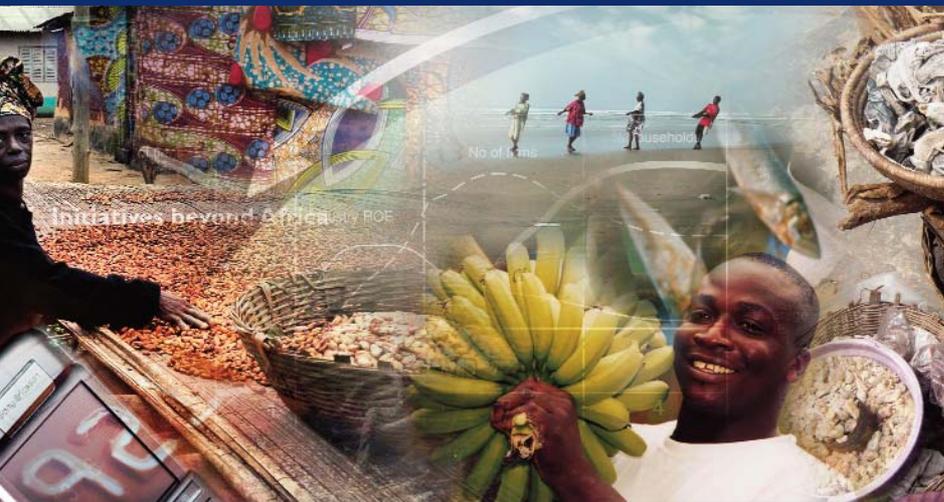


# FinScope Ghana 2010



Making financial markets work for the poor



## Introduction

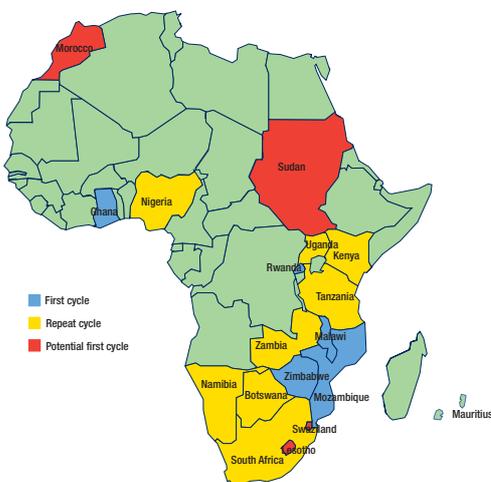
The government of Ghana, recognising that the scope and efficiency of the financial sector play an important role in facilitating economic and private sector growth, has been committed to the development of the financial system for a number of years. Evidence of this commitment is in the Financial Sector Strategic Plan (FINSSP). One of the main objectives of this programme is to improve the reach and depth of financial services delivery in Ghana. To achieve this objective, the government of Ghana works closely with development partners such as the Department for International Development, DFID-Ghana. DFID and The World Bank provide targeted financial assistance to the government of Ghana for the implementation of the FINSSP, as part of their commitment to deepening access to financial services in Ghana.

A key constraint in implementing of this FINSSP objective was the lack of comprehensive information about the levels of financial inclusion, as well as the factors inhibiting usage of financial services. Against this background, the Ministry of Finance and Economic Planning, (Financial Sector Division) (MoFEP/FSD) and its partners, initiated the implementation of the FinScope Ghana survey.

The FinScope survey is a research tool developed by FinMark Trust. It is a nationally representative survey of how individuals source income, and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services. To date, FinScope has been conducted or initiated in 16 countries.

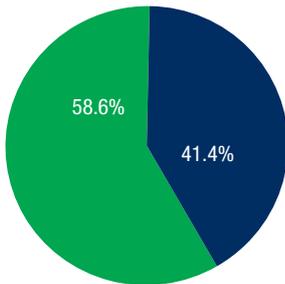
Commissioned by MoFEP, the FinScope Ghana 2010 survey was conducted by Synovate Ghana, with technical assistance from FinMark Trust, and financial assistance from DFID and The World Bank. The objectives of this survey were:

- To measure **levels** of financial inclusion (i.e. the proportion of the population using financial products and services – formal and informal)
- To describe the landscape of access (the **types** of products and services used by financially included individuals)
- To identify the drivers of, and barriers to, the usage of financial products and services
- To stimulate evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion



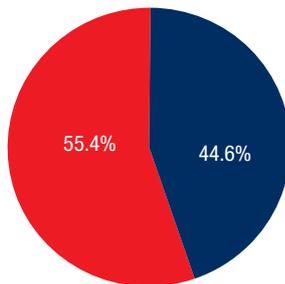


## Urban-rural distribution



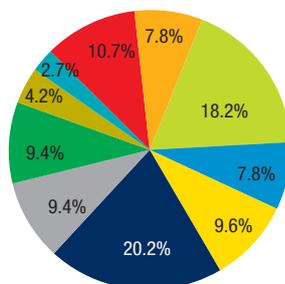
- 58.6% Rural
- 41.4% Urban

## Gender distribution



- 55.4% Female
- 44.6% Male

## Geographical distribution of the Ghanaian adult population by region



- 10.7% Western
- 7.8% Central
- 18.2% Greater Accra
- 7.8% Volta
- 9.6% Eastern
- 20.2% Ashanti
- 9.4% Brong Ahafo
- 9.4% Northern
- 4.2% Upper East
- 2.7% Upper West

## Survey methodology

- Nationally representative individual-based sample of Ghanaians aged 15 years and older
- Sample frame developed by Ghana Statistical Services (GSS)
- 3643 face-to-face interviews conducted by Synovate Ghana
- Survey data was weighted and validated by GSS

## Understanding the lives of Ghanaians<sup>1</sup>

- The majority (59%) live in rural areas<sup>2</sup>
- 36% are under the age of 30 years (an age group that FinScope data shows as not yet economically settled)
- More than 40% have primary school education as their highest level of education
- More than half rely on irregular and inconsistent incomes – such as from own businesses (28%) or farming (25%)
  - 12% rely on salaries and wages
  - Personal monthly income distribution is significantly skewed towards lower levels of income
    - 15% claim to always/often go without cash
- Putting the drive for greater financial inclusion in context: Daily realities
  - 21% are from households with an own tap (in the home/yard); 45% rely on natural sources
  - 27% are from households with no toilet facilities
  - 82% from households that use charcoal/wood for cooking

<sup>1</sup> Aged 15 years and older

<sup>2</sup> As defined by Ghana Statistical Service (GSS)

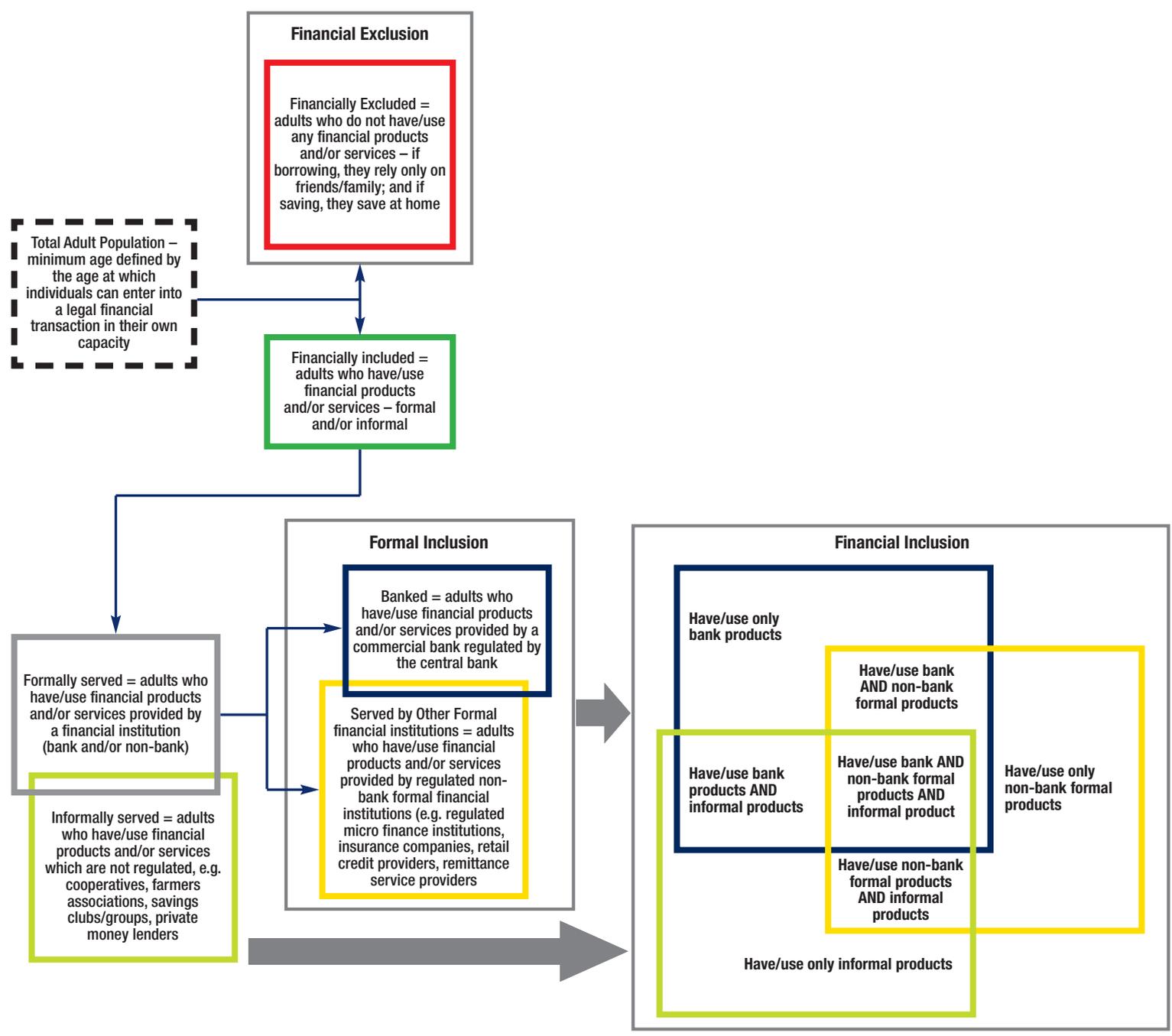




# Making financial markets work for the poor

## Financial Inclusion

The FinScope survey uses the following categorisation to describe levels of financial inclusion:



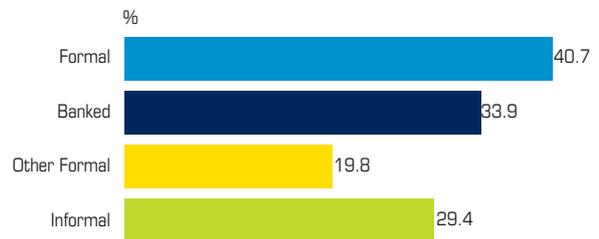


## Financial Inclusion in Ghana

As the legal age at which an individual in Ghana can open a bank account is 18 years, the adult population is defined as all individuals aged 18 years and older.

- 56% of adult Ghanaians are financially included (7.5 million individuals)
  - 44% of adult Ghanaians are financially excluded (5.9 million individuals)
- 41% are formally included (5.5 million individuals)
- 34% are banked (4.5 million individuals)
- 20% have/use non-bank formal financial products and/or services (2.7 million individuals)

### Levels of inclusion

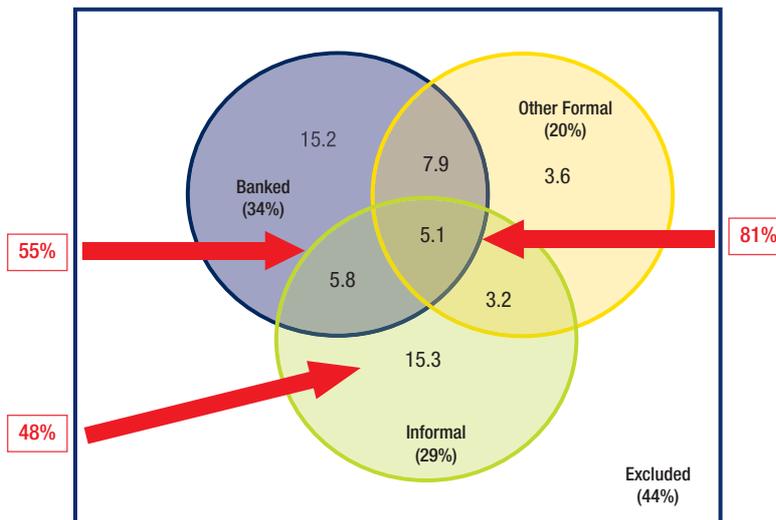


## Overlaps in product/service usage

- 55% of banked adults have/use other financial products/services as well
  - One in three banked adults use informal products as well
- 81% of adults who have/use non-bank formal products/services also have/use other financial products/services as well
- One in three formally served individuals have/use informal products/services as well

These overlaps suggest that:

- For more than half of the banked population, bank products/services do not meet all their financial needs
- For one in three individuals who are formally served, the informal sector either meets a financial need that the individuals are not getting from the formal sector, or it provides an additional benefit that is not necessarily financial in nature (e.g. the social aspect of susu clubs)





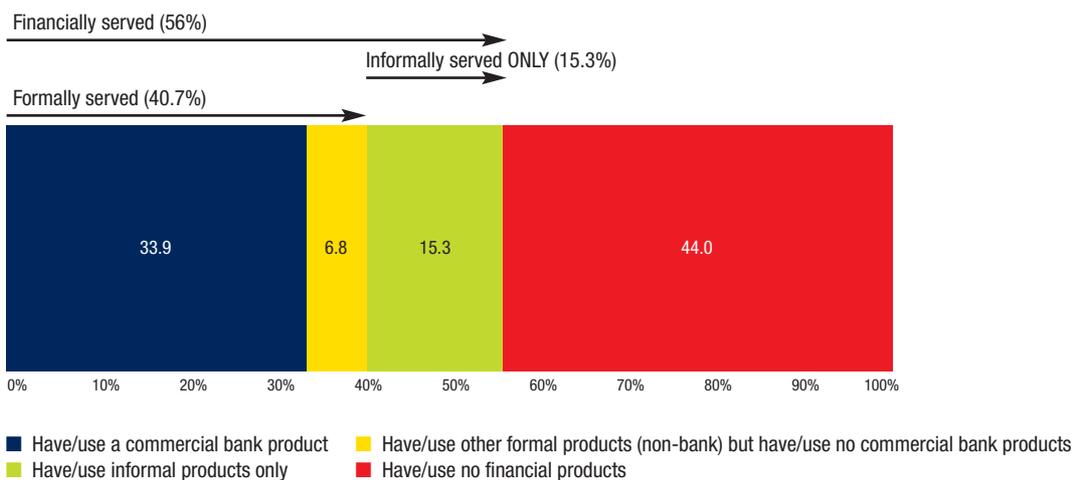
# Making financial markets work for the poor

## Access Strand

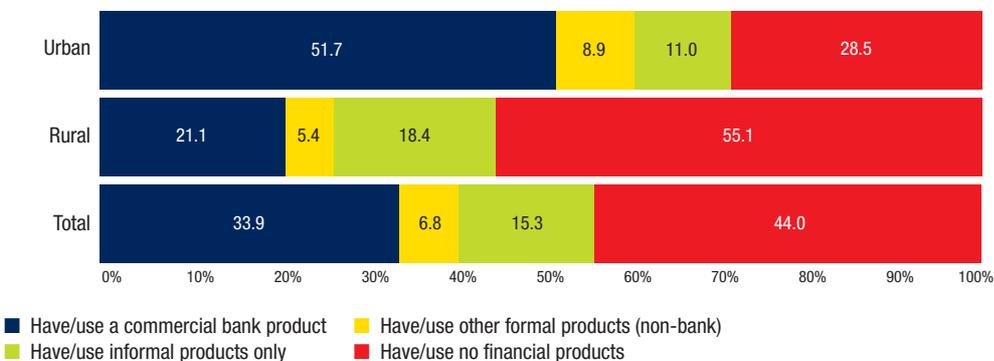
The FinScope approach uses the Financial Access Strand to compare levels of financial inclusion across countries. In constructing this strand, the overlaps in financial product/service usage are removed, resulting in the following segments:

- Financially excluded individuals
- Individuals who have/use informal products/services and no formal products
- Individuals who have/use formal non-bank products/services and no commercial bank products
- Individuals who have/use commercial bank products

### The Ghanaian Access Strand 2010



### Comparing Rural and Urban

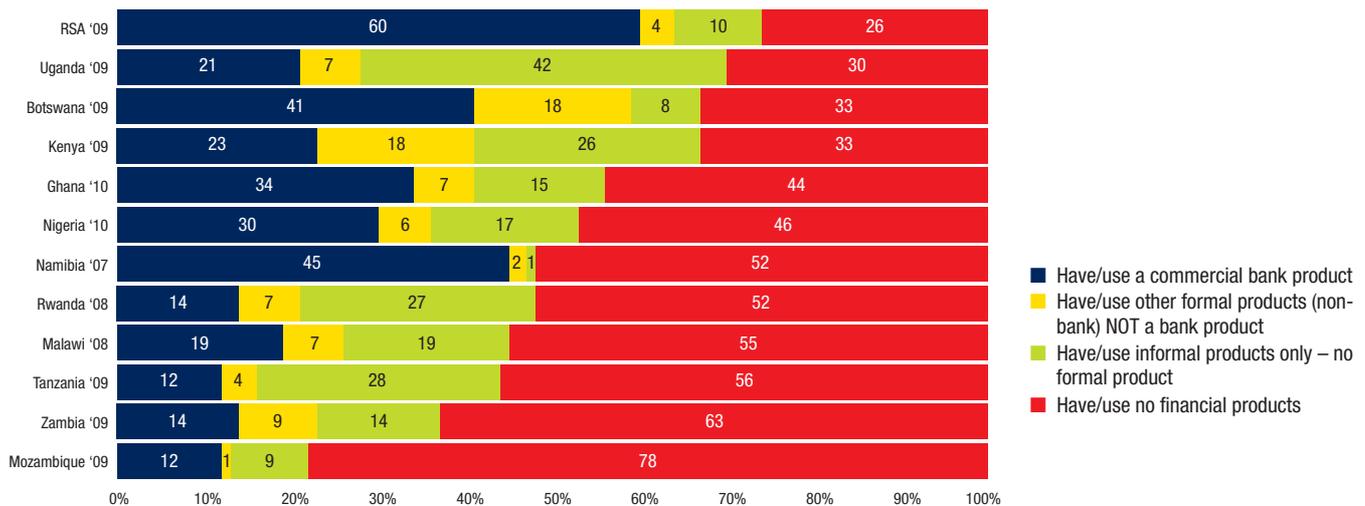


- The most significant difference between rural and urban levels of financial inclusion is in the usage of bank products – 52% of urban adults being banked, compared to 21% of rural adults
- The informal sector plays an important role in pushing out the boundaries of financial inclusion, serving 15% of the adult population who are not served by the formal sector
  - The role of the informal sector is significantly more pronounced in rural areas

# FinScope Ghana 2010



## Comparing levels of financial inclusion with other countries<sup>4</sup>



<sup>4</sup> Countries where FinScope surveys have been conducted

## The types of financial products and services used: Landscape of Financial Access

Understanding the levels of financial inclusion is only the first step. While insightful in itself, this understanding is enhanced by exploring the products and services that individuals are likely to have/use within each category of inclusion.

### What is driving banking?

- 83% of banked individuals have/use transactional products
- 73% have/use savings products
- 23% use the bank for remittance purposes
- 13% have/use credit products

### What is driving 'Other Formal'?

- 50% of formal non-bank product/service users use remittance products/services
- 40% have/use savings products
- 22% have/use insurance products
- 14% have/use credit products
- 5% have/use E-zwich

### What is driving 'informal'?

- 72% of informal product users have/use savings mechanisms
- 20% use credit services
- 16% use informal remittance mechanisms
- 5% have informal insurance provision

## The Landscape of Access

The FinScope approach uses the Landscape of Access diagram to illustrate the extent to which individuals (aged 18 years and older) have/use financial products and services. The diagram depicts, on its five axes, the percentage of adults that have/use:

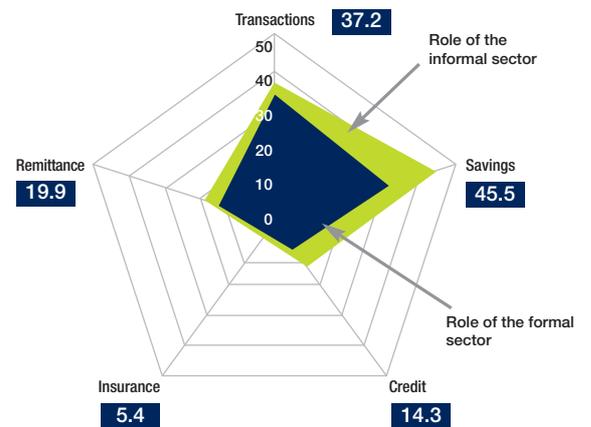
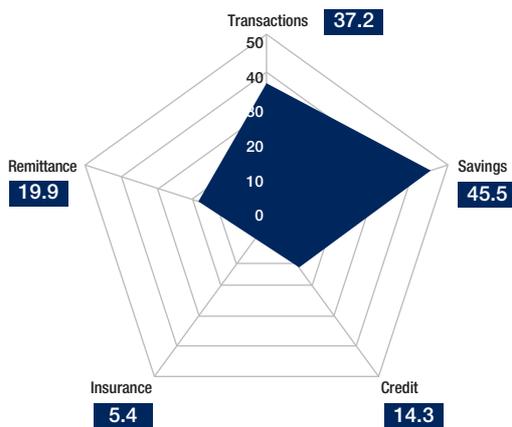
- Transactional products/services (e.g. cheque account)
- Savings products/services
- Credit products/services
- Insurance products/services
- Remittance products/services (e.g. Western Union)



# Making financial markets work for the poor

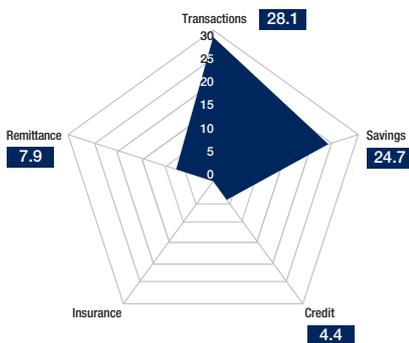
## Landscape of Access – Ghana 2010

The role of the informal sector in pushing out the boundaries of financial inclusion

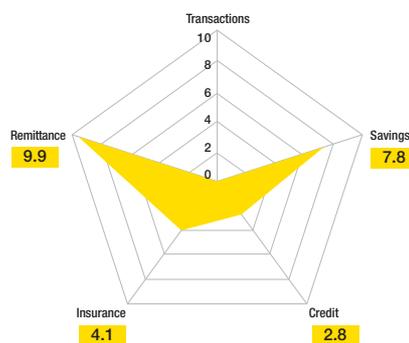


## The role of the different financial services sectors in the population

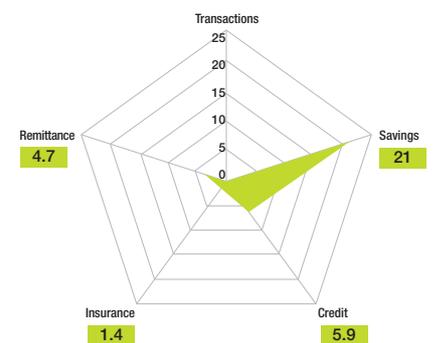
### Banking



### Other Formal (non-bank)



### Informal



- The role of the banking sector in Ghana is mostly transactional and savings oriented
- The role of the non-bank formal sector is skewed towards remittances and savings
- The role of the informal sector is highly significantly skewed towards savings
- More individuals acquire credit from the informal sector than from the formal sector

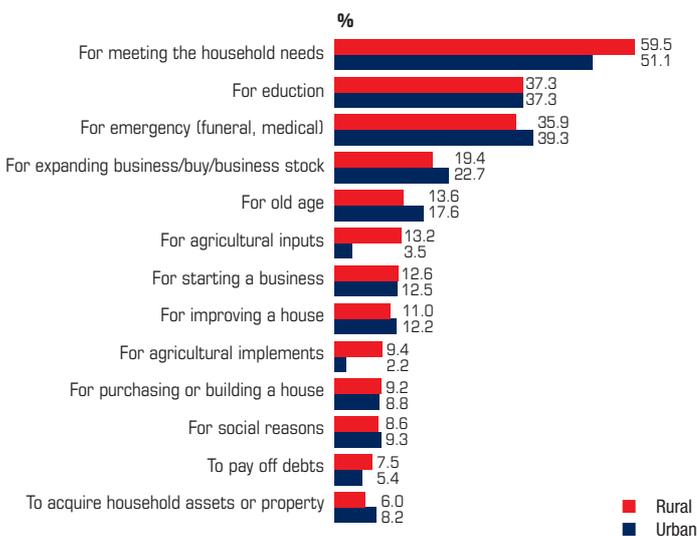
# FinScope Ghana 2010



## Saving, Borrowing and Remitting

### Saving – Drivers of savings

64% of adult Ghanaians claim to save or put money aside

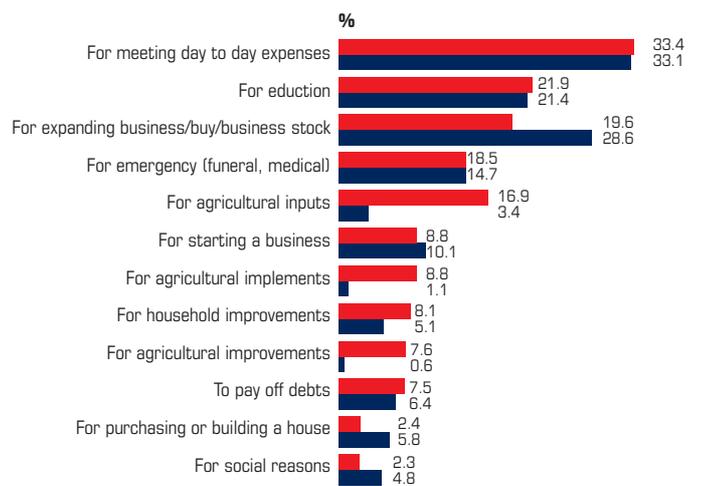


### Attitudes to saving

- 84% believe that saving regularly, even small amounts, will secure their future
- 41% go without basic things to be able to save
- 45% are worried that they will not have enough money for old age

### Borrowing – Drivers of borrowing

19% of adult Ghanaians claim to have borrowed in the 12 months prior to the interview

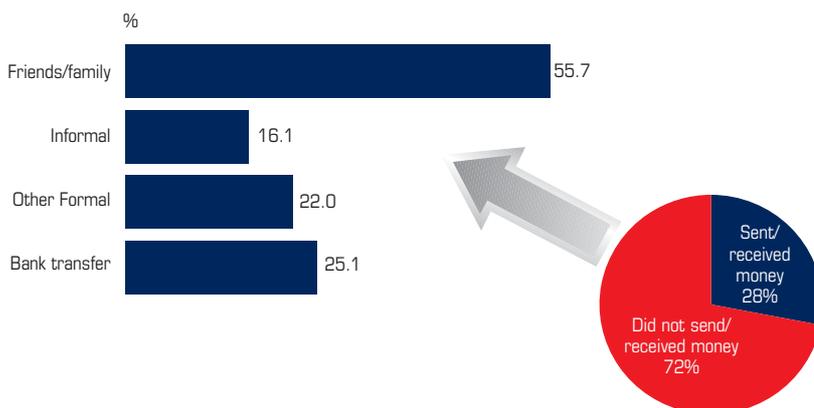


### Attitudes to borrowing

- 79% hate owing money
- 48% will go out of their way to repay debt
- 21% sometimes borrow to repay existing debts
- 28% will spend money on something they want even if they have to borrow to do so

## Remittances (internal and external) & Mechanisms

Most individuals who remit do so through family/friends

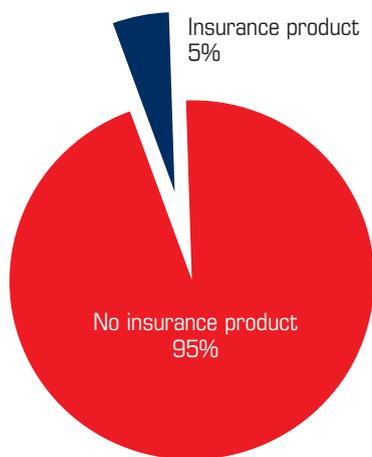




# Making financial markets work for the poor

## Risks and Insurance

- 4% have formal insurance; 1.4% have informal insurance
- 64% of those with no formal insurance regard affordability as a barrier



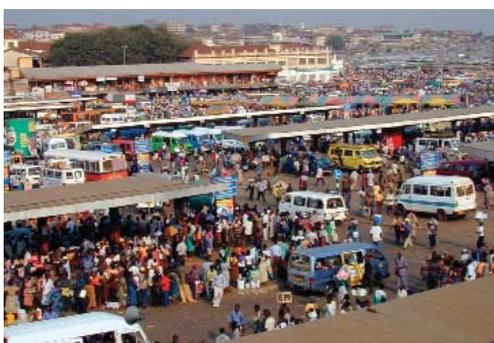
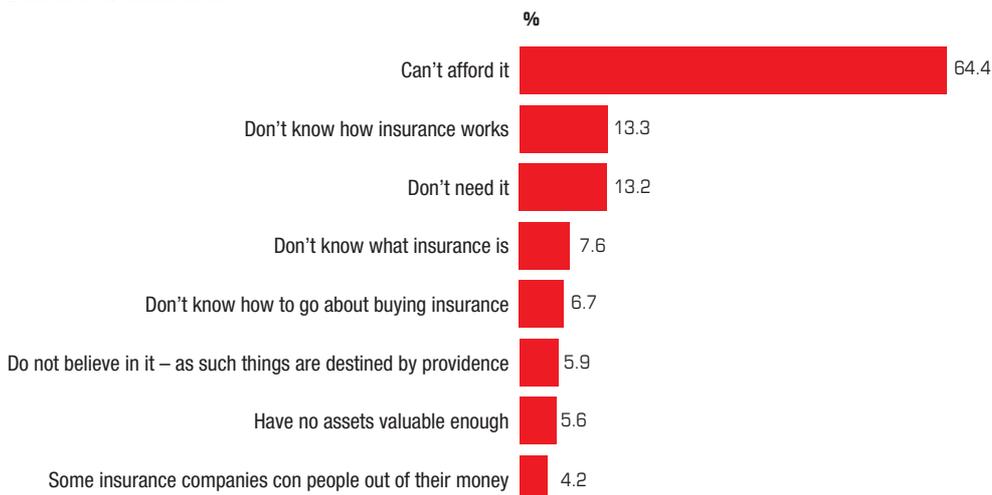
### Risks

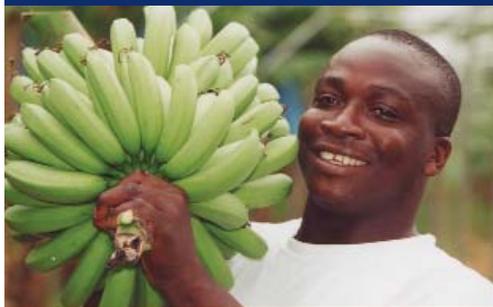
- Illness in household/family
- Loss of business
- Drought/access to water (rural)
- Theft (urban)

### Coping Mechanisms

- Borrow from family/friends
- Savings
- Cut down on household expenses
- Sell assets/crop/livestock

## Barriers to insurance





## Barriers to financial inclusion

The FinScope survey measures the extent to which the following factors prevent financially excluded individuals from using financial products or services:

### Perceived supply-side factors

- Physical access – distance, convenience of operating hours, etc.
- Affordability
- Interest rates – low interest rates for savings products, high rates for credit products
- Service – customer service, processing times, etc.

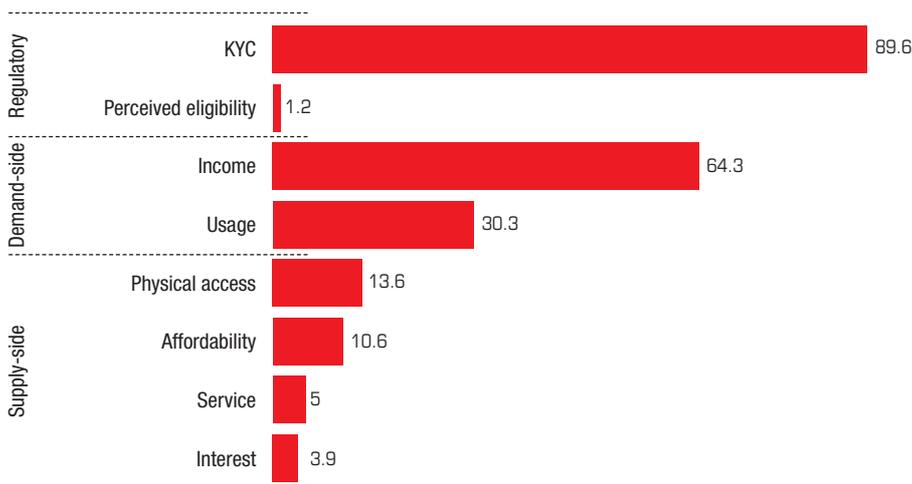
### Perceived demand-side factors

- Income – inadequacy of income in terms of regularity/consistency; having nothing left after covering living expenses, etc.
- Usage – attitudes towards financial matters and institutions

### Regulatory factors

- Eligibility
  - Perceived eligibility – individuals who are of the perception that they do not qualify to use the products/services offered by financial institutions
  - KYC (Know Your Customer) requirements – individuals who do not have BOTH proof of identity and proof of residence

## Barriers for the unbanked



- If KYC were to be stringently enforced by Ghanaian banks, it would be the most significant barrier to banking
  - 90% of unbanked adults do not meet KYC requirements, although only 1% are of the perception that they do not qualify to open a bank account
- Demand-side barriers, specifically those that are income-related, are more likely to be perceived as a barrier to banking than supply-side barriers
  - 64% of unbanked adults regard their income as a barrier
- In terms of supply-side barriers, physical access and affordability are more likely to be perceived as barriers



# Making financial markets work for the poor

## FinScope Ghana 2010: Key take-outs

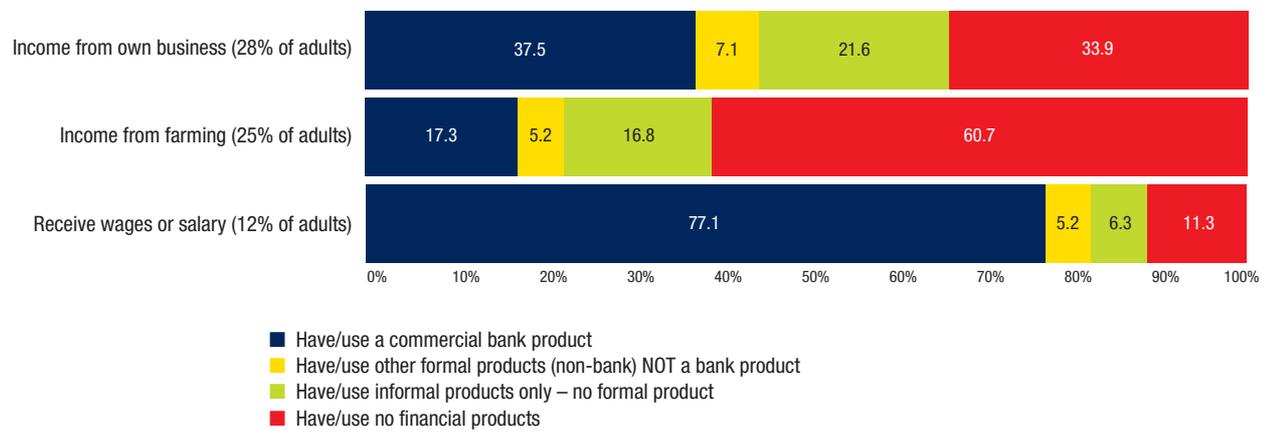
1. Financial product and service usage is inextricably linked to people's livelihoods.
  - Therefore, the priority that individuals give to usage of financial products and services must be viewed in the context of the realities of their lives
  - Which realities shape the lives of Ghanaians?
    - Coping with the lack of basic amenities is a reality for the large proportion of the population, especially in rural areas
    - Income for the majority of the adult population is irregular and inconsistent small amounts
    - Striving to making ends meet is a reality that many face
  - The FinScope Ghana 2010 survey illustrates that these realities impact on financial behaviour in Ghana
    - More than half of those who save, and one in three of those who borrow, do so to meet daily needs
    - 40% of those who save do so in order to be able to cope with emergencies
  - In exploring why the financially excluded do not use formal financial products, income-related reasons are most frequently cited

Against this background, cognisance should be taken that for most financially excluded Ghanaians, addressing basic needs would be priority, and whether a financial product or service would improve their livelihood might not be something they think about.

2. In striving to increase financial inclusion in Ghana, the point of departure should be the acceptance or understanding that financial inclusion is a two-way street. The roles of both the demand side and supply side in achieving this should be recognized, and neither should be underestimated. The FinScope Ghana 2010 survey findings substantiate this point:

## Access Strands per income generating activity

The Ghanaian Access Strand 2010





## FinScope Ghana 2010: Key take-outs

- Salaried individuals (77% banked vs. 34% of total adult population):
  - From a supply-side perspective, banks are likely to target these individuals; from a demand-side perspective, those who receive salaries and wages are likely to need a bank product for the purpose of processing their salaries and wages
  
- Business owners (45% formally included vs. 41% of total adult population):
  - From a demand-side perspective, business owners are likely to need transactional and money transfer services, making them more likely to use banks and other formal financial institutions than other individuals with inconsistent incomes; from a supply-side perspective, moving beyond salaried individuals to increase their customer base, formal financial institutions are faced with the reality of individuals with small irregular inconsistent incomes. The value in this market segment lies in building a sufficient customer base. It could be assumed that the most attractive potential customers to target first would be the more successful business owners
  
- Individuals with small inconsistent irregular incomes, such as those who rely on farming for an income as well as small business owners (17% of those who rely on farming and 22% of business owners rely only on the informal sector for financial purposes vs. 15% of the total adult population):
  - From a demand-side perspective, the financial behavior of these individuals is driven by daily needs. They are likely to save and borrow small amounts; quick access to savings and credit would be a key requirement; they are likely not to see value in opening a bank account or using other formal financial institutions. Against this background, an informal system develops, with the main focus on credit and savings.
  - Evidence from FinScope surveys across Africa suggests that the reason why this informal system is sustained is two-fold:
    - The absence of interventions that are effective in changing the perception that there is no value for these individuals in using formal financial products and services
    - Once the informal system is established, it evolves and starts to offer opportunities for additional non-financial benefits.

FinScope Ghana 2010 survey findings illustrate the inextricable nature of the link between people's livelihoods and the extent to which they engage with a financial system. The dynamics of this relationship differ within different market segments. Any intervention intended to increase financial inclusion could only be effective if it is based on a clear understanding of these dynamics for different market segments.

## Contact

The FinScope Ghana database offers a wealth of information that could be mined in more depth – for more information contact:

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Established with initial funding from the UK's Department for International Development, FinMark Trust is an independent trust whose business is controlled by five trustees from countries in Southern Africa. FinMark Trust's purpose is 'Making financial markets work for the poor; by promoting financial inclusion and regional financial integration'. It does this by conducting research to identify the systemic constraints that prevent financial markets from reaching out to these consumers and by advocating for change on the basis of research findings. Thus, FinMark Trust has a catalytic role, driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems that can benefit all consumers.