

# FinScope South Africa 2015



## Introduction

Financial inclusion broadly refers to the universal access and usage of financial services. Its main goal is to improve the range, quality and availability of financial services and products to the unserved, under-served and financially excluded segments of the population. Financial inclusion is underpinned by the following dimensions:

- Access
- Usage
- Quality
- Choice

In the South African context, the financial inclusion journey has over the past decade seen the efforts of both the public and private sectors in ensuring a financial inclusion agenda that gives people access to financial services. About 80% of adults were formally included in 2014 – only short of 10% to meet the target of 90% of the adult population being formally served set for the end of 2030 as per the National Development Plan (NDP 2030).

The high levels of inclusion in South Africa have two implications:

- That the growth in financial inclusion may be reaching its saturation point; and
- That focus should now be on understanding the quality of financial inclusion.

Against the background of the current state of financial inclusion in South Africa, FinScope is introducing a new and extensive measurement tool (indicator) which aims at understanding financial products/services usage and optimisation. This indicator is defined as quality of financial inclusion (Q-FIM) as it illustrates that high levels of inclusion do not necessarily mean that people are benefitting from the financial products that they have. It also radicalises the definition of 'fully served' by examining the depth and appropriateness of each landscape product (savings, insurance, credit and payments) component. Q-FIM offers an innovative way of scoring consumers according to a mechanism that assesses the utility of products.

## About FinScope

FinScope Consumer surveys have been implemented in South Africa since 2002 and conducted in 22 countries (12 in SADC, 5 non-SADC Africa and 5 in Asia). This allows for cross-country comparisons and sharing of findings which are key in assisting on-going growth and strengthening the development of financial markets. While core FinScope indicators (which are used for trend analysis) remain largely unchanged, FinScope itself is a dynamic study. The survey content is evaluated every year to ensure that the most recent financial market trends are being addressed and taken into consideration.

## Objectives

The objectives of FinScope South Africa are:

- 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; and
- To stimulate evidence-based dialogue that will ultimately lead to effective public and private sector interventions in order to increase and deepen financial inclusion.

## Syndicate members

FinScope South Africa has been designed to involve a wide range of stakeholders from Government, the private sector and civil society as members of a syndicate. This inclusive syndication approach has not only enriched the survey through a process of cross-cutting learning and sharing of information, but also assisted in the design of the questionnaire and to better understand consumer demand behaviour.

The annual FinScope survey results are also used by syndicate members to develop new products and services for the un-served and under-served and as such enrich the overall objective of increasing financial inclusion in South Africa.

## Methodology

- Nationally representative individual-based sample of South Africans aged 16 years and older;
- Sample frame and data weighting conducted by Dr. A Neethling (weighted and benchmarked to Stats SA 2015 mid-year population estimates); and
- 5 000 face-to-face interviews conducted by TNS (between 14 July and 2 September 2015).

## 2015 syndicate members



## How to become a syndicate member and associated benefits

Any organisation can be a FinScope South Africa survey syndicate member through paying a participation fee which is determined by dividing the survey costs between syndicate members. As a not-for-profit organisation, FinMark Trust facilitates the implementation of the survey on a year-to-year basis and seeks no profit through its implementation. Determining the survey costs is approached on a cost recovery basis only.

Syndicate members can provide input into questionnaire development and have full access to the FinScope dataset once the dataset has been finalised and converted to the required software formats. The dataset is supplied to syndicate members in the software format required, e.g. SPSS, SAS, Stata, Softcopy, etc. Syndicate members, therefore, have the benefit of a full national survey at about a tenth of the cost of conducting such a study on their own.



## Understanding the lives of South Africans



	2014	2015
Total adult population (16+ years)	36.8 million	37.3 million
Reside in urban areas	66%	68%
Under 30 years of age	39%	38%
Receive money through salary/wage	34%	33%
Earn a personal income of less than R2 000 per month (including those who do not have a personal monthly income)	47%	52%

### Infrastructure



No tap water on property



No flush toilet



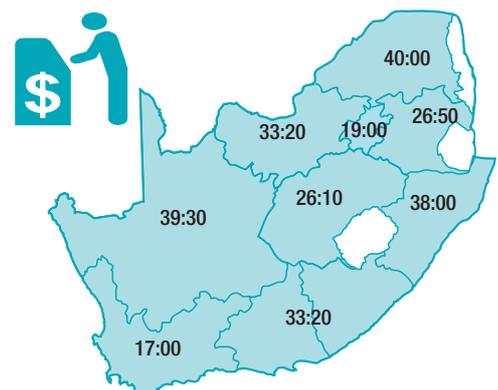
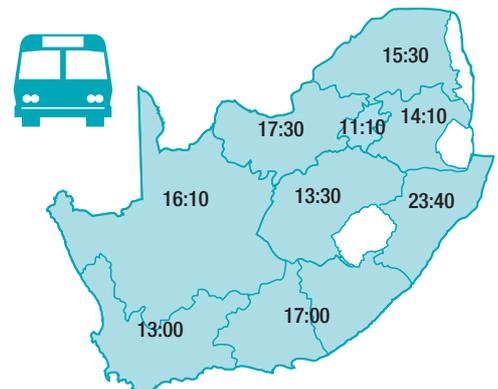
No electricity

	No tap water on property	No flush toilet	No electricity
2014	19%	36%	6%
2015	15%	37%	5%

20% of adults in South Africa access water through a shared communal tap in 2015

### Infrastructure accessibility – time taken to get to destination

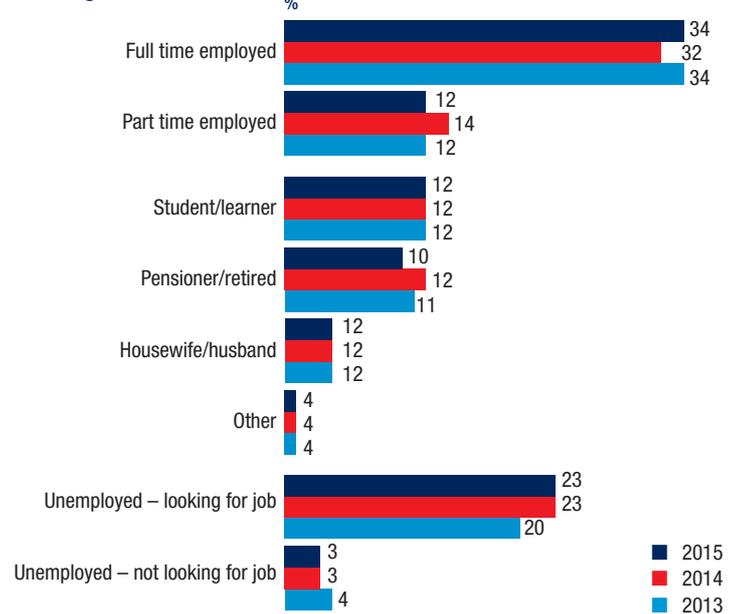
		Mean time taken to get to destination by area type (Figures are given in minutes and seconds)				
		Total 2015	Urban areas	Traditional areas	Farm areas	
	1	Public transport	16:00	12:00	21:10	30:20
	2	ATM	28:10	20:00	47:40	48:20
	3	Petrol station	28:30	20:20	49:20	48:00
	4	Supermarket	28:40	26:50	34:40	29:10
	5	Post Office	31:50	24:30	48:30	51:50
	6	Bank branch	34:10	26:20	53:20	54:10
	7	Social grant ID point	37:20	31:00	45:20	55:10
	8	Insurance branch	42:50	37:20	57:00	61:00



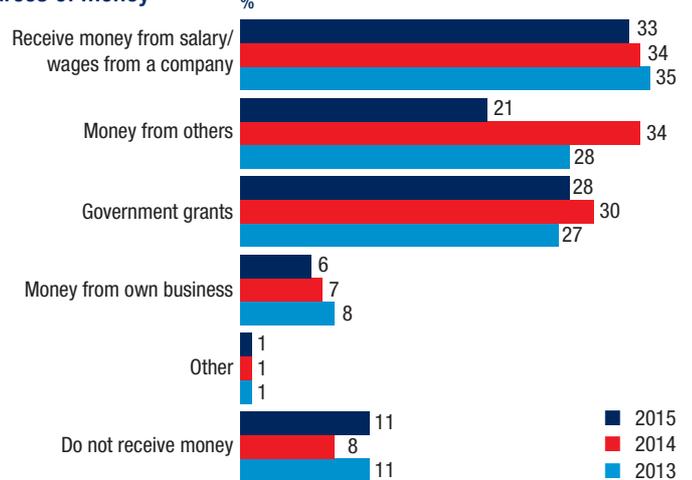
## Understanding the lives of adult South Africans

	2015	2014	2013
<b>Race</b>	%	%	%
Black	78	78	78
White	10	10	10
Coloured	9	9	9
Asian	3	3	3
<b>Gender</b>	%	%	%
Male	48	48	48
Female	52	52	52
<b>Age</b>	%	%	%
16 – 17	4	3	4
18 – 29	34	35	34
30 – 44	31	29	31
45 – 59	19	19	19
60+	12	12	11
<b>LSM</b>	<b>LSM 2015</b>	<b>LSM 2014</b>	<b>LSM 2013</b>
1 – 2	2	2	2
3 – 4	16	15	16
5 – 6	47	54	51
7 – 8	20	15	16
9 – 10	14	13	15
<b>Province</b>	%	%	%
Eastern Cape	12	12	12
Free State	5	5	5
Gauteng	26	26	26
KwaZulu-Natal	18	19	19
Limpopo	10	10	10
Mpumalanga	8	8	8
North West	7	7	7
Northern Cape	2	2	2
Western Cape	12	12	12
<b>Area Type</b>	%	%	%
Metro	42	42	42
Small urban	30	27	25
Rural	28	32	33

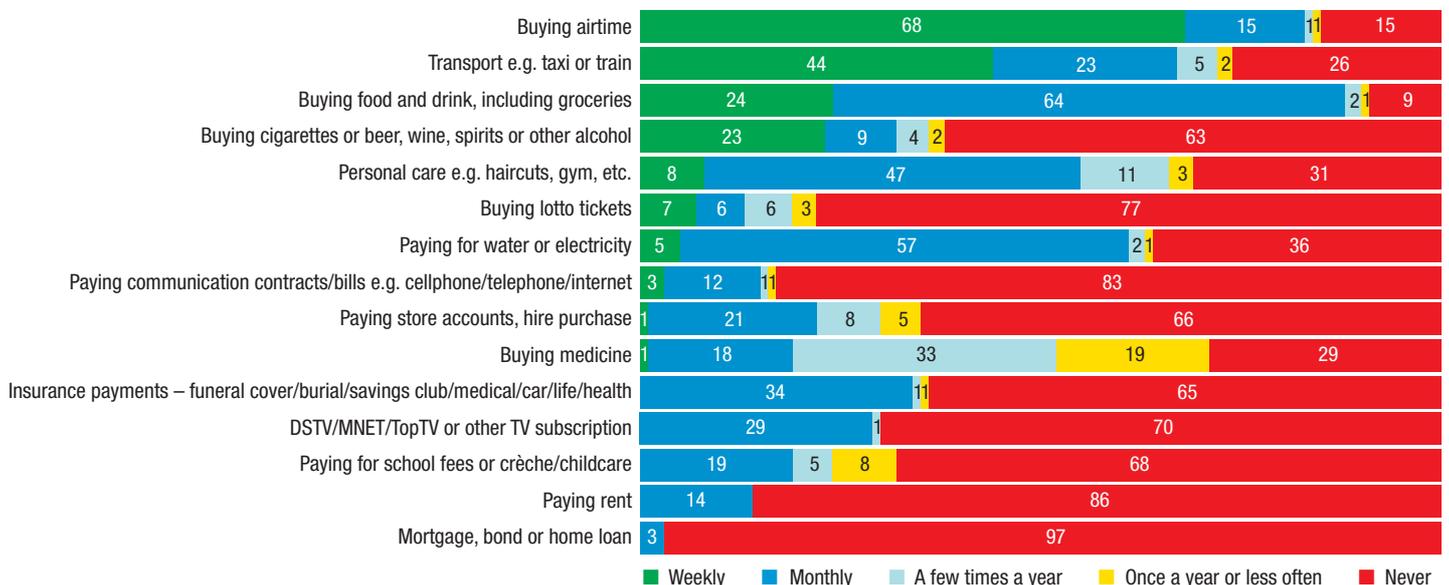
### Working status



### Sources of money



### Lifestyle and money spending



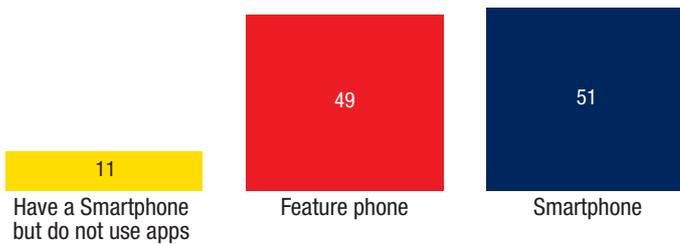
Most frequently bought things are airtime, food and transport on a weekly basis

Monthly spending is on medical, personal care, food, electricity, transport and fuel

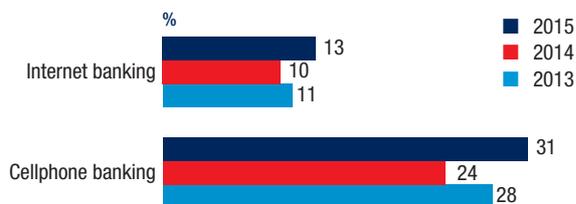
## Communication devices used by people

Communication devices		2015	2014	Communication channels		2015	2014
Cellphone		88%	90%	Internet		26%	25%
Public		12%	20%	Email		12%	15%
Computer/laptop		12%	22%	Note: 6% use a tablet and 29% use data bundle			

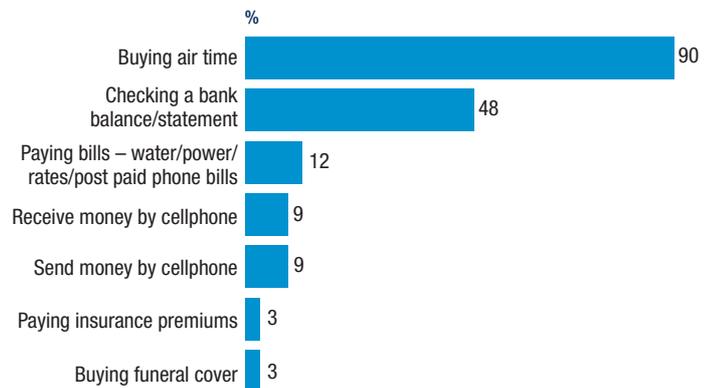
### Usage of Smartphone



### Cellphone and internet banking penetration



### Cellphone usage for financial activities



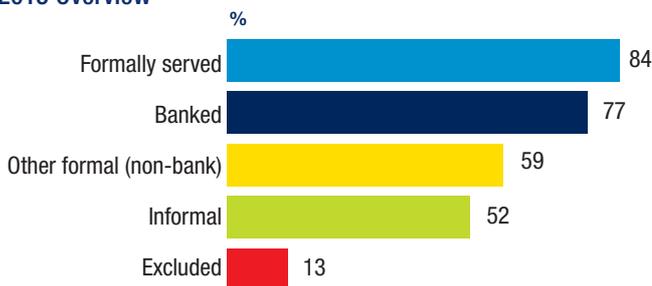
- Smartphone penetration in 2015: 51% (18.9 million) adults have smartphones
- About 40% use Smartphone apps
- 31% use cellphone banking/money to manage their finances, mainly to buy airtime



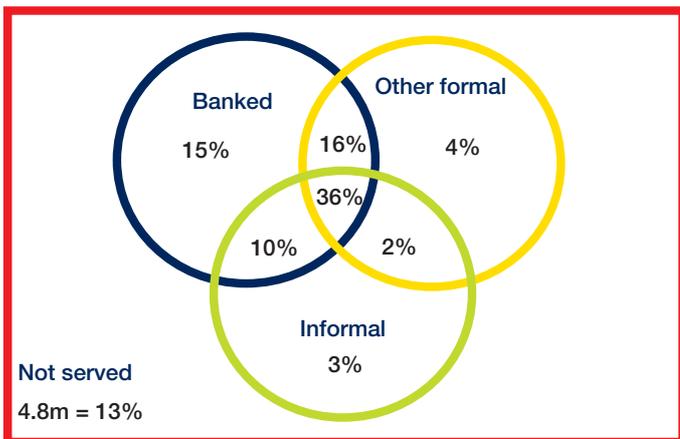
## Overview

- 84% of adults (16 years and older) are formally served, including both banked and other formal non-bank financial products/services [= increased, 80% in 2014];
- 77% are banked [= increased, 75% in 2014];
- 59% have/use other formal (non-bank) products/services [= increased, 52% in 2014];
- 52% have/use informal mechanisms to manage their finances [= decreased, 56% in 2014];
- 13% do not use financial products/services to manage their finances. If they save, they keep their money at home, and if they borrow they only rely on family and friends [= decreased, 14% in 2014]

### 2015 Overview



### 2015 Overlaps

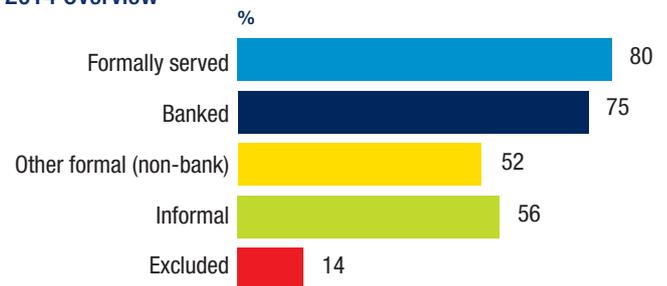


## Overlaps

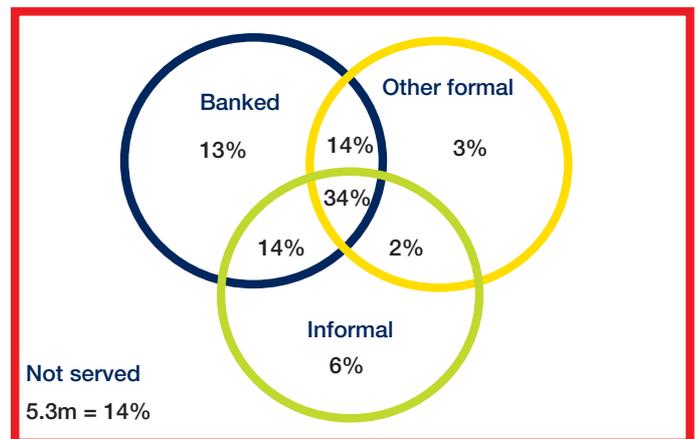
Consumers generally use a combination of financial products and services to meet their financial needs – an individual could have a bank account and also belong to a burial society.

- 3.4% of adults rely exclusively on informal mechanisms to manage their money [= decrease, 6% in 2014]
- Almost 36% use a combination of banked, other formal (non-bank), and informal mechanisms to manage their financial needs, thus indicating that their needs may not be fully met by the formal sector alone [= increased, 34% in 2014]

### 2014 Overview

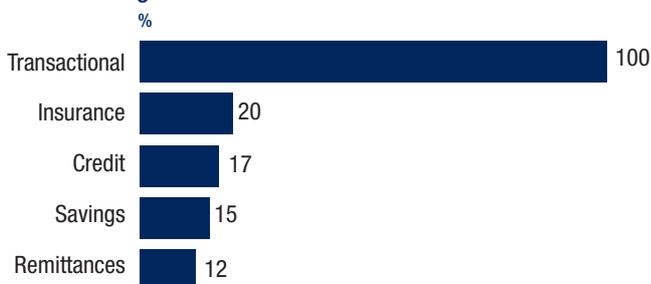


### 2014 Overlaps

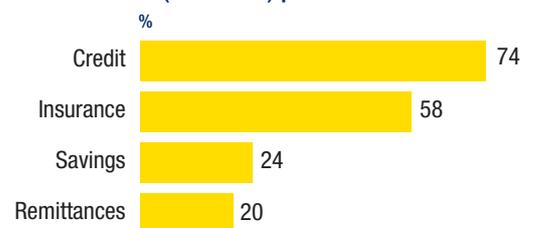


## Drivers in 2015

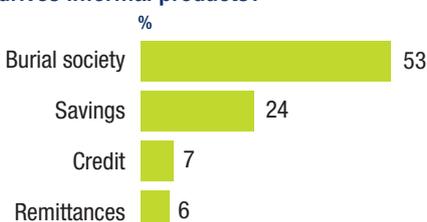
### What drives banking?



### What drives other formal (non-bank) products?



### What drives informal products?

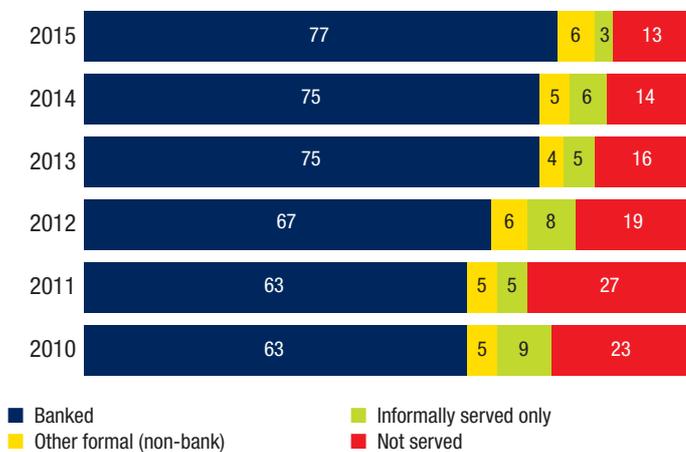


## Access Strand

In constructing this strand, the overlaps in financial product/services usage are removed, resulting in the following segments:

- Financially excluded adults, i.e. they do not use any financial products/services – neither formal nor informal – to manage their financial lives (13%)
- Adults who have/use informal mechanisms only but NO formal products/services (3.4%)
- Adults who have/use formal non-bank products/services but NO commercial bank products (6.3%) – they might also have/use informal mechanisms
- Adults who have/use commercial bank products/services (77%) – they might also have/use other formal and/or informal mechanisms

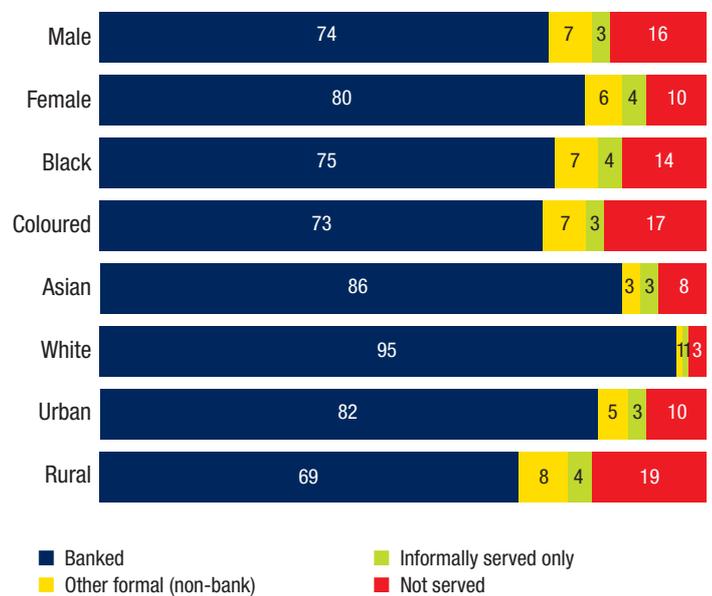
### Overall Access Strand, year-on-year



Financial inclusion slightly increased from 86% in 2014 to 87% in 2015

- 31.4 million of the adult population were financially included in 2014 (Individuals who have/use formal and informal mechanisms). The number of the included population has increased to 32.5 million in 2015
- Banking increased slightly from 75% (27.4m) in 2014 to 77% (28.7m) in 2015
- Individuals who only rely on informal mechanisms reduced from 6% (2.2 million) in 2014 to 3.4% (1.3 million) in 2015

### Overall Access Strand 2015 by demographics



### Key findings

Comparing the Access Strand across gender, race and location reveals that levels of financial inclusion (including product uptake of both formal and informal products/services) are higher:

- Among females (90%) than males (84%)
- Among White (97%) and Asian (92%) South Africans, than Black (86%) South Africans and Coloured (83%)
- Among adults residing in urban areas (90%), than adults residing in rural areas (81%)



## Banking

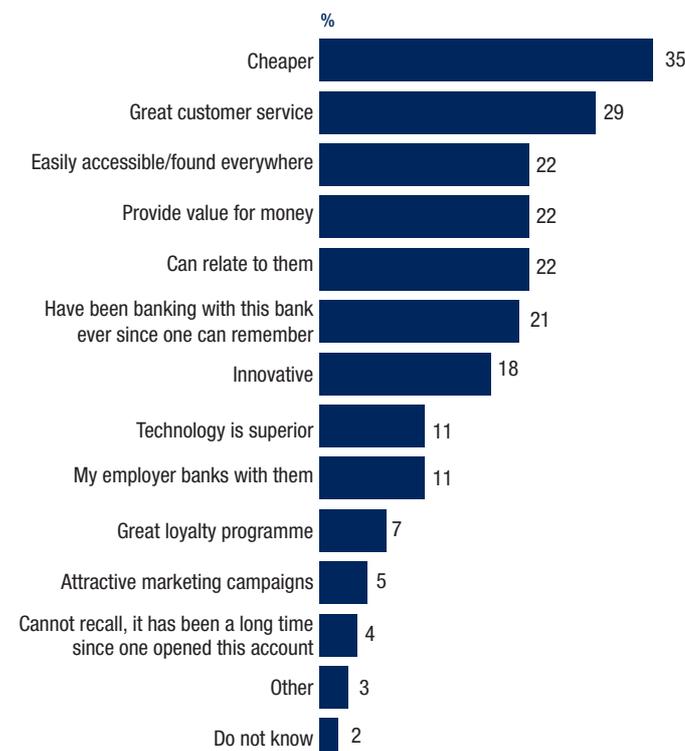
### Banking status

- The banked population increased slightly from 75% in 2014 to 77% in 2015
- 28.7 million of the adult population in South Africa are banked
- Banking is largely driven by transactional products/services
- 30% of adults are coming from households that receive a form of government grant and are banked because of the SASSA MasterCard

### How many people are banked? Population estimates 16+ years

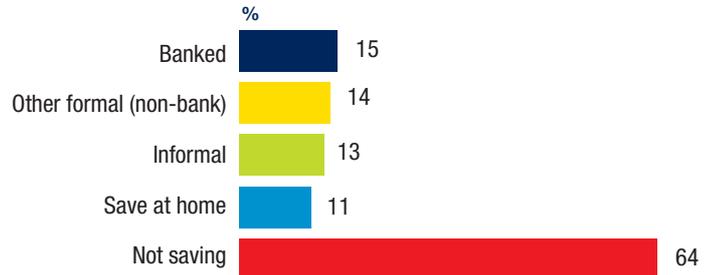
	2015	2014	2013	2012
No. of banked adults in SA	28 797 550	27 449 000	27 358 044	23 983 911
No. of previously banked adults in SA	1 967 791	2 024 405	1 304 965	1 771 656
No. of never banked adults in SA	6 554 662	7 305 271	7 830 482	9 933 533
No. of unbanked adults in SA	8 522 453	9 329 676	9 135 447	11 705 189
Total adult population size	37 320 003	36 778 676	36 493 490	35 689 100

### Reason for choosing a bank



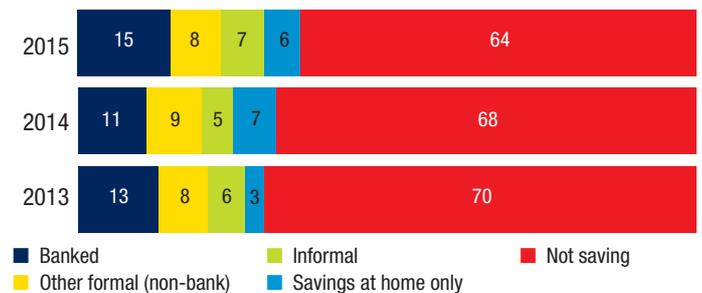
## Savings and investments

### Overview 2015



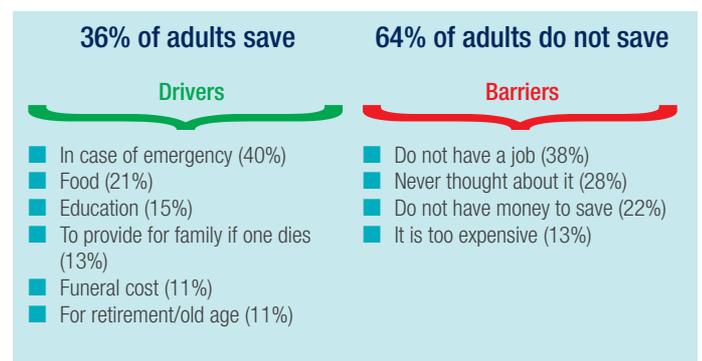
- 15% of adults save in banks
- 14% of adults have a formal savings product from a non-bank financial institution (this could be a unit trust)
- 13% use other informal savings mechanisms such as savings groups, and stokvel (umgalelo)
- 11% of adults claim to save at home

### Savings Strand



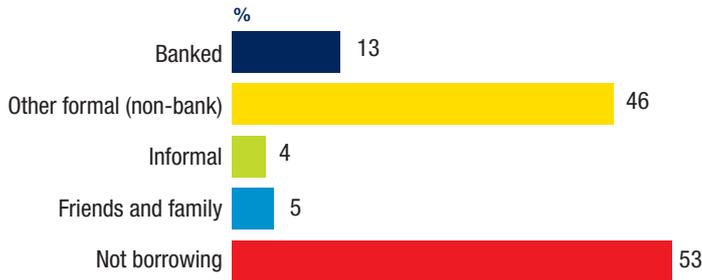
In constructing this strand, the overlaps in savings product/services usage are removed:

- 64% of adults do not save [= declined, 68% 2014]
- 6% (2.1 million) keep all their savings only at home, i.e. they do not have/use formal or informal savings products or mechanisms [= decreased, 7% in 2014]
- 7% rely on informal mechanisms such as savings groups (they might also save at home, but they do not have/use any formal savings products) [= increased, 5% in 2014]
- 8% have/use other formal non-bank savings products (they might also have/use informal savings mechanisms and/or save at home, but they do not have/use savings products from a commercial bank) [=decreased slightly, 9% in 2014]
- 15% have/use savings products from a commercial bank (they might also have/use other formal and/or informal mechanisms, and/or save at home) [= increased, 11% in 2014]



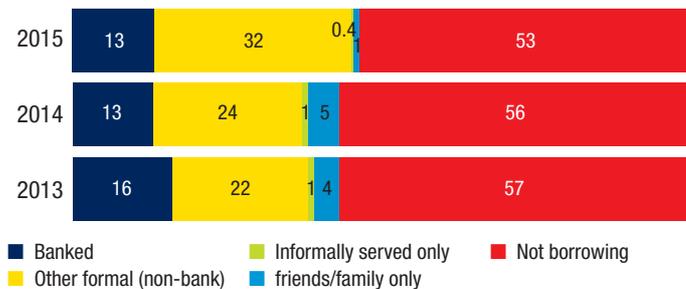
## Borrowing and credit

### Overview 2015



- 13% of adults borrow from the bank
- 46% of adults have formal credit facilities from non-bank financial institutions. This could be in the form of store cards or store accounts.
- 4% have informal credit – use a mashonisa
- 5% of adults claim to borrow from friends and family

### Credit Strand



In constructing the credit strand, the overlaps in financial products/services usage are removed

- 53% of adults do not borrow
- 1% (about 400 000) rely on friends and family only, i.e. they do not have/use any credit products (neither formal nor informal)
- 0.4% rely on informal mechanisms such as money-lenders (they might also borrow from friends and family, but they do not have any formal credit products)
- 32% have/use formal non-bank credit products (they might also have/use informal mechanisms, but they do not have/use credit products from a commercial bank)
- 13% have/use credit/loan products from a commercial bank (they might also have/use other formal and/or informal mechanisms, or borrow from friends and family)

#### 47% of adults borrow (Mainly at formal institutions)

##### Drivers

- Food/emergency (47%)
- Transport fees (11%)
- Building/renovating/buying house (11%)
- Bills (9%)
- Giving to family member (6%)
- Education (9%)
- To buy motor vehicle (7%)

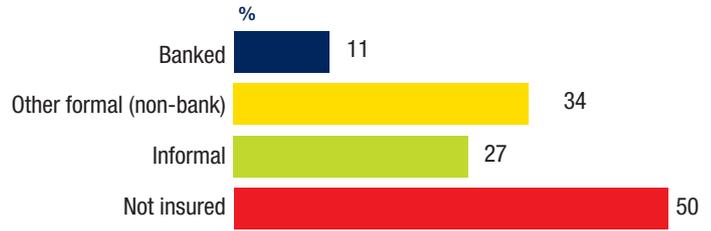
#### 53% of adults do not borrow

##### Barriers

- Do not want to have debt (39%)
- Do not have a job (29%)
- Cannot afford (20%)
- Interest too high (12%)

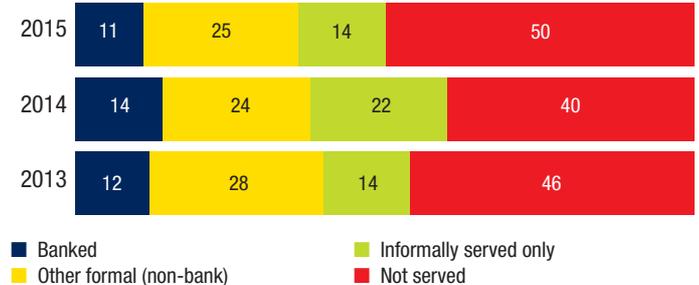
## Insurance and risk management

### Overview 2015



- 11% of adults are insured through banks
- 34% of adults have formal insurance from non-bank financial institutions. This could be in the form of insurance from an insurance company or funeral cover from an undertaker
- 27% informal (belong to a burial society)
- 50% of adults are not insured

### Insurance Strand



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

- 50% of adults do not have any kind of financial product covering risk
- 14% rely only on burial societies (same as 2013)
- 25% have some formal funeral cover from non-bank institutions
- 11% have/use insurance products from a commercial bank (they might also have/use other formal and/or burial society)

#### 50% of adults have insurance

##### Drivers

- Funeral cover (59%)
- Burial society (55%)
- Life assurance (24%)
- Asset insurance (20%)
- Health insurance (16%)
- Income insurance (14%)

#### 50% of adults do not have any kind of insurance

##### Barriers

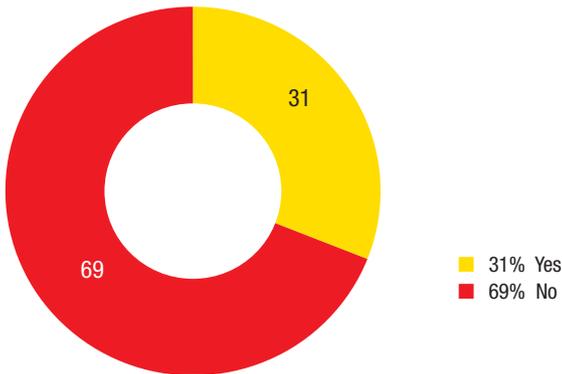
- Cannot afford/it is too expensive (55%)
- Earn too little/do not earn enough (20%)
- Currently not working (16%)
- Do not want it (11%)
- Do not need it (8%)
- Never thought of it (7%)

## Remittances

### Incidence of remittances

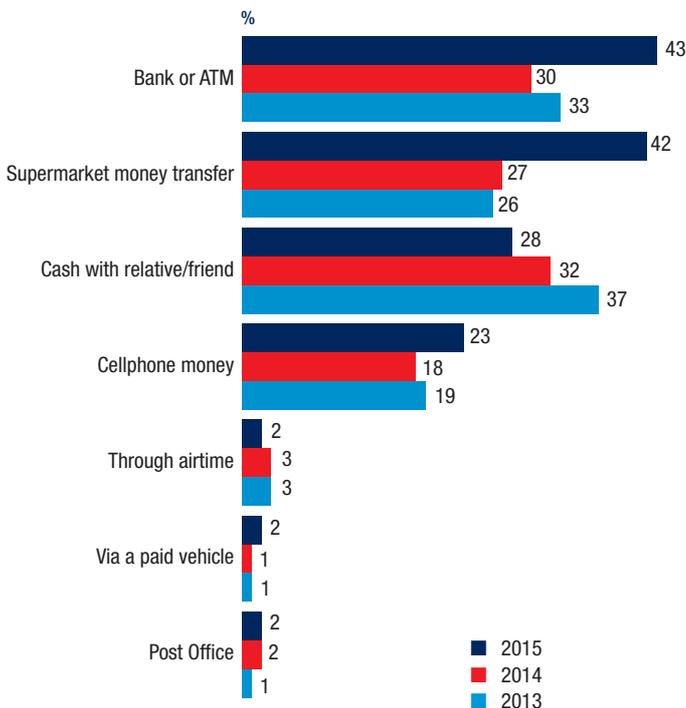
- 31% (11.6) million of adults either sent or received money to or from family members, parents, and children in the past 12 months
- 21% remit on a monthly basis, showing a 2 percentage point drop from 2014

### Remittances in the past 12 months



- 86% of remittances are conducted monthly and the following shifts in absolute numbers have been noted (year-on-year) (2014 – 2015):
  - Remitting through bank: increased by 36% (from 2.5 million to 3.4 million)
  - Remitting through supermarket: increased by 50% (from 2.2 million to 3.3 million)
  - Remitting through cellphone: increased by 27% (from 1.5 million to 1.9 million)

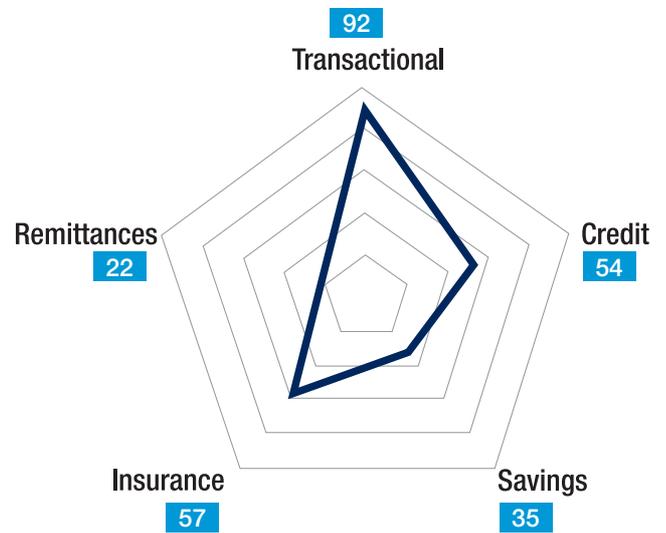
### Channels used for remitting money



## Landscape of Access

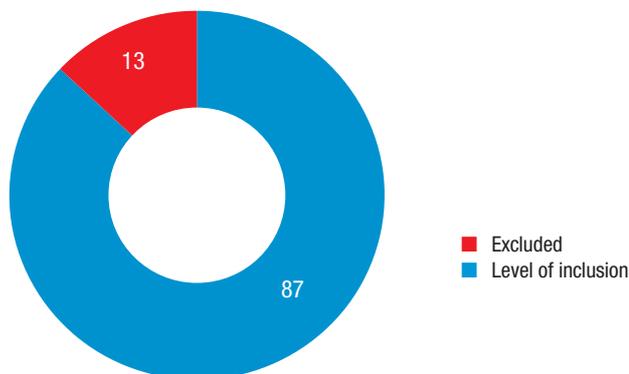
Landscape of Access looks at the types of products taken up by consumers who are financially included (32.5 million adults) and describes the percentage of adults that have/use formal and informal products/mechanisms, including the following:

- Transactional products/services
- Savings products/services (excluding those who save at home)
- Credit products/services (excluding those who borrow from friends and family)
- Insurance products/services
- Remittance products/services (excluding those who remit through friends and family)



# Financial inclusion depth

## Financial inclusion



■ About 32.5 million adults are included – however the following trend is noted:

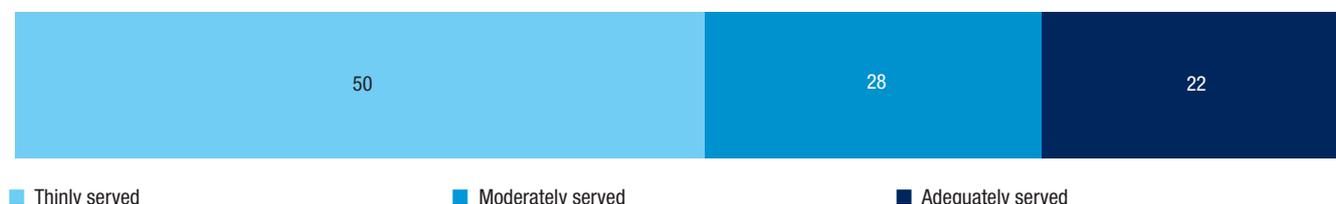
- Only 13.7 million use digital payments on a monthly basis
- 18.5 million (50%) adults are insured, but this is driven by funeral cover. Only 6.6 million (18%) adults have non-funeral insurance
- Though FinScope shows a slight improvement in formal savings, the increase is seen in short term savings and informal groups. 56% of those receiving salary or wages do not have any type of long term saving, implying that they do not have retirement savings
- Credit increase is driven by unsecured lending, which is driven by short term consumption such as food, emergencies, transport. Developmental lending has been wavering around the 4% mark since 2013

## Q-FIM indicator (Quality of financial inclusion measure)

■ Taking the above analysis into the Q-FIM indicator, 50% of the included are thinly served due to the following principles:

- Usage = low usage of digital payments, which have benefits such as cost reductions, increased operational efficiencies and reduced workload
- Products/services optimisation = lack of product knowledge, lack of innovative products that meet certain needs.

## Q-FIM Segments



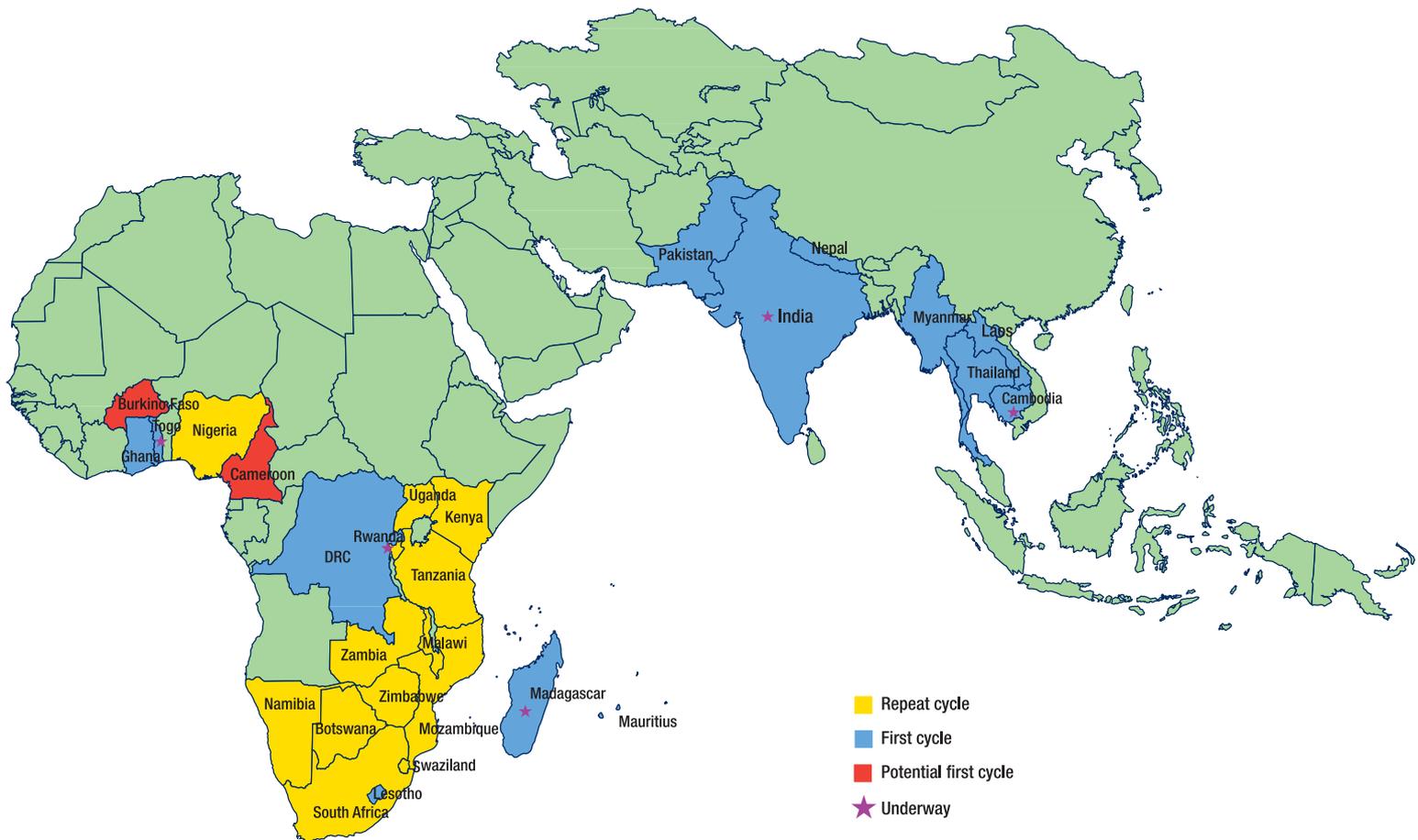
## Key findings – summary

The FinScope South Africa 2015 survey results show a mix trend in the lives of South Africans since 2014.

Category	Examples	2014	2015
Income source	Proportion of adults who receive income from salary/wage or own business	34%	33%
Income level	Number of adults earning more than R3 000 per month	47%	52%
Cellphone usage	Proportion of adults using cellphones	90%	88%
Infrastructure, i.e. access	Proportion of adults without electricity	6%	5%
Financial inclusion	Proportion of adults that are financially included	86%	87%
Banked	Proportion of adults that are banked	75%	77%
Insurance	Proportion of adults that are insured	60%	50%

# FinScope footprint

FinScope South Africa 2015 contains a wealth of data based on a nationally representative sample of the adult population of South Africa. The dataset which was collected under the syndicated funding model is available in SPSS format from FinMark Trust at a cost.



## Contact

For further information about FinScope South Africa 2015 and how to become a syndicate member, please contact:



Mr Jabulani Khumalo  
jabulanik@finmark.org.za

Tel: +27 11 315 9197  
Fax +27 86 518 3579

Dr Kingstone Mutsonziwa  
kingstonem@finmark.org.za

[www.finmark.org.za](http://www.finmark.org.za)

FinMark Trust, an independent trust based in Johannesburg, South Africa, was established in 2002, and is funded primarily by UKaid from the Department for International Development (DFID) through its Southern Africa office. More recently some other funders (UNCDF, Bill & Melinda Gates Foundation and MasterCard Foundation) have come on board to support the work of FinMark Trust.

FinMark Trust's purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'. This is done by promoting and supporting financial inclusion, regional financial integration, as well as institutional and organisational development, in order to increase access to financial services for the un-served and under-served. In order to achieve this, FinMark Trust commissions 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 developed the FinScope tool, including both the FinScope MSME Survey and the FinScope Consumer Survey.