

FinScope Lesotho 2011

Launch

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Presentation layout

Background

Understanding people's lives

Defining financial inclusion

Lesotho financial inclusion

Saving

Borrowing

Insurance

Remittance

Background



- FinMark Trust was established in March 2002 as an independent trust whose purpose is 'making financial markets work for the poor'
- FinMark Trust promotes and supports institutional and organisational development which will increase access to financial services for the unbanked and under banked in South Africa
- FinScope is the most comprehensive national survey of financial services needs and usage amongst consumers. The aim is to establish credible benchmarks and highlight opportunities for innovation in product and service delivery
- FinScope has been tracking the changing landscape of access to financial services since it's inception in 2003. The survey covers all areas of financial interest from examining quality of life and poverty to attitudes towards and usage of technology, as well as measuring levels of financial literacy
- FinScope surveys have now been implemented in 16 African countries

FinScope Lesotho 2011 objectives



- To determine levels of access to financial services
 - Nationally
 - Urban/rural
 - Ecological zones
- To describe the current landscape of access
- To identify barriers to financial inclusion
- To facilitate debate around the demand for financial services and barriers to access
- To stimulate financial sector intervention:
 - By policy makers and regulators to address barriers to access
 - By financial services providers to develop innovative products and services to meet the demand
- To serve as a benchmark to assess the impact of interventions over time

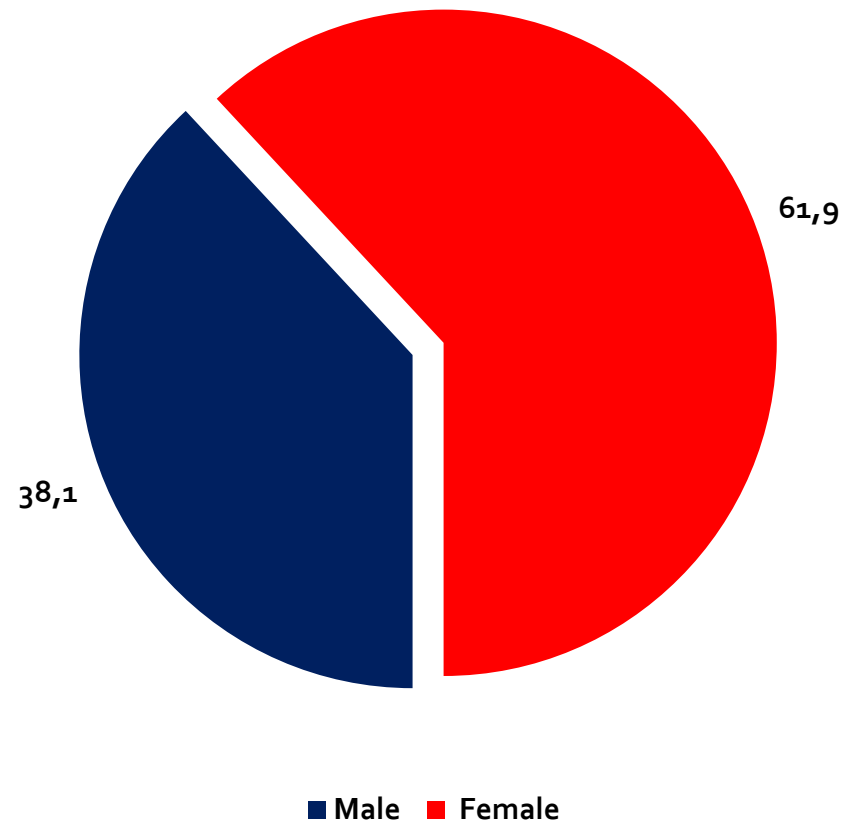
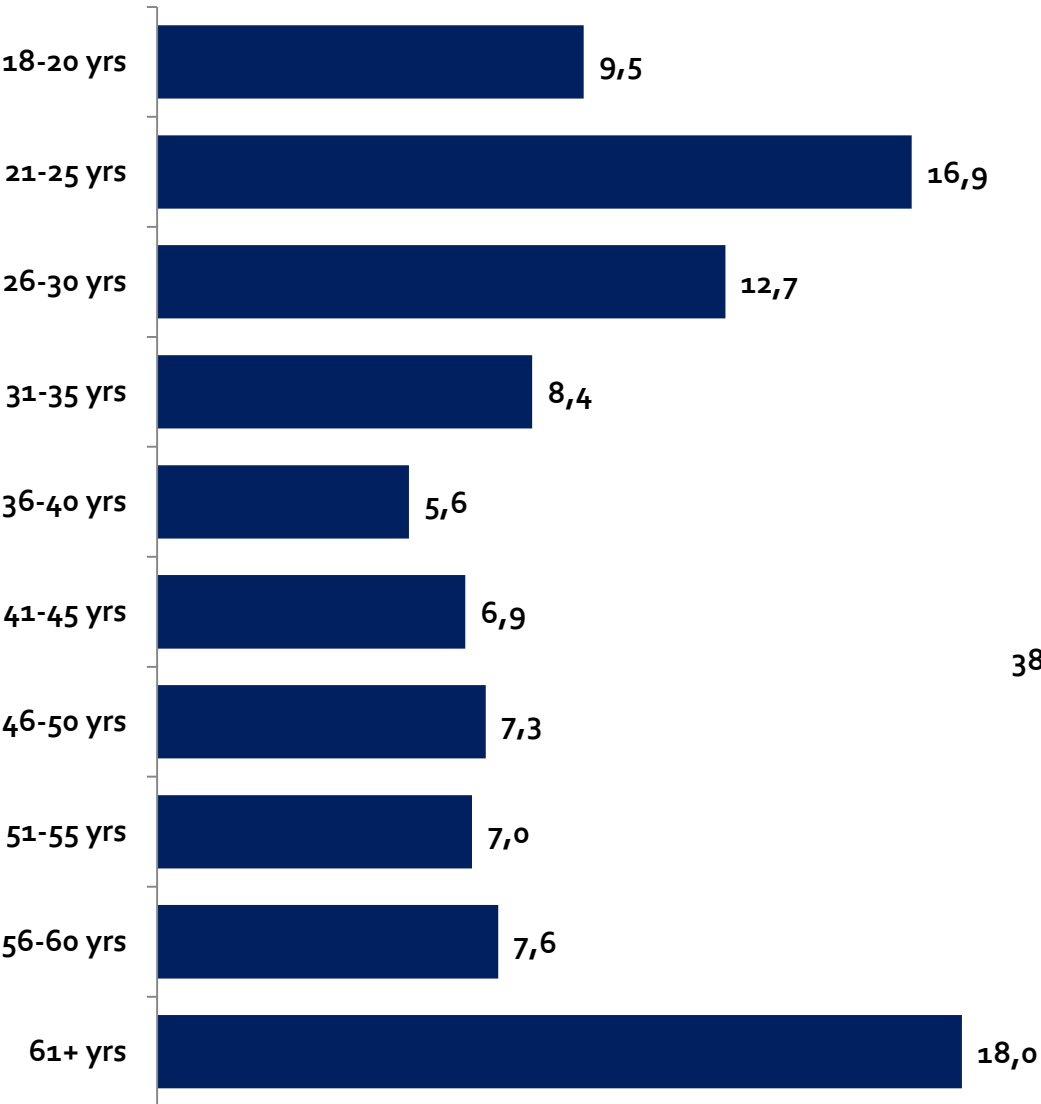
Sampling and methodology

- Sample by Lesotho Bureau of Statistics
- Multistage random sampling procedure
- Geographical (200 enumerator areas)
- Household (10 Households selected)
- Individuals (18 years and older)
- Sample representative at:
 - National
 - Urban-rural
 - Ecological zone level
- Total sample achieved of 2,000

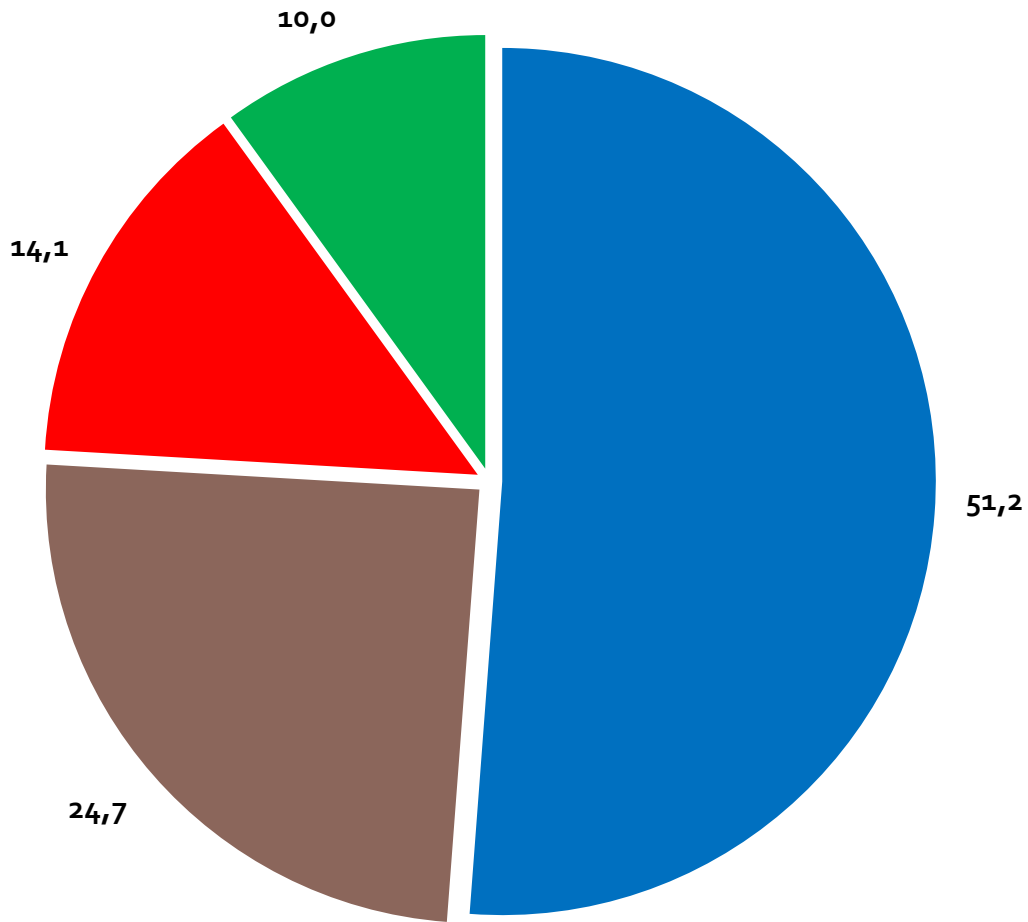
Understanding people's lives

financial inclusion in context

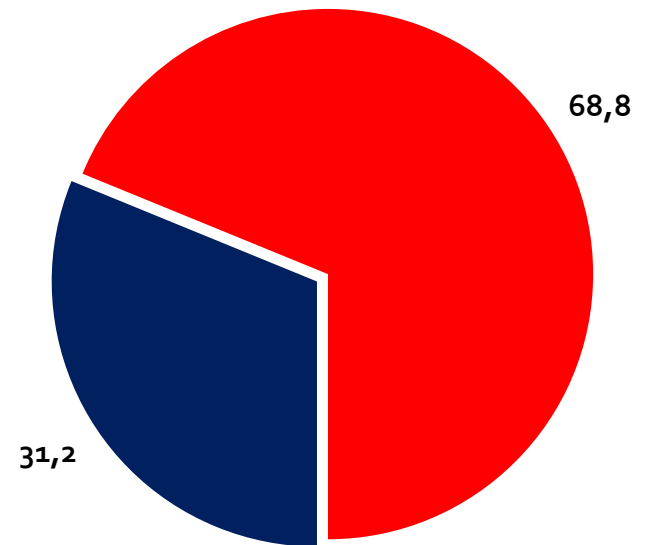
Age and Gender



Geographical distribution



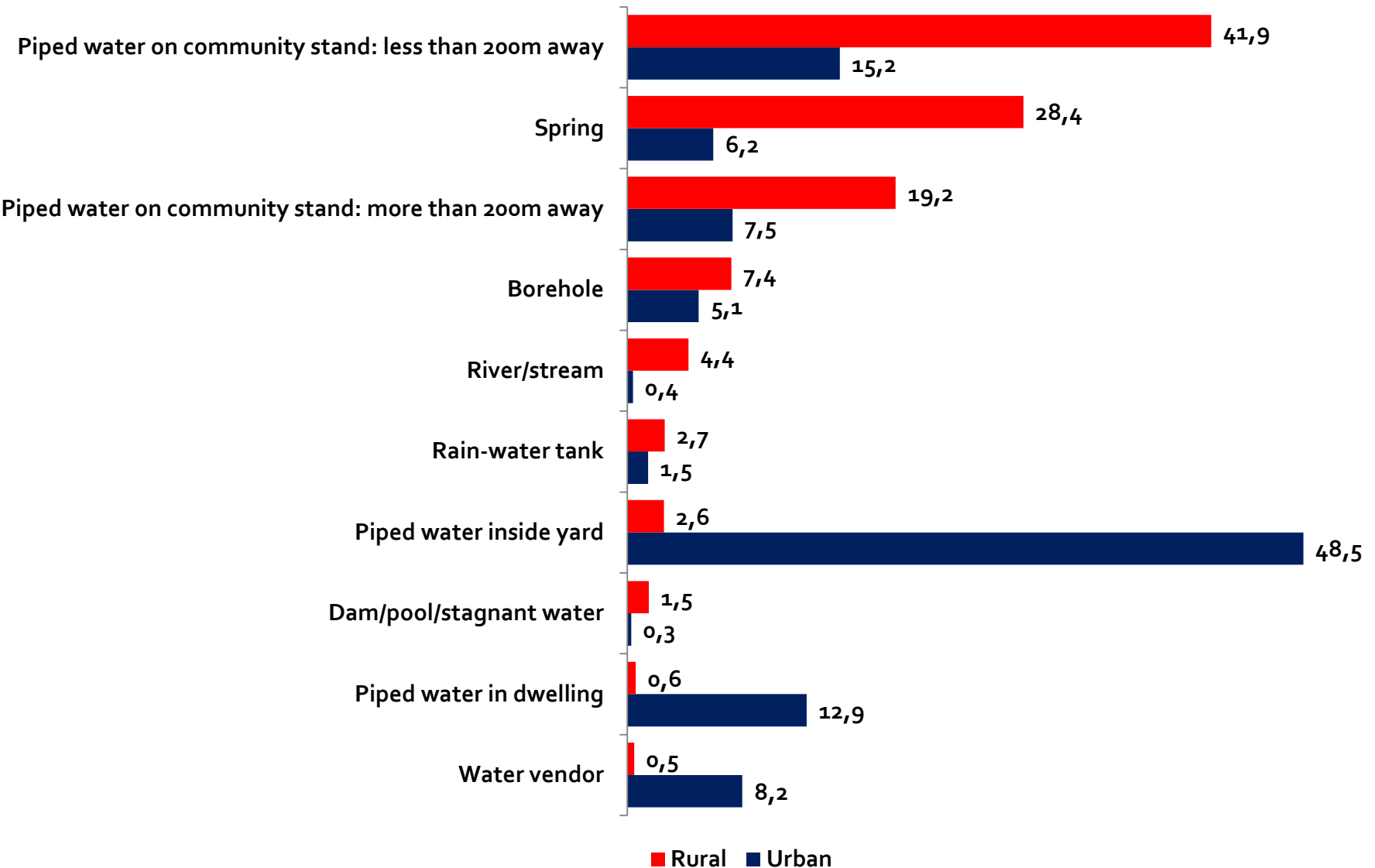
■ Lowlands ■ Foothills ■ Mountains ■ Senqu River Valley



■ Urban ■ Rural

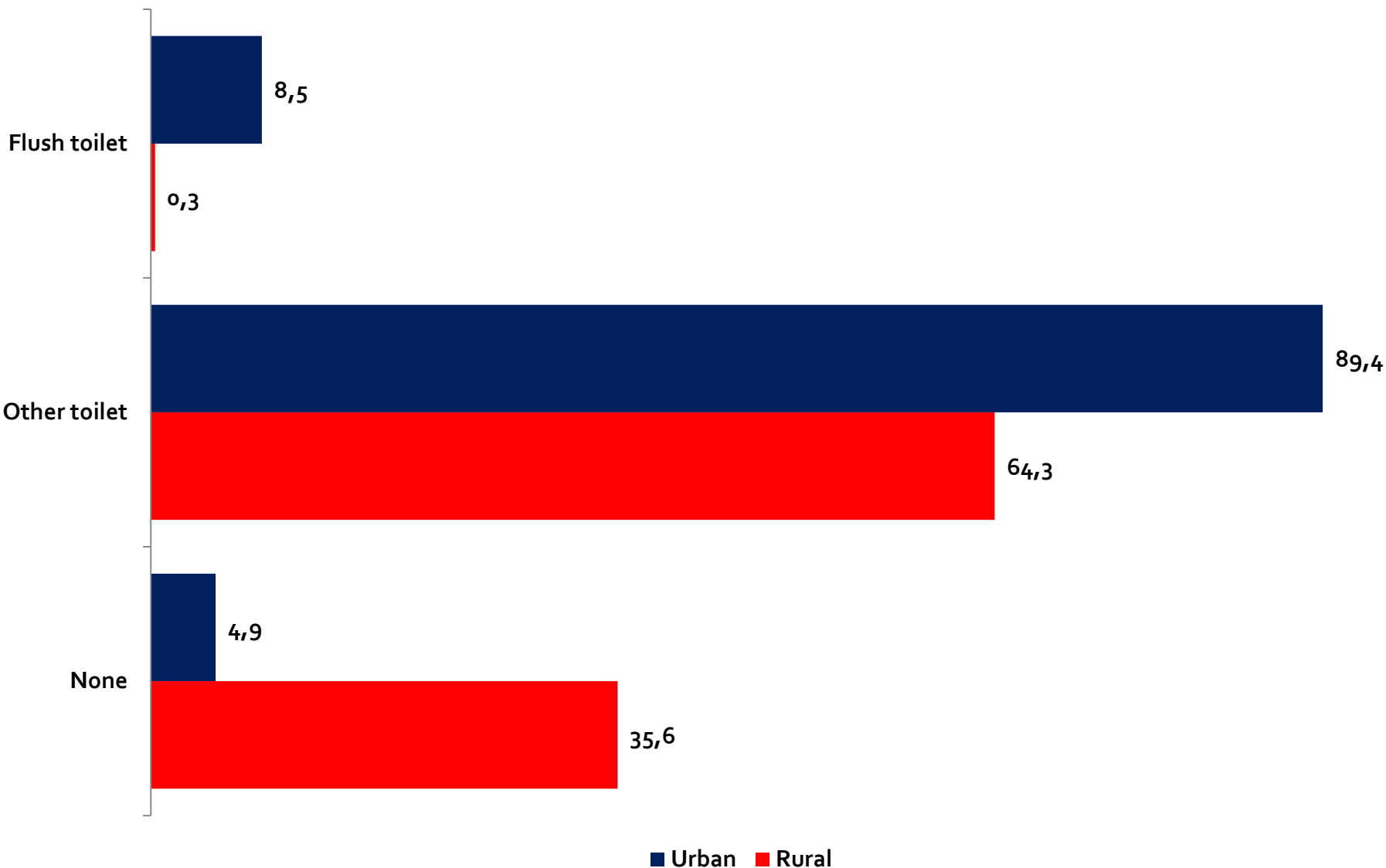
Source of Water

Urban/Rural

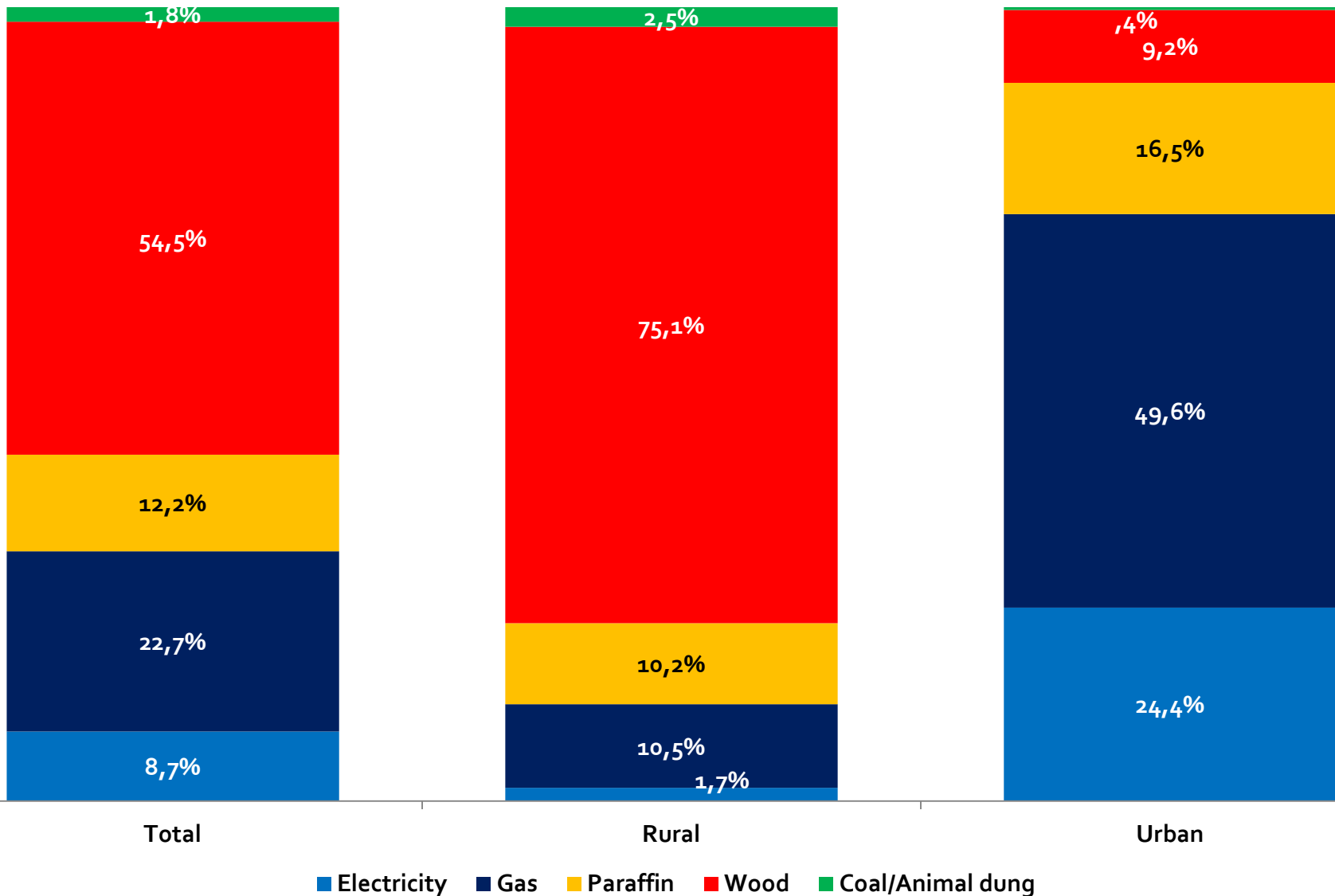


Access to Sanitation

Rural vs. Urban

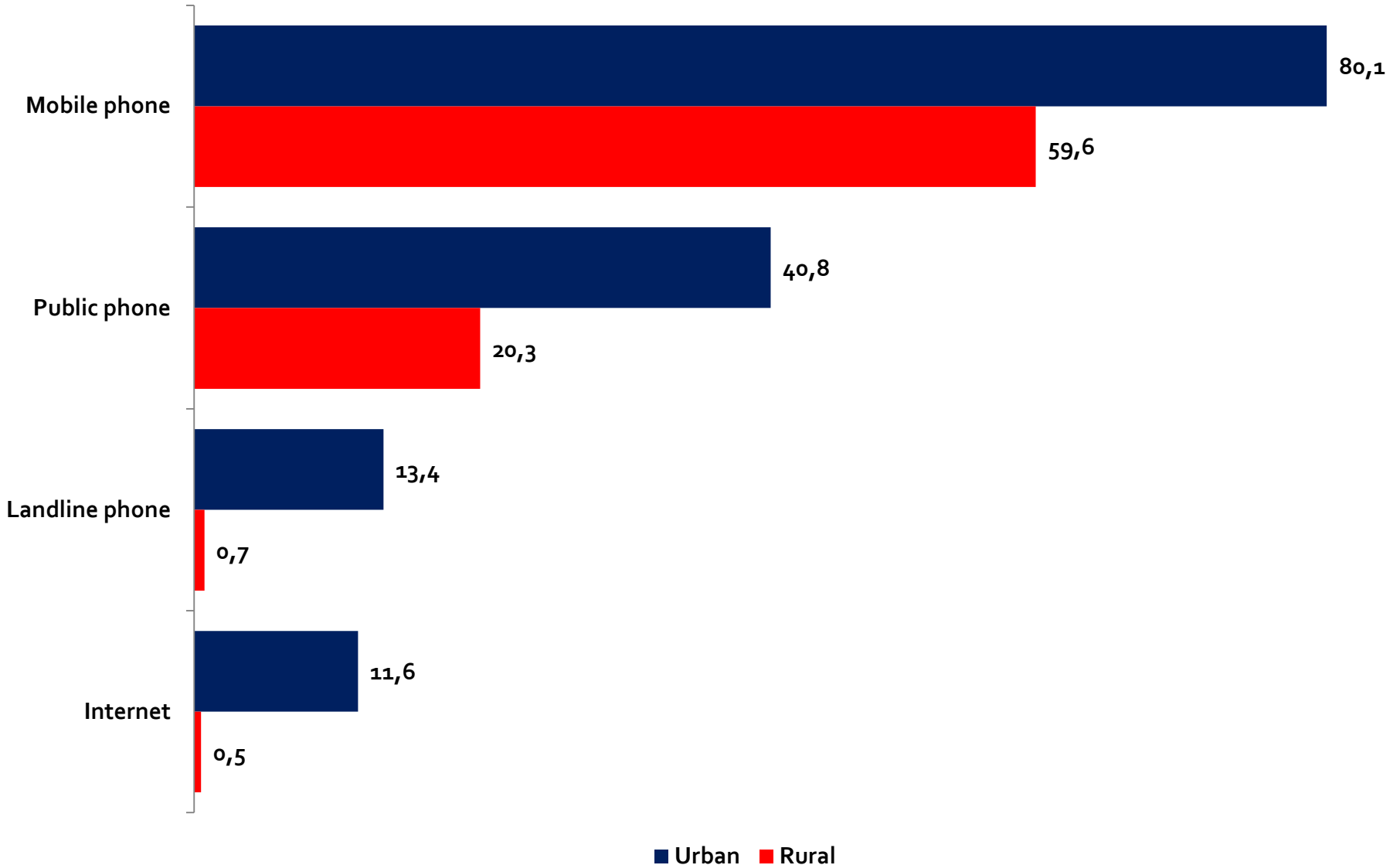


Source of energy for cooking



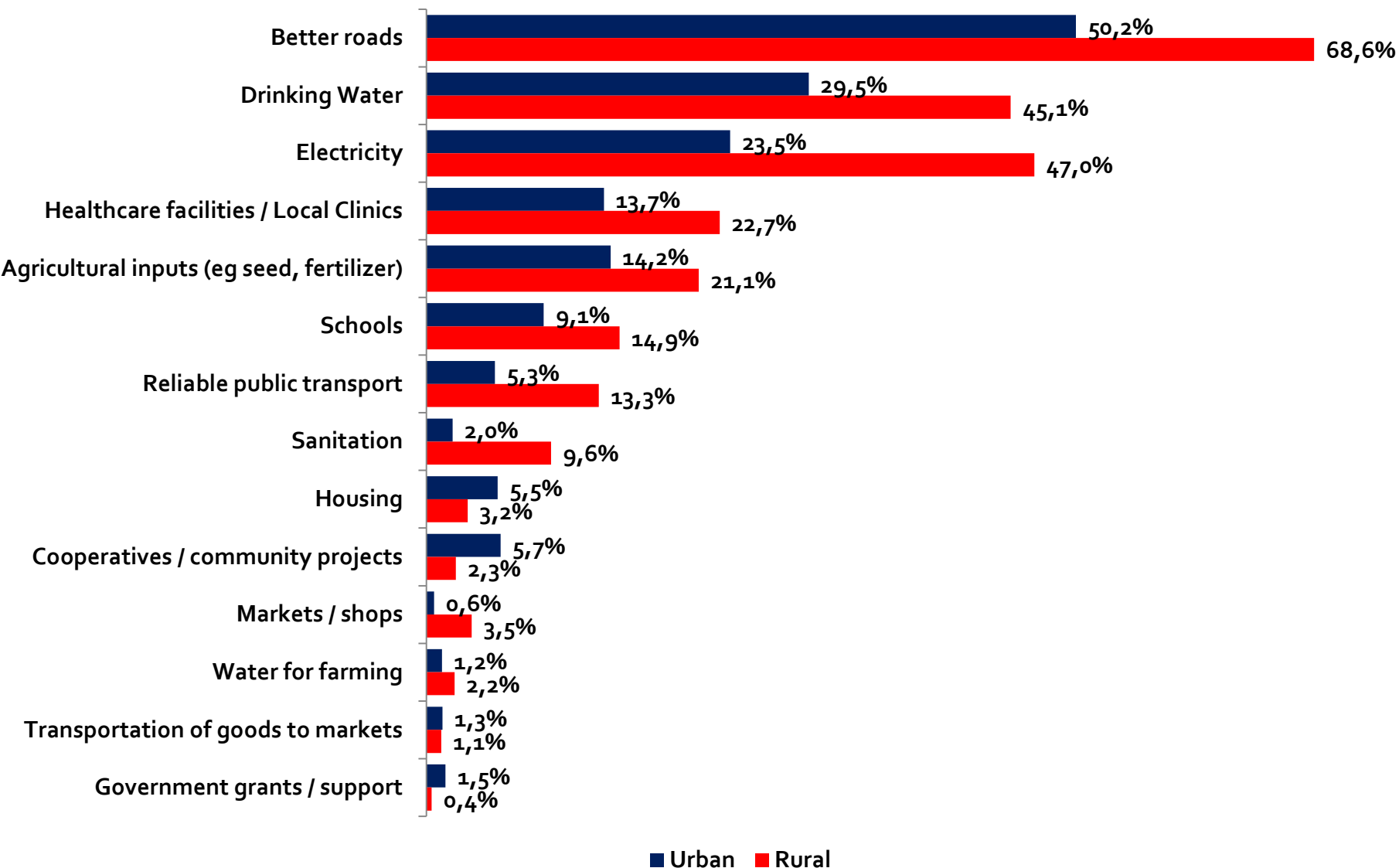
Connectivity – usage

Urban/Rural



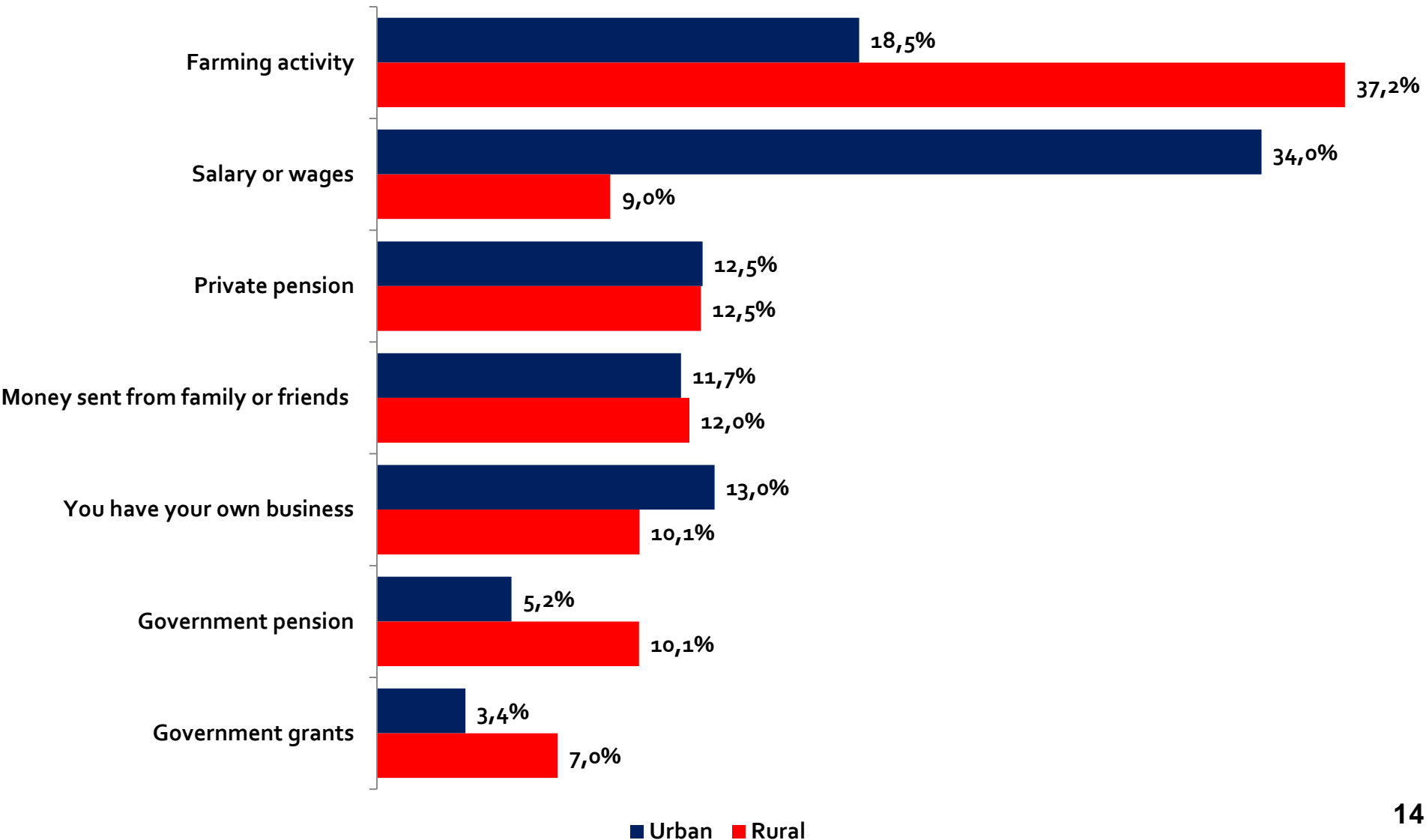
What would help improve the lives of people in my community...

Rural vs. Urban



Income generation activities

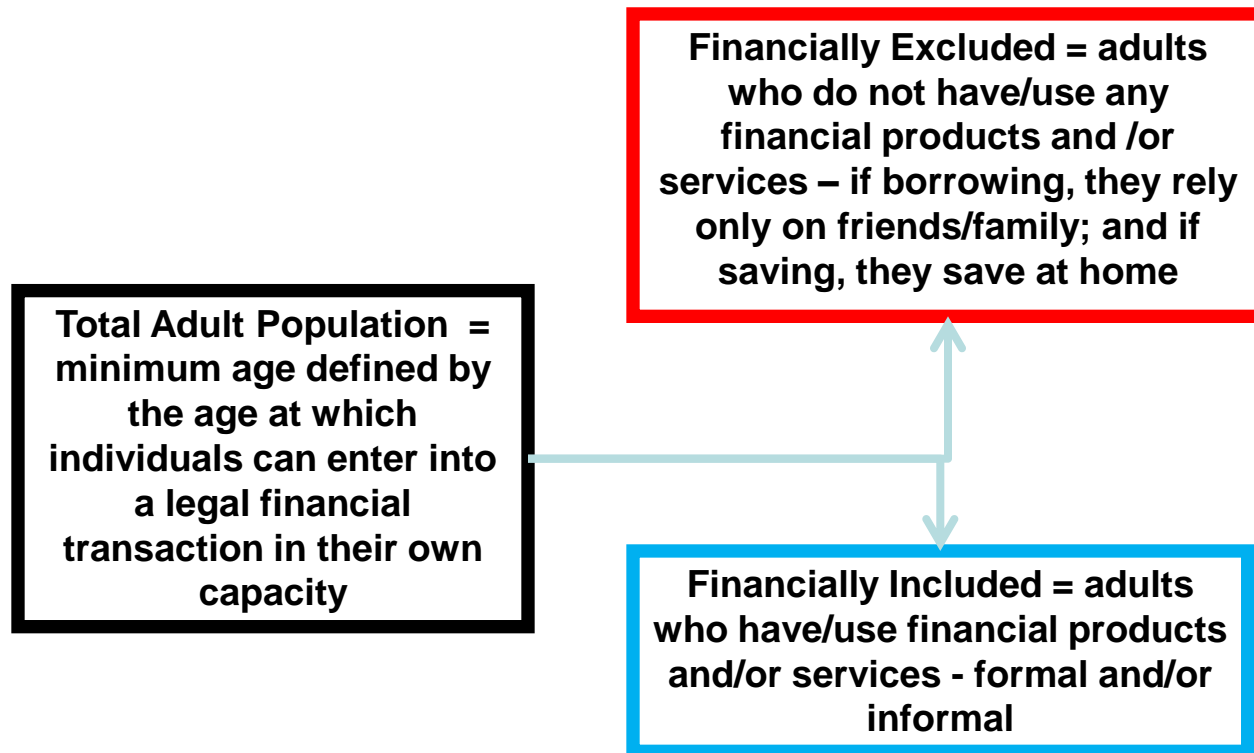
Rural vs. Urban



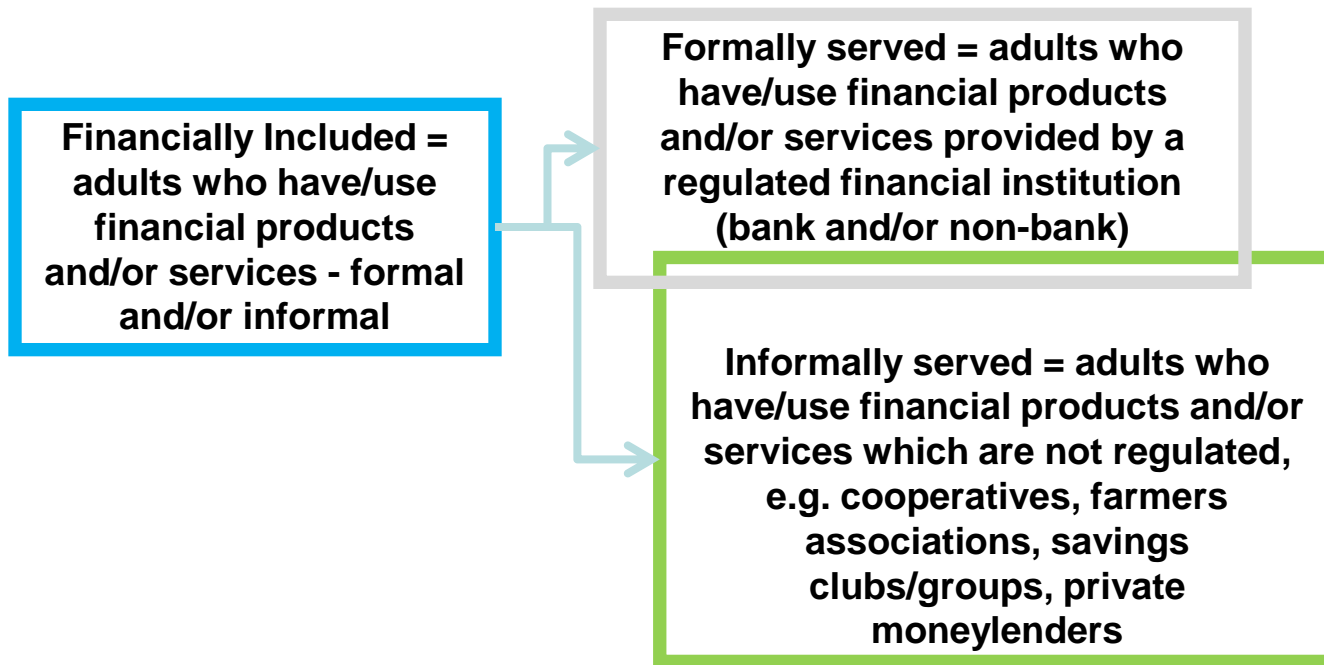
Defining financial inclusion

Defining Financial Inclusion

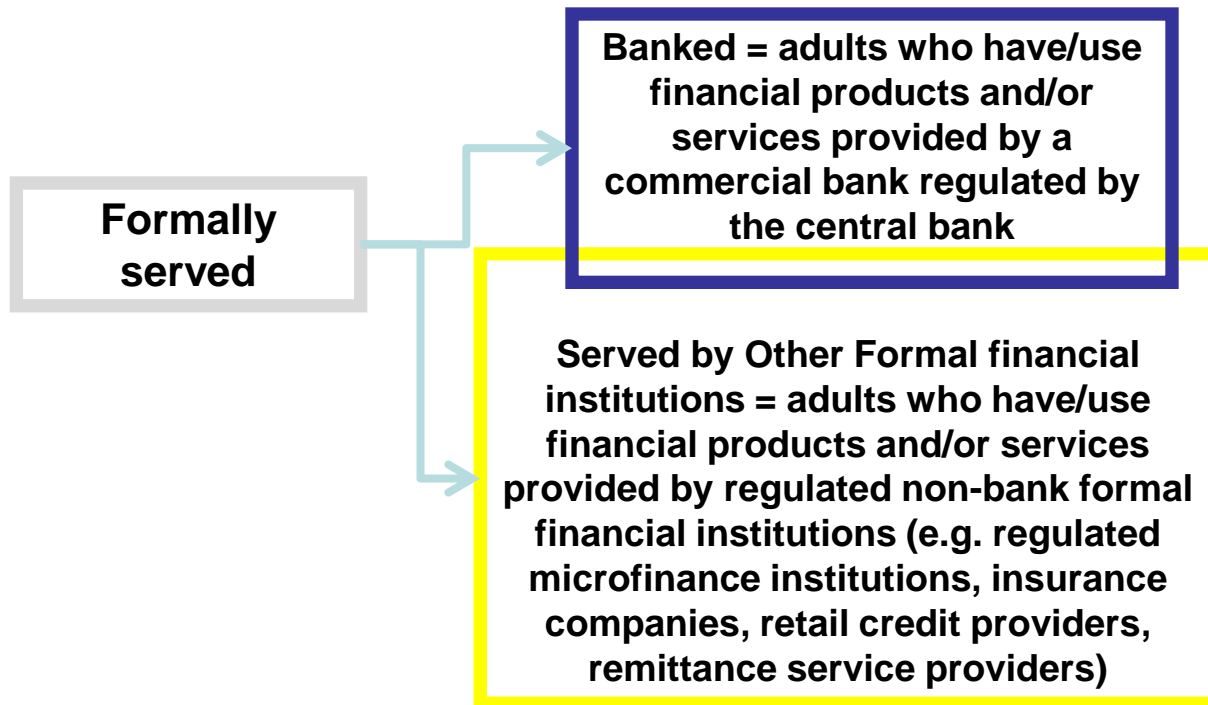
The FinScope methodology uses financial product **USAGE** to segment the adult population



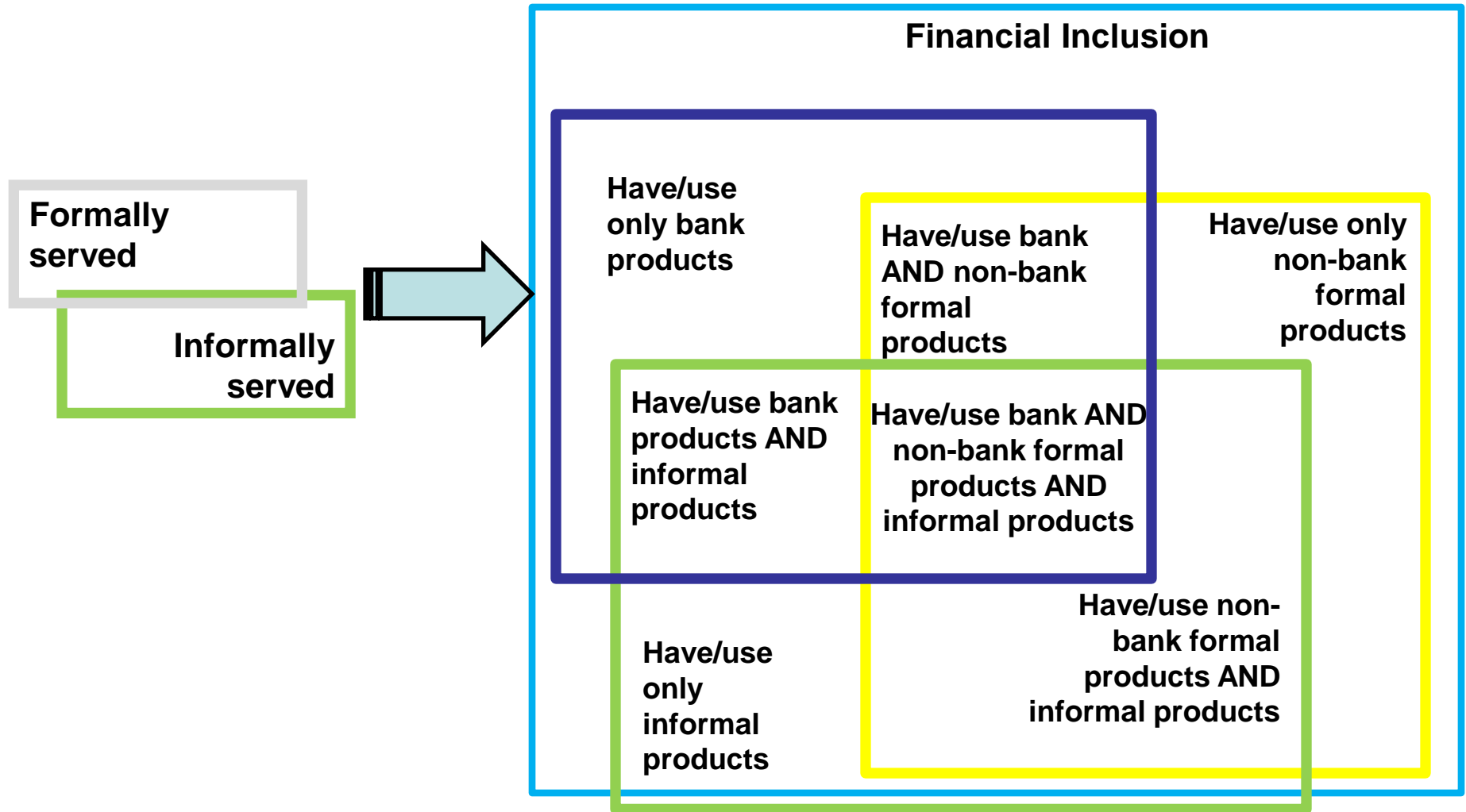
Defining Financial Inclusion



Defining Financial Inclusion

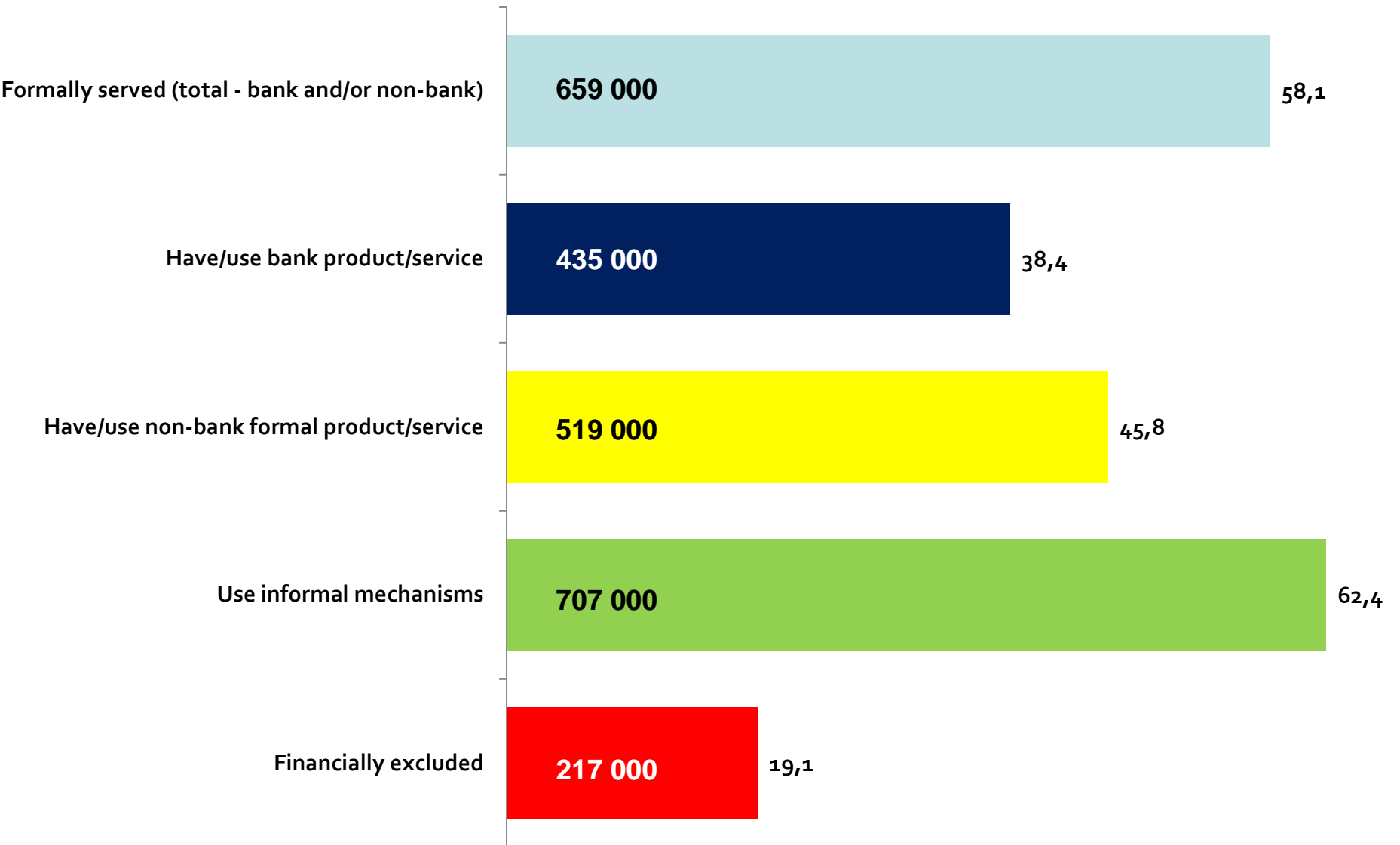


Defining Financial Inclusion



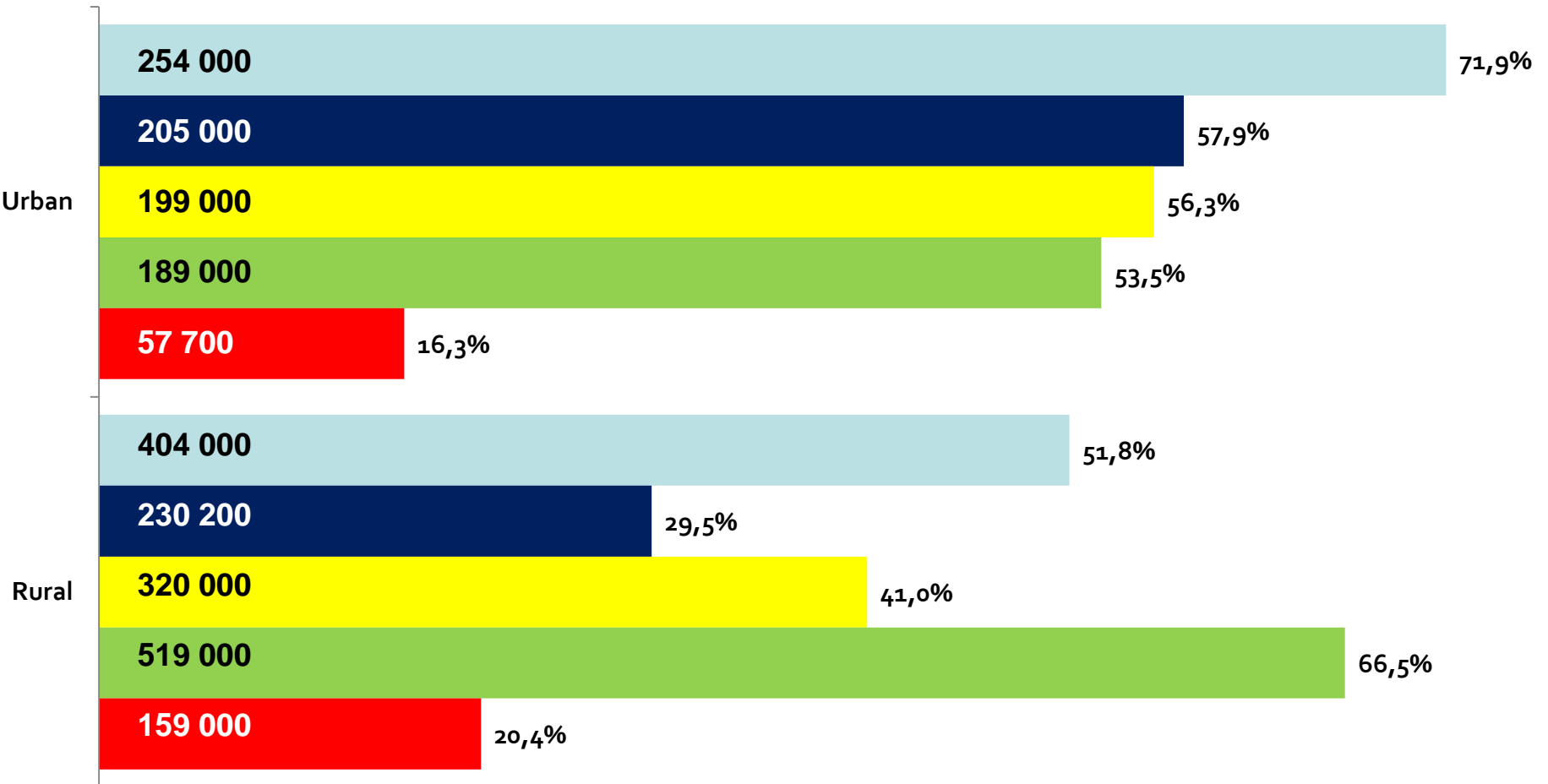
Financial inclusion in Lesotho

Inclusion overview



Inclusion overview

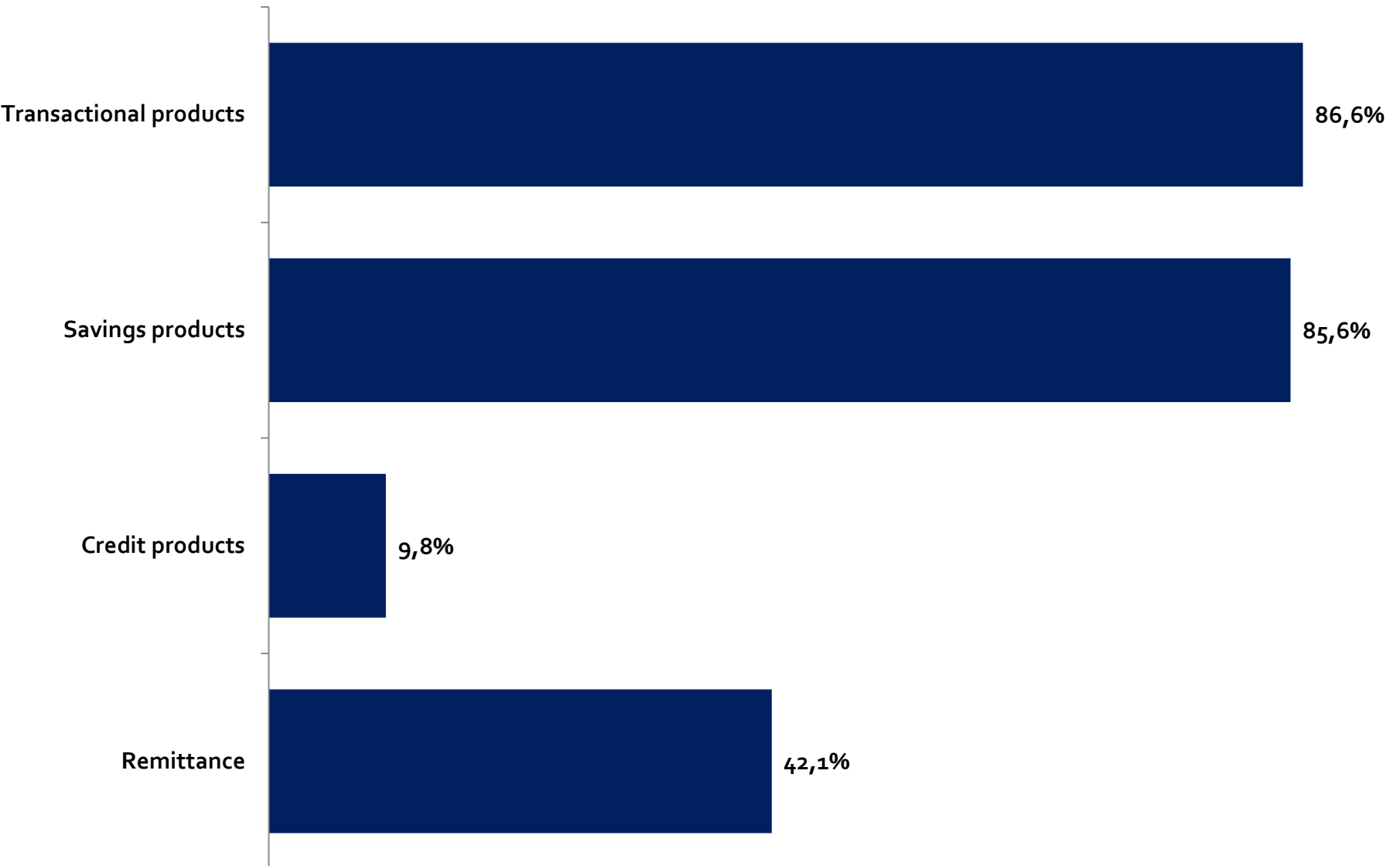
Rural vs. Urban



- Formally served (total - bank and/or non-bank)
- Have/use bank product/service
- Have/use non-bank formal product/service
- Use informal mechanisms
- Financially excluded

What drives banking?

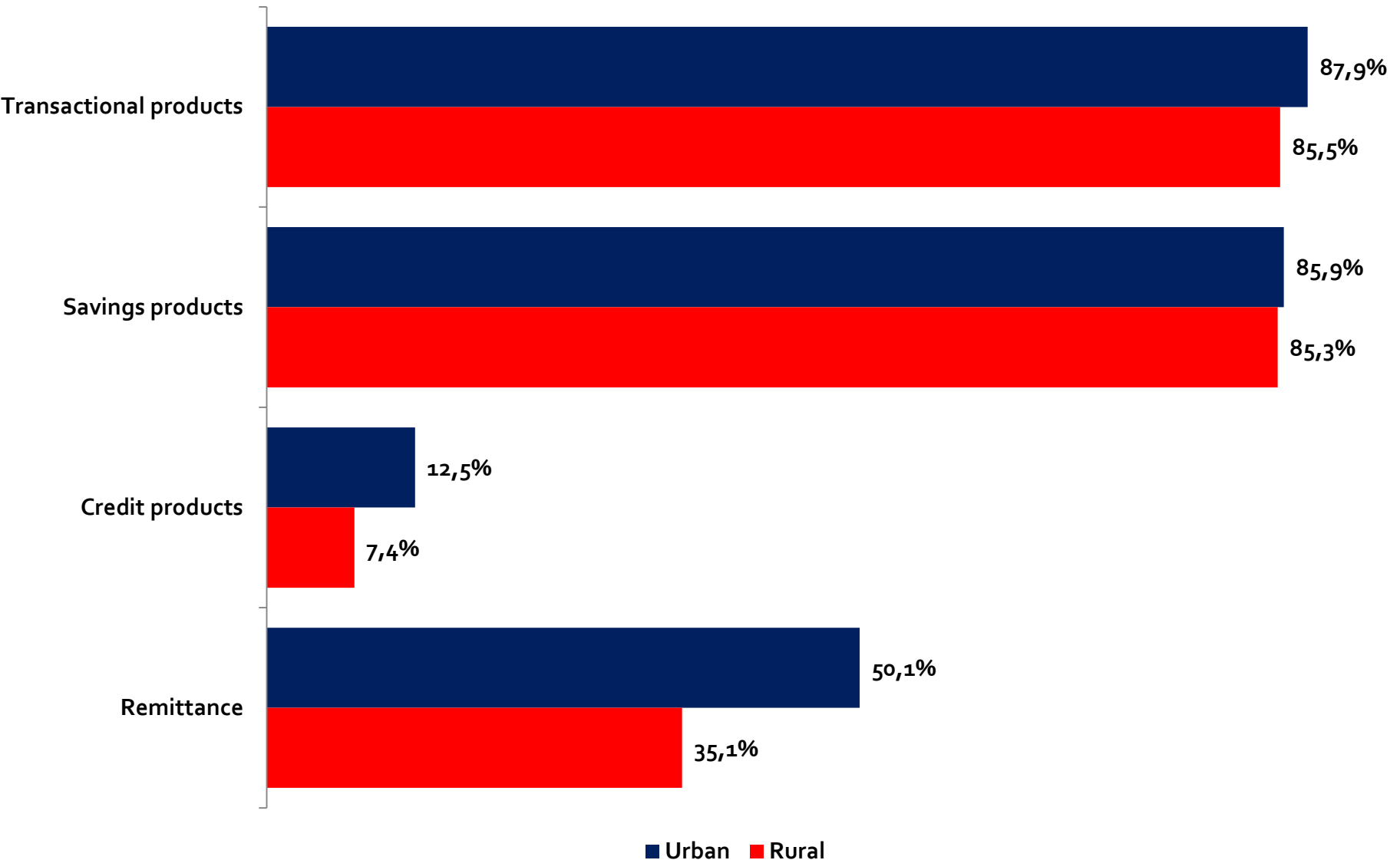
Banked population



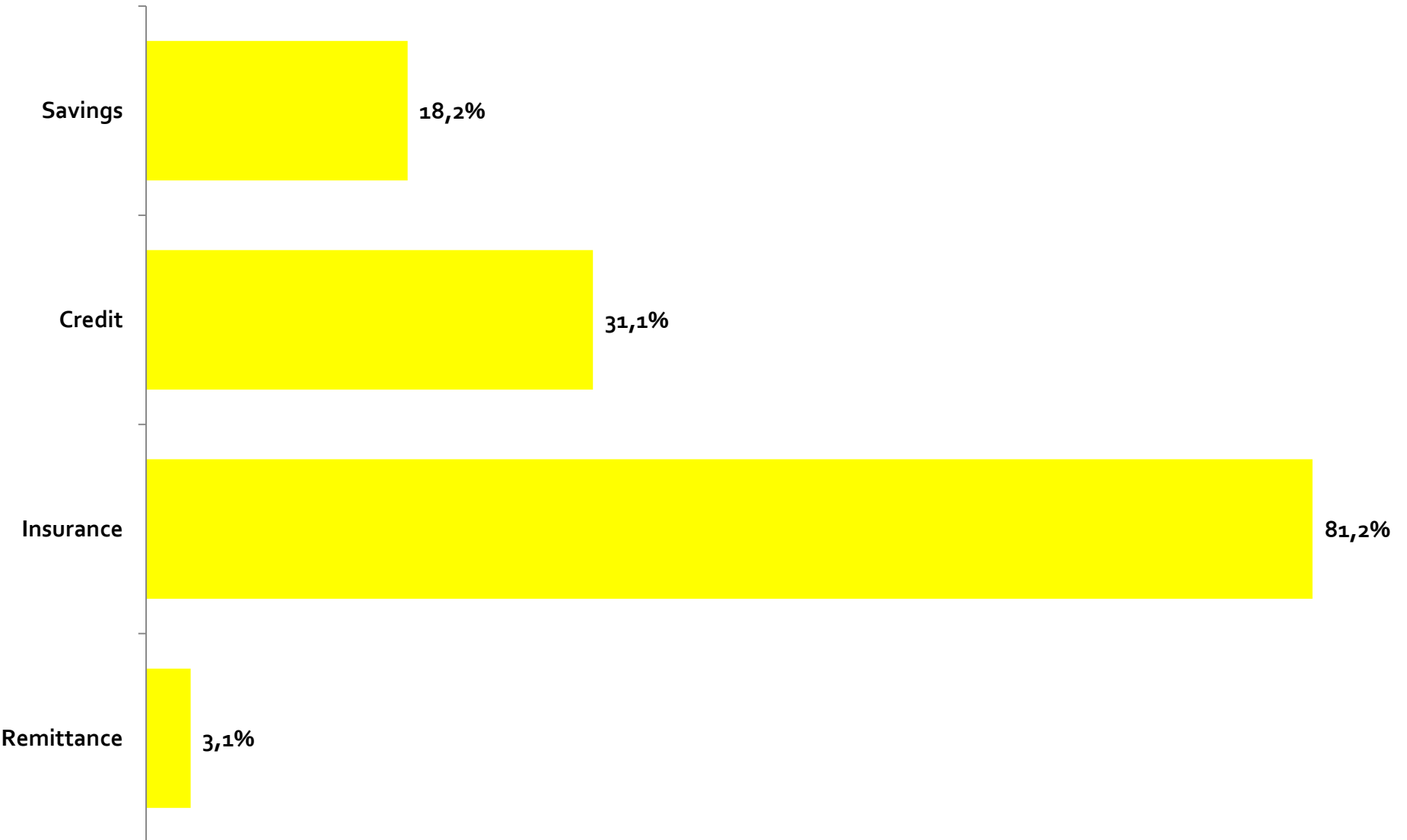
What drives banking?

Banked population

Rural vs. Urban

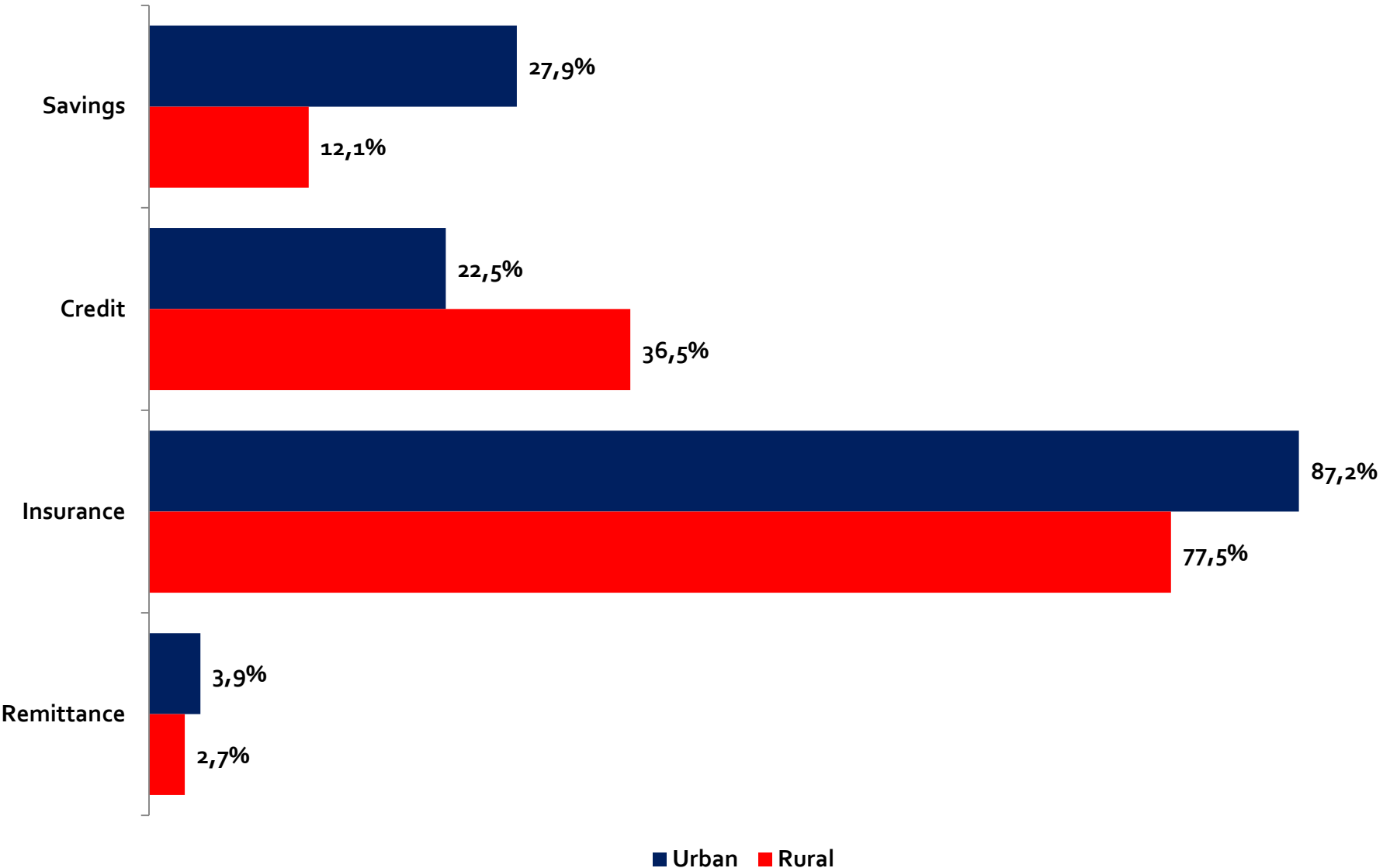


What drives non-bank formal product usage?

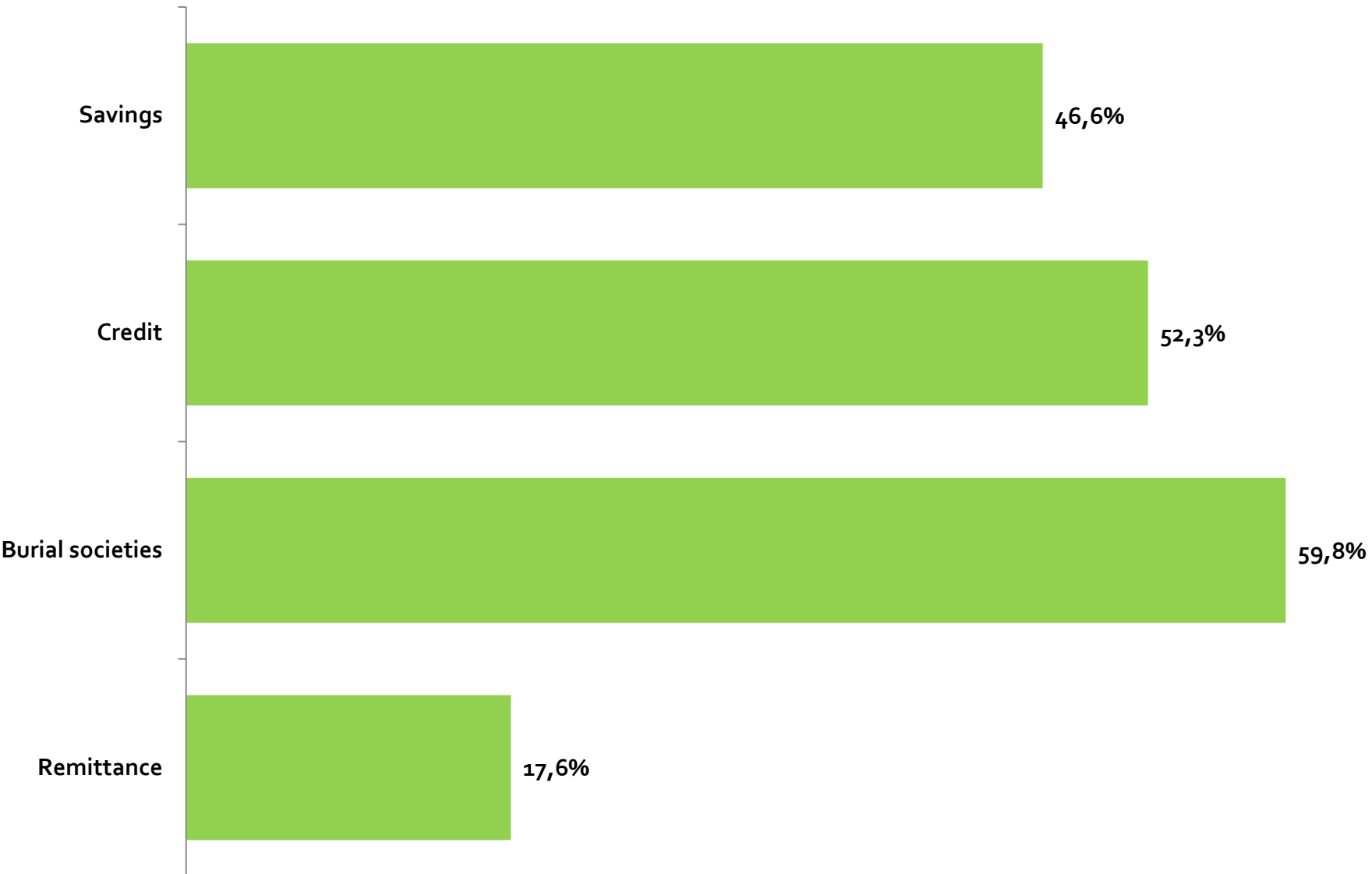


What drives non-bank formal product usage?

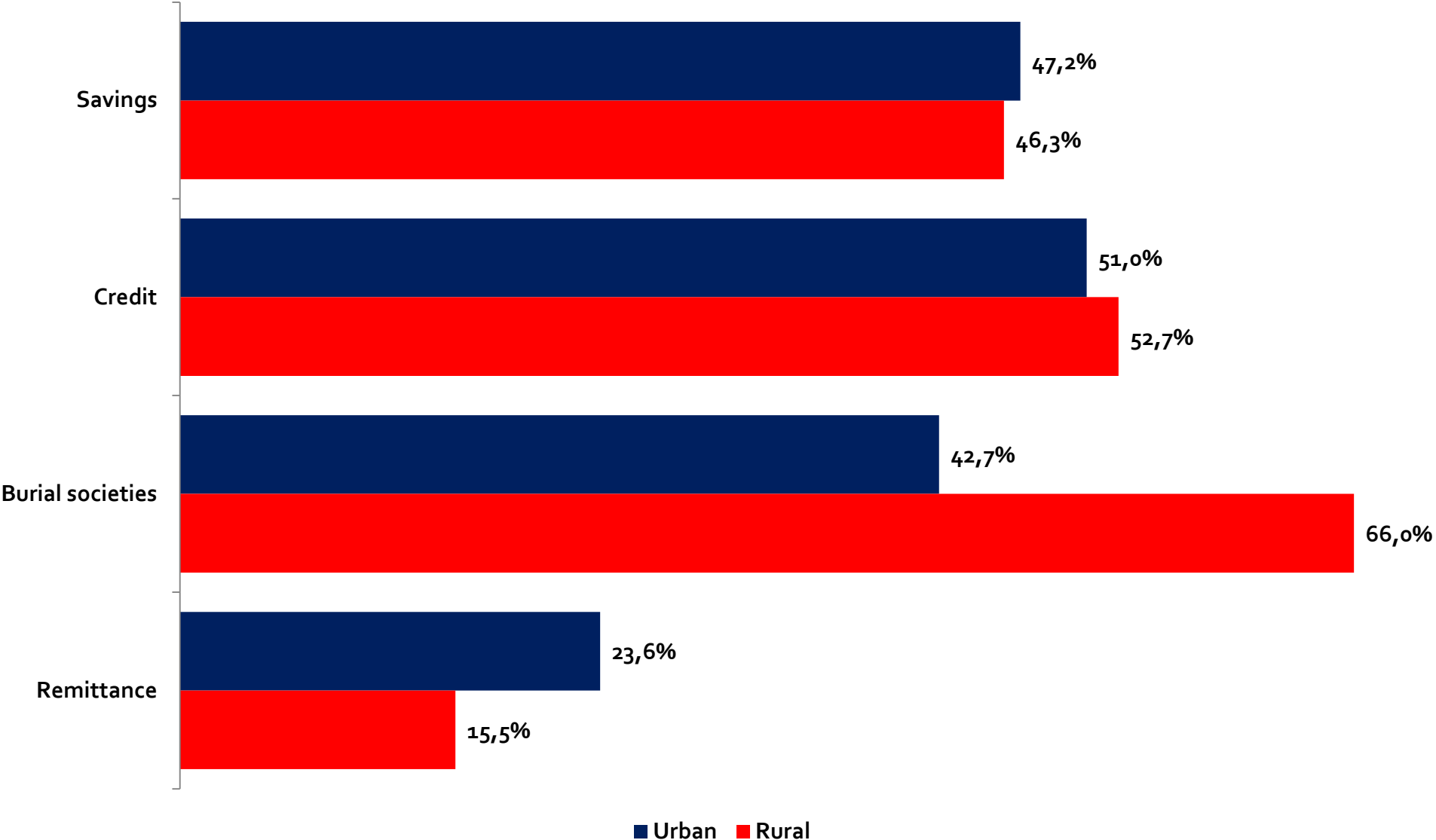
Rural vs. Urban



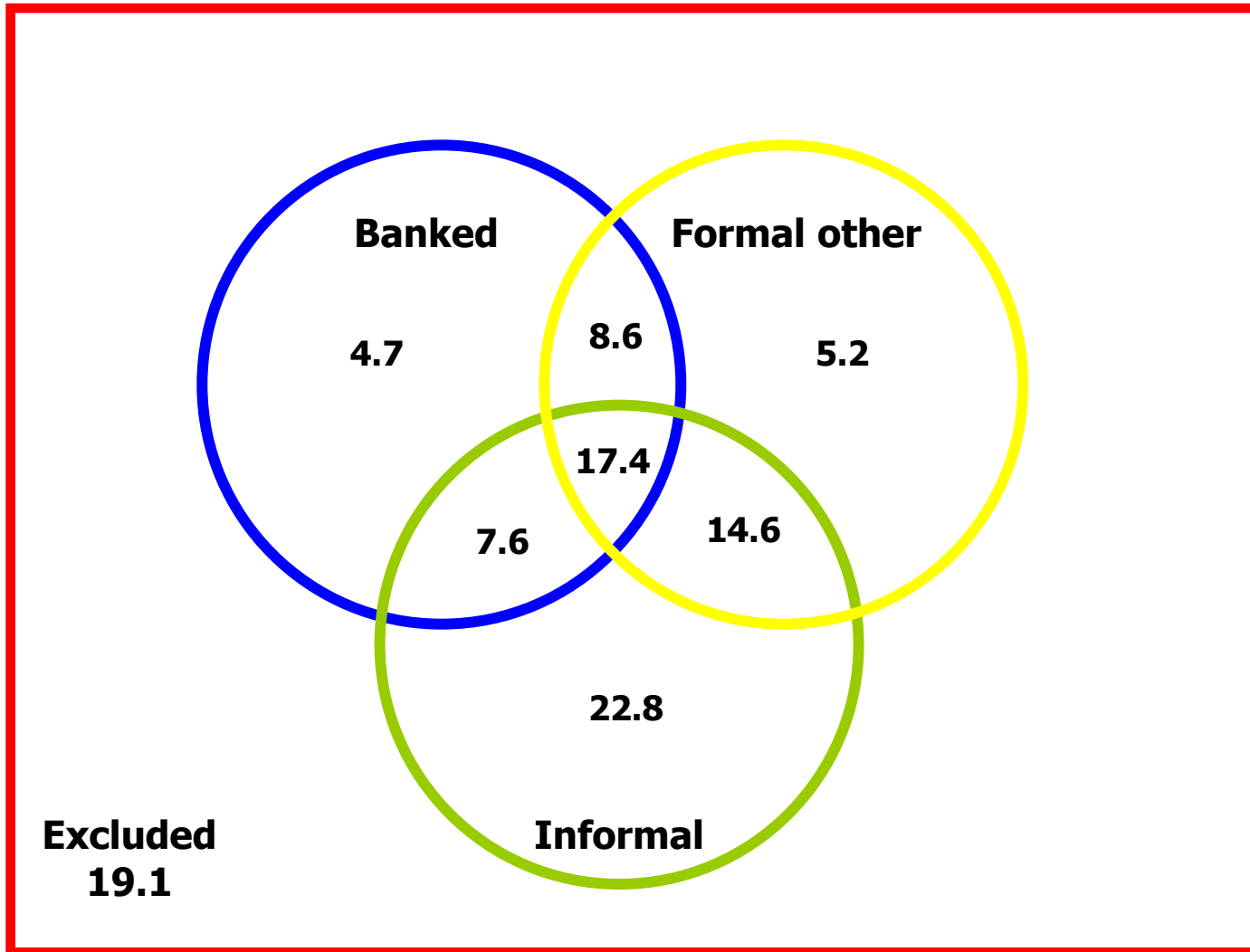
What drives informal activities?



What drives informal activities? Rural vs. Urban



Financial Inclusion Overlaps



Access Strand Lesotho 2011

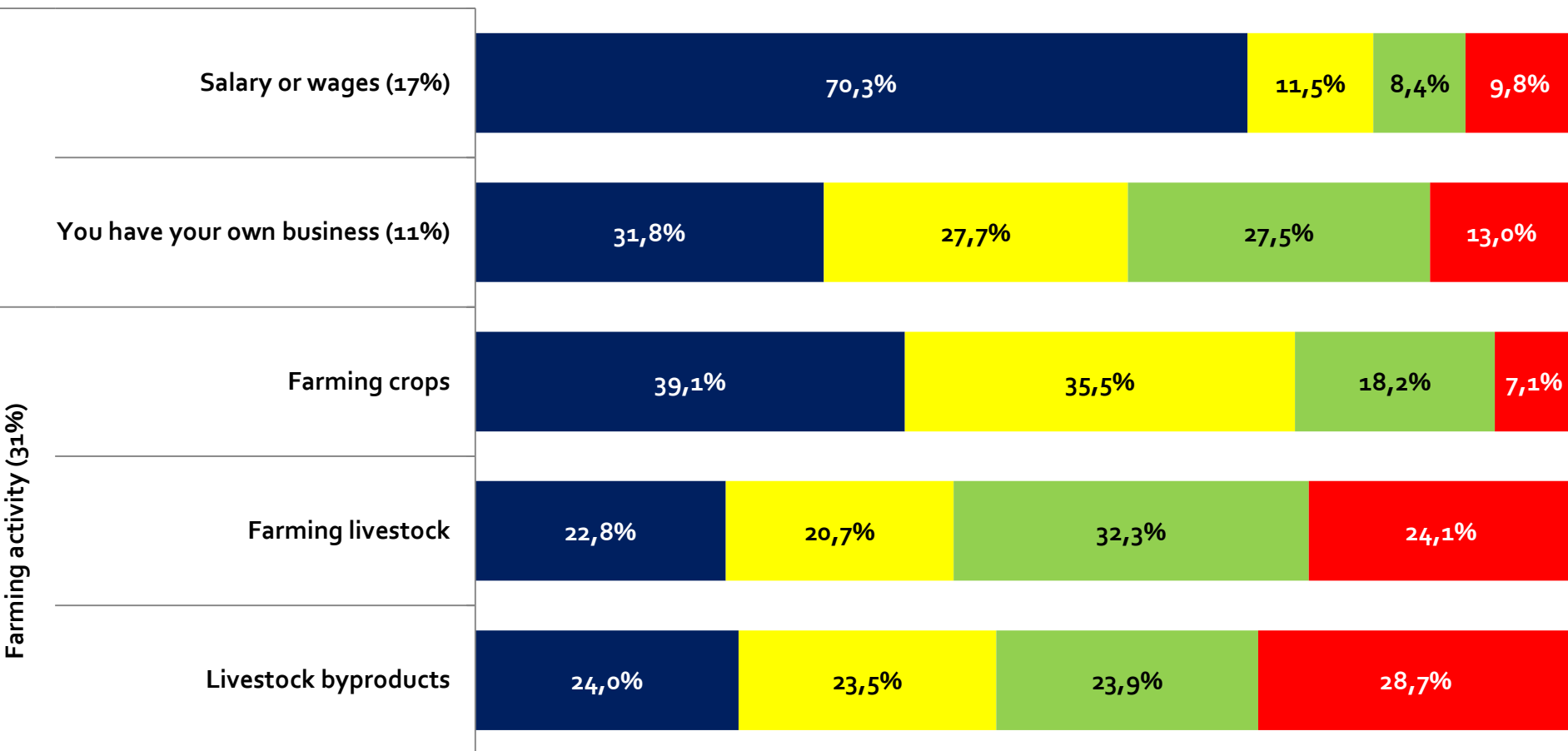


■ Have/use bank products/services
■ Use only informal mechanisms

■ Have/use non-bank products/services (no bank products)
■ Have & use no financial products/services

Access Strand Lesotho 2011

Income generating activities

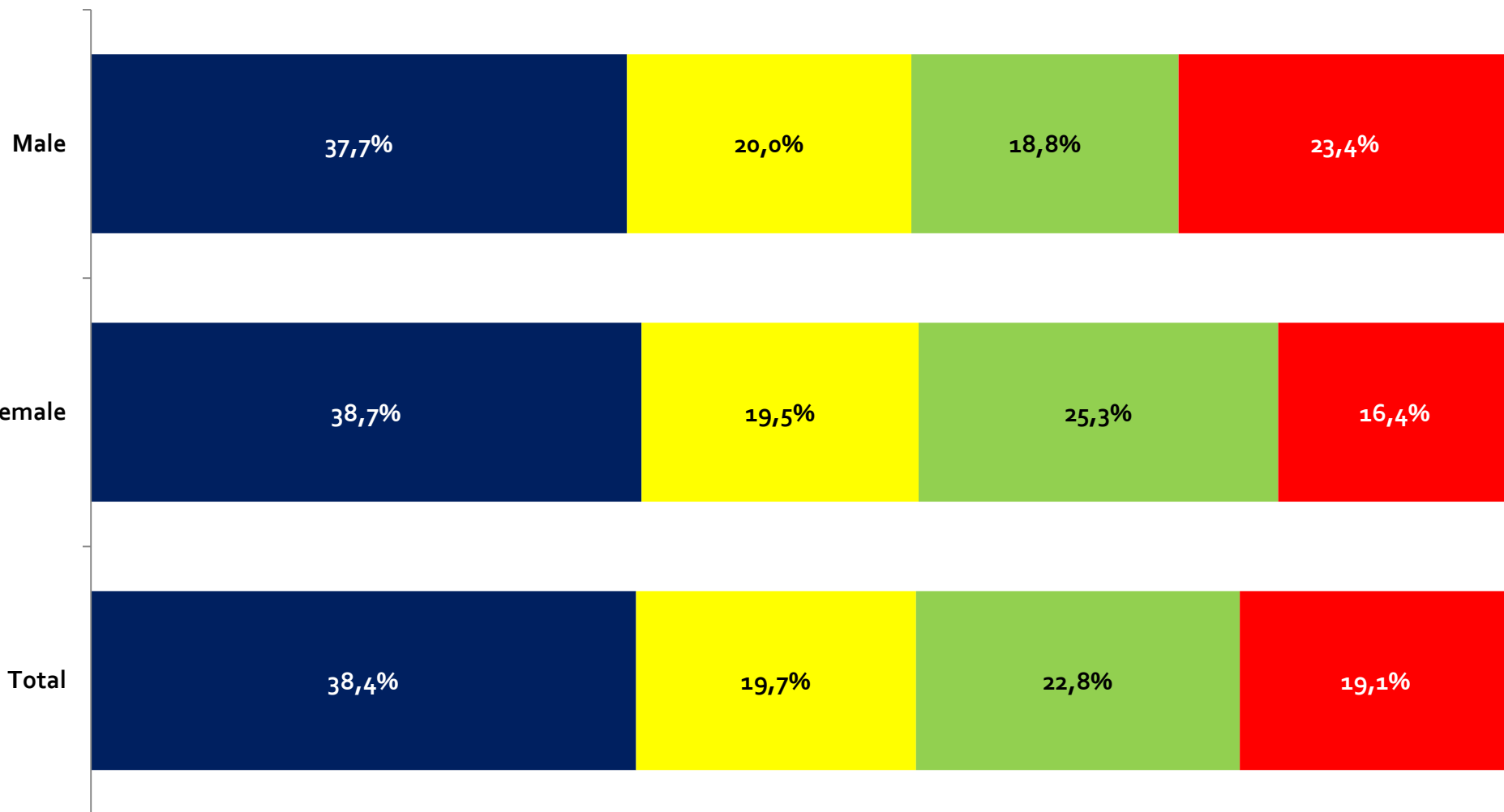


■ Have/use bank products/services
 ■ Use only informal mechanisms

■ Have/use non-bank products/services (no bank products)
 ■ Have & use no financial products/services

Access Strand Lesotho 2011

Gender



■ Have/use bank products/services

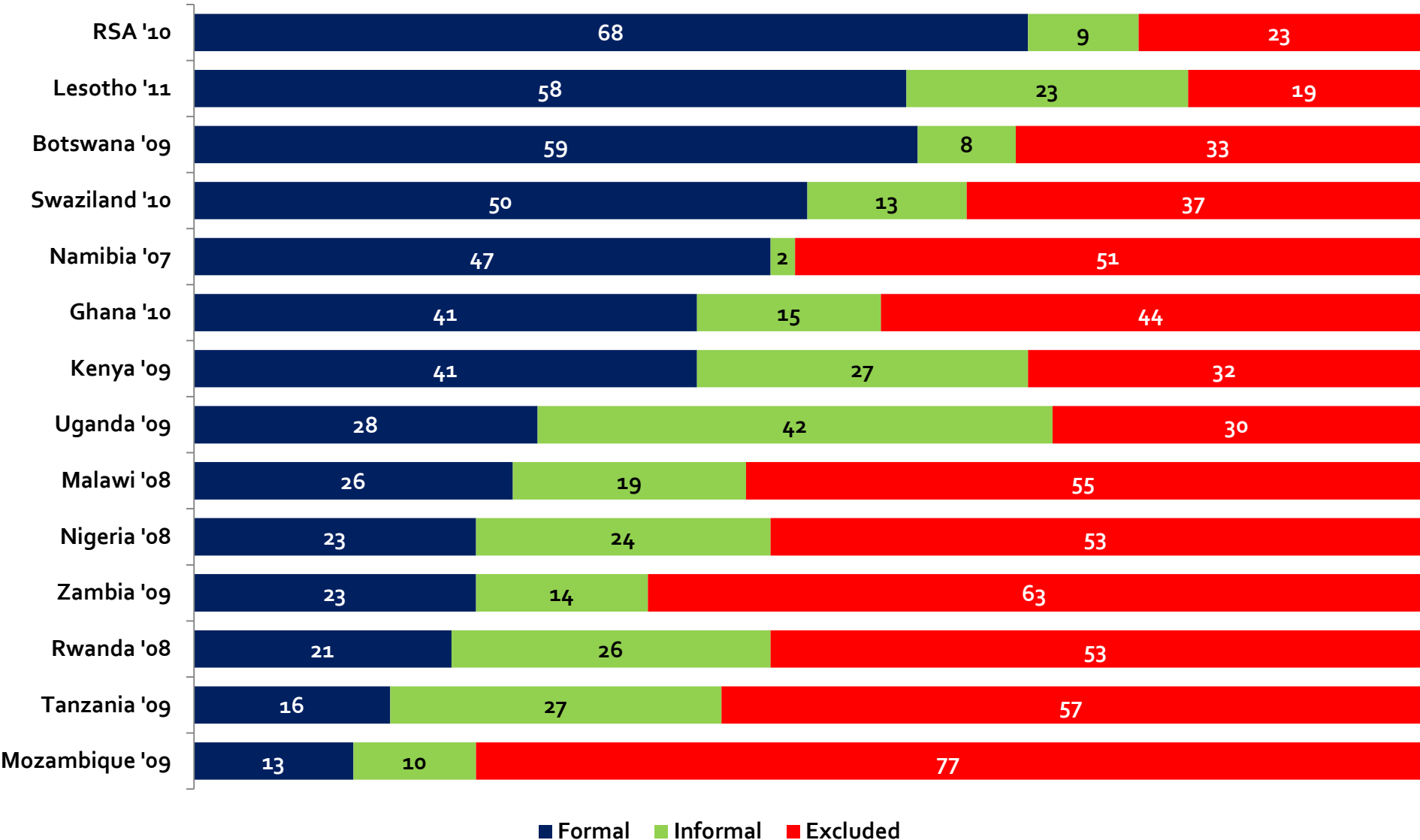
■ Have/use non-bank products/services (no bank products)

■ Use only informal mechanisms

■ Have & use no financial products/services

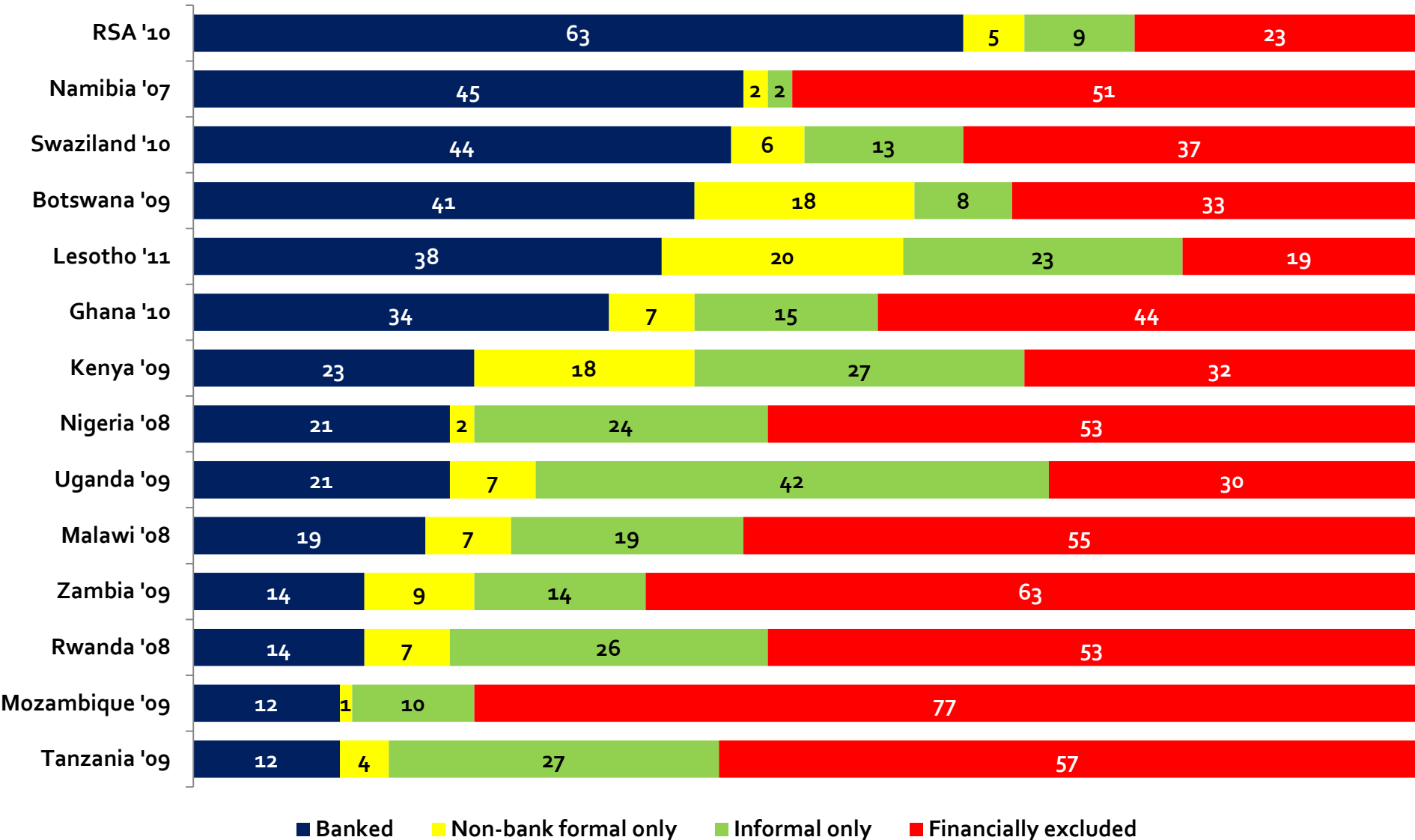
Comparing Access across countries

Ranked on Formal Inclusion



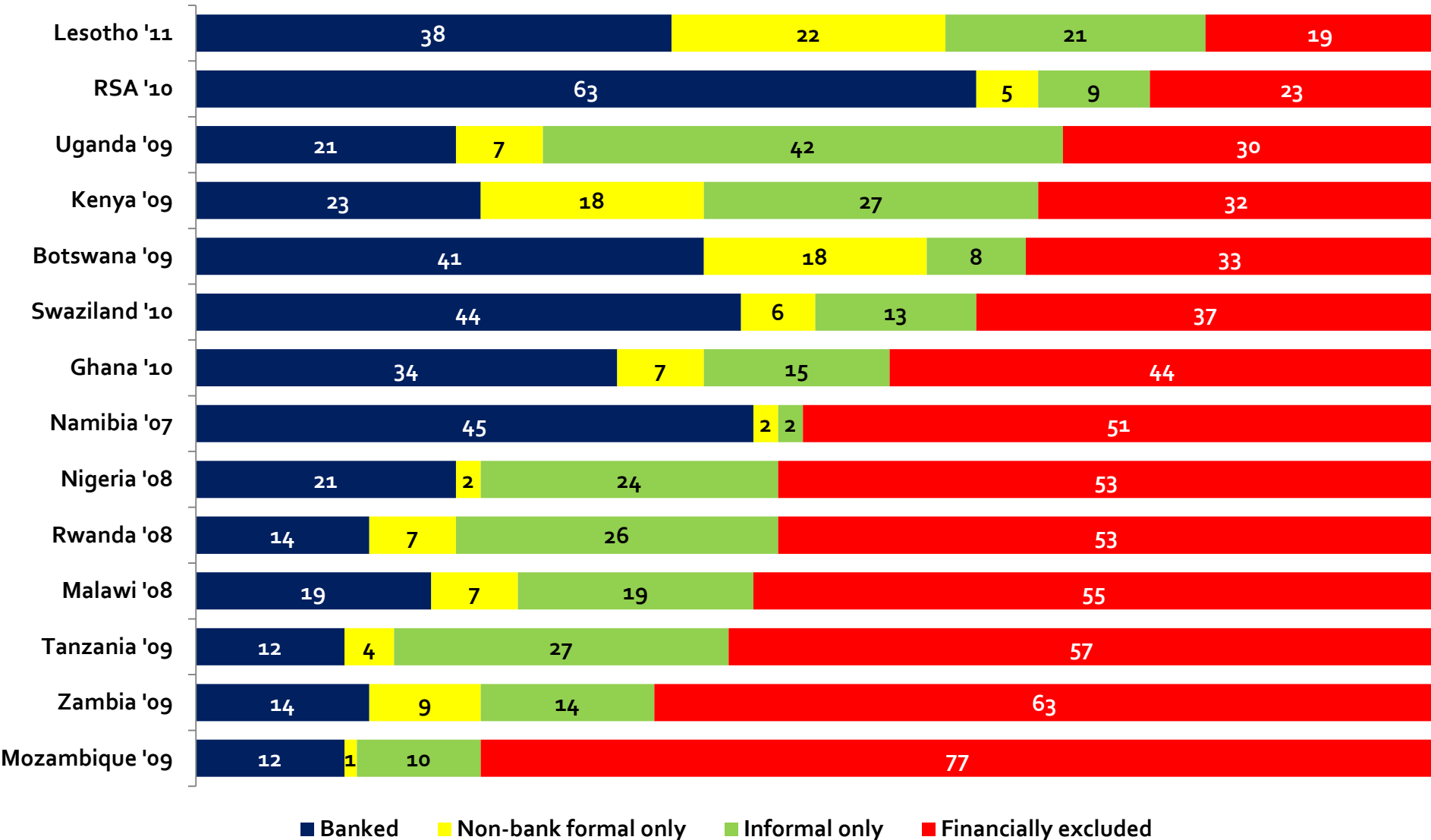
Comparing Access across countries

Ranked on Banked

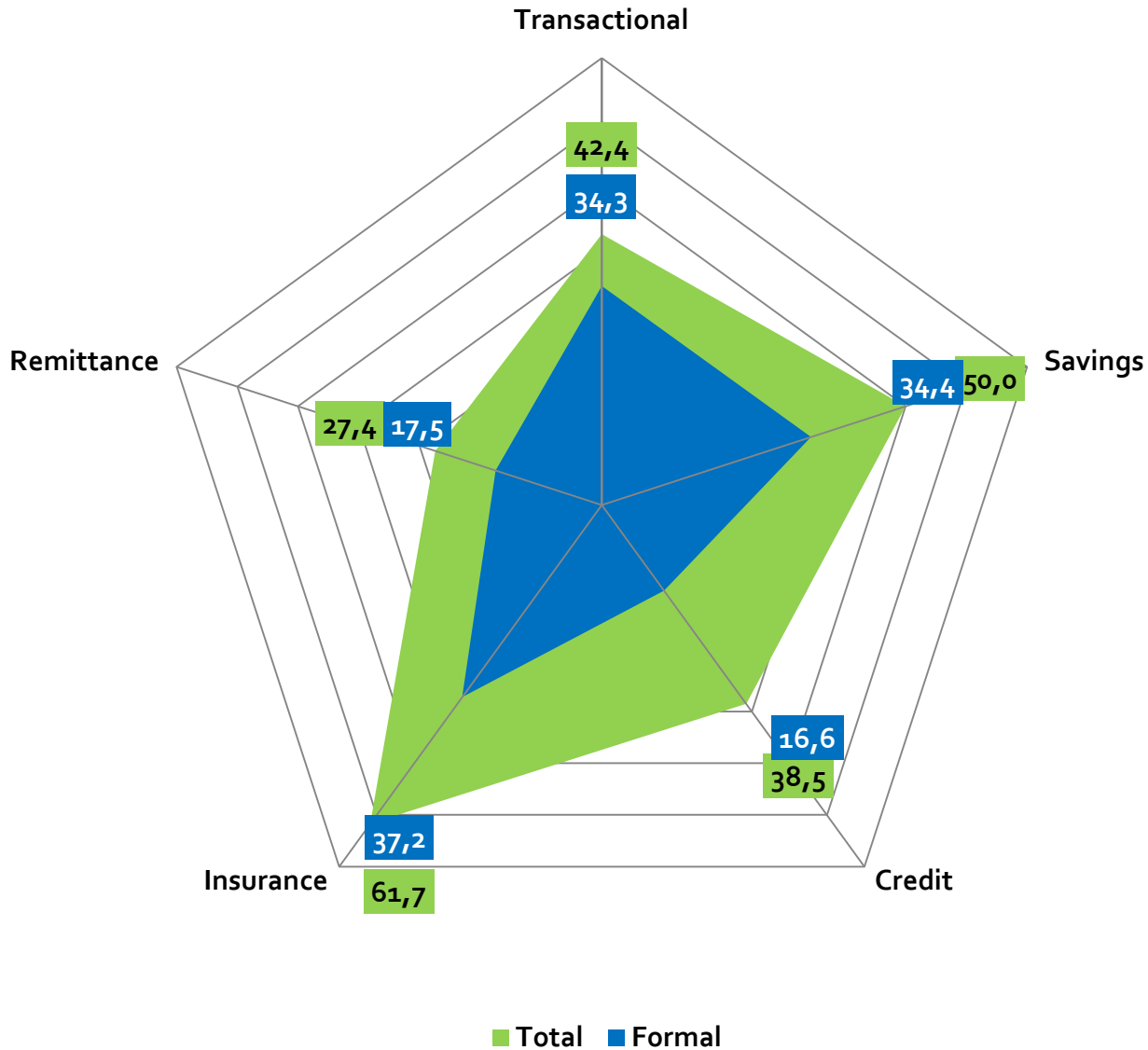


Comparing Access across countries

Ranked on Excluded

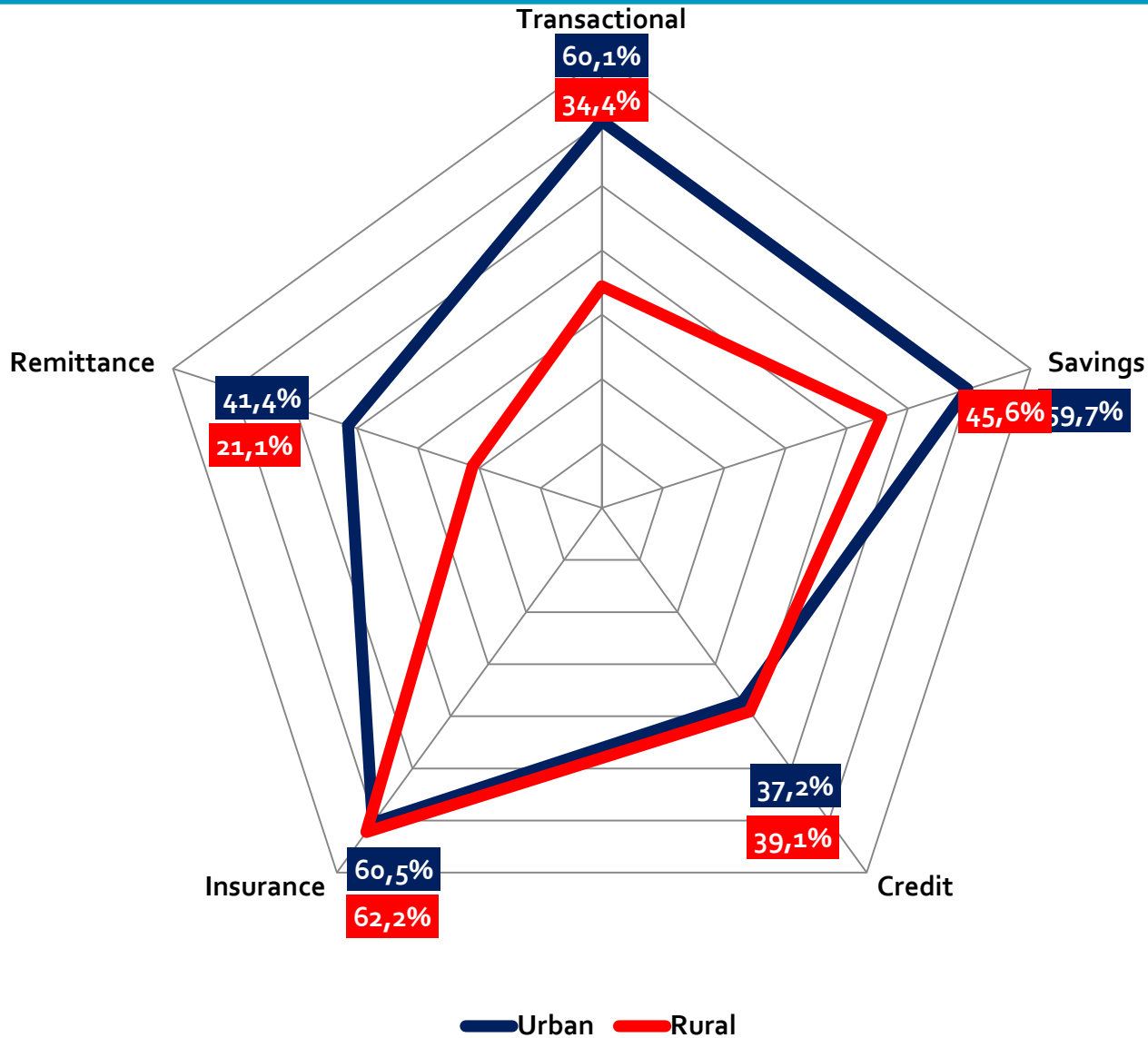


Landscape of Access Lesotho 2011



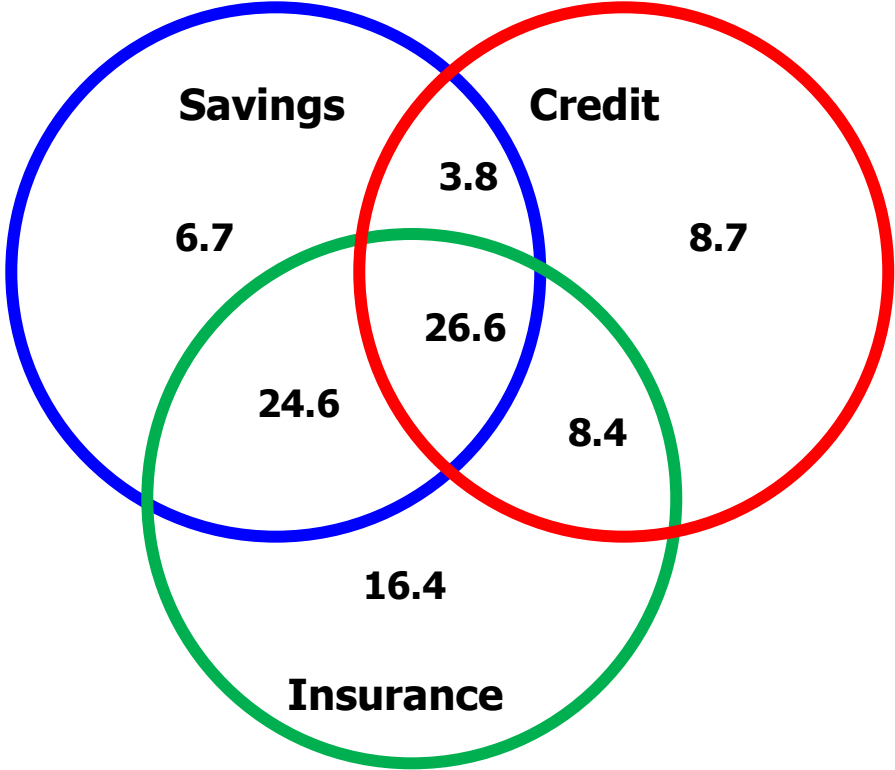
Landscape of Access Lesotho 2011

Rural vs. Urban



Product usage

% of the financially included



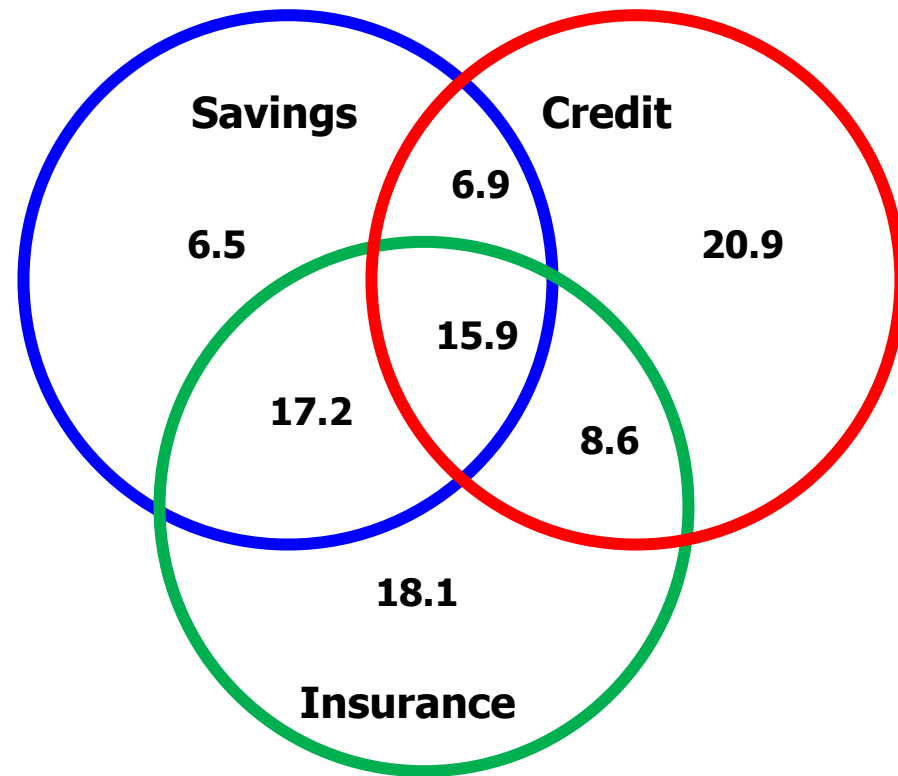
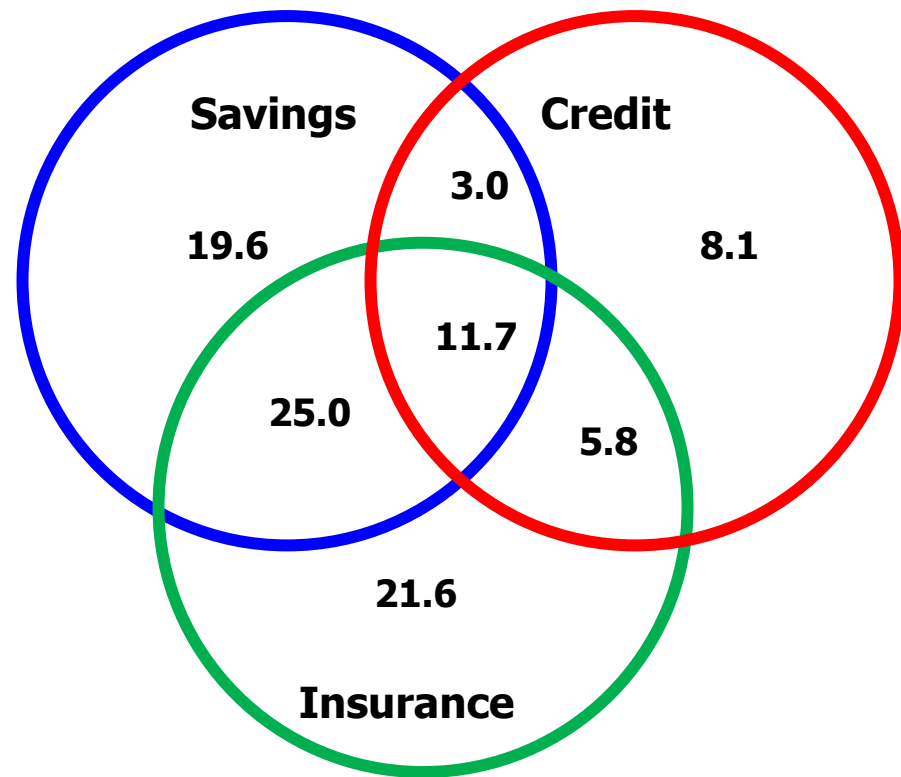
Product usage

% of the formal/informal served



Formal

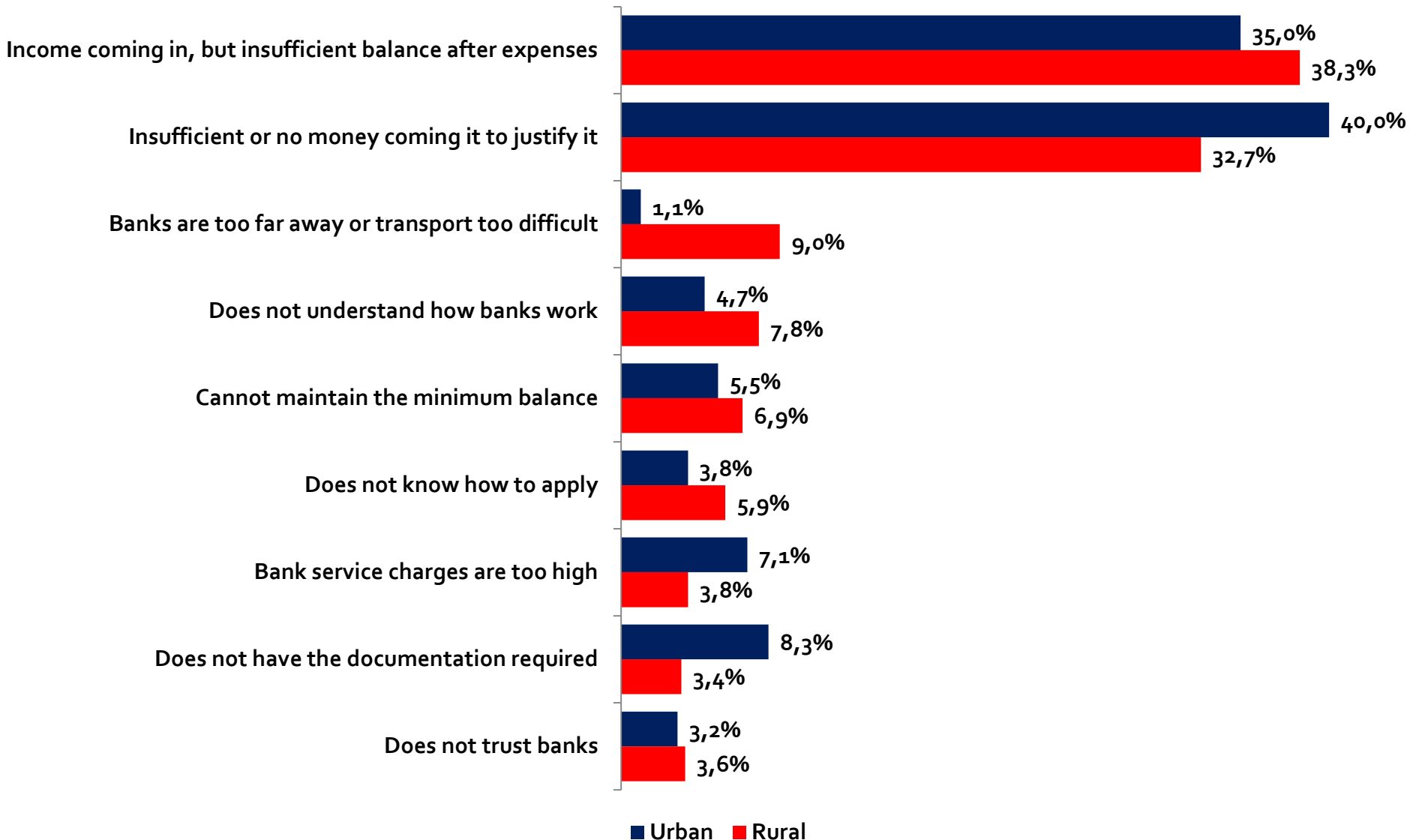
Informal



Banking in Lesotho

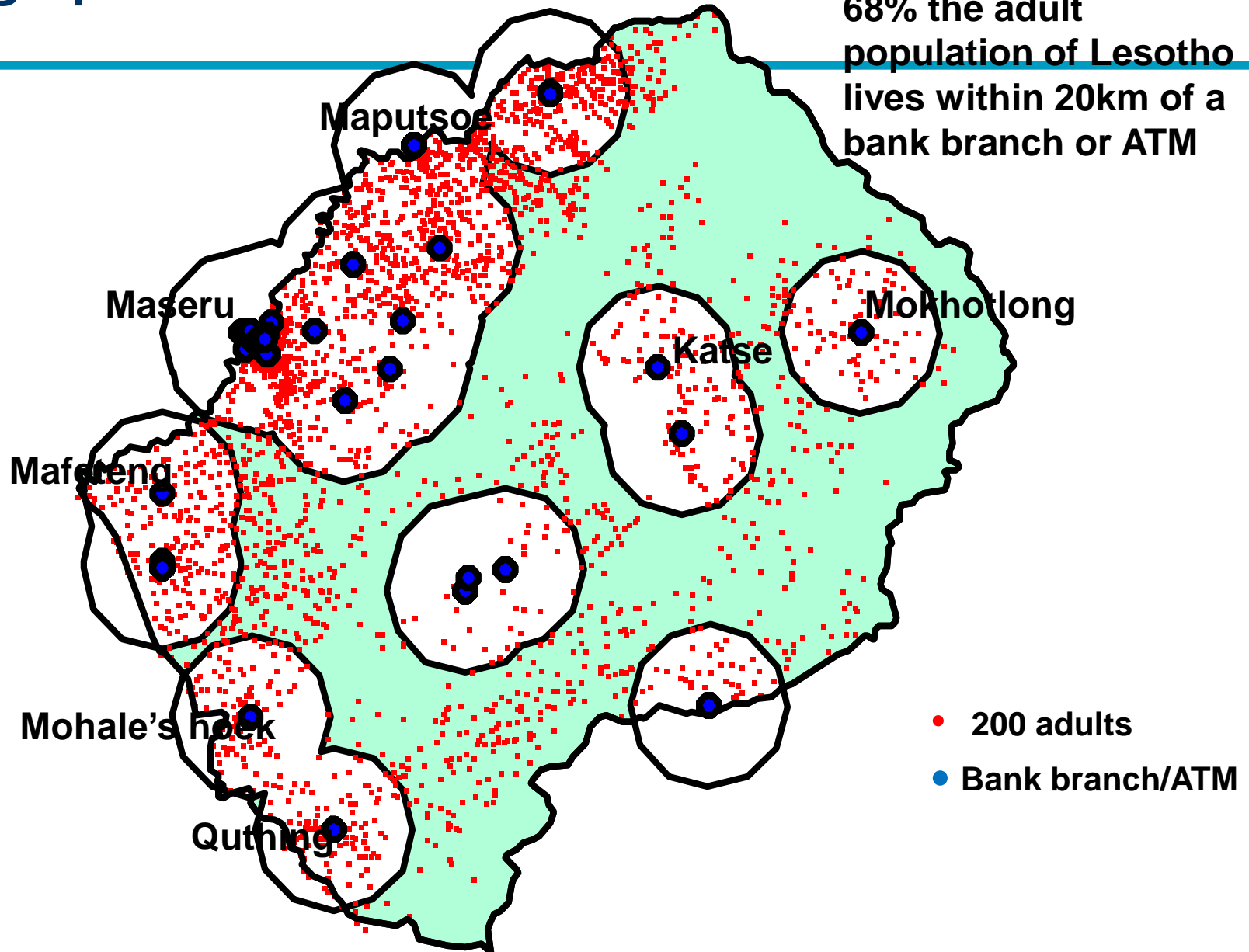
Barriers to banking

Rural vs. Urban



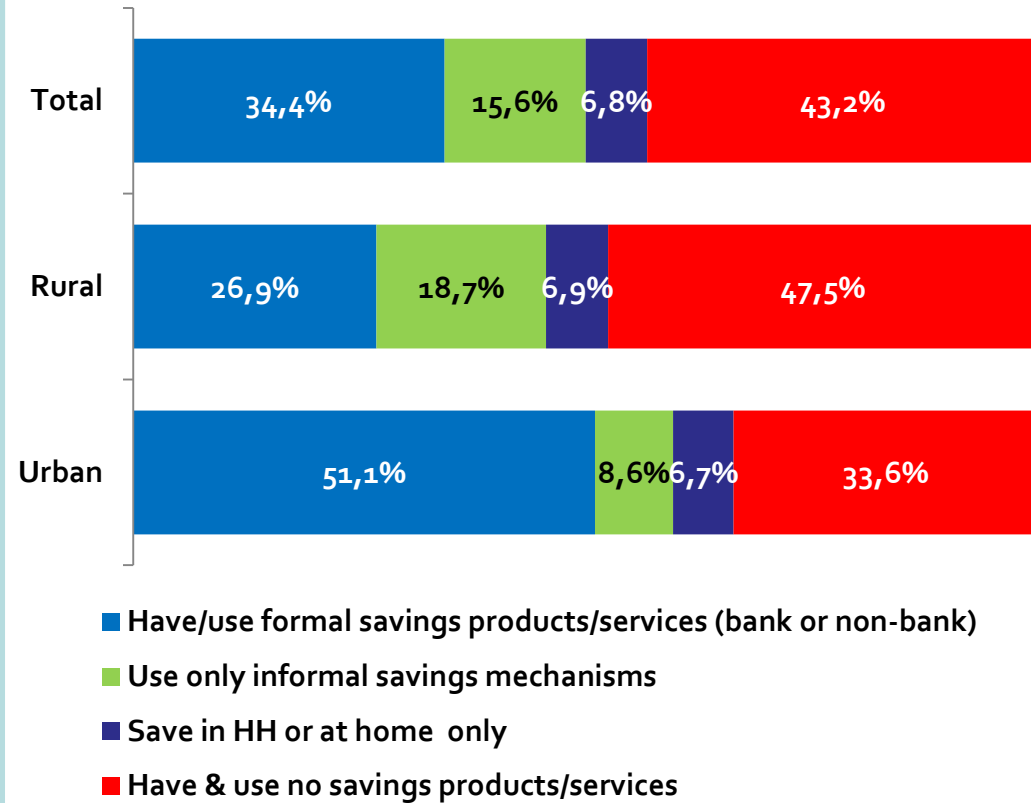
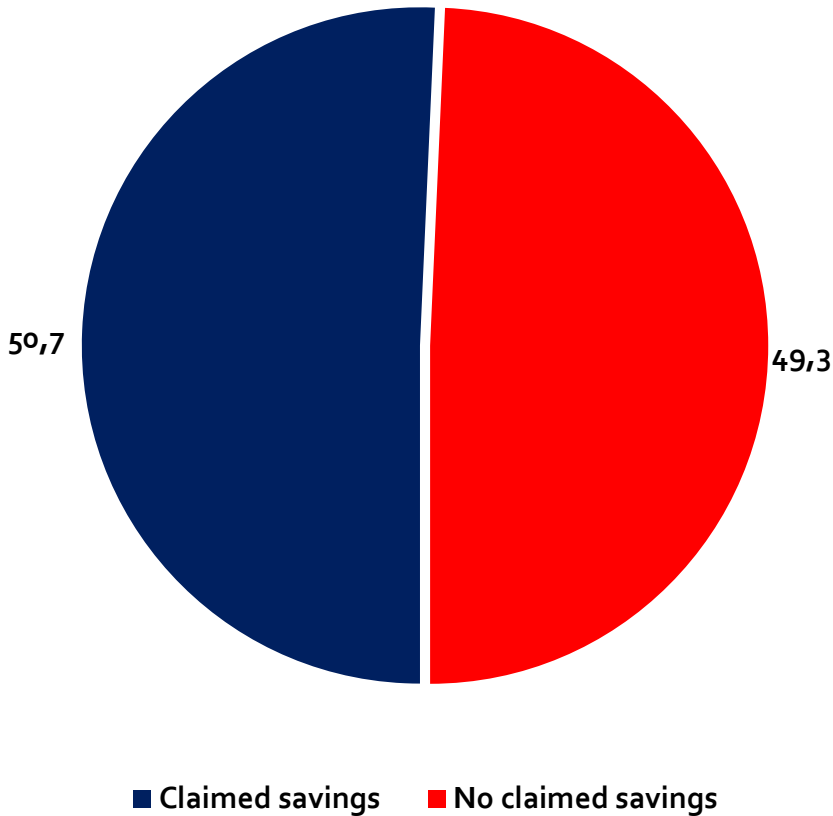
Geographical access to banks

68% the adult population of Lesotho lives within 20km of a bank branch or ATM

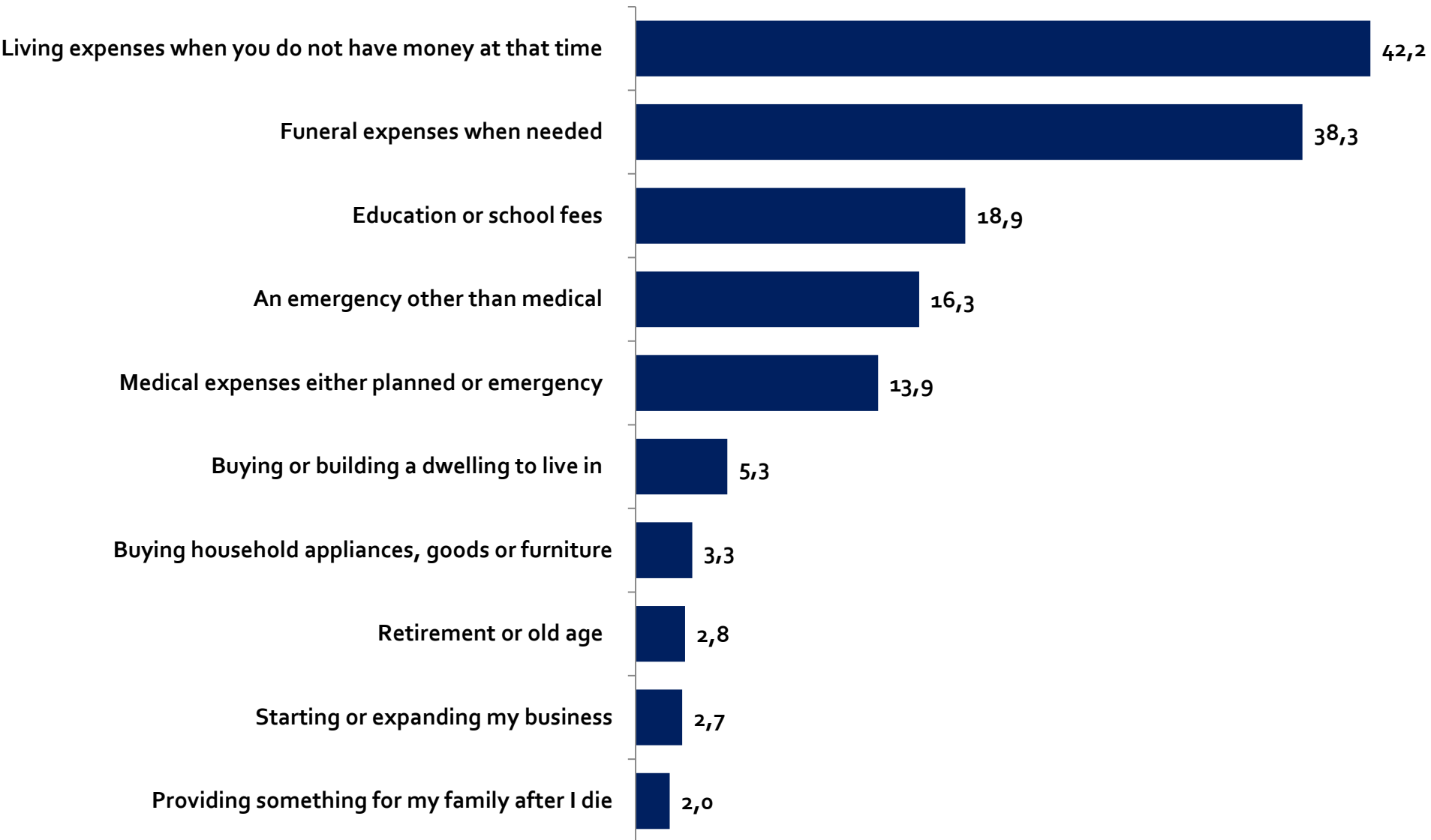


Saving

Savings overview

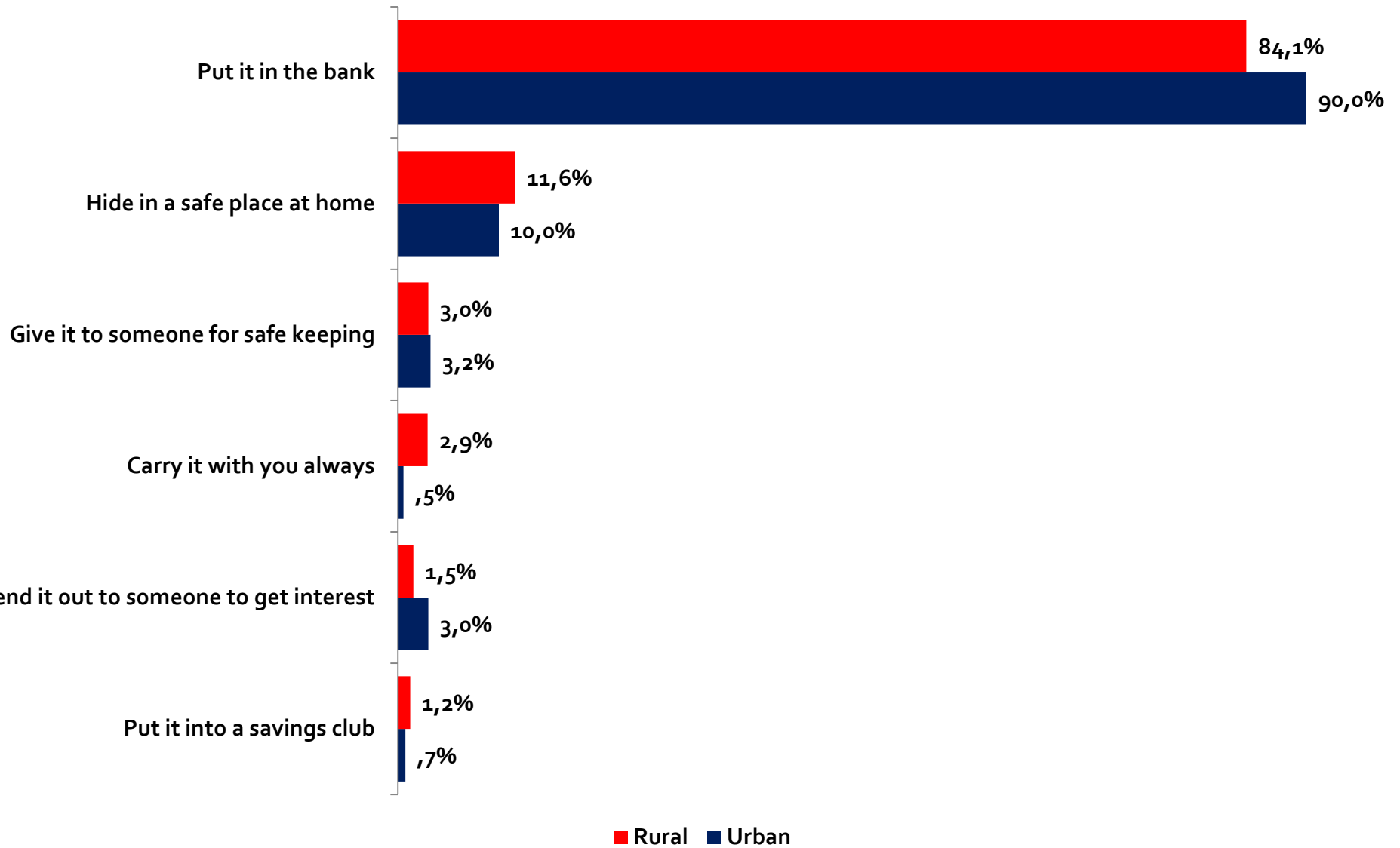


Reasons for savings



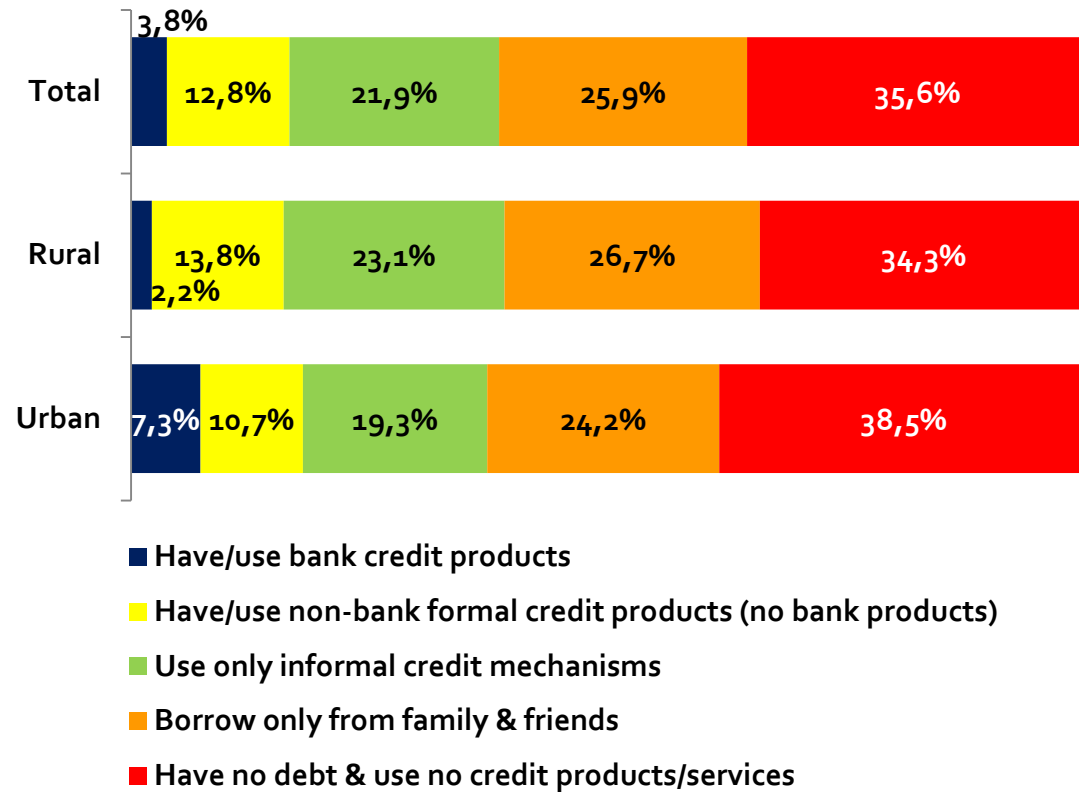
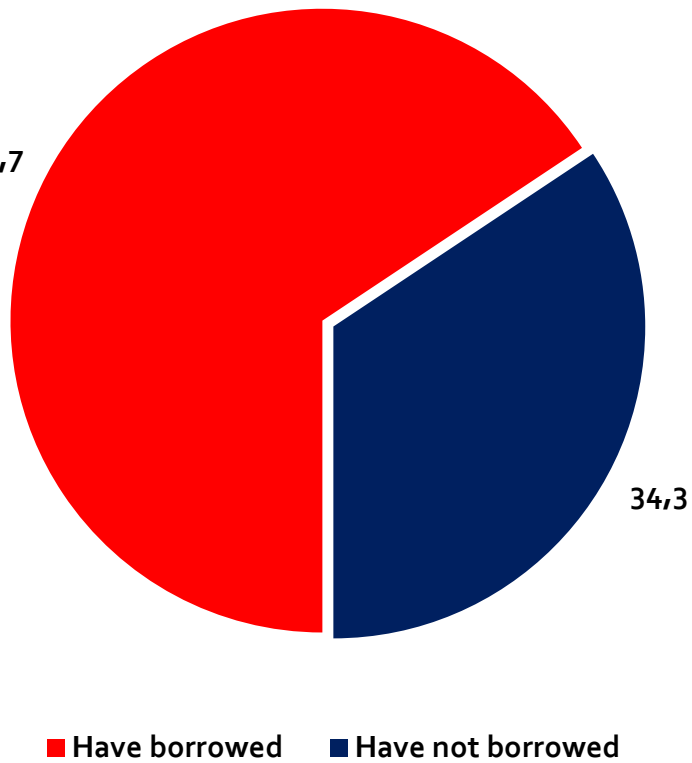


Where you would keep a large amount of money safe...

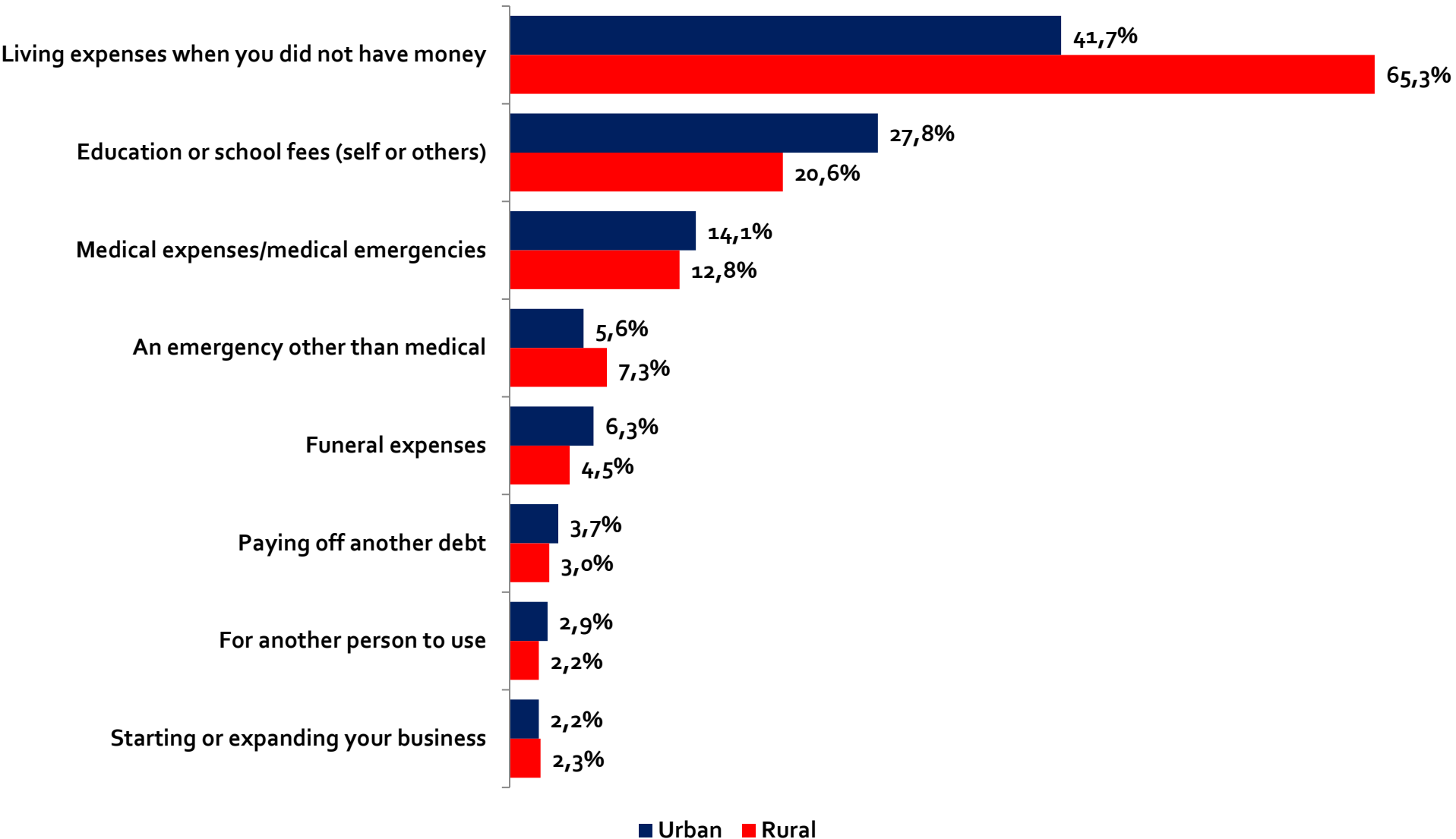


Borrowing

Credit overview

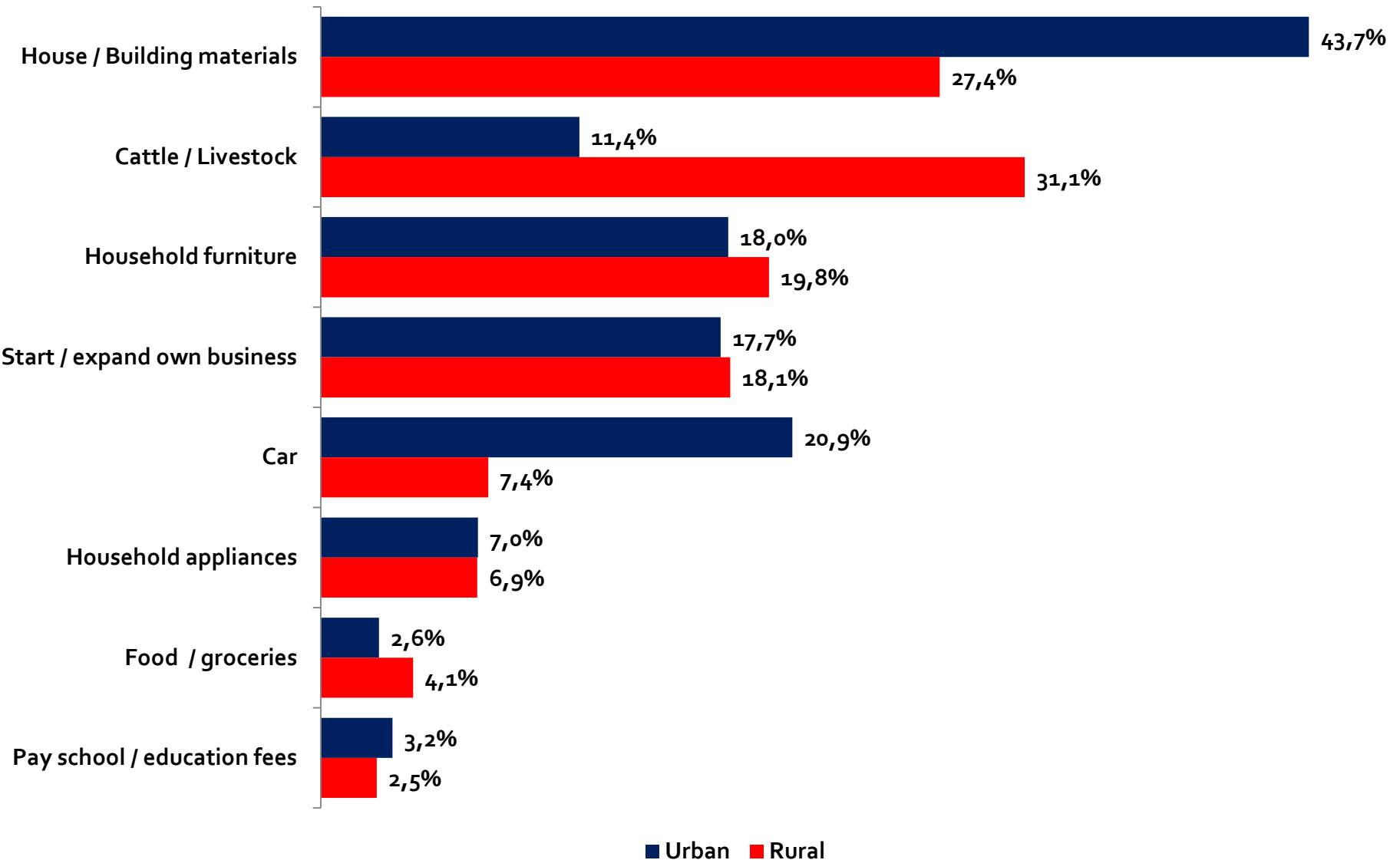


Reasons for borrowing

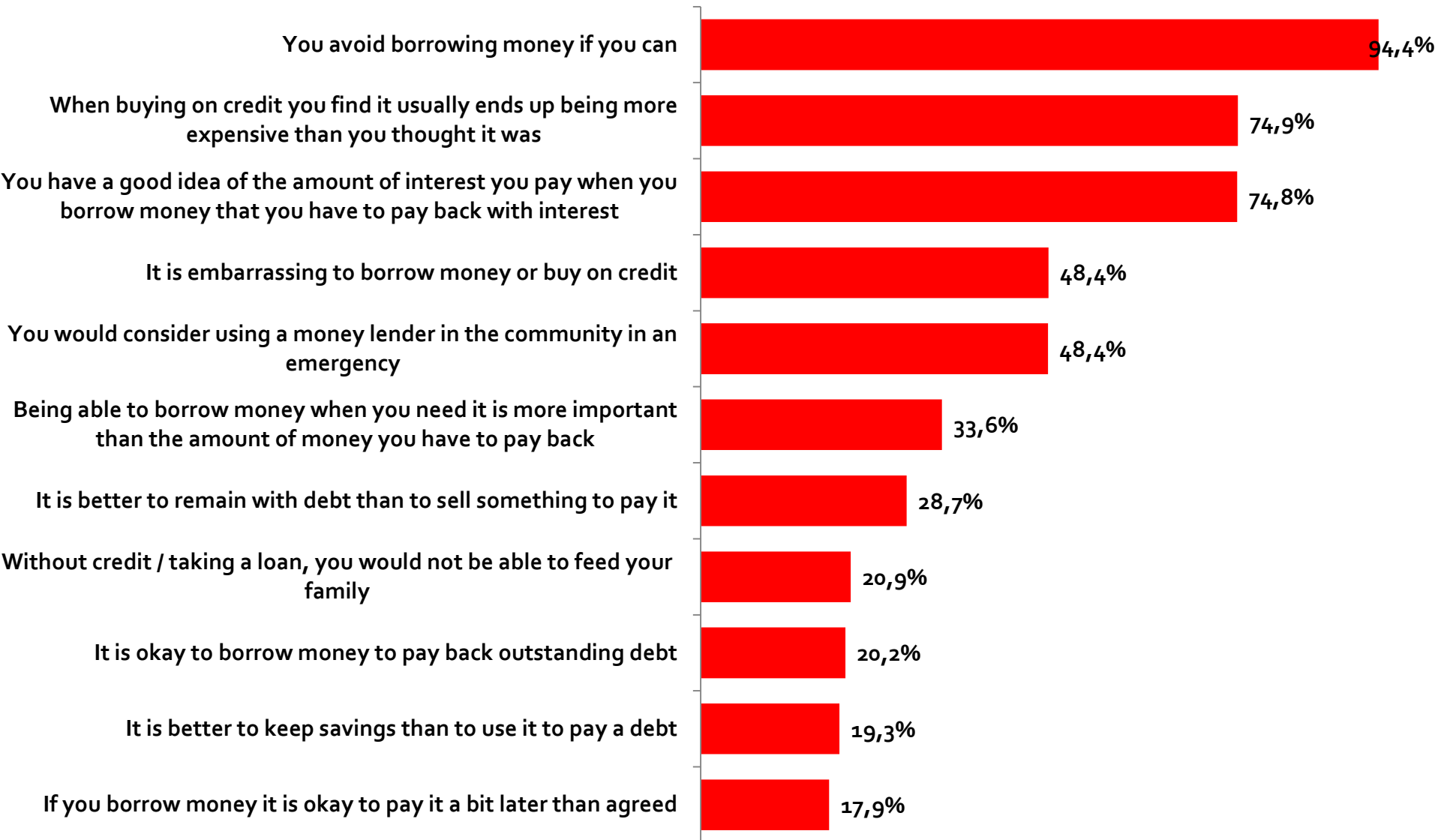


If you could borrow a large amount of money...

Rural vs. Urban

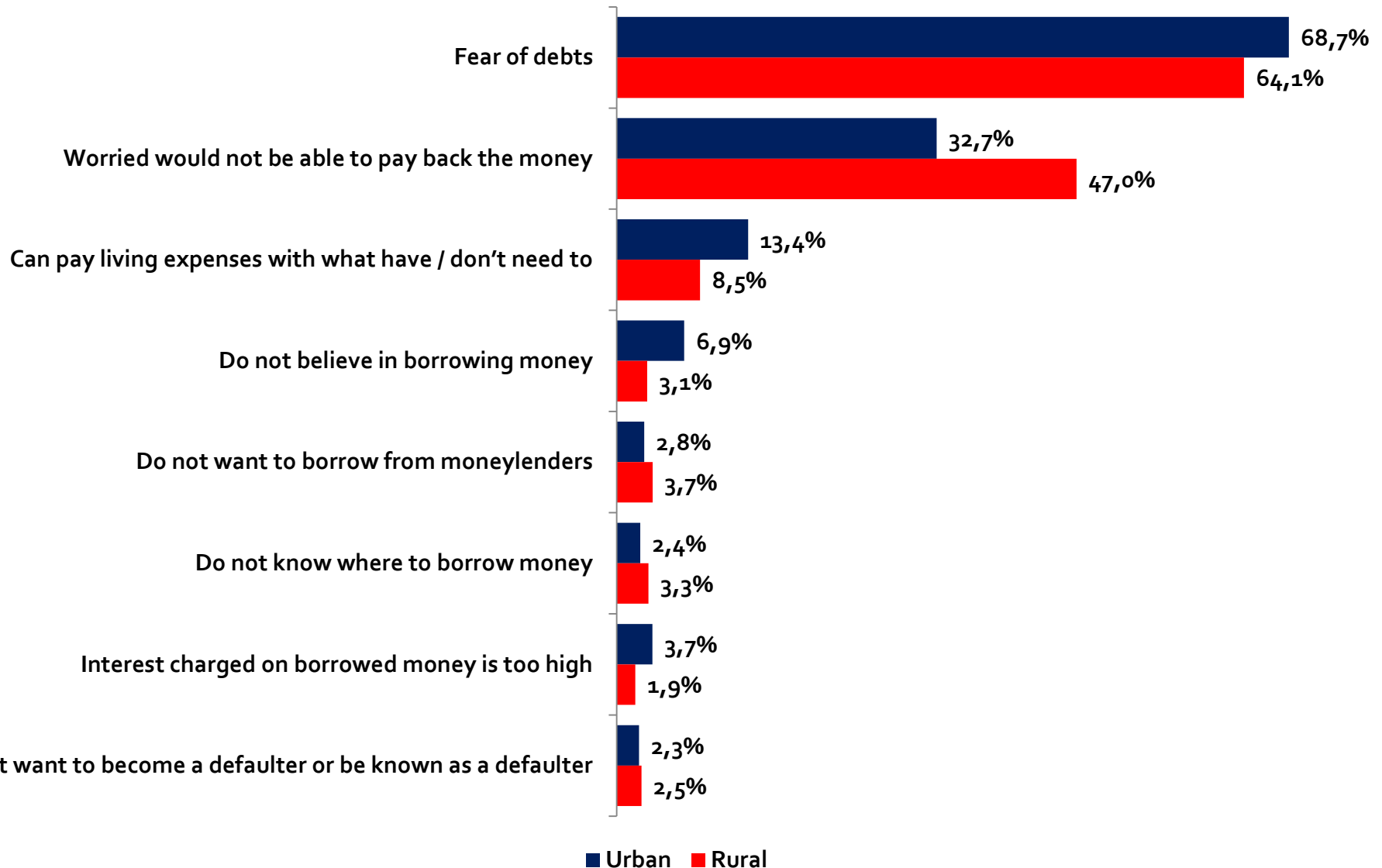


Attitudes regarding borrowing



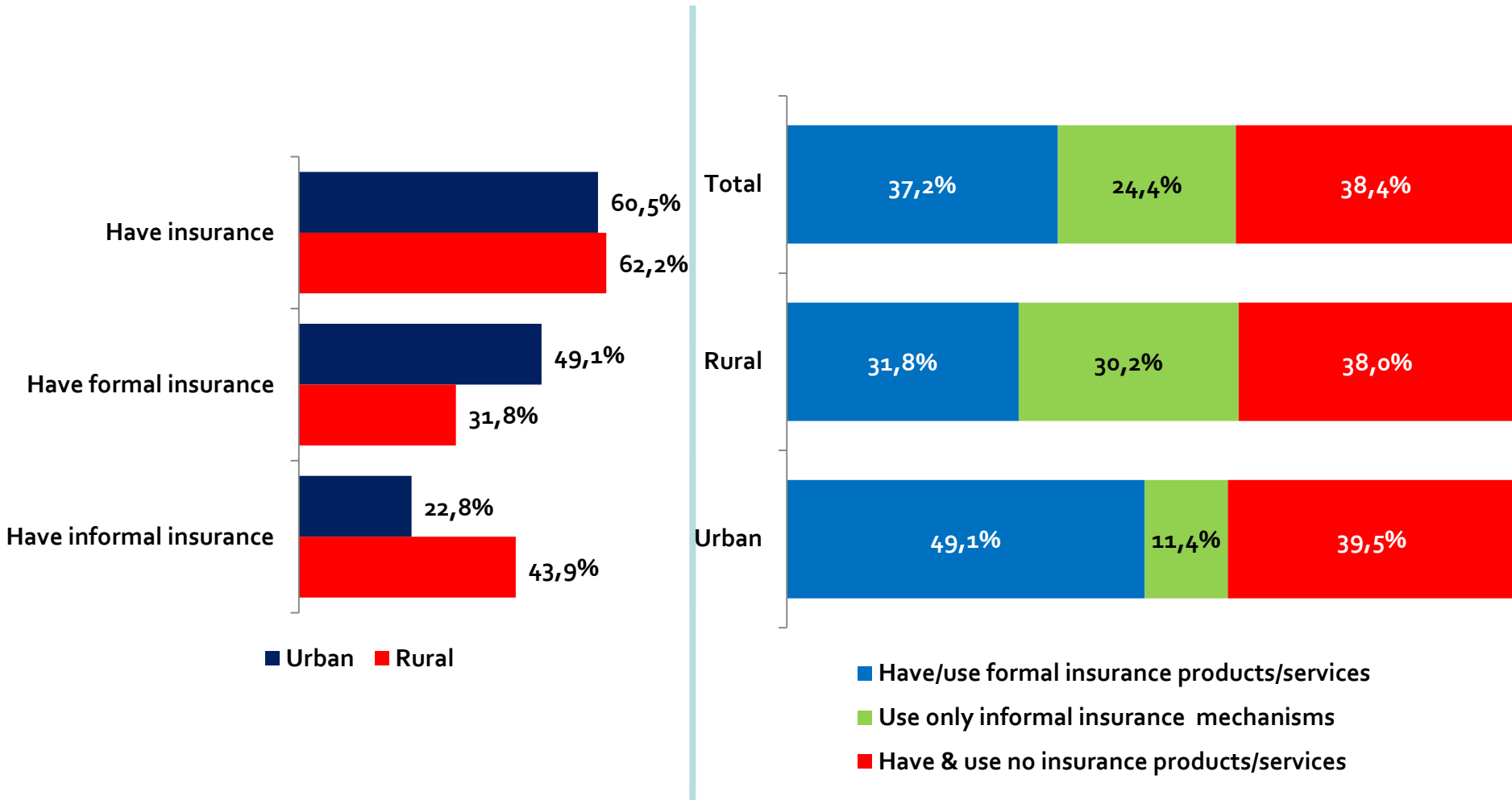
Barriers to borrowing

Rural vs. Urban

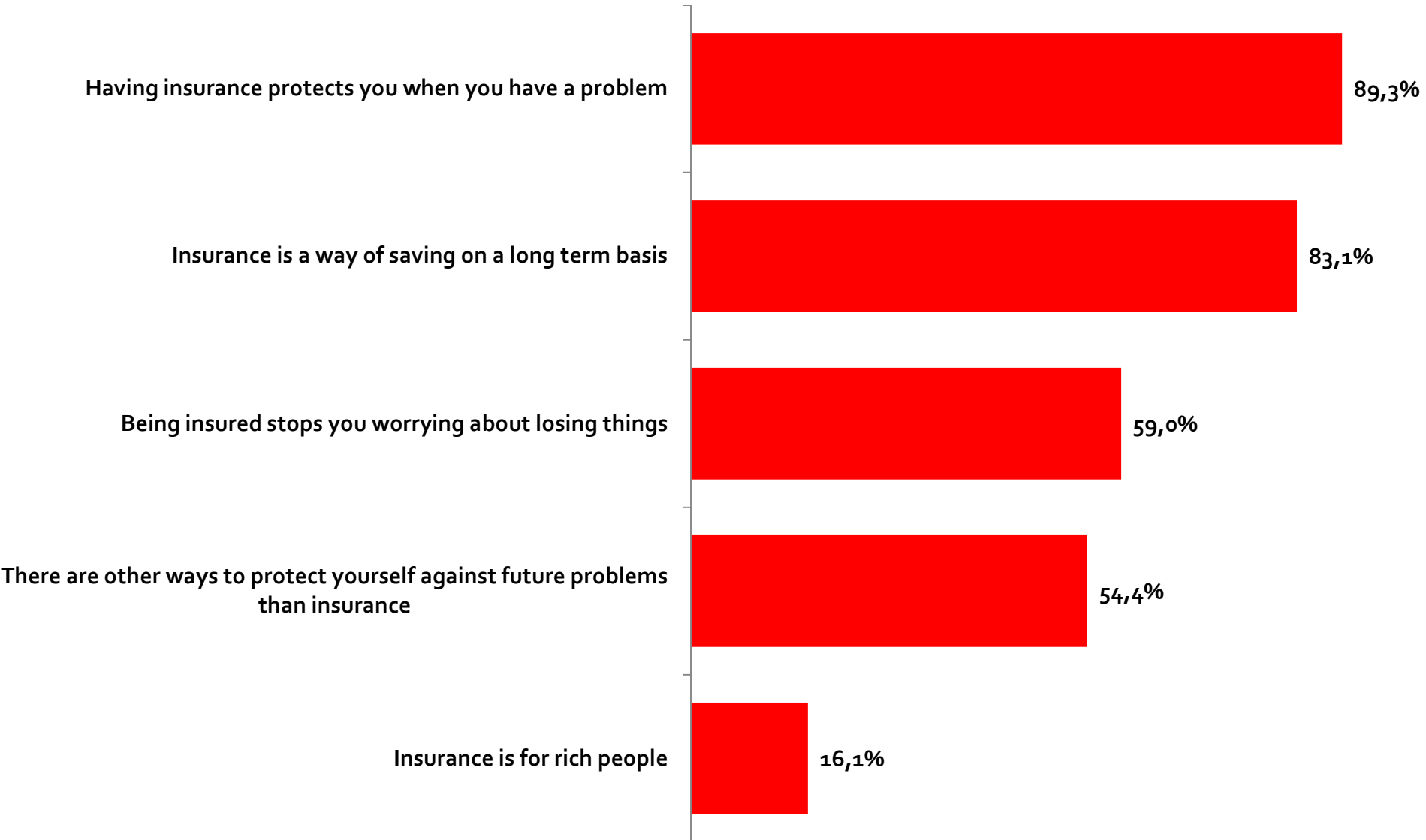


Insurance

Insurance overview

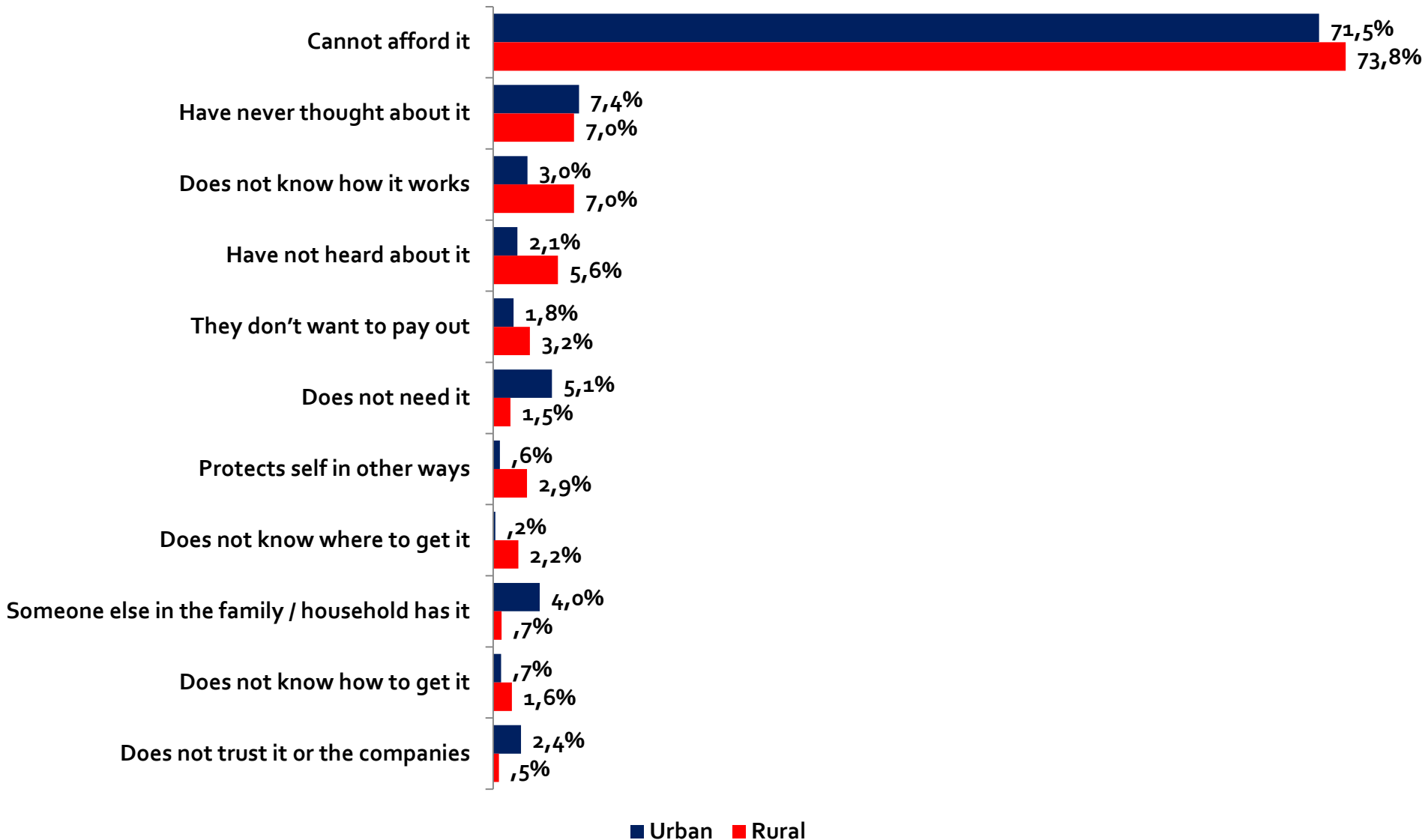


Understanding of insurance



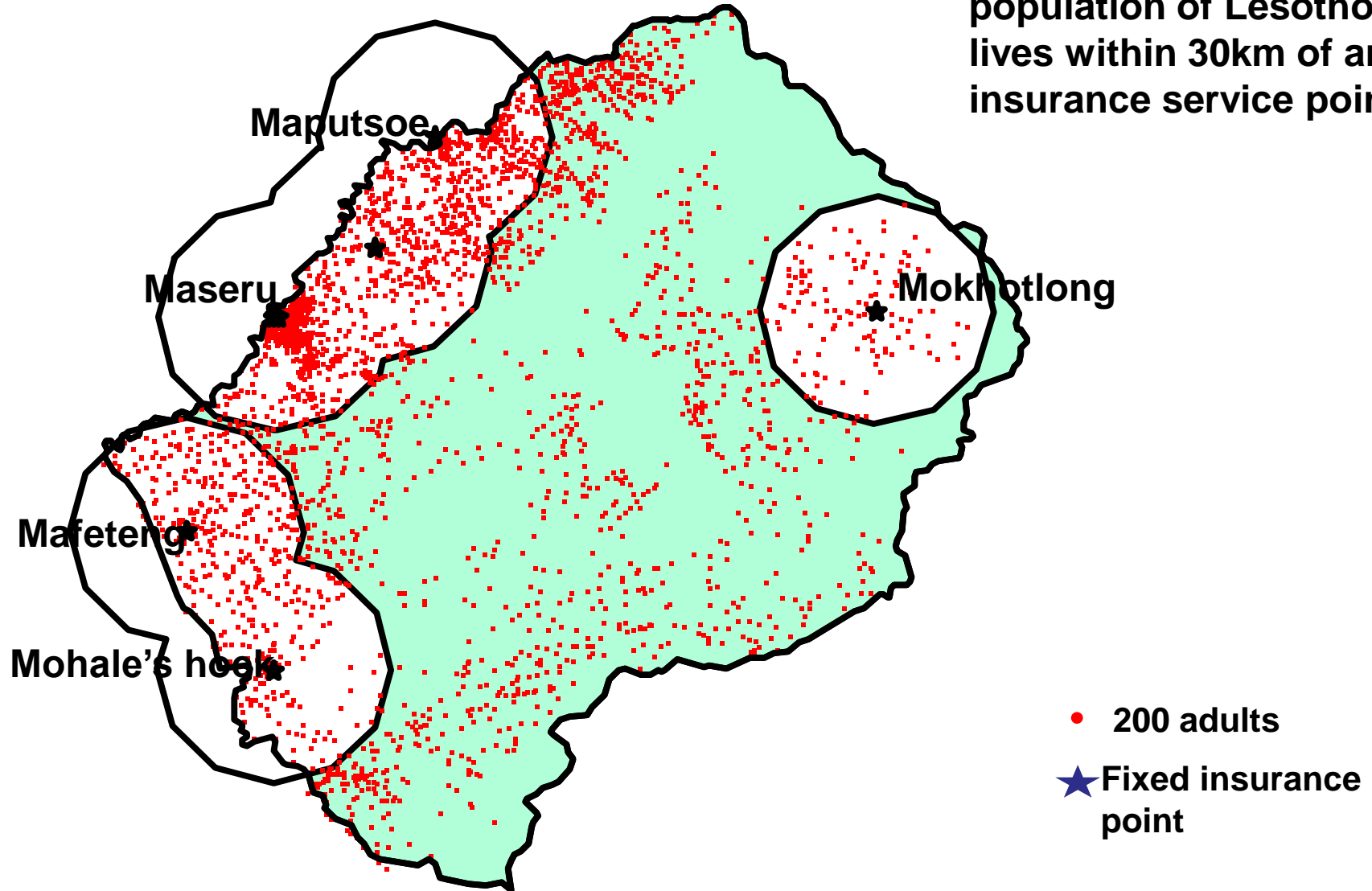
Barriers to insurance

Rural vs. Urban



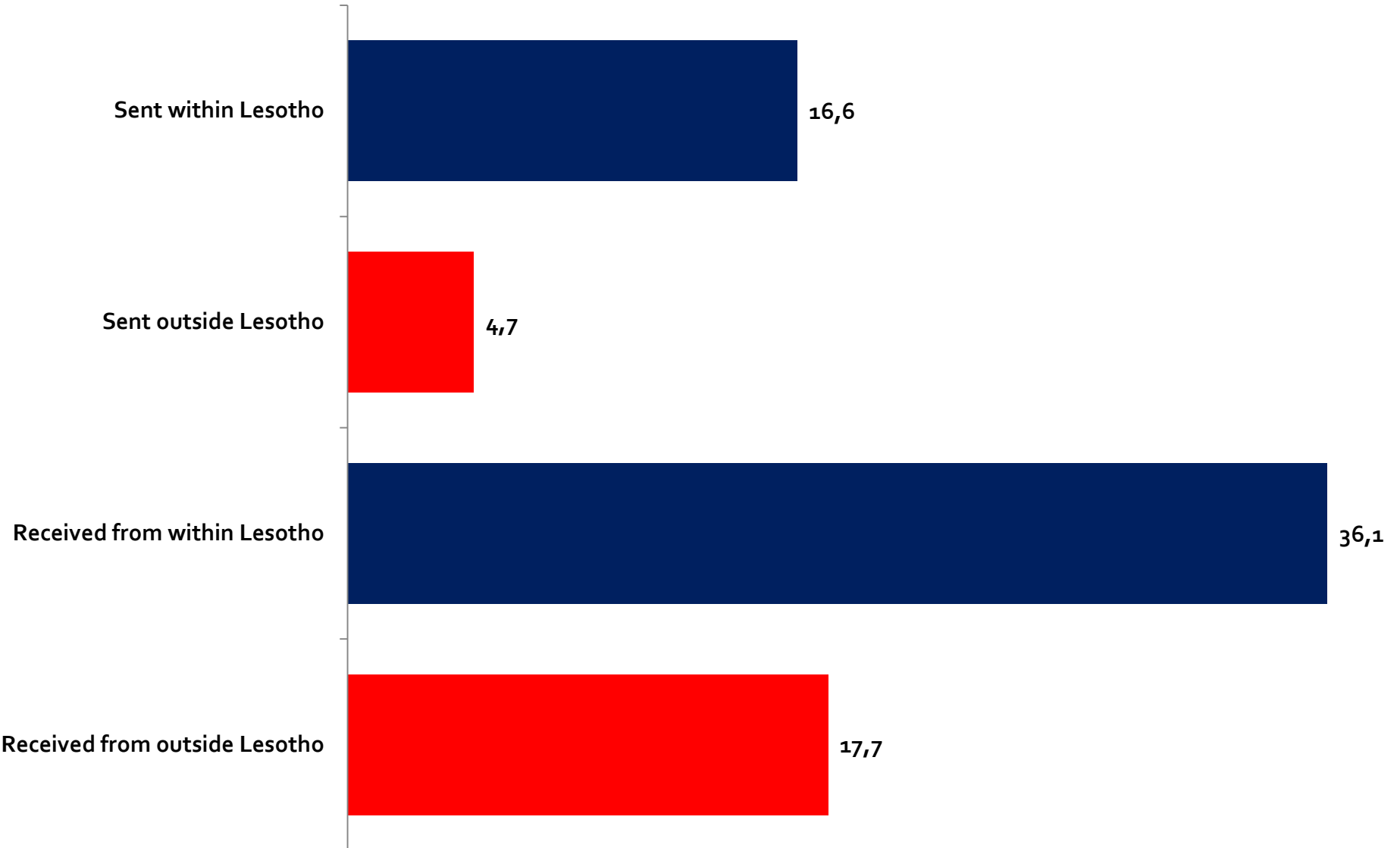
Geographical access

56% of the adult population of Lesotho lives within 30km of an insurance service point

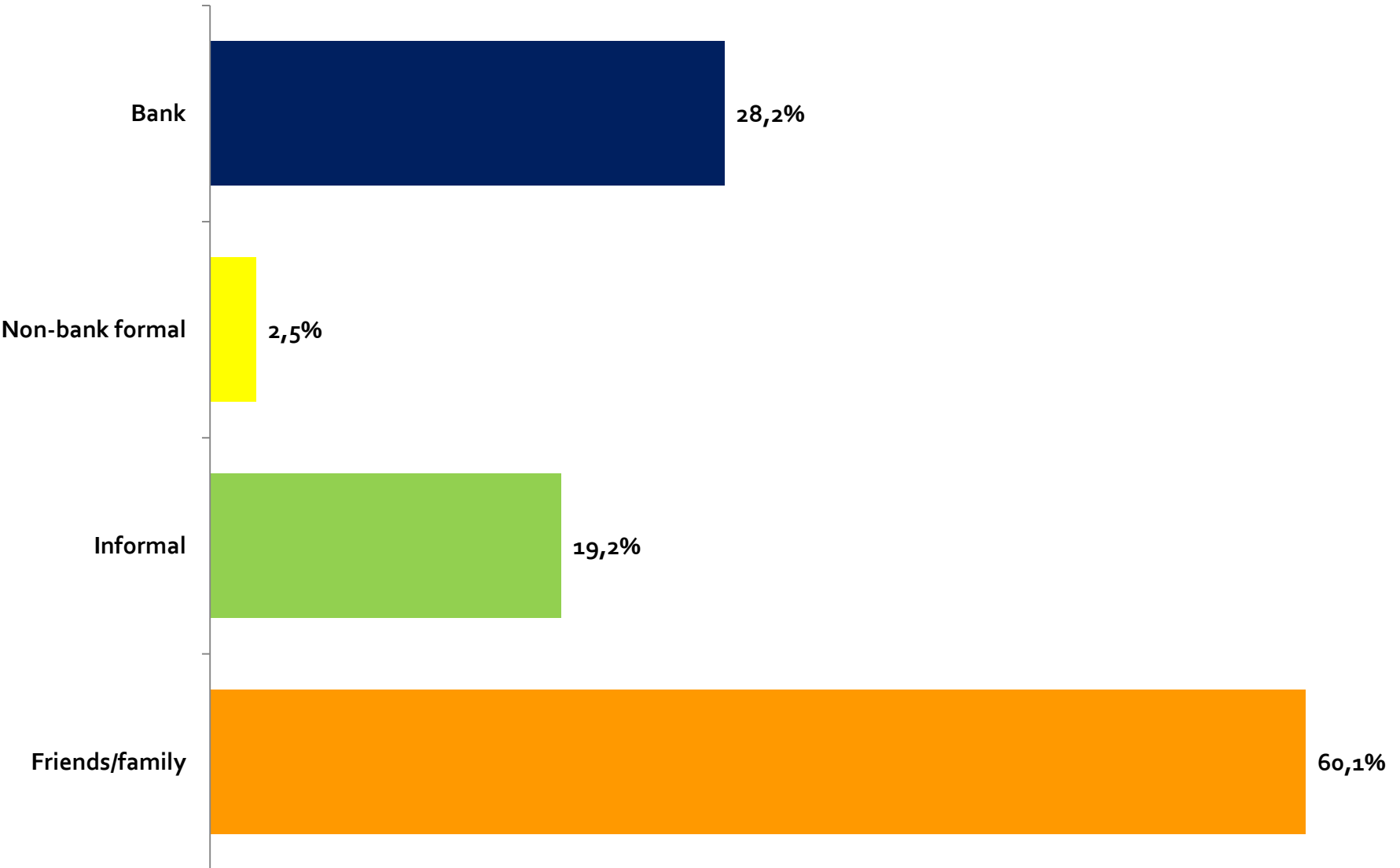


Remittance

Remittance overview

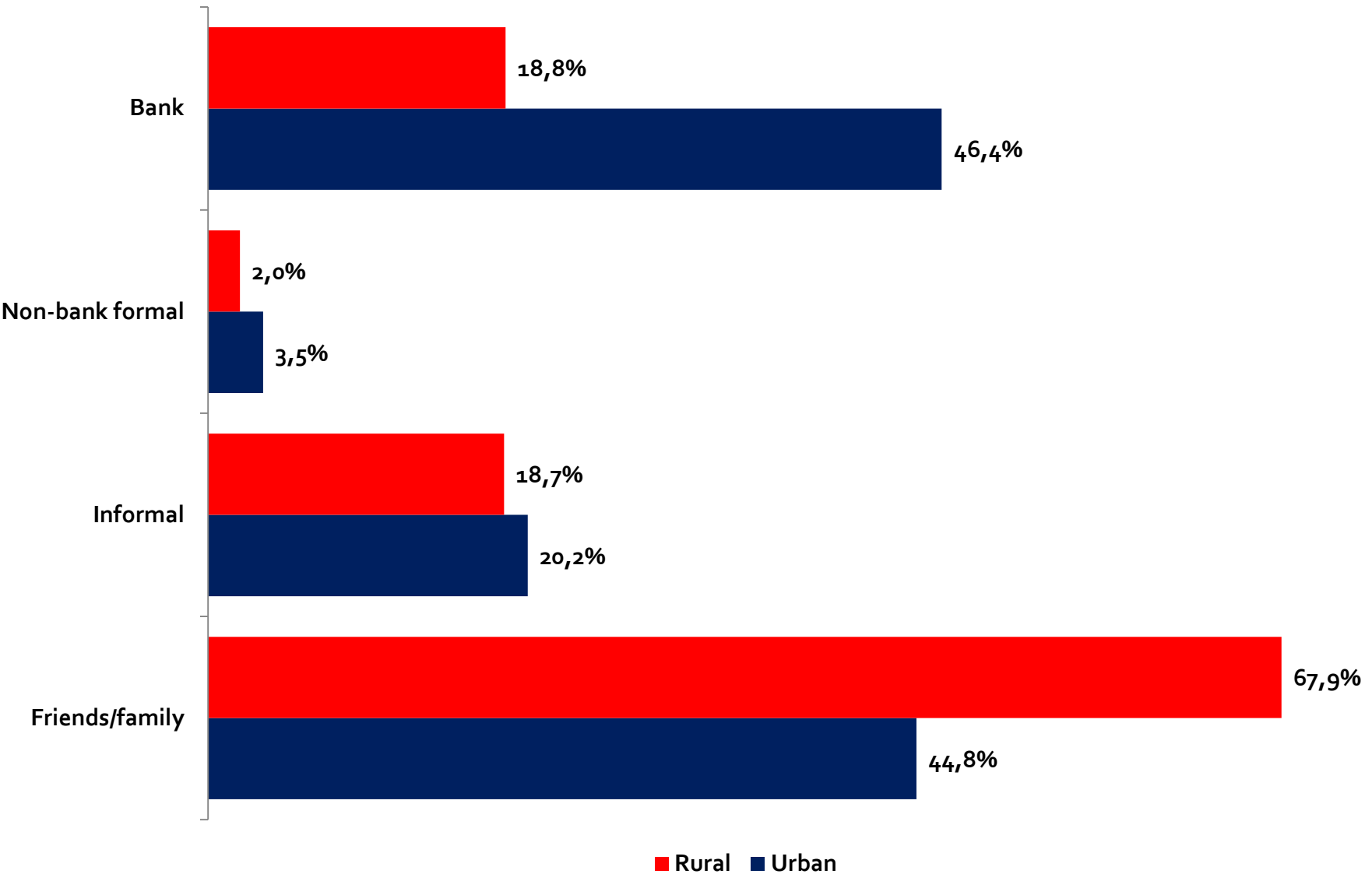


Remittance - channels



Remittance – channels

Rural vs. Urban



Key take-outs

- The population of Lesotho is faced with the reality of having to rely on low levels of income - often from sources that provide an irregular or inconsistent flow of money.
 - 1 in 3 adults rely on salaries/wages or a private pension;
 - 1 in 10 is dependent on the Government for an income (in the form of government pension or social grants);
 - More than half of the adult population rely either on farming, their own businesses or remittances as a source of income.
- In spite of income situation, levels of financial inclusion in Lesotho are high
 - 19.1% of the adult population being financially excluded.
- The main reasons for high levels of inclusion
 - 62.4% of the adult population use informal financial mechanisms
 - High uptake of funeral cover
 - 60% of those who use informal mechanisms use the informal sector for funeral cover (burial societies)
 - 45.8% of the adult population have/use non-bank formal products/services. Once again this is significantly higher when compared to other countries where FinScope surveys have been conducted;. 81% of these individuals have funeral insurance.
 - Although the usage of funeral cover is a significant driver – not only driver– without funeral cover, the level of inclusion will still be 66%.

Key take-outs



Credit

- Although usage of non-bank formal products/services and informal mechanisms is mostly driven by funeral cover a significant proportion of those who use these, do so to gain access to credit facilities offered by non-bank formal institutions and by the informal sector.
 - 31% of those who use non-bank formal products, use credit products (i.e. microfinance);
 - more than half (52%) of those who use informal mechanisms use informal sources of credit.
- One could easily attribute the high levels of financial inclusion in Lesotho to the fact that in terms of land size and population, Lesotho is a relatively small country with just more than one million adults to serve financially. Providing access to financial services might therefore be relatively less problematic than in most other countries. However, an assessment of the type of services and products used by formally served individuals seems to indicate that non-bank formal service providers, in particular, are doing something right in terms of reach; certainly as far as addressing a need for insurance provision and microfinance is concerned.