Partnering for a common purpose

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.

The FinScope survey is dynamic and the content is evaluated by a number of stakeholders including the private sector, NGOs and Government to ensure that the most relevant consumer data is collected. It also forms an important component of the Making Access Possible (MAP) methodology.

Making Access Possible (MAP) is a diagnostic and programmatic framework to support expanding access to financial services for individuals and micro- and small- businesses. The MAP methodology and process has been developed jointly by UNCDF, FinMark Trust and Cenfri to foster inclusive financial sector growth. At country level, the core MAP partners collaborate with Government, other key stakeholders and donors to ensure an inclusive, holistic process. MAP Madagascar represents a partnership between the Ministry of Finance, UNCDF, FinMark Trust, Cenfri, and the Institute of National Statistics (INSTAT) for the Development of a Strategic Framework for Financial Inclusion in Madagascar.

This pocket guide represents some of the key market data on financial inclusion. Additional deeper dives on key thematic areas can be found on the data dashboards on agriculture, youth and financial literacy.

The cover symbol

Through the MAP programme, we hope to effect real change at country level and see the impact of financial inclusion on broader national growth and development. The cover graphic features a flower synonymous to Madagascar, which is the poinsettia. The flower symbolises growth and development while the circle represents inclusive growth. Each flower is an example of the successful growth in a unique environment. By combining the flower with the currency symbol of Madagascar we represent the characteristics of the country, linking financial inclusion with successful growth.
**Introduction**

The Malagasy economy is not diversified and economic growth is focused on a few sectors and regions qualified as growth poles due to their high population density, proximity of major projects and their access to markets. Many regions where the poverty rates are high, have low priorities in development programs and weakened economic performance.

The Malagasy Government identifies the fight against poverty through inclusive growth as its main objective and designed a strategy outlined in the Politique Generale de l’Etat (PGE) and translated into a National Development Program (2015-2019). In addition, a National Financial Inclusion Strategy (NFIS) 2013-2017 is in place with the main objective to improve access to the population to financial services, meet all their needs and ensure economic growth including that of income and financial security.

In this endeavor, the Malagasy Government together with the MAP partners lead the implementation of MAP with the first step of implementing a FinScope survey.

**Methodology**

- According to the listing conducted by INSTAT, the total adult population is estimated to be 11 million
- Nationally representative individual-based sample of the adult population aged 18 years and older at regional and urban/rural level
- Sampling frame and data weighting conducted by the INSTAT and weighted to the INSTAT estimates and validated against data from the General Population and Housing Census in 1993 and projections, and the National Survey for Monitoring the Millennium Development Goals in 2013
- 5 040 face-to-face interviews conducted by INSTAT (September 2015 – April 2016)

**Survey objectives**

The objectives of FinScope Consumer Survey Madagascar 2016 were to understand the adult population in terms of:

- Livelihoods and how they generate their income
- Their financial needs and demands
- Their financial perceptions, attitudes, and behaviours
- Their demographic and geographic distribution
- Current levels of access to, and utilisation of, financial services and products
Total adult (18+) population 11 million

- 48% Male
- 52% Female
- 57% Primary education or less
- 17% No formal education
- 41% 30 years or younger
- 27% Urban
- 73% Rural

Antananarivo, Capital City

• Using 35 years and below for the youth group, there is a higher proportion of youth in the rural areas (75%) versus seniors (72%)

• Education is largely skewed towards urban adults with 2 out of every 3 rural adults having primary education or less while only 1 in 3 for urban adults
71% of Malagasy households are involved in farming

- 18% of farmer households are consumption, 9% are fully commercial and 73% both consume and sell their produce
- Land size, lack of water and low productivity are the main barriers to commercialisation

**BARRIERS TO COMMERCIALISING (%)**

- **Do not have enough land**: 84%
- **Do not have enough water**: 71%
- **There is no surplus to sell**: 70%
- **Do not have the money for the inputs**: 62%
- **Do not have enough access to inputs**: 60%
- **There is no transport to the market**: 59%
- **The market is too far away**: 58%
- **Transport is too expensive**: 57%
- **Farming is too involving**: 54%

**AGRICULTURE**

• 18% of farmer households are consumption, 9% are fully commercial and 73% both consume and sell their produce
• Land size, lack of water and low productivity are the main barriers to commercialisation

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71% of Malagasy households are involved in farming

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At market place 66
Direct to the consumer 33
Middleman/agent 29
Retailer 10
Trading company 3
Auction floor 2
Processor e.g. milling company 1

MARKET FOR THOSE SELLING CROPS/PRODUCE (%)

Climate risks (drought, floods, cyclone & hail) 48
Lack of tools 32
Disease 31
Not enough land 29
Selling prices 24
Lack of seeds 20
Lack of fertilizers 15

FARMING PROBLEMS EXPERIENCED (%)

• 7% of farmer households received formal training/technical assistance mainly in agricultural, fishing and livestock techniques with most having had it free of charge

• Drought and natural disasters and product spoilage and lack of tools are the main problems for farmers
### AGRICULTURE

#### SOURCE OF FARMING INPUTS (%)

<table>
<thead>
<tr>
<th>Source of Farming Inputs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use other sources of income</td>
<td>57%</td>
</tr>
<tr>
<td>Sell some livestock</td>
<td>31%</td>
</tr>
<tr>
<td>Sell some crops</td>
<td>21%</td>
</tr>
<tr>
<td>I manage with what I have already</td>
<td>15%</td>
</tr>
<tr>
<td>Sell products we have</td>
<td>12%</td>
</tr>
<tr>
<td>Use savings</td>
<td>10%</td>
</tr>
<tr>
<td>Sell something we collect from nature</td>
<td>9%</td>
</tr>
<tr>
<td>Borrow from friends and/or family</td>
<td>5%</td>
</tr>
<tr>
<td>Borrow from a money lender</td>
<td>3%</td>
</tr>
<tr>
<td>Loan from a bank</td>
<td>1%</td>
</tr>
<tr>
<td>Borrow from a community</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
</tbody>
</table>

- 31% of farmer households are in possession of a document for the land they farm on (title deed or petits papiers)
• Nearly half of the adult population depends on farming as the main income.

• The informal economy provides the main source of income for the 36% of adults and 10% are dependants relying on remittances and assistance.

• 66% of adults personally earn 100,000Ar (≈$31) or less per month while 95% live under 400,000Ar (≈$123) per month (including 1% that claim to have no income).
Number of households with electricity connection

- Rural: 17%
- Urban: 68%
- TOTAL: 31%

Number of households with access to tap water (as main source of drinking water)

- Rural: 4%
- Urban: 31%
- TOTAL: 68%

Number of households with access to toilet facilities

- Rural: 59%
- Urban: 91%
- TOTAL: 68%

Type of toilet

- Latrines without slab/open hole: 60%
- No toilets/in nature: 31%
- Private toilets without flush - Turkish model: 4%
- Private flush toilet - Turkish model: 2%
- Private flush toilet - English model: 2%
- Public toilet: 1%
Number of households with electricity connection

Sources of electricity

- JIRAMA: 46% (Rural 16%, Urban 72%, TOTAL 31%)
- Independent provider: 4% (Rural 0%, Urban 2%, TOTAL 94%)
- Solar panel: 37% (Rural 3%, Urban 16%, TOTAL)
- Generator: 2% (Rural 0%, Urban 1%, TOTAL)
- Neighbouring houses: 2% (Rural 3%, Urban 2%, TOTAL)
- Other: 9% (Rural 0%, Urban 4%, TOTAL)

Number of households with access to toilet facilities

- Rural: 16%
- Urban: 72%
- TOTAL: 31%

Types of toilet

- Public toilet
- Private flush toilet - Turkish model
- Private flush toilet - English model
- Private toilets without flush - Turkish model
- No toilets/in nature
- Latrines without slab/open hole

Sources of electricity

- Rural: 46%
- Urban: 76%
- TOTAL: 94%
## Infrastructure

<table>
<thead>
<tr>
<th>Adults using or aware of destination</th>
<th>Grocery store</th>
<th>Mobile money agent</th>
<th>Public transport</th>
<th>ATM</th>
<th>Bank branch</th>
<th>MFI</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total percentage</td>
<td>99%</td>
<td>18%</td>
<td>67%</td>
<td>5%</td>
<td>10%</td>
<td>9%</td>
<td>95%</td>
</tr>
<tr>
<td>Urban</td>
<td>97%</td>
<td>83%</td>
<td>93%</td>
<td>76%</td>
<td>70%</td>
<td>74%</td>
<td>78%</td>
</tr>
<tr>
<td>Rural</td>
<td>85%</td>
<td>57%</td>
<td>50%</td>
<td>36%</td>
<td>37%</td>
<td>40%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Total percentage of people going to or aware of destination and take 30 minutes or less to get to destination:

- Grocery store: 71%
- Mobile money agent: 64%
- Public transport: 61%
- ATM: 58%
- Bank branch: 52%
- MFI: 50%
- Market: 88%
MANAGING MONEY

DIFFICULTY WITH KEEPING UP WITH FINANCIAL COMMITMENTS

- 55% Difficult
- 23% very difficult
- 18% Easy
- 4% NA

ACCURACY IN ACCOUNTING FOR MONTHLY EXPENDITURE

- Very accurately: 11%
- Accurately: 27%
- Fair: 28%
- Inaccurately: 21%
- Not accurate at all: 13%
Generally, women have more control over the expenditure of their money with more of them controlling money alone than their male counterparts.

85% of adults have their own money while 78% of these have control over its expenditure.

TOTAL

- You alone control how all of your money is spent
  - You alone control: 28%
  - Together with other people: 49%
  - You have no control: 22%
  - Do not know: 2%
Desired financial education

58% of adults felt they needed more information about managing money

- How to budget: 46%
- How to invest: 46%
- How to save: 42%
- How to obtain a loan: 42%
- Advantages or disadvantages, terms and conditions of financial products: 27%
- Which financial products are available to me: 25%
- How to choose financial products: 23%
- How to use financial products: 17%
- Other: 4%

Mechanisms for paying for planned major expenses

- 23% of adults are expecting a major event in the next 12 months
Defining financial inclusion by category

Total adult population = 18 years and older in Madagascar

- **FINANCIALLY INCLUDED**
  - have/use financial products and/or services – formal and/or informal

- **FINANCIALLY EXCLUDED**
  - do not have/use any financial products and/or services – neither formal nor informal

- **FORMALLY SERVED**
  - have/use financial products and/or services provided by a formal financial institution (bank and/or non-bank)

- **INFORMALLY SERVED**
  - have/use financial products and/or services which are not regulated and operate without legal governance

- **BANKED**
  - have/use financial products/services provided by a bank, regulated by the BCM

- **SERVED BY OTHER FORMAL FINANCIAL INSTITUTIONS**
  - have/use financial products/services provided by regulated (non-bank) financial institutions, e.g. a loan by a micro-finance institution or insurance products, pension fund or postal service
‘Formal’ is a category classifying products or services as regulated or supervised by a formal institution like the Central Bank of Madagascar (BCM) or any other formal regulator/agency. This is also synonymous to ‘other formal’ or ‘other formal non-bank’ to differentiate it from the banked which are mostly commercial and development banks regulated by the BCM.

The penetration levels presented in FinScope represents current ownership or usage of products/service unless where specifically mentioned e.g. remittances. Hence, the penetration levels of the formal particularly MFIs may be under-reported with regards to access to credit or savings. Further, the FinScope survey was carried in a non-farming season where most farmers, who are a big market for MFIs, usually would borrow to finance their farming inputs may not currently have the need to borrow. For market sizing purposes, the FinScope dataset has those that have accessed these services in the past. These individuals are not included in the FinScope definition but are included in the national statistics.

**Overlaps**

“Consumers generally use a combination of financial products and services to meet their financial needs”

- 2% of adults rely exclusively on banking services yet 10% rely exclusively on other formal mechanisms
- 11% use a combination of banked, and/or other formal and/or informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the formal sector alone
- One third of the adult population only rely on informal mechanisms such as saving in livestock, solidarity systems to save or borrow money or cover risk

Note: Due to rounding off numbers of ‘Banked’ and ‘Other formal’ the ‘Excluded’ population is 41%
In constructing this strand, the overlaps in financial product/services usage are removed, resulting in the following segments:

• Financially excluded adults, i.e. they do not use any financial products/services - neither formal nor informal - to manage their financial lives (41%)
• Adults who have/use informal mechanisms only but no formal products/services (30%)
• Adults who have/use other formal non-bank products/services but NO commercial bank products (17%) - they might also have/use informal mechanisms
• Adults who have/use commercial bank products/services (12%) - they might also have/use other formal and/or informal mechanisms

**Overall Financial Access Strand**
Access Strand by Location

**Urban**
- Banked: 28%
- Other formal (non-bank): 15%
- Informal only: 31%
- Excluded: 26%

**Rural**
- Banked: 12%
- Other formal (non-bank): 35%
- Informal only: 7%
- Excluded: 46%

Access Strand by Gender

**Male**
- Banked: 12%
- Other formal (non-bank): 14%
- Informal only: 32%
- Excluded: 42%

**Female**
- Banked: 12%
- Other formal (non-bank): 19%
- Informal only: 28%
- Excluded: 41%
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimbabwe</td>
<td>23%</td>
<td>8%</td>
<td>39%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>10%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>South Africa</td>
<td>13%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Botswana</td>
<td>24%</td>
<td>8%</td>
<td>18%</td>
</tr>
<tr>
<td>Swaziland</td>
<td>27%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Zambia</td>
<td>41%</td>
<td>21%</td>
<td>13%</td>
</tr>
<tr>
<td>Madagascar</td>
<td>41%</td>
<td>30%</td>
<td>17%</td>
</tr>
<tr>
<td>Malawi</td>
<td>51%</td>
<td>15%</td>
<td>7%</td>
</tr>
<tr>
<td>DRC</td>
<td>52%</td>
<td>12%</td>
<td>24%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>60%</td>
<td>16%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Country comparison of the Access Strand in SADC

**DRC 2014**
- Banked: 12%
- Other formal (non-bank): 24%
- Informal only: 12%
- Excluded: 52%

**Zambia 2015**
- Banked: 25%
- Other formal (non-bank): 13%
- Informal only: 21%
- Excluded: 41%

**Malawi 2014**
- Banked: 27%
- Other formal (non-bank): 7%
- Informal only: 15%
- Excluded: 51%

**Mozambique 2014**
- Banked: 20%
- Other formal (non-bank): 4%
- Informal only: 16%
- Excluded: 60%

**Zimbabwe 2014**
- Banked: 30%
- Other formal (non-bank): 39%
- Informal only: 8%
- Excluded: 23%

**Mauritius 2014**
- Banked: 85%
- Other formal (non-bank): 3%
- Informal only: 2%
- Excluded: 10%

**Madagascar 2016**
- Banked: 12%
- Other formal (non-bank): 17%
- Informal only: 30%
- Excluded: 41%

**Botswana 2014**
- Banked: 50%
- Other formal (non-bank): 18%
- Informal only: 8%
- Excluded: 24%

**Swaziland 2014**
- Banked: 54%
- Other formal (non-bank): 10%
- Informal only: 9%
- Excluded: 27%

**South Africa 2015**
- Banked: 78%
- Other formal (non-bank): 6%
- Informal only: 3%
- Excluded: 13%
How many adults are banked?

- Number of adults using product: 12%
- Number of adults not using product: 88%

What products/services are driving the banked customers?

- Current/check account: 29%
- Savings book: 23%
- Debit card/ATM: 23%
- Savings account: 15%
- Salary deposit: 8%
- Cellphone banking: 8%
- Home loan: 3%
**Savings and investments**

Informal is mainly driven by livestock

- 41% of Malagasy were not saving at the time of the survey
- 15% keep all their savings at home, i.e. they do not have/use formal or informal savings products or mechanisms
- 31% rely on informal mechanisms such as livestock (they might also save at home, but they do not have/use any formal savings products)
- Only 6% have/use formal non-bank savings products, of which 53% use MFI products (they might also have/use informal savings mechanisms, but they do not have/use savings products from a commercial bank) eg Caisse d’Epargne de Madagascar or pension through employer (CNAPS)
- 7% have/use savings products from a commercial bank (they might also have/use other formal and/or informal mechanisms, or save at home)

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**Savings Strand**

In constructing this strand, the overlaps in financial product/services usage are removed

- 7% Banked
- 13% Other formal (non-bank)
- 7% Informal
- 26% At home or secret place
- 41% Not saving

**LANDSCAPE PRODUCTS**
**Savings and investments**

**Saving mechanisms**

- Savings in a secret place or at home: 40%
- Savings through cattle or livestock: 39%
- Saving in kind: 14%
- Savings at bank (all savings products at bank): 12%
- Saving with someone who keeps it safe for you: 6%
- Savings at MFI (all savings products at MFI): 5%
- Saving with Caisse d’Epargne de Madagascar: 4%
- Saving through jewellery or gold: 4%
- Saving with Postal savings institution: 3%

---

**Urban**

- Banked: 18%
- Other formal (non-bank): 10%
- Informal: 15%
- At home/secret place only: 13%
- Not saving: 44%

**Rural**

- Banked: 3%
- Other formal (non-bank): 4%
- Informal: 36%
- At home/secret place only: 16%
- Not saving: 41%
**Borrowing and credit**

In constructing this strand, the overlaps in financial product/services usage are removed

- 69% claimed not to borrow at the time of the survey, neither from friends/family nor from formal/informal financial services providers

- 20% borrow only from friends and family, i.e. these individuals do not have/use formal or informal credit/loan products or mechanisms

- 6% rely on informal mechanisms such as informal money-lenders (they do not have any formal financial credit/loan products, but they might also borrow from friends and family)

- 3% have/use credit/loan products from other formal (non-bank) institutions, all of these being serviced by MFIs, but do not have credit/loan products from a bank (they could also use informal credit/loan products and/or borrow from friends and family)

- 2% of adults have/use credit/loan products from a commercial bank (however, they could also have other credit/loan products and/or borrow from friends and family but the defining characteristics are that they borrow from a bank)
## Borrowing and credit

<table>
<thead>
<tr>
<th>Borrowing mechanism</th>
<th>Total</th>
<th>Population (approximation)</th>
<th>Urban %</th>
<th>Rural %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrow from friends/family</td>
<td>73</td>
<td>2 500 000</td>
<td>62</td>
<td>77</td>
</tr>
<tr>
<td>Borrow from MFI (currently)</td>
<td>10</td>
<td>320 000</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Borrow from bank (all credit products from bank)</td>
<td>5</td>
<td>180 000</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Borrowing from employer / colleague</td>
<td>4</td>
<td>150 000</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Got goods in advance from agricultural buyer</td>
<td>2</td>
<td>78 000</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Borrow from money lender</td>
<td>1</td>
<td>45 000</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Borrow from savings group</td>
<td>1</td>
<td>40 000</td>
<td>-</td>
<td>1</td>
</tr>
</tbody>
</table>

The borrowing mechanism access is of those currently owing and does not necessarily reflect total access in the past 6 months which would be much higher for MFI (approximately 1.6 million adults).
**Insurance and risk management**

- Only 8% of adult Malagasy have insurance
- Of those formally insured, motor vehicle insurance (27%), pension fund (16%), and medical aid/health fund (10%) are the popular products driving formal insurance
- Of those informally insured, the dependancy on a community or solidarity system (41%) was the main driver of informal insurance
- The main barrier to insurance uptake despite a majority of adults stating that they face risk is awareness and literacy of the benefits or even knowledge with 20% agreeing that they do not know enough about insurance
Remittances

Overview of those that claimed to remit over the past 12 months

- 21% of adults received money while 16% sent money in the last 12 months
- More females receiving money (24%) than males (18%)
- 29% of adults remitted within Madagascar and only 2% remitted outside
- 13% of adults own mobile money services while 17% use mobile money services

Of those who use mobile money services (17%):
- 80% use it to remit
- 73% transact through mobile money (pay utility bills, buy airtime, etc.)
- 12% use it to keep money

Remittances strand

- 2% Banked
- 15% Other formal (non-bank)
- 2% Informal
- 10% Family/friends
- 71% Do not remit
Landscape of Access

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).
FinScope Surveys have been completed in 27 countries including Madagascar. This allows for cross-country comparison and sharing of findings which are key in assisting on-going growth and strengthening the development of financial markets. Surveys are currently underway in 5 countries – 3 in SADC and 2 in West Africa.

FinScope Madagascar 2016 contains a wealth of data based on a nationally representative sample of the Malagasy adult population.

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