



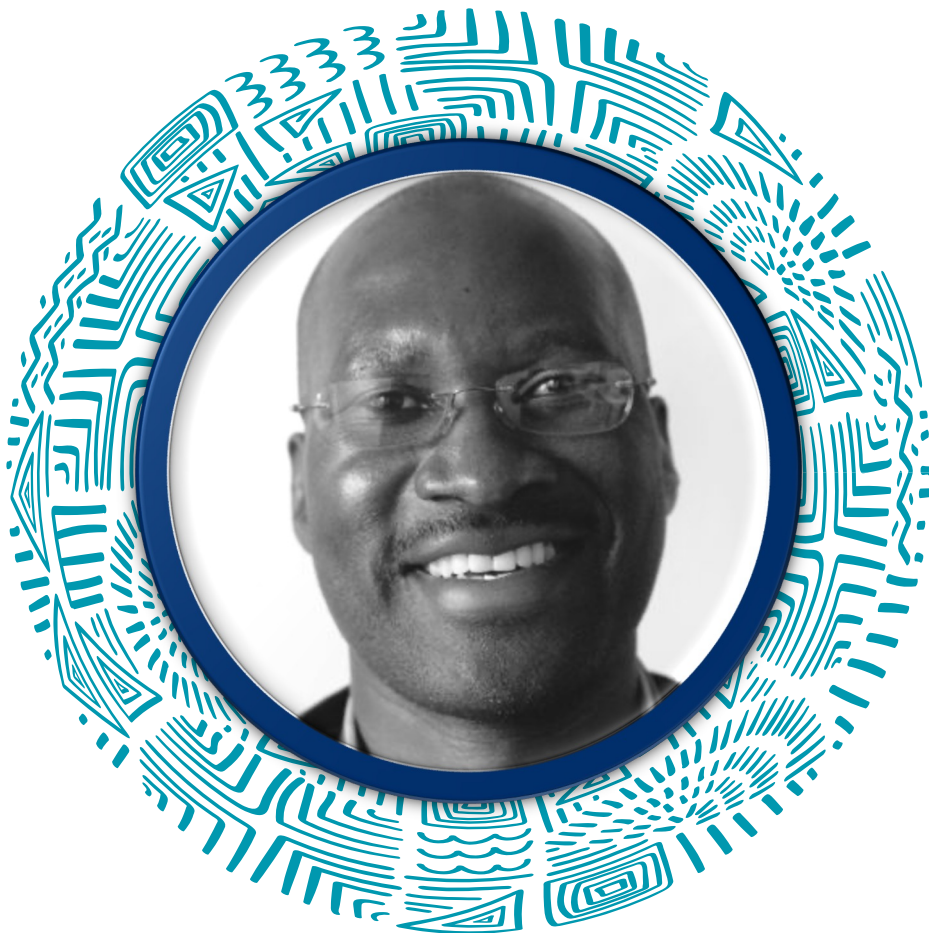
More than 20 years of
making financial markets
work for the poor

FinScope Consumer South Africa 2023 Survey Launch

23 April 2024

FinScope

Welcome and introduction



Dr Kingstone Mutsonziwa

Executive: Data and Analytics

House rules

- All participants will be muted by default.
- Please feel free to post your questions in the Q&A and chat box. These will be addressed by the FinMark Trust team.
- The recording and presentations will be shared after the event.

Agenda

Time	Session	Speaker
10h00 – 10h10	Welcome and introduction to FinScope Consumer South Africa 2023 Virtual Launch	Dr Kingstone Mutsonziwa: <i>Executive: Data and Analytics, FinMark Trust</i>
10h10 – 10h30	Presentation of the FinScope Consumer South Africa 2023 Results	Jabulani Khumalo: <i>Senior Data and Analytics Specialist, FinMark Trust</i>
10h30 – 10h50	Keynote speaker: Challenges to financial inclusion in South Africa and role of financial sector	Dr Pali Lehohla: <i>Former Statistician-General of Statistics South Africa (StatsSA), member of MPPN steering committee</i>
10h50 – 11h00	Early reactions to the results and keynote speaker	All participants: <i>Q&A function or chat function</i>
Panel discussion		
11h00 – 11h50	The role of the financial sector to support real economy – state of social welfare and need for macro pension solutions	<p>Panel moderator: Ms Lesego Mashigo: <i>Head: South Africa Financial Inclusion, FinMark Trust</i></p> <p>Dr Thabang Chiloane: <i>Head: Financial Inclusion and Public Policy, Banking Association South Africa</i></p> <p>Ms Pamela Ramagaga: <i>General Manager: Insurance Risks, SAIA</i></p> <p>Ms Kershia Singh: <i>Head: Policy Support, FSCA</i></p> <p>Dr Pali Lehohla: <i>Former Statistician-General of Statistics South Africa (StatsSA), member of MPPN steering committee</i></p>
11h50 – 12h00	Wrap-up and closure	Dr Kingstone Mutsonziwa: <i>Executive: Data and Analytics, FinMark Trust</i>

FinScope Consumer South Africa 2023 results



Mr Jabulani Khumalo

Senior Data and Analytics Specialist

Content

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Research objectives

Impact of FinScope Consumer South Africa 2023 Survey



Regulators

Regulators have the required data to benchmark, track and identify opportunities for policy reform.



FSPs

Financial service providers gain a better understanding of consumers' needs and market opportunities.



Sector

Sector has the data to track progress and make informed decisions about programme interventions.



Methodology

A reminder of how we collected the information



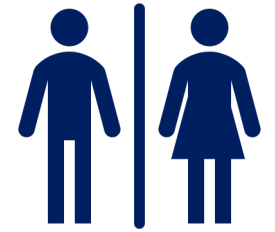
5,600 in-person
interviews



Representative sample
at **national** and **provincial**
levels

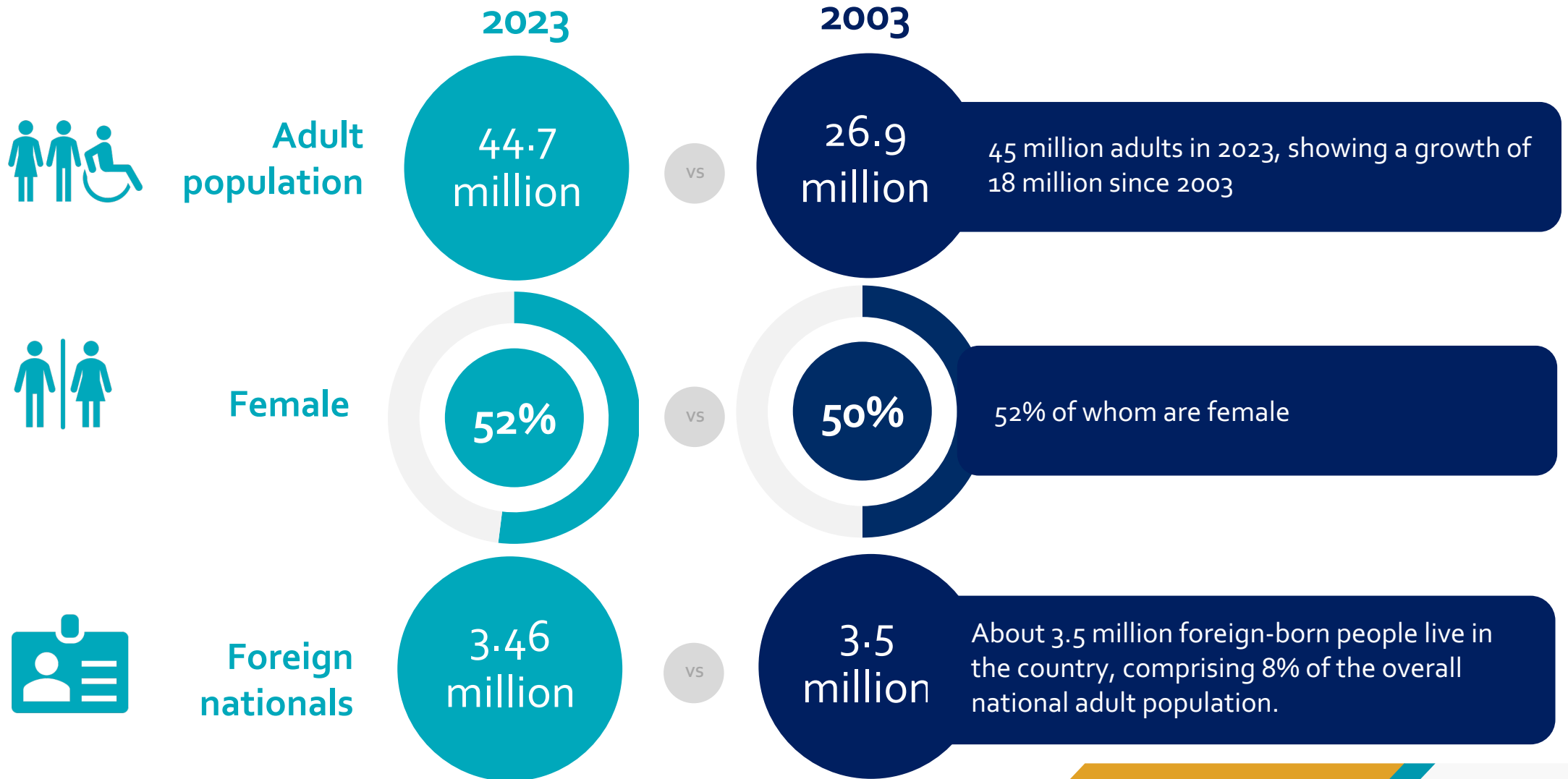


Weighted to the
South African population
2022 Census data

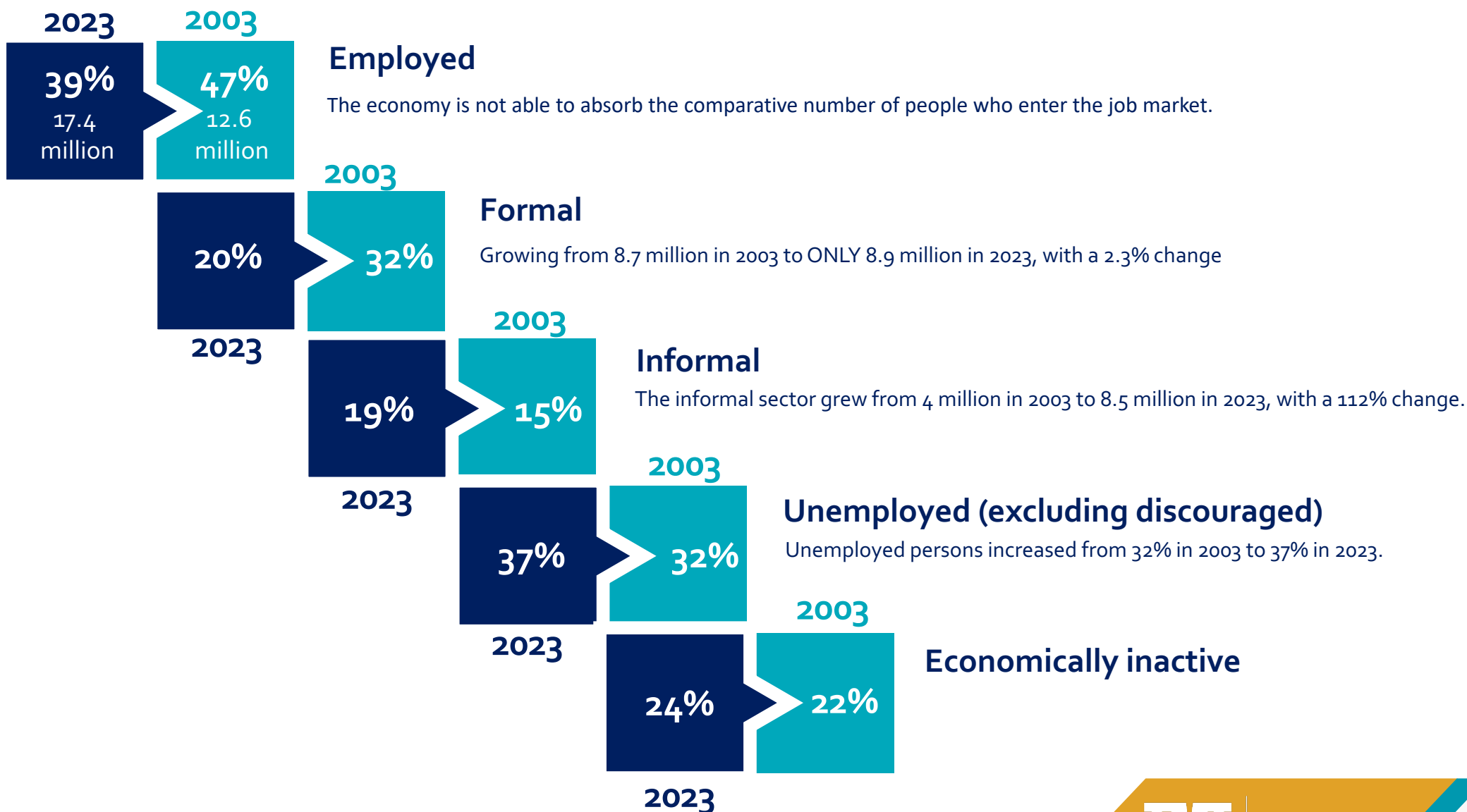


Economic and socio-demographic context

South Africa's adult population



The vibrancy of the informal sector cannot be ignored.



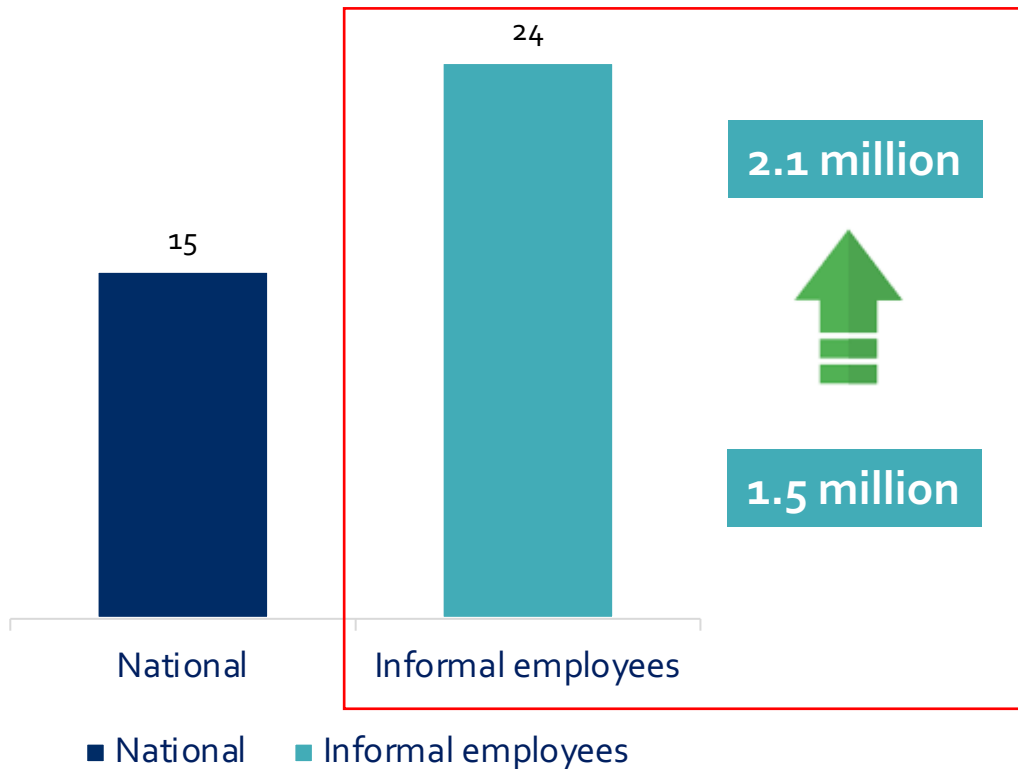
The informal sector contributes 49% of all jobs (workforce), but not enough to absorb most unskilled unemployed adults.

Job activity/category	Distribution
Piece job	1 702 061
Part-time job	1 310 011
Domestic gardeners	1 210 334
Self-employed	880 629
Domestic worker	868 651
Vendors/hawkers	734 589
Trade person	335 555
Caregiver/cleaner	311 047
Waiter/waitress/bartender/counter	208 079
Car guard/security	180 736

Job activity/category	Distribution
Cashier/parker	143 362
Rent	138 671
Beautician/therapist	110 506
Tarot reader, printing, photographer/car wash	94 903
Floor retail/sales assistant	64 346
Delivery/courier/public transport driver	59 877
Seasonal agricultural worker	53 495
Travel attendants, conductors and tour guides	27 216

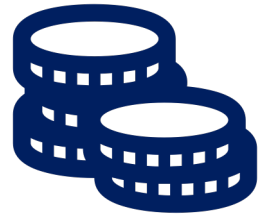
More informal workers earning tips are pushing the average personal monthly income above the minimum wage.

Earn tips (%)



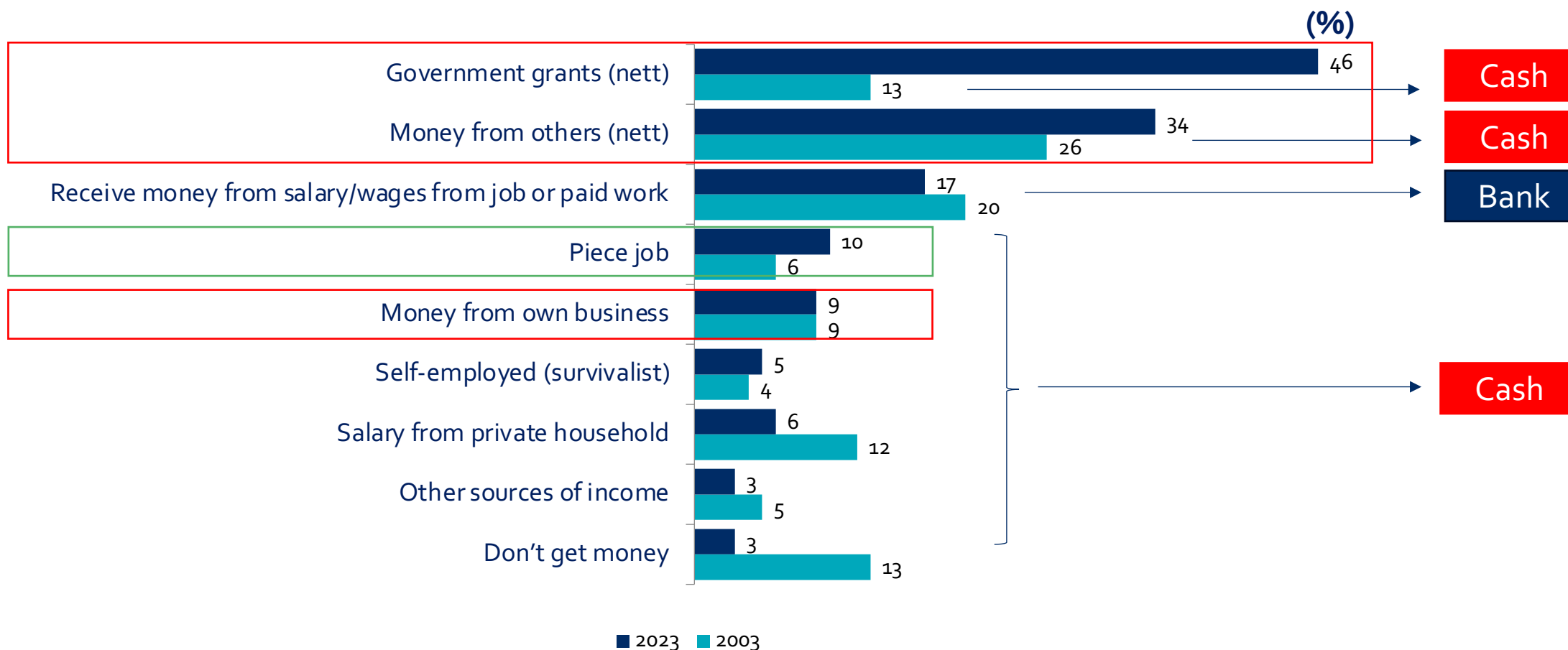
Average personal monthly income

National	Minimum wage	Informal employees
R3 864	R3 710	R4 199

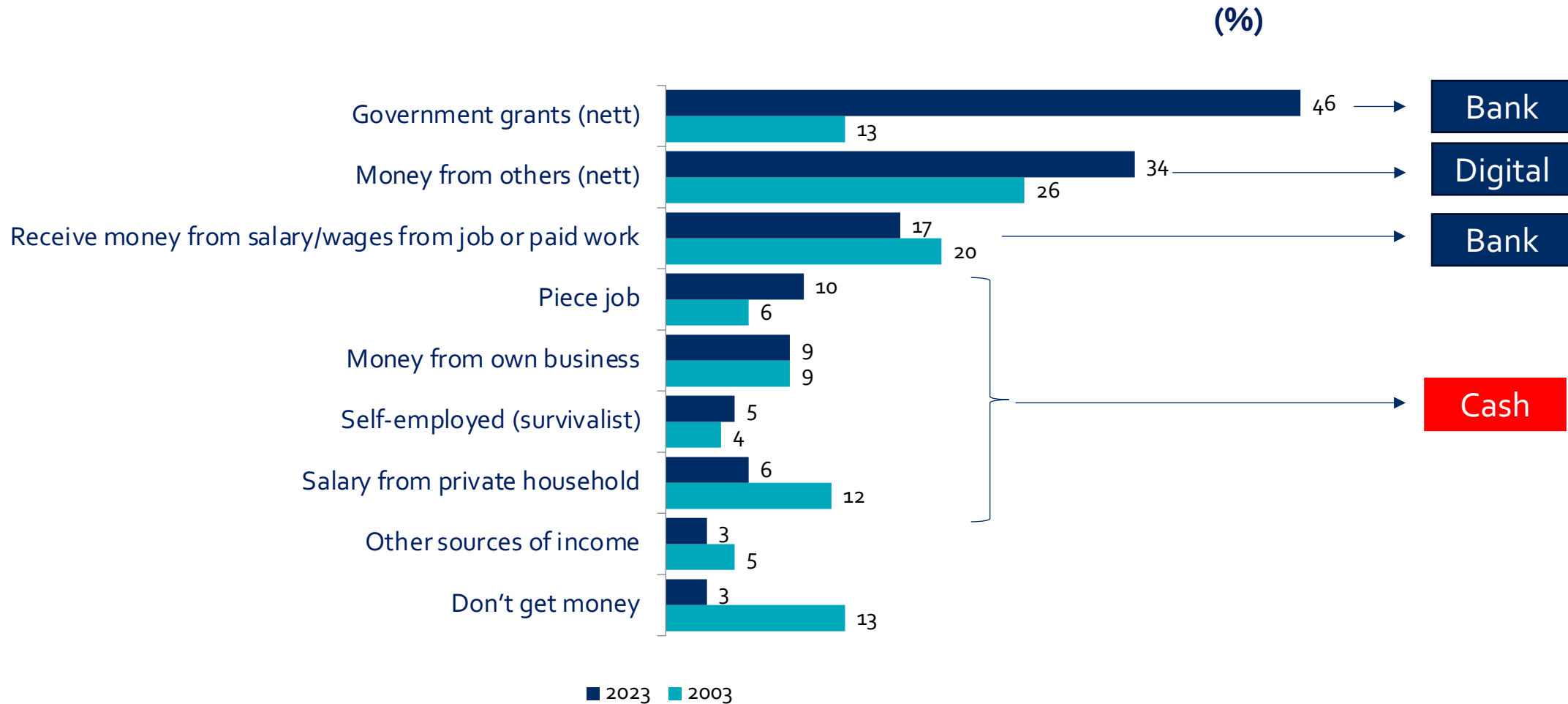


What does this mean for financial inclusion?

People receiving social assistance increased from 10 million (37%) in 2003 to 30 million (68%) over the 20-year period.

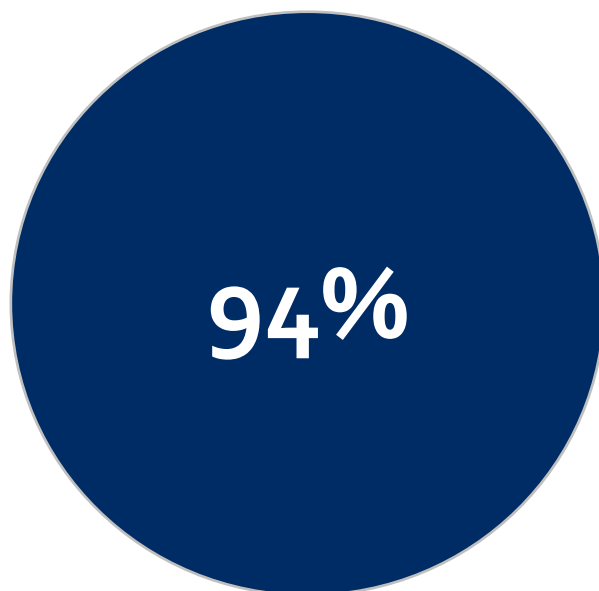


Most South Africans receive income or money digitally.

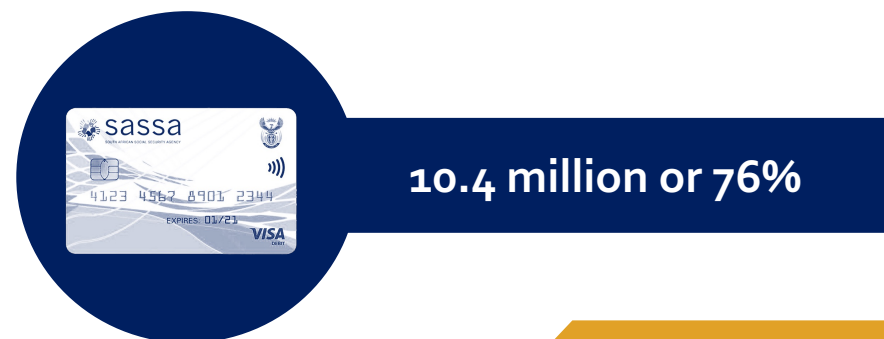
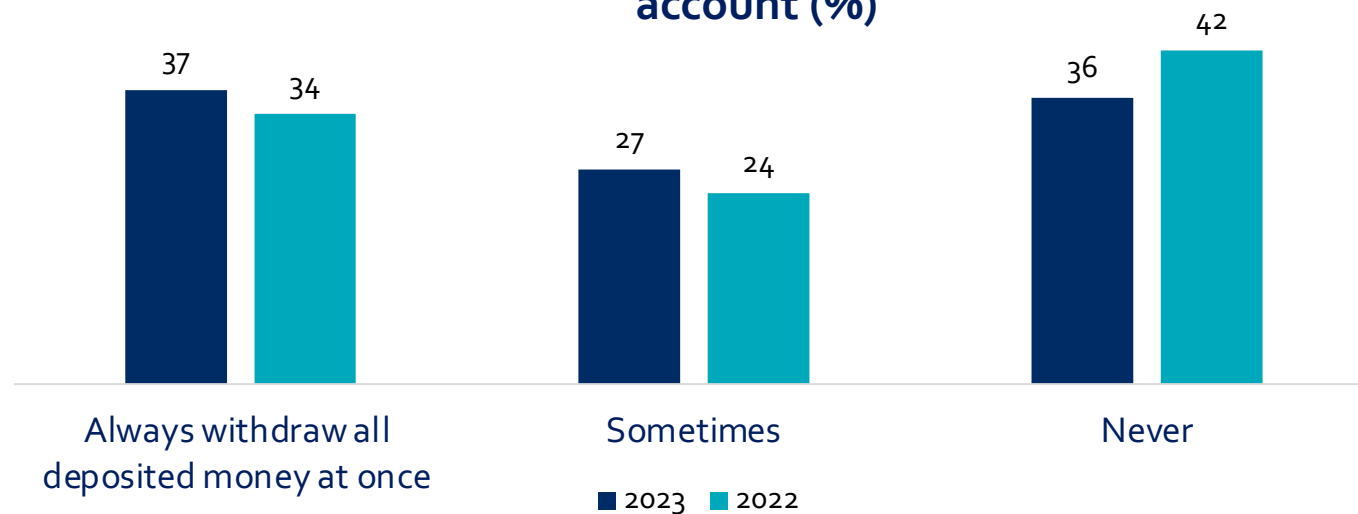


... but spend in cash.

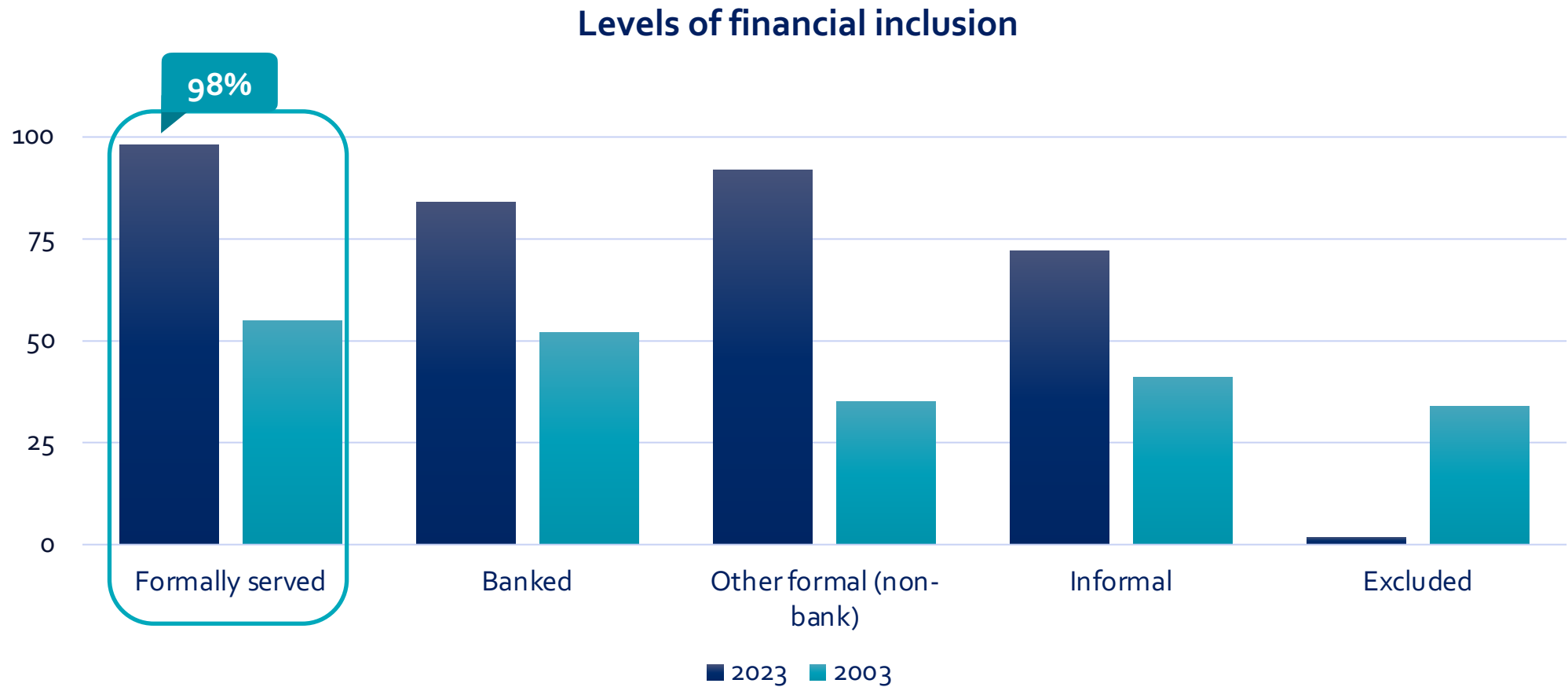
Incidence of withdrawing cash monthly



Incidence of withdrawing all money from a bank account (%)



South Africa's formal financial inclusion rate is high at 98%.



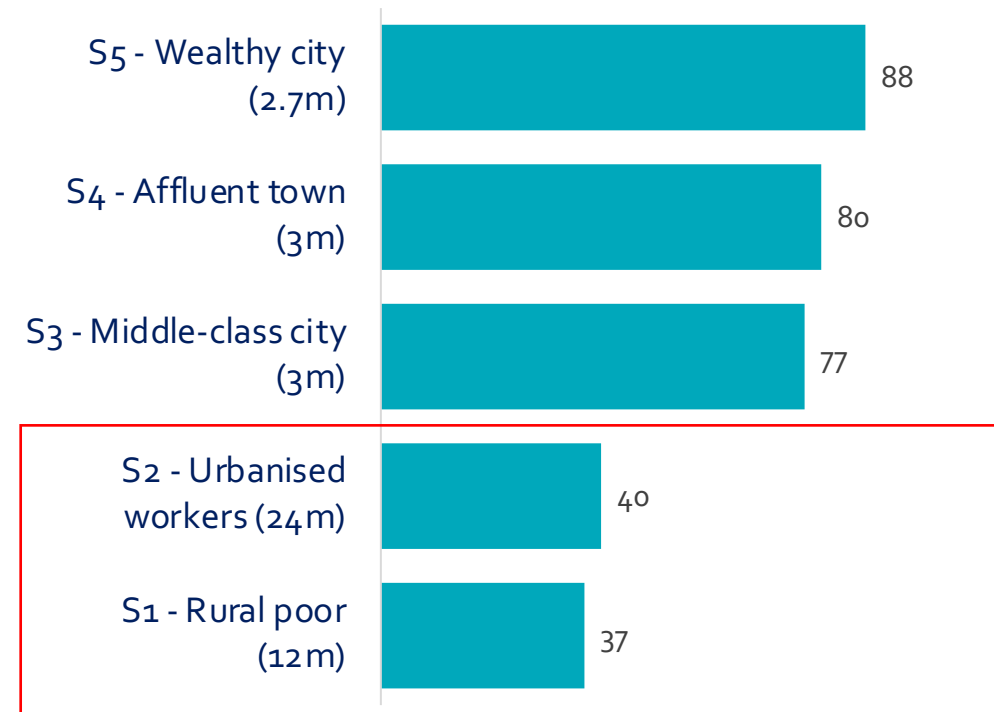
Most South Africans, especially those from rural areas and townships, cannot use the DFS ecosystem due to structural barriers.

DFS – Merchant payments (%)



■ 2023 ■ 2003

DFS – Merchant payments by GSM (%)

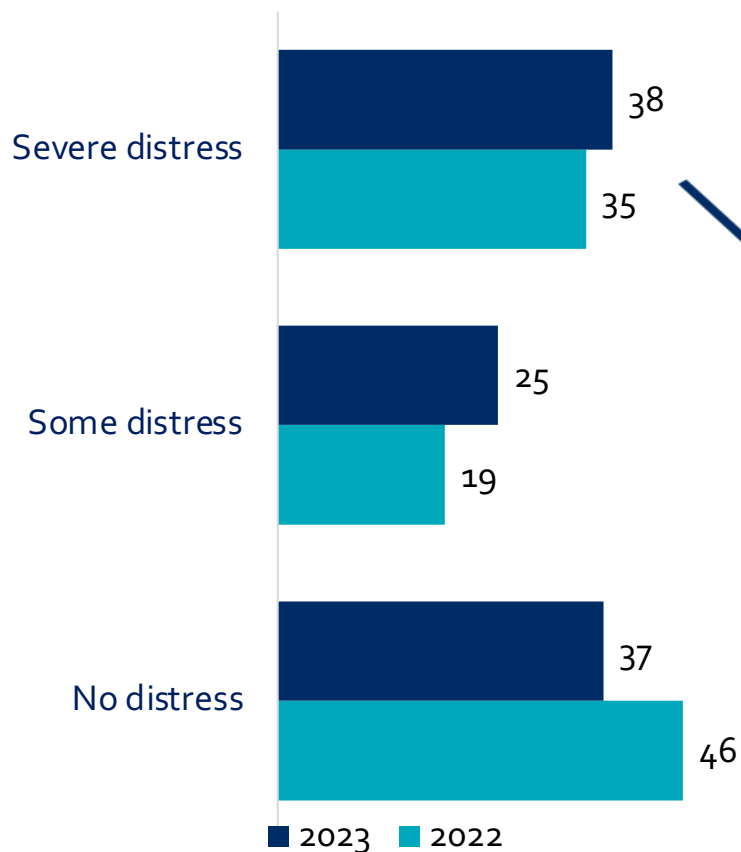




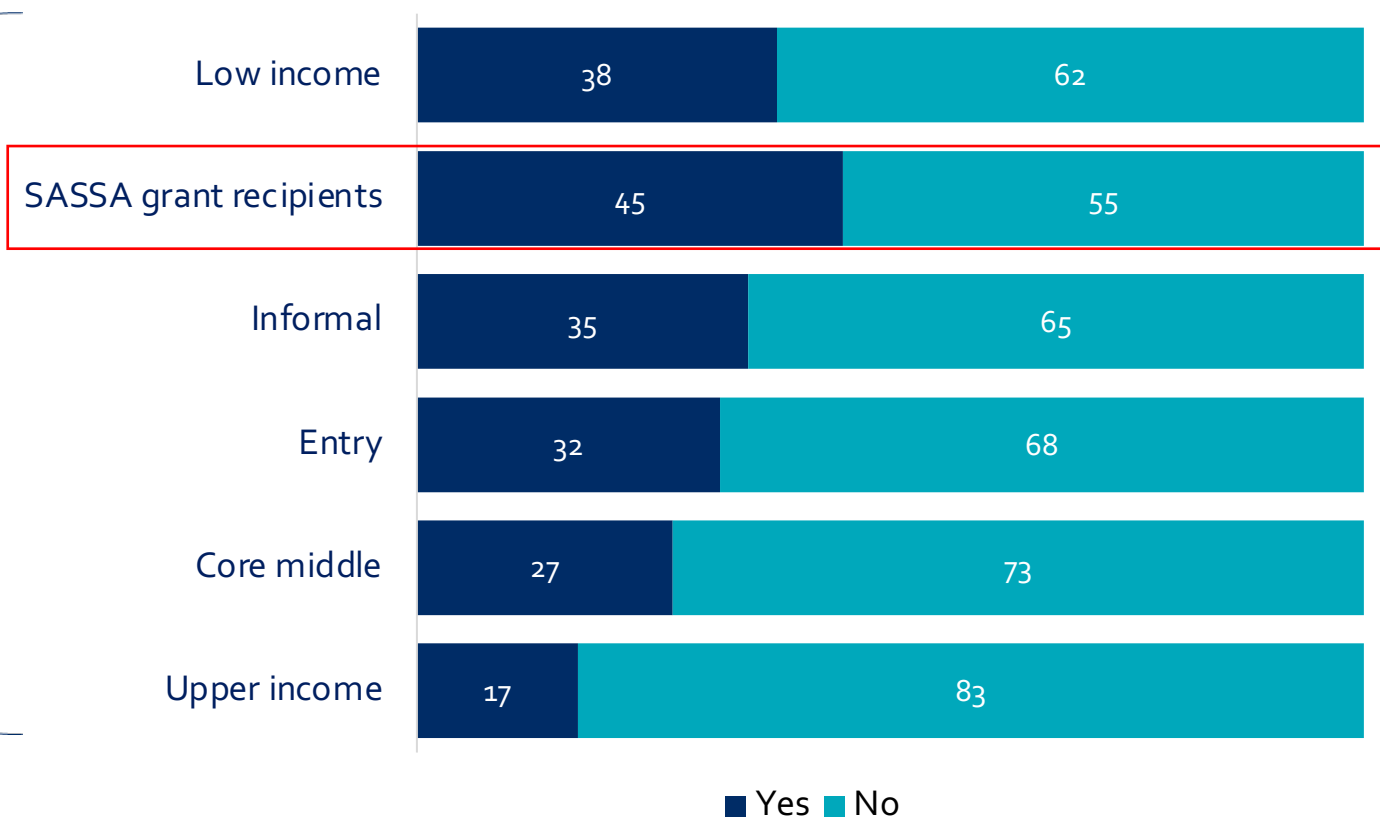
How does the weak structural growth affect South Africans?

Balancing income and expenses continues to be a challenge.

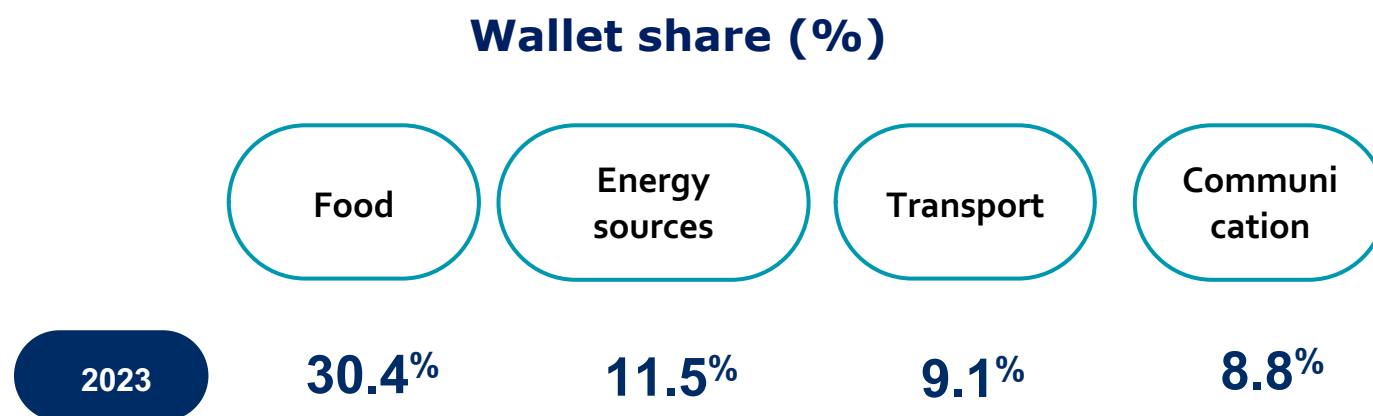
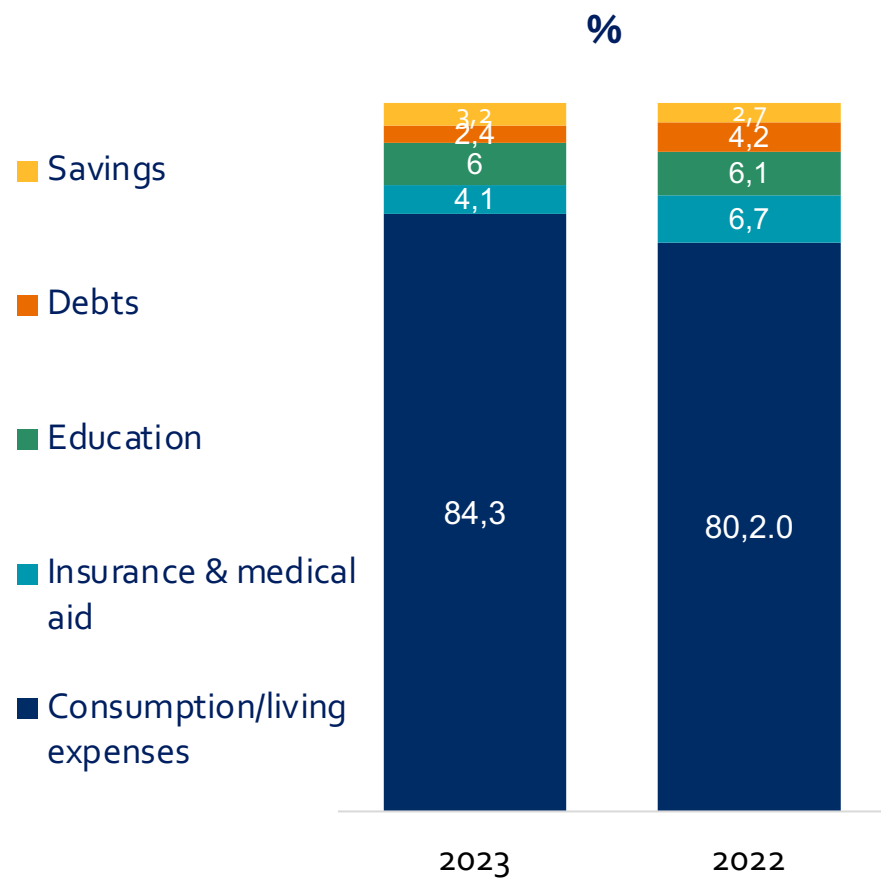
Frequency of income not covering living expenses (%)



Income segments (%)

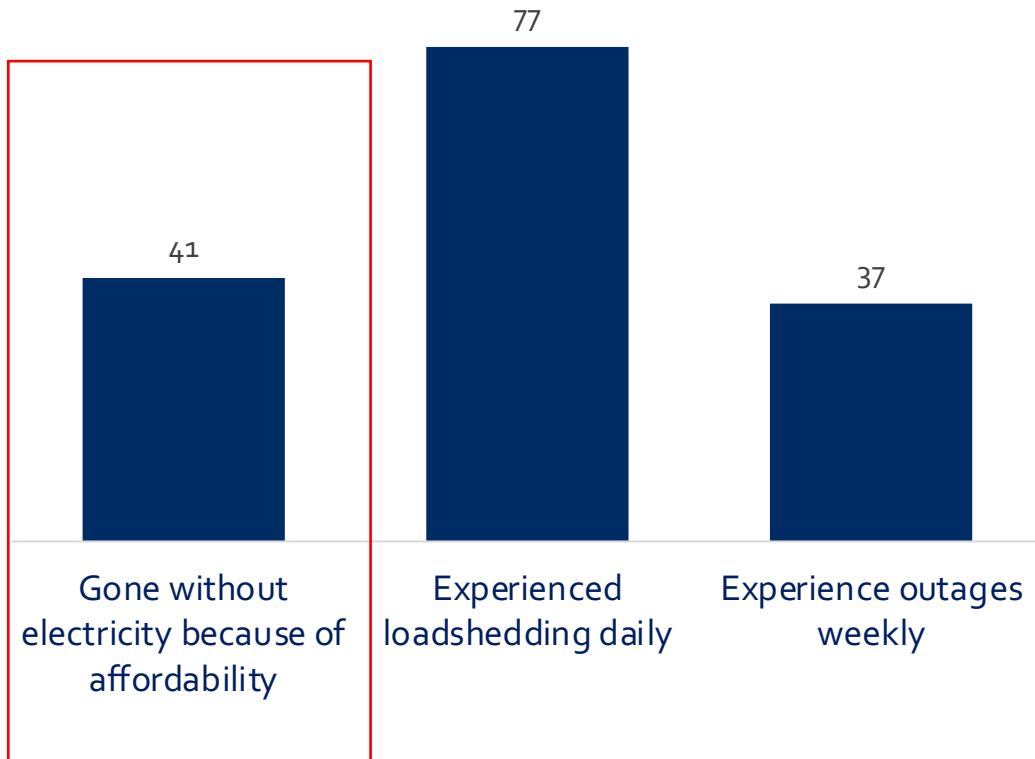


About 84% of income spending in South Africa goes towards consumption expenses.

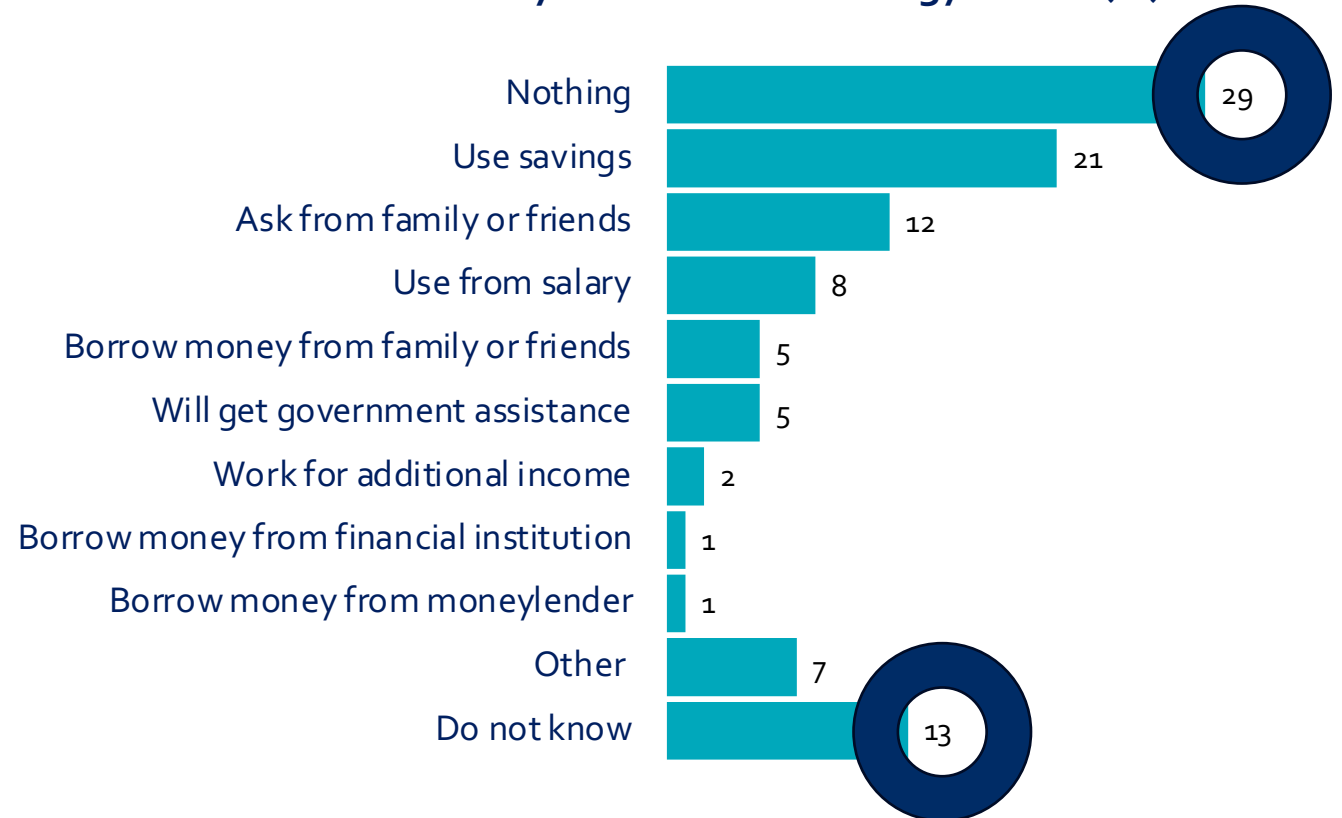


Close to 20 million South Africans cannot afford electricity.

Statements about accessing electricity (%)



Mechanism to raise money for alternative energy source (%)

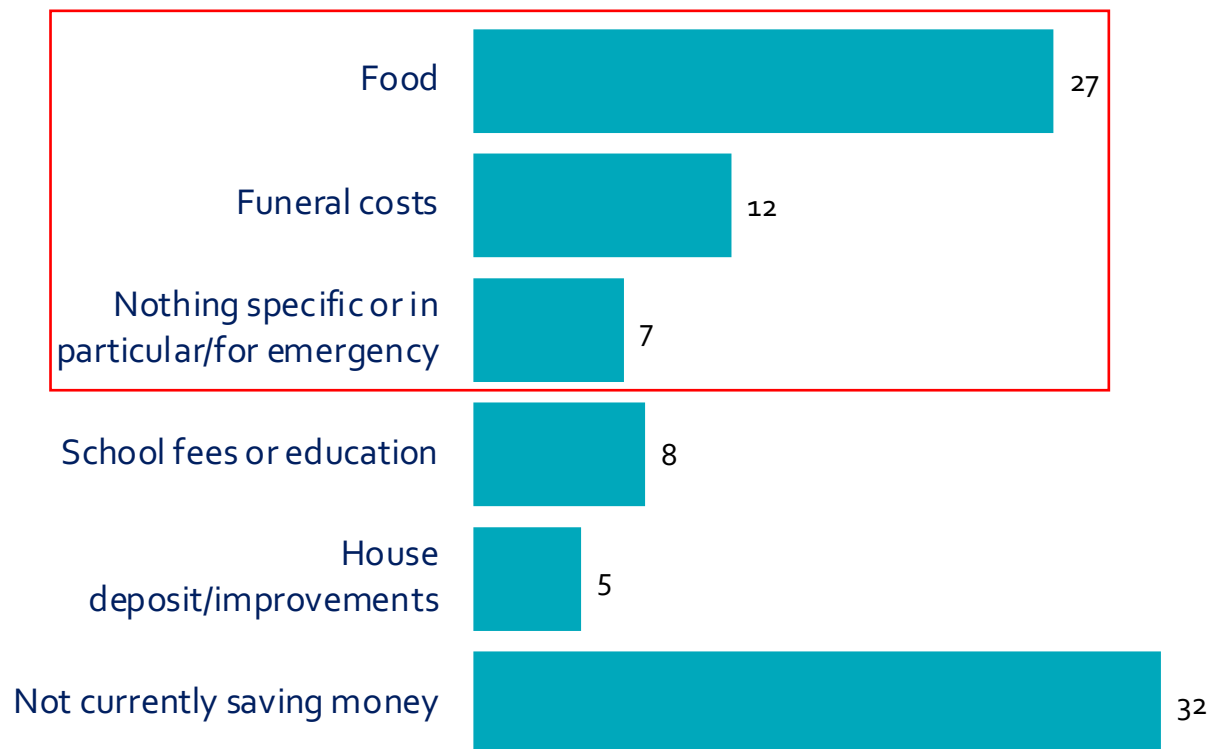




How are people surviving?

People mostly save money for essentials, neglecting future financial goals.

Top 5 reasons for saving (%)



Limited retirement savings



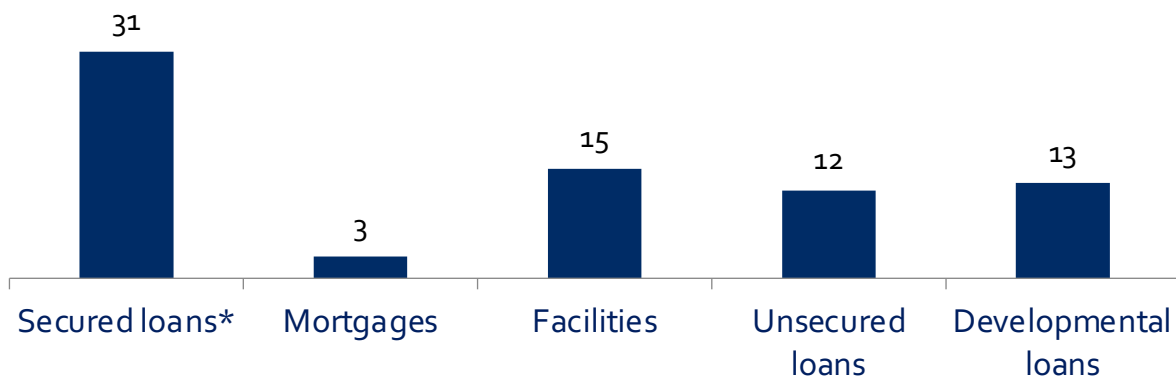
86% of economically active adult South Africans (**29 million**) do not have a retirement plan.

62% of those earning between R9 999 and R20 000 do not have retirement financial products.

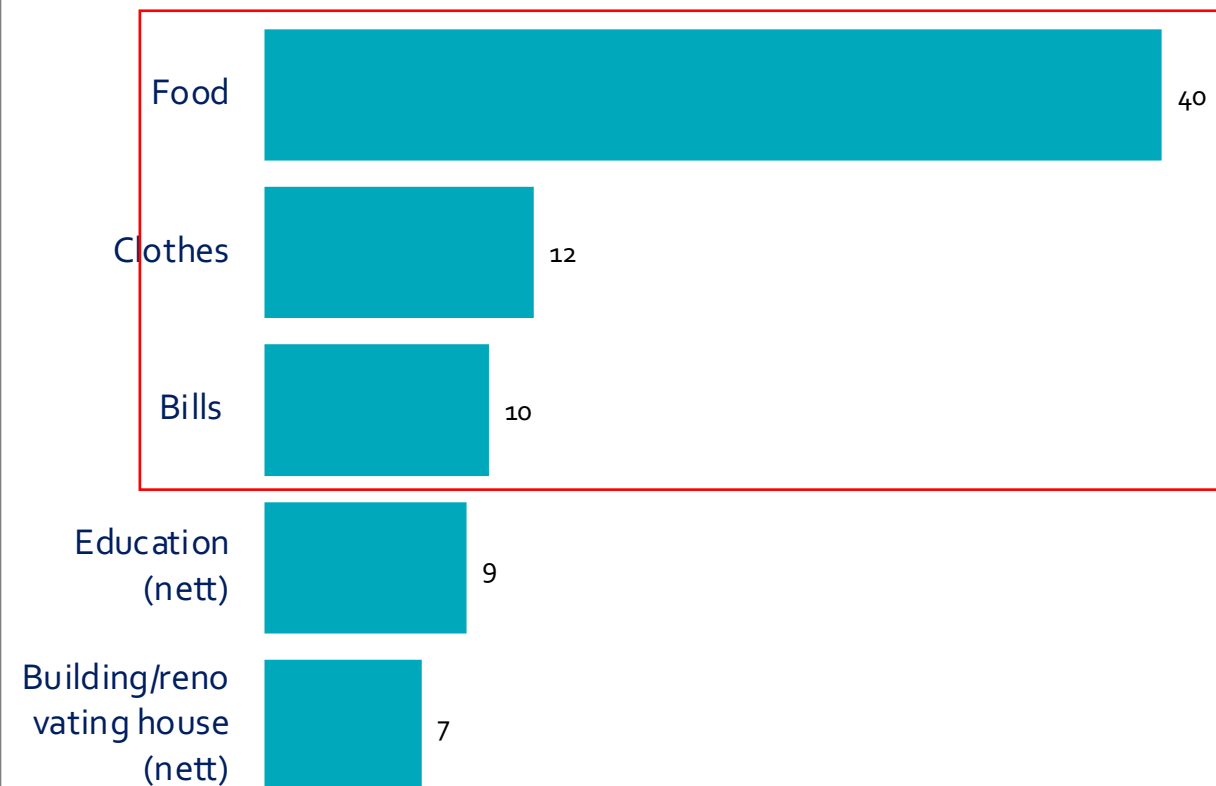
Borrowing to buy food is indicative of food insecurity.



27.3 million credit active consumers or 61% of adult South Africans have credit.



Top 5 reasons for borrowing money (%)

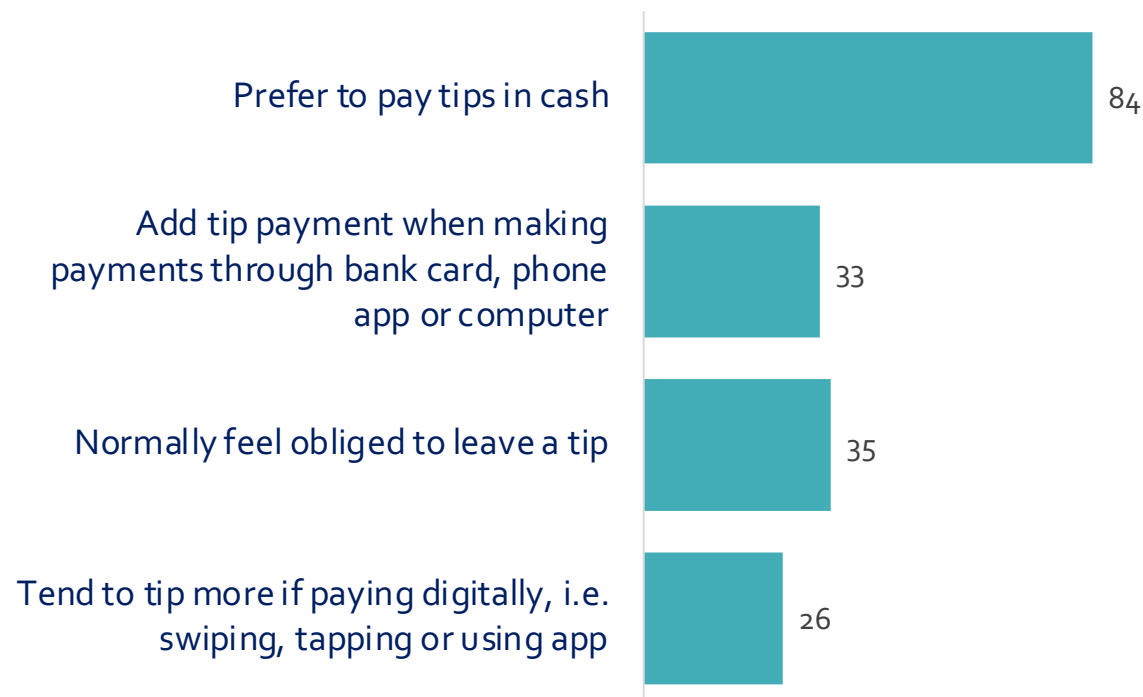


Tips – one of the most straightforward ways to help fight poverty.



**6.8 million or 15% of adults
earn money from tips**

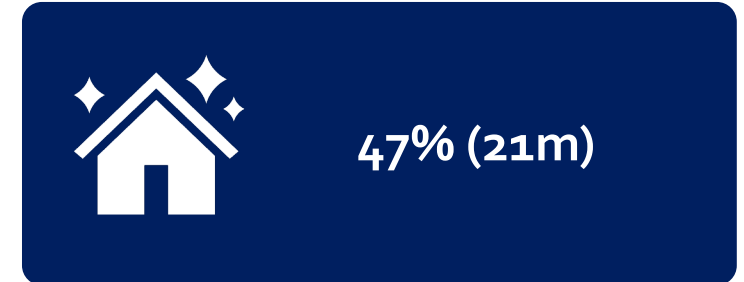
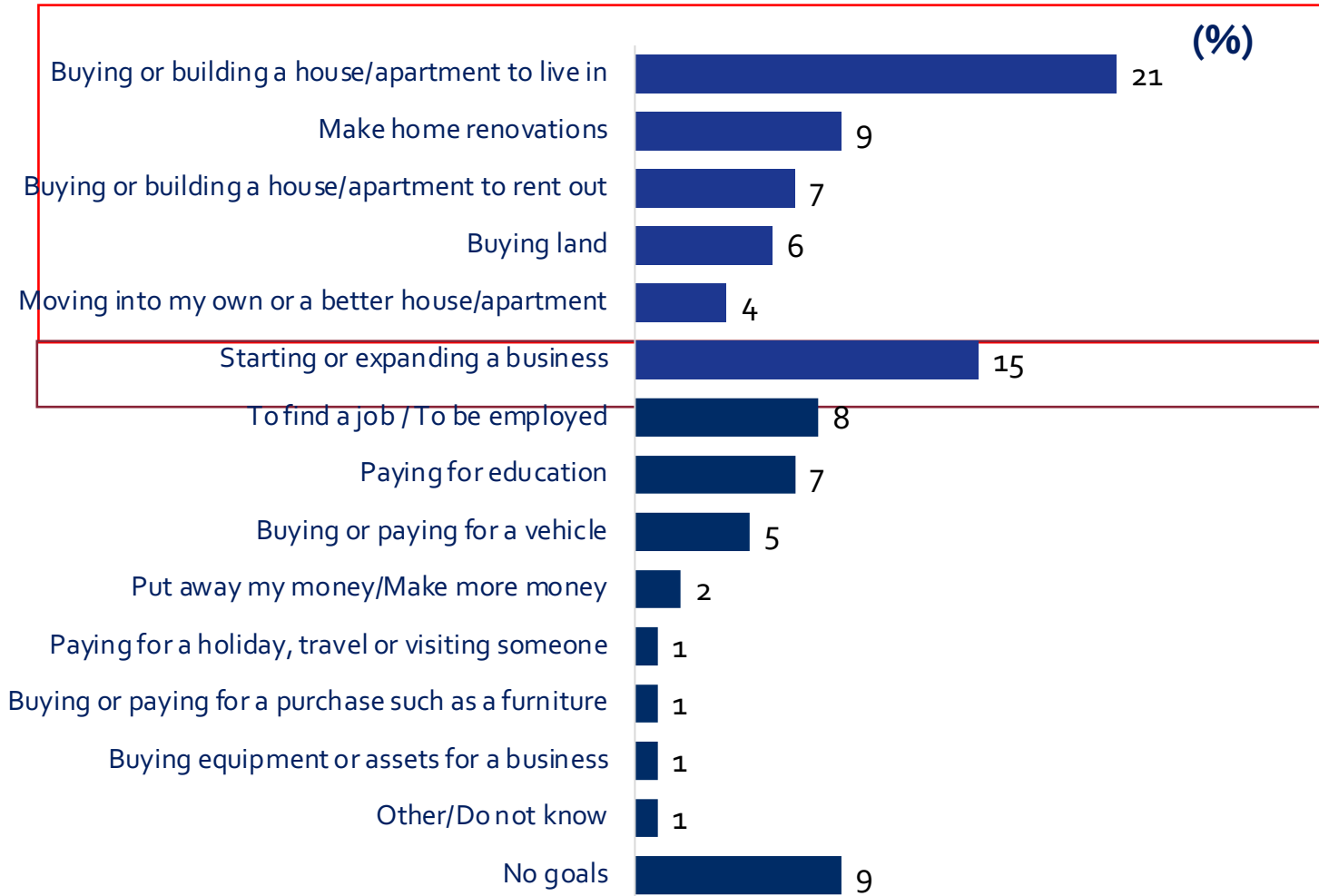
Tipping behaviour statements (%)





Impact on people's wallets

Financing housing and small businesses remain unmet goals, as both savings and borrowing are prioritised for essential expenses.

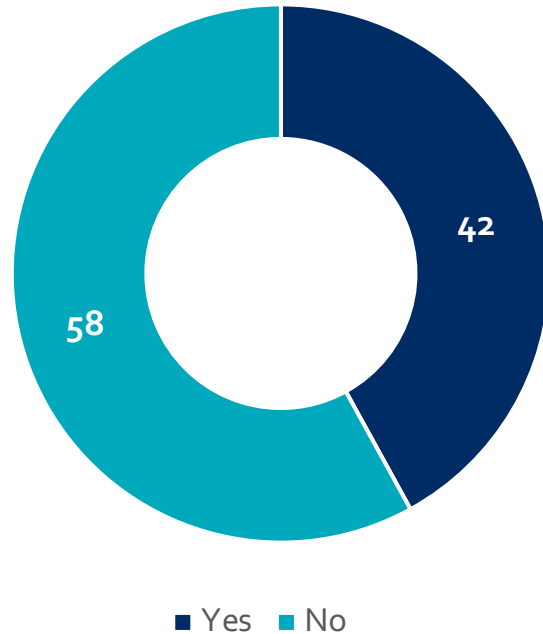


Who wants to invest in a business?

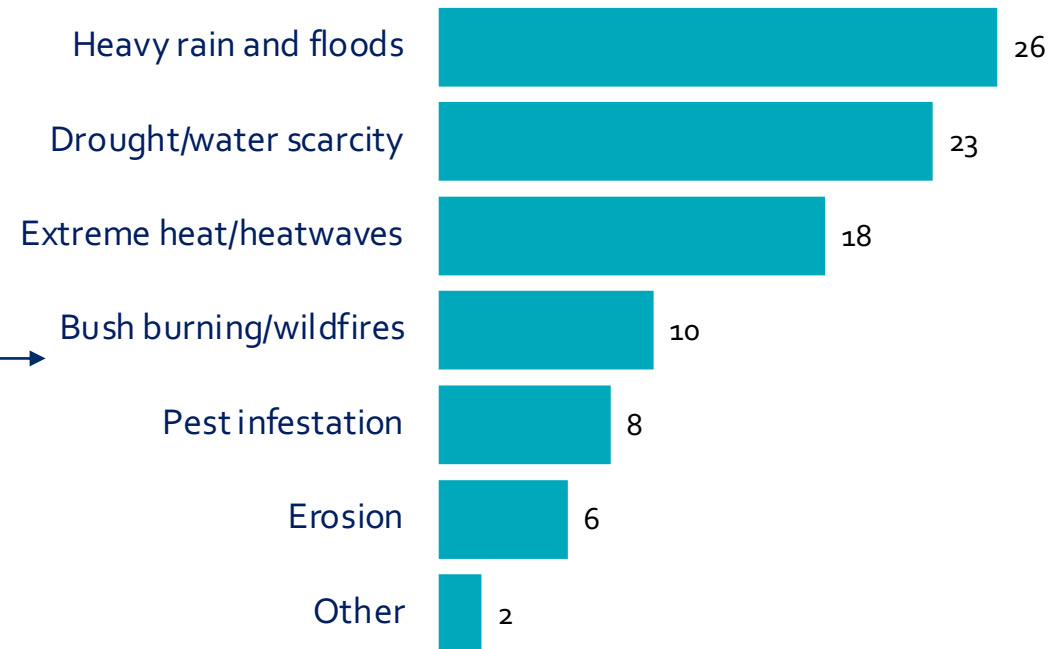
- 2 million unemployed adults
- 1.8 million adults in the informal sector
- 1.1 million business owners

Financial risk protection is hampered.

Experienced climate change-related risks in the past 12 months (%)

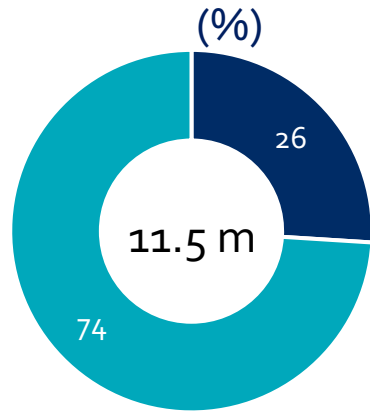


Impact of climate change risks (%)

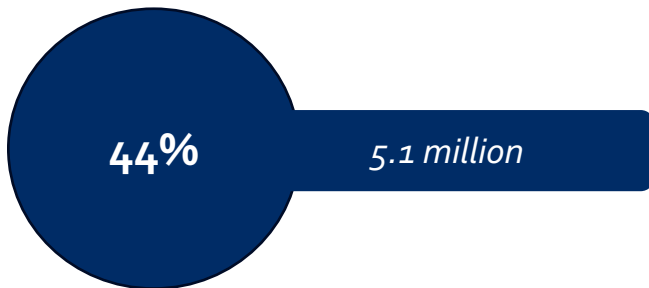


Around 10 million South Africans face repeated climate change-related risks.

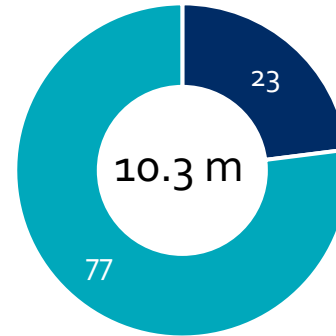
Experienced heavy rains/floods



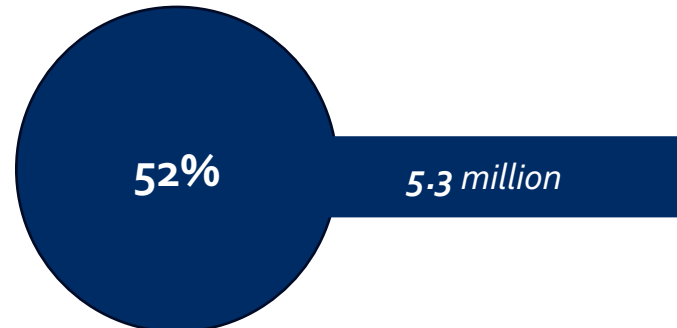
■ Yes ■ No



Experienced drought (%)

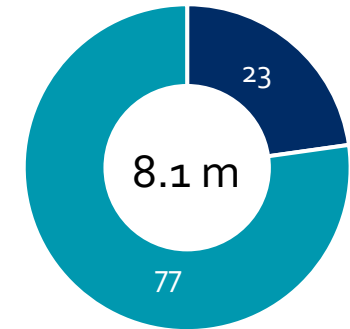


■ Yes ■ No



Regularly occurring

Experienced extreme heat/heatwave (%)

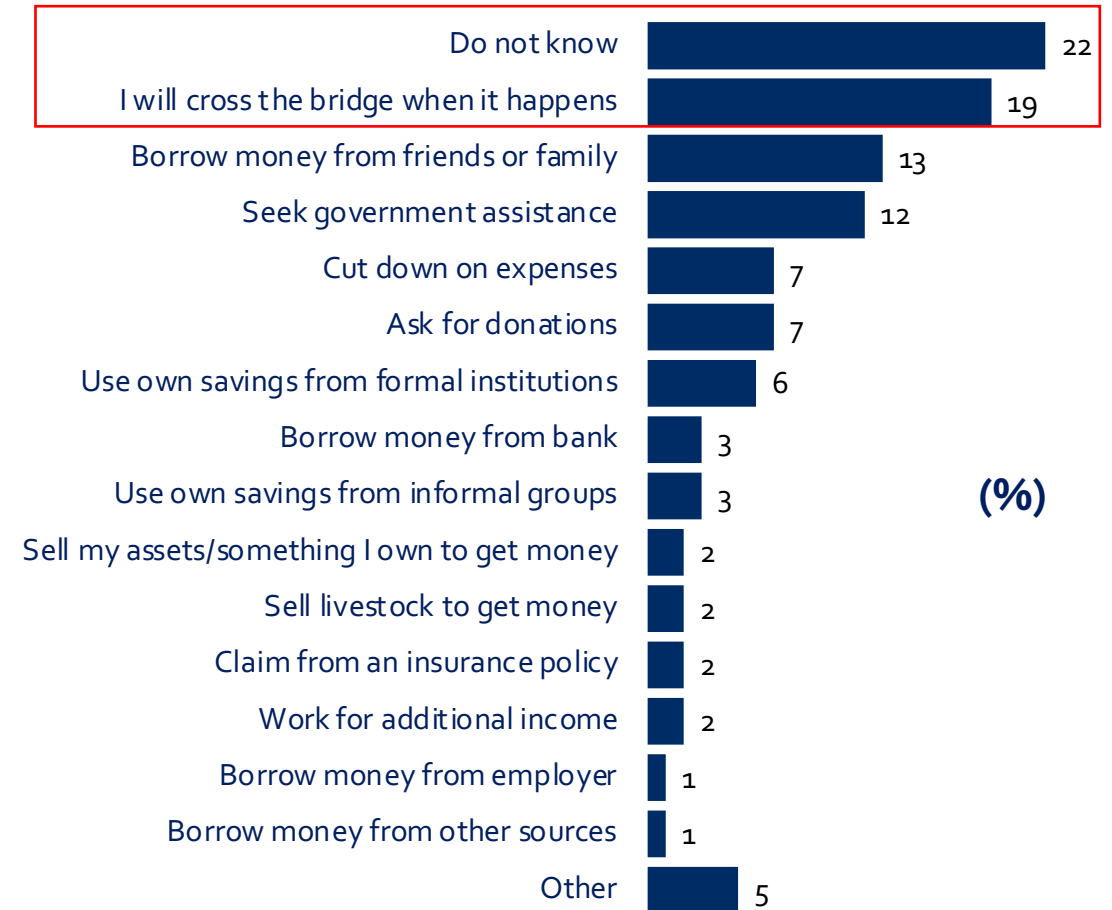
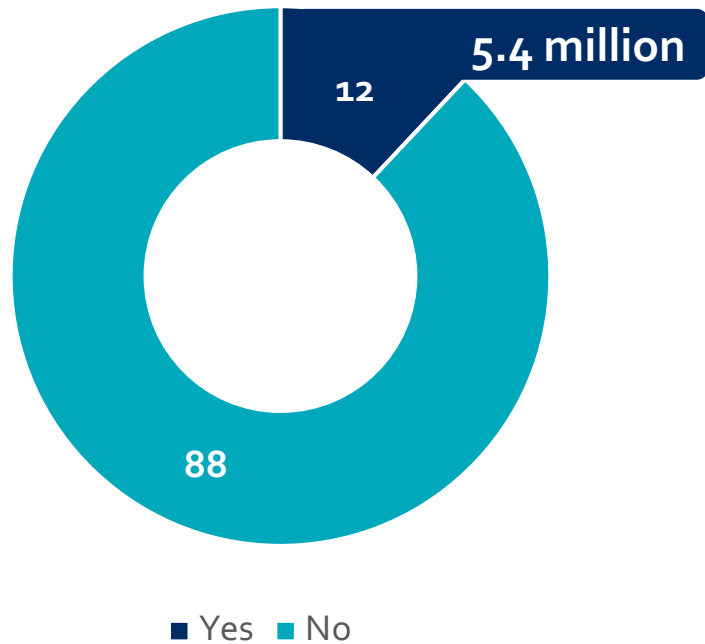


■ Yes ■ No



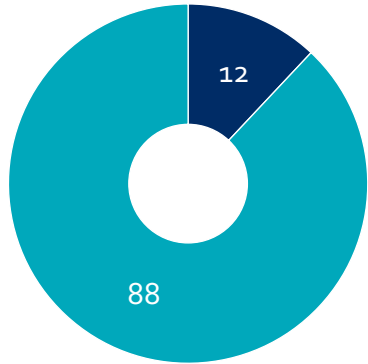
The estimated household cost of climate change damage between 2022 and 2023 is around 20 billion rands.

Have measures or plans in place to mitigate climate change challenges (%)



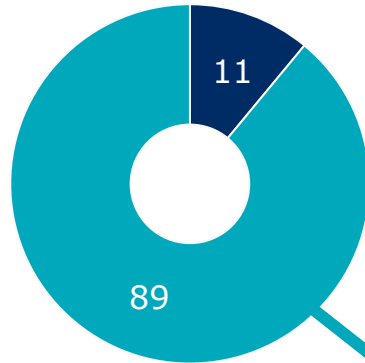
Can non-life insurance go beyond the formally employed population?

Long-term insurance (%)



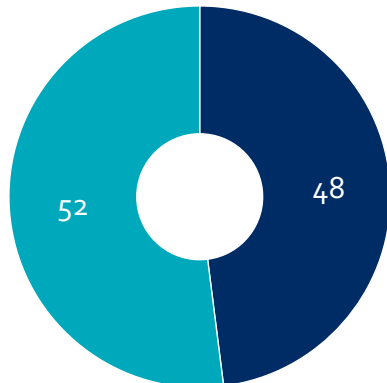
■ Yes ■ No

Short-term insurance (%)



■ Yes ■ No

Funeral cover insurance (%)



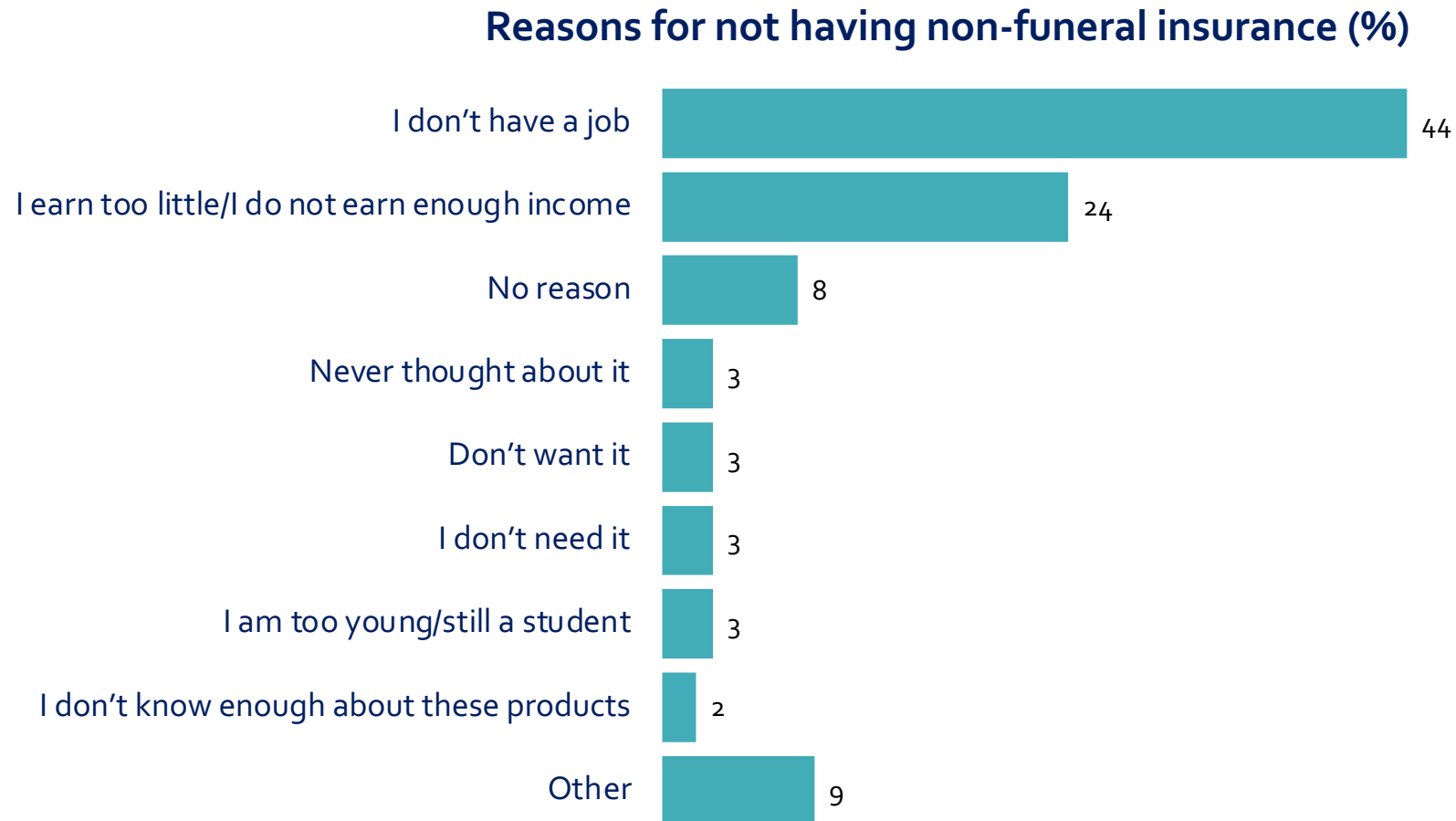
■ Yes ■ No

- 10 million adults have non-funeral insurance cover (life and non-life)
- 21.5 million adults have funeral insurance policies

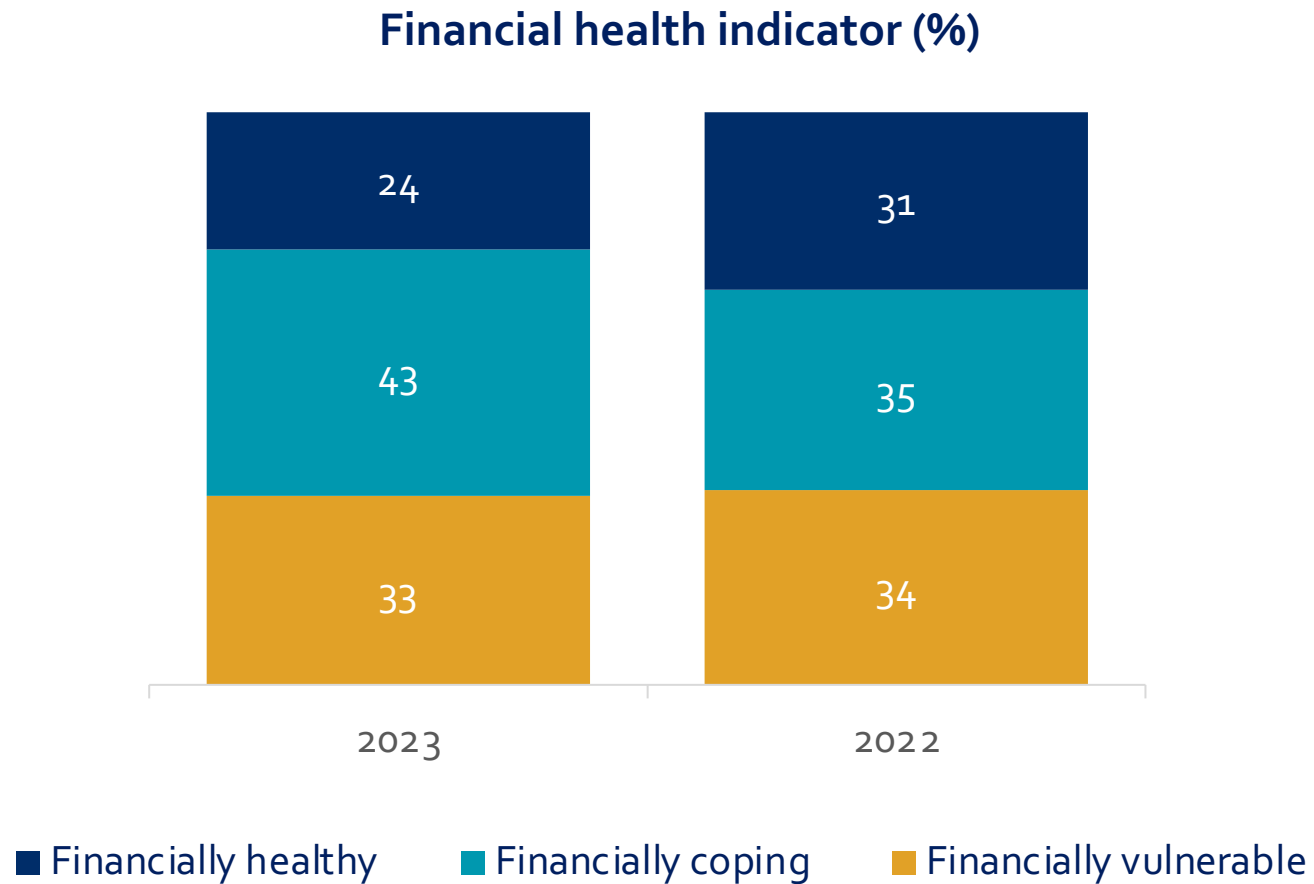


Around 9 million formally employed adults

Affordability remains the main reason for not having non-funeral insurance.



Financial health is worsening.



Climate change-related risks are a reality.



Recent floods in Margate, KwaZulu-Natal



What can we learn from the 20-year FI journey?

Journey at product level – what are the common factors between the **green increases** and **red stagnant/declining** status?

Financial products	2023	2003
Funeral cover	48%	38%
Burial society	29%	24%
Non-funeral insurance	22%	24%
Short-term insurance	11%	11%
Life insurance	12%	14%
Formal savings	33%	23%
Informal savings	30%	10%
Formal credit	60%	26%
Formal remittance	56%	35%
Pension	12%	17%
Medical aid	7%	12%
Borrowing money to buy food	40%	13%



Conclusion and discussions

Conclusion: Impact on the economy

- The economy cannot absorb the growing population entering the labour market.
- The informal sector absorbs those who fail to find a job in the formal sector, but efforts are minimal.
- Prolonged welfare dependency state
- The financial sector struggling to grow product offerings beyond the formally employed population.

Conclusion: How are people affected?

People are grappling with the financial burden caused by the rising cost of living that affects their financial stability in several ways:

- Reduced disposable income and limited retirement savings
- Increased debt and borrowing money for essentials
- Unmet development financing for activities such as housing and MSME financing
- Unable to tackle climate change-related challenges – do we need climate disaster funding, similar to RAF?
- Financial health is worsening.

Discussion

The discussion will address, among other topics, the role of the financial sector in:

1. What needs to be done to support the informal economy?
2. The stagnation in non-funeral insurance
3. Assisting with the retirement ticking bomb
4. How climate change affects the financial sector.



More than 20 years of
making financial markets
work for the poor

Thank You

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For queries, please contact:

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