

# Survey on Demand for Financial Services in Botswana – FinScope 2009

Presentation to Botswana Building Society

December 2009

Presented by John Hinchliffe and Bob Currin

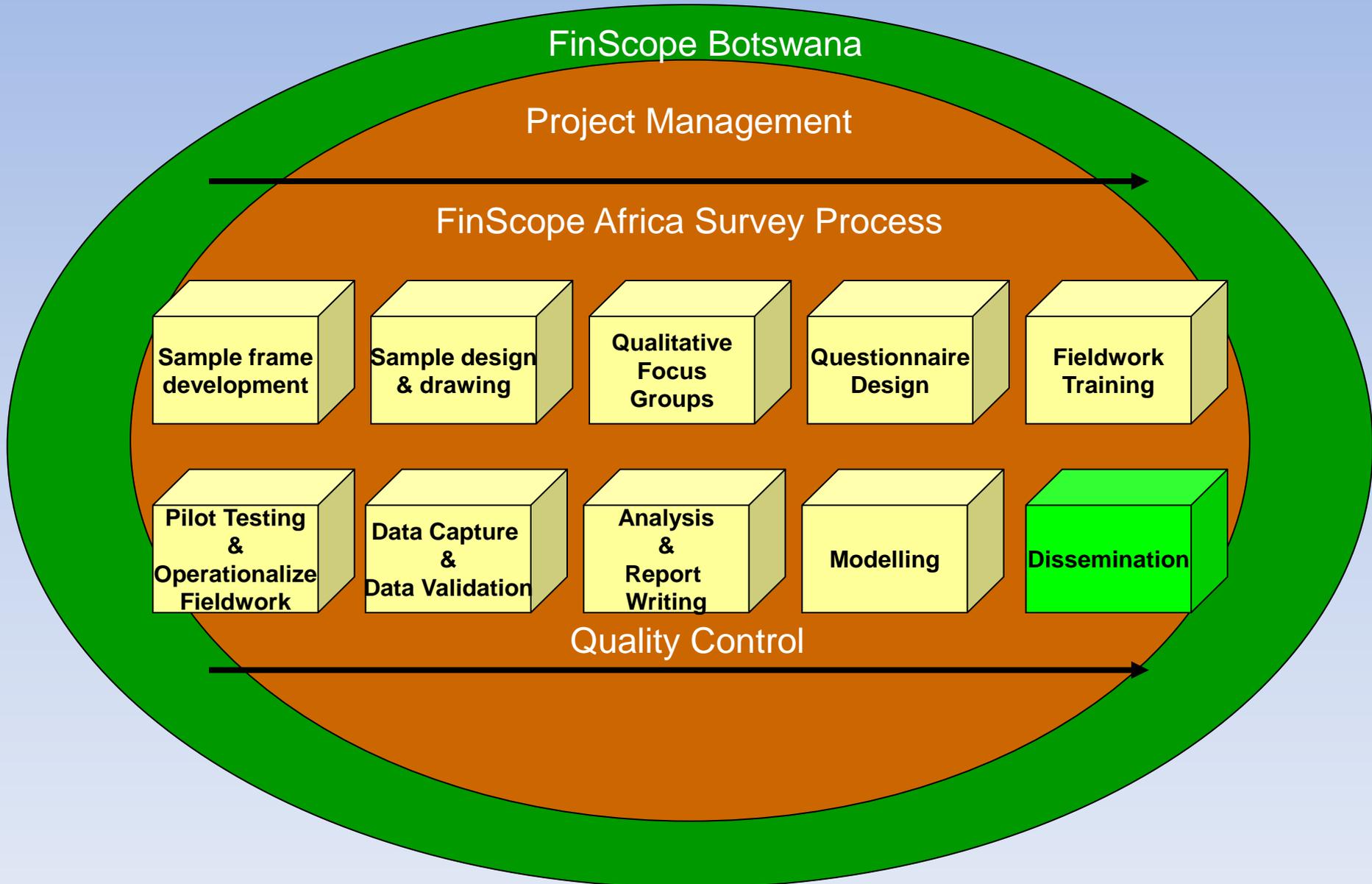


## Presentation Outline

- ❖ Purpose of the study
- ❖ Methodology
- ❖ Findings from the study



# Survey Process



# What is FinScope?

- Nationally Representative Sample ....
- Survey of Individuals
- Consumer perception study

## FinScope - what is it?



A comprehensive demand-side survey of consumer interaction with financial markets. Documents usage of financial products, both formal and informal, as well as financial behaviour, attitudes, interests, financial management, and quality of life of adults in a particular country.

Recognizes that information is central to the sound functioning of financial markets.

Useful to policymakers and donors for defining, implementing and tracking policies for building inclusive financial markets. Used by financial services providers to innovate and expand their product offering.

# FinScope is **NOT**

- **Not** a head of household survey
- **Not** only about numbers ....
  - Look into the hearts and minds of Consumers
- **Not** a supply side study
- **Not** always an accurate measure of market share – depends on sample base
- **Not** just about banks

# Sampling Design

- Sampling frame was the 2001 census data.
- 140 Enumeration Areas were selected using probability proportional to size.
- Population count up-dated via a listing of all selected enumeration areas.
- The Population was stratified by City/Town, Urban Villages, and Rural Areas
- Survey conducted in 45 City/Towns; 48 Urban Villages and 47 Rural Areas.
- 10 households were selected from each EA by the systematic sampling method.
- KISH grid was used in selecting the respondent (18 years and above) within a household.

# Data Collection / Capture / Weighting

- A total of 1400 face-to-face interviews were conducted between March and May 2009.
- Data was back-checked (20% of the questionnaires were back-checked).
- Data were captured using SPSS statistical software programme.
- Weighting of data was done at 3 levels: Enumeration Area, Household and Individual
- Data benchmarked against “known” Census data.



Findings from the Study  
(Results are based on weighted data)



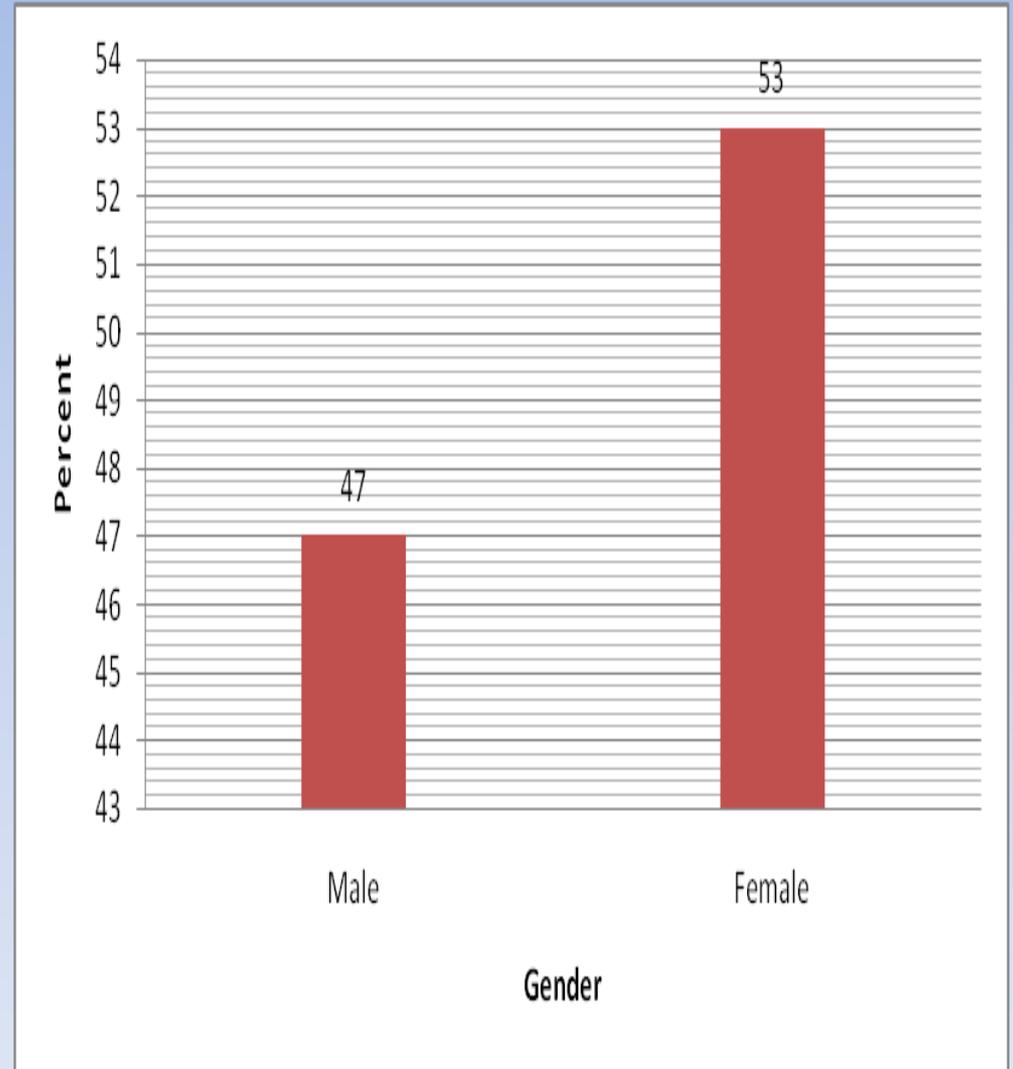


# Population Demographics: The People of Botswana



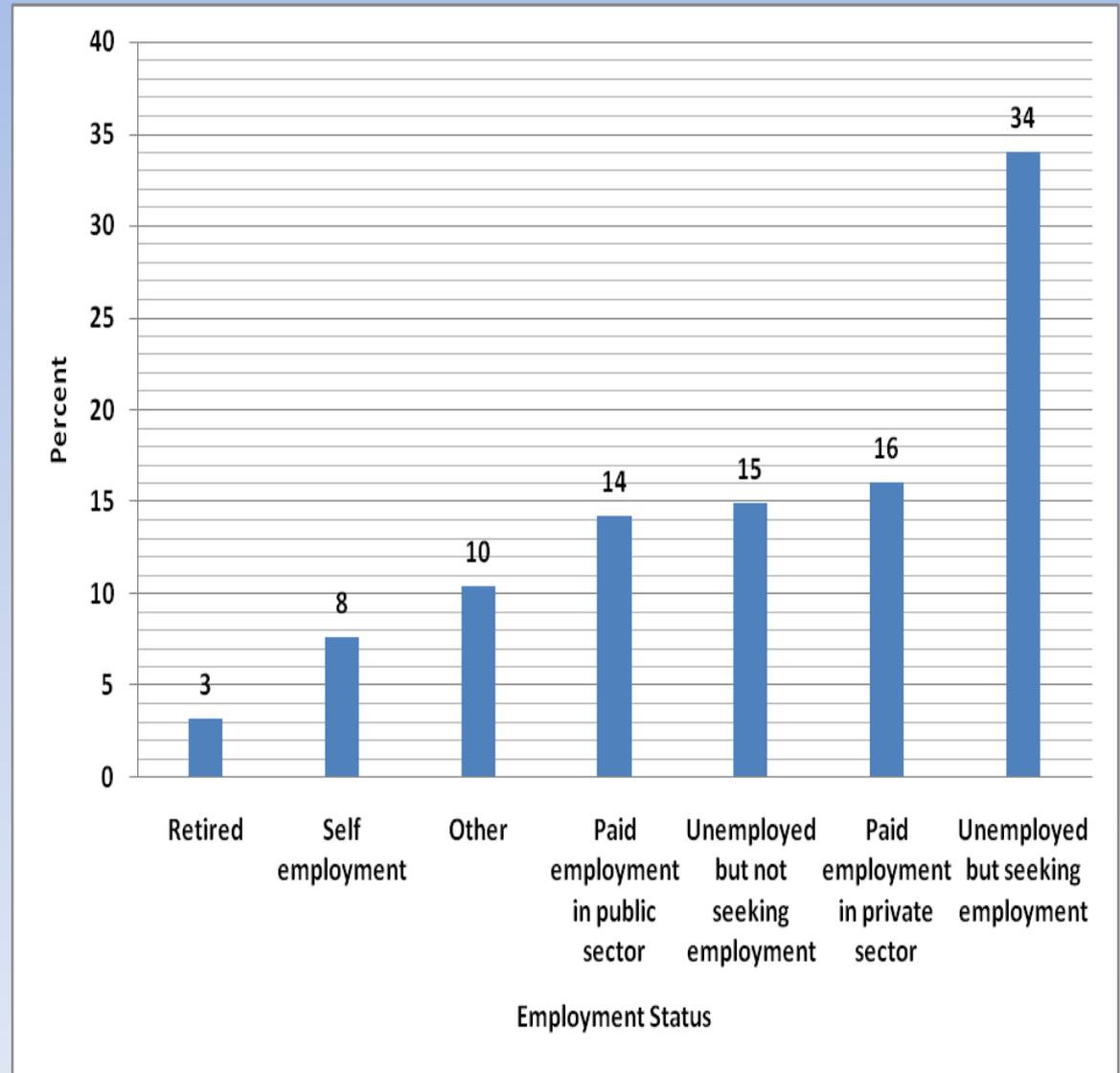
# Gender (N=993,854)

- ❖ 53% of the adult population is female while 47% is male.
- ❖ These percentages are consistent with the Central Statistics Office (CSO) national survey results.



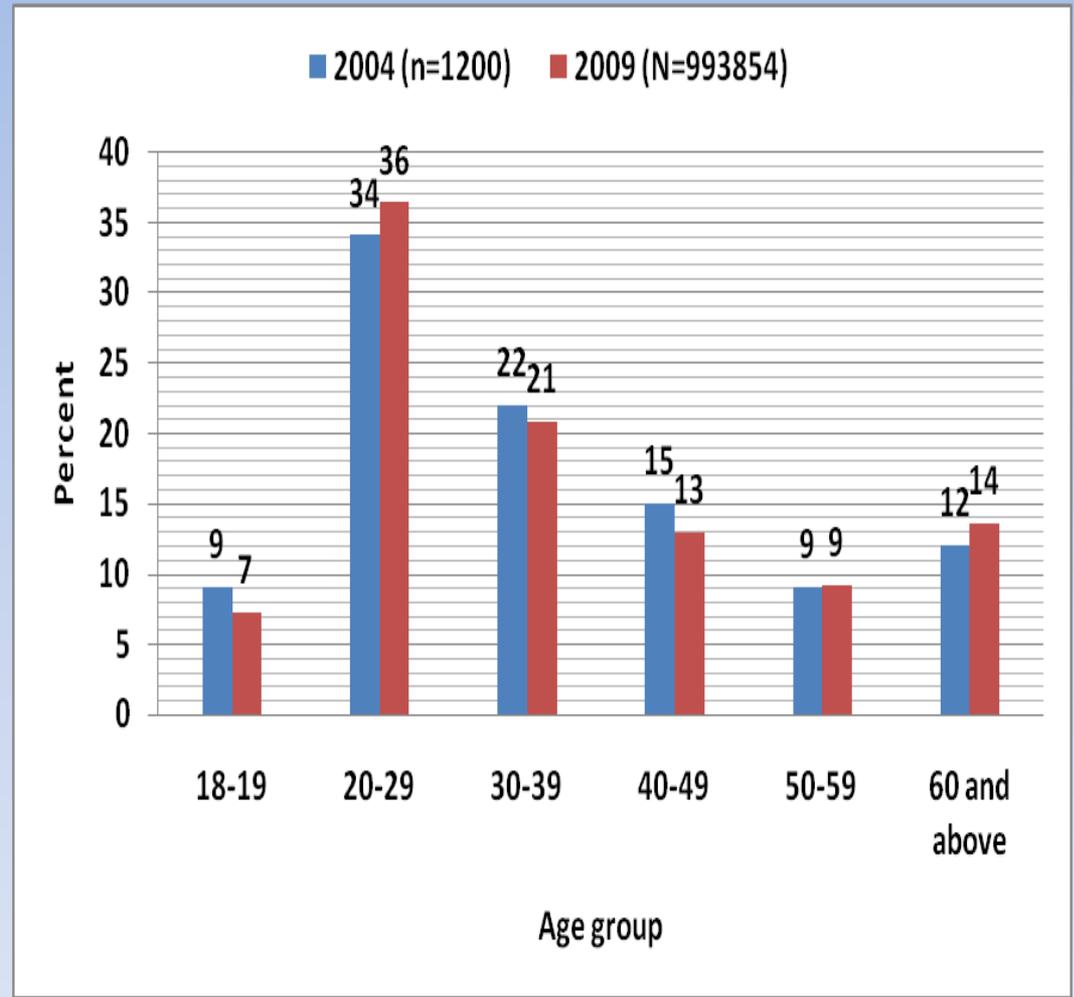
# Employment Status (N=993,854)

- ❖ Only 30% of the adult population are in paid employment (public or private sector).
- ❖ 8% are self employed.
- ❖ 49% are reportedly unemployed (either seeking or not seeking employment). This is lower than the 2004 FinScope result that put the unemployed as 58%.
- ❖ The other employment category (10%) include those in unpaid labour or paid in kind).

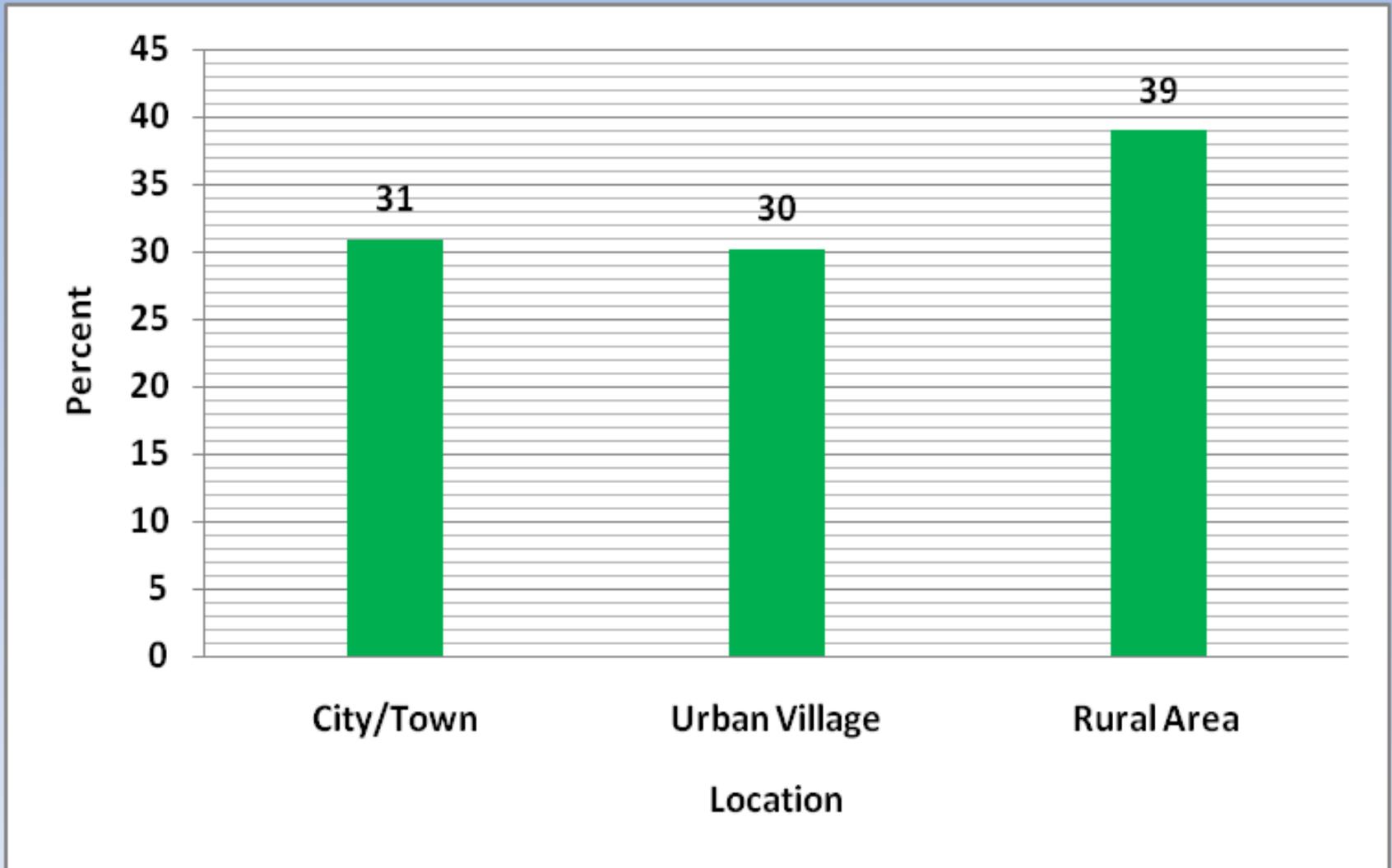


# Age of Respondents (N=993,854)

- ❖ More than half of the adult population (57%) in 2009 are in the age bracket 20-39.
- ❖ The percentage age group distribution in 2009 is similar to that in 2004 FinScope study.

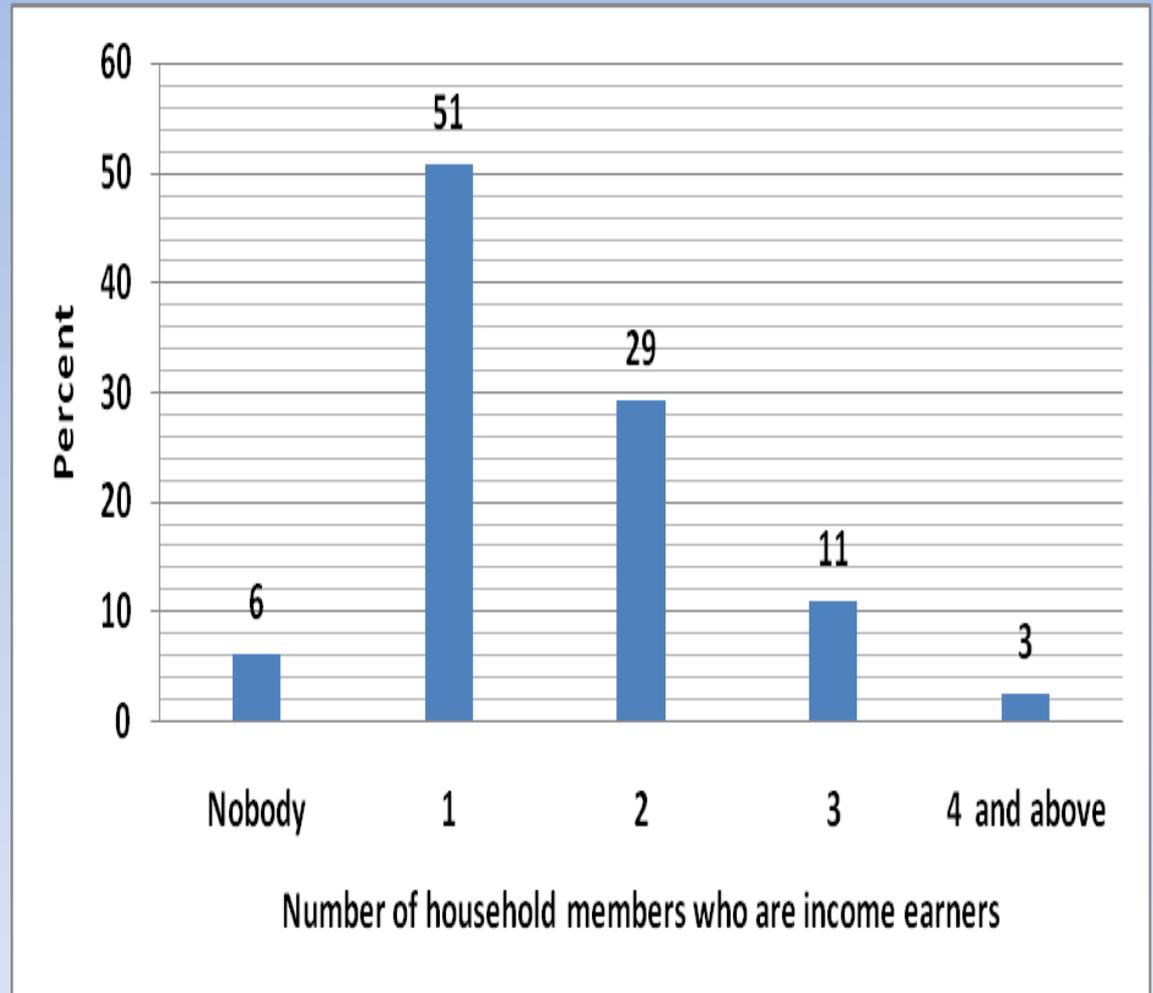


## Location (N=993,854)



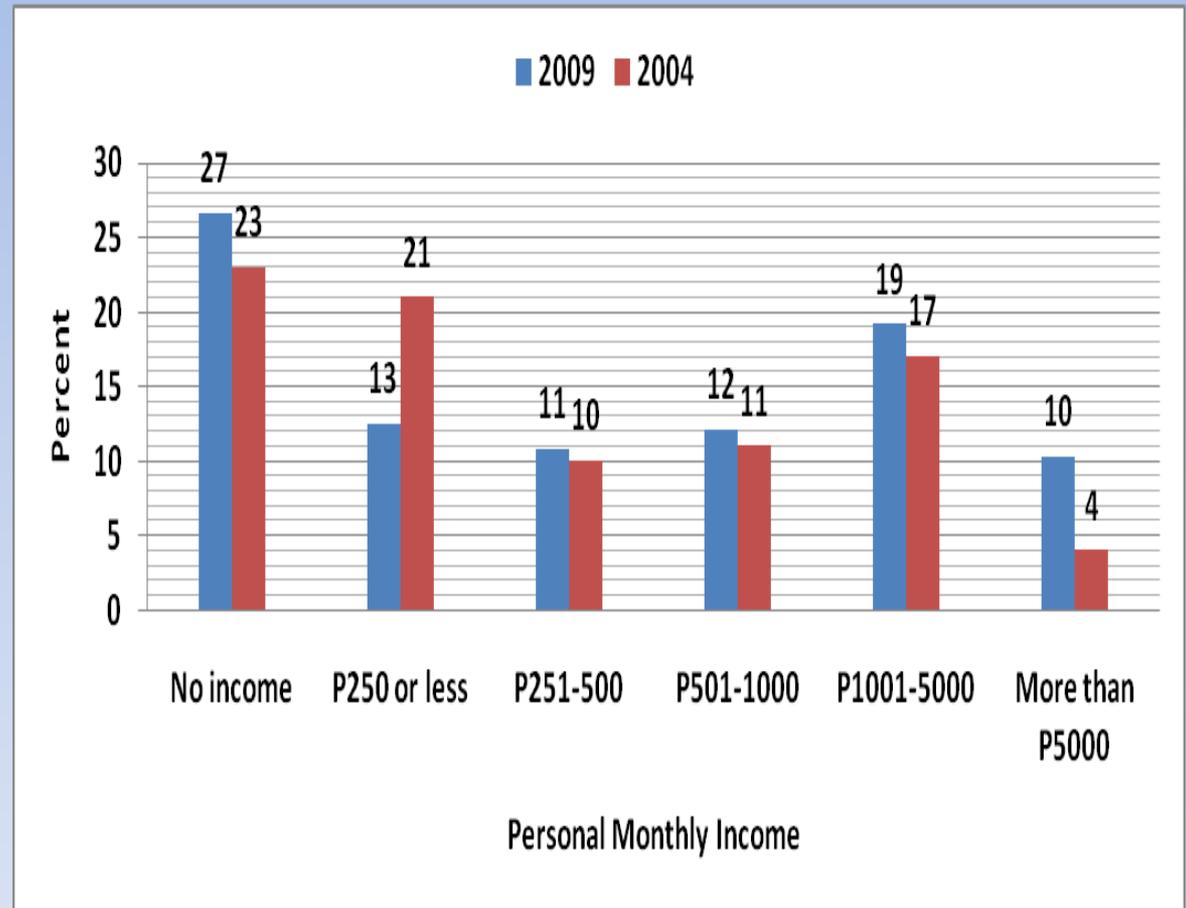
# Number of household members who earn income (N=993,854)

- ❖ 51% of the adult population were from households with one person as income earner.



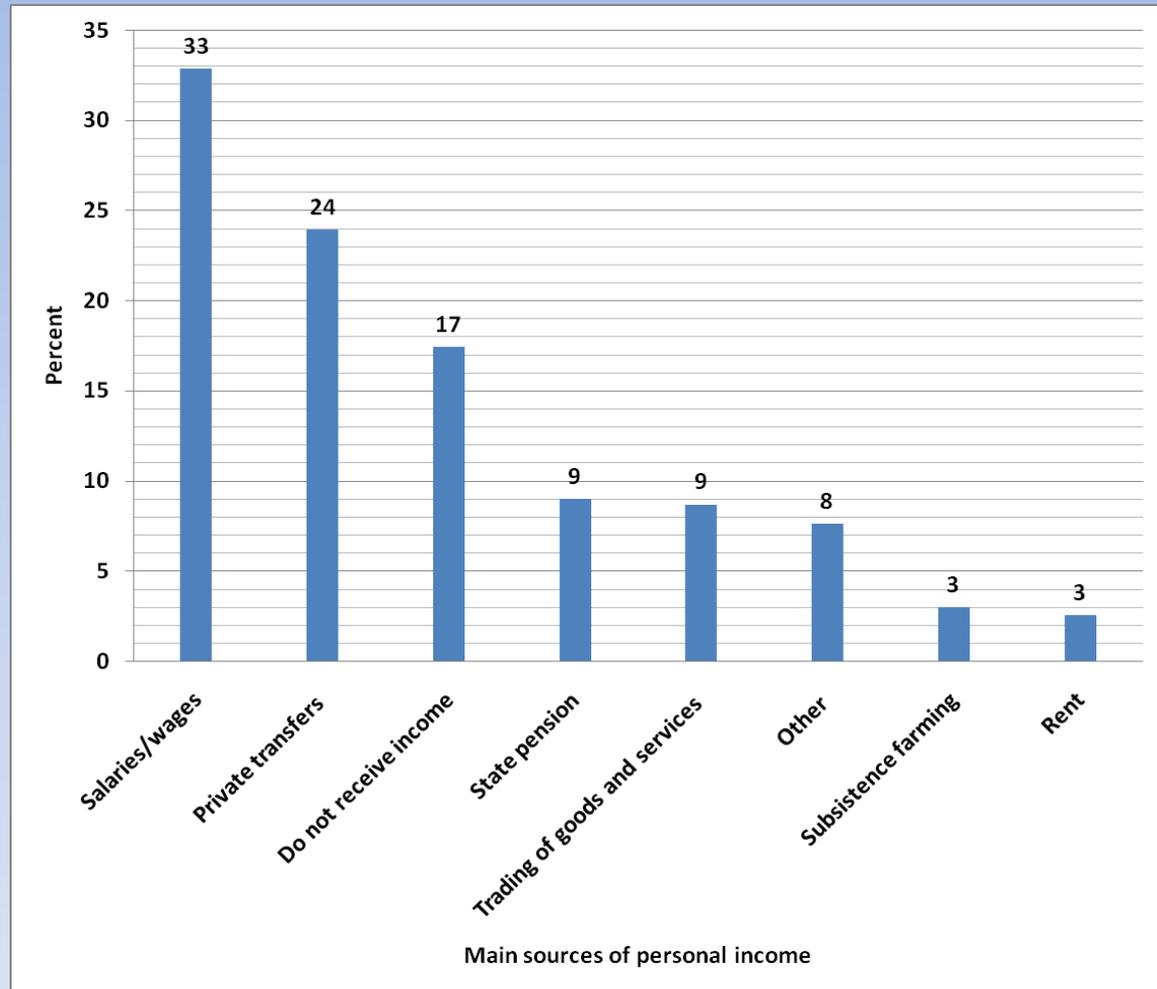
# Personal Monthly Income (Pula) (N=993,854)

- ❖ 19% of the adult population (N=993,854) has a personal monthly income of P1001-P5000 in 2009.
- ❖ In 2004, 17% had a personal monthly income of P1001-P5000.
- ❖ The percentage of those with no income was the highest in both 2004 (23%) and 2009 (27%).



# Main source of personal income (N=993,854)

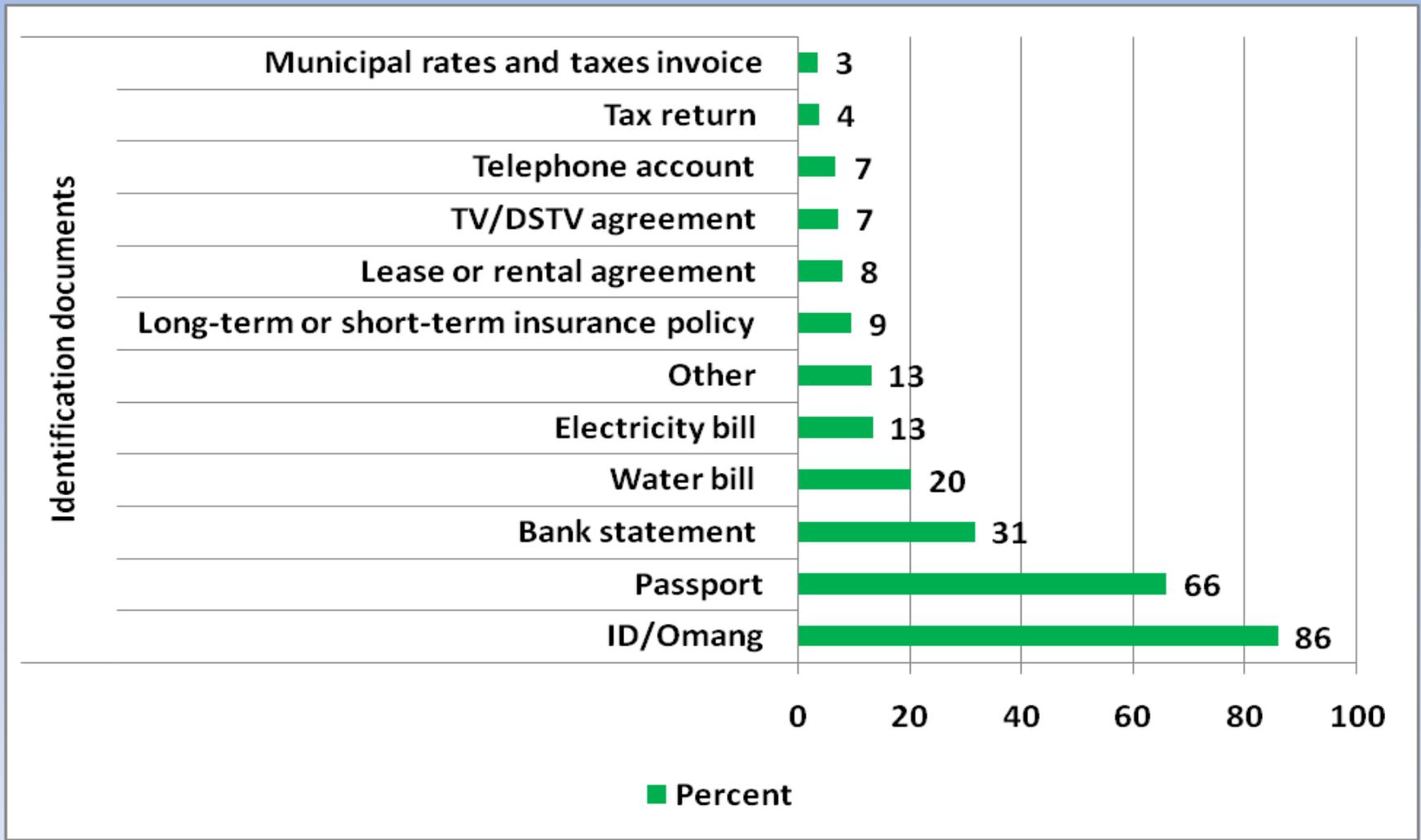
- ❖ 33% of the adult population earn their income through salaries/wages.
- ❖ 24% earn income mainly through private transfers.
- ❖ 8% earn their income mainly through other sources which include investment on savings, welfare grants, private pension, commercial farming, return on investments and drought relief assistance.



# Living Conditions

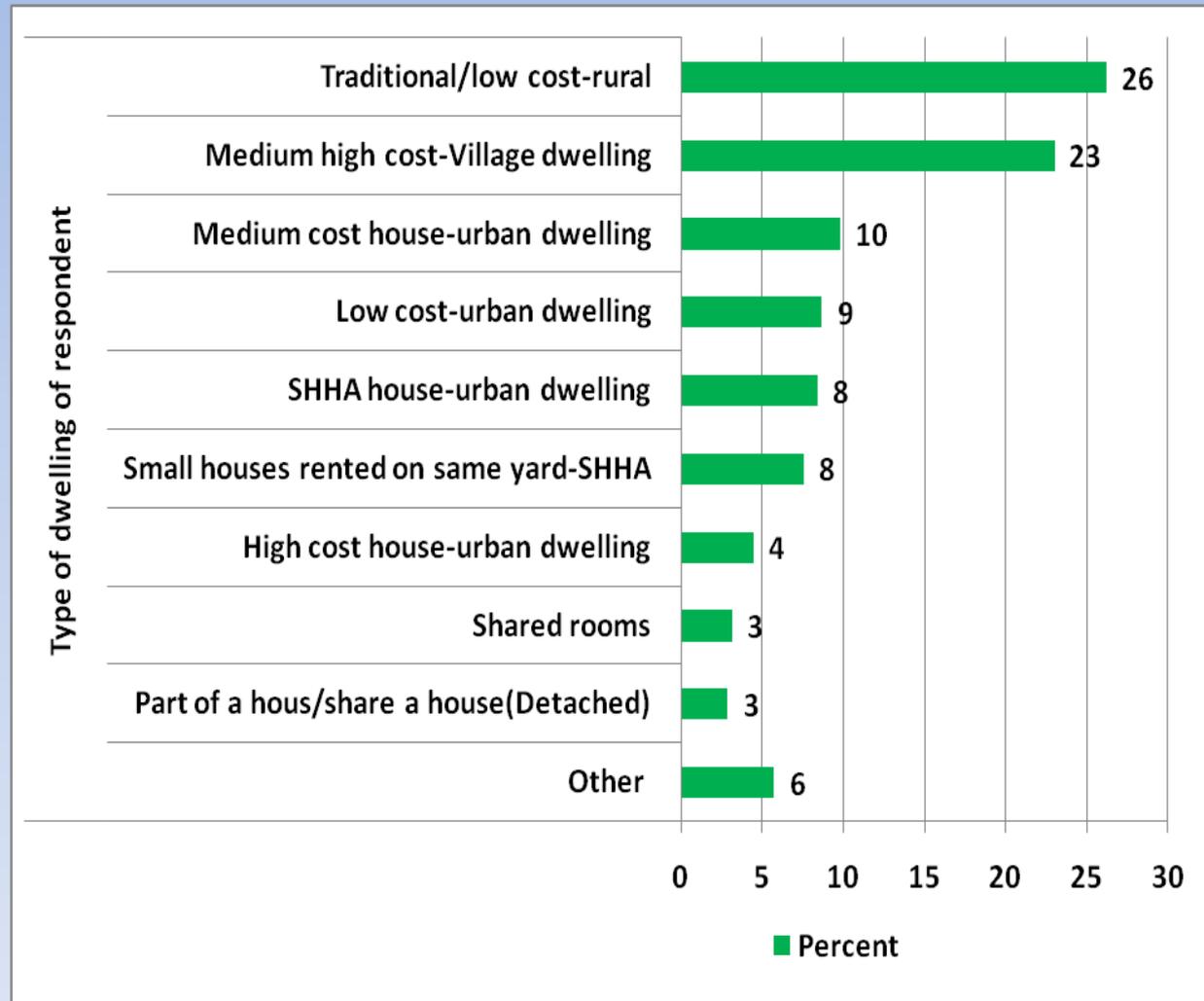


# Documents to prove identity (N=993,854)

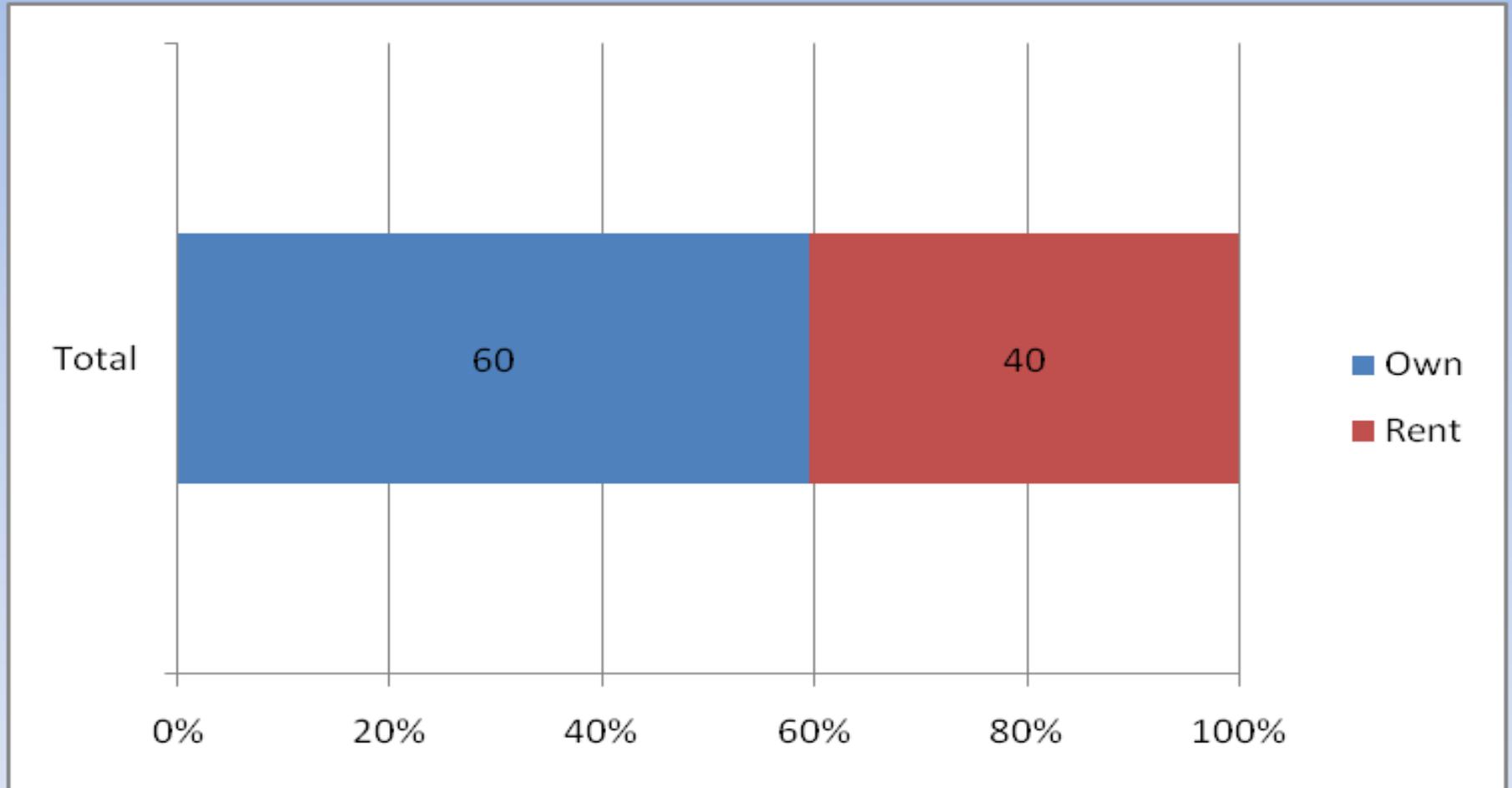


# Type of Dwelling (N=993,854)

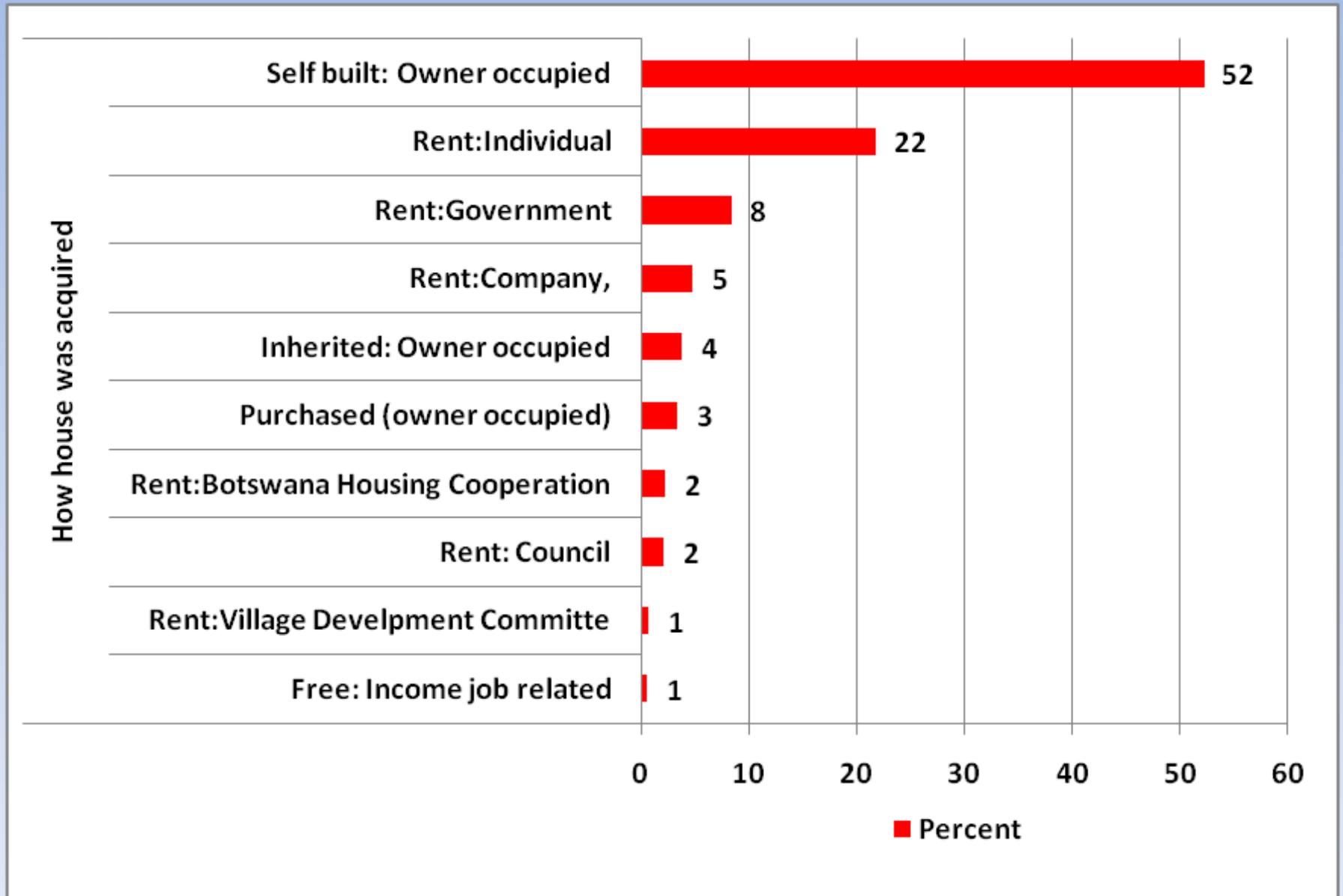
- ❖ 26% of the adult population live in traditional/low cost houses.
- ❖ 23% live in medium high cost-village dwelling.
- ❖ 6% live in other types of dwellings which include town houses, informal houses / shacks, servant quarters and units in flats.



## House owned or rented (N=993,854)

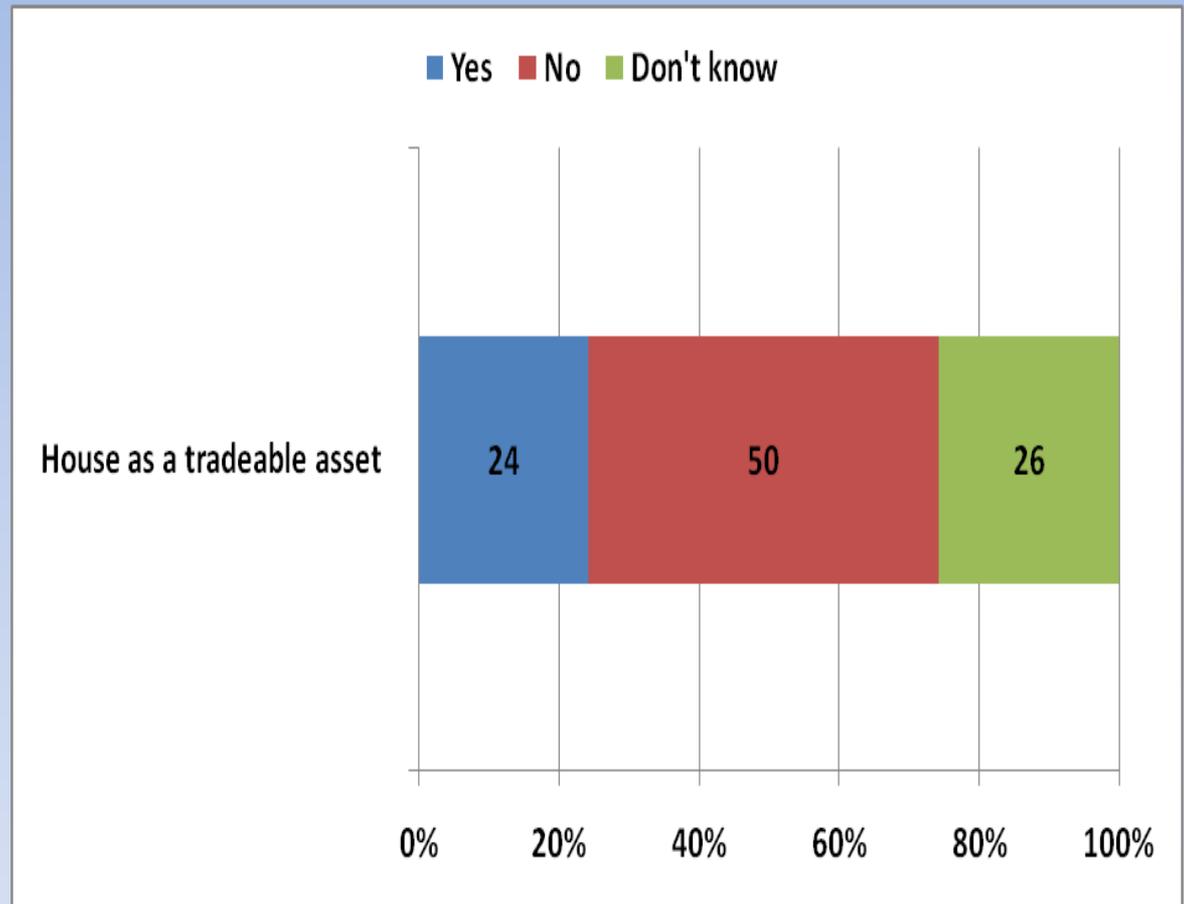


# How house was acquired (N=993,854)



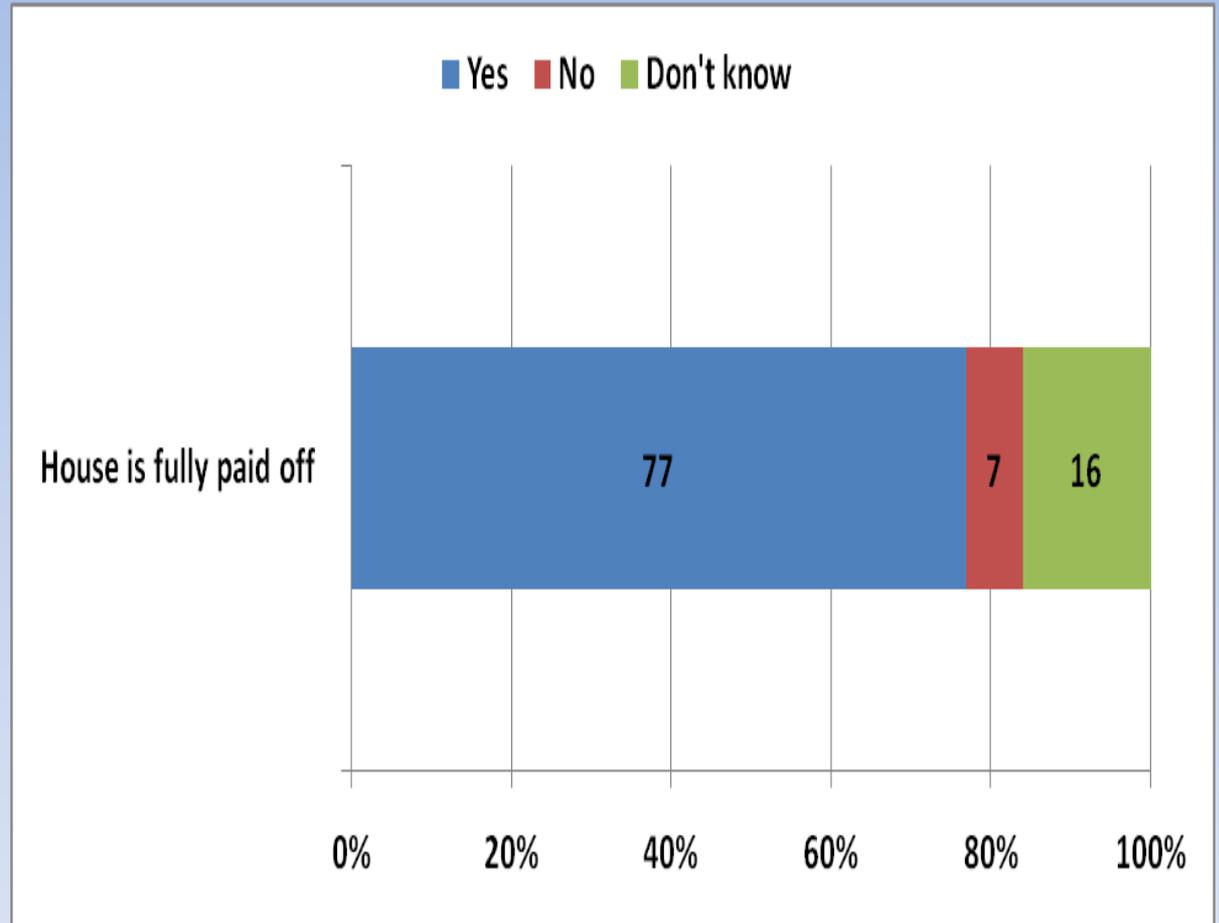
# Home-a tradable asset (N=551,849)

- ❖ Of the 551,849 adults who own houses, 24% considered their houses as tradable assets.



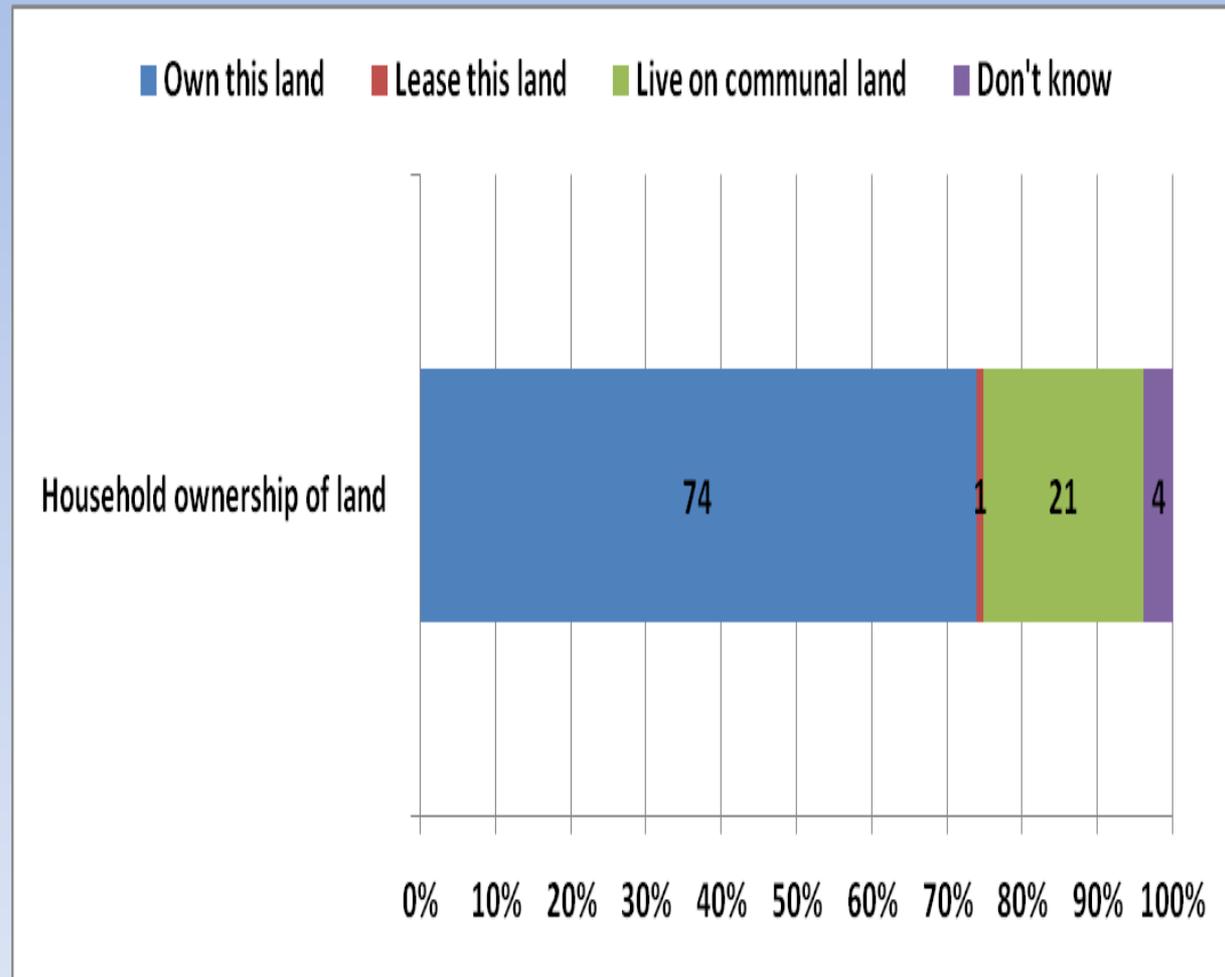
# Whether house has been fully paid off (N=31,598)

- ❖ Of the 31,598 adults who lived in houses that were purchased (owner occupied), 77% reported that they were fully paid off.
- ❖ 16% did not know whether the house has been fully paid off. This proportion may represent the respondents who were not themselves the owners of the purchased houses.



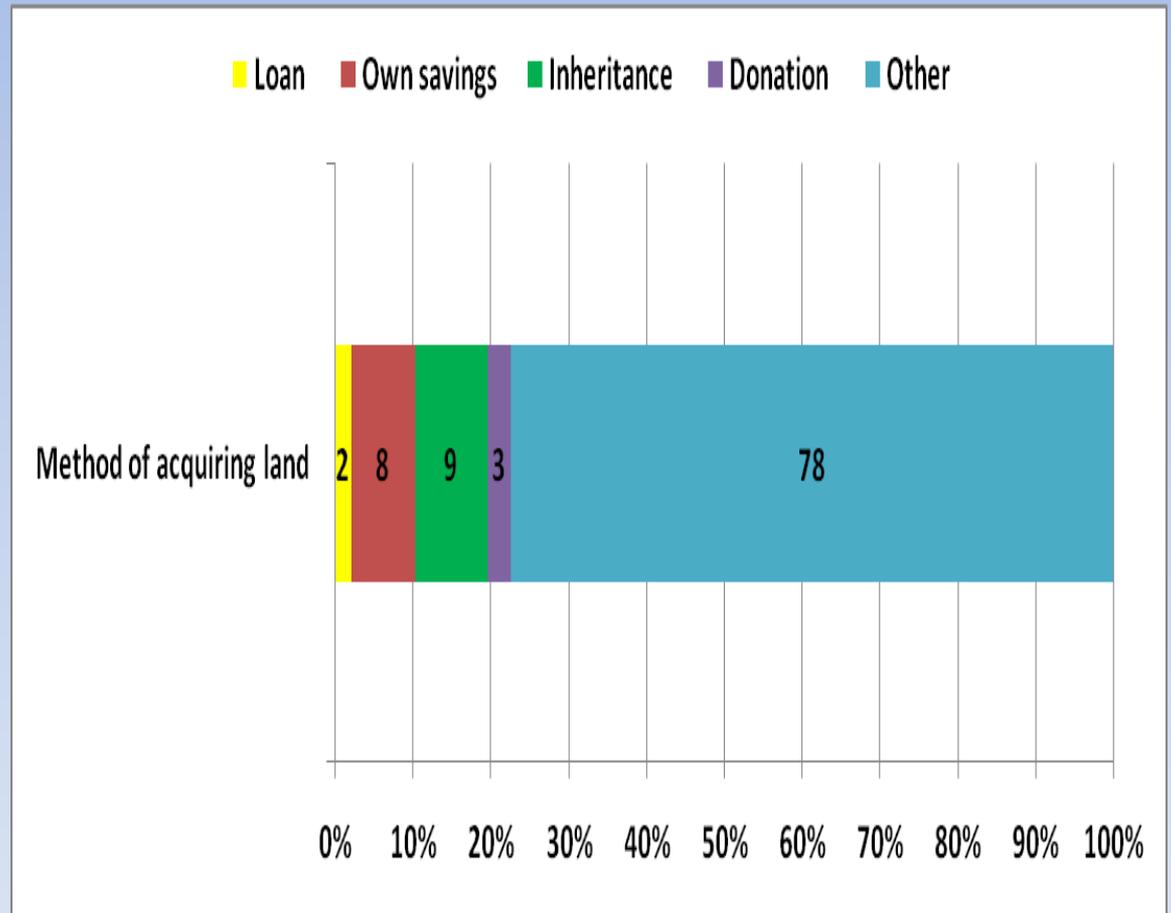
# Land ownership by house ownership (N=547,641)

- ❖ 596,312 adults owned houses but only 547,641 responded to the question on the land ownership.
- ❖ Of those who owned houses, 74% also owned the land



# Method of land acquisition by land ownership (N=402,654)

- ❖ Of those who own land, the majority (78%) acquired it by other methods which includes land allocation by the Land Boards.
- ❖ Only 2% used loans from either banks or government schemes to buy the land.
- ❖ Use of own savings account for 8% of land acquisition and inheritance, 9%.

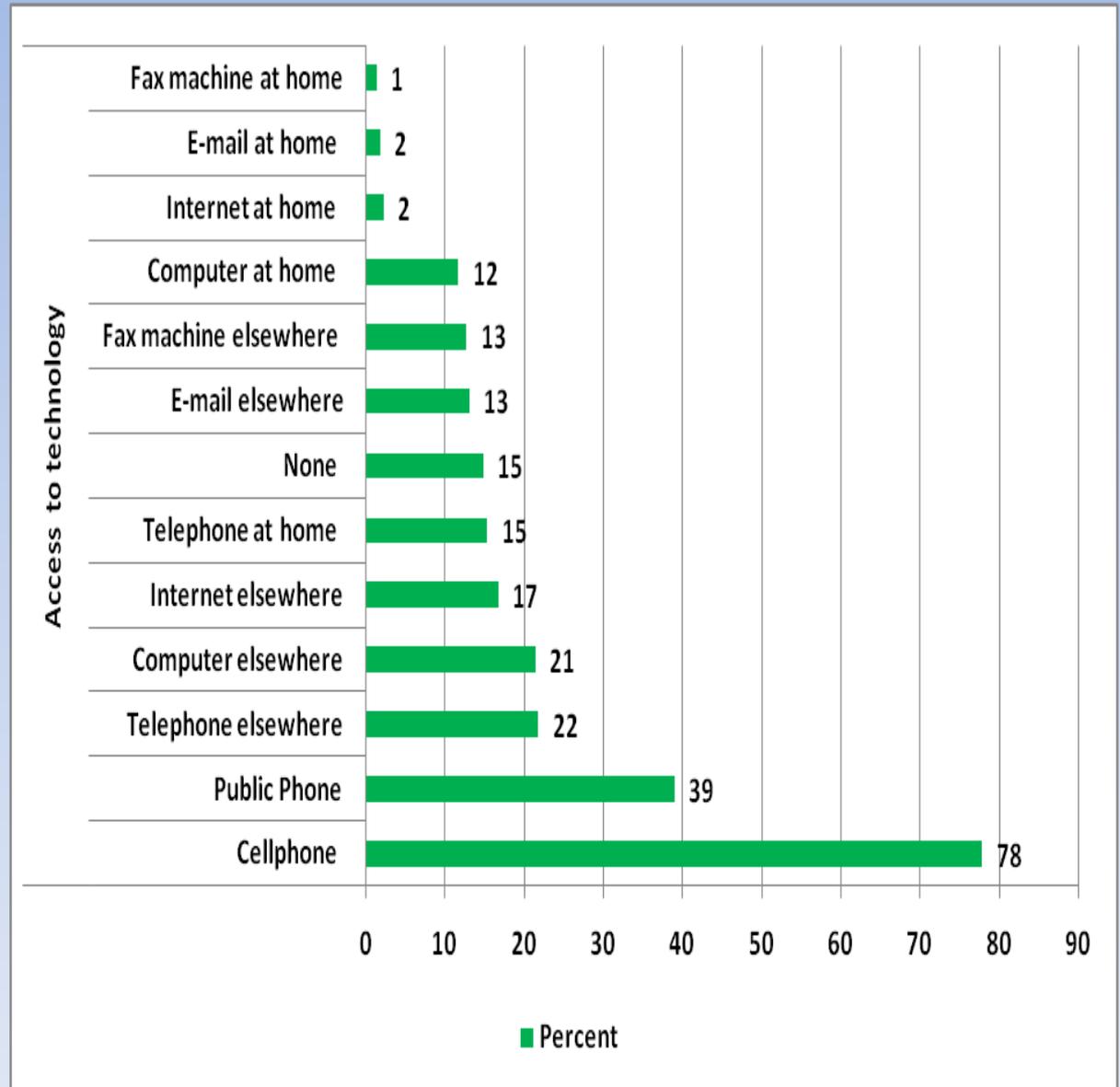


# Quality of Life of the People



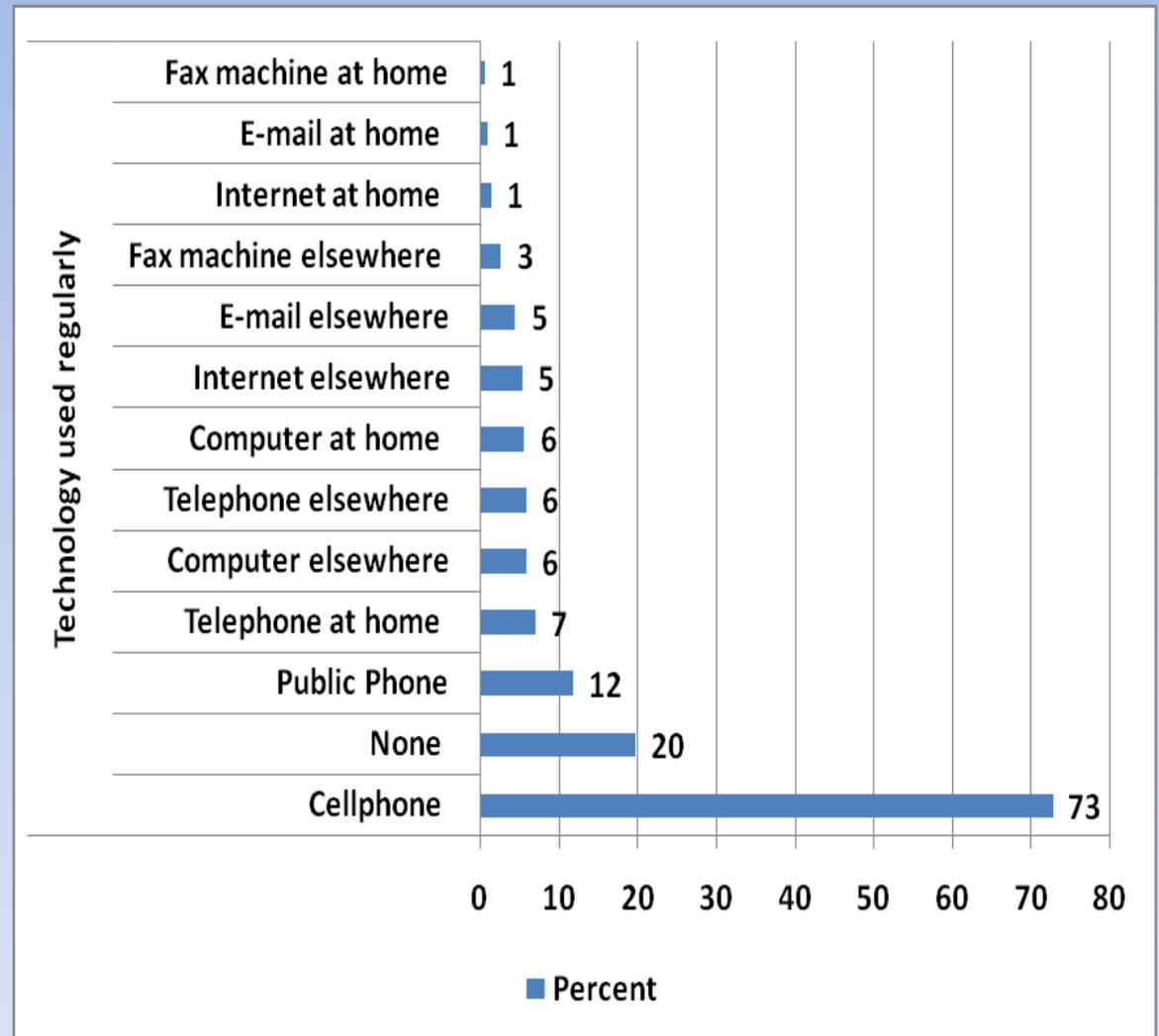
# Access to technology (N=993,854)

- ❖ Most of the adult population have access to cell phone.



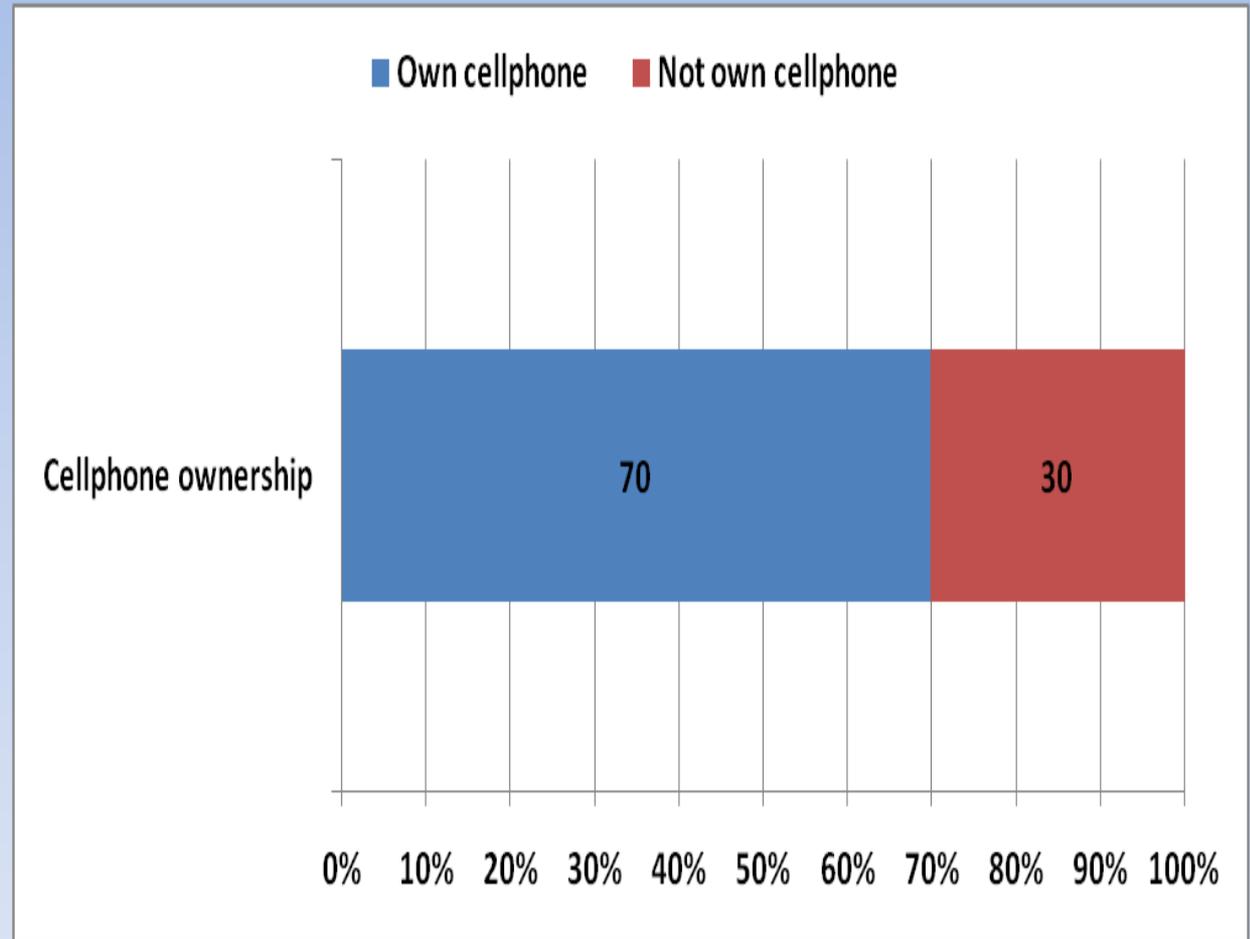
# Technology used regularly (N=993,854)

- ❖ Technology mainly used is cell phone (73%) .

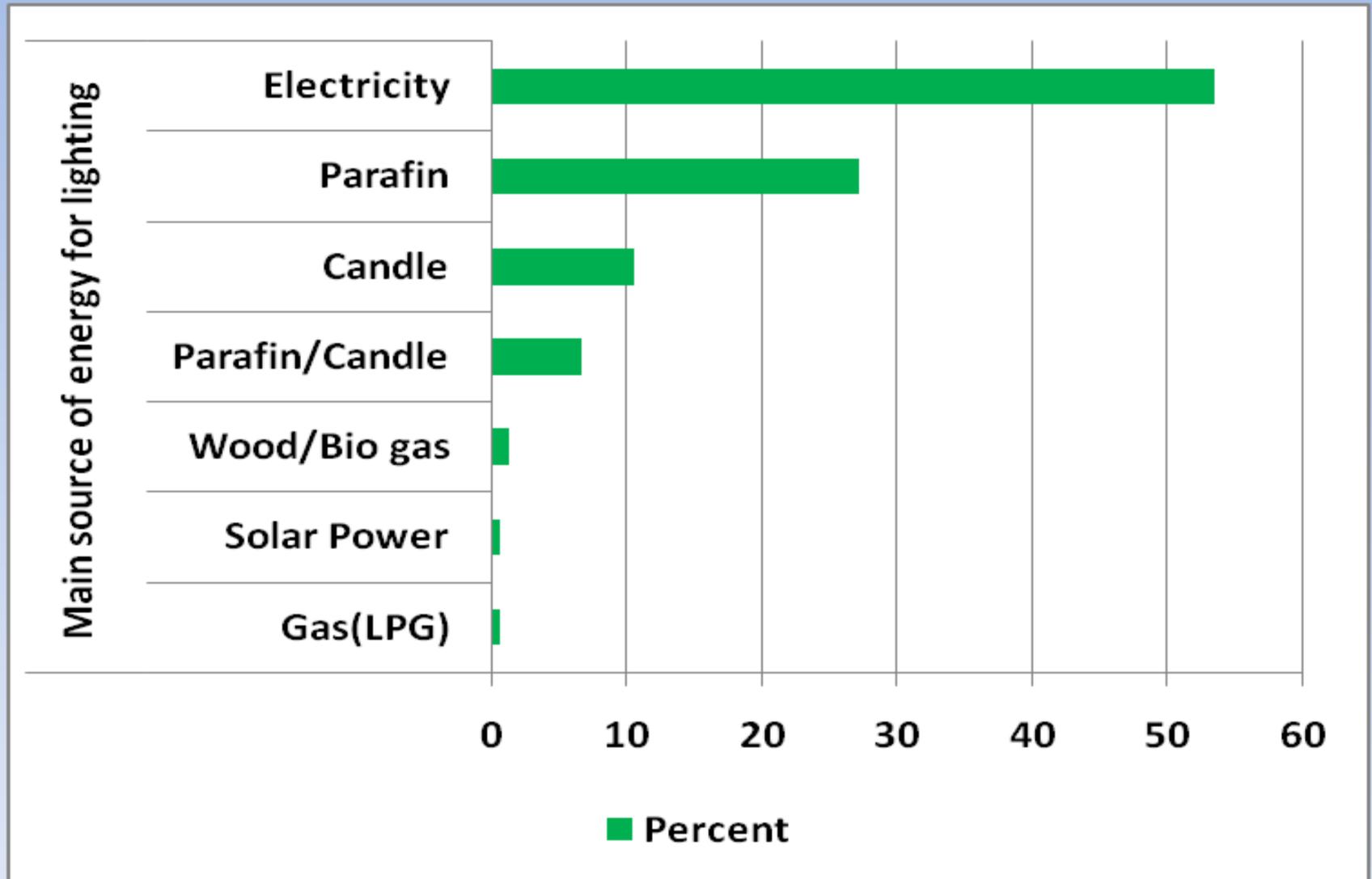


# Personally Own Cell phone (N=993,854)

- ❖ 70% of the adult population own cell phone.



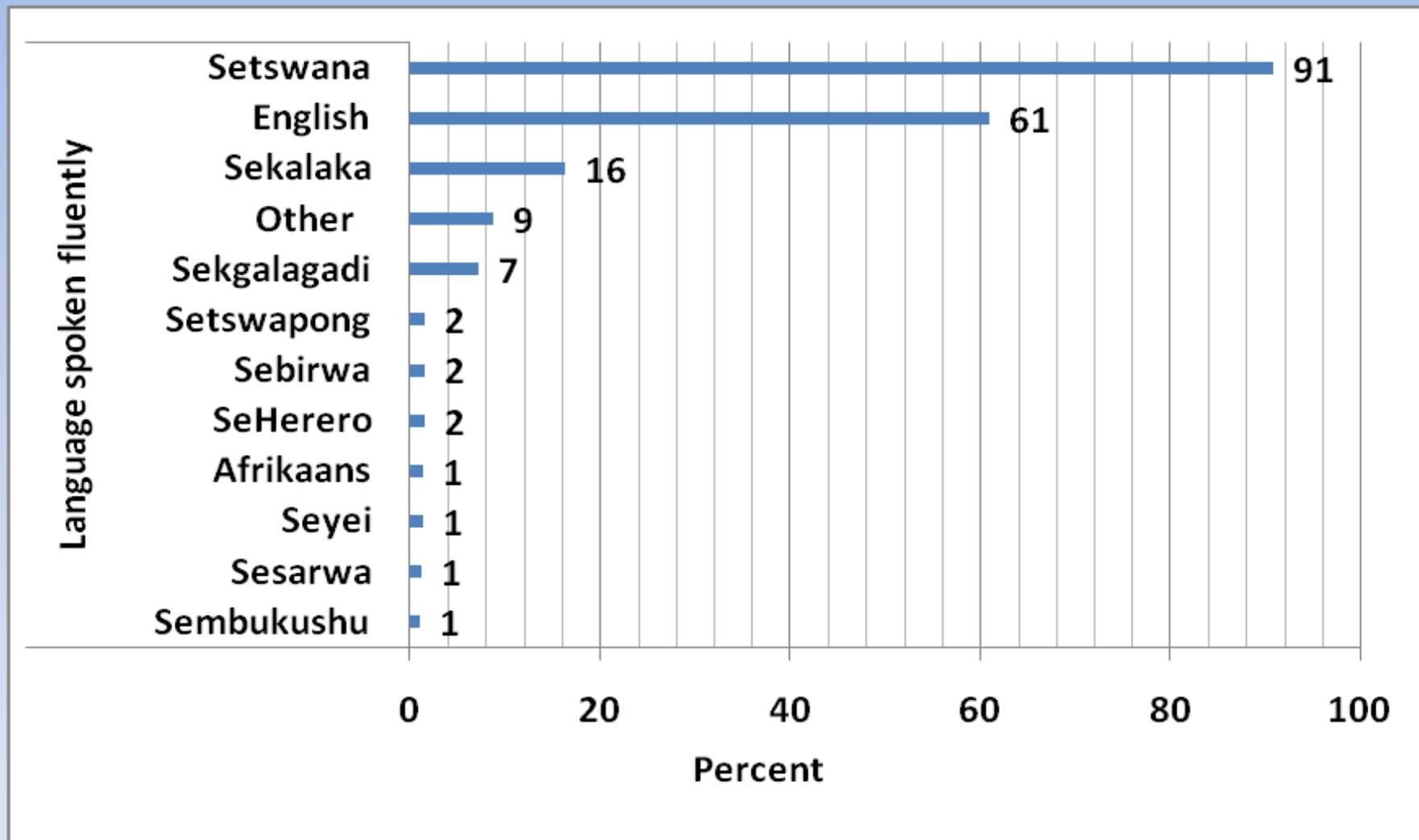
## Main source of energy for lighting (N=993,854)



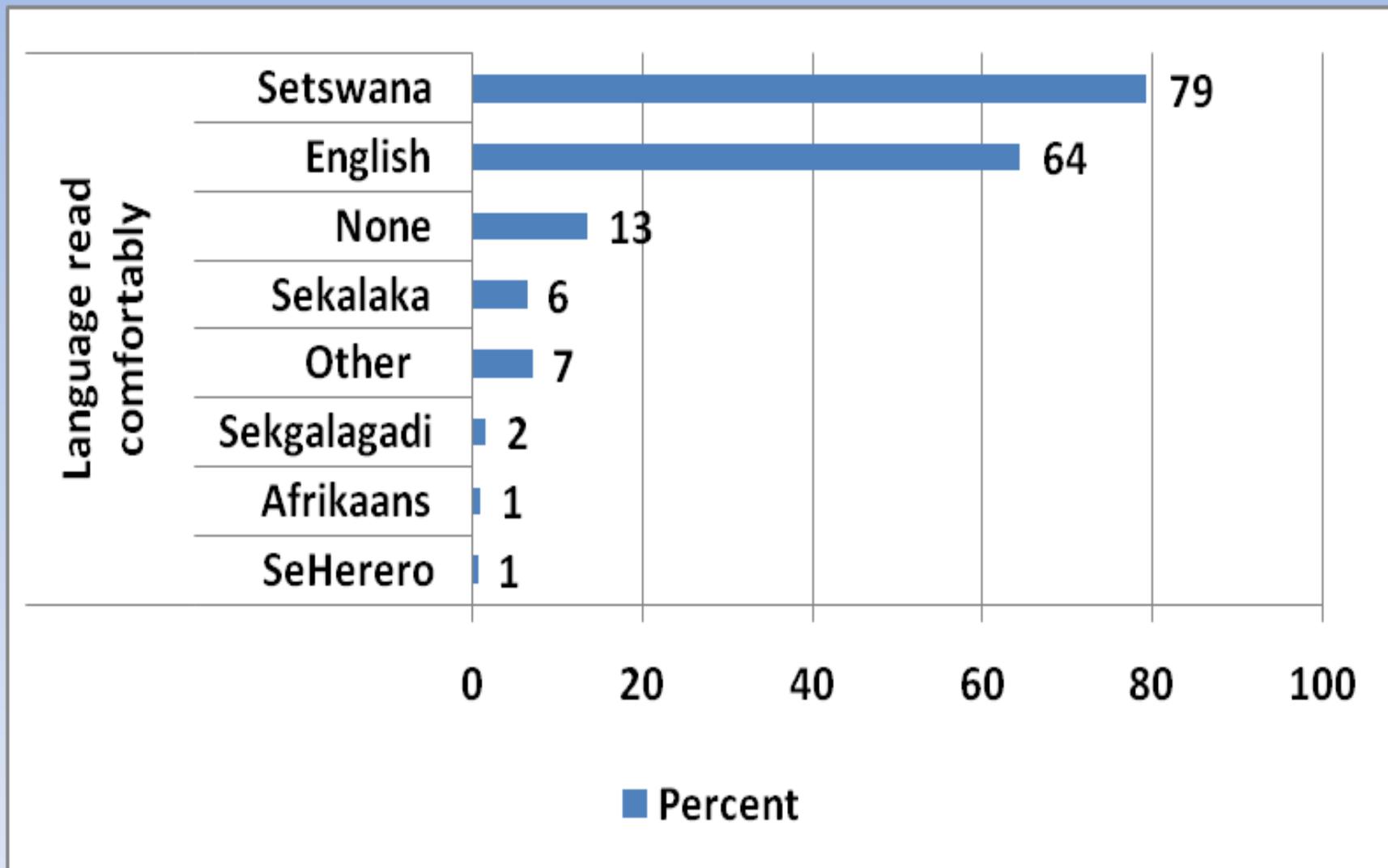
# Language of the People



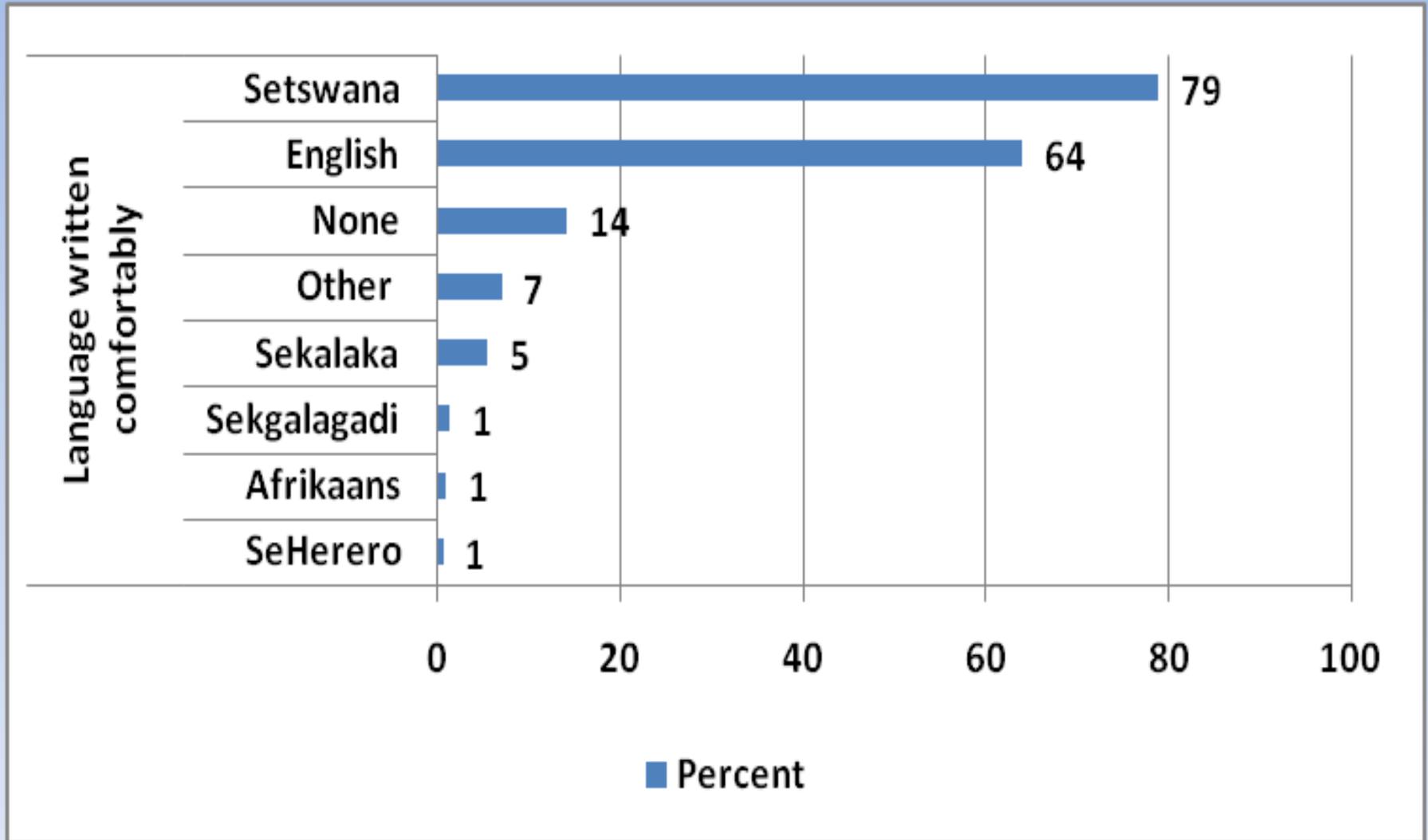
# Language spoken fluently (N=993,854)



## Language read comfortably (N= 993,854)



# Language written comfortably (N=993,854)

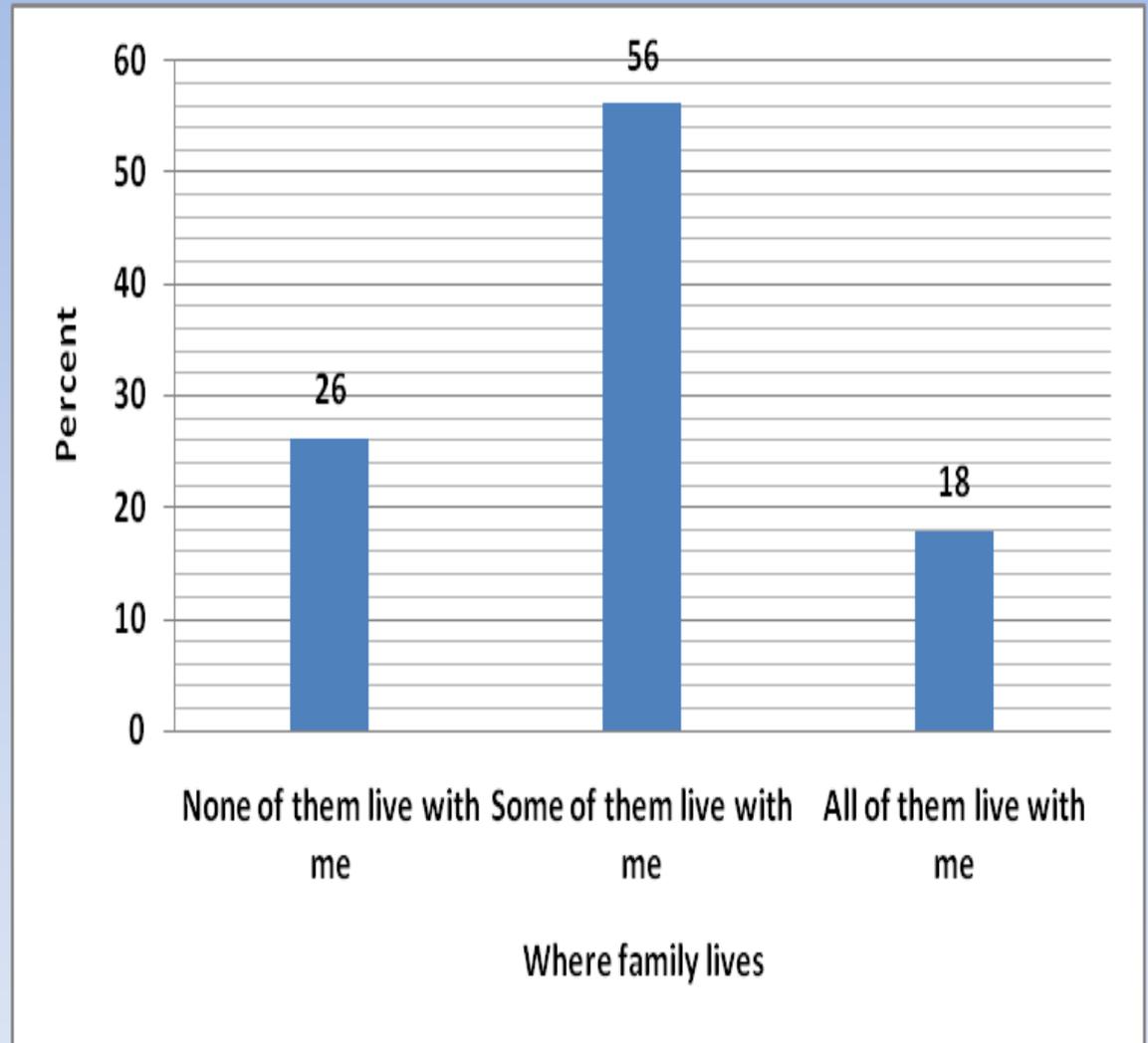


# Asset Ownership by the People



## Where the family members live (N=993,854)

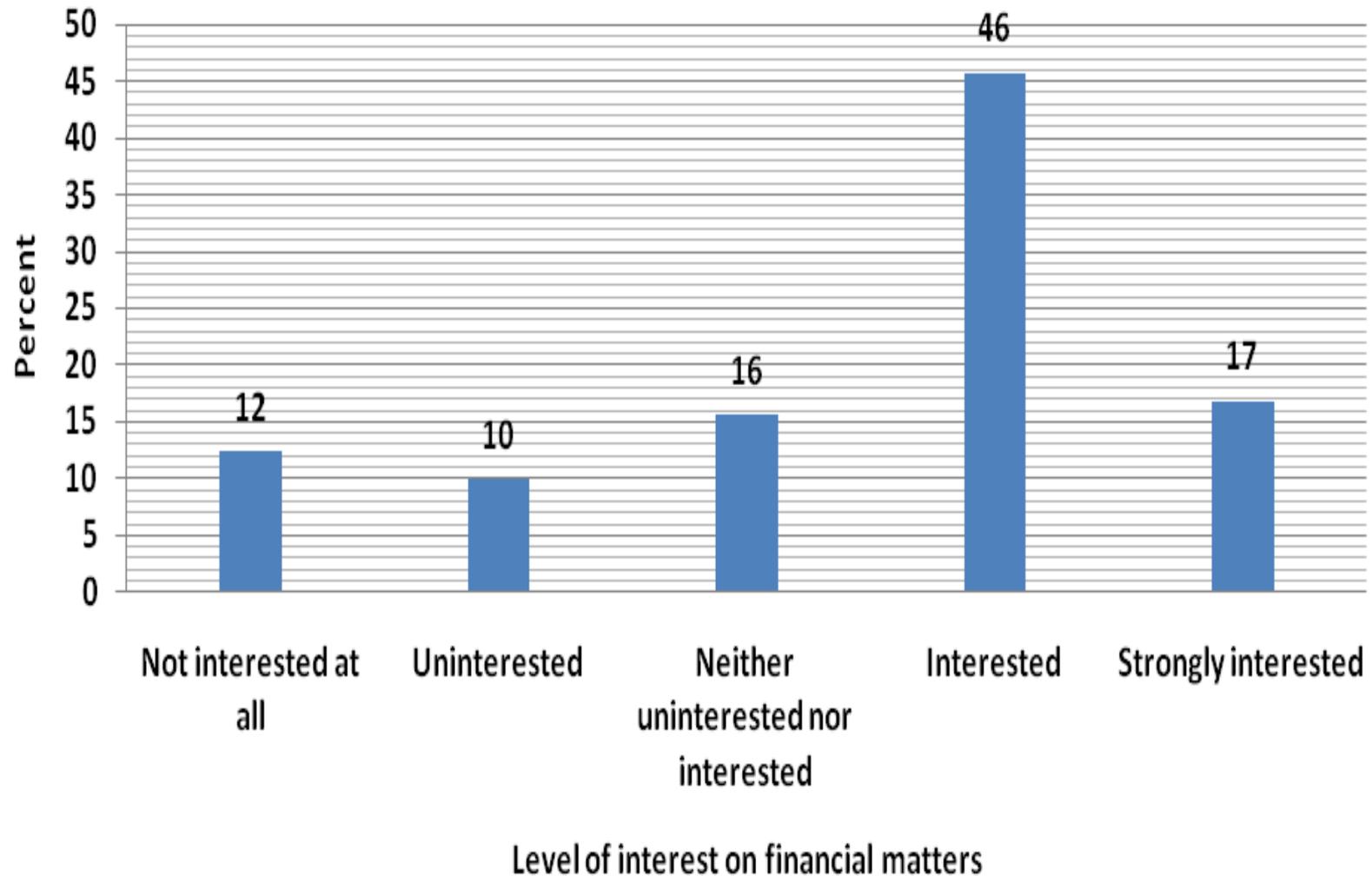
- ❖ Only 18% of the adult population live together with all their family members.
- ❖ 56% of the adult population live with some members of their families.
- ❖ 26% live with none of their family members.



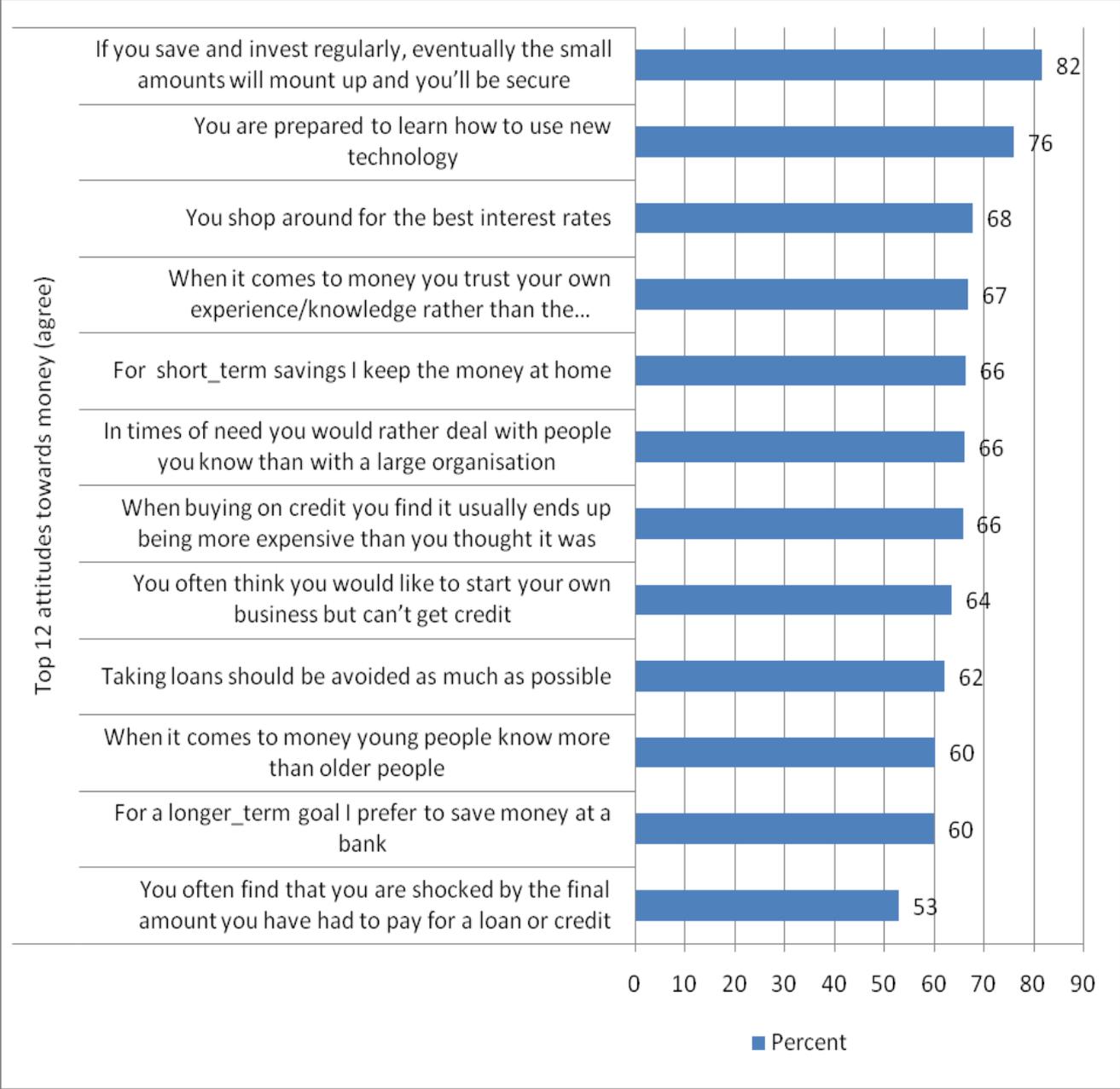
# Attitude of People to Money / Financial Matters



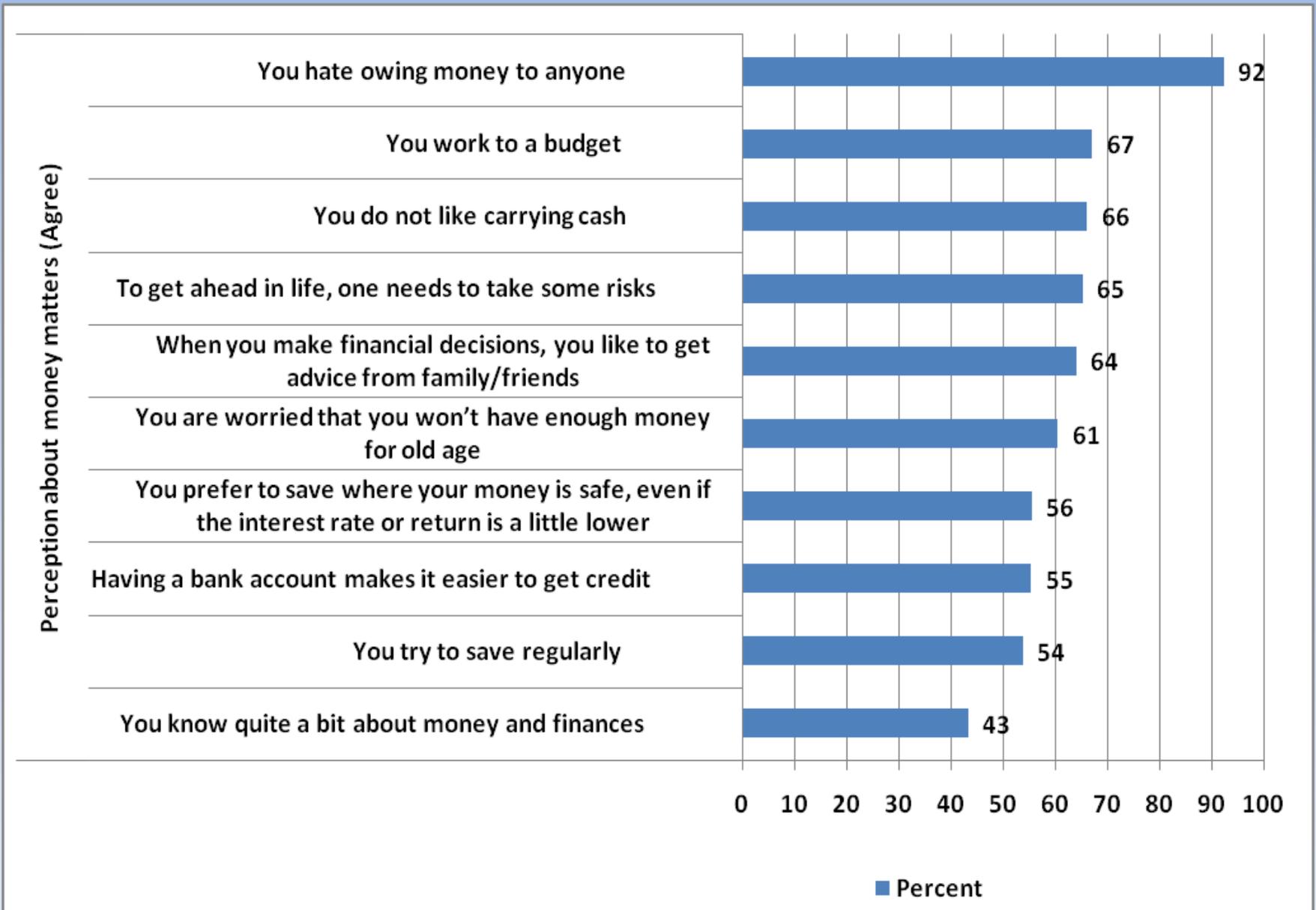
# Interest the people have on financial matters (N=993,854)



# Top 12 Attitudes towards financial matters (AGREE) (N=993,854)



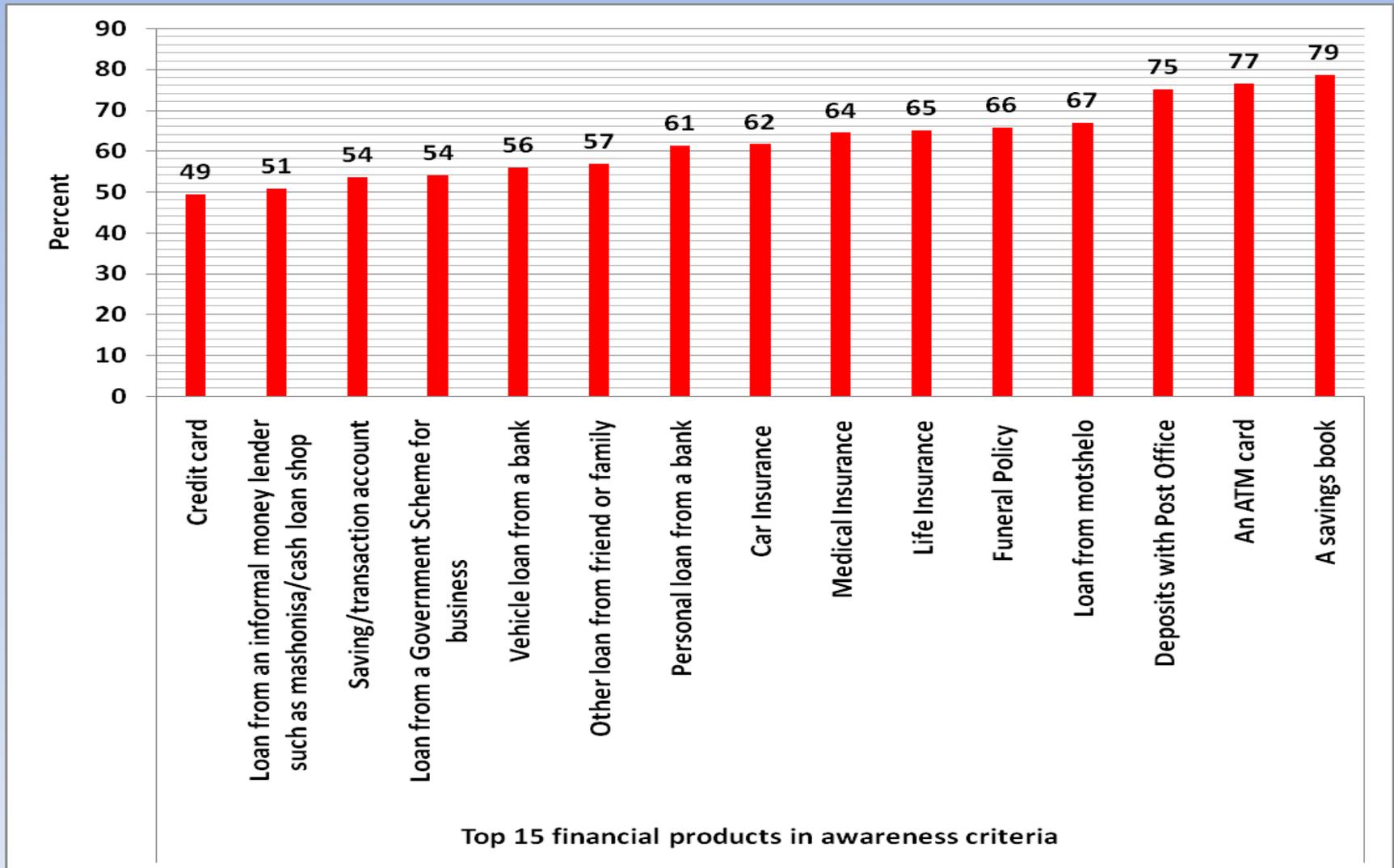
# Top 10 perceptions about financial matters (N=993,854)



# Financial Literacy / Awareness



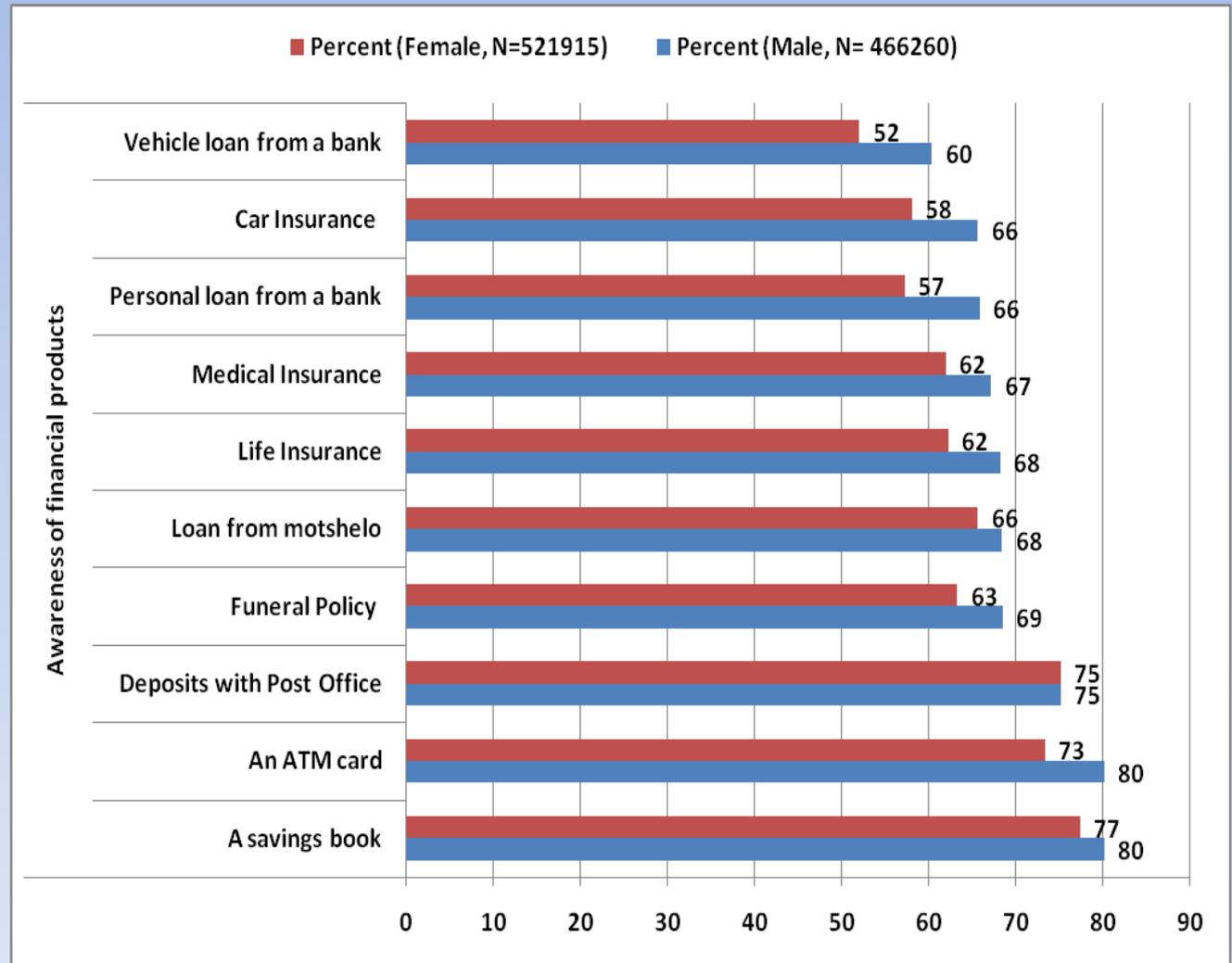
# Top 15 financial products using awareness criterion (N=993,854)



# Top 10 financial products in awareness by gender

❖ The graph shows the percentage of males and females who are aware of each financial product.

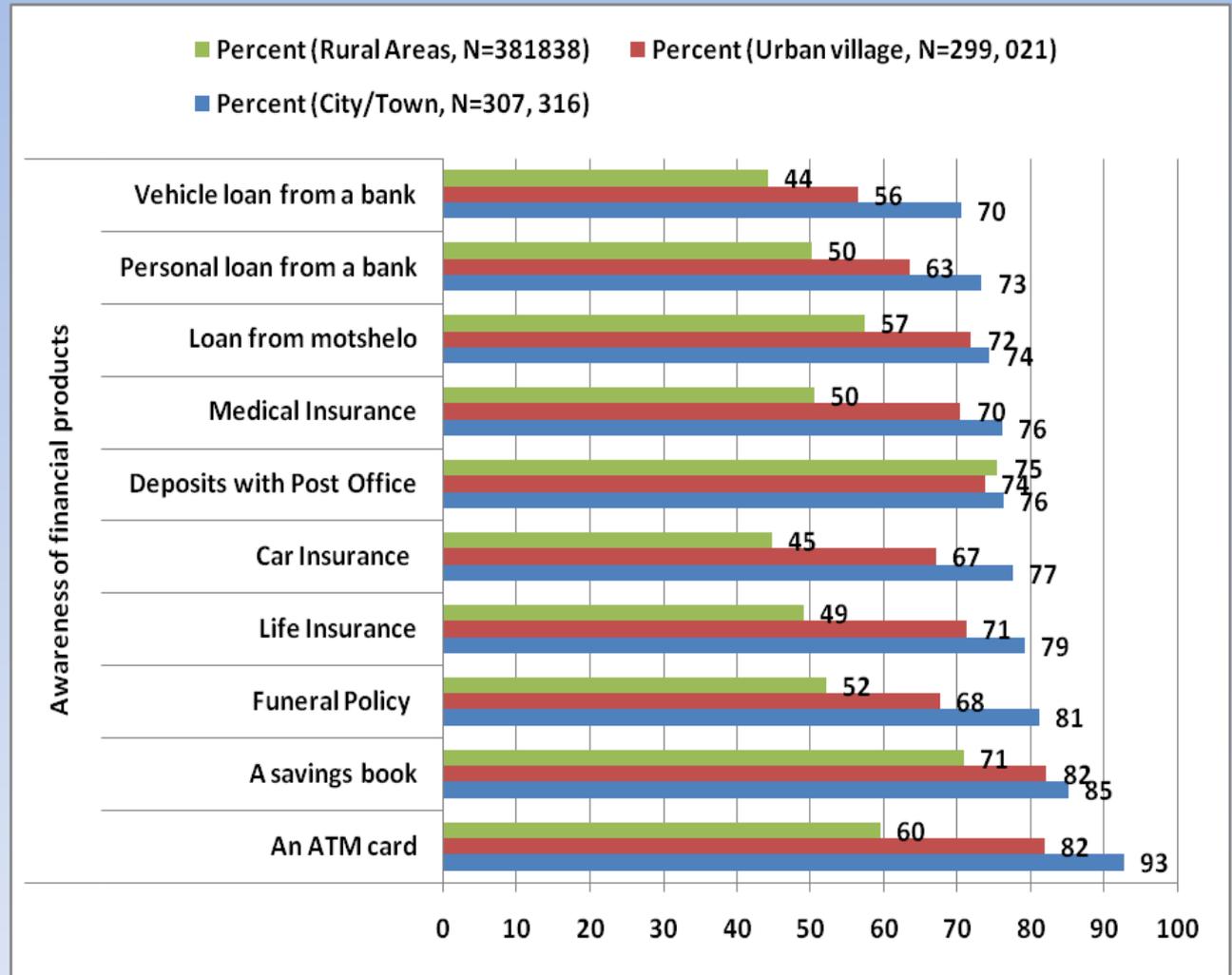
❖ Generally the males have higher level of awareness than the females.



# Top 10 financial products in awareness by location

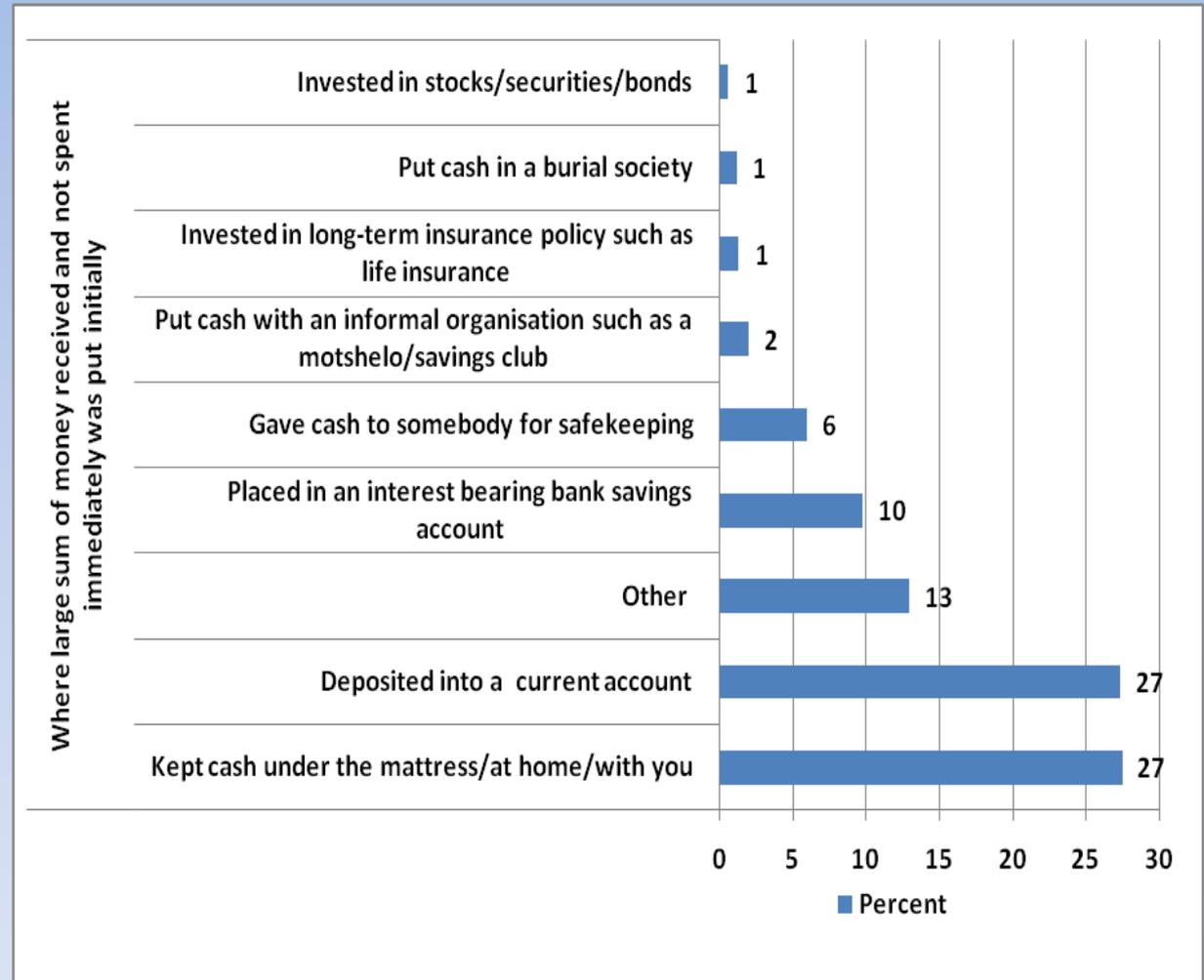
❖ The graph shows the percentage of those located in City/Town, Urban village and Rural Areas who are aware of various financial products.

❖ Generally awareness is highest in City/Town followed by Urban villages and lowest in Rural areas for most of the products, except deposits with Post Office.



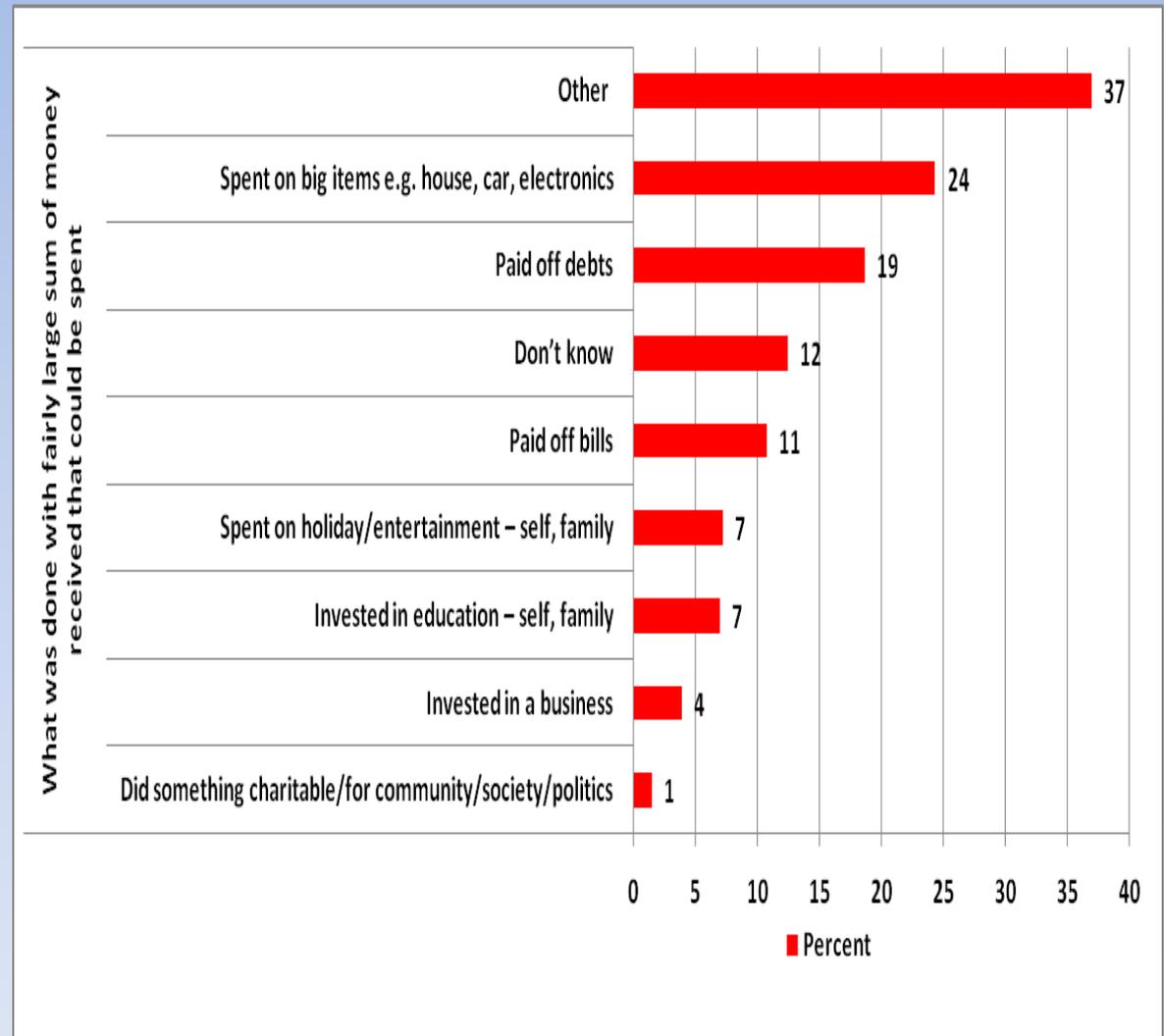
# Where large sum of money received and not spent immediately was put initially (N= 993,854)

- ❖ 27% of the adult population kept the money under the mattress/at home.
- ❖ 27% deposited it into a bank account.
- ❖ The 'Other' includes deposit with post office, lending to friends, placed cash with an asset management company and put cash in a unit trust



# What was done with fairly large sum of money received that could be spent (N= 993,854)

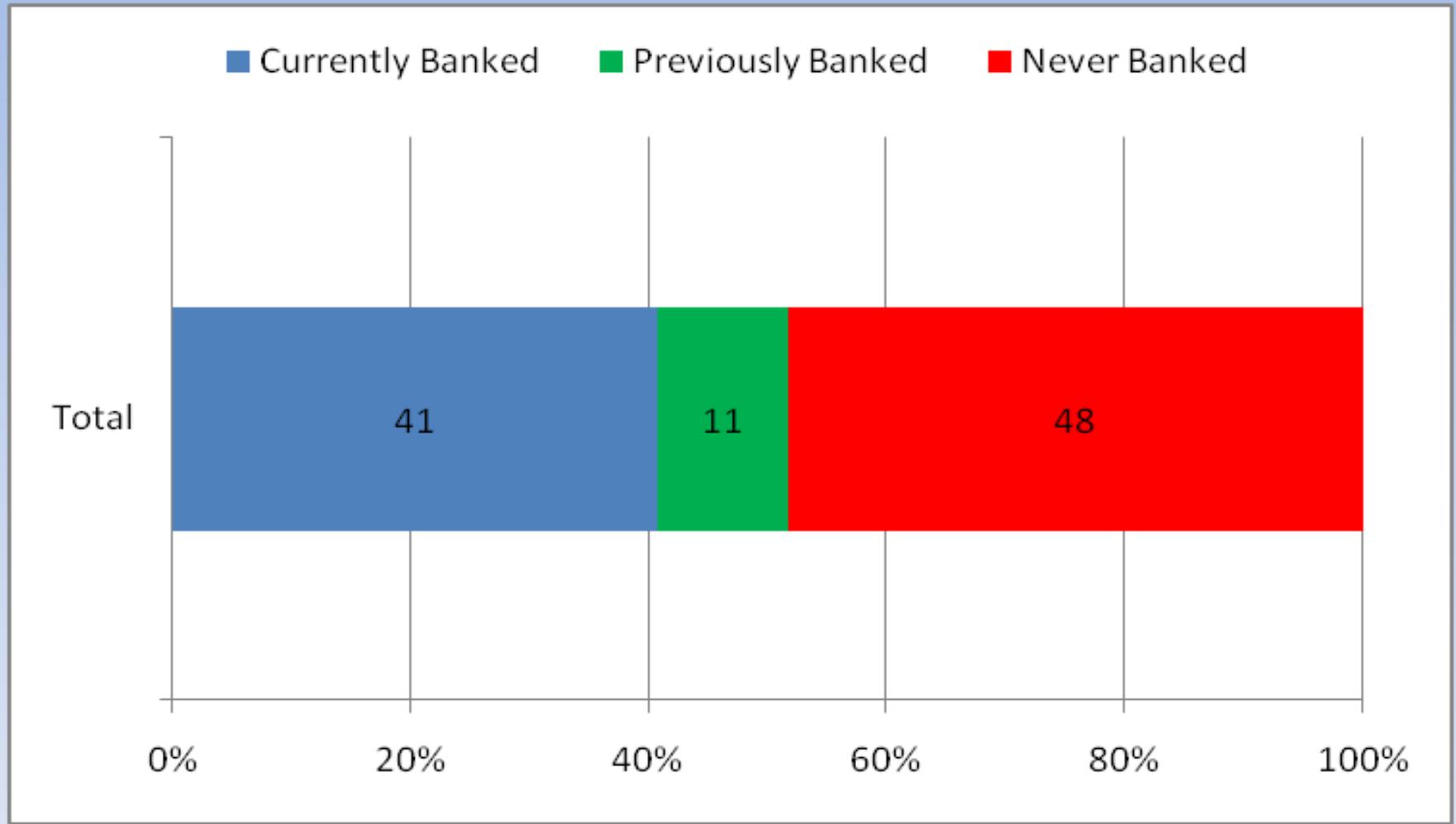
- ❖ A high proportion (37%) of the adult population spent their money on other items which include buying food and clothes, building materials, furniture, mobile phones and house construction.
- ❖ 24% spent theirs on big items like house, car, electronics.



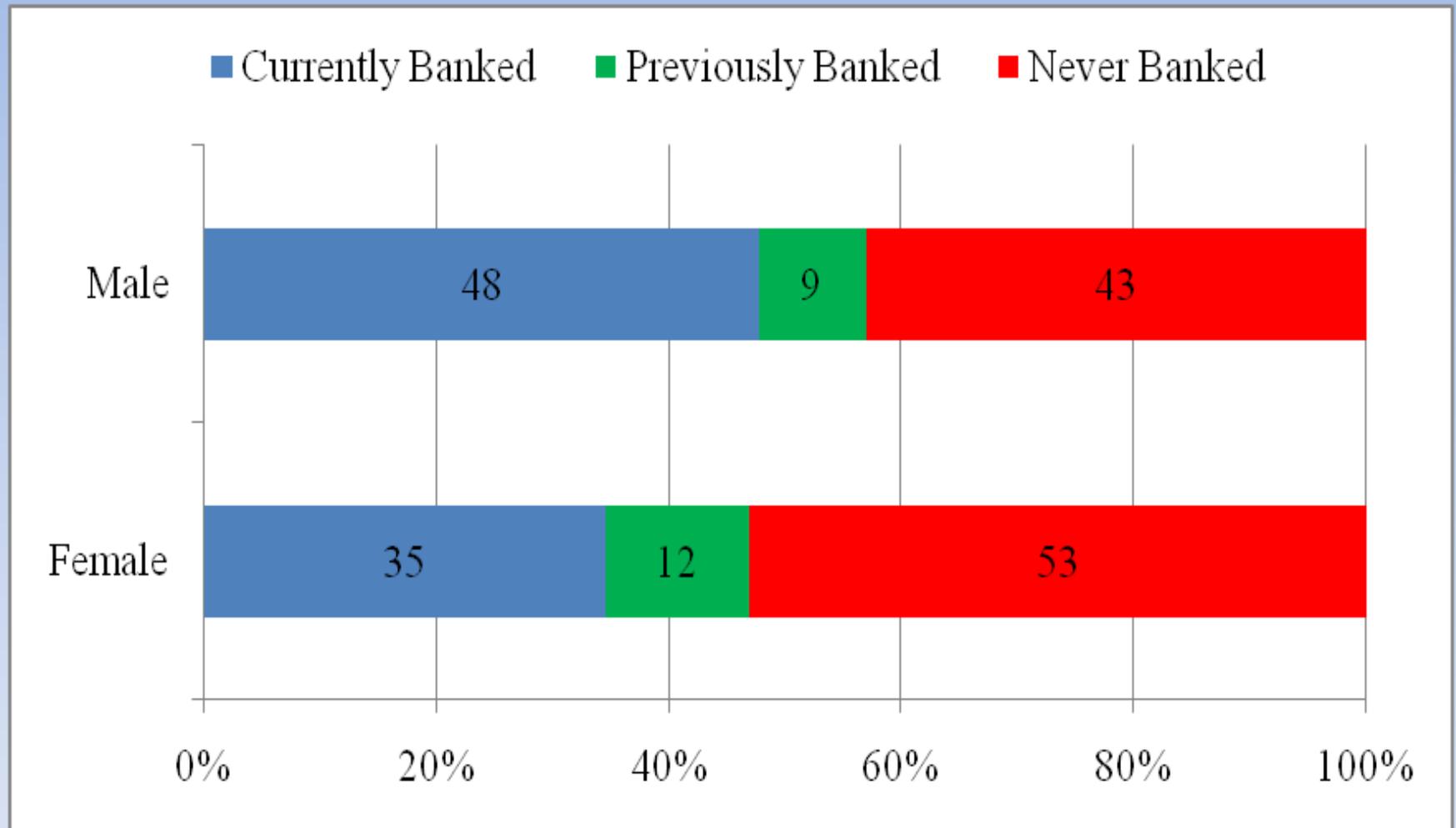
# Bank Status



# Banking Status (N=993,854)

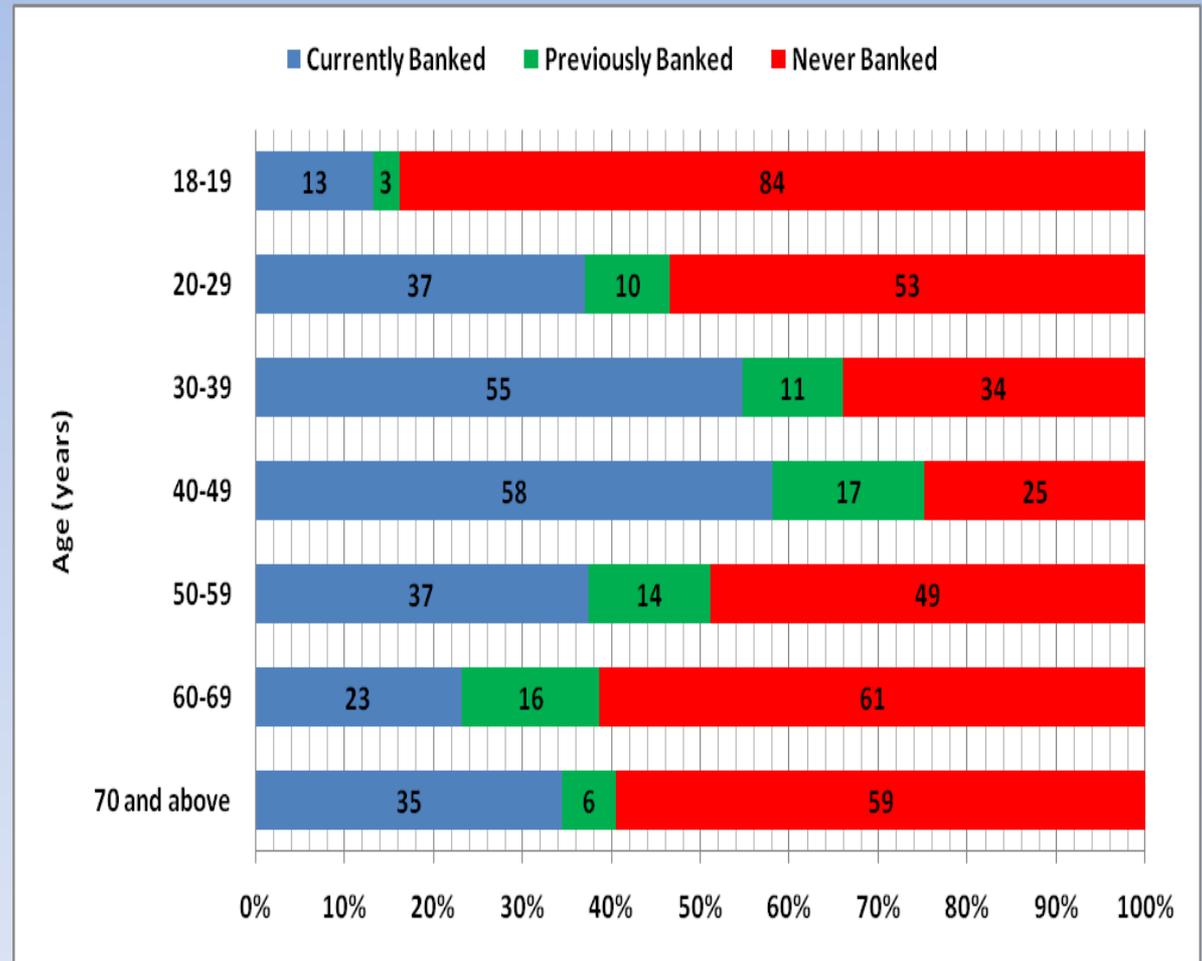


# Banking Status by Gender (Males N=467,101; Females N=526,753)

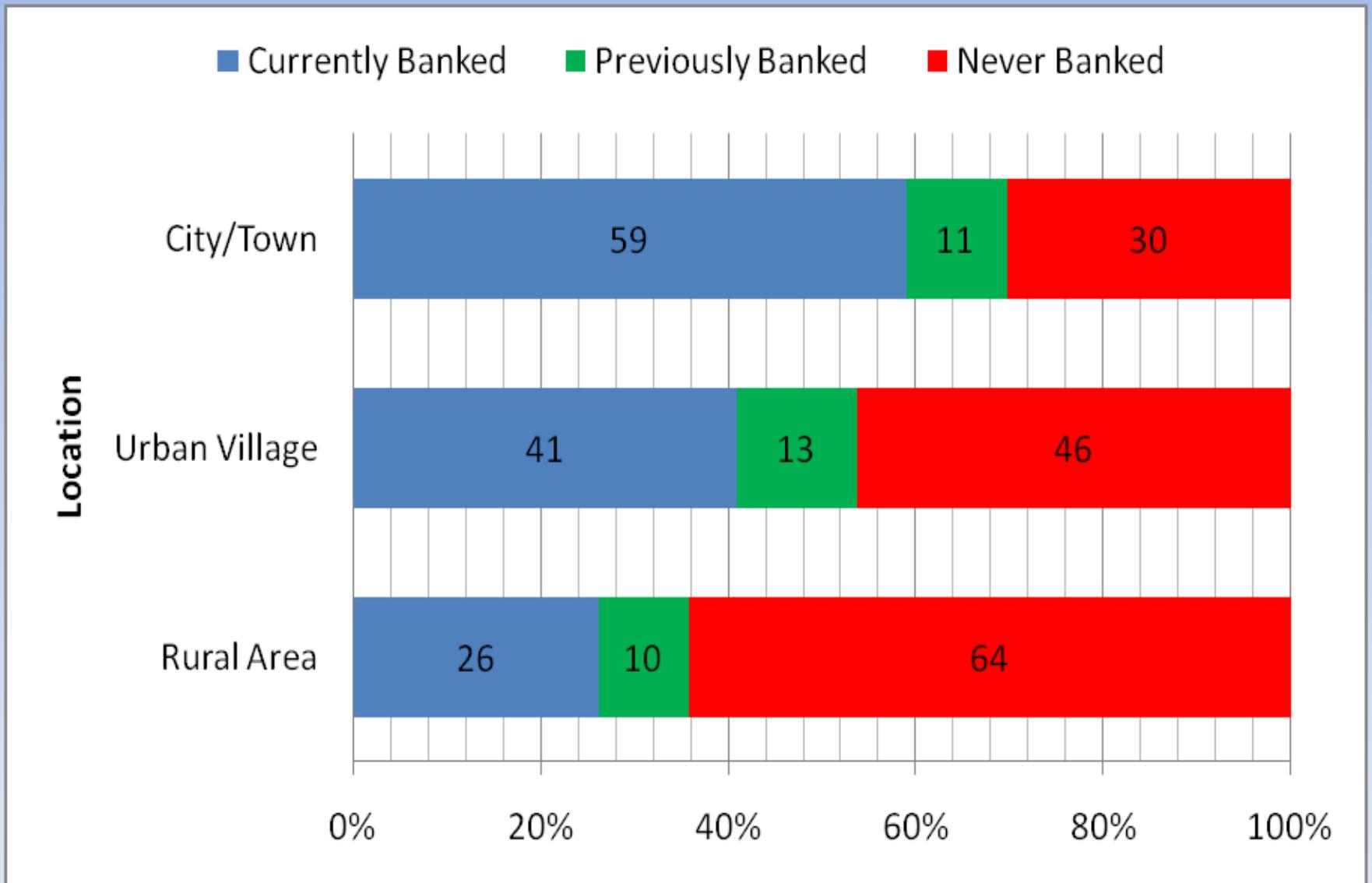


# Banking Status by Age (N=No. of adults in each age category)

- ❖ Age 18 – 19  
(N=71,919)
- ❖ Age 20 – 29  
(N=361,564)
- ❖ Age 30 – 39  
(N=206,333)
- ❖ Age 40 – 49  
(N=128,450)
- ❖ Age 50 - 59  
(N=90,993)
- ❖ Age 60 -69  
(N=60,365)
- ❖ 70 and above  
(N=74,231)



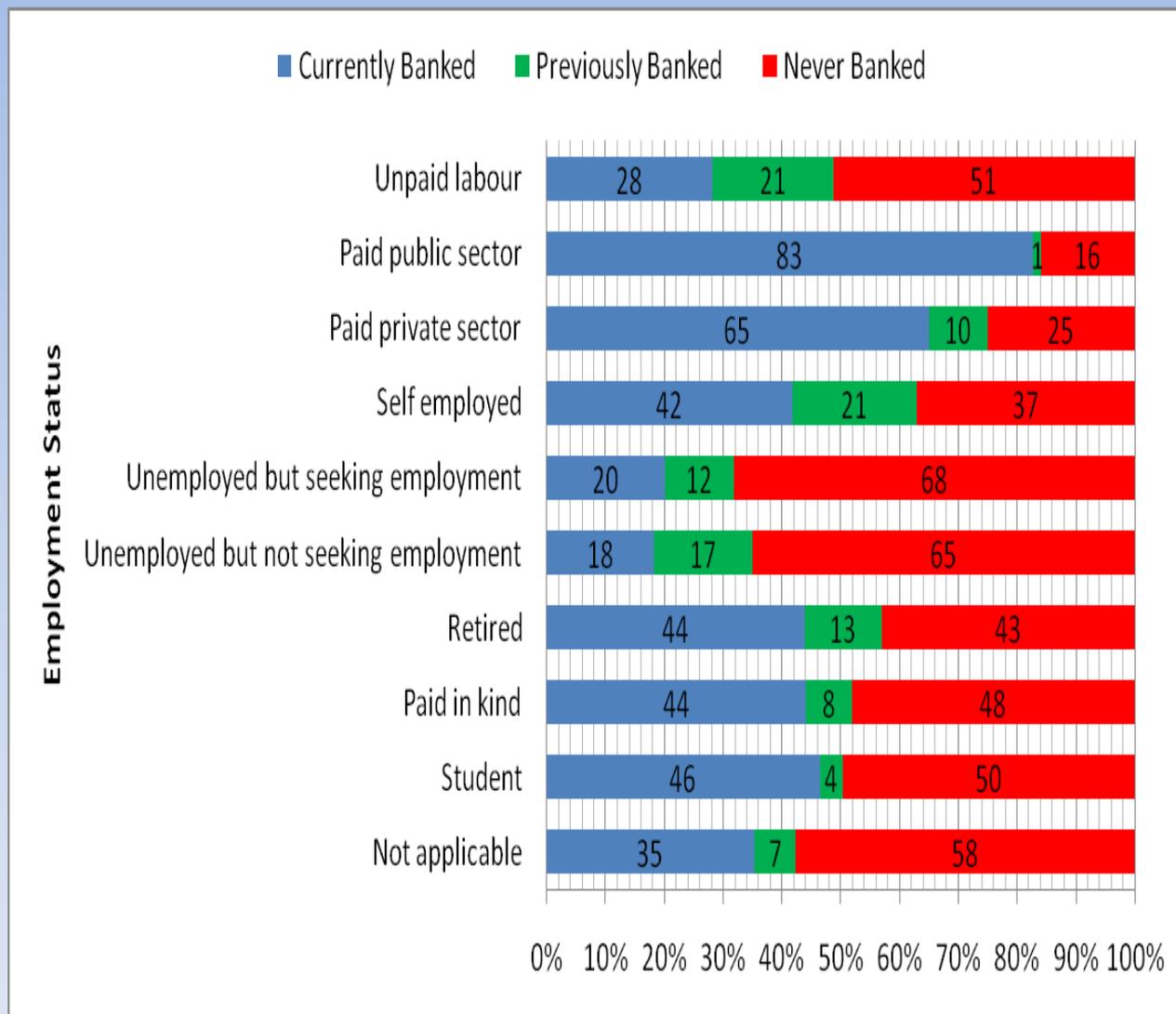
# Banking Status by Location (City/town N=307,316; Urban Village N=299,462; Rural Areas N=387,076)



# Banking Status by Employment Status

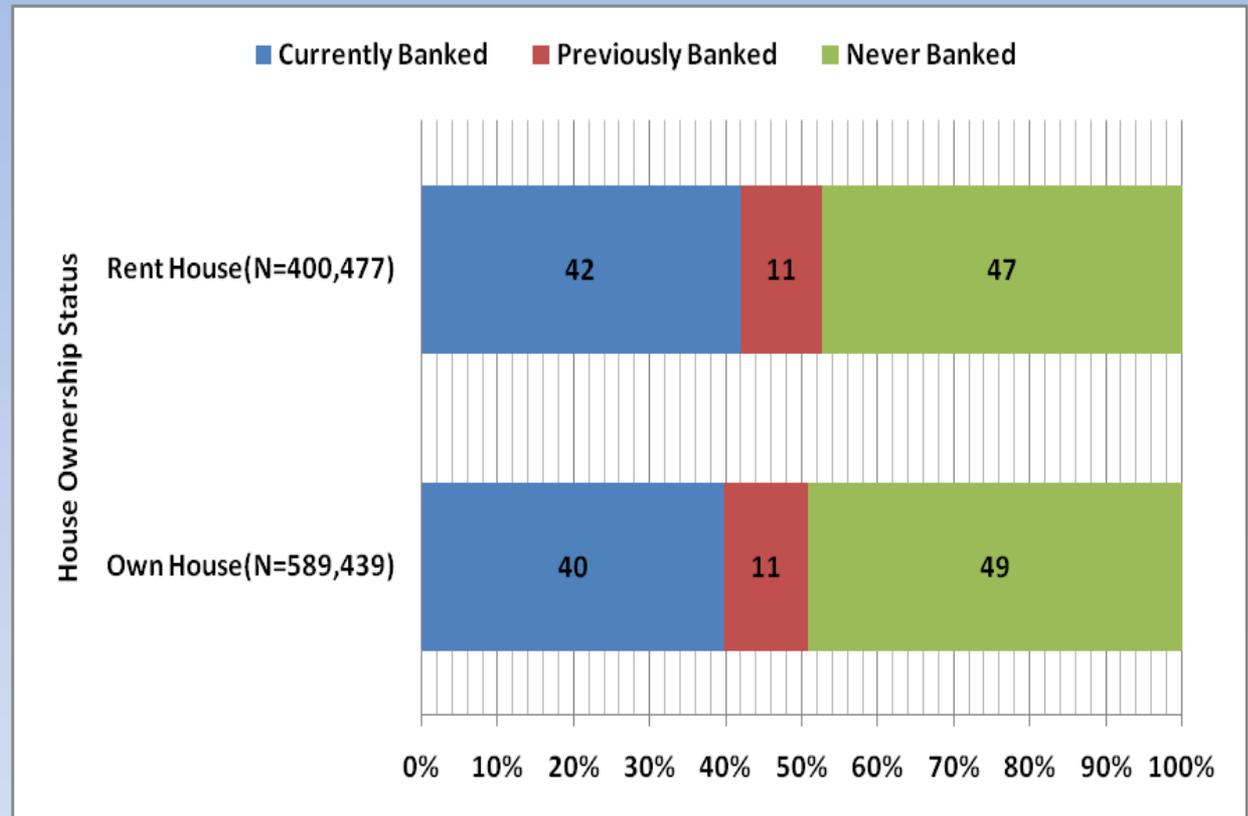
(N=No. of adults for each employment category)

- ❖ Unpaid labour (N=10,873)
- ❖ Paid public sector (N=141,818)
- ❖ Paid private sector (N=159,861)
- ❖ Self employed (N=76,180)
- ❖ Unemployed but seeking (N=332,446)
- ❖ Unemployed but not seeking (N=148,191)
- ❖ Retired (N=31,600)
- ❖ Paid in kind (N=2,702)
- ❖ Student (N=68,561)
- ❖ Not applicable (N=21,622)



# Banking Status by House Ownership Status

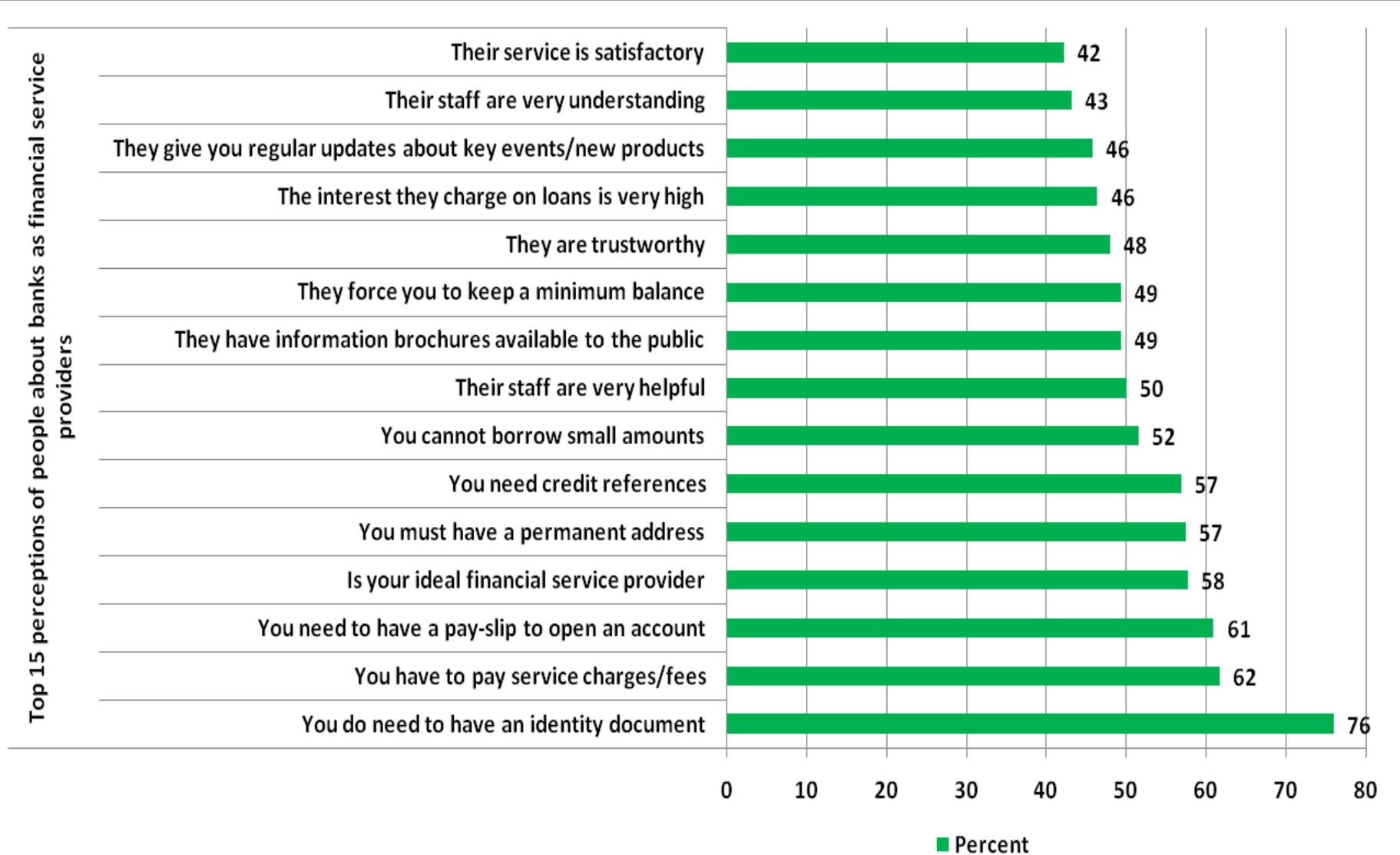
- ❖ Of the adult population who own houses they live in (N=589,439), 40% are banked.
- ❖ Of the adult population who rent the houses they live in (N=400,477), 42% are banked.
- ❖ Compared to FinScope 2004, 35% of those who owned houses were banked, while 67% of those who rented houses were banked.



# People's Perception of Financial Services Providers



# Top 15 perceptions of people about banks as financial service providers (N=993,854)



# Summary of people perceptions about various financial service providers

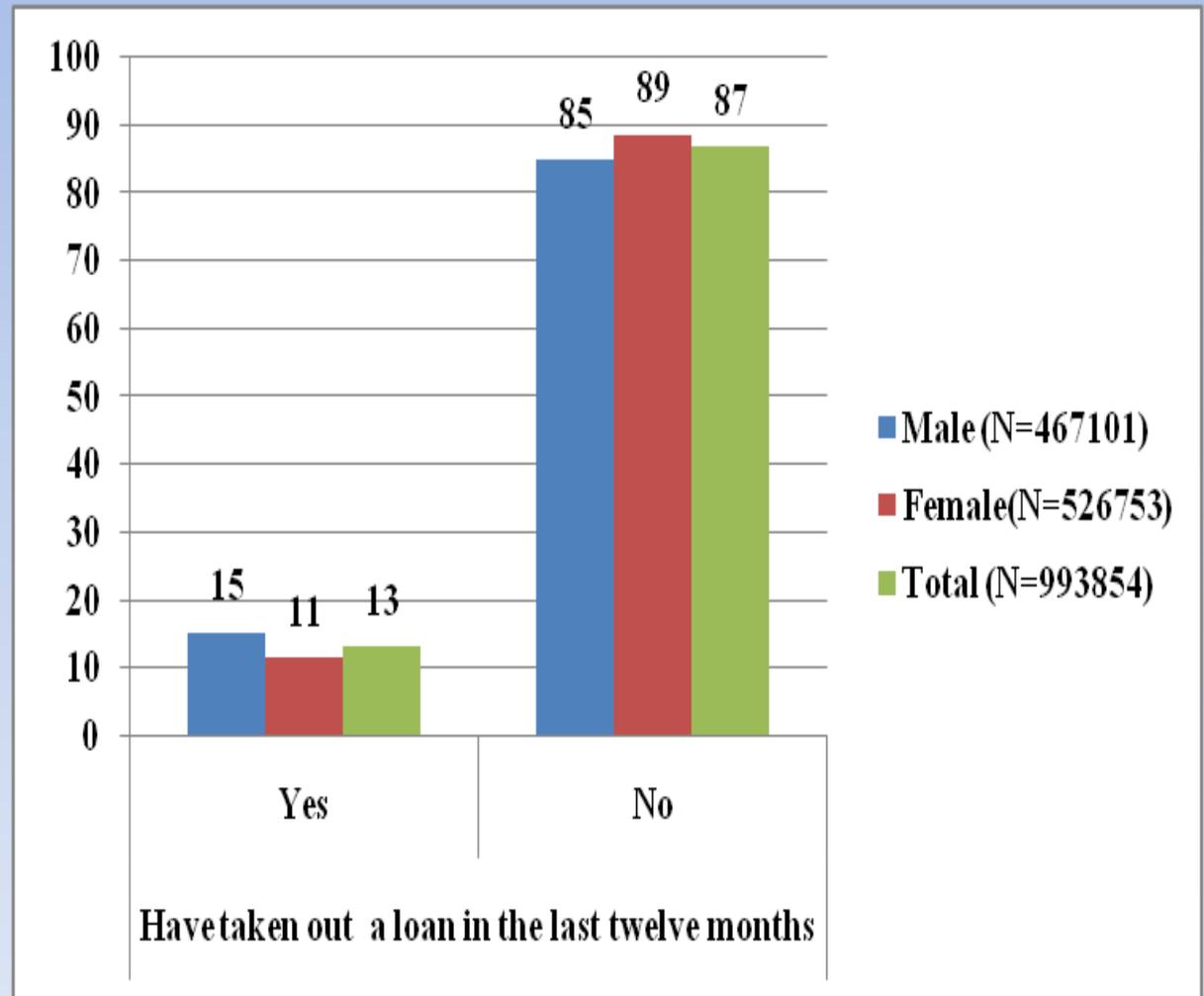
- ❖ The most rated perception about all financial service providers is that you need to have an identity document so as to access their services.
- ❖ The other highly rated perceptions varies as follows:
  - ❖ Banks: Pay service charges/fees
  - ❖ Insurance companies and Burial Societies: Are too far away from where people live/work
  - ❖ Micro-lenders: Interests they charge on credit are very high
  - ❖ Motshelos: Their staff are very helpful
  - ❖ Furniture/Food and Clothing Retailers: They have information brochures available to the public

# Credit and Loans

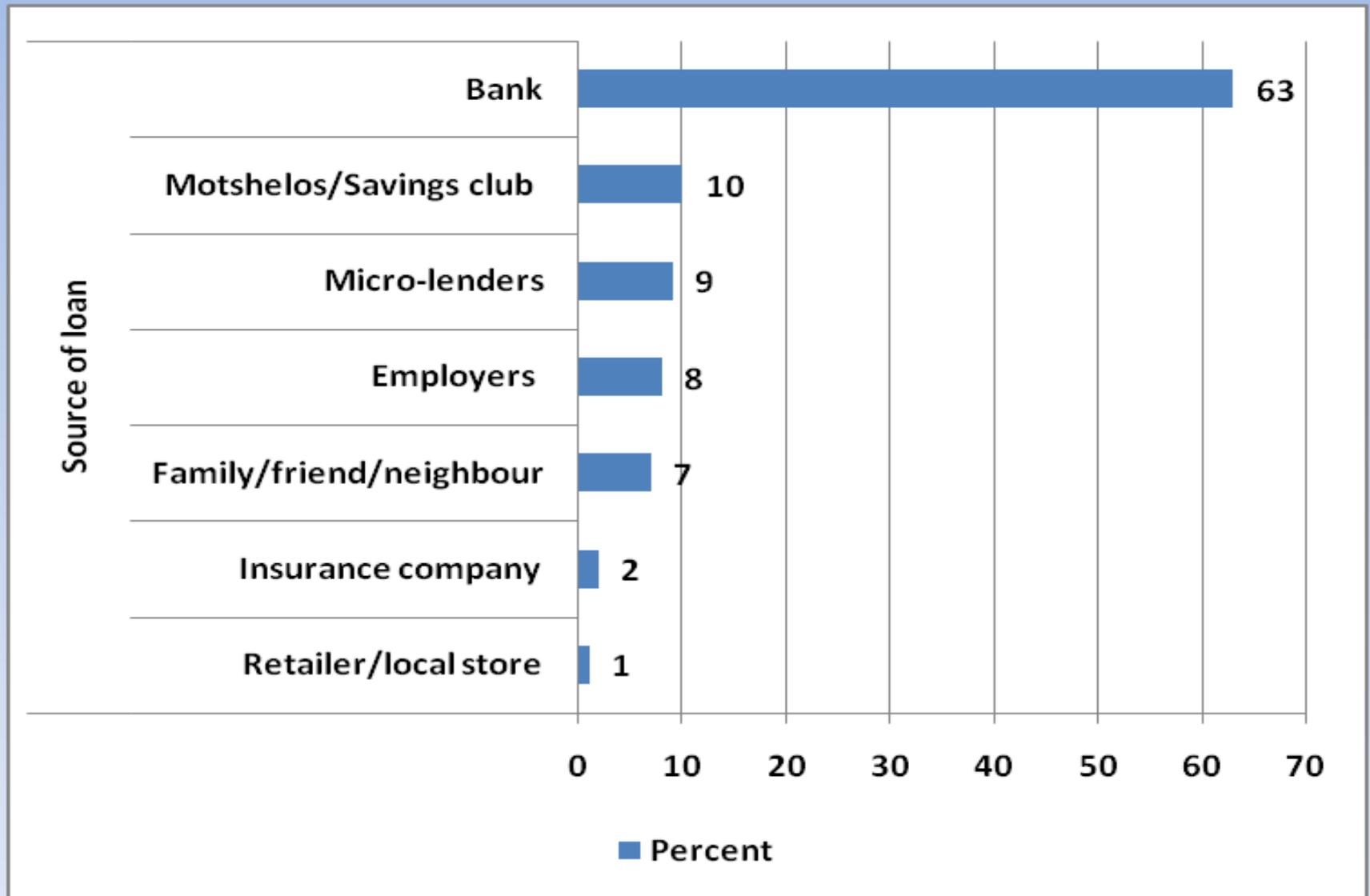


# Taken out loan in the past 12 months by gender

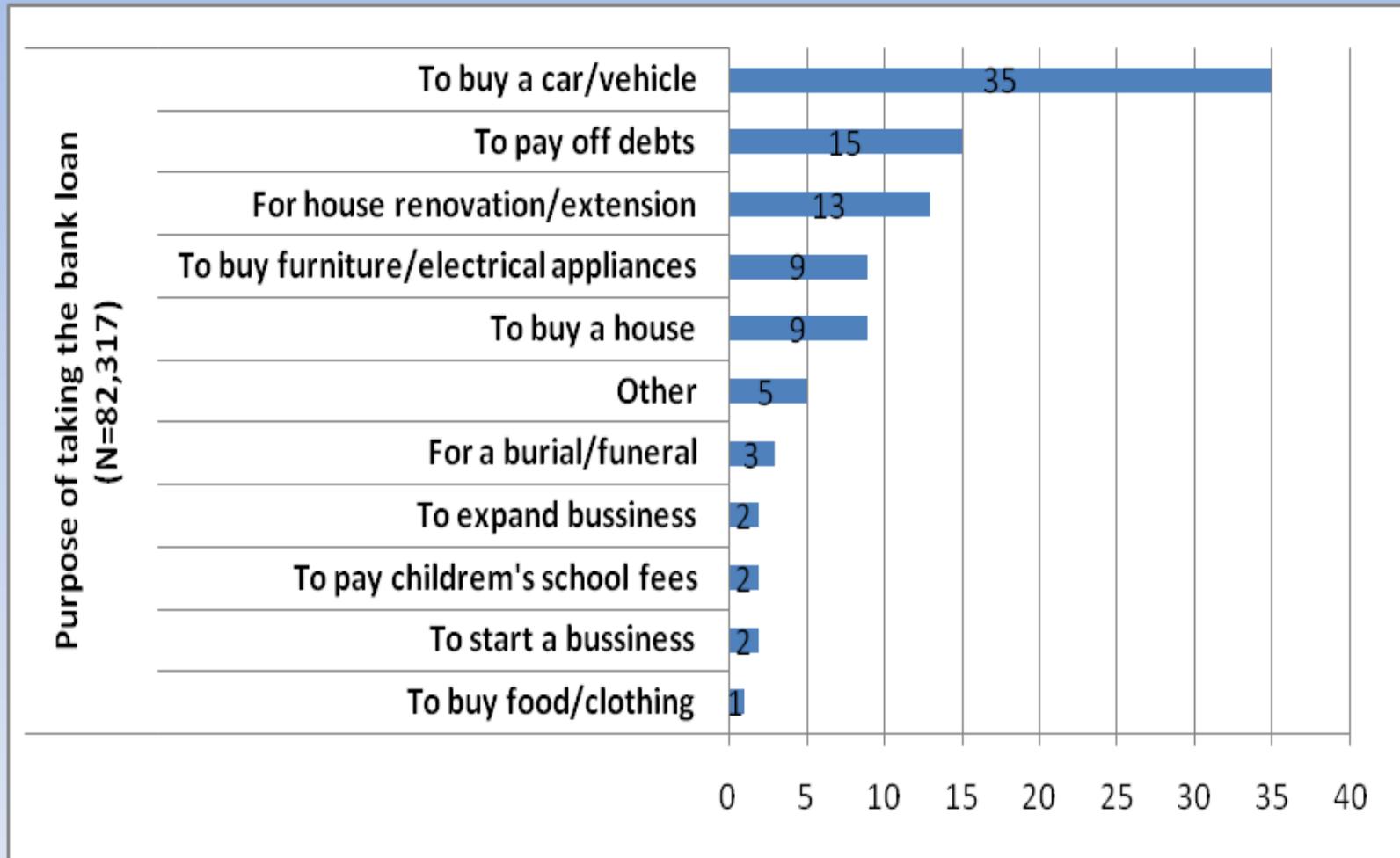
- ❖ Of the total adult population (N=993,854), 13% had taken out loan in the past 12 months.
- ❖ Among the males (N=467,101), 15% had taken out loans in the past 12 months.
- ❖ Among the females (N=526,753), 11% had taken out loan in the past 12 months.



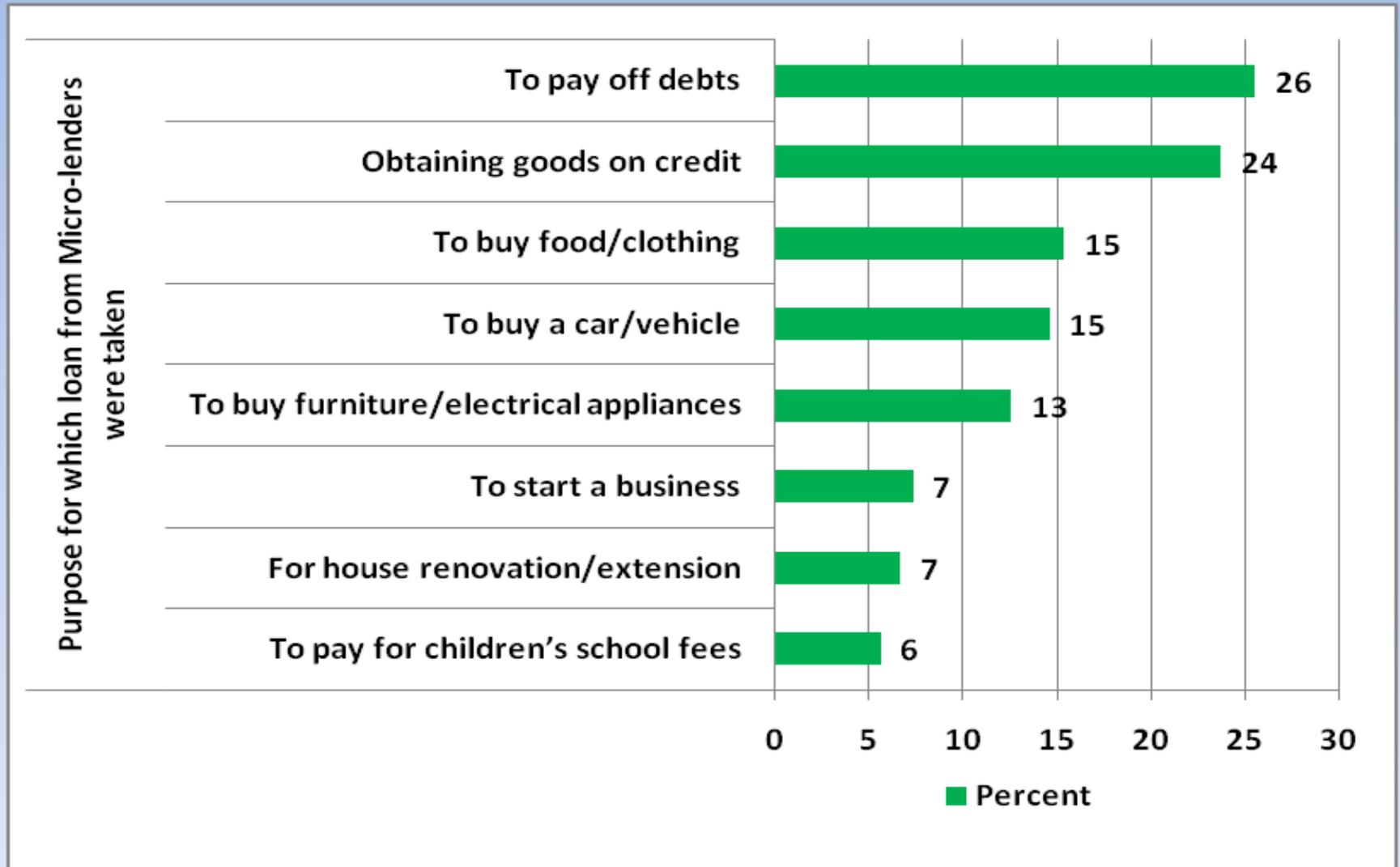
## Source of loans taken (N=130,712)



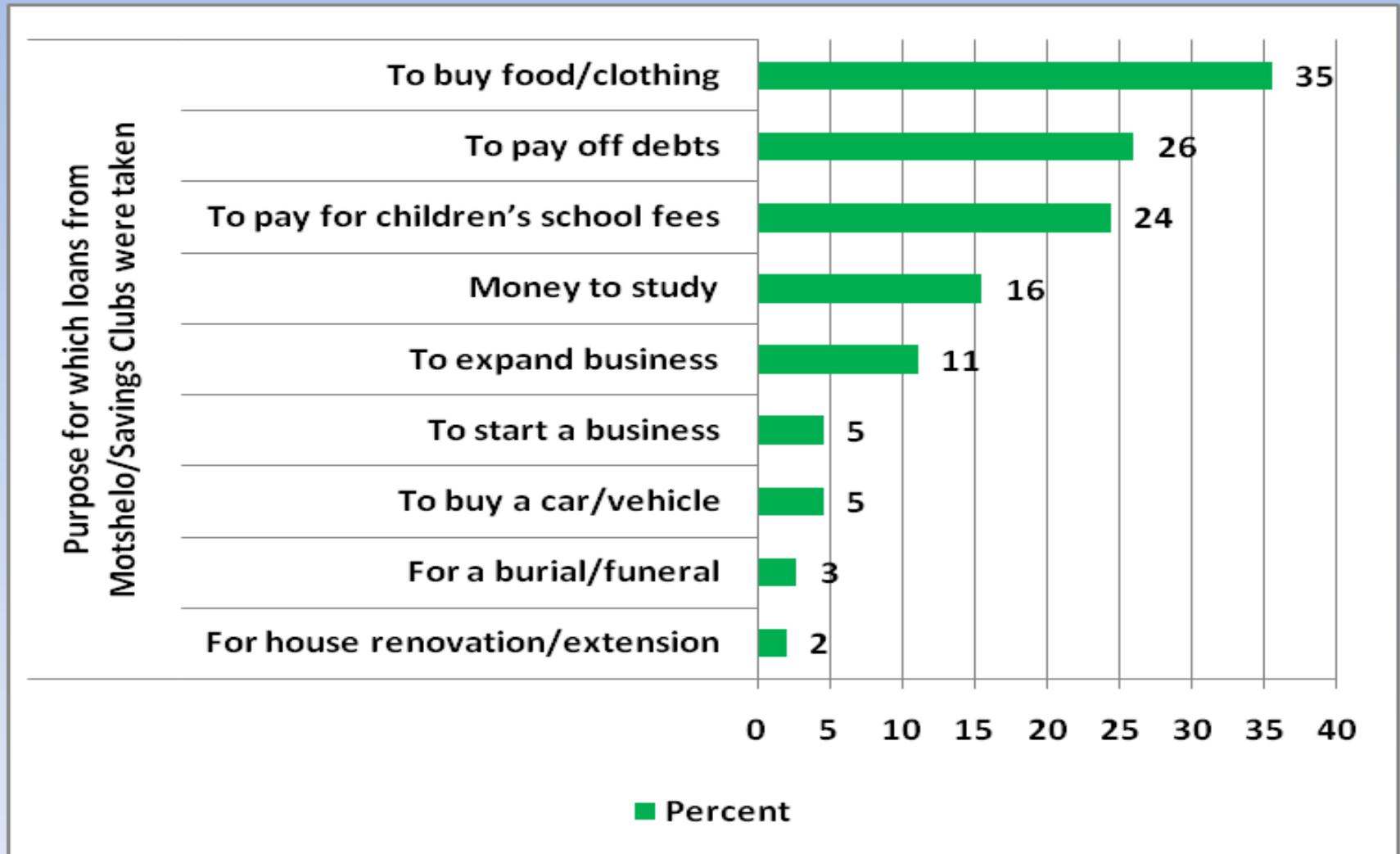
# Purposes for which loans from banks were taken (N=82,317)



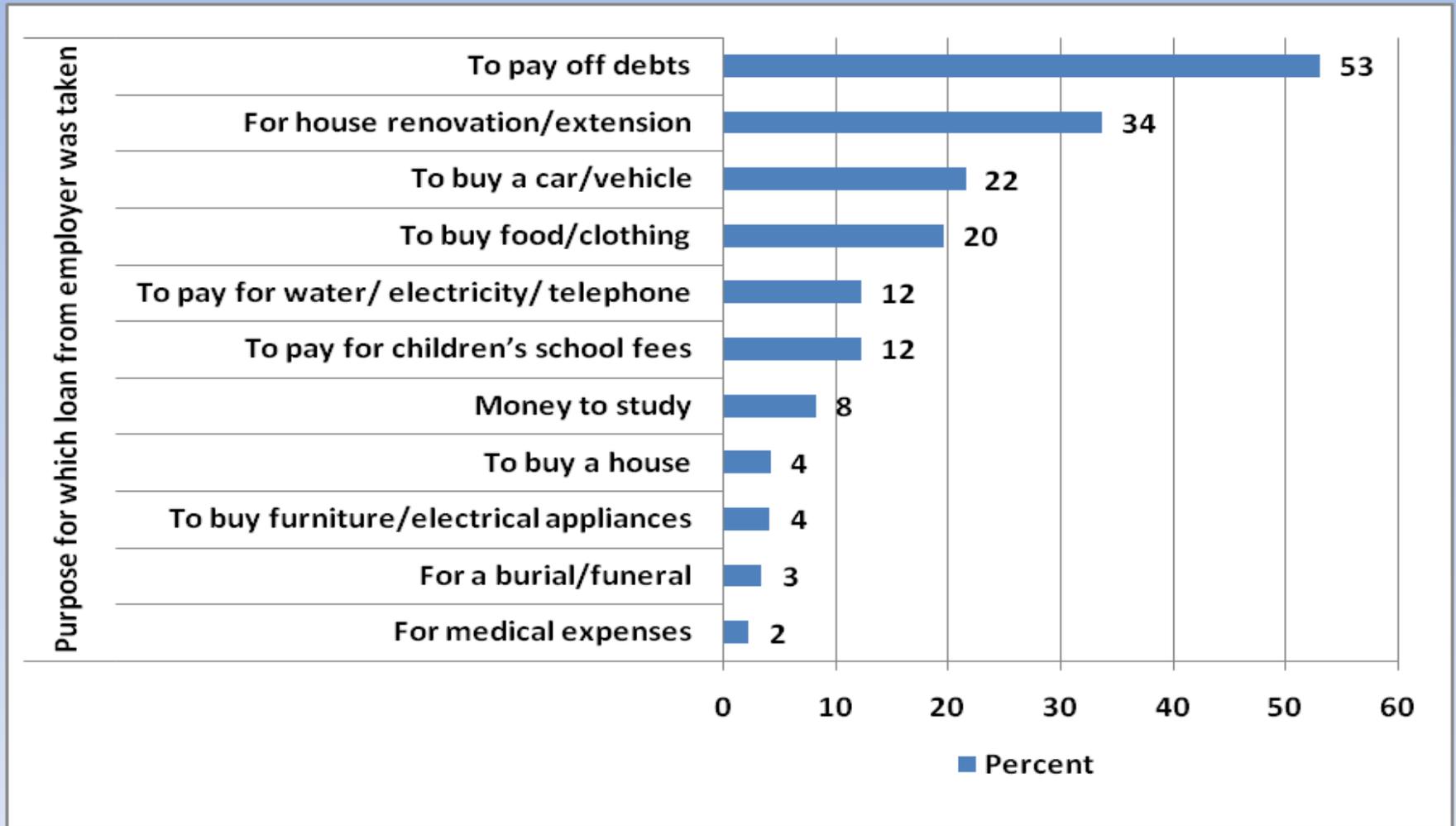
# Purposes for which loans from Micro-lenders were taken (N=11,756)



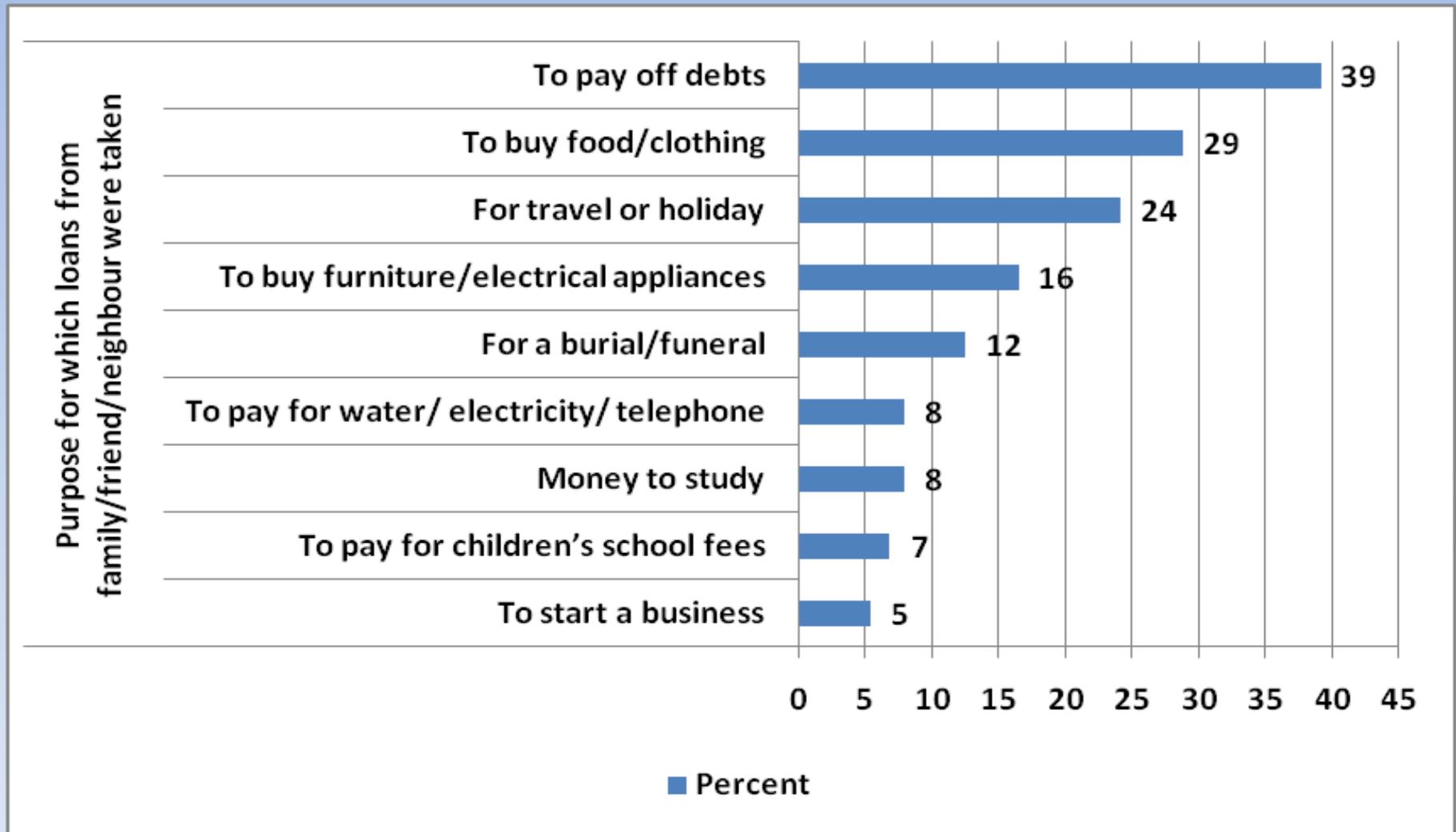
# Purpose for which loans from Motshelo / Savings Clubs were taken (N=12,909)



# Purposes for which loans from employers were taken (N=10,680)

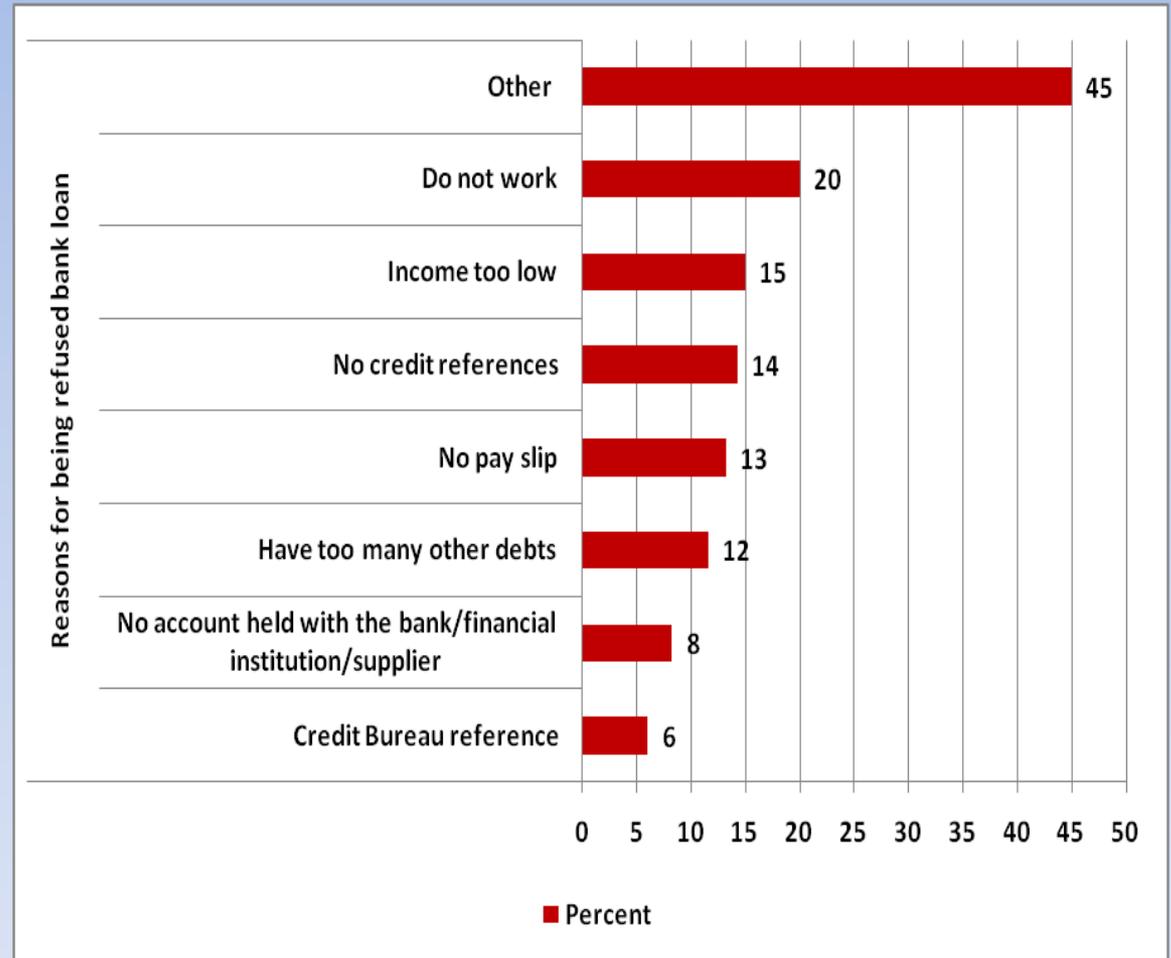


# Purpose for which loans from family / friend / neighbour were taken (N=8,564)

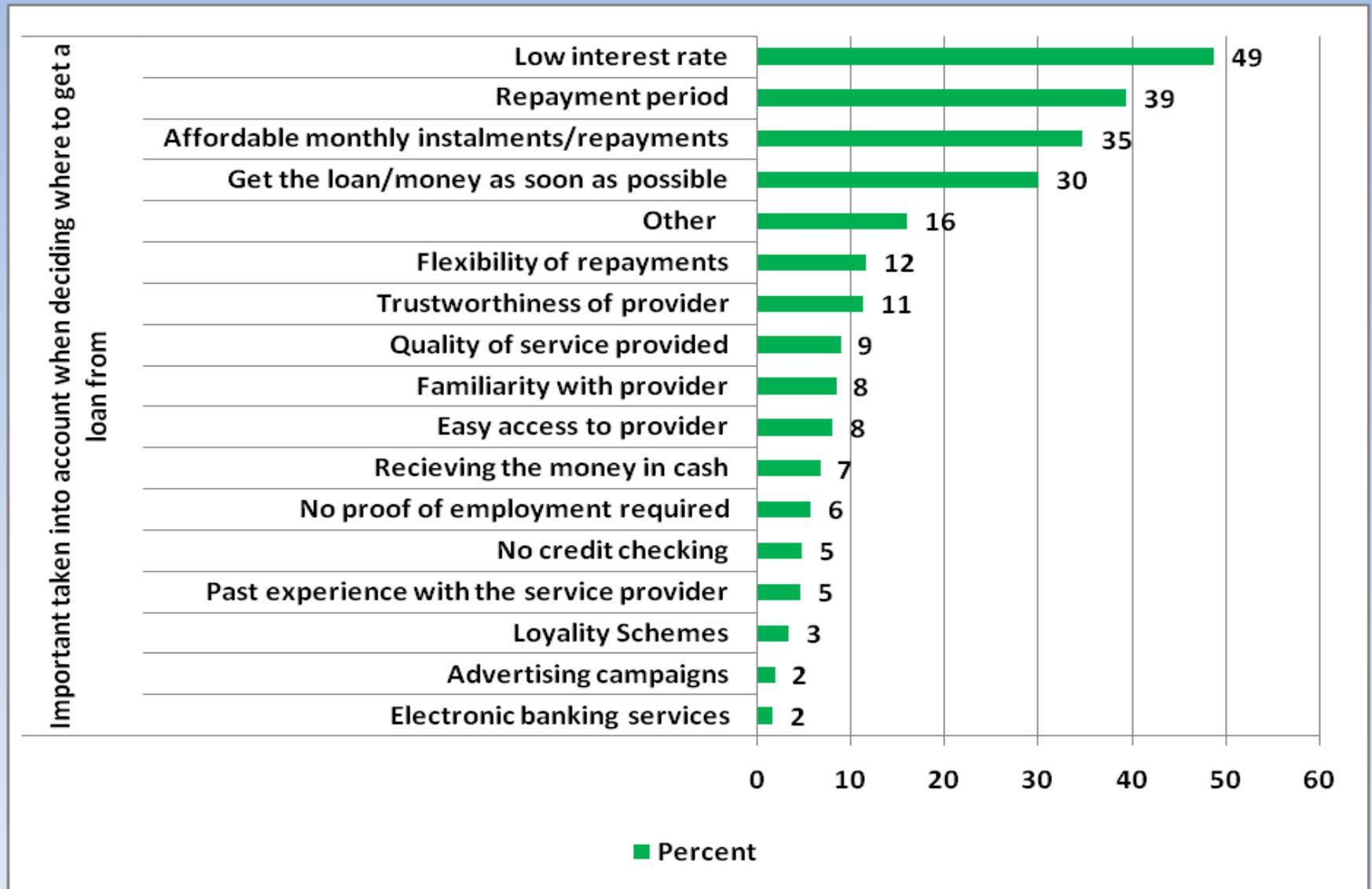


# Reasons for being refused loan from bank (N=21,225)

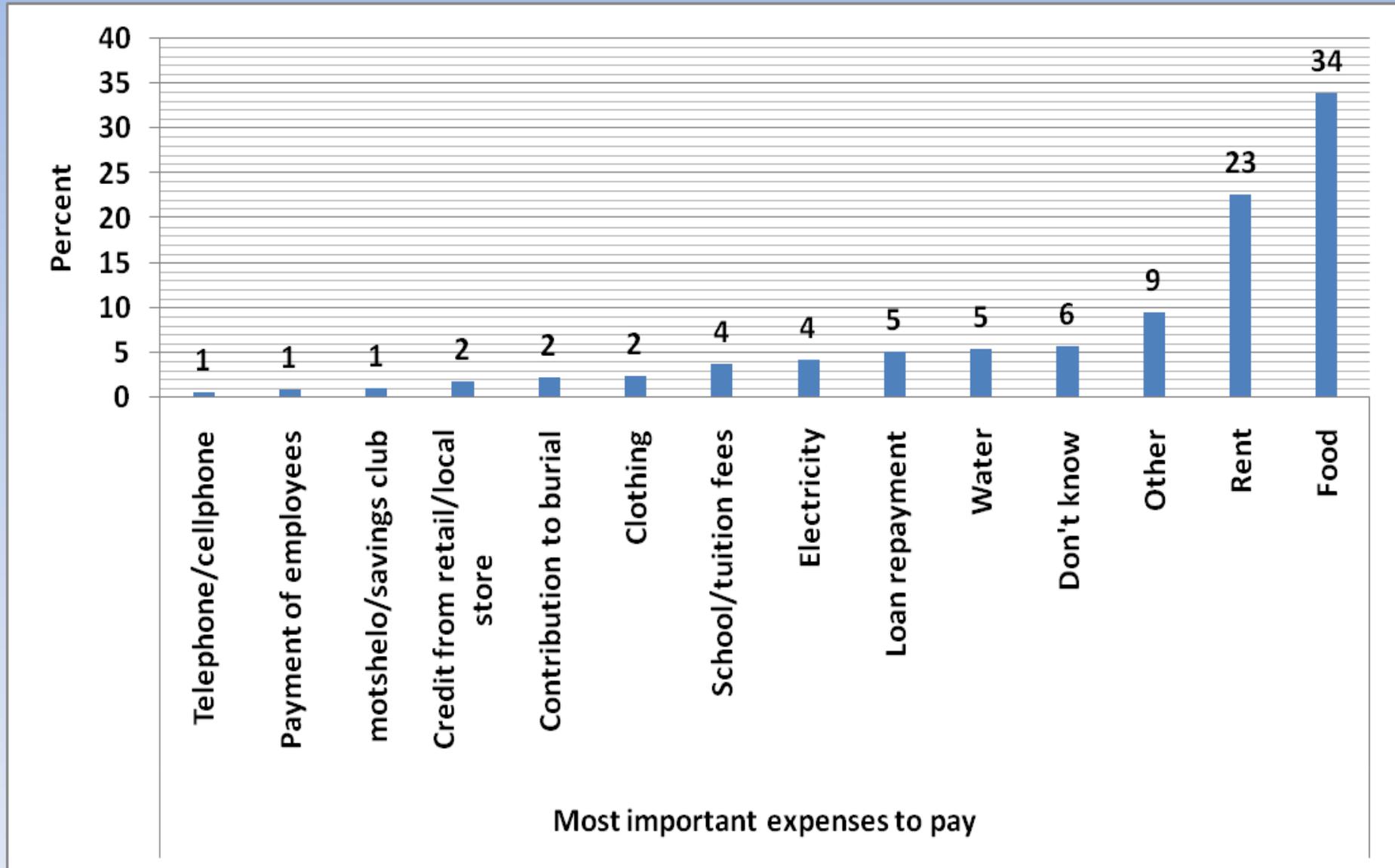
- ❖ 45% of those who were refused bank loan gave “Other” as their reason without specifying what the “Other” is.
- ❖ 20% were denied loan because they do not work presumably because such persons will have low repayment capacity.



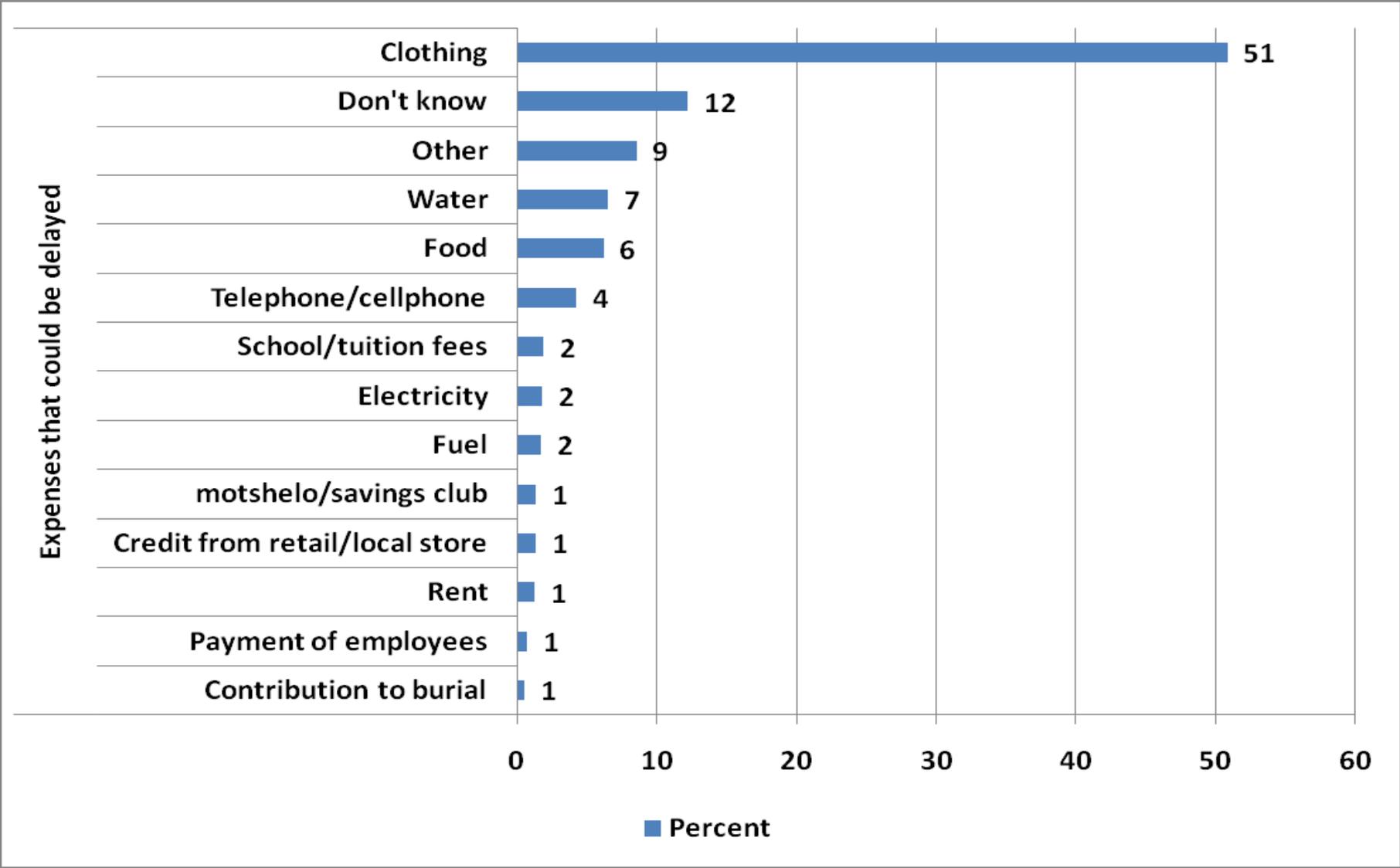
# Most important factors to take into account when deciding where to get a loan from (N=993,854)



# Most important expenses to pay (N=993,854)



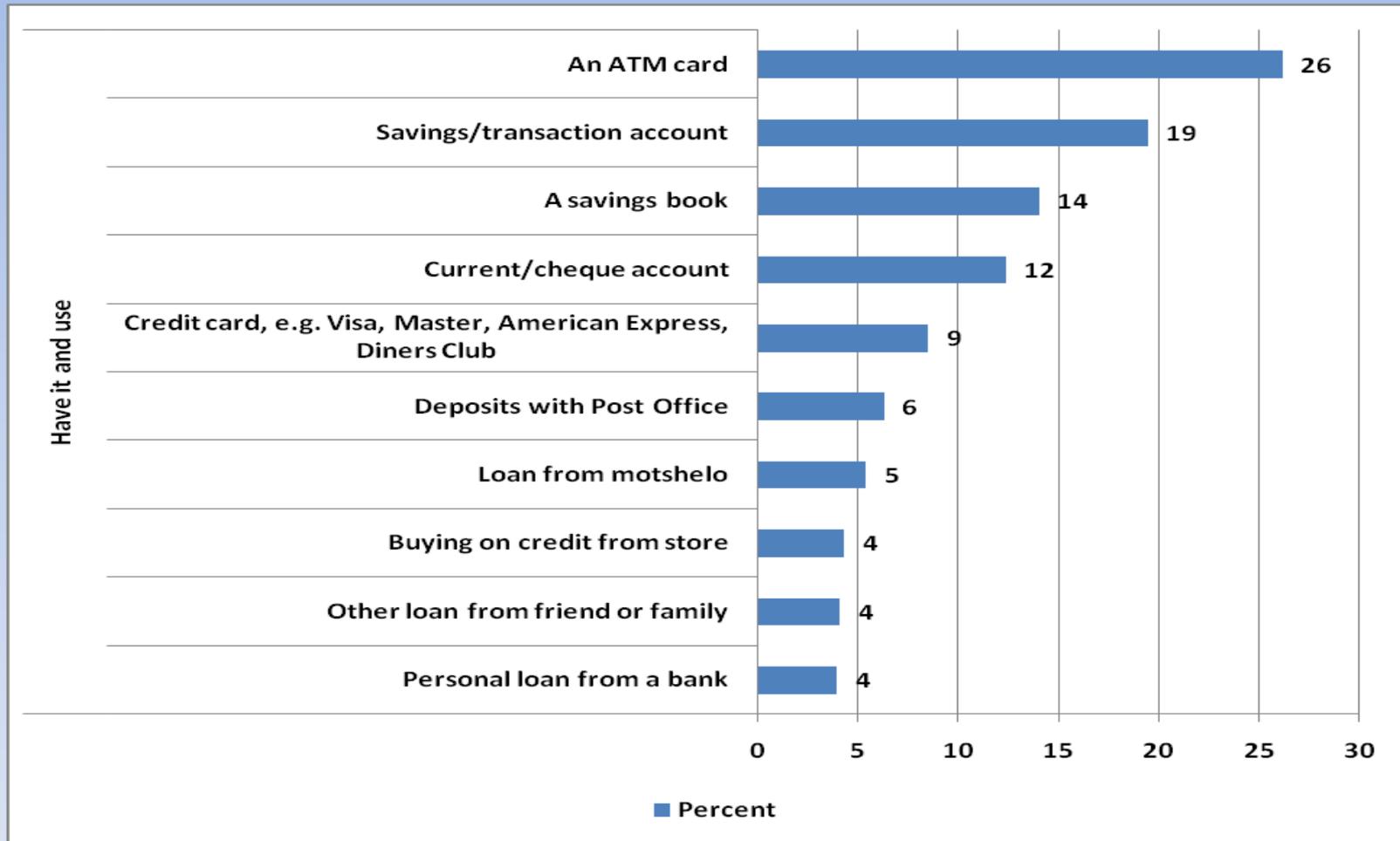
# Expenses whose payment can be delayed (N=993,854)



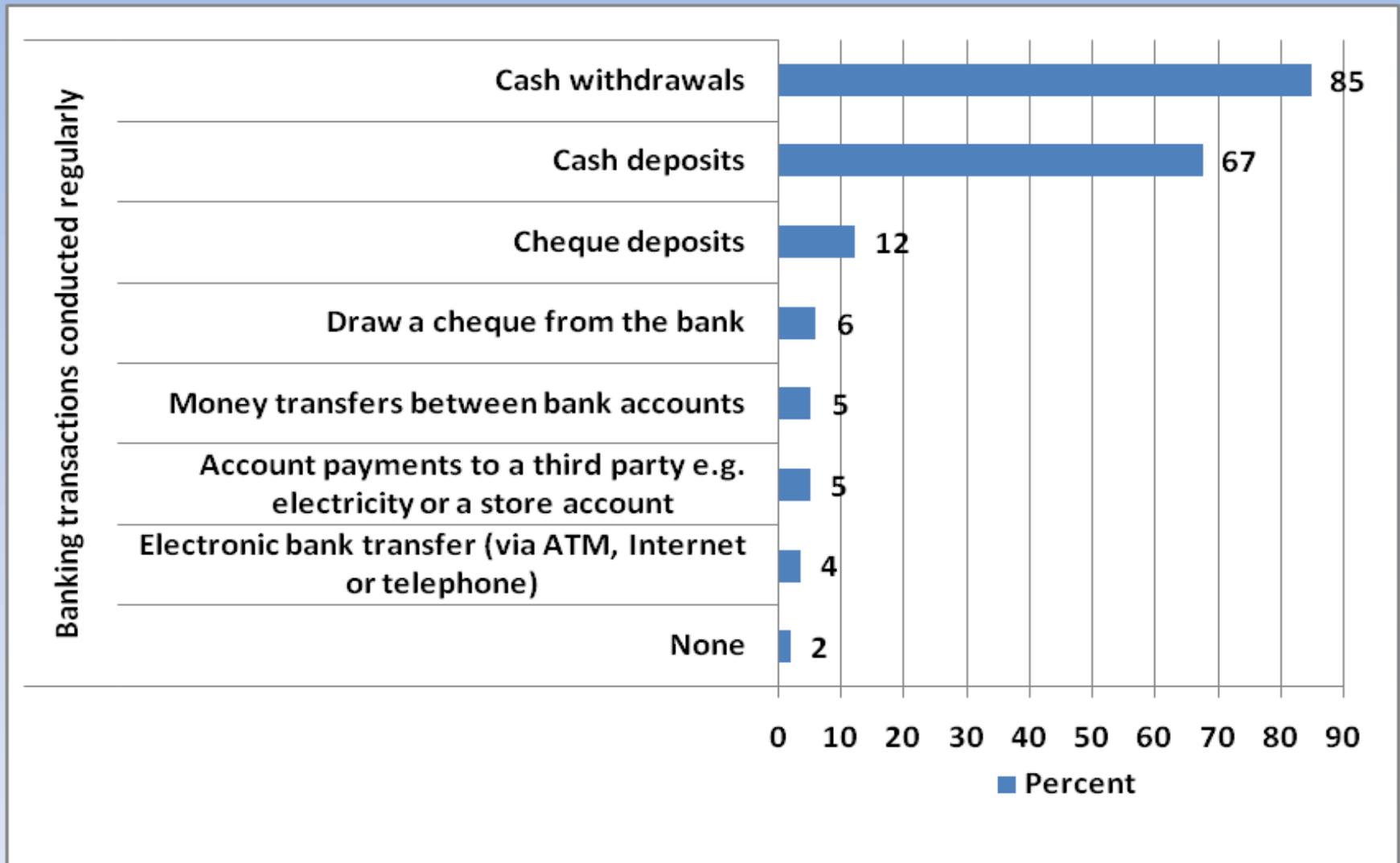
# Current Banking Activities



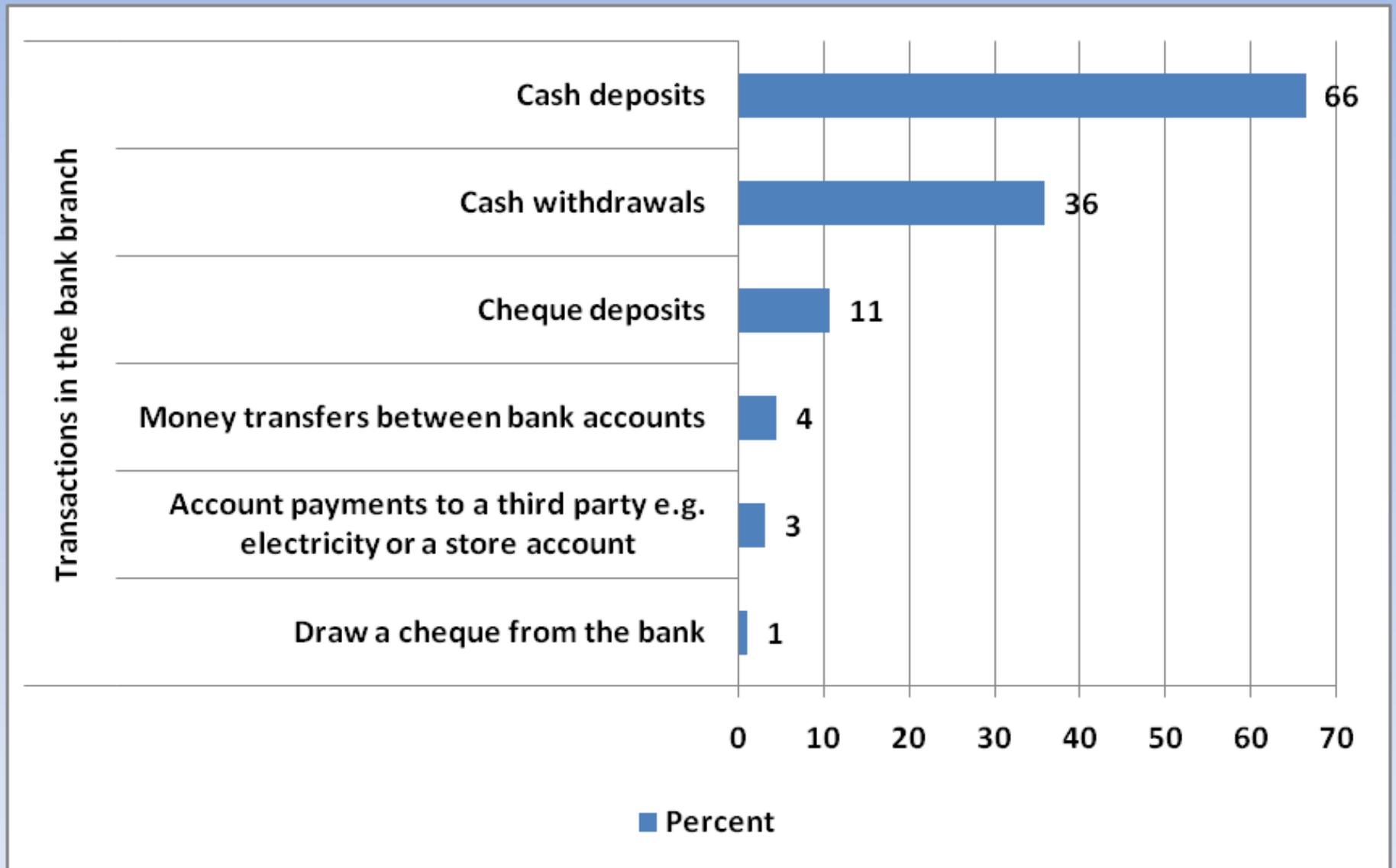
# Top 10 Financial Products/Services - Have now and use (N=993,854)



# Banking transactions conducted regularly by the currently banked (N=405,022)



# Bank transactions in the branch (N=405,022)



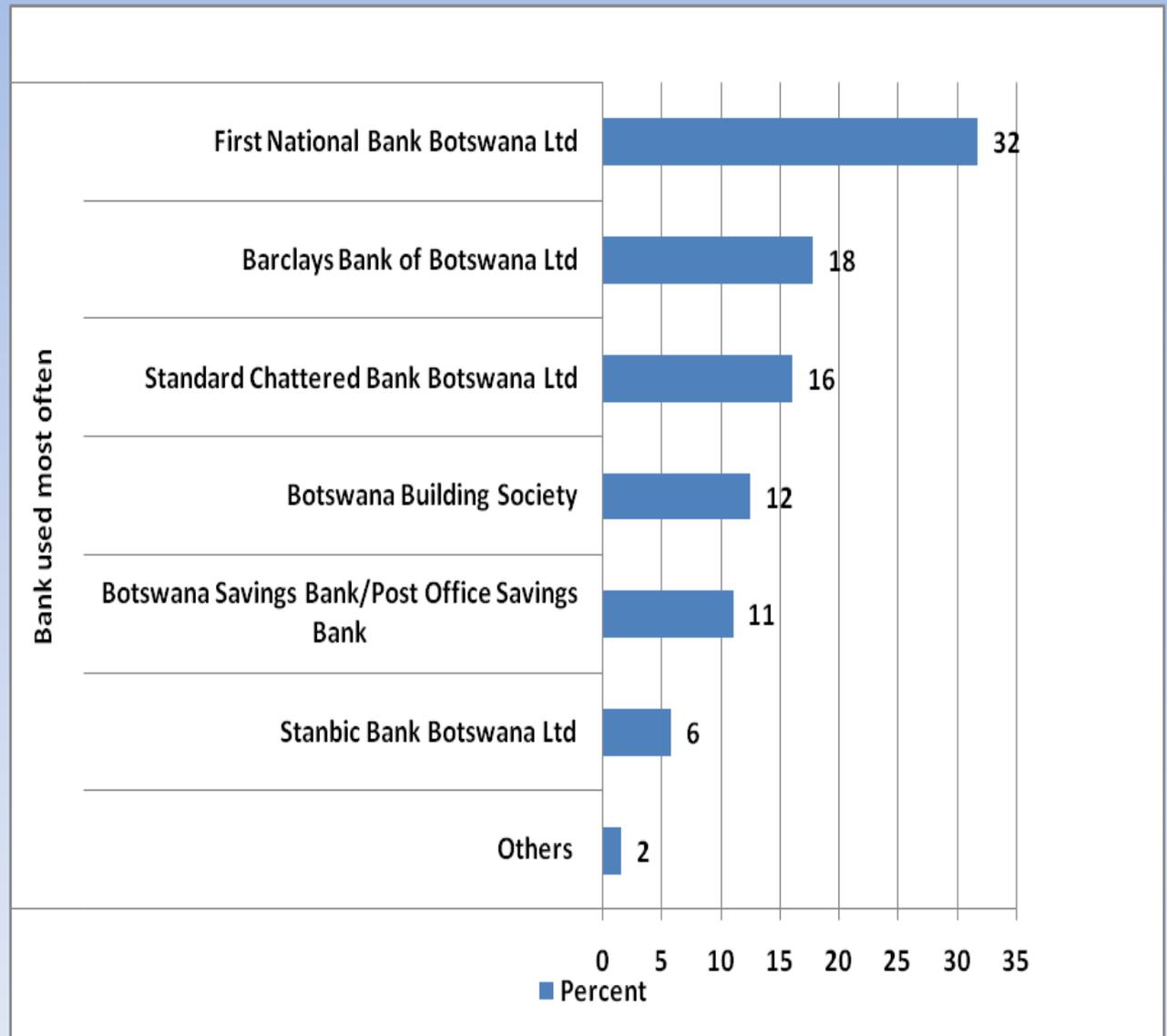
# Bank Penetration



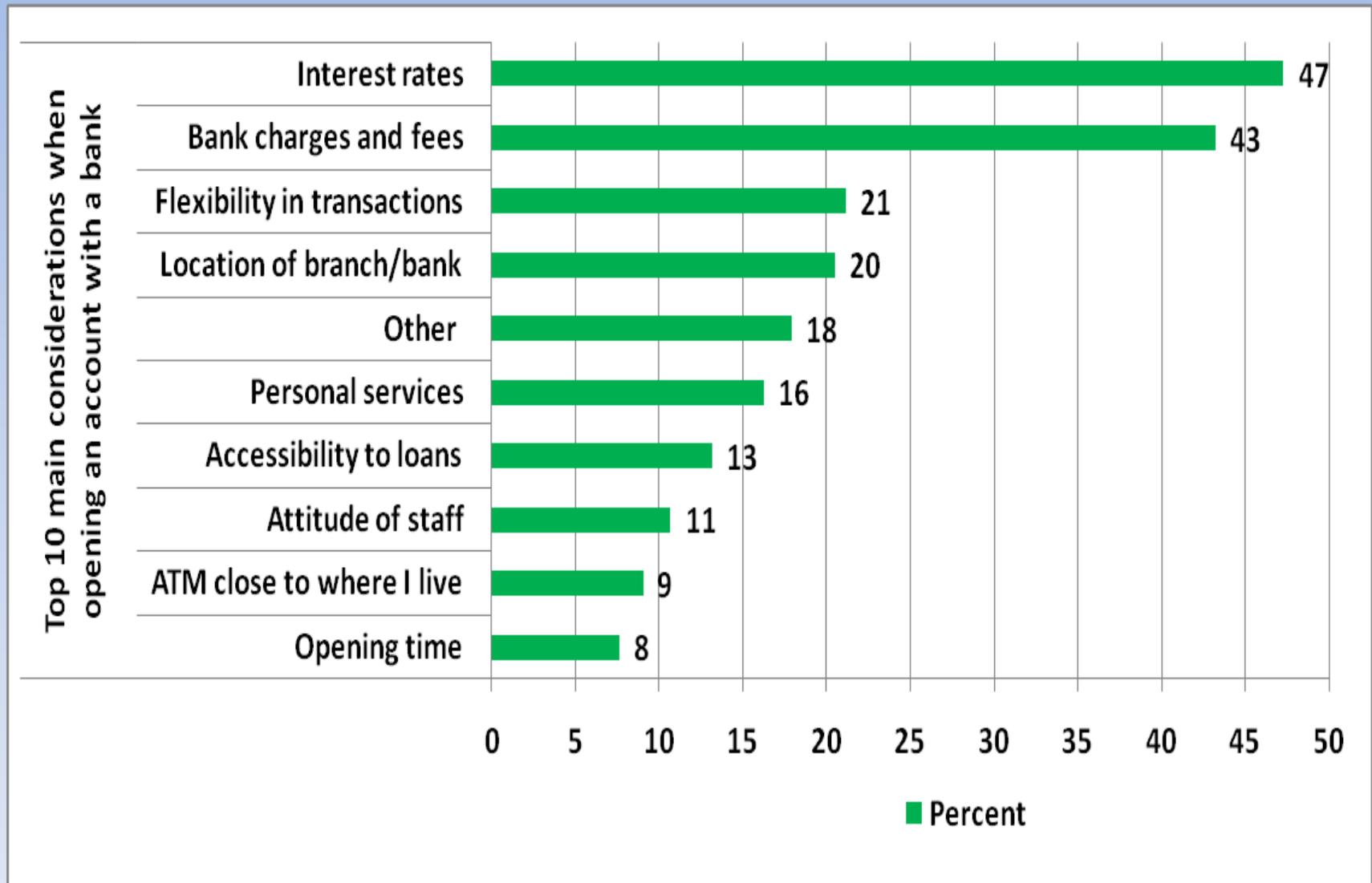
# Banks used most often by the banked (N=357,703)

❖ Of the banked population, 32% used First National Bank of Botswana most often.

❖ 18% of them used Barclays Bank, while 16% used Standard Chartered Bank of Botswana most often.



# Top 10 main considerations to take into account when opening bank account (N=993,854)

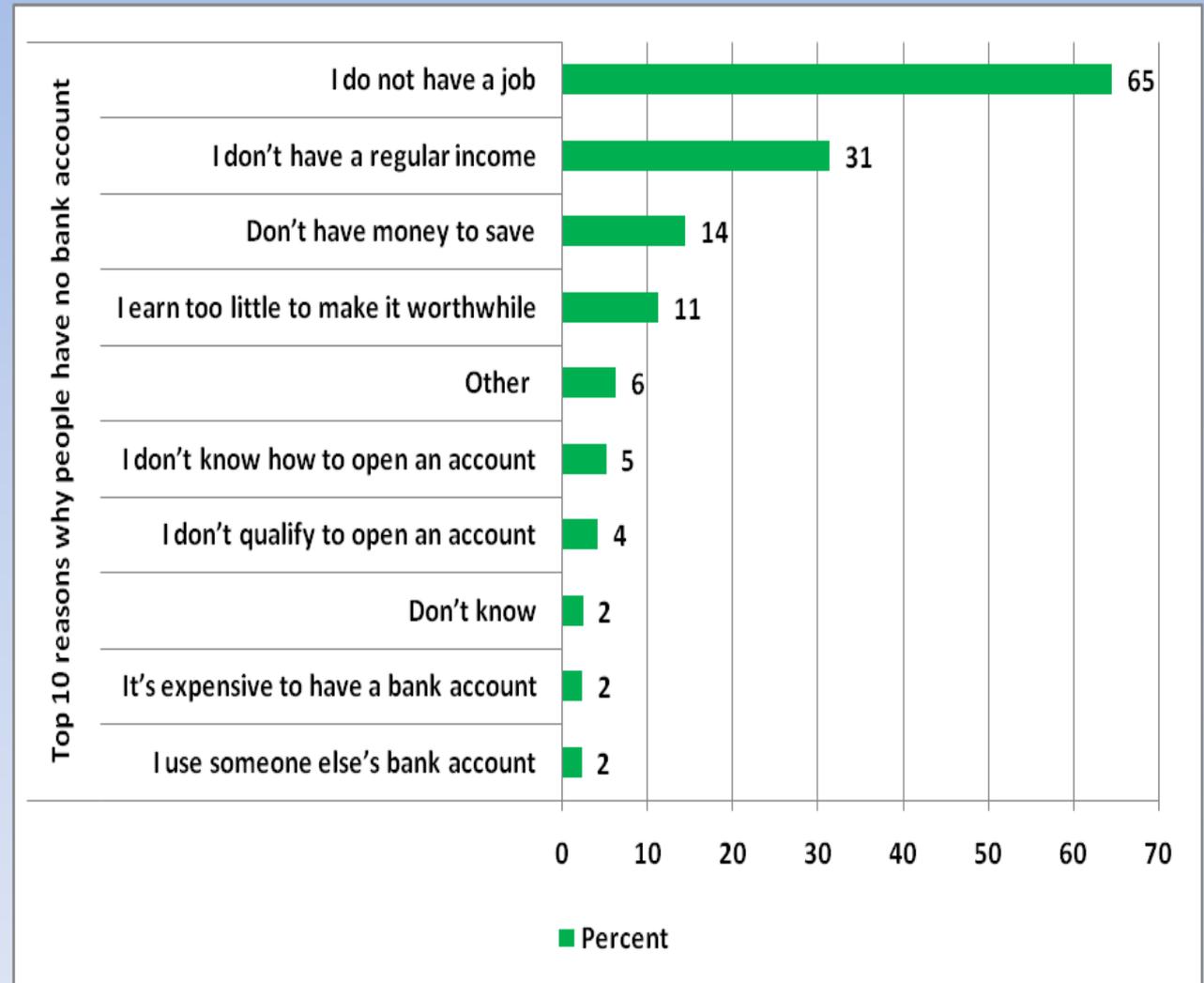


Unbanked



# Top 10 reasons why unbanked people don't have bank account (N=588,832)

- ❖ Lack of job (65%) stands out from those who have no bank account as the major reason for not having a bank account. This is followed by not having a regular income (31%).

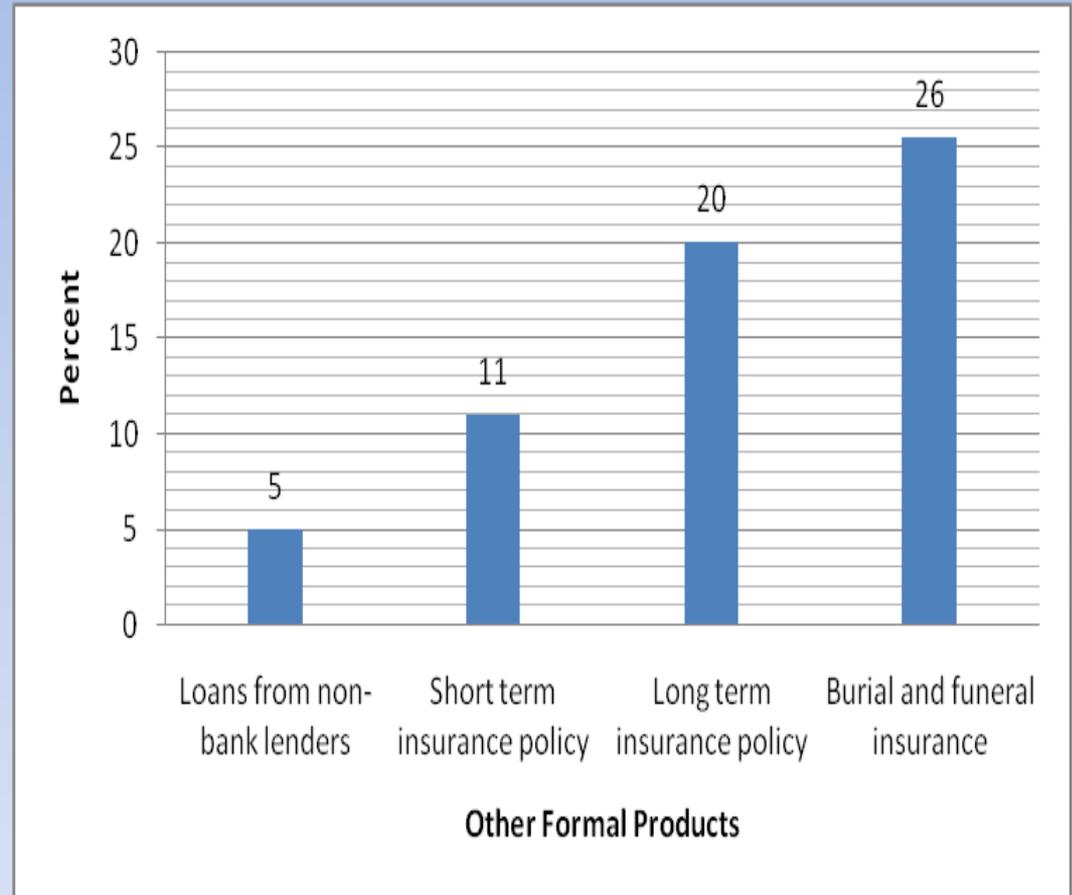


# Other Formal Products



## Other Formal Products - Breakdown (N=993,854)

- ❖ The other formal products were reclassified into loans from non-bank lender, funeral/burial insurance, short-term insurance and long-term insurance.
- ❖ Of the adult population (N=993,854), 26% (253,851) have access to burial and funeral insurance.
- ❖ 20% (199,562) have access to long-term insurance.
- ❖ 11% (109,248) have access to short-term insurance.
- ❖ Only 5% (49,715) have access to loans from non-bank lenders.

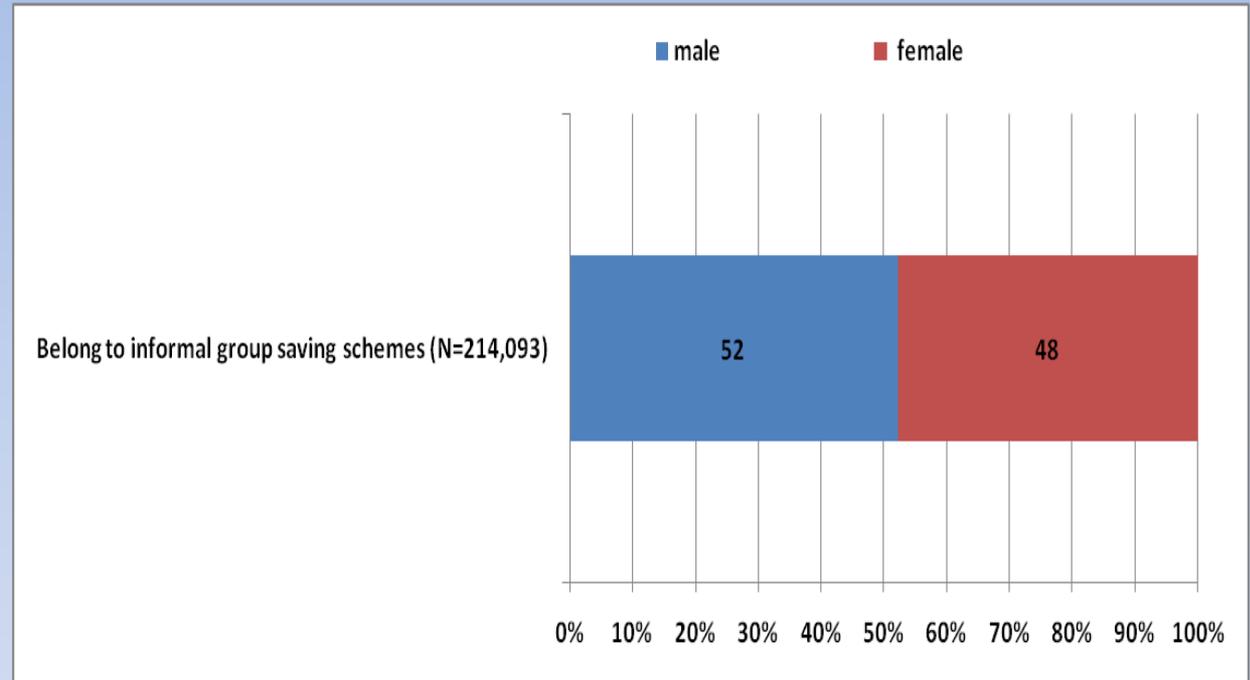


# Informal Savings



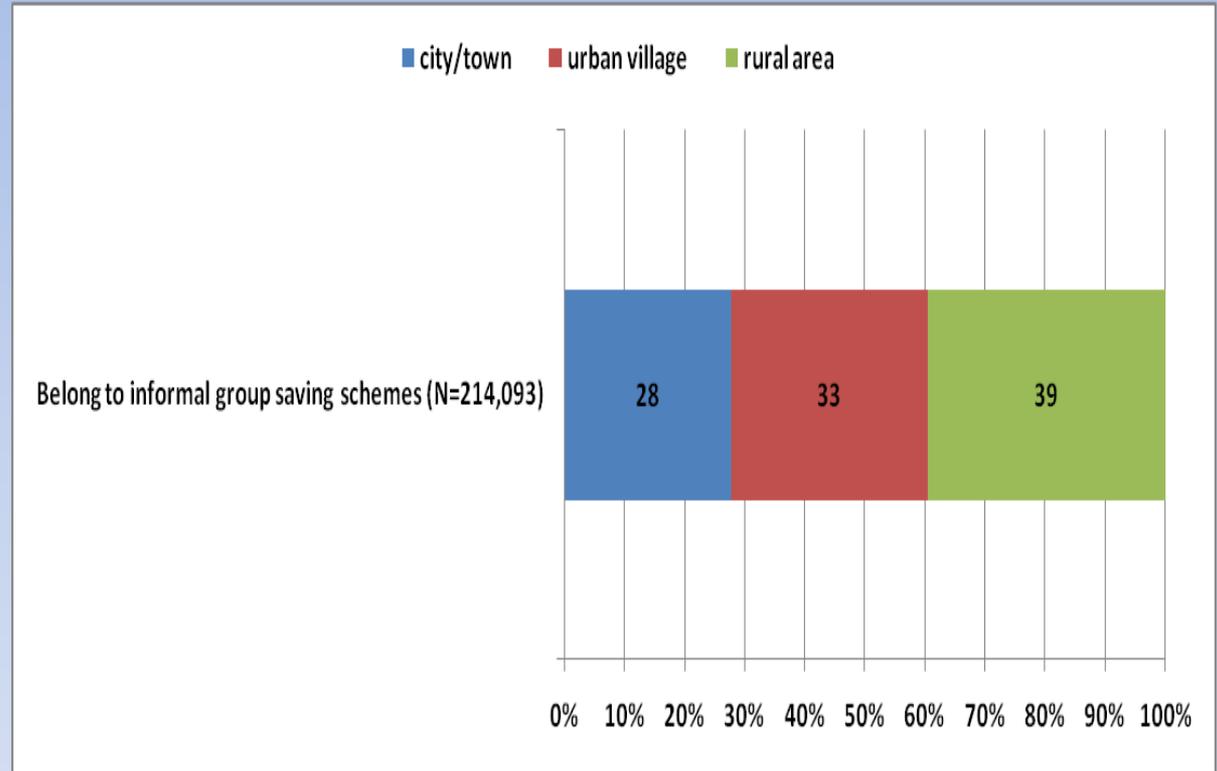
# Belong to informal group saving scheme by gender (N=214,093)

- ❖ 22% of the adult population belong to informal societies/group saving scheme.
- ❖ Of the adult population that belongs to informal savings group schemes, (N=214,093), 52% were male and 48% were females



# Belong to informal group saving scheme by location (N=214,093)

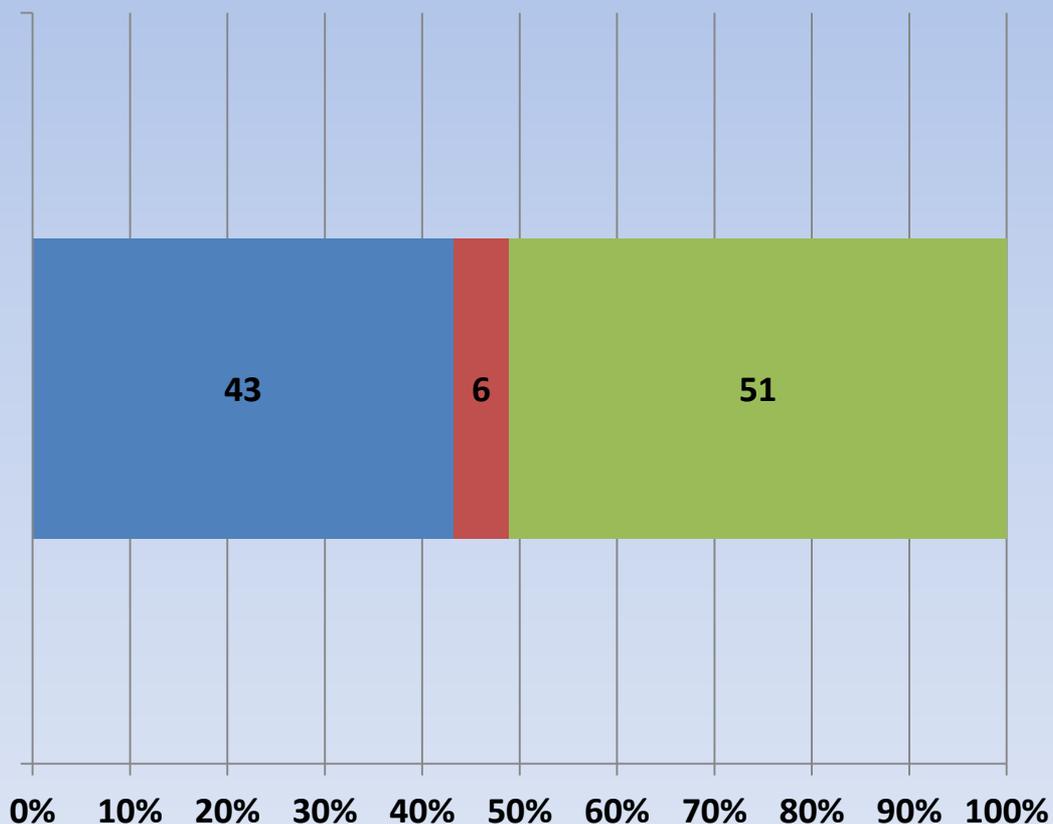
- ❖ Of the total adult population that belonged to informal group saving schemes (N=214,093), 28% were in city/town, 33% from urban villages, and 39% from rural areas.
- ❖ This result shows a similar distribution to the overall adult population distribution



# Belong to informal group saving scheme by banking status (N=214,093)

■ currently banked   ■ previously banked   ■ never banked

Belong to informal group saving schemes  
(N=214,093)



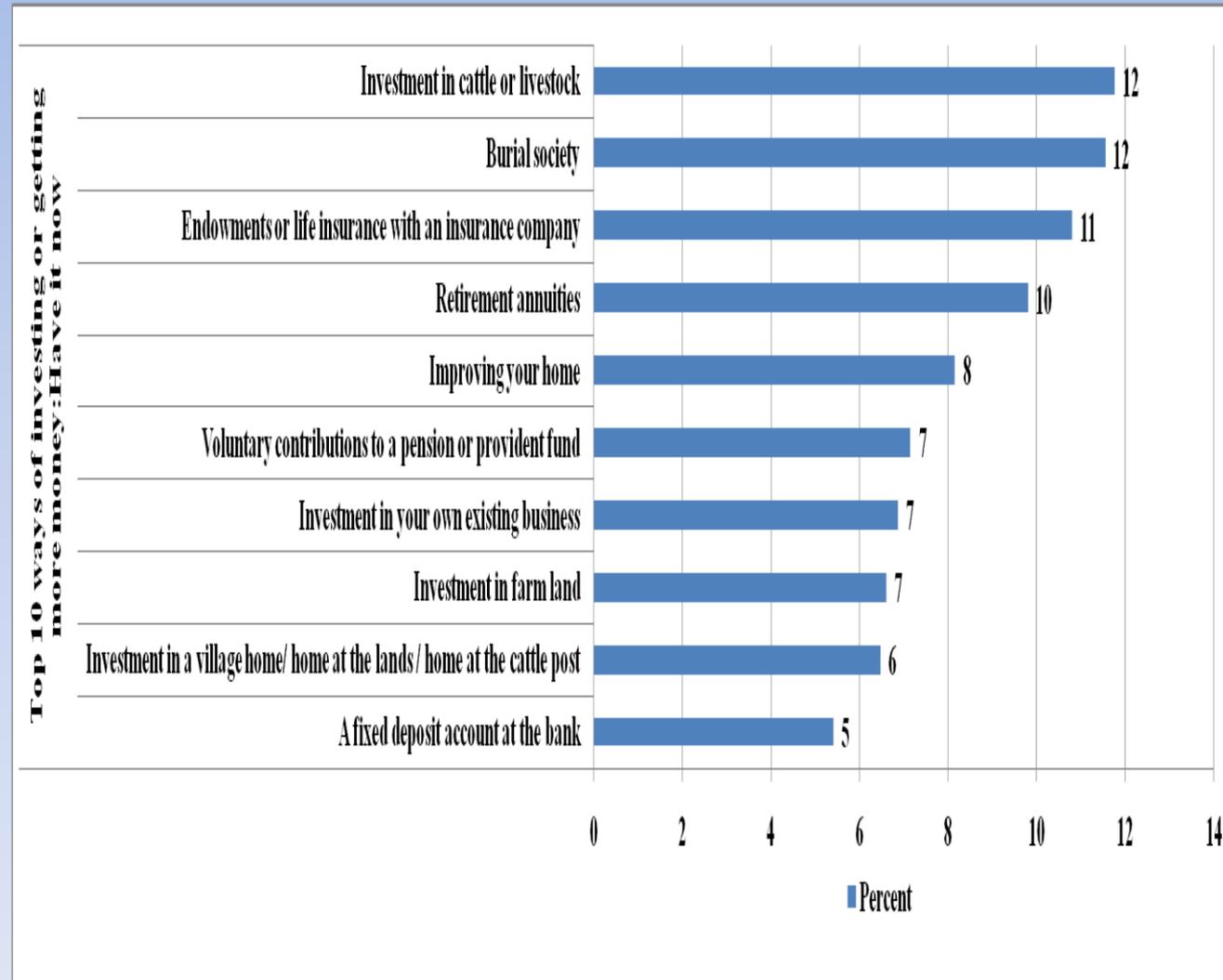


# Investments



# Ways of investing or generating additional money (N=993,854)

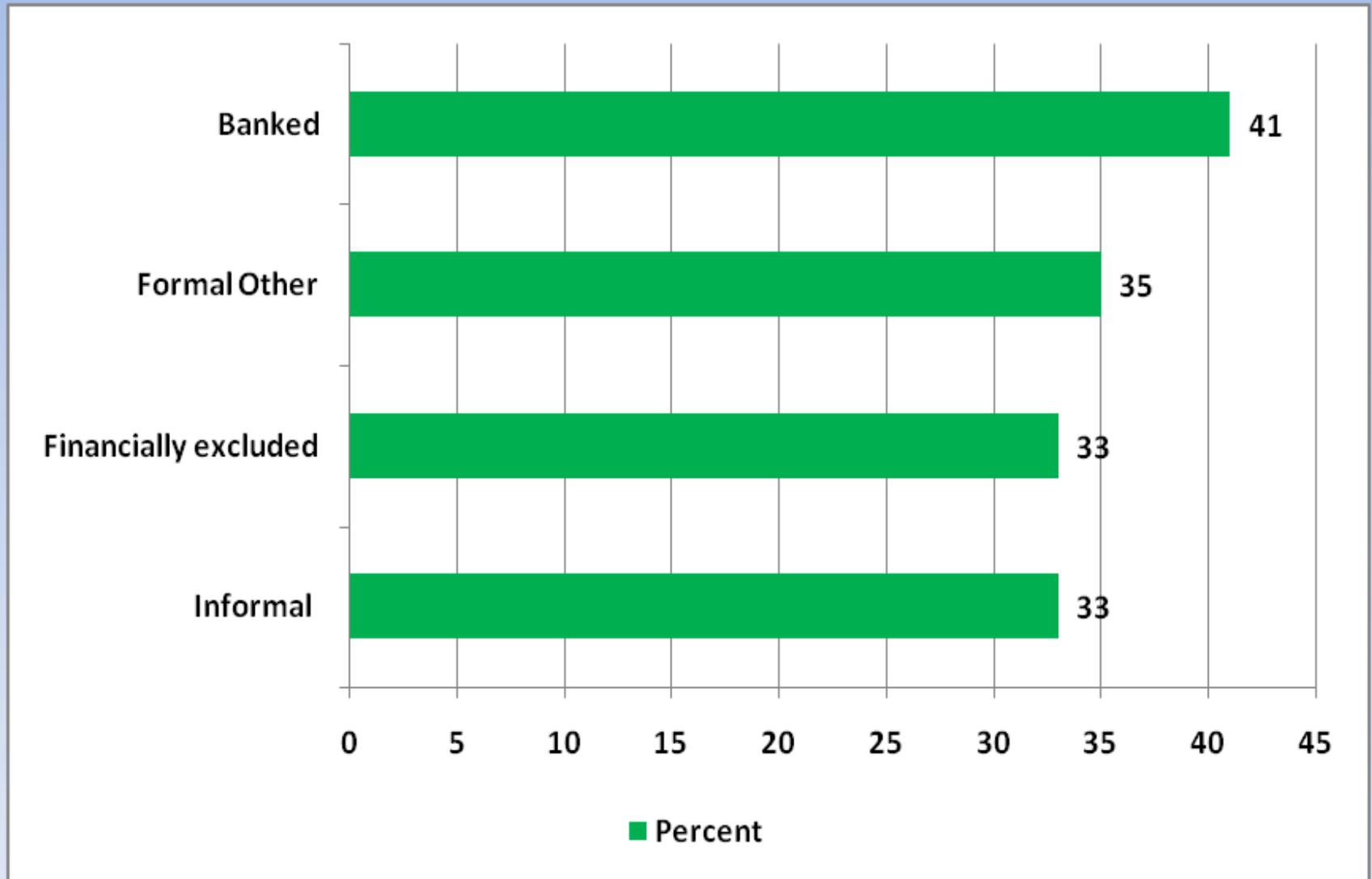
- ❖ 12% of the adult population believe that investing in cattle or livestock or burial society are other ways of investing money rather than put in the bank.
- ❖ Other ways of investment are endowment of life insurance with an insurance company (11%), retirement annuity (10%) and improving one's home (8%).



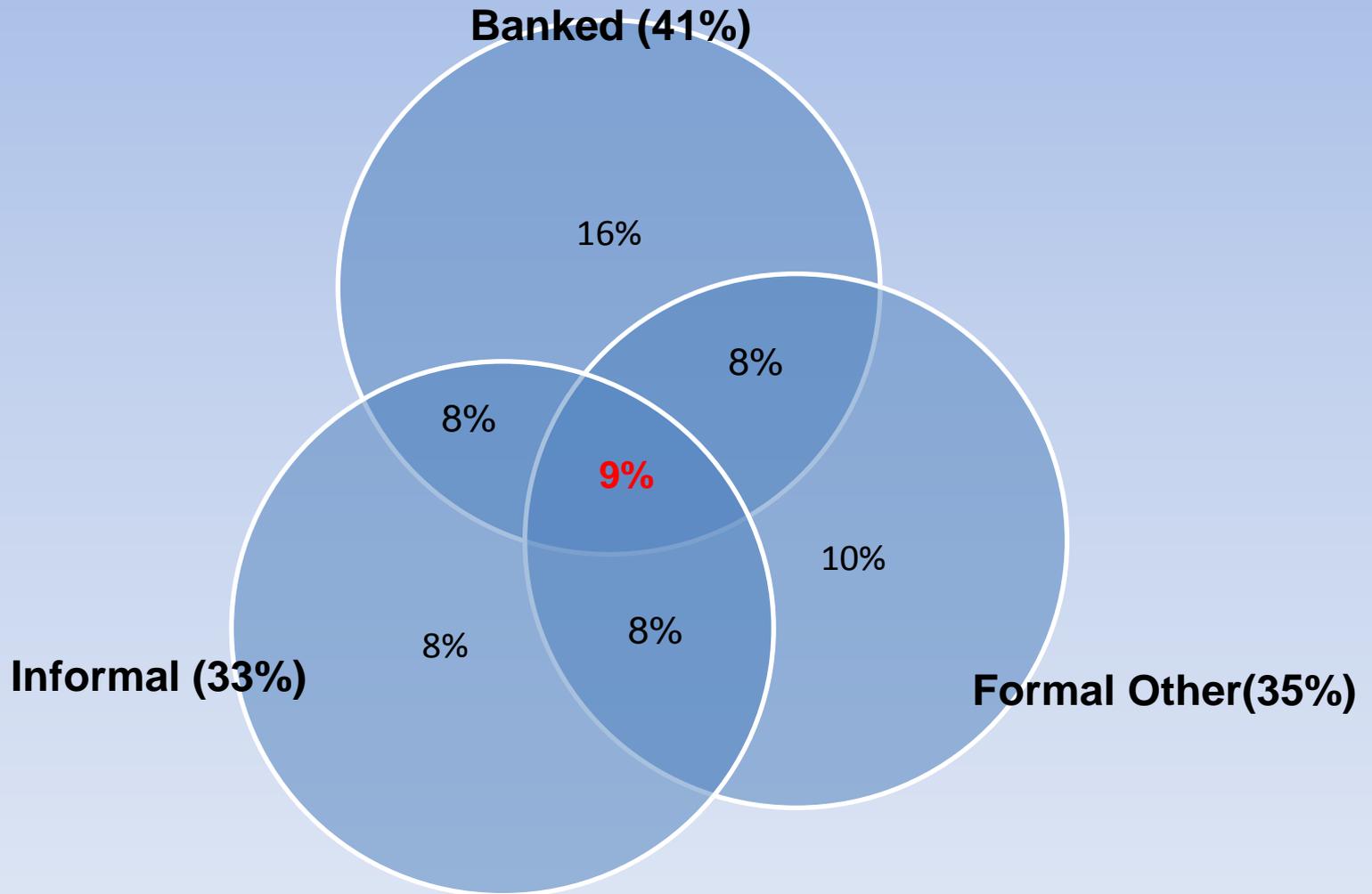
# FinScope Analysis Tools: Access Strand



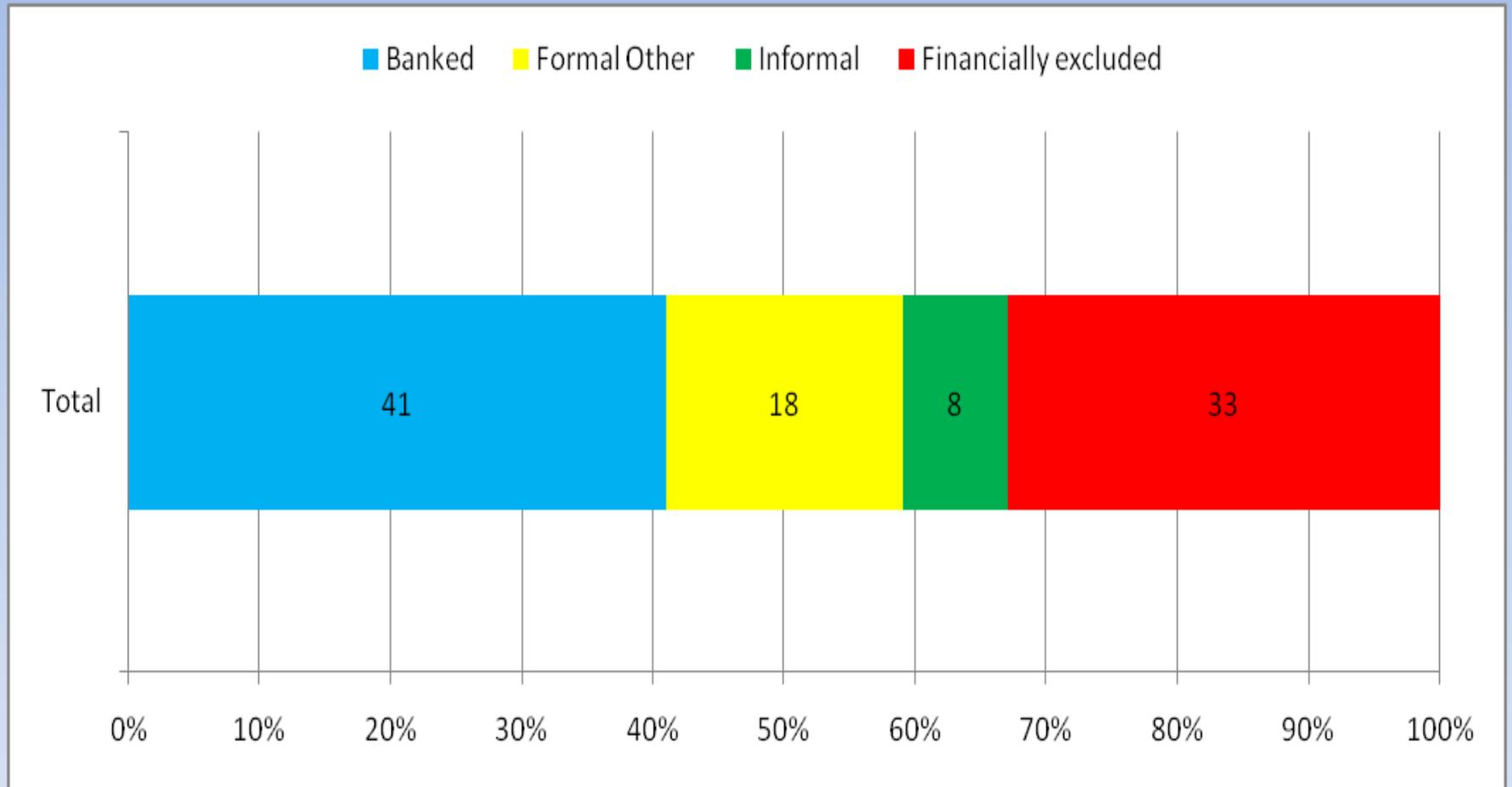
# Access Strand to Financial Services with Overlap (N=993,854)



# Access Strand showing that only **9%** of the population have access to all types of financial services/products

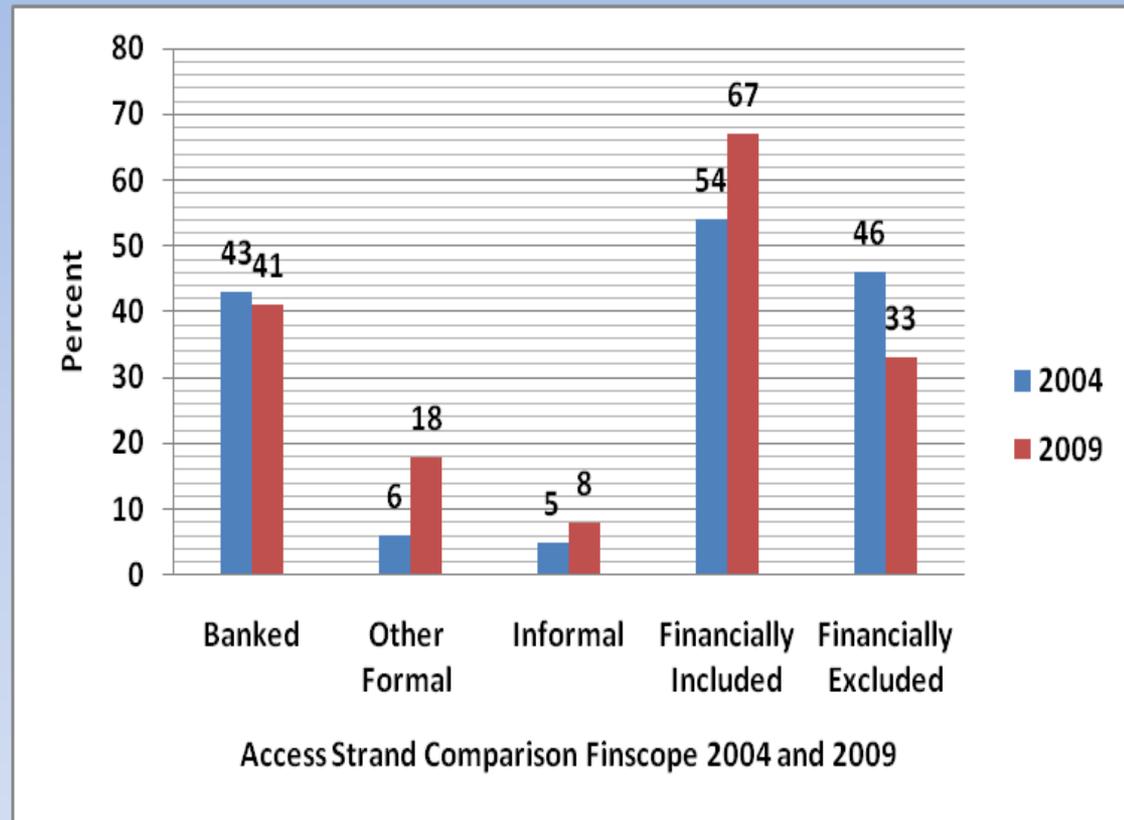


# Botswana Access Strand (N=993,854)



# Comparison of Botswana Financial Access Strand between 2004 and 2009

- ❖ The financially included (comprised of those who have access to bank, formal other and informal financial products) accounted for 67% of the adult population in 2009 as compared to 54% in 2004.
- ❖ The significant growth of the financially included may be explained by the growth of the formal other which increased from 6% in 2004 to 18% in 2009.
- ❖ The formal other includes loans from the non-banking sector (such as loans from government credit schemes), burial and funeral insurance, short-term insurance and long-term insurance.

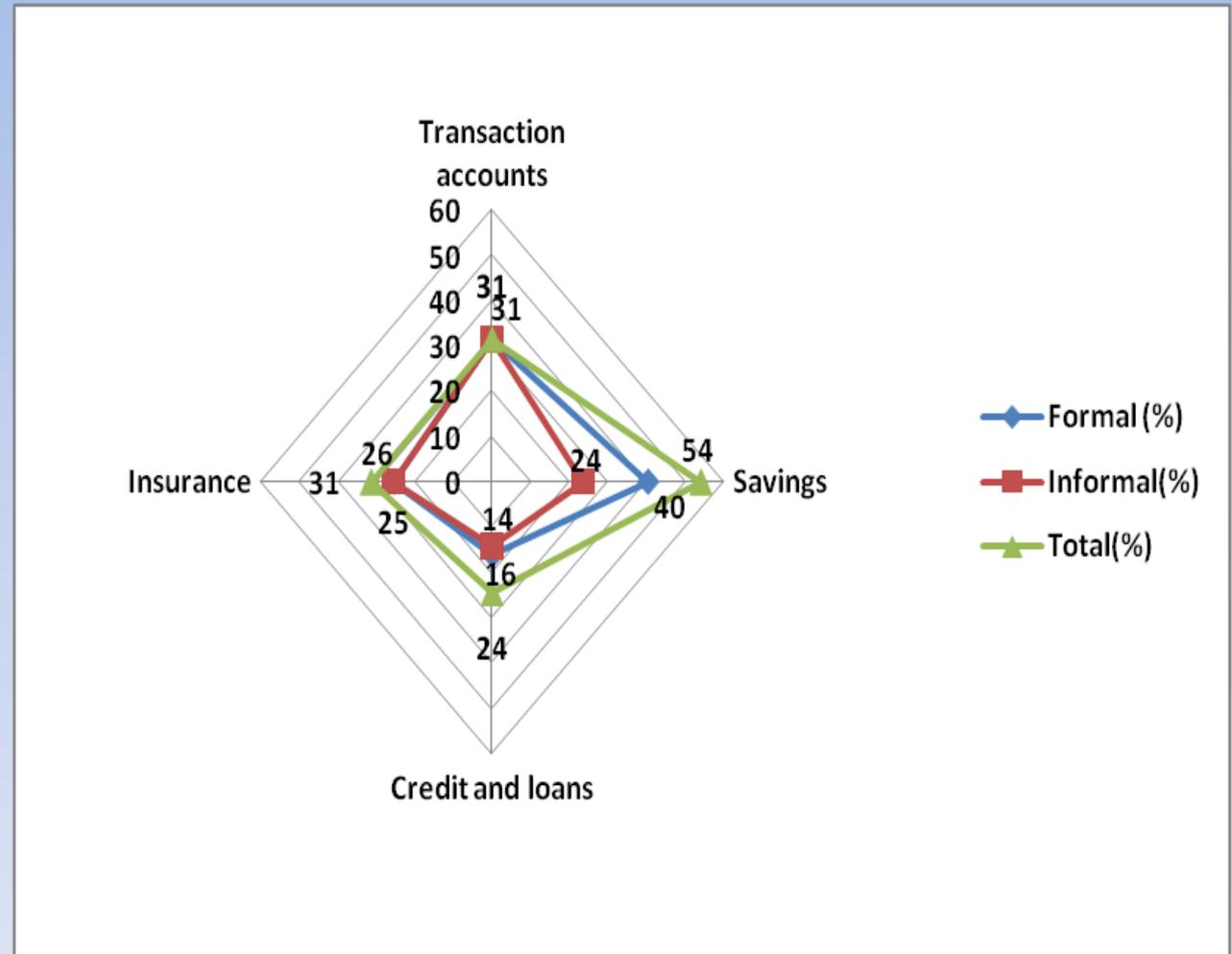


# FinScope Analysis Tools: Landscape of Access



# Landscape of Access for Financial Services (N=993,854)

- ❖ The total landscape of access as a percentage of the adult population is :  
Transactions (31%),  
Savings (54%), Credit and loans (24%) and Insurance (31%).
- ❖ The Formal landscape of access is  
Transactions(31%),  
Savings (40%), Credit and loans (16%) and Insurance (26%).
- ❖ Informal Landscape of access is Transactions (31%), Savings (24%) ,  
Credit and loans (14%) and Insurance (26%).



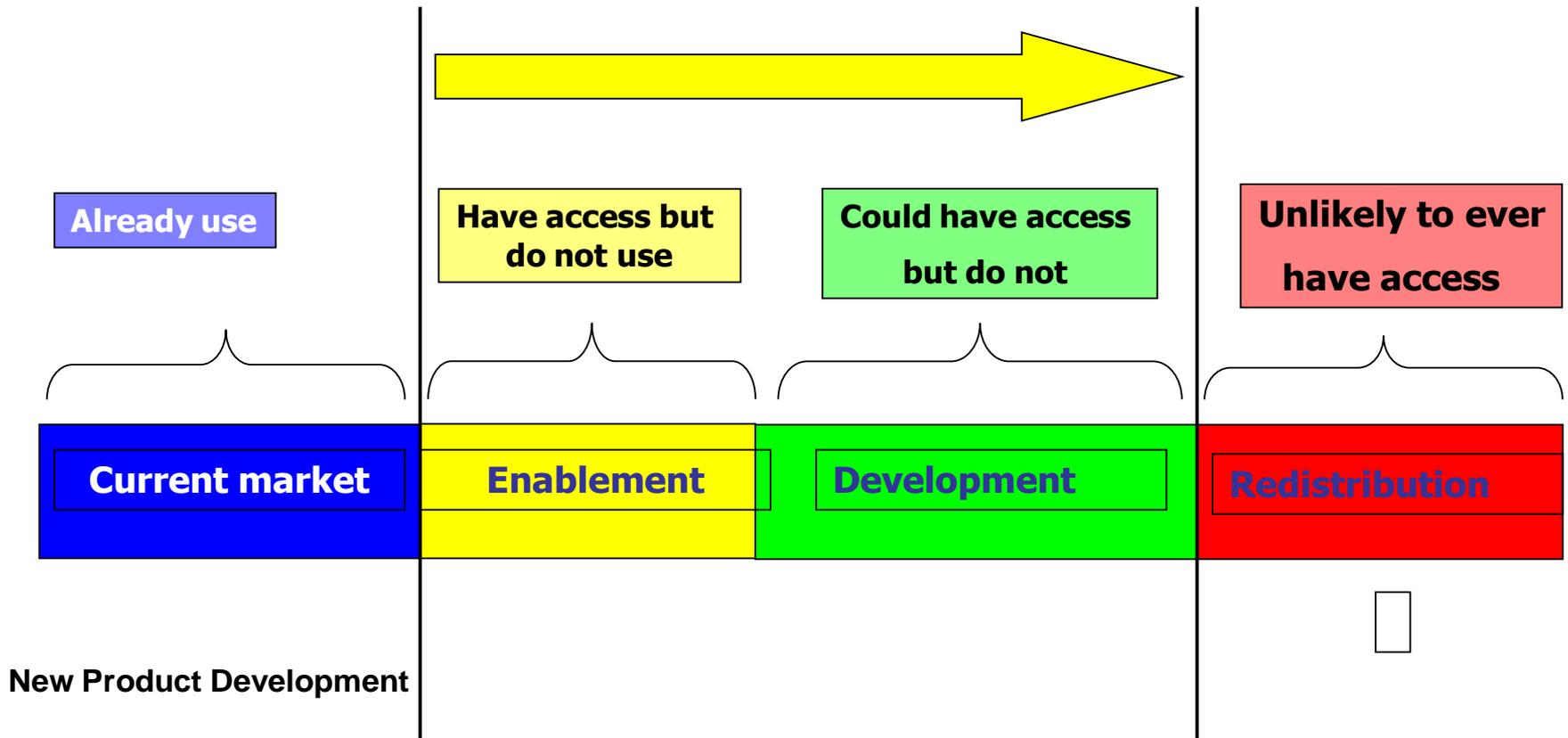
# FinScope Analysis Tools: Financial Access Frontier

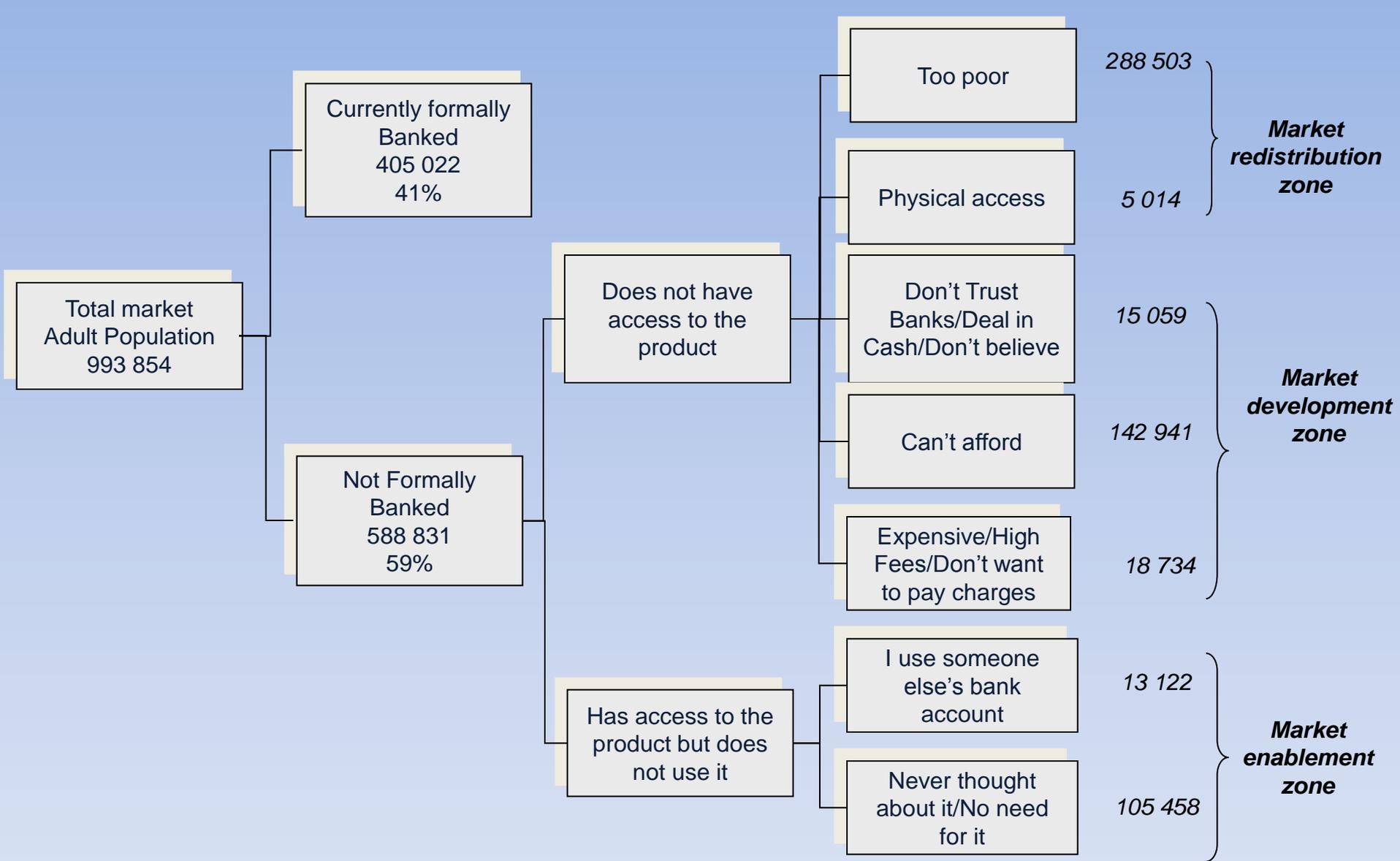


# Market Development Continuum

Current frontier

Market potential





# Access Frontier in Botswana

# Discussion

- Levels of indebtedness
- Reasons for borrowing
- Use of ATM's
- Financial Literacy
- Opportunities
- Constraints
- Industry initiatives
- Supply-side study