

# FinScope South Africa 2015 Consumer Survey Launch Presentation



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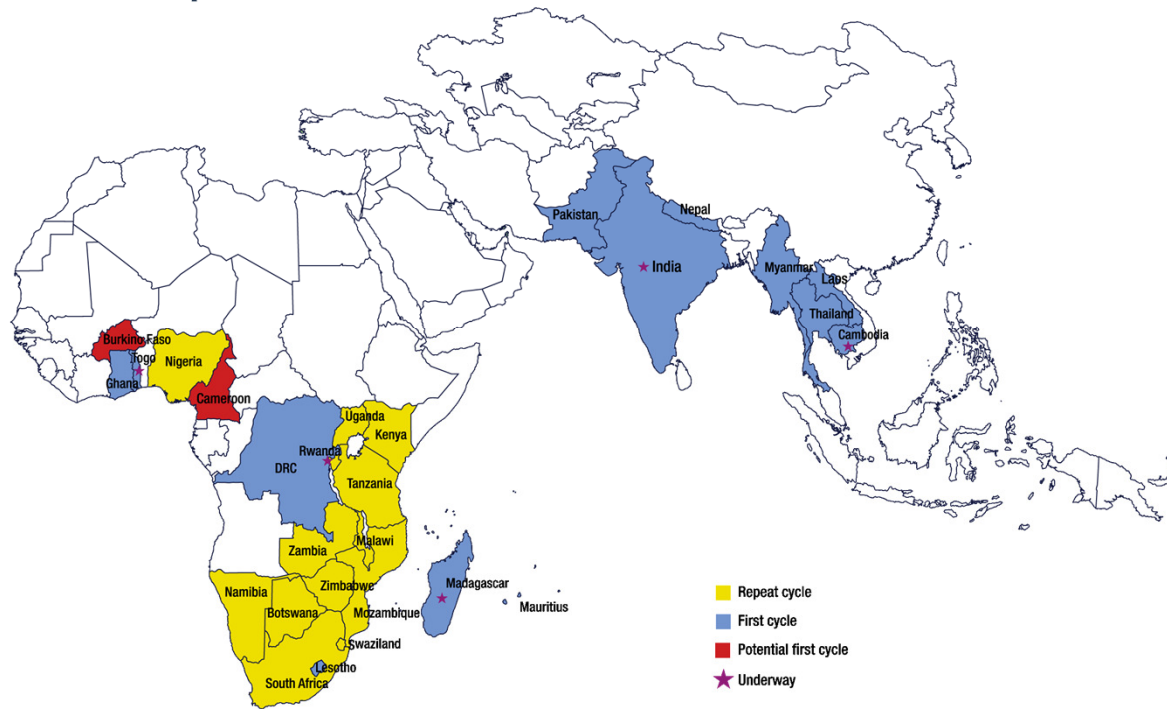
# FinScope continues to be a significant voice and currency in financial inclusion



FinMark Trust's mandate:

“ Making financial markets work for the poor by promoting financial inclusion and regional financial integration as well as institutional and organisational development, in order to increase access to financial services for the unserved and underserved ”

FinScope has been conducted in South Africa since 2003



# 2015 South African syndicate members



Since its inception in 2003



the South African *FinScope* study has followed a syndicate-funded approach, involving a range of stakeholders from both the private and public sectors.

Syndicate members



form an integral part of the *FinScope* SA questionnaire design and offer valuable insight into consumer demand behaviour.

Syndicate members



also use the annual *FinScope* SA results to develop new products or processes and to enrich the overall objective of increasing financial inclusion in South Africa through a process of cross-learning and sharing of information.



# The survey in 2015 was expanded to allow for greater data interrogation



## Respondent profile



- Universe: **Adult population in South Africa**
- South African residents **16 years and older**

## Coverage and methodology

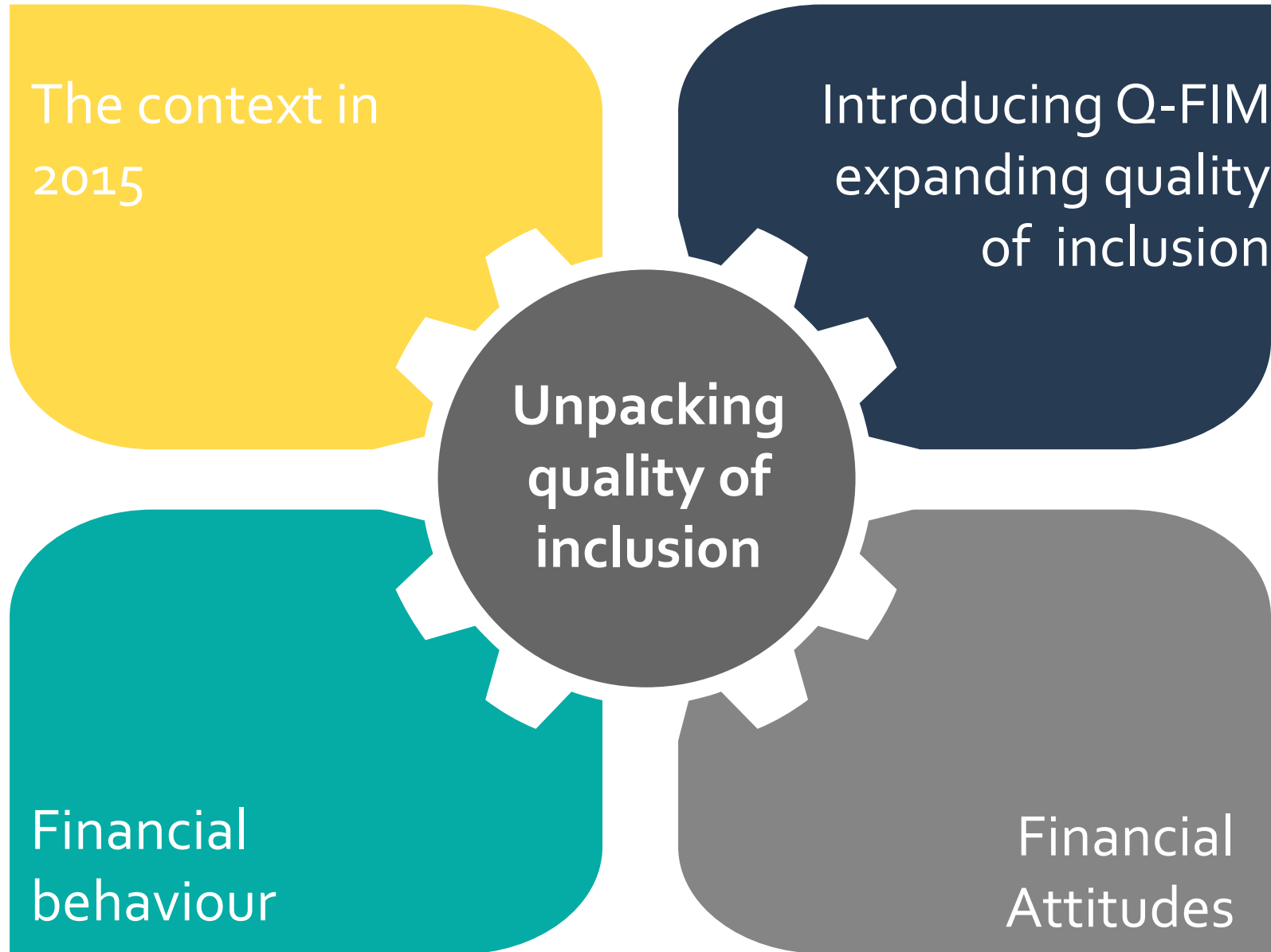


- Fieldwork conducted **14 July – 02 September 2015**
- Computer Aided Personal Interviews (**CAPI**) conducted face-to-face – change from previous years' **PAPI** (pen and paper)
- Questionnaire reviews included reordering of some questions and the addition of new questions
- Questionnaire **translated** into isiXhosa, isiZulu, Sesotho, Setswana, Sepedi and Afrikaans
- **Total of 5,000** interviews conducted – up from **3,900** interviews conducted in previous years

## Sample and fieldwork validation



- **Nationally representative** sample (weighted/benchmarked to Stats SA 2015 mid-year estimates)
- Sample drawn systematically using **Probability Proportional to Size (PPS)** sampling
- **Enumerator Area (EA)-based, 834 EAs** (up from **650 EAs** in previous years) and six interviews per EA
- To identify respondents, **two further levels of random sampling**:
  - **Households** randomly selected within each sampled EA
  - **Individual respondents** randomly selected from sampled households using the Kish grid



The context in  
2015

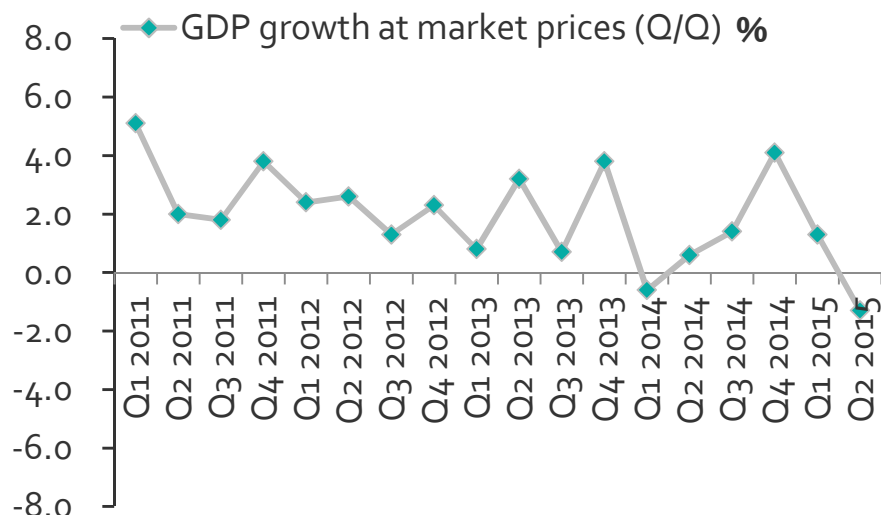
Introducing Q-FIM  
expanding quality  
of inclusion

Unpacking  
quality of  
inclusion

Financial  
behaviour

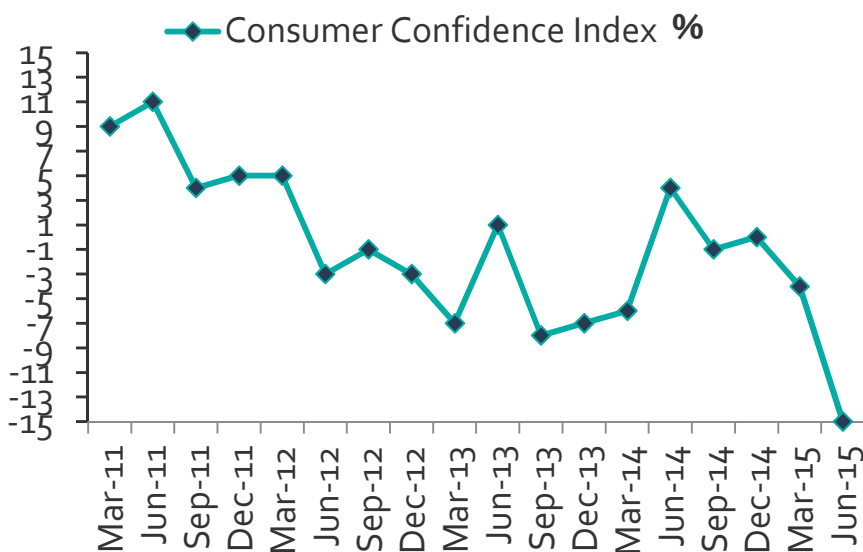
Financial  
Attitudes

# 2015 market landscape



## 9, 825, 644

people are unemployed (26%)



11.1m people coming from household supported via social grants

Source: [http://www.statssa.gov.za/?page\\_id=735&id=1e](http://www.statssa.gov.za/?page_id=735&id=1e)  
<http://www.ber.ac.za/FNBBERBCL/2025.aspx>

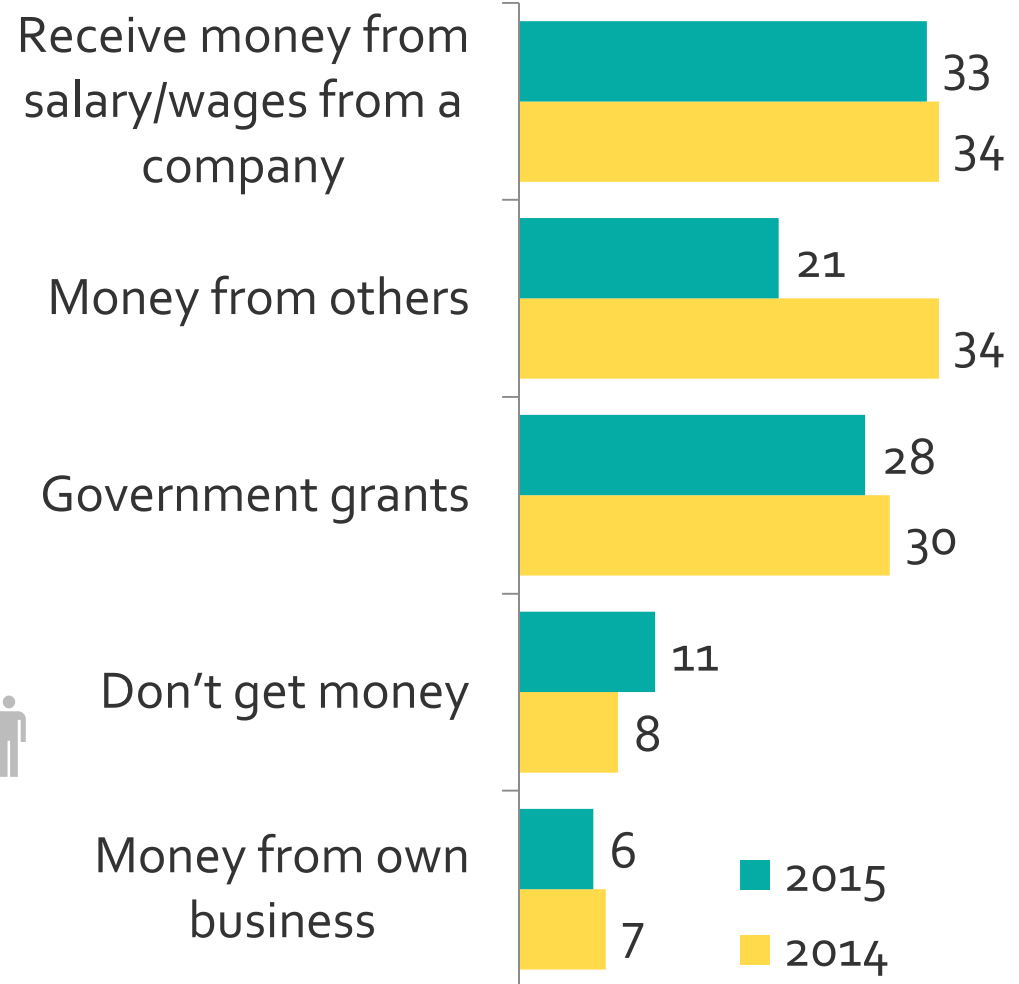
# Households are under more financial pressure



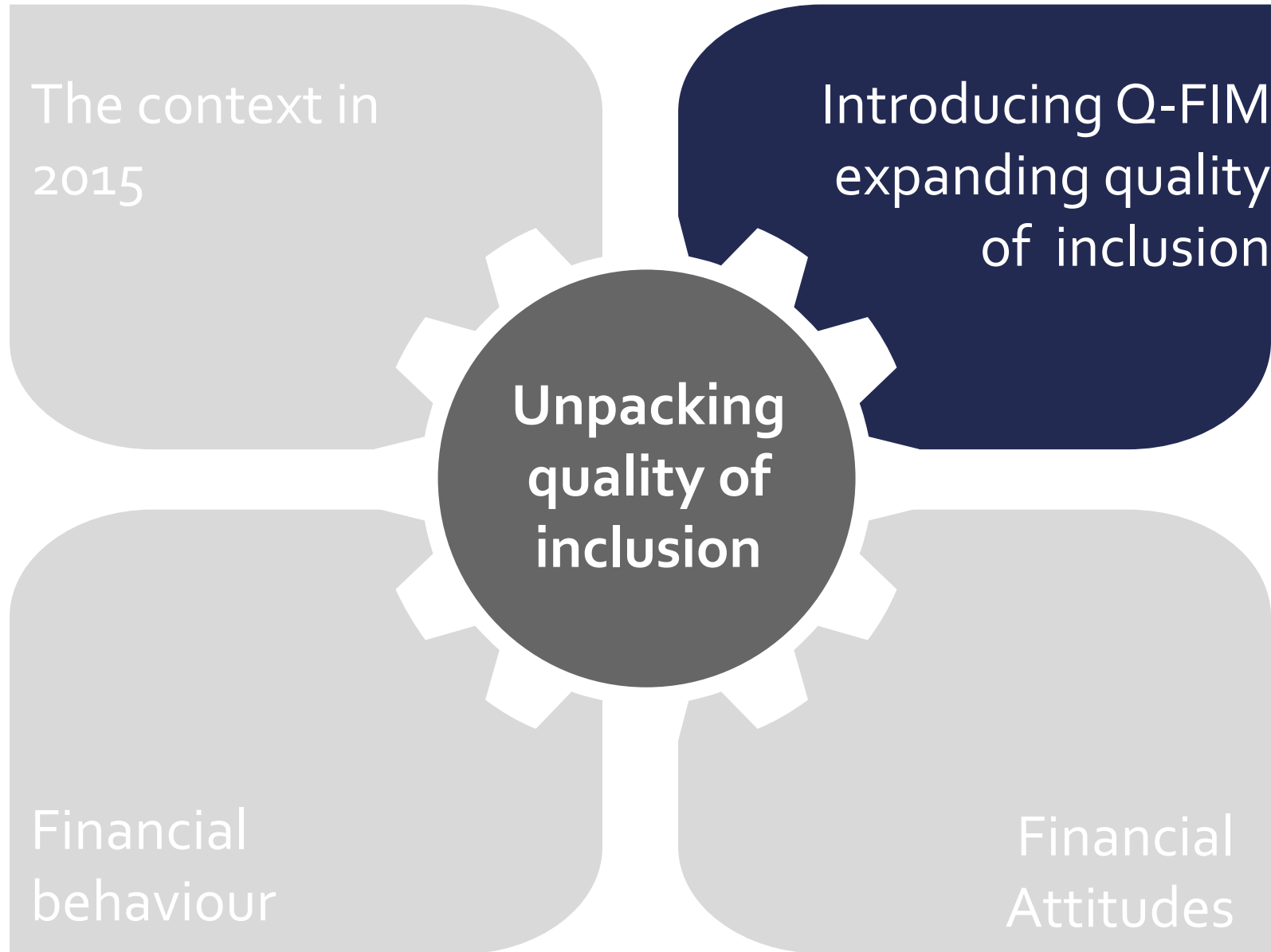
Increased pressure as households have fewer income earners






Fewer people being aided financially by friends and family







# Quality of financial inclusion is about having a balanced and efficient portfolio of financial products, irrespective of background and ability

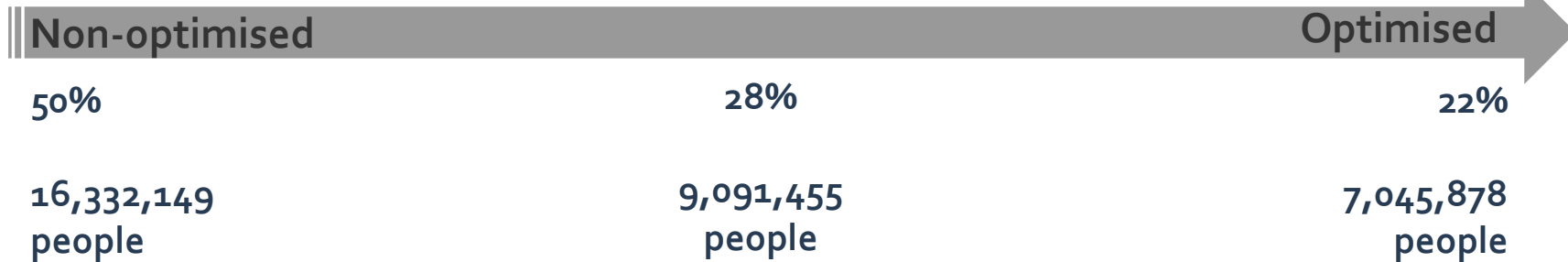
-  Payments and transactions, credit, insurance and savings are the four main components of good financial management.
-  Building a balanced portfolio across these four product sectors illustrates good financial practices.
-  Q-FIM is about measuring how these four sectors are represented and engaged with.

People are grouped into three categories: Adequately served, Moderately served and Thinly served.

# Quality of financial inclusion is based on the range of products held to create the ability to save, insure, borrow and transact

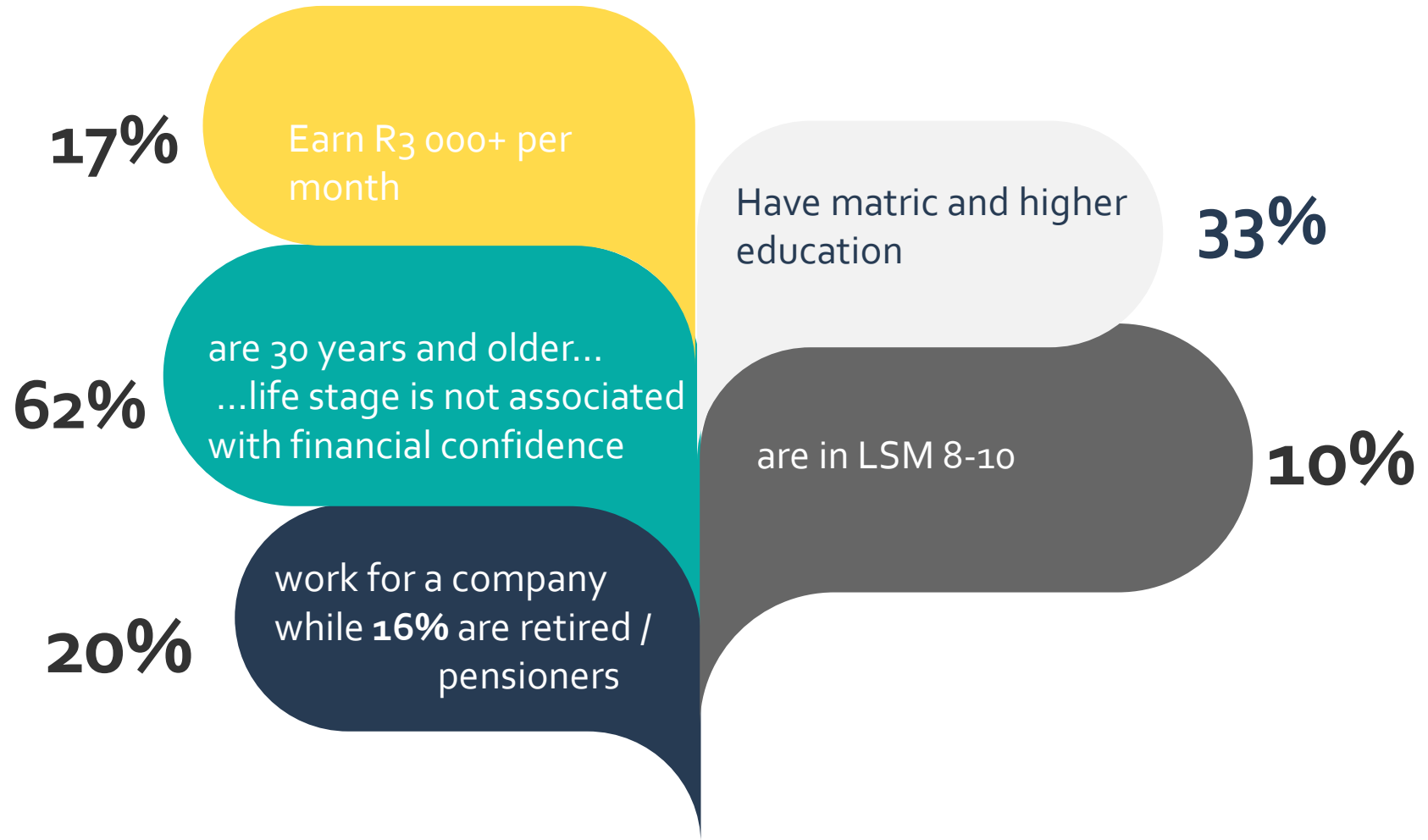


| Thinly served  | Moderately served  | Adequately served   |
|--|--|---|
| Have a non-optimised portfolio of financial products | Have a more diversified product repertoire but it is not optimised yet | Have a balanced portfolio of products that are suited specifically to their financial wants and needs |

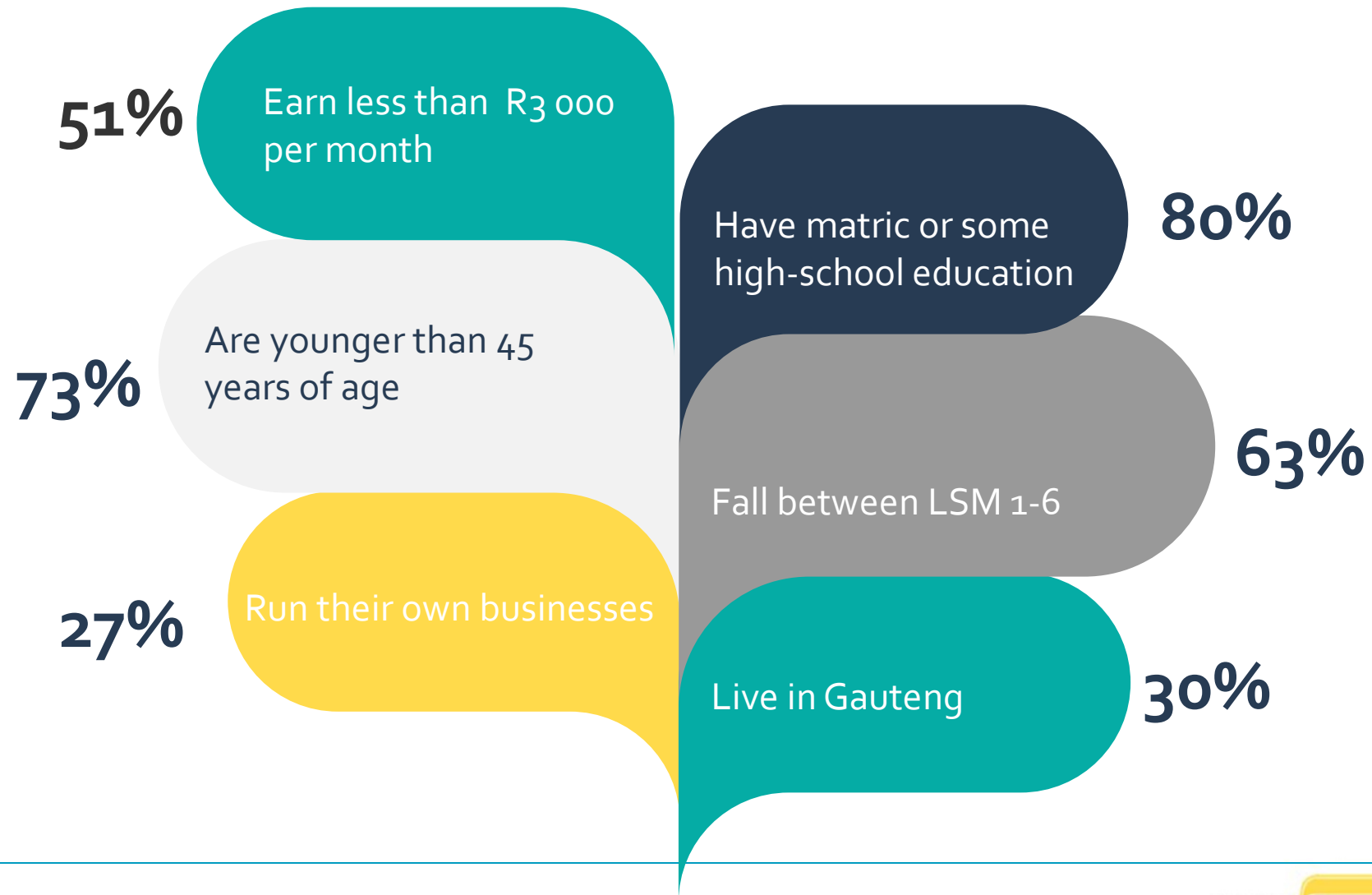


NOTE: All Q-FIM classifications are based on the financially included base

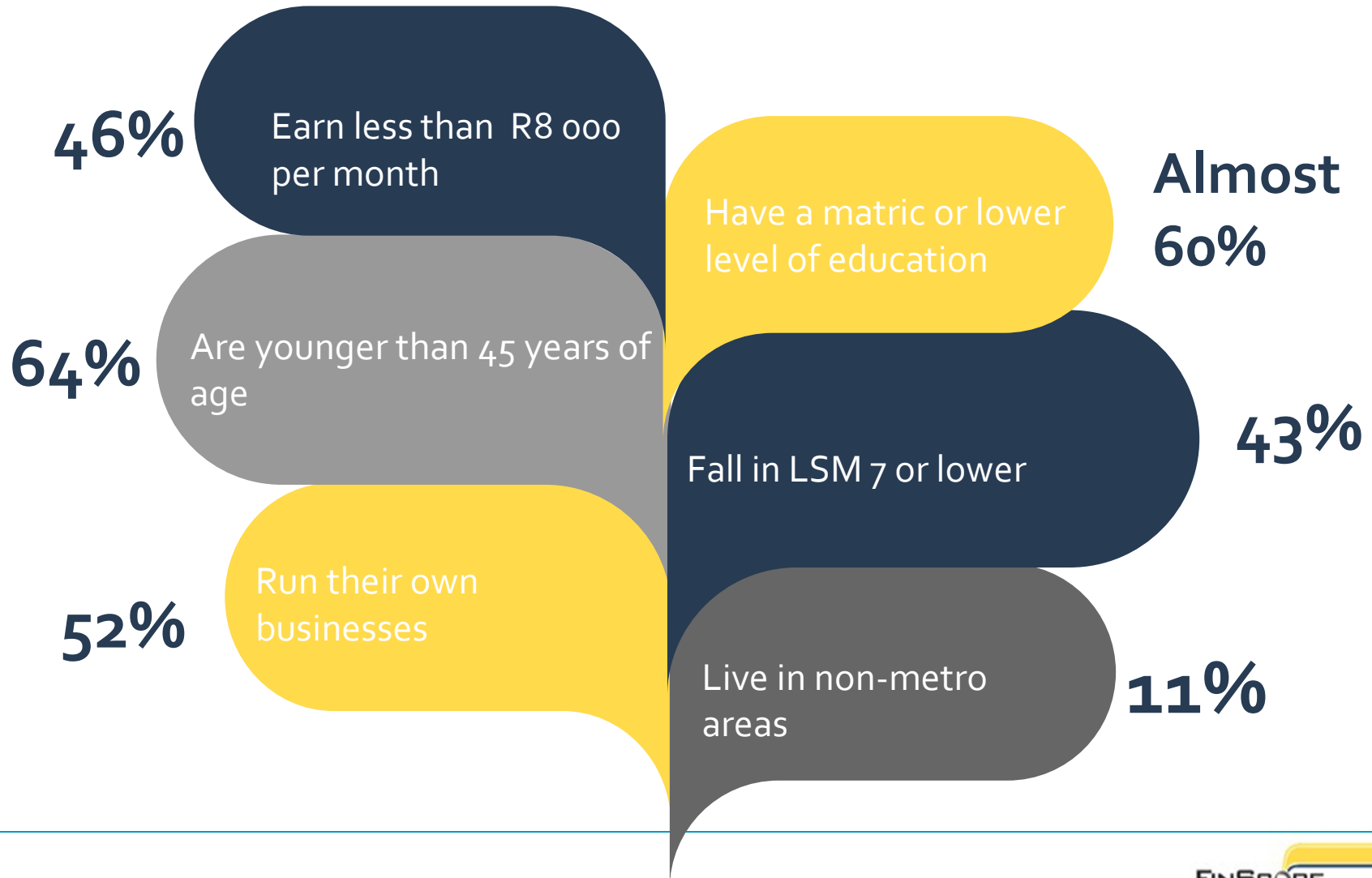
# The profile of the thinly served illustrate a group that is doing well and can build a balanced portfolio but haven't



# The Moderately served group optimise portfolios to some extent



# The Adequately served have a well-balanced portfolio

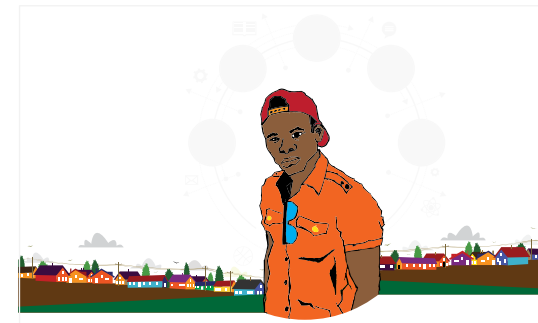


# Illustrating optimisation possibilities where demographic profiles are similar. Introducing Xolani and Zakes...



## DEMOGRAPHIC PROFILE

| Name                    | Xolani           | Zakes             |
|-------------------------|------------------|-------------------|
| Q-FIM Score             | Thinly served    | Adequately served |
| Access Strand           | Banked           | Banked            |
| Province                | KZN              | KZN               |
| Metro / Non-metro       | Non-metro        | Non-metro         |
| Language                | Zulu             | Zulu              |
| Personal Monthly Income | R3 000-R5 999    | R3 000-R5 999     |
| Age                     | 45-59 years      | 45-59 years       |
| Work Status             | Employed         | Employed          |
| Education               | Some high school | Some high school  |



# Optimising the portfolio ensures higher level of control and behavioural change



|                                     | Xolani      | Zakes                            |
|-------------------------------------|-------------|----------------------------------|
| Use digital payments / transactions | No          | Yes                              |
| Savings                             | No          | Medium term and informal savings |
| Credit                              | No          | Developmental, unsecured         |
| Insurance                           | Funeral (2) | Funeral (2)                      |

## Attitudinal Proximity:

Xolani finds dealing with finance institutions stressful but believes it is important to save and avoid credit. Financial security is important. There is interest to develop a broader portfolio.

Zakes feels he understands the different banks but remains concerned that he does not save enough. Financial security is important as is the ability to change products to suit his needs.

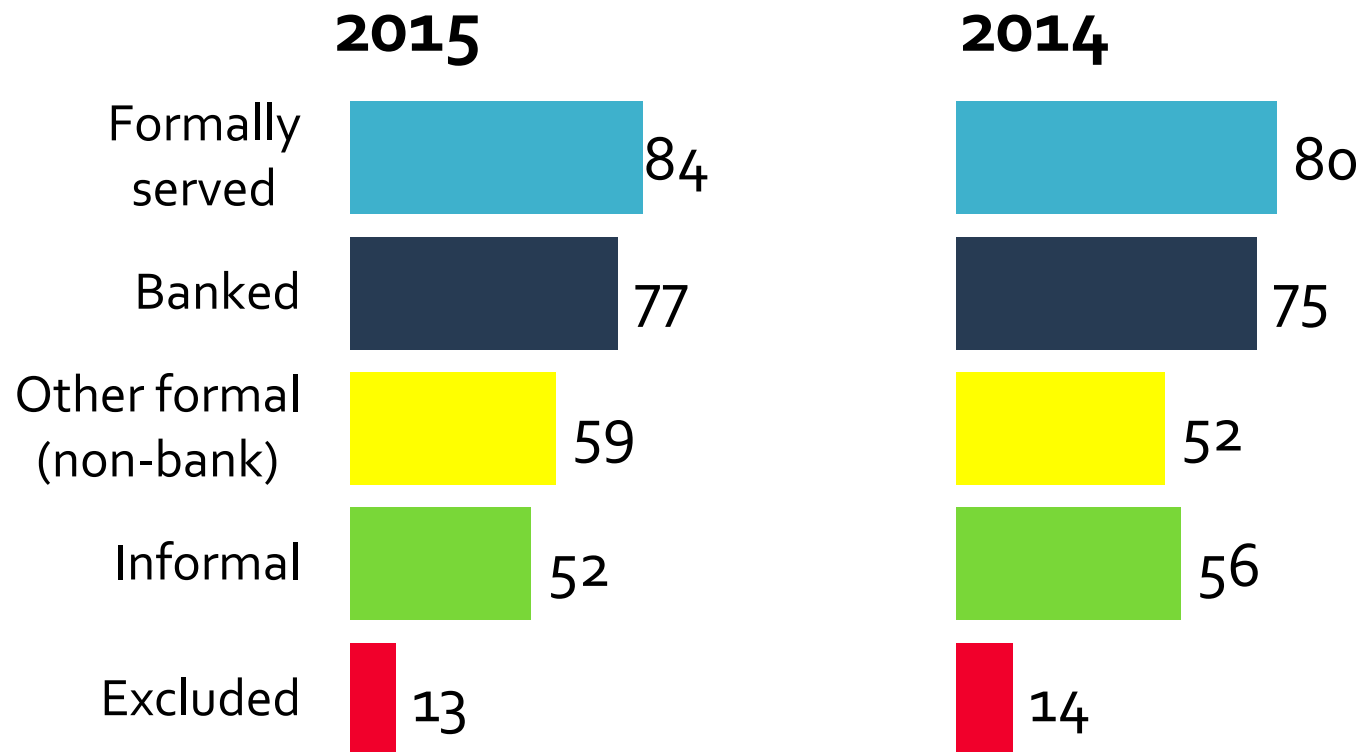




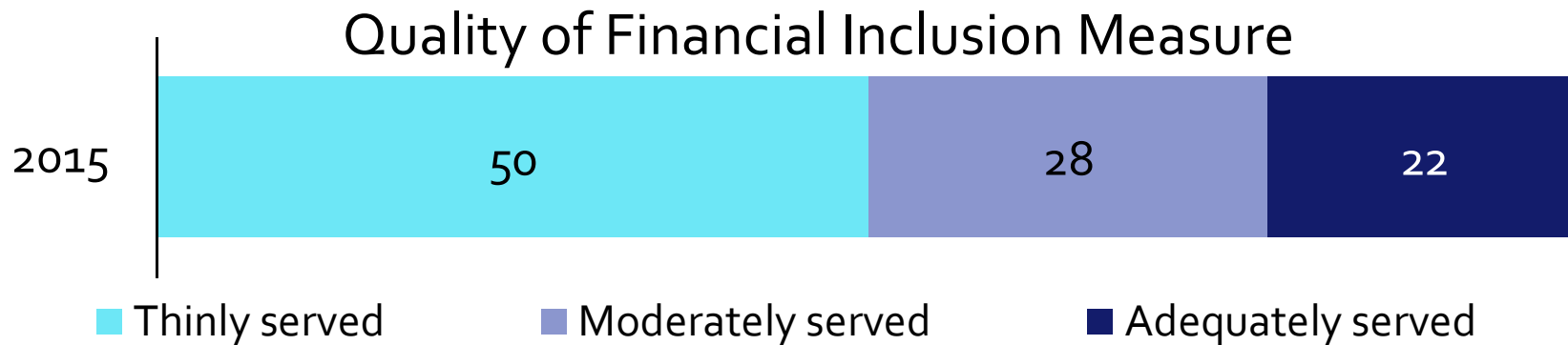
# While financial inclusion is static, we do see a softening of informal product usage and an increase in formally served



- 32.5m adults are financially included in 2015 versus 31.4m last year
- A higher proportion of LSMs 1-2 are excluded, but exclusion decreased across LSM 3-6 and LSM 9-10



# Comparing Overall Access Strand and Quality of Financial Inclusion measure (Q-FIM)



# Those excluded are not just those people in difficult to reach environments. There are concerning numbers in urban areas



|             | Number of excluded |                 |
|-------------|--------------------|-----------------|
|             | 2014               | 2015            |
| Total       | 14% (5,358,463)    | 13% (4,850,520) |
| Urban       | 51% (2,743,221)    | 52% (2,533,153) |
| Farms       | 6% (340,752)       | 9% (437,627)    |
| Traditional | 42% (2,274,489)    | 39% (1,879,741) |

## Of those excluded in urban areas

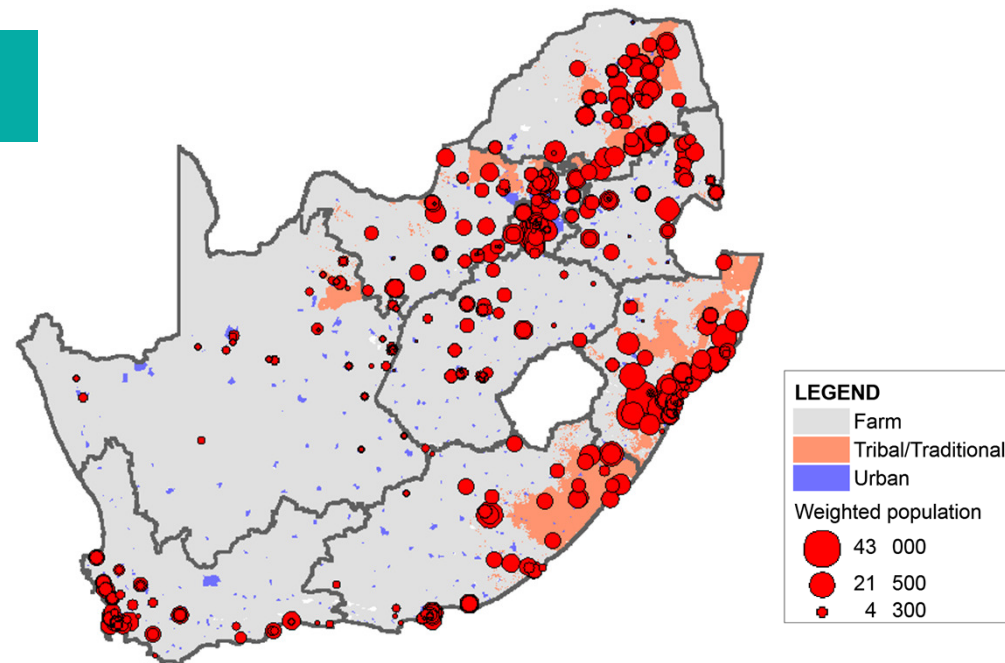
**59%** are male (1.5m)

**48%** are aged 18-29 (1.2m)

**61%** have some high school (15.5m)

**78%** LSM 1-6

**50%** have no income



The context in  
2015

Introducing Q-FIM  
expanding quality  
of inclusion

Unpacking  
quality of  
inclusion

Transactions/Banking

Insurance

Credit

Savings

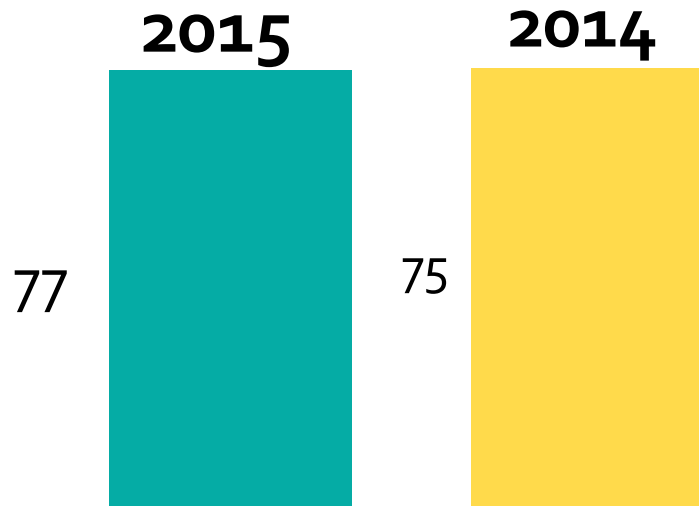
Financial  
behaviour

Financial  
Attitudes

While there is a slight increase in banking, banking seems to still be driven by SASSA and the ownership of ATM and debit cards



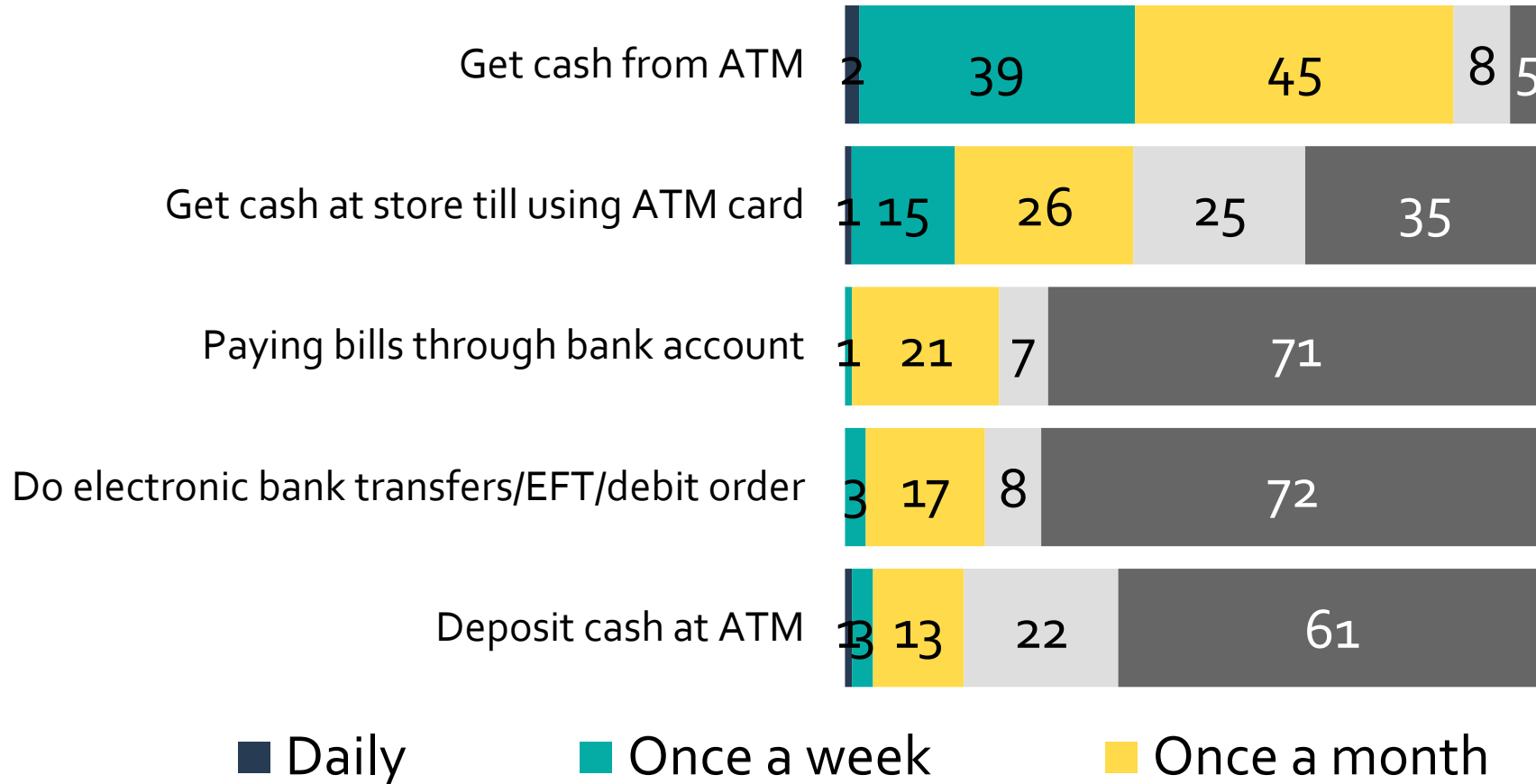
## Banked



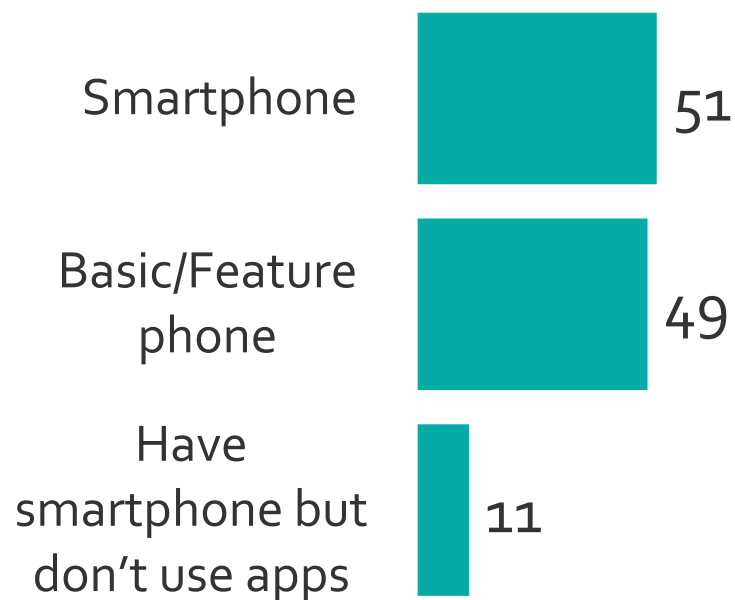
SASSA card holders are consolidating accounts and moved from the following:

- ATM/debit card (-1.3m)
- Mzansi (-587k)
- Postbank (-516k)
- Savings account (-1.4m)

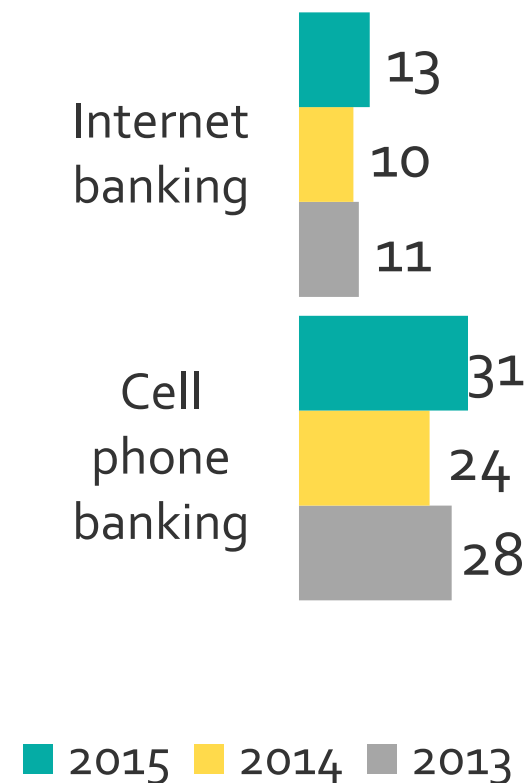
# 37% use digital payment mechanisms, but how can this be extended and enhanced for more people?



# Over half of the adult population have smartphones, so we have the option to enhance the digital transactional uptake



**Basic usage such as buying airtime is the most common activity amongst cellphone banking users**

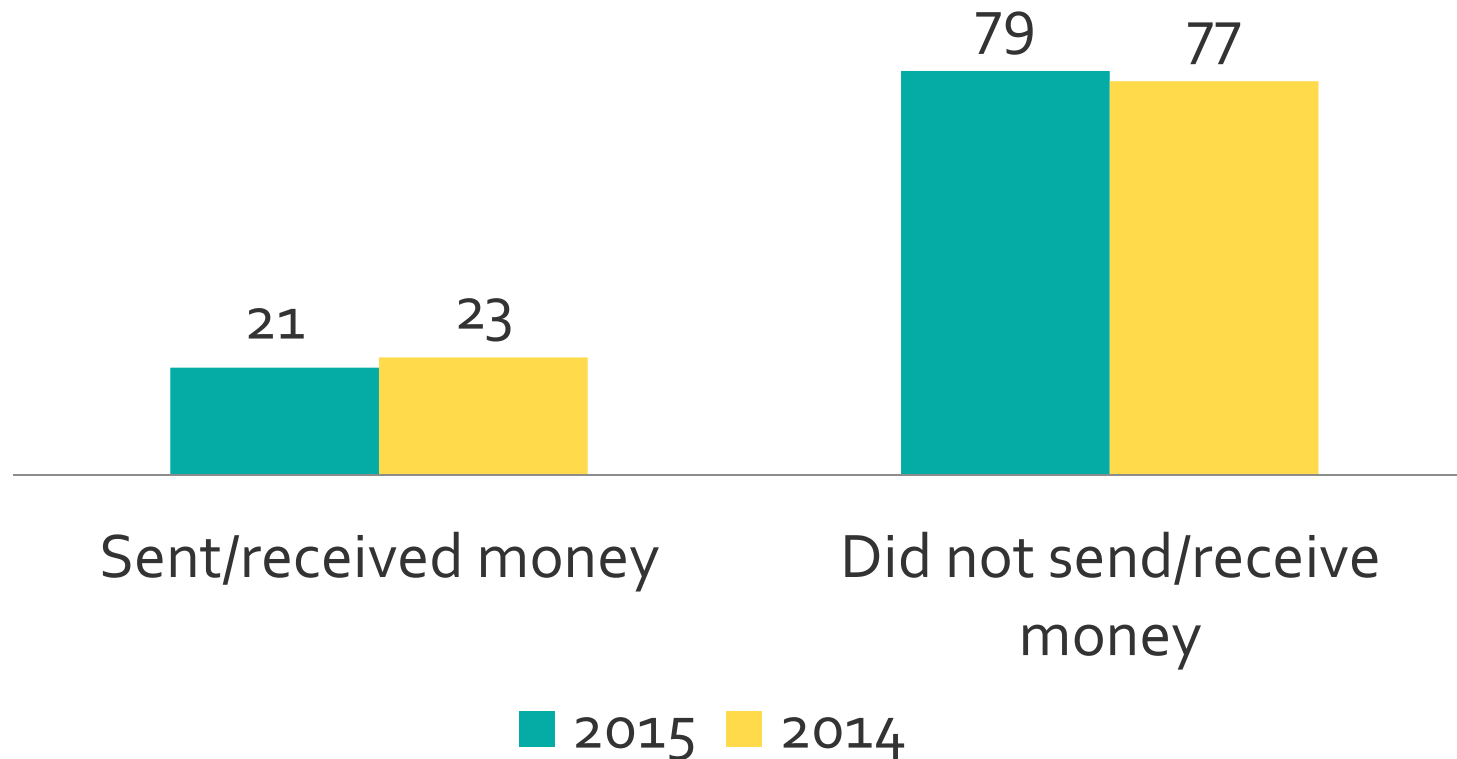






Remittances have dropped slightly, which could be linked to fewer people being financially aided by friends and family. Remittances through cellphone increased from 1.5m to 1.9m

### Remittances



# Remittance has declined, and interestingly driven by higher income households



**21%**



Are remitting

**23%**



Were remitting

## ■ Skews:

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**25% LSM 7-8 (1.8 million)**

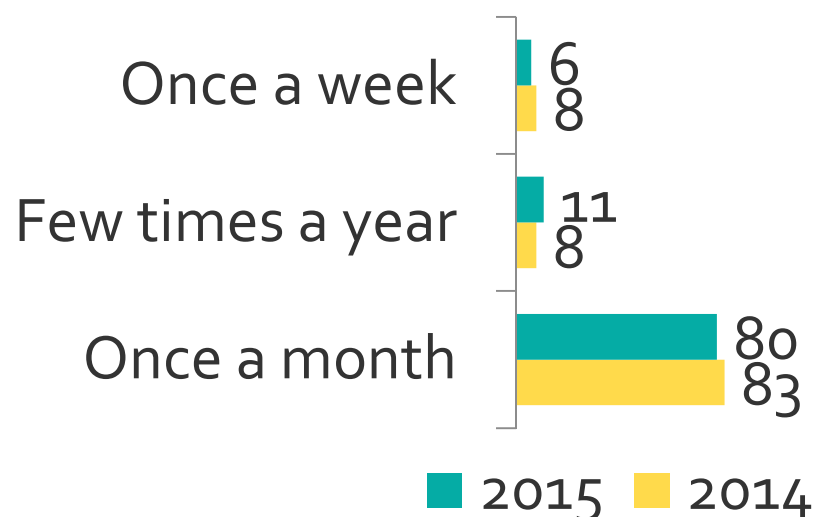
**39% LSM 8-10 (498K)**

**23% Male (4.1m)**

**25% Age 30-44 (2.9m)**

## People are also remitting less frequently

### Frequency of receiving money from outside of the household



### Channels

Supermarket

Bank/ATM

Cash with fam/friends

Cellphone money

Through  
airtime

|                       | 2015 | 2014 |
|-----------------------|------|------|
| Supermarket           | 42   | 27   |
| Bank/ATM              | 43   | 30   |
| Cash with fam/friends | 28   | 32   |
| Cellphone money       | 23   | 18   |
| Through<br>airtime    | 2    | 3    |

■ More people are optimising lower costs (R4+) by remitting via a bank (2.5m to 3.4m)

■ 1.1m more people are paying higher fees remitting via a supermarket (R10+; 2.2m to 3.3m) and cellphone (R5+; 1.5m to 1.9m)

The context in 2015

Introducing Q-FIM expanding quality of inclusion

# Unpacking quality of inclusion

Transactions/Banking

Insurance

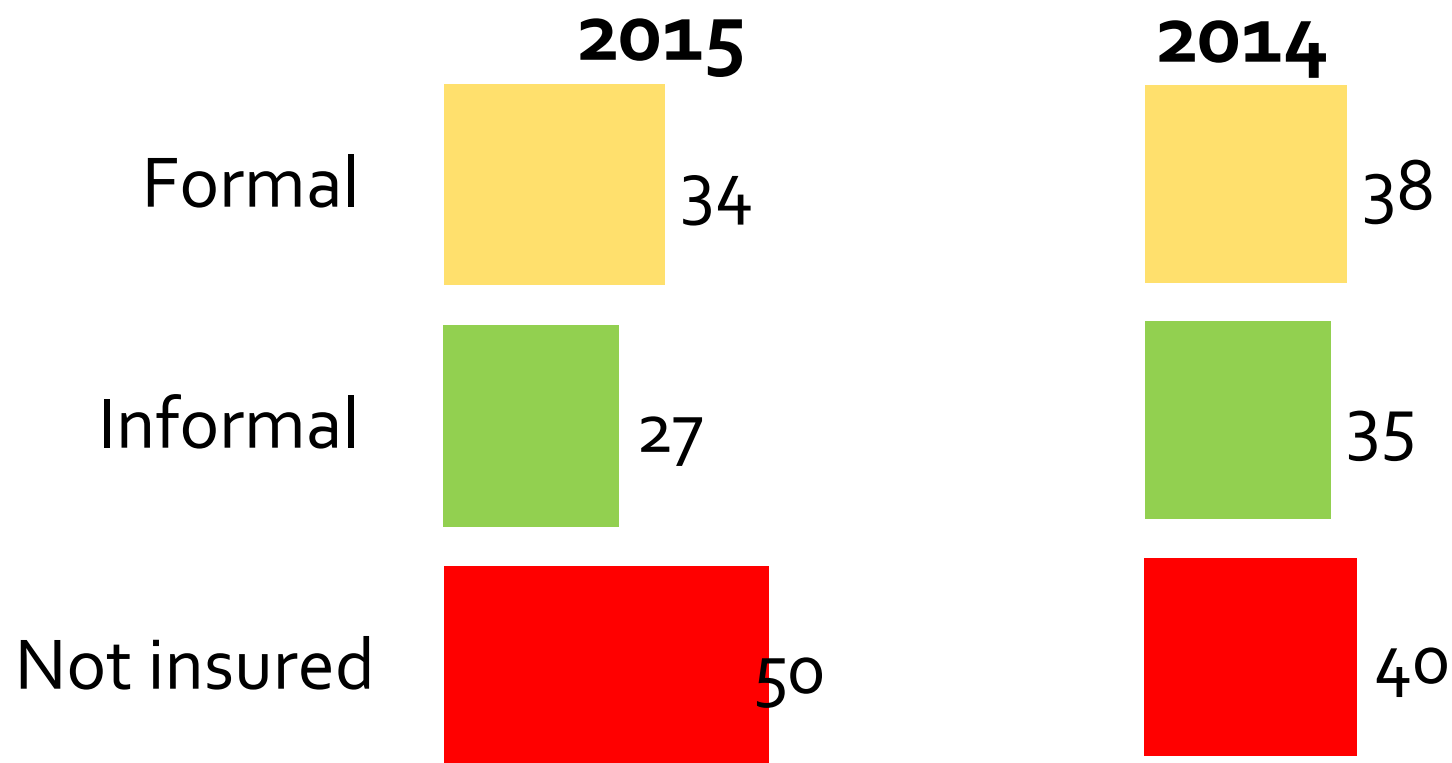
Credit

Savings

Financial behaviour

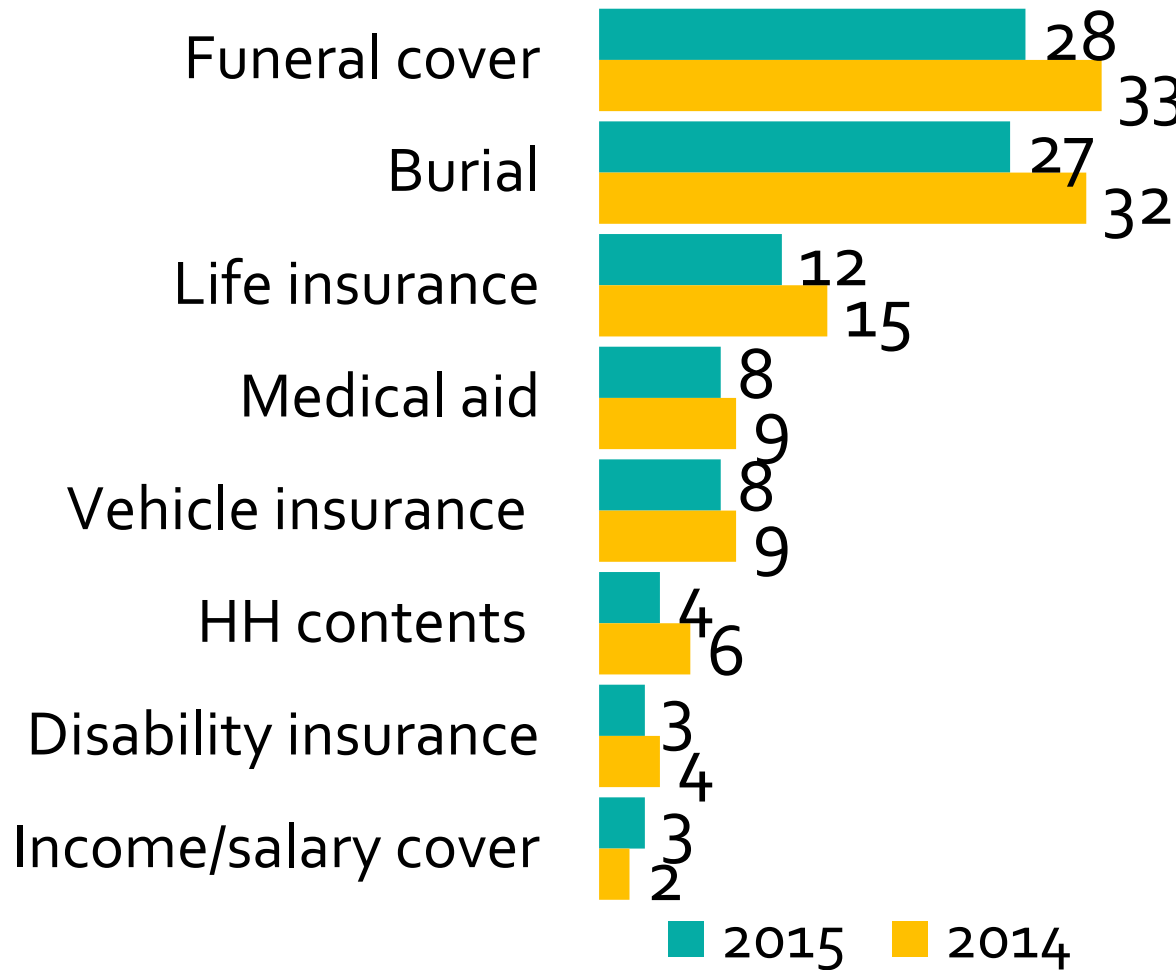
Financial Attitudes

# Insurance has seen a decline, potentially driven by quality and affordability issues



**Insurance**

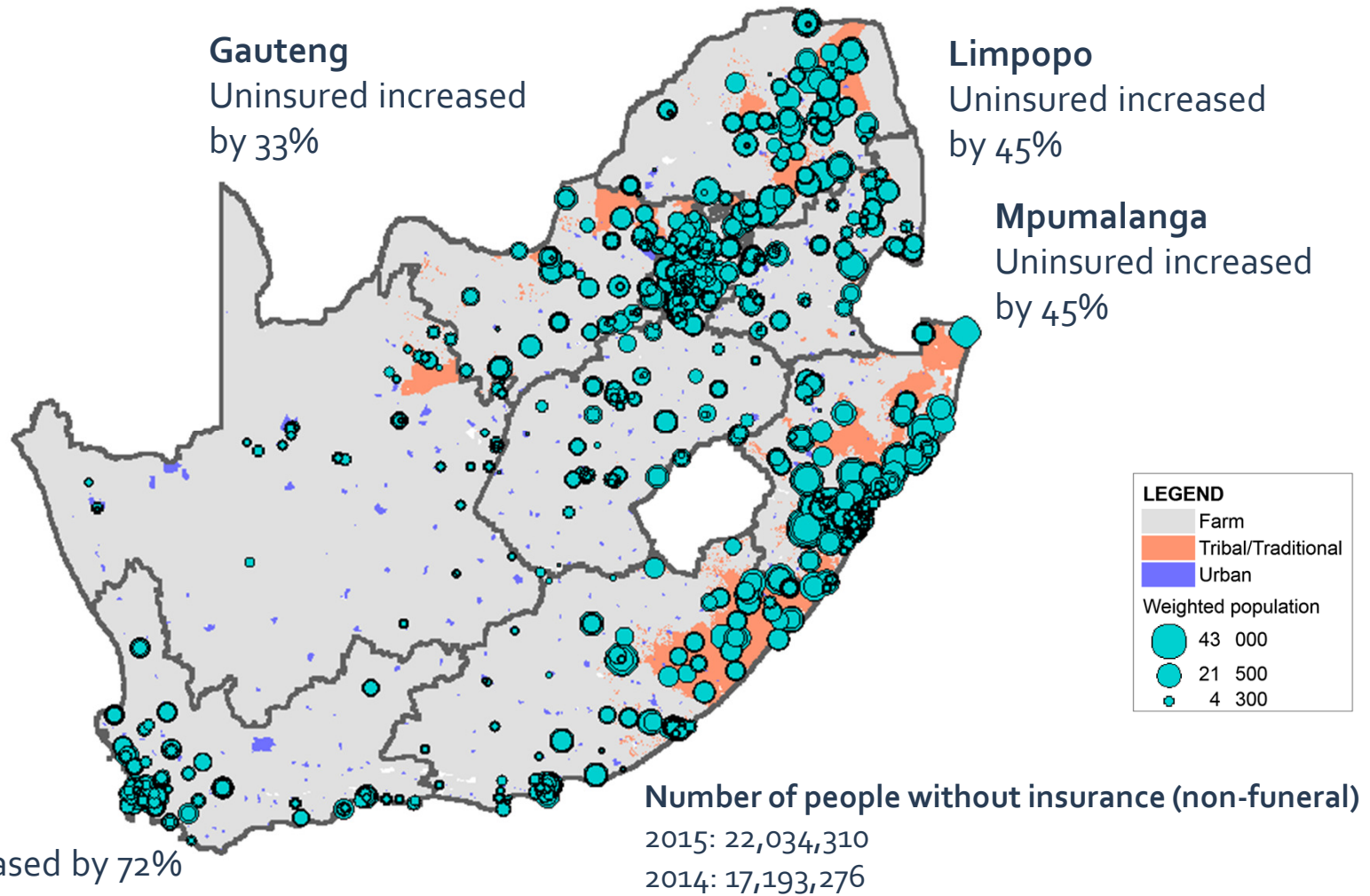
18.5m adults are insured. But only 6.6m have non-funeral insurance and 5.5m have 2 or more funeral cover products



Drop in life insurance evident amongst those age 18-29 (24% to 15%) and those earning R1,000 – R2,999 (9% to 5%)

10% (3.7m 2015 ) vs 6% (2.2m 2014) have considered cancelling insurance/investment policies to pay back money they have borrowed

# Declines are seen in almost all provinces, but particularly the Western Cape



# The decrease in insurance is observed across products but most significantly in funeral cover



**Decrease driven by:**  
Males – 59% to 56%  
LSM 9-10 – 53% to 49%  
Black people – 54% to 52%  
All age groups  
Urban

↓ 4.3m.  
5.4 m.



**Decrease driven by:**  
Males – 63% to 61%  
LSM 9-10 – 79% to 77%  
Black people – 28% to 24%  
All age groups  
Urban

1.4m. ← 2.2m.

**55%** of those who don't have non-funeral insurance say they can't afford one

In 2015, **4.6m** South Africans declared they were no longer being insured

versus **2.7m** in 2014



The context in 2015

Introducing Q-FIM expanding quality of inclusion

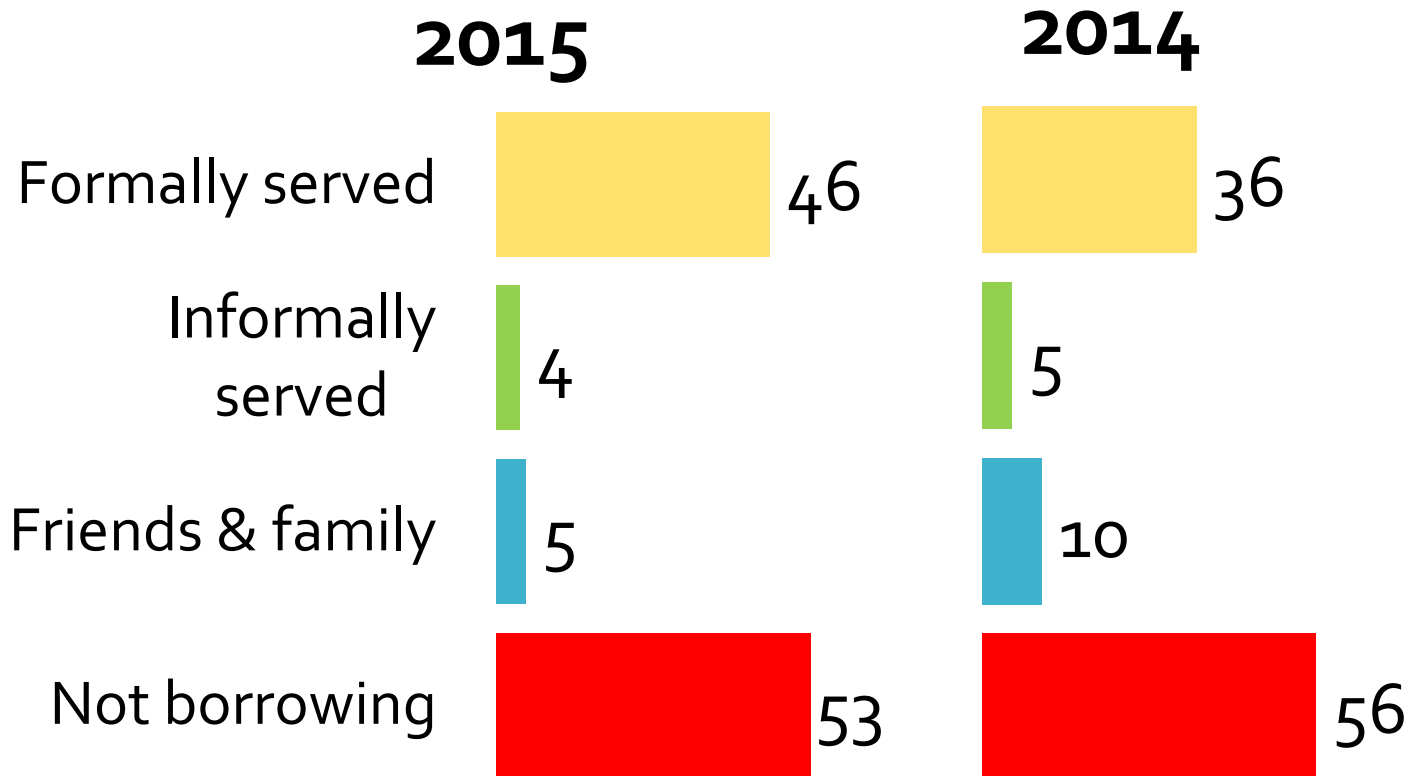
# Unpacking quality of inclusion

Transactions/Banking  
Insurance  
Credit  
Savings

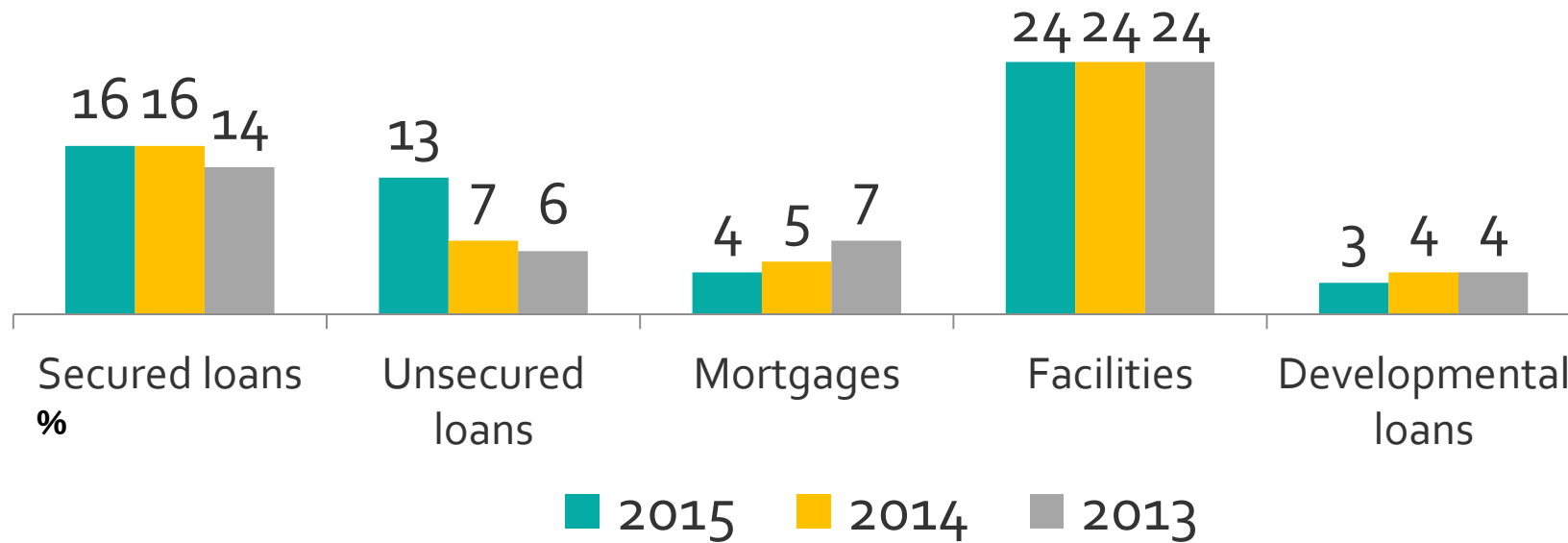
Financial behaviour

Financial Attitudes

# More people are tapping into credit mostly via formal products



# Unsecured loans are the driving force behind the increase in credit access



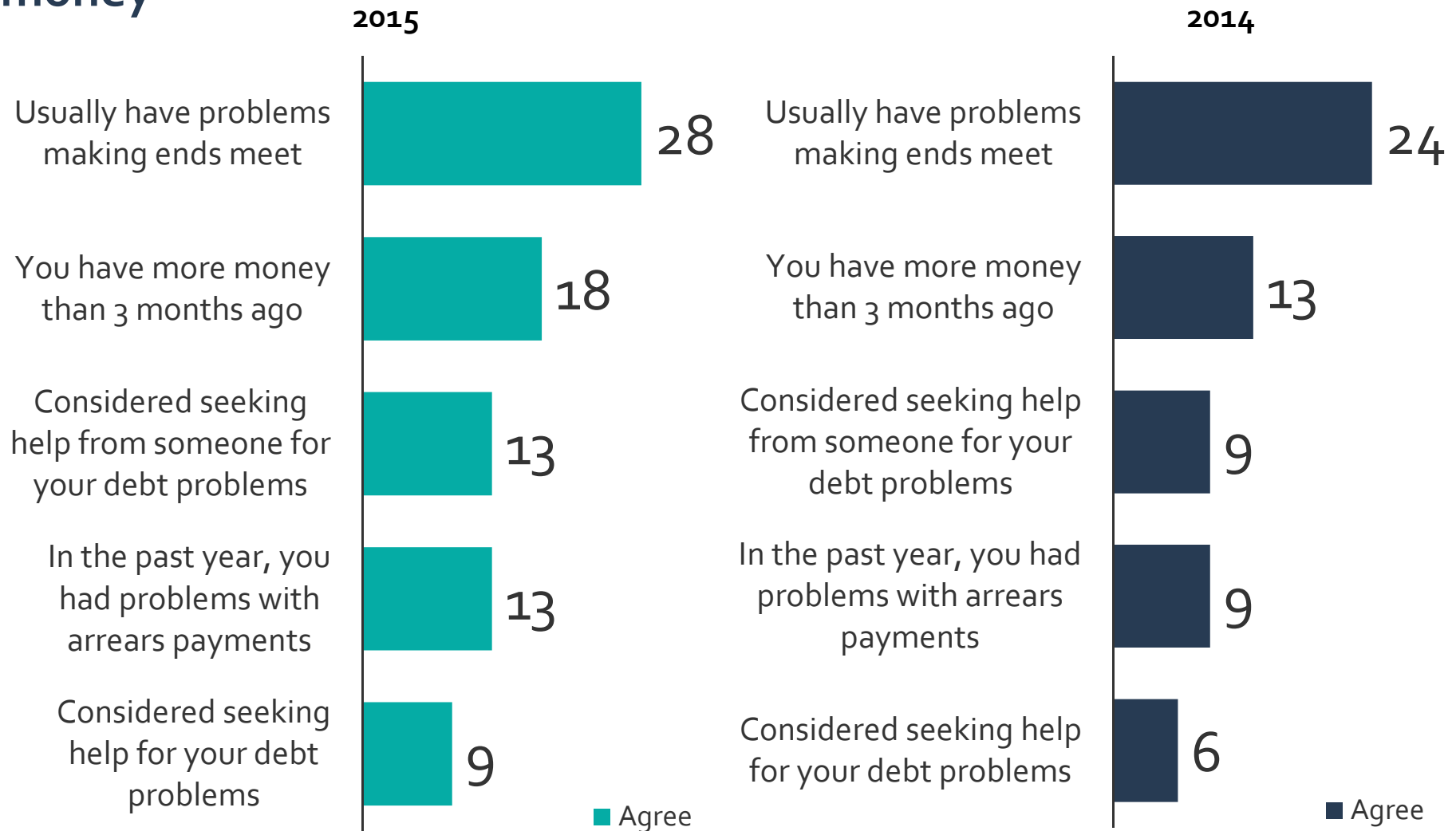
People who have taken an unsecured loan have done so for short-term, essential needs such as:

- Food 26%
- Emergency 26%
- Transport fees 12%
- Bills 10%
- Clothes 10%

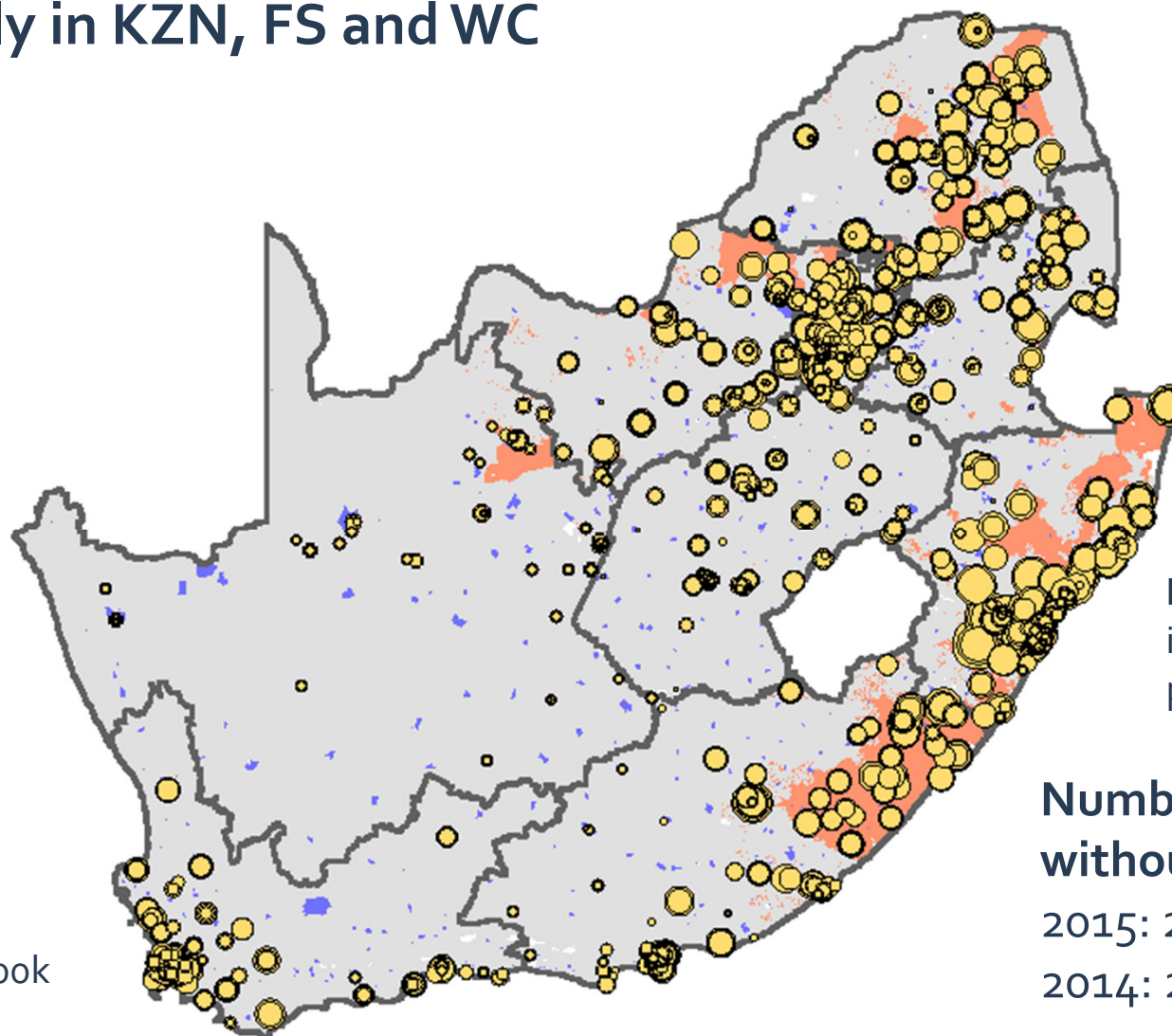
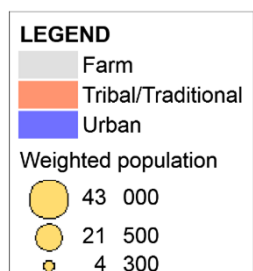
Who is taking an unsecured loan?

- 63% LSM 5-8
- 53% earn R1 - R7,999
- 41% aged 30-44 years
- 43% matric

# Increasingly, people are struggling to stretch their money



# Across all regions, people are accessing more credit, particularly in KZN, FS and WC



**KZN**  
increased by 600k people

**Free State**  
increased by 140k people

**Western Cape**  
increased by 200k people

## Number of people without credit

2015: 20,015,292

2014: 21,254,210

The context in 2015

Introducing Q-FIM expanding quality of inclusion

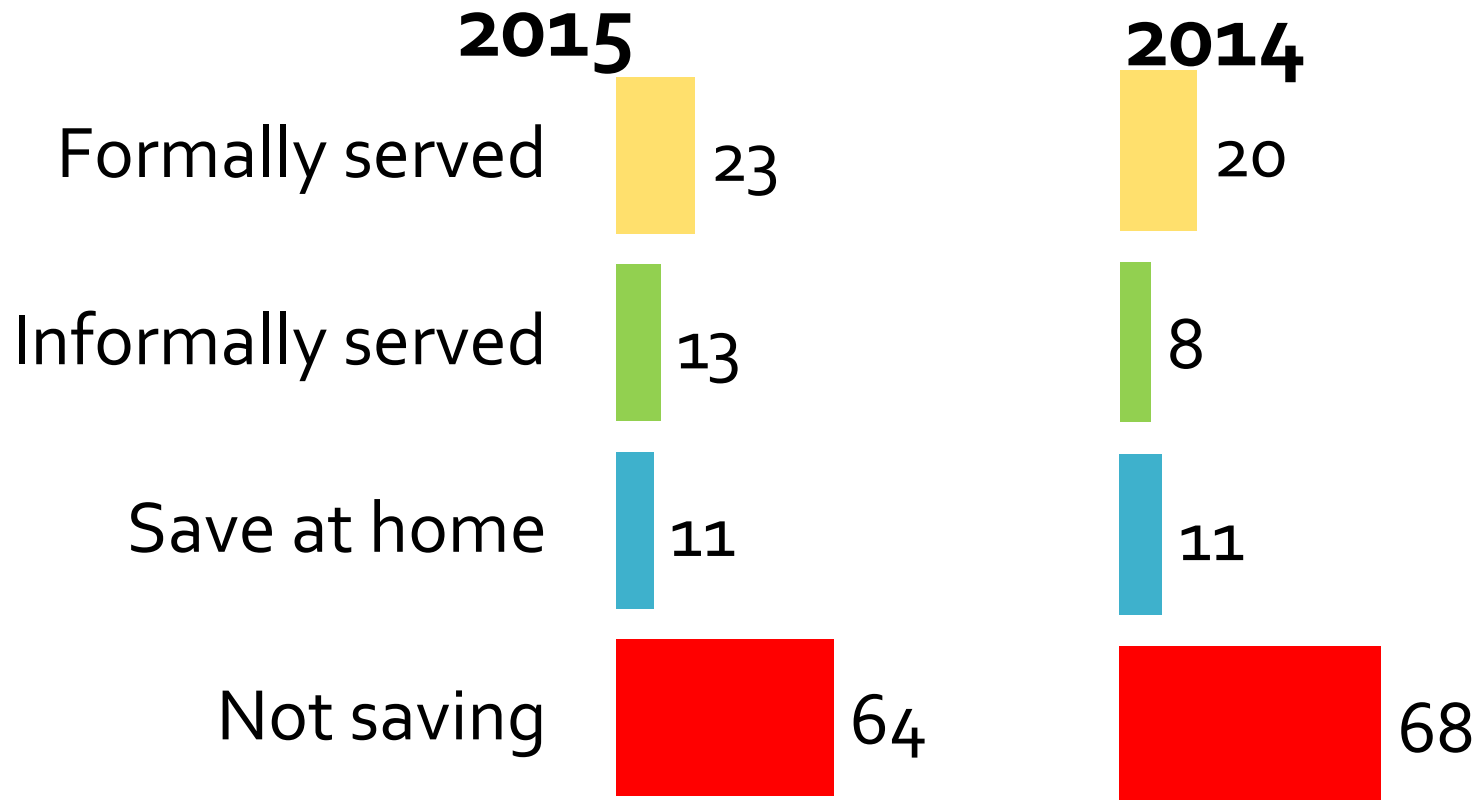
# Unpacking quality of inclusion

Transactions/Banking  
Insurance  
Credit  
Savings

Financial behaviour

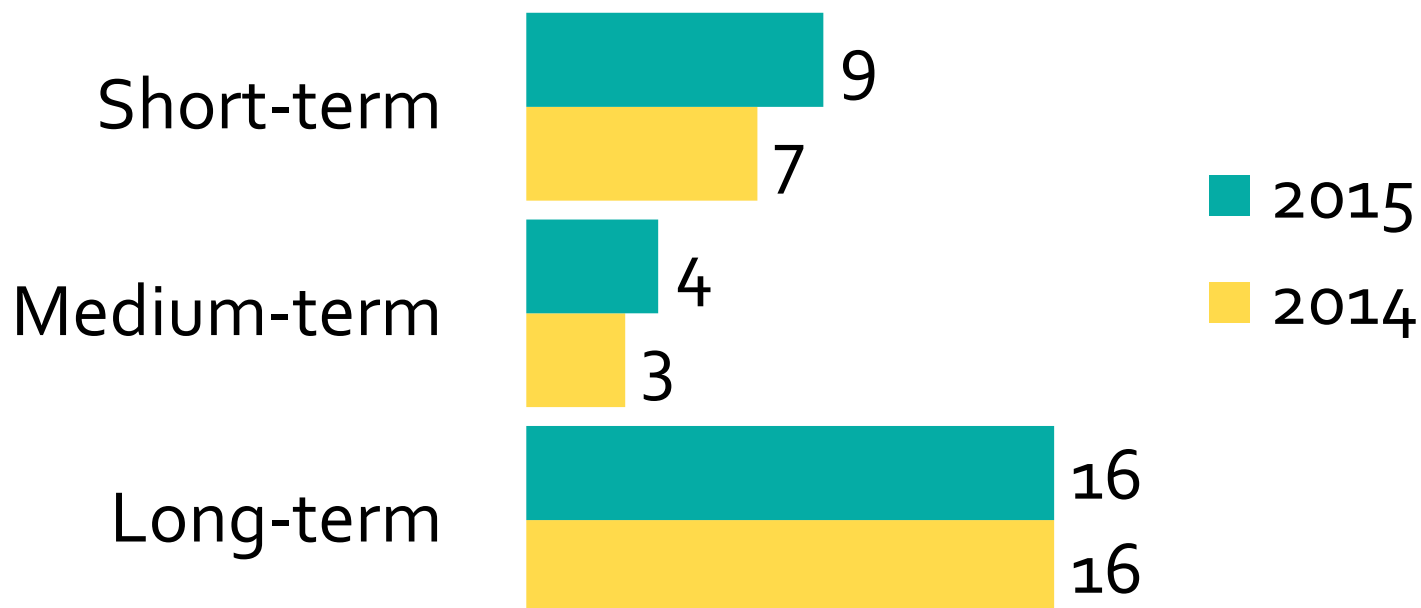
Financial Attitudes

# An increase in savings is noted for the first time in 10 years



Savings

# The increased emphasis on savings, particularly the government push on tax-free savings, appears to have had traction



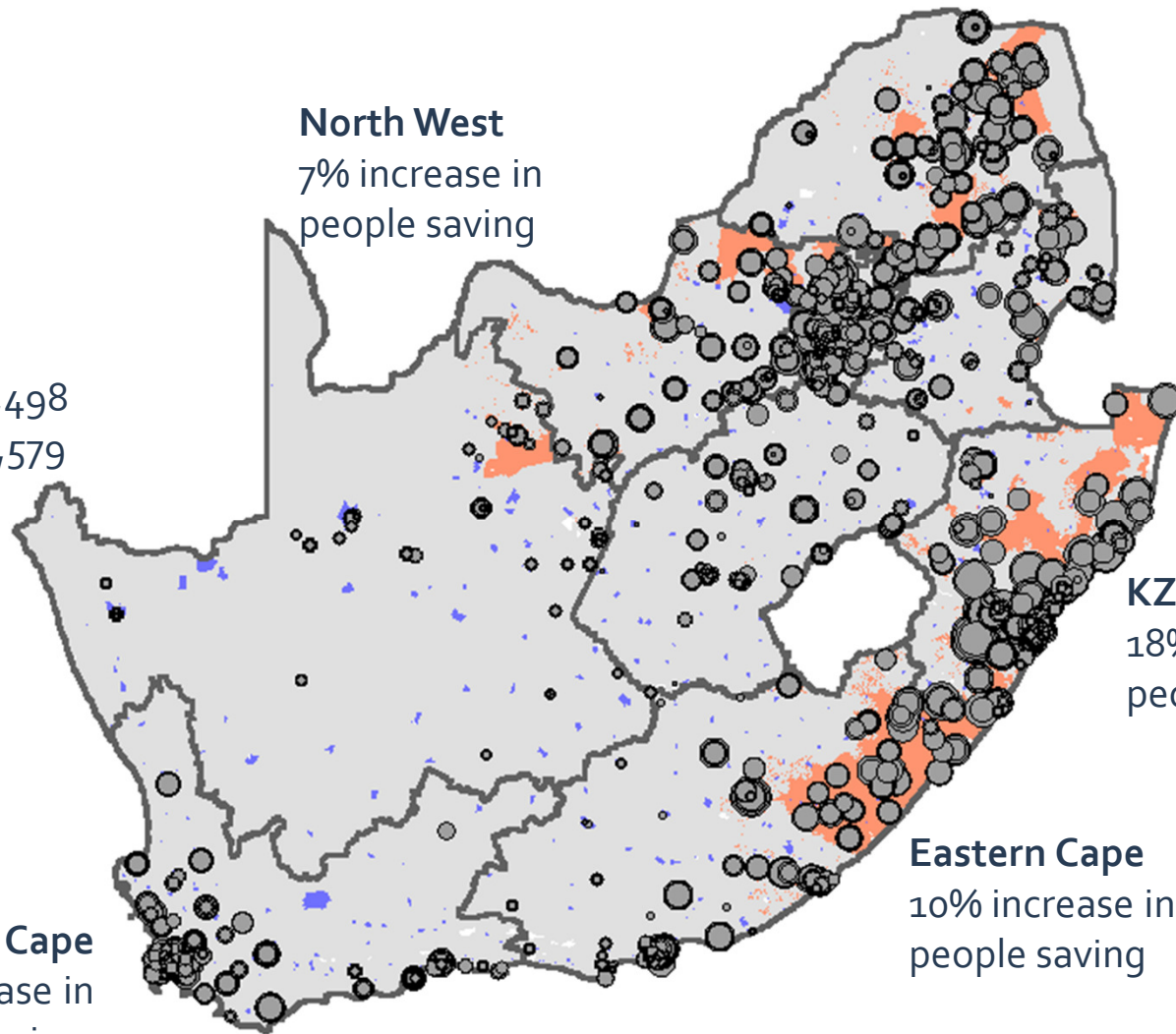
■ 6.9m (56%) of salaried people do not have long-term savings, impacting negatively on retirement

■ How can we encourage greater uptake of long-term savings across the socio-economic spectrum?



# Regions where people have started saving

**Number of people not saving**  
 2015: 24,033,498  
 2014: 25,189,579



**North West**  
 7% increase in people saving

**KZN**  
 18% increase in people saving

**Eastern Cape**  
 10% increase in people saving

**Western Cape**  
 6% increase in people saving

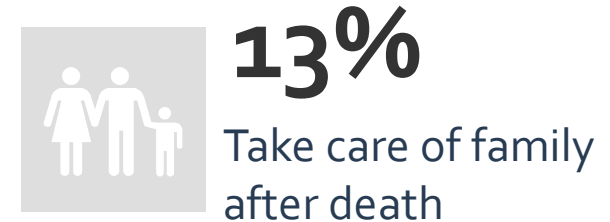
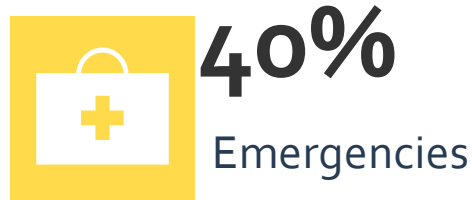
**LEGEND**

- Farm
- Tribal/Traditional
- Urban

Weighted population

- 43 000
- 21 500
- 4 300

# Reasons for savings driven by immediate essential needs, not longer term investments



**Those with long-term saving:**

for Emergencies,  
for Retirement/old age,  
to provide for their family if they die

**With medium-term savings:**

for an Emergency,  
for Food,  
for School fees or Education

**Those with short-term savings:**

for an Emergency,  
for School fees/Education,  
for Food



The context in  
2015

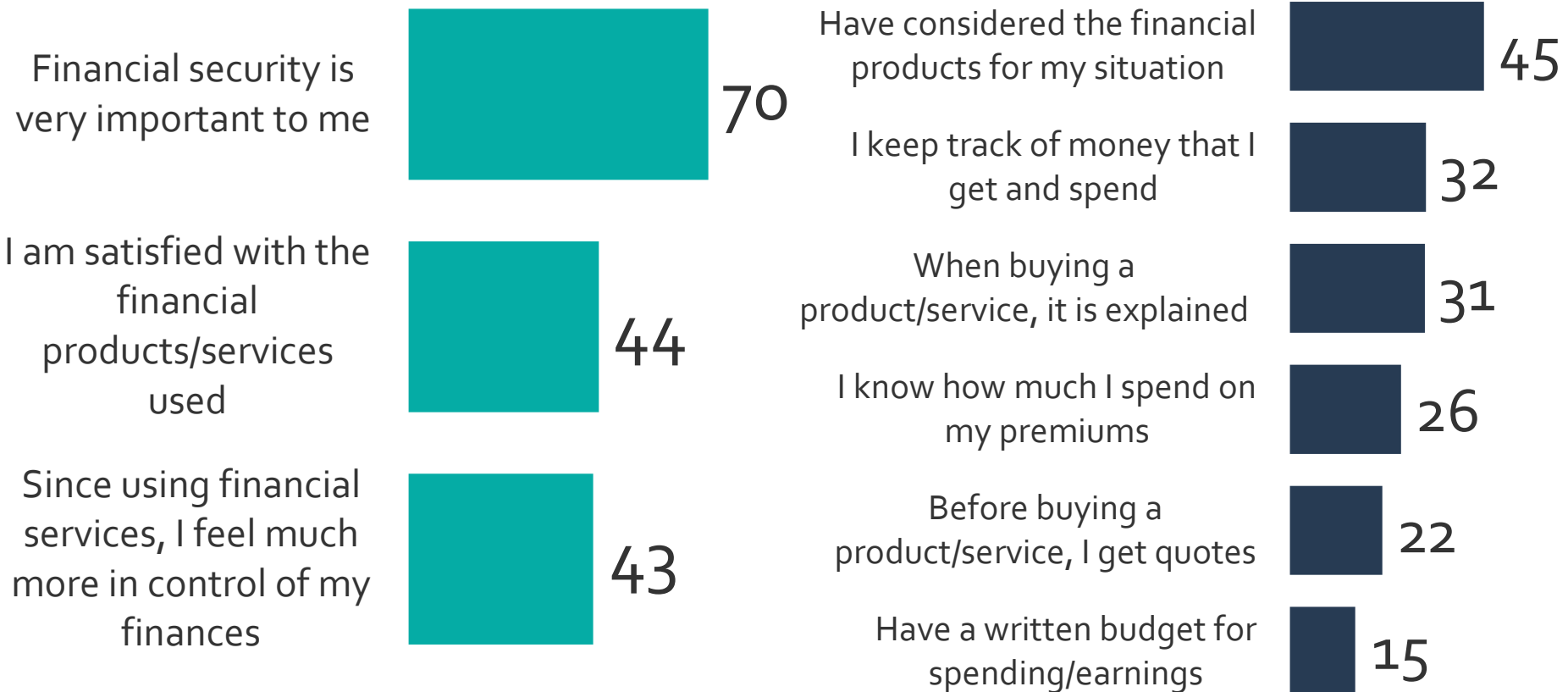
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Attitudes

# People desire financial security, whilst some have optimised financial services to ensure greater financial control. Yet behaviour does not demonstrate this

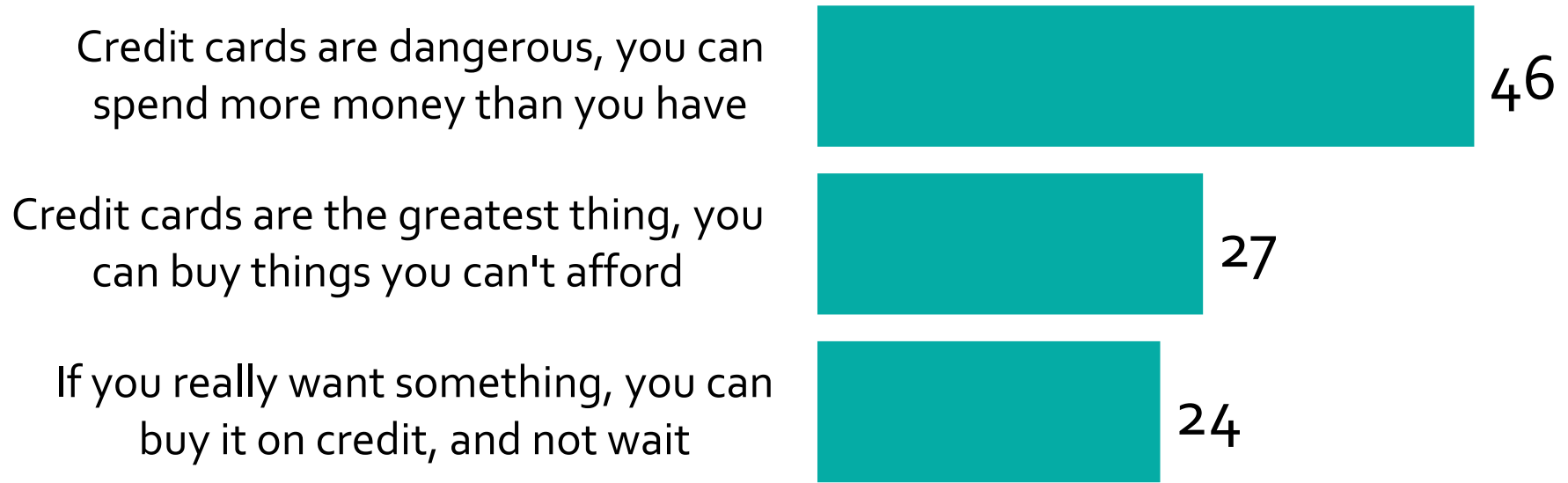


# Overall, people feel they know which bank is best, but don't understand product differences or costs



**LSM 1 – 4 are less certain around which accounts and products are best suited to them, as well as the associated bank fees.**

# Less than half of people have a cautious view of credit cards, a worryingly high number of bad credit sentiment



Those earning R12 000 – R24 999 had the highest level of agreement around the danger of credit cards.

# Bringing it all together



Despite a challenging macro environment, we have not seen dramatic changes in financial behaviour.



It is promising to note some increase in savings this year, possibly driven by the "tax free" drive.



Worryingly insurance has seen declines, mostly driven by burial cover reduction  
The increase in unsecured loans, and the very short term rationale for loans poses a concern  
We can see that people are not as engaged attitudinally as they could be and there are clear attitudinal concerns in the data

# Inclusion is no longer about access but rather about optimising people's product usage



- Education could focus on the following areas
  - Where are products and needs gaps?
  - What products best suit people's needs?
  - Where can people get these products?
  - Which channels can be optimised?
  - And how can these products be optimised?
- Find ways to move people from unsecured credit to a savings mindset
- Insurance needs to address reputational concerns around credibility, flexibility and the reward vs risk mentality. In addition:
  - How can the industry reach more salaried people for longer term savings?
  - And how can health plan providers overcome industry challenges?
- Providers need to ensure that increases to credit enables productive capacity or improves the quality of life



Thank you.



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