Adults (57%)



11%
Non funeral insurance

93%
Funeral cover

- More adults use formal insurance and there is a decline in use of informal products from 37% in 2011 to 24% in 2021. Only 11% of the insured population have non-funeral insurance.

Main risk with greatest impact (%)

Poor economic situation in the country



Serious illness of a household member



Job losses



Death of family member



Death/loss of income from a main income earner



Business failure



Harvest failure/death of livestock



Loss of savings



17% *Of those who experienced death claimed insurance*

Main coping strategy (%)

Cut down on household expenses



Did nothing



Borrowed from family/friend



Savings



Sold livestock



Borrowed money from informal/other sources



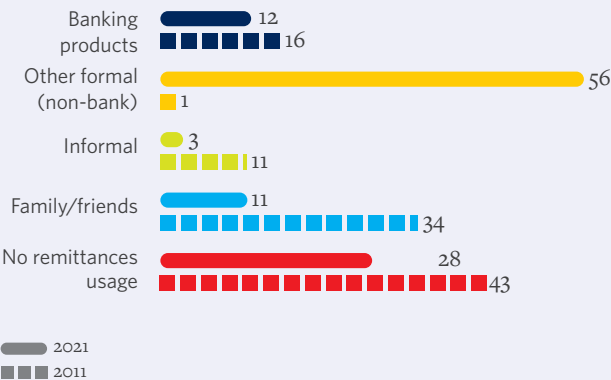
Claimed insurance



- Of the insurable risks, Basotho are well covered for funeral expenses, and not illness or loss of income.

REMITTANCES

Remittances overall (%)



- Three quarters (72%) of the adults remitted in the past 12 months up from 57% in 2011. There is huge shift in the methods used to remit money over the past decade, adults are now remitting mostly via mobile money.

Sent money (40%)

Mobile money	84
Bank transfer	5
Friends or family	4
Bus/taxi	3
Shoprite	2
Bank branch	2
Mukuru	1
Wallet money	1

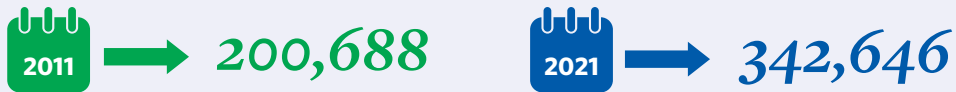
Received money (64%)

Mobile money	53
Shoprite	10
Bank transfer	7
Wallet money	6
Friends or family	5
Mukuru	4
Teba	3
Bank branch	3
Money gram	2
Shops	2

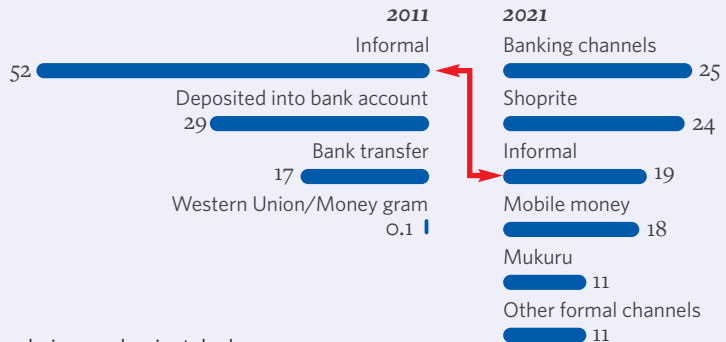
- Around 60% diasporas outside Lesotho sends money home on a monthly basis mainly to finance the daily expenses of their families.
- Lesotho's emigrants could be sending around M336 000 000 monthly – this could be around M4 billion flow into Lesotho families annually.

*More adults living
outside Lesotho
(diasporas)
showing
41% growth
since 2011*

Diaspora remitters



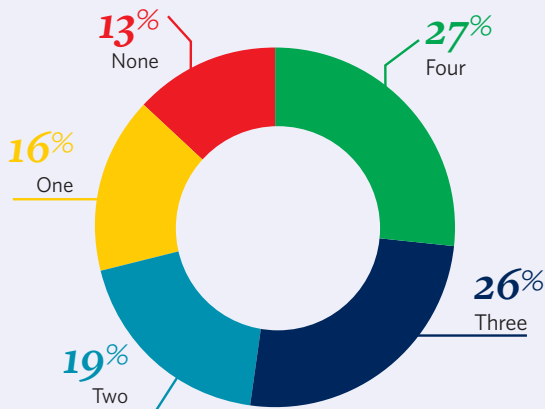
Methods of receiving money from people outside Lesotho (%)



- Remittances has shifted from being predominately done through family/friend/public transport to more formal methods.

LANDSCAPE OF ACCESS (OF THOSE WITH A FINANCIAL PRODUCT)

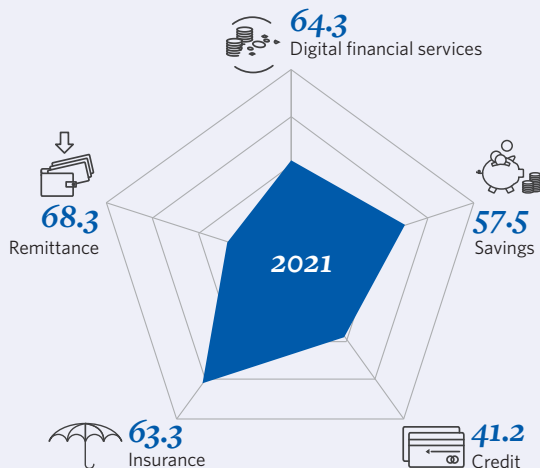
Depth Strand (Formal landscape products)



- There has been substantial improvement in adults that have access to more than one formal financial product, up from 31% in 2011 to 71% in 2021.

- The Landscape of Access is used to illustrate the extent to which financially included individuals have/use financial products/services (excluding those borrowing from family/friends and those who save at home/hiding in secret place). It also highlights the drivers of overall inclusion.

Landscape of Access








The Lesotho FinScope 2021 revealed how the 18 years and older Basotho manage their finances and elements that influence their uptake and usage of financial services. The following conclusions are drawn:

- Overall **improvement** in the highest **level of education attained** since 2011 (more people have post secondary education and number of adults without formal education has been reduced since 2011). Secondary education and beyond enrolment rate sits at less than 50%.
- A considerable number of adults have **low financial capabilities**, with direct link to senior citizen and those with primary and less levels of education.
- Majority of the adult population are individuals with **small, inconsistent and irregular incomes**, such as those who rely on remittances, piece jobs and farming.
- Lesotho has positively developed and resulted in the **notable expansion of financial inclusion exceeding set targets**. Growing access to finance without financial education is unsustainable and potentially harmful to a variety of different stakeholders. On the contrary, the benefits of a financially literate population are wide-reaching, where all stakeholders stand to gain.

Lesotho is one of the most financially included countries in the Southern African Development Community (SADC). This makes the financial inclusion story in Lesotho an encouraging one. Some of the highlights of the positive financial inclusion figures seen in Lesotho include:

- Increased usage of transactional accounts and digital payments which were the main drivers in the increased financial inclusion.
 - Around three quarters of Basotho have at least a transactional account (66% mobile money and 39% bank account).
 - About 60% of adults in Lesotho have used digital payments in the past 12 months prior to the survey.
 - Activities conducted through mobile money make mobile money account services more relevant. This goes beyond sending and/or receiving money to broader usage, and could be a driver for high usage as it accommodates the mindset of today's consumers, just with better tools;
- The mobile money account is widely and broadly used, 72% of users transact on a monthly basis.
- The innovation of mobile money has placed payments as the first step in the process of financial inclusion, but Basothos are not only sending and receiving money in real time but are storing money over time.

SUMMARY OF PROGRESS AND FOCUS AREAS

	 <p><i>Formally served adult population</i></p>	 <p><i>Introduction of low-cost transactional products</i></p>	 <p><i>Savings</i></p>	 <p><i>Credit</i></p>	 <p><i>Insurance</i></p>
Progress	<p>Number of formally served adults exceeded 2021 target of 85%</p>	<p>More people use mobile money and informal remittances significantly reduced</p>	<p>Number of adults who have formal savings grew by 26% since 2011 and driven by mobile money account</p>	<p>Credit uptake remain at similar level to 2011</p>	<p>More adults are now insured formally</p>
Focus area	<p>Increase uptake of transactional products among Basotho.</p>	<p>Mobile money network and float challenges need to be addressed</p> <p>Quite a few household still receiving cross-border remittances informally - this may be an issue with undocumented diasporas</p>	<p>The payment of interest on mobile money balances may need to be considered</p>	<p>Lack of access to formal credit remains a major concern and is clearly highlighted as a need for business owners</p>	<p>Expand insurance to better manage impact of risk</p>

1.

Addressing real economy issues such as agricultural value chains, services delivery, employment and entrepreneurship could provide a lever for change as these directly affect livelihoods.

2.

Implement a repeat FinScope Small Business Survey

- A smaller proportion of business owners had access to credit - Addressing how business owners can utilise access to financial services to grow and expand their businesses will have a higher impact and prospects for economic growth in Lesotho. This survey aids in better understanding the business value chain and business owners financial needs to better serve them.

See here for more details:

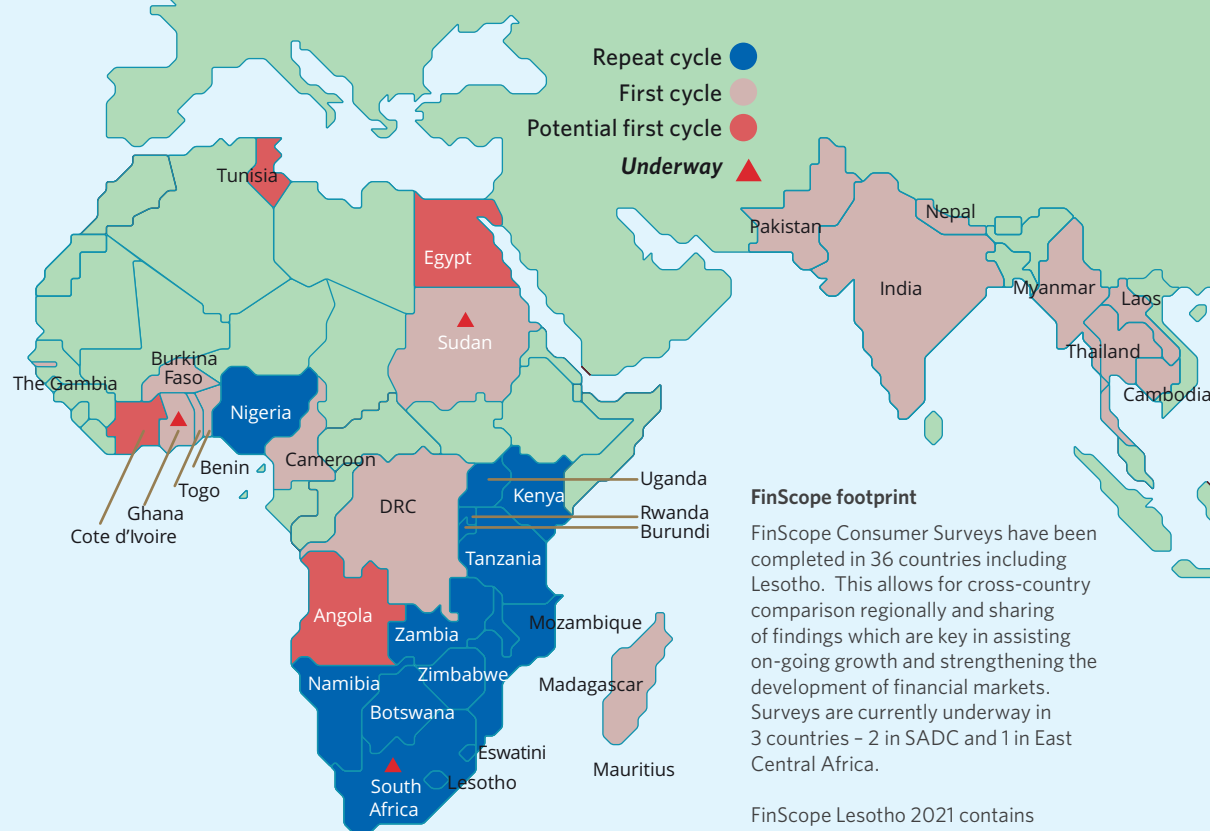
https://finmark.org.za/_programme/data-forfinancial-markets/finscope/finscope-msme/

3.

Consumer education/literacy programmes

- In order to create a better value proposition for financial inclusion, Basotho adults need to understand the benefits of using appropriate financial services.

The results show the barriers to financial uptake and usage mostly relate to lack of financial awareness.



FinScope footprint

FinScope Consumer Surveys have been completed in 36 countries including Lesotho. This allows for cross-country comparison regionally and sharing of findings which are key in assisting on-going growth and strengthening the development of financial markets. Surveys are currently underway in 3 countries – 2 in SADC and 1 in East Central Africa.

FinScope Lesotho 2021 contains a wealth of data based on a nationally representative sample of the adult population of the Lesotho.

For further information about FinScope Lesotho 2021 please contact:

Ms P Sematlane
palesas@finmark.org.za

Dr Kingstone Mutsonziwa
kingstonem@finmark.org.za

Mrs Tabitha Chamboko
tabithac@finmark.org.za

Florence Mohasoa – Ministry of Finance
fmohasoa@yahoo.com

FMT
FINMARK TRUST
making financial markets work for the poor
Tel: +27 11 315 9197
www.finmark.org.za