

# FinScope Consumer Survey Namibia 2011



Making financial markets work for the poor

**FINSCOPE**



## Introduction

Financial inclusion has been recognised by key stakeholders in the financial services sector as a vehicle for sustainable and inclusive growth and development. The Namibian government has undertaken a number of initiatives to accelerate financial inclusion, including the development of the Financial Sector Action Plan. "We, as a country need to address our socio-economic problems: poverty, unemployment and the degree of financial inclusion. We need to be able to measure the depth of these challenges. The FinScope survey enables us to do so. The usefulness of the FinScope Namibia survey has been demonstrated in the development of the Financial Sector Action Plan 2010/2011, especially in the chapter on financial inclusion. The Financial Sector Strategy indicates access to financial services, especially in terms of low income earners." (Impumbu Shiimi, Governor of the Bank of Namibia, March 2012).

The FinScope Consumer survey is a research tool which was developed by FinMark Trust<sup>1</sup>. It is a nationally representative survey of how individuals source their incomes, and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services. To date FinScope surveys have been conducted or initiated in 17 countries.

The survey, by design, is intended to involve a range of stakeholders, thereby enriching the data through a process of cross-cutting learning and sharing of information. The objectives of the Namibia FinScope Consumer survey include the following:

- To measure the levels of financial inclusion (i.e. the proportion of the population using financial products and services – both formal and informal)
- To describe the landscape of access (i.e. the type 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 to increase and deepen financial inclusion

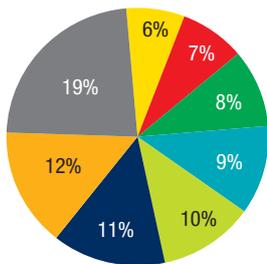
## A syndicated approach

FinScope Namibia follows a syndicate-funded approach. The syndicate members form an integral part in the survey questionnaire design and offer other valuable insights into consumer demand behaviour. This process has enriched the survey and the shared results have contributed meaningfully to members who have a common interest in financial market trends as well as financial inclusion.

# FinScope Namibia 2011

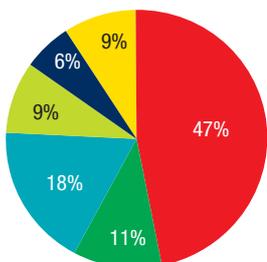


## Main source of income



- 6% Salary/wages from an individual (i.e. domestic worker/farm worker)
- 7% Someone else pays my expenses
- 8% Salary/wages from private company
- 9% Obtain money from someone else
- 10% Remittances (money from friends/family)
- 11% Self employed (own business)
- 12% Government old age pension
- 19% Salary/wages from government/parastatal

## Age distribution



- 47% 16 – 30
- 11% 31 – 35
- 18% 36 – 45
- 9% 46 – 55
- 6% 56 – 64
- 9% 65+

## Sample and methodology

- Nationally representative individual-based sample of Namibians aged 16 years and older
- 1 200 face-to-face interviews conducted by Survey Warehouse (during November 2011 to January 2012)
- Results are weighted and benchmarked to the 2010/2011 National Household Income and Expenditure Survey

## Understanding the lives of Namibians

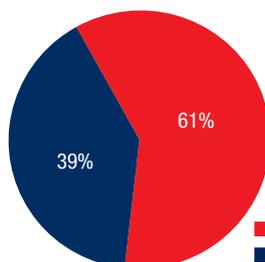
- Almost half the bankable population earn NAD 1 000 or less, while 19% do not receive a regular income
- 60% have difficulty in keeping up with financial commitments while 76% have problems making ends meet
- 60% receive a monthly income
- 66% receive their income in cash, while only 28% receive their income into a bank account

## Daily realities – contextualising the drive for greater financial inclusion

- Approximately 80% of people have access to water within their yard (52% have piped water into their dwelling or yard and 25% have access to a public tap)
- 51% of households use wood for cooking
- 48% have no sanitation facilities
- About 3 in 5 live in rural areas
- 47% are 30 years and younger (an age that FinScope data shows as not yet economically settled)

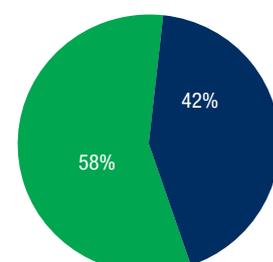
For a considerable proportion of Namibians who face daily realities such as a lack of proper sanitation, electricity, running water in their homes and making ends meet, financial inclusion might not be perceived as a priority.

## Gender distribution



- 61% Female
- 39% Male

## Urban-rural distribution



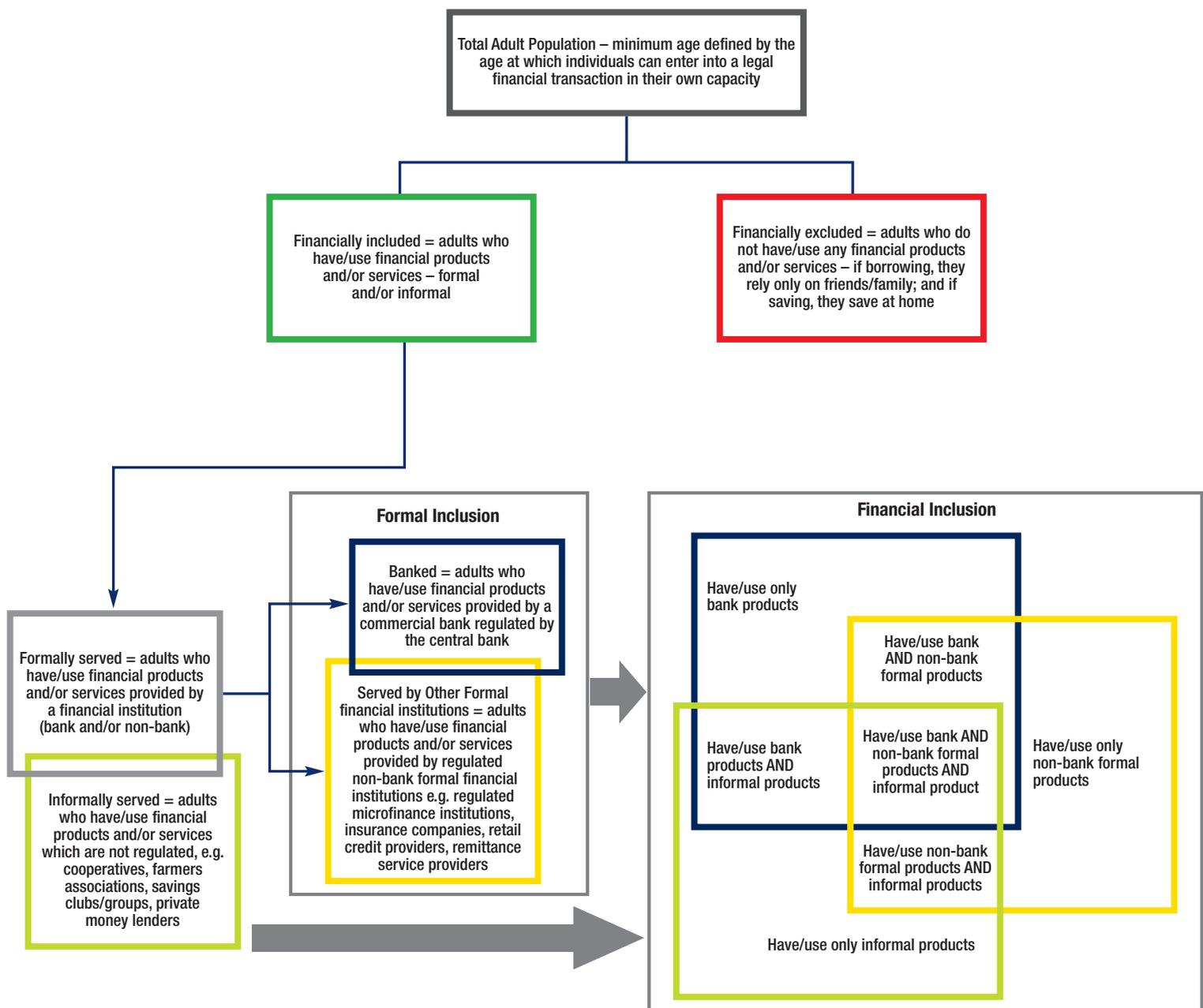
- 58% Rural
- 42% Urban



# Making financial markets work for the poor

## Financial inclusion

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



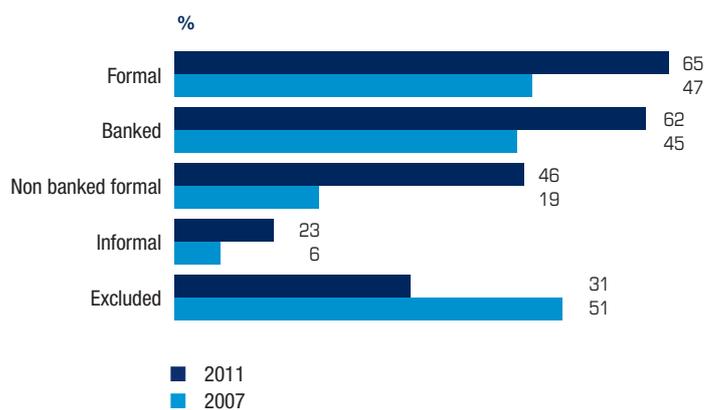


## Financial inclusion in Namibia

The legal age at which an individual in Namibia can open a bank account is 16 years, therefore the adult population is defined as all individuals aged 16 years and older:

- Financial exclusion has decreased from 51% in 2007 to 31% in 2011
- 65% of Namibian adults (727 736) are formally served
- 62% of adults are banked
- 46% of adults have/use other formal bank products/services
- 13% of adults have/use informal mechanisms for managing their finances

### Levels of inclusion

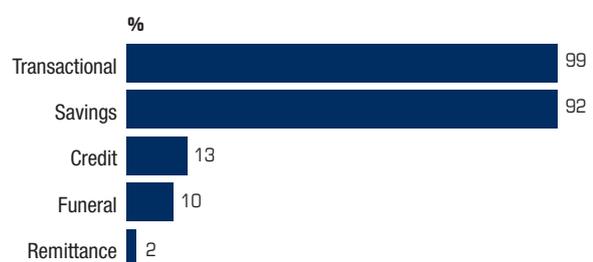


### What drives banking?

Banking is largely driven by transactional and savings products

- 99% of banked adults have/use transactional products and 92% have/use savings products
- Only 13% have/use credit products, 10% have/use funeral cover and 2% use bank products for remittance purposes

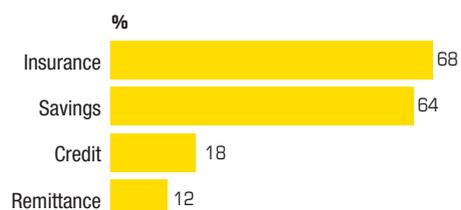
### Drivers of banking



### What drives the use of other formal products or services?

- 68% of adults who use non-bank formal products have/use insurance products (including short- and long-term products) and 64% have/use savings products
- 18% have/use credit products and 12% use remittance products and services

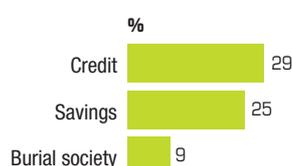
### Drivers of other formal products/services



### What drives the use of informal products?

- 29% borrow from informal lenders
- 25% of adults who use informal mechanisms belong to savings groups
- 9% are members of burial societies

### Drivers of informal products





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## Barriers to banking

Reasons for not having a bank account or using banking products and services mainly relate to a lack of financial resources and affordability:

- 54% have no money to save
- 26% cannot maintain the minimum balance
- 15% believe that bank charges are too high
- 12% have insufficient or no money coming into the account and are thus unable to maintain the account
- 15% mentioned that accessibility was an issue and 9% did not have sufficient documentation required to open a bank account

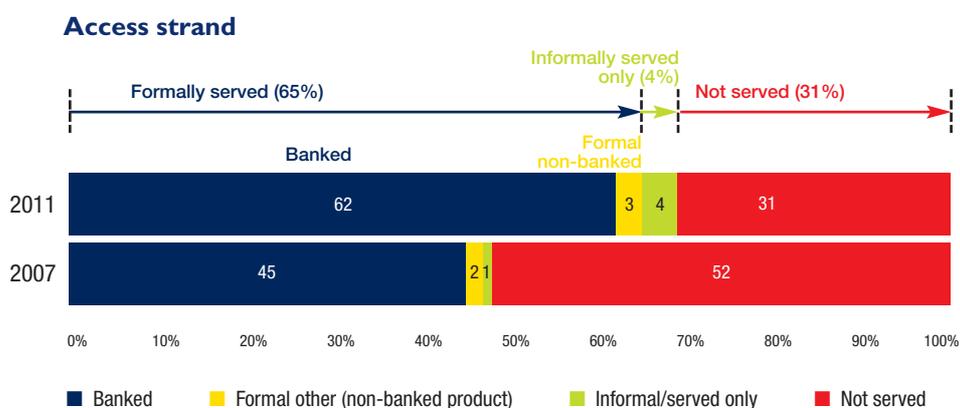
## The excluded

- 22% save or keep money at home
- 14% borrowed money from a friend
- 24% received money from a family member or friend

## Access Strand

The FinScope approach uses the Financial Access Strand to compare levels of financial inclusion across countries. In constructing the Access 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
- Not served

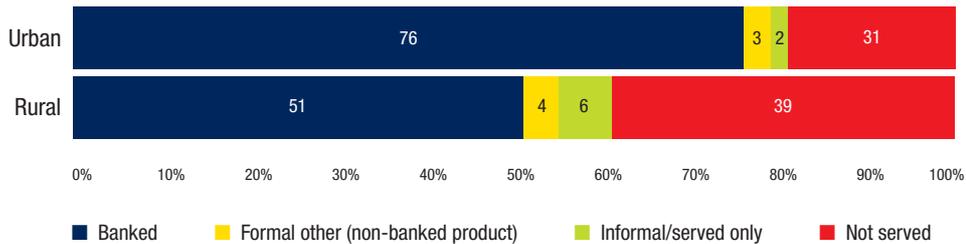


- The proportion of banked adults increased from 45% in 2007 to 62% in 2011
- The percentage of financially included adults has increased significantly from 48% in 2007 to 69% in 2011
- There is an increase in the proportion of the banked population using transaction and savings accounts
- The large increase in financial inclusion can be attributed to a number of factors, some of which include, products and services targeting the low income market, technological innovation with the introduction of the Nampost Smartcard, and increased economic activity particularly in the mining sector driving growth in outlying mining towns

# FinScope Namibia 2011



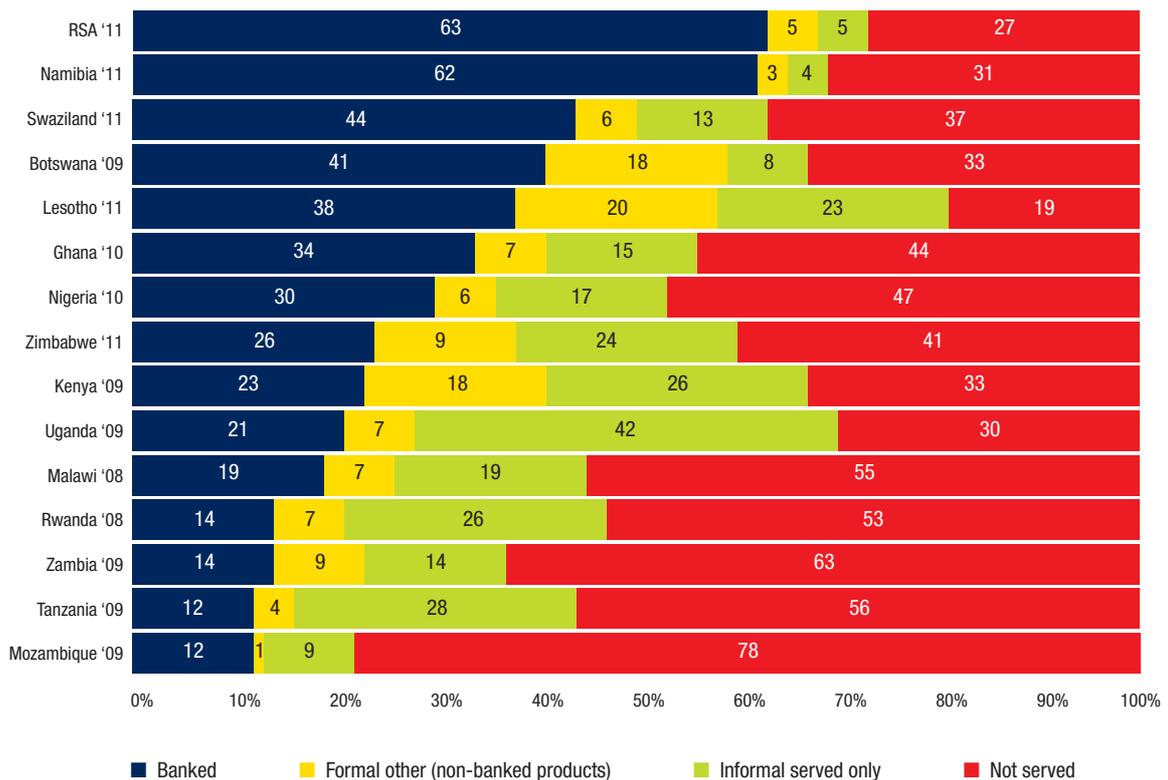
## Access Strand – Urban/Rural



- There are large differences in the levels of financial inclusion between urban and rural areas
- 81% of the urban adult population is financially included, compared to 61% of the rural adult population
- High levels of financial inclusion among the urban adult population is driven by the usage of banking products/services
- 76% of the urban population have/use banking products
- However, there has been a significant increase in financial inclusion in rural areas from 2007 driven by increased accessibility of the banks and the introduction of relevant products

## Comparing levels of financial inclusion in Africa

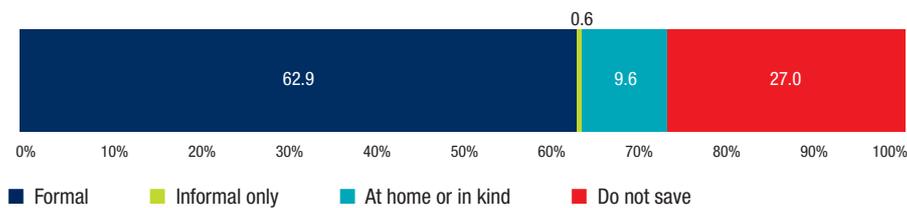
When compared to other countries where FinScope has been implemented, Namibia is ranked second according to the banked population which is fairly similar to South Africa.



# Making financial markets work for the poor

## Savings

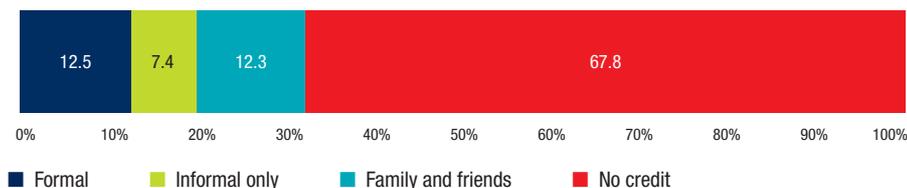
### Savings Strand



- 62.9% of adult Namibians reported having formal savings products, while 0.6% use informal savings products
- 9.6% save at home, while 27% of adult Namibians do not save at all
- Trust and low bank charges are the main reasons for choosing a savings product
- Insufficient income and not having money left at the end of the month are key barriers to saving
- 30.5% of adult Namibians save on a monthly basis, while 37.2% save if and when they have extra money
- Those who are not saving are most likely to cite financial related constraints
- 60% have no money to save and 21% have no money left after paying for living expenses

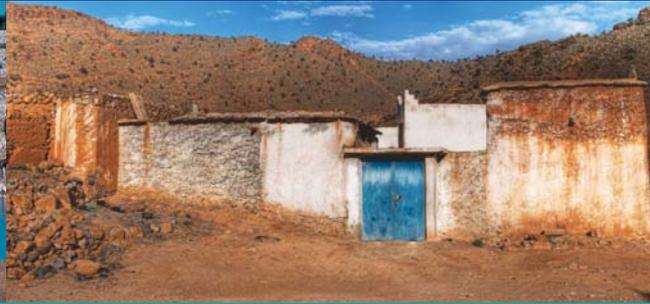
## Borrowing

### Credit Strand

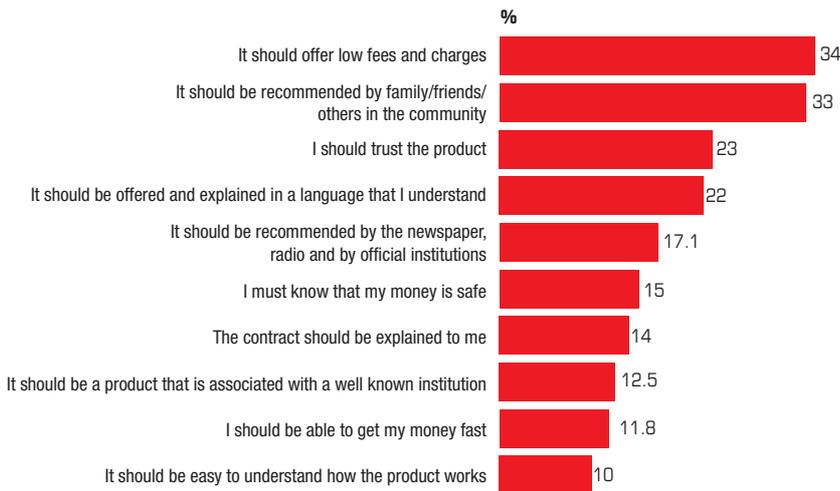


- In 2011, 23% of Namibian adults claimed to have borrowed in the past six months prior to the FinScope study
- More than half of those who borrowed in the past 6 months borrowed from family and friends
- The main reasons for not borrowing money/taking goods or services on credit were:
  - 51% mentioned 'fear of debts'
  - 30% were afraid of not being able to pay back the debt
  - 26% had no need for it
  - 8% had no specific reason
- 32% of those who applied for a loan were refused. The main reasons the loan was refused were:
  - 34% could not provide collateral
  - 27% had too low income
  - 19% already had too many other debts

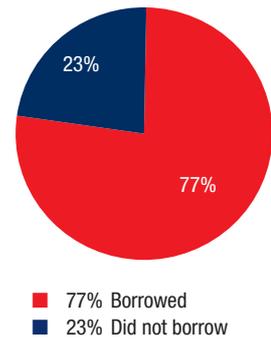
# FinScope Namibia 2011



## Deciding factors for borrowing/loan products



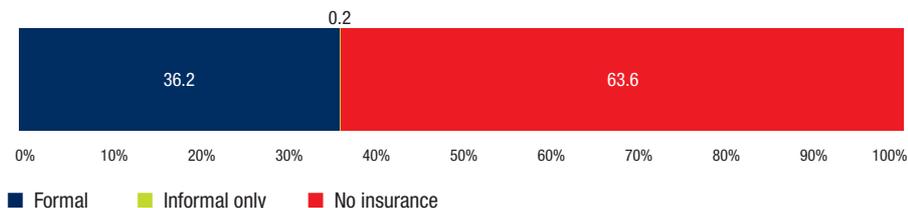
## Claimed borrowing



- Low bank charges and recommendations from known sources are top deciding factors in choosing loan products
- However, other reasons such as knowing that the money is safe, ability to get the money easily and ease of understanding the terms and conditions of the loan were important deciding factors in choosing a loan product

## Insurance

### Insurance Strand



- 63.6% of the adult population do not have/use any long term insurance products/services
- 36.2% have/use long term insurance products, while only 0.2% have informal products or services

Long term insurance products/services usage illustrate a complex link to people's livelihoods. The main risks that impacted income levels in the six months prior to the FinScope Namibia 2011 survey were:

- Illness within the household or family that required medical expenses
- Rising living costs
- Having to pay unforeseen school and other education-related expenses
- An increase in household size



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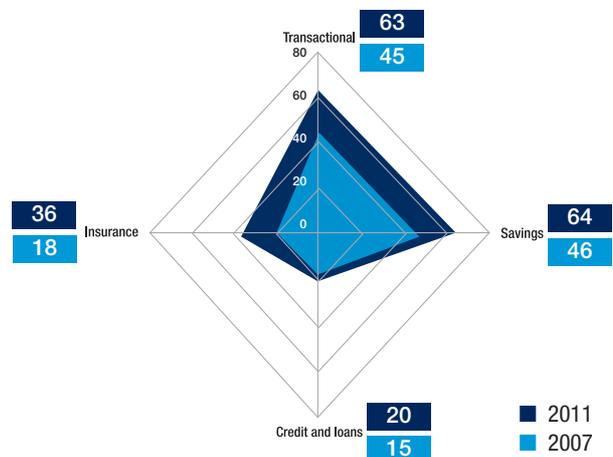
## Landscape of Access

Understanding the levels of financial inclusion is only the first step. While insightful in itself, understanding is enhanced by exploring the products and services that individuals are likely to have/use under each category. The FinScope methodology uses the Landscape of Access to illustrate the degree to which individuals (aged 16 years and older) have/use financial products and services.

The diagram depicts, on its four axes, the percentage of adults that have or use:

- Transaction products/services
- Savings products/services
- Credit products/services
- Insurance products/services

The landscape of access in Namibia is largely driven by transaction and savings products.



## What is driving the Landscape of Access?

### Savings/Transactional

The Landscape of Access is largely driven by savings products, particularly in urban areas

- 43% have a savings account/smartcard or a savings book at a bank or Nampost
- 41% have an ATM card and 22% have a debit card
- 13% have a current/cheque account

### Insurance

Insurance penetration is largely driven by funeral products

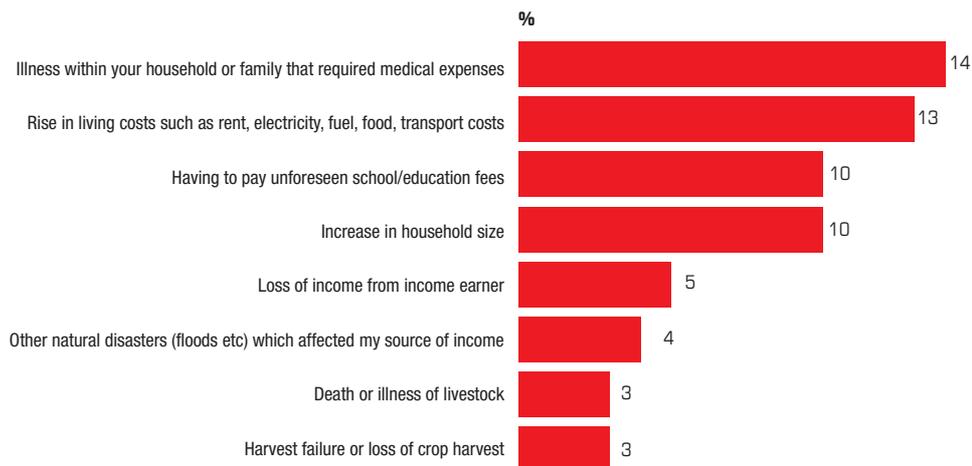
- 48% had funeral cover with an insurance company
- 21% had funeral cover with a bank
- 17% had funeral cover through an undertaker
- The use of insurance has increased from 18% in 2007 to 36% in 2011

### Credit

- There is an increase in credit and loan products from 15% in 2007 to 20% in 2011
- 55% borrowed from a family member or a friend
- 13% took a bank loan
- 9% borrowed money from an employer



## Main risks that impacted income levels in the past six months

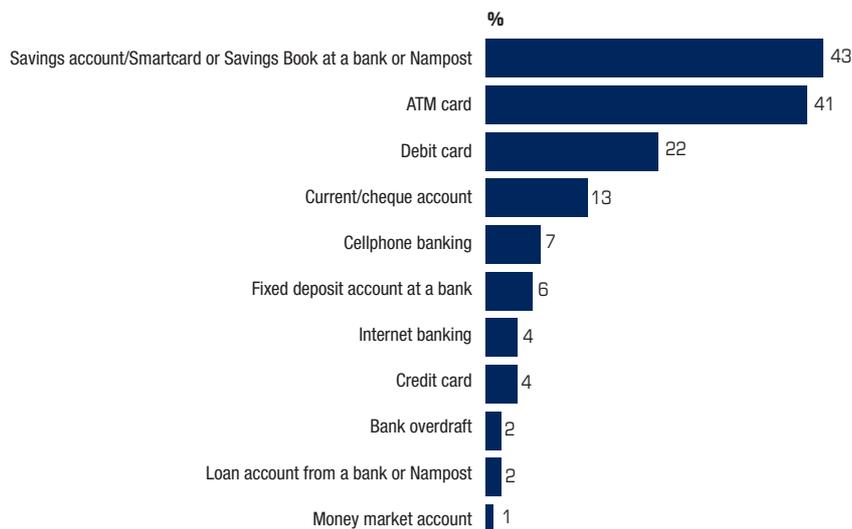


## Banking

There has been a 17% increase in the banked population from 2007 to 2011, with almost similar growth for male and female adults in Namibia. The increase has largely come from:

- People aged 32 to 39 years
- Mostly living in rural areas
- Very low income
  
- 14% of adults (157 617) dropped out of banking, i.e. previously had a bank account but do not have one anymore
- Those that have banking products, mainly use savings and transaction products and services

## Usage of banking products/services





# Making financial markets work for the poor

Demographic characteristics	2007 (n = 1200)	2011 (n = 1200)	Demographic characteristics	2007 (n = 1200)	2011 (n = 1200)
<b>Gender</b>	%	%	<b>Area definition</b>	%	%
Male	47	62	Urban	70	77
Female	46	63	Rural	36	51
<b>Age</b>	%	%	<b>Personal monthly income</b>	%	%
16 – 20	26	32	No income	8	29
21 – 26	23	58	Less than NAD 1 000	41	57
27 – 31	56	70	NAD 1 001 – 3000	88	94
32 – 39	61	96	NAD 3 001 – 5000	87	95
40 – 50	56	66	NAD 5 001 – 13 000	96	99
51+	46	74	NAD 13 000+	98	100

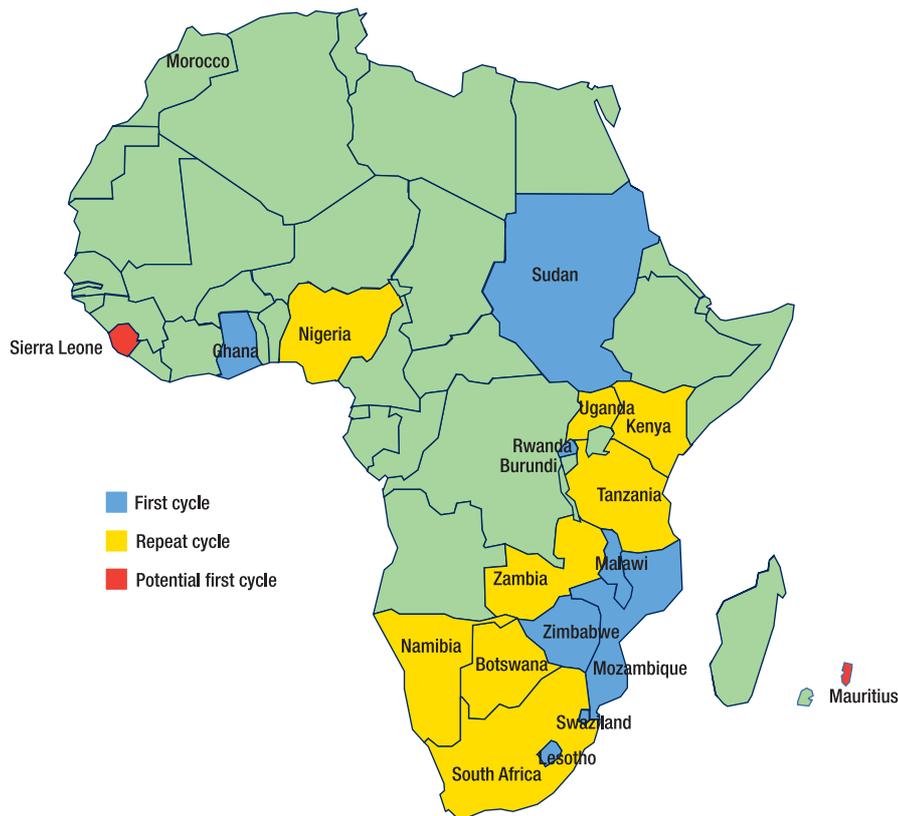
## FinScope Namibia 2011 key take-outs

- Compared to 2007, 2011 figures show a large increase in the percentage of adults that are formally served – 65% of Namibian adults (727 736) are formally served
- This increase has been driven by:
  - High uptake in transactional and savings products between 2007 and 2011
  - Financial sector innovation through products and services, technology and expansion of the distribution footprint
  - An increase in local economic activity in selected areas e.g. Ausenkehr, Rosh Pinah, and coastal sites in the Erongo region which has in turn driven uptake in banking products together with a general increase in banking infrastructure
- Affordability and a lack of financial resources are the key barriers that inhibit uptake of formal financial services for the 31% of adults that are financially excluded
- Namibian adults have low personal monthly income, and income is mainly received on a monthly basis in cash. An opportunity exists for appropriately priced, easy to use products and services
- Losing money through theft was a significant concern, thus safe and secure banking services can relieve this concern
- A large proportion of adults receive money from others which provide opportunities for sending money to, and receiving money from third parties



## FinScope footprint

FinScope surveys allow cross-country comparisons and sharing of findings which are key in assisting ongoing growth and strengthening the development of financial markets.



## Contact

The FinScope Namibia database offers a wealth of information that could be mined in more depth. For more information, please 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 seven 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 plays 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.