

FinScope

*Consumer  
Survey  
Highlights*



**Laos 2015**

### Partnering for a common purpose

*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 Lao PDR represents a partnership between UNCDF, FinMark Trust, Cenfri, MAFFIP, UNDP, Bank of Laos and the Lao Statistics Bureau (LSB) for the Development of a Strategic Framework for Financial Inclusion in Laos.*

*FinScope Laos formed part of the larger MAP diagnostic. In Laos, the MAP diagnostic consisted of the FinScope survey, home visits and key informant interviews, and supply-side interviews with representatives of financial services providers and government. 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. By design, it involves a*

*range of stakeholders, enriching the survey through a process of cross-cutting learning and sharing of information.*

*The MAP diagnostic and FinScope survey were overseen by a national Steering Committee chaired by the Bank of Laos.*

### Methodology

- According to the listing conducted by the LSB, the total adult population of Laos is estimated to be 4.2 million as FinScope focuses on the 18+ adult population
- Nationally representative individual-based sample of the adult population of Laos aged 18 years and older at regional and urban/rural level
- Sampling frame and data weighting conducted by FinMark Trust and weighted to LSB estimates of the 2013 Village and Household listed adult population
- The sample was drawn before the 18th province was formed, hence FinScope Laos 2014 is based on 17 provinces
- 2040 face-to-face interviews conducted by LSB (November 2014 – January 2015)



### INTRODUCTION

*Lao People's Democratic Republic (PDR) has witnessed significant growth in the financial sector with government initiatives allowing for growth in the micro-finance sector and an increased foreign bank presence. The challenge, as with most developing economies, for policy-makers and the private sector, is to spread the reach of socio-economic benefits that come with economic expansion.*

*The Government of Lao PDR recognises the role played by the financial sector in facilitating economic growth through enhanced access to financial services. In order to develop policies that will generate sustainable and inclusive growth and development, the Government of Laos through the Bank of Lao PDR nationally implemented a UNCDF programme called the 'Making access to finance more inclusive for poor people' (MAFIPP). This programme will contribute to improved and equitable access to land, markets, social and economic services, as well as progression to an enabled environment for growth with equity. It will specifically increase access to financial services by low-income households and microentrepreneurs on a sustainable basis.*

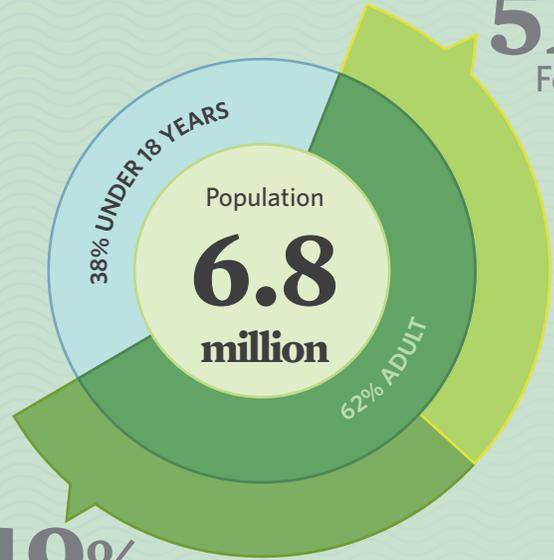
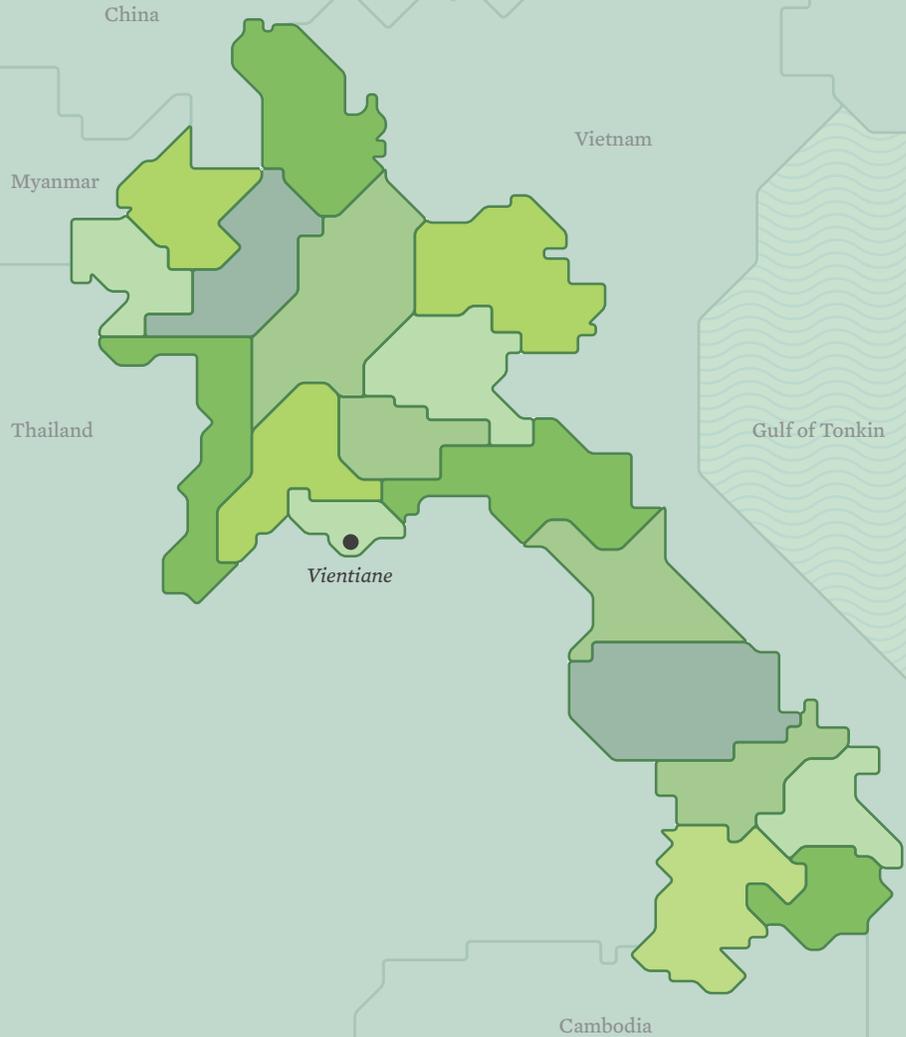
### Survey objectives

The aim of this survey was to measure and profile the levels of access to financial services by all adults in Lao PDR (18 years and older), across income ranges and other demographics, and making this information available for use by key stakeholders such as policy-makers, Non-Governmental Organisations (NGOs), regulators and financial services providers.

Information provided by the survey helps extend the reach of financial services in the country, as it provides an understanding of the adult population in Lao PDR. The objectives of FinScope Laos 2014 were to understand the adult population in terms of:

- Livelihoods and how they generate their income
- Their financial needs and/or demands
- Their financial perceptions, attitudes, and behaviours
- Their demographic and geographic distribution
- The obstacles they face and the factors that would have an influence on their financial situations
- Current levels of access to, and utilisation of, financial services and products (formal and/or informal)
- The landscape of access (i.e. types of products used in terms of transactions, savings, credit, insurance and remittances)
- Drivers of financial products and services utilisation
- Barriers to the utilisation of, and access to, financial products and services

DEMOGRAPHICS



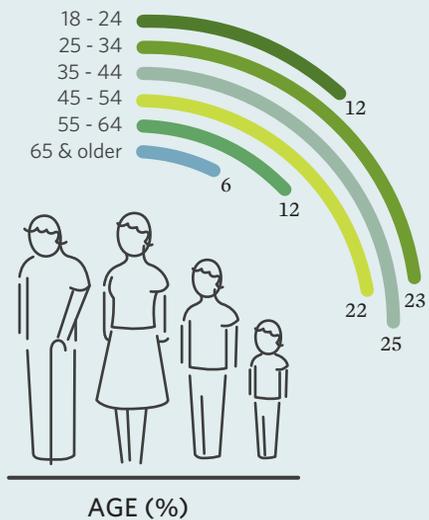
51%  
Female



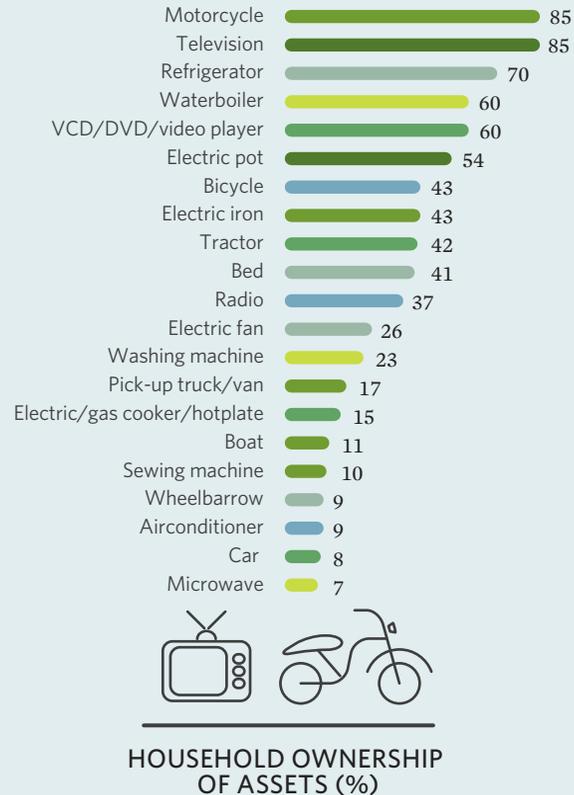
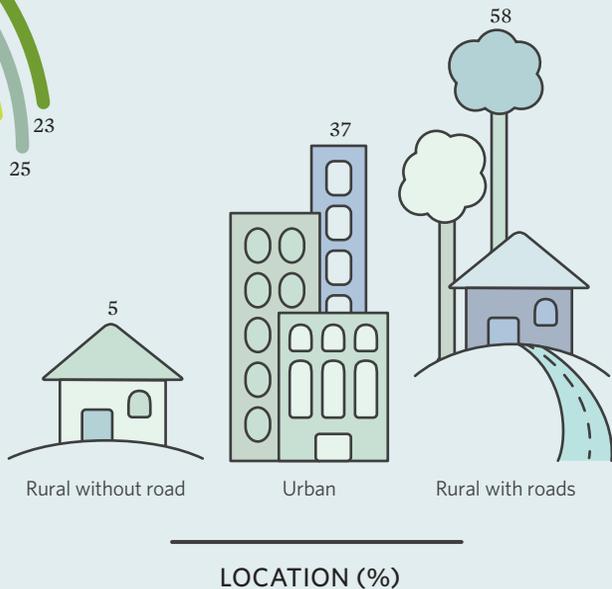
49%  
Male

*Understanding the lives of adults in Laos*

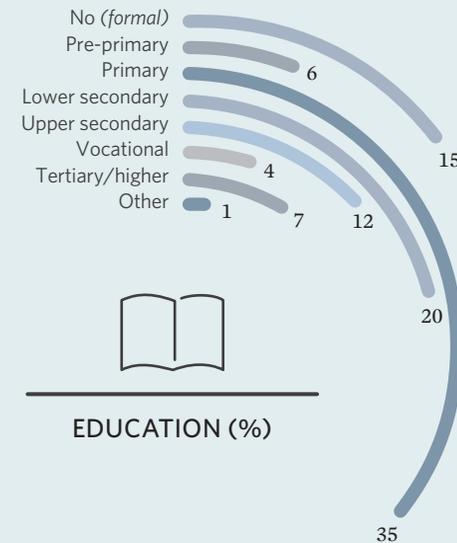
The total population of Lao PDR is estimated to be 6.8 million people, of which 4.2 million are adults and 2.6 million are under the age of 18 years.



**Young growing population with 60% being 44 years and younger**

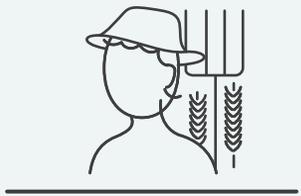
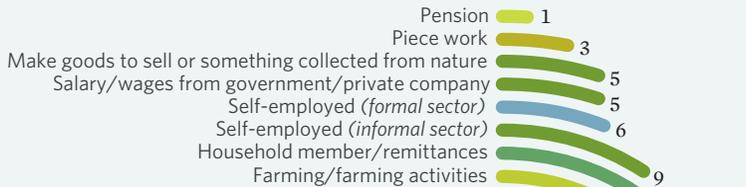


**DEMOGRAPHICS**



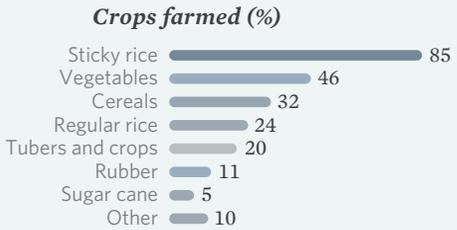
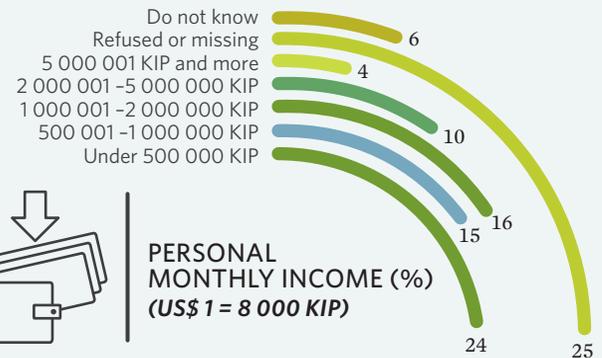
About two out of three adults reside in rural areas.

Relatively low levels of education: primary and less (56%); secondary and above (44%).



**INCOME SOURCE MOST RELIED ON (%)**

**Farming problems experienced (%)**



**78%** of households are involved in **Farming/farming activities**

Farming is very important with 78% (984 000) of households (nationally) involved in farming and 86% of households outside Vientiane Capital involved in farming.

Sticky rice and regular rice (33%) are the most income generating crops and buffalo or cattle (10%) as the most income generating livestock.

Product spoilage (pest or disease) (57%) and drought (37%) are the main problems faced by farmers.

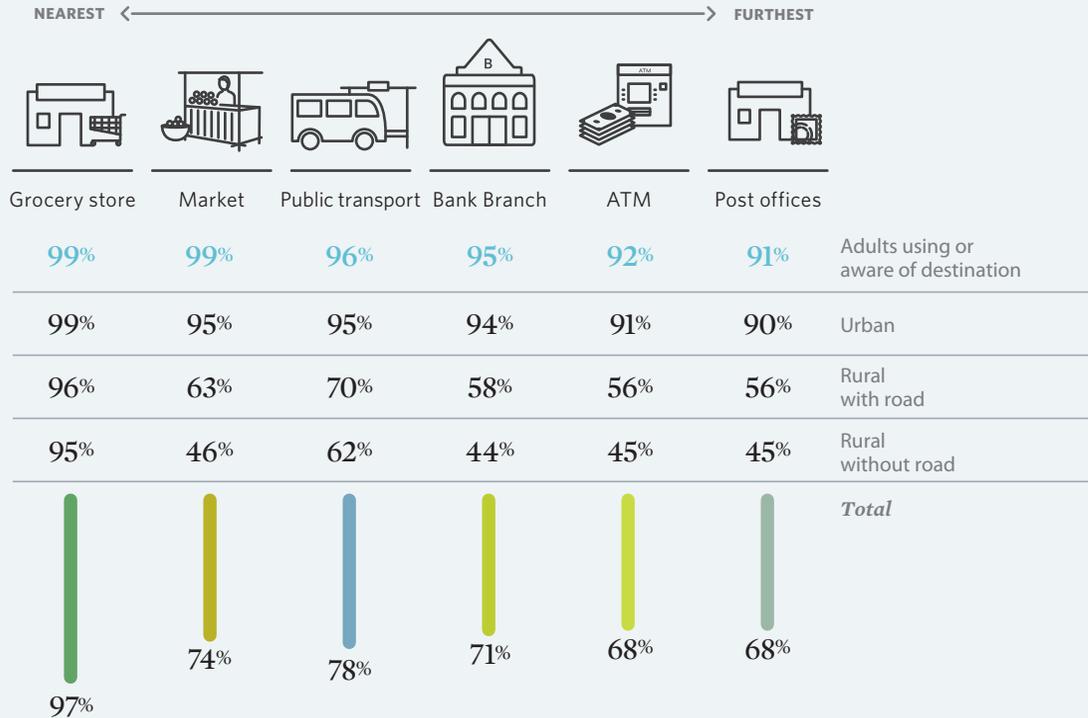
78% of households are involved in farming – of these, 91% farm on their own land and 8% farm on someone else’s land while 1% is paid to work on someone’s land.

39% of households involved in farming sell most of their produce with 48% selling less than half and 13% selling exactly half of their produce and consuming the rest.

52% of the adults claim farming/farming activities as a main source of income and 58% claimed to have a regular monthly income.

39% of adults personally earn 1 000 000 KIP (ffi\$125) or less per month.

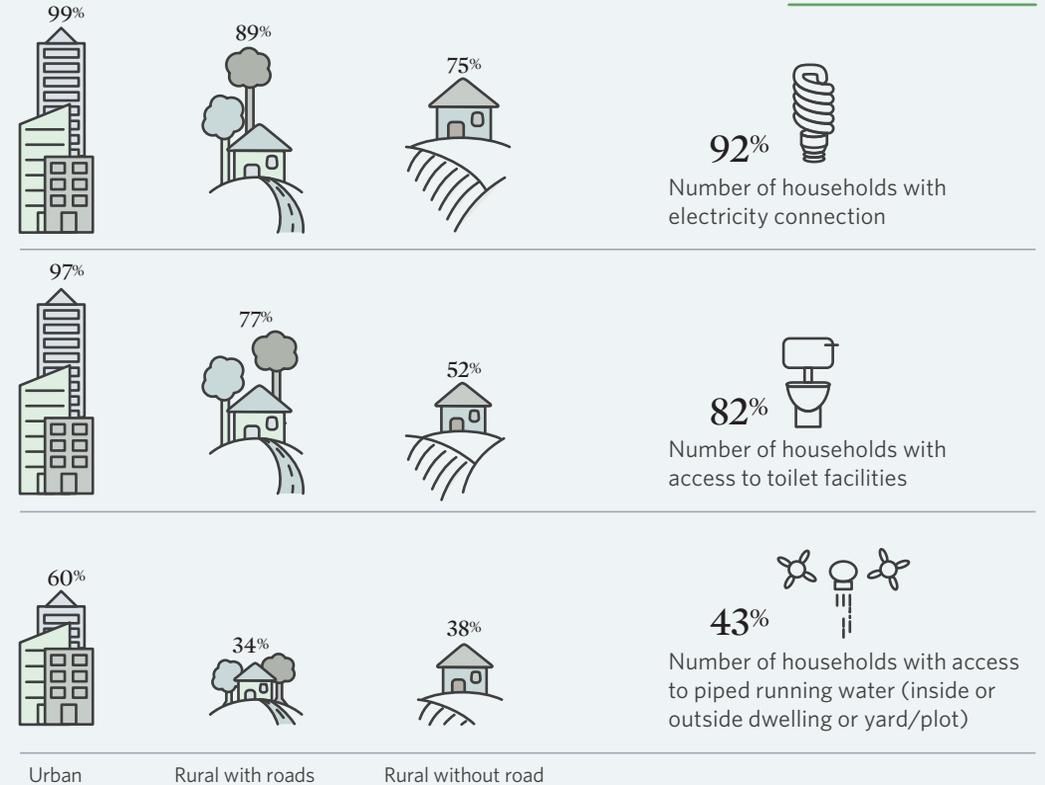
## INFRASTRUCTURE



### Infrastructure accessibility

Percentage of people going to or aware of destination and take 60 minutes or less to get to destination.

*There is a physical proximity challenge for adults living in rural areas in accessing formal banks and the post office*



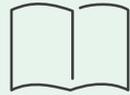
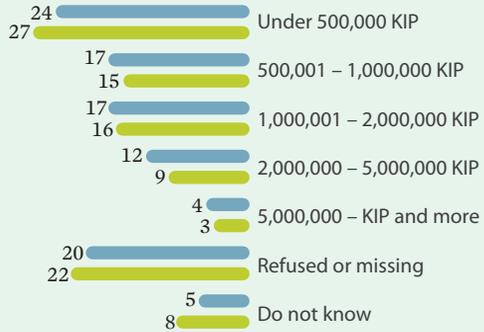
### Access to infrastructure (household level)

Access to piped running water is lower in rural areas. Most households have an electricity connection.

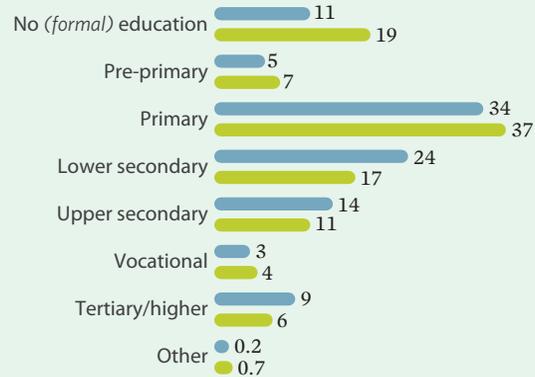
**Accessibility to common financial service destinations such as banks or ATMs takes most rural adults longer to access.**



**INCOME LEVEL (%)**  
(US\$ 1 = 8 000 KIP)



**EDUCATION (%)**

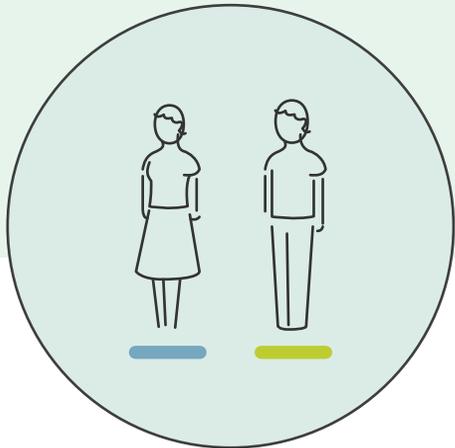
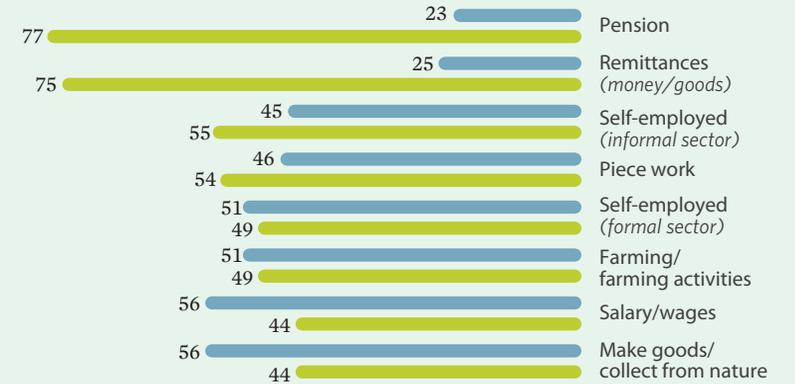


**More women earning below 500 000 KIP per month**

**More men earning above 500 000 KIP per month**

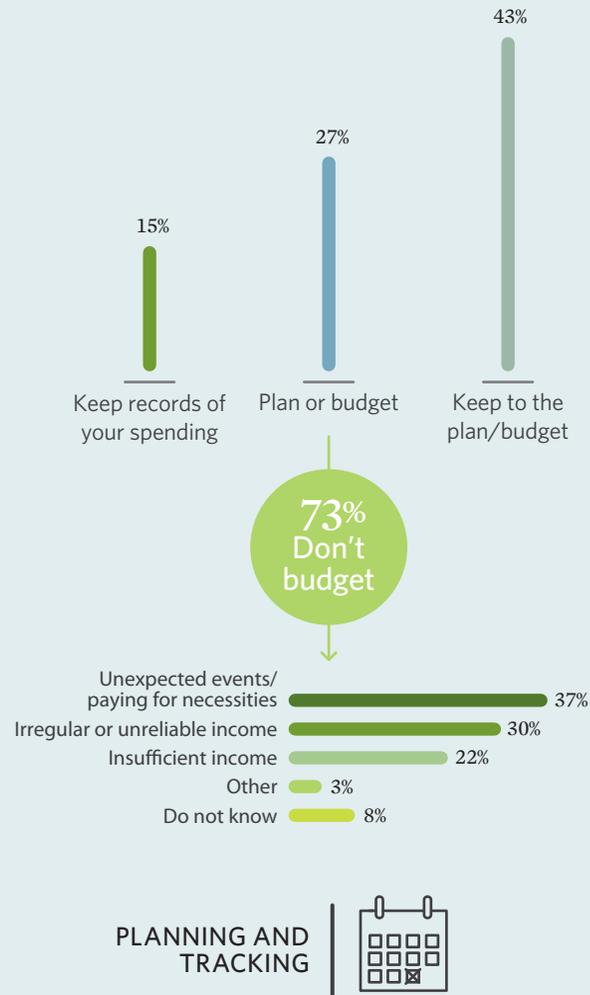
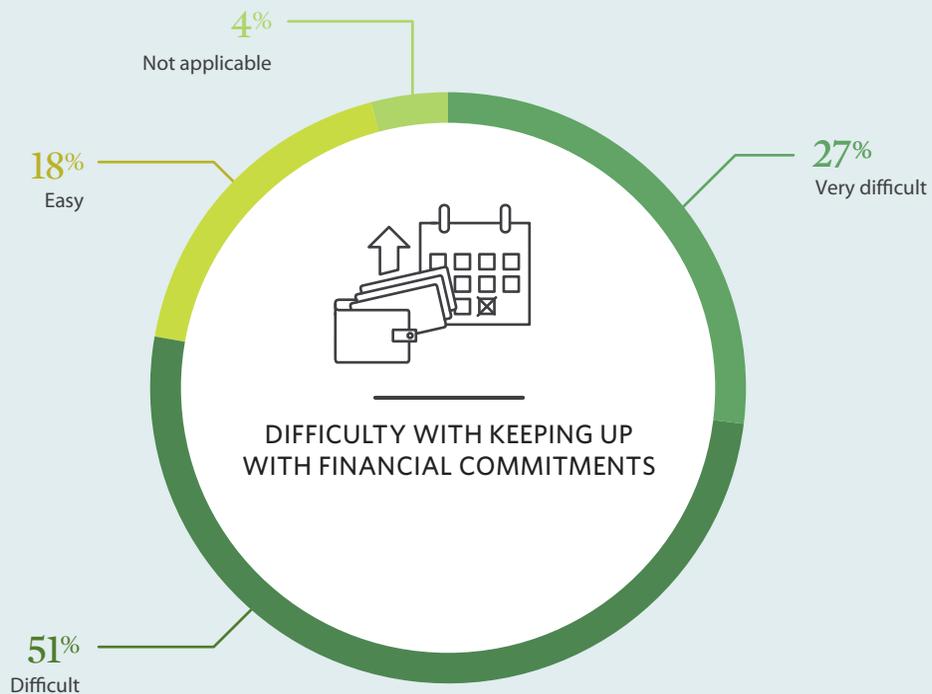


**INCOME SOURCE (%)**



Generally, more women have lower levels of education, while more men have higher levels of education.

**There are recognised difficulties with keeping up with financial commitments for 78% of adults in Laos. This may be largely attributed to lower and irregular income levels.**



## FINANCIAL CAPABILITIES

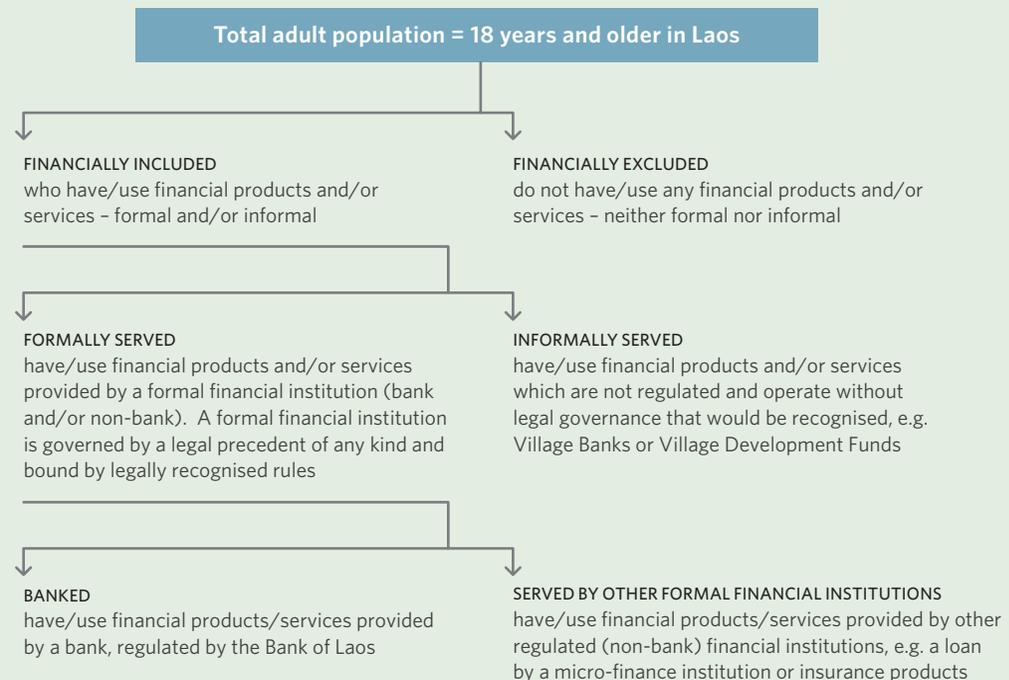
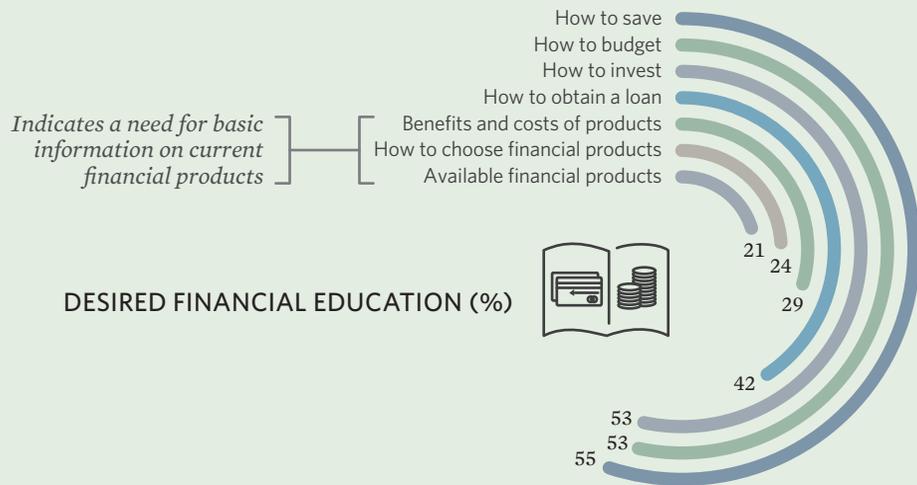
### Managing money

While only 27% of adults plan/budget, of these, 43% actually keep to the plan/budget.

Of the 73% that do not plan/budget, the main reasons for not doing so are that they experience 'unexpected events or paying for necessities' or have irregular or unreliable income to effect a plan/budget.

Financial literacy are real issues that encumber adults from accessing financial services apart from low or irregular incomes.

Over 50% indicate that a lack of income is a significant reason for the lack of planning and budget



**Accessing information**

68% of adult Lao felt they needed more information about managing money.

While the overall poverty indicators do not highlight the levels of poverty, 78% of Lao adults claimed to have difficulty keeping up with financial commitments.

**Analytical framework**

**Overview**

In Laos, Village Development Fund (VDF) and Village Bank were collectively referred to in most questions and were classified as informal as they are not regulated or supervised as formal financial institutions by the Bank of Laos. Pawn shops were classified under formal due to the high proportion of those that are regulated.

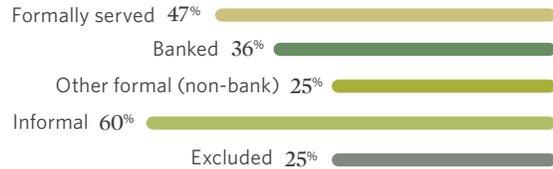
47% of adults are formally served, including both banked and other formal non-bank products/services.

36% of adults are banked.

25% of adults have/use other formal non-bank products/services.

60% of adults have/use informal mechanisms for managing their finances.

25% of adults are financially excluded.



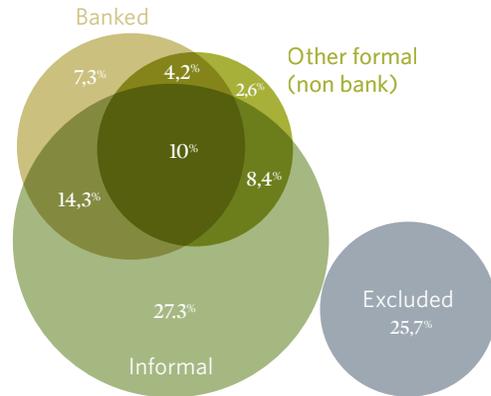
**Overlaps**

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

n 7.3% of adults rely exclusively on banking services yet 2.6% rely exclusively on other formal mechanisms.

n 32.7% 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.

n 27.3% of the adult population ONLY rely on informal mechanisms such as savings groups, village funeral fund to save or borrow money or cover risk.



**Overall Financial Access Strand**



**Overall Financial Access Strand**

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 (25%).
- Adults who have/use formal non-bank products/services but NO commercial bank products (11%) - they might also have/use informal mechanisms.
- Adults who have/use commercial bank products/services (36%) - they might also have/use other formal and/or informal mechanisms.
- Adults who have/use informal mechanism only but NO formal products/services (28%).

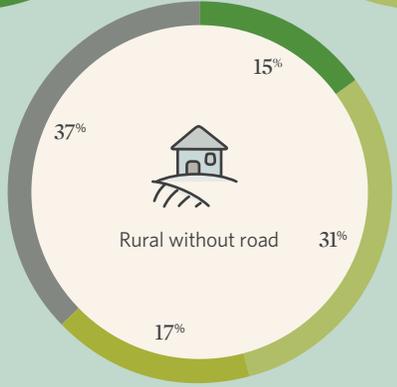


**Access Strand by gender**



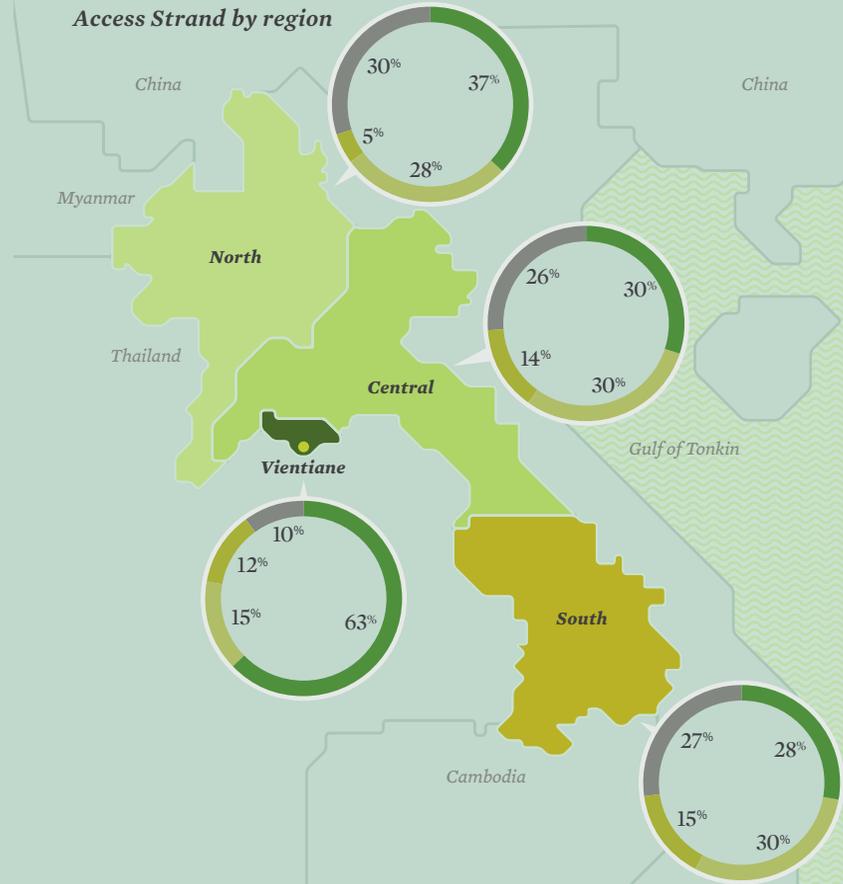
Banked Informal only Other formal (non-bank) Excluded

Access Strand by location



Banked █ Informal only █ Other formal (non-bank) █ Excluded █

Access Strand by region

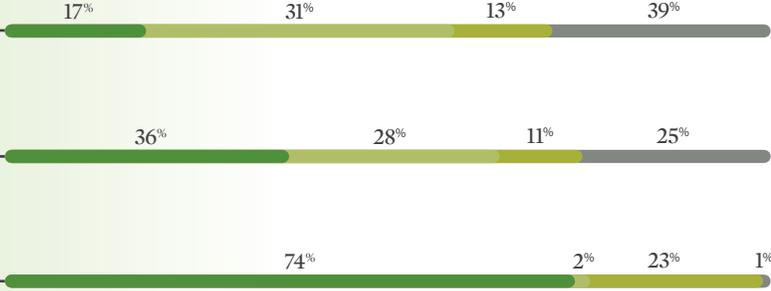


Country comparison of the Access Strand

Myanmar

Laos

Thailand



Banked Informal only Other formal (non-bank) Excluded

**Thailand:** banked population driven by savings (Savings book or Savings account) and also linked to high transactional product uptake (Debit card/ATM card)

**Laos:** banked population driven by savings (Savings book or Savings account) and also linked to high transactional product uptake (Debit card/ATM card)

**Myanmar:** banked population driven mainly by credit (MADB loans) and savings (Savings book or Savings account)

**Banking**

| How many adults are banked?                | 2014             | %          |
|--|------------------|------------|
| Number of banked adults in Laos            | 1 527 606        | 36         |
| Number of previously banked adults in Laos | 135 545          | 3          |
| Number of never banked adults in Laos      | 2 604 110        | 61         |
| Number of unbanked adults in Laos          | 2 739 655        | 64         |
| <b>Total adult population</b>              | <b>4 267 261</b> | <b>100</b> |

**What products/services are driving the banked?**

| Banking products/usage (of those currently banked) | Approximate Number | %  |
|--|--------------------|----|
| Transactions (includes remittances)                | 1.1 million        | 74 |
| Savings book/account                               | 1.08 million       | 67 |
| Debit card/ATM                                     | 410 000            | 27 |
| Personal loan account                              | 70 000             | 5  |
| Foreign currency account                           | 66 000             | 4  |
| Fix term deposit/Special savings                   | 45 000             | 3  |
| Bank overdraft                                     | 43 000             | 3  |

**Savings and investments**

Overview



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

- 23% of adults in Laos were not saving at the time of the survey
- 14% keep all their savings at home, i.e. they do not have/use formal or informal savings products or mechanisms
- 37% rely on informal mechanisms such as savings groups (they might also save at home, but they do not have/use any formal savings products)
- Only 1% have/use formal non-bank savings products (they might also have/use informal savings mechanisms, but they do not have/use savings products from a commercial bank)
- 25% have/use savings products from a commercial bank (they might also have/use other formal and/or informal mechanisms, or save at home)

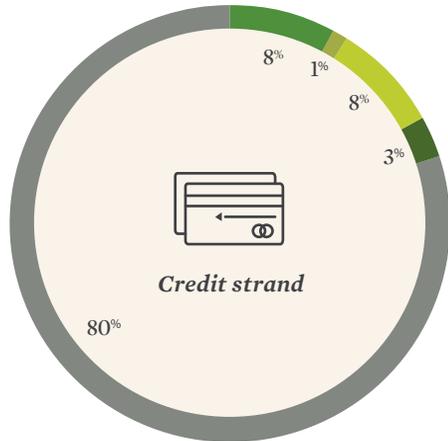
Savings Strand



Banked (dark green) Other formal (non-bank) (medium green) Informal (light green) At home/secret place only (dark green) Not saving (grey)

**Borrowing and credit**

Overview



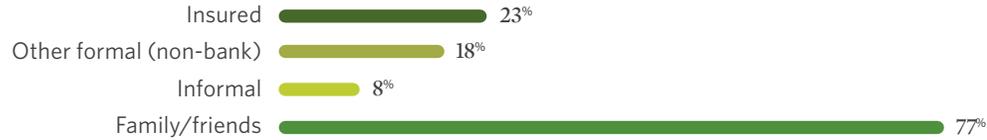
Banked ■ Other formal (non-bank) ■ Informal ■ At home/secret place only ■ Not borrowing ■

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

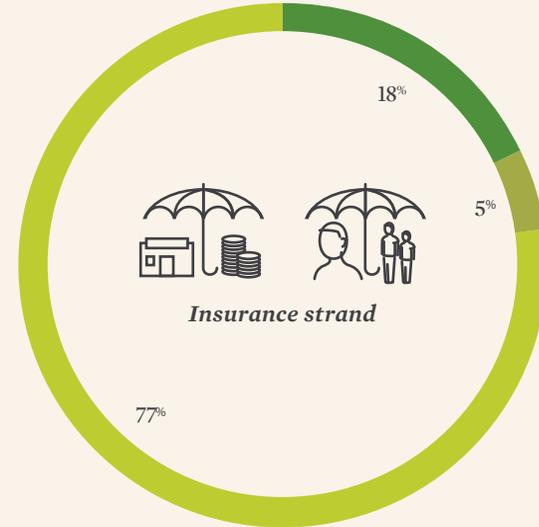
- 80% claimed not to borrow at the time of the survey, neither from friends/family nor from formal/informal financial services providers
- 3% only borrow from friends and family, i.e. these individuals do not have/use formal or informal credit/loan products or mechanisms
- 8% only rely on informal mechanisms such as informal money-lenders (they do not have any formal financial credit/loan products, but they might also borrow from friends and family)
- 1% have/use credit/loan products from other formal (non-bank) institutions, 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)
- 8% 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**

Overview



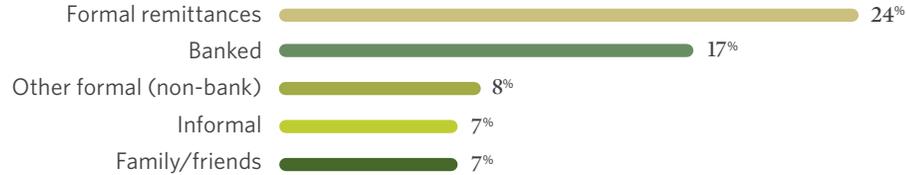
- Only 23% of Lao adults have insurance despite the vast risks they face
- Formal insurance is largely driven by motor vehicle insurance and medical/health fund. Informal insurance is driven by solidarity systems or village funeral funds to which Lao households contribute prior to a death or when one passes away
- Awareness of insurance is low and is the main reason for not having insurance. This can be linked to low levels of financial literacy



Other formal (non-bank)   Informal   No insurance

Remittances

Overview



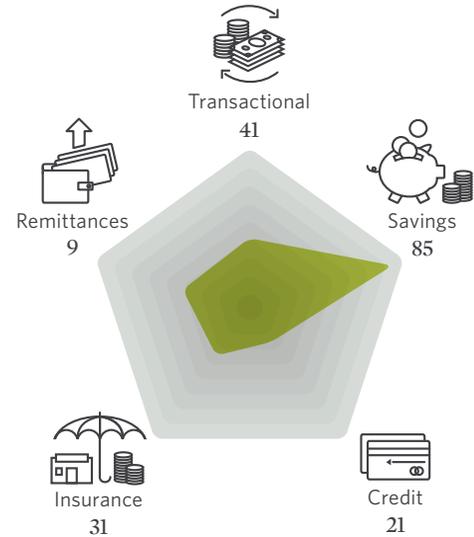
- Adults sending money 18% (760 000): 94% sent within Laos and 14% outside Laos
- Adults receiving money 23% (971 000): 62% within Laos and 50% outside Laos
- About 1,1 million adults remit within Laos and 580 000 outside of Laos
- Adults residing in rural areas remit more than those in urban areas
- Adults from the Central and South region remit more than those in Vientiane Capital and the North regions

Remittances Strand



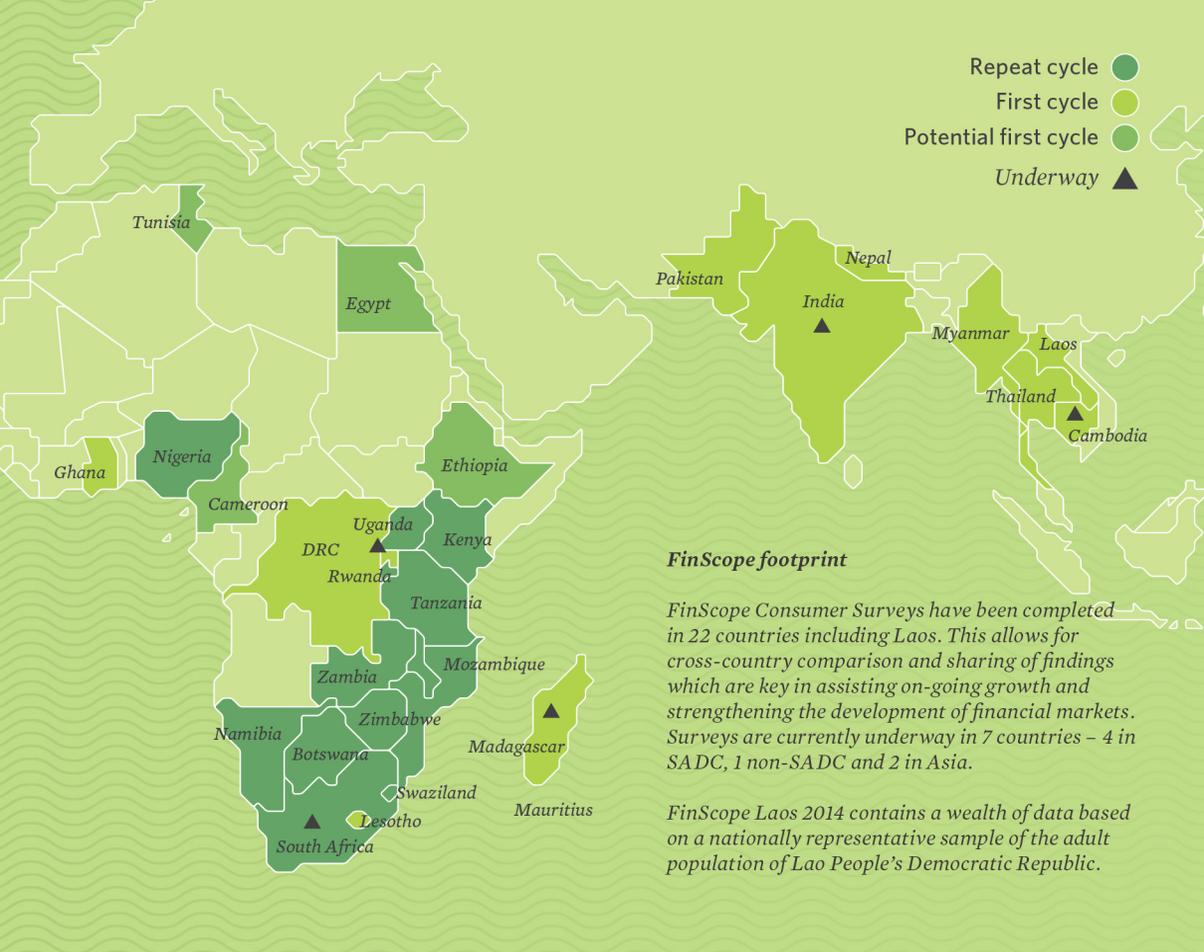
Landscape of Access

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)



Key take-outs

- The adult population in Laos is predominantly rural, with farming activities being the main source of income
- More than half of the adult population lives on an income of less than 2 million KIP a month. The survey indicates an improvement in living conditions
- Although 25% of adults do not currently use any form of financial services, some do so by choice, largely linked to cultural issues and lack of information about financial services
- Family and friends and informal mechanisms (village funds) are the preferred mechanisms for saving or obtaining credit to cover urgent living expenses (smoothing consumption or emergencies)
- Lao people largely depend on social solidarity networks, informal financial providers (village funds) and savings for coping with risk, rather than insurance products
- Informal product uptake exceeds the formal by far, especially in the low-income segment. However, the share of adults obtaining bank lending is high, almost matching the share using informal credit
- Savings and transactions (including remittances) are the main drivers of financial inclusion in Laos
- Outside of Vientiane, Lao people are risk averse and thus avoid credit. People who do not take loans mostly do so because they do not need it or because they fear being indebted
- The low level of financial literacy and knowledge about financial products is correlated with people's low use of formal services



- Repeat cycle ●
- First cycle ●
- Potential first cycle ●
- Underway ▲

### FinScope footprint

*FinScope Consumer Surveys have been completed in 22 countries including Laos. 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 7 countries – 4 in SADC, 1 non-SADC and 2 in Asia.*

*FinScope Laos 2014 contains a wealth of data based on a nationally representative sample of the adult population of Lao People's Democratic Republic.*

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