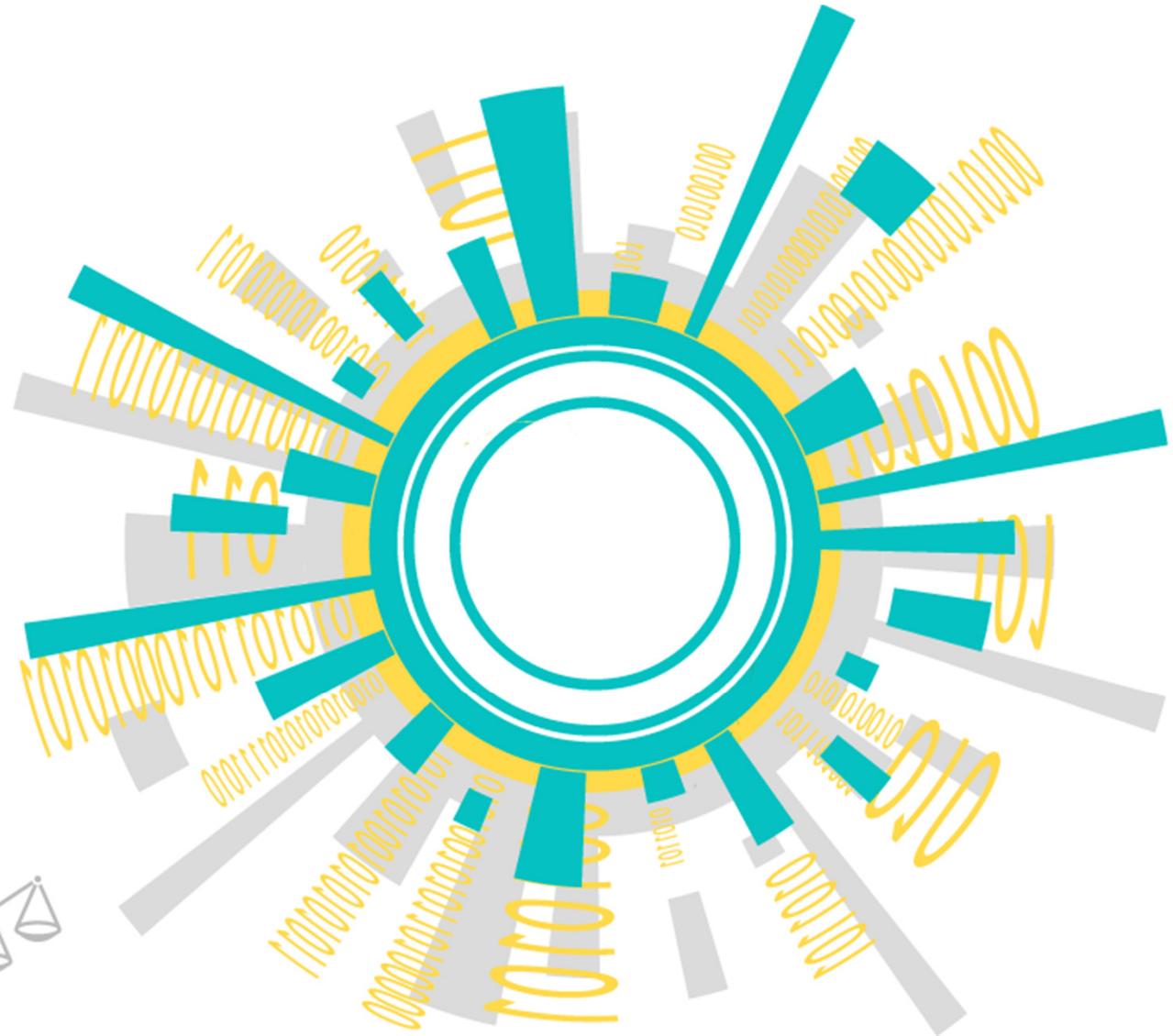


FinScope SA 2013 Consumer Survey



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- **What did we do?**
- **Have people's lives changed?**
- **Where is the increase in credit?**
- **Are people saving?**
- **Is formal insurance replacing the informal?**
- **Increasing banking through mobile enablement?**
- **Banking: Has it increased?**
- **Including the excluded?**
- **5 key take-outs**



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FinMark Trust and FinScope SA



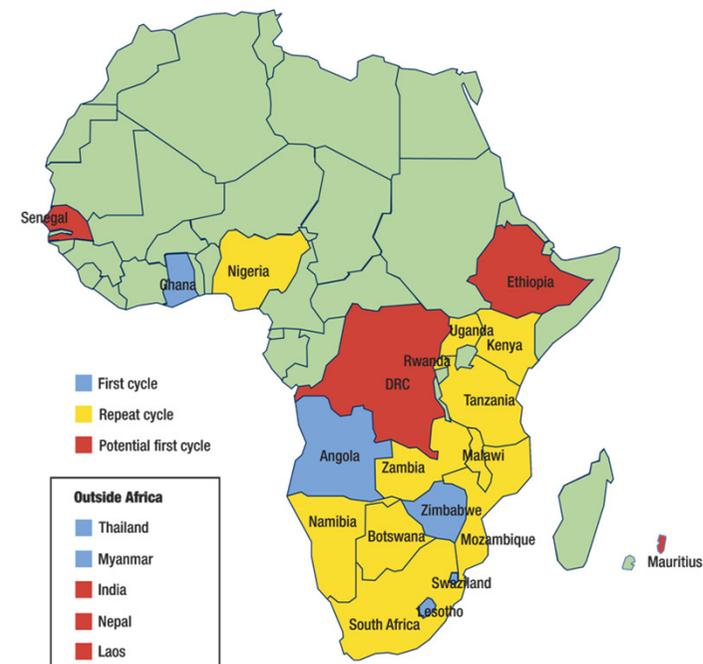
- FinMark Trust is an independent trust with the purpose of “making financial markets work for the poor” across Africa in order to increase access to financial services for the unserved and underserved that will ultimately lead to the development of inclusive financial systems that can benefit all people.
- FinScope SA is an annual representative study of the demand for, usage of and access to financial services in South Africa. The FinScope SA survey is used to better understand money matters in South Africa, with an emphasis on the market needs and attitudes to both informal and formal financial offerings and usage. The FinScope SA survey further sheds light on consumers and behaviour by exploring individuals’ interactions with the financial sector as a whole.

Where:

16 African countries, including South Africa.

Objective:

To measure and profile levels of access to and use of financial services by all adults in South Africa, across income ranges and other demographics, in order to inform stakeholders.



2013 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.

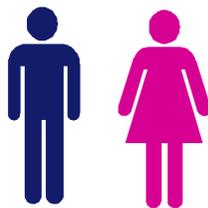


A reminder of how we collected the information



Respondent profile

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



Coverage & methodology

- Fieldwork conducted from 03 June-17 July
- Questionnaire translated into isiXhosa, isiZulu, Sesotho, Setswana, Sepedi and Afrikaans
- 3 900 interviews conducted by TNS



Sample & fieldwork validation

- Nationally representative sample (weighted / benchmarked to Stats SA 2013 mid-year population estimates)



- What did we do?
- **Have people's lives changed?**
- Where is the increase in credit?
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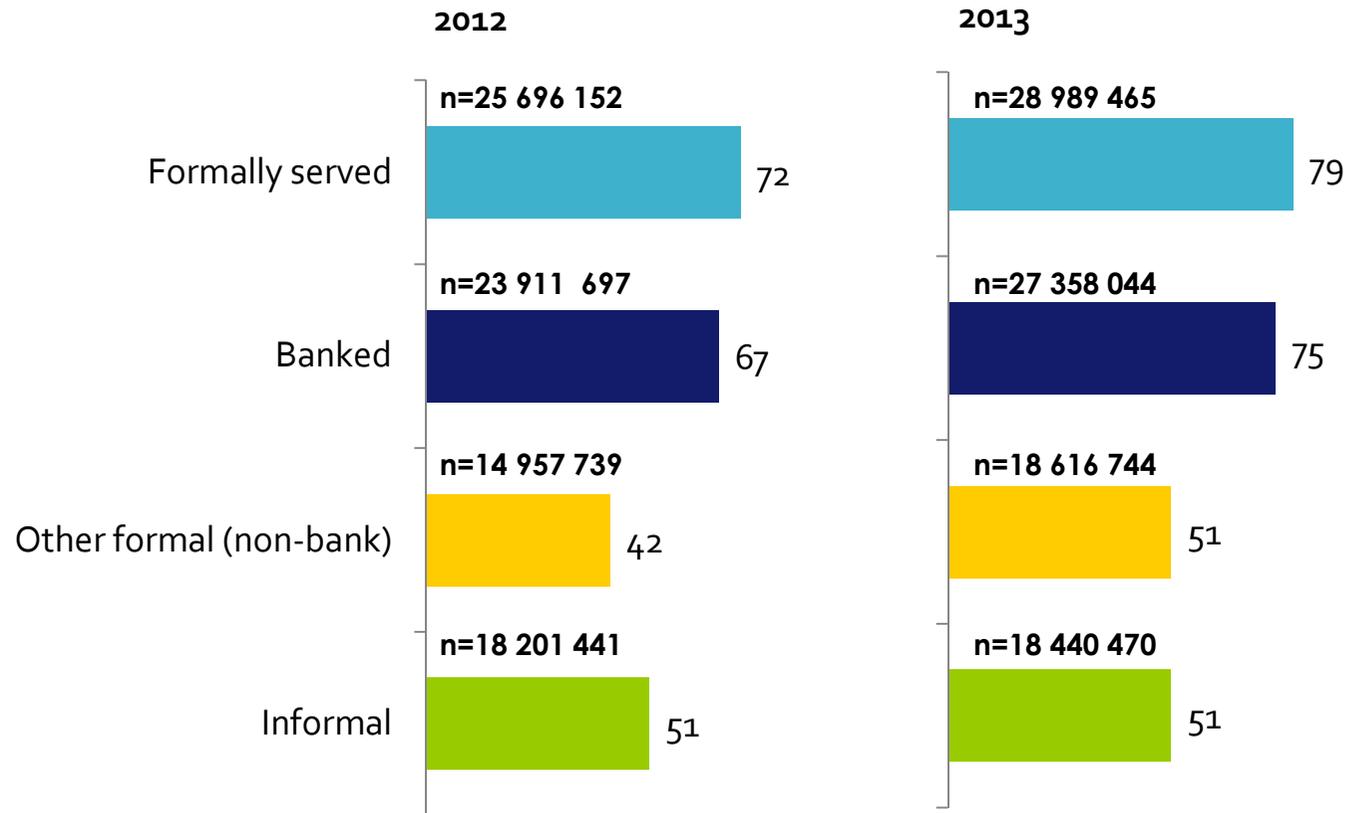


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More people have been brought into banking in 2013

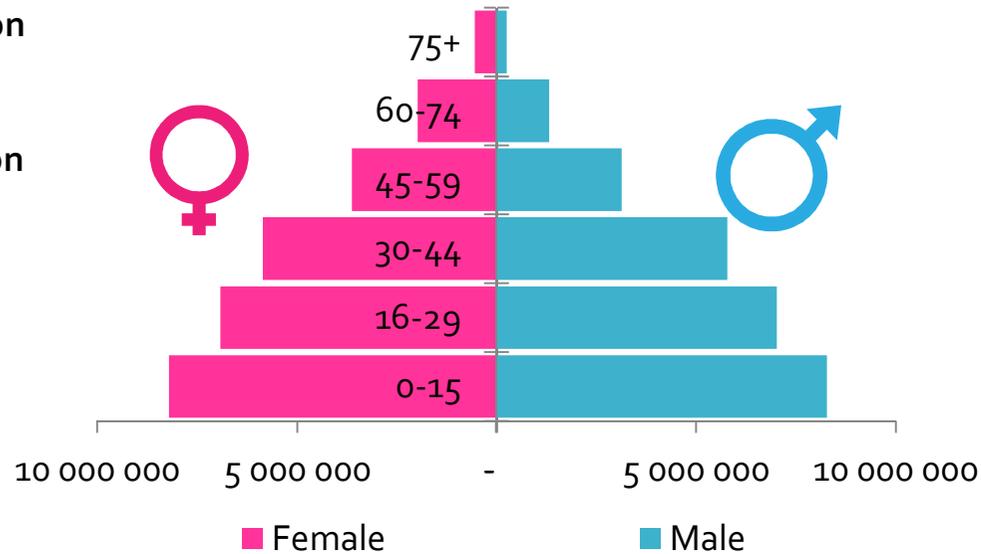


The South African population structure remains younger

According to Stats SA, the South African adult population grew by 800 000 people (2.25%) from 2012-2013

2012 population
51 770 559

2013 population
52 981 991



In terms of demographic breakdown, the population is stable



Households on average still contain 4 people



A third of South African adults are married while just over half are single and have never been married

People have greater access to services



2012



No access to water
1.5 million



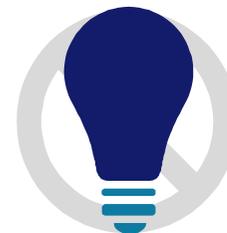
No electricity
3.3 million



2013

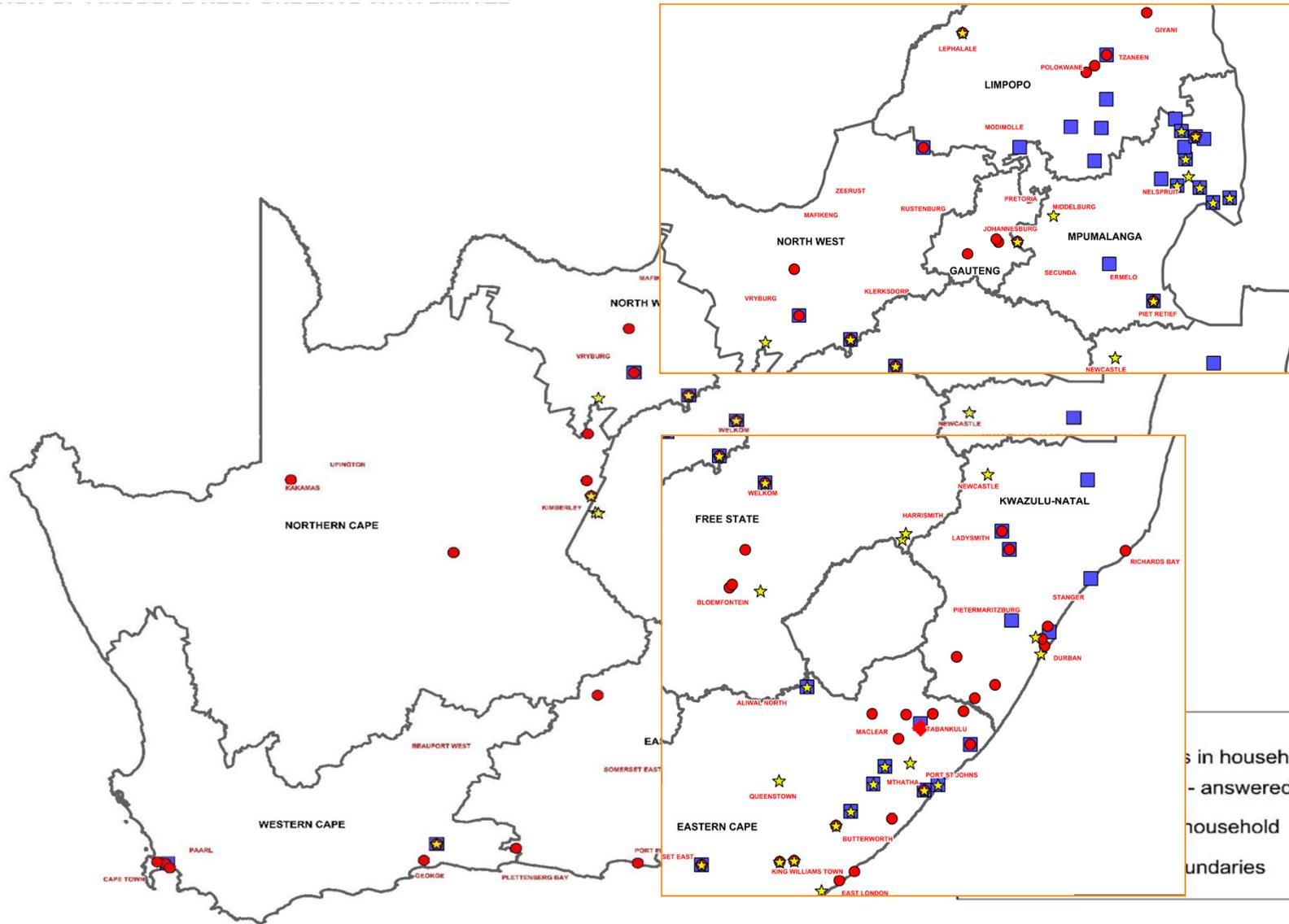


No access to water
1.1 million



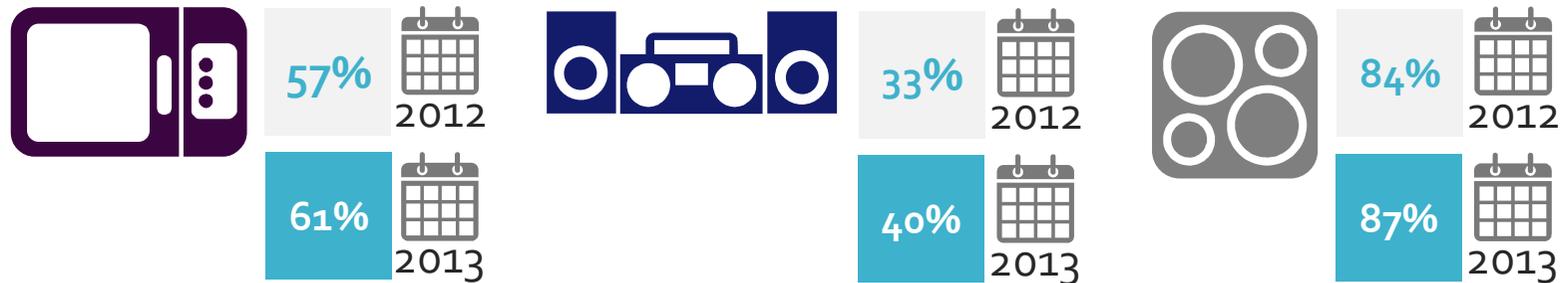
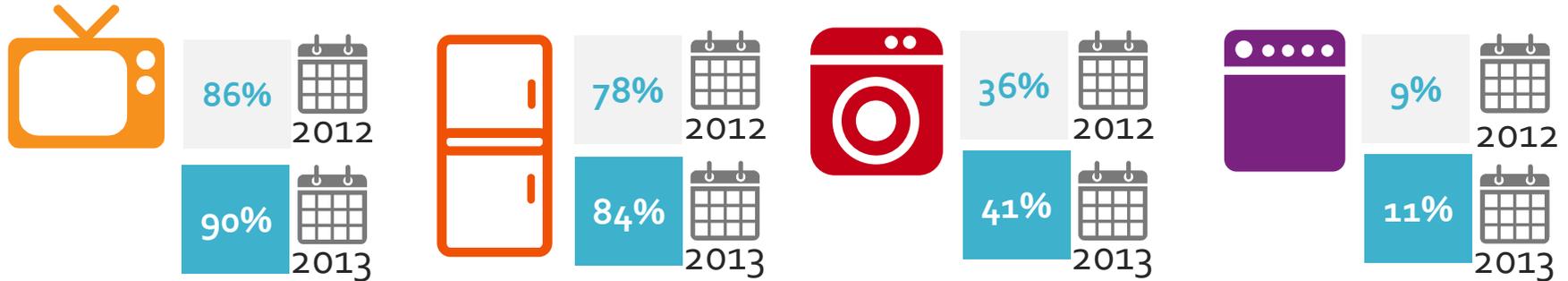
No electricity
1.8 million

And those without services are in remote areas

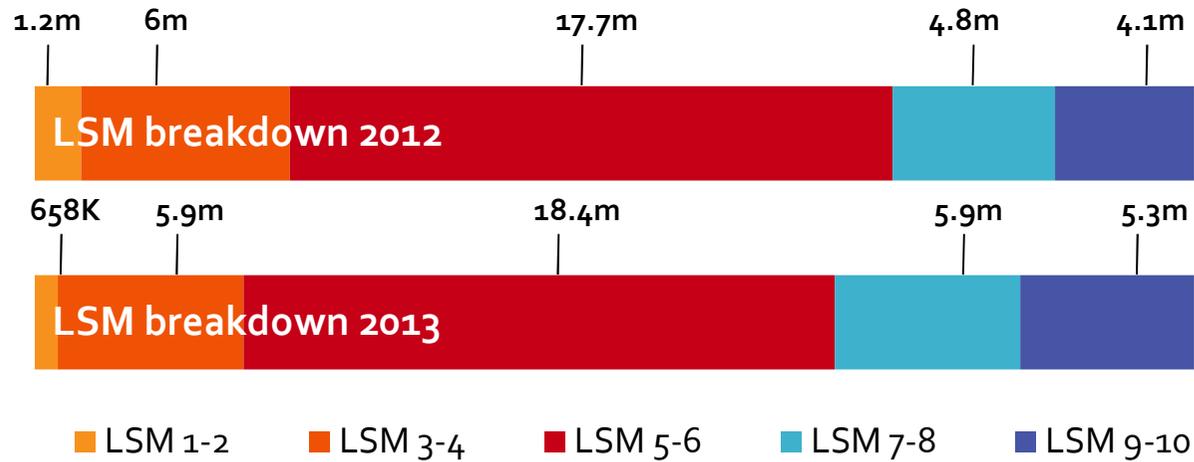


in household
 - answered none of these
 household
 boundaries

Greater access to electricity means that more people are buying electrical appliances



This means that lower LSM groups are getting smaller



In addition, people are becoming more self-sustaining



In **2012, 12 million** people **relied on others** for income

In **2013, 10 million** people are **regularly receiving income from other people**



In **2012, 4.2 million** people **borrowed money from friends and family**

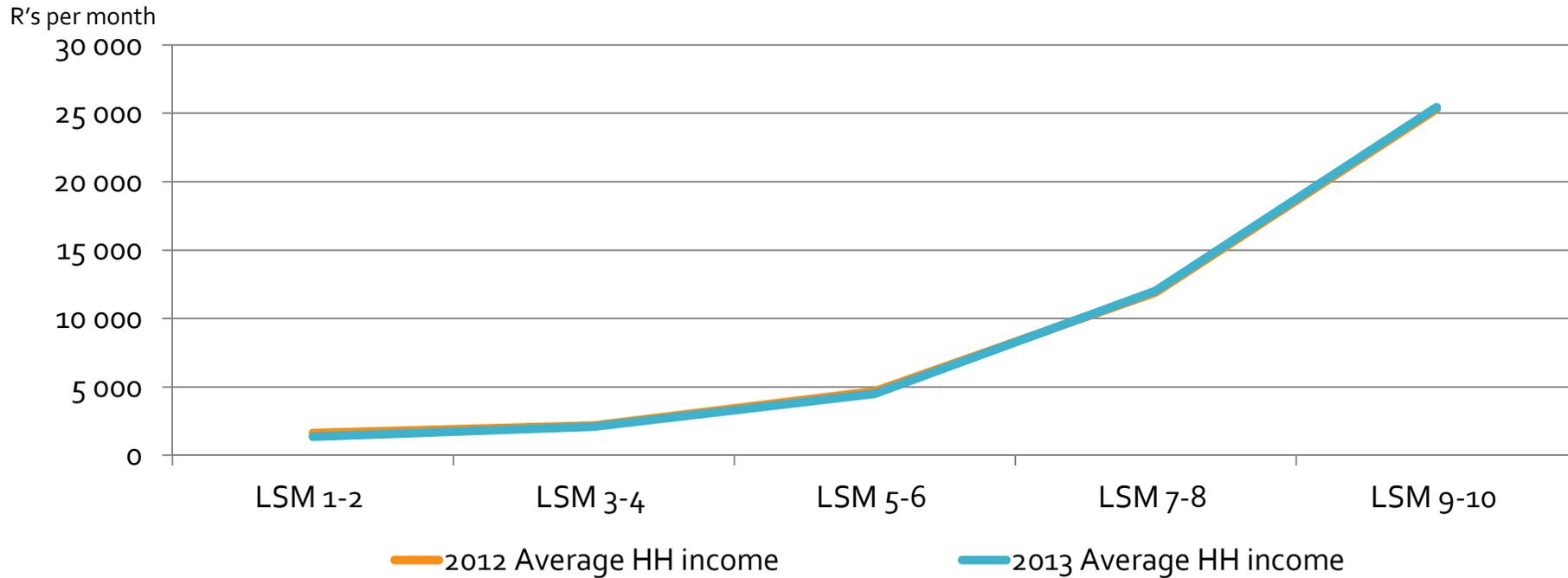
In **2013, 3.1 million** people did so

In **2012, 2,9 million** people were receiving money from outside of their household once a month or more often; in **2013, 2,6 million** people are receiving these remittances.

But household income has not seen as marked an increase



Overall average HH income 2012 – R7 000
 2013 – R7 400



	LSM 1-2	LSM 3-4	LSM 5-6	LSM 7-8	LSM 9-10
2012 Average HH income	1 631	2 176	4 677	11 917	25 304
2013 Average HH income	1 353	2 098	4 497	12 026	25 453

But household income has not seen as marked an increase

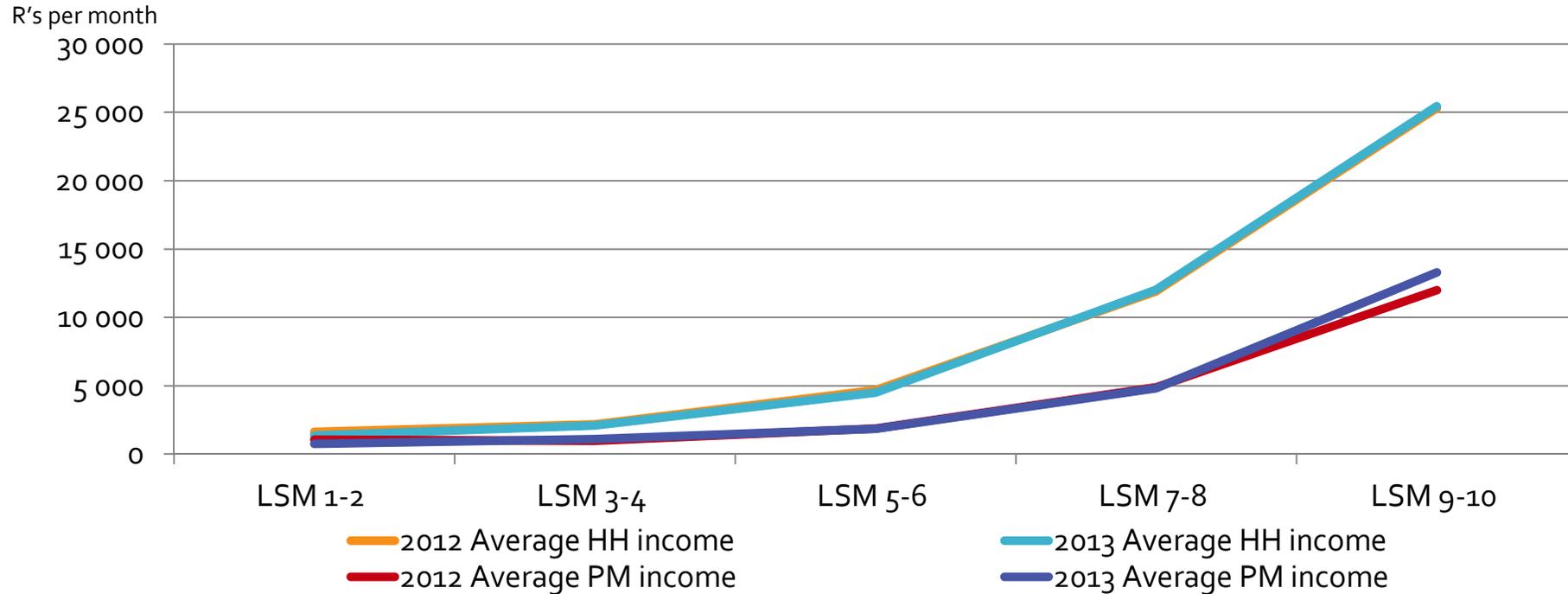


Overall average HH income

2012 – R7 000
2013 – R7 400

Overall average PM income

2012 – R3 000
2013 – R3 300



	LSM 1-2	LSM 3-4	LSM 5-6	LSM 7-8	LSM 9-10
2012 Average HH income	1 631.6	2 176.9	4 677.4	11 917.1	25 304.4
2013 Average HH income	1 353.3	2 098.2	4 497.6	12 026.4	25 453.5
2012 Average PM income	1 055.8	965.1	1 864.0	4 889.2	11 981.8
2013 Average PM income	746.3	1 099.3	1 845.5	4 825.1	13 301.7

In spite of household income remaining flat, there are indicators that lives are improving beyond access to services



Unemployment dropped from **8.6 million unemployed** and looking for a job in 2012 to **7,4 million in 2013**

Backed up by Stats SA
Quarter 3 Quarterly
Labour Force Survey

Full-time employment increased from **10,5 million in 2012** to **12 million in 2013**

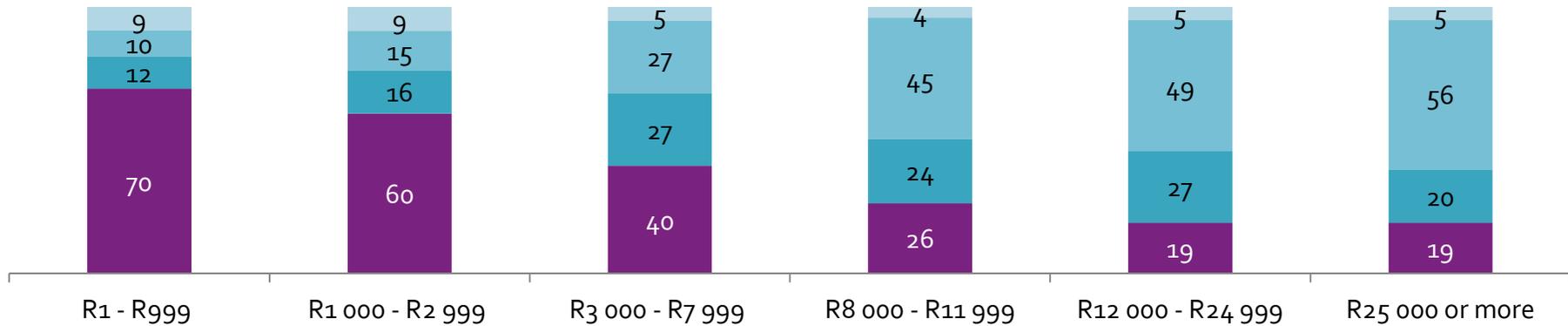
The number of people with **no personal income** declined from **4.3 million** people down to **4.1 million** people

and the number of people **earning more than R3000 per month** increased from **6.2 million up to 7.3 million people**

But for lower income people, the likelihood of positive change is limited

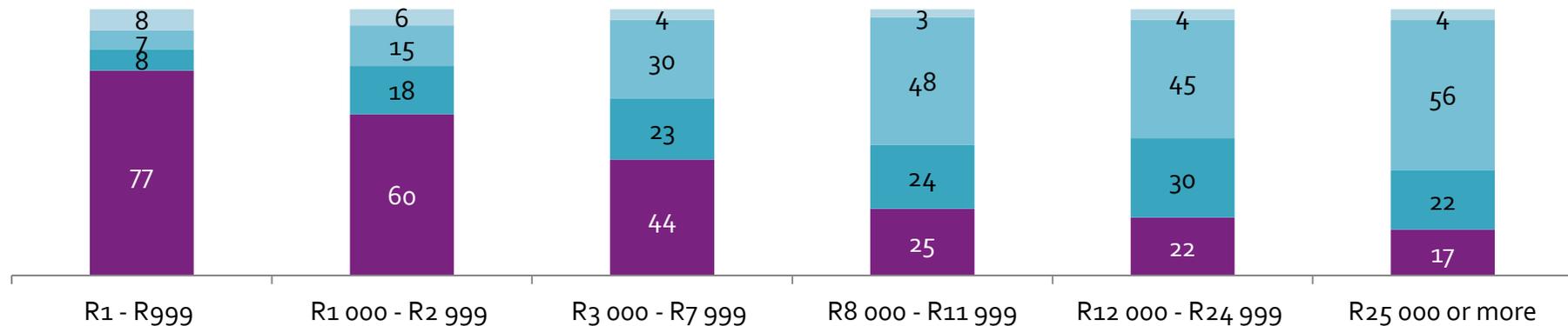


The employment status of your household improved during the past 3 months



Disagree 3-Neutral Agree NA

The income situation of your household improved during the past 3 months

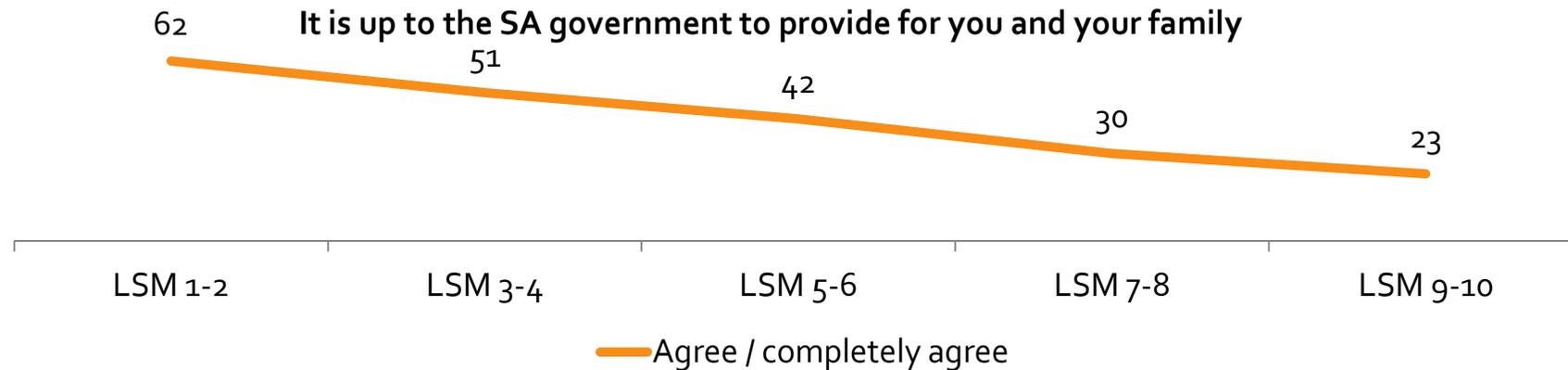


Monthly household income

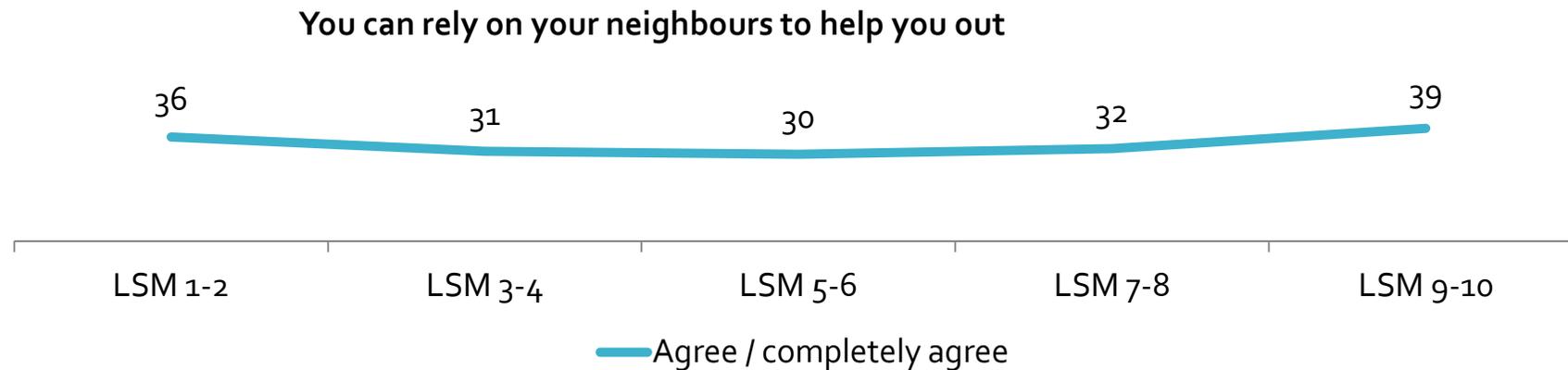
People have a high expectation for the state to provide for them, particularly amongst lower LSM groups



In 2012, 8.1 million people completely agreed with the statement that “it is up to the SA government to provide for you and your family”. In 2013, 7.1 million people do so.



But there is an element of community reliance.



- What did we do?
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More people are borrowing or using credit



14.2 million people have some form of credit or loans
In **2012**, it was **13.1 million**

Driven by →



Males 5.8 million up to 7.6 million males



PMI R3 000 – R7 999 1.4 million up to 3 million

PMI R25 000+ 200 thousand up to 490 thousand



Borrowing and credit from banks has increased from **4.5 million** people to **6.5 million** people

Driven by →



PMI R3 000 – R7 999 500 thousand up to 1 million

PMI R25 000+ 180 thousand up to 430 thousand



Age 16-29 800 thousand up to 1.4 million



Other formal borrowing and credit mechanisms have increased from **7.1 million** people with access to **7.8 million**

Driven by →



PMI R0 – R2 999 1.6 million up to 3 million

Informal borrowing and borrowing from friends and family is declining

Informal borrowing is declining: **2.1 million**
in 2012 down to **1.5 million** people
borrowing informally in 2013

Decline
Driven by



Females 1.3 million down to
920 thousand



In **2012, 4.2 million** people
borrowed money from friends and family

Decline
Driven by



PMI R8 000+ 200 thousand down to
100 thousand

26

In **2013, 3.1 million** people did so

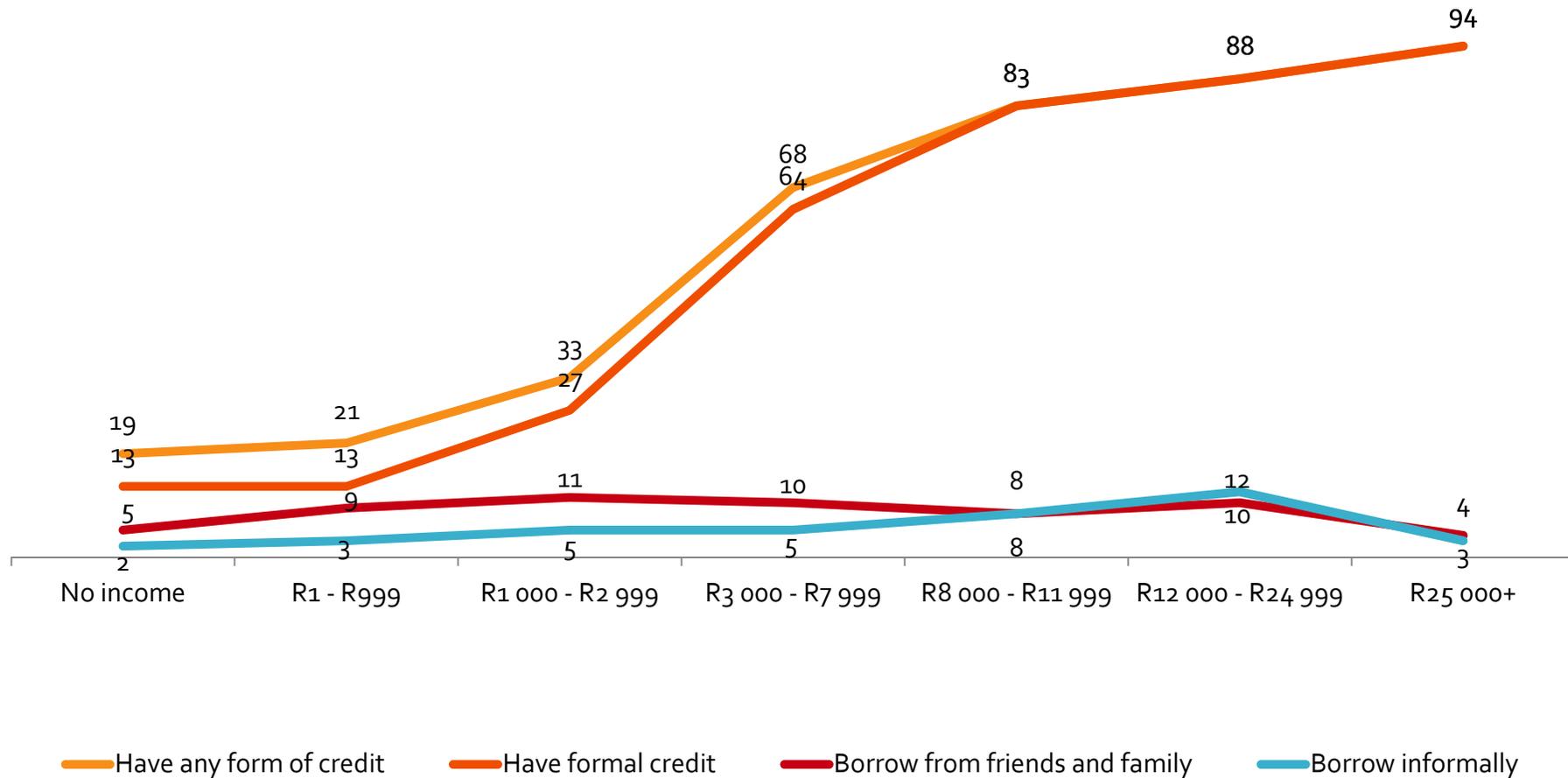


Age 45+ 1.5 million down to 840
thousand

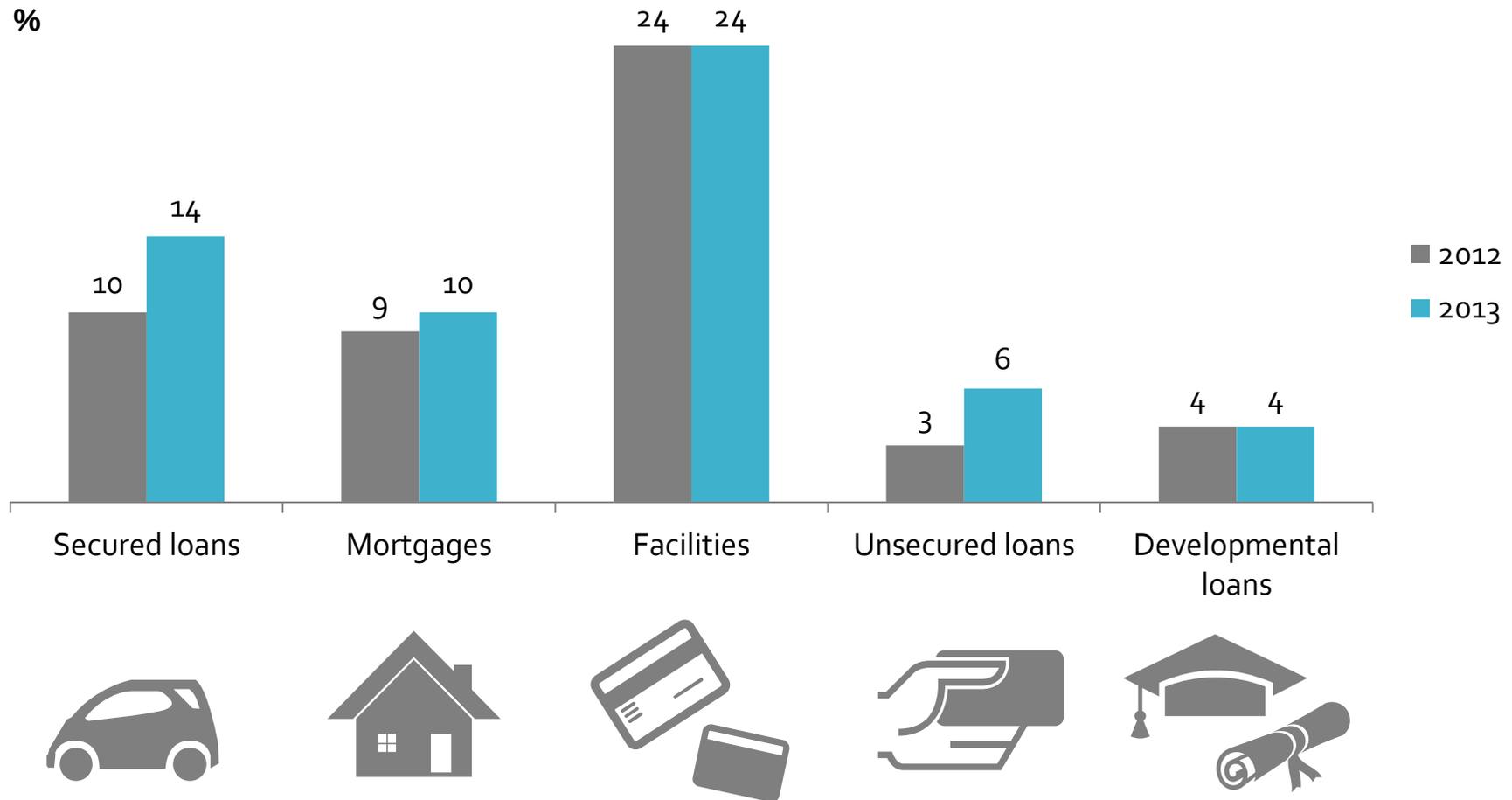


Females 2.4 million down to 1.7
million

People with higher income are far more likely to have any form of credit – most choose to have formal credit



Secured loans are on the increase and, of concern, so are unsecured loans



Unsecured loans are largely coming from banks



1 million have a personal loan from a bank



140 thousand have a loan from a retail store

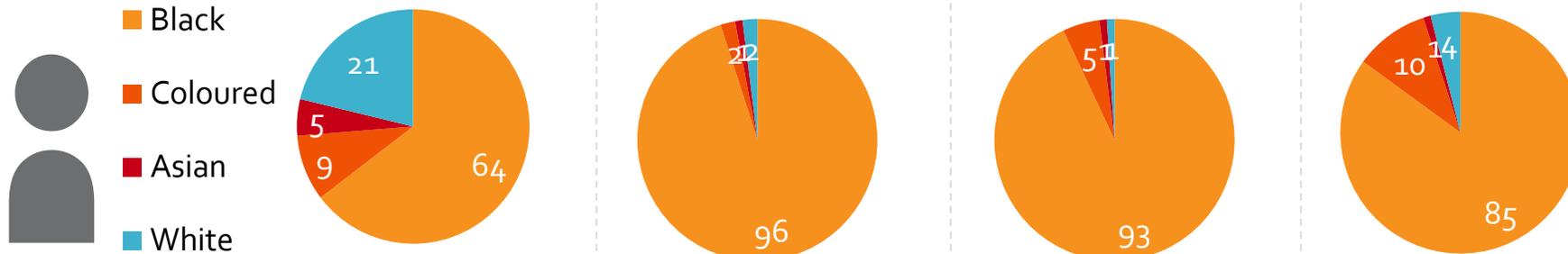


27 thousand have a loan from an insurance company

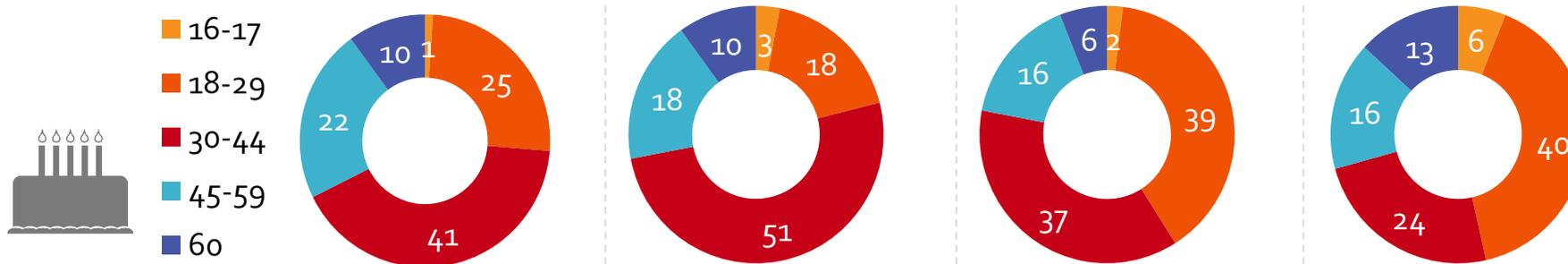
Profile of formal credit users

	Credit & Loans			
	Banked and formal	Informally served	Family / Friends	Not served
Weighted Sample	13 587 993	494 007	1 405 150	21 006 341

Race of selected respondent



Age of respondent (16 yrs+) - age category



Profile of formal credit users (continued)



	Credit & Loans			
	Banked and formal	Informally served	Family / Friends	Not served
Weighted Sample	13 587 993	494 007	1 405 150	21 006 341

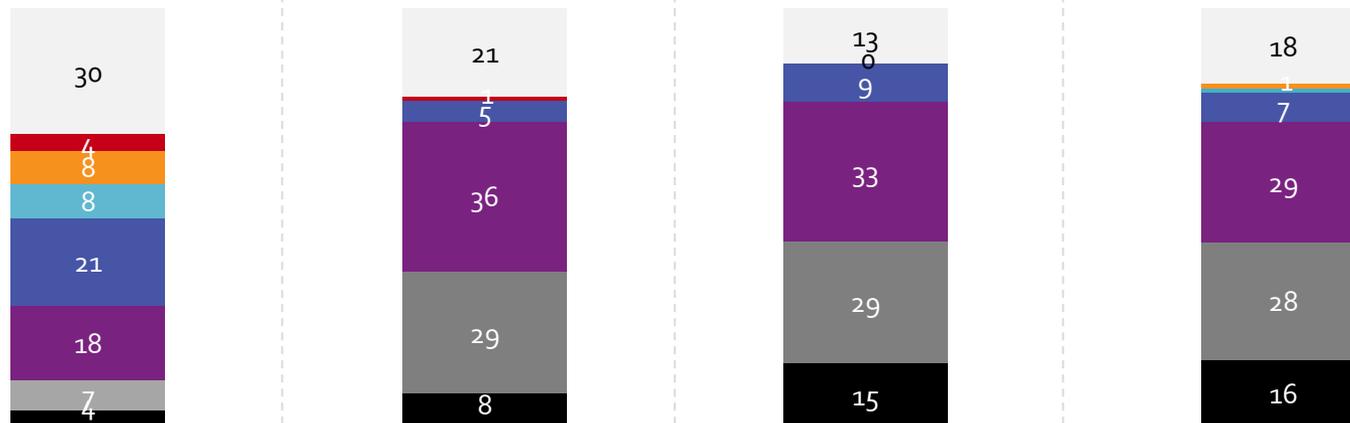
LSM

- LSM 1-2
- LSM 3-4
- LSM 5-6
- LSM 7-8
- LSM 9-10



Monthly personal income

- Refused/DK
- R25 000+
- R12 000 - R24 999
- R8 000 - R11 999
- R3 000 - R7 999
- R1 000 - R2 999
- R1 - R999
- No income



People with unsecured loans are likely to be taking them out for developmental reasons



36% of people with unsecured loans took out a loan in the past 12 months for their house – building or renovating



11% took out a loan for education (8% for their child, 2% for themselves)



19% were for bills, monthly fees or unexpected personal expenses (e.g. doctors' bills)

But there are 12.5 million people who are showing financial difficulties



People who are over-indebted tend to be **women, over the age of 30**

They are more likely to be **LSM 5-8** and earning a personal monthly income of **R1 000 to R7 999** per month

Over-indebted people are likely to be earning a **salaried** income and to get **money from a spouse** or partner

They are also more likely to be **recipients of child grants or government old age pensions**

4.7 million of the people caught in a debt trap have formal credit



Over-indebted people who have **formal credit** tend to be **women, over the age of 30**

They are more likely to be **LSM 6-8** and earning a personal monthly income of **R2 000 to R16 999** per month

They too are likely to be earning a **salaried** income and to get **money from a spouse** or partner

People with formal credit are more likely to have **taken credit from other places**, including friends and family, colleagues, employers, retail stores, mashonisas and stokvels or burial societies

They tend to have **several reasons for borrowing** (bills, clothes, children's education, food, and home improvements) but they **are less likely than other people to be going without food or heat and energy** – this may be because they are borrowing to cover these expenses

People with formal credit are also likely to have credit from informal places, using multiple sources

"I owe Foschini around R900 and I told them I would pay them when I am financially stable."



"I owe Ellerines {...} I made an arrangement with {them} to pay R200 a month but every month after they take money, I go to the bank and reverse it because I need {the money}'."

"African Bank and Vodacom both gave me loans even though I was blacklisted."

"Yes, I pay back mashonisa R1500 with interest and the next day mashonisa give me R1000 - it has even become a norm that when I went the last time I told him just take the R500 because we both know I am going to take the R1000 back. I should just give him interest'."

- What did we do?
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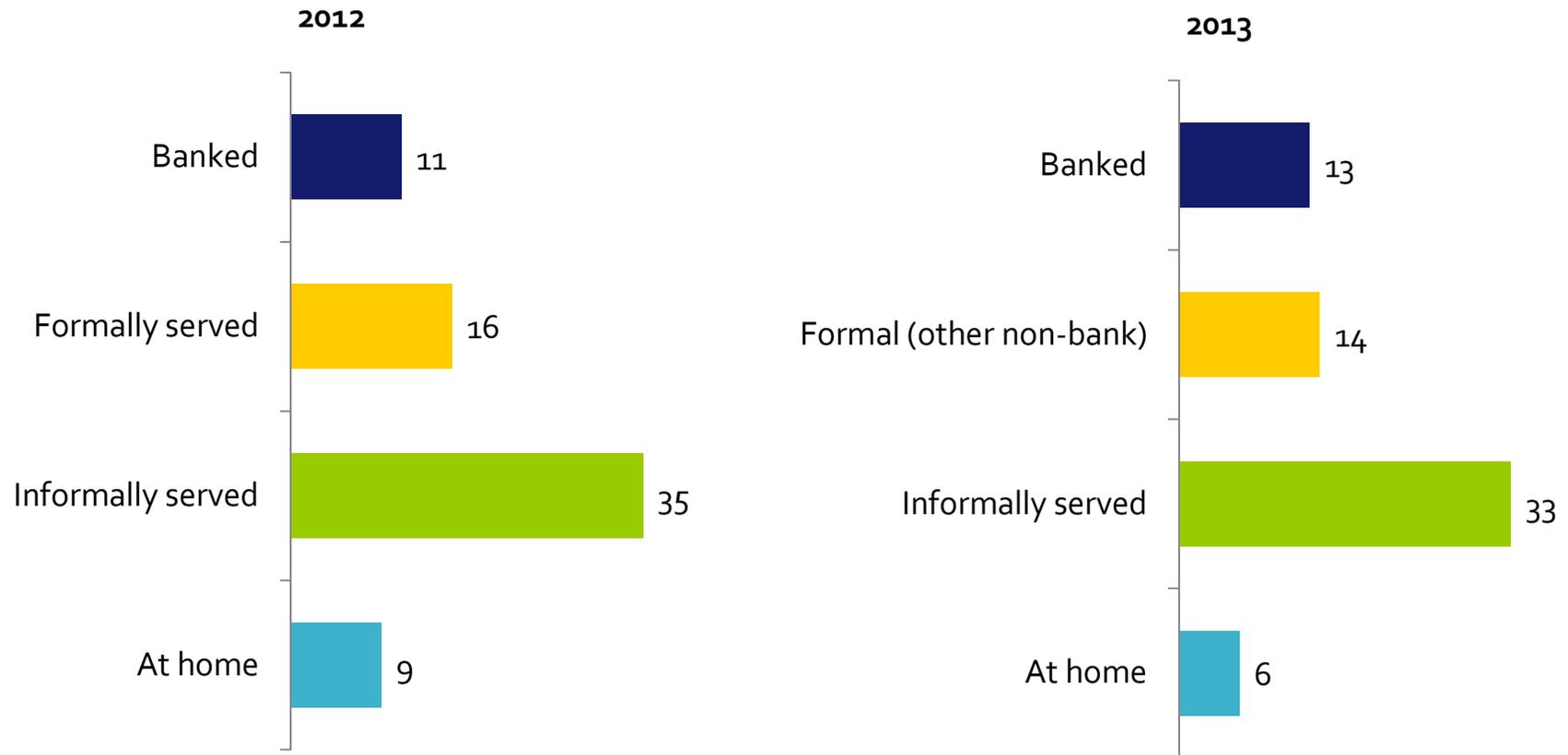


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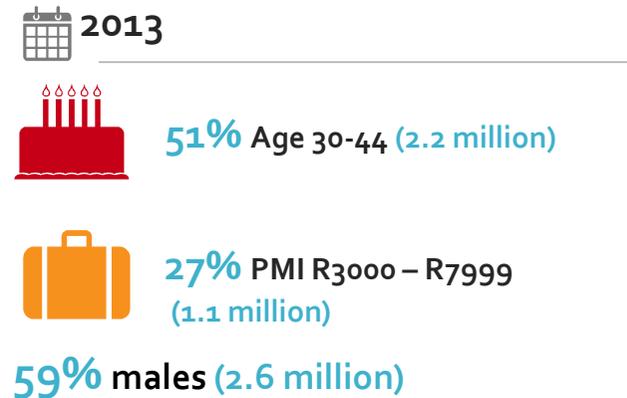
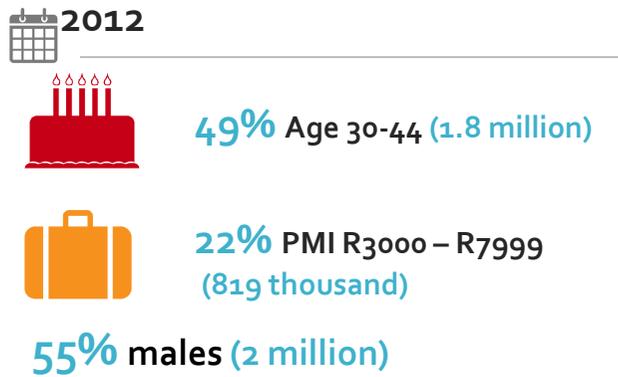
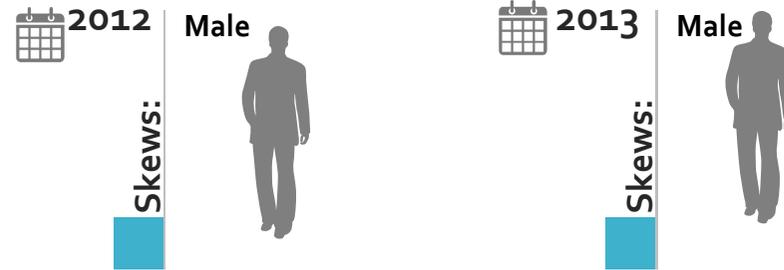
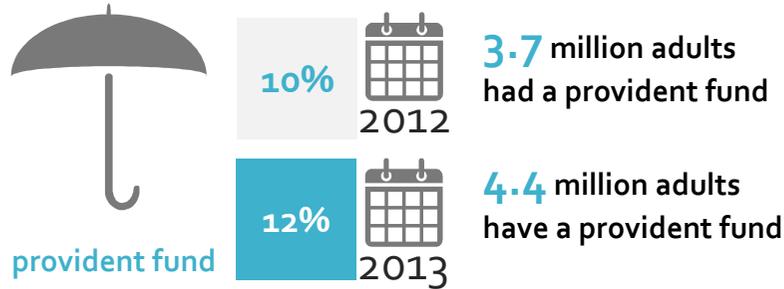
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Formal savings have slightly declined



Provident fund increased from 3.7 million to 4.4 million in 2013



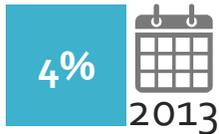
People with an education policy went up from 0.8 million to 1.6 million



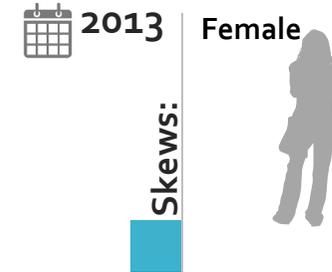
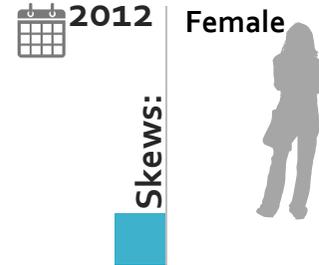
education policy



879 thousand adults had an education policy



1.6 million adults have an education policy



2012



52% Age 39-44
(457 thousand)



14% PMI R3000 – R7999
(119 thousand)

49% Females (434 thousand)

2013



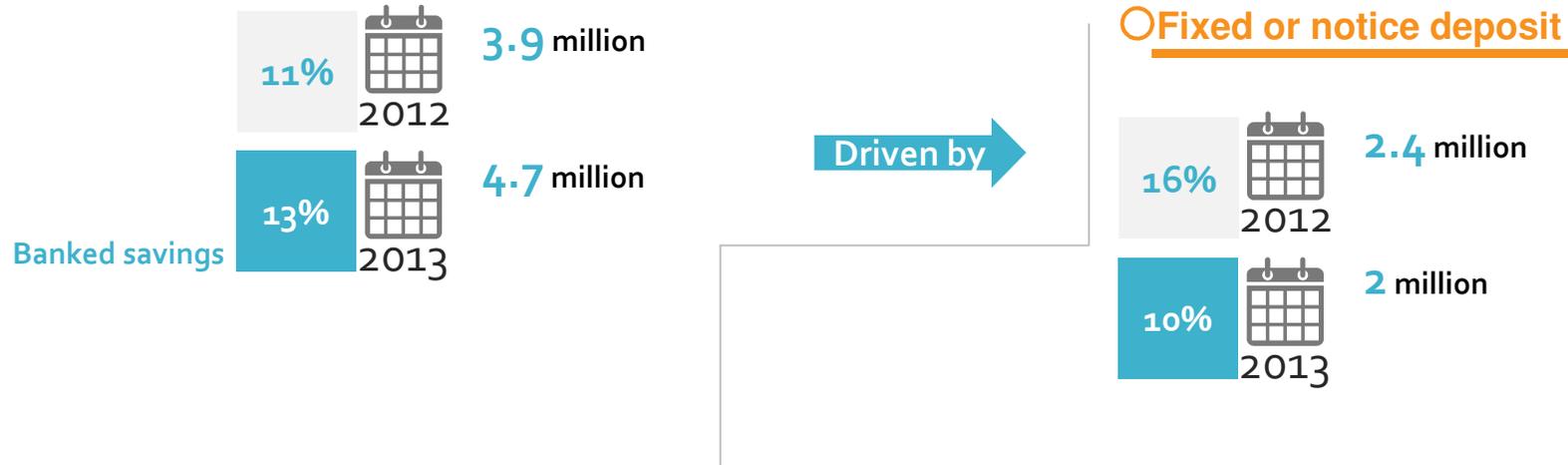
63% Age 30-44 (1 million)



24% PMI R3000 – R7999
(387 thousand)

54% Females (880 thousand)

Overall savings with banks soared from 3.9 million to 4.7 million



2012



2% Age 18-29 (325 thousand)
8% Age 30-44 (800 thousand)



7% PMI R3000 – R7999
(171 thousand)

2013



7% Age 18-29 (540 thousand)
12% Age 30-44 (1.1 million)



14% PMI R3000 – R7999
(586 thousand)

Types of savings products



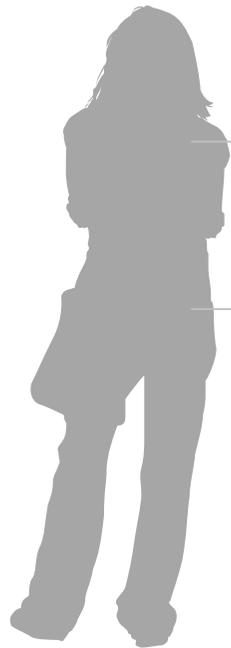
Long term formal savings products:

education policy, investment/savings policy, endowment policy and off-shore investments, provident fund, retirement annuity and pension fund

Medium term formal products: unit trusts, stokvel account at a bank, share on the stock exchange, other shares such as Sasol shares and government bonds.

Short-term formal savings products: deposit account, call account and money market account. Informal savings include stokvel/umgalelo and investment/savings club

What are people saving for?



58%

of adults in SA claim that they are currently not saving

○ Long term

Of those who have long term formal savings products

- 36% are saving in case of an emergency
- 23% are saving to provide for their family if they die
- 21% are saving for school fees or education

○ Medium term

Of those with a medium term formal savings product

- 45% are saving in case of an emergency

○ Short term

Of those with short term formal savings products

- 49% are saving in case of an emergency
- 28% are saving for funeral costs
- 17% for a car

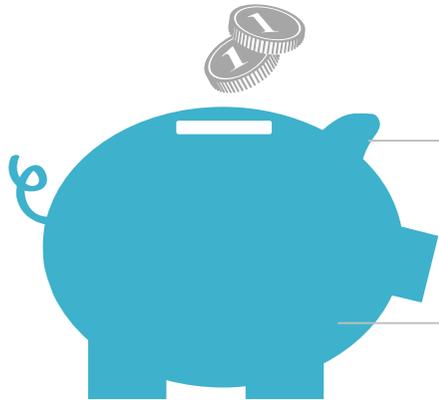


Those with informal savings

27% are saving for food

24% for funeral costs

Multiple savings vehicles: formal vs. informal



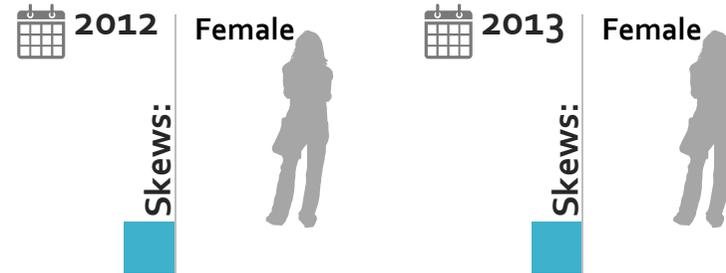
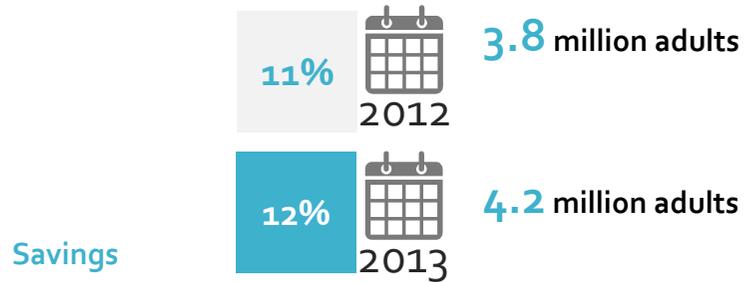
○ Long term

- Of the people who have long term formal savings products, **43%** also have some form of short term formal savings products and **29%** have informal savings

○ Medium term

- Of the people who have medium term formal savings products, **58%** also have informal savings and **48%** have short term formal savings products and **47%** have long term formal savings products

The number of people belonging to savings group or stokvels has increased



- What did we do?
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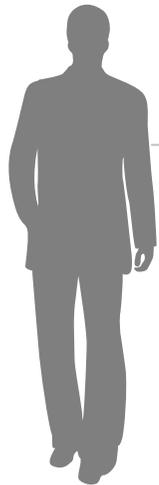


More people are entering the insurance category but overall product repertoires are stable



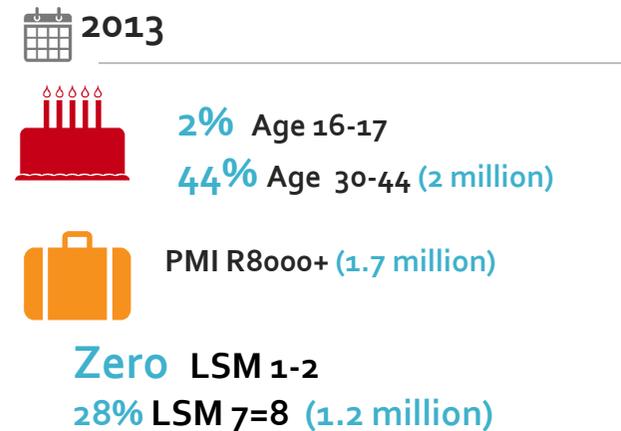
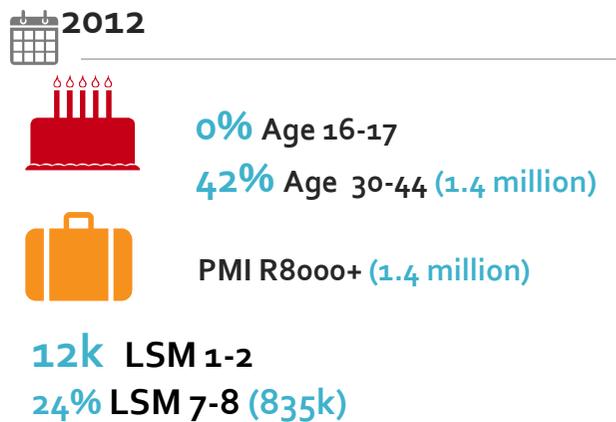
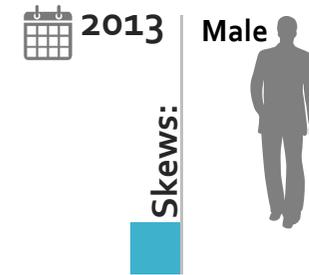
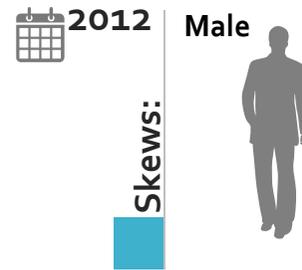
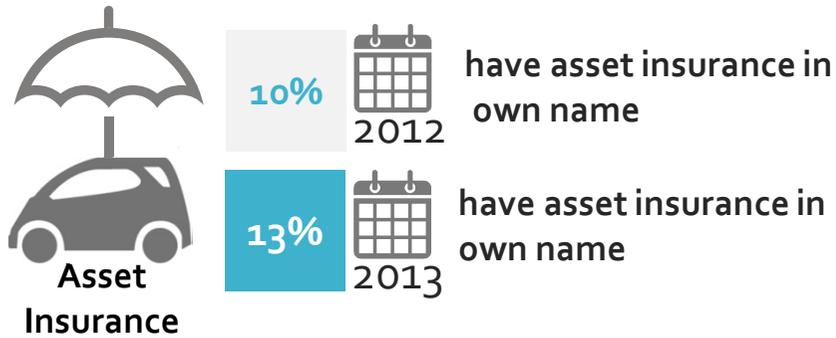
Insurance

In 2012, **6.2 million** people had **formal insurance** in 2013, **7.8 million** people have formal insurance

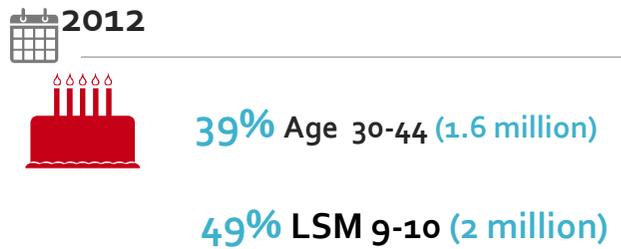
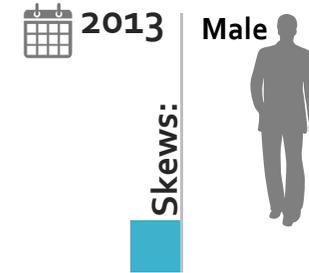
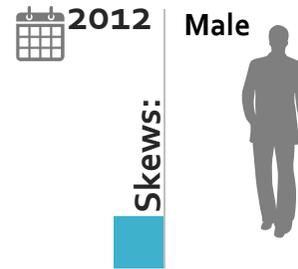
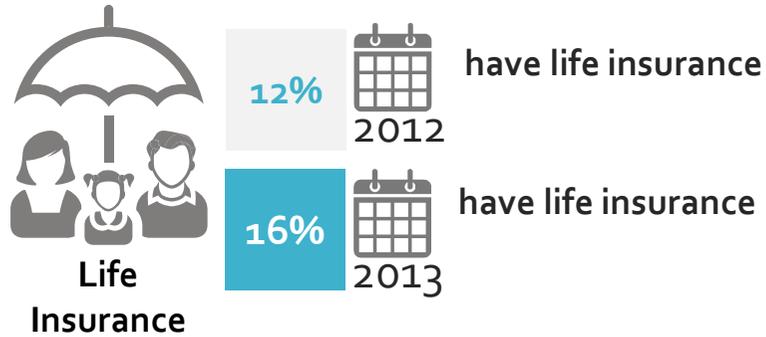


- Of people who do have them insurance product holders on average have 3 different insurance products (stable over the past year)
- And people who have funeral cover on average have 2 different funeral cover products

Asset insurance has seen a growth of over 1 million people

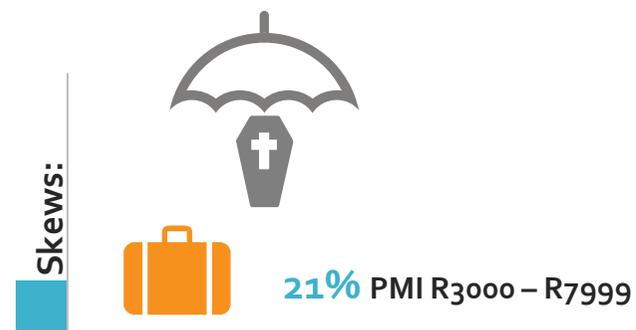
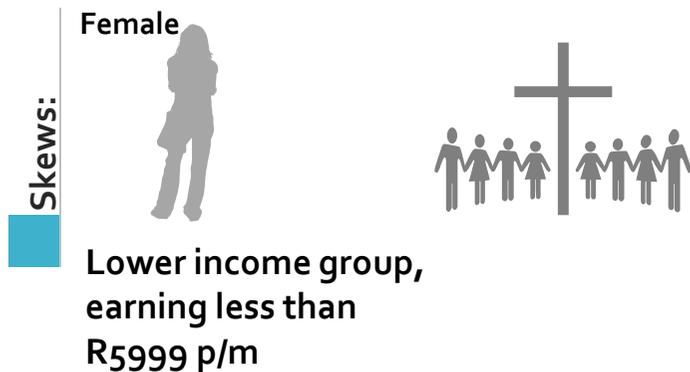
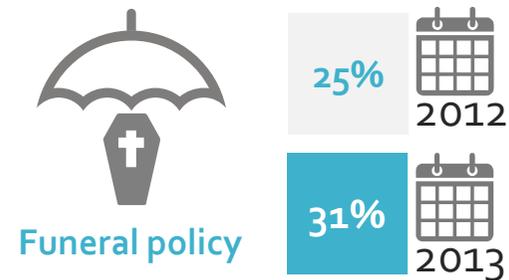
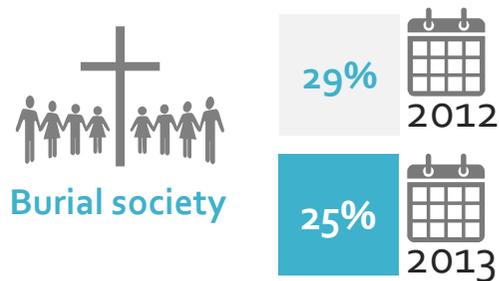


Life insurance has seen a growth of 1.4 million people



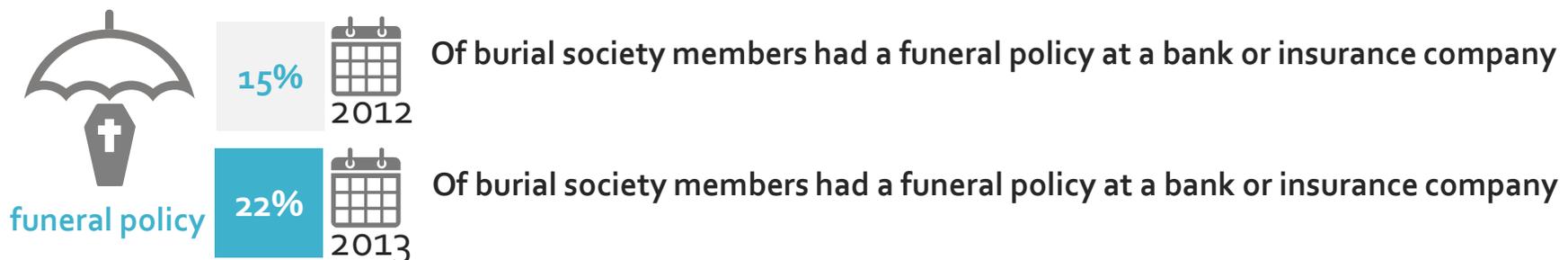
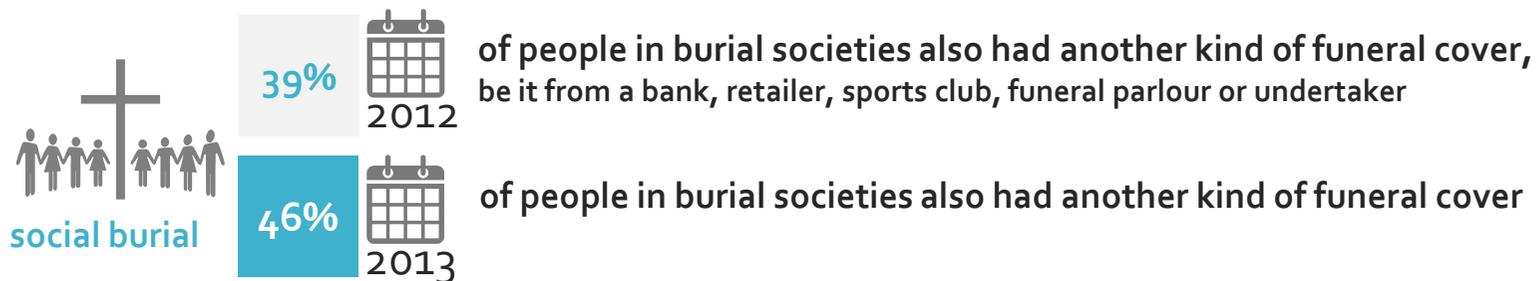
People are churning out of social burial societies...

...and there is greater uptake of funeral policies from banks and insurance companies



There is a move away from burial societies to formal funeral cover

But there is also an increase in people being covered by both burial societies and formal insurance



There is an increase in people being covered by burial societies and formal insurance

"I realised that it was an oversight to be just paying for mortuary or burial society only. Last month I joined Boxer. They have a package and they are with Nedbank. You pay R20 a month and they pay out R5000"



- What did we do?
- Have people's lives changed?
- Where is the increase in credit?
- Are people saving?
- Is formal insurance replacing the informal?
- **Increasing banking through mobile enablement?**
- Banking: Has it increased?
- Including the excluded?
- 5 key take outs



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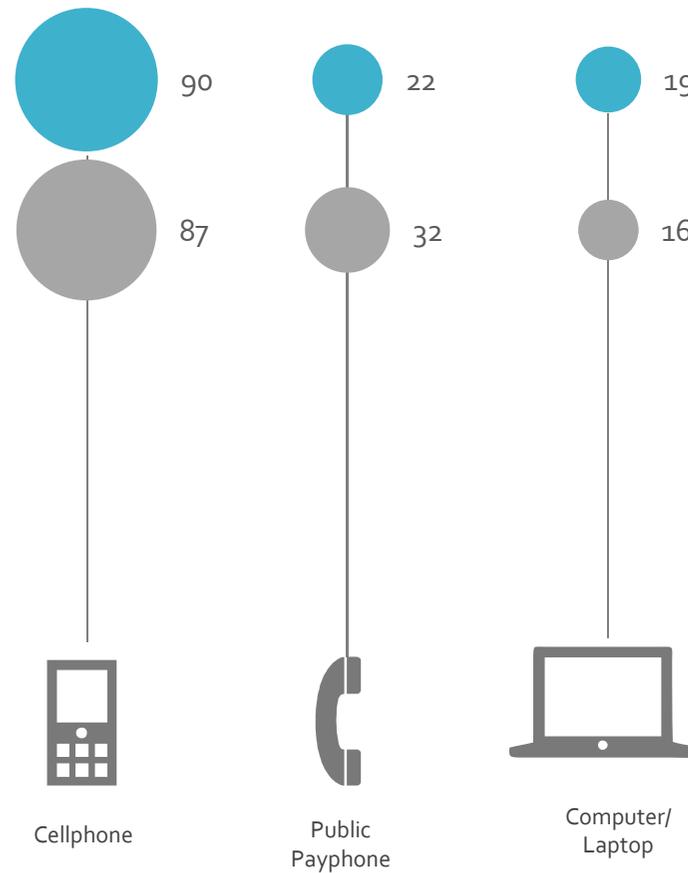
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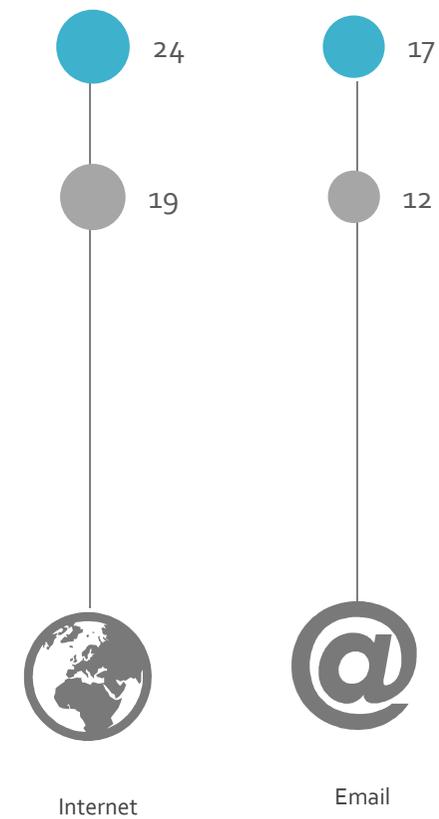
33 million adults currently use cell phones and 8 million use the internet



Communication devices which people use



Digital channels that people use



Internet banking has increased dramatically

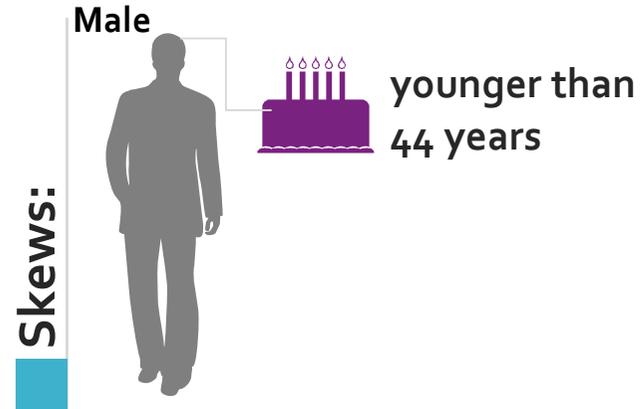


Who is driving this?



Cell phone banking has increased but 71% still do not use cell phone banking

Cell phone banking has increased



 **13%** in tribal areas

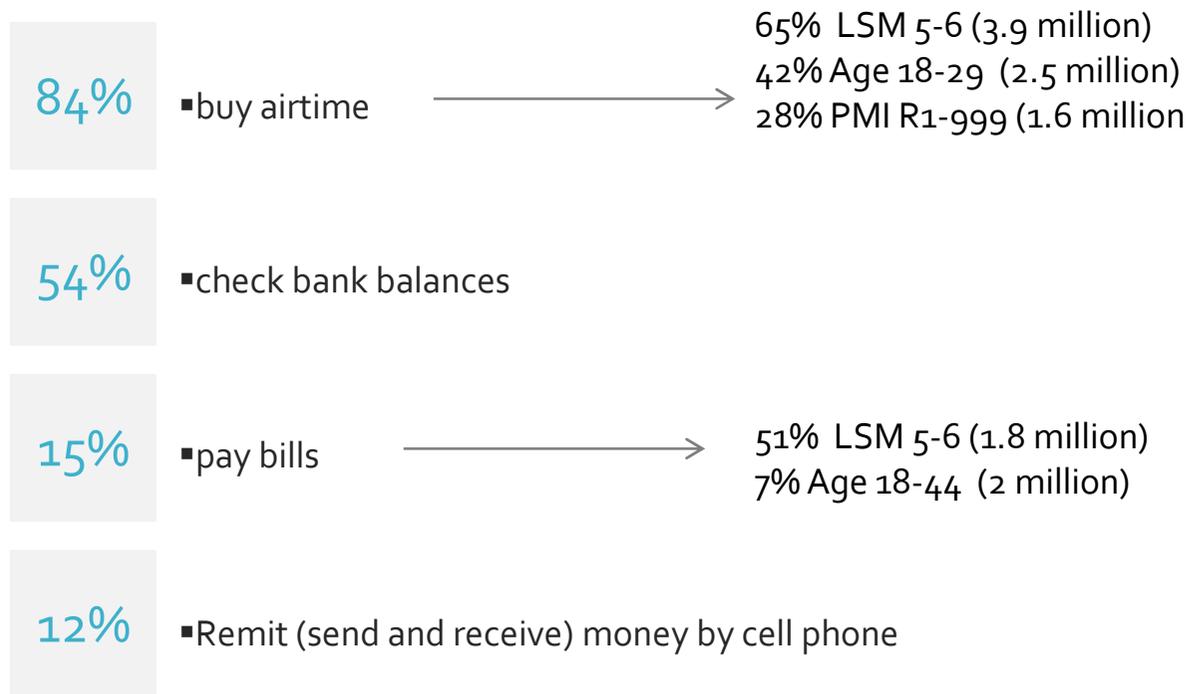
1/3  1/3 of adults in SA find technology too complicated to use for financial activities, skews towards females

Of those who are using their cell phone for financial activities, **76% are younger than 44 years.**

That said, there is a huge interest in using cell phones for financial activities..**42% of adults are interested**

What is cell phone banking used for?

Of those who use cell phone banking



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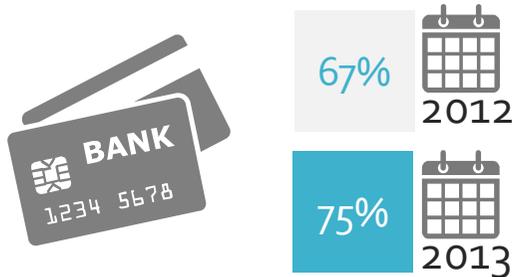


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More people are coming into banking



In 2013 **3.5 million** more people were banked



Driven by inclusion of people earning **R3 000 – R7 999**

2012 – 2.3 million
2013 – 4.2 million

New banking is made up of 2 elements



New SASSA card holders

1.9 million SASSA card holders

Government grant holders:

Personal income **less than R3 000** (82%)

LSM 3 – 6 (85%)

Female (81%)

Organic banking growth

1.5 million new banking entrants

Personal monthly income **R3 000 to R7 999**

27% of adults in SA receive a form of government grant in 2013

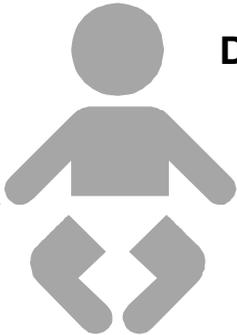


10.3 million people in SA receive a government grant



9.9 million people in SA receive a government grant

Decline in child grants



6.5 million recipients



5.7 million recipients

fewer men claiming child grants in 2013



Skews of SASSA recipients: women, therefore, more women in banking



Is SASSA encouraging people to transact?



42
%

(4.1 million) of grant recipients have an additional bank account



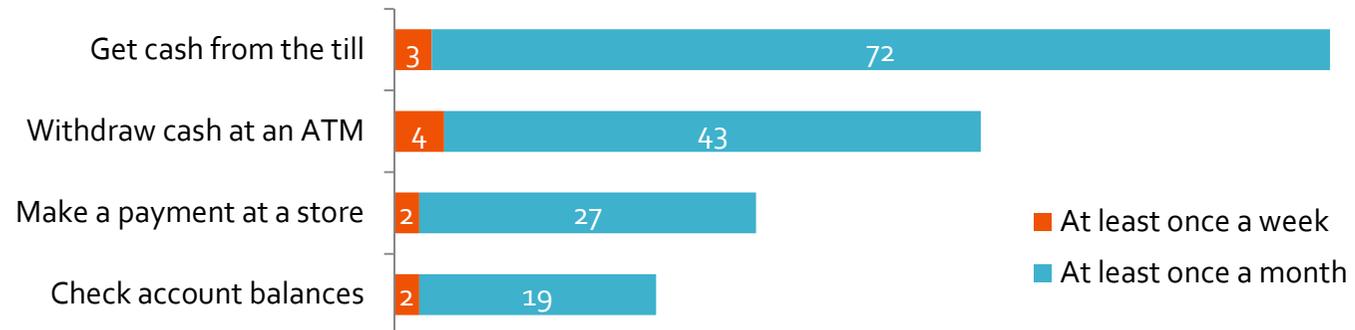
34
%

(3.4 million) of grant recipients take out all their money as soon as it is deposited



82
%

(8.2 million) use their card monthly to:



1.8 million grant recipients are getting their grant money at SASSA pay points

18% of grant recipients are not using their SASSA cards to draw cash, pay stores, or check account balances

They continue to choose only cash based transacting



"Everyone has gone to the banks and/or stores and at the hall there are no queues. It is quick now because people get paid with their SASSA cards and the at banks, so at the hall there is no queue, you get there and just collect your money from the machine"

- What did we do?
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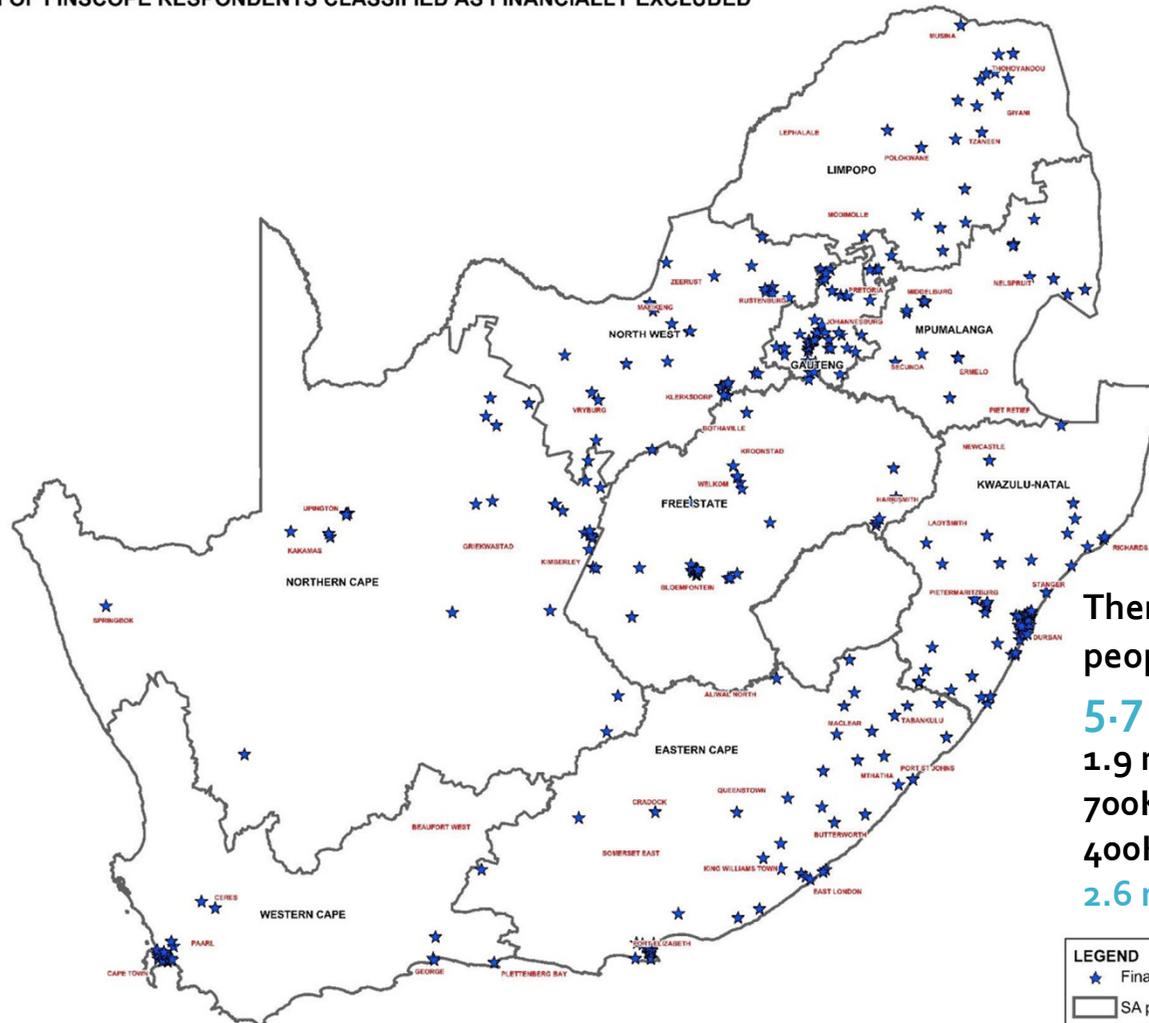
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There are pockets of excluded people in metropolitan areas but many of the excluded are hard to reach

DISTRIBUTION OF FINSCOPE RESPONDENTS CLASSIFIED AS FINANCIALLY EXCLUDED



There were **6.7 million** excluded people in 2012 this has dropped to **5.7 million** people in 2013
 1.9 million are in urban formal areas
 700K are in urban informal areas
 400K are in rural formal areas and **2.6 million** are in tribal areas

LEGEND
 ★ Financially excluded respondents
 □ SA provincial boundaries



1.4 million excluded people are getting their own money



5.7 million people are excluded from financial access

Very difficult to access

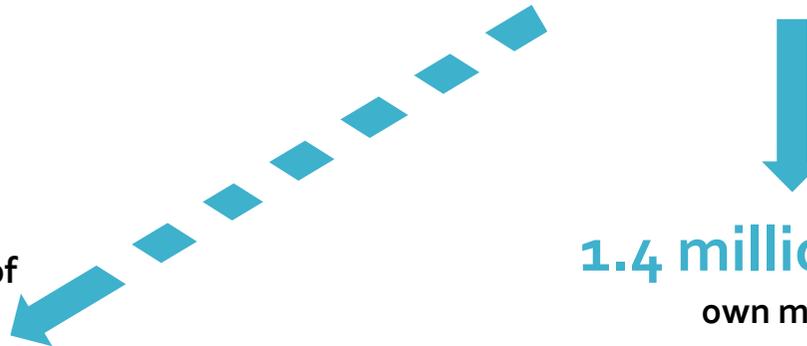
2.9 million of these people have no money or no mobile phone

Potential opportunities?

2.8 million of these people have some money and a mobile phone

For **1.4 million** their source of money is their parents

1.4 million get their own money



Who are the 1.4 million people who are getting their own money but are not banked?



Rural / Tribal people

870 thousand

More likely to be:
LSM 4-5, with a mean
personal monthly
income of **R840**
Not the head of their
household



A social grant ID point

Urban people

570 thousand

More likely to be:
LSM 5-6, with a mean
personal monthly
income of **R2 000**
The head of their
household



A supermarket

**Where is the nearest source of
infrastructural access for them?**

Other infrastructural touch points that these people are using and that could be potential points of access are:
Restaurants and Church's

What do these 1.4 million people have in common?



1 in 10 would consider banking in the future but perceived cost is the strongest barrier to banking for these people

They are likely to be:

- | | | |
|---|--|---|
| Aged 18-24 and male |  | Talk to this demographic in communications |
| Highly risk averse |  | Talk to them in a language that is simple and reassuring |
| Not budgeting and Stressed by personal finance |  | Consider this in product design – how can products help these people overcome these fears? |
| Receiving inconsistent wages – e.g. from piece jobs |  | Consider this in product design – how can products be tailored to allow for more irregular income |
| Buying electricity and airtime |  | Consider this in product design – how can these be used to incentivise product uptake |

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5 key take outs



Positive signs of upward mobility relative to access to goods and infrastructure. However, this is not played out in the Household or Personal Monthly Income increases.

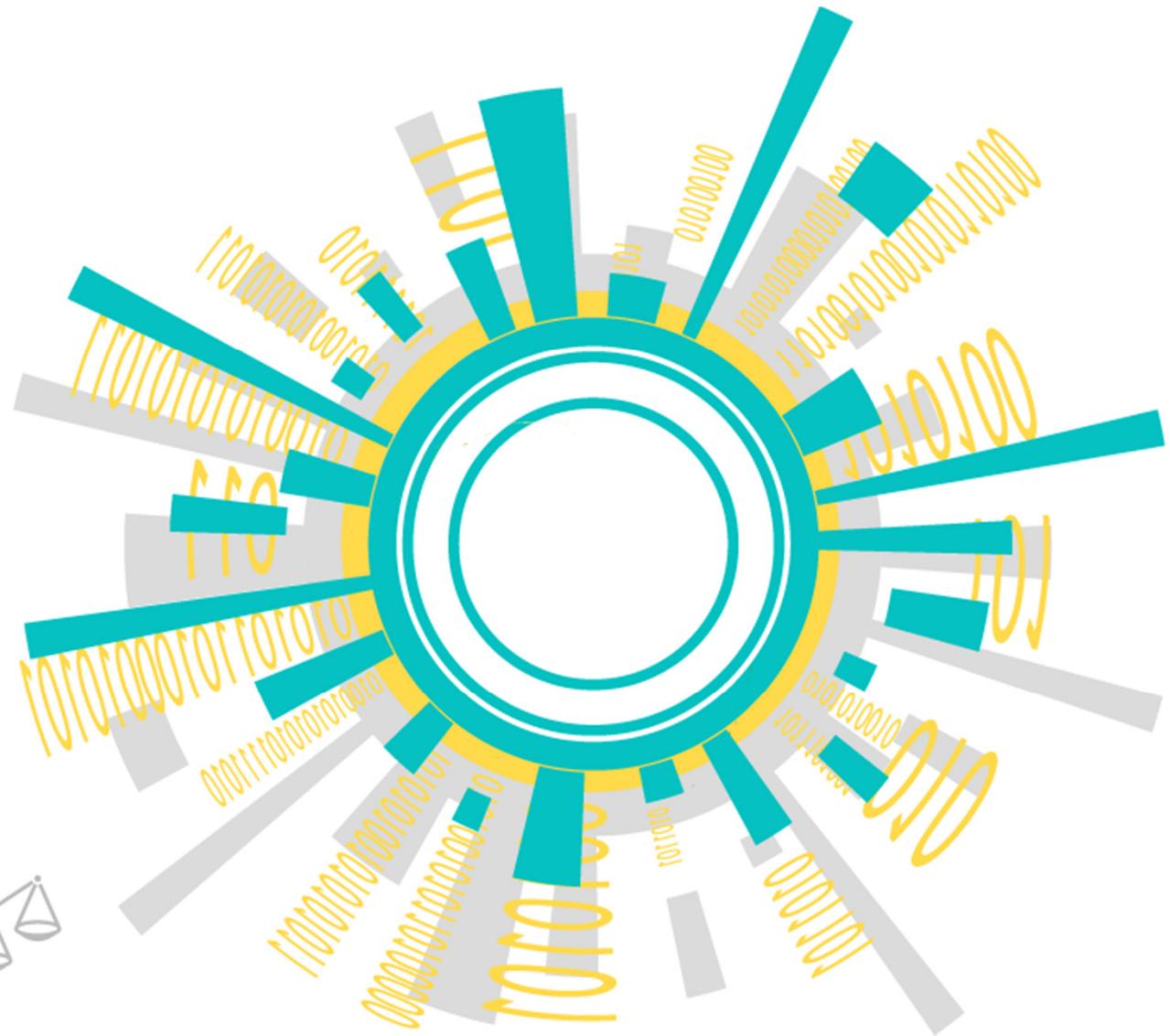
Overall, there is growth in formal product engagement particularly for people earning R3 000 to R7 999 per month. Continued signs of both formal and informal products being used by this group due to the different benefits on offer.

A marginal increase in saving offset by higher growth in borrowing. Of real concern is that 4.7 million people can be considered to be over-indebted.

Increases in banking driven by both SASSA and organic growth.

Do we need to focus on mobile as the biggest opportunity for including the 'excluded'?

FinScope SA 2013 Consumer Survey



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